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# Molson Coors Beverage Co. (TAP)

Q2 2022 Earnings Call

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### MANAGEMENT DISCUSSION SECTION

**Operator**: Good day, and welcome to the Molson Coors Beverage Company's Second Quarter Fiscal Year 2022 Earnings Conference Call. You can find related slides on the Investor Relations page of the Molson Coor's website. Our speakers today are Gavin Hattersley, President and Chief Executive Officer; and Tracey Joubert, Chief Financial Officer.

With that, I'll hand over to Greg Tierney, Vice President of FP&A and Investor Relations to begin. Greg, please go ahead.

#### **Greg Tierney**

Vice President-FP&A and Investor Relations, Molson Coors Beverage Co.

Thank you, operator, and hello, everyone. Following prepared remarks today from Gavin and Tracey, we will take your questions. In an effort to address as many questions as possible, we ask that you limit yourself to one question. If you have more than one question, we'll answer your first question and then ask you to re-enter the queue for any additional or follow-up questions. If you have technical questions on the quarter, please pick them up with our IR team in the days and the weeks that follow.

Today's discussion includes forward-looking statements. Actual results or trends could differ materially from our forecast. For more information, please refer to the risk factors discussed in our most recent filings with the SEC. We assume no obligation to update forward-looking statements. GAAP reconciliations for any non-US GAAP measures are included in our news release and also unless otherwise indicated, all financial results the company discusses are versus the comparable prior year period, in US dollars and in constant currency when discussing percentage changes from the prior year period.

With that, over to you, Gavin.

#### Gavin D. K. Hattersley

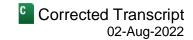
President, Chief Executive Officer & Director, Molson Coors Beverage Co.

Thanks, Greg. In the second quarter of 2022, we achieved our expectations and continued to execute our revitalization plan, despite a soft industry, global inflationary pressures and the Québec labor strike at our Montreal brewery. Globally, we have now recorded five consecutive quarters of net sales revenue growth on a constant currency basis.

Molson Coors grew dollar share in the US in the 13-week quarter, both of which have not been achieved in over a decade. What's more, we're one of only two major beer companies to achieve dollar share growth in the 13-week timeframe. In Canada, Molson Coors grew volume and share when you factor out Québec, due to the Québec labor strike. In the UK, Molson Coors grew share and achieved the highest on-premise trailing 12-month average share also in over a decade. And we are currently the largest share gainer of the UK beer industry.

So, in aggregate, across our three largest markets, we are outpacing the industry and continuing to grow the top line globally. And these results are no accident. They're not a coincidence. These are rewards of our continued commitment to and execution of the revitalization plan. So, our plan is working and that fact gives us continued confidence that we're on track to deliver on our guidance for 2022. You can see it in our core brands with stronger brand fundamentals and consistent investments since we launched the revitalization plan are paying off.

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In the second quarter, Coors Light and Miller Lite achieved their best quarterly industry share performance in the US in nearly seven years. While Miller Lite grew share of industry in the quarter. As I mentioned last quarter, these results are driven by clear distinctive positioning of our two biggest brands and more effective marketing. We are demonstrating the power of our biggest brands, and we intend to keep investing behind them.

Coors Banquet, our oldest brand in the US, is also one of our fastest-growing beer brands with dollar sales up double-digits and growing share of the total beer industry, fueled by a new generation of drinkers. In Canada, Molson Canadian is growing share of the total beer industry for the first time in eight years. In the UK, Carling, the largest beer brand in the UK, managed to further solidify its number one position in the total market.

And our national champion brands in Central and Eastern Europe are growing share in a majority of their markets. Around the world, our core brands are not just stronger than they've been in many years, our core brands are outpacing the rest of the beer industry, an incredible foundation for our business to build on. We also continue to find success in premiumizing our business even in challenging economic times.

Our above premium brands again hit a record high portion of our global portfolio net sales revenue on a trailing 12-month basis with positive progress made across the business. The net sales revenue of our US above premium portfolio is now higher than the net sales revenue of our US economy portfolio on a trailing 12-month basis. That trend was driven by the rapid growth of our hard seltzers, the strong launch of Simply Spiked Lemonade, and Blue Moon and Peroni's continued rise coming out of the pandemic.

Last quarter, our share of the US hard seltzer segment grew by 25% from just over 7% in the first quarter to over 9% in the second quarter, and our hard seltzers are currently growing share of the total beer industry. That growth once again makes Molson Coors the fastest-growing hard seltzer portfolio in the US. Not only has Vizzy grown seltzer share during this period, the Topo Chico Hard Seltzer has quickly become the fastest-growing hard seltzer in the US and was a top five industry growth brand in the quarter.

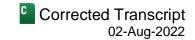
We said that Simply Spiked Lemonade would redefine the full flavor alcohol beverage segment. And today, the results back that up. In just a few weeks, we have sold over 60,000 hectoliters, achieved a 3.5 share of the FMB segment in the latest four-week read from IRI, and it is already one of the top FMBs in several major grocery retailers.

In addition, brand volumes for Blue Moon were up high single digits, while Peroni was up high teens on a year-to-date basis. And our business globally continues to premiumize as well. In our Latin American business, where most of our brands sell at an above premium price point, we continued to grow volume in the second quarter. This was driven by strong growth in the Colombia, Chile and Honduras market.

Additionally, in Mexico, Coors Light is back to healthy growth, up double digits versus the prior year, while Miller High Life earned a record sales month in June. In the UK, Coors is gaining share of the total beer industry, and Madri's growth is amazing. Madri has seen the most value growth of any brand in its first year in the UK onpremise, making it the most successful launch in the entire 16 years that the on-premise measurement service has been tracking the industry.

There's been two years after its launch, the brand has sold over 200,000 hectoliters in the first half of 2022 alone, making it one of the top 20 UK beers and it's only just launched in the off-premise in March. This is a brand you all should get to know, because you're going to be hearing a lot about it in the years to come. And Praha, a relatively newer Pilsner from Staropramen has earned strong results in Central and Eastern Europe, and successfully

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launched this year in Romania. This will be its second largest market to date, and we believe this expansion has the potential to significantly increase Praha's volumes.

Our Canadian business also continues to premiumize, of particular note in that market is our six pints craft beer division, which is growing at about four times the rate of the craft beer category in Canada. Creemore Lager specifically grew by over 30% in the second quarter. And our Canadian hard seltzer portfolio continues to grow. We grew share of the segment in the second quarter. Coors Seltzer is now the number seven hard seltzer in Canada and Vizzy is number five, combined with over 12 share of the Canadian hard seltzer segment in the latest month, and that's before Topo Chico Hard Seltzer launched nationally in Canada.

