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Molson Coors Beverage Co. (TAP)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Molson Coors Beverage Company Third Quarter Fiscal Year 2026 Earnings Conference Call.

And now, I'll turn it over to Barb Noverini, Vice President, Investor Relations.

Barbara Noverini

Vice President-Investor Relations, Molson Coors Beverage Co.

Thank you, operator. Our earnings release and presentation materials are available on the Investor Relations section of our website. Today's discussion includes forward-looking statements within the meaning of US Federal Securities Laws. Please refer to our earnings release and our most recent SEC filings for important information regarding these statements, including risk factors, as well as definitions of, and reconciliations to, any non-GAAP measures. Actual results may differ materially from our expectations. And we undertake no obligation to update forward-looking statements, except as required by applicable law.

Today, we'll focus our prepared remarks on our performance and outlook before opening the line for Q&A. To allow as many participants as possible to ask a question, we ask that you limit yourself to one question. Any technical questions can be addressed with our Investor Relations team following the call.

Unless otherwise indicated, all financial results are comparable prior year period and are in US dollars. With the exception of earnings per share, all financial metrics are in constant currency when referencing percentage

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changes from the prior year period. Also, share data references are sourced from Circana in the US unless otherwise indicated.

Our remarks today will also reference: underlying pre-tax income, which equates to underlying income before income taxes; and underlying earnings per share, which equates to underlying diluted earnings per share, as defined in our earnings release.

And with that, I will hand it over to Rahul.

Rahul Goyal

President, Chief Executive Officer & Director, Molson Coors Beverage Co.

Thank you, Barb, and good morning, everyone.

Since launching Horizon 2030 earlier this year, we've been laying important groundwork for long-term success. We are building the portfolio, the capabilities, the routines, and the operating discipline to perform more consistently across the business. We've taken decisive actions intended to strengthen our share trend, accelerate our portfolio transformation, simplify our cost structure, and return cash to shareholders.

In the US, core beer share trend improved from Q2 levels as share losses narrowed. We're seeing growth emerge across several important parts of the portfolio, where we have been intentional in our activation and investments. And we're seeing encouraging signs that our new operational approach is helping us compete more effectively across our regions.

Our strategy is only in its first year. And these signs give us confidence that it's working well, even as the operating environment remains challenging. Through the first half of this year, US industry trends were tracking better than 2025. And our own performance has largely been tracking in line with our previously announced 2026 guidance range. However, some external headwinds intensified as we moved into the third quarter, and we are continuing to experience category softness in the US, increased promotional activity in the UK, and elevated freight and fuel costs in the US.

As a result, we are lowering our full-year 2026 guidance ranges for NSR, underlying pre-tax income, underlying EPS, and underlying free cash flow. We do expect some of these headwinds to persist into 2027, but our team has been taking actions to reduce their impact. In addition, Midwest Premium costs have significantly impacted our margins and have remained at levels that we ultimately do not view as sustainable.

In a moment, Tracey will detail the drivers of our guidance revisions, but let me reiterate that we are controlling the controllables. And the changes we've already made with Horizon 2030 are beginning to pay off.

Here is what matters most. Our strategy is driving results across the business as we navigate persistent industry headwinds. Our US share trend is moving in the right direction. Our fastest growing brands are achieving greater scale. We're positioning our portfolio toward areas where the category is growing. We're continuing to invest in our brands to drive volume growth. And we're investing in capabilities to help insulate us from external forces that are outside our control.

In the first year of our five-year strategy, the signals are there. With continued focus and execution, we believe these signals will amplify. While the road ahead may not always be linear, our objective is straightforward: we're evolving the business to win more occasions, with more consumers of all income levels. And we are also realistic about the work in front of us.

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So let's get into it. I'll start with core beer. In the US, Coors Light and Miller Lite were our biggest drivers of share trend improvement from Q2 to Q3. Getting these brands back on a strong trajectory remains one of our highest priorities. While we've seen progress, we're not satisfied with simply narrowing share losses. Our goal is to stabilize these brands and return them to share growth. That's why local execution is such an important part of Horizon 2030.

As I've said before, beer is local. Consumers in Texas, Wisconsin, and New York aren't buying the same beer for the same reasons. Just look at what is happening in Wisconsin. I do want to take a moment to congratulate the Milwaukee Brewers on last week's World Series win. The excitement in Milwaukee has been undeniable. And Miller Lite is proud to be the official beer of the Brewers. We've also made the most of this time with strong marketing, like giving away cans of Miller Lite that were brewed the exact moment the Brewers won the title. It's a great example of how local relevance creates opportunities to connect consumers to our brands.

Moments like these reinforce why local execution matters. So under Horizon 2030, we're deploying data-driven investments in the US by region. A good example of this approach comes from our South Central region, where stronger alignment between our local teams, distributors, and targeted investments contributed to a meaningful improvement in share trends from Q2 to Q3.

