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Molson Coors Beverage Co. (TAP)

Q1 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Molson Coors Beverage Company First Quarter Fiscal Year 2026 Earnings Conference Call.

With that, I'll hand it over to Greg Tierney, Vice President, Commercial Finance, FP&A, and Investor Relations.

Greg Tierney

Vice President FP&A, Commercial Finance & Investor Relations, Molson Coors Beverage Co.

Thank you, operator. Following prepared remarks today, we look forward to taking your questions. In an effort to address as many questions as possible, we ask that you limit yourself to one question. If you have technical questions on the quarter, please reach out to our IR team. Also, I encourage you to review our earnings release and earnings slides, which are posted to the IR section of our website and provide detailed financial and operational metrics.

Today's discussion includes forward-looking statements within the meaning of federal securities laws. Actual results or trends could differ materially from our forecasts. For more information, please refer to the Risk Factors discussed in our most recent filings with the SEC. We assume no obligation to update forward-looking statements except as required by applicable law. The definitions of or reconciliations for any non-US GAAP measures are included in our earnings release.

Unless otherwise indicated, all financial results we discuss are versus the comparable prior-year period and are in US dollars. With the exception of earnings per share, all financial metrics are in constant currency when referencing percentage changes from the prior-year period. Also, share data references are sourced from Circana in the US and from Beer Canada in Canada unless otherwise indicated.

Further, in our remarks today, we will reference underlying pre-tax income, which equates to underlying income before income taxes, and underlying earnings per share, which equates to underlying diluted earnings per share as defined in our earnings release.

And with that, over to you, Rahul.

Rahul Goyal

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

Thank you, Greg. Now, before I begin, I want to recognize our team for the focus and commitment they've demonstrated this year. We're operating in dynamic times and the work happening across our markets gives me confidence in our people and our direction.

In the first quarter, we announced Horizon 2030, a strategy designed to strengthen our business and drive long-term value creation. We took action right away. For example, we said we'd leverage M&A to fill portfolio gaps and we did just that by establishing a position in RTDs.

We also said we'd extend our share buyback program and we executed on that as well, because we believe our shares are a compelling investment. While it's early in the year, we navigated a complex external environment and continued to make progress against our strategy.

At the same time, the US beer category started the year on better footing. However, macro uncertainty continued to put pressure on input costs and consumer behavior, especially lower-income consumers. For beer, the number of trips and buyers improved while consumer sentiment declined.

In EMEA & APAC, macro pressures increased over the quarter, driven by geopolitical events, including the conflict in Iran impacting fuel costs and consumer sentiment.

Now, that said, we believe Molson Coors is positioned to navigate this moment and strengthen our business supported by our strong balance sheet, free cash flow generation, and our portfolio that spans price points, geographies, and consumer occasions. And based on what we are seeing today, we are reaffirming our full-year guidance and remain confident in our ability to execute against our priorities.

As we move through 2026, we're acting with speed and intent, balancing near-term execution with our goal of long-term growth. In Q1, we continue to sharpen our portfolio focus, strengthen our commercial model, and move accountability closer to our customers and consumers. While these efforts will take time to show up in our results, we're encouraged by the early progress.

Our strategy begins with building strong and scalable brands that matter across Beer and Beyond Beer. Our momentum in bars and restaurants and venues is a great example. Across the on-premise, our top six brands all delivered share growth in the quarter based on Nielsen CGA. This includes Miller Lite, Miller High Life, Coors Light, Banquet, Blue Moon, and Peroni, demonstrating our strength in the channel across a range of price points.

In Q1, we were among the top BevAlc advertisers during March Madness and the exclusive sponsor of ESPN's bracket challenge, reflecting our commitment to high-impact occasions.

Looking ahead to the summer, we are also making our single largest media investment in many years tied to the World Cup, which will include multiple brands across our portfolio. This investment includes in-match media buys, extensive local activation in key markets, podcast, and influencer partnerships.

Now, let's get into how our core brands performed in Q1. While US brand volume trends improved, our share wasn't where we wanted it to be. We're executing against the actions we outlined in February, including new creative for all the three of our US core brands.

Coors Banquet continues to build momentum. And in Q1, it returned to national sports advertising for the first time in five years, an important milestone for a brand with enduring consumer relevance.

Miller Lite faced challenges in the quarter mostly driven by heightened competition in a couple of US regions. So we're working quickly and taking targeted actions, including new ads in English and Spanish for the World Cup and a custom visual identity and activation platform for America's 250th anniversary.

Outside the US, we're also taking steps to protect and strengthen our core brands. In Canada, Coors Light remains the number one premium light beer and is holding industry share. In the UK, we reintroduced a fan favorite in Carling Black Label. And in Central and Eastern Europe, several of our key brands, including Ožujsko and Jelen, remain number one or number two brands in their home markets despite challenging economic conditions.

Now moving to the value segment, we've acted quickly while recognizing this is a long-term journey. While Miller High Life's share has been fairly stable and is doing particularly well on-premise, Keystone Light needs some attention and we're taking action. Distributor orders for Keystone Apple are pacing ahead of expectations and even more recently our decision to reintroduce Keystone Ice was extremely well received by our network. We're encouraged by the early signals as well as the continued expansion of Miller High Life Light, which is now available in 22 states and performing well.

Turning to Above Premium beer, we held US industry share in Q1. Supported by our priority brands, Peroni continues to gain momentum and saw increased media investment during the Winter Olympics. Blue Moon Non-Alc also continues to perform well and we recently launched new creative for the Blue Moon franchise.

We're encouraged by the sustained on-premise trend improvements for Belgian White, while recognizing that a full turnaround will depend on continued focus and consistent execution.

