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TAP - Q4 2012 Molson Coors Brewing Company Earnings Conference Call

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OVERVIEW:

Co. announced 4Q12 underlying after-tax earnings of \$126.1m, or EPS of \$0.69.



CORPORATE PARTICIPANTS

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Judy Hong *Goldman Sachs - Analyst*

Dara Mohsenian *Morgan Stanley - Analyst*

Ian Shackleton *Nomura - Analyst*

John Faucher *JPMorgan Chase & Co. - Analyst*

Bryan Spillane *BofA Merrill Lynch - Analyst*

PRESENTATION

Operator

Welcome to the Molson Coors Brewing Company fourth-quarter 2012 earnings conference call. Before we begin, I will paraphrase the Company's Safe Harbor language.

Some of the discussion today may include forward-looking statements. Actual results could differ materially from what the Company projects today, so please refer to its most recent 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 Financials Reporting tab of the Investor Relations page for a reconciliation of these measures to the nearest US GAAP results. Also, unless indicated, all financial results the Company discusses are versus the comparable prior-year period in US dollars.

Now, I would like to turn the call over to Mr. Peter Swinburn, President and CEO of Molson Coors.

Peter Swinburn - *Molson Coors Brewing Co - President, CEO*

Thank you, Jay. Hello, and welcome, everybody, to the Molson Coors earnings call. Thank you for joining us.

With me on the call this morning are Gavin Hattersley, Molson Coors' CFO; Stewart Glendinning, COO of Molson Coors Canada; Tom Long, COO of MillerCoors; Mark Hunter, CEO of Molson Coors Europe; Kandy Anand with Molson Coors International; Sam Walker, Molson Coors' Chief Legal and People Officer; Zahir Ibrahim, Molson Coors' Controller; and Dave Dunnewald, Molson Coors' VP of Investor Relations. Mark and Stewart's new roles are related to the restructuring we initiated last fall, which combined our UK and Ireland businesses with our new Central Europe organization to create a single European business as of January 1, 2013.

On the earnings call today, Gavin and I will take you through highlights of our fourth-quarter and full-year 2012 results for Molson Coors Brewing Company, along with some initial perspectives on 2013.



In the fourth quarter, our worldwide volume and net sales increased due to the addition of our Central Europe business. Underlying after-tax income declined 28%, driven by a higher tax rate on the cycling strong quarterly results the year before, which included an additional week in our fiscal 2011 and some other one-time factors that did not repeat in 2012. Gavin will provide additional details on the fourth-quarter performance in a few minutes.

For the full year 2012, the biggest news was the acquisition of our Central Europe business, which we expect to strengthen our Company, enhance our growth profile, and increase shareholder value in the years ahead. We have begun implementing plans to capture synergies, leverage best practices, and pay down debt related to buying this new business. This acquisition helped our 2012 worldwide volume grow by 14%, net sales by more than 11%, and underlying earnings per share by 4%. In addition, Molson Coors generated \$865 million of underlying free cash flow, up nearly 40% from 2011.

In 2012, we continued to focus on the three pillars of our growth strategy; namely, to grow profitably in our core businesses through brands and innovation, to grow in new and emerging markets, and, when it meets our strict shareholder return criteria, to grow through M&A. As in previous years, the first of these pillars was our primary focus, as we continued to invest in key brands and fill our innovation pipeline. In 2012, Coors Light grew market share in the US, UK, and including iced tea, in Canada. Our Premium Craft portfolios in the US and Canada outperformed the industry and grew market share. In Canada during 2012, we achieved positive price on brand mix. We strengthened our Premium portfolio by introducing Rickard's Cardigan and Oak House seasonal brands and by acquiring the licenses for Newcastle Brown Ale and Strongbow Cider brands. We also launched aluminum pint bottles for Coors Light and Molson Canadian.

