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Molson Coors Beverage Co. (TAP)

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CORPORATE PARTICIPANTS

Rahul Goyal

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

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OTHER PARTICIPANTS

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Well, welcome back, everybody. Thank you. Great. For our next session, I'm thrilled to welcome back Molson Coors Beverage Company. Rahul Goyal, the new President and Chief Executive Officer of Molson Coors is here with us; as well as Tracey Joubert, Chief Financial Officer.

So Rahul and Tracey, thank you very much for joining us, and welcome.

Rahul Goyal

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

Thank you. Thank you for having us.

QUESTION AND ANSWER SECTION

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Q

Great. So I want to start, Rahul, with you. Just as you have now settled in, set a direction for the company. I guess, what are the maybe two or three things that you would want investors to, I guess, best understand about where Molson Coors is headed and what may be different about this chapter versus the past?

Rahul Goyal

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

A

Yeah. No, thank you for that. I would say three main things I would probably leave everybody with. One is our portfolio. I mean we're pretty clear-eyed about the category. We're pretty clear-eyed about where our portfolio stands, but it is a strong foundation. So we know we have our core brands, our value brands that are scaled. They generate a lot of value. There's a strong connection with consumers, and we need to make sure they're healthy. On the other hand, we are transforming the portfolio. On the other hand, right, I mean, our Beyond Beer journey is early, but we are transforming that part of the portfolio. So portfolio is one piece I would leave everybody with.

The second piece is around I would call out the operating model, right? So what we're doing is different than what we have done in the past, whether it's about our commercial execution, whether it's about our local focus, driving accountability closest to our customers, whether it's about our focus on cost savings and optimization, right? I mean, the cost program we announced, the optimization work we're doing across our business. And then, three, I would call out our investment in capabilities, right? So that's both technology-related and investments related is – how are we leveraging our investments to really drive return for our business.

And then, the third one I'd call out is our balance sheet, right? If you look at our business, we are a pretty high cash yield business. And we are doing a number of different things with our balance sheet. So whether it's investing in our business, whether it's returning money to shareholders, and also keeping our leverage in a way to be disciplined on the balance sheet.

So, Steve, that's the big three things I'd flag for folks as they look at Molson Coors.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Q

Okay, great. And if we focus on the portfolio first, I mean, you've mentioned essentially that all segments matter across, right, so the core, the value brands, above premium, Beyond Beer. I guess, how do we think about the role that each one of those pieces play?

Rahul Goyal

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

A

Yeah. So I would say the best way to look at our portfolio is in these four broad buckets that you called out, right? Core is scale. Core matters. The Coors Light, the Miller Lite, Carling in the UK, Molson Canadian in Canada. This is all about share. This is all about making sure we can keep and win share. These brands mean a lot in the core markets, right? It's connected with consumers. And I know sometimes you look from the outside and like, well, can you find a way to grow it? And we have pockets where we have shown the way to grow this, right, whether it's

Canadian, the Molson trademark in Canada, whether it's Banquet in the US. So, core matters and its scale, it resonates with consumers.

The value segment, I would say, is from two places. One is from where the economic context is for consumers. They are looking for different price points. So, brands like Keystone, brands like High Life, these matters. And they may be a little bit more geographically focused, a little bit more local, but it is scaled. These are big brands. And so, it drives a lot of utilization for our business. So, both from a consumer perspective and from a brand perspective, this part of the portfolio matters.

And then, if you look at our above premium agenda, we've done a decent job on that in beer in some of our other markets and not the US. So, in the UK, in our European business, in Canada, we have a pretty good part of our portfolio in the above premium part of the business. In the US, we are under-indexed. And so, there, we just got to find scale, right? We've got to find a way to grow ourselves in the above premium beer.

And then, the fourth part is beyond beer, which is all new, right? We've been in business for 240 years. We know beer. Beyond beer, we've been in the business for less than four years. And there, it is about getting scale, right? We started with probably less than 1% revenue. We are approaching 10% revenue, but we've got to get that big enough. That part of the business can grow faster than some of the other parts of our business.

