Proceedings of the 4th International Conference on Business and Policy Studies
DOI: 10.54254/2754-1169/172/2025.22176

A Company Analysis and Financial Valuation of Coca Cola

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Abstract: This research analyze a comprehensive evaluation of the external and internal environments of The Coca Cola Company, a global leader in the non-alcoholic beverage industry. The SWOT analysis reveals Coca-Cola's strengths, including its strong brand influence, market penetration, and diverse product portfolio, while also identifying weaknesses such as reliance on core products, environmental issues, and market saturation. Its opportunities lie in product innovation, expansion into emerging markets, and sustainable development strategies, while threats include health trends, regulatory pressures, and increasing competition. Internal analysis evaluates Coca Cola's profitability, liquidity, and resources, highlighting its financial stability, strong brand value, and efficient global operations. Despite challenges such as slowing revenue growth and dependence on carbonated beverages, Coca Cola's sustained profitability and strategic adaptability position it as a long-term industry leader. The risk assessment emphasizes issues like market competition, changing consumer preferences, and supply chain disruptions, offering recommendations for investors, such as focusing on long-term returns and closely monitoring external pressures. Coca Cola's strategic priorities, including product diversification, sustainability, and expansion into emerging markets, lay the foundation for future growth and value creation for shareholders. This research concludes that Coca Cola remains a stable and profitable investment choice, and with its innovation and market adaptability, its future remains promising.

Keywords: SWOT Analysis, Market Strategy, Financial Stability

1. Introduction

Nowadays Coca Cola as the largest beverage company around the world, there have more and more investors observe this company. In addition to the improvement of popularity, Coca Cola's business is also gradually expanding compared with earlier years. At the same time, Coca-Cola's focus has changed during these years. So the author want to analyze The Coca Cola Company in this defense.

Coca Cola started way back in 1886 as a medicine company by Dr. John Stith Pemberton, but now it is the world's largest company of non-alcoholic beverages industry. These times Coca Cola is not only focus on coke, its products include sparkling soft drinks, water, sports drinks, value-added dairy and plant, coffee, tea, juice and based beverage. It's got the Fanta, Sprite, and Ice Dew as people all known. Its sales region is North America, Latin America, Europe, Middle East and Africa, the last one is Asia Pacific. The most important part of Coca Cola's strategy is revenue and profit. For the 2022, the whole year, net revenue grew 11% to $43.0 billions, and organic revenue(non-GAAP) grew 16%; for the 2023, net revenue grew 6% to $45.8 billion. The organic revenue performance was strong across all operating segments. For both the quarter and the full year, the company gained value share in total nonalcoholic ready-to-drink(NARTD) beverages [1].For the first 3 quarters of 2024 ended Sept 27,its revenue is $35.6 billion. Coca Cola's revenue still steadily grow around these year [2]. As Coca Cola stepped in 2024, its marketing strategy focuses on core category and product innovation and upgrading such as the low sugar beverage. Strengthening marketing and optimizing the supply chain is also important to Coca Cola's improvement. The iconic brand's success is not only about selling soft drinks but also about building emotional connections and memorable experiences with customers [3].

In this research, the author will do external environment analysis based on SWOT framework and Internal environment analysis based on profitability, liquidity and so on. And the author will do risk assessment and give some recommendation to both the investors and the company at the end of this defense.

2. External Environment Analysis

As the introduction said, the author will use SWOT framework to analyze Coca Cola's external environment. SWOT analysis method is through analyzing internal strengths and weakness, its opportunities for company's growth and future and the threats of possible issues that may be encountered to obtain a strategic plan for a company(here is Coca Cola).

2.1. Strengths

Coca Cola has a large market around the world, the company sells its products in over 200 countries, ensuring extensive market penetration. All the sales regions perform well these days,in the opposite, the largest competitor--PepsiCo, it is overly dependent on North America. So the company also has a strong brand influence as a global beverage company at the same time. And based on its marketing strategy, the company provides diverse product portfolio which can cater to different consumer needs. Moreover, the company possesses a strong network of partners and associates, as well as a high market share across different industries, which helps it maintain its competitive market position [4]. Its competitor has slightly lower global recognition and brand value compared to Coca-Cola. The last one is its marketing capabilities, such as investing heavily in advertising at the Olympics to maintain its brand visibility.

2.2. Weakness

Although Coca Cola is really a successful company, it also has some weaknesses. The first one is the reliance on its core products, although the company continuously offer new kinds of beverage, the revenue is nowhere near the core product. Secondly, coke as the core product of Coca Cola always has controversy around sugary drinks. The products are often associated with heath issues which may affect its reputation and sales. The last one is the beverage market has become saturated, and Coca Cola faces strong competition from PepsiCo and local beverage brands at the same time. On the other hand, Coca Cola company also has environmental concerns about its use of plastic packaging and water resources. It is also a kind of weakness that will influence its brand image, thus affecting its sales.

