

REFINITIV

DELTA REPORT

10-Q

KDP - KEURIG DR PEPPER INC.

10-Q - SEPTEMBER 30, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 678

 CHANGES 281

 DELETIONS 177

 ADDITIONS 220

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

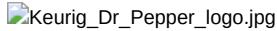
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED **JUNE** **SEPTEMBER** 30, 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 001-33829



Keurig Dr Pepper Inc.

(Exact name of registrant as specified in its charter)

Delaware

98-0517725

(State or other jurisdiction of incorporation or organization)

(I.R.S. employer identification number)

53 South Avenue
Burlington, Massachusetts
01803

(Address of principal executive offices)

(781) 418-7000

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock	KDP	The Nasdaq Stock Market LLC

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 Securities Exchange Act of 1934.

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 Securities Exchange Act of 1934). Yes No

As of **July 23, 2024** **October 22, 2024**, there were **1,356,086,377** **1,356,453,649** shares of the registrant's common stock, par value \$0.01 per share, outstanding.

KEURIG DR PEPPER INC.
FORM 10-Q
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KEURIG DR PEPPER INC.
FORM 10-Q
MASTER GLOSSARY

Term	Definition
Annual Report	Annual Report on Form 10-K for the year ended December 31, 2023
AOCI	Accumulated other comprehensive income or loss
Athletic Brewing	Athletic Brewing Holding Company, LLC, an equity method investment of KDP
Board	The Board of Directors of KDP
bps	Basis points
CEO	Chief Executive Officer
Chobani	FHU US Holdings LLC, an equity method investment of KDP
DIO	Days inventory outstanding
DPO	Days of payables outstanding
DPS	Dr Pepper Snapple Group, Inc.
DPS Merger	The combination of the business operations of Keurig and DPS as of July 9, 2018
DSD	Direct Store Delivery, KDP's route-to-market whereby finished beverages are delivered directly to retailers
DSO	Days sales outstanding
EPS	Earnings per share
Exchange Act	Securities Exchange Act of 1934, as amended
FX	Foreign exchange
GHOST	GHOST Lifestyle LLC, a Delaware limited liability company
JAB	JAB Holding Company S.a.r.l. and affiliates
Kalil	Kalil Bottling Company
Kalil Acquisition	The acquisition of all production, sales, and distribution assets of Kalil by KDP on August 9, 2024
KDP	Keurig Dr Pepper Inc.
Keurig	Keurig Green Mountain, Inc., a wholly-owned subsidiary of KDP, and the brand of our brewers
LRB	Liquid refreshment beverages
Notes	Collectively, the Company's senior unsecured notes
Nutrabolt	Woodbolt Holdings LLC, d/b/a Nutrabolt, an equity method investment of KDP
Revolving Credit Agreement	KDP's \$4 billion revolving credit agreement, which was executed in February 2022
RSU	Restricted share unit
Tractor	Tractor Beverages, Inc., an equity method investment of KDP
SEC	Securities and Exchange Commission
SG&A	Selling, general and administrative
SOFR	Secured Overnight Financing Rate
U.S. GAAP	Accounting principles generally accepted in the U.S.
Vita Coco	The Vita Coco Company, Inc.
WD	Warehouse Direct, KDP's route-to-market whereby finished beverages are shipped to retailer warehouses, and then delivered by the retailer through its own delivery system to its stores

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PART I - FINANCIAL INFORMATION
ITEM 1. Financial Statements (Unaudited)

KEURIG DR PEPPER INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

Second Quarter	First Six Months	Third Quarter	First Nine Months
----------------	------------------	---------------	-------------------

(in millions, except per share data)	(in millions, except per share data)	2024	2023	2024	2023	(in millions, except per share data)	2024	2023	2024	2023
Net sales										
Cost of sales										
Gross profit										
Selling, general and administrative expenses										
Impairment of intangible assets										
Other operating expense (income), net										
Other operating expense (income), net										
Other operating expense (income), net										
Other operating (income) expense, net										
Other operating (income) expense, net										
Other operating (income) expense, net										
Income from operations										
Interest expense, net										
Other income, net										
Other income, net										
Other income, net										
Income before provision for income taxes										
Provision for income taxes										
Net income										
Earnings per common share:										
Earnings per common share:										
Earnings per common share:										
Basic										
Diluted										
Weighted average common shares outstanding:	Weighted average common shares outstanding:									
Basic										
Diluted										
Weighted average common shares outstanding:	Weighted average common shares outstanding:									

The accompanying notes are an integral part of these unaudited condensed financial statements.

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KEURIG DR PEPPER INC. CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in millions)	(in millions)	Second Quarter	First Six Months	Third Quarter	First Nine Months
		2024	2023	2024	2023
Net income					
Other comprehensive (loss) income:					
Foreign currency translation adjustments					
Foreign currency translation adjustments					

Foreign currency translation adjustments
Net change in cash flow hedges, net of tax of \$1, \$3, \$1 and \$24, respectively
Net change in cash flow hedges, net of tax of \$1, \$3, \$1 and \$24, respectively
Net change in cash flow hedges, net of tax of \$1, \$3, \$1 and \$24, respectively
Net change in cash flow hedges, net of tax of \$2, \$—, \$3 and \$24, respectively
Net change in cash flow hedges, net of tax of \$2, \$—, \$3 and \$24, respectively
Net change in cash flow hedges, net of tax of \$2, \$—, \$3 and \$24, respectively
Total other comprehensive (loss) income

Comprehensive income

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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KEURIG DR PEPPER INC.					
CONDENSED CONSOLIDATED BALANCE SHEETS					
(UNAUDITED)					
(in millions, except share and per share data)	June 30, 2024	December 31, 2023	(in millions, except share and per share data)	September 30, 2024	December 31, 2023
Assets					
Current assets:			Current assets:		
Cash and cash equivalents					
Restricted cash and restricted cash equivalents					
Trade accounts receivable, net					
Inventories					
Prepaid expenses and other current assets					
Total current assets					
Property, plant, and equipment, net					
Investments in unconsolidated affiliates					
Goodwill					
Other intangible assets, net					
Other non-current assets					
Deferred tax assets					
Total assets					
Liabilities and Stockholders' Equity					
Current liabilities:		Current liabilities:	Current liabilities:		
Accounts payable					
Accrued expenses					
Structured payables					
Short-term borrowings and current portion of long-term obligations					
Other current liabilities					
Total current liabilities					
Long-term obligations					
Deferred tax liabilities					

Other non-current liabilities			
Total liabilities			
Commitments and contingencies	Commitments and contingencies	Commitments and contingencies	
Stockholders' equity:	Stockholders' equity:	Stockholders' equity:	Stockholders' equity:
Preferred stock, \$0.01 par value, 15,000,000 shares authorized, no shares issued			
Common stock, \$0.01 par value, 2,000,000,000 shares authorized, 1,355,763,506 and 1,390,446,043 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively			
Common stock, \$0.01 par value, 2,000,000,000 shares authorized, 1,356,443,009 and 1,390,446,043 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively			
Additional paid-in capital			
Retained earnings			
Accumulated other comprehensive income			
Total stockholders' equity			
Total liabilities and stockholders' equity			
Total liabilities and stockholders' equity			
Total liabilities and stockholders' equity			

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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KEURIG DR PEPPER INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)					
(in millions)	(in millions)	Operating activities:	First Six Months	First Nine Months	2024 2023
		Operating activities:	2024 2023	(in millions)	2024 2023
Operating activities:	Operating activities:	Operating activities:			
Net income					
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense					
Amortization of intangibles					
Other amortization expense					
Provision for sales returns					
Deferred income taxes					
Employee stock-based compensation expense					
Loss (gain) on disposal of property, plant and equipment					
Loss (gain) on disposal of property, plant and equipment					
Loss (gain) on disposal of property, plant and equipment					
Unrealized loss (gain) on foreign currency					
Unrealized loss (gain) on derivatives					
Equity in earnings of unconsolidated affiliates					
Equity in earnings of unconsolidated affiliates					
Unrealized loss on derivatives					
Settlements of interest rate contracts					
Equity in earnings of unconsolidated affiliates					

Earned equity from distribution arrangements		
Impairment of intangible assets		
Other, net		
Other, net		
Other, net		
Changes in assets and liabilities:	Changes in assets and liabilities:	Changes in assets and liabilities:
Trade accounts receivable		
Inventories		
Income taxes receivable and payables, net		
Other current and non-current assets		
Accounts payable and accrued expenses		
Other current and non-current liabilities		
Net change in operating assets and liabilities		
Net cash provided by operating activities		
Investing activities:	Investing activities:	Investing activities:
Acquisitions of businesses		
Purchases of property, plant and equipment		
Purchases of property, plant and equipment		
Purchases of property, plant and equipment		
Proceeds from sales of property, plant and equipment		
Purchases of intangibles		
Investments in unconsolidated affiliates		
Investments in unconsolidated affiliates		
Investments in unconsolidated affiliates		
Other, net		
Other, net		
Other, net		
Net cash used in investing activities		

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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KEURIG DR PEPPER INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED, CONTINUED)					
(in millions)	(in millions)	First Six Months 2024	First Nine Months 2023 (in millions)	2024	2023
Financing activities:	Financing activities:				
Proceeds from issuance of Notes					
Repayments of Notes					
Net (repayment) issuance of commercial paper					
Proceeds from structured payables					
Proceeds from structured payables					
Proceeds from structured payables					
Repayments of structured payables					
Cash dividends paid					

Repurchases of common stock	
Tax withholdings related to net share settlements	
Tax withholdings related to net share settlements	
Tax withholdings related to net share settlements	
Payments on finance leases	
Other, net	
Net cash used in financing activities	
Cash and cash equivalents:	
Cash, cash equivalents, restricted cash, and restricted cash equivalents:	
Net change from operating, investing and financing activities	
Effect of exchange rate changes	
Beginning balance	
Ending balance	
Supplemental cash flow disclosures of non-cash investing activities:	
Supplemental cash flow disclosures of non-cash investing activities:	
Supplemental cash flow disclosures of non-cash investing activities:	
Capital expenditures included in accounts payable and accrued expenses	
Capital expenditures included in accounts payable and accrued expenses	
Capital expenditures included in accounts payable and accrued expenses	
Earned equity from distribution arrangements	
Equity received in exchange for modification of related party contract	
Acquisitions of businesses	
Transaction costs included in accounts payable and accrued expenses	
Supplemental cash flow disclosures of non-cash financing activities:	
Supplemental cash flow disclosures of non-cash financing activities:	
Supplemental cash flow disclosures of non-cash financing activities:	
Dividends declared but not yet paid	
Dividends declared but not yet paid	
Dividends declared but not yet paid	
Accrued excise tax on net share repurchases	
Supplemental cash flow disclosures:	
Cash paid for interest	
Cash paid for interest	
Cash paid for interest	
Cash paid for income taxes	

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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KEURIG DR PEPPER INC. CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)										
<i>(in millions, except per share data)</i>	Common Stock Issued	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Common Stock Issued	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Balance as of January 1, 2024									

Balance as of January 1, 2024

Balance as of January 1, 2024

Net income

Other comprehensive loss

Dividends declared, \$0.215 per share

Repurchases of common stock, inclusive of excise tax obligation

Repurchases of common stock, inclusive of excise tax obligation

Repurchases of common stock, inclusive of excise tax obligation

Shares issued under employee stock-based compensation plans and other

Tax withholdings related to net share settlements

Stock-based compensation and stock options exercised

Balance as of March 31, 2024

Net income

Other comprehensive loss

Dividends declared, \$0.215 per share

Shares issued under employee stock-based compensation plans and other

Shares issued under employee stock-based compensation plans and other

Shares issued under employee stock-based compensation plans and other

Tax withholdings related to net share settlements

Stock-based compensation and stock options exercised

Balance as of June 30, 2024

Net income

Other comprehensive loss

Dividends declared, \$0.23 per share

Shares issued under employee stock-based compensation plans and other

Shares issued under employee stock-based compensation plans and other

Shares issued under employee stock-based compensation plans and other

Tax withholdings related to net share settlements

Stock-based compensation and stock options exercised

Balance as of September 30,

2024

Balance as of September 30,

2024

Balance as of September 30,

2024

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Common Stock Issued <i>(in millions, except per share data)</i>	September 30, 2024						September 30, 2023						
	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Non- controlling Interest	Total Equity	Common Stock Issued	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Non- controlling Interest	Total Equity
Balance as of January 1, 2023													
Balance as of January 1, 2023													
Balance as of January 1, 2023													
Net income													
Net income													
Net income													
Other comprehensive income													
Dividends declared, \$0.20 per share													
Repurchases of common stock, inclusive of excise tax obligation													
Repurchases of common stock, inclusive of excise tax obligation													
Repurchases of common stock, inclusive of excise tax obligation													

Shares issued
under
employee
stock-based
compensation
plans and
other

Tax
withholdings
related to net
share
settlements

Stock-based
compensation
and stock
options
exercised

Balance as of
March 31,
2023

Net income

Other
comprehensive
income

Dividends
declared,
\$0.20 per
share

Repurchases
of common
stock, inclusive
of excise tax
obligation

Shares issued
under
employee
stock-based
compensation
plans and other

Shares issued
under
employee
stock-based
compensation
plans and other

Shares issued
under
employee
stock-based
compensation
plans and other

Tax
withholdings
related to net
share
settlements

Stock-based
compensation
and stock
options
exercised

**Balance as of
June 30, 2023**

Net income

Other
comprehensive
loss

Dividends
declared, \$0.215
per share

Repurchases of
common stock,
inclusive of
excise tax
obligation

Repurchases of
common stock,
inclusive of
excise tax
obligation

Repurchases of
common stock,
inclusive of
excise tax
obligation

Shares issued
under employee
stock-based
compensation
plans and other

Tax withholdings
related to net
share
settlements

Stock-based
compensation
and stock
options
exercised

Non-controlling
interest
surrender of
shares

**Balance as of
September 30,
2023**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

1. General

ORGANIZATION

References in this Quarterly Report on Form 10-Q to "KDP", "the Company", "we", or "our", refer to Keurig Dr Pepper Inc. and all wholly-owned subsidiaries included in the unaudited condensed consolidated financial statements. Definitions of terms used in this Quarterly Report on Form 10-Q are included within the Master Glossary.

