



# Q3 2024 Quarterly Results

OCTOBER 24, 2024

# Forward-looking statements

Certain statements contained herein are “forward-looking statements” within the meaning of applicable securities laws and regulations. These forward-looking statements can generally be identified by the use of words such as “outlook,” “guidance,” “anticipate,” “enable,” “expect,” “believe,” “could,” “estimate,” “feel,” “forecast,” “intend,” “may,” “on track,” “plan,” “potential,” “project,” “should,” “target,” “will,” “would,” and similar words. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. These statements are based on the current expectations of our management, are not predictions of actual performance, and actual results may differ materially.

Forward-looking statements are subject to a number of risks and uncertainties and actual results may differ materially. These risks and uncertainties include, but are not limited to, the possibility that we are unable to successfully complete the transactions with GHOST Lifestyle LLC (“GHOST”) on the anticipated terms and timing or to successfully integrate GHOST into our business; disruption of our manufacturing and distribution operations or supply chain; our operating in intensely competitive categories; our ability to effectively respond to changing consumer preferences and shopping behavior; concerns about the safety, quality or health effects of our products; damage to our reputation or brand image; our ability to successfully manage our acquisitions and investments in new businesses or brands; our ability to realize benefits or successfully manage the potential negative consequences of our productivity initiatives; requirements for substantial investment and upgrading of our facilities and operations; increases in our cost of employee benefits; our dependence on key information systems, and our exposure to business disruptions due to our use of information technology; substantial disruption at our manufacturing and distribution facilities; infringement of intellectual property rights, and adverse events regarding licensed intellectual property; our ability to attract, retain, develop and motivate a highly skilled and diverse workforce, and our ability to effectively manage changes in our workforce; our ability to renew collective bargaining agreements on satisfactory terms, or union activity; reductions in our payment terms with our suppliers; the consummation of our share repurchase program or the effectiveness of such program to enhance long-term stockholder value; significant impairments of the value of our goodwill and other indefinite-lived intangible assets; our dependence on third-party bottling and distribution companies for a significant portion of our business; changes in the retail landscape or in sales to any key customer; our ability to maintain strategic relationships with brand owners and private label brands; management of our equity method investments by parties who may have different interests than we do; exposure to business disruptions or other negative impacts from the use of information technology by our third-party commercial partners and service providers; our reliance on the performance of a limited number of suppliers and manufacturers for our brewers, and a limited number of order fulfillment companies for our brewers, beverage concentrates and syrups; recession, financial and credit market disruptions and other political, social or economic conditions; impacts of U.S. and international laws and regulations; exposure to significant liabilities and damage to our reputation resulting from litigation or legal proceedings; increased concerns related to the use or disposal of plastics or other packaging materials; significant additional labeling or warning requirements or limitations on the marketing or sale of our products; our exposure to cybersecurity breaches and other business disruptions due to our use of information technology and third party service providers; our ability to comply with personal data protection and privacy laws; climate change or related legislation; water scarcity and quality; and fluctuations in our effective tax rate. These risks and uncertainties, as well as others, are more fully discussed in the Company’s filings with the SEC, including our Annual Report on Form 10-K filed with the SEC on February 22, 2024. While the lists of risk factors presented here and in our public filings are considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. Any forward-looking statement made herein speaks only as of the date of this document. We are under no obligation to, and expressly disclaim any obligation to, update, revise or withdraw any forward-looking statements, whether as a result of new information, subsequent events or otherwise, except as required by applicable laws or regulations.

