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

FORM 10-Q

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

For the quarterly period ended June 30, 2023
or

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

For the transition period from ___________ to ___________

Commission File Number: 0-9286

COCA-COLA CONSOLIDATED, INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

As of July 21, 2023, there were 8,368,993 shares of the registrant's Common Stock, par value $1.00 per share, and 1,004,696 shares of the registrant's Class B Common Stock, par value $1.00 per share, outstanding.

COCA-COLA CONSOLIDATED, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2023

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	Second Quarter		First Half	
(in thousands, except per share data)	**2023**	**2022**	**2023**	**2022**
Net sales	$ 1,738,832	$ 1,595,215	$ 3,310,474	$ 2,999,573
Cost of sales	1,067,255	1,044,556	2,014,791	1,941,338
Gross profit	671,577	550,659	1,295,683	1,058,235
Selling, delivery and administrative expenses	437,907	403,366	855,959	779,957
Income from operations	233,670	147,293	439,724	278,278
Interest expense, net	1,353	7,146	4,282	14,845
Pension plan settlement expense	39,777	—	39,777	—
Other expense, net	27,788	6,199	71,711	2,920
Income before taxes	164,752	133,948	323,954	260,513
Income tax expense	42,433	34,386	83,508	67,561
Net income	**$ 122,319**	**$ 99,562**	**$ 240,446**	**$ 192,952**
Basic net income per share:				
Common Stock	$ 13.05	$ 10.62	$ 25.65	$ 20.58
Weighted average number of Common Stock shares outstanding	8,369	8,369	8,369	7,863
Class B Common Stock	$ 13.05	$ 10.62	$ 25.65	$ 20.62
Weighted average number of Class B Common Stock shares outstanding	1,005	1,005	1,005	1,511
Diluted net income per share:				
Common Stock	$ 13.02	$ 10.59	$ 25.59	$ 20.53
Weighted average number of Common Stock shares outstanding – assuming dilution	9,396	9,399	9,396	9,399
Class B Common Stock	$ 13.01	$ 10.59	$ 25.51	$ 20.56
Weighted average number of Class B Common Stock shares outstanding – assuming dilution	1,027	1,030	1,027	1,536
Cash dividends per share:				
Common Stock	$ 0.50	$ 0.25	$ 4.00	$ 0.50
Class B Common Stock	$ 0.50	$ 0.25	$ 4.00	$ 0.50

See accompanying notes to condensed consolidated financial statements.

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

	Second Quarter		First Half	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Net income	$ 122,319	$ 99,562	$ 240,446	$ 192,952
Other comprehensive income, net of tax:				
Defined benefit plans reclassification including pension costs:				
Actuarial (loss) gain	(2,221)	745	(1,486)	1,491
Prior service credits	3	—	6	—
Pension plan settlement	30,041	—	30,041	—
Postretirement benefits reclassification including benefit costs:				
Actuarial gain	—	69	—	138
Other comprehensive income, net of tax	**27,823**	**814**	**28,561**	**1,629**
Comprehensive income	**$ 150,142**	**$ 100,376**	**$ 269,007**	**$ 194,581**

See accompanying notes to condensed consolidated financial statements.

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

(in thousands, except share data)	June 30, 2023	December 31, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 430,172	$ 197,648
Accounts receivable, trade	603,728	532,047
Allowance for doubtful accounts	(17,624)	(16,119)
Accounts receivable from The Coca-Cola Company	57,466	35,786
Accounts receivable, other	55,763	54,631
Inventories	333,874	347,545
Prepaid expenses and other current assets	84,634	94,263
Total current assets	**1,548,013**	**1,245,801**
Property, plant and equipment, net	1,176,339	1,183,730
Right-of-use assets - operating leases	128,759	140,588
Leased property under financing leases, net	5,608	6,431
Other assets	132,017	115,892
Goodwill	165,903	165,903
Distribution agreements, net	829,589	842,035
Customer lists, net	8,309	9,165
Total assets	**$ 3,994,537**	**$ 3,709,545**
LIABILITIES AND EQUITY		
Current Liabilities:		
Current portion of obligations under operating leases	$ 26,440	$ 27,635
Current portion of obligations under financing leases	2,393	2,303
Accounts payable, trade	361,825	351,729
Accounts payable to The Coca-Cola Company	194,893	162,783
Other accrued liabilities	226,135	198,300
Accrued compensation	77,779	126,921
Accrued interest payable	2,517	2,677
Dividends payable	—	32,808
Total current liabilities	**891,982**	**905,156**
Deferred income taxes	151,630	150,222
Pension and postretirement benefit obligations	55,784	60,323
Other liabilities	801,642	753,357
Noncurrent portion of obligations under operating leases	108,500	118,763
Noncurrent portion of obligations under financing leases	6,299	7,519
Long-term debt	598,992	598,817
Total liabilities	**2,614,829**	**2,594,157**
Commitments and Contingencies		
Equity:		
Common Stock, $1.00 par value: 30,000,000 shares authorized; 11,431,367 shares issued	11,431	11,431
Class B Common Stock, $1.00 par value: 10,000,000 shares authorized; 1,632,810 shares issued	1,633	1,633
Additional paid-in capital	135,953	135,953
Retained earnings	1,348,221	1,112,462
Accumulated other comprehensive loss	(56,276)	(84,837)
Treasury stock, at cost: Common Stock – 3,062,374 shares	(60,845)	(60,845)
Treasury stock, at cost: Class B Common Stock – 628,114 shares	(409)	(409)
Total equity	**1,379,708**	**1,115,388**
Total liabilities and equity	**$ 3,994,537**	**$ 3,709,545**

See accompanying notes to condensed consolidated financial statements.

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

(in thousands)	First Half 2023	First Half 2022
Cash Flows from Operating Activities:		
Net income	$ 240,446	$ 192,952
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense from property, plant and equipment and financing leases	75,415	74,037
Amortization of intangible assets and deferred proceeds, net	11,770	11,815
Fair value adjustment of acquisition related contingent consideration	67,174	(1,436)
Pension plan settlement expense	39,777	—
Deferred income taxes	(7,848)	11,189
Loss on sale of property, plant and equipment	4,128	1,327
Amortization of debt costs	494	504
Change in current assets less current liabilities	(41,957)	(59,004)
Change in other noncurrent assets	5,216	21,904
Change in other noncurrent liabilities	(11,277)	(9,753)
Total adjustments	142,892	50,583
Net cash provided by operating activities	**$ 383,338**	**$ 243,535**
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	$ (92,893)	$ (145,182)
Investment in equity method investees	(6,033)	(1,538)
Proceeds from the sale of property, plant and equipment	267	5,255
Acquisition of distribution rights	—	(30,149)
Net cash used in investing activities	**$ (98,659)**	**$ (171,614)**
Cash Flows from Financing Activities:		
Cash dividends paid	$ (37,495)	$ (4,687)
Payments of acquisition related contingent consideration	(13,376)	(18,710)
Payments on financing lease obligations	(1,130)	(1,904)
Debt issuance fees	(154)	(131)
Net cash used in financing activities	**$ (52,155)**	**$ (25,432)**
Net increase in cash during period	$ 232,524	$ 46,489
Cash at beginning of period	197,648	142,314
Cash at end of period	**$ 430,172**	**$ 188,803**
Significant non-cash investing and financing activities:		
Additions to property, plant and equipment accrued and recorded in accounts payable, trade	$ 23,435	$ 19,626
Right-of-use assets obtained in exchange for operating lease obligations	2,286	9,345
Reductions to leased property under financing leases	—	55,465

See accompanying notes to condensed consolidated financial statements.

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

(in thousands, except share data)	Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock - Common Stock	Treasury Stock - Class B Common Stock	Total Equity
Balance on March 31, 2023	**$ 11,431**	**$ 1,633**	**$ 135,953**	**$ 1,230,589**	**$ (84,099)**	**$ (60,845)**	**$ (409)**	**$ 1,234,253**
Net income	—	—	—	122,319	—	—	—	122,319
Other comprehensive income, net of tax	—	—	—	—	27,823	—	—	27,823
Dividends declared:								
Common Stock ($0.50 per share)	—	—	—	(4,185)	—	—	—	(4,185)
Class B Common Stock ($0.50 per share)	—	—	—	(502)	—	—	—	(502)
Balance on June 30, 2023	**$ 11,431**	**$ 1,633**	**$ 135,953**	**$ 1,348,221**	**$ (56,276)**	**$ (60,845)**	**$ (409)**	**$ 1,379,708**
Balance on December 31, 2022	**$ 11,431**	**$ 1,633**	**$ 135,953**	**$ 1,112,462**	**$ (84,837)**	**$ (60,845)**	**$ (409)**	**$ 1,115,388**
Net income	—	—	—	240,446	—	—	—	240,446
Other comprehensive income, net of tax	—	—	—	—	28,561	—	—	28,561
Dividends declared:								
Common Stock ($0.50 per share)	—	—	—	(4,185)	—	—	—	(4,185)
Class B Common Stock ($0.50 per share)	—	—	—	(502)	—	—	—	(502)
Balance on June 30, 2023	**$ 11,431**	**$ 1,633**	**$ 135,953**	**$ 1,348,221**	**$ (56,276)**	**$ (60,845)**	**$ (409)**	**$ 1,379,708**

(in thousands, except share data)	Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock - Common Stock	Treasury Stock - Class B Common Stock	Total Equity
Balance on April 1, 2022	**$ 11,431**	**$ 1,633**	**$ 135,953**	**$ 815,532**	**$ (99,648)**	**$ (60,845)**	**$ (409)**	**$ 803,647**
Net income	—	—	—	99,562	—	—	—	99,562
Other comprehensive income, net of tax	—	—	—	—	814	—	—	814
Dividends declared:								
Common Stock ($0.25 per share)	—	—	—	(2,092)	—	—	—	(2,092)
Class B Common Stock ($0.25 per share)	—	—	—	(251)	—	—	—	(251)
Balance on July 1, 2022	**$ 11,431**	**$ 1,633**	**$ 135,953**	**$ 912,751**	**$ (98,834)**	**$ (60,845)**	**$ (409)**	**$ 901,680**
Balance on December 31, 2021	**$ 10,204**	**$ 2,860**	**$ 135,953**	**$ 724,486**	**$ (100,463)**	**$ (60,845)**	**$ (409)**	**$ 711,786**
Net income	—	—	—	192,952	—	—	—	192,952
Other comprehensive income, net of tax	—	—	—	—	1,629	—	—	1,629
Dividends declared:								
Common Stock ($0.50 per share)	—	—	—	(3,878)	—	—	—	(3,878)
Class B Common Stock ($0.50 per share)	—	—	—	(809)	—	—	—	(809)
Conversion of 1,227,546 shares of Class B Common Stock	1,227	(1,227)	—	—	—	—	—	—
Balance on July 1, 2022	**$ 11,431**	**$ 1,633**	**$ 135,953**	**$ 912,751**	**$ (98,834)**	**$ (60,845)**	**$ (409)**	**$ 901,680**

See accompanying notes to condensed consolidated financial statements.

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

1. Critical Accounting Policies

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

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

- The financial position as of June 30, 2023 and December 31, 2022.
- The results of operations, comprehensive income and changes in stockholders' equity for the three-month periods ended June 30, 2023 (the "second quarter" of fiscal 2023 ("2023")) and July 1, 2022 (the "second quarter" of fiscal 2022 ("2022")) and the six-month periods ended June 30, 2023 (the "first half" of 2023) and July 1, 2022 (the "first half" of 2022).
- The changes in cash flows for the first half of 2023 and the first half of 2022.

