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Molson Coors Beverage Co. (TAP)

UBS Global Consumer and Retail Conference

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MANAGEMENT DISCUSSION SECTION

Peter Grom

Analyst, UBS Securities LLC

All right. Good morning, everyone. Welcome to the UBS Global Consumer and Retail Conference here in New York City. My name is Peter Grom. I'm the US Consumer Staples Analyst here at UBS. And we are very excited to have joining us Rahul Goyal, President and Chief Executive Officer; and Tracey Joubert, Chief Financial Officer from Molson Coors Beverage Company this morning. Clearly, beverage alcohol has been under pressure from a top and bottom line perspective over the last several years. And several weeks ago, both Rahul and Tracey outlined the Horizon 2030 strategy as the company looks to navigate this challenging backdrop and return to more consistent growth.

In terms of format for today, I have a series of questions that I plan to run through with Rahul and Tracey during the 45 minutes we have here. But before we start, I'm required to read a legal disclaimer. As a research analyst, I'm required to provide certain disclosures relating to the nature of my own relationship and that of UBS with any company on which I express a view on this call today. These disclosures are available at www.ubs.com/disclosures. Alternatively, please reach out to me. I can provide them to you after this webcast.

So, with that, why don't we get started? Rahul, Tracey, thank you so much for joining us.

Rahul Goyal

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

Thanks for having us, Peter.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

Thank you.

QUESTION AND ANSWER SECTION

Peter Grom

Analyst, UBS Securities LLC

Q

Rahul, I wanted to start with Horizon 2030. And you outlined a number of different objectives from a top line perspective, a profit perspective that's going to allow the company to achieve the medium-term targets in the next several years. And I want to dive more specifically into some of those buckets. But I guess, my question is, what's really different? You talked about investing differently, executing differently, what is changing within the organization, and what drives the confidence that these changes will generate more consistent top and bottom line growth?

Rahul Goyal

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

A

Yeah. So, that's, I would say, a fair question. So, if you – I'll break it up into a couple of pieces. So, first is the portfolio, right? So, what is different? We've always talked about core, and Coors Light, Miller Lite, Canadian, et cetera. So, probably consistent to what we have said previously. There's a few things in that that's different, right? We've talked about Miller Extra Light, which is again a lower strength ABV. So, again, a few different choices. But core, we've talked about consistently. The value segment is different, right? We've not talked about that previously. And I say that in the context of the outside world and also for us as a business. So, from the outside world, everybody knows about the K-shaped economy. But there is consumers looking for value products at the right price point, but also with brands that matter that resonate with them, right?

So, I would say, again, internally, this is a big part of our business. If you just look at the volume we have in just the value segment, we'll be the fourth or fifth largest company, the beer company in the United States. So, it is – that part I would say is different and feels different, right? Again, we're not trying to find a way to grow that part of our portfolio. We just need to make sure we take care of it and it doesn't decline as fast as it has been.

About premium beer, I would say pretty consistent the way we have talked about previously. So, probably not as different, Peter. And then, beyond beer, not different in the context of the ambition around beverage and beyond beer, but probably the levers we're going to use to deploy capital, right, our thinking of capital allocation to really scale that. So, that I would call out in the portfolio. Probably, the biggest things that are different for us internally is how we execute, right, because we are in a category that is – I mean, everybody knows where the category is.

Our commercial execution has to be closest to where our consumers and customers are. And what does that mean, right? We obviously are in multiple countries, but beer is sold very locally. And when I say locally, I mean state specific or even city specific. And that's the changes we are making. We're making sure that our teams are accountable top and bottom line as close to the customer as possible. The simplest way I look at it is we spend a bunch of money on marketing. Is the marketing doing what it's supposed to do in those particular markets, right? Is the marketing spend or the people resources we have delivering the outcomes we want in particular geographies?

If you look at our share and you break it down in different parts of the country, how Miller Lite needs to react and behave is different in the Great Lakes because we are the biggest share platform in the Great Lakes. There we are defending share versus if you look at Miller Lite in the northeast of this country, there we have to gain share because Miller Lite historically has been a more of the brand that needs to gain share. So, execution closest to the customer is what is going to be different. That means changing how we plan our dollars, that means how we

execute on our pricing, promotion, activation, any of those activities, and also the incentives, right? How do we make sure our teams and organizations are driven with their incentives local – closest to the customer?

The other pieces I would call out is obviously our execution on capabilities, right? We want to make sure we can leverage and improve on the platform we are. We are in the best profit pools of the world. We have a system, a platform that can deliver and execute in those profit pools brilliantly. How do we make sure our capabilities are top notch on that? So, continue to build out our capabilities investment in that.

