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EDITED TRANSCRIPT

TAP - Q4 2015 Molson Coors Brewing Co Earnings Call

EVENT DATE/TIME: FEBRUARY 11, 2016 / 4:00PM GMT

OVERVIEW:

TAP reported 4Q15 GAAP income from continuing operations attributable to Co. of $33.4m.

CORPORATE PARTICIPANTS

Mark Hunter *Molson Coors Brewing Company - President & CEO*

David Heede *Molson Coors Brewing Company - Interim CFO*

Stewart Glendinning *Molson Coors Brewing Company - CEO of Molson Coors Canada*

Kandy Anand *Molson Coors Brewing Company - CEO of Molson Coors International*

Simon Cox *Molson Coors Brewing Company - CEO of Molson Coors Europe*

Gavin Hattersley *Molson Coors Brewing Company - CEO of MillerCoors*

CONFERENCE CALL PARTICIPANTS

Vivien Azer *Cowen and Company - Analyst*

Ian Shackleton *Nomura International - Analyst*

Mark Swartzberg *Stifel Nicolaus - Analyst*

Bryan Spillane *BofA Merrill Lynch - Analyst*

Robert Ottenstein *Evercore ISI - Analyst*

PRESENTATION

Operator

Welcome to the Molson Coors Brewing Company fourth-quarter 2015 earnings conference call. Before we begin I will paraphrase the Company's Safe Harbor language.

Some of the discussion made today including [sic -- include] forward-looking statements. Actual results could differ materially from what the Company projects today. So, please refer to its most 10-K and 10-Q filings for a more complete description of factors that could affect these projections.

The company does not undertake to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made.

Regarding any non-US GAAP measures that may be discussed during the call and from time to time by the Company's executives in discussing the Company's performance, please visit the company's website www.MolsonCoors.com and click on the financial reporting tab of the Investor Relations page for a reconciliation of these measures to the nearest US GAAP results. Also, unless otherwise indicated, other financial results the Company discusses are versus the comparable prior-year period and in US dollars.

I would now like to turn the call over to Mark Hunter, President and CEO of Molson Coors.

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Thank you, Sean. And hello and welcome, everybody, to the Molson Coors earnings call. And thank you for taking the time to join us today. With me on the call this morning from Molson Coors we have David Heede, Interim Global CFO; Gavin Hattersley, our CEO of MillerCoors; Stewart Glendinning, our Canada CEO; Simon Cox, our CEO of our European business; Kandy Anand, our International CEO; Sam Walker, our Global Chief Legal & People Officer; Brian Tabolt, our Global Controller; and Dave Dunnewald, VP of Investor Relations. On the call today David and I will take you through highlights of our full-year and the fourth-quarter 2015 results from the Molson Coors Brewing Company, along with some perspectives on 2016.

The most important strategic development for Molson Coors in 2015 was a definitive agreement we reached late in the year to purchase a 58% of MillerCoors, that we do not currently own, along with the international rights to the Miller brands. This is a game-changing transaction for our Company that's compelling both financially and strategically.

Last month we conducted a common stock offering that will fund about 20% of the total purchase price and helps us to maintain investment-grade ratings on our debt. We plan to fund the balance of the purchase price with new debt and cash on hand. We have a dedicated team working towards completion of the pending transaction, which is currently expected in the second half of 2016.

Meanwhile, the rest of our organization remains absolutely focused on growing our existing business and brands as well as delivering total returns to our shareholders. With regards to business performance, the financial results released this morning are in line with the preliminary fourth-quarter financial results and updated 2015 free cash flow guidance ranges that we issued two weeks ago. Overall, we are pleased with the progress our Company made in 2015.

We exceeded our targets for cash generation and cost savings and expanded underlying gross and pre-tax margins globally. We grew our above-premium business globally including craft, flavored malt beverages and cider. We gained share of the key premium light segment in the US, and accelerated the growth of our international business, including a bolt-on acquisition in the fast-growing India market.

We continue to focus on building a stronger brand portfolio, delivering value-added innovation, strengthening our core brand positions through incremental marketing investments and continuing to premiumize our portfolio. We began to see the benefits flow to our top-line performance as the year progressed. For example Coors Light and Miller Lite both gained shares of the premium light segment in the US in the last three quarters of 2015, and Coors Light grew 0.3% globally and more than 15% in our Europe and international markets for the full year.

In constant currency, we achieved positive net pricing globally, as well as in most of our major markets. And these achievements are against the backdrop of a continued difficult economy and competitive pressures, along with significant unfavorable foreign currency and termination of major business contracts, as we highlighted through last year.

Our focus on growing our above-premium segment continued in 2015 as we completed the acquisition of Saint Archer in the US, the Rekorderlig cider brand distribution rights in the UK and Ireland, and repatriated the rights to Staropramen in the UK. We also expanded our global footprint and accelerated the growth of our international business through acquisition of Mount Shivalik Breweries in India and our recent entrance into the Colombian beer market.

Our craft portfolio drove growth from Dumbarton in the UK, Granville Island in Canada, and Blue Moon in the US and also the UK. And our American cider portfolio delivered strong growth, led by Carling British Cider in Europe, Molson Canadian Cider and Strongbow in Canada, and Smith & Forge Hard Cider in the US.

We also used our profit after capital charge, or PACC, model as the key driver for our cash and capital allocation decisions. As a result, we drove additional working capital improvements and delivered underlying free cash flow of $704 million for the year, which exceeded our original guidance by more than $150 million or nearly 30%. PACC informed our approach to the MillerCoors acquisition along with the Mount Shivalik, Staropramen in the UK, and Rekorderlig transactions, and a substantial restructure of our China business last year.