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting and the instructions to Form 10-Q and Article 10 of Regulation S-X. The accounting policies followed in the presentation of interim financial results are consistent with those followed on an annual basis. These policies are presented in Note 1 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for 2022 filed with the United States Securities and Exchange Commission.

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

Critical Accounting Estimates

In the ordinary course of business, the Company has made a number of estimates and assumptions relating to the reporting of its results of operations and financial position in the preparation of its condensed consolidated financial statements in conformity with GAAP. Actual results could differ significantly from those estimates under different assumptions and conditions. The Company included in its Annual Report on Form 10-K for 2022 under the caption "Discussion of Critical Accounting Estimates" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," a discussion of the Company's most critical accounting estimates, which are those the Company believes to be the most important to the portrayal of its financial condition and results of operations and require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Any changes in critical accounting estimates are discussed with the Audit Committee of the Company's Board of Directors during the quarter in which a change is contemplated and prior to making such change.

Recently Adopted Accounting Pronouncements

In September 2022, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2022-04, "Liabilities-Supplier Finance Programs," which requires additional quantitative and qualitative disclosures related to a company's supply chain finance programs to enhance the transparency of these programs. The new guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on rollforward information, which is effective for fiscal years beginning after December 15, 2023. The Company adopted ASU 2022-04 in the first quarter of 2023, with the exception of the amendment on rollforward information, and the adoption did not have a material impact on its condensed consolidated financial statements. See Note 12 for disclosures related to the Company's supply chain finance program.

2. Related Party Transactions

The Coca-Cola Company

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

As of June 30, 2023, J. Frank Harrison, III, Chairman of the Board of Directors and Chief Executive Officer of the Company, controlled 1,004,394 shares of the Company's Class B Common Stock, which represented approximately 71% of the total voting power of the Company's outstanding Common Stock and Class B Common Stock on a consolidated basis.

As of June 30, 2023, The Coca-Cola Company owned shares of the Company's Common Stock representing approximately 9% of the total voting power of the Company's outstanding Common Stock and Class B Common Stock on a consolidated basis. The number of shares of the Company's Common Stock currently held by The Coca-Cola Company gives it the right to have a designee proposed by the Company for nomination to the Company's Board of Directors in the Company's annual proxy statement. J. Frank Harrison, III and the trustees of certain trusts established for the benefit of certain relatives of the late J. Frank Harrison, Jr. have agreed to vote the shares of the Company's Common Stock and Class B Common Stock that they control in favor of such designee. The Coca-Cola Company does not own any shares of the Company's Class B Common Stock.

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

	Second Quarter		**First Half**	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Payments made by the Company to The Coca-Cola Company[(1)]	$ 523,191	$ 510,571	$ 992,718	$ 930,279
Payments made by The Coca-Cola Company to the Company	55,495	60,601	102,934	120,270

(1) This excludes acquisition related sub-bottling payments made by the Company to CCR (as defined below), a wholly owned subsidiary of The Coca-Cola Company, but includes the purchase price of certain additional BODYARMOR distribution rights, each as discussed below.

On January 1, 2022, the Company entered into an agreement to acquire $30.1 million of additional BODYARMOR distribution rights with an estimated useful life of 40 years.

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

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

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

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

Acquisition related sub-bottling payments to CCR were $13.4 million in the first half of 2023 and $18.7 million in the first half of 2022. The following table summarizes the liability recorded by the Company to reflect the estimated fair value of contingent consideration related to future expected acquisition related sub-bottling payments to CCR:

(in thousands)	June 30, 2023	December 31, 2022
Current portion of acquisition related contingent consideration	$ 45,857	$ 40,060
Noncurrent portion of acquisition related contingent consideration	548,532	501,431
Total acquisition related contingent consideration	**$ 594,389**	**$ 541,491**

Southeastern Container (“Southeastern”)

The Company is a shareholder of Southeastern, a plastic bottle manufacturing cooperative. The Company accounts for Southeastern as an equity method investment. The Company’s investment in Southeastern, which was classified as other assets in the condensed consolidated balance sheets, was $21.8 million as of June 30, 2023 and $21.2 million as of December 31, 2022.

South Atlantic Canners, Inc. (“SAC”)

The Company is a shareholder of SAC, a manufacturing cooperative located in Bishopville, South Carolina. All of SAC’s shareholders are Coca-Cola bottlers and each has equal voting rights. The Company accounts for SAC as an equity method investment. The Company’s investment in SAC, which was classified as other assets in the condensed consolidated balance sheets, was $12.8 million as of June 30, 2023 and $8.2 million as of December 31, 2022. The Company also guarantees a portion of SAC’s debt; see Note 20 for additional information.

The Company receives a fee for managing the day-to-day operations of SAC pursuant to a management agreement. Proceeds from management fees received from SAC, which were recorded as a reduction to cost of sales in the condensed consolidated statements of operations, were $4.6 million in the first half of 2023 and $4.4 million in the first half of 2022.

Coca-Cola Bottlers’ Sales & Services Company LLC (“CCBSS”)

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

CCBSS negotiates the procurement for the majority of the Company’s raw materials, excluding concentrate, and the Company receives a rebate from CCBSS for the purchase of these raw materials. The Company had rebates due from CCBSS of $24.5 million on June 30, 2023 and $25.7 million on December 31, 2022, which were classified as accounts receivable, other in the condensed consolidated balance sheets. Changes in rebates receivable relate to volatility in raw material prices and the timing of cash receipts of rebates.

CONA Services LLC (“CONA”)

Along with certain other Coca-Cola bottlers, the Company is a member of CONA, an entity formed to provide business process and information technology services to its members. The Company accounts for CONA as an equity method investment. The Company’s investment in CONA, which was classified as other assets in the condensed consolidated balance sheets, was $19.8 million as of June 30, 2023 and $16.9 million as of December 31, 2022.

Pursuant to an amended and restated master services agreement with CONA, the Company is authorized to use the Coke One North America system (the “CONA System”), a uniform information technology system developed to promote operational efficiency and uniformity among North American Coca-Cola bottlers. In exchange for the Company’s rights to use the CONA System and receive CONA-related services, it is charged service fees by CONA. The Company incurred service fees to CONA of $13.6 million in the first half of 2023 and $13.0 million in the first half of 2022.

Related Party Leases

The Company leases its headquarters office facility and an adjacent office facility in Charlotte, North Carolina from Beacon Investment Corporation, of which J. Frank Harrison, III is the majority stockholder and Morgan H. Everett, Vice Chair of the Company's Board of Directors, is a minority stockholder. The annual base rent the Company is obligated to pay under this lease is subject to an adjustment for an inflation factor and the lease expires on December 31, 2029. The principal balance outstanding under this lease was $24.0 million on June 30, 2023 and $25.5 million on December 31, 2022.

A summary of rental payments for related party leases for the second quarter and the first half of 2023 and 2022 is as follows:

	Second Quarter		First Half	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Company headquarters	$ 983	$ 964	$ 1,966	$ 1,927
Snyder Production Center[(1)]	—	—	—	927

(1) The lease for the Snyder Production Center and an adjacent sales facility in Charlotte, North Carolina (together, the "Snyder Production Center") was terminated during the first quarter of 2022 in connection with the purchase of the Snyder Production Center by CCBCC Operations, LLC, a wholly owned subsidiary of the Company.

Long-Term Performance Equity Plan

The Long-Term Performance Equity Plan compensates J. Frank Harrison, III based on the Company's performance. Awards granted to Mr. Harrison under the Long-Term Performance Equity Plan are earned based on the Company's attainment during a performance period of certain performance measures, each as specified by the Compensation Committee of the Company's Board of Directors. These awards may be settled in cash and/or shares of the Company's Class B Common Stock, based on the average of the closing prices of shares of the Company's Common Stock during the last 20 trading days of the performance period. Compensation expense for the Long-Term Performance Equity Plan, which was included in selling, delivery and administrative ("SD&A") expenses in the condensed consolidated statements of operations, was $3.7 million and $3.6 million in the second quarter of 2023 and the second quarter of 2022, respectively, and $5.7 million and $5.6 million in the first half of 2023 and the first half of 2022, respectively.

3. Revenue Recognition

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

The Company's contracts are derived from customer orders, including customer sales incentives, generated through an order processing and replenishment model. Generally, the Company's service contracts and contracts related to the delivery of specifically identifiable products have a single performance obligation. Revenues do not include sales or other taxes collected from customers. The Company has defined its performance obligations for its contracts as either at a point in time or over time. Bottle/can sales, sales to other Coca-Cola bottlers and post-mix sales are recognized when control transfers to a customer, which is generally upon delivery and is considered a single point in time ("point in time"). Point in time sales accounted for approximately 98% of the Company's net sales in the first half of 2023 and approximately 97% of the Company's net sales in the first half of 2022.

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

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

	Second Quarter		First Half	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Point in time net sales:				
Nonalcoholic Beverages - point in time	$ 1,701,490	$ 1,550,255	$ 3,234,778	$ 2,912,506
Total point in time net sales	**$ 1,701,490**	**$ 1,550,255**	**$ 3,234,778**	**$ 2,912,506**
Over time net sales:				
Nonalcoholic Beverages - over time	$ 13,372	$ 11,759	$ 25,496	$ 22,729
All Other - over time	23,970	33,201	50,200	64,338
Total over time net sales	**$ 37,342**	**$ 44,960**	**$ 75,696**	**$ 87,067**
Total net sales	**$ 1,738,832**	**$ 1,595,215**	**$ 3,310,474**	**$ 2,999,573**

The Company's allowance for doubtful accounts in the condensed consolidated balance sheets includes a reserve for customer returns and an allowance for credit losses. The Company experiences customer returns primarily as a result of damaged or out-of-date product. At any given time, the Company estimates less than 1% of bottle/can sales and post-mix sales could be at risk for return by customers. Returned product is recognized as a reduction to net sales. The Company's reserve for customer returns was $3.8 million as of June 30, 2023 and $3.0 million as of December 31, 2022.

