



## 3 Reasons You'll Want to Pick Up Molson Coors Canada Inc. (TSX:TPX.B) on the Dip!

### Description

Following a sharp rally the past two months, in which the share price of **Molson Coors Canada Inc.** ([TSX:TPX.B](#))([NYSE:TAP](#)) rose from its 52-week low of \$85.01 for the Canadian-listed shares to flirt with the \$100 mark, Molson shares have since given back most of those gains.

Shares now trade at \$92.58 on the TSX heading into Monday's trading — just a few dollars off not only the 52-week lows but also the three-year lows!

Here are three convincing reasons why Foolish investors may want to seriously consider picking up the stock of the world's third-largest alcoholic beverage maker.

### Beer is a recession-proof business

In its recent report, the Bank of Canada highlighted increasing trade tensions between the U.S. and its global trading partners as the most relevant threat to the global financial system.

Practically irrespective of how things end up playing out, the one thing that investors can be sure of is that across the board, more countries will be enacting protectionist policies, including tariffs, import taxes, and restrictive trade agendas.

The result is fewer goods exchanging hands between trading partners, businesses, and individuals, which could very well lead to a recession, either at home in Canada, abroad or both.

Molson makes good sense as a "hedge" against the risk of a recession.

Generally speaking, the demand for beer is "inelastic," meaning that people are going to continue to consume it almost regardless of what is happening in the economy and labour markets.

You could even make the case that some people will consume more beer when times are hard!

## Investors can expect sizable dividend increases in coming years

Molson stock yields a 2.61% dividend, which is, frankly speaking, okay but far from great. However, there's good reason to believe that investors can expect significant increases to the company's payout in future years.

Following Molson's acquisition of the Miller Coors assets, the company is prioritizing the repayment of its debt over additional dividend hikes.

However, once the management has its balance sheet back in order, investors can expect a return to its former dividend policy to pay shareholders 20% of trailing 12-month EBITDA.

## Molson is in talks to merge with cannabis producers

Recent reports have suggested that Molson has been engaged in [serious discussions](#) with several of Canada's cannabis producers.

If Molson did end up making a push into cannabis-related products, it wouldn't be the first time for a brewer to do so.

Last fall, **Constellation Brands, Inc.** sprang into action buying a 9.9% stake in Canada's largest medical marijuana company, **Canopy Growth Corp.**

Diversifying its operations could be a smart move for Molson by tapping into the [faster-growing cannabis market](#) and would be a natural complement to its existing line of products and brands.

The current street consensus target price for the TAP shares listed on the NYSE is US\$74.86, representing 19% upside from Friday's closing price.

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