1 Blue-Chip Stock to Buy Now and Never Sell

Blue-chip stock, The Coca-Cola Company (KO), presents a strong long-term investment case, given its strong fundamentals, reliable dividends, favorable analyst estimates, high profitability, and strong past growth. Therefore, it could be wise to buy this stock and never sell it. Read more….

The stock market is expected to go through further volatility in the upcoming months as the Fed looks to keep raising interest rates beyond what was previously anticipated. However, the expected volatility should not deter investors from long-term investments. I think The Coca-Cola Company (KO), widely popular for its beverages, is the blue-chip stock to buy now for the long haul for reasons explained in this piece.

KO has been an investor favorite, creating incredible wealth over the past few decades. KO's non-alcoholic beverages, snacks, and other edible items have reached the globe's farthest corners. Famous investor Warren Buffett has owned the stock for over 30 years and said he would never sell it. With renewed recession fears following Federal Reserve Chairman Jerome Powell's statement that interest rates will likely head higher than previously expected by policymakers, KO could be the stock to consider, given its defensive nature.

Despite the macroeconomic challenges, KO beat analysts' fourth-quarter earnings and revenue estimates. Its earnings were 0.3% above the analyst estimates, while its revenue beat the consensus estimate by 2.8%.

For fiscal 2023, the company expects organic revenue to grow between 7% and 8%. It expects non-GAAP comparable currency-neutral EPS growth of 7% to 9% and non-GAAP comparable EPS

growth of between 4% and 5%.

Also, KO expects to generate a non-GAAP free cash flow of approximately $9.50 billion through cash flow from operations of approximately $11.40 billion.

KO has been a dependable dividend payer over the past few decades. KO is expected to pay a dividend of 46 cents to shareholders on April 3, 2023. It has increased its dividend for 62 consecutive years. Its annual dividend of $1.84 yields 3.09% on the current share price. The company's dividend payouts have increased at a 3.2% CAGR over the past three years and a 3.5% CAGR over the past five years.

The stock has declined 6.5% in price year-to-date and gained 0.9% over the past year to close the last trading session at $59.46.

Here's what could influence KO's performance in the upcoming months:

Robust Financials

KO's non-GAAP net operating revenues increased 7.7% year-over-year to $10.20 billion for the fourth quarter ended December 31, 2022. Its non-GAAP gross profit increased 6% year-over-year to $5.76 billion. The company's non-GAAP operating income increased 10.9% from the prior-year quarter to $2.32 billion. Its non-GAAP net income and non-GAAP EPS came in at $1.94 billion and $0.45, respectively.

For the fiscal year ended December 31, 2022, KO's net operating revenues increased 11% year-over-year to $43 billion. Its non-GAAP gross profit increased 8.5% from the prior-year period to $25.23 billion. The company's non-GAAP operating income rose 11.1% year-over-year to $12.35 billion. In addition, its non-GAAP net income increased 7.1% year-over-year to $10.80 billion. Also, its non-GAAP EPS came in at $2.48, representing an increase of 6.9% year-over-year.

Favorable Analyst Estimates

Analysts expect KO's EPS for fiscal 2023 and 2024 to increase 4.7% and 7.6% year-over-year to $2.60 and $2.79, respectively. Its revenue for fiscal 2023 and 2024 is expected to increase 4.1% and 5.2% year-over-year to $44.80 billion and $47.15 billion, respectively.

Solid Historical Growth

KO's revenue grew at a CAGR of 4.9% over the past three years. Its EBIT grew at a CAGR of 4.8% over the past three years. In addition, its net income grew at a CAGR of 2.3% in the same time frame.

High Profitability

In terms of the trailing-12-month gross profit margin, KO's 58.14% is 82.3% higher than the 31.89% industry average. Likewise, its 31.42% trailing-12-month EBITDA margin is 169.9% higher than the industry average of 11.64%. Furthermore, the stock's 28.49% trailing-12-month EBIT margin is 255.6% higher than the industry average of 8.01%.

POWR Ratings Show Promise

KO has an overall rating of B, equating to a Buy in our POWR Ratings system. The POWR Ratings are calculated by considering 118 different factors, each weighted to an optimal degree.

Our proprietary rating system also evaluates each stock based on eight distinct categories. KO has a B grade for Quality, consistent with its high profitability.

It has a B grade for Sentiment, in sync with favorable analyst estimates. Its 0.54 beta justifies its B grade for Stability.

KO is ranked #17 out of 37 stocks in the B-rated Beverages industry. Click here to access KO's ratings for Growth, Value, and Momentum.

Bottom Line

KO's impressive product portfolio and global brand recognition help it generate stable revenues, making it the stock to buy for all business cycles. Moreover, the blue-chip stock's impressive dividend history substantiates its financial strength. Despite the macroeconomic uncertainties, KO has guided strong growth in revenue and earnings for fiscal 2023.

Given its robust financials, high profitability, solid historical growth, favorable analyst estimates, and reliable dividends, this blue-chip stock could be a solid long-term investment.

How Does The Coca-Cola Company (KO) Stack up Against Its Peers?

KO has an overall POWR Rating of B, equating to a Buy rating. You might want to consider investing in the following Beverages stocks with an A (Strong Buy) or B (Buy) rating: Embotelladora Andina S.A. (AKO.B), Kirin Holdings Company, Limited (KNBWY), and Carlsberg A/S (CABGY).

Consider This Before Placing Your Next Trade…

We are still in the midst of a bear market.

Yes, some special stocks may go up. But most will tumble as the bear market claws ever lower.

That is why you need to discover the brand new "*Stock Trading Plan for 2023*" created by 40-year investment veteran Steve Reitmeister. There he explains:

- Why it's still a bear market
- How low stocks will go
- 9 simple trades to profit on the way down
- Bonus: 2 trades with 100%+ upside when the bull market returns

You owe it to yourself to watch this timely presentation before placing your next trade.

Stock Trading Plan for 2023 >

KO shares fell $0.10 (-0.17%) in premarket trading Friday. Year-to-date, KO has declined -6.52%, versus a 2.39% rise in the benchmark S&P 500 index during the same period.

About the Author: Dipanjan Banchur



Since he was in grade school, Dipanjan was interested in the stock market. This led to him obtaining a master’s degree in Finance and Accounting. Currently, as an investment analyst and financial journalist, Dipanjan has a strong interest in reading and analyzing emerging trends in financial markets.

More…

The post **1 Blue-Chip Stock to Buy Now and Never Sell** appeared first on **StockNews.com**

https://www.entrepreneur.com/finance/1-blue-chip-stock-to-buy-now-and-never-sell/447360