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Molson Coors Beverage Co. (TAP)

Barclays Global Consumer Staples Conference

CORPORATE PARTICIPANTS

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Lauren R. Lieberman

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MANAGEMENT DISCUSSION SECTION

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Great. So I'm pleased to welcome Rahul Goyal for the first time in Boston. So thank you so much. It's your first time here since becoming Molson Coors' CEO just about a year ago. And of course, CFO, Tracey Joubert, thank you so much for being a consistent supporter of the conference and for always giving us your time when you're here.

QUESTION AND ANSWER SECTION

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

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So want to start big picture with the strategy. So when you introduced Horizon 2030, the message was that TAP needed to rewire the business for a more volatile consumer and category environment. You're now halfway through the first year of that strategy. Where do you have the most conviction that the operating model is working and where do you think the process might need to be more iterative?

Rahul Goyal

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

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Yeah. Thank you, Lauren. First, thanks for having me. Thanks for hosting this. So, if you think in – over the last one year and just our category as a whole, I think the – when we laid out Horizon 2030, there were two key priorities we set. First was making sure we transform our portfolio. And I feel, we're making good progress on that. We have to transform the portfolio into places where consumers are leaning into. That's for us is in the Beyond Beer space. And then two, was making sure that we're getting sharper focused on executing within beer and that's where you talk about the operating model changes. So, in the last year, we've been pretty busy on scaling our Beyond Beer agenda. We started with less than 2% a few years ago. We're approaching 10-ish-percent. So that is something we got to keep driving with scale.

And then in Beyond – in beer, we got to make sure our brands show up differently. And so we made pretty clear choices on our portfolio, whether it was core, whether it was value, but then, how we execute that portfolio in the market is what's going to be different, right? I was convinced a year ago and I'm convinced even more now that this business is – beer is very local. And so while we have brands that are across the board, we have to execute local and that gives me confidence, right? I mean, you saw some of the changes we made in the value portfolio. We're seeing improvements there. We continue to lean into brands like Banquet, Peroni, Fever-Tree, Topo.

And then to your point of some places we know it's a little more stuck that we need time. We talk about brands like Miller Lite, Blue Moon, I mean, some of these things just require a little bit more time, but the playbook is the right one. We've got to make sure we're clear on what these brands stand for, because once you're clear on that and then you can execute locally. I think we can get these brands back into being healthy first and then growth.

So I feel good about the portfolio choices we made, the transformation we are on, the operating model, obviously six, nine months into it with respect to execution and then, obviously you know that there's a few more things we need to be turning around.

The only other thing that I probably is – inflation's not been our friend. It wasn't our friend earlier this year. And so that's the one area that we got to keep a watching brief on. Obviously, we announced our cost management program, executing against it, but inflation is I would say hasn't been our friend.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

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Yeah. Okay, I'll come back to that. So you've emphasized making the business more local like you just mentioned and – but also more accountable...

Rahul Goyal

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

Yeah.

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Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

...I think it's interesting. So where is that having the biggest impact so far? And I'm just curious what you think like distributors or retailers would say or are saying to you that's already different in how TAP is showing up today versus a year ago?

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Rahul Goyal

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

Yeah. No, absolutely. I mean, some of the changes we made earlier this year was driving accountability as close to the market. I mean, that involves the full P&L, making sure we're looking at top and bottom line, making sure, incentives are reoriented in terms of being local. So when I talk about local, this is not just about the brand and the portfolio, right? There's an element of that of how these brands show up or which parts of our portfolio shows up where, but it is also about holding people and making sure execution is local.

