Coca-Cola

One of the Strongest Brands in the World

The Coca-Cola Company was founded in 1892 and is today the world's largest company for non-alcoholic beverages. It owns or licenses more than 500 non-alcoholic drinks, including both carbonated and non-carbonated beverages.

The company distributes its products in more than 200 countries worldwide and has 20 brands, each generating annual sales of one billion USD or more. Every day, more than two billion of the company's beverages are consumed, generating an annual revenue of over 38 billion USD.

In Interbrand's 2021 ranking, which recognizes the world's strongest brands, Coca-Cola ranked sixth globally. Other well-known brands of the company include Sprite, Fanta, Mezzo Mix, Lift, Vio, Apollinaris, Powerade, and Costa Coffee.

Warren Buffett is the Largest Shareholder

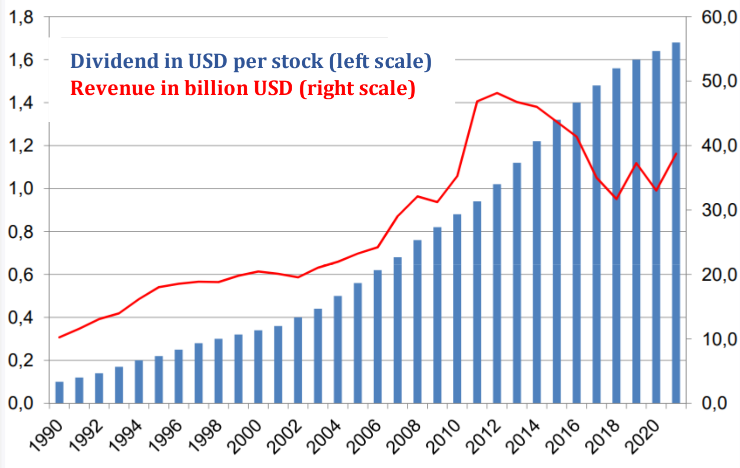
Star investor Warren Buffett not only loves Cherry Coke, of which he consumes several bottles daily and which is a staple at every Berkshire Hathaway shareholder meeting, but he is also the largest shareholder of the company.

He first invested after the great stock market crash of 1987 and began purchasing shares, adjusted for stock splits, at a price of $2.73 per share, continuing his purchases until 1994. Since then, he has consistently held 400 million shares, for which he paid a total of $1.3 billion, averaging $3.25 per share.

Notably, from 1994 to the end of 2021, Buffett received dividends worth $22.71 per share from his investment, approximately seven times his invested capital! Dividend income of $9.084 billion contrasts with an investment of $1.3 billion USD. What dividend power!

Coca-Cola is now Buffett's fourth-largest portfolio position, with a weighting of around 7.5 percent. And his stake, now at 9.3 percent, continues to grow daily, as the company is actively buying back its own shares.

Dividend and Revenue since 1990



Coca-Cola has increased its dividend every year for the past 60 years, making it not only a Dividend Aristocrat but also part of the elite group of Dividend Kings.

The current dividend yield is slightly below three percent, with a payout ratio of 70 percent. The average payout ratio over the last five years was higher due to the exceptional year 2017, which had low earnings. The average dividend growth over the past five years has been 3.7 percent. Despite the relatively high payout ratio, Coca-Cola remains a reliable and attractive dividend payer.

Moat and Pricing Power

The "Oracle of Omaha" refers to pricing power as one of the most important factors in evaluating a business. If a company can raise prices without losing business to competitors, it is considered a truly good business. Economists refer to this as low price elasticity of demand. Regarding Coca-Cola, Buffett said: "If you gave me $100 billion and asked me to take away Coca-Cola's worldwide market leadership in

Coca-Cola

beverages, I would give you the money back and tell you it's not possible."

High Valuation

In 2022, Coca-Cola is expected to generate annual revenue of around $42 billion with a market capitalization approximately six times higher. Coca-Cola's stock is never really cheap; even Buffett bought it during the 1987 crash at a high valuation. However, the robust business model, strong brands, loyal customers, and resulting pricing power make Coca-Cola an exceptional quality company and an attractive long-term investment.

