Coca-Cola Investor Relations: Investor FAQ on COVID-19

(As of April 21, 2020 unless stated otherwise.)

Overview of the COVID-19 Situation

Our company's deepest sympathies go out to all who have been impacted by coronavirus outbreaks throughout the world. These are challenging times for everyone, which is why we are doing our part to help prevent the further spread of the virus, while also supporting the needs of our customers, consumers, employees and communities.

We have – and always will – put the health, safety and security of people first. Our approach is grounded in our company's purpose, which ensures that we continuously strive to make a difference for the people in our communities and in our workplace.

This is a rapidly changing situation that we are constantly monitoring. We are working collaboratively with governments at all levels – federal, state and local – to help steer the nation, and the world, toward a full recovery. We are confident that we, and the communities we proudly call home, will rebound if we all work together for a better future.

Business Continuity

After the health and safety of our people, business continuity is of utmost importance.

As the virus continues to spread and significantly impact various markets around the world, the company has put preparedness plans in place at our facilities to ensure continued operations.

The vast majority of our office-based employees are working remotely. For those associates in our manufacturing and distribution facilities, we're using enhanced hygiene and sanitation practices. Teams around the world are being asked to work differently, and they are rising to the occasion. We've adopted dynamic resource allocation practices in many regions, matching people to projects and scaling the best ideas across geographies.

We are working diligently on contingency planning for continuous supply and, at this stage, we do not foresee any material disruptions in production or supply of concentrates or beverage bases to our bottling partners.

Further, we are working with all stakeholders, from local to national, to ensure all critical inputs to our products remain available for finished goods production by the company and our bottling partners.

While there are certain areas where we are working through challenges, currently we do not see a material risk of disruption in finished goods production or distribution to our customers.

Status in China

The Coca-Cola system in China has worked closely with all stakeholders throughout the crisis to ensure the health and safety of system associates, supply chain continuity, uninterrupted customer service and overall business recovery.

All our plants in China are operating, and employees have returned to company offices in Shanghai.

We're seeing encouraging signs of increased consumption as outlets reopen, resulting in sequential improvement in China. However, consumption is still lower than the prior year, and we expect a full recovery to take time, especially as there are still limits on crowd sizes. There is also a risk that a portion of on-premise outlets may not reopen given the financial impact of the crisis.

As we anticipate a recovery in China, we're planning key actions with bottlers to regain momentum, including a pre-summer sales promotion and increased cooler placements. We will follow the strategy that proved successful before the pandemic, adjusted with greater focus on channels and packages that will have traction as the new normal unfolds.

While we're encouraged by improving trends in China, we recognize other countries may not follow the same trajectory and changes in social distancing practices may be gradual. The situation in China could certainly continue to evolve. It is too soon to estimate exactly what might lie ahead.

Areas of Business Most Impacted and Financial Impact

The company entered 2020 with solid momentum, coming off strong results in 2019. Through the end of February, the company was growing volume 3%, excluding China, and was on track to achieve its previously provided full year 2020 targets.

In March, as the coronavirus pandemic spread globally, countries meaningfully increased social distancing and shelter-in-place mandates. In markets around the world, the company subsequently saw significant changes in consumer purchase patterns, notably substantial declines in away-from-home channels. In at-home channels, the company witnessed early pantry loading in certain markets, followed by more normalized demand levels, along with a sharp increase in e-commerce. Given that away-from-home channels represent approximately half of the company's revenues, the company expects the net effect of these consumer purchase patterns to have a significant impact on second quarter results. For context, since the beginning of April, the company has experienced a volume decline globally of approximately 25% with nearly all of that decline coming in away-from-home channels.

The ultimate impact on the second quarter and full year 2020 is unknown at this time, as it will depend heavily on the duration of social distancing and shelter-in-place mandates, as well as the substance and pace of macroeconomic recovery. However, the impact to the second quarter will be material.

The company believes the pressure on the business is temporary and remains optimistic on seeing sequential improvement in the back half of 2020. The company, along with its bottling partners, is continuing to adapt quickly to the current environment with a focus on mitigating the near-term impact while positioning for success coming out of the crisis.

What We Are Doing to Address the Immediate Impact and Best Position Ourselves for Future

We are taking swift action now to adapt in the near term, while best positioning us for success later. In many ways, the strategy we laid out at CAGNY remains the same, centered around brand-building, innovation, revenue growth management and execution. Having the ability to dial up and re-calibrate aspects of that strategy is critical in this environment.

