

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

(Mark One)

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

For the quarterly period ended May 31, 2023

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**

**CONSTELLATION BRANDS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**16-0716709**

(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:

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 183,300,716 shares of Class A Common Stock and 23,425 shares of Class 1 Common Stock outstanding as of June 23, 2023.

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*This Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond 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 MD&A.*

## Defined Terms

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

Term	Meaning
\$	U.S. dollars
3.20% February 2018 Senior Notes	\$600.0 million principal amount of 3.20% senior notes issued in February 2018, partially tendered in May 2022, and fully redeemed in June 2022, prior to maturity
4.25% May 2013 Senior Notes	\$1,050.0 million principal amount of 4.25% senior notes issued in May 2013, partially tendered in May 2022, and fully redeemed in June 2022, prior to maturity
2021 Authorization	authority to repurchase up to \$2.0 billion of our publicly traded common stock, authorized in January 2021 by our Board of Directors
2022 Credit Agreement	tenth amended and restated credit agreement, dated as of April 14, 2022, that provides for an aggregate revolving credit facility of \$2.25 billion
2023 Annual Report	our Annual Report on Form 10-K for the fiscal year ended February 28, 2023
2023 Canopy Promissory Note	C\$100.0 million principal amount of 4.25% promissory note issued to us by Canopy in April 2023
3-tier	distribution channel where products are sold to a distributor (wholesaler) who then sells to a retailer; the retailer sells the products to a consumer
3-tier eCommerce	digital commerce experience for consumers to purchase beverage alcohol from retailers
ABA	alternative beverage alcohol
Administrative Agent	Bank of America, N.A., as administrative agent for the senior credit facility and term loan credit agreements
Amended and Restated By-Laws	our amended and restated by-laws which became effective at the Effective Time
Amended and Restated Charter	our amended and restated certificate of incorporation which effectuated the Reclassification at the Effective Time
AOCI	accumulated other comprehensive income (loss)
April 2022 Term Credit Agreement	amended and restated term loan credit agreement, dated as of March 26, 2020, that provided for aggregate facilities of \$491.3 million, consisting of the Five-Year Term Facility, inclusive of amendments dated as of June 10, 2021, and April 14, 2022
August 2022 Term Credit Agreement	term loan credit agreement, dated as of August 9, 2022, that provided for a \$1.0 billion unsecured delayed draw three-year term loan facility
Austin Cocktails	we made an initial investment in the Austin Cocktails business and subsequently acquired the remaining ownership interest
BioSteel	BioSteel Sports Nutrition Inc., a subsidiary of Canopy
C\$	Canadian dollars
Canopy	we made an investment in Canopy Growth Corporation, an Ontario, Canada-based public company
Canopy Amendment	a proposed resolution authorizing amending Canopy’s share capital to create Exchangeable Shares and providing for the conversion of Canopy common shares into Exchangeable Shares on a one-for-one basis at any time and at the option of the holder of such shares
Canopy Debt Securities	debt securities issued by Canopy in June 2018
Canopy Equity Method Investment	an investment in Canopy common shares
Canopy Strategic Transaction(s)	any potential acquisition, divestiture, investment, or other similar transaction made by Canopy, including but not limited to the Canopy Transaction
Canopy Transaction	proposed corporate transaction by Canopy, including the creation of Exchangeable Shares, designed to consolidate its U.S. cannabis assets into Canopy USA
Canopy USA	a new U.S. holding company formed by Canopy

Term	Meaning
CB International	CB International Finance S.à r.l., a wholly-owned subsidiary of ours
Class 1 Stock	our Class 1 Convertible Common Stock, par value \$0.01 per share
Class A Stock	our Class A Common Stock, par value \$0.01 per share
Class B Stock	our Class B Convertible Common Stock, par value \$0.01 per share, eliminated on November 10, 2022, pursuant to the Reclassification
CODM	chief operating decision maker
Comparable Adjustments	certain items affecting comparability that have been excluded by management
Consent Agreement	an agreement between Canopy and (i) Greenstar Canada Investment Limited Partnership and (ii) CBG Holdings LLC, our indirect, wholly-owned subsidiaries
CPG	consumer packaged goods
Craft Beer Divestitures	the Four Corners Divestiture and the Funky Buddha Divestiture, collectively
Daleville Facility	production facility located in Roanoke, Virginia
Depletions	represent U.S. domestic distributor shipments of our respective branded products to retail customers, based on third-party data
Digital Business Acceleration	a phased initiative by the Company to create a cohesive digital strategy and build an advanced digital business in the coming years
DTC	direct-to-consumer inclusive of (i) a digital commerce experience for consumers to purchase directly from brand websites with inventory coming straight from the supplier and (ii) consumer purchases at hospitality locations (tasting rooms and tap rooms) from the supplier
Effective Time	the time that the Amended and Restated Charter was duly filed with the Secretary of State of the State of Delaware on November 10, 2022
ESG	environmental, social, and governance
Exchangeable Shares	proposed new class of non-voting and non-participating exchangeable shares in Canopy which will be convertible into common shares of Canopy
Exchange Act	Securities Exchange Act of 1934, as amended
Financial Statements	our consolidated financial statements and notes thereto included herein
First Quarter 2023	the Company's three months ended May 31, 2023
First Quarter 2024	the Company's three months ended May 31, 2024
Fiscal 2023	the Company's fiscal year ended February 28, 2023
Fiscal 2024	the Company's fiscal year ending February 29, 2024
Fiscal 2025	the Company's fiscal year ending February 28, 2025
Fiscal 2026	the Company's fiscal year ending February 28, 2026
Fiscal 2027	the Company's fiscal year ending February 28, 2027
Fiscal 2028	the Company's fiscal year ending February 29, 2028
Fiscal 2029	the Company's fiscal year ending February 28, 2029
Five-Year Term Facility	a five-year term loan facility under the April 2022 Term Credit Agreement
Form 10-Q	this Quarterly Report on Form 10-Q for the quarterly period ended May 31, 2023, unless otherwise specified
Four Corners Divestiture	sale of the Four Corners Brewing Company LLC business
Funky Buddha Divestiture	sale of the Funky Buddha Brewery LLC business
GHG	greenhouse gas
IRA	Inflation Reduction Act of 2022, signed into law in the U.S. on August 16, 2022
IT	information technology
Lender	Bank of America, N.A., as lender for the April 2022 Term Credit Agreement
Lingua Franca	Lingua Franca, LLC business, acquired by us
May 2023 Senior Notes	\$750.0 million aggregate principal amount of senior notes issued in May 2023

Term	Meaning
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations under Part I – Item 2. of this Form 10-Q
Mexicali Brewery	canceled brewery construction project located in Mexicali, Baja California, Mexico
Mexico Beer Projects	expansion, optimization, and/or construction activities at the Obregon Brewery, Nava Brewery, and Veracruz Brewery
M&T	Manufacturers and Traders Trust Company
NA	not applicable
Nava	Nava, Coahuila, Mexico
Nava Brewery	brewery located in Nava
Net sales	gross sales less promotions, returns and allowances, and excise taxes
NM	not meaningful
Note(s)	notes to the consolidated financial statements
November 2018 Canopy Warrants	warrants acquired in November 2018 which give us the option to purchase common shares of Canopy
Obregon	Obregon, Sonora, Mexico
Obregon Brewery	brewery located in Obregon
OCI	other comprehensive income (loss)
October 2022 Credit Agreement Amendments	amendments dated as of October 18, 2022, to the 2022 Credit Agreement, the April 2022 Term Credit Agreement, and the August 2022 Term Credit Agreement
Pre-issuance hedge contracts	treasury lock and/or swap lock contracts designated as cash flow hedges entered into to hedge treasury rate volatility on future debt issuances
Reclassification	the reclassification, exchange, and conversion of the Company's common stock to eliminate the Class B Stock pursuant to the terms and conditions of the Reclassification Agreement
Reclassification Agreement	reclassification agreement in support of the Reclassification, dated June 30, 2022, among the Company and the Sands Family Stockholders
RTD	ready-to-drink
SEC	Securities and Exchange Commission
Sands Family Stockholders	RES Master LLC, RES Business Holdings LP, SER Business Holdings LP, RHT 2015 Business Holdings LP, RSS Master LLC, RSS Business Holdings LP, SSR Business Holdings LP, RSS 2015 Business Holdings LP, RCT 2015 Business Holdings LP, RCT 2020 Investments LLC, NSDT 2009 STZ LLC, NSDT 2011 STZ LLC, RSS Business Management LLC, SSR Business Management LLC, LES Lauren Holdings LLC, MES Mackenzie Holdings LLC, Abigail Bennett, Zachary Stern, A&Z 2015 Business Holdings LP (subsequently liquidated), Marilyn Sands Master Trust, MAS Business Holdings LP, Sands Family Foundation, Richard Sands, Robert Sands, WildStar Partners LLC, Astra Legacy LLC, AJB Business Holdings LP, and ZMSS Business Holdings LP
Securities Act	Securities Act of 1933, as amended
SOFR	secured overnight financing rate administered by the Federal Reserve Bank of New York
TRUE Zero Waste to Landfill Certification	the first zero waste certification program dedicated to measuring, improving, and recognizing zero waste performance by encouraging the adoption of sustainable materials management and reduction practices which contribute to positive environmental, health, and economic outcomes
U.S.	United States of America
Veracruz	Heroica Veracruz, Veracruz, Mexico
Veracruz Brewery	a new brewery being constructed in Veracruz
Wine Divestiture	sale of certain mainstream and premium wine brands and related inventory

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements.

**CONSTELLATION BRANDS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in millions, except share and per share data)  
(unaudited)

	May 31, 2023	February 28, 2023
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 192.5	\$ 133.5
Accounts receivable	933.1	901.6
Inventories	1,951.4	1,898.7
Prepaid expenses and other	575.6	562.3
<b>Total current assets</b>	<b>3,652.6</b>	<b>3,496.1</b>
Property, plant, and equipment	7,190.1	6,865.2
Goodwill	7,953.9	7,925.4
Intangible assets	2,727.4	2,728.1
Equity method investments	291.3	663.3
Deferred income taxes	2,160.5	2,193.3
Other assets	783.4	790.9
<b>Total assets</b>	<b>\$ 24,759.2</b>	<b>\$ 24,662.3</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Short-term borrowings	\$ 819.1	\$ 1,165.3
Current maturities of long-term debt	558.1	9.5
Accounts payable	1,003.3	941.5
Other accrued expenses and liabilities	810.0	852.0
<b>Total current liabilities</b>	<b>3,190.5</b>	<b>2,968.3</b>
Long-term debt, less current maturities	10,979.8	11,286.5
Deferred income taxes and other liabilities	1,680.7	1,673.6
<b>Total liabilities</b>	<b>15,851.0</b>	<b>15,928.4</b>
Commitments and contingencies		
<b>CBI stockholders' equity:</b>		
Class A Stock, \$0.01 par value – Authorized, 322,000,000 shares; Issued, 212,697,508 shares and 212,697,428 shares, respectively	2.1	2.1
Additional paid-in capital	1,918.1	1,903.0
Retained earnings	12,316.7	12,343.9
Accumulated other comprehensive income (loss)	242.9	28.5
	<b>14,479.8</b>	<b>14,277.5</b>
Less: Treasury stock – Class A Stock, at cost, 29,438,466 shares and 29,498,426 shares, respectively	<b>(5,894.8)</b>	<b>(5,863.9)</b>
<b>Total CBI stockholders' equity</b>	<b>8,585.0</b>	<b>8,413.6</b>
Noncontrolling interests	323.2	320.3
<b>Total stockholders' equity</b>	<b>8,908.2</b>	<b>8,733.9</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 24,759.2</b>	<b>\$ 24,662.3</b>

The accompanying notes are an integral part of these statements.

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

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

	For the Three Months Ended May 31,	
	2023	2022
Sales	\$ 2,699.5	\$ 2,540.7
Excise taxes	(184.6)	(177.5)
<b>Net sales</b>	<b>2,514.9</b>	<b>2,363.2</b>
Cost of product sold	(1,257.1)	(1,108.2)
<b>Gross profit</b>	<b>1,257.8</b>	<b>1,255.0</b>
Selling, general, and administrative expenses	(493.1)	(438.6)
<b>Operating income (loss)</b>	<b>764.7</b>	<b>816.4</b>
Income (loss) from unconsolidated investments	(415.4)	(187.9)
Interest expense	(118.2)	(88.5)
Loss on extinguishment of debt	(0.7)	(15.3)
<b>Income (loss) before income taxes</b>	<b>230.4</b>	<b>524.7</b>
(Provision for) benefit from income taxes	(91.2)	(125.4)
<b>Net income (loss)</b>	<b>139.2</b>	<b>399.3</b>
Net (income) loss attributable to noncontrolling interests	(3.3)	(9.8)
<b>Net income (loss) attributable to CBI</b>	<b>\$ 135.9</b>	<b>\$ 389.5</b>
Comprehensive income (loss)	\$ 364.5	\$ 658.3
Comprehensive (income) loss attributable to noncontrolling interests	(14.2)	(22.4)
<b>Comprehensive income (loss) attributable to CBI</b>	<b>\$ 350.3</b>	<b>\$ 635.9</b>
<b>Net income (loss) per common share attributable to CBI:</b>		
Basic – Class A Stock	\$ 0.74	\$ 2.09
Basic – Class B Stock	NA	\$ 1.89
Diluted – Class A Stock	\$ 0.74	\$ 2.06
Diluted – Class B Stock	NA	\$ 1.89
<b>Weighted average common shares outstanding:</b>		
Basic – Class A Stock	183.270	165.335
Basic – Class B Stock	NA	23.206
Diluted – Class A Stock	183.863	189.333
Diluted – Class B Stock	NA	23.206
<b>Cash dividends declared per common share:</b>		
Class A Stock	\$ 0.89	\$ 0.80
Class B Stock	NA	\$ 0.72

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)

