Krause Fund Research
Spring 2025 May 5th, 2025

Stock Rating	
BUY	Target Price: $37 – 40 Current Price: $34.50

Analysts

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Company Information

Company: Keurig Dr. Pepper Inc.
Sector: Consumer Staples
Industry: Beverage – Non-Alcoholic

Investment Thesis

We recommend a BUY rating for KDP with a target price of $37 – 40, which represents a 7 – 16% upside from its current share price. KDP is a leader in the beverage industry and is positioned to continue growth in the coming years.

Drivers of Thesis

- **Strategic Acquisitions and Partnerships:** KDP's track record of strategic acquisitions and partnerships have expanded its brand portfolio and distribution capabilities, demonstrated its commitment to tapping into high-growth beverage segments, and positions them for continued market share gains.
- **Diversified Portfolio with Strong Brand Recognition:** KDP has enhanced pricing power with a highly diversified portfolio of well-known brands across coffee, soft drinks, teas, and specialty beverages, reducing reliance on any single category. Iconic names like Dr Pepper, Snapple, and Green Mountain Coffee provide strong consumer loyalty and consistent revenue streams.
- **Operational efficiency and Margin Expansion:** KDP's consistent improvements in operational efficiency through supply chain optimization and disciplined cost management. These efforts have contributed to steady margin expansion, even with inflationary pressures and shifting consumer demand. Continued focus on productivity positions KDP to drive earnings growth and enhance shareholder value.

Risks to Thesis

- **Dependence on Major Retailers:** KDP's heavy dependence on major retailers such as Walmart, Costco, and Amazon for product distribution exposes the company to potential volume and pricing pressures if retailer relationships weaken or shelf space is reduced
- **Regulatory and ESG-related Pressures:** Present a growing risk to KDP's long-term performance. Increasing scrutiny around plastic packaging, water usage, and sugar content could lead to higher compliance costs and potential product reformulations. Failure to meet evolving environmental and social expectations may also impact brand perception and investor sentiment.

Financial Snapshot

Valuation Models:

DCF/EP:	$36.47
DDM:	$37.38
Relative Valuation:	$39.19

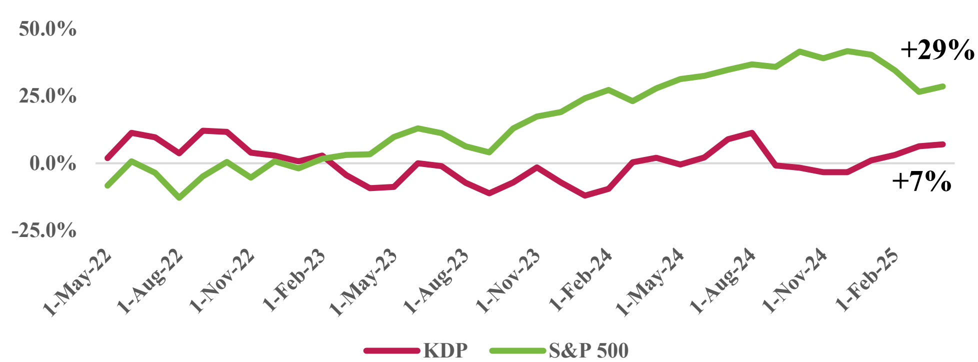
Stock Performance Highlights:

52 week High	$38.28
52 week Low	$30.12
YTD Performance	11.71%
Market Cap	$47.602 B
Shares Outstanding	1.36 B
EPS (FY 2024)	$1.06
P/E Ratio	33.41
Dividend Yield	2.60%
Beta	0.55
WACC	6.14%

Profitability:

ROA	2.70%
ROE	5.90%
Operating Margin	12.20%
Current Ratio	33.40%
Debt to Equity	67.80%
Sales	$15,351 B
ROIC	11.94%

3-Year Stock Performance vs. S&P 500



Company Overview

Keurig Dr Pepper Inc. is a beverage company in North America that manufactures, markets, distributes, and sells hot and cold beverages and single serve brewing systems. KDP has a range of brands such as Dr Pepper, Canada Dry, Green Mountain Coffee Roasters, Snapple, Mott's, The Original Donut Shop, Clamato, Core Hydration, and the Keurig brewing system.

Company Analysis

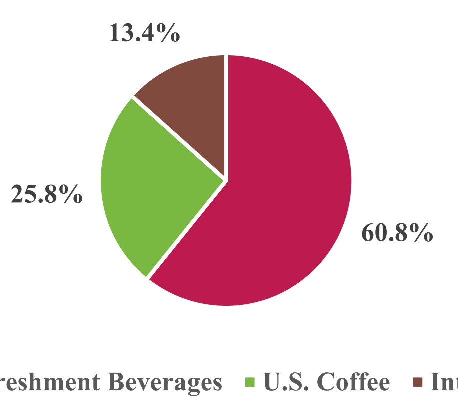
Company Overview

Keurig Dr Pepper Inc. is a leading beverage company in North America, recognized for its robust portfolio of iconic brands and its innovative approach to coffee and beverage solutions. KDP strategically leverages its strong brand equity to drive growth across new markets and product categories. The company operates a hybrid business model, combining direct-to-consumer and traditional retail channels. Its products are widely available in supermarkets, convenience stores, and through its proprietary coffee systems—particularly within the single-serve coffee segment, where KDP maintains a dominant presence. Additionally, Keurig.com serves as a dynamic e-commerce platform, offering not only direct sales but also valuable consumer insights and marketing opportunities that enhance product positioning and customer engagement.

Revenue Analysis

In 2024, KDP made $15.351 billion in revenue and grew 3.6% from 2023. This revenue comes from three operational segments: U.S. Refreshment Beverages, U.S. Coffee, and International. [1] KDP has maintained consistent revenue growth over the past decade, achieving a 10-year compound annual growth rate (CAGR) of 9.35%, with no year-over-year revenue declines during that period. KDP continued to thrive in the pandemic as the demand for at-home beverages increased, and many consumers were purchasing Keurig coffee systems instead of going to coffeehouses. In 2020 is also when their e-commerce platform took off and was able to contribute to lack of retail demand. KDP predicts consistent revenue growth in all segments and has targeted refreshment beverages both domestic and international to lead continued growth.

2024 Revenues by Business Segment



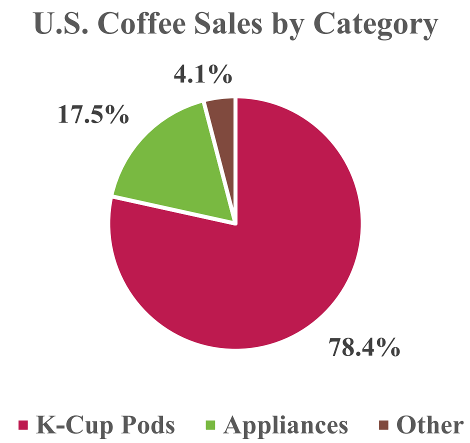
Source: [1]

U.S. Refreshment Beverages

The U.S. Refreshment Beverages segment reflects sales in the U.S. from the manufacturing and distribution of branded concentrates, syrup, and finished beverages, including the sales of KDP's own brands and third-party brands, to third-party bottlers, distributors, and retailers. [1] The U.S. Refreshment segment makes up the largest portion of their revenue at 60.8%, totaling up to $9.331 billion. KDP recognizes revenue in 3 different sub-segments under each operational segment: LRB (Liquid Refreshment Beverages), K-Cup pods, Appliances, and Other. LRB represents net sales of owned and partner brands within KDP's portfolio and includes branded concentrates, syrup, and finished beverages, including contract manufacturing of KDP branded products for bottlers and distributors. K-Cup pods represent net sales from owned brands, partner brands, and private label owners. [1] The only segment that shows up under U.S. Refreshment Beverages are LRB and Other, with LRB making up 98.3% of the revenue in this segment. LRB revenue has increased 6.0% since last year.

U.S. Coffee

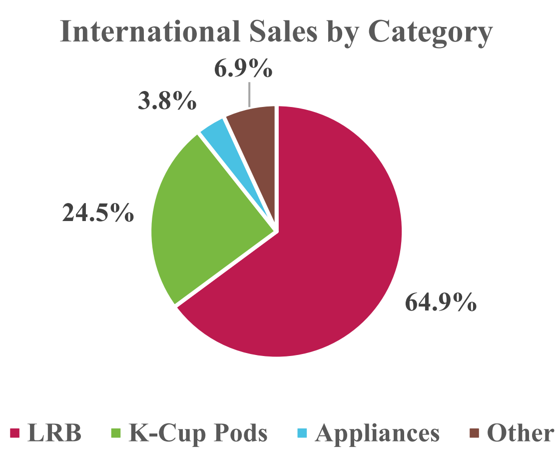
The U.S. Coffee segment reflects sales in the U.S. from the manufacture and distribution of finished goods relating to K-Cup pods, single serve brewers, and other coffee products to partners, retailers, and directly to consumers through Keurig.com website. [1] The U.S. Coffee segment makes up the second largest portion of their revenue at 25.8%, totaling up to $3.967 billion. The portion of U.S. Coffee revenue is made up of K-Cup pods, Appliances, and Other. This segment's growth is irregular as it is the only segment that has decreased since last year, by 2.6%. This signals softer at-home coffee trends and it is more likely that consumers ordered coffee from coffeehouses. Appliances were also impacted by this and saw a decrease in volume reflecting retailer inventory shifts. The K-Cup pods and Appliances were also slightly impacted by the inclusion of the 53rd week in the prior year period. Revenue mix has started to shift in the past five years, U.S. Coffee has decreased every year since 2020 when it accounted for 41.7% of total revenue to now only 25.8%. However, the other revenue segments have continuously increased their share in total revenue to contribute KDP's total revenue growth.



Source: [1]

International

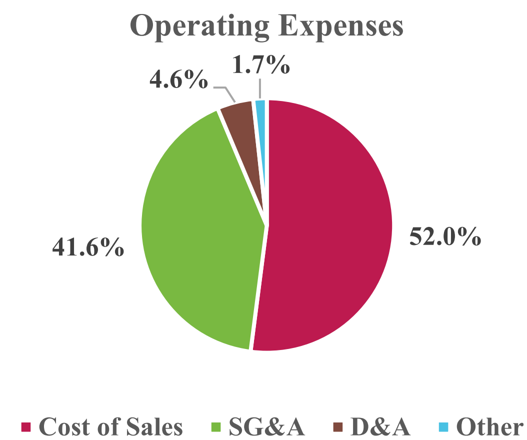
The International segment reflects sales in international markets, including the following: Sales in Canada, Mexico, the Caribbean, and other international markets from the manufacture and distribution of branded concentrates, syrup, and finished beverages, including sales of our own brands and third-party brands, to third-party bottlers, distributors, and retailers. Sales in Canada from the manufacture and distribution of finished goods relating to our single serve brewers, K-Cup pods, and other coffee products. [1] The international segment is the smallest revenue segment at 13.4%, accounting for $2.053 billion. The international segment saw the most growth at 6.8% from last year. KDP's saw an increase in demand in markets such as Latin America and Canada, many of KDP's well-known brands have expanded into emerging markets and have been able to increase market share in those regions.



Source: [1]

Expense Analysis

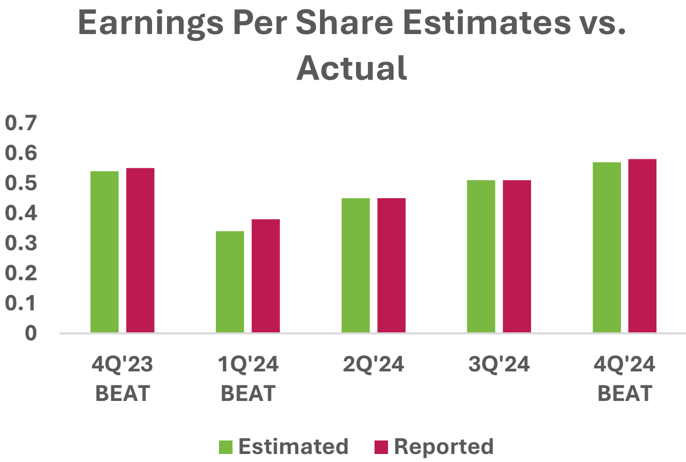
The majority of KDP's expenses come from its operational activity, as they since it is a company that manufacture, produce, and distribute their own products. In 2024, KDP had almost all its operational expenses under cost of sales and selling, administrative, and general expenses. The cost of sales made up 59% of sales, totaling $6.267 billion. That number is the cost of raw materials such as aluminum cans, water, and green coffee. The energy costs associated with transportation of finished goods are also in the cost of sales. Selling, administrative, and general expenses make up 33.6% of sales, which increased 2.1% since last year, driven by the increase of investments in marketing. The other 1% of operating sales has come from depreciation and amortization.