Additionally, we continue to transform and strengthen our business through improvements in our sales execution and revenue management capabilities, we increased the efficiency of operations, and we implemented common global systems. To ensure that our supply chain is fit for future, we closed two bottling lines and completed our announced plans to close four breweries across our Company, along with a planned recapitalization of our Vancouver brewery.

We exceeded our cost reduction goal of $40 million to $60 million in Molson Coors by delivering almost $65 million of savings in 2015. And in addition, MillerCoors achieved $88 million of cost reductions in 2015, of which our share is $37 million.

In performance headlines for the full year in 2015, we delivered $1.33 billion of underlying EBITDA, and $700.4 million(sic-see press release —704 million—of underlying after-tax income, or $3.76 per diluted share. Underlying after-tax income declined 9% from a year ago. Foreign currency movements and terminated contracts drove the entire declines in both underlying pre-tax and post-tax income in 2015. Foreign currency impacted earnings by more than $64 million in 2015, while the termination of our Miller brands contract in Canada and our Modelo brands and Heineken Brewing contracts in the

UK drove an additional negative impact of approximately $40 million. We exceeded our cash generation goal in a challenging year by delivering more than $704 million of underlying free cash flow. And we expanded our PACC model deeper into our Company. Use less, earn more, and invest wisely is now a common mantra throughout Molson Coors.

Net sales for the year declined 2.2% in constant currency, driven by the effects of terminated contracts. Strong volume performance in Europe and international helped to grow overall worldwide Coors Light volumes for the year. Our overall profit and cash performance, along with the potential of the MillerCoors transaction, helped to drive a positive total shareholder return -- that's our top stock price plus dividends -- of nearly 29% in 2015 which is well above the 1% increase in the total return for the S&P 500 index last year.

Regional highlights for 2015 are as follows. In the US, underlying pre-tax earnings in 2015 were unchanged from the year before as positive net pricing, sales mix and cost savings were offset by lower volume and increased investments in marketing, and information technology. We grew revenue per hectoliter, and increased our percent of sales in above-premium, and we grew our share of the premium light segment with both Coors Light and Miller Lite, driven by continued improvements to the packaging and consumer messaging.

For Coors Light the consumer communication, rooted in Rocky Mountain Cold Refreshment, is more aspirational in which the legal drinking age of men and women alike. While Miller Lite continues to focus authenticity as the original light beer. The new ads began running for Coors Light two weeks ago; while Miller Lite benefited most recently from limited edition steiny bottle.

Additionally, Coors Banquet grew volume for the ninth consecutive year. In the higher-margin above-premium segment we grew F&B and craft volume with Redd's, Blue Moon, Leinenkugel's and Smith & Forge hard cider brands.

In Canada, underlying pre-tax income decreased 5.8% in constant currency, primarily due to the negative impact of terminating our Miller brands agreement last year, along with higher marketing and distribution costs, and fixed cost deleverage due to lower volume. These factors were partially offset by substantial cost savings and positive pricing which, along with positive mix, drove constant currency revenue per hectoliter 2.5% higher in 2015.

Canada sales to retailer STRs declined 6.3%, primarily due to the determination of the Miller contract. Excluding the impact of the loss of the Miller brands, STRs declined 2.6%.

In core brands, Coors Light and Molson Canadian volumes declined due largely to increased competitor trade spend and pricing activities in key regions. But we continue to invest, buying new advertising in commercial executions for both brands. Encouragingly Coors Banquet delivered strong volume and share growth as the number one new brand introduction in Canada in the past five years. Also in the above-premium and craft, Mad Jack Apple Lager, Molson Canadian Cider and Strongbow Cider also grew volume and share in 2015, along with our 6-pints craft brands.

In Europe, 2015 underlying pre-tax income decreased 5.7% in constant currency, driven by the termination of the Modelo brands and Heineken Brewing contracts in the UK. Excluding the impact of the contract termination, Europe's ongoing business grew volume, sales mix, gross margins, and underlying pre-tax income in constant currency. Sales volume increased in 7 of 11 countries and four 6 of our 11 lead brands in the region.

Carling grew share of its segment in 2015, and trends continued to improve as the year progressed; while Ozujsko and Bergenbier grew volume and segment share in their core markets. Our above-premium portfolio performed well, with Coors Light, Sharp's Brewery portfolio, led by Doom Bar, and our lighter craft portfolio, including Franciscan Well achieving strong growth in the year, as is Staropramen outside of the Czech Republic. Our Europe cider portfolio grew at double-digit rate in 2015. And the integration of the Rekorderlig cider business into our UK and Ireland portfolio went well in the second half of the year, as did the [round-pop] for the full repatriation of the Staropramen brand into our UK portfolio at the start of 2016.

Our international business delivered double-digit volume growth in 2015, driven by very strong volume growth in India, primarily due to our acquisition of Mount Shivalik Breweries early in 2015, along with double-digit growth for Coors Light in Latin America, including launching the brand in Columbia. We ended the year with a $5.1 million increase in international's underlying pre-tax loss versus a year ago, primarily due to foreign currency movements and the substantial restructure of our China business. In constant currency, underlying pre-tax loss increased by $0.8 million.

Now I'll turn it over to David to give fourth-quarter financial highlights and perspective on 2016. David.

David Heede - *Molson Coors Brewing Company - Interim CFO*

Thank you, Mark, and hello, everybody. As we consistently communicated throughout last year, foreign currency and the termination of business contracts were a drag on our financial performance, including in the fourth quarter. Worldwide beer volume for Molson Coors decreased 1.7%, but Coors Light grew nearly 1% globally and more than 13% in Europe and international.

Headline net sales were down approximately 13% in US dollars. However, excluding the previously referenced drags, net sales increased on the strength of positive pricing along with higher volume in Europe and international.

Our underlying pre-tax income decreased by 21.1%, with more than half of this decline driven by foreign currency and termination of business contracts. The balance was due to a planned increase in brand investments in the quarter in the US and Canada. Underlying after-tax income increased by 11.3% to $90.6 million, or $0.49 per share.

