



Constellation Brands



University of Connecticut
Undergraduate Student Managed Fund
2019 Analyst Report

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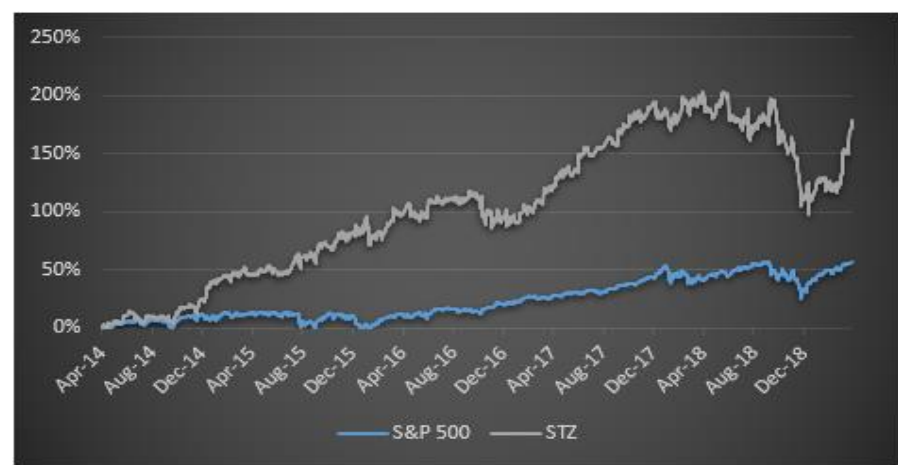
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Analyst Report
 Consumer Staples | Beverages
 24 April 2019

Stock Recommendation: Buy
 Ticker: **STZ (NYSE)**
 Price Target: **USD 242.60**
 Current Price (25-Apr-2019): **USD 210.14**
 Potential Upside/Downside: **+15.0%**

Market Cap (USD mil): **39,686**
 52-Week High: **USD 236.62**
 52-Week Low: **USD 150.37**
 Dividend Yield: **1.69%**
 Beta: **0.74**
 ROE: **34%**
 ROIC: **12%**

5-Year Stock Performance VS S&P 500



Investment Highlights

Strong Brands and Premium Products:

Constellation Brands offers all three alcoholic categories at a premium level in line with industry trends. Additionally, its strong brand loyalty has given them more control over pricing, shelf-space and repurchases. Constellation’s strong brand and premiumization focus has positioned them to sustain profitable growth and build shareholder value.

Overall Operational Efficiency and Strong Management:

Constellation Brands has a strong operational profile led by management with a superior track record in the alcoholic beverage industry. It has translated into high returns on equity and invested capital, as well as a decreasing leverage ratio. They have consistently increased dividends and have engaged in significant share repurchase programs to the benefit of shareholders.

Ability to Innovate and Adapt to Changes in Consumer Preferences:

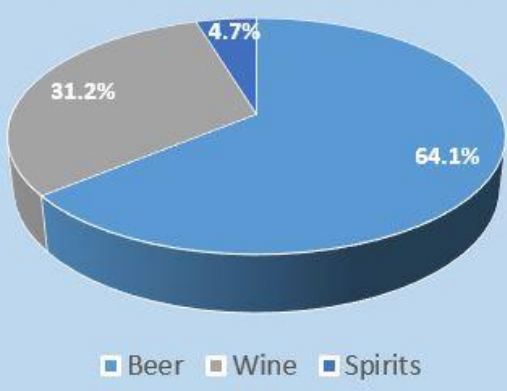
Constellation Brands has capitalized on changes in consumer preferences to drive strong growth in its different segments. They have established new distribution channels and expanded their product lines to grow their premium product offering. They have also positioned themselves favorably in the craft beer and cannabis markets through investments and inorganic growth.

Business Description

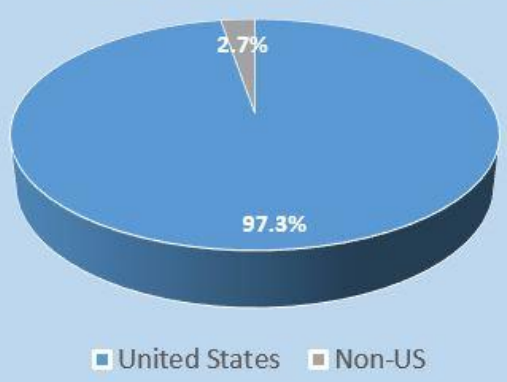
Constellation Brands is an international producer and marketer of beer, wine, and spirits. In the U.S., they are the number one multi-category supplier and high-end beer company. Additionally, they are the leading premium wine company in the world with dominant imported New Zealand and Italian wine positions in the U.S. The company has over 80 premium consumer brands with some notable names including: Corona, Modelo, and SVEDKA. Constellation Brands is based in Victor, NY and has 40 facilities across the United States, Mexico, New Zealand, Italy, and Canada. The United States represents the vast majority of its sales at 96.6%, with international sales only totaling 3.4% of revenue.

Figure 1

Revenue Breakdown by Segment



Revenue Breakdown by Geography



Industry Overview

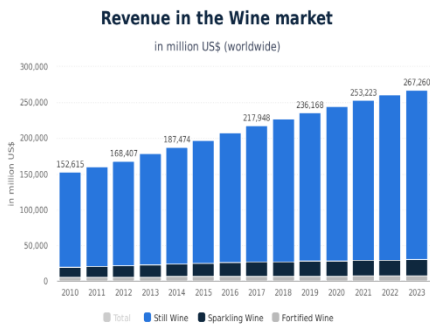
Figure 3 – Beer Volume by Market

Volume CAGR	10 Year (2007-2017)	5 Year (2012-2017)	3 Year (2014-2017)
Total Beer	0%	0%	0%
All Other Beer	-3%	-4%	-3%
High-End Beer	+5%	+6%	+5%
Craft Beer	+11%	+12%	+9%

Beer

The beer industry is mature, but several segments have demonstrated significant growth potential. Overall global consumption of beer accounted for \$420.9 billion in sales in 2018, and is projected to grow at an annual rate of 3.4% through 2023. Within the United States, demand for imported Mexican beer in particular is anticipated to rise as the age demographic for Hispanics is projected to have a CAGR of ~3% until 2025. Additionally, this industry is experiencing shifts towards premium and craft beer, with higher growth and margins.

