CONSTELLATION BRANDS, INC.
Form 10-Q
January 05, 2017
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended November 30, 2016

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

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.)
207 High Point Drive, Building 100, Victor, New York	14564
(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)

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. ý Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). ý Yes ¨ No

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

Large accelerated filer ý	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

The number of shares outstanding with respect to each of the classes of common stock of Constellation Brands, Inc., as of December 31, 2016, is set forth below:

Class	Number of Shares Outstanding
Class A Common Stock, par value $.01 per share	172,704,868
Class B Common Stock, par value $.01 per share	23,352,727
Class 1 Common Stock, par value $.01 per share	2,080

Table of Contents

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements	1
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	29
Item 3. Quantitative and Qualitative Disclosures About Market Risk	47
Item 4. Controls and Procedures	50
PART II – OTHER INFORMATION	
Item 1. Legal Proceedings	50
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	51
Item 4. Mine Safety Disclosures	51
Item 6. Exhibits	51
SIGNATURES	52
INDEX TO EXHIBITS	53

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control, that 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 Part I – Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Unless the context otherwise requires, the terms "Company," "CBI," "we," "our," or "us" refer to Constellation Brands, Inc. an its subsidiaries. Unless otherwise defined herein, refer to the Notes to Consolidated Financial Statements under Item 1 of this Quarterly Report on Form 10-Q for the definition of capitalized terms used herein. All references to “Fiscal 2016” refer to our fiscal year ended February 29, 2016. All references to “Fiscal 2017” and “Fiscal 2018” refer to our fiscal year ending February 28, 2017, and February 28, 2018, respectively.

Table of Contents

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)

	November 30, 2016	February 29, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 197.3	$ 83.1
Accounts receivable	856.0	732.5
Inventories	2,123.1	1,851.6
Prepaid expenses and other	268.4	310.4
Total current assets	3,444.8	2,977.6
Property, plant and equipment	3,708.0	3,333.4
Goodwill	7,517.9	7,138.6
Intangible assets	3,494.2	3,403.8
Other assets	155.2	111.6
Total assets	$ 18,320.1	$ 16,965.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable to banks	$ 353.4	$ 408.3
Current maturities of long-term debt	915.7	856.7
Accounts payable	772.3	429.3
Accrued excise taxes	33.0	33.6
Other accrued expenses and liabilities	562.2	544.4
Total current liabilities	2,636.6	2,272.3
Long-term debt, less current maturities	7,362.5	6,816.2
Deferred income taxes	1,124.0	1,022.2
Other liabilities	199.3	162.5
Total liabilities	11,322.4	10,273.2
Commitments and contingencies		
CBI stockholders' equity:		
Class A Common Stock, $.01 par value – Authorized, 322,000,000 shares; Issued, 256,983,922 shares and 255,558,026 shares, respectively	2.6	2.6
Class B Convertible Common Stock, $.01 par value – Authorized, 30,000,000 shares; Issued, 28,358,527 shares and 28,358,529 shares, respectively	0.3	0.3
Additional paid-in capital	2,705.5	2,589.0
Retained earnings	6,934.9	6,090.5
Accumulated other comprehensive loss	(596.7)	(452.5)
	9,046.6	8,229.9
Less: Treasury stock –		
Class A Common Stock, at cost, 81,308,730 shares and 79,454,011 shares, respectively	(2,026.4)	(1,668.1)
Class B Convertible Common Stock, at cost, 5,005,800 shares	(2.2)	(2.2)
	(2,028.6)	(1,670.3)
Total CBI stockholders' equity	7,018.0	6,559.6
Noncontrolling interests	(20.3)	132.2
Total stockholders' equity	6,997.7	6,691.8

Total liabilities and stockholders' equity	$ 18,320.1	$ 16,965.0

The accompanying notes are an integral part of these statements.

1

Table of Contents

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions, except per share data)
(unaudited)

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	2016	2015	2016	2015
Sales	$6,268.5	$5,523.3	$1,992.7	$1,812.4
Less – excise taxes	(565.0)	(518.1)	(182.2)	(171.9)
Net sales	5,703.5	5,005.2	1,810.5	1,640.5
Cost of product sold	(2,961.8)	(2,759.0)	(919.1)	(907.0)
Gross profit	2,741.7	2,246.2	891.4	733.5
Selling, general and administrative expenses	(1,044.1)	(892.2)	(357.4)	(286.2)
Operating income	1,697.6	1,354.0	534.0	447.3
Equity in earnings of equity method investees	28.2	28.5	27.5	27.3
Interest expense	(256.3)	(230.4)	(77.6)	(75.6)
Loss on write-off of debt issuance costs	—	(1.1)	—	—
Income before income taxes	1,469.5	1,151.0	483.9	399.0
Provision for income taxes	(392.2)	(335.7)	(78.9)	(128.0)
Net income	1,077.3	815.3	405.0	271.0
Net (income) loss attributable to noncontrolling interests	5.8	(3.8)	0.9	(0.5)
Net income attributable to CBI	$1,083.1	$811.5	$405.9	$270.5
Comprehensive income	$918.4	$591.2	$240.3	$297.9
Comprehensive (income) loss attributable to noncontrolling interests	20.5	6.3	12.0	(2.1)
Comprehensive income attributable to CBI	$938.9	$597.5	$252.3	$295.8
Net income per common share attributable to CBI:				
Basic – Class A Common Stock	$5.46	$4.19	$2.04	$1.39
Basic – Class B Convertible Common Stock	$4.95	$3.80	$1.85	$1.26
Diluted – Class A Common Stock	$5.27	$3.99	$1.98	$1.33
Diluted – Class B Convertible Common Stock	$4.86	$3.69	$1.82	$1.22
Weighted average common shares outstanding:				
Basic – Class A Common Stock	177.171	172.509	177.513	173.933
Basic – Class B Convertible Common Stock	23.353	23.366	23.353	23.358
Diluted – Class A Common Stock	205.484	203.356	205.455	204.096
Diluted – Class B Convertible Common Stock	23.353	23.366	23.353	23.358
Cash dividends declared per common share:				
Class A Common Stock	$1.20	$0.93	$0.40	$0.31
Class B Convertible Common Stock	$1.08	$0.84	$0.36	$0.28

The accompanying notes are an integral part of these statements.

Table of Contents

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

	For the Nine Months Ended November 30,	
	2016	2015
Cash flows from operating activities:		
Net income	$1,077.3	$815.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	175.3	130.5
Deferred tax provision	114.7	192.5
Stock-based compensation	44.4	40.5
Amortization of debt issuance costs	9.6	9.0
Amortization of intangible assets	8.4	32.2
Equity in earnings of equity method investees, net of distributed earnings	(16.2)	(18.7)
Noncash portion of loss on write-off of debt issuance costs	—	1.1
Change in operating assets and liabilities, net of effects from purchases of businesses:		
Accounts receivable	(121.5)	(121.5)
Inventories	(193.9)	(25.0)
Prepaid expenses and other current assets	(30.4)	46.8
Accounts payable	290.0	136.8
Accrued excise taxes	(0.6)	4.3
Other accrued expenses and liabilities	77.5	(128.1)
Other	(18.9)	(24.1)
Total adjustments	338.4	276.3
Net cash provided by operating activities	1,415.7	1,091.6
Cash flows from investing activities:		
Purchases of property, plant and equipment	(591.6)	(513.8)
Purchases of businesses, net of cash acquired	(542.2)	(317.9)
Other investing activities	(15.3)	4.0
Net cash used in investing activities	(1,149.1)	(827.7)
Cash flows from financing activities:		
Principal payments of long-term debt	(907.7)	(148.3)
Purchases of treasury stock	(372.6)	—
Dividends paid	(238.3)	(180.4)
Payments of minimum tax withholdings on stock-based payment awards	(66.9)	(38.4)
Net repayments of notes payable	(55.9)	(15.9)
Payments of debt issuance costs	(6.6)	(7.9)
Proceeds from issuance of long-term debt	1,350.1	210.0
Excess tax benefits from stock-based payment awards	112.2	204.2
Proceeds from shares issued under equity compensation plans	39.3	98.9
Net cash provided by (used in) financing activities	(146.4)	122.2
Effect of exchange rate changes on cash and cash equivalents	(6.0)	(4.9)

Net increase in cash and cash equivalents	114.2	381.2
Cash and cash equivalents, beginning of period	83.1	110.1
Cash and cash equivalents, end of period	$197.3	$491.3
Supplemental disclosures of noncash investing and financing activities:		
Additions to property, plant and equipment	$218.0	$53.1
Conversion of noncontrolling equity interest to long-term debt	$132.0	$—

The accompanying notes are an integral part of these statements.

3

Table of Contents

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(unaudited)

1. BASIS OF PRESENTATION:

Unless the context otherwise requires, the terms “Company,” “CBI,” “we,” “our,” or “us” refer to Constellation Brands, Inc. an its subsidiaries. We have prepared the consolidated financial statements included herein, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission 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 consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended February 29, 2016 (the “2016 Annual Report”). Results of operations for interim periods are not necessarily indicative of annual results.

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:

	November 30, 2016	February 29, 2016
(in millions)		
Raw materials and supplies	$ 140.5	$ 107.2
In-process inventories	1,382.7	1,218.7
Finished case goods	599.9	525.7
	$ 2,123.1	$ 1,851.6

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 2016 Annual Report and have not changed significantly for the nine months and three months ended November 30, 2016. For the three months ended November 30, 2016, in connection with the Canadian Divestiture (as defined in Note 5), we entered into economic hedges totaling an aggregate notional value of C$550.0 million to minimize the foreign currency exchange rate risk associated with the expected proceeds from the Canadian Divestiture. As of November 30, 2016, these derivative instruments had a fair value of $3.3 million, which was recorded in prepaid expenses and other, with the change in fair value recognized in selling, general and administrative expenses.