This Quarterly Report on Form 10-Q refers to some of our owned or licensed trademarks, trade names and service marks, which are referred to as our brands. All of the product names included herein are either KDP registered trademarks or those of our licensors.

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements. In the opinion of management, all adjustments, consisting principally of normal recurring adjustments, considered necessary for a fair presentation have been included. These unaudited condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and accompanying notes included in our Annual Report.

References to the "second" "third" quarter" indicate the quarterly periods ended **June 30, 2024** September 30, 2024 and 2023.

USE OF ESTIMATES

The process of preparing our unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires the use of estimates and judgments that affect reported amounts. These estimates and judgments are based on historical experience, future expectations and other factors and assumptions we believe to be reasonable under the circumstances. These estimates and judgments are reviewed on an ongoing basis and are revised when necessary. Changes in estimates are recorded in the period of change. Actual amounts may differ from these estimates.

RECLASSIFICATIONS

We reclassified amounts in the Financing Activities section of the unaudited condensed consolidated Statement of Cash Flows for the first six months of 2023 in order to conform to current year presentation, as maturities for the Company's commercial paper program in both periods are 90 days or less.

(in millions)	Prior Presentation	First Six Months of 2023
Net (repayment) issuance of commercial paper	Proceeds from issuance of commercial paper	\$ 18,187
Net (repayment) issuance of commercial paper	Repayments of commercial paper	(17,598)

2. Long-term Obligations and Borrowing Arrangements

The following table summarizes our long-term obligations:

(in millions)	(in millions)	June 30, 2024	December 31, 2023	(in millions)	September 30, 2024	December 31, 2023
Notes						
Less: current portion of long-term obligations						
Long-term obligations						

The following table summarizes our short-term borrowings and current portion of long-term obligations:

(in millions)	September 30, 2024	December 31, 2023
Commercial paper notes	\$ 1,943	\$ 2,096
Current portion of long-term obligations	529	1,150
Short-term borrowings and current portion of long-term obligations	\$ 2,472	\$ 3,246

KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

The following table summarizes our short-term borrowings and current portion of long-term obligations:

(in millions)	June 30, 2024	December 31, 2023
Commercial paper notes	\$ 1,870	\$ 2,096
Current portion of long-term obligations	529	1,150
Short-term borrowings and current portion of long-term obligations	\$ 2,399	\$ 3,246

SENIOR UNSECURED NOTES

Our Notes consisted of the following:

(in millions, except %)	(in millions, except %)	Maturity Date	June 30, 2024	December 31, 2023	(in millions, except %)	Maturity Date	September 30, 2024	December 31, 2023
2024 Notes								
2025 Merger Notes								
2025 Notes								
2026 Notes								
2027-B Notes								
2027-C Notes								
2027 Notes								
2028 Merger Notes								
2029-B Notes								
2029 Notes								
2030 Notes								
2031 Notes								
2031-B Notes								
2032 Notes								
2034 Notes								
2038 Merger Notes								
2045 Notes								
2046 Notes								
2048 Merger Notes								
2050 Notes								
2051 Notes								
2052 Notes								
Principal amount								
Adjustment from principal amount to carrying amount ⁽¹⁾								
Carrying amount								

(1) The carrying amount includes unamortized discounts, debt issuance costs and fair value adjustments related to the DPS Merger.

(2) The 2027-B Notes bear interest at a rate equal to Compounded SOFR (as defined in the respective indenture) plus 0.88% per annum, and the rate is reassessed quarterly.

On March 7, 2024, we completed the issuance of the 2027-B Notes, the 2027-C Notes, the 2029-B Notes, the 2031-B Notes, and the 2034 Notes, with an aggregate principal amount of \$3 billion. The discount associated with these notes was approximately \$5 million, and the Company incurred \$16 million in debt issuance costs. The proceeds from the issuance were used for our share repurchase program, to repay outstanding commercial paper, and to repay the 2024 Notes at maturity, with the remainder intended for general corporate purposes.

KEURIG DR PEPPER INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED, CONTINUED)

VARIABLE-RATE BORROWING ARRANGEMENTS

Revolving Credit Agreement

The following table summarizes information about the Revolving Credit Agreement:

(in millions)	Maturity Date	Capacity	Amounts Outstanding	
			June 30, 2024	December 31, 2023
Revolving Credit Agreement ⁽¹⁾	February 23, 2027	\$ 4,000	\$ —	\$ —

(1) The Revolving Credit Agreement has \$200 million letters of credit available, none of which were utilized as of **June 30, 2024** **September 30, 2024**.

As of **June 30, 2024** **September 30, 2024**, KDP was in compliance with its minimum interest coverage ratio relating to the Revolving Credit Agreement.

Commercial Paper Program

The following table provides information about our weighted average borrowings under our commercial paper program:

(in millions, except %)	(in millions, except %)	Second Quarter		First Six Months		(in millions, except %)	First Nine Months		2024	2023	2024	2023					
				Third Quarter			Third Quarter										
		2024	2023	2024	2023		2024	2023									
Weighted average commercial paper borrowings																	
Weighted average borrowing rates	Weighted average borrowing rates	5.59 %	5.25 %	5.61 %	5.14 %	Weighted average borrowing rates	5.50 %	5.49 %	5.57 %	5.31 %							

Letter of Credit Facility

In addition to the portion of the Revolving Credit Agreement reserved for issuance of letters of credit, KDP has an incremental letter of credit facility. Under this facility, \$150 million is available for the issuance of letters of credit, **\$56 million** **\$74 million** of which was utilized as of **June** **September 30, 2024** and **\$94 million** **\$76 million** of which remains available for use.

FAIR VALUE DISCLOSURES

The fair value of our commercial paper approximates the carrying value and is considered Level 2 within the fair value hierarchy.

The fair values of our Notes are based on current market rates available to us and are considered Level 2 within the fair value hierarchy. The difference between the fair value and the carrying value represents the theoretical net premium or discount that would be paid or received to retire all the Notes and related unamortized costs to be incurred at such date. The fair value of our Notes was **\$12,027 million** **\$12,531 million** and \$10,486 million as of **June 30, 2024** **September 30, 2024** and December 31, 2023, respectively.

3. Acquisition

KALIL ACQUISITION

Overview and Purchase Price

On May 30, 2024, we entered into an agreement with Kalil, under which we agreed to acquire all of Kalil's production, sales, and distribution assets for total consideration of \$103 million, subject to certain adjustments outlined in the agreement. Kalil is an independent bottler with bottling and distribution rights in Arizona to key KDP brands, including Canada Dry, 7UP, A&W, Snapple, and Core Hydration. On August 9, 2024, we completed the Kalil Acquisition, and approximately \$8 million of cash was held back and placed in escrow.

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KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

Allocation of Consideration Exchanged

Our preliminary allocation of consideration exchanged to the net tangible and intangible assets acquired and liabilities assumed in the Kalil Acquisition is based on estimated fair values as of August 9, 2024. The following is a summary of the preliminary allocation of consideration exchanged to the estimated fair values of assets acquired and liabilities assumed in the Kalil Acquisition as of September 30, 2024:

(in millions)	Fair Value
Inventory ⁽¹⁾	\$ 10
Property, plant, and equipment ⁽²⁾	45
Other intangible assets	38
Goodwill	10
Total consideration exchanged	103
Less: Holdback placed in Escrow ⁽³⁾	(8)
Acquisition of business	\$ 95

⁽¹⁾ As of September 30, 2024, we accrued the \$10 million as a payable to Kalil, which is included as a non-cash investing activity within the supplemental cash flow disclosures of the unaudited condensed consolidated statement of cash flows for the first nine months of 2024.

(2) We preliminarily valued real property using the cost approach and land using the sales comparison approach, a form of the market approach. We preliminarily valued personal property using a combination of the cost approach and the sales comparison approach.

(3) The amount held in escrow is included within the Restricted cash and restricted cash equivalents line of the unaudited condensed consolidated balance sheet as of September 30, 2024 and is considered a non-cash investing activity within the supplemental cash flow disclosures of the unaudited condensed consolidated statement of cash flows for the first nine months of 2024.

The Kalil Acquisition preliminarily resulted in \$10 million of goodwill. The preliminary goodwill to be recognized is primarily attributable to the assembled workforce. The goodwill created in the Kalil Acquisition is expected to be deductible for tax purposes.

4. Goodwill and Other Intangible Assets

GOODWILL

Changes in the carrying amount of goodwill by reportable segment are as follows:

(in millions)

(in millions)

(in millions)

	U.S. Refreshment Beverages	U.S. Coffee	International	Total	U.S. Refreshment Beverages	U.S. Coffee	International	Total
Balance as of January 1, 2024								
Acquisitions ⁽¹⁾								
Foreign currency translation								
Balance as of June 30, 2024								
Balance as of June 30, 2024								
Balance as of June 30, 2024								
Balance as of September 30, 2024								

(1) Acquisition activity during the first nine months of 2024 represents the goodwill recorded as a result of the Kalil Acquisition. Refer to Note 3 for additional information.

INTANGIBLE ASSETS OTHER THAN GOODWILL

The net carrying amounts of intangible assets other than goodwill with indefinite lives are as follows:

(in millions)

(in millions)

June 30, 2024

December 31, 2023

(in millions)

September 30, 2024

December 31, 2023

Brands⁽¹⁾

Trade names

Distribution rights⁽²⁾

Distribution rights⁽²⁾

Distribution rights⁽²⁾

Total

(1) The change in brands with indefinite lives was driven by unfavorable foreign currency translation impacts of \$155 million \$196 million during the first six nine months of 2024.

(2) The change in distribution rights with indefinite lives was primarily driven by acquired distribution rights related to Electrolit of \$49 million.

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KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

The net carrying amounts of intangible assets other than goodwill with definite lives are as follows:

	June 30, 2024			December 31, 2023			(in millions)	June 30, 2024			December 31, 2023			
	September 30, 2024			December 31, 2023				September 30, 2024			December 31, 2023			
	(in millions)	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount	(in millions)	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Acquired technology														
Customer relationships														
Contractual arrangements														
Trade names														

Brands
Distribution
rights
Total
Total
Total

Amortization expense for intangible assets with definite lives was as follows:

<i>(in millions)</i>	Second Quarter		First Six Months	
	2024	2023	2024	2023
Amortization expense	\$ 34	\$ 35	\$ 67	\$ 69

<i>(in millions)</i>	Third Quarter		First Nine Months	
	2023	2024	2023	2024
Amortization expense	\$ 34	\$ 100	\$ 69	\$ 103

4.5. Derivatives

KDP is exposed to market risks arising from adverse changes in interest rates, commodity prices, and FX rates. KDP manages these risks through a variety of strategies, including the use of interest rate contracts, FX forward contracts, commodity forward, future, swap and option contracts and supplier pricing agreements. KDP does not hold or issue derivative financial instruments for trading or speculative purposes.

We formally designate and account for certain foreign exchange forward contracts and interest rate contracts that meet established accounting criteria under U.S. GAAP as cash flow hedges. For such contracts, the effective portion of the gain or loss on the derivative instruments is recorded, net of applicable taxes, in AOCI. When net income is affected by the variability of the underlying transaction, the applicable offsetting amount of the gain or loss from the derivative instrument deferred in AOCI is reclassified to net income. Cash flows from derivative instruments designated in a qualifying hedging relationship are classified in the same category as the cash flows from the hedged items. If a cash flow hedge were to cease to qualify for hedge accounting, or were terminated, the derivatives would continue to be carried on the balance sheet at fair value until settled, and hedge accounting would be discontinued prospectively. If the underlying hedged transaction ceases to exist, any associated amounts reported in AOCI would be reclassified to earnings at that time.

For derivatives that are not designated or for which the designated hedging relationship is discontinued, the gain or loss on the instrument is recognized in earnings in the period of change.

We have exposure to credit losses from derivative instruments in an asset position in the event of nonperformance by the counterparties to the agreements. Historically, we have not experienced material credit losses as a result of counterparty nonperformance. We select and periodically review counterparties based on credit ratings, limit our exposure to a single counterparty under defined guidelines, and monitor the market position of the programs upon execution of a hedging transaction and at least on a quarterly basis.

INTEREST RATES

Economic Hedges

We are exposed to interest rate risk related to our borrowing arrangements and obligations. We enter into interest rate contracts to provide predictability in our overall cost structure and to manage the balance of fixed-rate and variable-rate debt. We primarily enter into receive-fixed, pay-variable and receive-variable, pay-fixed swaps and swap option contracts. A natural hedging relationship exists in which changes in the fair value of the instruments act as an economic offset to changes in the fair value of the underlying items. Changes in the fair value of these instruments are recorded in earnings throughout the term of the derivative instrument and are generally reported in interest expense in the unaudited Condensed Consolidated Statements of Income. As of **June 30, 2024** **September 30, 2024**, economic interest rate derivative instruments have maturities ranging from **September** **December** 2024 to July 2043.