In the US, Coors Light significantly outperformed the premium light segment and posted its eighth consecutive year of growth. We completed the relaunch of Miller 64 and rolled out Leinenkugel's Lemon Berry Shandy and Batch 19. Also, in above-premium, we expanded Henry Weinhard's brands nationally and tested Redd's Apple Ale and Third Shift. The Blue Moon and Leinenkugel's brands continued to lead the Craft beer segment with double-digit growth. We also purchased the Crispin Cider Company, which gives us brands in the fast-growing US cider category. And we continue to work hard to improve volume trends for Miller Lite.

In a very challenging UK beer market, we now have two of the fastest-growing Premium Brands in Coors Light and Doom Bar. We also introduced Carling Zest, with the launch being recognized as the best of the year in the UK by AC Nielsen.

In Central Europe, we delivered a strong competitive performance in a tough trading environment, with share and pricing growth in our key markets, accelerated innovation performance driven by beer mixes, Staropramen growth in double digits in 2012, and strict overhead cost management. On the full-year basis, we took the market share leadership position in Bulgaria. We grew share in Croatia to its highest level for the past 10 years, and achieved strong volume growth and record on-premise share in the Czech Republic. We recorded solid share growth in all of our major markets in 2012, apart from Romania, where we gave up volume share in the thin margin value segment.

In our second growth pillar, our international business drove improved financial performance in the fourth quarter, as it began liquidating its underperforming China joint venture, restructured its Coors Light business in the rest of China, improved performance in Japan, and integrated the Central Europe license and export businesses.

In M&A, the Central Europe integration has gone well. We are on schedule to capture the committed \$50 million of cost and revenue synergies, and we are leveraging important processes and commercial learnings from this business globally. The addition of this business provided more than \$17 million of pretax earnings accretion in 2012 on an underlying basis and net of related interest expenses.

Beyond our growth pillars we have consistently said that, in addition to growing our brands, we would aggressively drive costs out of our business. In 2012, our Resources for Growth program delivered \$74 million in savings, allowing us to close out this three-year program with total savings of \$200 million, which is \$50 million higher than our original goal. Our share of MillerCoors results added another \$46 million of cost savings. And in the area of corporate social responsibility, Molson Coors was selected as the 2012-2013 global beverage sector leader in the Dow Jones Sustainability Index, which is the most recognized global benchmark of sustainability among global corporations.

With this as an overview of 2012, I'll turn it over to Gavin to give fourth-quarter financial highlights and perspective on 2013. Gavin?



Gavin Hattersley - *Molson Coors Brewing Co - CFO*

Thank you, Peter. And hello, everybody.

Molson Coors fourth-quarter underlying after-tax earnings decreased 28.4% to \$126.1 million, or \$0.69 per share. The decline in results was driven by weak economic conditions and challenging prior-year comparisons in all of our businesses. Worldwide beer volume for Molson Coors increased more than 15% due to the addition of Central Europe results and strong Coors Light growth in all of our core markets. On a pro forma basis, including Central Europe in 2011, worldwide volume decreased 7% for the quarter, driven by lower volume in the UK, Canada, Central Europe, and International. Canada and UK declines were partially attributable to cycling the 53rd week in our 2011 fiscal year. Regionally, lower volume translates into lower underlying profit performance. Results of this quarter were in line with expectations, and we continued to pursue additional sources of top-line and bottom-line growth, which we will discuss in a few minutes.

Now, a reminder about how we are presenting our results for our new Central Europe business and Molson Coors International. In order to provide the most useful information, we will discuss Central Europe results this year in comparison to pro forma results for the comparable prior-year period. Also, our International group is managing the export and license business for our Central Europe brands.

As we have in previous quarters, I will provide an overview of our results with MillerCoors presented as if it were proportionally consolidated. This is a non-GAAP approach, but we believe it provides a useful view of some key performance metrics for our business. On this basis, total Company net sales increased 6.3% in the fourth quarter, driven by the addition of the Central Europe business, along with growth in the United States. Net sales per hectoliter decreased 5.4% in the quarter due to the addition of Central Europe sales with lower net sales per hectoliter, which more than offset solid [progress] in the US, Central Europe, Canada, and internationally.

