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 November 30, 2019

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)

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

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

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

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

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

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

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

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

There were 167,512,743 shares of Class A Common Stock, 23,311,506 shares of Class B Common Stock, and 823,377 shares of Class 1 Common Stock outstanding as of December 31, 2019.

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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 2019" refer to our fiscal year ended February 28, 2019. All references to "Fiscal 2020" refer to our fiscal year ending February 29, 2020. All references to "$" are to U.S. dollars, all references to "C$" are to Canadian dollars, all references to "MXN$" are to Mexican pesos, *and all references to "A$" are to Australian dollars.*

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, 2019	February 28, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 93.7**	$ 93.6
Accounts receivable	**808.3**	846.9
Inventories	**1,358.8**	2,130.4
Prepaid expenses and other	**484.3**	613.1
Assets held for sale - current	**724.8**	—
Total current assets	**3,469.9**	3,684.0
Property, plant, and equipment	**5,187.2**	5,267.3
Goodwill	**7,771.8**	8,088.8
Intangible assets	**2,721.3**	3,198.1
Equity method investments	**3,058.7**	3,465.6
Securities measured at fair value	**1,040.2**	3,234.7
Deferred income taxes	**2,663.0**	2,183.3
Assets held for sale	**562.5**	—
Other assets	**619.1**	109.7
Total assets	**$ 27,093.7**	$ 29,231.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	**$ 281.5**	$ 791.5
Current maturities of long-term debt	**734.8**	1,065.2
Accounts payable	**676.5**	616.7
Other accrued expenses and liabilities	**767.4**	690.4
Total current liabilities	**2,460.2**	3,163.8
Long-term debt, less current maturities	**11,339.7**	11,759.8
Deferred income taxes and other liabilities	**1,257.5**	1,470.7
Total liabilities	**15,057.4**	16,394.3
Commitments and contingencies		
CBI stockholders' equity:		
Class A Common Stock, $.01 par value – Authorized, 322,000,000 shares; Issued, 186,071,345 shares and 185,740,178 shares, respectively	**1.9**	1.9
Class B Convertible Common Stock, $.01 par value – Authorized, 30,000,000 shares; Issued, 28,319,606 shares and 28,322,419 shares, respectively	**0.3**	0.3
Additional paid-in capital	**1,472.3**	1,410.8
Retained earnings	**13,439.4**	14,276.2
Accumulated other comprehensive income (loss)	**(383.8)**	(353.9)
	14,530.1	15,335.3
Less: Treasury stock –		
Class A Common Stock, at cost, 18,566,568 shares and 18,927,966 shares, respectively	**(2,818.5)**	(2,782.1)
Class B Convertible Common Stock, at cost, 5,005,800 shares	**(2.2)**	(2.2)
	(2,820.7)	(2,784.3)
Total CBI stockholders' equity	**11,709.4**	12,551.0
Noncontrolling interests	**326.9**	286.2
Total stockholders' equity	**12,036.3**	12,837.2
Total liabilities and stockholders' equity	**$ 27,093.7**	$ 29,231.5

The accompanying notes are an integral part of these statements.

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

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	2019	2018	**2019**	2018
Sales	**$ 7,037.4**	$ 6,916.3	**$ 2,181.5**	$ 2,160.6
Excise taxes	**(596.8)**	(597.5)	**(182.1)**	(188.0)
Net sales	**6,440.6**	6,318.8	**1,999.4**	1,972.6
Cost of product sold	**(3,238.5)**	(3,132.0)	**(1,011.9)**	(1,002.6)
Gross profit	**3,202.1**	3,186.8	**987.5**	970.0
Selling, general, and administrative expenses	**(1,251.7)**	(1,239.9)	**(406.3)**	(413.5)
Impairment of assets held for sale	**(417.0)**	—	**(390.0)**	—
Gain (loss) on sale of business	**76.0**	—	**76.0**	—
Operating income (loss)	**1,609.4**	1,946.9	**267.2**	556.5
Income (loss) from unconsolidated investments	**(2,711.8)**	918.2	**(456.5)**	(134.6)
Interest expense	**(329.3)**	(248.6)	**(103.1)**	(72.8)
Loss on extinguishment of debt	**(2.4)**	(1.7)	**—**	(1.7)
Income (loss) before income taxes	**(1,434.1)**	2,614.8	**(292.4)**	347.4
(Provision for) benefit from income taxes	**1,046.5**	(405.1)	**658.9**	(35.3)
Net income (loss)	**(387.6)**	2,209.7	**366.5**	312.1
Net income (loss) attributable to noncontrolling interests	**(22.6)**	(13.3)	**(6.1)**	(9.0)
Net income (loss) attributable to CBI	**$ (410.2)**	$ 2,196.4	**$ 360.4**	$ 303.1
Comprehensive income (loss)	**$ (419.6)**	$ 1,891.7	**$ 466.6**	$ 98.2
Comprehensive (income) loss attributable to noncontrolling interests	**(20.5)**	1.7	**(13.4)**	3.6
Comprehensive income (loss) attributable to CBI	**$ (440.1)**	$ 1,893.4	**$ 453.2**	$ 101.8
Net income (loss) per common share attributable to CBI:				
Basic – Class A Common Stock	**$ (2.17)**	$ 11.66	**$ 1.90**	$ 1.62
Basic – Class B Convertible Common Stock	**$ (1.98)**	$ 10.59	**$ 1.73**	$ 1.47
Diluted – Class A Common Stock	**$ (2.17)**	$ 11.21	**$ 1.85**	$ 1.56
Diluted – Class B Convertible Common Stock	**$ (1.98)**	$ 10.35	**$ 1.71**	$ 1.45
Weighted average common shares outstanding:				
Basic – Class A Common Stock	**168.258**	167.203	**168.346**	166.364
Basic – Class B Convertible Common Stock	**23.316**	23.322	**23.314**	23.318
Diluted – Class A Common Stock	**168.258**	195.921	**194.856**	194.820
Diluted – Class B Convertible Common Stock	**23.316**	23.322	**23.314**	23.318
Cash dividends declared per common share:				
Class A Common Stock	**$ 2.25**	$ 2.22	**$ 0.75**	$ 0.74
Class B Convertible Common Stock	**$ 2.04**	$ 2.01	**$ 0.68**	$ 0.67

The accompanying notes are an integral part of these statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in millions)
(unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-controlling Interests	Total
	Class A	Class B						
Balance at February 28, 2019	$ 1.9	$ 0.3	$ 1,410.8	$ 14,276.2	$ (353.9)	$ (2,784.3)	$ 286.2	$ 12,837.2
Comprehensive income (loss):								
Net income (loss)	—	—	—	(245.4)	—	—	8.3	(237.1)
Other comprehensive income (loss), net of income tax effect	—	—	—	—	(1.6)	—	(1.1)	(2.7)
Comprehensive income (loss)								(239.8)
Dividends declared	—	—	—	(141.9)	—	—	—	(141.9)
Initial recognition of non-controlling interest	—	—	—	—	—	—	20.2	20.2
Shares issued under equity compensation plans	—	—	(9.3)	—	—	6.3	—	(3.0)
Stock-based compensation	—	—	15.5	—	—	—	—	15.5
Balance at May 31, 2019	$ 1.9	$ 0.3	$ 1,417.0	$ 13,888.9	$ (355.5)	$ (2,778.0)	$ 313.6	$ 12,488.2
Comprehensive income (loss):								
Net income (loss)	—	—	—	(525.2)	—	—	8.2	(517.0)
Other comprehensive income (loss), net of income tax effect	—	—	—	—	(121.1)	—	(8.3)	(129.4)
Comprehensive income (loss)								(646.4)
Repurchase of shares	—	—	—	—	—	(50.0)	—	(50.0)
Dividends declared	—	—	—	(142.3)	—	—	—	(142.3)
Shares issued under equity compensation plans	—	—	17.4	—	—	6.4	—	23.8
Stock-based compensation	—	—	17.7	—	—	—	—	17.7
Balance at August 31, 2019	$ 1.9	$ 0.3	$ 1,452.1	$ 13,221.4	$ (476.6)	$ (2,821.6)	$ 313.5	$ 11,691.0
Comprehensive income (loss):								
Net income (loss)	—	—	—	360.4	—	—	6.1	366.5
Other comprehensive income (loss), net of income tax effect	—	—	—	—	92.8	—	7.3	100.1
Comprehensive income (loss)								466.6
Dividends declared	—	—	—	(142.4)	—	—	—	(142.4)
Shares issued under equity compensation plans	—	—	3.0	—	—	0.9	—	3.9
Stock-based compensation	—	—	17.2	—	—	—	—	17.2
Balance at November 30, 2019	$ 1.9	$ 0.3	$ 1,472.3	$ 13,439.4	$ (383.8)	$ (2,820.7)	$ 326.9	$ 12,036.3

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in millions)
(unaudited)

	Common Stock		Additional		Accumulated Other			
	Class A	Class B	Paid-in Capital	Retained Earnings	Comprehensive Income (Loss)	Treasury Stock	Non-controlling Interests	Total
Balance at February 28, 2018	$ 2.6	$ 0.3	$ 2,825.3	$ 9,157.2	$ (202.9)	$ (3,807.4)	$ 16.6	$ 7,991.7
Cumulative effect of change in accounting principle	—	—	—	2,242.0	—	—	—	2,242.0
Comprehensive income (loss):								
Net income (loss)	—	—	—	743.8	—	—	2.5	746.3
Other comprehensive income (loss), net of income tax effect	—	—	—	—	(175.7)	—	(9.7)	(185.4)
Comprehensive income (loss)								560.9
Repurchase of shares	—	—	—	—	—	(100.0)	—	(100.0)
Dividends declared	—	—	—	(140.6)	—	—	—	(140.6)
Shares issued under equity compensation plans	—	—	(7.7)	—	—	2.3	—	(5.4)
Stock-based compensation	—	—	17.2	—	—	—	—	17.2
Balance at May 31, 2018	$ 2.6	$ 0.3	$ 2,834.8	$ 12,002.4	$ (378.6)	$ (3,905.1)	$ 9.4	$ 10,565.8
Comprehensive income (loss):								
Net income (loss)	—	—	—	1,149.5	—	—	1.8	1,151.3
Other comprehensive income (loss), net of income tax effect	—	—	—	—	74.0	—	7.3	81.3
Comprehensive income (loss)								1,232.6
Repurchase of shares	—	—	—	—	—	(404.3)	—	(404.3)
Dividends declared	—	—	—	(139.0)	—	—	—	(139.0)
Conversion of long-term debt to noncontrolling equity interest	—	—	—	—	—	—	248.4	248.4
Shares issued under equity compensation plans	—	—	12.3	—	—	1.2	—	13.5
Stock-based compensation	—	—	18.2	—	—	—	—	18.2
Balance at August 31, 2018	$ 2.6	$ 0.3	$ 2,865.3	$ 13,012.9	$ (304.6)	$ (4,308.2)	$ 266.9	$ 11,535.2
Comprehensive income (loss):								
Net income (loss)	—	—	—	303.1	—	—	9.0	312.1
Other comprehensive income (loss), net of income tax effect	—	—	—	—	(201.3)	—	(12.6)	(213.9)
Comprehensive income (loss)								98.2
Retirement of treasury shares	(0.7)	—	(1,522.3)	—	—	1,523.0	—	—
Dividends declared	—	—	—	(139.2)	—	—	—	(139.2)
Shares issued under equity compensation plans	—	—	11.0	—	—	—	—	11.0
Stock-based compensation	—	—	14.8	—	—	—	—	14.8
Balance at November 30, 2018	$ 1.9	$ 0.3	$ 1,368.8	$ 13,176.8	$ (505.9)	$ (2,785.2)	$ 263.3	$ 11,520.0

The accompanying notes are an integral part of these statements.

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

	For the Nine Months Ended November 30, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	**$ (387.6)**	$ 2,209.7
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Unrealized net (gain) loss on securities measured at fair value	**2,200.9**	(786.5)
Deferred tax provision (benefit)	**(1,192.8)**	208.1
Depreciation	**248.9**	250.1
Stock-based compensation	**50.6**	51.1
Equity in (earnings) losses of equity method investees and related activities, net of distributed earnings	**512.5**	(18.4)
Noncash lease expense	**66.6**	—
Impairment and amortization of intangible assets	**15.3**	4.5
Amortization of debt issuance costs and loss on extinguishment of debt	**13.0**	25.8
Net (gain) loss on sale of unconsolidated investment	**(0.4)**	(99.8)
Impairment of assets held for sale	**417.0**	—
(Gain) loss on sale of business	**(76.0)**	—
Loss on inventory and related contracts	**122.7**	—
Net income tax benefit related to the Tax Cuts and Jobs Act	**—**	(37.6)
Change in operating assets and liabilities, net of effects from purchases of businesses:		
Accounts receivable	**41.3**	(56.4)
Inventories	**(134.5)**	(127.7)
Prepaid expenses and other current assets	**40.1**	(56.6)
Accounts payable	**135.6**	301.3
Other accrued expenses and liabilities	**(20.1)**	33.7
Other	**23.2**	72.6
Total adjustments	**2,463.9**	(235.8)
Net cash provided by (used in) operating activities	**2,076.3**	1,973.9
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant, and equipment	**(538.3)**	(620.3)
Purchases of businesses, net of cash acquired	**(36.2)**	(45.3)
Investments in equity method investees and securities	**(33.7)**	(4,077.3)
Proceeds from sales of assets	**0.7**	46.3
Proceeds from sale of unconsolidated investment	**—**	110.2
Proceeds from sale of business	**269.7**	—
Other investing activities	**1.9**	(0.9)
Net cash provided by (used in) investing activities	**(335.9)**	(4,587.3)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	**1,291.3**	3,657.6
Principal payments of long-term debt	**(2,061.0)**	(45.3)
Net proceeds from (repayments of) short-term borrowings	**(510.0)**	(14.5)
Dividends paid	**(427.0)**	(417.9)
Purchases of treasury stock	**(50.0)**	(504.3)
Proceeds from shares issued under equity compensation plans	**38.9**	32.6
Payments of minimum tax withholdings on stock-based payment awards	**(14.2)**	(13.6)
Payments of debt issuance costs	**(8.2)**	(33.3)
Net cash provided by (used in) financing activities	**(1,740.2)**	2,661.3
Effect of exchange rate changes on cash and cash equivalents	**(0.1)**	(7.6)
Net increase (decrease) in cash and cash equivalents	**0.1**	40.3
Cash and cash equivalents, beginning of period	**93.6**	90.3
Cash and cash equivalents, end of period	**$ 93.7**	$ 130.6

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

	For the Nine Months Ended November 30,	
	2019	2018
Supplemental disclosures of noncash investing and financing activities		
Additions to property, plant, and equipment	**$ 25.4**	$ 130.9
Conversion of long-term debt to noncontrolling equity interest	**$ —**	$ 248.4

The accompanying notes are an integral part of these statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
NOVEMBER 30, 2019
(unaudited)

1. BASIS OF PRESENTATION

Unless the context otherwise requires, the terms “Company,” “CBI,” “we,” “our,” or “us” refer to Constellation Brands, Inc. and 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 28, 2019 (the “2019 Annual Report”), and include the recently adopted accounting guidance described in Note 2 and Note 14 herein. Results of operations for interim periods are not necessarily indicative of annual results.

2. ACCOUNTING GUIDANCE

Recently adopted accounting guidance

In February 2016, the FASB issued guidance for the accounting for leases. Under this guidance, a lessee recognizes assets and liabilities on its balance sheet for most leases. Lease expense continues to be consistent with previous guidance. Additionally, this guidance requires enhanced disclosures regarding the amount, timing, and uncertainty of cash flows arising from leasing arrangements.

We adopted the guidance on March 1, 2019, using the modified retrospective approach, accordingly, prior period balances and disclosures have not been restated. We elected the package of transition practical expedients for expired or existing contracts, which retains prior conclusions reached on lease identification, classification, and initial direct costs incurred.

We finalized the implementation of changes to our accounting policies, systems and controls, including a new leasing software to capture the required data for accounting and disclosure. The adoption of this guidance resulted in the recognition of operating lease right-of-use assets of $585.4 million and operating lease liabilities of $619.7 million as of March 1, 2019, and did not have a material impact on our results of operations or liquidity.

For additional information on leases, refer to Note 14.

3. 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, 2019 (1)	February 28, 2019
(in millions)		
Raw materials and supplies	$ 131.7	$ 182.6
In-process inventories	832.5	1,480.5
Finished case goods	394.6	467.3
	$ 1,358.8	$ 2,130.4

(1) The inventory balance at November 30, 2019, excludes amounts reclassified to assets held for sale (see Note 4).

Related party transactions and arrangements

We have an equally-owned glass production plant joint venture with Owens-Illinois. We have entered into various contractual arrangements with affiliates of Owens-Illinois primarily for the purchase of glass bottles used largely in our imported and craft beer portfolios. Amounts purchased under these arrangements were $155.2 million and $172.4 million for the nine months ended November 30, 2019, and November 30, 2018, respectively, and $28.8 million and $48.7 million for the three months ended November 30, 2019, and November 30, 2018, respectively.

4. BUSINESS TRANSFORMATION

We have committed to a business transformation strategy which aligns our portfolio with consumer-led premiumization trends and growing segments of the Wine and Spirits and Beer markets.

Divestiture and other recent developments

Black Velvet Divestiture

On November 1, 2019, we sold the Black Velvet Canadian Whisky business and the brand's associated production facility, along with a subset of Canadian whisky brands produced at that facility, and related inventory at a transaction value of $266.3 million (the "Black Velvet Divestiture"). We received cash proceeds of $269.7 million. The cash proceeds were utilized to partially repay the 2.00% November 2017 Senior Notes (as defined in Note 11). The following table summarizes the net gain recognized in connection with this transaction for the nine months and three months ended November 30, 2019:

(in millions)	
Cash received from buyer	$ 269.7
Net assets sold	(211.5)
AOCI reclassification adjustments, primarily foreign currency translation	21.0
Direct costs to sell	(3.2)
Gain on sale of business	$ 76.0

Wine and Spirits Transaction

In April 2019, we entered into a definitive agreement to sell a portion of our wine and spirits business, including approximately 30 lower-margin, lower-growth wine and spirits brands, wineries, vineyards, offices, and facilities, for approximately $1.7 billion, subject to certain adjustments (the "Wine and Spirits Transaction").

Subsequent Events -
New Wine and Spirits Transactions

In December 2019, we agreed to revise and supersede the Wine and Spirits Transaction. The revisions to the transaction address competitive concerns raised by the U.S. Federal Trade Commission (the "FTC") specifically related to the sparkling wine, brandy, dessert wine, and concentrate categories. As a result, the brands Cook's California Champagne, J. Roget American Champagne, Paul Masson Grande Amber Brandy, and our concentrate business will be excluded from the transaction resulting in an adjusted transaction price of approximately $843 million, with the potential to earn an incremental $250 million of contingent consideration if certain brand performance provisions are met over a two-year period after closing (the "Revised Wine and Spirits Transaction"). The Revised Wine and Spirits Transaction is expected to close by the end of Fiscal 2020, and is subject to required regulatory clearances and governmental review and approval. Additionally, in a separate, but related, transaction, we agreed that upon execution and delivery of a definitive agreement for the Revised Wine and Spirits Transaction, we would enter into an agreement to sell the New Zealand-based Nobilo Wine brand and certain related assets for $130 million (the "Nobilo Wine Transaction"). The Nobilo Wine Transaction is expected to close in the first half of fiscal 2021 and is subject to FTC and New Zealand regulatory review and approval. Completion of the Nobilo Transaction is also conditioned on completion of the Revised Wine and Spirits Transaction. We expect to use the net cash proceeds from the Revised Wine and Spirits Transaction and the Nobilo Wine Transaction (collectively, the "New Wine and Spirits Transactions") primarily to reduce outstanding borrowings.

Other Wine and Spirits Transactions

We are pursuing other opportunities to divest the brands and concentrate business excluded from the Revised Wine and Spirits Transaction to companies whose business strategies better align to the brands (the "Other Wine and Spirits Transactions"). We do not expect to recognize a loss in connection with the Other Wine and Spirits Transactions.

Ballast Point Transaction

In December 2019, we entered into a definitive agreement to sell our Ballast Point craft beer business, including a number of its associated production facilities and brewpubs, (the "Ballast Point Transaction"). The Ballast Point Transaction is subject to the satisfaction of certain closing conditions, and is expected to close by the end of Fiscal 2020. We expect to use the net cash proceeds from the Ballast Point Transaction primarily to reduce outstanding borrowings.

Assets held for sale

In contemplation of the transactions noted above, certain net assets have met the held for sale criteria as of November 30, 2019. For the nine months and three months ended November 30, 2019, long-lived asset impairments of $417.0 million and $390.0 million, respectively were recognized. For additional information refer to Note 6.

The carrying value of assets held for sale consists of the following:

	November 30, 2019		
	Beer	Wine and Spirits	Total
(in millions)			
Assets			
Inventories	$ 14.7	$ 699.1	$ 713.8
Prepaid expenses and other	1.3	9.7	11.0
Assets held for sale - current	16.0	708.8	724.8

	November 30, 2019		
	Beer	Wine and Spirits	Total
(in millions)			
Property, plant, and equipment	58.6	171.0	229.6
Goodwill	4.5	280.2	284.7
Intangible assets	28.2	384.0	412.2
Equity method investments	—	1.0	1.0
Other assets	25.6	26.4	52.0
Less: Reserve for assets held for sale	(50.0)	(367.0)	(417.0)
Assets held for sale	66.9	495.6	562.5
Liabilities			
Other accrued expenses and liabilities	9.3	26.8	36.1
Deferred income taxes and other liabilities	31.5	0.4	31.9
Liabilities held for sale (1)	40.8	27.2	68.0
Net assets held for sale	$ 42.1	$ 1,177.2	$ 1,219.3

(1) Liabilities held for sale are included in the Consolidated Balance Sheet as of November 30, 2019, within the respective liability line items noted above.

Wine and Spirits Optimization

We recognized charges in connection with our ongoing efforts to gain efficiencies and reduce our cost structure within the Wine and Spirits segment as follows:

	Results of Operations Location	For the Nine Months Ended November 30, 2019	For the Three Months Ended November 30, 2019
(in millions)			
Loss on inventory write-downs	Cost of product sold	$ 102.6	$ 61.7
Contract termination costs	Cost of product sold	20.1	—
Employee termination costs	Selling, general, and administrative expenses	12.3	0.2
Other costs	Selling, general, and administrative expenses	8.0	1.7
Impairment of long-lived assets	Impairment of assets held for sale	367.0	340.0
		$ 510.0	$ 403.6

5. 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 2019 Annual Report and have not changed significantly for the nine months and three months ended November 30, 2019.

We have investments in certain equity securities and other rights which provide us with the option to purchase an additional ownership interest in the equity securities of Canopy (see Note 9). These investments are included in securities measured at fair value and are accounted for at fair value, with the net gain (loss) from the changes in fair value of these investments recognized in income (loss) from unconsolidated investments (see Note 6).

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

(in millions)	November 30, 2019	February 28, 2019
Derivative instruments designated as hedging instruments		
Foreign currency contracts	$ 1,891.0	$ 1,579.3
Interest rate swap contracts	$ 375.0	$ —
Derivative instruments not designated as hedging instruments		
Foreign currency contracts	$ 1,030.2	$ 460.3
Commodity derivative contracts	$ 261.5	$ 284.7

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, 2019, the estimated fair value of derivative instruments in a net liability position due to counterparties was $8.1 million. If we were required to settle the net liability position under these derivative instruments on November 30, 2019, we would have had sufficient available liquidity on hand to satisfy this obligation.

