



# Molson Coors Beverage Company (TAP)

Updated February 15<sup>th</sup>, 2024 by Quinn Mohammed

## Key Metrics

<b>Current Price:</b>	\$62	<b>5 Year CAGR Estimate:</b>	9.7%	<b>Market Cap:</b>	\$13 B
<b>Fair Value Price:</b>	\$79	<b>5 Year Growth Estimate:</b>	2.5%	<b>Ex-Dividend Date:</b>	02/29/24 <sup>1</sup>
<b>% Fair Value:</b>	79%	<b>5 Year Valuation Multiple Estimate:</b>	4.8%	<b>Dividend Payment Date:</b>	03/15/24 <sup>1</sup>
<b>Dividend Yield:</b>	2.8%	<b>5 Year Price Target</b>	\$89	<b>Years Of Dividend Growth:</b>	4
<b>Dividend Risk Score:</b>	D	<b>Retirement Suitability Score:</b>	D	<b>Rating:</b>	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 \$13 billion market cap company has a significant presence outside the U.S. Its international markets include Canada, Europe, Latin America, Asia, and Africa. It is the fifth largest beer company in the world.

On February 13<sup>th</sup>, 2024, the company announced an 8% increase to the quarterly dividend to \$0.44 per share.

Also on February 13<sup>th</sup>, 2024, Molson Coors reported fourth quarter 2023 results for the period ending December 31<sup>st</sup>, 2023. For the quarter, the company generated net sales of \$2.8 billion, a 6.1% increase compared to Q4 2022. Net sales were up 4.7% in North America, and up 12.6% in Europe, the Middle East and Africa, and Asia-Pacific. Reported net income equaled \$166 million or \$0.48 per share compared to \$(564) million or \$(2.73) per share in Q4 2022. On an adjusted basis, earnings-per-share equaled \$1.19 versus \$1.30 prior. The company repurchased 3.5 million shares in 2023.

Molson Coors expects net sales to increase by a low single-digit rate for 2024 on a constant currency basis.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>EPS</b>	\$2.76	\$1.93	\$3.01	\$4.48	\$5.04	\$4.54	\$3.92	\$4.15	\$4.10	\$5.43	<b>\$5.61</b>	<b>\$6.35</b>
<b>DPS</b>	\$1.48	\$1.64	\$1.64	\$1.64	\$1.64	\$1.96	\$0.57	\$0.68	\$1.52	\$1.64	<b>\$1.76</b>	<b>\$2.14</b>
<b>Shares<sup>2</sup></b>	193	185	224	215	219	216	217	217	217	217	<b>215</b>	<b>210</b>

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. The company posted down results in 2019 and 2020 but returned to growth in 2021. Earnings-per-share soared 32% in 2023, and we expect another 3.3% bump in EPS for 2024.

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 is now in the rearview as people have put the pandemic behind them and have returned to outside establishments, such as restaurants and bars.

We are forecasting \$5.61 in earnings-per-share for 2024 to go along with a 2.5% intermediate term growth rate.

<sup>1</sup> Estimate.

<sup>2</sup> 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	24.3	40.8	32.7	19.9	13.3	12.9	15.3	22.4	14.2	11.0	<b>11.1</b>	<b>14.0</b>
Avg. Yld.	2.2%	2.1%	1.7%	1.8%	2.4%	3.4%	1.4%	1.1%	2.3%	2.7%	<b>2.8%</b>	<b>2.4%</b>

In the past decade, shares of Molson Coors have traded hands at an average price-to-earnings ratio of 21 times earnings. However, this has included instances where earnings fell and the share price held up much better, along with periodic bouts of extreme valuation. We view 14.0 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 2.8% dividend yield is slightly higher than the 5-year average of 2.2%.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	54%	85%	54%	37%	33%	43%	15%	16%	37%	30%	<b>31%</b>	<b>34%</b>