Table of Contents

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

	November 30, 2016	February 29, 2016
(in millions)		
Derivative instruments designated as hedging instruments		
Foreign currency contracts	$ 1,062.6	$ 731.6
Interest rate swap contracts	$ 250.0	$ 600.0
Derivative instruments not designated as hedging instruments		
Foreign currency contracts	$ 1,440.2	$ 975.6
Commodity derivative contracts	$ 168.7	$ 198.7
Interest rate swap contracts	$ —	$ 1,000.0

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 November 30, 2016, the estimated fair value of derivative instruments in a net liability position due to counterparties was $98.3 million. If we were required to settle the net liability position under these derivative instruments on November 30, 2016, we would have had sufficient availability under our 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	November 30, 2016	February 29, 2016	Liabilities	November 30, 2016	February 29, 2016
(in millions)					
Derivative instruments designated as hedging instruments					
Foreign currency contracts:					
Prepaid expenses and other	$ 5.1	$ 5.5	Other accrued expenses and liabilities	$ 43.1	$ 33.0
Other assets	$ 2.8	$ 1.2	Other liabilities	$ 54.9	$ 26.2
Interest rate swap contracts:					
Other assets	$ 3.8	$ 0.3	Other accrued expenses and liabilities	$ 0.6	$ 1.5
			Other liabilities	$ —	$ 0.4

Table of Contents

Assets	November 30, 2016	February 29, 2016	Liabilities	November 30, 2016	February 29, 2016
(in millions)					
Derivative instruments not designated as hedging instruments					
Foreign currency contracts:					
Prepaid expenses and other	$ 5.0	$ 4.8	Other accrued expenses and liabilities	$ 2.6	$ 9.8
Commodity derivative contracts:					
Prepaid expenses and other	$ 3.2	$ 0.6	Other accrued expenses and liabilities	$ 11.4	$ 29.3
Other assets	$ 1.8	$ 0.3	Other liabilities	$ 4.6	$ 16.8
Interest rate swap contracts:					
Prepaid expenses and other	$ —	$ 0.7	Other accrued expenses and liabilities	$ —	$ 5.7

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

Derivative Instruments in Designated Cash Flow Hedging Relationships	Net Gain (Loss) Recognized in OCI (Effective portion)	Location of Net Gain (Loss) Reclassified from AOCI to Income (Effective portion)	Net Gain (Loss) Reclassified from AOCI to Income (Effective portion)
(in millions)			
For the Nine Months Ended November 30, 2016			
Foreign currency contracts	$ (39.7)	Sales	$ 0.5
		Cost of product sold	(18.4)
Interest rate swap contracts	2.2	Interest expense	(3.9)
	$ (37.5)		$ (21.8)
For the Nine Months Ended November 30, 2015			
Foreign currency contracts	$ (25.5)	Sales	$ 1.6
		Cost of product sold	(14.1)
Interest rate swap contracts	(1.0)	Interest expense	(6.2)
	$ (26.5)		$ (18.7)
For the Three Months Ended November 30, 2016			
Foreign currency contracts	$ (39.1)	Sales	$ 0.3
		Cost of product sold	(7.7)
Interest rate swap contracts	2.1	Interest expense	(0.2)
	$ (37.0)		$ (7.6)
For the Three Months Ended November 30, 2015			
Foreign currency contracts	$ 9.4	Sales	$ 0.7
		Cost of product sold	(6.3)
Interest rate swap contracts	—	Interest expense	(2.0)
	$ 9.4		$ (7.6)

We expect $26.6 million of net losses, net of income tax effect, to be reclassified from accumulated other comprehensive income (loss) (“AOCI”) to our results of operations within the next 12 months.

Table of Contents

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	Net Gain (Loss) Recognized in Income
(in millions)		
For the Nine Months Ended November 30, 2016		
Commodity derivative contracts	Cost of product sold	$ 14.4
Foreign currency contracts	Selling, general and administrative expenses	(20.4)
		$ (6.0)
For the Nine Months Ended November 30, 2015		
Commodity derivative contracts	Cost of product sold	$ (34.5)
Foreign currency contracts	Selling, general and administrative expenses	(18.9)
		$ (53.4)
For the Three Months Ended November 30, 2016		
Commodity derivative contracts	Cost of product sold	$ 6.7
Foreign currency contracts	Selling, general and administrative expenses	(6.1)
		$ 0.6
For the Three Months Ended November 30, 2015		
Commodity derivative contracts	Cost of product sold	$ (18.1)
Foreign currency contracts	Selling, general and administrative expenses	(3.8)
		$ (21.9)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS:

Authoritative guidance establishes a framework for measuring fair value and requires disclosures about fair value measurements for financial instruments. This guidance emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on assumptions that market participants would use in pricing an asset or liability. It establishes 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 interest rates and yield curves that are observable for the asset and 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 and assumptions –
The methods and assumptions we use to estimate the fair value for each class of our financial instruments are presented in Notes 1 and 7 of our consolidated financial statements included in our 2016 Annual Report and have not changed significantly for the nine months and three months ended November 30, 2016. The carrying amounts of certain of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and notes payable to banks, approximate fair value as of November 30, 2016, and February 29, 2016, due to the relatively

short maturity of these instruments. As of November 30, 2016, the carrying amount of long-term debt, including the current portion, was $8,278.2 million, compared with an estimated fair value of $8,390.1 million. As

7

Table of Contents

of February 29, 2016, the carrying amount of long-term debt, including the current portion, was $7,672.9 million, compared with an estimated fair value of $7,252.0 million.

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			
(in millions)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
November 30, 2016				
Assets:				
Foreign currency contracts	$ —	$ 12.9	$ —	$ 12.9
Commodity derivative contracts	$ —	$ 5.0	$ —	$ 5.0
Interest rate swap contracts	$ —	$ 3.8	$ —	$ 3.8
Available-for-sale (“AFS”) debt securities	$ —	$ —	$ 4.8	$ 4.8
Liabilities:				
Foreign currency contracts	$ —	$ 100.6	$ —	$ 100.6
Commodity derivative contracts	$ —	$ 16.0	$ —	$ 16.0
Interest rate swap contracts	$ —	$ 0.6	$ —	$ 0.6
February 29, 2016				
Assets:				
Foreign currency contracts	$ —	$ 11.5	$ —	$ 11.5
Commodity derivative contracts	$ —	$ 0.9	$ —	$ 0.9
Interest rate swap contracts	$ —	$ 1.0	$ —	$ 1.0
AFS debt securities	$ —	$ —	$ 4.6	$ 4.6
Liabilities:				
Foreign currency contracts	$ —	$ 69.0	$ —	$ 69.0
Commodity derivative contracts	$ —	$ 46.1	$ —	$ 46.1
Interest rate swap contracts	$ —	$ 7.6	$ —	$ 7.6

5. GOODWILL:

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

(in millions)	Beer	Wine and Spirits	Consolidated
Balance, February 28, 2015	$3,776.2	$2,432.0	$ 6,208.2
Purchase accounting allocations [1]	761.8	203.3	965.1
Foreign currency translation adjustments	(7.9)	(26.8)	(34.7)
Balance, February 29, 2016	4,530.1	2,608.5	7,138.6
Purchase accounting allocations [2]	1.4	373.7	375.1
Foreign currency translation adjustments	(4.4)	8.6	4.2
Balance, November 30, 2016	$4,527.1	$2,990.8	$ 7,517.9

8

Table of Contents

(1) Purchase accounting allocations associated with the acquisitions of Ballast Point (as defined below) (Beer) and Meiomi (as defined below) (Wine and Spirits).
(2) Preliminary purchase accounting allocations associated primarily with the acquisitions of Prisoner, High West and Charles Smith (all as defined below) (Wine and Spirits).

As of November 30, 2016, and February 29, 2016, we have accumulated impairment losses associated with goodwill assigned to our Wine and Spirits' Canadian reporting unit of C$289.1 million, or $215.2 million and $213.5 million, respectively.

Acquisitions –
High West:
In October 2016, we acquired all of the issued and outstanding common and preferred membership interests of High West Holdings, LLC for $136.5 million, net of cash acquired, subject to post-closing adjustments ("High West"). This transaction primarily includes the acquisition of operations, goodwill, trademarks, inventories and property, plant and equipment. This acquisition includes a portfolio of craft whiskeys and other select spirits. The results of operations of High West are reported in the Wine and Spirits segment and have been included in our consolidated results of operations from the date of acquisition.

Charles Smith:
In October 2016, we acquired the Charles Smith Wines, LLC business, a collection of five super and ultra-premium wine brands, for $120.8 million ("Charles Smith"). This transaction primarily includes the acquisition of goodwill, trademarks, inventories and certain grape supply contracts. The results of operations of Charles Smith are reported in the Wine and Spirits segment and have been included in our consolidated results of operations from the date of acquisition.

Prisoner:
In April 2016, we acquired The Prisoner Wine Company business, consisting primarily of goodwill, inventories, trademarks and certain grape supply contracts, for $284.9 million ("Prisoner"). This transaction primarily includes the acquisition of a portfolio of five super-luxury wine brands. The results of operations of Prisoner are reported in the Wine and Spirits segment and have been included in our results of operations from the date of acquisition.

Ballast Point:
In December 2015, we acquired all of the issued and outstanding common and preferred stock of Home Brew Mart, Inc. d/b/a/ Ballast Point Brewing & Spirits ("Ballast Point"). The following table summarizes the allocation of the estimated fair value for the significant assets acquired:

(in millions)	
Goodwill	$763.2
Trademarks	222.8
Other	14.0
Total estimated fair value	1,000.0
Less – cash acquired	(1.5)
Purchase price	$998.5

Goodwill associated with the acquisition is primarily attributable to the future growth opportunities associated with the acquisition of a high-growth premium platform that enables us to compete in the growing craft beer category, further strengthening our position in the high-end U.S. beer market. None of the goodwill recognized is expected to be deductible for income tax purposes. The results of operations of Ballast Point are reported in the Beer segment and have been included in our consolidated results of operations from the date of acquisition.

Meiomi:

In August 2015, we acquired the Meiomi wine business, consisting primarily of goodwill, inventories, the trademark and certain grape supply contracts, for $316.2 million (“Meiomi”). The results of operations of Meiomi

Table of Contents

are reported in the Wine and Spirits segment and have been included in our consolidated results of operations from the date of acquisition.

Divestiture –

Canadian Divestiture:

On December 17, 2016, we sold our Canadian wine business, which includes Canadian wine brands such as Jackson-Triggs and Inniskillin, wineries, vineyards, offices, facilities and Wine Rack retail stores, at a transaction value of C$1.04 billion, or $776.2 million, (the “Canadian Divestiture”). We received cash proceeds of C$775.1 million, or $581.2 million, net of outstanding debt of C$260.0 million, or $195.0 million, subject to post-closing adjustments. We expect to recognize a net gain in connection with the Canadian Divestiture for the fourth quarter of fiscal 2017. Our preliminary estimate of this net gain is approximately $255 million.

As previously discussed, in connection with the Canadian Divestiture, we entered into economic hedges to minimize the foreign currency exchange rate risk associated with the expected proceeds from the Canadian Divestiture. As of November 30, 2016, these derivative instruments had a fair value of $3.3 million. At closing, these derivative instruments had a fair value of $4.6 million. In addition, our Wine and Spirits' U.S. business expects to recognize an impairment of $8.4 million in the fourth quarter of fiscal 2017 for trademarks associated with certain U.S. brands sold exclusively through the Canadian wine business, which we no longer expect to sell subsequent to the Canadian Divestiture.

As of November 30, 2016, in connection with the Canadian Divestiture, we had $165.5 million of net assets held for sale reported within the Wine and Spirits segment. The carrying amounts of the major classes of assets and liabilities classified as held for sale as of November 30, 2016, are presented below. Amounts presented below are included within the respective line on our balance sheet.

