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Molson Coors Beverage Co. (TAP)

Q3 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Molson Coors Beverage Company third 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. Please note that with the exception of earnings per share, all financial metrics are in constant currency when referencing percentage changes from the prior-year period.

With me on the call today are Gavin Hattersley, former Chief Executive Officer, who retired October 1, but remains with the company on an advisory capacity until year-end. Rahul Goyal, Chief Executive Officer, and Tracey Joubert, Chief Financial Officer. Today, Gavin would like to share some opening remarks before passing to Rahul to provide an initial high-level view of his vision going forward. Tracey will then wrap up with a brief review of the quarter and our 2025 outlook.

A more detailed presentation of our quarterly performance, including financial and operational metrics and drivers, is available in our earnings release and earnings slides, which were made available earlier today on the IR section of our website. Upon the conclusion of our prepared remarks, we will 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 to you, Gavin.

Gavin D. K. Hattersley

Former Chief Executive Officer, Molson Coors Beverage Co.

Thank you, Traci, and hello, everybody, and thank you for joining the call. I am pleased to be here today for what is my last earnings call with Molson Coors. It has been an incredible journey, and I could not be prouder of this team and the strong foundation that we have built. This includes our iconic brands across the world, our leading capabilities from supply chain to marketing, our dramatically improved balance sheet, and our strong free cash flow generation. And while I'm retiring during a difficult time in the industry, I am confident in the company's ability to return to growth.

So with that, it is my great pleasure to introduce Rahul who took over the role of CEO on October 1. During my six years as CEO, I worked closely with Rahul. His deep strategic insights, institutional knowledge, fresh perspectives, and proven ability to deliver, which are particularly important in these dynamic times, make him, in my view, the right choice for the job. And while he has only been in role for about a month, he has certainly hit the ground running. And to share more about this, I'll pass the call to Rahul.

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

Thank you, Gavin. It has been a true privilege to work with you for so many years, and I look forward to building on your many accomplishments and continuing to support the strong culture you have built that makes Molson Coors so special.

Now clearly, these are dynamic times, and we, like many staples companies, have been impacted by macro-related factors that have pressured consumption behavior. In the US, these macro impacts 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 per trip with a continued shift to singles in the third quarter.

In Europe, the macro environment has also contributed to continued industry softness, pressuring demand across our regions. But we continue to believe that the incremental softness in the industry this year is cyclical, and we believe that we are well positioned with a healthy balance sheet, strong free cash flow, and great brands that serve a wide range of consumer occasions and preference. This all helps us to navigate these near-term cyclical headwinds while investing in our business to support the long-term growth.

I know everyone is eager to hear more about my vision for the future, and there will be more details to come. But today, I would like to provide a high-level view of our strategic priorities and how we plan to adapt in these challenging times, improve our commercial performance, capitalize on opportunities, and ultimately return to top and bottom line growth. I want to assure you that we are moving with a sense of urgency and with a clear purpose.

In my first 30 days, we have already begun to implement structural changes, both in terms of leadership and operations to put us on the path to success. At the highest level, it begins by focusing on our portfolio, to build strong and scalable brands in both Beer and Beyond Beer. This entails prioritizing our investments to build on the strength of our Core and Economy Beer portfolios, and to transform our Above Premium Beer and Beyond Beer portfolios.

In Beer, we already have a strong Core portfolio with iconic global brands and regional market leaders. They are the majority of our business. So we intend to continue to put strong commercial pressure behind them. For Miller Lite and Coors Light, this means new campaigns and high-profile sports and music alliances that build on their strong brand health and support our ambition for share growth for these brands.

And for Banquet, we intend to capitalize on its impressive success by leaning in even more to fuel its strong momentum and to continue to bridge the sizable distribution gap with Coors Light. Recall that Banquet is only in just over half the buying outlets of Coors Light. And not only is Banquet an important growth driver in our US business, but it offers learnings that we believe can be applied more broadly across the portfolio.

We also plan to selectively increase our focus on certain economy brands like Miller High Life and Keystone Light, which are big brands with loyal consumer bases. We firmly believe that all price segments matter. And while, as an industry, we are not seeing trade down at the brand level, in today's environment, more than ever, Economy is an important segment.

And we continue to see big opportunities in Above Premium. While we have had strong premiumization success in markets outside the US, we meaningfully under index in Above Premium in the US, and we plan to lean in even harder to change that in both Beer and Beyond Beer.

In Beer, it's no secret that we think Peroni has great potential. It's only been two quarters since we fully onshored Peroni and activated our commercial plans, and we are already seeing good progress with brand volume up 25% in the third quarter. And with expected increases in media investment next year, including programming for the Olympics and with only about one-third of the distribution of the other major competitors, we see significant runway ahead.

We also remain committed to stabilizing Blue Moon. And to be frank, we haven't seen the success we would like. Recent innovation with non-alc and high ABV brand extensions have been encouraging while the core Blue Moon Belgian White continues to be challenged. We are going to be looking closely with a fresh commercial perspective at what we can do differently to best ensure that this big and important brand supports our premiumization objectives.

Now, while Beer is our roots and at the core of our business, you can also expect us to step up our focus on Beyond Beer, because we believe we can win here. Not only does it help to premiumize our business, but it also creates value for our customers by appealing to a wider range of consumer preferences and serving more occasions.

In flavored alcohol, we already have big brands, and some have been rechallenged recently. But Topo Chico is a great example of how, with the right commercial approach, we can improve trends. By focusing investments on the markets where the Topo Chico brand most strongly resonates and through thoughtful innovation, we achieved positive dollar share gains in the third quarter in these regions. And we recognize we have gaps, including RTD spirits, and we intend to fill them.

In non-alc, we are focused on building scale, and we are off to a great start. We believe our partnership with Fever-Tree in the US provides a strong base from which to grow our total non-alc portfolio. In fact, Fever-Tree volume has been performing strongly, and it has been very well received by distributors and retailers, and we are excited by the opportunity to significantly grow the brand in the years to come. And this is just the beginning of our non-alc efforts as we see opportunities to enter some other interesting areas. So we are making the infrastructure investments in people and systems that help to support the development of this business into something meaningful over time.

