



EQUITY RISK SCIENCES

A Quantum Leap in Investment Technology

Coca-Cola (KO) Report

September 10, 2019

COCA-COLA OVERVIEW

From December 31, 1984* through June 30, 2010, Coca-Cola ("Coke") had robust annual revenue growth, averaging about 5.9% per year. Coke's total liabilities were far less than their annual revenues, averaging less than 60%. Given Coke's average revenue growth and their net margin, this debt load was prudent and easily managed.

In 2012, an abrupt change occurred. Coke's revenues peaked at \$48.02 billion.

From December 2012 through June 2019, Coke's revenues declined significantly, falling -30.6% to \$33.3 billion.

In March 2010, Coke had total liabilities of \$22.3 billion with revenues of \$31.4

In June 2019, Coke's total liabilities were \$69.7 billion with revenues of \$33.3

In March 2010, Coke had tangible equity of \$12.6 billion, and its market cap was \$121 billion.

By June 2019, Coke's tangible equity was eliminated, falling to negative **-\$8.7** billion.

Yet on September 10, 2019, their market cap rose to \$232 billion!

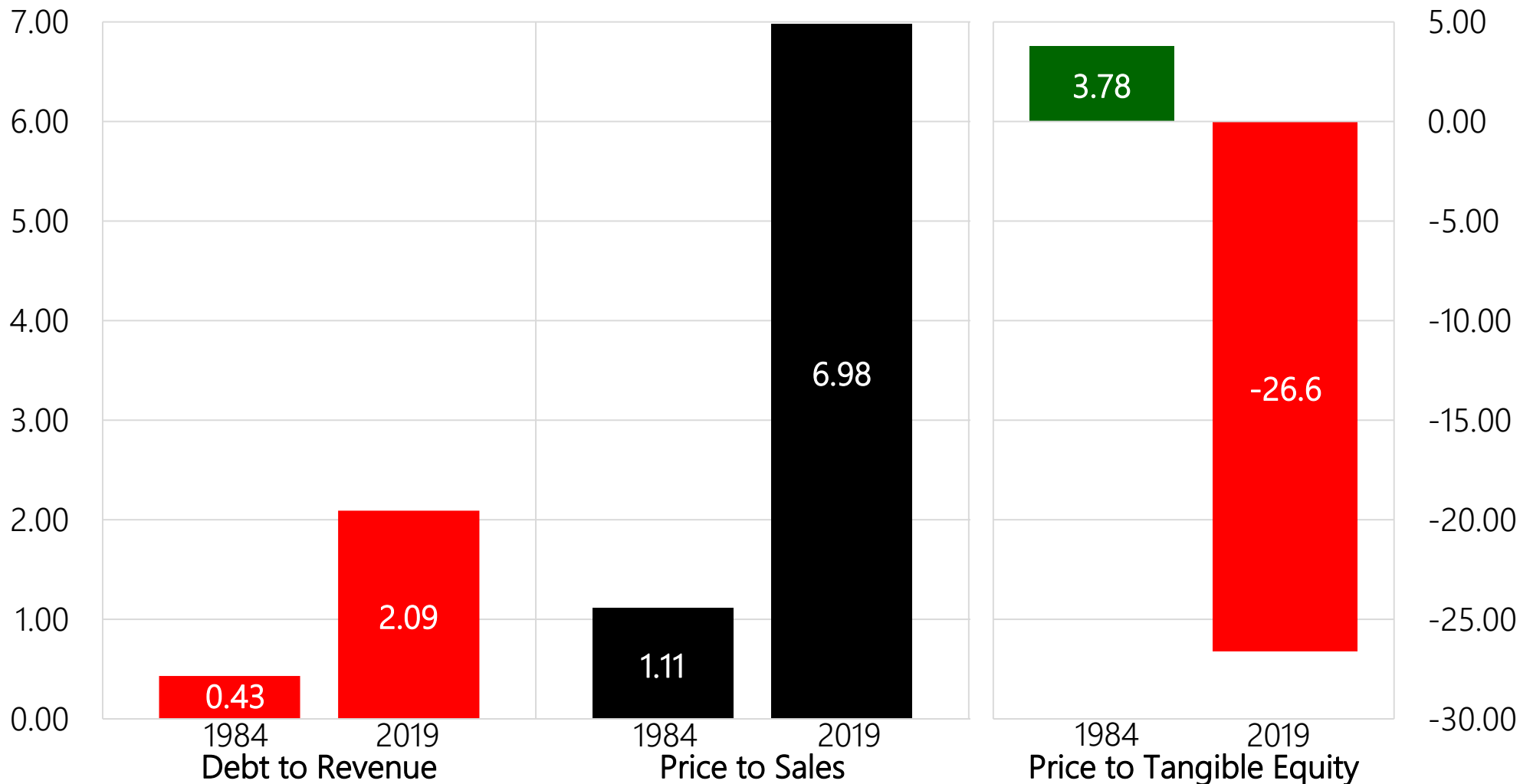
Coke's total liabilities now exceed annual revenues by a staggering \$36.4 billion. In Coke's hey-day their revenues always exceeded total liabilities by a very wide margin.

