



5-Minute Value Stock Analysis: Molson Coors (TSX:TPX.B)

Description

[Warren Buffett](#) famously said that investors should [buy the stocks of great companies and hold them forever](#). At the Motley Fool, we take Buffett's advice to heart and believe in the power of a long-term perspective when it comes to investing.

Everyone likes to [find a good, undervalued stock](#). During a market correction, even the shares of the best companies will tumble, giving brave investors a rare opportunity to purchase them at a discount. In many ways, the best value investors make their fortunes by buying the stocks of beaten-down but otherwise solid companies.

Molson Coors Canada

Molson Coors Canada ([TSX:TPX.B](#)) brews, markets, and sells some of the most well-known beer brand in Canada, such as Blue Moon, Carling, Coors Banquet, Coors Light, Miller High Life, Miller Genuine Draft, Miller Lite, and Staropramen.

The company distributes its products through a network of bars, restaurants, convenience stores, grocery stores, liquor stores, and other retail outlets. Year to date, the stock is up over 9%, rallying as higher valuation growth stocks faltered.

Currently, TPX.B pays a dividend of \$1.80 per share for a yield of 2.69%. The payout ratio is sustainable at just 21.14%. TPX.B is slightly less volatile than the overall market with a five-year monthly beta of 0.90.

Valuation & fundamentals

Currently, TPX.B is trading in the mid-range between its 52-week high of \$73.96 and 52-week low of \$53 at around \$68.50 per share. The current share price is above its 200-day moving average of \$62.60, but below its 50-day moving average of \$68.68.

TPX.B currently has a trailing price-to-equity ratio of 10.69, a price-to-sales ratio of 1.08, and a price-to-book ratio of 0.85. These metrics are quite low compared to its peers in the consumer discretionary sector and may indicate that TPX.B is undervalued.

However, TPX.B's fundamentals look shaky. The current profit margin is -9.23%, with an operating margin of 0.56%, and negative return on equity of -6.16%. This may be the reason for TPX.B's current low valuation, as investors may be perceiving weakness in the company's financials.

Trailing 12-month revenue was \$2.17 billion, but with -8% year-over-year quarterly revenue growth and diluted earnings per share of -18.26. This is generally not a good sign.

The Foolish takeaway

Despite the recent strong performance of the stock and its attractive valuation, the fundamentals look too shaky. The negative revenue growth, poor margins, and return on equity give me pause. In my opinion, the attractive ratios are priced in, and due to the market's perceptions of the company's shaky financial situation. For me, this stock is not a buy.

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