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# The Coca-Cola Co. (KO)

Q4 2025 Earnings Call

## CORPORATE PARTICIPANTS

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**John Murphy**

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## MANAGEMENT DISCUSSION SECTION

**Operator:** At this time, I'd like to welcome everyone to The Coca-Cola Company's Fourth Quarter 2025 Earnings Results Conference Call. Today's call is being recorded. If you have any objections, please disconnect at this time. After the speakers' remarks, there will be a question-and-answer session. [Operator instructions]

I would now like to remind everyone that the purpose of this conference is to talk with investors and, therefore, questions from the media will not be addressed. Media participants should contact Coca-Cola's Media Relations Department if they have any questions.

I would now like to introduce Ms. Robin Halpern, Vice President and Head of Investor Relations. Ms. Halpern, you may now begin.

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### Robin Halpern

*Vice President & Head-Investor Relations, The Coca-Cola Co.*

Good morning, and thank you for joining us. I'm here with: James Quincey, our Chairman and Chief Executive Officer; Henrique Braun, our CEO-elect and Chief Operating Officer; and John Murphy, our President and Chief Financial Officer.

We've posted schedules under Financial Information in the Investors section of our company website. These reconcile certain non-GAAP financial measures, that may be referred to this morning, to results as reported under Generally Accepted Accounting Principles. You can also find schedules in the same section of our website that provide an analysis of our gross and operating margins.

This call may contain forward-looking statements, including statements concerning long-term earnings objectives, which should be considered in conjunction with cautionary statements contained in our earnings release and in the company's periodic SEC reports. Following prepared remarks, we will take your questions. Please limit yourself to one question. Reenter the queue to ask follow-ups.

Now, I will turn the call over to James.

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### James Quincey

*Chairman & Chief Executive Officer, The Coca-Cola Co.*

Thanks, Robin, and good morning, everyone. Before I get started, I'd like to thank all of you for your support and collaboration over the years, from the analysts on the call, to the investors who are listening, to the many employees and other stakeholders who are joining us as well.

Today will be my last earnings call. It's been a tremendous honor to be the CEO of this remarkable company. Coca-Cola gave me opportunity to serve consumers, customers and communities around the world and work alongside incredibly talented and dedicated colleagues and friends.

Our company has achieved a lot over the last decade. Looking back to CAGNY 2017, we set four strategic priorities: accelerating our consumer-centric brand portfolio; strengthening our system; digitizing the enterprise; and unlocking the power of our people. And I think we've done a good job meeting those priorities.

We've added 12 billion dollar brands to our total beverage portfolio, bringing our total to 32 billion dollar brands. 75% of our billion dollar brands are outside our sparkling soft drinks. And while we've expanded our portfolio to offer consumers more choice, we've also reinvigorated growth of our legacy sparkling soft drink brands.

Trademark Coca-Cola retail sales grew by over \$60 billion. And the brand is the highest valued food and beverage brand in the world, according to Kantar, with a long runway ahead. Alignment with our bottling partners is better than ever, and we have a clear line of sight into completing our refranchising strategy. This work created a virtuous circle for our system with higher returns, additional investment and further value creation.

We've also taken foundational steps to digitize our system. We made good progress connecting with consumers and customers on a more granular and personalized level. And lastly, we've built a culture that prioritizes our willingness to take risks, learn through iteration, push each other and scale successes.

Our people and our growth mindset remain two of our biggest advantages. As a result of delivering on these four strategic priorities, we've had a 7% average organic revenue growth since 2017, above our long-term growth algorithm.

After years of being stuck at around \$2 comparable earnings per share, we inflected our earnings, overcame ongoing currency headwinds, and have achieved a \$3 comparable earnings per share in 2025. We also created more than \$150 billion of market value for our shareowners and outperformed the consumer staples industry.

Our foundation today is as strong as it's ever been. No matter how you slice it, by category, by consumer, by channel, we have immense growth opportunities ahead of us.

Henrique will bring new energy to usher in our next chapter of growth. And he's particularly passionate about our brands, franchise operating model, digital engagement, and our people.

We both started at The Coca-Cola Company in the same year over 30 years ago. And he's been an invaluable partner to me over the past decade. He's worked across many functions and has created value for our system on every continent where we do business. The best days for our system continue to be ahead of us. And I'm confident we'll capture these opportunities under Henrique's leadership.

So, without further ado, I'll pass the call off to Henrique Braun, the next Chief Executive Officer of The Coca-Cola Company.

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## Henrique Gnani Braun

*Chief Operating Officer & Executive Vice President, The Coca-Cola Co.*

Good morning, everyone, and thank you, James. I'd like to take a moment to thank you for your leadership during your tenure as CEO and for your incredible contribution to our system. You leave a legacy of returning our business to growth. It's a privilege to be the next Chief Executive Officer. And I look forward to partnering with you in your ongoing role as the Chairman.

Now, I would like to discuss our 2025 performance. Despite a complex external environment in 2025, we delivered on our initial top line and bottom line guidance set last February. We also continued our streak of gaining value share for the last 19 quarters.

Organic revenue growth was in line with our long-term growth algorithm. While unit case volume was flat in 2025, we ended the year with better momentum as volume improved each month during the fourth quarter.

If you take a step back, we have a long track record of navigating complex external dynamics to hold or grow volume each year. Over the past 50 years, annual volume declined only once and that was during the pandemic.