	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, 2023	\$ 2.1	\$ —	\$ 1,903.0	\$ 12,343.9	\$ 28.5	\$ (5,863.9)	\$ 320.3	\$ 8,733.9
Comprehensive income (loss):								
Net income (loss)	—	—	—	135.9	—	—	3.3	139.2
Other comprehensive income (loss), net of income tax effect	—	—	—	—	214.4	—	10.9	225.3
Comprehensive income (loss)								364.5
Repurchase of shares	—	—	—	—	—	(35.0)	—	(35.0)
Dividends declared	—	—	—	(163.1)	—	—	—	(163.1)
Noncontrolling interest distributions	—	—	—	—	—	—	(11.3)	(11.3)
Shares issued under equity compensation plans	—	—	0.6	—	—	4.1	—	4.7
Stock-based compensation	—	—	14.5	—	—	—	—	14.5
Balance at May 31, 2023	<u>\$ 2.1</u>	<u>\$ —</u>	<u>\$ 1,918.1</u>	<u>\$ 12,316.7</u>	<u>\$ 242.9</u>	<u>\$ (5,894.8)</u>	<u>\$ 323.2</u>	<u>\$ 8,908.2</u>
Balance at February 28, 2022	\$ 1.9	\$ 0.3	\$ 1,808.9	\$ 14,505.4	\$ (412.7)	\$ (4,171.9)	\$ 315.9	\$ 12,047.8
Comprehensive income (loss):								
Net income (loss)	—	—	—	389.5	—	—	9.8	399.3
Other comprehensive income (loss), net of income tax effect	—	—	—	—	246.4	—	12.6	259.0
Comprehensive income (loss)								658.3
Repurchase of shares	—	—	—	—	—	(1,007.6)	—	(1,007.6)
Dividends declared	—	—	—	(148.7)	—	—	—	(148.7)
Noncontrolling interest distributions	—	—	—	—	—	—	(11.2)	(11.2)
Shares issued under equity compensation plans	—	—	(0.6)	—	—	3.8	—	3.2
Stock-based compensation	—	—	16.7	—	—	—	—	16.7
Balance at May 31, 2022	<u>\$ 1.9</u>	<u>\$ 0.3</u>	<u>\$ 1,825.0</u>	<u>\$ 14,746.2</u>	<u>\$ (166.3)</u>	<u>\$ (5,175.7)</u>	<u>\$ 327.1</u>	<u>\$ 11,558.5</u>

The accompanying notes are an integral part of these statements.



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

(in millions)  
(unaudited)

For the Three Months  
Ended May 31,

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 139.2	\$ 399.3
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Unrealized net (gain) loss on securities measured at fair value	71.8	22.4
Deferred tax provision (benefit)	(0.3)	21.5
Depreciation	105.3	92.7
Stock-based compensation	14.5	16.8
Equity in (earnings) losses of equity method investees and related activities, net of distributed earnings	220.6	165.5
Noncash lease expense	22.0	21.6
Amortization of debt issuance costs and loss on extinguishment of debt	3.4	17.7
Impairment of Canopy Equity Method Investment	123.5	—
Gain (loss) on settlement of Pre-issuance hedge contracts	1.0	20.7
Change in operating assets and liabilities, net of effects from purchase and sale of business:		
Accounts receivable	(31.5)	17.2
Inventories	(57.6)	(83.0)
Prepaid expenses and other current assets	(17.9)	93.7
Accounts payable	34.2	94.5
Deferred revenue	24.3	26.2
Other accrued expenses and liabilities	(73.2)	(166.2)
Other	86.1	(2.4)
Total adjustments	526.2	358.9
<b>Net cash provided by (used in) operating activities</b>	<b>665.4</b>	<b>758.2</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant, and equipment	(277.0)	(196.6)
Purchase of business, net of cash acquired	—	(37.2)
Investments in equity method investees and securities	(21.6)	—
Proceeds from sale of assets	—	6.5
Proceeds from sale of business	6.7	—
Other investing activities	—	0.5
<b>Net cash provided by (used in) investing activities</b>	<b>(291.9)</b>	<b>(226.8)</b>

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

(in millions)  
(unaudited)

For the Three Months  
Ended May 31,

	2023	2022
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of long-term debt	744.8	1,846.8
Principal payments of long-term debt	(502.5)	(1,084.7)
Net proceeds from (repayments of) short-term borrowings	(346.3)	(199.0)
Dividends paid	(164.1)	(149.3)
Purchases of treasury stock	(35.0)	(1,007.6)
Proceeds from shares issued under equity compensation plans	15.9	14.0
Payments of minimum tax withholdings on stock-based payment awards	(11.2)	(10.4)
Payments of debt issuance, debt extinguishment, and other financing costs	(5.0)	(25.8)
Distributions to noncontrolling interests	(11.3)	(11.2)
<b>Net cash provided by (used in) financing activities</b>	<b>(314.7)</b>	<b>(627.2)</b>
Effect of exchange rate changes on cash and cash equivalents	0.2	(1.8)
Net increase (decrease) in cash and cash equivalents	59.0	(97.6)
Cash and cash equivalents, beginning of period	133.5	199.4
<b>Cash and cash equivalents, end of period</b>	<b>\$ 192.5</b>	<b>\$ 101.8</b>
<b>Supplemental disclosures of noncash investing and financing activities</b>		
Additions to property, plant, and equipment	\$ 142.2	\$ 83.1

The accompanying notes are an integral part of these statements.

**CONSTELLATION BRANDS, INC. AND SUBSIDIARIES****MAY 31, 2023**

(unaudited)

**1. BASIS OF PRESENTATION**

We have prepared the Financial Statements, without audit, pursuant to the rules and regulations of the SEC applicable to quarterly reporting on Form 10-Q and reflect, in our opinion, all adjustments necessary to present fairly our financial information. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements, prepared in accordance with generally accepted accounting principles, have been condensed or omitted as permitted by such rules and regulations. These Financial Statements should be read in conjunction with the consolidated financial statements and related notes included in the 2023 Annual Report. Results of operations for interim periods are not necessarily indicative of annual results.

Effective May 31, 2023, we changed our internal management financial reporting to consist of two business divisions: (i) Beer and (ii) Wine and Spirits and we now report our operating results in three segments: (i) Beer, (ii) Wine and Spirits, and (iii) Corporate Operations and Other following the removal of the Canopy operating segment. All financial information for the three months ended May 31, 2022, has been restated to conform to the new segment presentation. For additional information, refer to Note 13.

**2. INVENTORIES**

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

	May 31, 2023	February 28, 2023
(in millions)		
Raw materials and supplies	\$ 239.1	\$ 245.5
In-process inventories	956.3	967.8
Finished case goods	756.0	685.4
	<u>\$ 1,951.4</u>	<u>\$ 1,898.7</u>

**3. DERIVATIVE INSTRUMENTS***Overview*

Our risk management and derivative accounting policies are presented in Notes 1 and 6 of our consolidated financial statements included in our 2023 Annual Report and have not changed significantly for the three months ended May 31, 2023.

We have an investment 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 7). This investment is included in other assets and is accounted for at fair value, with the net gain (loss) from the changes in fair value of this investment recognized in income (loss) from unconsolidated investments (see Note 4). We intend to surrender this investment for cancellation upon completion of the Canopy Transaction and if we elect to convert our Canopy common shares into Exchangeable Shares.

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

	May 31, 2023	February 28, 2023
<u>(in millions)</u>		
<u>Derivative instruments designated as hedging instruments</u>		
Foreign currency contracts	\$ 1,880.5	\$ 1,969.5
<u>Derivative instruments not designated as hedging instruments</u>		
Foreign currency contracts	\$ 669.7	\$ 831.7
Commodity derivative contracts	\$ 392.1	\$ 416.5

### ***Credit risk***

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

In addition, our derivative instruments are not subject to credit rating contingencies or collateral requirements. As of May 31, 2023, the estimated fair value of derivative instruments in a net liability position due to counterparties was \$2.9 million. If we were required to settle the net liability position under these derivative instruments on May 31, 2023, we would have had sufficient available liquidity on hand to satisfy this obligation.

### ***Results of period derivative activity***

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

		Assets		Liabilities	
		May 31, 2023	February 28, 2023	May 31, 2023	February 28, 2023
<u>(in millions)</u>					
<u>Derivative instruments designated as hedging instruments</u>					
Foreign currency contracts:					
Prepaid expenses and other	\$	134.6	\$ 109.1	Other accrued expenses and liabilities	\$ 9.3 \$ 9.8
Other assets	\$	163.7	\$ 134.5	Deferred income taxes and other liabilities	\$ 3.4 \$ 3.5
<u>Derivative instruments not designated as hedging instruments</u>					
Foreign currency contracts:					
Prepaid expenses and other	\$	4.3	\$ 5.9	Other accrued expenses and liabilities	\$ 2.9 \$ 3.9
Commodity derivative contracts:					
Prepaid expenses and other	\$	8.7	\$ 21.2	Other accrued expenses and liabilities	\$ 32.0 \$ 19.5
Other assets	\$	1.5	\$ 4.6	Deferred income taxes and other liabilities	\$ 13.5 \$ 8.3

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

Derivative Instruments in Designated Cash Flow Hedging Relationships	Net Gain (Loss) Recognized in OCI	Location of Net Gain (Loss) Reclassified from AOCI to Income (Loss)	Net Gain (Loss) Reclassified from AOCI to Income (Loss)
(in millions)			
<u>For the Three Months Ended May 31, 2023</u>			
Foreign currency contracts	\$ 79.3	Sales	\$ —
		Cost of product sold	26.4
Pre-issuance hedge contracts	0.6	Interest expense	(0.2)
	<u>\$ 79.9</u>		<u>\$ 26.2</u>
<u>For the Three Months Ended May 31, 2022</u>			
Foreign currency contracts	\$ 79.5	Sales	\$ (0.6)
		Cost of product sold	11.1
Pre-issuance hedge contracts	15.7	Interest expense	(0.5)
	<u>\$ 95.2</u>		<u>\$ 10.0</u>

We expect \$110.0 million of net gains, net of income tax effect, to be reclassified from AOCI to our results of operations within the next 12 months.

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

Derivative Instruments Not Designated as Hedging Instruments	Location of Net Gain (Loss) Recognized in Income (Loss)	Net Gain (Loss) Recognized in Income (Loss)
(in millions)		
<u>For the Three Months Ended May 31, 2023</u>		
Commodity derivative contracts	Cost of product sold	\$ (34.7)
Foreign currency contracts	Selling, general, and administrative expenses	12.7
		<u>\$ (22.0)</u>
<u>For the Three Months Ended May 31, 2022</u>		
Commodity derivative contracts	Cost of product sold	\$ 48.5
Foreign currency contracts	Selling, general, and administrative expenses	6.2
		<u>\$ 54.7</u>

#### 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs include data points that are observable such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or similar assets or liabilities in markets

that are not active, and inputs (other than quoted prices) such as volatility, interest rates, and yield curves that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

### **Fair value methodology**

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

#### *Foreign currency and commodity derivative contracts*

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

#### *Interest rate swap and Pre-issuance hedge 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 investment*

In April 2023, we extended the maturity of the remaining C\$100.0 million principal amount of our Canopy Debt Securities by exchanging them for the 2023 Canopy Promissory Note. As such, our investment in Canopy is comprised of the (i) Canopy Equity Method Investment, (ii) November 2018 Canopy Warrants, and (iii) 2023 Canopy Promissory Note. The November 2018 Canopy Warrants and the 2023 Canopy Promissory Note are measured at fair value. Effective as of May 31, 2023, we determined that neither of these instruments had future economic value given Canopy's stock price relative to the exercise price of the warrants and the substantial doubt about Canopy's ability to continue as a going concern, as disclosed by Canopy, prior to the maturity of the note. Accordingly, the fair value of the remaining balances for these instruments were determined to be zero. This reduction in fair value is included in income (loss) from unconsolidated investments within our consolidated results of operations for the three months ended May 31, 2023. If the Canopy Amendment is authorized by Canopy's shareholders, we intend to negotiate an exchange of the 2023 Canopy Promissory Note for Exchangeable Shares, although neither we nor Canopy has any binding obligation to do so, and we also intend to surrender the November 2018 Canopy Warrants for cancellation upon completion of the Canopy Transaction and if we elect to convert our Canopy common shares into Exchangeable Shares.

#### *Short-term borrowings*

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

#### *Long-term debt*

The term loan under our term loan credit agreement is a variable interest rate bearing note with a fixed margin, adjustable based upon our debt rating. The carrying value approximates the fair value of the term loan. The fair value of the remaining fixed interest rate long-term debt is estimated by discounting cash flows using interest rates currently available for debt with similar terms and maturities (Level 2 fair value measurement).

The carrying amounts of certain of our financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable, approximate fair value as of May 31, 2023, and February 28, 2023, due to the relatively short maturity of these instruments. As of May 31, 2023, the carrying amount of long-term debt, including the current portion, was \$11,537.9 million, compared with an estimated fair value of \$10,735.9 million. As of February 28, 2023, the carrying amount of long-term debt, including the current portion, was \$11,296.0 million, compared with an estimated fair value of \$10,236.0 million.