Now I can imagine that you're all thinking that premiumization is very nice, but how well are we prepared for a recessionary environment? First, we do continue to see trade-up in our portfolio and in the industry across our major markets as you can see from what I've just shared. But it's also true and notable that the economy segment is strengthening in the US and three of our four key economy brands grew segment share in the second quarter.

In fact, our economy portfolio has had its best quarterly performance versus the industry in the last three years. And excluding the discontinued brands from the SKU rationalization program, our economy brands grew share of total industry in the quarter. We had long held that all segments matter in the beer industry and it's never truer than it is in these times. The shape of our portfolio even as we continue to premiumize it, ensures that we have strong offerings and strong brands for consumers across the range of price points. That gives us the ability to adapt our plans should the need arise regardless of economic climate.

While, Tracey will go into more detail, I would be remiss if I did not acknowledge some of the one-off challenges we faced in the second quarter. The 11-week Québec labor strike adversely affected our Americas and global top line results. The Québec labor strike ended in June and employees returned to the brewery and distribution center just a few days later. I'm pleased with the performance as we get the facility back up and running.

Out of an abundance of caution, we also conducted a voluntary withdrawal of nearly 2 million cases of beer due to a quality issue at one of our US breweries. Importantly, there were no health or safety risks. We have taken steps to correct the problem. And because our national inventory position on these SKUs is stronger than it has been in years, we were also able to divert production into those markets from other breweries and quickly replenish supply.

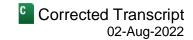
So, the good news in both instances, if there is any, is that both situations have been addressed, and we still met the projection that we laid out for you earlier this year. That is a testament to the health of our business. I think, it's reasonable to say that three years ago, either one of these issues would have been severely damaging to our business.

Now, they're certainly not helpful, and we're not looking to repeat them, but they have not taken us off course. And we owe this improved health of the business to the clear progress Molson Coors has made through our consistent execution of the revitalization plan over the past few years.

Our plan is working, but I'm also realistic about the challenging global macroeconomic environment in which we're operating. It's created uncertainty for our consumers, our business, our competitors, and really all businesses in the consumer goods space.

And yet the progress we have made in improving the health of our brands and our business has us well-positioned to navigate the current economic climate and to deliver on our full year guidance.

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Today, we have a portfolio that is well-positioned to successfully compete within the entire range of consumer demands whether that be taste or price. We have a timing benefit in the second half of this year as we gradually diminish how much of the last year's US inventory rebuild we will be lapping. Additionally, by the fourth quarter, we will no longer be lapping the shipment headwind from the SKU rationalization program from last year.

In Canada and Europe, some of our biggest global markets and ones in which the Christmas season is among the most important [ph] beer drinking (11:33) occasions, we have the prospects of a strong fourth quarter, thanks to waning coronavirus restrictions.

And as Tracey will discuss in more detail, we will have the benefits of the fourth quarter US price increase, which will further help offset inflation. All of this, combined with the strength of our brands, gives us the continued confidence to reaffirm our guidance of top and bottom-line growth for the year.

And now to give you more detail on the financials and outlook, I'll hand it over to our Chief Financial Officer, Tracey Joubert. Tracey?

#### Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

Thank you, Gavin, and hello, everyone. For the second quarter, we delivered another quarter of top line growth on a constant currency basis and achieved income before income tax at the favorable end of our anticipated range, while we continue to invest in our business, reduce net debt, and return cash to shareholders.

We did this while navigating global inflationary pressures, the Québec labor strike, and cycling a strong shipment quarter in the prior year. Our performance and our organizational agility demonstrates our successes against our revitalization plan. And it's the efforts and outcomes of that plan that provide us the confidence to reaffirm our guidance which calls for both top and bottom-line growth for the year.

Now, I'll take you through our quarterly performance and our outlook. Consolidated net sales revenue increased 2.2%, driven by strong EMEA and APAC growth. As restrictions have eased, we have seen sequential improvement in the on-premise performance with variations by market and total net sales revenues returned to 99% of 2019 levels.

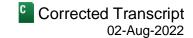
Consolidated net sales revenue growth was driven by strong global net pricing, favorable sales mix from portfolio premiumization, and positive channel mix. These factors were partially offset by lower financial volumes.

Consolidated financial volumes decreased 4.6% as we cycled distributor inventory recovery efforts in the second quarter of 2021. The impacts of the Québec labor strike as well as lower US economy brand volumes, driven by our SKU de-prioritization and rationalization program that started in the second quarter of 2021.

These factors were partially offset by strong financial volume growth in EMEA and APAC due to higher brand volumes and factored volumes, along with growth in our US above premium portfolio.

Net sales per hectoliter on a brand volume basis increased 7.1%, driven by global net pricing and positive brand and channel mix, with premiumization delivered across both business units.

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Underlying cost per hectoliter increased 11.5%, driven by cost inflation, including higher input and transportation costs, mix impact from premiumization and factored brands in EMEA and APAC as well as deleverage. This was partially offset by lower depreciation expense.

Underlying MG&A in the quarter increased 7.5%. G&A was up due to higher people-related cost including increased travel and entertainment, while marketing investment increased as we continued to provide strong commercial support behind our core brands and new innovation.

As a result of these factors, underlying net income before income taxes decreased 22.8%, which was at the favorable end of our outlook range of down 20% to 30%. While we discuss our business performance on a constant currency basis, on a reported basis, our second quarter results were negatively impacted by the strength of the US dollar. This impacted our reported net sales revenue by 280 basis points and our underlying income before income tax by 150 basis points in the quarter.

Underlying free cash flow was \$287 million for the first half of the year, a decrease of \$271 million from the same period last year, primarily due to the timing of cash paid for capital expenditures and lower net income partially offset by lower cash taxes. Capital expenditures paid were \$389 million for the first half of the year, an increase of \$177 million from the prior year period and focused on expanding our production capacity and capabilities program.

Now let's take a look at our results by business unit. In Americas, the on-premise has not returned to prepandemic levels, but continued to improve on a sequential quarterly basis. In the second quarter, the Americas on-premise channel accounted for approximately 13% of our net sales revenue, compared to approximately 16% in the same period in 2019. In the US, on-premise net sales revenue improved to 93% of 2019 levels compared to 87% in the first quarter of 2022. And in Canada, on-premise net sales revenue was 77% of 2019 levels, up from 55% in the first quarter of 2022.

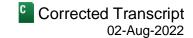
Americas net sales revenue was down 1.7% as net pricing growth in the US and Canada and positive brand mix were offset by lower financial volumes as declines were expected. Americas financial volumes decreased 8.1%, largely due to cycling higher US shipments due to the prior year period inventory recovery efforts as well as 2.2% lower brand volumes, including impacts related to the Québec labor strike.