Results of period derivative activity

The estimated fair value and location of our derivative instruments on our balance sheets are as follows (see Note 6):

	Assets			Liabilities	
	November 30, 2019	February 28, 2019		November 30, 2019	February 28, 2019
(in millions)					
Derivative instruments designated as hedging instruments					
Foreign currency contracts:					
Prepaid expenses and other	$ 27.8	$ 14.1	Other accrued expenses and liabilities	$ 12.2	$ 8.8
Other assets	$ 29.2	$ 22.1	Deferred income taxes and other liabilities	$ 7.5	$ 6.3
Interest rate swap contracts:					
Prepaid expenses and other	$ —	$ —	Other accrued expenses and liabilities	$ 0.6	$ —
Derivative instruments not designated as hedging instruments					
Foreign currency contracts:					
Prepaid expenses and other	$ 4.1	$ 2.0	Other accrued expenses and liabilities	$ 7.5	$ 0.6
Commodity derivative contracts:					
Prepaid expenses and other	$ 2.1	$ 6.1	Other accrued expenses and liabilities	$ 13.0	$ 6.1
Other assets	$ 0.6	$ 2.6	Deferred income taxes and other liabilities	$ 8.2	$ 5.5

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

Derivative Instruments in Designated Cash Flow Hedging Relationships	Net Gain (Loss) Recognized in OCI	Location of Net Gain (Loss) Reclassified from AOCI to Income (Loss)	Net Gain (Loss) Reclassified from AOCI to Income (Loss)
(in millions)			
For the Nine Months Ended November 30, 2019			
Foreign currency contracts	$ 25.7	Sales	$ —
		Cost of product sold	11.6
Interest rate swap contracts	(0.4)	Interest expense	—
	$ 25.3		$ 11.6
For the Nine Months Ended November 30, 2018			
Foreign currency contracts	$ (55.6)	Sales	$ 0.1
		Cost of product sold	5.2
	$ (55.6)		$ 5.3
For the Three Months Ended November 30, 2019			
Foreign currency contracts	$ 61.3	Sales	$ —
		Cost of product sold	3.8
Interest rate swap contracts	0.2	Interest expense	—
	$ 61.5		$ 3.8
For the Three Months Ended November 30, 2018			
Foreign currency contracts	$ (48.6)	Sales	$ —
		Cost of product sold	0.5
	$ (48.6)		$ 0.5

We expect $20.4 million of net gains, 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.

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

Derivative Instruments Not Designated as Hedging Instruments	Location of Net Gain (Loss) Recognized in Income (Loss)	Net Gain (Loss) Recognized in Income (Loss)
(in millions)		
For the Nine Months Ended November 30, 2019		
Commodity derivative contracts	Cost of product sold	$ (23.7)
Foreign currency contracts	Selling, general, and administrative expenses	(7.4)
		$ (31.1)
For the Nine Months Ended November 30, 2018		
Commodity derivative contracts	Cost of product sold	$ (5.1)
Foreign currency contracts	Selling, general, and administrative expenses	(58.5)
Interest rate swap contracts	Interest expense	35.0
		$ (28.6)

Derivative Instruments Not Designated as Hedging Instruments	Location of Net Gain (Loss) Recognized in Income (Loss)	Net Gain (Loss) Recognized in Income (Loss)
(in millions)		
For the Three Months Ended November 30, 2019		
Commodity derivative contracts	Cost of product sold	$ 3.1
Foreign currency contracts	Selling, general and administrative expenses	1.5
		$ 4.6
For the Three Months Ended November 30, 2018		
Commodity derivative contracts	Cost of product sold	$ (14.7)
Foreign currency contracts	Selling, general and administrative expenses	(30.4)
Interest rate swap contracts	Interest expense	32.3
		$ (12.8)

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs include data points that are observable such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) such as volatility, interest rates, and yield curves that are observable for the asset 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

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

Foreign currency and commodity derivative contracts

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

Interest rate swap contracts

The fair value is estimated based on quoted market prices from respective counterparties. Quotes are corroborated by using discounted cash flow calculations based upon forward interest-rate yield curves, which are obtained from independent pricing services (Level 2 fair value measurement).

Canopy investments

Equity securities, Warrants – The terms of the November 2018 Canopy Warrants were modified in June 2019 and now consist of three tranches of warrants: New Tranche A Warrants, New Tranche B Warrants, and New Tranche C Warrants. The exercise price for the New Tranche C Warrants is based on the volume-weighted average of the closing market price of Canopy's common shares on the Toronto

Stock Exchange ("TSX") for the five trading days immediately preceding the exercise date ("VWAP Exercise Price"), accordingly, no fair value is assigned. For additional information on the November 2018 Canopy Warrants and the related modification, refer to Note 9.

The inputs used to estimate the fair value of the Canopy warrants (all as defined in Note 9) are as follows:

	November 30, 2019 (1)			February 28, 2019	
	New Tranche A Warrants (2)	New Tranche B Warrants (3)	November 2017 Canopy Warrants (2)	November 2018 Canopy Warrants (2)	November 2017 Canopy Warrants (2)
Exercise price (4)	C$ 50.40	C$ 76.68	C$ 12.98	C$ 50.40	C$ 12.98
Valuation date stock price (5)	C$ 24.51	C$ 24.51	C$ 24.51	C$ 62.38	C$ 62.38
Expected life (6)	3.9 years	6.9 years	0.4 years	2.7 years	1.2 years
Expected volatility (7)	65.0 %	65.0 %	93.0 %	79.3 %	87.8 %
Risk-free interest rate (8)	1.5 %	1.5 %	1.7 %	1.8 %	1.8 %
Expected dividend yield (9)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

(1) New Tranche C Warrants are not included in the table as there is no fair value assigned.

(2) The fair value is estimated using the Black-Scholes option-pricing model (Level 2 fair value measurement).

(3) The fair value is estimated using Monte Carlo simulations (Level 2 fair value measurement).

(4) Based on the exercise price from the applicable underlying agreements.

(5) Based on the closing market price for Canopy common stock on the TSX as of the applicable date.

(6) Based on the expiration date of the warrants.

(7) Based on consideration of historical and/or implied volatility levels of the underlying equity security and limited consideration of historical peer group volatility levels.

(8) Based on the implied yield currently available on Canadian Treasury zero coupon issues with a remaining term equal to the expected life.

(9) Based on historical dividend levels.

Debt securities, Convertible – In June 2018, we acquired convertible debt securities issued by Canopy for C$200.0 million, or $150.5 million (the "Canopy Debt Securities"). We have elected the fair value option to account for the Canopy Debt Securities, which at that time, provided the greatest level of consistency with the accounting treatment for the November 2017 Canopy Warrants. Interest income on the Canopy Debt Securities is calculated using the effective interest method and is recognized separately from the changes in fair value in interest expense. The Canopy Debt Securities have a contractual maturity of five years from the date of issuance but may be converted prior to maturity by either party upon the occurrence of certain events. At settlement, the Canopy Debt Securities can be settled at the option of the issuer, in cash, equity shares of the issuer, or a combination thereof. The fair value is estimated using a binomial lattice option-pricing model (Level 2 fair value measurement), which includes an estimate of the credit spread based on the implied spread as of the issuance date of the notes.

The inputs used to estimate the fair value of the Canopy Debt Securities are as follows:

	November 30, 2019	February 28, 2019
Conversion price (1)	C$ 48.17	C$ 48.17
Valuation date stock price (2)	C$ 24.51	C$ 62.38
Remaining term (3)	3.6 years	4.4 years
Expected volatility (4)	50.1%	45.9%
Risk-free interest rate (5)	1.6%	1.8%
Expected dividend yield (6)	0.0%	0.0%

(1) Based on the rate which the Canopy Debt Securities may be converted into equity shares, or the equivalent amount of cash, at the option of the issuer.

(2) Based on the closing market price for Canopy common stock on the TSX as of the applicable date.

(3) Based on the contractual maturity date of the notes.

(4) Based on historical volatility levels of the underlying equity security reduced to account for certain risks not incorporated into the option-pricing model.

(5) Based on the implied yield currently available on Canadian Treasury zero coupon issues with a term equal to the remaining contractual term of the debt securities.

(6) Based on historical dividend levels.

Short-term borrowings

The revolving credit facility under our senior credit facility is a variable interest rate bearing note which includes a fixed margin which is adjustable based upon our debt rating (as defined in our senior credit facility). Its fair value is estimated by discounting cash flows using LIBOR plus a margin reflecting current market conditions obtained from participating member financial institutions (Level 2 fair value measurement). The remaining instruments, including our commercial paper, are variable interest rate bearing notes for which the carrying value approximates the fair value.

Long-term debt

The term loans under our Term Credit Agreement and 2019 Term Credit Agreement (both as defined in Note 11) are variable interest rate bearing notes which include a fixed margin which is adjustable based upon our debt rating. The senior floating rate notes are variable interest rate bearing notes which include a fixed margin. The fair value of the term loans and the senior floating rate notes are estimated by discounting cash flows using LIBOR plus a margin reflecting current market conditions obtained from participating member financial institutions (Level 2 fair value measurement). The fair value of the remaining long-term debt, which is primarily fixed interest rate, is estimated by discounting cash flows using interest rates currently available for debt with similar terms and maturities (Level 2 fair value measurement).

The carrying amounts of certain of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and short-term borrowings, approximate fair value as of November 30, 2019, and February 28, 2019, due to the relatively short maturity of these instruments. As of November 30, 2019, the carrying amount of long-term debt, including the current portion, was $12,074.5 million, compared with an estimated fair value of $12,800.6 million. As of February 28, 2019, the carrying amount of long-term debt, including the current portion, was $12,825.0 million, compared with an estimated fair value of $12,768.5 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			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(in millions)				
November 30, 2019				
Assets:				
Foreign currency contracts	$ —	$ 61.1	$ —	$ 61.1
Commodity derivative contracts	$ —	$ 2.7	$ —	$ 2.7
Equity securities (1)	$ —	$ 919.3	$ —	$ 919.3
Canopy Debt Securities (1)	$ —	$ 120.9	$ —	$ 120.9
Liabilities:				
Foreign currency contracts	$ —	$ 27.2	$ —	$ 27.2
Commodity derivative contracts	$ —	$ 21.2	$ —	$ 21.2
Interest rate swap contracts	$ —	$ 0.6	$ —	$ 0.6
February 28, 2019				
Assets:				
Foreign currency contracts	$ —	$ 38.2	$ —	$ 38.2
Commodity derivative contracts	$ —	$ 8.7	$ —	$ 8.7
Equity securities (1)	$ —	$ 3,023.2	$ —	$ 3,023.2
Canopy Debt Securities (1)	$ —	$ 211.5	$ —	$ 211.5
Liabilities:				
Foreign currency contracts	$ —	$ 15.7	$ —	$ 15.7
Commodity derivative contracts	$ —	$ 11.6	$ —	$ 11.6

(1) Unrealized net gain (loss) from the changes in fair value of our securities measured at fair value recognized in income (loss) from unconsolidated investments are as follows:

	For the Nine Months Ended		For the Three Months Ended	
	November 30, 2019	November 30, 2018	November 30, 2019	November 30, 2018
(in millions)				
November 2017 Canopy Investment (i)	$ —	$ 292.5	$ —	$ (168.5)
November 2017 Canopy Warrants	(542.7)	223.5	(91.9)	(212.4)
November 2018 Canopy Warrants (ii)	(1,561.2)	257.6	(426.8)	257.6
Canopy Debt Securities	(97.0)	12.9	(15.6)	(40.6)
	$ (2,200.9)	$ 786.5	$ (534.3)	$ (163.9)

(i) Accounted for at fair value from the date of investment in November 2017 through October 31, 2018. Accounted for under the equity method from November 1, 2018. For additional information on the November 2017 Canopy Investment, refer to Note 9.

(ii) The terms of the November 2018 Canopy Warrants were modified in June 2019. For additional information on the November 2018 Canopy Warrants and the related modification, refer to Note 9. For the nine months ended November 30, 2019, amounts are net of a $1,176.0 million unrealized gain resulting from the June 2019 Warrant Modification.

Nonrecurring basis measurements

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

	Fair Value Measurements Using			Total Losses	
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	For the Nine Months Ended November 30, 2019	For the Three Months Ended November 30, 2019
(in millions)					
Long-lived assets held for sale	$ —	$ —	$ 989.6	$ 417.0	$ 390.0
Trademarks (1)	—	—	—	11.0	—
Total	$ —	$ —	$ 989.6	$ 428.0	$ 390.0

(1) The balance at November 30, 2019, has been reclassified to assets held for sale (see “Trademarks” below for further discussion).

Long-lived assets held for sale

During the second quarter of fiscal 2020, in connection with the Wine and Spirits Transaction, long-lived assets held for sale were written down to their estimated fair value, less costs to sell, resulting in a loss of $27.0 million. Subsequently, for the third quarter of fiscal 2020, in connection with the New Wine and Spirits Transactions, an additional loss of $340.0 million was recognized. The long-lived assets held for sale with a carrying value of $1,292.9 million were written down to their current estimated fair value of $949.6 million, less costs to sell, resulting in a total loss of $367.0 million for the nine months ended November 30, 2019. This loss was included in impairment of assets held for sale. These assets consisted primarily of goodwill, intangible assets, and certain winery and vineyard assets which had satisfied the conditions necessary to be classified as held for sale. Our current estimate of fair value was determined based on the expected proceeds from the New Wine and Spirits Transactions as of November 30, 2019, excluding the contingent consideration, which we will recognize when it is determined to be realizable.

For the third quarter of fiscal 2020, in connection with the Ballast Point Transaction, long-lived assets held for sale with a carrying value of $81.3 million were written down to their estimated fair value of $40.0 million, less costs to sell. As a result, a loss of $50.0 million, inclusive of costs to sell and other losses was included in impairment of assets held for sale. These assets consisted primarily of intangible assets and certain production and warehouse assets which had satisfied the conditions necessary to be classified as held for sale. Our estimate of fair value was determined based on the expected proceeds from the Ballast Point Transaction as of November 30, 2019. Ballast Point is a component of the Beer segment and was included in our beer reporting unit. Accordingly, goodwill was allocated to the Ballast Point assets held for sale based on the relative fair value of the business being sold compared to the relative fair value of the reporting unit. Goodwill not allocated to assets held for sale remains in the beer reporting unit.

Trademarks

During the second quarter of fiscal 2020, certain continuing negative trends within our Beer segment’s Ballast Point craft beer portfolio, including increased rate of revenue decline and increased competition, indicated that it was more likely than not that the fair value of our indefinite-lived intangible asset associated with the Ballast Point craft beer trademarks might be below its carrying value. Accordingly, we performed a quantitative assessment for impairment. As a result of this assessment, the Ballast Point craft beer trademark asset with a carrying value of $28.0 million was written down to its estimated fair value of $17.0 million, resulting in an impairment of $11.0 million. This impairment is included in selling, general, and administrative expenses for the nine months ended November 30, 2019. The Ballast Point craft beer trademarks have been reclassified to assets held for sale as of November 30, 2019.

7. GOODWILL

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

	Beer	Wine and Spirits	Consolidated
(in millions)			
Balance, February 28, 2018	$ 5,157.6	$ 2,925.5	$ 8,083.1
Purchase accounting allocations (1)	22.3	2.7	25.0
Foreign currency translation adjustments	(12.0)	(7.3)	(19.3)
Balance, February 28, 2019	5,167.9	2,920.9	8,088.8
Purchase accounting allocations (2)	—	58.8	58.8
Black Velvet Divestiture	—	(72.2)	(72.2)
Foreign currency translation adjustments	(12.2)	(6.7)	(18.9)
Reclassified to assets held for sale (3)	(4.5)	(280.2)	(284.7)
Balance, November 30, 2019	$ 5,151.2	$ 2,620.6	$ 7,771.8

(1) Purchase accounting allocations associated primarily with the acquisition of Four Corners (Beer). See defined acquisition term below.

(2) Preliminary purchase accounting allocations associated primarily with the acquisition of Nelson's Green Brier (Wine and Spirits). See defined acquisition term below.

(3) Primarily in connection with the New Wine and Spirits Transactions, goodwill associated with the businesses being sold was reclassified to assets held for sale based on the relative fair values of the portion of the business being sold and the remaining wine and spirits and beer portfolios. The relative fair values were determined using the income approach based on assumptions, including projected revenue growth rates, terminal growth rate, and discount rate and other projected financial information.

Acquisitions

Nelson's Green Brier

In May 2019, we increased our ownership interest in Nelson's Green Brier Distillery, LLC ("Nelson's Green Brier") to75%, resulting in consolidation of the business and recognition of a 25% noncontrolling interest. This acquisition included a portfolio of award-winning, Tennessee-based craft bourbon and whiskey products. The preliminary fair value of the business combination was allocated primarily to goodwill, trademarks, inventory, and property, plant, and equipment. The results of operations of Nelson's Green Brier are reported in the Wine and Spirits segment and have been included in our consolidated results of operations from the date of acquisition.

We recognized a gain of$11.8 million for the nine months ended November 30, 2019, related to the remeasurement of our previously held 20% equity interest in Nelson's Green Brier to the acquisition-date fair value. This gain is included in selling, general, and administrative expenses within our consolidated results of operations.

Four Corners

In July 2018, we acquired Four Corners Brewing Company LLC, which included a portfolio of high-quality, dynamic, and bicultural, Texas-based craft beers ("Four Corners"). The purchase price was primarily allocated to goodwill, property, plant, and equipment, and trademarks, plus an earn-out over five years based on the performance of the brands. The results of operations of Four Corners are reported in the Beer segment and have been included in our consolidated results of operations from the date of acquisition.

8. INTANGIBLE ASSETS

The major components of intangible assets are as follows:

	November 30, 2019		February 28, 2019	
	Gross Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
(in millions)				
Amortizable intangible assets				
Customer relationships	$ 87.5	$ 33.1	$ 89.9	$ 39.1
Other	20.2	0.4	20.5	0.9
Total	$ 107.7	33.5	$ 110.4	40.0
Nonamortizable intangible assets				
Trademarks		2,687.8		3,158.1
Total intangible assets (1)		$ 2,721.3		$ 3,198.1

(1) The balance at November 30, 2019, excludes intangible assets reclassified to assets held for sale, which consist primarily of trademarks.

We did not incur costs to renew or extend the term of acquired intangible assets for thenine months and three months ended November 30, 2019, and November 30, 2018. Net carrying amount represents the gross carrying value net of accumulated amortization.

9. EQUITY METHOD INVESTMENTS

Our equity method investments are as follows:

	November 30, 2019		February 28, 2019	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
(in millions)				
Canopy Equity Method Investment	$ 2,879.4	35.4 %	$ 3,332.1	36.0 %
Other equity method investments (1)	179.3	20%-50%	133.5	20%-50%
	$ 3,058.7		$ 3,465.6	

(1) The other equity method investments balance at November 30, 2019, excludes investments reclassified to assets held for sale.

In November 2017, we acquired 18.9 million common shares, which represented a 9.9% ownership interest in Ontario, Canada-based Canopy Growth Corporation (the "November 2017 Canopy Investment"), a public company and leading provider of medicinal and recreational cannabis products ("Canopy"), plus warrants which give us the option to purchase an additional 18.9 million common shares of Canopy (the "November 2017 Canopy Warrants") for C$245.0 million, or $191.3 million. The November 2017 Canopy Warrants were issued with an exercise price of C$12.98 per warrant share and are exercisable as of November 30, 2019. These warrants expire in May 2020.

The November 2017 Canopy Investment was accounted for at fair value from the date of investment through October 31, 2018. From November 1, 2018, the November 2017 Canopy Investment has been accounted for under the equity method (see "Canopy Equity Method Investment" below). The November 2017 Canopy Warrants have been accounted for at fair value from the date of investment.

On November 1, 2018, we increased our ownership interest in Canopy by acquiring an additional 104.5 million common shares (the "November 2018 Canopy Investment") (see Canopy Equity Method

Investment below), plus warrants which give us the option to purchase an additional 139.7 million common shares of Canopy (the "November 2018 Canopy Warrants", and together with the November 2018 Canopy Investment, the "November 2018 Canopy Transaction") for C$5,078.7 million, or $3,869.9 million.

On November 1, 2018, our ownership interest in Canopy increased to 36.6% which allows us to exercise significant influence, but not control, over Canopy. Therefore, we account for the November 2017 Canopy Investment and the November 2018 Canopy Investment, each of which represents an investment in common shares of Canopy, collectively, under the equity method (the "Canopy Equity Method Investment"). We recognize equity in earnings (losses) and related activities for this investment on a two-month lag. Accordingly, we recognized equity in earnings (losses) and related activities of $(544.2) million for the period January 1, 2019, through September 30, 2019, in our consolidated financial statements for the nine months ended November 30, 2019, and $46.2 million for the period July 1, 2019, through September 30, 2019, in our consolidated financial statements for the three months ended November 30, 2019. Equity in earnings (losses) from the Canopy Equity Method Investment and related activities for the nine months and three months ended November 30, 2019, include, among other items, the amortization of the fair value adjustments associated with the definite-lived intangible assets over their estimated useful lives, the flow through of inventory step-up, and unrealized gains (losses) associated with changes in our Canopy ownership percentage resulting from periodic equity issuances made by Canopy. In addition to the items noted above, the nine months ended November 30, 2019, include our share of the additional loss resulting from the June 2019 Warrant Modification (as defined below) of $(409.0) million (the "June 2019 Warrant Modification Loss").

The November 2018 Canopy Warrants originally consisted of 88.5 million warrants (the "Tranche A Warrants") and 51.2 million warrants (the "Tranche B Warrants"). The Tranche A Warrants were immediately exercisable at an exercise price of C$50.40 per warrant share. The Tranche B Warrants were exercisable upon the exercise, in full, of the Tranche A Warrants and at an exercise price based on the volume-weighted average of the closing market price of Canopy's common shares on the TSX for the five trading days immediately preceding the exercise date. The November 2018 Canopy Warrants originally expired in November 2021 and have been accounted for at fair value from the date of investment.

In June 2019, the Canopy shareholders approved the modification of the terms of the November 2018 Canopy Warrants and certain other rights (the "June 2019 Warrant Modification"), and the other required approvals necessary for the modifications to be effective were granted. These changes are the result of Canopy's intention to acquire Acreage Holdings, Inc. ("Acreage") upon U.S. Federal cannabis legalization, subject to certain conditions (the "Acreage Transaction"). As a result of the modifications, we continue to have the option to purchase an additional 139.7 million common shares of Canopy upon exercise of the warrants originally received in November 2018; however, this option now consists of three tranches of warrants, including 88.5 million warrants (the "New Tranche A Warrants"), 38.4 million warrants (the "New Tranche B Warrants"), and 12.8 million warrants (the "New Tranche C Warrants", and collectively with the New Tranche A Warrants and the New Tranche B Warrants, the "New November 2018 Canopy Warrants"). The New Tranche A Warrants have an exercise price of C$50.40 per warrant share and are currently exercisable, but now expire November 1, 2023. The New Tranche B Warrants now have an exercise price of C$76.68 per warrant share and the New Tranche C Warrants have a VWAP Exercise Price. The New Tranche B Warrants and the New Tranche C Warrants now have an expiration date of November 1, 2026.