The Company estimates an allowance for credit losses, based on historic days' sales outstanding trends, aged customer balances, previously written-off balances and expected recoveries up to balances previously written off, in order to present the net amount expected to be collected. Accounts receivable balances are written off when determined uncollectible and are recognized as a reduction to the allowance for credit losses. Following is a summary of activity for the allowance for credit losses during the first half of 2023 and the first half of 2022:

	First Half	
(in thousands)	**2023**	**2022**
Beginning balance - allowance for credit losses	**$ 13,119**	**$ 14,336**
Additions charged to expenses and as a reduction to net sales	3,650	47
Deductions	(2,895)	(2,860)
Ending balance - allowance for credit losses	**$ 13,874**	**$ 11,523**

4. Segments

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

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

The Company's segment results are as follows:

	Second Quarter		First Half	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Net sales:				
Nonalcoholic Beverages	$ 1,714,862	$ 1,562,014	$ 3,260,274	$ 2,935,235
All Other	95,174	105,910	187,550	202,073
Eliminations[(1)]	(71,204)	(72,709)	(137,350)	(137,735)
Consolidated net sales	**$ 1,738,832**	**$ 1,595,215**	**$ 3,310,474**	**$ 2,999,573**

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

(in thousands)	Second Quarter 2023	Second Quarter 2022	First Half 2023	First Half 2022
Income from operations:				
Nonalcoholic Beverages	$ 234,211	$ 144,012	$ 443,990	$ 278,570
All Other	(541)	3,281	(4,266)	(292)
Consolidated income from operations	**$ 233,670**	**$ 147,293**	**$ 439,724**	**$ 278,278**
Depreciation and amortization:				
Nonalcoholic Beverages	$ 40,695	$ 39,771	$ 81,259	$ 80,057
All Other	2,981	2,812	5,926	5,795
Consolidated depreciation and amortization	**$ 43,676**	**$ 42,583**	**$ 87,185**	**$ 85,852**

5. Net Income Per Share

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

(in thousands, except per share data)	Second Quarter 2023	Second Quarter 2022	First Half 2023	First Half 2022
Numerator for basic and diluted net income per Common Stock and Class B Common Stock share:				
Net income	$ 122,319	$ 99,562	$ 240,446	$ 192,952
Less dividends:				
Common Stock	4,185	2,092	33,476	3,878
Class B Common Stock	502	251	4,019	809
Total undistributed earnings	**$ 117,632**	**$ 97,219**	**$ 202,951**	**$ 188,265**
Common Stock undistributed earnings – basic	$ 105,021	$ 86,796	$ 181,192	$ 157,918
Class B Common Stock undistributed earnings – basic	12,611	10,423	21,759	30,347
Total undistributed earnings – basic	**$ 117,632**	**$ 97,219**	**$ 202,951**	**$ 188,265**
Common Stock undistributed earnings – diluted	$ 104,775	$ 86,565	$ 180,768	$ 157,498
Class B Common Stock undistributed earnings – diluted	12,857	10,654	22,183	30,767
Total undistributed earnings – diluted	**$ 117,632**	**$ 97,219**	**$ 202,951**	**$ 188,265**
Numerator for basic net income per Common Stock share:				
Dividends on Common Stock	$ 4,185	$ 2,092	$ 33,476	$ 3,878
Common Stock undistributed earnings – basic	105,021	86,796	181,192	157,918
Numerator for basic net income per Common Stock share	**$ 109,206**	**$ 88,888**	**$ 214,668**	**$ 161,796**
Numerator for basic net income per Class B Common Stock share:				
Dividends on Class B Common Stock	$ 502	$ 251	$ 4,019	$ 809
Class B Common Stock undistributed earnings – basic	12,611	10,423	21,759	30,347
Numerator for basic net income per Class B Common Stock share	**$ 13,113**	**$ 10,674**	**$ 25,778**	**$ 31,156**
Numerator for diluted net income per Common Stock share:				
Dividends on Common Stock	$ 4,185	$ 2,092	$ 33,476	$ 3,878
Dividends on Class B Common Stock assumed converted to Common Stock	502	251	4,019	809
Common Stock undistributed earnings – diluted	117,632	97,219	202,951	188,265
Numerator for diluted net income per Common Stock share	**$ 122,319**	**$ 99,562**	**$ 240,446**	**$ 192,952**
Numerator for diluted net income per Class B Common Stock share:				
Dividends on Class B Common Stock	$ 502	$ 251	$ 4,019	$ 809
Class B Common Stock undistributed earnings – diluted	12,857	10,654	22,183	30,767
Numerator for diluted net income per Class B Common Stock share	**$ 13,359**	**$ 10,905**	**$ 26,202**	**$ 31,576**

(in thousands, except per share data)	Second Quarter 2023	Second Quarter 2022	First Half 2023	First Half 2022
Denominator for basic net income per Common Stock and Class B Common Stock share:				
Common Stock weighted average shares outstanding – basic	8,369	8,369	8,369	7,863
Class B Common Stock weighted average shares outstanding – basic	1,005	1,005	1,005	1,511
Denominator for diluted net income per Common Stock and Class B Common Stock share:				
Common Stock weighted average shares outstanding – diluted (assumes conversion of Class B Common Stock to Common Stock)	9,396	9,399	9,396	9,399
Class B Common Stock weighted average shares outstanding – diluted	1,027	1,030	1,027	1,536
Basic net income per share:				
Common Stock	$ 13.05	$ 10.62	$ 25.65	$ 20.58
Class B Common Stock	$ 13.05	$ 10.62	$ 25.65	$ 20.62
Diluted net income per share:				
Common Stock	$ 13.02	$ 10.59	$ 25.59	$ 20.53
Class B Common Stock	$ 13.01	$ 10.59	$ 25.51	$ 20.56

NOTES TO TABLE

(1) For purposes of the diluted net income per share computation for Common Stock, all shares of Class B Common Stock are assumed to be converted; therefore, 100% of undistributed earnings is allocated to Common Stock.

(2) For purposes of the diluted net income per share computation for Class B Common Stock, weighted average shares of Class B Common Stock are assumed to be outstanding for the entire period and not converted.

(3) For periods presented during which the Company has net income, the denominator for diluted net income per share for Common Stock and Class B Common Stock includes the dilutive effect of shares relative to the Long-Term Performance Equity Plan. For periods presented during which the Company has net loss, the unvested shares granted pursuant to the Long-Term Performance Equity Plan are excluded from the computation of diluted net loss per share, as the effect would have been anti-dilutive. See Note 2 for additional information on the Long-Term Performance Equity Plan.

(4) The Long-Term Performance Equity Plan awards may be settled in cash and/or shares of the Company's Class B Common Stock. Once an election has been made to settle an award in cash, the dilutive effect of shares relative to such award is prospectively removed from the denominator in the computation of diluted net income per share.

(5) The Company did not have anti-dilutive shares for any periods presented.

6. Inventories

Inventories consisted of the following:

(in thousands)	June 30, 2023	December 31, 2022
Finished products	$ 213,529	$ 211,089
Manufacturing materials	74,248	89,300
Plastic shells, plastic pallets and other inventories	46,097	47,156
Total inventories	**$ 333,874**	**$ 347,545**

7. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

(in thousands)	June 30, 2023	December 31, 2022
Repair parts	$ 34,527	$ 35,088
Prepaid software	10,148	7,398
Prepaid marketing	5,394	4,303
Prepaid taxes	3,685	7,829
Commodity hedges at fair market value	402	4,808
Other prepaid expenses and other current assets	30,478	34,837
Total prepaid expenses and other current assets	**$ 84,634**	**$ 94,263**

8. Property, Plant and Equipment, Net

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

(in thousands)	June 30, 2023	December 31, 2022	Estimated Useful Lives
Land	$ 88,310	$ 88,185	
Buildings	341,624	352,114	8-50 years
Machinery and equipment	474,542	462,640	5-20 years
Transportation equipment	528,372	515,752	3-20 years
Furniture and fixtures	98,542	102,099	3-10 years
Cold drink dispensing equipment	436,247	438,879	3-17 years
Leasehold and land improvements	160,834	177,940	5-20 years
Software for internal use	48,581	48,581	3-10 years
Construction in progress	108,797	103,803	
Total property, plant and equipment, at cost	**2,285,849**	**2,289,993**	
Less: Accumulated depreciation and amortization	1,109,510	1,106,263	
Property, plant and equipment, net	**$ 1,176,339**	**$ 1,183,730**	

9. Leases

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

	June 30, 2023	December 31, 2022
Weighted average remaining lease term:		
Operating leases	6.9 years	7.2 years
Financing leases	3.9 years	4.3 years
Weighted average discount rate:		
Operating leases	3.7 %	3.6 %
Financing leases	5.2 %	5.2 %

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

	Second Quarter		First Half	
(in thousands)	2023	2022	2023	2022
Operating lease costs	$ 8,305	$ 7,336	$ 16,578	$ 14,639
Short-term and variable leases	4,026	3,695	7,791	7,275
Depreciation expense from financing leases	411	412	822	1,492
Interest expense on financing lease obligations	116	144	237	614
Total lease cost	**$ 12,858**	**$ 11,587**	**$ 25,428**	**$ 24,020**

The future minimum lease payments related to the Company's leases include renewal options the Company has determined to be reasonably certain and exclude payments to landlords for real estate taxes and common area maintenance. Following is a summary of future minimum lease payments for all noncancelable operating leases and financing leases as of June 30, 2023:

(in thousands)	Operating Leases	Financing Leases
Remainder of 2023	$ 15,853	$ 1,383
2024	28,215	2,808
2025	22,249	2,869
2026	19,377	1,233
2027	17,487	338
Thereafter	51,741	965
Total minimum lease payments including interest	**$ 154,922**	**$ 9,596**
Less: Amounts representing interest	19,982	904
Present value of minimum lease principal payments	**134,940**	**8,692**
Less: Current portion of lease liabilities	26,440	2,393
Noncurrent portion of lease liabilities	**$ 108,500**	**$ 6,299**

Following is a summary of future minimum lease payments for all noncancelable operating leases and financing leases as of December 31, 2022:

(in thousands)	Operating Leases	Financing Leases
2023	$ 31,697	$ 2,750
2024	27,663	2,808
2025	21,628	2,869
2026	19,036	1,233
2027	17,227	338
Thereafter	51,372	966
Total minimum lease payments including interest	**$ 168,623**	**$ 10,964**
Less: Amounts representing interest	22,225	1,142
Present value of minimum lease principal payments	**146,398**	**9,822**
Less: Current portion of lease liabilities	27,635	2,303
Noncurrent portion of lease liabilities	**$ 118,763**	**$ 7,519**

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

	First Half	
(in thousands)	**2023**	**2022**
Cash flows from operating activities impact:		
Operating leases	$ 16,209	$ 14,056
Interest payments on financing lease obligations	237	614
Total cash flows from operating activities impact	**$ 16,446**	**$ 14,670**
Cash flows from financing activities impact:		
Principal payments on financing lease obligations	$ 1,130	$ 1,904
Total cash flows from financing activities impact	**$ 1,130**	**$ 1,904**

10. Distribution Agreements, Net

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

(in thousands)	June 30, 2023	December 31, 2022
Distribution agreements at cost	$ 990,191	$ 990,191
Less: Accumulated amortization	160,602	148,156
Distribution agreements, net	**$ 829,589**	**$ 842,035**

Following is a summary of activity for distribution agreements, net during the first half of 2023 and the first half of 2022:

	First Half	
(in thousands)	**2023**	**2022**
Beginning balance - distribution agreements, net	**$ 842,035**	**$ 836,777**
Other distribution agreements	—	30,149
Additional accumulated amortization	(12,446)	(12,446)
Ending balance - distribution agreements, net	**$ 829,589**	**$ 854,480**

11. Customer Lists, Net

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

(in thousands)	**June 30, 2023**	**December 31, 2022**
Customer lists at cost	$ 25,288	$ 25,288
Less: Accumulated amortization	16,979	16,123
Customer lists, net	**$ 8,309**	**$ 9,165**

12. Supply Chain Finance Program

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

All outstanding amounts related to suppliers participating in the SCF program are recorded in accounts payable, trade in the condensed consolidated balance sheets, and associated payments are included in operating activities in the condensed consolidated statements of cash flows. The Company's outstanding confirmed obligations included in accounts payable, trade in the condensed consolidated balance sheets were $54.1 million as of June 30, 2023 and $44.2 million as of December 31, 2022.

