

Initiating Coverage:

Keurig Dr Pepper Inc. (\$KDP)

Bottling Energy, Brewing Opportunity

Key Take-away: KDP is riding high-growth categories like energy and fitness beverages and showing initial stabilization trends in its coffee business. Its distribution network, brand strength, and size have enabled it to coast on cost pressures and capture expansion, supporting our \$38.00 price target and overweight rating.

KDP Expands Energy Portfolio: KDP acquired 60% of GHOST in Dec 2024 for \$999M and began full distribution in the US in March 2025, with the remaining 40% was to be purchased in 2028. The acquisition is in line with KDP's strategy of supplementing strategic investments with its distribution scale to grow as well as gain access to a younger lifestyle-driven consumer base. It also monitors the continued expansion of what they've accomplished with Nutrabolt (C4), highlighting a trend toward the high-growth fitness-oriented energy drink category that continues to outpace overall beverage growth.

Coffee Finds Its Footing: U.S. Coffee has been one of KDP's lower-performing units over the last few quarters but stabilization is beginning to emerge. Revenue fell 3.7% year over year during Q1 2025, driven mainly by weaker brewer shipments and a 12% decrease in appliance sales. Brewer demand has collapsed, yet consumable K-Cup pod margins and sales have held up relatively well. This hints at some resilience in the core coffee business amid continued pressure.

Valuation: We initiate coverage with a \$38.00 PT.



Consortium Research Group
Consumer
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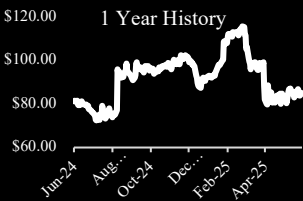
Stock Rating: Overweight

Price Target: \$38.00

Price: \$33.24

Potential Upside/Downside: 14.29%

Ticker: SKDP



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Company Overview

Company Description: Keurig Dr Pepper is one of North America's largest beverage companies with well-respected brands like Dr Pepper, Canada Dry, and Snapple, and running Keurig single-serve coffee in millions of American homes.

A Diversified Portfolio: KDP's stability comes from the tremendous diversity of its product portfolio. KDP is present in almost every major beverage category, from sodas to energy drinks to single-serve coffee. The company also owns stakes in a range of fast-growing brands like GHOST and Nutrabolt, which gives it weight in a new and faster-growing part of the beverage space.

National Reach and Scale: In addition to its iconic brands, KDP uses its national distribution reach to drive sales of numerous partner products. Its scale allows newer, smaller brands like GHOST and C4 to be on the shelves throughout the nation without establishing the infrastructure themselves. This not only places KDP with a more significant presence with retailers but makes it an ideal platform to help upstart brands scale.

Industry Overview

Growing Energy/Fitness Drink Demand: Rising interest continues among the newer generations for energy and fitness-focused drinks. Brands like CELSIUS, Alani, and GHOST have rapidly captured market share by positioning themselves as upgraded, performance-based options to conventional sodas. This trend has favored the brands that can capitalize quickly through M&A or distribution partnerships to access exposure to these high-growth segments without having to develop the brands themselves from ground up.

Post-Covid Normalization For Coffee: The home coffee industry had unprecedented growth during the COVID pandemic as customers transitioned out of cafes to home brewers purchases. This created surge demand worth millions of new customers. The market has since, however, begun to normalize with brewer and appliance sales tapering off while K-Cup pod sales have plateaued relatively. Future growth for companies like KDP will come from maintaining their strongly developed brands and leveraging their larger market share to cushion short-term volatility.

Inflation and Rising Cost Pressures: Rising input costs have been a persistent issue for beverage manufacturers over the past two years, with aluminum cans, PET bottles, coffee beans, and transportation all rising in price. Most companies have employed price increases widely to protect profitability and defend margins, but inflation fatigue is beginning to emerge as consumers become less willing to accept additional price rises. While smaller players with less brand identification or scale tend to find it difficult to pass along costs without sacrificing volume, bigger ones such as KDP are in a better situation with greater brand recognition and distribution to hold price competitive while keeping consistent volume.