The other rights obtained in June 2019 in connection with the Acreage Transaction include a share repurchase credit and the ability to purchase Canopy common shares on the open market or in private agreement transactions. If for any reason Canopy has not purchased the lesser of 27,378,866 Canopy common shares or C$1,583.0 million worth of Canopy common shares for cancellation between April 18, 2019 and two-years after the full exercise of the New Tranche A Warrants, we will be credited an amount that will reduce the aggregate exercise price otherwise payable upon each exercise of the New Tranche B Warrants and New Tranche C Warrants. The credit will be an amount equal to the difference between C$1,583.0 million and the actual price paid by Canopy in purchasing its common shares for cancellation. If we choose to purchase Canopy common shares on the open market or in private agreement with existing holders, the number of New Tranche B Warrants or New Tranche C Warrants shall be decreased by one for each Canopy common share acquired, up to an aggregate maximum reduction of 20 million warrants. The likelihood of receiving the share repurchase credit if we were to fully exercise the New Tranche A Warrants is remote, therefore, no fair value has been assigned.

The inputs used to estimate the fair value of the New November 2018 Canopy Warrants as of the June 27, 2019 modification date, are as follows:

	New Tranche A Warrants (1)	New Tranche B Warrants (1)
Exercise price	C$ 50.40	C$ 76.68
Valuation date stock price	C$ 53.36	C$ 53.36
Expected life	4.3 years	7.3 years
Expected volatility	66.7 %	66.7 %
Risk-free interest rate	1.4 %	1.4 %
Expected dividend yield	0.0 %	0.0 %

(1) Refer to Note 6 for input descriptions.

Accordingly, we have recognized a $1,176.0 million unrealized gain from unconsolidated investments in the second quarter of fiscal 2020 from the June 2019 Warrant Modification. Approximately $322.5 million of the unrealized gain was associated with the New Tranche A Warrants and $853.5 million was associated with the New Tranche B Warrants. No value was associated with the New Tranche C Warrants as they have a VWAP Exercise Price. As the expiration dates of the New Tranche A Warrants and New Tranche B Warrants were extended, we now utilize a blend of Canopy's historical volatility, implied volatility, and limited consideration of historical peer group volatility in our valuations to supplement the limited trading history.

Canopy has various convertible equity securities outstanding, including primarily equity awards granted to its employees, and options and warrants issued to various third parties, including our November 2017 Canopy Warrants, New November 2018 Canopy Warrants, Canopy Debt Securities, and the Acreage Call Option (as defined below). As of November 30, 2019, the conversion of Canopy equity securities held by its employees and/or held by other third parties, excluding our November 2017 Canopy Warrants, New November 2018 Canopy Warrants, Canopy Debt Securities, and the Acreage Call Option, would not have a significant effect on our share of Canopy's reported earnings or losses. Additionally, under an amended and restated investor rights agreement, we have the option to purchase additional common shares of Canopy at the then-current price of the underlying equity security to allow us to maintain our relative ownership interest. If we exercised all of our outstanding November 2017 Canopy Warrants and New November 2018 Canopy Warrants, it could have a significant effect on our share of Canopy's reported earnings or losses and our ownership interest in Canopy would be expected to increase to greater than 50 percent. In connection with the Acreage Transaction, Canopy has a call option to acquire 100% of the shares of Acreage (the "Acreage Call Option"), which would require the issuance of Canopy shares. If Canopy exercised the Acreage Call Option it could have a significant effect on our share of Canopy's reported earnings or losses and our ownership interest in Canopy would decrease and no longer be expected to be greater than 50 percent.

As of November 30, 2019, the exercise of all Canopy warrants held by us would have required a cash outflow of approximately $6.0 billion based on the terms of the November 2017 Canopy Warrants and the New November 2018 Canopy Warrants. Additionally, as of November 30, 2019, the fair value of the Canopy Equity Method Investment was $2,276.7 million based on the closing price of the underlying equity security as of that date. We have evaluated the Canopy Equity Method Investment as of November 30, 2019, and determined that there was not an other-than-temporary-impairment. Our conclusion was based on several contributing factors, including: (i) the length of time for which the implied fair value has exceeded the carrying value, (ii) an expectation that Canopy's operating results will improve, (iii) an expectation that the Canopy stock price will recover in the near term, and (iv) our ability and intent to hold the investment until that recovery.

The following table presents summarized financial information for Canopy presented in accordance with U.S. GAAP. We recognize our equity in earnings (losses) for Canopy on a two-month lag. Accordingly, we recognized our share of Canopy's fourth quarter fiscal 2019, first quarter fiscal 2020, and second quarter fiscal 2020 earnings (losses) for the period January through September 2019 in our nine months ended November 30, 2019. We recognized our share of Canopy's second quarter fiscal 2020 earnings (losses) for the period July through September 2019, in our three months ended November 30, 2019 results. The amounts shown represent 100% of Canopy's results of operations for the respective periods. However, they exclude the nine months ended November 30, 2019 impact of the June 2019 Warrant Modification Loss because it was recorded by Canopy within equity.

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	2019	2018	2019	2018
(in millions)				
Net sales	$ 196.4	NA	$ 58.0	NA
Gross profit (loss)	$ 13.8	NA	$ (7.3)	NA
Net gain (loss)	$ (246.0)	NA	$ 172.6	NA
Net gain (loss) attributable to Canopy	$ (245.4)	NA	$ 185.0	NA

NA = Not Applicable

10. OTHER ASSETS

The major components of other assets are as follows:

	November 30, 2019	February 28, 2019
(in millions)		
Operating lease right-of-use asset	$ 502.9	$ —
Other	116.2	109.7
	$ 619.1	$ 109.7

11. BORROWINGS

Borrowings consist of the following:

	November 30, 2019			February 28, 2019
	Current	Long-term	Total	Total
(in millions)				
Short-term borrowings				
Senior credit facility, Revolving credit loan	$ —			$ 59.0
Commercial paper	281.5			732.5
	$ 281.5			$ 791.5
Long-term debt				
Senior credit facility, Term loan	$ —	$ —	$ —	$ 492.8
Term loan credit facilities	24.6	1,402.2	1,426.8	1,486.4
Senior notes	698.2	9,923.2	10,621.4	10,816.9
Other	12.0	14.3	26.3	28.9
	$ 734.8	$ 11,339.7	$ 12,074.5	$ 12,825.0

Senior credit facility

The Company, CB International Finance S.à r.l., a wholly-owned subsidiary of ours ("CB International"), certain of the Company's subsidiaries as guarantors, Bank of America, N.A., as administrative agent (the "Administrative Agent"), and certain other lenders are parties to a credit agreement, as amended and restated (the "2018 Credit Agreement"). The 2018 Credit Agreement provides for an aggregate revolving credit facility of $2.0 billion.

Term Credit Agreement

The Company, the Administrative Agent, and certain other lenders are parties to a term loan credit agreement (the "Term Credit Agreement"). The Term Credit Agreement provides for aggregate credit facilities of $1.5 billion, consisting of a $500.0 million three-year term loan facility (the "Three-Year Term Facility") and a $1.0 billion five-year term loan facility (the "Five-Year Term Facility").

2019 Term Credit Agreement

In June 2019, the Company and Bank of America, N.A., as Administrative Agent and lender (the "Lender") entered into a term loan credit agreement (the "2019 Term Credit Agreement"). The 2019 Term Credit Agreement provides for the creation of a $491.3 million five-year term loan facility (the "2019 Five-Year Term Facility"). The 2019 Five-Year Term Facility will be repaid in quarterly payments of principal equal to 1.25% of the original aggregate principal amount of the 2019 Five-Year Term Facility, with the balance due and payable at maturity. The proceeds from borrowings under the 2019 Term Credit Agreement were used to repay in full the U.S. Term A-1 Facility under the 2018 Credit Agreement.

The obligations under the 2019 Term Credit Agreement are guaranteed by certain subsidiaries of the Company. The guarantors under the 2019 Term Credit Agreement are the same subsidiary guarantors as under the 2018 Credit Agreement and the Term Credit Agreement. We and our subsidiaries are subject to covenants that are contained in the 2019 Term Credit Agreement, including those restricting the incurrence of additional indebtedness (including guarantees of indebtedness), additional liens, mergers and consolidations, transactions with affiliates, and sale and leaseback transactions, in each case subject to numerous conditions, exceptions and thresholds. The financial covenants are limited to a minimum interest coverage ratio and a maximum net leverage ratio.

As of November 30, 2019, aggregate credit facilities under the 2018 Credit Agreement, the Term Credit Agreement, and the 2019 Term Credit Agreement consist of the following:

(in millions)		Amount	Maturity
2018 Credit Agreement			
Revolving Credit Facility (1) (2)	$	2,000.0	Sept 14, 2023
Term Credit Agreement			
Three-Year Term Facility (1) (3)	$	500.0	Nov 1, 2021
Five-Year Term Facility (1) (3)		1,000.0	Nov 1, 2023
	$	1,500.0	
2019 Term Credit Agreement			
2019 Five-Year Term Facility (1) (3)	$	491.3	Jun 28, 2024

(1) Contractual interest rate varies based on our debt rating (as defined in the respective agreement) and is a function of LIBOR plus a margin, or the base rate plus a margin, or, in certain circumstances where LIBOR cannot be adequately ascertained or available, an alternative benchmark rate plus a margin.

(2) We and/or CB International are the borrower under the $2,000.0 million Revolving Credit Facility. Includes a sub-facility for letters of credit of up to $200.0 million.

(3) We are the borrower under the Three-Year Term Facility, the Five-Year Term Facility, and the 2019 Five-Year Term Facility.

As of November 30, 2019, information with respect to borrowings under the 2018 Credit Agreement, the Term Credit Agreement, and the 2019 Term Credit Agreement is as follows:

	2018 Credit Agreement	Term Credit Agreement		2019 Term Credit Agreement
	Revolving Credit Facility	Three-Year Term Facility (1)	Five-Year Term Facility (1) (2)	2019 Five-Year Term Facility (1)
(in millions)				
Outstanding borrowings	$ —	$ 499.6	$ 442.1	$ 485.1
Interest rate	— %	2.9 %	3.0 %	2.7 %
LIBOR margin	1.13 %	1.13 %	1.25 %	0.88 %
Outstanding letters of credit	$ 11.8			
Remaining borrowing capacity (3)	$ 1,706.2			

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

(2) Outstanding borrowings reflect a $520.0 million partial repayment of the Five-Year Term Facility under our Term Credit Agreement.

(3) Net of outstanding revolving credit facility borrowings and outstanding letters of credit under the 2018 Credit Agreement and outstanding borrowings under our commercial paper program of $282.0 million (excluding unamortized discount) (see “Commercial paper program”).

Commercial paper program

We have a commercial paper program which provides for the issuance of up to an aggregate principal amount of $2.0 billion of commercial paper. Our commercial paper program is backed by unused commitments under our revolving credit facility under our 2018 Credit Agreement. Accordingly, outstanding borrowings under our commercial paper program reduce the amount available under our revolving credit facility under our 2018 Credit Agreement. As of November 30, 2019, we had $281.5 million of outstanding borrowings, net of unamortized discount, under our commercial paper program with a weighted average annual interest rate of 2.0% and a weighted average remaining term of 34 days.

Interest rate swap contracts

In June 2019, we entered into interest rate swap agreements, which are designated as cash flow hedges for $375.0 million of our floating LIBOR rate debt. As a result of these hedges, we have fixed our interest rates on $375.0 million of our floating LIBOR rate debt at an average rate of 1.9% (exclusive of borrowing margins) from July 1, 2019, through July 1, 2020.

Senior Notes

In July 2019, we issued $800.0 million aggregate principal amount of 3.15% Senior Notes due August 2029 (the “July 2019 Senior Notes”). Proceeds from this offering, net of discount and debt issuance costs, were $793.0 million. Interest on the July 2019 Senior Notes is payable semiannually on February 1 and August 1 of each year, beginning February 1, 2020. The July 2019 Senior Notes are redeemable, in whole or in part, at our option at any time prior to May 1, 2029, 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 applicable Treasury Rate plus 20 basis points. On or after May 1, 2029, we may redeem the July 2019 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 July 2019 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 July 2019 Senior Notes on a senior unsecured basis.

In November 2014, we issued $400.0 million aggregate principal amount of 3.875% Senior Notes due November 2019 (the "3.875% November 2014 Senior Notes"). On August 28, 2019, we repaid the 3.875% November 2014 Senior Notes with proceeds from the July 2019 Senior Notes.

In November 2017, we issued $600.0 million aggregate principal amount of 2.00% Senior Notes due November 2019 (the "2.00% November 2017 Senior Notes"). On November 7, 2019, we repaid the 2.00% November 2017 Senior Notes with proceeds from the Black Velvet Divestiture, commercial paper borrowings, and cash on hand.

Debt payments

As of November 30, 2019, the required principal repayments under long-term debt obligations (excluding unamortized debt issuance costs and unamortized discounts of $65.3 million and $14.1 million, respectively) for the remaining three months of fiscal 2020 and for each of the five succeeding fiscal years and thereafter are as follows:

(in millions)		
2020	$	9.3
2021		735.7
2022		1,681.7
2023		1,828.3
2024		1,518.2
2025		780.7
Thereafter		5,600.0
	$	12,153.9

12. INCOME TAXES

Our effective tax rate for the nine months ended November 30, 2019, was 73.0% of tax benefit as compared with 15.5% of tax expense for the nine months ended November 30, 2018. Our effective tax rate for the three months ended November 30, 2019, was 225.3% of tax benefit as compared with 10.2% of tax expense for the three months ended November 30, 2018.

For the nine months and three months ended November 30, 2019, our effective tax rate was higher than the federal statutory rate of 21% primarily due to:

- the recognition of a $547.4 million net income tax benefit resulting from the remeasurement of our deferred tax assets in connection with the September 2019 enactment of tax reform in Switzerland; and
- a higher effective rate of tax benefit from our foreign businesses including the tax benefits recorded on the net unrealized loss from the changes in fair value of our investments in Canopy and the tax benefits recorded on the Canopy equity in earnings (losses) and related activities.

For the nine months and three months ended November 30, 2018, our effective tax rate was lower than the federal statutory rate of 21% primarily due to:

- lower effective tax rates applicable to our foreign businesses;
- the recognition of an income tax benefit for the three months ended November 30, 2018, associated with an adjustment to provisional amounts recognized for the year ended February 28, 2018, in connection with the Tax Cuts and Jobs Act (the "TCJ Act"); and
- the recognition of a net income tax benefit from stock-based compensation award activity.

13. DEFERRED INCOME TAXES AND OTHER LIABILITIES

The major components of deferred income taxes and other liabilities are as follows:

	November 30, 2019	February 28, 2019
(in millions)		
Deferred income taxes	$ 334.8	$ 1,029.7
Operating lease liability	503.3	—
Unrecognized tax benefit liabilities	248.5	239.0
Long-term income tax payable	96.3	95.4
Other	74.6	106.6
	$ 1,257.5	$ 1,470.7

14. LEASES

General

We primarily lease certain vineyards, office and production facilities, warehouses, production equipment, and vehicles. We assess service arrangements to determine if an asset is explicitly or implicitly specified in the agreement and if we have the right to control the use of the identified asset. We have concluded that certain grape purchasing arrangements associated with the purchase of grape production yielded from a specified block of a vineyard and certain third-party logistics arrangements contain a lease.

The right-of-use asset is initially measured at cost, which is primarily comprised of the initial amount of the lease liability, plus initial direct costs and lease payments at or before the lease commencement date, less any lease incentives received, and is amortized on a straight-line basis over the remaining lease term. All right-of-use assets are reviewed periodically for impairment. The lease liability is initially measured at the present value of lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, our secured incremental borrowing rate. The incremental borrowing rates are determined using a portfolio approach based on publicly available information in connection with our unsecured borrowing rates adjusted for items including collateral, currency, and the timing in which lease payments are made. We elected to recognize expenses for leases with a term of 12 months or less on a straight-line basis over the lease term and not to recognize these short-term leases on the balance sheet.

Our leases have varying terms with remaining lease terms of up to approximately30 years. Certain of our lease arrangements provide us with the option to extend or to terminate the lease early.

The right-of-use asset and lease liability are calculated including options to extend or to terminate the lease when we determine that it is reasonably certain that we will exercise those options. In making that determination, we consider various existing economic and market factors, business strategies as well as the nature, length, and terms of the agreement. Based on our evaluation using these factors, we concluded that the exercise of renewal options or early termination options would not be reasonably certain in determining the lease term at commencement for leases we currently have in place. Assumptions made at the commencement date are re-evaluated upon occurrence of certain events such as a lease modification.

Certain of our contractual arrangements may contain both lease and non-lease components. Non-lease components are distinct elements of a contract that are not related to securing the use of the leased asset, such as raw materials, common area maintenance, and other management costs. We elected to measure the lease liability by combining the lease and non-lease components as a single lease component for all asset classes.

Certain of our leases include variable lease payments, including payments that depend on an index or rate, as well as variable payments for items such as raw materials, labor, property taxes, insurance, maintenance, and other operating expenses associated with leased assets. Certain grape purchasing arrangements include variable payments that will vary depending on certain factors, including weather, time of harvest, overall market conditions, and the agricultural practices and location of the vineyard. In addition, certain third-party logistics arrangements include variable payments that vary depending on throughput. Such variable lease payments are excluded from the calculation of the right-of-use asset and are recognized in the period in which the obligation is incurred.

Balance sheet location

A summary of lease right-of-use assets and liabilities are as follows:

	Balance Sheet Classification	November 30, 2019
(in millions)		
Assets		
Operating lease	Other assets	$ 502.9
Finance lease	Property, plant, and equipment	27.4
Total right-of-use assets		$ 530.3
Liabilities		
Current:		
Operating lease	Other accrued expenses and liabilities	$ 78.0
Finance lease	Current maturities of long-term debt	12.0
Non-current:		
Operating lease	Deferred income taxes and other liabilities	503.3
Finance lease	Long-term debt, less current maturities	14.3
Total lease liabilities		$ 607.6

Lease cost

The components of total lease cost are as follows:

	For the Nine Months Ended November 30, 2019	For the Three Months Ended November 30, 2019
(in millions)		
Operating lease cost	$ 77.0	$ 30.5
Finance lease cost:		
Amortization of right-of-use assets	8.8	3.2
Interest on lease liabilities	0.5	0.2
Short-term lease cost	6.6	2.4
Variable lease cost	368.3	272.9
Total lease cost	$ 461.2	$ 309.2

Lease maturities (1)

As of November 30, 2019, minimum payments due for lease liabilities for the remaining three months of fiscal 2020 and for each of the five succeeding fiscal years and thereafter are as follows:

	Operating Leases	Finance Leases
(in millions)		
2020	$ 22.5	$ 3.3
2021	96.5	11.6
2022	84.2	7.3
2023	72.7	3.8
2024	64.2	1.2
2025	54.0	—
Thereafter	312.1	—
Total lease payments	706.2	27.2
Less: Interest	(124.9)	(0.9)
Total lease liabilities	$ 581.3	$ 26.3

As of February 28, 2019, future payments were expected to be as follows:

	Operating Leases
(in millions)	
2020	$ 59.0
2021	58.2
2022	51.1
2023	47.9
2024	41.2
Thereafter	302.1
Total lease payments	$ 559.5

(1) For leases with terms in excess of 12 months at inception .

Supplemental information

	For the Nine Months Ended November 30, 2019
(in millions)	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 77.3
Operating cash flows from finance leases	$ 0.5
Financing cash flows from finance leases	$ 10.6
Right-of-use assets obtained in exchange for new lease liabilities:	
Operating leases	$ 34.7
Finance leases	$ 8.5

	November 30, 2019
(in millions)	
Weighted-average remaining lease term:	
Operating leases	11.4 years
Finance leases	3.6 years
Weighted-average discount rate:	
Operating leases	3.5 %
Finance leases	2.6 %

15. STOCKHOLDERS' EQUITY

Common stock

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

	Common Stock			Treasury Stock	
	Class A	Class B	Class 1	Class A	Class B
Balance at February 28, 2019	185,740,178	28,322,419	1,149,624	18,927,966	5,005,800
Conversion of shares	133,667	(55)	(133,612)	—	—
Exercise of stock options (1)	—	—	2,107	(173,725)	—
Vesting of restricted stock units (2)	—	—	—	(88,683)	—
Vesting of performance share units (2)	—	—	—	(29,015)	—
Cancellation of restricted shares	—	—	—	444	—
Balance at May 31, 2019	185,873,845	28,322,364	1,018,119	18,636,987	5,005,800
Share repurchases	—	—	—	265,593	—
Conversion of shares	6,267	(543)	(5,724)	—	—
Exercise of stock options (1)	—	—	—	(258,628)	—
Employee stock purchases	—	—	—	(36,840)	—
Vesting of restricted stock units (2)	—	—	—	(2,148)	—
Balance at August 31, 2019	185,880,112	28,321,821	1,012,395	18,604,964	5,005,800
Conversion of shares	191,233	(2,215)	(189,018)	—	—
Exercise of stock options (1)	—	—	—	(38,154)	—
Vesting of restricted stock units (2)	—	—	—	(242)	—
Balance at November 30, 2019	186,071,345	28,319,606	823,377	18,566,568	5,005,800

	Common Stock			Treasury Stock	
	Class A	Class B	Class 1	Class A	Class B
Balance at February 28, 2018	258,718,356	28,335,387	1,970	90,743,239	5,005,800
Share repurchases	—	—	—	450,508	—
Conversion of shares	5,144	(5,144)	—	—	—
Exercise of stock options	216,946	—	5,118	—	—
Vesting of restricted stock units (2)	—	—	—	(20,392)	—
Vesting of performance share units (2)	—	—	—	(62,352)	—
Balance at May 31, 2018	258,940,446	28,330,243	7,088	91,111,003	5,005,800
Share repurchases	—	—	—	1,901,637	—
Conversion of shares	2,500	(2,500)	—	—	—
Exercise of stock options	137,219	—	2,325	—	—
Employee stock purchases	—	—	—	(34,203)	—
Grant of restricted stock awards	—	—	—	(3,552)	—
Vesting of restricted stock units (2)	—	—	—	(3,074)	—
Balance at August 31, 2018	259,080,165	28,327,743	9,413	92,971,811	5,005,800
Retirement of treasury shares (3)	(74,000,000)	—	—	(74,000,000)	—
Conversion of shares	5,314	(5,314)	—	—	—
Exercise of stock options	428,925	—	2,570	—	—
Grant of restricted stock awards	—	—	—	(362)	—
Vesting of restricted stock units (2)	—	—	—	(715)	—
Balance at November 30, 2018	185,514,404	28,322,429	11,983	18,970,734	5,005,800

(1) Includes use of Class A Treasury Stock associated with stock option exercises beginning March 1, 2019.

(2) Net of the following shares withheld to satisfy tax withholding requirements:

	For the Three Months Ended May 31,	For the Three Months Ended August 31,	For the Three Months Ended November 30,	For the Nine Months Ended November 30,
2019				
Restricted Stock Units	48,562	1,176	94	49,832
Performance Share Units	17,439	—	—	17,439
2018				
Restricted Stock Units	12,743	2,211	402	15,356
Performance Share Units	44,016	—	—	44,016

(3) Shares of our Class A Treasury Stock were retired to authorized and unissued shares of our Class A Common Stock.

Stock repurchases

In January 2018, our Board of Directors authorized the repurchase of up to$3.0 billion of our Class A Common Stock and Class B Convertible Common Stock (the “2018 Authorization”). The Board of Directors did not specify a date upon which this authorization would expire. Shares repurchased under the 2018 Authorization have become treasury shares.

For the nine months ended November 30, 2019, we repurchased 265,593 shares of Class A Common Stock pursuant to the 2018 Authorization at an aggregate cost of $50.0 million through open market transactions.