If you look at the other ones, obviously championing beer and people and culture are important in different. Internally, it fields different as we think about the concept of ownership, making sure we can take risks and execute against it. And then, I would call out, obviously, the cost program was new for us in a way of making sure we are disciplined around the cost, not just to navigate what we are doing today. Historically, we've been a pretty disciplined company around cost, but obviously, we are navigating through a pretty tough external context and then, capital allocation is different. So, if you look at the plan, I mean, those were hopefully the big areas that I would say are different than what our plan was previously.

Peter Grom

Analyst, UBS Securities LLC

Q

That's helpful. And I guess, I want to start with the portfolio and kind of the four different buckets that you kind of outlined. Maybe just give us some historical performance within these buckets, where you see the biggest opportunity, and I guess ultimately what success would look like. And I guess, I was going to start with the core, Coors Light, Miller Lite, Banquet. It's been a unique couple of years for those brands, but curious kind of where you see the biggest opportunity looking at it. Is it really about that local execution that you were just mentioning?

Rahul Goyal

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

A

Yeah. If you look at our core, if you just break it up just on core, we obviously gained a lot of share in 2023. And in core, we have kept, I think, about 70% of that share still, right? So, our core has been healthy, and obviously, it moves a little bit quarter by quarter. But overall Coors – Coors Light, Coors Banquet, Miller Lite has been healthy. So, that's something we've got to keep focused on. Obviously, it is the biggest part of our portfolio. Coors and Coors Light, Coors Banquet, Coors Light I would say has been much more healthier. This year Miller Lite is where we need to do work and that's where the local execution comes in.

And then, the other things, we will put a little bit of few markers for the long term is things like Extra Light, right? There is a consumer that's looking for lower strength ABV. We have a product. It's a long game, but we want to make sure we can leverage our brands into that. So, yes, your question around core, it is about the portfolio, but then it is about execution in winning the core.

The only other add point I would call out here is obviously the type of marketing we do and the campaigns and the thinking around the brands, right? So, you saw that with Banquet where the brand resonates with consumers because it goes back to what it means. And that's what we leaned in with the new campaign with Christopher Walken with Miller Lite, right? It is around sociability. It is around beer occasions. It's around bringing people together. So, I would say the creative and the thinking on the branding, on the marketing is obviously going to be an important aspect of it too.

Peter Grom

Analyst, UBS Securities LLC

Q

Makes sense. And I guess, one of the pivots, if you will, or something that seems a bit different than what we've observed in the past is just kind of this focus on value, right? Clearly, still a very large segment. But it really hasn't been touched on to the same degree as it has been since you've kind of taken over as CEO. So, can you maybe just talk about this pivot? Is it simply a reaction to the current environment we are in or do you think this is or is this really an underappreciated opportunity?

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

A

Yeah. No, that's a great point. And I would say it in two ways. So, first is from the outside-in, right? If you look at consumers, they have a academic debate about K-shaped and people's economic health. But consumers are looking for value at different price points. But they still want brands that matter. They still want brands that resonate with them in their lifestyle, right? And I would call out things like High Life, Miller High Life and what it means, and how it resonates. So, there is a consumer that's looking for value. So, that is definitely an outside-in view. I would say it is obviously been more stock in the last one year. But it is something that is going to stay with us for a while, right? Whether we get through this initial sense of volatility, but that K shape's not going anywhere soon. So, we've got to be making sure we have that proposition.

Two, it is absolutely relevant for our business, and it's relevant for our distributors business, right? If you just quantify that part of our portfolio, if we had nothing else, we'd probably be a pretty large business in the United States. So, we got to show it some love, some affection in terms of the brands. And it doesn't need the same way that we need to do it for Coors Light and Miller Lite, right? This brand and this part of our portfolio is local. Keystone is stronger in particular states. High Life is stronger in particular states. Milwaukee's Best, Steel Alloy Reserve, Hamm's. I mean, there's such a great set of brands we have in this part of the portfolio that are very local, that need different type of actions. And our goal is not to find a way to grow it. That's not what I've laid out as an ambition, right? We just got to slow the decline because that has to be such a big part of our business. We got to slow the decline, make sure we can meet the consumers where they need, and then it adds to the whole story for our business.

Peter Grom*Analyst, UBS Securities LLC*

Q

Makes sense. And then, maybe taking the other side of it. Premiumization has been ongoing in the industry for some time. It's part of the strategy of Molson Coors. So, can you just give us a sense for how some of the key brands in the segment are performing relative to your expectations? What does success look like here several years from now? And I guess, in order to achieve your long-term aspirations, is that possible with the brand portfolio you have today?

