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Molson Coors Beverage Co. (TAP)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Molson Coors Beverage Company Second Quarter Fiscal Year 2025 Earnings Conference Call.

With that, I'll hand it over to Traci Mangini, Vice President, Investor Relations.

Traci Mangini

Vice President-Investor Relations, Molson Coors Beverage Co.

Thank you, operator, and hello, everyone. Our discussion today includes forward-looking statements within the meaning of US federal securities laws. For more information, please refer to the forward-looking statements disclosure in our earnings release. In addition, the definitions of, or reconciliations for any non-US GAAP measures are included in our earnings release.

Given our quarterly performance, including financial and operational metrics and drivers is detailed in our earnings release and earnings slides, which were made available earlier today on the IR section of our website, we will focus our prepared remarks on what we believe is top of mind for you, and that is the industry, how we're responding, capital allocation and our financial outlook. And please note that given the current environment, we are providing a more detailed than typical review of our 2025 guidance drivers. We will then take your questions. And as always, we ask that you limit yourself to one question and then if needed return to the queue.

With that, I'll pass it over to you, Gavin.

Gavin D. K. Hattersley

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

Thank you, Traci. Hello, everybody, and thank you for joining the call. During the second quarter, we continued to execute against our strategic plans to support our long-term growth objectives and to return cash to shareholders while navigating a challenging and volatile macro environment. As a result of the uncertainty around the effects of geopolitical events and global trade and immigration policies, consumer sentiment in the US has remained at relatively low historical levels. This has continued to pressure consumption trends.

These macro impacts in the US have had a disproportionate effect on the lower income and Hispanic consumer. And within beer, these consumer segments have driven a reduction in the number of buyers as well as spend with a shift to singles in the second quarter.

In addition, while less impactful certain regions of the US experienced some severe weather conditions during the quarter, which had a notable impact on the important Memorial Day weekend. These factors have resulted in a much softer US beer industry so far this year than we had previously expected. Recall our guidance issued on May 8 had assumed the US industry would improve for the balance of the year from down approximately 5% in the first quarter to levels closer to that of the last several years, which averaged down around 3%. But in the second quarter, the industry continued to be down around 5%.

Further, the Midwest premium pricing, which is a component of our aluminum cost has been indirectly impacted by recent US tariff announcements, causing another substantial and unexpected spike in the second quarter. For perspective and as you can clearly see on Slide 19 of our earnings deck, in July, the Midwest premium jumped to $0.68 per pound, an increase of over 180% since January.

As a result of these macro drivers and to a lesser degree, lower-than-expected share performance, we are reducing our top and bottom line guidance for 2025. We now expect net sales revenue to decline 3% to 4% on a constant currency basis as compared to a low single-digit decline previously. The range assumes US industry volume will decline between 4% and 6% for the second half of the year. We now expect underlying pre-tax income to decline 12% to 15% on a constant currency basis as compared to a low single-digit decline previously.

The range includes for the second half of the year, incremental costs specific to the Midwest premium of $20 million to $35 million, which assumes a respective price per pound of $0.60 to $0.75. This is partly offset by lower expected incentive compensation given the change in outlook. As a result, we now expect underlying earnings per share to decline 7% to 10% as compared to low single-digit growth.

However, we are reaffirming our underlying free cash flow guidance of $1.3 billion, plus or minus 10%, as we expect higher cash tax benefits and favorable working capital to offset the guidance decline for underlying pre-tax income.

Now Tracey will speak to our guidance in more detail in a moment. But first, I want to stress that we continue to view the incremental softness in the industry performance this year as cyclical, driven by the macroeconomic environment. And this belief in our view, is clearly demonstrated by the execution of our share repurchase program well ahead of our original expectations.

While US consumer basket sizes are smaller in the current environment, the percent of alcohol in those baskets has remained the same. And legal drinking age consumers continue to engage with beer at similar levels across all generations and compared to historical levels, it's the occasions that are less.

Recognizing this, our strategy was built to develop a portfolio that appeals to a wide range of preferences and captures more occasions. So, as we navigate these macro pressures, we are continuing to execute the strategy and prudently invest behind our business. To build on the strength of our core power brands, to premiumize our business in both beer and beyond beer and to develop and leverage our capabilities and partnerships to support profitable growth.

In the US, our core power brands, Coors Light, Miller Lite and Coors Banquet have retained the unprecedented shelf space gains achieved in spring of 2024. Collectively, they commanded a 15.2% volume share of the industry for the first half of the year. Recall that three years ago, these brands collectively commanded 13.4% of the US industry.

And what's clear in the scanner data, and as shown on Slide 20, is that these brands have held most of their share gains from the last two years through the second quarter. Banquet in particular, has been a strong performer. After 16 consecutive quarters of share growth, it was a top five volume share growth brand in the quarter. And given it's in only about half the buying outlets of Coors Light, we believe there is significant distribution runway ahead.

In fact, Banquet gained over 15% distribution in the first half of this year, growing across every channel and on top of over 15% growth in the same period last year. In Canada, despite a challenging industry backdrop, the Molson family of brands with its deep Canadian roots posted another quarter of volume share gains. While Coors Light, which is proudly locally produced held its number one light beer position in the industry.

In EMEA&APAC, the industry in the UK has remained highly competitive, and in the Central and Eastern Europe region, it continues to experience softness related to escalating global and local political and economic tensions. But our brands like Carling in the UK and Ožujsko in Croatia remain segment leaders in their respective markets, which we intend to continue to support with targeted commercial plans.

Turning to premiumization. As we have said for several quarters now, in the US, there has been a shift to value-seeking behavior, but it has been focused on pack size rather than on brands. And despite the pressure on the consumer, the industry continues to premiumize, albeit currently at a slower pace. So, we remain committed to our premiumization plans, which are focused on both beer and beyond beer.

