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Molson Coors Beverage Co. (TAP)

Bank of America Consumer & Retail Conference

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CORPORATE PARTICIPANTS

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Bryan D. Spillane
Analyst, BofA Securities

MANAGEMENT DISCUSSION SECTION

Bryan D. Spillane

Analyst, BofA Securities

Thanks, everybody, for joining us for our fireside chat with Molson Coors. With me today are Gavin Hattersley, CEO; Tracey Joubert, CFO.

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QUESTION AND ANSWER SECTION

Bryan D. Spillane
Analyst, BofA Securities

Q

And I'll invite questions as we move along, but maybe just to get started, Gavin, in October you presented the Acceleration Plan to investors. That plan really, I guess, builds on the Revitalization Plan that was introduced in 2019. So, couple of questions related to that. The first one is just looking back at revitalization, like, how would you grade that relative to what you envisioned when you put it in motion in 2019?

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Thanks for having us, Bryan. I'm going to grade it an A+. I think when you look at all the ups and downs that we've had over the last four years that we set out to grow the top and bottom line of our business on a consistent basis and last year was the third year in a row that we grew the top line and it was the second year in a row that we grew the bottom line. Our guidance that we have out there says that we're going to do the same again. So, it will be four years of revenue growth and three years of profit growth on an underlying basis.

Our brands are in a really healthy spot at the moment. We've accelerated our above premium share of our overall revenue and we've expanded nicely into beyond beer. And on top of that, we're significantly further advanced on our capability building runway than we were four years ago. So, yeah, I'm actually very pleased with where we are. And as you rightly say, the Acceleration Plan will build on that.

Bryan D. Spillane
Analyst, BofA Securities

Q

Right. And then, as you think about the three pillars on revenue, right, core, premium, and beyond, are you where you want to be in each one of those?

And maybe just thinking about going forward, like where do you see more of the opportunity for growth or to build upon each, you know, those three?

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Yeah. Sure. Look, I mean, from a core brand point of view, I think our brands are as healthy as they've ever been. And, obviously, we're never going to be satisfied. We're happy, but we're not satisfied, and we're going to continue to build on the tremendous strength of our core portfolio. And that's not just in the United States, but it's in Canada where Coors Light recently became the number one in the biggest beer region in Canada and is well on the way to becoming the number one in the whole country. And it's brands like Ožujsko in Croatia, which is strong, healthy and growing. It's over 50% share. Carling is showing improvement. So our core portfolio everywhere is in a great place and we're going to continue to build on that.

I'm not satisfied with, obviously, our above premium. We want to be bigger. That was the strategy. And now we've made tremendous growth and progress there going from 23% to 27%. We want to get even bigger. EMEA, APAC, our European businesses, already is over half of their portfolio is in the above premium space, and we certainly want the rest of our business to move nicely along that trajectory.

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And whilst we've made, as I said, good progress expanding into spaces that we've never been before, like whisky with Blue Run Spirits company and ZOA in the energy space, we want to build on that and become even more relevant in those spaces. So, very happy, but not satisfied.

Bryan D. Spillane
Analyst, BofA Securities

Q

Okay. And then, if we look at the Acceleration Plan, I guess, with revitalization having happened, right, like there's vitality at Molson Coors now, what are the things you can focus on now to really drive the business forward? So, creating vitality is more about fixing and repairing, I guess. Now you're at a point where you've got legs underneath it and you can drive the business. So how does that change, I guess, the way you're thinking about the brand building or the marketing, just how much does it – how much more can you do, right, to really push the business forward versus where you were four years ago?

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Well, four years ago we were making a lot of changes and we were taking a lot of cost out of our business. We're well past that phase right now. And certainly the success we had last year, the best year we've ever had from a revenue and a profit point of view sets us up really well for this year and into the future in terms of investing the right amount of money behind our brands and building on the strength of what we've done over the last four years. It's not, you know, some folks think that the health of our portfolio was a point in time, which was April of last year. And that just couldn't be further from the truth, right. I mean, the health of our portfolio and brands was improving every year sequentially from 2019 onwards, and we came into last year with strong momentum. We're going to build on that now.