	November 30, 2016
(in millions)	
Cash	$ 7.8
Accounts receivable	44.7
Inventories	147.9
Prepaid expenses and other	6.3
Total current assets	206.7
Property, plant and equipment	112.6
Goodwill	125.1
Intangible assets	68.5
Other assets	1.7
Total assets	514.6
Current liabilities	(93.3)
Long-term liabilities	(255.8)
Total liabilities	(349.1)
Net assets held for sale	$ 165.5

Table of Contents

6. INTANGIBLE ASSETS:

The major components of intangible assets are as follows:

	November 30, 2016		February 29, 2016	
	Gross Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
(in millions)				
Amortizable intangible assets				
Customer relationships	$106.2	$59.6	$102.5	$60.2
Favorable interim supply agreement	68.3	—	68.3	2.2
Other	21.4	2.6	22.3	3.5
Total	$195.9	62.2	$193.1	65.9
Nonamortizable intangible assets				
Trademarks		3,427.9		3,333.8
Other		4.1		4.1
Total		3,432.0		3,337.9
Total intangible assets		$3,494.2		$3,403.8

We did not incur costs to renew or extend the term of acquired intangible assets for the nine months and three months ended November 30, 2016, and November 30, 2015. Net carrying amount represents the gross carrying value net of accumulated amortization. Amortization expense for intangible assets was $8.4 million and $32.2 million for the nine months ended November 30, 2016, and November 30, 2015, respectively, and $2.1 million and $9.5 million for the three months ended November 30, 2016, and November 30, 2015, respectively. Estimated amortization expense for the remaining three months of fiscal 2017 and for each of the five succeeding fiscal years and thereafter is as follows:

(in millions)	
2017	$2.1
2018	$6.4
2019	$6.4
2020	$6.2
2021	$5.8
2022	$5.4
Thereafter	$29.9

Table of Contents

7. BORROWINGS:

Borrowings consist of the following:

	November 30, 2016			February 29, 2016
	Current	Long-term	Total	Total
(in millions)				
Notes payable to banks				
Senior Credit Facility – Revolving Credit Loans	$220.0	$ —	$220.0	$ 92.0
Other	133.4	—	133.4	316.3
	$353.4	$ —	$353.4	$ 408.3
Long-term debt				
Senior Credit Facility – Term Loans	$192.5	$ 3,641.8	$3,834.3	$ 2,856.8
Senior Notes	699.6	3,321.2	4,020.8	4,716.3
Other	23.6	399.5	423.1	99.8
	$915.7	$ 7,362.5	$8,278.2	$ 7,672.9

Senior credit facility –
In March 2016, the Company, CIH International S.à r.l., a wholly-owned indirect subsidiary of ours ("CIH"), CIH Holdings S.à r.l., a wholly-owned indirect subsidiary of ours ("CIHH"), Bank of America, N.A., as administrative agent (the "Administrative Agent"), and certain other lenders entered into a Restatement Agreement (the "March 2016 Restatement Agreement") that amended and restated our prior senior credit facility (as amended and restated by the March 2016 Restatement Agreement, the "March 2016 Credit Agreement"). The principal changes effected by the March 2016 Restatement Agreement were:

- The creation of a new $700.0 million European Term A-1 loan facility maturing on March 10, 2021;
- An increase of the European revolving commitment under the revolving credit facility by $425.0 million to $1.0 billion;
- The addition of CIHH as a new borrower under the new European Term A-1 loan facility and the European revolving commitment; and
- The entry into a cross-guarantee agreement by CIH and CIHH whereby each guarantees the other's obligations under the March 2016 Credit Agreement.

In October 2016, the Company, CIH, CIHH, CB International Finance S.à r.l., a wholly-owned indirect subsidiary of ours ("CB International" and together with CIH and CIHH, the "European Borrowers"), the Administrative Agent, and certain other lenders entered into a Restatement Agreement (the "2016 Restatement Agreement") that amended and restated the March 2016 Credit Agreement (as amended and restated by the 2016 Restatement Agreement, the "2016 Credit Agreement"). The principal changes effected by the 2016 Restatement Agreement were:

- The creation of a new $400.0 million European Term A-2 loan facility with CIH as the borrower, maturing on March 10, 2021;
- An adjustment of the Incremental Facilities (as defined below) from a fixed amount to a flexible amount;
- The addition of CB International as a new borrower under the European revolving commitment; and
- The entry into an amended and restated cross-guarantee agreement by the European Borrowers whereby each guarantees the others' obligations under the 2016 Credit Agreement.

In addition, the European obligations under the 2016 Credit Agreement are guaranteed by us and certain of our U.S. subsidiaries. These obligations are also secured by a pledge of (i) 100% of certain interests in certain of the European

Borrowers' subsidiaries and (ii) 100% of the ownership interests in certain of our U.S. subsidiaries and 65% of the ownership interests in certain of our foreign subsidiaries.

Table of Contents

The 2016 Credit Agreement provides for aggregate credit facilities of $5,004.2 million, consisting of the following:

(in millions)	Amount	Maturity
Revolving Credit Facility [1] [2]	$1,150.0	July 16, 2020
U.S. Term A Facility [1] [3]	1,192.1	July 16, 2020
U.S. Term A-1 Facility [1] [3]	238.9	July 16, 2021
European Term A Facility [1] [3]	1,340.7	July 16, 2020
European Term A-1 Facility [1] [3]	682.5	March 10, 2021
European Term A-2 Facility [1] [3]	400.0	March 10, 2021
	$5,004.2	

(1) Contractual interest rate varies based on our debt ratio (as defined in the 2016 Credit Agreement) and is a function of LIBOR plus a margin, or the base rate plus a margin.

(2) Provides for credit facilities consisting of a $150.0 million U.S. Revolving Credit Facility and a $1,000.0 million European Revolving Credit Facility. Includes two sub-facilities for letters of credit of up to $200.0 million in the aggregate. We are the borrower under the U.S. Revolving Credit Facility and we and/or CIH and/or CIHH and/or CB International are the borrowers under the European Revolving Credit Facility.

(3) We are the borrower under the U.S. Term A and the U.S. Term A-1 loan facilities. CIH is the borrower under the European Term A and the European Term A-2 loan facilities. CIHH is the borrower under the European Term A-1 loan facility.

The 2016 Credit Agreement also permits us to elect, subject to the willingness of existing or new lenders to fund such increase or term loans and other customary conditions, to increase the revolving credit commitments or add one or more tranches of additional term loans (the "Incremental Facilities"). The Incremental Facilities may not exceed $750.0 million plus an unlimited amount so long as our leverage ratio, as defined and computed pursuant to the 2016 Credit Agreement, is no greater than 4.50 to 1.00 for the period defined pursuant to the 2016 Credit Agreement.

As of November 30, 2016, information with respect to borrowings under the 2016 Credit Agreement is as follows:

(in millions)	Revolving Credit Facility	U.S. Term A Facility [1]	U.S. Term A-1 Facility [1]	European Term A Facility [1]	European Term A-1 Facility [1]	European Term A-2 Facility [1]
Outstanding borrowings	$220.0	$1,184.4	$238.5	$1,334.1	$679.6	$397.7
Interest rate	2.1 %	2.0 %	2.3 %	2.0 %	2.0 %	2.0 %
Libor margin	1.5 %	1.5 %	1.75 %	1.5 %	1.5 %	1.5 %
Outstanding letters of credit	$16.7					
Remaining borrowing capacity	$913.3					

(1) Outstanding term loan facility borrowings are net of unamortized debt issuance costs.

Table of Contents

As of November 30, 2016, the required principal repayments of the term loans under the 2016 Credit Agreement (excluding unamortized debt issuance costs of $19.9 million) for the remaining three months of fiscal 2017 and for each of the five succeeding fiscal years are as follows:

(in millions)	U.S. Term A Facility	U.S. Term A-1 Facility	European Term A Facility	European Term A-1 Facility	European Term A-2 Facility	Total
2017	$15.9	$0.6	$17.8	$ 8.8	$ 5.0	$48.1
2018	63.6	2.4	71.5	35.0	20.0	192.5
2019	63.6	2.4	71.5	35.0	20.0	192.5
2020	63.6	2.4	71.5	35.0	20.0	192.5
2021	985.4	2.4	1,108.4	35.0	20.0	2,151.2
2022	—	228.7	—	533.7	315.0	1,077.4
	$1,192.1	$238.9	$1,340.7	$ 682.5	$ 400.0	$3,854.2

Interest rate swap contracts –
In April 2012, we entered into interest rate swap agreements which fixed our interest rates on $500.0 million of our floating LIBOR rate debt at an average rate of 2.8% (exclusive of borrowing margins) through September 1, 2016. We have entered into additional interest rate swap agreements which fixed our interest rates on $250.0 million of our floating LIBOR rate debt at an average rate of 1.1% (exclusive of borrowing margins) from September 1, 2016, through July 1, 2020.

Senior notes –
In August 2006, we issued $700.0 million aggregate principal amount of 7.25% Senior Notes due September 2016 (the “August 2006 Senior Notes”). On August 30, 2016, we repaid the August 2006 Senior Notes primarily with cash flows from operating activities.

In December 2016, we issued $600.0 million aggregate principal amount of 3.70% Senior Notes due December 2026 (the “December 2016 Senior Notes”). Proceeds from this offering, net of discount and debt issuance costs, were $594.7 million. Interest on the December 2016 Senior Notes is payable semiannually on June 6 and December 6 of each year, beginning June 6, 2017. The December 2016 Senior Notes are redeemable, in whole or in part, at our option at any time prior to September 6, 2026, at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest and a make-whole payment based on the present value of the future payments at the adjusted Treasury Rate plus 25 basis points. On or after September 6, 2026, we may redeem the December 2016 Senior Notes, in whole or in part, at our option at any time at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest. The December 2016 Senior Notes are senior unsecured obligations which rank equally in right of payment to all of our existing and future senior unsecured indebtedness. Certain of our U.S. subsidiaries guarantee the December 2016 Senior Notes on a senior unsecured basis.

Other –
Canadian credit agreement:
In June 2016, through a wholly-owned indirect subsidiary of ours, we entered into a new secured Canadian credit agreement which provided for a C$275.0 million term loan facility ($214.1 million at issuance) and a C$50.0 million revolving credit facility which was undrawn at issuance (the “Canadian Credit Agreement”). The interest rate varied based on the subsidiary’s consolidated leverage ratio (as defined in the Canadian Credit Agreement) and was a function of a base rate plus a margin. As of November 30, 2016, under the Canadian Credit Agreement, there were outstanding term loan borrowings of C$275.0 million, or $204.7 million (excluding unamortized debt issuance costs of $0.7 million), bearing an interest rate of 2.6%. There were no outstanding revolver borrowings under the Canadian Credit

Agreement as of November 30, 2016. In connection with the Canadian Divestiture in December 2016, our obligations associated with the Canadian Credit Agreement terminated.

Table of Contents

Other long-term debt:
We have outstanding borrowings with our glass production plant joint venture partner, Owens-Illinois, which are included in our consolidated balance sheet as of November 30, 2016, in accordance with our consolidation of this variable interest entity. These borrowings have a maturity date of December 2064 with both a fixed and variable interest rate component. The variable interest rate is based upon certain performance measures as defined in the contractual agreement. As of November 30, 2016, amounts outstanding under the contractual agreement were $168.0 million with a weighted average interest rate of 7.0%.