Peer Comparisons

Comparable Companies					
\$mm					
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
The Coca-Cola Company (NYSE:KO)	\$300,309	\$338,045	28.0x	\$46,890	\$15,388
Monster Beverage Corporation (NasdaqGS:MTB)	\$57,705	\$56,063	38.9x	\$7,448	\$2,172
Molson Coors Beverage Company (NYSE:TAI)	\$10,081	\$16,630	10.0x	\$11,335	\$2,403
PepsiCo, Inc. (NasdaqGS:PEP)	\$186,577	\$226,653	20.0x	\$91,523	\$17,303
Keurig Dr Pepper Inc.	\$45,703	\$63,732	30.6x	\$15,518	\$4,158

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
The Coca-Cola Company (NYSE:KO)	22.0x	61.1%	32.8%	30.5%	1.8%
Monster Beverage Corporation (NasdaqGS:MTB)	25.8x	54.6%	29.2%	28.0%	1.5%
Molson Coors Beverage Company (NYSE:TAI)	6.9x	39.0%	21.2%	15.2%	(5.2%)
PepsiCo, Inc. (NasdaqGS:PEP)	13.1x	55.1%	18.9%	15.6%	(0.4%)
Keurig Dr Pepper Inc.	15.3x	55.3%	26.8%	22.1%	4.0%

High	25.81x	61.1%	32.8%	30.5%	4.0%
75th Percentile	21.97x	55.3%	29.2%	28.0%	1.8%
Average	16.62x	53.0%	25.8%	22.3%	0.3%
Median	15.33x	55.1%	26.8%	22.1%	1.5%
25th Percentile	13.10x	54.6%	21.2%	15.6%	-0.4%
Low	6.92x	39.0%	18.9%	15.2%	-5.2%

Keurig Dr Pepper Inc. Valuation		
Implied Enterprise Value (25th Percentile)	\$	54,466
Implied Enterprise Value (Median)	\$	63,732
Implied Enterprise Value (75th Percentile)	\$	91,343
Implied Share Price (25th Percentile)	\$	26.82
Implied Share Price (Median)	\$	33.64
Implied Share Price (75th Percentile)	\$	53.97

Source: CapIQ

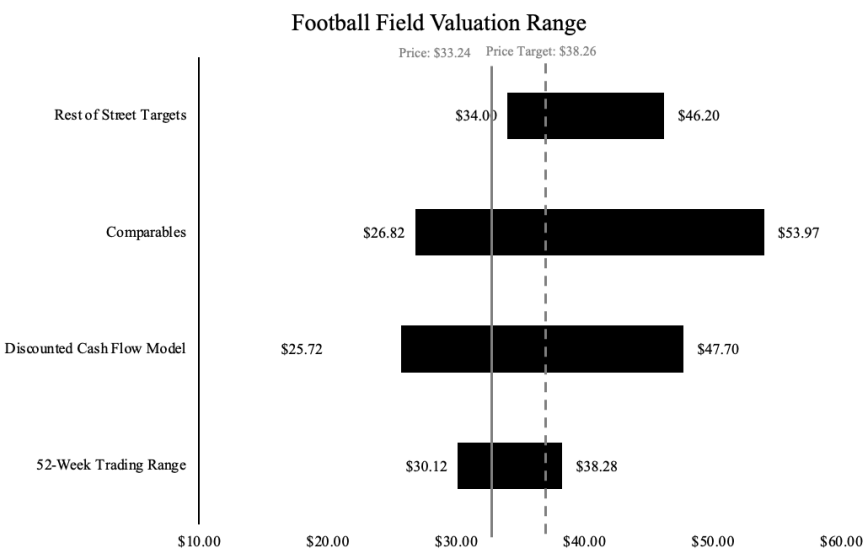
Investment Theses

Expansion into High-Growth Energy & Fitness Beverages: KDP's investment in GHOST and C4 collaboration positioned the company to receive exposure and benefit from the potential upside in one of the fastest-growing, hottest beverage categories. Energy and fitness drinks have grown significantly in recent years as a result of strong consumer demand for performance and wellness. With its national distribution footprint, KDP can scale such brands quickly, secure more favorable shelf space, and expand into new flavors and form-types.

Margin Resilience Through Scale: The scale, portfolio, and route-to-market leadership of KDP position it to manage commodity and packaging cost fluctuations effectively. The firm has shown it can price selectively without losing significant volume, particularly in its largest category, U.S. Refreshment Beverages. This pricing flexibility, combined with its ability to spread fixed costs over a large portfolio, supports margin resilience even in inflationary periods. When cost pressures ease, KDP's operating leverage could further enhance profitability, providing a strong foundation for reinvestment in high-growth categories and shareholder returns.

