2 Beer Stocks I'd Sell and Buy This Summer

### Description

In April, Beer Institute chief economist Michael Uhrich reported that beer's share of total alcohol servings fell below 49%. Meanwhile, hard liquor and wine both saw an increase in market share. The relative decline of beer consumption has been a consistent concern for investors over the course of this decade. Younger demographics have shown a distinct preference for wine and spirits.



A shift in target marketing has also played a role. Alcohol marketing had focused almost exclusively on the male demographic since the middle of the 20th century. As alcohol companies have uncovered new demographics to reach, the favoured alcoholic beverage among men is losing its edge.

Today, I want to go over two beer stocks that have moved in opposite directions this year. One looks like a stock to take profits in, while the other looks discounted ahead of some big developments later in the year.

## Waterloo Brewing

**Waterloo Brewing** (TSX:WBR) is a Kitchener-based company that produces, distributes, and sells beer, vodka, and other alcohol products. Some of its brands include Laker, Margaritaville, and Seagram. Shares have climbed 28.9% in 2019 as of early afternoon trading on June 19. Investors may remember its previous name: Brick Brewing. With the name change, the company hopes to better emphasize its origins to bolster its identity.

Waterloo Brewing posted record full-year EBITDA in the prior year. Net revenue increased 7.8% to $49.8 million. The company managed to thrive in a crowded and highly competitive space, even as overall craft beer volumes declined in 2018. Waterloo Brewing deserves credit for its performance in 2018, but its P/E TTM of 41 still put it in a difficult price position. It has rebounded nicely from close to three-year lows in December 2018, but I am still looking elsewhere in 2019.

## Molson Coors

**Molson Coors** (TSX:TPX.B)(NYSE:TAP) needs no introduction as one of the largest brewers in the world. The stock has dropped 4.8% in 2019 and is down 20% from the prior year as of this writing.

Molson released its first-quarter 2019 results on May 1. Net sales fell 1.3% year over year to $2.30 billion, while U.S. GAAP net income plunged 45% to $151.4 million, or $0.70 per share. Sales and net income suffered due to lower volumes, unfavourable foreign currency movements, and higher inflation. On a constant-currency basis, net sales in Europe rose 4.4% and only 0.7% in the United States. All other segments reported a year-over-year decline.

In the summer of 2018, Molson Coors announced that it would make a push into the cannabis space. Molson and **HEXO** plan to start selling multiple types of pot beverages on Canadian shelves when edibles are finally legalized. The joint venture, called Truss, will begin offering products for sale on December 16. Molson's venture into this space has solid potential, but competition will be fierce. A new report from Deliotte estimates that the edibles market will be worth more than $2.7 billion annually.

At a P/E TTM of 12.2, Molson offers a more attractive value than Waterloo Brewing. It challenged technically oversold levels in early June but has since bounced back into neutral territory.

**CATEGORY**

1. Investing



**TICKERS GLOBAL**

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

**PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

**Category**

1. Investing

**Date**
2025/06/30
**Date Created**
2019/06/19
**Author**
aocallaghan