INVESTOR'S EDGE

Coca-Cola Consolidated has proven to be a steady earner

The bottling, distribution arm is up an explosive more than 450% over the last five years.

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Guest Columnist

"When I go to bed at night, I know the people of the world are going to wake up thirsty."
— *Warren Buffett*

In January, I recommended readers "get small" and increase their exposure to small and mid-cap equities — segments of the stock market that have underperformed during the recent dominance of mega-cap technology companies.

And I have been right, as small and mid-cap stocks are up 6% and 5% respectively to start 2026, well ahead of the S&P 500 Index, which is up less than 1%.

For those who don't know, small-cap stocks are publicly traded companies with a market cap of $2 billion or less.

Mid-cap stocks can range from $2 billion to $10 billion, although in the era of multi-trillion-dollar mega-cap technology stocks, this criterion likely needs an upward revision.

While I believe most investors should continue to obtain their small/mid-cap equity exposure through exchange traded funds, there is one outstanding mid-cap stock that you can buy and hold forever: Coca-Cola Consolidated.

Though you'd be right to pause at this, and while it shares a similar name and logo, Coca-Cola Consolidated or "Coke" is its own publicly traded company. While the large-cap Coca-Cola Company (ticker symbol: KO) we all know focuses on creating the formulas and marketing their brands, Coca-Cola Consolidated (ticker symbol: COKE) focuses on physical bottling and distribution and is the country's largest independent bottler of Coca-Cola products.

Headquartered in Charlotte, North Carolina, Coca-Cola Consolidated purchases concentrate, syrup and "secret" formula rights from The Coca-Cola Company and then distributes the finished beverages directly to grocery chains, convenience stores, gas stations and restaurants. This includes almost all the Coca-Cola brands including Diet Coke, Sprite, Dasani, Powerade, etc. The company also does distribution for other brands like Dr. Pepper and Monster Energy.

In total, Coca-Cola Consolidated operates across 14 states in the southeastern and midwestern U.S., distributing more than 300 brands and serving more than 65 million customers.

Coca-Cola Consolidated's stock has fizzed steadily upward — pun intended — rising an explosive more than 450% over the last five years, compared with the S&P 500 Index up 80% and Coca-Cola (KO) up 50%.

While bottle distribution is not a glamorous business, Coca-Cola Consolidated's backing by one of the world's most recognizable brands has given it an essential role in the beverage ecosystem. The company's own "secret formula" is straightforward: It operates under exclusive, long-term territorial agreements with the Coca-Cola Company, granting Coca-Cola Consolidated protected distribution rights and effectively eliminating competition. This gives Coca-Cola Consolidated unique leverage over pricing, cost control and capital investment decisions.

It has turned Coca-Cola Consolidated into a profit machine. Not only does the company command industry leading operating margins of 13%, but it has grown its earnings per share by a whopping 400% in just the last five years.

Not surprisingly, the company's stock is essentially up the same amount. As I have repeatedly stated in this column before, earnings drive stock prices.

Since the pandemic, the company has spent close to $1 billion in capital improvements, including upgrades to production lines, warehouse expansions and automation initiatives. Last year, Coca-Cola Consolidated opened a new, 400,000 square foot distribution facility in Columbus, Ohio, reflecting the company's expansion outside of its traditional southeastern U.S. foothold.

In recent years, Coca-Cola Consolidated has emphasized shareholder-friendly policies, returning more than $2 billion to investors via stock buybacks and, after many years of a flat $0.10 dividend per share, has risen to $1 per share at the time of this writing. After reaching more than $1,140 per share, Coca-Cola Consolidated completed a 10 for 1 split last summer and now sells for about $150 per share.

Last year, Coca-Cola Consolidated was named one of America's Greatest Workplaces for Parents & Families by Newsweek and has been routinely recognized as a top regional employer for its more than 17,000 employees. The company's motto, "to serve others, to pursue excellence and to grow profitably," has clearly paid off for both shareholders and employees alike.

Coca-Cola Consolidated is a smaller, growth business operating in a resilient industry, with protected market share, strong cash flow and a shareholder-friendly management team. It's certainly a unique combination for a company with a modest market cap of just under $10 billion. I could easily see Coca-Cola Consolidated moving up from around $10 billion in market value to $30-40 billion over the next five to seven years.

That would be one hell of an investment.

While it may not grab headlines like the Magnificent Seven tech stocks, it offers exactly what this next phase of this bull market may reward most: quality, discipline and durable compounding.

So, while soda might not be good for you, owning Coca-Cola Consolidated shares will be sweet for your portfolio. Drink up.

Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Contact him at jburns@jwburns.com