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Molson Coors Beverage Co. (TAP)

Goldman Sachs European Consumer Staples and Retail Conference

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CORPORATE PARTICIPANTS

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Chief Financial Officer, Molson Coors Beverage Co.

OTHER PARTICIPANTS

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

MANAGEMENT DISCUSSION SECTION

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Hi, everyone, and thank you again for joining us. I'm very delighted to welcome Molson Coors CEO, Rahul Goyal; and CFO, Tracey Joubert. Molson Coors has had a strong start to the year as the company continues to make encouraging progress on its transformation journey and as the beer category trends are slowly starting to improve. Molson Coors has moved to the next leg of its revitalization journey which is to accelerate growth in its portfolio and deliver sustainable top- and bottom-line growth. So, thank you so much for joining me, Rahul and Tracey. Nice to see you both.

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

Nice to see you

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Just trying to make sure that chairs are right.

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

Yeah.

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QUESTION AND ANSWER SECTION

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

So, welcome. And I wanted to kick things off today with a question for you, Rahul. You've been in your seat now for I think a little over seven months. So, I'd love to hear from your perspective sort of what surprised you the most in this relatively new role and then maybe what you underestimated?

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

A

Oh wow.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

I know.

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

A

That's a nice question. Did not expect that from – no, thank you, Bonnie. Firstly, thanks for having us here.

The way I think all of us in the company and I particularly think is, we get the privilege of working with a company that's 240 years old. I'm the new guy in the fleet, but I've been in the company 25 years. So, our job is to make this company bigger, stronger, better for the future and that's how we think about it. I think so, knew – I'd say, knew, understood the business, understood the company.

Probably the thing that – your question of surprise or change is the impact you have on a lot of lives, right. I mean, we got 16,000 people, we got distributors. So the impact you have on them and their family is probably is a little bit more deeper than I – you know it but...

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

Right.

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

A

...the weight it carries. But as a business, I've had the privilege of understanding and knowing our business for a long time. So that part I think has not been any big surprise.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

And then just in terms of like you mentioned the whole organization and the culture change that maybe you're trying to...

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

Yeah. No and that's – that's what I would say is it just that takes time, right.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

Yeah, right.

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

The change because, I say this to our teams all the time: we're a good company, we have strong brands, we have good foundation, we are in great profit pools. But yeah, we got to go find growth. And to go find growth, we got to think differently. We got to move with some urgency. We got to move with a little bit speed, risk taking, and that sense of ownership in this company. So it's a great business. It's a great platform. As you know, I mean, our challenge is go finding growth and we believe with the new plan we can go get that. And the exciting part is we can get our teams excited about that.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

Right.

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

Right. And I think that's the part we look forward to.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

Okay, sounds good. And thinking about the category too and where you play, you touched on this in your earnings couple weeks ago just in terms of the industry being down, I think it was 1.6%. But more recently, we've seen some of the growth decelerate, I guess.

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

Yeah.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

And I'd love to hear your perspective on what on earth is going on now within the broader beer category. How do you think about – I mean, we're still not quite at summer, but optimistic that maybe weather and some events can accelerate this growth.

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

Yeah. I think coming into this year, I know everybody in the category was a little cautious coming out of last year, right. Last year was an anomaly you look at whatever timespan. So I think coming in this year, we felt that this

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year is going to be better, right. You had these – all these events last year. So I think that's where coming in we were like a little bit more confident about the category. I think Q1, as you rightly said, was a little bit much better than broadly I would say we expected. And April's been a little bit of a [ph] zigzag (00:04:10) again.

And so, your question of, if you think about the consumer first, I mean the consumer health coming into this year, Q1, I mean, consumer, the trips were higher, number of buyers higher; maybe basket size still cautious. But we're feeling good about the year. I think April again macro issues. If you think about the war that happened end of March, gas prices started hitting accelerated levels at the end of March early April. So, it is going to be a volatile year – it is going to be a volatile year, I think that's broadly the theme.