Over the last few years, we have talked a lot about our premiumization successes outside the US. In EMEA&APAC, it's been fueled by a hugely successful innovation, Madrí, which we believe still has significant runway, both in its initial market of the UK and through recent geographic and brand extensions. In fact, in the latest 12 weeks, as of June 14, Madrí had overtaken Peroni to become the number two brand in the world's lager segment and number four beer overall in terms of value across total trade in the UK. In Canada, premiumization has been led by the ongoing strength of Miller Lite and our flavor portfolio.

But in the US, our largest market, we under-indexed in above premium, which makes it a big opportunity. Our Peroni plan that began in the second quarter are starting to show positive results with the brand growing volume double digits in the last 13 weeks through July 27, supported by continued growth in chain and on-premise placements. And while smaller for now, we are encouraged by our innovations. Blue Moon Non-Alc continues its rapid growth, and we are seeing growing placements for our new higher ABV brands, Blue Moon Extra, Simply Bold and Topo Chico MAX Margarita. These higher ABV brands not only support our push to expand in C-stores, but are particularly timely given current value-seeking behavior.

And while these innovations are helpful to their respective brand families, we recognize the challenges of their big flagship brands and are focused on stabilizing it. For example, with Blue Moon, we have completed the pack size conversion to 12 from 15 packs. This was a near-term volume headwind, but it's very positive for margin.

In the on-premise, which is a big channel for Blue Moon, we saw dollar share trend improvement during the second quarter. And in the third quarter, we have been ramping up a new national advertising campaign with comedian Colin Jost. And then there is Non-Alc. Fever-Tree is now our highest NSR per hectoliter brand aside from full-strength spirits.

While we began to consolidate Fever-Tree into our financials in February, we only completed the distribution network transition in June. And the incoming distributors are very excited about the opportunity to significantly expand Fever-Tree's presence across both existing and new channels and buying outlets. It's early days, but the brand has already contributed meaningfully as the key driver of positive brand mix in the Americas.

And while Fever-Tree is already the world's leading supplier of premium carbonated mixers with the number one tonic and the number one ginger beer by value in the US, we believe we can accelerate its growth in the US over time by leveraging the scale and strength of our distribution network, combined with our marketing capabilities.

Now before I pass it to it to Tracey, I'll sum it up to say, it's been a difficult start to the year, but we view beer as resilient. And amid a challenging macro backdrop, we are focusing on what we can control to position our portfolio and our business for long-term success.

That means keeping our core power brands healthy, continuing to premiumize in EMEA&APAC and Canada and successfully executing our plans in the US. Leveraging our deep capabilities across our organization to support premiumization and focused innovation, supply chain efficiencies and commercial effectiveness, and utilizing our enhanced financial flexibility to prudently invest in our business and return cash to shareholders.

And with that, I will pass it to Tracey.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

Thank you, Gavin. We are very pleased with the health of our balance sheet and our strong cash generation. and this is particularly important during a challenging macro environment as it allows us to continue to invest behind our brands to help ensure their long-term health, to continue to make capital investments that support our growth initiatives and cost savings plans and to not only pay what we view as a competitive dividend, but also execute a meaningful share repurchase program as we continue to believe our stock is a compelling investment.

In fact, we have raised the quarterly dividend each year since 2021, and we have actively executed our current share repurchase plan since it was announced in October 2023. We have repurchased 9.4% of our Class B shares outstanding. It's an up to five-year $2 billion plan, and we have utilized almost 55% in under two years. For perspective, if we had executed it on a straight-line basis, we would have only utilized 35% of the plan so far.

With that, let's discuss our financial outlook. First, the impact of the global macroenvironment are multifaceted and difficult to predict. And while we have included in our guidance our best estimate of some of these factors, external drivers may significantly impact our actual results either up or down.

As it relates to tariffs, as we have previously said, while we are a global business, our products are generally made in the markets in which they are sold and with locally sourced ingredients. So, we don't expect material direct impact from the known tariffs on our input costs. That said, tariffs do have indirect impact, like the recent spike in the Midwest premium pricing. While our extensive hedging program can help to mitigate some of the impact due to the guardrails of our program, we are never fully hedged.

Further, given its opaque pricing and at times limited liquidity, hedging the Midwest premium can be difficult and expensive. And for these reasons, the Midwest premium is one of the commodities for which we currently have the least amount of hedge coverage.

With that, let's discuss the drivers of the guidance Gavin outlined. Our top line guidance range now assumes the US industry is down 4% to 6% for the second half of the year. Our price/mix assumptions are unchanged. We expect an annual net price increase of 1% to 2% in North America, in line with the average historical range. We expect mix benefits from cycling contract brewing from 2024, as well as from premiumization.

We expect to grow above premium net brand revenue in EMEA&APAC and Canada, as well as make progress on our US above premium initiatives. Fever-Tree and the consolidation of ZOA are incremental to the top line, but we are also cycling the divestiture of the smaller regional craft breweries in the third quarter of 2024 and, more significantly, 2024 Pabst and Labatt contract brewing volume, as these contracts terminated at the end of last year.

We expect the related Americas contract brewing headwind to be 1.9 million hectoliters in 2025. In the first half, we cycled over 1.1 million hectoliters, and we will cycle over 450,000 hectoliters in the third quarter. Also, last year we had higher than typical first half inventory build related to the Fort Worth strike, which ended in mid-May. As a result, STWs outpaced STRs by 1.1 million hectoliters in the first half of last year.

This year, STWs outpaced STRs by 800,000 hectoliters in the first half. So, year-on-year, we had an approximate 300,000 hectoliter shipment timing headwind in the first half that we expect to reverse in the second half and mainly in the third quarter.

Note that we did have some shipment trends catch-up to STRs in the second quarter, which had an approximate 150 basis point positive impact on US financial volume in the quarter. We had previously not expected to build higher than last year, given the cycling of the Fort Worth strike. However, we were able to ship further ahead of STRs than expected due to the softer-than-anticipated industry demand.

For a detailed review of these US shipment trends, please refer to slide 21.

Moving down the P&L, we expect mix benefits from lower contract brewing and increased premiumization, as well as productivity improvements and cost savings to now be more than offset by higher volume deleverage, given the industry volume trends, as well as higher Midwest premium costs. For the full year, this would result in Midwest premium costs exceeding the prior year by $40 million to $55 million. We now expect MG&A to be down slightly for the year as we now anticipate lower incentive compensation due to the adjusted outlook for this year.

