

2025 dbAccess Global Consumer Conference

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Presentation

Stephen Robert Powers

All right. Good afternoon. Welcome back. Thanks for joining us. For our next session, I'm thrilled to welcome for the first time, I believe, ever, the Constellation Brands company to our conference. Constellation, as I'm sure you know, is a leading international producer and marketer of beer, wine and spirits with operations principally in the United States and Mexico. The company generates roughly \$10 billion in annual revenues and boasts the #1 brand in the U.S. in Modelo, alongside the iconic Corona and the fast-growing Pacifico within its beer portfolio.

With us today, I am happy to have Bill Newlands, President and Chief Executive Officer; as well as Garth Hankinson, Executive Vice President and Chief Financial Officer. So guys, thanks for joining us.

William Newlands

Good to be here.

Garth Hankinson

Thank you.

Question and Answer

Stephen Robert Powers

All right. So Bill, maybe we just start, I think not dissimilar from many other companies within beverage alcohol or across consumer packaged goods, the start of the calendar year has been more challenging than I think any of us originally anticipated. And it

prompted you guys to give a more muted outlook for fiscal '26 and to recalibrate your longer-term fiscal '27, '28 outlook. I guess, as you kind of reflect back on trends year-to-date so far, just how do you assess the moving parts? How do you assess market trends currently and just sort of a scorecard of stable, improving or not?

William Newlands

Sure. A lot of things at the consumer level are challenging. Across the board, consumers are a little wary. And that's doubled down if you're a Hispanic consumer. And as you know, Steve, roughly half our business is in the Hispanic community. So we've done a fair amount of research around that consumer. What are they worried about? What are they doing more or less than they have been? And how is that impacting the business?

The things that we've seen with that consumer is there's a lot of concern about inflation. There's a lot of concern about the whole immigration question. That gets doubled down if you've had someone in your immediate family or friends who've been – had that issue attached to them at all. And where it's playing itself out is in behaviors that are sort of anti our business, which is they're going out to eat less. 75% of Hispanic consumers are going to restaurants less. There's less social occasions.

The Hispanic community often has lots of social occasions and those tend to be beer occasions. So you're seeing a fair amount of differences in how the consumer interacts. The thing that will be interesting to watch from our perspective is how does that evolve going forward. Fortunately, our brand health metrics are as strong as they've ever been. There's real loyalty to our brands. In the broader market, you're seeing continued development of brand awareness, both aided and unaided. So we believe we're in a good position as things continue to develop. But certainly, we're in a challenging moment. The question, I think, is how long will that moment last.

Stephen Robert Powers

Has there been any noticeable change kind of March, April, May from that – among the Hispanic consumer – do we see a step down and then we're sort of going sideways across the bottom? Has it been a steady slide down? Has it been improvement? Any sense on that?

William Newlands

It's tough to tell at this point. Often what happens in these things is you get an immediate plateau problem and then it flattens out because people have adjusted their behavior in terms of what they're doing or what they're planning to do. We've gone to doing monthly studies and the first one was what I just referred to. The next ones do any day. So we'll soon find out if we're seeing any of that behavior. I think the interesting thing, we're even seeing channel shifting. We're seeing people spending less time in convenience stores or stores that skew Hispanic to broader market stores. And we'll see if that sort of behavior continues as time goes on as well.

Stephen Robert Powers

Okay. And among the non-Hispanic consumers, we've got value-seeking behavior. We've got varying – an active debate around how consumers are approaching beverage alcohol and what that's doing to category trends. We've got weather fluctuations. Memorial Day was wet and cold for those of you who didn't know. I guess, how do you kind of think through the non-Hispanic – the dynamics facing the non-Hispanic consumer and kind of parse that out? And what does that tell you about category momentum as we go into the balance of the calendar year?

William Newlands

Well, that consumer is worried about some of the same things, not all, but some. Certainly, the inflationary environment is a big concern to people. And you are seeing some of that trade down behavior. Generally not from our price point. It tends to be lower

price points where the consumer is purely looking for what's the most I can get for the least price. So you've seen some of that behavior going on. But that's a consumer that we've been developing. As you know, using Modelo as a great example, Modelo was 80% Hispanic several years ago. Today, it's 55%. So we've spent a lot of time, a lot of energy, a lot of media dollars developing in that consumer marketplace. And I think we're in a good position to continue to see that develop as time goes forward.