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Your [ph] piece (00:04:23) around how the perception with distributors, I would say and our distributor network would say we are moving faster. I mean, this has been a volatile category year again. But in a way how we've reacted, whether it's on promotional activity, whether it's on pricing actions, whether it's on brand innovations, right? So if you think about some of the innovation launches we've done earlier this year, whether it was in our value portfolio with Keystone, whether it was High Life in particular states, whether it was, again, [ph] Coors 0.0% (00:04:57) in the Northeast. I mean, all of that was a function of making sure we are closest to our customer, closest to our retailer. So, I feel pretty good that if you ask our distributors, they will say that we are reacting faster. We are pivoting faster on where we see the consumer moving to. Again, Monaco was another, I would say, good example. We knew we needed to get into the RTD space. It is a crowded space. It is a volatile space. So how do we enter in a space that makes sense from a consumer perspective, but more importantly, makes sense from our network perspective. And I would say most of our distributors – I'd say, most of our distributors, all of our distributors, say, Monaco, has been a good add for them.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Okay. That's great. You started the year seeing a healthier beer category in the US than in 2025, but Q2 slowed pretty meaningfully...

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Rahul Goyal

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

Yeah.

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Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

...so what have you learned about the kind of consumer and category environment from that swing? And as you – among indicators like fuel prices, consumer sentiment, channel and pack behavior, like, what gives you the clearest read on whether the incremental pressure that you've seen from a category standpoint was temporary or something that's maybe more persistent?

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Rahul Goyal

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

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Yeah. I think, this is – I know this is a question everybody loves to ask in the context of long-term, short-term. And if you think about it, coming into this year, there was a sense of confidence that last year's challenges are behind us from the category perspective. And Q1 played out a little bit in that. And then all the factors you called out probably had an impact into Q2 and stuff.

The pieces we think about and look at closely is consumer buying pattern. So let me just maybe specifically call out channel stuff. So we saw progress in the dollar channel and convenience, right? I mean, usually large format channels, the Walmarts, et cetera, people do the math, right, people do the math of a \$30 purchase or a \$40 purchase what is it per can. But still, folks were choosing the dollar channel and convenience, right? That's where you saw consumers leaning in, pack sizes, singles and small packs. That's where folks were leaning into.

Large packs has historically been stable. And in Q2, we saw a little bit of decline. So it was economically driven, it was consumer sentiment driven. And I think that's what we're going to – that gives me clarity that, if the consumer is stable and there's clarity, we may not be at the minus 1s and 2s that we had pre-COVID, right? [ph] We maybe at a (00:07:44) new normal. But this volatility, I think, puts a little bit more burden on the category than anybody wants.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

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Yeah. Okay. So how has that maybe changed the way you're thinking about the second half of the year versus original expectations? I mean, any perspective closer in, what the balance of the summer looked like with a late Labor Day...

Rahul Goyal

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

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Yeah.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

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...like just perspective?

Rahul Goyal

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

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Yeah, I know for us, I know we think about the category within our business, but we focus on the things we control, right? And for me, the fact that we have such a broad portfolio gives me confidence. That gives me the ability to play within – above premium to value. So if you think about the consumer, I mean, there's a consumer that's happy to be in the Fever-Tree place, in the Peroni place. If you think about on-premise, I mean – so we have a portfolio that we can meet the consumer there. We also have a portfolio that needs to meet the consumer in the value space, right? With Keystone, with High Life, where these brands mean something, but they can still engage.

So for us in the second half of the year is we control what the controllables we have, is we have a pretty broad portfolio. How do we make sure we're executing against that across the brands? And then, the category will remain volatile, where it settles is a little bit of macro issues. But there's so much we have to do, right? I mean,

we're making good progress on things like Banquet, even on Coors Light. We're making good progress on the value, but we know also recognize there's a few brands that are stuck that we got to find a way to unstuck them...

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Yeah.

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Rahul Goyal

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

...that's – I know that's not a word, [ph] so apologies (00:09:29). But we know we have work to do on a couple of those brands.

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Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Okay. The other sticky thing has been inflation. So, I'm going to, right? So let's maybe talk about that. I mean, the one through line we've had through the day and half of this conference so far has been increased logistics and freight costs. So just wanted to get an update from you guys on that front.

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Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

Yeah. So I'll only just add. So we have seen the freight market tightening. I think everyone's talking about that and certainly fuel prices were looking okay until, the conflict started in Iran and we've seen those fuel prices go up. So, look, we do have long term contracts with various carriers, but we are seeing a lot more carriers not taking our lanes and moving to the spot market. So we have had to go a lot more into the spot market than what we typically do in a normal sort of year.