I know some of the questions in Q1 was, well, do you see this seeing forward? And I think our comments was, well, we like what we saw but let's be cautious. Now on the other hand, you rightly called out, we got some big occasions in summer. And we've talked about and the category's talked about, our challenge is not people not drinking. I mean people are drinking, they're drinking differently, but it is occasions and the summer gives us a great platform for great occasions. You got the World Cup, you got America's 250th, weather always helps.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

I know.

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

So I think we're pretty energized about going into summer. We'll see what April is, again, all of us need to learn to deal with ambiguity, volatility. But we're excited about summer. I think we got a lot ahead of us, May, June, and then you start the buildup into the summer. That's exciting.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

I forget the context of this with your top-line guidance this year. Have you stated what that suggests for the category? Have you put a figure on what you expect the category to do this year?

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

Yes, no, we did not.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

Okay.

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

So, this year, I know last year just given the volatility of the category we gave some ranges, this year we didn't. I think, what, coming in, if you look at last year's category was in the minus 5-ish range, we expected this year to be better.

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Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

Be better.

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

A

Yeah. Right, now, whether it's – yeah, we'll see how the year plays out. I mean it's been a pretty volatile start anyway.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

Or it could be the year of beer stocks, right, considering everything, the factors you just mentioned. And then but – obviously things always change and you touched on the war and gas prices and the consumer and very recently maybe we're starting to see some signs, right, whether it's down trading, et cetera. So thinking about your portfolio and the value segment and how you're stabilizing that, are you starting to see any signs of maybe consumers trading down to some of those brands. And then if so, can you talk about any of the strategies maybe you're implementing to meet the consumer where they are?

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

A

No, that's great point. Again, if you think about the consumer, I know you asked about the value. And so, just briefly the top end of the economic consumer, they're doing okay. They're resilient, right. So for us making sure we have a portfolio for them whether it's Peroni, Fever-Tree is important.

So obviously, there we're leaning in on some of our above premium pieces, even like – things like Banquet. Trade down is a little bit – we don't see trade downs in our category. So folks who love Coors Light are going to come to Coors Light; Miller Lite, they come to Miller Lite. Maybe we got to think pack sizes. So that's where we lean on a little bit, single, small packs and large packs. So we see a little bit of that trading.

Value is a big part of our business. It is a big part of where consumers are leaning in not for trade down but because they care about those brands. So we're seeing some progress there and this is – I want to be cautious because I know there's more work to be done on this. There is definitely more work. It's a long-term thing.

But if you think about High Life, High Life is holding onto share. I mean, where on-premise we're gaining share; off-premise we have – we have work to do on Keystone. And then so we have some new plans coming in that I think we're getting excited about but this one's going to take a little time.

I'm going to take this forum to make a small plug if that's okay, a five-second plug: if you guys have not seen the new Keystone Apple ad or video or TikTok or whatever that is, if you want a two-minute fun, just smile, go take a look at it. And I use that as an example is we got to find just a way of connecting better with consumers with that portfolio which historically we have not supported. And so now we just need to show a little bit of support and love and we got two big ones, High Life and Keystone. But then there's a lot of brands that we have which are very local that requires different ideas, different execution on that.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

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Some was leaning in on – some of the strength stabilizing those brands, especially given the broader consumer backdrop could actually work...

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

Yeah. Absolutely. I think for us, like Keystone, I mean, we're going to have Keystone Ice coming in later in fall, which is a little bit of the ABV side, higher ABV. So, as exactly you said, stabilize High Life and Keystone and then local execution on the rest of the portfolio.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

Okay. And then thinking about guidance, your full year, your top-line guidance of flat plus or minus 1%, which you just recently reaffirmed. But you do expect, I guess, US shipments to be down 6% to 9% in Q2 because of what occurred in Q1. Maybe walk through that for us. Just kind of what's happening between Q1 and Q2 and then ultimately what gives you the confidence that you'll see the recovery in the second half?

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

Yeah. Tracey, you want to take that one?

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

Yeah. And so what we did say on our Q1 call is, we went into Q2 with higher levels of inventory. We feel very confident in the levels of inventory that we will have going into the summer. Last year Q2 we had high – higher levels of inventory. We were a little bit impacted by glass supply and I think you've heard some other folks talk about that.