Rounding out the P&L, ongoing efficiency and effectiveness initiatives drove strong comparable operating margin expansion in 2025, which contributed to 4% comparable earnings per share growth, despite 5 points of currency headwinds and a 2 point increase in our comparable effective tax rate.

During the fourth quarter, we grew volume, despite cycling a tougher comparison versus the prior year. We continued to invest to build our system for the year ahead, as well as for the long-term.

Starting with North America, we delivered strong results, despite continued macroeconomic pressure on lower-income consumers. We gained both volume and value share and grew volume, revenue, and comparable operating income.

We had broad based strength across our total beverage portfolio, as Trademark Coca-Cola, Sprite Zero, Fresca, Dasani, fairlife, BODYARMOR trademark, and Powerade each grew volume. Innovation contributed to our growth, as Sprite Chill and Coke Holiday Creamy Vanilla had strong performance. Across our portfolio, our system focused on accelerating cold drink equipment placement, expanding availability of value offerings and winning share of visible inventory.

In Latin America, we are lifting and shifting learning from across our markets and leveraging our systems capability to navigate a challenging external environment. During the fourth quarter, we managed to gain value share and grow volume, revenue and comparable currency neutral operating income.

Both Coca-Cola Zero Sugar and Sprite Zero Sugar had strong performance. And Santa Clara, our value-added dairy brand in Mexico, became another addition to our stable of billion dollar brands. To drive consumer demand, we tapped into key passion points by linking Fanta with Halloween. We also continue to focus on refillable packaging, value offerings and attractive absolute price points across our portfolio.

In EMEA, we gained value share and grew volume and revenue. In Europe, volume declined as the quarter started slowly before recovery. To drive transactions, we activated several campaigns focused on the holiday and the upcoming Winter Olympics. In the UK, we leveraged our English Premier League partnership to engage consumers with customized product offerings.

In Italy, to kick off the Winter Olympics Torch Relay, we launched a music festival in Rome, and our Coca-Cola truck followed the Olympic flame across key towns and cities ahead of the games.

In Eurasia and the Middle East and in Africa, we grew volume in both operating units. We tapped into key innovations grounded in local consumers insights, like Sprite Lemon Mint in the Middle East, and had impactful marketing campaigns like Schweppes Born Social 2.0 and Share a Coke in Nigeria. Our efforts to highlight the localness of our system and sharpen our revenue growth management capabilities led to volume growth in both operating units in 2025.

Lastly, in Asia Pacific, we gained value share and had flat volume. However, revenue and profit declined during the quarter. Volume growth in Japan was offset by declines elsewhere, driven primarily by softer consumer spending, weaker industry performance and cycling strong growth in the prior year.

We are continuing to invest in long-term growth opportunities across Asia Pacific. And we are implementing granular channel execution plans and tailoring our brand price/pack architecture with a focus on attractive absolute price points and value offerings.

In summary, we are responding to differing dynamics across our markets by adapting faster, leveraging our portfolio power and investing for growth. As I prepare to step into the CEO role and think about what's next, there will be a balance between continuing what's working and evolving where we can to become more effective and efficient.

While we are proud of what we have accomplished, future success is never guaranteed. We must remain discontented. Every day, our system needs to focus on being a little bit better and sharper everywhere to drive transformational impact. We have enduring strength, which includes an incredible foundation of 32 billion dollar brands and unmatched system reach. Our mission is both to increase this number of billion dollar brands and to turn today's billion dollar brands into tomorrow's multibillion dollar brands.

To drive further quality leadership, I'm excited about three key areas. First, we will aim to step change recruitment, especially with young adults consumers, by better integrating our marketing campaigns with commercial execution at the point of sale. We already have a good starting point. In the US, for example, we have 10 of the top 20 beverage brands for young adult drinkers, including Coca-Cola, which is the number one beverage brand.

Second, we need to get closer to the consumer and improve our speed to market. While we have made some progress with our overall success rates over the past several years, our innovation today is not where it needs to be. We are striving to better anticipate the next growth opportunity in beverages and shape what comes next, driven by our deep consumer insights.

Third, I am energized about steering our future-ready system. We must be intentional about putting digital at the core of every connection with consumers, customers and across the system. The better-than-ever alignment that we have today with our bottling partners is simply the starting point.

Putting it all together, we'll look to continue expanding our horizons and shape our future. We have a durable strategy and our runway is long. I'm confident we will deliver on our 2026 guidance and capture the best opportunities available. I look forward to sharing more details on how we are thinking about evolving our culture and our enterprise to fuel a new decade of growth next week at CAGNY.

With that, I will turn the call over to John to discuss 2025 performance and guidance for 2026.

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## John Murphy

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

Thank you, Henrique, and good morning, everyone. First, I'd like to recognize James and congratulate him for his tremendous career and amazing leadership as our CEO. It's been an absolute honor working alongside him. I'm also confident in the company's future as Henrique steps into the CEO role.

Looking back at 2025, we remained agile and focused on improving execution of our strategy to deliver on our guidance. During the fourth quarter, we grew organic revenues 5%. Unit case growth was 1%. Concentrate sales grew 3 points ahead of unit cases, driven primarily by the timing of concentrate shipments and an extra day in the quarter.

Our price/mix growth of 1% was primarily driven by approximately 4 points of pricing actions, offset by 3 points of unfavorable mix, which was driven by an unusual combination of business mix, category mix and timing of a number of items. Comparable gross margin and comparable operating margin both increased approximately 50 basis points. Both were driven by underlying expansion, partially offset by currency headwinds. Putting it all together, fourth quarter comparable EPS of \$0.58 was up 6% year-over-year, despite 5% currency headwinds and an increase in our comparable effective tax rate.