Cost of goods sold per hectoliter decreased 2.1% due to the addition of Central Europe, which has a lower cost structure than our other segments. Total Company gross margin was 37.5%, 210 basis points lower than a year ago, due to the impact of fixed-cost deleverage related to lower volume, higher input inflation, one-time margins that did not repeat, and increased pension costs, primarily in Canada and the UK. These negative impacts were partially offset by margin expansion of 90 basis points in the US.

Marketing, general, and administrative expenses increased 5.5% due to the addition of Central Europe results and increased investments in brands and business transformation by MillerCoors. Underlying operating margin was 11%, down 200 basis points from a year ago, driven by substantially the same factors as those affecting gross margins. Please see the earnings release we distributed earlier this morning for a detailed review of our business unit financial results in the quarter.

It is important to note that our fourth-quarter underlying results exclude some special and other non-core gains, losses, and expenses that net to a \$25.4 million pretax charge. Underlying results also exclude a \$38.3 million noncash charge for the tax effect of a Serbia statutory corporate income tax rate increase. The pretax adjustments to our US GAAP results primarily relate to Central Europe, acquisition financing and restructuring charges in the UK and Canada, and they are described in detail in this morning's earnings release.

Underlying free cash flow for 2012 totaled \$865 million, which exceeded our previous estimate for the year of \$750 million by \$115 million, largely due to improvements in year-over-year working Capital Management. This \$246 million increase over the prior year was primarily driven by an increase in operating cash flow due to the addition of Central Europe and working capital improvements. Our 2012 cash generation was made up of the following factors -- \$984 million of operating cash flow, which includes \$511 million from MillerCoors; plus \$170 million of net add-backs to Central Europe acquisition-related costs, restructuring payments, and MillerCoors purchases of businesses and other assets; investing cash outflows with \$222 million of capital spending; and \$66 million of cash invested in MillerCoors. Total debt at the end of 2012 was \$4.67 billion, and cash and cash equivalents totaled \$624 million, resulting in net debt of \$4 billion, approximately \$60 million lower than three months earlier.

Looking forward to 2013, our annual target for underlying free cash flow is \$700 million, plus or minus 10%. This goal is \$165 million lower than our 2012 result because of three factors -- higher capital spending and cash interest, primarily related to having our Central Europe business for the full year; higher cash taxes in 2013; and an increase of about \$50 million in our total pension contributions. Currently, we anticipate approximately



\$150 million of cash contributions to our defined benefit pension plans in 2013 and pension expense of about \$50 million, both including 42% of MillerCoors.

Our 2013 capital spending outlook is approximately \$330 million, up from \$222 million last year, largely because we will have a full-year of Central Europe capital expenditures. We expect our 2013 MG&A expense in Corporate to be approximately \$105 million. Our consolidated net interest expense outlook for 2013 is approximately \$170 million.

We expect our 2013 effective tax rate to be in the range of 16% to 20%, assuming no further changes in tax laws. Our 2012 underlying rate was 18%. We continue to see our long-term tax rate to be in a range of 20% to 24%, but we anticipate that it will take a few years to move to that range.

As far as our cost outlook is concerned, in Canada for 2013, we expect our cost of goods sold to increase at a mid single-digit rate per hectoliter in local currency. In the United States, we expect MillerCoors cost of goods sold per hectoliter to increase at a low single-digit rate for the full-year 2013. In Europe, which now combines the UK with Central Europe, we anticipate a low single-digit increase in pro forma cost of goods sold per hectoliter this year in local currency. Our International business anticipates cost of goods sold per hectoliter to increase at a low single-digit rate for the full year.

At this point, I'll turn it back over to Peter for regional outlook, wrap-up, and the Q&A. Peter?

Peter Swinburn - *Molson Coors Brewing Co - President, CEO*

Thanks, Gavin.

So, in Canada, we are pleased to see the return of hockey, but due to the short lead time, we'll be unable to effect full Retail Activation until the fall. We expect our two lead brands in Canada to benefit from the renewed drive behind our innovative aluminum pint bottle and our new Molson Canadian advertising that went viral prior to its TV launch. We will also continue to transfer our Craft beers to new regions following the success of Granville Island in Ontario last year.