So, we're excited about having the ability to flex our business across four. Again, I go back to, we're pretty clear-eyed about category challenges. But we like the portfolio we have. We know we can find a way to resonate that with consumers and transform it with the parts of the business that are under-indexed for us.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Q

Great. I want to drill a little bit deeper into each of those. But just on those category challenges, there has been a longstanding conversation amongst investors about the pressures on beverage alcohol broadly. And I guess your perspective on what may be structural changes that impact your strategy as well as some of the kind of cyclical dynamics that are more here and now. And, Tracey, if you want to jump in on those, too.

Rahul Goyal

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

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Yeah. I'll start, Tracey. I mean if you think about the broad consumers' dynamics, right, I mean the focus on health and wellness or changing consumer preferences with respect to the choices they're making around food and beverage, I mean those are longer-term issues.

I think, again, we've been thinking about it, handling it and it's on us to make sure we can navigate our portfolio to be ready for that consumer change. I share this as an anecdote. I mean, if you think about it, everybody says the big focus is health and wellness and that is true, right? And so, there you see us – a lot of businesses and companies like us move towards the 0.0%, non-alcohol focus.

But some of the fastest-growing segments in the Americas is high ABV, right? So you have consumers that talk about health and wellness and that is important. But on the other hand, you do have consumers that are looking for both flavor, value and high ABV. So, that part, I would call things, Steve, that we just have to make sure our portfolio is fit for the future, right?

The other part, I think the overhang on this industry and the category has been, I would say, just volatility in the last 12, 18 months, which is just different macro issues, right, whether it was last year, the impact on Hispanic

consumers or low-income consumers. This year, the year started out okay. But getting into March and April, you had other macro issues, again, Middle East, oil prices, pressure on consumers.

So, I think that part, as a business, we are pretty resilient. We know we can navigate those volatile moments. I'll go back to the balance sheet. The team has done a great job of making sure we have a strong balance sheet.

So, the structural part or the long-term effects is making sure we have a portfolio that's fit for the future. The volatility is we recognize, like every other company, we've got to make sure we can navigate through that carefully.

So, Tracey?

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

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I mean, I think the only thing I'd add is when you look at – when people are consuming alcohol, beer is still the major part of that consumption. And so, it's really important for us to continue to make sure that that part of our portfolio is healthy, as Rahul has said. But then, for people who aren't consuming alcohol, that's where we're moving to, whether it be zero alcohol beer or the sort of RTD spirits side or any of the other sort of non-alc type beverages as we expand our portfolio to cater for those.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Q

Yeah. Okay, great. All right. Let's dive into the various segments that we talked about a minute ago. And on the core, you alluded to – you've got some brands like Banquet that have found growth. And then, you have other brands, Miller Lite, that need some energy. So I guess as you kind of think about the core brand portfolio, what's essentially the playbook to get that overall portfolio in a stronger position going forward?

Rahul Goyal

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

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Yeah. No, I think if you look at our core – I like the way you were looking for the polite word, Stephen, on Miller Lite. But if you look at our core portfolio, again, I go back to this is a strong portfolio that resonates with consumers, right? So we're starting from a place where these brands mean something for people. If I think about the Coors trademark, Coors Light, again, it's in a good place, and we've got a lot of new action coming in, whether it's with the World Cup in the summer, whether it's a new campaign. But if you look at the Coors brand family, it's doing what it's supposed to. It's holding share. And then, some weeks, we gained share.

Banquet, I use that as an example, right? I mean, academically or intellectually, if you look at that brand, mainstream brand, full flavor beer, it should not grow. It's a 150-year-old brand. There is no logical reason for it to grow. But it is growing, and it is growing because there's a way of connecting the brands to consumers. It's resonating in culture. So for me, that gives us confidence. It gives us a playbook to say how do we make sure our brands can really connect with consumers and grow.

Miller Lite, to your point, it is definitely something. Just it's taking a little bit more time, right? I mean if you look at our share performance, that's where probably where we have some work to do. And if you go deeper, it is a little bit more regional, right? If you think about the Great Lakes or the Midwest of America, that was old Miller Land. That was where we were the strongest. We are the strongest, highest share. And that's where we've had a few new entrants, and the competitive context is harder.