Source: [1]

Margin and Profit Analysis

KDP's gross margin increased 1% versus the prior year to 59.2%, driven by the increase in revenue. KDP's operating margin has decreased 5% from the prior year to 16.9%, and profit margin decreased 5% to 9.4%. The margin decrease is attributed to the increase in impairment of intangibles and acquisition of GHOST brand. The earnings report came back positively due to sales and cash flow growth. The guidance that management gave was cautious moving forward due to inflationary pressures from tariffs in the future. KDP is increasing the prices of their products across the portfolio. Consequently, that will reduce volume as seen in the revenue analysis and could impact future margins and operations. In the most recent earnings report, KDP beat the estimated EPS of $0.57 with an actual of $0.58. KDP beat estimated revenue of $4.01 B with actual of $4.07 B. [5] Investors were pleased with the 2024 FY earnings, shown by the increase in stock price YTD.



Source: [5]

Competitive Landscape

The beverage industry is highly competitive and continues to evolve in response to changing consumer preferences. Competition is based on brand recognition, taste, quality, price, availability, selection and convenience, as well as factors related to corporate responsibility and sustainability. [1] KDP competes with multinational corporations that possess significant financial resources, and, in their bottling and manufacturing operations, they compete with several smaller distributors, manufacturers, and private label brands. Primary competitors include Coca-Cola, PepsiCo, Starbucks Corporation, Monster Beverage, The Kraft Heinz Company, and Celsius. [2] Although KDP competes with these companies in the beverage industry, they are also involved in partnerships, as many of these companies purchase K-Cup pods or beverage concentrates directly from KDP. To differentiate from competitors, KDP utilizes its diverse product portfolio and a strong coffee business. This is a segment that KDP has that others in the food and beverage space do not. To expand more on top of sodas and coffee, KDP has been strategically expanding its portfolio into healthier beverage options, such as low sugar and functional drinks like Bai and Core Hydration.

M&A Activity

In 2018, Keurig Green Mountain and Dr Pepper Snapple Group merged with Keurig Dr Pepper Inc. KDP has utilized M&A, and it has been a key strategy to differentiate themselves from competitors and to spur company growth. KDP's most recent acquisition was in October 2024, when they announced their planned acquisition of Ghost, a lifestyle sports nutrition business that is anchored by their signature energy drinks. Ghost's net sales have more than quadrupled over the past three years, and Ghost Energy is one of the fastest-growing brands in the energy and lifestyle category.

Under the terms of the agreement, KDP will initially purchase a 60% stake in Ghost, which will be followed by the acquisition of the remaining 40% stake in 2028. KDP is purchasing the majority stake with $990 million in cash. [2] While Keurig Dr. Pepper is smaller in market cap, sales, and net income compared to larger peers, it continues to gain market share through strategic acquisitions and product innovation in emerging markets.

Capital Expenditures

KDP has kept capital expenditures stable over the past 3 years with a 0.5% growth over that period. Management has given guidance that capital expenditures will stay steady in the future, and KDP is investing in state-of-the-art manufacturing and warehousing facilities, including expansive investments in next-generation facilities in South Carolina and Pennsylvania to optimize their supply chain network. [1] In our model, we forecasted Capital Expenditures to grow at the rate of inflation, approximately 3%, due to the steady growth throughout the historical period and little guidance from management. KDP includes both property, plant, and equipment and amounts in accounts payable and accrued expenses, primarily related to the manufacturing and warehousing facilities. In 2024, amounts in accounts payable and accrued expenses made up 65% of capital expenditures, with the rest including investments in facilities. KDP does a mix of both owned and outsourced production facilities, with most of the production done in North America. In 2024, KDP's Capital Expenditures to sales ratio was 3.7%, which is lower than its peers, Coca-Cola's ratio is 4.4% and Starbucks Corp. is 9.3%. [9] This shows that KDP is using capital efficiently compared to their peers.

Capital Structure

KDP will have manageable debt levels over the next 5 years. The highest amount they must pay is 6% of their annual revenue. KDP reports debt with maturity dates 25 years out. The company plans to use its operating cash flow to service the debt maturities. Standard and Poor's gave KDP's long-term debt a BBB rating and Moody's gave it a Baa1 rating, along with a stable outlook. These ratings show that KDP has good credit quality with moderate risk of default. KDP primarily uses existing cash and cash equivalents, and cash generated from operations as their source of liquidity. They have $16.81 billion in total debt and $552 million cash; their management has noted that they primarily use equity as capital for future investments. KDP's majority ownership is distributed among 3 different institutional investors, with JAB Holdings B.V. owning 16.5% of the company's shares. [2]

Debt Analysis

The current debt maturity schedule is as follows:

Current Debt Schedule (in millions)

Due in 2025	**$ 1,029**
Due in 2026	**400**
Due in 2027	**500**
Due in 2028	**1,112**
Due in 2029	**1,000**
Due in 2030 and after	**7,054**

Source: [1]

Keurig Dr. Pepper tends to refinance many of their long-term notes and payables. KDP can pay off their debts using free cash flows. In 2024, operating cash flow increased by 4% from 2023. In our model, we project operating cash flow will have a 29% CAGR through 2031. This will help KDP pay their short-term obligations. Additionally, KDP has a credit rating of BBB and is considered stable. Other competitors such as Starbucks and Kraft Heinz have credit ratings of BBB+ and BBB. KDP has a similar credit rating to many of their peers. [8]

Payout Policy

Keurig Dr Pepper has demonstrated a growing commitment to returning capital to shareholders through both dividend payments and share repurchase programs. While KDP does not have as long a dividend history as some mature consumer staples peers, it has steadily increased its dividend since the 2018 merger. In 2024, KDP paid an annual dividend of $0.90 per share, reflecting a 7.1% increase from 2023. This increase shows that KDP is transitioning further into a mature phase of its business lifecycle. The current dividend yield sits at approximately 2.6%, which is consistent with industry peers that prioritize growth alongside shareholder returns. Given recent trends and management commentary, we assume a conservative dividend growth rate of 7% for 2025. In addition to dividends, KDP has been aggressively repurchasing shares as part of its capital allocation strategy. In 2024, the company repurchased approximately $1.2 billion worth of common stock, up from $900 million in 2023, a 33% increase YOY. [1] KDP has accelerated its buyback program as part of its strategy to return excess cash to shareholders while maintaining a manageable leverage profile. KDP's balanced payout policy emphasizing both a growing dividend and strategic share repurchases.

SWOT Analysis

Strengths

Diverse Product Portfolio:

Keurig Dr. Pepper boasts an array of products, ranging from coffee and tea to carbonated drinks and bottled water. The portfolio variety helps the company cater to diverse consumer preferences and seasonal demands. This diversity satisfies different tastes and mitigates risk by spreading revenue sources across multiple product lines.

Strong Retail Presence:

The company has established a formidable presence in various retail channels. From grocery stores and convenience stores to online platforms, Keurig Dr. Pepper products are widely accessible to consumers. With iconic brands like Dr Pepper, Snapple, and Keurig, the company enjoys high brand equity.[4] This robust distribution network ensures the company's products are always within reach, contributing significantly to its sales volume.

Brand Recognition:

Keurig Dr. Pepper is home to several well-known brands, including Dr. Pepper, Snapple, and Keurig. These brands have strong consumer loyalty, which translates into repeat purchases and a stable revenue stream. The company's ability to leverage its brand recognition allows it to introduce new products more effectively, as consumers are more likely to trust and try a new product from a familiar brand.

Weaknesses

Challenges in Coffee Segment:

Keurig Dr. Pepper faces significant challenges in its coffee segment, primarily due to fluctuating coffee bean prices. The coffee industry is highly dependent on the availability and cost of raw materials, which can be affected by various factors including climate change and geopolitical issues. These fluctuations can squeeze profit margins and create supply chain disruptions.

Dependence on North American Market:

A considerable portion of Keurig Dr. Pepper's revenue comes from the North American market. While this region provides a stable and mature market, it also makes the company vulnerable to regional economic downturns and changes in consumer behavior. The high dependency on a single geographic area limits the company's growth potential and exposes it to economic fluctuations.

Opportunities

Innovation and Sustainability:

The beverage industry is ripe for innovation, particularly in the areas of health and wellness, and sustainability. Keurig Dr. Pepper can develop and market new products that cater to the growing consumer demand for healthier, environmentally friendly options. By focusing on sustainable packaging and reducing carbon footprint, the company can enhance its brand image and attract environmentally conscious consumers.

Expansion into International Markets:

While Keurig Dr. Pepper has a strong presence in North America, there is significant potential for growth by expanding into international markets. Entering emerging markets in Asia, Latin America, and Africa can provide new revenue streams and diversify the company's geographic presence. This expansion requires a tailored approach to address local tastes and regulatory requirements but offers a substantial opportunity for growth.

Digital Transformation:

Embracing digital technologies can help Keurig Dr. Pepper enhance its operations and customer engagement. Implementing data analytics can provide insights into consumer behavior, allowing for more targeted marketing campaigns. Additionally, e-commerce and direct-to-consumer channels can increase sales and build stronger relationships with consumers.

Threats

Intense Competition:

Keurig Dr. Pepper operates in a highly competitive industry, facing significant competition from beverage giants like Coca-Cola and PepsiCo. These competitors have substantial financial resources and extensive distribution networks, making it challenging for Keurig Dr. Pepper to gain market share. The constant battle for shelf space and consumer attention requires continuous innovation and marketing efforts.

Economic Fluctuations:

The beverage industry is not immune to economic fluctuations. During economic downturns, consumers may cut back on discretionary spending, affecting sales of non-essential beverages. This vulnerability to economic cycles can impact Keurig Dr. Pepper's revenue and profitability.

Regulatory Challenges:

The beverage industry is subject to various regulations, including those related to health, safety, and environmental impact. Changes in regulations can impose additional costs and operational challenges. For example, increasing regulations on sugar content in beverages or packaging materials can affect product formulations and packaging strategies.

SWOT Conclusion

Keurig Dr. Pepper's strong brand robust retail presence position it well in the competitive beverage industry. However, the company must address challenges in its coffee segment and reduce its dependence on the North American market to unlock further growth. By seizing opportunities in innovation, sustainability, and international expansion, Keurig Dr. Pepper can strengthen its market position and drive long-term success. Additionally, the company must remain vigilant to threats such as intense competition, economic fluctuations, and regulatory challenges, ensuring it stays agile and responsive to industry dynamics.

Strengths	Weaknesses
• Diverse Portfolio • Retail Presence • Brand Recognition	• Challenges in Coffee Segment • Dependence on NA Market
Opportunities	**Threats**
• Health Innovations • International Expansion • Embracing Tech	• Intense Competition • Economic Fluctuations • Regulatory Challenges

Source: [3]

Industry Analysis

Industry Overview

KDP is in the food and beverage industry, valued at over $8 trillion in 2024, it remains a critical and resilient part of the global economy. While the sector faces challenges such as inflation, supply chain disruptions, and labor shortages, it continues to grow steadily due to rising global demand, innovation, and its non-cyclical nature. Consumer preferences are shifting toward health and wellness, driving strong demand for functional foods, plant-based alternatives, and clean-label products. Simultaneously, sustainability has become a key purchasing factor, prompting brands to invest in eco-friendly packaging, ethical sourcing, and reduced waste initiatives. [10] These changes are reinforced by tightening regulations and growing ESG expectations from both consumers and investors. KDP has multiple subsidiaries that cover a wide range of product lines including carbonated beverages, energy drinks, coffee, and health supplements. Companies in this industry make money by manufacturing and distributing beverage products to retailers. Firms are differentiated by brand recognition, efficiency to cater to consumers, strength of distribution channels, and innovation. The rise of direct-to-consumer models and smart inventory systems reflect the sector's ongoing transformation. Despite regulatory and cost pressures, the industry is competitively positioned. Long-term, the industry offers a compelling mix of defensive stability and growth potential, particularly in health-focused and sustainable segments.

