



5 Reasons Why Molson Coors Brewing Co. Stock Will Outperform the Market in 2018

Description

A lot of attention in the markets has been focused on [cannabis stocks](#) lately.

While it's true that legalizing marijuana for recreational use will open the door to a new multi-billion-dollar industry, there's another industry waiting for you today that's at least as large as the cannabis market — if not larger — and without the overhang of all the regulatory and logistical uncertainty currently surrounding marijuana growers.

It's the good ol' fashioned beer market.

Buying a beer-brewing company in 2018 may not be as flashy or exciting as it is to speculate on which company will be the next big pot giant, like, for example, **Canopy Growth Corp.** or **Aurora Cannabis Inc.**, but it may just be more profitable, particularly in light of recent declines in the cannabis sector.

Fortunately, Canada's own **Molson Coors Brewing Co.** ([TSX:TPX.B](#))([NYSE:TAP](#)), which also happens to be the third-largest alcohol brewer anywhere in the world, just so happens to be on sale today and trading at 18-month lows.

The Miller Coors acquisition

In 2016, Molson Coors completed [the acquisition](#) of its outstanding 50% stake in Miller Coors; doing so gave the Canadian brewer full ownership of the Miller brand portfolio outside the U.S., and it retains the rights to all of the brands currently in the Miller Coors portfolio for the U.S. market.

The landmark move made Molson the third-largest brewer globally in terms of its total enterprise value, firmly putting the company on equal ground with other alcoholic beverage titans like **Anheuser Busch Inbev NV (ADR)** and **Heineken N.V.**

Alcohol brewers have started to take off recently

In what could be a sign of things to come for Molson Coors stock, some other notable alcohol brewers'

shares have taken off as of late.

Since the start of March, shares in **Boston Beer Company Inc.** ([NYSE:SAM](#)) are up more than 26%; meanwhile, shares in **Constellation Brands, Inc.** ([NYSE:STZ](#)) shares have also outperformed as of late, up over 7% since early February, despite declines across the broader averages.

Sectors tend to move together, so Molson Coors stock could very well be the next one to get a lift.

Shares are undervalued fundamentally

A conservative approach to investing typically involves an analysis of a company's financial performance relative to the price its shares are trading for.

The good news is that Molson Coors stock is currently trading at just 15 times its estimated earnings for 2018, a discount to the market and also a discount to where Molson shares have typically traded.

Potential synergies with the marijuana industry?

Constellation Brands, last year, inked a large investment with Canada's largest marijuana company at the time, Canopy.

It's only natural to expect that the burgeoning marijuana industry stands to compete head to head with the established alcohol giants, so it wouldn't be surprising at all to see brewers like Molson Coors follow a similar strategy, making investments with cannabis cultivators.

Going against the grain

Shares in Molson Coors are currently trading at their lowest values in over 18 months, having fallen by nearly 15% since the start of the year.

While that may be enough to scare some people away from the stock, Foolish investors ought to be mindful of Warren Buffett's mantra to "be greedy when others are fearful" and take advantage of what could turn out to be one of the better investment opportunities of 2018.

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2. NYSE:STZ (Constellation Brands Inc.)
3. NYSE:TAP (Molson Coors Beverage Company)
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