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Molson Coors Beverage Co. (TAP)

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MANAGEMENT DISCUSSION SECTION

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Good evening, everyone. It's a pleasure to welcome Molson Coors back to CAGNY again this year. We have President and CEO, Gavin Hattersley; CFO, Tracey Joubert; Chief Commercial Officer, Michelle St. Jacques; and Chief Commercial Enablement Officer, Jeff Long, joining us.

Also please join me in thanking them again for their sponsorship of the beverage reception immediately following their presentation.

So, it's truly an exciting time for Molson Coors as the company has made tremendous progress on its transformation journey, having changed over the course of just a few years, how it invests, how it markets, and how it operates to return the company back to growth. Having completed its revitalization plan, the company is now well into the next leg of its journey, which is to accelerate growth as it focuses on further strengthening its core brands and pushes further into above premium in both Beer and Beyond Beer, as well as taking complexity out of their system, allowing them to deliver sustainable top and bottom line growth.

So, with that, I'm going to turn it over to Molson Coors.

[Video Presentation] (00:01:23-00:02:39)

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Unverified Participant

Please welcome Molson Coors, President and CEO, Gavin Hattersley.

Gavin D. K. Hattersley

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

Well, good afternoon everybody, and thanks for that introduction, Bonnie. Much appreciated. It's a wonderful to be back here to share our progress on our strategy with you all and some of the opportunities which we've got. And we're even more excited to share a beverage with you, whether it's alcoholic or non-alcoholic at the reception afterwards.

Let me remind you on our forward-looking statements, I'm sure you're all very familiar with this, and all the disclaimers. You could see that in the presentation slides. It's been a year since we were last here, as Bonnie said, and you know what a year it's been. We've had macro challenges, we've had uncertainties, we've had holiday and calendar mismatches; we've had bad weather in big beer markets. There's been lots of ups and downs for the industry. But ultimately at the end of the year, the industry performed pretty much in line with the way it's performed for the last several years. And despite that, it's been another year of progress for Molson Coors.

We've advanced our strategy. We helped deliver another year of very strong free cash flow. We delivered a third year of bottom line growth. And despite all the macro impacts which I just talked about and a particularly tough summer, right, it wasn't a great summer for the industry.

Our net sales revenue still positive from a top line point of view, if you exclude the termination of our Pabst contract brewing arrangement. Our US share – we retained a substantial portion of our US share gain that we got in 2023, and we earned unprecedented levels of shelf space on our core US power brands.

We achieved incredible growth in Canada across our portfolio and across all price segments. We continue to premiumize off a very high base already in our EMEA and APAC business. We invested in areas that support long term, sustainable, profitable growth and we exited some unprofitable and lower margin businesses during the year. And with all that, we strengthened our balance sheet to its best level in a decade and we returned even more cash to our shareholders. And Tracey will talk a little bit more about that in a moment.

That tells us that our strategy, our acceleration plan, is working. Just to remind you, our strategy is designed to grow our core power brand net revenue to aggressively premiumize our portfolio and to scale and expand Beyond Beer and at the same time investing in capabilities. And Michelle and Jeff will talk a little bit more about that in a moment.

So, let's start with our core. Some of our largest, most iconic beer brands are global and they're leading brands in their respective markets. Now, as I said, the US had collectively a step change market share gain in 2023, and we've held on to most of it. It's proven to be sticky and that's been supported by the significant space gains that we've got in the spring of 2024 and which we held onto in the fall of 2024 – actually increased a little bit and which we expect to hold on to again in spring of 2025. And that's all being done with the commercial programs that we've got, the unbelievable chain team that we have, and the world class distribution network that we have in our system.

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At the same time, we focused on premiumization that is central to our strategy with both Beer and with Beyond Beer. And we've made solid progress globally. We've moved from 23% in 2019 to 27% in 2024. And we're confident that we can hit our medium-term goal of 33%. Why? Well, because we've been successful in so many markets. In EMEA and APAC pace has been dramatic. More than half of the net sales revenue in EMEA and APAC is in the above premium space, and it's accelerating. It continues. Madri, there's lots more opportunity for Madri, even in the United Kingdom, where it's already over a 1 million hectoliters, the awareness is very low. So, we think there's lots of opportunities for Madri both in its launch market in the UK and in other markets where we've already gone, such as Bulgaria.

The Americas is up versus 2019. Canada has been a big driver of that with Miller Lite and with flavor. The US is up too, but the 2023 significant step up in the core obviously slowed that down a little bit. Now, it's a high class problem. It's not a bad thing. We'll take that every day of the week. But we also recognize that we've got work to do in the United States and we've got big plans and we think we've got big opportunities with brands like Peroni, Blue Moon and our non-alc portfolio. And supporting all of those priorities are our capabilities across the whole organization. And in the past, we've talked a lot about supply chain, but today Michelle and Jeff are going to talk about some of the commercial ones that are creating value for our organization.