In the UK, we saw some softness in Madrí, driven by aggressive competitor pricing. Importantly, we do not believe this is a brand health issue. We're responding with intention, adjusting our commercial actions to remain competitive while protecting Madrí's long-term strength. Our media investment for Madrí is just now turning on for the year and we continue to build the franchise with innovation like Madrí Limón.

Moving to Beyond Beer, we're scaling up here and we're making great progress. This is the fastest-growing part of our portfolio supported by brands like Fever-Tree, Topo Chico Hard and, as of this month, Monaco Cocktails in the United States.

Fever-Tree delivered strong execution and contributed meaningfully to our topline performance in this quarter. The brand continues to resonate with distributors, retailers, and consumers, reinforcing our confidence in its long-term potential.

We just launched the brand's first national ad campaign in the US a few weeks ago, which we will be supporting with in-person events and sponsorships this summer, including the PGA Tour.

Moving to Topo Chico Hard, which returned to growth in Q1 after our regional focus last year. The turnaround of this brand is a prime example of local execution done right. Looking ahead, we believe Topo Chico Hard will benefit from World Cup media support in both English and Spanish language.

We also announced the acquisition of Atomic Brands, maker of Monaco Cocktails, during this quarter. This brand is highly instrumental to our portfolio and strengthens our position in convenience stores. Importantly, we believe Monaco fits naturally within our route to market and gives us a platform to compete in RTDs.

Integration is now underway and we're approaching it with rigor. Monaco adds immediate scale to our portfolio and it fits into the M&A criteria we outlined in February. As we expect Monaco to contribute about 1% to global NSR on a trailing 12-month basis, while also delivering incremental profitability in year one with nine months in our portfolio. As part of this deal, we also retained about 80 members of Monaco's sales teams providing continuity and immediately expanding commercial coverage for our Beyond Beer portfolio.

Combined with the team members we added for non-alc last year, we are meaningfully expanding our execution muscle at the point of sale. These feet on street should allow us to be more present for our customers, more agile in the marketplace, and more effective across Beyond Beer.

To further support our portfolio ambition, we've also continued to rewire how our teams operate with an emphasis on speed and bold actions. We've implemented changes to our operating model, including clear performance measurement and revised incentive structures, ensuring that our people have both the authority and accountability to drive the business.

We've established new routines for our commercial teams that encourage responsive investments across the portfolio rather than siloed brand-level budgets. This approach recognizes that our commercial investments should be dynamic with clear trade-offs being made to fund the highest-impact initiatives in real time.

This practice takes local dynamics into account in addition to factors like marketing effectiveness. These changes are designed to drive a strong results-oriented mindset across the organization while also improving the team's speed and execution.

We've also taken steps to advance our three-year \$450 million cost savings program, announcing further actions in Q1 to strengthen our cost base. These include restructuring actions in EMEA and APAC and closing a brewery in the UK alongside other operational changes designed to unlock efficiencies in a region facing cost inflation and increasing macro uncertainty. These actions help us manage through periods of higher inflation, while the initiatives we put in place in the Americas last year should also deliver a benefit in 2026 to help offset cost pressures.

Tracey will discuss this further but, to summarize, we're operating amid heightened variability and are managing through it thoughtfully.

Finally, capital discipline remains central to how we run Molson Coors. We continue to apply a balanced capital allocation approach investing behind our brands, pursuing M&A to strengthen the portfolio, and returning cash to shareholders. We remain committed to our dividend and share repurchase program, and we continue to view Molson Coors as a compelling long-term investment.

Now, as we move into summer, we're clear-eyed about the work required to strengthen our business. This is complex work. We recognize it will take time. And while the external environment remains dynamic, three things hold true: our direction is clear, our priorities are defined, and our teams are executing with urgency and intent.

Just as importantly, where performance has been more pressured, we are now addressing it with far greater precision. For brands like Miller Lite, we have a much clearer view into where and why and how it's performing by region, by channel, or by execution lever. And we're taking targeted actions.

This sharper diagnostic approach gives us the confidence that we can stabilize trends and rebuild momentum over time. The progress we're seeing across many brands, the more targeted ways we are addressing challenges, and the operating changes we've put in place all give us confidence in our ability to improve portfolio performance and create long-term value.

Now, with that, I'll turn it over to Tracey to discuss our financial performance and outlook.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

Thank you, Rahul. In the first quarter, on a constant currency basis, consolidated net sales revenue was up 0.1% and underlying pre-tax income was up 16.2%. Underlying earnings per share increased 24%. On an underlying

basis, the key quarterly drivers were positively impacted by some phasing considerations, but otherwise were largely in line with our expectations.

The US beer industry was down minus 1.6% based on our internal estimates. Our US volume share was down 60 basis points based on our internal estimates, including relatively better share performance in the on-premise channel compared to the off-premise. US domestic shipments outpaced brand volumes, resulting in a roughly 1 percentage point benefit to Americas' financial volume in the quarter. EMEA and APAC brand volume declined 3.4%, primarily driven by ongoing soft market demand and a heightened competitive landscape in the UK.

The Midwest Premium remained elevated, adding approximately \$30 million of year-on-year cost increase to Q1 cost of goods sold. MG&A was down 9.1%, largely due to lapping approximately \$30 million in prior-year Fever-Tree transition costs, coupled with lower employer-related costs, which more than offset additional investments in technology.

Turning to the balance sheet, at quarter end net debt-to-underlying EBITDA was 2.5 times. This was an expected increase from year-end 2025, as we normally see a sequential uptick in the first quarter, given lower cash balances.

Earlier this year, we announced that we had increased both the amount and the duration of our stock repurchase program, increasing our total authorization to up to \$4 billion through December 31, 2031. And in the first quarter, we continue to make progress against this authorization. We paid \$94 million in cash dividends and \$164 million to repurchase 3.4 million shares in the quarter.