Figure 4

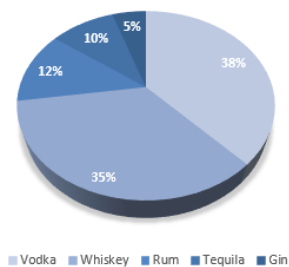


Wine

The wine industry as a whole is mature, with high levels of penetration and fragmentation. Global sales in 2018 exceeded \$227 billion, with the United States representing the largest percentage of revenue (Figure 4). Growth in both exports and imports is projected to occur, and the industry as a whole is estimated to increase at a CAGR of 3.1% over the next five years. However, operating margins for wine have been decreasing and are projected to fall to 10.9% in 2023. As a result, there has been a significant divergence between premium and non-premium wines, as companies seek higher margins. Consolidation of the non-premium wine brands will likely continue, as was illustrated in the recent \$1.7 billion sale of several wine brands between two of this segment's largest players, E. & J. Gallo Winery and Constellation Brands.

Figure 5

US Spirits Sales Volume by Category



Spirits

The Spirits industry accounted for \$395.4 billion in sales in 2018, representing an increase of 3.2% over the previous year. This segment includes whisky, vodka, rum, gin, brandy, as well as liqueurs and other spirits. It is projected to increase at a rate of 3.4% through 2023, slightly outpacing consumer spending and inflation. Margins for spirits beverages vary by the quality of drink, but in aggregate lag their beer counterparts. Constellation Brands, through its SVEDKA brand and spirits portfolio has maintained stable growth and high margins compared to the overall industry.

Competitive Analysis

Constellation Brand competes across all of its business segments with Brown-Forman and Diageo, mainly within the United States. In the beer business segment, its major competitors are Molson Coors Brewing Co, Anheuser-Busch InBev, and Heineken Holdings. Constellation Brands distinguishes itself from these competitors by offering higher-quality products that are associated with strong brands such as Corona and Modelo. They have also shown a higher level of adaptability towards consumer preferences through investments or acquisitions in higher-growth beverage areas such as craft breweries (Funky Buddha) or the legal cannabis market (Canopy Growth investment). Their diverse array of premium beverages allows them to deploy capital in an efficient manner and outpace competition.





Strong Brands and Premium Products

Constellation Brands has a powerful portfolio of high-margin premium brands that are very recognizable, reflect high amounts of consumer loyalty, and are positioned within segments of industry-leading growth. Their strong brand loyalty, emphasized through excellent promotional and advertising departments, attributes to their significant control over pricing, shelf space, and supply chain management which has allowed them to sustain margin growth.

Constellation Brands’ operating margin has grown at a 19% compounded annual growth rate over the past five years. This continuous margin expansion reflects STZ’s strong brand loyalty. Leading Constellation Brands’ profitability is their beer business segment. In 2018, their beer segment accounted for 61.5% of total revenue and 77.6% of their operating profit. Their Corona and Modelo line of products drive brand recognition, and were the top share-gainers in the US beer industry for Q4 2019. Shipment volume of these brand families hit milestone marks in the fourth quarter at 150 and 125 million cases.

Additionally, there has been a favorable shift in the hispanic demographic to the United States in recent years. In 2017, this population totaled 37 million and has grown at a compound annual rate of 3% -- and is projected to total upwards of 46 million people by 2025. This demographic has demonstrated continuous loyalty to Constellation Brands’ products, with industry-leading levels of affinity for the Corona Extra, Modelo Especial, and Corona Light.

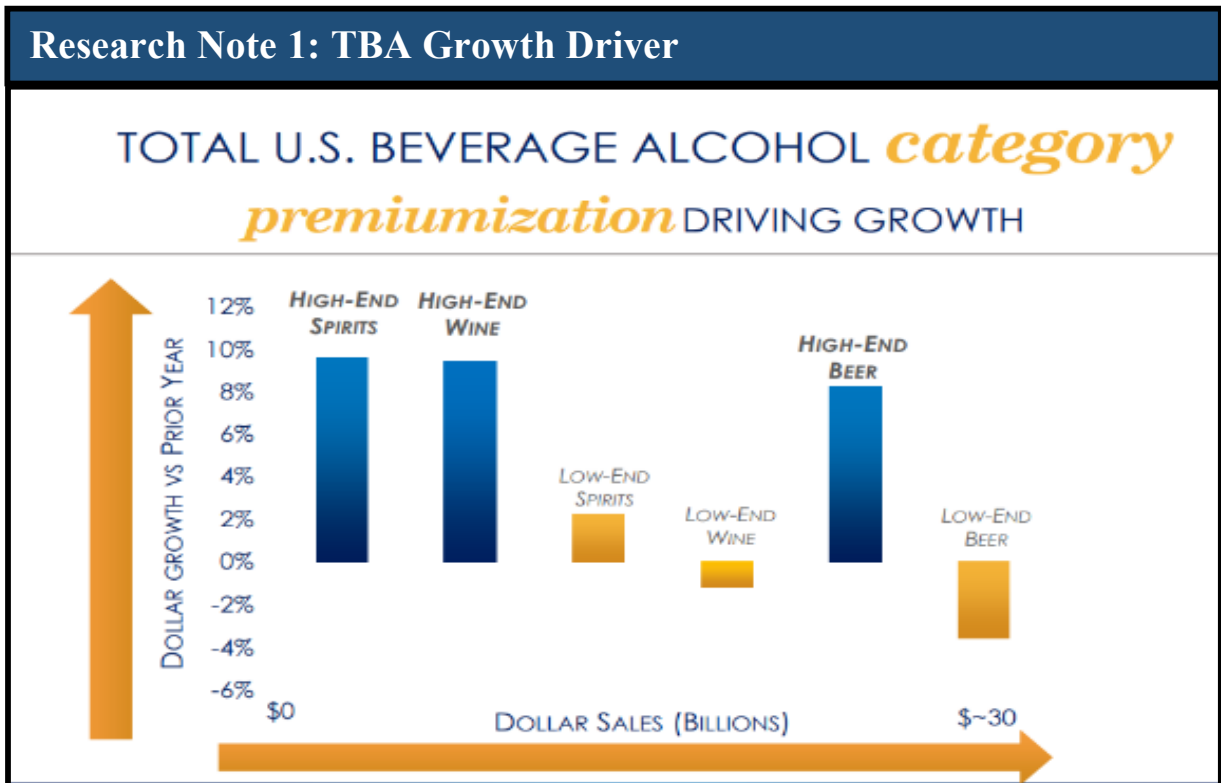


Figure 6

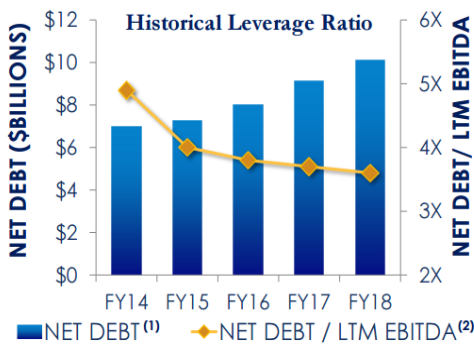
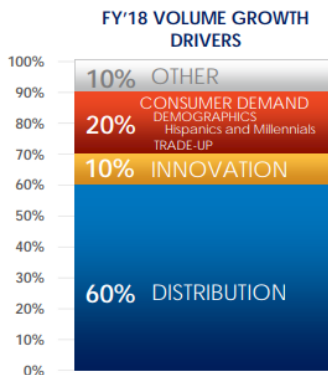