Until 2012, Coke had consistent revenue and equity growth and used debt conservatively.

In 2019, Coke is struggling to survive, with falling revenues and rapidly accelerating debt that has consumed *all* their tangible equity.

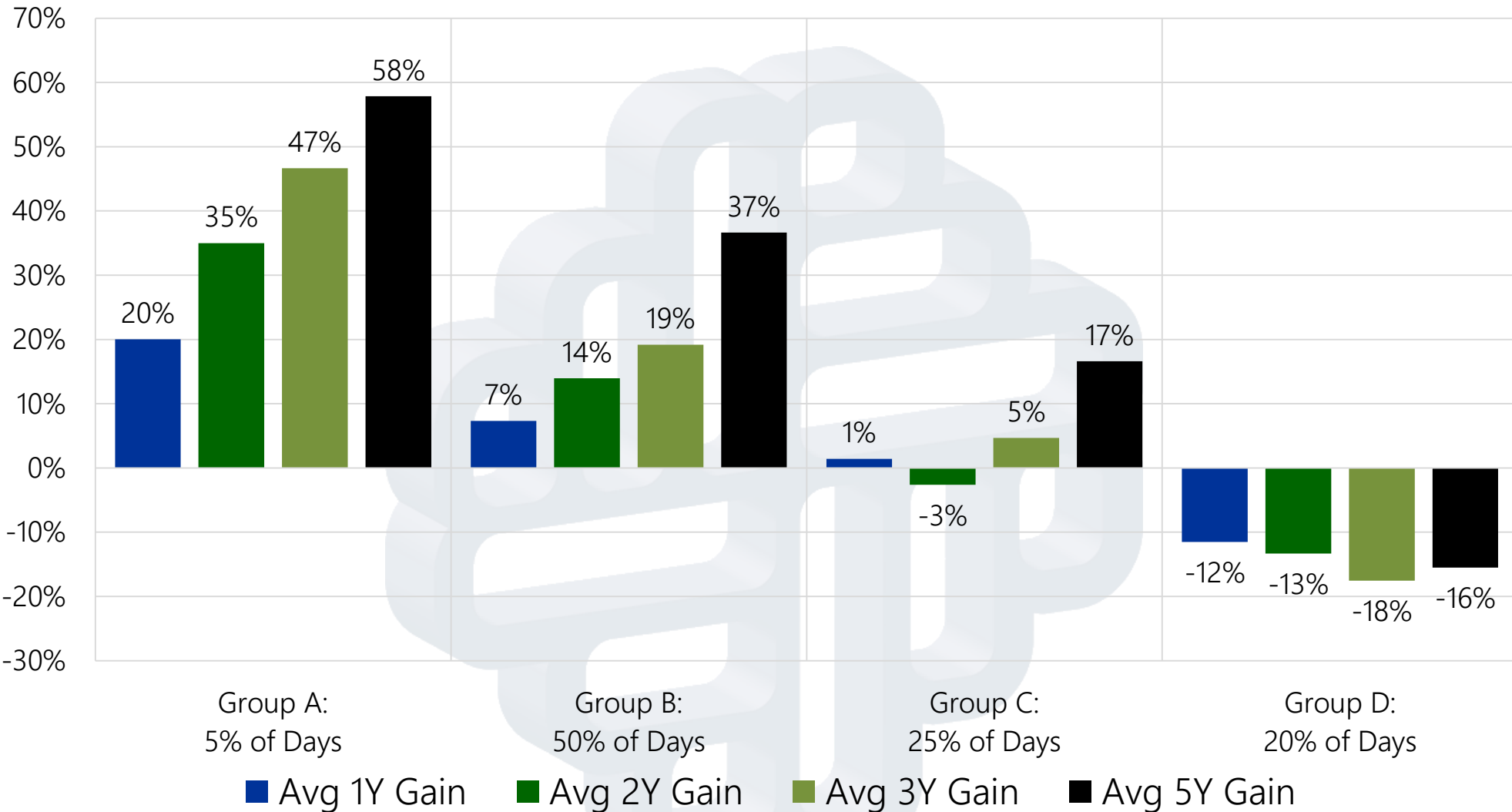
**December 31, 1984 is the earliest date for which we have complete financial data on Coke.*

