UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended May 31, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________ to ____________

Commission File Number: **001-08495**

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CONSTELLATION BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**16-0716709**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

50 East Broad Street, Rochester, New York 14614

(Address of principal executive offices) (Zip code)

(585) 678-7100

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Class A Common Stock	STZ	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

There were 182,192,431 shares of Class A Common Stock and 25,541 shares of Class 1 Common Stock outstanding as of June 28, 2024.

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This Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those set forth in, or implied by, such forward-looking statements. For further information regarding such forward-looking statements, risks, and uncertainties, please see “Information Regarding Forward-Looking Statements” under MD&A.

Defined Terms

Unless the context otherwise requires, the terms “Company,” “CBI,” “we,” “our,” or “us” refer to Constellation Brands, Inc. and its subsidiaries. We use terms in this Form 10-Q and in our Notes that are specific to us or are abbreviations that may not be commonly known or used.

Term	Meaning
$	U.S. dollars
2021 Authorization	authorization to repurchase up to $2.0 billion of our publicly traded common stock, approved by our Board of Directors in January 2021
2022 Credit Agreement	tenth amended and restated credit agreement, dated as of April 14, 2022, that provides for an aggregate revolving credit facility of $2.25 billion, inclusive of October 2022 Credit Agreement Amendment
2023 Authorization	authorization to repurchase up to $2.0 billion of our publicly traded common stock, approved by our Board of Directors in November 2023
2023 Canopy Promissory Note	C$100.0 million principal amount of 4.25% promissory note issued to us by Canopy in April 2023, exchanged, in part, for Exchangeable Shares in April 2024
2024 Annual Report	our Annual Report on Form 10-K for the fiscal year ended February 29, 2024
3.60% May 2022 Senior Notes	$550.0 million principal amount of 3.60% senior notes issued in May 2022, now repaid in full
3-tier	distribution channel where products are sold to a distributor (wholesaler) who then sells to a retailer; the retailer sells the products to a consumer
3-tier eCommerce	digital commerce experience for consumers to purchase beverage alcohol from retailers
ABA	alternative beverage alcohol
Administrative Agent	Bank of America, N.A., as administrative agent for the senior credit facility
Amended and Restated By-Laws	our amended and restated by-laws
AOCI	accumulated other comprehensive income (loss)
C$	Canadian dollars
Canopy	Canopy Growth Corporation, an Ontario, Canada-based public company in which we have an investment
Canopy Debt Securities	debt securities issued by Canopy in June 2018, no longer outstanding
Canopy Equity Method Investment	an investment in Canopy common shares, no longer applicable following conversion of Canopy common shares into Exchangeable Shares in April 2024
CB International	CB International Finance S.à r.l., a wholly-owned subsidiary of ours
Class 1 Stock	our Class 1 Convertible Common Stock, par value $0.01 per share
Class A Stock	our Class A Common Stock, par value $0.01 per share
CODM	chief operating decision maker, our President and Chief Executive Officer
Comparable Adjustments	certain items affecting comparability that have been excluded by management
CPG	consumer packaged goods
Craft Beer Divestitures	the Four Corners Divestiture and the Funky Buddha Divestiture, collectively

Term	Meaning
Exchangeable Shares	new class of non-voting and non-participating exchangeable shares in Canopy which are convertible into common shares of Canopy on a one-for-one basis
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
Financial Statements	our consolidated financial statements and notes thereto included herein
First Quarter 2024	the Company's three months ended May 31, 2023
First Quarter 2025	the Company's three months ended May 31, 2024
Fiscal 2024	the Company's fiscal year ended February 29, 2024
Fiscal 2025	the Company's fiscal year ending February 28, 2025
Fiscal 2026	the Company's fiscal year ending February 28, 2026
Fiscal 2027	the Company's fiscal year ending February 28, 2027
Fiscal 2028	the Company's fiscal year ending February 29, 2028
Fiscal 2029	the Company's fiscal year ending February 28, 2029
Fiscal 2030	the Company's fiscal year ending February 28, 2030
Form 10-Q	this Quarterly Report on Form 10-Q for the quarterly period ended May 31, 2024, unless otherwise specified
Four Corners Divestiture	sale of the Four Corners craft beer business
Funky Buddha Divestiture	sale of the Funky Buddha craft beer business
GHG	greenhouse gas
IRA	Inflation Reduction Act of 2022
IT	information technology
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations under Part I – Item 2. of this Form 10-Q
Mexicali Brewery	canceled brewery construction project located in Mexicali, Baja California, Mexico, closed on the sale of the remaining assets classified as held for sale in July 2024
Mexico Beer Projects	expansion, optimization, and/or construction activities at the Obregón Brewery, Nava Brewery, and Veracruz Brewery
M&T	Manufacturers and Traders Trust Company
NA	not applicable
Nava	Nava, Coahuila, Mexico
Nava Brewery	brewery located in Nava
Net sales	gross sales less promotions, returns and allowances, and excise taxes
NM	not meaningful
Note(s)	notes to the consolidated financial statements
Obregón	Obregón, Sonora, Mexico
Obregón Brewery	brewery located in Obregón
OCI	other comprehensive income (loss)
October 2022 Credit Agreement Amendment	amendment dated as of October 18, 2022, to the 2022 Credit Agreement, effective in April 2024
Pre-issuance hedge contracts	treasury lock and/or swap lock contracts designated as cash flow hedges entered into to hedge treasury rate volatility on future debt issuances

Term	Meaning
Sands Family Stockholders	RES Master LLC, RES Business Holdings LP, SER Business Holdings LP, RHT 2015 Business Holdings LP, RSS Master LLC, RSS Business Holdings LP, SSR Business Holdings LP, RSS 2015 Business Holdings LP, RCT 2015 Business Holdings LP, RCT 2020 Investments LLC, NSDT 2009 STZ LLC, NSDT 2011 STZ LLC, RSS Business Management LLC, SSR Business Management LLC, LES Lauren Holdings LLC, MES Mackenzie Holdings LLC, Abigail Bennett, Zachary Stern, A&Z 2015 Business Holdings LP (subsequently liquidated), Marilyn Sands Master Trust, MAS Business Holdings LP, Sands Family Foundation, Richard Sands, Robert Sands, WildStar Partners LLC, Astra Legacy LLC, AJB Business Holdings LP, and ZMSS Business Holdings LP
Sea Smoke	Sea Smoke wine business, acquired by us
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
SOFR	secured overnight financing rate administered by the Federal Reserve Bank of New York
U.S.	United States of America
Veracruz	Heroica Veracruz, Veracruz, Mexico
Veracruz Brewery	a new brewery being constructed in Veracruz

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in millions, except share and per share data)

(unaudited)

	May 31, 2024	February 29, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 73.8**	$ 152.4
Accounts receivable	**893.9**	832.8
Inventories	**2,127.0**	2,078.3
Prepaid expenses and other	**733.7**	666.0
Total current assets	**3,828.4**	3,729.5
Property, plant, and equipment	**8,298.0**	8,055.2
Goodwill	**7,985.4**	7,980.3
Intangible assets	**2,731.5**	2,731.7
Deferred income taxes	**2,020.3**	2,055.0
Other assets	**1,196.5**	1,140.0
Total assets	**$ 26,060.1**	$ 25,691.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	**$ 793.2**	$ 241.4
Current maturities of long-term debt	**406.2**	956.8
Accounts payable	**1,139.3**	1,107.1
Other accrued expenses and liabilities	**783.5**	836.4
Total current liabilities	**3,122.2**	3,141.7
Long-term debt, less current maturities	**10,682.9**	10,681.1
Deferred income taxes and other liabilities	**1,683.1**	1,804.3
Total liabilities	**15,488.2**	15,627.1
Commitments and contingencies		
CBI stockholders' equity:		
Class A Stock, $0.01 par value – Authorized, 322,000,000 shares; Issued, 212,698,298 shares and 212,698,298 shares, respectively	**2.1**	2.1
Additional paid-in capital	**2,070.3**	2,047.3
Retained earnings	**14,109.5**	13,417.2
Accumulated other comprehensive income (loss)	**367.8**	376.8
Class A Stock in treasury, at cost, 30,341,484 shares and 29,809,881 shares, respectively	**(6,297.9)**	(6,100.3)
Total CBI stockholders' equity	**10,251.8**	9,743.1
Noncontrolling interests	**320.1**	321.5
Total stockholders' equity	**10,571.9**	10,064.6
Total liabilities and stockholders' equity	**$ 26,060.1**	$ 25,691.7

The accompanying notes are an integral part of these statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in millions, except per share data)
(unaudited)

	For the Three Months Ended May 31,	
	2024	2023
Sales	**$ 2,860.7**	$ 2,699.5
Excise taxes	**(198.9)**	(184.6)
Net sales	**2,661.8**	2,514.9
Cost of product sold	**(1,258.0)**	(1,257.1)
Gross profit	**1,403.8**	1,257.8
Selling, general, and administrative expenses	**(462.2)**	(493.1)
Operating income (loss)	**941.6**	764.7
Income (loss) from unconsolidated investments	**82.0**	(415.4)
Interest expense, net	**(102.8)**	(118.9)
Income (loss) before income taxes	**920.8**	230.4
(Provision for) benefit from income taxes	**(28.0)**	(91.2)
Net income (loss)	**892.8**	139.2
Net (income) loss attributable to noncontrolling interests	**(15.8)**	(3.3)
Net income (loss) attributable to CBI	**$ 877.0**	$ 135.9
Comprehensive income (loss)	**$ 884.1**	$ 364.5
Comprehensive (income) loss attributable to noncontrolling interests	**(16.1)**	(14.2)
Comprehensive income (loss) attributable to CBI	**$ 868.0**	$ 350.3
Class A Stock:		
Net income (loss) per common share attributable to CBI – basic	**$ 4.80**	$ 0.74
Net income (loss) per common share attributable to CBI – diluted	**$ 4.78**	$ 0.74
Weighted average common shares outstanding – basic	**182.766**	183.270
Weighted average common shares outstanding – diluted	**183.461**	183.863
Cash dividends declared per common share	**$ 1.01**	$ 0.89

The accompanying notes are an integral part of these statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in millions)

(unaudited)

	Class A Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-controlling Interests	Total
Balance at February 29, 2024	**$2.1**	**$2,047.3**	**$13,417.2**	**$ 376.8**	**$(6,100.3)**	**$ 321.5**	**$10,064.6**
Comprehensive income (loss):							
Net income (loss)	**—**	**—**	**877.0**	**—**	**—**	**15.8**	**892.8**
Other comprehensive income (loss), net of income tax effect	**—**	**—**	**—**	**(9.0)**	**—**	**0.3**	**(8.7)**
Comprehensive income (loss)							**884.1**
Repurchase of shares	**—**	**—**	**—**	**—**	**(200.0)**	**—**	**(200.0)**
Dividends declared	**—**	**—**	**(184.7)**	**—**	**—**	**—**	**(184.7)**
Non-controlling interest distributions	**—**	**—**	**—**	**—**	**—**	**(17.5)**	**(17.5)**
Shares issued under equity compensation plans	**—**	**5.7**	**—**	**—**	**2.4**	**—**	**8.1**
Stock-based compensation	**—**	**17.3**	**—**	**—**	**—**	**—**	**17.3**
Balance at May 31, 2024	**$2.1**	**$2,070.3**	**$14,109.5**	**$ 367.8**	**$(6,297.9)**	**$ 320.1**	**$10,571.9**
Balance at February 28, 2023	$ 2.1	$ 1,903.0	$ 12,343.9	$ 28.5	$ (5,863.9)	$ 320.3	$ 8,733.9
Comprehensive income (loss):							
Net income (loss)	—	—	135.9	—	—	3.3	139.2
Other comprehensive income (loss), net of income tax effect	—	—	—	214.4	—	10.9	225.3
Comprehensive income (loss)							364.5
Repurchase of							

The accompanying notes are an integral part of these statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	For the Three Months Ended May 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	**$ 892.8**	$ 139.2
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Unrealized net (gain) loss on securities measured at fair value	**—**	71.8
Deferred tax provision (benefit)	**25.0**	(0.3)
Depreciation	**111.6**	105.3
Stock-based compensation	**17.3**	14.5
Equity in (earnings) losses of equity method investees and related activities, net of distributed earnings	**1.3**	220.6
Noncash lease expense	**29.1**	22.0
Impairment of equity method investments	**—**	123.5
Net gain on conversion and exchange to Exchangeable Shares	**(83.3)**	—
Change in operating assets and liabilities, net of effects from purchase and sale of business:		
Accounts receivable	**(63.4)**	(31.5)
Inventories	**(47.3)**	(57.6)
Prepaid expenses and other current assets	**(61.4)**	(17.9)
Accounts payable	**62.7**	34.2
Deferred revenue	**15.6**	24.3
Other accrued expenses and liabilities	**(97.7)**	(73.2)
Other	**(111.8)**	90.5
Total adjustments	**(202.3)**	526.2
Net cash provided by (used in) operating activities	**690.5**	665.4
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, and equipment	**(375.3)**	(277.0)
Investments in equity method investees and securities	**(13.0)**	(21.6)
Proceeds from sale of assets	**12.9**	—
Proceeds from sale of business	**—**	6.7
Other investing activities	**(2.0)**	—
Net cash provided by (used in) investing activities	**(377.4)**	(291.9)