Now to achieve our commercial ambitions, we are taking a fresh look at our approach to commercial execution and at opportunities to optimize our cost structure to fuel reinvestment in the business. On the commercial side, creating value for our customers and consumers remains at the forefront of all that we do. But we believe we can be even more effective at this by focusing ownership of the business even closer to the market. And we intend to do this by deploying marketing and G&A investments based on specific market dynamics and portfolio priorities. This should help to increase our speed of decision making, our agility to execute and ensure greater accountability and return-oriented mindset at the local level of our business.

On the cost side, as announced last month, we are implementing a corporate restructuring plan of our Americas business unit, designed to create a leaner, more agile organization while advancing our ability to reinvest in the business. This entails reducing our Americas salaried head count by approximately 400 positions, or 9% by the end of the year. This includes hundreds of salary positions that were already open due to head count prioritization efforts earlier this year and those who may be granted voluntary severance as part of this restructuring.

We intend to redeploy some of these savings to step-up our investments behind key brands, commercial capabilities, and in supply chain and technology that support ongoing productivity and efficiency. And we will

continue to be disciplined stewards of our capital, using a dynamic capital allocation approach, balancing investments in M&A to fill portfolio gaps, while continuing to return cash to shareholders.

We'll be sharing more on capital allocation in the near future. But today, let me be very clear on two things. First, we seek scalable deals that we expect to be accretive to both top and bottom line and are prudent from a balance sheet perspective. And second, we remain committed to our dividend and to our share repurchase program as we continue to view our stock as a compelling investment.

Now there is a lot of work to do, but we see a clear path forward. Results will take some time, but we are moving with a sense of urgency. We're confident we have the right brands and the plans to be successful. And I look forward to updating you on more of the details of strategy and financials and operational objectives in the coming months.

With that, I will pass it to Tracey, who will talk about our financial performance and outlook.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

Thank you, Rahul. Third quarter consolidated net sales revenue was down 3.3%. Underlying pre-tax income was down 11.9%, and underlying earnings per share was down 7.2%. On an underlying basis, the key quarterly drivers were largely as expected. The US beer industry was down minus 4.7% based on our internal estimate. Our US volume share was down 40 basis points based on our internal estimate, including relatively better share performance in the on-premise channel compared to the off-premise.

Contract brewing was a 450,000 hectoliter or 3 percentage point headwind to the Americas financial volume. Excluding contract brewing, US STWs outpaced STRs, resulting in a nearly 2-percentage-point benefit to Americas' financial volume in the quarter. EMEA and APAC volume continued to be pressured across all regions by ongoing soft market demand and a heightened competitive landscape.

The Midwest premium remained elevated, but was within the expected price range, although at the higher end. And marketing was up while G&A was down largely due to lower incentive compensation as compared to prior year. While our discussion today, as typical, has been on an underlying basis, we also recorded a non-cash partial goodwill impairment charge of \$3.6 billion as well as non-cash intangible asset impairment charges of \$274 million in the quarter, which are discussed in detail in today's earnings release and 10-Q.

I also wanted to address the execution of our share repurchase plan during the quarter. Restrictions under our policies have prohibited us from executing under the repurchase plan during the open trading window following last quarter's earnings because we were in possession of material non-public information regarding our CEO search. We expect our regular quarterly trading window to open tomorrow, and we want to stress that we remain fully committed to our share repurchase plan, and continue to strongly believe our stock is a compelling investment.

With that, let's discuss our outlook. We are reaffirming our 2025 guidance, but we now expect to come in at the low end of the prior ranges for our key metrics. Those key metrics and ranges are as follows: net sales revenue to decline 3% to 4% on a constant currency basis; underlying pre-tax income to decline 12% to 15% on a constant currency basis; underlying earnings per share to decline 7% to 10%; and underlying free cash flow of \$1.3 billion, plus or minus 10%.

Now before we get into the details, I'll remind you that the impacts of the global macro environment 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.

Starting with the top line, we now expect lower year-end US distributor inventory levels. Year-to-date, US STWs largely caught up to STRs in the third quarter. However, given lower 2025 volumes impacted by industry performance, we now anticipate year-end distributor inventories to be lower compared to year-end 2024 on an absolute basis, but year-end days of inventory to remain relatively consistent and at what we view as healthy levels entering the new year.

As a result, for the fourth quarter, we expect the US STW trend to trail the US STR trend, excluding contract brewing. All other top line drivers remain unchanged. We continue to expect US industry volume to be down on average 4% to 6% for the second half of the year, while mindful that comparisons versus the year-ago period were somewhat softer earlier in the third quarter before becoming more difficult into year end.

We will cycle 1.9 million hectoliters of contract brewing volume in the Americas in 2025 related to Pabst and Labatt, and will cycle the remaining 300,000 hectoliters in the fourth quarter. And we continue to expect an annual net price increase of 1% to 2% in North America, in line with the average historical range and mix benefits from cycling contract brewing from 2024 as well as from premiumization in both business units.

Moving down the P&L, we expect COGS to be negatively impacted by volume deleverage, including a lower expectation for year-end US distributor inventory. Also, Midwest premium pricing has continued to increase. Our guidance assumed a price range of \$0.60 to \$0.75 per pound. This implies for the full year, Midwest premium costs will exceed the prior year by \$40 million to \$55 million, with most of the increase occurring in the second half of the year. However, as you can see on page 18 of our earnings slides, the price trended at the upper end of this range in the third quarter and was slightly above it in October. Therefore, we expect increases to be at the high end of that range.

As for MG&A, we continue to expect it to be down slightly for the year due to lower incentive compensation, which is largely offset by higher Non-Alc infrastructure costs as well as the Fever-Tree onetime transition and integration fees in the first half of the year. Again, those onetime fees were approximately \$30 million and will be recovered through net sales over the next three years, which began in the second quarter of this year.

In closing, we remain committed to improving shareholder value and look forward to sharing more about our strategic plans and long-term objectives in the coming months.

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. Peter, please go ahead.