Also, and to a lesser degree, the Fever-Tree one-time transition and integration fees were less than expected, totaling approximately $30 million in the first half of the year. Again, these fees will be recovered through net sales over the next three years beginning in June.

As for marketing, our plans are unchanged. We intend to continue to put the right commercial pressure behind our key brands and innovations, including our core power brands, Peroni, the Blue Moon family, Madrí and our Non-Alc portfolio. While marketing investment was down in the second quarter, cycling up spend in the prior year period, we expect it to be up in the third quarter due to the timing of our commercial plans and lower spend in the same period last year.

As a result, we expect marketing investment in the peak summer months to be consistent with prior year period levels. We are also slightly adjusting our net interest expense outlook. We now expect $225 million, plus or minus 5%, as compared to $215 million, plus or minus 5%, previously. This is driven by lower cash balances, including the impact of higher share repurchases, as well as foreign currency impact. And lastly, we are reaffirming our underlying free cash flow guidance of $1.3 billion, plus or minus 10%.

In closing, with a strong global brand portfolio, healthy balance sheet, and strong cash generation, we are confident in our ability to navigate these challenging times while supporting the long-term health of our business and brands. We are committed to protecting and growing our underlying free cash flow, while making prudent capital allocation decisions that support our growth initiatives and allow us to return even more cash to shareholders.

With that, we will take your questions. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Our first question today comes from Peter Grom with UBS. Please go ahead, Peter.

Peter Grom
Analyst, UBS Securities LLC

Q

Thanks, operator, and good morning, everyone. I wanted to touch just on the updated guidance. Can you maybe just unpack the moving pieces a bit more? Clearly, the top line is a bit pressured here, which we can see in the data. But can you maybe just unpack the profit headwinds, and specifically aluminum and kind of the Midwest premium. And I guess, as we look out to the back half of the year, how does the kind of updated guidance impact the second half performance? And I guess, related, still early, but are there any implications that we should consider today as we look out to fiscal 2026. Thanks.

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

A

Thanks, Peter, good morning. Appreciate the question. Look, from an updated guidance point of view, I would put it on three things, right, that we did not anticipate the last time we spoke. One is the industry did not get better as we were expecting it to. We had expected it to navigate back to where it's been for the last few years of around down 3%, and it didn't.

And certainly, consumer confidence and the macro environment, whilst we continue to believe very strongly that it is cyclical, we're not seeing any signs of that changing in the balance of the year, and it certainly didn't in the second quarter. So, that was probably the biggest driver. Obviously, we did not expect the dramatic increase in the Midwest premium of 180%. And we've talked a lot about that, and Tracey can get into more detail on the difficulty of hedging and forecasting that.

So, that obviously played a pretty significant negative role in our Q2 and balance of the year assumptions. And frankly, our share performance did not meet our expectations. So, the first two, I would characterize as somewhat out of our control and the third one is within our control. And our share performance wasn't what we had expected. It stayed relatively the same as it did in Q1, and we had expected an improvement.

And our estimate of our share performance was a little better than what you might see in Circana and so on, because our on-premise performance is better. And so, we estimate we lost about 50 bps of share in the second quarter. And we've made the same assumption for the balance of the year. Now obviously, we're working very hard to change that. But from a guidance point of view, we've assumed a little change in our share performance.

From a sort of second half and – I think that sort of covers the second half. But from a longer-term point of view, Peter, we still believe, as we said in our remarks, and I think, the environment supports that is that the current industry decline is cyclical. Consumer confidence will turn, I don't know when, but it will turn. And the Midwest premium will revert back to the mean from these extreme moves that we've seen, both of which have had a pretty negative impact on our business this year.

We've got a very strong balance sheet. We delivered really strong cash flow, as you would have – as you heard from Tracey and our updated guidance did not change that. We continue to be very pleased with how we've retained the majority of our market share on our core brands. Coors Banquet is on fire. Our Non-Alc strategy is coming together with the acquisition of Fever-Tree and all of that is incremental in the second half and we'll still have incrementality obviously, next year as well.

It provides a nice halo effect to ZOA. Peroni, our plans kicked in, in the second quarter and brand is doing very, very well. And Canada is holding its own from a market share point of view and Molson Canadian is doing well, Miller Lite is doing well. Coors Original is doing well as we head into next year. And when you look at EMEA&APAC, our premiumization strategy is doing very nicely, led by Madrí and frankly, others. If you look towards the balance of the year, this year, contract brewing headwinds become less and less as we head towards the end of the year.

And in the fourth quarter, I don't think we've got any real headwinds from a Pabst point of view to speak of. We obviously still have the FIFCO headwind. And then next year, that all goes away, right? So, we'll have no headwinds from contract brewing. Tracey spoke about the shipments in the back half of the year. And whilst we did get some of that into the second quarter, which we weren't anticipating given the performance of retail sales. We do get the rest of it primarily in the third quarter. And in EMEA&APAC, we're expecting to perform better from a top line point of view as we head into the back half of the year, given the environment. So, Tracey, did I forget anything?

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

A

No, I think you covered it all.

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

A

Thanks. Thanks, Peter.

Operator: Thank you. Our next question comes from Chris Carey with Wells Fargo. Chris, please go ahead.

Christopher Carey
Analyst, Wells Fargo Securities LLC

Q

Hi. Good morning.

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

A

Good morning.

Christopher Carey
Analyst, Wells Fargo Securities LLC

Q

I wanted to follow-up on a couple of areas there. One is just a clarification. Tracey, the impact from Midwest premium increases that you're expecting for the year. Have you seen any of those increases in Q2? Or is that all in the back half of the year? I just say that in the context of the Americas inflation in the quarter was fairly poultry. So, I just wanted to confirm that piece. And how we think about the aluminum inflation perhaps more on the 12- to 18-month timeframe?