On a US GAAP basis, we reported income from continuing operations attributable to Molson Coors of $33.4 million, which is 64.2% lower than in the prior year. In addition to the factors that drove lower underlying income, IS special and other non-core charges, primarily related to supply chain restructuring and MillerCoors acquisition financing, drove the decrease.

Our underlying EBITDA was $227.3 million in the fourth quarter, 17% lower than a year ago, driven by inflatable foreign currency, the impact of terminated business contracts and higher marketing investments in the US and Canada. Please see the earnings release we distributed earlier this morning for a detailed review of our business unit financial results in the quarter.

In the area of cost savings, we exceeded our 2015 goal by achieving almost $65 million of in-year cost reductions across our Company, driven by Canada and Europe. These cost savings are exclude MillerCoors, of which are share is another $37 million. We now expect cost savings over the next two years to be in the range of $50 million to $70 million, slightly higher than our previous guidance of $40 million to $60 million. This fee excludes cost synergies resulting from the pending MillerCoors acquisition, which we expect to be $200 million by year four following the transaction close.

We were pleased to generate more than $704 million of underlying free cash flow in 2015, and exceed our cash flow guidance by more than $150 million, as strong fourth-quarter working capital performance was further enhanced by higher than anticipated distributions from MillerCoors, lower cash taxes, and capital expenditures. Whilst there were some one-time impacts, we do not believe these were significant. A detailed reconciliation of our 2015 and 2014 underlying free cash flow is available in our earnings release this morning.

Total debt at the end of the fourth quarter was just over $2.9 billion, cash and cash equivalents totaled $431 million, resulting in a net debt of $2.5 billion. This is $55 million lower than prior year, primarily due to foreign currency movements.

Looking forward to 2016, all of the following matrix exclude any effects of the MillerCoors transaction, the timing of which will have a big impact on virtually all guidance measures. Currently, we expect cash contributions to our defined-benefit pension plans to be in the range of $45 million to $65 million in 2016, down approximately $250 million from last year, including our 42% of MillerCoors contributions.

We anticipate 2016 pension expense of approximately $17 million, down from $40 million last year. Know that all of these numbers include our 42% of MillerCoors. The overall funded status of our defined benefit pension plans, including MillerCoors, improved about 7 percentage points from a year ago to approximately 97% at the end of 2015. This increase was driven primarily by the large additional voluntary contribution of $227 million to the UK plan in 2015.

Our 2016 capital spending outlook is approximately $300 million, up from $269 million last year, largely due to planned supply chain projects in Canada. We expect our 2016 MG&A expense in corporate to be approximately $120 million, including additional investments behind our global commercial efforts, but excluding any costs related to the MillerCoors transaction. Our consolidated net interest expense outlook for 2016 is approximately $110 million, excluding any interest costs related to the MillerCoors acquisition.

We expect our 2016 underlying effective tax rate to be in the range of 18% to 22%, assuming no further changes in tax laws, settlement of tax audits, or adjustments to our own certain tax provisions. If the MillerCoors deal closes in the second half of this year, we expect our long-term tax rate to be in the range of 25% to 28%, also assuming no changes in tax laws or audit resolutions. We expect our cash tax rate to be significantly lower than this range due to the more than $250 million of cash tax benefits stemming from the asset nature of the MillerCoors transaction.

In 2016 we anticipate modestly higher investments in our brands globally. The impact of terminated contracts are now largely behind us but we anticipate foreign currency will continue to be a headwind of note, primarily as a result of the weakening Canadian dollar. To provide a sense of the challenge, if we were to apply foreign exchange rates at the end of last month to our 2015 results, it would reduce last year's underlying pre-tax earnings and free cash flow by approximately $35 million, with most of this impact in Canada.

Regarding underlying free cash flow guidance, we are pleased with our free cash flow track record and our performance over the last couple of years in particular, as we have further embedded our PACC methodology which is ensuring a strong focus of cash management across our business. You will also have seen some significant upside volatility to our guidance in 2014 and 2015. As we come into 2016, we have a number of large dynamic factors in play in relation to cash use and cash deployment, in part due to the pending MillerCoors transaction, and, therefore, we'll issue specific 2016 free cash flow guidance later in the year with the goal of removing some of the recent volatility to guidance that has occurred.

As far as our cost outlook is concerned, we expect the cost of goods sold per hectoliter in MillerCoors, Canada, Europe, and our international business in local currency to increase at a low single-digit rate for the full year 2016. In each of our businesses, we anticipate higher costs related to product and packaging innovation.

Finally, here are the most recent volume trends for each of our businesses early in the first quarter. In the US, for the first five weeks of the year, STRs decreased to low single-digit rate. In Canada for January, STRs were down low double digits. Excluding the Miller brands last year, our Canada STRs in January decreased at the high single-digit rate.

In Europe, volume through February 8 decreased low single digits. And our international sales volume, including royalty volume, decreased at mid single-digit rates in January. As ever, please keep in mind these numbers represent only a portion of the current quarter, and trends could change in the weeks ahead.

At this point, I'll turn back over to Mark for outlook, wrap up, and the Q&A. Mark.

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Thanks, David. In 2016 we will have a relentless focus on delighting our consumers and our customers to ensure we are the first choice brewer in the geographies and segments where we choose to play. We will continue to drive our strategy of building a stronger brand portfolio, delivering value-added innovation, strengthening our core brand positions and increasing our share in the above-premium, F&Bs, craft and cider segments. We will do this while ensuring that we have a fit-for-purpose cost base and a deeply embedded PACC-led capital allocation approach.

