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Molson Coors Beverage Co. (TAP)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

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

Now, I'll turn over to Barb Noverini, Vice President of Investor Relations.

Barbara Noverini

Vice President-Investor Relations, Molson Coors Beverage Co.

Thank you, operator. I'm pleased to introduce myself as Molson Coors' new Vice President of Investor Relations. Our earnings release and presentation materials are available on the Investor Relations section of our website.

Today's discussion includes forward-looking statements within the meaning of US Federal Securities Laws. Please refer to our earnings release and our most recent SEC filings for important information regarding these statements, including risk factors, as well as definitions of and reconciliations to any non-GAAP measures. Actual results may differ materially from our expectations, and we undertake no obligation to update forward-looking statements except as required by applicable law.

Today, we'll focus our prepared remarks on our performance and outlook, before opening the line for Q&A. To allow as many participants as possible to ask a question, we ask that you limit yourself to one question and then rejoin the queue if needed. Any technical questions can be addressed with our Investor Relations team following the call.

Unless otherwise indicated, all financial results are 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, shared data references are sourced from Circana in the US unless otherwise indicated.

Our remarks today will also 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.

With that, I will hand it over to Rahul.

Rahul Goyal

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

Thank you, Barb. Welcome to Molson Coors. And hello to everyone on the call. Today, we're joining you from Golden, Colorado, the home of Coors. Now, since the launch of our Horizon 2030 strategy in Q1, I've been visiting with employees, distributors, and customers across our footprint to discuss our strategy, our early progress, and any gaps that require quick action. Before I begin, let me take a moment to thank our dedicated employees here in Golden and across the globe for their commitment behind our Horizon 2030 strategy.

Now, let's start with the categories. While the US beer industry began the year on relative solid footing, the unanticipated energy and inflation shock associated with the conflict in Iran demonstrated how quickly global consumer sentiment and behavior can shift. In the second quarter, prices at the gas pump peaked in May, hitting certain US regions especially hard.

At the same time, geopolitical uncertainty weighed on consumer confidence and spending behavior in EMEA&APAC. These external factors contributed to our volume performance across our markets in the second quarter. In addition, in EMEA&APAC, heightened promotional activity as well as channel mix further pressured bottom line results.

Of course, in Q2, the industry came together to champion the World Cup as a premier occasion for socialization and celebrating with beer. That said, high-industry anticipation increased competitive pressure everywhere. We also saw pockets of intense promotional activity in the UK and across Europe. As such, our share of the early World Cup opportunity, which only included the last three weeks of Q2, varied by geography and sectors.

Now, how we respond to these and other external pressures remain firmly within our control. I'm confident that our diversified portfolio of well-loved brands, strong cash generation, and disciplined balance sheet provides resilience and flexibility. These advantages enables us to address dynamic external conditions while focusing on the long-term strategic priorities that will grow our business. Based on this, we are reaffirming our fiscal 2026 guidance.

So let's discuss our portfolio, starting with our core brands. Horizon 2030 aims to reinforce the relevance of these brands as the first choice for consumer occasions. We're not just sitting back and relying on existing scale and brand awareness to drive volumes. Enhancing our core brand share performance in today's competitive environment requires continued focus and execution.

However, we have more work to do here, and we continue to assess how Coors Light and Miller Lite can amplify their authentic identities to drive greater impact with both core beer and new consumers in the US. This work takes time, and we are pursuing new campaigns, partnerships, and ways to deploy our media investments with an occasion-based approach.

In Canada, Coors Light largely performed in line with the industry and held its spot as Canada's number one light beer. In the UK, Carling experienced heightened competition in the quarter, and we've acted quickly with several actions designed to strengthen its position in the market. In EMEA&APAC, Ožujsko maintained its leading position in Croatia, following its sponsorship of the Croatian men's national team in the World Cup.

Meanwhile, Coors Banquet grew share and brand volume in Q3. We attribute the brand's ongoing success to its clear identity and consistent marketing. This includes our campaign for America's 250th called Icons of the American West, which helped contribute to growth across all US regions in Q2. And it includes our latest partnership with the Yellowstone spin-off, Dutton Ranch, which has also become very popular.

Turning to our value brands, our share trends improved, driven by the successful launch of Keystone Light Apple. We also saw share trends improve for Miller High Life. We've chosen to support growth in our value brands by deploying modest but targeted levels of investment. Keystone Light Apple, or Kapple, is a great example of how we quickly responded to emerging flavor trends. We deployed an AI-generated social media campaign that generated buzz and resonated with the consumer seeking flavor at an enticing price point. Demand far outpaced our limited run production, so we're bringing it back in the fall. We also decided to bring back fan-favorite Keystone Ice, a high ABV beer in the value segment.

In above premium beer, we saw mixed performance across our brands and geographies. In the US, we were pleased to see Peroni grow brand volumes by double digits, supported by targeted marketing investments earlier in the year, but the broader Blue Moon franchise remained under pressure in Q2. That said, we grew brand volumes for both Blue Moon Non-Alc and Peroni 0.0% in the quarter, underscoring our relevance in the small but growing non-alc beer categories.