Key Figures

ISIN	US1912161007
Country	USA
Industry	Food & Beverages
Market Capitalization	272.31 billion USD
Performance over the last 10 years	+134%
Revenue Growth 5 Years p.a.	-1.6%
Earnings Growth 5 Years p.a.	+8.4%
Free Cash Flow Growth 5 Years p.a.	+11.5%
Equity Ratio 5-Year Avg.	19.4%

Dividend Data

Payout Interval / Month	Quarterly / Apr.-Jul.-Oct.-Dec.
Dividend Last Fiscal Year	1.68 USD
Dividend Yield Last Fiscal Year	2.67%
Dividend Increases / Decreases in the Last 10 Years	10 / 0
Dividend Growth 1 Year	+2.4%
Dividend Growth 5 Years	+20.0%
Payout Ratio 5-Year Avg.	100.8%
Foreign Withholding Tax (Reduced to an applicable 15% when deposit bank is registered as a "Qualified Intermediary")	30%

Forecasts

Figures	2021	2022e	2023e	2024e	2025e
Dividends (USD)	1.68	1.76	1.83	1.92	2.01
Dividend Yield	2.67%	2.97%	3.05%	3.15%	3.19%
Earnings per Share (USD)	2.25	2.48	2.64	2.72	2.88
P/E Ratio	23.7	22.3	21.2	20.6	19.5
Revenue (in billion USD)	38.73	42.43	45.13	47.45	49.55

Roche Holding

Swiss pharmaceutical giant with an impressive dividend history

Roche Holding AG was founded in 1896 and is headquartered in Basel, Switzerland. The company is the largest pharmaceutical group in the world by revenue and operates in the pharmaceutical and diagnostics business in the USA and Central Europe, including Switzerland, Germany, the Netherlands, the United Kingdom, France, and Belgium. The group is divided into two divisions.

Pharmaceuticals

The Pharmaceuticals division is a global leader in oncology. Other therapeutic areas include anemia, inflammatory and autoimmune diseases, central nervous system disorders, cardiovascular and metabolic diseases, ophthalmology, respiratory diseases, dermatology, transplantation, and viral infections.

Diagnostics

The Diagnostics division is a global leader in in-vitro diagnostics, which involves laboratory testing of samples from the human body. This division is subdivided into Applied Science, Molecular Diagnostics, Professional Diagnostics, Tissue Diagnostics, and the subsidiary Roche Diabetes Care GmbH.

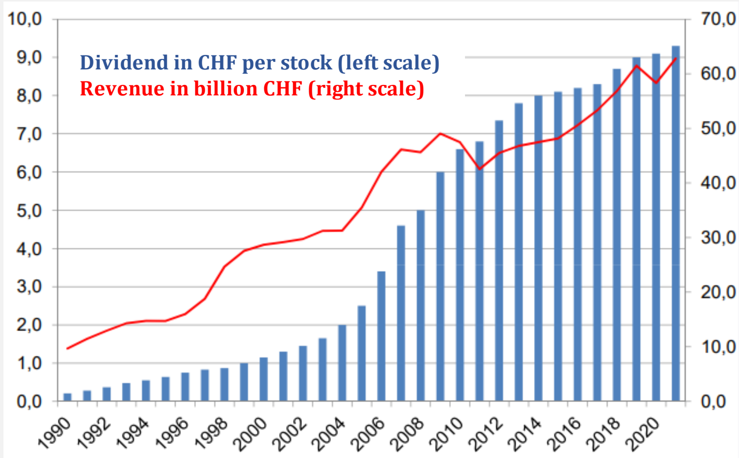
Risk of Government Regulation

High healthcare costs are a significant concern for governments worldwide, prompting them to continuously introduce new regulatory measures to reduce costs and weaken patent protections. On the other hand, once granted, patents provide strong protection against competitors during their validity period.

Expensive Drug Research

The research and development of new drugs are very costly, with pharmaceutical companies spending approximately one billion US dollars per drug until it reaches the market. This figure includes the costs of numerous failures when drugs do not pass trials and fail to get approval. Hence, pharmaceutical companies rely on patents to secure high revenues during their validity. Once patents expire, generic manufacturers enter the market with cheaper copies. Roche enjoys a good reputation and holds numerous lucrative patents.

Dividend and Revenue since 1990



Roche pays an attractive dividend of 9.30 CHF, resulting in a current dividend yield of 2.5 percent. Over the past five years, the payout has been increased by an average of 2.5 percent per year. This and other data can also be found in the table on the next page.

As the graph shows, the annual dividend has been increased EVERY year since 1990, despite fluctuations in revenue due to the sometimes unpredictable success of new drugs and the significant impact of individual blockbusters. This consistency is one of Roche's strengths.

