

COORS ADOLPH CO
Form DEFA14A
November 02, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

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Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
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Adolph Coors Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Molson Coors Brewing Company

Outlook for MergeCo

Leo Kiely
President & Chief Executive Officer
Adolph Coors Company
[LOGO]

Tim Wolf
Chief Financial Officer
Adolph Coors Company

November 2004

[LOGO]

Forward Looking Statements

This presentation includes forward-looking statements within the meaning of the U.S. federal securities laws. Forward-looking statements are commonly identified by such terms and phrases as would, may, will, expects or expected to and other terms with similar meaning indicating possible future events or actions or potential impact on the businesses or shareholders of Adolph Coors Company and Molson Inc. (separately and together the Companies). Such statements include, but are not limited to, statements about the anticipated benefits, savings and synergies of the merger between Adolph Coors Company and Molson, Inc., including future financial and operating results, Coors' and Molson's plans, objectives, expectations and intentions, the markets for Coors' and Molson's products, the future development of Coors' and Molson's business, and the contingencies and uncertainties to which Coors and Molson may be subject and other statements that are not historical facts. The presentation also includes information that has not been reviewed by the Companies' independent auditors. There is no assurance the transaction contemplated in this presentation will be completed at all, or completed upon the same terms and conditions described. All forward-looking statements in this presentation are expressly qualified by information contained in each company's filings with regulatory authorities. The Companies do not undertake to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

The following factors, among others, could cause actual results to differ materially from those set forth in the forward-looking statements: the ability to obtain required approvals of the merger on the proposed terms and schedule; the failure of Coors and Molson stockholders to approve the merger; the risk that the businesses will not be integrated successfully; the risk that the cost savings and any revenue synergies from the merger may not be fully realized or may take longer to realize than expected; and disruption from the merger making it more difficult to maintain relationships with customers, employees or suppliers. Additional factors that could cause Coors' and Molson's results to differ materially from those described in the forward-looking statements can be found in the periodic reports filed by Coors with the Securities and Exchange Commission and available at the Securities and Exchange Commission's internet site (<http://www.sec.gov>). Neither Coors nor Molson undertakes and each specifically disclaims, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise.

Stockholders are urged to read the joint proxy statement/management information circular regarding the proposed transaction when it becomes available, because it will contain important information. Stockholders will be able to obtain a free copy of the joint proxy statement/management information circular, as well as other filings containing information about Coors, without charge, at the Securities and Exchange Commission's internet site (<http://www.sec.gov>). Copies of the joint proxy statement/prospectus and the filings with the Securities and Exchange Commission that will be incorporated by reference in the joint proxy statement/management information circular can also be obtained, without charge, by directing a request to Adolph Coors Company, 311 10th Street, Golden, Colorado 80401, Attention: Investor Relations, (303) 279-6565. The respective directors and executive officers of Coors and Molson and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed merger. Information regarding Coors' directors and executive officers is available in the 2003 Annual Report on Form 10-K filed with the Securities and Exchange Commission by Coors on March 12, 2004, and information regarding Molson's directors and executive officers will be included in the joint proxy statement/management information circular. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the joint proxy statement/prospectus and other relevant materials to be filed with the Securities and Exchange Commission when they become available.

A Good Deal for Molson & Coors Shareholders

Strong and Stable Platform for Development

Creates Significant Identified Synergies

Secures Coors Light Brand

Most significant growing brand in Molson's portfolio

Significant Revenue Growth Opportunities for MergeCo

Coors Management Team's Strong Track Record

Enhanced Platform in Developed Markets, Balanced Emerging Market Exposure

Strong positions in world's highest margin beer markets

Growth opportunities through underdeveloped regions/brands in mature markets and Brazil

2003 Volume 60M hl

[CHART]

LTM Net Sales US\$6B

[CHART]

LTM EBITDA US\$1B

[CHART]

(1) **Includes Coors America's segment**

(2) **Includes Coors Europe segment**

Strong geographically diversified company

With Leading Positions in Key Markets

Country	Top Brand	Rank	Market Share	All Brands Rank
Canada	[LOGO]	#1	43%	#1
United Kingdom	[LOGO]	#1	21%	#2
United States	[LOGO]	#3	11%	#3
Brazil	[LOGO]	#3	11%	#3

Source: Datamonitor and Brewers of Canada (2003)

Strong brands in some of the world's largest beer markets

Ability to Focus Investments on Highest-Margin Sectors: Canada and UK

[CHART]