And then just following up on the overall category. I think, there are certainly a number of reasons why we may view what's going on cyclically? A lot of categories in the consumer are dealing with sluggish trends. The question I would have, though, is volumes in the beer category have been soft going back to 2022.

Obviously, the category leader dealt with a pretty substantial headwind, but nevertheless, I wanted to just test that confidence level around this being cyclical versus perhaps changing in consumption and habits and how you reconcile or get comfortable with that concept and it's kind of a category that's been a bit softer over the past few years? So, thanks on those. Appreciate it.

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

A

Thanks, Chris. Tracey, if you wouldn't mind taking the Midwest Premium one, I'll talk a little bit more about the category and our belief in it.

Look, I think, from a consumer confidence point of view and the impact that had on consumers in a number of different ways, Chris, took place towards the back half of January and early February, right?

And I mean, it's clear that consumer confidence took a hit at that time and frankly hasn't recovered. So, we continue to believe that over time, that will change. I mean, it could be sooner rather than later, or it could be in the same time period next year. The items that have been impacting the overall alcohol category like I've often heard GLP-1s talked about, I mean, we don't have a lot of data that suggests that that's having any meaningful impact on either the alcohol category or our category at this point.

The other item that gets talked about is D-9, and I think the impact of D-9 does vary by market. And in some markets, it's not sold and in others it carries strong restrictions and so that's certainly an area that we continue to monitor the impact of that. I think, consumer confidence has had a disproportionate impact, as I said, across some consumers differently to others. And again, we believe that that is cyclical. Tracey, do you want to add anything on Midwest Premium?

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

A

Yeah. So. Hi, Chris. So, look, I mean, no one expected the Midwest premium to increase 180% from the beginning of the year. So, for us, even though we are somewhat hedged because it is such a difficult, it's not transparent. It's expensive to hedge. It is a commodity that we – the least amount hedged. But as it equates to the balance of the year, I mean, we're expecting an incremental $20 million to $35 million of Midwest impact for the balance of the year. So, that's around $0.60 to $0.75 per pound. Our full year impact is, between $40 million and $55 million. And again, that's just the Midwest premium.

From a rest of the commodity point of view, our hedging program is very extensive, and we expect very little impact from tariffs. But these indirect impacts, specifically the Midwest premium, is just a problem because it is so difficult to hedge and it just doesn't follow normal market dynamics.

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

A

And then just to tie a bow on the industry, Chris, I mean, our acceleration plan strategy is designed to address some of the areas where we believe that there is an opportunity, right. So, our beyond beer strategy from a both a Non-Alc beer point of view and also from a Non-Alc point of view is obviously a fairly close tie in between Fever-

Tree from a mixer point of view and alcohol. And so that's an area that we're leaning into and feeling really good about the initial progress that we've made on Fever-Tree. So, our innovation strategy and our brand portfolio strategy is designed to address consumers' changed consumption habits and differing occasions.

Operator: Thank you. Our next question comes from Andrea Teixeira with JPMorgan. Please go ahead.

Andrea Teixeira
Analyst, JPMorgan Securities LLC

Q

Thank you, operator, and good morning, everyone. Gavin, I appreciate your comments on the consumer confidence potentially improving. Now I'm curious to see if you're seeing any green shoots because all we hear from your peers and retailers is that obviously with inflation hitting harder in the second half with tariffs, we could see things getting worse before they can get better. So, can you comment on the exit rate for consumption in North America and Europe? I know, from your slides and I appreciate the details there, you're still running STWs against STRs at a higher level. So, I was hoping to see if you can help us with the cadence as we incorporate your new guide.

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

A

Tracey, do you want to talk about shipments, perhaps and I'll just talk about how we're seeing the consumer health by market. In the US, Andrea, candidly, we have not seen an improvement in overall consumer confidence or behavior. So, we have not seen that yet. And we are continuing to see value conscious consumers engaging in some channel and pack shifting, as we've seen previously, certainly buying more singles and large packs and less of those mid-packs.

That certainly has continued. I mean, we obviously serve a very broad set of consumer demographics across many income levels with our portfolio. And we think we've got a portfolio that meets everybody's needs.

So no, we haven't seen much change. The environment is impacting all consumers in one way or another. We do see the Hispanic consumer is disproportionately impacted by the overall macroenvironment.

If you look north of the border in Canada, I mean, inflation has eased over time, but consumers up there also remain cautious about spending and ongoing concerns around housing and food costs, and while interest rates have stabilized, I think, there is a more global concern around trade tensions and tariff related impacts.

So, whilst, Canada beer industry volumes have – trends have been somewhat similar to the US, they've performed slightly, slightly better. In the UK, the Consumer Confidence Index remains negative.

We did see a little bit of an improvement in May. I think, there's just a more broader optimistic view of the overall economy in the UK, but overall sentiment, I think, I would say remains cautious.

And then in Central and Eastern Europe certainly, that consumer is probably being impacted more than most given the significant political and socioeconomic issues that are impacting the Central and Eastern European markets.

So that's sort of a run through of our markets and how we're seeing consumer confidence. Tracey, the shipments?

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

Yeah. So, in terms of the first half of the year, our shipments did outpace our sales to retail by about 800,000 hectoliters in the first half. Prior year it was about 1.1 million hectoliters. So, there's about a 300,000 hectoliters to reverse in the second half of the year, most of that will be in Q3. And as always, we plan to ship to consumption so we expect that to converge. But as I said, mainly in Q3.

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

Thanks, Andrea.

Andrea Teixeira
Analyst, JPMorgan Securities LLC
Q

Thank you.

Operator: Our next question comes from Bonnie Herzog with Goldman Sachs. Please go ahead, Bonnie.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC
Q

Thank you. Good morning, everyone. I just had a quick question on pricing and then the promotional environment. I guess given the pressures on the category and consumers, how are you thinking about pricing for the remainder of the year? Also, what about the promotional environment? Are you seeing signs of levels increasing recently and how do you expect that to play out? Thank you.