While heightened promotional activity impacted Madrí in the second quarter, above premium brand volumes showed segment growth in EMEA&APAC, driven by Staropramen, Miller, and Blue Moon. In Canada, Miller Lite also continued its momentum as an above premium offering.

We continue to gain scale in Beyond Beer, which is an important part of our journey as a beverage company. NSR growth for Monaco, Topo Chico Hard, and Fever-Tree was partially offset by other brands in the segment, like Simply Spiked. In Canada, Coors Slushie continued to show momentum in the RTD seltzer segment, while in EMEA&APAC, Hidra continued to benefit from growing interest in functional beverages. Both Fever-Tree and Monaco are well on track to each contribute 1% to 2% to NSR, solid proof points of Horizon 2030's focus on both premiumization and portfolio transformation.

We have now lapped the first full year of our partnership with Fever-Tree, and we are encouraged to see momentum continue to build. Following a national campaign that celebrated the ease of mixology at home, Fever-Tree delivered its highest quarter of sales in the US since our partnership began.

Our first full quarter of ownership of Atomic Brands also produced encouraging results. The integration of Monaco Cocktails has been going well, with its overall top and bottom line contributions tracking slightly ahead of our acquisition expectations. While still early days, this progress underscores the importance of bringing RTD spirits into our portfolio. We see Monaco as a clear example of how we can use M&A as a force multiplier in our transformation journey.

This acquisition filled white spaces in our portfolio with a fast-growing beverage segment. It also added an already scaled business, providing both growth and profitability on day one. Currently, the majority of Monaco sales fall within five states, and most of that is in convenience. This is a strong example of our localized portfolio approach in action, and we see plenty of runway to expand into new geographies and channels.

As discussed in Q1, the launch of Horizon 2030 also incorporated changes to our operating model, including quick actions and resource allocation at the local level. For example, in preparation for the World Cup, we invested incremental resources into host markets to drive memorable on-premise experiences. Our partnership with venues in key entertainment districts across Dallas, Philadelphia and Kansas City resulted in strong consumer engagement with our core and above premium brands.

In addition, after reports that the Scottish football fans caused beer shortages in Boston, our Restock the Scots campaign swiftly responded by sending a Miller Lite barge to greet them in Miami. These examples show how we are leaning into and learning from targeted efforts that drive incremental results outside of national media spend.

In total, while we're encouraged by our ability to make progress from a top line perspective, we need to stay responsive to the inflationary cost pressures and commodity price volatility that impacted our bottom line. In the near term, our robust cost-savings program and other efficiency initiatives mitigate uncertainty within the global macroeconomic backdrop.

We made progress in our previously announced three-year $450 million cost savings actions by identifying areas where we believe we can drive greater efficiency. For example, we committed to various restructuring actions in EMEA&APAC including the closure of a small brewery in the UK alongside other operational changes designed to modernize, simplify and unlock efficiencies within the region.

We've also allocated a portion of our previously announced $650 million in global CapEx to modernize and expand our supply chain capabilities. Upgrades are already underway at our can plant, Rocky Mountain Metal Company (sic) [Container] (00:13:07). We're investing in new bulk receiving facilities as well as new and upgraded canning lines. Importantly, we believe investments like these that help to strengthen our supply chain will create efficiencies during a time when aluminum sourcing is top of mind.

Finally, on capital allocation, we designed our approach to reinvest in our business and reward shareholders as we progress towards Horizon 2030 together. We are a highly cash-generative business, and we intend to deploy that cash on prudent growth initiatives, both organic and inorganic. We continue to believe that Molson Coors' shares currently trade at a compelling value with an attractive dividend yield, and we have ample capacity left on our share repurchase authorization.

We're halfway into our first year of the Horizon 2030 strategy, and one thing I'd emphasize is that no single event will suddenly change our trajectory. This process is about building portfolio strength brick by brick. We already have two of the strongest beer franchisees in the industry with Miller and Coors. These brands have scale, generate cash, and harbor deep consumer loyalty. Our job is to keep them relevant and competitive. That means showing up with strong investment during key beer occasions while working diligently and creatively to find new, unexpected moments these brands can truly own.

At the same time, we're scaling our next layer of expected growth. We're celebrating success in our core with Banquet, in above premium with Peroni, in value with High Life, and in Beyond Beer with Topo Chico, Monaco and Fever-Tree. None of these opportunities individually change our future, we know that. However, in aggregate, we expect these wins to compound over time. To that end, we're making early progress.

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 second quarter, our results reflected the challenging category and cost environment we anticipated, while also demonstrating the flexibility of our business model and the actions we are taking to manage through volatility. On a constant currency basis, consolidated net sales revenue was down 3.6%, underlying pre-tax income was down 27.8%, and underlying earnings per share decreased 22.9%.

On an underlying basis, the quarter was shaped by a combination of external headwinds, timing impacts and controllable actions. While some drivers were impacted by phasing considerations, the broader picture was largely consistent with our expectations. The industry remains pressured. Our share performance is not yet where we want it to be, and cost inflation remains significant. At the same time, pricing, mix, cost savings, portfolio actions, and disciplined capital allocation continue to support our plan.

