# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 29, 2024**

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from __________ to __________**

**Commission File Number: 0-9286**

# COCA-COLA CONSOLIDATED, INC.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **56-0950585** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **4100 Coca-Cola Plaza** | |
| **Charlotte, NC** | **28211** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**Registrant's telephone number, including area code: (980) 392-8298**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, par value $1.00 per share** | **COKE** | **The Nasdaq Global Select Market** |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 19, 2024, there were 8,368,993 shares of the registrant's Common Stock, par value $1.00 per share, and 1,004,696 shares of the registrant's Class B Common Stock, par value $1.00 per share, outstanding.

**COCA-COLA CONSOLIDATED, INC.**
**QUARTERLY REPORT ON FORM 10-Q**
**FOR THE QUARTERLY PERIOD ENDED MARCH 29, 2024**

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## PART I - FINANCIAL INFORMATION

**Item 1. Financial Statements.**

## COCA-COLA CONSOLIDATED, INC.
## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
## (Unaudited)

| | First Quarter | | | |
|---|---|---|---|---|
| *(in thousands, except per share data)* | | **2024** | | **2023** |
| Net sales | $ | 1,591,626 | $ | 1,571,642 |
| Cost of sales | | 951,067 | | 947,536 |
| Gross profit | | 640,559 | | 624,106 |
| Selling, delivery and administrative expenses | | 425,153 | | 418,052 |
| Income from operations | | 215,406 | | 206,054 |
| Interest (income) expense, net | | (2,716) | | 2,929 |
| Mark-to-market on acquisition related contingent consideration | | (5,541) | | 41,654 |
| Other expense, net | | 828 | | 2,269 |
| Income before taxes | | 222,835 | | 159,202 |
| Income tax expense | | 57,094 | | 41,075 |
| **Net income** | **$** | **165,741** | **$** | **118,127** |
| | | | | |
| **Basic net income per share:** | | | | |
| Common Stock | $ | 17.68 | $ | 12.60 |
| Weighted average number of Common Stock shares outstanding | | 8,369 | | 8,369 |
| | | | | |
| Class B Common Stock | $ | 17.68 | $ | 12.60 |
| Weighted average number of Class B Common Stock shares outstanding | | 1,005 | | 1,005 |
| | | | | |
| **Diluted net income per share:** | | | | |
| Common Stock | $ | 17.66 | $ | 12.57 |
| Weighted average number of Common Stock shares outstanding – assuming dilution | | 9,387 | | 9,395 |
| | | | | |
| Class B Common Stock | $ | 17.46 | $ | 12.51 |
| Weighted average number of Class B Common Stock shares outstanding – assuming dilution | | 1,018 | | 1,026 |
| | | | | |
| **Cash dividends per share:** | | | | |
| Common Stock | $ | 16.50 | $ | 3.50 |
| Class B Common Stock | $ | 16.50 | $ | 3.50 |

See accompanying notes to condensed consolidated financial statements.

**COCA-COLA CONSOLIDATED, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(Unaudited)**

| | First Quarter | |
|---|---|---|
| *(in thousands)* | **2024** | **2023** |
| Net income | $ 165,741 | $ 118,127 |
| | | |
| **Other comprehensive (loss) income, net of tax:** | | |
| Defined benefit plans reclassification including pension costs: | | |
| Actuarial gain | — | 735 |
| Prior service credits | 3 | 3 |
| Postretirement benefits reclassification including benefit costs: | | |
| Actuarial gain | 20 | — |
| Unrealized loss on short-term investments | (176) | — |
| **Other comprehensive (loss) income, net of tax** | **(153)** | **738** |
| **Comprehensive income** | **$ 165,588** | **$ 118,865** |

See accompanying notes to condensed consolidated financial statements.

**COCA-COLA CONSOLIDATED, INC.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(Unaudited)**

| *(in thousands, except share data)* | March 29, 2024 | December 31, 2023 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets:** | | |
| Cash and cash equivalents | $ 401,260 | $ 635,269 |
| Short-term investments | 183,639 | — |
| Accounts receivable, trade | 568,014 | 555,933 |
| Allowance for doubtful accounts | (16,575) | (16,060) |
| Accounts receivable from The Coca-Cola Company | 60,740 | 51,936 |
| Accounts receivable, other | 67,096 | 67,533 |
| Inventories | 361,086 | 321,932 |
| Prepaid expenses and other current assets | 89,593 | 88,585 |
| **Total current assets** | **1,714,853** | **1,705,128** |
| Property, plant and equipment, net | 1,321,681 | 1,320,563 |
| Right-of-use assets - operating leases | 116,129 | 122,708 |
| Leased property under financing leases, net | 4,373 | 4,785 |
| Other assets | 156,140 | 145,213 |
| Goodwill | 165,903 | 165,903 |
| Distribution agreements, net | 810,920 | 817,143 |
| Customer lists, net | 7,093 | 7,499 |
| **Total assets** | **$ 4,297,092** | **$ 4,288,942** |
| | | |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities:** | | |
| Current portion of obligations under operating leases | $ 25,085 | $ 26,194 |
| Current portion of obligations under financing leases | 2,536 | 2,487 |
| Accounts payable, trade | 346,999 | 383,562 |
| Accounts payable to The Coca-Cola Company | 206,494 | 139,499 |
| Other accrued liabilities | 254,465 | 237,994 |
| Accrued compensation | 82,297 | 146,932 |
| Dividends payable | — | 154,666 |
| **Total current liabilities** | **917,876** | **1,091,334** |
| Deferred income taxes | 185,001 | 128,435 |
| Pension and postretirement benefit obligations | 60,779 | 60,614 |
| Other liabilities | 831,596 | 866,499 |
| Noncurrent portion of obligations under operating leases | 96,979 | 102,271 |
| Noncurrent portion of obligations under financing leases | 4,382 | 5,032 |
| Long-term debt | 599,293 | 599,159 |
| **Total liabilities** | **2,695,906** | **2,853,344** |
| Commitments and Contingencies | | |
| **Equity:** | | |
| Common Stock, $1.00 par value: 30,000,000 shares authorized; 11,431,367 shares issued | 11,431 | 11,431 |
| Class B Common Stock, $1.00 par value: 10,000,000 shares authorized; 1,632,810 shares issued | 1,633 | 1,633 |
| Additional paid-in capital | 135,953 | 135,953 |
| Retained earnings | 1,517,852 | 1,352,111 |
| Accumulated other comprehensive loss | (4,429) | (4,276) |
| Treasury stock, at cost: Common Stock – 3,062,374 shares | (60,845) | (60,845) |
| Treasury stock, at cost: Class B Common Stock – 628,114 shares | (409) | (409) |
| **Total equity** | **1,601,186** | **1,435,598** |
| **Total liabilities and equity** | **$ 4,297,092** | **$ 4,288,942** |

See accompanying notes to condensed consolidated financial statements.

## COCA-COLA CONSOLIDATED, INC.
## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
## (Unaudited)

| *(in thousands)* | First Quarter 2024 | First Quarter 2023 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Net income | $ 165,741 | $ 118,127 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization expense from property, plant and equipment and financing leases | 40,888 | 37,601 |
| Amortization of intangible assets and deferred proceeds, net | 5,863 | 5,908 |
| Deferred income taxes | 56,616 | 40,743 |
| Fair value adjustment of acquisition related contingent consideration | (5,541) | 41,654 |
| Loss on sale of property, plant and equipment | 670 | 2,389 |
| Amortization of debt costs | 251 | 246 |
| Change in current assets less current liabilities | (44,257) | (49,538) |
| Change in other noncurrent assets | (781) | (1,430) |
| Change in other noncurrent liabilities | (25,177) | (11,006) |
| Total adjustments | 28,532 | 66,567 |
| **Net cash provided by operating activities** | **$ 194,273** | **$ 184,694** |
| | | |
| **Cash Flows from Investing Activities:** | | |
| Purchases of short-term investments | $ (183,806) | $ — |
| Additions to property, plant and equipment | (77,040) | (52,700) |
| Investment in equity method investees | (3,632) | — |
| Proceeds from the disposal of short-term investments | 1,116 | — |
| Proceeds from the sale of property, plant and equipment | 100 | 158 |
| **Net cash used in investing activities** | **$ (263,262)** | **$ (52,542)** |
| | | |
| **Cash Flows from Financing Activities:** | | |
| Cash dividends paid | $ (154,666) | $ (32,808) |
| Payments of acquisition related contingent consideration | (9,700) | (6,499) |
| Payments on financing lease obligations | (601) | (558) |
| Debt issuance fees | (53) | (154) |
| **Net cash used in financing activities** | **$ (165,020)** | **$ (40,019)** |
| | | |
| Net (decrease) increase in cash during period | $ (234,009) | $ 92,133 |
| Cash at beginning of period | 635,269 | 197,648 |
| **Cash at end of period** | **$ 401,260** | **$ 289,781** |
| | | |
| **Significant non-cash investing and financing activities:** | | |
| Additions to property, plant and equipment accrued and recorded in accounts payable, trade | $ 24,310 | $ 18,112 |
| Right-of-use assets obtained in exchange for operating lease obligations | 74 | 723 |

See accompanying notes to condensed consolidated financial statements.

## COCA-COLA CONSOLIDATED, INC.
## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
## (Unaudited)

| *(in thousands, except per share data)* | Common Stock | Class B Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock - Common Stock | Treasury Stock - Class B Common Stock | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance on December 31, 2023** | **$ 11,431** | **$ 1,633** | **$ 135,953** | **$ 1,352,111** | **$ (4,276)** | **$ (60,845)** | **$ (409)** | **$ 1,435,598** |
| Net income | — | — | — | 165,741 | — | — | — | 165,741 |
| Other comprehensive loss, net of tax | — | — | — | — | (153) | — | — | (153) |
| Dividends declared: | | | | | | | | |
| Common Stock ($0.00 per share) | — | — | — | — | — | — | — | — |
| Class B Common Stock ($0.00 per share) | — | — | — | — | — | — | — | — |
| **Balance on March 29, 2024** | **$ 11,431** | **$ 1,633** | **$ 135,953** | **$ 1,517,852** | **$ (4,429)** | **$ (60,845)** | **$ (409)** | **$ 1,601,186** |

| *(in thousands, except per share data)* | Common Stock | Class B Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock - Common Stock | Treasury Stock - Class B Common Stock | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance on December 31, 2022** | **$ 11,431** | **$ 1,633** | **$ 135,953** | **$ 1,112,462** | **$ (84,837)** | **$ (60,845)** | **$ (409)** | **$ 1,115,388** |
| Net income | — | — | — | 118,127 | — | — | — | 118,127 |
| Other comprehensive income, net of tax | — | — | — | — | 738 | — | — | 738 |
| Dividends declared: | | | | | | | | |
| Common Stock ($0.00 per share) | — | — | — | — | — | — | — | — |
| Class B Common Stock ($0.00 per share) | — | — | — | — | — | — | — | — |
| **Balance on March 31, 2023** | **$ 11,431** | **$ 1,633** | **$ 135,953** | **$ 1,230,589** | **$ (84,099)** | **$ (60,845)** | **$ (409)** | **$ 1,234,253** |

See accompanying notes to condensed consolidated financial statements.

**COCA-COLA CONSOLIDATED, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

## 1. Critical Accounting Policies

The condensed consolidated financial statements include the accounts and the consolidated operations of Coca-Cola Consolidated, Inc. and its majority-owned subsidiaries (collectively referred to herein as the "Company"). All significant intercompany accounts and transactions have been eliminated. The condensed consolidated financial statements reflect all adjustments, including normal, recurring accruals, which, in the opinion of management, are necessary for a fair statement of the results for the periods presented.

Each of the Company's quarters, other than the fourth quarter, ends on the Friday closest to the last day of the corresponding quarterly calendar period. The Company's fourth quarter and fiscal year end on December 31 regardless of the day of the week on which December 31 falls. The condensed consolidated financial statements presented are:

- The financial position as of March 29, 2024 and December 31, 2023.
- The results of operations, comprehensive income and changes in stockholders' equity for the three-month periods ended March 29, 2024 (the "first quarter" of fiscal 2024 ("2024")) and March 31, 2023 (the "first quarter" of fiscal 2023 ("2023")).
- The changes in cash flows for the first quarter of 2024 and the first quarter of 2023.

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting and the instructions to Form 10-Q and Article 10 of Regulation S-X. The accounting policies followed in the presentation of interim financial results are consistent with those followed on an annual basis. These policies are presented in Note 1 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for 2023 filed with the United States Securities and Exchange Commission.

The preparation of condensed consolidated financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Critical Accounting Estimates*

In the ordinary course of business, the Company has made a number of estimates and assumptions relating to the reporting of its results of operations and financial position in the preparation of its condensed consolidated financial statements in conformity with GAAP. Actual results could differ significantly from those estimates under different assumptions and conditions. The Company included in its Annual Report on Form 10-K for 2023 under the caption "Discussion of Critical Accounting Estimates" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," a discussion of the Company's most critical accounting estimates, which are those the Company believes to be the most important to the portrayal of its financial condition and results of operations and that require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Any changes in critical accounting estimates are discussed with the Audit Committee of the Company's Board of Directors during the quarter in which a change is contemplated and prior to making such change. See Note 6 for discussion related to the Company's new short-term investments during the first quarter of 2024.