Recent Trends

In 2024, the food and beverage industry underwent significant transformation driven by shifts in consumer behavior, technological advancement, and evolving supply chain dynamics. One of the most prominent developments was the rapid growth of the cold chain market, valued at approximately $330.7 billion in 2023 and projected to grow at a CAGR of 14.8% through 2030. [11] This expansion is largely fueled by increased demand for temperature-sensitive goods, including fresh and frozen foods, and a global push to reduce food waste. Sustainability also remains a top priority, as consumers increasingly favor brands that emphasize ethical sourcing, carbon neutrality, and recyclable packaging. Labor shortages continue to challenge the foodservice sector, with businesses struggling to hire and retain workers, often resulting in reduced hours and limited menu offerings. Meanwhile, consumers are becoming more complex, seeking healthier, less processed food options that also deliver on taste and convenience. These preferences are pushing brands to innovate in both product development and marketing. Supply chain challenges, including post-pandemic disruptions, ongoing material shortages, and increased input costs, have heightened the need for greater resilience, flexibility, and transparency across logistics operations.

To meet these demands, many companies are turning to artificial intelligence and automation to improve efficiency, from streamlining supply chains to personalizing customer experiences. The demand for cold storage space is also on the rise, particularly in the U.S., where the market is expected to grow at a 13.5% CAGR through 2031. This trend is supported by the growth of e-commerce, increased consumption of convenience foods, and advancements in warehouse automation. Together, these factors paint a picture of an industry that is both adapting to modern consumer demands and evolving rapidly through technological innovation.

Industry Peers

PepsiCo (PEP):

PepsiCo is a global leader in snacks and beverages known for its diverse portfolio of iconic brands, including Pepsi, Mountain Dew, Lay's, Gatorade, Tropicana, and Quaker. PepsiCo generates revenue through both its beverage and convenient foods segments, with a balanced mix of snack foods, carbonated, and non-carbonated drinks. The company emphasizes innovation, sustainability, and global reach to maintain steady growth. Its strong brand recognition, extensive distribution network, and consistent cash flow make PepsiCo a resilient player in the consumer staples industry.

Coca-Cola Company (KO):

The Coca-Cola Company is a global leader in the beverage industry, offering over 200 brands ranging from sparkling soft drinks like Coca-Cola, Sprite, and Fanta to still beverages such as Minute Maid, Powerade, and Dasani. Coca-Cola maintains a powerful global presence through an unmatched distribution system and a strong brand portfolio. The company focuses on product innovation, marketing strength, and strategic partnerships to drive long-term growth. Known for its consistent dividend payouts and brand loyalty, Coca-Cola remains a cornerstone of the consumer staples sector.

Starbucks (SBUX):

Starbucks Corporation is a leading global coffeehouse chain known for its premium coffee, handcrafted beverages, and warm café experience.

Starbucks has built a strong brand around quality, customer service, and innovation. The company generates revenue through company-operated stores, licensed stores, and a growing consumer packaged goods segment. Starbucks continues to invest in digital engagement, sustainability initiatives, and international expansion to drive growth. Its loyal customer base and strong brand equity make it a standout in the consumer staples space.

Celsius (CELH):

Celsius Holdings, Inc. is a rapidly growing energy drink company known for its fitness-oriented beverages that aim to boost metabolism and energy. Positioned as a healthier alternative to traditional energy drinks, Celsius has gained popularity among younger, health-conscious consumers. The company has seen explosive growth in recent years, driven by strong distribution partnerships, an expanding retail footprint, and aggressive marketing strategies. With a focus on innovation and clean ingredients, Celsius continues to disrupt the beverage industry and carve out a niche in the competitive energy drink market.

Kraft Heinz (KHC):

The Kraft Heinz Company is one of the largest food and beverage companies in North America, formed through the 2015 merger of Kraft Foods Group and H.J. Heinz Company. With a portfolio of iconic brands like Kraft, Heinz, Oscar Mayer, and Velveeta, the company focuses on producing packaged foods, condiments, and meals for both retail and foodservice channels. Kraft Heinz emphasizes efficiency, brand revitalization, and strategic innovation to drive long-term growth. As a value-oriented consumer staples company, Kraft Heinz offers stable cash flows and consistent dividend payouts, appealing to income-focused investors.

Financial Metrics

The chart below demonstrates the size and scale of peer competitors to KDP.

(in millions)	Keurig Dr. Pepper	PepsiCo	Coca-Cola	Starbucks	Celsius	Kraft Heinz
Market Cap	48,369	198,642	319,730	95,384	10,244	36,154
Sales	15,351	91,854	47,061	36,176	1,356	25,846
Net Income	1,441	9,578	10,631	3,761	107	2,744

Source: [12]

Operating Metrics

(in millions)	Keurig Dr. Pepper	PepsiCo	Coca-Cola	Starbucks	Celsius	Kraft Heinz
Gross Margin	59.2%	54.6%	61.1%	26.8%	50.1%	34.7%
Profit Margin	9.4%	10.4%	22.6%	10.4%	7.9%	10.6%
P/E	33.8x	20.7x	30x	26.8x	85.8x	13.4x

Source: [12]

Coca-Cola leads in gross margin at 61.1%, reflecting strong pricing power and efficient cost control, while Keurig Dr Pepper follows closely at 59.2%. In terms of profitability, Coca-Cola also tops the list with a 22.6% profit margin, significantly outperforming its peers. Celsius, though boasting a high P/E ratio of 85.8x due to investor expectations for rapid growth, shows a lower profit margin of 7.9%. [13] Kraft Heinz offers the lowest P/E ratio at 13.4x, suggesting more modest growth expectations. KDP has low profit margin in 2024 due to the acquisition of GHOST, in 2023 KDP reported 14.7% profit margin.

Sustainability

Sustainability has become a central focus, with companies adopting circular economy principles to minimize waste and reduce environmental impact. The beverage industry's supply chain is poised for further innovation and resilience. Companies will also focus on enhancing transparency and traceability to meet consumer demand for ethically produced products. Adaptability to changing market conditions and consumer expectations will be crucial for success in the evolving landscape. [13]

Industry M&A Activity

In 2024, the Food and Beverage sector saw a diverse mix of mergers and acquisitions, ranging from high-profile large deals to strategic mid-market transactions. Among the year's standout deals, Mars made headlines with its $36 billion acquisition of Kellanova, while Campbell's Soup Company purchased Sovos Brands for $2.3 billion. The restaurant sector also saw major movement, notably with Jersey Mike's Subs being acquired by private equity giant Blackstone for $8 billion, marking the largest restaurant transaction of the year. [10]

In the packaged foods and beverages space, Butterfly Equity acquired The Duckhorn Portfolio, a producer of fine wines, for $1.95 billion, and PepsiCo announced its $1.2 billion acquisition of Siete Foods, known for its better-for-you snack products. M&A activity is prominent in the Consumers Staples sector as building a strong brand portfolio and innovation is what primary fuels growth. [10]

Private Label Competition

Many major retailers like Walmart, Target, and Costco have expanded their private label offerings, which appeal to money-conscious consumers, especially during times of economic uncertainty. In 2024, private label food and beverage sales rose by 6.7%, reflecting a shift in consumer preferences toward more affordable alternatives. [10] This growing trend poses a direct challenge to KDP, as many private label beverages offer similar products at lower price points. As inflation and financial pressures continue to influence buying behavior, KDP may face increased competition from these store brands that offer comparable options at a more attractive price.

Catalysts for Growth

Success in this industry often hinges on a company's ability to fuel growth through two key levers: expanding demand and sustaining healthy margins. A company's ability to manage margins stems from both pricing power and overall cost minimization. While cost management is a key focus for all companies in the industry, the ability to have a higher degree of control over pricing could be a sizeable differentiator. This might come from a somewhat unique offering or an exceedingly dedicated customer base that is loyal to the company's brands. Generating growth in demand is the second category of catalyst for companies in this industry, driven by innovation, tapping into emerging markets, and expanding consumer trends.

Porter's Five Forces

Bargaining Power of Buyers: High

Buyers, especially large retail chains and distributors, wield substantial influence over Keurig Dr Pepper. Major customers like Walmart, Amazon, and Costco contribute a significant portion of the company's sales, Walmart alone accounts for over 25% of revenues. [13] These retailers have significant negotiating power due to their scale, allowing them to demand lower prices, better promotional deals, and favorable delivery terms.

Additionally, end consumers also have a growing influence. There is a wide variety of beverage brands and options on the market, from premium craft sodas to budget coffee pods, making brand loyalty less sticky than in the past. Consumers can easily switch brands if pricing or quality changes. Furthermore, price elasticity is notable in KDP's key categories, coffee and soft drinks, suggesting that a modest price increase can lead to a drop in demand. Consumers today are also more health-conscious, pushing for lower sugar content, functional ingredients, and organic options. This consumer behavior requires KDP to consistently innovate and diversify its portfolio, or risk losing customers to competitors offering healthier or more sustainable alternatives.

Bargaining Power of Suppliers: Moderate

While Keurig Dr Pepper has strong brand recognition and massive scale that provides leverage over many suppliers, the company still depends on key raw materials that can be volatile in price. Inputs such as coffee beans, sugar, flavorings, aluminum cans, and plastic bottles are commodities often impacted by global economic, environmental, and geopolitical factors. For instance, a poor coffee harvest in South America or trade restrictions on aluminum imports can sharply drive-up costs.

Threat of New Entrants: Low

The threat of new entrants in the beverage industry is low, primarily due to high barriers to entry. Establishing a brand, securing shelf space in stores, building production capacity, and developing a reliable distribution network require significant capital and expertise. For example, entering the coffee pod space would require not just product development, but compatibility with brewing machines (like Keurig brewers), intellectual property considerations, and relationships with retailers, all of which KDP has invested in over years.

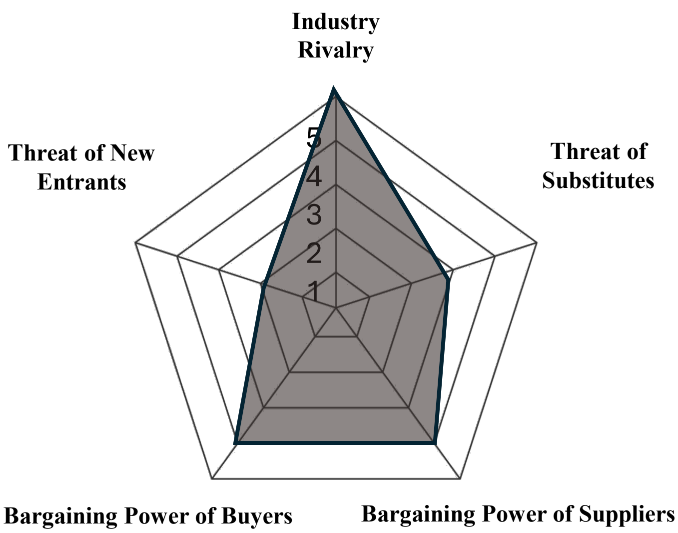
Threat of Substitutes: High

Consumers have more options than ever when it comes to beverages, creating a high level of threat from substitutes. For KDP, this includes not only traditional competitors like Coca-Cola and PepsiCo but also newer trends like sparkling waters, kombucha, flavored waters, plant-based beverages, and even home-brewing alternatives like French presses or Nespresso machines. The rising interest in health and wellness has shifted consumer preferences toward products with fewer calories, natural ingredients, and functional benefits (like added vitamins or probiotics). This puts pressure on traditional carbonated soft drinks and sweetened coffee beverages, two of KDP's core segments.

Even within the coffee space, there's growing competition from independent roasters and specialty brews that appeal to more discerning coffee drinkers.

Industry Rivalry: Very High

The beverage industry is intensely competitive, particularly among large players with overlapping product lines. KDP faces direct competition from giants like Coca-Cola and PepsiCo, both of which have larger global footprints and deeper marketing budgets. In the coffee segment, KDP also contends with brands like Starbucks (both in-store and packaged products), Nestlé (through Nespresso), and smaller third-wave coffee companies. KDP has responded to this competition by investing in R&D (over $280 million in 2023), launching dozens of new products annually, and leveraging its strong distribution network (reaching over 90% of U.S. grocery outlets). [14] It also continues to expand into adjacent categories like energy drinks and wellness beverages to hedge against stagnation in legacy segments. However, with such intense rivalry and relatively low product differentiation, KDP must constantly innovate just to maintain its position.