**Recurring basis measurements**

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

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(in millions)				
<u>May 31, 2023</u>				
Assets:				
Foreign currency contracts	\$ —	\$ 302.6	\$ —	\$ 302.6
Commodity derivative contracts	\$ —	\$ 10.2	\$ —	\$ 10.2
Liabilities:				
Foreign currency contracts	\$ —	\$ 15.6	\$ —	\$ 15.6
Commodity derivative contracts	\$ —	\$ 45.5	\$ —	\$ 45.5
<u>February 28, 2023</u>				
Assets:				
Foreign currency contracts	\$ —	\$ 249.5	\$ —	\$ 249.5
Commodity derivative contracts	\$ —	\$ 25.8	\$ —	\$ 25.8
November 2018 Canopy Warrants	\$ —	\$ 0.2	\$ —	\$ 0.2
Canopy Debt Securities	\$ —	\$ 69.6	\$ —	\$ 69.6
Liabilities:				
Foreign currency contracts	\$ —	\$ 17.2	\$ —	\$ 17.2
Commodity derivative contracts	\$ —	\$ 27.8	\$ —	\$ 27.8

**Nonrecurring basis measurements**

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

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

**Equity method investments**

We evaluated the Canopy Equity Method Investment as of May 31, 2023, and determined there was an other-than-temporary impairment. Our conclusion was based on several contributing factors, including: (i) the fair value being less than the carrying value and the uncertainty surrounding Canopy's stock price recovering in the near-term, (ii) Canopy recorded significant costs in its fourth quarter of fiscal 2023 results designed to align its Canadian cannabis operations and resources in response to continued unfavorable market trends, (iii) the substantial doubt about Canopy's ability to continue as a going concern, as disclosed by Canopy, and (iv) Canopy's identification of material misstatements in certain of its previously reported financial results related to sales in its BioSteel reporting unit that were accounted for incorrectly, including the recording of a goodwill impairment during its restated second quarter of fiscal 2023. As a result, the Canopy Equity Method Investment with a carrying

value of \$266.2 million was written down to its estimated fair value of \$142.7 million, resulting in an impairment of \$123.5 million. This loss from impairment was included in income (loss) from unconsolidated investments within our consolidated results for the three months ended May 31, 2023. The estimated fair value was determined based on the closing price of the underlying equity security as of May 31, 2023.

## 5. GOODWILL

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

(in millions)	Beer	Wine and Spirits	Consolidated
Balance, February 28, 2022	\$ 5,120.7	\$ 2,741.7	\$ 7,862.4
Purchase accounting allocations <sup>(1)</sup>	—	26.3	26.3
Wine Divestiture	—	(24.5)	(24.5)
Foreign currency translation adjustments	68.2	(7.0)	61.2
Balance, February 28, 2023	5,188.9	2,736.5	7,925.4
Foreign currency translation adjustments	30.1	(1.6)	28.5
Balance, May 31, 2023	<u>\$ 5,219.0</u>	<u>\$ 2,734.9</u>	<u>\$ 7,953.9</u>

<sup>(1)</sup> Purchase accounting allocations associated with the acquisitions of Austin Cocktails, Lingua Franca, and My Favorite Neighbor, LLC.

### Divestiture

#### *Wine Divestiture*

On October 6, 2022, we sold certain of our mainstream and premium wine brands and related inventory. The net cash proceeds from the Wine Divestiture were utilized primarily to reduce outstanding borrowings. Prior to the Wine Divestiture, we recorded the results of operations of these brands in the Wine and Spirits segment.

### Acquisitions

#### *Austin Cocktails*

In April 2022, we acquired the remaining 73% ownership interest in Austin Cocktails, which included a portfolio of small batch, RTD cocktails. This transaction primarily included the acquisition of goodwill and a trademark. In addition, the purchase price for Austin Cocktails includes an earn-out over five years based on performance. The results of operations of Austin Cocktails are reported in the Wine and Spirits segment and have been included in our consolidated results of operations from the date of acquisition.

#### *Lingua Franca*

In March 2022, we acquired the Lingua Franca business, including a collection of Oregon-based luxury wines, a vineyard, and a production facility. This transaction also included the acquisition of a trademark and inventory. In addition, the purchase price for Lingua Franca includes an earn-out over seven years based on performance. The results of operations of Lingua Franca are reported in the Wine and Spirits segment and have been included in our consolidated results of operations from the date of acquisition.

### Subsequent event

#### *Craft Beer Divestitures*

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



## 6. INTANGIBLE ASSETS

The major components of intangible assets are as follows:

	May 31, 2023		February 28, 2023	
	Gross Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
(in millions)				
<u>Amortizable intangible assets</u>				
Customer relationships	\$ 85.4	\$ 17.2	\$ 85.7	\$ 17.7
Other	20.4	—	20.8	—
Total	<u>\$ 105.8</u>	<u>17.2</u>	<u>\$ 106.5</u>	<u>17.7</u>
<u>Nonamortizable intangible assets</u>				
Trademarks		2,710.2		2,710.4
Total intangible assets		<u>\$ 2,727.4</u>		<u>\$ 2,728.1</u>

We did not incur costs to renew or extend the term of acquired intangible assets for the three months ended May 31, 2023, and May 31, 2022. Net carrying amount represents the gross carrying value net of accumulated amortization.

## 7. EQUITY METHOD INVESTMENTS

Our equity method investments are as follows:

	May 31, 2023		February 28, 2023	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
(in millions)				
Canopy Equity Method Investment <sup>(1)</sup>	\$ 142.7	33.2 %	\$ 485.8	34.7 %
Other equity method investments	148.6	20%-50%	177.5	20%-50%
	<u>\$ 291.3</u>		<u>\$ 663.3</u>	

<sup>(1)</sup> The fair value based on the closing price of the underlying equity security as of May 31, 2023, and February 28, 2023, was \$ 142.7 million and \$398.4 million, respectively. The balance at May 31, 2023, is net of a \$123.5 million impairment of our Canopy Equity Method Investment.

### Canopy Equity Method Investment

We have an investment in Canopy, a provider of medicinal and adult-use cannabis products. The Canopy Equity Method Investment consists of 171.5 million Canopy common shares. Equity in earnings (losses) from the Canopy Equity Method Investment and related activities is determined by recording the effect of basis differences. Amounts included in our consolidated results of operations for each period are as follows:

	For the Three Months Ended May 31,	
	2023	2022
(in millions)		
Equity in earnings (losses) from Canopy and related activities	\$ (219.8)	\$ (165.0)

### Plan to convert Canopy common stock ownership

In October 2022, we entered into a Consent Agreement with Canopy pursuant to which we have provided our consent, subject to certain conditions, to the Canopy Transaction. Canopy only holds non-voting and non-

participating exchangeable shares of Canopy USA which are convertible into Class B shares of Canopy USA. Third-party investors hold 100% of the common shares of Canopy USA.

In connection with the Canopy Transaction, Canopy has proposed to amend its share capital to (i) create Exchangeable Shares and (ii) restate the rights of Canopy common shares to provide for their conversion into Exchangeable Shares through the Canopy Amendment. Canopy has stated its intention to hold a special meeting of its shareholders to consider the Canopy Amendment. We have entered into a voting support agreement with Canopy to vote in favor of the Canopy Amendment.

If the Canopy Transaction is completed and the Canopy Amendment is authorized by Canopy's shareholders and adopted by Canopy, we intend, subject to a final decision in our sole discretion, to exercise our right to convert our Canopy common shares into Exchangeable Shares.

Assuming the completion of the Canopy Transaction and the transactions contemplated by the Consent Agreement and that we elect to convert our Canopy common shares into Exchangeable Shares:

- we intend to surrender our November 2018 Canopy Warrants to Canopy for cancellation;
- we will only have an interest in Exchangeable Shares, which are non-voting and non-participating securities, and our 2023 Canopy Promissory Note (for which we intend to negotiate an exchange of the principal amount for Exchangeable Shares, although neither we nor Canopy has any binding obligation to do so);
- we intend to terminate all legacy agreements and commercial arrangements between ourselves and Canopy, including the investor rights agreement but excluding the Consent Agreement and certain termination agreements;
- we will have no further governance rights in relation to Canopy, including rights to nominate members to the board of directors of Canopy or approval rights related to certain transactions,
- all of our nominees will resign from the board of directors of Canopy; and
- as our investment in Canopy common shares makes up our Canopy Equity Method Investment, we expect to no longer apply the equity method to our investment in Canopy, which we expect will instead be accounted for at fair value with changes reported in income (loss) from unconsolidated investments within our consolidated results.

If we do not convert our Canopy common shares into Exchangeable Shares:

- Canopy and its subsidiaries will not be permitted to exercise any rights to acquire shares and interests in entities carrying on cannabis-related business in the U.S.;
- Canopy USA will be required to exercise its repurchase rights to acquire the interests in Canopy USA held by its third-party investors; and
- we will continue to have all existing rights under our agreements with Canopy that predate the Consent Agreement, including governance rights in respect of Canopy (such as board nomination rights and approval rights in respect of certain transactions).

## 8. BORROWINGS

Borrowings consist of the following:

	May 31, 2023			February 28, 2023
	Current	Long-term	Total	Total
(in millions)				
<u>Short-term borrowings</u>				
Commercial paper	\$ 819.1			\$ 1,165.3
	<u>\$ 819.1</u>			<u>\$ 1,165.3</u>
<u>Long-term debt</u>				
Term loan credit facilities	\$ —	\$ 300.0	\$ 300.0	\$ 799.2
Senior notes	548.8	10,664.6	11,213.4	10,470.6
Other	9.3	15.2	24.5	26.2
	<u>\$ 558.1</u>	<u>\$ 10,979.8</u>	<u>\$ 11,537.9</u>	<u>\$ 11,296.0</u>

### Bank facilities

The Company, CB International, the Administrative Agent, and certain other lenders are parties to a credit agreement, as amended and restated, the 2022 Credit Agreement. Also, the Company, the Administrative Agent, and the Lender are parties to a term credit agreement, as amended and restated, the April 2022 Term Credit Agreement. The Company, the Administrative Agent, and certain other lenders were parties to a term credit agreement, the August 2022 Term Credit Agreement. In May 2023, we repaid the outstanding three-year term loan facility borrowings under our August 2022 Term Credit Agreement with proceeds from the May 2023 Senior Notes (see "Senior notes" below).

In October 2022, the Company, CB International, the Administrative Agent, and certain other lenders agreed to amend the 2022 Credit Agreement and the Company, the Administrative Agent, and the Lender agreed to amend the April 2022 Term Credit Agreement. The October 2022 Credit Agreement Amendments revise certain defined terms and covenants and will become effective upon (i) the amendment by Canopy of its Articles of Incorporation, (ii) the conversion of our Canopy common shares into Exchangeable Shares, and (iii) the resignation of our nominees from the board of directors of Canopy.

As of May 31, 2023, aggregate credit facilities under the 2022 Credit Agreement and the April 2022 Term Credit Agreement consist of the following:

	Initial borrowing capacity	Maturity
(in millions)		
<u>2022 Credit Agreement</u>		
Revolving credit facility <sup>(1) (2)</sup>	\$ 2,250.0	Apr 14, 2027
<u>April 2022 Term Credit Agreement</u>		
Five-Year Term Facility <sup>(1) (3)</sup>	\$ 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 SOFR plus a margin and a credit spread adjustment, or the base rate plus a margin, or, in certain circumstances where SOFR cannot be adequately ascertained or available, an alternative benchmark rate plus a margin.

(2) We and/or CB International are the borrower under the \$2,250.0 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 term loan credit agreement.

As of May 31, 2023, information with respect to borrowings under the 2022 Credit Agreement and the April 2022 Term Credit Agreement is as follows:

	Outstanding borrowings	Interest rate	SOFMR margin	Outstanding letters of credit	Remaining borrowing capacity <sup>(1)</sup>
(in millions)					
<u>2022 Credit Agreement</u>					
Revolving credit facility	\$ —	— %	— %	\$ 11.6	\$ 1,418.0
<u>April 2022 Term Credit Agreement</u>					
Five-Year Term Facility	\$ 300.0	6.0 %	0.88 %		

(1) Net of outstanding revolving credit facility borrowings and outstanding letters of credit under the 2022 Credit Agreement and outstanding borrowings under our commercial paper program of \$820.4 million (excluding unamortized discount) (see "Commercial paper program" below).

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

### Commercial paper program

We have a commercial paper program which provides for the issuance of up to an aggregate principal amount of \$2.25 billion of commercial paper. Our commercial paper program is backed by unused commitments under our revolving credit facility under our 2022 Credit Agreement. Accordingly, outstanding borrowings under our commercial paper program reduce the amount available under our revolving credit facility. As of May 31, 2023, we had \$819.1 million of outstanding borrowings, net of unamortized discount, under our commercial paper program with a weighted average annual interest rate of 5.6% and a weighted average remaining term of twelve days.

### Senior notes

In May 2023, we issued \$750.0 million aggregate principal amount of 4.90% senior notes due May 2033. Proceeds from this offering, net of discount and debt issuance costs, were \$740.0 million. Interest on the 4.90% May 2023 Senior Notes is payable semiannually on May 1 and November 1 of each year, beginning November 1, 2023. The 4.90% May 2023 Senior Notes are redeemable, in whole or in part, at our option at any time prior to February 1, 2033, at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest and a make-whole payment based on the present value of the future payments at the adjusted treasury rate, as defined in the applicable indenture, plus 25 basis points. On or after February 1, 2033, we may redeem the 4.90% May 2023 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 4.90% May 2023 Senior Notes are senior unsecured obligations which rank equally in right of payment to all of our existing and future senior unsecured indebtedness.

**Debt payments**

As of May 31, 2023, the required principal repayments under long-term debt obligations (excluding unamortized debt issuance costs and unamortized discounts of \$61.4 million and \$25.2 million, respectively) for the remaining nine months of Fiscal 2024 and for each of the five succeeding fiscal years and thereafter are as follows:

(in millions)		
Fiscal 2024	\$	8.0
Fiscal 2025		956.5
Fiscal 2026		1,704.8
Fiscal 2027		603.7
Fiscal 2028		1,801.5
Fiscal 2029		500.0
Thereafter		6,050.0
	\$	<u>11,624.5</u>

**9. INCOME TAXES**

Our effective tax rate for the three months ended May 31, 2023, and May 31, 2022, was 39.6% and 23.9%, respectively.

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

For the three months ended May 31, 2022, our effective tax rate was higher than the federal statutory rate of 21% primarily due an increase in the valuation allowance related to our investment in Canopy, partially offset by the benefit of lower effective tax rates applicable to our foreign businesses.