Roche Holding

However, some of these, such as the former blockbusters Avastin, Herceptin, and Rituxan, have already expired or are nearing expiration, prompting Roche to invest heavily in new developments to secure future revenues and profits.

Roche has 62 compounds in Phase I of approval, about two-thirds of which are in the oncology field. In Phase II, there are 29 compounds, with 38 percent related to oncology, and in Phase III, there are 56 compounds, with 57 percent in oncology. Phase III is the most advanced stage, with a higher likelihood of meeting expectations.

Strong Cash Flow for High Dividends

Roche is expected to increase its revenues by approximately three percent per year in the long term, according to analysts' forecasts for the years up to 2025 (see table on the right). Free cash flow margins are attractive, around 20 percent, enabling the distribution of an attractive dividend, most recently 9.30 CHF. Despite year-to-year fluctuations in profits, steadily increasing payouts are part of the company's policy.

Key Figures

ISIN	CH0012032048
Country	Switzerland
Industry	Pharma
Market Capitalization	294.80 billion CHF
Performance over the last 10 years	+115%
Revenue Growth 5 Years p.a.	+3.9%
Earnings Growth 5 Years p.a.	+9.9%
Free Cash Flow Growth 5 Years p.a.	+1.3%
Equity Ratio 5-Year Avg.	31.1%

Dividend Data

Payout Interval / Month	Yearly / May
Dividend Last Fiscal Year	9.30 CHF
Dividend Yield Last Fiscal Year	3.14%
Dividend Increases / Decreases in the Last 10 Years	10 / 0
Dividend Growth 1 Year	+2.2%
Dividend Growth 5 Years	+13.4%
Payout Ratio 5-Year Avg.	62.3%
Foreign Withholding Tax (15% automatically credited, remainder refundable upon request)	35%

Forecasts

Figures	2021	2022e	2023e	2024e	2025e
Dividends (CHF)	9.30	9.54	9.87	10.10	10.47
Dividend Yield	3.14%	3.22%	3.33%	3.41%	3.54%
Earnings per Share (CHF)	16.39	20.65	20.89	22.62	24.33
P/E Ratio	18.1	14.3	14.2	13.1	12.2
Revenue (in billion CHF)	62.80	63.58	63.26	67.53	70.91

American Tower

Infrastructure for the Digital and Wireless Future

American Tower Corp. is the second-largest publicly traded Real Estate Investment Trust (REIT) in the world. The company leases communication towers to telecom companies like AT&T, Verizon, and T-Mobile US. These companies' mobile networks consist of thousands of towers spread across the country. Network stability and coverage are becoming increasingly important.

Megatrends such as 5G, autonomous driving, streaming, telemedicine, the Internet of Things, and Industry 4.0 are significant growth drivers. They ensure a continuous increase in demand for communication towers. While 5G can transmit much larger volumes of data at significantly higher speeds, it requires much smaller cell sites.

In 2021, 54.5 percent of global internet traffic already came from mobile devices. After delays caused by the COVID-19 pandemic, telecom providers are now fully engaged in rolling out 5G. The expansion is expensive, prompting telecom companies to sell their remaining towers to raise funds, as seen with Vodafone's subsidiary Vantage Towers.

Global Market Leader

American Tower has established itself as a leading communications infrastructure provider with more than 220,000 communication sites and over two dozen data centers in the USA and 24 other countries. Each site can accommodate up to four transmission and reception units, keeping costs constant while increasing revenues accordingly. American Tower enters into long-term contracts with telecom companies, typically for 20 years, ensuring highly predictable revenue streams and costs.

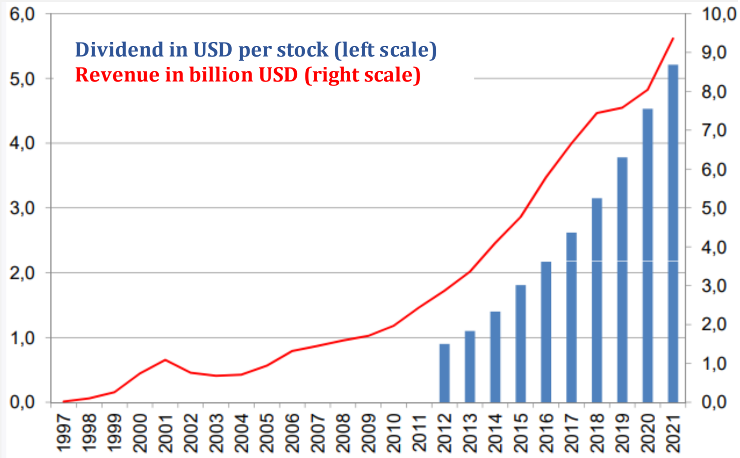
New Business Area: Data Centers

In addition, American Tower is expanding its business and has acquired the data center provider CoreSite Realty for $10.1 billion. CoreSite operates 25 data centers, 21 cloud on-ramps, and over 32,000 interconnections in eight major US markets, and is also expanding its business further.