Second-best share trend improvement from Q2 came from the Great Lakes region, where targeted investment behind Miller Lite defended our competitive position in the market. With three of our four US regions showing improved share trends in the third quarter, we're encouraged that Horizon 2030's focus on local execution is driving results.

In the US, Coors Light demonstrated the strongest improvement in share trend across our portfolio in Q3, as it continued to narrow its year-over-year share loss. Banquet delivered its 21st consecutive quarter of volume share growth in Q3 and remained a top five US beer brand for volume share growth. Looking ahead, we plan to build on this momentum through a new creative direction for Coors Light, continued investment behind Banquet, and the national launch of Coors 0.0.

Moving to the UK, category pressure and consumer weakness have intensified throughout the year. So we're investing behind the Carling brand to improve its relevance with today's consumer. Earlier this year, we introduced Carling Black Label, our first new premium lager launch for this brand family in over a decade. More recently in October, we launched the most significant brand refresh for Carling in over 30 years. The brand's bold new look keeps the heritage that drinkers love, while capturing the attention of a new generation.

These are exactly the types of investment in core brands that Horizon 2030 is designed to support, which is also true for how we are approaching our value brands. Under Horizon 2030, value has moved from a supporting role to a strategic priority, especially as consumers feel more macroeconomic pressure. So we're leaning into more commercial support for Miller High Life and Keystone Light in the Americas.

Today, I want to focus on Miller High Life. This brand is a gem in our portfolio. And if you think about it, Miller High Life possesses many of the same qualities that have fueled the success of a brand like Banquet. It has a rich heritage, great packaging, and a level of authenticity that cannot be manufactured. It's the champagne of Beers, after all.

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So, we're focused on making High Life relevant to a new generation of consumers. Through local activation and retail programs, we're showing how the High Life isn't just for special occasions. It's about elevating everyday moments.

We're also capitalizing on momentum outside of the US, like in Mexico, where High Life ranks in the top five of beer brands growing share. In Q3, it's contributing to driving 9% brand volume growth in Mexico and sells at an above premium price point. So while we remain early in our efforts, we believe that our refocused value portfolio has clear potential. And we plan to support our priority brands accordingly.

Turning to above premium, Peroni continues to perform well and remains a strong proof point supporting our premiumization strategy as it continues to gain relevance with consumers. Given its scale, Blue Moon's softness also continues to have an outsized impact on our performance in the above premium category, which is why improving the brand's trajectory remains a priority. We're focused on repositioning the brand away from its craft beer roots and into a more modern premium space, which you'll soon begin to see in our marketing and our approach at retail.

Outside North America, we're continuing to see that innovation can be an effective lever in a highly competitive environment. For example, in the UK, Madrí Limón has performed well by aligning with regional taste preferences, reinforcing our view that successful innovation starts with local market insights.

Turning to beyond beer, our portfolio today is stronger and more diversified than it was a year ago. And we're seeing that reflected in the performance of beyond beer brands like Fever-Tree and Monaco. Fever-Tree continues to benefit from increased commercial support and distribution just in time for peak cocktail season. And we're confident in the groundwork we've laid for the upcoming holidays.

We're also pleased with the performance of Monaco, which continues to track ahead of our initial expectations. The third quarter of 2026 marked the highest NSR quarter in the brand's history. Monaco is a strong addition to our business and our distributors' businesses, and its success shows that we can add mix-enhancing growth in a pressured consumer environment. Monaco's strength in convenience stores and single-serve cans also shows that consumers are still willing to pay for brands that deliver the right value proposition.

Beyond our portfolio, we are focused on strengthening our capabilities to help support future performance. This includes the launch of projects aimed at fortifying our supply chain and diversifying our source of critical materials, including aluminum cans. Both efforts are meant to enhance flexibility and gain greater control over sourcing operations. We have also reinvested in vertical integration to control more of our own can supply. These initiatives have multiyear timelines, but they are essential to building a stronger, more cost competitive company over time.

As we look ahead, we believe these capabilities will help us get ahead of changing consumer and market conditions. Throughout this year, we've continued to make solid progress against our $450 million cost savings program. Those actions have helped offset a portion of the inflationary pressure we've seen across commodities, freight, and other input costs. As we moved through the year, however, the magnitude of the inflationary headwinds increased to a level that began to outweigh the benefits of our cost actions.

We cannot cost-cut our way to sustainable growth. Our cost savings program is strengthening the resilience of our business, as it was designed to do. Delivering stronger long-term performance will require both stronger commercial execution to support top line growth and continued discipline in managing our cost structure.

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Ultimately, the actions we've taken this year are intended to preserve flexibility as we execute our strategy, continue investing in the business, and build a stronger company that is positioned to create long-term value.