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

Thanks, Bonnie and good morning. Look, I mean, it's quite common to see heightened competition with strong promotional activity during the summer. And you see that easing up in the shoulder months. And we've seen that in prior years, and we're seeing that again. And we just take a strategic approach to how we evaluate the competitive environment.

From an overall pricing point of view, the historical average, as we've said before ranges in that 1% to 2% range. And we expect that to fall in that range again this year. Whilst we have seen the impact of the economy, consumer confidence – having consumers searching for value, any trading seems to be coming in channel and pack shifting, not necessarily in segment trade down. Thanks, Bonnie.

Operator: Thank you. Our next question comes from Filippo Falorni with Citi. Please go ahead.

Filippo Falorni
Analyst, Citigroup Global Markets, Inc.
Q

Hi. Good afternoon, everyone. I wanted to follow-up on the margin question on the Midwest premium for the second half. If I take the, call it, $20 million to $35 million incremental Midwest premium cost, it's still a relatively small headwind to margins. So, maybe, Tracey, can you talk about like the other drivers of the big margin contraction that is embedded in your guidance in terms of volume deleverage, SG&A for the back half of the year?

And then just a follow-up on top line. Gavin, you mentioned the on-prem is performing better than what we see in track channel data. So, can you give us a perspective of how July played out relative to your expectation, including the on-premise business? We see still soft trends, especially around 4th of July in track channels, but I'm curious the total company and total industry trends, including on-premise. Thank you.

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

Thanks, Filippo. And Trace, if you'll handle the margin one. I'll just quickly deal with July and the on-premise. I mean, look, from a July point of view, as we say every time on these calls, right, we've only got a few weeks of the following quarter in the books. So, let's see what happens for the balance of the quarter from an overall industry and our performance point of view.

From an on-premise view, I know we've talked a lot about Blue Moon over the last couple of years, and we are starting to see improvement in the on-premise. Belgian White's STR trends improved 6 points in Q2 versus Q1, which is very encouraging, given that brands are built and expand from the on-premise out. So, we're pleased with that.

Peroni is, obviously, playing a role in that as we implement the plans we've talked about for a while now, which kicked off in Q2. So, that's been a positive catalyst for us as well. And then Coors Banquet just remains on fire as it gains distribution both in the on-premise and the off-premise. So, I would say that those are the three brands that are having the most positive impact for us in the on-premise. Tracey, do you want to get into margin a little bit more?

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

Yeah. So then, Filippo, look, from a margin point of view, we don't specifically give gross margin guidance. But just to note, our underlying gross margin percentage has improved in each of the last two years. But a couple of things as we look at 2025. So, we've spoken about the top line. In terms of the COGS, we do have the deleverage headwind driven by the contract brewing, which we've discussed. And we also have higher premiumization, which drives higher COGS across our business units. We have spoken about the Midwest premium. And although we do have productivity improvements and cost savings, these are more than offset by the deleverage and premiumization, as well as the Midwest premium.

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

Thanks, Tracey.

Operator: Thank you. Our next question comes from Rob Ottenstein with Evercore ISI. Rob, please go ahead.

Robert Ottenstein Q
Analyst, Evercore ISI

Great. Thank you very much. So, Gavin, a pretty pessimistic view on second half volumes for the industry. And I'm assuming that July was pretty bad. And this is in the face of, I think, easier comps, given how bad the weather was last year. So, I guess, what I'd love you to help us think through, assuming that does play out the way you're guiding to, what are the impacts on the industry and how can the industry address that? So, are you starting to see pressure, for instance, on shelf space, not for you specifically, but for the beer industry as a whole as retailers start to look at the fall shelf set changes and into next year and how you may be combating that?

Any impact on, not just yours, but industry brewery footprint, the potential for some sort of consolidation of volumes and maybe doing a reverse, doing more contract brewing instead of letting contracts go, actually maybe bring more in to keep brewery utilization going, given the high fixed costs of breweries and dependence on volumes? So, just love to get your thoughts on industry action, your reaction to these unprecedented volume declines. Thank you.

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

A

Thanks, Rob. Yeah, a lot of questions in there. So, let me try and tackle them off. So, from a comps point of view, no, July had easier comps, but the rest of the year did not, if you remember correctly. So, yes, there was poor weather and the industry was pretty tough in July of last year. So, the comps are a little softer in July. Going forward, they're not. They're actually – the industry improved quite nicely heading into the balance of the year from about August onwards. So, the comps don't get easier from an industry point of view, they get tougher. And obviously, we've built that into our thinking as we put the guide out there.

From a shelf space point of view, look, from our point of view, we obviously had a significant uptick in 2024 in both the spring and in the fall of 2023. We held on to those gains. And so, we finished 2024 significantly higher than we did in 2023. And again, in the spring of this year, we held on to those shelf gains and Banquet, again, was a particularly strong beneficiary of that. We gained strong double digits.

And we're not expecting to see a significant activity for the fall of 2025 based on what we're seeing and what we're hearing. And frankly, we would know if it was different by this time. Where retailers have made shelf changes to accommodate other brands, they've made in the flavor space and the craft space primarily, I would say. They haven't made it in the traditional beer space.

From a brewery footprint point of view, obviously, our capacity utilization varies by season. So, in the summer, we're fully utilized and in the shoulder periods, not necessarily. I would tell you that removing Pabst from our system is very, very helpful. It has allowed us to remove a lot of complexity. It's allowed us to free up capacity in the summer. It certainly helped our decision to onshore Peroni, which we have now completed and it's completely onshored. And obviously, we see a big opportunity for Peroni and we're starting to see that benefit coming through in the second quarter.

I've often said and look forward to seeing in the future that Peroni can. There's no reason why it can't be as big as its other European competitors. And we certainly gained meaningful share versus our European competitors in the second quarter now that our plans have kicked in. It has – it allowed us to tidy up our footprint by closing a couple of smaller breweries.

So, we were able to tidy that up. And it certainly allowed us to bring Yuengling and our Yuengling relationship into our business and produce in a couple of breweries and this will allow us to expand further with Yuengling when the time is right. So, as it relates to the brewery footprint, we're pleased with our brewery footprint. And yeah, I think that covers off on all of Rob's point, Tracey. Thanks, Rob.

