BoardBrain

STRATEGY PUBLICATION · Q2 2026

Snacking & Beverages Sector Review

Value is shifting toward companies that win in distinct consumer occasions, secure privileged access to scarce routes to market and fund those priorities consistently. Companies that depend mainly on pricing, copy peers or retain undifferentiated assets face growing pressure from retailers and private label.

PEPSICO · THE COCA-COLA COMPANY · MONSTER BEVERAGE · CELSIUS HOLDINGS · CONSTELLATION BRANDS · KRAFT HEINZ · MONDELEZ INTERNATIONAL · GENERAL MILLS

PREPARED FOR THE CHIEF EXECUTIVES AND BOARDS OF THE EIGHT COMPANIES REVIEWED

Contents

Note to the reader. This publication states the review's argument and the one decision each board now faces. Every number is drawn from the accompanying evidence book, *Snacking & Beverages Sector Review, Q2 2026*, which carries the sources, methods and company chapters. All figures were re-verified against their sources on 1 August 2026. Quotations are verbatim from named company documents. Two inline tags mark the register of a figure: [EST] marks a bounded estimate derived in the analysis, and [JUDGEMENT] marks BoardBrain's reading of the evidence. A figure carrying neither tag is an audited or published number.

SECTION 01 · THE THESIS BOARDBRAIN · Q2 2026

The sector thesis

Value is shifting toward companies that win in distinct consumer occasions, secure privileged access to scarce routes to market and fund those priorities consistently. Companies that depend mainly on pricing, copy peers or retain undifferentiated assets face growing pressure from retailers and private label.

First, the sector has largely stopped going first. In 2017, 9% of the consumer initiatives these eight companies presented in their own capital-markets material repeated a move a peer in this group had already made. In 2026 the figure is **76%**, or 67 of 88 coded initiatives, at a median follow lag of three years. The measure counts only precedents visible inside this eight-company set, so 76% is a floor. Across the eleven-year record, the shortest interval between a peer's move and its copy was two days.

76%
of the eight companies' 2026 initiatives repeated a move a peer had already made, against 9% in 2017

36.5% vs ~0%
private-label share of bottled water against energy drinks, the same cooler and the same can

−21.6%
the deepest advertising cut taken in the very year a plan asked the market for share

$69.3bn
US retail media in 2026, named zero times in 503 earnings-call transcripts since 2012

Second, the category data show where converged offers end. In nonflavored bottled water, private label is the number-one "brand" at **36.5%** of segment dollars (Circana, 52 weeks to 19 May 2024). In energy drinks, private label is close to 0% of dollars, and the top five branded producers hold over 90% of the category (NielsenIQ, 52 weeks to 7 March 2026). The pairing is an association between offer convergence and private-label share, not proof that one causes the other.

Bottled water and energy drinks also differ intrinsically. Water is closer to a commodity in formulation and claim than energy, so that difference cannot be fully separated from the effect of convergence itself. The comparison is therefore consistent with the proposed mechanism without establishing it. Section 3 sets out the full reasoning.

Third, three companies cut or under-delivered advertising while their published plans targeted share gains. Mondelez cut advertising **21.6%**, from $2,112m to $1,655m. PepsiCo cut advertising 12.8%, from $3.9bn to $3.4bn, taking total advertising and marketing to a decade-low 5.75% of revenue. Constellation delivered roughly 0.3% compound marketing growth against a published 8% commitment, moving from $860.8m in fiscal 2023 to $867.4m in fiscal 2026. On the other side, General Mills raised advertising 51.7% between fiscal 2018 and fiscal 2026, and Kraft Heinz guided its own operating income down 14–18% to fund roughly $600m of reinvestment. Each figure sits in one audited line.

Fourth, position in the value chain is priced in the audited numbers. The two ends of one franchise system out-earn every owner-operator in this peer set. Markups, measured as revenue over cost of goods for 2025 on one consistent basis, run 2.61 at Coca-Cola and **2.26** at Monster. Monster also earns the set's highest return on invested capital, 21.7%, on capital expenditure of 1.60% of sales. The warehouse-delivered portfolios, Kraft Heinz and General Mills, carry markups near 1.50, flat for a decade. Over that same decade retailer gross margins rose, and US retail media added roughly $69.3bn of retailer revenue in 2026. Which party captured which part of the chain's margin growth is not separately disclosed. None of the eight companies has named retail media once across 503 earnings-call transcripts since 2012.

The order of the argument is the order of the evidence. Section 2 sets out where demand is moving. Section 3 covers the three questions that most separate the eight. Sections 4 and 5 give the four business models the evidence supports. Section 6 sets out the one decision facing each board over the next 24 months. Section 7 closes with three disciplines a board can adopt now.

Where demand and profit pools are moving, 2026–2031

Growth has concentrated into occasions defined by protein, energy, hydration and portability. Indulgence and franchise soft-drink systems are holding. The undifferentiated centre of the store, traditional breakfast, full-sugar soda in developed markets and conventional alcohol are transferring value to retailers, private label or other categories. The record behind this map covers 2016 to mid-2026. The reading out to 2031 is BoardBrain's projection from that record, and each place where projection replaces record is labelled.

The pools sort into three tiers, each with its own period and source.

WHERE VALUE IS MOVING · 2026-2031

Four pools are growing; two hold on condition; four are transferring value out

Each pool: headline metric (period in mono), the review's evidence, and the exposed companies. Direction is the review's verdict; periods and sources differ per cell.

GROWING		VALUE MOVING IN
▲ **Protein nutrition** yogurt +11.6% · weight-control +13% volume	+15.4%	KO · PEP · GIS US NUTRITION BARS, 52WK TO MAR-26
▲ **Energy** 52% of 2025 US LRB $ growth · PL ~0%	+15.2%	MNST · CELH · PEP · KO US LTM TO APR-26 — $28.1BN
▲ **Hydration & functional soda** sports drinks ~$11.8bn $ recovered	+83%	PEP · KO MODERN SODA 2024, TO $1.8BN
▲ **Portability & away-from-home** club = 47% of US private-brand growth	54%	PEP · KHC · MDLZ SNACK REPLACES A MEAL (MDLZ)

DEFENDED		HOLDS ON CONDITION
▶ **Differentiated indulgence** PL declining: chips −0.8%, trail mixes −3.6%	+9.5%	PEP · MDLZ EU CHOCOLATE VALUE 2025, UNITS FALLING
▶ **Franchise sparkling (zero-led)** zero/diet double-digit every year since 2021	+$1.9bn	KO · PEP US SPARKLING VALUE 2024, UNITS -0.4%

STRUCTURALLY PRESSURED		VALUE TRANSFERRING OUT
▼ **Undifferentiated centre-store** refrigerated 38% · frozen 27% · EU ~50%	43.5%	KHC · GIS PL SHARE OF CHEESE $, 2023
▼ **At-home breakfast & lunchbox** PL cereal $ +~20% · cereal bars −6.4%	-4.2%	GIS · KHC · MDLZ RTE CEREAL UNITS, 12MO TO MID-25
▼ **Full-sugar CSD, developed** GLP-1 shift · Mexico excise +87% Jan-26	-8%	KO · PEP · MNST US FULL-CALORIE COLA, 2025
▼ **Conventional alcohol** beer −5.9%, all 50 states · 90-yr-low participation	-5%	STZ · MNST US TBA VOLUME 2025 (IWSR)

SOURCE: DEMAND MAPS (S0) · PRIVATE-LABEL SERIES (S4) — RE-VERIFIED 1-AUG-2026

EXHIBIT 01 Four pools are growing; two hold on condition; four are transferring value out.

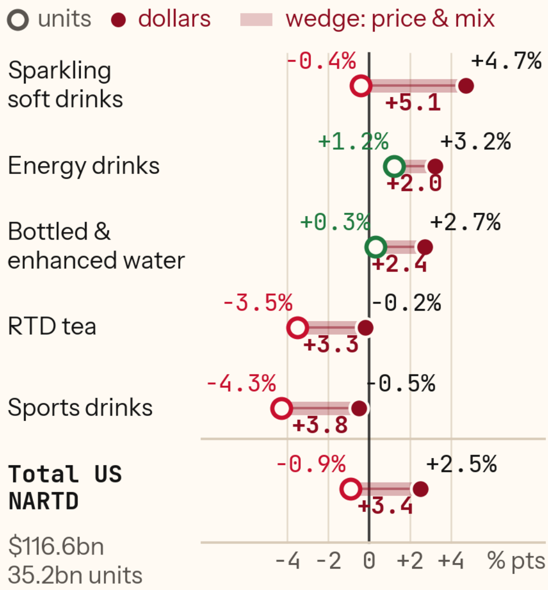
Inflation shaped how consumers responded across the whole map. Between 2020 and 2025, cumulative snacking price inflation ran at 42%, against 26% on US CPI (Mondelez, on NielsenIQ and St. Louis Fed data). Those are two price indices, not a measure of ability to pay. Consumers responded by buying less often instead of dropping out. US household penetration of biscuits held flat at 94%, while shoppers bought biscuits only 22 times a year, down 0.7% (NielsenIQ, fiscal 2025).

General Mills' refrigerated-dough business shows that an everyday-price adjustment can restore both penetration and volume. In the first half of fiscal 2025 that business ran household penetration at −1 point, pound volume at −4% and pound share at −1.5 points. By the first quarter of fiscal 2026 it ran penetration at +0.2 points, volume at +4% and share at +2 points. It is one case, in one category, at one company.

PRICE AND VOLUME · US 2024

Dollar growth came from price and mix; units fell in three of five categories

Nielsen Total US xAOC + Convenience, 52 weeks to 28-Dec-2024. Each row pairs one category's unit growth with its dollar growth.



Arithmetic basis: dollar growth is about equal to unit growth plus price/mix, close at these magnitudes; the wedge is a residual, not a measured price index.

SOURCE: NIELSEN SYNDICATED DB, TOTAL US XAOC + CONV, 52WK TO 28-DEC-2024 · S0 MAP

EXHIBIT 02 In 2024, dollar growth ran ahead of unit growth in every US beverage category shown.

Protein and energy are growing fastest, and both are re-specifying old categories

Protein is the largest volume-growth force in food, and it re-specifies old categories instead of creating new ones. High-protein snacking grew 25%, against 0.8% for better-for-you snacking overall (Mondelez, 2025 versus prior year). Yogurt reached $11.8bn on 11.6% dollar growth (Circana, 52 weeks to 20 April 2025). Meat sticks grew 18.4% to $4.2bn, while jerky managed 2.1% (Circana, 52 weeks to 17 May 2026).

Coca-Cola owns the category's capacity-constrained leader, fairlife, which remains on allocation through 2026. Kraft Heinz, Mondelez and General Mills sold their dairy businesses between 2018 and 2025 on margin-structure logic. The fairlife earnout shows the value created in protein-focused dairy: $6,173m settled in March 2025 against a $979m purchase. It does not, however, value the different dairy businesses those three companies sold. BoardBrain's reading is that protein claims may begin commoditising by 2028–30, at which point fibre and hydration could inherit the premium [JUDGEMENT].

Energy is the growth pool in beverages, and the 2024 deceleration reversed. US energy-drink dollar growth ran +15.1% in 2021, +10.9% in 2022, +7.9% in 2023 and +3.2% in 2024. It then re-accelerated to +10.7–15.2% on the published 2025–26 reads, reaching $28.1bn in the 52 weeks to 19 April 2026 (Circana). Energy delivered 52% of all US liquid-refreshment-beverage dollar growth in 2025, with new consumers supplying 31% of that growth and higher frequency the remaining 51%.

The fastest-growing part is the female daily-routine occasion that Alani Nu opened, where dollars rose 68.6% against a category up 10.7% in the 13 weeks to 15 November 2025. Alani Nu sells at roughly $3.80 per unit against Monster's $3.47. That price point places it as new-market entry, not low-end disruption. Three facts bound BoardBrain's projection for the pool. Household penetration already averages roughly 40% of adults across Monster's 26 surveyed markets. Age-of-sale restrictions are live or proposed in a dozen-plus jurisdictions. And the convenience channel grew only 3.8% in late 2025, so the re-acceleration is mainly a club and large-format phenomenon.

Hydration and functional soda are growing in dollars, and the functional claim is doing the work. US "modern soda" went from $983m in 2023 to $1.8bn in 2024, up 83% (Circana). It sells at roughly double mainstream soft-drink prices, to consumers who had left the category altogether. PepsiCo entered with poppi at $1.95bn and Coca-Cola with Simply Pop, though neither has published a size or growth figure for the segment. The BodyArmor record is a warning about entry-price risk in these pools: about $5.6bn paid in 2021, and $1.72bn impaired within four years.

Portability and away-from-home are where the lost occasions went. Mondelez reports that 54% of consumers now eat snacks instead of a meal, and the breakfast occasion has moved to bars, yogurt, drinks and meat sticks. The growing US channels are club, value, e-commerce and convenience. Club alone accounts for 47% of all US private-brand growth, so chasing that volume carries an unquantified margin cost. Away-from-home is one of PepsiCo's two stated priorities, and it is worth roughly $2bn [EST] of US net sales at Kraft Heinz. Foodservice also carries less direct private-label competition than traditional retail.

Indulgence and franchise soda are defending share, on stated conditions

Emotionally differentiated indulgence is holding against private label. Private label declined in six salty and biscuit segments in the 52 weeks to May 2026. Potato chips ran at −0.8%, tortilla chips at −0.9%, cheese snacks at −0.7% and trail mixes at −3.6%, with all three cracker segments negative. Mondelez also reports private-label volume share falling in US biscuits and chocolate through 2024 and 2025.

The defence takes the shape of a barbell. Bulk packs rose from 25.6% to 26.7% of industry sales over two years, and small packs from 15.2% to 16.4%, while the mid-size pack lost share (Kraft Heinz, CAGNY 2026, on industry data). US salty snacks is growing volume again in 2026, after two years of trough and a large base-price investment, so this is a bought recovery, not an organic one.

Franchise soft-drink brands held retail value through occasion migration, on one condition. US sparkling added $1.9bn of retail value in 2024, up 4.7%, while losing 0.4% of units. No other category gained more value. The condition attached is a floor test drawn from the demand evidence: two years of price and mix carrying negative volume is normal, and four years is a structural pricing problem. Coca-Cola's 2025 restraint is the disciplined version of this defence, at +1% volume with +4% price/mix, followed by first-half 2026 at +3% volume with +5% price/mix.