### *Recently Issued Accounting Pronouncements*

In November 2023, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which requires additional disclosure of significant segment expenses included in the reported measure of segment profit or loss and regularly provided to the Chief Operating Decision Maker (the "CODM"). It also requires disclosure and a description of the composition of other amounts by reportable segment, disclosure of a reportable segment's profit or loss and assets currently required by Topic 280 in interim periods and disclosure of the CODM's title and process for assessing a reportable segment's profit or loss. The new guidance is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years beginning after December 15, 2024. The Company has evaluated the impact ASU 2023-07 will have on its consolidated financial statements and does not expect a material impact upon adoption.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which requires disclosure of specific categories in the rate reconciliation, including additional information for reconciling items that meet a quantitative threshold, and specific disaggregation of income taxes paid and tax expense. The amendment is effective for annual periods beginning after December 15, 2024. The Company has evaluated the impact ASU 2023-09 will have on its consolidated financial statements and does not expect a material impact upon adoption.

## 2. Related Party Transactions

***The Coca-Cola Company***

The Company's business consists primarily of the distribution, marketing and manufacture of nonalcoholic beverages of The Coca-Cola Company, which is the sole owner of the formulas under which the primary components of the Company's soft drink products, either concentrate or syrup, are manufactured.

As of March 29, 2024, J. Frank Harrison, III, Chairman of the Board of Directors and Chief Executive Officer of the Company, controlled 1,004,394 shares of the Company's Class B Common Stock, which represented approximately 71% of the total voting power of the Company's outstanding Common Stock and Class B Common Stock on a consolidated basis.

As of March 29, 2024, The Coca-Cola Company owned shares of the Company's Common Stock representing approximately 9% of the total voting power of the Company's outstanding Common Stock and Class B Common Stock on a consolidated basis. The number of shares of the Company's Common Stock currently held by The Coca-Cola Company gives it the right to have a designee proposed by the Company for nomination to the Company's Board of Directors in the Company's annual proxy statement. J. Frank Harrison, III and the trustees of certain trusts established for the benefit of certain relatives of the late J. Frank Harrison, Jr. have agreed to vote the shares of the Company's Common Stock and Class B Common Stock that they control in favor of such designee. The Coca-Cola Company does not own any shares of the Company's Class B Common Stock.

The following table summarizes the significant cash transactions between the Company and The Coca-Cola Company:

| | First Quarter | |
|---|---|---|
| *(in thousands)* | **2024** | **2023** |
| Payments made by the Company to The Coca-Cola Company[1] | $ 457,244 | $ 469,527 |
| Payments made by The Coca-Cola Company to the Company | 55,398 | 47,439 |

[1] This excludes acquisition related sub-bottling payments made by the Company to CCR (as defined below), a wholly owned subsidiary of The Coca-Cola Company.

More than 80% of the payments made by the Company to The Coca-Cola Company were for concentrate, syrup, sweetener and other finished goods products, which were recorded in cost of sales in the condensed consolidated statements of operations and represent the primary components of the soft drink products the Company manufactures and distributes. Payments made by the Company to The Coca-Cola Company also included payments for marketing programs associated with large, national customers managed by The Coca-Cola Company on behalf of the Company, which were recorded as a reduction to net sales in the condensed consolidated statements of operations. Other payments made by the Company to The Coca-Cola Company related to cold drink equipment parts, fees associated with the rights to distribute certain brands and other customary items.

Payments made by The Coca-Cola Company to the Company included annual funding in connection with the Company's agreement to support certain business initiatives developed by The Coca-Cola Company and funding associated with the delivery of post-mix products to various customers, both of which were recorded as a reduction to cost of sales in the condensed consolidated statements of operations. Post-mix products are dispensed through equipment that mixes fountain syrups with carbonated or still water, enabling fountain retailers to sell finished products to consumers in cups or glasses. Payments made by The Coca-Cola Company to the Company also included fountain product delivery and equipment repair services performed by the Company on The Coca-Cola Company's equipment, all of which were recorded in net sales in the condensed consolidated statements of operations.

***Coca-Cola Refreshments USA, Inc. ("CCR")***

The Company, The Coca-Cola Company and CCR entered into comprehensive beverage agreements (collectively, the "CBA"), related to a multi-year series of transactions, which were completed in October 2017, through which the Company acquired and exchanged distribution territories and manufacturing plants (the "System Transformation"). The CBA requires the Company to make quarterly acquisition related sub-bottling payments to CCR on a continuing basis in exchange for the grant of exclusive rights to distribute, promote, market and sell the authorized brands of The Coca-Cola Company and related products in certain distribution territories the Company acquired from CCR. These acquisition related sub-bottling payments are based on gross profit derived from the Company's sales of certain beverages and beverage products that are sold under the same trademarks that identify a covered beverage, a beverage product or certain cross-licensed brands applicable to the System Transformation.

Acquisition related sub-bottling payments to CCR were $9.7 million in the first quarter of 2024 and $6.5 million in the first quarter of 2023. The following table summarizes the liability recorded by the Company to reflect the estimated fair value of contingent consideration related to future expected acquisition related sub-bottling payments to CCR:

| *(in thousands)* | March 29, 2024 | December 31, 2023 |
|---|---|---|
| Current portion of acquisition related contingent consideration | $ 71,671 | $ 64,528 |
| Noncurrent portion of acquisition related contingent consideration | 577,925 | 604,809 |
| **Total acquisition related contingent consideration** | **$ 649,596** | **$ 669,337** |

***Southeastern Container ("Southeastern")***

The Company is a shareholder of Southeastern, a plastic bottle manufacturing cooperative. The Company accounts for Southeastern as an equity method investment. The Company's investment in Southeastern, which was classified as other assets in the condensed consolidated balance sheets, was $21.4 million as of March 29, 2024 and $20.9 million as of December 31, 2023.

***South Atlantic Canners, Inc. ("SAC")***

The Company is a shareholder of SAC, a manufacturing cooperative located in Bishopville, South Carolina. All of SAC's shareholders are Coca-Cola bottlers and each has equal voting rights. The Company accounts for SAC as an equity method investment. The Company's investment in SAC, which was classified as other assets in the condensed consolidated balance sheets, was $19.1 million as of March 29, 2024 and $17.2 million as of December 31, 2023.

The Company receives a fee for managing the day-to-day operations of SAC pursuant to a management agreement. Proceeds from management fees received from SAC, which were recorded as a reduction to cost of sales in the condensed consolidated statements of operations, were $2.3 million in the first quarter of 2024 and $2.2 million in the first quarter of 2023.

***Coca-Cola Bottlers' Sales & Services Company LLC ("CCBSS")***

Along with all other Coca-Cola bottlers in the United States and Canada, the Company is a member of CCBSS, a company formed to provide certain procurement and other services with the intention of enhancing the efficiency and competitiveness of the Coca-Cola bottling system. The Company accounts for CCBSS as an equity method investment and its investment in CCBSS is not material.

CCBSS negotiates the procurement for the majority of the Company's raw materials, excluding concentrate, and the Company receives a rebate from CCBSS for the purchase of these raw materials. The Company had rebates due from CCBSS of $21.1 million on March 29, 2024 and $14.3 million on December 31, 2023, which were classified as accounts receivable, other in the condensed consolidated balance sheets. Changes in rebates receivable relate to volatility in raw material prices and the timing of cash receipts of rebates.

***CONA Services LLC ("CONA")***

Along with certain other Coca-Cola bottlers, the Company is a member of CONA, an entity formed to provide business process and information technology services to its members. The Company accounts for CONA as an equity method investment. The Company's investment in CONA, which was classified as other assets in the condensed consolidated balance sheets, was $22.9 million as of March 29, 2024 and $22.1 million as of December 31, 2023.

Pursuant to an amended and restated master services agreement with CONA, the Company is authorized to use the Coke One North America system (the "CONA System"), a uniform information technology system developed to promote operational efficiency and uniformity among North American Coca-Cola bottlers. In exchange for the Company's rights to use the CONA System and receive CONA-related services, it is charged service fees by CONA. The Company incurred service fees to CONA of $5.7 million in the first quarter of 2024 and $6.4 million in the first quarter of 2023.

### *Related Party Leases*

The Company leases its headquarters office facility and an adjacent office facility in Charlotte, North Carolina from Beacon Investment Corporation, of which J. Frank Harrison, III is the majority stockholder and Morgan H. Everett, Vice Chair of the Company's Board of Directors, is a minority stockholder. The annual base rent the Company is obligated to pay under this lease is subject to an adjustment for an inflation factor and the lease expires on December 31, 2029. The principal balance outstanding under this lease was $21.7 million on March 29, 2024 and $22.5 million on December 31, 2023. Rental payments for this lease were $1.0 million in both the first quarter of 2024 and the first quarter of 2023.

### *Long-Term Performance Equity Plan*

The Long-Term Performance Equity Plan compensates J. Frank Harrison, III based on the Company's performance. Awards granted to Mr. Harrison under the Long-Term Performance Equity Plan are earned based on the Company's attainment during a performance period of certain performance measures, each as specified by the Compensation Committee of the Company's Board of Directors. These awards may be settled in cash and/or shares of the Company's Class B Common Stock, based on the average of the closing prices of shares of the Company's Common Stock during the last 20 trading days of the performance period. Compensation expense for the Long-Term Performance Equity Plan, which was included in selling, delivery and administrative expenses in the condensed consolidated statements of operations, was $2.0 million in both the first quarter of 2024 and the first quarter of 2023.

## 3. Revenue Recognition

The Company's sales are divided into two main categories: (i) bottle/can sales and (ii) other sales. Bottle/can sales include products packaged primarily in plastic bottles and aluminum cans. Bottle/can net pricing is based on the invoice price charged to customers reduced by any promotional allowances. Bottle/can net pricing per unit is impacted by the price charged per package, the sales volume generated for each package and the channels in which those packages are sold. Other sales include sales to other Coca-Cola bottlers, post-mix sales, transportation revenue and equipment maintenance revenue.

The Company's contracts are derived from customer orders, including customer sales incentives, generated through an order processing and replenishment model. Generally, the Company's service contracts and contracts related to the delivery of specifically identifiable products have a single performance obligation. Revenues do not include sales or other taxes collected from customers. The Company has defined its performance obligations for its contracts as either at a point in time or over time. Bottle/can sales, sales to other Coca-Cola bottlers and post-mix sales are recognized when control transfers to a customer, which is generally upon delivery and is considered a single point in time ("point in time"). Point in time sales accounted for approximately 98% of the Company's net sales in both the first quarter of 2024 and the first quarter of 2023.

Other sales, which include revenue for service fees related to the repair of cold drink equipment and delivery fees for freight hauling and brokerage services, are recognized over time ("over time"). Revenues related to cold drink equipment repair are recognized as the respective services are completed using a cost-to-cost input method. Repair services are generally completed in less than one day but can extend up to one month. Revenues related to freight hauling and brokerage services are recognized as the delivery occurs using a miles driven output method. Generally, delivery occurs and freight charges are recognized in the same day. Over time sales orders open at the end of a financial period are not material to the condensed consolidated financial statements.

The following table represents a disaggregation of revenue from contracts with customers:

| | First Quarter | |
|---|---|---|
| *(in thousands)* | 2024 | 2023 |
| **Point in time net sales:** | | |
| Nonalcoholic Beverages - point in time | $ 1,561,145 | $ 1,533,288 |
| **Total point in time net sales** | **$ 1,561,145** | **$ 1,533,288** |
| | | |
| **Over time net sales:** | | |
| Nonalcoholic Beverages - over time | $ 13,567 | $ 12,124 |
| All Other - over time | 16,914 | 26,230 |
| **Total over time net sales** | **$ 30,481** | **$ 38,354** |
| | | |
| **Total net sales** | **$ 1,591,626** | **$ 1,571,642** |

The Company's allowance for doubtful accounts in the condensed consolidated balance sheets includes a reserve for customer returns and an allowance for credit losses. The Company experiences customer returns primarily as a result of damaged or out-of-date product. At any given time, the Company estimates less than 1% of bottle/can sales and post-mix sales could be at risk for return by customers. Returned product is recognized as a reduction to net sales. The Company's reserve for customer returns was $4.8 million as of March 29, 2024 and $4.5 million as of December 31, 2023.

The Company estimates an allowance for credit losses, based on historic days' sales outstanding trends, aged customer balances, previously written-off balances and expected recoveries up to balances previously written off, in order to present the net amount expected to be collected. Accounts receivable balances are written off when determined uncollectible and are recognized as a reduction to the allowance for credit losses. Following is a summary of activity for the allowance for credit losses during the first quarter of 2024 and the first quarter of 2023:

| | First Quarter | |
|---|---|---|
| *(in thousands)* | 2024 | 2023 |
| **Beginning balance - allowance for credit losses** | **$ 11,560** | **$ 13,119** |
| Additions charged to expenses and as a reduction to net sales | 725 | 1,631 |
| Deductions | (510) | (744) |
| **Ending balance - allowance for credit losses** | **$ 11,775** | **$ 14,006** |

## 4. Segments

The Company evaluates segment reporting in accordance with FASB Accounting Standards Codification Topic 280, Segment Reporting, each reporting period, including evaluating the reporting package reviewed by the CODM. The Company has concluded the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer, as a group, represent the CODM. Asset information is not provided to the CODM.

The Company believes three operating segments exist. Nonalcoholic Beverages represents the vast majority of the Company's consolidated net sales and income from operations. The additional two operating segments do not meet the quantitative thresholds for separate reporting, either individually or in the aggregate, and, therefore, have been combined into "All Other."

