

A Work Project, presented as part of the requirements for the Award of a Master Degree in Finance from the NOVA – School of Business and Economics.

Keurig Dr Pepper: From Pods to Pops - Industry Overview and Forecasts

André Madeira Fradinho - 46780

A Project carried out on the Master in Finance Program, under the supervision of:

Rosário André

17th of December, 2024

### Abstract

This report analyzes Keurig Dr Pepper's (KDP) market positioning, financial performance, and long-term outlook within the non-alcoholic beverages industry. Despite operating in an oligopolistic market dominated by Coca-Cola and PepsiCo, KDP's hybrid distribution model and product diversification have contributed to its competitive stance. However, the company's growth potential is constrained by a stagnant soft drinks market, regulatory pressures, and heavy reliance on North America.

The financial valuation adopts a two-stage forecast model, estimating revenue and costs up to 2035. Key drivers include projected changes in net price realization, per capita volume, and cost efficiency. KDP's revenue is expected to grow modestly, driven by steady price increases and limited volume expansion. Operating margins remain stable through disciplined cost management, while capital expenditures and tax reformulation account for significant cash flow impacts.

The findings indicate a cautious outlook for KDP, with profitability heavily reliant on innovation and market share preservation amid intense competition. Sensitivity analysis underscores risks tied to key assumptions such as WACC and terminal growth rates. The report concludes with a valuation recommendation reflecting limited upside potential for KDP in the near-to-medium term.

Keywords: Non-Acoholic Beverages, Coffee, Industry Overview,  
Forecasts, Equity Research

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

This report is part of the Keurig Dr Pepper: From Pods to Pops report (annexed), developed by André Fradinho and Rodrigo Mota and should be read as an integral part of it.

# Table of Contents

## Contents

|   |           |
|---|-----------|
| <b>INTRODUCTION .....</b>                 | <b>6</b>  |
| <b>INDUSTRY OVERVIEW .....</b>            | <b>7</b>  |
| BOTTLED WATER .....                       | 7         |
| JUICES.....                               | 7         |
| READY-TO-DRINK (RTD) COFFEE & TEA .....   | 8         |
| SOFT DRINKS.....                          | 8         |
| <b>VALUE DRIVERS AND FORECASTS.....</b>   | <b>9</b>  |
| INCOME STATEMENT.....                     | 9         |
| ▪ <i>Revenue Drivers</i> .....            | 9         |
| ○ <i>U.S. Refreshment Beverages</i> ..... | 10        |
| ○ <i>U.S. Coffee</i> .....                | 11        |
| ○ <i>International</i> .....              | 11        |
| ▪ <i>Cost Drivers</i> .....               | 11        |
| BALANCE SHEET .....                       | 13        |
| ▪ <i>Forecast</i> .....                   | 14        |
| Q4 FORECAST .....                         | 17        |
| CASH FLOW MAP .....                       | 17        |
| <b>KEY RISKS .....</b>                    | <b>18</b> |
| <b>APPENDIX .....</b>                     | <b>19</b> |
| <b>FINANCIAL STATEMENTS.....</b>          | <b>19</b> |
| <b>BIBLIOGRAPHY .....</b>                 | <b>20</b> |

## Introduction

This report is part of a joint analysis of Keurig Dr Pepper (KDP), a leading player in the North American non-alcoholic beverage industry. The purpose of the joint work is to assess KDP's financial performance, market positioning, and future outlook, culminating in a *Sell recommendation* with a target price of \$30.40 for FY25, implying a downside potential of 4.5% from the current share price. This conclusion reflects KDP's limited growth prospects due to a stagnant soft drinks market, regulatory pressures, rising operational costs, and its overreliance on North America compared to competitors like Coca-Cola and PepsiCo. While KDP's acquisition of Ghost Energy enhances its position in the growing energy drink market, these efforts are insufficient to overcome broader industry challenges. Sensitivity and scenario analyses further highlight risks associated with key valuation assumptions such as WACC and terminal growth rates.

The joint report includes an overview of KDP's operations, competitive positioning, industry trends, and financial forecasts leading to the final recommendation. This individual report focuses on the industry landscape and key financial drivers, including revenue and cost projections, while developing forecasts for the income statement and balance sheet. My counterpart's contribution centers on KDP's company overview, competitive dynamics, and valuation analysis.

Together, these analyses provide a comprehensive understanding of KDP's current position and future challenges. This individual report complements the joint conclusions by examining the external industry dynamics and financial drivers influencing KDP's performance.

## Industry Overview

Keurig Dr Pepper operates in the Non-Alcoholic Beverages industry, which is characterized as an oligopoly between three major players (Coca-cola, Pepsi and Keurig Dr Pepper). The industry is set to produce 528 billion USD in revenue by the end of 2024, resulting in a 4.6% CAGR growth since 2018, which resulted primarily from a strong evolution of average prices per litre across the different sectors, in 3.1%, with volume per capita in Home consumption growing weakly, at 1.5% CAGR, and in Out-of-Home consumption even contracting, at a rate of 1% CAGR. The industry may be further broken down into its different segments, for a more granular analysis:

### Bottled Water

The bottled water market in the United States is set to achieve 112 billion USD by the end of 2024, and is expected to grow at a CAGR of 2.5% over the next five years to a total of 127.6 billion USD in in 2029 (Vuo 2024). This growth is expected through the advent of a recent shift towards premium and flavoured water products, in parallel with increasing preferences for bottled water over normal water drinks (Grand View Research 2023).

Keurig Dr Pepper holds two key brands within the segment: Dejà Blue, positioned as a cheaper brand, with a market share of 0.1%, and CORE Hydration, a premium brand, with a market share of 3.4% (Corporate Profiles 2023).

### Juices

The Juice segment encompasses a range of products, from 100% fruit and vegetable juices, nectars and juice drinks. In recent years, the segment has also faced challenges concerning sugar contents, being one of the greatest contributors to sugar and carbohydrate intake in the industry, second only to carbonated drinks. This has brought perceptions of being unhealthy, even to 100% natural products, challenging manufacturers to balance taste and health prospects (Juice in the US 2023).

Despite these challenges, health-conscious consumers have brought growth to premium categories, particularly those emphasizing functionality and sustainability, with innovations such as cold-pressed juices gaining tractions with brands like Evolution Fresh expanding significantly in the United States.

The segment’s revenue is padded by the increasing integration of juice as a component in other beverage categories, such as being utilized as natural

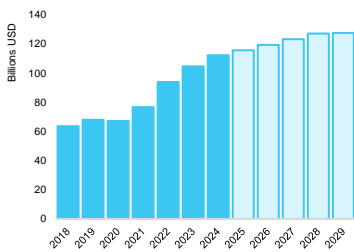


Figure 9 - Bottled Water Segment Value Evolution (Source: Statista)

flavouring agents in sports drinks, flavoured waters, further blurring the non-alcoholic drinks market (Juice in the US 2023).

## Ready-to-Drink (RTD) Coffee & Tea

The Ready-to-Drink segment includes packaged coffee and tea beverages in liquid form, ready for immediate consumption, not including products in dry form such as instant coffee and tea leaves. The segment has experienced significant growth over recent years, valued at USD 103.62 billion and is projected to grow at a CAGR of 6.2% up to 2030, driven by consumer demand for convenient and health-conscious beverage options (Grand View Research 2022). As busy lifestyles become more and more prevalent, particularly in urban areas and among younger demographics, the convenience of on-the-go consumption is set to play a significant factor in market dynamics. Health and wellness trends are also significant here, leading to the inclusion of natural and clean ingredients, in parallel with reductions in sugar content. Furthermore, evolving consumers preferences have pushed.

## Soft Drinks

Traditional Carbonated Soft Drinks (CSD), as well as Non-Carbonated Soft Drinks have experienced a consistent contraction in overall consumption, slightly offset by the recent diversification in the product portfolio available to the market through lower-calorie options and enhanced functional beverages, but primarily by the rise of energy drinks in popularity, with a 1.9% CAGR between 2018 and 2024. This has taken place as a result of the recent shifts in consumer preferences towards more health-conscious products, due to the high-sugar content often found in such products. The regulatory environment has also played a part in the subdued growth of this segment, with so called “soda-taxes”, a tax on beverages with high contents of sugar, further deteriorating demand in the sector and pushing companies to expand its low/no sugar offerings.

This segment presents a significantly concentrated market, with three players (Coca-Cola, PepsiCo and Keurig Dr Pepper) controlling over 90% of the revenue stream, as a result of their brand strength and customer loyalty, besides the barriers to entry common to the rest of the industry such as large economies of scale and capital requirements. Very high M&A activity is also a very important factor here, with larger companies often acquiring smaller, innovative brands to diversify their portfolios and respond to health and wellness trends, premiumization, and environmental concerns. Acquisitions such as Pepsi’s deal



Figure 10 - Barriers to Entry Analysis  
(Source: GlobalData)

over Rockstar Energy, the third largest energy drink provider, also allows these companies to further consolidate their position into the market.