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KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

Cash Flow Hedges

As of December 31, 2023, we had \$500 million of notional amount of forward starting swaps which had been de-designated and terminated; however, as the forecasted debt transaction was still considered probable, the fair value of the instruments as of the de-designation remained within AOCI. In March 2024, the forecasted debt transaction took place with the issuance of the 2034 Notes, and the fair value of the instruments began amortizing to Interest expense, net over the term of the 2034 Notes.

FOREIGN EXCHANGE

We are exposed to foreign exchange risk in our international subsidiaries or with certain counterparties in foreign jurisdictions, which may transact in currencies that are different from the functional currencies of our legal entities. Additionally, the balance sheets of our Canadian and Mexican businesses are subject to exposure from movements in exchange rates.

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KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

Economic Hedges

We hold FX forward contracts to economically manage the balance sheet exposures resulting from changes in the FX rates described above. The intent of these FX contracts is to minimize the impact of FX risk associated with balance sheet positions not in local currency. In these cases, a hedging relationship exists in which changes in the fair value of the instruments act as an economic offset to changes in the fair value of the underlying items. Changes in the fair value of these instruments are recorded in earnings throughout the term of the derivative instrument and are reported in the same caption of the unaudited Condensed Consolidated Statements of Income as the associated risk. As of **June 30, 2024** **September 30, 2024**, these FX contracts have maturities ranging from **July October 2024** to **March 2025**, **September 2026**.

Cash Flow Hedges

We designate certain FX forward contracts as cash flow hedges in order to manage the exposures resulting from changes in the FX rates described above. These designated FX forward contracts relate to forecasted inventory purchases in U.S. dollars of our Canadian and Mexican businesses. The intent of these FX contracts is to provide predictability in the Company's overall cost structure. As of **June 30, 2024** **September 30, 2024**, these FX contracts have maturities ranging from **July October 2024** to December 2025.

COMMODITIES

Economic Hedges

We centrally manage the exposure to volatility in the prices of certain commodities used in our production process and transportation through various derivative contracts. We generally hold some combination of future, swap and option contracts that economically hedge certain of our risks. In these cases, a hedging relationship exists in which changes in the fair value of the instruments act as an economic offset to changes in the fair value of the underlying items or as an offset to certain costs of production. Changes in the fair value of these instruments are recorded in earnings throughout the term of the derivative instrument and are reported in the same line item of the unaudited Condensed Consolidated Statements of Income as the hedged transaction. Unrealized gains and losses are recognized as a component of unallocated corporate costs until our reportable segments are affected by the completion of the underlying transaction, at which time the gain or loss is reflected as a component of the respective segment's income from operations. As of **June 30, 2024** **September 30, 2024**, these commodity contracts have maturities ranging from **July October 2024** to **January July 2026**.

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KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

NOTIONAL AMOUNTS OF DERIVATIVE INSTRUMENTS

The following table presents the notional amounts of our outstanding derivative instruments by type:

(in millions)	(in millions)	June 30, 2024	December 31, 2023	(in millions)	September 30, 2024	December 31, 2023
Interest rate contracts						
Forward starting swaps, not designated as hedging instruments						
Forward starting swaps, not designated as hedging instruments						
Forward starting swaps, not designated as hedging instruments						
Swaptions, not designated as hedging instruments						
Swaptions, not designated as hedging instruments						
Swaptions, not designated as hedging instruments						
FX contracts						
Forward contracts, not designated as hedging instruments						
Forward contracts, not designated as hedging instruments						
Forward contracts, not designated as hedging instruments						
Forward contracts, designated as cash flow hedges						
Commodity contracts, not designated as hedging instruments⁽¹⁾						

(1) Notional value for commodity contracts is calculated as the expected volume times strike price per unit on a gross basis.

FAIR VALUE OF DERIVATIVE INSTRUMENTS

The fair values of commodity contracts, interest rate contracts and FX forward contracts are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. The fair value of commodity contracts are valued using the market approach based on observable market transactions, primarily underlying commodities futures or physical index prices, at the reporting date. Interest rate contracts are valued using models based primarily on readily observable market parameters, such as SOFR forward rates, for all substantial terms of our contracts and credit risk of the counterparties. The fair value of FX forward contracts are valued using quoted forward FX prices at the reporting date. Therefore, we have categorized these contracts as Level 2.

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KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

Not Designated as Hedging Instruments

The following table summarizes the location of the fair value of our derivative instruments which are not designated as hedging instruments within the unaudited Condensed Consolidated Balance Sheets. All such instruments are considered level Level 2 within the fair value hierarchy.

(in millions)	(in millions)	Balance Sheet Location	June 30, 2024	December 31, 2023	(in millions)	Balance Sheet Location	September 30, 2024	December 31, 2023
Assets:								
FX contracts								
FX contracts								
FX contracts								
Commodity contracts								
Commodity contracts								
Commodity contracts								
Commodity contracts								
Liabilities:								
Liabilities:								
Interest rate contracts								
FX contracts								
Commodity contracts								
Interest rate contracts								
FX contracts								
Commodity contracts								

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KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

Designated as Hedging Instruments

The following table summarizes the location of the fair value of our derivative instruments which are designated as hedging instruments within the unaudited Condensed Consolidated Balance Sheets. All such instruments are designated level Level 2 within the fair value hierarchy.

(in millions)	(in millions)	Balance Sheet Location	June 30, 2024	December 31, 2023	(in millions)	Balance Sheet Location	September 30, 2024	December 31, 2023
Assets:								
FX contracts								
FX contracts								
FX contracts								
FX contracts								

Liabilities:							
Liabilities:							
Liabilities:							
FX contracts							
FX contracts							
FX contracts							
FX contracts							

IMPACT OF DERIVATIVE INSTRUMENTS NOT DESIGNATED AS HEDGING INSTRUMENTS

The following table presents the amount of (gains) losses, net, recognized in the unaudited Condensed Consolidated Statements of Income related to derivative instruments not designated as hedging instruments under U.S. GAAP during the periods presented. Amounts include both realized and unrealized gains and losses.

(in millions)	Income Statement Location	Second Quarter		First Six Months	
		2024	2023	2024	2023
Interest rate contracts	Interest expense, net	\$ 26	\$ 41	\$ 52	\$ (55)
FX contracts	Cost of sales	(1)	(1)	(2)	—
FX contracts	Other income, net	(2)	5	(8)	5
Commodity contracts	Cost of sales	7	24	22	9
Commodity contracts	SG&A expenses	3	4	(9)	18

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KEURIG DR PEPPER INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED, CONTINUED)

(in millions)	Income Statement Location	Third Quarter		First Nine Months	
		2024	2023	2024	2023
Interest rate contracts	Interest expense, net	\$ (66)	\$ 104	\$ (14)	\$ 49
FX contracts	Cost of sales	(2)	(4)	(4)	(4)
FX contracts	Other income, net	6	(6)	(2)	(1)
Commodity contracts	Cost of sales	7	(7)	29	2
Commodity contracts	SG&A expenses	20	(20)	11	(2)

IMPACT OF CASH FLOW HEDGES

The following table presents the amount of (gains) losses, net, reclassified from AOCI into the unaudited Condensed Consolidated Statements of Income related to derivative instruments designated as cash flow hedging instruments during the periods presented:

(in millions)	Income Statement Location	Second Quarter		First Six Months		Third Quarter		First Nine Months	
		2024	2023	2024	2023	2024	2023	2024	2023
Interest rate contracts									
FX contracts									

We expect to reclassify approximately \$13 million and \$7 \$16 million of pre-tax net gains from AOCI into net income during the next twelve months related to interest rate contracts and FX contracts, respectively.

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KEURIG DR PEPPER INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED, CONTINUED)

6. Leases

The following table presents the components of lease cost:

(in millions)	(in millions)	Second Quarter		First Six Months		Third Quarter (in millions)	First Nine Months	
		2024	2023	2024	2023		2024	2023
Operating lease cost								
Finance lease cost								
Amortization of right-of-use assets								
Amortization of right-of-use assets								
Amortization of right-of-use assets								
Interest on lease liabilities								
Variable lease cost ⁽¹⁾								
Short-term lease cost								
Sublease income								
Total lease cost								
Total lease cost								
Total lease cost								

(1) Variable lease cost primarily consists of common area maintenance costs, property taxes, and adjustments for inflation.

The following table presents supplemental cash flow and other information about our leases:

(in millions)	(in millions)	First Six Months		First Nine Months	
		2024	2023	(in millions)	2024
Cash paid for amounts included in the measurement of lease liabilities:					
Operating cash flows from operating leases					
Operating cash flows from operating leases					
Operating cash flows from operating leases					
Operating cash flows from finance leases					
Financing cash flows from finance leases					
Right-of-use assets obtained in exchange for lease obligations:					
Operating leases					
Operating leases					
Operating leases					
Finance leases					

The following table presents information about our weighted average discount rate and remaining lease term:

Weighted average discount rate	June 30, 2024		December 31, 2023	
	September 30, 2024		December 31, 2023	
	Operating leases	Finance leases	Operating leases	Finance leases
Operating leases			5.3 %	5.3 %
Operating leases			5.3 %	5.3 %
Operating leases			5.3 %	5.3 %
Finance leases		4.2 %	3.9 %	4.4 %
Finance leases			Finance leases	Finance leases
Weighted average remaining lease term				
Operating leases			9 years	9 years
Operating leases			10 years	10 years
Operating leases			9 years	9 years
Finance leases		9 years	Finance leases	9 years
Finance leases			9 years	

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KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

Future minimum lease payments for non-cancellable leases that have commenced and are reflected on the unaudited Condensed Consolidated Balance Sheets as of **June 30, 2024** **September 30, 2024** were as follows:

(in millions)	(in millions)	Operating Leases	Finance Leases	(in millions)	Operating Leases	Finance Leases
Remainder of 2024						
2025						
2026						
2027						
2028						
2029						
Thereafter						
Total future minimum lease payments						
Less: imputed interest						
Present value of minimum lease payments						

SIGNIFICANT LEASES THAT HAVE NOT YET COMMENCED

As of **June 30, 2024** **September 30, 2024**, we have entered into leases that have not yet commenced with estimated aggregated future lease payments of approximately **\$238 million** **\$227 million**. These leases are expected to commence between the **third** **fourth** quarter of 2024 through 2027, with initial lease terms ranging from **1 year** **5 years** to **10** **11** years.

6.7. Segments

Our operating and reportable segments consist of the following:

- The U.S. Refreshment Beverages segment reflects sales in the U.S. from the manufacture and distribution of branded concentrates, syrup, and finished beverages, including the sales of our own brands and third-party brands, to third-party bottlers, distributors, and retailers.
- The U.S. Coffee segment reflects sales in the U.S. from the manufacture and distribution of finished goods relating to our K-Cup pods, single-serve brewers and accessories, and other coffee products to partners, retailers, and directly to consumers through the Keurig.com website.
- The International segment reflects sales in international markets, including the following:
 - Sales in Canada, Mexico, the Caribbean, and other international markets from the manufacture and distribution of branded concentrates, syrup, and finished beverages, including sales of our own brands and third-party brands, to third-party bottlers, distributors, and retailers.
 - Sales in Canada from the manufacture and distribution of finished goods relating to our single-serve brewers, K-Cup pods, and other coffee products.

Segment results are based on management reports. Net sales and income from operations are the significant financial measures used to assess the operating performance of our operating segments. Intersegment sales are recorded at cost and are eliminated in the unaudited Condensed Consolidated Statements of Income. "Unallocated corporate costs" are excluded from our measurement of segment performance and include unrealized commodity derivative gains and losses, and certain general corporate expenses.

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KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

Information about our operations by reportable segment is as follows:

(in millions)	(in millions)	Second Quarter		First Six Months		Third Quarter		First Nine Months	
		2024	2023	2024	2023	(in millions)	2024	2023	2024
Segment Results – Net sales									
U.S. Refreshment Beverages									
U.S. Refreshment Beverages									
U.S. Refreshment Beverages									
U.S. Coffee									
International									
Net sales									
Segment Results – Income from operations									
Segment Results – Income from operations									
Segment Results – Income from operations									
Segment Results – Income from operations									

U.S. Refreshment Beverages
 U.S. Refreshment Beverages
 U.S. Refreshment Beverages
 U.S. Coffee
 International
 Unallocated corporate costs
 Income from operations

7.8. Revenue Recognition

We recognize revenue when obligations under the terms of a contract with the customer are satisfied. Branded product sales, which include LRB, K-Cup pods and appliances, occur once control is transferred. Revenue is measured as the amount of consideration that we expect to receive in exchange for transferring goods. The amount of consideration we receive, and revenue we recognize, varies with changes in customer incentives that we offer our customers and end consumers. Sales taxes and other similar taxes are excluded from revenue. Costs associated with shipping and handling activities, such as merchandising, are included in SG&A expenses as revenue is recognized.

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KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

The following table disaggregates our revenue by product portfolio and by reportable segment:

(in millions)	(in millions)	U.S. Refreshment Beverages	U.S. Coffee	International	Total	(in millions)	U.S. Refreshment Beverages	U.S. Coffee	International	Total
For the second quarter of 2024:										
For the third quarter of 2024:										
LRB										
LRB										
LRB										
K-Cup pods										
Appliances										
Other										
Net sales										
For the second quarter of 2023:										
For the second quarter of 2023:										
For the second quarter of 2023:										
For the third quarter of 2023:										
For the third quarter of 2023:										
LRB										
LRB										
LRB										
K-Cup pods										
Appliances										
Other										
Net sales										
For the first six months of 2024:										
For the first six months of 2024:										
For the first six months of 2024:										
For the first nine months of 2024:										
For the first nine months of 2024:										
For the first nine months of 2024:										

LRB
LRB
LRB
K-Cup pods
Appliances
Other
Net sales
For the first six months of 2023:
For the first six months of 2023:
For the first six months of 2023:
For the first nine months of 2023:
For the first nine months of 2023:
For the first nine months of 2023:
LRB
LRB
LRB
K-Cup pods
Appliances
Other
Net sales

LRB represents net sales of owned, licensed, and partner brands within our portfolio and includes branded concentrates, syrup, and finished beverages, including contract manufacturing of our branded products for our bottlers and distributors. K-Cup pods represents net sales from owned, licensed, and partner brands and private label owners. Net sales for partner brands and private label owners are contractual and long-term in nature.