So, to wrap up, we're making progress. Our strategy is working. It reaffirms conviction in our long-term algorithm, which to remind you, is low single-digit growth in our net sales revenue on a constant currency basis, mid-single-digits growth in our underlying income before income taxes and high single-digit growth in underlying earnings per share.

And let me invite Michelle up to take us through a couple of the capabilities. Michelle?

Michelle E. St. Jacques

Chief Commercial Officer, Molson Coors Beverage Co.

Thank you, Gavin. And it's great to be here. Now, I know when many of you probably think about the business we're in, if you think about the category and certainly some of the challenges that we've had over the past few years. And whether you ascribe those challenges to changes in consumer behaviors, wellness, macroeconomic factors, or certainly the rise of substitutes, for us, for our business, we have a very clear view on how to win.

The most important thing for us to do, the thing that will be best for our consumers, for our business and for our customers is to be category first. When we are category first, we act in the best interests of the category. We put Molson Coors at the forefront of growth. We call this commercial operating principle, category first, Molson Coors Best and I'll quickly cover a few ways that this comes to life. Starting with doing what is right for the category and the customer first. An example of that is our proprietary category management approach.

Now, I know you hear from some of our competitors on how they do it. But one of the key principles about how we do it is always thinking in the best interest of the category first. And when our retailers lean into our approach, the category grows even faster and Molson Coors takes a disproportionate amount of share. Now, that's why our retailers have chosen us, as the category captains for over 50% of the retail outlets, which is much higher than our 20% share of the industry. It's a great example of what category first means and how it can disproportionately impact our business.

The second example that I'll talk about is how we think about raising the bar on execution. So, we lean into technology to drive better execution with our distributor network. Another example of this is how we take those Planograms and execute them in market. So, we impact about 70,000 planograms per year, but 6% of them never get executed and that's a big opportunity. So, what did we do?

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Well, we partnered with the Route Accounting Software companies, companies that our distributors already use to ensure that we could integrate what those planogram options were in the palm of their hand. So, the distributor rep can easily walk into a store, add the key planogram items and close that gap. And when we've tested this technology, we've seen that impact and we've seen that we were able to effectively close the gap.

Now, the third principle of Molson Coors Best is around attracting consumers for today and tomorrow. To keep this category healthy, we need to attract the next generation of drinkers and offer the right products, brands and benefits to meet their changing needs. So, one of the things that we did is, we built a collective Gen for Gen Z where we partnered with influential Gen Z consumers to help us build the propositions in alc and non-alc, everything from liquid, packaging, design, making sure that the things that we bring to market resonate with that important consumer demographic.

Another great example is we commissioned a landmark study into mindful drinking habits with over 16,000 consumers. So, we could understand the occasions, the barriers, the opportunities for us to tap into this space moving forward with innovation. A great example of that is, how we're launching Naked Life in March. We need our category to bring in new drinkers to thrive. And at Molson Coors, we're investing to make sure that we can capture that growth for the future.

The category first approach distinguishes us from competition. It benefits the category, but it's also a source of competitive advantage. When we do this right, Beer wins and our brands win, and it unlocks new opportunities for channels and consumers. So, now we'll deep dive into two examples of that, starting with a very important channel, the convenience channel. Jeff?

Jeff Long

Chief Commercial Enablement Officer, Molson Coors Beverage Co.

All right. Thanks, Michelle. And hello, everyone. Well, I'm going to start with something that isn't new news at all. Convenience is a big and important channel. It's the biggest by dollars, and it's responsible for 165 million transactions every single day. And it's growing, in beer up 23% in dollars, and 27% in trips over the last five years. Shoppers are making nearly 2.5 trips per week to the convenience channel. And almost two-thirds of those trips involve beer.

But the pandemic drastically shifted the relationship that shoppers have with this important channel. People reevaluated their routines, and they looked for more and more ways to prioritize their time. So, it's no surprise that things like immediate access and easy navigation became key drivers of channel choice for shoppers. And this is especially true for the younger [ph] LDAC (00:13:41) consumers, they have the highest percentage of buyers going to convenience stores, the highest trips per buyer, and they're increasing their spend in convenience faster than any other generation. So, the opportunity is absolutely clear, but we have work to do. Over that same time period, our portfolio has grown dollars as well, but we're not reaching our fair share versus other channels.

We have to think differently about this important channel to capture its full potential. But how? By winning in the moments that matter. By launching innovation that is specifically designed for the convenience channel, and by creating solutions that are unique and ownable. Solutions that go beyond just winning in store to bringing an omni-channel approach.

All right. Let's start with the obvious. Every trip that a shopper makes to a convenience store is not the same. So, we talked to thousands of C-store shoppers to understand where and how you can influence them along the path to purchase. And we call these influence points, the moments that matter. At home, leaving for work, at the pump,

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at the cooler, at the register, in the store, each one of those offers a unique opportunity to connect and to influence their choice. And when you combine those moments that matter with trip types, you bring powerful insights that impact our solutions.