**10. 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 <sup>(1)</sup>	Class 1	Class A	Class B <sup>(1)</sup>
Balance at February 28, 2023	212,697,428	—	22,705	29,498,426	—
Share repurchases	—	—	—	153,937	—
Conversion of shares	80	—	(80)	—	—
Exercise of stock options	—	—	800	(129,595)	—
Vesting of restricted stock units <sup>(2)</sup>	—	—	—	(71,189)	—
Vesting of performance share units <sup>(2)</sup>	—	—	—	(13,113)	—
Balance at May 31, 2023	<u>212,697,508</u>	<u>—</u>	<u>23,425</u>	<u>29,438,466</u>	<u>—</u>

	Common Stock			Treasury Stock	
	Class A	Class B <sup>(1)</sup>	Class 1	Class A	Class B <sup>(1)</sup>
Balance at February 28, 2022	187,263,859	28,212,340	2,248,679	22,824,607	5,005,800
Share repurchases	—	—	—	4,065,508	—
Conversion of shares	655	(655)	—	—	—
Exercise of stock options	—	—	35	(108,228)	—
Vesting of restricted stock units <sup>(2)</sup>	—	—	—	(71,064)	—
Vesting of performance share units <sup>(2)</sup>	—	—	—	(16,326)	—
Balance at May 31, 2022	187,264,514	28,211,685	2,248,714	26,694,497	5,005,800

(1) Prior to the Reclassification, we had an additional class of common stock with a material number of shares outstanding: Class B Stock. Shares of Class B Stock were convertible into shares of Class A Stock on a one-to-one basis at any time at the option of the holder. In November 2022, we completed the Reclassification at the Effective Time as contemplated by the Reclassification Agreement. Pursuant to the Reclassification, each share of Class B Stock issued and outstanding immediately prior to the Effective Time was reclassified, exchanged, and converted into one share of Class A Stock and the right to receive \$64.64 in cash, without interest. The aggregate cash payment to holders of Class B Stock at the Effective Time was \$1.5 billion.

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

	For the Three Months Ended May 31,
<u>2023</u>	
Restricted Stock Units	39,839
Performance Share Units	8,735
<u>2022</u>	
Restricted Stock Units	37,308
Performance Share Units	4,919

### Stock repurchases

In January 2021, our Board of Directors authorized the repurchase of up to \$2.0 billion of our publicly traded common stock. The Board of Directors did not specify a date upon which this authorization would expire. Shares repurchased under the 2021 Authorization become treasury shares. For the three months ended May 31, 2023, we repurchased 153,937 shares of Class A Stock through open market transactions pursuant to this authorization at an aggregate cost of \$35.0 million.

As of May 31, 2023, total shares repurchased under the 2021 Authorization are as follows:

	Repurchase Authorization	Class A Common Shares	
		Dollar Value of Shares Repurchased	Number of Shares Repurchased
(in millions, except share data)			
2021 Authorization	\$ 2,000.0	\$ 1,171.6	4,985,847

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

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

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

	For the Three Months Ended May 31, 2023
(in millions, except per share data)	
Net income (loss) attributable to CBI	\$ 135.9
Weighted average common shares outstanding – basic	183.270
Stock-based awards, primarily stock options	0.593
Weighted average common shares outstanding – diluted	<u>183.863</u>
Net income (loss) per common share attributable to CBI – basic	\$ 0.74
Net income (loss) per common share attributable to CBI – diluted	\$ 0.74

For the three months ended May 31, 2022, net income (loss) per common share – diluted for Class A 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 Stock as this method is more dilutive than the two-class method. For the three months ended May 31, 2022, net income (loss) per common share – diluted for Class B Stock has been computed using the two-class method and does not assume conversion of Class B Stock into shares of Class A Stock. The computation of basic and diluted net income (loss) per common share are as follows:

	For the Three Months Ended May 31, 2022	
	Class A Stock	Class B Stock
(in millions, except per share data)		
Net income (loss) attributable to CBI allocated – basic	\$ 345.6	\$ 43.9
Conversion of Class B common shares into Class A common shares	43.9	—
Effect of stock-based awards on allocated net income (loss)	—	(0.1)
Net income (loss) attributable to CBI allocated – diluted	<u>\$ 389.5</u>	<u>\$ 43.8</u>
Weighted average common shares outstanding – basic	165.335	23.206
Conversion of Class B common shares into Class A common shares	23.206	—
Stock-based awards, primarily stock options	0.792	—
Weighted average common shares outstanding – diluted	<u>189.333</u>	<u>23.206</u>
Net income (loss) per common share attributable to CBI – basic	\$ 2.09	\$ 1.89
Net income (loss) per common share attributable to CBI – diluted	\$ 2.06	\$ 1.89

## 12. COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CBI

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

	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
(in millions)			
<u>For the Three Months Ended May 31, 2023</u>			
Net income (loss) attributable to CBI			\$ 135.9

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

For the Three Months Ended May 31, 2022

Net income (loss) attributable to CBI			\$ 389.5
Other comprehensive income (loss) attributable to CBI:			
Foreign currency translation adjustments:			
Net gain (loss)	\$ 170.3	\$ —	170.3
Amounts reclassified	—	—	—
Net gain (loss) recognized in other comprehensive income (loss)	170.3	—	170.3
Unrealized gain (loss) on cash flow hedges:			
Net derivative gain (loss)	105.5	(14.8)	90.7
Amounts reclassified	(10.0)	0.9	(9.1)
Net gain (loss) recognized in other comprehensive income (loss)	95.5	(13.9)	81.6
Pension/postretirement adjustments:			
Net actuarial gain (loss)	(0.3)	—	(0.3)
Amounts reclassified	—	—	—
Net gain (loss) recognized in other comprehensive income (loss)	(0.3)	—	(0.3)
Share of OCI of equity method investments			
Net gain (loss)	(9.0)	3.8	(5.2)
Amounts reclassified	—	—	—
Net gain (loss) recognized in other comprehensive income (loss)	(9.0)	3.8	(5.2)
Other comprehensive income (loss) attributable to CBI	\$ 256.5	\$ (10.1)	246.4
Comprehensive income (loss) attributable to CBI			\$ 635.9



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

	Foreign Currency Translation Adjustments	Unrealized Net Gain (Loss) on Derivative Instruments	Pension/ Postretirement Adjustments	Share of OCI of Equity Method Investments	Accumulated Other Comprehensive Income (Loss)
(in millions)					
Balance, February 28, 2023	\$ (176.4)	\$ 198.5	\$ (3.9)	\$ 10.3	\$ 28.5
Other comprehensive income (loss):					
Other comprehensive income (loss) before reclassification adjustments	163.4	76.0	(0.2)	(0.2)	239.0
Amounts reclassified from accumulated other comprehensive income (loss)	—	(24.6)	—	—	(24.6)
Other comprehensive income (loss)	163.4	51.4	(0.2)	(0.2)	214.4
Balance, May 31, 2023	\$ (13.0)	\$ 249.9	\$ (4.1)	\$ 10.1	\$ 242.9

### 13. BUSINESS SEGMENT INFORMATION

Prior to May 31, 2023, our internal management financial reporting consisted of three business divisions: (i) Beer, (ii) Wine and Spirits, and (iii) Canopy and we reported our operating results in four segments: (i) Beer, (ii) Wine and Spirits, (iii) Corporate Operations and Other, and (iv) Canopy. Due to several factors occurring as of May 31, 2023, including those which led to the additional Canopy Equity Method Investment impairment combined with Canopy's financial results no longer being provided to, or reviewed by, our CODM, and no longer being used to make strategic decisions, allocate resources, or assess performance, we have removed Canopy as a reportable segment. Accordingly, effective May 31, 2023, our internal management financial reporting consists of two business divisions: (i) Beer and (ii) Wine and Spirits and we report our operating results in three segments: (i) Beer, (ii) Wine and Spirits, and (iii) Corporate Operations and Other.

In the Beer segment, our portfolio consists of high-end imported beer brands and ABAs. We have an exclusive perpetual brand license to import, market, and sell our Mexican beer portfolio in the U.S. 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, IT, legal, and public relations, as well as our Canopy investment and investments made through our corporate venture capital function. All costs included in the Corporate Operations and Other segment are general costs that are applicable to the consolidated group and are, therefore, not allocated to the other reportable segments. All costs reported within the Corporate Operations and Other segment are not included in our CODM's evaluation of the operating income (loss) performance of the other reportable segments. The business segments reflect how our operations are managed, how resources are allocated, how operating performance is evaluated by senior management, and the structure of our internal financial reporting. Long-lived tangible assets and total asset information by segment is not provided to, or reviewed by, our CODM as it is not used to make strategic decisions, allocate resources, or assess performance.

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

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

	For the Three Months Ended May 31,	
	2023	2022
(in millions)		
<u>Cost of product sold</u>		
Net gain (loss) on undesignated commodity derivative contracts	\$ (34.7)	\$ 48.5
Flow through of inventory step-up	(0.7)	(1.0)
Settlements of undesignated commodity derivative contracts	0.6	(23.3)
Recovery of (loss on) inventory write-down	—	0.2
Comparable Adjustments, Cost of product sold	(34.8)	24.4
<u>Selling, general, and administrative expenses</u>		
Restructuring and other strategic business development costs	(14.9)	(1.4)
Transition services agreements activity	(5.7)	(3.4)
Transaction, integration, and other acquisition-related costs	(0.3)	(0.2)
Other gains (losses) <sup>(1)</sup>	(6.8)	4.5
Comparable Adjustments, Selling, general, and administrative expenses	(27.7)	(0.5)
Comparable Adjustments, Operating income (loss)	\$ (62.5)	\$ 23.9

(1) Primarily includes the following:

	For the Three Months Ended May 31,	
	2023	2022
(in millions)		
Gain (loss) on sale of business	\$ (7.0)	\$ —
Gain from remeasurement of previously held equity method investments	\$ —	\$ 5.2

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 2023 Annual Report. Segment information is as follows:

	For the Three Months Ended May 31,	
	2023	2022
(in millions)		
<u>Beer</u>		
Net sales	\$ 2,098.6	\$ 1,898.2
Segment operating income (loss)	\$ 797.8	\$ 762.8
Capital expenditures	\$ 205.6	\$ 161.8
Depreciation and amortization	\$ 78.8	\$ 68.2

	For the Three Months Ended May 31,	
	2023	2022
(in millions)		
<u>Wine and Spirits</u>		
Net sales:		
Wine	\$ 361.0	\$ 404.1
Spirits	55.3	60.9
Net sales	\$ 416.3	\$ 465.0
Segment operating income (loss)	\$ 79.3	\$ 91.0
Income (loss) from unconsolidated investments	\$ 2.3	\$ 1.5
Equity method investments	\$ 96.8	\$ 98.0
Capital expenditures	\$ 38.6	\$ 29.8
Depreciation and amortization	\$ 22.5	\$ 22.3
<u>Corporate Operations and Other</u>		
Segment operating income (loss)	\$ (49.9)	\$ (61.3)
Income (loss) from unconsolidated investments	\$ (33.3)	\$ (54.0)
Equity method investments	\$ 194.5	\$ 2,436.0
Capital expenditures	\$ 32.8	\$ 5.0
Depreciation and amortization	\$ 4.4	\$ 3.2
<u>Comparable Adjustments</u>		
Operating income (loss)	\$ (62.5)	\$ 23.9
Income (loss) from unconsolidated investments	\$ (384.4)	\$ (135.4)
<u>Consolidated</u>		
Net sales	\$ 2,514.9	\$ 2,363.2
Operating income (loss)	\$ 764.7	\$ 816.4
Income (loss) from unconsolidated investments <sup>(1)</sup>	\$ (415.4)	\$ (187.9)
Equity method investments	\$ 291.3	\$ 2,534.0
Capital expenditures	\$ 277.0	\$ 196.6
Depreciation and amortization	\$ 105.7	\$ 93.7

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

	For the Three Months Ended May 31,	
	2023	2022
(in millions)		
Impairment of Canopy Equity Method Investment	\$ (123.5)	\$ —
Unrealized net gain (loss) on securities measured at fair value	(71.8)	(22.4)
Equity in earnings (losses) from Canopy and related activities	(219.8)	(165.0)
Equity in earnings (losses) from other equity method investees and related activities	(0.3)	(0.5)
	\$ (415.4)	\$ (187.9)

## 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 Financial Statements and with our consolidated financial statements and notes included in our 2023 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 a recent development, global supply chain impacts, and significant divestitures, acquisitions, and investments.

**Results of operations.** This section provides an analysis of our results of operations presented on a business segment basis for the three months ended May 31, 2023, and May 31, 2022. In addition, a brief description of significant transactions and other items that affect the comparability of the results is provided.

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

### Overview

We are an international producer and marketer of beer, wine, and spirits with operations in the U.S., Mexico, New Zealand, and Italy with powerful, consumer-connected, high-quality brands like Corona Extra, Modelo Especial, the Robert Mondavi Brand Family, Kim Crawford, Meomi, The Prisoner Wine Company, High West, Casa Noble, and Mi CAMPO. In the U.S., we are one of the top growth contributors at retail among beverage alcohol suppliers. We are the third-largest beer company in the U.S. and continue to strengthen our leadership position as the #1 high-end beer supplier and the #1 share gainer across the U.S. beer market. Within wine and spirits, we are making solid progress in refining our brand portfolio to shift to a higher-end focused business to deliver net sales growth and margin expansion. The strength of our brands makes us a supplier of choice to many of our consumers and our customers, which include wholesale distributors, retailers, and on-premise locations. We conduct our business through entities we wholly own as well as through a variety of joint ventures and other entities.

Effective May 31, 2023, we changed our internal management financial reporting to consist of two business divisions: (i) Beer and (ii) Wine and Spirits and we now report our operating results in three

segments: (i) Beer, (ii) Wine and Spirits, and (iii) Corporate Operations and Other following the removal of the Canopy operating segment. For additional information, refer to Note 13.