For our retail customers, grocery stores for example, we are focused on maximizing system efficiency by ruthlessly prioritizing to deliver on core brands and key packages and help customers simplify their supply chains. We're also taking this opportunity to reshape our innovation pipeline to eliminate a long tail of smaller projects and allocate resources toward fewer, larger, more scalable and more relevant solutions for this environment. In markets around the world, we've redeployed on-the-ground sales representatives, especially those oriented toward the on-premise trade, and refocused them on merchandising, resulting in increased share of displays and stock-on-the-floor.

Revenue growth management plays a key role in our current strategy as we shift toward package sizes that are fit-for-purpose for online sales and as we reallocate consumer and trade promotions toward digital. For grocery e-delivery companies, we've increased in-app visibility, with a focus on multi-packs, so consumers can access our beverages within a click's reach of desire. We are also acting fast to address the needs of restaurant partners as they adapt to the current environment.

We are investing in digital capabilities to strengthen consumer connections. We are piloting several different digitally enabled initiatives using fulfillment methods from B2B2Home and D2C platforms in many countries to capture online demand for at-home consumption for the future. We are seeing good results in the early days and are looking to scale similar partnerships with more customers.

Although the pandemic seems to be unfolding differently across geographies, there are key insights and best practices that we are leveraging to allow markets to take a more proactive approach to managing the situation.

We have implemented real-time collaboration routines to accelerate knowledge sharing on how to adapt local market strategies across supply chain, channel dynamics, stakeholder engagement and workforce management.

For example, we have developed "Joint Recovery Scorecards" with our bottling partners and "Phased Recovery Playbooks" that each of our markets can leverage in order to best serve customers, maintain consumer relevancy and capitalize on new opportunities that may arise in the wake of the crisis.

Managing Our Cost Base

We are looking across every aspect of our business on how and where we are spending our dollars. We are redirecting our spend to areas where we believe it can be the most effective.

Regarding our marketing spend, we're being mindful about the right level of brand marketing and new product launches given the consumer mindset across markets. We've determined that in the initial phase, there is limited effectiveness to broad-based brand marketing. With this in mind, we've reduced our direct consumer communication. We'll pause sizeable marketing campaigns through the early stages of the crisis and will reengage when the timing is right.

Further, we are looking at options to reduce or shift marketing expenses from outdoor and experiential campaigns to TV and digital, if we decide to continue media investments in the near term.

We are taking a similar approach with our trade dollars. While much of that spend is managed by our bottlers, in both our Bottling Investments and North America businesses, this is an important area to effectively manage and we are willing to reengineer, as necessary.

We are attacking all discretionary operating expenses, challenging what is essential and making sure that every dollar being spent on services, travel, meetings, etc. is appropriate.

We have paused all capital spend other than what is absolutely essential or has already been committed.

Importantly, we are in close coordination with our global bottling partners to ensure we are adapting as quickly as possible as a system.

In terms of fixed versus variable costs in our business, an outsized proportion of our cost of goods sold is variable in nature at the consolidated level. Therefore, cost of goods sold can be managed based on overall demand. Regarding our SG&A expenses, they are more balanced between fixed and variable costs. Variable costs mainly pertain to marketing spend, travel, third-party services and so on. SG&A fixed costs largely pertain to people and general overhead costs. Where necessary we have furloughed some employees, and we have done so on full pay through June. The length, severity and overall impact of the crisis will ultimately determine how we will come out of it, and we will be very thoughtful on our approach.

Company and System Liquidity

We have moved quickly to address our balance sheet in these challenging times. We ended Q1 2020 with approximately $15 billion in total cash, cash equivalents and short-term investments on our balance sheet.

We also saw strong demand for our $5 billion debt offering across all our tenors. We believe this reaction is a sign of the long-term confidence in our business.

We have approximately $9 billion in backup lines of credit available at attractive rates, and at this time we have deemed it not necessary to draw on these lines. Additionally, we have secured another $3 billion in committed bank loans – in the context of securing optionality to access additional liquidity in the event of further capital market disruption. We also have a robust commercial paper program.

For 2020 maturities, we have approximately $12.5 billion in commercial paper outstanding, and approximately $4 billion of long-term debt coming due, primarily in the fourth quarter.