As of November 30, 2019, total shares repurchased under the 2018 Authorizations are as follows:

	Repurchase Authorization	Class A Common Shares: Dollar Value of Shares Repurchased	Class A Common Shares: Number of Shares Repurchased
(in millions, except share data)			
2018 Authorization	$ 3,000.0	$ 1,045.9	4,897,605

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

For the three months ended November 30, 2019, and for the nine months and three months ended November 30, 2018, net income (loss) 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 three months ended November 30, 2019, and for the nine months and three months ended November 30, 2018, net income (loss) 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.

We have excluded 23,315,761 of Class B Convertible Common Stock and 3,290,122 of shares issuable under the assumed exercise of stock options using the treasury stock method from the calculation of diluted net income (loss) per share for the nine months ended November 30, 2019, as the effect of including these would have been anti-dilutive.

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

	For the Nine Months Ended			
	November 30, 2019		November 30, 2018	
	Common Stock		Common Stock	
	Class A	Class B	Class A	Class B
(in millions, except per share data)				
Net income (loss) attributable to CBI allocated – basic	$ (364.0)	$ (46.2)	$ 1,949.3	$ 247.1
Conversion of Class B common shares into Class A common shares	—	—	247.1	—
Effect of stock-based awards on allocated net income (loss)	—	—	—	(5.6)
Net income (loss) attributable to CBI allocated – diluted	$ (364.0)	$ (46.2)	$ 2,196.4	$ 241.5
Weighted average common shares outstanding – basic	168.258	23.316	167.203	23.322
Conversion of Class B common shares into Class A common shares	—	—	23.322	—
Stock-based awards, primarily stock options	—	—	5.396	—
Weighted average common shares outstanding – diluted	168.258	23.316	195.921	23.322
Net income (loss) per common share attributable to CBI – basic	$ (2.17)	$ (1.98)	$ 11.66	$ 10.59
Net income (loss) per common share attributable to CBI – diluted	$ (2.17)	$ (1.98)	$ 11.21	$ 10.35

	For the Three Months Ended			
	November 30, 2019		November 30, 2018	
	Common Stock		Common Stock	
	Class A	Class B	Class A	Class B
(in millions, except per share data)				
Net income (loss) attributable to CBI allocated – basic	$ 320.1	$ 40.3	$ 268.9	$ 34.2
Conversion of Class B common shares into Class A common shares	40.3	—	34.2	—
Effect of stock-based awards on allocated net income (loss)	—	(0.4)	—	(0.5)
Net income (loss) attributable to CBI allocated – diluted	$ 360.4	$ 39.9	$ 303.1	$ 33.7
Weighted average common shares outstanding – basic	168.346	23.314	166.364	23.318
Conversion of Class B common shares into Class A common shares	23.314	—	23.318	—
Stock-based awards, primarily stock options	3.196	—	5.138	—
Weighted average common shares outstanding – diluted	194.856	23.314	194.820	23.318
Net income (loss) per common share attributable to CBI – basic	$ 1.90	$ 1.73	$ 1.62	$ 1.47
Net income (loss) per common share attributable to CBI – diluted	$ 1.85	$ 1.71	$ 1.56	$ 1.45

17. COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CBI

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

	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
(in millions)			
For the Nine Months Ended November 30, 2019			
Net income (loss) attributable to CBI			$ (410.2)
Other comprehensive income (loss) attributable to CBI:			
Foreign currency translation adjustments:			
Net gain (loss)	$ (4.5)	$ —	(4.5)
Reclassification adjustments	(22.7)	—	(22.7)
Net gain (loss) recognized in other comprehensive income (loss)	(27.2)	—	(27.2)
Unrealized gain (loss) on cash flow hedges:			
Net derivative gain (loss)	18.5	3.7	22.2
Reclassification adjustments	(8.4)	(1.1)	(9.5)
Net gain (loss) recognized in other comprehensive income (loss)	10.1	2.6	12.7
Pension/postretirement adjustments:			
Net actuarial gain (loss)	—	—	—
Reclassification adjustments	1.8	(0.1)	1.7
Net gain (loss) recognized in other comprehensive income (loss)	1.8	(0.1)	1.7
Share of OCI of equity method investments			
Net gain (loss)	(22.3)	5.2	(17.1)
Reclassification adjustments	—	—	—
Net gain (loss) recognized in other comprehensive income (loss)	(22.3)	5.2	(17.1)
Other comprehensive income (loss) attributable to CBI	$ (37.6)	$ 7.7	(29.9)
Comprehensive income (loss) attributable to CBI			$ (440.1)
For the Nine Months Ended November 30, 2018			
Net income (loss) attributable to CBI			$ 2,196.4
Other comprehensive income (loss) attributable to CBI:			
Foreign currency translation adjustments:			
Net gain (loss)	$ (248.4)	$ —	(248.4)
Reclassification adjustments	—	—	—
Net gain (loss) recognized in other comprehensive income (loss)	(248.4)	—	(248.4)
Unrealized gain (loss) on cash flow hedges:			
Net derivative gain (loss)	(61.7)	8.1	(53.6)
Reclassification adjustments	(5.0)	1.2	(3.8)
Net gain (loss) recognized in other comprehensive income (loss)	(66.7)	9.3	(57.4)
Unrealized gain (loss) on AFS debt securities:			
Net AFS debt securities gain (loss)	(0.4)	0.1	(0.3)
Reclassification adjustments	1.9	0.9	2.8
Net gain (loss) recognized in other comprehensive income (loss)	1.5	1.0	2.5
Pension/postretirement adjustments:			
Net actuarial gain (loss)	0.2	(0.1)	0.1
Reclassification adjustments	0.3	(0.1)	0.2
Net gain (loss) recognized in other comprehensive income (loss)	0.5	(0.2)	0.3
Other comprehensive income (loss) attributable to CBI	$ (313.1)	$ 10.1	(303.0)
Comprehensive income (loss) attributable to CBI			$ 1,893.4

(in millions)	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
For the Three Months Ended November 30, 2019			
Net income (loss) attributable to CBI			$ 360.4
Other comprehensive income (loss) attributable to CBI:			
Foreign currency translation adjustments:			
Net gain (loss)	$ 53.7	$ —	53.7
Reclassification adjustments	(22.7)	—	(22.7)
Net gain (loss) recognized in other comprehensive income (loss)	31.0	—	31.0
Unrealized gain (loss) on cash flow hedges:			
Net derivative gain (loss)	56.9	(0.1)	56.8
Reclassification adjustments	(2.4)	(0.5)	(2.9)
Net gain (loss) recognized in other comprehensive income (loss)	54.5	(0.6)	53.9
Pension/postretirement adjustments:			
Net actuarial gain (loss)	—	—	—
Reclassification adjustments	1.7	(0.1)	1.6
Net gain (loss) recognized in other comprehensive income (loss)	1.7	(0.1)	1.6
Share of OCI of equity method investments			
Net gain (loss)	8.3	(2.0)	6.3
Reclassification adjustments	—	—	—
Net gain (loss) recognized in other comprehensive income (loss)	8.3	(2.0)	6.3
Other comprehensive income (loss) attributable to CBI	$ 95.5	$ (2.7)	92.8
Comprehensive income (loss) attributable to CBI			$ 453.2
For the Three Months Ended November 30, 2018			
Net income (loss) attributable to CBI			$ 303.1
Other comprehensive income (loss) attributable to CBI:			
Foreign currency translation adjustments:			
Net gain (loss)	$ (155.9)	$ —	(155.9)
Reclassification adjustments	—	—	—
Net gain (loss) recognized in other comprehensive income (loss)	(155.9)	—	(155.9)
Unrealized gain (loss) on cash flow hedges:			
Net derivative gain (loss)	(52.5)	7.1	(45.4)
Reclassification adjustments	(0.3)	0.2	(0.1)
Net gain (loss) recognized in other comprehensive income (loss)	(52.8)	7.3	(45.5)
Pension/postretirement adjustments:			
Net actuarial gain (loss)	0.2	(0.1)	0.1
Reclassification adjustments	—	—	—
Net gain (loss) recognized in other comprehensive income (loss)	0.2	(0.1)	0.1
Other comprehensive income (loss) attributable to CBI	$ (208.5)	$ 7.2	(201.3)
Comprehensive income (loss) attributable to CBI			$ 101.8

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

	Foreign Currency Translation Adjustments	Net Unrealized Gain (Loss) on Derivative Instruments	Pension/ Postretirement Adjustments	Share of OCI of Equity Method Investments	Accumulated Other Comprehensive Income (Loss)
(in millions)					
Balance, February 28, 2019	$ (406.5)	$ 25.1	$ (2.1)	$ 29.6	$ (353.9)
Other comprehensive income (loss):					
Other comprehensive income (loss) before reclassification adjustments	(4.5)	22.2	—	(17.1)	0.6
Amounts reclassified from accumulated other comprehensive income (loss)	(22.7)	(9.5)	1.7	—	(30.5)
Other comprehensive income (loss)	(27.2)	12.7	1.7	(17.1)	(29.9)
Balance, November 30, 2019	$ (433.7)	$ 37.8	$ (0.4)	$ 12.5	$ (383.8)

18. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The following information sets forth the condensed consolidating balance sheets as ofNovember 30, 2019, and February 28, 2019, the condensed consolidating statements of comprehensive income (loss) for the nine months and three months ended November 30, 2019, and November 30, 2018, and the condensed consolidating statements of cash flows for thenine months ended November 30, 2019, and November 30, 2018, 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 Guarantors are 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 2019 Annual Report, and include the recently adopted accounting guidance described in Note 2 and Note 14 herein. 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.

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Balance Sheet at November 30, 2019					
Current assets:					
Cash and cash equivalents	$ 22.9	$ 3.6	$ 67.2	$ —	$ 93.7
Accounts receivable	377.6	358.5	72.2	—	808.3
Inventories	44.8	1,023.8	467.6	(177.4)	1,358.8
Intercompany receivable	30,226.9	37,000.0	20,412.3	(87,639.2)	—
Prepaid expenses and other	149.4	50.4	361.2	(76.7)	484.3
Assets held for sale - current	179.0	497.5	48.3	—	724.8
Total current assets	31,000.6	38,933.8	21,428.8	(87,893.3)	3,469.9
Property, plant, and equipment	69.3	577.0	4,540.9	—	5,187.2
Investments in subsidiaries	26,125.0	1,626.9	3,312.1	(31,064.0)	—
Goodwill	—	5,877.9	1,893.9	—	7,771.8
Intangible assets	—	205.6	2,515.7	—	2,721.3
Intercompany notes receivable	2,791.3	—	319.7	(3,111.0)	—
Equity method investments	—	0.5	3,058.2	—	3,058.7
Securities measured at fair value	—	—	1,040.2	—	1,040.2
Deferred income taxes	65.2	—	2,811.7	(213.9)	2,663.0
Assets held for sale	29.5	434.6	98.4	—	562.5
Other assets	28.5	295.8	294.8	—	619.1
Total assets	$ 60,109.4	$ 47,952.1	$ 41,314.4	$ (122,282.2)	$ 27,093.7
Current liabilities:					
Short-term borrowings	$ 281.5	$ —	$ —	$ —	$ 281.5
Current maturities of long-term debt	722.8	11.8	0.2	—	734.8
Accounts payable	50.1	263.6	362.8	—	676.5
Intercompany payable	35,298.7	33,834.8	18,505.7	(87,639.2)	—
Other accrued expenses and liabilities	358.5	331.4	181.0	(103.5)	767.4
Total current liabilities	36,711.6	34,441.6	19,049.7	(87,742.7)	2,460.2
Long-term debt, less current maturities	11,325.5	14.0	0.2	—	11,339.7
Intercompany notes payable	319.7	2,263.6	527.7	(3,111.0)	—
Deferred income taxes and other liabilities	43.2	744.8	683.4	(213.9)	1,257.5
Total liabilities	48,400.0	37,464.0	20,261.0	(91,067.6)	15,057.4
CBI stockholders' equity	11,709.4	10,488.1	20,726.5	(31,214.6)	11,709.4
Noncontrolling interests	—	—	326.9	—	326.9
Total stockholders' equity	11,709.4	10,488.1	21,053.4	(31,214.6)	12,036.3
Total liabilities and stockholders' equity	$ 60,109.4	$ 47,952.1	$ 41,314.4	$ (122,282.2)	$ 27,093.7

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
(in millions)					
Condensed Consolidating Balance Sheet at February 28, 2019					
Current assets:					
Cash and cash equivalents	$ 11.0	$ 2.6	$ 80.0	$ —	$ 93.6
Accounts receivable	435.6	370.6	40.7	—	846.9
Inventories	197.7	1,485.4	609.9	(162.6)	2,130.4
Intercompany receivable	29,712.5	33,775.4	20,050.6	(83,538.5)	—
Prepaid expenses and other	89.9	78.1	446.7	(1.6)	613.1
Total current assets	30,446.7	35,712.1	21,227.9	(83,702.7)	3,684.0
Property, plant, and equipment	85.3	786.8	4,395.2	—	5,267.3
Investments in subsidiaries	26,533.8	1,599.6	2,982.1	(31,115.5)	—
Goodwill	—	6,185.5	1,903.3	—	8,088.8
Intangible assets	—	605.0	2,593.1	—	3,198.1
Intercompany notes receivable	3,218.6	—	38.6	(3,257.2)	—
Equity method investments	—	1.7	3,463.9	—	3,465.6
Securities measured at fair value	—	—	3,234.7	—	3,234.7
Deferred income taxes	69.2	—	2,183.3	(69.2)	2,183.3
Other assets	17.3	1.1	91.3	—	109.7
Total assets	$ 60,370.9	$ 44,891.8	$ 42,113.4	$ (118,144.6)	$ 29,231.5
Current liabilities:					
Short-term borrowings	$ 732.5	$ —	$ 59.0	$ —	$ 791.5
Current maturities of long-term debt	1,052.8	12.2	0.2	—	1,065.2
Accounts payable	59.6	141.3	415.8	—	616.7
Intercompany payable	33,787.6	31,428.9	18,322.0	(83,538.5)	—
Other accrued expenses and liabilities	374.3	184.0	156.6	(24.5)	690.4
Total current liabilities	36,006.8	31,766.4	18,953.6	(83,563.0)	3,163.8
Long-term debt, less current maturities	11,743.4	16.0	0.4	—	11,759.8
Intercompany notes payable	38.5	2,694.4	524.3	(3,257.2)	—
Deferred income taxes and other liabilities	31.2	540.5	955.9	(56.9)	1,470.7
Total liabilities	47,819.9	35,017.3	20,434.2	(86,877.1)	16,394.3
CBI stockholders' equity	12,551.0	9,874.5	21,393.0	(31,267.5)	12,551.0
Noncontrolling interests	—	—	286.2	—	286.2
Total stockholders' equity	12,551.0	9,874.5	21,679.2	(31,267.5)	12,837.2
Total liabilities and stockholders' equity	$ 60,370.9	$ 44,891.8	$ 42,113.4	$ (118,144.6)	$ 29,231.5

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Comprehensive Income (Loss) for the Nine Months Ended November 30, 2019					
Sales	$ 2,048.1	$ 5,926.1	$ 3,315.4	$ (4,252.2)	$ 7,037.4
Excise taxes	(244.7)	(342.8)	(9.3)	—	(596.8)
Net sales	1,803.4	5,583.3	3,306.1	(4,252.2)	6,440.6
Cost of product sold	(1,410.0)	(4,428.9)	(1,622.5)	4,222.9	(3,238.5)
Gross profit	393.4	1,154.4	1,683.6	(29.3)	3,202.1
Selling, general, and administrative expenses	(359.4)	(744.7)	(163.4)	15.8	(1,251.7)
Impairment of assets held for sale	(21.9)	(356.8)	(38.3)	—	(417.0)
Gain (loss) on sale of business	—	26.7	49.3	—	76.0
Operating income (loss)	12.1	79.6	1,531.2	(13.5)	1,609.4
Equity in earnings (losses) of equity method investees and subsidiaries and related activities	(49.7)	26.5	(180.8)	(307.3)	(511.3)
Unrealized net gain (loss) on securities measured at fair value	—	—	(2,200.9)	—	(2,200.9)
Net gain (loss) on sale of unconsolidated investment	—	—	0.4	—	0.4
Interest income	0.9	0.4	12.5	—	13.8
Intercompany interest income	107.6	285.0	9.6	(402.2)	—
Interest expense	(341.2)	(0.8)	(1.1)	—	(343.1)
Intercompany interest expense	(281.1)	(70.4)	(50.7)	402.2	—
Loss on extinguishment of debt	(2.4)	—	—	—	(2.4)
Income (loss) before income taxes	(553.8)	320.3	(879.8)	(320.8)	(1,434.1)
(Provision for) benefit from income taxes	143.6	(72.9)	972.4	3.4	1,046.5
Net income (loss)	(410.2)	247.4	92.6	(317.4)	(387.6)
Net income (loss) attributable to noncontrolling interests	—	—	(22.6)	—	(22.6)
Net income (loss) attributable to CBI	$ (410.2)	$ 247.4	$ 70.0	$ (317.4)	$ (410.2)
Comprehensive income (loss) attributable to CBI	$ (440.1)	$ 246.7	$ 32.4	$ (279.1)	$ (440.1)

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Comprehensive Income (Loss) for the Nine Months Ended November 30, 2018					
Sales	$ 2,263.2	$ 5,757.6	$ 2,891.6	$ (3,996.1)	$ 6,916.3
Excise taxes	(269.5)	(318.5)	(9.5)	—	(597.5)
Net sales	1,993.7	5,439.1	2,882.1	(3,996.1)	6,318.8
Cost of product sold	(1,565.2)	(4,062.8)	(1,505.6)	4,001.6	(3,132.0)
Gross profit	428.5	1,376.3	1,376.5	5.5	3,186.8
Selling, general, and administrative expenses	(425.5)	(651.5)	(180.0)	17.1	(1,239.9)
Operating income (loss)	3.0	724.8	1,196.5	22.6	1,946.9
Equity in earnings (losses) of equity method investees and subsidiaries and related activities	2,519.4	(25.3)	494.4	(2,956.6)	31.9
Unrealized net gain (loss) on securities measured at fair value	—	—	786.5	—	786.5
Net gain (loss) on sale of unconsolidated investment	—	—	99.8	—	99.8
Interest income	0.6	—	7.3	—	7.9
Intercompany interest income	198.4	487.2	3.7	(689.3)	—
Interest expense	(240.2)	(0.9)	(15.4)	—	(256.5)
Intercompany interest expense	(411.5)	(148.2)	(129.6)	689.3	—
Loss on extinguishment of debt	(1.7)	—	—	—	(1.7)
Income (loss) before income taxes	2,068.0	1,037.6	2,443.2	(2,934.0)	2,614.8
(Provision for) benefit from income taxes	128.4	(248.4)	(284.0)	(1.1)	(405.1)
Net income (loss)	2,196.4	789.2	2,159.2	(2,935.1)	2,209.7
Net income (loss) attributable to noncontrolling interests	—	—	(13.3)	—	(13.3)
Net income (loss) attributable to CBI	$ 2,196.4	$ 789.2	$ 2,145.9	$ (2,935.1)	$ 2,196.4
Comprehensive income (loss) attributable to CBI	$ 1,893.4	$ 788.6	$ 1,843.1	$ (2,631.7)	$ 1,893.4

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Comprehensive Income (Loss) for the Three Months Ended November 30, 2019					
Sales	$ 681.4	$ 1,800.0	$ 1,008.1	$ (1,308.0)	$ 2,181.5
Excise taxes	(76.3)	(102.5)	(3.3)	—	(182.1)
Net sales	605.1	1,697.5	1,004.8	(1,308.0)	1,999.4
Cost of product sold	(475.6)	(1,371.5)	(479.3)	1,314.5	(1,011.9)
Gross profit	129.5	326.0	525.5	6.5	987.5
Selling, general, and administrative expenses	(124.1)	(235.9)	(52.5)	6.2	(406.3)
Impairment of assets held for sale	(21.9)	(329.9)	(38.2)	—	(390.0)
Gain (loss) on sale of business	—	26.7	49.3	—	76.0
Operating income (loss)	(16.5)	(213.1)	484.1	12.7	267.2
Equity in earnings (losses) of equity method investees and subsidiaries and related activities	491.5	21.2	171.2	(606.6)	77.3
Unrealized net gain (loss) on securities measured at fair value	—	—	(534.3)	—	(534.3)
Net gain (loss) on sale of unconsolidated investment	—	—	0.5	—	0.5
Interest income	0.4	0.1	4.1	—	4.6
Intercompany interest income	34.2	99.3	3.2	(136.7)	—
Interest expense	(107.3)	(0.3)	(0.1)	—	(107.7)
Intercompany interest expense	(97.8)	(21.8)	(17.1)	136.7	—
Income (loss) before income taxes	304.5	(114.6)	111.6	(593.9)	(292.4)
(Provision for) benefit from income taxes	55.9	27.5	576.3	(0.8)	658.9
Net income (loss)	360.4	(87.1)	687.9	(594.7)	366.5
Net income (loss) attributable to noncontrolling interests	—	—	(6.1)	—	(6.1)
Net income (loss) attributable to CBI	$ 360.4	$ (87.1)	$ 681.8	$ (594.7)	$ 360.4
Comprehensive income (loss) attributable to CBI	$ 453.2	$ (87.0)	$ 774.9	$ (687.9)	$ 453.2

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Comprehensive Income (Loss) for the Three Months Ended November 30, 2018					
Sales	$ 772.0	$ 1,763.7	$ 886.9	$ (1,262.0)	$ 2,160.6
Excise taxes	(89.8)	(94.9)	(3.3)	—	(188.0)
Net sales	682.2	1,668.8	883.6	(1,262.0)	1,972.6
Cost of product sold	(530.4)	(1,242.6)	(490.5)	1,260.9	(1,002.6)
Gross profit	151.8	426.2	393.1	(1.1)	970.0
Selling, general, and administrative expenses	(153.9)	(199.4)	(65.8)	5.6	(413.5)
Operating income (loss)	(2.1)	226.8	327.3	4.5	556.5
Equity in earnings (losses) of equity method investees and subsidiaries and related activities	373.5	0.7	167.7	(512.6)	29.3
Unrealized net gain (loss) on securities measured at fair value	—	—	(163.9)	—	(163.9)
Interest income	0.5	—	3.9	—	4.4
Intercompany interest income	63.1	165.7	1.3	(230.1)	—
Interest expense	(75.6)	(0.4)	(1.2)	—	(77.2)
Intercompany interest expense	(140.5)	(49.2)	(40.4)	230.1	—
Loss on extinguishment of debt	(1.7)	—	—	—	(1.7)
Income (loss) before income taxes	217.2	343.6	294.7	(508.1)	347.4
(Provision for) benefit from income taxes	85.9	(80.5)	(37.6)	(3.1)	(35.3)
Net income (loss)	303.1	263.1	257.1	(511.2)	312.1
Net income (loss) attributable to noncontrolling interests	—	—	(9.0)	—	(9.0)
Net income (loss) attributable to CBI	$ 303.1	$ 263.1	$ 248.1	$ (511.2)	$ 303.1
Comprehensive income (loss) attributable to CBI	$ 101.8	$ 263.1	$ 46.8	$ (309.9)	$ 101.8