In the US, we will be developing our portfolio in the Above-Premium and Crafts and working to gain share in Premium Lights. We are planning new line extensions for Leinenkugel's and Blue Moon for summer and fall. In Above-Premium, we're also launching Redd's Apple Ale and Third Shift. In Premium Lights, we're investing behind new promotional properties, including multicultural for Coors Light and Miller Lite, and we'll also launch a new Miller Lite bottle in the on-premise.

In Europe, we delivered a strong competitive performance in a tough trading environment, with market share and pricing growth in all our major markets with the exception of the UK and Romania. We also accelerated innovation performance, driven by beer mixers, strong Staropramen growth, and strict overhead cost management. The restructuring to combine our UK and Ireland businesses with Central Europe has gone smoothly, enabling additional European cost savings to be delivered in 2013. In Hungary, we have stabilized and restructured the business under new leadership. In Romania, which is our lowest-share major market in the region, we have introduced new leadership, added sales resources, dealt with inventory overstocks, and refocused the portfolio on higher value segments.

In the UK, Carling British Cider will be hitting off-premise retailer shelves next month. We are investing in new pub fonts for Carling to strengthen its position and enhance its performance on the bar. In the Craft space, we have purchased the Franciscan Well brand & microbrewery in Cork City, Republic of Ireland, to build a strong share in our Craft beer market. Across Europe in 2013, we will be increasing the scale of innovation and accelerating sales and marketing investment to strengthen our Mainstream and Premium portfolio across all major markets to drive the top line and bottom line.

Our International business continues to focus on growth and is investing ahead of the curve in emerging markets behind a solid portfolio of Coors Light, Carling, Staropramen, and Blue Moon. We anticipate that the liquidation of the China joint venture and the restructuring of the Coors Light business in the balance of China will reduce the underlying loss for this business in 2013.

Finally, here were the most recent volume trends for each of our businesses early in the first quarter. In Canada, our sales-to-retail for the first four weeks of the quarter increased at a mid single-digit rate versus 2012, primarily due to year-over-year differences in the timing of pricing and promotional activity. In the US, for the first four weeks ended January 26, STRs were down low single digits. In Europe, our sales volume increased at a high single-digit rate for the first month of the quarter, driven partially by year-over-year differences and the timing of price increases. And in the first four weeks, our International STRs increased at a double-digit rate on a comparable basis. As always, please keep in mind that these numbers represent only a portion of the current quarter and trends could change in the weeks ahead.

To summarize our discussion today, lower fourth-quarter underlying earnings were driven by a higher tax rate and cycling strong quarterly results the year before, including the 53rd week in our fiscal 2012 and some other one-time factors. Full-year results included higher underlying earnings and \$865 million of underlying free cash flow generation. Our Central Europe business is being integrated very effectively, and in a difficult retail environment is performing very well.

In 2013, our focus will continue to be on the three pillars of our growth strategy, and particularly the first one, which is to grow profitably in our core businesses through brands and innovation. We also intend to pay down debt. In combination with disciplined high return cash use, our growth strategy is designed to drive long-term profit, cash flow, and total return to our shareholders.

Now, before we start the Q&A portion of the call, a quick comment. Our prepared remarks will be on our website for your reference within a couple of hours this afternoon. Also, at 2.00 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, Jay, we would like to open it up to questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question comes from Judy Hong with Goldman Sachs. Your line is open.

Judy Hong - *Goldman Sachs - Analyst*

Thanks. Hi, everyone.

Peter Swinburn - *Molson Coors Brewing Co - President, CEO*

Hi, Judy.

Judy Hong - *Goldman Sachs - Analyst*

So, I guess I just wanted to get a little bit more color on Central and Eastern Europe. I think you've talked about some of the competitive dynamics in some markets. But, broadly speaking, kind of what are you seeing from a macro perspective for the category as a whole? A little bit more color in terms of the markets where you're gaining share? What you're doing differently in those markets? And then, just the profit decline in the fourth quarter was also a little bit surprising to me in Central Europe. So, kind of from a profitability perspective, if you can help understand what drove the decline in the quarter?