Peter Grom

Analyst, UBS Securities LLC

Q

Great. Thank you. Good morning, everyone. Just two questions for me, one for Rahul and one for Tracey. First, Rahul, you've been in this role for about 30 days at this point, and recognizing you've been with the company for some time. But just as you step into this CEO role, would love to get your perspective on what you see as the biggest opportunities and challenges ahead.

And then, Tracey, I just was hoping to get some color on the implied improvement for the fourth quarter embedded in the top line guidance, just given the commentary on tougher category comps and now expecting to ship behind in Americas. Can you just walk through the building blocks for 4Q as you see them today? Thanks.

Rahul Goyal

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

A

Thanks, Peter. And good morning to you. If you look at the last 30 days, my focus and our priority has been, I would say, in two fronts. One is listening to our people and then our customers. And if you look at our business, right, I mean, I come from a place of we have a strong foundation. We got great brands, healthy balance sheet, but we have great opportunities. So if you look at our performance this year, majority of our share losses has been in the few areas, the Economy category or the flavor category. But we got core brands that are pretty strong. And so we need to find a way to make them stronger.

In Above Premium, we have great opportunities with the portfolio we have. Peroni is doing really well. We have some more work to do in Blue Moon. Again, the Beyond Beer strategy, I think this year Fever-Tree has been a great add to our business. So if you look at imbalance, I'm pretty excited about a number of things we have going, but recognize the challenges we have in some other parts of our portfolio and wanting to really get behind it.

I think the piece I'll leave you with is we're definitely moving with a sense of urgency and pace, right? I mean we recognized the volatility in the category this year, but we also recognize the things that we can work on within our team. So no, looking forward to it Peter. It's been a quick 30 days, but definitely moving with pace. Tracey, you want to take the second one.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Sure. Thanks, Peter, for the question. So in terms of Q4, look, we are expecting better top line performance in our EMEA, APAC, and Canada business units. And in addition, we are lapping softer comps from contract brewing in the US. So that's a big driver. Those two are the big drivers of our top line performance. And then just as that also translates to better bottom line performance as well as we will have lower G&A in the fourth quarter, really driven by the lower incentive compensation.

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

Chris Carey*Analyst, Wells Fargo Securities LLC*

Hi. Good morning, everyone.

Q

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

Morning.

A

Chris Carey*Analyst, Wells Fargo Securities LLC*

I'd be remiss not to say congratulations, Gavin, on your career, and best of luck. And so just from an inventory perspective, I think the message today is that you expect them to be lower in 2025 on an absolute basis, but closer to historical average on a days inventory basis. And I just wanted to maybe check this.

Q

Does that mean that the category improves a little bit next year from the current lows? You would be entering 2025 with low inventory, say lower than average if the category [indiscernible] (00:22:54) picks up just a little bit. So I'm just conscious beer distributors often use year-end to clean up inventory, and perhaps they're feeling a bit more anxious about that even more this year. And so I just wanted to test how you would see your inventory position going into next year.

And I was listening to the prepared remarks from Rahul. Thank you for all that. Is it fair to say that you don't see this massive need to reinvest in the business as is typical when you enter a new leadership position and that with restructuring and sustained commitment to some of the strategies that you've laid out as you evolve into new strategies, you don't see that? Or do you see a business that perhaps is a bit underinvested in this opportunity going into next year on top of a soft year? So thanks on the inventory and the investment piece.

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

Yeah. Thank you, Chris, and good morning. I think if you look at distributor inventories, I think the way we look at it is it's in a pretty healthy place, right? I mean you've seen what's happened to the category this year. So going into end of this year and getting ourselves into next year, days of inventory, we believe we're in a good place. In terms of our capacity to pivot and make sure we have the right level of supply in Q1, we feel good about it with our brewery network and infrastructure. So, and if you remember, even lapping a few things around the Fort Worth strike, et cetera, earlier this year. So I think we feel pretty good about being in a good place closing out this year, but also preparing and pivoting to getting our distributors right inventory levels next year.

A

In terms of your question of shape of reinvestment, I'd share with you a couple of comments, and I know probably looking for clarity of what 2026 looks like. But I'm committed to making sure that we are building our brands, right? And if you look at our category, we need to be championing beer. We need to be making sure we, along with other folks in the category, are making sure that the category is healthy. And in that, we're going to be leaning in and making sure we can support our brands appropriately, whether it's the core brands, Above Premium. In the economy one, I called out as being very disciplined around a geographic view of our Economy portfolio and making sure we are investing it in a smart way.

The other part I'd just call out is our balance sheet and cash flow, right? We are committed to returning cash to shareholders. But we also want to find ways to deploy capital to fill some gaps in our portfolio to get our growth going. So I would say it's going to be a combination of all of those in terms of making sure our brands are well

supported, but also using our balance sheet in a smart way of enabling top and bottom line growth, but also returning cash to shareholders.

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

Bonnie Herzog

Analyst, Goldman Sachs & Co. LLC

Q

Thank you. Good morning, everyone. I was hoping you could give us a little more color on the pressures you're facing or that are facing the Beer category, and I guess why you believe it's cyclical versus structural. And then what is your expectation for category growth this year? And do you expect the category to recover next year? And if so, what do you think will be the drivers of this? I guess, ultimately, where do you see the biggest areas of opportunity and, I guess, risk next year? Thanks.

Rahul Goyal

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

A

Thanks, Bonnie, and good morning to you. So I think I'll break your question into two or three pieces, right? So if you think about the pressures on the category, pre-2025, the last few years, our category has been in the minus 3%-ish range. And if you look at this year, we've been in the minus 4% to minus 6%. And I think that's what we shared at the end Q2 that we believe this year's category is going to be in the minus 4% to minus 6%. And this year, every quarter, every month has been pretty volatile, but we'll probably end up in that range, right? So I think our internal estimates suggests that we're in the minus 4.7% range in terms of the category health.

So there's something different this year. Right now, there's these structural issues that we've all talked about in the industry, whether it's health and wellness, whether it's the generational change. But this year, there's been a lot of other macro issues, right, whether it's the economic impacts, tariffs, immigration. So we still believe that this year or going into next year is cyclical. Once we get through some of these macro issues behind us, we should be getting back to the pre-2025 levels. So that's how we're thinking about the business.