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Cash Flows for the Nine Months Ended November 30, 2019					
Net cash provided by (used in) operating activities	$ 750.5	$ (192.1)	$ 1,601.1	$ (83.2)	$ 2,076.3
Cash flows from investing activities:					
Purchases of property, plant, and equipment	(33.8)	(48.1)	(456.4)	—	(538.3)
Purchases of businesses, net of cash acquired	—	—	(36.2)	—	(36.2)
Investments in equity method investees and securities	—	—	(33.7)	—	(33.7)
Proceeds from sales of assets	0.2	0.1	0.4	—	0.7
Proceeds from sale of business	9.0	150.6	110.1	—	269.7
Net proceeds from (repayments of) intercompany notes	(173.1)	—	—	173.1	—
Net contributions from (investment in) equity affiliates	(84.5)	—	—	84.5	—
Other investing activities	—	—	1.9	—	1.9
Net cash provided by (used in) investing activities	(282.2)	102.6	(413.9)	257.6	(335.9)
Cash flows from financing activities:					
Dividends paid to parent company	—	—	(116.7)	116.7	—
Net contributions from (investment in) equity affiliates	—	—	118.0	(118.0)	—
Net proceeds from (repayments of) intercompany notes	1,194.5	115.1	(1,136.5)	(173.1)	—
Proceeds from issuance of long-term debt	1,291.3	—	—	—	1,291.3
Principal payments of long-term debt	(2,044.9)	(10.9)	(5.2)	—	(2,061.0)
Net proceeds from (repayments of) short-term borrowings	(451.0)	—	(59.0)	—	(510.0)
Dividends paid	(427.0)	—	—	—	(427.0)
Purchases of treasury stock	(50.0)	—	—	—	(50.0)
Proceeds from shares issued under equity compensation plans	38.9	—	—	—	38.9
Payments of minimum tax withholdings on stock-based payment awards	—	(13.7)	(0.5)	—	(14.2)
Payments of debt issuance costs	(8.2)	—	—	—	(8.2)
Net cash provided by (used in) financing activities	(456.4)	90.5	(1,199.9)	(174.4)	(1,740.2)
Effect of exchange rate changes on cash and cash equivalents	—	—	(0.1)	—	(0.1)
Net increase (decrease) in cash and cash equivalents	11.9	1.0	(12.8)	—	0.1
Cash and cash equivalents, beginning of period	11.0	2.6	80.0	—	93.6
Cash and cash equivalents, end of period	$ 22.9	$ 3.6	$ 67.2	$ —	$ 93.7

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Cash Flows for the Nine Months Ended November 30, 2018					
Net cash provided by (used in) operating activities	$ (18.5)	$ 628.5	$ 1,363.9	$ —	$ 1,973.9
Cash flows from investing activities:					
Purchases of property, plant, and equipment	(23.4)	(79.4)	(517.5)	—	(620.3)
Purchases of businesses, net of cash acquired	—	(19.5)	(25.8)	—	(45.3)
Investments in equity method investees and securities	—	(0.1)	(4,077.2)	—	(4,077.3)
Proceeds from sales of assets	0.5	39.4	6.4	—	46.3
Proceeds from sale of unconsolidated investment	—	—	110.2	—	110.2
Net proceeds from (repayments of) intercompany notes	694.0	—	—	(694.0)	—
Net contributions from (investment in) equity affiliates	(3,934.9)	(11.1)	—	3,946.0	—
Other investing activities	—	—	(0.9)	—	(0.9)
Net cash provided by (used in) investing activities	(3,263.8)	(70.7)	(4,504.8)	3,252.0	(4,587.3)
Cash flows from financing activities:					
Dividends paid to parent company	—	—	(36.5)	36.5	—
Net contributions from (investment in) equity affiliates	—	28.8	3,953.7	(3,982.5)	—
Net proceeds from (repayments of) intercompany notes	206.9	(562.6)	(338.3)	694.0	—
Proceeds from issuance of long-term debt	3,645.6	—	12.0	—	3,657.6
Principal payments of long-term debt	(6.2)	(13.2)	(25.9)	—	(45.3)
Net proceeds from (repayments of) short-term borrowings	359.7	—	(374.2)	—	(14.5)
Dividends paid	(417.9)	—	—	—	(417.9)
Purchases of treasury stock	(504.3)	—	—	—	(504.3)
Proceeds from shares issued under equity compensation plans	32.6	—	—	—	32.6
Payments of minimum tax withholdings on stock-based payment awards	—	(12.8)	(0.8)	—	(13.6)
Payments of debt issuance costs	(33.3)	—	—	—	(33.3)
Net cash provided by (used in) financing activities	3,283.1	(559.8)	3,190.0	(3,252.0)	2,661.3
Effect of exchange rate changes on cash and cash equivalents	—	—	(7.6)	—	(7.6)
Net increase (decrease) in cash and cash equivalents	0.8	(2.0)	41.5	—	40.3
Cash and cash equivalents, beginning of period	4.6	4.4	81.3	—	90.3
Cash and cash equivalents, end of period	$ 5.4	$ 2.4	$ 122.8	$ —	$ 130.6

19. BUSINESS SEGMENT INFORMATION

Through February 28, 2019, our internal management financial reporting consisted of two business divisions: (i) Beer and (ii) Wine and Spirits. Beginning March 1, 2019, as a result of our November 2018 Canopy Investment and a change in our chief operating decision maker ("CODM") on March 1, 2019, we have changed our internal management financial reporting to consist of three business divisions: (i) Beer, (ii) Wine and Spirits, and (iii) Canopy. Consequently, beginning with the first quarter of fiscal 2020, we report our operating results in four segments: (i) Beer, (ii) Wine and Spirits, (iii) Corporate Operations and Other, and (iv) Canopy. The Canopy Equity Method Investment makes up the Canopy segment.

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 portfolio that includes higher-margin, higher-growth wine brands complemented by certain higher-end spirits brands. Amounts included in the Corporate Operations and Other segment consist of costs of executive management, corporate development, corporate finance, corporate growth and strategy, human resources, internal audit, investor relations, legal, public relations, and information technology, as well as our investments made through our corporate venture capital function. All costs included in the Corporate Operations and Other segment are general costs that are applicable to the consolidated group and are therefore not allocated to the other reportable segments. All costs reported within the Corporate Operations and Other segment are not included in our CODM's evaluation of the operating income (loss) performance of the other reportable segments. The business segments reflect how our operations are managed, how resources are allocated, how operating performance is evaluated by senior management, and the structure of our internal financial reporting. Long-lived tangible assets and total asset information by segment is not provided to, or reviewed by, our CODM as it is not used to make strategic decisions, allocate resources, or assess performance.

In addition, management excludes 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 Comparable Adjustments.

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

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	2019	2018	2019	2018
(in millions)				
Cost of product sold				
Strategic business development costs	$ (124.2)	$ —	$ (61.7)	$ —
Net gain (loss) on undesignated commodity derivative contracts	(23.7)	(5.1)	3.1	(14.7)
Accelerated depreciation	(7.1)	(6.5)	(1.8)	(1.5)
Flow through of inventory step-up	(1.5)	(3.6)	(0.3)	(2.2)
Recovery of (loss on) inventory write-down	8.6	(2.8)	—	(1.3)
Settlements of undesignated commodity derivative contracts	7.5	(7.3)	2.3	(2.2)
Total cost of product sold	(140.4)	(25.3)	(58.4)	(21.9)

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	2019	2018	2019	2018
Selling, general, and administrative expenses				
Restructuring and other strategic business development costs	(25.5)	(10.9)	(2.4)	(2.3)
Impairment of intangible assets	(11.0)	—	—	—
Transaction, integration, and other acquisition-related costs	(6.7)	(9.1)	(1.2)	(8.1)
Net gain (loss) on foreign currency derivative contracts associated with acquisition of investment	—	(32.6)	—	(25.5)
Deferred compensation	—	(16.3)	—	—
Other gains (losses) (1)	0.3	10.9	(0.8)	2.4
Total selling, general, and administrative expenses	(42.9)	(58.0)	(4.4)	(33.5)
Impairment of assets held for sale	(417.0)	—	(390.0)	—
Gain (loss) on sale of business	76.0	—	76.0	—
Comparable Adjustments, Operating income (loss)	$ (524.3)	$ (83.3)	$ (376.8)	$ (55.4)

(1) The nine months ended November 30, 2019, includes a gain of $11.8 million in connection with the increase in our ownership interest in Nelson's Green Brier and a loss of $11.4 million in connection with an increase in estimated fair value of a contingent liability associated with a prior period acquisition. The nine months ended November 30, 2018, includes a gain of $8.5 million in connection with the sale of certain non-core assets.

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 2019 Annual Report, and include the recently adopted accounting guidance described in Note 2 and Note 14 herein. Amounts included below for the Canopy segment represent 100% of Canopy's reported resultson a two-month lag, prepared in accordance with U.S. GAAP, and converted from Canadian dollars to U.S. dollars. Although we own less than 100% of the outstanding shares of Canopy, 100% of the Canopy results are included in the information below and subsequently eliminated in order to reconcile to our consolidated financial statements. Segment information is as follows:

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	2019	2018	2019	2018
(in millions)				
Beer				
Net sales	$ 4,428.4	$ 4,112.0	$ 1,310.6	$ 1,209.8
Segment operating income (loss)	$ 1,780.8	$ 1,601.5	$ 514.9	$ 450.9
Capital expenditures	$ 427.6	$ 507.3	$ 154.8	$ 211.0
Depreciation and amortization	$ 155.7	$ 152.0	$ 49.5	$ 51.5

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	2019	2018	2019	2018
(in millions)				
Wine and Spirits				
Net sales:				
Wine	$ 1,747.3	$ 1,933.1	$ 601.2	$ 670.3
Spirits	264.9	273.7	87.6	92.5
Net sales	$ 2,012.2	$ 2,206.8	$ 688.8	$ 762.8
Segment operating income (loss)	$ 501.6	$ 575.2	$ 180.4	$ 206.0
Income (loss) from unconsolidated investments	$ 34.6	$ 32.2	$ 31.6	$ 28.4
Equity method investments	$ 97.9	$ 97.8	$ 97.9	$ 97.8
Capital expenditures	$ 58.5	$ 91.1	$ 15.4	$ 32.3
Depreciation and amortization	$ 75.2	$ 73.4	$ 25.2	$ 24.2
Corporate Operations and Other				
Segment operating income (loss)	$ (148.7)	$ (146.5)	$ (51.3)	$ (45.0)
Income (loss) from unconsolidated investments	$ (1.8)	$ (0.3)	$ (0.5)	$ 0.9
Equity method investments	$ 81.4	$ 50.0	$ 81.4	$ 50.0
Capital expenditures	$ 52.2	$ 21.9	$ 12.9	$ 6.4
Depreciation and amortization	$ 15.2	$ 22.7	$ 4.7	$ 5.6
Canopy				
Net sales	$ 196.4	NA	$ 58.0	NA
Segment operating income (loss)	$ (541.3)	NA	$ (210.8)	NA
Capital expenditures	$ 443.5	NA	$ 172.9	NA
Depreciation and amortization	$ 56.2	NA	$ 21.2	NA
Consolidation and Eliminations				
Net sales	$ (196.4)	$ —	$ (58.0)	$ —
Operating income (loss)	$ 541.3	$ —	$ 210.8	$ —
Income (loss) from unconsolidated investments	$ (180.2)	$ —	$ (71.1)	$ —
Equity method investments	$ 2,879.4	$ 3,435.2	$ 2,879.4	$ 3,435.2
Capital expenditures	$ (443.5)	$ —	$ (172.9)	$ —
Depreciation and amortization	$ (56.2)	$ —	$ (21.2)	$ —
Comparable Adjustments				
Operating income (loss)	$ (524.3)	$ (83.3)	$ (376.8)	$ (55.4)
Income (loss) from unconsolidated investments	$ (2,564.4)	$ 886.3	$ (416.5)	$ (163.9)
Depreciation and amortization	$ 7.1	$ 6.5	$ 1.8	$ 1.5
Consolidated				
Net sales	$ 6,440.6	$ 6,318.8	$ 1,999.4	$ 1,972.6
Operating income (loss)	$ 1,609.4	$ 1,946.9	$ 267.2	$ 556.5
Income (loss) from unconsolidated investments (1)	$ (2,711.8)	$ 918.2	$ (456.5)	$ (134.6)
Equity method investments	$ 3,058.7	$ 3,583.0	$ 3,058.7	$ 3,583.0
Capital expenditures	$ 538.3	$ 620.3	$ 183.1	$ 249.7
Depreciation and amortization	$ 253.2	$ 254.6	$ 81.2	$ 82.8

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

	For the Nine Months Ended		For the Three Months Ended	
	November 30, 2019	November 30, 2018	November 30, 2019	November 30, 2018
(in millions)				
Unrealized net gain (loss) on securities measured at fair value	$ (2,200.9)	$ 786.5	$ (534.3)	$ (163.9)
Net gain (loss) on sale of unconsolidated investment (i)	0.4	99.8	0.5	—
Equity in earnings (losses) of equity method investees and related activities (ii)	(511.3)	31.9	77.3	29.3
	$ (2,711.8)	$ 918.2	$ (456.5)	$ (134.6)

(i) In May 2018, we completed the sale of our remaining interest in our previously-owned Australian and European business (the “Accolade Wine Investment”) for A$149.1 million, or $113.6 million, subject to closing adjustments. We received cash proceeds, net of direct costs to sell, of $110.2 million and a note receivable of $3.4 million. This interest consisted of an investment accounted for under the cost method and available-for-sale debt securities.

(ii) Includes the June 2019 Warrant Modification Loss.

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 2019 Annual Report. This MD&A is organized as follows:

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

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

- *Results of operations.* This section provides an analysis of our results of operations presented on a business segment basis for the three months ended November 30, 2019 ("Third Quarter 2020"), and November 30, 2018 ("Third Quarter 2019"), and the nine months ended November 30, 2019 ("Nine Months 2020"), and November 30, 2018 ("Nine Months 2019"). In addition, a brief description of significant transactions and other items that affect the comparability of the results is provided.

- *Financial liquidity and capital resources.* This section provides an analysis of our cash flows, outstanding debt, 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 an international beverage alcohol company with a broad portfolio of consumer-preferred high-end imported and craft beer brands, and higher-end wine and spirits brands. Many of our products are recognized as leaders in their respective categories. We are one of the leading U.S. growth drivers at retail among beverage alcohol suppliers. In the U.S. market, we are the third-largest beer company and a leading higher-end wine company.

Through February 28, 2019, our internal management financial reporting consisted of two business divisions: (i) Beer and (ii) Wine and Spirits. Beginning March 1, 2019, as a result of our November 2018 Canopy Investment and a change in our CODM on March 1, 2019, we have changed our internal management financial reporting to consist of three business divisions: (i) Beer, (ii) Wine and Spirits, and (iii) Canopy. Consequently, beginning with the first quarter of fiscal 2020, we report our operating results in four segments: (i) Beer, (ii) Wine and Spirits, (iii) Corporate Operations and Other, and (iv) Canopy. Our Canopy Equity Method Investment makes up the Canopy segment.

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, our portfolio includes higher-margin, higher-growth wine brands complemented by certain higher-end spirits brands. Amounts included in the Corporate Operations and Other segment consist of costs of executive management, corporate development, corporate finance, corporate growth and strategy, human resources, internal audit, investor relations, legal, public relations, and information technology, as well as our investments made through our corporate venture capital function. All costs included in the Corporate Operations and Other segment are general costs that are applicable to the consolidated group and are therefore not allocated to the other reportable segments. All costs reported within the Corporate Operations and Other segment are not included in our CODM's evaluation of the operating income (loss) performance of the other reportable segments.The new 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 overall strategy is to drive industry-leading growth and shareholder value by building brands that people love when celebrating big moments or enjoying quiet ones. We position our portfolio to benefit from the consumer-led trend towards premiumization, which we believe will continue to result in faster growth rates in the higher-end of the beer, wine, and spirits categories. We focus on developing our expertise in consumer insights and category management, as well as our strong distributor network, which provides an effective route-to-market. Additionally, we leverage our scale across the total beverage alcohol market and our level of diversification hedges our portfolio risk. In addition to growing our existing business, we focus on targeted acquisitions of, and investments in, businesses that are higher-margin, higher-growth, consumer-led, have a low integration risk, and/or fill a gap in our portfolio. We also strive to identify, meet, and stay ahead of evolving consumer trends and market dynamics (see “Investments, Acquisitions, and Divestitures – Canopy Investments”).

We strive to strengthen our portfolio of higher-end beer, wine, and spirits brands and differentiate ourselves through:

- leveraging our leading position in total beverage alcohol and our scale with wholesalers and retailers to expand distribution of our product portfolio and to provide for cross promotional opportunities;
- strengthening relationships with wholesalers and retailers by providing consumer and beverage alcohol insights;
- investing in brand building and innovation activities;
- positioning ourselves for success with consumer-led products that identify, meet, and stay ahead of evolving consumer trends and market dynamics;
- realizing operating efficiencies through expanding and enhancing production capabilities and maximizing asset utilization; and
- developing employees to enhance performance in the marketplace.

Our business strategy for the Beer segment focuses on leading the high-end segment of the U.S. beer market and includes continued focus on growing our 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, and continued expansion, construction, and optimization activities for our Mexico beer operations. Additionally, in an effort to more fully compete in growing sectors of the high-end segment of the U.S. beer market, we have leveraged our innovation capabilities to introduce new brands that align with consumer trends. We continue to refine our options to optimize the value of our Beer segment and drive increased focus on our high-performing import portfolio and upcoming new product introductions. See “Recent Developments - Ballast Point Transaction” below.

In connection with our business strategy for the Beer segment, we have more than tripled the production capacity of our brewery located in Nava, Coahuila, Mexico since its June 2013 acquisition. In addition, construction of a new, state-of-the-art brewery in Mexicali, Baja California, Mexico is progressing and we are continuing to invest to expand our brewery operations in Obregon, Sonora, Mexico, which was acquired in December 2016. Expansion, construction, and optimization efforts continue under our previously-announced Mexico beer expansion projects to align with our anticipated future growth expectations.

Our business strategy for the Wine and Spirits segment is to build an industry-leading portfolio of higher-end wine and spirits brands. We are investing to meet the evolving needs of consumers; building brands through consumer insights, sensory expertise, and innovation; and refreshing existing brands, as we continue to focus on moving our branded wine and spirits portfolio towards a higher-margin, higher-growth portfolio of brands. We dedicate a large share of our sales and marketing resources to well-known wine and spirits brands sold in the U.S., which comprise the U.S. Power Brands ("Power Brands"), as they represent a majority of our U.S. wine and spirits revenue and profitability, and generally hold strong positions in their respective price categories. These brands and/or portfolio of brands include:

Wine Brands			Wine Portfolio of Brands	Spirits Brands
• 7 Moons	• Drylands	• SIMI	• Charles Smith	• Casa Noble
• Auros	• Kim Crawford	• Spoken Barrel	• Prisoner	• High West
• Champagne Palmer & Co	• Meiomi		• Robert Mondavi	• Mi CAMPO
• Cooper & Thief	• Mount Veeder		• Schrader	• Nelson's Green Brier
• Crafters Union	• Nobilo (1)			• SVEDKA
• Cuvée Sauvage	• Ruffino			• The Real McCoy

(1) See "Recent Developments - New Wine and Spirits Transactions" below.

We focus our innovation and investment dollars on those brands within our portfolio which position us to benefit from the consumer-led trend towards premiumization. Additionally, in connection with the New Wine and Spirits Transactions, Other Wine and Spirits Transactions, and the Black Velvet Divestiture, we expect to optimize the value of our wine and spirits portfolio by driving increased focus on our higher-end Power Brands to accelerate growth and improve overall operating margins. In markets where it is feasible, we entered into contractual arrangements to consolidate our 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.

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 generally separate distribution networks utilized for (i) our beer portfolio and (ii) our wine and spirits portfolio. The environment for our products is competitive in each of our markets.

We complemented our total beverage alcohol strategy in an adjacent category by making investments in Canopy, a world-leading, diversified cannabis company. These investments are consistent with our long-term strategy to identify, meet, and stay ahead of evolving consumer trends and market dynamics, and they represent a significant expansion of our strategic relationship to position Canopy as a global leader in cannabis production, branding, intellectual property, and retailing.

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, maintain our targeted leverage ratio, and deliver returns to shareholders through the payment of quarterly cash dividends and periodic share repurchases.

Recent Developments

New Wine and Spirits Transactions

In April 2019, we entered into a definitive agreement with E. & J. Gallo Winery ("Gallo") to sell a portion of our wine and spirits business, including approximately 30 lower-margin, lower-growth wine and spirits brands, wineries, vineyards, offices, and facilities, for approximately$1.7 billion, subject to certain adjustments.

In December 2019, we agreed to revise and supersede the Wine and Spirits Transaction. The revisions to the transaction address competitive concerns raised by the FTC specifically related to the sparkling wine, brandy, dessert wine, and concentrate categories. As a result, the brands Cook's California Champagne, J. Roget American Champagne, Paul Masson Grande Amber Brandy, and our concentrate business will be excluded from the transaction with Gallo resulting in an adjusted transaction price of approximately $843 million, with the potential to earn an incremental $250 million of contingent consideration if certain brand performance provisions are met over a two-year period after closing. The Revised Wine and Spirits Transaction is expected to close by the end of Fiscal 2020, and is subject to required regulatory clearances and governmental review and approval. Additionally, in a separate, but related, transaction we agreed that upon execution and delivery of a definitive agreement for the Revised Wine and Spirits Transaction, we would enter into an agreement to sell the New Zealand-based Nobilo Wine brand and certain related assets for $130 million to Gallo. The Nobilo Wine Transaction is expected to close in the first half of fiscal 2021 and is subject to FTC and New Zealand regulatory review and approval. Completion of the Nobilo Transaction is also conditioned on completion of the Revised Wine and Spirits Transaction. We expect to use the net cash proceeds from the New Wine and Spirits Transactions primarily to reduce outstanding borrowings. The New Wine and Spirits Transactions are consistent with our strategic focus on higher-margin, higher-growth brands.

Selected financial information included in our results of operations for the portion of the business that we expect will no longer be part of our consolidated results after the closing of the New Wine and Spirits Transactions is as follows:

	Net Sales	Gross Profit	Marketing
(in millions)			
Third Quarter 2020			
Wine and Spirits segment results	$ 164	$ 59	$ 5
Nine Months 2020			
Wine and Spirits segment results	$ 614	$ 237	$ 13

Other Wine and Spirits Transactions

We are pursuing other opportunities to divest the brands and concentrate business excluded from the Revised Wine and Spirits Transaction to companies whose business strategies better align to the brands. We do not expect to recognize a loss in connection with the Other Wine and Spirits Transactions.

For additional information regarding the New Wine and Spirits Transactions and the Other Wine and Spirits Transactions, refer to Note 4 of the Financial Statements.

In connection with the New Wine and Spirits Transactions and the Other Wine and Spirits Transactions, we have wine and spirits net assets of $1,177.2 million that have met the held for sale criteria as ofNovember 30, 2019.

Ballast Point Transaction

In December 2019, we entered into a definitive agreement to sell our Ballast Point craft beer business, including a number of its associated production facilities and brewpubs. The Ballast Point Transaction is subject to the satisfaction of certain closing conditions, and is expected to close by the end of Fiscal 2020. We expect to use the net cash proceeds from this transaction primarily to reduce outstanding borrowings. The Ballast Point Transaction is consistent with our strategic focus on our high-performing import portfolio and upcoming new product introductions. For additional information regarding the Ballast Point Transaction, refer to Note 4 of the Financial Statements.

Primarily in connection with the Ballast Point Transaction, we have beer net assets of$42.1 million that have met the held for sale criteria as of November 30, 2019.