Since the plan was announced in October 2023, we have repurchased 14.8% of our Class B shares outstanding. And as we previously announced, in the first quarter, we raised our quarterly dividend to \$0.48. This was an increase of 2.1% and represented our fifth consecutive year of increases. This clearly demonstrates our intention to sustainably increase our dividend. And given our share repurchases, we were able to raise the dividend while decreasing absolute dividend cash payments.

And with that, let's discuss our outlook. As Rahul mentioned, we are reaffirming our 2026 guidance. Now before we get into the details, I'll remind you that the impacts 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.

Starting with the top line, we expect to ship to consumption in the US, but now expect some variability by quarter. After relatively stronger performance in the first quarter, we expect our US shipments to be down 6% to 9% in the second quarter, trailing our brand volume trends, with shipments outpacing brand volumes in the second half of the year.

And with the addition of Monaco Cocktails, we will recognize nine months of NSR and profit contribution as we integrate the Monaco brand portfolio into our network. This impact is included in our guidance assumptions. All other top line drivers remain largely unchanged.

We continue to expect the full-year 2026 US industry volume trend to improve versus the down 5% we experienced in 2025, and expect our balance-of-year share performance to improve versus the first quarter as we continue to execute our strategy. We continue to expect an annual net price increase of 1% to 2% in North America, in line with the average historical range, and expect mix benefits from premiumization in both business units.

Moving down the P&L, we expect COGS to continue to be negatively impacted by rising commodity costs as Midwest Premium and base aluminum remain elevated versus the prior year. EMEA and APAC, in particular, are experiencing additional uncertainty given current geopolitical issues.

On Midwest Premium, we continue to expect elevated costs relative to 2025. For the balance of 2026, we believe we have meaningful hedge coverage, meaning that the impact of the recent rise in prices since February should be a manageable headwind. And on phasing, we expect Midwest Premium to be inflationary over the balance of the year with the largest increase currently anticipated in Q2.

Recall that last year we highlighted that the rising cost of Midwest Premium was a \$35 million headwind with most of the increase realized in the half two. As for MG&A, we continue to expect a significant increase versus 2025 over the balance of the year due to several factors.

First, as previously highlighted, we expect incentive compensation expenses to be higher than 2025 with the largest increase expected in the second quarter. We also expect to make additional capability and technology investments to help drive our strategy and modernize our ERP system.

And as with most acquisitions, we will have higher costs in the first year as we integrate the Monaco business. As an example, we are adding over 80 members to our sales team and expect to incur additional costs as we market and integrate the brand into our business. And to mitigate near-term headwinds, we continue to take deliberate actions in driving our three-year \$450 million cost savings program.

Rahul mentioned the actions we put in place in EMEA during the first quarter. We've also taken additional cost savings actions that are designed to optimize our supply chain within the Americas. These actions are expected to add to the savings driven by the implementation of the Americas structure and operating model at the beginning of the year.

And lastly, we remain focused on driving capital allocation decisions that we believe deliver long-term shareholder value. We've just added Monaco Cocktails to our portfolio and have again made meaningful progress in executing our share repurchase program. We continue to be a very cash-generative business and looking forward we continue to have optionality in supporting growth initiatives, returning cash to shareholders, and evaluating debt paydown versus refinancing scenarios while continuing to expect our year-end leverage ratio to remain below 2.5 times.

In closing, with a solid start to the year, a strong global brand portfolio, a healthy balance sheet, and strong cash generation, we are confident in our ability to navigate near-term uncertainty while supporting the long-term health of our business and brands.

And with that, we will take your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] The first question today comes from Filippo Falorni with Citi. Please go ahead.

Filippo Falorni

Analyst, Citigroup Global Markets, Inc.

Q

Hi, good morning, everyone. Rahul, I was hoping to get your perspective on the US beer industry. I think you mentioned like a 1.6% decline in Q1. Just what are your expectations as we move forward into the summer especially with the World Cup and America's 250th?

And then Tracey, I was hoping you can provide a little bit more color on the reason behind the different shipment versus depletions in Q2 and the back half. What is driving the under-shipment in Q2 and then stronger shipments in the back half? Thank you.

Rahul Goyal

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

A

Good morning, Filippo. Thank you for the question. If you think about the industry and we spoke about this in February, coming into this year we did expect 2026 to be better than 2025, right. And if you think about just consumer sentiment and obviously the challenges the category had in 2025, the quarter one has turned out to be, I would say, a little bit better than that which we expected. And all the signs suggest that the balance of the year continues to be strong versus 2025.

Your question about how do we see the summer, I mean, we're pretty excited about going into the summer for a couple of reasons, for the category and for our portfolio. We have some big events that are occasion-friendly from a beer perspective. So whether that's America's 250th celebration, whether that's the World Cup, so we feel pretty good about the balance of the year in terms of what the category can do compared to 2025.

Now, we do need to just keep in mind some of the volatility that still exists from a consumer perspective, as you probably saw at the end of March, early April, fuel prices, consumer sentiment in the US was pretty low. So, again, we remain cautious in terms of and balance, but I definitely see the category being healthier than what 2025 was.

And the exciting part in this is for our portfolio, right. I mean, all the commercial tools that we have in getting behind our brands, whether it's in Coors Light with World Cup or it's Miller Lite with America's 250 all the other brands, I means – all of that is coming live right now and getting into the summer. So, I would say broadly speaking, healthier category this year versus last year and a lot to get excited about going into the summer. Tracey, do you want to touch upon Q2?

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Yeah, thanks Rahul. Hello, Filippo. Listen, so I think overall we want to say that we do expect to ship to consumption in the US for the year. But we do expect some variability in the quarters. So as we said, we expect our STWs to be down between 6% and 9% in the second quarter trailing the brand volume trends, but then with shipments outpacing STRs for the second half of the year.

