

Constellation Brands

Canandaigua Nights – the sequel: Wine and Spirits should it stay or should it go?

Maintain Rating: BUY | PO: 290.00 USD | Price: 247.08 USD

Investors asking if STZ should just focus on beer

In our conversations with investors, the value of holding on to Wine & Spirits (W&S) has been questioned. This is driven by (1) softening of both categories; (2) the recent miss and guide down; and (3) mgmt. change and strategic review. This raises the question if “fixing” this business would be a distraction of mgmt.’s time/resources. For context W&S accounts for ~11% of company profits and we estimate less than 10% of enterprise value.

Theoretical sale would be a modest headwind to EPS

Exhibit 1 explores an illustrative example of a W&S sale, which we estimate could be ~9% dilutive net proceeds (20% tax) and 8% gross proceeds. Potential disposal would have minimal impact on the balance sheet. Key inputs include: (1) \$3.2bn of net proceeds if sold for ~8x adj. EBITDAe (in line with NAPA (Duckhorn Portfolio)); (2) use of proceeds for share repurchase and debt reduction; and (3) leverage is largely unchanged and moves from 2.8x to 2.7x.

W&S portfolio challenged; more distraction than drag

STZ lowered its medium-term growth algorithm for its W&S business at its December, 2023 Investor Day to 1-3% sales growth (prior 2-4%) and 25-26% operating margins (prior 28-29%). Oddly, in January, STZ announced the exit of the W&S division president, which will now undergo a further review by CEO Bill Newlands. New targets reflect higher overall inflation and 63% of volume tied to Woodbridge, SVEDKA and Robert Mondavi Private Selection (RMPS), which have struggled to resonate with consumers. According to Nielsen, combined retail sales for these brands are declining high-single digits. The other 37% of the portfolio represents STZ’s premium/growth brands (Meiomi, Kim Crawford & The Prisoner), which saw combined retail sales decelerate from mid-single digits to flat between calendar 3Q and 4Q according to Nielsen. We think slower growth is driven by softer demand for luxury and premium wines, which competitor NAPA discussed during its [1Q24 earnings announcement \(see report\)](#).

Maintain Buy and \$290 PO

We like shares of STZ with or without the W&S business. Strength in beer can offset temporary W&S weakness and we value potential benefits from a sale. We maintain our Buy rating and \$290 PO that is based on 19.8x our CY25 EPSe.

Estimates (Feb) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	10.20	10.64	11.89	13.27	15.05
GAAP EPS	(0.21)	10.64	11.89	13.27	15.05
EPS Change (YoY)	2.3%	4.3%	11.7%	11.6%	13.4%
Consensus EPS (Bloomberg)			12.01	13.44	15.09
DPS	3.04	3.20	3.55	3.84	4.14
Valuation (Feb)					
P/E	24.2x	23.2x	20.8x	18.6x	16.4x
GAAP P/E	NM	23.2x	20.8x	18.6x	16.4x
Dividend Yield	1.2%	1.3%	1.4%	1.6%	1.7%
EV / EBITDA*	19.3x	18.4x	17.2x	15.8x	14.5x
Free Cash Flow Yield*	3.5%	3.6%	3.3%	3.0%	3.1%

* For full definitions of *IQmethod*SM measures, see page 9.

13 February 2024

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Stock Data

Price	247.08 USD
Price Objective	290.00 USD
Date Established	19-Jul-2023
Investment Opinion	B-1-7
52-Week Range	210.15 USD - 273.65 USD
Mkt Val (mn) / Shares Out (mn)	48,312 USD / 195.5
Free Float	87.5%
Average Daily Value (mn)	305.74 USD
BofA Ticker / Exchange	STZ / NYS
Bloomberg / Reuters	STZ US / STZ.N
ROE (2024E)	23.2%
Net Dbt to Eqty (Feb-2023A)	139.6%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

[Constellation Brands: Canandaigua Nights: Wine & Spirits options 23 April 2021](#)

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Timestamp: 13 February 2024 05:00AM EST

iQprofileSM Constellation Brands

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	9.2%	10.0%	11.2%	12.0%	12.6%
Return on Equity	15.2%	19.1%	23.2%	22.6%	22.3%
Operating Margin	33.3%	32.1%	32.6%	33.4%	34.1%
Free Cash Flow	1,679	1,722	1,576	1,443	1,515