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So we're managing that. It is a headwind for us as we go into the second half of this year. But we're managing it through – we do hedge fuel. So we're managing it through our hedge program. We're managing it through long-term relationships that we have with long-term carriers, making sure that we are doing what's right for them, but also, they're doing what's right for us. And then through our cost savings programs.

So our cost savings program is across all of our P&L line items, but there's quite a large part that comes out of COGS. And so through our cost savings program, we're trying to mitigate some of these additional headwinds that we are seeing.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Okay. I'm going to switch back to longer term. So if beer, though, does remain weaker for longer, when you said perhaps it's a new normal, it's not down 1% to 2%, it's something more than that. How much of Horizon 2030 is remains achievable and like, what levers do you pull to kind of get there? Or flip side, like what would you need to do most to adapt the strategy for something that is a tougher category backdrop?

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Rahul Goyal

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

Yeah. I mean, I think the foundation of what we laid is [ph] the and right (00:11:44)? We have to transform our portfolio. I go back to, approaching 10-ish-percent. I mean, that part of our business needs to be big. I mean,

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today it is growing, right? It is, I would say, a big part of our business, but it needs to be bigger and meaningful. So with the category context of beer, we got to do the transformation part in a big way. So whether that's in RTDs, in flavors, in Beyond Beer, in non-alc, I mean, those are the things that are important.

The other thing and I know I'm speaking to folks in the finance world, but we got to do our job of bringing people back to beer. So I say that for a minute only because, if we are not bringing people back into beer, then nobody else is. So we will continue to champion beer. But within that we got to play our portfolio, right, right? So in the short and medium term is we have a portfolio that is pretty broad into spectrum of above premium, core mainstream and value. So we can play the right thing. So I mean, we think about a brand like Banquet, if you get the right positioning that what the brand stands for, you can get growth. And so for us, it is figuring those pieces out within the portfolio we have, while we are working on the transformation.

Beyond that, it is making sure we are focused and disciplined on our cost, right? I mean, all of this is in the context of being disciplined in the cost side and then making sure for our shareholders that we are being disciplined on in terms of capital allocation, returning cash to shareholders. So for me, this transformation, taking care of beer and then being disciplined in how we run the business.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

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Okay. Let's talk about some more specific elements of the portfolio. And you've mentioned you've teased [indiscernible] (00:13:37) to go deeper. So let's start with kind of core beer economic foundation of the company. I think a big influence on investor confidence in this story is on seeing more stable market shares overall...

Rahul Goyal

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

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Yeah.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

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...so that's why I want to start here. You've mentioned some regional pressure for Miller Lite, so I just wanted to get maybe your assessment of the situation. Is it a matter of media, execution, price pack, is it something deeper in the brand proposition? And really how long should investors give Miller Lite like before – how long should we give the plan before we start to worry?

Rahul Goyal

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

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No, absolutely, that's a fair question. So if you think about our core brands and, most of our geographies, but if you think about the US, we obviously have Coors and Miller Lite, Coors Light. And I think the Coors trademark within Banquet, even with Coors Light itself, I think we've done a good job of making sure it's very clear, but we have to keep doing more on that. So you're going to keep seeing us show up in ways where we are talking and connecting with current consumers, but then also making sure we're recruiting new consumers into our trademark.

You're rightly so, Miller Lite has been stuck and we understand the issue pretty clearly of where Miller Lite is stuck, where – what we need to do. So we don't think it's a complete rehaul of the brand, right? Miller Lite has historically always stood for sociability, around Legendary Moments, around Miller Time, and it's talked about taste, right? And if you think about we leaned into this year, it's predominantly around sociability. So you'll see us

continue to lean into Miller Lite in different ways from a campaign perspective, building on sociability but also taste, but it is about local execution, right?

