The Long-Awaited Announcement That Should Mark a Major Turning Point for This Beer Company

Description

This week **Molson Coors Canada Inc.** (TSX:TPX.B)(NYSE:TAP) announced that in August, it would be paying its shareholders of record a regular quarterly dividend of $0.74 in Canadian dollars, which is equivalent to US$0.57 on its **NYSE**-listed shares.

While that might not seem like much to the untrained eye, the more significant aspect of Tuesday's dividend announcement was that the upcoming August dividend represents a 39% increase in the company's payout compared to the dividend that it had previously been paying out as part of its regular quarterly distribution.

While TPX shares were yielding less than 3% prior to this week's announcement based on a current price of $76 on the TSX at writing, the company's new expected annual dividend now represents a forward yield in excess of 4%.

That's a very significant change – and a solid dividend yield — for a company like Molson that, while it has been forced to deal with its own share of struggles over the past few years, still represents a solid long-term growth investment.

After all, even following the latest dividend hike, the company is expected to only pay out less than half of its estimated annual earnings potential, which means that it should still possess considerable cash left over to invest in exciting new growth opportunities, share repurchases, acquisitions and mergers, or some combination of all three.

Meanwhile, if we were to look across the pond at one of Molson's arch rivals, **Anheuser Busch Inbev,** it reads like a tale of two different brewing companies.

AB Inbev has also faced its own share of challenges in growing its top-line sales in recent years, as beer drinkers have instead turned to smaller craft brewers' recipes in lieu of once dominant mega-brands such as Budweiser, Coors, Miller, Molsons and others.

Rather than incorporating a more flexible approach as part of its strategic response, however, BUD (some might say stubbornly) stuck with the status quo and maintained its dividend — a decision that continued to gobble up its available cash reserves, ultimately resulting in a 50% cut to its payout anyway late in 2018.

As it was slow to react, BUD now finds itself in a compromising financial predicament where it's being forced to free up cash through the divestment of certain "non-core" assets, including what ended up as a failed IPO attempt of its Asia-Pacific division last month.

By taking on an the equally difficult but much more flexible stance of temporarily suspending any increases in distributions to shareholders, Molson now arguably finds itself considerably ahead of the curve.

Not only do the company's shares now pay a higher yield than do BUD's, but the company also has a considerably lighter balance sheet to work with.

Given that many investors essentially bailed on the company's shares once they learned that there wouldn't be any more planned dividend hikes coming their way, the stock is also considerably less expensive than that of AB Inbev.

Molson has already launched plans to jointly develop a line of cannabis-infused adult beverages alongside licensed Canadian cannabis producer **Hexo Corp**.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BUD (Anheuser-Busch InBev SA/NV)
2. NYSE:TAP (Molson Coors Beverage Company)
3. TSX:TPX.B (Molson Coors Canada Inc.)

PARTNER-FEEDS

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

Category

1. Cannabis Stocks
2. Investing

Date
2025/08/14
Date Created
2019/07/26
Author
jphillips