In the US, net sales revenue declined 2.1% with domestic shipments down 8.2%, outpacing brand volume declines of 1.7%. Brand volume declines were driven by economy brands, which were down high single digits, largely due to the SKU deprioritization and rationalization program. To a lesser degree, our premium brand volumes also declined, reflective of a soft industry. Volume declines were offset by continued strength in the above premium portfolio, which was up nearly double digits for the quarter.

In Canada, net sales revenue decreased 2.3% as brand volume declines of 8%, driven by the Montreal brewery strike, were largely offset by positive pricing, premiumization and channel mix. Latin America net sales revenue decreased slightly as higher brand volume of 1.8% was offset by mix shift to our licensed business.

Net sales per hectoliter on a brand volume basis increased 6.2% due to net pricing growth and favorable brand mix. US net sales per hectoliter increased 6.7%, driven by net pricing growth and positive brand mix led by the above premium brands. Net sales per hectoliter on a brand volume basis grew 8% in Canada due to net pricing increases and positive sales mix, while Latin America decreased 4.2% due to unfavorable sales mix.

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Americas COGS per hectoliter increased 10.2% due to inflation, including higher cost for brewery, packaging and brewing materials and freight as well as volume deleverage and mix impacts from premiumization, and this was partially offset by lower depreciation.

Underlying MG&A increased mid-single digits on higher G&A due to increased people-related costs, travel and entertainment expenses, and increased US marketing investments. In the US, we increased marketing investments high single digits, putting strong support behind our core brands and innovation, including Topo Chico Hard Seltzer, and the June national launch of Simply Spiked Lemonade, as well as in local sponsorships and events. As a result, America's underlying net income before income taxes decreased 20%.

Turning to EMEA and APAC, net sales revenue increased 20.5% driven by higher financial volumes, net pricing growth and favorable mix. Top line performance also benefited from fewer on-premise restrictions in the UK compared to the second quarter of 2021. Recall that, the on-premise in the UK was closed the entire first quarter of 2021 and did not fully reopen without restrictions until July 19, 2021.

So in the second quarter our on-premise net sales revenue in the UK exceeded 2019 second quarter level. EMEA and APAC net sales per hectoliter on a brand volume basis was up 15.5%, driven by positive sales mix with the on-premise reopenings and strength in our above premium brands as well net pricing growth.

Financial volumes growth of 6.2% was due to higher brand volumes in Western Europe as well as in Central and Eastern Europe, along with higher factored brand volumes. COGS per hectoliter increased 22% due to rising inflationary pressures and increased factored brand sales.

MG&A increased 14.2% as we cycled lower relative G&A spending in the prior year and increased marketing spend, accelerating investments behind our national champion and premium brands, especially in the UK supporting Carling, Madri and Staropramen and fueling on-premise strength. As a result of these higher costs, EMEA and APAC underlying net income before income tax declined 22.7%.

Turning to capital allocation. Our priorities are to invest in our business to drive top line growth and efficiencies, reduce net debt and to return cash to shareholders. We ended the quarter with net debt of \$6.4 billion, which included the repayment of our \$500 million 3.5% USD notes upon maturity on May 1, 2022, using a combination of commercial paper borrowings and cash on hand.

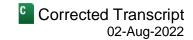
Notably and of particular importance during these volatile times, our debt is substantially all at fixed rates with a minimal amount of variable rate debt. We ended the quarter with \$250 million of commercial paper outstanding, leaving us with strong borrowing capacity with \$1.3 billion available on our \$1.5 billion US revolving credit facility.

Our trailing 12-month net debt to underlying EBITDA ratio was 3.2 times as of the end of the second quarter, down from 3.35 times at the end of the second quarter in 2021. We remain on track to achieve our target net debt to underlying EBITDA ratio of below 3 times by the end of 2022 and remain committed to maintaining and in time, upgrading our investment-grade rating.

Also, during the second quarter, in addition to paying a quarterly cash dividend of \$0.38 per share to holders of Class A and B common stockholders. We paid approximately \$12.1 million for 250,000 shares under our share repurchase program.

Now, let's discuss our outlook, we are reaffirming our fiscal 2022 guidance, which calls for both top and bottom line growth in 2022, performance we have not seen in over a decade.

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Before we go through the guidance, please be reminded that year-over-year growth rates are on a constant currency basis. However, it's important to note that continued strength in the US dollar will result in a headwind to our reported results in the effective period using current exchange rates.

For 2022, we continue to expect to deliver mid-single-digit net sales revenue growth, high single-digit underlying income before income taxes growth, and underlying free cash flow of \$1 billion, plus or minus 10%. We are confident to reaffirm this guidance as our announced 3% to 5% pricing increase in some US markets, as Gavin mentioned, are expected to offset volume headwinds given the softness in the industry and residual impact of the Montreal brewery strike that was resolved in June.

In terms of top line phasing, in the third quarter, we will still have some volume headwinds from the economy SKU rationalization program, which we will not fully lap from a shipment perspective until the fourth quarter. Also, while the Québec labor strike was resolved in mid-June, it will take time to ramp up production and we don't anticipate returning to normal shipment levels from this brewery until the fourth quarter.

In the fourth quarter, we had multiple top line growth drivers. First, we have announced additional pricing in the 3% to 5% range in many markets in the US. That pricing will take effect in the fourth quarter. Second, recall that year-over-year top line comparisons will begin to ease in the fourth quarter, given the renewed on-premise restrictions in the fourth quarter of 2021, particularly in the UK and Canada. And in November, the World Cup will take place, which is a big beer drinking occasion in Europe and notably the UK.

Third, as I just mentioned, we will have fully lapped the shipment headwind from economy SKU rationalization by the fourth quarter. On the cost side, we expect margins to continue to be impacted by inflationary pressures in areas including input materials and transportation costs in the second half of the year.

Now that said, we have multiple levers to help offset inflationary pressures, which include pricing, mix from premiumization, and our cost savings and hedging programs. When comparing year-over-year COGS per hectoliter growth for the second half of the year to the second quarter, it's important to note a few things.

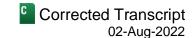
First, the second quarter was meaningfully impacted by volume deleverage, which we would not expect to continue in the second half of the year. And due to the timing and ramp-up of initiatives, the realization of savings and our cost savings program is weighted to the fourth quarter of this year.

In terms of marketing, we continue to expect to invest more in 2022 than we did in 2021, but in the second half of the year, overall marketing spend is expected to be down compared to the prior year period. We anticipate higher year-over-year investment in the third quarter. However, in the fourth quarter, we do not anticipate increases.