Peter Swinburn - *Molson Coors Brewing Co - President, CEO*

Sure. So, Judy, I think I'll take the first part of the question and I'll pass the second part on to Mark to give you the sort of granularity. I think really we covered it off in the script. On a relative basis, this business is performing exceptionally well. As I said, we have taken market share in Bulgaria. You ask why. Obviously, that's down to execution and the strength of our brands.

We've got the highest market share ever in Croatia, and we've got activity coming forward there that we're very pleased about in terms of new bottles. Czech Republic, we've gained share in a difficult on-trade market and done well generally in that market. We've grown share in every single market, apart from Romania, and Mark can speak to that in a second. And, we've got double-digit growth in Staropramen, which is our core brand in that, our core, above-premium brand in that market.

So, overall, that's a very strong set in a relatively difficult environment. So, overall, very pleased with it. The quarterly results have some detail in, which need explaining. So, I'll pass that over to Mark. Mark, maybe you can make reference to what's going on in Romania as well?

Mark Hunter - *Molson Coors Brewing Co - CEO - Molson Coors Europe*

Sure. Thanks, Peter. Hi, Judy. Judy, just a couple of builds on Peter's comments, and I'll talk specifically about the fourth quarter. I think on the Q3 call, I was very clear about the fact that we're seeing, certainly from a GDP perspective, lower growth rates than were anticipated, and that's having a direct impact on overall beer consumption. In fact, on a full-year basis, there were really only two markets that showed any volume growth, the Romanian market and the Bulgarian market, and, as Peter said, we've taken market leadership in Bulgaria, which is great news.

In Romania, I mentioned in Q3 that most of the growth in that market was coming in the very low-margin value segment. We chose not to participate in Q3, and we have continued not participating through the fourth quarter with our focus really being on our core brands and our Premium Brands because we believe that will give the business long-term sustainability.

If you actually look at the specific profit numbers in the fourth quarter, in local currency, we were down about 5%. So, we've been running the business now for two quarters. We posted strong growth in the third quarter. In the fourth quarter, we're down 5% in local currency, and I took two decisions through the fourth quarter, which impacted on that.

It was clear as the business left 2011, significant stock had been pushed into the market in both Romania and Serbia. And, I took a decision to destock the distribution pipeline. That cost us in profit terms EUR2million. So, if you actually add that back on to our Q4 numbers, then it gives us a much more solid position in the fourth quarter. And, it sets us up for, I think, all of the right behaviors and actions as we move into 2013, building on the back of what has been share growth in every one of our major markets with the exception being the Romanian market for the reason I've described. So, hopefully that gives you a little bit more color to both the profit number and just some of the volume trends.

Judy Hong - *Goldman Sachs - Analyst*

That's helpful. And then, just in terms of Europe, is the savings that you could be getting from the integration -- the UK, Ireland? And then, I guess, perhaps the further savings, Europe broadly consolidating between UK and the Central and Eastern Europe. Can you quantify potential savings, how meaningful that could be over time?

Peter Swinburn - *Molson Coors Brewing Co - President, CEO*

We will when we update everybody at the next analyst call, Judy, which is what we promised at the last quarter. We are still in consultation in Europe. We have to go through certain regulatory hoops, where -- in terms of doing restructuring. So, that consultation won't be completed until the end of March. So, we're not in a position to give final details. But, you can see some of the specials that we've highlighted in our earnings results this morning. So that should give you some idea -- or some guidance -- but not the totally specific numbers.



Judy Hong - *Goldman Sachs - Analyst*

Got it. Okay. Thank you.

Peter Swinburn - *Molson Coors Brewing Co - President, CEO*

Thank you.

Operator

Your next question comes from Dara Mohsenian with Morgan Stanley. Your line is open.

Dara Mohsenian - *Morgan Stanley - Analyst*

Good morning. I was hoping you could review the competitive environment in Canada, particularly in the west, and the impact on your business potentially from the Quebec excise tax increases?