Figure 7 – Operating Statistics

Company	ROE	ROIC	Operating Profit Margin	Sales Growth (5yr CAGR)
Constellation Brands Inc	34%	12%	34%	9%
Comparables Mean	24%	11%	25%	5%
Molson Coors Brewing Co	12%	7%	24%	21%
Brown-Forman	53%	20%	34%	2%
Anheuser-Buch InBev	11%	7%	39%	5%
Heineken Holding	15%	8%	14%	-1%
Diageo	30%	13%	14%	0%

Figure 8 – Beer Growth Drivers



Operational Efficiency

Guided by strong management, Constellation Brands has demonstrated an exceptionally high level of operational efficiency, both on a standalone and comparative basis. Prior to March of 2019, Rob Sands served as the CEO since 2007, earning the title of Beverage Industry Magazine’s Executive of the year in 2017. He recently delegated the responsibility to Bill Newlands, who was the previous Chief Operating Officer and held previous positions as Chief Growth Officer and Head of Wine and Spirits.

Under Sands and Newman, Constellation Brands has achieved operating margins far higher than its competitors, as well as near double-digit sales growth over the past five years in a mature industry. They demonstrated excellent capital allocation, with returns on equity and capital of 34% and 12% in 2018, respectively (Figure 7). Constellation Brands also has shown a commitment towards maintaining a 3.5x historical leverage ratio, while still increasing dividends by 24% over the past four years and repurchasing \$3 billion in common stock. This operational excellence and strong financial position will continue to provide value to shareholders in the long-run.

Ability to Innovate and Adapt to Consumer Tastes

Constellation Brands has a strong focus on understanding their consumers, and with an innovative approach they are able to adapt to changes in preferences while subsequently being at the forefront of industry trends. From well-being to convenience, Constellation Brands has positioned their products to cover and appeal to virtually every lifestyle their consumers may choose.

Constellation Brands has been able to gain share and further penetrate the alcoholic beverage market through extending its brand families and distribution channels. In particular, Constellation Brands has extended its Corona family by introducing Corona Premier and Familiar. Corona Premier is meant to appeal to the shift to healthier lower calorie and carbohydrate beverages. Additionally, Constellation Brands has been expanding distribution channels towards cans, different sizing, incremental packages and on-premise opportunities. Distribution accounts for 60% of their beer segment’s volume growth, emphasizing the importance of innovation and adaptation to changing environments -- further allowing them to continue to gain market share (Figure 8).

Further, Constellation Brands has positioned themselves favorably in the growing High-End, Craft Beer and Cannabis Markets through inorganic growth. These strategic acquisitions include the breweries Funky Buddha and Four Corner Brewing Co., as well as Canopy Growth Corporation in the ever-expanding cannabis industry (Research Note 1). They also stand to benefit from the increase in depletion volume of malt-flavored alcoholic beverages, with the Corona Refresca scheduled to release nationwide in the first quarter of fiscal year 2020.

Research Note 2: Canopy Growth Investment

Description

- 38% stake in Canopy Growth Corporation (CGC) for transaction total of \$4 billion
- Additional warrants for option of 50% ownership
- Constellation Brands can nominate 4 out of 7 board members of CGC

Cannabis Market

- CGC has the largest licensed cannabis domestic production capacity in Canada with a 35% market share
- Strong foothold in medical and recreational cannabis industry with 30+ patents

Future Opportunities

- 2+ Year R&D program in partnership with STZ to create cannabis-infused drinks
- First-mover advantage in US market with acquisition of US-based Acreage Holdings
- Combined leisure portfolio of beer, wine, spirits, and cannabis

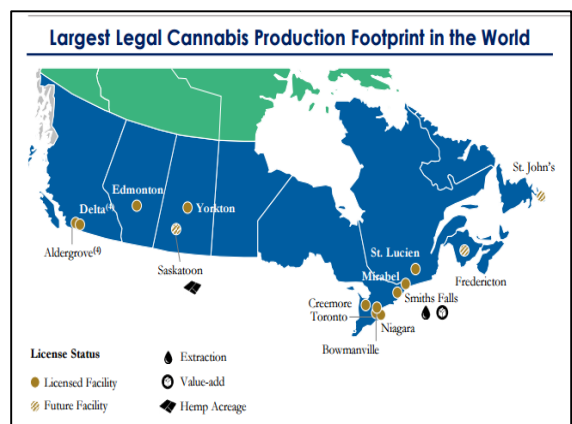
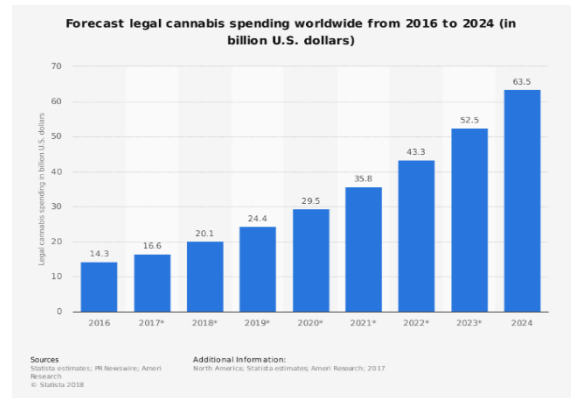


Figure 9 – Corona Inputs



Figure 10 –Barley Production



Risks to Investment Thesis

Exchange Rate and Commodity Risk

Constellation Brands is subject to fluctuations in foreign currencies, primarily the Mexican Peso, Euro, New Zealand Dollar, and Canadian Dollar. Adverse fluctuations in these currencies could impact expenses and ultimately net income. Constellation Brands is also exposed to commodity risks, most notably its input goods of barley, hops, glass, aluminum, natural gas, and diesel fuel prices. Both of these risks are partially mitigated through the use of hedging instruments.