Specifically what impacts Q2, just looking at Q1, we did have some challenges with some one-off events related to weather and energy supply et cetera to our facilities and we had some challenges with upgrades that we were making in our breweries. And then also some challenge with some of our suppliers, particularly glass supply. But we have been working with our suppliers and we were able to ship ahead of the brand volume in the quarter but there still remains a few pinch points in some of our packages and our network is feeling this, but our team is focused on this and we're confident that we'll continue to make progress throughout the quarter and we are communicating consistently with our network.

Also recall that we're cycling relatively higher inventory levels from Q2 of last year and then in addition for Q2 we do have some planned downtime to make some line upgrades in our Shenandoah Brewery. So that's also contributing to lower shipments versus the last year. But look, importantly, this is a temporary disruption and we are expecting to benefit from our efficiencies and our qualities with all of these upgrades et cetera that we're making in the long-term.

Rahul Goyal

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

A

Yeah. And if I could add something, Tracey, I mean, we have a strong commercial program planned for the summer and we feel good about making sure we can execute against that. And as Tracey mentioned, there is maybe a couple of packages that we have a few pinch points on that we're working very closely with our network on.

Operator: Thank you. Our next question comes from Peter Grom with UBS. Peter, please go ahead.

Peter Grom

Analyst, UBS Securities LLC

Q

Great. Thank you, and good morning, everyone. Maybe picking up on that a little bit, so you touched on the optimism around the path forward related to Filippo's question. But obviously the world has changed a bit over the last two months. So I'm just curious if you've seen any shifts in demand or channel dynamics as you exited the quarter or through April and then just the guidance for Q2, minus 6% to minus 9%, I mean, that's still a relatively wide range for one quarter. So can you maybe help us understand what it would take to be at the more favorable end of that versus the lower end? Thanks.

Rahul Goyal

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

A

Yeah, I think, good morning, Peter. I know we don't talk about in-quarter results but I think to your point of sentiment, I think that's where the – I'd say somewhat caution in the balance of the year thinking right, I mean, there is still some variability if you think about just what happened in the Middle East and the impact across consumer sentiment at the end of March. Fuel prices play an important role in terms of how consumers think in terms of purchasing at convenience.

So again, we're going into summer with a level of confidence because we do have a lot of high beer occasion events planned. But on the other hand we recognize the macro issues still around the category. So that's why I would still mention that category health this year is probably better than 2025. How that plays out in the next few quarters, I think we'll obviously keep watching. So hopefully that answers your first question.

I think your question of phasing of Q2, within the 6% and 9%, I mean, we obviously, as Tracey mentioned, our goal is to always ship to consumption. That's what we're going to keep focused on. It's just we wanted to make sure we were being transparent in terms of – on how second quarter is going to play out. Our supply chain teams are absolutely working with some of our glass suppliers to make sure we can get enough product out to our distributors. But again, these are particular packages in particular geographies but overall we feel good about making sure we can meet the momentum in the summer.

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

Chris Carey

Analyst, Wells Fargo Securities LLC

Q

Hi, good morning everybody. So, in the presentation you talked about you would expect market shares to improve over the balance of the year relative to the first quarter. Can you just give us a sense of what an improvement means? Does that mean back to share growth and some of the key drivers as you see them? And just one I guess, like logistical clarification. When you say that inflation will be the highest in Q2, are you referring to the increase in COGS per hectoliter should be the highest in Q2 relative to the full year? So, thanks for those.

Rahul Goyal

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

A

Thank you. So, I'll take the first two and Tracey, maybe the inflation one you can. So, Chris, good morning. You're absolutely right in terms of share. And as I said in my prepared remarks, we have work to do there. It is not where we wanted it to be. So, if you break down our portfolio and shares, and even Q1 and going into the balance of the year, I would say we made progress obviously on the flavor side. So, if you look at Topo Chico and flavor as a whole, I would say we've got Topo on growth, share growth. So, flavor we're making progress. If you look at our Above Premium beer, we're definitely making good progress in terms of share.

The value segment is where we have had a leaky bucket for a long time and that's why we emphasized on this as part of our new strategy. And frankly, this is where we have more work to do going forward. So High Life, I would say, is doing okay and we have work on Keystone. So, to your point of market share and balance of year, value is something we need to show progress on.

Now one of the things we have done is, is done a few things to make sure we can get Keystone stronger. And so we are obviously launching Keystone Apple, getting ready for summer. We're bringing back Keystone Ice. So, we have a few things in the pipeline that we've announced with our network to make sure we can slow down the leaky bucket in a way for our value part of the portfolio.

I would say core – in our core portfolio, that's where probably we have a little bit more work to do on Miller Lite. Banquet continues to grow; Coors Light is holding its own in a good way. But Miller Lite in a couple of regions in the US in Q1, I would say we have more work to do there. But the good part is that we know where the issues are. We're taking actions, whether it's through campaigns, whether it's through other commercial levers. And this is where the local execution matters, right, because this is not a national concern; it is in particular geographies where there's competitive action and our teams are reacting swiftly and strongly.

So, I think from your point of share, that's an important measure for us. Obviously, STR trends in Q1 were better than Q4. But I believe we have the right plans and plays as we get into summer. I think your question on drivers, I mean those were the big ones that I would break out for different parts of our portfolio. And maybe the only other

element I'd call out is a lot of the things we have on commercial pressure and the cyclical nature of our business is as you know is summer. So the next four, five, six months become important to win the year. And I think our teams are pretty energized to go after that. Tracey, do you want to talk about the inflation comment?

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Yeah. Hi, Chris. So, look, we do expect COGS to continue to be negatively impacted by the rising commodity costs that we're seeing. The Midwest Premium and base aluminum and now fuel prices have continued to increase versus last year. Specific to Q2, we are expecting the Midwest Premium to be inflationary again. But that largest increase we currently anticipate to be in Q2, because, if you recall last year, we highlighted that the rising cost of the Midwest Premium was about a \$35 million headwind, but most of that increase was realized in the second half of the year. So, hopefully that helps.