Free cash flow, excluding the fairlife contingent consideration payment, was \$11.4 billion in 2025, which is an increase of approximately \$600 million versus the prior year's free cash flow, excluding the IRS tax deposit. Growth was driven by underlying business performance and lower tax payments versus the prior year. Adjusted free cash flow conversion in 2025 was 93%, in line with our long-term targeted range for the third consecutive year.

Our balance sheet remains strong, with our net debt leverage of 1.6 times EBITDA, which is below our targeted range of 2 to 2.5 times. We'll continue to judiciously manage our balance sheet as we await a court decision related to our ongoing dispute with the IRS. Enabled by our All-Weather Strategy, we have demonstrated our ability to navigate local market dynamics to deliver on our global objectives.

Our 2026 guidance builds on the results we've achieved over the past several years. We expect organic revenue growth of 4% to 5%, which is in line with our long-term growth algorithm. We also expect growth in comparable currency neutral earnings per share, excluding acquisitions and divestitures, of 5% to 6%. We continue to focus on investing behind our brands to drive balanced top line growth, with volume as a key priority.

Notwithstanding volatility in certain commodities and evolving global trade dynamics, we expect the overall impact on our cost basket to be manageable. Divestitures are expected to be an approximate 4 point headwind to comparable net revenues, and an approximate 1 point headwind to comparable earnings per share. This assumes the pending sale of Coca-Cola Beverages Africa closes, subject to regulatory approvals, during the second half of 2026, and includes the impact of divesting CHI, which was our juice and value-added dairy finished product operations in Nigeria.

Based on current rates and our hedged positions, we anticipate an approximate 1 point currency tailwind to comparable net revenues and an approximate 3 point currency tailwind to comparable earnings per share for full year 2026. Our underlying effective tax rate for 2026 is expected to be 20.9%. All-in, we expect comparable earnings per share growth of 7% to 8% versus \$3 in 2025.

We also expect to generate approximately \$12.2 billion of free cash flow in 2026 through approximately \$14.4 billion in cash from operations, less approximately \$2.2 billion in capital investments. Driven by our free cash flow generation, we have an unwavering commitment to reinvest in our business and grow our dividend.

Approximately 25% of our expected 2026 capital investment relates to company owned bottlers, and the remaining capital investment is primarily growth oriented, which includes building capacity for our Concentrate and Finished Goods businesses.

For the past 63 years, we've grown our dividend. In 2025, dividends paid as a percentage of adjusted free cash flow was 73%, which is relatively in line with our long-term payout ratio of 75%.

With respect to acquisitions and share repurchases, we'll stay both flexible and opportunistic. On acquisitions, while our track record has not been perfect, we have created a lot of value in aggregate.

Just over half of our portfolio of 32 billion dollar brands was created inorganically. Most of these were bolt-on acquisitions that we later scaled ourselves. On share repurchases, we continue to repurchase shares to offset any dilution from the exercise of stock options by employees in the given year. Putting it all together, our capital allocation policy prioritizes both discipline and agility to drive the long-term health of our business and create value for our stakeholders.

Finally, there are some considerations to keep in mind for 2026. First, due to a calendar shift in the first quarter, while we'll have six additional days, we expect approximately half of the benefit to be offset by concentrate shipments cycling and timing. Also, the fourth quarter will have six fewer days.

Additionally, we will have lost equity income due to divesting our interests in Coca-Cola Consolidated in November 2025. Lastly, assuming the pending sale of Coca-Cola Beverages Africa closes during the second half of 2026, subject to regulatory approvals, we expect the impact from acquisitions and divestitures to be back half weighted.

To sum it all up, we're focused on continuing what's working and transforming where needed to deliver on our 2026 guidance and create enduring value for our shareowners. We believe we're well-positioned to drive top line growth, margin expansion, cash generation and returns over the long-term. Next week at CAGNY, I'll elaborate further on how we will do this.

And with that, operator, we are ready to take questions.

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## QUESTION AND ANSWER SECTION

**Operator:** [Operator Instructions] Our first question comes from Dara Mohsenian with Morgan Stanley. Your line is open.

**Dara Mohsenian**

*Analyst, Morgan Stanley & Co. LLC*

Q

Hey. Good morning. First, best wishes, James, after a remarkable run under your stewardship and congratulations to Henrique. I just wanted to get into the nitty-gritty of the 4% to 5% organic sales growth outlook for 2026. Was just hoping to get some perspective on the balance between price/mix and volume in 2026. First, obviously, the Q4 price/mix result was dragged down by geographic mix and timing, as you mentioned.

What's a more normalized price/mix run rate as you build up the geographies and look forward to 2026, particularly in a tough consumer environment and relative to what you'd view as a more underlying run rate on price/mix coming out of Q4?

And then just on the volume side, impressive 1% result in the quarter, against a tough 2% comparison. But you do have the Mexico drag on volume from taxes in 2026, perhaps some concentrate timing, still difficult consumer environment. So just wanted to get perspective on volume prospects also for 2026. And just again the balance between volume and price/mix that's implied in the organic sales growth guidance. Thanks.