So, I think you can see that in the work that's out there. I mean, Coors Light has just recently become the number one in the grocery channel. Miller Lite is knocking on the heels of number two. And we've got some great programs coming in the summer that we're going to build on. So, yeah, it's an exciting time to be in Molson Coors.

Bryan D. Spillane
Analyst, BofA Securities

Q

Just to follow up on that, three brands, I was thinking about as you were responding. One is Carling, the other is Coors Light, and Miller Lite. And with Carling, right, that brand also maybe doesn't get as much play with our audience, but in this revitalization plan, the Carling brand has actually performed pretty well.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

It has. I mean, it is a core brand. It's been a...

Bryan D. Spillane
Analyst, BofA Securities

Q

Yeah.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

...core brand in the UK, obviously, for a long time. Somewhat ignored actually for above premium brands. But last year we started to put even more focus behind it. And we're starting to see the results of that. It recently became

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the sponsor of not only the Men's FA Cup football, but also the Women's FA Cup football. And we've had tremendous positive feedback on that given that – Carling is a brand that's so associated with football. So when I say that our core brands are improving, it's globally. It's not just with Miller Lite and Coors Light.

Bryan D. Spillane
Analyst, BofA Securities

Q

Right. And that's been a focus on marketing, a focus on brand building. Like that has yielded, right, much more...

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

It has.

Bryan D. Spillane
Analyst, BofA Securities

Q

...stability with Carling?

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

It has. Because the core portfolio is important to us and it gives us the wherewithal and the strength to move into both premium and into beyond beer. So having a core that is healthy is really important to us...

Bryan D. Spillane
Analyst, BofA Securities

Q

Right.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

...and we've got that now.

Bryan D. Spillane
Analyst, BofA Securities

Q

And I guess thinking about that as well in Canada with Molson, I've covered this company for years, right, and Molson was lot of ups and downs, right, over the years. But Molson also more stable, right?

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

It is. We had a really good year with Molson last year. And we're excited about the plans we've got for Molson this year. I mean, we just recently launched a campaign which I don't know if you remember the Molson Canadian fridge campaign, which was...

Bryan D. Spillane
Analyst, BofA Securities

Q

Yeah.

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Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.
A

...so widely recognized. And I think the latest campaign, which we've just launched around making women hockey player's names more visible on their jerseys...

Bryan D. Spillane
Analyst, BofA Securities
Q

Names, yeah.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.
A

...and obscuring the Molson sign has received tremendous positive feedback broadly, not just in Canada. So, I think their team is knocking it out of the park, and I think we'll see the benefits in the brand going forward.

Bryan D. Spillane
Analyst, BofA Securities
Q

And then, turning just to Coors Light, Miller Lite in the US, I guess, one of the things I thought was going to be a difficult task is how do you position both of those brands to grow at the same time without them fighting each other, right? I started my career selling in a business that sold both Canada Dry and Schweppes. And it was just, you know, Cain and Abel, like you were always fighting the people across the hall. So, just how did you sort of thread that needle and get them both to grow?

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.
A

Yeah, it was the challenge that we had coming into the revitalization plan, right, because if you go back in history when Miller Lite did well, Coors Light did not and vice versa, right. And when you came out of a distributor convention, either the Miller distributors were happy or the Coors distributors were happy, but never both of them. And over the last two years I think, maybe even stretching back three years, it's been a revelation that because we do – not all of our houses are consolidated. It's been wonderful to listen to distributors. It might be a Miller-only house or a Coors-only house saying how excited they were at the same time. And that is something that's been hard fought and long awaited and now we're there. And we've got both of those brands actually growing very nicely. Both of them are healthy, our distributors are happy and excited and putting a lot of time and effort behind them. The retailers are reacting to it. So, the team have done a really nice job differentiating those two brands and getting them to – obviously both play in the Premium Light space, but differentiating them. And part of that is just having a consistent message. If you go back 10, 15 years, and follow those two brands, Miller Lite in particular would have a different – it was confusing, right, because they didn't understand what Miller Lite stood for. And we've been maniacally consistent over the last four years. We bring them to life in obviously different new and creative ways. But the underlying thread of what those brands stand for has remained consistent for four years. And you can see the consumer reacting to that.