13. Other Accrued Liabilities

Other accrued liabilities consisted of the following:

(in thousands)	**June 30, 2023**	**December 31, 2022**
Accrued insurance costs	$ 58,535	$ 54,180
Current portion of acquisition related contingent consideration	45,857	40,060
Employee and retiree benefit plan accruals	44,246	31,711
Accrued marketing costs	40,720	33,375
Accrued taxes (other than income taxes)	8,856	7,127
All other accrued expenses	27,921	31,847
Total other accrued liabilities	**$ 226,135**	**$ 198,300**

14. Commodity Derivative Instruments

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

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

	Second Quarter		First Half	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Cost of sales	$ (1,097)	$ (13,663)	$ (1,492)	$ (6,169)
Selling, delivery and administrative expenses	(224)	998	(2,914)	7,223
Total (loss) gain	**$ (1,321)**	**$ (12,665)**	**$ (4,406)**	**$ 1,054**

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

(in thousands)	**June 30, 2023**	**December 31, 2022**
Prepaid expenses and other current assets	$ 402	$ 4,808
Total assets	**$ 402**	**$ 4,808**

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

(in thousands)	**June 30, 2023**	**December 31, 2022**
Gross commodity derivative instrument assets	$ 402	$ 4,808
Gross commodity derivative instrument liabilities	—	—

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

(in thousands)	**June 30, 2023**	**December 31, 2022**
Notional amount of outstanding commodity derivative instruments	$ 33,264	$ 61,128
Latest maturity date of outstanding commodity derivative instruments	December 2023	December 2023

15. Fair Values of Financial Instruments

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

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

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

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

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

	June 30, 2023				
(in thousands)	Carrying Amount	Total Fair Value	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
Assets:					
Deferred compensation plan assets	$ 59,918	$ 59,918	$ 59,918	$ —	$ —
Commodity derivative instruments	402	402	—	402	—
Liabilities:					
Deferred compensation plan liabilities	59,918	59,918	59,918	—	—
Long-term debt	598,992	572,500	—	572,500	—
Acquisition related contingent consideration	594,389	594,389	—	—	594,389

	December 31, 2022				
(in thousands)	Carrying Amount	Total Fair Value	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
Assets:					
Deferred compensation plan assets	$ 51,257	$ 51,257	$ 51,257	$ —	$ —
Commodity derivative instruments	4,808	4,808	—	4,808	—
Liabilities:					
Deferred compensation plan liabilities	51,257	51,257	51,257	—	—
Long-term debt	598,817	575,900	—	575,900	—
Acquisition related contingent consideration	541,491	541,491	—	—	541,491

The acquisition related contingent consideration was valued using a probability weighted discounted cash flow model based on internal forecasts and the WACC derived from market data, which are considered Level 3 inputs. Each reporting period, the Company adjusts its acquisition related contingent consideration liability related to the distribution territories subject to acquisition related sub-bottling payments to fair value by discounting future expected acquisition related sub-bottling payments required under the CBA using the Company's estimated WACC.

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

WACC, could result in material changes to the fair value of the acquisition related contingent consideration liability and could materially impact the amount of non-cash expense (or income) recorded each reporting period.

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

	Second Quarter		First Half	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Beginning balance - Level 3 liability	**$ 576,446**	**$ 527,926**	**$ 541,491**	**$ 542,105**
Payments of acquisition related contingent consideration	(6,877)	(8,888)	(13,376)	(18,710)
Reclassification to current payables	(700)	(800)	(900)	300
Increase (decrease) in fair value	25,520	4,021	67,174	(1,436)
Ending balance - Level 3 liability	**$ 594,389**	**$ 522,259**	**$ 594,389**	**$ 522,259**

As of both June 30, 2023 and July 1, 2022, a discount rate of 8.9% was utilized in the valuation of the Company's acquisition related contingent consideration liability. The increase in the fair value of the acquisition related contingent consideration liability in the first half of 2023 was driven by higher projections of future cash flows in the distribution territories subject to acquisition related sub-bottling payments and a decrease in the discount rate used to calculate fair value from 9.1% as of December 31, 2022 to 8.9% as of June 30, 2023. This fair value adjustment was recorded in other expense, net in the condensed consolidated statement of operations for the first half of 2023.

For the next five years, the Company anticipates that the amount it could pay annually under the acquisition related contingent consideration arrangements for the distribution territories subject to acquisition related sub-bottling payments will be in the range of approximately $30 million to $60 million.

16. Income Taxes

The Company's effective income tax rate was 25.8% for the first half of 2023 and 25.9% for the first half of 2022. The Company's income tax expense was $83.5 million for the first half of 2023 and $67.6 million for the first half of 2022. The increase in income tax expense was primarily attributable to higher income before taxes during the first half of 2023 compared to the first half of 2022.

The Company had uncertain tax positions, including accrued interest, of $0.4 million on June 30, 2023 and $0.3 million on December 31, 2022, all of which would affect the Company's effective income tax rate if recognized. While it is expected the amount of uncertain tax positions may change in the next 12 months, the Company does not expect such change would have a material impact on the condensed consolidated financial statements.

Prior tax years beginning in year 2019 remain open to examination by the Internal Revenue Service, and various tax years beginning in year 1999 remain open to examination by certain state tax jurisdictions due to loss carryforwards.

17. Pension and Postretirement Benefit Obligations

Pension Plans

There are two Company-sponsored pension plans. The primary Company-sponsored pension plan (the "Primary Plan") was frozen as of June 30, 2006 and no benefits accrued to participants after that date. The second Company-sponsored pension plan (the "Bargaining Plan") is for certain employees under collective bargaining agreements. Benefits under the Bargaining Plan are determined in accordance with negotiated formulas for the respective participants. Contributions to the plans are based on actuarially determined amounts and are limited to the amounts currently deductible for income tax purposes.

In 2022, the Company began the process of terminating the Primary Plan. During the first half of 2023, the Company offered a lump sum benefit payout option to certain plan participants. Settlement payments were made to those participants who selected the lump sum benefit payout option during the second quarter of 2023. Additionally, a settlement expense of $39.8 million was recognized related primarily to pre-tax actuarial losses that were reclassified out of accumulated other comprehensive loss associated with the lump sum benefit payout option. During the second quarter of 2023, the Company also entered into a group annuity contract that will transfer the remaining pension benefit obligation for the Primary Plan to an insurance company. With full settlement of the Primary Plan expected to occur during the third quarter of 2023, the remaining liability related to the Primary Plan was reclassified from noncurrent liabilities to current liabilities as of June 30, 2023. The liability for the unfunded portion of the Primary Plan, which was classified as other accrued liabilities in the condensed consolidated balance sheets, was $12.9 million as of June 30, 2023.

Upon final settlement of the Primary Plan, which occurred subsequent to the end of the second quarter of 2023, the remainder of the gross actuarial losses associated with the Primary Plan will be reclassified out of accumulated other comprehensive loss, resulting in additional settlement expense during the third quarter of 2023. As of June 30, 2023 and December 31, 2022, the gross actuarial losses included in accumulated other comprehensive loss associated with the Primary Plan were approximately $79 million and $117 million, respectively.

The components of total pension expense were as follows:

	Second Quarter		First Half	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Service cost	$ 1,100	$ 1,861	$ 2,199	$ 3,721
Interest cost	3,508	2,659	7,016	5,318
Expected return on plan assets	(2,914)	(2,036)	(5,828)	(4,071)
Recognized net actuarial loss	973	988	1,946	1,977
Amortization of prior service cost	4	—	8	—
Net periodic pension cost	**2,671**	**3,472**	**5,341**	**6,945**
Settlement expense	39,777	—	39,777	—
Total pension expense	**$ 42,448**	**$ 3,472**	**$ 45,118**	**$ 6,945**

The Company did not make any contributions to the two Company-sponsored pension plans during the first half of 2023. Subsequent to the end of the second quarter of 2023, the Company contributed approximately $12 million to fund the termination of the Primary Plan. The Company expects to make additional cash contributions of approximately $1 million to the Primary Plan during the second half of 2023 to fund the remainder of its obligation in connection with the termination of the Primary Plan. The Company also expects to make cash contributions of approximately $5 million to $10 million to the Bargaining Plan during 2023 to fund the ongoing projected benefit obligation of the Bargaining Plan.

Postretirement Benefits

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

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

	Second Quarter		First Half	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Service cost	$ 294	$ 384	$ 588	$ 767
Interest cost	697	475	1,395	949
Recognized net actuarial loss	—	91	—	183
Net periodic postretirement benefit cost	**$ 991**	**$ 950**	**$ 1,983**	**$ 1,899**

18. Other Liabilities

Other liabilities consisted of the following:

(in thousands)	**June 30, 2023**	**December 31, 2022**
Noncurrent portion of acquisition related contingent consideration	$ 548,532	$ 501,431
Accruals for executive benefit plans	141,868	137,771
Noncurrent deferred proceeds from related parties	101,708	103,240
Other	9,534	10,915
Total other liabilities	**$ 801,642**	**$ 753,357**

19. Long-Term Debt

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

(in thousands)	Maturity Date	Interest Rate	Interest Paid	Public/ Nonpublic	June 30, 2023	December 31, 2022
Senior bonds[1]	11/25/2025	3.80%	Semi-annually	Public	$ 350,000	$ 350,000
Revolving credit facility[2]	7/9/2026	Variable	Varies	Nonpublic	—	—
Senior notes	10/10/2026	3.93%	Quarterly	Nonpublic	100,000	100,000
Senior notes	3/21/2030	3.96%	Quarterly	Nonpublic	150,000	150,000
Unamortized discount on senior bonds[1]	11/25/2025				(21)	(26)
Debt issuance costs					(987)	(1,157)
Total long-term debt					**$ 598,992**	**$ 598,817**

(1) The senior bonds due in 2025 were issued at 99.975% of par.
(2) During the first half of 2023, the Company amended its revolving credit facility to complete the transition of the interest rate index from the London InterBank Offered Rate (LIBOR) to the Secured Overnight Financing Rate (SOFR), as contemplated in the revolving credit facility.

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

The indenture under which the Company's senior bonds were issued does not include financial covenants, but does limit the incurrence of certain liens and encumbrances as well as indebtedness by the Company's subsidiaries in excess of certain amounts. The agreements under which the Company's nonpublic debt was issued include two financial covenants: a consolidated cash flow/fixed charges ratio and a consolidated funded indebtedness/cash flow ratio, each as defined in the respective agreement. The Company was in compliance with these covenants as of June 30, 2023. These covenants have not restricted, and are not expected to restrict, the Company's liquidity or capital resources.

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

20. Commitments and Contingencies

Manufacturing Cooperatives

The Company is obligated to purchase at least 80% of its requirements of plastic bottles for certain designated territories from Southeastern. The Company is also obligated to purchase 17.5 million cases of finished product from SAC on an annual basis through June 2024. The Company purchased 13.1 million cases and 13.4 million cases of finished product from SAC in the first half of 2023 and the first half of 2022, respectively.

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

	Second Quarter		First Half	
(in thousands)	2023	2022	2023	2022
Purchases from Southeastern	$ 39,759	$ 41,246	$ 82,586	$ 73,268
Purchases from SAC	53,107	50,562	102,712	95,928
Total purchases from manufacturing cooperatives	**$ 92,866**	**$ 91,808**	**$ 185,298**	**$ 169,196**

The Company guarantees a portion of SAC's debt, which expires in 2028. The amount guaranteed was $9.5 million on both June 30, 2023 and December 31, 2022. In the event SAC fails to fulfill its commitments under the related debt, the Company would be responsible for payment to the lenders up to the level of the guarantee. The Company does not anticipate SAC will fail to fulfill its commitments related to the debt. The Company further believes SAC has sufficient assets, including production equipment, facilities and working capital, and the ability to adjust the selling prices of its products to adequately mitigate the risk of material loss relating to the Company's guarantee.

The Company holds no assets as collateral against the SAC guarantee, the fair value of which is immaterial to the condensed consolidated financial statements. The Company monitors its investment in SAC and would be required to write down its investment if an impairment, other than a temporary impairment, was identified. No impairment of the Company's investment in SAC was identified as of June 30, 2023, and there was no impairment identified in 2022.