Centre-store, breakfast and alcohol are losing structurally, not cyclically

The undifferentiated centre-store is the clearest transfer of value to private label in the data. Private label reached 43.5% of cheese dollars (SPINS, 2023). It reached 38% of refrigerated-food units and 27% of frozen-food units (Circana, 2025). Store-brand units have grown every year from 2021 to 2026 while national-brand units fell. Adoption is fastest among higher-income households: 44% of US consumers earning above $5,000 a month are increasing private-label purchases, against 34% of lower-income consumers (Simon-Kucher, 2026). That pattern means private-label share may not return automatically to branded brands when the economy recovers. Kraft Heinz's HOLD tier and General Mills' cereal, dough and soup businesses sit in this pool. General Mills said as much plainly in July 2026, that private label was getting stronger "in pretty much all of our categories — they were stealing share."

Traditional at-home breakfast and the lunchbox are structural losers, and the occasions moved instead of vanishing. US ready-to-eat cereal units fell 4.2% in the twelve months to mid-2025. Private-label cereal dollars are growing roughly 20% while the branded segment shrinks. Filled crackers, saltines and cereal bars are all negative too. General Mills, Kraft Heinz and Mondelez carry the exposure here.

Full-sugar carbonated soft drinks in developed markets are in a managed decline that policy is accelerating. Full-calorie cola fell 8% in the US in 2025 while zero-sugar variants grew by double digits. On Coca-Cola's own tracking, GLP-1 households drink less full-sugar soda and more diet, hydration, coffee and protein drinks. Mexico raised its sugary-drink excise 87% from 1 January 2026 and, for the first time, taxed zero-calorie drinks too, removing reformulation as a way to avoid the tax. Monster's full-sugar core sits in a US legacy pool that Celsius sizes at $17.8bn, large but static.

BoardBrain judges that conventional alcohol's decline has shifted from cyclical to structural. US total beverage alcohol volume fell 5% in 2025 (IWSR). US beer industry shipments fell 5.9% (Beer Institute), and total US beer dollars turned negative at −1.9% to April 2026. Adult drinking participation is at 54%, a 90-year low. Non-alcoholic beer grew 22.1% to $583m, but at 1.3% of the category it replaces roughly one-twentieth of the volume lost. BoardBrain reads 50–70% of the beer decline as structural [JUDGEMENT]. The most exposed operator reads it as cyclical, and its case is evidenced and on the record. Against it stands the company's own April 2025 category call of flat to −2%, which was followed by a −5.9% industry outcome.

Grouped by occasion instead of category, the same shifts form one pattern. Six occasions are each marked growing, stable or shrinking, with the categories leaving them and the categories arriving set side by side. Two smaller losers sit on it. Ready-to-drink coffee fell 7.8% and 7.9% in consecutive years as zero-sugar energy took over the morning caffeine occasion. Juice is losing volume in every region and holding its dollar value only on orange-juice cost inflation.

Four forward claims are not yet supported by the record

The category shares, growth rates and migrations above are measured. Four forward-looking claims are not: each rests on a different kind of evidence, set out below.

First, General Mills' own algorithm assumes US food category growth reverts from roughly 1% toward 2.5%, an assumption its own current data contests. Second, BoardBrain bounds GLP-1's cumulative drag on US snacking dollar demand by 2030 at −1% to −3% [EST]. The household-level evidence is strong, with adopting households cutting grocery spending 5.3% within six months and savory snacks 10.1% across roughly 150,000 households, but the aggregate effect is not yet visible in category volumes. Third, the protein-commoditisation timing above is BoardBrain's judgement [JUDGEMENT]. Fourth, the structural share of the alcohol decline is BoardBrain's 50–70% reading [JUDGEMENT], a judgement and not a measurement.

Read as occasions instead of categories, the same movement appears as one picture. Six occasions are each marked growing, stable or shrinking, with the categories leaving them and the categories arriving set side by side. Two smaller losers sit on it. Ready-to-drink coffee fell 7.8% and 7.9% in consecutive years as zero-sugar energy took over the morning caffeine occasion. Juice is losing volume in every region and holding its dollar value only on orange-juice cost inflation.

OCCASION MIGRATION MAP · SIX OCCASIONS · SNACKING AND BEVERAGES

Consumption is moving between occasions, and the categories losing volume sit on the shrinking side

Six occasions, the categories leaving each one and those taking their place. Solid type is a measured category read with its period and source; tinted bands and dashed arrows are BoardBrain's reading.

MEASURED — A CATEGORY READ, WITH ITS PERIOD AND SOURCE
BOARDBRAIN READING — TINTED BANDS AND DASHED ARROWS

	CATEGORY	MEASURED	PERIOD AND SOURCE
SHRINKING	BREAKFAST AT HOME		EXPOSED GIS — cereal, lunchbox
OUT	US ready-to-eat cereal, units	-4.2%	12M TO MID-2025 · NIELSENIQ
OUT	Breakfast and cereal bars, to $2.3bn	-6.4%	52WK TO 22-MAR-26 · CIRCANA
IN	Nutrition and health-value bars, $5.9bn	+15.4%	52WK TO 22-MAR-26 · CIRCANA
IN	Yogurt $11.8bn, units +7%	+11.6%	52WK TO 20-APR-25 · CIRCANA
GROWING	ALL-DAY CAFFEINE AND FUNCTION		IN IT MNST · CELH · PEP · KO
OUT	RTD coffee dollars, units −88.8m	-7.9%	2024 · NIELSEN
IN	US energy drinks, $28.1bn	+15.2%	52WK TO 19-APR-26 · CIRCANA
IN	Energy's share of US LRB dollar growth	52%	CY2025 · CIRCANA VIA CELH
IN	Zero sugar's share of energy growth	85%	CY2025 · CIRCANA VIA CELH
GROWING	MEAL REPLACEMENT		IN IT MDLZ — bars: a named gap
OUT	Jerky, the unclaimed format, $2.5bn	+2.1%	52WK TO 17-MAY-26 · CIRCANA
IN	High-protein snacking (all BFY +0.8%)	+25%	FY2025 · NIELSENIQ/MDLZ
IN	Meat sticks and dried meat, $4.2bn	+18.4%	52WK TO 17-MAY-26 · CIRCANA
IN	Cottage cheese above $2bn, units +14%	+19%	TO 22-FEB-2026 · CIRCANA
STABLE	EVERYDAY SOFT DRINK		EXPOSED KO · PEP — full-sugar side
OUT	Full-calorie cola (fruit-flavoured −7%)	-8%	2025 · MINTEL
IN	Diet CSDs, $19.3bn	+11.8%	2025 · MINTEL
IN	US sparkling, +$1.9bn value, units −0.4%	+4.7%	52WK TO 28-DEC-24 · NIELSEN
SHRINKING	EVENING SOCIAL — ALCOHOL		EXPOSED STZ — most exposed operator
OUT	US total beverage alcohol, volume	-5%	2025 · IWSR
OUT	US beer shipments, down in all 50 states	-5.9%	2025 · BEER INSTITUTE
IN	Non-alcoholic beer $583.4m, ~1.3% of beer	+22.1%	52WK TO 28-DEC-25 · CIRCANA
IN	Spirits-based RTDs, volume (malt −5%)	+14%	2025 · IWSR
GROWING	AWAY FROM HOME AND PORTABLE		IN IT PEP · KHC
OUT	Total US biscuits category	+0.3%	Q1 2026 · MONDELEZ
IN	US biscuits in value and club channels	+4%	Q1 2026 · MONDELEZ
IN	Club's share of US private-brand growth	47%	2025 · CIRCANA

Every figure carries its period and source on the line; periods differ between rows. The occasions, their status and every dashed arrow are BoardBrain's reading rather than published flows: on the corpus's own account two of the eight companies publish any occasion quantification, and "occasion claims in this sector are assertions, not measurements".

SOURCE: S0 DEMAND MAPS AND FORCES FILE — CIRCANA · NIELSEN · IWSR · BEER INSTITUTE · MINTEL

EXHIBIT 03 Consumption is moving between occasions, and the categories losing volume sit on the shrinking side.

SECTION 03 · THE THREE FAULT LINES BOARDBRAIN · Q2 2026

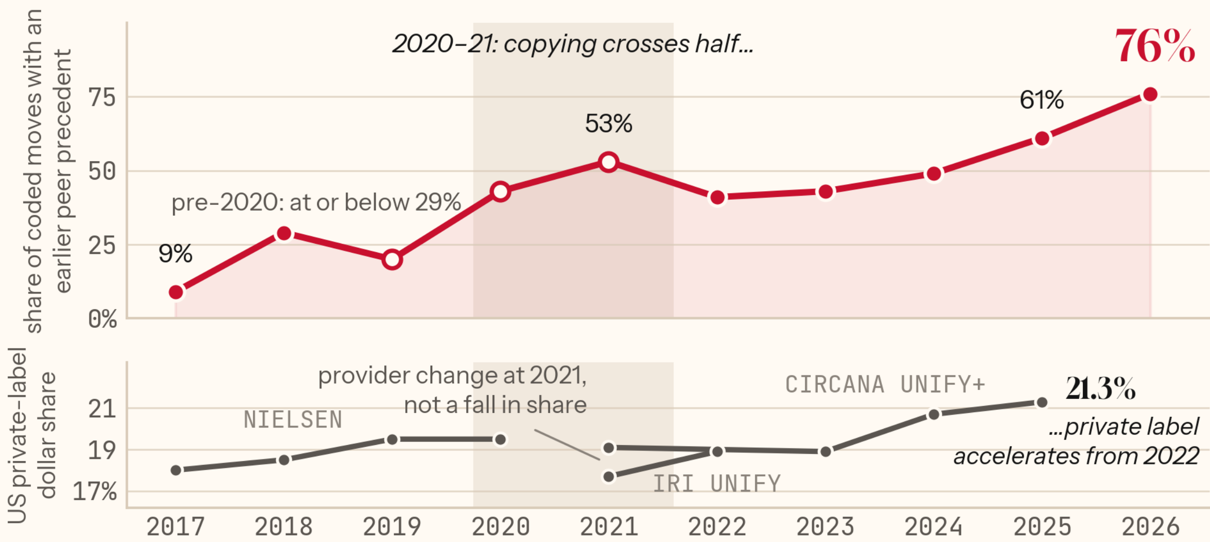
The three questions that most separate the eight

Audited with one set of seven questions, all eight growth plans scored between 3.5 and 4.5 of 7, and on three questions all eight scored identically. The three tests where the eight scored identically get the least attention in their own plans.

THE DERIVATIVE SECTOR · 2017–2026

Three-quarters of 2026's coded offer moves had already been made by a peer

Copying rate of the eight companies' coded consumer-offer moves (380 records), over US private-label dollar share. Private label is drawn as three provider regimes and is never spliced across them; open markers are thin coding years (10–15 records).



The two series share one time axis because they run over the same decade. The plate sets them side by side; it does not test one against the other, and the coding sample thins in 2019–21.

SOURCE: CMD/TRANSCRIPT OFFER CODING (CONVERGE.PY, 380 MOVES) · PLMA/NIELSEN · PLMA/IRI · PLMA/CIRCANA UNIFY+

EXHIBIT 04 Nine per cent of coded offer moves carried an earlier peer precedent in 2017; 76% did in 2026, set against private-label share over the same decade.

3.1 Distinctive occasions versus imitation

The eight have not become identical; they have become derivative, and the difference matters commercially. How similar the eight initiative profiles are to each other has stayed flat across the decade, at 0.71 on rolling three-year windows in both 2016–18 and 2024–26. What fell instead is originality. The share of initiatives repeating a peer's earlier move rose from 9% in 2017 to 76% in 2026. The sector has converged on a method of generating offers, which is to watch the peer set and adopt what appears to work, and not on any single offer.

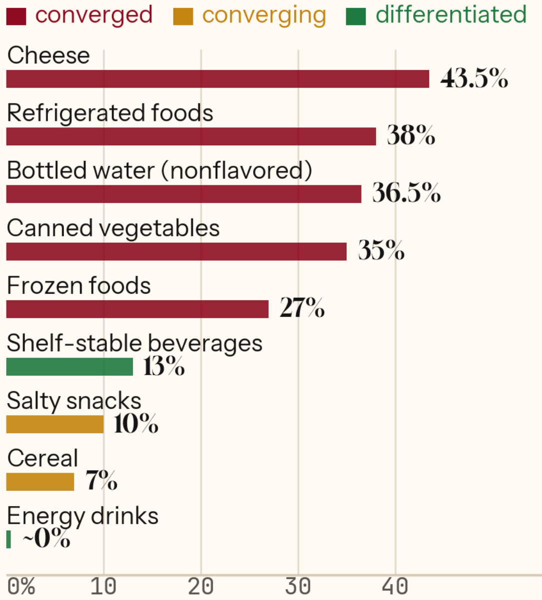
Three features of the evidence make this a board matter. The largest single block of the sector's innovation, 165 of 380 coded initiatives across 2016–2026, makes no consumer claim at all. That is 43% of the decade and 51% of the 2026 slate. A claim-free offer is among the most copyable objects in commerce. It competes on taste parity and price, the two dimensions where private label has closed the gap, and 69–86% of consumers now rate store brands equal or better on quality. The median follow lag has also compressed, from six years for 2023's followers to three for 2025–26. Mondelez conceded from the CAGNY stage on 17 February 2026 that "Some PPA did not address consumer expectations." Two days later, on 19 February, Kraft Heinz presented the same small-pack logic as margin-accretive upside.

The pricing data moved the same way as the authorship data. Celsius, holding positions in energy that no peer in this set had tried first, raised its markup from 1.75 to 2.02 between 2016 and 2025, the largest rise in the set. Monster's markup fell from 2.75 to a 2.01 trough in 2022, across the years its initiatives became predominantly derivative, then recovered to 2.26 on a defence built largely from the challenger's own playbook. Those movements are an association. They do not establish that differentiation caused the change.

THE MECHANISM TEST

Private label holds most where branded offers converged

US private-label share by category, coloured by whether the branded offer converged. Same cooler, same can: private label leads water.



Shares are dollar share; refrigerated, frozen and shelf-stable beverages are unit share. Private label is No.1 in nonflavored water and in 6 of 9 cheese lines; in energy the top five branded producers hold above 90%.

SOURCE: SPINS · IRI · CIRCANA UNIFY+ · NIELSENIQ VIA GOLDMAN SACHS · S1 SERIES

EXHIBIT 05 Private label holds 36–43% of dollars where the branded offer converged, and close to zero in energy.

The mechanism under test is a chain. Converged offers leave price as the principal basis of choice, and the structural low-cost supplier is private label. Private label generally carries lower standalone brand-building costs, and it benefits from retailer control of shelf space and customer data. The time series is only an association. The imitation surge of 2017–21 precedes the private-label acceleration from 2022, but that acceleration coincides with the 2022–23 food inflation, which explains it at least as well. A causal argument built on roughly ten annual observations across three data-provider regimes does not meet the standard of proof this decision requires.