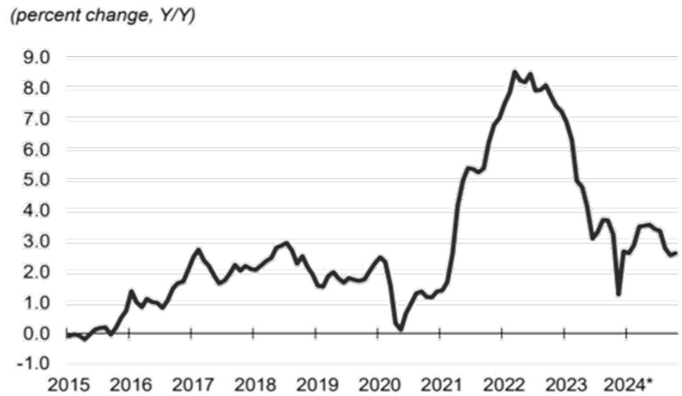
Source: [14]

Economic Analysis

Consumer Price Index

The Consumer Price Index measures the average change in prices over time that consumers pay for goods and services. As of January 15, 2025**,** U.S. consumer prices rose 2.9% over the prior 12 months. This marks a significant easing from the inflationary peak of over 9% in mid-2022, highlighting that inflationary pressures have cooled considerably.

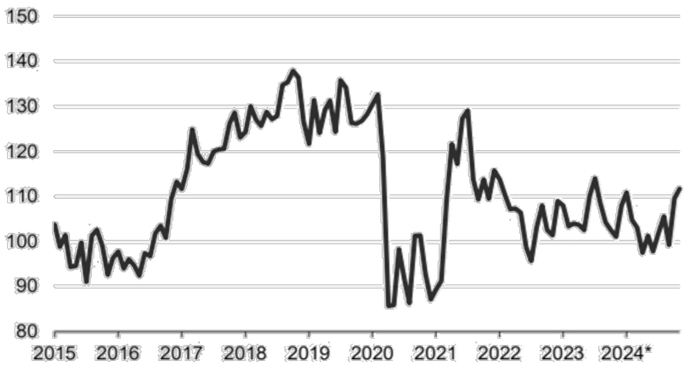
Elevated inflation indicates rising prices and typically leads to reduced consumer purchasing power. Higher inflation hurts KDP as it presents challenges primarily through high input costs. However, demand for caffeinated beverages tends to remain stable regardless of economic conditions, as these products are viewed as everyday staples by many consumers. Rising tariffs can further elevate costs, particularly for imported goods and raw materials, leading to higher prices for end consumers. This may pressure margins or necessitate price increases. The chart below illustrates the percent change in inflation year-over-year in the United States from 2015 through October of 2024.



Source: [7]

Consumer Confidence Index

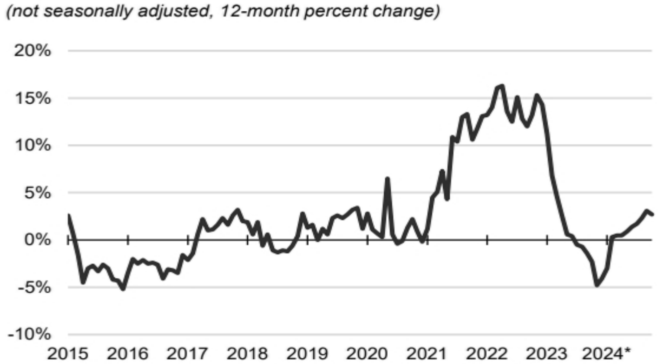
The Consumer Confidence Index has been gradually cooling post-pandemic and is now approaching pre-pandemic levels, except for a temporary surge in 2024 that pushed it to 109.5. However, it has since declined to 92.9, largely due to ongoing tariff pressures and lingering inflation concerns. Despite this dip, recent data indicates that consumers are becoming less pessimistic about future economic conditions. Looking ahead, we believe potential interest rate cuts could boost consumer sentiment, and we anticipate the CCI will rebound above the 100 mark. A CCI reading above 100 generally signals increased consumer willingness to spend, while a reading below 100 suggests a shift toward saving. For Keurig Dr. Pepper, this matters because the company relies heavily on major retailers like Walmart and Target. In a low-confidence environment, consumers are more likely to opt for lower-priced, private label alternatives over leading brands. As a result, KDP faces increased risk of being undercut by private labels and discount competitors when consumer confidence weakens. The chart below shows the year-to-year change in the CCI in the United States from 2015 through October 2024.



Source: [7]

Producer Price Index

Producer Price Index demand increased 3.3% in 2024, following a 2.7% rise in 2023. This suggests that input costs for producers remain elevated, although not at the extreme levels seen during post-pandemic spikes. If the CPI remains steady and the Federal Reserve follows through with two anticipated interest rate cuts in 2025, we expect the PPI to stabilize within a 5% annual growth range over the next four years. For KDP, fluctuations in PPI are relevant through facing exposure to shifts in costs for raw materials such as aluminum, coffee, and plastic. An elevated PPI typically means higher production costs, which can either compress margins or force the company to pass costs along to consumers through price increases. However, given that KDP operates in both premium and value segments, its ability to raise prices is constrained by competitive dynamics and consumer price sensitivity. If the PPI stays in line with our expectations, KDP may benefit from predictable input costs, allowing for better margin management and reduced volatility in earnings. Conversely, a surge in producer prices could put pressure on profitability, particularly in the face of private-label competition and inflation-sensitive consumers. The chart below illustrates the percent change in the PPI year-over-year in the United States from 2015 through October of 2024.



Source: [7]

Interest Rates

Interest rates have steadily declined over the last six months, and we anticipate two additional cuts in 2025. The current Federal Funds target range is 4.25 - 4.50% and over the next year, we forecast a decline to 3.75 - 4.00%. Lower interest rates generally support economic expansion by reducing borrowing costs for both consumers and businesses, while higher rates tend to suppress spending and slow growth. Lower interest rates allow for KDP to pay less interest expense. Additionally, consumers benefit from reduced borrowing costs, such as lower credit card and mortgage interest rates. This leads to greater disposable income, which supports stronger demand for purchases. However, prolonged periods of higher interest rates, could present a structural headwind for the consumer staples industry. As borrowing costs rise, both businesses and consumers tend to pull back, prioritizing essentials and favoring lower-cost alternatives.

Unemployment Rate

The unemployment rate currently stands at 4.1%, continuing a steady decline from the pandemic-era peak of 14.8%. We project the unemployment rate will decrease under the 4.0% range over the next four years, as we anticipate more job openings in the U.S. due to the tariffs brining more jobs back to the U.S. With inflation cooling and interest rates expected to decline, consumer demand should rise, prompting businesses to hire and further support job creation. For KDP, a stable labor market supports sales growth by sustaining consumer purchasing power. As more individuals maintain steady income and confidence in job security, spending on branded consumer staples is likely to remain. Additionally, stronger employment may reduce the pressure on KDP's pricing strategy, allowing it to hold or even grow market share against private label competitors. On the flip side, should unemployment unexpectedly rise, consumers would likely shift toward lower-cost alternatives, increasing risk to KDP's top line in price-sensitive segments.

Capital Markets Outlook

Over the past year, the consumer staples industry has outperformed the overall market, particularly following a shift in investor sentiment around tariffs. The consumer staples industry is heavily weighted toward companies such as Costco, Walmart, and Procter & Gamble. The Consumer staples industry lagged in performance before the tariffs despite these names capturing most of the industry's gains.

While the broader market surged on optimism around innovation and future earnings growth around the time of the election, consumer staples remained relatively flat due to their defensive nature and lack of major catalysts. When the new administration released the tariffs on other nations, focus turned from high-growth sectors like technology, and capital rotated to traditionally stable but slower-growth sectors.

Given the current market dynamics, we believe this is a strong entry point for growth investors seeking capital gains. Although we do not expect the sector to outperform high-growth industries in the near term, its resilience in volatile economic environments remains attractive. Looking ahead, we anticipate the consumer staples industry will slightly underperform the broader market due to limited reinvestment and slower top-line growth. However, strong free cash flow generation and shareholder-friendly policies like consistent dividend payouts will help cushion downside risk, particularly if macroeconomic uncertainty continue.

Valuation Analysis

Revenue

Revenue is categorized into three core segments: U.S. Refreshment Beverages, U.S. Coffee, and International. These are further divided into four subsegments—Liquid Refreshment Beverages (LRB), K-Cup pods, appliances, and other. We project these subsegments to grow at average annual rates of 5.9%, -0.9%, -3%, and -0.7%, respectively, resulting in an overall expected revenue growth rate of 4% per year. The decline in three subsegments is largely driven by the impact of recent tariffs. Although KDP's concentration in North America offers some insulation compared to its global peers, the international segment is likely to experience short-term sales headwinds. LRB, which accounts for 61% of total revenue, is expected to remain the primary driver of future revenue growth due to its continued strong performance.

Cost of Sales

Without guidance provided by Keurig Dr. Pepper for future cost of sales, years through 2031 were forecasted using historical averages of the most recent five years.

SG&A and D&A

Selling, General, and Administrative (SG&A) expenses represent a significant cost for KDP, especially as the company continues to grow through strategic acquisitions.

To project SG&A through 2031, we used the historical five-year average, reflecting the consistent upward trend in this area.

Depreciation and Amortization (D&A) are also critical expense categories for KDP. As acquisitions increase, so will amortization costs, and similarly, ongoing capital investments will drive depreciation. To forecast D&A through 2031, we applied the five-year average depreciation rate of 16.61% to the projected PP&E balance.

Cost of Equity

KDP's cost of equity was estimated using the Capital Asset Pricing Model (CAPM). We applied a risk-free rate of 4.3%, based on the 10-year U.S. Treasury yield. Using a beta of 0.55 and an equity risk premium of 4.61%, the resulting cost of equity was calculated to be 6.84%.

Cost of Debt

As outlined above, a risk-free rate of 4.3%, based on the 10-year U.S. Treasury yield, was used. An implied default spread of 1% was added, resulting in a pre-tax cost of debt of 5.3%. Applying a marginal tax rate of 22%, the after-tax cost of debt was calculated to be 4.13%.

Weighted Average Cost of Capital (WACC)

To calculate KDP's Weighted Average Cost of Capital (WACC), we used the previously computed cost of equity and after-tax cost of debt, along with the market value weights of equity and debt, 47.46% and 25.54%, respectively. This resulted in a WACC of 6.15%, which was applied in our valuation models.

Valuation Models

Discounted Cash Flow

The discounted cash flow (DCF) analysis of KDP provides a valuation based on forecasted free cash flows, terminal growth assumptions, and cost of capital metrics. Our model uses a Weighted Average Cost of Capital (WACC) of 6.14%, a cost of equity of 6.84%, and assumes a 2.00% perpetual growth rate for net operating profit less adjusted taxes (NOPLAT) with a 17.30% ROIC in the terminal year. Forecasted free cash flows (FCF) from 2025 through 2031 are projected to decline modestly from $4.168 billion in 2025 to $3.602 billion by 2031, reflecting a conservative growth scenario.

The present value (PV) of the forecasted FCFs totals $16.19 billion, with a terminal value of $67.626 billion, which when discounted, contributes $47.287 billion to the valuation, totaling $64.198 billion for the value of operating assets. Adjustments are then made for non-operating assets and liabilities. This includes $469 million in excess cash, $1.543 billion in long-term investments, and other items like $(728) million in ESOP liabilities, and $(159) million in pension benefit obligations, leading to a total firm value of equity of $48.882 billion. With 1,357 million shares outstanding, this results in an implied per-share value of $36.48.

A separate Economic Profit (EP) model is also employed, which complements the DCF by focusing on the excess return over the company's cost of capital.

Economic profits rise from $1.130 billion in 2025 to $2.044 billion by 2031, and the total present value of EP including continuing value is $41.932 billion. After adding operating assets and making similar non-operating adjustments as in the DCF, the resulting equity value again totals $48.882 billion, reinforcing the DCF estimate. With consistent assumptions, the EP model also delivers an implied per-share value of $36.48.

Our model date is April 22, 2025, with the valuation anchored to the company's fiscal year ending December 31, 2024. This valuation suggests Keurig Dr Pepper is fairly valued at approximately $36.48 per share, providing our analyst team at the Krause Fund with a grounded estimate supported by both free cash flow and economic profit.

Dividend Discount Model

The Dividend Discount Model (DDM) is a method used to value a company's stock based on the present value of its expected future dividends. The model assumes that the value of a stock is the sum of all future dividends, discounted back to the present using the cost of equity. For Keurig Dr Pepper Inc., this approach involves projecting derived dividends per share over a specific time period, typically the next 5-10 years, followed by an estimation of a terminal value based on a perpetual growth rate or an appropriate price-to-earnings (P/E) multiple. We chose 7 years for our forecast period. The key assumptions underlying this model include the company's projected earnings per share (EPS), the growth rate of dividends and EPS, CV year ROE, and the cost of equity. In our target company's case, with an expected dividend growth rate of 6.79%, and using the projected earnings growth of 4%, we have valued KDP valued at a price of approximately $37.38 with the methods of the DDM. The intrinsic value calculated through our model is $36.92, which is close to the market price, suggesting that the stock is trading at or near its true value.