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

## Strategy

### *Business strategy*

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

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

We will continue to strive for success by ensuring consumer-led decision making drives all aspects of our business; building a diverse talent pipeline with best-in-class people development; investing in infrastructure that supports and enables our business, including data systems and architecture; and exemplifying intentional and proactive fiscal management. We place focus on positioning our portfolio on higher-margin, higher-growth categories of the beverage alcohol industry to align with consumer-led premiumization trends, which we believe will continue to drive faster growth rates across beer, wine, and spirits. To continue capitalizing on consumer-led premiumization trends, become more competitive, and grow our business, we have employed a strategy dedicated to organic growth and supplemented by targeted investments and acquisitions. We also believe a key component to driving faster growth rates is to invest and strengthen our leadership position within the DTC and 3-tier eCommerce channels. We have launched a multi-year Digital Business Acceleration initiative, which we believe will enable us to drive results by enhancing our technology capabilities in key areas. In Fiscal 2024, we will continue to focus our Digital Business Acceleration initiative efforts on procurement, end-to-end supply chain planning, and marketing optimization, as well as introduce a new focus area, logistics. Additionally, we believe our continued focus on maintaining a strong balance sheet provides a solid financial foundation to support our broader strategic initiatives.

Our business strategy for the Beer segment focuses on strengthening our leadership position in the high-end segment of the U.S. beer market and continuing to grow our high-end imported beer brands through maintenance of leading margins, enhancements to our results of operations and operating cash flow, and exploring new avenues for growth. This includes continued focus on growing our beer portfolio in the U.S. through expanding distribution for key brands, including within the 3-tier eCommerce channel, as well as continued expansion, optimization, and/or construction activities at our breweries in Mexico. Additionally, in an effort to compete more fully in growing sectors of the high-end segment of the U.S. beer market, we have leveraged our

innovation capabilities to create new line extensions behind celebrated, trusted brands and package formats that are intended to meet emerging needs.

Expansion, optimization, and/or construction activities continue under our Mexico Beer Projects to align with our anticipated future growth expectations. Additionally, we are pursuing the sale of the remaining assets at the canceled Mexicali Brewery after exploring various options; however, we may not be successful in completing any such sale or obtaining other forms of recovery.

Our business strategy for the Wine and Spirits segment focuses on higher-end brands, improving margins, and creating operating efficiencies. We continue to refine our portfolio primarily through an enhanced focus on higher-margin, higher-growth wine and spirits brands. Our business is organized into two distinct commercial teams, one focused on our fine wine and craft spirits brands and the other focused on our mainstream and premium brands. While each team has its own distinct strategy, both remain aligned to the goal of accelerating performance by growing organic net sales and expanding margins. In addition, we are advancing our aim to become a global, omni-channel competitor in line with consumer preferences. Our business continues to progressively expand into DTC channels (including hospitality), 3-tier eCommerce, and international markets, while continuing to grow in U.S. 3-tier brick-and-mortar distribution. In markets where it is feasible, we entered into a contractual arrangement with Southern Glazer's Wine and Spirits to consolidate our U.S. distribution in order to obtain dedicated distributor selling resources which focus on our U.S. wine and spirits portfolio to drive organic growth.

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

We remain committed to our long-term financial model of: growing sales, expanding margins, and increasing cash flow in order to achieve earnings per share growth as well as our target net leverage ratio and dividend payout ratio; invest to support the growth of our business; and deliver additional returns to stockholders through periodic share repurchases. Our results of operations and financial condition have been affected by inflation, changing prices, and reductions in discretionary income of consumers available to purchase our products, as well as other unfavorable global and regional economic conditions, geopolitical events, and military conflicts, such as repercussions from the conflict in Ukraine. We expect some or all of these impacts to continue in Fiscal 2024. We intend to continue to monitor the inflationary environment and the impact on the consumer when we consider passing along rising costs through further selling price increases, subject to normal competitive conditions. In addition, we continue to identify on-going cost savings initiatives, including our commodity and foreign exchange hedging programs. However, there can be no assurance that we will be able to fully mitigate rising costs through increased selling prices and/or cost savings initiatives. Furthermore, to the extent climate-related severe weather events, such as droughts, floods, wildfires, extreme heat, and/or late frosts, continue to occur or accelerate in future periods, it could have a material impact on our results of operations and financial condition.

### *ESG strategy*

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

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

### **Serving as good stewards of our environment and natural resources**

Modeling water stewardship for our industry; and reducing GHG emissions through energy conservation and renewable energy initiatives; and reducing operational waste and enhancing the use of returnable, recyclable, or renewable packaging



### **Enhancing social equity within our industry and communities**

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

### **Promoting responsible beverage alcohol consumption**

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

During First Quarter 2024 we took the following steps to advance our ESG strategy by key area:

#### **Serving as good stewards of our environment and natural resources**

- developed new targets to (i) pursue a TRUE Zero Waste to Landfill Certification in key operating facilities and (ii) significantly enhance our use of circular packaging across our beverage alcohol portfolio, both by Fiscal 2025
- held an interactive virtual presentation by The Nature Conservancy to recognize World Water Day, which is celebrated annually around the world on March 22. Almost 500 employees from around the globe participated in a discussion on topics related to our water stewardship strategies, targets, and efforts as well as new projects we initiated with The Nature Conservancy for calendar 2023
- held a series of in-person volunteer events for Earth Month where almost 70 employees across the U.S. planted native trees, cleared trails of debris to protect plants, animals, and nature from habitat disturbance, and planted native grasses and shrubs to improve park aesthetics, prevent erosion, and improve the quality of drinking water and wildlife habitat

#### **Enhancing social equity within our industry and communities**

- promoted Dress for Success' Your Hour, Her Power® annual campaign for Women's History Month and International Women's Day, and committed to matching employee contributions 2:1. The Your Hour, Her Power® pledge asks individuals to donate one hour of pay to help other women gain financial independence and professional mobility

#### **Promoting responsible beverage alcohol consumption**

- partnered with Uber to provide safe rides home for U.S. employees celebrating Cinco de Mayo
- collaborated with Responsibility.org, a national not-for-profit that aims to empower adults to make a lifetime of responsible alcohol choices, for Alcohol Responsibly Month by sharing with our employees their Mindful Mixology Webinar focused on alcohol responsibility topics while preparing no- and low-alcohol cocktails
- held Corona Non-Alcoholic launch parties at various of our office locations to elevate alcohol responsibility and awareness in pursuit of a well-balanced lifestyle

## **Recent Development**

### ***Craft Beer Divestitures***

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

## Global Supply Chain Impacts

We believe the impact of COVID-19 on our business has largely diminished at this time; however, uncertainties continue, particularly around disruptions to the global supply chain and shifting consumer behaviors. Fiscal 2024 has been, and is expected to continue to be, impacted by challenges with both global supply and transportation which have contributed to higher cost of product sold. For example, wine produced in New Zealand and Italy and subsequently shipped to the U.S. for distribution continues to be affected by increased costs of ocean freight shipping. To the extent these or similar circumstances continue to occur or accelerate in future periods it could have a material impact on our results of operations.

## Divestitures, acquisitions, and investments

### Beer segment

#### *Daleville Facility*

In May 2023, we sold the Daleville Facility in connection with management's decision to exit the craft beer business. The net cash proceeds from the transaction were used primarily for general corporate purposes.

### Wine and Spirits segment

#### *Wine Divestiture*

In October 2022, we sold certain of our mainstream and premium wine brands and related inventory. Accordingly, our consolidated results of operations include the results of operations of such mainstream and premium wine brands through the date of divestiture.

#### *Austin Cocktails acquisition*

In April 2022, we acquired the remaining 73% ownership interest in Austin Cocktails, which included a portfolio of small batch, RTD cocktails. This transaction primarily included the acquisition of goodwill and a trademark. The results of operations of Austin Cocktails are reported in the Wine and Spirits segment and have been included in our consolidated results of operations from the date of acquisition.

#### *Lingua Franca acquisition*

In March 2022, we acquired the Lingua Franca business, including a collection of Oregon-based luxury wines, a vineyard, and a production facility. This transaction also included the acquisition of a trademark and inventory. The results of operations of Lingua Franca are reported in the Wine and Spirits segment and have been included in our consolidated results of operations from the date of acquisition.

Our Wine and Spirits segment divestiture and acquisitions support our strategic focus on consumer-led premiumization trends and meeting the evolving needs of our consumers.

### Canopy investment

We have an investment in Canopy, a North American cannabis and CPG company providing medicinal and adult-use cannabis products, which expands our portfolio into adjacent categories. We expect to convert our Canopy common shares into Exchangeable Shares following the completion of the Canopy Transaction.

#### *Canopy Equity Method Investment*

We evaluated the Canopy Equity Method Investment as of May 31, 2023, and determined there was an other-than-temporary impairment. Our conclusion was based on several contributing factors, including: (i) the fair value being less than the carrying value and the uncertainty surrounding Canopy's stock price recovering in the near-term, (ii) Canopy recorded significant costs in its fourth quarter of fiscal 2023 results designed to align its Canadian cannabis operations and resources in response to continued unfavorable market trends, (iii) the substantial doubt about Canopy's ability to continue as a going concern, as disclosed by Canopy, and (iv) Canopy's identification of material misstatements in certain of its previously reported financial results related to sales in its BioSteel reporting unit that were accounted for incorrectly, including the recording of a goodwill impairment during its restated second quarter of fiscal 2023. As a result, the Canopy Equity Method Investment with a carrying value of \$266.2 million was written down to its estimated fair value of \$142.7 million, resulting in an impairment.



of \$123.5 million. This loss from impairment was included in income (loss) from unconsolidated investments within our consolidated results for First Quarter 2024.

#### *2023 Canopy Promissory Note*

In April 2023, we extended the maturity of the remaining C\$100.0 million principal amount of our Canopy Debt Securities by exchanging them for the 2023 Canopy Promissory Note. The fair value of the Canopy Debt Securities was \$69.6 million as of February 28, 2023. As of May 31, 2023, we determined that the 2023 Canopy Promissory Note had no future economic value and, accordingly, the fair value was reduced to zero.

#### *Plan to convert Canopy common stock ownership*

In October 2022, we entered into a Consent Agreement with Canopy pursuant to which we have provided our consent, subject to certain conditions, to the Canopy Transaction. Assuming the completion of the Canopy Transaction and the transactions contemplated by the Consent Agreement and that we elect to convert our Canopy common shares into Exchangeable Shares:

- we intend to surrender our November 2018 Canopy Warrants to Canopy for cancellation;
- we will only have an interest in Exchangeable Shares, which are non-voting and non-participating securities, and our 2023 Canopy Promissory Note (for which we intend to negotiate an exchange of the principal amount for Exchangeable Shares, although neither we nor Canopy has any binding obligation to do so);
- we intend to terminate all legacy agreements and commercial arrangements between ourselves and Canopy, including the investor rights agreement but excluding the Consent Agreement and certain termination agreements;
- we will have no further governance rights in relation to Canopy, including rights to nominate members to the board of directors of Canopy, or approval rights related to certain transactions;
- all of our nominees will resign from the board of directors of Canopy; and
- as our investment in Canopy common shares makes up our Canopy Equity Method Investment, we expect to no longer apply the equity method to our investment in Canopy, which we expect to instead be accounted for at fair value with changes reported in income (loss) from unconsolidated investments within our consolidated results.

For additional information on these divestitures, acquisitions, and investments refer to Notes 4, 5, 7, and 13.

## Results of Operations

### Financial Highlights

References to organic throughout the following discussion exclude the impact of the Wine Divestiture, as appropriate.

#### *First Quarter 2024 compared with First Quarter 2023*

- Our results of operations were negatively impacted by (i) an impairment of our Canopy Equity Method Investment for First Quarter 2024, (ii) an increase in equity in losses from Canopy's results, and (iii) an increase in unrealized net loss from the changes in fair value of our investment in Canopy, partially offset by improvements within the Beer segment driven by shipment volume growth.
- **Net sales increased 6%** largely due to an increase in Beer net sales driven primarily by shipment volume growth and favorable impact from pricing.
- **Operating income decreased 6%** largely due to losses on undesignated commodity derivative contracts and increased restructuring and other strategic business development costs as compared to First Quarter 2023, partially offset by the improvements within the Beer segment as shipment volume growth exceeded higher operational costs and an increase in media investments.

- **Net income attributable to CBI** and **diluted net income per common share attributable to CBI decreased 65%** and **64%**, respectively, largely due to the items discussed above as well as higher interest expense, partially offset by lower provision for income taxes as compared to First Quarter 2023.

### Comparable Adjustments

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

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

	First Quarter 2024	First Quarter 2023
(in millions)		
<u>Cost of product sold</u>		
Net gain (loss) on undesignated commodity derivative contracts	\$ (34.7)	\$ 48.5
Flow through of inventory step-up	(0.7)	(1.0)
Settlements of undesignated commodity derivative contracts	0.6	(23.3)
Recovery of (loss on) inventory write-down	—	0.2
Comparable Adjustments, Cost of product sold	<u>(34.8)</u>	<u>24.4</u>
<u>Selling, general, and administrative expenses</u>		
Restructuring and other strategic business development costs	(14.9)	(1.4)
Transition services agreements activity	(5.7)	(3.4)
Transaction, integration, and other acquisition-related costs	(0.3)	(0.2)
Other gains (losses)	(6.8)	4.5
Comparable Adjustments, Selling, general, and administrative expenses	<u>(27.7)</u>	<u>(0.5)</u>
Comparable Adjustments, Operating income (loss)	<u>\$ (62.5)</u>	<u>\$ 23.9</u>
Comparable Adjustments, Income (loss) from unconsolidated investments	\$ (384.4)	\$ (135.4)

### Cost of product sold

#### *Undesignated commodity derivative contracts*

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

#### *Flow through of inventory step-up*

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

**Recovery of (loss on) inventory write-down**

We recognized a gain from a change in estimate on reserved bulk wine inventory and certain grapes as a result of smoke damage sustained during the 2020 U.S. West Coast wildfires.