## NON-GAAP FINANCIAL MEASURES

This presentation includes certain non-GAAP financial measures, including Adjusted operating income, Adjusted operating margin, Adjusted diluted EPS and financial metrics presented on a constant currency basis, which differ from results using U.S. Generally Accepted Accounting Principles (GAAP). These non-GAAP financial measures should be considered as supplements to the GAAP reported measures, should not be considered replacements for, or superior to, the GAAP measures and may not be comparable to similarly named measures used by other companies. Non-GAAP financial measures typically exclude certain charges, including one-time costs that are not expected to occur routinely in future periods. The Company uses non-GAAP financial measures internally to focus management on performance excluding these special charges to gauge our business operating performance. Management believes this information is helpful to investors because it increases transparency and assists investors in understanding the underlying performance of the Company and in the analysis of ongoing operating trends. Additionally, management believes that non-GAAP financial measures are frequently used by analysts and investors in their evaluation of companies, and its continued inclusion provides consistency in financial reporting and enables analysts and investors to perform meaningful comparisons of past, present and future operating results. The most directly comparable GAAP financial measures and reconciliations to non-GAAP financial measures are set forth in the Appendix to this presentation and included in the Company’s filings with the SEC which are available at [www.keurigdrpepper.com](http://www.keurigdrpepper.com).

For reconciliations of reported to adjusted basis and constant currency adjusted basis in the presentation, refer to pages A6-A13 of the earnings release.

# Agenda

1. Business Update

2. Results & Outlook

3. Q&A



# Conference call participants



**Tim Cofer**

Chief Executive Officer



**Sudhanshu Priyadarshi**

Chief Financial Officer & President,  
International



**Jane Gelfand**

VP, Investor Relations & Strategic Initiatives

# BUSINESS UPDATE

**Tim Cofer**  
Chief Executive Officer



# Announcing exciting acquisition of GHOST

Fast-growing, differentiated brand, anchored by a leading energy drink



## Founder-led

Visionary entrepreneurs to continue to lead GHOST



## Scaled

Approximately \$500M in annual sales<sup>1</sup>



## Fast-growing

Net sales more than quadrupled over past 3 years<sup>2</sup>



## Diverse portfolio

RTD energy, supplements, other LRBs



## Market share upside

~3% energy share<sup>3</sup>



## Unique positioning

Distinctive flavors & packaging, cross-occasion appeal, and strong consumer engagement

1. 2024E basis

2. 2021-2024E

3. Energy category share. L52W Circana MULO + C data as of 10/6/24

# GHOST substantially enhances KDP's presence in the energy category

## LONG-TERM TAILWINDS IN ENERGY

**\$23B**

Annual Retail Sales<sup>1</sup>

Large category

**11%**

Sales CAGR<sup>2</sup>

Healthy long-term trends

**Energy &  
Alertness**

Structural consumer need

**39%**

HH Penetration<sup>3</sup>

Significant room  
for future growth

## KDP ESTABLISHING A PLATFORM OF BRANDS

**C4**  
ENERGY

**Bloom**

**GHOST**



**Complementary brands** to target distinct consumer occasions, while driving scale benefits across the portfolio

1. L52W Circana MULO+C data, as of 10/6/24  
2. Circana MULO+C 4 yr CAGR through 10/6/24  
3. L52W Circana data, as of 10/6/24

# Transaction exemplifies KDP's disciplined capital allocation approach

## ATTRACTIVE DEAL CHARACTERISTICS



### Majority control

60% initial stake; purchase of remaining stake in H1'28



### Founder alignment

Leadership continuity; win-win structure for KDP & GHOST



### DSD flywheel

Larger drop sizes; increased C-store scale



### Attractive valuation

~3x EV/Sales<sup>1</sup>



### Financially accretive

Neutral to modest EPS benefit<sup>1</sup> in 2025



### Balance sheet resilience

<3.5x net leverage<sup>2</sup>



# Q3 2024 highlights

- **Constant FX net sales growth of 3.1%**  
year-over-year, with step up expected in Q4
- **Acceleration in volume/mix**, led by  
strengthening U.S. Refreshment Beverages trends
- **Net price realization expected to improve**,  
as transient factors fade and new actions take effect
- **Solid adjusted EPS growth of 6%**, in-line with plan
- **Reaffirmed full year outlook:**
  - Mid-single-digit net sales growth
  - High-single-digit adjusted EPS growth