But cycling some of the headwinds from last year – but we have built up inventory. We do feel good. There's always going to be somewhere where there's a package that maybe is out of stock, but that's normal. But we're working with our suppliers, our distributors, and so we feel confident going into the summer with the inventory levels that we've got, but just due to some headwinds and cycling from last year, Q2 is going to be lower.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

Okay.

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

We do plan on shipping to consumption for the full year.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

For the full.

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

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So, you'll see in Q2 – Q3, I'm sorry, the second half of the year, our STWs will outpace STRs as we ship to consumption.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

And in the context of that Monaco which we're going to talk about that is part of factored into the guidance to get to that, I guess, flat plus or minus 1%?

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

Yeah.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

Okay. So good visibility, see the recovery, just some noise, if you will, between Q1 and Q2 but a lot of the initiatives that are being implemented as well.

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

Yeah, I mean if you look at Q1 we shipped ahead of consumption and we built inventory, a little bit of a phasing and all the things Tracey talked about.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

Okay.

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

In a full year, we can still see the minus 1%, minus 2% guidance that we laid out.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

Okay.

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

Minus 1% plus 1%.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

Yes. Exactly. Not changing guidance today. No, okay.

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

Not changing guidance. No new news.

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Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

No, exactly. Core brands, wanted to switch gears. You talked about regaining focus and then winning back share for the core brands, which is critical given size and probably the profitability of those brands. So, what are the specific strategies that you're implementing behind Coors Light and Miller Lite. And then ultimately, how do you evaluate if those strategies are working? I mean, I know we talked about this for a number of years, but just thinking through the...?

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

A

Yeah. No, absolutely. And that's a fair question, Bonnie. If you think about our big brands, I mean, Coors Light, Miller Lite, I'd put Banquet in that. I'd put Miller Extra Light in that. So, if you think about our core portfolio, we got to make sure they are strong and healthy. And I would say we've done a decent job on things like Banquet, things like Coors Light to some degree.

The easiest measure to share, right, I mean, obviously we think of volume, we think of NSR, for the external was the easiest measure to share. And if you see our progress since 2023 or even in recent times, we've held that part of the category share has been okay.

Now we have the work to do on, for example, like Miller Lite. This year we knew coming in, it was going to be a competitive context. And in the couple of regions in the United States, Miller Lite has been a little bit challenged. So, we knew it's a competitive context, but that's where we need to react.

To your point of looking forward, if you think about the plans we have laid out over the summer. Coors Light, we got the World Cup, pretty excited about how we're going to show up in the World Cup. As they say, there's seven, eight Super Bowls with Houston and six Super Bowls in Dallas and obviously regional but great way to activate and make sure our brands show up in a strong way.

Miller Lite, we launched some of the campaigns early just a way to make sure we're being competitive, so. And then the last piece I'll call out, which I know sometimes people don't get our new plan that we laid out is the local execution, right.

So, we've changed our operating model. We're looking at our brands very locally. We're looking at how do we make sure these brands resonate in those particular geographies and then we can react to that. So whether it's promotions, whether it's pricing, whether it's activation, we can use the levers there. So, core brands super important. Obviously, volume and NSR is key; share becomes an important way of measuring progress.

But then in terms of making sure we have all the right plans leading into summer. I think we're feeling good about it going into the summer.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

Okay. And you mentioned Miller Lite maybe needing some more work. Is there – can you share with us, maybe what's not resonating with the consumer with that brand? I mean, and as you think about kind of trying to improve share, is it innovation? Is it better price pack architecture? You mentioned some campaigns and maybe different messaging. What are some of the key initiatives?

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

Yeah. No, I wouldn't say this, I mean, the – yeah, the campaign and the thinking and the focus we have with Miller Lite I think is the right one.

Bonnie Herzog Q
Analyst, Goldman Sachs & Co. LLC

Okay.