Funds from Operations

For REITs, the key metric is not profit but Funds from Operations (FFO). American Tower has consistently increased its FFO over the years and is expected to generate approximately $5.8 billion in 2022, with revenues just over $10 billion.

Dividend and Revenue since 1997



REITs enjoy tax advantages but must distribute the majority of their profits as dividends to shareholders. Since 2009, American Tower has paid a dividend, increasing it every year, averaging 19 percent annually over the past five years.

In terms of earnings, American Tower's payout ratio averaged approximately 100 percent over the last five years (see table on the next page), but this represents only 45 percent of the more relevant Funds from Operations (FFO) (see text). This leaves ample room for further dividend increases, which have recently been raised quarter by quarter.

American Tower

High Debt Burden

American Tower carries a relatively high level of debt, primarily due to acquisitions, reflected in its equity ratio of only 18.8 percent. In times of rising interest rates, this becomes burdensome as it increases the future interest burden on existing and future loans, potentially reducing earnings per share.

However, operational revenues are expected to continue rising, supplemented by inorganic growth from acquisitions. Dividends remain secure due to the reliability of underlying revenue streams, and they are increasing significantly.

Dividends: Growth Outpaces Yield

While the current dividend yield of approximately 2.4 percent may appear average, American Tower stands out as an excellent investment in terms of dividend growth and payment security.

Key Figures

ISIN	US03027X1000
Country	USA
Industry	Infrastructure
Market Capitalization	99.75 billion USD
Performance over the last 10 years	+238%
Revenue Growth 5 Years p.a.	+10.1%
Earnings Growth 5 Years p.a.	+23.3%
Free Cash Flow Growth 5 Years p.a.	+11.2%
Equity Ratio 5-Year Avg.	18.8%

Dividend Data

Payout Interval / Month	Quarterly / Jan.-Apr.-Jul.-Oct.
Dividend Last Fiscal Year	5.21 USD
Dividend Yield Last Fiscal Year	2.43%
Dividend Increases / Decreases in the Last 10 Years	10 / 0
Dividend Growth 1 Year	+15%
Dividend Growth 5 Years	+140.1%
Payout Ratio 5-Year Avg.	100.8%
Foreign Withholding Tax (Reduced to an applicable 15% when deposit bank is registered as a "Qualified Intermediary")	30%

Forecasts

Figures	2021	2022e	2023e	2024e	2025e
Dividends (USD)	5.21	5.86	6.57	7.25	8.89
Dividend Yield	2.43%	2.73%	3.07%	3.38%	4.15%
Earnings per Share (USD)	5.67	6.33	4.61	5.22	5.70
P/E Ratio	37.8	33.8	46.5	41.0	37.6
Revenue (in billion USD)	9.36	10.68	11.13	11.66	12.31

Diageo

Many world-famous beverage brands in the portfolio

In 1997, the Guinness Brewery and Grand Metropolitan merged to form Diageo. The focus of the British company is on alcoholic beverages, while it gradually sold off its other activities. This brought in a substantial amount of money, which Diageo used for an expansion spree in the spirits sector. For example, in 2011, the British company bought the leading spirits company in Turkey for $2.1 billion, and in 2012, it acquired Ypióca, the best-selling cachaça in Brazil, for 300 million pounds. In 2013, Diageo also entered the largest Indian spirits manufacturer. Additional brands followed, particularly in the whisky segment, and tequila brands have also been part of the portfolio since then.

Strong Brands

Diageo's most well-known brands include Guinness, Johnnie Walker, Baileys, Smirnoff, Captain Morgan, Gordon's Gin, Yeni Raki, and Kilkenny—reading like a "Who's Who" of the global spirits industry. Diageo generates 82 percent of its revenue from spirits, with a clear focus on whisky. Beer contributes 13 percent to the revenue, and another four percent comes from the Ready-to-Drink segment, which includes pre-mixed and bottled cocktails or so-called alcopops. Regionally, Diageo earns 41 percent of its revenue in North America, 20 percent each in Europe and the Asia-Pacific region, followed by Africa with 11 percent and South America with eight percent.