Trade Risk

A large amount of Constellation Brands' production and input products stem from Mexico, and changes in trade negotiations could negatively impact their bottom line. The United States-Mexico-Canada Agreement (USMCA) did not appear to have significant negative implications for the total beverage alcohol industry, but an adverse change in legislature could threaten Constellation Brands' operations.

Figure 11 – Wine Growth

IRI \$ Sales ⁽²⁾	5Y Growth	Market Growth
>\$11*	+10%	+9%
<\$11	-4%	-1%
Total Wine	+2%	+3%

Figure 12

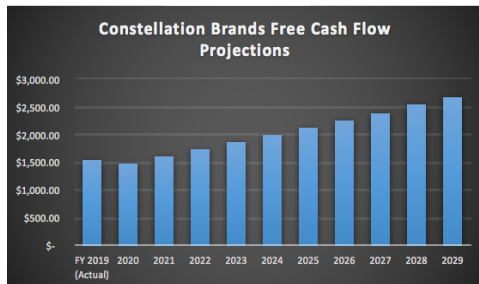


Figure 13

Intrinsic Value Calculation	
Discount Rate:	7.09%
Effective Tax rate:	17.00%
Terminal Growth Rate:	3.50%
Terminal Value	\$ 76,703.70
Discounted TV	\$ 38,665.81
Sum PV CFs	\$ 15,473.85
Enterprise Value	\$ 54,139.66
Less: Total Debt	\$ 13,616.50
Less: Preferred Stock	\$ -
Plus: Cash and ST Equiv.	\$ 93.60
Intrinsic Value:	\$ 40,616.76
Canopy Stake Value	\$ 3,876.00
Shares Outstanding (mil):	190.57
Intrinsic Share Price Value:	\$ 233.47
Current Price:	\$ 210.14
Margin of Safety:	11%

Figure 14 – Comparables Analysis

Multiples (Equal Weighting)	Price
EV/Sales	\$ 172.17
EV/EBITDA	\$ 195.72
EV/TA	\$ 305.20
P/E	\$ 482.56
P/BV	\$ 239.94
Intrinsic Value	\$279.12
Margin of Safety:	38%

Growth and Margin Risks

The compression of margins in the wine and spirits segment has led to Constellation Brands selling several of its low-end brands, and could further adversely affect them if they do not restructure their portfolio (Figure 11). Additionally, a slowdown in beer growth in the premium segment amongst the hispanic demographic could disrupt Constellation Brands' competitive advantage in the industry and overall top line.

Valuation: Target Price \$242.60

Discounted Cash Flow Model

Constellation Brands is worth approximately \$233.47 according to our discounted cash flow model, representing a margin of safety of 11% above the current price of \$210. In the calculation of the cash flows, the change in net working capital was averaged over a five year historical period, reflecting a rather consistent percentage of sales. Further, the change in investments and other assets did not include the 2018 investment in Canopy Growth Corporation, as this was a one-time item. This investment was instead reflected in the total equity value of Constellation Brands, and was calculated by multiplying Constellation Brand's 38% ownership by the average market capitalization of Canopy Growth over the past year. The projected cash flows are represented in Figure 12 with the decrease in the next fiscal year reflecting the sale of 34 of Constellation Brands' wine and spirits brands.

For this valuation method, we assumed a terminal growth rate of 3.5%, reflecting strong United States GDP growth over the long term, and the growth in premium beer segments. The cash flows were discounted at a rate of 7.09%, representing their weighted average cost of capital, with an assumed risk-free rate of 3%. Using a sensitivity analysis, the intrinsic value of Constellation Brands ranges from \$188-\$303 (Appendix B).

Relative Valuation Model

Constellation Brand's main competitors and comparable companies are Molson Coors Brewing Co., Brown-Forman, Anheuser-Busch InBev, Heineken Holdings, and Diageo. It competes against these companies in primarily the beer segment, but several of them also have significant exposure to the TBA industry as a whole. Using three enterprise value multiples (EV/Sales, EV/EBITDA, EV/Total Assets), and two price multiples (Price/Book, Price/Earnings), we calculated the intrinsic value of Constellation Brands to be \$279.12 (Figure 14). Constellation Brands was undervalued on the basis of EV/TA, Price/Book, and largely undervalued on its P/E ratio.

Conclusion

DCF	Multiples	Target Price
<ul style="list-style-type: none">•Price: \$233.47•Weight: 80%	<ul style="list-style-type: none">•Price: \$279.77•Weight: 20%	<ul style="list-style-type: none">•\$242.60

Constellation Brands stands to continue to deliver exceptional long-term value to shareholders. Through its strong brands and premium products, it has the ability to retain customers, control pricing, and capitalize on demographics to grow revenues. Its strong management under Robert Sands and Bill Newman have produced returns on equity and capital far above the industry average, while maintaining operating margins over 30%. Looking forward, Constellation Brands continues to innovate and adapt to changes in consumer preferences through its investments in cannabis via Canopy growth, inorganic growth in the craft beer segment, and entrance into the malt alcoholic-beverage market. With these theses in mind, we would recommend a Buy rating for Constellation Brands' stock, with a target price of \$242.60 on the basis of a discounted cash flow and comparables analysis.