The Company's segment results are as follows:

| | First Quarter | |
|---|---|---|
| *(in thousands)* | 2024 | 2023 |
| **Net sales:** | | |
| Nonalcoholic Beverages | $ 1,574,712 | $ 1,545,412 |
| All Other | 88,102 | 92,376 |
| Eliminations[(1)] | (71,188) | (66,146) |
| **Consolidated net sales** | **$ 1,591,626** | **$ 1,571,642** |

(1) The entire net sales elimination represents net sales from the All Other segment to the Nonalcoholic Beverages segment. Sales between these segments are recognized at either fair market value or cost depending on the nature of the transaction.

| *(in thousands)* | First Quarter 2024 | | First Quarter 2023 | |
|---|---|---|---|---|
| **Income from operations:** | | | | |
| Nonalcoholic Beverages | $ | 212,142 | $ | 209,779 |
| All Other | | 3,264 | | (3,725) |
| **Consolidated income from operations** | **$** | **215,406** | **$** | **206,054** |
| | | | | |
| **Depreciation and amortization:** | | | | |
| Nonalcoholic Beverages | $ | 43,098 | $ | 40,564 |
| All Other | | 3,653 | | 2,945 |
| **Consolidated depreciation and amortization** | **$** | **46,751** | **$** | **43,509** |

## 5. Net Income Per Share

The following table sets forth the computation of basic net income per share and diluted net income per share under the two-class method:

| *(in thousands, except per share data)* | First Quarter 2024 | | First Quarter 2023 | |
|---|---|---|---|---|
| **Numerator for basic and diluted net income per Common Stock and Class B Common Stock share:** | | | | |
| Net income | $ | 165,741 | $ | 118,127 |
| Less dividends: | | | | |
| Common Stock | | 138,088 | | 29,291 |
| Class B Common Stock | | 16,578 | | 3,517 |
| **Total undistributed earnings** | **$** | **11,075** | **$** | **85,319** |
| | | | | |
| Common Stock undistributed earnings – basic | $ | 9,888 | $ | 76,172 |
| Class B Common Stock undistributed earnings – basic | | 1,187 | | 9,147 |
| **Total undistributed earnings – basic** | **$** | **11,075** | **$** | **85,319** |
| | | | | |
| Common Stock undistributed earnings – diluted | $ | 9,874 | $ | 76,002 |
| Class B Common Stock undistributed earnings – diluted | | 1,201 | | 9,317 |
| **Total undistributed earnings – diluted** | **$** | **11,075** | **$** | **85,319** |
| | | | | |
| **Numerator for basic net income per Common Stock share:** | | | | |
| Dividends on Common Stock | $ | 138,088 | $ | 29,291 |
| Common Stock undistributed earnings – basic | | 9,888 | | 76,172 |
| **Numerator for basic net income per Common Stock share** | **$** | **147,976** | **$** | **105,463** |
| | | | | |
| **Numerator for basic net income per Class B Common Stock share:** | | | | |
| Dividends on Class B Common Stock | $ | 16,578 | $ | 3,517 |
| Class B Common Stock undistributed earnings – basic | | 1,187 | | 9,147 |
| **Numerator for basic net income per Class B Common Stock share** | **$** | **17,765** | **$** | **12,664** |
| | | | | |
| **Numerator for diluted net income per Common Stock share:** | | | | |
| Dividends on Common Stock | $ | 138,088 | $ | 29,291 |
| Dividends on Class B Common Stock assumed converted to Common Stock | | 16,578 | | 3,517 |
| Common Stock undistributed earnings – diluted | | 11,075 | | 85,319 |
| **Numerator for diluted net income per Common Stock share** | **$** | **165,741** | **$** | **118,127** |
| | | | | |
| **Numerator for diluted net income per Class B Common Stock share:** | | | | |
| Dividends on Class B Common Stock | $ | 16,578 | $ | 3,517 |
| Class B Common Stock undistributed earnings – diluted | | 1,201 | | 9,317 |
| **Numerator for diluted net income per Class B Common Stock share** | **$** | **17,779** | **$** | **12,834** |

| (in thousands, except per share data) | First Quarter 2024 | 2023 |
|---|---|---|
| **Denominator for basic net income per Common Stock and Class B Common Stock share:** | | |
| Common Stock weighted average shares outstanding – basic | 8,369 | 8,369 |
| Class B Common Stock weighted average shares outstanding – basic | 1,005 | 1,005 |
| | | |
| **Denominator for diluted net income per Common Stock and Class B Common Stock share:** | | |
| Common Stock weighted average shares outstanding – diluted (assumes conversion of Class B Common Stock to Common Stock) | 9,387 | 9,395 |
| Class B Common Stock weighted average shares outstanding – diluted | 1,018 | 1,026 |
| | | |
| **Basic net income per share:** | | |
| Common Stock | $ 17.68 | $ 12.60 |
| Class B Common Stock | $ 17.68 | $ 12.60 |
| | | |
| **Diluted net income per share:** | | |
| Common Stock | $ 17.66 | $ 12.57 |
| Class B Common Stock | $ 17.46 | $ 12.51 |

NOTES TO TABLE

(1) For purposes of the diluted net income per share computation for Common Stock, all shares of Class B Common Stock are assumed to be converted; therefore, 100% of undistributed earnings is allocated to Common Stock.
(2) For purposes of the diluted net income per share computation for Class B Common Stock, weighted average shares of Class B Common Stock are assumed to be outstanding for the entire period and not converted.
(3) For periods presented during which the Company has net income, the denominator for diluted net income per share for Common Stock and Class B Common Stock includes the dilutive effect of unvested performance shares relative to the Long-Term Performance Equity Plan. For periods presented during which the Company has net loss, the unvested performance shares granted pursuant to the Long-Term Performance Equity Plan are excluded from the computation of diluted net loss per share, as the effect would have been anti-dilutive. See Note 2 for additional information on the Long-Term Performance Equity Plan.
(4) The Long-Term Performance Equity Plan awards may be settled in cash and/or shares of the Company's Class B Common Stock. Once an election has been made to settle an award in cash, the dilutive effect of unvested performance shares relative to such award is prospectively removed from the denominator in the computation of diluted net income per share.
(5) The Company did not have anti-dilutive unvested performance shares for any periods presented.

## 6. Short-Term Investments

Short-term investments that the Company has the positive intent and ability to hold to maturity are carried at amortized cost and classified as held-to-maturity. Short-term investments that are not classified as held-to-maturity are carried at fair value and classified as available-for-sale. As of March 29, 2024, all of the Company's short-term investments were classified as available-for-sale. As of December 31, 2023, the Company did not have any short-term investments. Realized gains and losses on available-for-sale investments are included in net income. Unrealized gains and losses, net of tax, on available-for-sale investments are included in the condensed consolidated balance sheet as a component of accumulated other comprehensive income (loss).

As of March 29, 2024, the Company's available-for-sale investments consisted of the following cost, unrealized positions and estimated fair value, disaggregated by class of instrument:

| (in thousands) | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| U.S. Treasury securities | $ 115,297 | $ 4 | $ (176) | $ 115,125 |
| Corporate bonds | 62,128 | 1 | (53) | 62,076 |
| Commercial paper instruments | 3,482 | — | (2) | 3,480 |
| Asset-backed securities | 2,964 | — | (6) | 2,958 |
| **Total short-term investments** | **$ 183,871** | **$ 5** | **$ (237)** | **$ 183,639** |

As of March 29, 2024, all of the Company's available-for-sale investments were classified as short-term investments in the condensed consolidated balance sheet and had weighted average maturities of less than one year. The Company did not identify any other-than-temporary impairment on its available-for-sale investments during the first quarter of 2024.

The sale and/or maturity of available-for-sale investments resulted in the following realized activity during the first quarter of 2024:

| *(in thousands)* | | **First Quarter 2024** |
|---|---|---|
| Gross realized gains | $ | — |
| Gross realized losses | | — |
| Proceeds | | 1,116 |

There was no realized activity during the first quarter of 2023, as the Company did not have any short-term investments during that period.

**7. Inventories**

Inventories consisted of the following:

| *(in thousands)* | | **March 29, 2024** | | **December 31, 2023** |
|---|---|---|---|---|
| Finished products | $ | 246,307 | $ | 207,912 |
| Manufacturing materials | | 72,239 | | 71,560 |
| Plastic shells, plastic pallets and other inventories | | 42,540 | | 42,460 |
| **Total inventories** | **$** | **361,086** | **$** | **321,932** |

**8. Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets consisted of the following:

| *(in thousands)* | | **March 29, 2024** | | **December 31, 2023** |
|---|---|---|---|---|
| Repair parts | $ | 31,317 | $ | 35,256 |
| Prepaid software | | 9,774 | | 9,427 |
| Prepaid taxes | | 9,195 | | 9,020 |
| Prepaid marketing | | 5,462 | | 4,703 |
| Commodity hedges at fair market value | | 2,548 | | 3,747 |
| Other prepaid expenses and other current assets | | 31,297 | | 26,432 |
| **Total prepaid expenses and other current assets** | **$** | **89,593** | **$** | **88,585** |

## 9. Property, Plant and Equipment, Net

The principal categories and estimated useful lives of property, plant and equipment, net were as follows:

| *(in thousands)* | March 29, 2024 | December 31, 2023 | Estimated Useful Lives |
|---|---|---|---|
| Land | $ 99,858 | $ 99,858 | |
| Buildings | 391,483 | 390,852 | 8-50 years |
| Machinery and equipment | 509,406 | 498,737 | 5-20 years |
| Transportation equipment | 621,175 | 611,001 | 3-20 years |
| Furniture and fixtures | 106,204 | 107,072 | 3-10 years |
| Cold drink dispensing equipment | 451,490 | 449,508 | 3-17 years |
| Leasehold and land improvements | 178,805 | 179,146 | 5-20 years |
| Software for internal use | 49,611 | 49,611 | 3-10 years |
| Construction in progress | 104,612 | 95,623 | |
| **Total property, plant and equipment, at cost** | **2,512,644** | **2,481,408** | |
| Less: Accumulated depreciation and amortization | 1,190,963 | 1,160,845 | |
| **Property, plant and equipment, net** | **$ 1,321,681** | **$ 1,320,563** | |

## 10. Leases

Following is a summary of the weighted average remaining lease term and the weighted average discount rate for the Company’s leases:

| | March 29, 2024 | December 31, 2023 |
|---|---|---|
| **Weighted average remaining lease term:** | | |
| Operating leases | 6.6 years | 6.7 years |
| Financing leases | 3.3 years | 3.5 years |
| **Weighted average discount rate:** | | |
| Operating leases | 3.9 % | 3.8 % |
| Financing leases | 5.2 % | 5.2 % |

Following is a summary of the Company’s leases within the condensed consolidated statements of operations:

| | First Quarter | |
|---|---|---|
| *(in thousands)* | 2024 | 2023 |
| Operating lease costs | $ 7,789 | $ 8,273 |
| Short-term and variable leases | 3,030 | 3,765 |
| Depreciation expense from financing leases | 412 | 411 |
| Interest expense on financing lease obligations | 92 | 121 |
| **Total lease cost** | **$ 11,323** | **$ 12,570** |

The future minimum lease payments related to the Company's leases include renewal options the Company has determined to be reasonably certain and exclude payments to landlords for real estate taxes and common area maintenance. Following is a summary of future minimum lease payments for all noncancelable operating leases and financing leases as of March 29, 2024:

| *(in thousands)* | Operating Leases | Financing Leases |
|---|---|---|
| Remainder of 2024 | $ 22,330 | $ 2,114 |
| 2025 | 24,341 | 2,869 |
| 2026 | 21,115 | 1,233 |
| 2027 | 18,614 | 338 |
| 2028 | 13,890 | 345 |
| Thereafter | 39,045 | 620 |
| **Total minimum lease payments including interest** | **$ 139,335** | **$ 7,519** |
| Less: Amounts representing interest | 17,271 | 601 |
| **Present value of minimum lease principal payments** | **122,064** | **6,918** |
| Less: Current portion of lease liabilities | 25,085 | 2,536 |
| **Noncurrent portion of lease liabilities** | **$ 96,979** | **$ 4,382** |

Following is a summary of future minimum lease payments for all noncancelable operating leases and financing leases as of December 31, 2023:

| *(in thousands)* | Operating Leases | Financing Leases |
|---|---|---|
| 2024 | $ 29,932 | $ 2,808 |
| 2025 | 24,329 | 2,869 |
| 2026 | 21,115 | 1,233 |
| 2027 | 18,614 | 338 |
| 2028 | 13,890 | 345 |
| Thereafter | 39,022 | 620 |
| **Total minimum lease payments including interest** | **$ 146,902** | **$ 8,213** |
| Less: Amounts representing interest | 18,437 | 694 |
| **Present value of minimum lease principal payments** | **128,465** | **7,519** |
| Less: Current portion of lease liabilities | 26,194 | 2,487 |
| **Noncurrent portion of lease liabilities** | **$ 102,271** | **$ 5,032** |

Following is a summary of the Company's leases within the condensed consolidated statements of cash flows:

| | First Quarter | |
|---|---|---|
| *(in thousands)* | 2024 | 2023 |
| **Cash flows from operating activities impact:** | | |
| Operating leases | $ 7,612 | $ 8,028 |
| Interest payments on financing lease obligations | 92 | 121 |
| **Total cash flows from operating activities impact** | **$ 7,704** | **$ 8,149** |
| | | |
| **Cash flows from financing activities impact:** | | |
| Principal payments on financing lease obligations | $ 601 | $ 558 |
| **Total cash flows from financing activities impact** | **$ 601** | **$ 558** |

## 11. Distribution Agreements, Net

Distribution agreements, net, which are amortized on a straight-line basis and have estimated useful lives of 20 to 40 years, consisted of the following:

| *(in thousands)* | March 29, 2024 | December 31, 2023 |
|---|---|---|
| Distribution agreements at cost | $ 990,191 | $ 990,191 |
| Less: Accumulated amortization | 179,271 | 173,048 |
| **Distribution agreements, net** | **$ 810,920** | **$ 817,143** |

## 12. Customer Lists, Net

Customer lists, net, which are amortized on a straight-line basis and have estimated useful lives of five to 12 years, consisted of the following:

| *(in thousands)* | March 29, 2024 | December 31, 2023 |
|---|---|---|
| Customer lists at cost | $ 25,288 | $ 25,288 |
| Less: Accumulated amortization | 18,195 | 17,789 |
| **Customer lists, net** | **$ 7,093** | **$ 7,499** |

## 13. Supply Chain Finance Program

The Company has an agreement with a third-party financial institution to facilitate a supply chain finance ("SCF") program, which allows qualifying suppliers to sell their receivables from the Company to the financial institution. The participating suppliers negotiate their outstanding receivable arrangements and associated fees directly with the financial institution, and the Company is not party to those agreements. Once a qualifying supplier elects to participate in the SCF program and reaches an agreement with the financial institution, the supplier elects which individual Company invoices it sells to the financial institution. The supplier invoices that have been confirmed as valid under the SCF program require payment in full by the financial institution to the supplier by the original maturity date of the invoice, or discounted payment at an earlier date as agreed upon with the supplier. The Company's obligations to its suppliers, including amounts due and scheduled payment terms, are not impacted by a supplier's participation in the SCF program.