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

A

Yeah. Thank you, Peter. I think that was more of a challenge than a question when you say is it possible. If you look at our above premium portfolio, I mean, we are, I would say, slightly underindexed in the US. But if you look at our progress over the last few years, we have made progress, right? We've grown our portfolio total company about 5 percentage points in terms of above premium in the last four or five years.

I would break up the premiumization initiative for us in two buckets. One is beer and one is beyond beer. In beer, I would say in places like Canada and UK, we've done a decent job, right? Our portfolio is 40-plus percent above premiumized on the back of things like Madri, on the back of things like Heineken in Canada, Madri in Canada. So, I think as a portfolio, we've done a good job there. US, we are underindexed. And in the US, historically,

we've had only a Blue Moon as the big brand that we leaned in and now you have Peroni with onshoring of Peroni. So, it is – definitely gives us something to work on, right? Peroni is growing consistently. We control the supply chain now. So, it allows us to be invest in it without any other sort of incumbent issues. So, I would say beer is definitely something we'll lean on.

And then, it is beyond beer, right? And in beyond beer, it is around flavors, which is a volatile category, and it is in the pure non-alc. So, our goal is to obviously continue the acceleration of our above beer – our premiumization, above premium portfolio. But it's going to be a mix of beer and beyond beer, right? I mean, I think I shared these numbers. I mean, we're getting – in beyond beer, we're getting up to 10%. And so, between that and beer, we have to be meaningful, right, to your point of the math. If you just keep beer core and value, unless the above premium and the premiumization is not big enough and meaningful enough, the math doesn't work. And so, I think you're going to see us continue to lean into that.

Peter Grom

Analyst, UBS Securities LLC

Yeah. And then, maybe just to build on beyond beer, we've seen some nice pockets of growth across the industry, but it's been pretty volatile...

Rahul Goyal

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

Yeah.

Peter Grom

Analyst, UBS Securities LLC

...right? So, can you maybe just elaborate more on the strategy here? How do you stay nimble and make sure you're not investing in categories that will be short lived, if you will? And I guess, where do you see the biggest opportunity for Molson Coors as it relates to beyond beer?

Rahul Goyal

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

Yeah. No, if you look at beyond beer, I'd break it up into, I think, the reference to flavor and pure non-alc. Flavor, it is a volatile category. And we got it right with couple of our brands initially. We took Topo Chico, and we scaled it dramatically big just as a seltzer. And then, we took Simply, and we scaled it dramatically big as a flavored ABV – flavored beverage. But then, things moved, the world moved, and consumers moved. And Topo Chico had its – has been in decline.

To your point of this is where agility comes in, right? And I would say Topo Chico is where I would point in the last three to six months is where we have been able to pivot. We've pivoted from just being a seltzer to a little bit of a higher flavor beverage. We have a high ABV innovation. We have innovation in packaging. And you're starting to see the brand obviously grow share, but also volume in a few months. So, it is definitely something that you can do, but it is a category that is volatile. The same thing with – we have work to do on Simply, and we are doing that. We have a new product now with a 12% ABV in a smaller can, not a big can, smaller can, making sure that we can pivot our portfolio to meet where the consumer is, especially in the flavor side. And then, we have some gaps. I mean, the consumer has moved, and they are looking for spirits and RTDs. And we need to make sure we have the right portfolio in there, which is a gap for us.

So, flavors, I think is going to be volatile and then, in beyond beer, just non-alc, we got to be disciplined and execute the places where we can win. And I obviously will talk about Fever-Tree because it is a space where it plays close to alcohol. We know how to execute. It is something that plays in occasions, in on-premise that is close to alcohol. So, definitely we can execute. But I'll call out even energy, right? It is energy, historically beer companies or beer distribution has been able to build the brand. And we haven't been able to do that in ZOA, and we have more work to do in ZOA. But it is a category that we can win in. It is a category that we can – we have ability to win in. And so, you'll see us stay disciplined in non-alc, but in places where we can win, right, because it is too broad and we've got to focus on places where we have the capabilities to win.

Peter Grom*Analyst, UBS Securities LLC*

Q

Makes sense. So, why don't we stick with the sales outlook, but just shift the discussion to the broader category, what's happened over the last 12 months, and how you kind of see it evolving from here? Clearly, 2025 was a historically challenging year for beer, for beverage alcohol in general, a lot of debate on cyclical versus structural. But as you look back, have you been able to identify or isolate why trends were so challenged last year?

