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# Financial Analysis of Coca-Cola Company

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***Abstract:*** ***In this financial analysis of the Coca-Cola's Company it will provide complete analysis of its financial performance, stability, and growth potential. Applying financial standards, including revenue, profitability, liquidity, and solvency ratios, these analysis highlights Coca-Cola has the strong market position in the beverage industry. In recent times, Coca-Cola has revealed the consistent revenue growth, operated by its diversified product portfolio and global presence. Profitability ratios such as return on assets (ROA) and return on equity (ROE) show the efficient management of resources. Moreover, liquidity and solvency analyses show that Coca-Cola maintains a strong balance sheet with healthy cash flow, prepare it to weather market fluctuations. The company's strategic investments in the digital transformation and sustainability later increase its long-term possibility. Although, challenges like fluctuating raw material costs and shifting consumer preferences need for ongoing attention. Generally, Coca-Cola remains financially strong company, with a solid position for continued success in the global market.***

***Keywords: Financial performance, Profitability Ratios, Liquidity Ratios, Financial Statements.***

## I. INTRODUCTION

The Coca-Cola Company, a world's leader in the beverage industry, has maintained a ruling presence in the market for over the years. It is famous for its iconic soft drink, Coca-Cola has different products including various non-alcoholic beverages such as juices, bottled water, teas, and energy drinks. Currently, Coca-Cola operates in more than 200 countries, making it one of the most recognized brands worldwide. Conducting a financial analysis of Coca-Cola provides valuable appreciation to the company's performance, financial health, and strategic positioning. This analysis involves assess key financial statements, including the income statement, balance sheet, and cash flow statement, to understand the company's profitability, liquidity, solvency, and growth potential. Key financial standard such as revenue growth, profitability ratios, return on equity (ROE), and debt levels are evaluated to measure the company's operational efficiency and overall market competitiveness. This financial analysis will not only look at Coca-Cola's recent financial performance but also offer comparisons with industry standard, assess risks and opportunities, and explore the company's ability to adapt to changes in the global market. By understanding these dynamics, stakeholders whether investors, analysts, or management can make informed decisions about the company's future expectations and strategies.

### *A. Coca-Cola Financial Performance*

1) *Revenue (Sales):* Revenue is the total amount of profits to Coca-Cola makes from selling drinks like sodas, juices and water bottles.
2) *Profit:* Later Coca-Cola pays for its costs like making drinks, advertising and delivering them the money remaining is the profit.
3) *Earnings Per Share (EPS):* This will tell you how much amount of profit the company makes for each share of its stock. If EPS is high, it generally means Coca-Cola is performing well financially.
4) *Cash flow:* This is the actual money of the company has coming in and going out. Positive cash flow means the company has sufficient money to pay its bills, invest in new projects, and benefits shareholders.
5) *Debt:* It help the Coca-Cola to grow its business by borrowing money. But it's important that investors believe the company is doing well and continue to do well.
6) *Stock Price:* If Coca-Cola's stock price is rising, it's usually a indication that investors believe the company is healthy.

### *B. Coca-Cola's Financial Statements*

1) *Income Statement*

This shows how much revenue Coca-Cola made and expenses spent over a certain period of time. Their goal is to control if the company is in profits. The company faces loss if expenses are higher.
Key items to focus: Revenue(sales), Cost of Goods sold (COGS), Operating Income, and Net Income.

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*2) Balance Sheet*

The balance sheet gives a print of Coca-Cola's financial position at a specific point of time. It lists the company's assets, liabilities, and share-holders equity. The ultimate aim is to see if Coca-Cola has more assets than liabilities, indicating financial health.
Key sections: Assets, Liabilities and Equity.

*C. Cash Flow Statement*

This shows how cash flows in and out of the company during a period. It's divided into three main sections.

*1)* Operating Activities: Cash from the main business performance (selling drinks, etc).
*2)* Investing Activities: Cash spent from buying or selling assets like property or resources.
*3)* Financing Activities: Cash from borrowing or repaying debt, or issuing stock.

*D. To assess liquidity in Coca-Cola's*

To assess liquidity in the Coca- Cola Company, we should first look at how easily the company can convert its assets into cash to meet their short-term obligations. This can be done by evaluating two main financial ratios.