Take, for example, a routine after work trip. It's shed the day. It's autopilot. I just want to get home. I'm looking for my every day brands. We disrupt them in those moments at the cooler and on the floor with a display or simple promo like we did with our Case of the Mondays campaign with Coors Light and the Super Bowl.

Or think about that impulse trip when they're coming in for snacks and they just need that extra nudge to not forget the beer. This is where we lean into big brand partnerships like PLANTERS, Pringles and Takis. For this trip, you have to go beyond a simple promo. You can reach them at the pump with targeted media and in the store with cross-merch value offers.

Beyond those solutions that we know to effectively reach consumers, you have to understand how their needs very specifically intersect with the channel. In convenience, singles, flavors and high ABV are leading category growth. Singles bring an opportunity for a consumer to try something new, but for a retailer they bring traffic and margin.

Flavor fills a gap for a consumer who wants something other than beer, but it enables a retailer to compete across a broader landscape of occasions. And high ABV is critical driver of choice because of its clear link to value. And it's linked to occasions. To reach consumers in a new way we created a dedicated channel led innovation pipeline for the first time ever. This year we're excited about the launch of Blue Moon Extra, [ph] Topo Max and Simply Bold (00:16:54), all of which sits squarely in the above premium space.

Our retailers are excited too, Blue Moon Extra is a top innovation priority for 7-Eleven. And in the spring, 60,000 placements of our new innovation items will be hitting convenience store shelves.

Beyond innovation, to win in convenience, we need to create solutions that are unique and solutions that are ownable, things that go beyond thinking about in-store into bringing an omni-channel approach, because we can build great brands and we absolutely do. But the choice of what to buy belongs to a shopper at the point of purchase, and we have to influence that choice. At the pump, on their phone and at the register, our solutions have to be connected, always on and meet the shopper exactly where they are.

Even communicating things like value isn't as easy as it was in the past. Long gone are the days of simply listing a competitive price on the shelf. Instead, you target digital and proximity media to reach a consumer before they ever leave their couch. You bring escalating value offers on key packages, and you bring those offers to life with key merchandising materials in-store.

Beyond things like value, we have to also ensure that every one of our brand plans and platforms comes to life specifically for the channel, like our Find Your Flavor program with shoppable, social and digital that reaches them online and targeted media that reaches them at the point of purchase. Or Coors Light Music reminding a consumer to choose chill at every touch point or with perfect food pairings like Blue Moon, Topo and Coors Light. We have fundamentally changed the way that we approach the shopper in this channel. And all of that is in the name of being category first. By creating stronger connections with our drinkers in those moments that matter, by bringing channel specific innovation and solutions that unlock growth for retailers.

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Since 2022, we've grown 10% in dollars in the convenience channel. In 2023, convenience outpaced all channels in share growth for our core brands. And in 2024, we retained 86% of those core brand share gains. That's leading all channels in share gain retention.

We are absolutely proud of what we've accomplished to-date, but we know there's so much more potential ahead. The channel continues to grow, especially amongst Gen Z consumers, but we're under shared versus our performance in food. And closing that gap is worth $575 million. It's an incredible opportunity and one that we believe we're primed with our working capabilities to take advantage of.

All right. From talking about an important channel to thinking about the fastest growing big beer brand. Michelle, back to you.

Michelle E. St. Jacques

Chief Commercial Officer, Molson Coors Beverage Co.

Absolutely. So, now we're going to shift from a channel to another example of category first Molson Coors Best, as it relates to the fastest growing top beer brand in the category in 2024. So, Banquet grew in 2024 by 13.5% and Banquet is a big brand, it is tied to be the third largest brand we have in the US portfolio and it's the fifth largest brand we have globally at Molson Coors. And the success story is not just in 2024.

Since 2019, Banquet has grown by almost 50% in volume. Now, you might be asking yourself why? Well, there's three key reasons. The first, it is a brand that is cool and timeless. It's a brand that has an authentic consistency since its legacy dating back to 1873. It's still only brewed in Golden, Colorado. It's still made with 100% Rocky Mountain water, and it's rooted in the codes of the West.

Out of 2,000 brands in our database, it's a top 25% brand on cool and original. And we're focused from a marketing perspective to keep reinforcing that authentic point of view with programs like our Start Your Legacy program, or partnerships with Yellowstone and Wrangler that lean into those Western roots. People just can't get enough of Banquet. You go to music festivals, sporting arenas, everyone's wearing the t-shirts and the hats. In fact, fun fact, our merch sales are up by over 150% last year.

Now, it's not just about a t-shirt and a hat, it's about what this brand represents for people, and it keeps them coming back and reaching for more. It's the badge value that makes Banquet so powerful.

Now, the second thing that's driving the growth of Banquet is how the brand is balancing the new and old drinkers. So, we know one of the biggest challenges in the categories amongst big iconic brands is, how do you retain your existing drinkers while attracting new ones? Well, Banquet does both. Banquet has one of the highest loyalties amongst its existing drinkers. They love the brand. But on top of that, the brand is attracting new drinkers.