Our capital allocation priorities also remain unchanged. We will continue supporting the opportunities that strengthen our portfolio and improve our competitive position, while returning cash to shareholders through our dividend and share repurchases. Our cash generation and balance sheet gives us choices. And we will remain disciplined in how we deploy capital.

All that being said, we recognize that the work we've started with Horizon 2030 is far from finished. But the actions we've taken this year demonstrate our ability to move the organization in the right direction. We can also say many things today that simply were not true a few years ago. We have the balance sheet and the financial flexibility to invest where it matters. For the first time, we are planning for the future with a new approach that fundamentally changes both how we allocate dollars and how we safeguard our business against macroeconomic forces.

With that, I'll turn it over to Tracey to discuss our financial performance and provide the details of our outlook.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

Thank you, Rahul. In the third quarter, our results reflected a more challenging category and cost environment than we anticipated at the start of the year, while pricing, mix, and cost savings actions continued to support our plan. Industry softness, freight tightening, and commodity-driven input cost pressures intensified as the year progressed. And we expect these factors to persist in the near term.

With that context in mind, let's review our three key metrics. For Q3 on a year-over-year basis, consolidated net sales revenue of $2.9 billion declined 1.2%. Underlying pre-tax income of $349 million was down 17.4%, and underlying earnings per share of $1.46 decreased 12.6%.

Let's first walk through the drivers of the quarter, which will help frame our revised guidance for fiscal 2026. Starting with the top line, lower financial volumes in the Americas and the UK were partially offset by positive net pricing in the Americas and favorable sales mix. The US beer industry declined more than 4% based on our internal estimates. Our US volume share trend improved by almost 20 basis points from Q2 2026. Financial volumes declined by 3%, while brand volumes declined by 4.9%.

Net pricing and positive sales mix drove positive 2% NSR per hectoliter growth in the Americas, with favorable mix mainly driven by Monaco. EMEA&APAC delivered a positive 1.1% NSR per hectoliter growth in the quarter, mainly driven by favorable sales mix, while the promotional environment in the UK remained competitive.

Turning to profitability, underlying COGS per hectoliter increased 8.1%, mainly driven by continued higher Midwest Premium and aluminum costs, freight market tightening, and fuel prices. The Midwest Premium alone drove approximately $30 million of year-on-year cost increase in the third quarter, representing roughly 40% of the year-over-year profit decline. As expected, MG&A was down 7.4%, largely due to targeted cost reductions in marketing and cost savings initiatives, offset by higher technology expenses.

Turning to our balance sheet, our net debt to underlying EBITDA ratio was 2.53 times at the end of the quarter, modestly above our below 2.5 times target. Over the last several years, we've worked deliberately to strengthen the balance sheet and improve our financial flexibility. That work is particularly important in an environment like this. While we expect commodity and freight costs to remain elevated in the near term, our balance sheet remains

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strong, which we believe gives us capacity to manage near-term volatility while continuing to invest behind our long-term priorities.

That flexibility is also reflected in our capital allocation approach. We continue to prioritize investments that will strengthen the long-term performance of our business, while also returning capital to shareholders through a durable dividend and our share repurchase program.

We continue to generate strong cash flow. And year-to-date, we have returned to shareholders $273 million through dividends and $250 million through share repurchases. Since the plan was announced in October 2023, we have repurchased 16% of our Class B shares outstanding, and we have $2.3 billion remaining under our authorization.

With that, let's discuss the drivers of our updated 2026 guidance. We now expect net sales revenue to decline 1% to 2% on a constant currency basis versus our previously guided range of flat, plus or minus 1%. While the US industry continues to track modestly better than 2025 on a year-to-date basis, that improvement largely reflects the stronger start to the year. More recent trends have been softer.

Our revised top line guidance assumes that soft industry volume trends in both the US and EMEA&APAC and promotional pressure in the UK will persist through the remainder of 2026. We continue to expect an annual net price increase of 1% to 2% in North America, in line with the average historical range, and our assumptions for nine months of NSR contribution from Monaco remain unchanged.

Year-to-date, we've seen quarterly variability in financial versus brand volume trends that has mainly been driven by shipment timing. We still anticipate the convergence of financial volumes toward brand volumes in the balance of the year, on the assumption that US financial and brand volume trends will largely align.

Moving down the P&L, we now expect underlying pre-tax income to decline 21% to 24%, which equates to approximately $80 million at the midpoint on a constant currency basis, as compared to our previously guided range of minus 15% to minus 18%.

As Rahul mentioned earlier, we're expecting lower profitability for the balance of the year than our year-to-date performance would imply. This is largely due to the impact of higher commodity and logistics costs.

For the full year, we continue to expect Midwest Premium costs to exceed the prior year by approximately $130 million. To put that into perspective, the year-over-year increase in this surcharge alone equates to roughly 10 percentage points of underlying pre-tax income impact, or more than $0.50 of underlying earnings per share at the midpoint of our 2026 guidance.