Appendix

Appendix A: Discounted Cash Flow Valuation

In Millions of USD except P/S	FY 2019 (Actual)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenue	\$ 8,116.00	\$ 7,710.20	\$ 8,165.10	\$ 8,638.68	\$ 9,131.08	\$ 9,624.16	\$ 10,114.99	\$ 10,590.40	\$ 11,045.78	\$ 11,476.57	\$ 11,878.25
Revenue Growth		-5.0%	5.9%	5.8%	5.7%	5.4%	5.1%	4.7%	4.3%	3.9%	3.5%
- Cost of Revenue	\$ 4,035.70	\$ 3,814.75	\$ 4,019.62	\$ 4,231.49	\$ 4,450.32	\$ 4,667.19	\$ 4,880.69	\$ 5,084.53	\$ 5,276.65	\$ 5,455.02	\$ 5,617.72
% of sales	50%	49%	49%	49%	49%	48%	48%	48%	48%	48%	47%
Gross Profit	\$ 4,080.30	\$ 3,895.45	\$ 4,145.49	\$ 4,407.19	\$ 4,680.76	\$ 4,956.97	\$ 5,234.31	\$ 5,505.87	\$ 5,769.14	\$ 6,021.55	\$ 6,260.53
Gross Margin	50%	51%	51%	51%	51%	52%	52%	52%	52%	52%	53%
- Sales, General, & Admin	\$ 1,668.10	\$ 1,576.77	\$ 1,661.45	\$ 1,749.03	\$ 1,839.48	\$ 1,929.12	\$ 2,017.36	\$ 2,101.62	\$ 2,181.03	\$ 2,254.76	\$ 2,322.01
% of sales	21%	20.5%	20.3%	20.2%	20.1%	20.0%	19.9%	19.8%	19.7%	19.6%	19.5%
Operating Income (EBIT)	\$ 2,412.20	\$ 2,318.68	\$ 2,484.03	\$ 2,658.16	\$ 2,841.28	\$ 3,027.86	\$ 3,216.94	\$ 3,404.25	\$ 3,588.11	\$ 3,766.79	\$ 3,938.52
EBIT Margin	30%	30%	30%	31%	31%	31%	32%	32%	32%	33%	33%
- Income Tax Expense	\$ 685.90	\$ 651.61	\$ 690.05	\$ 730.07	\$ 771.69	\$ 813.36	\$ 854.84	\$ 895.02	\$ 933.50	\$ 969.91	\$ 1,003.86
+ Change in deferred tax	\$ 380.90	\$ 361.86	\$ 383.20	\$ 405.43	\$ 428.54	\$ 451.68	\$ 474.72	\$ 497.03	\$ 518.40	\$ 538.62	\$ 557.47
NOPLAT	\$ 2,107.20	\$ 2,028.93	\$ 2,177.19	\$ 2,333.52	\$ 2,498.14	\$ 2,666.18	\$ 2,836.82	\$ 3,006.26	\$ 3,173.01	\$ 3,335.50	\$ 3,492.14
+ Depreciation and Ammortization	\$ 447.10	\$ 424.75	\$ 449.80	\$ 475.89	\$ 503.02	\$ 530.18	\$ 557.22	\$ 583.41	\$ 608.50	\$ 632.23	\$ 654.36
- Capital Expenditures	\$ 886.30	\$ 841.99	\$ 891.66	\$ 943.38	\$ 997.15	\$ 1,051.00	\$ 1,104.60	\$ 1,156.51	\$ 1,206.24	\$ 1,253.29	\$ 1,297.15
- Change in Net Working Capital	\$ 100.70	\$ 95.67	\$ 101.31	\$ 107.19	\$ 113.29	\$ 119.41	\$ 125.50	\$ 131.40	\$ 137.05	\$ 142.40	\$ 147.38
- Change in Investments & Other	\$ 28.30	\$ 26.89	\$ 28.47	\$ 30.12	\$ 31.84	\$ 33.56	\$ 35.27	\$ 36.93	\$ 38.52	\$ 40.02	\$ 41.42
Free Cash Flow	\$ 1,539.00	\$ 1,489.14	\$ 1,605.55	\$ 1,728.73	\$ 1,858.87	\$ 1,992.40	\$ 2,128.67	\$ 2,264.83	\$ 2,399.69	\$ 2,532.02	\$ 2,660.54
PV CF	\$ 1,539.00	\$ 1,390.55	\$ 1,399.99	\$ 1,407.60	\$ 1,413.36	\$ 1,414.59	\$ 1,411.29	\$ 1,402.15	\$ 1,387.28	\$ 1,366.87	\$ 1,341.16

Appendix B: Sensitivity Analysis

Sensitivity Analysis of Implied Share Price						
		6.7%	6.9%	7.1%	7.3%	7.5%
Growth Rate	3.1%	\$ 241.09	\$ 225.65	\$ 211.76	\$ 199.20	\$ 187.79
	3.3%	\$ 253.82	\$ 236.85	\$ 221.67	\$ 208.02	\$ 195.67
	3.5%	\$ 268.14	\$ 249.36	\$ 232.68	\$ 217.76	\$ 204.34
	3.7%	\$ 284.36	\$ 263.44	\$ 244.99	\$ 228.59	\$ 213.92
	3.9%	\$ 302.90	\$ 279.39	\$ 258.83	\$ 240.69	\$ 224.57

Appendix C: WACC Calculation

Weighted Average Cost of Capital	
Cost of Equity:	
Risk Free Rate:	3.00%
Market Risk Premium:	7.0%
Beta:	0.74
Cost of Equity:	8.2%
Cost of Debt:	
FY 2019 Interest Expense (mil):	\$ 332.00
FY 2019 Total Debt (mil):	\$ 10,186
Cost of Debt:	3.26%
Equity Amount (mil)	\$ 40,172
Debt Amount (mil)	\$ 10,186.00
Weight of Debt	20%
Weight of Equity	80%
Tax Rate	17.0%
WACC	7.09%

Appendix D: Relative Valuation

Name	Ticker	Multiples					Statistics			
		EV/Sales	EV/EBITDA	EV/TA	P/E	P/BV	Beta	Average Growth	Debt (Millions)	
Constellation Brands, Inc	STZ	6.9	19.6	2.6	17.5	5.0	0.7	23%	\$ 10,186.70	
Molson Coors Brewing Co	TAP	2.0	8.6	0.7	9.7	1.0	1.1	10%	\$ 11,313.50	
Brown-Forman	BF/B	8.4	24.8	5.5	35.3	19.2	0.7	6%	\$ 2,556.00	
Anheuser-Buch InBev	ABI	4.5	12.0	1.0	19.8	2.0	0.9	5%	\$ 116,499.00	
Heineken Holding	HEINY	3.3	14.7	1.8	31.9	4.2	0.8	5%	\$ 15,456.00	
Diageo	DGEAF	8.8	25.7	3.6	32.6	8.4	0.6	4%	\$ 9,902.00	
MEAN		5.7	17.6	2.5	24.5	6.6	0.8	0.1	\$ 27,652.20	
MEDIAN		5.7	17.2	2.2	25.8	4.6	0.7	0.1	\$ 10,750.10	
STZ from the mean		22%	12%	1%	-29%	-24%	-20%	163%	-63%	
STZ from the median		-65%	-50%	-67%	-62%	-78%	54%	74%	5%	