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

That is resonating with consumers. I think you've seen the Christopher Walken message, the message around the liquid, all of those are resonating. It's just competitive. So, I think a lot more things to focus on – price-pack in those particular geographies, thinking through pricing and promotional activity, in those particular geographies. So, it's a little bit of execution and making sure we are reactive to what's happening. But in terms of what the brand stands for and how the brand is showing up, I think we're feeling pretty good about it. The other thing I know I didn't mention is America's 250th celebration.

Bonnie Herzog Q
Analyst, Goldman Sachs & Co. LLC

Yeah.

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

Right? So, again Miller Lite is a big brand that talks a lot about Americana. And so, I think, that's the other thing we're pretty excited about coming into the summer. So, yeah, I wouldn't say this is a national – we got to rethink on the brand, it's more about local execution given how competitive this context is going to be in the summer.

Bonnie Herzog Q
Analyst, Goldman Sachs & Co. LLC

If we're sitting here again in a year...

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

Yeah.

Bonnie Herzog Q
Analyst, Goldman Sachs & Co. LLC

...and I hope we are.

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

Yes.

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Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

Would success to you be that these brands, Miller Lite, Coors Light are essentially flat with share, are you expecting to grow share? I'm just trying to think through [indiscernible] (00:16:16).

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

A

Yeah. No, absolutely, that's a great question. So, I think, success for me, obviously share – growing of share of total category is easy one. But I think you've seen our numbers, we got to change the trend. And if the core is healthy, our business becomes pretty stable in that context. So, for me, in a year's time, yeah, we should be in the position of at least holding in the right trajectory for share and volume.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

Okay. Maybe I'll switch to cost and the lovely Midwest Premium that's very topical. You've been talking about this obviously maybe early further...

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

A

For years.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

I know, that's true too. But really kind of started talking about this being obviously a major headwind to your business this year. And I think you called out it was $30 million cost increase in Q1. So, you expect it to be inflationary every quarter for the remainder of the year with I think, the largest increase in Q2, so you have pretty good visibility in terms of that.

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

A

Yeah.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

How do we think through?

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

A

Yeah, yeah. So, we feel very comfortable with our hedge position for this year. We did layer on more hedges in February. So, we've got pretty good line of sight as to what the – what it would cost us. And, I would say we've probably – we've mitigated for the most part any further increases, the impact that it would have on our business. Having said that though, I'll just keep saying, I mean it's a difficult commodity to hedge. We – I think I've spoken before for every 1,000 aluminum hedges, there's three Midwest premium hedges. So, it's not a transparent and it's not a great market to hedge, et cetera. So, we'll continue to have a look at it. But for this year, we feel pretty comfortable with our hedge position and we've mitigated most of any increases that may come forward.

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Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

And it's just hedged through this year, right? I mean, you're not...

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

A

No. We do have some hedges on for next year, but typically we have more hedges in the first year. But again, it's very difficult to hedge, especially out longer term.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

Okay. And then how do we think about that in context? Because I'm pretty sure you're staying disciplined with the 1 to 2 points of pricing, is that correct? So, this is why we're just ultimately going to see some of the margin headwinds. Any other factors that you can, I don't know, implement to help mitigate some of this, whether it's marketing spend, cost optimization, et cetera?

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

A

Yeah. I mean, we've obviously got the $450 million cost savings program that we announced. And if we look at some of the actions that we took at the end of last year for the Americas G&A, we'll start seeing that flow through. We took out 400 roles. So, we started to see the impact of that on our G&A. And then we've also taken some actions in our EMEA & APAC region where we've closed a brewery and we're looking at using technology and capabilities to drive further cost savings. And I would say we're on plan. We're on track with that, with our cost savings. Now, the $450 million is over three years. But you'll start seeing that come through this year. So, that's one of the things that we are doing. And we started last year to mitigate the inflationary pressures that we are seeing.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

So Tracey, on that, because I know I've talked to a number of staples companies and they have identified already plans, cost optimization, productivity savings. Have you been able to accelerate any of that or pull it forward? I mean, you mentioned it's on plan, but is there a way to accelerate or move some of the projects earlier given these darn cost headwinds?

