04-Jun-2025

The Coca-Cola Co. (KO)

Deutsche Bank Consumer Conference

Copyright © 2001-2025 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

OTHER PARTICIPANTS

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

All right. Welcome back, everybody. For our next session, I'm thrilled to welcome back The Coca-Cola Company and I'm equally thrilled to welcome back John Murphy, who's President and Chief Financial Officer of the company, cracking open a nice Coke Zero. We will use the entirety of our time for Q&A and we'll get right in.

QUESTION AND ANSWER SECTION

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

I think, John, just to state some of the obvious – well, I think two things are obvious. I think you operate in a great industry, at least from my perspective, but like others, it faces challenges. And I guess love a little bit of your perspective on some of what those challenges are and what sets Coke apart within the industry [indiscernible] (00:00:52) that allows it to kind of continue to win.

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

Steve, thanks. Great to be back and always good to be in Paris. So, yeah, we do operate in a great industry. And it's an industry that continues to enjoy tailwinds that notwithstanding the many other factors that can influence its trajectory in the short-term. But over the medium- to long-term, I think it's more predictable on many. We depend on people, we depend on population growth, we depend on growth in consumer spending, and we rely on access, the ability to access people. And so, population growth at the enterprise level will continue to be a tailwind at the local level in some markets, not so much, but bigger picture, yes.

We continue to see over time more people with more money and we are able to get closer to them. Urbanization is a trend that has been in play and will continue to be. And I think with the digitization of the world in general, it's not just about physical access, it's about digital access. So, those underlying trends for the industry are very powerful and allow us to project low mid-single-digit growth on a sustained basis. It's – when I say that, I have to

Copyright © 2001-2025 FactSet CallStreet, LLC

go back over the last 35 years or so, the outlier years have been the more recent years. COVID been one outlier in the negative and the rebound and recovery has been on the flip side, but yeah, industry is robust and it's not without challenge, as you say, especially when in the face of the macro environment, the geopolitical environment, there is ongoing reasons for people to reconsider their habits and to potentially do things a little bit differently than they would normally do.

For us as a company, we have enjoyed good momentum over the last number of years. And I don't think it's by accident. We've – we took a position a number of years back to become much more, I would say consumer centric, which really boils down to been more willing to offer people what they are looking for and asking for versus impose upon them what we think they should be drinking. And that has opened up for us a much bigger addressable market and it has enabled us to galvanize our system, our ecosystem around the top line and it's been very effective. During that same period, I would say, we've become students of scale. There is no doubt in my mind that the ecosystem that we enjoy globally is one that can create more and more value, enduring value by leveraging it to its full. And I think historically, while the pieces were all there, we weren't quite able to do that. And over the last number of years in a systematic basis, that's become our friend, it's become its own tailwind.

I think part and parcel with that the degree to which we work with our partners, with our bottling partners particularly has elevated to the next level. There is a – from my mind, the next level of relationship of performance that is showing through on a sustained basis. And then underpinning all of that, I'd say culture is important. We believe in winning as a core trait to cultivate and nurture, up and down our organization with our partners. And it's – one could argue it's half the battle. If you go in thinking you're going to win, you've got a much better chance of actually doing so.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. If we drill into the year and now, 2025, lots of different crosscurrents on the consumer that vary around the world. I guess maybe what is your assessment of consumer health as you go around the world, maybe starting in the US and Mexico and branching out from there? And how does that translate into trends for your business at the moment?

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

So, I'll answer it to with a little context. If I take a step those crosscurrents have been with us for a few years in different shapes and forms. The COVID period, the supply shocks, the inflationary pressures, the geopolitical environment, there's been reasons for consumers, as I just mentioned in my last answer, reasons for consumers to be somewhat derailed from their normal patterns. And I expect that to be the case for a long time to come. And I think you've got to build that into your – the way you do business.