Given the projected steady growth in dividends at 6.79% and a moderate cost of equity at 6.84%, the company shows promising potential for sustainable dividend payouts. However, with the stock currently priced just slightly below its intrinsic value, there is limited upside from the current market level, indicating that the stock is neither significantly overvalued nor undervalued, but modestly priced. Investors looking for substantial growth may find more appealing opportunities elsewhere, while those seeking a stable dividend payer might consider Keurig Dr Pepper a reasonable investment at this price point.

Relative Valuation

In conducting a relative valuation analysis for Keurig Dr Pepper Inc., we compare its valuation multiples with those of similar companies within the beverage industry. Using key metrics such as the Price-to-Earnings (P/E) ratio, Price-to-Sales (P/S) ratio, and EV/EBITDA, we have derived an implied value for Keurig Dr Pepper's stock.

Keurig Dr Pepper is currently priced at $35.22, with an expected P/E of 23.8 for 2025E and 21.6 for 2026E. When comparing these multiples to those of its peers, such as Monster Beverage (P/E 31.54 for 2025E), Kraft Heinz (P/E 10.76), and Coca-Cola (P/E 23.67), Keurig Dr Pepper falls in the middle of the range, indicating that it is neither overvalued nor undervalued based on earnings alone. Similarly, when using the P/S ratio, Keurig Dr Pepper's ratio of 3.9 is close to the industry average, and the EV/EBITDA ratio of 13.1 is also in line with other companies in the sector. Looking at the implied relative valuation, based on P/E, P/S, and EV/EBITDA, the implied price per share ranges from $32.98 to $45.55, with an average price of $39.19. This suggests that the stock is currently trading on the lower end of its relative valuation spectrum and could be considered undervalued based on these metrics. Given the output of our relative analysis, we believe that Keurig Dr. Pepper is priced below its peers, making it an attractive investment opportunity for those looking for value in the beverage sector.

Sensitivity Analysis

For our sensitivity analysis, we've compiled five tables, each consisting of two variables that are likely to fluctuate and affect the stock price. The objective of these sensitivity tables is to illustrate how changes in these variable affect Keurig Dr. Pepper stock price. Green ranges signal a high favorable stock price, and red ranges signal a low unfavorable stock price.

WACC vs. CV Growth of NOPLAT

This table illustrates the sensitivity of a company's valuation to changes in both the WACC and the long-term growth rate.

Lower WACC and higher growth assumptions result in higher valuation outcomes due to the increased present value of future cash flows. Conversely, as WACC increases or the growth rate declines, valuations drop, reflecting the diminished impact of future earnings.

WACC

CV Growth of NOPLAT

36.48	5.39%	5.64%	5.89%	6.14%	6.39%	6.64%	6.89%
1.25%	40.17	37.35	34.84	32.58	30.54	28.68	26.99
1.50%	42.02	38.93	36.20	33.75	31.56	29.58	27.78
1.75%	44.11	40.71	37.72	35.06	32.69	30.56	28.64
2.00%	46.52	42.74	39.44	36.53	33.96	31.66	29.59
2.25%	49.31	45.06	41.39	38.19	35.37	32.87	30.64
2.50%	52.59	47.75	43.63	40.07	36.97	34.24	31.81
2.75%	56.48	50.91	46.23	42.23	38.78	35.77	33.12

Beta vs. Risk-free Rate

This table explores the impact of varying the risk-free rate and beta on a company's valuation. As shown, higher beta values or increases in the risk-free rate result in lower valuations, reflecting a higher cost of equity and greater perceived risk. Conversely, lower beta values and lower risk-free rates drive higher valuations due to reduced discount rates applied to future cash flows.

Beta

Risk-free Rate

36.48	0.43	0.48	0.53	0.55	0.63	0.69	0.74
3.70%	48.19	45.38	42.82	41.87	38.38	36.06	34.29
3.90%	45.75	43.17	40.82	39.93	36.70	34.54	32.89
4.10%	43.52	41.14	38.96	38.14	35.13	33.12	31.57
4.30%	41.46	39.26	37.24	36.48	33.68	31.79	30.34
4.50%	39.56	37.52	35.64	34.94	32.31	30.54	29.18
4.70%	37.80	35.90	34.16	33.49	31.04	29.37	28.09
4.90%	36.17	34.40	32.77	32.15	29.84	28.27	27.06

Marginal Tax Rate vs. Pre-tax Cost of Debt

This table shows how changes in the pre-tax cost of debt and marginal tax rate influence a company's valuation. As the pre-tax cost of debt increases, valuations tend to decline due to the higher interest burden. However, higher marginal tax rates can partially offset this effect by enhancing the tax shield on debt, thus improving the after-tax cost of capital. The interplay between these two variables is critical in capital structure decisions, as they directly affect the WACC and, ultimately, enterprise value.

Marginal Tax Rate

Pre-tax Cost of Debt

36.48	16.00%	18.00%	20.00%	22.00%	24.00%	26.00%	28.00%
4.55%	42.45	40.98	39.49	38.00	36.49	34.98	33.45
4.80%	41.84	40.39	38.94	37.48	36.01	34.52	33.03
5.05%	41.23	39.82	38.40	36.97	35.53	34.08	32.61
5.30%	40.65	39.27	37.88	36.48	35.07	33.64	32.20
5.55%	40.08	38.73	37.37	36.00	34.61	33.21	31.80
5.80%	39.52	38.20	36.87	35.52	34.17	32.80	31.42
6.05%	38.97	37.68	36.38	35.06	33.73	32.39	31.04

Depreciation Rate vs. Normal Cash %

This table evaluates how variations in the depreciation rate and normal cash percentage impact valuation outcomes. As the depreciation rate increases, valuation tends to decline, reflecting reduced taxable income and altered cash flow timing. Similarly, a higher normal cash percentage slightly lowers valuation by reducing the proportion of operating assets contributing to earnings.

Depreciation Rate

Normal Cash %

36.48	13.61%	14.61%	15.61%	16.61%	17.61%	18.61%	19.61%
0.31%	36.96	36.82	36.70	36.59	36.50	36.42	36.35
0.51%	36.92	36.78	36.66	36.55	36.46	36.38	36.31
0.71%	36.88	36.74	36.62	36.52	36.42	36.34	36.27
0.91%	36.84	36.71	36.58	36.48	36.39	36.30	36.24
1.11%	36.80	36.67	36.55	36.44	36.35	36.27	36.20
1.31%	36.77	36.63	36.51	36.40	36.31	36.23	36.16
1.51%	36.73	36.59	36.47	36.36	36.27	36.19	36.12

CV ROIC vs. Cost of Equity

This table illustrates the sensitivity of valuation to changes in CV ROIC and cost of equity. As the CV ROIC increases, valuation rises, reflecting more efficient capital allocation and stronger long-term return potential. Conversely, a higher cost of equity leads to a lower valuation, as investors demand greater returns, thereby increasing the discount rate applied to future cash flows. Together, these variables underscore the importance of both capital efficiency and investor expectations in determining intrinsic value.

CV ROIC

Cost of Equity

36.50	14.30%	15.30%	16.30%	17.30%	18.30%	19.30%	20.30%
5.34%	35.37	35.74	36.06	36.34	36.59	36.81	37.02
5.84%	35.43	35.79	36.11	36.39	36.64	36.87	37.07
6.34%	35.48	35.84	36.16	36.45	36.70	36.92	37.13
6.84%	35.53	35.90	36.22	36.50	36.75	36.98	37.18
7.34%	35.58	35.95	36.27	36.55	36.81	37.03	37.24
7.84%	35.64	36.00	36.32	36.61	36.86	37.09	37.29
8.34%	35.69	36.06	36.38	36.66	36.91	37.14	37.35

Conclusion

In summary, we advise a BUY rating for Keurig Dr. Pepper Inc. due to the company's strategic acquisition and partnerships, diversified portfolio with strong brand recognition, and operational efficiency and margin expansion. Our analysts project a potential return ranging from 3-10% through 2031, with high dividend payments, supported by several key growth catalysts.

Important Disclaimer

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Keurig Dr Pepper Inc.

Revenue Decomposition

Fiscal Years Ending Dec. 31	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E
U.S. Refreshment Beverages													
LRB (Liquid Refreshment Beverages)	5,934	6,280	6,916	7,951	8,675	9,196	9,978	10,606	11,232	11,861	12,478	13,102	13,652
Other				132	146	135	138	140	143	145	147	150	151
Total U.S. Refreshment Beverages	5,934	6,280	6,916	8,083	8,821	9,331	10,115	10,747	11,375	12,006	12,625	13,251	13,803
U.S. Coffee													
K-Cup Pods	3,293	3,369	3,546	3,328	3,207	3,112	3,050	2,995	2,947	2,906	2,868	2,834	2,805
Appliances	723	850	907	837	725	694	666	642	619	599	581	565	551
Other	642	622	715	137	139	161	158	156	154	153	152	152	151
Total U.S. Coffee	4,658	4,841	5,168	4,302	4,071	3,967	3,874	3,792	3,720	3,658	3,601	3,550	3,507
International													
LRB (Liquid Refreshment Beverages)	526	496	598	987	1,230	1,332	1,472	1,590	1,717	1,828	1,938	2,025	2,096
K-Cup Pods				444	477	502	522	533	542	551	561	570	578
Appliances				86	74	78	76	76	75	75	74	74	73
Other	2	1	1	155	141	141	135	131	127	124	120	116	113
Total International	528	497	599	1,672	1,922	2,053	2,206	2,329	2,462	2,578	2,693	2,785	2,860
Net Sales	**11,120**	**11,618**	**12,683**	**14,057**	**14,814**	**15,351**	**16,195**	**16,868**	**17,557**	**18,242**	**18,919**	**19,587**	**20,171**

Revenue Growth Rate													
U.S. Refreshment Beverages													
LRB (Liquid Refreshment Beverages)	104.7%	5.8%	10.1%	15.0%	9.1%	6.0%	8.5%	6.3%	5.9%	5.6%	5.2%	5.0%	4.2%
Other					10.6%	-7.5%	2.0%	1.9%	1.8%	1.7%	1.5%	1.4%	1.2%
Total U.S. Refreshment Beverages	104.7%	5.8%	10.1%	16.9%	9.1%	5.8%	8.4%	6.2%	5.8%	5.6%	5.2%	5.0%	4.2%
U.S. Coffee													
K-Cup Pods	1.4%	2.3%	5.3%	-6.1%	-3.6%	-3.0%	-2.0%	-1.8%	-1.6%	-1.4%	-1.3%	-1.2%	-1.0%
Appliances	12.4%	17.6%	6.7%	-7.7%	-13.4%	-4.3%	-4.0%	-3.7%	-3.5%	-3.3%	-3.0%	-2.7%	-2.5%
Other	57.7%	-3.1%	15.0%	-80.8%	1.5%	15.8%	-2.0%	-1.2%	-1.0%	-0.7%	-0.5%	-0.4%	-0.4%
Total U.S. Coffee	8.4%	3.9%	6.8%	-16.8%	-5.4%	-2.6%	-2.3%	-2.1%	-1.9%	-1.7%	-1.5%	-1.4%	-1.2%
International													
LRB (Liquid Refreshment Beverages)	116.5%	-5.7%	20.6%	65.1%	24.6%	8.3%	10.5%	8.0%	8.0%	6.5%	6.0%	4.5%	3.5%
K-Cup Pods					7.4%	5.2%	4.0%	2.0%	1.8%	1.7%	1.7%	1.6%	1.4%
Appliances					-14.0%	5.4%	-2.0%	-0.8%	-0.7%	-0.7%	-0.6%	-0.6%	-0.6%
Other	100.0%	-50.0%	0.0%	15400.0%	-9.0%	0.0%	-4.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%
Total International	116.4%	-5.9%	20.5%	179.1%	15.0%	6.8%	7.4%	5.6%	5.7%	4.7%	4.5%	3.4%	2.7%
Net Sales	**49.4%**	**4.5%**	**9.2%**	**10.8%**	**5.4%**	**3.6%**	**5.5%**	**4.2%**	**4.1%**	**3.9%**	**3.7%**	**3.5%**	**3.0%**

Keurig Dr Pepper Inc.