# Continued progress against our strategic agenda

Champion Consumer-Obsessed Brand Building

Shape our Now and Next Beverage Portfolio

Amplify our Route to Market Advantage

Generate Fuel for Growth

Dynamically Allocate Capital



# Continued progress against our strategic agenda

<b>Champion Consumer-Obsessed Brand Building</b>	<ul style="list-style-type: none"><li>• <b>Broad-based Q3 share gains, across geographies and verticals</b></li><li>• <b>Innovation traction</b><ul style="list-style-type: none"><li>– LRBs: Dr Pepper Creamy Coconut, Canada Dry Fruit Splash, Mott's</li><li>– Coffee: K-Brew + Chill, The Original Donut Shop Refreshers</li></ul></li></ul>
<b>Shape our Now and Next Beverage Portfolio</b>	<ul style="list-style-type: none"><li>• <b>Strong Q3 performance from new partnerships</b><ul style="list-style-type: none"><li>– Retail sales growth: C4 +12%, Electrolit +17%, La Colombe +29%</li></ul></li></ul>
<b>Amplify our Route to Market Advantage</b>	<ul style="list-style-type: none"><li>• <b>Extending US DSD footprint</b><ul style="list-style-type: none"><li>– Successful Arizona integration and incremental Tennessee expansion</li></ul></li><li>• <b>Investing in Mexico DSD</b><ul style="list-style-type: none"><li>– Expanding system coverage, selling routes and cooler penetration</li></ul></li></ul>
<b>Generate Fuel for Growth</b>	<ul style="list-style-type: none"><li>• <b>Enhancing enterprise-wide productivity capture and cost discipline</b><ul style="list-style-type: none"><li>– 1.1 pts of operating margin expansion in Q3</li><li>– Strong productivity and SG&amp;A overhead leverage in Q3</li></ul></li><li>• <b>On track to exceed initial 2024 savings targets</b></li></ul>
<b>Dynamically Allocate Capital</b>	<ul style="list-style-type: none"><li>• <b>YTD capital deployment opportunistic and balanced across priorities</b><ul style="list-style-type: none"><li>– Q1 - \$1.1B share buyback</li><li>– Q3 - 7% annual dividend increase</li><li>– Late 2024/early 2025 (anticipated) - planned majority acquisition of GHOST</li></ul></li></ul>



THE  
*Holidays*  
ARE  
**BETTER  
WITH**



# U.S. Refreshment Beverages

## SEGMENT HIGHLIGHTS



**Accelerating net sales growth,**  
driven by strengthening volume/mix



**Resilient CSD trends,**  
led by Dr Pepper and Canada Dry



**Growing Electrolit contribution,**  
with distribution & display ramping



**Supporting affordability in Stills;**  
re-energizing Mott's brand

# U.S. Coffee

## SEGMENT HIGHLIGHTS



**Continued progress despite soft Q3**, positioning KDP for success when category recovers



**Double-digit brewer unit growth**, reflecting stabilizing coffeemaker category trends and ongoing share gains



**Healthy pod market share**, driven by three-pronged strategy emphasizing affordability, premium, and cold coffee opportunity