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)
(unaudited)

	For the Three Months Ended May 31,	
	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	**—**	744.8
Principal payments of long-term debt	**(552.2)**	(502.5)
Net proceeds from (repayments of) short-term borrowings	**551.8**	(346.3)
Dividends paid	**(185.3)**	(164.1)
Purchases of treasury stock	**(200.0)**	(35.0)
Proceeds from shares issued under equity compensation plans	**24.7**	15.9
Payments of minimum tax withholdings on stock-based payment awards	**(13.8)**	(11.2)
Payments of debt issuance, debt extinguishment, and other financing costs	**—**	(5.0)
Distributions to noncontrolling interests	**(17.5)**	(11.3)
Payment of contingent consideration	**(0.7)**	—
Net cash provided by (used in) financing activities	**(393.0)**	(314.7)
Effect of exchange rate changes on cash and cash equivalents	**1.3**	0.2
Net increase (decrease) in cash and cash equivalents	**(78.6)**	59.0
Cash and cash equivalents, beginning of period	**152.4**	133.5
Cash and cash equivalents, end of period	**$ 73.8**	$ 192.5
Supplemental disclosures of noncash investing and financing activities		
Additions to property, plant, and equipment	**$ 195.2**	$ 142.2

The accompanying notes are an integral part of these statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
MAY 31, 2024
(unaudited)

1. BASIS OF PRESENTATION

We have prepared the Financial Statements, without audit, pursuant to the rules and regulations of the SEC applicable to quarterly reporting on Form 10-Q and reflect, in our opinion, all adjustments necessary to present fairly our financial information. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements, prepared in accordance with generally accepted accounting principles, have been condensed or omitted as permitted by such rules and regulations. These Financial Statements should be read in conjunction with the consolidated financial statements and related notes included in the 2024 Annual Report. Results of operations for interim periods are not necessarily indicative of annual results.

Reclassification

We reclassified equity method investments to other assets on our consolidated balance sheet as of February 29, 2024, to conform with current year presentation.

2. INVENTORIES

Inventories are stated at the lower of cost (primarily computed in accordance with the first-in, first-out method) or net realizable value. Elements of cost include materials, labor, and overhead and consist of the following:

	May 31, 2024	February 29, 2024
(in millions)		
Raw materials and supplies	$ 244.1	$ 254.1
In-process inventories	1,109.5	1,096.0
Finished case goods	773.4	728.2
	$ 2,127.0	$ 2,078.3

3. DERIVATIVE INSTRUMENTS

Overview

Our risk management and derivative accounting policies are presented in Notes 1 and 6 of our consolidated financial statements included in our 2024 Annual Report and have not changed significantly for the three months ended May 31, 2024.

The aggregate notional value of outstanding derivative instruments is as follows:

(in millions)	May 31, 2024	February 29, 2024
Derivative instruments designated as hedging instruments		
Foreign currency contracts	$ 2,083.1	$ 2,045.6
Derivative instruments not designated as hedging instruments		
Foreign currency contracts	$ 829.5	$ 735.9
Commodity derivative contracts	$ 351.5	$ 397.5

Credit risk

We are exposed to credit-related losses if the counterparties to our derivative contracts default. This credit risk is limited to the fair value of the derivative contracts. To manage this risk, we contract only with major financial institutions that have earned investment-grade credit ratings and with whom we have standard International Swaps and Derivatives Association agreements which allow for net settlement of the derivative contracts. We have also established counterparty credit guidelines that are regularly monitored. Because of these safeguards, we believe the risk of loss from counterparty default to be immaterial.

In addition, our derivative instruments are not subject to credit rating contingencies or collateral requirements. As of May 31, 2024, the estimated fair value of derivative instruments in a net liability position due to counterparties was $2.2 million. If we were required to settle the net liability position under these derivative instruments on May 31, 2024, we would have had sufficient available liquidity on hand to satisfy this obligation.

Results of period derivative activity

The estimated fair value and location of our derivative instruments on our balance sheets are as follows (see Note 4):

Assets			Liabilities		
	May 31, 2024	February 29, 2024		May 31, 2024	February 29, 2024
(in millions)					
Derivative instruments designated as hedging instruments					
Foreign currency contracts:					
Prepaid expenses and other	$ 148.0	$ 154.1	Other accrued expenses and liabilities	$ 2.5	$ 3.5
Other assets	$ 141.0	$ 153.5	Deferred income taxes and other liabilities	$ 0.5	$ 0.2
Derivative instruments not designated as hedging instruments					
Foreign currency contracts:					
Prepaid expenses and other	$ 2.7	$ 3.6	Other accrued expenses and liabilities	$ 3.8	$ 1.7
Commodity derivative contracts:					
Prepaid expenses and other	$ 11.2	$ 4.8	Other accrued expenses and liabilities	$ 19.1	$ 27.9
Other assets	$ 5.7	$ 1.4	Deferred income taxes and other liabilities	$ 4.5	$ 8.1

The principal effect of our derivative instruments designated in cash flow hedging relationships on our results of operations, as well as OCI, net of income tax effect, is as follows:

Derivative Instruments in Designated Cash Flow Hedging Relationships	Net Gain (Loss) Recognized in OCI	Location of Net Gain (Loss) Reclassified from AOCI to Income (Loss)	Net Gain (Loss) Reclassified from AOCI to Income (Loss)
(in millions)			
For the Three Months Ended May 31, 2024			
Foreign currency contracts	$ 26.1	Sales	$ 0.1
		Cost of product sold	39.1
	$ 26.1		$ 39.2
For the Three Months Ended May 31, 2023			
Foreign currency contracts	$ 79.3	Sales	$ —
		Cost of product sold	26.4
Pre-issuance hedge contracts	0.6	Interest expense, net	(0.2)
	$ 79.9		$ 26.2

We expect $128.3 million of net gains, net of income tax effect, to be reclassified from AOCI to our results of operations within the next 12 months.

The effect of our undesignated derivative instruments on our results of operations is as follows:

Derivative Instruments Not Designated as Hedging Instruments	Location of Net Gain (Loss) Recognized in Income (Loss)	Net Gain (Loss) Recognized in Income (Loss)
(in millions)		
For the Three Months Ended May 31, 2024		
Commodity derivative contracts	Cost of product sold	$ 14.6
Foreign currency contracts	Selling, general, and administrative expenses	4.0
		$ 18.6
For the Three Months Ended May 31, 2023		
Commodity derivative contracts	Cost of product sold	$ (34.7)
Foreign currency contracts	Selling, general, and administrative expenses	12.7
		$ (22.0)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Authoritative guidance establishes a framework for measuring fair value, including a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy includes three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs include data points that are observable such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) such as volatility, interest rates, and yield curves that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

Fair value methodology

The following methods and assumptions are used to estimate the fair value of our financial instruments:

Foreign currency and commodity derivative contracts

The fair value is estimated using market-based inputs, obtained from independent pricing services, entered into valuation models. These valuation models require various inputs, including contractual terms, market foreign exchange prices, market commodity prices, interest-rate yield curves, and currency volatilities, as applicable (Level 2 fair value measurement).

Short-term borrowings

Our short-term borrowings consist of our commercial paper program and the revolving credit facility under our senior credit facility. The revolving credit facility is a variable interest rate bearing note with a fixed margin, adjustable based upon our debt rating (as defined in our senior credit facility). For these short-term borrowings, the carrying value approximates the fair value.

Long-term debt

The fair value of our fixed interest rate long-term debt is estimated by discounting cash flows using interest rates currently available for debt with similar terms and maturities (Level 2 fair value measurement). As of May 31, 2024, the carrying amount of long-term debt, including the current portion, was $11,089.1 million, compared with an estimated fair value of $10,176.1 million. As of February 29, 2024, the carrying amount of long-term debt, including the current portion, was $11,637.9 million, compared with an estimated fair value of $10,775.8 million.

The carrying amounts of certain of our financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable, approximate fair value as of May 31, 2024, and February 29, 2024, due to the relatively short maturity of these instruments.

Recurring basis measurements

The following table presents our financial assets and liabilities measured at estimated fair value on a recurring basis:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(in millions)				
May 31, 2024				
Assets:				
Foreign currency contracts	$ —	$ 291.7	$ —	$ 291.7
Commodity derivative contracts	$ —	$ 16.9	$ —	$ 16.9
Liabilities:				
Foreign currency contracts	$ —	$ 6.8	$ —	$ 6.8
Commodity derivative contracts	$ —	$ 23.6	$ —	$ 23.6
February 29, 2024				
Assets:				
Foreign currency contracts	$ —	$ 311.2	$ —	$ 311.2
Commodity derivative contracts	$ —	$ 6.2	$ —	$ 6.2
Liabilities:				
Foreign currency contracts	$ —	$ 5.4	$ —	$ 5.4
Commodity derivative contracts	$ —	$ 36.0	$ —	$ 36.0

Nonrecurring basis measurements

The following table presents our assets and liabilities measured at estimated fair value on a nonrecurring basis for which an impairment assessment was performed for the periods presented:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses
(in millions)				
For the Three Months Ended May 31, 2023				
Equity method investments	$ 142.7	$ —	$ —	$ 123.5

Equity method investments

We evaluated the Canopy Equity Method Investment as of May 31, 2023, and determined there was an other-than-temporary impairment. Our conclusion was based on several contributing factors, including: (i) the fair value being less than the carrying value and the uncertainty surrounding Canopy's stock price recovering in the near-term, (ii) Canopy recorded significant costs in its fourth quarter of fiscal 2023 results designed to align its

Canadian cannabis operations and resources in response to continued unfavorable market trends, (iii) the substantial doubt about Canopy's ability to continue as a going concern, as disclosed by Canopy, and (iv) Canopy's identification of material misstatements in certain of its previously reported financial results related to sales in its BioSteel Sports Nutrition Inc. reporting unit that were accounted for incorrectly, including the recording of a goodwill impairment during its restated second quarter of fiscal 2023. As a result, the Canopy Equity Method Investment with a carrying value of $266.2 million was written down to its estimated fair value of $142.7 million, resulting in an impairment of $123.5 million. This loss from impairment was included in income (loss) from unconsolidated investments within our consolidated results for the three months ended May 31, 2023. The estimated fair value was determined based on the closing price of the underlying equity security as of May 31, 2023. We no longer apply the equity method to our investment in Canopy following the April 2024 conversion of our Canopy common shares to Exchangeable Shares. See Note 7 for further discussion.

5. GOODWILL

The changes in the carrying amount of goodwill are as follows:

	Beer	Wine and Spirits	Consolidated
(in millions)			
Balance, February 28, 2023	$ 5,188.9	$ 2,736.5	$ 7,925.4
Purchase accounting allocations [1]	—	6.5	6.5
Foreign currency translation adjustments	49.3	(0.9)	48.4
Balance, February 29, 2024	5,238.2	2,742.1	7,980.3
Foreign currency translation adjustments	4.4	0.7	5.1
Balance, May 31, 2024	$ 5,242.6	$ 2,742.8	$ 7,985.4

[1] Purchase accounting allocations associated with the June 2023 acquisition of the Domaine Curry wine business.

If broader industry and market conditions decline and/or our expectations of future performance as reflected in our current strategic operating plans are not fully realized, a future impairment of Wine and Spirits goodwill is reasonably possible.

Subsequent event

Sea Smoke acquisition

In June 2024, we acquired the Sea Smoke business, including a California-based luxury wine brand, vineyards, and a production facility for $170.0 million, subject to adjustments. This transaction also included the acquisition of a trademark, inventory, and goodwill. The results of operations of Sea Smoke will be reported in the Wine and Spirits segment and will be included in our consolidated results of operations from the date of acquisition.