So we're pretty energized going into the – being in summer, being with the plans we have this year, whether it is Americas 250th with Miller Lite, whether it's the music platform we have with Miller Lite, some of the local activation we're doing in particular regions to really make sure this brand is well supported. But we recognize it's a competitive landscape, Stephen. It's going to be a competitive landscape. And so, this is the way – I know we talk about it internally. This is a battle and a fight week by week. It is about execution. It is about making sure our brands show up in the right way.

So if you think about our broadest way, our core portfolio in the States, I think we're pretty well set up to give a good fight this summer. And if you look at our brands, again, in Canada, Coors Light continues to be the number one brand in Canada. The Molson trademark, again, has a new sense of energy around it. So core is important. Core needs to be healthy. And I think we've got a lot of both good plans, investment behind our core plan for this year.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Okay. I mean, is there a better way to judge progress than share?

Rahul Goyal

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

I would say I know that's the most visible way to measure share. Obviously, these brands and the health of these brands are important, both in the context of the returns they create for our business and the way we think about utilization, et cetera. So I know externally, that becomes a easy way of thinking about progress, recognizing the volatility in the category, right? So that's what I would use.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Okay. If we flip to above premium brands like Peroni and Blue Moon, those have had kind of spurts of promise and then followed by softer patches. I guess, what are the opportunities to really improve kind of consistency around the performance of that part of the portfolio?

Rahul Goyal

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

Yeah. I mean if you think about our above premium beer, so, again, I just go back to the fact is we are starting from a lower index, right? If you think about total share of above premium in the US, we're much lower than what our complete portfolio is. I would say we've shown consistency in Peroni, right? If you think about it in the last, obviously, six-odd months, but even 12, 18 months, Peroni has shown consistent focus both from an investment perspective and also from a growth perspective.

The work we have to do is on Blue Moon, right? And the way I would break out Blue Moon is, Blue Moon was built on-premise. And if you look at what's happened in the craft category, the craft category has gone through a bunch of volatility. So the first job was to make sure do we have the right execution and making sure we're building the brand back to what the basics are, which was on-premise. And I think that gives us confidence. So if you look at the metrics, you look at the numbers, you look at our performance in the on-premise, I think that gives us confidence that we have the right proposition there.

The question is then how do we scale it beyond. And then, that's where it goes into the craft category needs a little bit different ideas, a different way to engage with consumers. That's why you saw us lean into the non-alcoholic Blue Moon, which is again doing really well. You saw us lean into higher ABV of Blue Moon because, again, the craft category with the volatility, just it got noisy. And Belgian White is important, and we've got to get Belgian White back to growth in the off-premise. But overall, if you look at it, in the family of brands, we feel pretty good. We've got a good game plan around Blue Moon.

But to your point, again, that's where we've got to put points on the board. So Blue Moon, I get the fact that we have work to do to showcase the points on the board. But Peroni, I think we've driven with a lot more consistency.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

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Yeah. You made a distinction there in part in kind of on versus off-premise talking about Blue Moon. I guess taking a step back, you think about near-term trends and some of the softness we've seen in the off-premise data, what are you seeing? And I guess what are your planning assumptions around off versus on-premise, I guess, for the balance of the year?

Rahul Goyal

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

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Yeah. I mean if you look at the mix of on and off in the Americas, that's still going to be in the 85%, 15% range. It plays a little bit differently by region. But broadly speaking, that – so for us, the way we think about it is a couple of things. First is on-premise is, again, where your ability to connect with consumers, your ability to – because they're paying a little bit higher prices versus the off-premise, so, therefore, you need to make sure that your brands are stronger there. So that gives us confidence. So if you look at, I think, Nielsen data, et cetera, on-premise, all our big six brands are showing good growth, right, good progress there.

So I think that gives us, again, a sense of confidence, making sure we're clear on how these brands connect to consumers. On-premise is doing better than off, right? It's a little bit of how do we translate that into the off-premise. And then, I then translate that into occasions.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Q

Right.