**Single serve price increase** effective early 2025, addressing significant green coffee inflation



# International

## SEGMENT HIGHLIGHTS



**Strong net sales growth,**  
with balanced contribution from  
volume/mix and price realization



**Healthy Latin America LRB trends,**  
with broad-based share gains



**Canada LRB growth,**  
led by Canada Dry, Dr Pepper  
and low/no-alcohol portfolio



**Continued Coffee share gains**  
across pods and brewers

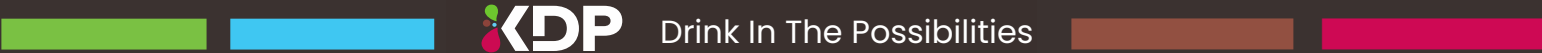


# Closing the year strong and advancing strategy

STRATEGY



LONG-TERM ALGORITHM



# RESULTS & OUTLOOK

**Sudhanshu Priyadarshi**

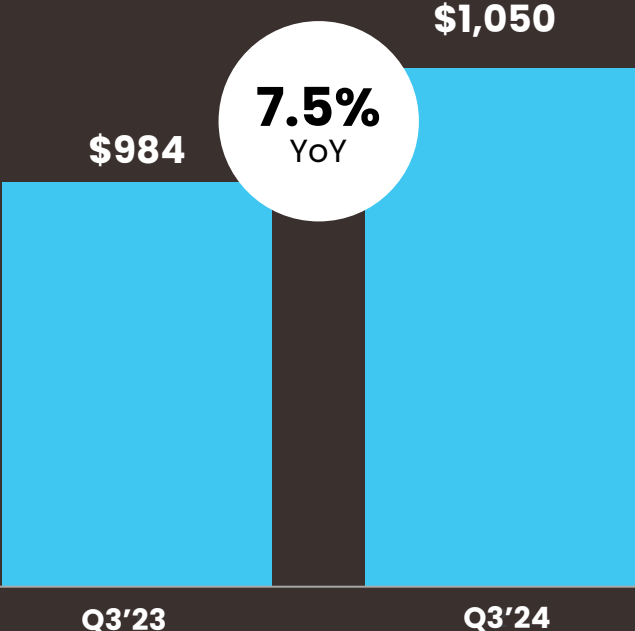
Chief Financial Officer & President, International

# Q3 2024 consolidated results

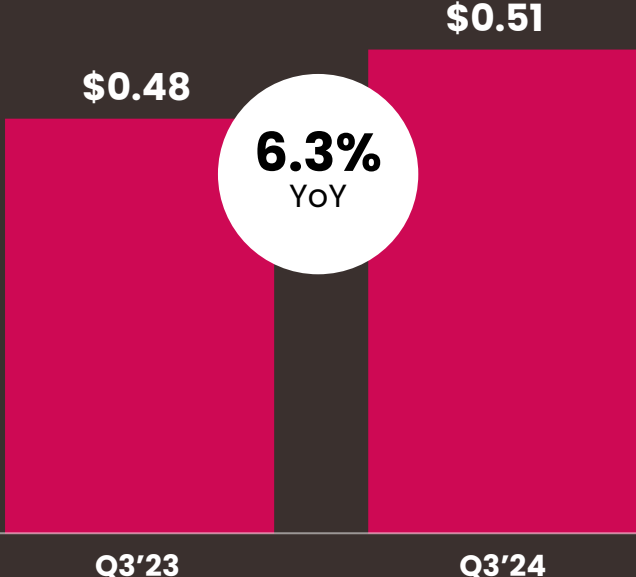
NET SALES (\$ BILLIONS)



ADJ. OPERATING INCOME (\$ MILLIONS)



ADJUSTED EPS (\$ PER SHARE)



Financial metrics presented on an adjusted basis, with growth rates in constant currency. Including the impact of currency, net sales grew 2.3%, adjusted operating income grew 6.7%, and adjusted EPS grew 6.3%.

# U.S. Refreshment Beverages

	Q3 2024	Change
Net Sales	<b>\$2.4B</b>	<b>5.3%</b>
Adjusted Operating Income	<b>\$742M</b>	<b>6.8%</b>
Adjusted Operating Margin	<b>31.0%</b>	<b>0.4pts</b>

- Net sales increased 5.3%, with 4.0% volume/mix growth and higher net price realization of 1.3%
- Volume/mix performance reflected a building contribution from Electrolit and strengthening base business trends
- Operating income growth driven by net sales momentum, productivity savings, and a C4 earned performance incentive, partially offset by inflationary pressures



# U.S. Coffee

	Q3 2024	Change
Net Sales	<b>\$1.0B</b>	<b>(3.6%)</b>
Adjusted Operating Income	<b>\$309M</b>	<b>(7.2%)</b>
Adjusted Operating Margin	<b>31.7%</b>	<b>(1.2pts)</b>

- Net sales declined (3.6%), with volume/mix growth of 2.7%, offset by unfavorable net price realization of (6.3%)
- Market share momentum drove flattish pod volumes and double-digit brewer shipment growth
- Operating income decline due to temporary price pressure more than offsetting strong productivity savings