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

A

Yeah. I would break it down into a couple of pieces. So, again, things that I know a lot of people have spoken about. I mean, there was a big cohort of the consumer, the Hispanic consumer that had a different context. In a way, we're making different decisions on their purchasing. I would say that is one. And then, two was just the economic uncertainty, right? I mean, I would broadly put it in those two buckets of if you want to diagnose what 2025 was. And that played out differently in different parts of the portfolio, right? It played out differently in how consumers were engaging with alcohol, whether they were engaging in on-premise versus off-premise, or it was just decisions they were making on how much money they spend on alcohol as a whole.

So, I think as probably, Peter, we shared in previously is, we see that volatility to continue for a little bit, right? I mean, we don't think everything's going to be back to the negative ones and twos any time soon. I think that volatility exists in the category. You're seeing that how it plays out in January and February. I mean, one month is good, one month is bad. So, it's something we just have to watch. I go back to – for us and our teams, it's about where can we execute, right? We have enough things to focus on, on our side on core. We have things to fix on value. We have opportunities in above premium. So, while we've obviously watched the category, carefully managed through it, we've got enough things to focus on just within our own house.

Peter Grom*Analyst, UBS Securities LLC*

Q

Makes sense. And I guess on that point, right, so January was good. It sounds like February has kind of been returned to that. So, kind of curious maybe what you're actually seeing. It doesn't feel like the cyclical challenges are shifting. It doesn't feel like the structural headwinds are there. So, just maybe some more comments just in terms of why you think there's been such volatility in January and February, and I guess, any notable differences you're seeing on versus off-premise?

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

A

Yeah. So, I think the first one, I mean, I would generally say a little bit more optimistic this year than last year in terms of category, right? I mean, January, February, if you look at it, a lot of weather, a lot of storms, a lot of shutdowns in particular parts of the country. So, I think generally we're feeling as a company, as a team a little bit

more optimistic coming into this year. If you look at the things that are going to happen in the country this year, I mean, there's big events that we're pretty all excited about. Obviously, we had the Olympics, then we get into March Madness, but then we have the Soccer World Cup or the Football World Cup. We have America's 250th celebration. So, I think, generally, there's a sense of optimism going into the summer to make sure we are leaning in the right way. So, I think that's the category.

What was your second part of the question?

Peter Grom

Analyst, UBS Securities LLC

Q

No, just no. Have you seen any differences year-to-date on versus off?

Rahul Goyal

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

A

Oh, on and off. Yeah. On and off, I think if you look at on and off, I mean, we haven't seen any big shift between on and off. I mean, the percentage split between on and off has been pretty consistent. I think what has been good is our performance on-premise has been much better than the off-premise, right, our share gains in on-premise. So, that gives us confidence that our brands are resonating well with consumers. We can obviously engage them in a different way. We can build the brands in the right way. But in terms of big shifts between on and off, haven't seen anything dramatic this year.

Peter Grom

Analyst, UBS Securities LLC

Q

Okay. And then, Tracey, ask you a question here. So, your guidance for 2026, flat constant currency NSR plus or minus 1%. We just touched on, you're a little bit more optimistic on kind of the category outlook versus the minus 5% we saw in 2025. So, can you maybe outline specifically what you're assuming from a category perspective in the guidance? How you arrived at that target? And then, just given the volatility we've been talking about, did you include any additional flexibility versus maybe what you would have done in a normal year?

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Yeah. So, what we have said is we do expect the category to improve – improve from the down 5%. We haven't given specific guidance because it is very volatile, but we do expect it to improve. And then, as we look at our medium-term guidance this year 2026, we've spoken about a couple of the headwinds, the things that we're cycling. So, Midwest Premium, incentive comp, which was – didn't pay out last year. So, if you take those two things into account, we will sort of end up the bottom line sort of flattish.

But in terms of what are we looking at? So, we're not expecting big volatility in either up or down. We haven't built that in from the commodities point of view, but we have various plans depending on how the scenarios play out. So, obviously, no one was expecting or at least we weren't expecting wars to break out. We don't know what the impact of the gas price is going to be. We know that it will have some impact on the consumer as we've seen in the past and impact on our consumer. So, we've got various scenarios that we're planning to. But in order to mitigate some of this volatility, we are putting in plans in place. Like, we've got a cost savings program, which we've announced. It's around \$450 million of savings over the next three years. That's going to come from all parts of our P&L.