In 2024 alone, Gen Z grew by 30% with this brand, and Latinos grew by 15%. In fact, Banquet is the fastest growing beer brand with Gen Z in 2024. And what's even better is the loyalty of these new drinkers is actually even higher than the existing cohort. So that says that we're truly building the next generation of Banquet fans.

Now, the third and last reason that's a key driver for growth is how we've been expanding consistently our distribution. So, since 2023 points of distribution on this brand are up by 40%. In convenience, which we just talked about is important, it's up by almost 50%. So, we know that more Banquet in more places means more sales. And the great news is there's so much more potential. Banquet currently is only in half of the point of

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distribution of Coors Light, and its awareness is significantly below those of other big beer brands. So that means there's a lot more growth potential for the future and we are primed to take advantage of it.

On distribution, expect big gains in the spring resets. More packs, more channels. Our retailers are smart business people and if they follow the category first principle, they're going to want to make sure they're expanding the shelf space for the fastest growing big beer brand.

Secondly, on awareness, we've been upping our investment in marketing behind this brand over the past few years, and 2025 is going to be no different to help continue to bring those new fans into the brand. So, what does all this mean? Well, in 2020, Banquet cracked the top 20 brands in the category. Today it sits as a top 15 brand. And we believe there's no reason why Banquet shouldn't be a top 10 brand in the category. It's a perfect example of a brand that's firing on all cylinders around category first Molson Coors Best, attracting new drinkers, driving distribution and driving flawless execution.

[Video Presentation] (00:24:26-00:25:40)

So, I started today's presentation saying that sometimes when you think about our category, you may think about all the challenges. When we think about this category, we think about all the opportunities, the opportunity for a 150-year-old brand to become the fastest growing beer brand with Gen Z. The opportunity for a channel that we've under-indexed in, to do things differently, to unlock more growth for the future. And the opportunity to redefine the category to introduce new products that fit the occasions from Alc and non-Alc. Our Category First Molson Coors Best approach is different and it drives an advantage versus our competitors.

Now to talk about how that translates into business results, come on up, Tracey.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

Okay. Thank you, Michelle. Hello, everyone. So, you've heard from my colleagues that we have the right strategy and it is working. So, let me talk about our financial flexibility and how it supports our ability to execute against this strategy.

So, we are a highly cash generative business and we have extremely strong cash conversion. In fact, in 2024, we delivered north of $1.2 billion in free cash flow. And we expect to continue to build on this through profitable growth. It's that strong cash flow that allows our prudent deployment of capital and that capital we deploy to drive profitability, to drive creation.

So, now let's talk about our capital allocation priorities. First, investing in the business to drive long term sustainable, profitable growth, be it through capital projects, supporting our brands or bolt-on M&A. Now, when we talk about capital investments, we've made significant investments in our supply chain over the last number of years from the big multiyear programs when we modernized our Golden Brewery to capabilities in flavor, capabilities in co-packaging, and all of these investments we made to drive productivity and margin expansion.

Now we take a measured approach to capital investment. We invest around $650 million to $750 million a year. Now, we've got no shortage of projects and ideas, but we don't expect a step change in our capital investment over the next few years.

When it comes to M&A, we take a string of pearls approach. So, that means bolt-on deals. No large transformational scale investments. Now, with our improved financial flexibility, the pearls could be a little bit

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larger, but still funded out of cash from operations. Any acquisition we make also needs to align with our strategy. It needs to fill a white space. We must be able to scale it, and we must believe that we have the right to win. So, for example, a very small investment in La Sagra brought us Madri. We announced an investment in Fever-Tree and that adds to our above premium non-alc business.

Our second capital allocation strategy is around maintaining our leverage ratio to below 2.5 times. Now we're very proud of how quickly we've actually achieved this, particularly given the macro landscape that we've seen over the last couple of years. And if you notice, our ratio improvement versus 2016, both our net debt and our leverage ratio reduced by more than half since 2016. That's a dramatic improvement.

And our rating agencies have noticed it. Moody's upgraded us last October one notch to Baa1 Stable, and that's our highest investment grade in over a dozen years. Now, all of this means more optionality and to return even more cash to our shareholders.

So that brings me to our third priority. Now, we have a long track record of paying dividends. And our intention is to sustainably increase that. And we've done that over the last four years. We also have a $2 billion share repurchase program that's up to five years and we announced that in October of 2023. And given that we view our stock as a compelling valuation, we've already done more than 40% of that program in just the first five quarters. Now, share repurchases not only helps drive earnings power, but it also demonstrates our confidence in our business, in our strategy and our growth algorithm.

So, before we get to questions, I do want to proactively answer one that we get all the time. What is the market missing about Molson Coors? So, we believe several things. We have a compelling free cash flow with strong conversion rates. The improvements we've made to our balance sheet gets us to our optimal leverage ratio. We have a competitive growing dividend and our brands collectively are healthy and we are really focused on the premiumization of our portfolio. We've also built strong capabilities from supply chain to commercial, and that drives portfolio growth and productivity improvements. So, we're pleased with the progress we've made. And we're committed to continuing to advance our strategy and our financial objectives.