The category cross-section behaves as the mechanism would predict. Cheese runs at 43.5%, refrigerated at 38% of units, and water at 36.5% and the number-one position. Against those sit salty snacks near 10%, cereal near 7%, and energy close to zero. The entanglement caveat stated at first use applies throughout, so this cross-section is the stronger evidence for the mechanism while remaining an association. One fact cuts against the pure trade-down story: 2024 was the biggest single-year private-label share gain in the series, and it came with food inflation back down near 1–2%.

Managements would reasonably reply that fast following is rational defence, and the evidence partly supports them. Monster's imitation of Celsius's positions coincided with its markup recovering and its core brand gaining share. The reply has a documented limit. The recovered markup still sits half a turn below what the differentiated position itself earned.

3.2 Privileged access to a scarce route to market

Where a company sits in the chain is priced in its audited numbers, and the eight sort into three families.

The *franchise family*, Coca-Cola and Monster, owns the brand, the concentrate or flavour intellectual property, and demand creation, and rents the capital-intensive layer beneath it. Coca-Cola's refranchising left roughly $8bn a year of system capital expenditure on some twenty bottler balance sheets, against its own $2.1bn. It moved Coca-Cola's return on invested capital from 17% to 23% on the company's own definition. Monster rents the same kind of system from the other side: 66 bottlers across 158 countries. It ran capital expenditure at 1.60% of sales in a year it added 112 million unit cases, and earned the set's highest return on invested capital at 21.7% for 2025 on a consistent basis. The two ends of this one franchise system out-earn every owner-operator in the peer set, at markups of 2.61 and 2.26.

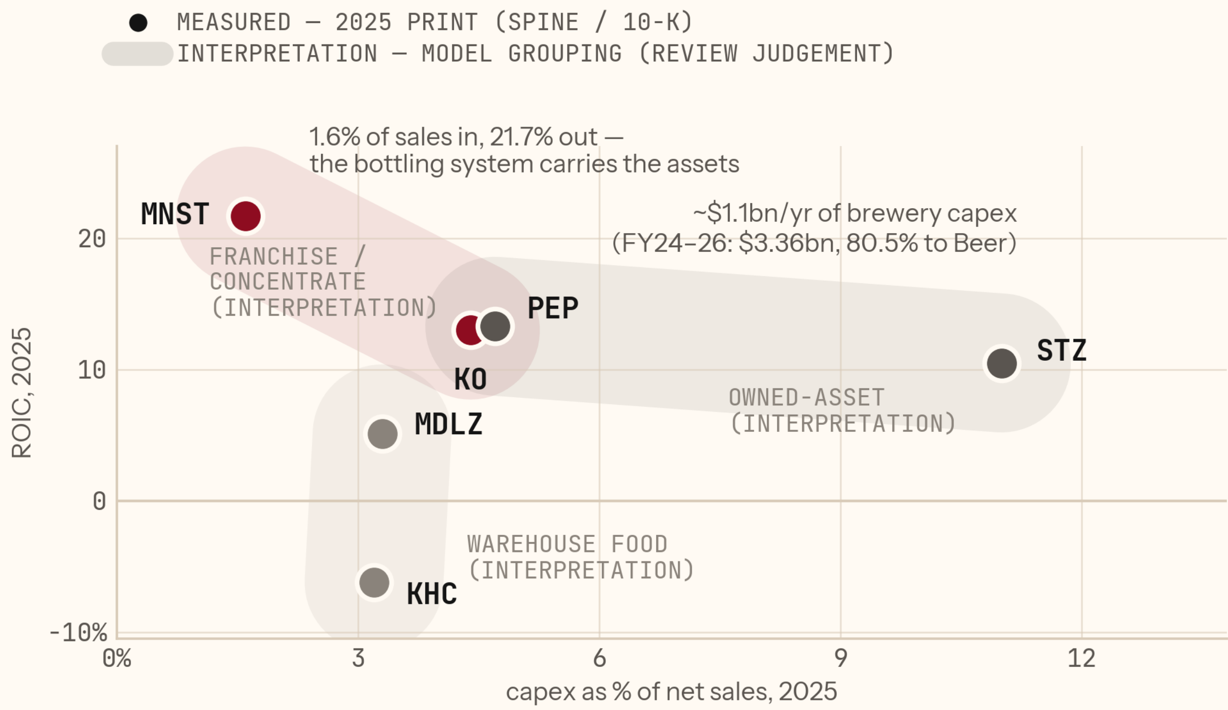
The *owned-asset family*, covering PepsiCo's direct-store-delivery system, Mondelez's emerging-market routes and Constellation's Mexican breweries, pays more capital for control. Capital expenditure runs at 4.7%, 3.3% and roughly 11% of net sales respectively, Constellation's figure being a fiscal 2024–26 average and 9.6% in fiscal 2026 alone. The decade's transactions show that owning paid off where the asset was the binding constraint. Mondelez's routes are the only organically built, hard-to-copy route asset in this peer set. Constellation's owned brewing base sits beneath a 38.0% beer segment margin in fiscal 2026, and it is the only decade-long markup climb among the four owner-operators. PepsiCo's owned system delivers the set's best supply execution, at 7.4 inventory turns with no distributor reset on record, but at a structural markup discount of 2.18 against Coca-Cola's 2.61.

The *warehouse family*, Kraft Heinz and General Mills, carries the lowest overhead and the thinnest chain position of the three, at markups near 1.50 that are essentially flat for a decade. At 1.50 today against 1.53 a decade ago, Kraft Heinz never had a large premium umbrella to give up, so it has little headroom to absorb a price war. That is why its current fight is funded from guided-down operating income and not from price.

CAPITAL INTENSITY AND RETURNS · 2025

In 2025, the asset-light companies shown combined lower capital intensity with higher returns on invested capital.

Capex intensity against return on invested capital. Points are measured 2025 prints; the shaded groupings and their labels are the review's interpretation of business model, not measured data.



Descriptive. The chart does not isolate business-model causation; capital intensity and returns are also affected by category, geography, accounting perimeter and asset age.
GIS/CELH omitted (no verified capex print) · STZ = FY24–26 avg · KHC ROIC reflects 2025 impairments.

SOURCE: FINANCIAL_SPINE.JSON (ROIC) · 10-K CAPEX LINES VIA S2 OPS FILES

EXHIBIT 06 Return on invested capital against capital intensity, 2025 prints. Companies grouped here as asset-light show roughly twice the ROIC at roughly half the capital intensity of the owner-operators. The exhibit is descriptive: category, geography, accounting perimeter, asset age and one-off items differ across the points and are not controlled for.

What a company owns matters more than whether it owns. Monster holds capital expenditure at 1.6% of sales, and Coca-Cola at 4.4% group-wide, nearer 2% once Bottling Investments is set aside, against 3.3–11% for the owner-operators. Four transactions illustrate this rule. Monster bought its flavour house, AFF, in 2016, and its gross margin recovered 5.5 points, from a 2022 trough of 50.3% to 55.8% in 2025. Celsius bought its co-packer, Big Beverages, for $75.3m in November 2024 and held gross margin at 51.5% in the second quarter of 2025, against 50.4% for the year, despite a dilutive mix. Monster and Constellation both wrote down breweries in categories that turned. Coca-Cola, which entered alcohol by licence only, wrote off nothing and simply stopped renewing.

Beneath all three families, one pool is renegotiated annually and never discussed. US retail media reached roughly $69.3bn in 2026, and Amazon and Walmart absorb 84% of it. The phrases that name it return zero matches across all 503 earnings-call transcripts of these eight companies since 2012. The idea that retailer media margin helps fund the retailer's private-label price gaps is BoardBrain's inference, not a demonstrated cash-flow linkage [JUDGEMENT]. Section 7 returns to it.

3.3 Funded choices versus unfunded ambition

The audited spend line, not the choice itself, is what separates the eight. Five facts, each checkable in one audited filing line, define this test.

- Mondelez cut advertising 21.6% in 2025, from $2,112m to $1,655m, in the year its plan targeted share of voice. Management's defence, that the cut fell predominantly on non-working media, is plausible and on the record, but the split is undisclosed and cannot be verified.
- PepsiCo cut advertising 12.8%, from $3.9bn to $3.4bn, in the year of its brand restage, taking total advertising and marketing to a decade-low 5.75% of revenue. The 10-K names lower advertising and consumer promotion costs a profit driver in three segments. The 2026 restoration is committed and unsized.
- Constellation delivered roughly 0.3% compound marketing growth from a fiscal 2023 base of $860.8m, printing $853.5m, $931.2m and $867.4m in fiscal 2024, 2025 and 2026, against a published 8% commitment. That is a cumulative shortfall of about $366m. Management defended the margin from cost savings, which defends the margin and not the commitment.
- General Mills raised advertising 51.7% between fiscal 2018 and fiscal 2026, from $575.9m to $873.6m, again in a loss year. Its public media claims reconcile to its audited notes.
- Kraft Heinz guided its own constant-currency operating income down 14–18% for fiscal 2026 to fund roughly $600m of reinvestment, reversing three years in which shareholder returns ran at 2.1 times brand-building spend. Guiding profit down a sixth is harder to reverse than an advertising increase, which makes it a credible signal that the plan is resourced.

PLAN OBJECTIVES AGAINST THE SPENDING EVIDENCE · FIVE COMPANIES

Five companies' published plans, and the spending evidence behind them

One row per company. The five funding-evidence figures are different quantities: a multi-year spend increase, a guidance change, a delivered growth rate and two single-year spend changes. They are set out as text, not on a shared numerical axis.

COMPANY	PLAN OBJECTIVE	FUNDING EVIDENCE	PERIOD	ASSESSMENT
GIS General Mills	Rebuild household penetration and volume	Advertising and media spend rose 51.7% (F18 $575.9m → F26 $873.6m)	F2018–F2026	FUNDED
KHC Kraft Heinz	Reverse US share loss via the ~$600m brand investment	Guided operating income down 14–18% to fund it	FY2026 guidance	FUNDED
STZ Constellation	8% marketing CAGR committed at the Nov-2023 investor day	Delivered ~0.3%/yr ($860.8m FY23 → $867.4m FY26)	FY2024–FY2026	UNDER-DELIVERED
PEP PepsiCo	Brand restage alongside base-price investment	Advertising fell 12.8% ($3.9bn → $3.4bn); A&M fell 8.5% ($5.9bn → $5.4bn)	FY2025	CUT
MDLZ Mondelez	Share of voice and share gains in the Feb-2026 plan	Advertising fell 21.6% ($2,112m → $1,655m)	FY2025	CUT

ASSESSMENT is an editorial judgement of whether disclosed spending moved with the company's own published plan; it is not a measurement of plan quality or of outcome. The five evidence figures are not comparable to one another and carry no shared scale. Constellation: $860.8m is the FY2023 marketing base in the 10-K note and $867.4m is FY2026; the 8% CAGR commitment runs FY24–FY28.

SOURCE: 10-K ADVERTISING AND MARKETING NOTES · PUBLISHED PLAN AND GUIDANCE LANGUAGE

EXHIBIT 07 Read down the assessment column: two companies funded, one under-delivered, two cut. Three companies cut or under-delivered advertising while their published plans targeted share gains. The assessment column is an editorial reading of the spending evidence [JUDGEMENT]; the matrix records spending against stated plans and attributes no share outcome to the gap.

Coca-Cola never faced this choice in the current cycle, because refranchising had already determined how the growth capital would be funded. It spent $5.4bn on advertising in 2025, the highest in its history at 11.3% of revenue, with buybacks confined to offsetting dilution. Section 7 states the board test that follows: a flat or declining spend line weakens confidence that the share target is adequately funded.

Four business-model archetypes

The evidence sorts the eight into four business models. In each, what decides success is whether what the company owns is the binding constraint on its own strategy. Each archetype description below covers what the company owns, what it rents, when the model wins and how it fails; each failure mode has a live example in this peer set.

Archetype 1, the franchise orchestrator: Coca-Cola and Monster. It owns the brand, the concentrate or flavour intellectual property, and demand creation, and rents bottling, distribution and most manufacturing. The economics are the strongest in the set, at markups of 2.61 and 2.26. It wins while the brand carries pricing power and partners willingly fund the growth capital. Its failure mode is dependence it cannot see or steer. Roughly $8bn of system capital expenditure sits on balance sheets the orchestrator does not consolidate or disclose, against Coca-Cola's own $2.1bn, with no published system plan. Alignment is assumed and not contracted. Monster, for instance, rents its route from a system whose parent owns roughly 20.9% of Monster and competes in the adjacent aisle.

Archetype 2, the occasion creator: Celsius. It owns a differentiated proposition and the consumer insight behind it: modern energy as a zero-sugar daily routine. It also owns the occasion that made Alani Nu additive instead of competing for the same consumers. It also owns the one scarce physical asset, its co-packer, bought for $75.3m when capacity was the constraint. It rents scale instead, using PepsiCo's trucks in North America and Suntory's abroad, at a stated $521.3m of gross landlord-change costs across two resets.

It wins while the occasion is genuinely new, because a new occasion grows the category instead of reslicing it. Its failure modes are concentration and decay. Some 43.2% of revenue flows through one counterparty that is also a shareholder and board presence, and occasion creators drift into followership unless deliberately renewed. Celsius's own post-2021 initiatives already carry peer precedents at a 50% rate.

Archetype 3, the asset-backed owner: PepsiCo, Mondelez and Constellation. It owns route or capacity where availability, not demand, is the constraint. It pays for that in capital, at 4.7%, 3.3% and roughly 11% of net sales on the bases given in section 3.2, and earns returns below the franchise family, at 13.3%, 5.1% and 10.5%. The model wins where the asset genuinely is the constraint. Mondelez's routes drive growth in markets at 2–3kg per-capita snacking against 17.5kg in the US. PepsiCo's system is the reason it could become distributor to the energy category it could not win as a brand owner. Its failure mode is the asset outliving its constraint.

Constellation's capacity programme, cut from roughly 64–69m hectolitres to a 55m hectolitre target with $723.6m of realised project losses booked openly, is capacity sized against a demand curve that may not return. PepsiCo's version is quieter: an owned system whose economics against the franchise alternative have been left out of the discussion instead of priced.

Archetype 4, the portfolio manager in transition: Kraft Heinz and General Mills. It owns warehouse-delivered brand portfolios and rents everything between the plant and the shelf. That is the thinnest chain position in the set, at markups near 1.50, flat for a decade. Its overhead discipline is real, with Kraft Heinz's ex-advertising SG&A at roughly 9.8%, but returns depend on choosing what to keep and then funding it properly. The set contains both outcomes.