**James Quincey**

*Chairman & Chief Executive Officer, The Coca-Cola Co.*

A

Well, thanks, Dara. And I was slightly worried that you were going to try and cram in all the questions for the next few years in your last opportunity to ask me one. Let me unpack a little, particularly as you mentioned, the 2025 price/mix and then roll into 2026. And again, I'll take this opportunity on my last call to make an exhortation to people, particularly as it relates to price/mix and inventory, given our position in the supply chain, to always try and take a four quarter view.

What do I mean by that? In the fourth quarter, pricing came in at 1%, but actually it was really 4%. Underlying pricing, as John mentioned, was really 4%. It was this 3% negative mix, partly with BIG, partly with some geographies and categories.

In previous quarters, it's been plus 2% or plus 3%. If you look across the last four quarters, that mix number is even. So it's always useful to take a four quarter view on the mix component. If you take that, what you see is 4% underlying price and 1% volume. So you see the fourth quarter in simple terms as a 5% revenue growth quarter, which is very much what we've been delivering through 2025 and back into the previous year. So I think that's super important to bear in mind.

And then as we've talk, historically, as inflation has moderated, as we have stabilized, seen that some of the economies around the world stabilize, we have been expecting our go forward guidance to see a more balanced mix of volume and price.

And so, I think that's what you kind of see for 2026 is a view that we still are going to be top line driven. We see strength in everything we're doing. And I know Henrique and John will unpack that in CAGNY.

But we are just being a little more realistic, as we always are, on where we need to improve to get that volume in 2026 and being a degree of prudence, some of the weaknesses would need to resolve themselves and bounce back, India, China, some of ASEAN, a few countries in Europe. And then we've got the kind of the Mexican tax headwind starting now. We have just been, what we believe to be, realistic and prudent, but still super important, we are leaning into growth. We believe we have all the strategies and execution to drive top line growth well into the future.

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**Operator:** Our next question comes from Steve Powers of Deutsche Bank. Your line is open.

**Steve Powers**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Great. Good morning. Congrats again, both to you, James, on your past accomplishments and, Henrique, on the accomplishments to come. I guess following up on Dara's question related to the 4% to 5% call for 2026. James, a few months ago, you talked about some steady – you framed it as light drizzle in the macro environment that seemed to be trending worse for consumers. I guess how have you assumed those general operating conditions trend in the year ahead? And as we think about the balance of that 4% to 5% growth in 2026, from a different perspective – you talked about volume versus price. I guess the contributions that you're expecting from emerging versus developed markets in the year ahead would be helpful as well. Thank you.

**James Quincey**

*Chairman & Chief Executive Officer, The Coca-Cola Co.*

A

Sure. Yes. I think light drizzle was the December phrase, which I still think is true, relative to what people were expecting then. Look, and I think this mix between volume and price also – look, we believe we will get back to a balance, so call it 50/50

What is important this year is to note that the places that need to get better are the contributors of long-term volume growth. India is a long-term contributor of volume growth, so that needs to build back. And we would expect that to ramp up during the year.

Similarly, China was a little weaker in the fourth quarter than it had been during the year. And we're looking to see that build back up through the year and a couple of other ASEAN and European markets. So the bits that will – and obviously the Mexican tax headwind is more likely to be impactful at the beginning of the year, in the first quarter, and then, to some extent, mitigate as we execute the actions to try and offset the impact.

All of that would lead you to conclude that we need to see the actions executed and see that volume start to build back in some of the volume driving countries through the year. So, therefore, you might see a little more price at the beginning of the year and a little more balance towards the end of the year, if that makes sense. But in the end, we're looking, and the guys will talk about it in CAGNY next week, to get more growth in more brands and more markets.

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**Operator:** Our next question comes from Lauren Lieberman with Barclays. Your line is open.

**Lauren R. Lieberman**

*Analyst, Barclays Capital, Inc.*

Q

Great. Thanks. Good morning, everyone. Wanted to talk a little bit about profitability. North America operating margin expansion, another strong year and now at 30% margins for the first time in this operating unit, I think. When I've asked, John, or I've asked you about it in the past, you were like, oh, it's a one-off, don't get too excited about profitability in North America. But it does look like there's been structural change.

So, just want to talk about now maybe long term view of that. Is this an appropriate level of margin? Is there more incremental reinvestment you need to do? Do you feel like you're kind of over-earning in some way profitability-wise, or is there more work to do and more expansion that can happen? Thanks.

**John Murphy**

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

A

Thanks, Lauren. I'll answer it in two parts. Take the opportunity to talk about it at the total company level. We have, I think, in the last eight years, have averaged about 60 basis points a year, operating margin expansion. We have talked frequently about the fact that it's not a fluke. There's lots of levers that we have in the supply chain, marketing investment, how we run the business.

And North America has been, I guess, our star performer over the last few years in tapping into all three sources. And they expect and we expect our folks running North America and we expect them to continue to sort of lead the way, because there's still tremendous opportunity to, as Henrique said earlier, to just get a little bit better every day.

We'll talk again next week on a sort of a deeper dive into some of these levers and how they have been and will continue to help us deliver on our long-term algorithm, which, as you know, implies modest expansion on a going forward basis.

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**Operator:** Our next question comes from Chris Carey with Wells Fargo. Your line is open.