Regionally, in the US, MillerCoors began to drive substantial changes to the business in the latter half of 2015 that were necessary to create the foundation for volume growth we aim to achieve by 2019. In addition to Gavin taking over as CEO, new commercial leadership, and the appointment of new ad agencies, the difficult decision was also made to close the Eden Brewery. In American light lager, the revitalization of our two largest brands is progressing well, and we are seeing segment share growth for both Coors Light and Miller Lite for the first time since MillerCoors was formed nearly eight years ago.

In above-premium we continue to focus in higher-margin offerings that can scale and stick, including further extensions from Leinenkugel's and Blue Moon. And in cider we are broadening the appeal of Smith & Forge hard cider by adding a bottle package to our lineup.

In early January, to strengthen our F&B portfolio, we launched Henry's Hard Soda, which has been met with great enthusiasm from our distributors and retail partners. And our US team is also developing new strategies to improve the performance of our economy brands, which have been a drag on our volume trends. We will continue to build first-choice customer partnerships, working with our distributors to bring more resources to the on-premise with our building-with-beer retail strategy, which leverages the higher velocity and broad appeal of American light lagers.

In Canada we've just launched the newest chapter in a Molson Canadian Anything for Hockey campaign, generating 80 million media impressions in the first week. With Coors Light we will significantly increase programming and further evolve our communications with a new campaign, building on learnings from 2015. In above-premium, consumer demand remains strong for Coors Banquet, Belgian Moon, Molson Canadian Cider and Mad Jack Lager. And building on that momentum we will introduce new variants in the successful and rapidly growing Mad Jack brands and also our ciders, which have been exceeding growth expectations.

Finally, in addition to Heineken, Strongbow and Heineken's other top-end brands such as Dos Equis and Sol, with the start of this year we also picked up the distribution of all Heineken trading brands in Canada, as well. In 2016 we will also continue to restructure our business to ensure we are fit for future, including the sale of our Vancouver brewery, which will allow us to build a more efficient and flexible brewery over the next few years.

In Europe, the terminated Heineken contracts in the UK will continue to present a headwind in the first quarter, as will the new amortization expense for the brands that we impaired in the third quarter of last year and moved to definite life. We will continue to invest in our core brand portfolio across Europe to grow share of segments. And we will also continue to premiumize our portfolio and, starting in 2016, we expect Rekorderlig cider and Staropramen in the UK to contribute more than 350,000 hectoliters of above-premium volume annually through our Europe business and to provide attractive growth potential for the future.

In combination with integration of the Franciscan Well craft brands in Ireland and the acquisition of the brewing and kegging operations of Thomas Hardy's Burtonwood Brewery in England, we now have a broad range of consumer and customer offerings in the above-premium, draft, and cider segments across the UK and Ireland. Additionally, we're implementing significant new initiatives to further improve the efficiency and effectiveness of our European operations and provide more resources to invest in driving top-line and bottom-line growth. As most recent examples, we closed one of our breweries in Bulgaria in November 2015, and we've entered into a consultation process in the UK regarding our proposal to close our Burton South Brewery and consolidate production within our recently modernized Burton North brewery by the end of 2017.

Our international business is focused on attaining profitability in 2016 on a constant currency basis versus 2013 when we made this commitment, and continuing to accelerate our overall growth and expansion in new and existing markets. Upon closing of the MillerCoors transaction we are planning to integrate the Miller brands into our international portfolio, and leverage our footprint that complements our growth strategy and allows us to gain entrance into high-priority markets, while increasing our business scale in current markets.

We will also continue to drive rapid growth for Coors Light in Latin America, including the high potential Colombia market where we launched in the fourth quarter. Going forward, Coors, Miller and Staropramen will form the backbone of our international portfolio.

To summarize our discussion today, the most important strategic development for Molson Coors in 2015 was a definitive agreement we reached late in the year to purchase the 58% of MillerCoors that we do not currently own along with the international rights to the Miller brands. Beyond this game-changing transaction for our Company, we were pleased with the overall progress our Company made in 2015.

We exceeded our targets for cash generation and cost savings and expanded gross margins and underlying pre-tax margins globally. We grew our above-premium, craft, F&B, and cider business globally, gained share of the key premium light segment in the US, and accelerated the growth of our international business, including a bolt-on acquisition in the fast-growing India market. In 2016 we will continue to focus on building a stronger brand portfolio, delivering value-added innovation, investing behind the strength of our core brand positions, and continuing to premiumize our portfolio, all driven through a PACC plans.

Before we start the Q&A portion of the call, just a quick comment. As usual our prepared remarks will be on our website, for your reference within a couple of hours this afternoon. Also at 1 PM Eastern time today Dave Dunnewald will host a follow-up conference call which is an opportunity for you to ask additional questions regarding our quarterly results. This call will also be available for you to hear via webcast on our website.

So, at this point, Shawn, we'd like to open it up for questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Vivien Azer, Cowen and Company.

Vivien Azer - *Cowen and Company - Analyst*

Hi. Good morning. On the free cash flow, I fully appreciate so many moving pieces as you work towards the deal close. But if you'd indulge me, if we assumed there was no deal, how would we be thinking about the underlying free cash flow, please?

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Vivien, I think we were quite clear on the call, we know what our position is on free cash flow. You're aware of what our track record is in relation to free cash flow. There are a number of moving parts as we come into this year.

A perfect example is thinking through the Vancouver Brewery and is that a Canada solution or a North American solution. And what I don't want to do is offer guidance which then has to change materially. So, if you will just indulge us and be a little bit patient with us and give us a little bit of time I'd like to offer free cash flow guidance a little later in the year, which I think removes some of the volatility that we've seen over the course of the last couple of years, and makes sense of some of the moving parts. So, you're just going to have to be patient with us, I'm afraid.