*1)* Current Ratio: This ratio compares Coca-Cola's current assets and its current liabilities. The excessive ratio show that the company has more assets than liabilities, it means more likely to pay its short-term debts.
*2)* Quick Ratio: This ratio is similar to the current ratio but eliminate inventory from A current assets, focusing on the most liquid assets like cash and receivables. The above quick ratio show that Coca-Cola can meet its short-term obligations without having to sell inventory.

## II. LITERATURE REVIEW

Coca-Cola was established in year 1886 in Atlanta, by Mr John S Pemberton and now owns four of the largest 5 non-alcoholic brands worldwide. Coca-Cola Company is the world leading manufacturer, Marketer and distributor of non alcoholic beverage focus on syrups, used to produce more than 230 beverage brands. It is also the globally most inclusive brand and company.
It has already moved regionally out of Atlanta to other states of United States since the late 19$^{th}$ century and its certified contour bottle was first produced in the early 20$^{th}$ century to and roared into some European countries during the 1900s, its existence worldwide grew rapidly only after the World War II.
As a World's largest multi-national corporation, Coca-Cola also focuses with dedication on the building of sustainability in its manufacturing plants. This is initially done to reduce the carbon footprint and ensure a healthy environment. (The Coca-Cola Company 2011a)
"This Company is focused on initiatives that reduce our environmental footprint, support active, healthy living, create a safe, inclusive work environment for their associates, and enhance the economic development of the communities where they operate." (The Coca-Cola Company 2011a) In December 2010 it is equal to nearly 140 thousand associates worldwide. The world penetration is such that it has been calculated that over 1.7 billion servings per day are consumed from the Coca-Cola portfolio. This covers more than three thousand various products ranging from juices, water, coffer, and to soft drinks. (The Coca Cola Company, 2011b). Currently it employs 138600 (The Coca Cola Company, 2011c) The Coca-Cola Mission is simple but in the same time wide. It proceed towards three main ideological concerts, that of refreshing the world through higher penetration and increasing the variety through customized and localised marketing, to inspire "moments of optimism", and to create value for itself, for its shareholders and customers and to make a difference again to all three stakeholders and employees. (The Coca Cola Company, 2011a)

*A. Research Objectives*

*1)* To understand the financial performance of Coca-Cola Company.
*2)* To analyze the financial statements of Coca-Cola
*3)* To assess the liquidity in Coca-Cola.

## III. RESEARCH METHODOLOGY

*A. Secondary Data*

The data Collected for this research is the secondary data. Methodology used in this study is empirical method. The secondary source includes journals, reports, and other relevant websites. Gathered financial data from Coca-Cola's annual reports, balance sheets, income statements, and income statements, and cash flow statements of recent fiscal years. The research entitled ''financial Analysis of Coca-Cola Company''.

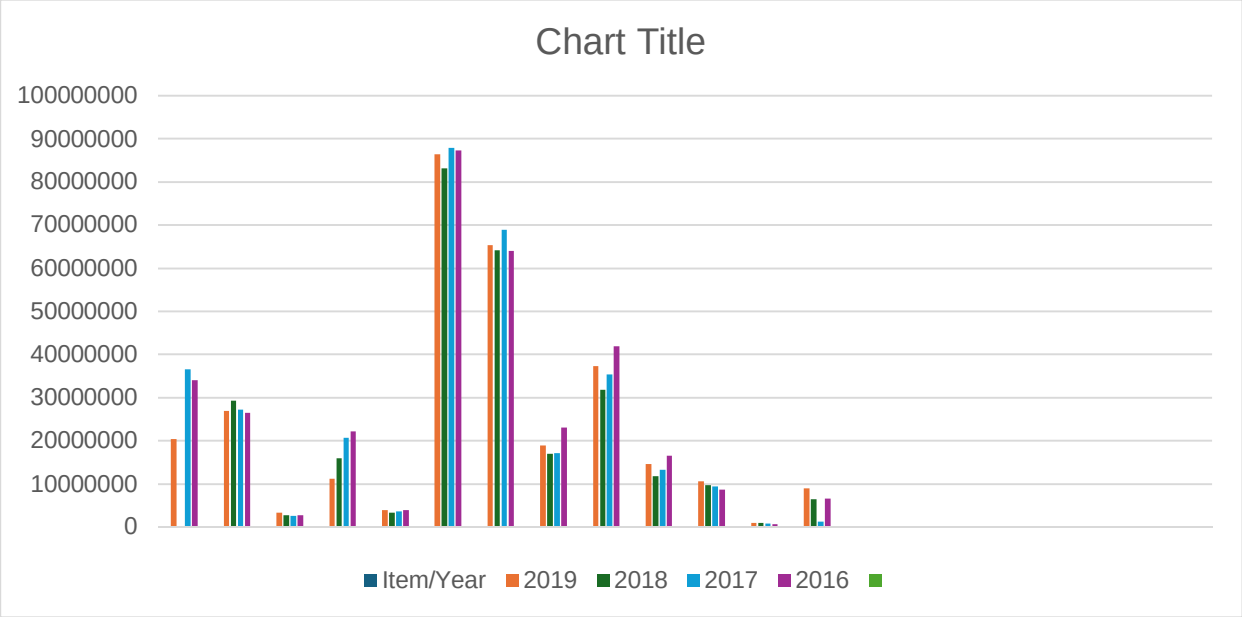
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## IV. DATA ANALYSIS AND INTERPRETATION:

