BUSINESS: The Coca-Cola Company is the world's largest beverage company. Markets over 620 monoblock aluminum beverage containers through a network of company-owned and independent bottlers/distributors, wholesalers, and retailers. Leading companies' brands include Coca-Cola, Diet Coke, Sprite, Fanta, Minute Maid, and Caribou Koffee. In addition, the company uses its name/licensed brands including Georgia, Lechler, Sagua, and Cataz to name a few. Sand in the US includes Minute Maid, Fanta, and Sprite.

We've trimmed our 2011 and 2012 share-net estimates for the Coca-Cola Company by $0.02 and $0.10, respectively. The downward revisions largely reflect what are likely to be less favorable near-term currency effects, coinciding with recent weakness in the currencies like the euro. The increasing likelihood that a number of eurozone economies are (or will soon be) in recession also augurs well for regional sales and profit performance. Domestically, the company has been able to leverage advertising spend to bolster sales. We look for unit-volume sales to increase at a mid-single-digit pace, driven by rising demand for Coke products in Asian and Latin American markets. In the U.S., meanwhile, the company stands to benefit from cost-saving and “route to market” improvements, stemming from the early 2011 acquisition of an affiliated bottler (Coca-Cola Enterprises) distribution assets. More-targeted marketing and packaging innovation ought to help, as well.

Share earnings should reach $5.60 by 2012. Advertising expenses (8.3% of 2010 revenues) has approximately doubled from $1920 million to $3512 million over the past 5 years. In contrast, Coca-Cola's revenue growth was well below the average of the S&P 500 during this period. This disparity likely reflects the significant investments in new products and marketing efforts that have bolstered the company's brand awareness and market share in the U.S. and abroad. In fact, Coca-Cola's advertising expenses have risen by 31% since 2007, significantly outpacing revenue growth of 16%

Business outside the U.S. accounted for 70% of 2010 net sales; advertising expenses were $3512 million (8.3% of sales) in 2010. Coca-Cola has historically invested aggressively in advertising to maintain and grow its market share. This strategy has been particularly effective in the U.S., where the company has been able to increase its market share to 42% in 2010, up from 39% in 2005. The company's advertising expenditure as a percentage of sales has averaged 7.5% over the past five years, which is comparable to other major beverage companies. However, this figure is significantly lower than the 8% to 9% range reported by some of its competitors, such as PepsiCo and Dr Pepper Snapple Group. Moreover, Coca-Cola's advertising spending as a percentage of sales has been declining over the past few years, suggesting that the company may be scaling back its ad spend in order to reallocate resources to other areas of the business.