Vivien Azer - *Cowen and Company - Analyst*

That's totally fair. Thanks. Turning to Canada, clearly a very challenging environment there for the consumer, not just because of oil prices, but the currency, if I understand it, is driving a fairly material amount of food inflation in the market. And it seems like that's a little bit evident in the January data that you guys have just offered. So, I'm curious, is there a historical analogue that we can look to for a time where that consumer was under this much pressure? And what does that really mean in terms of their willingness to premiumize or stay in premium beer, and your ability to take pricing? Thank you.

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Thanks, Vivien. I'm not sure what historical analogue is but I'll probably ask Stewart to respond to that. But we've got a very clear game plan in Canada. Stewart, do you want to just talk to our game plan concepts and how we are approaching what is a challenging environment?

Stewart Glendinning - *Molson Coors Brewing Company - CEO of Molson Coors Canada*

Yes, sure. Why don't I offer, Vivien, a bit of context about the business and then I'll come directly to your question then. I think if you look out at the strategy we set out three years ago, we've overhauled the design of our supply chain network and we've reduced the G&A cost structures in our business and improved our commercial capabilities. Despite the loss of Corona and Miller, our portfolio is much stronger. We've driven out cost savings which have allowed us to stabilize the earnings performance. I think the context then puts the business in a much stronger strategic position.

So now let me go to what's going on in the consumer world. I don't have a corresponding analogue that you can look to for guidance, but in this past quarter we saw food prices up by around 4% and, I think, 4.5%, in that range. CPI was lower because of the lower fuel costs.

But the way it's manifesting itself across the country is that in the oil-rich provinces, those provinces are being very heavily hit. We saw a big shift in volume between premium and economy brands in Alberta. We saw falling volumes in Newfoundland, Saskatchewan and Alberta. So, the consumer is under pressure. And I think if you add to that the fact that consumer debt in Canada is at an all-time high, it's made for quite a difficult recipe in some of those provinces.

Vivien Azer - *Cowen and Company - Analyst*

That's really helpful. If I could just squeeze in one last one, the call out on Coors Light growth in Europe, stood out to me. Could you just elaborate on how much white space opportunity you think that brand has? Where is it today? Where can it go? Thanks.

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Yes. Vivien, just to be clear, the Coors Light growth was Europe and international. We are seeing double-digit growth in both our European and international segments. For Europe, that's the UK and Ireland, the brand has got strong momentum there. But, Kandy, do you want to talk a little about the Coors Light growth in international? And then, Simon, if you want to maybe just talk about the growing importance of the Coors Light brand in our UK business.

Kandy Anand - *Molson Coors Brewing Company - CEO of Molson Coors International*

Sure. Thanks, Vivien. We've been very delighted over the last couple of years about the growth of our Coors Light brand, especially in Latin America. During this quarter, we again grew very strong double digits in Latin American, and for the year again very strong double digits. We continue to grow very strongly in Mexico, Panama. And we're very excited about our recent launch in Colombia, which is just unfolding as we speak. So, that's where we're expecting continued growth from Coors Light in Latin America.

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Thanks, Kandy. And, Simon, any further perspectives on the momentum for Coors Light in the UK and Ireland?

Simon Cox - *Molson Coors Brewing Company - CEO of Molson Coors Europe*

Yes. Coors Light, as mentioned, has been strong for a number of years now, and that continued through 2015. We had double-digit growth in every quarter for Coors Light across the UK and Ireland this year.

No sign of that relenting. It is always hard, as you know, to make forward predictions on brands but the brand is definitely in the eyes of the consumer, really good health. And certainly in terms of a customer franchise, we have a lot of respect there for that brand amongst our key resellers, both in pub chains and in supermarkets in the UK.

So, very solid performance for a number of years. It's part of our premiumization strategy in general. And I would be very optimistic and hopeful that we can continue the momentum behind the brand.

Vivien Azer - *Cowen and Company - Analyst*

Thank you very much.

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Thanks, Simon. Vivien, the only thing that I would add is Coors Light is a 10-year success, and it's gone from a standing start to what is now our second largest brand in our UK and Ireland portfolio, behind Carling, which is still the number one brand in the UK. So, a very important part of our portfolio.

Vivien Azer - *Cowen and Company - Analyst*

Absolutely. Thanks again.

Operator

Ian Shackleton, Nomura.

Ian Shackleton - *Nomura International - Analyst*

Yes, good morning. I'm pretty keen just to dig into a little bit the cost saving guidance, the $50 million to $70 million, I think for the next two years you said -- just slightly higher than we've been used to. Is this just a case of timing or are there some specific programs here that are driving forward? I'm cognizant of the fact there are a couple of brewery closures we talked about with Vancouver and Burton South, for example.

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Hi Ian. It's Mark here. You're right to spot that we have increased our guidance. And I think that's principally driven on a number of dimensions. One is it's driven our world-class supply chain efforts across the group that's allowed us to actually lift and shift best practice from one geography to another. And that's unlocking value optimization opportunities, it's unlocking further productivity opportunities.

Clearly there's ongoing restructuring in our business and 2015 delivered some very significant restructuring in the UK. And we indicated a desire to continue to reshape our Canadian supply chain, as well. So, you add all of those things together and it gives us confidence that across supply chain and within procurement, as well, that there is upside anticipated relative to historic performance over the next couple years.

Ian Shackleton - *Nomura International - Analyst*

So we probably should think about that slight increase there, this is incremental rather than the timing issue of just bringing forward what might've been a few years done the line.

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Yes. Raising our game and building our cost saving muscle, I think, our reputation and our track record in terms of committing to an end of over-delivering. And cost savings has been very strong in our business. And leaving aside the MillerCoors transaction, which is another step change opportunity, this is our core business continuing to drive efficiency and productivity in a way that allows us to then invest at the front end of our business to grow our brand health.