So, with that, we will take questions and Traci will lead us through that. Traci?

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QUESTION AND ANSWER SECTION

Traci Mangini
Vice President-Investor Relations, Molson Coors Beverage Company

A

Thank you. Pleased to see so many hands. Bonnie, why don't we start with you.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

Thank you. Bonnie Herzog with Goldman Sachs. So, I had a question on your top line guidance of low-single-digit currency neutral growth. Just hoping you could talk a little bit further about the drivers of that. For instance, the context of that guidance. Are you expecting to grow your core or are you expecting most of that growth to come from a lot of the premiumization that you discussed today and have discussed before as well as growth in Beyond Beer? And then, in the context of all that, could you also talk to where you might see the greatest upside potential versus maybe potential downside risk as the year unfolds? Thank you.

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

A

Thanks, Bonnie. I will kick off, then you can talk about some of the plans we've got for our portfolio in the US. But Bonnie, we've got businesses in Canada which is really growing very, very strongly. It's growing ahead of the US. We've got a European business which is doing the same from a top line. We've got puts and takes for sure. We've got contract brewing coming out. So, we've got Pabst coming out and we've got Labatt coming out as well. So, we'll be having those headwinds over the next three quarters, primarily for Pabst and the full year for Labatt.

Of course, we expect to take price. We've talked historically about how we've taken price in that sort of 1% to 2% range. We've got the very positive benefits of our premiumization portfolio. And then of course, we've got Fever-Tree, which we've taken on board from the 1st of February. And every single dollar or case we sell of Fever-Tree is incremental to our business. And we're not starting from scratch for that business, that business did 10 million cases last year. And then, we believe with our network, our capabilities, that we are going to actually accelerate that. But why don't you talk about a few of the brands?

Michelle E. St. Jacques
Chief Commercial Officer, Molson Coors Beverage Co.

A

Sure. I mean, I think maybe I'll touch on premiumization. I think...

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

A

Sure.

Michelle E. St. Jacques
Chief Commercial Officer, Molson Coors Beverage Co.

A

...it's a good segue from what you were just talking about. Certainly, we've talked about Canada, and that's a great example of how we're driving premiumization. You can see it across beer and you can see it across Beyond Beer consistently from a regionality point of view. I think the opportunity we have is to drive that same type of premiumization in the US and we're laser-focused on the biggest opportunities to do that.

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So, in the case of Above Premium Beer, it's very much so Blue Moon and Peroni. We think these brands have a lot more opportunity than we've been able to deliver over the past year. So, we're very much focused on driving distribution, increasing marketing support behind those brands to drive awareness. We've got lots of new innovation and expanded innovation opportunity as we go into Q2. So, the bulk of that programming behind the Above Premium Beer component really kicks off in Q2.

Then in the Beyond Beer, I would say the biggest one that we're focused against is non-alc. So, we've obviously taken a larger stake in ZOA more recently. Now with the partnership with Fever-Tree, it's an area that we're very much leaning into, building capabilities, building resources, because we believe it's another key area of growth that's obviously very incremental to our business.

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

A

Thanks.

Traci Mangini
Vice President-Investor Relations, Molson Coors Beverage Company

A

Chris?

Christopher Carey
Analyst, Wells Fargo Securities LLC

Q

Thank you. Chris Carey, Wells Fargo. Gavin, can you please give us an update on your view around the string of pearls approach to M&A? Fever-Tree was a very digestible deal. Should we assume that large scale M&A is not in your interest in the context of string of pearls, so maybe any context there?

And then Tracey, obviously tracking way ahead of the planned cadence with the share repurchase program. Is there any reason that you wouldn't continue to track ahead given where the stock is today? I mean, you've signaled this in this presentation and several presentations before. So maybe just the go forward thought process on share repurchases in the context of the targets that you outlined at your Investor Day. So, it's all kind of related to cash, but it in...

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

A

Great.

Q

[indiscernible] (00:36:03). Thank you.

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

A

Sure. I'll kick off and maybe you can talk a little bit about why Fever-Tree is so exciting and you can answer Chris' third question. So, look, we are committed to our string of pearls approach, Chris. We think it works well for us. It has worked well for us over the last five years. We've done very, very small pearls, which have delivered

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significant value. Tracey mentioned La Sagra, which delivered us Madri, which is now one of our top 10 brands globally. It's well over a 1 million hectoliters.

It's doing well ahead of plan in Canada and Bulgaria, building off the base in the UK. We did the small deal with L.A. Libations which brough us the Coke relationship which brought us $100 million brand in Simply and Topo Chico. So it works well for us. And Fever-Tree, Tracey mentioned, slightly bigger strings or slightly bigger pearls and that fits perfectly into it, right, under $100 million.