Allocation of incremental marketing spend behind growth in high-margin segments, markets and channels

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Coors Americas Leverage: 1997-2001 vs. 2003/04

	5-Year CAGR (97- 01)	2003	2004 YTD(1)
Volume:	2.5%	(1.4)%	(2.2)%
Pricing:	1.9%	1.8%	2.2%
COGS per barrel:	0.9%	0.9%	2.0%
MG&A per barrel:	3.9%	3.8%	6.8%
Pre-tax income:	21.4%	1.0%	3.2%

(1) Excluding the effect of FN46 accounting rule. Reported pretax: +8.4%. 2004 YTD STRs: (0.7%).

Solid Canada and UK Base with Major US Growth Sector and Brazil Option

Canada	United Kingdom	United States	Brazil	International Activities
US\$175M IN SYNERGIES: COST SAVINGS				
Scale benefits	TBD	Close part of cost gap [GRAPHIC]	TBD	TBD
ADDITIONAL SYNERGIES / IN-COUNTRY PRODUCTIVITY: REVENUE LIFT				
Coors Light, Molson Canadian support	On-trade distribution + Regional development spend	Regional development spend	TBD	Development markets + Export seeding spend

Merger addresses growth on two-levels: costs savings and investments to grow revenue

Cost Synergies Drop to Bottom Line

	Expected Savings (US\$M)	% of Pro Forma Cost Base
Brewery Network Optimization	\$ 60	1.1%
Procurement Savings	43	0.8
SG&A	40	0.8
Best In Class Savings	12	0.2
Organizational Design	10	0.2
Other	10	0.2
Total	\$ 175	3.3%

Molson Coors has identified a clear path to substantial synergies

Revenue Growth Opportunities

Canada	Incremental market investment in Canada; unleash Coors Light Support value entry to regain share and drive volume savings
USA	Continue to enhance Coors Light focus/positioning Leverage Molson brands in full US system Expand testing of Marca Bavaria
UK	Incremental market investment; opportunity for Molson Lager
International	Mexico: Strong FEMSA sales and distribution for Coors Light China: Selective investments in world's largest beer market Japan: High-end Zima profitable and growing Export: Coors Light in seed markets; Bavaria in Australia, NZ

Additional synergies = more support for critical brands in key markets

Canada Strategy Focus on Light Beer Dominance

U.S. Market Share(1)

[CHART]

Canadian Market Share(2) 21.4MM HL

[CHART]

Replicate U.S. experience market grew from 30.6% in 1990 to 46.8% of the market in 13 years.

Based on this experience, we believe the Light Beer market in Canada could grow to 25% over the long-term.

Notes: (1) Source: Beer Marketer s INSIGHTS; includes U.S. consumption only
(2) Source: Coors

Canada Strategy Focus on Light Beer Dominance

Strategy

Based on current percentage of Light market (58%), we expect Coors Light could grow from 8.5% (1.82MM HL) of the Canadian market today to 14.5% (3.10MM HL) long-term

Strategy would be to market heavily both Canadian and Coors Light to stabilize Canadian and drive Coors Light share from other domestic brands (principally Labatt Blue) as A-B did with Bud Light and Bud, both of which have dominant U.S. market share of 18.3% and 14.9%, respectively(1)

Volume Increase	EBITDA / HL	Potential EBITDA Generated
1.28MM HL	\$ 50	\$ 64MM

Notes: (1) Source: Beer Marketer s INSIGHTS

U.S. Strategy Cost & Revenue Enhancement

Cost Savings

Plant Efficiencies

Distribution

Packaging and Materials

} **100MM EBITDA over five years**

Revenue Strategy

Improved Sales focus and resources (chains and on-premise)

Refined Marketing strategy

Distribution improvements: consolidation and best practices

Goal is to improve Coors volume by 1-2% over the market (2-3% increase in Coors volume per year)

% Volume Increase	Potential EBITDA Generated	EBITDA over 5 years
2-3%	\$22MM - \$33MM	\$110MM - \$165MM

Potential Financial Upside

[CHART]

\$477MM in EBITDA available for both reinvestment and shareholder return

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Shareholder Return Focused

U.K. Experience

Purchased Carling in 2002 for US\$1.7BN (8.0x 2002 EBITDA)

Improved market share from 18.8% in 2001 to 20.6% LTM

Proven track record of improved market volume and share in a declining U.K. market

