



BY GENE G. MARCIAL

**MCDONALD'S WILL BE SERVING COFFEE FROM GREEN MOUNTAIN.**

**FEDERAL REALTY'S LOCATIONS MAKE IT A "BEST-IN-CLASS REIT."**

**CARRYING COAL AND IRON TO BOOMING ASIA: GENCO SHIPPING.**

## Green Mountain: Perking

**A**LTHOUGH COFFEE IS A tough business, investors have awakened to the stock of specialty producer Green Mountain Coffee Roasters (GMCR). Its shares have boiled from 30 in May to 39 on Nov. 22. The big reason: GMCR's focus on organic coffee for consumers eager for chemical-free food has paid off. On Oct. 27, McDonald's signed a pact for GMCR to supply (Paul) Newman's Own Organic coffee to 650 Mickey D eateries in the Northeast (page 16). On that day, GMCR's stock popped from 36 to 42. The stock is still a buy and should hit 52 in a year, says Joseph Phillips of Redwood Technimentals Research, thanks to its solid prospects for long-term growth and increased margins. GMCR produces more than 100 varieties of coffee and sells to supermarkets, convenience stores, and food-service and office distributors. It also sells by mail and online—its smallest but fastest-growing market. In its recent quarter, direct consumer sales jumped by more than 60% in dollar terms and 70% in pounds shipped. Scott Van Winkle of investment firm Adams Harkness tags its client GMCR a "buy" and calls the McDonald's deal "a huge win." Although he expects the setup will pull in just \$5 million to \$10 million in 2006, it could ultimately become a "much larger opportunity beyond the 650 restaurants," says Van Winkle. He expects GMCR to earn \$1.18 a share on sales of \$172 million in calendar 2005 and \$1.33 on \$212 million in 2006, up from \$1.01 on \$144 million in 2004.



## Bustling Malls Pay Off For Federal Realty

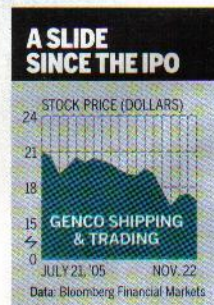
**W**ITH FEARS ESCALATING THAT the housing party is over, investors are bailing out of real estate plays. But Lisa Kaufman, managing director at LaSalle Investment Management, remains upbeat on Federal Realty Investment Trust (FRT), which develops, manages, and owns shopping centers on the East and West Coasts. Federal's stock, of which LaSalle owns 3.5%, has been rising in spite of the plunge in other housing stocks and most REITs. Federal's stock raced from 55 in mid-May to 65 on Nov. 22. Kaufman says its properties have the highest-quality values in its peer

group. They are in such places as Santa Monica and San Jose, Calif., and the fast-growing, high-density, upper-income Virginia suburbs of Washington. Philip Martin of investment outfit Stifel Nicolaus expects Federal to earn \$3.04 a share in 2005 and \$3.31 in 2006, up from 2004's \$2.85. Martin calls Federal a "best-in-class REIT" that deserves a "premium valuation." He sees it at 72 in a year.



## Genco Ships Are Steaming Ahead

**N**OT MANY INVESTORS HAVE dry bulk tankers in their sights, but they offer wide-open opportunities, argues Magnus Fyhr of investment bank Jefferies Group. He rates Genco Shipping & Trading (GSTL) a buy—calling it a pure play in shipping steel, coal, and grain. Genco, which Jefferies and Morgan Stanley took public on July 5 at 21, is now at 17. The stock has become a better bargain, says Fyhr, as shipping volume has been growing rapidly. And charter rates have doubled since early August, he notes. The reason: the industrial boom in Asia. Chinese steel output in 2005 jumped 25%, to some 345 million tons, figures Fyhr. And Chinese iron ore imports this year are up 32%. Japan is also in the action, he says, with its imports from Brazil up more than 20%. Also increasing are coal imports to India. Fyhr has a 12-month stock price target for Genco of 28, based on his 2005 earnings forecast of \$3.18 a share on sales of \$95.1 million, and \$3 (caused by an increase in the number of shares since its IPO) on sales of \$106 million for 2006. Sumit Mathai of Kayne Anderson Capital Advisors, which owns shares, likes Genco's growth strategy of buying ships by using debt and paying it down from free-cash flow. Genco's debt, says Mathai, is well below the average of its peers. ■



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