AGC | Arabian Gulf Capital

WEEKLY REVIEW

KEURIG DR PEPPER INC

KEURIG DR PEPPER INC (KDP US EQUITY) – BEVERAGE MOMENTUM

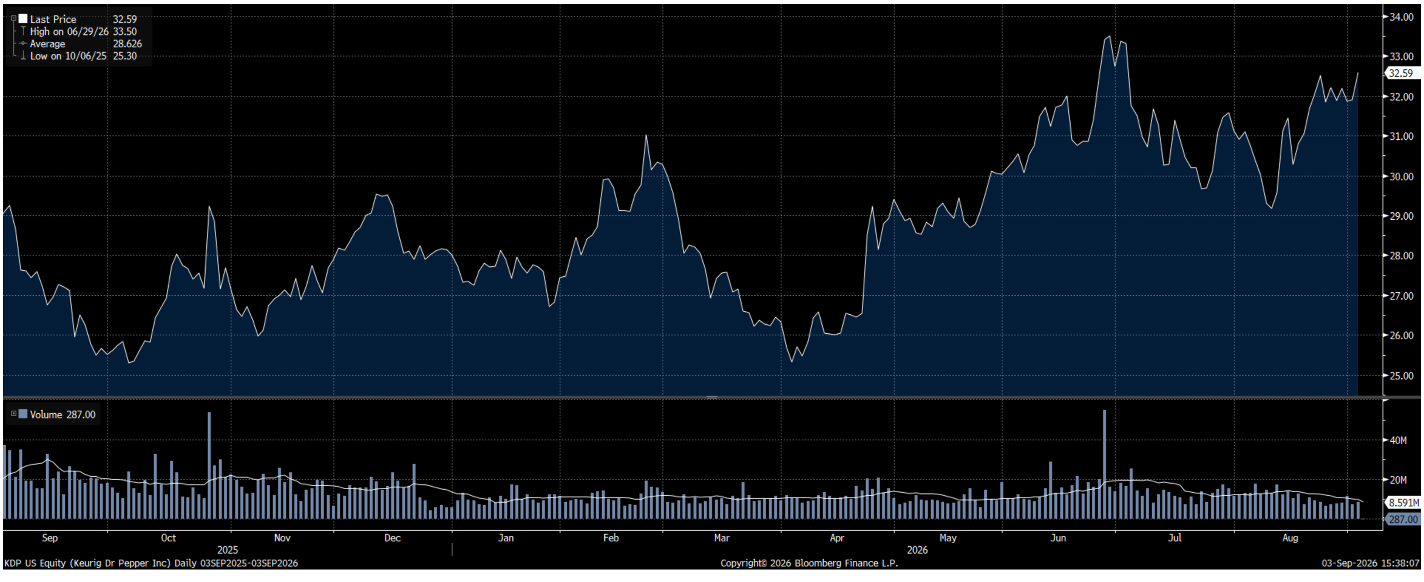
Keurig Dr Pepper Inc. is a leading beverage company that manufactures and distributes soft drinks, energy drinks, coffee products, and single-serve brewing systems across the United States and international markets. Its portfolio includes major brands such as Dr Pepper, Canada Dry, 7UP, GHOST, C4 Energy, Bloom, Snapple, Green Mountain Coffee Roasters, and Peet's, alongside several partner brands. Founded in 1981 and headquartered in Frisco, Texas, KDP serves consumers through supermarkets, convenience stores, e-commerce, and other retail channels.

Keurig Dr Pepper is experiencing growth across its U.S. Refreshment Beverages segment, supported by market-share gains and expanding brands. Performance from Dr Pepper and Canada Dry, alongside growth in Bloom and GHOST, has contributed to sales and profitability, while KDP's energy portfolio reached 9% market share. The integration of JDE Peet's and related synergies represent additional earnings drivers, while trends in the coffee business remain an important factor for overall performance. KDP also continues to generate strong cash flow while progressing with its integration and deleveraging priorities.