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.4x	1.4x	1.3x	1.3x	1.2x
Asset Replacement Ratio	3.0x	2.7x	2.9x	3.6x	3.5x
Tax Rate	17.7%	19.7%	19.0%	19.0%	19.0%
Net Debt-to-Equity Ratio	85.9%	139.6%	115.9%	97.9%	82.0%
Interest Cover	7.8x	7.3x	7.1x	7.5x	8.9x

Income Statement Data (Feb)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	8,821	9,453	9,917	10,610	11,388
% Change	2.4%	7.2%	4.9%	7.0%	7.3%
Gross Profit	4,625	4,865	5,063	5,487	5,950
% Change	2.4%	5.2%	4.1%	8.4%	8.4%
EBITDA	3,278	3,424	3,662	4,001	4,361
% Change	2.9%	4.4%	7.0%	9.3%	9.0%
Net Interest & Other Income	(356)	(399)	(450)	(470)	(436)
Net Income (Adjusted)	1,960	1,982	2,190	2,430	2,747
% Change	0.7%	1.1%	10.5%	10.9%	13.1%

Free Cash Flow Data (Feb)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,960	1,982	2,190	2,430	2,747
Depreciation & Amortization	337	384	431	455	477
Change in Working Capital	(186)	(275)	(96)	148	(120)
Deferred Taxation Charge	85	208	28	0	0
Other Adjustments, Net	509	458	273	60	60
Capital Expenditure	(1,027)	(1,035)	(1,250)	(1,650)	(1,650)
Free Cash Flow	1,679	1,722	1,576	1,443	1,515
% Change	-13.6%	2.6%	-8.5%	-8.4%	5.0%
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	(573)	(588)	(641)	(646)	(697)
Change in Debt	87	2,023	(697)	(430)	(430)

Balance Sheet Data (Feb)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	199	134	70	37	24
Trade Receivables	899	902	1,032	1,163	1,248
Other Current Assets	2,081	2,557	2,491	2,482	2,599
Property, Plant & Equipment	6,060	6,865	7,942	9,137	10,310
Other Non-Current Assets	16,467	14,301	13,793	13,793	13,793
Total Assets	25,705	24,758	25,328	26,612	27,974
Short-Term Debt	928	1,175	1,416	1,416	1,416
Other Current Liabilities	1,771	1,794	1,999	2,268	2,350
Long-Term Debt	9,488	11,287	10,282	9,852	9,422
Other Non-Current Liabilities	1,621	1,674	1,597	1,597	1,597
Total Liabilities	13,808	15,928	15,294	15,134	14,786
Total Equity	11,897	8,830	10,034	11,478	13,188
Total Equity & Liabilities	25,705	24,758	25,328	26,612	27,974

* For full definitions of iQmethodSM measures, see page 9.

Company Sector

Spirits, Wines & Ciders

Company Description

Constellation Brands (STZ) is a leading global producer and marketer of beverage alcohol. Its wide-ranging portfolio spans wine, spirits and imported beer. STZ is one the world's largest wine companies. Key brands include Woodbridge, Svedka, Robert Mondavi Private Selection, Ruffino, Kim Crawford, Meiomi, Simi, The Prisoner Wine Company and High West Portfolio. It also owns 100 percent of the rights to brew, market and sell Modelo's Mexican beers in the US.

Investment Rationale

STZ is the world's largest wine producer, with 1.5 percent global market share and 13 percent of the US wine market and has enjoyed improving mix. It also sells spirits (4 percent US share) and has 100 percent of the rights to brew, market and sell Modelo's beer brands in the US. It also owns 38.6% of Canopy Growth, a Canadian cannabis company. This portfolio is positioned to grow faster than industry peers while having good prospects for margin expansion and increased free cash flow.