General Mills completed every exit it named and raised advertising 51.7% across the cycle. Kraft Heinz divested roughly $8bn at good prices, redeployed about $525m, and let the rest go to leverage and dividends. Holding everything while funding little cost $5.8bn in 2025, recorded as a net loss. The archetype wins when the perimeter is decided and the kept core is funded. Its failure mode is deferral, which transfers value to private label a quarter at a time.

Together, the four archetypes point to one discipline for the sector's owners. The constraint should be owned, the rest rented, and both re-tested on a dated cycle, because the constraint keeps moving. Co-packer capacity was the constraint in energy in 2024. Brewery capacity stopped being the constraint in beer around 2023. The shelf itself is now becoming a rented asset, priced in retail-media terms.

SECTION 05 · THE STRATEGIC MAP BOARDBRAIN · Q2 2026

The eight companies on one strategic map

The horizontal axis is in-set originality, the share of each company's 2016–2026 coded consumer initiatives with no earlier precedent among these eight peers. The scores run General Mills 61, Celsius 58, Coca-Cola 58, PepsiCo 51, Mondelez 49, Monster 46, Constellation 43 and Kraft Heinz 41. This is a count against a precedent list. It uses no consumer research and does not establish consumer distinctiveness. The vertical grouping is the funding evidence, meaning whether the disclosed spend line moved with the plan's central ask in the plan year, and whether that funding is published and sized. The bands are BoardBrain's editorial assessment [JUDGEMENT], and the marker class is the archetype.

The four models set side by side: what each owns, what each rents and what each depends on, with the marker shapes the strategic map overleaf uses.

BUSINESS-MODEL ARCHETYPES · EIGHT COMPANIES · AUDITED AGAINST JUDGEMENT

Four business models in the peer set: what each owns, what each rents, and what each depends on

Ownership is not inherently good or bad. The top three bands are audited; the two tinted bands at the foot are BoardBrain's judgement and are tagged as such.

▬ AUDITED AND MEASURED — WHAT IT OWNS, WHAT IT RENTS, 2025 ECONOMICS
▢ BOARDBRAIN JUDGEMENT — CONDITIONS UNDER WHICH IT WINS, FAILURE MODE

	KO · MNST FRANCHISE ORCHESTRATOR	CELH OCCASION CREATOR	PEP · MDLZ · STZ ASSET-BACKED OWNER	KHC · GIS PORTFOLIO MANAGER IN TRANSITION
WHAT IT OWNS (AUDITED)	Brand, concentrate and flavour IP, and demand creation. Largest owned build: KO's Webster, $650m.	The proposition and the insight behind it, plus one scarce asset: its co-packer, Big Beverages, $75.3m.	Route or capacity where availability binds: PEP's store delivery, MDLZ's Ricolino routes, STZ's breweries.	Warehouse-delivered brand portfolios and the plants behind them; GIS adds 5,000 fresh-pet cooler doors.
WHAT IT RENTS (AUDITED)	Bottling, distribution and most manufacturing: about $8bn of 2025 system capex sits on bottlers' books.	Scale — PepsiCo's route in North America, Suntory abroad. 43.2% of 2025 net revenue is sold to PepsiCo.	Little of the physical chain, by design. STZ's US route is rented by statute: three-tier wholesalers.	Everything between the plant and the shelf: retailer distribution centres and third-party logistics.
CONDITIONS UNDER WHICH IT WINS (BOARDBRAIN JUDGEMENT)	The brand keeps recruiting, and partners keep funding capital it does not steer.	The occasion is genuinely new, and the one route partner stays aligned.	Availability, not demand, is the binding constraint, and the demand still arrives.	The perimeter is settled and the kept core is funded, on a dated cycle.
FAILURE MODE (BOARDBRAIN JUDGEMENT)	Dependence it does not consolidate: no published system capital plan behind the bottlers' ~$8bn.	Concentration and decay: one counterparty is customer, shareholder and board presence.	The asset outlives the constraint — STZ cut FY2028 capacity from ~64–69m to ~55m HL.	Deferral — KHC set a >3.5%-of-sales capital target in 2024 and spent 3.2% in 2025.

2025 ECONOMICS (MEASURED)

	KO	MNST	CELH	PEP	MDLZ	STZ	KHC	GIS
CAPEX % OF NET SALES	4.4%	1.6%	NO CAPEX FIGURE	4.7%	3.3%	9.6%	3.2%	2.5–3.5% *
ROIC	**13.0%**	**21.7%**	**10.0%**	**13.3%**	**5.1%**	**10.5%**	**-6.2%**	**-3.0%**
MARKUP	2.61	2.26	2.02	2.18	1.40	2.06	1.50	1.50

* a multi-year range, not a single-year print. Capital intensity is capex ÷ net sales from the s2 capital cards: KO 2025 $2,112m; MNST $132.3m; PEP 2025; MDLZ ~$1.0–1.3bn/yr; STZ FY2026 $875.0m on $9,137m; KHC $801m vs its own >3.5% target. Celsius: neither file carries a capex figure. ROIC and markup (revenue ÷ cost of sales) are the latest audited year in the spine; KHC 2025 and GIS FY2026 follow impairments (2024 KHC 2.1%, FY2025 GIS 9.6%). No archetype is ranked above another.

SOURCE: FINANCIAL_SPINE.JSON (ROIC, MARKUP) · S2 OPS FILES (CAPITAL CARDS, POSITIONS)

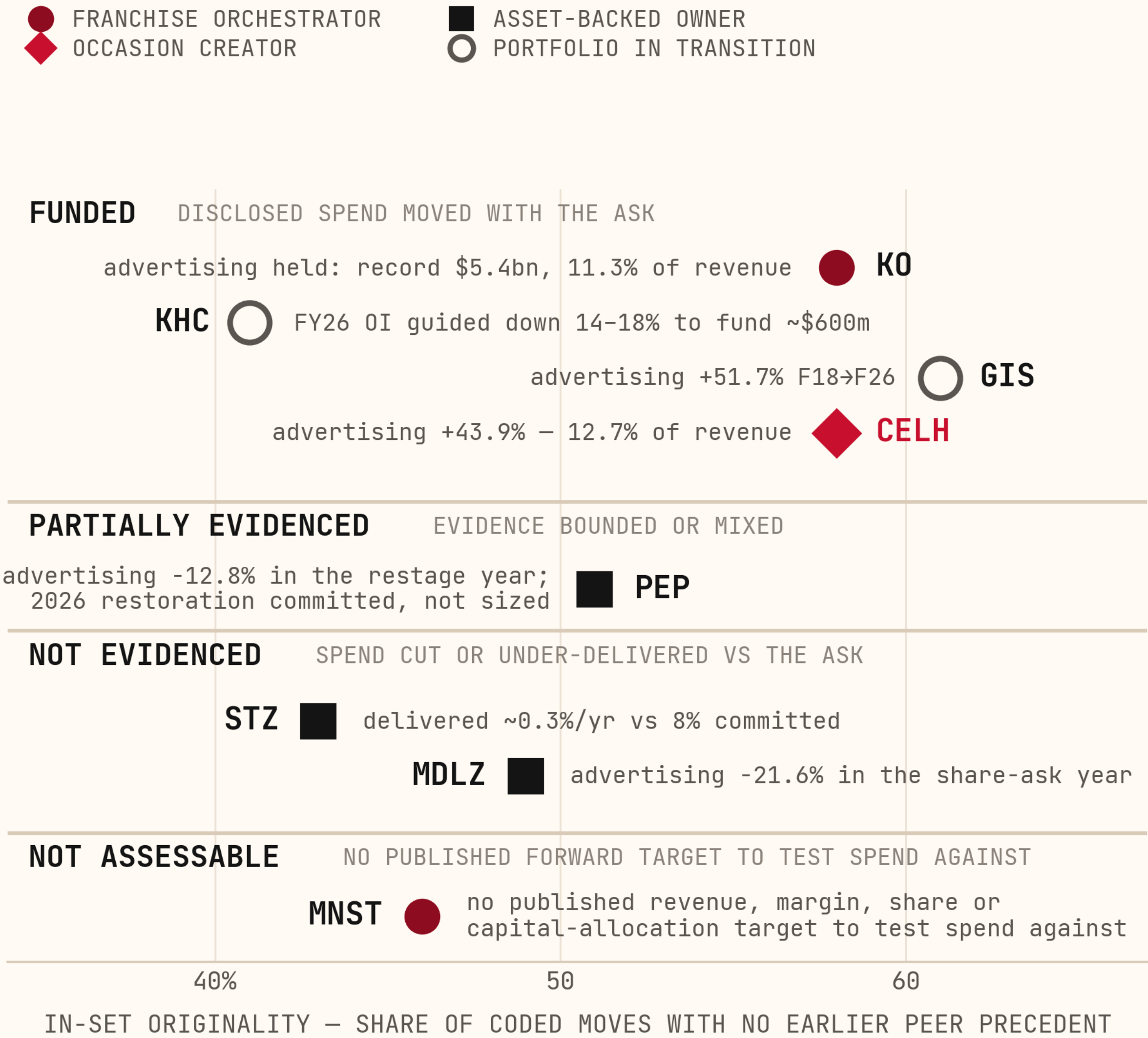
EXHIBIT 08 Four business models in the peer set: what each owns, what each rents, and what each depends on.

The two tests that most separate the eight can be drawn as one exhibit.

THE STRATEGIC MAP · IN-SET ORIGINALITY × FUNDING EVIDENCE · EIGHT COMPANIES

Companies grouped by originality of their disclosed initiatives and by the evidence that spending followed their stated plans.

In-set originality (measured, x) against the funding-evidence band. The four bands are an editorial assessment, not a measured scale, and are grouped — not ranked — on the vertical. The fact beside each marker is the basis. Marker shape = business-model archetype.



The four bands are an editorial assessment, not a measured variable; the fact beside each marker is the basis. In-set originality counts precedence within these eight companies over 2016–26; it does not establish consumer distinctiveness. PepsiCo reconciliation: the funding evidence matrix assesses FY2025 spending as CUT; this map places PepsiCo in PARTIALLY EVIDENCED as a current-state assessment, because a 2026 restoration is committed but not quantified.

SOURCE: IN-SET ORIGINALITY — OFFER CODING, CONVERGE2.PY (380 CODED MOVES, 2016-26)

EXHIBIT 09 Companies grouped by originality of their disclosed initiatives and by the evidence that spending followed their stated plans.

Coca-Cola and General Mills occupy the funded-and-original corner, for different reasons. General Mills' originality is partly category-mechanical, because pet, dough and cereal are lanes the other seven simply do not work, and its top line still declined for three consecutive years. Originality and funding defend margin; they do not manufacture category growth.

Celsius sits high on both measures. Its markup rise from 1.75 to 2.02, the set's largest, coincides with holding the set's only no-precedent positions, though the association does not establish that the positions caused the rise. Kraft Heinz combines the lowest originality score in the set with the most explicitly funded plan. Whether the slate is held to the standard the funding now permits is testable at CAGNY 2027, when the 2027 slate is presented.

PepsiCo sits mid-map, and its two readings are consistent. It is CUT for fiscal 2025 in the funding matrix and partially evidenced as a current state, because a 2026 restoration is committed but not yet quantified. Monster sits mid-low on originality with the set's best returns and no forward target of any kind, so no spending line can be set against a stated objective. It is banded NOT ASSESSABLE, which is not a negative finding about its spending. Constellation and Mondelez anchor the under-delivered and cut edge, each with a stated defence and each with a plan that targeted share its audited line did not pay for.

The map has two limitations. The originality measure counts precedents only inside this eight-company set, so every score is a ceiling. And the funding bands are an ordinal judgement constructed from audited facts, not a measured variable. The facts behind each band are in section 3.3.

SECTION 06 · ONE DECISION PER COMPANY

One strategic decision per company

Each company spread carries five elements: its position, the advantage worth protecting, the critical assumption, the one choice facing its board over the next 24 months, and the strategic boundary that follows. Each decision is a genuine either/or, and BoardBrain states a view on each one instead of a menu.

THE ONE DECISION · NEXT 24 MONTHS

PepsiCo: the owned route earns less than the alternative, and the gap is unmeasured

Position. PepsiCo runs the broadest portfolio of the eight and owns the largest US food-and-beverage direct-store-delivery system, with an international business of $38bn at an 18% core operating margin. Pricing, not volume, drove its 2022–25 growth: pricing ran +14, +13, +4 and +4 points against volume of 0, −3, −2 and −2. From 2025, it made a base-price investment in Frito-Lay instead, and redefined success around volume and penetration.

2.18	11.7% / 37.1%	−12.8%
markup, 2025	owned-system vs franchise-model segment margin	advertising, FY2025

The advantage to protect is the Celsius structure. PepsiCo paid $3.85bn for Rockstar in 2020 and subsequently impaired it. It took a different structure in the same category the second time: $550m plus $585m of convertible preferred, roughly 11% as-converted, two board seats, and the designated energy captaincy on a roughly seventeen-year agreement. That structure lets PepsiCo earn distribution income while assuming less direct brand-ownership risk, and it now carries three energy brands through its own system under the Celsius agreement.

The $1,135m outlay bought a minority stake and distribution rights instead of a company. It is not directly comparable with the $3.85bn Rockstar purchase, but it exposes far less capital to the risk that any one brand fades. The leading challenger in energy has changed twice in five years. This is the position in the set least dependent on which brand gains share, because PepsiCo is paid for distributing three of them.

Critical assumption. That productivity can fund the price investment and the advertising restoration at the same time. Both are committed for 2026, and neither is quantified. In 2025, advertising fell 12.8%, and the 10-K names lower advertising and consumer promotion costs as a profit driver in three segments. The filing does not state that this reduction funded the price investment.

THE ONE CHOICE · PEPSICO

Is the owned North American route to market worth its cost?

BoardBrain's view: keep the owned system, and publish the economics that would justify it.

PepsiCo's segment reporting shows an 11.7% clean margin for the owned-bottling business against 37.1% for its franchise-model segment.

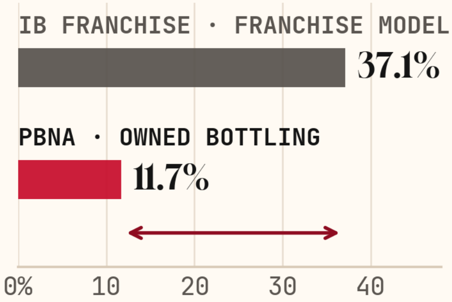
That is a segment-economic difference affected by ownership model, geography, product mix and accounting perimeter.