But underlying all of that, there has been, through the last few years, there has been a lot of consumption. And so when – we've been beneficiaries of that. So that's sort of the backdrop. First quarter is a good – just point in time, a good example of what you think might happen doesn't exactly play out in the way that – in the way that you thought, North America as a good example, a good start to the year, then in February and March, some dislocation through a video that went viral that was untrue. But by the same token, influenced people's behavior for a period of time. And it's taken us a little bit of time in both in parts of North America and in Mexico to get back on the main highway again, so to speak, which I'm thankful that we are. This quarter we did not have India and Pakistan almost going to war on our bingo card for – at the beginning of the peak season in India. So, these are moments that I think we should be expecting to happen with more regularity than perhaps we were used to.

Copyright © 2001-2025 FactSet CallStreet, LLC

And then underlying all of that, I think we are still confident in the trends that we've enjoyed. Around the world, Brazil, Argentina have been – have continued to be to be strong. Mexico, we expected to have a tough first half of the year, cycling some pretty, pretty big numbers from last year. And then on top of that, the issue I just mentioned Western Europe has been somewhat impacted as well by some of the macro and the geopolitical stuff. But overall, we feel pretty good about the direction there. Africa is a mixed bag. Permanently mixed bag. When you look at the number of markets there, it's very difficult to see all of them moving at the same pace at the same time. But we've got a great system there that is probably the most adaptable of all the ones that we have around the world, given how the dynamics there change so frequently.

And then Asia in the first quarter was a big – it was a big boost to the overall company performance driven by China, good Chinese New Year which augurs – typically augurs well for the year ahead. Strong start in India, Southeast Asia, some challenges in Southeast Asia that we're working on. So, there's the puts and takes around the world that I expect to continue to challenge us.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Yeah.

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

And I was at a meeting in March with a number of folks saying that I don't know of one of our operating units around the world that's operating to the same plan as they started the year on. And that's really – that's business in today's world, business as usual.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Yeah. Yeah, what about across channels. There's been a lot of discussion, weaker QSR traffic, et cetera. Anything – [ph] anything to call out (00:10:03) there?

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

Yeah, I'd say the same thing. I think QSR has been – was the channel most impacted during COVID. It's taken a while, particularly in the developed markets to get back – to get momentum back. And I don't think it's back yet fully to where it was. It's much better than it was and has had – it's going to have those moments to where it'll – where you're going to see, you see the short-term being impacted by some of these external factors. But again medium- to long-term, the opportunity out of home continues to be very attractive to a company, to a business like ours.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

You have done a good job of translating future consumption trips into media consumption occasions, which has helped.

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

Exactly. Exactly.

Copyright © 2001-2025 FactSet CallStreet, LLC

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

At CAGNY, you and James talked about your new operating model and how you were focused on doing what Coke has always done, but doing it even better, in terms of portfolio choice, innovation, marketing, consumer centric, execution, et etcetera. What are the biggest changes underway now with respect to the broad effort to do things even better?

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

So my first reaction is it's not quite a new operating model. I think it's a – it's today is a representation of a model that has been in place for a long time. It's – we've been very deliberate in the way that we attack the marketplace through the eyes of the consumer. And building a portfolio of brands that can do that in an effective way is and has been a priority for some time now. I think we're doing it better, but a lot of runway ahead. The marketing and innovation agenda that we've talked about a lot over the last few years and appropriately so, given that it's the fuel that allows those brands to stay relevant, has undergone massive change, just massive change and yet when I'm with Manolo, our Chief Marketing Officer, he would argue that the bigger change around the corner. And so you've got to stay very close to that.