Stewart Glendinning - *Molson Coors Brewing Co - President & CEO - Molson Coors UK*

Sure, Dara. Stewart here. I'll take those separately. Certainly, as we look at Quebec, 20% increase in taxes there will have a negative effect. And certainly, we saw it in the latter part of the fourth quarter. Difficult to say precisely what that impact is. But, as price goes up, consumers will buy less.

I think when you look at the west, the dynamic is different there. It's a competitive dynamic, couple of things in play. First, the smaller Brewers have continued to extend in two markets there, one in the value space, where value has grown quite dramatically, and then, particularly in the Craft space. We're competing in both of those spaces, with Keystone at the value end, and with Granville Island to a lesser extent in the west with Creemore at the top end.

There's also -- we've seen in the west perhaps some more aggressive innovation, which came earlier in last year -- which from competitors -- which we saw coming earlier in last year, which sort of flowed through to the year. If we look out to this year, we think we've got a very exciting innovation pipeline and we're well positioned to play in the market.

Dara Mohsenian - *Morgan Stanley - Analyst*

Okay, and then, the mid-single-digit January growth in the STRs, that's a very strong rebound in Canada, but you mentioned some timing benefits. So, can you give me a sense of kind of a more normalized underlying trend?

Stewart Glendinning - *Molson Coors Brewing Co - President & CEO - Molson Coors UK*

Yes, I -- we can't really give any guidance there, but I would say that the mid-single-digit rate that you see there is not reflective of the market fundamentals and is largely down to the timing of promotional activities and customer buy-in. So, I would -- that's the best answer I can give you.

Dara Mohsenian - *Morgan Stanley - Analyst*

Okay, great. Thanks.



Operator

(Operator Instructions)

Our next question comes from Ian Shackleton with Nomura. Your line is open.

Ian Shackleton - *Nomura - Analyst*

Yes. Good morning, gentlemen. Two questions. What Peter said -- on Canada, the comment was made, if I understood correctly, that you would expect market share to be recovering by the fall after the hockey change? I just wanted to clarify if I got that right? And equally, on the International business, was the comment made that the losses will be smaller in 2013? We're not expecting a return to profits that we saw in Q4?

Peter Swinburn - *Molson Coors Brewing Co - President, CEO*

So, on Canada, Ian, what I said was that we wouldn't be able to fully activate the NHL sponsorship on the retail end until the fall because, obviously, the lead times you need with retailers and so on means that we can't put it into place in the first half of the year. So, it wasn't the market share position, it was specifically the activation against the NHL property. And yes, you were right in terms of the International business. What we said was the loss would be reduced.

Ian Shackleton - *Nomura - Analyst*

Is it going to be fairly substantial? Are we talking about the [harboring] of the loss that you have this year, for 2012?

Peter Swinburn - *Molson Coors Brewing Co - President, CEO*

The loss will be reduced is, I think, as much as we can tell you, Ian.

Ian Shackleton - *Nomura - Analyst*

Okay. Thanks very much.

Peter Swinburn - *Molson Coors Brewing Co - President, CEO*

Thank you.

Operator

Your next question comes from John Faucher with JPMorgan. Your line is open.

John Faucher - *JPMorgan Chase & Co. - Analyst*

Thank you. Good morning. Just wanted to follow up a little bit on Dara's question -- excuse me, in terms of Canada. In your answer there, it sounds as though -- I guess it's shipments coming in a little bit earlier. So, do you think you'll be able to be positive for the quarter in terms of STRs, given the strong start that you had, even if it's taking volume out of the rest of the quarter? And then, the second question --.

Stewart Glendinning - *Molson Coors Brewing Co - President & CEO - Molson Coors UK*

Yes.

John Faucher - *JPMorgan Chase & Co. - Analyst*

Sorry, go ahead.

Stewart Glendinning - *Molson Coors Brewing Co - President & CEO - Molson Coors UK*

Let's answer the first piece. I don't -- we can't give you guidance for the first quarter. I just want to draw attention to the fact that I think the number that you are seeing there is not reflective of the true market fundamentals. Some of the inquiries we no doubt will get are around hockey, for example. Hockey didn't get going right until the end of January, so that's not a big influencer in the number. As we release that number, I would like to you just make sure you understand what some of the drivers are.