**Chris Carey**

*Analyst, Wells Fargo Securities LLC*



Hi. Good morning, everyone. I wanted to bring the discussion back to some of these markets in 2025 which caused a bit more volatility for the business. Some are getting a bit better. I think India, China still has opportunity to get better. Mexico will be implementing the excise tax. So there could be some volatility around volume. I wonder if we just take a step back, can you perhaps comment on some of the markets which have been a bit more challenging or more volatile perhaps than usual in 2025, and how we should be thinking about overcoming those challenges into 2026, both because the compares get easier, but also some of the actions that you'll be driving in these markets? James, you had mentioned a few in a prior comment, but I wonder if we could just focus in on this concept and talk a bit more strategically about the sequential development and some of the actions that you're thinking through. Thank you.

**Henrique Gnani Braun**

*Chief Operating Officer & Executive Vice President, The Coca-Cola Co.*



Chris, it's Henrique here. I'll take this one. So first of all, I think it's important to look at the numbers on Q4, because it tells a lot about what you mentioned in terms of how we got puts and takes all over the world in stronghold markets that continue to have the momentum and others that we expected to do better. And for different reasons, they were ups and downs during the year. As James had mentioned, China, India's of the world, and Mexico this year with [ph] a headwind (33:40) that's coming with the taxes, but I'll cover how are we going to actually leverage the whole world performance to continue to deliver towards our goal. Okay.

But the All-Weather Strategy has been working for us, because we leverage not only the ones that have the momentum to offset these other markets. If you go specifically into the three that we mentioned, in APAC, when we have China, for instance, being one big market for us volumetrically speaking, but it has been also a market that we have seen the consumer sentiment and the spend being below pre-pandemic days.

Nevertheless, we continue to gain share in the market. We took a strategy there to build this for the long term and we continue to have a good inroads on the quality leadership on the core and we continue to win in that. So it's more of a long-term market. And we expect on our plans to continue to drive that next year, but with some volatility in that.

With China and with India, we had, last year, different impacts from industry tax dynamics, weather. And it was a market that we continue to invest also ahead of the curve. And we believe that we can get back on track in 2026.

Finally, the other market, Mexico. You have to look at the context of Latin America. We have had headwinds in the past in different markets, and the system together was able to build the right capabilities and address it through very good foundations on RGM. That's exactly what we're doing there in Mexico and leveraging the other markets that have the right momentum to get that algorithm going. So in a nutshell, we believe that we have plans to continue to navigate well. And the All-Weather Strategy should put us in a good shape to deliver against the LTGM.

**Operator:** Our next question comes from Filippo Falorni with Citi. Your line is open.

**Filippo Falorni**

*Analyst, Citigroup Global Markets, Inc.*



Hi. Good morning, everyone, and congrats from me as well to both James and Henrique, as you step in the new role. Maybe first, just a little bit expansion on the expectation for the North America business into 2026, especially

around a few points. Obviously, you have incremental fairlife capacity coming in early in the year. So maybe give us a sense of how you're thinking that will play out throughout the year and the growth for the brand that you're expecting. And also, as we get into the summer, you obviously have the World Cup and a lot of activation around that event. Any expectations around potential uplift there?

And then lastly, last year in Q1, you had the negative temporary issue with the Hispanic consumer around the video. So anything that you can think there to potentially see some more benefit in the first part of the year in North America. Thank you.

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**Henrique Gnani Braun**

*Chief Operating Officer & Executive Vice President, The Coca-Cola Co.*

A

Filippo, I'll take that one as well. Look, North America 2025, remember that we started the year with the challenge that you mentioned on some fake news that impacted, you know, part of the portfolio. And then we started to go on a sequential basis improvement quarter-on-quarter. We finished, as you see, the numbers down on Q4, on a positive note and with good momentum across the portfolio. And we continue to grow on the core on sparkling, especially on Coca-Cola Trademark. And then, we look at also fairlife continued the momentum. We had also very encouraging news on our dual strategy on sports with Powerade and BODYARMOR not only gaining share but volume in the market; smartwater continues to do well as well.

So from a portfolio basis and a consumer resilience, we believe that we have the good momentum and the plans to continue to build on an environment that it didn't change so far in terms of the low income consumer being pressured. And also, allowing us to continue to drive these across the different parts of the country, to continue to grow and do better every day with our bottlers executing that strategy.

So in a nutshell, we believe that we have good plans to continue the momentum that we have. And we expect North America in 2025 to continue the momentum that we built in – sorry, in 2026 with the momentum that we built in 2025.

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**Operator:** Our next question comes from Rob Ottenstein with Evercore. Your line is open.

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**Robert Ottenstein**

*Analyst, Evercore ISI*

Q

Great. Thank you very much. And please let me echo everyone's congratulations. So maybe moving in a slightly direction over, on the FX side, could you maybe remind us your approach to currency? It's a little complicated, different than some other companies. What the guidance entails, and how that is, where I think I'm seeing a 1% tailwind to the top line, but 3% on the bottom line, if I read that correctly. So what is driving that?

And then, what is your philosophy in terms of currency benefits, whether you'll be investing that into the business or dropping it to the bottom line, perhaps making up for some of the – as James mentioned before, being stuck at \$2 for a number of years due to currency, is this a chance to catch up on that?

And then, if I may, just looking out, given your hedging policy, multi-year, based on where we are today, do you see currency being a similar tailwind to 2027, or greater or less than the 2026 guidance? Thank you.

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**John Murphy**

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

A

Thanks, Robert. Indeed, it's been a while since we've talked about FX, and even longer since we talked about FX tailwinds. So to just anchor any conversation on FX to our broader growth equation, and at the root of that equation is a focus for us to win in each of our markets over time.

And for that to happen, we have got to be able to invest in a consistent manner, which among other things, allows us to price appropriately against both the local macros and the competitive backdrop. So that's part one.