We now expect underlying earnings per share to decline 16% to 19%, as compared to our previously guided range of minus 11% to minus 15%.

We have also updated our underlying free cash flow guidance range to $1 billion, plus or minus 10%, versus our previously guided range of $1.1 billion, plus or minus 10%. This was mainly driven by the reduction in our previously guided underlying pre-tax income range. All other guidance drivers remain unchanged.

Looking ahead, we currently expect several of these inflationary pressures to continue into 2027. On the Midwest Premium specifically, we do have hedge coverage in place for 2027. However, as we have previously discussed,

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the Midwest Premium remains difficult and expensive to hedge, and our exposure is never fully hedged. We expect market conditions for commodities to remain dynamic into 2027.

On the productivity side, the previously announced restructuring actions in EMEA are now producing benefits that will extend into 2027 and beyond.

Separately, certain brand owners have sought to terminate their distribution agreements with Coors Distributing Company, our wholly owned distributor in Colorado. CDC is pursuing legal actions to enforce its rights under those agreements. We don't expect this to have a material impact on our fiscal 2026 results. And the impact on 2027 will depend on the outcome of these legal actions. We will provide an update as the situation develops. We'll provide our formal 2027 outlook on our fourth quarter call, as is normal practice.

In the meantime, we remain focused on the factors within our control: productivity, disciplined revenue management, investing in our brands, and prudent capital allocation. We recognize that any individual year, 2026 included, can be significantly affected by the external cost and category environment. That does not change our commitment to our growth objectives or the actions we are taking to strengthen the business. And we remain committed to our medium-term growth objectives.

In closing, this has been a challenging operating environment, but, at the same time, we are seeing tangible benefits from our actions. We continue to benefit from a portfolio of enduring brands, a productivity program that creates both savings and reinvestment capacity, and a disciplined capital allocation approach. Together, we believe these attributes give us the financial resilience and flexibility to navigate near-term pressures, while continuing to invest in the long-term evolution of the business.

With that, we will take your questions.

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QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question comes from the line of Peter Grom with UBS. Your line is open. Please go ahead.

Peter Grom
Analyst, UBS Securities LLC

Q

Great, thank you. Good morning, everybody. Hope you're doing well. So, the updated guidance implies a relatively wide range of outcomes for the fourth quarter on the bottom line, a pretty challenging exit rate. So, maybe could you walk through kind of the puts and takes that would put you at the high end versus the low end? But maybe related, I would love to understand how we should be thinking about this exit rate as we begin to kind of adjust our models for 2027, maybe just some guardrails in terms of what we know today.

And I ask this just in the context that it doesn't seem like category trends are improving. It sounds like, Tracey, to your point, inflation is volatile and persists. So, trying to think about how you manage these headwinds, or balancing these headwinds versus setting up the business for better performance over the longer term.

Rahul Goyal
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Good morning, Peter. Thanks for the question. So, let me help break down your first part of the question, which is around the guidance, the wide range, et cetera, and then we can talk a little bit about 2027. So, the four pieces maybe I call out is, let's talk about the top line first. So, you talked about the category challenges in the US or the performance of the category. I think that's definitely we're seeing that and expecting that to continue for the balance of the year.

If you look at our share trends, we are making good progress and improving our share trends every quarter, but we know we have more work to do there. And then, the last piece on the top line I'd call out is our EMEA&APAC business. The first – H1 of this year had been challenging. And the team's done a good job of putting all the right commercial pressure now, and you're seeing the progress in Q3, but Q4 is a big quarter for EMEA&APAC. And November, December with Christmas is a big quarter.

So, those are the big drivers I would say for the top line. The added piece on the bottom line is the pressure on commodities, predominantly freight and fuel. If you think about this year coming in, we understood the pressures on aluminum, Midwest Premium. We have all the right actions, whether it's around the hedging, around the cost savings initiatives, but we do see that playing out for the balance of the year in terms of the inflationary pressures.

There are a couple of other elements in terms of just timing: shipment timing, and financial volume and brand volume. But all of that will get caught up by the end of the year. And then, there is a little bit on timing in terms of G&A. So, hopefully that gives you a sense on just Q4 timing and the range, just given the [ph] volatility in some of the variables.

As far as 2027, Peter, the way I would say is, obviously, we'll give guidance for next year when we report the full year business, but it goes back to what we're building, the core foundations of Horizon 2030. The category has been volatile if we look this year between Q1 and Q3. What's important for us is to make sure our portfolio is leading in different parts of the category. So, our focus is on our core getting stronger given where consumers are feeling pressure.

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We're making good progress on above premium and beyond beer. The progress we've made this year in terms of transforming...

Operator: Thank you for your patience. We will now continue the call. Management team, please begin when you're ready.