Investments, Acquisitions, and Divestitures

Canopy Segment

Canopy Investments

Our investments in Canopy, and the method of accounting for these investments, consist of the following:

Date of Investment	Investment Acquired		Purchase Price	Method of Accounting
(in millions)				
Nov 2017	Common shares	$	130.1	Fair value / equity method (1)
Nov 2017	Warrants		61.2	Fair value
		$	191.3	
June 2018	Convertible debt securities	$	150.5	Fair value
Nov 2018	Common shares	$	2,740.3	Equity method
Nov 2018	Warrants (3)		1,146.8	Fair value
		$	3,887.1	(2)

We recognized an unrealized net gain (loss) from the changes in fair value of these investments accounted for at fair value in income (loss) from unconsolidated investments as follows:

Date of Investment	Investment		Third Quarter 2020		Third Quarter 2019		Nine Months 2020		Nine Months 2019
(in millions)									
Nov 2017	Common shares (1)	$	—	$	(168.5)	$	—	$	292.5
Nov 2017	Warrants		(91.9)		(212.4)		(542.7)		223.5
June 2018	Convertible debt securities		(15.6)		(40.6)		(97.0)		12.9
Nov 2018	Warrants (3)		(426.8)		257.6		(1,561.2)		257.6
		$	(534.3)	$	(163.9)	$	(2,200.9)	$	786.5

(1) Accounted for at fair value from the date of investment in November 2017 through October 31, 2018. Accounted for under the equity method from November 1, 2018 (see Note 9 of the Financial Statements).

(2) Includes $17.2 million of direct acquisition costs capitalized under the equity method cost accumulation model. Excludes $7.3 million of direct acquisition costs associated with the investment in warrants which are expensed as incurred in selling, general, and administrative expenses.

(3) In June 2019, the Canopy Shareholders approved the modification of the terms of the November 2018 Canopy Warrants. For additional information refer to Note 9 of the Financial Statements. Nine Months 2020 includes a $1,176.0 million unrealized gain resulting from the June 2019 Warrant Modification.

We expect the value of the Canopy investments accounted for at fair value to be volatile in future periods. We evaluated the Canopy investments as of November 30, 2019, and determined that there was not an other-than-temporary-impairment. Additionally, since November 1, 2018, we recognize equity in earnings (losses) and related activities for our Canopy Equity Method Investment on a two-month lag. Accordingly, we recognized our share of Canopy's second quarter fiscal 2020 earnings (losses) and related activities for the period July through September 2019, in our Third Quarter 2020 results. We recognized our share of Canopy's fourth quarter fiscal 2019, first quarter fiscal 2020, and second quarter fiscal 2020 earnings (losses) and related activities from January through September 2019, in our Nine Months 2020 results. We expect Canopy's earnings to be volatile in future periods.

As of November 30, 2019, the conversion of Canopy equity securities held by its employees and/or held by other third parties, excluding our November 2017 Canopy Warrants, New November 2018 Canopy Warrants, Canopy Debt Securities, and the Acreage Call Option, would not have a significant effect on our share of Canopy's reported earnings or losses. Additionally, under an amended and restated investor rights agreement, we have the option to purchase additional common shares of Canopy at the then-current price of the underlying equity security to allow us to maintain our relative ownership interest. If we exercised all of our outstanding November 2017 Canopy Warrants and New November 2018 Canopy Warrants, it could have a significant effect on our share of Canopy's reported earnings or losses and our ownership interest in Canopy would be expected to increase to greater than 50 percent. In connection with the Acreage Transaction, Canopy has the Acreage Call Option, which would require the issuance of Canopy shares. If Canopy exercised the Acreage Call Option it could have a significant effect on our share of Canopy's reported earnings or losses and our ownership interest in Canopy would decrease and no longer be expected to be greater than 50 percent.

As previously noted, these investments are consistent with our long-term strategy to identify, meet, and stay ahead of evolving consumer trends and market dynamics, and they represent a significant expansion of our strategic relationship to position Canopy as a global leader in cannabis production, branding, intellectual property, and retailing.

Beer Segment

Four Corners Acquisition

In July 2018, we acquired Four Corners, which primarily included the acquisition of operations, goodwill, property, plant, and equipment, and trademarks. This acquisition included a portfolio of high-quality, dynamic, and bicultural, Texas-based craft beers which further strengthened our position in the high-end segment of the U.S. beer market. The results of operations of Four Corners are reported in the Beer segment and have been included in our consolidated results of operations from the date of acquisition.

Wine and Spirits Segment

Black Velvet Divestiture

On November 1, 2019, we sold the Black Velvet Canadian Whisky business and the brand's associated production facility, along with a subset of Canadian whisky brands produced at that facility, and related inventory at a transaction value of $266.3 million. Accordingly, our consolidated results of operations include the results of operations of our Canadian whisky business through the date of divestiture. We received cash proceeds of $269.7 million. This divestiture is consistent with our strategic focus on higher-margin, higher-growth brands. We recognized a net gain of $76.0 million on the sale of the business in Third Quarter 2020.

Nelson's Green Brier Acquisition

In May 2019, we increased our ownership interest in Nelson's Green Brier to 75%, resulting in consolidation of the business and recognition of a 25% noncontrolling interest. This acquisition included a portfolio of award-winning, Tennessee-based craft bourbon and whiskey products. The preliminary fair value of the business combination was allocated primarily to goodwill, trademarks, inventory, and property, plant, and equipment. The results of operations of Nelson's Green Brier are reported in the Wine and Spirits segment and have been included in our consolidated results of operations from the date of acquisition.

For additional information on these recent developments, investments, acquisitions, and divestitures refer to Notes 4, 6, 7, 9, and 19 of the Financial Statements.

RESULTS OF OPERATIONS

FINANCIAL HIGHLIGHTS

References to organic throughout the following discussion exclude the impact of divested brand activity in connection with the Black Velvet Divestiture (wine and spirits), as appropriate.

For Third Quarter 2020 compared with Third Quarter 2019:

- Our results of operations were negatively impacted by an unrealized net loss from the changes in fair value of our investments in Canopy and an impairment of long-lived assets held for sale primarily in connection with the New Wine and Spirits Transactions, partially offset by the continued improvements within the Beer segment and a net gain related to the Black Velvet Divestiture.

- Net sales increased 1% due to an increase in Beer net sales driven predominantly by volume growth and a favorable impact from pricing within our Mexican beer portfolio, partially offset by a decrease in Wine and Spirits net sales led by branded volume decline largely from brands to be divested.

- Operating income (loss) decreased 52% largely due to an impairment of long-lived assets held for sale primarily in connection with the New Wine and Spirits Transactions, partially offset by a net gain related to the Black Velvet Divestiture and the net sales volume growth and favorable impact from pricing within our Mexican beer portfolio.

- Net income (loss) attributable to CBI and diluted net income (loss) per common share attributable to CBI increased largely from a net income tax benefit recognized as a result of tax reform enacted in Switzerland.

For Nine Months 2020 compared with Nine Months 2019:

- Our results of operations were negatively impacted by (i) an unrealized net loss from the changes in fair value of our investments in Canopy, (ii) equity in losses from Canopy's results of operations and related activities, and (iii) an impairment of long-lived assets held for sale primarily in connection with the New Wine and Spirits Transactions, partially offset by (i) an unrealized gain resulting from the June 2019 modification of the terms of the November 2018 Canopy Warrants and (ii) the continued improvements within the Beer segment.

- Net sales increased 2% primarily due to an increase in Beer net sales driven predominantly by volume growth and a favorable impact from pricing within our Mexican beer portfolio, partially offset by a decrease in Wine and Spirits net sales led by branded volume decline largely from brands to be divested.

- Operating income (loss) decreased 17% largely due to an impairment of long-lived assets held for sale primarily in connection with the New Wine and Spirits Transactions and restructuring and other strategic business development costs incurred in connection with ongoing efforts to gain efficiencies and reduce our cost structure primarily within the Wine and Spirits segment, partially offset by the net sales volume growth and favorable impact from pricing within our Mexican beer portfolio and a net gain related to the Black Velvet Divestiture.

- Net income (loss) attributable to CBI and diluted net income (loss) per common share attributable to CBI decreased significantly primarily due to an unrealized net loss on our investments in Canopy for Nine Months 2020, as compared with an unrealized net gain from the changes in fair value on our investments for Nine Months 2019, partially offset by a net income tax benefit recognized as a result of tax reform enacted in Switzerland.

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 Comparable Adjustments.

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

	Third Quarter 2020	Third Quarter 2019	Nine Months 2020	Nine Months 2019
(in millions)				
Cost of product sold				
Strategic business development costs	$ (61.7)	$ —	$ (124.2)	$ —
Accelerated depreciation	(1.8)	(1.5)	(7.1)	(6.5)
Flow through of inventory step-up	(0.3)	(2.2)	(1.5)	(3.6)
Net gain (loss) on undesignated commodity derivative contracts	3.1	(14.7)	(23.7)	(5.1)
Settlements of undesignated commodity derivative contracts	2.3	(2.2)	7.5	(7.3)
Recovery of (loss on) inventory write-down	—	(1.3)	8.6	(2.8)
Total cost of product sold	(58.4)	(21.9)	(140.4)	(25.3)
Selling, general, and administrative expenses				
Restructuring and other strategic business development costs	(2.4)	(2.3)	(25.5)	(10.9)
Transaction, integration, and other acquisition-related costs	(1.2)	(8.1)	(6.7)	(9.1)
Impairment of intangible assets	—	—	(11.0)	—
Net gain (loss) on foreign currency derivative contracts associated with acquisition of investment	—	(25.5)	—	(32.6)
Deferred compensation	—	—	—	(16.3)
Other gains (losses)	(0.8)	2.4	0.3	10.9
Total selling, general, and administrative expenses	(4.4)	(33.5)	(42.9)	(58.0)
Impairment of assets held for sale	(390.0)	—	(417.0)	—
Gain (loss) on sale of business	76.0	—	76.0	—
Comparable Adjustments, Operating income (loss)	$ (376.8)	$ (55.4)	$ (524.3)	$ (83.3)
Income (loss) from unconsolidated investments	$ (416.5)	$ (163.9)	$ (2,564.4)	$ 886.3

Cost of Product Sold

Strategic Business Development Costs

We recognized costs primarily in connection with losses on write-downs of excess inventory, bulk wine sales, and contract terminations resulting from our ongoing efforts to optimize our portfolio, gain efficiencies, and reduce our cost structure within the Wine and Spirits segment.

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.

Recovery of (Loss on) Inventory Write-Down

Reimbursement from our insurance carriers for losses recognized on the write-down of certain bulk wine inventory as a result of smoke damage sustained during the Fall 2017 California wildfires (Nine Months 2020).

Selling, General, and Administrative Expenses

Restructuring and Other Strategic Business Development Costs

We recognized costs primarily in connection with (i) costs from our ongoing efforts to gain efficiencies and reduce our cost structure in connection with a program intended to optimize the Wine and Spirits segment (Third Quarter 2020, Nine Months 2020) and (ii) costs recognized in connection with the development of a program specifically intended to identify opportunities for further streamlining of processes and improving capabilities, linking strategy with execution, prioritizing resources, and enabling a new enterprise resource planning system.

Transaction, Integration, and Other Acquisition-Related Costs

We recognized transaction, integration, and other acquisition-related costs in connection with our acquisitions, divestitures, and investments.

Impairment of Intangible Assets

We recognized a trademark impairment loss related to our Beer segment’s Ballast Point craft beer trademark asset. For additional information, refer to Note 6 of the Financial Statements.

Net Gain (Loss) on Foreign Currency Derivative Contracts Associated with Acquisition of Investment

We recognized a net loss in connection with the settlement of foreign currency option contracts entered into to fix the U.S. dollar cost of the November 2018 Canopy Transaction.

Deferred Compensation

We recognized an adjustment related to prior periods to correct for previously unrecognized deferred compensation costs associated with certain employment agreements.

Other Gains (Losses)

We recognized other gains (losses) primarily in connection with (i) a gain on the remeasurement of our previously held equity interest in Nelson’s Green Brier to the acquisition-date fair value (Nine Months 2020), (ii) an increase in estimated fair value of a contingent liability associated with a prior period acquisition (Nine Months 2020), and (iii) a gain primarily in connection with the sale of certain non-core assets (Nine Months 2019).

Impairment of Assets Held for Sale

We recognized an impairment of long-lived assets held for sale in connection with the New Wine and Spirits Transactions and the Ballast Point Transaction.

Gain (Loss) on Sale of Business

We recognized a net gain on sale of the Black Velvet Canadian Whisky business.

Income (Loss) From Unconsolidated Investments

We recognized an unrealized gain (loss) primarily from (i) the changes in fair value of our securities measured at fair value, (ii) the increase in fair value resulting from the June 2019 modification of the terms of the November 2018 Canopy Warrants (Nine Months 2020), (iii) equity in earnings (losses) from Canopy's results of operations and related activities (Third Quarter 2020, Nine Months 2020), and (iv) a net gain in connection with the sale of our Accolade Wine Investment (Nine Months 2019). For additional information, refer to Notes 6, 9, and 19 of the Financial Statements.

THIRD QUARTER 2020 COMPARED TO THIRD QUARTER 2019

Net Sales

	Third Quarter 2020	Third Quarter 2019	Dollar Change	Percent Change
(in millions)				
Beer	$ 1,310.6	$ 1,209.8	$ 100.8	8 %
Wine and Spirits:				
Wine	601.2	670.3	(69.1)	(10 %)
Spirits	87.6	92.5	(4.9)	(5 %)
Total Wine and Spirits	688.8	762.8	(74.0)	(10 %)
Canopy	58.0	NA	58.0	NM
Consolidation and Eliminations	(58.0)	—	(58.0)	NM
Consolidated net sales	$ 1,999.4	$ 1,972.6	$ 26.8	1 %

NM = Not Meaningful

Beer Segment	Third Quarter 2020	Third Quarter 2019	Dollar Change	Percent Change
(in millions, branded product, 24-pack, 12-ounce case equivalents)				
Net sales	$ 1,310.6	$ 1,209.8	$ 100.8	8 %
Shipment volume	72.6	68.0		6.8 %
Depletion volume (1)				7.3 %

(1) Depletions represent distributor shipments of our respective branded products to retail customers, based on third-party data.

The increase in Beer net sales is primarily due to $85.4 million of volume growth within our Mexican beer portfolio, which benefited from continued consumer demand, increased marketing spend, and new product introductions, and a $26.0 million favorable impact from pricing in select markets within our Mexican beer portfolio. We expect the remainder of the shipment timing benefit that occurred at the end of Fiscal 2019 to reverse during the fourth quarter of fiscal 2020.

Wine and Spirits Segment	Third Quarter 2020	Third Quarter 2019	Dollar Change	Percent Change
(in millions, branded product, 9-liter case equivalents)				
Net sales	$ 688.8	$ 762.8	$ (74.0)	(10 %)
Shipment volume				
Total	12.8	14.8		(13.5 %)
Organic (2)	12.8	14.5		(11.7 %)
U.S. Domestic	11.6	13.8		(15.9 %)
Organic U.S. Domestic (2)	11.6	13.5		(14.1 %)
U.S. Domestic Power Brands	5.9	5.9		— %
Depletion volume (1)				
U.S. Domestic (2)				(5.8 %)
U.S. Domestic Power Brands				3.3 %

(2) Includes an adjustment to remove volume associated with the Black Velvet Divestiture for the period November 1, 2018, through November 30, 2018.

The decrease in Wine and Spirits net sales is primarily due to a $83.9 million decline in branded wine and spirits volume and $8.5 million from the Black Velvet Divestiture, partially offset by a $24.3 million increase from favorable product mix shift. The Wine and Spirits Third Quarter 2020 results have been negatively impacted by transition activities with distributors who are repositioning for ownership of brands upon closing the New Wine and Spirits Transactions and the Black Velvet Divestiture.

Canopy Segment

Our ownership interest in Canopy allows us to exercise significant influence, but not control, and, therefore, we account for our investment in Canopy under the equity method. Amounts included for the Canopy segment represent 100% of Canopy's reported results on a two-month lag, prepared in accordance with U.S. GAAP, and converted from Canadian dollars to U.S. dollars. Although we own less than 100% of the outstanding shares of Canopy, 100% of the Canopy results are included and subsequently eliminated in order to reconcile to our consolidated financial statements. See "Income (Loss) from Unconsolidated Investments" below for a discussion of Canopy's net sales, gross profit (loss), selling, general, and administrative expenses, and operating income (loss).

Gross Profit

	Third Quarter 2020	Third Quarter 2019	Dollar Change	Percent Change
(in millions)				
Beer	$ 735.3	$ 651.0	$ 84.3	13 %
Wine and Spirits	310.6	340.9	(30.3)	(9 %)
Canopy	(7.3)	NA	(7.3)	NM
Consolidation and Eliminations	7.3	—	7.3	NM
Comparable Adjustments	(58.4)	(21.9)	(36.5)	167 %
Consolidated gross profit	$ 987.5	$ 970.0	$ 17.5	2 %

The increase in Beer is primarily due to $46.9 million of volume growth, $26.0 million favorable impact from pricing, and $16.2 million of lower cost of product sold for our Mexican beer business. The lower cost of product sold is primarily due to $8.1 million of foreign currency transactional benefits and

$4.3 million of decreased operational costs. The lower operational costs are attributable to an immaterial contractor cost reimbursement, brewery sourcing benefits, and lower depreciation.

The decrease in Wine and Spirits is largely due to $36.2 million of decline in branded wine and spirits volume, $13.1 million higher cost of product sold, and a decrease in gross profit due to the Black Velvet Divestiture of $4.1 million, partially offset by $27.8 million of favorable product mix shift. The higher cost of product sold is largely attributable to higher grape raw material and processing costs.

Gross profit as a percent of net sales increased slightly to 49.4% for Third Quarter 2020 compared with 49.2% for Third Quarter 2019. This was largely due to (i) the lower cost of product sold within the Beer segment, which resulted in approximately 85 basis points of rate growth, (ii) favorable impact from Wine and Spirits product mix shift, which resulted in approximately 85 basis points of rate growth, (iii) favorable impact from Beer pricing in select markets, which contributed 70 basis points of rate growth, (iv) approximately 30 basis points of rate growth from volume within the Wine and Spirits segment as the decline in Wine and Spirits net sales exceeded the decline in Wine and Spirits gross profit, and (v) favorable volume growth within the Beer segment, which resulted in approximately 25 basis points of rate growth. The rate growth was largely offset by (i) an unfavorable change of approximately 195 basis points in Comparable Adjustments and (ii) higher cost of product sold within the Wine and Spirits segment, which resulted in 70 basis points of rate decline.

Selling, General, and Administrative Expenses

	Third Quarter 2020	Third Quarter 2019	Dollar Change	Percent Change
(in millions)				
Beer	$ 220.4	$ 200.1	$ 20.3	10%
Wine and Spirits	130.2	134.9	(4.7)	(3%)
Corporate Operations and Other	51.3	45.0	6.3	14%
Canopy	203.5	NA	203.5	NM
Consolidation and Eliminations	(203.5)	—	(203.5)	NM
Comparable Adjustments	4.4	33.5	(29.1)	NM
Consolidated selling, general, and administrative expenses	$ 406.3	$ 413.5	$ (7.2)	(2%)

The increase in Beer is primarily due to an increase of $15.0 million in marketing spend. The increase in marketing spend is due largely to planned investment to support the growth of our Mexican beer portfolio, including support of the new product introductions.

The decrease in Wine and Spirits is primarily due to a decrease of $3.3 million in general and administrative expenses. The decrease in general and administrative expenses is largely driven by certain cost saving initiatives including decreased compensation and benefits.

The increase in Corporate Operations and Other is largely due to an increase of approximately $7 million in compensation and benefits.

Selling, general, and administrative expenses as a percent of net sales decreased to 20.3% for Third Quarter 2020 as compared with 21.0% for Third Quarter 2019. The decrease is driven largely by a favorable change of approximately 165 basis points in Comparable Adjustments, partially offset by (i) an unfavorable change of approximately 55 basis points of rate growth as the decline in Wine and Spirits net sales exceeded the decline in Wine and Spirits selling, general, and administrative expenses and (ii) an increase in Corporate Operations and Other general and administrative expenses, which resulted in approximately 35 basis points of rate growth.

Operating Income (Loss)

(in millions)	Third Quarter 2020	Third Quarter 2019	Dollar Change	Percent Change
Beer	$ 514.9	$ 450.9	$ 64.0	14 %
Wine and Spirits	180.4	206.0	(25.6)	(12 %)
Corporate Operations and Other	(51.3)	(45.0)	(6.3)	(14 %)
Canopy	(210.8)	NA	(210.8)	NM
Consolidation and Eliminations	210.8	—	210.8	NM
Comparable Adjustments	(376.8)	(55.4)	(321.4)	NM
Consolidated operating income (loss)	$ 267.2	$ 556.5	$ (289.3)	(52 %)

The increase in Beer is primarily attributable to the strong net sales growth and favorable pricing impact, partially offset by the planned increase in marketing spend. The decrease in Wine and Spirits was driven by the decline in branded wine and spirits volume and unfavorable cost of product sold, partially offset by favorable product mix shift. As previously discussed, the Corporate Operations and Other increase in operating loss is due largely to the increase in compensation and benefit costs.

Income (Loss) From Unconsolidated Investments

General

Loss from unconsolidated investments increased to $456.5 million for Third Quarter 2020 from $134.6 million for Third Quarter 2019, an increase of $321.9 million. This increase is driven largely by an unrealized net loss from the changes in fair value of our securities measured at fair value of $534.3 for Third Quarter 2020, as compared to $163.9 million for Third Quarter 2019. The Third Quarter 2020 increase in loss from unconsolidated investments was partially offset by $46.2 million of equity in earnings from Canopy's results of operations, and related activities in Third Quarter 2020.

Canopy Segment

Canopy's Third Quarter 2020 net sales; gross profit (loss); selling, general, and administrative expenses; and operating income (loss) are not comparable against Third Quarter 2019 due to the timing of the November 2018 Canopy Investment, recognizing equity in earnings (losses) and related activities on a two-month lag, and Canopy becoming a segment on March 1, 2019.

Interest Expense

Interest expense increased to $103.1 million for Third Quarter 2020 from $72.8 million for Third Quarter 2019. This increase of $30.3 million or 42% is predominantly due to higher average borrowings of approximately $1.5 billion primarily attributable to the November 2018 Canopy Transaction.

(Provision For) Benefit From Income Taxes

Our effective tax rate for Third Quarter 2020 was 225.3% of tax benefit as compared with 10.2% of tax expense for Third Quarter 2019. The change in effective tax rate was driven primarily by the recognition of a $547.4 million net income tax benefit resulting from the remeasurement of our deferred tax assets for Third Quarter 2020 in connection with the September 2019 enactment of tax reform in Switzerland. The Third Quarter 2020 effective tax rate also benefited from a higher effective rate of tax benefit from our foreign businesses including the tax benefits recorded on the net unrealized loss from the changes in fair value of our investments in Canopy and the tax benefits recorded on the Canopy equity in earnings and related activities.

For additional information, refer to Note 12 of the Financial Statements.

Net Income (Loss) Attributable to CBI

Net income (loss) attributable to CBI increased to $360.4 million for Third Quarter 2020 from $303.1 million for Third Quarter 2019. This increase of $57.3 million is largely attributable to the net income tax benefit discussed above and by solid operating performance from Beer contributing an additional $64.0 million of operating income, partially offset by the decrease in income (loss) from unconsolidated investments, an impairment of long-lived assets held for sale, as well as the decline in operating performance from Wine and Spirits.