All outstanding amounts related to suppliers participating in the SCF program are recorded in accounts payable, trade in the condensed consolidated balance sheets, and associated payments are included in operating activities in the condensed consolidated statements of cash flows. The Company's outstanding confirmed obligations included in accounts payable, trade in the condensed consolidated balance sheets were $50.2 million as of March 29, 2024 and $55.1 million as of December 31, 2023.

## 14. Other Accrued Liabilities

Other accrued liabilities consisted of the following:

| *(in thousands)* | March 29, 2024 | December 31, 2023 |
|---|---|---|
| Current portion of acquisition related contingent consideration | $ 71,671 | $ 64,528 |
| Accrued insurance costs | 59,385 | 54,040 |
| Accrued marketing costs | 51,760 | 55,799 |
| Employee and retiree benefit plan accruals | 32,440 | 34,203 |
| Accrued taxes (other than income taxes) | 8,733 | 7,474 |
| Accrued interest payable | 5,842 | 2,520 |
| All other accrued expenses | 24,634 | 19,430 |
| **Total other accrued liabilities** | **$ 254,465** | **$ 237,994** |

## 15. Commodity Derivative Instruments

The Company is subject to the risk of increased costs arising from adverse changes in certain commodity prices. In the normal course of business, the Company manages this risk through a variety of strategies, including the use of commodity derivative instruments. The Company does not use commodity derivative instruments for trading or speculative purposes. These commodity derivative instruments are not designated as hedging instruments under GAAP and are used as "economic hedges" to manage certain commodity price risk. The Company uses several different financial institutions for commodity derivative instruments to minimize the concentration of credit risk. While the Company would be exposed to credit loss in the event of nonperformance by these counterparties, the Company does not anticipate nonperformance by these counterparties.

Commodity derivative instruments held by the Company are marked to market on a quarterly basis and are recognized in earnings consistent with the expense classification of the underlying hedged item. The Company generally pays a fee for these commodity derivative instruments, which is amortized over the corresponding period of each commodity derivative instrument. Settlements of commodity derivative instruments are included in cash flows from operating activities in the condensed consolidated statements of cash flows. The following table summarizes pre-tax changes in the fair values of the Company's commodity derivative instruments and the classification of such changes in the condensed consolidated statements of operations:

| | First Quarter | |
|---|---|---|
| *(in thousands)* | **2024** | **2023** |
| Cost of sales | $ (1,156) | $ (395) |
| Selling, delivery and administrative expenses | (43) | (2,690) |
| **Total loss** | **$ (1,199)** | **$ (3,085)** |

All commodity derivative instruments are recorded at fair value as either assets or liabilities in the condensed consolidated balance sheets. The Company has master agreements with the counterparties to its commodity derivative instruments that provide for net settlement of derivative transactions. Accordingly, the net amounts of derivative assets are recognized in either prepaid expenses and other current assets or other assets in the condensed consolidated balance sheets and the net amounts of derivative liabilities are recognized in either other accrued liabilities or other liabilities in the condensed consolidated balance sheets. The following table summarizes the fair values of the Company's commodity derivative instruments and the classification of such instruments in the condensed consolidated balance sheets:

| *(in thousands)* | **March 29, 2024** | **December 31, 2023** |
|---|---|---|
| Prepaid expenses and other current assets | $ 2,548 | $ 3,747 |
| **Total assets** | **$ 2,548** | **$ 3,747** |

The following table summarizes the Company's gross commodity derivative instrument assets and gross commodity derivative instrument liabilities in the condensed consolidated balance sheets:

| *(in thousands)* | **March 29, 2024** | **December 31, 2023** |
|---|---|---|
| Gross commodity derivative instrument assets | $ 2,548 | $ 3,747 |
| Gross commodity derivative instrument liabilities | — | — |

The following table summarizes the Company's outstanding commodity derivative instruments:

| *(in thousands)* | **March 29, 2024** | **December 31, 2023** |
|---|---|---|
| Notional amount of outstanding commodity derivative instruments | $ 52,923 | $ 50,187 |
| Latest maturity date of outstanding commodity derivative instruments | December 2024 | December 2024 |

**16. Fair Values of Financial Instruments**

GAAP requires assets and liabilities carried at fair value to be classified and disclosed in one of the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The below methods and assumptions were used by the Company in estimating the fair values of its financial instruments. There were no transfers of assets or liabilities between levels in any period presented.

| Financial Instrument | Fair Value Level | Methods and Assumptions |
|---|---|---|
| Deferred compensation plan assets and liabilities | Level 1 | The fair value of the Company's nonqualified deferred compensation plan for certain executives and other highly compensated employees is based on the fair values of associated assets and liabilities, which are held in mutual funds and are based on the quoted market values of the securities held within the mutual funds. |
| Short-term investments | Level 1 | The fair values of the Company's Level 1 short-term investments, which are U.S. Treasury securities, corporate bonds and asset-backed securities, are based on the quoted market prices of those securities which are actively traded on national exchanges. |
| Short-term investments | Level 2 | The fair values of the Company's Level 2 short-term investments, which are commercial paper instruments, are based on estimated current market prices and have readily determinable fair market values. |
| Commodity derivative instruments | Level 2 | The fair values of the Company's commodity derivative instruments are based on current settlement values at each balance sheet date, which represent the estimated amounts the Company would have received or paid upon termination of these instruments. The Company's credit risk related to the commodity derivative instruments is managed by requiring high standards for its counterparties and periodic settlements. The Company considers nonperformance risk in determining the fair values of commodity derivative instruments. |
| Long-term debt | Level 2 | The carrying amounts of the Company's variable rate debt approximate the fair values due to variable interest rates with short reset periods. The fair values of the Company's fixed rate debt are based on estimated current market prices. |
| Acquisition related contingent consideration | Level 3 | The fair value of the Company's acquisition related contingent consideration is based on internal forecasts and the weighted average cost of capital ("WACC") derived from market data. |

The following tables summarize the carrying amounts and the fair values by level of the Company's deferred compensation plan assets and liabilities, short-term investments, commodity derivative instruments, long-term debt and acquisition related contingent consideration:

| | March 29, 2024 | | | | |
|---|---|---|---|---|---|
| *(in thousands)* | Carrying Amount | Total Fair Value | Fair Value Level 1 | Fair Value Level 2 | Fair Value Level 3 |
| **Assets:** | | | | | |
| Deferred compensation plan assets | $ 73,132 | $ 73,132 | $ 73,132 | $ — | $ — |
| Short-term investments | 183,639 | 183,639 | 180,159 | 3,480 | — |
| Commodity derivative instruments | 2,548 | 2,548 | — | 2,548 | — |
| **Liabilities:** | | | | | |
| Deferred compensation plan liabilities | 73,132 | 73,132 | 73,132 | — | — |
| Long-term debt | 599,293 | 580,800 | — | 580,800 | — |
| Acquisition related contingent consideration | 649,596 | 649,596 | — | — | 649,596 |

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| *(in thousands)* | Carrying Amount | Total Fair Value | Fair Value Level 1 | Fair Value Level 2 | Fair Value Level 3 |
| **Assets:** | | | | | |
| Deferred compensation plan assets | $ 64,769 | $ 64,769 | $ 64,769 | $ — | $ — |
| Commodity derivative instruments | 3,747 | 3,747 | — | 3,747 | — |
| **Liabilities:** | | | | | |
| Deferred compensation plan liabilities | 64,769 | 64,769 | 64,769 | — | — |
| Long-term debt | 599,159 | 579,000 | — | 579,000 | — |
| Acquisition related contingent consideration | 669,337 | 669,337 | — | — | 669,337 |

The acquisition related contingent consideration was valued using a probability weighted discounted cash flow model based on internal forecasts and the WACC derived from market data, which are considered Level 3 inputs. Each reporting period, the

Company adjusts its acquisition related contingent consideration liability related to the distribution territories subject to acquisition related sub-bottling payments to fair value by discounting future expected acquisition related sub-bottling payments required under the CBA using the Company's estimated WACC.

The future expected acquisition related sub-bottling payments extend through the life of the related distribution assets acquired in each distribution territory, which is generally 40 years. As a result, the fair value of the acquisition related contingent consideration liability is impacted by the Company's WACC, management's estimate of the acquisition related sub-bottling payments that will be made in the future under the CBA, and current acquisition related sub-bottling payments (all Level 3 inputs). Changes in any of these Level 3 inputs, particularly the underlying risk-free interest rate used to estimate the Company's WACC, could result in material changes to the fair value of the acquisition related contingent consideration liability and could materially impact the amount of non-cash expense (or income) recorded each reporting period.

The acquisition related contingent consideration liability is the Company's only Level 3 asset or liability. A summary of the Level 3 activity is as follows:

| | First Quarter | |
|---|---|---|
| *(in thousands)* | **2024** | **2023** |
| **Beginning balance - Level 3 liability** | **$ 669,337** | **$ 541,491** |
| Payments of acquisition related contingent consideration | (9,700) | (6,499) |
| Reclassification to current payables | (4,500) | (200) |
| (Decrease) increase in fair value | (5,541) | 41,654 |
| **Ending balance - Level 3 liability** | **$ 649,596** | **$ 576,446** |

As of March 29, 2024 and March 31, 2023, a WACC of 8.9% and 8.7%, respectively, was utilized in the valuation of the Company's acquisition related contingent consideration liability. The decrease in the fair value of the acquisition related contingent consideration liability in the first quarter of 2024 was primarily driven by an increase in the WACC used to calculate the fair value of the liability, partially offset by higher projections of future cash flows in the distribution territories subject to acquisition related sub-bottling payments. This fair value adjustment was recorded in mark-to-market on acquisition related contingent consideration in the condensed consolidated statement of operations for the first quarter of 2024.

For the next five future years, the Company anticipates that the amount it could pay annually under the acquisition related contingent consideration arrangements for the distribution territories subject to acquisition related sub-bottling payments will be in the range of approximately $50 million to $70 million.

## 17. Income Taxes

The Company's effective income tax rate was 25.6% for the first quarter of 2024 and 25.8% for the first quarter of 2023. The Company's income tax expense was $57.1 million for the first quarter of 2024 and $41.1 million for the first quarter of 2023. The increase in income tax expense was primarily attributable to higher income before taxes during the first quarter of 2024 compared to the first quarter of 2023.

The Company had uncertain tax positions, including accrued interest, of $0.4 million on both March 29, 2024 and December 31, 2023, all of which would affect the Company's effective income tax rate if recognized. While it is expected the amount of uncertain tax positions may change in the next 12 months, the Company does not expect such change would have a material impact on the condensed consolidated financial statements.

Prior tax years beginning in year 2020 remain open to examination by the Internal Revenue Service, and various tax years beginning in year 2000 remain open to examination by certain state tax jurisdictions due to loss carryforwards.

## 18. Pension and Postretirement Benefit Obligations

### *Pension Plans*

The Company has historically sponsored two pension plans. The primary Company-sponsored pension plan (the "Primary Plan") was frozen as of June 30, 2006 and no benefits accrued to participants after that date. The Primary Plan was terminated during 2023, as discussed below. The second Company-sponsored pension plan (the "Bargaining Plan") is for certain employees under collective bargaining agreements. Benefits under the Bargaining Plan are determined in accordance with negotiated formulas for the respective participants.

During the second quarter of 2023, the Company began recognizing the termination of the Primary Plan. The Company recognized settlement expense of $112.8 million during the final three quarters of 2023 in conjunction with the full settlement of the Primary Plan benefit liabilities. This settlement expense related primarily to the reclassification of the gross actuarial losses associated with the Primary Plan out of accumulated other comprehensive loss and was recorded as pension plan settlement expense in the consolidated statement of operations for 2023. See Note 22 for additional information related to the impact on accumulated other comprehensive loss of the Primary Plan termination during 2023.

The components of net periodic pension cost related to the Bargaining Plan during the first quarter of 2024 and both the Bargaining Plan and the Primary Plan during the first quarter of 2023 were as follows:

| | First Quarter | |
|---|---|---|
| *(in thousands)* | **2024** | **2023** |
| Service cost | $ 1,091 | $ 1,099 |
| Interest cost | 589 | 3,508 |
| Expected return on plan assets | (763) | (2,914) |
| Recognized net actuarial loss | — | 973 |
| Amortization of prior service cost | 4 | 4 |
| **Net periodic pension cost** | **$ 921** | **$ 2,670** |

Contributions to the Bargaining Plan are based on actuarially determined amounts and are limited to the amounts currently deductible for income tax purposes. The Company did not make any contributions to the Bargaining Plan during the first quarter of 2024. The Company does not expect cash contributions to the Bargaining Plan to exceed $2 million during 2024.

