

27th January 2016

Food & Beverages

## Molson Coors

Price USD87.76

Raising capital to finance acquisition of 58% stake in MillerCoors

Fair Value USD101 (+15%)

BUY

Bloomberg	TAP US
Reuters	TAP.N
12-month High / Low (USD)	95.1 / 65.2
Market Cap (USDm)	16,180
Ev (BG Estimates) (USDm)	13,510
Avg. 6m daily volume (000)	2,529
3y EPS CAGR	8.5%

**MolsonCoors is raising USD2.35bn to part finance the acquisition of the 58% of MillerCoors that it does not already own. The capital increase could place mild pressure on the share price, thereby presenting a timely buy opportunity since the shares offer the highest upside to Fair Value amongst the brewers.**

MolsonCoors announced yesterday after trading that it has started the public offering of USD2.35bn new shares with a potential additional USD235m for the underwriters (they have a 30 day option). The proceeds are to finance the USD12bn acquisition of AB InBev/SABMiller's 58% interest in Miller Coors. The remainder of the acquisition price is to be financed with debt.

### ANALYSIS

- All this has been announced previously, but the timing of the capital increase comes very quickly after AB InBev raised USD46bn in bond debt only two weeks ago. For us this is another sign that the SABMiller acquisition will close earlier than the indicated second half of the year. (We have always argued that the deal could close by May).
- With the Peroni and Grolsh divestment by AB InBev also proceeding, investors are still waiting to hear what is going to happen to the 49% stake in Chinese company CR Snow. A couple of days ago, CR Beer which owns the 51% in CR Snow announced pretty poor figures (volume decline of 1% despite easy comps) causing its shares to tumble 17% from HKD14.71 (21 Jan) to HKD12.26 in recent sessions.
- MolsonCoors also indicated that its full year sales should come out between USD3553m and USD3583m, with our estimate being the higher end of the range. Results will be released on 11th February.

### VALUATION

- At 16.6x 2017 earnings (the first year of full integration of the acquisition of 58% of MillerCoors), the stock is significantly cheaper than ABI (20.8x) and Heineken (17.9x)

### NEXT CATALYSTS

- FY 2016 results on 11th February

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	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.6%	-0.5%	25.4%	-6.6%
Food & Bev.	-2.7%	-2.5%	-0.8%	-2.8%
DJ Stoxx 600	-7.4%	-9.8%	-14.0%	-7.3%

YEnd Dec. (USDm)	2014	2015e	2016e	2017e
Sales	4,146	3,583	3,574	11,899
% change		-13.6%	-0.2%	NM
EBITDA	856	709	721	2,587
EBIT	489.1	406.1	422.3	1,937
% change		-17.0%	4.0%	NM
Net income	768.5	719.0	723.2	1,158
% change		-6.4%	0.6%	60.1%

	2014	2015e	2016e	2017e
Operating margin	11.8	11.3	11.8	16.3
Net margin	18.5	20.1	20.2	9.7
ROE	9.8	8.7	8.3	9.2
ROCE	3.4	2.9	2.8	8.4
Gearing	39.4	33.6	26.9	72.6

(USD)	2014	2015e	2016e	2017e
EPS	4.13	3.86	3.89	5.28
% change	-	-6.4%	0.6%	35.8%
P/E	21.3x	22.7x	22.6x	16.6x
FCF yield (%)	6.2%	4.2%	4.6%	6.9%
Dividends (USD)	1.48	1.64	1.80	1.98
Div yield (%)	1.7%	1.9%	2.1%	2.3%
EV/Sales	3.3x	3.8x	3.6x	2.1x
EV/EBITDA	16.0x	19.1x	17.8x	9.8x
EV/EBIT	28.0x	33.3x	30.3x	13.1x



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## Distribution of stock ratings

BUY ratings 72%

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