NINE MONTHS 2020 COMPARED TO NINE MONTHS 2019

Net Sales

	Nine Months 2020	Nine Months 2019	Dollar Change	Percent Change
(in millions)				
Beer	$ 4,428.4	$ 4,112.0	$ 316.4	8 %
Wine and Spirits:				
Wine	1,747.3	1,933.1	(185.8)	(10 %)
Spirits	264.9	273.7	(8.8)	(3 %)
Total Wine and Spirits	2,012.2	2,206.8	(194.6)	(9 %)
Canopy	196.4	NA	196.4	NM
Consolidation and Eliminations	(196.4)	—	(196.4)	NM
Consolidated net sales	$ 6,440.6	$ 6,318.8	$ 121.8	2 %

Beer Segment

	Nine Months 2020	Nine Months 2019	Dollar Change	Percent Change
(in millions, branded product, 24-pack, 12-ounce case equivalents)				
Net sales	$ 4,428.4	$ 4,112.0	$ 316.4	8 %
Shipment volume	246.6	233.2		5.7 %
Depletion volume (1)				6.6 %

(1) Depletions represent distributor shipments of our respective branded products to retail customers, based on third-party data.

The increase in Beer net sales is primarily due to $250.8 million of volume growth within our Mexican beer portfolio, which benefited from continued consumer demand, increased marketing spend, and new product introductions; and a $97.0 million favorable impact from pricing in select markets within our Mexican beer portfolio. The increase was partially offset by a decline of $19.0 million in craft beer net sales. The shipment volume timing benefit that occurred at the end of Fiscal 2019 only partially reversed for Nine Months 2020, as shipment volumes were accelerated for First Quarter 2020 in advance of proposed tariffs on imports into the United States from Mexico. We expect the rest of the shipment timing benefit to reverse during the fourth quarter of fiscal 2020.

Wine and Spirits Segment	Nine Months 2020	Nine Months 2019	Dollar Change	Percent Change
(in millions, branded product, 9-liter case equivalents)				
Net sales	$ 2,012.2	$ 2,206.8	$ (194.6)	(9 %)
Shipment volume				
Total	39.6	44.3		(10.6 %)
Organic (2)	39.6	44.0		(10.0 %)
U.S. Domestic	36.4	41.1		(11.4 %)
Organic U.S. Domestic (2)	36.4	40.8		(10.8 %)
U.S. Domestic Power Brands	16.7	17.5		(4.6 %)
Depletion volume (1)				
U.S. Domestic (2)				(7.0 %)
U.S. Domestic Power Brands				1.0 %

(2) Includes an adjustment to remove volume associated with the Black Velvet Divestiture for the period November 1, 2018, through November 30, 2018.

The decrease in Wine and Spirits net sales is primarily due to (i) $205.9 million decline in branded wine and spirits volume and (ii) $8.5 million decrease in net sales from the Black Velvet Divestiture, partially offset by (i) $11.8 million favorable impact from pricing, and (ii) $7.4 million of favorable product mix shift. The Wine and Spirits Nine Months 2020 results have been negatively impacted by transition activities with distributors who are repositioning for ownership of brands upon closing the New Wine and Spirits Transactions and the Black Velvet Divestiture.

Gross Profit

	Nine Months 2020	Nine Months 2019	Dollar Change	Percent Change
(in millions)				
Beer	$ 2,468.1	$ 2,243.8	$ 224.3	10 %
Wine and Spirits	874.4	968.3	(93.9)	(10 %)
Canopy	13.8	NA	13.8	NM
Consolidation and Eliminations	(13.8)	—	(13.8)	NM
Comparable Adjustments	(140.4)	(25.3)	(115.1)	NM
Consolidated gross profit	$ 3,202.1	$ 3,186.8	$ 15.3	— %

The increase in Beer is primarily due to $139.1 million of volume growth, $97.0 million of favorable impact from pricing, and $6.3 million of lower cost of product sold for our Mexican beer business, partially offset by a decline of $11.8 million in our craft beer portfolio. The lower cost of product sold is largely due to foreign currency transactional benefits of $18.6 million, partially offset by increased transportation costs of $7.6 million and operational costs of $4.7 million.

The decrease in Wine and Spirits is largely due to $90.7 million of decline in branded wine and spirits volume and $25.9 million higher cost of product sold, partially offset by $17.5 million of favorable product mix shift. The higher cost of product sold is largely attributable to increased transportation costs as well as higher grape raw material and processing costs.

Gross profit as a percent of net sales decreased to 49.7% for Nine Months 2020 compared with 50.4% for Nine Months 2019. This was largely due to an unfavorable change of approximately 175 basis points in Comparable Adjustments and higher cost of product sold within the Wine and Spirits segment, which resulted in approximately 40 basis points of rate decline, partially offset by rate growth from (i) the favorable impact from Beer pricing in select markets, which contributed approximately 75 basis points, (ii) favorable impact from Wine and Spirits product mix shift, which resulted in approximately 20 basis points, (iii) favorable volume growth from Beer which resulted in approximately 20 basis points, and (iv) approximately 20 basis points from volume within the Wine and Spirits segment as the decline in Wine and Spirits net sales exceeded the decline in Wine and Spirits gross profit.

Selling, General, and Administrative Expenses

	Nine Months 2020	Nine Months 2019	Dollar Change	Percent Change
(in millions)				
Beer	$ 687.3	$ 642.3	$ 45.0	7 %
Wine and Spirits	372.8	393.1	(20.3)	(5 %)
Corporate Operations and Other	148.7	146.5	2.2	2 %
Canopy	555.1	NA	555.1	NM
Consolidation and Eliminations	(555.1)	—	(555.1)	NM
Comparable Adjustments	42.9	58.0	(15.1)	NM
Consolidated selling, general, and administrative expenses	$ 1,251.7	$ 1,239.9	$ 11.8	1 %

The increase in Beer is primarily due to an increase of $42.6 million in marketing spend. The increase in marketing spend is due to planned investment to support the growth of our Mexican beer portfolio, including support of the new product introductions. The decrease in Wine and Spirits is largely due to a decrease of $17.5 million in general and administrative expenses. The decrease in general and administrative expenses is driven by certain cost saving initiatives including decreased compensation and benefits. The increase in Corporate Operations and Other is due to an increase of approximately $8 million in compensation and benefits partially offset by a decrease of approximately $6 million in consulting costs as compared with Nine Months 2019.

Selling, general, and administrative expenses as a percent of net sales decreased to 19.4% for Nine Months 2020 as compared with 19.6% for Nine Months 2019. The decrease is driven largely by (i) a favorable change of approximately 35 basis points in Comparable Adjustments and (ii) by Beer with approximately 35 basis points of rate decline as the growth in Beer net sales exceeded the growth in Beer selling, general, and administrative expenses. The rate declines were offset by Wine and Spirits with approximately 40 basis points of rate increase as the decline in Wine and Spirits net sales exceeded the decline in selling, general, and administrative expenses.

Operating Income (Loss)

(in millions)	Nine Months 2020	Nine Months 2019	Dollar Change	Percent Change
Beer	$ 1,780.8	$ 1,601.5	$ 179.3	11 %
Wine and Spirits	501.6	575.2	(73.6)	(13 %)
Corporate Operations and Other	(148.7)	(146.5)	(2.2)	(2 %)
Canopy	(541.3)	NA	(541.3)	NM
Consolidation and Eliminations	541.3	—	541.3	NM
Comparable Adjustments	(524.3)	(83.3)	(441.0)	NM
Consolidated operating income (loss)	$ 1,609.4	$ 1,946.9	$ (337.5)	(17 %)

The increase in Beer is primarily attributable to the strong volume growth and favorable pricing impact, partially offset by the planned increase in marketing spend combined with the decline in craft beer. The decrease in Wine and Spirits was driven largely by the decline in branded wine and spirits volume and higher cost of product sold, partially offset by the favorable impact of product mix shift, lower general and administrative expenses, and the favorable impact from pricing. As previously discussed, Corporate Operations and Other increase in operating loss is due largely to increased compensation and benefits, partially offset by lower consulting costs.

Income (Loss) From Unconsolidated Investments

General

Income (loss) from unconsolidated investments decreased to $(2,711.8) million for Nine Months 2020 from $918.2 million for Nine Months 2019, a decrease of $3,630.0 million. This decrease is driven largely by an unrealized net loss of $2,200.9 million for Nine Months 2020, which consists of an unrealized net loss from the changes in fair value of our securities measured at fair value of $3,376.9 million, partially offset by an unrealized gain of $1,176.0 million from the June 2019 modification of the terms of the November 2018 Canopy Warrants, as compared with an unrealized net gain of $786.5 million recognized for Nine Months 2019. Nine Months 2020 was also negatively impacted by $544.2 million of equity in losses from Canopy's results of operations, and related activities, while Nine Months 2019 benefited from a net gain in connection with the sale of our Accolade Wine Investment of $99.8 million.

Canopy Segment

Canopy's Nine Months 2020 net sales; gross profit (loss); selling, general, and administrative expenses; and operating income (loss) are not comparable against Nine Months 2019 due the timing of the November 2018 Canopy Investment, recognizing equity in earnings (losses) and related activities on a two-month lag, and Canopy becoming a segment on March 1, 2019.

Interest Expense

Interest expense increased to $329.3 million for Nine Months 2020 from $248.6 million for Nine Months 2019, an increase of $80.7 million, or 32%. This increase is predominantly due to higher average borrowings of approximately $2.7 billion primarily attributable to the November 2018 Canopy Transaction.

(Provision For) Benefit From Income Taxes

Our effective tax rate for Nine Months 2020 was 73.0% of tax benefit as compared with 15.5% of tax expense for Nine Months 2019. The change in effective tax rate was driven primarily by the recognition of a $547.4 million net income tax benefit resulting from the remeasurement of our deferred tax assets for Nine Months 2020 in connection with the September 2019 enactment of tax reform in Switzerland. The Nine Months 2020 rate also benefited from a higher effective rate of tax benefit from our foreign businesses including the tax benefits recorded on the net unrealized loss from the changes in fair value of our investments in Canopy and the tax benefits recorded on the Canopy equity in losses and related activities.

For additional information, refer to Note 12 of the Financial Statements.

We expect our reported effective tax rate for Fiscal 2020 to be in the range of 97% to 99% due to the remeasurement of our deferred tax assets as a result of tax reform in Switzerland and net unrealized losses and related tax benefits from our Canopy investments for the Nine Months 2020. This includes an estimated impact for (i) benefits related to the recognition of the income tax effect of stock-based compensation awards in the income statement when the awards vest or are settled and (ii) lower effective tax rates applicable to our foreign businesses. Since estimates are not currently available, this range does not reflect (i) any future changes in the fair value of our Canopy investments measured at fair value and any future equity in earnings (losses) and related activities from the Canopy Equity Method Investment and (ii) any additional gain (loss) recognized in connection with the New Wine and Spirits Transactions, the Other Wine and Spirits Transaction, and the Ballast Point Transaction.

Net Income (Loss) Attributable to CBI

Net income (loss) attributable to CBI decreased to $(410.2) million for Nine Months 2020 from $2,196.4 million for Nine Months 2019. This decrease of $2,606.6 million is largely attributable to the significant decrease in income (loss) from unconsolidated investments discussed above, an impairment of long-lived assets held for sale as well as the decline in operating performance from Wine and Spirits. These decreases were partially offset by solid operating performance from Beer contributing an additional $179.3 million of operating income.

FINANCIAL LIQUIDITY AND CAPITAL RESOURCES

General

Our ability to consistently generate cash flow from operating activities is one of our most significant financial strengths. Our strong cash flows enable us to invest in our people and our brands, make appropriate capital investments, provide a quarterly cash dividend program, and from time-to-time, repurchase shares of our common stock, and make strategic investments and acquisitions that we believe will enhance stockholder value. Our primary source of liquidity has been cash flow from operating activities. Our principal use of cash in our operating activities is for purchasing and carrying inventories and carrying seasonal accounts receivable. Historically, we have used cash flow from operating activities to repay our short-term borrowings and fund capital expenditures. Additionally, we have a commercial paper program which we use to fund our short-term borrowing requirements and to maintain our access to the capital markets. We will continue to use our short-term borrowings, including our commercial paper program, to support our working capital requirements and capital expenditures.

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

We have plans to sell a portion of our U.S. wine and spirits business as well as a portion of our craft beer business. We expect to use the net cash proceeds from closing these transactions primarily to reduce outstanding borrowings.

The November 2017 Canopy Warrants with an exercise price of C$12.98 per warrant share will expire on May 1, 2020. We will evaluate exercise of the warrants immediately prior to expiration. If a decision is made to exercise the November 2017 Canopy Warrants, we expect to fund the C$245 million transaction with commercial paper borrowings and cash from operations.

Cash Flows

	Nine Months 2020	Nine Months 2019	Dollar Change
(in millions)			
Net cash provided by (used in):			
Operating activities	$ 2,076.3	$ 1,973.9	$ 102.4
Investing activities	(335.9)	(4,587.3)	4,251.4
Financing activities	(1,740.2)	2,661.3	(4,401.5)
Effect of exchange rate changes on cash and cash equivalents	(0.1)	(7.6)	7.5
Net increase (decrease) in cash and cash equivalents	$ 0.1	$ 40.3	$ (40.2)

Operating Activities

The increase in net cash provided by operating activities for Nine Months 2020 is largely due to strong cash flow from the Beer segment driven primarily by the segment's solid operating results, combined with the timing of collections for recoverable value-added taxes. Net cash provided by operating activities also benefited from lower income tax payments largely due to a change in estimated taxable income, timing of payments, and the receipt of a higher federal tax refund for Nine Months 2020 as compared with Nine Months 2019. The increase in net cash provided by operating activities was partially offset by higher cash outflows from accounts payable primarily attributable to the timing of payments for both the Wine and Spirits and Beer segments.

Investing Activities

Net cash used in investing activities for Nine Months 2020 decreased primarily due to the $3,869.9 million November 2018 Canopy Transaction, proceeds of $269.7 million from the November 2019 Black Velvet Divestiture, and lower Nine Months 2020 capital expenditures of $82.0 million. The decrease in net cash used in investing activities was partially offset by proceeds received in Nine Months 2019 of $110.2 million from the May 2018 sale of our Accolade Wine Investment.

Financing Activities

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

	Nine Months 2020	Nine Months 2019	Dollar Change
(in millions)			
Net proceeds from (payments of) debt, current and long-term, and related activities	$ (1,287.9)	$ 3,564.5	$ (4,852.4)
Dividends paid	(427.0)	(417.9)	(9.1)
Purchases of treasury stock	(50.0)	(504.3)	454.3
Net cash provided by stock-based compensation activities	24.7	19.0	5.7
Net cash provided by (used in) financing activities	$ (1,740.2)	$ 2,661.3	$ (4,401.5)

Debt

Total debt outstanding as of November 30, 2019, amounted to $12,356.0 million, a decrease of $1,260.5 million from February 28, 2019. This decrease was primarily due to (i) the maturity of the $600.0 million 2.00% November 2017 Senior Notes, (ii) the $520.0 million partial repayment of the Five-Year Term Facility under our Term Credit Agreement, (iii) a reduction in commercial paper outstanding of

$451.0 million, and (iv) the early redemption of the $400.0 million 3.875% November 2014 Senior Notes, partially offset by the issuance of the $800.0 million July 2019 Senior Notes.

2019 Term Credit Agreement

In June 2019, we entered into the 2019 Term Credit Agreement, which resulted in the creation of a $491.3 million five-year term loan facility. We utilized the proceeds from borrowings under the 2019 Term Credit Agreement to repay in full the U.S. Term A-1 Facility under the 2018 Credit Agreement.

Senior Notes

In July 2019, we issued the July 2019 Senior Notes. Proceeds from this offering, net of discount and debt issuance costs, of $793.0 million were used for the repayment of our 3.875% November 2014 Senior Notes and a portion of the outstanding obligations under the Five-Year Term Facility under our Term Credit Agreement.

General

The majority of our outstanding borrowings as of November 30, 2019, consisted of fixed-rate senior unsecured notes, with maturities ranging from calendar 2020 to calendar 2048, and variable-rate senior unsecured term loan facilities under our Term Credit Agreement and 2019 Term Credit Agreement, with maturities ranging from calendar 2021 to calendar 2024.

Additionally, we have a commercial paper program which provides for the issuance of up to an aggregate principal amount of $2.0 billion of commercial paper. Our commercial paper program is backed by unused commitments under our revolving credit facility under our 2018 Credit Agreement. Accordingly, outstanding borrowings under our commercial paper program reduce the amount available under our revolving credit facility under our 2018 Credit Agreement.

We do not have purchase commitments from buyers for our commercial paper and, therefore, our ability to issue commercial paper is subject to market demand. If the commercial paper market is not available to us for any reason when outstanding commercial paper borrowings mature, we will utilize unused commitments under our revolving credit facility under our 2018 Credit Agreement to repay commercial paper borrowings. We do not expect that fluctuations in demand for commercial paper will affect our liquidity given our borrowing capacity available under our revolving credit facility under our 2018 Credit Agreement.

We had the following borrowing capacity available under our 2018 Credit Agreement:

	Remaining Borrowing Capacity	
	November 30, 2019	December 31, 2019
(in millions)		
Revolving Credit Facility (1)	$ 1,706.2	$ 1,788.2

(1) Net of outstanding revolving credit facility borrowings and outstanding letters of credit under our 2018 Credit Agreement and outstanding borrowings under our commercial paper program.

The financial institutions participating in our 2018 Credit Agreement have complied with prior funding requests and we believe such financial institutions will comply with any future funding requests. However, there can be no assurances that any particular financial institution will continue to do so.

We and our subsidiaries are subject to covenants that are contained in our 2018 Credit Agreement, including those restricting the incurrence of additional indebtedness (including guarantees of indebtedness) by subsidiaries that are not guarantors, additional liens, mergers and consolidations, transactions with affiliates, and sale and leaseback transactions, in each case subject to numerous conditions, exceptions, and thresholds. The financial covenants are limited to a minimum interest coverage ratio and a maximum net leverage ratio, both as defined in our 2018 Credit Agreement. As of

November 30, 2019, under our 2018 Credit Agreement, the minimum interest coverage ratio was 2.5x and the maximum net leverage ratio was 5.0x.

The obligations under the Term Credit Agreement and our 2019 Term Credit Agreement are guaranteed by certain of our U.S. subsidiaries. In addition, the representations, warranties, covenants, and events of default set forth in our Term Credit Agreement and our 2019 Term Credit Agreement are substantially similar to those set forth in our 2018 Credit Agreement.

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

As of November 30, 2019, we were in compliance with our covenants under our 2018 Credit Agreement, our Term Credit Agreement, our 2019 Term Credit Agreement and our indentures, and have met all debt payment obligations.

For a complete discussion and presentation of all borrowings and available sources of borrowing, refer to Note12 of our consolidated financial statements included in our 2019 Annual Report and Note 11 of the Financial Statements.

Common Stock Dividends

On January 7, 2020, our Board of Directors declared a quarterly cash dividend of $0.75 per share of Class A Common Stock, $0.68 per share of Class B Convertible Common Stock, and $0.68 per share of Class 1 Common Stock payable on February 25, 2020, to stockholders of record of each class on February 11, 2020.

We currently expect to continue to pay a regular quarterly cash dividend to stockholders of our common stock in the future, but such payments are subject to approval of our Board of Directors and are dependent upon our financial condition, results of operations, capital requirements, and other factors, including those set forth under Item 1A “Risk Factors” of our 2019 Annual Report as supplemented by the additional factors set forth under Item 1A “Risk Factors” included in our Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2019.

Share Repurchase Program

Our Board of Directors have authorized the repurchase of up to$3.0 billion of our Class A Common Stock and Class B Convertible Common Stock under the 2018 Authorization. Shares repurchased under this authorization have become treasury shares. No shares were repurchased during Third Quarter 2020.

As of November 30, 2019, total shares repurchased under this authorization are as follows:

		Class A Common Shares	
	Repurchase Authorization	Dollar Value of Shares Repurchased	Number of Shares Repurchased
(in millions, except share data)			
2018 Authorization	$ 3,000.0	$ 1,045.9	4,897,605

Share repurchases under the 2018 Authorization may be accomplished at management’s discretion from time to time based on market conditions, our cash and debt position, and other factors as determined by management. Shares may be repurchased through open market or privately negotiated transactions. We may fund future share repurchases with cash generated from operations and/or proceeds from borrowings. Any repurchased shares will become treasury shares.

For additional information, refer to Note 16 of our consolidated financial statements included in our 2019 Annual Report and Note 15 of the Financial Statements.

Critical Accounting Estimates and Policies

Our significant accounting policies are more fully described in Note 1 of our consolidated financial statements included in our 2019 Annual Report. However, certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations and require the application of significant judgment by management; as a result, they are subject to an inherent degree of uncertainty. In applying those policies, management uses its judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on our historical experience, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. On an ongoing basis, we review our estimates to ensure that they appropriately reflect changes in our business. Our critical accounting estimates included in the 2019 Annual Report have not changed except for the addition of the following critical accounting estimate:

Fair value of financial instruments

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

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs include data points that are observable such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) such as volatility, interest rates and yield curves that are observable for the asset 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.

Assessing the significance of a particular input to the fair value measurement requires judgment, considering factors specific to the asset or liability. Determining whether a fair value measurement is based on Level 1, Level 2, or Level 3 inputs is important because certain disclosures are applicable only to those fair value measurements that use Level 3 inputs. The use of Level 2 or Level 3 inputs may include information derived through extrapolation or interpolation which involves management assumptions as well as valuation techniques.

The fair values of our financial instruments that require the application of significant judgment by management are as follows:

Canopy investments

Equity securities, Warrants - estimated using the Black-Scholes option-pricing model (Level 2 fair value measurement) and Monte Carlo simulations (Level 2 fair value measurement). These valuation models use various market-based inputs, including stock price, expected life, expected volatility, risk-free interest rate, and expected dividend yield, as applicable. Management applies significant judgment in its determination of expected volatility. We consider both historical and implied volatility levels of the underlying equity security and apply limited consideration of historical peer group volatility levels.

Debt securities, Convertible - estimated using a binomial lattice option-pricing model (Level 2 fair value measurement), which includes an estimate of the credit spread based on the implied spread as of the issuance date of the notes. This valuation model uses various market-based inputs, including stock price, remaining term, expected volatility, risk-free interest rate, and expected dividend yield, as applicable.

Management's estimate of fair value requires significant management judgment and is subject to a high degree of variability based upon market conditions, the availability of specific information and management's assumptions.

For further discussion on fair value of our financial instruments, refer to Note 6 in the Notes to the Financial Statements.

ACCOUNTING GUIDANCE

Refer to Notes 2 and 14 of the Financial Statements for information on recently adopted accounting guidance.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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 our control, which could cause actual results to differ materially from those set forth in, or implied by, such forward-looking statements. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q are forward-looking statements, including without limitation:

- The statements under Part I – Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding:
  - our business strategy, future operations, future financial position, future net sales and expected volume trends, expected effective tax rates and anticipated tax liabilities, prospects, plans, and objectives of management;
  - information concerning expected or potential actions of third parties, including potential changes to international trade agreements, tariffs, taxes, and other governmental rules and regulations;
  - information concerning the future expected balance of supply and demand for our products;
  - timing and source of funds for operating activities and Canopy warrant exercises, if any;
  - the manner, timing, and duration of the share repurchase program and source of funds for share repurchases; and
  - the amount and timing of future dividends.
- The statements regarding our beer expansion, construction, and optimization activities, including anticipated costs and timeframes for completion.
- The statements regarding:
  - the volatility of the fair value of our investments in Canopy measured at fair value;
  - our activities surrounding our investments in Canopy;
  - the time to return to our targeted leverage ratio;
  - the New November 2018 Canopy Warrants; and
  - our future ownership level in Canopy and our future share of Canopy's reported earnings and losses.
- The statements regarding the New Wine and Spirits Transactions, the Other Wine and Spirits Transactions, and the Ballast Point Transaction, including expected gain or loss, form and amount of consideration, amount and use of expected proceeds, estimated remaining costs, and any expected restructuring charge.
- The statements regarding Canopy's transaction with Acreage.