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KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

8.9. Earnings Per Share

The following table presents basic and diluted EPS and shares outstanding:

<i>(in millions, except per share data)</i>	Second Quarter		First Six Months		Third Quarter		First Nine Months	
	2024	2023	2024	2023	2024	2023	2024	2023
Net income								
Weighted average common shares outstanding								
Weighted average common shares outstanding								
Weighted average common shares outstanding								
Dilutive effect of stock-based awards								
Weighted average common shares outstanding and common stock equivalents								
Basic EPS								
Basic EPS								
Basic EPS								
Diluted EPS								
Anti-dilutive shares excluded from the diluted weighted average shares outstanding calculation								
Anti-dilutive shares excluded from the diluted weighted average shares outstanding calculation								
Anti-dilutive shares excluded from the diluted weighted average shares outstanding calculation								

9.10. Stock-Based Compensation

The components of stock-based compensation expense are presented below:

	(in millions)	Second Quarter		First Six Months		(in millions)	2024		2023		2024	
		Third Quarter	First Nine Months	2024	2023		2024	2023	2024	2023	2024	2023
Total stock-based compensation expense												
Income tax benefit												
Stock-based compensation expense, net of tax												

RESTRICTED SHARE UNITS

The table below summarizes RSU activity:

	RSUs	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in millions)	RSUs	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in millions)
Outstanding as of December 31, 2023								
Granted								
Vested and released								
Vested and released								
Vested and released								
Forfeited								
Outstanding as of June 30, 2024								
Outstanding as of June 30, 2024								
Outstanding as of June 30, 2024								
Outstanding as of September 30, 2024								
Outstanding as of September 30, 2024								
Outstanding as of September 30, 2024								

As of **June 30, 2024** **September 30, 2024**, there was **\$211 million** **\$187 million** of unrecognized compensation cost related to unvested RSUs that is expected to be recognized over a weighted average period of **3.4** **3.3** years.

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KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

10.11. Investments

The following table summarizes our investments in unconsolidated affiliates:

	(in millions)	(in millions)	June 30,		December 31,		
			2024	2023	September 30,	December 31,	2024
Nutrabolt ⁽¹⁾							
Chobani							

Tractor ⁽²⁾
Athletic Brewing
Beverage startup companies
Beverage startup companies
Beverage startup companies
Other
Investments in unconsolidated affiliates

(1) We hold a **34.9%** **35.0%** interest on an as-converted basis in Nutrabolt, consisting of **\$2.0%** **31.4%** in Class A preferred shares acquired through our December 2022 investment, which are treated as in-substance common stock, and **2.9%** **3.6%** in Class B common shares earned through the achievement of certain milestones included in our distribution agreement with Nutrabolt.

(2) In May 2024, we modified our sales agent contract with Tractor. In exchange, we received additional equity interests, raising our total interest to 23.0% as of **June 30, 2024** **September 30, 2024**.

11.12. Income Taxes

Our effective tax rates were as follows:

	Second Quarter		First Six Months		Third Quarter		First Nine Months		Effective tax rate	Effective tax rate	2024	2024	2023	2024	2023	2024	2023	2024	2023
	2024	2024	2023	2023	2024	2024	2023	2023											
	17.9 %	23.5 %	18.8 %	23.2 %	22.0 %	23.4 %	19.9 %												
Effective tax rate	Effective tax rate	23.4 %	17.9 %	23.5 %	18.8 %	Effective tax rate	23.2 %	22.0 %	23.4 %	19.9 %									

The For the first nine months of 2024, the change in our effective tax rate was largely driven by the unfavorable comparison to the prior year tax benefit received from a non-cash adjustment and a shift in the mix of income from lower tax jurisdictions to higher tax jurisdictions and the unfavorable comparison to the prior year tax benefit received from a non-cash adjustment, jurisdictions.

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KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

12.13. Accumulated Other Comprehensive Income

The following table provides a summary of changes in AOCI, net of taxes:

(in millions)	Foreign Currency Translation Adjustments (in millions)	Pension and Post-Retirement Benefit Liabilities	Cash Flow Hedges	Accumulated Other Comprehensive Income (in millions)	Foreign Currency Translation Adjustments (in millions)	Pension and Post-Retirement Benefit Liabilities	Cash Flow Hedges	Accumulated Other Comprehensive Income
For the second quarter of 2024:								
For the third quarter of 2024:								
Beginning balance								
Beginning balance								
Beginning balance								
Other comprehensive (loss) income								
Amounts reclassified from AOCI								
Total other comprehensive (loss) income								
Balance as of June 30, 2024								
Balance as of September 30, 2024								

For the second quarter of 2023:	
For the second quarter of 2023:	
For the second quarter of 2023:	
For the third quarter of 2023:	
For the third quarter of 2023:	
For the third quarter of 2023:	
Beginning balance	
Beginning balance	
Beginning balance	
Other comprehensive (loss) income	
Amounts reclassified from AOCI	
Total other comprehensive (loss) income	
Balance as of September 30, 2023	
For the first nine months of 2024:	
For the first nine months of 2024:	
For the first nine months of 2024:	
Beginning balance	
Beginning balance	
Beginning balance	
Other comprehensive (loss) income	
Amounts reclassified from AOCI	
Total other comprehensive (loss) income	
Balance as of September 30, 2024	
For the first nine months of 2023:	
For the first nine months of 2023:	
For the first nine months of 2023:	
Beginning balance	
Beginning balance	

Beginning balance	
Other comprehensive income (loss)	
Amounts reclassified from AOCI	
Total other comprehensive income (loss)	
Balance as of June 30, 2023	
For the first six months of 2024:	
For the first six months of 2024:	
For the first six months of 2024:	
Beginning balance	
Beginning balance	
Beginning balance	
Other comprehensive (loss) income	
Amounts reclassified from AOCI	
Total other comprehensive (loss) income	
Balance as of June 30, 2024	
For the first six months of 2023:	
For the first six months of 2023:	
For the first six months of 2023:	
Beginning balance	
Beginning balance	
Beginning balance	
Other comprehensive income (loss)	
Amounts reclassified from AOCI	
Total other comprehensive income (loss)	
Balance as of June 30, 2023	
Balance as of September 30, 2023	

The following table presents the amount of (gains) losses reclassified from AOCI into the unaudited Condensed Statements of Income:

(in millions)	(in millions)	Income Statement		Income Statement		Second Quarter		First Six Months		First Nine Months		(in millions)	
		Caption		Caption		2024		2023		2024		2023	
Pension and PRMB liabilities													
Income tax benefit													
Total, net of tax													
Cash Flow Hedges:													
Cash Flow Hedges:													
Cash Flow Hedges:													
Interest rate contracts ⁽¹⁾													
Interest rate contracts ⁽¹⁾													
Interest rate contracts ⁽¹⁾													
FX contracts													
Total													
Income tax expense													
Total, net of tax													

(1) Amounts reclassified from AOCI into interest expense during the first **six** **nine** months of 2023 include the realized gains associated with the termination of forward starting swaps designated as cash flow hedges of approximately \$66 million.

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KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

13, 14. Other Financial Information

SELECTED BALANCE SHEET INFORMATION

The tables below provide selected financial information from the unaudited Condensed Consolidated Balance Sheets:

(in millions)	(in millions)	June 30, 2024		December 31, 2023		(in millions)		September 30, 2024		December 31, 2023	
Inventories:											
Raw materials											
Raw materials											
Raw materials											
Work-in-progress											
Finished goods											
Total											
Allowance for excess and obsolete inventories											
Total Inventories											
Prepaid expenses and other current assets:											
Other receivables											
Other receivables											
Other receivables											
Prepaid income taxes											
Customer incentive programs											
Derivative instruments											
Prepaid marketing											

Spare parts			
Income tax receivable			
Income tax receivable			
Income tax receivable			
Other			
Total prepaid expenses and other current assets			
Other non-current assets:	Other non-current assets:		Other non-current assets:
Operating lease right-of-use assets			
Customer incentive programs			
Derivative instruments			
Equity securities			
Equity securities			
Equity securities			
Other			
Other			
Other			
Total other non-current assets			

Equity Securities

Fair values of equity securities are determined using quoted market prices from daily exchange traded markets, based on the closing price as of the balance sheet date, and are classified as Level 1. Unrealized mark-to-market gains and losses are recorded to Other income, net. The following table presents the amount of unrealized mark-to-market (gains) losses, net, on our equity securities recognized in the unaudited Condensed Consolidated Statements of Income related to these securities during the periods presented.

<i>(in millions)</i>	<i>(in millions)</i>	Second Quarter		First Six Months		<i>(in millions)</i>	2024		2023		<i>(in millions)</i>	2024		2023				
		Third Quarter		First Nine Months			2024		2023				2024		2023			
				2024	2023		2024	2023				2024	2023					
Unrealized mark-to-market (gains) losses																		
Vita Coco																		
Vita Coco																		
Vita Coco																		
Rabbi trust																		

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KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

<i>(in millions)</i>	<i>(in millions)</i>	June 30,		December 31,		<i>(in millions)</i>	September 30,		December 31,	
		2024	2023	2024	2023		2024	2023	2024	2023
Accrued expenses:										
Accrued customer trade										
Accrued customer trade										
Accrued customer trade										
Accrued compensation										
Insurance reserve										
Accrued interest										
Other accrued expenses										
Other accrued expenses										
Other accrued expenses										
Total accrued expenses										
Other current liabilities:										
Dividends payable										

Dividends payable	
Dividends payable	
Income taxes payable	
Operating lease liability	
Finance lease liability	
Derivative instruments	
Other	
Other	
Other	
Total other current liabilities	

Other non-current liabilities:	
Operating lease liability	
Operating lease liability	
Operating lease liability	
Finance lease liability	
Pension and post-retirement liability	
Insurance reserves	
Derivative instruments	
Derivative instruments	
Derivative instruments	
Deferred compensation liability	
Other	
Total other non-current liabilities	

Accounts Payable

We have agreements with third party administrators which allow participating suppliers to track our payment obligations, and, if voluntarily elected by the supplier, to sell our payment obligations to financial institutions. Suppliers can sell one or more of our payment obligations, at their sole discretion, and our rights and obligations to our suppliers, including amounts due and scheduled payment terms, are not impacted. We have no economic interest in a supplier's decision to enter into these agreements and no direct financial relationship with the financial institutions. Outstanding obligations confirmed as valid included in accounts payable as of **June 30, 2024** **September 30, 2024** and December 31, 2023 were **\$1,815 million** **\$1,786 million** and \$2,389 million, respectively.

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KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

14.15. Commitments and Contingencies

KDP is occasionally subject to litigation or other legal proceedings. Reserves are recorded for specific legal proceedings when the Company determines that the likelihood of an unfavorable outcome is probable and the amount of loss can be reasonably estimated. We had litigation reserves of **\$8 million** **\$2 million** and \$12 million, respectively, as of **June 30, 2024** **September 30, 2024** and December 31, 2023. We have also identified certain other legal matters where we believe an unfavorable outcome is reasonably possible and/or for which no estimate of possible losses can be made. We do not believe that the outcome of these, or any other, pending legal matters, individually or collectively, will have a material adverse effect on our results of operations, financial condition, or liquidity.

ANTITRUST LITIGATION

In February 2014, TreeHouse Foods, Inc. and certain affiliated entities filed suit against KDP's wholly-owned subsidiary, Keurig (formerly known as Green Mountain Coffee Roasters, Inc.), in the U.S. District Court for the Southern District of New York ("SDNY") (TreeHouse Foods, Inc. et al. v. Green Mountain Coffee Roasters, Inc. et al.). The TreeHouse complaint asserted claims under the federal antitrust laws and various state laws, contending that Keurig had monopolized alleged markets for single serve coffee brewers and single serve coffee pods. The TreeHouse complaint sought treble monetary damages, declaratory relief, injunctive relief and attorneys' fees. In the months that followed, a number of additional actions, including claims from another coffee manufacturer (JBR, Inc.), as well as putative class actions on behalf of direct and indirect purchasers of Keurig's products, were filed in various federal district courts, asserting claims and seeking relief substantially similar to the claims asserted and relief sought in the TreeHouse complaint. Additional similar actions were filed by individual direct purchasers (including McLane Company, Inc., BJ's Wholesale Club, Inc., Winn-Dixie Stores Inc. and Bi-Lo Holding LLC) in 2019 and in 2021. All of these actions were transferred to the SDNY for coordinated pre-trial proceedings (In re: Keurig Green Mountain Single-Serve Coffee Antitrust Litigation) (the "Multidistrict Antitrust Litigation").

In July 2020, Keurig reached an agreement with one of the plaintiff groups in the Multidistrict Antitrust Litigation, the putative indirect purchaser class, to settle the claims asserted for \$31 million. The settlement class consisted of individuals and entities in the United States that purchased, from persons other than Keurig and not for purposes of

resale, Keurig manufactured or licensed single serve beverage portion packs during the applicable class period (beginning in September 2010 for most states). The settlement was approved and paid, and the indirect purchasers' claims have been dismissed.