Accounts receivable securitization facilities:
On September 27, 2016, we amended our prior trade accounts receivable securitization facility (as amended, the “CBI Facility”) for an additional 364-day term. Under the CBI Facility, trade accounts receivable generated by us and certain of our subsidiaries are sold by us to a wholly-owned bankruptcy remote single purpose subsidiary, the CBI SPV, which is consolidated by us for financial reporting purposes. The CBI Facility provides borrowing capacity of $235.0 million up to $340.0 million structured to account for the seasonality of our business, subject to further limitations based upon various pre-agreed formulas. The remaining provisions of the CBI Facility are substantially identical in all material respects to the prior CBI facility.

Also, on September 27, 2016, Crown Imports amended its prior trade accounts receivable securitization facility (as amended, the “Crown Facility”) for an additional 364-day term. Under the Crown Facility, trade accounts receivable generated by Crown Imports are sold by Crown Imports to its wholly-owned bankruptcy remote single purpose subsidiary, the Crown SPV, which is consolidated by us for financial reporting purposes. The Crown Facility provides borrowing capacity of $120.0 million up to $210.0 million structured to account for the seasonality of Crown Imports’ business. The remaining provisions of the Crown Facility are substantially identical in all material respects to the prior Crown facility.

As of November 30, 2016, our accounts receivable securitization facilities are as follows:

(in millions)	Outstanding Borrowings	Weighted Average Interest Rate	Remaining Borrowing Capacity
CBI Facility	$ 97.0	1.5 %	$ 208.0
Crown Facility	$ —	— %	$ 150.0

8. INCOME TAXES:

Our effective tax rate for the nine months ended November 30, 2016, and November 30, 2015, was 26.7% and 29.2%, respectively. Our effective tax rate for the three months ended November 30, 2016, and November 30, 2015, was 16.3% and 32.1%, respectively.

Our effective tax rates for the nine months and three months ended November 30, 2016, were lower than the federal statutory rate of 35% primarily due to a change in our assertion regarding our ability and intent to indefinitely reinvest undistributed earnings of certain foreign subsidiaries. Our effective tax rate for the nine months ended November 30, 2015, was lower than the federal statutory rate primarily due to decreases in uncertain tax positions and lower effective tax rates applicable to our foreign businesses. Our effective tax rate for the three months ended November 30, 2015, was lower than the federal statutory rate primarily due to lower effective tax rates applicable to our foreign businesses.

We have historically provided deferred income taxes for the repatriation to the U.S. of earnings from our foreign subsidiaries. In connection with the agreement to divest the Canadian wine business and the ongoing Beer capacity expansion activities in Mexico, including the agreement to acquire the Obregon Brewery (as defined in Note 15), we changed our assertion regarding our ability and intent to indefinitely reinvest undistributed earnings of certain foreign subsidiaries during the three months ended November 30, 2016. Approximately $380 million of our estimated earnings for the year ending February 28, 2017, and all future earnings for these foreign subsidiaries are expected to be indefinitely reinvested. Our current U.S. cash flow estimates, including proceeds from the Canadian

Table of Contents

Divestiture, and available borrowing capacity are expected to be sufficient to meet future domestic cash needs. Our intent to repatriate historical foreign earnings prior to our third quarter assertion remains unchanged and accordingly, we continue to provide for anticipated tax liabilities on amounts that are still expected to be repatriated to support our U.S. investments in the future.

Because of this assertion, we revised our estimated effective tax rate for the year ending February 28, 2017. Due to the reduction in the full year tax rate, the income tax expense for the three months ended November 30, 2016, includes the effect of this revised tax rate on our cumulative earnings through August 31, 2016. We did not provide income taxes on the indefinitely reinvested earnings. If at some future date these earnings cease to be indefinitely reinvested and are repatriated, we may be subject to additional U.S. income and other taxes on such amounts of approximately $100 million. We continue to provide deferred income taxes, as required, on the undistributed net earnings of those foreign subsidiaries that are not deemed to be indefinitely reinvested in operations outside the United States.

9. STOCKHOLDERS' EQUITY:

In April 2012, our Board of Directors authorized the repurchase of up to $1.0 billion of our Class A Common Stock and Class B Convertible Common Stock (the "2013 Authorization"). The Board of Directors did not specify a date upon which this authorization would expire. Shares repurchased under the 2013 Authorization have become treasury shares.

Additionally, in November 2016, our Board of Directors authorized the repurchase of up to $1.0 billion of our Class A Common Stock and Class B Convertible Common Stock (the "2017 Authorization"). The Board of Directors did not specify a date upon which this authorization would expire. Shares repurchased under the 2017 Authorization have become treasury shares.

For the nine months ended November 30, 2016, we repurchased 2,412,193 shares of Class A Common Stock pursuant to the 2013 Authorization at an aggregate cost of $372.6 million through open market transactions. Subsequent to November 30, 2016, we utilized the remaining $296.9 million available under the 2013 Authorization to repurchase 1,988,311 shares of Class A Common Stock through open market transactions. In addition, we repurchased 994,142 shares of Class A Common Stock pursuant to the 2017 Authorization at an aggregate cost of $153.1 million through open market transactions. All repurchases made subsequent to November 30, 2016, were made pursuant to a Rule 10b5-1 trading plan.

As of January 5, 2017, total shares repurchased are as follows:

		Class A Common Shares	
	Repurchase Authorization	Dollar Value of Shares Repurchased	Number of Shares Repurchased
(in millions, except share data)			
2013 Authorization	$ 1,000.0	$1,000.0	18,670,632
2017 Authorization	$ 1,000.0	$153.1	994,142

10. NET INCOME PER COMMON SHARE ATTRIBUTABLE TO CBI:

For the nine months and three months ended November 30, 2016, and November 30, 2015, net income per common share – diluted for Class A Common Stock has been computed using the if-converted method and assumes the exercise of stock options using the treasury stock method and the conversion of Class B Convertible Common Stock as this method is more dilutive than the two-class method. For the nine months and three months ended November 30, 2016, and November 30, 2015, net income per common share – diluted for Class B Convertible Common Stock has been computed using the two-class method and does not assume conversion of Class B Convertible Common Stock into shares of Class A Common Stock.

Table of Contents

The computation of basic and diluted net income per common share is as follows:

	For the Nine Months Ended			
	November 30, 2016		November 30, 2015	
	Common Stock		Common Stock	
	Class A	Class B	Class A	Class B
(in millions, except per share data)				
Net income attributable to CBI allocated – basic	$967.5	$115.6	$722.7	$88.8
Conversion of Class B common shares into Class A common shares	115.6	—	88.8	—
Effect of stock-based awards on allocated net income	—	(2.2)	—	(2.6)
Net income attributable to CBI allocated – diluted	$1,083.1	$113.4	$811.5	$86.2
Weighted average common shares outstanding – basic	177.171	23.353	172.509	23.366
Conversion of Class B common shares into Class A common shares	23.353	—	23.366	—
Stock-based awards, primarily stock options	4.960	—	7.481	—
Weighted average common shares outstanding – diluted	205.484	23.353	203.356	23.366
Net income per common share attributable to CBI – basic	$5.46	$4.95	$4.19	$3.80
Net income per common share attributable to CBI – diluted	$5.27	$4.86	$3.99	$3.69

	For the Three Months Ended			
	November 30, 2016		November 30, 2015	
	Common Stock		Common Stock	
	Class A	Class B	Class A	Class B
Net income attributable to CBI allocated – basic	$362.6	$43.3	$241.1	$29.4
Conversion of Class B common shares into Class A common shares	43.3	—	29.4	—
Effect of stock-based awards on allocated net income	—	(0.8)	—	(0.8)
Net income attributable to CBI allocated – diluted	$405.9	$42.5	$270.5	$28.6
Weighted average common shares outstanding – basic	177.513	23.353	173.933	23.358
Conversion of Class B common shares into Class A common shares	23.353	—	23.358	—
Stock-based awards, primarily stock options	4.589	—	6.805	—
Weighted average common shares outstanding – diluted	205.455	23.353	204.096	23.358
Net income per common share attributable to CBI – basic	$2.04	$1.85	$1.39	$1.26
Net income per common share attributable to CBI – diluted	$1.98	$1.82	$1.33	$1.22

Table of Contents

11. COMPREHENSIVE INCOME ATTRIBUTABLE TO CBI:

Comprehensive income consists of net income, foreign currency translation adjustments, net unrealized gains (losses) on derivative instruments, net unrealized gains (losses) on AFS debt securities and pension/postretirement adjustments. The reconciliation of net income attributable to CBI to comprehensive income attributable to CBI is as follows:

(in millions)	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
For the Nine Months Ended November 30, 2016			
Net income attributable to CBI			$ 1,083.1
Other comprehensive income (loss) attributable to CBI:			
Foreign currency translation adjustments:			
Net losses	$ (128.4)	$ (0.7)	(129.1)
Reclassification adjustments	—	—	—
Net loss recognized in other comprehensive loss	(128.4)	(0.7)	(129.1)
Unrealized loss on cash flow hedges:			
Net derivative losses	(55.3)	17.8	(37.5)
Reclassification adjustments	32.0	(10.1)	21.9
Net loss recognized in other comprehensive loss	(23.3)	7.7	(15.6)
Unrealized gain on AFS debt securities:			
Net AFS debt securities gains	0.1	0.1	0.2
Reclassification adjustments	—	—	—
Net gain recognized in other comprehensive loss	0.1	0.1	0.2
Pension/postretirement adjustments:			
Net actuarial losses	(0.1)	—	(0.1)
Reclassification adjustments	0.5	(0.1)	0.4
Net gain recognized in other comprehensive loss	0.4	(0.1)	0.3
Other comprehensive loss attributable to CBI	$ (151.2)	$ 7.0	(144.2)
Comprehensive income attributable to CBI			$ 938.9

18

Table of Contents

(in millions)	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
For the Nine Months Ended November 30, 2015			
Net income attributable to CBI			$ 811.5
Other comprehensive income (loss) attributable to CBI:			
Foreign currency translation adjustments:			
Net losses	$ (209.7)	$ 2.7	(207.0)
Reclassification adjustments	—	—	—
Net loss recognized in other comprehensive loss	(209.7)	2.7	(207.0)
Unrealized loss on cash flow hedges:			
Net derivative losses	(36.2)	9.7	(26.5)
Reclassification adjustments	27.1	(8.2)	18.9
Net loss recognized in other comprehensive loss	(9.1)	1.5	(7.6)
Unrealized loss on AFS debt securities:			
Net AFS debt securities losses	(0.4)	—	(0.4)
Reclassification adjustments	—	—	—
Net loss recognized in other comprehensive loss	(0.4)	—	(0.4)
Pension/postretirement adjustments:			
Net actuarial gains	1.2	(0.3)	0.9
Reclassification adjustments	0.3	(0.2)	0.1
Net gain recognized in other comprehensive loss	1.5	(0.5)	1.0
Other comprehensive loss attributable to CBI	$ (217.7)	$ 3.7	(214.0)
Comprehensive income attributable to CBI			$ 597.5
For the Three Months Ended November 30, 2016			
Net income attributable to CBI			$ 405.9
Other comprehensive income (loss) attributable to CBI:			
Foreign currency translation adjustments:			
Net losses	$ (125.6)	$ 1.0	(124.6)
Reclassification adjustments	—	—	—
Net loss recognized in other comprehensive loss	(125.6)	1.0	(124.6)
Unrealized loss on cash flow hedges:			
Net derivative losses	(52.2)	15.2	(37.0)
Reclassification adjustments	11.1	(3.4)	7.7
Net loss recognized in other comprehensive loss	(41.1)	11.8	(29.3)
Unrealized loss on AFS debt securities:			
Net AFS debt securities losses	(0.1)	—	(0.1)
Reclassification adjustments	—	—	—
Net loss recognized in other comprehensive loss	(0.1)	—	(0.1)
Pension/postretirement adjustments:			
Net actuarial gains	0.5	(0.2)	0.3
Reclassification adjustments	0.2	(0.1)	0.1
Net gain recognized in other comprehensive loss	0.7	(0.3)	0.4
Other comprehensive loss attributable to CBI	$ (166.1)	$ 12.5	(153.6)
Comprehensive income attributable to CBI			$ 252.3