We're very excited about Fever-Tree. We think we can do great things with that brand. And the US is its biggest market. And we want to take – we want to benefit from some of the value that we think we're going to create in their biggest market, which is why we took – I think it's the second largest stake in Fever-Tree. Why don't you talk about how we feel about Fever-Tree holding on [indiscernible] (00:37:21)

Michelle E. St. Jacques
Chief Commercial Officer, Molson Coors Beverage Co.
A

Very excited about Fever-Tree. So going back to non-alc being such a priority, we have a very intentional strategy about where and how we want to win in that space. So we talk about non-alc replacement where obviously we have things like Blue Moon non-alc, Peroni 0.0 or the new launch of Naked Life that's coming in March. We have non-alc adjacent and one of the biggest segments in that space is mixers and we'll talk about that with Fever-Tree.

And then of course, we have pure play, which is where ZOA and Energy sit. When I think about non-alc adjacent, one of the reasons we're really excited about this space is because it sits very close at the intersection of alc and non-alc occasions, right. It's oftentimes in the same aisles, in the same stores. It's a great opportunity for us to drive diversification in a place that makes sense for us as a company.

And we thought about what's the ideal brand to sit in that space. It was undoubtedly Fever-Tree. It's a big brand. It's been a consistently growing brand. It's the number one tonic water and ginger beer in the category. And what we see as lots of opportunity moving forward, whether it's about expanded distribution, expanded awareness, and it's a brand that we believe has got a lot of potential for us in the future. So very excited about it.

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

Thanks.

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

And then just in terms of capital allocation and share repurchase, I think you would have seen that we're very disciplined and very diligent around our asset allocation. We've got models that we run all of the capital allocations through. And I think the great thing with the strength of our balance sheet now and our business performance, we've got options. We've got optionality in terms of investing in our brands.

As Michelle spoke about non-alc, it's a focus for us and we want to make sure that we fuel those brands. It's making sure that we have a sustainable dividend too and that's growing. So, yeah, the good thing is we've got options and that share repurchases is up to five years. But we will run all of our allocation through our models and make sure we get the highest return for our shareholders.

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Traci Mangini
Vice President-Investor Relations, Molson Coors Beverage Company

A

Great. Let's do Bryan and then Andrea.

Bryan D. Spillane
Analyst, Bank of America

Q

Thank you. Bryan Spillane from Bank of America. I had two questions. One, just in C-stores with singles becoming a bigger part of the business, if we were to measure just, I don't know, units or SKUs sold instead of equivalent cases, would the picture look different than what we see when we're just looking at volume in the scanner data and all the other stuff we look at?

Jeff Long
Chief Commercial Enablement Officer, Molson Coors Beverage Co.

A

Are more units being sold as a result of the singles piece coming in?

Bryan D. Spillane
Analyst, Bank of America

Q

Yeah. So you're engaging with consumers, there's more transactions...

Jeff Long
Chief Commercial Enablement Officer, Molson Coors Beverage Co.

A

Yeah.

Bryan D. Spillane
Analyst, Bank of America

Q

...there are boxes or gallon...

Jeff Long
Chief Commercial Enablement Officer, Molson Coors Beverage Co.

A

Yeah, 100%. Yeah, if you look at sort of the pack dynamics in the channel and broadly in the industry, singles has been taking share pretty consistently even over the summer where we would have seen some more value seeking behavior as they look for large packs that could bring more value. The shift into singles has been pretty consistently driving up since post COVID, obviously as you think about it from that perspective, you said it, you hit more of those transactions. You give yourself more opportunity to connect with the consumer and you figure out different dynamics and ways to do that.

We've talked in that session a bit about occasions and why people search for the brands they do. Some of it is trying new things with innovation. Some of them is reaching them in a very specific occasion, so if you think about that relax and unwind that being at home or that opportunity to get them to think about a new innovation product, it gives us more opportunities to connect with them.

Bryan D. Spillane
Analyst, Bank of America

Q

For sure. Thank you. And Michelle, I think you said you spoke to 60,000 Gen Zs, is that right, the study?

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Michelle E. St. Jacques
Chief Commercial Officer, Molson Coors Beverage Co.
A

Yeah. No, there's two different pieces. We had our Gen Z collective and that's a smaller group of influential Gen Z people that we partner with to bring ideas to them to get their feedback. The 16,000 was related to a study that we did for mindful drinking occasions. We were trying to get underneath. Okay, well, why are people changing some of their behaviors? What are they doing? What are their motivations? And then how do we build, of course, a robust innovation pipeline to deliver against that.

Bryan D. Spillane
Analyst, Bank of America
Q

So, are they drinking less? I'm just trying to [ph] understand (00:41:36). There's a lot of theories, right, about what they're doing and what they're not doing. And did they actually talk to you or text you and like...

[indiscernible] (00:41:44)

Bryan D. Spillane
Analyst, Bank of America
Q

...something pop out or surprise you? I mean, you don't...