I mean, if you think about share losses and you guys look at Circana and Nielsen data, Miller Lite has a historical stronghold in the Midwest and that's where we're getting competitively the most pressure. So I think it does go back to my point of while we have these big national brands, this business is very local. So we got to be winning every city, every state in different ways. And that's where we have multiple levers to play, right, whether it is local price promotion, whether it is campaigns from a local activation perspective. And then, obviously national campaigns help, in terms of that. So we don't think Miller Lite – there's nothing fundamentally wrong in terms of a complete reboot. We got to build on what the brand stands for, but then this is about local execution.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

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Okay. Just flipping to the UK, because Carling seems to be in a similar situation maybe to Miller Lite, contending with more competition, but it seems like the pressure is only building in that market. Madrí now being impacted by higher promotions in the second quarter after having been such a continuous and regular success story. So how are you thinking about the UK landscape and kind of about the path forward?

Rahul Goyal

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

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Yeah. So if you think about the UK and we flagged this in our Q2 earnings. I mean, out of EMEA and APAC, UK is where the main competitive pressure is. It's a consumer dynamics and category, but also competitive. We've had a great run with Madrí, Madrí has been a strong brand for us above premium. And the success breeds competition. So we got a few things that are coming at us from a competitive perspective. When we get – we understand that and we have the right plans to attack that from a Madrí perspective, whether it's campaigns over the summer, innovation, also a total portfolio approach for above premium right, Staropramen, et cetera.

Core brands, which is what you called our Carling, that market has changed. The market has changed, the way competition is using ABV, which is again in the public domain, is changed. And so we needed to make sure that we are competitive in that context. So we launched a new higher ABV Carling brand, Carling Black Label. We have now transitioned Carling to make sure we are competitive with our peers and it's going to be a competitive context.

I go back to – Carling, the core brand segment has been under compression for number of years, but we were able to protect that and execute that well while we were premiumizing in the UK. And just given the category pressures means competition is high and I think we've got the right actions now to react to that. We also implemented our cost savings program in EMEA, APAC earlier this year. We just closed that out. It takes a little longer to put all of that in motion. So, we feel pretty good about the actions we've taken now to be competitive, both in the mainstream and in the above premium.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

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Okay. On the flip side, you've got Banquet...

Rahul Goyal

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

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Yeah.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

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...coming back to US, right? So it seems to be, I'd almost frame it as like teaching the organization and maybe the industry that like a big established brand can find new relevance. What parts of the playbook from Banquet's success do you think are transferable more broadly to your other brands? And like what are parts that maybe are a bit unique to Banquet?

Rahul Goyal

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

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Yeah. I mean, if you think about Banquet, I'd break it up into a couple of things. Some of the learnings that we're taking from Banquet in terms of how do we make sure we're true and defined to what Banquet means and stands for, right? The essence of the brand. And I think that's what you're going to see us lean into as we think about that in the context of our bigger brands, right? We just had the conversation of Miller Lite. Are we very clear on what Miller Lite stands for. Are we communicating that clearly to consumers, and are we making sure this resonates with consumers? So there's definitely learnings from Banquet into that.

Then, there's a question of execution, right? I mean, we talk about distribution and distribution gains we are making on Banquet quarter-over-quarter, but we are still under-indexed to Coors Light. So there is so much more runway on that. And you want to be careful on that distribution because, sometimes it's easy to get after distribution, but if you don't have the velocity, there's usually a backpedaling down the road. And so that's some of the learnings we're taking with some of our other brands to say, okay, how do we make sure we expand brands with the right level of focus on velocity, along with distribution.

And then, I think your last part was, what's differentiated for Banquet. In a way, Banquet's special, right? I mean, Banquet is the in a way the code of the West. It has a special meaning. I think the teams have done a great job of honing that with what's happening in culture, connecting that. So I'd love to take that same story for my bigger brands, but sometimes this is only – that's Banquet's story to keep.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

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Yeah. Okay. Do you think it could become a double-digit percentage of the US business?

Rahul Goyal

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

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Absolutely.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

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Yeah.

Rahul Goyal

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

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Yeah. I mean, again, for some of you, Banquet used to be that, right? If you go back to the 70s and et cetera, Banquet used to be bigger than and I know I say this because, again, I go back to these brands need to – they need to be clear on what they stand for. We got to execute against that. So I absolutely think Banquet has a lot of potential runway.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Okay, great. Another big shift with the strategy is an increased focus on value brands.