Chris Carey

Analyst, Wells Fargo Securities LLC

Q

Yeah.

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

Seamus Cassidy

Analyst, TD Cowen

Q

Hi. This is Seamus Cassidy on for Rob. And thanks for the question. I wanted to ask about capital allocation. You repurchased 3.4 million shares in the quarter, which was a big increase year-over-year, while simultaneously closing Monaco and you ended the quarter just above your 2.5 times target leverage range. So, my question is, how do you rank order those priorities from here? Specifically, is buyback pace a lever you pull back on to delever towards the target or does the 2.5 times ceiling kind of flex upward if the right incremental M&A opportunity were to come along? Thanks.

Rahul Goyal

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

A

Good morning. Thanks for that. Tracey, you want to take that one?

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Yeah. Sure. So, hi, Seamus. Look, we do intend by the end of the year that our leverage ratio is back to the 2.5 times, below 2.5 times. Now, remember, Q1 is a cash-use quarter for us. And so, typically we do expect the leverage to be a little bit higher. But as I say, our intention is to be aligned with the leverage ratio below 2.5 times by the end of the year.

In terms of how we look at capital allocation, I mean, there are three main buckets. We use models to determine highest return for our shareholders in a particular year. And so, of those buckets, we focus on continuing to invest behind our business, whether that be behind our brands or with M&A. And we announced on the 1st of April our acquisition of the Monaco Cocktails brands, so that would have been a use of our capital. But also we do intend to continue to return cash to shareholders, and that is one of the capital allocation priorities.

Now, returning cash to shareholders is both dividends and share buybacks. From a dividend point of view, the intention is to sustainably increase our dividend just as we have done for the last five years. And then, as it relates to share buyback, because we do see our shares as a compelling investment, we did announce in February the extension of the program to the end of December 2031, and also the increase to \$4 billion. So, typically we would look at our capital allocation priorities and make sure that we are getting the best return for our shareholders and that may differ from quarter to quarter. But we are still focused on returning cash to shareholders.

The one thing this year is we do have a \$2.4 billion debt coming due in July, and we have approval to refinance somewhere between \$1.1 billion and \$1.9 billion of that debt. So, that's also one of the capital allocation priorities to make sure our balance sheet remains strong and we maintain our target debt leverage ratio.

Seamus Cassidy*Analyst, TD Cowen*

Q

Thanks.

Operator: Thank you. The next question comes from Lauren Lieberman with Barclays. Lauren, please go ahead.

Lauren R. Lieberman*Analyst, Barclays Capital, Inc.*

Q

Great. Thanks so much. Good morning. I wanted to talk a little bit about the value brand strategy in the US that you talked about at CAGNY and particularly on sort of the more localized approach. You discussed it as being kind of analysis phase. But I was just curious where you stand on that. Are you starting to move into implementation mode? Any kind of key thoughts as you move forward on that front? Because in the prepared remarks you spoke more about – you did speak about Miller, of course, and like local issues there, but really more to hone in on the value portfolio. Thanks.

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

A

Thank you, Lauren. Good morning to you. No, absolutely. I think, it's a great point, because if you think about our focus on value historically, I mean, and if you look at our results, I mean, it has been a big leaky bucket, as I call it, right? And so, we do need to – we are putting all the right plans in place in terms of localizing. So, if you look at our portfolio in terms of the value brands, we have a pretty large base of our business in the United States on value. But it is a very localized portfolio. I mean, we have two big brands with Miller High Life and Keystone, but then a number of other brands that are very local.

So, first we want to make sure our big value brands are in a healthier place. So, if you think about High Life, on-premise share is pretty good. And if you look at Nielsen CGA, we grew share with High Life in on-premise. So, I think you're going to continue to see us focus on High Life in different ways. I think I talked previously about High Life Light, again, expanding into not the entire country, but I think we have that now in about 20-odd states. So, we are going to be very localized in terms of making sure that brand works well.

Keystone is something we have more work to do. But you see us innovating around Keystone now with Apple, with also Keystone Ice, and bringing that in particular geographies. Again, when we talk about execution being local, that applies to our entire value portfolio. These brands have a lot of loyalty, a lot of following in particular parts of the country, and therefore, how we invest behind these brands, how we execute behind these brands is very different than how we think of Coors Light and Miller Lite.

So, it is something which is an important part of our strategy. It is something that probably will take a little more time, just given our historical trends and the plans that we need to put in place. But I would say it's been a positive part of our portfolio for our distributors and our teams to get behind, because it's a big part of our business and for our distributors. So, more to come, Lauren, on this as we make progress, but hopefully gives you a few of the actions and drivers that we're taking to get this part of our portfolio to be a little bit more healthy.

Operator: Thank you. Our next question comes from Drew Levine with JPMorgan. Please go ahead.

Drew N. Levine

Analyst, JPMorgan Securities LLC

Q

Hey, good morning. Thanks for taking the question. Tracey, I wanted to ask if we could double-click on the cost phasing on COGS particularly related to the Midwest Premium. You noted it was \$30 million in 1Q, peaks in 2Q. I think the prior commentary from last quarter was that overall it would be \$125 million headwind to the year. So, one, can you just confirm whether that \$125 million number is still good to think about or maybe it's moved higher?

And secondarily, if you'd be able to maybe provide a little bit more context or dimensionalize the incremental headwind in 2Q relative to 1Q? And then, Rahul, just sort of playing off that, the commentary around input cost moving higher. You're hedged, I think, Tracey mentioned for a good part of 2026. But just thinking about the pricing environment, some of your peers I think are sort of projecting lower pricing this year around maybe 1%. Maybe you could just talk to Molson Coors' or industry willingness to take more pricing in light of the escalating cost pressures. Thank you.

