Molson Coors Hopes Olympic Fridge Boosts Brand Back Home

Ross Marowits, The Canadian Press

MONTREAL (The Canadian Press) — Molson Coors [1] can't replicate the buzz from the Vancouver Winter Games, but the brewer hopes its red fridge in Sochi will do more than just quench the thirst of Canadian Olympic supporters.

"It certainly will have benefit during the Olympics but the real benefit we are looking for is long-lasting benefit that comes from brand equity building," Stewart Glendinning, CEO of Molson Coors Canada, said Thursday after reporting 2013 results.

"It's definitely having a great halo on Molson Canadian."

The bright red machines at Canada House allow those with a Canadian passport to open them for free beer and have been prominently featured in news reports, offering the brewer free advertising.

Meanwhile, the official sponsor of the Canadian Olympic team has also challenged the loyalties of U.S. Olympic team sponsor AmBev, owner of Budweiser and Labatt, in a double-page colour newspaper ad. "Hey Bud, which side are you on," says the tag line.

Glendinning called the ad a tongue-in-cheek laugh at its competitor. But it masks a serious battle over Olympic sponsorship in Canada. The Canadian Olympic Committee has threatened to fight a campaign by Labatt Breweries it says is misleading Canadians by associating the Budweiser brand with the Olympics in Canada.

In addition to duking it out over the Olympics, the two brewers continue to compete fiercely in Canada to win the loyalty of beer drinkers.

While Molson Canadian increased both volume and market share last year, its flagship Coors Light brand underperformed in Canada.

Glendinning attributed a third of the weaker performance to last year's strength of Coors Light Ice T. The rest came from poor execution from advertising and a failure to convince enough shoppers to buy the product. He said the situation is being rectified, while its new Coors Banquet brand is exceeding expectations.

"I think we've got the right recipe for success on Coors this year and certainly, if it works half as well as Molson Canadian has, we'll be very happy," he said in an interview.

Molson Coors (NYSE:TAP, TSX:TPX.B) capped 2013 with adjusted profits dipping slightly in the fourth quarter to US$125.8 million or 68 cents per share. That compared with US$126.1 million or 69 cents per share a year earlier.

Net income, including one-time items, was US$131.2 million or 71 cents per share, compared with US$60.1 million or 33 cents in the prior year. Net sales were down slightly to US$1.03 billion.

Molson Coors was expected to earn 72 cents per share in adjusted profits on US$1.01 billion of revenues, according to analysts polled by Thomson Reuters.

For the full year, it earned US$565.3 million or $3.57 per share, while adjusted income increased 2.3 per cent to US$727.1 million or $3.95 per share, four cents short of estimates. Sales increased 7.4 per cent to US$4.2 billion.

In Canada, pretax income decreased 14 per cent to US$86.9 million in the quarter, or by nine per cent in Canadian dollars. Despite the return of NHL hockey, the brewer said it was hurt by continued weak consumer demand and promotional challenges.

"It's not the result I wanted but I feel like we are focused on the right things and headed in the right direction," Glendinning said, pointing to market share gains in above premium and value beer categories that have faced problems.

The Denver- and Montreal-based company plans to invest $40 million in Canada this year as it seeks to cut costs to make the operations more competitive.

Not all spending projects have been identified but Glendinning said the goal is to improve efficiencies by modernizing equipment and reducing energy expenses. He wouldn't say if facilities will close or if the changes will result in large job losses.

"It's important that people understand that this is not about a hunt for heads — this is about a hunt for an organization that is more nimble, more cost competitive and is able to serve consumers in a way that doesn't gouge them."

The brewer said the Canadian operations struggled last year in part due to challenging economic conditions and high unemployment in its key markets in Ontario and Quebec.

Overall, Molson Coors said it is hiking its dividend by 16 per cent as it generates more cash and continues to pay down debt. The quarterly dividend will rise five cents to reach 37 cents per share on March 17, representing a payout ratio of 18.4 per cent of 2013 underlying EBITDA.

The company said it is adopting a dividend payout ratio target of 18 to 22 per cent of prior-year pre-tax operating income to keep the dividend in a competitive range with other global beer companies.

On the Toronto Stock Exchange, Molson Coors shares gained $1.46 or 2.5 per cent to C$59.82 in Thursday afternoon trading. In New York, they were up 2.4 per cent at US$54.36.

Source URL (retrieved on *01/28/2015 - 12:18pm*): http://www.foodmanufacturing.com/news/2014/02/molson-coors-hopes-olympic-fridge-boosts-brand-back-home

Links:
[1] http://www.foodmanufacturing.com/news/2013/11/molson-coors-brewings-3q-earnings-slip-consumer-demand-wanes