The segment-margin difference is measured. The proportion attributable specifically to route ownership is not.

The Texas integrated pilot, due February 2027, is the evidence required to isolate route economics; the operations analysis in the evidence book bounds the decision at **$0.8–2.0bn** of EBIT [EST].

Management's supply-execution reply, at 7.4 inventory turns with no distributor reset on record, is supported by the filings.

MEASURED — 2025 SEGMENT TABLE



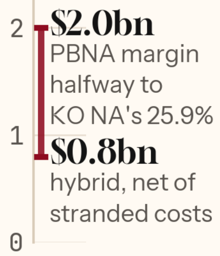
25.4pt segment-margin difference

Affected by ownership model, geography, product mix and accounting perimeter.

Clean margin = revenue − segment COGS − segment SG&A, 2025 10-K. IB Franchise $4,997m revenue; PBNA $28,197m. PBNA reported 3.9% after a $1,523m impairment.

BOUNDED ESTIMATE

EBIT, $BN



Bounded estimate from the operations analysis of the chain-position decision, on $28.2bn PBNA revenue. Not a measured cost.

NOT YET PUBLISHED

THE TEXAS PILOT

THE EVIDENCE REQUIRED TO ISOLATE ROUTE ECONOMICS

UNIT ECONOMICS: NOT YET PUBLISHED

One integrated food-and-beverage route, piloting with a stated evaluation.

The disclosure that would separate route ownership from the other drivers: cost-to-serve per case and margin per route vs the separate systems, with FY2026 results (Feb 2027).

The 25.4-point figure is the difference between two reported segment margins. How much of it is attributable to route ownership is not separately disclosed by the company and is not estimated here.

SOURCE: PEP 2025 10-K SEGMENT NOTE VIA PEP_OPS.JSON A-003 · PILOT: PEP IR, 9-DEC-2025

EXHIBIT NOTE PBNA, the owned-bottling segment, earned an 11.7% clean margin on $28,197m of 2025 revenue against 37.1% for the IB Franchise segment on $4,997m. Clean margin is revenue less segment cost of sales less segment SG&A, and PBNA reported 3.9% after a $1,523m impairment. The chain-position bound is $0.8–2.0bn of EBIT [EST]. The Texas pilot's cost-to-serve per case is due with FY2026 results in February 2027 and is not yet published.

RECOMMENDATION the board should keep the owned system, and require management to publish the Texas pilot's cost-to-serve per case and margin per route, with a stated decision rule, alongside FY2026 results in February 2027. The pilot bounds the decision at $0.8–2.0bn of EBIT [EST], so the board is testing a specific range rather than an open-ended question.

STRATEGIC BOUNDARY Do not buy another energy or challenger brand outright. The distribution agreement already gives PepsiCo distribution income from three energy brands while assuming less direct brand-ownership risk, and an outright acquisition would take that risk on directly. Do not fund the restage from the advertising line for a second year. And the board should add no further brands until the portfolio principle is applied to specific brands. Five have been added in eighteen months and none culled. PepsiCo stated a portfolio principle two years ago and has attached no names to it since. Its published wording was "every piece of the business today needs to continue to earn its place in the portfolio."

THE ONE DECISION · NEXT 24 MONTHS

The Coca-Cola Company: refranchising freed cash; the bottlers' capital plan is still invisible

Position. Coca-Cola's strategy rests on one structural decision, taken in 2016 and honoured ever since. Refranchising moved Bottling Investments from 52% of net revenues in 2015 to 12% in 2025, on roughly $18bn of gross proceeds. That funds the highest advertising intensity in large-cap beverages, at $5.4bn in 2025 and 11.3% of revenue. Its growth is share of an industry expanding at roughly 4% a year, with the volume carried by emerging markets, where Coca-Cola holds roughly 7% share against 14% globally.

52% → 12%	11.3%	$6,173m
bottling share of net revenues, 2015–2025	advertising to revenue, 2025	fairlife earnout, March 2025

The advantage to protect is pricing restraint inside the franchise economics. Coca-Cola is the one company in the group that publishes the rule capping its own pricing, "worth what it costs", and after three years of mix-led growth it chose to prioritise volume instead. 2025 ran +1% volume with +4% price/mix, and first-half 2026 then carried +3% volume with +5% price/mix. That restraint keeps Coca-Cola within the sparkling floor test, where two years of price and mix carrying negative volume is normal and four is a structural pricing problem. It also rests on a markup of 2.61, the highest of the eight, and on returns that have moved from 17% to 23% on the company's own definition.

Critical assumption. That the bottlers keep funding the system capital the 4–6% growth algorithm depends on. Roughly $8bn of 2025 system capital expenditure sits on bottler balance sheets, against Coca-Cola's own $2.1bn, and the commitment behind that gap is not published. The growth claim therefore cannot be audited from Coca-Cola's own cash-flow statement.

THE ONE CHOICE · THE COCA-COLA COMPANY

How far should Coca-Cola extend from its capital-light franchise model into owned growth platforms?

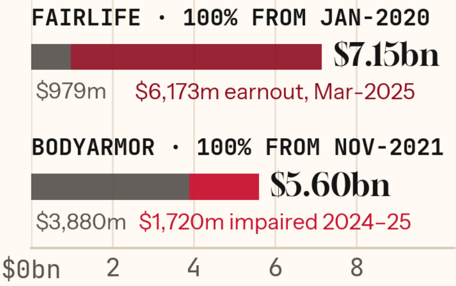
BoardBrain's view: extend only where the platform is capacity-constrained and volume-led, and publish the bottler-committed capital plan beside any extension.

The principal reason is Coca-Cola's own record on two entries two years apart. The sellers set the fairlife earnout terms in 2020, and the business's subsequent performance drove the payment to **$6,173m** against a $979m purchase price.

BodyArmor, bought into a pool losing units, cost about $5.6bn and has been impaired by $1.72bn within four years.

The principal uncertainty is the roughly $8bn of annual system capital expenditure that sits on bottler balance sheets against Coca-Cola's own $2.1bn, with no published commitment behind it.

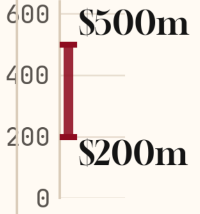
MEASURED — WHAT WAS PAID



	FAIRLIFE	BODYARMOR
CURRENT OPERATING POSITION		
	US value-added dairy leader; sold on allocation.	Sports drinks: US units −4.3% in 2024.
REALISED INVESTMENT RETURN		
	Earnout settled in full, $6,173m, March 2025.	$760m + $960m of trademark impairment.

BOUNDED ESTIMATE

REVENUE, $M



Bounded estimate from the operations analysis: fairlife revenue deferred while the brand sold on allocation through the Webster ramp, 2025–26. The band runs from constrained demand 5% above served volume to 10% above. A sized range, not a measured figure.

NOT YET PUBLISHED

FAIRLIFE'S SIZE

THE DISCLOSURE THAT WOULD PRICE EITHER CHEQUE

BRAND REVENUE: NOT PUBLISHED

Asked how large fairlife is, the answer given is that it has not been disclosed.

Brand-level net revenue and operating profit for fairlife and BodyArmor would let the return on $7.15bn and on $5.60bn be computed rather than read off the impairment line.

MEASURED — THE FRANCHISE-MODEL BASELINE THESE TWO MOVES EXTEND FROM

4.4% capital intensity: $2,112m of capex, 2025	**13.0%** return on invested capital, 2025	**52% → 12%** Bottling Investments as a share of net revenues, 2015 to 2025	**~$8bn** system capex carried by bottlers, 2025

fairlife: $979m cash plus a $306m note, 3 Jan 2020; earnout settled at $6,173m, paid March 2025. BodyArmor: about $5,600m cash, 1 Nov 2021. Neither brand's operating performance is presented as its investment return.

SOURCE: KO 2025 10-K · KO_OPS A-001/A-009 · MOVEMENT_MAP.JSON · FINANCIAL_SPINE.JSON

EXHIBIT NOTE fairlife's settled $6,173m earnout against its $979m purchase price, and BodyArmor's about $5.6bn in against $1.72bn impaired, the weakest unit performer in US non-alcoholic ready-to-drink in 2024. The two outcome figures differ in kind and are not comparable as returns. The bottler-committed capital plan behind the 4–6% growth algorithm is not published.

RECOMMENDATION the board should extend ownership only into platforms that are capacity-constrained and volume-led, as fairlife is and sports drinks was not. The board should require management to disclose fairlife's capacity utilisation and its allocation end-date. The board should also require the bottler-committed capital plan, so investors can verify the roughly $8bn of annual system investment the 4–6% growth algorithm depends on and no Coca-Cola statement currently shows. The refranchising logic does not forbid owned platforms. It asks that each one clear the test the bottling business did not.

STRATEGIC BOUNDARY Do not own alcohol: the licence-only position cost nothing when the category turned, while owners took write-offs. Do not re-grow the brand tail culled in 2020 without publishing an annual portfolio gate. The adjacency evidence behind this decision is set out on the adjacency evidence page.

THE ONE DECISION · NEXT 24 MONTHS

Monster Beverage: best returns in the set, funded by following, not leading

Position. Monster is the most concentrated strategy of the eight, at 98.4% of net sales in energy across 158 countries. It rents more of its cost base than any other company in the set: 66 bottlers, capital expenditure of 1.60% of sales, and the set's highest return on invested capital at 21.7% for 2025 on the review basis. Its affordable concentrate tier is structurally its highest-margin business, with Strategic Brands running a 51.4% segment operating margin against 38.9% for core energy.

98.4%	21.7%	1.60%
of net sales in energy	return on invested capital, 2025	capital expenditure to sales

The advantage to protect is that rented-growth asymmetry: own what a bottler cannot supply, meaning the American Fruits & Flavors flavour house, launch capacity and the core flavour intellectual property, and rent everything else. Monster added 112 million unit cases in a year for $132.3m of capital, a ratio no other company in the sector matches. Energy is also the one large beverage category where private label is close to 0% of dollars, so the rented model has not yet met the private-label pressure running through centre-store.

Critical assumption. That energy keeps recruiting every incoming cohort on Monster's terms. Household penetration already averages roughly 40% of adults across Monster's 26 surveyed markets. New consumers supplied 31% of 2025 growth. Age-of-sale restrictions are live or proposed in a dozen-plus jurisdictions. And the decade's fastest-growing new occasion, the female daily routine at +68.6% in dollars, was opened by a competitor.

THE ONE CHOICE · MONSTER BEVERAGE

Will Monster define the next energy occasions, or remain a fast follower?

BoardBrain's view: define them.

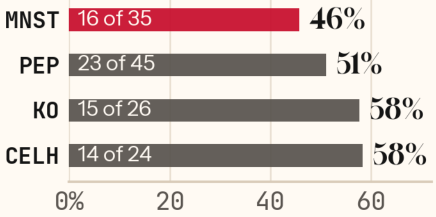
The principal reason is the authorship record. Fifteen of Monster's twenty-three post-2021 initiatives carry a named peer precedent, and FLRT, its first female-centric brand, was announced on 2 December 2025 and launches in March 2026, roughly two years after the occasion opened.

The decisive number is the markup: **2.26** today against 2.75 in 2016, half a turn below what the differentiated position earned.

The principal uncertainty is that following has worked so far. The recovery from the 2.01 trough coincided with the core brand gaining 0.4 points of dollar share.

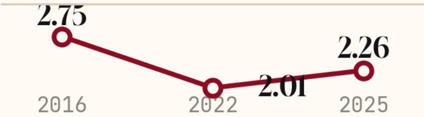
MEASURED — THE OFFER RECORD

% WITH NO IDENTIFIED PRECEDENT



130 records coded across four beverage companies, 2016–2026. Every one of Monster's 18 energy records disclosed 2022–2025 is flagged a line extension or a renovation.

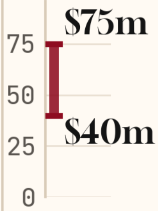
MARKUP · REVENUE ÷ COGS



Three years of recovery from the 2022 input-cost trough, and not back to the 2016 level.

BOUNDED ESTIMATE

EBIT, $M PER YEAR



Bounded estimate from the operations analysis of a fix-or-exit on Alcohol Brands, against a $73.3m 2025 segment operating loss before impairment.

A sized band, not a measured saving. It would also release management attention.

NOT YET PUBLISHED

THE ALCOHOL DECISION

A STATED DATE AND A STATED TEST

DECISION CRITERION: NOT PUBLISHED

Four years in, no exit, sale or wind-down is named, and the 2026 slate carries three new alcohol entries.

What would settle the funding question: the year by which Alcohol Brands is to reach segment operating profitability before impairment, or a wind-down date.

MEASURED — THE ALCOHOL LEDGER, THE FUNDING QUESTION BEHIND THE DECISION

$330.0m CANarchy, Feb 2022	**$41.6m → $29.0m** segment revenue, Q2 2024 to Q4 2025; 1.6% of net sales	**$192.5m** impairment, 2024–25	**$73.3m** 2025 loss before impairment	**Two breweries** closed in Texas; Cigar City now R&D

The two halves are not linked causally: the offer record is what Monster has disclosed, the alcohol ledger what a decision there would free. First-mover share is a property of the coded corpus, not of the market.

SOURCE: OFFER_CODES_GROUP_A.JSON · FINANCIAL_SPINE.JSON · MNST FY2025 10-K · MNST_OPS

EXHIBIT NOTE The markup round-trip, 2.75 to 2.01 to 2.26, and the fifteen-of-twenty-three post-2021 follower rate, set against the alcohol unit's $192.5m of impairments and $73.3m operating loss before impairment. Monster publishes no forward revenue, margin, share or capital target. Markup histories are on the beverages evidence page.

RECOMMENDATION the board should set a stated performance threshold and a review date for the alcohol business, or fund the exit. After four years, $192.5m of impairments, a $73.3m operating loss before impairment and three further 2026 entries, alcohol still has no decision date attached to it. Exiting or time-limiting it would redirect two scarce resources into occasions Monster identifies first. Those are the senior management attention spent on a business at 1.6% of net sales, and the capital and launch capacity committed to it. Management's own concession names the gap: "one of the major segments that we don't service on a more comprehensive basis is the female segment." A defence assembled by copying Celsius's moves leaves Celsius deciding where the category grows next.

STRATEGIC BOUNDARY Do not buy a route to market: the returns here rest on renting it. Do not continue publishing no targets. Ten investor meetings without a revenue, margin, share or capital target has cost nothing so far, at a 21.7% return on invested capital. With no published target, investors have no basis to test the plan against results. The first significant earnings miss would force the market to reprice the whole strategy at once.