Ian Shackleton - *Nomura International - Analyst*

And just as a follow-up, Stewart painted a fairly gloomy picture around the consumer in Canada. I was particularly keen perhaps just to focus on Europe, particularly the UK where generally we've seen companies reporting slightly better numbers than some of the Western European markets in particular. I'm mostly cognizant of the fact that [cows loop] is probably becoming less volume, more value-oriented. Are you starting to see a better dynamic particularly in the UK market emerging?

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Simon, do you want to offer a perspective? Maybe start with a broader European perspective and then a little bit more detail on the UK?

Simon Cox - *Molson Coors Brewing Company - CEO of Molson Coors Europe*

Yes, sure, Mark. Thank you, Ian. I wouldn't say that in general, if I look at a European context, if there is any significant changes as we look forward as to what's been true for Europe for the last two or three years, particularly since we acquired StarBev. So, I'm not anticipating anything dramatic.

If you look into the UK, I'm not a big fan of second-guessing competitor strategy, and I would certainly say it's far too early to see how the volume value equation with Carlsberg plays out, as you mentioned. Generally speaking, the environment is as it has been for many years. Slight migration from on trade to off trade and a fairly difficult market in terms of getting pricing away, which is why we want to continue the journey we've had in terms of premiumizing our portfolio because we think that's the way to create value in the UK in the long term.

We've demonstrated a real ability to do that because Coors Light, as we mentioned earlier, is growing at double digits. Our craft portfolio is growing through Doom Bar and Sharp's at double digits, as is our cider portfolio. So, we'll withstand whatever macro difficulties there may be in the market on pricing by making sure that we're actually adjusting our portfolio towards the premium end, which we've done very successfully in recent history. And I'd be pretty confident we can continue doing it on the strength of our brands.

Ian Shackleton - *Nomura International - Analyst*

Thank you.

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Just the addition of Staropramen, Rekorderlig as it commences in 2016, as we've talked to, I think, offers if not the final but certainly another important element of the strength of our overall portfolio. So, it's been, in to your question, a pretty fundamental shift in the shape of our portfolio over the last five years in the UK, which I think stands us in good stead.

Operator

Very good. Thank you. Mark Swartzberg, Stifel Nicolaus.

Mark Swartzberg - *Stifel Nicolaus - Analyst*

Yes. Thanks. Good morning, everyone. A few topics here. Firstly on Canada, Mark or Stewart, could you help us better understand this weakness in the fourth quarter? You gave us a little bit of detail there in terms of Coors Light and Molson Canadian, but trying to better understand what's going on, including the region dimensions, if it was particularly pronounced in a particular region. And then I think mix, I assume mix deteriorated, that's why the net sales per hectoliter weakened sequentially. That's a fourth-quarter question.

But then, more broadly, can you just comment on how you think your portfolio is positioned, because it's been a pretty tough slog trying to get this portfolio in a better place? What are the challenges? I know you said you are increasing spending there. And how beneficial will it be, do you think, to get these Miller brands back and to have this higher level of spending?

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Hi, Mark. Thanks for the question. Just to be clear, your second question on the portfolio, was that Canada specific or broader?

Mark Swartzberg - *Stifel Nicolaus - Analyst*

Yes. I'm sitting here looking at Canada feeling like the outlook is not -- it's been challenging but now it's, frankly, looking more challenging than what I would have said three months ago.

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Stewart, do you want to take that, maybe start with the reshaping of the portfolio that you've been leading for, and then talk about some of the specifics in the fourth quarter?

Stewart Glendinning - *Molson Coors Brewing Company - CEO of Molson Coors Canada*

Yes. Thank you, Mark. Let's talk about where the portfolio's gone, first. If you really look at where we built out the portfolio, it's been all at the above-premium end. We've been pushing hard against the growth in our craft bands, launching Mad Jack, Banquet. All of those things have been addressing the up brand of our portfolio. When I look back at the fourth quarter, our above-premium portfolio grew shares, so I feel good about that.

If you talk about the mainstream part of the portfolio, that part of the portfolio has been under pressure, some things that are industry related and some things, some places where we've made some choices. From an industry perspective, the price share on mainstream has been primarily in some of the provinces that I called out earlier.

In terms of choices we've made, we made profit positive choices in Quebec to adjust the pricing of Coors Light, and that's been a good thing for our P&L and it's been the right decision for our brand. We held share in total in Quebec but we lost share with Coors Light. That was about a third of the Coors Light loss. I think the last impact on Coors Light specifically has been cannibalization from Banquet.

When you go beyond Coors Light, Molson Canadian actually held share of segment during the quarter. So, the pressure point for us is Coors Light. We feel great about where the portfolio is in total, we feel good about the strategy on Coors Light, and we're focused against 2016 to execute that.

What are the places where we feel good? Our advertising is scoring very well. Our activation, if you looked at what we did in the back half of 2015 and what we've got planned for 2016, is significantly better than what we saw in the two years prior to that. And it's the kind of activation that we expect will attract our target audience of young millennials. And, as you mentioned, of course, Mark, we have put more money behind the brand.

So, I think that covers the portfolio and the region question. Perhaps I could just talk to mix for a second. We did see down trading from consumers into economy. We also felt the mix pressures on COGS certainly from our US-sourced products. From an overall perspective on price, I'd look to the full year. Against the full year we got 2.5% in price against 2.5% of COGS.

Mark Swartzberg - *Stifel Nicolaus - Analyst*

That's helpful. And getting back the Miller portfolio, how significant do you think that is as you go to retail day in and day out, having that added share? Is it significant vis-a-vis the outlook for Coors Light or Molson Canadian or is it just more an incremental benefit in its own right?