As a whole, the industry’s strong growth during since 2018 may attract newcomers, which may find opportunities for differentiation, particularly by focusing on health benefits and nutritional enhancements. Large multinational players, however, hold significant competitive advantages through economies of scale, well established brands, and diverse product portfolios, creating a challenging environment for small-scale players to thrive. Entry can be further restricted by the capital-intensive nature of production, particularly in manufacturing concentrates, along with the highly complex regulatory environment. Additionally, soda-taxes may bring both challenges and opportunities for new players, encouraging innovation (GlobalData 2024).

As a whole, the industry’s strong growth during since 2018 may attract newcomers, which may find opportunities for differentiation, particularly by focusing on health benefits and nutritional enhancements. Large multinational players, however, hold significant competitive advantages through economies of scale, well established brands, and diverse product portfolios, creating a challenging environment for small-scale players to thrive. Entry can be further restricted by the capital-intensive nature of production, particularly in manufacturing concentrates, along with the highly complex regulatory environment. Additionally, soda-taxes may bring both challenges and opportunities for new players, encouraging innovation (GlobalData 2024).

## Value Drivers and Forecasts

The forecast analysis will span the years 2025 through 2035, starting with a forecast of the reformulated income statement, followed by an estimate of future balance sheet items and closing off with the reconciliation with investor funds.

### Income Statement

The income statement forecast resulted from a two-stage process, opening with a revenue forecast which then set the stage for the subsequent cost assessment.

- Revenue Drivers

The lack of information concerning market shares and their evolution over the different segments of operation, as well as regarding the nominal volume of units sold in each, made both the top down and bottom-up approaches ineffective as an immediate or clear cut attempt. Instead, we relied on lessons from both in

order to cope with the level of company-side material made publicly available: while annual and quarterly reports did not present the volume of units sold or average prices, they did provide us with their respective percentual changes between fiscal years, which, Foreign Exchange impacts aside, translated into nominal growth by the following relationship:

$$\Delta\%_{Revenue} \sim \Delta\%_{Net\ Price\ Realization} + \Delta\%_{Volume}$$

Thus, providing a gateway to revenue forecasts through:

$$Revenue_t = Revenue_{t-1} \times (1 + \Delta\%_{Revenue_t})$$

Market data was, thus, retrieved over the different segments and an analysis was conducted with the aim of adequately estimating the expected changes in net price realization and volume sold over the next decade.

Changes in volume were estimated under the assumption that there would be no significant changes in market shares in the industry over the following decades, as a result of the presence of very strong brands with loyal customer bases and recurrent M&A activities. This means that change in total market size translate directly into changes in per company net sales volume.

Total market size was estimated under the following relationship:

$$Market\ Volume = Average\ Volume\ per\ Capita \times Total\ Population$$

Total population forecasts for the United States, Canada and Mexico, the three countries where KDP is currently present, were retrieved from the United Nations Data Portal – Population division between the years of 2018 and 2029 (the years for which average volume per capita was available). According to the research Canada is currently expected to achieve the greatest CAGR from 2024 to 2029 at 0.81%, with Mexico slightly lagging behind at 0.71% and the United States with an even slower growth of 0.49%.

○ U.S. Refreshment Beverages

Volume per capita in the Soft Drinks market is projected to experience a small contraction over the following decade, slightly offset by population growth expectations up to -0.25% per year, which should reflect very accurately into Keurig Dr Pepper’s performance, as the market as matured into a position where market share changes have settled down. Net price realization is forecasted to experience a 1.6% yearly change over the following decade, resulting in an expected 1.4% overall yearly revenue change during the forecasted period, yielding a total of 10.6 million by 2035.

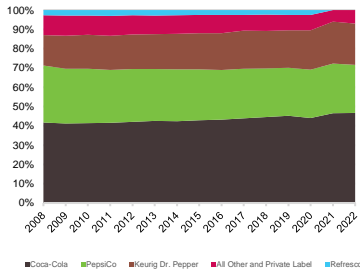


Figure 11 - Market Share Evolution (Source: Statista)

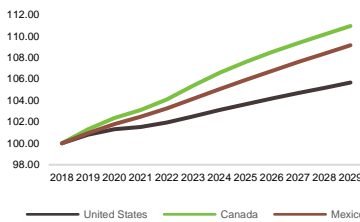


Figure 12 - Population Forecast (Source: United Nations Data Portal)

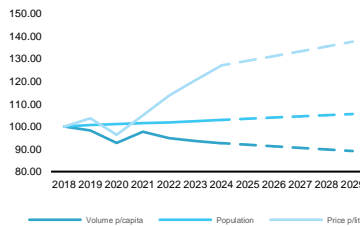


Figure 13 - Historical and Forecasted Trends in the U.S Refreshment Beverages Segment (Source: Statista)

- U.S. Coffee

The Ready-to-Drink Coffee market in the US is projected to experience a slightly slower growth over the next decade in comparison to its past five years, at around a 1.5% increase up to 8 litres per capita. Population growth expected to further increase expected volume in the market and, as a consequence of negligible changes in market shares, KDP's up to 2% per annum. With market research pointing towards slower changes in prices per litre, at 1% per year, the overall forecasted annual change in revenues amounts to 3% per year up to 2035.

- International

While the energy and sports drinks segment in Canada is forecast to expand according to market research, its still smaller presence in the market hindered it from preventing the general contraction at 1.5% per year in per-capita-consumption, brought on by the remaining segments. The Mexican market is forecasted to experience a similar situation, with all three soft drinks segments contracting for a total yearly contraction of 1% per year. When accounting for projected population growth, the forecasted yearly volume change over the period is -0.5%, assuming both the Canadian and Mexican markets weigh identical amounts in volume sold. Price per litre is expected to experience a 2% yearly change over the two countries as an aggregate, resulting in a overall change of 1.5% in revenue per year for the duration of the forecasting period.

- Cost Drivers

Similar to the situation we found concerning revenues, a lack of per item information concerning possible cost drivers (such as warehousing space, personnel count, number of items sold, etc...) calls for adjustment in methodology from standard methods. As a result of an analysis conducted over costs and their evolution, it was determined that their change as a ratio of determined items was relatively consistent throughout the historical period (in particular over the past three years, as changes carried from the merger in 2017 settled down). Additionally, we find no compelling reasons to suggest significant alterations in the company's cost structure. Costs were, thus, predicted on a item-ratio basis, under the assumption that they would remain relatively stable around the last three-year average over the coming years: Depreciation costs were forecasted as a percentage of total PP&E, where the remaining costs were

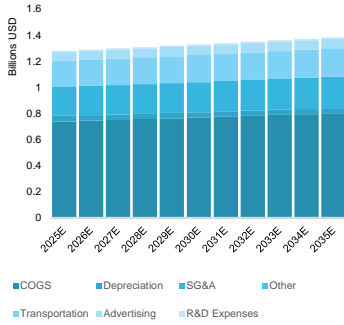


Figure 14 - Forecasted Evolution of Costs (Source: Own Calculations)

estimated as a percentage of revenue.

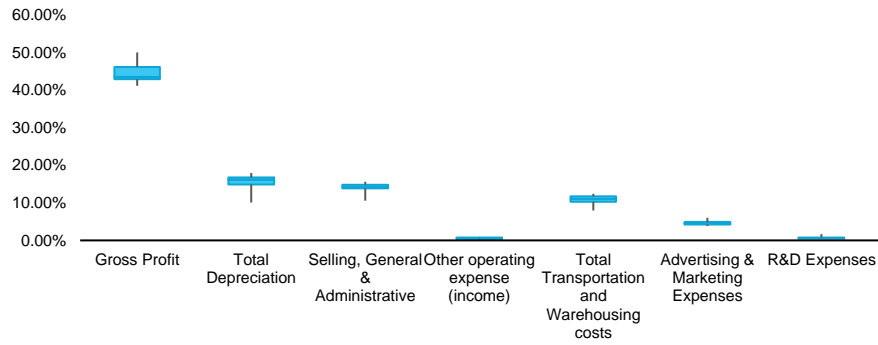


Figure 15 - Distribution of Key Financial Metrics (Source: KDP's Annual Reports)

Cost of Goods Sold are estimated to grow at a compound annual rate of 1.85%, up to \$10'600, reflecting stable revenue generation and effective cost management through a 43% gross margin. Driven by investments in fixed assets and production capabilities, depreciation expenses are expected to rise at a CAGR of 2.65%, up to \$560, at 15% of total PP&E. Selling, General and Administrative expenses are forecasted to grow at a CAGR of 2%, up to \$2'800, 15% of total revenue. Transportation and Warehousing costs are estimated to grow at a CAGR of 2%, consistent with logistical expansions and rising operational costs. Advertising and marketing expenses are projected to increase at a CAGR of 1.8%. Amortization was not accounted for, as internally created intangible assets, such as customer lists and product brands, are expensed rather than capitalized, meaning that when acquired intangibles lose value and are replaced by internal investment, such an investment has already been expensed (Koller, Goedhart and Wessels 2020, 351).