Other Commitments and Contingencies

The Company has standby letters of credit, primarily related to its property and casualty insurance programs. These letters of credit totaled $37.6 million on both June 30, 2023 and December 31, 2022.

The Company participates in long-term marketing contractual arrangements with certain prestige properties, athletic venues and other locations. As of June 30, 2023, the future payments related to these contractual arrangements, which expire at various dates through 2033, amounted to $134.5 million.

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

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

21. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) ("AOCI(L)") is comprised of adjustments to the Company's pension and postretirement medical benefit plans and the foreign currency translation for a subsidiary of the Company that performs data analysis and formerly provided consulting services outside the United States.

Following is a summary of AOCI(L) for the second quarter of 2023 and the second quarter of 2022:

(in thousands)	March 31, 2023	Pre-tax Activity	Tax Effect	June 30, 2023
Net pension activity:				
Actuarial loss	$ (70,405)	$ (2,941)	$ 720	$ (72,626)
Prior service costs	(102)	4	(1)	(99)
Pension plan settlement	—	39,777	(9,736)	30,041
Net postretirement benefits activity:				
Actuarial gain	6,752	—	—	6,752
Prior service costs	(624)	—	—	(624)
Reclassification of stranded tax effects	(19,720)	—	—	(19,720)
Total AOCI(L)	**$ (84,099)**	**$ 36,840**	**$ (9,017)**	**$ (56,276)**

(in thousands)	April 1, 2022	Pre-tax Activity	Tax Effect	July 1, 2022
Net pension activity:				
Actuarial loss	$ (78,136)	$ 988	$ (243)	$ (77,391)
Prior service credits	11	—	—	11
Net postretirement benefits activity:				
Actuarial loss	(1,170)	91	(22)	(1,101)
Prior service costs	(624)	—	—	(624)
Foreign currency translation adjustment	(9)	—	—	(9)
Reclassification of stranded tax effects	(19,720)	—	—	(19,720)
Total AOCI(L)	**$ (99,648)**	**$ 1,079**	**$ (265)**	**$ (98,834)**

Following is a summary of AOCI(L) for the first half of 2023 and the first half of 2022:

(in thousands)	December 31, 2022	Pre-tax Activity	Tax Effect	June 30, 2023
Net pension activity:				
Actuarial loss	$ (71,140)	$ (1,968)	$ 482	$ (72,626)
Prior service costs	(105)	8	(2)	(99)
Pension plan settlement	—	39,777	(9,736)	30,041
Net postretirement benefits activity:				
Actuarial gain	6,752	—	—	6,752
Prior service costs	(624)	—	—	(624)
Reclassification of stranded tax effects	(19,720)	—	—	(19,720)
Total AOCI(L)	**$ (84,837)**	**$ 37,817**	**$ (9,256)**	**$ (56,276)**

(in thousands)	December 31, 2021	Pre-tax Activity	Tax Effect	July 1, 2022
Net pension activity:				
Actuarial loss	$ (78,882)	$ 1,977	$ (486)	$ (77,391)
Prior service credits	11	—	—	11
Net postretirement benefits activity:				
Actuarial loss	(1,239)	183	(45)	(1,101)
Prior service costs	(624)	—	—	(624)
Foreign currency translation adjustment	(9)	—	—	(9)
Reclassification of stranded tax effects	(19,720)	—	—	(19,720)
Total AOCI(L)	**$ (100,463)**	**$ 2,160**	**$ (531)**	**$ (98,834)**

Following is a summary of the impact of AOCI(L) on the condensed consolidated statements of operations:

	Second Quarter 2023		
(in thousands)	Net Pension Activity	Net Postretirement Benefits Activity	Total
Cost of sales	$ 416	$ —	$ 416
Selling, delivery and administrative expenses	561	—	561
Subtotal pre-tax	977	—	977
Income tax expense	239	—	239
Total after-tax effect	**$ 738**	**$ —**	**$ 738**

	Second Quarter 2022		
(in thousands)	Net Pension Activity	Net Postretirement Benefits Activity	Total
Cost of sales	$ 266	$ 37	$ 303
Selling, delivery and administrative expenses	722	54	776
Subtotal pre-tax	988	91	1,079
Income tax expense	243	22	265
Total after-tax effect	**$ 745**	**$ 69**	**$ 814**

	First Half 2023		
(in thousands)	Net Pension Activity	Net Postretirement Benefits Activity	Total
Cost of sales	$ 835	$ —	$ 835
Selling, delivery and administrative expenses	1,119	—	1,119
Subtotal pre-tax	1,954	—	1,954
Income tax expense	478	—	478
Total after-tax effect	**$ 1,476**	**$ —**	**$ 1,476**

	First Half 2022		
(in thousands)	Net Pension Activity	Net Postretirement Benefits Activity	Total
Cost of sales	$ 544	$ 78	$ 622
Selling, delivery and administrative expenses	1,433	105	1,538
Subtotal pre-tax	1,977	183	2,160
Income tax expense	486	45	531
Total after-tax effect	**$ 1,491**	**$ 138**	**$ 1,629**

22. Supplemental Disclosures of Cash Flow Information

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

	First Half	
(in thousands)	2023	2022
Accounts receivable, trade	$ (71,681)	$ (82,059)
Allowance for doubtful accounts	1,505	(2,813)
Accounts receivable from The Coca-Cola Company	(21,680)	8,160
Accounts receivable, other	(1,132)	(7,711)
Inventories	13,671	(688)
Prepaid expenses and other current assets	9,629	(8,776)
Accounts payable, trade	30,035	20,314
Accounts payable to The Coca-Cola Company	32,110	53,064
Other accrued liabilities	14,888	2,629
Accrued compensation	(49,142)	(41,016)
Accrued interest payable	(160)	(108)
Change in current assets less current liabilities	**$ (41,957)**	**$ (59,004)**

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

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

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

- The financial position as of June 30, 2023 and December 31, 2022.
- The results of operations, comprehensive income and changes in stockholders' equity for the three-month periods ended June 30, 2023 (the "second quarter" of fiscal 2023 ("2023")) and July 1, 2022 (the "second quarter" of fiscal 2022 ("2022")) and the six-month periods ended June 30, 2023 (the "first half" of 2023) and July 1, 2022 (the "first half" of 2022).
- The changes in cash flows for the first half of 2023 and the first half of 2022.

Our Business and the Nonalcoholic Beverage Industry

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

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

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

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

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

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

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

Executive Summary

Net sales increased 9% to $1.74 billion in the second quarter of 2023 and increased 10% to $3.31 billion in the first half of 2023. The increase in net sales was driven primarily by price increases taken across our product portfolio over the last year.

Standard physical case volume declined 4.0% in the second quarter of 2023 and declined 3.6% in the first half of 2023. Sparkling category volume decreased 2.1% during the second quarter; however, our Sparkling portfolio continues to perform well versus historical price elasticities typically associated with higher pricing. Sales in Immediate Consumption continue to perform well, outpacing sales of take-home packages. Still volume declined 8.9% during the second quarter as the overall sports drinks category slowed considerably. Other Still categories such as energy and enhanced water continue to perform well with Monster and smartwater both achieving solid growth in the quarter.

Gross profit in the second quarter of 2023 was $671.6 million, an increase of $120.9 million, or 22%, while gross margin improved 410 basis points to 38.6%. The improvement in gross profit resulted primarily from higher prices for our products and a moderation of prices for certain commodities. Gross profit in the first half of 2023 was $1.30 billion, an increase of $237.4 million, or 22%. The Company continues to expect pricing growth to slow in the second half of 2023 as we hurdle 2022 price increases.

Selling, delivery and administrative (“SD&A”) expenses in the second quarter of 2023 increased $34.5 million, or 9%. SD&A expenses as a percentage of net sales decreased 10 basis points to 25.2% in the second quarter of 2023. The increase in SD&A expenses related primarily to an increase in labor costs, resulting from certain compensation and benefits adjustments made in the prior year to retain and reward our teammates in a challenging labor environment. In addition, broad inflationary increases across a number of SD&A categories pushed expenses higher during the quarter. SD&A expenses in the first half of 2023 increased $76.0 million, or 10%. SD&A expenses as a percentage of net sales in the first half of 2023 decreased 10 basis points to 25.9% as compared to the first half of 2022. We expect the rate of increase to slow in the second half of this year as we hurdle labor adjustments made in late 2022.

Income from operations in the second quarter of 2023 was $233.7 million, compared to $147.3 million in the second quarter of 2022, an increase of 59%. On an adjusted basis, as defined in the “Adjusted Results (Non-GAAP)” section, income from operations in the second quarter of 2023 increased 47% as compared to the second quarter of 2022. Operating margin for the second quarter of 2023 was 13.4% as compared to 9.2% in the second quarter of 2022, an increase of 420 basis points.

Net income in the second quarter of 2023 was $122.3 million, compared to $99.6 million in the second quarter of 2022, an improvement of $22.8 million. On an adjusted basis, net income in the second quarter of 2023 was $172.8 million, compared to $112.2 million in the second quarter of 2022, an increase of $60.6 million.

Second quarter net income was adversely impacted by routine, non-cash fair value adjustments to our acquisition related contingent consideration liability, driven by changes in the discount rate and future cash flow projections used to compute the fair value of the liability. Second quarter net income was also adversely impacted by the partial settlement of our primary pension plan, which resulted in a non-cash charge of $39.8 million. In the third quarter of 2023, the Company expects to record an additional non-cash charge of approximately $79 million related to the remaining settlement of the primary pension plan.

Income tax expense for the second quarter of 2023 was $42.4 million, compared to $34.4 million in the second quarter of 2022, resulting in an effective income tax rate of approximately 26% for both periods. For the second quarter of 2023, basic net income per share was $13.05 and adjusted basic net income per share was $18.43.

Cash flows provided by operations for first half 2023 were $383.3 million, compared to $243.5 million for first half 2022. Cash flows from operations reflected our strong operating performance and the timing of certain working capital payments and receipts during the second quarter. In the first half of 2023, we invested $92.9 million in capital expenditures as we continue to optimize our supply chain and invest for the future growth of small bottle PET packages and mini cans. In fiscal year 2023, we expect our capital expenditures to be between $250 million and $300 million.

Areas of Emphasis

Key priorities for the Company include commercial execution, revenue management, supply chain optimization and cash flow generation.

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

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

Supply Chain Optimization: We are continually focused on optimizing our supply chain, which includes identifying nearby warehousing and distribution operations that can be consolidated into new facilities to increase capacity, expand production capabilities, reduce overall production costs and add automation to allow the Company to better serve its customers and consumers.

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

Results of Operations

Second Quarter Results

The Company's results of operations for the second quarter of 2023 and the second quarter of 2022 are highlighted in the table below and discussed in the following paragraphs.

	Second Quarter		
(in thousands)	**2023**	**2022**	**Change**
Net sales	$ 1,738,832	$ 1,595,215	$ 143,617
Cost of sales	1,067,255	1,044,556	22,699
Gross profit	671,577	550,659	120,918
Selling, delivery and administrative expenses	437,907	403,366	34,541
Income from operations	233,670	147,293	86,377
Interest expense, net	1,353	7,146	(5,793)
Pension plan settlement expense	39,777	—	39,777
Other expense, net	27,788	6,199	21,589
Income before taxes	164,752	133,948	30,804
Income tax expense	42,433	34,386	8,047
Net income	122,319	99,562	22,757
Other comprehensive income, net of tax	27,823	814	27,009
Comprehensive income	**$ 150,142**	**$ 100,376**	**$ 49,766**

Net Sales

Net sales increased $143.6 million, or 9.0%, to $1.74 billion in the second quarter of 2023, as compared to $1.60 billion in the second quarter of 2022. The largest driver of the increase in net sales was higher average bottle/can sales price per unit charged to retail customers, which increased net sales by approximately $185 million. The increase in net sales was partially offset by a decrease in case sales volume as compared to the second quarter of 2022, which decreased net sales by approximately $60 million.