Operator: Thank you. Our next question comes from Eric Serotta with Morgan Stanley. Please go ahead, Eric.

Eric A. Serotta
Analyst, Morgan Stanley & Co. LLC

Q

Great. Good morning, everyone. Wanted to first ask you, Gavin, in terms of recent market share trends. Clearly, the off-premise trends at least have weakened vis-a-vis your largest competitor. I know you called out better on-prem trends, but are there any changes to your marketing or go-to-market strategies that you're implementing or contemplating in light of what seems like a resurgent competitor, at least for two of their main brands?

And then for Tracey, a couple of housekeeping items. Could you help quantify how much the incentive comp reversal was? Was that all in the second quarter? And then in terms of the free cash flow, how much of – sort of how much of the bridge between the earnings reduction and their free cash flow reiteration is the cash tax and working capital? And all else equal, would the working capital benefits reverse next year or are these sustainable? I know there's a lot there, but thank you.

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

A

Thanks, Eric. Yeah, a lot there. Let me see if I can answer that. Look, I think from an overall share point of view, I think I'd start by saying that our total Molson Coors share trends in the US, now I'm talking specifically to the US, has improved each quarter since the third quarter last year, right? So Q3, we were down about 100 basis points. Q4, we were down about 70 basis points, Q1 was down about 60 basis points, Q2 was about the same, right? And if you peel back the envelope as to where we are losing that, it's in flavors and seltzers is the biggest part of that decline.

And so – we are seeing some improvements in Topo Chico. It's not enough to offset the declines that we're seeing on Simply and Vizzy. From an economy portfolio point of view, that's roughly about another third of the decline. And obviously, our two focus brands in the Miller High Life and Keystone Light are showing better trends than the number of tail brands that we still have in that segment. And then core, right? We talk and I have talked a lot about our core share attention because it's factually correct, we have retained 180 basis points of the share that we gained in 2022, and it is meaningful. Banquet continues to be the star of the show there. It's up another 20 basis points in Q2. And it remains one of the fastest-growing major beer brands in the US.

In fact, it grew in all 50 states plus Washington D.C. in the first half of the year. So, we are very pleased with the Coors Banquet's performance. What are we doing about the rest? Well, as we head into Q3, we're focused on driving our Miller Lite 50th anniversary campaign. We're going to execute strongly behind our NFL alliance presence. We have a relationship with number of NFL teams. So, you'll see us in all channels. You'll see incremental media pressure, particularly in our Great Lakes geography. We're going to be executing against our Coors Light College programming with our ESPN GameDay partnership, and we're going to continue to put the accelerator down on Coors Banquet's momentum with the Start Your Legacy program.

From an above premium point of view, I've talked a lot about Peroni and Madrí. From a Blue Moon point of view, we are working very hard to change the trajectory of that brand. And we are, as I said earlier, seeing green shoots starting to show up in the on-premise, and we're seeing good performance behind our innovation, particularly Blue Moon Non-Alc, but from a higher ABV point of view, obviously, our strategy behind Blue Moon and Simply and Topo Chico in the convenience stores is something we're putting effort behind starting in the second quarter. So, big important brand for us. It's a top priority for us in above premium, and we remain very committed to turning it around. I think that was all. Tracey, was there anything you wanted to tell here?

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

Yes. So, Eric, from the incentive compensation, look, we accrued for incentive comp throughout the year. And then based on our adjusted outlook for our guidance. We have reversed a large portion of what we had accrued in the first half of the year.

In terms of the free cash flow, look, the cash tax benefits that we've got as well as the working capital largely offset the profit shortfall. And then if you recall, when we had our Q1, we did cut our capital spend by about $100 million. So, that gives us the free cash flow of around $1.3 billion, plus or minus 10%, as we have guided to.

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

Thanks, Tracey.

Operator: Thank you. Our next question comes from Peter Galbo with Bank of America. Please go ahead, Peter.

Peter T. Galbo
Analyst, BofA Securities, Inc.
Q

Hi, good morning, Gavin and Tracey, thanks for all the detail in the deck, very helpful. Tracey, I just wanted to go back maybe to Filippo's question, particularly around the volume deleverage piece. I think, it was about a 300 basis point impact in the first half. And I know that you kind of gave some high-level commentary on where it would be for the year. But was just hoping to unpack that a bit more as we think about the second half and the year specifically, how we should think about the volume deleverage impact? Thanks very much.

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

Yes. So, in terms of our outlook for the year, what we had said is that STWs outpaced the STRs by about 800,000 hectoliters in the first half of the year. We always plan to ship to consumption. And so, there's going to be about 300,000 hectoliters or so that we will reverse in the second half of the year maybe in Q3, because last year for the first half, we did ship more than we – than the retail by about 1.1 million hectoliters. So, the difference between that is about 300,000 hectoliters, which we expect to reverse. And then, yeah, because we plan on shipping to consumption, we expect most of it to converge by the end of the year, but mainly in Q3.

Peter T. Galbo
Analyst, BofA Securities, Inc.
Q

Thanks, Tracey.

Operator: Our next question comes from Bill Kirk with ROTH Capital Partners. Please go ahead, Bill.

Bill Kirk
Analyst, ROTH Capital Partners LLC
Q

Good morning, everyone. So, my question, since pre-COVID, since 2019, you have more market share than you did. Your earnings per share are much better than they were, but the stock price doesn't really reflect those improvements. So, I guess the question is, if you aren't getting credit for market share gains, the profit growth in your current categories, does something needs to strategically change? And then when underlying COGS per hectoliter are up mid-single digit or more, why only take a 1% to 2% price increase?

Gavin D. K. Hattersley

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

A

Thanks, Bill. Look, from your – from the first part of your question, I mean, obviously, and we've said this before as well, is we believe that our business is a very attractive investment at these levels, and we continue to demonstrate our belief by buying back significantly ahead of the authorized Board program. From an overall category point of view, I'm very pleased with our acquisition of the US business of Fever-Tree and the integration is going well, and our volumes are exceeding our expectations from a business case point of view, our distributors are excited about it. And it really does give us a nice footprint from a Non-Alc point of view, and we believe a halo effect to our other Non-Alc activities. What was the second?

