



3 Hot Stocks for Coffee Lovers to Consider

Description

Very few consumer products are timeless. But most will agree that coffee passes this test. Originating in the middle east, coffee was first discovered over 1,000 years back. Today, more than a billion people drink the beverage globally, and it is a multi-trillion-dollar market.

As an investor, you want to identify companies that are part of thriving sectors, and coffee stocks are compelling bets. The demand for coffee is expected to remain steady in the future, and companies operating in this space might also be considered recession resistant.

So, let's take a look at three hot stocks coffee lovers can consider right now.

Starbucks

The undisputed coffee king, **Starbucks** ([NASDAQ:SBUX](#)) is valued at [a market cap](#) of US\$100 billion. While SBUX stock is down 32% from all-time highs, it has surged over 335% in the last 10 years after adjusting for dividends.

In the last decade, Starbucks has grown its top line by 9.5% annually. Now, the beverage giant aims to target revenue growth between 10% and 12% each year.

Starbucks is a popular brand globally, allowing it to enjoy pricing power and tide over the current environment, which is inflationary.

SBUX stock is priced at 30 times forward earnings. Comparatively, it should expand its adjusted earnings by 12% annually between 2022 and 2026. The company also offers investors a tasty dividend yield of 2.4%.

Dutch Bros.

One of the fastest-growing coffee chains in the United States, **Dutch Bros.** ([NYSE:BROS](#)) has

increased revenue from US\$238 million in 2019 to US\$498 million in 2021. Analysts expect sales to touch US\$964 million in 2023.

Compared to Starbucks, Dutch Bros is quite small and is valued at a market cap of US\$5 billion. But it already has 600 outlets in 14 states with plans to open 65 more stores in the second half of 2022. In the next 15 years, Dutch Bros. expects to increase its store count to 4,000, making it one of the most enticing coffee stocks right now.

In the second quarter (Q2) of 2022, Dutch Bros. increased sales by 44% year over year to US\$186 million due to its aggressive store expansion. But net losses stood at US\$1.8 million, compared to a net income of US\$12 million in the year-ago period due to a higher cost base and IPO (initial public offering) related expenses.

In the long term, Dutch Bros should benefit from economies of scale and report consistent profits. The company may also expand in international markets, unlocking massive revenue growth potential in the process.

BROS stock is down almost 60% from all-time highs and is trading at a discount of more than 50% compared to consensus price target estimates.

Black Rifle Coffee Company

The final stock on my list is **Black Rifle Coffee Company** ([NYSE:BRCC](#)), which went public via a SPAC (special purpose acquisition company) merger in early 2022. Black Rifle has focused its branding towards a particular subset of customers that are military veterans. It aims “to serve premium coffee and content to active military, veterans, first responders, and those who love America.”

Due to its off-beat branding, BRC has managed to increase sales from US\$82 million in 2019 to US\$233 million in 2021. Analysts now expect sales to touch US\$500 million in 2024.

In addition to selling coffee, BRC positions itself as a media entity and a lifestyle brand. It publishes a magazine with a conservative take on political issues. BRC also runs a blog and a social media handle that help it to sell branded merchandise, which accounts for 12% of total sales.

A small-cap company, BRCC stock is trading at a discount of 150% to consensus price target estimates.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:SBUX (Starbucks Corporation)
2. NYSE:BRCC (BRC)
3. NYSE:BROS (Dutch Bros Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
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Author

araghunath

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