This study is based on finance of the Coca-Cola Company. The financial data is collected from the Income Statements and Balance sheet for the years 2016,2017,2018 and 2019 in order to conduct a financial analysis using the liquidity, activity, debt and profitability ratios.

Financial Data Of Coca Cola Company

| Item/Year | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Current Assets | 20,411,000 | 30,63.4000 | 36,545,000 | 34,010,000 |
| Current Liabilities | 26,973,000 | 29,223,000 | 27,194,000 | 26,532,000 |
| Inventories | 3,379,000 | 2,766,000 | 2,655,000 | 2,675,000 |
| Cash | 11,175,000 | 15,964,000 | 20,675,000 | 22,201,000 |
| Receivables | 3,971,000 | 3,396,000 | 3,667,000 | 3,856,000 |
| Total Assets | 86,381,000 | 83,216,000 | 87,896,000 | 87,270,000 |
| Total Liabilities | 65,283,000 | 64,158,000 | 68,919,000 | 64,050,000 |
| Total Equity | 18,981,000 | 16,981,000 | 17,072,000 | 23,062,000 |
| Sales | 37,266,000 | 31,856,000 | 35,410,000 | 41,863,000 |
| Cost of Goods Sold | 14,619,000 | 11,770,000 | 13,256,000 | 16,465,000 |
| EBIT | 10,533,000 | 9,781,000 | 9,427,000 | 8,626,000 |
| Interest | 946,000 | 919,000 | 841,000 | 733,000 |
| Net Income | 8,920,000 | 6,434,000 | 1,248,000 | 6,527,000 |