We are comfortable with our level of marketing investment in the second half of the year and would remind you that in the second half of 2021, we had ramped up marketing levels to those exceeding that of the respective period in 2019.

In terms of our other guidance metrics, we continue to expect net interest expense of \$265 million, plus or minus 5%. Underlying depreciation and amortization guidance of \$750 million, plus or minus 5%, and an underlying effective tax rate in the range of 22% to 24%.

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In closing, our strategy is working, and we expect that to continue to play out in our long-term financial and operational performance. To be sure, these are dynamic and uncertain times, but we have built our business to manage through challenges.

Molson Coors is a highly cash-generative business with a dramatically improved balance sheet, enhanced flexibility in its operating and cost structure, and a product portfolio that addresses all segments of the market, while consistently evolving its concentration to areas of growth.

We are proud of the progress we have made against the revitalization plan and the successes achieved under that plan give us confidence in our 2022 guidance and in our long-term goal of sustainable top and bottom line growth.

And with that, we look forward to answering your questions. Operator?

### QUESTION AND ANSWER SECTION

**Operator**: Thank you [Operator Instructions] Our first question comes from Kevin Grundy of Jefferies. Kevin, your line is now open.

#### Kevin Grundy

Analyst, Jefferies LLC

Great. Good morning, everyone. I wanted to pick up on your guidance, perhaps a question for both of you. So, reaffirm for the year, the back half still implies a pretty sharp ramp in underlying EBT growth. Tracey, thank you for all the details. So I'm not asking you to kind of go through or parse through all of that again. But it would appear that the market seems to harbor some concern on the achievability of that. Maybe just discuss your visibility on the mid-single-digit underlying sales growth for the year, some of the building blocks around that, category growth, brand growth, et cetera. And then also just touch on the visibility from a cost perspective and some of the margin drivers in order to deliver sharply higher EBITDA growth in the back half of the year. Thank you.

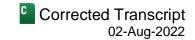
#### Gavin D. K. Hattersley

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

Thanks, Kevin. Look, you're right, okay, I won't rehash everything, Tracey said in her opening remarks, but let me just start off by saying we did in the second quarter, exactly what we said we were going to do. In fact, we did it at the lower end or the better end of the guidance that we gave the market after the second quarter – the first quarter, sorry – in the second quarter.

So, where do we stand right now, right? I mean, we had an 11-week strike in the second quarter, which we obviously knew about the strike, and that's why we guided you to where we did. But we grew dollar share in the US on a 13-quarter week basis. And we're one of only two major beer companies to actually achieve dollar share growth in the 13-week timeframe. We've got the fastest-growing hard seltzer portfolio. Coors Light and Miller Lite are really strong, and they had their best quarterly industry share performance in the US. Our above premium brands hit record highs. Our US economy beer portfolio has had its best quarterly performance versus the industry in three years.

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Our revenue is holding up. That's evidenced by the fact that, our share is doing really well despite the fact that, we put a price increase in the earlier part of this year. It gives us confidence to put another price increase then, as Tracey said, in the back half of the year. So, notwithstanding everything that's happened, our brand portfolio is strong, whether that's in the United States or whether it's in Canada or whether it's in Europe, and we feel very good about building off of that. And as I said, look, I'm not going to rehash everything Tracey said, and I don't think you should either, but I mean do you want to make a comment about the cost environment that Kevin referenced.

#### Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co. Yeah. So Kevin, maybe just a little bit of context, I'll just talk about firstly our COGS per hectoliter in Q2. So, we reported an 11.5% underlying cost per hectoliter increase. So, if I break that down, inflation was 570 basis points

of that. And then the mix, our premiumization of our portfolio was 300 basis points. So we always look at that as a good thing driving the premiumization. And then deleverage was 210 basis points driven by, as we said, the inventory build last year in the US and the Québec strike. So, those are the big drivers of our COGS per hectoliter

in the second quarter.

As we look out then to the balance of the year, I mean, we expect inflationary pressures to continue. But we do expect to mitigate some of that through our hedging and our cost savings program. So, in terms of the hedging coverage, as we look out over the balance of 2022, we're very comfortable with our hedge position. We continue to make good progress against our cost savings program, and we expect the realization of some of those savings under our program to be weighted to the fourth quarter of this year. And then as I also mentioned, I think it's very important to understand that the deleverage that we saw in Q2, we don't expect to see a similar deleverage impact in the second half of the year to what we saw in Q2. So, I would just consider those big drivers as you look out at the back half of the year as it relates to our costs.

**Kevin Grundy** 

Analyst, Jefferies LLC

Okay. Very good. Thank you, both.

Gavin D. K. Hattersley

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

Thanks, Kevin.

**Operator:** Thank you. Our next question comes from Eric Serotta of Morgan Stanley. Eric, your line is now open.

**Eric Adam Serotta** 

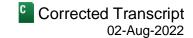
Analyst, Morgan Stanley

Great. Thanks for the question. I know you guys don't give monthly STRs anymore, but Gavin, hoping to get some at least qualitative color for you - from you as to what you're seeing in terms of the beer market - the US beer market as the summer has unfolded. Heard July 4 was generally solid for most of the industry, but then have heard some mixed things as July unfolded. Hoping to get your perspective.

Gavin D. K. Hattersley

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

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Yeah. Thanks, Eric. Look, you're right. I mean, we don't give monthly guidance. We stopped doing that a while ago. I think, you can see our performance in the share data that comes out from a Nielsen or an IRI basis, which is publicly available data. And I can reiterate what I just said from a share point of view.

Our brands are growing share, not only in the United States from a dollar point of view, but also in Canada and also in our third other big market, which is the UK. So, we're continuing to build on the strength which we delivered in Q2. We've got some really positive innovations, which have only just hit the market. I talked about Simply Spiked. That brand has really just taken off. We've already exceeded our business case for the year. We're ramping up supply as quickly as we possibly can to meet demand, which has frankly surprised us. We've accelerated the in-housing of Simply into the Fort Worth brewery for two – I mean, we weren't planning to do that until next year, frankly, but the demand is so strong that we brought it in-house, and we did that in record time. I think, it took us about six weeks to get it into the brewery and we're getting cost savings and ramping up supply into the market. So, I would expect our share trends in the flavored malt beverage space to accelerate as we're going forward.

And without wishing to rehash everything I said about Miller Lite and Coors Light and our above premium space, we're in a great share position. And Tracey mentioned some of the headwinds which go away for us in the second half. I mean we essentially lost Christmas in the UK and Europe, and it's a really important time period for that business last year, and we're obviously not expecting to lose it again this year.