So let's get into the details. The US beer industry was down minus 4.2% based on our internal estimate. US domestic shipments declined by 7.3%, in line with our expectations of a 6% to 9% reduction in the second quarter. EMEA&APAC brand volume declined 3.4%, primarily driven by ongoing soft market demand and a heightened competitive landscape.

The Midwest Premium remained elevated, adding approximately $40 million of year-on-year costs increase to second quarter cost of goods sold. Additionally, the elevation of fuel prices and freight market tightening increased cost inflation in the second quarter. MG&A was up 3.2%, largely due to cycling lower employee incentive costs in the prior year and additional investments in technology and capabilities.

Taken together, these factors help explain the pressure on the quarter, but they do not change our priorities. We are focused on improving commercial execution where we have the greatest opportunity to influence share, protecting price realization, and using our cost-savings program to help offset inflationary pressure.

Turning to the balance sheet, we believe this remains an area of strength and flexibility for the company. In the quarter, we successfully executed a series of public and private placement offerings that allowed us to refinance and retire a portion of our debt. These transactions enabled us to extend maturities and optimize our balance sheet at attractive rates in a rising interest rate environment, resulting in a net debt to underlying EBITDA ratio of 2.53 times at the end of the quarter, bringing us closer to meeting our stated goal of under 2.5 times by year-end.

As Rahul mentioned earlier, we remain committed to a balanced capital allocation framework with a relative emphasis on reinvestment, M&A, returning cash to shareholders, and debt reduction varying quarter-to-quarter based on available opportunities and strategic priorities. This quarter, we chose to deploy capital in support of financial flexibility and M&A with the Atomic Brands acquisition, uses of cash that we believe strengthen the portfolio over the long run, while preserving flexibility to continue investing behind our core priorities.

We also paid $90 million in dividends and repurchased 1 million shares for $42 million, making further progress on our share repurchase authorization. We have repurchased 15.3% of our Class B shares outstanding since the plan was announced in October 2023. We continue to believe that Molson Coors' shares trade at a compelling value and have $2.35 billion of our share repurchase authorization remaining.

With that, let's discuss our outlook. As Rahul mentioned, we are reaffirming our 2026 guidance. We are doing so with a clear understanding of both the risks and the levers available to us in the second half. Before we discuss the details of our near-term outlook, I'll remind you that the impacts of the global macroeconomic 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, US shipments were in line with our expectations for quarterly volatility year-to-date, with relatively weaker shipments in Q2, following the stronger start of the year. The important point is that the shipment variance is primarily a timing and alignment issue, rather than a change in our strategic direction. Our guidance assumes the shipment trends will slightly outpace brand volume trends in the second half of the year.

Our full year guidance also includes nine months of NSR and profit contribution from the integration of the Monaco portfolio. All other top line drivers remain largely unchanged. Our guidance includes the assumption that full year 2026 US industry volume trends will be better than the modest 5% we experienced in 2025. As a reminder, in Q1, our internal estimates indicated that the industry improved to down minus 1.6%. But at that time, we acknowledged that economic and geopolitical uncertainty made predicting future quarters very difficult.

The industry slowed in Q2 to down 4.2% based on our internal estimates, but this is still ahead of 2025 full year performance. Barring any further escalation of geopolitical events, our guidance still assumes industry improvements over 2025 levels. That said, we are not satisfied with our share performance. We continue to anticipate making progress as we improve execution in the channels, occasions and consumer segments where we believe we can have the greatest near-term impacts.

We continue to expect an annual price increase of 1% to 2% in the US, in line with Q2 performance as well as the average historical range, and expect mixed benefits from premiumization in both business units.

Moving down the P&L, we expect costs to continue to be negatively impacted by rising commodity costs through the second half of 2026. On Midwest Premium, we continue to expect elevated costs relative to 2025. As a reminder, we had anticipated the largest year-over-year increase in Midwest Premium to hit the P&L in Q2 2026. For the balance of the year, we expect Midwest Premium to continue to be meaningfully inflationary, but expect that our hedge coverage will mitigate a portion of this ongoing headwind. For the full year, we expect Midwest Premium inflation to be in excess of $130 million.

We also expect elevated fuel costs relative to 2025, with tighter freight supply causing additional volatility in transportation costs. These are meaningful pressures, and we are not minimizing them. However, our hedging strategy, productivity initiatives, and disciplined spending should provide partial offsets as we manage through the year.

We now expect a reduction in MG&A expenses in the second half of the year compared to the prior year period. The objective is not simply to spend less, but to carefully manage expenses by redirecting investments towards the opportunities that we expect will improve performance and generate the most effective and highest returns.

Our three-year $450 million cost-savings program provides an important lever to reduce reliance on industry recovery as we navigate category and macroeconomic volatility. We are also evaluating additional commercial and operational actions to address the headwinds facing the EMEA&APAC segments.

In closing, we are realistic about the category and cost pressures we face, and we are not satisfied with every aspect of our current performance. At the same time, we believe we have meaningful strength, a strong global brand portfolio, a healthy balance sheet, strong cash generation, disciplined capital allocation, and a cost-savings program that gives us flexibility.