So, from a COGS point of view, we are looking at – we've got a number of projects actually that we can put in place, which is going to be driven by procurement. It's going to be driven by some capital investments that we're making, investments that we're making around our capabilities. And then, in our breweries, we've got a program called World Class Supply Chain, which is going to drive efficiencies and effectiveness. And then, at the end of 2025, we announced a organizational structuring, which we're going to see some of that flow through in the Americas. And then, in EMEA, APAC, we've got plans to grow or expand our margins as well. So, there is a lot of volatility that we're seeing at the moment. But we've got various plans that we're laying out depending on how scenarios play out.

Peter Grom*Analyst, UBS Securities LLC*

Makes sense. And then, Rahul, I wanted to pivot back. You mentioned the World Cup, the 250th anniversary of the US, and ultimately some optimism around what that could bring. So can you maybe just talk about what you expect as it relates to those events and whether have you included any sort of benefit in your guidance?

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

I mean, we've tried to – I know some of the questions was, how do you get from the minus 5% to the minus flat et cetera? I mean, Tracey talked about some of the lapping et cetera. But we want to make sure our brands show up in the right way in this, right. So, while for the World Cup, we may not have the sponsorship, I mean there's a lot of things we can do around those events around in the specific cities, right. Or how we show up with our brands on premise, how we show up around the – in the city and where these games are held. And so I think we are pretty excited about that. We are going to be big in terms of TV, also with Coors Light, with the World Cup. So again, these are occasions that people want to use to come together, right.

I mean, the simple thing we say internally is you've got eight Super Bowls having – happening in Houston, right? Sure it's happening just in Houston or in Texas or in Kansas City or Atlanta, but it is eight events that you have the opportunity for people that probably are traveling into the country. People are coming together for that particular event. So our brands have that opportunity to show up in a smart way.

So that's what I think gives us a little bit of – again, these occasions are important because, okay, we've talked about occasions. This is not beer and the category is not about people not drinking. It's not about people not engaging with beer. It is the occasions that was the tricky part. And the exciting part this year is we have the opportunity to create those occasions. And we're not creating it on our own. There are occasions where we are facilitating, if that makes sense.

Peter Grom*Analyst, UBS Securities LLC*

That does, that does. Maybe to round out the top line discussion, and going back to CAGNY, you reiterated your medium-term targets of low-single digit revenue growth. Now, I get that does include some benefit from M&A, which I want to get to. But what's your level of confidence in delivering on that target if category growth is structurally lower?

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

Yeah, I think if you look at what I said in that was we've been pretty good in terms of creating shareholder value by being disciplined on the bottom line and over the last five years, right, our TSR, et cetera.

What we as a management team have said that we know we've got to get our business back into that medium-term algorithm to drive the next chapter for growth, next chapter of shareholder value. And there we know we have the portfolio we need, right? So the fact that we talked about core and value. We know what the game plan there is, right. Core is about share and managing share and gaining share and value is just protecting. Those are big parts of our portfolio. So those are under pressure from a category headwind perspective. So it does come down to execution in those parts of the category. It does come down to how we make sure our resources are being deployed in the field, how we make sure our marketing dollars are delivering the outcomes we want.

In above premium or premiumization, this is all new for us, right. We just inherently under index. So this is for us is all new stuff. This is absolute new dollars, right? So it's not just about share in beer and it's just not about new category. So this is where we can use the balance sheet in a way to enable us to get some scale. So that combination of both of these things gives us confidence that we can get this business back into the low-single digit top line growth, right.

On the bottom line, as Tracey said, it is a little bit of a volatile external context. We want to get through that phase with discipline. We talked about the cost program. But even since February when we were in Florida, the Europe business, we've announced all of that publicly now, right. I mean, all the cost savings programs. We are chasing that stuff because we want to make sure we're pretty disciplined about how we manage this business through this period of challenge.

Peter Grom

Analyst, UBS Securities LLC

Q

Makes sense. Tracey, I want to pivot to profitability for a second, and you alluded to the Midwest Premium. So can you maybe just remind us what's embedded in the guidance as it relates to that, how you see this playing out? Do the recent events that you were alluding to impact that trajectory?

And I guess one of the bigger questions I've gotten from folks is why it's having such an outsized impact on your business in 2026 relative to what we've heard from other CPG, other beer companies that have also an outsized can exposure? So is it simply hedging or is there another factor driving that?

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Yeah. So, look, in terms of what's built into the guidance, we do hedge all commodities. And in the first 12 months, we've got much higher hedges on in place, and then it's a little bit lower in the second year and then even lower in the third year.