Cash taxes were computed separately, first through the computation of state and statutory taxes, adjusting for other taxes related to operational activities, such as changes emerging from non-US operations and foreign earnings. Changes in operating deferred tax assets (net of liabilities), such as accelerated depreciation and accrued expenses were then added, further adjusting away from accrual-based accounting. Future cash operating taxes were then forecasted as a percentage of EBITA, estimated to be a weighted average of the past 5 years, with weights being computed as follows:

$$w_i = \frac{(i - 2018)}{\sum_{s=1}^6 s}$$

|                                  |               |
|----------------------------------|---------------|
| <b>Income Tax</b>                | <b>2018</b>   |
| EBITA                            | 1466          |
| Statutory Tax Rate               | 0.26          |
| Statutory Taxes                  | 387.02        |
| Impact of non-U.S. Operations    | 0.10%         |
| U.S. taxation of foreign earning | 1.80%         |
| Deferred rate change             | -4.90%        |
| U.S. federal provision to return | -0.30%        |
| Other operating taxes            | -3.30%        |
| <b>Earnings Before Taxes</b>     | <b>791.00</b> |
| x Other operating taxes          | -26.10        |
| Operating Taxes                  | 360.92        |
| Change in net operating DTA      | -100.00       |
| <b>Operating Cash Taxes</b>      | <b>260.92</b> |
| Operating Cash Tax Rate          | 17.80%        |
| <b>Reported Taxes</b>            | <b>2018</b>   |
| Operating Taxes                  | 360.92        |
| Statutory Taxes - Non Operating  | -55.44        |
| Statutory Taxes - Financial      |               |
| Income                           | -122.76       |
| Other non operating taxes        | 19.28         |
| <b>Reported Taxes</b>            | <b>202.00</b> |
|                                  | <b>TRUE</b>   |

Figure 16 - Tax Reformulation (Source: Own Calculations)

These computations allow us to find and forecast Net Operating Profit After Taxes (NOPAT).

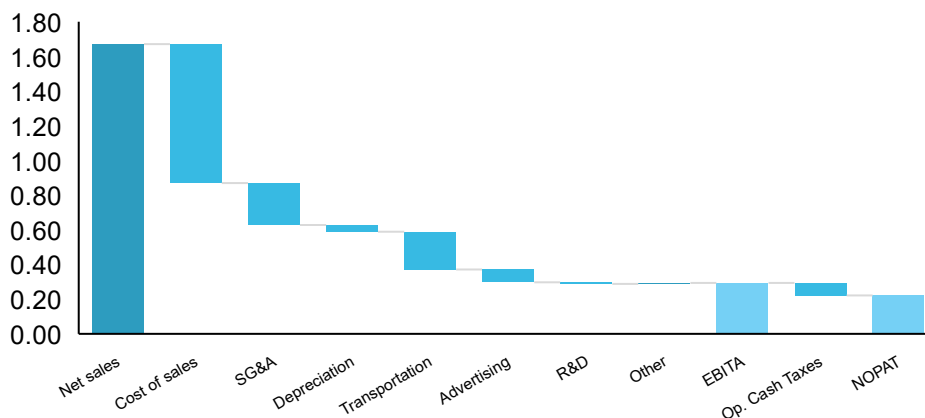


Figure 17 - Net Sales to NOPAT Waterfall Analysis (Source: Own Calculations)

Non-operating items were thus gathered and the respective statutory and other taxes were gathered, also considering for the change in non-operating deferred tax assets net of liabilities, bringing us to Non-Operating Profit After Tax.

Income and expenses originating from financial activities, such as interest expenses and gains on the sale of equity method investments, were gathered to put together financial income. The net tax benefit brought by their existence was computed as a simple product of state and statutory taxes by financial income (expenses), thus putting Net Financial Income together.

Finally, reconciliation checks were performed against reported net income values in order to ensure a correct reformulation.

| <b>Net Income Reconciliation<br/>(millions USD)</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| NOPAT   | 1205        | 1989        | 1902        | 2336        | 1928        | 2495        |
| NonNOPAT  | -274        | -235        | -44         | -117        | 173         | 62          |
| Net Financial Profit                                | -342        | -501        | -533        | -74         | -666        | -376        |
| <b>Net Income</b>                                   | <b>589</b>  | <b>1254</b> | <b>1325</b> | <b>2145</b> | <b>1435</b> | <b>2181</b> |
|   | TRUE        | TRUE        | TRUE        | TRUE        | TRUE        | TRUE        |

Figure 18 - Net Income Reconciliation (Source: Own Calculations)

## Balance Sheet

The balance sheet was reformulated into Core Invested, Non-Core Invested and Financial Capital, allowing for an adequate estimation of entries of the Cash Flow Map. Operating Assets and Liabilities were retrieved from the company’s annual

reports, with Tax Payables and Operating Lease Liabilities separated from other non-current accounts. Goodwill was classified as a core asset, as it is tied to acquired brand equity and strategic relationships, effectively enabling core operations in an industry which relies heavily on brand strength, distribution networks and customer relationships. As cash taxes were computed considering deferred tax assets and liabilities, deferred taxes for intangibles were subtracted in order to deducted the grossed up value of assets.

Operating cash was estimated as being 2% of each year's revenues, and excess cash was classified as a negative financial liability in accordance to the definition of Net Debt

$$\text{Net Debt} = \text{Total Debt} - \text{Cash and Cash Equivalents}$$

Because Deferred Tax Assets and Liabilities have already been accounted for in the adjustment from accrued-based taxes to cash taxes, they cannot be included into invested capital as they would be double counted into free cash flows. As such, Deferred Tax Liabilities net of Deferred Tax Assets were arranged into other financial liabilities next to other current liabilities and employee redeemable non-controlling interest. Finally, Shareholders' Equity was organized as reported in the annual reports, and a final reconciliation check was performed under the following equality:

$$\begin{aligned} \text{Invested Capital} + \text{Non - Operating Assets} \\ = \text{Debt and Equivalents} + \text{Equity and Equivalents} \end{aligned}$$

| Total Funds Reconciliation<br>(millions USD) | 2017         | 2018         | 2019         | 2020         | 2021         | 2022         | 2023         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Invested Capital                             | 12697        | 38812        | 38357        | 37906        | 37719        | 37106        | 38970        |
| Total Non-Operating Assets                   | 301          | 556          | 506          | 437          | 386          | 1442         | 1706         |
| <b>Total Invested Funds</b>                  | <b>12998</b> | <b>39368</b> | <b>38863</b> | <b>38343</b> | <b>38105</b> | <b>38548</b> | <b>40676</b> |
| Total Financial Liabilities                  | 5600         | 16835        | 15606        | 14513        | 13133        | 13423        | 15000        |
| Common Shareholders Equity                   | 7398         | 22533        | 23257        | 23830        | 24972        | 25125        | 25676        |
| <b>Total Funds Invested</b>                  | <b>12998</b> | <b>39368</b> | <b>38863</b> | <b>38343</b> | <b>38105</b> | <b>38548</b> | <b>40676</b> |
|  | TRUE         | TRUE         | TRUE         | TRUE         | TRUE         | TRUE         | TRUE         |

Figure 19 - Total Funds Reconciliation (Source: Own Calculations)

- Forecast

Net working capital items were forecasted on a stock-to-revenue basis, with most items estimated through an item-to-revenue ratio, with the the exception of Accounts Receivable, where the average receivable period was used,

Inventories, through the Average Inventory Holding Period, Accounts Payable, estimated with the Average Payable Period, and Accrued Expenses, as a percentage of Cost of Sales as it is economically tied to the price of inputs.