And the way I would call that out is if you look at our portfolio, we definitely have so much more opportunity to really lean into our business, right? So while we've done a great job of premiumizing outside the United States, we're so under-indexed in the US. And therefore, the opportunity for us there remains. And then if we look at our share losses this year, it's been around flavors and Economy. And that's why you see me talking a little bit more about that, because those are the gaps we need to be filling or improving on.

So hopefully I answered your question about the category performance and just our views on that in the short term and then also the long term.

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

Drew N. Levine

Analyst, JPMorgan Securities LLC

Q

Hey, good morning. This is Drew Levine on for Andrea. Thanks for taking our question. So Rahul, you just noted the expectation, I guess, that industry could return to pre-2025 levels. You also noted in the prepared remarks that results will take some time to see. So I guess if you could just provide any more context to if you think that the company could return to low-single digit organic sales growth if the industry remains down in that sort of 3% range.

And then you also talked about being willing to deploy the balance sheet and cash flow to fill portfolio gaps. I know under Gavin, it was talked about as sort of a string of pearls approach. If you think that, given where the industry is, if we could be on the lookout for anything a little bit more sizable. Thank you.

Rahul Goyal

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

A

Yeah. Thank you, Drew. Just a couple of comments, I think, on your few questions. So with the industry being where it is, I think we still see the pathway for delivering growth both on top and bottom line. If you look at this year, what's impacted is obviously category, but also on the COGS side, right? There's been so much volatility around inflation, Midwest Premium, I know we've spoken about. So those are the, I would say, the headwinds we're dealing with this year.

If you, again, go back to the pathway to get back to top line, I mean, in the US, I'd break down our portfolio maybe in four buckets. Strengthening Core and Economy becomes important. And these are big parts of our portfolio. And frankly, they are big parts of our distributor portfolio. So making sure these parts of the portfolio are strong and healthy is important.

And I would say we've done a decent job on share with our Core brands, right? Our Core brands is still higher share than 2022, but we have work to do on Economy. But the runway we have in Above Premium is so much in Beer and Beyond Beer, right? In Beer, we are under-indexed. And I called out in my comments that we have work to do on Belgian White, Blue Moon, but Peroni is growing. Flavor is something that is volatile. We have some good success with our brands. But this year, we have some challenges with Simply.

Topo is starting to get much stronger. And then the non-alc piece, right? Fever-Tree was a great add. It's an exciting brand for us. It's an exciting brand for our network. So between the combination of that and along with our Canadian and Europe business, we can get our business back in low-single digit growth.

And then is obviously deploying capital, right? So your question of M&A. We want to make sure we deploy capital for brands that fill gaps in our portfolio, right? So I think that's important. Two, we want to be disciplined about it being accretive to both top and bottom line, right? So we're not going to chase top line just for the sake of top line.

And then third is we want to do it in a way that is prudent from a balance sheet perspective and utilizing our balance sheet. So we stay committed to our investment-grade rating. We stay committed to our 2.5 times leverage ratio, returning cash to shareholders. But we can deploy capital to really augment the portfolio and make sure we're making some changes that are meaningful to our total enterprise. So probably can't give you a specific number or size, but definitely going to lean in in the right way of enabling total enterprise growth.

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

Peter T. Galbo

Analyst, BofA Securities, Inc.

Q

Hey, good morning, Gavin, Rahul, Tracey. Thanks very much for the question. I also actually wanted to ask two questions on the balance sheet or related to the balance sheet. Molson Coors has done, I think, a much better job relative to the history of preparing the balance sheet to weather maybe some downturns or more structural cyclical headwinds. But two things I'd like to ask. One, Tracey, I think there's a – this quarter you moved into a relatively big bond maturity that's coming in the next 12 months. Just maybe how we should think about addressing that, particularly as we start to contemplate 2026.

And the second would be just on the impairment itself, again, relatively sizable hit to the balance sheet. Rahul, I think, understandably, you have to go through impairment testing. But in the context of cyclical versus structural, I would think this would lean more towards the structural end. So maybe you can help compare and contrast just what happened with the impairment charge relative to your views on the overall industry. Thanks very much.

Rahul Goyal

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

Thank you, Peter. Let me have Tracey answer the bond maturity question and then I'll take your impairment question.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

Yeah. Thanks, Peter. So yeah, we do have some debt coming due in 2026. And as with all our debt, we'll review that as we get closer to the due dates. I think the important thing is that we remain focused on maintaining our leverage ratio, as Rahul just said, in alignment with the target of being below 2.5 times. And we are currently in that range. And we will make sure that going forward, we are in a below 2.5 times. So closer to the time, we'll assess what we do with the debt. Thanks, Peter.

Rahul Goyal

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

Yeah. Thanks, Tracey. And Peter, you're absolutely right. We took the impairment charge to goodwill of about \$3.6 billion in Q3. And so firstly, a number of factors that impacted, right? So obviously, this year's performance. There is a question about the outlook of our business. But the other factors that come in is discount rates, risk premium, and frankly, the multiple, right?

So the way I think about this is we can get this business back to top and bottom line growth. We think we are very undervalued in the context of our market cap right now. Those are the things that we need to lean into and make sure we can demonstrate quarter over quarter. And this is something that, as you said, it's something we need to do every year and check ourselves to make sure we're thinking of the business in a prudent way and the impairment's a function of that.

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

Bill Kirk

Analyst, ROTH Capital Partners LLC

Good morning, everybody. Hey, Rahul, I was hoping to get a little bit more on your vision for the business. You mentioned portfolio gaps a couple times. Do you think the gaps are more related to regions? Are the gaps more like categories related, or are the gaps brand specific? And then maybe backing up even further, should the company's focus become more narrow? Or should the focus broaden and introduce new regions and categories?