Rahul Goyal

President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Thank you, Jan. Peter, you still with us? Okay. Thank you, Peter. I know we talk a lot about resilience, so I guess we saw some resilience for seven minutes, so thank you, everybody, for hanging in there.

Peter, I don't know where we got dropped off, but maybe just address your question. Your question was around the wide range, Q4 guidance, and this how do we think about it going into 2027? So I'd call out a couple of things as we think about our business. If you look at our year-to-date performance, we've been managing our business very carefully and executing to the guidance we laid out. As we look at closing out this year, on the top line, maybe just two things to call out.

One is our EMEA&APAC business. Strong progress in Q3, but Q4 is a big quarter for EMEA&APAC. And we do see that volatility continue into Q4, especially given November, December being such big months for that business.

In the US, the category challenges in Q3 were pretty similar to Q2, but we do see that playing out in Q4. Now the good part is our share trends continue to get better. We're not where we want to be in terms of growth of our core brands, but the trends do get better. So I would call those three big factors as we look at our top line, and then obviously implicated on the bottom line.

And the other main piece on the bottom line is the cost inflation side. We've taken a number of steps in mitigating the cost inflation throughout the year around aluminum, Midwest Premium, but the freight and fuel landscape is what into Q4 we think will continue.

So those are the drivers in terms of, I would say, Q4. Now there's some things around timing with financial volumes and brand volumes and shipments, but those will get caught up by the end of the year. But hopefully, that gives you a sense of the guidance and the drivers for the balance of the year.

Your question about 2027, we obviously will share more and give guidance in February, but I go back to what we're working on as a total business under Horizon 2030, is: one, we want to make sure we transform our portfolio and really move into above premium and beyond beer, and we're making progress on there. On the core brands, we want to make sure they are healthy, strong, and resilient. And while we've made progress, we have more work definitely there, and I think we've been pretty transparent on that.

And then the cost savings initiatives. The volatility in the inflationary landscape will continue, but we're going to lean in from a cost savings perspective. So more to come as we lay out 2027 guidance, but hopefully that gives you a perspective of how we're thinking about our business going into next year.

Operator: Your next question comes from the line of Kaumil Gajrawala with Jefferies. Your line is open. Please go ahead.

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Kaumil Gajrawala
Analyst, Jefferies LLC

Q

Hi, everybody. Good morning. I guess a couple of things on – obviously, we all are aware of what's happening with input costs and stuff, and we're hearing so much about cost savings and [ph] cost (00:40:40) savings, but the company over the years has had several of these plans, $500 million, $600 million over five years, and I think you've maybe done that three or four times with another one pending. All of those had the intention of reinvestment back into the brands in order to change the top line trajectory. And it hasn't really worked so far. So why would this time be different from what we've had before, which were cost savings that are intended to drive top line from reinvestment?

Rahul Goyal
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Good morning, Kaumil, and thank you for that question and completely understand the background and context. So here's how I would break it down, Kaumil, is there's an element of cost and there's an element of that investment, making sure you have the right dollars. But you understand the category and the, call it, just the different elements of the category. So for us, there's two parts to this: one, making sure we have the right portfolio; but then, two is how we are executing our plan around this.

I talk a lot about beer being local. I talk about executing at a granular level, making sure we're very clear where we understand our consumers and customers. So, one is about making sure we have the capacity and the dollars to do it, but then it is about how we're using those dollars to execute. And I'll leave you with three main things.

One, we have to stay closer to our consumers in the context of occasions. Occasions are what is driving – and you see that even with our portfolio for brands like Banquet. You would look at that and we can all question, why is it growing? But occasions matter.

Two, what matters is clarity of brand positioning. What do these brands stand for? And I think we are definitely leaning a lot more into that. You're seeing that with obviously Banquet, Peroni, Fever-Tree, Monaco, even with Coors Light, and, some of our value portfolio.

And then, the third part is I would call out is our differentiated approach on making sure we're looking at our markets in a very local way. And that's not just about investment. It is about making sure we're using the right tactics, making sure we have the right resources and people. I know I highlighted in some of my comments about some of the actions we're taking differently in each of our different regions.

So, if you think about our plan, Horizon 2030, it is not just about getting one brand and driving it, but it is taking our total portfolio, but how we change our operating model is equally and as important in Horizon 2030.

So, our goal is continue to make sure we drive that investment in our business throughout the balance sheet and P&L, but how we operate. I've talked a lot about local accountability, but that operating model change is also what is the key element of our plan going forward.

Operator: Your next question comes from the line of Chris Carey with Wells Fargo. Your line is open. Please go ahead.

Chris Carey
Analyst, Wells Fargo Securities LLC

Q

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Hi, everyone. Tracey, can you just maybe frame the CDC dispute? What's happened to-date and what are you trying to resolve? And the reason I ask is since you made a comment in the presentation about no impact this year, but how do we size this if litigation doesn't prove successful for CDC going into next year?