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Rahul Goyal

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

Yeah.

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Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

So how is your perspective evolved on the role of brands like Keystone and High Life, particularly in a more value conscious environment? And do you think it's a real growth driver and profit lever, or is it more a way to kind of stem market share losses?

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Rahul Goyal

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

Yeah, no, it's a great point. So if you think about value, there was two reasons why we leaned into value. First was from a consumer lens perspective. Consumers are looking for brands that mean something but at a price point that is affordable, right? So that was an important aspect.

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The second aspect was scale. I mean, if you just think about our value portfolio, right, High Life, Keystone and a bunch of other ones, we'd probably be the fifth largest beer company in America, just the value portfolio. And so it does mean profit, right? It is obviously share is an element of it for the total company, but it does mean profit, it means scale. It makes sure our infrastructure is being leveraged in the right way. So for us, the focus on value is both from a consumer perspective, but then also to make sure that we are building a healthy business.

The share piece is an important one because if you go back historically, we've never talked about value as a business, as a brand, and a lot of our share losses was around the value portfolio. And so if you think about what's happened in the last six odd months, we have made progress on reducing our share losses on value, right? So the innovation on Keystone, the Keystone Apple, the focus on High Life, we had some success in Q1, Q2. We're relaunching it in fall, Apple and Keystone Ice. So it is an important aspect. I would say share is a subset, but it is an important aspect in the context of the consumer and in context of making sure our business is strong and healthy, which is your profit question.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Okay, great. And you've said that also this is in terms of the value business, it's not about heavy national investment and earlier, you've mentioned [ph] beer as local (00:23:15) business. So how do you decide where is the focused local investment in Miller High Life, Keystone or regional value brand can generate the right return that you need and what sort of constraints are in place to support profitable growth, not just delivering volume?

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Rahul Goyal

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

Yeah. No, absolutely. I mean, firstly, Tracey doesn't allow us to do only volume. She makes sure it makes money. That was a joke, folks. Just to be clear. But to your point on this is, for us, as we think about value portfolio, value is couple of things. One, making sure some of these brands are very regional, right? When we talk about value,

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how we spend, how we engage with these brands with the consumer, has to be very local. So it is not just about driving volume for the sake of volume, right? We are not discounting it. We're not giving it away for free, if that was the context, right? We have to make sure that you see us building the trademark, building the brand behind it. That's why, I'm pretty excited about High Life. If you think about High Life and the equity High Life has, it is something we can really get excited behind. So it is based on that.

The other thing we're using as a lever is innovation in value, right? Again, this is not about national campaigns. This is not about being on TV and in sports. This is about where there is relevant consumers that are looking for that type of a proposition, are we being smart, right? We launched High Life Light in about 18 to 22 states. It made sense in those states. That's all – maybe that's the plan, right?

And so for us, when we think about value, this is not about thinking about spend or marketing like we think Coors Light, Miller Lite, right? Coors Light and Miller Lite, you're going to see us in live sports. If anybody was awake till 3 AM last night to watch the US Open, hopefully other than the match, you saw Fever-Tree ads, right? So that's different. But in value proposition, we're going to – this consumer is different and how we reach to them probably requires different levers.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Okay, great. I did not stay up to watch. I had a busy day ahead of [indiscernible] (00:25:26).

Rahul Goyal

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

Sure.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

So Beyond Beer – Fever-Tree, Beyond Beer is now approaching 10% of sales. It's certainly scaled strategically, but there's still a debate as to whether this becomes or when this becomes large enough to really change the overall growth profile of the company. So Fever-Tree's got some solid momentum. I guess, I'm curious, what the first full year of the partnership has taught you about where the company has a right to win in non-alc?

Rahul Goyal

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

Yeah. I mean, we definitely have the right to win in non-alc for couple of reasons. One, if you think about our network, right? You talked about our distributors, et cetera. Our distributors are already moving there, right? So for us to have scale and bring brands is definitely something that is important. Now, we got to do it in spaces where we have the ability to win, right? If you think about Fever-Tree and a brand like Fever-Tree, I mean, [ph] it thinks like (00:26:22) alcohol, it works like alcohol, it drinks like – it's sold like alcohol, but it's not alcohol. So it is a thing that plays really well to our capabilities.

