

Molson Coors Sets Up for 2H Recovery Ahead of Cannabis Beverage Launch

Date: 5/23/19



Molson Coors (TAP) with 4,000 July \$62.50 calls being bought late on Thursday for \$0.65 to \$0.75 to open, follows buyers in the October \$62.50 calls and June \$55 short puts recently. TAP has OTM calls in the July \$65 and \$67.50 calls from earlier this year. TAP is coiled just below May value at \$60.20 with the March/April VPOC not far as well. A move higher targets the 200-day MA at \$62 and then out of a multi-week wedge above \$65. TAP has shown both MACD and RSI positive divergence on the weekly. The \$12.86B company trades 12.26X earnings, 1.2X sales, and 13.95X FCF with a 2.76% yield. TAP expects low-single digit EPS growth and revenue growth of 1-2%. TAP is seeing better pricing with better volume trends for Miller Lite and Coors Light in the US. The company continues to execute on a cost savings plan with over \$700M in savings over the last three years and an expected \$450M through 2022.

Date	Description	Volume	Open.Int	Price	%Change	Delta	Impl Vol	Prob.ITM	Premium Paic
5/23/2019	TAP 100 19 JUL 19 62.5 CALL	4,013	1,726	\$0.70	16.67%	0.26	19.31%	23.88%	\$280,910
5/14/2019	TAP 100 18 OCT 19 62.5 CALL	1,000	57	\$1.75	-7.89%	0.33	23.15%	28.29%	\$195,000
5/2/2019	TAP 100 21 JUN 19 55 PUT	1,514	501	\$0.50	-5.66%	-0.17	23.35%	18.83%	\$75,700
4/29/2019	TAP 100 (Weeklys) 3 MAY 19 64 CALL	1,000	113	\$1.58	-1.25%	0.49	56.65%	46.02%	\$165,000
4/26/2019	TAP 100 17 MAY 19 60.5 CALL	1,000	1	\$3.81	40.59%	0	#ERROR!	0.00%	\$381,000
4/26/2019	TAP 100 17 MAY 19 64 CALL	1,000	18	\$1.67	33.60%	0	#ERROR!	0.00%	\$167,000
4/24/2019	TAP 100 18 OCT 19 62.5 PUT	2,000	50	\$4.20	5.00%	-1	--	100.00%	\$840,000
4/12/2019	TAP 100 18 OCT 19 60 CALL	499	5	\$4.20	-7.69%	0.52	24.23%	45.87%	\$209,580
4/11/2019	TAP 100 (Weeklys) 3 MAY 19 60.5 CALL	1,001	5	\$1.85	0.00%	0.5	30.59%	47.20%	\$190,190
3/27/2019	TAP 100 17 MAY 19 60 CALL	422	26	\$2.09	2.45%	0.48	27.16%	43.79%	\$92,840
3/25/2019	TAP 100 19 JUL 19 55 PUT	2,002	313	\$1.57	25.60%	-0.28	24.80%	32.69%	\$320,320
3/5/2019	TAP 100 19 JUL 19 65 CALL	750	286	\$1.80	-5.26%	0.33	23.58%	28.06%	\$138,750
2/28/2019	TAP 100 19 JUL 19 67.5 CALL	1,000	230	\$1.44	25.22%	0.27	22.24%	23.24%	\$145,000

Analysts have an average target for shares of \$70 with 5 buy ratings, 5 hold and 1 sell. BMO with an \$80 PT for shares citing the potential encouraging improvement in US beer trends, return to market share gains, solid performance in Europe, and demonstrated ability to produce at least flat free cash flows even with depressed volumes. Short interest is 3.5% and down from recent highs around 4.2%. Institutional ownership fell 28%.



TAP has inroads into the cannabis market with a deal signed in Canada with Hexo (HEXO). They have a JV to develop non-alcoholic, cannabis-infused beverages. They expect to be in a position to take meaningful share in the beverages market in Canada when it opens in the Fall. Edibles are not yet legal on shelves. TAP CEO Mark Hunter thinks the potential market may be between \$7B and \$10B with beverages around 20% to 30% (or ~\$1.5B).

Trade to Consider: Long the **TAP** October \$62.50 Calls for \$2.15 or Better