We are focused on the levers within our control, sharper commercial execution, disciplined revenue management, more effective marketing investments, continued productivity, and portfolio strengthening as we manage near-term volatility and stay focused on long-term growth.

With that, we will take your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Bonnie Herzog from Goldman Sachs. Bonnie, your line is open, please go ahead.

Bonnie, your line is open. Please state your question. Bonnie, we've moved to your second line. Please ask your question. Unfortunately, we can't gain connection with Bonnie.

Our next question comes from Filippo Falorni from Citi. Your line is open, please go ahead.

Filippo Falorni
Analyst, Citigroup Global Markets, Inc.

Q

Hi. Good morning, everyone. I was hoping you could give a little bit more color on the category growth expectations, including the beneficiary from the World Cup in June and July. And then any additional comment on the market share performance that you're expecting going forward in the balance of the year. Thank you.

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

A

Good morning, Filippo. Thank you for the question. So maybe I'll address a couple of things here. I think it was a little bit of what's happened and what's going to happen. So if you think about Q2 – Tracey talked about the category based on internal estimates, so it was in the minus 4.2% range, Filippo.

The World Cup obviously was a great occasion from a beer perspective, right? It was a great opportunity for us to showcase our brands, bring people together. But it probably did not have that big an impact across the entire category. If you think about on and off-premise, what we did see from the World Cup was strong results in host cities and particularly in the on-premise.

So if you think about on versus off, 14-ish percent versus off, we didn't see a massive impact of the World Cup across the entire country. So, in those host cities, in the on-premise, it was a great opportunity to showcase our brands, bring consumers into the category, and really have a great occasion to get our brands performing. So I would say that would be the World Cup assessment.

I think your question then around the category, if you think about 2026 versus 2025, we still believe the category is going to be healthier than 2025. It is going to continue to be a volatile year. You saw the changes in Q1 versus Q2 driven by macro issues, fuel prices, et cetera. So for us, it is a little bit of we'll keep close to where the category does in Q3 and Q4, but importantly is what are we going to do about it? And I think that's where your question around market share comes in.

I go back to our portfolio. I mean, we got a pretty broad set of brands across different price points. And so, that gives me confidence that going into the next quarter, we can continue to make progress. If you look at Q2 versus Q1, we modestly gained share. If you look at our different parts of our portfolio, we made some good progress in our value segment. We made some good progress in core in the Coors trademark, above premium beer, and then also the Beyond Beer stuff.

So we're making progress from a share perspective. We want to continue to make that progress going into Q3 from different parts of our portfolio. But the category volatility will react to how the category behaves, but probably it'll still be better than what 2025 was.

Thank you, Filippo.

Operator: Thank you. Our next question comes from Peter Grom from UBS. Your line is now open. Please go ahead.

Peter Grom
Analyst, UBS Securities LLC

Q

Great. Thank you. Good morning. I actually wanted to ask a follow-up to Filippo's question just on the category. And you noted the weaker performance in Q2, and this may be hard to do. But is there a way to kind of parse out the impact from higher gas prices, maybe some unfavorable weather versus maybe some shifts that may be more structural? And I just ask that in the context of I think people were hoping that the category would be stronger in 2Q, but obviously saw a meaningful deceleration.

And then, I guess, underpinning the back half – I mean, I understand that for the full year, you expect it to be better than the down 5%. Should we be expecting a continuation of kind of maybe what we saw in Q2 from a category standpoint? Thanks.

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

A

Yeah. I think – good morning, Peter. I think to your question around the category, parsing out higher gas prices and impacts is, I would say, it's a tricky thing, right, because – maybe I'll explain it in a different way. So if you think about coming into this year, consumer confidence, a little bit of clarity in terms of consumer sentiment and how people were making decisions, I think you saw the category being healthier in Q1.

As we get into Q2, I do think you saw different behavior from consumers when things like gas prices, et cetera impacted. We saw that in pack data. We saw that in channel data. So there was definitely a pullback.

I then go back to occasions, right? I mean, the World Cup again was a great opportunity for bringing people together from a beer perspective. But maybe a little deeper into performance as a category, if you look at some of the channel-specific data, convenience and dollar continued to do well in Q2 versus food and grocery. Singles and small packs did well versus some of the other packs. So folks were making choices in a way differently in terms of their expendable income.

Now, on the other hand, I would call out the consumer that is, continues to grow from a premiumization perspective, right? So above premium portfolio with Peroni, with Fever-Tree continues to see growth. So that consumer is resilient, is healthy. The on premise performed better than the off premise overall for the category.

And that's also a good sign in terms of consumer health in that regard. So hopefully, that gives you a sense of some of the levers and the drivers in the category for Q2.

Your second part of the question is, I think that macro impact, oil prices, sentiment is probably going to be an important aspect as we think through Q – H2, Q3, and Q4. But then I go back to our portfolio, right? Our portfolio is pretty broad. It is encompassing different price points. And that gives me confidence and it gives us our ability to lean in differently, right, whether it's the value segment with pricing, whether it's our core segment with Coors Light, Miller Lite with price-pack architecture. And then it's obviously leaning in with our above premium beer and Beyond Beer.