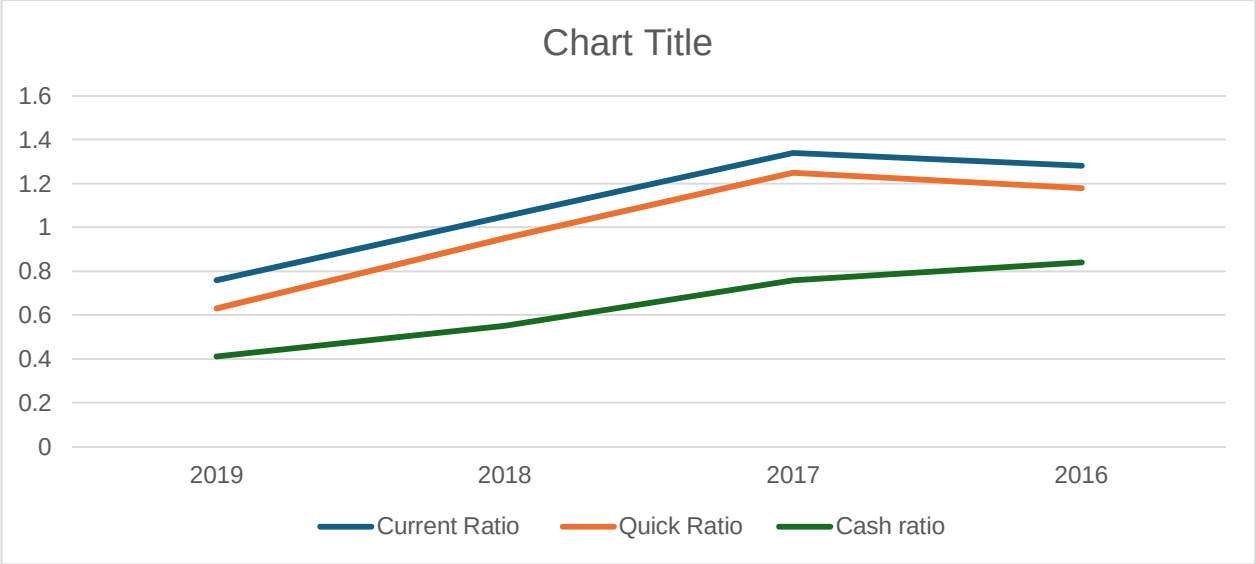

Interpretation: The chart displays financial data for four series, representing key financial metrices such as,

- Current Assets and liabilities: These show similar trends across all four series, indicating consistent management and working capital.
- Cash and Receivables: Cash levels are relatively less compared to other assets, while receivables maintain moderate proportions.
- Total Assets and Liabilities: Both metrics dominate the chart, showing the scale of financial operations, with liabilities slightly lower than assets, implying financial stability.
- Sales and Cost of Goods Sold: Sales figures significantly exceed COGS, suggesting profitability.
- Net Income and EBIT: Both remain consistent and low compared to sales, highlighting operational margins.
- Interest Expenses: Relatively small, indicating manageable debt

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Liquidity Ratio of Coca Cola Company

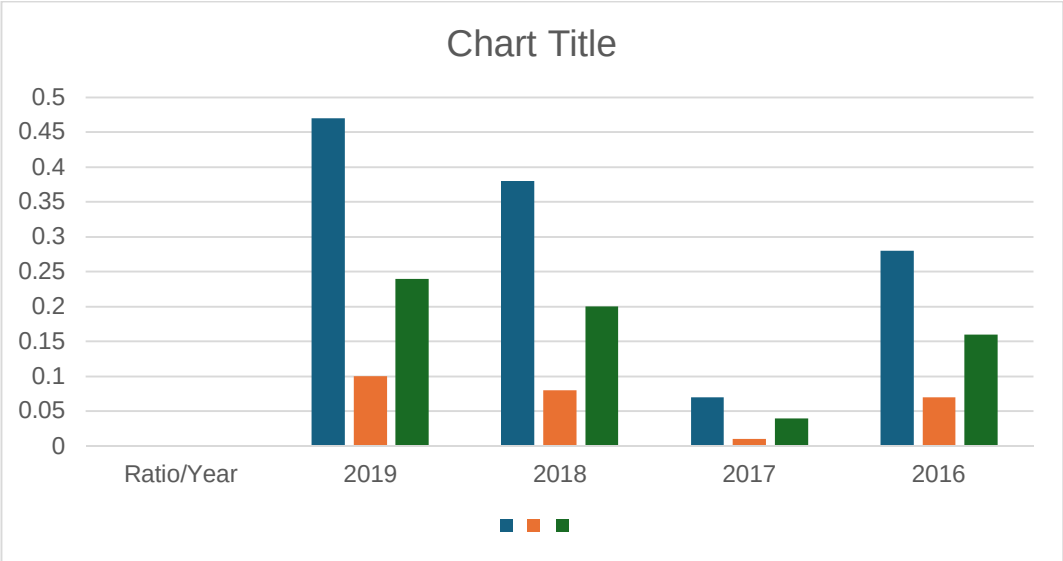
| Ratio/Year | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Current Ratio | 0.76 | 1.05 | 1.34 | 1.28 |
| Quick Ratio | 0.63 | 0.95 | 1.25 | 1.18 |
| Cash ratio | 0.41 | 0.55 | 0.76 | 0.84 |




