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Coca-Cola Considers £2bn Sale of Costa Coffee Chain.

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– *Categories: Breaking News*

American beverage giant Coca-Cola is reportedly exploring the potential sale of Costa Coffee in a deal that could value the UK chain at around £2 billion. The company is said to be working with investment bankers to review options for Britain's largest coffee chain, which operates more than 2,000 outlets across the country.

Coca-Cola acquired Costa Coffee in 2018 from Whitbread, the owner of the Premier Inn hotel chain, for £3.9 billion. The brand had been expected to expand significantly under Coca-Cola's ownership, but rising operational costs, including higher coffee bean prices, and increased competition from high-street rivals such as Pret a Manger and Gail's, have affected profitability.

City analysts suggest that a sale at £2 billion would represent a substantial loss for Coca-Cola, roughly half of what it originally paid for Costa. Sky News, which first reported the talks, cited unnamed sources indicating that Coca-Cola has held discussions with a limited number of potential buyers, including private equity firms.

James Quincey, Coca-Cola's chief executive, told investors last month that Costa had "not quite delivered" as expected and was "not where we wanted it to be from an investment hypothesis point of view." He added that the company is reflecting on lessons learned and considering new strategies to grow within the coffee sector.

Investment bank Lazard is reportedly assisting Coca-Cola in evaluating options and gauging interest from buyers. Preliminary offers are anticipated in early autumn, though Coca-Cola could decide against proceeding with a sale.

Costa Coffee, founded in 1971 by Italian brothers Sergio and Bruno Costa, was sold to Whitbread in 1995 for £19 million. The chain currently employs around 18,000 staff in the UK. Despite mixed financial performance, Costa turned over £1.2 billion in the 2023 financial year, marking a 9% increase from the previous year. However, it reported a pre-tax loss of £9.6 million, compared with a £245.9 million profit the year before, citing inflationary pressures and write-downs on some investments.

Last year, Costa paid £85 million in dividends to its parent company. Coca-Cola and Lazard have been approached for comment, but have not provided statements at the time of reporting.