



Why Cott Corporation Shares Plunged Today

Description

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of soft-drink specialist **Cott Corporation** (TSX: BCB) sank 11% today after its quarterly results disappointed Bay Street.

So what: The stock has been sluggish in recent months on concerns over softness in the carbonated soft drink market, and today's Q1 results — adjusted net loss of \$2.5 million a revenue decline of 6% — only reinforce those worries. In fact, total volume for the quarter declined 5% in actual cases and 8% in 8oz equivalent cases, while its gross margin declined 60 basis points, suggesting that Cott's competitive position is rapidly weakening as well.

Now what: Management remains optimistic about its prospects going forward. "While the quarter was challenging as expected, we continued to focus on cash generation and contract manufacturing growth, both of which performed well during the quarter," said CEO Jerry Fowden. "Having now achieved our debt reduction targets, we plan to accelerate the diversification of our business via acquisitions in both beverage and beverage adjacencies, as well as increase our return of funds to shareholders over the next 12 months."

When you couple Cott's *still*-shaky financial position with its questionable competitive moat, I'd wait for an even wider margin of safety before buying into that bullishness.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:PRMW (Primo Water)

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