**Selling, general, and administrative expenses****Restructuring and other strategic business development costs**

We recognized costs in connection with certain activities which are intended to streamline, increase efficiencies, and reduce our cost structure primarily within the Wine and Spirits segment.

**Transition services agreements activity**

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

**Transaction, integration, and other acquisition-related costs**

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

**Other gains (losses)**

We recognized other gains (losses) primarily from a loss on sale of the Daleville Facility (First Quarter 2024) and a gain recognized on the remeasurement of our previously held equity interests to the acquisition-date fair value (First Quarter 2023).

**Income (loss) from unconsolidated investments**

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

**Business Segments***First Quarter 2024 compared to First Quarter 2023***Net sales**

	First Quarter 2024	First Quarter 2023	Dollar Change	Percent Change
(in millions)				
Beer	\$ 2,098.6	\$ 1,898.2	\$ 200.4	11 %
Wine and Spirits:				
Wine	361.0	404.1	(43.1)	(11 %)
Spirits	55.3	60.9	(5.6)	(9 %)
Total Wine and Spirits	416.3	465.0	(48.7)	(10 %)
Consolidated net sales	\$ 2,514.9	\$ 2,363.2	\$ 151.7	6 %

**Beer segment**

	First Quarter 2024	First Quarter 2023	Dollar Change	Percent Change
(in millions, branded product, 24-pack, 12-ounce case equivalents)				
Net sales	\$ 2,098.6	\$ 1,898.2	\$ 200.4	11 %
Shipments	107.0	99.5		7.5 %
Depletions				5.5 %

The increase in Beer net sales is largely due to \$142.5 million of shipment volume growth within our Mexican beer portfolio, which benefited from continued consumer demand and \$59.7 million of favorable impact from pricing in select markets within our Mexican beer portfolio. For the remainder of Fiscal 2024, we expect depletion volume to exceed shipment volume resulting in volumes being generally aligned for the fiscal year.



### Wine and Spirits segment

	First Quarter 2024	First Quarter 2023	Dollar Change	Percent Change
(in millions, branded product, 9-liter case equivalents)				
Net sales	\$ 416.3	\$ 465.0	\$ (48.7)	(10 %)
Shipments				
Total	5.9	6.8		(13.2 %)
Organic <sup>(1)</sup>	5.9	6.5		(9.2 %)
U.S. Domestic	5.2	5.8		(10.3 %)
Organic U.S. Domestic <sup>(1)</sup>	5.2	5.6		(7.1 %)
Depletions <sup>(1)</sup>				(6.3 %)

<sup>(1)</sup> Includes an adjustment to remove volume associated with the Wine Divestiture for the period March 1, 2022, through May 31, 2022.

The decrease in Wine and Spirits net sales is due to a \$28.3 million decrease in organic net sales and \$20.4 million from the Wine Divestiture. The decrease in organic net sales is driven by (i) a \$36.1 million decrease in branded wine and spirits shipment volume primarily from our lower-end brands and (ii) a \$3.7 million decrease in non-branded net sales primarily due to a decline in bulk wine as compared to First Quarter 2023, partially offset by \$11.9 million of favorable impact from pricing, including an increase in a contractual distributor payment.

### Gross profit

	First Quarter 2024	First Quarter 2023	Dollar Change	Percent Change
(in millions)				
Beer	\$ 1,098.7	\$ 1,019.5	\$ 79.2	8 %
Wine and Spirits	193.9	211.1	(17.2)	(8 %)
Comparable Adjustments	(34.8)	24.4	(59.2)	NM
Consolidated gross profit	<u>\$ 1,257.8</u>	<u>\$ 1,255.0</u>	<u>\$ 2.8</u>	— %



The increase in Beer gross profit is primarily due to (i) \$76.7 million of shipment volume growth, (ii) the \$59.7 million favorable impact from pricing, and (iii) \$7.0 million of favorable product mix, partially offset by \$64.3 million of higher cost of product sold. The higher cost of product sold is largely due to (i) \$40.9 million of higher material costs, including aluminum, glass, malt, and starch, driven by inflation and global supply chain constraints, (ii) \$9.2 million of higher depreciation resulting from the Mexico Beer Projects, (iii) a \$6.4 million increase in brewery costs primarily driven by increased compensation and benefits and administrative costs, and (iv) \$6.2 million of increased transportation costs, partially offset by \$6.1 million of lower inventory obsolescence as compared to First Quarter 2023. To partially offset the increases in cost of product sold we are executing initiatives that have resulted in over \$30 million of cost savings for First Quarter 2024.



The decrease in Wine and Spirits gross profit is due to \$11.9 million from the Wine Divestiture and a \$5.3 million decrease in organic gross profit. The decrease in organic gross profit is attributable to (i) a \$17.4 million decrease in branded wine and spirits shipment volume and (ii) \$7.1 million of unfavorable product mix, partially offset by (i) the \$11.9 million favorable impact from pricing and (ii) \$9.5 million of lower cost of product sold. The decrease in cost of product sold was largely attributable to (i) \$8.5 million of cost savings initiatives, primarily resulting in lower grape costs as well as lower materials and packaging costs and (ii) \$3.7 million of decreased transportation and warehousing costs, including ocean freight shipping, partially offset by an increase in inventory obsolescence as compared to First Quarter 2023.

Gross profit as a percent of net sales decreased to 50.0% for First Quarter 2024 compared with 53.1% for First Quarter 2023. This decrease was largely due to (i) approximately 255 basis points of rate decline from cost of product sold within the Beer segment, driven by the increase in operational costs, and (ii) an unfavorable change of approximately 235 basis points in Comparable Adjustments, partially offset by (i) 105 basis points of favorable impact from Beer pricing in select markets, (ii) approximately 35 basis points of rate growth from lower cost of product sold with the Wine and Spirits segment, and (iii) 30 basis points of favorable impact from product mix shift within the Beer segment.

### Selling, general, and administrative expenses

	First Quarter 2024	First Quarter 2023	Dollar Change	Percent Change
(in millions)				
Beer	\$ 300.9	\$ 256.7	\$ 44.2	17 %
Wine and Spirits	114.6	120.1	(5.5)	(5 %)
Corporate Operations and Other	49.9	61.3	(11.4)	(19 %)
Comparable Adjustments	27.7	0.5	27.2	NM
Consolidated selling, general, and administrative expenses	<u>\$ 493.1</u>	<u>\$ 438.6</u>	<u>\$ 54.5</u>	12 %



The increase in Beer selling, general, and administrative expenses is driven largely by \$28.9 million of increased marketing spend and \$15.2 million of increased general and administrative expenses. The increase in marketing spend is primarily driven by ongoing media investments to build awareness of our high-end imported beer brands as well as recent spend to support a new product launch. The increase in general and administrative expenses was driven primarily by (i) increased legal expenses, (ii) unfavorable foreign currency impact, and (iii) higher compensation and benefits, primarily related to incremental headcount to support the growth of our Mexican beer portfolio, partially offset by decreased costs associated with the Mexicali Brewery as compared to First Quarter 2023.



The decrease in Wine and Spirits selling, general, and administrative expenses is primarily due to a \$6.6 million decrease in marketing spend driven by less planned media investments for our lower-end brands as compared to First Quarter 2023.



The decrease in Corporate Operations and Other selling, general, and administrative expenses is largely due to a reduction in third-party services, driven by higher Digital Business Acceleration investments in First Quarter 2023.

Selling, general, and administrative expenses as a percent of net sales increased to 19.6% for First Quarter 2024 as compared to 18.6% for First Quarter 2023. The increase is largely driven by (i) an unfavorable change in Comparable Adjustments, contributing approximately 95 basis points of rate growth and (ii) approximately 35 basis points of rate growth as the increase in Beer selling, general, and administrative expenses exceeded the increase in net sales, partially offset by approximately 40 basis points of rate decline from a decrease in the Corporate Operations and Other segment's selling, general, and administrative expenses.

### Operating income (loss)

	First Quarter 2024	First Quarter 2023	Dollar Change	Percent Change
(in millions)				
Beer	\$ 797.8	\$ 762.8	\$ 35.0	5 %
Wine and Spirits	79.3	91.0	(11.7)	(13 %)
Corporate Operations and Other	(49.9)	(61.3)	11.4	19 %
Comparable Adjustments	(62.5)	23.9	(86.4)	NM
Consolidated operating income (loss)	<u>\$ 764.7</u>	<u>\$ 816.4</u>	<u>\$ (51.7)</u>	(6 %)



The increase in Beer operating income is largely attributable to the shipment volume growth within our Mexican beer portfolio and the favorable pricing impact, as described above, partially offset by higher operational costs and marketing spend.



The decrease in Wine and Spirits operating income is largely attributable to the decline in branded wine and spirits shipment volume, the Wine Divestiture, and the unfavorable product mix shift, as described above, partially offset by the lower cost of product sold and the lower marketing spend.



As previously discussed, the Corporate Operations and Other decrease in operating loss is largely due to the higher First Quarter 2023 Digital Business Acceleration investments.

### Income (loss) from unconsolidated investments

	First Quarter 2024	First Quarter 2023	Dollar Change	Percent Change
(in millions)				
Impairment of Canopy Equity Method Investment	\$ (123.5)	\$ —	\$ (123.5)	NM
Unrealized net gain (loss) on securities measured at fair value	(71.8)	(22.4)	(49.4)	NM
Equity in earnings (losses) from Canopy and related activities	(219.8)	(165.0)	(54.8)	(33 %)
Equity in earnings (losses) from other equity method investees and related activities	(0.3)	(0.5)	0.2	40 %
	<u>\$ (415.4)</u>	<u>\$ (187.9)</u>	<u>\$ (227.5)</u>	NM

### Interest expense

Interest expense increased to \$118.2 million for First Quarter 2024 as compared to \$88.5 million for First Quarter 2023. This increase of \$29.7 million, or 34%, is due to higher average borrowings of approximately \$1.9 billion and approximately 50 basis points of higher weighted average interest rates, partially offset by an increase in capitalized interest in connection with the Mexico Beer Projects. The higher average borrowings and weighted average interest rates are largely attributable to funding the aggregate cash payment to holders of Class B Stock in connection with the Reclassification. For additional information, refer to Note 8.

### Loss on extinguishment of debt

Loss on extinguishment of debt primarily consists of a premium payment and the write-off of debt issuance costs in connection with the May 2022 tender offers of our 3.20% February 2018 Senior Notes and 4.25% May 2013 Senior Notes (First Quarter 2023).

### (Provision for) benefit from income taxes

The provision for income taxes decreased to \$91.2 million for First Quarter 2024 from \$125.4 million for First Quarter 2023. Our effective tax rate for First Quarter 2024 was 39.6% as compared with 23.9% for First Quarter 2023. In comparison to prior year, our income taxes were impacted primarily by:

- an increase in the valuation allowance related to our investment in Canopy; partially offset by
- a net income tax benefit recognized as a result of a change in tax entity classification; and
- the effective tax rates applicable to our foreign businesses.

For additional information, refer to Note 9.

We expect our reported effective tax rate for Fiscal 2024 to be in the range of 19% to 21%. This range does not reflect any future equity in earnings (losses) from the Canopy Equity Method Investment and related activities.

### Net income (loss) attributable to CBI

Net income (loss) attributable to CBI decreased to \$135.9 million for First Quarter 2024 from \$389.5 million for First Quarter 2023. This decrease of \$253.6 million, or 65%, is largely attributable to (i) the impairment of our Canopy Equity Method Investment for First Quarter 2024, (ii) the increase in equity in losses from Canopy's results, and (iii) the increase in unrealized net loss from the changes in fair value of our investment in Canopy, partially offset by the First Quarter 2024 improvements within the Beer segment as shipment volume growth exceeded higher operational costs and the increase in media investments.

## Liquidity and Capital Resources

### General

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

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

repurchases, and anticipated capital expenditure requirements for both our short-term and long-term capital needs.

We have an agreement with a financial institution for payment services and began to facilitate a voluntary supply chain finance program through this participating financial institution during Fiscal 2023. The program is available to certain of our suppliers allowing them the option to manage their cash flow. We are not a party to the agreements between the participating financial institution and the suppliers in connection with the program. Our rights and obligations to our suppliers, including amounts due and scheduled payment terms, are not impacted. As of May 31, 2023, the amount payable to this participating financial institution for suppliers who voluntarily participate in the supply chain finance program was \$8.4 million and was included in accounts payable within our consolidated balance sheet. The amount settled through the supply chain finance program and paid to the financial institution was \$8.0 million during First Quarter 2024. We account for payments made under the supply chain finance program the same as our other accounts payable, as a reduction to our cash flow from operating activities.

## Cash Flows

	First Quarter 2024	First Quarter 2023	Dollar Change
(in millions)			
Net cash provided by (used in):			
Operating activities	\$ 665.4	\$ 758.2	\$ (92.8)
Investing activities	(291.9)	(226.8)	(65.1)
Financing activities	(314.7)	(627.2)	312.5
Effect of exchange rate changes on cash and cash equivalents	0.2	(1.8)	2.0
Net increase (decrease) in cash and cash equivalents	<u>\$ 59.0</u>	<u>\$ (97.6)</u>	<u>\$ 156.6</u>

## Operating activities

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

	First Quarter 2024	First Quarter 2023	Dollar Change
(in millions)			
Net income (loss)	\$ 139.2	\$ 399.3	\$ (260.1)
Unrealized net (gain) loss on securities measured at fair value	71.8	22.4	49.4
Equity in (earnings) losses of equity method investees and related activities, net of distributed earnings	220.6	165.5	55.1
Impairment of Canopy Equity Method Investment	123.5	—	123.5
Other non-cash adjustments	232.0	188.6	43.4
Change in operating assets and liabilities, net of effects from purchase and sale of business	(121.7)	(17.6)	(104.1)
Net cash provided by (used in) operating activities	<u>\$ 665.4</u>	<u>\$ 758.2</u>	<u>\$ (92.8)</u>

The \$104.1 million net change in operating assets and liabilities was largely driven by (i) accounts payable primarily attributable to the timing of payments for the Wine and Spirits segment and (ii) increased accounts receivable for the Beer segment primarily due to an increase in net sales. These changes were partially offset by reduced inventory levels for the Beer segment. Additionally, net cash provided by operating activities benefited from lower income tax payments in First Quarter 2024 as compared to First Quarter 2023.