Discovery in all remaining matters pending in the Multidistrict Antitrust Litigation is concluded, with the plaintiffs collectively claiming more than \$5 billion of monetary damages. Keurig strongly disputes the merits of the claims and the calculation of damages. As a result, Keurig has fully briefed summary judgment motions that, if successful, would end the cases entirely. Keurig has also fully briefed other significant motions, including challenges to the validity of plaintiffs' damages calculations. Keurig is also pursuing its opposition to direct purchaser plaintiffs' motion for class certification. Certain of Keurig's motions and opposition have been pending in the SDNY since 2021, with others pending since 2023.

Keurig intends to continue vigorously defending the remaining lawsuits. At this time, we are unable to predict the outcome of these lawsuits, the potential loss or range of loss, if any, associated with the resolution of these lawsuits or any potential effect they may have on us or our results of operations. Accordingly, we have not accrued for a loss contingency. Additionally, as the timelines in these cases may be beyond our control, we can provide no assurance as to whether or when there will be material developments in these matters.

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KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

15.16. Restructuring

RESTRUCTURING PROGRAMS

2023 CEO Succession and Associated Realignment

In 2023, we began to enact several organization movements to ensure succession plans, to reinforce enterprise capabilities to support growth, and to control costs. A key component of the program was the appointment of Tim Cofer as Chief Operating Officer, effective November 6, 2023, with Mr. Cofer succeeding Robert Gamgort as our CEO during the second quarter of 2024. We are also realigning our executive and operating leadership structure to enable faster decision making and to better support various strategic initiatives. The program is expected to incur charges of approximately \$55 million, primarily driven by severance costs, which are expected to be incurred through 2024, and the sign-on bonus for Mr. Cofer as our new Chief Operating Officer, Cofer.

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KEURIG DR PEPPER INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, CONTINUED)

2024 Network Optimization

In March 2024, we announced a restructuring program designed to more effectively and efficiently meet the needs of consumers and customers. The program initially included the closure of our manufacturing facility in Williston, Vermont, with operations and employees to be relocated to other existing manufacturing locations, in order to more effectively and efficiently meet the needs of consumers and customers. The relocation began during the second quarter of 2024 and was completed in the third quarter of 2024. In July 2024, we also announced the closure of our Windsor, Virginia manufacturing facility, which is expected to begin in the first quarter of 2025. Our restructuring program also encompasses other costs intended to optimize our manufacturing and distribution footprint throughout our operations.

The restructuring program is expected to incur pre-tax restructuring charges in an estimated range of \$30 million to \$40 million, primarily comprised of asset related costs, through the third quarter of 2024.

RESTRUCTURING CHARGES

Restructuring and integration expenses for the defined programs during the periods presented were as follows:

(in millions)	Second Quarter		First Six Months		Third Quarter		First Nine Months			
	(in millions)	2024	2023	2024	2023	(in millions)	2024	2023	2024	2023
2023 CEO Succession and Associated Realignment										
2024 Network Optimization										

RESTRUCTURING LIABILITIES

Restructuring liabilities that qualify as exit and disposal costs under U.S. GAAP are included in accounts payable and accrued expenses on the unaudited condensed consolidated financial statements. Restructuring liabilities, primarily consisting of workforce reduction costs, were as follows:

(in millions)	Restructuring Liabilities
Balance as of January 1, 2024	\$ 27
Charges to expense	611
Cash payments	(6) (11)
Balance as of June 30, 2024	\$ 27

16. 17. Transactions with Related Parties

REPURCHASE OF KDP COMMON STOCK

In March 2024, JAB BevCo B.V., a subsidiary of JAB, sold 100 million shares of KDP's common stock through an underwritten secondary offering. In connection with this offering, we repurchased 35 million shares at the per-share price paid by the underwriter, for a total of \$1,012 million, which was effected under our existing share repurchase program.

18. Subsequent Event

On October 23, 2024, we entered into a definitive agreement with GHOST, and certain other parties named therein, to acquire a controlling interest in GHOST. Under the terms of the agreement, we will initially purchase a 60% stake in GHOST for aggregate consideration of \$990 million and, upon the closing of that transaction, we will enter into a subsequent agreement with GHOST, which will require the remaining equityholders of GHOST to sell their resulting 40% stake in GHOST to us in 2028. The transaction is subject to customary closing conditions.

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

The following discussion should be read in conjunction with our audited consolidated financial statements and notes thereto in our Annual Report.

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act, including, in particular, statements about the impact of future events, future financial performance, plans, strategies, business combinations, expectations, prospects, competitive environment, regulation, labor matters, supply chain issues, inflation, and availability of raw materials. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as "outlook," "guidance," "anticipate," "expect," "believe," "could," "estimate," "feel," "forecast," "intend," "may," "plan," "potential," "project," "should," "target," "will," "would," and similar words, phrases or expressions and variations or negatives of these words in this Quarterly Report on Form 10-Q. We have based these forward-looking statements on our current views with respect to future events and financial performance. Our actual financial performance could differ materially from those projected in the forward-looking statements due to a variety of factors, including the inherent uncertainty of estimates, forecasts and projections and the possibility that we are unable to successfully complete the GHOST transaction on the anticipated terms and timing or to successfully integrate GHOST into our business, and our financial performance may be better or worse than anticipated. Given these uncertainties, you should not put undue reliance on any forward-looking statements. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under "Risk Factors" in Part I, Item 1A of our Annual Report, as well as our subsequent filings with the SEC. Forward-looking statements represent our estimates and assumptions only as of the date that they were made. We do not undertake any duty to update the forward-looking statements, and the estimates and assumptions associated with them, after the date of this Quarterly Report on Form 10-Q, except to the extent required by applicable securities laws.

This Quarterly Report on Form 10-Q contains the names of some of our owned or licensed trademarks, trade names and service marks, which we refer to as our brands. All of the product names included in this Quarterly Report on Form 10-Q are either our registered trademarks or those of our licensors.

OVERVIEW

KDP is a leading beverage company in North America that manufactures, markets, distributes, and sells hot and cold beverages and single serve brewing systems. We have a broad portfolio of iconic beverage brands, including Keurig, Dr Pepper, Canada Dry, Mott's, A&W, Snapple, Peñafiel, 7UP, Green Mountain Coffee Roasters, Clamato, Core Hydration, and The Original Donut Shop. KDP has some of the most recognized beverage brands in North America, with significant consumer awareness levels and long histories that evoke strong emotional connections with consumers. We offer more than 125 owned, licensed, and partner brands, available nearly everywhere people shop and consume beverages through our sales and distribution network.

KDP operates as an integrated brand owner, manufacturer, and distributor. We believe our integrated business model strengthens our route-to-market and provides opportunities for net sales and profit growth through the alignment of the economic interests of our brand ownership and our manufacturing and distribution businesses through both our DSD system and our WD system. We market and sell our products to retailers, including supermarkets, mass merchandisers, club stores, pure-play e-commerce retailers, and office superstores; to restaurants, hotel chains, office product and coffee distributors, and partner brand owners; and directly to consumers through our website. Our integrated business model enables us to be more flexible and responsive to the changing needs of our large retail customers and allows us to more fully leverage our scale and reduce costs by creating greater geographic manufacturing and distribution coverage.

Our operating and reportable segments are as follows:

- The U.S. Refreshment Beverages segment reflects sales in the U.S. from the manufacture and distribution of branded concentrates, syrup, and finished beverages, including the sales of the Company's own brands and third-party brands, to third-party bottlers, distributors, and retailers.
- The U.S. Coffee segment reflects sales in the U.S. from the manufacture and distribution of finished goods relating to the Company's K-Cup pods, single-serve brewers, and other coffee products to partners, retailers and directly to consumers through our Keurig.com website.

- The International segment reflects sales in international markets, including the following:
 - Sales in Canada, Mexico, the Caribbean, and other international markets from the manufacture and distribution of branded concentrates, syrup, and finished beverages, including sales of the Company's own brands and third-party brands, to third-party bottlers, distributors, and retailers.
 - Sales in Canada from the manufacture and distribution of finished goods relating to the Company's single-serve brewers, K-Cup pods, and other coffee products.

COMPARABLE RESULTS OF OPERATIONS

We eliminate from our financial results all applicable intercompany transactions between entities included in our consolidated financial statements and the intercompany transactions with our equity method investees. References in tables below to percentage changes that are not meaningful are denoted by "NM".

EXECUTIVE SUMMARY

Financial Overview - Second Third Quarter of 2024 as compared to Second Third Quarter of 2023

As Reported, in millions (except EPS)

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Key Events During the Second Third Quarter of 2024

Acquisition of Strategic Assets from Kalil Bottling Company

In May August 2024, we completed the Kalil Acquisition, which was previously announced an agreement to acquire all production, sales, and distribution assets of an independent bottler, Kalil Bottling Company. Pursuant to the agreement, on May 31, 2024. As a result, our DSD operations would gain new bottling and distribution rights in Arizona to key KDP brands, including Canada Dry, 7UP, A&W, Snapple, and Core Hydration. Refer to Note 3 of the Notes to our Unaudited Condensed Consolidated Financial Statements for additional information.

Increase in Quarterly Dividend

On September 12, 2024, we announced a 7.0% increase in our annualized dividend rate to \$0.92 per share, from the previous annualized rate of \$0.86 per share, effective with the regular quarterly cash dividend announced on the same day.

Definitive Agreement to Acquire GHOST

On October 23, 2024, we entered into a definitive agreement with GHOST, and certain other parties named therein, to acquire a controlling interest in GHOST. Founded in 2016, GHOST is a lifestyle sports nutrition business with a portfolio anchored by GHOST Energy, a leading ready-to-drink energy brand.

Under the terms of the agreement, we will initially purchase a 60% stake in GHOST for aggregate consideration of \$990 million and, upon the closing of that transaction, we will enter into a subsequent agreement with GHOST, which will require the remaining equityholders of GHOST to sell their resulting 40% stake in GHOST to us in 2028. The business combination transaction is expected subject to close in the third quarter of 2024, customary closing conditions.

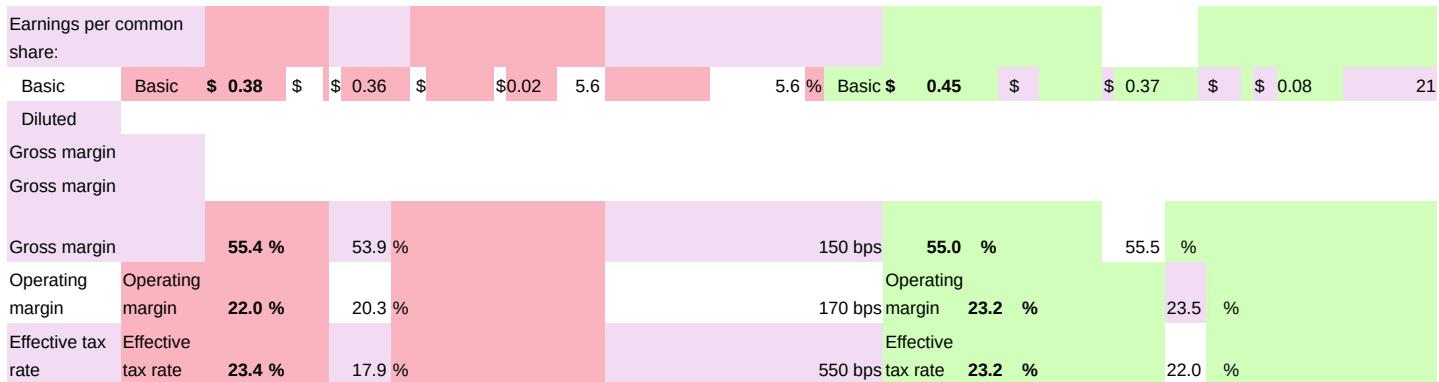
RESULTS OF OPERATIONS

Second Third Quarter of 2024 Compared to Second Third Quarter of 2023

Consolidated Operations

The following table sets forth our unaudited condensed consolidated results of operations for the second third quarter of 2024 and 2023:

(\$ in millions, except per share amounts)	Second Quarter		Dollar	Percentage	Third Quarter		Dollar	Percentage
	2024	2023			Change	(\$ in millions, except per share amounts)	2024	2023
Net sales	Net sales \$3,922	\$ 3,789	\$ 133	3.5		Net sales \$ 3,891	\$ 3,805	\$ 86
Cost of sales								
Gross profit								
Selling, general and administrative expenses								
Other operating expense, net								
Other operating expense, net								
Impairment of intangible assets	—	2	(2)	NM				
Other operating expense, net	16	—	—	NM	NM	Other operating expense, net (7)	(4)	(4) (3)
Income from operations								
Interest expense, net								
Other income, net								
Other income, net								
Income before provision for income taxes								
Provision for income taxes	157	110	110	NM	NM	Provision for income taxes 186	146	146 40
Net income								
Earnings per common share:								
Earnings per common share:								



Sales Volume. The following table provides the percentage change in sales volume for the second/third quarter of 2024 compared to the prior year period:

		Percentage Change
LRB		(0.1) 3.5 %
K-Cup pods		1.1 1.0
BrewersAppliances		3.6 13.9

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Net Sales. Net sales increased \$133 million \$86 million, or 3.5% 2.3%, to \$3,922 million \$3,891 million for the second/third quarter of 2024 compared to \$3,789 million \$3,805 million in the prior year period. This performance reflected favorable volume/mix growth of 1.8% 3.5%, favorable partially offset by unfavorable impacts from FX translation (0.8%) and net price realization of 1.6% and favorable FX translation of 0.1% (0.4%).

