The Coca-Cola Company—has greater control of its North American beverage business, having recently acquired key bottling assets from global distribution partner Coca-Cola Enterprises (CCE). Under the deal, Coke took ownership of a bottling and direct-store distribution network that spans 46 U.S. states and Canada. In return, it ceded its 34% equity stake in CCE (valued at approximately $3.4 billion) and assumed nearly $9 billion of that company's debt load. Concurrently, CCE also bought Coke's bottling operations in Norway and Sweden for $822 million, including a majority interest in Coke's German beverage business, securing the right to acquire a majority share in that company's debt load. Concurrently, CCE also bought Coke's bottling operations in Norway and Sweden for $822 million, including a majority interest in Coke's German beverage business, securing the right to acquire a majority share in that company's debt load. Concurrently, CCE also bought Coke's bottling operations in Norway and Sweden for $822 million, including a majority share in that company's debt load.

The deal is expected to yield approximately $350 million in annual cost savings and revenue synergies by 2014. It should add to Coke's earnings (by a few cents a share), starting in 2012. One-time integration costs are expected to approach $450 million.

BUSINESS: The Coca-Cola Company is the world's largest beverage company. It distributes major brands (Coca-Cola, diet Coke, Sprite, Fanta, Minute Maid, Powerade, Full Throttle, Powerade, Minute Maid) in more than 200 countries. In addition, it has a majority interest in Coke's German beverage business, securing the right to acquire a majority share in that company's debt load. Concurrently, CCE also bought Coke's bottling operations in Norway and Sweden for $822 million, including a majority share in that company's debt load.

In China and India, for example, per-capita consumption (PCC) of Coke products is modest, at just 20 or so individual servings a year. Comparatively, annual PCC in Mexico is upward of 660.

We look for Coca-Cola to be active on the share-buyback front, now that it has reined in the CCE deal. Indeed, management is hopeful to repurchase approximately $2 billion worth of stock in just the fourth quarter alone. Strong recurring cash flow should enable additional buybacks, as well as dividend hikes, over the pull to 2013-2015.

There are risks here. Soft drink companies are under increased fire by some consumer groups for selling empty calories and contributing to the growing obesity problem in developed markets. Coca-Cola shares are ranked 3 (Average) for year-ahead relative price performance. At the current quotation, they are trading at 18.80, a premium of 5.4% to the S&P 500.

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