Net sales by product category were as follows:

(in thousands)	Second Quarter 2023	Second Quarter 2022	% Change
Bottle/can sales:			
Sparkling beverages	$ 1,004,438	$ 879,935	14.1 %
Still beverages	573,641	539,589	6.3 %
Total bottle/can sales	**1,578,079**	**1,419,524**	**11.2 %**
Other sales:			
Sales to other Coca-Cola bottlers	93,207	94,158	(1.0) %
Post-mix sales and other	67,546	81,533	(17.2) %
Total other sales	**160,753**	**175,691**	**(8.5)%**
Total net sales	**$ 1,738,832**	**$ 1,595,215**	**9.0 %**

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

(in thousands)	Second Quarter 2023	Second Quarter 2022	% Change
Bottle/can sales volume:			
Sparkling beverages	67,900	69,352	(2.1) %
Still beverages	24,655	27,056	(8.9) %
Total bottle/can sales volume	**92,555**	**96,408**	**(4.0)%**

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

Cost of Sales

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

Cost of sales increased $22.7 million, or 2.2%, to $1.07 billion in the second quarter of 2023, as compared to $1.04 billion in the second quarter of 2022. Approximately $70 million of the increase in cost of sales related to increased manufacturing costs and a shift in product mix to meet consumer preferences. This increase was partially offset by a decrease in case sales volume as compared to the second quarter of 2022, which decreased cost of sales by approximately $20 million.

The Company relies extensively on advertising and sales promotions in the marketing of its products. The Coca-Cola Company and other beverage companies that supply concentrates, syrups and finished products to the Company make substantial marketing and advertising expenditures, including national advertising programs, to develop their brand identities and to promote sales in the Company's territories. Certain of these marketing and advertising expenditures are made pursuant to annual arrangements. Total marketing funding support from The Coca-Cola Company and other beverage companies, which includes both direct payments to the Company and payments to customers for marketing programs, was $46.1 million in the second quarter of 2023 and $37.3 million in the second quarter of 2022.

Selling, Delivery and Administrative Expenses

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

SD&A expenses increased $34.5 million, or 8.6%, to $437.9 million in the second quarter of 2023, as compared to $403.4 million in the second quarter of 2022. SD&A expenses as a percentage of net sales decreased to 25.2% in the second quarter of 2023 from 25.3% in the second quarter of 2022. Of the increase in SD&A expenses, approximately $14 million was driven by an increase in labor costs, resulting from certain compensation and benefits adjustments made in 2022 to retain and reward our teammates in a challenging labor environment. In addition, approximately $9 million of the increase was attributable to higher transportation costs, including fuel and fleet repairs, as well as changes in our commodity hedge positions as compared to the second quarter of 2022. Approximately $4 million of the increase in SD&A expenses was driven by an increase in commitments to various charities and donor-advised funds in light of the Company's financial performance. The remaining increase in SD&A expenses was primarily driven by broad inflationary increases across a number of SD&A categories as compared to the second quarter of 2022.

Interest Expense, Net

Interest expense, net decreased $5.8 million, or 81.1%, to $1.4 million in the second quarter of 2023, as compared to $7.1 million in the second quarter of 2022. The decrease was primarily a result of an increase in interest income due to higher cash and cash equivalent balances and increased yields, as well as lower average debt balances, as compared to the second quarter of 2022.

Pension Plan Settlement Expense

During the second quarter of 2023, the Company recognized a non-cash charge of $39.8 million related to the partial termination of the primary Company-sponsored pension plan (the "Primary Plan"), which was recorded as pension plan settlement expense in the condensed consolidated statement of operations. The charge related primarily to a reclassification of actuarial losses from accumulated other comprehensive loss. During the third quarter of 2023, the Company expects a non-cash charge of approximately $79 million related to the full termination of the Primary Plan, which will also be recorded as pension plan settlement expense in the condensed consolidated statement of operations. As of June 30, 2023 and December 31, 2022, the gross actuarial losses included in accumulated other comprehensive loss associated with the Primary Plan were approximately $79 million and $117 million, respectively. See Note 17 to the condensed consolidated financial statements for additional information related to the Company's pension plans.

Other Expense, Net

Other expense, net increased $21.6 million to $27.8 million in the second quarter of 2023, as compared to $6.2 million in the second quarter of 2022. The increase in other expense, net was primarily driven by changes in the fair value of the acquisition related contingent consideration liability.

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

The change in the fair value of the acquisition related contingent consideration liability in the second quarter of 2023 as compared to the second quarter of 2022 was primarily driven by changes in the discount rate used to calculate fair value.

Income Tax Expense

The Company's effective income tax rate was 25.8% for the second quarter of 2023 and 25.7% for the second quarter of 2022. The Company's income tax expense increased $8.0 million, or 23.4%, to $42.4 million for the second quarter of 2023, as compared to $34.4 million for the second quarter of 2022. The increase in income tax expense was primarily attributable to higher income before taxes during the second quarter of 2023 compared to the second quarter of 2022.

Other Comprehensive Income, Net of Tax

Other comprehensive income, net of tax was $27.8 million in the second quarter of 2023 and $0.8 million in the second quarter of 2022. As noted in the discussion of pension plan settlement expense above, the Company recognized a significant non-cash charge during the second quarter of 2023 related to the partial termination of the Primary Plan. A corresponding benefit was recognized within other comprehensive income, net of tax due to the reclassification of certain previously recognized actuarial losses from accumulated other comprehensive loss. An additional non-cash charge is expected during the third quarter of 2023 related to the full termination of the Primary Plan. See Note 17 to the condensed consolidated financial statements for additional information related to the Company's pension plans.

First Half Results

Our results of operations for the first half of 2023 and the first half of 2022 are highlighted in the table below and discussed in the following paragraphs.

	First Half		
(in thousands)	**2023**	**2022**	**Change**
Net sales	$ 3,310,474	$ 2,999,573	$ 310,901
Cost of sales	2,014,791	1,941,338	73,453
Gross profit	1,295,683	1,058,235	237,448
Selling, delivery and administrative expenses	855,959	779,957	76,002
Income from operations	439,724	278,278	161,446
Interest expense, net	4,282	14,845	(10,563)
Pension plan settlement expense	39,777	—	39,777
Other expense, net	71,711	2,920	68,791
Income before taxes	323,954	260,513	63,441
Income tax expense	83,508	67,561	15,947
Net income	240,446	192,952	47,494
Other comprehensive income, net of tax	28,561	1,629	26,932
Comprehensive income	**$ 269,007**	**$ 194,581**	**$ 74,426**

Net Sales

Net sales increased $310.9 million, or 10.4%, to $3.31 billion in the first half of 2023, as compared to $3.00 billion in the first half of 2022. The largest driver of the increase in net sales was higher average bottle/can sales price per unit charged to retail customers, which increased net sales by approximately $360 million. The increase in net sales was partially offset by a decrease in case sales volume as compared to the first half of 2022, which decreased net sales by approximately $80 million.

Net sales by product category were as follows:

	First Half		
(in thousands)	**2023**	**2022**	**% Change**
Bottle/can sales:			
Sparkling beverages	$ 1,918,695	$ 1,655,866	15.9 %
Still beverages	1,082,876	1,006,816	7.6 %
Total bottle/can sales	**3,001,571**	**2,662,682**	**12.7 %**
Other sales:			
Sales to other Coca-Cola bottlers	179,652	178,455	0.7 %
Post-mix sales and other	129,251	158,436	(18.4) %
Total other sales	**308,903**	**336,891**	**(8.3)%**
Total net sales	**$ 3,310,474**	**$ 2,999,573**	**10.4 %**

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

	First Half		
(in thousands)	2023	2022	% Change
Bottle/can sales volume:			
Sparkling beverages	129,144	131,757	(2.0) %
Still beverages	45,880	49,726	(7.7) %
Total bottle/can sales volume	**175,024**	**181,483**	**(3.6) %**

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

	First Half	
	2023	2022
Approximate percent of the Company's total bottle/can sales volume:		
Wal-Mart Stores, Inc.	21 %	20 %
The Kroger Company	11 %	12 %
Total approximate percent of the Company's total bottle/can sales volume	**32 %**	**32 %**
Approximate percent of the Company's total net sales:		
Wal-Mart Stores, Inc.	16 %	15 %
The Kroger Company	9 %	9 %
Total approximate percent of the Company's total net sales	**25 %**	**24 %**

Cost of Sales

Cost of sales increased $73.5 million, or 3.8%, to $2.01 billion in the first half of 2023, as compared to $1.94 billion in the first half of 2022. Approximately $120 million of the increase in cost of sales related to increased manufacturing costs and a shift in product mix to meet consumer preferences. This increase was partially offset by a decrease in case sales volume as compared to the first half of 2022, which decreased cost of sales by approximately $30 million.

Total marketing funding support from The Coca-Cola Company and other beverage companies was $83.1 million in the first half of 2023, as compared to $71.7 million in the first half of 2022.

Selling, Delivery and Administrative Expenses

SD&A expenses increased $76.0 million, or 9.7%, to $856.0 million in the first half of 2023, as compared to $780.0 million in the first half of 2022. SD&A expenses as a percentage of net sales decreased to 25.9% in the first half of 2023 from 26.0% in the first half of 2022. Of the increase in SD&A expenses, approximately $27 million was driven by an increase in labor costs, resulting from certain compensation and benefits adjustments made in 2022 to retain and reward our teammates in a challenging labor environment. In addition, approximately $25 million of the increase was attributable to higher transportation costs, including fuel and fleet repairs, as well as changes in our commodity hedge positions as compared to the first half of 2022. Approximately $9 million of the increase in SD&A expenses was driven by an increase in commitments to various charities and donor-advised funds in light of the Company's financial performance. The remaining increase in SD&A expenses was primarily driven by broad inflationary increases across a number of SD&A categories as compared to the first half of 2022.

Interest Expense, Net

Interest expense, net decreased $10.6 million, or 71.2%, to $4.3 million in the first half of 2023, as compared to $14.8 million in the first half of 2022. The decrease was primarily a result of an increase in interest income due to higher cash and cash equivalent balances and increased yields, as well as lower average debt balances, as compared to the first half of 2022.

Pension Plan Settlement Expense

During the first half of 2023, the Company recognized a non-cash charge of $39.8 million related to the partial termination of the Primary Plan, which was recorded as pension plan settlement expense in the condensed consolidated statement of operations. The charge related primarily to a reclassification of actuarial losses from accumulated other comprehensive loss. During the third quarter of 2023, the Company expects a non-cash charge of approximately $79 million related to the full termination of the

Primary Plan, which will also be recorded as pension plan settlement expense in the condensed consolidated statement of operations. As of June 30, 2023 and December 31, 2022, the gross actuarial losses included in accumulated other comprehensive loss associated with the Primary Plan were approximately $79 million and $117 million, respectively. See Note 17 to the condensed consolidated financial statements for additional information related to the Company's pension plans.

Other Expense, Net

Other expense, net increased $68.8 million to $71.7 million in the first half of 2023, as compared to $2.9 million in the first half of 2022. The increase in other expense, net was primarily driven by changes in the fair value of the acquisition related contingent consideration liability.

The change in the fair value of the acquisition related contingent consideration liability in the first half of 2023 as compared to the first half of 2022 was primarily driven by changes in the discount rate used to calculate fair value.