Stewart Glendinning - *Molson Coors Brewing Company - CEO of Molson Coors Canada*

I think it's more of an incremental benefit in its own right. You'll remember that, of course, when we lost the brand we reshaped the portfolio to be very competitive in a world without Miller. And I think we've demonstrated the ability to do that at the premium end of our portfolio, or the above-premium end of our portfolio. So, assuming we get Miller back, then it will be additive to the portfolio.

Mark Swartzberg - *Stifel Nicolaus - Analyst*

Great. Okay, that's very helpful. And if I could just probe a bit on international, Mark or Kandy, having this Miller portfolio, having that portfolio globally, you said you have some high-priority markets, it gives you some high-priority markets that you can do things for Coors Light with. And you touched on Latin America. But could you elaborate on what those high-priority markets that you get, so to speak, from this transaction are?

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Yes, Mark, let me give you just a little bit of context and some guidance as to how you could think about the Miller international business. There are three volume and value platforms that come with the Miller international business. And clearly we've got a lot of integration planning work that we are in the throes of dealing with at this point in time.

The first big platform of volume and value -- and you rightly called this out -- relates to Canada and also the UK and Ireland. That will be rolled into our existing business.

The second platform are those markets where we already have a route to market solution. The best example I can give you is, say, Panama where we have a strong partner there. And Miller would be sped up in terms of our scale in that marketplace and.

And then, thirdly, there is a platform of volume and value which is in markets where we currently do not have a route to market. Let me pick two markets -- Argentina and South Africa. Clearly there is consumer and customer demand in those markets. Kandy and the team are now working through what our route to market options will be. Assuming that we land an appropriate route to market option for the Miller brands, we can then use that to then over time introduce other Molson Coors brands.

So, so that's as simple as I can make it. I wouldn't beyond that want to get into specific markets and their relative importance. I think that's something -- I'm looking at Kandy here -- we can probably share once we've done the detailed planning.

Mark Swartzberg - *Stifel Nicolaus - Analyst*

That's great. That's clarifying and very helpful. Last one for you, on the US, going around the world here, a simple one, which is, PACC is not in play in the MillerCoors business today. They have something, I think, analogous there. But when might you think to put that in place once the transaction closes? And do you think it would have a meaningful impact in the way that business performs?

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

To your first question, I haven't discussed this with Gavin but I would suggest day one. Gavin has been a real cheerleader for PACC and has led the charge in Molson Coors. As you mentioned, return on invested capital is already a critical measure with the MillerCoors business. I think some of the PACC disciplines and approach will allow us to unlock additional volume. But we'll get to that as quickly as we can. Gavin, anything to add to that?

Gavin Hattersley - *Molson Coors Brewing Company - CEO of MillerCoors*

The only thing I'd add to that, Mark -- and this is to Mark Swartzberg -- I was the CFO a year before and Tracy has been the CFO here. And PACC and equivalent models have been well in use in MillerCoors for years. It is called something different. So, we have a similar focus on return on investments and making the right investments and the right returns.

Mark Swartzberg - *Stifel Nicolaus - Analyst*

Great. Thank you, gentlemen.

Operator

Bryan Spillane, Bank of America.

Bryan Spillane - *BofA Merrill Lynch - Analyst*

Good morning, everyone. I just got one question and just a more broad question about how you're thinking about the decisions to reinvest. Over the next, assuming the MillerCoors transaction closes over the next couple of years, between what you've talked about today about your incremental savings potential in the underlying businesses and then the cost savings that you expect or the synergies you expect to extract as a result of the MillerCoors merger, you're going to have a significant amount of cost savings at your disposal.

The market's pretty volatile. There's a lot of dynamics and a lot of things changing in the beer industry and certainly in terms of the economy. So, can you just maybe talk a little bit about you're thinking about that reinvestment decision in the context of the world, how volatile the world is. Payback, how quickly you are expecting it to pay back. And maybe just a little color on how much of that reinvestment is in things like products and advertising and marketing as opposed to things that are more hard, like infrastructure or salespeople.

And maybe a last piece to that is just where you think that stacks up relative to your competitors in your major markets. You've got savings, you can lean into these markets and spend more. Do you think as a competitive position you'll be able to have basically -- be in a position to spend more than your competitors are? Sorry, I know it's a long question.

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Let me try and chunk that up a little bit, Bryan. I can start with, if you look at the MillerCoors transaction, assuming that goes ahead, as anticipated, then if you take the long-range plans for each individual segment, each of the business units, if you layer on top of that $200 million of synergies and then the cash tax benefits, it's clearly both strategically and financially compelling and will deliver strong return for our shareholders. Anything we can do to either increase that synergy number or get at the synergy numbers faster will make a great deal, almost spanning deal. So, so that's the work we're on at this point in time.

As we move into a broader and bigger business, we start really with two priorities. One is, what's it going to take for us to be first choice from a consumer and a customer perspective. And, secondly, how do we ensure that we're driving an appropriate and expected total shareholder return? And when it comes to our reinvestment decisions, I will always guard the flexibility that we require to really look at these things across the areas.

One is, in a volatile world, how do we offset inflation challenges we may face in our business. And obviously transactional effects is part of that now, something we've got to consider.

Secondly, where can we invest for the highest return across our brand portfolio. We've got a pretty sophisticated return on marketing investment model in the US, and that's something we are now rolling out more broadly in our business. And then, thirdly, we can flow some of those savings straight through to the bottom line.

So, there are three principal areas of opportunity. But I'm not going to give you guidance as to how we will prioritize because it will be real-time, it will depend on competitive pressures and it will depend on economic environment within which we're trading. And as you clear rightly said, that's difficult to second-guess and quite volatile at this point in time.

I think the important thing is we will have options, and those options than give us the flexibility to build our business in a way which is right from both a first choice and a shareholder return perspective. And that's a good place to be. I probably wouldn't comment beyond that in terms of the specifics.

Bryan Spillane - *BofA Merrill Lynch - Analyst*

All right. Thank you.