Rahul Goyal

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

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Right? If you look at our business, if you look at the category, I know overhang about are people drinking, not drinking. The fact is folks are still drinking. This is not about abstinence. This is about making sure there's enough occasions where they're engaging with our products, our brands. And that's why the summer gets us excited, right? And you probably heard this from multiple other folks. It just gives us more occasions to have our brands showcased, right? It gives us an ability to bring people together. So that's what I would say is the part that I know we're all looking forward to is some just added occasions this summer.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Q

Yeah. Yeah. Okay. Let's talk about Beyond Beer, where there's been a lot of activity, right? And there's a lot of activity in your portfolio with Fever-Tree and Topo Chico and now Monaco. We'll talk a little bit about Monaco

specifically in a second. But I guess when you think about the overall portfolio you've constructed in Beyond Beer, how does it work together and how does that translate into more of like a cohesive platform for growth?

Rahul Goyal

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

A

Yeah. No, I mean, I think I'd first start with what is the role of Beyond Beer. So if you think about our business, obviously, we are in great profit pools, and we want to make sure we can continue to grow our business in those large profit pools, right, the Americas, Europe. And consumers are making different choices on how they engage with our business, our brands. And that's where the Beyond Beer platform is important. We started with probably less than 1% of our revenue in Beyond Beer. We're approaching about 10%. So we want to make sure it is of scale, right?

So I think your question is, how does this all come together? I mean we want to make sure it's of scale, and the growth rate in Beyond Beer is obviously – should be higher than the growth in the rest of our business, which is what we're getting to and, I think, we're demonstrating now.

The question there is what segments do we work in, and how does we make sure that the execution in that in Beyond Beer is aligned to our broader enterprise? And I think if you look at the choices we're making, you talked about Fever-Tree, you talked about Topo Chico, Monaco. I mean these are brands and beverages and categories that are close to alcohol, right? So if you think about Fever-Tree, obviously, it's a non-alc product, but it is close to alcohol. You can find it in the same place in a grocery store or on a liquor store. The on-premise accounts are somewhat similar, but expands the universe base.

So execution matters in that, right, and making sure that we can execute these parts of the portfolio along with the big infrastructure we have. So that's the exciting part for us. Again, I use Topo Chico as an example; I mean our partnership with Coke. We've had some good success initially. But then, the flavor category was volatile. And so, there needed to be a little bit of a step back and rethink. And now, we're getting Topo Chico back into growth in a good way because we were able to expand innovation, bring that production in-house, use our facilities, drive value to the bottom line. So while it is – we're not going to have 10, 15 brands. So to your point of how does all of this work? I mean we need to have a few scaled brands that can give us both the scale with retailers, scale with distributors and our infrastructure.

And then, the only other part I'd call out is the good part with some of these brands that we've added to our business is we have brought in capabilities that we did not have. So for example, in Fever-Tree, the Fever-Tree team in the United States have done a good job of executing in really high-end accounts, right, white tablecloth on-premise accounts, where traditionally beer may not be sold. But guess what, now our teams show up where we can sell Fever-Tree and we can sell Peroni, right? So it is a capability that we're adding to our business also as we think about the Beyond Beer part of the portfolio.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

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Yeah, it's good.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

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Great. So on Monaco, which is the newest addition to the portfolio...

Rahul Goyal

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

Yeah.

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Steve Powers

Analyst, Deutsche Bank Securities, Inc.

...I guess maybe a little bit on what role that plays and what gap that fills in the portfolio? And I guess, milestones, integration priorities over the next few quarters and if there are any unique capabilities that that brand or that the employees that work for that brand bring to the table, that would be great too.

Q

Rahul Goyal

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

No. I mean if you look at one of the pieces I would again zoom back out is the flavor category, right? I mean the flavor category is a pretty volatile one. We started the journey with seltzers and then F&Bs and now RTD spirits. So we knew we had a gap. We knew we needed to fill a gap in the RTD spirits space. But one of the tricky parts in this is the volatility of brands, right, and how do we make sure we're getting something that we can take as a base and a platform and really grow.