Rahul Goyal

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

A

Thank you, Drew. I think Tracey, you want to take the first part of it.

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Yeah, yeah.

Rahul Goyal

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

A

And I'll take...

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Sure. And yes, so, hi, Drew. So, we did say at CAGNY that our guidance does assume an elevated Midwest Premium which would impact our pre-tax income growth by about 9 to 10 percentage points. And that equated to that minimum of \$125 million that would be at the low end of the range that you mentioned. And as expected, the Midwest Premium and the base aluminum remain elevated versus last year. And then as we sit in Q1, the Midwest Premium added about \$30 million of year-over-year cost increase to the cost of goods sold.

But we have spoken about our extensive hedging program. We've also spoken about how difficult and how expensive it is to hedge the Midwest Premium. But we do believe for this year that we have meaningful hedge

coverage, meaning that the impact of the recent price increases that we saw in February for us is a manageable headwind. And then, just in terms of, on the phasing side, we do expect the Midwest Premium to continue to be inflationary over the balance of the year. But the largest increase currently anticipated in Q2. As we said last year, we did speak about most of the \$35 million was coming in the back half of the year. Rahul?

Rahul Goyal

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

A

Yeah, so I think generally we need to pick up on a couple of comments there. Obviously, we have a lot of focus on making sure our top line and our brands are executing well in the context of consumer pressure. But I think as Tracey said, the teams are managing through a pretty complex input cost context, right? Whether it is Midwest Premium, aluminum, obviously there's phasing of when Midwest Premium went high last year which was in the second half versus lapping of this year. So, I think, those are the things that's playing out that I would say the teams are trying to manage through that both with respect to risk mitigation but also with the cost savings initiatives that we put in place.

Your question about pricing and how we think about it, I mean, it is still within the 1% and 2% range, the guide, of the guardrails we talked about earlier. But it is a competitive context out there. I think, we're going to just remain competitive for our brands. We talked about share and wanting to make sure we win with our brands. So, probably can't comment on what my peers are doing with respect to pricing. But I think if you think about our business, we think about pricing, very granularly by brand, by geography. So we're going to continue to stay disciplined on that. We're going to obviously still be within the guardrails. We share that we want to be competitive, we want to be competitive in the context of where the consumer is.

Now the good part in this, just the last comment is, I go back to our portfolio, right? So, we have a pretty broad portfolio. And so we're excited about the value portfolio that we have because we can meet consumers at different price points. So, I think we got all your questions there. Thank you, Drew.

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

Christian Junquera

Analyst, BofA Securities, Inc.

Q

Hi, thank you. It's Christian on for Pete. Appreciate the color you guys gave on how to think about MG&A expense for Q2, but can you walk us through on how MG&A should trend during the second half of the year? Any color on phasing of marketing and sales expense versus general and administrative expenses would be helpful. Thank you.

Rahul Goyal

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

A

Good morning, Christian. Tracey, you want to take that one?

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Yeah. Hi, Christian. So look, we do expect MG&A to be a significant increase versus 2025 over the balance of the year. There's a number of factors that go into that. We've spoken about the incentive compensation expenses will be higher than last year with the largest increase coming in the second quarter. We also expect to make additional capability and technology investments that will help drive our strategy and modernize our ERP system.

I mean, as Rahul mentioned, with any acquisition, we will have higher costs in the first year as we integrate the Monaco business into our business. And as an example, as we said, we're adding over 80 members to our sales team. We also expect to incur additional costs as we also market and integrate this brand into our business. And then, typically we spend most of our marketing dollars in the summer selling season and obviously with the Soccer World Cup as well as America's 250th you'll see continued pressure behind our brands. So, that we show up on shelf, we show up to our consumers, and drive our great brands into the summer.

Rahul Goyal

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

A

Yeah. Tracey, again – and just maybe to add a little color to that, I think we said this in the prepared remarks. I mean, we're making some of our biggest investment in things like live sports, right, in the summer going into the next couple of quarters. So, again, strong plans for our brands showing up in the right occasions but also doing things differently, right, in terms of how we make sure our brands connect with consumers and with retailers. So, thank you Chris.

Operator: Thank you. The next question comes from Kaumil Gajrawala with Jefferies. Kaumil, please go ahead.

Kaumil Gajrawala

Analyst, Jefferies LLC

Q

Hi, thank you. Good morning. I guess Rahul, when you think about coming into your first year, just think about taking risks which us investor-analyst types give you a little more freedom to do at the beginning, are there any sort of big risks or big sort of things that your thinking about, you really want to sort of go for in this first 12 months?

And then Tracey, to dig into the capital allocation question, when you think about or your comments specifically on the stock being very compelling, what metrics are you using in terms of how you're thinking about the category, the profitability? It's obviously a long-term decision. So what are some of the base metrics that you're thinking about when you think about buying back shares and the value of the business versus its current trading guide? Thank you.

Rahul Goyal

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

A

Good morning Kaumil. So thank you for that. Your question the first one is a good one in terms of risks. And I'd go back and talk a little bit about Horizon 2030 when we laid out our new plan, right. So obviously we have a good business but we know where our portfolio challenges are, which I don't – a number of you are familiar with. And we are working I would say in two different contexts, right, one is making sure our core is healthy and strong and on the other hand transforming our portfolio.

And we are being a lot more aggressive in transforming our portfolio than we have previously probably, right. So we are going to use our balance sheet in a stronger way. I think we shared some metrics previously at our Beyond Beer agenda, we're getting enough to close to 10% or we want to make sure we can make that meaningful, right, because we can then have a growth profile for this business for the future.

I think some of the actions we're taking in terms of how we're executing, the reorientation of being local, the reorientation of reallocation of our spend in ways that can meet our consumers, whether it's live sports or being very local, I think is big changes that we are implementing for our organization.