Michelle E. St. Jacques
Chief Commercial Officer, Molson Coors Beverage Co.
A

Yeah.

Jeff Long
Chief Commercial Enablement Officer, Molson Coors Beverage Co.
A

Yeah.

Bryan D. Spillane
Analyst, Bank of America
Q

...read everything that's been written. I'm just curious...

Jeff Long
Chief Commercial Enablement Officer, Molson Coors Beverage Co.
A

Yeah.

Bryan D. Spillane
Analyst, Bank of America
Q

...if there's something that really jumped out at you.

Jeff Long
Chief Commercial Enablement Officer, Molson Coors Beverage Co.
A

Yeah. Not to steal Michelle's thunder, but I think a fact that we can all, like, sink our teeth into. If you look from Gen Z to boomers, about the same proportion of them are drinking beer. So they are engaged in the category in the same way as previous generations.

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But you kind of called it out. What's different is occasions, right? What's different is the amount of times they might choose beer versus choosing something else. And so I think we have to have a very balanced approach of how we think about going after those occasions. Michelle called it out in ours. We feel like that is a lot of opportunity. It means you think differently to attract a consumer for today, so you try to get them to talk to you in surveys or text you versus like what the words is, what the standard might be exactly.

But you find ways to engage with them in the way you talk about your brand, in the way you show up to them with them at retail. You also think about things like Beyond Beer and how it augments what you're doing. So it's your core brand, but it's also the things you bring in to tap into more of those occasion opportunities. Occasions is the opportunity for us in beer, and that's where we think our capabilities focus on being category first helps drive us through that.

Traci Mangini
Vice President-Investor Relations, Molson Coors Beverage Company
A

Andrea?

Andrea Teixeira
Analyst, JPMorgan Securities LLC
Q

Yeah. Thank you. Andrea Teixeira, JPMorgan. So going back to the Americas, obviously impressive performance in above premium. Nobody can question that in the non-alc. But I think if my math is correct, you have about 22% above premium right now in the Americas and then plus 2% from Fever-Tree.

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

Globally, we're at 27% targeting for 33%. EMEA and APAC is well ahead of that, as I said, at above 50%, Canada second and the US is third.

Andrea Teixeira
Analyst, JPMorgan Securities LLC
Q

Right. So then – so just thinking of the 70% to 75% of the core, what are you embedding in terms of the growth for the industry? I mean, obviously, probably volumes are still down. You mentioned the pricing. How much are you thinking you can kind of retain? I know there is a 1% headwind from Pabst still for this year. How much are you embedding in terms of volume decline offset by the pricing [indiscernible] (00:44:01)

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

From a core brand portfolio point of view, we've actually retained a large part of what we gained in 2023. As we said on our earnings call that's north of 80%. So it's proven to be very sticky. And we think obviously the shelf resets that we gained and which we have retained and actually got a little bit more in the fall of 2024 have certainly helped that.

From an industry point of view, Andrea, look, I mean, obviously, it's uncertain. I know that last year we had a tough summer, right. And I mean, if we based our forecast on the year from an industry point of view on summer, that wouldn't have been where they ended up at the end of the year. And fourth quarter was actually the best industry performance of last year. And when all was said and done, all the puts and takes, ups and downs, tough summer, we ended up with an industry that was not terribly dissimilar to the where it's been for several years now.

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So at the moment we've got, what, five, six data points in the smallest month of the year. I think let's wait and see with where the industry goes. Obviously, we've got our own internal forecast, which we're not sharing publicly. But we're only five data points in at this point in time.

Traci Mangini
Vice President-Investor Relations, Molson Coors Beverage Company
A

Rob?

Robert Moskow
Analyst, TD Cowen
Q

All right. Thanks. Rob Moskow, TD Cowen. Jeff, I think you said you're hoping to get your fair share of C-store space relative to what you typically get in the grocery store. And I was curious to know, why do you position it that way? Are you saying it relative to your fair share to competitors in C-stores? But why food? And is it in conflict to what C-stores are trying to do if they're trying to increase food assortments to get gas buyers to come inside?

Jeff Long
Chief Commercial Enablement Officer, Molson Coors Beverage Co.
A

Sure. No. I mean, for us, what we're trying to position it against is if you think about pre-COVID, our share in a food store is pretty similar to our share in a convenience store. As you fast forward through that, what you saw is over time, we've slipped a bit in terms of that share performance in convenience and that's for a bunch of different reasons.

But obviously the biggest thing for us is to lean in to the areas that we know we can break through with our portfolio. So I talked about it in my section, but if you think differently about the consumer, why they're there, why they're going. Obviously for Gen Z, C-store is like one of their favorite places. You get to try new things. It's immediate access, it's easy, it feels right for them.

Along the way, are we doing the best for our brands in our portfolio to reach them in those spaces? And are we thinking differently about innovation historically with us for innovation? We might not have looked very specifically at the demo in a convenience store or the needs in a convenience store to define the innovation priority we have. We might be thinking very generally about a consumer need being consumer first, but maybe not being as specific about it. So how do we leverage what we've had and the successes we've had started to continue to be more relevant to a consumer in that space. So that's the goal.