# International

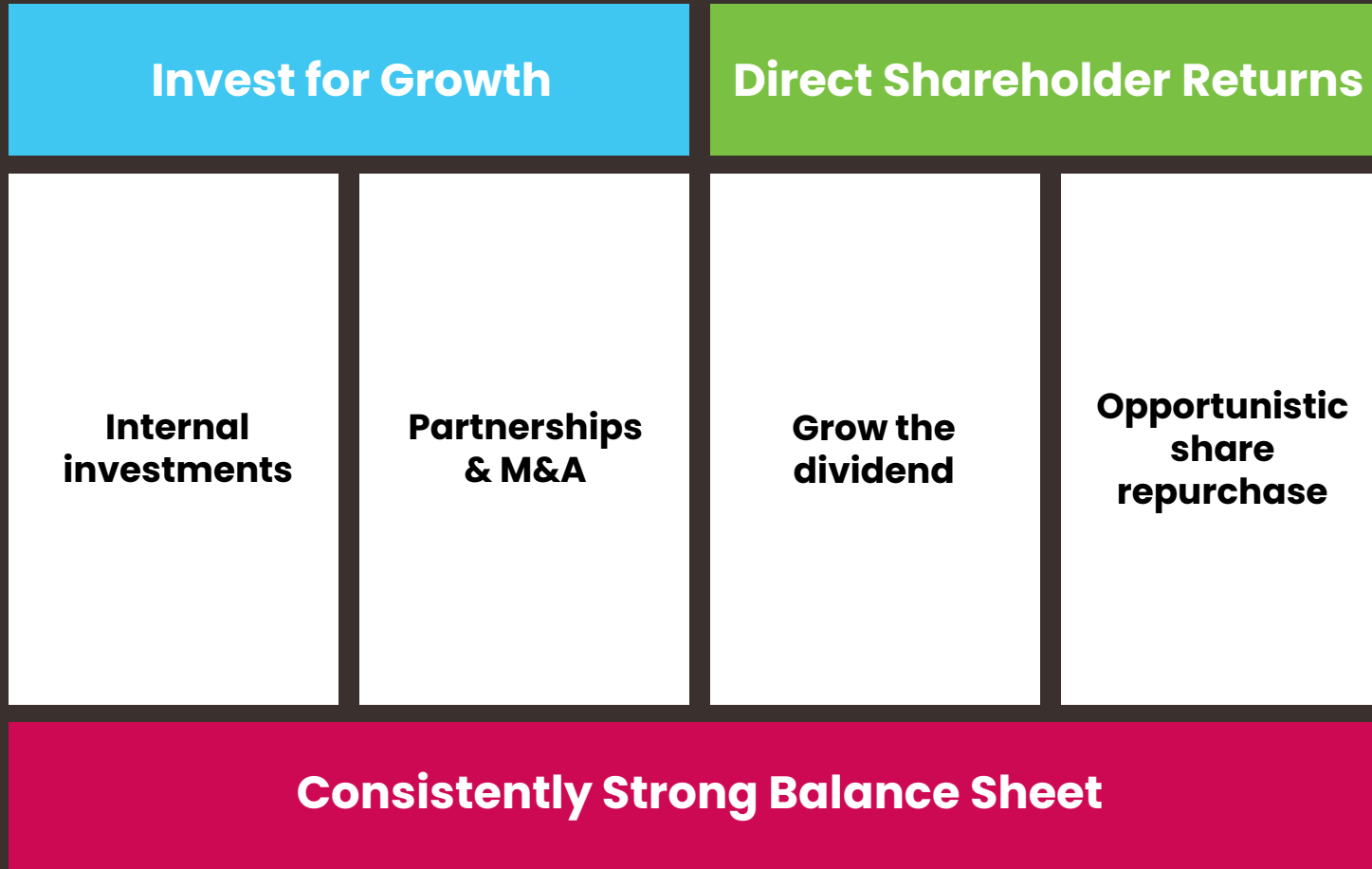
	Q3 2024	Change
Net Sales	<b>\$525M</b>	<b>6.5%</b>
Adjusted Operating Income	<b>\$161M</b>	<b>16.6%</b>
Adjusted Operating Margin	<b>30.7%</b>	<b>2.6pts</b>