And we're coming out of the Canadian Montreal Québec strike. All of Canada's volume loss that took place in the second quarter came out of Québec. If it hadn't been for the strike, we would have – but we did grow volumes outside of Québec. And as we ramp up supply into the third quarter and specifically the fourth quarter, I would expect to see the improvements there. So, I think, we had a strong quarter. We had a strong quarter, despite the soft industry, despite the global inflationary pressures and the labor strike and we delivered what we said we're going to deliver and at the better end of that. Thanks, Eric.

Operator: Our next question comes from Nadine Sarwat of Alliance Bernstein. Nadine, your line is now open.

#### **Nadine Sarwat**

Analyst, Bernstein Autonomous LLP

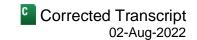
Hi, thank you, guys. So, first question, you mentioned 3% to 5% pricing in certain markets in Q4. Can I just confirm that this is incremental? So, in addition to pricing taken year-to-date, what is the pricing impact at national level, so not just certain markets but national? And is this fully baked into your mid-single-digit top line guidance? And then one very quick follow-up. I appreciate you already gave some comments on COGS, and you touched on your hedging strategy, should imply you do have good visibility into next year. So, are you expecting your COGS headwinds from input costs in 2023 to be smaller or greater than the headwinds you're expecting to face in full year 2022? Thank you.

#### Gavin D. K. Hattersley

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

Thanks, Nadine. I'll let Tracey answer the COGS question, but from a pricing point of view, just – let me just clarify some of those comments you made. So the 3% to 5% is on a national average basis. So we expect to take pricing in that range on a national basis on average in the – it will hit primarily in the fourth quarter, although that will come towards the end of the third. That means that in some markets, we'll take above 5%, and in some markets, we'll take below 3%. But on average, we expect it to land in that range.

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And then secondly, yes, it is incremental to the pricing we already took in the beginning of this year, and yes it is baked into our expectations for guidance for the full year, Tracey, do you want to take COGS and did I cover all the pricing? I think, I covered all the pricing piece.

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

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

Yeah.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

So, hi, Nadine, from a COGS point of view, the one thing I can tell you is, I think I've spoken about our hedging program and how we hedge. And so, if I look at 2023, I mean, we're comfortable with our hedge position as we stand today. In terms of other drivers of our cost for next year, we haven't yet given guidance on that. But there – I mean, there is a couple of things. Obviously, we're looking at commodities all the time. We see freight rates coming down, there are some commodities that are going up, so it's a bit of a mixed bag at the moment. And you know, cost going forward, there's still a lot of uncertainty, but it's something that obviously we continue to look at and as we get into next year we'll talk a little bit more about our outlook for 2023.

Gavin D. K. Hattersley

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

Thanks, Tracey. Thanks, Nadine.

Nadine Sarwat

Analyst, Bernstein Autonomous LLP

Got it. Thank you.

**Operator**: Thank you. Our next question comes from Bryan Spillane of Bank of America. Bryan, your line is now open.

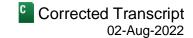
Bryan D. Spillane

All right. Thanks, operator. Good morning, Gavin. Good morning, Tracey. So, I just – again, just thinking about the back half of the year, I guess, if I'm just replaying what we've heard on the call today, you've got some incremental pricing, which will flow through the fourth quarter. There is a residual impact from the Canadian strike, which now you have to absorb.

And then, the only other piece that's really changed is, I think, Gavin, you talked about just, I don't know, some expectation for the market to moderate. So, I had that right, and I'm not sure how big the Canadian residual is, but it really just seems like if anything, the pricing still gives you net a little bit more cushion, if you will.

Analyst, BofA Securities, Inc.

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And with regards to which way the market might move if it gets more – slows more or not. So, I just want to make sure that I'm contextualizing that right? Because I think, again, as I think Kevin Grundy pointed out, I think there's still a lot of concern about the back half and it seems like 2Q, you landed right in the middle of the fairway.

It always implied that a lot of the leverage in the back was always going to be in the back half of the year. It just seems like you actually have a little bit more cushion with the pricing now than you did before, even in the context of some of the maybe incremental headwinds.

#### Gavin D. K. Hattersley

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

Well, Bryan to advance that golf analogy, I think we landed in the middle of the fairway, and maybe about 10 yards further than we expected.

#### Bryan D. Spillane

Analyst, BofA Securities, Inc.

Yeah. Yeah. Yeah. Yeah.

#### Gavin D. K. Hattersley

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

We didn't really explore – well, we didn't – obviously haven't guided the voluntary product withdrawal. And frankly, the Montreal strike went on just a couple of weeks longer than we were expecting it to and despite all that, as you say, we landed in the middle of fairway.

Well, what's changed, right? I mean, we knew we're going to take a price increase in the fall, where we're probably going to get a little more than we were expecting. So, it was our expectation that we were going to get it. But we're probably taking a little bit more as I said. I think, the overall industry is maybe just a little softer than we had expected. And, when you add all of these things up that gives us the confidence to deliver what we said we're going to deliver, Bryan. I don't know if that's helpful.

#### Bryan D. Spillane

Analyst, BofA Securities, Inc.

Yeah. No, that is helpful, and Gavin, if I could just follow-up. The softness, is that more on-premise versus off-premise, just if you could give us a little context of just where you're starting to see a little bit of that softening just as we're watching it from the outside, maybe what we should be monitoring. Thank you.

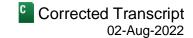
#### Gavin D. K. Hattersley

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

Well, if you look at our three big markets, Bryan, in the UK from an on-premise point of view, it's settled down very close to 2019 levels. Looking in the first part of the quarter, it was a tad below and in June, it was a tad above. So, call it, 98% of 2019 pre-pandemic levels in the UK.

In Canada, it's a little bit more tricky for us, right, because Québec is an important on-premise market, and we were constrained in supply in Québec. But even outside of the Québec market, Canada has lagged the rest of the world in terms of consumers' propensity to get back into the on-premise.

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And in the US, Bryan, which is obviously our biggest market, it settled down in the sort of 85% to at the top end sometimes 90% level. And I think that's probably where it's going to settle until – folks get back into the big cities like New York and Chicago, and start visiting bars and restaurants on a more regular basis.

I think commuting and office work habits have changed fairly meaningfully through the pandemic. And obviously, that's hitting the bigger market. So, I would say to you, it's probably more in the off-premise side than in the onpremise side that, that comment applies to.