Specification

Ticker	KDP
Exchange	NASDAQ
Sector	Consumer Staples
Market Cap	$44.35B
Free Float	40.03%
ISIN	US2566771059

KDP Price per share, USD - 1Y Chart



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WEEKLY REVIEW

8 September 2026

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Financial Performance – Q2 Results

Keurig Dr Pepper reported Q2 net sales growth of ~75.6% YoY to ~$7.31 billion, primarily reflecting the acquisition of JDE Peet's, while legacy KDP sales grew approximately 7%. Gross profit increased ~36.0% to ~$3.07 billion. Adjusted EBITDA increased ~29.9% to $1.77 billion, while adjusted net income rose 19.6% to $805 million and adjusted EPS increased 16.3% to $0.57. Performance reflected U.S. Refreshment Beverages growth, operating efficiencies, and the JDE Peet's contribution, partially offset by higher coffee input costs and acquisition-related financing expenses.

Key Financial Highlights – Q2 2027

In Millions, USD	2025 Q2	2026 Q2	YoY
Revenue	4,163	7,309	75.57%
Gross Profit	2,255	3,066	35.96%
EBITDA	1,366	1,774	29.87%
Net Income	673	805	19.61%
EPS	0.49	0.57	16.33%

Key Financial Highlights – Last 4 Years

In Millions, USD	2022	2023	2024	2025
Revenue	14,057	14,814	15,351	16,603
Gross Profit	7,087	7,970	8,529	9,203
EBITDA	4,089	4,278	4,609	5,109
Net Income	2,283	2,369	2,368	2,486
EPS	1.60	1.68	1.73	1.83
Cash From Operations	2,837	1,329	2,219	1,991
Capex	-353	-425	-563	-486
Free Cash Flow	2,484	904	1,656	1,505

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Key Growth Drivers

U.S. Refreshment Beverages Growth

KDP's U.S. Refreshment Beverages segment delivered 10.0% net sales growth in Q2 to $2.9 billion, supported by 6.5% volume/mix growth and 3.5% net price realization. Growth was broad-based across energy, carbonated soft drinks, water, and sports hydration, while adjusted operating income increased 11.9% to $874 million and margin expanded 50 bps to 29.9%, reflecting operating leverage and productivity gains.

Bloom Continues to Scale

Bloom Pop continues to expand within KDP's U.S. beverage portfolio, with management highlighting the brand alongside Dr Pepper and Canada Dry as a contributor to healthy trends in the core CSD category. Bloom recently celebrated reaching 500 million cans sold across its beverage portfolio. The brand also complements KDP's energy portfolio, which reached 9% market share in Q2.

JDE Peet's Combination Expands KDP's Earnings Base

The recently acquired JDE Peet's business contributed $2.8 billion in Q2 net sales and $414 million in adjusted operating income. Profitability reflected pricing discipline and productivity savings, while integration with legacy Keurig is progressing and management expects synergies to increase during H2.

2026 Guidance

Management expects low-double-digit adjusted EPS growth in 2026, including 4–6% growth from legacy KDP and an additional 6–7 percentage-point contribution from JDE Peet's. KDP expects full-year net sales of $25.9–$26.4 billion, including $8.5–$8.7 billion from JDE Peet's, with an approximately 1 percentage-point FX tailwind also incorporated into the outlook.

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WEEKLY REVIEW

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Valuation – Current Trading Multiples

Keurig Dr Pepper trades at 15.52x P/E, 14.21x Forward P/E, 1.49x PEG, 4.23x EV/Sales, 3.23x Forward EV/Sales, 17.68x EV/EBITDA, and 12.58x Forward EV/EBITDA. These multiples are reported alongside 10.0% growth in U.S. Refreshment Beverages and 16.3% adjusted EPS growth in Q2, while management expects low-double-digit adjusted EPS growth in 2026.

