

Green Mountain Shares Soar on Coke Deal

Published on Food Manufacturing (<http://www.foodmanufacturing.com>)

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NEW YORK (AP) — Shares of Green Mountain Coffee Roasters Inc. soared to their highest level in more than two years on Thursday after Coca-Cola announced it was buying a 10 percent stake in the company for \$1.25 billion.

The deal, announced Wednesday, will allow Coca-Cola Co. to bring its familiar brands to the fast-growing at-home market. While Green Mountain is known for its single-serve coffee makers, it is developing a machine for cold drinks as well.

Green Mountain's "Keurig Cold" machine is expected to roll out in the company's 2015 fiscal year, which begins this fall. The company says the machine will let people make sodas, sports drinks and other beverages with the touch of a button. Like its coffee machines, the cold machine would use pods to make a variety of drinks.

KeyBanc Capital Markets' Akshay Jagdale said in a client note that the deal should help transform Green Mountain from a single-serve coffee company to a global beverage growth company. The analyst also anticipates that costs for making "Keurig Cold" pods will likely be cheaper for Green Mountain because the ingredients are probably less expensive than those used to make its coffee pods.

Jagdale predicts the cold beverage business could add about \$3.47 per share to Green Mountain's earnings over the next three to five years and could more than double its earnings power long term.

The analyst increased the company's price target to \$150 from \$100 and kept a "Buy" rating.

Green Mountain's stock jumped \$24.12, or 29.8 percent, to \$104.95 in morning trading. The shares touched \$110.50 earlier in the session, the highest point since September 2011.

Joining the cold beverage at-home category will put Green Mountain in competition with SodaStream International Ltd. The Israeli company already makes at-home carbonation machines and is aggressively pushing to make them a fixture in U.S. households.

Wendy Nicholson of Citi Investment Research said that SodaStream may benefit from the Coca-Cola/Green Mountain deal. The analyst anticipates that SodaStream's machines will likely be considerably cheaper than Green Mountain's system. This could be appealing to cost-conscious consumers looking to buy an at-home beverage device.

Nicholson is also hoping that SodaStream signs a deal with Pepsico Inc., Dr. Pepper Snapple Group Inc. or Nestle/Nespresso "so that they too can offer premium/popular

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branded flavors to make with their machine."

In addition, the analyst notes that SodaStream gets about two-thirds of its profits from Europe, a region that Green Mountain barely has a presence in.

"Of course Coca-Cola can help hasten Green Mountain's entry into Europe, but in all practical terms, Europe should still be a good business for SodaStream for years to come," Nicholson wrote.

Shares of SodaStream gained \$2.70, or 7.5 percent, to \$38.49.

Source URL (retrieved on 01/27/2015 - 6:59pm):

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