| Operating Assets                          | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | Entry                            |
|---|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|----------------------------------|
| Operating Cash                            | 2%   | 2%   | 2%   | 2%   | 2%   | 2%   | 2%   | 2%   | 2%   | 2%   | 2%   | 2%   | 2%   | 2%   | 2%   | 2%   | 2%   | 2%   | % Revenues                       |
| Accounts Receivable                       | 56   | 37   | 33   | 33   | 39   | 34   | 35   | 35   | 35   | 35   | 35   | 35   | 35   | 35   | 35   | 35   | 35   | 35   | Average Receivable Period        |
| Inventories                               | 64   | 50   | 54   | 57   | 71   | 62   | 74   | 65   | 65   | 65   | 65   | 65   | 65   | 65   | 65   | 65   | 65   | 65   | Average Inventory Holding Period |
| Prepaid expenses and other current assets | 3%   | 4%   | 3%   | 4%   | 3%   | 4%   | 4%   | 4%   | 4%   | 4%   | 4%   | 4%   | 4%   | 4%   | 4%   | 4%   | 4%   | 4%   | % Revenues                       |
| Operating lease right-of-use assets       | 0%   | 4%   | 6%   | 5%   | 6%   | 6%   | 6%   | 6%   | 6%   | 6%   | 6%   | 6%   | 6%   | 6%   | 6%   | 6%   | 6%   | 6%   | % Revenues                       |
| Operating Liabilities                     | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | Entry                            |
| Accounts payable                          | 244  | 253  | 278  | 288  | 292  | 202  | 177  | 234  | 234  | 234  | 234  | 234  | 234  | 234  | 234  | 234  | 234  | 234  | Average Payable Period           |
| Accrued expenses                          | 29%  | 21%  | 21%  | 20%  | 18%  | 19%  | 19%  | 19%  | 19%  | 19%  | 19%  | 19%  | 19%  | 19%  | 19%  | 19%  | 19%  | 19%  | % Cost of Sales                  |
| Structured payables                       | 7%   | 3%   | 1%   | 1%   | 1%   | 1%   | 1%   | 1%   | 1%   | 1%   | 1%   | 1%   | 1%   | 1%   | 1%   | 1%   | 1%   | 1%   | % Revenues                       |
| Tax Payables                              | 23%  | 10%  | 5%   | 21%  | 17%  | 3%   | 0%   | 8%   | 8%   | 8%   | 8%   | 8%   | 8%   | 8%   | 8%   | 8%   | 8%   | 8%   | % Revenues                       |
| Operating lease liability                 | 0%   | 4%   | 5%   | 5%   | 6%   | 5%   | 5%   | 5%   | 5%   | 5%   | 5%   | 5%   | 5%   | 5%   | 5%   | 5%   | 5%   | 5%   | % Revenues                       |

Figure 20 - Key Forecasted Accounts (Source: Own Calculations)

Values for 2025 onwards were estimated through the same weighted average method previously regarded, allocating greater weights to more recent years.

As for the remaining items, they were all estimated as a percentage of total revenues.

| (millions USD)                             | 2018    | 2019  | 2020  | 2021   | 2022   | 2023  | 2024  | 2025    | 2026    | 2027    | 2028    | 2029    | 2030    | 2031    | 2032    | 2033    | 2034    | 2035    | Entry      |
|--|---------|-------|-------|--------|--------|-------|-------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------------|
| Goodwill                                   | 103.80% | 0.80% | 0.06% | -0.01% | -0.55% | 0.65% | 0.42% | 0.21%   | 0.21%   | 0.21%   | 0.21%   | 0.21%   | 0.21%   | 0.21%   | 0.21%   | 0.21%   | 0.21%   | 0.21%   | % Revenues |
| Deferred tax assets                        | -13%    | -13%  | -13%  | -13%   | -13%   | -13%  | -13%  | -13.18% | -13.18% | -13.18% | -13.18% | -13.18% | -13.18% | -13.18% | -13.18% | -13.18% | -13.18% | -13.18% | % Revenues |
| Other intangible assets, net               | 3.22    | 2.17  | 2.06  | 1.88   | 1.65   | 1.57  | 1.53  | 1.53    | 1.53    | 1.53    | 1.53    | 1.53    | 1.53    | 1.53    | 1.53    | 1.53    | 1.53    | 1.53    | % Revenues |
| Other non-current assets                   | 0.44    | 0.20  | 0.19  | 0.12   | 0.26   | 0.13  | 0.18  | 0.18    | 0.18    | 0.18    | 0.18    | 0.18    | 0.18    | 0.18    | 0.18    | 0.18    | 0.18    | 0.18    | % Revenues |
| Investments in unconsolidated subsidiaries | 0.32    | 0.12  | 0.07  | 0.01   | 0.70   | 0.64  | 0.66  | 0.49    | 0.49    | 0.49    | 0.49    | 0.49    | 0.49    | 0.49    | 0.49    | 0.49    | 0.49    | 0.49    | % Revenues |
| Tax Loss Carryforward                      | 0.19    | 0.08  | 0.08  | 0.04   | 0.05   | 0.02  | 0.02  | 0.04    | 0.04    | 0.04    | 0.04    | 0.04    | 0.04    | 0.04    | 0.04    | 0.04    | 0.04    | 0.04    | % Revenues |

Figure 21 - Key Forecasted accounts (Source: Own Calculations)

Property, Plant and Equipment, on the other hand, were forecasted based on Capital Expenditure and Depreciation estimates. Capital expenditures have, historically, floated around 3% of net sales, our estimate of choice, where as yearly depreciation has reduced down to 15. 5% of the previous year’s final PP&E, which we assumed to remain constant over the coming years.

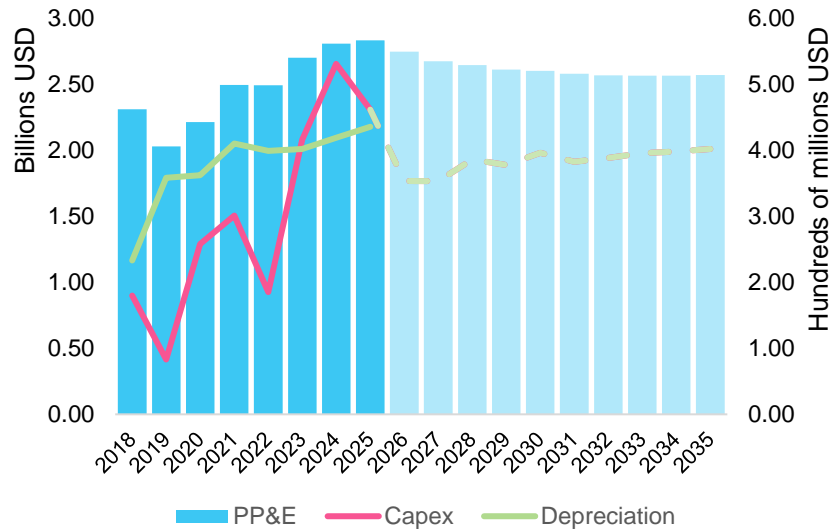


Figure 22 - PP&E Evolution and Forecast (Source: KDP's Annual Reports and Own calculations)

In order to project future net debt, we estimated an enterprise value for each year by calculating the perpetuity of next year's discounted cash flow, and multiplied it by a target debt-to-equity. As the firm has displayed a firm stance in maintaining its credit rating, we have set a target debt-to-equity ratio of 30%, in accordance with its historical ratios.

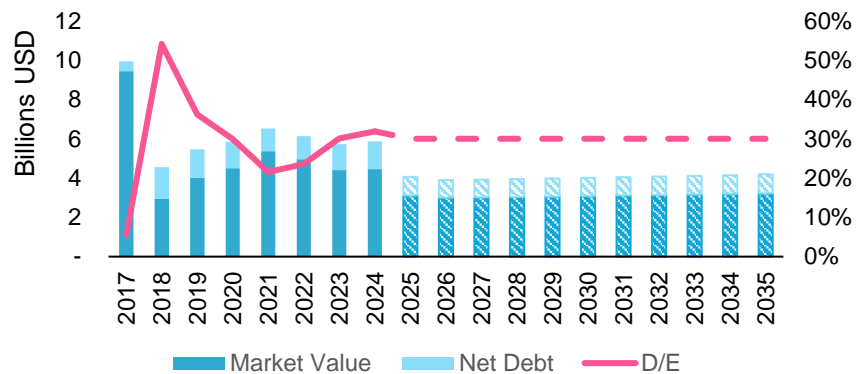


Figure 23 - Capital Structure Evolution (Source: KDP's Annual Reports and Own calculations)

Shareholders equity was finally computed through the following relationship:

$$Equity_t = Equity_{t-1} + Net\ Income_t - Dividends_t$$

Dividends were computed based on the assumption that payout ratios would converge towards the company's target of around 60% within 5 years (Keurig Dr Pepper 2024)

Finally, Other Financial Liabilities were computed as the difference between Total Invested Capital and the forecasted debt and equity items.

## Q4 Forecast

As a means to obtain greater accuracy in our financial data, we estimated the income and balance sheet information for the year of 2024 using the quarterly data available to us at the time, the first three quarters, only needing to forecast the last quarter of the fiscal year.