6. INTANGIBLE ASSETS

The major components of intangible assets are as follows:

	May 31, 2024		February 29, 2024	
	Gross Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
(in millions)				
Amortizable intangible assets				
Customer relationships	$ 85.4	$ 15.8	$ 85.3	$ 16.2
Other	20.8	0.3	20.8	0.3
Total	$ 106.2	16.1	$ 106.1	16.5
Nonamortizable intangible assets				
Trademarks		2,715.4		2,715.2
Total intangible assets		$ 2,731.5		$ 2,731.7

We did not incur costs to renew or extend the term of acquired intangible assets for the three months ended May 31, 2024, and May 31, 2023. Net carrying amount represents the gross carrying value net of accumulated amortization.

7. OTHER ASSETS

The major components of other assets are as follows:

	May 31, 2024	February 29, 2024
(in millions)		
Operating lease right-of-use asset	$ 606.2	$ 615.3
Derivative assets	146.7	154.9
Equity method investments	126.9	170.6
Exchangeable Shares	97.3	—
Other investments in debt and equity securities	86.0	73.0
Assets held for sale	26.1	25.7
Other	107.3	100.5
	$ 1,196.5	$ 1,140.0

Equity method investments

The carrying value of our equity method investments are as follows:

	May 31, 2024	February 29, 2024
(in millions)		
Canopy Equity Method Investment [1]	$ —	$ 42.5
Other equity method investments	126.9	128.1
	$ 126.9	$ 170.6

[1] Following the April 2024 conversion to Exchangeable Shares we no longer apply the equity method.

Exchangeable Shares

In April 2024, we elected to convert our 17.1 million Canopy common shares into Exchangeable Shares on a one-for-one basis. Additionally, in April 2024, we exchanged C$81.2 million of the principal amount of the C$100.0 million 4.25% promissory note issued to us by Canopy for 9.1 million Exchangeable Shares and forgave all accrued but unpaid interest together with the remaining principal amount of the note. As a result of these transactions, we (i) have 26.3 million Exchangeable Shares and (ii) recognized an $83.3 million net gain in income (loss) from unconsolidated investments within our consolidated results of operations for the three months ended May 31, 2024. The fair value of Exchangeable Shares on the date of the conversion and exchange was estimated using a valuation model based primarily on the following inputs: (i) Canopy's common share price, (ii) the expected volatility of Canopy's common shares, and (iii) the probability and timing of U.S. federal legalization of recreational cannabis. As the Exchangeable Shares are an equity security without a readily determinable fair value, we elected to account for the Exchangeable Shares under the measurement alternative method. Future impairments, if any, will also be reported in income (loss) from unconsolidated investments within our consolidated results.

Other investments in debt and equity securities

We have multiple investments through our corporate venture capital function in debt and equity securities.

Subsequent event

Mexicali Brewery

In July 2024, we closed on the sale of the remaining assets classified as held for sale at the canceled Mexicali Brewery. These net assets had met held for sale criteria as of May 31, 2024, and February 29, 2024.

8. BORROWINGS

Borrowings consist of the following:

	May 31, 2024			February 29, 2024
	Current	Long-term	Total	Total
(in millions)				
Short-term borrowings				
Commercial paper	$ 793.2			$ 241.4
	$ 793.2			$ 241.4
Long-term debt				
Senior notes	$ 399.7	$ 10,673.7	$ 11,073.4	$ 11,620.1
Other	6.5	9.2	15.7	17.8
	$ 406.2	$ 10,682.9	$ 11,089.1	$ 11,637.9

Bank facilities

The Company, CB International, the Administrative Agent, and certain other lenders are parties to the 2022 Credit Agreement. The October 2022 Credit Agreement Amendment revised certain defined terms and covenants in the 2022 Credit Agreement and became effective in April 2024 following (i) the amendment by Canopy of its Articles of Incorporation, (ii) the conversion of our Canopy common shares into Exchangeable Shares, and (iii) the resignation of our nominees from the board of directors of Canopy.

Information with respect to borrowings under the 2022 Credit Agreement is as follows:

	Outstanding borrowings	Interest rate	SOFR margin	Outstanding letters of credit	Remaining borrowing capacity [1]
(in millions)					
May 31, 2024					
Revolving credit facility [2] [3]	$ —	— %	— %	$ 11.4	$ 1,443.1
February 29, 2024					
Revolving credit facility [2] [3]	$ —	— %	— %	$ 11.5	$ 1,997.0

[1] Net of outstanding revolving credit facility borrowings and outstanding letters of credit under the 2022 Credit Agreement and outstanding borrowings under our commercial paper program of $795.5 million and $241.5 million (excluding unamortized discount) as of May 31, 2024 and February 29, 2024, respectively (see “Commercial paper program” below).

[2] Contractual interest rate varies based on our debt rating (as defined in the agreement) and is a function of SOFR plus a margin and a credit spread adjustment, or the base rate plus a margin, or, in certain circumstances where SOFR cannot be adequately ascertained or available, an alternative benchmark rate plus a margin.

[3] We and/or CB International are the borrower under the $2,250.0 million revolving credit facility with a maturity date of April 14, 2027. Includes a sub-facility for letters of credit of up to $200.0 million.

We and our subsidiaries are subject to covenants that are contained in the 2022 Credit Agreement, including those restricting the incurrence of additional subsidiary indebtedness, additional liens, mergers and consolidations, transactions with affiliates, and sale and leaseback transactions, in each case subject to numerous conditions, exceptions, and thresholds. The financial covenants are limited to a minimum interest coverage ratio and a maximum net leverage ratio.

Commercial paper program

We have a commercial paper program which provides for the issuance of up to an aggregate principal amount of $2.25 billion of commercial paper. Our commercial paper program is backed by unused commitments under our revolving credit facility under our 2022 Credit Agreement. Accordingly, outstanding borrowings under our commercial paper program reduce the amount available under our revolving credit facility. Information with respect to our outstanding commercial paper borrowings is as follows:

	May 31, 2024	February 29, 2024
(in millions)		
Outstanding borrowings [1]	$ 793.2	$ 241.4
Weighted average annual interest rate	5.7 %	5.7 %
Weighted average remaining term	20 days	4 days

(1) Outstanding commercial paper borrowings are net of unamortized discount.

Debt payments

As of May 31, 2024, the required principal repayments under long-term debt obligations (excluding unamortized debt issuance costs and unamortized discounts of $53.8 million and $22.8 million, respectively) for the remaining nine months of Fiscal 2025 and for each of the five succeeding fiscal years and thereafter are as follows:

(in millions)	
Fiscal 2025	$ 405.3
Fiscal 2026	1,404.9
Fiscal 2027	603.8
Fiscal 2028	1,801.5
Fiscal 2029	900.1
Fiscal 2030	800.0
Thereafter	5,250.1
	$ 11,165.7

9. INCOME TAXES

Our effective tax rate for the three months ended May 31, 2024, and May 31, 2023, was 3.0% and 39.6%, respectively.

For the three months ended May 31, 2024, our effective tax rate was lower than the federal statutory rate of 21% primarily due to (i) a net income tax benefit recognized as a result of the resolution of various tax examinations and assessments related to prior periods, (ii) the benefit of lower effective tax rates applicable to our foreign businesses, and (iii) a decrease in the valuation allowance related to our investment in Canopy.

For the three months ended May 31, 2023, our effective tax rate was higher than the federal statutory rate of 21% primarily due to an increase in the valuation allowance related to our investment in Canopy, partially offset by (i) a net income tax benefit recognized as a result of a change in tax entity classification and (ii) the benefit of lower effective tax rates applicable to our foreign businesses.

The Organization for Economic Cooperation and Development introduced a framework under Pillar Two which includes a global minimum tax rate of 15%. Many jurisdictions in which we do business have started to enact laws implementing Pillar Two. We are monitoring these developments and currently do not believe these rules will have a material impact on our financial condition and/or consolidated results.

10. STOCKHOLDERS’ EQUITY

Common stock

The number of shares of common stock issued and treasury stock, and associated share activity, are as follows:

	Class A Stock	Class 1 Stock	Class A Stock in Treasury
Balance at February 29, 2024	212,698,298	23,661	29,809,881
Share repurchases	—	—	775,334
Exercise of stock options	—	1,880	(149,324)
Vesting of restricted stock units [1]	—	—	(85,650)
Vesting of performance share units [1]	—	—	(8,757)
Balance at May 31, 2024	212,698,298	25,541	30,341,484

	Class A Stock	Class 1 Stock	Class A Stock in Treasury
Balance at February 28, 2023	212,697,428	22,705	29,498,426
Share repurchases	—	—	153,937
Conversion of shares	80	(80)	—
Exercise of stock options	—	800	(129,595)
Vesting of restricted stock units [1]	—	—	(71,189)
Vesting of performance share units [1]	—	—	(13,113)
Balance at May 31, 2023	212,697,508	23,425	29,438,466

[1] Net of the following shares withheld to satisfy tax withholding requirements:

	For the Three Months Ended May 31,
2024	
Restricted Stock Units	48,501
Performance Share Units	5,728
2023	
Restricted Stock Units	39,839
Performance Share Units	8,735

Stock repurchases

In each of January 2021 and November 2023, our Board of Directors authorized the repurchase of up to $2.0 billion of our publicly traded common stock. The Board of Directors did not specify a date upon which these authorizations would expire. Shares repurchased under these authorizations become treasury shares.

For the three months ended May 31, 2024, we repurchased 775,334 shares of Class A Stock pursuant to the 2021 Authorization through open market transactions at an aggregate cost of $200.0 million. Beginning May 31, 2024, we repurchased 187,843 shares of Class A Stock pursuant to the 2021 Authorization at an aggregate cost of $47.0 million through open market transactions made pursuant to a Rule 10b5-1 trading plan.

As of July 3, 2024, total shares repurchased under our board authorizations are as follows:

		Class A Stock	
	Repurchase Authorization	Dollar Value of Shares Repurchased	Number of Shares Repurchased
(in millions, except share data)			
2021 Authorization [1]	$ 2,000.0	$ 1,633.3	6,838,453
2023 Authorization [1]	$ 2,000.0	$ —	—

[1] As of July 3, 2024, $2,366.7 million remains available for future share repurchases, excluding the impact of Federal excise tax owed pursuant to the IRA.

11. NET INCOME (LOSS) PER COMMON SHARE ATTRIBUTABLE TO CBI

For the three months ended May 31, 2024, and May 31, 2023, net income (loss) per common share – basic for Class A Stock has been computed based on the weighted average shares of common stock outstanding during the period. Net income (loss) per common share – diluted for Class A Stock reflects the weighted average shares of common stock plus the effect of dilutive securities outstanding during the period using the treasury stock method.

The effect of dilutive securities includes the impact of outstanding stock-based awards. The dilutive computation does not assume conversion, exercise, or contingent issuance of securities that would have an anti-dilutive effect on the net income (loss) per common share attributable to CBI. The computation of basic and diluted net income (loss) per common share for Class A Stock are as follows:

	For the Three Months Ended May 31,	
	2024	2023
(in millions, except per share data)		
Net income (loss) attributable to CBI	$ 877.0	$ 135.9
Weighted average common shares outstanding – basic	182.766	183.270
Stock-based awards, primarily stock options	0.695	0.593
Weighted average common shares outstanding – diluted	183.461	183.863
Net income (loss) per common share attributable to CBI – basic	$ 4.80	$ 0.74
Net income (loss) per common share attributable to CBI – diluted	$ 4.78	$ 0.74

12. COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CBI

Comprehensive income (loss) consists of net income (loss), foreign currency translation adjustments, unrealized net gain (loss) on derivative instruments, pension/postretirement adjustments, and our share of OCI of equity method investments. The reconciliation of net income (loss) attributable to CBI to comprehensive income (loss) attributable to CBI is as follows:

(in millions)	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
For the Three Months Ended May 31, 2024			
Net income (loss) attributable to CBI			$ 877.0
Other comprehensive income (loss) attributable to CBI:			
Foreign currency translation adjustments:			
Net gain (loss)	$ 13.5	$ —	13.5
Amounts reclassified	—	—	—
Net gain (loss) recognized in other comprehensive income (loss)	13.5	—	13.5
Unrealized gain (loss) on cash flow hedges:			
Net derivative gain (loss)	28.2	(3.3)	24.9
Amounts reclassified	(42.1)	5.0	(37.1)
Net gain (loss) recognized in other comprehensive income (loss)	(13.9)	1.7	(12.2)
Share of OCI of equity method investments			
Net gain (loss)	—	—	—
Amounts reclassified	(10.3)	—	(10.3)
Net gain (loss) recognized in other comprehensive income (loss)	(10.3)	—	(10.3)
Other comprehensive income (loss) attributable to CBI	$ (10.7)	$ 1.7	(9.0)
Comprehensive income (loss) attributable to CBI			$ 868.0