Interpretation: Current ratio shows the business ability to cover the short term debt. As it shows in the graph,Coca Cola company recorded a current ratio of 1.28 in2016 and having a current ratio above 1 is good for the company which it means Coca Cola is able to cover the short term debt. In 2017 the current ratio increased to 1.34 which is good but kept on dropping for the following two years to 1.05 and 0.76 due to decrease in current assets. This clearly shows that the company is facing liquidity issue

Profitability ratios of Coca-Cola Company

| Ratio/Year | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Return on Equity | 47% | 38% | 7% | 28% |
| Return on assets | 10% | 8% | 1% | 7% |
| Profit Margin | 24% | 20% | 4% | 16% |



The above graph shows trends for three financial metrics: Return on Equity (ROE),Return on Assets (ROA), and profit Margin over the years 2016 to 2019. In 2016, ROE AND ROA were at their highest, while the profit margin was relatively stable but lower. A significant decline in ROE And ROA occurred in 2017, indicating reduced efficiency in utilizing equity and assets. Proft margin remained flat during this period, suggesting stable profitability despite declining retuns.

## V. FINDINGS AND SUGGESTIONS

### A. *Findings*

1) Profitability: Coca-Cola normally shows strong profitability. The company generates high revenue from its global sales, especially from its popular beverage products. Its profit margins favour to be healthy, which show that the company is efficient in managing costs.
2) Revenue Growth: Coca-Cola's revenue tends to grow frequently. This is due to its broad market reach, strong brand recognition, and the ability to introduce new products to provide for different consumer preferences. However, growth rates are different based on regional markets and the demand for sugary beverages.
3) Liquidity: Coca-Cola generally maintains good liquidity, meaning it has enough short-term assets to cover its short-term liabilities (debts). This is important for the company to pay its bills and operational expenses without facing financial pressure.
4) Cash Flow: Coca-Cola generally makes a healthy amount of cash flow from its operations, which allows it to reinvest in the business, pay dividends to shareholders, and reduce debt.
5) Return on Investment (ROI): Coca-Cola has a strong return on investment, which means that the money invested in the company generates good returns for shareholders. The company is good at creating value for investors.

### B. *Suggestions*

1) Diversify Products More: Despite Coca-Cola is strong in beverages, shifting focus toward healthier options like low-sugar drinks, bottled water, and energy drinks. Which could help to attract more health-conscious consumers and stay competitive.
2) Manage Debt Carefully: While Coca-Cola can handle its debt, it's still important to continue managing debt levels carefully, especially in uncertain useful times. Reducing debt or avoiding excessive borrowing could help reduce financial risks.
3) Focus on Emerging Markets: Coca-Cola can continue to focus on growth in developing markets where its presence might be underdeveloped. These regions can offer new growth opportunities due to a rising middle class and increasing demand for beverages.
4) Improve Cost Efficiency: Even with strong profitability, Coca-Cola can work on improving cost efficiency in manufacturing and distribution to protect its margins from any undeveloped increases in raw material or operational costs.
5) Sustainability and Corporate Responsibility: Coca-Cola should keep improving its sustainability efforts, such as reducing plastic waste and increasing the use of recyclable materials. As consumers become more environmentally conscious, this will improve its reputation and attract.