Income Tax Expense

The Company's effective income tax rate was 25.8% for the first half of 2023 and 25.9% for the first half of 2022. The Company's income tax expense increased $15.9 million, or 23.6%, to $83.5 million for the first half of 2023, as compared to $67.6 million for the first half of 2022. The increase in income tax expense was primarily attributable to higher income before taxes during the first half of 2023 compared to the first half of 2022.

Other Comprehensive Income, Net of Tax

Other comprehensive income, net of tax was $28.6 million in the first half of 2023 and $1.6 million in the first half of 2022. As noted in the discussion of pension plan settlement expense above, the Company recognized a significant non-cash charge during the second quarter of 2023 related to the partial termination of the Primary Plan. A corresponding benefit was recognized within other comprehensive income, net of tax due to the reclassification of certain previously recognized actuarial losses from accumulated other comprehensive loss. An additional non-cash charge is expected during the third quarter of 2023 related to the full termination of the Primary Plan. See Note 17 to the condensed consolidated financial statements for additional information related to the Company's pension plans.

<u>Segment Operating Results</u>

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

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

The Company's segment results are as follows:

(in thousands)	Second Quarter 2023	Second Quarter 2022	First Half 2023	First Half 2022
Net sales:				
Nonalcoholic Beverages	$ 1,714,862	$ 1,562,014	$ 3,260,274	$ 2,935,235
All Other	95,174	105,910	187,550	202,073
Eliminations[1]	(71,204)	(72,709)	(137,350)	(137,735)
Consolidated net sales	**$ 1,738,832**	**$ 1,595,215**	**$ 3,310,474**	**$ 2,999,573**
Income from operations:				
Nonalcoholic Beverages	$ 234,211	$ 144,012	$ 443,990	$ 278,570
All Other	(541)	3,281	(4,266)	(292)
Consolidated income from operations	**$ 233,670**	**$ 147,293**	**$ 439,724**	**$ 278,278**

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

Adjusted Results (Non-GAAP)

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

The following tables reconcile reported results (GAAP) to adjusted results (non-GAAP):

Second Quarter 2023 (in thousands, except per share data)	Gross profit	SD&A expenses	Income from operations	Income before taxes	Net income	Basic net income per share
Reported results (GAAP)	**$ 671,577**	**$ 437,907**	**$ 233,670**	**$ 164,752**	**$ 122,319**	**$ 13.05**
Fair value adjustment of acquisition related contingent consideration[1]	—	—	—	25,520	19,214	2.05
Fair value adjustments for commodity derivative instruments[2]	1,097	(224)	1,321	1,321	994	0.10
Supply chain optimization[3]	474	—	474	474	357	0.04
Pension plan settlement expense[4]	—	—	—	39,777	29,948	3.19
Total reconciling items	**1,571**	**(224)**	**1,795**	**67,092**	**50,513**	**5.38**
Adjusted results (non-GAAP)	**$ 673,148**	**$ 437,683**	**$ 235,465**	**$ 231,844**	**$ 172,832**	**$ 18.43**

Second Quarter 2022 (in thousands, except per share data)	Gross profit	SD&A expenses	Income from operations	Income before taxes	Net income	Basic net income per share
Reported results (GAAP)	**$ 550,659**	**$ 403,366**	**$ 147,293**	**$ 133,948**	**$ 99,562**	**$ 10.62**
Fair value adjustment of acquisition related contingent consideration[1]	—	—	—	4,021	3,028	0.32
Fair value adjustments for commodity derivative instruments[2]	13,663	998	12,665	12,665	9,536	1.02
Supply chain optimization[3]	84	(33)	117	117	88	0.01
Total reconciling items	**13,747**	**965**	**12,782**	**16,803**	**12,652**	**1.35**
Adjusted results (non-GAAP)	**$ 564,406**	**$ 404,331**	**$ 160,075**	**$ 150,751**	**$ 112,214**	**$ 11.97**

	First Half 2023					
(in thousands, except per share data)	**Gross profit**	**SD&A expenses**	**Income from operations**	**Income before taxes**	**Net income**	**Basic net income per share**
Reported results (GAAP)	**$ 1,295,683**	**$ 855,959**	**$ 439,724**	**$ 323,954**	**$ 240,446**	**$ 25.65**
Fair value adjustment of acquisition related contingent consideration(1)	—	—	—	67,174	50,575	5.40
Fair value adjustments for commodity derivative instruments(2)	1,492	(2,914)	4,406	4,406	3,317	0.35
Supply chain optimization(3)	823	—	823	823	620	0.07
Pension plan settlement expense(4)	—	—	—	39,777	29,948	3.19
Total reconciling items	**2,315**	**(2,914)**	**5,229**	**112,180**	**84,460**	**9.01**
Adjusted results (non-GAAP)	**$ 1,297,998**	**$ 853,045**	**$ 444,953**	**$ 436,134**	**$ 324,906**	**$ 34.66**

	First Half 2022					
(in thousands, except per share data)	**Gross profit**	**SD&A expenses**	**Income from operations**	**Income before taxes**	**Net income**	**Basic net income per share**
Reported results (GAAP)	**$ 1,058,235**	**$ 779,957**	**$ 278,278**	**$ 260,513**	**$ 192,952**	**$ 20.58**
Fair value adjustment of acquisition related contingent consideration(1)	—	—	—	(1,436)	(1,081)	(0.12)
Fair value adjustments for commodity derivative instruments(2)	6,169	7,223	(1,054)	(1,054)	(794)	(0.08)
Supply chain optimization(3)	89	(72)	161	161	121	0.01
Total reconciling items	**6,258**	**7,151**	**(893)**	**(2,329)**	**(1,754)**	**(0.19)**
Adjusted results (non-GAAP)	**$ 1,064,493**	**$ 787,108**	**$ 277,385**	**$ 258,184**	**$ 191,198**	**$ 20.39**

Following is an explanation of non-GAAP adjustments:

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

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

(3) Adjustment reflects expenses within the Nonalcoholic Beverages segment as the Company continues to optimize efficiency opportunities across its business.

(4) This non-cash settlement expense relates to the partial termination of the Primary Plan during the second quarter of 2023. Full termination of the Primary Plan is expected to occur in the third quarter of 2023.

Financial Condition

Total assets were $3.99 billion as of June 30, 2023, which was an increase of $285.0 million from December 31, 2022. Net working capital, defined as current assets less current liabilities, was $656.0 million as of June 30, 2023, which was an increase of $315.4 million from December 31, 2022.

Significant changes in net working capital as of June 30, 2023 as compared to December 31, 2022 were as follows:

- An increase in cash and cash equivalents of $232.5 million, primarily as a result of cash receipts relating to our strong operating performance.
- An increase in accounts receivable, trade of $71.7 million, driven primarily by increased net sales and the timing of cash receipts.
- An increase in accounts payable to The Coca-Cola Company of $32.1 million due to the timing of cash payments.
- An increase in other accrued liabilities of $27.8 million, primarily due to the reclassification of the liability related to the Primary Plan from non-current to current in anticipation of the full termination of the Primary Plan during the third quarter of 2023, as well as the increase in the current portion of the acquisition related contingent consideration liability.
- A decrease in accrued compensation of $49.1 million, primarily as a result of the timing of bonus and incentive payments in the first half of 2023.
- A decrease in dividends payable of $32.8 million, primarily as a result of the timing of dividend payments in the first half of 2023.

Liquidity and Capital Resources

The Company’s sources of capital include cash flows from operations, available credit facilities and the issuance of debt and equity securities. As of June 30, 2023, the Company had $430.2 million in cash and cash equivalents. The Company has obtained its long-term debt from public markets, private placements and bank facilities. Management believes the Company has sufficient sources of capital available to finance its business plan, meet its working capital requirements and maintain an appropriate level of capital spending for at least the next 12 months from the issuance of the condensed consolidated financial statements.

The Company’s long-term debt as of June 30, 2023 and December 31, 2022 was as follows:

(in thousands)	Maturity Date	June 30, 2023	December 31, 2022
Senior bonds and unamortized discount on senior bonds(1)	11/25/2025	$ 349,979	$ 349,974
Revolving credit facility(2)(3)	7/9/2026	—	—
Senior notes	10/10/2026	100,000	100,000
Senior notes	3/21/2030	150,000	150,000
Debt issuance costs		(987)	(1,157)
Total long-term debt		**$ 598,992**	**$ 598,817**

(1) The senior bonds due in 2025 were issued at 99.975% of par.
(2) The Company’s revolving credit facility has an aggregate maximum borrowing capacity of $500 million. The Company currently believes all banks participating in the revolving credit facility have the ability to and will meet any funding requests from the Company.
(3) During the first half of 2023, the Company amended its revolving credit facility to complete the transition of the interest rate index from the London InterBank Offered Rate (LIBOR) to the Secured Overnight Financing Rate (SOFR), as contemplated in the revolving credit facility.

The indenture under which the Company’s senior bonds were issued does not include financial covenants, but does limit the incurrence of certain liens and encumbrances as well as indebtedness by the Company’s subsidiaries in excess of certain amounts. The agreements under which the Company’s nonpublic debt was issued include two financial covenants: a consolidated cash flow/fixed charges ratio and a consolidated funded indebtedness/cash flow ratio, each as defined in the respective agreement. The Company was in compliance with these covenants as of June 30, 2023. These covenants have not restricted, and are not expected to restrict, the Company’s liquidity or capital resources.

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

The Company’s credit ratings are reviewed periodically by certain nationally recognized rating agencies. Changes in the Company’s operating results or financial position could result in changes in the Company’s credit ratings. Lower credit ratings could result in higher borrowing costs for the Company or reduced access to capital markets, which could have a material adverse impact on the Company’s operating results or financial position. As of June 30, 2023, the Company’s credit ratings and outlook for its long-term debt were as follows:

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

The Company’s Board of Directors has declared, and the Company has paid, dividends on the Common Stock and the Class B Common Stock and each class of common stock has participated equally in all dividends each quarter for more than 25 years. The amount and frequency of future dividends will be determined by the Company’s Board of Directors in light of the earnings and financial condition of the Company at such time, and no assurance can be given that dividends will be declared or paid in the future.

We review supplier terms and conditions on an ongoing basis, and have negotiated payment term extensions in recent years in connection with our efforts to improve cash flow and working capital. Separate from those term extension actions, the Company has an agreement with a third-party financial institution to facilitate a supply chain finance (“SCF”) program, which allows qualifying suppliers to sell their receivables from the Company to the financial institution in order to negotiate shorter payment terms on outstanding receivable arrangements. The Company’s obligations to its suppliers, including amounts due and scheduled payment terms, are not impacted by a supplier's participation in the SCF program. See Note 12 to the condensed consolidated financial statements for additional information related to the Company's SCF program.

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

	Second Quarter		First Half	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Beginning balance - Level 3 liability	**$ 576,446**	**$ 527,926**	**$ 541,491**	**$ 542,105**
Payments of acquisition related contingent consideration	(6,877)	(8,888)	(13,376)	(18,710)
Reclassification to current payables	(700)	(800)	(900)	300
Increase (decrease) in fair value	25,520	4,021	67,174	(1,436)
Ending balance - Level 3 liability	**$ 594,389**	**$ 522,259**	**$ 594,389**	**$ 522,259**

Cash Sources and Uses

A summary of cash-based activity is as follows:

	First Half	
(in thousands)	**2023**	**2022**
Cash Sources:		
Net cash provided by operating activities[1]	$ 383,338	$ 243,535
Proceeds from the sale of property, plant and equipment	267	5,255
Total cash sources	**$ 383,605**	**$ 248,790**
Cash Uses:		
Additions to property, plant and equipment	$ 92,893	$ 145,182
Payments of acquisition related contingent consideration	13,376	18,710
Cash dividends paid	37,495	4,687
Payments on financing lease obligations	1,130	1,904
Acquisition of distribution rights	—	30,149
Other	6,187	1,669
Total cash uses	**$ 151,081**	**$ 202,301**
Net increase in cash during period	**$ 232,524**	**$ 46,489**

(1) Net cash provided by operating activities included net income tax payments of $90.2 million in the first half of 2023 and $55.7 million in the first half of 2022.