Income Statement

Fiscal Years Ending Dec. 31	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Net sales	11,120	11,618	12,683	14,057	14,814	15,351	16,195	16,868	17,557	18,242	18,919	19,587	20,171
Cost of sales	4,294	4,637	5,162	6,197	6,195	6,267	6,639	6,915	7,197	7,478	7,756	8,029	8,268
Gross profit	6,826	6,981	7,521	7,860	8,619	9,084	9,556	9,953	10,360	10,764	11,164	11,558	11,902
Selling, general & administrative expenses	3,962	3,978	4,153	4,645	4,912	5,013	5,438	5,664	5,895	6,125	6,353	6,577	6,773
Impairment of intangible assets	-	67	-	477	2	718	-	-	-	-	-	-	-
Loss (gain) on litigation settlement	-	-	-	(299)	-	-	-	-	-	-	-	-	-
Depreciation & amortization	484	495	544	537	539	555	803	813	824	836	848	860	873
Other operating expense (income), net	2	(39)	(70)	(105)	(26)	207	(12)	(12)	(13)	(13)	(14)	(14)	(15)
Income (loss) from operations	2,378	2,480	2,894	2,605	3,192	2,591	3,328	3,489	3,653	3,817	3,977	4,135	4,271
Interest expense, net	654	604	500	693	496	735	824	694	640	619	593	534	482
Gain (loss) on early extinguishment of debt	(11)	(4)	(105)	(217)	-	-	-	-	-	-	-	-	-
Impairment of investments & note receivable	-	102	17	12	-	2	-	-	-	-	-	-	-
Gain on sale of equity method investment	-	-	(524)	(50)	-	-	-	-	-	-	-	-	-
Other (income) expense, net	19	17	(2)	14	(61)	(60)	(92)	(89)	(100)	(140)	(171)	(177)	(189)
Income before provision (benefit) for income taxes	1,694	1,753	2,798	1,719	2,757	1,914	2,595	2,885	3,114	3,338	3,556	3,778	3,978
Provision (benefit) for income taxes	440	428	653	284	576	473	571	635	685	734	782	831	875
Net income (loss) including non-controlling interest	1,254	1,325	2,145	1,435	2,181	1,441	2,024	2,250	2,429	2,603	2,774	2,947	3,103
Less: net income attributable to non-controlling interest	-	-	1	1	-	-	-	-	-	-	-	-	-
Net income attributable to Keurig Dr Pepper Inc.	1,254	1,325	2,146	1,436	2,181	1,441	2,024	2,250	2,429	2,603	2,774	2,947	3,103
Weighted average shares outstanding - basic	1,407	1,407	1,416	1,417	1,399	1,362	1,363	1,374	1,386	1,393	1,394	1,394	1,394
Total shares outstanding - basic	1,407	1,407	1,418	1,408	1,390	1,357	1,368	1,380	1,392	1,394	1,394	1,394	1,394
Net earnings (loss) per common share - basic	$ 0.89	$ 0.94	$ 1.52	$ 1.01	$ 1.56	$ 1.06	$ 1.49	$ 1.64	$ 1.75	$ 1.87	$ 1.99	$ 2.11	$ 2.23
Cash dividends declared per common share	0.60	0.60	0.71	0.78	0.83	0.89	0.95	1.05	1.12	1.20	1.28	1.36	1.43

Keurig Dr Pepper Inc.
Balance Sheet

Fiscal Years Ending Dec. 31	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Current Assets:													
Cash & cash equivalents	101	255	568	535	267	590	471	645	1,497	2,155	2,208	2,416	2,894
Trade accounts receivable, net	1,115	1,048	1,148	1,484	1,368	1,502	1,557	1,621	1,688	1,754	1,819	1,883	1,939
Inventories	654	762	894	1,314	1,142	1,299	1,215	1,265	1,317	1,368	1,419	1,469	1,513
Prepaid expenses & other current assets	403	323	447	471	598	606	574	598	622	646	670	694	715
Total current assets	2,273	2,388	3,057	3,804	3,375	3,997	3,816	4,130	5,124	5,924	6,117	6,462	7,061
Property, plant & equipment, gross	2,757	3,232	3,843	4,142	4,663	5,216	5,796	6,393	7,008	7,642	8,295	8,967	9,659
Accumulated Depreciation	(729)	(1,020)	(1,349)	(1,651)	(1,964)	(2,252)	(2,744)	(3,251)	(3,773)	(4,310)	(4,864)	(5,434)	(6,020)
Property, plant & equipment, net	2,028	2,212	2,494	2,491	2,699	2,964	3,052	3,142	3,235	3,332	3,431	3,533	3,639
Investments in unconsolidated affiliates	151	88	30	1,000	1,387	1,543	1,609	1,679	1,751	1,826	1,905	1,986	2,072
Goodwill	20,172	20,184	20,182	20,072	20,202	20,053	20,053	20,053	20,053	20,053	20,053	20,053	20,053
Other intangible assets, net	24,117	23,968	23,856	23,183	23,287	23,634	23,324	23,018	22,716	22,417	22,123	21,833	21,546
Other non-current assets	251	249	264	371	273	320	334	348	363	379	395	412	430
Operating lease right-of-use assets	497	645	673	881	876	880	906	933	961	989	1,019	1,049	1,080
Deferred tax assets	29	45	42	35	31	39	42	46	49	54	58	63	67
Total assets	49,518	49,779	50,598	51,837	52,130	53,430	53,136	53,347	54,252	54,973	55,100	55,391	55,948
Current Liabilities:													
Accounts payable	3,176	3,740	4,316	5,206	3,597	2,985	4,360	4,541	4,726	4,911	5,093	5,273	5,430
Accrued expenses	939	1,040	1,110	1,153	1,242	1,584	1,432	1,491	1,552	1,613	1,673	1,732	1,784
Structured payables	321	153	142	137	117	41	199	207	215	224	232	240	247
Short-term borrowings & current portion of long-term obligations	1,593	2,345	304	895	3,246	2,642	1,206	585	692	1,312	1,207	964	721
Other current liabilities	445	416	613	685	714	835	744	774	806	838	869	899	926
Total current liabilities	6,474	7,694	6,485	8,076	8,916	8,087	7,940	7,598	7,992	8,897	9,074	9,108	9,108
Long-term obligations	12,827	11,143	11,578	11,072	9,945	12,912	11,883	11,483	10,983	9,871	8,871	8,121	7,621
Deferred tax liabilities	6,030	5,993	5,986	5,739	5,760	5,435	5,304	5,159	5,002	4,834	4,655	4,464	4,264
Other non-current liabilities	930	1,119	1,577	1,825	1,833	2,753	2,871	2,995	3,124	3,258	3,398	3,544	3,697
Total liabilities	26,261	25,949	25,626	26,712	26,454	29,187	27,999	27,235	27,101	26,859	25,997	25,238	24,689
Shareholders Equity:													
Common Stock and APIC	21,571	21,691	21,799	21,458	20,802	19,726	19,899	20,071	20,244	20,279	20,279	20,279	20,279
Retained earnings (accumulated deficit)	1,582	2,061	3,199	3,539	4,559	4,793	5,515	6,317	7,183	8,111	9,100	10,150	11,257
Accumulated other comprehensive income (loss)	104	77	(26)	129	315	(276)	(276)	(276)	(276)	(276)	(276)	(276)	(276)
Non-controlling interest	-	1	-	(1)	-	-	-	-	-	-	-	-	-
Total equity	23,257	23,830	24,972	25,125	25,676	24,243	25,137	26,112	27,151	28,114	29,103	30,153	31,259
Total liabilities and equity	49,518	49,779	50,598	51,837	52,130	53,430	53,136	53,347	54,252	54,973	55,100	55,391	55,948

Keurig Dr Pepper Inc.

Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2019	2020	2021	2022	2023	2024
Net income (loss) attributable to Keurig Dr Pepper Inc.	1,254	1,325	2,146	1,436	2,181	1,441
Operating activities:						
Depreciation expense	358	362	410	399	402	422
Amortization of intangibles	126	133	134	138	137	133
Other amortization expense	214	158	164	172	181	178
Provision for sales returns	43	54	63	61	61	70
Deferred income taxes	(23)	(51)	31	(289)	(4)	(254)
Employee stock based compensation expense	64	85	88	52	116	98
Loss (gain) on early extinguishment of debt	11	4	105	217	-	-
Loss (gain) on sale of equity method investment	-	-	(524)	(50)	-	-
(Gain) loss on disposal of property, plant & equipment	-	(36)	(75)	(80)	(1)	16
Unrealized (gain) loss on foreign currency	(24)	(1)	9	26	(13)	33
Unrealized loss (gain) on derivatives	36	8	(70)	383	31	91
Settlements of interest rate contracts	-	-	-	125	54	-
Equity in losses (earnings) of unconsolidated subsidiaries, net of tax	51	20	5	5	(33)	(42)
Earned Equity	-	-	-	-	(44)	(94)
Impairment of intangible assets	-	67	-	477	2	718
Impairment on investments & note receivable of unconsolidated affiliates	-	102	17	12	-	2
Other, net	(2)	60	20	28	6	(2)
Changes in assets and liabilties:						
Trade accounts receivable	(7)	(5)	(152)	(398)	70	(209)
Inventories	(24)	(107)	(133)	(426)	182	(92)
Income taxes receivable & payables, net	36	(91)	114	(105)	(199)	133
Other current & non-current assets	(324)	(435)	(243)	(456)	(192)	(227)
Accounts payable & accrued expenses	583	624	762	903	(1,618)	(196)
Other current & non-current liabilities	102	180	3	207	10	-
Net change in other operating assets & liabilities	366	166	351	(275)	(1,747)	(591)
Net cash flows from operating activities	2,474	2,456	2,874	2,837	1,329	2,219
Investing activities:						
Proceeds from sale of investment in unconsolidated affiliates	-	-	578	50	-	-
Acquisitions of businesses	(8)	-	-	-	-	(1,000)
Cash acquired in acquisitions	-	-	-	-	-	-
Purchases of property, plant & equipment	(330)	(461)	(423)	(353)	(425)	(563)
Proceeds from sale of property, plant & equipment	247	203	122	168	9	4
Purchases of intangibles	(35)	(56)	(32)	(26)	(56)	(59)
Investments in unconsolidated affiliates	(16)	(5)	-	(962)	(316)	(7)
Issuance of related party note receivable	(32)	(6)	(19)	(18)	-	-
Other cash flows from investing activities, net	24	9	(16)	6	4	11
Net cash flows from investing activities	(150)	(316)	210	(1,135)	(784)	(1,614)
Financing activities:						
Proceeds from senior unsecured notes	-	1,500	2,150	3,000	-	3,000
Repayment of notes	(83)	(1,496)	(3,595)	(3,365)	(500)	(1,150)
Net (repayment) issuance of commercial paper	2,000	-	149	250	1,697	(480)
Repayment of term loan	(3,203)	(955)	(425)	-	-	990
Repurchases of common stock	-	-	-	(379)	(706)	(1,110)
Proceeds from issuance of common stock	-	-	140	-	-	-
Proceeds from structured payables	330	200	156	155	130	49
Payments on Structured Payables	(531)	(341)	(167)	(158)	(148)	(129)
Cash dividends paid	(844)	(846)	(955)	(1,080)	(1,142)	(1,194)
Tax withholdings related to net share settlements	-	-	(125)	(15)	(62)	(61)
Payments on finance leases	(38)	(52)	(54)	(90)	(95)	(115)
Other cash flows from financing activities, net	5	-	(36)	(46)	(6)	(23)
Net cash flows from financing activities	(2,364)	(1,990)	(2,762)	(1,728)	(832)	(223)
Net change from:						
Operating, investing and financing activities	(40)	150	322	(26)	(287)	382
Effect of exchange rate changes on cash & cash equivalents	12	(6)	(9)	(7)	19	(41)
Cash at beginning of period	139	111	255	568	535	267
Cash at end of period	**111**	**255**	**568**	**535**	**267**	**608**

Keurig Dr Pepper Inc.

Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Net income (loss) attributable to Keurig Dr Pepper Inc.	2,024	2,250	2,429	2,603	2,774	2,947	3,103
Operating activities:							
Depreciation expense	492	507	522	537	553	570	587
Amortization of intangibles	310	306	302	298	294	290	287
Change in Trade accounts receivable, net	(55)	(65)	(66)	(66)	(65)	(64)	(56)
Change in Inventories	84	(51)	(52)	(51)	(51)	(50)	(44)
Change In Prepaid expenses & other current assets	32	(24)	(24)	(24)	(24)	(24)	(21)
Change In Deferred taxes	(134)	(149)	(161)	(172)	(184)	(195)	(205)
Change In Accounts Payable	1,375	181	185	184	182	180	157
Change In Accrued Expenses	(152)	60	61	61	60	59	52
Changes in Structured payables	158	8	8	8	8	8	7
Changes in Other current liabilities	(91)	31	32	31	31	31	27
Sum of Operating activites	4,043	3,055	3,236	3,410	3,579	3,751	3,893
Investing activities:							
Change In Property, plant & equipment, gross	(580)	(597)	(615)	(634)	(653)	(672)	(692)
Change In Investments in unconsolidated affiliates	(66)	(69)	(72)	(75)	(79)	(82)	(85)
Sum of Investing activites	(646)	(666)	(687)	(709)	(731)	(754)	(778)
Financing activities:							
Change In Operating lease right-of-use assets	(26)	(27)	(28)	(29)	(29)	(30)	(31)
Changes in Short-term borrowings & current portion of long-term obligations	(1,436)	(622)	108	620	(105)	(243)	(244)
Change In Long-Term Debt Obligations	(1,029)	(400)	(500)	(1,112)	(1,000)	(750)	(500)
Change In Other Non-Current Assets	(14)	(14)	(15)	(16)	(16)	(17)	(18)
Change In Other Non-Current Liabilities	118	123	129	134	140	146	152
Cash dividends paid	(1,302)	(1,448)	(1,563)	(1,675)	(1,785)	(1,896)	(1,997)
Change in Common Stock and APIC	173	173	173	35			
Sum of Financing activites	(3,516)	(2,214)	(1,696)	(2,043)	(2,795)	(2,790)	(2,637)
Net change from:							
Operating, investing and financing activities	(119)	174	852	658	53	207	479
Cash at beginning of period	590	471	645	1,497	2,155	2,208	2,416
Cash at end of period	471	645	1,497	2,155	2,208	2,416	2,894

Keurig Dr Pepper Inc.

Common Size Income Statement

Fiscal Years Ending Dec. 31	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Cost of sales	38.62%	39.91%	40.70%	44.08%	41.82%	40.82%	40.99%	40.99%	40.99%	40.99%	40.99%	40.99%	40.99%
Gross profit	61.38%	60.09%	59.30%	55.92%	58.18%	59.18%	59.01%	59.01%	59.01%	59.01%	59.01%	59.01%	59.01%
Selling, general & administrative expenses	35.63%	34.24%	32.74%	33.04%	33.16%	32.66%	33.58%	33.58%	33.58%	33.58%	33.58%	33.58%	33.58%
Impairment of intangible assets	0.00%	0.58%	0.00%	3.39%	0.01%	4.68%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Loss (gain) on litigation settlement	0.00%	0.00%	0.00%	-2.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation & amortization	4.35%	4.26%	4.29%	3.82%	3.64%	3.62%	4.96%	4.82%	4.69%	4.58%	4.48%	4.39%	4.33%
Other operating expense (income), net	0.02%	-0.34%	-0.55%	-0.75%	-0.18%	1.35%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%
Income (loss) from operations	21.38%	21.35%	22.82%	18.53%	21.55%	16.88%	20.55%	20.68%	20.81%	20.92%	21.02%	21.11%	21.17%
Interest expense, net	5.88%	5.20%	3.94%	4.93%	3.35%	4.79%	5.09%	4.11%	3.64%	3.39%	3.13%	2.73%	2.39%
Gain (loss) on early extinguishment of debt	-0.10%	-0.03%	-0.83%	-1.54%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Impairment of investments & note receivable	0.00%	0.88%	0.13%	0.09%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gain on sale of equity method investment	0.00%	0.00%	-4.13%	-0.36%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other (income) expense, net	0.17%	0.15%	-0.02%	0.10%	-0.41%	-0.39%	-0.57%	-0.53%	-0.57%	-0.77%	-0.90%	-0.90%	-0.94%
Income before provision (benefit) for income taxes	15.23%	15.09%	22.06%	12.23%	18.61%	12.47%	16.02%	17.10%	17.74%	18.30%	18.79%	19.29%	19.72%
Provision (benefit) for income taxes	3.96%	3.68%	5.15%	2.02%	3.89%	3.08%	3.53%	3.76%	3.90%	4.03%	4.13%	4.24%	4.34%
Net income (loss) including non-controlling interest	11.28%	11.40%	16.91%	10.21%	14.72%	9.39%	12.50%	13.34%	13.83%	14.27%	14.66%	15.04%	15.38%
Less: net income attributable to non-controlling interest	0.00%	0.00%	0.01%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income attributable to Keurig Dr Pepper Inc.	11.28%	11.40%	16.92%	10.22%	14.72%	9.39%	12.50%	13.34%	13.83%	14.27%	14.66%	15.04%	15.38%

Keurig Dr Pepper Inc.
Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Current Assets:													
Cash & cash equivalents	0.91%	2.19%	4.48%	3.81%	1.80%	3.84%	2.91%	3.82%	8.53%	11.81%	11.67%	12.33%	14.35%
Trade accounts receivable, net	10.03%	9.02%	9.05%	10.56%	9.23%	9.78%	9.61%	9.61%	9.61%	9.61%	9.61%	9.61%	9.61%
Inventories	5.88%	6.56%	7.05%	9.35%	7.71%	8.46%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Prepaid expenses & other current assets	3.62%	2.78%	3.52%	3.35%	4.04%	3.95%	3.54%	3.54%	3.54%	3.54%	3.54%	3.54%	3.54%
Total current assets	20.44%	20.55%	24.10%	27.06%	22.78%	26.04%	23.57%	24.48%	29.19%	32.47%	32.33%	32.99%	35.01%
Property, plant & equipment, net	18.24%	19.04%	19.66%	17.72%	18.22%	19.31%	18.84%	18.63%	18.43%	18.26%	18.13%	18.04%	18.04%
Investments in unconsolidated affiliates	1.36%	0.76%	0.24%	7.11%	9.36%	10.05%	9.94%	9.95%	9.97%	10.01%	10.07%	10.14%	10.27%
Goodwill	181.40%	173.73%	159.13%	142.79%	136.37%	130.63%	123.82%	118.88%	114.22%	109.93%	105.99%	102.38%	99.42%
Other intangible assets, net	216.88%	206.30%	188.09%	164.92%	157.20%	153.96%	144.02%	136.46%	129.38%	122.89%	116.93%	111.47%	106.82%
Other non-current assets	2.26%	2.14%	2.08%	2.64%	1.84%	2.08%	2.06%	2.06%	2.07%	2.08%	2.09%	2.10%	2.13%
Operating lease right-of-use assets	4.47%	5.55%	5.31%	6.27%	5.91%	5.73%	5.59%	5.53%	5.47%	5.42%	5.38%	5.36%	5.36%
Deferred tax assets	0.26%	0.39%	0.33%	0.25%	0.21%	0.25%	0.26%	0.27%	0.28%	0.29%	0.31%	0.32%	0.33%
Total assets	445.31%	428.46%	398.94%	368.76%	351.90%	348.06%	328.10%	316.26%	309.01%	301.36%	291.24%	282.80%	277.38%
Current Liabilities:													
Accounts payable	28.56%	32.19%	34.03%	37.03%	24.28%	19.44%	26.92%	26.92%	26.92%	26.92%	26.92%	26.92%	26.92%
Accrued expenses	8.44%	8.95%	8.75%	8.20%	8.38%	10.32%	8.84%	8.84%	8.84%	8.84%	8.84%	8.84%	8.84%
Structured payables	2.89%	1.32%	1.12%	0.97%	0.79%	0.27%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%
Short-term borrowings & current portion of long-term obligations	14.33%	20.18%	2.40%	6.37%	21.91%	17.21%	7.45%	3.47%	3.94%	7.19%	6.38%	4.92%	3.57%
Other current liabilities	4.00%	3.58%	4.83%	4.87%	4.82%	5.44%	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%
Total current liabilities	58.22%	66.22%	51.13%	57.45%	60.19%	52.68%	49.03%	45.05%	45.52%	48.77%	47.96%	46.50%	45.15%
Long-term obligations	115.35%	95.91%	91.29%	78.77%	67.13%	84.11%	73.38%	68.07%	62.56%	54.11%	46.89%	41.46%	37.78%
Deferred tax liabilities	54.23%	51.58%	47.20%	40.83%	38.88%	35.40%	32.75%	30.58%	28.49%	26.50%	24.60%	22.79%	21.14%
Other non-current liabilities	8.36%	9.63%	12.43%	12.98%	12.37%	17.93%	17.73%	17.75%	17.79%	17.86%	17.96%	18.09%	18.33%
Total liabilities	236.16%	223.35%	202.05%	190.03%	178.57%	190.13%	172.89%	161.46%	154.36%	147.24%	137.41%	128.85%	122.40%
Shareholders Equity:													
Common stock	193.98%	186.70%	171.88%	152.65%	140.42%	128.50%	122.87%	118.99%	115.31%	111.17%	107.19%	103.53%	100.54%
Retained earnings (accumulated deficit)	14.23%	17.74%	25.22%	25.18%	30.77%	31.22%	34.05%	37.45%	40.91%	44.46%	48.10%	51.82%	55.81%
Accumulated other comprehensive income (loss)	0.94%	0.66%	-0.20%	0.92%	2.13%	-1.80%	-1.70%	-1.64%	-1.57%	-1.51%	-1.46%	-1.41%	-1.37%
Non-controlling interest	0.00%	0.01%	0.00%	-0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total equity	209.15%	205.11%	196.89%	178.74%	173.32%	157.92%	155.22%	154.80%	154.65%	154.12%	153.82%	153.95%	154.97%
Total liabilities and equity	445.31%	428.46%	398.94%	368.76%	351.90%	348.06%	328.10%	316.26%	309.01%	301.36%	291.24%	282.80%	277.38%

Keurig Dr Pepper Inc.