And sort of fighting that, part two is at the total enterprise level, we are committed to growing our US dollar earnings, as we've demonstrated over the last few years. And so, our hedging program is an enabler to manage both of these tensions. So on the one hand, it removes the burden of non-market-driven fluctuations at the local level, so that local markets can focus on winning.

And secondly, it provides clarity to us at the enterprise level, to the task at-hand to grow US dollar earnings. So that's sort of the strategic rationale as to why we hedge. And the question for any given year is, okay, how are we going to execute optimally against that. And for 2026, we've taken advantage to-date of some uncertainty regarding the US dollar to lock in benefits. The tailwinds that we reflected in our guidance today is driven largely by a weaker dollar in some of our larger emerging markets, most notably in Latin America and South Africa.

And on the point about how far we go out, while we are well-hedged against the G10 currencies, decisions on emerging market currencies are very much linked to the economics of doing it. As you well know, the further out you go, the more challenging the economics become.

So we're well-hedged through 2026 on the G10. And we're as hedged as it makes sense economically on the emerging markets. So all of that is incorporated to the guidance; 1% NSR, 3% net income. And we feel good about that being our going in position for the year. As I say, it helps local markets focus on what they need to focus on. And it certainly gives us our homework here at the enterprise level to deliver the US dollar earnings growth.

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**Operator:** Our next question comes from Andrea Teixeira with JPMorgan. Your line is open.

**Andrea Teixeira**

*Analyst, JPMorgan Securities LLC*

Q

Thank you. And good morning, everyone. So James, congrats on your amazing run as CEO and now as Chairman and wishing Henrique continued success now as CEO. My question is on the impact of the SNAP changes in the US and then a clarification regarding the Mexican tax and initial read from the trade. And did that inform your conservative stance for organic sales growth in 2026? Thank you.

**James Quincey**

*Chairman & Chief Executive Officer, The Coca-Cola Co.*

A

Sure. Thanks, Andrea. I'll do SNAP and then Henrique can talk about the strategy in Mexico. Look, overall, SNAP, I think is going to end up being manageable. It's a relatively small number seen from a global basis. And we think it's manageable at the US level.

Clearly, we think that consumers should be allowed to choose, but the regulation is regulation. What we think will happen is people will choose to spend the cash they've got on certain things, and they'll use the SNAP credits where they're applicable. And at the end of the day, what that all boils down to is we have to make them the brands and the beverages that they want to have, and want to be able to spend their disposable income on, and

that just puts the challenge on us to give them the category, the beverage, the brand, the pack size, the price point that most works for them. And net-net, we see it as a manageable impact in the US and overall globally. So I'll let Henrique comment on how he's approaching the Mexican tax situation.

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### Henrique Gnani Braun

*Chief Operating Officer & Executive Vice President, The Coca-Cola Co.*

A

Yeah. On the Mexican one. Yes. Clearly, it is a headwind that came to us in the beginning of the year, already implemented. But it's a market that you know in as well that we have a system that has been for years working tremendously aligned, building the foundations of RGM and allowing us to play that impact of the taxes across the different packages, prices and channels in a way that optimizes how we actually go and try to be in front of our consumers and our customers with an impact that continues to be acceptable, right, by the consumer and the customers moving forward.

There is another point that helps us as well in 2026, is the fact that Mexico will host the World Cup event. It's the biggest event on earth in terms of engagement with consumers and customers as well. And we are dialing up our campaigns there up from day one, from Jan 1, we already had the campaign placed. On top of that, we celebrated 100 years of the system in Mexico as well. All of that helps us to go and navigate through what is a headwind. But with all the tools that we have in place as a very focused system, navigate that throughout the year.

Remember that, as well, it's we had other tax increases in the past, which we learned from the mistakes and the right movements that we made in 2014 moving forward. And we are applying those learnings this time as well, to navigate these in the best way.

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**Operator:** Our next question comes from Peter Galbo with Bank of America. Your line is open.

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### Peter T. Galbo

*Analyst, BofA Securities, Inc.*

Q

Hey, guys. Good morning. Thanks. Thanks for the question. John, I was hoping, just from your prepared remarks, to dig in on a couple of topics. I know we've talked about the mix impact, but maybe you could just give a little bit more detail. I think you specifically called out some timing of investments, and there was a bit commentary more focused on EMEA and Asia Pac. So just any additional detail there.

And then, just the second part, John, in your remarks, I think you talked about maybe a headwind at the equity income line not only related to some of the refranchising, but some other initiatives. Just how much of a hit that is to the EPS for the year would be helpful as we try to think about bridging operating income down to EPS. Thanks very much.

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### John Murphy

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

A

Thank you. On the first question, yes, let me just a little bit more detail. There were three primary drivers and each of them roughly worth about the same, about a point each. So we have had the impact of some of the emerging markets growing faster than the developed markets. And typically the emerging markets are slightly lower margin.

Secondly, in a couple of the developed markets, we've had some categories that, in the fourth quarter, of a lower margin nature, not dramatically, but still lower performing better than the higher ones. So that was another point.

And then, the third point relates primarily to just some of the timing of marketing investments, primarily to both factor in the end of the year and the fast start programs that we have in place around the world. So it's very – it's the first time that I can remember going back – gosh, how many quarters, to have three of those types of effects hitting us in the same quarter. So it's a one-off more than something to think of as a trend going forward. And as James said earlier, you take a step back and look at the full year and the way we built our guidance for 2025, I think reflects more the full year view, and that being a good benchmark on which to guide for next year – or sorry, for this year.