Bryan D. Spillane
Analyst, BofA Securities
Q

Right, Yeah. I mean, it's – I think it's underappreciated just the ability to do that...

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.
A

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Right.

Bryan D. Spillane
Analyst, BofA Securities

Q

...both of those brands and big brands that are competitors, but under the same roof is...

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Right.

Bryan D. Spillane
Analyst, BofA Securities

Q

...not an easy task. Maybe just a couple of shorter term questions. Maybe the first one is just, Gavin, I think at CAGNY, you talked – I think you made a comment about effectively the year's gotten off to a good start in the US. And so maybe, Tracey, if you could talk a little bit about how we should think about phasing in 2024, some of the items that...

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

A

Yes.

Bryan D. Spillane
Analyst, BofA Securities

Q

...we should – or remind us, I guess, what we should be...

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

A

Yeah.

Bryan D. Spillane
Analyst, BofA Securities

Q

...thinking about in terms of phasing?

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

A

Sure. Thanks, Bryan. So, Q1 normally is a small quarter for beer. And for us, coming into this Q1, we wanted to make sure that we had the right inventory to be able to service as we get into the peak summer selling season. So we always really build inventory in Q1, and it's no different this year. What is incremental this year is because of the strong demand for our brands, we've built incremental distributor inventories to make sure that we can have our beer on the shelves all over for the consumer. So, little bit of an incremental build because of the demand for our brands. And then in addition we have built contingency plans around Fort Worth. And so, we're coming out of this quarter with higher levels of inventory just to make sure that we do have our brands available. So Q1, our shipments certainly outpace the brand volume fairly significantly, but then we expect for the balance of the year for that brand volume to then outpace the shipments, especially as we go through summer peak season. So that's the one thing.

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And then from a – that's the top line, you know, volume. From the bottom line point of view, leverage has a big impact, – volume leverage has a big impact on our bottom line. So with a big inventory build in Q1, we obviously had a big volume leverage benefits. And then as our brand volume outpaced the shipment volume for the balance of the year, we wouldn't expect to see that kind of benefits. We always try and ship to consumption, so we will see those converge as we get to the end of the year.

Bryan D. Spillane
Analyst, BofA Securities

Q

Right. And I guess as we think about phasing through the year on marketing investment, because last year you spent more as the year went on as things got better. So is the marketing investment smoother this year versus last year or is it going to kind of have the same cadence as we saw last year?

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

A

Yeah.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

You go for it.

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

A

I think it depends on the brand. So when we introduce a new brand, if it's an innovation. So, for example, we just launched a brand called Happy Thursday, which is a refresher type of – it's a hard refresher. So it's got alcohol in it and no bubbles. You put more money behind it to get the brand awareness. But in terms of the big brands, Miller Lite, Coors Light, I mean, we've got really good campaigns that'll sort of be spread throughout the year.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Throughout the year.

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

A

Especially in summer, it's important and as we get a fast start into the summer season, you'll see a lot of our brands, whether it be live sports, we've got a lot of big tournaments coming up, March Madness, et cetera. You'll see our brands there.

And then as we get to the back half of the year, I mean, football, et cetera, is really important to us as well. So, I wouldn't say that you see significant peaks and valleys, but there are periods where we would invest more.

Bryan D. Spillane
Analyst, BofA Securities

Q

And maybe just sort of one more shorter term question. I know, Gavin, you get a lot of questions about what happens in April.

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Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.
A

Yes. I can't wait for April to arrive. We're only a couple of weeks away now.

Bryan D. Spillane
Analyst, BofA Securities
Q

My birthday's April 1 actually.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.
A

Oh, good.