EBITDA has improved from US\$207MM in 2001 to US\$232MM in 2003

Coors has demonstrated it can effectively integrate and manage a complex global enterprise

Shareholder value creation of US\$155MM (\$4.14 per Coors share)(1)

Note: (1) Based on current EV / EBITDA multiple of 6.2x and total shares outstanding of 37.4MM

Shareholder Return Focused

Total Shareholder Return 10 Years(1)

[CHART]

EPS Growth (10 Year CAGR)(2)

[CHART]

Total Return Summary 10 Years(1)

[CHART]

Coors Americas Gross Margins

[CHART]

Note: (2) EPS based on fully diluted earnings per share excluding special charges

Cash and Debt Discipline Drives Returns

Cash Flow Growth (10 Year CAGR)(1)

[CHART]

Cash Flow Growth (5 Year CAGR)(1)

[CHART]

Debt Repayments Since 2002 CBL Acquisition

Sources:			
	Operating cash flow	\$	1,214MM
	Asset monetization	\$	104MM
	Other (settlement)	\$	25MM
Uses:			
	Capital spending	\$	(596MM)
	Dividends, option exercise net	\$	(12MM)
	Total 32-month debt repayment	\$	735MM

Note: (1) Cash flow from operations before changes in working capital excluding special charges

Attractive Proposal

Economic ownership favours Molson shareholders

LTM Contribution Analysis (Pre-Synergies)

[CHART]

Attractive Proposal

Molson investors are receiving a premium

LTM EV / EBITDA

[CHART]

LTM Price / Earnings

[CHART]

*Note: (1) Based on exchange ratio of 0.36 Coors share per Molson share
(2) Closing share price as of November 1, 2004*

A Good Deal for Molson & Coors Shareholders

Strong and Stable Platform for Development

Creates Significant Identified Synergies

Secures Coors Light Brand

Most significant growing brand in Molson's portfolio

Significant Revenue Growth Opportunities for MergeCo

Coors Management Team's Strong Track Record

Supplemental Information

Last Twelve Months Pro Forma Income Statement

(US\$M)	Molson	Coors	Pre-synergies	Combined \$175M Synergies
Net sales	1,890	4,146	6,036	6,036
EBIT	365	331	696	871
<i>Margin</i>	<i>19.3%</i>	<i>8.0%</i>	<i>11.5%</i>	<i>14.4%</i>
EBITDA	413	585	998	1,173
<i>Margin</i>	<i>21.8%</i>	<i>14.1%</i>	<i>16.5%</i>	<i>19.4%</i>
Net income	187	174	361	475(1)
Free cash flow*	348	377	725	900

LTM as of June 30, 2004

CAD/USD exchange rate of 1.34

Excludes purchase accounting adjustments

* EBITDA Capex

(1) Synergies taxed at 35%

Margin Expansion, Stronger Cash Flow, Increased Profits

Pro Forma Balance Sheet

(US\$M)	Molson	Coors	Combined
Cash	\$ 10.8	\$ 36.2	\$ 47.1
Total current assets	\$ 367.6	\$ 1,128.5	\$ 1,496.1
PP&E	742.3	1,411.0	2,153.3
Total assets	\$ 2,931.2	\$ 4,532.0	\$ 7,463.1
Total current liabilities	\$ 760.9	\$ 1,175.9	\$ 1,936.8
Total debt	840.6	1,142.1	1,982.7
Minority interests	93.5	29.8	123.2
Shareholders equity	929.7	1,425.4	2,355.1
Total liabilities and shareholders equity	\$ 2,931.2	\$ 4,532.0	\$ 7,463.1

As of June 30, 2004

CAD/USD exchange rate of 1.34

Excludes purchase accounting adjustments

Low leverage provides Molson Coors the financial flexibility to grow

Pro Forma Credit Statistics

Debt to EBITDA

[CHART]

Interest Coverage

[CHART]

LTM as of June 30, 2004; CAD/USD exchange rate of 1.34. Excludes purchase accounting adjustments; Interest coverage = EBITDA / Interest Expense

All-stock merger preserves financial flexibility and strength to grow

In the UK, Consistent Strong Growth

in Both the On-Trade

Owned Brand Market Share - On Trade

[CHART]

On On-Trade (~65% of CBL volume)

25

and the Off-Trade

Owned Brand Market Share - Off-Trade

[CHART]

Off Off-Trade (~35% of CBL volume)