



## Is it Time to Load Up on Molson Coors?

### Description

**Molson Coors Canada Inc.** (TSX:TPX.A)([TSX:TPX.B](#))([NYSE:TAP](#)) stock plummeted in Wednesday's trading last week following an earnings report that left investors wanting more.

In reporting first-quarter earnings, Molson Coors president and chief executive officer Mark Hunter pointed to three key factors that were a drag on the company's performance.

The first factor was an issue of timing, as the first quarter saw Molson lap a tax benefit that European customers had received in the year-ago period. The company estimated that this effect negatively impacted sales and pre-tax profits by about \$50 million in the quarter, but that it expects to recoup those losses towards the back half of the year.

The second issue was also in part a timing issue, as deliveries to U.S. wholesalers were down 6.7% versus the year ago period — an issue that was apparently compounded because Molson's new ordering system has taken longer to ramp up than it had initially anticipated.

But if lower deliveries to wholesalers weren't enough to rattle investors' confidence, the company, at the same time, reported that worldwide brand volume had fallen 3.1% in the quarter, while global priority brands fell even more, down 5.6% in Q1.

While the European tax credit is likely to prove a one-off item, it's the factors taken together that spooked the market, sending shares down more than 15% and closing the week at a new 52-week low — in fact, their lowest point in more than three years.

But fears of weakness in North American beer markets are nothing new. In fact, this is something that has been plaguing brewers for a few years in large part thanks to the rising acceptance of craft beers.

Molson's drop off in sales by more than 7% in constant-currency terms during the first quarter was worse than most had anticipated. And investors don't much care for unwelcome surprises, particularly when a stock is already down more than 33% off its highs, and there are already broader threats challenging the market it operates in, like those facing the [consumer-packaged goods industry](#) right now.

### **But “the silver bullet” has a silver lining...**

All that aside, at some point, enough is simply enough, and one could make a strong argument that's exactly the case here with Molson Coors stock.

Following last week's results, the stock now finds itself not only at a 52-week low, but at a multi-year low, and it has been heavily oversold by the market.

Depending on whether or not the company and its sales and marketing division will be able to recoup the first-quarters losses throughout the rest of the year remains to be seen, but on its conference call, management reiterated guidance for \$1.5 billion of free cash flow in 2018.

At this point, Molson Coors better fits the description of a [solid value play](#) rather than a “value trap,” and Foolish investors ought to do some reflecting on whether this is a name that deserves to be included in their TFSA or RRSP accounts.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:TAP (Molson Coors Beverage Company)
2. TSX:TPX.B (Molson Coors Canada Inc.)

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### **Author**

jphillips

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