

BARRON'S

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Can We Talk?

By MICHAEL SANTOLI

Excerpt

FEW BIG AMERICAN STOCKS have been so directly shackled to the European financial stresses and attendant pressure on the Euro as has Coca-Cola Enterprises (CCE).

Leading Coke bottler CCE is in the process of selling its North American bottling operations to Coke for \$13 billion, after which CCE will buy the bottlers in Norway and Sweden and become entirely focused on the U.K and Continental Europe.

Yet the dip in the shares to 25.92 from an April high near 29 seems to more than account for the currency headwind, which the company estimates will shave 10 cents a share from 2010 earnings. The company is still anticipating 10% to 12% 2010 earnings growth; the Street now pegs this year's EPS at \$1.71. Given the sturdy fundamentals, modest valuation and a deal closing late this year, the stock offers good value here.

The terms of the sale dictate that CCE will pay shareholders a \$10 per share special dividend, meaning the effective market-implied value of the business is about \$16.

Mark Minichiello of QCA Capital Management, a deep-value-oriented firm in Los Angeles, figures the new CCE is worth \$22 a share, based on a reasonable multiple of the company's Ebitda, implying a \$32 value for the shares including the dividend.

Chairman and CEO John Brock also apparently sees value, having picked up several thousand shares this month at \$25.85.