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Pricing.

Gavin D. K. Hattersley

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

A

Oh, the pricing, yeah. I mean, look, Bill, we obviously look at pricing from a – every single market is different. Every state is different. Every brand is different. And we obviously take any number of factors into account, not only input costs, but also consumers' behavior and receptivity to price increases and so on. So, we've got a very robust revenue management program, and we will and continue to do what we think is best for our brands in every single market.

Operator: Thank you. Our next question comes from Robert Moskow with TD Cowen. Please go ahead, Robert.

Robert Moskow

Analyst, TD Cowen

Q

Hi. Thanks for the question. In the past couple of years, the productivity gains at Molson Coors have been substantial and helped offset a lot of the negative impact from volume deleverage, but now it looks like the volume deleverage is accelerating and you've had to cull down your guidance.

Tracey and Gavin, at what point do you have to take another look at your asset footprint both in terms of manufacturing and distribution. And with volume declining at this pace, will you have to take another look at that and maybe make more reductions. Thanks.

Gavin D. K. Hattersley

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

A

Thanks, Robert. I mean, look, I mean, from a capacity point of view, we're pleased with our brewery footprint. We have obviously really strong utilization from a capacity point of view in the summer months. We've removed contract brewing from our system completely, which is why we're – we have that headwind and have had the headwind all year, that obviously starts to tail off as we head into the back half of this year. But not much more I can say than what I said earlier, Robert.

I mean, removing Pabst from our system has proven to be very helpful. It's allowed us to take a lot of complexity out of our system. It's allowed us to change things from a shift configuration point of view, from a line point view, from a temporary labor point of a view, it's overall from a brewery footprint point of view been very positive for us.

And it's allowed us to bring Peroni in, which, as I said, is growing very nicely, and we hope to have that brand as a big brand in the future. And it's allowed us to support our Yuengling partnership, where we've got a very successful launch in Illinois this year. So, we're pleased with our brewery footprint, I guess, is the summary. Thanks, Robert.

Operator: Thank you. Our next question comes from Michael Lavery with Piper Sandler. Please go ahead, Michael.

Michael S. Lavery
Analyst, Piper Sandler & Co.

Q

Hi. Good morning. Thank you. I just wanted to come back to the guidance update and the EPS bridge. The Midwest Premium has gotten a lot of attention, but as you've called out the math, it's maybe 1 to 2 points of the 10- or 13-point cut to EPS growth outlook. And you've got some stepped up buybacks as well, what are the missing pieces, I guess?

And if you've said what's new is Midwest Premium, the category trends and then your share expectations, is it just all of that and the operating deleverage that we've covered a bit? Or is there other inflation we should have our eye on as well? Or you mentioned the interest expense change, that's also quite modest. So, I mean, help us maybe figure out if there's any other moving parts here? Or if just the top line flow through is that significant?

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

A

Hi Michael, yeah. So, look, I mean, there is some marketing timing. We do expect to spend similar levels of marketing in our peak summer selling season as last year. So, that's one thing. But the other thing is remember, our EPS is not in constant currency. So, we do have foreign exchange impacts to it. And as the dollar weakens, there will certainly be a tailwind.

And then the other thing that goes into it is tax. Now, we have kept our effective tax rate guidance at the same level as what we had previously. But those could be two items that do impact our EPS. But yeah, just probably to call out that although marketing was down in Q2. We do expect it to be up in Q3 because of some of the timing of our commercial plans and also cycling lower spending in prior year.

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

A

Thanks, Tracey.

Operator: Thank you. Our next question comes from Lauren Lieberman with Barclays. Please go ahead.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.

Q

Great. Thanks. Good morning. So, I know you talked about the softer US share performance in the release. And I was just curious to kind of talk a little bit more about that given the competitive premium light space these days. And like are there any specific regions in the US where you're seeing underperformance?

And I know you said the guidance for second half assumes the share trends kind of are consistent. You just commented on marketing. But I was curious about plans to defend share in the second half and beyond. Like, is there a point where you'd consider addressing pricing? Is it a matter of more marketing? Or is the view more like don't overspend into a soft market backdrop? Thanks.

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

Yeah. Thanks, Lauren. Look, I mean, we're obviously very thoughtful about how we spend our marketing, and we turn it over quite carefully. But certainly, we're seeing really pleasing momentum in a number of our brands, without wishing to repeat myself too much, right? I mean, we're seeing strong momentum behind Banquet, Peroni. And we've got our Non-Alc portfolio coming in. Fever-Tree, we're spending more money behind it. Madrí in our other markets has performed very well.

So, notwithstanding the current overall macro environment, which we, as I said, believe is cyclical, we're going to continue to invest behind our brands so that when the tide turns, they're in the best position that they can be. I talked a little earlier on about some of the areas that we're focusing in on our core brands, not only Banquet, but also Miller Lite and Coors Light, and we're going to continue to support those. But you can be assured that we turnover every marketing and sales dollar carefully for effectiveness before we spend it.

Operator: Thank you. Our next question comes from Carlos Laboy with HSBC. Please go ahead.

Carlos Laboy Q
Analyst, HSBC Securities (USA), Inc.

Yes, good morning, everyone. Can you come back, please, to the cash flow offsets that you mentioned earlier? You mentioned tax benefit. There was another one. If you could expand on both of those, please, it would be helpful.

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

Yeah. So, for our free cash flow, we've received some cash tax benefits this year, as well as some working capital improvements. So, that has enabled us to keep our free cash flow guidance at the $1.3 billion, plus or minus 10%. Those are the two items that we mentioned in particular.

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

The biggest driver there, obviously, is the benefit coming out of capital deductibility from the One Big, Beautiful Bill point of view.

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

Yeah.

Operator: Thank you. Our next question comes from Nadine Sarwat with Bernstein. Please go ahead.