Table of Contents

(in millions)	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
For the Three Months Ended November 30, 2015			
Net income attributable to CBI			$ 270.5
Other comprehensive income attributable to CBI:			
Foreign currency translation adjustments:			
Net gains	$ 8.1	$ (0.1)	8.0
Reclassification adjustments	—	—	—
Net gain recognized in other comprehensive income	8.1	(0.1)	8.0
Unrealized gain on cash flow hedges:			
Net derivative gains	12.7	(3.3)	9.4
Reclassification adjustments	10.8	(3.1)	7.7
Net gain recognized in other comprehensive income	23.5	(6.4)	17.1
Pension/postretirement adjustments:			
Net actuarial gains	0.3	—	0.3
Reclassification adjustments	0.1	(0.2)	(0.1)
Net gain recognized in other comprehensive income	0.4	(0.2)	0.2
Other comprehensive income attributable to CBI	$ 32.0	$ (6.7)	25.3
Comprehensive income attributable to CBI			$ 295.8

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

(in millions)	Foreign Currency Translation Adjustments	Net Unrealized Losses on Derivative Instruments	Net Unrealized Gains (Losses) on AFS Debt Securities	Pension/ Postretirement Adjustments	Accumulated Other Comprehensive Loss
Balance, February 29, 2016	$ (390.5)	$ (46.1)	$ (2.8)	$ (13.1)	$ (452.5)
Other comprehensive income (loss):					
Other comprehensive income (loss) before reclassification adjustments	(129.1)	(37.5)	0.2	(0.1)	(166.5)
Amounts reclassified from accumulated other comprehensive loss	—	21.9	—	0.4	22.3
Other comprehensive income (loss)	(129.1)	(15.6)	0.2	0.3	(144.2)
Balance, November 30, 2016	$ (519.6)	$ (61.7)	$ (2.6)	$ (12.8)	$ (596.7)

12. CONDENSED CONSOLIDATING FINANCIAL INFORMATION:

The following information sets forth the condensed consolidating balance sheets as of November 30, 2016, and February 29, 2016, the condensed consolidating statements of comprehensive income for the nine months and three months ended November 30, 2016, and November 30, 2015, and the condensed consolidating statements of cash flows for the nine months ended November 30, 2016, and November 30, 2015, for the parent company, our combined subsidiaries which guarantee our senior notes ("Subsidiary Guarantors"), our combined subsidiaries which are not Subsidiary Guarantors (primarily foreign subsidiaries) ("Subsidiary Nonguarantors") and the Company. The Subsidiary Guarantors are 100% owned, directly or indirectly, by the parent company and the guarantees are joint and several obligations of each of the Subsidiary Guarantors. The guarantees are full and unconditional, as those terms are used in

Rule 3-10 of Regulation S-X, except that a Subsidiary Guarantor can be automatically released and relieved of its obligations under certain customary circumstances contained in the indentures governing our senior notes. These customary circumstances include, so long as other applicable provisions of the indentures are adhered to, the termination or release of a Subsidiary Guarantor’s guarantee of other indebtedness or upon the legal defeasance or covenant defeasance or satisfaction and discharge of our senior notes. Separate financial information for our Subsidiary

Table of Contents

Guarantors is not presented because we have determined that such financial information would not be material to investors. The accounting policies of the parent company, the Subsidiary Guarantors and the Subsidiary Nonguarantors are the same as those described for the Company in Note 1 of our consolidated financial statements included in our 2016 Annual Report. There are no restrictions on the ability of the Subsidiary Guarantors to transfer funds to us in the form of cash dividends, loans or advances.

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
(in millions)					
Condensed Consolidating Balance Sheet at November 30, 2016					
Current assets:					
Cash and cash equivalents	$13.3	$7.7	$ 176.3	$—	$ 197.3
Accounts receivable	0.7	23.7	831.6	—	856.0
Inventories	170.5	1,628.3	434.9	(110.6)	2,123.1
Intercompany receivable	21,273.6	28,448.7	11,599.4	(61,321.7)	—
Prepaid expenses and other	40.1	58.7	262.4	(92.8)	268.4
Total current assets	21,498.2	30,167.1	13,304.6	(61,525.1)	3,444.8
Property, plant and equipment	65.6	922.1	2,720.3	—	3,708.0
Investments in subsidiaries	13,258.5	23.4	—	(13,281.9)	—
Goodwill	—	6,590.1	927.8	—	7,517.9
Intangible assets	—	1,002.9	2,491.3	—	3,494.2
Intercompany notes receivable	5,016.3	200.1	200.0	(5,416.4)	—
Other assets	19.5	92.2	43.5	—	155.2
Total assets	$39,858.1	$38,997.9	$ 19,687.5	$(80,223.4)	$ 18,320.1
Current liabilities:					
Notes payable to banks	$220.0	$—	$ 133.4	$—	$ 353.4
Current maturities of long-term debt	767.7	17.0	131.0	—	915.7
Accounts payable	46.0	337.6	388.7	—	772.3
Accrued excise taxes	15.1	12.5	5.4	—	33.0
Intercompany payable	26,589.9	23,011.5	11,720.3	(61,321.7)	—
Other accrued expenses and liabilities	280.4	214.4	195.9	(128.5)	562.2
Total current liabilities	27,919.1	23,593.0	12,574.7	(61,450.2)	2,636.6
Long-term debt, less current maturities	4,680.2	25.4	2,656.9	—	7,362.5
Deferred income taxes	12.5	815.4	296.1	—	1,124.0
Intercompany notes payable	200.0	5,184.0	32.4	(5,416.4)	—
Other liabilities	28.3	30.2	140.8	—	199.3
Total liabilities	32,840.1	29,648.0	15,700.9	(66,866.6)	11,322.4
Total CBI stockholders’ equity	7,018.0	9,349.9	4,006.9	(13,356.8)	7,018.0
Noncontrolling interests	—	—	(20.3)	—	(20.3)
Total stockholders’ equity	7,018.0	9,349.9	3,986.6	(13,356.8)	6,997.7
Total liabilities and stockholders’ equity	$39,858.1	$38,997.9	$ 19,687.5	$(80,223.4)	$ 18,320.1

Table of Contents

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Balance Sheet at February 29, 2016					
Current assets:					
Cash and cash equivalents	$6.0	$4.2	$ 72.9	$—	$ 83.1
Accounts receivable	0.4	22.3	709.8	—	732.5
Inventories	151.6	1,483.5	344.0	(127.5)	1,851.6
Intercompany receivable	17,459.3	23,758.9	9,393.5	(50,611.7)	—
Prepaid expenses and other	29.6	67.8	281.1	(68.1)	310.4
Total current assets	17,646.9	25,336.7	10,801.3	(50,807.3)	2,977.6
Property, plant and equipment	63.2	879.8	2,390.4	—	3,333.4
Investments in subsidiaries	13,047.2	19.0	—	(13,066.2)	—
Goodwill	—	6,376.4	762.2	—	7,138.6
Intangible assets	—	970.9	2,430.8	2.1	3,403.8
Intercompany notes receivable	4,705.9	86.6	—	(4,792.5)	—
Other assets	20.0	69.6	22.0	—	111.6
Total assets	$35,483.2	$33,739.0	$ 16,406.7	$(68,663.9)	$ 16,965.0
Current liabilities:					
Notes payable to banks	$—	$—	$ 408.3	$—	$ 408.3
Current maturities of long-term debt	765.6	18.0	73.1	—	856.7
Accounts payable	37.7	100.7	290.9	—	429.3
Accrued excise taxes	14.7	14.7	4.2	—	33.6
Intercompany payable	22,293.3	19,018.6	9,299.8	(50,611.7)	—
Other accrued expenses and liabilities	349.1	185.1	119.4	(109.2)	544.4
Total current liabilities	23,460.4	19,337.1	10,195.7	(50,720.9)	2,272.3
Long-term debt, less current maturities	5,421.4	26.3	1,368.5	—	6,816.2
Deferred income taxes	11.9	734.8	275.5	—	1,022.2
Intercompany notes payable	—	4,776.6	15.9	(4,792.5)	—
Other liabilities	29.9	39.1	93.5	—	162.5
Total liabilities	28,923.6	24,913.9	11,949.1	(55,513.4)	10,273.2
Total CBI stockholders' equity	6,559.6	8,825.1	4,325.4	(13,150.5)	6,559.6
Noncontrolling interests	—	—	132.2	—	132.2
Total stockholders' equity	6,559.6	8,825.1	4,457.6	(13,150.5)	6,691.8
Total liabilities and stockholders' equity	$35,483.2	$33,739.0	$ 16,406.7	$(68,663.9)	$ 16,965.0