Stock Data

Average Daily Volume 1,237,423

Quarterly Earnings Estimates

	2023	2024
Q1	2.66A	2.91A
Q2	-6.20A	3.70A
Q3	2.52A	3.19A
Q4	1.21A	2.09E

Theoretical W&S sale

In Exhibit 1 we explore an illustrative example of how a theoretical W&S sale for STZ would be 9.0% dilutive to our FY25 EPS_e, immaterial to leverage and result in a remaining company with a better growth outlook and higher margins. Key inputs to our example include:

1. \$3.2bn worth of proceeds (assuming proceeds taxed at 20%) or sold for 8.0x our FY25 adj EBITDA_e, which is in line with NAPA's current trading multiple. Our sensitivity analysis (see Exhibit 2) for the W&S sale assumes a multiple as low as 5.0x and as high as 11.0x. STZ sold its lower-price point (sub \$11/bottle) wine portfolio to E&J Gallo for 4.2x CAM (gross profit less marketing) in January 2021. NAPA recently acquired Sonoma-Cutrer Vineyards, a leader in U.S. premium Chardonnay, for 13.2x EV/EBITDA pre-synergies. Sonoma Cutrer Vineyards has a significantly higher EBITDA margin profile than STZ's W&S segment (36.0% versus high 20%).
2. STZ uses half the proceeds to repurchase shares and the other half to pay down debt. With shares trading at \$250/share STZ can purchase 6.5mm shares. We estimate that \$1.6bn of debt paydown will result in about \$67mm of interest expense savings.
3. EPS dilution of 9%. If STZ can fetch an 11.0x EBITDA multiple for the business and allocates 80% of proceeds towards share repurchases then dilution would decline to 6%.
4. Leverage is largely unchanged and moves from 2.8x net debt/adj. EBITDA to 2.7x.



Exhibit 1: A theoretical W&S sale for \$3.2bn would be 9.0% dilutive to adj. EPS and be immaterial to leverage

Key inputs include: 1) Proceeds of \$3.2bn and 2) assume half the proceeds go towards share repurchases (worth 6.5mm shares) and the other half goes towards debt paydown (worth \$67mm of interest expense savings)

Potential deal structure		Accretion/Dilution analysis		
		Total STZ FY25	W&S FY25	Pro-forma FY25
Gross Proceeds	\$4,000.0	\$10,610.0	\$1,817.2	\$8,792.9
Net Proceeds @ 20% Tax	\$3,200.0	5,122.8	952.3	\$4,170.5
Share of proceeds allocated towards share repurchases	50.0%	\$5,487.2		\$4,622.4
Share of proceeds allocated towards debt paydown	50.0%	SG&A 1,665.6	451.3	\$1,214.3
		Corporate expense 275.9		275.9
Cash used for share repurchases	\$1,600.0	Operating income \$3,545.7		\$3,132.2
STZ share price as of 1/26/2024	\$245.0	Canopy losses 60.0		60.0
Millions of shares purchased	6.5	Other income 32.0	(32.0)	-
		EBIT \$3,517.7		\$3,072.2
Cash used for debt paydown	\$1,600.0	Interest expense 470.0	66.9	403.1
Average interest rate on STZ's debt	4.2%	Pretax income \$3,047.7		\$2,669.1
Interest expense savings	\$66.9	Income tax expense 577.9		506.1
		Net income \$2,469.8		\$2,163.0
		Noncontrolling interest 40.0		40.0
		Net income attributable to STZ \$2,429.8		\$2,123.0
		Shares outstanding 183.1	6.5	176.6
		Adj. EPS \$13.27		\$12.02
		Canopy EPS \$0.27		\$0.28
		Adj. EPS X Canopy \$13.53		\$12.30
		Dilution		-9.1%
Leverage profile				
		D&A \$455.2	\$88.0	\$367.2
		Adj. EBITDA \$4,000.9		\$3,499.4
		Current debt \$11,239.6	\$1,600.0	\$9,639.6
		Current cash \$78.7		\$78.7
		Net debt \$11,160.9		\$9,560.9
		Net debt to adj. EBITDA 2.8x		2.7x
Key stats				
		D&A as a % of sales 4.3%		4.2%
		Gross margin 51.7%		52.6%
		SG&A as a % of sales 15.7%		13.8%
		Corporate expense as a % of sales 2.6%		3.1%
		Operating margin 33.4%		35.6%
		EBIT 33.2%		34.9%
		Effective tax rate 19.0%		19.0%
		Net profit margin 22.9%		24.1%

Source: BofA Global Research estimates

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Exhibit 2: Sensitivity analysis for the W&S sale