Gross Profit. Gross profit increased \$131 million \$29 million, or 6.4% 1.4%, to \$2,172 million \$2,140 million for the second/third quarter of 2024 compared to \$2,041 million \$2,111 million in the prior year period. This performance primarily reflected a net benefit from changes in ingredients, materials, and productivity (3 percentage points) and the gross profit impact of net sales growth (3, partially offset by increases in other manufacturing costs (1 percentage points). Gross margin increased 150 bps versus the prior year period to 55.4% point).

Selling, General and Administrative Expenses. SG&A expenses increased \$23 million \$28 million, or 1.8% 2.3%, to \$1,295 million \$1,245 million for the second/third quarter of 2024 compared to \$1,272 million \$1,217 million in the prior year period, primarily driven by higher people costs.

Other operating expense, net. Other operating expense of \$16 million for the second quarter of 2024 primarily reflected losses on the disposal of assets related to our 2024 Network Optimization program, unfavorable changes in unrealized commodity mark-to-market activity (4 percentage points), partially offset by reduced costs associated with restructuring and productivity projects (2 percentage points).

Income from Operations. Income from operations increased \$92 million \$6 million, or 12.0% 0.7%, to \$861 million \$902 million for the second/third quarter of 2024, compared to \$769 million \$896 million in the prior year period, primarily driven by the as our increase in gross profit, profit was almost fully offset by increased SG&A expenses.

Interest Expense. Interest expense increased \$32 million decreased \$131 million, or 18.6% 55.3%, to \$204 million \$106 million for the second/third quarter of 2024 compared with \$172 million \$237 million in the prior year period. This change reflected increased weighted average borrowings (29 percentage points), partially offset by favorable year-over-year changes in unrealized mark-to-market activity (12 (71 percentage points).

Effective Tax Rate. The effective tax rate was 23.4% for the second quarter of 2024, compared to 17.9% in the prior year period, primarily driven, partially offset by the unfavorable comparison to the prior year tax benefit received from a non-cash adjustment (460 bps) and a shift in the mix of income from lower tax jurisdictions to higher tax jurisdictions (170 bps) increased weighted average borrowings (17 percentage points).

Net Income. Net income increased \$12 million \$98 million, or 2.4% 18.9%, to \$515 million \$616 million for the second/third quarter of 2024 as compared to \$503 million in the prior year period, as increased income from operations was partially offset by increases in interest expense and our effective tax rate.

Diluted EPS. Diluted EPS increased 5.6% to \$0.38 per diluted share for the second quarter of 2024 as compared to \$0.36 \$518 million in the prior year period, primarily driven by reduced weighted average shares outstanding, interest expense.

Diluted EPS. Diluted EPS increased 21.6% to \$0.45 per diluted share for the third quarter of 2024 as compared to \$0.37 in the prior year period.

Results of Operations by Segment

The following tables set forth net sales and income from operations for our segments for the **Second** **third** quarter of 2024 and 2023, as well as other amounts necessary to reconcile our segment results to our consolidated results presented in accordance with U.S. GAAP.

(in millions)	(in millions)	Second Quarter		Third Quarter		
		2024	2023	(in millions)	2024	2023
Net sales	Net sales			Net sales		
U.S. Refreshment Beverages						
U.S. Coffee						
International						
Total net sales						
Income from operations						
Income from operations						
Income from operations						
U.S. Refreshment Beverages						
U.S. Coffee						
International						
Unallocated corporate costs						
Income from operations						
		29	30			

U.S. REFRESHMENT BEVERAGES

The following table provides selected information about our U.S. Refreshment Beverages segment's results:

(in millions)	Second Quarter		Third Quarter		Dollar Change	Percentage Change	Dollar Change	Percentage Change
	Third Quarter	Dollar Change	Second Quarter	Dollar Change				
	Operating margin	Operating margin	Operating margin	Operating margin				
Net sales	\$2,407	\$ \$ 2,330	\$ \$ 77	3.3	3.3	% \$ 2,390	\$ \$ 2,270	\$ \$ 120 5.3 % 5.3 %
Income from operations								
Operating margin	29.8 %	27.0 %						40 bps

Sales Volume. Sales volume for the **second** **third** quarter of 2024 **decreased** 2.6% **increased** 3.7% compared to the prior year period, driven by growth in carbonated soft drinks, as well as contributions from partnerships including such as Electrolit and C4, and growth in select carbonated soft drinks was more than offset by softness in other parts of our portfolio, C4.

Net Sales. Net sales increased 3.3% 5.3% to \$2,407 million \$2,390 million for the **second** **third** quarter of 2024, compared to \$2,330 million \$2,270 million in the prior year period, driven by volume/mix growth of 4.0% and favorable net price realization of 2.9% and favorable volume/mix of 0.4% 1.3%.

Income from Operations. Income from operations increased \$88 million \$46 million, or 14.0% 6.8%, to \$717 million \$722 million for the **second** **third** quarter of 2024, compared to \$629 million \$676 million for the prior year period. This performance primarily reflects the gross profit impact of net sales growth (8 percentage points), earned equity from the achievement of milestones associated with certain distribution agreements (3 percentage points), and a net benefit from changes in ingredients, materials, and productivity (7/2 percentage points), partially offset by increases in transportation and warehousing expenses (4 percentage points) and the gross profit impact of net sales growth (6 other manufacturing costs (3 percentage points)). Operating margin improved 280 bps versus the prior year period to 29.8%.

U.S. COFFEE

The following table provides selected information about our U.S. Coffee segment's results:

(in millions)	Second Quarter		Dollar Change	Percentage Change	Dollar Change	Percentage Change	
	Third Quarter	Dollar Change					
	Operating margin	Percentage Change					
Net sales	\$950	\$ 970	\$ (20)	(2.1)	(2.1)	\$ 976	\$ 1,012
Net sales							\$ (36)
Net sales							(3.6)%
Income from operations							
Operating margin	24.0 %	25.8 %				Operating margin	26.0 %
						(180) bps	29.0 %
							(300) bps

Sales Volume. K-Cup pod volume increased 0.2% decreased 0.4% in the second third quarter of 2024 compared to the prior year period. Appliance volume increased 2.1% 14.2% compared to the prior year period, driven by Keurig market share momentum, momentum and improving coffeemaker category trends.

Net Sales. Net sales decreased 2.1% 3.6% to \$950 million \$976 million for the second third quarter of 2024 compared to net sales of \$970 million \$1,012 million in the prior year period, reflecting unfavorable net price realization of 2.9% 6.3%, partially offset by favorable volume/mix growth of 0.8% 2.7%.

Income from Operations. Income from operations decreased \$22 million \$39 million, or 8.8% 13.3%, to \$228 million \$254 million for the second third quarter of 2024, compared to \$250 million \$293 million for the prior year period, primarily reflecting the gross profit impact of the decrease in net sales (9 (21) percentage points) and losses on the disposal of assets related to our 2024 Network Optimization program (8 (4) percentage points), partially offset by the net benefit from changes in ingredients, materials, and productivity (7 (11) percentage points). Operating margin declined 180 bps versus the year ago period to 24.0%.

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INTERNATIONAL

The following table provides selected information about our International segment's results:

(in millions)	Second Quarter		Dollar Change	Percentage Change	Dollar Change	Percentage Change	
	Third Quarter	Dollar Change					
	Operating margin	Percentage Change					
Net sales	\$565	\$ 489	\$ 76	15.5	15.5	\$ 525	\$ 523
Net sales							\$ 2
Net sales							0.4 %
Income from operations							
Operating margin	26.5 %	22.9 %				Operating margin	29.9 %
						360 bps	26.6 %
							330 bps

Sales volume. The following table provides the percentage change in sales volume for the International segment compared to the prior year period:

	Percentage Change
LRB	11.0 2.6 %
K-Cup pods	7.3 10.7
BrewersAppliances	20.4 10.1

Net Sales. Net sales increased 15.5% 0.4% to \$565 million \$525 million in the second third quarter of 2024, compared to \$489 million \$523 million for the prior year period, reflecting volume/mix growth of 10.4%, higher net price realization of 4.3% 3.4% and volume/mix growth of 3.1%, and favorable which was largely offset by unfavorable FX translation impacts of 0.8% 6.1%.

Income from Operations. Income from operations increased \$38 million \$18 million, or 33.9% 12.9%, to \$150 million \$157 million for the second third quarter of 2024 compared to \$112 million \$139 million in the prior year period. This performance primarily reflected the gross profit impact of favorable net price realization (13 percentage points) and the growth net benefit from changes in net sales (44 ingredients, materials, and productivity (6 percentage points), partially offset by higher marketing investment (9 percentage points) and higher increased transportation and warehousing expenses (7 percentage points). Operating margin increased 360 bps from the prior year period to 26.5%.

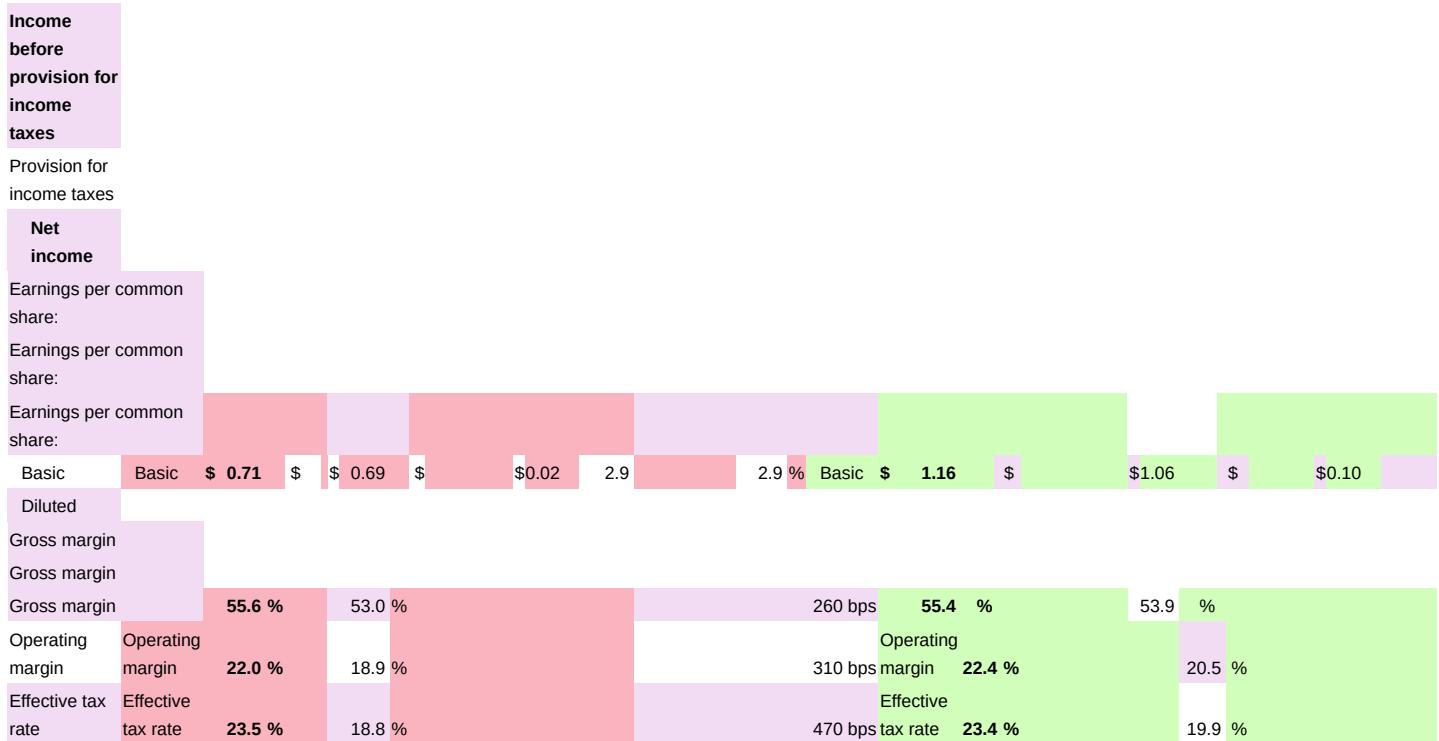
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First Six Nine Months of 2024 Compared to First Six Nine Months of 2023

Consolidated Operations

The following table sets forth our unaudited condensed consolidated results of operations for the first six nine months of 2024 and 2023:

(\$ in millions, except per share amounts)	First Six Months		First Nine Months			
	Dollar Change	Percentage Change	Dollar Change	Percentage Change		
Net sales						
Net sales	\$7,390	\$ 7,142	\$ 248	3.5	3.5 %	\$11,281
Cost of sales						
Gross profit						
Selling, general and administrative expenses						
Impairment of intangible assets	—	2	(2)	NM		
Other operating expense (income), net						
Other operating expense (income), net						
Other operating expense (income), net	15	(5)	20	NM		
Other operating (income) expense, net						
Other operating (income) expense, net						
Other operating (income) expense, net	8	(9)	17	NM		
Income from operations						
Interest expense	Interest expense	382	195	195	187	187
Other income, net						
Other income, net	(22)	(36)	(36)	14	14	NM
Other income, net						



Sales Volume. The following table provides the percentage change in sales volume compared to the prior year period:

	Percentage Change
LRB	(0.4) 0.9 %
K-Cup pods	0.2 0.5
Appliances	10.6 12.0

Net Sales. Net sales increased \$248 million \$334 million, or 3.5% 3.1%, to \$7,390 million \$11,281 million for the first six nine months of 2024 compared to \$7,142 million \$10,947 million in the prior year period. This performance reflected volume/mix growth of 1.7% and favorable net price realization of 2.3%, favorable volume/mix of 0.8%, and favorable FX translation of 0.4% 1.4%.