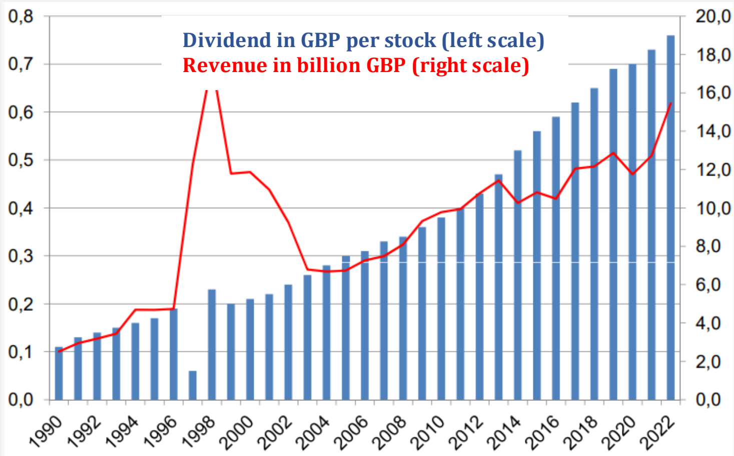
Tough Competition

Spirits are considered non-cyclical consumer goods. It's not a particularly pleasant fact, but alcohol sells well regardless of the state of the economy. However, customer brand loyalty is often not very strong. Without significant marketing efforts, customers quickly switch to cheaper brands, which poses a challenge and a cost factor in the face of an impending recession. Additionally, alcohol abuse leads to rising healthcare costs, which is increasingly drawing the attention of governments, particularly in the established regions of the West, more so than in emerging and developing countries.

Growth Market

Despite these challenges, spirits remain a growth market, with revenues expected to increase by around five percent by 2025. Alcohol consumption rises with increasing wealth, and the strongest global growth regions are found in the so-called emerging markets.

Dividend and Revenue since 1990



Diageo has been increasing its dividends for more than 20 years, making it one of the dividend aristocrats. The payout ratio averaged 62 percent of earnings over the past five years (see table on the next page) and 61 percent of free cash flow. This leaves room for further dividend increases.

The annual dividend growth rate over ten years is 5.8 percent, and over the last five years, it has still been 4.2 percent. The growth and consistency of dividend payouts are impressive, making Diageo an attractive option for income investors.

Diageo

High Valuation

Based on the profit achieved in the 2022 fiscal year, Diageo is currently valued with a price-to-earnings ratio of around 26, which is relatively high. This is partly due to the expected profit growth in the coming years, which would cause the P/E ratio to decrease (see table on the right). Additionally, the business is considered recession-proof, which is why the stock performed well in 2022.

However, the equity ratio, averaging 33.5 percent over the past five years, is relatively low. Rising interest rates could become an increasing burden, especially if more debt capital is needed for the acquisition of additional brands. The strong brands in the portfolio justify a premium, but they also require ongoing investment in marketing.

Key Figures

ISIN	GB0002374006
Country	Great Britain
Industry	Consumer Goods
Market Capitalization	84.17 billion GBP
Performance over the last 10 years	+163%
Revenue Growth 5 Years p.a.	+5.1%
Earnings Growth 5 Years p.a.	+5.8%
Free Cash Flow Growth 5 Years p.a.	+1.7%
Equity Ratio 5-Year Avg.	33.5%

Dividend Data

Payout Interval / Month	Quarterly / Apr.-Jun.-Oct.-Dec.
Dividend Last Fiscal Year	0.76 GBP
Dividend Yield Last Fiscal Year	2.06%
Dividend Increases / Decreases in the Last 10 Years	10 / 0
Dividend Growth 1 Year	+4.1%
Dividend Growth 5 Years	+22.6%
Payout Ratio 5-Year Avg.	62.3%
Foreign Withholding Tax	0%

Forecasts

Figures	2022	2023e	2024e	2025e	2026e
Dividends (GBP)	0.76	0.80	0.85	0.89	0.93
Dividend Yield	2.06%	2.17%	2.30%	2.41%	2.52%
Earnings per Share (GBP)	1.40	1.75	1.91	2.08	2.29
P/E Ratio	26.4	21.1	19.3	17.7	16.1
Revenue (in billion GBP)	15.45	17.31	18.19	19.34	20.99