	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
(in millions)			
For the Three Months Ended May 31, 2023			
Net income (loss) attributable to CBI			$ 135.9
Other comprehensive income (loss) attributable to CBI:			
Foreign currency translation adjustments:			
Net gain (loss)	$ 163.4	$ —	163.4
Amounts reclassified	—	—	—
Net gain (loss) recognized in other comprehensive income (loss)	163.4	—	163.4
Unrealized gain (loss) on cash flow hedges:			
Net derivative gain (loss)	86.4	(10.4)	76.0
Amounts reclassified	(27.8)	3.2	(24.6)
Net gain (loss) recognized in other comprehensive income (loss)	58.6	(7.2)	51.4
Pension/postretirement adjustments:			
Net actuarial gain (loss)	(0.3)	0.1	(0.2)
Amounts reclassified	—	—	—
Net gain (loss) recognized in other comprehensive income (loss)	(0.3)	0.1	(0.2)
Share of OCI of equity method investments			
Net gain (loss)	(0.3)	0.1	(0.2)
Amounts reclassified	—	—	—
Net gain (loss) recognized in other comprehensive income (loss)	(0.3)	0.1	(0.2)
Other comprehensive income (loss) attributable to CBI	$ 221.4	$ (7.0)	214.4
Comprehensive income (loss) attributable to CBI			$ 350.3

Accumulated other comprehensive income (loss), net of income tax effect, includes the following components:

(in millions)	Foreign Currency Translation Adjustments	Unrealized Net Gain (Loss) on Derivative Instruments	Pension/ Postretirement Adjustments	Share of OCI of Equity Method Investments	Accumulated Other Comprehensive Income (Loss)
Balance, February 29, 2024	$ 102.9	$ 266.2	$ (2.6)	$ 10.3	$ 376.8
Other comprehensive income (loss):					
Other comprehensive income (loss) before reclassification adjustments	13.5	24.9	—	—	38.4
Amounts reclassified from accumulated other comprehensive income (loss)	—	(37.1)	—	(10.3)	(47.4)
Other comprehensive income (loss)	13.5	(12.2)	—	(10.3)	(9.0)
Balance, May 31, 2024	$ 116.4	$ 254.0	$ (2.6)	$ —	$ 367.8

13. BUSINESS SEGMENT INFORMATION

Our internal management financial reporting consists of two business divisions: (i) Beer and (ii) Wine and Spirits and we report our operating results in three segments: (i) Beer, (ii) Wine and Spirits, and (iii) Corporate Operations and Other. In the Beer segment, our portfolio consists of high-end imported beer brands and ABAs. We have an exclusive perpetual brand license to produce our Mexican beer portfolio and to import, market, and sell such portfolio in the U.S. In the Wine and Spirits segment, we sell a portfolio that includes higher-end wine brands complemented by certain higher-end spirits brands. Amounts included in the Corporate Operations and Other segment consist of costs of corporate development, corporate finance, corporate strategy, executive management, growth, human resources, internal audit, investor relations, IT, legal, and public relations, as well as our Canopy investment and investments made through our corporate venture capital function. All costs included in the Corporate Operations and Other segment are general costs that are applicable to the consolidated group and are, therefore, not allocated to the other reportable segments. All costs reported within the Corporate Operations and Other segment are not included in our CODM's evaluation of the operating income (loss) performance of the other reportable segments. The business segments reflect how our operations are managed, how resources are allocated, how operating performance is evaluated by senior management, and the structure of our internal financial reporting. Long-lived tangible assets and total asset information by segment is not provided to, or reviewed by, our CODM as it is not used to make strategic decisions, allocate resources, or assess performance.

In addition, management excludes Comparable Adjustments from its evaluation of the results of each operating segment as these Comparable Adjustments are not reflective of core operations of the segments. Segment operating performance and the incentive compensation of segment management are evaluated based on core segment operating income (loss) which does not include the impact of these Comparable Adjustments.

We evaluate segment operating performance based on operating income (loss) of the respective business units. Comparable Adjustments that impacted comparability in our segment operating income (loss) for each period are as follows:

	For the Three Months Ended May 31,	
	2024	2023
(in millions)		
Cost of product sold		
Net gain (loss) on undesignated commodity derivative contracts	$ 14.6	$ (34.7)
Settlements of undesignated commodity derivative contracts	8.5	0.6
Flow through of inventory step-up	(1.1)	(0.7)
Comparable Adjustments, Cost of product sold	22.0	(34.8)
Selling, general, and administrative expenses		
Transition services agreements activity	(2.8)	(5.7)
Restructuring and other strategic business development costs	(1.8)	(14.9)
Transaction, integration, and other acquisition-related costs	(0.2)	(0.3)
Other gains (losses) [(1)]	0.4	(6.8)
Comparable Adjustments, Selling, general, and administrative expenses	(4.4)	(27.7)
Comparable Adjustments, Operating income (loss)	$ 17.6	$ (62.5)

(1) Primarily includes the following:

	For the Three Months Ended May 31,	
	2024	2023
(in millions)		
Gain (loss) on sale of business	$ —	$ (7.0)

The accounting policies of the segments are the same as those described for the Company in Note 1 of our consolidated financial statements included in our 2024 Annual Report. Segment information is as follows:

	For the Three Months Ended May 31,	
	2024	2023
(in millions)		
Beer		
Net sales	$ 2,272.8	$ 2,098.6
Segment operating income (loss)	$ 923.0	$ 797.8
Capital expenditures	$ 314.4	$ 205.6
Depreciation and amortization	$ 86.4	$ 78.8
Wine and Spirits		
Net sales:		
Wine	$ 329.3	$ 361.0
Spirits	59.7	55.3
Net sales	$ 389.0	$ 416.3
Segment operating income (loss)	$ 59.7	$ 79.3
Income (loss) from unconsolidated investments	$ 0.4	$ 2.3
Equity method investments	$ 101.2	$ 96.8
Capital expenditures	$ 49.6	$ 38.6
Depreciation and amortization	$ 21.3	$ 22.5
Corporate Operations and Other		
Segment operating income (loss)	$ (58.7)	$ (49.9)
Income (loss) from unconsolidated investments	$ (1.7)	$ (33.3)
Equity method investments	$ 25.7	$ 194.5
Capital expenditures	$ 11.3	$ 32.8
Depreciation and amortization	$ 4.2	$ 4.4
Comparable Adjustments		
Operating income (loss)	$ 17.6	$ (62.5)
Income (loss) from unconsolidated investments	$ 83.3	$ (384.4)
Consolidated		
Net sales	$ 2,661.8	$ 2,514.9
Operating income (loss)	$ 941.6	$ 764.7
Income (loss) from unconsolidated investments [(1)]	$ 82.0	$ (415.4)
Equity method investments	$ 126.9	$ 291.3
Capital expenditures	$ 375.3	$ 277.0
Depreciation and amortization	$ 111.9	$ 105.7

(1) Income (loss) from unconsolidated investments consists of:

	For the Three Months Ended May 31,	
	2024	2023
(in millions)		
Net gain on conversion and exchange to Exchangeable Shares [i]	$ 83.3	$ —
Equity in earnings (losses) from other equity method investees and related activities	(1.3)	(0.3)
Equity in earnings (losses) from Canopy and related activities	—	(219.8)
Impairment of equity method investments	—	(123.5)
Unrealized net gain (loss) on securities measured at fair value [i]	—	(71.8)
	$ 82.0	$ (415.4)

(i) Effective as of May 31, 2023, we determined that the 2023 Canopy Promissory Note did not have future economic value given the substantial doubt about Canopy's ability to continue as a going concern, as disclosed by Canopy, prior to the maturity of the note. Accordingly, the fair value of the remaining balance for this instrument was determined to be zero. In April 2024, we exchanged the 2023 Canopy Promissory Note for Exchangeable Shares.

14. ACCOUNTING GUIDANCE NOT YET ADOPTED

Segment reporting

In November 2023, the FASB issued a standard requiring disclosures, on an annual and interim basis, of significant segment expenses and other segment items that are regularly provided to the CODM as well as the title and position of the CODM. We are required to adopt these disclosures for our annual period ending February 28, 2025, and interim periods beginning March 1, 2025, with early adoption permitted. The amendments in this standard will be applied retrospectively to all prior periods presented in the financial statements. We expect this standard to impact our disclosures with no material impacts to our results of operations, cash flows, or financial condition.

Income taxes

In December 2023, the FASB issued a standard aimed at improving tax disclosure requirements, primarily through enhanced disclosures related to the income tax rate reconciliation and income taxes paid. We are required to adopt these disclosures for our annual period ending February 28, 2026, with early adoption permitted and this standard may be applied retrospectively. We expect this standard to impact our disclosures with no material impacts to our results of operations, cash flows, or financial condition.

Climate

In March 2024, the SEC adopted final rules to require disclosures about certain climate-related information in registration statements and annual reports. In April 2024, the SEC issued an order to stay the rules pending the completion of judicial review of multiple petitions challenging the rules. The rules will require disclosure of, among other things, material climate-related risks, how the board of directors and management oversee and manage such risks, and the actual and potential material impacts of such risks on us. The rules also require disclosure about material climate-related targets and goals, Scope 1 and Scope 2 GHG emissions, and the financial impacts of severe weather events and other natural conditions. The SEC has indicated that it will publish a new effective date for the rules, if ultimately implemented, at the conclusion of the stay. These rules will be applied prospectively. We are currently assessing the impact of these rules on our SEC filings.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

fy2025 bottlelineup.jpg

Introduction

This MD&A provides additional information on our businesses, current developments, financial condition, cash flows, and results of operations. It should be read in conjunction with our Financial Statements and with our consolidated financial statements and notes included in our 2024 Annual Report. This MD&A is organized as follows:

Overview. This section provides a general description of our business, which we believe is important in understanding the results of our operations, financial condition, and potential future trends.

Strategy. This section provides a description of our strategy and a discussion of recent developments and significant divestitures and investments.

Results of operations. This section provides an analysis of our results of operations presented on a business segment basis for the three months ended May 31, 2024, and May 31, 2023. In addition, a brief description of significant transactions and other items that affect the comparability of the results is provided.

Liquidity and capital resources. This section provides an analysis of our cash flows, outstanding debt, and liquidity position. Included in the analysis of outstanding debt is a discussion of the financial capacity available to fund our on-going operations and future commitments, as well as a discussion of other financing arrangements.

Overview

We are an international producer and marketer of beer, wine, and spirits with operations in the U.S., Mexico, New Zealand, and Italy with powerful, consumer-connected, high-quality brands like Corona Extra, Modelo Especial, Robert Mondavi Winery, Kim Crawford, Meiomi, The Prisoner Wine Company, High West, Casa Noble, and Mi CAMPO. In the U.S., we are one of the top growth contributors at retail among beverage alcohol suppliers. We are the second-largest beer company in the U.S. and continue to strengthen our leadership position as the #1 share gainer in the high-end beer segment and the overall U.S. beer market. In Fiscal 2024, Modelo Especial became the #1 beer brand in the U.S. beer market in dollar sales and continues to hold that position. Within wine and spirits, we have reshaped our brand portfolio to a higher-end focused business and continue to expand our supply channels through DTC and international markets. The strength of our brands makes us a supplier of choice to many of our consumers and our customers, which include wholesale distributors, retailers, and on-premise locations. We conduct our business through entities we wholly own as well as through a variety of joint ventures and other entities.

Our internal management financial reporting consists of two business divisions: (i) Beer and (ii) Wine and Spirits and we report our operating results in three segments: (i) Beer, (ii) Wine and Spirits, and (iii) Corporate

Operations and Other. In the Beer segment, our portfolio consists of high-end imported beer brands and ABAs. We have an exclusive perpetual brand license to produce our Mexican beer portfolio and to import, market, and sell such portfolio in the U.S. In the Wine and Spirits segment, we sell a portfolio that includes higher-end wine brands complemented by certain higher-end spirits brands. Amounts included in the Corporate Operations and Other segment consist of costs of corporate development, corporate finance, corporate strategy, executive management, growth, human resources, internal audit, investor relations, IT, legal, and public relations, as well as our Canopy investment and investments made through our corporate venture capital function. All costs included in the Corporate Operations and Other segment are general costs that are applicable to the consolidated group and are, therefore, not allocated to the other reportable segments. All costs reported within the Corporate Operations and Other segment are not included in our CODM's evaluation of the operating income (loss) performance of the other reportable segments. The business segments reflect how our operations are managed, how resources are allocated, how operating performance is evaluated by senior management, and the structure of our internal financial reporting.

Strategy

Business strategy

Our overall strategic vision is to consistently deliver industry-leading total stockholder returns over the long-term through a focus on these key pillars:

- continue building strong brands people love with advantaged routes to market;
- build a culture that is consumer-obsessed and leverages robust innovation capabilities to stay on the forefront of consumer trends;
- deploy capital in line with disciplined and balanced priorities;
- deliver on impactful ESG initiatives that we believe are not only good business, but also good for the world; and
- empower the whole enterprise to achieve best-in-class operational efficiency.