Currently, we do not have any major concerns surrounding our bottling partners from a liquidity perspective and we are working closely with them to anticipate and deal effectively with a scenario where the coronavirus situation is longer and more severe than currently anticipated.

Focusing on Long-Term Strategy

Although we are experiencing a time of crisis, we won’t lose sight of long-term opportunities, not only for our company but also for the beverage industry.

Fortunately, we have gone into this situation from a position of strength and are coming off strong results in 2019. We have made meaningful progress in accelerating our capabilities, reshaping our bottling system, pivoting our portfolio and transforming our culture. Undoubtedly, there will be ups and downs in the coming months. But, with our bottling partners, we are clear on what needs to be done - both now and in the future - to manage our business, focus our strategies, accelerate our actions and redirect investments. We've been through challenging times before and firmly believe we've never been better positioned than we are today to manage through this challenging time and come out even stronger.

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Forward-Looking Statements

This document may contain statements, estimates or projections that constitute "forward-looking statements" as defined under U.S. federal securities laws. Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "project," "will" and similar expressions identify forward-looking statements, which generally are not historical in nature. Forward-looking statements are subject to certain risks and uncertainties that could cause The Coca-Cola Company's actual results to differ materially from its historical experience and our present expectations or projections. These risks include, but are not limited to, the negative impacts of the novel coronavirus (COVID-19) pandemic on our business; obesity and other health-related concerns; evolving consumer product and shopping preferences; increased competition; water scarcity and poor quality; increased demand for food products and decreased agricultural productivity; product safety and quality concerns; perceived negative health consequences of certain ingredients, such as non-nutritive sweeteners and biotechnology-derived substances, and of other substances present in our beverage products or packaging materials; an inability to be successful in our innovation activities; an inability to protect our information systems against service interruption, misappropriation of data or breaches of security; failure to comply with personal data protection and privacy laws; failure to digitize the Coca-Cola system; changes in the retail landscape or the loss of key retail or foodservice customers; an inability to expand operations in emerging and developing markets; fluctuations in foreign currency exchange rates; interest rate increases; an inability to maintain good relationships with our bottling partners; a deterioration in our bottling partners' financial condition; increases in income tax rates, changes in income tax laws or unfavorable resolution of tax matters; increased or new indirect taxes in the United States and throughout the world; an inability to successfully manage the possible negative consequences of our productivity initiatives; an inability to attract or retain a highly skilled and diverse workforce; increased cost, disruption of supply or shortage of energy or fuel; increased cost, disruption of supply or shortage of ingredients, other raw materials, packaging materials, aluminum cans and other containers; increasing concerns about the environmental impact of plastic bottles and other plastic packaging materials; changes in laws and regulations relating to beverage containers and packaging; significant additional labeling or warning requirements or limitations on the marketing or sale of our products; unfavorable general economic conditions in the United States; unfavorable economic and political conditions in international markets; litigation or legal proceedings; conducting business in markets with high-risk legal compliance environments; failure by our third-party service providers and business partners to satisfactorily fulfill their commitments and responsibilities; failure to adequately protect, or disputes relating to, trademarks, formulae and other intellectual property rights; adverse weather conditions; climate change and legal or regulatory responses thereto; damage to our brand image, corporate reputation and social license to operate from negative publicity, whether or not warranted, concerning product safety or quality, workplace and human rights, obesity or other issues; changes in, or failure to comply with, the laws and regulations applicable to our products or our business operations; changes in accounting standards; an inability to achieve our overall long-term growth objectives; deterioration of global credit market conditions; default by or failure of one or more of our counterparty financial institutions; an inability to renew collective bargaining agreements on satisfactory terms, or we or our bottling partners experience strikes, work stoppages or labor unrest; future impairment charges; multi-employer pension plan withdrawal liabilities in the future; an inability to successfully integrate and manage our company-owned or -controlled bottling operations or other acquired businesses or brands; an inability to successfully manage our refranchising activities; failure to realize a significant portion of the anticipated benefits of our strategic relationship with Monster Beverage

Corporation; global or regional catastrophic events; and other risks discussed in our filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2019, which filings are available from the SEC. You should not place undue reliance on forward-looking statements, which speak only at the date they are made. We undertake no obligation to publicly update or revise any forward-looking statements.