Specifically, as it relates to the Midwest Premium, we have spoken about how difficult it is to hedge and how expensive it is to hedge. And one of the [ph] tests (00:28:20) that we have from insights that we can get, for example, trades that are exchange trades that we had line of sight to. For every thousand aluminum trades, there's three Midwest Premium trades. So that just shows you how difficult it is to hedge. And even when the price drops a little bit and you try and get the hedge in, there's no counterparty to hedge that. So it's difficult, it's expensive.

Having said that, though, we do hedge it and we have got hedges on place – in place. Just this year, again, the Midwest Premium has gone up to another 20%. Not even – people talk about gold, and not even gold has gone up by over 300% in the last 12 months. So the Midwest Premium is a challenge. And we are working on a number of things to try and understand that and try and give transparency, et cetera.

In terms of confidence in everything else, I mean, we've got a lot of plans in place. As I say, we've planned multiple scenarios. So, we're doing everything we can to mitigate.

In terms of what other people are seeing, look, we just feel that this is a big part of our costs. And so, we were very transparent and we have been for a couple of years. I mean, you've heard us speak about the Midwest Premium for a number of years. Now, it depends on who else you're talking to. They may have different geographies where they are not paying Midwest Premium. I mean Midwest Premium is specific to the Americas. So, if you've got a bigger footprint in Europe, et cetera, you're not paying Midwest Premium. It also depends on your mix, how much is in glass, how much is in cans.

And we have seen over a number of years' consumers moving to cans. And so, for us, we felt it was necessary to call it out, as we have been doing for the last couple of years, because it is a big part, it's a big driver of our COGS. So, I mean, other than that, I can't speak to...

Rahul Goyal

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

Yeah.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

...the other companies.

Rahul Goyal

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

I mean, if you look at our business, I mean, our own business, right, I mean, this is a Americas phenomenon, it's a US phenomenon. We're not seeing a Midwest Premium implication in Europe. We're not seeing it in Canada. This is a US phenomenon. So I think to your point of obviously we can't comment on other companies' stuff, but based on geography, based on landscape and product portfolio mix, this is a real issue.

Peter Grom

Analyst, UBS Securities LLC

Okay. No, that makes sense. And I guess, Tracey, building on that a little bit, but just sticking with the profit outlook, another big headwind was the reset of the incentive comp. But I guess there's just a lot of moving pieces in the base year, right? You are cycling integration, the one-time expense of Fever-Tree. So just in the context of the full year guidance of pre-tax income being down 15%, 18%, how should investors think about the phasing of that? Is it more pronounced in the first half just, because that's when the inflation is building in or is it more balanced?

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

Yeah. So Q1, we had the Fever-Tree one-time payments, around \$32 million last year. So we'll be cycling that. In terms of if we look at commodities and the Midwest Premium, we really saw the Midwest Premium elevated from Q3 and Q4. We did say that the Midwest Premium had a \$35 million impact on us last year. About \$20 million of that was just in Q4. So much more elevated in the back half of the year.

In terms of the incentive program, which we did say was one of the headwinds that we're facing this year, we saw most of that. We started to adjust that Q2, Q3 and then into Q4. So a lot of what we will be cycling is happening in the second half of the year, the big things like Midwest Premium, like incentives, et cetera.

Peter Grom

Analyst, UBS Securities LLC

Q

Okay. And then maybe to round out the discussion on 2026, I mean, even if I were to back out the Midwest Premium incentive comp, the outlook for flat, right, is still nicely below the company's long-term algorithm, and I get sales is slightly below as well. But what's driving the weaker performance in 2026, even after backing out those dynamics, especially – I know we'll get to this, just considering some of the cost savings you've touched on?

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Yeah. So look, we are looking at 2026 as sort of the base year and then we're going to grow from there. But we spoke a little bit about the industry. We're not expecting it to – we are expecting it to improve, but not yet back to this year, to the historical levels of down 2%, down 3% et cetera, so that's one.

We did completely get out of the contract brewing arrangement. So we still had some contract brewing last year, which again was very low margin, but still added, was a benefit to deleverage, et cetera. So now we'll have – and it was profitable, but not very profitable, but we are cycling that. So those are some of the challenges that we are facing.

And then importantly, we're going to invest behind our business. We're going to invest behind our brands. We have said that we expect to increase our marketing spend this year, and also we are going to invest behind capabilities and technology. And that's going to help not just drive insights and analytics and things like that, but it's going to drive cost savings and efficiencies and be part of this \$450 million cost savings program that we've announced. So there's still investment going into our business, which is part of the bottom line.