### Investing activities

Net cash used in investing activities increased to \$291.9 million for First Quarter 2024 from \$226.8 million for First Quarter 2023. This increase of \$65.1 million, or 29%, was primarily due to (i) an additional \$80.4 million of capital expenditures and (ii) \$21.6 million of investments in equity method investees for First Quarter 2024, partially offset by \$37.2 million of First Quarter 2023 business acquisitions, consisting of Lingua Franca and Austin Cocktails.

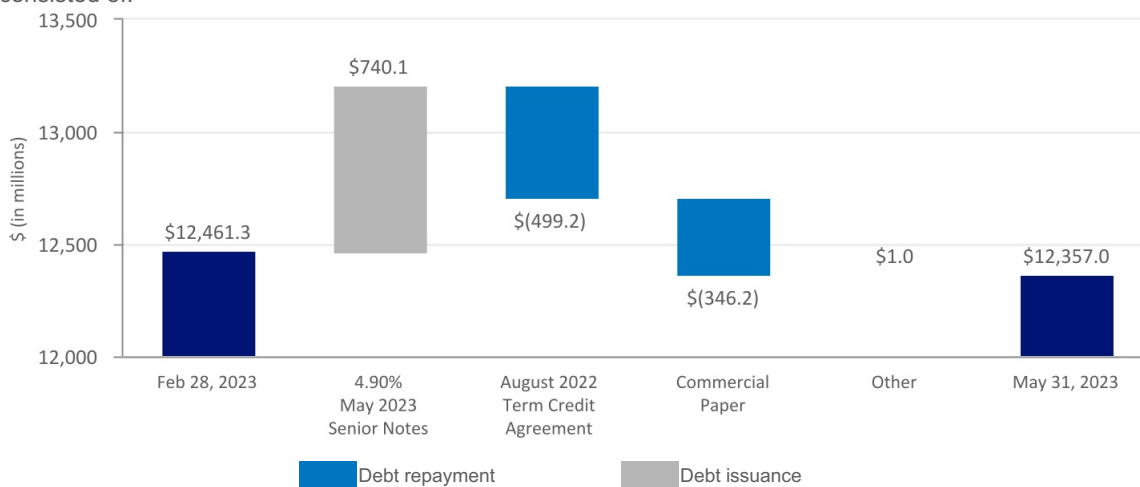
### Financing activities

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

(in millions)	First Quarter 2024	First Quarter 2023	Dollar Change
Net proceeds from (payments of) debt, current and long-term, and related activities	\$ (109.0)	\$ 537.3	\$ (646.3)
Dividends paid	(164.1)	(149.3)	(14.8)
Purchases of treasury stock	(35.0)	(1,007.6)	972.6
Net cash provided by stock-based compensation activities	4.7	3.6	1.1
Distributions to noncontrolling interests	(11.3)	(11.2)	(0.1)
Net cash provided by (used in) financing activities	<u>\$ (314.7)</u>	<u>\$ (627.2)</u>	<u>\$ 312.5</u>

### Debt

Total debt outstanding as of May 31, 2023, amounted to \$12,357.0 million, a decrease of \$104.3 million from February 28, 2023. This decrease consisted of:



### Senior notes

In May 2023, we issued the May 2023 Senior Notes. Proceeds from this offering, net of discount and debt issuance costs, of \$740.0 million were used for general corporate purposes, including the repayment of outstanding borrowings under the August 2022 Term Credit Agreement and to reduce outstanding commercial paper borrowings.

## General

The majority of our outstanding borrowings as of May 31, 2023, consisted of fixed-rate senior unsecured notes, with maturities ranging from calendar 2024 to calendar 2050, and a variable-rate senior unsecured term loan facility under our April 2022 Term Credit Agreement with a calendar 2024 maturity date.

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

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

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

	May 31, 2023	June 23, 2023
(in millions)		
Revolving credit facility <sup>(1)</sup>	\$ 1,418.0	\$ 1,637.0

<sup>(1)</sup> Net of outstanding revolving credit facility borrowings and outstanding letters of credit under our 2022 Credit Agreement and outstanding borrowings under our commercial paper program (excluding unamortized discount) of \$820.4 million and \$601.5 million as of May 31, 2023, and June 23, 2023, respectively.

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

As of May 31, 2023, we and our subsidiaries were subject to covenants that are contained in our 2022 Credit Agreement, including those restricting the incurrence of additional subsidiary indebtedness, additional liens, mergers and consolidations, transactions with affiliates, and sale and leaseback transactions, in each case subject to numerous conditions, exceptions, and thresholds. The financial covenants are limited to a minimum interest coverage ratio and a maximum net leverage ratio, both as defined in our 2022 Credit Agreement. As of May 31, 2023, under our 2022 Credit Agreement, the minimum interest coverage ratio was 2.5x and the maximum net leverage ratio was 4.0x.

The representations, warranties, covenants, and events of default set forth in our April 2022 Term Credit Agreement are substantially similar to those set forth in our 2022 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 May 31, 2023, we were in compliance with our covenants under our 2022 Credit Agreement, our April 2022 Term Credit Agreement, and our indentures, and have met all debt payment obligations.

For further discussion and presentation of our borrowings and available sources of borrowing, refer to Note 12 of our consolidated financial statements included in our 2023 Annual Report and Note 8.

## Common Stock Dividends

On June 29, 2023, our Board of Directors declared a quarterly cash dividend of \$0.89 per share of Class A Stock and \$0.80 per share of Class 1 Stock payable on August 24, 2023, to stockholders of record of each class as of the close of business on August 10, 2023.

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 2023 Annual Report as supplemented by the additional factors set forth under Item 1A. "Risk Factors" included in this Form 10-Q.

## Share Repurchase Program

Our Board of Directors authorized the repurchase of our publicly traded common stock of up to \$2.0 billion under the 2021 Authorization. As of May 31, 2023, total shares repurchased under this authorization are as follows:

	Repurchase Authorization	Class A Common Shares	
		Dollar Value of Shares Repurchased	Number of Shares Repurchased
(in millions, except share data)			
2021 Authorization	\$ 2,000.0	\$ 1,171.6	4,985,847

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

We currently expect to continue to repurchase shares in the future, but such repurchases are dependent upon our financial condition, results of operations, capital requirements, and other factors, including those set forth under Item 1A. "Risk Factors" of our 2023 Annual Report as supplemented by the additional factors set forth under Item 1A. "Risk Factors" included in this Form 10-Q.

For additional information, refer to Note 17 of our consolidated financial statements included in our 2023 Annual Report and Note 10.

## Accounting Guidance

Accounting guidance adopted for First Quarter 2024 did not have a material impact on our Financial Statements.

## Information Regarding Forward-Looking Statements

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

- The statements under MD&A regarding:

- our business strategy, growth plans, innovation, and Digital Business Acceleration initiatives, new products, future operations, financial position, net sales, expenses, cost savings initiatives, capital expenditures, effective tax rates and anticipated tax liabilities, expected volume, inventory, and demand levels and trends, long-term financial model, access to capital markets, liquidity and capital resources, and prospects, plans, and objectives of management;
- our beer expansion, optimization, and/or construction activities, including anticipated scope, capacity, costs, capital expenditures, and timeframes for completion;
- the potential sale of the remaining assets at the Mexicali Brewery;
- our ESG strategy, sustainability initiatives, and environmental stewardship targets;
- anticipated inflationary pressures, changing prices, and reductions in consumer discretionary income as well as other unfavorable global and regional economic conditions, geopolitical events, and military conflicts, and our responses thereto;
- the potential impact to supply, production levels, and costs due to global supply chain disruptions and constraints, transportation challenges, and shifting consumer behaviors;
- expected or potential actions of third parties, including possible changes to laws, rules, and regulations;
- the future expected balance of supply and demand for and inventory levels of our products;
- the continued refinement of our wine and spirits portfolio;
- the availability of a supply chain finance program;
- the manner, timing, and duration of the share repurchase program and source of funds for share repurchases; and
- the amount and timing of future dividends.
- The statements regarding:
  - the potential completion of the Canopy Transaction, including the Canopy Amendment, and the transactions contemplated by the Consent Agreement, including conversion of our Canopy common shares for Exchangeable Shares, and related results and impacts of such transactions;
  - the potential exchange of our 2023 Canopy Promissory Note for Exchangeable Shares;
  - our activities surrounding our investment in Canopy;
  - the timing and source of funds for operating activities; and
  - our future ownership level in Canopy and our future share of Canopy's reported earnings and losses.
- The statements regarding the future reclassification of net gains from AOCI.

When used in this 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 Form 10-Q. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. In addition to the risks and uncertainties of ordinary business operations and conditions in the general economy and markets in which we compete, our forward-looking statements contained in this Form 10-Q are also subject to the risk, uncertainty, and possible variance from our current expectations regarding:

- water, agricultural and other raw material, and packaging material supply, production, and/or shipment difficulties which could adversely affect our ability to supply our customers;
- the ability to respond to anticipated inflationary pressures, including reductions in consumer discretionary income and our ability to pass along rising costs through increased selling prices;
- the actual impact to supply, production levels, and costs from global supply chain disruptions and constraints, transportation challenges (including from labor strikes or other labor activities), shifting consumer behaviors, wildfires, and severe weather events, due to, among other reasons, actual supply chain and transportation performance, actual consumer behaviors, and the actual severity and geographical reach of wildfires and severe weather events;
- reliance on complex information systems and third-party global networks;

- the actual balance of supply and demand for our products, the actual performance of our distributors and the actual demand, net sales, channel proportions, and volume trends for our products due to, among other reasons, actual shipments to distributors and actual consumer demand;
- beer operations expansion, optimization, and/or construction activities, scope, capacity, costs (including impairments), capital expenditures, and timing due to, among other reasons, 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;
- results of the potential sale of the remaining assets at the Mexicali Brewery or obtaining other forms of recovery;
- the impact of the military conflict in Ukraine and associated internal destabilization in Russia, geopolitical tensions, and responses, including on inflation, supply chains, commodities, energy, and cybersecurity;
- contamination and degradation of product quality from diseases, pests, weather, and other conditions;
- communicable diseases outbreaks, pandemics, or other widespread public health crises, such as the COVID-19 pandemic, and associated governmental containment actions, which may include the closure of non-essential businesses (including our manufacturing facilities);
- the amount, timing, and source of funds for any share repurchases, if any, which may vary due to market conditions; our cash and debt position; the impact of the beer operations expansion, optimization, and/or construction activities; and other factors as determined by management from time to time;
- the amount and timing of future dividends which are subject to the determination and discretion of our Board of Directors and may be impacted 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 impact of our investment in Canopy, including recording our proportional share of Canopy's estimated pre-tax losses, due to, among other reasons, market and economic conditions in Canopy's markets and business locations;
- the accuracy of management's projections relating to the Canopy investment due to Canopy's actual results and market and economic conditions;
- the timeframe and amount of any potential future impairment of our Canopy Equity Method Investment;
- Canopy's failure to receive the requisite approval of its shareholders necessary to approve the Canopy Transaction, any other delays with respect to, or the failure to complete, the Canopy Transaction, the ability to recognize the anticipated benefits of the Canopy Transaction and the impact of the Canopy Transaction on the market price of Canopy's common stock;
- completion of the Canopy Transaction, the exchange of our 2023 Canopy Promissory Note for Exchangeable Shares, and the impact from and converting our Canopy common shares for Exchangeable Shares on our relationship with and investment in Canopy;
- any impact of U.S. federal laws on Canopy Strategic Transactions or upon the implementation of such Canopy Strategic Transactions, or the impact of any Canopy Strategic Transaction upon our future ownership level in Canopy or our future share of Canopy's reported earnings and losses;
- the expected impacts of the Craft Beer Divestitures and of wine and spirits portfolio refinement activities;
- purchase accounting with respect to any transaction, or the assumptions used regarding the assets purchased and liabilities assumed to determine their fair value;
- general economic, geopolitical, domestic, international, and regulatory conditions, world financial market and banking sector, including economic slowdown or recession;
- the ability to recognize anticipated benefits of the Reclassification and the impact of the Reclassification on the market price of our common stock; and
- our targeted net leverage ratio due to market conditions, our ability to generate cash flow at expected levels, and our ability to generate expected earnings.

For additional information about risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by our forward-looking statements, please refer to Item 1A. "Risk Factors" of our 2023 Annual Report as supplemented by the additional factors set forth under Item 1A. "Risk Factors" included in this Form 10-Q.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

#### *Foreign currency and commodity price risk*

Foreign currency derivative instruments are or may be used to hedge existing foreign currency denominated assets and liabilities, forecasted foreign currency denominated sales/purchases to/from third parties as well as intercompany sales/purchases, intercompany principal and interest payments, and in connection with investments, acquisitions, or divestitures outside the U.S. As of May 31, 2023, we had exposures to foreign currency risk primarily related to the Mexican peso, Canadian dollar, New Zealand dollar, and euro. Approximately 100% of our balance sheet exposures and 74% of our forecasted transactional exposures for the remaining nine months of Fiscal 2024 were hedged as of May 31, 2023.

Commodity derivative instruments are or may be used to hedge forecasted commodity purchases from third parties as either economic hedges or accounting hedges. As of May 31, 2023, exposures to commodity price risk which we are currently hedging include aluminum, corn, diesel fuel, and natural gas prices. Approximately 80% of our forecasted transactional exposures for the remaining nine months of Fiscal 2024 were hedged as of May 31, 2023.