We will continue to strive for success by ensuring consumer-led decision making drives all aspects of our business; building a diverse talent pipeline with best-in-class people development; investing in infrastructure that supports and enables our business, including data systems and architecture; and exemplifying intentional and proactive fiscal management. We place focus on positioning our portfolio on higher-margin, higher-growth categories of the beverage alcohol industry to align with consumer-led premiumization, product, and purchasing trends, which we believe will continue to drive faster growth rates across beer, wine, and spirits. To continue capitalizing on consumer-led premiumization trends, become more competitive, and grow our business, we have employed a strategy dedicated to organic growth and supplemented by targeted investments and acquisitions. We also believe a key component to driving faster growth rates is to invest and strengthen our position within the DTC and 3-tier eCommerce channels. We believe our multi-year Digital Business Acceleration initiative will enable us to drive results by enhancing our technology capabilities in key areas. In Fiscal 2025, we continue to focus on end-to-end digital supply chain planning, logistics, and procurement, as well as introducing a new focus area, revenue growth management. Additionally, we believe our continued focus on maintaining a strong balance sheet provides a solid financial foundation to support our broader strategic initiatives.

Our business strategy for the Beer segment focuses on upholding our leadership position in the U.S. beer market, including the high-end segment, and continuing to grow our high-end imported beer brands through maintenance of leading margins, enhancements to our results of operations and operating cash flow, and exploring new avenues for growth. This includes continued focus on growing our beer portfolio in the U.S. through expanding distribution for key brands, including within the 3-tier eCommerce channel, as well as investing in the next increment of modular capacity additions required to sustain our momentum. We continue to focus on consumer-led innovation by creating new line extensions behind celebrated, trusted brands and package formats, as well as new to world brands, that are intended to meet emerging needs.

Expansion, optimization, and/or construction activities continue under our Mexico Beer Projects to align with our anticipated future growth expectations.

Our business strategy for the Wine and Spirits segment continues to focus on higher-end brands, improving margins, and creating operating efficiencies. We have reshaped our portfolio primarily through an enhanced focus on higher-margin, higher-growth wine and spirits brands. Our business is now organized into three distinct category-based teams focused on (i) U.S. wine, (ii) international wine, and (iii) spirits. While each team has its own distinct brand execution strategy, all three remain aligned to the goal of accelerating performance by growing organic net sales and expanding margins. In addition, we are advancing our aim to become a global, omni-channel competitor in line with consumer preferences. Our business continues to progressively expand into DTC channels (including hospitality), 3-tier eCommerce, and international markets, while remaining a major supplier in U.S. 3-tier brick-and-mortar distribution. In markets where it is feasible, we entered into a contractual arrangement with Southern Glazer's Wine and Spirits to consolidate our U.S. distribution in order to obtain dedicated distributor selling resources which focus on our U.S. wine and spirits portfolio to drive organic growth.

Marketing, sales, and distribution of our products are primarily managed on a geographic basis allowing us to leverage leading market positions. In addition, market dynamics and consumer trends vary across each of our markets. Within our primary market in the U.S., we offer a range of beverage alcohol products across the imported beer, ABA, and branded wine and spirits categories, with generally separate distribution networks utilized for (i) our beer portfolio and (ii) our wine and spirits portfolio. The environment for our products is competitive in each of our markets.

We remain committed to our long-term financial model of: growing sales, expanding margins, and increasing cash flow in order to achieve earnings per share growth as well as our target net leverage ratio and dividend payout ratio; investing to support the growth of our business; and delivering additional returns to stockholders through periodic share repurchases. Our results of operations and financial condition have been affected by inflation, changing prices, reductions in discretionary income of consumers available to purchase our products, and shifting consumer behaviors, as well as other unfavorable global and regional economic conditions, global supply chain disruptions and constraints, and geopolitical events. We expect some or all of these impacts to continue in Fiscal 2025 which could have a material impact on our results of operations. We intend to continue to monitor the inflationary environment and the impact on the consumer when we consider passing along rising costs through further selling price increases, subject to normal competitive conditions. In addition, we are continuing our commodity and foreign exchange hedging programs while also seeking to identify additional cost savings initiatives. However, there can be no assurance that we will be able to fully mitigate rising costs through increased selling prices and/or cost savings initiatives. Furthermore, to the extent climate-related severe weather events, such as droughts, floods, wildfires, extreme heat, and/or late frosts, continue to occur or accelerate in future periods, it could have a material impact on our results of operations and financial condition.

ESG strategy

During the course of our history, we have been committed to safeguarding our environment, making a positive difference in our communities, and advocating for responsible consumption of beverage alcohol products. We believe our ESG strategy enables us to better meet stakeholder expectations and create and protect value for our business, reflects our Company values, and directly address pressing environmental and societal needs that are important to our stockholders, communities, consumers, and employees.

Specifically, we have focused on areas where we believe we have the greatest opportunities to make meaningful, positive impacts for people and the planet in a manner that strengthens our Company, and we dedicate our resources towards:

Serving as good stewards of our environment and natural resources
Improving water availability and resilience for our communities where we operate; reducing GHG emissions through energy conservation and renewable energy initiatives; and reducing operational waste and enhancing our use of returnable, recyclable, or renewable packaging

Enhancing social equity within our industry and communities
Championing the professional development and advancement of women in the beverage alcohol industry and our communities; enhancing economic development and prosperity in disadvantaged communities; and championing an inclusive workplace culture, characterized by diversity in background and thought, which reflects our consumers and the communities where we live and work

Promoting responsible beverage alcohol consumption
Ensuring the responsible promotion and marketing of our products; and empowering adults to make responsible choices in their alcohol (substance) consumption by supporting fact-based education, engagement programs, and policies

We developed targets in connection with our strategy to serve as good stewards of our environment and natural resources. During First Quarter 2025, our current breweries in Mexico obtained TRUE Certification for Zero Waste to Landfill, marking a significant milestone in meeting our waste reduction targets.

Recent Developments

Mexicali Brewery

In July 2024, we closed on the sale of the remaining assets classified as held for sale at the canceled Mexicali Brewery.

Sea Smoke acquisition

In June 2024, we acquired the Sea Smoke business, including a California-based luxury wine brand, vineyards, and a production facility. This transaction also included the acquisition of a trademark, inventory, and goodwill. The results of operations of Sea Smoke will be reported in the Wine and Spirits segment and will be included in our consolidated results of operations from the date of acquisition. This acquisition supports our strategic focus on consumer-led premiumization trends and meeting the evolving needs of our consumers.

Divestitures and Investments

Beer segment

Craft Beer Divestitures

In June 2023, we completed the Craft Beer Divestitures. Accordingly, our consolidated results of operations include the results of operations of such craft beer brands through the dates of these divestitures. The Craft Beer Divestitures are consistent with our strategic focus on continuing to grow our high-end imported beer brands through maintenance of leading margins and enhancements to our results of operations.

Daleville Facility

In May 2023, we sold the Daleville Facility in connection with our decision to exit the craft beer business.

Corporate Operations and Other segment

Canopy investment

We have an investment in Canopy, a North American cannabis and CPG company providing medical and adult-use cannabis products, which expands our portfolio into adjacent categories.

Exchangeable Shares —

In April 2024, we elected to convert our 17.1 million Canopy common shares into Exchangeable Shares on a one-for-one basis. Additionally, in April 2024, we exchanged C$81.2 million of the principal amount of our 2023 Canopy Promissory Note for 9.1 million Exchangeable Shares and forgave all accrued but unpaid interest together with the remaining principal amount of the note. As a result of these transactions, we (i) have 26.3 million Exchangeable Shares and (ii) recognized an $83.3 million net gain based on the fair value of Exchangeable Shares on the date of the conversion and exchange. This net gain is included in income (loss) from unconsolidated investments within our consolidated results of operations for First Quarter 2025. For additional information, refer to Note 7.

Canopy Equity Method Investment —

We evaluated the Canopy Equity Method Investment as of May 31, 2023, and determined there was an other-than-temporary impairment. Our conclusion was based on several contributing factors, including: (i) the fair value being less than the carrying value and the uncertainty surrounding Canopy's stock price recovering in the near-term, (ii) Canopy recorded significant costs in its fourth quarter of fiscal 2023 results designed to align its

Canadian cannabis operations and resources in response to continued unfavorable market trends, (iii) the substantial doubt about Canopy's ability to continue as a going concern, as disclosed by Canopy, and (iv) Canopy's identification of material misstatements in certain of its previously reported financial results related to sales in its BioSteel Sports Nutrition Inc. reporting unit that were accounted for incorrectly, including the recording of a goodwill impairment during its restated second quarter of fiscal 2023. As a result, the Canopy Equity Method Investment with a carrying value of $266.2 million was written down to its estimated fair value of $142.7 million, resulting in an impairment of $123.5 million. This loss from impairment was included in income (loss) from unconsolidated investments within our consolidated results for First Quarter 2024. We no longer apply the equity method to our investment in Canopy following the April 2024 conversion of our Canopy common shares to Exchangeable Shares.

Other Canopy investments —

In April 2023, we extended the maturity of the remaining C$100.0 million principal amount of our then-existing Canopy Debt Securities by exchanging them for the 2023 Canopy Promissory Note. The fair value of the Canopy Debt Securities was $69.6 million as of February 28, 2023. As of May 31, 2023, we determined that the 2023 Canopy Promissory Note did not have future economic value and, accordingly, the fair value was reduced to zero.

For additional information on these divestitures and investments refer to Notes 4, 5, and 7.

Results of Operations

Financial Highlights

First Quarter 2025 compared with First Quarter 2024

- Our results of operations were positively impacted by Canopy-related activities, including (i) no longer recognizing equity losses from Canopy's results following the conversion of our Canopy common shares to Exchangeable Shares, (ii) an impairment of our then-existing Canopy Equity Method Investment recognized in First Quarter 2024, (iii) a decrease in unrealized net losses from the changes in fair value of our investment in Canopy, and (iv) a net gain on the common shares conversion and 2023 Canopy Promissory Note exchange to Exchangeable Shares in First Quarter 2025, and improvements within the Beer segment driven by 7.6% shipment volume growth and a successful execution of cost savings initiatives.

- **Net sales increased 6%** largely due to an increase in Beer net sales driven primarily by shipment volume growth and favorable impact from pricing, partially offset by a decline in Wine and Spirits net sales driven primarily by a decrease in branded shipment volume.

- **Operating income increased 23%** largely due to the improvements within the Beer segment resulting from First Quarter 2025 shipment volume growth, favorable pricing, and lower cost of product sold, driven by the successful execution of cost savings initiatives. The operating income growth from the Beer segment was partially offset by declines in (i) the Wine and Spirits segment driven by higher cost of product sold and the decrease in branded shipment volume and (ii) the Corporate Operations and Other segment from higher compensation and benefits as compared to First Quarter 2024.

- **Net income attributable to CBI** and **diluted net income per common share attributable to CBI increased** largely due to the items discussed above and lower provision for income taxes.

Comparable Adjustments

Management excludes items that affect comparability from its evaluation of the results of each operating segment as these Comparable Adjustments are not reflective of core operations of the segments. Segment operating performance and the incentive compensation of segment management are evaluated based on core segment operating income (loss) which does not include the impact of these Comparable Adjustments.

As more fully described herein and in the related Notes, the Comparable Adjustments that impacted comparability in our segment results for each period are as follows:

(in millions)	First Quarter 2025	First Quarter 2024
Cost of product sold		
Net gain (loss) on undesignated commodity derivative contracts	$ 14.6	$ (34.7)
Settlements of undesignated commodity derivative contracts	8.5	0.6
Flow through of inventory step-up	(1.1)	(0.7)
Comparable Adjustments, Cost of product sold	22.0	(34.8)
Selling, general, and administrative expenses		
Transition services agreements activity	(2.8)	(5.7)
Restructuring and other strategic business development costs	(1.8)	(14.9)
Transaction, integration, and other acquisition-related costs	(0.2)	(0.3)
Other gains (losses)	0.4	(6.8)
Comparable Adjustments, Selling, general, and administrative expenses	(4.4)	(27.7)
Comparable Adjustments, Operating income (loss)	$ 17.6	$ (62.5)
Comparable Adjustments, Income (loss) from unconsolidated investments	$ 83.3	$ (384.4)

Cost of product sold

Undesignated commodity derivative contracts

Net gain (loss) on undesignated commodity derivative contracts represents a net gain (loss) from the changes in fair value of undesignated commodity derivative contracts. The net gain (loss) is reported outside of segment operating results until such time that the underlying exposure is recognized in the segment operating results. At settlement, the net gain (loss) from the changes in fair value of the undesignated commodity derivative contracts is reported in the appropriate operating segment, allowing the results of our operating segments to reflect the economic effects of the commodity derivative contracts without the resulting unrealized mark to fair value volatility.

