# Can Cott Corporation Regain its Fizz?

## Description

**Cott Corporation** (TSX:BCB)(NYSE:COT) is a private supplier of soft drinks to Canada, America, Mexico, Europe and the U.K. You've probably never heard of many of the company's products, including Red Rooster, MacB, Blue Charge, Cott's 24, or RC Cola. These are relatively unknown names compared to the major players in the soda industry, so there isn't really a moat present.



But the stock is starting to look cheap, and deep-value investors might want to consider picking up shares on the weakness. The stock has pulled back a whopping 36.4% from peak to trough, but it has since started to recover in March. Can Cott regain its fizz? Or has it gone completely flat?

**Smart acquisitions will steer Cott in the right direction**

Consumers are opting for healthier alternatives because sugary sodas are simply bad for your health and offer little to no nutritional value. Soda has been on the decline, but the management team at Cott has been making the effort to move into healthier alternatives to diversify its product portfolio. Last year the company acquired Eden Springs, an international supplier of water and coffee solutions to workplaces, and S&D Coffee, an American coffee and tea solutions provider.

Both of these moves will steer Cott on the right track as the company looks to diversify away from sugary sodas. Going forward, we can expect the management team to make more acquisitions to further lower the company's reliance of carbonated soft drinks.

**Could debt be an issue?**

The company also has a considerable debt load which may be a cause for concern. There's US$2 billion worth of debt piled up, and interest payments are going to start to add up unless the company can boost its free cash flow. Cott can easily make the interest payments, but it's going to be a thorn in its side if it can't boost profits.

Currently, the company is making a loss, so debt isn't being covered by earnings. If the management team can boost operational efficiency and integrate its acquisitions in an effective manner, then I think the company can make its balance sheet great again in time.

**Valuation**

The stock is pretty cheap right now at a 1.9 price-to-book multiple and a 0.5 price-to-sales multiple. I think the company has what it takes to turn things around, but this will not happen overnight. If you're a deep-value investor with a long-term horizon that's looking for a bargain, then you might want to consider buying a small chunk of Cott now and on any further declines that we may see this year.

**CATEGORY**

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