COCA-COLA – FINANCIAL RATIOS 1984-2019



COCA-COLA (KO) - RESULTS GROUPED BY "FACTOR A"

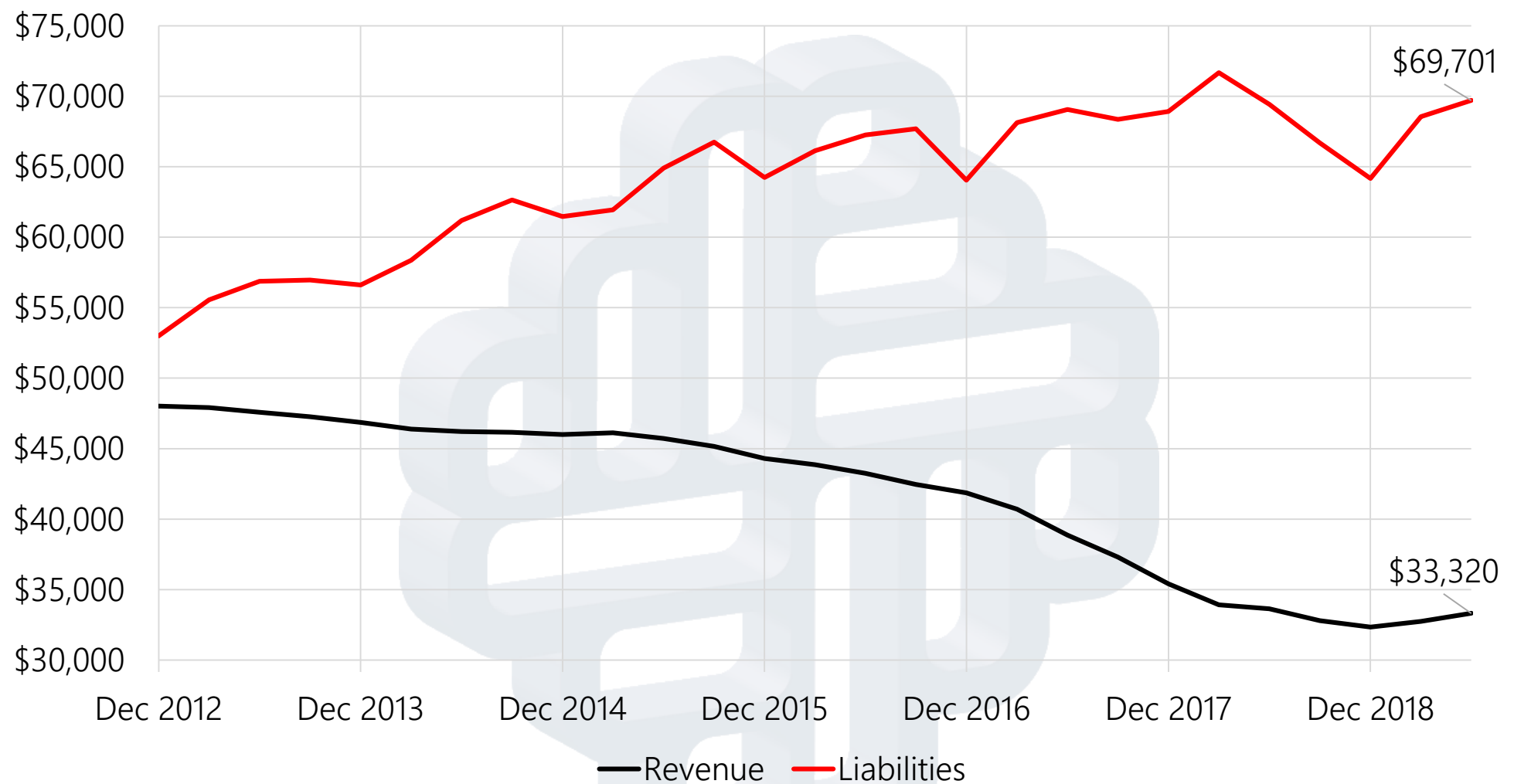
12/31/98 - 9/10/19 (~5,233 TRADING DAYS)