Bryan D. Spillane Analyst, BofA Securities, Inc.	Q
Okay, great. Thanks, Gavin. Appreciate the comment.	
Gavin D. K. Hattersley	А
President, Chief Executive Officer & Director, Molson Coors Beverage Co.  Thanks, Bryan.	/ \
Operator: Thank you. Our next question comes from Chris Carey of Wells	s Fargo. Chris, your line is now open.
Christopher Carey  Analyst, Wells Fargo Securities LLC	Q
Hi. Thank you for the question.	
Gavin D. K. Hattersley President, Chief Executive Officer & Director, Molson Coors Beverage Co.	A
Hi, Chris.	
Christopher Carey Analyst, Wells Fargo Securities LLC	Q

So, I just had one quick confirmation and then just a follow-up on Bryan's question around pricing. So just on the confirming one thing around the economy SKU exit. Had you always expected those to go into the back half of the year? My understanding was those would mostly be done by Q2, but perhaps, it's just taking a little bit longer to get those out of the system. So that's just kind of a follow-up.

And then, maybe just trying to maybe frame just a level of confidence on the pricing in Q4. Specifically, if, you're pricing, I guess the category, which you expect to be a little bit softer in the back half from a volume perspective, right, because if volumes are weaker, and that was kind of what drove the deleveraging on the cost per hectoliter line. And so it sounds like you're being pretty targeted about the pricing, some areas over 5%, some areas below 5%.

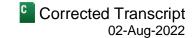
So, it certainly sounds like you're pricing in areas where you have confidence that brands can withstand the higher rate. But I'd love to maybe just get a little bit more context on just the level of comfort that the pricing won't accelerate elasticities. So, thanks for the follow-up on the SKU exits and that commentary around pricing.

#### Gavin D. K. Hattersley

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



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Thanks, Chris. Okay. So on the SKU rationalization and the discontinuation of some of our economy brands, there's two sides to this, right. From a STW perspective, that has a quicker impact than an STR or brand volume perspective. Because obviously, from an STR perspective, both our distributors and our retailers had inventory on hand of the brands that we discontinued.

And so they continued to sell those until they sort of ran out, right? And that would take place, frankly, more towards the back end of the third quarter and into the fourth. From a shipment point of view, obviously, when we had the cybersecurity attack, we stopped shipping a bunch of economy brands and we started picking those back up again, some of them towards the end of Q2, but predominantly in the end of Q3. So from a shipment point of view, the benefit is sooner than from an STR point of view. So, I hope I've explained that, that okay.

From a pricing point of view, look, I mean, we feel confident about putting pricing into the marketplace behind our brands. If you look at beer CPI versus the national average CPI, even after putting these price increases into the market, we'll still be less than that and we're substantially less than some of the other products which consumers are buying, whether it's eggs or bread or milk or gas, whatever. I mean, we're substantially lower than those levels and lower than overall national average CPI.

Our brands have also held up really well in the last sort of four, five months since we put the overall price increase in place. I mean, I don't think it's a coincidence, as I said, that we're growing share, when we're one of only two major beer companies in the United States to deliver dollar share growth in the 13-week time period. So, we feel very good about the strength of our brands and the ability of them to absorb more pricing in the fall. Thanks, Chris.

Christo	pher	Carev
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Analyst, Wells Fargo Securities LLC

Okay. Thanks, Gavin.

**Operator**: Our next question comes from Kaumil Gajrawala of Credit Suisse. Kaumil, your line is now open. Please go ahead.

#### Kaumil S. Gajrawala

Analyst, Credit Suisse Securities (USA) LLC

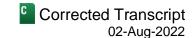
Hi. Thanks for the question. A question on the volume deleverage, 210 basis points, I guess. Are you able to break how much of that was one-time related to the brewery issues and such versus just a slower overall industry volume growth rate?

#### Gavin D. K. Hattersley

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

I guess, you're asking to break down the industry – the shipment decline, Kaumil. And I would say that the overall North American shipment decline was driven primarily by two things, right? One was the strike in Canada, which was the entirety of the Canadian volume loss. And the second one was obviously the – I think, I said, this on the call last time around, we pulled out every stop we possibly could in the second quarter of last year to try and recover from a devastating cybersecurity attack. So, we were shipping beer all over the country, we were – folks were working long hours, over time, everything to try and make sure that we got as much beer out to the distributors.

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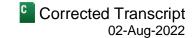


And that was inefficient and it cost us a bunch of money last year to do that. Obviously, this year, we're in a much more normal environment given our inventory levels. And we're not making sort of – we – our service levels are where we need them to be. So, we're not having to ship beer all over the country at a higher cost in the second and the third quarters to meet that demand.

And because of that, obviously, our shipments are a lot less. So, that would be the biggest impact from a deleverage point of view. And the second biggest would be obviously our Canadian volumes. Our overall plan for the year is to ship to consumption, Kaumil. So that's generally our plan. We have shipped less than retail so far. And we'll get the deleverage benefit going forward.

I don't really think deleverage will be a driver for us in Q2. In other words, a negative driver. Kaumil S. Gajrawala Analyst, Credit Suisse Securities (USA) LLC Okay. Got it. Gavin D. K. Hattersley President, Chief Executive Officer & Director, Molson Coors Beverage Co. Sorry, not in the second half – yeah, it won't be a negative driver for us in H2. Kaumil S. Gajrawala Analyst, Credit Suisse Securities (USA) LLC Got it. Okay. That's what I was going to clarify. Just to make sure on the spread between shipments and takeaway. Obviously, you've got this wild comp. But if you're happy with inventory levels, does that mean in the back half shipments should roughly align with STRs? Gavin D. K. Hattersley President, Chief Executive Officer & Director, Molson Coors Beverage Co. Our plan for the full year is to shift to consumption, Kaumil. We've got work to do in Canada to catch-up with what happened with the strike, right? I mean, obviously, having an 11-week strike at a really big plant like that is not a positive for us. And it will take us the whole of Q3 and into Q4 to recover from that. So, certainly from a Canadian point of view, we will be shipping - my expectation would be, we'd shipping higher than we were selling. In the US, I think we shipped below STRs in the first half. And so you can expect that we will align that over the full year. Thanks Kaumil. Kaumil S. Gajrawala Analyst, Credit Suisse Securities (USA) LLC Got it, thank you. **Operator**: Thank you. Our question comes from Andrea Teixeira of JPMorgan. Andrea, your line is now open. Drew Levine Analyst, JPMorgan Chase & Co.

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Hey. Good morning. This is Drew Levine on for Andrea. Thank you for taking the question. I just really had two clarifications, if I may.

On the incremental pricing slated for the fourth quarter, it sounded like the company is not really building in any sort of incremental volume decline, or elasticity from the pricing increase, relative to kind of what was built into the guidance before?

And then the second one is just on the MG&A. I think in the first quarter, you said it was slated to be up double-digit on marketing and then the second quarter, and it came in somewhat below that. Just curious if there was anything you saw to pull back on or if it was just kind of didn't see enough opportunity to deploy more spending? Thank you.