Stephen Robert Powers

Right. So I think through all of the discussions we've been having in the last couple of months, you've been pretty consistent that the headwinds that – you view them as transitory. I guess maybe just refresh us on the major building blocks of that logic as to why transitory versus more structural. And then what do you think we need to see for the category and for Constellation to more fully rebound?

William Newlands

So if you think about the things that people want to talk about – about what's structural versus not, there's an argument that younger consumers are not consuming as much. Well, from our perspective, the 21-year-old to 25-year-old cohort for our business. Our percentage of business with that cohort is twice what the industry average is. So we've been able to bring newer, younger consumers into our franchises. So that's good.

GLPs, there's just no evidence that GLPs has a big impact. Most people are only on them for 6 months if they're on them for that long. And when you look at the list of things that people change about the behavior while they're on them, alcohol beverage is way down the list right there with water, right? People change the water thing is a different question, but it's way down the list. So you start to think about what else. People brought up cannabis. If you look at the markets where cannabis has been legal for a long time, again, you see no real differentiation of what alcohol did before or after.

I think the biggest thing to answer your specific question is when is the consumer going to get more comfortable? When are they going to revert to their, what I would call more normalized behavior because they are loyal to our brands, and we're very fortunate that we do have that strong brand loyalty. It's part of the reason we're continuing to advertise at an aggressive rate. We're #1 and #2 share of voice with Modelo and Corona, respectively, and we're going to continue to do that so that we're ready to go when the consumer is ready to revert to more normalized behavior.

Stephen Robert Powers

And as you think about the reacceleration that you've anticipated looking out to fiscal '28 and beyond, maybe flipping the lens. What are the reasons to be more structurally positive on the category, your position within the category? And maybe highlight some of the initiatives you have in place in fiscal '26 to kind of fight against some of the headwinds that we've talked about.

William Newlands

Well, we like to point out our brands, our company has been the Circana growth leader 6 of the last 8 years in CPG. So we've got a long history of strong growth profile for our business. I think that speaks well to it. Some of the things that we're doing this year, when you have a consumer that's concerned, I think having the right price pack architecture is really important. I've often said, I think Coca-Cola does a great job at that. You tell me how much money you have. There is a Coke product in every store that allows you to spend that amount of money.

We in the alcohol beverage business, I don't think, have done as good a job at that particular topic. But we're doing 7 ounce in both Modelo and Corona. We're doing 8-ounce cans with Corona. So we're finding ways to put price points in place so that the consumers are very loyal to us, irrespective of how much money they may have to spend at a particular

point in time, we have a product available to them.

We're also, as you know, readjusting our price on Oro. The light category as a sector has been somewhat challenged. We think Oro is a great brand to go after that particular point. And so literally, as we speak, the price is being adjusted on Oro to give the consumer a bit of a value for in the light sector from a brand name they know and trust.

Stephen Robert Powers

Great. And Garth, maybe we can get you involved here. I guess from a – as you – we pull all that together from a financial perspective, can you just ground us on how that all kind of layered into your thinking in terms of fiscal '26 guidance? And we've talked mostly about top line trends. So maybe a little discussion around what you're expecting from a bottom line perspective, both within beer and within wine and spirits.

Garth Hankinson

Yes. Well, for – well, I guess maybe we'll start in reverse. I'll start with wine and spirits and move to beer. In terms of margin profile, this is going to be a bit of a transitional year for us in the beer business. Earlier this year, we announced that we were reshaping our wine and spirits portfolio through the divestiture of primarily our mainstream brands and some related assets. As of last night, that transaction has now officially closed. So we're really happy about that.

And that portfolio that remains is a portfolio that's going to participate mainly in categories that have top line headwinds in terms of growth. So there'll be in price segments that are expected to grow through FY '28 in the low single to mid-single-digit range. But they're also squarely at really attractive rate of profit profiles, if you will, much more profitable from a margin perspective than the brands that we divested.