Bryan D. Spillane
Analyst, BofA Securities
Q

So, I guess, as we think about – we all know the comparisons are difficult, right, in the US. So that is – but we were talking about this a little bit earlier. Should we be thinking about, like, holding or gaining share in the US as being sort of the objective relative to all – what the difficult comparisons are? I think there's so much focus on if volumes are going to be negative, because it's got a really big comparison. Is that really the way to look at it or is it, hey, you're holding – you've gained all this share and now you're going to hold on to it or maybe gain a little bit more? So just how should we be thinking about what success looks like in the US, given the comparisons?

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.
A

Yeah. Well, I mean, that question is obviously asked a lot.

Bryan D. Spillane
Analyst, BofA Securities
Q

Right.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.
A

I think the – we're almost a year into this now, right. It's 11 months and a few weeks. And the share gains that we've made on both a volume perspective and a dollars perspective have held. I mean, they might change a tenth of a point here or there on a week, up or down. But, in fact, in the last few reads we've actually accelerated our share gains. So, we believe very strongly that the share gains are sticky. We're seeing a change in shelf space that I can't remember a time that that's ever happened at this level, right? Normally, you're battling away for one extra facing or two extra facings of something. And the amount of extra shelf space that Miller Lite and Coors Light have been getting in big chains is unprecedented. And we would expect to see benefits from it. I mean, the fact that we're going to have more beer on the shelf and better placed displays is going to continue to help the strength of Miller Lite and Coors Light.

So, absolutely I believe we're going to hold the share gains that we've made. And our job as a team is to make sure that we extend that. And Tracey referenced some of the plans that we've got behind Miller Lite and Coors Light. And we've already talked about the Coors Light Chill – the Choose Chill program that we launched at Super Bowl. That we're going to build on now as we head into March Madness and the summer, and we've got some

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great executions and partnerships with various organizations like ESPN, which we're going to bring to life. We're going to localize that in 65 local markets between Canada and the United States.

And then Miller Lite, we've got what I think is one of the best campaigns that Miller Lite has had, which we'll launch in the next week or so heading into March Madness. And we've obviously put the pressure, as Tracey said, behind those programs because they're working right.

Bryan D. Spillane
Analyst, BofA Securities
Q

Right. And it appears that, and maybe I'll ask with all of the effort you put behind the Super Bowl, right? You're building awareness going into the summer selling season, but it also, in my mind, was also a check on how much of that brand equity it stuck, right? People respond right to the ads, but not just the ads. It was the buildup to the ads. I didn't get on the cold train. I was little late.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.
A

I don't believe. I don't believe it actually, Bryan.

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

We all tried. We all tried [ph] to get in (00:17:44).

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.
A

I tried to get on to the train, and I didn't even [indiscernible] (00:17:48).

Bryan D. Spillane
Analyst, BofA Securities
Q

I do get asked now, I offers to buy merchandise, but a free ticket I didn't get. But, no, so can you talk a little bit about – I know it's only been a month or so, but just now that you've been able to kind of measure how consumers have responded to all of that, just what impressions you've had?

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.
A

Really, really well. I mean, and the retailers have responded really well too. I mean, we increased our displays and features in that sort of period around the Super Bowl for Coors Light, and that's obviously a very positive thing for us. And as I just – I think I mentioned, I might not have, that Coors Light recently became the number one brand in grocery. That's a big deal, Bryan. And, obviously, that's a testament to the work that that team and our sales team and our distributors are doing to bring that brand to life and it positions us really well as we head into summer.

Bryan D. Spillane
Analyst, BofA Securities
Q

All right. I want to just give anybody in the room a chance to ask questions, if anybody has one. Yeah? Okay. So, maybe just one more shorter-term question, Tracey. We talked little bit earlier about I think you've got a bond maturing this year. So just what will you refinance? Just how will you approach the maturity?

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

Yeah. So, we have got an €800 million bond coming due in July. We haven't made a decision on what we're going to do. We're assessing the markets – the financial markets. We're assessing the area – the countries that we operate in. This is a eurobond. So, you know...

Bryan D. Spillane
Analyst, BofA Securities
Q

Right.

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

...we want to make sure that we've got a good balance of our debt. So, we're busy assessing that. I mean, I think the good thing is, with our really strong free cash flow generation, we've got options, but we haven't made a decision yet.