2.3. Opportunities

One of Coca Cola opportunities is its ability to develop new products based on changes in consumers taste [5]. Furthermore, moving up the technology ladder is also important and useful to Coca Cola, which can supply chain management, lifting efficiency. Moreover, Coca Cola can develop emerging

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markets, further expanding in developing countries and new markets such as India and more parts of Africa, unlock potential consumer demand. Last but not least, the company can focus on the strategy for sustainable development, the company can enhance its reputation and attract more environmentally consumers.

2.4. Threats

As a brand with long history, there will be more threats lie in the development of Coca Cola in the future. The first one is consumers are changing their preferences, so the sales situation of traditional carbonated beverage will be influenced in that case. The second one is the tax pressure from the government, the food regulations may impact the company's profitability. The third one is the differences in exchange rate between different countries, although international trade is an important chance to expand business and increase the revenue. The last threat is the increased competition about different types of beverage.

Coca-Cola has strengths in branding, market coverage and distribution, but it will face challenges related to health trends, environmental concerns and increasing competition. Moving forward, the company can maintain its competitive edge through product innovation, the strategy for sustainable development and expansion into new markets.

3. Internal Environment Analysis

The internal environment analysis is used to assess the various factors within an organization that impact its future operations and performance. Through this process, management can identify the company's strengths and weaknesses, thereby driving the achievement of strategic goals. So it is the important step in the strategic planning process. Based on the introduction, the author will use profitability, liquidity and different resources to analyze Coca Cola.

3.1. Profitability

Profitability refers to the ability of a company to obtain profits, also known as its ability to increase capital or capital appreciations. Base on the information above, the author will identify all the data one by one.

Table 1: Some Data about Coca Cola Company.

	Revenue growth rate	Gross profit Margin	Net profit margin	Return on assets
2021	17.1%	60.3%	23.09%	10.4%
2022	11.25%	59.3%	23.62%	10.4%
2023	6.39%	60.4%	22.45%	10.2%

*2024 financial report is not came out at this time, so the author use nearly there years to do the conclusion [2, 6, 7].

For the revenue growth rate shown in Table 1, it shows a decreasing trend year by year in 2021-2023, the reason about the high growth rate in 2021 is the global economic recovery after the COVID-19, consumers' demand increasing in that case. So the slowdown in 2022 and 2023 reflects the limited growth potential in mature markets and the changing consumer spending. Overall, the company continues to maintain stable growth these years, but Coca Cola need to do more innovation in the future to grow the revenue. For the gross profit margin, it remained stable over these three years. So it reflects the good performance of Coca Cola in controlling on cost of raw materials, production efficiency and product pricing power. Although the gross profit margin in 2022 has been decreased a little bit compare with the last year, the recovery to 60.4% in 2023 shows the company suited to these challenges, regaining profitability. Next is net profit margin, it also remained stable in this industry,

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its net profit margin peaked in 2022, that reflected Coca Cola's success in cost control and efficiency promotion that year. The decline in 2023 could be influenced by foreign exchange fluctuations and inflationary pressures. Even though, a margin always above 22% remains higher than the industry average, that shows Coca Cola's strong profitability. The last data is return on assets(ROA), basically ROA measures how efficiently a company generates net income from its total assets. The ROA of Coca Cola remained relatively stable during these three years, showing consistent efficiency in generating profits from assets.

3.2. Liquidity

The liquidity is always seen as the ability of a company or individual to have sufficient cash or assets that can be quickly liquidated to meet short-term debts and other financial obligations. The author will use liquidity to do Coca Cola's repayment analysis.

The current ratio measures a company's short-term assets relative to its short-term liabilities. Generally, the higher the current ratio, the stronger the company's short-term solvency. The quick ratio excludes inventory and only considers the most liquid assets to show a company's ability to meet short-term obligations. The cash ratio considers only cash and cash equivalents relative to short-term liabilities. Table 2 shows the data of Coca Cola's ratios over 2021-2023.

Table 2: Some Ratio of Coca Cola [6].

	2021	2022	2023
Current Ratio	1.3	1.2	1.2
Quick Ratio	0.95	0.85	0.85
Cash Ratio	0.5	0.4	0.4

For example, the current ratio is 1.3 meanings that for every $1 of short-term liabilities, the company had $1.3 of short-term assets to support it. For 2022, the current ratio slightly declined to 1.2, showing a decrease in the coverage of short-term liabilities by short-term assets, but it still remained above 1, indicating that Coca Cola had sufficient short-term assets to meet its short-term liabilities. For 2023, the current ratio remained stable short-term solvency as 2022. However, the slightly below-average industry level suggests potential pressure on short-term solvency, warranting ongoing monitoring. And at the end of 2023, Coca Cola's current liabilities increased by $3.85 billions to $23.57 billions compare with 2022, that suggested increased short-term debts or operational expenses.