THE ONE DECISION · NEXT 24 MONTHS

Celsius Holdings: fastest share gain in the set, not yet proven additive

Position. Celsius is the youngest strategy of the eight, and the only one organised around an occasion insight instead of an asset: modern energy as a zero-sugar daily routine. The roughly $1.8bn Alani Nu acquisition extended it into the female routine-driven occasion, and the Rockstar US and Canada rights transferred from PepsiCo for equity in 2025. Its portfolio share of US energy reached about 20.9% in the first quarter of 2026, up roughly ten points on the CELSIUS brand's 10.8% a year earlier. Alani Nu, at $368m of first-quarter 2026 net sales, is now larger than the founding brand itself at $348m.

1.75 → 2.02	20.9%	43.2%
markup, 2016–2025	US energy portfolio share, Q1 2026	of revenue through one counterparty

The advantage to protect is the differentiated proposition itself. Celsius holds the only positions in energy with no peer precedent in this set: the clinically framed claim, the modern-energy reframe, and the gendered-occasion insight. The pricing evidence points the same way. Markup rose from 1.75 to 2.02 between 2016 and 2025, the largest rise in the peer set, and in the one large category of the eight where private label is close to 0%. The physical asset behind it is the co-packer bought for $75.3m in November 2024, when capacity was the constraint. Gross margin held at 51.5% in the second quarter of 2025, and 50.4% for the year, despite a dilutive mix.

Critical assumption. That CELSIUS and Alani Nu are additive and not substitutional. The founding brand now sits at 99.5% all-commodity-volume distribution, so there is no more room to grow through wider distribution. It carries the set's highest advertising intensity, at 12.7% of revenue and up 43.9%, against a flat share line of 10.8% to 10.6% over the year. The company's own risk factors name cannibalisation as a concern, and the panel data that would settle the question is data Celsius already buys.

THE ONE CHOICE · CELSIUS HOLDINGS

Should Celsius accelerate international expansion before proving that CELSIUS, Alani Nu and Rockstar are economically additive?

BoardBrain's view: prove portfolio additivity first, then scale internationally against a stated plan.

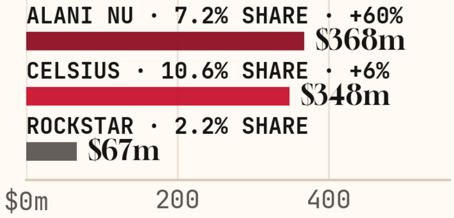
The principal reason is that the founding brand's share line is flat, at 10.8% to 10.6% over the year, on 99.5% distribution and the set's highest advertising intensity. The portfolio gain and the brand gain cannot yet be told apart.

The decisive number is that **$1,275.0m** of 2025's $1,295.7m of investing outflows went to one US acquisition.

The principal uncertainty is that the panel data may show the three brands recruit different consumers, in which case the international case strengthens rather than weakens.

MEASURED — Q1 2026 BRANDS

Q1 2026 NET SALES · US SHARE



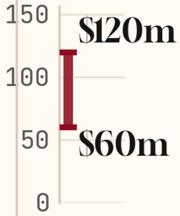
Both growing brands were bought, not built: Alani Nu for $1,275m cash plus 22,451,224 shares plus a $25m earn-out; Rockstar for $585m of preferred stock.

CELSIUS BRAND DOLLAR SHARE

Brand net sales grew about 6% in Q1 2026, on advertising up 43.9%. Portfolio share reached 20.9%, up roughly ten points on the brand's 10.8% a year earlier — almost all of it acquired.

BOUNDED ESTIMATE

IMPLIED RETAIL, $M



Bounded estimate from the operations analysis: implied US retail dollars counted twice if part of the share gain came from existing CELSIUS buyers. The band runs from 1 to 2 points of the 10-point portfolio share gain.

A sized question, not a measured overlap.

NOT YET PUBLISHED

THE ADDITIVITY SPLIT

DO THREE BRANDS ADD, OR OVERLAP?

INCREMENTAL VS OVERLAPPING: NOT PUBLISHED

Celsius names the risk in its own filing: 'leading to brand cannibalization or dilution'.

Two publications would settle it: the incremental-versus-cannibalised split of the 2025–26 share gain, and brand household penetration — both from panel data already bought.

MEASURED — THE BASE FROM WHICH THE INTERNATIONAL DECISION WOULD BE TAKEN

99.5% weighted retail distribution (ACV)	**250,000+** tracked US outlets; +13k coolers	**3.7%** international as a share of FY2025 revenue — $92.8m	**$1,001.9m** of Alani Nu revenue in nine months of 2025

Alani Nu's twelve-month operating figures are strong and shown as such; a realised return on the roughly $1.8bn of consideration is not established here. The overlap band is a sized question, not a measurement.

SOURCE: CELH FY2025 10-K, Q1 2026 CALL · CELH_GROWTH A-G03/A-G09 · CAGNY FEB-2026

EXHIBIT NOTE About 20.9% share of US energy in the first quarter of 2026, up roughly ten points, with Alani Nu at $368m against CELSIUS at $348m of first-quarter 2026 net sales. The range at stake in the incremental-versus-cannibalised split is 1 to 2 points of the 10-point gain [EST]. That panel split is not published, and is needed before the first-quarter 2027 product platform decision.

RECOMMENDATION the board should require management to publish the incremental-versus-cannibalised split of the 2025–26 share gain before the first-quarter 2027 product platform decision. If the panel data show CELSIUS and Alani Nu recruit different consumers, Celsius will have documented that its roughly 21% share of US energy is category growth and not internal substitution. That directly supports its valuation. Only then should the board state the three-year international ambition with capital attached. International is currently 3.7% of revenue seventeen years after launch, across roughly ten markets, with a president and a centre of excellence but no target, no date and no disclosed capital.

STRATEGIC BOUNDARY Do not buy a route to market: changing distribution partners twice already cost Celsius $521.3m gross, and the availability that spending bought is rented, not owned. Do not add a fourth brand before the three already in the portfolio are shown to work as a system. Celsius's own post-2021 initiatives already repeat peer moves at a 50% rate. If that rate keeps rising, the company loses the originality that coincided with the set's largest markup increase.

THE ONE DECISION · NEXT 24 MONTHS

Constellation Brands: beer margin intact; the capacity bet still assumes cyclical demand

Position. Constellation's strategy cascade has the fewest reversals of the eight. Fourteen years of exits led to a printed endpoint, "Now 100% Aligned to Higher-End," with four of every five capital dollars in fiscal 2024–26 going to Beer. Operating performance remains intact. Constellation held a 38.0% beer segment margin in fiscal 2026, a year in which group revenue fell 10.5%. It gained share in all fifty states on depletions of −2.1%, its own shipments running at −3.8%, while US beer industry shipments fell 5.9% in 2025.

38.0%	−5.9%	~$800m
beer segment margin, FY2026	US beer industry shipments, 2025	FY2027 brewery tranche

The advantage to protect is the production and portfolio system: the owned Mexican brewing base and the five-family, 171-SKU portfolio. Together they produce a 38.0% fiscal 2026 beer segment margin, the highest segment margin of the eight. They also produce the only decade-long markup climb among the four food-side companies, 1.861 to 2.064 between fiscal 2016 and fiscal 2026, and availability that kept building through the decline, which indicates the constraint here is demand and not execution capacity. Three-tier distribution also leaves the category with very little private-label competition, though that is a structural consequence of the category choice and not an achievement in its own right.

Critical assumption. That the beer decline is mostly cyclical. Management has called it cyclical for six consecutive quarters, while its own 10-K risk language escalated across three successive filings. GLP-1 drugs were named in fiscal 2024, dietary-preference change joined that clause in fiscal 2025, and reduced social participation was added in fiscal 2026. Its April 2025 category assumption of flat to −2% was then answered by a −5.9% industry outcome. When the capital plan and the legal language move but the investor narrative does not, the first two are the better guide. Here they moved first, by about two years.

THE ONE CHOICE · CONSTELLATION BRANDS

Should capacity and portfolio investment be based on structural moderation, or on a cyclical recovery in beer?

BoardBrain's view, stated with its uncertainty: size for structural moderation.

The principal reason is that the company's own instruments already moved that way. 10-K risk language escalated across three filings while the investor narrative held at cyclical for six quarters.

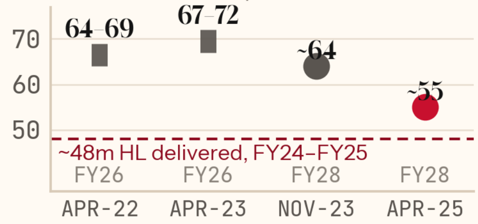
The decisive number is capital: deferring one 3m hectolitre module at the realised $150–250 per hectolitre band preserves **$450–750m** [EST] at no cost to current supply, since existing sites cover current volumes.

The principal uncertainty is BoardBrain's own reading that 50–70% of the decline is structural [JUDGEMENT], which is a judgement and not a measurement.

CONSTELLATION BRANDS · THE DECISION

MEASURED — TARGETS AND DEMAND

CAPACITY TARGET, MILLION HL



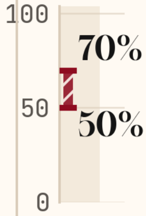
Roughly 25–30% less capacity than the April 2023 target, two years later. Unit cost held in a $150–250/HL band: the reduction is scope, not overrun.

THE US INDUSTRY DEMAND LINES, 2025

Industry shipments fell in all fifty states, a loss of 8.68 million barrels.

BOARDBRAIN JUDGEMENT

% OF THE DECLINE



BOARDBRAIN JUDGEMENT. Not a company figure and not a measured split.

The share of the US beer volume decline this review reads as structural rather than cyclical. Management's stated position is that the headwinds are cyclical.

NOT YET PUBLISHED

THE DEMAND BASIS

WHAT THE 55M HL TARGET IS SIZED AGAINST

SHIPMENT SCENARIOS: NOT PUBLISHED

The FY2028 outlook was withdrawn on 9 April 2026, leaving a one-year revenue horizon against a multi-year capital programme.

Three lines would close it: shipment scenarios under a structural-versus-cyclical split, the utilisation floor at which a module is deferred, and the $/HL of each remaining phase.

MEASURED — WHAT IS ALREADY BOOKED, AND WHAT IS STILL AHEAD

$665.9m Mexicali impairment, Q1 FY2022	**$57.7m** Obregón loss, FY2026	**$724–900m** booked project losses: $723.6m audited, $900m ceiling	**$150–250/HL** realised unit cost band, every tranche	**~$800m** of FY2027 capex, brewery projects

Company-published or industry-audited: every capacity target, the unit-cost band, the two booked losses, the FY2027 capex plan and all four demand lines. BoardBrain judgement: the 50–70% structural reading.

SOURCE: STZ FY2026 10-K, 10-APR-2025 DECK · STZ_OPS A-001 · BEVERAGE_DEMAND_MAP.JSON

EXHIBIT NOTE A 38.0% fiscal 2026 beer segment margin against US beer industry shipments of −5.9% in 2025. The capacity programme is already cut from roughly 64–69m hectolitres to a 55m hectolitre fiscal 2028 target, with $723.6m of realised project losses booked openly. The structural share of the decline is 50–70% [JUDGEMENT], and deferring one module preserves $450–750m [EST]. The roughly $800m fiscal 2027 brewery tranche is not yet committed.

RECOMMENDATION the board should size for structural moderation, and take that decision before the roughly $800m fiscal 2027 brewery tranche is committed. The board should publish the demand basis for the 55m hectolitre fiscal 2028 target under both the structural and the cyclical split, naming the utilisation floor at which phases defer. The same decision also funds the hedge. Corona Non-Alcoholic is the number-four brand in a segment growing 22% in dollars, and the chief executive's own account is "We haven't put a ton behind it yet." Management's cyclical case is evidenced. It rests on a Hispanic consumer under measurable economic stress, and on new legal-drinking-age consumers recruiting at twice the category rate. The company has also already acted ahead of its own narrative, cutting roughly $1bn of capital expenditure in November 2023 and re-basing the programme twice since.

STRATEGIC BOUNDARY Do not re-enter anything priced below the high end: every exited pool kept shrinking. Do not give the new "white spaces" theme a budget before publishing what changed in investment approval after Canopy Growth, where roughly $4.26bn deployed was carried at $21.2m in February 2025.

THE ONE DECISION · NEXT 24 MONTHS

Kraft Heinz: share losses are narrowing, the HOLD tier is not yet tested

Position. Kraft Heinz carries the set's thinnest markup at 1.50 and posted a $5.8bn net loss in 2025, alongside one of the set's better-evidenced growth mechanisms. It printed its own decade of US share loss on its investor deck, and published its own worst innovation number beside the competitor's, at 0.8% against 4.2%. It then guided operating income down 14–18% to fund roughly $600m of reinvestment, and changed what management is paid on. Five quarters in, the share-loss run-rate has narrowed from 90 to 30 basis points, which the company itself notes is the ten-year average rate. The acceleration is arrested, though the number has not yet turned.

1.50	−14–18%	~$600m
markup, flat for a decade	guided FY2026 operating income	investment programme

The advantage to protect is the Blueprint. Among the eight, it is the growth mechanism with dated, realised precedents instead of promises. Canada moved from −1.0% to +4.0% organic between 2019–21 and 2022–25. Heinz beans returned to UK share growth after ten years, and German condiment share rose from 7% to 13% in three and a half years. It also carries the set's best trade-spend measurement, with published returns on advertising spend of +12% and +25% against benchmark. The overhead discipline behind it is real too. Ex-advertising SG&A holds at roughly 9.8%, the durable residue of zero-based budgeting.

Critical assumption. That the Blueprint transfers to the core business. Its three precedents sit in businesses worth only 7%, 14% and 11% of net sales, in markets without US private-label intensity, 13% SNAP exposure, or a 100-basis-point guided SNAP headwind. The United States, by contrast, is 67% of the company, and has all three.

THE ONE CHOICE · KRAFT HEINZ

Which HOLD businesses should be fixed, and which should be exited?

BoardBrain's view: publish a fix-or-exit test for each HOLD platform by CAGNY 2027, and fund the businesses that clear it.

The principal reason is that the company's own deck labels the HOLD tier, covering coffee, meats and cheese, commoditised and private-label exposed, and keeps it. The separation announced on 2 September 2025 was paused on 11 February 2026 without a replacement perimeter action.