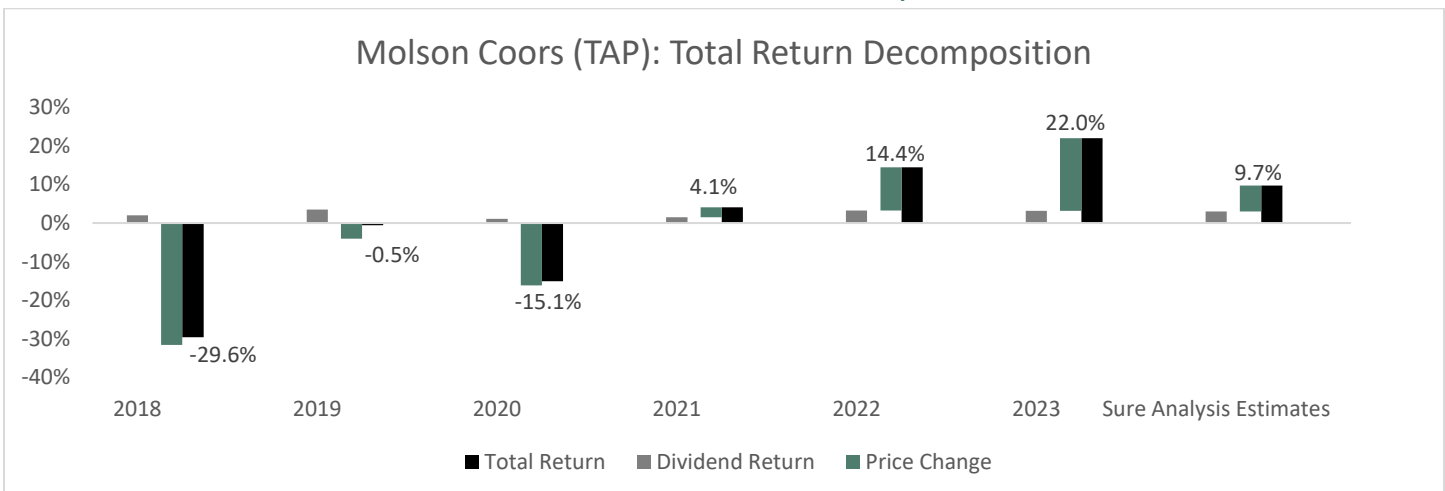
The board elected to suspend the dividend after the first quarter of 2020, which was not welcome news for income investors, especially after significantly increasing the payment in 2019. The payout was reinstated in the second half of 2021, but at a ~40% lower rate. The abrupt change in policy makes 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 2022. 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 covid crisis was different and hurt short-term demand and results, but the company bounced back swiftly.

## Final Thoughts & Recommendation

Shares are up 1% year-to-date, which compares unfavorably 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 9.7% per annum stemming from 2.5% growth, the 2.8% 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenue</b>	4,146	3,568	4,885	11,003	10,770	10,579	9,654	10,280	10,701	11,700
<b>Gross Profit</b>	1,653	1,436	1,886	4,766	4,185	4,201	3,768	4,053	3,655	4,369
<b>Gross Margin</b>	39.9%	40.2%	38.6%	43.3%	38.9%	39.7%	39.0%	39.4%	34.2%	37.3%
<b>SG&amp;A Exp.</b>	1,164	1,038	1,597	3,052	2,803	2,728	2,437	2,555	2,619	2,780
<b>D&amp;A Exp.</b>	313	314	388	813	858	859	922	786	685	683
<b>Operating Profit</b>	489	398	289	1,714	1,382	1,473	1,331	1,499	1,036	1,426
<b>Operating Margin</b>	11.8%	11.1%	5.9%	15.6%	12.8%	13.9%	13.8%	14.6%	9.7%	12.2%
<b>Net Profit</b>	514	395	1,594	1,566	1,117	242	-949	1,006	-175	949
<b>Net Margin</b>	12.4%	11.1%	32.6%	14.2%	10.4%	2.3%	-9.8%	9.8%	-1.6%	8.1%
<b>Free Cash Flow</b>	1,028	441	785	1,267	1,680	1,304	1,121	1,051	841	1,408
<b>Income Tax</b>	69	62	1454	-205	225	234	302	231	124	296

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Assets</b>	13,980	12,276	29,342	30,247	30,110	28,860	27,331	27,619	25,868	26,380
<b>Cash &amp; Equivalents</b>	625	431	561	419	1,058	523	770	637	600	869
<b>Acc. Receivable</b>	489	408	654	728	736	706	550	663	740	758
<b>Inventories</b>	226	179	593	592	592	616	664	805	793	802
<b>Goodwill &amp; Int.</b>	7,947	6,729	22,282	22,702	22,037	21,287	19,707	19,439	18,092	17,940
<b>Total Liabilities</b>	6,094	5,213	17,720	17,060	16,374	15,187	14,710	13,955	12,953	12,940
<b>Accounts Payable</b>	618	560	1,298	1,569	1,617	1,687	1,733	2,098	2,068	3,181
<b>Long-Term Debt</b>	3,170	2,937	12,073	11,314	10,488	9,038	8,228	7,162	6,562	6,224
<b>Total Equity</b>	7,863	7,043	11,419	12,978	13,507	13,419	12,365	13,417	12,690	13,200
<b>LTD/E Ratio</b>	0.40	0.42	1.06	0.87	0.78	0.67	0.67	0.53	0.52	0.47

## Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Return on Assets</b>	3.5%	3.0%	7.7%	5.3%	3.7%	0.8%	-3.4%	3.7%	-0.7%	3.6%
<b>Return on Equity</b>	6.2%	5.3%	17.3%	12.8%	8.4%	1.8%	-7.4%	7.8%	-1.3%	7.2%
<b>ROIC</b>	4.4%	3.8%	9.5%	6.5%	4.6%	1.0%	-4.4%	4.8%	-0.9%	4.9%
<b>Shares Out.</b>	193	185	224	215	219	216	217	217	217	217
<b>Revenue/Share</b>	22.28	19.14	22.89	50.82	49.72	48.78	44.53	47.24	49.34	53.85
<b>FCF/Share</b>	5.53	2.37	3.68	5.85	7.75	6.01	5.17	4.83	3.88	6.48

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

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