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

A

Yeah, I mean, we are looking at that.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

Okay.

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

A

The capabilities that we're building is certainly helping us and then implementing some of the new systems and technology is helping as well. So, yeah, we're trying to pull forward as much as we possibly can.

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

A

I think you said this well Bonnie, I mean, in terms of us disciplined about our business, I think we started that journey in Q4 last year, right? So, we knew some of these headwinds ahead of us. So some of the hard decisions around our team structure, people, hard decisions around supply chain, we put it in-place in Q4. We obviously are going to see those benefits as it translates up, Tracey and the team in terms of hedging and trying to mitigate risk. I think we've tried to do that. I think the brand one, I mean, we obviously want to make sure we get the right return out of our investment, but we also want to make sure we're being competitive in the marketplace, right? So that's why – that's what we took into consideration when we gave guidance this year. And that's what we want to try to make sure we deliver against as a business.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

And to be clear on that point, if I'm hearing you correctly, so the spend levels are not decreasing, in terms of behind the brand to reaccelerate, maximize share, et cetera. You're going to continue to see...

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

A

Yeah, yeah. I think again, we said it in our earnings, right? I mean, if you think about our broad MG&A spend over the next three quarters, it's going to look higher than last year.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

Yeah.

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

A

Now, some of that's one-time issues from last year of incentive. But we want to make sure we have competitive pressure in the market, right? So, tough context in terms of aluminum and input cost, right? Cost savings program to optimize, manage the risk but making sure that we can have the right commercial pressure in the market.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

Definitely.

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

A

One thing I would say about our marketing investment, I mean, we are – if we look at our core brands and what's important for us, whether it be Miller Lite, Coors Light, Banquet, High Life and Keystone Apple, as Rahul mentioned, even Fever-Tree, we've got a campaign, a new commercial for Fever-Tree, which we haven't had before. But we are putting more dollars behind that core, but against fewer bigger bets.

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

A

Yeah.

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

So, like the World Cup. Like America's 250. So there's more dollars going towards that. We're making sure that it's in the big bets that are going to provide a return.

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

Yeah. I mean, just last comment there. If you think about our visibility in live sports, we probably have the highest investment in live sports this year than we've had in a long, long time, right?

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

Yeah.

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

So again, try to meeting consumers where they are relevant for our brands so to Tracey's point, appropriate level of investment, but making sure we can win with our consumers.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

And let's switch gears a little bit to the somewhat recent acquisition, Monaco Cocktails, you just closed, I believe. And it does help close the gap in your RTD, the portfolio gap that you might have. So, we'd would love to hear more about your strategy to scale that brand, increase distribution, et cetera. And then I think you've talked about that acquisition contributing 1 point of growth to the top line, but importantly accretive, on the bottom line.

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

Yeah.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

So, maybe walk through that for us and how your strategy is evolving as it relates to M&A and kind of like you mentioned earlier, maybe a little bit more risk taking and...

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

Yeah, I mean, I can do the brand and portfolio Tracey, with the numbers. If you think about the brand, right, we knew we had a gap in our portfolio. I mean, the whole flavor category has been so volatile from a consumer perspective, but we knew we had a gap on the RTD stuff. So, I think if you think about Monaco, it's been a business that's been around 10, 12 years. So this is not a new brand. Business was built in a very disciplined way on the back of singles, in convenience stores, in a very controlled geography, right? I think the top five states probably make up 60%, 70% of the volume.

And if you think about a big part of it is in signal. So, it is a very disciplined business which we can then take and scale, right? So I mean, as an organization, we're pretty good at taking things that have got scale, have got

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proven, but then really making sure we can really make it bigger. So, I think that's why it gets us and our teams excited is, to your point, it is about distribution. It is about capabilities, right? Convenience. If you look at our strength, we have good strength in convenience, but our big strength is in other big channels. And so, therefore then we can play that and build some capabilities with the people that have come on board. So, that's where it's a great fit from a portfolio perspective. It's the right thing for us from a premiumization also, right? So, compared to our normal NSR per hectoliter, this is a premium product. And so it does that I think for us on premiumization, it is top line and bottom line accretive and gives us a good platform to really scale from there. So it's the right fit for us, it fits the model and then it does fit within the metrics we laid out earlier of the business.