Cash Flows From Operating Activities

During the first half of 2023, cash provided by operating activities was $383.3 million, which was an increase of $139.8 million as compared to the first half of 2022. The cash flows from operations reflected our strong operating performance and the timing of certain working capital payments and receipts.

Cash Flows From Investing Activities

During the first half of 2023, cash used in investing activities was $98.7 million, which was a decrease of $73.0 million as compared to the first half of 2022. The decrease was primarily a result of additions to property, plant and equipment, which were $92.9 million during the first half of 2023 and $145.2 million during the first half of 2022. CCBCC Operations, LLC, a wholly owned subsidiary of the Company, purchased the Snyder Production Center and an adjacent sales facility in Charlotte, North Carolina during the first half of 2022 for a purchase price of $60.0 million, which was included in additions to property, plant and equipment for that period. There were $23.4 million and $19.6 million of additions to property, plant and equipment accrued in accounts payable, trade as of June 30, 2023 and July 1, 2022, respectively.

The additions to property, plant and equipment reflect the Company's focus on optimizing its supply chain and investing for future growth. The Company anticipates additions to property, plant and equipment in 2023 to be in the range of $250 million to $300 million, with remaining anticipated expenditures in the second half of 2023 of approximately $160 million to $210 million.

The decrease in cash used in investing activities as compared to the first half of 2022 was also driven by the acquisition of $30.1 million of additional BODYARMOR distribution rights during the first half of 2022.

Cash Flows From Financing Activities

During the first half of 2023, cash used in financing activities was $52.2 million, which was an increase of $26.7 million as compared to the first half of 2022. The increase was primarily a result of dividend payments of $37.5 million during the first half of 2023 (which included a special cash dividend of $3.00 per share), as compared to $4.7 million during the first half of 2022.

The Company had cash payments for acquisition related contingent consideration of $13.4 million during the first half of 2023 and $18.7 million during the first half of 2022. For the next five years, the Company anticipates that the amount it could pay annually under the acquisition related contingent consideration arrangements for the distribution territories subject to acquisition related sub-bottling payments will be in the range of approximately $30 million to $60 million.

Hedging Activities

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

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

	Second Quarter		First Half	
(in thousands)	2023	2022	2023	2022
Increase in cost of sales	$ 1,928	$ 13,422	$ 2,984	$ 2,929
Increase (decrease) in SD&A expenses	1,692	(6,698)	5,629	(15,142)
Net impact	**$ 3,620**	**$ 6,724**	**$ 8,613**	**$ (12,213)**

Cautionary Note Regarding Forward-Looking Statements

Certain statements made in this report, or in other public filings, press releases, or other written or oral communications made by the Company, which are not historical facts, are forward-looking statements subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks and uncertainties which we expect will or may occur in the future and may impact our business, financial condition and results of operations. The words "anticipate," "believe," "expect," "intend," "project," "may," "will," "should," "could" and similar expressions are intended to identify those forward-looking statements. These forward-looking statements reflect the Company's best judgment based on current information, and, although we base these statements on circumstances that we believe to be reasonable when made, there can be no assurance that future events will not affect the accuracy of such forward-looking information. As such, the forward-looking statements are not guarantees of future performance, and actual results may vary materially from the projected results and expectations discussed in this report. Factors that might cause the Company's actual results to differ materially from those anticipated in forward-looking statements include, but are not limited to: increased costs (including due to inflation), disruption of supply or unavailability or shortages of raw materials, fuel and other supplies; the reliance on purchased finished products from external sources; changes in public and consumer perception and preferences, including concerns related to product safety and sustainability, artificial ingredients, brand reputation and obesity; the inability to attract and retain front-line employees in a tight labor market; changes in government regulations related to nonalcoholic beverages, including regulations related to obesity, public health, artificial ingredients and product safety and sustainability; decreases from historic levels of marketing funding support provided to us by The Coca-Cola Company and other beverage companies; material changes in the performance requirements for marketing funding support or our inability to meet such requirements; decreases from historic levels of advertising, marketing and product innovation spending by The Coca-Cola Company and other beverage companies, or advertising campaigns that are negatively perceived by the public; any failure of the several Coca-Cola system governance entities of which we are a participant to function efficiently or on our best behalf and any failure or delay of ours to receive anticipated benefits from these governance entities; provisions in our beverage distribution and manufacturing agreements with The Coca-Cola Company that could delay or prevent a change in control of us or a sale of our Coca-Cola distribution or manufacturing businesses; the concentration of our capital stock ownership; our inability to meet requirements under our beverage distribution and manufacturing agreements; changes in the inputs used to calculate our acquisition related contingent consideration liability; technology failures or cyberattacks on our technology systems or our effective response to technology failures or cyberattacks on our customers', suppliers' or other third parties' technology systems; unfavorable changes in the general economy; changes in our top customer relationships and marketing strategies; lower than expected net pricing of our products resulting from continued and increased customer and competitor consolidations and marketplace competition; the effect of changes in our level of debt, borrowing costs and credit ratings on our access to capital and credit markets, operating flexibility and ability to obtain additional financing to fund future needs; the failure to attract, train and retain qualified employees while controlling labor costs, and other labor issues; the failure to maintain productive relationships with our employees covered by collective bargaining agreements, including failing to renegotiate collective bargaining agreements; changes in accounting standards; our use of estimates and assumptions; changes in tax laws, disagreements with tax authorities or additional tax liabilities; changes in legal contingencies; natural disasters, changing weather patterns and unfavorable weather; climate change or legislative or regulatory responses to such change; the impact of the COVID-19 pandemic, any variants of the virus and any other similar pandemic or public health situation; and the risks discussed in "Item 1A. Risk Factors" of the Company's Annual Report on Form 10-K for 2022 and elsewhere in this report.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company is subject to interest rate risk on its revolving credit facility and did not have any outstanding borrowings on its revolving credit facility as of June 30, 2023. As such, assuming no changes in the Company's capital structure, if market interest rates average 1% more over the next 12 months than the interest rates as of June 30, 2023, there would be no change to interest expense for the next 12 months.

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

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

The Company is also subject to commodity price risk arising from price movements for certain commodities included as part of its raw materials. The Company manages this commodity price risk in some cases by entering into contracts with adjustable prices to hedge commodity purchases. The Company periodically uses commodity derivative instruments in the management of this risk. The Company estimates a 10% increase in the market prices of commodities included as part of its raw materials over the current market prices would cumulatively increase costs during the next 12 months by approximately $71 million assuming no change in volume.

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

The rate of inflation in the United States, as measured by year-over-year changes in the Consumer Price Index (the "CPI"), was 3.0% in June 2023, as compared to 6.5% in December 2022 and 7.0% in December 2021. Inflation in the prices of those commodities important to the Company's business is reflected in changes in the CPI, but commodity prices are volatile and in recent years have moved at a faster rate of change than the CPI.

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

Item 4. Controls and Procedures.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) pursuant to Rule 13a-15(b) of the Exchange Act. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2023.

There has been no change in the Company's internal control over financial reporting during the quarter ended June 30, 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

There have been no material changes in the Company's risk factors from those disclosed in "Item 1A. Risk Factors" of the Company's Annual Report on Form 10-K for 2022.

Item 5. Other Information.

Insider Trading Arrangements

During the quarter ended June 30, 2023, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408 of Regulation S-K).

Item 6. Exhibits.

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

SIGNATURES

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

COCA-COLA CONSOLIDATED, INC.
(REGISTRANT)

Date: August 2, 2023	By:	/s/ F. Scott Anthony
		F. Scott Anthony Executive Vice President and Chief Financial Officer (Principal Financial Officer of the Registrant)
Date: August 2, 2023	By:	/s/ Matthew J. Blickley
		Matthew J. Blickley Senior Vice President, Financial Planning and Chief Accounting Officer (Principal Accounting Officer of the Registrant)

Exhibit 3.3

CERTIFICATE OF AMENDMENT
TO
RESTATED CERTIFICATE OF INCORPORATION
OF
COCA-COLA CONSOLIDATED, INC.

Coca-Cola Consolidated, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify:

FIRST: The name of the Corporation is Coca-Cola Consolidated, Inc.

SECOND: This Certificate of Amendment to the Restated Certificate of Incorporation of the Corporation has been duly adopted by the Corporation in accordance with Section 242 of the General Corporation Law of the State of Delaware and the Restated Certificate of Incorporation of the Corporation.

THIRD: This Certificate of Amendment to the Restated Certificate of Incorporation of the Corporation has been duly approved by the required vote of the stockholders of the Corporation at the annual meeting of stockholders duly called and held on May 9, 2023, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware.

FOURTH: The Restated Certificate of Incorporation of the Corporation is hereby amended by deleting Article ELEVENTH thereof in its entirety and inserting the following as Article ELEVENTH in lieu thereof:

> "ELEVENTH. To the fullest extent permitted by the General Corporation Law of the State of Delaware, no director or officer of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director or officer, provided that such provision shall not eliminate or limit the liability of (a) a director or officer for any breach of the director's or officer's duty of loyalty to the Corporation or its stockholders, (b) a director or officer for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) a director under Section 174 of the General Corporation Law of the State of Delaware, (d) a director or officer for any transaction from which the director or officer derived an improper personal benefit or (e) an officer in any action by or in the right of the Corporation. If the General Corporation Law of the State of Delaware is hereafter amended to authorize corporate action further eliminating or limiting the liability of directors or officers, then the liability of a director or officer of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended. This Article ELEVENTH of this Restated Certificate of Incorporation shall not eliminate or limit the liability of a director or officer for any act or omission occurring prior to the date that it becomes effective. Any amendment to, modification of, or repeal of this Article ELEVENTH of this Restated Certificate of Incorporation by the stockholders of the Corporation shall not adversely affect any right or protection of a director or officer of the Corporation existing hereunder with respect to any act or omission of such director or officer occurring prior to such amendment, modification or repeal."

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IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed this 15th day of May, 2023.

COCA-COLA CONSOLIDATED, INC.

By: /s/ E. Beauregarde Fisher III
Name: E. Beauregarde Fisher III
Title: Executive Vice President,
General Counsel and Secretary

CERTIFICATION

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

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

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

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

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

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

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

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

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

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

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

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

Date: August 2, 2023

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

Exhibit 31.2

CERTIFICATION

I, F. Scott Anthony, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 2, 2023

/s/ F. Scott Anthony

F. Scott Anthony
Executive Vice President and Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of Coca-Cola Consolidated, Inc. (the “Company”) for the quarter ended June 30, 2023, as filed with the United States Securities and Exchange Commission on the date hereof (the “Report”), we, J. Frank Harrison, III, Chairman of the Board of Directors and Chief Executive Officer of the Company, and F. Scott Anthony, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ J. Frank Harrison, III

J. Frank Harrison, III
Chairman of the Board of Directors and
Chief Executive Officer
August 2, 2023

/s/ F. Scott Anthony

F. Scott Anthony
Executive Vice President and
Chief Financial Officer
August 2, 2023