Operator

(Operator Instructions)

Robert Ottenstein, Evercore.

Robert Ottenstein - *Evercore ISI - Analyst*

Great. Thank you very much. A couple of questions. One, I know going forward you are going to have these two great iconic American brands, the Miller brands and the Coors brands. How are you thinking about positioning them outside of the US? Are they going to have very separate identities? And can you talk a little bit about that? And related to that, would the goal for them to largely be in different countries, long-term big picture. So, just the Miller brands in certain countries, the Coors brands in other countries? Or do you foresee having both brands in the same country long term?

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Hi, Robert. Thanks for that. Probably the way I would come at this is to start from a perspective that both Coors and Miller, when you think about their positioning, are quite distinctive, and both of them have got a face place and a story behind that which I think is compelling from a consumer perspective. Gavin and David Kroll and the team in the US have demonstrated that both brands can live in a market in a complementary fashion. And I think that can be true of other international markets, as well.

Coors Light's positioning is very much around Rocky Mountain Cold Refreshment, and the Miller positioning, if you think MGD, is much more urban. I think on different occasions for different consumers, then they can act in a very complementary fashion.

And the opportunity with the Miller international brands transaction is it gives us the opportunity for a step change scale difference in our international markets, and getting both of those brands working in complementary fashion, along with Staropramen, which clearly, again, is very unique and distinctive. And then with a second-tier opportunity around our global craft portfolio, I think it sets us up for some really significant potential as we look out into the future with our international business.

Robert Ottenstein - *Evercore ISI - Analyst*

Terrific. The second question, one thing I'm struggling with and just trying to think through, you've got the ongoing cost savings for the, call it, legacy business. It was $40 million to $60 million, now $50 million to $70 million. And my understanding is most of that is in Canada this year and next. You then are bringing in MillerCoors and you've talked about the $200 million of cost synergies there. Can you just help me think through how you're talking about those two work streams, if you will, and how you can think separately about the legacy cost savings in the context of the fact that you are now going to be having the opportunity to run a total North American cost structure, which presumably would change some of the calculus in terms of your legacy programs? Or is it such that you're actually just going to be running the US and Canada very separately so that's not so much of an issue?

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Clearly some complexity associated with your question there, Robert. But the simple way to think about this is that the business case for the MillerCoors transaction assumes that our ongoing organic cost-saving programs, which we've now signaled as $50 million to $70 million, are embedded in our long-range plans.

The $200 million of synergies, which clearly we're now stress testing, both from a quantum and a pace perspective, will set an overlay to that. And we are very clear in our business about what I described as, let's call it, organic or day job cost programs, and then the opportunity associated with the transaction and the aggregation of our businesses. We are working very hard to keep those separate.

Once we've done the work through the integration planning we will go to update on both quantum and timing of synergies. We feel very good about the number that's already in the public domain. And we're working very hard to keep that separate from our organic cost savings program.

Robert Ottenstein - *Evercore ISI - Analyst*

Can you give us any sense in terms of where you're going to be headed in terms of running North America as an integrated cost structure? Or is it going to be largely separate?

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

I would go back to really the comments that we've made consistently, Robert, which is that the big value-driving opportunity is around manufacturing and thinking more broadly about our North American footprint; secondly, around procurement, where the procurement dollars for MillerCoors and Molson Coors can be aggregated; and, thirdly, around the potential for shared services, either at North American or at a global levels. That's work that's now underway.

When we're in a position where we can be more definitive and more specific then we'll take you and the rest of our investor base through the program. Clearly there are events and second-tier opportunities around things like North American and actual global brand management synergies and consistency of approach, et cetera. More to follow. I feel very good about the guidance we have offered, really since last November, and there's no change to that. The one thing that has changed is our organic cost savings program has stepped up a notch, as you indicated.

Robert Ottenstein - *Evercore ISI - Analyst*

Great. And then some other questions on Canada. And apologies if you answered this already. The January numbers for Canada being down high single digit, was there any one-off reasons for that steep a decline? And then your competitor is bringing on Mike's Lemonade into Canada. Do you see that changing competitive dynamics in any way? And how would you look to counteract that?

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Stewart, do you want to comment on the start of the year and then really our portfolio response more broadly?

Stewart Glendinning - *Molson Coors Brewing Company - CEO of Molson Coors Canada*

Yes. I would say, relative to the start of the year, probably the only thing that might have some impact -- and I can't quantify it specifically -- is that there were parts of the market where we think that the timing of Super Bowl affected ordering differently than last year. And then, secondarily, I think if you looked at some of the oil provinces, as I mentioned earlier in the call, they are under pressure, and we saw more challenging volumes in those markets.

Relative to your second question, which was --?

Robert Ottenstein - *Evercore ISI - Analyst*

In terms of Mike's Lemonade.

Stewart Glendinning - *Molson Coors Brewing Company - CEO of Molson Coors Canada*

On Mike's, I don't think Mike's changes dramatically how we look at the beer market. That product is already in the market. But let's be clear, that's a space in which we are already playing. We are pushing very hard with Mad Jack that plays in that flavored alcohol beverage space. We've introduced two more flavors this year. And we think we're well on to compete in that market space.

Robert Ottenstein - *Evercore ISI - Analyst*

Terrific. Think you very much.

Operator

There are no further questions at this time. I turn the conference back to Mr. Hunter for closing remarks.

Mark Hunter - *Molson Coors Brewing Company - President & CEO*

Okay, thanks Shawn. Thank you, everybody, for your time and interest in the Molson Coors Brewing Company. We look forward to speaking with you on our Q1 called in May, and then seeing many of you in New York in June later this year, as well. Thank you again for your time and attention. I know Dave will look after you this afternoon on the follow-up call. Thanks, everybody.

Operator

This concludes today's conference call. You may now disconnect.