Appendix E: Constellation Brands Corporate Social Responsibility

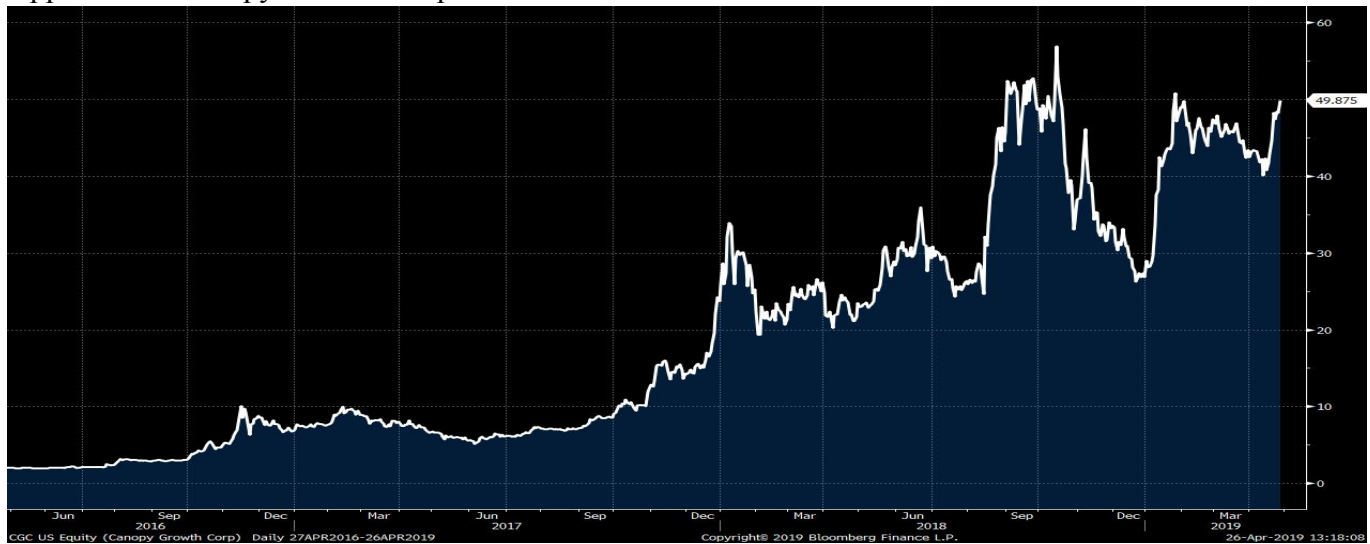
ESG Disclosure Score: 25.62
(Industry Average: 22.73)

Percent Women on Board: 18.18%
(Industry Average: 23.38%)

ISS Governance Quickscore: 10
(Industry Average: 9)



Appendix F: Canopy Growth Corporation Stock Chart



Appendix G: Constellation Brands Income Statement (GAAP)

In Millions of USD except Per Share 12 Months Ending	FY 2010 02/28/2010	FY 2011 02/28/2011	FY 2012 02/29/2012	FY 2013 02/28/2013	FY 2014 02/28/2014	FY 2015 02/28/2015	FY 2016 02/29/2016	FY 2017 02/28/2017	FY 2018 02/28/2018	FY 2019 02/28/2019
Revenue	3,364.8	3,332.0	2,654.3	2,796.1	4,867.7	6,028.0	6,548.4	7,331.5	7,580.3	8,116.0
+ Sales & Services Revenue	3,364.8	3,332.0	2,654.3	2,796.1	4,867.7	6,028.0	6,548.4	7,331.5	7,580.3	8,116.0
- Cost of Revenue	2,220.0	2,141.9	1,592.2	1,687.8	2,876.0	3,449.4	3,606.1	3,802.1	3,767.8	4,035.7
+ Cost of Goods & Services	2,220.0	2,141.9	1,592.2	1,687.8	2,876.0	3,449.4	3,606.1	3,802.1	3,767.8	4,035.7
Gross Profit	1,144.8	1,190.1	1,062.1	1,108.3	1,991.7	2,578.6	2,942.3	3,529.4	3,812.5	4,080.3
+ Other Operating Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Operating Expenses	833.3	687.6	575.6	585.4	-446.0	1,078.4	1,177.2	1,130.0	1,532.7	1,668.1
+ Selling, General & Admin	682.3	640.9	521.5	585.4	895.1	1,078.4	1,177.2	1,392.4	1,532.7	1,668.1
+ Research & Development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Operating Expense	151.0	46.7	54.1	0.0	-1,341.1	0.0	0.0	-262.4	0.0	0.0
Operating Income (Loss)	311.5	502.5	486.5	522.9	2,437.7	1,500.2	1,765.1	2,399.4	2,279.8	2,412.2
- Non-Operating (Income) Loss	52.2	-48.5	-47.5	6.5	235.4	320.6	263.9	306.0	-58.2	-1,732.8
+ Interest Expense, Net	265.1	195.3	181.0	227.1	323.2	337.7	313.9	333.3	332.0	367.1
+ Interest Expense	275.5	198.8	187.6	233.9	330.9	339.1	314.7	335.1	334.3	379.1
- Interest Income	10.4	3.5	6.6	6.8	7.7	1.4	0.8	1.8	2.3	12.0
+ Foreign Exch (Gain) Loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ (Income) Loss from Affiliates	-213.6	-243.8	-228.5	-233.1	-87.8	-21.5	-51.1	-27.3	-487.2	-2,101.6
+ Other Non-Op (Income) Loss	0.7	0.0	0.0	12.5	0.0	4.4	1.1	0.0	97.0	1.7
Pretax Income	259.3	551.0	534.0	516.4	2,202.3	1,179.6	1,501.2	2,093.4	2,338.0	4,145.0
- Income Tax Expense (Benefit)	160.0	-8.5	89.0	128.6	259.2	343.4	440.6	554.2	22.7	685.9
+ Current Income Tax	190.6	-79.4	41.0	89.4	217.6	264.1	189.6	425.5	439.9	259.0
+ Deferred Income Tax	-30.6	70.9	48.0	39.2	41.6	79.3	251.0	128.7	-417.2	426.9
+ Tax Allowance/Credit	—	—	—	—	—	0.0	—	—	—	—
Income (Loss) from Cont Ops	99.3	559.5	445.0	387.8	1,943.1	836.2	1,060.6	1,539.2	2,315.3	3,459.1
- Net Extraordinary Losses (Gains)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ XO & Accounting Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income (Loss) Incl. MI	99.3	559.5	445.0	387.8	1,943.1	836.2	1,060.6	1,539.2	2,315.3	3,459.1
- Minority Interest	0.0	0.0	0.0	0.0	0.0	-3.1	5.7	4.1	11.9	23.2
Net Income, GAAP	99.3	559.5	445.0	387.8	1,943.1	839.3	1,054.9	1,535.1	2,303.4	3,435.9
- Preferred Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Other Adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income Avail to Common, GAAP	99.3	559.5	445.0	387.8	1,943.1	839.3	1,054.9	1,535.1	2,303.4	3,435.9