Our theoretical W&S sale assumes the segment is sold for 8.0x adj. EBITDA

		Transaction adj. EBITDA multiple						
		5.0x	6.0x	7.0x	8.0x	9.0x	10.0x	11.0x
FY25 EBITDA	\$450.0	\$2,250.0	\$2,700.0	\$3,150.0	\$3,600.0	\$4,050.0	\$4,500.0	\$4,950.0
	\$475.0	\$2,375.0	\$2,850.0	\$3,325.0	\$3,800.0	\$4,275.0	\$4,750.0	\$5,225.0
	\$500.0	\$2,500.0	\$3,000.0	\$3,500.0	\$4,000.0	\$4,500.0	\$5,000.0	\$5,500.0
	\$525.0	\$2,625.0	\$3,150.0	\$3,675.0	\$4,200.0	\$4,725.0	\$5,250.0	\$5,775.0
	\$550.0	\$2,750.0	\$3,300.0	\$3,850.0	\$4,400.0	\$4,950.0	\$5,500.0	\$6,050.0

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH



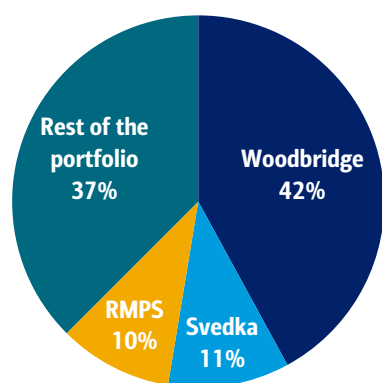
Evaluating STZ's W&S portfolio

Using data from Nielsen and STZ's December 2023 Investor Day we estimate STZ's W&S portfolio mix and EBIT margin by brand. 63% of volumes are tied to Woodbridge (42%), SVEKDA (11%) and Robert Mondavi Private Selection – RMPS (10%). Woodbridge represents 9.9mm cases annually and according to Nielsen, retail sales are declining high-single-digits. SVEDKA and RMPS are both about 2.5mm cases. Retail sales for SVEDKA and RMPS are declining mid-single digits and low-double digits, respectively.

The other 37% of volumes are higher growth “premium” brands including Meiomi, Kim Crawford, and The Prisoner. We estimate that retail sales between calendar 3Q and 4Q decelerated from mid-single digits to flat. In our view, slower growth is driven by softer category performance for luxury and premium wines, which NAPA discussed during its [1Q24 earnings \(see report\)](#).

Exhibit 3: STZ's W&S portfolio mix by volume (cases)

