

CONSTELLATION BRANDS, INC.

Form 10-Q

June 29, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 31, 2018

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 (I.R.S. Employer incorporation or organization) 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. 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). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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

Exchange Act.

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

The number of shares outstanding with respect to each of the classes of common stock of Constellation Brands, Inc., as of June 25, 2018, is set forth below:

Class	Number of Shares Outstanding
Class A Common Stock, par value \$.01 per share	167,864,014
Class B Common Stock, par value \$.01 per share	23,324,443
Class 1 Common Stock, par value \$.01 per share	7,088

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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. and 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 2018” refer to our fiscal year ended February 28, 2018. All references to “Fiscal 2019” refer to our fiscal year ending February 28, 2019. All references to “\$” are to U.S. dollars, all references to “C\$” are to Canadian dollars and all

references to “A\$” are to Australian dollars.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in millions, except share and per share data)

(unaudited)

	May 31, 2018	February 28, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$210.0	\$ 90.3
Accounts receivable	827.9	776.2
Inventories	2,068.4	2,084.0
Prepaid expenses and other	498.5	523.5
Total current assets	3,604.8	3,474.0
Property, plant and equipment	4,815.8	4,789.7
Goodwill	8,050.5	8,083.1
Intangible assets	3,301.6	3,304.8
Other assets	3,324.0	887.1
Total assets	\$23,096.7	\$ 20,538.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$669.7	\$ 746.8
Current maturities of long-term debt	20.9	22.3
Accounts payable	650.3	592.2
Other accrued expenses and liabilities	649.6	678.3
Total current liabilities	1,990.5	2,039.6
Long-term debt, less current maturities	9,416.4	9,417.6
Other liabilities	1,124.0	1,089.8
Total liabilities	12,530.9	12,547.0
Commitments and contingencies		
CBI stockholders' equity:		
Class A Common Stock, \$.01 par value – Authorized, 322,000,000 shares; Issued, 258,940,446 shares and 258,718,356 shares, respectively	2.6	2.6
Class B Convertible Common Stock, \$.01 par value – Authorized, 30,000,000 shares; Issued, 28,330,243 shares and 28,335,387 shares, respectively	0.3	0.3
Additional paid-in capital	2,834.8	2,825.3
Retained earnings	12,002.4	9,157.2
Accumulated other comprehensive loss	(378.6)	(202.9)
	14,461.5	11,782.5
Less: Treasury stock –		
Class A Common Stock, at cost, 91,111,003 shares and 90,743,239 shares, respectively	(3,902.9)	(3,805.2)
Class B Convertible Common Stock, at cost, 5,005,800 shares	(2.2)	(2.2)
	(3,905.1)	(3,807.4)
Total CBI stockholders' equity	10,556.4	7,975.1
Noncontrolling interests	9.4	16.6
Total stockholders' equity	10,565.8	7,991.7
Total liabilities and stockholders' equity	\$23,096.7	\$ 20,538.7

The accompanying notes are an integral part of these statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions, except per share data)

(unaudited)

	For the Three Months Ended May 31,	
	2018	2017
Sales	\$2,230.0	\$2,108.3
Excise taxes	(182.9)	(179.8)
Net sales	2,047.1	1,928.5
Cost of product sold	(998.5)	(940.2)
Gross profit	1,048.6	988.3
Selling, general and administrative expenses	(423.2)	(427.2)
Operating income	625.4	561.1
Income from unconsolidated investments	364.4	0.4
Interest expense	(87.8)	(82.4)
Loss on extinguishment of debt	—	(6.7)
Income before income taxes	902.0	472.4
Provision for income taxes	(155.7)	(71.4)
Net income	746.3	401.0
Net income attributable to noncontrolling interests	(2.5)	(2.5)
Net income attributable to CBI	\$743.8	\$398.5
Comprehensive income	\$560.9	\$600.5
Comprehensive (income) loss attributable to noncontrolling interests	7.2	(14.5)
Comprehensive income attributable to CBI	\$568.1	\$586.0
Net income per common share attributable to CBI:		
Basic – Class A Common Stock	\$3.93	\$2.07
Basic – Class B Convertible Common Stock	\$3.57	\$1.88
Diluted – Class A		