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

A

Yeah, I mean we said M&A going forward is going to – must contribute between 1% and 2% of NSR and so on a trailing 12-month. And then importantly also the bottom line, it must be profitable from day one, and this brand is for us.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

And so as I think about this acquisition that you just closed is it the priority to kind of focus on integrating this, and then will you continue to look at other potential M&A? How do you think about prioritizing those two?

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

A

So in terms of execution, we got to make sure we – the way we talk about it really is don't drop a case, right. So we obviously had Fever-Tree last year. We executed that, integrating that, making sure that we transitioned into our network with our distributors, get everything working and we're continuing the growth momentum we had on Fever-Tree last year and continuing to this year. So that is an important aspect, right.

And then we think about Monaco, right. And then how do we really make sure we integrate this business, keep the commercial momentum that the brand has, accelerate the momentum, and then look at all the other things that come along with that. So I think that's probably focus, Bonnie.

I mean if you think of it, we don't need 10 more brands. We have a pretty strong portfolio. There is a few gaps we need to fill. And so – and I'm sure Tracey – Tracey, talked about capital allocation disciple et cetera, but for us, it is about fill a gap in the portfolio, what makes sense for consumers, distributors, and us, and then integrating and accelerate, right, so – and then everything else that you want to add on the capital allocation discipline.

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

A

Yeah, just before I get you on the sort of capabilities, I mean, what we do now going forward is we make sure that we can continue the business, and hence we took over about 80 folks from Monaco business into our business, so they can continue to run the business and sell the brand and get the distribution, and then we have another team doing integration, so that we don't lose focus.

But in terms of capital allocation, I mean, I've spoken about what a great job the company has done with their balance sheet. And so that give us optionality that we can do more from an M&A point of view and then the same time, return cash to shareholders as we had been doing with our share buybacks and paying dividends. And then

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just keeping our balance sheet healthy. So we do have significant free cash flow, which is great, and therefore we can do all of it.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

Which has certainly changed, I know when we talked in the last year. So, you're in a much better place today. And as you mentioned Rahul, you see still some gaps in your portfolio. Do you care to expand where those gaps are, I'm curious?

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

A

Yeah, I mean, if you think about it, I mean the RTD space or the flavor space, I would call out, if you think about the flavor space, it's a big category now and we want to make sure and we love the fact what we've done with Topo Chico. We obviously have new ideas with Simply in the market that we want to make sure we get that brand healthy. And then so there's work to be done there. I mean those are great brands to keep building on. And then I think Monaco adds a good complement to that in terms of channel, consumer.

So for us the priority is Beyond Beer. So if you think about capital deployment, it is going to be probably in the Beyond Beer side. We will always look at beer. But Beyond Beer is probably where we need some scale, Bonnie. So again, right now, integrate Fever-Tree, integrate Monaco. As Tracey said, our balance sheet gives us optionality, but we will be disciplined about it. Disciplined that we have the right brand and disciplined more importantly that we need to integrate top, bottom line accretive and we can scale, right, that becomes important.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

And yes, Beyond Beer being a priority. So what percentage of Beyond Beer of your portfolio maybe today, roughly.

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

A

Yeah.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

And in the next three to five years, what would be the ambition?

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

A

Yeah, so I mean if you think about it, we are approaching about 10-ish percent, right. We started with 0%. Maybe not 0%, less than 1%, right, I mean in Beyond Beer. We are approaching 10-ish percent of our total company NSR and we need to make sure we get to be meaningful. Because we are – and I mean I think we said this in our Q1 results, our Beyond Beer portfolio is growing faster than the rest of the company. It is growing at a much higher rate.