We also announced at that same time that we had a pretty robust restructuring process

or program in place and expect to yield savings in excess of \$200 million. Those savings won't be fully realized until FY '28, if you think about the timing of when those start to funnel through. But that all plays into what we're expecting from a margin perspective from our wine and spirits business.

Of that \$200 million, we're expecting to get about \$100 million out of the wine business. And that's by – again, by FY '28. And in FY '25, we expect to reap about \$55 million worth of benefits. So that's really kind of what underlies the profitability of our wine business going forward.

Just touching briefly on beer because I imagine we'll talk about the margin profile for that in a little bit. But there's also a component of the cost savings agenda that will benefit our beer business. I mentioned about \$100 million going to – or coming out of wine and spirits. About another \$100 million will come out of our corporate functions as well as our beer division, mainly, by the way, our corporate functions. Even though they come out of the corporate function, there will be an allocation benefit [to our wine] – to our beer business. And any benefit that we get over and above expectation for our beer business, we look to invest back into the growth profile and the opportunities that Bill mentioned a moment ago.

Stephen Robert Powers

Yes. Okay. And that's a good segue. So that despite recalibration of top line expectations, you've held firm to your 39% to 40% beer margin target. As you think about the, I guess, the path to fiscal '28, maybe what's the framework you guys use to think about the – why that's the right margin range? What are the kind of the positives balanced against the puts and the takes around that number?

Garth Hankinson

Yes, sure. Well, first of all, we've been saying for years, we think 39% to 40% is the right

range over the medium term to think about our beer business. If I don't say it, Bill will, those are best-in-class margins, not just in beer, but in consumer packaged goods. And honestly, the puts and takes are kind of the same that they have been. On the positive side in terms of tailwinds, we still expect to get sort of at least low single-digit volume growth, which will help with overhead absorption, obviously.

We continue to believe that we've got the ability to take 100 to 200 basis points of growth through pricing. And we're going to have a robust savings agenda. We've always had a robust savings agenda as part of our plan. We've talked more about that in the last couple of years just because the quantum of dollars have been bigger than they had been in years past. That's because twofold. One, we've been really successful in terms of clawing back some of the outsized increases we saw during the 2-year period of time where we had really elevated inflationary impacts against our business, and our procurement team has done a really nice job of RFP in the business and reentering contracts.

There's also this migration that we've talked about for a few years now around being – moving from a builder to an operator. Again, that has yielded real savings for us as we've gone from sort of 50-foot railcars to 60-foot railcars, double stacking in those railcars, just a couple of the initiatives that we've had underway. So all of those will be the tailwinds. Headwinds will be the usual suspects, inflation, a little bit of fixed overhead absorption drag as we put in incremental capacity and then depreciation.

We're doing a nice job, I think, managing depreciation. We've talked about this modular approach to expansion. And what we're able to do is as we're seeing demand queues change, we can extend when we bring lines or facilities on stream and then better manage the depreciation impact in the business. But with all that said, again, 39% to 40% is what we think is the right way to think about the business. But in any 1 year, we might have more tailwinds, and we'll be above 40%. In some years, we'll be – have more headwinds

and being below 39%.

Stephen Robert Powers

Yes. Okay. Great. And maybe we can – maybe this question is a little bit for both of you. And Bill, you alluded to it. The business operates with a fairly simple SKU assortment. And I guess, such that there's probably good growth and good ROI with a little bit more complexity, right, if you're choiceful about it. So how do you think about and prioritize different flavors, different package sizes and formats? And I guess, is there a level – I guess on the other side, is there a level of complexity that you're trying to avoid where all of a sudden, the calculus becomes more of a net detriment than a positive?

William Newlands

Why don't I start? We always start with the consumer. Are there places where we can have a product or SKU that meets either a consumer or consumer occasion that we're not addressing today. So – and I would argue that follows into multiple things. So if you think about the price packed architecture, that fills price point, price need and so on. If you think about things like Corona Sunbrew, new product, it was specifically with what we observed younger consumers doing on spring break. It was – and it's a great product that goes to a consumer trend, which is interest in higher flavor.