Rahul Goyal

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

Yeah. Thank you, Bill. Definitely looking forward to sharing a lot more about the plans and how to think about that. But let me maybe break it down in maybe three different ways. So one is about portfolio. As you said, we have a pretty broad portfolio in the US. We have a great broad portfolio in Canada, even in Europe. And generally we do

believe all segments matter, right? So we do definitely need to work within that. Now how we work, the specific parts of the portfolio, I think that's where you see me highlighting some of the areas of opportunity we have.

Now in some parts we do have gaps, right? So I talk about the flavor part of our portfolio, right? So we have some gaps there we need to fill. We filled some gaps in Beyond Beer, in non-alc, right? So there is an element of both fixing some of the portfolio plays we have, filling some gaps. So that's, I would say, part one of the broad plan.

The second part is execution, right? And I think all of you know, while beer is a global business and a national business, it is a very local business. So us executing as close as possible to customers and distributors and retailers is going to be super important. And that's not just in terms of just the sales function, right? It is about how we deploy our people resources, how we deploy our marketing resources has to be as close as possible to our consumers and customers. So there is definitely a difference in how we execute and take that, our brands, to market.

The third element, to your question, is capabilities. We have a strong foundation in our infrastructure, whether it's breweries, whether it's supply chain. But it is an area that we need to make sure we are keeping up with, either on the commercial side, whether it's on the technology side, optimizing our brewery footprint in the best possible way with making sure we can meet some of the needs of our new capabilities. So you're definitely going to see that, us leaning into that.

And then capital deployment, right? Our capital allocation approach, Tracey mentioned us wanting to be disciplined about that. So I would say those are the broad areas.

Your question about being broader or narrow, we love the markets we are in. And we are in some of the best profit pools in the world. We just got to win in those. So that's how you're going to see us lean in on winning in the markets that we directly have a pretty strong foundation in.

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 morning, everyone. Rahul, so I wanted to ask about your experience working with and building the partnership with Coca-Cola, Fever-Tree, and some of the non-alc initiatives like ZOA. Should we expect more initiatives like that from Molson Coors in the future, to your point, as a way to fill some gaps in a capital-efficient way? Or do you see still the opportunity for maybe more traditional acquisitions going forward?

And then on the restructuring that you've announced recently, you indicated most of the charges, \$35 million to \$50 million will be in Q4. Can you provide some sense of the savings on a run rate basis going forward? And when should we expect those savings to flow through? Thank you.

Rahul Goyal

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

A

Thank you, Filippo. Let me talk about the portfolio and the partnership comments, and Tracey, if you can help on the restructuring piece. If you look at our portfolio, Filippo, we're definitely going to be focused on Beer. I just want to make sure – that's been our roots and it's a big part and foundation of our business. So Beer is always going to be super important and definitely leaning into that space.

In terms of partnerships and acquisitions, I think if you look at what we have done with both Coca-Cola, Fever-Tree, I think we've figured out a way of working with partners to really leverage our platform, leverage our infrastructure to scale brands. And I think I would say both of those partnerships have worked really well for our business. But in terms of deploying capital, I do think we continue to look at areas and opportunities to deploy capital to augment our portfolio.

So your question of whether we're going to do more partnerships versus more acquisitions, I think that is a function of how these opportunities come up. But you will see us leaning into spaces where we have gaps in the portfolio to fill, right? Maybe three, four years ago, we didn't have the capital to deploy. But right now I think our balance sheet's in a strong way that we can do it in a disciplined way. So continue to focus on Beer, continue to focus on some of the Above Premium agenda. But in the Beyond Beer space, we probably need to be both creative and deploy capital to fill some gaps. And Tracey, you want to...

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Yeah. Thanks, Filippo. So yeah, in terms of cost savings, look, we haven't provided specific cost savings targets as we're still finalizing the details around this restructuring. What we have said though, you correctly say, we expect charges to be in the range of \$35 million to \$50 million. And they are expected to be the future cash expenditures over the next 12 months. Substantially, all of the charges are expected to be related to severance payments and post-employment benefits.

But one thing in terms of the cost savings, look, a meaningful amount of the head count reductions was from the elimination of open positions in 2025. So we wouldn't expect to get a full benefit in 2026 because we did have the open head count as we prioritized our costs in 2025. So that's from a cost savings point of view. But look, we do intend to redeploy some of the savings to invest behind our brands, to invest behind our commercial capabilities as Rahul has said, both in commercial and in supply chain and in technology to support the ongoing productivity and efficiencies around our business.

Operator: Thank you. Our next question comes from Steve Powers with Deutsche Bank. Please go ahead.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thank you. I guess these are probably two follow-ups to much of what you've just recently discussed. On the restructuring, I'm curious, you spoke about how this is going to make the Americas organization faster, more nimble, more agile. Just curious as to exactly how the restructuring will enable that increased speed, number one. And then number two, Rahul, you've talked a lot about the portfolio in Beer versus Beyond Beer. I'm just – I'm still struggling to really conceptualize the balance of those investments in your mind.

Clearly, it's a game of and. And as you described it, both are important. But just again, that balance Beer, obviously, the bigger business. Investments to drive premiumization seem to be a core part of the vision. But do you see Beyond Beer as the bigger growth driver going forward? I'm trying to figure that out. And if so, how does that influence your investment prioritization, broader capital allocation, et cetera. Thanks for both those.

Rahul Goyal

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

A

Thank you, Steve. So maybe address both your different questions. One is about restructuring and portfolio. So if you think about going back to what I said about customer and consumer focus, we wanted to make sure that the

leaders driving that agenda had a seat around the table, right? So whether it's US sales, whether it's our marketing leadership, whether it's the Canadian leadership, we needed to make sure that in a land where category – we're challenged in the category, right? I mean we talked about minus 3%, minus 4% to minus 6%. We need to be getting much closer to how we execute in the front end of our business.

So it starts from that thesis of making sure we can bring these leaders around the table, really make sure we're executing with speed, we're pivoting where we need to. We're being reasonably focused where we need to. And it's also about shifting our resources, internal, both people and marketing dollars, where we see the opportunities, right? So that requires us to be, I would say, a lot more quicker, lot more nimble. And it starts with, obviously, leaders having the ability to drive that.