## Cash Flow Map

In order for us to find the Free Cash Flow generated by Keurig Dr Peppers activities, we must add non-cash expenses, such as depreciation, getting us to Gross Cash Flow, and deduct cash flows generated from Investments in Core Invested Capital, namely Net Working Capital, PP&E (CapEx), Goodwill and Intangible assets. Amortization and Tax Shields, as well as cash flows produced from changes in Non-Core Invested Capital, were then introduced, bringing us closer to total Cash Flow to investors. Invested Capital items, such as PP&E, will often experience changes in book value originating from Currency changes, resulting in changes in Invested Capital not explained by the report cash flows of the respective asset (CapEx, in this example). Such adjustments were taken into account and introduced as non operating cash flow adjustments, thus bringing us to the total Cash Flow to investors.

| <b>PP&amp;E and Intangible Related Cashflows</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> | <b>2024</b> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| PP&E, beginning of year                          |             | 790.00      | 2310.00     | 2028.00     | 2212.00     | 2494.00     | 2491.00     | 2699.00     |
| Capital Expenditures                             | 199.00      | 180.00      | 83.00       | 258.00      | 301.00      | 185.00      | 416.00      | 530.67      |
| Depreciation                                     | 198.00      | 233.00      | 358.00      | 362.00      | 410.00      | 399.00      | 402.00      | 418.91      |
| Currency and unexplained changes                 |             | 1573.00     | -7.00       | 288.00      | 391.00      | 211.00      | 194.00      | -5.20       |
| PP&E, end of year                                | 790.00      | 2310.00     | 2028.00     | 2212.00     | 2494.00     | 2491.00     | 2699.00     | 2805.55     |

*Figure 24 - PP&E Historical Overview*

The map was then reconciled with cash flows to debt and equity holders, computed as the sum of interest expenses and changes in financial liabilities, and as Dividends, non-controlling interests and other reported changes in equity. As a result, their sum should be brought to a total Cash Flow to Investors equal

| FreeCash Flow Map 2019          |                 |
|---------------------------------|-----------------|
| <b>Operating Cash Flows</b>     |                 |
| NOPAT                           | 1989.41         |
| Depreciation                    | 358.00          |
| <b>Gross Cash Flow</b>          | <b>2347.41</b>  |
| NWC                             | 292.44          |
| CapEx                           | -83.00          |
| Goodwill                        | -345.00         |
| Intangibles                     | 3.00            |
| <b>Free Cash Flow</b>           | <b>2214.85</b>  |
| <b>Non-Operating Cash Flows</b> |                 |
| Net Non-Operating Profit        | (234.66)        |
| Amortization                    | 340.00          |
| Tax Shield                      | 164.26          |
| Change in Non-Operating Assets  | 50.00           |
| Unexplained Currency Changes    | (111.00)        |
| <b>Non-Operating Cash Flow</b>  | <b>208.59</b>   |
| <b>Cash flow to investors</b>   | <b>2,423.44</b> |

| Reconciliation                        |                 |
|---------------------------------------|-----------------|
| <b>Financing Cash Flows</b>           |                 |
| Interest Expenses                     | 665.00          |
| Change in Net Debt                    | 1,468.44        |
| Change in Other Financial Liabilities | (240.00)        |
| <b>Financing Cash Flows</b>           | <b>1,893.44</b> |
| <b>Equity Cash Flows</b>              |                 |
| Change Equity                         | (314.00)        |
| Dividends                             | 844.00          |
| Non-controlling Interests             |                 |
| <b>Equity Cash Flows</b>              | <b>530.00</b>   |
| <b>Cash flow to investors</b>         | <b>2,423.44</b> |

Figure 25 - Free Cash Flow Map (Source: Own Calculations)

## Key Risks

The future outlook for Keurig Dr Pepper (KDP) is influenced by several critical factors, each of which carries inherent risks that could impact the company’s performance. Foremost among these is the implementation of taxes on sugar-sweetened beverages in the United States. Recently, five additional U.S. jurisdictions adopted such measures, bringing the total to nine nationwide. These taxes, aimed at curbing obesity and promoting public health, may reduce demand for KDP’s flagship sugary beverages, increase production costs due to potential reformulation requirements, and result in revenue declines. Although the company has made efforts to diversify its product portfolio, a substantial reliance on sugar-sweetened drinks persists, necessitating accelerated development of low-sugar or sugar-free alternatives to mitigate regulatory risks. (CNN 2024)

Additionally, coffee prices reached record highs as of December 2024, with analysts forecasting continued escalation driven by climate change and adverse weather conditions in Brazil and Vietnam, the world’s largest coffee producers. Such price volatility poses a significant risk to KDP’s Keurig segment, potentially squeezing profit margins, particularly for single-serve coffee pods, where pricing flexibility is constrained. While KDP may attempt to pass increased costs onto consumers, this strategy risks alienating price-sensitive customers in an intensely competitive coffee market. (BBC 2024)

Finally, the broader soft drinks industry is navigating substantial headwinds due to shifting consumer preferences, regulatory scrutiny, and heightened competition. Growing health consciousness has led to a decline in traditional

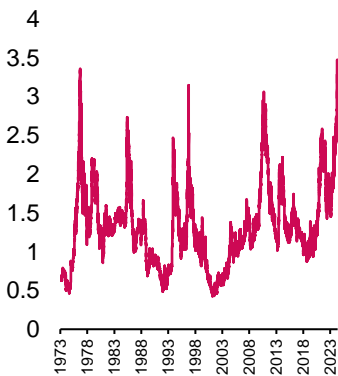


Figure 26 - Historical Coffee Prices (Source: Bloomberg)

Figure 1 - Historical Coffee Price (Source: Bloomberg)

