



Molson Coors Beverage Company (TAP)

Updated February 21st, 2023 by Quinn Mohammed

Key Metrics

Current Price:	\$53	5 Year CAGR Estimate:	9.2%	Market Cap:	\$12 B
Fair Value Price:	\$57	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	03/23/23 ¹
% Fair Value:	93%	5 Year Valuation Multiple Estimate:	1.5%	Dividend Payment Date:	03/17/23 ¹
Dividend Yield:	3.1%	5 Year Price Target	\$73	Years Of Dividend Growth:	3
Dividend Risk Score:	D	Retirement Suitability Score:	D	Rating:	Hold

Overview & Current Events

Molson Coors Beverage Company, previously Molson Coors Brewing Company, was founded in 1873. Since then, it has grown into one of the largest U.S. brewers, with a variety of brands including Coors Light, Molson Canadian, Carling, Blue Moon, Hop Valley, Leinenkugel's, Crispin Cider, and Miller Lite through a joint venture called MillerCoors. The \$12 billion market cap company has a significant presence outside the U.S. Its international markets include Canada, Europe, Latin America, Asia, and Africa.

On February 20th, 2023, the company announced an 8% increase to the quarterly dividend to \$0.41 per share.

On February 21st, 2023, Molson Coors reported fourth quarter results for the period ending December 31st, 2022. For the quarter, the company generated net sales of \$2.63 billion, just a 0.4% increase compared to Q4 2021. Net sales were down 0.7% in North America, but up 6.2% in Europe, the Middle East and Africa, and Asia-Pacific. Reported net income equaled a loss of (\$591) million or (\$2.73) per share compared to \$80 million or \$0.37 per share in Q4 2021. On an adjusted basis, earnings-per-share equaled \$1.30 versus \$0.80 prior. The company repurchased 995,000 shares during 2022.

For the full year, Molson Coors generated earnings per share of \$4.10, a 1% decrease compared to \$4.15 in 2021.

Molson Coors expects net sales to increase by a low single-digit rate for 2023, on a constant currency basis.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$3.08	\$2.76	\$1.93	\$3.01	\$4.48	\$5.04	\$4.54	\$3.92	\$4.15	\$4.10	\$4.06	\$5.18
DPS	\$1.28	\$1.48	\$1.64	\$1.64	\$1.64	\$1.64	\$1.96	\$0.57	\$0.68	\$1.52	\$1.64	\$2.00
Shares²	192	193	185	224	215	219	216	217	217	217	216	210

One of the major themes that has characterized Molson Coors' financial performance in recent years is the struggling beer industry. Younger generations are consuming more wine and liquors while traditional beer consumption is dropping. Growth that does still occur in the beer industry is localized within the craft beer segment, where Molson Coors has been slow to enter but is catching up. The company posted down results in 2019 and 2020 but returned to growth in 2021. We expect earnings to be down slightly in 2023.

With several top brands, Molson Coors can pass higher costs on to consumers. The company is also aggressively cutting costs in other parts of the business to offset raw material inflation. In addition, Molson Coors is investing in new product categories to generate growth, such as cannabis.

The COVID-19 pandemic had a significant impact on the demand for the company's products due to many on-premise restrictions throughout the pandemic. This headwind should be in the rearview as people have largely put the pandemic behind them and have returned to outside establishments, such as restaurants and bars.

We are forecasting \$4.06 in earnings-per-share for 2023 to go along with a 5% intermediate term growth rate.

¹ Estimate.

² In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	16.3	24.3	40.8	32.7	19.9	13.3	12.9	15.3	22.4	14.2	13.0	14.0
Avg. Yld.	2.5%	2.2%	2.1%	1.7%	1.8%	2.4%	3.4%	1.4%	1.1%	2.3%	3.1%	2.8%

In the past decade, shares of Molson Coors have traded hands at an average price-to-earnings ratio of about 21 times earnings. However, this has included many instances where earnings fell and the share price held up much better, along with periodic bouts of extreme valuation. We view 14 times earnings as a reasonable starting baseline, considering the quality of the business and its potential growth rate. This implies the potential for valuation upside. Meanwhile, the current 3.1% dividend yield is higher than the 5-year and 10-year average of about 2.1%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	42%	54%	85%	54%	37%	33%	43%	15%	16%	37%	40%	39%