Flow through of inventory step-up

In connection with acquisitions, the allocation of purchase price in excess of book value for certain inventories on hand at the date of acquisition is referred to as inventory step-up. Inventory step-up represents an assumed manufacturing profit attributable to the acquired business prior to acquisition.

Selling, general, and administrative expenses

Transition services agreements activity

We recognized costs in connection with transition services agreements related to the previous sale of a portion of our wine and spirits business.

Restructuring and other strategic business development costs

We recognized costs in connection with certain activities which are intended to streamline, increase efficiencies, and reduce our cost structure.

Transaction, integration, and other acquisition-related costs

We recognized costs in connection with our investments, acquisitions, and divestitures.

Other gains (losses)

We recognized other gains (losses) primarily from the sale of the Daleville Facility (First Quarter 2024).

Income (loss) from unconsolidated investments

We recognized income (loss) primarily from (i) a net gain on conversion and exchange to Exchangeable Shares (First Quarter 2025), (ii) comparable adjustments to equity in losses from Canopy's results (First Quarter 2024), (iii) an impairment of our Canopy Equity Method Investment (First Quarter 2024), and (iv) unrealized net losses from the changes in fair value of our securities measured at fair value (First Quarter 2024). For additional information, refer to Notes 4 and 7.

Business Segments

First Quarter 2025 compared to First Quarter 2024

Net sales

	First Quarter 2025	First Quarter 2024	Dollar Change	Percent Change
(in millions)				
Beer	$ 2,272.8	$ 2,098.6	$ 174.2	8 %
Wine and Spirits:				
Wine	329.3	361.0	(31.7)	(9 %)
Spirits	59.7	55.3	4.4	8 %
Total Wine and Spirits	389.0	416.3	(27.3)	(7 %)
Consolidated net sales	$ 2,661.8	$ 2,514.9	$ 146.9	6 %

Beer segment Beer.jpg	First Quarter 2025	First Quarter 2024	Dollar Change	Percent Change
(in millions, branded product, 24-pack, 12-ounce case equivalents)				
Net sales	$ 2,272.8	$ 2,098.6	$ 174.2	8 %
Shipments	115.1	107.0		7.6 %
Depletions [(1)]				6.4 %

(1) Includes an adjustment to remove volumes associated with the Craft Beer Divestitures for the period March 1, 2023, through May 31, 2023.

The increase in Beer net sales is largely due to (i) $157.4 million of shipment volume growth, which benefited from continued consumer demand, and (ii) $33.4 million of favorable impact from pricing in select markets, partially offset by $16.6 million of unfavorable product mix primarily from a shift in package types.

Wine Spirits.jpg Wine and Spirits segment	First Quarter 2025	First Quarter 2024	Dollar Change	Percent Change
(in millions, branded product, 9-liter case equivalents)				
Net sales	$ 389.0	$ 416.3	$ (27.3)	(7 %)
Shipments	5.6	5.9		(5.1 %)
U.S. Wholesale shipments	4.9	5.2		(5.8 %)
Depletions				(12.7 %)

The decrease in Wine and Spirits net sales is driven by (i) a $23.6 million decrease in branded wine and spirits shipment volume and (ii) $8.1 million of unfavorable product mix, primarily driven by a decline in demand for certain of our mainstream and premium brands and an increase in lower-margin spirits brands, partially offset by $4.3 million from higher contractual distributor payments as compared to First Quarter 2024. The decrease in branded wine and spirits shipment volume is primarily attributable to our U.S. wholesale market, driven by declines in both the overall wine market and in our mainstream and premium wine brands. For First Quarter 2025, the depletions decline outpaced the U.S. Wholesale shipments decline largely driven by challenging U.S. market conditions. We expect U.S. Wholesale shipment volume to align with depletion volume for Fiscal 2025.

Gross profit

	First Quarter 2025	First Quarter 2024	Dollar Change	Percent Change
(in millions)				
Beer	$ 1,213.1	$ 1,098.7	$ 114.4	10 %
Wine and Spirits	168.7	193.9	(25.2)	(13 %)
Comparable Adjustments	22.0	(34.8)	56.8	NM
Consolidated gross profit	$ 1,403.8	$ 1,257.8	$ 146.0	12 %

Beer2 Blue.jpg

The increase in Beer gross profit is due to (i) $86.1 million of shipment volume growth, (ii) the $33.4 million favorable impact from pricing, and (iii) $8.9 million of reduced cost of product sold, partially offset by $14.0 million of unfavorable product mix. The reduced cost of product sold is primarily due to (i) $12.5 million of favorable fixed cost absorption related to increased production levels as compared to First Quarter 2024 and (ii) $10.8 million of decreased transportation costs and $9.5 million of lower material costs, including aluminum, glass, and lumber, each driven by efficiency initiatives, partially offset by (i) $7.5 million of foreign currency transactional losses, (ii) a $6.8 million increase in brewery costs, including compensation and benefits and IT expenses, and (iii) $5.0 million of higher depreciation resulting from the Mexico Beer Projects. To partially offset the expected increases in cost of product sold we are executing efficiency initiatives focused largely on logistics and procurement that resulted in nearly $50 million of cost savings for First Quarter 2025.

WineMartini Blue.jpg

The decrease in Wine and Spirits gross profit is attributable to (i) $12.9 million of higher cost of product sold, (ii) a $12.1 million decrease in branded wine and spirits shipment volume, and (iii) $5.7 million of unfavorable product mix from lower-margin net sales, partially offset by the $4.3 million favorable impact from higher contractual distributor payments. The increase in cost of product sold was largely attributable to increased raw materials, including grapes, partially offset by decreased transportation and warehousing costs.

Gross profit as a percent of net sales increased to 52.7% for First Quarter 2025 compared with 50.0% for First Quarter 2024. This increase was largely due to (i) a favorable change of 215 basis points in Comparable Adjustments, (ii) approximately 60 basis points of favorable impact from Beer pricing in select markets, and (iii) approximately 35 basis points of rate growth from lower cost of product sold within the Beer segment, partially offset by approximately 50 basis points of rate decline resulting from higher cost of product sold within the Wine and Spirits segment.

Selling, general, and administrative expenses

	First Quarter 2025	First Quarter 2024	Dollar Change	Percent Change
(in millions)				
Beer	$ 290.1	$ 300.9	$ (10.8)	(4 %)
Wine and Spirits	109.0	114.6	(5.6)	(5 %)
Corporate Operations and Other	58.7	49.9	8.8	18 %
Comparable Adjustments	4.4	27.7	(23.3)	NM
Consolidated selling, general, and administrative expenses	$ 462.2	$ 493.1	$ (30.9)	(6 %)

Beer2 Blue.jpg The decrease in Beer selling, general, and administrative expenses is largely driven by $8.5 million of decreased marketing spend primarily driven by a planned timing shift of media investments to build awareness of our high-end imported beer brands as compared to First Quarter 2024.

WineMartini Blue.jpg The decrease in Wine and Spirits selling, general, and administrative expenses is largely due to $5.5 million of decreased general and administrative expenses primarily due to lower (i) legal expenses and (ii) compensation and benefits, primarily due to reduced headcount and stock-based compensation expense as compared to First Quarter 2024.

Building2 Blue.jpg The increase in Corporate Operations and Other selling, general, and administrative expenses is largely due to an increase in compensation and benefits, driven by higher stock-based compensation expense as compared to First Quarter 2024 and increased legal and third-party expenses.

Selling, general, and administrative expenses as a percent of net sales decreased to 17.4% for First Quarter 2025 as compared to 19.6% for First Quarter 2024. The decrease is largely driven by (i) approximately 165 basis points of rate decline from Beer as the increase in Beer net sales significantly outpaced the decrease in selling, general, and administrative expenses and (ii) a favorable change in Comparable Adjustments, contributing approximately 90 basis points of rate decline, partially offset by approximately 35 basis points of rate growth from the increase in Corporate Operations and Other selling, general, and administrative expenses.

Operating income (loss)

	First Quarter 2025	First Quarter 2024	Dollar Change	Percent Change
(in millions)				
Beer	$ 923.0	$ 797.8	$ 125.2	16 %
Wine and Spirits	59.7	79.3	(19.6)	(25 %)
Corporate Operations and Other	(58.7)	(49.9)	(8.8)	(18 %)
Comparable Adjustments	17.6	(62.5)	80.1	NM
Consolidated operating income (loss)	$ 941.6	$ 764.7	$ 176.9	23 %

Beer2 Blue.jpg The increase in Beer operating income is largely attributable to the shipment volume growth, cost savings initiatives, favorable pricing impact, and lower material costs, partially offset by the unfavorable product mix.

WineMartini Blue.jpg The decrease in Wine and Spirits operating income is largely attributable to the higher cost of product sold, decline in branded wine and spirits shipment volume, and unfavorable product mix, partially offset by the higher contractual distributor payments and decreased selling, general, and administrative expenses, as described above.

Building2 Blue.jpg

As previously discussed, the increase in Corporate Operations and Other operating loss is largely due to the higher compensation and benefits expense as compared to First Quarter 2024.

Income (loss) from unconsolidated investments

	First Quarter 2025	First Quarter 2024	Dollar Change	Percent Change
(in millions)				
Net gain on conversion and exchange to Exchangeable Shares	$ 83.3	$ —	$ 83.3	NM
Equity in earnings (losses) from other equity method investees and related activities	(1.3)	(0.3)	(1.0)	NM
Equity in earnings (losses) from Canopy and related activities	—	(219.8)	219.8	NM
Impairment of equity method investments	—	(123.5)	123.5	NM
Unrealized net gain (loss) on securities measured at fair value	—	(71.8)	71.8	NM
	$ 82.0	$ (415.4)	$ 497.4	NM

Interest expense, net

Interest expense, net decreased to $102.8 million for First Quarter 2025 as compared to $118.9 million for First Quarter 2024. This decrease of $16.1 million, or 14%, is due to (i) approximately $565 million of lower average borrowings driven by reduced commercial paper outstanding, (ii) approximately 10 basis points of lower weighted average interest rates, and (iii) an increase in capitalized interest in connection with the Mexico Beer Projects as compared to the First Quarter 2024. For additional information, refer to Note 8.

(Provision for) benefit from income taxes

The provision for income taxes decreased to $28.0 million for First Quarter 2025 from $91.2 million for First Quarter 2024. Our effective tax rate for First Quarter 2025 was 3.0% as compared with 39.6% for First Quarter 2024. In comparison to prior year, our income taxes were impacted primarily by:

- a decrease in the valuation allowance related to our investment in Canopy; and
- a First Quarter 2025 net income tax benefit recognized as a result of the resolution of various tax examinations and assessments related to prior periods; partially offset by
- a First Quarter 2024 net income tax benefit recognized as a result of a change in tax entity classification.

For additional information, refer to Note 9.

We expect our reported effective tax rate for Fiscal 2025 to be in the range of 11% to 13%. This range includes an expected net income tax benefit following the July 2024 closing on the sale of the remaining assets at the canceled Mexicali Brewery.

Net income (loss) attributable to CBI

Net income attributable to CBI increased to $877.0 million for First Quarter 2025 from $135.9 million for First Quarter 2024. This increase of $741.1 million is largely attributable to the (i) favorable impact from Canopy-related activities, (ii) the First Quarter 2025 improvements within the Beer segment driven by shipment volume growth and the successful execution of cost savings initiatives, and (iii) the lower provision from income taxes, partially offset by the decline in performance within the Wine and Spirits segment.

Liquidity and Capital Resources

General

Our primary source of liquidity has been cash flow from operating activities. Our ability to consistently generate robust cash flow from our operations is one of our most significant financial strengths; it enables us to invest in our people and our brands, make capital investments and strategic acquisitions, provide a cash dividend program, and from time-to-time, repurchase shares of our common stock. Our largest use of cash in our operations is for purchasing and carrying inventories and carrying seasonal accounts receivable. Historically, we have used this cash flow to repay our short-term borrowings and fund capital expenditures. Additionally, our commercial paper program is used to fund our short-term borrowing requirements and to maintain our access to the capital markets. We use our short-term borrowings, including our commercial paper program, to support our working capital requirements and capital expenditures, among other things.