The bottling system, our franchise model, the franchise model is one we've had for over, gosh, 120 years, 130 years. So it's not about necessarily the model itself is changing, but it's how we leverage the model. We believe strongly that it's a competitive advantage when operating well. And for that to happen, you need to have a number of variables in place, great leadership company in bottler belief in the future, the right ambition to win, willingness to invest ahead of the curve. All that translated down through a scaled organization to be able to execute well at a local level. Execution sometimes doesn't get the air time that it deserves, because in a business like ours, all of that other stuff is kind of fluff and unless it's connected to what's happening each and every day in the marketplace. So I think that piece of the equation has really elevated. And yes, there's big, there's so much more we can do.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Yeah.

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

Yeah. And then the whole topic of talent capabilities, you're never – you should never be comfortable. You should never think that we've arrived, because the day you arrive is the day sort of see the – there is a door, another door to open. And there's more to do and more to accomplish inside that next door. But, on the positive, the degree to which we have both internal and external talent at the highest level wanting to work for us and work with us, tells you something good is underway. And yet when the better you have talent around you and capabilities, the more they remind you of what's missing. So there's that yin and yang at play all the time.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. When we were talking about state of play, we didn't really differentiate by categories. So I guess...

Copyright © 2001-2025 FactSet CallStreet, LLC

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.
A

Yeah.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.
Q

...if I pivot back there and just get a sense of kind of where you're seeing the best market share, best category momentum and market share momentum, and conversely the opposite. And then where you see opportunities for kind of whitespace and a little bit of how you would plan to attack those, whether it's buy versus build.

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.
A

Okay. So a lot of the marketing and innovation work that we've done over the last few years has been to – have in market a portfolio of brands that meets existing and potentially new needs, consumer needs on different occasions. So we have a bias towards playing in multiple categories. Those that we have done best in an interesting way is the ones that were the best at, we're pretty good at selling and marketing and keeping this brand relevant.

Some of the newer brands, we're still learning and we still have a long way to go. I'm very interested in making sure that we keep the balance right, keep the pressure on our core sparkling business, while at the same time we develop and build the capabilities needed to play in some of the newer categories. Advanced hydration is only – one area where there is enormous upside given the rate at which consumers are moving to wanting solutions in that space. We have a mini portfolio of brands that play in that space, and yet none of them are at the level that they could be.

Tea, the tea category is one that I believe we have huge upside, Fuze Tea has been almost a silent, in the way it's crept up and is now $1 billion brand. We have actually – we have a Sprite plus tea proposition going into the market that's leveraged off a student campaign on – that went viral where they dip the tea bags into Sprite and so that's a pretty neat idea. So, love taking that learning in and seeing [ph] developing (00:17:23) proposition I thought is just an example of how I think we can bring these categories to life better. So just across the board, I could go into each category. I could – I can argue both sides of the case. There's momentum, we're doing well, but by the same token, the opportunity ahead is plentiful but requires us to continue to raise the bar on those variables that go into building successful brands.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.
Q

Okay. But you kind of alluded to an ongoing transformation in marketing and innovation, which, I mean there has been one going on. And...

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.
A

Yes.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.
Q

Copyright © 2001-2025 FactSet CallStreet, LLC

...tea is sort of a little bit of example where you're kind of lifting from the market, moving fast. So kind of where are we in the sort of the evolution of marketing and innovation? And some of that dovetails with the technology and AI, Zoran from CCH participated in AI roundtable yesterday. The Coke system is very much on the forefront. So how does technology leverage into what you're doing with marketing and innovation?

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

Yeah. So the technology component is increasingly important to understand the role that it can play and then to develop and build the capabilities needed to be able to do so effectively. There's a lot of reasons to feel good about the progress that we have made in the marketing and innovation front. We have been recognized more often externally with the awards world than I can remember. We have – the top line momentum is not by accident. It's a function of, I think the progress that we've made. And we have $30 billion brands to enjoy, but there's 150 more that we also have that are not [ph] just (00:19:27) in that category. Many of them will never get there.