Peter Grom

Analyst, UBS Securities LLC

Q

Makes sense. And I guess what gives you confidence that you can reaccelerate growth to that mid-single digit range? Is it those – the benefits from those investments you're alluding to? Is it the category maybe getting less? Now just help us understand how we go from where we are this year to kind of getting back to on algorithm?

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Yeah, basically, I think there's a number of things. The category, as we said, we expect that to improve. We have top line plans. So we've got the pricing that we normally talk about, the 1% to 2%. We have got the mix. We are going to be focusing a lot more on the economy, the value side, but we also are going to continue to premiumize. And so brands like Fever-Tree, which is other than our full-strength spirits – I mean, Fever-Tree is our highest NSR per hectoliter brand. So we're going to have a full year of that. We are going to continue. That still has a lot of awareness and a lot of distribution to go. So we – we're going to focus in on the portfolio, and then these cost savings programs, et cetera is going to help to deliver the bottom line.

Peter Grom

Analyst, UBS Securities LLC

Q

Okay. And then so maybe pivoting to the cost savings, as part of Horizon 2030, you announced \$450 million of cost savings are in supply chain, commercial, functional areas, EMEA, APAC, which you alluded to. Can you maybe just elaborate on the target? Where do you see the biggest opportunities across these buckets? Is it equally phased, or should we expect savings to ramp into 2027 and 2028?

And sorry for the classic sell-side five-part question, but just the broader philosophy around reinvestment versus letting these savings flow to the bottom line.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Yeah. So, certainly, well, if you look at our guidance for this year, I mean, a lot of the savings is going to go into investments and to help mitigate some of the inflation that we see, that we spoke about from a Midwest Premium. I think where we get the biggest benefit is around the COGS line. So, with the plans that we've got around procurement, the plans that we've got around world-class supply chain in our breweries, we're going to see that.

Now that doesn't all happen this year, because we do need to invest in the capabilities to be able to generate the cost savings. But – so this year is the sort of foundational year. And then as we look at building off this year, that's when we're going to start seeing the benefits come through from some of these investments that we're making in 2026.

Rahul Goyal

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

A

And I think, Peter, I mean, if you look at the – your question of the intent of pace, right, I mean, some of these things we started immediately last quarter, right, when we started seeing some of the headwinds in Midwest Premium et cetera. I mean, with all the Americas work that we did in Q4 plays out in 2026. We just announced even since mid-Feb all the changes in our European business, right? With the reduction, with shutting down some facilities. So, I think we recognize, when I talk about we are in this moment of volatility, right. We are leaning in from being very disciplined about that.

Now, we also need to make sure that we are setting the business up to get to the medium-term growth algorithm, right? So in terms of cost savings, execution of that, the stuff which we kicked off in the Americas, the stuff we kicked off in Europe in the last few weeks is to get us all into that medium-term algorithm as quickly as we can.

Peter Grom

Analyst, UBS Securities LLC

Q

Great. That makes a ton of sense. So, Rahul, ever since you've taken over, M&A has become a much bigger topic of discussion and even looking at some of your capital allocation priorities that you outlined at CAGNY around investment in the business. Now – that now includes M&A. I think specifically you're targeting deals that would help top line growth by, call it, 1 to 2 points per year.

Can you maybe just talk about the strategic and financial criteria for M&A, categories that are most attractive to Molson Coors? And then ultimately, just given where leverage is today, would you be willing to do something on the larger side?

Rahul Goyal

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

A

Yeah, I think I'll take a few and then Tracey can help me in a few. If you think about the portfolio, right, again, I go back to your four bucket portfolio conversation. I mean, the first two in beer we have to do and execute and take care of it, right. So when we talk about M&A, this is finding the gaps in our portfolio that we need to fill. And it's probably in the beyond beer or maybe above premium beer space, right. Those are the areas. We've got to go solve that.

In beer, we have a big portfolio. So, obviously, we will look at it, but we want to make sure we're being smart about beer brands that fill some gaps that we may not have. Beyond beer is probably where we do need to look at it. And in beyond beer, I go back to non-alc spaces where – or flavor spaces where we have the ability to win, right. So once you start thinking about those categories, the funnel becomes very small, right. Then it becomes small in terms of the categories you want to work on.

And then your second part of the question is which, what's the criteria? And so we've been very clear, right. We're not trying to chase top line growth just for the sake of top line growth. We want brands and businesses that have good top and bottom line discipline. And for two reasons. One, because it is in spaces that is volatile. You can catch a brand in the peak and then for a couple of years, you're just dealing with how to manage it. So we want to make sure we're being disciplined about both top and bottom line, right.

