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# Starbucks Is the New Coca-Cola of Consumer Stocks

Starbucks has become like Coca-Cola, a reliable value play, a representation of the American ideal



**Starbucks** (NASDAQ:[SBUX](#)) is no longer a stock to trade. Starbucks stock is a stock that aging investors can buy and hold, letting time work its magic.

Despite volatility caused by COVID-19, Starbucks in 2020 is delivering the kind of slow, steady returns investors buy it for. Shares are up only 8% per year over the last five, but the dividend has doubled. It will grow another 10% next month, [to 46 cents per share.](#)

Starbucks is becoming like another reliable consumer stock, **Coca-Cola** (NYSE:[KO](#)), only with an even better return. That's why it's the new Coca-Cola.

## How Starbucks Stock Got Here

Starbucks is now almost 50 years old, four years older than **Microsoft** (NASDAQ:[MSFT](#)).

Its [Robert Woodruff](#) is [Howard Schultz](#), who only made one big mistake in his life, thinking he should become President of the United States. (Two if you count his sale of the Seattle Supersonics to Oklahoman Clay Bennett.)

Schultz wasn't Starbucks' founder (Woodruff didn't found Coca-Cola) but he got the company through its toughest crises. He famously stepped down in 2000, then returned in 2008 during the economic crisis, and got Starbucks through it. He created the corporate culture, he made the company a leader in automation, he started its move into China.

The company Kevin Johnson, who was once with Microsoft, now runs doesn't need to be saved or transformed, just managed. Things are so smooth the man who succeeded Schultz as board chairman, Mike Ullman, formerly ran **J.C. Penney** (OTCMKTS:[JCPNQ](#)). (What happened later was not his fault.)

## Starbucks as Icon

Starbucks today is an American icon, again like Coke. It's reliable, you know what it's about. For Chinese consumers it's a positive representation of America, as Coke was for generations. Good coffee, a comfy chair, a feeling of peace, lots of sugar.

Until the pandemic, this was delivering sales that grew about 10% per year, a reliable stream of earnings. The dividend announcement is important. It represents management's certainty that those good old days can return, after the Trump trade war with its largest market and the virus.

A Starbucks takes the local business temperature. When a new one opens, as in Bayonne, New Jersey, it can still be [celebrated](#). Where one closes, as in Santa Monica, it's [mourned](#). Even overseas announcements are watched [closely as a sign of the local business climate](#).

Starbucks' credibility lets it, in essence, borrow money from its customers, who [pre-pay for drinks](#) with the mobile app. It's a social barometer, so its [test of a vegan sandwich is news](#).

Shares open for trade Oct. 22 at \$88, a market cap of \$103 billion and what looks like an absurd price-earnings ratio of 78x. But that includes the pandemic. Sales for the June quarter fell to \$4.2 billion, and there was a loss of 46 cents per share fully diluted. September quarter results, due Oct. 29, should represent a return to normal, earnings of 32 cents per share and [revenue of \\$6 billion](#). December should be even better.

## The Bottom Line

Our Mark Hake recently wrote that Starbucks could rise 20% after earnings, [assuming it meets analyst expectations](#), especially on same store sales.

You can buy it here, or you can gamble that it slightly misses the mark and buy it later. Either way know what you're buying, a steady dividend payer, a slow growth representation of the American ideal.

That's what Coke was. When the company went public in 1919 a man who shined shoes was heard to say, "That Wall Street done moved to Peachtree." Today the NYSE is owned by an Atlanta company, **Intercontinental Exchange** (NYSE:[ICE](#)).

I'm not saying your grandchildren will see the same results, but when they see Starbucks shares in your estate after you're gone, I think they'll smile.