And then, this is just a follow-up, but there's been some comments around inflation going into next year, and it's not just Midwest Premium and aluminum. It's energy prices specifically. What's the sensitivity to Molson Coors' earnings to energy prices, just given some of the volatility that we've seen in recent days? So thanks so much for those two.

Rahul Goyal
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Thanks, Chris. So, let me talk about CDC, and Tracey, if you can talk through about the energy sensitivity side of it.

So, Chris, a couple of things on CDC. We have one self-owned distribution business in the United States, in the state of Colorado. I would say we're pretty proud of how that team has executed over the years with all suppliers. And it's pretty much award-winning in the network across all suppliers.

As you could imagine, I can't say a lot about the legal dispute of the actions we are taking. We had a good win in the last few weeks, but we'll let that legal piece play out.

If you think about impact of this, we talked about there's no impact of this. We don't believe there's any impact to this in 2026. And in 2027, we will have to see how the legal workstream plays out.

I think for us, what we're focused on, it's business as usual. The team continues to execute on all suppliers. And we'll see how the legal process plays out. And when we have that information, we'll definitely share that.

On the inflation side, I would say Midwest Premium is definitely a big area of focus as we think about our business going forward. I know your question of sensitivity, I'll hand it to Tracey, but what's important for us to make our business resilient. And I spoke about this in the context of having a diverse supplier base, leaning into vertical integration, making sure we can control our value chain in the right way. So for us, those become important priorities as we go into 2027.

But, Tracey, you want to address the energy piece?

Tracey I. Joubert
Chief Financial Officer, Molson Coors Beverage Co.

A

Yeah, so, look, the biggest impact to us has been on the packaging materials, particularly Midwest Premium and aluminum. From an energy piece, we also treat that, obviously, as a commodity and we hedge what we can. We use a lot of natural gas as well in our breweries, but I would say from a fuel point of view, yeah, it does have an impact for sure, not just on us, but also on the consumer, which is the concern.

But the biggest impact for us this quarter has been on the logistics side, and the fact that the freight market has tightened so much, despite the fact that we do have long-term contracts, we have had to go out into the market and procure those logistics at spot, which has been higher, as I think you've heard a lot of CPG companies talking about fuel and logistics costs.

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So, as we look into next year, I mean, we do expect some of these higher commodity costs and some of the high input costs to persist, but, as Rahul said, we have this hedging program which has helped mitigate the inflation, but also really leaning into our cost savings program to help us in the short term, for sure, to mitigate some of the very high costs that we're seeing, which have been unprecedented, as you've heard us speak many times, particularly about metals.

Operator: Your next question comes from the line of Peter Galbo with Bank of America. Your line is open. Please go ahead.

Peter T. Galbo

Analyst, BofA Securities, Inc.

Q

Hey, good morning. Thanks for taking the question. I wanted to circle back on performance in the Americas, and maybe in Canada specifically. That had been, I think, a market of strength that had kind of helped you outperform some of the scanner data and some of the modeling that we all do, but it seemed to have taken kind of a turn this quarter, and just wanted to unpack that a little bit more, if there was anything particular you saw, if it was a comp issue, just some more detail there would be appreciated. Thanks very much.

Rahul Goyal

President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Thank you, Peter. Good morning. So let me address the Americas as a whole, Peter, and then I know your question specifically on Canada.

So if we look at our business in the US, we talk about share trends improvement. And that was across our core brands, our value brands, and if you think about our Beyond Beer agenda, we definitely continue to see strong progress there in terms of growth with brands like Fever-Tree, Monaco. So, I would say definitely moving our business forward in terms of both the portfolio transformation, but also making it stronger.

In Canada, the absolute numbers that you see is a function of the category. We have a pretty broad portfolio in Canada. We feel very good about the portfolio. We are the number-one light brand in Canada with Coors Light. We see good momentum in the Molson trademark, above premium portfolio with Miller Lite and Coors Original. And our focus in Beyond Beer with Coors Seltzer, are in a good position.

So what you did see in Q3 was the category weakness, and that was what, I would say, are similar drivers around affordability and just consumer sentiment, but beyond that, just, I wouldn't call out anything specific, Peter, in Canada at this time.

Operator: Your next question comes from the line of Robert Ottenstein with Evercore ISI. Your line is open. Please go ahead.

Q

Good morning. This is [ph] JD (00:51:05) on for Robert. I wanted to ask a little bit more about the competitive dynamics in the UK. You noted that category pressure and consumer weakness had intensified throughout the year, but maybe could you clarify if there's been an incremental step up so far in 4Q? And then, maybe any additional color on expectations for the pricing and promo environment there in 2027. Thank you.