# Appendix

## Financial Statements

| Operational Activities                        |                 |                   |                   |                  |                   |                 |                 |                  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
|---|-----------------|-------------------|-------------------|------------------|-------------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| (in millions USD)                             | 2017            | 2018              | 2019              | 2020             | 2021              | 2022            | 2023            | 2024             | 2025E           | 2026E           | 2027E           | 2028E           | 2029E           | 2030E           | 2031E           | 2032E           | 2033E           | 2034E           | 2035E           |
| Net sales                                     | 4269.0          | 7442.0            | 11120.0           | 11618.0          | 12693.0           | 14577.0         | 14814.0         | 15258.8          | 15380.8         | 15504.5         | 15630.0         | 15757.3         | 15886.5         | 16017.5         | 16150.5         | 16285.5         | 16422.4         | 16561.3         | 16702.3         |
| Cost of sales                                 | 2137.0          | 3437.0            | 4579.0            | 4917.0           | 5473.0            | 6505.0          | 6503.0          | 6583.1           | 7382.8          | 7442.2          | 7502.4          | 7563.5          | 7625.5          | 7688.4          | 7752.3          | 7817.0          | 7882.7          | 7949.4          | 8017.1          |
| SG&A  | 452.0           | 1126.0            | 1531.0            | 1814.0           | 1781.0            | 1989.0          | 2115.0          | 2249.7           | 2219.9          | 2237.8          | 2250.9          | 2274.3          | 2310.5          | 2311.8          | 2330.0          | 2370.3          | 2390.3          | 2410.7          | 2410.7          |
| Depreciation                                  | 142.0           | 233.0             | 356.0             | 362.0            | 410.0             | 399.0           | 402.0           | 418.9            | 435.5           | 439.5           | 426.1           | 414.8           | 410.2           | 405.1           | 403.7           | 400.4           | 398.5           | 396.1           | 398.0           |
| Transportation and Warehousing Costs          | 340.0           | 695.0             | 1181.0            | 1326.0           | 1475.0            | 1745.0          | 1783.0          | 1844.1           | 1999.5          | 2015.6          | 2031.9          | 2048.5          | 2065.2          | 2082.3          | 2099.6          | 2117.1          | 2134.9          | 2153.0          | 2171.3          |
| Advertising, Marketing and Expenses           | 198.0           | 411.0             | 670.0             | 489.0            | 540.0             | 537.0           | 640.0           | 714.8            | 675.3           | 680.8           | 686.3           | 691.9           | 697.5           | 703.3           | 709.1           | 715.1           | 721.1           | 727.2           | 733.4           |
| R&D Expenses                                  | 72.0            | 64.0              | 81.0              | 69.0             | 66.0              | 65.0            | 66.0            | 115.5            | 88.6            | 89.3            | 90.0            | 90.8            | 91.5            | 92.3            | 93.0            | 93.8            | 94.6            | 95.4            | 96.2            |
| Impairment of intangible assets               | 0.0             | 0.0               | 0.0               | 67.0             | 0.0               | 47.0            | 2.0             | 0.0              | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               |
| Other operating income (expense), net         | 0.0             | 10.0              | 2.0               | -39.0            | -70.0             | -159.0          | -26.0           | 8.0              | -42.9           | -43.3           | -43.6           | -44.0           | -44.3           | -44.7           | -45.1           | -45.4           | -45.8           | -46.2           | -46.6           |
| <b>EBITA</b>                                  | <b>928.0</b>    | <b>1466.0</b>     | <b>2718.0</b>     | <b>2613.0</b>    | <b>3028.0</b>     | <b>2444.0</b>   | <b>3329.0</b>   | <b>3524.7</b>    | <b>2622.1</b>   | <b>2717.7</b>   | <b>2681.0</b>   | <b>2717.7</b>   | <b>2779.0</b>   | <b>2806.9</b>   | <b>2837.0</b>   | <b>2866.1</b>   | <b>2894.2</b>   | <b>2922.3</b>   | <b>2952.3</b>   |
| Operating Cash Taxes                          | -               | 260.9             | 728.6             | 711.3            | 692.3             | 515.7           | 834.2           | 880.7            | 636.1           | 641.1           | 650.4           | 659.3           | 666.6           | 674.2           | 681.0           | 688.3           | 695.3           | 702.1           | 709.0           |
| <b>NOPAT</b>                                  | <b>-</b>        | <b>1205.1</b>     | <b>1989.4</b>     | <b>1901.7</b>    | <b>2335.7</b>     | <b>1928.3</b>   | <b>2494.8</b>   | <b>2644.0</b>    | <b>1986.0</b>   | <b>2091.6</b>   | <b>2030.6</b>   | <b>2058.4</b>   | <b>2091.2</b>   | <b>2104.8</b>   | <b>2125.9</b>   | <b>2148.8</b>   | <b>2170.8</b>   | <b>2192.1</b>   | <b>2213.3</b>   |
| <b>Net Income Reconciliation</b>              |                 |                   |                   |                  |                   |                 |                 |                  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| <b>Non-Operational Activities</b>             |                 |                   |                   |                  |                   |                 |                 |                  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Gain on litigation settlement                 | 0.00            | 0.00              | 0.00              | 0.00             | 0.00              | -299.00         | 0.00            | 0.00             | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               |
| Amortization                                  | 31.00           | 229.00            | 340.00            | 133.00           | 134.00            | 136.00          | 137.00          | 130.67           | -323.71         | -244.37         | -239.48         | -234.70         | -230.02         | -225.43         | -220.94         | -216.55         | -212.24         | -208.03         | -203.90         |
| Other (income) expense, net                   | 44.00           | -19.00            | 19.00             | 17.00            | -7.00             | 14.00           | 81.00           | -29.00           | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            |
| <b>Total Non-Operational Income</b>           | <b>-75.00</b>   | <b>-210.00</b>    | <b>-359.00</b>    | <b>-150.00</b>   | <b>-132.00</b>    | <b>147.00</b>   | <b>-76.00</b>   | <b>-102.67</b>   | <b>323.71</b>   | <b>244.37</b>   | <b>239.48</b>   | <b>234.70</b>   | <b>230.02</b>   | <b>225.43</b>   | <b>220.94</b>   | <b>216.55</b>   | <b>212.24</b>   | <b>208.03</b>   | <b>203.90</b>   |
| Taxes   | -211.31         | -36.16            | -82.34            | -89.82           | -68.04            | -19.95          | -137.16         | -75.82           | 244.86          | 184.85          | 181.15          | 177.53          | 173.99          | 170.52          | 167.12          | 163.80          | 160.55          | 157.36          | 154.24          |
| Non-Operating Taxes Deferred                  | -               | -100.00           | 42.00             | 16.00            | -53.00            | 6.00            | 1.00            | 0.00             | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            |
| <b>Net Non-Operating Profit After Taxes</b>   | <b>-</b>        | <b>\$(273.84)</b> | <b>\$(234.66)</b> | <b>\$(44.18)</b> | <b>\$(116.96)</b> | <b>\$172.95</b> | <b>\$62.16</b>  | <b>\$(26.85)</b> | <b>\$78.85</b>  | <b>\$93.52</b>  | <b>\$83.33</b>  | <b>\$71.17</b>  | <b>\$66.03</b>  | <b>\$64.91</b>  | <b>\$63.82</b>  | <b>\$62.75</b>  | <b>\$61.70</b>  | <b>\$60.67</b>  | <b>\$59.67</b>  |
| <b>Financial Activities</b>                   |                 |                   |                   |                  |                   |                 |                 |                  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Interest expense                              | 101.0           | 401.0             | 654.0             | 604.0            | 500.0             | 693.0           | 496.0           | 650.7            | 663.7           | 437.6           | 420.4           | 423.0           | 426.1           | 429.2           | 432.7           | 436.1           | 439.8           | 443.7           | 447.8           |
| Interest expense - related party              | 100.0           | 51.0              | 0.0               | 0.0              | 0.0               | 0.0             | 0.0             | 0.0              | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| Loss on early extinguishment of debt          | 85.0            | 13.0              | 11.0              | 4.0              | 105.0             | 217.0           | 0.0             | 0.0              | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| Gain on sale of equity method investment      | 0.0             | 0.0               | 0.0               | 0.0              | -524.0            | -90.0           | 0.0             | 0.0              | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| Impairment of investments and note receivable | 0.0             | 0.0               | 0.0               | 102.0            | 17.0              | 12.0            | 0.0             | 0.0              | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| <b>Total Financial Income</b>                 | <b>-286.0</b>   | <b>-486.0</b>     | <b>-655.0</b>     | <b>-710.0</b>    | <b>-98.0</b>      | <b>-872.0</b>   | <b>-496.0</b>   | <b>-650.7</b>    | <b>-663.7</b>   | <b>-437.6</b>   | <b>-420.4</b>   | <b>-423.0</b>   | <b>-426.1</b>   | <b>-429.2</b>   | <b>-432.7</b>   | <b>-436.1</b>   | <b>-439.8</b>   | <b>-443.7</b>   | <b>-447.8</b>   |
| Taxes   | -110.7          | -122.8            | -164.3            | -177.5           | -24.3             | -205.8          | -120.0          | -157.5           | -162.2          | -106.9          | -102.7          | -103.4          | -104.1          | -104.9          | -105.7          | -106.6          | -107.5          | -108.4          | -109.4          |
| <b>Net Financial Income</b>                   | <b>-175.3</b>   | <b>-342.2</b>     | <b>-506.7</b>     | <b>-532.5</b>    | <b>-73.7</b>      | <b>-666.2</b>   | <b>-376.0</b>   | <b>-493.2</b>    | <b>-501.5</b>   | <b>-330.7</b>   | <b>-317.7</b>   | <b>-319.6</b>   | <b>-322.0</b>   | <b>-324.3</b>   | <b>-326.9</b>   | <b>-329.5</b>   | <b>-332.3</b>   | <b>-335.3</b>   | <b>-338.4</b>   |
| <b>Net Income</b>                             | <b>-</b>        | <b>589.0</b>      | <b>1254.0</b>     | <b>1325.0</b>    | <b>2145.0</b>     | <b>1435.0</b>   | <b>2181.0</b>   | <b>2123.9</b>    | <b>1563.4</b>   | <b>1730.4</b>   | <b>1771.3</b>   | <b>1795.9</b>   | <b>1815.3</b>   | <b>1835.4</b>   | <b>1852.8</b>   | <b>1872.0</b>   | <b>1890.2</b>   | <b>1907.5</b>   | <b>1924.7</b>   |
| <b>Core Invested Capital</b>                  |                 |                   |                   |                  |                   |                 |                 |                  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| (in millions)                                 | 2017            | 2018              | 2019              | 2020             | 2021              | 2022            | 2023            | 2024             | 2025            | 2026            | 2027            | 2028            | 2029            | 2030            | 2031            | 2032            | 2033            | 2034            | 2035            |
| <b>Operating Assets</b>                       |                 |                   |                   |                  |                   |                 |                 |                  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Operating Cash                                | 85.38           | 148.84            | 222.40            | 232.36           | 253.66            | 281.14          | 296.28          | 305.18           | 307.62          | 310.09          | 312.60          | 315.15          | 317.73          | 320.35          | 323.01          | 325.71          | 328.45          | 331.23          | 334.05          |
| Trade accounts receivable, net                | 483.00          | 1150.00           | 1114.00           | 1048.00          | 1148.00           | 1484.00         | 1368.00         | 1462.25          | 1461.37         | 1473.05         | 1484.90         | 1496.92         | 1509.11         | 1521.48         | 1534.03         | 1546.77         | 1559.69         | 1572.80         | 1586.11         |
| Inventories                                   | 384.00          | 626.00            | 654.00            | 762.00           | 894.00            | 1314.00         | 1142.00         | 1385.98          | 1318.70         | 1329.30         | 1340.06         | 1350.98         | 1362.06         | 1373.29         | 1384.69         | 1396.26         | 1408.00         | 1419.91         | 1432.00         |
| Prepaid expenses and other current assets     | 94.00           | 254.00            | 403.00            | 323.00           | 447.00            | 471.00          | 598.00          | 683.69           | 587.60          | 592.33          | 597.12          | 601.99          | 606.92          | 611.93          | 617.01          | 622.16          | 627.39          | 632.70          | 638.09          |
| Property, plant and equipment, net            | 798.00          | 2310.00           | 2028.00           | 2212.00          | 2494.00           | 2491.00         | 2699.00         | 2805.56          | 2811.52         | 2745.24         | 2672.24         | 2643.16         | 2610.90         | 2601.12         | 2579.59         | 2567.48         | 2544.62         | 2544.28         | 2568.24         |
| Goodwill                                      | 9819.00         | 20011.00          | 20172.00          | 20184.00         | 20182.00          | 20072.00        | 20202.00        | 20286.79         | 19937.72        | 19596.64        | 19280.41        | 18931.87        | 18609.89        | 18294.53        | 17965.05        | 17881.93        | 17384.62        | 17093.62        | 16808.19        |
| Less non-deductible intangibles               | -1008.00        | -5757.00          | -5913.00          | -5916.00         | -5909.00          | -5685.00        | -5720.00        | -5720.00         | -5694.65        | -5696.94        | -5601.19        | -5407.36        | -5315.39        | -5225.26        | -5136.92        | -5050.34        | -4965.48        | -4882.31        | -4800.79        |
| Operating lease right-of-use assets           | 0.00            | 0.00              | 497.00            | 645.00           | 673.00            | 881.00          | 876.00          | 839.48           | 872.58          | 876.00          | 886.72          | 893.95          | 901.28          | 908.71          | 916.25          | 923.91          | 931.68          | 939.56          | 947.56          |
| Other intangible assets, net                  | 3834.00         | 23967.00          | 24117.00          | 23968.00         | 23956.00          | 23183.00        | 23287.00        | 23270.13         | 23071.16        | 23256.74        | 23445.00        | 23635.96        | 23829.74        | 24026.32        | 24225.79        | 24428.18        | 24633.57        | 24841.99        | 25053.52        |
| <b>Total Operating Assets</b>                 | <b>14481.38</b> | <b>42709.84</b>   | <b>43295.40</b>   | <b>43458.36</b>  | <b>44038.66</b>   | <b>44492.14</b> | <b>44748.28</b> | <b>45191.05</b>  | <b>44693.61</b> | <b>44895.06</b> | <b>44978.86</b> | <b>44462.63</b> | <b>44431.63</b> | <b>44423.27</b> | <b>44420.50</b> | <b>44422.05</b> | <b>44421.73</b> | <b>44513.79</b> | <b>44566.98</b> |
| <b>Operating Liabilities</b>                  |                 |                   |                   |                  |                   |                 |                 |                  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Accounts payable                              | -1580.00        | -2300.00          | -3176.00          | -3740.00         | -4316.00          | -5206.00        | -3997.00        | -3184.87         | -4731.80        | -4769.86        | -4808.47        | -4847.64        | -4887.38        | -4927.70        | -4968.61        | -5010.12        | -5052.24        | -5094.99        | -5138.37        |
| Accrued expenses                              | -201.00         | -1012.00          | -939.00           | -1040.00         | -1110.00          | -1153.00        | -1242.00        | -1250.27         | -1420.30        | -1431.73        | -1443.32        | -1455.08        | -1467.00        | -1479.11        | -1491.39        | -1503.85        | -1516.49        | -1529.32        | -1542.34        |
| Structured payables                           | 0.00            | -526.00           | -321.00           | -153.00          | -142.00           | -137.00         | -117.00         | -118.81          | -156.73         | -157.99         | -159.27         | -160.56         | -161.88         | -163.22         | -164.57         | -165.95         | -167.34         | -168.76         | -170.19         |
| Tax Payables                                  | -3.00           | -60.00            | -75.00            | -39.00           | -144.00           | -87.00          | -29.00          | -                | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               |
| Operating lease liability                     | 0.00            | 0.00              | 427.00            | 580.00           | 608.00            | 803.00          | 793.00          | 816.81           | 805.21          | 811.69          | 818.28          | 824.93          | 831.69          | 838.55          | 845.51          | 852.58          | 859.74          | 867.00          | 874.40          |
| <b>Total Operating Liabilities</b>            | <b>-1784.00</b> | <b>-3888.00</b>   | <b>-4930.00</b>   | <b>-5552.00</b>  | <b>-6320.00</b>   | <b>-7386.00</b> | <b>-5778.00</b> | <b>-5380.76</b>  | <b>-7114.04</b> | <b>-7171.27</b> | <b>-7229.32</b> | <b>-7288.21</b> | <b>-7347.95</b> | <b>-7408.57</b> | <b>-7470.08</b> | <b>-7532.49</b> | <b>-7595.94</b> | <b>-7660.08</b> | <b>-7725.31</b> |
| <b>Invested Capital</b>                       | <b>12697.38</b> | <b>38811.84</b>   | <b>38365.40</b>   | <b>37906.36</b>  | <b>37718.66</b>   | <b>37106.14</b> | <b>38970.28</b> | <b>39938.28</b>  | <b>37579.57</b> | <b>37413.79</b> | <b>37268.54</b> | <b>37174.42</b> | <b>37083.68</b> | <b>37023.70</b> | <b>36958.43</b> | <b>36897.52</b> | <b>36833.70</b> | <b>36763.72</b> | <b>36681.67</b> |
| <b>Non-Core Invested Capital</b>              |                 |                   |                   |                  |                   |                 |                 |                  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| (in millions)                                 | 2017            | 2018              | 2019              | 2020             | 2021              | 2022            | 2023            | 2024             | 2025            | 2026            | 2027            | 2028            | 2029            | 2030            | 2031            | 2032            | 2033            | 20              |                 |

