BUSINESS: The Coca-Cola Company is the world's largest beverage company. Markets over 500 nonalcoholic beverage brands through a network of company-owned and independent bottlers, distributors, wholesalers, and retailers. Leading company brands include Coca-Cola, Diet Coke, Sprite, Fanta, Minute Maid, vitaminwater, Glacéau Smartwater, Costa Coffee, and more.

The Coca-Cola Company has been growing at a rate of more than 85% of its total revenues (likely to continue through 2019). The addition of Costa Limited and diminishing headwinds from currency headwinds will help improve in pricing/mix helping to lead the way. Meanwhile, productivity gains, particularly in North America and at the corporate level, will improve earnings and help improve profitability in underlying operating margins. For the full year, we continue to look for earnings to climb 10% to $2.10 a share.

The company has completed its acquisition of Costa Limited. That deal, which was announced last August, became final in early January, with Coke paying $3.9 billion (or $4.9 billion) to purchase the operator of coffee shops and self-service coffee machines. Costa generates sales of more than 85% of its total revenues (likely about $1.5 billion last year) in the United Kingdom, but Coke aims to use the brand as a platform for global growth in the broader, fast-growing coffee category. Before factoring in purchase accounting adjustments, the transaction ought to be slightly accretive to earnings this year. The company has also made a number of smaller deals to bolster its portfolio in areas such as sports performance and kombucha, though CEO James Quincey doesn't appear to be in any hurry to add cannabis-derived products to the mix. We look for earnings to advance 7% this year, to $2.25 a share. While the company won't provide 2019 guidance until December-quarter results are released next month, we are cautiously optimistic that the mid-single-digit advances in organic revenue growth can continue through 2019. (The addition of Costa Limited and diminishing headwinds from currency headwinds should bring a halt to the decline in reported revenues, as well.)

These shares have held their ground amid the recent downturn in the broader market. And this high-quality issue (Safety: 1, Highest) should continue to provide some downside protection in the event of further volatility in equity prices. However, total return potential to 2021-2023 is unexciting.

Robert M. Greene

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