We seek to maintain adequate liquidity to meet working capital requirements, fund capital expenditures, and repay scheduled principal and interest payments on debt. Absent deterioration of market conditions, we believe that cash flows from operating and financing activities will provide adequate resources to satisfy our working capital, scheduled principal and interest payments on debt, anticipated dividend payments, periodic share repurchases, and anticipated capital expenditure requirements for both our short-term and long-term capital needs.

We have an agreement with a financial institution for payment services and to facilitate a voluntary supply chain finance program through this participating financial institution. The program is available to certain of our suppliers allowing them the option to manage their cash flow. We are not a party to the agreements between the participating financial institution and the suppliers in connection with the program. Our rights and obligations to our suppliers, including amounts due and scheduled payment terms, are not impacted. As of May 31, 2024 and February 29, 2024, the amount payable to this participating financial institution for suppliers who voluntarily participate in the supply chain finance program was $5.3 million and $7.3 million, respectively, and was included in accounts payable within our consolidated balance sheets. We account for payments made under the supply chain finance program the same as our other accounts payable, as a reduction to our cash flow from operating activities.

Cash Flows

(in millions)	First Quarter 2025	First Quarter 2024	Dollar Change
Net cash provided by (used in):			
Operating activities	$ 690.5	$ 665.4	$ 25.1
Investing activities	(377.4)	(291.9)	(85.5)
Financing activities	(393.0)	(314.7)	(78.3)
Effect of exchange rate changes on cash and cash equivalents	1.3	0.2	1.1
Net increase (decrease) in cash and cash equivalents	$ (78.6)	$ 59.0	$ (137.6)

Operating activities

The increase in net cash provided by (used in) operating activities consists of:

	First Quarter 2025	First Quarter 2024	Dollar Change
(in millions)			
Net income (loss)	$ 892.8	$ 139.2	$ 753.6
Unrealized net (gain) loss on securities measured at fair value	—	71.8	(71.8)
Deferred tax provision (benefit)	25.0	(0.3)	25.3
Equity in (earnings) losses of equity method investees and related activities, net of distributed earnings	1.3	220.6	(219.3)
Impairment of equity method investments	—	123.5	(123.5)
Net gain on conversion and exchange to Exchangeable Shares	(83.3)	—	(83.3)
Other non-cash adjustments	46.2	232.3	(186.1)
Change in operating assets and liabilities, net of effects from purchase and sale of business	(191.5)	(121.7)	(69.8)
Net cash provided by (used in) operating activities	$ 690.5	$ 665.4	$ 25.1

The $69.8 million net change in operating assets and liabilities was largely driven by higher (i) inventory levels for the Wine and Spirits segment and (ii) accounts receivable for the Beer segment resulting from net sales growth. These changes were offset by (i) a decrease in accounts receivable for the Wine and Spirits segment resulting from reduced net sales and (ii) changes in prepaid expenses and other current assets for the Beer segment driven by the timing of collections for recoverable value-added taxes. Additionally, net cash provided by operating activities was negatively impacted by higher First Quarter 2025 income tax payments following the resolution of various tax examinations and assessments as compared to First Quarter 2024.

Investing activities

Net cash used in investing activities increased to $377.4 million for First Quarter 2025 from $291.9 million for First Quarter 2024. This increase of $85.5 million, or 29%, was primarily due to $98.3 million of additional capital expenditures for First Quarter 2025 largely related to the Mexico Beer Projects, partially offset by $12.9 million in proceeds from the sale of assets for First Quarter 2025.

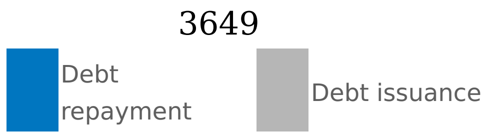
Financing activities

The increase in net cash provided by (used in) financing activities consists of:

(in millions)	First Quarter 2025	First Quarter 2024	Dollar Change
Net proceeds from (payments of) debt, current and long-term, and related activities	$ (0.4)	$ (109.0)	$ 108.6
Dividends paid	(185.3)	(164.1)	(21.2)
Purchases of treasury stock	(200.0)	(35.0)	(165.0)
Net cash provided by stock-based compensation activities	10.9	4.7	6.2
Distributions to noncontrolling interests	(17.5)	(11.3)	(6.2)
Payment of contingent consideration	(0.7)	—	(0.7)
Net cash provided by (used in) financing activities	$ (393.0)	$ (314.7)	$ (78.3)

Debt

Total debt outstanding as of May 31, 2024, remained flat as compared to February 29, 2024. The issuances and repayments of debt for First Quarter 2025 were as follows:



Bank facilities

The Company, CB International, the Administrative Agent, and certain other lenders are parties to the 2022 Credit Agreement. The October 2022 Credit Agreement Amendment revised certain defined terms and covenants in the 2022 Credit Agreement and became effective in April 2024 following (i) the amendment by Canopy of its Articles of Incorporation, (ii) the conversion of our Canopy common shares into Exchangeable Shares, and (iii) the resignation of our nominees from the board of directors of Canopy.

General

The majority of our outstanding borrowings as of May 31, 2024, consisted of fixed-rate senior unsecured notes, with maturities ranging from calendar 2024 to calendar 2050.

Additionally, we have a commercial paper program which provides for the issuance of up to an aggregate principal amount of $2.25 billion of commercial paper. Our commercial paper program is backed by unused commitments under our revolving credit facility under our 2022 Credit Agreement. Accordingly, outstanding borrowings under our commercial paper program reduce the amount available under our revolving credit facility.

We do not have purchase commitments from buyers for our commercial paper and, therefore, our ability to issue commercial paper is subject to market demand. If the commercial paper market is not available to us for any reason when commercial paper borrowings mature, we will utilize unused commitments under our revolving credit facility under our 2022 Credit Agreement to repay commercial paper borrowings. We do not expect that fluctuations in demand for commercial paper will affect our liquidity given our borrowing capacity available under our revolving credit facility.

We had the following remaining borrowing capacity available under our 2022 Credit Agreement:

	May 31, 2024	June 28, 2024
(in millions)		
Revolving credit facility [(1)]	$ 1,443.1	$ 1,492.2

(1) Net of outstanding revolving credit facility borrowings and outstanding letters of credit under our 2022 Credit Agreement and outstanding borrowings under our commercial paper program (excluding unamortized discount) of $795.5 million and $746.5 million as of May 31, 2024, and June 28, 2024, respectively.

The financial institutions participating in our 2022 Credit Agreement have complied with prior funding requests and we believe they will comply with any future funding requests. However, there can be no assurances that any particular financial institution will continue to do so.

As of May 31, 2024, we and our subsidiaries were subject to covenants that are contained in our 2022 Credit Agreement, including those restricting the incurrence of additional subsidiary indebtedness, additional liens, mergers and consolidations, transactions with affiliates, and sale and leaseback transactions, in each case subject to numerous conditions, exceptions, and thresholds. The financial covenants are limited to a minimum interest coverage ratio and a maximum net leverage ratio, both as defined in our 2022 Credit Agreement. As of May 31, 2024, under our 2022 Credit Agreement, the minimum interest coverage ratio was 2.5x and the maximum net leverage ratio was 4.0x.

Our indentures relating to our outstanding senior notes contain certain covenants, including, but not limited to: (i) a limitation on liens on certain assets, (ii) a limitation on certain sale and leaseback transactions, and (iii) restrictions on mergers, consolidations, and the transfer of all or substantially all of our assets to another person.

As of May 31, 2024, we were in compliance with our covenants under our 2022 Credit Agreement and our indentures, and have met all debt payment obligations.

For further discussion and presentation of our borrowings and available sources of borrowing, refer to Note 12 of our consolidated financial statements included in our 2024 Annual Report and Note 8.

Common Stock Dividends

On July 2, 2024, our Board of Directors declared a quarterly cash dividend of $1.01 per share of Class A Stock and $0.91 per share of Class 1 Stock payable on August 23, 2024, to stockholders of record of each class as of the close of business on August 14, 2024.

We currently expect to continue to pay a regular quarterly cash dividend to stockholders of our common stock in the future, but such payments are subject to approval of our Board of Directors and are dependent upon our financial condition, results of operations, capital requirements, and other factors, including those set forth under Item 1A. “Risk Factors” of our 2024 Annual Report.

Share Repurchase Program

Our Board of Directors authorized the repurchase of our publicly traded common stock of up to $2.0 billion under the 2021 Authorization and an additional repurchase of up to $2.0 billion under the 2023 Authorization.

As of July 3, 2024, total shares repurchased under the 2021 Authorization and the 2023 Authorization are as follows:

		Class A Stock	
	Repurchase Authorization	Dollar Value of Shares Repurchased	Number of Shares Repurchased
(in millions, except share data)			
2021 Authorization	$ 2,000.0	$ 1,633.3	6,838,453
2023 Authorization	$ 2,000.0	$ —	—

Share repurchases under the 2021 Authorization and 2023 Authorization may be accomplished at management's discretion from time to time based on market conditions, our cash and debt position, and other factors as determined by management. Shares may be repurchased through open market or privately negotiated transactions. We may fund future share repurchases with cash generated from operations and/or proceeds from borrowings. Any repurchased shares will become treasury shares, including shares previously repurchased under the 2021 Authorization.

We currently expect to continue to repurchase shares in the future, but such repurchases are dependent upon our financial condition, results of operations, capital requirements, and other factors, including those set forth under Item 1A. "Risk Factors" of our 2024 Annual Report.

For additional information, refer to Note 17 of our consolidated financial statements included in our 2024 Annual Report and Note 10.

Accounting Guidance

Accounting guidance adopted for First Quarter 2025 did not have a material impact on our Financial Statements.

Information Regarding Forward-Looking Statements

This Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those set forth in, or implied by, such forward-looking statements. All statements other than statements of historical fact included in this Form 10-Q are forward-looking statements, including without limitation:

- The statements under MD&A regarding:
  - our business strategy, strategic vision, growth plans, innovation and Digital Business Acceleration initiatives, new products, future operations, financial position, net sales, expenses, hedging programs,

cost savings initiatives, capital expenditures, effective tax rates and anticipated tax liabilities, expected volume, inventory, supply, and demand levels, balance, and trends, long-term financial model, access to capital markets, liquidity and capital resources, and prospects, plans, and objectives of management;

- our beer expansion, optimization, and/or construction activities, including anticipated scope, capacity, costs, capital expenditures, and timeframes for completion;
- the expected tax benefits resulting from the closing on the sale of the remaining assets classified as held for sale at the Mexicali Brewery;
- our ESG strategy, sustainability initiatives, and environmental stewardship targets;
- anticipated inflationary pressures, changing prices, and reductions in consumer discretionary income as well as other unfavorable global and regional economic conditions, and geopolitical events, and our responses thereto;

  - the potential impact to supply, production levels, and costs due to global supply chain disruptions and constraints and shifting consumer behaviors;
  - expected or potential actions of third parties, including possible changes to laws, rules, and regulations;
  - the potential impact of climate-related severe weather events;
  - the availability of a supply chain finance program;
  - the manner, timing, and duration of the share repurchase program and source of funds for share repurchases;
  - the amount and timing of future dividends and our target dividend payout ratio; and
  - our target net leverage ratio.
- The statements regarding the future reclassification of net gains from AOCI.
- The statements regarding potential future impairments of our Wine and Spirits goodwill or Canopy investment.