| FreeCash Flow Map                     | 2017A              | 2018A           | 2019A           | 2020A           | 2021A           | 2022A             | 2023A           | 2024A           | 2025E           | 2026F           | 2027F           | 2028F           | 2029F           | 2030F           | 2031F           | 2032F           | 2033F           | 2034F           | 2035F  |
|---------------------------------------|--------------------|-----------------|-----------------|-----------------|-----------------|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------|
| <b>Operating Cash Flows</b>           |                    |                 |                 |                 |                 |                   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |        |
| NOPAT                                 | 1205.08            | 1989.41         | 1901.68         | 2335.65         | 1928.26         | 2494.81           | 2644.00         | 1985.99         | 2001.57         | 2030.61         | 2058.36         | 2081.23         | 2104.82         | 2125.92         | 2148.77         | 2170.81         | 2192.07         | 2213.34         |        |
| Depreciation                          | 233.00             | 358.00          | 382.00          | 410.00          | 389.00          | 402.00            | 418.91          | 435.45          | 439.48          | 428.09          | 414.76          | 410.25          | 405.15          | 403.72          | 400.38          | 398.50          | 398.06          | 398.00          |        |
| <b>Gross Cash Flow</b>                | <b>1438.08</b>     | <b>2347.41</b>  | <b>2283.68</b>  | <b>2745.65</b>  | <b>2317.26</b>  | <b>2896.81</b>    | <b>3062.91</b>  | <b>2421.45</b>  | <b>2441.05</b>  | <b>2458.70</b>  | <b>2473.12</b>  | <b>2491.47</b>  | <b>2509.97</b>  | <b>2529.65</b>  | <b>2549.15</b>  | <b>2569.31</b>  | <b>2590.12</b>  | <b>2611.34</b>  |        |
| NWC                                   | 393.54             | 292.44          | 156.04          | 329.70          | -302.48         | -1762.14          | -1988.68        | 1862.00         | 20.72           | 31.02           | 21.32           | 21.63           | 21.95           | 22.27           | 22.60           | 22.93           | 23.27           | 23.62           |        |
| CapEx                                 | -180.00            | -83.00          | -258.00         | -301.00         | -185.00         | -416.00           | -530.67         | -461.42         | -353.20         | -353.09         | -385.68         | -377.39         | -385.96         | -382.20         | -388.27         | -395.64         | -397.72         | -401.97         |        |
| Goodwill                              | -567.00            | -345.00         | -142.00         | -139.00         | -252.00         | -232.00           | -215.45         | 647.42          | 488.74          | 478.97          | 469.40          | 460.03          | 450.86          | 441.88          | 433.09          | 424.49          | 416.08          | 407.81          |        |
| Intangibles                           | -18951.00          | 3.00            | 54.00           | 575.00          | -898.00         | -256.00           | 16.87           | 198.98          | -185.58         | -188.26         | -190.98         | -193.76         | -196.58         | -199.46         | -202.40         | -205.38         | -208.43         | -211.53         |        |
| <b>Free Cash Flow</b>                 | <b>-22971.38</b>   | <b>2214.85</b>  | <b>2073.72</b>  | <b>3210.35</b>  | <b>689.78</b>   | <b>230.67</b>     | <b>344.98</b>   | <b>4668.41</b>  | <b>2411.72</b>  | <b>2415.34</b>  | <b>2387.18</b>  | <b>2401.99</b>  | <b>2390.23</b>  | <b>2412.14</b>  | <b>2414.17</b>  | <b>2415.70</b>  | <b>2423.31</b>  | <b>2429.28</b>  |        |
| <b>Non-Operating Cash Flows</b>       |                    |                 |                 |                 |                 |                   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |        |
| Net Non-Operating Profit              | (273.84)           | (234.66)        | (44.18)         | (116.96)        | 172.95          | 62.16             | (26.85)         | 78.85           | 59.52           | 58.33           | 57.17           | 56.03           | 54.91           | 53.82           | 52.75           | 51.70           | 50.67           | 49.67           |        |
| Amortization                          | 229.00             | 340.00          | 133.00          | 134.00          | 138.00          | 137.00            | 130.67          | (323.71)        | (244.37)        | (239.48)        | (234.70)        | (230.02)        | (225.43)        | (220.94)        | (216.55)        | (212.24)        | (208.03)        | (203.90)        |        |
| Tax Shield                            | 122.76             | 164.26          | 177.50          | 24.30           | 205.79          | 120.03            | 157.68          | 162.18          | 106.95          | 102.74          | 103.38          | 104.13          | 104.89          | 105.73          | 106.58          | 107.48          | 108.43          | 109.43          |        |
| Change in Non-Operating Assets        | (295.00)           | 50.00           | 69.00           | 51.00           | (1,056.00)      | (264.00)          | (116.02)        | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               |        |
| Unexplained Currency Changes          | (2,167.00)         | (111.00)        | 146.00          | (821.00)        | 1,713.00        | 263.00            | 1,203.34        | 0.00            | (0.00)          | 0.00            | (0.00)          | 0.00            | 0.00            | 0.00            | (0.00)          | 0.00            | (0.00)          | 0.00            | (0.00) |
| <b>Non-Operating Cash Flow</b>        | <b>(2,344.08)</b>  | <b>208.59</b>   | <b>481.32</b>   | <b>(728.65)</b> | <b>1,173.74</b> | <b>318.19</b>     | <b>1,345.00</b> | <b>(82.68)</b>  | <b>(77.90)</b>  | <b>(78.41)</b>  | <b>(74.16)</b>  | <b>(69.86)</b>  | <b>(65.43)</b>  | <b>(61.39)</b>  | <b>(57.22)</b>  | <b>(53.07)</b>  | <b>(48.93)</b>  | <b>(44.81)</b>  |        |
| <b>Cash flow to investors</b>         | <b>(25,315.40)</b> | <b>2,423.44</b> | <b>2,555.04</b> | <b>2,481.70</b> | <b>1,863.52</b> | <b>548.86</b>     | <b>1,690.58</b> | <b>4,585.74</b> | <b>2,333.82</b> | <b>2,336.93</b> | <b>2,313.02</b> | <b>2,332.13</b> | <b>2,324.60</b> | <b>2,350.74</b> | <b>2,356.95</b> | <b>2,362.63</b> | <b>2,374.38</b> | <b>2,384.47</b> |        |
| <b>Reconciliation</b>                 |                    |                 |                 |                 |                 |                   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |        |
| <b>Financing Cash Flows</b>           |                    |                 |                 |                 |                 |                   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |        |
| Interest Expenses                     | 465.00             | 685.00          | 710.00          | 98.00           | 872.00          | 496.00            | 650.67          | 683.65          | 437.62          | 420.42          | 423.01          | 426.08          | 429.20          | 432.86          | 436.11          | 439.78          | 443.69          | 447.78          |        |
| Change in Net Debt                    | (10,818.46)        | 1,468.44        | 1,076.04        | 1,897.70        | (145.48)        | (1,507.14)        | (972.14)        | 4,833.81        | 367.85          | (55.37)         | (65.65)         | (86.70)         | (73.96)         | (73.95)         | (78.52)         | (83.51)         | (87.45)         | (92.03)         |        |
| Change in Other Financial Liabilities | (416.00)           | (240.00)        | 17.00           | (517.00)        | (145.00)        | (70.00)           | (566.94)        | (1,834.12)      | 507.41          | 926.84          | 896.08          | 901.72          | 886.46          | 898.87          | 894.89          | 891.14          | 892.73          | 893.17          |        |
| <b>Financing Cash Flows</b>           | <b>(10,769.46)</b> | <b>1,893.44</b> | <b>1,803.04</b> | <b>1,478.70</b> | <b>581.52</b>   | <b>(1,081.14)</b> | <b>(888.42)</b> | <b>3,663.35</b> | <b>1,312.87</b> | <b>1,291.88</b> | <b>1,253.44</b> | <b>1,261.10</b> | <b>1,241.70</b> | <b>1,257.58</b> | <b>1,252.48</b> | <b>1,247.41</b> | <b>1,248.97</b> | <b>1,248.92</b> |        |
| <b>Equity Cash Flows</b>              |                    |                 |                 |                 |                 |                   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |        |
| Change Equity                         | (14,781.00)        | (314.00)        | (94.00)         | 49.00           | 203.00          | 488.00            | 1,373.00        | 0.00            | 0.00            | (0.00)          | (0.00)          | 0.00            | 0.00            | 0.00            | 0.00            | (0.00)          | 0.00            | (0.00)          |        |
| Dividends                             | 232.00             | 844.00          | 846.00          | 955.00          | 1,080.00        | 1,142.00          | 1,206.00        | 922.39          | 1,020.95        | 1,045.05        | 1,059.58        | 1,071.03        | 1,062.90        | 1,093.16        | 1,104.47        | 1,115.22        | 1,125.41        | 1,135.55        |        |
| Non-controlling Interests             | 3.00               | -               | -               | (1.00)          | (1.00)          | -                 | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               |        |
| <b>Equity Cash Flows</b>              | <b>(14,546.00)</b> | <b>530.00</b>   | <b>752.00</b>   | <b>1,003.00</b> | <b>1,282.00</b> | <b>1,630.00</b>   | <b>2,579.00</b> | <b>922.39</b>   | <b>1,020.95</b> | <b>1,045.05</b> | <b>1,059.58</b> | <b>1,071.03</b> | <b>1,062.90</b> | <b>1,093.16</b> | <b>1,104.47</b> | <b>1,115.22</b> | <b>1,125.41</b> | <b>1,135.55</b> |        |
| <b>Cash flow to investors</b>         | <b>(25,315.40)</b> | <b>2,423.44</b> | <b>2,555.04</b> | <b>2,481.70</b> | <b>1,863.52</b> | <b>548.86</b>     | <b>1,690.58</b> | <b>4,585.74</b> | <b>2,333.82</b> | <b>2,336.93</b> | <b>2,313.02</b> | <b>2,332.13</b> | <b>2,324.60</b> | <b>2,350.74</b> | <b>2,356.95</b> | <b>2,362.63</b> | <b>2,374.38</b> | <b>2,384.47</b> |        |
|                                       | TRUE               | TRUE            | TRUE            | TRUE            | TRUE            | TRUE              | TRUE            | TRUE            | TRUE            | TRUE            | TRUE            | TRUE            | TRUE            | TRUE            | TRUE            | TRUE            | TRUE            | TRUE            | TRUE   |