Appendix H: Constellation Brands Balance Sheet

In Millions of USD except Per Share	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
12 Months Ending	02/28/2007	02/29/2008	02/28/2009	02/28/2010	02/28/2011	02/29/2012	02/28/2013	02/28/2014	02/28/2015	02/29/2016	02/28/2017	02/28/2018	02/28/2019
Cash and Equivalents	33.5	20.5	13.1	43.5	9.2	85.8	331.5	63.9	110.1	83.1	177.4	90.3	93.6
Accounts Receivable - Trade	881.0	731.6	524.6	514.7	417.4	437.6	471.9	626.2	598.9	732.5	737.0	776.2	846.9
Inventories	1,948.1	2,179.5	1,828.7	1,879.9	1,369.3	1,374.5	1,480.9	1,743.8	1,827.2	1,851.6	1,955.1	2,084.0	2,130.4
Prepaid Expenses and Other	160.7	267.4	168.1	151.0	287.1	136.4	186.9	313.3	374.6	310.4	360.5	523.5	613.1
Total Current Assets	3,023.3	3,199.0	2,534.5	2,589.1	2,083.0	2,034.3	2,471.2	2,747.2	2,910.8	2,977.6	3,230.0	3,474.0	3,684.0
Property Plant & Equipment - Net	1,750.2	2,035.0	1,547.5	1,567.2	1,219.6	1,255.8	1,229.0	2,014.3	2,681.6	3,333.4	3,932.8	4,789.7	5,267.3
Other Intangible Assets	1,135.4	1,190.0	1,000.6	925.0	886.3	866.4	871.4	3,231.1	3,181.0	3,403.8	3,377.7	3,304.8	3,198.1
Investment In Affiliates/Joint Ventures	—	—	—	—	—	—	—	—	—	—	—	121.5	3,465.6
Goodwill	3,083.9	3,123.9	2,615.0	2,570.6	2,619.8	2,632.9	2,722.3	6,146.8	6,208.2	7,138.6	7,920.5	8,083.1	8,088.8
Other Noncurrent Assets	445.4	504.9	338.9	442.4	358.9	320.5	344.2	162.7	111.4	111.6	141.4	765.6	3,344.4
Deferred Costs	—	—	—	—	—	—	—	—	—	—	—	0.0	2,183.3
Total Assets	9,438.2	10,052.8	8,036.5	8,094.3	7,167.6	7,109.9	7,638.1	14,302.1	15,093.0	16,965.0	18,602.4	20,538.7	29,231.5
Accounts Payable - Trade	376.1	349.4	288.7	268.8	129.2	130.5	209.0	295.2	285.8	429.3	559.8	592.2	616.7
Current Portion of Long-Term Debt	317.3	229.3	235.2	187.2	15.9	330.2	27.6	590.0	158.1	856.7	910.9	22.3	1,065.2
Notes Payable (Short-Term)	153.3	379.5	227.3	371.2	83.7	377.9	0.0	57.2	52.4	408.3	606.5	746.8	791.5
Accrued Expenses and Other	670.7	—	517.6	501.6	419.9	336.2	422.4	1,055.6	605.7	544.4	620.4	678.3	690.4
Income Taxes Accrued/Payable	—	62.4	57.6	43.8	14.2	24.8	18.9	27.7	28.7	33.6	—	—	—
Accrued Expenses	73.7	697.7	—	—	—	—	—	—	—	—	—	—	—
Total Current Liabilities	1,591.1	1,718.3	1,326.4	1,372.6	662.9	1,199.6	677.9	2,025.7	1,130.7	2,272.3	2,697.6	2,039.6	3,163.8
Long Term Debt	3,714.9	4,648.7	3,971.1	3,277.1	3,136.7	2,421.4	3,277.8	6,373.3	7,086.0	6,816.2	7,720.7	9,417.6	11,759.8
Deferred Income Taxes (Liabilities)	474.1	535.8	543.6	536.2	583.1	608.7	599.6	762.6	818.9	1,022.2	1,133.6	1,089.8	1,470.7
Other Noncurrent Liabilities	240.6	384.1	287.1	332.1	233.0	204.2	222.5	159.2	176.1	162.5	165.7	—	—
Total Liabilities	—	—	—	—	—	—	—	9,320.8	9,211.7	10,273.2	11,717.6	12,547.0	16,394.3
Preferred Stock	—	—	—	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority/Non Controlling Int (Stckhldrs Eqty)	—	—	—	—	—	—	—	—	110.6	132.2	-6.4	16.6	286.2
Common Stock	2.5	2.5	2.5	2.6	2.6	2.6	2.7	2.8	2.8	2.9	2.9	2.9	2.2
Additional Paid In Capital	1,271.1	1,344.0	1,426.3	1,493.2	1,602.4	1,691.4	1,907.1	2,116.6	2,269.8	2,589.0	2,755.8	2,825.3	1,410.8
Treasury Stock (Amount)	-124.5	-622.6	-618.2	-609.5	-904.2	-1,299.0	-1,676.7	-1,662.3	-1,648.5	-1,670.3	-2,777.7	-3,807.4	-2,784.3
Accumulated Other Comprehensive Income	349.1	736.0	94.2	587.2	188.8	173.7	132.1	86.0	-130.9	-452.5	-399.8	-202.9	-353.9
Retained Earnings (Accumulated Deficit)	1,919.3	1,306.0	1,003.5	1,102.8	1,662.3	2,107.3	2,495.1	4,438.2	5,277.5	6,090.5	7,310.0	9,157.2	14,276.2
Par Value	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Treasury Shares (Number)	13.1	34.0	33.2	31.6	47.7	68.0	85.8	85.2	84.7	84.5	91.3	95.7	23.9
Shares Issued	247.9	250.1	252.3	253.8	258.9	262.3	270.6	276.7	279.2	283.9	285.9	287.1	215.2
Total Shareholders Equity	3,417.5	2,765.9	1,908.3	2,576.3	2,551.9	2,676.0	2,860.3	4,981.3	5,881.3	6,691.8	6,884.8	7,991.7	12,837.2
Preferred Stock Liquidation Preference	—	—	—	—	—	—	—	—	—	—	—	—	—
Shares Authorized	330.0	360.0	345.0	352.0	377.0	377.0	377.0	377.0	377.0	377.0	377.0	377.0	377.0
Total Shareholders Equity Excluding Minority	—	—	—	—	—	—	—	—	5,770.7	6,559.6	6,891.2	7,975.1	12,551.0
Deferred Compensation (Stockholders Equity)	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Liabilities and Shareholders Equity	9,438.2	10,052.8	8,036.5	8,094.3	7,167.6	7,109.9	7,638.1	14,302.1	15,093.0	16,965.0	18,602.4	20,538.7	29,231.5