The parts maybe we haven't spoken a lot about, but we want to make sure this category is healthy. So when we talk about championing beer, it is something we will continue to find opportunities and ways to keep focused on that. So, I would point out – I would probably point you back to the plans we laid out at Horizon 2030, we want to make sure we can take some of these big swings and the changes we are implementing for our system and for our business internally, but there to get this business back into the medium-term growth commitments that we made.

Now capital allocation is another key element of some of the changes we're making in a big way, right. I know – I'll pass it on to Tracey on the buyback comment, but again using our balance sheet, investing in our business, but then also making sure we can recognize and reward our shareholders in that journey. So Tracey you want to...

Tracey I. Joubert

Chief Financial Officer, Molson Coors Beverage Co.

A

Yeah, so Kaumil, I mean I think the important thing is we've got a very strong balance sheet and because of the strength of our balance sheet, it does give us optionality. And when we look at capital allocation and we run it through our models, we do take a long-term view on it. And that's why you hear us saying we're going to invest in our business to drive sustainable long-term growth because it's that sustainable long-term growth that is going to drive the share price as well.

So we look at it long-term, we look at what we believe the investment behind our brands, the investments behind M&A, the growth in our business what that will mean for our share price. But as we're looking at that, obviously because we have the strong balance sheet we got very strong free cash flow. We're able to do both. And so knowing that our strategy and plans are all around sustainable growth, growing both the top line and the bottom line, and we believe that our share is a compelling investment, we are able to do both. So that's how we look at it.

Rahul Goyal

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

A

Yeah, and maybe to your question of just macro how we think about the category and we – I think we recognize some of the challenges the category has. But again, we believe, the category is going to get healthier and as it is doing in 2026 versus 2025. And there's – as I mentioned, a little responsibility on everybody in the industry to make sure the category is in a stronger place in the future.

Operator: Thank you. The next question comes from Nadine Sarwat with Bernstein. Nadine, please go ahead.

Nadine Sarwat

Analyst, Bernstein Autonomous LLP

Q

Yes. Hi everybody. Thank you for taking my question. Two for me please. You called out Q1 doing a bit better at the market level in the US. I'm curious to hear what you believe were the underlying factors behind this. There's obviously the number and you called out consumer confidence seeing some deterioration. So what do you think are the drivers of that being a little bit better than you expected?

And then the second question, you called out different channel dynamics when it comes to the behaviors of consumers, how that relates to their position and their consumer confidence. Could you expand a little bit on that? Are you seeing different behaviors by pack size, down-trading, anything else that can give us a flavor for how that US consumer is reacting from the lens of a brewer like yourself? Thank you.

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

A

Yeah. Good morning, and yeah, thank you for that question. So if you think about Q1, obviously Q1 was lapping a pretty bad quarter last year, so that's – I would say that's a little bit of a baseline. But if you look at consumer trends, and I would call it out in maybe a couple of different ways. One is there is a group of consumers that are I would say, pretty healthy. I mean that's where you see brands like Peroni, brands like Fever-Tree continue to grow.

So you do have a consumer cohort that is I would say doing okay. And the good part is we need to accelerate our portfolio with that consumer. But if you think about low-income consumer et cetera., I mean this year trips are up call it, visits are up in terms of stores. Now, we can take a look at maybe, call it, size of basket et cetera, I think there's still some pressure there but in terms of more trips, households et cetera, purchasing is up.

So I think this shows there's a little bit of confidence coming into Q1. Obviously, there has been a little bit of a regional way lens on this, I mean the West is significantly stronger this year versus last year. So, there is some elements I would say that's giving us promise as we think about the category and looking at it. Now, obviously, I balance that with still caution and just as we think about the balance of the year with, obviously, inflationary headwinds, the gas pricing at the end of the quarter and into April, but broadly 2026 should be better than 2025.

Your question there on channel, I mean, that's an important one for us, because, in our category, consumers usually stick to the brands. And what we're seeing in this, couple of trends have been longer term, right? I mean, the move into singles, the move into large packs. I mean, those packs continue to do much better. The pressure has been on, I would call, small packs and medium packs. Small packs have done slightly better in Q1, and so there's definitely that element, again, goes on giving us confidence, but recognizing that people are still looking for particular price points, right? So, small – sorry, singles and large pack continue to be the main driver of people making their decisions.

And then, I do go back to, it, value portfolio in terms of – it shows up in different ways, maybe higher ABV or value portfolio in terms of beer. And this is why just one comment on Monaco, which gives us an excitement is this business is predominantly a singles business, and it's in convenience. And so, while we, obviously, are excited about the brand and the platform, it gives us for our business – Tracey talked about the people that are coming along with this business, and it's a great platform for us as we think about not just Monaco, but our overall capability. So, hopefully gives you a sense of, I think, the two, three parts of your question. So, thank you for that.

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

Gerald Pascarelli*Analyst, Needham & Co. LLC*

Q

Great. Thank you. Rahul, I'd like to go back to the World Cup. It's a huge on-premise beer drinking occasion and your on-premise share trends currently look better than in the off-premise. I think that's what you mentioned in the prepared remarks. So, that would seem like a clear channel advantage, especially considering some of the challenges in that channel currently being realized from some of your competitors.

So, maybe if you could provide some color or commentary on just your level of optimism and the tailwind that you think that event could have on your volume trends related to channel I think would be helpful. Thank you.

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

A

So, thank you. Good morning. So, if you think about one of the things that I know we've spoken about it, and I think broadly you've probably heard from the whole industry is, we talk about occasions, right? We talk about wanting to make sure we can engage with our consumers on occasions. And I think that's where we get excited about something like a World Cup, because it gives us a platform in occasions to really engage with our consumers.