**Bibliography**

n.d.

BBC. 2024. *Coffee price surge to highest on record*. 12 16. <https://www.bbc.com/news/articles/c36pgrjlylo>.

CNBC. 2024. *U.S. 10 Year Treasury*. 12 16. Accessed 12 16, 2024. <https://www.cnbc.com/quotes/US10Y>.

CNN. 2024. *CNN*. 12 16. <https://edition.cnn.com/2024/01/06/health/taxing-sugar-sweetened-drinks-wellness/index.html>.

2023. *Corporate Profiles*. Sosland Publishing.

Damodaran, Aswath. 2024. *Country Default Spreads and Risk Premiums*. 12 16.

[https://pages.stern.nyu.edu/~adamodar/New\\_Home\\_Page/datafile/ctryprem.html](https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html).

GlobalData. 2024. "Soft Drinks in the United States."

GlobalData. 2024. "Soft Drinks in the United States."

Grand View Research. 2022. "Ready to Drink Tea and Coffee - Market Analysis Report - 2023-2030."

Grand View Research. 2023. "U.S. Non-alcoholic Beverages Market Size, Share & Trends Analysis Report By Product (Carbonated Soft Drink, Bottled Water), By Distribution Channel (Food Service, Retail), And Segment Forecasts, 2024 - 2030."

2023. *Juice in the US*. Euromonitor.

Keurig Dr Pepper. 2024. "ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED December 31, 2023." Delaware.

Keurig Dr Pepper. 2024. "Investor Update."

Koller, Tim, Marc Goedhart, and David Wessels. 2020. *Valuation: Measuring and Managing the Value of Companies*. Wiley.

Market Vector. 2024. *MVIS® Moody's Analytics US BBB Corporate Bond Index*. 12 16. Accessed 12 16, 2024. <https://www.marketvector.com/indexes/bond/mvis-moody-s-analytics-us-bbb-corporate-bond>.

Vuo, Henning. 2024. *Non-Alcoholic Drinks: market data & analysis*. Statista.