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The other part was important was scale. Scale relative, obviously, to our size because if it's too small, it becomes too hard; becomes too hard for our infrastructure, our business. So, you need to have some level of scale, which we can take, and then grow from there. The other thing which is important is both top and bottom line being a healthy business.

It has to be accretive to our business, right? We're not going to deploy dollars just for the sake of chasing the top line. We've got to do that in a disciplined way. So, in a way, those were the criteria to think about. For us, what excited us about Monaco is that this business has been around since 12 to 14 years, right? So, it's seen the way of the ups and downs. And the team had done a great job of building this business on the back of singles, right? I mean, I think 70-plus percent of this business is singles in convenience and independent stores. I mean that's the hard thing to do, right?

Two, it is pretty concentrated in a few states. I think five states make up 65-plus percent of that business, which gives us a great platform to start with. So to your question of brand proposition was right. It worked with consumers that are pretty – a little bit different than our core demographics of what we sell to. It was a platform that was scaled with a very disciplined way of building a business that we could take and move on.

So, the way we've done this is we've, obviously, closed it at the end of Q1 – sorry, in April. We've integrated the people. So, we've brought on about 80-plus people from that team, because this is where in some of these brands, you do want to make sure it doesn't get lost in the big system, right, that there is enough time and attention, focus on making sure that we can keep the magic that exists with this brand.

Job one right now is to make sure we can do the right transition. We say don't drop a case. But we also then want to make sure we get clear on our plans to take this business forward. And the way I would think about it is in the markets where it is pretty well developed, we want to make sure we think about multiple channels, because if the team has done a really good job of convenience and liquor stores and singles, well, there's opportunity across different channels. And then, on the other hand, we have the geography opportunity

Right? If it is concentrated in five states, how do we make sure we replicate that model in some of the other states? So, early days. I think we're getting to know the brand. We're getting excited. I know our distributor network is excited about the brand as we think about transitions. But it's one of those things that just gives us scale in beyond beer and shows our commitment to build this business for a portfolio for the future.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Q

Great. Okay. Let's get ourselves outside the US for a few minutes anyway and talk about some of your larger international markets, Canada, the UK. I mean, over time, those have been relatively stronger. I guess how are the dynamics that you're facing in those markets today different than maybe what we've described in the US? And how are you navigating more aggressive competitor pricing, specifically in the UK, which I think is the big issue?

Rahul Goyal

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

A

Yeah. No, I think if you look at our European business, right, I mean, the team has done a great job of growing the business even from a pre-pandemic perspective, faster than, I would say, the Americas team, so top line, bottom line. And if you break it down, I think, obviously, in the UK, it's been on the back of things like Madrí and premiumization and the portfolio transformation there. And Central Europe also has done a good job of just core execution in a pretty volatile external context.

I would say the Central European business is still pretty strong. There's, again, continued macro issues that affect particular specific countries, right, local elections, local tax issues. It is a competitive context. But in the broad scheme, we're holding and gaining share, so our Central European business in that regard.

UK has just been a competitive landscape, right? I mean it is a highly competitive market. I think the category is also a little bit under pressure in the context of consumer sentiment. But it is all about, I would say, just being competitive. And this is where Madrí is a little bit under pressure, but holding its own. And we have work to do in Carling.

So the mainstream category has gotten pretty competitive, and I think you're seeing us lean into that both from an innovation perspective. So we obviously launched Carling Black Label. You're seeing us making sure we show up with Madrí for the summer and with innovation with Madrí Limón. So yeah, Stephen, I think when the category is challenged overall, this is one market that's highly competitive, and we're going to put it all in the field.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

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Okay. Well, it's good news. I was in the UK last week. It was very warm, and there was plenty of Madrí that I saw.

Rahul Goyal

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

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No, I appreciate that. I think, yeah, if you – and the team has done a good job, right? I mean if you again look at capability and if you look at our history, right, we were pretty under-indexed in London in that area. And I'm sure if you guys today go out, I mean, we have a pretty broad portfolio, above premium portfolio in the UK and in that region now, right, between Madrí, with Monte Carlo with, obviously, Coors. So it is a capability and a muscle that is going to help us long term.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Okay. Okay. We've gotten this far, we haven't talked about costs.