The other part I obviously talked about briefly was around making sure we can enable our teams who are closest to the markets to make those decisions, right? And so how do we drive both decision making and accountably as close to the markets as possible? So I think those are the two few principles that we've used. And that's what we're trying to drive in terms of the restructure changes, both in the US and in Canada, in making sure we can execute faster because, yeah, we are in a category context that is challenged.

In terms of portfolio, I'd break it up in two different ways. One is around marketing dollars, investment, and then about balance sheet deployment of capital, Steve. You're going to see us continue making sure we have the right pressure against our big brands. So whether that's Coors Light, Miller Lite, Banquet, things like Peroni, Blue Moon. So those are important brands that we believe have so much potential and make sure we are winning in the Beer landscape. So you will see us continue being super focused on those and making sure we have the right marketing pressure around it.

In terms of Beyond Beer, we do want to make it big enough that it starts having an impact to our total enterprise. I would say we are still early in that journey. And that's where I would say the balance sheet comes in to help us a little bit on making sure we have the right portfolio. In terms of what the right balance is between Beer and Beyond Beer, Steve, I think more to come on that piece. But the way I would think about investment is making sure we have the right marketing pressure against our big brands, but making sure we can use the balance sheet to augment our portfolio, add some scale brands that we can really use as a foundation in the Beyond Beer space.

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

Michael S. Lavery

Analyst, Piper Sandler & Co.



Thank you. And good morning, and congrats, Gavin and Rahul, both. Just want to come back to a couple things. You touched on needing to win in Economy. You touched on in your opening remarks, just wanted to focus a little more on High Life and Keystone. Can you maybe touch on why you think you might not have been winning there already, and whether it's maybe an innovation issue, a price issue, just not enough marketing? What more maybe should we expect looking ahead?

And then just a follow-up on the goodwill. You touched on how it is impacted by – the assessment process is impacted by this past year's results and evidently has a bit of a backwards look, but also seems to reflect an outlook ahead. And maybe what is the balance there, and how much is it more a function of what's happened already or what you think is to come?

Rahul Goyal

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

A

Thank you, Michael. So again, just let me talk about the Economy portfolio and then add a few comments. And Tracey, anything else you would like to add on the goodwill. But I would go back to a couple of ways to think about the Economy portfolio. First is a consumer lens, right? The consumer, I think you and everybody is aware, the consumer from a staples perspective is special. And so for us, making sure we have a portfolio that can meet our consumers in every occasion. In this category, in Beer, we definitely don't see trade down from a brand perspective, but we have brands that consumers love like High Life, like Keystone, like Pilsner in Canada, et cetera, right?

So we have a broad Economy portfolio that consumers really love. And this is big, Michael. I mean this is a big part of our portfolio in terms of scale and volume. And frankly, it's a big part of our customers' portfolio. So making sure that we're doing the right things of keeping it as healthy as possible is super important. So the things you talked about, all of that matters, right? Whether it's the right level of marketing, it's the right level of innovation, right? Again, brought price back in that part of the portfolio. And I would call out the regional element of it, right? So our portfolio is very regional, and we need to make sure that we are winning in a very, very regional way with all of that.

So probably less – slightly different the way we think about Coors Light, Miller Lite, Banquet, which are big national brands that need to win in different ways. The focus on economies, I would say, for solving a different purpose.

To your point about goodwill, it is a function of this year's performance. It's a function of discount rates, multiple. But yeah, it does have a view of the outlook, right, again, versus what we had previously. And I think that was informed by this year's both category performance and outperformance. So I would say those are the big drivers. But as you know math in these things, discount rates and multiples have a big impact on some of these elements. So Tracey, anything else?

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

No, I think you've basically covered it Rahul. Just maybe an added thing in terms of the current outlook is the cost, particularly driven by the Midwest premium. We have seen that now in October being the highest level ever with potential more increases coming. So that was also a part of the outlook for our costs. But having said that, look, we remain confident in the resilience of the beer industry. And also, as Rahul has said, our ability to return to both top and bottom line growth.

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

Robert Ottenstein

Analyst, Evercore ISI

Q

Great. Thank you very much, and congratulations to you, Rahul, and to Gavin, and best of luck. So I guess the question I'd like to try to approach, Rahul, is to get a sense of your mandate from the board and how much freedom is the board giving you to the sense that if you wanted to make significant changes, is everything on the table? No sacred cows and that kind of approach, so something that may be a departure from the past? Or is the mandate from the board more like just stay the course, tweak things around the edges, improve execution here and there. But basically, let's weather this storm and keep plugging forward. So just really just trying to get a

sense of how those discussions went and what range of freedom you feel that you have to create shareholder value here. Thank you.

Rahul Goyal

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

A

Good morning, Rob, and thanks for the question. Yeah. I would say we definitely – our board is always focused on what's the best thing for all shareholders, right? I mean, that's definitely the lens. And frankly, I don't – there is no sacred cows. I think they've given us, given me the freedom to say let's make sure we have a plan that can drive the most shareholder value. And that's what we are, that's what I'm leading for. So yeah, there are no sacred cows. There's no constraints. I think you and everybody on this call understands the challenges there are in the category.

I know there's been a lot written about our portfolio. So all of that is real, and that's the context to work within. But in terms of the direction from the board, it is about driving, maximizing shareholder value in the best possible way we can. So definitely don't feel any constraint. Definitely be no sacred cows. I think the tricky part, and some of your colleagues asked this question, right, a category is going through a tricky time this year. Again, I go back to, we are in great geographies with big profit pools. But yeah, it comes with a different shape of category health.

And those are all reality context. But it doesn't take away from the opportunities we have for our portfolio. So I think that's the best way. And again, that's why you see me talk about even the balance sheet. And while we're committed to returning cash to shareholders, we're going to find the right ideas to deploy capital to get ourselves back to top and bottom line growth also. So yeah, no, I understand the question, Rob. But no constraints here from the board or anybody else.

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

Eric A. Serotta

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you, and congratulations again to Gavin and Rahul. Rahul, hoping you can talk a little bit more about the overall level of investment and capabilities, your comfort with the current level. I know you talked about having the right marketing pressure behind the brands. But if you look a little bit more broadly, investment obviously is more broad than marketing support. As we look at the organization, it's come a long way in terms of capabilities since 2019 and the revitalization plan. Are there areas either that need increased investment or where you need to further build out capabilities, either from an OpEx or CapEx standpoint from here?