Appendix I: Constellation Brands Statement of Cash Flows

In Millions of USD except Per Share 12 Months Ending	FY 2008 02/29/2008	FY 2009 02/28/2009	FY 2010 02/28/2010	FY 2011 02/28/2011	FY 2012 02/29/2012	FY 2013 02/28/2013	FY 2014 02/28/2014	FY 2015 02/28/2015	FY 2016 02/29/2016	FY 2017 02/28/2017	FY 2018 02/28/2018	FY 2019 02/28/2019
Cash from Operating Activities												
+ Net Income	-613.3	-301.4	99.3	559.5	445.0	387.8	1,943.1	839.3	1,054.9	1,535.1	2,303.4	3,435.9
+ Depreciation & Amortization	165.9	157.0	155.9	133.8	103.8	115.4	155.3	202.0	221.0	293.9	386.5	447.1
+ Non-Cash Items	970.1	750.3	203.2	87.0	133.7	120.8	-1,270.7	181.8	298.6	-99.1	-435.1	-1,399.2
+ Stock-Based Compensation	—	46.1	56.3	46.0	47.6	40.8	49.9	55.0	54.0	56.1	60.9	64.1
+ Deferred Income Taxes	98.0	2.3	-30.6	70.9	48.0	39.2	41.6	79.3	251.0	128.7	113.8	426.9
+ Other Non-Cash Adj	872.1	701.9	177.5	-29.9	38.1	40.8	-1,362.2	47.5	-6.4	-283.9	-609.8	-1,890.2
+ Chg in Non-Cash Work Cap	-2.9	-99.0	-55.9	-160.6	101.6	-67.7	-1.5	-142.1	-160.8	-33.9	-323.4	-237.5
+ (Inc) Dec in Accts Receiv	56.2	87.4	61.9	-86.0	-5.6	-38.9	36.5	16.1	-129.8	-49.4	-34.1	-71.9
+ (Inc) Dec in Inventories	-37.8	-86.0	51.0	190.8	51.5	-90.0	-41.1	-132.5	10.1	-151.0	-123.8	-61.9
+ Inc (Dec) in Accts Payable	16.3	-26.9	-42.7	-82.5	-6.0	76.9	-49.3	-0.8	24.7	115.9	12.8	21.4
+ Inc (Dec) in Other	-37.6	-73.5	-126.1	-182.9	61.7	-15.7	52.4	-24.9	-65.8	50.6	-178.3	-125.1
+ Net Cash From Disc Ops	—	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash from Operating Activities	519.8	506.9	402.5	619.7	784.1	556.3	826.2	1,081.0	1,413.7	1,696.0	1,931.4	2,246.3
Cash from Investing Activities												
+ Change in Fixed & Intang	-124.4	-103.2	-90.5	-69.6	-64.8	-62.1	-215.7	-719.4	-891.3	-907.4	-1,051.7	-814.0
+ Disp in Fixed & Intang	19.4	25.4	17.2	19.5	3.6	0.0	7.8	0.0	0.0	0.0	5.9	72.3
+ Disp of Fixed Prod Assets	—	25.4	17.2	19.5	3.6	0.0	7.8	0.0	0.0	0.0	5.9	72.3
+ Disp of Intangible Assets	—	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Acq of Fixed & Intang	-143.8	-128.6	-107.7	-89.1	-68.4	-62.1	-223.5	-719.4	-891.3	-907.4	-1,057.6	-886.3
+ Acq of Fixed Prod Assets	—	-128.6	-107.7	-89.1	-68.4	-62.1	-223.5	-719.4	-891.3	-907.4	-1,057.6	-886.3
+ Acq of Intangible Assets	—	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Net Change in LT Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Dec in LT Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Inc in LT Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Net Cash From Acq & Div	—	204.3	349.6	219.7	-82.3	-159.3	-4,681.3	-310.3	-1,316.4	-535.7	-155.1	-45.6
+ Cash from Divestitures	—	204.2	349.6	219.7	-30.8	0.0	0.0	0.0	0.0	575.3	-5.0	0.0
+ Cash for Acq of Subs	—	0.1	0.0	0.0	-51.5	-159.3	-4,681.3	-310.3	-1,316.4	-1,111.0	-150.1	-45.6
+ Cash for JVs	—	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Investing Activities	-988.5	27.5	-2.5	38.0	12.0	14.6	33.2	13.8	0.3	-18.7	-216.3	-3,972.2
+ Net Cash From Disc Ops	—	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash from Investing Activities	-1,112.9	128.6	256.6	188.1	-135.1	-206.8	-4,863.8	-1,015.9	-2,207.4	-1,461.8	-1,423.1	-4,831.8
Cash from Financing Activities												
+ Dividends Paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-241.6	-315.1	-400.1	-557.7
+ Cash From (Repayment) Debt	1,057.4	-687.3	-664.2	-618.2	-226.1	140.2	3,685.9	312.4	761.9	1,190.9	941.9	3,640.3
+ Cash From (Repay) ST Debt	—	-109.7	117.1	-289.7	249.8	-372.6	57.3	13.1	360.6	197.1	137.2	45.5
+ Cash From LT Debt	—	0.0	0.0	0.0	0.0	2,050.0	3,725.0	905.0	610.0	1,965.6	7,933.4	3,657.6
+ Repayments of LT Debt	—	-577.6	-781.3	-328.5	-475.9	-1,537.2	-96.4	-605.7	-208.7	-971.8	-7,128.7	-62.8
+ Cash (Repurchase) of Equity	-461.9	39.9	19.5	-227.7	-349.0	-203.1	173.3	113.3	282.6	-931.6	-989.1	-441.1
+ Increase in Capital Stock	38.1	39.9	19.5	72.3	64.7	179.9	173.3	113.3	316.4	191.1	49.4	63.2
+ Decrease in Capital Stock	-500.0	0.0	0.0	-300.0	-413.7	-383.0	0.0	0.0	-33.8	-1,122.7	-1,038.5	-504.3
+ Other Financing Activities	—	0.0	21.7	-0.2	0.0	-35.8	-82.2	-442.1	-26.9	-79.0	-153.9	-48.2
+ Net Cash From Disc Ops	—	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash from Financing Activities	580.1	-647.4	-623.0	-846.1	-575.1	-98.7	3,777.0	-16.4	776.0	-134.8	-601.2	2,593.3