***Postretirement Benefits***

The Company provides postretirement benefits for employees meeting specified qualifying criteria. The Company recognizes the cost of postretirement benefits, which consist principally of medical benefits, during employees' periods of active service. The Company does not prefund these benefits and has the right to modify or terminate certain of these benefits in the future.

The components of net periodic postretirement benefit cost were as follows:

| | First Quarter | |
|---|---|---|
| *(in thousands)* | **2024** | **2023** |
| Service cost | $ 310 | $ 294 |
| Interest cost | 781 | 698 |
| Recognized net actuarial loss | 26 | — |
| **Net periodic postretirement benefit cost** | **$ 1,117** | **$ 992** |

## 19. Other Liabilities

Other liabilities consisted of the following:

| *(in thousands)* | **March 29, 2024** | **December 31, 2023** |
|---|---|---|
| Noncurrent portion of acquisition related contingent consideration | $ 577,925 | $ 604,809 |
| Accruals for executive benefit plans | 146,814 | 153,428 |
| Noncurrent deferred proceeds from related parties | 99,410 | 100,176 |
| Other | 7,447 | 8,086 |
| **Total other liabilities** | **$ 831,596** | **$ 866,499** |

## 20. Long-Term Debt

Following is a summary of the Company's long-term debt:

| *(in thousands)* | Maturity Date | Interest Rate | Interest Paid | Public/ Nonpublic | March 29, 2024 | | December 31, 2023 | |
|---|---|---|---|---|---|---|---|---|
| Senior bonds[1] | 11/25/2025 | 3.80% | Semi-annually | Public | $ | 350,000 | $ | 350,000 |
| Revolving credit facility[2] | 7/9/2026 | Variable | Varies | Nonpublic | | — | | — |
| Senior notes | 10/10/2026 | 3.93% | Quarterly | Nonpublic | | 100,000 | | 100,000 |
| Senior notes | 3/21/2030 | 3.96% | Quarterly | Nonpublic | | 150,000 | | 150,000 |
| Unamortized discount on senior bonds[1] | 11/25/2025 | | | | | (15) | | (17) |
| Debt issuance costs | | | | | | (692) | | (824) |
| **Total long-term debt** | | | | | **$** | **599,293** | **$** | **599,159** |

(1) The senior bonds due in 2025 were issued at 99.975% of par.
(2) The Company's revolving credit facility has an aggregate maximum borrowing capacity of $500 million. The Company currently believes all banks participating in the revolving credit facility have the ability to and will meet any funding requests from the Company.

The Company mitigates its financing risk by using multiple financial institutions and only entering into credit arrangements with institutions with investment grade credit ratings. The Company monitors counterparty credit ratings on an ongoing basis.

The indenture under which the Company's senior bonds were issued does not include financial covenants, but does limit the incurrence of certain liens and encumbrances as well as indebtedness by the Company's subsidiaries in excess of certain amounts. The agreements under which the Company's nonpublic debt was issued include two financial covenants: a consolidated cash flow/fixed charges ratio and a consolidated funded indebtedness/cash flow ratio, each as defined in the respective agreement. The Company was in compliance with these covenants as of March 29, 2024. These covenants have not restricted, and are not expected to restrict, the Company's liquidity or capital resources.

All outstanding long-term debt has been issued by the Company and none has been issued by any of its subsidiaries. There are no guarantees of the Company's long-term debt.

## 21. Commitments and Contingencies

### *Manufacturing Cooperatives*

The Company is obligated to purchase at least 80% of its requirements of plastic bottles for certain designated territories from Southeastern. The Company is also obligated to purchase 17.5 million cases of finished product from SAC on an annual basis through June 2024. The Company purchased 6.1 million cases and 6.2 million cases of finished product from SAC in the first quarter of 2024 and the first quarter of 2023, respectively.

The following table summarizes the Company's purchases from these manufacturing cooperatives:

| | First Quarter | | | |
|---|---|---|---|---|
| *(in thousands)* | 2024 | | 2023 | |
| Purchases from Southeastern | $ | 36,964 | $ | 42,827 |
| Purchases from SAC | | 50,556 | | 49,605 |
| **Total purchases from manufacturing cooperatives** | **$** | **87,520** | **$** | **92,432** |

The Company guarantees a portion of SAC's debt, which matures in 2028, based on the ratio of SAC's total liabilities to SAC's shareholders' equity as of December 31 of each year. As of March 29, 2024 and December 31, 2023, the amount of the Company's guarantee of SAC's debt was $0 and $9.5 million, respectively. In the event SAC fails to fulfill its commitments under the related debt, the Company would be responsible for payment to the lenders up to the level of the guarantee. The Company does not anticipate SAC will fail to fulfill its commitments related to the debt. The Company further believes SAC has sufficient assets, including production equipment, facilities and working capital, and the ability to adjust the selling prices of its products to adequately mitigate the risk of material loss relating to the Company's guarantee.

The Company holds no assets as collateral against the SAC guarantee, the fair value of which is immaterial to the condensed consolidated financial statements. The Company monitors its investment in SAC and would be required to write down its investment if an impairment, other than a temporary impairment, was identified. No impairment of the Company's investment in SAC was identified as of March 29, 2024, and there was no impairment identified in 2023.

***Other Commitments and Contingencies***

The Company has standby letters of credit, primarily related to its property and casualty insurance programs. These letters of credit totaled $37.6 million on both March 29, 2024 and December 31, 2023.

The Company participates in long-term marketing contractual arrangements with certain prestige properties, athletic venues and other locations. As of March 29, 2024, the future payments related to these contractual arrangements, which expire at various dates through 2033, amounted to $135.1 million.

The Company is involved in various claims and legal proceedings which have arisen in the ordinary course of its business. Although it is difficult to predict the ultimate outcome of these claims and legal proceedings, management believes the ultimate disposition of these matters will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company. No material amount of loss in excess of recorded amounts is believed to be reasonably possible as a result of these claims and legal proceedings.

The Company is subject to audits by tax authorities in jurisdictions where it conducts business. These audits may result in assessments that are subsequently resolved with the authorities or potentially through the courts. Management believes the Company has adequately provided for any assessments likely to result from these audits; however, final assessments, if any, could be different than the amounts recorded in the condensed consolidated financial statements.

## 22. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) ("AOCI(L)") is comprised of adjustments to the Company's pension and postretirement medical benefit plans and unrealized gains/losses on the Company's short-term investments.

Following is a summary of AOCI(L) for the first quarter of 2024 and the first quarter of 2023:

| *(in thousands)* | December 31, 2023 | Pre-tax Activity | Tax Effect | March 29, 2024 |
|---|---|---|---|---|
| **Net pension activity:** | | | | |
| Actuarial gain | $ 533 | $ — | $ — | $ 533 |
| Prior service costs | (97) | 4 | (1) | (94) |
| **Net postretirement benefits activity:** | | | | |
| Actuarial gain | 721 | 26 | (6) | 741 |
| Prior service costs | (624) | — | — | (624) |
| Unrealized loss on short-term investments | — | (232) | 56 | (176) |
| Reclassification of stranded tax effects | (4,809) | — | — | (4,809) |
| **Total AOCI(L)** | **$ (4,276)** | **$ (202)** | **$ 49** | **$ (4,429)** |

As of December 31, 2023 and March 29, 2024, there were no gross actuarial losses or prior service costs included in accumulated other comprehensive loss associated with the Primary Plan. The Primary Plan settlement, which was completed during 2023, is reflected within the beginning balances above. All pension activity during 2024 was related to the Bargaining Plan.

| *(in thousands)* | December 31, 2022 | Pre-tax Activity | Tax Effect | March 31, 2023 |
|---|---|---|---|---|
| **Net pension activity:** | | | | |
| Actuarial loss | $ (71,140) | $ 973 | $ (238) | $ (70,405) |
| Prior service costs | (105) | 4 | (1) | (102) |
| **Net postretirement benefits activity:** | | | | |
| Actuarial gain | 6,752 | — | — | 6,752 |
| Prior service costs | (624) | — | — | (624) |
| Reclassification of stranded tax effects | (19,720) | — | — | (19,720) |
| **Total AOCI(L)** | **$ (84,837)** | **$ 977** | **$ (239)** | **$ (84,099)** |

## 23. Supplemental Disclosures of Cash Flow Information

Changes in current assets and current liabilities affecting cash were as follows:

| | First Quarter | |
|---|---|---|
| *(in thousands)* | 2024 | 2023 |
| Short-term investments | $ (1,181) | $ — |
| Accounts receivable, trade | (12,081) | (23,038) |
| Allowance for doubtful accounts | 515 | 887 |
| Accounts receivable from The Coca-Cola Company | (8,804) | (10,807) |
| Accounts receivable, other | 437 | 1,058 |
| Inventories | (39,154) | 10,232 |
| Prepaid expenses and other current assets | (1,008) | 5,975 |
| Accounts payable, trade | (1,812) | (15,636) |
| Accounts payable to The Coca-Cola Company | 66,995 | 26,521 |
| Other accrued liabilities | 16,471 | 6,445 |
| Accrued compensation | (64,635) | (51,175) |
| **Change in current assets less current liabilities** | **$ (44,257)** | **$ (49,538)** |

## 24. Subsequent Events

On May 6, 2024, the Company announced that it intends to purchase up to $3.1 billion in value of its Common Stock through both a modified “Dutch auction” tender offer (the “Tender Offer”) for up to $2.0 billion of its Common Stock and a separate share purchase agreement (the “Purchase Agreement”) with a subsidiary of The Coca-Cola Company. The Company intends to fund the Tender Offer and repurchase of shares under the Purchase Agreement with a combination of new funded debt and cash on hand.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations of Coca-Cola Consolidated, Inc., a Delaware corporation (together with its majority-owned subsidiaries, the "Company," "we," "us" or "our"), is intended to help the reader understand our financial condition and results of operations and is provided as an addition to, and should be read in conjunction with, our condensed consolidated financial statements and the accompanying notes to the condensed consolidated financial statements. The condensed consolidated financial statements include the accounts and the consolidated operations of the Company and its majority-owned subsidiaries. All comparisons are to the corresponding period in the prior year unless specified otherwise.

Each of the Company's quarters, other than the fourth quarter, ends on the Friday closest to the last day of the corresponding quarterly calendar period. The Company's fourth quarter and fiscal year end on December 31 regardless of the day of the week on which December 31 falls. The condensed consolidated financial statements presented are:

- The financial position as of March 29, 2024 and December 31, 2023.
- The results of operations, comprehensive income and changes in stockholders' equity for the three-month periods ended March 29, 2024 (the "first quarter" of fiscal 2024 ("2024")) and March 31, 2023 (the "first quarter" of fiscal 2023 ("2023")).
- The changes in cash flows for the first quarter of 2024 and the first quarter of 2023.

**Our Business and the Nonalcoholic Beverage Industry**

We distribute, market and manufacture nonalcoholic beverages in territories spanning 14 states and the District of Columbia. The Company was incorporated in 1980 and, together with its predecessors, has been in the nonalcoholic beverage manufacturing and distribution business since 1902. We are the largest Coca-Cola bottler in the United States. Approximately 85% of our total bottle/can sales volume to retail customers consists of products of The Coca-Cola Company, which include some of the most recognized and popular beverage brands in the world. We also distribute products for several other beverage companies, including Keurig Dr Pepper Inc. ("Dr Pepper") and Monster Energy Company. Our Purpose is to honor God in all we do, to serve others, to pursue excellence and to grow profitably. Our Common Stock is traded on The Nasdaq Global Select Market under the symbol "COKE."

We offer a range of nonalcoholic beverage products and flavors, including both sparkling and still beverages, designed to meet the demands of our consumers. Sparkling beverages are carbonated beverages and the Company's principal sparkling beverage is Coca-Cola. Still beverages include energy products and noncarbonated beverages such as bottled water, ready-to-drink tea, ready-to-drink coffee, enhanced water, juices and sports drinks.

Our sales are divided into two main categories: (i) bottle/can sales and (ii) other sales. Bottle/can sales include products packaged primarily in plastic bottles and aluminum cans. Bottle/can net pricing is based on the invoice price charged to customers reduced by any promotional allowances. Bottle/can net pricing per unit is impacted by the price charged per package, the sales volume generated for each package and the channels in which those packages are sold. Other sales include sales to other Coca-Cola bottlers, post-mix sales, transportation revenue and equipment maintenance revenue. Post-mix products are dispensed through equipment that mixes fountain syrups with carbonated or still water, enabling fountain retailers to sell finished products to consumers in cups or glasses.

The Company's products are sold and distributed in the United States through various channels, which include selling directly to customers, including grocery stores, mass merchandise stores, club stores, convenience stores and drug stores, selling to on-premise locations, where products are typically consumed immediately, such as restaurants, schools, amusement parks and recreational facilities, and selling through other channels such as vending machine outlets.

The nonalcoholic beverage industry is highly competitive for both sparkling and still beverages. Our competitors include bottlers and distributors of nationally and regionally advertised and marketed products, as well as bottlers and distributors of private label beverages. Our principal competitors include local bottlers of PepsiCo, Inc. products and, in some regions, local bottlers of Dr Pepper products.

The principal methods of competition in the nonalcoholic beverage industry are new brand and product introductions, point-of-sale merchandising, new vending and dispensing equipment, packaging changes, pricing, sales promotions, product quality, retail space management, customer service, frequency of distribution and advertising. We believe we are competitive in our territories with respect to these methods of competition.

Business seasonality results primarily from higher unit sales of the Company's products in the second and third quarters of the fiscal year, as sales of our products are typically correlated with warmer weather. We believe that we and other manufacturers from whom we purchase finished products have adequate production capacity to meet sales demand for sparkling and still beverages during these peak periods. Sales volume can also be impacted by weather conditions. Fixed costs, such as depreciation expense, are not significantly impacted by business seasonality.