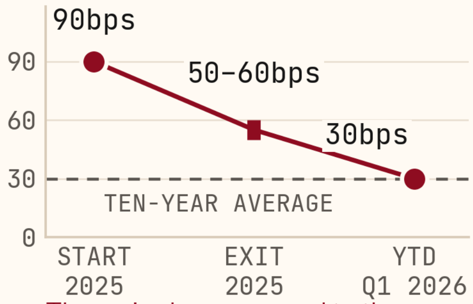
The decisive number: roughly $8bn of divestitures at good prices against a **$5.8bn** net loss in 2025, after years of holding the rest under-funded.

The principal uncertainty is that the pause was defensible on its own terms, because a separation consumes the management capacity a turnaround needs.

KRAFT HEINZ · THE DECISION

MEASURED — GUIDANCE & SHARE

BPS OF US RETAIL SHARE LOST



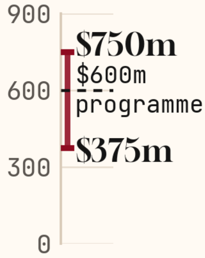
The series has narrowed to the ten-year average rate of loss; the share change stays negative.

THE REINVESTMENT, PRICED

About $600m of brand, pack and selling investment in FY2026, priced in the guidance: adjusted operating income −14 to −18% at constant currency. Markup 1.533 (2016) → 1.500 (2025); each 0.01 is about $166m.

BOUNDED ESTIMATE

EBIT, $M PER YEAR



Bounded estimate from the operations analysis: recapturing 10–15% of the implied trade budget, at 1.5–3% of net sales.

The trade budget is undisclosed; the canon band is 15–25% of gross sales.

Not a measured saving.

NOT YET PUBLISHED

THE HOLD PLATFORMS

THE PERIMETER TIER THE DECK LABELS COMMODITISED

- COFFEE
- MEATS
- CHEESE

CAGNY 2026: "Commoditized", "Higher Private Label Exposure", and retained.

FIX-OR-EXIT TEST: NOT YET PUBLISHED

The separation announced 2 September 2025 was paused on 11 February 2026; the perimeter action has not been replaced.

The disclosure that would settle it: a named platform, a named date and a named test.

The 90 → 50–60 → 30bps trajectory across five quarters is the chief financial officer's own series on the Q1 2026 call; 30bps is also the ten-year average annual rate of mix-adjusted US Retail dollar share loss on CAGNY 2026 slide 27. The $375–750m band is a BoardBrain sizing on an undisclosed trade budget.

SOURCE: KHC 2025 10-K · CAGNY 2026 SLIDE 27 · Q1 2026 CALL 6-MAY-2026 · KHC_OPS.JSON A-006

EXHIBIT NOTE Roughly $8bn of divestitures at good prices with about $525m redeployed, against a $5.8bn net loss in 2025. Roughly $145m separates current spending from the company's own published 6.0% marketing and 1.0% research benchmarks [EST]. Recapturing 10–15% of trade spend is worth $375–750m of EBIT [EST], a band that brackets the roughly $600m programme. No fix-or-exit test per HOLD business is published.

RECOMMENDATION the board should publish a fix-or-exit test for each HOLD platform by CAGNY 2027, stating metric, threshold and review date. The board should then fund the businesses that clear that test, and exit the rest on a stated timetable. The board should close the roughly $145m gap to the company's own published marketing and research benchmarks before anything else. The substitute for a paused separation is a published discipline, not silence. The incoming chief executive's reasoning for the pause is on the record, and Kraft Heinz has already shown it will publish unflattering numbers when they are diagnostic.

STRATEGIC BOUNDARY Do not cut prices to entry level across the full portfolio. At a markup of 1.50 today against 1.53 a decade ago, Kraft Heinz has no accumulated pricing premium left to give up. A broad price war draws on operating income Kraft Heinz has already guided down 14–18%. Do not restart the separation before the share number has actually turned.

THE ONE DECISION · NEXT 24 MONTHS

Mondelez International: the route survives cocoa; the margin bridge is still unpublished

Position. Mondelez has a well-evidenced where-to-play in packaged food, with core categories up from 59% to 80% of net revenues against a 90% ambition and cash-settled exits behind it. Its emerging-market route is the only organically built route asset in this peer set. The rise in cocoa costs cut the profit line. Gross margin fell from 39.1% to 28.4%, and markup from 1.643 to 1.396, between 2024 and 2025. 2025 pricing of roughly seven points bought only a 2.9% volume decline in return, at realised elasticities of 0.7–0.8 against a 0.4–0.5 plan.

28.4%	−21.6%	$0.6–1.1bn
gross margin, 2025	advertising, 2025	the repricing decision

The advantage to protect is the route. China runs 3.0 million stores against a roughly 6 million universe, India 2.5 million direct stores against 9.5 million, roughly 550,000 visicoolers, and Brazil one million stores. All are published with universe sizes and dated closure targets that no peer matches, in geographies running at 2–3kg per-capita snacking against 17.5kg in the US. Investors currently value Mondelez principally on the cocoa cycle, but the route is the asset that remains once cocoa normalises. Its indulgence positions are also holding up. European chocolate value grew 9.5% in 2025 on units down high single digits, and private-label volume share fell in US biscuits and chocolate through 2024 and 2025.

Critical assumption. That the 2025 advertising cut did no brand damage. Advertising fell 21.6%, from $2,112m to $1,655m, in the very plan year that targeted share of voice. Management's defence, that the cut fell predominantly on non-working media, is plausible, but the split is undisclosed, and the brand-health tracker shown in February 2026 is dated 2024, measured before the cut took effect. The evidence for the claim does not yet exist outside the company.

THE ONE CHOICE · MONDELEZ INTERNATIONAL

When cocoa costs fall, how much relief goes back through price and how much stays in margin?

BoardBrain's view: frame the split in public before exercising it, and return enough to test volume recovery.

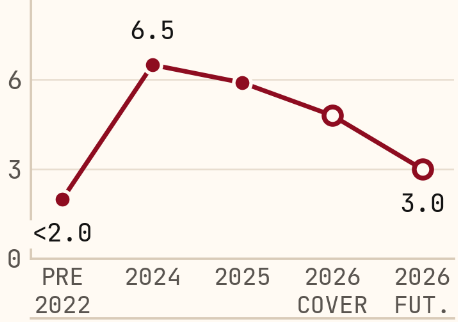
The principal reason: 2025 pricing of roughly seven points bought a 2.9% volume decline at elasticities of 0.7–0.8 against a 0.4–0.5 plan, so retaining the relief keeps volume suppressed after its cause has gone.

The decisive number: each 100 basis points of gross margin is roughly **$390m** at 2025 revenue, putting the choice at $0.6–1.1bn [EST].

The principal uncertainty: those elasticities rest on 2024-vintage assumptions and may not hold as cocoa normalises.

MEASURED — THE COCOA YEAR

COCOA, £'000 PER TONNE

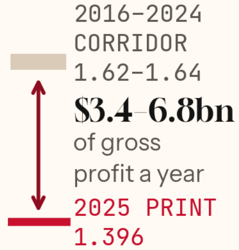


PRICE / MIX 2025	≈ +7pts
VOLUME / MIX 2025	-2.9%
GROSS MARGIN	39.1% → 28.4%
MARKUP	1.643 → 1.396
ADVERTISING	-21.6%
MEDIA SUFFICIENCY	34% / 43%

Advertising $2,112m → $1,655m. Media sufficiency, the May 2022 marketing-mix disclosure: biscuits 34%, chocolate 43% of saturation.

BOUNDED ESTIMATE

MARKUP



Bounded estimate from the operations analysis: gross profit between the 2025 markup and the 2016–2024 corridor.

Each 0.01 of markup is about $276m at the 2025 cost base.

Not a forecast.

NOT YET PUBLISHED

THE TWO MISSING PAGES

GROSS-MARGIN BRIDGE: NOT YET PUBLISHED

The February 2026 investor day runs to 75 slides with no bridge from 39.1% to 28.4%.

WORKING-MEDIA SPLIT: NOT YET PUBLISHED

The working versus non-working split of the 21.6% reduction is undisclosed.

COUNTER-NOTE — MANAGEMENT, 3 FEBRUARY 2026

“We didn't touch the working media line, but we touched the nonworking media predominantly.”

Cocoa path, gross margin, markup, volume and advertising are company-published or audited figures; the cocoa path is the company's own chart, with 2026 cover and futures drawn as open markers. The $3.4–6.8bn band is a BoardBrain sizing at the 2025 cost base — not a company figure, and not a forecast of the cocoa price.

SOURCE: MDLZ 2025 10-K · INVESTOR DAY 17-FEB-2026 · Q4 CALL 3-FEB-2026 · MDLZ_OPS.JSON A-010

EXHIBIT NOTE Gross margin from 39.1% to 28.4% and markup from 1.643 to 1.396 between 2024 and 2025, with advertising down 21.6%. The repricing decision is $0.6–1.1bn [EST] at roughly $390m per 100 basis points. The working/non-working split of the cut and same-store volume are not published.

RECOMMENDATION the board should return relief through price where 2025 pricing was taken hardest and realised elasticity ran above the 0.4–0.5 plan. The board should retain relief where realised elasticity ran at or below plan. The board should hold the retained share only while the published bridge shows it converting into brand investment and not reported margin. The board should publish the gross-margin bridge from 28.4% toward the 38–39% corridor, stating the cocoa assumption and the retained-versus-repriced split. The board should also publish the working/non-working split of the 21.6% advertising cut. That is the one disclosure that would let outsiders verify management's claim that the cut fell on non-working media.

STRATEGIC BOUNDARY Do not reprice chocolate downward against low-cocoa-content entrants: they run a different recipe, and entry price points reach the same shopper without conceding the margin. Do not cut the brand line a second year.

A related question is whether emerging-market distribution and brand strength can restore volume without repricing. Disclosed door expansion supplies roughly 2–4 points of a mid-to-high-single-digit volume ambition, and same-store volume is not published. Mondelez has not published a gross-margin bridge, which makes its well-evidenced where-to-play statement in packaged food difficult to value.

THE ONE DECISION · NEXT 24 MONTHS

General Mills: every exit completed; growth still depends on 2.5% reversion

Position. General Mills is the one company of the eight that completed every exit it named. Nearly 30% of the net sales base has turned over since fiscal 2018, and the yogurt exit finished in July 2025 at $1,142m of gains. It was also the earliest mover on buying volume back, resetting everyday prices on two-thirds of the portfolio at a published cost of 190 basis points of margin, taking margin to 15.3% in fiscal 2026.

+51.7%	61	190bps
advertising, FY2018–FY2026	in-set originality score, highest of the eight	margin cost of the price reset

The advantage to protect is the sequence and the funding discipline behind it. The intermediate metrics moved in the predicted order: total US retail pounds from −3.6% to −0.6%, base volume from −10% to +1%, and household penetration growing for the first time since fiscal 2022. General Mills diagnosed that spend was not the real constraint and fixed price instead. It raised advertising 51.7% between fiscal 2018 and fiscal 2026, from $575.9m to $873.6m, again in a loss year, with public media claims that reconcile to the audited notes.

Its refrigerated-dough business is the sector's clearest documented case that lost frequency can be bought back. In the first half of fiscal 2025 that business ran penetration at −1 point, pound volume at −4% and pound share at −1.5 points. By the first quarter of fiscal 2026 it ran penetration at +0.2 points, volume at +4% and share at +2 points.

Critical assumption. Category-growth reversion. Roughly 1.5 points of the +2–3% organic algorithm rest on US category growth returning from about 1% to about 2.5%. The company drew that assumption honestly on its own slide, then simply assumed it would close, and has now carried it through three consecutive years of declining revenue.

THE ONE CHOICE · GENERAL MILLS

Should capital allocation assume category growth of roughly 1%, or keep depending on reversion toward 2.5%?

BoardBrain's view: re-base to roughly 1%, or publish the evidence for reversion; a fourth unrevised year is not defensible.

The principal reason: roughly 1.5 points of the +2–3% algorithm rest on the reversion, carried through three consecutive years of declining revenue.

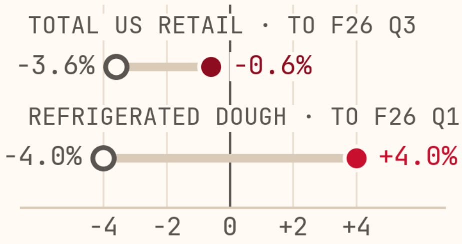
The decisive number: research and development flat at roughly **$256m** for four years, while the fiscal 2027 plan asks for "a significant increase in innovation and renovation."

The principal uncertainty: Kraft Heinz reads the same categories as running near historical rates, so the case is contested.

GENERAL MILLS · THE DECISION

MEASURED — COST AND OUTCOME

POUND TREND, % · FROM F25 H1



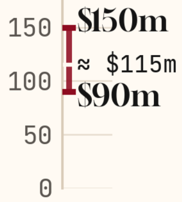
Household penetration in North America Retail grew for the first time since fiscal 2022; pound share held or grew in 8 of the top 10 US categories.

WHAT IT COST

Markup 1.528 → 1.504, about $294m at the FY26 cost base. Adjusted operating margin −190bps to 15.3%, about $350m. Adjusted gross margin −100bps to 33.5%. Organic price/mix −1 point, about $185m.

BOUNDED ESTIMATE

$M PER POINT



Bounded estimate from the operations analysis: about $350m of operating margin against about 3.0 points of pound trend; about $115m is the midpoint.

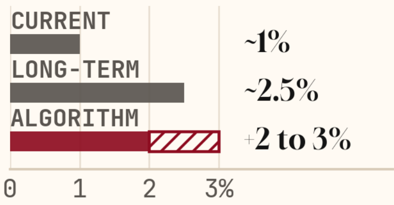
Media, innovation and category movement are not separated here.

Not a company figure.

NOT YET PUBLISHED

THE GROWTH ASSUMPTION

CATEGORY GROWTH, THE COMPANY'S OWN SLIDE



Hatched: the roughly 1.5 points resting on reversion — a BoardBrain split.

CATEGORY-GROWTH RATE INSIDE THE ALGORITHM: NOT YET PUBLISHED

The rate assumed inside the algorithm, at the F27 interim (December 2026).

SUPPORTING EVIDENCE FOR THE SAME DECISION

PET · $10.6bn of cumulative acquisition consideration against $498.8m of FY2026 segment operating profit — about 4.7% pre-tax on gross consideration — with $1,853m impaired to date, on a 19.1% segment margin.

R&D · flat at about $256m for four years while the F27 plan leans on a significant increase in innovation and renovation across the biggest brands.

Pound, penetration, margin and markup figures are company-published or audited. The ~$115m per point of pound trend and the ~1.5-point split of the algorithm are BoardBrain sizings built on company figures, not company disclosures. The ~4.7% pet figure is segment operating profit over gross consideration — a floor calculation.