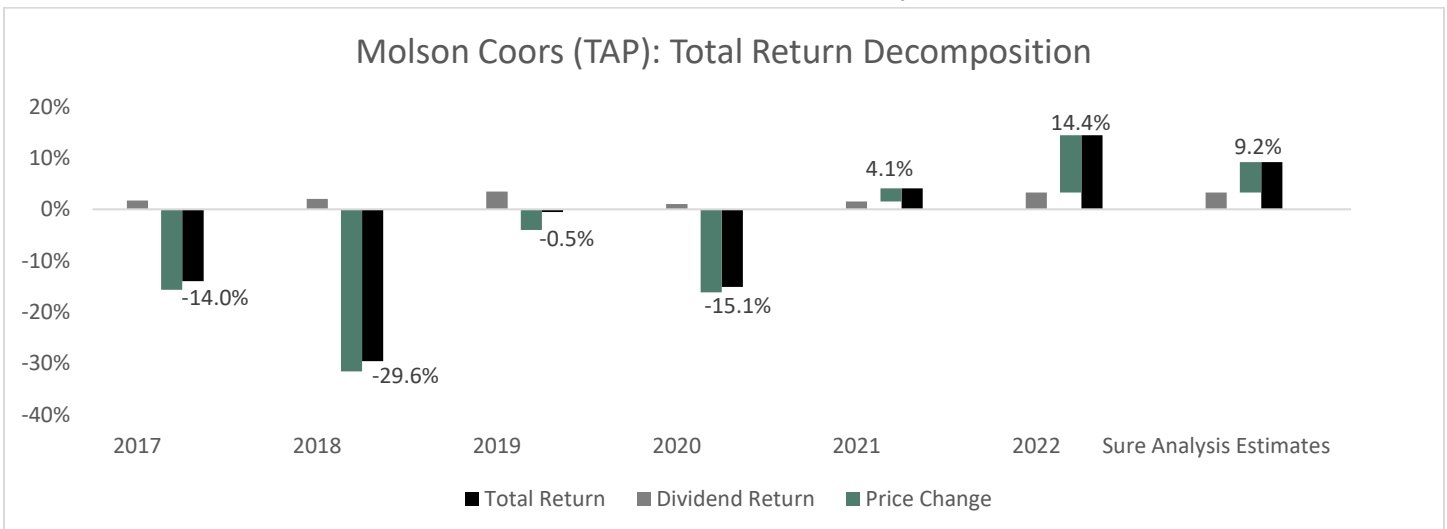
The board elected to suspend the dividend after the first quarter of 2020, which was not welcome news for income investors, especially after significantly increasing the payment in 2019. The payout was reinstated in the second half of 2021, but at a ~40% lower rate. The abrupt change in policy makes us more cautious on the dividend going forward.

Molson Coors still has many competitive advantages. It has a number of popular brands, including Coors Light, which was the #2 selling beer brand in the U.S. in 2021. Molson Coors has an extensive production and distribution network, providing the company with economies of scale. In a competitive beer market, the larger operators like Molson Coors can acquire smaller brewers to retain market share. In addition, Molson Coors can withstand recessions very well. Beer is a recession-resistant product, with Molson Coors remaining highly profitable during the Great Recession of 2008-2009. That being said, the current crisis is different and has hurt short-term demand and results.

Final Thoughts & Recommendation

Shares are up 6% year-to-date, which compares favorably to the overall broader market. Molson Coors has executed successfully against its Revitalization Plan, resulting in strong results despite a challenging environment, demonstrating the resilience of the industry. Total return potential comes in at 9.2% per annum stemming from 5% growth, the 3.1% dividend yield, and the potential for a valuation tailwind. Shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	4,206	4,146	3,568	4,885	11,003	10,770	10,579	9,654	10,280	10,701
Gross Profit	1,661	1,653	1,436	1,886	4,766	4,185	4,201	3,768	4,053	3,655
Gross Margin	39.5%	39.9%	40.2%	38.6%	43.3%	38.9%	39.7%	39.0%	39.4%	34.2%
SG&A Exp.	1,194	1,164	1,038	1,597	3,052	2,803	2,728	2,437	2,555	2,619
D&A Exp.	321	313	314	388	813	858	859	922	786	685
Operating Profit	467	489	398	289	1,714	1,382	1,473	1,331	1,499	1,036
Operating Margin	11.1%	11.8%	11.1%	5.9%	15.6%	12.8%	13.9%	13.8%	14.6%	9.7%
Net Profit	567	514	395	1,594	1,566	1,117	242	-949	1,006	-175
Net Margin	13.5%	12.4%	11.1%	32.6%	14.2%	10.4%	2.3%	-9.8%	9.8%	-1.6%
Free Cash Flow	874	1,028	441	785	1,267	1,680	1,304	1,121	1,051	841
Income Tax	84	69	62	1454	-205	225	234	302	231	124

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	15,580	13,980	12,276	29,342	30,247	30,110	28,860	27,331	27,619	25,868
Cash & Equivalents	442	625	431	561	419	1,058	523	770	637	600
Acc. Receivable	573	489	408	654	728	736	706	550	663	740
Inventories	235	226	179	593	592	592	616	664	805	793
Goodwill & Int.	9,244	7,947	6,729	22,282	22,702	22,037	21,287	19,707	19,439	18,092
Total Liabilities	6,950	6,094	5,213	17,720	17,060	16,374	15,187	14,710	13,955	12,953
Accounts Payable	600	618	560	1,298	1,569	1,617	1,687	1,733	2,098	2,068
Long-Term Debt	3,800	3,170	2,937	12,073	11,314	10,488	9,038	8,228	7,162	6,562
Total Equity	8,605	7,863	7,043	11,419	12,978	13,507	13,419	12,365	13,417	12,690
LTD/E Ratio	0.44	0.40	0.42	1.06	0.87	0.78	0.67	0.67	0.53	0.52

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	3.6%	3.5%	3.0%	7.7%	5.3%	3.7%	0.8%	-3.4%	3.7%	-0.7%
Return on Equity	6.8%	6.2%	5.3%	17.3%	12.8%	8.4%	1.8%	-7.4%	7.8%	-1.3%
ROIC	4.5%	4.4%	3.8%	9.5%	6.5%	4.6%	1.0%	-4.4%	4.8%	-0.9%
Shares Out.	192	193	185	224	215	219	216	217	217	217
Revenue/Share	22.83	22.28	19.14	22.89	50.82	49.72	48.78	44.53	47.24	49.34
FCF/Share	4.75	5.53	2.37	3.68	5.85	7.75	6.01	5.17	4.83	3.88

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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