And we – unless we have that to scale, it doesn't do stuff to move the company forward. And then we don't want to have a Beyond Beer portfolio that's 50 brands, right. We're going to be disciplined about the categories we

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work in, disciplined about the brands we have, but we want to get it scaled. We haven't shared the ambition externally, Bonnie, but I mean you can think about the math, and unless it's not big enough, it doesn't do much for this $11.3 billion company, right. So, we are pretty excited on that journey.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

Okay.

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

A

We are early. We have more tools to work with, whether that's people, whether that's investment, or the balance sheet, right. I think the point Tracey made about getting capability in people is equally important in that space because it is a different muscle.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

No, it's true, and as you know, I think about your business and your portfolio, I mean the complexities have increased, but if you feel good about your ability to execute on all these different initiatives because any change capabilities that you think you have where you feel like you can execute on all of these different growth initiatives?

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

A

Yeah. So, I think that's a great question about complexity, right. I mean, we've been disciplined to remove complexity from our business, also, right. So if you think about the structure, if you think about the coming off some of our co-manufacturing arrangements, it was about removing complexity. Now we are leaning into areas that make our business stronger for the long term, right, and by the way, this is not just us, if you look at our network, our distribution network, right, they're leaning into similar capabilities. So for us, this is more of making sure we have the right capabilities not just for today's business, but also the long term, so.

And we're doing it in a disciplined way, right, whether it's the G&A with the right brands, making sure we are building out teams with capabilities that are important. So again, I think we've shared this previously.

Our non-alc team used to be six, seven people I think. Now we are about less than 200, right. So, to your point, yes, that comes with some complexity, but you are building capability along with that complexity. So we feel good about making sure we have an ambitious goal for Beyond Beer. And then how are we best leaning into that.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

And I know we've touched on this or you mentioned it, whether it's Fever-Tree, Peroni, what has you the most excited or Monaco, as you think about the next year? I mean, is there anything that you think right now maybe is broadly underestimated?

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

A

Yeah. I would definitely – I mean, obviously those are the big growth brands that we have, right. So, they are exciting. So, Peroni, Fever-Tree, Banquet...

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Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

Banquet

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

...Monaco. I think those will be the – again, I know we don't talk a lot about Molson, the trademark in Canada, right? I mean, that brand is doing well, gaining share and in a good place. Coors Light continues to be the number one beer in Canada. So, we got a lot of good highlights.

But the thing that I would love to be – your point of a year from now, the excitement around Keystone and High Life, and how do we make sure we can get some energy behind that? That's the thing that I'm looking forward to that, right? What as a team we can really do to get that healthy, not just for consumers and our distributors, but for even us, because we are big brands.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

Right, and then that brings me maybe to my final question because it's your long-term algo, which I know you mentioned you expect a return to your long term algo of low-single-digit top line growth and mid-single-digit underlying pre-tax income starting next year, right. So, in the context of what you just mentioned, what will be the key drivers that will allow you to hit those?

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

Yeah. So, I know we've shared that that's the goal, I don't think we give 2027 guide...

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

Okay.

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

...Bonnie. So just to be...

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

Maybe with me being...

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

Yes, yeah, so, no...

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

...optimistic.

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

A

If you step back with our business, right, I mean, obviously, we, again, feel we got a pretty good foundational business. We have been very disciplined about returning cash to shareholders through dividends and through buybacks. If you look at since 2025, I think our TSR, I think we reported in our 10-K, earlier this year was 22-odd-percent, so – but we recognize for the next steps of creating value for shareholders, we have to get this business to that algorithm, right, the low-single and mid-single.

And obviously volatile times right now. But between making sure our core of the portfolio is strong and stable, and transforming our portfolio with the shape for the future, we think that's the right place to be. Right now, as we get through the year and talk about 2027 and what that looks like, but we still believe that that is the right algorithm where we think we create the most value for our shareholders, right. We will stay disciplined on the balance sheet. We'll return cash, but we recognize we got to get others top and bottom line growing.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

And optionality as you mentioned, given the core and then everything you've been executing on. So, all right...

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

A

Yeah.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Well, all of that sounds good. And thank you so much for the conversation. I appreciate your time.

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

Thank you.

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

Thank you.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Thanks everyone.

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