We introduced Corona Non-Alc. Again, there's a certain subsegment of the audience that's thinking about moderation. We have a product for them with that. And you could argue, okay, well, you've now said you're going to expand your SKU count. Our SKU count is about 160. Most of our competitors are several times that. So if you're one of our distributors or one of our retailers, the efficiency of our portfolio is radically better than what most in the industry see. And that's been a very big help. And what you've seen is we've gained shelf position over time. So we always start at the consumer lens, where can it add value? Where does it serve a need that isn't serviced today by our business.

And that's kind of the approach we take relative to SKU assortment.

Garth Hankinson

Yes. I mean I think Bill covered it. I mean the only thing I would add is that we're investing in capabilities to ensure that we can do just what Bill said, right? I mean – and we're doing that kind of in 3 buckets, if you will. One is in people to make sure we've got the right people doing the right – with the right capabilities to be able to mine information and data to see where it is we want to play, not just from the consumer-led different liquids or formats, but also from a price pack architecture.

We're investing in systems and technology to dial it in even further. And then the investment that we've made in the breweries over the last 10 years have really enabled us to have that extra capacity and more flexibility and complexity so that we can innovate and innovate more quickly to respond to the consumer-led trends that Bill referenced.

Stephen Robert Powers

What's the range of profitability within the beer segment around that 30% to 40% sweet spot. And as you think about new innovations, new introductions, new SKUs, what's the profit hurdle that you're trying to achieve? And how much dilution are you able to – are you willing to accept upfront for growth? And just how you think about that dynamic?

Garth Hankinson

Yes. I mean – and that's not necessarily a one-size-fits-all answer. I mean, obviously, we'd like everything to be at least margin neutral. And there are some things we've looked at that could be slightly dilutive over – initially, but over time, they become more neutral to the overall portfolio. So that's kind of what the goal is. To the extent what would we accept from a dilutive perspective longer term, I think as you just get down to what is the size of the opportunity? And does that create enough incremental real dollars to have that dilutive effect.

Stephen Robert Powers

Okay. Great. Bill, maybe we can zero in on brands, Modelo, Corona and Pacifico. I guess how would you summarize the role that each of those brands plays in the portfolio? And then what is the interplay between them and among them in the marketplace?

William Newlands

We still believe Modelo has got a tremendous runway. When you look at the state of California, as an example, the share that we have there is twice what the national average is. So we still see Modelo as a real growth driver going forward. The number of people that were shocked to know that it's #1 beer by dollars in the U.S. when it happened, it kind of blew us all away a little bit. So there's just so much room to grow. If you look at the profile of – and I'm going to get on to Corona second, but what Corona was 20 years ago, the demographics looked very much similar to what Modelo is today.

So if you look at – if Modelo ends up someday down the road being 60-40 in the general market, the upside to that is immense. So that creates, I think, a great opportunity for that business to continue to accelerate. Corona, on the other hand, was something we're looking for a bit of more neutrality. It's still gaining share. But if we can sort of hold our own with the core Corona Extra business, I think we'd be happy with that because we have things around it that are doing very well. Familiar is doing extraordinarily well. It's up double digits.

The Corona Non-Alc business, the second year doubled after the first year almost in spite of us, meaning we really didn't put a lot of time, energy or money behind it. But again, that follows the consumer trend, and that's doing very well. We've added another pack this year to continue to accelerate around that.

And then when you think about Pacifico, Pacifico is like a Baby Modelo. It started heavily in the West. It's the #2 beer in Southern California to Modelo. But 50% of it now is outside

the state of California. So you're starting to see it develop around the country. And as you pointed out, it's a double-digit growth driver for us, which is terrific. So – it also skews a bit different. It's a bit more Gen Z. It's a bit younger. So that fits a little bit of a different niche than the other 2, which compete a little bit more against each other. So we think each of those has a real purpose and will be an important factor of what our business looks like as we move forward.

Stephen Robert Powers

Got it. And how do you – maybe Garth or Bill, — *indiscernible* — team, but how do you ensure that each brand is getting the appropriate amount of support, both in terms of innovation, care and feeding as well as just basic marketing, commercial support.