So the category will stay volatile, will stay, I would say, better than 2025. But we got the different tools, different brands, different parts of our portfolio to lean in differently and continue to execute, right? And again, I think the previous question about we got to keep showing share improvement that we've done now Q2 versus Q1, and we got to keep leaning into that for the balance of the year.

Peter Grom
Analyst, UBS Securities LLC

Q

Great. Thank you so much. I'll pass it on.

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

A

Thank you.

Operator: Thank you. Our next question comes from Robert Ottenstein from Evercore. Your line is open, please go ahead.

Robert Ottenstein
Analyst, Evercore Group LLC

Q

Great. Thank you very much. And I missed the first part of the call, so excuse me if you've already addressed this...

[audio gap] (00:33:30-00:33:37)

Operator: Hi, Robert. Are you still there? Your line is open.

Robert Ottenstein
Analyst, Evercore Group LLC

Q

I...

[audio gap] (00:33:43-00:33:46)

Operator: Apologies, Robert. We lost connection.

We'll now move on to our next question from Chris Carey from Wells Fargo. Your line is open, please go ahead.

Chris Carey
Analyst, Wells Fargo Securities LLC
Q

Hi. Good morning, everybody. Hopefully, you don't lose connection with me.

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

Morning, Chris. Hear you loud and clear.

Chris Carey
Analyst, Wells Fargo Securities LLC
Q

Okay. All right. Wonderful. I wanted to ask about the evolution of the inflation expectations. I think I heard Tracey say $150 million, the slides say $130 million for a Midwest Premium impact. But maybe just conceptually, inflation, is the expectation now that it's running higher for the full year than the prior expectation. How does that impact your outlook for COGS per hectoliter?

And then similarly or conversely, you're expecting I think maybe a slight decline in MG&A on the full year. Confirming if that's correct. And where does that savings come from relative to prior expectation?

And maybe importantly, I'm just starting to think about the path into 2027, can you just perhaps give us any construct for how to think about your ability to be hedging some of the cost increases that you have seen going into next year? I think you had mentioned that you'll take maybe a pricing in line with similar levels in the fall. And so, how do you really think about starting to get ahead of some of the cost curve as you go into 2027? I'd love any thoughts on that. So thanks for the balance of COGS inflation versus MG&A and how the path unfolds.

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

Morning, Chris. Thank you. A number of different parts. So I think I captured all your pieces. So let me address that. And Tracey, please add enough after this. So if you look at this year, 2026, obviously when we laid out our 2026 guidance, and we shared our plans, we knew we were stepping into this year with a high inflated cost base in terms of Midwest Premium, LME, just the inflationary impact this year.

So the way I would call out H1 is I think the teams have done a good job of managing that within the framework that we had laid out, right? So between all the volatility of aluminum pricing and Midwest Premium, the teams have done a good job of managing our COGS per hectoliter.

The one thing that we did see a little bit more elevated levels now is fuel costs and logistics costs, right, where logistics companies, transportation issues are proving to be a little bit more challenging. But I would put all of that under the bucket, Chris, of our focused on cost management, our focused on our savings program and managing through that. So for the balance of year, if you think about our COGS per hectoliter, probably in line with what we've said. And I'll let Tracey give you some specifics on that. But it's a combination of, yes, elevated levels, still a lot of volatility, but working through the levers we have.

To address your question around MG&A, there's a number of factors that go into our MG&A for the balance of year, right? So it is our invest in tools and technology capabilities. Obviously, the cost-savings programs that we announced and initiated both last year in the Americas and earlier this year in EMEA&APAC, right? So that all starts playing out in the balance of the year. And then making sure we have the right brand support and making sure we're investing behind our brands for the balance of the year.

So for MG&A, just there's a number of things we put in place and obviously to be disciplined around our cost base. You probably saw that in the context of our EMEA business results. So that's how I would characterize the whole MG&A line.

I know we don't talk a lot about 2027, but it's an important – as we execute on 2026, we're obviously thinking through what does that inflationary landscape look like for 2027, and going back for making sure we have the right brand investment and support for our portfolio. [ph] US is (00:38:22) a competitive landscape, but we're going to lean in from a portfolio investment for 2027. So more to come on 2027. But hopefully, it gives you a sense on 2026 MG&A.

And Tracey, any more things to add on calls?

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

A

Yeah. Just in terms of the Midwest Premium impact, Chris, so if you remember, our initial guidance assumed that the impact of Midwest Premium would be at least $125 million. Our latest estimate now is about $130 million; so one, three, zero. And so, I mean, Midwest Premium has not come down. Commodity costs are going up. So we do assume that Midwest Premium and base aluminum will be elevated versus last year.

And again, the Midwest Premium impact for Q2 for us was $40 million. So we do have hedges on for Midwest Premium. That is going to help mitigate some of these increases. But as we've said before, it's very difficult, very expensive. It's not a liquid market. It's not a transparent market. So we also are using our cost-savings program, which we've mentioned, to help mitigate some of this inflation. But we do have good line of sight to the balance of the year. But again, continue to see elevated commodity costs, particularly the Midwest Premium.

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

A

Thank you, Chris.