Price Target & Valuation

Our analysis gives (\$KDP) a price target of \$38.00 and an overweight rating.



Potential Downsides to Our Rating

Slower Coffee Recovery: If demand for brewers lags and K-Cup volumes fail to stabilize, U.S. Coffee will continue to be a significant drag on KDP's performance. Further volume decline would offset growth elsewhere, leading to lower operating leverage and margin pressures. This scenario would bring earnings down and limit KDP's ability to fund growth opportunities.

Energy Drink Slowdown: GHOST, C4, and other fitness drinks are a key component of our current growth projection for KDP. Sales will suffer if customers' preferences shift against energy products or competitive pressures from comparable players like Celsius and Monster increase. Underperformance in this segment would limit the company's exposure to the higher-growth, higher-margin offerings and reduce overall revenue momentum.

Persistent Cost Pressures: If freight charges and coffee beans, PET, and aluminum continue to be expensive for a few quarters, price action would not be sufficient to rescue margins entirely. Sustained inflation would also increase consumer price sensitivity, with volume decline in the largest segment of KDP, U.S. Refreshment Beverages, limiting the flexibility of the company to spend money on marketing and innovation.

Our Price Target: \$38.00

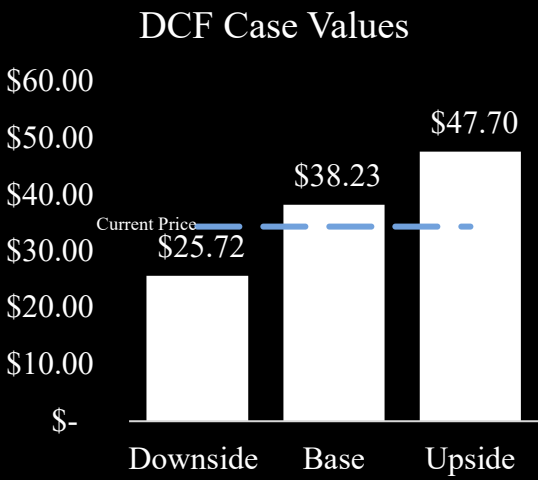
Our price target is based on steady growth led by gains in U.S. Refreshment Beverages and a gradual stabilization of U.S. Coffee. We expect energy and functional beverages, especially GHOST and C4, to remain a meaningful driver of growth through KDP's distribution network.

Our Upside Case: \$48.00

Our upside case assumes stronger growth in energy beverages with faster scaling of fitness-oriented products such as GHOST & C4. It also assumes U.S. Coffee recovers faster, aided by increased brewer demand and pod volumes. Commodity costs also trend lower, giving room for margin expansion and stronger EPS growth.

Our Downside Case: \$26.00

Our downside case assumes declining performance for the U.S. Coffee segment, with brewer sales and pod volumes both falling. Energy drink growth weakens as competition intensifies, and input costs for aluminum, PET, and coffee remain high.



Projections

Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	15,351	16,012	16,722	17,442	18,169	5.8%
EBITDA	4,837	3,856	4,682	4,884	5,087	1.7%
EBIT	3,396	3,204	3,679	3,881	4,088	6.4%
NOPAT	2,028	2,376	2,590	2,645	2,923	13.0%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	31.5%	24.1%	28.0%	28.0%	28.0%	27.9%
EBIT Margin	22.1%	20.0%	22.0%	22.3%	22.5%	21.8%
Revenue Growth	3.6%	4.3%	4.4%	4.3%	4.2%	4.2%
EBIT Growth	5.4%	-5.7%	14.8%	5.5%	5.3%	5.1%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	10.8x	25.3x	16.6x	15.7x	14.8x	16.6x
EV/Sales	4.2x	4.0x	3.9x	3.7x	3.6x	3.9x
EV/EBITDA	13.4x	16.8x	13.8x	13.3x	12.7x	14.0x
FCF Yield	9.3%	4.0%	6.0%	6.4%	6.7%	7.1%

About \$KDP

Keurig Dr Pepper Inc. (\$KDP), formed in 2018 through the merger of Keurig Green Mountain and Dr Pepper Snapple Group, operates as a leading beverage company in North America. The company markets a broad range of hot and cold drinks, including iconic brands like Dr Pepper, Canada Dry, Snapple, and Green Mountain Coffee, along with partner brands in the single-serve coffee category. Its three segments, U.S. Refreshment Beverages, U.S. Coffee, and International, are supported by an extensive distribution network that spans the United States, Canada, and Mexico. KDP's strategy focuses on growing its diverse portfolio, expanding into high-growth beverage categories, and leveraging its scale to drive profitability.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities.