Woodbridge, SVEDKA and Robert Mondavi comprise 63% of W&S volume

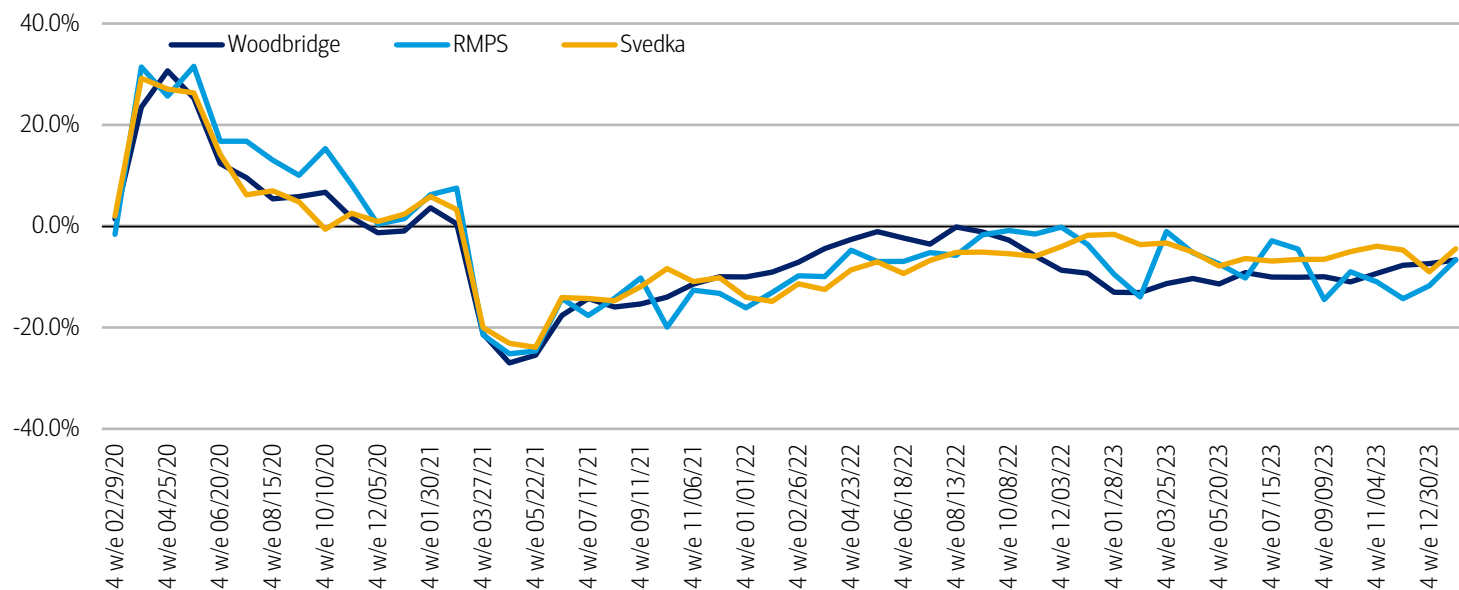


Source: NielsenIQ

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Exhibit 4: Year over year change in retail sales for Woodbridge, Robert Mondavi Private Selection and SVEDKA

Woodbridge, RMPS and SVEDKA are weighing on total W&S retail sales growth



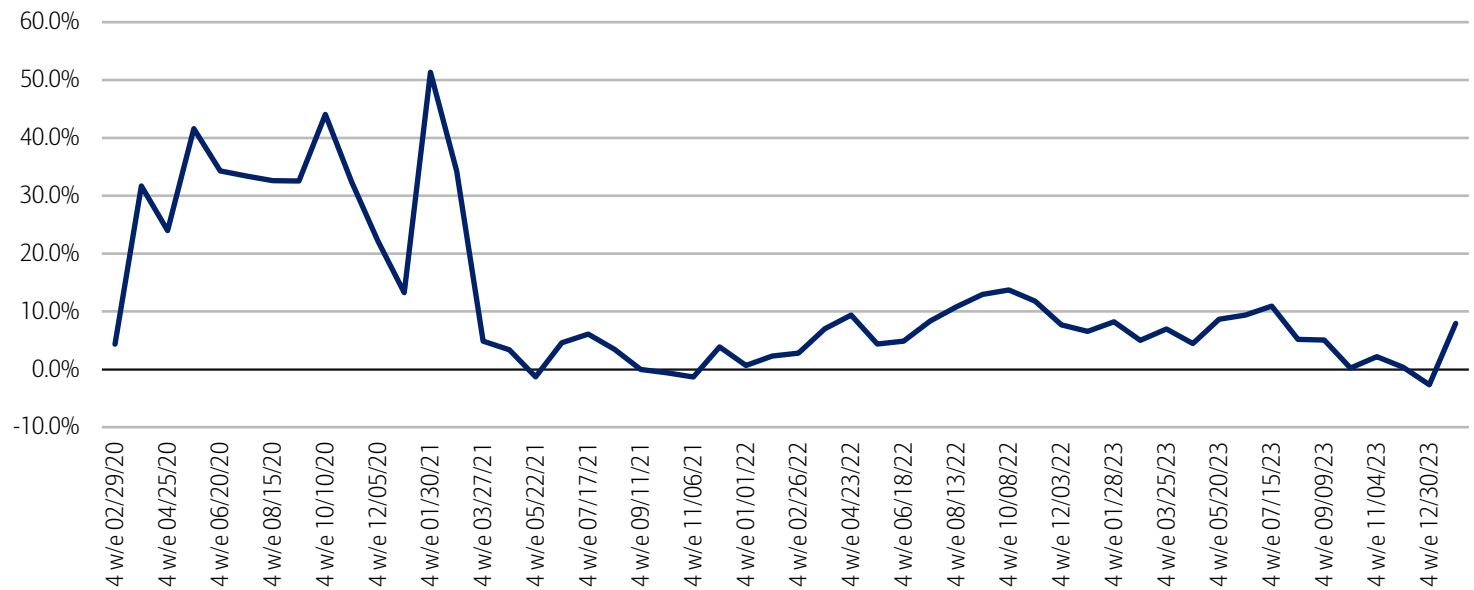
Source: NielsenIQ

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Exhibit 5: Year over year change in retail sales for STZ's W&S portfolio X Woodbridge, RMPS and SVEDKA