**Executive Summary**

Net sales increased 1% to $1.6 billion in the first quarter of 2024. Sparkling and Still net sales increased 3.4% and 0.4%, respectively, compared to the first quarter of 2023. Net sales growth was driven by our annual price increase that took effect during the quarter.

Standard physical case volume was down 0.4%, which was attributable to an extra selling day in the first quarter of 2023. Comparable standard physical case volume, as defined in the "Comparable and Adjusted Results (Non-GAAP)" section, increased 0.7% versus the first quarter of 2023. Comparable Sparkling category volume grew 2.0% with strong performance of multi-serve packages sold in larger retail stores. The Sparkling category also benefited from Easter holiday sales activity shifting into the first quarter of 2024. Comparable Still category volume declined 3.1% during the first quarter of 2024.

Gross profit in the first quarter of 2024 was $640.6 million, an increase of $16.5 million, or 3%. Gross margin improved 50 basis points to 40.2%. Pricing actions taken during the first quarter, stable commodity prices and higher Sparkling sales contributed to the overall improvement in gross margin.

Selling, delivery and administrative ("SD&A") expenses in the first quarter of 2024 increased $7.1 million, or 2%. SD&A expenses as a percentage of net sales increased 10 basis points to 26.7% in the first quarter of 2024. The increase in SD&A expenses as compared to the first quarter of 2023 was primarily driven by an increase in labor costs related to annual wage adjustments.

Income from operations in the first quarter of 2024 was $215.4 million, compared to $206.1 million in the first quarter of 2023, an increase of 5%. Operating margin for the first quarter of 2024 was 13.5% as compared to 13.1% for the first quarter of 2023, an increase of 40 basis points.

Net income in the first quarter of 2024 was $165.7 million, compared to $118.1 million in the first quarter of 2023, an improvement of $47.6 million. On an adjusted basis, as defined in the "Comparable and Adjusted Results (Non-GAAP)" section, net income in the first quarter of 2024 was $162.5 million, compared to $151.8 million in the first quarter of 2023, an increase of $10.7 million. Income tax expense for the first quarter of 2024 was $57.1 million, compared to $41.1 million in the first quarter of 2023. The effective income tax rate for the first quarter of 2024 was 25.6%, compared to 25.8% for the first quarter of 2023.

Cash flows provided by operations for the first quarter of 2024 were $194.3 million, compared to $184.7 million for the first quarter of 2023. Cash flows from operations reflected our strong operating performance during the first quarter of 2024. In the first quarter of 2024, we invested $77 million in capital expenditures as we continue to enhance our supply chain and invest for future growth. For the full year of 2024, we expect our capital expenditures to be between $300 million and $350 million. During the first quarter of 2024, we made dividend payments of $155 million, which included a special dividend payment of $150 million.

**Areas of Emphasis**

Key priorities for the Company include executing our commercial strategy, executing our revenue management strategy, optimizing our supply chain, generating cash flow, determining the optimal route to market and creating a digitally enabled selling platform.

*Commercial Execution*: Our success is dependent on our ability to execute our commercial strategy within our customers' stores. Our ability to obtain shelf space within stores and remain in-stock across our portfolio of brands and packages in a profitable manner will have a significant impact on our results. We are focused on execution at every step in our supply chain, including raw material and finished product procurement, manufacturing conversion, transportation, warehousing and distribution, to ensure in-store execution can occur. We continue to invest in tools and technology to enable our teammates to operate more effectively and efficiently with our customers and to drive long-term value in our business.

*Revenue Management*: Our revenue management strategy focuses on pricing our brands and packages optimally within product categories and channels, creating effective working relationships with our customers and making disciplined fact-based decisions. Pricing decisions are made considering a variety of factors, including brand strength, competitive environment, input costs, the roles certain brands play in our product portfolio and other market conditions.

*Supply Chain Optimization*: We are continually focused on optimizing our supply chain, which includes identifying nearby warehousing and distribution operations that can be consolidated into new facilities to increase capacity, expand production capabilities, reduce overall production costs and add automation to allow the Company to better serve its customers and consumers. The Company undertook significant capital expenditures to optimize our supply chain and to invest for future growth during 2023, and expects to continue to make significant investments during 2024. Over the past five years, the Company has made capital expenditures of approximately $200 million related to fleet, $125 million related to automation and $470 million related to supply chain improvements.

*Cash Flow Generation*: We have several initiatives in place to optimize cash flow, improve profitability and prudently manage capital expenditures. We believe strengthening our balance sheet gives us the flexibility to make optimal capital allocation decisions for long-term value creation.

*Optimal Route to Market*: We are focused on implementing optimal methods of distribution of our products within our territory. Our typical direct store delivery method uses Company-owned vehicles and warehouses, but we are increasingly using alternative methods of distribution. For example, in instances of post-mix delivery for use in fountain machines, we have shifted our delivery method towards alternative distributors in order to enhance customer service and profitability. In instances of bottle/can delivery, we are shifting certain products for certain customers and channels of business to alternative routes to market. These alternative routes to market include third-party distributors, the manufacturer of the product or the customer's supply chain infrastructure. These bottle/can arrangements generally come with favorable commercial terms for the Company. During the first quarter of 2024, more than half of our post-mix gallons and less than 10% of our bottle/can volume was delivered through alternative routes to market.

*Digitally Enabled Selling Platform*: Through our investment in CONA Services LLC, we, along with other Coca-Cola bottlers, are building a digitally enabled selling platform called MyCoke 360 that we believe will enable us to better serve our customers. This platform will enable a more seamless order and payment platform for certain customers and we expect this platform will enable us to enhance customer service and create more selling opportunities for our teammates. This platform is targeted to certain on-premise and small store customers.

## Results of Operations

*First Quarter Results*

The Company's results of operations for the first quarter of 2024 and the first quarter of 2023 are highlighted in the table below and discussed in the following paragraphs.

| | First Quarter | | |
|---|---|---|---|
| *(in thousands)* | **2024** | **2023** | **Change** |
| Net sales | $ 1,591,626 | $ 1,571,642 | $ 19,984 |
| Cost of sales | 951,067 | 947,536 | 3,531 |
| Gross profit | 640,559 | 624,106 | 16,453 |
| Selling, delivery and administrative expenses | 425,153 | 418,052 | 7,101 |
| Income from operations | 215,406 | 206,054 | 9,352 |
| Interest (income) expense, net | (2,716) | 2,929 | (5,645) |
| Mark-to-market on acquisition related contingent consideration | (5,541) | 41,654 | (47,195) |
| Other expense, net | 828 | 2,269 | (1,441) |
| Income before taxes | 222,835 | 159,202 | 63,633 |
| Income tax expense | 57,094 | 41,075 | 16,019 |
| Net income | 165,741 | 118,127 | 47,614 |
| Other comprehensive (loss) income, net of tax | (153) | 738 | (891) |
| **Comprehensive income** | **$ 165,588** | **$ 118,865** | **$ 46,723** |

**Net Sales**

Net sales increased $20.0 million, or 1.3%, to $1.59 billion in the first quarter of 2024, as compared to $1.57 billion in the first quarter of 2023. The largest driver of the increase in net sales was higher average bottle/can sales price per unit charged to retail customers, which increased net sales by approximately $40 million. The increase in net sales was partially offset by a decline in external freight revenue, which decreased net sales by approximately $10 million. The increase in net sales was also partially offset by lower case sales volume as compared to the first quarter of 2023, which decreased net sales by approximately $5 million. The first quarter of 2024 included one less selling day compared to the first quarter of 2023.

Net sales by product category were as follows:

| | First Quarter | | |
|---|---|---|---|
| *(in thousands)* | **2024** | **2023** | **% Change** |
| **Bottle/can sales:** | | | |
| Sparkling beverages | $ 951,992 | $ 920,562 | 3.4 % |
| Still beverages | 511,642 | 509,628 | 0.4 % |
| **Total bottle/can sales** | **1,463,634** | **1,430,190** | **2.3 %** |
| | | | |
| **Other sales:** | | | |
| Sales to other Coca-Cola bottlers | 78,703 | 86,445 | (9.0) % |
| Post-mix sales and other | 49,289 | 55,007 | (10.4) % |
| **Total other sales** | **127,992** | **141,452** | **(9.5)%** |
| | | | |
| **Total net sales** | **$ 1,591,626** | **$ 1,571,642** | **1.3 %** |

The decline in post-mix sales and other in the first quarter of 2024 as compared to the first quarter of 2023 was related to a shift in how we deliver post-mix products to our customers. The Company has shifted to a broader use of alternative distributors, rather than Company-owned vehicles and warehouses, to deliver post-mix products to customers in our territory. We receive a fee from a vendor on these post-mix gallons delivered to locally managed customers in our territory, which is recorded as a reduction to cost of sales. This transition has occurred over the past several years but accelerated in 2023 and is expected to continue to be more prevalent throughout 2024. More than half of the post-mix gallons sold to local customers in our franchise territory in the first quarter of 2024 were delivered using these alternative distribution methods.

Product category sales volume of standard physical cases (as defined below) and the percentage change by product category were as follows:

| | First Quarter | | |
|---|---|---|---|
| *(in thousands)* | **2024** | **2023** | **% Change** |
| **Bottle/can sales volume:** | | | |
| Sparkling beverages | 61,785 | 61,250 | 0.9 % |
| Still beverages | 20,326 | 21,220 | (4.2) % |
| **Total bottle/can sales volume** | **82,111** | **82,470** | **(0.4)%** |

A standard physical case is a volume metric used to standardize differing package configurations in order to measure delivered cases on an equivalent basis. As the Company evaluates its volume metrics, it reassesses the way in which physical case volume is measured, which may lead to differences from previously presented results in order to conform with current period standard volume measurement techniques, as used by management. Additionally, as the Company introduces new products, it reassesses the category assigned to its products at the SKU level, therefore categorization could differ from previously presented results in order to conform with current period categorization. Any differences are not material.

The bottle/can sales volume above represents volume that is delivered directly to our customer outlets using Company-owned vehicles and warehouses. In order to serve our customers in the most efficient way, as well as in response to customer demands, the Company has, in certain circumstances, shifted the delivery of our products to third-party distributors, the manufacturer of the product or the customer’s supply chain infrastructure, rather than through Company-owned vehicles and warehouses.

As a result of not physically delivering the product, the sales volume delivered using these alternative methods of distribution is not reflected in our volume metrics. However, because we have the exclusive distribution rights for nonalcoholic beverages within our franchise territory, we receive fees for the delivery of qualified product in our territory. These fees are reported in net sales. Changes in the delivery of our products to our customers has impacted, and will continue to impact, our reported volume and net sales. This transition has occurred over the past several years but accelerated in 2023 and is expected to continue to be more prevalent throughout 2024. Less than 10% of the bottle/can volume sold in our franchise territory in the first quarter of 2024 was delivered using these alternative routes to market.

The following table summarizes the percentage of the Company's total bottle/can sales volume to its largest customers, as well as the percentage of the Company's total net sales that such volume represents:

| | First Quarter | |
|---|---|---|
| | 2024 | 2023 |
| **Approximate percent of the Company's total bottle/can sales volume:** | | |
| Wal-Mart Stores, Inc. | 21 % | 21 % |
| The Kroger Company | 15 % | 11 % |
| **Total approximate percent of the Company's total bottle/can sales volume** | **36 %** | **32 %** |
| | | |
| **Approximate percent of the Company's total net sales:** | | |
| Wal-Mart Stores, Inc. | 17 % | 16 % |
| The Kroger Company | 12 % | 9 % |
| **Total approximate percent of the Company's total net sales** | **29 %** | **25 %** |

**Cost of Sales**

Inputs representing a substantial portion of the Company's cost of sales include: (i) purchases of finished products, (ii) raw material costs, including aluminum cans, plastic bottles, carbon dioxide and sweetener, (iii) concentrate costs and (iv) manufacturing costs, including labor, overhead and warehouse costs. In addition, cost of sales includes shipping, handling and fuel costs related to the movement of finished products from manufacturing plants to distribution centers, amortization expense of distribution rights, distribution fees of certain products and marketing credits and post-mix funding from brand companies. Raw material costs, excluding concentrate, represent approximately 20% of total cost of sales on an annual basis.

Cost of sales increased $3.5 million, or 0.4%, to $951.1 million in the first quarter of 2024, as compared to $947.5 million in the first quarter of 2023. The increase in cost of sales was driven by higher input costs, including concentrate and manufacturing costs, which increased cost of sales by approximately $35 million. The increase in cost of sales was partially offset by lower case sales volume as compared to the first quarter of 2023, which decreased cost of sales by approximately $20 million. The increase in cost of sales was also partially offset by a decline in external freight volume, which decreased cost of sales by approximately $15 million.

The Company relies extensively on advertising and sales promotions in the marketing of its products. The Coca-Cola Company and other beverage companies that supply concentrates, syrups and finished products to the Company make substantial marketing and advertising expenditures, including national advertising programs, to develop their brand identities and to promote sales in the Company's territories. Certain of these marketing and advertising expenditures are made pursuant to annual arrangements. Total marketing funding support from The Coca-Cola Company and other beverage companies, which includes both direct payments to the Company and payments to customers for marketing programs, was $45.3 million in the first quarter of 2024 and $37.0 million in the first quarter of 2023.

**Selling, Delivery and Administrative Expenses**

SD&A expenses include the following: sales management labor costs, distribution costs resulting from transporting finished products from distribution centers to customer locations, distribution center overhead including depreciation expense, distribution center warehousing costs, delivery vehicles and cold drink equipment, point-of-sale expenses, advertising expenses, cold drink equipment repair costs, amortization of intangible assets and administrative support labor and operating costs. Labor costs represent approximately 60% of total SD&A expenses on an annual basis.