Garth Hankinson

Go ahead, Bill.

William Newlands

— *indiscernible* — open ended. We got to keep in mind, Modelo is the #1 share of voice, Corona is #2. So we significantly support those businesses. And I'm sure Garth will tell you in a minute, we rarely say no if we have a good ROI against our business. I think the big question is how much more gas do we put on the Pacifico fire. We're – again, we're starting to see that build itself around the country. And that's part of the debate. When do you really say, okay, let's open up the — *indiscernible* — here and get going because there's a lot of interest in that particular brand. So we're going to continue to support both of those businesses because we think there's still a lot of room around the country.

Garth Hankinson

Yes. And Bill touched on a couple of specifics, so I'll speak about it a little bit more generically. So first of all, keep in mind something Bill said earlier on, the brand health continues to be fantastically strong on all 3. So we've got a great base to build on, which gives us

the confidence to continue to invest, as Bill just said. And then furthermore, we continue to get growth out of the business, which allows us to increase our incremental investment on a year-over-year basis. So we do have plenty of dollars to go around to fuel the investment.

As we're looking across brands, we always look to balance our investment across effectiveness and efficiency, if you will. And so for example, if you look at like live sports, very, very effective just because of what the reach, the range of audience that, that has. And then we've started from an efficiency standpoint over the last few years, invest more in digital advertising, right, because that's targeting individual consumers a bit more precisely. So we are very, very happy with that discipline.

Again, you've probably heard us talk about this somewhat in the past as well. We've changed some of our partnerships in terms of agencies, which have really led to strategic relationships that have resulted in us being more efficient in our marketing spend in terms of sort of buying – buying advertising, managing inflation. So again, we're squeezing the most out of the dollars we put against the brands.

And long story short, that's why we feel good about the 8.5% target that we've got out there in terms of our guidance relative to marketing spend. And then as Bill said, just because I want to double down on it, we will continue to invest. I mean, we don't compromise when it comes to marketing, right? We want to continue to invest in the brands, drive the top line. And when our marketing team comes to us with compelling return-generating opportunities, we look at those positively. And last year, I think, is a good example where we approved a significant amount of incremental spend in the last second half of the year.

William Newlands

Can I pile on.

Stephen Robert Powers

Yes, you may.

William Newlands

Chelada is a great example of where some of that spend went that Garth was just talking about in the back half of the year. That was a business that sort of happened again, almost in spite of us, but it matches consumer trends. It's high flavor, but it was all 24-ounce until about 3 years ago. We've introduced multipack smaller sizes. It opened up more demographic. It opened up more occasions. But the awareness level outside of the core consumer is pretty low.

We did our first major media effort last fall to introduce that to a broader audience because that meets consumer trends. A lot of people have asked us in the few individual meetings we've had today, what's going on with smaller format or ready-to-drink stuff? I would argue Chelada is a great example of where we have addressed some of that high flavor single-serve needs for our business.

Stephen Robert Powers

Yes. Do you have – you mentioned #1, #2 share of voice for Modelo and Corona. Do you have share of voice metrics relative to share of market metrics? Where do you want share of voice to be for each of those 3 brands relative to market share? Is that a way you think about that way?

William Newlands

I'd say we think about it more of we want effectiveness. We want great return for our spend, and we track it very carefully. We know exactly how much and how fast we're going to get return on our dollars when we spend those. We've got an algorithm that tracks it literally on an ongoing basis.

Stephen Robert Powers

Okay. Another – a long-time goal of the company, Bill, has been securing more of your fair share of space in coolers on shelf. I guess how would you rate – what's the scorecard on that if you think about the last couple of years? And how are conversations going at present on that front? And I guess a little bit of what's kind of the support level you're getting from distributors as well?

William Newlands

Yes. Shelf space remains a great opportunity for us. When you think about a brand like Modelo, it's still – Bud Lights 30% to 50% more pods than we have, even though we're bigger in terms of dollars. So a lot of opportunity goes there. I think a couple of the changes that you've seen is, it wasn't that long ago that we had less influence with those critical large retailers.

