

limit or forgo their time outside of their homes. Temporary closures of businesses have been ordered and numerous other businesses have temporarily closed voluntarily. Further, individuals' ability to travel has been curtailed through mandated travel restrictions and may be further limited through additional voluntary or mandated closures of travel-related businesses. In most of our locations, the beverage alcohol industry has been classified as an essential business and as such we are still able to produce and sell our products. COVID-19 has affected us primarily in the reduction of depletion volume on our products in the on-premise business due to shelter in place mandates and bar and restaurant closures. The on-premise business has historically been about 10% to 15% of our depletion volume for beer, wine, and spirits.

Currently, our major breweries, wineries, and bottling facilities are still operating but, in some instances, at lower production levels than planned. We have closed all hospitality, tasting rooms, retail, restaurants, and other non-essential public facilities. However, our supply chains and distribution channels have not been materially impacted and we have adequate supply of products to meet forecasted demand. The March 2020 closure of the U.S. and Mexico border to non-essential travel does not impact the movement of commercial products including the products we manufacture in Mexico and import to the U.S.

We have implemented various measures to reduce the spread of the virus including working from home, restricting visitors to our production locations, splitting our production workforces, reducing the on-site production workforce levels, screening workers before they enter facilities, implementing social distancing, and encouraging employees to adhere to prevention measures recommended by the Center for Disease Control ("CDC") and the WHO. Since our non-production workforce is able to work remotely using various technology tools, we are able to maintain our operations and internal controls over financial reporting and disclosures.

At this time, we are not able to estimate the long-term impact of COVID-19 on our business, financial condition, results of operations, and/or cash flow. We believe we have sufficient liquidity available from operating cash flow, cash on hand, and availability under our \$2.0 billion revolving credit facility. We expect to have continued access to capital markets and to continue to return value to shareholders.

New Wine and Spirits Transactions

In April 2019, we entered into a definitive agreement with E. & J. Gallo Winery ("Gallo") to sell a portion of our wine and spirits business, including approximately 30 lower-margin, lower-growth wine and spirits brands, wineries, vineyards, offices, and facilities.

In December 2019, we agreed to revise and supersede the Wine and Spirits Transaction. The revisions to the transaction address competitive concerns raised by the FTC specifically related to the sparkling wine, brandy, dessert wine, and concentrate categories. As a result, the brands Cook's California Champagne, J. Roget American Champagne, Paul Masson Grande Amber Brandy, and our concentrate business will be excluded from the transaction with Gallo resulting in an adjusted transaction price of approximately \$843 million, with the potential to earn an incremental \$250 million of contingent consideration if certain brand performance provisions are met over a two-year period after closing. The Revised Wine and Spirits Transaction is expected to close around the end of first quarter of fiscal 2021, and is subject to required regulatory clearances and governmental review and approval. Additionally, in a separate, but related, transaction we agreed that upon execution and delivery of a definitive agreement for the Revised Wine and Spirits Transaction, we would enter into an agreement to sell the New Zealand-based Nobilo Wine brand and certain related assets for \$130 million to Gallo. The Nobilo Wine Transaction is expected to close by the end of second quarter of fiscal 2021 and is subject to FTC and New Zealand regulatory review and approval. Completion of the Nobilo Transaction is also conditioned on completion of the Revised Wine and Spirits Transaction. We expect to use the net cash proceeds from the New Wine and Spirits Transactions primarily to reduce outstanding borrowings. The New Wine and Spirits Transactions are consistent with our strategic focus on higher-margin, higher-growth brands.