Table of Contents

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Comprehensive Income for the Nine Months Ended November 30, 2016					
Sales	$2,070.2	$5,061.5	$2,604.0	$(3,467.2)	$6,268.5
Less – excise taxes	(260.0)	(254.2)	(50.8)	—	(565.0)
Net sales	1,810.2	4,807.3	2,553.2	(3,467.2)	5,703.5
Cost of product sold	(1,472.9)	(3,444.7)	(1,483.5)	3,439.3	(2,961.8)
Gross profit	337.3	1,362.6	1,069.7	(27.9)	2,741.7
Selling, general and administrative expenses	(310.4)	(590.9)	(181.7)	38.9	(1,044.1)
Operating income	26.9	771.7	888.0	11.0	1,697.6
Equity in earnings of equity method investees and subsidiaries	1,207.5	32.0	0.5	(1,211.8)	28.2
Interest income	0.4	—	0.9	—	1.3
Intercompany interest income	170.9	229.5	0.1	(400.5)	—
Interest expense	(212.6)	(1.2)	(43.8)	—	(257.6)
Intercompany interest expense	(229.1)	(170.7)	(0.7)	400.5	—
Income before income taxes	964.0	861.3	845.0	(1,200.8)	1,469.5
(Provision for) benefit from income taxes	119.1	(336.5)	(170.5)	(4.3)	(392.2)
Net income	1,083.1	524.8	674.5	(1,205.1)	1,077.3
Net loss attributable to noncontrolling interests	—	—	5.8	—	5.8
Net income attributable to CBI	$1,083.1	$524.8	$680.3	$(1,205.1)	$1,083.1
Comprehensive income attributable to CBI	$938.9	$524.8	$527.6	$(1,052.4)	$938.9
Condensed Consolidating Statement of Comprehensive Income for the Nine Months Ended November 30, 2015					
Sales	$1,891.7	$4,289.2	$2,294.4	$(2,952.0)	$5,523.3
Less – excise taxes	(251.3)	(219.4)	(47.4)	—	(518.1)
Net sales	1,640.4	4,069.8	2,247.0	(2,952.0)	5,005.2
Cost of product sold	(1,325.4)	(3,023.4)	(1,377.4)	2,967.2	(2,759.0)
Gross profit	315.0	1,046.4	869.6	15.2	2,246.2
Selling, general and administrative expenses	(281.5)	(508.9)	(96.8)	(5.0)	(892.2)
Operating income	33.5	537.5	772.8	10.2	1,354.0
Equity in earnings of equity method investees and subsidiaries	924.9	31.8	0.8	(929.0)	28.5
Interest income	0.1	—	0.4	—	0.5
Intercompany interest income	138.0	196.6	0.1	(334.7)	—
Interest expense	(212.3)	(0.9)	(17.7)	—	(230.9)
Intercompany interest expense	(196.2)	(137.9)	(0.6)	334.7	—
Loss on write-off of debt issuance costs	(0.4)	—	(0.7)	—	(1.1)
Income before income taxes	687.6	627.1	755.1	(918.8)	1,151.0
(Provision for) benefit from income taxes	123.9	(247.1)	(208.2)	(4.3)	(335.7)
Net income	811.5	380.0	546.9	(923.1)	815.3
Net income attributable to noncontrolling interests	—	—	(3.8)	—	(3.8)
Net income attributable to CBI	$811.5	$380.0	$543.1	$(923.1)	$811.5
Comprehensive income attributable to CBI	$597.5	$379.1	$325.6	$(704.7)	$597.5

Table of Contents

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Comprehensive Income for the Three Months Ended November 30, 2016					
Sales	$ 734.8	$ 1,563.5	$ 815.2	$ (1,120.8)	$ 1,992.7
Less – excise taxes	(89.9)	(73.8)	(18.5)	—	(182.2)
Net sales	644.9	1,489.7	796.7	(1,120.8)	1,810.5
Cost of product sold	(522.4)	(1,043.9)	(459.7)	1,106.9	(919.1)
Gross profit	122.5	445.8	337.0	(13.9)	891.4
Selling, general and administrative expenses	(109.7)	(194.7)	(70.1)	17.1	(357.4)
Operating income	12.8	251.1	266.9	3.2	534.0
Equity in earnings of equity method investees and subsidiaries	430.9	28.4	0.1	(431.9)	27.5
Interest income	—	—	0.3	—	0.3
Intercompany interest income	56.2	80.3	—	(136.5)	—
Interest expense	(61.5)	(0.4)	(16.0)	—	(77.9)
Intercompany interest expense	(80.1)	(56.1)	(0.3)	136.5	—
Income before income taxes	358.3	303.3	251.0	(428.7)	483.9
(Provision for) benefit from income taxes	47.6	(119.1)	(7.3)	(0.1)	(78.9)
Net income	405.9	184.2	243.7	(428.8)	405.0
Net loss attributable to noncontrolling interests	—	—	0.9	—	0.9
Net income attributable to CBI	$ 405.9	$ 184.2	$ 244.6	$ (428.8)	$ 405.9
Comprehensive income attributable to CBI	$ 252.3	$ 182.5	$ 85.9	$ (268.4)	$ 252.3
Condensed Consolidating Statement of Comprehensive Income for the Three Months Ended November 30, 2015					
Sales	$ 708.1	$ 1,366.8	$ 676.4	$ (938.9)	$ 1,812.4
Less – excise taxes	(91.6)	(64.6)	(15.7)	—	(171.9)
Net sales	616.5	1,302.2	660.7	(938.9)	1,640.5
Cost of product sold	(496.9)	(943.8)	(425.3)	959.0	(907.0)
Gross profit	119.6	358.4	235.4	20.1	733.5
Selling, general and administrative expenses	(81.9)	(157.6)	(34.6)	(12.1)	(286.2)
Operating income	37.7	200.8	200.8	8.0	447.3
Equity in earnings of equity method investees and subsidiaries	298.6	28.1	0.4	(299.8)	27.3
Interest income	—	—	0.1	—	0.1
Intercompany interest income	46.0	66.3	0.1	(112.4)	—
Interest expense	(71.5)	(0.3)	(3.9)	—	(75.7)
Intercompany interest expense	(66.2)	(46.0)	(0.2)	112.4	—
Income before income taxes	244.6	248.9	197.3	(291.8)	399.0
(Provision for) benefit from income taxes	25.9	(99.2)	(51.4)	(3.3)	(128.0)
Net income	270.5	149.7	145.9	(295.1)	271.0
Net income attributable to noncontrolling interests	—	—	(0.5)	—	(0.5)
Net income attributable to CBI	$ 270.5	$ 149.7	$ 145.4	$ (295.1)	$ 270.5
Comprehensive income attributable to CBI	$ 295.8	$ 149.0	$ 169.8	$ (318.8)	$ 295.8

Table of Contents

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Cash Flows for the Nine Months Ended November 30, 2016					
Net cash provided by operating activities	$ 27.4	$ 914.0	$ 966.3	$ (492.0)	$ 1,415.7
Cash flows from investing activities:					
Purchases of property, plant and equipment	(6.3)	(110.3)	(475.0)	—	(591.6)
Purchases of businesses, net of cash acquired	—	(284.9)	(257.3)	—	(542.2)
Net proceeds from intercompany notes	267.2	7.5	—	(274.7)	—
Net returns of capital from equity affiliates	361.7	—	—	(361.7)	—
Other investing activities	0.2	0.1	(15.6)	—	(15.3)
Net cash provided by (used in) investing activities	622.8	(387.6)	(747.9)	(636.4)	(1,149.1)
Cash flows from financing activities:					
Dividends paid to parent company	—	—	(850.4)	850.4	—
Net contributions from (returns of capital to) equity affiliates	—	(8.6)	5.3	3.3	—
Net proceeds from (repayments of) intercompany notes	347.7	(436.7)	(185.7)	274.7	—
Principal payments of long-term debt	(751.2)	(15.9)	(140.6)	—	(907.7)
Purchases of treasury stock	(372.6)	—	—	—	(372.6)
Dividends paid	(238.3)	—	—	—	(238.3)
Payments of minimum tax withholdings on stock-based payment awards	—	(61.7)	(5.2)	—	(66.9)
Net proceeds from (repayments of) notes payable	220.0	—	(275.9)	—	(55.9)
Payments of debt issuance costs	—	—	(6.6)	—	(6.6)
Proceeds from issuance of long-term debt	—	—	1,350.1	—	1,350.1
Excess tax benefits from stock-based payment awards	112.2	—	—	—	112.2
Proceeds from shares issued under equity compensation plans	39.3	—	—	—	39.3
Net cash used in financing activities	(642.9)	(522.9)	(109.0)	1,128.4	(146.4)
Effect of exchange rate changes on cash and cash equivalents	—	—	(6.0)	—	(6.0)
Net increase in cash and cash equivalents	7.3	3.5	103.4	—	114.2
Cash and cash equivalents, beginning of period	6.0	4.2	72.9	—	83.1
Cash and cash equivalents, end of period	$ 13.3	$ 7.7	$ 176.3	$ —	$ 197.3

Table of Contents

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Cash Flows for the Nine Months Ended November 30, 2015					
Net cash provided by (used in) operating activities	$ (456.3)	$ 775.1	$ 772.8	$ —	$ 1,091.6
Cash flows from investing activities:					
Purchases of property, plant and equipment	(8.8)	(31.8)	(473.2)	—	(513.8)
Purchases of businesses, net of cash acquired	—	(316.2)	(1.7)	—	(317.9)
Net proceeds from intercompany notes	376.4	—	—	(376.4)	—
Net investments in equity affiliates	(236.4)	—	—	236.4	—
Other investing activities	2.0	(0.7)	2.7	—	4.0
Net cash provided by (used in) investing activities	133.2	(348.7)	(472.2)	(140.0)	(827.7)
Cash flows from financing activities:					
Net contributions from (returns of capital to) equity affiliates	—	(31.4)	267.8	(236.4)	—
Net proceeds from (repayments of) intercompany notes	292.2	(345.3)	(323.3)	376.4	—
Principal payments of long-term debt	(47.9)	(13.8)	(86.6)	—	(148.3)
Dividends paid	(180.4)	—	—	—	(180.4)
Payments of minimum tax withholdings on stock-based payment awards	—	(35.7)	(2.7)	—	(38.4)
Net repayments of notes payable	—	—	(15.9)	—	(15.9)
Payments of debt issuance costs	(7.9)	—	—	—	(7.9)
Proceeds from issuance of long-term debt	200.0	—	10.0	—	210.0
Excess tax benefits from stock-based payment awards	204.2	—	—	—	204.2
Proceeds from shares issued under equity compensation plans	98.9	—	—	—	98.9
Net cash provided by (used in) financing activities	559.1	(426.2)	(150.7)	140.0	122.2
Effect of exchange rate changes on cash and cash equivalents	—	—	(4.9)	—	(4.9)
Net increase in cash and cash equivalents	236.0	0.2	145.0	—	381.2
Cash and cash equivalents, beginning of period	24.5	0.7	84.9	—	110.1
Cash and cash equivalents, end of period	$ 260.5	$ 0.9	$ 229.9	$ —	$ 491.3

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 and craft beer brands. We have an exclusive perpetual brand license to import, market and sell in the U.S. our Mexican beer portfolio. In the Wine and Spirits segment, we sell a large number of wine brands across all categories – table wine, sparkling wine and dessert wine – and across all price points – popular, premium and luxury categories, primarily within the $5 to $25 price range at U.S. retail – complemented by certain premium spirits brands. Amounts included in the Corporate Operations and Other segment consist of costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal, public relations and information technology. The amounts included in the Corporate Operations and Other segment are general costs that are

Table of Contents

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 chief operating decision maker's evaluation of the operating income 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.

In addition, management excludes items that affect comparability ("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 segment management compensation are evaluated based upon core segment operating income (loss). As such, the performance measures for incentive compensation purposes for segment management do not include the impact of these items.