Year over year change in retail sales for STZ's higher growth premium brands which includes: Meiomi, Kim Crawford, and The Prisoner



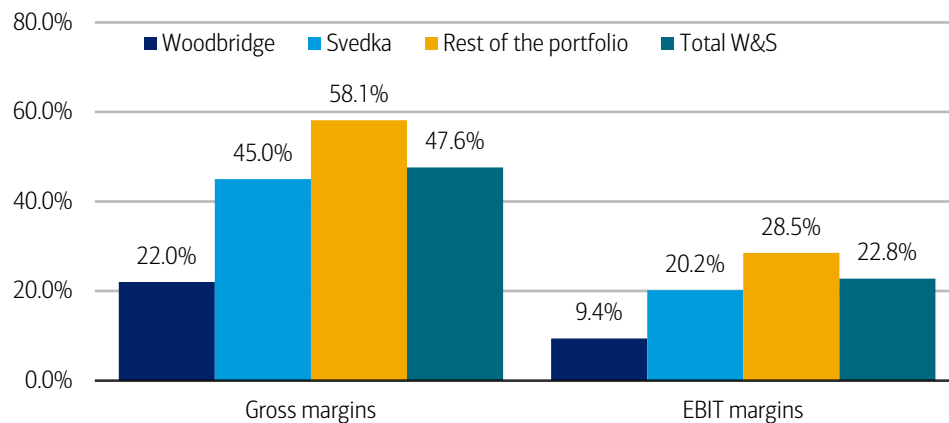
Source: NielsenIQ

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STZ disclosed in its December 2023 Investor Day Presentation that gross margins for Woodbridge and SVEDKA were low 20% and mid 40%, respectively. This implies that the rest of the portfolio carries 60% gross margins, which is in line with the margin profile for Meiomi (60%), Kim Crawford (56%), The Prisoner (62%) and High West (57%). After making assumptions for SG&A expense, we forecast EBIT margins by brand as follows: Woodbridge – 9.4%; SVEDKA – 20.2%; and rest of the portfolio - 28.5%.