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Rahul Goyal
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Thanks, [ph] JD (00:51:28). So if you look at the UK business, we've talked about [ph] our port (00:51:35) business this year, but just if we step back, our UK business has done a great job on building out our portfolio, both in the above premium , but also making sure our core brands are strong.

But this market is competitive, and there's a number of different players. And I think coming into this year, we saw those actions being taken both in terms of the core brands, and in the above premium space. And as we got into the summer, I would say we started taking the right commercial actions to react to that.

If you look at our core brands, which is Carling, it's a big platform there. We've had our first innovation. We've had our first brand refresh. And we've taken some decisions around ABV with our brand. So, we're definitely, I would say, in a much better place being competitive in the core side.

In the above premium, Madrí is obviously a big brand for us, but we're seeing progress in brands like Staropramen, with our Coors trademark. So I would say we now have the right commercial pressures. You see it in our Q3 results, in terms of NSR per hectoliter around pricing in the UK – in EMEA&APAC. I mean, it is a competitive landscape. We want to make sure we have all the right commercial pressure in the UK. And we see that trajectory continue to improve in Q4.

Now, November, December are big months in the UK. And, therefore, we're going to see how that is, and that's where the volatility comes in, but we do believe we have the right actions now to stay competitive and have the right commercial pressure in the UK closing out this year.

Operator: Your next question comes from the line of Kevin Grundy with BNP Paribas. Your line is open. Please go ahead.

Kevin Grundy
Analyst, BNP Paribas Securities Corp.

Q

Great. Thanks. Good morning, everyone. Rahul, question on the portfolio and strategic considerations. We're seeing a number of staples companies prune the portfolio, exit underperforming brands, or exit business lines altogether. You've talked about a number of them on the call. And that is some brands are perhaps not where you'd like them to be at the moment. The category has been challenged now for the better part of two decades. Those challenges have worsened really in the past few years.

So, I understand these considerations around scale, stranded overhead, tax leakage, among other things, but it'd be great to kind of get your updated thoughts on the potential opportunity to prune the portfolio in certain spaces and as a as a lever, if you will, to accelerate your transformation strategy of the portfolio, in addition to the tuck-in M&A. So appreciate your thoughts there. Thank you.

Rahul Goyal
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Thank you, Kevin, and good morning to you. And absolutely, this is an area that we think about, Kevin, in terms of where are we going to put our resources and energy around the portfolio.

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So, if you step back and look at the decisions we've made, both this year and recently, is we have taken decisions to trim down our portfolio in spaces that we don't think we have the ability to win, and also infrastructure where we probably have to wind down.

So, examples I'd call out is in our EMEA business, we just announced closure of a couple of breweries, smaller breweries. In the Americas, we did that last year. And in terms of the portfolio, we take that approach of making sure where we don't have the ability to scale, that we are taking those decisions to exit.

The question around if you think about our portfolio and the four buckets we talk about, core, value segment, we also want to make sure that we are competitive with consumers that are looking for a pretty broad consideration and based on their purchasing decisions.

So when we talk about value, we are focusing on two brands, High Life and Keystone, and making sure we can execute that and focus on it. So as part of our portfolio strategy, we are being clearer on what role does each part of our brands play, what is the level of investment in those brands, and then how we are executing against it.

So, we'll continue to look at those. And where it doesn't make sense, we will continue to look at exiting either brands or infrastructure that makes us stronger for the future.

Operator: Your next question comes from the line of Bill Kirk with ROTH Capital Partners. Your line is open. Please go ahead.

Bill Kirk
Analyst, ROTH Capital Partners LLC

Q

Good morning, everyone. Rahul, in the press release, you highlighted that Horizon 2030 is not yet scaled enough to offset the headwinds experienced in the third quarter. And I guess the way that's worded, it implies it will, at some point, offset the headwinds.

So when would you expect the program to be scaled enough to offset, and what more does it take to get there?

Rahul Goyal
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Yeah. Thank you, Bill. Good morning to you. When we laid out the strategy, Bill, we called out four things in a way to measure progress and measure success. One was our core brands. They have to be stable and healthy. And I talk a lot about share trends improvement, but the fact is, we haven't got them to be stable and growing share. So that is definitely something, as a team, we are very focused on, given the size of those brands in our portfolio.

Two, when we talk about transforming the portfolio, we were something like sub-2% a few years ago and we are approaching 10%-ish, and we've added to that this year with additions like Monaco. So, that part of our business needs to scale, and we need to make sure that the growth rates are sustaining that. So, that is one area we will continue to do. I feel good about bringing those brands into our portfolio, integrating them, executing against them, but we have to scale.

The third important part was the cost management, just given the inflationary landscape we knew we were walking into earlier this year. We knew the Midwest Premium issues. We knew the aluminum issues. And the cost saving was important to mitigate some of that risk and create some flexibility in our business. And that one, I would say, is a continued work in progress and dealing with volatility.