Now, we have had learnings on this, right, in terms of integration, in terms of how do we get to retailers, operating a model where we have online and we have DSD and we have DTR, right? We've never done those things previously. We only do DSD, alcohol is always DSD. So definitely learnings for us in terms of integrating this business. But our network's there, the distributors are transitioning to become total beverage. We are bringing them solutions in Beyond Beer that is probably of scale. So whether it's the Fever-Tree or Monaco, those become great adds.

And then we got to be very choiceful in which category we play in, in non-alc, right, because we can't compete with some of the other large non-alc players. But there are some categories in non-alc that we have the ability to compete in. And I think that's what you're going to see us leaning in. And by the way, we're not looking for 15 brands to play in that space, right? We just need a few that we can have of scale and really keep growing from there, right, because, yeah, we don't need 15 brands in just non-alc.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

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Yeah. Okay. And you just mentioned Monaco, so that seemed to really neatly fit the miscellaneous M&A criteria that you've laid out historically in the past. So what did you learn there for six months of owning the brand? And how has that reinforced or changed your M&A framework moving forward?

Rahul Goyal

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

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Yeah. I mean, I think for us, RTDs and flavors was always an area that we knew we needed to get into. I think it's a brand that has done the heavy lift over the last 10, 12 years, 14 years of being consistent. So it's not a RTD that just showed up in the market two years, three years ago, right, so that was important for us. They've done a great job of doing the hard work of building a brand in singles, in convenience, in a few states, right? So it gives us a great platform to take and expand [ph] for you (00:28:31), whether it's in the core states or it is expanding from those five states. So, we brought the team along with the business. So again, we'll keep building this capability, right? So execution and convenience, execution at singles is important, again, local is important. So yeah, it's been a great add, great for our network, right? So we've transitioned now to our entire network. It's been great for our network.

And yeah, I think your last point of the question was what's – how has that evolved in our thinking for criteria. I mean, we want to keep on this journey for Beyond Beer. We got to just scale that up. We got to make sure it's big and growing. And so with the right ideas, we'll continue to look at what makes sense, right? We're not done there yet.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Q

Okay.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

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If I can just add one thing, which is like Rahul was pointing out earlier is it also has to be profitable.

Rahul Goyal

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

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Yeah.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Q

Yeah.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

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When you've got a brand and it's three years' time, it'll be profitable four years' time, I mean, this is so much that goes into that. So when we do look at something, it's got to be profitable day one.

Rahul Goyal

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

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Yeah.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

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And Monaco provided that exactly so...

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Q

Okay. Let's talk a little bit of the cost savings program, so \$450 million program. I think the market's still trying to understand, or at least I'm trying to understand how much of the savings will go towards funding growth versus offsetting inflation. So how should we think about that? And like the true margin recovery potential of that program?

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Yeah. I mean, right now, we are seeing a lot of inflation. We've mentioned that the Midwest Premium is an incremental \$130 million to us this year, in addition to being somewhere between \$35 million and \$40 million last year. So right now, a lot of it is going to help offset that. The cost savings program is across all of our P&L line items, but COGS is obviously the biggest bucket. So, we'll continue to look at more efficiencies in our breweries, productivity capabilities that we're building in our breweries that we haven't had before, whether that be flavor capabilities or non-alc capabilities, we'll continue to drive that.

But for this year, it's really helping to offset. And again, not totally because the Midwest Premium is such a big number for us, but it is helping offset the inflation. Hopefully, inflation will return to more normal levels and then we'll see the sort of gross margin expansion. But our algorithm is to grow our bottom line at a faster rate than the top line and so that would imply margin expansion.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Q

Okay. And so as we look to net – I mean, next year still a bit away I know, but if the Midwest Premium and freight remain elevated into 2027, does that change the right level of pricing, cost savings, reinvestment or what's needed to hit that medium term algorithm?