Bryan D. Spillane
Analyst, BofA Securities
Q

Right. Right. Right. And, I guess, rates have – I mean, it's – if we were having this conversation six months ago, it seemed like [indiscernible] (00:19:47) in terms of rates. It seems like it's a little bit more visibility as you get into that.

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

Yeah. Yeah. Yeah.

Bryan D. Spillane
Analyst, BofA Securities
Q

Okay. Cool. So, maybe if we think about the changes, Gavin, that you've made since you became CEO, we talked a little bit about this last night, right, they're pretty profound, right? I mean, two families that have a long history in this business that have that – were accepting of some of the pretty major changes made, so – and that's including the lift out of Denver and smaller headquarters in Canada. So, could you just maybe talk about maybe first just your relationship with the board and how that might be different than other people who sat in your seat now?

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.
A

That's a great question. I think four years ago, as I was sort of making my pitch to run Molson Coors and what ideas I would bring of is that, the great thing was that the board was understanding that we needed to change. We needed to do things differently. We hadn't – as we've talked about a lot, growing the top and bottom line at the same time with the organization in a very long time. We might grow one but not the other, and never consistently. And so, there was a strong appetite for doing things differently.

So, the plan landed on fertile ground. And we've – the leadership team has executed the plan as we laid it out with not a lot of change, frankly, Bryan. I think we kind of got the strategy right. We knew what we wanted to do, and we executed. And the support from the board's been tremendous. I mean, you're right. We made some tough decisions. And the board has been supportive of that all the way through. And obviously, now, four years later,

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having done what we said we wanted to do, which was top and bottom line at the same time, having done that for two years in a row and guidance, that's going to make that three years in a row, yeah, very supportive. And yeah, it's actually great for the leadership team as we talk to the board and we expose our plans to them, how receptive and supportive they actually are, it's very visible.

Bryan D. Spillane
Analyst, BofA Securities

Q

Yeah, it's a profound change I think.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

It is.

Bryan D. Spillane
Analyst, BofA Securities

Q

And I think, maybe to follow up on that, as we think about capital allocation both the Molson and the Coors sides of this, right, went through a phase as the industry was consolidating, it was making acquisitions, right? And Carling was an opportunistic acquisition for Coors years ago, right? Molson wandered into Brazil at one point, right?

And it's – but what was lacking, I guess, over time was a real commitment to returning cash to shareholders in a more meaningful way other than just paying dividends. So, just can you talk a little bit now about how you and the board thinks about capital allocation? I know you talked about share repurchases and dividends at the – you had the repurchase authorization, but just how that balances maybe with other more opportunistic investments?

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Yeah, Tracey can add to this, right. But Bryan, one of the core elements of our strategy was getting our balance sheet in great shape and Tracey and her team have just done an amazing job with that. And part of that has been the string of pearls strategy. And I think that's a recognition that it is hard to do big acquisitions and make them really successful. And it's not just us, right, I mean, it's everybody has a hard time with us. And you just look at the overall alcohol space, whether it's a beer company or a spirits company, it's hard to do a big acquisition...

Bryan D. Spillane
Analyst, BofA Securities

Q

Right.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

...and do it really well. And we hadn't been super successful at that. And I think where we are successful and we have demonstrated capabilities is in the smaller string of pearls approach, which, obviously now that our balance sheet's in great place, we might have been talking about $20 million or less acquisitions. And we can talk about slightly bigger ones, which we demonstrated with our move into a meaningful share of ZOA and our acquisition of Blue Run. Those are slightly bigger, but they still fall into the string of pearls approach. And the board is very supportive of that approach. And we'll continue down that path.

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Bryan D. Spillane
Analyst, BofA Securities

Q

Right.

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

A

I mean, I would just add that the buckets of our capital allocation haven't changed. We'll continue to run all of our capital allocation decisions. We've got models that we run them through and we take it to the board. And you'll see some of those decisions that we made in the past like where we've made significant investments in our breweries to drive capabilities that we didn't have before, like flavors, variety packing et cetera. That's all helping to deliver on our – the COGS and cost savings and things like that, so – and that's a really great return.