And so we've got – still got a lot of opportunity to get the portfolio to the place that we need to. As we think about the journey ahead there is – you never know enough about the consumer. So that we continue to invest heavily in enhancing our understanding of consumer needs, motivations and how that translates into opportunity or challenges for the industry and for us as a company. The marketing innovation agenda itself in terms of building it to deliver against the top line objectives that we have is very, very much a work in progress. And at the outset of your question, the technology agenda is pushing us to reconsider how we think about that as we go forward. The role of AI, the role of generative AI, it's not just interesting to talk about. You've got to now convert that into real tangible outputs.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Yeah.

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

And we're seeing the benefits of that. The productivity agenda that we have been driving in the marketing world for the last six years or seven years has given us a lot of fuel to reinvest in the business in a very, I think in a very appropriate way, given what we've come through as an organization, as a system over the last few years. And then finally I'd say the focus on the capability, the talent that we need to be able to lead us to that next step change is really important. It's equally important though to stay grounded and stay real on how exactly are we doing? And so the degree to which we now are able to track our progress at a – kind of at a micro level. Are we recruiting consumers through all of this great work? If so, where, if not, why, are we – is innovation playing in a tangible way the role that it needs to. Are the hard savings that we know we can get actually coming through? I'm the one who can answer that question typically. And then, are they coming through the right way because you do not want to be cutting into muscle.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Right.

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

That's not the idea. The idea is to continue to innovate in the productivity area to deliver more for less...

Copyright © 2001-2025 FactSet CallStreet, LLC

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Yeah.

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

...et cetera, et cetera. So there's a lot of obsession over these. Are we moving the needle on these metrics? And I think that feeds back into this ongoing kind of discomfort as to where we are today.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Yeah. Is there, are there examples you can cite of the sort of the guardrails on that you've talked about leveraging more of the P&L after years of investments?

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

Yeah.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Right. But I think the devil's advocate that the concern is that you end up over leveraging and...

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

Sure.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

...right and then we have to go through the reinvestment cycle. So what specifically – how is that specifically being managed so that that doesn't happen?

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

Again, I think the kind of metrics that we look to, whether it's within the marketing and innovation world itself in terms of how much fuel do we need what's the – we have – what's the refuel rate that we are employing against our portfolio in different parts of the world is one way to give us confidence that we're not overdoing it. Secondly, it's really important to understand it's not just about quantity of investment, which is sometimes a very kind of crude way to examine one's approach. But it's also about quality, what's the mix of investment, we have – in the last five years, six years, we have doubled our investment in sort of so-called digital world. Some people said, well, that's great news. I said, well, yes, yes if...

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

If it all works.

Copyright © 2001-2025 FactSet CallStreet, LLC

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.
A

...if it's working, if it's been invested wisely. And so we are learning. I think many companies are still learning that, just a conversion from the legacy world to the digital world does not guarantee success. And so we're also looking very closely at the quality of investment, not just quantity.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.
Q

Okay.

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.
A

And then you – it all feeds into that broader algorithm, is it the top line delivery. Are we able to, at the same time expand our margins over time. And then at the micro level inside the organization are we supporting brands and geographies in the appropriate way. We've done a lot of interesting work in the last three years or four years to prioritize those country, category combinations that not only deliver a large share of the profit pool today. But we expect it to be deliverers of that profit pool in the future and make sure that they are the areas that are getting an over allocation of the resources that we have available. And I think at the – in totality, we don't necessarily have a shortage of resources. It's being able to allocate them in the appropriate way. That's a big – that's the big game changer for the next – I think for the next phase of this journey.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.
Q

Okay, great. One thing that I think we talk about every year on the stage is revenue growth management. You've been cited so you know, but other companies is sort of the epitome of what revenue growth management success looks like. But you continue to...

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.
A

Yeah.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.
Q

...hone that skill. It's important both in terms of meeting the consumer where they are and also ensuring that you're doing so profitably. So what are – I guess how do you think about the runway of opportunity on revenue growth management?