I'm sorry. And the second, you had a second question.

**Peter T. Galbo**

*Analyst, BofA Securities, Inc.*

Q

Yes. Equity income.

**John Murphy**

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

A

So the, as you said, the primary driver, that I alluded to is the sale of the Consolidated shares towards the end of the year. And there's a lot of puts and takes that go into the equity income line. So I won't get into all of that detail. But the primary driver is the lost equity income on Consolidated.

**Operator:** Our next question comes from Peter Grom of UBS. Your line is open.

**Peter Grom**

*Analyst, UBS Securities LLC*

Q

Great. Thank you. And good morning, everyone, and congratulations to you both as well. I had a cash flow question. So just maybe with a much stronger year expected on the cash flow front in 2026, would love an update on your capital allocation strategy and specifically whether you would consider leaning further into any of your four strategic priorities in the year ahead. Thanks.

**John Murphy**

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

A

Great topic. I think the starting point here is to get – is to look at the underlying drivers over the last few years. We've had some unusual items, the IRS tax deposit and the fairlife contingent consideration, which I know on a year-to-year basis has been a little confusing perhaps. But for me, what I look at is the underlying momentum coming from the business. And we see that having had a positive impact on a steady basis.

As I mentioned in my prepared remarks, there's a very clear picture as to how we want to best utilize the cash that is coming in. When you go to the top two line items, we are investing in the business as the business needs. About a quarter of our capital investment this year and last year goes towards the franchises that we still own in Africa and India.

We have highlighted investments we're making in our finished goods businesses elsewhere in the world, notably with fairlife. And we also have the opportunity in a number of parts of the world to shore up capacity for our Concentrate business, as it continues to be challenged in some areas to supply market needs. So that's been a priority, will continue to be, and there's no – there's not a lot of controversy about it.

Secondly, with regard to the dividend, we continue to be very proud of the 63 year track record of growing the dividend. And we are supportive of that trend continuing. And then what's left longer term is the idea of being both flexible and opportunistic when it comes to any inorganic opportunities and share repurchases. For 2026, in particular, the idea going into 2026 is to have as much optionality as possible to manage some specific variables, one of which is the outcome of the tax case that we have had with the IRS for many years, which we expect to certainly have a significant milestone towards the end of this year, early next year. And it's important for us to feel good about whatever outcome happens either in that or in other areas that we have what we need to deal with it. So 2026, very clear on the flexibility needed. And in the meantime, we'll continue to focus the rest of the company on the core business, driving cash so that those longer-term priorities, as I just outlined, can get the attention that they deserve.

**Operator:** Our next question comes from Kaumil Gajrawala with Jefferies. Your line is open.

**Kaumil Gajrawala**

*Analyst, Jefferies LLC*

Q

Hi. I'd like to maybe step back to maybe we started on the questions on the call, which is just sort of understanding the direction of travel for 2026. It looks like from an EPS perspective, you grew 4% with a 5% hit from FX. This year, you're expecting 7% to 8% with a 3 point benefit. So making adjustments there, it looks like quite a slowdown. So just curious what your – what's underneath that? Is it investment? Are you just being conservative because it's the beginning of the year or is there something else in there? Thanks.

**John Murphy**

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

A

Yeah. Let me take that and complement the comments already made. The starting point is what do we think the top line can deliver. And when you look at the guidance we provided, the 4% to 5%, it reflects the sum of many parts around the world. We have momentum in some markets and we've had challenges in other markets coming out of 2025. And we expect to be able to continue with those in the markets going well and over the course of the year to have the kind of recovery that this guidance deserves. So that's part one and really important.

Secondly, we've had a long-standing conversation on staying ahead of the curve when it comes to investing in our brands, in our markets, with our bottling partners and also in how we run the company. Henrique will talk next week about some of the priorities we have to continue to build capabilities. And so, there is a bias going into next year to invest somewhat ahead of the curve.

And then, the third area, just to keep in mind, is that we have – we've called it out but it's important. There's some structural cycling as well as some of the below the line items that I mentioned earlier regarding Coke. So I think we're being prudent going into 2026, given the dynamics at the top line level and given the work that's underway in a number of key markets to get momentum, and particularly to get volume momentum to where it needs to be.

**Operator:** Our next question comes from Charlie Higgs of Redburn. Your line is open.

**Charlie Higgs**

*Analyst, Rothschild & Co Redburn*

Q

Thank you. And yeah, just echoing congrats, James, Henrique and Robin on your new roles, all the best for the future. And yeah, great innings, James. I just wanted to ask about your move into the role of Executive Chairman. It sounds slightly more involved than the traditional Chairman role. Is that interpretation correct and could you maybe just outline what your key priorities are in the role?

And then, I was just curious, Henrique, on your comments on more to do regarding innovation. I'm sure we'll hear more next week, so I don't want to jump the gun too much, but could you perhaps just give some high level views of where you see the most opportunity, and how to execute on those in the context of a slightly weaker global consumer environment? Thank you.

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**James Quincey**

*Chairman & Chief Executive Officer, The Coca-Cola Co.*

A

Yeah, sure. Thanks, Charlie. So, I'll share a few thoughts and then pass the baton, figuratively and literally, to Henrique to talk about the innovation question. I think Executive Chair is clearly more than just a full-on independent non-executive Chair. The easiest way to understand it is that there are two buckets. One, which is things that the Executive Chair can do basically at the asking of the CEO to help him operate the business. There's a whole load of stakeholders and people and things. He has a very full agenda. Being CEO is a very full agenda at The Coca-Cola Company, notwithstanding there's a large team to help.