Operator: Thank you. Our next question comes from Kaumil Gajrawala from Jefferies. Your line is open, please go ahead.

Kaumil Gajrawala
Analyst, Jefferies LLC

Q

Hey, everyone. Good morning. I guess a couple of questions. We hear about buybacks, dividend, balance sheet, cost cutting, many of these things which are great and support the stock. But there's an essential volume area to focus on. While you've talked about it a bit, do you feel like that's sufficient?

Like, is now the right time to be cutting costs or buying back shares as opposed to maybe really stepping it up in a more meaningful way in your investment behind a series of brands, including, really galvanizing some of the ones that are working, like Peroni or Coors Banquet, or figuring out how to be more relevant in other spaces where some of your brands aren't?

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

A

Yeah. Kaumil, thank you for the question. And good morning to you. Absolutely focused on the top line, Kaumil. I mean, if you think about our plan, I mean, we are grounded on making sure our brands are the key drivers of our business in the future. So let me maybe explain how we think about our top line and our brands, right?

So obviously, we have core brands and in categories that are under pressure. So the way we think about it is obviously making sure we are supporting those brands well. So whether it's Coors Light, Miller Lite, things like Banquet, and making sure we have the right level of marketing investment against them. We showed up for our big brands in a big way this year in live sports. So World Cup was one example. But for the balance of the year, we're going to show up in NFL football, college sports, MLB, soccer, et cetera. We're going to continue to lean in investment in things like music.

So the investment in our core is super important, right? And because – to your point, if the top line and our brands are not healthy, it doesn't really matter. So we will definitely continue to lean into that.

If you think about our value segment, this was an important area of our strategy because it is a big part. Consumers are looking for brands at different price points. And you saw a step-change for us in Q2 versus Q1. And it was done in a very specific investment approach, right? So some of the work around Keystone Light Apple, the work on innovation with Miller High Life, some of the new packaging on Miller High Life that is coming out later this year, so that part of the portfolio does require investment, but in a very different way than our big brands do.

And then to your point in above premium beer, we're leaning into Peroni in a big way. We still have work to do on Blue Moon, but we're going to definitely lean into Peroni and a number of other brands across different markets. Miller Lite in Canada is a great area for growth for us in the above premium beer.

And in the – using the balance sheet for Beyond Beer is definitely an important priority. You saw us step into that space with the Monaco acquisition earlier this year. And we're going to continue looking at ideas that make sense to augment our portfolio. But we got to do that at scale, right? You have to do that at scale. It has to do something to move your top and bottom line. And that's why we feel Monaco is a great example of leaning in.

So we're going to use our P&L and balance sheet to help facilitate our business on the top line perspective. Now, while we're doing that, you're absolutely right, we are being disciplined in a highly inflationary landscape to be focused on cost and drive our cost-savings program, using the balance sheet in a careful way to make sure we are doing the dividend and buyback. But again, leaning first in terms of investing in our business.

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

Yeah. I mean, I think the only thing that I'd add, Kaumil, is that we are a highly cash-generative business. And so, when we look at our capital-allocation priorities, and because of our cash generation, we are able to invest in all of those, whether that be through M&A, whether that be through investing in our capabilities or investing behind our brands, we're able to do that, at the same time, buy back shares, which again we feel that our shares are a compelling investment. And we do have a program which we'll continue to execute against.

But quarter-by-quarter, those allocation priorities may differ. In Q2, we took the decision to put our money behind M&A with the Monaco acquisition as well as maintain flexibility in our balance sheet by paying down some of our debt. So, again, we have optionality when it comes to our uses of our cash. And we are able to invest in all of those big buckets around capital allocation.

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

Thank you, Kaumil.

Operator: Thank you. Our next question comes from Drew Levine from JPMorgan. Your line is open, please go ahead.

Drew N. Levine
Analyst, JPMorgan Securities LLC
Q

Hey. Good morning. Thanks for taking the question. Rahul, you talked to the beer industry weakening sequentially and expectation that it'll probably remain volatile, but still thinking the year is better than 2025. But wondering if internally, your expectations for the industry have changed at all, given what we've seen in the second quarter and so far in July, and also how you're thinking about the market share performance. You said you weren't happy with it. I think there was some expectation that it would improve relative to 1Q, which it did in the second quarter, but also for the balance of the year. But maybe where you've fallen short of internal expectations there. And I guess, how are you thinking about the timeline to sort of interventions playing out to better market share performance. Thanks.

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

Yeah. No, thank you. Morning, Drew. I think a couple of things. Thanks for your question. So first is on the category piece. Yeah, I think to your point of do we have a different point of view on what Q3 or Q4 might look like, I think broadly it's in line to what I said, right? I mean, we knew there was going to be volatility in the category coming into this year. We also had an assumption of it's going to be better than 2025. How that volatility plays out, Drew, it's something we'll watch and see and react accordingly. So I'm not sure I can give you more perspective on the category performance.

