# Deeper Dive: Coca-Cola's Position in 2026

Follow-up to Strategy Brief #2 · Joonha Kwon · MGMT 3099-07 (Prof. Potts) · Boston College
Data: FactSet and IBISWorld only · prices as of 29 Sep 2026 · last twelve months (LTM) to June 2026 · companion file: *FACCT_KO_Comps_Model.xlsx*

> **Why I went further.** Brief #2 ended with a call — *Coke's position is more sustainable as a strategy; Pepsi's portfolio is more resilient as a business* — and a caveat: a strong position in a shrinking category, with the 2010 CCE purchase as a sign the asset-light model needed redesign. I wanted to test that call against 2026 data. I built a trading-comps model for KO against six peers and read the output through Porter: does the position show up in margins and **return on invested capital (ROIC)** sixteen years later, and what does the market pay for it?

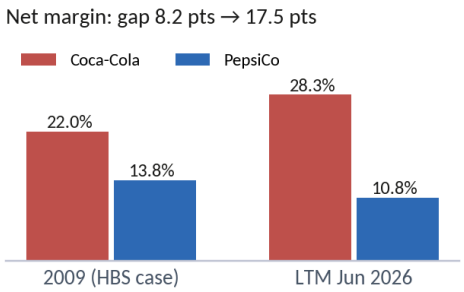
### Four findings

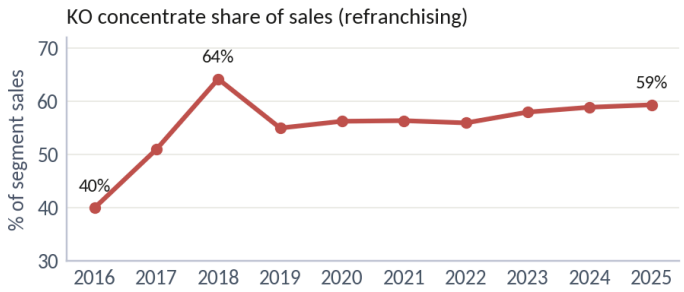
1. **The positioning gap widened.** Net margin: Coke 22.0% vs Pepsi 13.8% in 2009 → **28.3% vs 10.8%** today. KO's 34% EBITDA margin is the highest of the seven companies (peer median 21%).
2. **Coke answered the 2010 caveat by re-choosing its trade-off.** Concentrate rose from 40% of segment sales (FY16) to 64% (FY18) and 59% (FY25) as KO sold bottling back to franchisees.
3. **Same ROIC, different engine — with a hidden capital cost.** KO 25% ≈ PepsiCo 23%, but KO gets there on margin and Pepsi on turnover. About a third of KO's capital sits in bottler stakes earning ~10%; the concentrate business alone earns **≈38%.**
4. **The market already pays for the moat, not for growth.** KO trades at 22.3x EBITDA vs an 11.2x peer median; my comps range is **$74–90** per share vs $86.84 today.

## 1. The model in brief (how the numbers were built)

| Step (Rosenbaum & Pearl Ch. 1) | What I did | Why it matters for this question |
|---|---|---|
| **Peer set** | PepsiCo, Keurig Dr Pepper, Monster, National Beverage, Suntory B&F, Danone; three focus sets (all peers · US core · large-cap brand owners >$40bn). Bottlers excluded. | Brand owners only — the brief's split between ~32% concentrate and ~8% bottler margins. |
| **Like-for-like numbers** | LTM to June 2026; one-off charges added back to net income; forecasts calendarized to December; enterprise value excludes equity-method stakes because FactSet EBITDA excludes their income. | Margins and ROIC compare operations, not accounting or timing. |
| **Comparability** | KDP's $22.9bn JDE Peet's deal (closed Apr-26) → LTM marked not meaningful; FIZZ's April year-end calendarized; Suntory/Danone in USD (IFRS flagged). | Prevents one deal or calendar from distorting the peer median. |
| **Accuracy** | Every EV rebuilt within $2.4m of FactSet; FactSet's own LTM multiples reproduced (KO 22.4x, Monster 28.2x, FIZZ 11.1x); 35 issues logged with status and decision. | The findings rest on numbers I can trace cell by cell. |

## 2. Positioning: the 2010 differences are now visible in the P&L



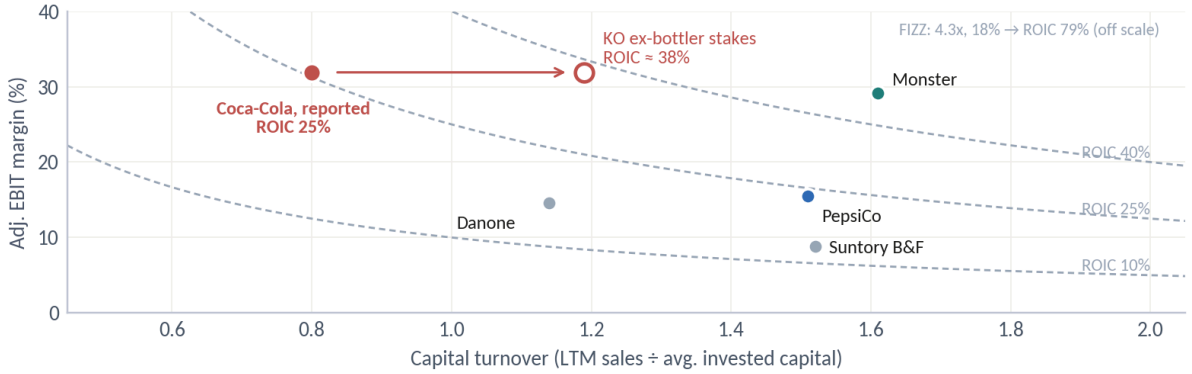

Left: net income ÷ sales; 2009 from the HBS case (Exhibit 3a), 2026 from FactSet LTM. Right: FactSet segment history (concentrate vs. finished-product operations).