Q

Rahul Goyal

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

Yeah.

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Steve Powers

Analyst, Deutsche Bank Securities, Inc.

So let's talk about costs, Tracey. We've been talking – and we've been talking about costs for a while. I feel like every time we're on the stage, we're talking about aluminum and Midwest Premium, but the question still lingers. So I guess what are your latest kind of thoughts around the cost outlook? I know you're very well protected for 2026, but I think a lot of investors are starting to think about what might be kind of building up as we look kind of beyond the calendar year. And I guess your plans and ability and confidence to mitigate some of those cost pressures.

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Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

Yeah. So I think the biggest cost pressure, the biggest headwind that we've faced this year, and it's not just us, but we've been talking about it for a long time is the aluminum side of it, so aluminum and the Midwest Premium in particular. So you're right. I mean, for this year, we're materially hedged. So we feel that we can mitigate any sort of further increases, et cetera, around the LME as well as the Midwest Premium. As it relates to next year, we have said that it's really difficult to hedge the Midwest Premium beyond sort of 12 months. Now, we do have hedges in place for next year.

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But in terms of the volatility that we've seen and, I mean, the commodities continue to increase and the war hasn't helped, the war in Iran. So, there's a couple of things that – levers that we can pull. So pricing being one of them, premiumization, we've spoken about the portfolio, just continuing to drive efficiencies in our breweries. So, we have invested capabilities in our breweries, which is helping to reduce costs and increase efficiencies as we bring more of our portfolio in-house, produce in-house. That's going to help margins.

But then, we also announced this cost savings program, so \$450 million over three years. You'll see that starting now this year. Last year, we made decisions end of last year in the Americas to take out about 400 roles in our Americas business. And then, this year, we announced some closures, a UK brewery closure, also some UK cost savings, European cost savings as well. That's going to drive that – drive the cost savings and just help mitigate some of the inflation that we're seeing. But continuing to invest behind our capabilities is certainly helping to offset some of the cost pressures that we see.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Yeah. On the \$450 million, is there, I guess, maybe cadence how that is likely to build as we go through the year and then over the life of the program?

Q

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

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Yeah. So, you'll see those cost savings starting now in 2026. So, again, a couple of those cost savings programs that I mentioned, we're starting to see that flow through. And as we start investing more in capability, that's going to take a little bit longer as we invest in technology, et cetera. But we'll see those coming – the technology investments returns coming through next year and the year after. But this year, you're certainly going to see the head count reduction, the closure of the brewery, et cetera. You'll see those cost savings kind of, I would say, evenly spread out, that \$450 million over the next three years.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

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Yeah. Okay. In terms of the investments that you need to make to support the growth and stabilization initiatives that we talked about, in light of the cost pressures that are building, what's your confidence that there's enough flex to make those necessary investments?

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Yeah. I mean, we did say that our capital guidance – CapEx spend guidance is around the sort of \$650 million. We think we can do all of this within that range. We've built new breweries in the past, all within sort of in that range. So, we feel that we can manage that well. But we do feel it's really important to continue to invest in our breweries and invest in these tools and technology, the capabilities that we are building to continue to drive efficiencies, not just on the supply chain side, but also on the MG&A side.

We continue to look at ways that we can make our marketing – more efficient return on marketing investments. We continue to take decisions around driving more to our working dollars out of non-working dollars. So, you'll see all of that play through as well, but all within the sort of guidance that we've set.

Rahul Goyal

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

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Yeah. Just maybe to add to that, Stephen, I know you've asked me about portfolio, but just to make this real, right, I mean, obviously, when we think about our big brands like Coors Light, Miller Lite, Banquet, you're going to see us show up in a different way. And you're seeing that, right, whether it's in TV, whether it's in live sports, right? I think we have our biggest investment in live sports that we've done in the last 10 years, because these brands have to show up in a different way.

But then, just to pivot a little bit to our value segment and that level of investment there, we want to make sure those brands resonate also with the type of investments we do, the how we do it and the [indiscernible] (00:34:31) is doing it. So, to Tracey's point, I mean that's the pieces we are balancing, right? We talked about beyond beer. We are investing in people. We moved 90-plus people with Fever-Tree into our organization. We have 80-plus people that we've added with Monaco.