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.
A

It's always nice to hear the first part of your question. And I don't think there is a product in the world that you can buy at so many different price points and so many different packages and which is good evidence of the fact that we're well advanced on the journey. When I look at around the world, the areas that we are doing really well at and those not yet. So while the runway continues to be huge. So getting to scale is the name of the game here. Getting to scale the idea that underpins revenue growth management, because it's not that complicated...

Copyright © 2001-2025 FactSet CallStreet, LLC

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Right.

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

...not complicated to offer the argument that providing people with a choice of package, pricing, presentation in different moments throughout their daily journey is going to be a more attractive proposition than just having one size fits all. It's not a difficult argument to make. What's difficult is to scale that, it's to scale that in over 200 countries. And to do it in a way that's relevant for what local needs are. And so in that context, I think we're advanced on the journey, but I could take you to any single market in our portfolio and point to the plethora of opportunities that we still have ahead of us. And that's what excites us is knowing that ahead of us, we continue to have the ability to get closer to the shopper, to the consumer, to the customer with different solutions and knowing that, but to get there, it's not a – it's not just by pressing a button or showing up. It's an equation with many variables that not many can get right.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Okay.

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

And we think we have an advantage to do so.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Yeah. Strength begets strength. I'm sure you've been getting this question. You'll get this question. But, I think, but this is more from a US lens where I think it's more – it's very much front and center. But there's been increasing discussion of food and beverage regulation, whether that's formulation regulation, changes to SNAP food assistance programs. And then you have general health and wellness considerations and GLP-1 drugs. How does that discussion influence how Coke thinks about its business priorities? And are you seeing any impacts in the market today?

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

No, it's very topical, especially, as you say through the lens of the US environment. But it's not a new topic. It's one that we've wrestled with, we've – at times embraced and at times not done a great job, honestly, over our long history. But it's one that we today are – we very much have it on the table. It's an important topic. It feeds into that broader equation of following the consumer intelligently and been willing to have your parameters challenged. I think it's the – in many ways, it's the inspiration to want to innovate more. Innovation is typically driven by a need to create something new that delivers value that you don't have today.

And I see the situation not only in the US but in other parts of the world being exactly that. It's something we need to embrace as another variable in the equation and figure out how to deal with it. In the case of GLP-1, I think it's a piece of that broader equation towards a movement because a lot of people are much more interested today in

Copyright © 2001-2025 FactSet CallStreet, LLC

what they consume than they used to be. It's incumbent upon a company like us who is in the business of offering them...

Steve Powers
Analyst, Deutsche Bank Securities, Inc.
Q

What they want?

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.
A

...choices to consume, to take us seriously. And that feeds into our innovation agenda. We haven't seen in the data that we have access to, we haven't seen a material impact per se from a GLP-1, for example. But I don't think that is a reason to not continue to stay a little bit on your toes with regard to how we should be thinking about ongoing innovation.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.
Q

Yeah.

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.
A

So, yeah, it's a big topic. It's one that I think we have learned, it's better to embrace it early and to feed it into the into the equation than to either ignore it or pretend that it's going to go away on its own.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.
Q

Yeah. And I think fairlife in the US is example that you can...

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.
A

Yes.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.
Q

...curate a brand...

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.
A

Yeah.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.
Q

...innovate on a brand that is – on those – is consistent with those.

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.
A

Copyright © 2001-2025 FactSet CallStreet, LLC

Yeah. And sometimes you do something for one reason and lo and behold, something else happens where all of a sudden you have a solution that you didn't think you had and then you have. The protein area is one that's a hot topic, a big trend. And we're fortunate that we have a couple of great brands to play in that space for us.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. A few minutes left, I have a couple of different questions I want to [indiscernible] (00:32:42).

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

Sure.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

On the bottling side of the business, over the course of the last year, you've taken since we last spoke here, you've taken some incremental steps towards refranchising...

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

Yes.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

...typically in India. What's the strategic vision with respect to that markets operations? And then what's the current thinking on Africa, other hot topic of history on bottling side?