#### Gavin D. K. Hattersley

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

Thanks, Drew. Look, I mean, from a marketing perspective, obviously, we don't manage our marketing spend on a quarter-by-quarter basis. We manage it over the year, and we manage it long – for the long-term. And we frankly don't always spend marketing in the same quarter as we did in the previous year, depending on what happens.

Specifically to your question, though, obviously, the Quebec strike went on a little longer than we expected, and it made no sense for us to be marketing up in Canada when we were not able to supply. And so, we did spend less in marketing, particularly in Canada than we were originally intending, because of the fact that we had the strike and at some point, we didn't have any beer to sell. So that was, I think, probably a good decision on our part.

Outside of Quebec, we increased our marketing spend across the board. And we had some out of cycle marketing spend. Simply launch, as I said, has just been off the charts good. And we don't normally launch innovations in the time period that we'd launched Simply, we normally do them earlier than that. So there's a bit of marketing spend that's coming through in Q2 there.

From a pricing point of view, obviously, we do watch what our brand's performance is when we put pricing into the market. We watch very carefully how it performs and what the elasticity is. I think we said on Q1 call that elasticity wasn't as high as one would have expected given the pricing that we put into the marketplace in January and February of this year. And we'll do the same thing again with this price increase.

We'll watch the elasticities. And we'll watch how our brands perform in the market very carefully. But without rehashing what I said, our brand performance from a share point of view is strong, and we're pleased with it.

Thanks, Drew.

**Operator**: Thank you. Our next question comes from Vivien Azer from Cowen. Vivien, your line is now open.

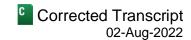
#### Vivien Azer

Analyst, Cowen and Company

Hi. Thank you. Gavin, I wanted to get your perspective on the interaction that you're seeing in some of the important subcategories that you participate. In the US, we've heard from one of your key competitors in the hard seltzer category that they believe that there is some heightened interaction between hard seltzers and premium lights. I'd love to get your perspective on that? Thank you.



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#### Gavin D. K. Hattersley

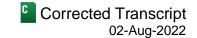
President, Chief Executive Officer & Director, Molson Coors Beverage Co. Thanks, Vivien. Look, I mean, the strength of Miller Lite and Coors Light long predated the softness of some of

our competitors' seltzers. So you can take from that what you wish. But I think our Miller Lite and Coors Light brand performance has been very strong for quite some time now. And that's because they've got great differentiated marketing programs and are really nice and healthy and the best quarterly industry share performance in the US in nearly seven years. And potentially when you look at the outstanding performance of Topo Chico Hard Seltzer is something which might be driving the softness of some of our competitors. I mean, our market share has grown 25%, as I said, and that's largely driven by Topo Chico, which is actually doing really well in markets where the Topo Chico name is not necessarily that well known. We're getting strong growth in market shares in those markets. So, I guess that's what I would say, Vivien.

Steve Powers	
Operator: Our next question comes from Steve Powers of Deutsche Bank. Steve, your line	e is now open.
That was an easy question, Lauren. Thank you.	
Gavin D. K. Hattersley  President, Chief Executive Officer & Director, Molson Coors Beverage Co.	$\triangle$
Thanks, Lauren.	
Tracey I. Joubert Chief Financial Officer, Molson Coors Beverage Co.	Д
Thanks, Lauren.	
Gavin D. K. Hattersley President, Chief Executive Officer & Director, Molson Coors Beverage Co.	Δ
Thanks so much. We've covered so much on the call, so I'll let it go and look forward to catc in person soon.	ching up with you guys
Lauren R. Lieberman  Analyst, Barclays Investment Bank	C
<b>Operator</b> : Thank you. Our next question comes from Lauren Lieberman of Barclays. Laure open. Please go ahead.	en, your line is now
Thanks.	
Gavin D. K. Hattersley  President, Chief Executive Officer & Director, Molson Coors Beverage Co.	$\triangle$
Okay. Thank you.	
Vivien Azer Analyst, Cowen and Company	C

Analyst, Deutsche Bank Securities, Inc.

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Okay. Thanks. I'll ask one just to keep it going. Hey, so I wanted to pick up on the marketing comments, Gavin. You explained the two key dynamics, I think, pretty clearly. And Tracey called at the start, your overall comfort with second half marketing plans. I guess, what I'm just left with is, on a full year basis, have marketing intentions or plans undergone any changes versus where we were coming out of the first quarter, whether either in overall magnitude or focus, given what you've seen in the marketplace, some of the pockets of softness you called out? I mean, that's really the main question.

I guess, the second part of that would be, things trend a little bit better than maybe your base case in the back half given places where you've got momentum like Simply or Topo Chico or what have you – would the – is the bias that you would invest some of that upside against some of those momentum? Or is the marketing plan pretty well fixed at this point?

#### Gavin D. K. Hattersley

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

I think, Steve, one of the – if there are any positives that come out of the pandemic. One of them is that it's driven us to be way more flexible and agile than we were maybe three years ago. And our marketing team is a particular personification of that. They really are agile in terms of how they spend their money and where they spend their money, pushing behind things that are working, shifting dollars to things that are really doing great and maybe dialing back on things where they're not doing that well.

So, I would say to you that we are very flexible. We are very agile and we're very happy to lean into things that are working. I think Simply would be an example of that. It's performing so much better than we expected. And I would expect that we'll put a bit more fuel behind that fire as we go forward. So we're very flexible, Steve. We obviously do have a plan that we come into the year with and the team adjusts as and when it makes more sense for us. I mean, the work that they have done together with finance and the other teams from an ROI point of view continues to get better and better and the teams know what works and what doesn't work and pretty flexible in changing that on the fly.

#### **Steve Powers**

Analyst, Deutsche Bank Securities, Inc.

Thanks. Okay. So I guess - okay, thank you.

**Operator**: Thank you. Our next question comes from Rob Ottenstein of Evercore. Rob, your line is now open. Please go ahead.

#### **Robert Ottenstein**

Analyst, Evercore ISI

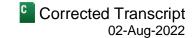
Great. Thank you very much. Two questions, maybe borrowing one from Lauren. First, can you give us — I mean, a lot of moving pieces here, trying to understand the US business given the rationalization of the economy SKUs and then the addition of all the other different seltzers. I was just wondering if you could give us a sense of what kind of the core traditional beer business did on an apples-to-apples basis in terms of volumes. Is that something you could ballpark for us?

#### Gavin D. K. Hattersley

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

Well look, from an overall perspective, I think Miller Lite and Coors Light, which is two-thirds of our US business, Robert, both of those brands grew the top-line in the quarter. They grew share in the quarter, and they are doing –

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they're well-positioned and doing well. In terms of individual brand volumes, Robert, we don't have plans to disclose that at this point.