SD&A expenses increased $7.1 million, or 1.7%, to $425.2 million in the first quarter of 2024, as compared to $418.1 million in the first quarter of 2023. SD&A expenses as a percentage of net sales increased to 26.7% in the first quarter of 2024 from 26.6% in the first quarter of 2023. The increase in SD&A expenses was primarily driven by an increase in labor costs related to annual wage adjustments.

Shipping and handling costs included in SD&A expenses were $193.0 million in the first quarter of 2024 and $193.2 million in the first quarter of 2023.

**Interest (Income) Expense, Net**

Interest (income) expense, net changed $5.6 million, or 192.7%, to $2.7 million of interest income, net in the first quarter of 2024, as compared to $2.9 million of interest expense, net in the first quarter of 2023. The change in interest (income) expense, net was primarily a result of an increase in interest income due to higher cash, cash equivalent and short-term investment balances and increased yields as compared to the first quarter of 2023.

**Mark-to-Market on Acquisition Related Contingent Consideration**

Mark-to-market on acquisition related contingent consideration was a decrease of $5.5 million in the first quarter of 2024 as compared to an increase of $41.7 million in the first quarter of 2023, a change of $47.2 million.

Each reporting period, the Company adjusts its acquisition related contingent consideration liability related to the distribution territories subject to acquisition related sub-bottling payments to fair value. The fair value is determined by discounting future expected acquisition related sub-bottling payments required under the Company's comprehensive beverage agreements, which extend through the life of the related distribution assets acquired in each distribution territory, using the Company's estimated weighted average cost of capital ("WACC"), which is impacted by many factors, including long-term interest rates and future cash flow projections. The life of these distribution assets is generally 40 years. The Company is required to pay the current portion of the acquisition related sub-bottling payments on a quarterly basis.

The change in the fair value of the acquisition related contingent consideration liability in the first quarter of 2024 as compared to the first quarter of 2023 was primarily driven by changes in the WACC used to calculate the fair value of the liability.

**Other Expense, Net**

Other expense, net decreased $1.4 million to $0.8 million in the first quarter of 2024, as compared to $2.3 million in the first quarter of 2023. The decrease in other expense, net was primarily driven by changes in the actuarial assumptions related to our pension and postretirement plan liabilities.

**Income Tax Expense**

The Company's effective income tax rate was 25.6% for the first quarter of 2024 and 25.8% for the first quarter of 2023. The Company's income tax expense increased $16.0 million, or 39.0%, to $57.1 million for the first quarter of 2024, as compared to $41.1 million for the first quarter of 2023. The increase in income tax expense was primarily attributable to higher income before taxes during the first quarter of 2024 compared to the first quarter of 2023.

**Other Comprehensive (Loss) Income, Net of Tax**

Other comprehensive (loss) income, net of tax was $0.2 million of other comprehensive loss in the first quarter of 2024 and $0.7 million of other comprehensive income in the first quarter of 2023.

**Segment Operating Results**

The Company evaluates segment reporting in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 280, Segment Reporting, each reporting period, including evaluating the reporting package reviewed by the Chief Operating Decision Maker (the "CODM"). The Company has concluded the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer, as a group, represent the CODM. Asset information is not provided to the CODM.

The Company believes three operating segments exist. Nonalcoholic Beverages represents the vast majority of the Company's consolidated net sales and income from operations. The additional two operating segments do not meet the quantitative thresholds for separate reporting, either individually or in the aggregate, and, therefore, have been combined into "All Other."

The Company's segment results are as follows:

| *(in thousands)* | First Quarter 2024 | First Quarter 2023 |
|---|---|---|
| **Net sales:** | | |
| Nonalcoholic Beverages | $ 1,574,712 | $ 1,545,412 |
| All Other | 88,102 | 92,376 |
| Eliminations[1] | (71,188) | (66,146) |
| **Consolidated net sales** | **$ 1,591,626** | **$ 1,571,642** |
| | | |
| **Income from operations:** | | |
| Nonalcoholic Beverages | $ 212,142 | $ 209,779 |
| All Other | 3,264 | (3,725) |
| **Consolidated income from operations** | **$ 215,406** | **$ 206,054** |

[1] The entire net sales elimination represents net sales from the All Other segment to the Nonalcoholic Beverages segment. Sales between these segments are recognized at either fair market value or cost depending on the nature of the transaction.

**Comparable and Adjusted Results (Non-GAAP)**

The Company reports its financial results in accordance with accounting principles generally accepted in the United States ("GAAP"). However, management believes that certain non-GAAP financial measures provide users of the financial statements with additional, meaningful financial information that should be considered, in addition to the measures reported in accordance with GAAP, when assessing the Company's ongoing performance. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating the Company's performance. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP. The Company's non-GAAP financial information does not represent a comprehensive basis of accounting.

The tables below reconcile reported results (GAAP) to comparable and adjusted results (non-GAAP). Results for the first quarter of 2023 include one additional selling day compared to the first quarter of 2024. For comparison purposes, the estimated impact of the additional selling day in the first quarter of 2023 has been excluded from our comparable volume results.

| *(in thousands)* | First Quarter 2024 | First Quarter 2023 | Change |
|---|---|---|---|
| **Standard physical case volume** | **82,111** | **82,470** | **(0.4)%** |
| Volume related to extra day in fiscal period | — | (923) | |
| **Comparable standard physical case volume** | **82,111** | **81,547** | **0.7 %** |

| First Quarter 2024<br>*(in thousands, except per share data)* | Gross profit | SD&A expenses | Income from operations | Income before taxes | Net income | Basic net income per share |
|---|---|---|---|---|---|---|
| **Reported results (GAAP)** | **$ 640,559** | **$ 425,153** | **$ 215,406** | **$ 222,835** | **$ 165,741** | **$ 17.68** |
| Fair value adjustment of acquisition related contingent consideration[1] | — | — | — | (5,541) | (4,172) | (0.45) |
| Fair value adjustments for commodity derivative instruments[2] | 1,156 | (43) | 1,199 | 1,199 | 903 | 0.10 |
| **Total reconciling items** | **1,156** | **(43)** | **1,199** | **(4,342)** | **(3,269)** | **(0.35)** |
| **Adjusted results (non-GAAP)** | **$ 641,715** | **$ 425,110** | **$ 216,605** | **$ 218,493** | **$ 162,472** | **$ 17.33** |

| (in thousands, except per share data) | First Quarter 2023 Gross profit | SD&A expenses | Income from operations | Income before taxes | Net income | Basic net income per share |
|---|---|---|---|---|---|---|
| **Reported results (GAAP)** | **$ 624,106** | **$ 418,052** | **$ 206,054** | **$ 159,202** | **$ 118,127** | **$ 12.60** |
| Fair value adjustment of acquisition related contingent consideration(1) | — | — | — | 41,654 | 31,361 | 3.35 |
| Fair value adjustments for commodity derivative instruments(2) | 395 | (2,690) | 3,085 | 3,085 | 2,323 | 0.25 |
| **Total reconciling items** | **395** | **(2,690)** | **3,085** | **44,739** | **33,684** | **3.60** |
| **Adjusted results (non-GAAP)** | **$ 624,501** | **$ 415,362** | **$ 209,139** | **$ 203,941** | **$ 151,811** | **$ 16.20** |

Following is an explanation of non-GAAP adjustments:

(1) This non-cash, fair value adjustment of acquisition related contingent consideration fluctuates based on factors such as long-term interest rates and future cash flow projections of the distribution territories subject to acquisition related sub-bottling payments.

(2) The Company enters into commodity derivative instruments from time to time to hedge some or all of its projected purchases of aluminum, PET resin, diesel fuel and unleaded gasoline in order to mitigate commodity price risk. The Company accounts for its commodity derivative instruments on a mark-to-market basis.

## Financial Condition

Total assets were $4.30 billion as of March 29, 2024, which was an increase of $8.2 million from December 31, 2023. Net working capital, defined as current assets less current liabilities, was $797.0 million as of March 29, 2024, which was an increase of $183.2 million from December 31, 2023.

Significant changes in net working capital as of March 29, 2024 as compared to December 31, 2023 were as follows:

- A decrease in cash and cash equivalents of $234.0 million, primarily as a result of the purchase of short-term investments of approximately $184 million and dividend payments of approximately $155 million, partially offset by our strong operating performance.
- An increase in short-term investments of $183.6 million, due to the purchase of new short-term investments during the first quarter of 2024.
- An increase in inventories of $39.2 million, primarily due to seasonal builds of inventory.
- A decrease in accounts payable, trade of $36.6 million, primarily due to the timing of cash payments.
- An increase in accounts payable to The Coca-Cola Company of $67.0 million, primarily due to the timing of cash payments.
- A decrease in accrued compensation of $64.6 million, primarily as a result of the timing of bonus and incentive payments in the first quarter of 2024.
- A decrease in dividends payable of $154.7 million, primarily related to the payment of a special cash dividend during the first quarter of 2024.

## Liquidity and Capital Resources

The Company's sources of capital include cash flows from operations, available credit facilities and the issuance of debt and equity securities. As of March 29, 2024, the Company had $401.3 million in cash and cash equivalents. The Company's cash equivalent balance consisted predominantly of investments in money market funds and U.S. Treasury securities with maturities of 90 days or less. As of March 29, 2024, the Company had $183.6 million in short-term investments, which consisted primarily of U.S. Treasury securities and investment-grade corporate bonds with maturities of one year or less. The Company has obtained its long-term debt from public markets, private placements and bank facilities. Management believes the Company has sufficient sources of capital available to finance its business plan, to meet its working capital requirements and to maintain an appropriate level of capital spending for at least the next 12 months from the issuance of the condensed consolidated financial statements.

The Company’s long-term debt as of March 29, 2024 and December 31, 2023 was as follows:

| *(in thousands)* | Maturity Date | March 29, 2024 | December 31, 2023 |
|---|---|---|---|
| Senior bonds and unamortized discount on senior bonds[(1)] | 11/25/2025 | $ 349,985 | $ 349,983 |
| Revolving credit facility[(2)] | 7/9/2026 | — | — |
| Senior notes | 10/10/2026 | 100,000 | 100,000 |
| Senior notes | 3/21/2030 | 150,000 | 150,000 |
| Debt issuance costs | | (692) | (824) |
| **Total long-term debt** | | **$ 599,293** | **$ 599,159** |

(1) The senior bonds due in 2025 were issued at 99.975% of par.

(2) The Company’s revolving credit facility has an aggregate maximum borrowing capacity of $500 million. The Company currently believes all banks participating in the revolving credit facility have the ability to and will meet any funding requests from the Company.

The indenture under which the Company’s senior bonds were issued does not include financial covenants, but does limit the incurrence of certain liens and encumbrances as well as indebtedness by the Company’s subsidiaries in excess of certain amounts. The agreements under which the Company’s nonpublic debt was issued include two financial covenants: a consolidated cash flow/fixed charges ratio and a consolidated funded indebtedness/cash flow ratio, each as defined in the respective agreement. The Company was in compliance with these covenants as of March 29, 2024. These covenants have not restricted, and are not expected to restrict, the Company’s liquidity or capital resources.

All outstanding long-term debt has been issued by the Company and none has been issued by any of its subsidiaries. There are no guarantees of the Company’s long-term debt.

The Company’s credit ratings are reviewed periodically by certain nationally recognized rating agencies. Changes in the Company’s operating results or financial position could result in changes in the Company’s credit ratings. Lower credit ratings could result in higher borrowing costs for the Company or reduced access to capital markets, which could have a material adverse impact on the Company’s operating results or financial position. As of March 29, 2024, the Company’s credit ratings and outlook for its long-term debt were as follows:

| | Credit Rating | Rating Outlook |
|---|---|---|
| Moody’s | Baa1 | Stable |
| Standard & Poor’s | BBB+ | Stable |

The Company’s Board of Directors has declared, and the Company has paid, dividends on the Common Stock and the Class B Common Stock and each class of common stock has participated equally in all dividends each quarter for more than 30 years. The amount and frequency of future dividends will be determined by the Company’s Board of Directors in light of the earnings and financial condition of the Company at such time, and no assurance can be given that dividends will be declared or paid in the future.

On May 6, 2024, the Company announced that it intends to purchase up to $3.1 billion in value of its Common Stock through both a modified “Dutch auction” tender offer (the “Tender Offer”) for up to $2.0 billion of its Common Stock and a separate share purchase agreement (the “Purchase Agreement”) with a subsidiary of The Coca-Cola Company. The Company intends to fund the Tender Offer and repurchase of shares under the Purchase Agreement with a combination of new funded debt and cash on hand.

We review supplier terms and conditions on an ongoing basis, and have negotiated payment term extensions in recent years in connection with our efforts to improve cash flow and working capital. Separate from those term extension actions, the Company has an agreement with a third-party financial institution to facilitate a supply chain finance (“SCF”) program, which allows qualifying suppliers to sell their receivables from the Company to the financial institution in order to negotiate shorter payment terms on outstanding receivable arrangements. The Company’s obligations to its suppliers, including amounts due and scheduled payment terms, are not impacted by a supplier’s participation in the SCF program. See Note 13 to the condensed consolidated financial statements for additional information related to the Company’s SCF program.