Today, we have influence either as a category captain or as a validator in over 80% of accounts. So we have more of a say in the equation. How has that paid off? A couple of years ago, we had double-digit share gains. Last year, we had high single digit. We think we still will continue to see that. And on an ongoing basis, we expect to see share gains in advance of our growth profile because we are the ones that tend to bring the profitability and growth to the category. That works for a retailer. But to your point, it also works in the wholesale level. Our relationship with our wholesalers are topnotch. Part of what the real value is, it goes back to your earlier question about efficiency. With 160-ish SKUs, we're very efficient for a wholesaler that wants effectiveness and efficiency in their delivery systems.

Stephen Robert Powers

And do you – what's the attitude towards – you mentioned being consumer-led. To what extent are you sort of distributor-led in terms of – I'm sure they're pulling from you for a

lot of things, but you're also competing in a competitive system.

William Newlands

Sure.

Stephen Robert Powers

So what's been their overall approach to your innovation efforts? Are they satisfied? Are they hungry for more? I don't think they're overwhelmed, but you tell me if that's.

William Newlands

No, I hope they're not overwhelmed. Part of what we have said to them is we're only going to bring you things that have been validated and tested. We're not going to throw anything against the wall that we don't believe is going to be valuable and that we haven't both tested and plan to support. They like that answer, right? They don't want to get hung out on a limb saying, oh, just go get something done.

The efficiency point, we've made that a couple of times now, but it never ends relative to the discussion at the distributor level. They want growth. Growth has been tougher. They want profitability. That's been tougher. So – and especially at our price point, playing in all in the high end, we bring a better margin profile for them. We bring growth profile for them, and they've been highly supportive. We worked very closely with them as we develop our annual plans every year.

Stephen Robert Powers

Okay. Great. So Garth, I wanted to pivot to the cash side of things because I think the company is in a very different position than it was a few years ago from a cash perspective, plans to generate \$2.7 billion, \$2.8 billion in operating cash flow in fiscal '26 and see it grow high single digit, low single digit off that base over the next couple of years. I guess maybe talk through some of the unlocks of that cash flow. And you talked about mod-

ularity of manufacturing and from a margin perspective, how that's helping the margin profile, but it's also obviously helping cash even when growth is less robust. So talk to me about sort of the journey you've been on to improve cash flow, your kind of visibility of that cash flow over the next couple of years and the key drivers there?

Garth Hankinson

Yes. Well, look, this is one of my favorite topics, right? Now you're right. We are in a different spot now than we were a few years ago. And a lot of that story has to just basically do with CapEx, if you will, right? So you referenced the cash flow for this year. But if we look out to FY '28, we're expecting to generate roughly \$9 billion of operating cash flow and roughly \$6 billion of free cash flow.

The real inflection again has been in CapEx. In FY '25, which is kind of our high watermark, FY '26 will still be a little bit elevated because we moved some investment in between years. But in FY '25, CapEx as a percent of net sales was about 13%. And in FY '28, we're forecasting that to be more like 4% or 5%. So huge unlock. Obviously, the growth of the business has been an unlock as well. And so this is – all of this cash flow sort of supports the capital allocation priorities that we've had in place for the last 5 or 6 years.

We always look to manage the short-term needs with the longer-term aspirations of the organization, and that's really served us well. We're going to continue to be – to target a 3x leverage ratio. We're going to want to maintain our investment-grade rating for all the benefits that, that brings. We're going to seek to maintain our 30% dividend payout. We still have – even though there's a big shift coming in terms of the quantum of CapEx, we'll still invest in the business. And through FY '28, it's about \$2.2 billion, \$2.4 billion of CapEx across the enterprise, about \$2 billion in beer. And then we'll execute against our newest, our latest share authorization we've got from our Board, 3 years, \$4 billion. And then last is M&A, which we'll use like we've used in the past several years, which is

targeted portfolio gap filling type of initiatives.

Stephen Robert Powers

Okay. Can you talk a little bit about just balance sheet structure, debt structure and how you think about that. Last night, you also – alongside the deal closure, you also announced the early redemption of about, I think it was \$900 million of senior notes over the next couple of years. Sort of the logic in that announcement and just how you're thinking about the overall debt profile?