For quick ratio, the quick ratio declined to 0.85 in 2022, reflecting a reduction in the coverage of short-term liabilities by highly liquid assets. It remained stable in 2023, showing no significant change in the level of highly liquid assets. A quick ratio below 1 suggests that the company relies on converting inventory into cash to meet liabilities. For cash ratio, the cash ratio was approximately 0.5 in 2021, meaning that for every $1 of short-term liabilities, there was $0.5 of cash available. And the cash ratio also declined to 0.4 in 2022, showing a decrease in cash holdings relative to short-term liabilities. Moreover, there was no significant change in cash levels of Coca Cola. The cash ratio is always below $1 during these years, that means that the company cannot rely solely on cash to meet short-term liabilities and must depend on other liquid assets or financing. So Coca Cola still need to focus on its management of high liquidity assets and cash flow.

3.3. Other Resources

The author will use tangible resources and intangible resources to do this analysis.

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For Coca Cola's tangible resources, except strong profitability, its revenue in 2023 which was estimated at approximately $43 billion, showing its strong earning capacity in global markets. Its financial strength is one of its most significant competitive advantages, as reflected in the following aspects. Coca Cola also has good cash flow management, its cash flow remained robust despite the challenges of the pandemic, showing strong resilience. Coca Cola has a good performance in customer management and efficiency in using financial resources [8]. Physical resources is also a kind of tangible resources. Coca Cola works with approximately 900+ bottling partners globally. This different "Bottling Partner System" enables localized production and distribution. It has advanced production equipment and automation technology which enhance production efficiency and reduce waste.

For Coca Cola's intangible resources, strong brand equity is important to that company. Coca-Cola's brand is valued at over $74 billions in 2023, making it one of the most valuable brands globally. Moreover, Coca Cola has its unique formula of coke, it is still a trade secret until nowadays. The last one is its relationships with consumers, Coca Cola has strong consumers network, it maintains strategic partnerships with major retailers and food service companies (e.g., McDonald's), ensuring stable sales channels.

Coca Cola's internal environment shows its robust operational capabilities, financial stability, and unmatched global reach. However, challenges like dependence on carbonated beverages need to be overcome in the future to ensure long-term competitiveness and growth. By leveraging its strengths and addressing internal challenges, Coca Cola is well-positioned to sustain its leadership in the beverage industry. Coca Cola's resources and capabilities are the foundation of its global leadership. By effectively integrating its resources and capabilities, Coca Cola has been able to maintain sustained growth and industry leadership in a highly competitive market.

4. Risk Assessment and Recommendation

Coca Cola is a global leader in the beverage industry, making it a highly influential and recognizable brand. Here's a general risk assessment and recommendations for potential investors who are interested in Coca Cola.

For Coca Cola, it has a high risk of market competition in non-alcohol beverage industry, their pressure become stronger and stronger now. And it will lead a loss of market share. Global economic fluctuations and inflation in emerging markets can impact Coca-Cola's revenue. It was noted that Coca-Cola encountered potential risks of supply chain disruptions and raw material shortages due to the global pandemic after the COVID-19 [9]. The changing of consumers' tastes is also important to Coca Cola's sales, consumers' demand for sugary and carbonated beverages will reduce in the future. Although Coca Cola did some innovation before, that will lead another problem: delays or failures in product innovation, acquisitions, or market expansion strategies could hinder growth. Moreover, A significant portion of Coca-Cola's revenue comes from international markets, which are more affected by currency fluctuations and geopolitical tensions. As mentioned above, it will probably face environmental and sustainability challenges, too.

Here is the recommendation to investors: Firstly, better to have a long-term investment horizon, Coca Cola is a solid choice for long-term investors seeking stability and dividend income. Secondly, investors can evaluate dividend stability, the company is a Dividend Aristocrat with a strong track record of consistent payouts. Investors seeking income should ensure the company maintains its financial health and free cash flow. Thirdly, learning about Coca Cola's expansion into emerging markets and whether its acquisitions (e.g., Costa Coffee) are yielding positive results is also a good way for investors' judgments. Last but not least, investors better to track Coca Cola's external pressures, stay informed about regulatory changes, environmental issues, and evolving consumer preferences that may impact the company's performance.

Coca Cola remains a good choice for conservative investors looking for stability and dividends [10]. However, the potential risks posed by market competition, health trends and environmental issues require close attention. Including Coca Cola in a diversified portfolio can effectively reduce risk while leveraging its global strengths.

5. Conclusion

Base on the analysis above, Coca Cola is a global leader in the non-alcoholic beverage industry, boasting strong branding, extensive market reach. Although challenges such as market saturation, health trends, and environmental concerns, the company maintains stable financial performance, with consistent revenue growth and robust profitability. However, external risks like competition, regulatory pressures, and shifting consumer preferences require strategic adaptability. For investors, Coca Cola offers stability and reliable dividends, making it a valuable addition to a diversified portfolio with moderate growth potential. Over the next 3-5 years, Coca Cola will continue to strengthen its global market position and grow through product diversification, digitalization, sustainability and market expansion. If Coca Cola can continue to lead in innovation and market adaptability, it will be able to maintain its position as the global beverage industry leader, while creating long-term value for shareholders. Furthermore, emerging markets (such as India, Southeast Asia, Africa, and Latin America) will be key growth drivers for Coca Cola in the future.

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