Robert Ottenstein

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Analyst, Evercore ISI

No, I understand that, but just in aggregate is just in terms of a volume number in aggregate, the core beer volumes. So we can adjust for the impact of the Economy brands and all the seltzers.

#### Gavin D. K. Hattersley

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

Yes. But, Robert, I'm not going to give you individual brand volume – that brand volume performance. We don't do that and I don't really plan to.

A

#### **Robert Ottenstein**

Analyst, Evercore ISI

Okay. Well, you're gaining share, as you had mentioned, and that was one of the main drivers and goals of the revitalization plan. So kind of stepping back at this point and looking at that plan, are you pretty much done? Is it just kind of continuation of the measures that you've put in place? Or are there particular finishing elements of the revitalization plan that still need to be done?

And over the last number of years, you've taken out a lot of costs, is that part of the program pretty much done now. So just trying to kind of get a sense of where we are with the revitalization plan, given that you've turned around, as you said, Coors Light and Miller Lite are gaining share? Thank you.

A

#### Gavin D. K. Hattersley

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

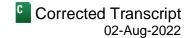
Thanks, Robert. Tracey has pointed out that, that I can't tell you that our brand volume declines in the US were driven by the Economy brands. So you can assume from that, that everything else in total grew. So just that piece of context. As far as the revitalization plan is concerned, Robert from a cost point of view, I mean, we're pretty much done. There is a little bit more cost still to come out from the revitalization plan, but it's not meaningful.

On – from a cost point of view, though, we are always looking at taking more efficient ways of doing things in our business. We invest capital in a variety of ways to achieve that. The Simply in-housing, for example, is a fine example of that, right, where we can take our cost down without actually much capital investments in the process. So revitalization costs pretty much done. Ongoing, we've always been looking for ways to be more efficient and that won't change.

From a revitalization plan point of view, obviously, our goal ultimately with the revitalization plan was to drive top-line and bottom-line growth at the same time and on a consistent basis. And that obviously remains our goal. And this year, we've got guidance out there that says that we will do it. And it's obviously not intended to be a one-off goal for us. It's supposed to be an ongoing goal for us.

In terms of making sure that our core brands are healthy and strong. I don't think that one can ever say that it's done. We need to stay strong and vigilant behind that, but I think we've made amazing progress there. And we've still got lots of work that we want to do in the above premium and the beyond beer space, Robert. We are doing well.

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Above Premium is exceeding our economy share of our portfolio, but our ambitions to drive above Premium volumes and revenue up doesn't stop there. So we'll continue to invest behind that space, to invest behind the innovations and to drive our emerging growth division with some of the great new brands and relationships that we've got in that space. ZOA, obviously, being one of the lead ones.

**Robert Ottenstein** 

Analyst, Evercore ISI

Q

Terrific. Congratulations on the progress.

Gavin D. K. Hattersley

Α

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

Thanks, Robert.

**Operator**: Thank you. Our final question of today comes from Peter Grom of UBS. Peter, your line is now open.

**Peter Grom** 

Analyst, UBS Securities LLC

Hey. Good morning or good afternoon, I guess. Hope you are doing well? So Tracey, I know last quarter was a bit of an anomaly in terms of providing a quarterly outlook. But I guess a lot of the commentary from the call today seems to suggest a much stronger fourth quarter versus third quarter. You mentioned pricing fully lapping the economy headwinds, kind of the brewery disruption in the rearview. So is there any way to kind of frame how we should be thinking about the weighting of growth in the third quarter versus the fourth quarter?

Tracey I. Joubert



Chief Financial Officer, Molson Coors Beverage Co.

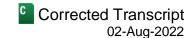
Yeah. Peter, hi. Let me just say – we reiterated our guidance for the full year. But let me kind of add some color for you for the third and fourth quarters. So firstly, from a phasing point of view, I would tell you that in Q3, just remember that we're still going to be cycling to some degree the Economy SKU rationalization.

And again, as Gavin mentioned, the Quebec labor strike, even though it ended in June, it will take time to ramp that brewery back up with normal shipments not resuming until Q4. So that's in Q3. When we look at Q4, there's several positive drivers, as I've mentioned, that's going to help offset the headwinds in Q3. We spoke about the incremental pricing. We've spoken about the top-line comparisons really beginning to ease in the fourth quarter with the on-premise restrictions in the fourth quarter of last year. I mentioned the World Cup, which is taking place in November. So that's a big beer drinking event.

And then just from an investment point of view, I think Gavin mentioned that we expect to invest more in 2022 than we did in 2021. But in the second half of the year, we expect marketing investment to be down, but in Q3, higher relative year-over-year investments in the third quarter. And then in the fourth quarter, we don't anticipate increases.

And then just a final thing to mention is the deleverage impact in the second half of the year. I mean we don't expect to see that deleverage impact that we saw in Q2 of this year. So yes, that's about as much color, I think, that I can give, Peter.

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#### Gavin D. K. Hattersley

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

Thanks Peter.

Peter Grom
Analyst, UBS Securities LLC

Okay. And then just – that's helpful. Okay. Yeah. No. Maybe if I could just follow-up on the 4Q, I mean just what is embedded in terms of the on-premise related COVID-related restrictions? Are you assuming a return to normal or pre-pandemic like environment? Or is it just – is that comment simply just an expectation for stronger performance versus a year ago?

Gavin D. K. Hattersley

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

I think what we're trying to say there is that we're not expecting to have the situation in the fourth quarter of last year as we had in the fourth – this year, as we had in the fourth quarter last year. So if you think back to what was happening in Q4 of 2021, the Omicron was fairly rampant, and we pretty much lost the Christmas season in the UK, which is a big season for us. So we're not assuming the same thing to happen. We're not also assuming unrealistic expectations in terms of, if the US is at 85%, we're assuming something pretty similar to that. But we are assuming better performance out of Canada and UK when you compare it with last year, yes.

Peter Grom

Analyst, UBS Securities LLC

Got it. Thanks so much.

Gavin D. K. Hattersley

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

Thanks, Peter. Over to you, Greg.

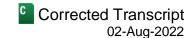
**Greg Tierney** 

Vice President-FP&A and Investor Relations, Molson Coors Beverage Co.

All right. Very good. Thank you, everyone, for joining us today. I know we did run a little bit over, and there may not – there may be additional questions we weren't able to answer today. But if you do have further questions, just please follow up with me and the Investor Relations team, and we will look forward to talking with many of you as the rest of the year progresses. Thanks, everybody, and have a great day.

**Operator**: Thank you all for joining today's call. You may now disconnect your lines.

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