Over the past 5,233 trading days, Coke's "Factor A" was at or above its current level on 513 days. The average gain/loss from each of those days was: -23% after 1 year, -21% after 3 yrs. and -15% after 5 years. At today's price, Coke appears very speculative *at best*. Historic data suggests a 60% price decline is possible.

COCA-COLA – REVENUE AND LIABILITIES

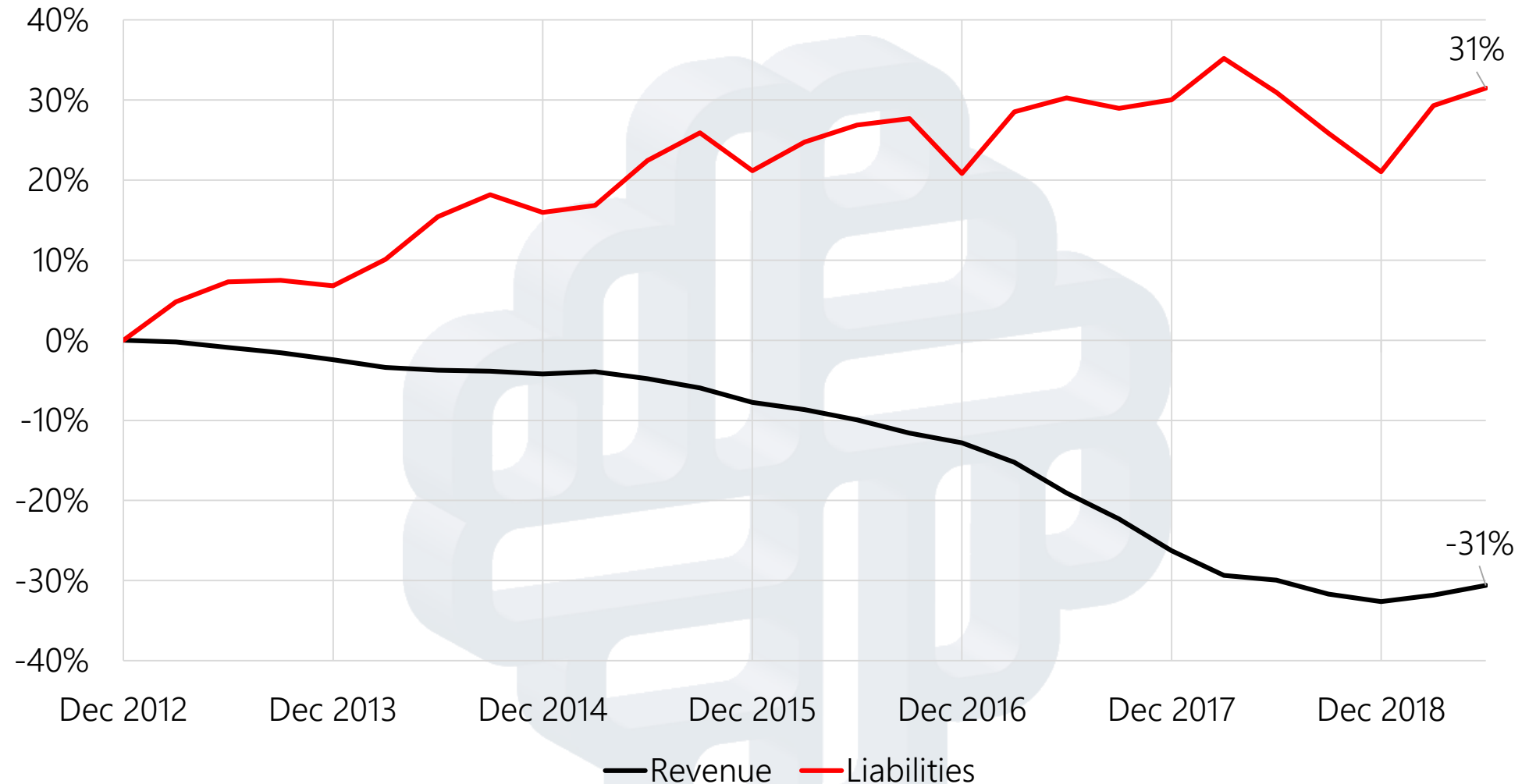
12/31/12 – 6/30/19



From 12/31/2012 to 6/30/2019, Coca-Cola's liabilities **increased** by 31% (\$53.0 to \$69.7 billion).
From 12/31/2012 to 6/30/2019, Coca-Cola's revenues **decreased** by -31% (\$48.0 to \$33.3 billion).