And so there's an opportunity to help bridge that transition by continuing to carry the can on a set of things. But let's be clear. The person running the company is the CEO. The Executive Chair is there to help on certain issues where the CEO needs it. And that's part of the transition.

The other piece of the puzzle is the Chair is involved because the board is involved. I mean, the Chair is also the representative, in a way, of the board. There are a set of issues around capital allocation, risk, long-term talent, where the board is obviously interested. And there, I can help work with Henrique and the team on making sure that we have the best possible dialogue at the board level on those issues. That's the simple equation.

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**Henrique Gnani Braun**

*Chief Operating Officer & Executive Vice President, The Coca-Cola Co.*

A

Check, and Charlie, you're spot on. We're going to share more next week at CAGNY. I'm very excited about it. But let me give you a hint here about what I meant by that on the earlier remarks. Look, we're definitely making great progress on innovation over the years. You remember that we went from 400 brands to about 170, pruning those brands to continue to accelerate the pace on bigger and better brands connected to consumers. And part of that was to improve our batting ratio there out of the park on innovation, which we have been doing.

We've been very disciplined about getting that success ratio better than the past. And we believe that now just looking at the insights from the different markets, that the world continues to be really open and the consumer is looking for more innovation at the local level as well. And that's where we believe that we can make a bigger difference. When I say that we want to be closer to the consumer, is to understand them from a local point of view and not miss that opportunity to start in a local market, something that can turn into a billion dollar brand later and then scale.

I think we put a lot of efforts and discipline on how to prune the brands, learn how to grow them and leverage scale. Now it's about bringing more of those localized opportunities into the family and then accelerate. To that extent, you know that we announced today as well two more billion dollar brands to the family. So innocent, and Santa Clara from Mexico. That's a great example of something that started locally. And then we invested behind it. Now they are bigger brands and a lot of the learnings from that can be turned into other places to bring more brands to that family. So more next week, but that's the idea. It's an evolution for where we are with an acceleration of innovation being more accretive to the LTGM.

**Operator:** Our next question comes from Carlos Laboy with HSBC. Your line is open.

**Carlos Laboy**

*Analyst, HSBC Securities (USA), Inc.*

Q

Yes. Thank you. Good morning, James, John, Henrique, and thank you for the focus clarity and the growth. You previously said that you reinvest capital you raised from refranchising back into those markets. Should we expect a step-up in marketing and innovation investments in India? And on a related basis, can you discuss for India the extent of the digital investments that you've been able to make in B2B platforms and advanced analytics and so forth for the purpose of more granular execution by point of sale before you refranchise there? And what's your vision for how this demand fulfillment capability is going to evolve there? Thanks.

**Henrique Gnani Braun**

*Chief Operating Officer & Executive Vice President, The Coca-Cola Co.*

A

Yes. Carlos, great to hear from you. So let me step back here because it's not only about India. I think it's a strategy that has been working for us. And John mentioned a few questions before that this idea of investing together, the bottlers and us, ahead of the curve, it's number one, showing the belief that the system has on this industry. And on top of that, that we invest with that same idea in every market we operate in. That's very unique from the Coca-Cola Company. Every market has one mission and it's important.

So India, specifically speaking, we not only have been investing with our bottling partners ahead of the curve, I think we mentioned a few quarters back, the level of investment that we had on new lines in India that has been unprecedented. That's just to give you an idea about that investment. And we will continue to invest because this is a market for the future. We're still building the industry in there. And that's why we need to continue to invest ahead of the curve, because it's more around almost on the model at build and it will come, right, because really on these markets, you can actually continue to push forward.

Digital, it's part of this. It continues to be an opportunity in India. Why? Number one, because digitally speaking, the country infrastructure is pretty high as well as being an acceleration across the whole India in the last few years. And we also invested behind it with a lot of focus on not only engaging with the consumer through data tech and AI, but also from a customer point of view, developing a platform that we called Coke Buddy, which is a platform that connects the bottler to the customers through a digital platform that has been growing from day one.

We still bet, you know, one fourth of the entire outlet space that we can reach in India, but we think that we are already deploying digital ordering, AI, agentic AI, to determine the next best SKU. And the next phase of that growth will be an end to end digital platform that will connect not only the consumer, the customers, but the experiences to translate that engagement into transactions. So India, for those reasons, is a market that on that space, it's going to continue to be ahead of the pack as well.

**James Quincey**

*Chairman & Chief Executive Officer, The Coca-Cola Co.*

Right. Thanks very much, everyone. To summarize, we're well-positioned, I think, to achieve our objectives both in 2026 and the long term. It's a great foundation that's been set. As we've talked, this is the time for a seamless leadership transition. And I have every confidence Henrique is the best person to help lead The Coca-Cola Company, the team and the system on our next chapter of growth. Thank you very much for your trust, your investment in the company, and for joining us this morning.

## Henrique Gnani Braun

*Chief Operating Officer & Executive Vice President, The Coca-Cola Co.*

Thank you, James.

## James Quincey

*Chairman & Chief Executive Officer, The Coca-Cola Co.*

Yes.

**Operator:** Ladies and gentlemen, this concludes our conference call. Thank you for participating. You may now disconnect.

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