Rahul Goyal

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

A

Thank you, Eric. Good morning to you. And yeah, no, I would break out the capabilities in probably maybe three broad buckets, right? So one is our supply chain, wanting to make sure that we have the right level of CapEx that drives the right ROI, but also builds capabilities in our infrastructure. So again, give you an example, and I know we've spoken about this in the last few years, is things like variety packing and things like having the ability to do flavors in our breweries. These things were never possible maybe five years ago. And this is investment that we've made to change these capabilities in our infrastructure, right?

So making sure we have the right level of CapEx, right, which is important. So I think that's one thing we're going to continue to look at. So supply chain continues to be an area of making sure we have strong capabilities. Again,

outside CapEx and supply chain, it seems like optimization of logistics and transportation costs, right? So some of the new tools and technology, et cetera, can enable us to do that.

The other one is commercial capabilities, right? So if you think about our market share in the United States, but our category captaincy is significantly higher than the market share we have. And that means we are playing a role in driving that capability with our retailers. So that, again, goes back to examples of capabilities.

And then the last part is technology. Both in terms of baseline technology needs with some of the new capabilities around AI and how do we leverage that with our infrastructure. So we're going to continue focusing on these areas. I think your question around what's the right level of investment, I think, again, more to come on that as we think about our total business. But the lens we usually have on this is, what is it driving for our business? Right? Is it productivity? Is it efficiency? Is it enabling the top line? So being very clear on all the KPIs or metrics that we use to make sure that these investments are returning something to the business. So while we will focus on capabilities, it is from a lens of productivity, efficiency, or to enable top and bottom line.

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

Kevin Grundy

Analyst, BNP Paribas Exane

Q

Great. Thanks. Morning, everyone. Rahul, two questions for me, actually, kind of pulling together some of the themes that we've talked about. And that is your assessment of the company's cost structure more broadly, particularly from a supply chain and brewery optimization perspective. So the company made some difficult choices at the corporate level. But as the volume outlook has certainly become quite a bit more challenging, perhaps the company's fixed cost structure is not appropriately sized for the new realities if you will.

So one, do you view that as a fair assessment? And two, in light of one of the questions earlier on investment levels, do you view incremental productivity as an enabler to support higher investment levels? Or would incremental investment be a near-term drag on margins? So thank you for that.

Rahul Goyal

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

A

Thank you, Kevin. So let me address your first thing around the brewery one. And the second one, I just want to make sure I got your question right. But on the brewery stuff, on our brewery infrastructure, I mean, we're always looking at ways of making our brewery network efficient, right? And you've seen some of the actions we've taken in the past. A couple of things I'd call out as we think about our brewery infrastructure. One is around transportation costs, right, and making sure that we are looking at brewery infrastructure in the context of transportation.

The other part is the seasonality of our business, right? So seasonality in terms of summer and making sure we think about that. So to answer your question broadly, yeah, we're absolutely going to be thinking about all the elements of our fixed cost base. Right now, I don't believe we need to be closing a brewery. I think we need to be smart about how we think about lines, in particular breweries where we produce what product. How do we get smarter about some of the efficiency in terms of moving our brands around. I think that's how we think about it. But fair question as we think about the volume outlook and what that does. But a cost savings will always be a focus for us, whether it's on the fixed side, whether it's on the G&A side, I think that priority and focus will, I would say, always remain.

Your question about do we need investment to drive productivity, I think that was the theme of the question. I don't believe we need some high, elevated levels of investment to drive productivity. I think we need to look at our CapEx in the right way and be checking ourselves to make sure we get the right ROI. We need to make sure that the investment we have in people, technology is driving the right returns. But I don't believe – I think your question was, do I see or expect a big spike in investment to drive productivity. I think that I don't believe I see that right now. I think marketing, again, I want to make sure we have the right pressure against our brands, again, but check, test ourselves to make sure we're getting the right return on the marketing, right? So hopefully I answered, Kevin, both your questions in terms of fixed costing and the investment profile.

Operator: Thank you. Our next question comes from Kaumil Gajrawala with Jefferies. Please go ahead.

Kaumil Gajrawala

Analyst, Jefferies LLC

Q

Hey, everybody. Good morning. Congratulations all around. Also, I think congratulations to Eric Serotta who might have been the first analyst to pronounce your name correctly. You'll find name pronunciation to be a thing on many of these calls. You're getting the same question, I guess, over and over again around the restructuring and investment levels. And I think a lot of that is because, in many instances, when an industry is struggling and has struggled for over a decade, we see bigger restructurings, bigger savings at the time of management change. And what's [indiscernible] (01:04:11) so far seems small. So just curious, is this just the first step and there's bigger restructuring to come? Or is it everything's in place now and it's time to go?

Rahul Goyal

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

A

Kaumil, thanks for the question. I think I know I'm keen to also talk about our total plan and I look forward to sharing that in the coming months, right? I mean we definitely – if you think about our business, and you said this, with respect to long-term trends, making sure we are looking at our cost base in the right way. I think we're going to look at everything. The piece that we took action on in the short term in the last 30 days was to make sure we are set up well in the Americas for 2026. So I would say more to come as we think about all the elements of the plan. Cost and efficiency is another element that is super important. But we were trying to move with pace as we think about setting ourselves up in the Americas for 2026.

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. Thanks so much. Good morning. One thing I wanted to go back to was just in the prepared remarks, Rahul, when you commented on – I'm just going to find the quote again. On the commercial changes, I know you, in answer to Steve's question, you talked a little bit about org structure. But you also talked about deploying marketing based on market dynamics and portfolio priorities. And I just was curious, like what were you doing before? Because that sounds like I would think that's what's already happening. So I'm just curious how you maybe compare and contrast, and what it is that needs to change. Thanks so much.