When used in this Form 10-Q, the words “anticipate,” “expect,” “intend,” “will,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. All forward-looking statements speak only as of the date of this Form 10-Q. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. In addition to the risks and uncertainties of ordinary business operations and conditions in the general economy and markets in which we compete, our forward-looking statements contained in this Form 10-Q are also subject to the risk, uncertainty, and possible variance from our current expectations regarding:

- water, agricultural and other raw material, and packaging material supply, production, and/or shipment difficulties which could adversely affect our ability to supply our customers;
- the ability to respond to anticipated inflationary pressures, including reductions in consumer discretionary income and our ability to pass along rising costs through increased selling prices;
- the actual impact to supply, production levels, and costs from global supply chain disruptions and constraints, transportation challenges (including from labor strikes or other labor activities), shifting consumer behaviors, wildfires, and severe weather events;
- reliance on complex information systems and third-party global networks as well as risks associated with cybersecurity and artificial intelligence;
- economic and other uncertainties associated with our international operations;
- dependence on limited facilities for production of our Mexican beer brands, including beer operations expansion, optimization, and/or construction activities, scope, capacity, supply, costs (including impairments), capital expenditures, and timing;
- results of the closing on the sale of the remaining assets classified as held for sale at the Mexicali Brewery inclusive of the expected tax benefits;

- operational disruptions or catastrophic loss to our breweries, wineries, other production facilities, or distribution systems;
- the impact of military conflicts, geopolitical tensions, and responses, including on inflation, supply chains, commodities, energy, and cybersecurity;
- climate change, ESG regulatory compliance and failure to meet emissions, stewardship, and other ESG targets, objectives, or ambitions;
- reliance on wholesale distributors, major retailers, and government agencies;
- contamination and degradation of product quality from diseases, pests, weather, and other conditions;
- communicable disease outbreaks, pandemics, or other widespread public health crises and associated governmental containment actions;
- effects of employee labor activities that could increase our costs;
- a potential decline in the consumption of products we sell and our dependence on sales of our Mexican beer brands;
- impacts of our acquisition, divestiture, investment, and new product innovation strategies and activities, including the Sea Smoke acquisition;

- the success of operational and commercial execution initiatives for our wine and spirits business;
- dependence upon our trademarks and proprietary rights, including the failure to protect our intellectual property rights;
- potential damage to our reputation;
- competition in our industry and for talent;
- our indebtedness and interest rate fluctuations;
- our international operations, worldwide and regional economic trends and financial market conditions, geopolitical uncertainty, or other governmental rules and regulations;
- class action or other litigation we may face;
- potential write-downs of our intangible assets, such as goodwill and trademarks;
- changes to tax laws, fluctuations in our effective tax rate, accounting for tax positions, the resolution of tax disputes, changes to accounting standards, elections, assertions, or policies, and the impact of a global minimum tax rate;
- the amount, timing, and source of funds for any share repurchases;
- the amount and timing of future dividends; and
- ownership of our Class A Stock by the Sands Family Stockholders and their Board of Director nomination rights as well as the choice-of-forum provision in our Amended and Restated By-laws.

For additional information about risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by our forward-looking statements, please refer to Item 1A. “Risk Factors” of our 2024 Annual Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a result of our global operating, investment, acquisition, divestiture, and financing activities, we are exposed to market risk associated with changes in foreign currency exchange rates, commodity prices, and interest rates. To manage the volatility relating to these risks, we periodically purchase and/or sell derivative instruments including foreign currency forward and option contracts, commodity swap contracts, interest rate swap contracts, and Pre-issuance hedge contracts. We use derivative instruments to reduce earnings and cash flow volatility resulting from shifts in market rates, as well as to hedge economic exposures. We do not enter into derivative instruments for trading or speculative purposes.

Foreign currency and commodity price risk

Foreign currency derivative instruments are or may be used to hedge existing foreign currency denominated assets and liabilities, forecasted foreign currency denominated sales/purchases to/from third parties as well as intercompany sales/purchases, intercompany principal and interest payments, and in connection with investments, acquisitions, or divestitures outside the U.S. As of May 31, 2024, we had exposures to foreign currency risk primarily related to the Mexican peso, Canadian dollar, New Zealand dollar, and euro. Approximately 100% of our balance sheet exposures and 83% of our forecasted transactional exposures for the remaining nine months of Fiscal 2025 were hedged as of May 31, 2024.

Commodity derivative instruments are or may be used to hedge forecasted commodity purchases from third parties as either economic hedges or accounting hedges. As of May 31, 2024, exposures to commodity price risk which we are currently hedging include aluminum, corn, diesel fuel, and natural gas prices. Approximately 80% of our forecasted transactional exposures for the remaining nine months of Fiscal 2025 were hedged as of May 31, 2024.

We have performed a sensitivity analysis to estimate our exposure to market risk of foreign exchange rates and commodity prices reflecting the impact of a hypothetical 10% adverse change in the applicable market. The volatility of the applicable rates and prices is dependent on many factors which cannot be forecasted with reliable accuracy. Gains or losses from the revaluation or settlement of the related underlying positions would substantially offset such gains or losses on the derivative instruments. The aggregate notional value, estimated fair value, and sensitivity analysis for our open foreign currency and commodity derivative instruments are summarized as follows:

	Aggregate Notional Value		Fair Value, Net Asset (Liability)		Increase (Decrease) in Fair Value – Hypothetical 10% Adverse Change	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
(in millions)						
Foreign currency contracts	$ 2,912.6	$ 2,550.2	$ 284.9	$ 287.0	$ (181.6)	$ (172.9)
Commodity derivative contracts	$ 351.5	$ 392.1	$ (6.7)	$ (35.3)	$ 29.3	$ 30.0

Interest rate risk

The estimated fair value of our fixed interest rate debt is subject to interest rate risk, credit risk, and foreign currency risk. In addition, we also have variable interest rate debt outstanding (primarily SOFR-based), certain of which includes a fixed margin subject to the same risks identified for our fixed interest rate debt.

There were no cash flow designated or undesignated interest rate swap contracts or Pre-issuance hedge contracts outstanding as of May 31, 2024, or May 31, 2023.

We have performed a sensitivity analysis to estimate our exposure to market risk of interest rates reflecting the impact of a hypothetical 1% increase in the prevailing interest rates. The volatility of the applicable rates is dependent on many factors which cannot be forecasted with reliable accuracy.

The aggregate notional value, estimated fair value, and sensitivity analysis for our outstanding fixed-rate debt, including current maturities, are summarized as follows:

	Aggregate Notional Value		Fair Value, Net Asset (Liability)		Increase (Decrease) in Fair Value – Hypothetical 1% Rate Increase	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
(in millions)						
Fixed interest rate debt	$ 11,165.7	$ 11,324.5	$(10,176.1)	$(10,435.9)	$ (577.7)	$ (642.5)

A 1% hypothetical change in the prevailing interest rates would have increased interest expense on our variable interest rate debt by $0.9 million and $4.2 million for the three months ended May 31, 2024, and May 31, 2023, respectively.

For additional discussion on our market risk, refer to Notes 3 and 4.

Item 4. Controls and Procedures.

Disclosure controls and procedures

Our Chief Executive Officer and our Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by this report, that the Company’s “disclosure controls and procedures” (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) are effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal control over financial reporting

In connection with the foregoing evaluation by our Chief Executive Officer and our Chief Financial Officer, no changes were identified in the Company’s “internal control over financial reporting” (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during our fiscal quarter ended May 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased		Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program		Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (1)(2)(3)
(in millions, except share and per share data)						
March 1 – 31, 2024	—	$	—	—	$	2,613.7
April 1 – 30, 2024	509,183	$	259.21	509,183	$	2,481.7
May 1 – 31, 2024	266,151	$	255.42	266,151	$	2,413.7
Total	775,334	$	257.91	775,334		

(1) In January 2021, we announced that our Board of Directors authorized the repurchase of up to $2.0 billion of our publicly traded common stock under the 2021 Authorization. The Board of Directors did not specify a date upon which the 2021 Authorization would expire. Share repurchases for the periods included herein were effected through open market transactions and exclude the impact of Federal excise tax owed pursuant to the IRA.

(2) In November 2023, we announced that our Board of Directors authorized an additional repurchase of up to $2.0 billion of our publicly traded common stock under the 2023 Authorization. The Board of Directors did not specify a date upon which the 2023 Authorization would expire. No shares have been repurchased under the 2023 Authorization.

(3) Beginning May 31, 2024, we repurchased 187,843 shares of Class A Stock pursuant to the 2021 Authorization at an average cost of $250.51 per share through open market transactions made pursuant to a Rule 10b5-1 trading plan.

Item 5. Other Information.

During the three months ended May 31, 2024, none of our directors or officers (as defined in Exchange Act Rule 16a-1(f)) adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K.

Item 6. Exhibits.

Exhibit No.	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of the Company.	8-K	3.1	November 10, 2022
3.2	Amended and Restated By-Laws of the Company.	8-K	3.2	November 10, 2022
4.1	Indenture, dated as of April 17, 2012, by and among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&T, as Trustee.	8-K	4.1	April 23, 2012
4.1.1	Supplemental Indenture No. 8, with respect to 4.750% Senior Notes due 2024, dated as of November 3, 2014, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&T, as Trustee.	8-K	4.2	November 7, 2014

Exhibit No.	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
4.1.2	Supplemental Indenture No. 9, with respect to 4.750% Senior Notes due 2025, dated as of December 4, 2015, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&T, as Trustee.	8-K	4.1	December 8, 2015
4.1.3	Supplemental Indenture No. 10, dated as of January 15, 2016, among the Company, Home Brew Mart, Inc., and M&T, as Trustee.	10-K	4.26	April 25, 2016
4.1.4	Supplemental Indenture No. 11 with respect to 3.700% Senior Notes due 2026, dated as of December 6, 2016, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&T, as Trustee.	8-K	4.1	December 6, 2016
4.1.5	Supplemental Indenture No. 13 with respect to 3.500% Senior Notes due 2027, dated as of May 9, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&T, as Trustee.	8-K	4.2	May 9, 2017
4.1.6	Supplemental Indenture No. 14 with respect to 4.500% Senior Notes due 2047, dated as of May 9, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&T, as Trustee.	8-K	4.3	May 9, 2017
4.1.7	Supplemental Indenture No. 19 with respect to 3.600% Senior Notes due 2028, dated as of February 7, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&T, as Trustee.	8-K	4.2	February 7, 2018
4.1.8	Supplemental Indenture No. 20 with respect to 4.100% Senior Notes due 2048, dated as of February 7, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&T, as Trustee.	8-K	4.3	February 7, 2018
4.1.9	Supplemental Indenture No. 22 with respect to 4.400% Senior Notes due 2025, dated as of October 29, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&T, as Trustee.	8-K	4.2	October 29, 2018
4.1.10	Supplemental Indenture No. 23 with respect to 4.650% Senior Notes due 2028, dated as of October 29, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&T, as Trustee.	8-K	4.3	October 29, 2018
4.1.11	Supplemental Indenture No. 24 with respect to 5.250% Senior Notes due 2048, dated as of October 29, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&T, as Trustee.	8-K	4.4	October 29, 2018
4.1.12	Supplemental Indenture No. 25 with respect to	8-K	4.1	July 29, 2019

Exhibit No.	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
4.1.17	Supplemental Indenture No. 31 with respect to 4.750% Senior Notes due 2032, dated as of May 9, 2022, among the Company, as Issuer, and M&T, as Trustee.	8-K	4.3	May 9, 2022
4.1.18	Supplemental Indenture No. 32 with respect to 5.000% Senior Notes due 2026, dated as of February 2, 2023, among the Company, as Issuer, and M&T, as Trustee.	8-K	4.1	February 2, 2023
4.1.19	Supplemental Indenture No. 33 with respect to 4.900% Senior Notes due 2033, dated as of May 1, 2023, among the Company, as Issuer, and M&T, as Trustee.	8-K	4.1	May 1, 2023
4.1.20	Supplemental Indenture No. 34 with respect to 4.800% Senior Notes due 2029, dated as of January 11, 2024, among the Company, as Issuer, and M&T, as Trustee.	8-K	4.1	January 11, 2024
4.2	Restatement Agreement, dated as of April 14, 2022, by and among the Company, CB International, Bank of America, N.A., as Administrative Agent, and the Lenders party thereto, including the Tenth Amended and Restated Credit Agreement dated as of April 14, 2022, by and among the Company, CB International, Bank of America, N.A., as Administrative Agent, and the Lenders party thereto. †	8-K	4.1	April 15, 2022
4.2.1	Amendment No. 1, dated as of October 18, 2022, to Tenth Amended and Restated Credit Agreement, dated as of April 14, 2022, by and among the Company, CB International Finance S.à r.l., Bank of America, N.A., as Administrative Agent, and the Lenders party thereto. †	8-K	4.2	October 26, 2022
10.1	Executive Employment Agreement made as of March 11, 2024, between the Company and Samuel J. Glaetzer. *	10-K	10.10	April 23, 2024
10.2	Form of Performance Share Unit Agreement with respect to the Company's Long-Term Stock Incentive Plan (awards on or after April 25, 2024) (filed herewith). *†			
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act (filed herewith).			
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act (filed herewith).			
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (furnished herewith).			

Exhibit No.	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith).			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).			

* Designates management contract or compensatory plan or arrangement.

† The exhibits, disclosure schedules, and other schedules, as applicable, have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish supplementally a copy of such exhibits, disclosure schedules, and other schedules, as applicable, or any section thereof, to the SEC upon request.

The Company agrees, upon request of the SEC, to furnish copies of each instrument that defines the rights of holders of long-term debt of the Company or its subsidiaries that is not filed herewith pursuant to Item 601(b)(4)(iii)(A) because the total amount of long-term debt authorized under such instrument does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	CONSTELLATION BRANDS, INC.
Date: July 3, 2024	By: /s/ Darrell Hearne
	Darrell Hearne, Senior Vice President and Controller
Date: July 3, 2024	By: /s/ Garth Hankinson
	Garth Hankinson, Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)