Robert Moskow
Analyst, TD Cowen
Q

Okay. So when you say that you weren't getting what you thought you should get in C-stores, you think it had to do with your innovation and your messaging wasn't what Gen Z consumers probably – and now you're addressing that.

Jeff Long
Chief Commercial Enablement Officer, Molson Coors Beverage Co.
A

Yeah. I think it's across all the things, right. I mean, we've said that one of the biggest things is that we have to think about the category first and the category differs by channel. So how do we think about understanding attracting them? How do we think about innovation? How do we think solutions and execution? I think we do all of that every day across all the channels. There's certainly an opportunity to leverage what we've started and to continue to build on that and getting to that fair share represents a big opportunity.

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Robert Moskow
Analyst, TD Cowen

Q

Okay. Great. Thanks.

Traci Mangini
Vice President-Investor Relations, Molson Coors Beverage Company

A

Michael?

Michael S. Lavery
Analyst, Piper Sandler & Co.

Q

Thank you. Michael Lavery, Piper Sandler. This year with Fever-Tree, we have some visibility on its contribution to driving the non-alc piece of growth versus last year. How do you think about that maybe just longer term? And I guess put a little bit differently, how much are you counting on non-alc to drive any growth? Is your assumption on the category ex non-alc that it's pressured indefinitely? Is it sort of a feel it as you go? Just how do we think about the splits and how dependent on non-alc do you expect to be to gain top line momentum?

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

A

Yeah, Michael. And yeah, let me address that without giving you detail, which we haven't shared publicly, right, because obviously non-alc is an important component of our overall Beyond Beer strategy. And we've spent four or five years learning building capability and Fever-Tree is a step change for us.

We took a majority stake in ZOA in, I think, September of last year or around then. And one of the reasons there is we think we've got a great liquid, we've got a great brand, but we didn't control it, right. I mean, it was more of an influence advisor approach.

Now, we have a majority stake and it rolls up into non-alc under Michelle. And we are much more influential in how we take that brand to market and how we bring it to life. So we're very excited about the potential for ZOA. And maybe you can talk a little bit about how it does in the digital space and how we did over the last couple of months since we took it.

And then Fever-Tree is – it's – every single case that we get from Fever-Tree, they did 10 million last year. It's a sizeable brand. We recorded about 500,000 points of distribution. And the Fever-Tree has been calling on tens of thousands. And so the opportunity for us to expand that is meaningful.

So yes, non-alc is going to be a big part of our business, but it doesn't mean that beer isn't. I mean, we've proven we can grow in beer. We've proven we can do that with a brand like Coors Banquet and Michelle took you through that. We've proven that we can innovate and grow substantially with a brand like Madri. So we will always have this dual focus. But certainly non-alc is a big part of our premiumization strategy for sure. I'd ask you comment on, again, ZOA.

Michelle E. St. Jacques
Chief Commercial Officer, Molson Coors Beverage Co.

A

You said ZOA. Yeah.

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

A

Yeah.

Michelle E. St. Jacques
Chief Commercial Officer, Molson Coors Beverage Co.

A

So I mean, I think ZOA again, to Gavin's point, we see that there's a lot of opportunity for ZOA in the future. We have gone through some iterations as we've learned about getting the liquid right, the packaging right, the consumer target right. But just two facts that are maybe interesting, I think one is how this brand performed online, particularly on Amazon. It performs incredibly well if you look at it where it ranks versus the competition.

And I think it goes to show that when we're able to drive distribution, we're sort of distribution agnostic, people love this brand and they keep coming back to this brand. So our job is to make sure we drive that distribution and keep driving the trial moving forward. The second point I would make about ZOA is that 30% of the people who buy ZOA were never in the energy category, and that's a really great distributor story, retailer story and certainly consumer story to be able to offer them something different from a category point of view. So we're going to lean into that as we go forward.

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

A

So I can see Bonnie edging up here. So before she does that, let me just say that we're looking forward to sharing a beer or a non-alc product with you in the North Lobby, I think it is. We have after criticisms last year, make sure we've got plenty of Madri. So hopefully you'll get an opportunity to try Madri, and we do have a little gift for you, a little celebrating the 50th anniversary of Miller Lite. I watched Mondelez and I don't think we're going to allow children to take any of the gifts, so hopefully there'll be one for all of you. So thank you for listening and your attention, Bonnie.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Let's give Molson Coors another round of applause. Thank you so much for hosting the reception tonight. We appreciate it. And great presentation. Just a few housekeeping reminders, just to please remember to take all of your belongings when you leave tonight. And then the dinner this evening will be at 6:30 PM and it's in the Floridian Ballroom. And then a final reminder that I am hosting the President's reception tonight, and it starts at 9 PM and it will be held at Sir Harry. So I'd like to see a lot of you there. Thank you again. Good night.

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