| LTM June 2026 | Coca-Cola | PepsiCo | Peer median* | What it says in Porter's terms |
|---|---|---|---|---|
| Revenue | $50.6bn | $96.9bn | – | Pepsi still the bigger, broader portfolio (Foods North America alone ≈29% of sales) |
| EBITDA margin | **34.0%** | 20.0% | 20.9% | Narrow, beverage-only position with tight fit pays in price per case |
| Net margin (adjusted) | **29.6%** | 11.5% | 9.7% | Asset-light concentrate model — little capital, interest or tax drag |
| Revenue growth, CY26E | 2.7% | 5.3% | 5.3% | The brief's caveat survives: the core category is not growing |
| S&P rating · Debt/EBITDA | A+ · 2.5x | A+ · 2.7x | – · 2.7x | Similar financial risk — the gap is operating, not leverage |

*Large-cap brand-owner set (PEP, KDP, Monster, Danone); KDP excluded from LTM statistics. US syrup & flavoring industry revenue: −1.3% CAGR 2021–26 (IBISWorld 31193).

## 3. ROIC: same return, two different engines

ROIC = **EBIT margin × capital turnover** (sales ÷ average debt + equity − cash). Splitting it shows *how* each firm earns its return — which is what Porter's activity systems predict should differ.




Pre-tax ROIC on adjusted LTM EBIT; invested capital averaged over Dec-25 and Jun-26. Dashed curves = constant ROIC. KDP omitted (post-acquisition capital vs. pre-acquisition earnings). "Ex-bottler stakes" removes KO's $20.8bn of equity-method investments, whose income sits below EBIT.

- **Two real positions, not one OE race.** Coke earns its 25% through **margin** (32% EBIT margin, 0.8x turnover) — brand pricing, fountain access, concentrate economics. Pepsi earns 23% through **turnover** (15.5% margin, 1.5x) — scale and a shared snack-and-beverage route system. Similar returns from opposite activity systems is what Porter would expect from two genuine positions.
- **The hidden cost of Coke's system.** KO holds $20.8bn of stakes in bottlers and partners — about a third of its invested capital — earning $2.1bn of equity income (~10%). Excluding them, the concentrate business earns **≈38%**. That gap is the price of the trade-off Coke made for execution and access: owning pieces of the bottling system it no longer consolidates. The pending CCBA stake sale ($2.6bn) is the next step of the same de-capitalization.
- **Where the growth went.** Monster earns 47% ROIC with *both* engines (29% margin, 1.6x turnover) and trades at 28x EBITDA. Energy was the category the brief said entrants pioneered because it did not fit the bottler/DSD system. Coke's main route into energy since 2015 has been a minority stake in Monster ($2.15bn, FactSet Mergers) rather than building the category inside its own system — closer to Porter's advice to keep a different activity system separate than the 2007 Vitaminwater bolt-on.
- **Acquired portfolios earn the least.** Danone (16.5%) and Suntory (13.4%) carry heavy goodwill from bought brands, and KDP just added $22.9bn of JDE Peet's — the same breadth-by-acquisition risk the brief flagged for Pepsi.

## 4. What the market pays for it

KO trades at **22.3x LTM EBITDA and 25.1x adjusted earnings**, about twice the peer median (11.2x / 17.3x). Applying peer medians mechanically gives $42–60 per share — not a sign KO is 50% overvalued, but proof the peers are worse businesses. I anchored the selected ranges on the upper quartile of the large-cap set and KO's own five-year averages (EV/EBITDA 19–23x LTM, 18–21x CY27E; P/E 21–26x), which implies **$74–90** (midpoint $82) against $86.84. Benchmarking explains the premium: highest margin, ROIC above Pepsi, A+ credit — with below-median growth (2.7% vs 5.3%). **The market prices durability, not growth.**

## 5. Updating my call from Brief #2

| 2010 view | 2026 evidence | Why |
|---|---|---|
| Coke's position is more sustainable | **Confirmed** | Margin gap doubled; Coke reversed the CCE re-integration and returned to the asset-light trade-off. |
| Pepsi's portfolio is more resilient | **Partly** | Resilient in revenue (2x Coke) and growth, but not in returns: ROIC below Coke's blended 25% and far below its ≈38% core. |
| Caveat: shrinking category | **Still open** | Below-median expected growth (2.7% vs 5.3%); growth sits in categories like energy that Coke reaches through stakes, not its core system. |

**Say it:** *Sixteen years later Porter's test holds — Coke chose fewer activities and earns twice Pepsi's margin. The market already pays for that moat, so the next source of value has to be growth, and Coke is buying it through partners rather than straddling.*

**Limitations.** FactSet and IBISWorld only; six peers; ROIC is pre-tax and the ex-stakes figure is approximate (Jun-26 balance used for both dates; equity income is after the investees' taxes); Suntory and Danone report under IFRS (leases excluded from EBITDA) and were translated to USD; 2009 margins come from the HBS case. **AI use:** Claude (Anthropic) helped transcribe FactSet screens, build and check the Excel model, and draft this write-up; I verified each figure against the model and the readings and the conclusions are my own.