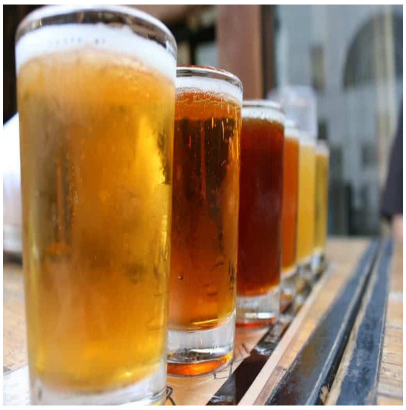

# What a Great Time to Be Picking Up This Beer Company!

## Description

**Molson Coors Canada Inc.** (TSX:TPX.B)(NYSE:TAP) reported fourth-quarter results last month, and it was a strong showing for Canada's largest alcohol brewing company.



"2017 marked the first full year of the bigger, stronger Molson Coors, and our full-year results demonstrated balance and progress against both our bottom-line and top-line goals" reported CEO Mark Hunter.

The "bigger, stronger" Molson Coors that Hunter was referring to is with respect to the company's acquisition of Miller Coors from **Anheuser Busch Inbev NV** last year, which saw Molson gain the rights to the Miller franchise — a $12 billion transformative move for the company that made "the new" Molson the third-largest alcohol brewer globally.

Unfortunately, that $12 billion price tag didn't come cheap, and the company was forced to take on a lot of debt, which meant of suspension of dividend hikes for the time being.

Molson's shares still yield 2.3%, which isn't bad, but typically when a company makes a change to something as significant as its dividend policy, some investors holding the stock will take a pass and head for the exits.

But that just creates a window of opportunity for those willing to step in and fill the void.

Molson shares today trade at a price-to-earnings (P/E) multiple of about 15 times 2018 earnings, which is pretty cheap considering the P/E multiple of the TSX Composite is closer to 19 times, meaning that Molson Coors is "on sale" compared to the rest of the market.

But there are some compelling reasons why that shouldn't be the case.

One is that following the Anheuser Busch Inbev merger last year and Molson's subsequent acquisition of Miller Coors, the beer industry is undergoing a period of consolidation.

That may not be great news for beer drinkers, as when brewers consolidate it tends to give them greater concentration, or bargaining power, over consumers, which, in essence, allows them to unfairly raise prices.

But while that isn't likely to be a welcome change for the consumer, it is a welcome development for the company's shareholders, who should also to see cost savings, as Molson eliminates redundancies as it brings Miller Coors under its umbrella. Evidence of this showed in the fourth-quarter results, with net income of $6.52 up 379% over the year-ago period.

Revenue was up 2.6%, but the company was able to deliver on its targets for cost savings, achieving $255 million in cost savings and raising its target for additional savings over the next three years to $600 million.

**Bottom line**

Maybe the best thing about Molson Coors as investment today is that it operates in a very stable business environment, selling alcoholic beverages.

One could make the argument that as we get deeper into the current bull market, you are going to start seeing a premium placed on "low-risk" or "high-quality" companies like Molson.

And it only helps that shares are already on sale.



**CATEGORY**

1. Investing

**TICKERS GLOBAL**

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