I think your share one is where I would say that's definitely an area that we focus a lot of time internally about, right? The category is something we all obviously lean into in terms of different occasions, but what we can do with our portfolio is important. And you heard that in my prepared remarks and Tracey's prepared remarks. We don't like where we are in terms of the improvement. Now, we did have modest improvement in Q2 versus Q1 in terms of share, whether it was in value, whether it was collectively in our core. So, we are showing progress. It's just we're not showing as much as we would like to. And so, that is something we will continue to lean into. And that is a combination of making sure we have all the right commercial programs, right commercial actions. If you think about retail actions in terms of shelf space or placements or displays, features, we think we are pretty well positioned for the second half of the year. If you think about being competitive in the context of pricing in the US, we believe we are being highly competitive. And then if you think about supporting our brands in a big way and being clear in what these brands stand for, I think we're pretty excited about how our brands are showing up.

Now, if there's some course corrections needed or we need to lean in a little harder, we continue to do that, whether that's very local, in particular, cities and states or regions, or whether that's at a national level. So market share is something is important. Again, I just maybe even flag out EMEA&APAC business, right? So, Q2 was a highly competitive landscape. The World Cup played out in a different way in our UK business because, again, from a competition perspective and we're taking the necessary actions. Our core brands there are some of the largest in the market in the category, and we're taking the necessary actions to make sure we are being reactive.

So I understand your question around category, and we will manage through the – any sort of volatility that has in the category. But internally, a lot of our focus is on making sure our brands show up in the right way, that different parts of our portfolio are showing up in the right way. And that's a combination of multiple levers on the commercial side, right? So retail, pricing, innovation, that's an important, again, lever we've obviously pulled in parts of our portfolio. And then the marketing investment to making sure our brands are well supported. So hopefully, that gives you a sense of just the thinking around H2.

Operator: Thank you. Our next question comes from Bonnie Herzog from Goldman Sachs. Your line is open, please go ahead.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

All right. Thank you. Good morning, everyone. I hope you can hear me.

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

A

Hi, Bonnie. Morning. Yeah, we can hear you now.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

Okay, good. Sorry about that. Just maybe a little bit of a follow-up just on everything that was discussed this morning. As we move through the balance of the summer, I'd be curious to hear from you what you're seeing in terms of category demand and really consumer behavior. And are there certain initiatives or maybe innovations that you're leaning into to accelerate your trends?

And then could you also update us on the shelf and cooler space that you maybe took in the spring resets? I'm just curious, like, what that ended up being. Thank you.

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

A

Yeah. Thank you, Bonnie. And so, maybe I'd address the different parts of your question. So let me maybe start with consumer behavior. So from a consumer perspective, we definitely saw a change in Q2 versus Q1, right? So when consumers in Q1, whether it was low-income consumers, Hispanic consumers, I would say, it was different than 2025. And we saw that in channel data in terms of how consumers came in convenience, but also in grocery and in food, right?

And we did see a change in Q2. In Q2, convenience and dollar channel was probably the – had the most success, and food and grocery did not. We saw that in pack size, right? Historically, folks, singles play out well in our category. We saw a little bit of a decline in large packs, but progress in – or growth in small packs. So again, that shows you the actions consumers are taking in the context of being pressured, how they're using dollars, how they're putting their money where they want to look at brands.

If you think about our portfolio, and this is why – your question around innovation, this is why you see us leaning into in different ways. So the value portfolio was important to making sure we can get our consumers price points that they're looking for. You saw us lean into that with Keystone innovation. You saw we've announced we have more innovation coming in the second half of the year with Keystone Ice, which is a high ABV, more single-centric innovation. You saw that even in High Life. So the portfolio and how we react into that becomes important.

The other part you'll see us is obviously things like Monaco. Monaco, as Tracey shared, is a business that sells majority in singles. There's a balance of ABV as consumers think about value. So for us, that is a great stepping into where the consumer trends are, where the consumer may be pressured, but making sure we have the right portfolio around that.

On our core brands with Coors Light and Miller Lite, making sure we have the right price-pack architecture with the right formats in those particular channels. So those are the actions I know we are taking both from an innovation and trend perspective.

Your question around shelf and cooler space, so we obviously do that in the spring reset. And we did gain shelf space for our brands. If you think about the broad category, yes, the category saw some losing some shelf space in things like craft, maybe in some particular flavor, subcategories. But if you think about our business, in the majority of our brands, so the core brands, Coors Light, Miller Lite, value, above premium parts of our portfolio, Peroni, et cetera, we did see incremental shelf space.

We saw strong retail execution, whether it's in the cooler, we saw a strong execution in terms of displays. Coors Light continues to be one of our biggest brands in the context of displays and features. So our brands are pretty well being executed in retail. I mean, Coors Banquet continues to see distribution gains and strong execution in retail. Peroni does.

So we feel pretty good about our retail execution, our retail presence, how our brands are showing up, again, example of Topo Chico. So we are definitely holding our share of space. We're definitely growing that in different parts of our portfolio. But overall, I think we feel pretty good going into obviously the summer and going into the balance of the year.

And then I think I got most of your questions, Bonnie. Thank you for that.

Operator: Thank you. Our next question comes from Robert Ottenstein from Evercore. Your line is open, please go ahead.