Gross Profit. Gross profit increased \$327 million \$356 million, or 8.6% 6.0%, to \$4,112 million \$6,252 million for the first six nine months of 2024 compared to \$3,785 million \$5,896 million in the prior year period. This performance primarily reflected the gross profit impact of net sales growth (5 percentage points) and a net benefit from changes in ingredients, materials, and productivity (3 percentage points), the gross profit impact of net sales growth (3 percentage points), and earned equity from the achievement of milestones associated with certain distribution agreements (1 percentage point), partially offset by increases in other manufacturing costs (1 percentage point).

Selling, general and administrative expenses. Gross margin SG&A expenses increased 260 bps versus \$62 million, or 1.7%, to \$3,716 million for the first nine months of 2024 compared to \$3,654 million in the prior year period, to 55.6%. led by higher people costs.

Other operating (income) expense, (income), net. Other operating (income) expense, (income), net reflected an unfavorable change of \$20 million \$17 million from the prior year period, primarily driven by losses on the disposal of assets related to our 2024 Network Optimization program.

Selling, general and administrative expenses. SG&A expenses increased \$34 million, or 1.4%, to \$2,471 million for the first six months of 2024 compared to \$2,437 million in the prior year period, primarily driven by higher people costs.

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Income from Operations. Income from operations increased \$273 million \$279 million, or 20.2% 12.4%, to \$1,626 million \$2,528 million for the first six nine months of 2024 compared to \$1,353 million \$2,249 million in the prior year period, primarily driven by increased gross profit. Operating margin profit, partially offset by increased 310 bps from the prior year period to 22.0%. SG&A expenses.

Interest Expense. Interest expense increased \$187 million \$56 million to \$382 million \$488 million for the first six nine months of 2024 compared to \$195 million \$432 million for the prior year period, primarily driven by the unfavorable increased weighted average borrowings (29 percentage points), which was partially offset by a favorable year-over-year change in unrealized mark-to-market activity (54 percentage points), as well as increased weighted average borrowings (42/14 percentage points).

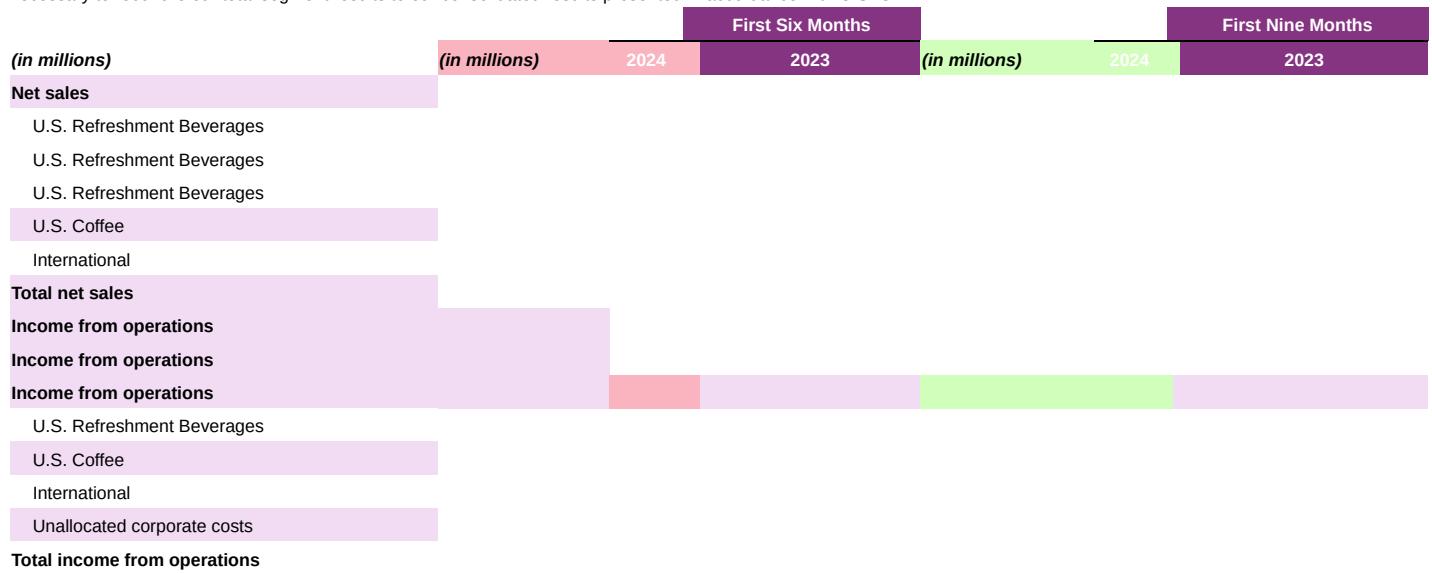
Effective Tax Rate. The effective tax rate increased 470 bps to 23.5% for the first six months of 2024, compared to 18.8% in the prior year period, primarily driven by the unfavorable comparison to the prior year tax benefit received from a non-cash adjustment (290 bps) and a shift in the mix of income from lower tax jurisdictions to higher tax jurisdictions (130 bps).

Net Income. Net income decreased \$1 million increased \$97 million, or 0.1% 6.5%, to \$969 million \$1,585 million for the first six nine months of 2024 as compared to \$970 million \$1,488 million in the prior year period, as driven by increased interest expense and unfavorable changes income from operations, partially offset by increases in our effective tax rate more than offset our increased income from operations, and interest expense.

Diluted EPS. Diluted EPS increased 1.4% to \$0.70 per diluted share for the first nine months of 2024 as compared to \$0.69 in the prior year period, primarily driven by reduced weighted average shares outstanding.

Results of Operations by Segment

The following tables provide net sales and income from operations for our reportable segments for the first **six** nine months of 2024 and 2023, as well as the other amounts necessary to reconcile our total segment results to our consolidated results presented in accordance with U.S. GAAP.



U.S. REFRESHMENT BEVERAGES

The following table provides selected information about our U.S. Refreshment Beverages segment's results:

(in millions)	First Six Months		Dollar Change	Percentage Change	First Nine Months		Dollar Change	Percentage Change
Net sales								
Net sales								
Net sales	\$ 4,500	\$ 4,337	\$ 163	3.8	3.8 %	\$ 6,890	\$ 6,607	\$ 283
Income from operations								
Operating margin	Operating margin	29.6 %	25.8 %		Operating margin	380 bps	29.8 %	27.2 %
								260 bps

Sales Volume. Sales volume for the first **six** **nine** months of 2024 decreased approximately **2.2%** **0.3%** compared to the prior year period, as growth in carbonated soft drinks, as well as the contributions from partnerships including such as **Electrolit** and **C4**, and growth in select carbonated soft drinks was more than **were** offset by softness in other parts of our **still** portfolio.

Net Sales. Net sales increased **3.8%** **4.3%** to **\$4,500 million** **\$6,890 million** in the first **six** **nine** months of 2024, compared to **\$4,337 million** **\$6,607 million** in the prior year period, driven by favorable net price realization of **4.2%**, which was partially offset by unfavorable **3.2%** and volume/mix growth of **0.4%** **1.1%**.

Income from Operations. Income from operations increased **\$213 million** **\$259 million**, or **19.0%** **14.4%**, to **\$1,332 million** **\$2,054 million** for the first **six** **nine** months of 2024 compared to **\$1,119 million** **\$1,795 million** for the prior year period. This performance was led by the gross profit impact of net sales growth **(11)** **(10** percentage points) and, a net benefit from changes in ingredients, materials, and productivity (4 percentage points), as well as and earned equity from the achievement of milestones associated with certain distribution agreements (4 percentage points). Operating margin improved 380 bps versus the year ago period to 29.6%.

U.S. COFFEE

The following table provides selected information about our U.S. Coffee segment's results:

(in millions)	First Six Months		Dollar Change	Percentage Change	First Nine Months		Dollar Change	Percentage Change
	Net sales	Net sales			Net sales	Income from operations	Operating margin	Operating margin
Net sales	\$ 1,861	\$ 1,901	\$ (40)	(2.1)	(2.1)%	\$2,837	\$ 2,913	\$ (76)
Operating margin	25.6 %	25.4 %				Operating margin	25.7 %	26.6 %
						20 bps	(90) bps	

Sales Volume. K-Cup pod volume decreased 0.4% for the first **six** **nine** months of 2024 compared to the prior year period. Appliance volume increased **11.0%** **12.4%** in the first **six** **nine** months of 2024, driven by Keurig market share momentum, momentum and improving coffeemaker category trends.

Net Sales. Net sales decreased **2.1%** **2.6%** to **\$1,861 million** **\$2,837 million** for the first **six** **nine** months of 2024 compared to **\$1,901 million** **\$2,913 million** in the prior year period, driven by unfavorable net price realization of **2.4%** **3.7%**, partially offset by favorable volume/mix growth of **0.3%** **1.1%**.

Income from Operations. Income from operations decreased **\$6 million** **\$45 million**, or **1.2%** **5.8%**, to **\$476 million** **\$730 million** for the first **six** **nine** months of 2024, compared to **\$482 million** **\$775 million** in the prior year period, driven by the gross profit impact of the net sales decrease **(8)** **(13** percentage points) and costs associated with our 2024 Network Optimization program (4 percentage points), partially offset by a net benefit from changes in ingredients, materials, and productivity **(7)** **(8** percentage points). Operating margin improved 20 bps versus the year ago period to 25.6% and lower people costs (1 percentage points).

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INTERNATIONAL

The following table provides selected information about our International segment's results:

(in millions)	First Six Months		Dollar Change	Percentage Change	First Nine Months		Dollar Change	Percentage Change
	Net sales	Net sales			Net sales	Income from operations	Operating margin	Operating margin
Net sales	\$ 1,029	\$ 904	\$ 125	13.8	13.8 %	\$1,554	\$ 1,427	\$ 127
Operating margin	25.5 %	21.2 %				Operating margin	27.0 %	23.2 %
						430 bps	(380) bps	

Sales Volume. The following table provides the percentage change in sales volume for the International segment compared to the prior year period:

	Percentage Change
LRB	7.9 6.0 %
K-Cup pods	5.0 6.9
Appliances	7.2 8.3

Net Sales. Net sales increased **13.8%** **8.9%** to **\$1,029 million** **\$1,554 million** in the first **six nine** months of 2024, compared to **\$904 million** **\$1,427 million** in the prior year period, reflecting volume/mix growth of **7.9%**, **6.1%** and higher net price realization of **3.3%** **3.4%**, and favorable **partially offset** by unfavorable FX translation of **2.6%** **0.6%**.

Income from Operations. Income from operations increased **\$70 million** **\$88 million**, or **36.5%** **26.6%**, to **\$262 million** **\$419 million** for the first **six nine** months of 2024 compared to **\$192 million** **\$331 million** in the prior year period. This performance reflected the gross profit impact of net sales growth **(49** (26 percentage points) and a net benefit from changes in ingredients, materials, and productivity (6 percentage points), partially offset by higher marketing investment **(8** (6 percentage points). Operating margin improved 430 bps versus the year ago period to 25.5% and increased transportation and warehousing expenses (5 percentage points).

CRITICAL ACCOUNTING ESTIMATES

The process of preparing our consolidated financial statements in conformity with U.S. GAAP requires the use of estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. Critical accounting estimates are both fundamental to the portrayal of a company's financial condition and results and require difficult, subjective or complex estimates and assessments. These estimates and judgments are based on historical experience, future expectations and other factors and assumptions we believe to be reasonable under the circumstances. The most significant estimates and judgments are reviewed on an ongoing basis and revised when necessary. These critical accounting estimates are discussed in greater detail in Part II, Item 7 of our Annual Report.

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LIQUIDITY AND CAPITAL RESOURCES

Overview

We believe our financial condition and liquidity remain strong. We continue to manage all aspects of our business, including, but not limited to, monitoring the financial health of our customers, suppliers and other third-party relationships, implementing gross margin enhancement strategies through our productivity initiatives, and developing new opportunities for growth such as innovation and agreements with partners to distribute brands that are accretive to our portfolio.

Cash generated by our foreign operations is generally repatriated to the U.S. periodically as working capital funding requirements, where allowed. We do not expect restrictions or taxes on repatriation of cash held outside the U.S. to have a material effect on our overall business, liquidity, financial condition or results of operations for the foreseeable future.

The following summarizes our cash activity for the first **six nine** months of 2024 and 2023:

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Principal Sources of Capital Resources

Our principal sources of liquidity are our existing cash and cash equivalents, cash generated from our operations, and borrowing capacity currently available under our Revolving Credit Agreement. Additionally, we have an uncommitted commercial paper program where we can issue unsecured commercial paper notes on a private placement basis. Based on our current and anticipated level of operations, we believe that our operating cash flows will be sufficient to meet our anticipated obligations for the next twelve months and thereafter for the foreseeable future. To the extent that our operating cash flows are not sufficient to meet our liquidity needs, we may utilize cash on hand or amounts available under our financing arrangements, if necessary. At any time, and from time to time, we may seek additional deleveraging, refinancing or liquidity enhancing transactions, including entering into transactions to repurchase or redeem outstanding indebtedness or otherwise seek transactions to reduce interest expense, extend debt maturities and improve our capital and liquidity structure.

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Sources of Liquidity - Operations

Net cash provided by operating activities increased **\$290 million** **\$338 million** for the first **six nine** months of 2024, as compared to the first **six nine** months of 2023, driven by the favorable comparison in working capital versus the prior year period.