Garth Hankinson

Yes. Well, look – so first of all, as I said, I mean, we think right now, 3x is the right target for us. Now given the cash flow generation, we have the ability to take a look at that on a year-to-year basis and say, do we still think 3x is the right amount or not? And to the extent we think it should be less than that, we can act appropriately or to the extent we think that there's an opportunity, maybe share price dislocation, we want to pulse up for a short period of time, we could do that. We have that flexibility.

As it relates to managing the maturities, last night was kind of a continuation of what we started earlier this year. We've been in the market twice this year, 3x really this year to raise debt when we found attractive windows. And that really is to manage debt that's coming due within the next 9 to 12 months. So we'll continue to be opportunistic in that regard.

Stephen Robert Powers

Okay. Bill, we talked about – I guess, in being consumer-led in the R&D process and in marketing, you talked about the amount of money you're spending behind some of these new initiatives. You've also – you alluded to building a lot of capabilities, whether it's consumer insights generation or marketing ROI or in-market commercialization. Just where do you think the biggest advantages of Constellation sit relative to market? Where are

you most ahead in terms of commercial capabilities? And where do you see the biggest opportunity to build more strength?

William Newlands

I think our data assessment has radically improved. So we've gone – we've done much more on a regional basis. I mean it wasn't that long ago, and you'll remember this, that we kind of did everything on a national basis here, not pricing. We always did that on a localized basis. But if we were going to do an initiative and went everywhere, that's probably not the best approach. And we've done a lot more based on solid data. What's the algorithm show? What's the benefit? What's the ROI on the spend and on the approach that we're taking. So I think that's been important.

I think we've gotten much more focused on exactly what we ask our organization to execute against. Again, rather than broad-based, much more specific. You're in a market where Corona Light is a big factor, okay? We are expecting that this will be what the result of that answer is. So putting data first, and I think that's been a big improvement. The second thing I think is our capabilities on both the actual liquids. I've always been a big fan for my entire career, stuff's got to taste good. Don't tell me, oh, yes, you'll like it. It's low alc. So therefore, it's got to taste like crap. I'm not a big fan of that. I think consumers want to have something that they enjoy. And I think our team and our R&D team has done an exceptional job of when we introduce something, if that's a flavor characteristic or a product characteristic that you're looking for, you're going to get a damn good one. I think that's been a real advancement that we've had.

And I think it plays out in terms of the quality of things like Cheladas or Sunbrew or Modelo Aguas Frescas or those kinds of things is we're making exceptional products. I think the same would apply to the wine business, quite frankly. So I think those capabilities are all there. I'd say the place where I still want to see us do a better job, we're still in the

early stages on the digital side of our business. And while I think we've made leaps and bounds, I still think there are other leaps and bounds for us to go get.

Stephen Robert Powers

Okay. When you – on the data and on – I guess, and on kind of liquid R&D. To what extent are you investing in internal proprietary, proprietary data acquisition, proprietary R&D versus partnering with outsiders and leveraging third parties in your efforts?

William Newlands

There's a little of both, but we do most of it internally. We have a major R&D lab at both in the United States and another one in Mexico. So we rely mostly. We use flavor houses for certain things if there's flavor involved, but most of it's done internally.

Stephen Robert Powers

Okay. We've got 2 minutes left. So if you think about – I'm going to take you beyond 2028 and think about the next kind of 5 years, looking out to 2030, what are the critical goals or the biggest aspirations, the things that you want to be able to say when you're back here June 2030 that you've been able to achieve over the last 5 years?

William Newlands

I think a number of things. I think the growth profile of the business, we want to continue to outperform, gain share. We want to win more consumer MAUs. I think we want to make sure in some of the things Garth talked about relative to our capital allocation, we've been very consistent about that for the last 6.5 years. I think we want to continue to do that with the appropriate amount of share buybacks and dividends that are attractive to our investor base. And I'd say the single biggest thing I'd like to see is I'd like our stock to reflect our results sooner than later.

Stephen Robert Powers

It's a good ending. All right. Thank you, guys. Thanks to Constellation. Thanks to all for joining us.

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