



What to Buy Before a Market Crash

Description

Molson Coors Canada ([TSX:TPX.B](#)) is engaged in the business of distributing [various beer brands](#) in Canada. The company's beer brands include Blue Moon, Coors Banquet, Coors Light, Miller Genuine Draft, Miller Lite, Staropramen, Carling, Molson Canadian, Creemore Springs, Cobra, Doom Bar, Henry's Hard, and Leinenkugel's.

The company sells products to restaurants, convenience stores, grocery stores, liquor stores, and other specialty retail outlets. The company was founded in 1786 and is headquartered in Montreal, Canada. Molson Coors Canada Inc. is a wholly-owned subsidiary of Molson Coors Brewing Company.

At the current market price, the company appears to be fairly valued with a price to earnings ratio of 18.38, a price to book of 0.9 and has a market capitalization of \$15.65 billion. The company uses leverage conservatively and has a debt to equity ratio of just 0.61.

Operating margin is a healthy 12.17% and return on equity is 1.14% due to one-time charges. The company operates the following segments: the U.S., Canada, Europe and international. A separate operating team manages each business segment, which manufactures, markets, and sells beer and other malt beverage products.

The [brewing industry](#) has significantly evolved over the years, becoming increasingly global and reaching the masses. Previously, the industry was formed on the basis of a local presence with modest international expansion achieved through export, license and partnership arrangements.

More recently, it has become increasingly competitive, as the consolidation of brewers has occurred globally, resulting in fewer major global market participants, including Molson Coors. The same global competitors compose a large chunk of the market.

Industry consolidation has helped Molson Coors and resulted in a small number of large global brewers representing a huge percentage of the worldwide beer market. As the beer industry continues to evolve, consolidation and diversification of products is expected to meet consumer demand with broadening preferences.

Large global brewers such as Molson Coors are uniquely positioned to leverage the scale, depth of product portfolio and industry knowledge to continue to lead the market forward.

The company has a diverse portfolio, including Blue Moon, Coors Banquet, Coors Light, Miller Genuine Draft, Miller Lite and Staropramen. The company has a diverse portfolio encompassing several segments of the beer industry, including premium and premium lights, economy, above premium and craft, ciders and other malt beverages.

Consumption of beer in the U.S. is seasonal, with approximately 39% of industry sales volume typically occurring during the summer months from May through August.

The company is working on growing market share by stabilizing core brands and increasing presence in the fast-growing areas of the industry.

Net income in Q2 2019 decreased 28.7% compared to the prior year due to unrealized mark-to-market changes on commodity positions and lower volume and cost inflation in the U.S. and Canada.

The company also generated cash flow from operating activities of approximately \$2.3 billion, representing a year-over-year increase of 24.9%.

Despite the fact that the beer industry has declined in five of the last six years due to an aging population and strong competition from other alcohol beverages, the future remains bright for Molson Coors based on the current valuation.

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Date

2025/06/29

Date Created

2019/11/13

Author

nikhilwaterloo

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