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Yeah. So I mean, obviously, pricing is something that we would look at. And I mean, we look at that very carefully, market by market, brand by brand. In some markets, we would lead price and where we have got the strength. Other markets, we want to make sure that we understand what our competition is doing and make sure that we continue to be relevant to the consumer.

So we'll look at pricing again on an individual market basis, but mix is also a big player in terms of driving the top line. So when we look at something like Fever-Tree, I mean, it's other than [ph] full strength spirits, it's our (00:32:08) highest NSR per hectoliter brand. So we'll continue to drive that.

Monaco, we said we're looking at something that adds 1% to 2% top line, Monaco is doing that. So mix is a big component of margin expansion. A lot of times the above premium comes at a higher COGS number, but it comes at a much higher margin number. So changing our – or moving our portfolio more to the above premium space is also part of making sure that we can mitigate the continued inflationary costs that we are seeing.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Q

Okay. And I think that like after second quarter, in particular, but I think it's a broader question. One of the bigger debates has been whether or not the company is spending enough to support the growth agenda? So, I mean, how do you, both, I guess, respond to the concern, that protecting the P&L in near term could slow some of the share recovery that you're trying to achieve and maybe tangible examples of where you've been redirecting within the P&L that's tougher for us to see?

Rahul Goyal

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

A

Yeah. No, I mean, I think the way we think about it, I mean, we're going to lean in to where – make sure we are doing the right thing for the business. So if you step back and coming into this year, right, we were pretty transparent upfront on the challenge we're leading into from a Midwest Premium and [ph] aluminum (00:33:24) perspective, right? On the other hand, we wanted to make sure we were investing in the business, whether it was through the acquisitions of building the right portfolio or the right spend in our brands. So on one side, we have the right spend in big brands like Coors Light, Miller Lite, Banquet. So if you think about live sports, I mean, on live TV today, the only thing left is on sports, right? We will have the largest investment in live sports this year. So we're going to continue leaning on that, right? Now, we are honing the message, are we executing on that, it's important. But in our value portfolio, it's a very different level of investment, like we're not talking about live sports. It is TikTok and Instagram reels and it's a very different way of addressing that consumer.

So, we obviously want to make sure we're leaning into things that are driving the right return for our business, so whether it's Fever-Tree or Peroni or the value segment, the Coors trademark, even Miller Lite, but if there's things that we know we have to find a way to do things differently, we're going to make sure we're spending that money cautiously, right? I mean, we know we have work to do in Blue Moon, right? Blue Moon does really well in on-premise. We're gaining share in on-premise. We have not translated that success [ph] in the off (00:34:42)...

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Q

Yeah.

Rahul Goyal

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

A

So how do we make sure we do that in the right way? So how do we make sure we are spending money in the right way? Simply, in our flavor portfolio has been – has had a tough year. Well, we got to rethink that. So that's where we want to make sure we're spending money in the right places. Right now all the MG&A [ph] one (00:34:59), we also took a number of actions on the G&A side, right? Last year, we did the reorganization in the

Americas. In Q1 and Q2, we did the ones in EMEA, APAC. So all of those pieces make up the MG&A line, but we are also absolutely committed to making sure we're supporting the brands in the right way, making sure we are investing to get the right return.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Q

Okay. One last question before we go to breakout. Going back to the Horizon 2030 strategy, so hopefully we're sitting here together again next year. What would be the key evidence to you that you hope we all can see that the strategy has taken hold?

Rahul Goyal

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

A

Yeah. For me it is a question of are we on the transformation of our portfolio journey? Have we made any progress on that. Two, on the beer side, have we stabilized and making sure we can hold our own on the beer side with some of these brands breaking out. So that becomes a key measure.

On the costs side, we got to keep executing on the cost savings. Inflation is going to be the hard one to manage through, but are we in this environment of volatile inflation. And then, we're going to be disciplined on the balance sheet, right? We're going to make sure we're returning cash to shareholders through both dividends and buybacks. So for me, it is about transformation. It is about making sure the beer category – we are doing our part to be strong and stable there and then running a very disciplined business on the cost and balance sheet side.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Okay, great. Well, we're going to go to breakout. Please join me in thanking Rahul and Tracey for being here with us this year.

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.

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