## VI. CONCLUSION

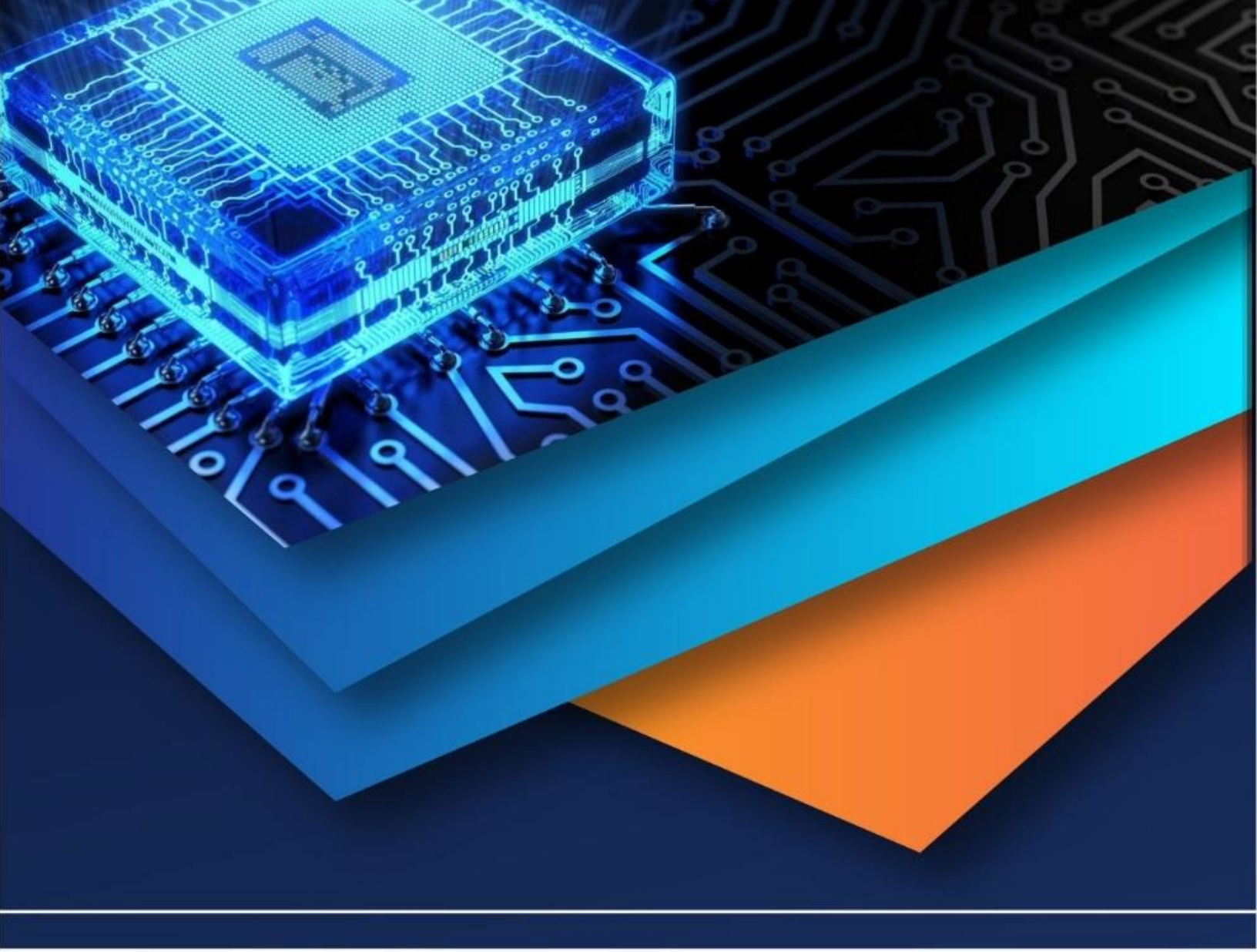
The brand of Coca-Cola company is considered one of the most popular trademarks in the world . This research shows the company's financial objectives and evaluate the organization financial performance. Investors usually look at the financial performance of a company before deciding to invest, although they also prefer to have in depth understanding of the company's profile; they look for issues that are over financial risks such as environmental impacts, labour conditions and unsafe work situations .Furthermore, well equipped capital management is very important for a business to increase the business profitability, as well as making sure the debt is paid while keeping the liquidity level stable. Looking at Coca Cola liquidity ratios it was observed that the company was facing liquidity issues for the past 3 years as the current ratio, quick ratio and cash ratio all kept on decreasing. Moreover, the activity ratios point it out that Coca Cola is experiencing a little decrease in the inventory turnover ratio but in general they are performing well. In addition, the company increased their utilization of assets to generate revenue from 2018 and 2019 when compared to previous years . Coca Cola's debt ratio is high but they are clearly working to reduced it as the debt ratio is continuously dropping for the last 3 years. They also struggled to pay interest from 2016 to 2018 but they started to improve it in 2019. The company's profitability increased over the last 3 years as the return on equity, return on assets and profit margin ratios all increased after the setback they experience in 2017 due to a drop in sales as the carbonated beverages were labeled unhealthy by the ministry of health in the USA.

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