Key Multiples

Metric	KDP
P/E	15.52 x
Forward P/E	14.21 x
PEG	1.45 x
P/B	1.73 x
Forward P/B	1.49 x
FWD EV/Sales	3.19 x
FWD EV/EBITDA	12.44 x

Historical Ratios – Last 4 Years

Ratio	2022	2023	2024	2025	Current - Q2 26
ROE	5.73%	8.59%	5.77%	8.36%	5.39%
ROA	8.72%	5.55%	3.63%	4.87%	2.01%
ROC	11.80%	7.98%	5.39%	6.88%	4.09%
Gross Margin	50.42%	53.80%	55.56%	55.43%	41.95%
EBITDA Margin	29.09%	28.88%	30.02%	30.77%	20.08%
Operating Margin	20.18%	8.97%	14.46%	11.99%	20.22%
Net Income Margin	16.24%	15.99%	15.43%	14.97%	11.01%
CFO, USD Millions	2,837	1,329	2,219	1,991	1,179
FCF, USD Millions	2,484	904	1,656	1,505	719
Total Debt, USD Millions	13,583	14,891	17,346	17,956	32,167
Total Debt/T12M EBITDA	5.14 x	4.60 x	6.57 x	4.96 x	7.25 x
Net Debt/EBITDA	4.93 x	4.51 x	6.38 x	4.67 x	6.90 x
EBITDA to Interest Expense	4.98 x	8.21 x	4.75 x	5.98 x	3.21 x

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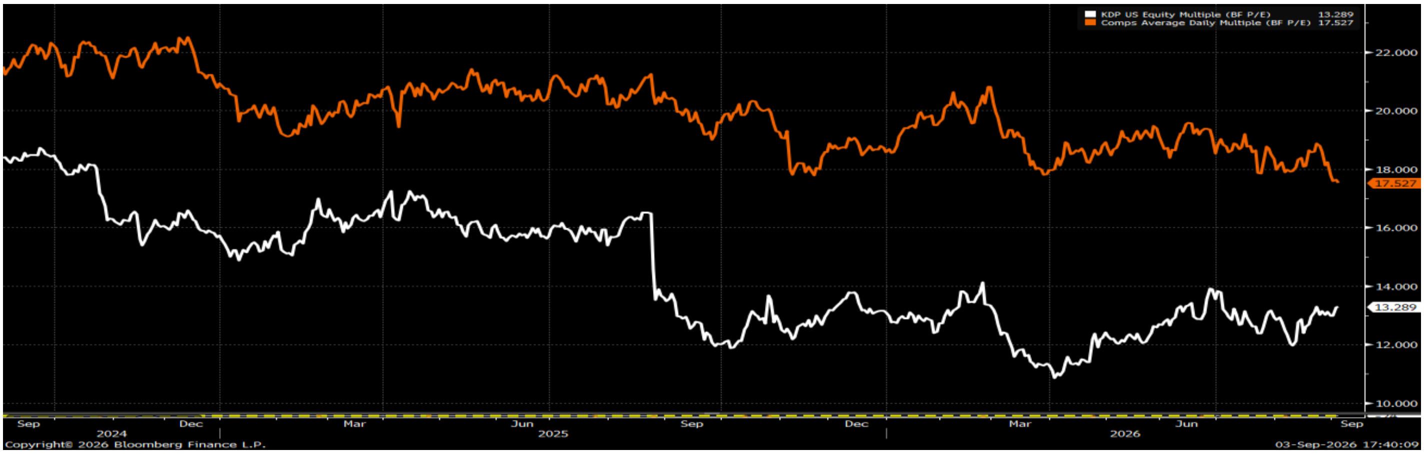
KDP vs Peers

Ticker	FWD P/E	PEG	FWD EV/SALES	FWD EV/EBITDA
KDP	**14.21**	**1.49**	**3.23**	**12.58**
KO	26.65	3.60	8.22	23.54
PEP	16.33	3.23	2.36	12.04
MNST	38.96	3.38	8.75	28.21

KDP – Blended Forward P/E vs Peers



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Key Risks

Keurig Dr Pepper's primary risks include the integration of JDE Peet's and execution of the planned separation of its beverage and coffee businesses, which could involve higher costs, delays, or lower-than-expected synergies. The acquisition has also increased debt, making deleveraging and maintaining investment-grade credit ratings important considerations. Additional risks include elevated coffee and commodity input costs, consumer demand and pricing pressures, competition across CSDs, energy and functional beverages, and execution risks associated with expanding brands such as Bloom and GHOST.

- *Source: Public company filings, Bloomberg, market data providers, and publicly available information as of the date of publication.*
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