

## **TALES OF THE TAPE: Molson-Coors Is Hot For A Cold One**

DJ00000020070625e36p000d7

By Christopher Hinton

Of DOW JONES NEWSWIRES

819 Words

25 June 2007

18:00 GMT

Dow Jones News Service

English

(c) 2007 Dow Jones & Company, Inc.

NEW YORK (Dow Jones)--As Americans break out the barbecues, flip flops and fireworks for the coming July 4th Independence Day holiday, brewers are rolling out the barrels in anticipation of making some cold cash.

The holiday is one of the most important for beer sales. Unfortunately for the big brewers, Americans are drinking more higher-premium craft beers and not the premium pale lagers that once dominated the market. Over the Memorial Day holiday - the traditional start of summer - mainstream brands lost market share to their high-end rivals, even with a smaller average price increase, up 1.4% from last year compared to 4.8% for craft beers, according to data from Morgan Stanley.

Countering the trend is Molson-Coors Brewing Co. (TAP), the third-largest brewer by volume in the U.S., whose Coors Light has seen eight quarters of consecutive growth despite the industry's flat trend. Analysts say the brand seems to be benefiting from an advertising campaign focusing on drinking an ice-cold beer that has been mimicked by at least one rival - Anheuser-Busch's (BUD) Bud Light - while Molson-Coors' improved sales execution has been an overall benefit.

The company has even tapped into the craft beer market with its Blue Moon Belgian White, which recently saw double-digit sales growth following a 12-year word-of-mouth campaign.

Molson-Coors "has demonstrated the U.S. beer can grow through more effective marketing," UBS analyst Kaumil Gajrawala said in a recent note, and he raised his rating on the stock to buy from hold. "Moreover, the highly profitable Blue Moon is becoming large enough to materially impact the portfolio."

Molson-Coors shares recently traded around \$91, its 52-week high, compared with its year low of \$64.25 Oct. 6 thanks to enthusiasm over its core brands and management's ability to capture \$139 million in savings since its 2005 merger.

The company has a price/earnings ratio of 17.6 compared with 17.4 for the sector as a whole. Molson-Coors trades at about 15 times analysts' average 2008 earnings estimate of \$5.98 a share, according to Thomson Financial. Anheuser-Busch trades at about 17 times its 2008 estimate.

Part of the success of Coors Light and Blue Moon comes from Molson-Coors treating each brand distinctively, said Frits van Paasschen, chief executive of Coors Brewing.

" Coors Light appeals to a basic consumer desire for a cold refreshment, and advertising and marketing focuses on that cold benefit through packaging and its

Rocky Mountain heritage," van Paaschen said.

"Blue Moon's position is completely different because people who drink Blue Moon are looking for a special, somewhat unusual beer," he said. To promote that image, the beer is served with a slice of orange at bars and retailers that attract people with the money and the desire to drink a more "unique-tasting beer."

Furthermore, Blue Moon's low-key marketing support allowed most people to discover the brand through friends, their local bar or beer retailer. That strategy, first laid out 12 years ago, helped lay the foundation for Blue Moons' popularity today.

Coors Light, however, has been heavily advertised on television, radio and the Internet, with various packaging innovations that emphasize what the company calls "that frost-brewed Rocky Mountain taste." The latest innovation: a can with a "frost brew liner" that "locks in" its fresh taste. Also, this summer people can buy Coors Light in what the company calls a cold-activated bottle on which the lettering turns blue once the beer reaches that perfect, drinking temperature.

Further helping the brands' growth has been an improvement in Molson-Coors' sales strategy, which has taken a more mosaic and focused approach to its markets to help drive performance, said Stifel Nicolaus analyst Mark Swartzberg.

"They've improved at being on the same page with distributors and having a consistent program for retailers' display and promotional schedules," Swartzberg said. Stifel has a hold rating on the stock.

According to Molson-Coors, the northeast region in the U.S. - including New England and the mid-Atlantic states - remains a sticky spot for the company, as it has been for most big brewers. The company wouldn't give details, but Swartzberg said it is because craft beers have gained more popularity there than in other parts of the nation.

That is likely to be of little concern to Hal Eddins, vice president of shareholder Capital Investment Cos. in North Carolina. For his money, smaller, more profitable and craft brands like Blue Moon will give Molson-Coors a real head of steam - or foam - that will push growth for years to come.

-By Christopher Hinton, Dow Jones Newswires; 201-938-5285;  
christopher.hinton@dowjones.com [ 06-25-07 1400ET ]