Dr Pepper Snapple Rating Lowered on Struggling Soda Sales

NEW YORK (AP) — Shares of Dr Pepper Snapple Group Inc. declined Tuesday as an analyst lowered her rating on the beverage company, saying she believes it is overexposed to the U.S. carbonated soft drink category.

Like other soft drink companies, Dr Pepper Snapple [1] has been dealing with Americans cutting back on both regular soda and diet soda. In February the company announced plans to test versions of its Dr Pepper, 7Up and Canada Dry sodas this year that have about 60 calories a can with only naturally derived sweeteners. That's less than half the 150 calories in a can of regular Dr Pepper, but more than the 0 calories in the diet version.

Soft drink companies have been contending with a yearslong decline in U.S. soda consumption [2], as some consumers have become concerned about artificial sweeteners and ingredients that they feel aren't natural.

Bonnie Herzog of Wells Fargo cut Dr Pepper Snapple to "Underperform" from "Market Perform." In a client note, the analyst said that Dr Pepper Snapple is starting to see increasing revenue softness as it continues to lose share in the carbonated soft drink segment.

When the Plano, Texas, company reported its fourth-quarter results in February, its revenue declined to $1.46 billion and missed analysts' expectations. Dr Pepper Snapple also said that sales volume for packaged beverages fell 2 percent for both carbonated drinks and non-carbonated drinks during the period.

Herzog said she thinks Dr Pepper Snapple's second-tier brands such as Crush and Squirt are more susceptible to losing shelf space to new independent brands over time than Coca-Cola or PepsiCo because it has more second-tier brand exposure than its rivals.

Dr Pepper Snapple's stock fell $2.08, or 3.9 percent, to $51.60 in afternoon trading. The shares are up 10 percent for the year to date.

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