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

- the actual balance of supply and demand for our products will vary from current expectations due to, among other reasons, actual raw material supply, actual shipments to distributors, and actual consumer demand;
- the actual demand, net sales, and volume trends for our products will vary from current expectations due to, among other reasons, actual shipments to distributors, and actual consumer demand;
- the amount, timing, and source of funds for any share repurchases or Canopy warrant exercises, if any, may vary due to market conditions; our cash and debt position; the impact of the beer operations expansion activities; the impact of our investments in Canopy; any future exercise of Canopy warrants; the expected impacts of the New Wine and Spirits Transactions, the Other Wine and Spirits Transactions, and the Ballast Point Transaction; and other factors as determined by management from time to time;
- the amount and timing of future dividends may differ from our current expectations if our ability to use cash flow to fund dividends is affected by unanticipated increases in total net debt, we are unable to generate cash flow at anticipated levels, or we fail to generate expected earnings;
- the fair value of our investments in Canopy may vary due to market and economic conditions in Canopy’s markets and business locations;
- the timeframe and actual costs associated with the beer operations expansion activities may vary from management’s current expectations due to market conditions, our cash and debt position, receipt of required regulatory approvals by the expected dates and on the expected terms, and other factors as determined by management;
- any consummation of the New Wine and Spirits Transactions, the Other Wine and Spirits Transactions, or of the Ballast Point Transaction, and any actual date of consummation of either may vary from our current expectations; the actual restructuring charge, if any, will vary based on management’s final plans; the amount of additional loss, if any, on the future write-down of assets held for sale will vary based on the form of consideration, amount of consideration actually received, and future brand performance;
- any impact of U.S. federal laws on the transaction between Acreage and Canopy or upon the implementation of that transaction, or the impact of the Acreage Transaction upon our future ownership level in Canopy or our future share of Canopy’s reported earnings and losses, may vary from management’s current expectations; and
- the time to return to our targeted leverage ratio may vary from management’s current expectations due to market conditions, our ability to generate cash flow at expected levels and our ability to generate expected earnings.

The New Wine and Spirits Transactions are subject to the satisfaction of certain closing conditions, including receipt of required regulatory clearances and governmental approvals, and the Ballast Point Transaction is subject to certain customary closing conditions. The Nobilo Transaction is also conditioned on completion of the Revised Wine and Spirits Transaction. For additional information about risks and uncertainties that could adversely affect our forward-looking statements, please refer to Item 1A “Risk Factors” of our 2019 Annual Report as supplemented by the additional factors set forth under Item 1A “Risk Factors” included in our Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2019.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Foreign Currency and Commodity Price Risk

Foreign currency derivative instruments are or may be used to hedge existing foreign currency denominated assets and liabilities, forecasted foreign currency denominated sales/purchases to/from third parties as well as intercompany sales/purchases, intercompany principal and interest payments, and in connection with investments, acquisitions, or divestitures outside the U.S. As of November 30, 2019, we had exposures to foreign currency risk primarily related to the Mexican peso, euro, Canadian dollar, and New Zealand dollar. Approximately 88% of our balance sheet exposures and forecasted transactional exposures for the remaining three months of fiscal 2020 were hedged as of November 30, 2019.

Commodity derivative instruments are or may be used to hedge forecasted commodity purchases from third parties as either economic hedges or accounting hedges. As of November 30, 2019, exposures to commodity price risk which we are currently hedging include aluminum, corn, diesel fuel, natural gas, and wheat prices. Approximately 87% of our forecasted transactional exposures for the remaining three months of fiscal 2020 were hedged as of November 30, 2019.

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

	Aggregate Notional Value		Fair Value, Net Asset (Liability)		Increase (Decrease) in Fair Value – Hypothetical 10% Adverse Change	
	November 30, 2019	November 30, 2018	November 30, 2019	November 30, 2018	November 30, 2019	November 30, 2018
(in millions)						
Foreign currency contracts	$ 2,921.2	$ 1,955.5	$ 33.9	$ (56.2)	$ (208.8)	$ 136.5
Commodity derivative contracts	$ 261.5	$ 260.2	$ (18.5)	$ (8.9)	$ 18.2	$ 22.1

Interest Rate Risk

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

As of November 30, 2019, we had $375.0 million of outstanding cash flow designated interest rate swap agreements which fixed LIBOR interest rates (to minimize interest rate volatility) on our floating LIBOR rate debt. There were no cash flow designated interest rate swap contracts outstanding as of

November 30, 2018. As of November 30, 2019, and November 30, 2018, there were no undesignated interest rate swap contracts outstanding.

We have performed a sensitivity analysis to estimate our exposure to market risk of interest rates reflecting the impact of a hypothetical 1% increase in the prevailing interest rates. The volatility of the applicable rates is dependent on many factors which cannot be forecasted with reliable accuracy. The aggregate notional value, estimated fair value and sensitivity analysis for our outstanding fixed and variable interest rate debt, including current maturities and open interest rate derivative instruments are summarized as follows:

	Aggregate Notional Value		Fair Value, Net Asset (Liability)		Increase (Decrease) in Fair Value – Hypothetical 1% Rate Increase	
	November 30, 2019	November 30, 2018	November 30, 2019	November 30, 2018	November 30, 2019	November 30, 2018
(in millions)						
Fixed interest rate debt	$ 10,076.3	$ 10,282.1	$ (10,692.7)	$ (9,855.4)	$ (697.9)	$ (569.0)
Variable interest rate debt	$ 2,359.1	$ 3,376.5	$ (2,389.4)	$ (3,333.6)	$ (54.5)	$ (98.1)
Interest rate swap contracts	$ 375.0	$ —	$ (0.6)	$ —	$ (1.2)	$ —

Equity Price Risk

The estimated fair value of our investments in the Canopy warrants and the Canopy convertible debt securities are subject to equity price risk, interest rate risk, credit risk, and foreign currency risk. These investments are recognized at fair value utilizing various option-pricing models and have the potential to fluctuate from, among other items, changes in the quoted market price of the underlying equity security. We manage our equity price risk exposure by closely monitoring the financial condition, performance, and outlook of Canopy Growth Corporation.

As of November 30, 2019, the fair value of our investments in the Canopy warrants and the Canopy convertible debt securities was $1,040.2 million, with an unrealized net gain (loss) on these investments of $(2,200.9) million recognized in our results of operations for the nine months ended November 30, 2019. We have performed a sensitivity analysis to estimate our exposure to market risk of the equity price reflecting the impact of a hypothetical 10% adverse change in the quoted market price of the underlying equity security. As of November 30, 2019, such a hypothetical 10% adverse change would have resulted in a decrease in fair value of$173.4 million.

For additional discussion on our market risk, refer to Notes 5 and 6 of the Financial Statements.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Our Chief Executive Officer and our Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by this report, that the Company’s “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) are effective to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

We plan to implement a new enterprise resource planning system across our business units using a phased approach over the next several years. There will be changes in our internal controls as this system becomes operational at each business unit. On December 1, 2019, our Mexico business unit implemented the new enterprise resource planning system which will result in changes in our internal controls for the quarter ended February 29, 2020.

In connection with the foregoing evaluation by our Chief Executive Officer and our Chief Financial Officer, no other changes were identified in the Company's "internal control over financial reporting" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(f) and 15d-15(f)) that occurred during our fiscal quarter ended November 30, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

As reported in the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2019, on August 21, 2019, Industria Vidriera de Coahuila, S. de R.L. de C.V. ("IVC"), the Mexican subsidiary of a consolidated joint venture of the Company, received from the Procuraduria de Protección al Ambiente de Coahuila ("PROPAEC") notification of an enforcement action for violations of certain laws in the Mexican state of Coahuila de Zaragoza regulating the discharge of wastewater into the environment. The notification was based on PROPAEC's evaluation of IVC's May 22, 2019 response to allegations arising from an inspection of IVC's facility originally conducted by PROPAEC on April 12, 2018. The allegations against IVC consisted of the discharge of wastewater from evaporators without PROPAEC's authorization and associated recordkeeping violations under relevant state environmental regulations. On September 19, 2019, IVC paid a penalty of MXN$2,196,740 (approximately $113,000) and related tax of MXN$494,267 (approximately $25,000).

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 6. Exhibits.

Exhibits required to be filed by Item 601 of Regulation S-K.

For the exhibits that are filed herewith or incorporated herein by reference, see the Index to Exhibits immediately following.

INDEX TO EXHIBITS

Exhibit No.	
2.1	Subscription Agreement, dated as of August 14, 2018, by and between CBG Holdings LLC and Canopy Growth Corporation, including, among other things, a form of the Amended and Restated Investor Rights Agreement (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated August 14, 2018, filed August 16, 2018, and incorporated herein by reference). †
2.2	Foreign Exchange Rate Agreement dated October 26, 2018 between CBG Holdings LLC and Canopy Growth Corporation (filed as Exhibit 2.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2018 and incorporated herein by reference).
2.3	Asset Purchase Agreement made and entered into by and between the Company and E. & J. Gallo Winery (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated April 3, 2019, filed April 8, 2019 and incorporated herein by reference). †
2.4	Binding Letter Agreement dated December 11, 2019 and effective December 11, 2019 between Constellation Brands, Inc. and E. & J. Gallo Winery regarding the Modified Transaction (including the Form of Amended Agreement) (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated December 11, 2019, filed December 17, 2019 and incorporated herein by reference). †‡
2.5	Nobilo Binding Letter Agreement dated December 11, 2019 and effective December 11, 2019 between Constellation Brands, Inc. and E. & J. Gallo Winery regarding the Nobilo Transaction (including the Form of Nobilo Asset Purchase Agreement) (filed as Exhibit 2.2 to the Company's Current Report on Form 8-K dated December 11, 2019, filed December 17, 2019 and incorporated herein by reference). †
3.1	Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2009 and incorporated herein by reference). #
3.2	Certificate of Amendment to the Certificate of Incorporation of the Company (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2009 and incorporated herein by reference). #
3.3	By-Laws of the Company, amended and restated as of October 3, 2018 (filed as Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2018 and incorporated herein by reference).
4.1	Indenture, dated as of April 17, 2012, by and among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated April 17, 2012, filed April 23, 2012 and incorporated herein by reference). #
4.2	Supplemental Indenture No. 1, with respect to 6.0% Senior Notes due May 2022, dated as of April 17, 2012, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (no longer outstanding) (filed as Exhibit 4.1.1 to the Company's Current Report on Form 8-K dated April 17, 2012, filed April 23, 2012 and incorporated herein by reference). #
4.3	Supplemental Indenture No. 3, with respect to 3.75% Senior Notes due May 2021, dated as of May 14, 2013, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 14, 2013, filed May 16, 2013 and incorporated herein by reference). #

4.4	Supplemental Indenture No. 4, with respect to 4.25% Senior Notes due May 2023, dated as of May 14, 2013, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 14, 2013, filed May 16, 2013 and incorporated herein by reference). #
4.5	Supplemental Indenture No. 5, dated as of June 7, 2013, among the Company, Constellation Brands Beach Holdings, Inc., Crown Imports LLC, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.4 to the Company's Current Report on Form 8-K dated June 7, 2013, filed June 11, 2013 and incorporated herein by reference). #
4.6	Supplemental Indenture No. 6, dated as of May 28, 2014, among the Company, Constellation Marketing Services, Inc., and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.21 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2014 and incorporated herein by reference). #
4.7	Supplemental Indenture No. 7, with respect to 3.875% Senior Notes due 2019, dated as of November 3, 2014, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (no longer outstanding) (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated November 3, 2014, filed November 7, 2014 and incorporated herein by reference). #
4.8	Supplemental Indenture No. 8, with respect to 4.750% Senior Notes due 2024, dated as of November 3, 2014, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated November 3, 2014, filed November 7, 2014 and incorporated herein by reference). #
4.9	Supplemental Indenture No. 9, with respect to 4.750% Senior Notes due 2025, dated as of December 4, 2015, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 4, 2015, filed December 8, 2015 and incorporated herein by reference).
4.10	Supplemental Indenture No. 10, dated as of January 15, 2016, among the Company, Home Brew Mart, Inc. and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.26 to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2016 and incorporated herein by reference).
4.11	Supplemental Indenture No. 11 with respect to 3.700% Senior Notes due 2026, dated as of December 6, 2016, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee, (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 6, 2016, filed December 6, 2016 and incorporated herein by reference).
4.12	Supplemental Indenture No. 12 with respect to 2.700% Senior Notes due 2022, dated as of May 9, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 9, 2017, filed May 9, 2017 and incorporated herein by reference).
4.13	Supplemental Indenture No. 13 with respect to 3.500% Senior Notes due 2027, dated as of May 9, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 9, 2017, filed May 9, 2017 and incorporated herein by reference).
4.14	Supplemental Indenture No. 14 with respect to 4.500% Senior Notes due 2047, dated as of May 9, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated May 9, 2017, filed May 9, 2017 and incorporated herein by reference).

4.15	Supplemental Indenture No. 15 with respect to 2.000% Senior Notes due 2019, dated as of November 7, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (no longer outstanding) (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated November 7, 2017, filed November 7, 2017 and incorporated herein by reference).
4.16	Supplemental Indenture No. 16 with respect to 2.250% Senior Notes due 2020, dated as of November 7, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated November 7, 2017, filed November 7, 2017 and incorporated herein by reference).
4.17	Supplemental Indenture No. 17 with respect to 2.650% Senior Notes due 2022, dated as of November 7, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated November 7, 2017, filed November 7, 2017 and incorporated herein by reference).
4.18	Supplemental Indenture No. 18 with respect to 3.200% Senior Notes due 2023, dated as of February 7, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 7, 2018 filed February 7, 2018 and incorporated herein by reference).
4.19	Supplemental Indenture No. 19 with respect to 3.600% Senior Notes due 2028, dated as of February 7, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated February 7, 2018 filed February 7, 2018 and incorporated herein by reference).
4.20	Supplemental Indenture No. 20 with respect to 4.100% Senior Notes due 2048, dated as of February 7, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated February 7, 2018 filed February 7, 2018 and incorporated herein by reference).
4.21	Supplemental Indenture No. 21 with respect to Senior Floating Rate Notes due 2021, dated as of October 29, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated October 29, 2018, filed October 29, 2018, and incorporated herein by reference).
4.22	Supplemental Indenture No. 22 with respect to 4.400% Senior Notes due 2025, dated as of October 29, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated October 29, 2018, filed October 29, 2018, and incorporated herein by reference).
4.23	Supplemental Indenture No. 23 with respect to 4.650% Senior Notes due 2028, dated as of October 29, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated October 29, 2018, filed October 29, 2018 and incorporated herein by reference).
4.24	Supplemental Indenture No. 24 with respect to 5.250% Senior Notes due 2048, dated as of October 29, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.4 to the Company's Current Report on Form 8-K dated October 29, 2018, filed October 29, 2018 and incorporated herein by reference).

4.25	Supplemental Indenture No. 25 with respect to 3.150% Senior Notes due 2029, dated as of July 29, 2019, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 29, 2019, filed July 29, 2019 and incorporated herein by reference).
4.26	Restatement Agreement, dated as of September 14, 2018, by and among the Company, CB International Finance S.à r.l., certain of the Company's subsidiaries as guarantors, Bank of America, N.A., as Administrative Agent, and the Lenders party thereto, including the Eighth Amended and Restated Credit Agreement dated as of September 14, 2018, by and among the Company, CB International Finance S.à r.l., Bank of America, N.A., as Administrative Agent, and the Lenders party thereto (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated September 14, 2018, filed September 19, 2018 and incorporated herein by reference).
4.27	2018 Term Loan Credit Agreement, dated as of September 14, 2018, by and among the Company, Bank of America, N.A., as Administrative Agent, and the Lenders party thereto (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated September 14, 2018, filed September 19, 2018 and incorporated herein by reference).
4.28	2019 Term Loan Credit Agreement, dated as of June 28, 2019, by and among the Company and Bank of America, N.A., as Administrative Agent and Lender (filed as Exhibit 4.1 to the Company Current Report on Form 8-K dated June 28, 2019, filed July 3, 2019 and incorporated herein by reference). †
10.1	Amended and Restated Guarantee Agreement, dated as of July 14, 2017, made by the subsidiaries of Constellation Brands, Inc. from time to time party thereto and Constellation Brands, Inc. in favor of Bank of America, N.A., as Administrative Agent, for the ratable benefit of the Lenders party to the Credit Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated July 14, 2017, filed July 19, 2017 and incorporated herein by reference).
10.2	Guarantee Agreement (2018 Term Loan Credit Agreement), dated as of September 14, 2018, made by the subsidiaries of Constellation Brands, Inc. from time to time party thereto in favor of Bank of America, N.A., as Administrative Agent, for the ratable benefit of the Lenders party to the 2018 Term Loan Credit Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 14, 2018, filed September 19, 2018 and incorporated herein by reference).
10.3	Guarantee Agreement (2019 Term Loan Credit Agreement), dated as of June 28, 2019, made by the subsidiaries of Constellation Brands, Inc. from time to time party thereto in favor of Bank of America, N.A., as Administrative Agent, for the ratable benefit of the Lenders party to the 2019 Term Loan Credit Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 28, 2019, filed July 3, 2019 and incorporated herein by reference).
10.4	Form of Executive Employment Agreement between Constellation Brands, Inc. and certain of its Other Executive Officers (including James O. Bourdeau, James A. Sabia, Jr., and Mallika Monteiro and to be entered into with Garth Hankinson) (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2017 and incorporated herein by reference). *
10.5	Description of Compensation Arrangements, as of July 16, 2019, for Non-Management Directors (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 24, 2019, filed September 25, 2019 and incorporated herein by reference). *
10.6	Description of Compensation Arrangements, as of January 1, 2020, for Non-Management Directors (filed herewith). *
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith).

31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith).
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (filed herewith).
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (filed herewith).
99.1	Consent Agreement, dated April 18, 2019, by and between CBG Holdings LLC and Canopy Growth Corporation (incorporated herein by reference to Exhibit 99.4 of Canopy Growth Corporation's Form 6-K filed April 30, 2019).
99.2	Second Amended and Restated Investor Rights Agreement, dated April 18, 2019, by and among Greenstar Canada Investment Limited Partnership, CBG Holdings LLC and Canopy Growth Corporation (incorporated herein by reference to Exhibit 99.3 of Canopy Growth Corporation's Form 6-K filed April 30, 2019).
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document (filed herewith).
101.SCH	XBRL Taxonomy Extension Schema Document (filed herewith).
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith).
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (filed herewith).
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document (filed herewith).
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

Company's Commission File No. 001-08495.

* Designates management contract or compensatory plan or arrangement.

† Certain schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K.

‡ Portions of this exhibit are redacted pursuant to Item 601(b)(2)(ii) of Regulation S-K.

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

SIGNATURES

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

			CONSTELLATION BRANDS, INC.
Date:	January 8, 2020	By:	/s/ Kenneth W. Metz
			Kenneth W. Metz, Vice President and Controller
Date:	January 8, 2020	By:	/s/ David Klein
			David Klein, Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)

Exhibit 10.6

Description of Compensation Arrangements for Non-Management Directors

As of January 1, 2020

The following is a description of the compensation arrangements for the non-management directors of Constellation Brands, Inc. The Company's annual compensation program for non-management directors for their service as directors consists of a board cash retainer, a lead director cash retainer, chair fees, restricted stock units, non-qualified stock options, an annual product allowance, and a matching charitable contribution program.

The board cash retainer consists of an annual retainer equal to $100,000 paid in quarterly installments. The lead director cash retainer consists of a $25,000 annual cash retainer to be paid to the Board's lead director, if any, payable in quarterly installments. The chair fees consist of annual fees of $20,000 for the positions of Chair of the Audit Committee and Chair of the Human Resources Committee, and $15,000 for the Chair of the Corporate Governance Committee, which are paid in quarterly installments.

Long-term incentive awards in the form of stock options and restricted stock units granted under the Company's Long-Term Stock Incentive Plan are another element of non-management director compensation. As approved by the Board of Directors, each non-management director receives the following annually:

1. A non-qualified stock option grant with a grant date fair value of $55,000 computed in accordance with FASB ASC Topic 718.

2. A restricted stock unit award with a grant date fair value of $102,500. (Each restricted stock unit is to represent a contingent right to receive one share of the Company's Class A Common Stock.)

While the Board has the flexibility to determine at the time of each grant the vesting provisions for that grant, currently stock options vest six (6) months following the date of grant and restricted stock units vest on July 1st following the date of grant. The Long-Term Stock Incentive Plan, Amended and Restated as of July 18, 2017, is filed as Exhibit 10.4 to the Company's Current Report on Form 8-K dated July 18, 2017 and filed July 20, 2017.

Non-management directors are reimbursed for reasonable expenses incurred in connection with their attendance at Board and Committee meetings. They also receive an annual product allowance in the form of a $5,000 cash payment and are eligible to participate in the Company's charitable matching contribution program whereby they can direct all or a portion of the Company's charitable matching contributions not in excess of $5,000.

Members of the Board of Directors who are members of management serve without receiving any additional fees or other compensation for their service on the Board.

Exhibit 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION
OF CHIEF EXECUTIVE OFFICER

Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended November 30, 2019

I, William A. Newlands, certify that:

1. I have reviewed this report on Form 10-Q of Constellation Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: January 8, 2020

/s/ William A. Newlands

William A. Newlands

President and
Chief Executive Officer

Exhibit 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION
OF CHIEF FINANCIAL OFFICER

Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended November 30, 2019

I, David Klein, certify that:

1. I have reviewed this report on Form 10-Q of Constellation Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 8, 2020

/s/ David Klein

David Klein

Executive Vice President and
Chief Financial Officer

Exhibit 32.1

SECTION 1350 CERTIFICATION
OF CHIEF EXECUTIVE OFFICER

Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended November 30, 2019

In connection with the Constellation Brands, Inc. Quarterly Report on Form 10-Q for the Fiscal Quarter Ended November 30, 2019, I, William A. Newlands, certify pursuant to 18 U.S.C. Section 1350 that, to the best of my knowledge:

1. The Quarterly Report on Form 10-Q for the Fiscal Quarter Ended November 30, 2019 of Constellation Brands, Inc. fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the periodic report on Form 10-Q for the Fiscal Quarter Ended November 30, 2019 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: January 8, 2020

/s/ William A. Newlands
William A. Newlands
President and
Chief Executive Officer

Exhibit 32.2

SECTION 1350 CERTIFICATION
OF CHIEF FINANCIAL OFFICER

Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended November 30, 2019

In connection with the Constellation Brands, Inc. Quarterly Report on Form 10-Q for the Fiscal Quarter Ended November 30, 2019, I, David Klein, certify pursuant to 18 U.S.C. Section 1350 that, to the best of my knowledge:

1. The Quarterly Report on Form 10-Q for the Fiscal Quarter Ended November 30, 2019 of Constellation Brands, Inc. fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the periodic report on Form 10-Q for the Fiscal Quarter Ended November 30, 2019 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: January 8, 2020

/s/ David Klein
David Klein
Executive Vice President and
Chief Financial Officer