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 Nine Months Ended November 30,		For the Three Months Ended November 30,	
	2016	2015	2016	2015
(in millions)				
Cost of product sold				
Settlements of undesignated commodity derivative contracts	$20.3	$20.4	$5.2	$8.2
Net gain (loss) on undesignated commodity derivative contracts	14.4	(34.5)	6.7	(18.1)
Flow through of inventory step-up	(16.4)	(9.8)	(4.9)	(8.6)
Amortization of favorable interim supply agreement	(2.2)	(25.3)	—	(7.4)
Total cost of product sold	16.1	(49.2)	7.0	(25.9)
Selling, general and administrative expenses				
Transaction, integration and other acquisition-related costs	(11.0)	(12.7)	(5.7)	(1.9)
Net gain (costs) associated with the Canadian Divestiture and related activities	(4.5)	—	3.6	—
Restructuring and related charges	(0.9)	(15.0)	0.1	(0.7)
Other costs	(2.6)	—	(2.6)	—
Total selling, general and administrative expenses	(19.0)	(27.7)	(4.6)	(2.6)
Comparable Adjustments, Operating income (loss)	$(2.9)	$(76.9)	$2.4	$(28.5)

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 2016 Annual Report. Segment information is as follows:

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	2016	2015	2016	2015
(in millions)				
Beer				
Net sales	$3,338.1	$2,816.6	$964.6	$831.3
Segment operating income	$1,195.7	$984.0	$335.7	$291.6
Long-lived tangible assets	$2,506.6	$1,806.7	$2,506.6	$1,806.7
Total assets	$10,351.5	$8,596.3	$10,351.5	$8,596.3
Capital expenditures	$494.9	$457.3	$191.0	$196.6
Depreciation and amortization	$82.7	$41.4	$29.5	$13.5

27

Table of Contents

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	2016	2015	2016	2015
(in millions)				
Wine and Spirits				
Net sales:				
Wine	$2,102.8	$1,931.5	$754.3	$719.4
Spirits	262.6	257.1	91.6	89.8
Net sales	$2,365.4	$2,188.6	$845.9	$809.2
Segment operating income	$604.7	$542.8	$231.0	$222.7
Equity in earnings of equity method investees	$28.4	$28.5	$27.7	$27.3
Long-lived tangible assets	$1,069.7	$1,034.1	$1,069.7	$1,034.1
Investments in equity method investees	$92.9	$91.0	$92.9	$91.0
Total assets	$7,616.3	$6,856.5	$7,616.3	$6,856.5
Capital expenditures	$55.3	$52.4	$25.7	$20.5
Depreciation and amortization	$76.0	$75.3	$25.8	$23.7
Corporate Operations and Other				
Segment operating loss	$(99.9)	$(95.9)	$(35.1)	$(38.5)
Equity in losses of equity method investees	$(0.2)	$—	$(0.2)	$—
Long-lived tangible assets	$131.7	$108.2	$131.7	$108.2
Investments in equity method investees	$22.8	$1.0	$22.8	$1.0
Total assets	$352.3	$655.3	$352.3	$655.3
Capital expenditures	$41.4	$4.1	$6.3	$1.9
Depreciation and amortization	$22.8	$20.7	$8.2	$6.7
Comparable Adjustments				
Operating income (loss)	$(2.9)	$(76.9)	$2.4	$(28.5)
Depreciation and amortization	$2.2	$25.3	$—	$7.4
Consolidated				
Net sales	$5,703.5	$5,005.2	$1,810.5	$1,640.5
Operating income	$1,697.6	$1,354.0	$534.0	$447.3
Equity in earnings of equity method investees	$28.2	$28.5	$27.5	$27.3
Long-lived tangible assets	$3,708.0	$2,949.0	$3,708.0	$2,949.0
Investments in equity method investees	$115.7	$92.0	$115.7	$92.0
Total assets	$18,320.1	$16,108.1	$18,320.1	$16,108.1
Capital expenditures	$591.6	$513.8	$223.0	$219.0
Depreciation and amortization	$183.7	$162.7	$63.5	$51.3

14. ACCOUNTING GUIDANCE NOT YET ADOPTED:

Revenue recognition –
In May 2014, the FASB issued guidance regarding the recognition of revenue from contracts with customers. Under this guidance, an entity will recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. A five step process will be utilized to recognize revenue, as follows: (i) identify the contract with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance

obligation. Additionally, this guidance requires improved disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. We are required to adopt this guidance for our annual and interim periods beginning March 1, 2018,

Table of Contents

utilizing one of two methods: retrospective restatement for each reporting period presented at time of adoption, or retrospectively with the cumulative effect of initially applying this guidance recognized at the date of initial application. We are currently assessing the financial impact of this guidance on our consolidated financial statements.

Leases –
In February 2016, the FASB issued guidance for the accounting for leases. Under this guidance, a lessee will recognize assets and liabilities for most leases, but will recognize expense similar to current lease accounting guidance. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities. We are required to adopt this guidance for our annual and interim periods beginning March 1, 2019, using a modified retrospective approach. We are currently assessing the financial impact of this guidance on our consolidated financial statements.

Stock compensation –
In March 2016, the FASB issued guidance for the accounting for certain aspects of share-based payment transactions. The guidance requires, among other things, the recognition of the income tax effect of awards in the income statement when the awards vest or are settled, thereby eliminating the recording of the income tax effect in additional paid-in capital. The guidance also requires cash flows from excess tax benefits along with other income tax cash flows to be classified as cash flows from operating activities. We are required to adopt this guidance for our annual and interim periods beginning March 1, 2017. We are currently assessing the financial impact of this guidance on our consolidated financial statements.

15. SUBSEQUENT EVENT:

Obregon Brewery –
In December 2016, we acquired a brewery operation business in Obregon, Sonora, Mexico from Grupo Modelo, S. de R.L. de C.V. (“Grupo Modelo”), a subsidiary of Anheuser-Busch InBev SA/NV for $583.4 million, net of cash acquired, subject to post-closing adjustments (the “Obregon Brewery”). The transaction primarily includes the acquisition of goodwill, property, plant and equipment and inventories. The brewery is expected to have four million hectoliters of production capacity with minimal investment and optimization by us after closing. This acquisition provides us with immediate functioning brewery capacity to support our fast-growing, high-end Mexican beer portfolio and flexibility for future innovation initiatives. It also enables us to become fully independent from the interim supply agreement with Grupo Modelo, which was terminated at the time of the brewery acquisition. The results of operations of the Obregon Brewery will be reported in the Beer segment and will be included in our consolidated results of operations from the date of acquisition.

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

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 consolidated financial statements and notes thereto included herein (the “Financial Statements”) and with our consolidated financial statements and notes included in our 2016 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 on a business segment basis and a discussion of recent developments and acquisitions.

- Results of operations. This section provides an analysis of our results of operations presented on a business segment basis. In addition, a brief description of transactions and other items that affect the comparability of the results is provided.

29

Table of Contents

- Financial liquidity and capital resources. This section provides an analysis of our cash flows and a discussion of the amount of financial capacity available to fund our ongoing operations and future commitments, as well as a discussion of other financing arrangements.

Overview

We are a leading international beverage alcohol company with a broad portfolio of consumer-preferred high-end imported and craft beer brands, premium wine and spirits brands, and other select beverage alcohol products. We are the third-largest producer and marketer of beer for the U.S. market and the world's leading premium wine company. We are the largest multi-category supplier (beer, wine and spirits) of beverage alcohol in the U.S., and a leading supplier of wine from New Zealand and Italy to North America.

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 and craft beer brands. We have an exclusive perpetual brand license to import, market and sell in the U.S. our Mexican beer portfolio. In the Wine and Spirits segment, we sell a large number of wine brands across all categories – table wine, sparkling wine and dessert wine – and across all price points – popular, premium and luxury categories, primarily within the $5 to $25 price range at U.S. retail – complemented by certain premium spirits brands. Amounts included in the Corporate Operations and Other segment consist of costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal, public relations and information technology. The amounts 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 chief operating decision maker's evaluation of the operating income 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

Our business strategy in the Beer segment focuses on leading the high-end of the U.S. beer market. In connection with this strategy, we completed the expansion of our brewery located in Nava, Coahuila, Mexico (the "Nava Brewery") from 10 million hectoliters production capacity to 20 million hectoliters production capacity in June 2016. In addition, our business strategy includes:

- continued focus on growing our Mexican beer portfolio in the U.S. through expanding distribution for key brands, as well as new product development and innovation within the existing portfolio of brands;
- completion of an additional 7.5 million hectoliters production capacity expansion of the Nava Brewery, from 20 million to 25 million expected by summer of calendar 2017 and from 25 million to 27.5 million expected by early calendar 2018;
- construction of a new, state-of-the-art brewery located in Mexicali, Baja California, Mexico (the "Mexicali Brewery") with the first 5 million hectoliters of production capacity expected to be completed by calendar year-end 2019; and
- participation in the high-end craft beer category.

See additional discussion below under "Recent Developments" regarding our continued focus on obtaining functioning brewery capacity to support our fast-growing, high-end Mexican beer portfolio.

Our business strategy in the Wine and Spirits segment is centered on continued focus on consumer-preferred premium wine brands, complemented by premium spirits. In this segment, we continue to focus on the premiumization of our branded wine and spirits portfolio (see “Recent Developments” below). In markets where it is feasible, we have a consolidated U.S. distribution network in order to obtain dedicated distributor selling resources which focus on our U.S. wine and spirits portfolio to drive organic growth. This consolidated U.S.

---

distribution network currently represents about 70% of our branded wine and spirits volume in the U.S. Throughout the terms of these contracts, we generally expect shipments on an annual basis to these distributors to essentially equal the distributors' shipments to retailers. In addition, we dedicate a large share of our sales and marketing resources to some of our well-known wine and spirits brands sold in the U.S., which comprise our U.S. Focus Brands ("Focus Brands"), as they represent a majority of our U.S. wine and spirits revenue and profitability, and generally have strong positions in their respective price categories. These brands include: Black Box, Clos du Bois, Estancia, Franciscan Estate, Inniskillin, Kim Crawford, Mark West, Meiomi, Mount Veeder, Nobilo, Robert Mondavi, Ruffino, Saved, Simi, SVEDKA Vodka, The Dreaming Tree, The Prisoner Brands and Wild Horse.

Marketing, sales and distribution of our products are managed on a geographic basis in order to fully 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, craft beer, branded wine and spirits categories, with separate distribution networks utilized for our imported and craft beer portfolio and 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, reduce borrowings and pay quarterly cash dividends.

Recent Developments

Wine and Spirits Segment

Canadian Divestiture

On December 17, 2016, we sold our Canadian wine business, which includes Canadian wine brands such as Jackson-Triggs and Inniskillin, wineries, vineyards, offices, facilities and Wine Rack retail stores, at a transaction value of C$1.04 billion, or $776.2 million. We received cash proceeds of C$775.1 million, or $581.2 million, net of outstanding debt of C$260.0 million, or $195.0 million, subject to post-closing adjustments. We will continue to export certain of our brands into the Canadian market. This transaction is consistent with our strategic focus on premium, high-margin and high-growth brands. We expect to recognize a net gain in connection with the Canadian Divestiture for the fourth quarter of fiscal 2017. Our preliminary estimate of this net gain is approximately $255 million. Additionally, our current estimate of the income taxes we expect to pay is approximately $70 million in total during Fiscal 2017 and Fiscal 2018 in connection with the Canadian Divestiture.