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And the last piece is we want to make sure we are returning cash to shareholders. So, your question of scaling of our business, I mean the first two elements are what's important in making sure we have resilience in the top line, and then the cost savings and the initiatives we are taking around our supply chain is to make sure we have resilience in, call it, the COGS and the cost side of our business to navigate any sort of volatility.

Operator: Your next question comes from the line of Michael Lavery with Piper Sandler. Your line is open. Please go ahead.

Michael S. Lavery
Analyst, Piper Sandler & Co.

Q

Thank you. Good morning. Would love to just get some thoughts on kind of the opposite of Kevin's question in a way, just how you see your right to win and where the growth opportunities are. And some of the context for it is just with the category dynamics, there's lots of the fastest growing brands that are privately owned. There's also been a shift in recent years to high ABV that is gaining consumer traction, but is category-dilutive, certainly from a volume perspective. And so, just curious maybe what – how you think about organic growth opportunities versus M&A. How many more Monacos are there to come? Is that the answer? Just give us a sense, maybe, of where you can really drive incremental growth.

Rahul Goyal
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Yeah. Thank you for that, and good morning. So, I think if I break your question up maybe into two parts: one is the right to win, and then, call it, the growth opportunities. So, if you think about the right to win is, you know, we have an infrastructure in our core markets, I would say, is best-of-class. And we do operate in some of the best profit pools, so whether it is production infrastructure, distribution, retail execution. And we've proven that with some of the adds we've had in our portfolio, things like Fever-Tree, things like Monaco, where we have brands that had some scale, but we can take that and really accelerate that scale.

So, you talk about Monaco. I think I've mentioned this before, that it's five states in one particular channel, and so that gives us a great platform to take and move it forward. Or whether it was Fever-Tree, where we could take the on-premise strength and really scale this. So, for us, right to win is definitely leveraging our infrastructure, leveraging our capability, making sure we can take a portfolio that makes sense for our customers and retailers.

Now, your second part of the question is, how many of them are out there, and private company, and high ABV. And I think that's where we want to make sure we are staying disciplined. Everybody here knows the flavor category: it is proven to be volatile, and, therefore, we want to make sure we are being smart about how we deploy our capital and not just chase top line. I think that's one thing we've been disciplined about. And Monaco, again, great example, been around for over a decade, had got some scale, and then we can accelerate the scale.

So, we definitely want to keep leveraging our balance sheet to deploy in where it makes sense. We want to stay disciplined on how we deploy that capital, but we do think that that opportunity exists in – I wouldn't say a lot of subcategories, but in a few categories where we do have the right to win, where our infrastructure does enable us to win big. So, we'll stay disciplined, build those, augment our portfolio with that, and then use that to make sure that we have the right growth drivers while we stay focused on keeping our big brands stable and healthy.

Operator: Your final question comes from the line of Drew Levine with JPMorgan. Your line is open. Please go ahead.

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Drew N. Levine
Analyst, JPMorgan Securities LLC

Q

Hey, good morning. Thanks for taking the question. Rahul, I just wanted to ask around the pricing environment. Clearly, commodities have been a material headwind this year. It sounds like, Tracey, that you expect it to continue to be a headwind in the near term into 2027. A number of CPG companies have talked to incremental inflation-driven pricing actions, yet Molson Coors is sticking with the historical algorithm, it seems like, at least for this year. I'm just curious what you see for potential incremental pricing opportunities into 2027 to recover some of this gross margin headwind, where Americas is down several hundred basis points over the past couple years. Thanks.

Rahul Goyal
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Good morning, Drew, and thank you for that question. Drew, you're absolutely right. The way we think about our business is a couple of things. One, how can we drive efficiency to make sure we can handle the inflationary headwinds. And I know I've talked a lot about that, so we'll leave that.

But your question around the top line and how do we think about both pricing and mix. So, for us, the portfolio transformation piece becomes super important. Brands like Fever-Tree, Monaco are high NSR per hectoliter. It gives us flexibility to absorb some of the inflationary headwinds in different ways. So, we've talked a lot about making sure our portfolio is moving in that direction in terms of mix perspective.

On the pricing one, it is a competitive landscape, and we want to make sure we are competitive in the context of our brands. So, this is why having a portfolio that spans things like the value portfolio and then the core is important, because then we can flex those levers in terms of pricing.

We're going to see how this evolves into 2027, but right now, yes, we have taken that decision to make sure we stay competitive. And this is a very local context. These are going to be by market, by brand. How do we make sure we are leveraging the pricing lever to the best of its ability, but staying competitive with our portfolio as we navigate our portfolio transformation work.

Operator: Thank you. We have reached the end of the Q&A session. This concludes today's call. Thank you for attending. You may now disconnect.

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