Overweight means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

DCF Analysis (\$mm)											
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/2025	12/31/26	12/31/27	12/30/28	12/30/29	12/31/30
Stub						0.61	1.61	2.61	3.61	4.61	5.61
Discount Period						0.20	0.89	1.89	2.89	3.89	4.89
Revenue	11,618	12,683	14,057	14,814	15,351	16,012	16,722	17,442	18,169	18,898	19,625
<i>Revenue Growth</i>	<i>0%</i>	<i>9%</i>	<i>11%</i>	<i>5%</i>	<i>4%</i>	<i>4%</i>	<i>4%</i>	<i>4%</i>	<i>4%</i>	<i>4%</i>	<i>4%</i>
U.S. Refreshment Bevera	6,688	7,368	8,083	8,821	9,331	10,233	10,846	11,457	12,058	12,646	13,215
U.S. Coffee	4,433	4,716	4,302	4,071	3,967	3,863	3,902	3,950	4,010	4,080	4,162
International	497	599	1,672	1,992	2,053	1,916	1,974	2,035	2,101	2,172	2,248
EBIT	2,456	3,029	2,874	3,221	3,396	3,204	3,679	3,881	4,088	4,299	4,514
<i>EBIT Margin</i>	<i>21%</i>	<i>24%</i>	<i>20%</i>	<i>22%</i>	<i>22%</i>	<i>20%</i>	<i>22%</i>	<i>22%</i>	<i>23%</i>	<i>23%</i>	<i>23%</i>
Tax Expense	428	653	284	576	473	572	736	776	818	860	903
<i>Effective Tax Rate</i>	<i>17%</i>	<i>22%</i>	<i>10%</i>	<i>18%</i>	<i>14%</i>	<i>18%</i>	<i>20%</i>	<i>20%</i>	<i>20%</i>	<i>20%</i>	<i>20%</i>
NOPAT	2,028.00	2,376.00	2,590.00	2,645.00	2,923.00	2,632.00	2,943.03	3,104.74	3,270.46	3,439.46	3,610.97
D&A	1,325	2,146	1,436	2,181	1,441	652	1,003	1,003	999	992	981
Capex	(461)	(423)	(353)	(425)	(563)	(480)	552	563	572	581	589
Changes in NWC	(509)	(447)	(129)	1,397	579	1,916	585	567	545	520	491
UFCF	4,323	5,392	4,508	3,854	4,348	1,848	2,809	2,978	3,152	3,331	3,513
PV of FCF						1,828	2,672	2,677	2,678	2,675	2,667

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	0.49
Risk Free Rate	4.39%
Cost of Equity	4.68%
Weighted Average Cost of Debt	4.97%
Tax Rate	20.00%
Cost of Debt	1.12%
Total Equity	\$46,757
Total Debt	\$18,029
Equity/Total Capitalization	71.84%
Debt/Total Capitalization	28.16%
WACC	5.80%

Terminal Value	
Perpetuity Growth Method	
2034 FCF	\$3,513
Growth	2.00%
Terminal Value	\$92,525
PV of Terminal Value	\$70,234
PV of Projection Period	\$15,196
PV of Terminal Value	\$70,234
Implied TEV	\$85,430
(-) Debt	\$18,682
(+) Cash	\$653
Implied Equity Value	\$67,401
Basic Shares Outstanding	1358
Implied Share Price	\$49.62
Upside/Downside	44.15%

Implied Exit BF EV/EBIT	18.9x
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Terminal Value	
Exit Multiple Method	
2034 EBIT	\$4,514
EV/EBIT Exit Multiple	16.0x
Terminal Value	\$72,219
PV of Terminal Value	\$54,820
PV of Projection Period	\$15,196
PV of Terminal Value	\$54,820
Implied TEV	\$70,017
(-) Debt	\$18,682
(+) Cash	\$653
Implied Equity Value	\$51,988
Diluted Shares Outstanding	1,358
Implied Share Price	\$38.27
Upside/Downside	11.2%

Implied PGR	-0.6%
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Blended Share Price	
Perpetuity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	\$38.27
Upside/Downside	11.19%