So, we are investing in our business to make sure – we're, obviously, being prudent and disciplined about managing a pretty volatile cost context, but investing in the business in the right way.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Q

Okay.

Rahul Goyal

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

A

I'll make one plug. If anybody has not seen the Keystone Apple TikTok or reel, take a look. And I say that in jest, but it's an area about investing in technology, right? It's an ad that is getting some energy, but the investment we did in that was appropriate for that type of part of our portfolio. So we're making sure it's in the right investment and, as Tracey said, within the broad parameters we've laid out for this guidance.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Q

Okay, very good. I will check that out. I guess, Rahul, you mentioned at the start the strong balance sheet of the company and the cash generation of the company. I guess from here, maybe you can both weigh on this, just, Tracey, from a capital allocation perspective, the balance of capital return to shareholders, potential M&A and maintaining that strong balance sheet. And then, Rahul, I guess, what is the right deal from here? Because you mentioned you don't want 10, 15 brands. So what is the right deal in the context, both strategically and financially?

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Yeah. So, I mean, I think we've done a really good job in terms of our balance sheet. And we've got this target out there to be around 2.5 times leverage, and I think we've been very disciplined on that. It's been really important. We just refinanced some debt. And having that investment-grade was really good for the debt that we did raise.

But because of our strong free cash flow generation, we are able to do a number of things. So we continue to buy back our shares. We do think that our stock is a compelling investment. And so, we do have the extended program out there. It's now up to \$4 billion. And we're ahead of where we would be if you just sort of divided it over five years. So we continue to buy back shares. We've continued to increase our dividend. So we have said that we want to sustainably grow the dividend, and we've done that. But then, we've also been able to make the acquisition of Monaco through our operating cash. And so, we'll continue to probably most importantly invest behind our business to make sure that we can continue to grow. Again, the balance sheet is in a good place. And then, we have also made the commitment to continue to return cash to shareholders. So again, within our strong free cash flow, we've been able to do all of that.

Do you want to talk about...?

Rahul Goyal

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

A

Yeah. I think if you think about – I'd start with the portfolio, Stephen. I mean, what are the gaps we need to fill, right? So we had talked about RTDs earlier in the year in February, and we fill that. I go back, and first job is to execute what we have, right? We have a broad portfolio with core, with value, with above premium beers. We've got to execute on that. We just added Fever-Tree last year. We added Monaco. So we've got to make sure organizationally, we are executing against that. So that's how I would first start with.

And then, we'll always be open to look at what opportunities come as we fill gaps in the portfolio. Again, we're not looking for another 10, 15 brands. What we need is a few scaled brands that we know we can execute within our infrastructure. But it then rounds out our portfolio to really make sure that the Beyond Beer space can really scale, right? So probably that's the space that makes sense. But if you think about beer, I mean, we just continue to

innovate in beer, right? So whether it's things like Keystone Apple or Keystone Ice, whether it is around Blue Moon – so we will – or it's around Coors, right? We just launched Coors 0.0% in the Northeast.

So we will continue to innovate in parts of the portfolio where we know we have the right to do. But Beyond Beer is probably where we probably need to deploy dollars over time.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Q

Okay. We're just about out of time here. But I guess if there are one or two things or two or three things that you think investors should be most focused on, that you're most focused on in terms of the definition of success over the next 12 months, what would they be?

Rahul Goyal

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

A

Yeah. I mean, I would go back to the three things I started with, right? I mean we have a pretty broad portfolio. And as a company, I know we can get our business back to growth definitely even in volatile times. So that's important. Two, we're operating very differently than we have in the past. And so, that's a good way to keep measure on us as a business. And three is our focus on cash and balance sheet, right? I mean, we'll be pretty disciplined about how we run this business. We're pretty disciplined about returning cash to shareholders, recognizing we still have to get our business back to growth.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

All right. Great way to end it. Rahul, Tracey, thank you so much.

Rahul Goyal

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

Thank you.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Thank you all for joining us.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

Thank you.

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