Rahul Goyal

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

A

Yeah. Thank you, Lauren, and absolutely fair question. I think the way I would think about this is how do we react faster to the external market dynamics, right? If you look at our brands, while we have big national brands, they

play different roles regionally. They operate in terms of market share we have in each state or each region is different. And we need to just find ways of deploying our internal resources in a stronger way. The added part – and some of this we were doing, right?

But again, the pieces I would say is different or will be different is in the context of accountability. How do we make sure our decision making is as close to those markets as possible? How do we make sure we can shift both people and dollar resources closest to that decision making? And I think that those are the changes that would feel different for our teams, how we operate, how we engage with our distributor network, Lauren.

So I think it is things I would say we were doing, but we just need to lean in harder given how the category has changed, right? I mean if you look at even regional performance, I know we talk about the national performance of the category. The category is performing very differently in different parts of this country. And we need to make sure we're pivoting to that, both from a resource perspective, from a brand perspective. That's where the economy context comes into conversation, right, because some of our economy brands are very big in particular geographies. And if we are not putting the right focus on those, the whole growth algorithm becomes very hard to make happen. So I would say those are the big highlights I would call out, Lauren, to your question.

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

Nadine Sarwat

Analyst, Bernstein Autonomous LLP

Yes. Hi. Thank you for taking my question. I'd like to come back to some of the cyclical pressures that you called out in the prepared remarks. And in particular, what are you seeing in terms of consumer sentiment for your consumers in Q3, and to the extent that you can comment on this in October? I appreciate the prepared remarks you made, but are there any internal surveys or analytics that you're able to share about what's driving consumer behavior today? And how does that help you be more confident in your statement that the incremental pressure we're seeing today is firmly cyclical as opposed to structural? Thank you.

Rahul Goyal

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

Yeah, Nadine. Again, I understand the question, but, so if I address it in maybe a few added points to give you some context of at least how we're seeing it. I mean, if you go back to pre 2025, some of these trends have been with us as the Beer category for a long time, right, whether it's health and wellness, whether it's generational change, whether it's people making choices around alcohol. I think that some of those have been – we and everybody in the industry have known about those. And if you look at the category historically, used to be in the minus 1%, 2%. In the last few years, it's in mid minus 3%-ish range.

This year, I would say there's been definitely added pressure. And you see that across staples, and beer hasn't been immune to that. So whether that is impact of tariffs on consumer sentiment, if it is the focus on the Hispanic community, any of those elements. So I do believe that has had a different type of an impact to the Beer category this year. And that's where, once we've got through these macro issues, then we need to get back to those baseline levels of how we think about the category and then making sure we're winning in that category.

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

Robert Moskow

Analyst, TD Cowen

Hey, thank you, Rahul. I'm trying to summarize all of the commentary about the regional execution versus the national marketing of your brands. And I just want to make sure I understand. Like you have Coors Light and Miller Lite, your two biggest brands. Is it your view that, on a national level, that the marketing of those brands has been just fine? Because there's been multi-year share losses of those. One of your competitors has made great inroads in the light category, probably at their expense. So do you think that the national marketing of those brands is doing just fine, and really, it's just the regional execution could improve and that's the way to stabilize? Thanks.

Rahul Goyal

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

A

No. Thank you for that question. We definitely think there's opportunities for us as we think about how these brands show up. If you think about the work we are doing on Miller Lite with 50-year campaign. I think – and if you look at share losses of Coors Light in Q3 versus Q2. So definitely that's something we're looking at of the national campaigns for our big brands and how do we lean into it differently, how we think about it going forward.

And I'd just point you, pointed out to Coors Banquet, right? I mean I think it's a brand that has really met a consumer need, has resonated with consumers. We've obviously executed well in the context of distribution gains. But are absolutely focused on making sure we've got the right campaigns for Coors Light and Miller Lite. And I think you'll see some of that play out with live sports in the coming months.

Operator: Thank you. Our final question today comes from Gerald Pascarelli with Needham & Co. Gerald, please go ahead.

Gerald Pascarelli

Analyst, Needham & Co. LLC

Q

Great. Thank you very much. Rahul, I guess, just going back to some of the prior commentary on this call and to summarize, is it fair to assume or expect that bolt-on M&A or a more aggressive push into Beyond Beer ultimately becomes a more important part or a larger part of the capital allocation strategy looking forward? And then for Tracey, just going back to the Midwest premium, it's obviously been increasing; \$0.81 per pound. I know there's like less than two months left in the year. But if the premium continues to spike, is there a spot price threshold for us to be mindful of that could potentially put your PBT guidance at risk for the year? Any color there would be great. Thanks.

Rahul Goyal

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

A

Yeah. Thank you, Gerald, for that, and morning. If you look at M&A and deployment of capital, we have a pretty strong Beer portfolio across the world, right? I mean we continue to fill some gaps in that. But the places where we need to fill some gaps are probably in the Beyond Beer. So in terms of deploying capital, you will see us probably lean in a lot more on the Beyond Beer space than the Beer space. But if there are ideas that make sense that augment our business and drive top and bottom line growth, we're going to look at that. But I think, broadly speaking, I think your assessment of deploying M&A dollars in Beyond Beer is probably the right way to think about it. Tracey, you want to address the Midwest premium question?

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Yeah. So hi, Gerald. Look, I mean, we've spoken about the Midwest premium a lot. And as you rightly say, it just continues to increase and hit an all-time high in October, potentially going much higher. Now we do have an

extensive hedging program that operates – there's a blend between structured as well as where we use opportunistic depending on the markets. We're able to hedge out multiple years. And really the objective is to smooth out the impacts of any unfavorable swings in commodities and in ForEx.

But as it relates specifically to the Midwest premium, look, we do have coverage, and we do follow the guardrails in our program. But as I've said before, it's a very difficult and very expensive commodity to hedge. Its pricing does not follow conventional market ebbs and flows, and liquidity is limited. And so it continues to be a headwind for us. And we do try and eliminate the volatility through hedging. But at the levels that it is, there's no reason for that. So we'll just continue to track it and do what we can in terms of trying to mitigate the volatility that we do see in that commodity.

Operator: Thank you. That concludes our question-and-answer period. You may now disconnect.

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