Value Driver Estimation

Fiscal Years Ending Dec. 31	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E
NOPLAT:													
Net Sales	11,120	11,618	12,683	14,057	14,814	15,351	16,195	16,868	17,557	18,242	18,919	19,587	20,171
Less: Cost of Sales	(4,294)	(4,637)	(5,162)	(6,197)	(6,195)	(6,267)	(6,639)	(6,915)	(7,197)	(7,478)	(7,756)	(8,029)	(8,268)
Less: Selling, general & administrative expenses	(3,962)	(3,978)	(4,153)	(4,645)	(4,912)	(5,013)	(5,438)	(5,664)	(5,895)	(6,125)	(6,353)	(6,577)	(6,773)
Less: Depreciation & amortization	(484)	(495)	(544)	(537)	(539)	(555)	(803)	(813)	(824)	(836)	(848)	(860)	(873)
Less: Other operating expense (income), net	(2)	39	70	105	26	(207)	12	12	13	13	14	14	15
Plus: Implied Int. on Opr. Leases	-	26	34	36	47	46	47	48	49	51	52	54	56
Adjusted EBIT	2,378	2,573	2,928	2,819	3,241	3,355	3,374	3,537	3,703	3,868	4,030	4,189	4,326
Less: Adjusted Tax													
Provision For Income Taxes	440	428	653	284	576	473	571	635	685	734	782	831	875
Plus: Tax on Lease Interest	-	7	9	8	11	10	10	11	11	11	12	12	12
Less: Tax on Impairment of Intangible assets	-	(18)	-	(102)	()	(156)	-	-	-	-	-	-	-
Less: Tax on Litigation Settlement	-	-	-	(64)	-	-	-	-	-	-	-	-	-
Plus: Tax on Interest Exp.	171	161	125	148	112	159	181	153	141	136	130	118	106
Plus: Tax on Gain (Loss) Early Extinguishment of Debt	3	1	26	46	-	-	-	-	-	-	-	-	-
Plus: Tax on Impairment of Investments	-	27	4	3	-		-	-	-	-	-	-	-
Less: Gain on Sale of Equity Method Investment	-	-	(130)	(11)	-	-	-	-	-	-	-	-	-
Less: Tax on Other (Income) expense	5	5	()	3	(14)	(13)	(20)	(20)	(22)	(31)	(38)	(39)	(42)
Total Adjusted Taxes	619	611	685	315	684	474	742	778	815	851	887	922	952
Plus: Change In DTL													
Change In DTL	(23)	(51)	31	(289)	(4)	(254)	(134)	(149)	(161)	(172)	(184)	(195)	(205)
NOPLAT	1,736	1,912	2,274	2,215	2,553	2,627	2,498	2,610	2,728	2,844	2,960	3,072	3,169
Invested Capital (IC):													
Operating Current Assets													
Normal Cash	101	106	115	128	135	139	147	153	159	166	172	178	183
Plus: Trade accounts receivable, net	1,115	1,048	1,148	1,484	1,368	1,502	1,557	1,621	1,688	1,754	1,819	1,883	1,939
Plus: Inventories	654	762	894	1,314	1,142	1,299	1,215	1,265	1,317	1,368	1,419	1,469	1,513
Plus: Prepaid expenses & other current assets	403	323	447	471	598	606	574	598	622	646	670	694	715
Less: Accounts payable	(3,176)	(3,740)	(4,316)	(5,206)	(3,597)	(2,985)	(4,360)	(4,541)	(4,726)	(4,911)	(5,093)	(5,273)	(5,430)
Less: Accrued expenses	(939)	(1,040)	(1,110)	(1,153)	(1,242)	(1,584)	(1,432)	(1,491)	(1,552)	(1,613)	(1,673)	(1,732)	(1,784)
Less: Structured payables	(321)	(153)	(142)	(137)	(117)	(41)	(199)	(207)	(215)	(224)	(232)	(240)	(247)
Less: Other current liabilities	(445)	(416)	(613)	(685)	(714)	(835)	(744)	(774)	(806)	(838)	(869)	(899)	(926)
Total Operating Working Capital	(2,608)	(3,110)	(3,577)	(3,784)	(2,427)	(1,899)	(3,241)	(3,376)	(3,514)	(3,651)	(3,786)	(3,920)	(4,037)
Property, plant & equipment, net	2,028	2,212	2,494	2,491	2,699	2,964	3,052	3,142	3,235	3,332	3,431	3,533	3,639
Other intangible assets, net	24,117	23,968	23,856	23,183	23,287	23,634	23,324	23,018	22,716	22,417	22,123	21,833	21,546
Other non-current assets	251	249	264	371	273	320	334	348	363	379	395	412	430
Other non-current liabilities	(930)	(1,119)	(1,577)	(1,825)	(1,833)	(2,753)	(2,871)	(2,995)	(3,124)	(3,258)	(3,398)	(3,544)	(3,697)
Total Invested Capital	22,858	22,200	21,460	20,436	21,999	22,266	20,597	20,137	19,677	19,219	18,765	18,314	17,881
Free Cash Flow (FCF):													
NOPLAT	1,736	1,912	2,274	2,215	2,553	2,627	2,498	2,610	2,728	2,844	2,960	3,072	3,169
Change in IC	(973)	(658)	(739)	(1,025)	1,563	268	(1,670)	(460)	(460)	(458)	(454)	(451)	(433)
FCF	**2,708**	**2,570**	**3,013**	**3,239**	**990**	**2,359**	**4,168**	**3,069**	**3,188**	**3,302**	**3,414**	**3,523**	**3,602**
Return on Invested Capital (ROIC):													
NOPLAT	1,736	1,912	2,274	2,215	2,553	2,627	2,498	2,610	2,728	2,844	2,960	3,072	3,169
Beginning IC	23,831	22,858	22,200	21,460	20,436	21,999	22,266	20,597	20,137	19,677	19,219	18,765	18,314
ROIC	**7.28%**	**8.36%**	**10.24%**	**10.32%**	**12.49%**	**11.94%**	**11.22%**	**12.67%**	**13.55%**	**14.46%**	**15.40%**	**16.37%**	**17.30%**
Economic Profit (EP):													
Beginning IC	23,831	22,858	22,200	21,460	20,436	21,999	22,266	20,597	20,137	19,677	19,219	18,765	18,314
x (ROIC - WACC)	1.14%	2.22%	4.10%	4.17%	6.35%	5.80%	5.07%	6.53%	7.40%	8.31%	9.25%	10.23%	11.16%
EP	**271**	**507**	**909**	**896**	**1,297**	**1,275**	**1,130**	**1,344**	**1,490**	**1,635**	**1,779**	**1,919**	**2,044**

Keurig Dr Pepper Inc.

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:		*ASSUMPTIONS:*
Risk-Free Rate	4.30%	*10-year Treasury Bond*
Beta	0.55	*5Y Monthly*
Equity Risk Premium	4.61%	*Aswath Damodaran Trailing 12-month cash yield*
Cost of Equity	**6.84%**	
Cost of Debt:		
Risk-Free Rate	4.30%	*10-year Treasury Bond*
Implied Default Premium	1.00%	
Pre-Tax Cost of Debt	5.30%	*YTM on 10-year Corporate Bond*
Marginal Tax Rate	22%	
After-Tax Cost of Debt	**4.13%**	

Market Value of Common Equity:		**MV Weights**
Total Shares Outstanding	1,357	
Current Stock Price	$35.33	
MV of Equity	**47,924**	74.46%
Market Value of Debt:		
Short-Term Debt	1,616	
Current Portion of LTD	1,026	
Long-Term Debt	12,912	
PV of Operating Leases	880	
MV of Total Debt	**16,434**	25.54%
Market Value of the Firm	**64,358**	100.00%

Estimated WACC	**6.15%**

Keurig Dr Pepper Inc.

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	2.00%
CV Year ROIC	17.30%
WACC	6.15%
Cost of Equity	6.84%

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E	2030E	2031E
DCF Model:							
Free Cash Flow (FCF)	4,168	3,069	3,188	3,302	3,414	3,523	3,602
Continuing Value (CV)							67,609
PV of FCF	3,927	2,724	2,666	2,601	2,534	2,463	47,271

Value of Operating Assets:	64,185
Non-Operating Adjustments	
Excess Cash	469
Investments in unconsolidated affiliates	1,543
Operating lease right-of-use assets	(880)
Short-term borrowings	(1,026)
Current portion of LTD	(1,616)
Long-term obligations	(12,912)
ESOP	(730)
Pension Benefit Obligations	(159)
Value of Equity	48,873
Shares Outstanding	1,357
Intrinsic Value of Last FYE	$ 36.02
Implied Price as of Today	$ 36.47

EP Model:

Economic Profit (EP)	1,130	1,344	1,490	1,635	1,779	1,919	2,044
Continuing Value (CV)							49,295
PV of EP	1,064	1,193	1,246	1,288	1,320	1,342	34,466

Total PV of EP	41,919						
Invested Capital (last FYE)	22,266					7,453	
Value of Operating Assets:	64,185						
Non-Operating Adjustments							
Excess Cash	469						
Investments in unconsolidated affiliates	1,543						
Operating lease right-of-use assets	(880)						
Short-term borrowings	(1,026)						
Current portion of LTD	(1,616)						
Long-term obligations	(12,912)						
ESOP	(730)						
Pension Benefit Obligations	(159)						
Value of Equity	48,873						
Shares Outstanding	1,357						
Intrinsic Value of Last FYE	$ 36.02						
Implied Price as of Today	$ 36.47						

Keurig Dr Pepper Inc.

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending	2025E	2026E	2027E	2028E	2029E	2030E	2031E
EPS	$ 1.49	$ 1.64	$ 1.75	$ 1.87	$ 1.99	$ 2.11	$ 2.23
Key Assumptions							
CV growth of EPS	4.00%						
CV Year ROE	9.93%						
Cost of Equity	6.84%						
Dividend Growth	6.79%						
Future Cash Flows							
P/E Multiple (CV Year)							21.x
EPS (CV Year)							$ 2.23
Future Stock Price							$ 46.80
Dividends Per Share	0.95	1.02	1.12	1.20	1.28	1.37	
Discounted Cash Flows	0.89	0.89	0.92	0.92	0.92	0.92	31.46
Intrinsic Value as of Last FYE	$ 36.92						
Implied Price as of Today	$ 37.38						

Keurig Dr Pepper Inc.
Relative Valuation Models

Ticker	Company	Price	EPS 2025E	EPS 2026E	P/E 25	P/E 26	Market Cap	Sales	P/S	EV	EBITDA	EV/EBITDA
MNST	Monster Beverage	$57.71	$1.83	$2.03	31.54	28.43	54,988	7,493	7.34	54,988	2,181	25.21
KHC	Kraft Heinz	$28.94	$2.69	$2.87	10.76	10.08	54,470	25,846	2.11	54,470	6,363	8.56
SBUX	Starbucks	$79.57	$2.97	$3.70	26.79	21.51	105,226	36,176	2.91	105,226	6,921	15.20
KO	Coca-Cola	$68.65	$2.90	$3.19	23.67	21.52	315,331	47,061	6.70	315,331	15,160	20.80
CELH	Celsius	$35.80	$1.06	$1.21	33.77	29.59	9,159	1,356	6.76	9,159	256	35.78
				Average	23.32	20.14			3.85			13.57
KDP	Keurig Dr Pepper Inc	$35.48	$ 1.49	$ 1.64	23.9	21.7	59,658	15,351	3.9	59,658	4,554	13.10

Implied Relative Value Per Share:

P/E (EPS25)	**$ 34.64**
P/E (EPS26)	**$ 32.98**
P/S	**$ 43.58**
EV/EBITDA	**$ 45.55**

Keurig Dr Pepper Inc.
Key Management Ratios

Fiscal Years Ending Dec. 31	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Liquidity Ratios:													
Quick Ratio (Current Assets/Current Liabilities)	35.1%	31.0%	47.1%	47.1%	37.9%	49.4%	48.1%	54.3%	64.1%	66.6%	67.4%	70.9%	77.5%
Current Ratio (Current Assets - Inventories)/ Current Lia	25.0%	21.1%	33.4%	30.8%	25.0%	33.4%	32.8%	37.7%	47.6%	51.2%	51.8%	54.8%	60.9%
Cash Ratio (Cash/Current Liabilities)	1.6%	3.3%	8.8%	6.6%	3.0%	7.3%	5.9%	8.5%	18.7%	24.2%	24.3%	26.5%	31.8%
Asset-Management Ratios:													
Inventory Turnover Ratio (Cost of Sales/Inventories)	6.6x	6.1x	5.8x	4.7x	5.4x	4.8x	5.5x	5.5x	5.5x	5.5x	5.5x	5.5x	5.5x
Asset Turnover Ratio (Net Sales/Total Assets)	22.5%	23.3%	25.1%	27.1%	28.4%	28.7%	30.5%	31.6%	32.4%	33.2%	34.3%	35.4%	36.1%
Days Sales Outstanding (Accounts Receivable/Net Sales)	37	33	33	39	34	36	35	35	35	35	35	35	35
Financial Leverage Ratios:													
Debt to Equity Ratio (Total Debt/Total Equity)	64.1%	59.3%	50.3%	51.1%	54.8%	67.8%	55.7%	49.8%	46.5%	43.3%	38.1%	33.6%	30.1%
Debt to Assets Ratio (Total Debt/Total Assets)	30.1%	28.4%	24.8%	24.8%	27.0%	30.8%	26.3%	24.4%	23.3%	22.1%	20.1%	18.3%	16.8%
Debt to EBITDA Ratio (Total Debt/EBITDA)	5.2x	4.8x	3.7x	4.1x	3.8x	5.2x	3.4x	3.x	2.8x	2.6x	2.3x	2.x	1.8x
Profitability Ratios:													
Return on Equity (Net Income/Beg Total Equity)	5.4%	5.6%	8.6%	5.7%	8.5%	5.9%	8.1%	8.6%	8.9%	9.3%	9.5%	9.8%	9.9%
Return on Assets (Net Income/Total Assets)	2.5%	2.7%	4.2%	2.8%	4.2%	2.7%	3.8%	4.2%	4.5%	4.7%	5.0%	5.3%	5.5%
Operating Margin (Operating Income/Net Sales)	21.4%	20.8%	22.8%	17.3%	21.5%	12.2%	20.5%	20.7%	20.8%	20.9%	21.0%	21.1%	21.2%
Payout Policy Ratios:													
Dividend Payout Ratio (Dividend/EPS)	67.4%	63.8%	46.9%	76.7%	53.2%	84.0%	64.1%	64.1%	64.1%	64.3%	64.3%	64.3%	64.3%
Total Payout Ratio ((Divs. + Repurchases)/NI)	67.3%	63.8%	44.5%	101.6%	84.7%	159.9%	64.3%	64.3%	64.3%	64.3%	64.3%	64.3%	64.3%