Exhibit 6: FY25 financial estimates by brand and total segment

Woodbridge and SVEDKA margins are a drag to STZ's W&S portfolio

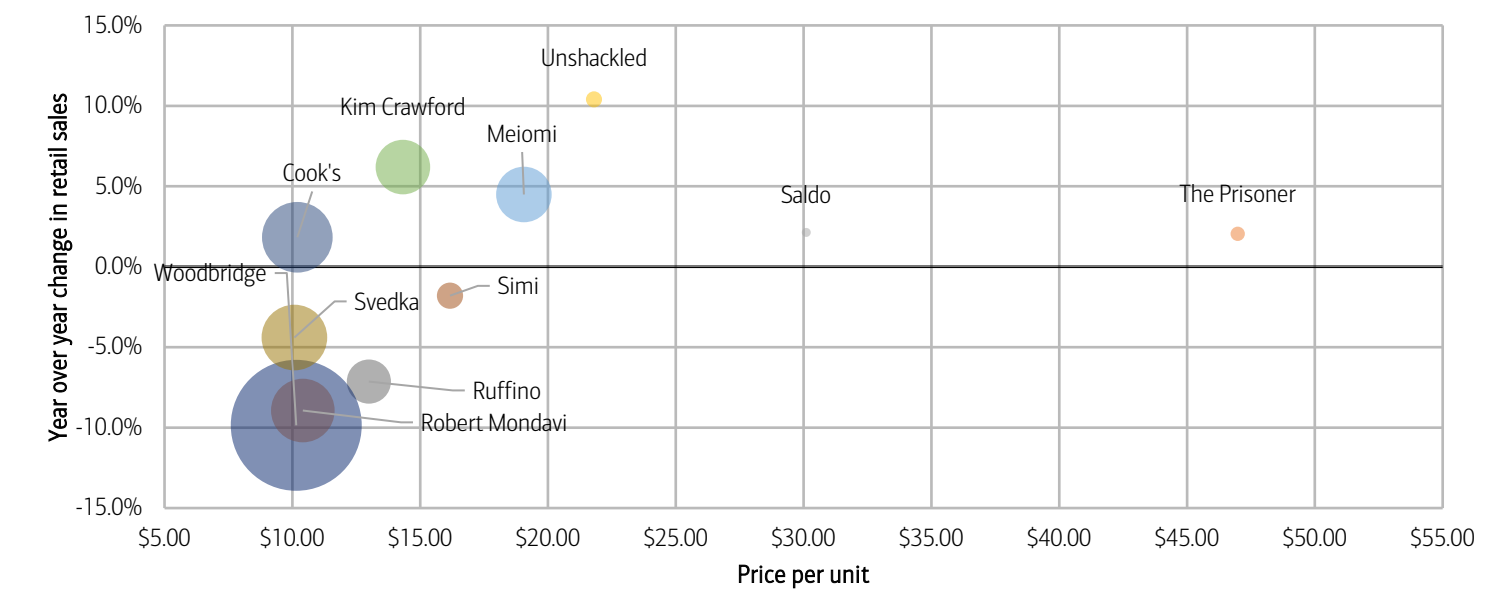


Source: BofA Global Research estimates

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Exhibit 7: STZ's W&S portfolio

Below we outline STZ's wine portfolio by retail sales growth, price per unit and number of cases sold for the 52 weeks ending 1/27/2024



Source: NielsenIQ
*Bubble size based on volumes



Price objective basis & risk

Constellation Brands (STZ)

Our \$290 price objective is based on 19.8x our CY25e EPS that excludes Canopy. At 19.8x we value shares of STZ at the upper end of its valuation range over the past five years given our outlook for strong sales and earnings growth and expectation for more consistent capital allocation going forward.

Upside risks to our PO: 1) Modelo's beer brands continue to grow above current trends. 2) Corona's new products resonate with consumers and drives sales growth. 3) Investment behind certain wine & spirit brands accelerates sales growth and operating margins.

Downside risks to our PO: 1) Hard seltzers cannibalize growth from STZ's beer portfolio. 2) STZ's investment in Canopy takes longer than anticipated to be accretive to EPS than we forecast. 3) Remaining wine & spirits business does not achieve investors' expectations.

Analyst Certification

I, Bryan D. Spillane, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	BellRing Brands Inc	BRBR	BRBR US	Bryan D. Spillane
	Coca-Cola Europacific Partners plc	CCEP	CCEP US	Bryan D. Spillane
	Colgate-Palmolive Company	CL	CL US	Bryan D. Spillane
	Constellation Brands	STZ	STZ US	Bryan D. Spillane
	Coty Inc.	COTY	COTY US	Anna Lizzul
	e.l.f. Beauty	ELF	ELF US	Anna Lizzul
	Freshpet, Inc.	FRPT	FRPT US	Bryan D. Spillane
	Kenvue Inc.	KVUE	KVUE US	Anna Lizzul
	Keurig Dr Pepper	KDP	KDP US	Bryan D. Spillane
	Kraft Heinz Company	KHC	KHC US	Bryan D. Spillane
	Lamb Weston Holdings Inc	LW	LW US	Peter T. Galbo, CFA
	McCormick & Co.	MKC	MKC US	Peter T. Galbo, CFA
	Mondelez International	MDLZ	MDLZ US	Bryan D. Spillane
	Monster Beverage Corporation	MNST	MNST US	Peter T. Galbo, CFA
	PepsiCo	PEP	PEP US	Bryan D. Spillane
	Philip Morris International	PM	PM US	Lisa K. Lewandowski
	Pilgrim's Pride Corp.	PPC	PPC US	Peter T. Galbo, CFA
	The Coca Cola Company	KO	KO US	Bryan D. Spillane
	The Procter & Gamble Company	PG	PG US	Bryan D. Spillane
NEUTRAL				
	Altria Group	MO	MO US	Lisa K. Lewandowski
	Celsius Holdings Inc	CELH	CELH US	Jonathan Keypour
	Church & Dwight	CHD	CHD US	Anna Lizzul
	Clorox	CLX	CLX US	Anna Lizzul
	Conagra Brands, Inc.	CAG	CAG US	Peter T. Galbo, CFA
	Estee Lauder Companies Inc.	EL	EL US	Bryan D. Spillane
	General Mills	GIS	GIS US	Bryan D. Spillane
	JM Smucker Company	SJM	SJM US	Peter T. Galbo, CFA
	Kellanova	K	K US	Peter T. Galbo, CFA
	Molson Coors Beverage Company	TAP	TAP US	Bryan D. Spillane
	The Duckhorn Portfolio, Inc.	NAPA	NAPA US	Peter T. Galbo, CFA
	The Hershey Company	HSY	HSY US	Bryan D. Spillane
	Tyson Foods, Inc.	TSN	TSN US	Peter T. Galbo, CFA

US - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Utz Brands	UTZ	UTZ US	Peter T. Galbo, CFA
	WK Kellogg Co	KLG	KLG US	Peter T. Galbo, CFA
UNDERPERFORM				
	Brown-Forman Corporation	BFB	BF/B US	Bryan D. Spillane
	Campbell Soup Company	CPB	CPB US	Peter T. Galbo, CFA
	Canopy Growth	YWEED	WEED CN	Lisa K. Lewandowski
	Canopy Growth	CGC	CGC US	Lisa K. Lewandowski
	Cronos Group	YCRON	CRON CN	Lisa K. Lewandowski
	Cronos Group	CRON	CRON US	Lisa K. Lewandowski
	Dole plc	DOLE	DOLE US	Bryan D. Spillane
	Herbalife Nutrition Ltd	HLF	HLF US	Anna Lizzul
	Hormel Foods Corp.	HRL	HRL US	Peter T. Galbo, CFA
	Kimberly-Clark	KMB	KMB US	Anna Lizzul
RSTR				
	The Vita Coco Company, Inc.	COCO	COCO US	Bryan D. Spillane

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

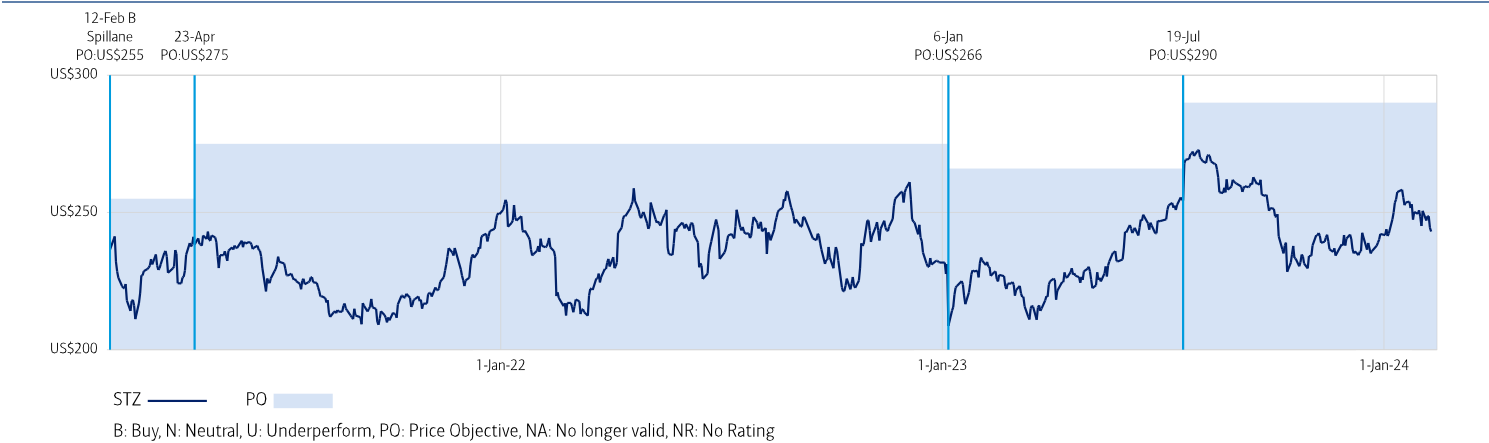
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Disclosures

Important Disclosures

Constellation (STZ) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Beverages - Alcoholic Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	22	61.11%	Buy	15	68.18%
Hold	6	16.67%	Hold	4	66.67%
Sell	8	22.22%	Sell	2	25.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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