The following table presents selected financial information included in our historical consolidated financial statements that will no longer be part of our consolidated results after the Canadian Divestiture.

	For the Nine Months Ended November 30,		For the Year Ended
	2016	2015	February 29, 2016
(in millions)			
Net sales	$288.6	$284.3	$ 365.1
Gross profit	$122.5	$117.7	$ 152.9
Depreciation and amortization	$8.6	$8.5	$ 11.1
Operating income	$46.6	$47.7	$ 62.5
Income before income taxes	$43.5	$47.4	$ 61.9
Cash flow from operating activities	$35.2	$55.0	$ 80.0

Total assets	$514.6
Long-term debt, including current maturities	$204.0

Table of Contents

Additionally, the impact on our historical wine and spirits segment results are the same as the impact on the historical consolidated results for net sales, gross profit, depreciation and amortization, and total assets. However, as segment results do not include the impact of Comparable Adjustments, amounts reported for our historical wine and spirits segment operating income that will no longer be part of the segment's results after the Canadian Divestiture are $44.8 million, $48.4 million and $63.3 million for Nine Months 2017, Nine Months 2016 and Fiscal 2016, respectively.

Beer Segment

Obregon Brewery

In December 2016, we acquired the Obregon Brewery for $583.4 million, net of cash acquired, subject to post-closing adjustments. The transaction primarily includes the acquisition of goodwill, property, plant and equipment and inventories. The brewery is expected to have four million hectoliters of production capacity with minimal investment and optimization by us after closing. This acquisition provides us with immediate functioning brewery capacity to support our fast-growing, high-end Mexican beer portfolio and flexibility for future innovation initiatives. It also enables us to become fully independent from the interim supply agreement with Grupo Modelo, which was terminated at the time of the brewery acquisition. The results of operations of the Obregon Brewery will be reported in the Beer segment and will be included in our consolidated results of operations from the date of acquisition.

Other

Comments made during the course of the 2016 United States presidential campaign and subsequent to the election indicate that the U.S. federal government may propose changes to international trade agreements, tariffs, taxes and other government rules and regulations. While we cannot predict what changes will actually occur with respect to these items, such changes could affect our business and results of operations.

Acquisitions

Wine and Spirits Segment

High West Acquisition

In October 2016, we acquired High West, which primarily includes the acquisition of operations, goodwill, trademarks, inventories and property, plant and equipment. This acquisition includes a portfolio of distinctive, award-winning, fast-growing and high-end craft whiskeys and other select spirits. The results of operations of High West are reported in the Wine and Spirits segment and have been included in our consolidated results of operations from the date of acquisition.

Charles Smith Acquisition

In October 2016, we acquired Charles Smith, which primarily includes the acquisition of goodwill, trademarks, inventories and certain grape supply contracts. This acquisition includes a collection of five super and ultra-premium wine brands and solidifies our position as the second leading supplier of Washington State wines with this collection of fast-growing, high quality wines that have strong consumer affinity and demand. The results of operations of Charles Smith are reported in the Wine and Spirits segment and have been included in our consolidated results of operations from the date of acquisition.

Prisoner Acquisition

In April 2016, we acquired Prisoner, which primarily includes the acquisition of goodwill, inventories, trademarks and certain grape supply contracts. This acquisition, which includes a portfolio of five fast-growing, higher-margin, super-luxury wine brands, aligns with our portfolio premiumization strategy and strengthens our

Table of Contents

position in the super-luxury wine category. The results of operations of Prisoner are reported in the Wine and Spirits segment and have been included in our consolidated results of operations from the date of acquisition.

Meiomi Acquisition

In August 2015, we acquired Meiomi, which primarily includes the acquisition of goodwill, inventories, the trademark and certain grape supply contracts. The acquisition of this higher-margin, luxury growth brand has complemented our existing portfolio and further strengthened our position in the U.S. pinot noir category. The results of operations of Meiomi are reported in the Wine and Spirits segment and have been included in our consolidated results of operations from the date of acquisition.

Beer Segment

Ballast Point Acquisition

In December 2015, we acquired Ballast Point for $998.5 million, net of cash acquired. The transaction primarily includes the acquisition of goodwill, trademarks and property, plant and equipment. This acquisition provides us with a high-growth premium platform that enables us to compete in the growing craft beer category, further strengthening our position in the high-end U.S. beer market. The results of operations of Ballast Point are reported in the Beer segment and have been included in our consolidated results of operations from the date of acquisition.

Results of Operations

Financial Highlights

References to organic throughout the following discussion exclude the impact of acquired brand activity in connection with the acquisitions of Meiomi, Prisoner, High West and Charles Smith (wine and spirits), and the acquisition of Ballast Point (beer), as appropriate.

For the three months ended November 30, 2016 (“Third Quarter 2017”), and November 30, 2015 (“Third Quarter 2016”):

- Our results of operations benefited from improvements in both the Beer and Wine and Spirits segments.
- Net sales increased 10% primarily due to volume growth within our Mexican beer portfolio and net sales from the acquired Ballast Point and Prisoner brands.
- Operating income increased 19% primarily due to the strong consumer demand for the Mexican beer portfolio and benefits from lower Comparable Adjustments.
- Net income attributable to CBI and diluted net income per common share attributable to CBI increased 50% and 49%, respectively, primarily due to an income tax benefit driven largely by a change in our assertion regarding the indefinite reinvestment of certain foreign earnings in Third Quarter 2017 and the strong results for the Beer business.

Table of Contents

For the nine months ended November 30, 2016 ("Nine Months 2017"), and November 30, 2015 ("Nine Months 2016"):

- Our results of operations benefited from improvements in both the Beer and Wine and Spirits segments.

- Net sales increased 14% primarily due to the strong consumer demand and the favorable impact from pricing in select markets within the Mexican beer portfolio and net sales from the acquired Ballast Point, Meiomi and Prisoner brands.

- Operating income increased 25% primarily due to the strong consumer demand for the Mexican beer portfolio; benefits from the acquisitions of Ballast Point, Meiomi and Prisoner; and lower Comparable Adjustments.

- Net income attributable to CBI and diluted net income per common share attributable to CBI increased 33% and 32%, respectively, primarily due to the items discussed above and an income tax benefit driven largely by a change in our assertion regarding the indefinite reinvestment of certain foreign earnings in Third Quarter 2017.

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 segment management compensation are evaluated based on core segment operating income (loss). As such, the performance measures for incentive compensation purposes for segment management do not include the impact of these items.

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

(in millions)	Third Quarter 2017	Third Quarter 2016	Nine Months 2017	Nine Months 2016
Cost of product sold				
Net gain (loss) on undesignated commodity derivative contracts	$ 6.7	$(18.1)	$ 14.4	$(34.5)
Settlements of undesignated commodity derivative contracts	5.2	8.2	20.3	20.4
Flow through of inventory step-up	(4.9)	(8.6)	(16.4)	(9.8)
Amortization of favorable interim supply agreement	—	(7.4)	(2.2)	(25.3)
Total cost of product sold	7.0	(25.9)	16.1	(49.2)
Selling, general and administrative expenses				
Transaction, integration and other acquisition-related costs	(5.7)	(1.9)	(11.0)	(12.7)
Net gain (costs) associated with the Canadian Divestiture and related activities	3.6	—	(4.5)	—
Restructuring and related charges	0.1	(0.7)	(0.9)	(15.0)
Other costs	(2.6)	—	(2.6)	—
Total selling, general and administrative expenses	(4.6)	(2.6)	(19.0)	(27.7)
Loss on write-off of debt issuance costs	—	—	—	(1.1)
Comparable Adjustments	$ 2.4	$(28.5)	$(2.9)	$(78.0)

Table of Contents

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.

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. Flow through of inventory step-up was associated primarily with the acquisitions of Prisoner and Meiomi, as applicable.

Favorable Interim Supply Agreement

In connection with the June 2013 acquisition of the beer business, a temporary supply agreement was negotiated under a favorable pricing arrangement for the required volume of beer needed to fulfill expected U.S. demand in excess of the Nava Brewery’s capacity. Amortization of favorable interim supply agreement reflects amounts associated with non-Nava Brewery product purchased from the date of acquisition which has been sold to our U.S. customers during the respective period.

Selling, General and Administrative Expenses

Transaction, Integration And Other Acquisition-Related Costs

Transaction, integration and other acquisition-related costs primarily represent costs associated with the continuing integration of the June 2013 beer business acquisition and the acquisitions of High West and Prisoner, as applicable.

Net Gain (Costs) Associated With The Canadian Divestiture And Related Activities

Net gain (costs) associated with the Canadian Divestiture and related activities represent costs incurred in connection with the evaluation of the merits of executing an initial public offering for a portion of our Canadian wine business and net gains (costs) incurred in connection with the sale of the Canadian wine business.

Restructuring And Related Charges

Restructuring and related charges consist primarily of employee termination benefit costs recognized in connection with our plan initiated in May 2015 to streamline and simplify processes, and shift resources and investment to long-term, profitable growth opportunities across the business.

Table of Contents

Third Quarter 2017 Compared to Third Quarter 2016

Net Sales

(in millions)	Third Quarter 2017	Third Quarter 2016	% Increase
Beer	$964.6	$831.3	16 %
Wine and Spirits:			
Wine	754.3	719.4	5 %
Spirits	91.6	89.8	2 %
Total Wine and Spirits	845.9	809.2	5 %
Consolidated net sales	$1,810.5	$1,640.5	10 %

Net sales increased $170.0 million due to an increase in Beer's net sales of $133.3 million driven predominantly by volume growth within our Mexican beer portfolio, and Wine and Spirits' net sales of $36.7 million due largely to organic favorable product mix shift and net sales from acquired brands, partially offset by lower organic volume.

Beer	Third Quarter 2017	Third Quarter 2016	% Increase
(in millions, branded product, 24-pack, 12-ounce case equivalents)			
Net sales	$964.6	$831.3	16 %
Shipment volume			
Total	57.7	51.4	12.3 %
Organic	56.7	51.4	10.3 %
Depletion volume [(1)]			10.7 %

The increase in Beer's net sales is primarily due to (i) the volume growth within our Mexican beer portfolio, which benefited from continued consumer demand, (ii) net sales from the acquired Ballast Point brand of $31.8 million and (iii) a favorable impact from pricing in select markets within our Mexican beer portfolio.

Wine and Spirits	Third Quarter 2017	Third Quarter 2016	% Increase (Decrease)
(in millions, branded product, 9-liter case equivalents)			
Net sales	$845.9	$809.2	5 %
Shipment volume			
Total	18.3	18.4	(0.5 %)
Organic	18.2	18.4	(1.1 %)
U.S. Domestic	14.0	14.1	(0.7 %)
Organic U.S. Domestic	13.9	14.1	(1.4 %)
U.S. Domestic Focus Brands	8.1	7.6	6.6 %
Organic U.S. Domestic Focus Brands	8.1	7.6	6.6 %

Depletion volume [1]		
U.S. Domestic	3.4	%
U.S. Domestic Focus Brands	8.8	%