John Faucher - *JPMorgan Chase & Co. - Analyst*

Okay. Thank you. And then, moving on to the tax rate, it's one of those things where you talk about the long-term tax rate, and eventually it's going to go there. It hasn't moved. And, in fact, because of some of the things you've done, the tax rate generally has been lower. What's the right way to think about the progression on that? When it finally starts to move, is it a slow build up over time? Is it a one-shot deal? How should we think about that in terms of longer term?

Gavin Hattersley - *Molson Coors Brewing Co - CFO*

John, I would not characterize it as a one-jump deal I think you referred to. It's going to be a slow progression over time. And, as I said on the call, it will take us a few years to get there.

John Faucher - *JPMorgan Chase & Co. - Analyst*

Okay, great. Thank you.

Peter Swinburn - *Molson Coors Brewing Co - President, CEO*

Thanks, John.

Operator

The next question comes from Bryan Spillane with Bank of America. Your line is open.

Bryan Spillane - *BofA Merrill Lynch - Analyst*

Hi. Good morning, everybody. And, excuse my voice. So, two questions. One first, just in terms of the hockey season this year, given the strike and the lack of ability to, excuse me, fully merchandise against it, do you get any rebate or any insurance? Is there any remuneration you get for not being able to fully merchandise against it?



Stewart Glendinning - *Molson Coors Brewing Co - President & CEO - Molson Coors UK*

Bryan, sounds like you've been at a good hockey game. We were clear that one of the drivers in the fourth quarter was a reduction in some of our marketing expense related to activation around hockey. But, we haven't been specific about what those numbers are since that agreement is confidential.

Bryan Spillane - *BofA Merrill Lynch - Analyst*

Okay. So, that is though -- that's not necessarily just not spending. That is getting some sort of remuneration for it, I guess is what I was trying to get after.

Stewart Glendinning - *Molson Coors Brewing Co - President & CEO - Molson Coors UK*

Yes, I can't get into any more detail. I'm sorry. But, all of that stuff is reflected in total in our marketing spend. And so, I guess my argument would be, doesn't really matter which side it comes from.

Bryan Spillane - *BofA Merrill Lynch - Analyst*

Well, I guess what I was -- as we're looking at modeling the back half of 2013, were you -- we should be looking at more significant increases in marketing just because you've got an abnormally low level in the fourth quarter. I guess that's what I was driving at.

Stewart Glendinning - *Molson Coors Brewing Co - President & CEO - Molson Coors UK*

I would say that that is true. In the fourth quarter -- we had an unusually low level in the fourth quarter. But, again, we also had much lower volumes. So, we would naturally take those kinds of steps.

Bryan Spillane - *BofA Merrill Lynch - Analyst*

Right, right. Understood. And then, just a second question, more broadly, we've had a couple of big acquisitions on the tape this morning. And, just in general, given the low financing environment, just seems like it's a market that's pretty conducive to M&A. I know that you're still digesting StarBev, but could you talk more broadly about kind of what your perspective is on M&A? On the environment? Your willingness to look at things today?

Peter Swinburn - *Molson Coors Brewing Co - President, CEO*

Sure. As we said in the, since we did the StarBev acquisition, we're very focused on paying down debt and maintaining our investment grade. So, that really is what we're focused on. If there was some small infills in terms of portfolio fills or whatever, we would be interested and we would look at that. But, if you're talking about major M&A activity, that's not something that's on our agenda in the short-term.

Bryan Spillane - *BofA Merrill Lynch - Analyst*

Okay, great. Thanks, gentlemen.



Operator

(Operator Instructions)

We have no further questions at this time. I turn the call back to the presenters.

Peter Swinburn - *Molson Coors Brewing Co - President, CEO*

Okay. Well, thank you, everybody, for participating. And, look forward to speaking to you again at the end of the next quarter. Thank you.

Operator

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

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