

Currency Woes May Hurt Beverage Makers

PORTLAND, Ore. (AP) — Pressure on beverage makers is intensifying because of the tough economy in Europe and the dollar's increasing strength against the euro, Citi analyst Wendy Nicholson said Wednesday.

THE OPINION: Consumers in Europe are likely to continue to keep sales at a sluggish pace for beverage makers, Nicholson wrote in a research note.

There have been conflicting reports from grocers as to the consumer spending environment, with some seeing an improvement and others still seeing soft sales. Nicholson said that this uncertainty, along with recent consumption taxes and the dollar's increasing strength against the euro could pose a challenge for beverage companies that have a large presence in Europe such as Coca-Cola Co., PepsiCo Inc. and Coca-Cola Enterprises Inc.

When the dollar strengthens against the euro, sales made in euros translate back into fewer dollars for U.S. companies.

And while the British pound has been relatively more resilient than the euro, it still remains weak and the tough economy a challenge for companies trying to appeal to weary consumers there.

Coca-Cola Enterprises is at the highest risk, having all of its business in Europe and the U.K. Coca-Cola has about 23 percent of its sales coming from there and PepsiCo has about 15 percent.

THE STOCK: Nicholson lowered her earnings estimate on Coca-Cola to \$4.15 from \$4.20 for the 2012 fiscal year and \$4.56 from \$4.61 for the 2013 fiscal year and adjusted her target price to \$78 from \$77 as she added 2013 estimates to her calculations. Shares of Coca-Cola rose 20 cents to \$67.55 in early afternoon trading.

Nicholson also lowered her earnings estimate on PepsiCo to \$4.65 from \$4.75 for the 2012 fiscal year and \$5 from \$5.14 for the 2013 fiscal year and adjusted her target price to \$70 from \$66. Shares of PepsiCo rose 31 cents to \$64.96.

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