So, we'll continue to invest in our breweries. We'll continue to invest in our brands because, to Gavin's point, the aim of the revitalization and now the acceleration is to grow both top and bottom line. So, investing for the long term for that sustainable growth is going to be really important as well.

Bryan D. Spillane
Analyst, BofA Securities

Q

Maybe just to turn to – at CAGNY, Gavin, you – part of the presentation was on the category itself, right, the beer category. So, maybe can you give us a quick take, your view of the category in your key markets, so US, Canada and the UK? Because I think the perception in the market is it's not that healthy, at least in the investment world. So, just your perspective on beer category as it stands today.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Yeah. I mean, our view – let's start with our biggest market, the US, is that the overall category will, over a long-term basis, be in that sort of flat to down around 1-ish over time, and that is a strongly held view of ours. I think as you look at last year and what transpired last year, around the beginning of the year, and some really tough weather in one of the biggest beer markets in the US and, obviously, we saw a nice improvement coming out of last year in Q4, and this year, a little tougher from a weather point of view in the first part of the year, showing strength and improvement in February.

I think it's safe to say, though, that the – how the category does this year will be determined by what happens in spring and summer because, January is the lowest beer-selling month. February is not a lot better. So, how we do as a category will be determined by that. And I think consumers have demonstrated that they like the beer space. They're generally loyal to it. It's moderation. You can see that in the fact that beer is growing dollar share of the overall alcohol segment. The expense of full bottled spirits over time, that certainly has proven to be beneficial for us. So, US, feeling good about it.

Canada consumers, it's been a little tougher up there from an overall consumer point of view, from a category point of view. Now, from our perspective, we're doing amazingly well in a tough market. I mean, we're growing substantial share in Canada each and every month. It's been tremendous. But the overall consumer in Canada is, I think, from an economic environment point of view, been more challenged than the US.

If you look across the [ph] water (00:27:58) to our two markets there, we've seen improvement in Central and Eastern Europe. They were our most challenged market from a disposable income point of view over the last few

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years for sure. And we're seeing some improvement in that now as energy costs moderate and consumers' disposable income becomes greater. And so, we're seeing the benefit of that.

And in the UK, the on-premise has remained remarkably resilient. And that's where – that's our powerhouse. I mean, 70% of our revenue comes from the on-premise. The off-premise has been a little soft recently. It's probably driven by the excise tax increase, which was meaningful and has had an impact on the off-premise. So, a little bit of a mixed bag but feeling good overall.

Bryan D. Spillane
Analyst, BofA Securities

Q

Right. And then maybe just to look – drill into the US a little bit more, one is just – one of the observations, I guess, in the US over the last year or two has been the growth in, like, single – like 24-ounce can or larger can sizes. So, it's kind of a single transaction versus buying, I don't know, maybe a 6 pack or 12 pack. And it got me thinking about volumes versus transactions. And is – so, if we were to look at your business in the US, while we're all focused on the sheer number of liquid consumed, right, are the number of transactions actually growing or at a better pace than just the volume itself because consumers are maybe purchasing less volume per transaction?

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Well, certainly, we've seen an improvement in the C-store space, right?

Bryan D. Spillane
Analyst, BofA Securities

Q

Yeah.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

I mean, C-store has went through a little bit of a tough period in the – during the pandemic and certainly that has improved as we've come out of the pandemic. From a trading point of view, we haven't seen a lot of trade down from a brand point of view...

Bryan D. Spillane
Analyst, BofA Securities

Q

Right.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

...from above premium to premium [ph] lights (00:29:54) or into the economy space. We've not seen that. What we have seen is consumers making different decisions and certainly going into smaller pack sizes like singles, as you said, and like six packs we've seen, but we've also seen that on the opposite end of the spectrum, moving into larger pack sizes, 36 packs and so on. So, that's consumers seeking out values as they can find it. We've certainly seen that.