The Company’s only Level 3 asset or liability is the acquisition related contingent consideration liability. There were no transfers from Level 1 or Level 2 in any period presented. Fair value adjustments were non-cash and, therefore, did not impact the Company’s liquidity or capital resources. Following is a summary of the Level 3 activity:

| | First Quarter | |
|---|---|---|
| *(in thousands)* | **2024** | **2023** |
| **Beginning balance - Level 3 liability** | **$ 669,337** | **$ 541,491** |
| Payments of acquisition related contingent consideration | (9,700) | (6,499) |
| Reclassification to current payables | (4,500) | (200) |
| (Decrease) increase in fair value | (5,541) | 41,654 |
| **Ending balance - Level 3 liability** | **$ 649,596** | **$ 576,446** |

**Cash Sources and Uses**

A summary of cash-based activity is as follows:

| | First Quarter | |
|---|---|---|
| *(in thousands)* | **2024** | **2023** |
| **Cash Sources:** | | |
| Net cash provided by operating activities[(1)] | $ 194,273 | $ 184,694 |
| Proceeds from the disposal of short-term investments | 1,116 | — |
| Proceeds from the sale of property, plant and equipment | 100 | 158 |
| **Total cash sources** | **$ 195,489** | **$ 184,852** |
| | | |
| **Cash Uses:** | | |
| Purchases of short-term investments | $ 183,806 | $ — |
| Cash dividends paid | 154,666 | 32,808 |
| Additions to property, plant and equipment | 77,040 | 52,700 |
| Payments of acquisition related contingent consideration | 9,700 | 6,499 |
| Investment in equity method investees | 3,632 | — |
| Payments on financing lease obligations | 601 | 558 |
| Debt issuance fees | 53 | 154 |
| **Total cash uses** | **$ 429,498** | **$ 92,719** |
| **Net (decrease) increase in cash during period** | **$ (234,009)** | **$ 92,133** |

(1) Net cash provided by operating activities included net income tax payments of $2.7 million in the first quarter of 2024 and $1.1 million in the first quarter of 2023.

**Cash Flows From Operating Activities**

During the first quarter of 2024, cash provided by operating activities was $194.3 million, which was an increase of $9.6 million as compared to the first quarter of 2023. The increase was primarily a result of our strong operating performance during the first quarter of 2024.

**Cash Flows From Investing Activities**

During the first quarter of 2024, cash used in investing activities was $263.3 million, which was an increase of $210.7 million as compared to the first quarter of 2023. The increase was primarily a result of the purchase of short-term investments of approximately $184 million during the first quarter of 2024, as well as additions to property, plant and equipment, which were approximately $77 million during the first quarter of 2024 and approximately $53 million during the first quarter of 2023. There were $24.3 million and $18.1 million of additions to property, plant and equipment accrued in accounts payable, trade as of March 29, 2024 and March 31, 2023, respectively.

The additions to property, plant and equipment reflect the Company’s focus on optimizing its supply chain and investing for future growth. The Company anticipates additions to property, plant and equipment in 2024 to be in the range of approximately $300 million to $350 million. Over the next five years, the Company anticipates additions to property, plant and equipment to be in the range of approximately $250 million to $300 million.

**Cash Flows From Financing Activities**

During the first quarter of 2024, cash used in financing activities was $165.0 million, which was an increase of $125.0 million as compared to the first quarter of 2023. The increase was primarily a result of dividend payments of approximately $155 million during the first quarter of 2024 (which included a special cash dividend of $16.00 per share), as compared to dividend payments of approximately $33 million during the first quarter of 2023 (which included a special cash dividend of $3.00 per share).

The Company had cash payments for acquisition related contingent consideration of $9.7 million during the first quarter of 2024 and $6.5 million during the first quarter of 2023. For the next five future years, the Company anticipates that the amount it could pay annually under the acquisition related contingent consideration arrangements for the distribution territories subject to acquisition related sub-bottling payments will be in the range of approximately $50 million to $70 million.

**Hedging Activities**

The Company uses commodity derivative instruments to manage its exposure to fluctuations in certain commodity prices. Fees paid by the Company for commodity derivative instruments are amortized over the corresponding period of the instrument. The Company accounts for its commodity derivative instruments on a mark-to-market basis with any expense or income being reflected as an adjustment to cost of sales or SD&A expenses, consistent with the expense classification of the underlying hedged item.

The Company uses several different financial institutions for commodity derivative instruments to minimize the concentration of credit risk. The Company has master agreements with the counterparties to its commodity derivative instruments that provide for net settlement of derivative transactions. The net impact of the commodity derivative instruments on the condensed consolidated statements of operations was as follows:

| | First Quarter | |
|---|---|---|
| *(in thousands)* | **2024** | **2023** |
| Increase in cost of sales | $ 1,534 | $ 1,056 |
| Increase in SD&A expenses | 323 | 3,937 |
| **Net impact** | **$ 1,857** | **$ 4,993** |

**Cautionary Note Regarding Forward-Looking Statements**

Certain statements made in this report, or in other public filings, press releases, or other written or oral communications made by the Company, which are not historical facts, are forward-looking statements subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks and uncertainties which we expect will or may occur in the future and may impact our business, financial condition and results of operations. The words “anticipate,” “believe,” “expect,” “intend,” “project,” “may,” “will,” “should,” “could” and similar expressions are intended to identify those forward-looking statements. These forward-looking statements reflect the Company’s best judgment based on current information, and, although we base these statements on circumstances that we believe to be reasonable when made, there can be no assurance that future events will not affect the accuracy of such forward-looking information. As such, the forward-looking statements are not guarantees of future performance, and actual results may vary materially from the projected results and expectations discussed in this report. Factors that might cause the Company’s actual results to differ materially from those anticipated in forward-looking statements include, but are not limited to: increased costs (including due to inflation), disruption of supply or unavailability or shortages of raw materials, fuel and other supplies; the reliance on purchased finished products from external sources; changes in public and consumer perception and preferences, including concerns related to product safety and sustainability, artificial ingredients, brand reputation and obesity; changes in government regulations related to nonalcoholic beverages, including regulations related to obesity, public health, artificial ingredients and product safety and sustainability; decreases from historic levels of marketing funding support provided to us by The Coca-Cola Company and other beverage companies; material changes in the performance requirements for marketing funding support or our inability to meet such requirements; decreases from historic levels of advertising, marketing and product innovation spending by The Coca-Cola Company and other beverage companies, or advertising campaigns that are negatively perceived by the public; any failure of the several Coca-Cola system governance entities of which we are a participant to function efficiently or on our best behalf and any failure or delay of ours to receive anticipated benefits from these governance entities; provisions in our beverage distribution and manufacturing agreements with The Coca-Cola Company that could delay or prevent a change in control of us or a sale of our Coca-Cola distribution or manufacturing businesses; the concentration of our capital stock ownership; our inability to meet requirements under our beverage distribution and manufacturing agreements; changes in the inputs used to calculate our acquisition related contingent consideration liability; technology failures or cyberattacks on our information technology systems or our effective response to technology failures or cyberattacks on our customers', suppliers' or other third parties' information technology systems; unfavorable changes in the general economy; the concentration risks among our customers and suppliers; lower than expected net pricing of our products resulting from continued and increased customer and competitor consolidations and marketplace competition; the effect of changes in our level of debt, borrowing costs and credit ratings on our access to capital and credit markets, operating flexibility and ability to obtain additional financing to fund future needs; the failure to attract, train and retain qualified employees while controlling labor costs, and other labor issues; the failure to maintain productive relationships with our employees covered by collective bargaining agreements, including failing to renegotiate collective bargaining agreements; changes in accounting standards; our use of estimates and assumptions; changes in tax laws, disagreements with tax authorities or additional tax liabilities; changes in legal contingencies; natural disasters, changing weather patterns and unfavorable weather; climate change or legislative or regulatory responses to such change; the impact of any pandemic or public health situation; and the risks discussed in "Item 1A. Risk Factors" of the Company's Annual Report on Form 10-K for 2023 and elsewhere in this report.

Caution should be taken not to place undue reliance on the forward-looking statements included in this report. The Company assumes no obligation to update any forward-looking statements, except as may be required by law. In evaluating forward-looking statements, these risks and uncertainties should be considered, together with the other risks described from time to time in the Company's reports and other filings with the United States Securities and Exchange Commission.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

The Company is subject to interest rate risk on its revolving credit facility and did not have any outstanding borrowings on its revolving credit facility as of March 29, 2024. As such, assuming no changes in the Company's capital structure, if market interest rates average 1% more over the next 12 months than the interest rates as of March 29, 2024, there would be no change to interest expense for the next 12 months.

The Company's acquisition related contingent consideration liability, which is adjusted to fair value each reporting period, is also impacted by changes in interest rates. The risk-free interest rate used to estimate the Company's WACC is a component of the discount rate used to calculate the present value of future expected acquisition related sub-bottling payments due under the Company's comprehensive beverage agreements. As a result, any changes in the underlying risk-free interest rate could result in material changes to the fair value of the acquisition related contingent consideration liability and could materially impact the amount of non-cash expense (or income) recorded each reporting period. The Company estimates a 10-basis point change in the underlying risk-free interest rate used to estimate the Company's WACC would result in a change of approximately $6 million to the Company's acquisition related contingent consideration liability.

The Company is exposed to certain market risks and commodity price risk that arise in the ordinary course of business. The Company may enter into commodity derivative instruments to manage or reduce market risk. The Company does not use commodity derivative instruments for trading or speculative purposes.

The Company is also subject to commodity price risk arising from price movements for certain commodities included as part of its raw materials. The Company manages this commodity price risk in some cases by entering into contracts with adjustable prices to hedge commodity purchases. The Company periodically uses commodity derivative instruments in the management of this risk. The Company estimates a 10% increase in the market prices of commodities included as part of its raw materials over the current market prices would cumulatively increase costs during the next 12 months by approximately $70 million assuming no change in volume.

Fees paid by the Company for agreements to hedge commodity purchases are amortized over the corresponding period of the agreement. The Company accounts for its commodity derivative instruments on a mark-to-market basis with any expense or income being reflected as an adjustment to cost of sales or SD&A expenses, consistent with the expense classification of the underlying hedged item.

The rate of inflation in the United States, as measured by year-over-year changes in the Consumer Price Index (the "CPI"), was 3.5% in March 2024, as compared to 3.4% in December 2023 and 6.5% in December 2022. Inflation in the prices of those commodities important to the Company's business is reflected in changes in the CPI.

The principal effect of inflation in both commodity and consumer prices on the Company's operating results is to increase both cost of goods sold and SD&A expenses. Although the Company can offset these cost increases by increasing selling prices for its products, consumers may not have the buying power to cover these increased costs and may reduce their volume of purchases of those products. In that event, selling price increases may not be sufficient to offset completely the Company's cost increases.

**Item 4. Controls and Procedures.**

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) pursuant to Rule 13a-15(b) of the Exchange Act. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of March 29, 2024.

There has been no change in the Company's internal control over financial reporting during the quarter ended March 29, 2024 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

# PART II - OTHER INFORMATION

## Item 1. Legal Proceedings.

The Company is involved in various claims and legal proceedings which have arisen in the ordinary course of its business. Although it is difficult to predict the ultimate outcome of these claims and legal proceedings, management believes the ultimate disposition of these matters will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company. No material amount of loss in excess of recorded amounts is believed to be reasonably possible as a result of these claims and legal proceedings.

## Item 1A. Risk Factors.

There have been no material changes in the Company's risk factors from those disclosed in "Item 1A. Risk Factors" of the Company's Annual Report on Form 10-K for 2023.

## Item 5. Other Information.

### Insider Trading Arrangements

During the quarter ended March 29, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408 of Regulation S-K).

## Item 6. Exhibits.

| Exhibit No. | Description | Incorporated by Reference or Filed/Furnished Herewith |
|---|---|---|
| 3.1 | Restated Certificate of Incorporation of the Company. | Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 2, 2017 (File No. 0-9286). |
| 3.2 | Certificate of Amendment to Restated Certificate of Incorporation of the Company. | Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 2, 2019 (File No. 0-9286). |
| 3.3 | Certificate of Amendment to Restated Certificate of Incorporation of the Company. | Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 (File No. 0-9286). |
| 3.4 | Amended and Restated By-laws of the Company. | Exhibit 3.2 to the Company's Current Report on Form 8-K filed on January 2, 2019 (File No. 0-9286). |
| 31.1 | Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | Filed herewith. |
| 31.2 | Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | Filed herewith. |
| 32 | Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | Furnished herewith. |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | Filed herewith. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. | Filed herewith. |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. | Filed herewith. |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. | Filed herewith. |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. | Filed herewith. |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. | Filed herewith. |
| 104 | Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | Filed herewith. |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COCA-COLA CONSOLIDATED, INC.
(REGISTRANT)

| | | |
|---|---|---|
| Date: May 6, 2024 | By: | /s/ F. Scott Anthony |
| | | F. Scott Anthony<br>Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer of the Registrant) |
| Date: May 6, 2024 | By: | /s/ Matthew J. Blickley |
| | | Matthew J. Blickley<br>Senior Vice President, Financial Planning and<br>Chief Accounting Officer<br>(Principal Accounting Officer of the Registrant) |

**Exhibit 31.1**

## CERTIFICATION

I, J. Frank Harrison, III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Coca-Cola Consolidated, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2024

/s/ J. Frank Harrison, III

J. Frank Harrison, III
Chairman of the Board of Directors
and Chief Executive Officer

## CERTIFICATION

I, F. Scott Anthony, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Coca-Cola Consolidated, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 6, 2024

/s/ F. Scott Anthony

F. Scott Anthony
Executive Vice President and Chief Financial Officer

Exhibit 32

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Coca-Cola Consolidated, Inc. (the "Company") for the quarter ended March 29, 2024, as filed with the United States Securities and Exchange Commission on the date hereof (the "Report"), we, J. Frank Harrison, III, Chairman of the Board of Directors and Chief Executive Officer of the Company, and F. Scott Anthony, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ J. Frank Harrison, III

J. Frank Harrison, III
Chairman of the Board of Directors and
Chief Executive Officer
May 6, 2024

/s/ F. Scott Anthony

F. Scott Anthony
Executive Vice President and
Chief Financial Officer
May 6, 2024