It is like Super Bowl for particular cities, right? I mean, that's what's happening is you got multiple games in different parts of the country, and we got to make sure we are showing up to engage with consumers. So, to your point of what gets us excited is, obviously, this plays into our on-premise strengths, but also making sure we can drive new occasions over the summer in bringing people around our brands. There's an element of people coming into the country for these games. Again, we'll see how that plays out, but there's an element of, again, occasions for travelers coming into the country.

And then, to your point of how do we get folks excited about connecting to our brands. So, , again, I'm going to make a little bit of a plug here for our new campaign, but if you guys go check out YouTube with the Coors Light campaign, it is a way of engaging our consumers in fun ways, but resonating our brands with them. So, I think your point of, it's occasions, it's obviously channel, and execution in retail and execution on-premise is important. But then it is about making sure our brands resonate with our fans. Yeah, so I think excited. We feel we're going in with the right pressure and something to get – rally around.

Operator: Thank you. Our next question comes from Chris Pitcher with Rothschild & Co Redburn. Chris, please go ahead.

Christopher Michael Pitcher*Analyst, Rothschild & Co Global Markets Solutions Ltd.*

Q

Thanks very much. And good morning, good afternoon all. A quick question on the integration of Monaco. I mean, 10 years ago, you were buying craft beer brands and integrating them into the business. Can you give us a sense on Monaco about how you're going to retain these people that are coming across? Because it's a move into a new category. How are you going to ensure that you retain these sales people, is the founder locked in?

And then on the mechanics of it, I believe its production is still outsourced. Is there scope to integrate that in the near term? And do you see an international opportunity in some of your other markets, like the UK, for these sorts of products? Thanks.

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

A

Good morning, Chris. Yeah, thank you for that question. And I know you asked the question about Monaco and integration, so I'm going to comment a – start the comment with Fever-Tree, because I want to make sure in terms of these brands, the discipline around integration is super important, and I think we've shown that with Fever-Tree is – we focused on making sure we don't drop a case, right?

So, integrating Fever-Tree along with their teams, partnering and understanding what these brands stand for is important. Again, Monaco, we obviously closed in April and our goal is to make sure we keep the magic that this brand has. I mean, this is a brand that's been around for a while, right? This is not something that just grew in the last three, four – two, three years. I mean, this has been around for 10-plus years and they have built this

business very diligently on the back of a clear proposition with clear channel execution. And so, we want to make sure we can bring that magic into our business.

So, that's where our focus is on making sure our teams – we bring those learnings in. It is wanting to make sure that we keep the commercial pressure on the brand as we integrate. The founders are involved, but we have 100% of this company and we will execute on this within the Molson Coors umbrella.

And then, to your point of production and other opportunities, I mean, we will obviously look at all of those pieces as we think through integration. For us, job one is always making sure we can keep the commercial pressure and the focus on the business going forward. Sorry, your one question...

Operator: Thank you. Your next question...

Rahul Goyal

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

A

Sorry, operator, you can keep going. Apologies.

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

Bill Kirk

Analyst, ROTH Capital Partners LLC

Q

Thank you for getting my question in. My question is on fuel prices and maybe their impact on consumption. NBWA recently shared some regression analysis work that they had done, that showed industry volume trends actually improved when fuel prices went up. I guess the logic would be you leave the on-premise and the two beers there and you trade it for a six-pack at home, I guess. I was a little surprised by this analysis. I guess, the question is, do you see a relationship where higher fuel prices result in a volumes benefit?

Rahul Goyal

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

A

Good morning, Bill. Thanks for that question. I'm not exactly sure on the NBWA analysis but I think the way we think about this is obviously fuel prices have a couple of correlations with consumers. One is obviously expendable income and wanting to watch and be careful about how much money goes in there versus two ways channels, right, I mean if you think about beer and one of our biggest channels is convenience stores and making sure consumers have that correlation when they are – and the three is pack size, right, is how – when there is pressure.

So I think to answer your specific question, I'm not sure – I'm going to say that increased fuel prices increases volume. That's – but I do think it's something we watch very carefully, right, we watch carefully in the context of pack size, singles versus small packs. We watch carefully with respect to again channel as I mentioned and making sure we have the right offering in channels across the portfolio and then obviously watch it carefully in the context of consumer sentiment, right. So I think that's how I would think about it in the context of our business.

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

Robert Ottenstein

Analyst, Evercore ISI

Q

Great. Thank you very much. Rahul, I'd like to double click on Miller Lite. Iconic brand, great liquid, but it continues to bleed. And I know you talked about some regional, I guess, competitive issues and that you have a plan for that. But can you tell us what you think a reasonable outcome for that brand is over the next one to two years?

I mean, can it get to stable volumes or hold share? And I do realize the segment that it's in is challenged and so, I guess, the bigger question is, apart from what's a reasonable goal and time horizon is, can you do this with just tactical moves or do you need to fundamentally rethink or refresh the brand proposition? Thank you.

Rahul Goyal

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

A

Yeah Rob, I know that's – good morning to you. There's a lot of questions there. So probably maybe couple of comments. So if you think about Miller Lite, obviously, first let me answer your question of what's our goals and long-term ambition. Obviously, we want to get the brands all back to growth, but the first thing we need to do is make sure we can get our share stable, right, I mean that's I would say, the short and medium-term goal that we talked about even in February is to get our big brands' share in a healthier place.

If you break Miller Lite's current challenge, I mean the Great Lakes area continues to be where we need to make sure we're making progress. So it is something we are actioning. Your question of the proposition, and the thinking around it, we feel good about the campaign and the plans we have right now with Miller Lite, right. I mean this resonates with our consumers, it resonates with our distributors. I think our plans in the summer with America's 250th and Miller Lite that plays both into the taste angle but also the Americana angle. We feel pretty good about.

So I do think of – we do think that it is something we need to just work through, call it, region-by-region and just make sure we can execute against it but then having the right plans to get our share I would say in a healthier place, I think that's the best way to think about our focus on this going forward.

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

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