- Net sales increased 6.5%, with higher net price realization of 3.4% and volume/mix growth of 3.1%
- Market share momentum across geographies and categories
- Operating income growth and margin expansion driven by net pricing and productivity savings, offset by inflationary pressures and marketing reinvestment





# Dynamically allocating capital to support KDP priorities



## Capital Allocation Highlights

Strengthening FCF generation supporting multiple priorities:

- Planned **\$990M investment** for majority stake in **GHOST**
- **+7% dividend raise**, marking fourth consecutive increase
- Commitment to **long-term leverage target of 2.0x – 2.5x**

# Reiterating 2024 outlook

Net sales growth




**Mid-single-digit**

Adjusted EPS growth



**High-single-digit**

Other Items

 <p><b>\$615-\$625M</b> Interest Expense</p>	<p><b>22-23%</b> Tax Rate</p>	<p><b>~1.37B</b> Share Count</p>	<p><b>Increase year-over-year</b> Free Cash Flow</p>
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Drink in the  
possibilities





# QUESTIONS & ANSWERS

# KDP

**APPENDIX**

# Reconciliation of certain Non-GAAP information

	Gross profit	Gross margin	Income from operations	Operating margin
<b>For the Third Quarter of 2024</b>				
Reported	\$ 2,140	55.0 %	\$ 902	23.2 %
Items Affecting Comparability:				
Mark to market	2		34	
Amortization of intangibles	—		33	
Stock compensation	—		4	
Restructuring - 2023 CEO Succession and Associated Realignment	—		3	
Productivity	19		30	
Non-routine legal matters	—		3	
Inventory step-up	4		4	
Transaction costs	—		13	
Restructuring - 2024 Network Optimization	13		24	
Adjusted	<u>\$ 2,178</u>	<u>56.0 %</u>	<u>\$ 1,050</u>	<u>27.0 %</u>
Impact of foreign currency		— %		— %
Constant currency adjusted		<u>56.0 %</u>		<u>27.0 %</u>
<b>For the Third Quarter of 2023</b>				
Reported	\$ 2,111	55.5 %	\$ 896	23.5 %
Items Affecting Comparability:				
Mark to market	(13)		(34)	
Amortization of intangibles	—		34	
Stock compensation	—		4	
Restructuring - 2023 CEO Succession and Associated Realignment	—		27	
Productivity	25		52	
Impairment of intangible assets	—		2	
Non-routine legal matters	—		2	
Transaction costs	—		1	
Adjusted	<u>\$ 2,123</u>	<u>55.8 %</u>	<u>\$ 984</u>	<u>25.9 %</u>



	Interest expense, net	Income before provision for income taxes	Provision for income taxes	Effective tax rate	Net income	Diluted earnings per share
<b>For the Third Quarter of 2024</b>						
Reported	\$ 106	\$ 802	\$ 186	23.2 %	\$ 616	\$ 0.45
Items Affecting Comparability:						
Mark to market	54	(21)	(7)		(14)	(0.01)
Amortization of intangibles	—	33	8		25	0.02
Amortization of fair value debt adjustment	(4)	4	1		3	—
Stock compensation	—	4	—		4	—
Restructuring - 2023 CEO Succession and Associated Realignment	—	3	1		2	—
Productivity	—	30	7		23	0.02
Non-routine legal matters	—	3	—		3	—
Inventory step-up	—	4	1		3	—
Transaction costs	—	13	2		11	0.01
Restructuring - 2024 Network Optimization	—	24	6		18	0.01
Adjusted	\$ 156	\$ 899	\$ 205	22.8 %	\$ 694	\$ 0.51
Impact of foreign currency				0.1 %		
Constant currency adjusted				22.9 %		
<b>For the Third Quarter of 2023</b>						
Reported	\$ 237	\$ 664	\$ 146	22.0 %	\$ 518	\$ 0.37
Items Affecting Comparability:						
Mark to market	(114)	82	20		62	0.04
Amortization of intangibles	—	34	9		25	0.02
Amortization of fair value of debt adjustment	(5)	5	1		4	—
Stock compensation	—	4	3		1	—
Restructuring - 2023 CEO Succession and Associated Realignment	—	27	6		21	0.01
Productivity	—	52	12		40	0.03
Impairment of intangible assets	—	2	—		2	—
Non-routine legal matters	—	2	—		2	—
Transaction costs	—	1	—		1	—
Change in deferred tax liabilities related to goodwill and other intangible assets	—	—	3		(3)	—
Adjusted	\$ 118	\$ 873	\$ 200	22.9 %	\$ 673	\$ 0.48
Change - adjusted	32.2 %				3.1 %	6.3 %
Impact of foreign currency	— %				0.8 %	— %
Change - constant currency adjusted	32.2 %				3.9 %	6.3 %