SOURCE: GIS FY2026 10-K · Q4 F26 CALL · INVESTOR DAY 17-FEB-2026 · GIS_OPS.JSON A-006/A-010

EXHIBIT NOTE US category growth of roughly 1% against the +2–3% organic algorithm, and research expense flat at roughly $256m for four years. The pet platform absorbed roughly $10.6bn against $498.8m of fiscal 2026 segment operating profit, at 4.7% pre-tax on capital [EST]. The evidence for reversion toward 2.5% is not published.

RECOMMENDATION the board should allocate capital on roughly 1% category growth, and re-base the algorithm to what that rate supports. The alternative is to publish the evidence for reversion toward 2.5%, keep the algorithm, and show that evidence beside it. Either course is defensible. Carrying the assumption unrevised into a fourth year is not. In the same disclosure, the board should state the test under which acquisition capital switches back on.

STRATEGIC BOUNDARY Do not match private label on price. The company's own stated boundary, "we're not getting down to the levels of private label", protects the portfolio structure. Do not spend a second round of base-price investment out of the same gross margin before pounds cross zero.

The supporting record is the capital already committed. Pet absorbed roughly $10.6bn and is a sound business, if an expensively bought one. It earned $498.8m of fiscal 2026 segment operating profit at a 19.1% margin, second-highest in the company. Against that sit a $1,500.0m goodwill impairment and $250m of brand intangibles in fiscal 2026, driven primarily by discount rates on the filing's own account. Acquisitions are now deprioritised, and the organically built replacement is only low single digits of revenue, so the acquisition programme that built the pet platform has stopped, with nothing named in its place. The funding gap to close first is small and specific: until the research line rises, the fiscal 2027 plan's central commitment remains unfunded.

EVIDENCE PAGE

Six adjacency bets, and what each has returned

Three of the eight decisions turn on one question: whether to own a growth platform, or reach it another way. This page carries the evidence once. The outcome figures fall into two classes, and are not comparable to each other as returns.

EXHIBIT NOTE

Capital deployed against the verified outcome figure, log scale, in two classes. Realised operating evidence: fairlife's earnout settled at $6,173m in March 2025 against a $979m purchase price, and Alani Nu reached $1,001.9m of revenue in the first nine months with its earnout achieved. General Mills' pet platform earned $498.8m of fiscal 2026 segment operating profit, with a $1.75bn impairment also booked. Completed or impaired returns: Canopy Growth, $4.26bn in, carried at $21.2m in February 2025; Rockstar, $3.85bn in, rights transferred to Celsius for equity in 2025 with no cash recovered; CANarchy, $330m in, $192.5m of impairments. Alani Nu shows strong early operating performance, though realised acquisition returns are not yet established. BodyArmor is not plotted here; its record appears in the Coca-Cola spread.

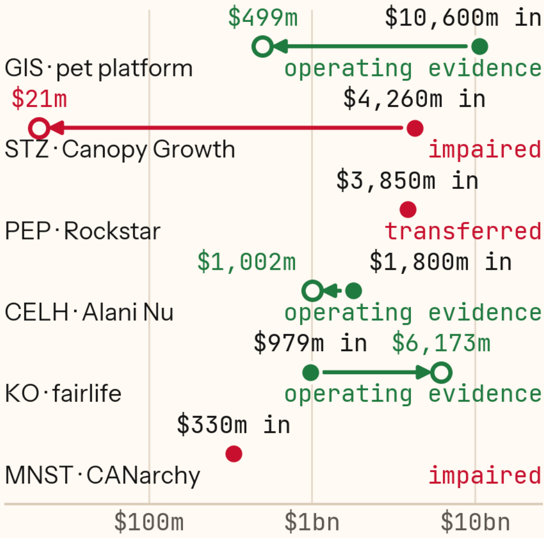
Evidence page · markup histories, 2016–2026: beverages

Celsius and Constellation were the only two companies whose markups rose over the period. The chart shows an association, not a demonstrated cause.

ADJACENCY BETS · LOG SCALE

Six adjacency bets, and the verified outcome figure for each

Filled dot: disclosed capital deployed. Open dot: the verified outcome figure. The outcome figures differ in kind and are not comparable as returns.



GIS pet = Blue Buffalo plus three later deals; its outcome figure is FY26 segment operating profit, 4.7% pre-tax on capital, and a $1.75bn impairment was booked as well. Rockstar rights went to Celsius for equity in 2025. Per-bet detail: the evidence book.

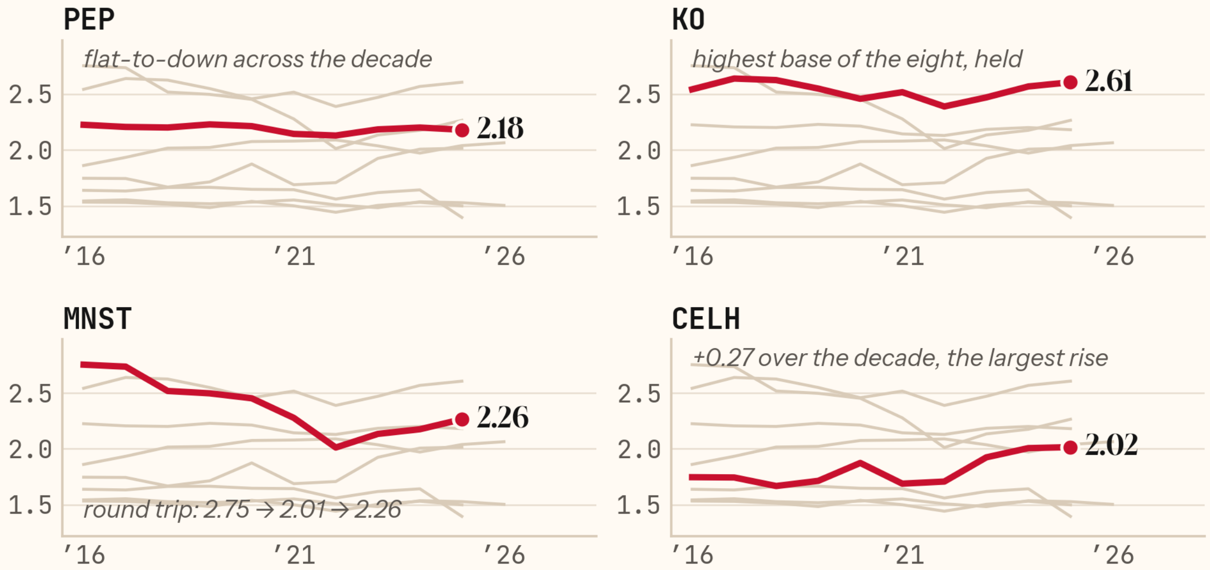
SOURCE: MOVEMENT_MAP.JSON CAPITAL LEDGER · GIS/CELH/STZ/MNST/KO FILINGS, S1 FILES

EXHIBIT 18 Six adjacency bets: the capital deployed, and the verified outcome figure for each.

PRICING HISTORIES · MARKUP = REVENUE / COGS · PANEL A OF TWO

Markup histories, 2016–2026: beverages

Markup = revenue / cost of goods sold. Each panel: the company in red against all seven peers in sand. STZ and GIS report on fiscal years, mapped to calendar columns.



SOURCE: FINANCIAL_SPINE.JSON (10-K RECONCILED) · STZ/GIS FISCAL YEARS ON CALENDAR COLUMNS

EXHIBIT 19 Markup histories, 2016–2026: beverages.

EXHIBIT NOTE

Markup, meaning revenue divided by cost of sales, for PepsiCo, Coca-Cola, Monster and Celsius, each panel showing the subject against all seven peers ghosted behind it. PepsiCo runs flat to down at 2.18, and Coca-Cola holds the highest base of the eight at 2.61. Monster went 2.75 to a 2.01 trough in 2022 and back to 2.26. Celsius rose 0.27 over the decade to 2.02, the largest rise in the set.

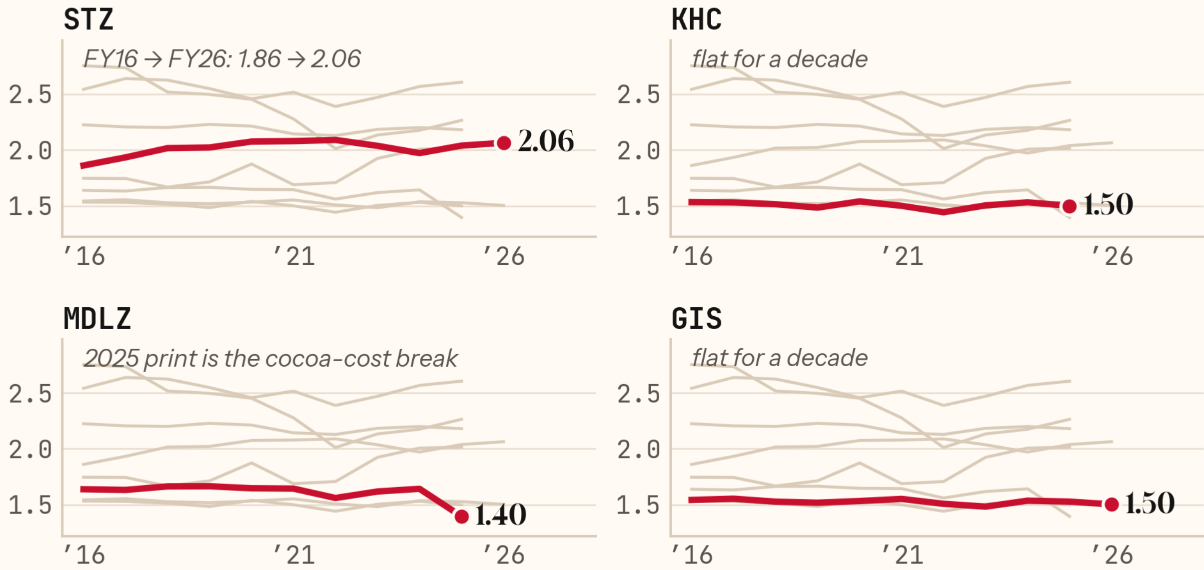
Evidence page · markup histories, 2016–2026: food

The same qualification applies. The chart shows an association, not a demonstrated cause.

PRICING HISTORIES · MARKUP = REVENUE / COGS · PANEL B OF TWO

Markup histories, 2016–2026: food

Markup = revenue / cost of goods sold. Each panel: the company in red against all seven peers in sand. STZ and GIS report on fiscal years, mapped to calendar columns.



SOURCE: FINANCIAL_SPINE.JSON (10-K RECONCILED) · STZ/GIS FISCAL YEARS ON CALENDAR COLUMNS

EXHIBIT 20 Markup histories, 2016–2026: food.

EXHIBIT NOTE

The same construction for Constellation, Kraft Heinz, Mondelez and General Mills. Constellation moved from 1.861 in fiscal 2016 to 2.064 in fiscal 2026. Kraft Heinz is flat for a decade at 1.50, against 1.53 ten years ago, and General Mills is flat for a decade at 1.50. Mondelez's 2025 print of 1.396 is the cocoa-cost break, from 1.643 in 2024.

SECTION 07 · IMPLICATIONS FOR BOARDS BOARDBRAIN · Q2 2026

Implications for boards over the next 24 months

Three disciplines follow from the evidence, and each is adoptable at a board meeting instead of through a programme.

First, put two numbers on every innovation slate before approving it: the share of the pipeline that repeats a peer move more than two years old, and the share that has no consumer claim. Both are computable from the company's own pipeline, by its own staff, in an afternoon. The sector's current readings are 76% on the first measure and, on the 2026 slate, 51% claim-free against 43% across the decade. A slate that mostly repeats old peer moves and mostly has no consumer claim repeats what competitors have already done, late, in the half of the portfolio private label takes first.

BoardBrain's recommended thresholds are set by judgement and not by empirically derived breakpoints [JUDGEMENT]. The board should return the slate for revision if more than 50% of it repeats peer moves over two years old, or if more than one-third has no consumer claim. The evidence shows the direction of risk here, not a measured cliff at these exact values.

Second, disclose retail-media spend. A roughly $69.3bn US pool in 2026, growing 17.9% in 2025 and 84%-absorbed by Amazon and Walmart, now sits inside these companies' commercial relationships. Yet the phrases that name it return zero matches across all 503 of the eight companies' earnings-call transcripts since 2012.

BoardBrain reads those two observations together as follows [JUDGEMENT]. Promotional dollars that once bought price are increasingly buying impressions. Retailer media margin helps fund the retailer's ability to offer private-label price gaps, and measurement itself has moved onto the counterparty's platform. No cash-flow linkage has been demonstrated, and none of the eight publishes the figures that would test it. BoardBrain's estimate that 3–8% of a large player's trade-and-marketing envelope has already migrated is derived and not sourced [EST], and that weakness is itself part of the finding. The board act here is an exposure-and-terms audit covering spend by retailer, the terms attached to it, where the measurement sits, and how it is booked between trade and marketing.

Third, adopt the funding rule. A stated ambition without a published spend line behind it is a forecast, not a strategy. The test costs nothing: does the audited spend line move in the same direction as the plan's central ask, in the same year?

Of the five companies in this set with a published share objective and a spending line that can be set against it, three cut or under-delivered. Mondelez ran −21.6% in 2025, PepsiCo −12.8% in 2025, and Constellation roughly 0.3% a year against a published 8% commitment. The relationship between those spending lines and any subsequent share outcome is not established here. A flat or declining spend line still weakens confidence that the share target is adequately funded, and is reason enough to ask what else is paying for the plan. The discipline is already demonstrated inside this peer set, by Kraft Heinz and General Mills. Any board can require the same one-page exhibit annually, with the plan's central ask on one side and the audited line that pays for it on the other.

For any of the eight chief executives, the conclusion is the same. Value in this sector is shifting to companies that win in occasions consumers can distinguish, that secure privileged access to scarce routes to market, and that fund their stated ambitions with spending visible in their audited financial statements. Sections 1 to 3 carry the evidence for each movement. Section 5 places each company on the map, and section 6 states the one decision in front of each board, with BoardBrain's view and its basis.

Value in this sector is shifting to companies that win in occasions consumers can distinguish, that secure privileged access to scarce routes to market, and that fund their stated ambitions with spending visible in their audited financial statements.

End of publication. The full evidence base, methods, company chapters and sizing work are in the accompanying evidence book: Snacking & Beverages Sector Review, Q2 2026.

BoardBrain

STRATEGY PUBLICATION · Q2 2026