Nadine Sarwat
Analyst, Bernstein Autonomous LLP

Q

Yes, hi, everybody. Thank you for taking my question. I know we've talked a lot about the US. So, I'd actually like to turn attention to EMEA&APAC. Your financial volumes were down close to 8%. And I know you called out weakness in a number of the markets. But could you provide perhaps some additional color by region? So, how is the UK business doing versus your other markets? And then how do you view this segment performing over the remainder of this year specifically? Thank you.

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

A

Thanks, Nadine. Look, I mean, the market in the UK continues to decline. It declines in both channels. We have seen a little bit of a category improvement Q-to-date, starting to see some trend improvement in our share trajectory.

That has been aided by the benefit of the Easter shift, right, which moved out of Q1 and into Q2. And I know you live in the UK, so that you will know that the weather has been particularly good in the UK.

We are expecting those figures to show a somewhat greater decline once we've got June data in, because I think we're lapping a big football tournament from last year. So, there is that going on. Competition in the marketplace, it remains intense, frankly.

And despite the increase that we've seen in promotional frequency in the off-premise with our largest brand, it does remain challenged, given the actions of some of our competitors, which we have chosen not to follow.

I mean, we're seeing some of our competitors in that space price consistently 20% lower than Carling on shelf. So, that's certainly challenged us from a main brand point of view. Our Madrí volume growth, it continues. It's up again mid-single digits in Q2, and we're going to continue to put the right level of commercial support behind those brands.

If you look across the water into our Central Eastern European business, look, there's no doubt that the overall beer industry remains sluggish in this market. It's driven by another decline in consumer confidence that began at the end of 2024 after we'd seen some improvement.

And those factors that are driving that are well understood and well known from a global political point of view, and local, social, and economic tensions that exist there. We have seen a higher promotional activity across most of the markets. We have had some challenging customer negotiations as well, which are now resolved.

And so, all of those factors impacted our volume performance in the first half of the year. We continue to remain optimistic about the growth potential for our Central Eastern European businesses. We're putting investments behind our national power brands, and we're supporting the recent launches that we have in the above premium space with – we launched Madrí in Bulgaria last year, and we launched it in Romania this year, and both of those doing very nicely.

We launched Coors in Hungary, which is doing well. And our innovation in the Beyond Beer space, for example, Aspall's Pip & Wild cider in Serbia and Bulgaria, and Montenegro and Croatia is also doing is also doing well, although early days. A real success story for us is our premiumization in our EMEA&APAC business, and you can actually see that in the mix benefits, which we got in EMEA&APAC in the second quarter. I think that's generated almost 490 basis points of positive mix for us. So, Nadine, that's kind of a quick high-level run through our European business.

Operator: Thank you. Our next question comes from Gerald Pascarelli with Needham. Please go ahead.

Gerald Pascarelli
Analyst, Needham & Co. LLC

Q

Great. Thank you. I had a question on capital allocation. Just given these volume declines, if industry volumes and then your own volumes remain lower for longer, as you think about this business long term, do you believe larger-scale M&A or more aggressive bolt-on M&A may be necessary to just expedite your portfolio towards more attractive subsectors in beverages, whether it be more non-alcoholic exposure or exposure to above premium brands, et cetera. Just looking for any color or thoughts around how M&A or evolving M&A just fits into your capital allocation strategy? Thank you.

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

A

Thanks, Gerald. Look, from an M&A point of view, I think we've been very clear about how the string of pearls approach has worked for us. And the early days when we still had somewhat of a challenged balance sheet with a higher leverage ratio. Those pearls were relatively small. As we've put ourselves in a really strong position from a balance sheet point of view, I'm very proud of the work that the team has done to get the balance sheet where it is after the last four or five years.

That has allowed us to look at slightly bigger pearls. And certainly, the one we did this year with Fever-Tree is very strongly supportive of our overall strategy. And it's a much bigger pearl than we perhaps would have considered five years ago when you add everything up from a working capital point of view and a distribution point of view and our investment in Fever-Tree. That number was well north of $100 million. So, we remain committed to our string of pearls approach. Obviously, beyond that, I'm not going to comment on any M&A, but very pleased with the progress that we've made with Fever-Tree so far.

Operator: Thank you. Our next question comes from Kevin Grundy with BNP Paribas. Please go ahead, Kevin.

Kevin Grundy
Analyst, BNP Paribas Securities Corp.

Q

Great. Thanks. Good morning, everyone. I was hoping to get an update on the CEO search process, given Gavin's plans to retire by year-end. Gavin, of course, you will be missed. But any update there just in terms of where that process stands? Any comments on internal versus external candidates, attributes that the Board is looking for? And perhaps maybe how that's evolved a bit given the demands of the current environment. So, any comments that you can offer to folks, I think, would be appreciated. Thank you very much.

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

A

Thanks, Kevin. I appreciate the kind words. Look, I mean, the process is well underway. The Board has made significant progress. Obviously, it's navigating the process very thoughtfully given my planned retirement by the end of the year.

In terms of capabilities, the Board is paying a lot of attention to both relevant business leadership experience along with a cultural fit. Obviously, I'm very proud of the culture we've built here at Molson Coors. It's very special. As we've said previously, it's very common for companies of our size to look at both internal and external candidates for a CEO position.

And that's what our Board is doing at the moment. They remain supportive of our current long-term strategy. But, obviously, I would expect any new CEO to put their own stamp on the company. So, that's the update, Kevin.

Operator: Thank you. Those are all the questions we have today. And so, I'll hand the call back over to Gavin for closing remarks.

Gavin D. K. Hattersley

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

Thank you, operator. Appreciate that. Appreciate all the questions. I'd like to close by thanking our Molson Coors team and our partners for their continued support behind our business and our brands. I continue to be very proud of the dedication and commitment of our over 16,000 employees, our incredible partners and our best-in-class distributor network. I'm confident that together we can navigate this challenging environment and certainly emerge stronger with this team behind us. So, thanks for your time today.

Operator: Thank you, everyone, for joining us today. This concludes our call, and you may now disconnect your lines.