Cash Conversion Cycle

Our cash conversion cycle is defined as DIO and DSO less DPO. The calculation of each component of the cash conversion cycle is provided below:

Component	Calculation (on a trailing twelve month basis)
DIO	(Average inventory divided by cost of sales) * Number of days in the period
DSO	(Accounts receivable divided by net sales) * Number of days in the period
DPO	(Accounts payable * Number of days in the period) divided by cost of sales and SG&A expenses

The following table summarizes our cash conversion cycle:

	June 30,		September 30,		2023
	2024	2024	2023	2024	
DIO					
DSO					
DPO					
Cash conversion cycle					

Our cash conversion cycle increased **4127** days to approximately 4 days as of **June 30, 2024** **September 30, 2024** as compared to **(37)(23)** days as of **June 30, 2023** **September 30, 2023**, which was primarily driven by the decrease in DPO, reflecting the reduction of payment terms for certain suppliers.

Accounts Payable Program

As part of our ongoing efforts to improve our cash flow and related liquidity, we work with our suppliers to optimize our terms and conditions, which includes payment terms. Excluding our suppliers who require cash at date of purchase or sale, our current payment terms with our suppliers generally range from 10 to 360 days. We also enter into agreements with third party administrators to allow participating suppliers to track payment obligations from us, and, if voluntarily elected by the supplier, sell payment obligations from us to financial institutions. Suppliers can sell one or more of our payment obligations at their sole discretion and our rights and obligations to our suppliers are not impacted. We have no economic interest in a supplier's decision to enter into these agreements and no direct financial relationship with the financial institutions. Our obligations to our suppliers, including amounts due and scheduled payment terms, are not impacted.

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Sources of Liquidity - Financing



Refer to Note 2 of the Notes to our Unaudited Condensed Consolidated Financial Statements for management's discussion of our financing arrangements.

We also have an active shelf registration statement, filed with the SEC on August 19, 2022, which allows us to issue an indeterminate number or amount of common stock, preferred stock, debt securities and warrants from time to time in one or more offerings at the direction of our Board.

Debt Ratings

Our credit ratings are as follows:

Rating Agency	Long-Term Debt Rating	Commercial Paper Rating	Outlook
Moody's	Baa1	P-2	Stable
S&P	BBB	A-2	Stable

These debt and commercial paper ratings impact the interest we pay on our financing arrangements. A downgrade of one or both of our debt and commercial paper ratings could increase our interest expense and decrease the cash available to fund anticipated obligations.

As of **June 30, 2024** **September 30, 2024**, we were in compliance with all debt covenants and we have no reason to believe that we will be unable to satisfy these covenants.

Principal Uses of Capital Resources

Our capital allocation priorities are investing to grow our business both organically and inorganically, continuing to strengthen our balance sheet, and returning cash to shareholders through regular quarterly dividends and opportunistic share repurchases. We dynamically adjust our cash deployment plans based on the specific opportunities available in a given period, but over time we allocate capital to balance each of these priorities.

Regular Quarterly Dividends

We have declared total dividends of **\$0.43** **\$0.66** per share and **\$0.40** **\$0.615** per share for the first **six** **nine** months of 2024 and 2023, respectively.

Repurchases of Common Stock

Our Board authorized a four-year share repurchase program, ending December 31, 2025, of up to \$4 billion of our outstanding common stock. We repurchased and retired \$1,105 million of common stock during the first **six** nine months of 2024. As of **June 30, 2024** **September 30, 2024**, \$1,810 million remained available for repurchase under the authorized share repurchase program.

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Capital Expenditures

Purchases of property, plant and equipment were **\$273 million** **\$398 million** and **\$149 million** **\$271 million** for the first **six** nine months of 2024 and 2023, respectively.

Capital expenditures, which includes both purchases of property, plant and equipment and amounts included in accounts payable and accrued expenses, for the first **six** nine months of 2024 and 2023 primarily related to investments in manufacturing capabilities, both in the U.S. and internationally. Capital expenditures included in accounts payable and accrued expenses were **\$173 million** **\$164 million** and **\$214 million** **\$196 million** for the first **six** nine months of 2024 and 2023, respectively, which primarily related to these investments.

Investments in Unconsolidated Affiliates

From time to time, we expect to invest in beverage startup companies or in brand ownership companies to grow our presence in certain product categories, or enter into various licensing and distribution agreements to expand our product portfolio. Our investments generally involve acquiring a minority interest in equity securities of a company, in certain cases with a protected path to ownership at our future option. Investments in unconsolidated affiliates were **\$7 million** and **\$308 million** for the first **nine** months of 2024 and 2023, respectively.

Acquisitions of Businesses and Purchases of Intangible Assets

We have invested in the expansion of our DSD network through transactions with strategic independent bottlers or third-party brand ownership companies to ensure competitive distribution scale. From time to time, we additionally acquire brand ownership companies to expand our portfolio. These transactions are generally accounted for either as an acquisition of a business or as an asset acquisition, as the majority of the transaction price represents the acquisition of **an** **a single** intangible asset. In the third quarter of 2024, we completed the Kalil Acquisition for total consideration of **\$103 million**. Purchases of intangible assets were \$49 million and \$55 million for the first **six** nine months of 2024 and 2023, respectively.

Uncertainties and Trends Affecting Liquidity

Disruptions in financial and credit markets, including those caused by inflation, global economic uncertainty and **rising** **fluctuations in** interest rates, may impact our ability to manage normal commercial relationships with our customers, suppliers and creditors. These disruptions could have a negative impact on the ability of our customers to timely pay their obligations to us, thus reducing our cash flow, or the ability of our vendors to timely supply materials.

Customer and consumer demand for our products may also be impacted by the risk factors discussed under "Risk Factors" in Part 1, Item 1A of our Annual Report, as well as subsequent filings with the SEC, that could have a material effect on production, delivery and consumption of our products, which could result in a reduction in our sales volume.

SUPPLEMENTAL GUARANTOR FINANCIAL INFORMATION

The Notes are fully and unconditionally guaranteed by certain of our direct and indirect subsidiaries (the "Guarantors"), as defined in the indentures governing the Notes. The Guarantors are 100% owned either directly or indirectly by us and jointly and severally guarantee, subject to the release provisions described below, our obligations under the Notes. None of our subsidiaries organized outside of the U.S., any of the subsidiaries held by Maple Parent Holdings Corp. prior to the DPS Merger or any of the subsidiaries acquired after the DPS Merger (collectively, the "Non-Guarantors") guarantee the Notes. The subsidiary guarantees with respect to the Notes are subject to release upon the occurrence of certain events, including the sale of all or substantially all of a subsidiary's assets, the release of the subsidiary's guarantee of our other indebtedness, our exercise of the legal defeasance option with respect to the Notes and the discharge of our obligations under the applicable indenture.

The following schedules present the summarized financial information for Keurig Dr Pepper Inc. (the "Parent") and the Guarantors on a combined basis after intercompany eliminations; the Parent and the Guarantors' amounts due from and amounts due to Non-Guarantors are disclosed separately. The consolidating schedules are provided in accordance with the reporting requirements of Rule 13-01 under SEC Regulation S-X for the issuer and guarantor subsidiaries.

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The summarized financial information for the Parent and Guarantors were as follows:

(in millions)		For the First Six Months of 2024	
(in millions)		June 30, 2024	December 31, 2023
(in millions)		(in millions)	September 30, 2024
Net sales	\$	4,684	7,173
Gross profit		2,496	3,805
Income from operations		740	1,178
Net income		969	1,585
Current assets			
Non-current assets			
Total assets ⁽¹⁾			
Current liabilities			
Non-current liabilities			
Total liabilities ⁽²⁾			

(1) Includes \$97 million \$157 million and \$56 million of intercompany receivables due to the Parent and Guarantors from the Non-Guarantors as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

(2) Includes \$1,476 million \$1,549 million and \$1,399 million of intercompany payables due to the Non-Guarantors from the Parent and Guarantors as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

ITEM Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the disclosures on market risk made in our Annual Report.

ITEM Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Based on evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that, as of June 30, 2024 September 30, 2024, our disclosure controls and procedures are effective to (i) provide reasonable assurance that information required to be disclosed in the Exchange Act filings is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and (ii) ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act are accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

No change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) occurred during the quarter ended June September 30, 2024 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II – OTHER INFORMATION

ITEM Item 1. Legal Proceedings

We are occasionally subject to litigation or other legal proceedings relating to our business. See Note 14 15 of the Notes to our Unaudited Condensed Consolidated Financial Statements for more information related to commitments and contingencies, which is incorporated herein by reference.

The Staff of On September 10, 2024, the SEC (the "Staff") has been investigating approved a settlement to resolve an investigation, which we previously disclosed, of certain statements by the Company in its our prior Exchange Act reports regarding the recyclability of our K-Cup pods. We have been cooperating with this investigation To settle the SEC's charges, and have now reached what we believe to be an agreement in principle with without admitting or denying the Staff to resolve SEC's findings, the matter. This agreement is subject to finalizing documentation and must be approved by the SEC. If approved, this agreement, which includes Company paid a \$1.5 million civil penalty would not have a material impact on the Company, of \$1.5 million.

ITEM Item 1A. Risk Factors

There have been no material changes from the risk factors set forth in Part I, Item 1A in our Annual Report.

ITEM Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On October 1, 2021, our Board authorized a share repurchase program of up to \$4 billion of our outstanding common stock, enabling us to opportunistically return value to shareholders. The \$4 billion authorization is effective for four years, beginning on January 1, 2022 and expiring on December 31, 2025, and does not require the purchase of any minimum number of shares. We did not repurchase any shares under this program during the **second** **third** quarter of 2024. As of **June** **September** 30, 2024, \$1,810 million remained available for repurchase under the authorized share repurchase program.

ITEM Item 5. Other Information

During the **second** **third** quarter of 2024, no directors or executive officers of the Company adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement," as defined in Item 408 of Regulation S-K.

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ITEM Item 6. Exhibits

No.	Exhibit Description
<u>3.1</u>	Amended and Restated Certificate of Incorporation of Dr Pepper Snapple Group, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K (filed on May 12, 2008) and incorporated herein by reference).
<u>3.2</u>	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Dr Pepper Snapple Group, Inc. effective as of May 17, 2012 (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q (filed July 26, 2012) and incorporated herein by reference).
<u>3.3</u>	Certificate of Second Amendment to Amended and Restated Certificate of Incorporation of Dr Pepper Snapple Group, Inc. effective as of May 19, 2016 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K (filed May 20, 2016) and incorporated herein by reference).
<u>3.4</u>	Certificate of Third Amendment to the Amended and Restated Certificate of Incorporation of Dr Pepper Snapple Group, Inc. effective as of July 9, 2018 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K (filed July 9, 2018) and incorporated herein by reference).
<u>3.5</u>	Amended and Restated By-Laws of Keurig Dr Pepper Inc. effective as of July 9, 2018 (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K (filed July 9, 2018) and incorporated herein by reference).
<u>31.1*</u>	Certification of Chief Executive Officer of Keurig Dr Pepper Inc. pursuant to Rule 13a-14(a) or 15d-14(a) promulgated under the Exchange Act.
<u>31.2*</u>	Certification of Chief Financial Officer of Keurig Dr Pepper Inc. pursuant to Rule 13a-14(a) or 15d-14(a) promulgated under the Exchange Act.
<u>32.1**</u>	Certification of Chief Executive Officer of Keurig Dr Pepper Inc. pursuant to Rule 13a-14(b) or 15d-14(b) promulgated under the Exchange Act, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
<u>32.2**</u>	Certification of Chief Financial Officer of Keurig Dr Pepper Inc. pursuant to Rule 13a-14(b) or 15d-14(b) promulgated under the Exchange Act, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
<u>101*</u>	The following financial information from Keurig Dr Pepper Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 September 30, 2024 , formatted in Inline XBRL: (i) Condensed Consolidated Statements of Income, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Condensed Consolidated Balance Sheets, (iv) Condensed Consolidated Statements of Cash Flows, (v) Condensed Consolidated Statement of Changes in Stockholders' Equity, and (vi) the Notes to Condensed Consolidated Financial Statements. The Instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
<u>104*</u>	The cover page from this Quarterly Report on Form 10-Q, formatted as Inline XBRL.

* Filed herewith.

** Furnished herewith.

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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.

Keurig Dr Pepper Inc.

By: /s/ Sudhanshu Priyadarshi
Name: Sudhanshu Priyadarshi
Title: Chief Financial Officer
(Principal Financial Officer)

Date: **July 25, 2024** October 24, 2024

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Exhibit 31.1

Principal Executive Officer's Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Timothy Cofer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Keurig Dr Pepper 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(s) 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(s) 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: **July 25, 2024** October 24, 2024

/s/ Timothy Cofer

Timothy Cofer
Chief Executive Officer and President of Keurig Dr Pepper Inc.

Principal Financial Officer's Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Sudhanshu Priyadarshi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Keurig Dr Pepper 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(s) 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(s) 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: **July 25, 2024** October 24, 2024

/s/ Sudhanshu Priyadarshi

Sudhanshu Priyadarshi

Chief Financial Officer of Keurig Dr Pepper Inc.

**Certification Pursuant To 18 U.S.C. Section 1350,
As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002**

I, Timothy Cofer, Chief Executive Officer and President of Keurig Dr Pepper Inc. (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 to my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the ~~second~~third quarterly period ended ~~June 30, 2024~~September 30, 2024, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: ~~July 25, 2024~~October 24, 2024

/s/ Timothy Cofer

Timothy Cofer

Chief Executive Officer and President of Keurig Dr Pepper Inc.

Exhibit 32.2

**Certification Pursuant To 18 U.S.C. Section 1350,
As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002**

I, Sudhanshu Priyadarshi, Chief Financial Officer of Keurig Dr Pepper Inc. (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 to my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the ~~second~~third quarterly period ended ~~June 30, 2024~~September 30, 2024, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: ~~July 25, 2024~~October 24, 2024

/s/ Sudhanshu Priyadarshi

Sudhanshu Priyadarshi

Chief Financial Officer of Keurig Dr Pepper Inc.

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