So I think to your point of funnel of the type of categories we want to be in is narrow because that's where we can execute, we can deliver, integrate it well. Criteria of figuring out what quality of businesses you want to look at. You want to be disciplined in top and bottom line. And then it is a balancing act of our leverage ratio. And so Tracey, do you want to take that one?

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

A

Yeah. So, our medium, long-term target for leverage has been to be below 2.5 times. And we have achieved that and we're currently operating under the 2.5 times. We feel that that's the sweet spot for us. We like our investment grade rating, and we've done a really good job with the balance sheet. So, our debt is in pretty good shape. The cost of our debt is in good shape. So that's one – that was one of the focus areas early on to get our balance sheet strong. But now we've got optionality. So, when we talk about M&A, it can be slightly bigger than maybe what we were talking about a couple of years ago.

But the other part of the capital allocation, which is really important is to continue to return cash to our shareholders. And so in – at CAGNY, we did announce an extension and a larger share buyback program, which is now in total it's \$4 billion up to the end of 2031. But also it was really important to us to be able to continue to increase our dividends and to keep that dividend sustainable. And so, with the strength of our balance sheet and with the significant amount of free cash flow that we do generate, we do have options.

And so when Rahul talks about M&A, yes, I mean, that's going to be a focus and something that's bigger than maybe what we have spoken about before.

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

A

And again goes back to the objective, right. What is – why do we believe this is the right algorithm to get our business back? It is to get back to the medium-term growth algorithm. We said it's to give shareholders value during that journey with the buyback, but recognize we've got to get our portfolio in a place where we can deliver consistent top and bottom line growth. So I think this optionality is what I would say is the best word, right. We've created optionality and to execute against whatever comes at us.

Peter Grom*Analyst, UBS Securities LLC*

Makes sense. And Tracey, one follow-up, I guess just given how quickly you leaned into buybacks with the original authorization, how does this shift in focus around M&A, while maintaining the leverage impact the buyback philosophy from here, if at all?

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

Yeah. No, so I mean, look, we took that into account when we gave our medium-term guidance. And again, we generate a significant amount of free cash flow, and so we are able to do both and we feel that our shares are a compelling investment. And so that's why we increased and extended the share buyback program, because we do think it's a good investment. And we'll continue with the cash that we've got. But it doesn't mean that we're not going to do M&A or we can't do one if we do the other.

Peter Grom*Analyst, UBS Securities LLC*

Okay. And maybe to close it out on a question for both of you, obviously, it's been a challenging several years for the industry, for Molson Coors. But as you look out over the next 12 months, maybe the next several years, what metrics are you going to be focused on to assess whether the strategy is working? And I guess if we were to do this fireside chat next year, or years from now, what does success look like?

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

Yeah. So for me, I mean, it's hitting our guidance. It's being able to deliver that and deliver on the commitments around the free cash flow, the share buybacks, the dividends. But then also making sure that we are investing in the business to grow the top line. So that will be – meeting that guidance will be important for me.

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

Yeah. And I would say it starts with obviously the medium-term guidance we've laid out, Peter. We've got to get our business back into that routine and that rhythm, right, so low, mid and high from an EPS perspective. If you go break that down further, what are we looking at? How are we measuring ourselves internally and just checking that we're moving, right. Share becomes an important element, right. The category is volatile. So while we obviously look at absolute volume and NSR, share is a key component.

Two becomes portfolio transformation. Are we on this journey of portfolio transformation, right? A year from now, two years from now, are we – have we moved the needle in our premiumization? Have we moved the needle in beyond beer. Cost savings, things we've announced? Are we delivering on that and is it touching the margin factor, right? Your question of how much are you reinvesting, how much are you dropping to the bottom line, all of that needs to show up in margin, right. So that becomes a key, important criteria.

So I think those become the key elements, obviously, the buyback and dividend is the journey we are with our shareholders. If you look at our dividend, I mean, we did increase it, but we did it in a way to create flexibility for ourselves. So I would say those are probably the metrics below the guidance that I think we can judge ourselves and then want to continue that dialogue with the investment community.

Peter Grom

Analyst, UBS Securities LLC

Great. Well, we are out of time. Rahul, Tracey...

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

Thank you.

Peter Grom

Analyst, UBS Securities LLC

... on behalf of UBS, everyone in the room, those listening online, thank you so much for being here today.

Rahul Goyal

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

Right.

Peter Grom

Analyst, UBS Securities LLC

Super helpful, as always, and we wish you nothing but the best of luck moving forward.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

Thanks, Peter.

Rahul Goyal

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

Thanks, Peter.

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