Robert Ottenstein
Analyst, Evercore Group LLC

Q

Great. Thank you very much. And thank you for giving me another chance. I missed a good part of the call, so excuse me if you addressed this already. But I was wondering if you could maybe talk about Monaco in a little bit more depth. What surprised you? Where the integration is? And more specifically, my understanding is that something like 80% or so of the sales are in a handful or so of states. What is the game plan to make it fully national at this point? Thank you.

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

A

Morning, Robert. And no problem. I'm glad you got back in the queue. And we won't hold that against you of missing our call in the first half. I'm joking, Robert. No, we appreciate you being here. So if you think about Monaco, I mean, it's been a great add to our portfolio. If you think about the criteria we laid out, we want to add 1% to 2% brands that give us scale. It's an important thing for us. It's an important thing for our distributor network.

So your questions of we closed the deal in Q2. We obviously have been focused on integrating it, which is part of making sure it moves to our network. So I would say, we're making good progress on that. You're absolutely right. The volume is concentrated in about five states, and it is concentrated in channels, in convenience with singles, right? So it really gives us the opportunity for runway in the future.

The way we're approaching it is, one, we want to make sure we first execute in those states by staying in and not dropping a case, right? So being disciplined in terms of the model they have. Just as a reminder, we moved about 80 people from the Monaco team also because what don't want to do is lose the feet in the street, the execution ability. So job one is to make sure we keep and grow what we have today in those key states.

We will look at channels in the states that we already have some strong presence in. Then in the other states, we continue to look at following a similar playbook that Monaco had, is how do we make sure we win with convenience? How do we make sure we win with singles? It goes to some of the other questions that folks have in terms of how consumers are leaning into this category and how do we make sure we're being competitive in that.

So our goal is to, obviously, take this business national. We will do that in a measured way, Robert. We want to be careful in these integrations that we don't get in a way ahead of ourselves. So job one, transition to our network, make sure we are executing in the current state, start thinking about multiple channels in the context of the states where there is a lot of strength for the brand. And then, how do we make sure we expand into other states with the playbook that Monaco has executed over the last 12 and 15 years.

So we're pretty happy about this. We are – I think we said this in our prepared remarks, we're tracking slightly ahead of what we – our anticipation was in both top and bottom line. So it has been a good add to not just our business, but also to our network, right? So it's a good point of conversation with our distributor network, with our retail. It creates some excitement. And then, yeah, we're going to keep leaning into the playbook that they had, but also expanding it with our, call it, infrastructure and our capabilities.

Thank you, Robert.

Operator: Thank you. Our next question is from Steve Powers at DB. Your line is open, please go ahead.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.
Q

Yes. Thanks so much. I wanted to actually ask about EMEA&APAC and the outlook for the back half for improvement. I guess the question I'm grappling with is how much of the expected improvement that you're calling for in the back half comes from identified cost savings and restructuring benefits kind of already in hand, already in motion, in your control versus an assumption that demand or promotional intensity or volume trends improve in the back half. And just if it's the latter, just your confidence around that. Thank you.

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

Yeah. Good morning, Steve. And yeah, fair question, Steve. So thank you for that. So if you think about EMEA&APAC, obviously I would say a little bit of a tougher start to – in H1 this year. So a couple of things. Let me address your top line piece first, and then your question of confidence in the balance of the bottom line.

So we definitely have taken some more actions in terms of given the competitive context in EMEA&APAC. If you think about our business there, Central European business, it's been robust and strong. I mean, obviously, some headwinds, but the teams have done a good job of navigating through that. I would call out UK probably is where it has been a pressure on from a consumer perspective, but then also from a competitive perspective.

If you look at our portfolio there, I would say, we definitely have some strong brands, right? Our core is some of the biggest brands in the UK. And we've leaned into that with respect to innovation. So we launched Carling Black Label a few months ago. We're taking the necessary action on Carling for the balance of the year. So we feel good about the actions we're taking.

In premiumization, Madrí, obviously is a big brand, and the team have done a great job of scaling it. It is again in a competitive context. But we have innovation already in market with 0.0% with Madrí Limón. And other parts of our above premium brands are doing well in the UK with Staropramen, Miller and Blue Moon. So from a portfolio perspective, a number of these actions are already in place, in motion, and should give us a higher degree of execution in the second half of the year in terms of the top line.

If you think about the bottom line and the cost-savings initiatives, we did action a number of those earlier this year. I think we announced those. This takes a little longer in Europe, but those are the ones that are going to give us the benefit in the second half of the year, right? Those are now in place. Those actions have been taken. And that is going to play out.

The only thing – other thing I would remind you is just timing in EMEA&APAC. UK, as you now, November/December is a big season for us, right? I mean, trading and the Christmas time plays an important role in even the beer category. So for us, there is an element of timing also from a trading perspective in the UK.

So yeah, it's been a little bit of a, I would say, challenging start in 2026 for EMEA&APAC, but I know our teams are – we've got the right commercial plans. We've taken – being disciplined on the cost side and taking the necessary actions to make sure we can really execute against our ambitions in EMEA&APAC for the balance of the year.

Operator: Thank you. There are no further questions. This now concludes today's Q&A session and today's call.

I'd like to thank everyone for joining, and you may now disconnect your lines.