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

Yeah. So in India, the Indian market is an enormous opportunity, I think of India as – underneath the umbrella of India and you've got states that are bigger than most countries that we deal – do business in. So it's a huge playing field with opportunity being realized as we speak. But the runway ahead is enormous. So configuring an ecosystem there that's going to stand the test of time has been a very important priority for us over the last few years. And not only we've taken steps with regard to refranchising, the markets that we own, we've also taken complementary steps to strengthen the franchise business in other areas and very happy with our new partner, very happy with the progress that we're making. And I see it being sort of a very important piece in that overall jigsaw that we're creating for us to be able to capture the opportunity ahead for India. Africa, nothing new to report at this time.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. On the cash flow front. Favorite topic?

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

Yes.

Copyright © 2001-2025 FactSet CallStreet, LLC

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

We've been talking in longingly about a period of time when cash flow headwinds that you've been experienced in the last few years would be behind you. I think we're at that point where, fairlife contingent considerations and tax payments, et cetera, are mostly behind you. Does that mean you're on the verge of a free cash flow conversion and inflection as we move into the back half of 2025 and 2026? And if so, how does that bolster your optionality in terms of different strategic decisions going forward?

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

Yeah. So for cash flow it has been a really important topic for all the reasons that you know better than anybody. Over the last eight years or nine years, we've gone from a – I think a position of weakness, I'd say, to one where we are today in a position to invest as we need to and to support the dividend as is appropriate. I look at the underlying cash being generated from the business as a first place to make sure, we have confidence in ensuring. And then some of these one time or these anomalous items that we've been dealing with as they fade into the background, I think will provide some more optionality.

Our capital allocation template though, I think is not going to change dramatically. We have a bias to invest in the business growing organically over time for me is priority number one. We're not against the inorganic. Half of the 30 or have come from inorganic players, we're not against that as a potential future source of new growth to get into some of the addressable market I talked about earlier. The last three, four years or so, we've we felt that we've had brought in a lot and it was time to sort of – to leverage the impact that they could have.

So, the template is not I don't see changing dramatically, invest in the business, support the dividend, continue to have a balance sheet that's appropriate for the times in the world that we're living in when there is so much macro, geopolitical, other uncertainties around there, it's nice to go home at night knowing that you've got a balance sheet that can...

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Yeah.

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

...that's going to be strong...

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Strong tomorrow.

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

...tomorrow and next week and deal with whatever gets thrown at us. And so it's a really important topic.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Copyright © 2001-2025 FactSet CallStreet, LLC

Great. We've got one or two minutes left. And so I've asked this question to others as well. But if you could project yourself into the future, five years June 2030, hopefully we're back in Paris. What do you want to be able to say of the accomplishments of The Coca-Cola Company was or were over those five years?

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

A

So five years ago, we weren't here. That was only – and that's only 20 quarters ago. We weren't here. We were all on learning how to do video calls. So it's not that far away, it's not as far away as we think. And when I look back at what's happened in the last 20 quarters versus 20 quarters out, it's – to me then the answer becomes more of the template that we have offered for both our external as well as our internal stakeholders that we went through. That – I would like to think that it is going to continue to be the source of outperformance. There for every topic, that is embedded in that – in those five pillars that we used to frame our conversation in CAGNY, there's something to be proud of. There's tremendous progress that we've made over the last few years, but on the other side of the coin, there's also an enormous amount of untapped opportunity still. And it's very tempting at times to get bored with the things that are working. And my hope is that we don't get bored with those few things that we know can deliver outsized value for a long time to come.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Okay. Great place to end it. Right on time. Thank you very much, John.

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

Thank you.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Thank you very much.

John Murphy
President & Chief Financial Officer, The Coca-Cola Co.

Thank you, everybody.

Copyright © 2001-2025 FactSet CallStreet, LLC

Disclaimer
The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.