	U.S. Refreshment Beverages	U.S. Coffee	International	Unallocated corporate costs	Total
<b>For the Third Quarter of 2024</b>					
Reported - Income from Operations	\$ 722	\$ 254	\$ 157	\$ (231)	\$ 902
Items Affecting Comparability:					
Mark to market	—	—	—	34	34
Amortization of intangibles	5	24	4	—	33
Stock compensation	—	—	—	4	4
Restructuring - 2023 CEO Succession and Associated Realignment	—	—	—	3	3
Productivity	—	19	—	11	30
Non-routine legal matters	—	—	—	3	3
Inventory step-up	4	—	—	—	4
Transaction costs	—	—	—	13	13
Restructuring - 2024 Network Optimization	11	12	—	1	24
Adjusted - Income from Operations	<u>\$ 742</u>	<u>\$ 309</u>	<u>\$ 161</u>	<u>\$ (162)</u>	<u>\$ 1,050</u>
Change - adjusted	6.8 %	(7.2)%	11.0 %	(14.3)%	6.7 %
Impact of foreign currency	— %	— %	5.6 %	— %	0.8 %
Change - constant currency adjusted	<u>6.8 %</u>	<u>(7.2)%</u>	<u>16.6 %</u>	<u>(14.3)%</u>	<u>7.5 %</u>
<b>For the Third Quarter of 2023</b>					
Reported - Income from Operations	\$ 676	\$ 293	\$ 139	\$ (212)	\$ 896
Items Affecting Comparability:					
Mark to market	—	—	—	(34)	(34)
Amortization of intangibles	4	24	6	—	34
Stock compensation	—	—	—	4	4
Restructuring - 2023 CEO Succession and Associated Realignment	—	—	—	27	27
Productivity	13	16	—	23	52
Impairment of intangible assets	2	—	—	—	2
Non-routine legal matters	—	—	—	2	2
Transaction costs	—	—	—	1	1
Adjusted - Income from Operations	<u>\$ 695</u>	<u>\$ 333</u>	<u>\$ 145</u>	<u>\$ (189)</u>	<u>\$ 984</u>

	Reported	Impact of Foreign Currency	Constant Currency
<b>For the third quarter of 2024</b>			
<b>Change in net sales</b>			
U.S. Refreshment Beverages	5.3 %	— %	5.3 %
U.S. Coffee	(3.6)	—	(3.6)
International	0.4	6.1	6.5
<b>Total change in net sales</b>	<b>2.3</b>	<b>0.8</b>	<b>3.1</b>

	Reported	Items Affecting Comparability	Adjusted	Impact of Foreign Currency	Constant Currency Adjusted
<b>For the third quarter of 2024</b>					
<b>Operating margin</b>					
U.S. Refreshment Beverages	30.2 %	0.8 %	31.0 %	— %	31.0 %
U.S. Coffee	26.0	5.7	31.7	—	31.7
International	29.9	0.8	30.7	(0.4)	30.3
<b>Total operating margin</b>	<b>23.2</b>	<b>3.8</b>	<b>27.0</b>	<b>—</b>	<b>27.0</b>

	Reported	Items Affecting Comparability	Adjusted
<b>For the third quarter of 2023</b>			
<b>Operating margin</b>			
U.S. Refreshment Beverages	29.8 %	0.8 %	30.6 %
U.S. Coffee	29.0	3.9	32.9
International	26.6	1.1	27.7
<b>Total operating margin</b>	<b>23.5</b>	<b>2.4</b>	<b>25.9</b>