COCA-COLA – REVENUE AND LIABILITIES

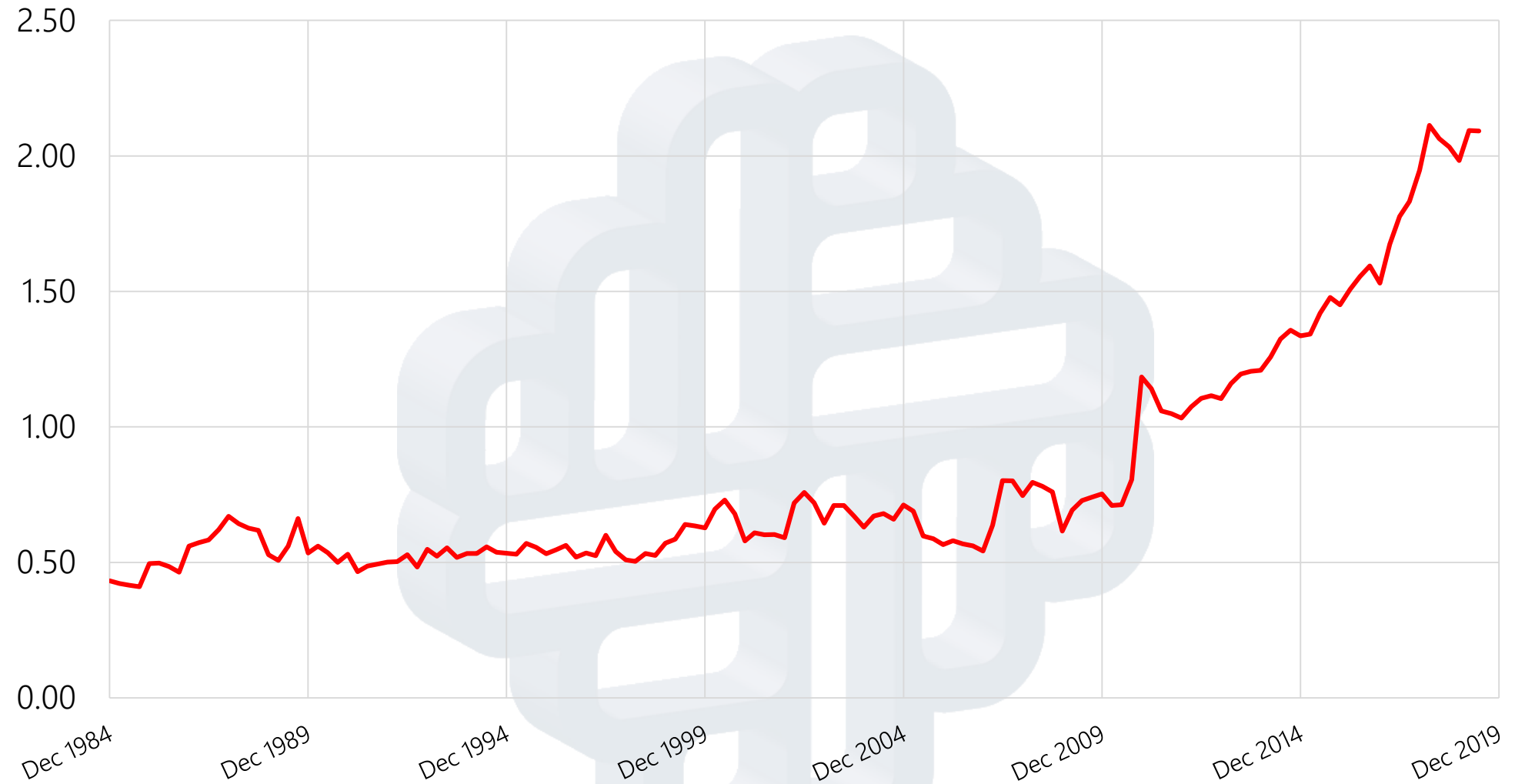
12/31/12 – 6/30/19



From 12/31/2012 to 6/30/2019, Coca-Cola's liabilities **increased** by 31% (\$53.0 to \$69.7 billion).
From 12/31/2012 to 6/30/2019, Coca-Cola's revenues **decreased** by -31% (\$48.0 to \$33.3 billion).

COCA-COLA – DEBT TO REVENUE

12/31/84 – 6/30/19



From 12/31/1984 to 6/30/2010, Coca-Cola's debt-to-revenue ratio averaged 59%.

From 12/31/1984 to 6/30/2010, Coca-Cola's debt-to-revenue ratio increased an average of 2.0% per year.

From 6/30/2010 to 6/30/2019, Coca-Cola's debt-to-revenue ratio increased an average of 12.7% per year.

COCA-COLA – PRICE TO SALES

12/31/84 – 9/10/19



From 12/31/1984 to 9/10/2019, Coca-Cola's price-to-sales ratio has averaged 4.6.

SUMMARY

- We don't know if Coke's revenues and net income will rise or fall.
- We can't quantify how much Coke's debt load impairs their financial flexibility.
- We don't know whether Coke's future stock price will rise or fall.
- What we *do* know is: Coke's stock is very risky.

At Equity Risk Sciences we identify measurable risks and rate the risks of every stock, enabling investors to greatly reduce risk and avoid losses.