Bryan D. Spillane
Analyst, BofA Securities

Q

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Right. And then we were talking a little bit last night about, in the US, beer versus spirits and share of stomach, I guess. And so, we're observing now the spirits industry slowing, right, pretty meaningfully, actually. It really started in the fall and proceeded through the holidays. So, your perspective, I know it's been a long sort of 20-some odd years of spirits kind of gaining shares from relative to [ph] beer (00:30:53) share of ethanol. So, just is it – are we at a point maybe where that's beginning to rebalance itself a little bit?

Gavin D. K. Hattersley A
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

Certainly I hope so, Bryan. I mean, last year was – I mean, we grew dollar share of the overall alcohol space, beer did. I think we've done that too often in the past.

Bryan D. Spillane Q
Analyst, BofA Securities

Right.

Gavin D. K. Hattersley A
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

And certainly full bottled spirits, as I said earlier on, is, hitting a wall is probably too strong a word but it is certainly declining meaningfully. And the ready-to-drink spirits category is – has picked up. Consumers have, though, moved into flavored malt beverages in a meaningful way and Simply Spiked, obviously, plays very nicely in that space and consumers are looking for different as well. That's why we're particularly excited about Happy Thursday. Tracey mentioned it earlier on. And so, it's a consumer insight, which we picked up around younger legal drinking age consumers wanting bubble-free liquids and actually creating their own bubble-free liquids.

And so, we're meeting a need and we're first there and we're excited about it. I mean, it's just a couple of weeks, right, that we're in the marketplace. But, certainly, the receptivity to Happy Thursday has been strong, so – also taking away from, we believe, spirits as well.

Bryan D. Spillane Q
Analyst, BofA Securities

Right. It's more hypothesis than anything else. But the – even the growth in ready-to-drink spirits, right, kind of shows that portability. Maybe there's a little bit of not wanting to invest in a whole bottle. Like spirits is an investment commitment, right? And so, maybe there's a little bit also of just that bringing that, whether it's a can or a bottle, single serve kind of back to consumer, brings people back to beer, right?

Gavin D. K. Hattersley A
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

Right. Well, I mean, certainly, I think, obviously, the spirits guys are closer to this than we are. But, certainly, there was a stocking up of spirits, and spirits last a long time, right?

Bryan D. Spillane Q
Analyst, BofA Securities

Yeah.

Gavin D. K. Hattersley A
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

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So, if you've got a couple of bottles, you don't need to replace it...

Bryan D. Spillane
Analyst, BofA Securities

Q

Yeah. Yeah.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

...whereas beer is obviously an alcohol type, which you move through pretty quickly because it obviously doesn't have an unlimited shelf life.

Bryan D. Spillane
Analyst, BofA Securities

Q

Right. Gavin, maybe if we can talk a little bit about the two international segments, and I think in 2019, one of the things you've said was that the focus was to get the US fixed, right? If you're going to get the US fixed the rest of it wasn't going to – you need to do that first.

And so, there's a little bit of a scaling or refocusing, I guess, at the international segments and maybe exiting some markets or moving into like export model type of thing. So, just where does that stand today? And was there an appetite to invest more in international, just that balance between the domestic and international segments?

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Yeah. Well, certainly, in 2019, making sure that we have a strong and healthy North American business was important, right?

Bryan D. Spillane
Analyst, BofA Securities

Q

Right.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Because we made – 85% of our profit comes from North America. So, making sure that was robust and strong was important and that's where we directed our investment first and foremost. But at the same time, the European business has been right sizing their investments and right sizing their business. They did the same – we did the same in Europe as we did in the United States and Canada, right, removed layers of leadership to get decision making much quicker, remove bureaucracy, take out duplicate costs. They were working just as hard at that in Europe as the folk here in America were as well.

We also, as you rightly say, we got rid of businesses and breweries that we just saw no path to profitability in very difficult markets for us. And we're following the asset-light approach. Now, we think our brands have got tremendous potential around the world. Coors and the Miller family of brands are lead brands in our portfolios from an above premium point of view. And we think there's great opportunity for them to expand. And we're going to do it in an asset-light way there.

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And we think that works really well for us, making sure we choose the right partners in the countries in which we go to as we put a lot of time and effort. Those are the things we've learned from some of the mistakes we made in the years past and it's coming to life very nicely. We've also got the – we talked about this last night, right, is I mean, we've got the most successful launch, I think, we've had in EMEA, APAC and certainly one of the most successful in our total business with Madri.

Bryan D. Spillane
Analyst, BofA Securities

Q

Yeah.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

In three years, that brand is well north of 1 million hectoliters and we're expanding it. So, we're expanding it into one country in Central and Eastern Europe, we're expanding it into Canada. We're going to be really thoughtful about how we expand it. But it's an above-premium brand that's had unprecedented success. And I'm excited about a lot of things in our business, and that's one of them.

Bryan D. Spillane
Analyst, BofA Securities

Q

Right. Last fall, Molson Coors announced a number of like optimization initiatives, I guess, in the commercial structure in the Americas. So, what's changed? I guess, that's the first thing, just what's changed there?

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Well, we put the commercial group in place in about this time last year, I think.

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

A

Beginning of last year.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

And the objective there was the power of bringing America, – United States and Canada and Latin America into one group and transfer ideas much quicker and again, remove barriers to being effective as one group.

Bryan D. Spillane
Analyst, BofA Securities

Q

Right.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

And then we built on that, as you say, in the fall, [ph] we informed (00:36:56) the commercial accelerator, which includes functions like digital and media buying and consumer insights and so on and providing a service much more broadly than those groups perhaps were before.

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And I think we're starting to see the benefit of those decisions in Canada, in Latin America, as well as our brands gain strength. And the work that we're doing in the US with Coors Light, for example, and Miller Lite. You can see that in Canada and in Latin America. We've launched Madri, as I said, in Canada. And if that does as well as we expect it to do, we certainly can expand that to other markets. And so, it's certainly made us more nimble, no question about that.

Bryan D. Spillane
Analyst, BofA Securities

Q

Right. And...

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

And also – sorry.

Bryan D. Spillane
Analyst, BofA Securities

Q

Yeah.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

Just one other thing [ph] from – info (00:37:46), we actually also had a really good understanding of what was working and maybe what wasn't working and where we needed to refocus some of our attention. And we did that at the same time as well. We put more resource with our distributors than perhaps we had before, so.

Bryan D. Spillane
Analyst, BofA Securities

Q

And is it correct to look at this not as a way to spend less or – there's efficiency involved but my perception of it is you've actually rebased your marketing budget and your commercial spend higher, and now you've got a more efficient way to spend that money. So, it's not meant to save as much.

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

A

Yeah. Look, I mean, it's – there certainly is incremental investment, but it's not material.

Bryan D. Spillane
Analyst, BofA Securities

Q

Right.

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

A

We've also done a lot of work over the last few years around getting more efficient with our marketing spend, whether it be shifting more into digital. More than 50% of our spend now is in the digital space. That's also more agile, more flexible spend. And then we've lifted a lot of our investments from the non-working dollars to shifting more to working dollars. So, we've been doing that all along. So, this incremental investment that we've made, and it is not material, we've been able to do it because of the efficiencies that we've driven in the marketing over the last few years.

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Bryan D. Spillane
Analyst, BofA Securities

Q

Okay.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

That's an important point, right, that Tracey made. It wasn't about cutting costs. In fact, our costs went up.

Bryan D. Spillane
Analyst, BofA Securities

Q

Right.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

It's about redirecting the resources to where they can be most effective.

Bryan D. Spillane
Analyst, BofA Securities

Q

Right. Right. Yeah. And kind of that was my thinking. You've got more to spend and now you want to make sure you spend it as effectively as you want...

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

A

In the right way. Yeah.

Bryan D. Spillane
Analyst, BofA Securities

Q

...right?

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

A

Right.

Bryan D. Spillane
Analyst, BofA Securities

All right. Well, we are just about out of time. So, Tracey, Gavin, I want to thank you both for spending some time with us today and spending the day with the investors here and thank everybody else here for joining.

Gavin D. K. Hattersley
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

Thanks, Bryan.

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

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Thank you.

Bryan D. Spillane

Analyst, BofA Securities

Thanks.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

Thank you.

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