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

	Aggregate Notional Value		Fair Value, Net Asset (Liability)		Increase (Decrease) in Fair Value – Hypothetical 10% Adverse Change	
	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022
(in millions)						
Foreign currency contracts	\$ 2,550.2	\$ 2,726.2	\$ 287.0	\$ 125.3	\$ (172.9)	\$ (198.2)
Commodity derivative contracts	\$ 392.1	\$ 342.0	\$ (35.3)	\$ 112.8	\$ 30.0	\$ (40.2)

#### *Interest rate risk*

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

There were no cash flow designated or undesignated interest rate swap contracts or Pre-issuance hedge contracts outstanding as of May 31, 2023, or May 31, 2022.

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

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

	Aggregate Notional Value		Fair Value, Net Asset (Liability)		Increase (Decrease) in Fair Value – Hypothetical 1% Rate Increase	
	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022
(in millions)						
Fixed interest rate debt	\$ 11,324.5	\$ 10,638.2	\$ (10,435.9)	\$ (10,142.9)	\$ (642.5)	\$ (689.6)

A 1% hypothetical change in the prevailing interest rates would have increased interest expense on our variable interest rate debt by \$4.2 million and \$1.4 million for the three months ended May 31, 2023, and May 31, 2022, respectively.

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

#### Item 4. Controls and Procedures.

##### *Disclosure controls and procedures*

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

##### *Internal control over financial reporting*

In connection with the foregoing evaluation by our Chief Executive Officer and our Chief Financial Officer, no changes were identified in the Company's "internal control over financial reporting" (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during our fiscal quarter ended May 31, 2023, 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.

For additional information regarding Legal Proceedings, see Item 1A. “Risk Factors.”

### Item 1A. Risk Factors.

*In addition to information discussed elsewhere in this Form 10-Q, you should carefully consider the risk factors disclosed in the 2023 Annual Report. The risk factors associated with our business have not materially changed compared to the risk factors disclosed in the 2023 Annual Report except for the updated risk factor below. The risk factor described below and the additional risks described in the 2023 Annual Report are not the only risks we face. Additional factors not presently known to us or that we currently deem to be immaterial could materially affect our business, liquidity, financial condition, and/or results of operations in future periods. The following risk factor is organized under a relevant heading; however, it may be relevant to other headings as well.*

#### Strategic Risks

##### *Dependence upon trademarks and proprietary rights, failure to protect our intellectual property rights*

Our future success depends significantly on our ability to protect our current and future brands and products and to defend our intellectual property rights. We have been granted numerous trademark registrations and use certain trademarks under license covering our brands and products, and we have filed, and expect to continue to file or have filed on our behalf, trademark applications seeking to protect newly developed brands and products. We cannot be sure that trademark registrations will be issued with respect to any of such trademark applications. We could also, by omission, fail to timely renew or protect a trademark and our competitors could challenge, invalidate, or circumvent any existing or future trademarks issued to, or licensed by, us.

Our subsidiaries CB Brand Strategies, LLC, Crown Imports LLC, and Compañía Cervecería de Coahuila, S. de R.L. de C.V. were named as defendants in a lawsuit originally filed in U.S. District Court for the Southern District of New York on February 15, 2021, and most recently amended on March 16, 2022, by Cervecería Modelo de México, S. de R.L. de C.V. and Trademarks Grupo Modelo, S. de R.L. de C.V. captioned *Cervecería Modelo de México, S. de R.L. de C.V., et al. v. CB Brand Strategies, LLC, et al.*, Case No. 21 Civ. 01317-LAK (S.D.N.Y.). The plaintiffs alleged, among other things, that our sub-license of the trademarks for our Mexican beer brands should not permit us to use the Corona brand name on our Corona Hard Seltzer or the Modelo brand name on our Modelo Ranch Water. On August 5, 2022, both the plaintiffs and the defendants filed motions for summary judgment. On November 3, 2022, the court denied our motion for summary judgment. On December 13, 2022, the court denied plaintiffs’ motion for summary judgment. At a trial in March 2023, the jury returned a unanimous verdict in our favor on all counts in the plaintiffs’ complaint, and the court entered judgment dismissing the complaint on March 15, 2023. On April 12, 2023, the plaintiffs filed a motion for judgment as a matter of law or, in the alternative, for a new trial with the court, which motion was denied on April 14, 2023.

On May 12, 2023, the plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Second Circuit from the final judgment entered in the above-captioned case, rulings and orders incorporated in, antecedent to, or ancillary to that final judgment, and the court’s order denying the plaintiffs’ motion for judgment as a matter of law or, in the alternative, for a new trial in that action. The appeal is captioned *Cervecería Modelo de México, S. de R.L. de C.V., et al. v. CB Brand Strategies, LLC, et al.*, Case No. 23-810 (2d Cir.). The plaintiffs’ principal brief is due on or before August 22, 2023.

While we continue to believe this lawsuit is without merit, litigation is inherently unpredictable and subject to substantial uncertainties and unfavorable developments and resolutions could occur. In addition, our cost of defending this litigation has been and could continue to be substantial. If we are not successful, we may not be able to market Corona Hard Seltzer in its current formulation under the Corona brand name or Modelo Ranch Water product in its current formulation under the Modelo brand name and we may be required to pay damage awards, each of which may have an adverse effect on our business, liquidity, financial condition and/or results of operations.



We have been and may continue to be subject to other litigation related to our trademarks and intellectual property rights. A substantial adverse judgment or other unfavorable resolution of these matters or our failure to otherwise protect our intellectual property rights as well as the costs associated with such activities could have a material adverse effect on our business, liquidity, financial condition, and/or results of operations.

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

### Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program <sup>(1)</sup>
(in millions, except share and per share data)				
March 1 – 31, 2023	—	\$ —	—	\$ 863.4
April 1 – 30, 2023	153,937	\$ 227.36	153,937	\$ 828.4
May 1 – 31, 2023	—	\$ —	—	\$ 828.4
Total	<u>153,937</u>	\$ —	<u>153,937</u>	

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

**Item 6. Exhibits.**

Exhibit No.	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
2.1	<a href="#">Subscription Agreement, dated as of August 14, 2018, by and between CBG Holdings LLC and Canopy, including, among other things, a form of the Amended and Restated Investor Rights Agreement.</a> †	8-K	2.1	August 16, 2018
2.2	<a href="#">Foreign Exchange Rate Agreement dated October 26, 2018, between CBG Holdings LLC and Canopy.</a>	10-Q	2.2	January 9, 2019
3.1	<a href="#">Amended and Restated Certificate of Incorporation of the Company.</a>	8-K	3.1	November 10, 2022
3.2	<a href="#">Amended and Restated By-Laws of the Company.</a>	8-K	3.2	November 10, 2022
4.1	<a href="#">Indenture, dated as of April 17, 2012, by and among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&amp;T, as Trustee.</a>	8-K	4.1	April 23, 2012
4.2	<a href="#">Supplemental Indenture No. 5, dated as of June 7, 2013, among the Company, Constellation Brands Beach Holdings, Inc., Crown Imports LLC, and M&amp;T, as Trustee.</a>	8-K	4.4	June 11, 2013
4.3	<a href="#">Supplemental Indenture No. 6, dated as of May 28, 2014, among the Company, Constellation Marketing Services, Inc., and M&amp;T, as Trustee.</a>	10-Q	4.21	July 10, 2014
4.4	<a href="#">Supplemental Indenture No. 8, with respect to 4.750% Senior Notes due 2024, dated as of November 3, 2014, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&amp;T, as Trustee.</a>	8-K	4.2	November 7, 2014
4.5	<a href="#">Supplemental Indenture No. 9, with respect to 4.750% Senior Notes due 2025, dated as of December 4, 2015, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&amp;T, as Trustee.</a>	8-K	4.1	December 8, 2015
4.6	<a href="#">Supplemental Indenture No. 10, dated as of January 15, 2016, among the Company, Home Brew Mart, Inc., and M&amp;T, as Trustee.</a>	10-K	4.26	April 25, 2016
4.7	<a href="#">Supplemental Indenture No. 11 with respect to 3.700% Senior Notes due 2026, dated as of December 6, 2016, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&amp;T, as Trustee.</a>	8-K	4.1	December 6, 2016
4.8	<a href="#">Supplemental Indenture No. 13 with respect to 3.500% Senior Notes due 2027, dated as of May 9, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&amp;T, as Trustee.</a>	8-K	4.2	May 9, 2017
4.9	<a href="#">Supplemental Indenture No. 14 with respect to 4.500% Senior Notes due 2047, dated as of May 9, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&amp;T, as Trustee.</a>	8-K	4.3	May 9, 2017
4.10	<a href="#">Supplemental Indenture No. 19 with respect to 3.600% Senior Notes due 2028, dated as of February 7, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&amp;T, as Trustee.</a>	8-K	4.2	February 7, 2018
4.11	<a href="#">Supplemental Indenture No. 20 with respect to 4.100% Senior Notes due 2048, dated as of February 7, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&amp;T, as Trustee.</a>	8-K	4.3	February 7, 2018
4.12	<a href="#">Supplemental Indenture No. 22 with respect to 4.400% Senior Notes due 2025, dated as of October 29, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&amp;T, as Trustee.</a>	8-K	4.2	October 29, 2018

Exhibit No.	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
4.13	<a href="#">Supplemental Indenture No. 23 with respect to 4.650% Senior Notes due 2028, dated as of October 29, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&amp;T, as Trustee.</a>	8-K	4.3	October 29, 2018
4.14	<a href="#">Supplemental Indenture No. 24 with respect to 5.250% Senior Notes due 2048, dated as of October 29, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and M&amp;T, as Trustee.</a>	8-K	4.4	October 29, 2018
4.15	<a href="#">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 M&amp;T, as Trustee.</a>	8-K	4.1	July 29, 2019
4.16	<a href="#">Supplemental Indenture No. 26 with respect to 2.875% Senior Notes due 2030, dated as of April 27, 2020, among the Company, as Issuer, and M&amp;T, as Trustee.</a>	8-K	4.1	April 27, 2020
4.17	<a href="#">Supplemental Indenture No. 27 with respect to 3.750% Senior Notes due 2050, dated as of April 27, 2020, among the Company, as Issuer, and M&amp;T, as Trustee.</a>	8-K	4.2	April 27, 2020
4.18	<a href="#">Supplemental Indenture No. 28 with respect to 2.250% Senior Notes due 2031, dated as of July 26, 2021, among the Company, as Issuer, and M&amp;T, as Trustee.</a>	8-K	4.1	July 26, 2021
4.19	<a href="#">Supplemental Indenture No. 29 with respect to 3.600% Senior Notes due 2024, dated as of May 9, 2022, among the Company, as Issuer, and M&amp;T, as Trustee.</a>	8-K	4.1	May 9, 2022
4.20	<a href="#">Supplemental Indenture No. 30 with respect to 4.350% Senior Notes due 2027, dated as of May 9, 2022, among the Company, as Issuer, and M&amp;T, as Trustee.</a>	8-K	4.2	May 9, 2022
4.21	<a href="#">Supplemental Indenture No. 31 with respect to 4.750% Senior Notes due 2032, dated as of May 9, 2022, among the Company, as Issuer, and M&amp;T, as Trustee.</a>	8-K	4.3	May 9, 2022
4.22	<a href="#">Supplemental Indenture No. 32 with respect to 5.000% Senior Notes due 2026, dated as of February 2, 2023, among the Company, as Issuer, and M&amp;T, as Trustee.</a>	8-K	4.1	February 2, 2023
4.23	<a href="#">Supplemental Indenture No. 33 with respect to 4.900% Senior Notes due 2033, dated as of May 1, 2023, among the Company, as Issuer, and M&amp;T, as Trustee.</a>	8-K	4.1	May 1, 2023
4.24	<a href="#">Restatement Agreement, dated as of March 26, 2020 by and among the Company, CB International, certain of the Company's subsidiaries as guarantors, Bank of America, N.A., as Administrative Agent, and the Lenders party thereto, including the Ninth Amended and Restated Credit Agreement dated as of March 26, 2020, by and among the Company, CB International, Bank of America, N.A., as Administrative Agent, and the Lenders party thereto. †</a>	8-K	4.1	March 31, 2020
4.25	<a href="#">2020 Term Loan Restatement Agreement, dated as of March 26, 2020, by and among the Company, certain of the Company's subsidiaries as guarantors, Bank of America, N.A., as Administrative Agent and Lender, including the Amended and Restated Term Loan Credit Agreement, dated March 26, 2020, by and between the Company and Bank of America, N.A., as Administrative Agent and Lender. †</a>	8-K	4.3	March 31, 2020

Exhibit No.	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
4.26	<a href="#">Amendment No. 1, dated as of June 10, 2021, to Amended and Restated Term Loan Credit Agreement, dated March 26, 2020, by and between the Company and Bank of America, N.A., as Administrative Agent and Lender.</a>	10-Q	4.30	June 30, 2021
4.27	<a href="#">Restatement Agreement, dated as of April 14, 2022, by and among the Company, CB International, Bank of America, N.A., as Administrative Agent, and the Lenders party thereto, including the Tenth Amended and Restated Credit Agreement dated as of April 14, 2022, by and among the Company, CB International, Bank of America, N.A., as Administrative Agent, and the Lenders party thereto.</a> †	8-K	4.1	April 15, 2022
4.28	<a href="#">Amendment No. 2, dated as of April 14, 2022, to Amended and Restated Term Loan Credit Agreement, dated as of March 26, 2020, as amended by Amendment No. 1, dated as of June 10, 2021, by and among the Company and Bank of America, N.A., as Administrative Agent and Lender.</a> †	8-K	4.2	April 15, 2022
4.29	<a href="#">Amendment No. 1, dated as of October 18, 2022, to Tenth Amended and Restated Credit Agreement, dated as of April 14, 2022, by and among the Company, CB International Finance S.à r.l., Bank of America, N.A., as Administrative Agent, and the Lenders party thereto.</a> †	8-K	4.2	October 26, 2022
4.30	<a href="#">Amendment No. 3, dated as of October 18, 2022, to Amended and Restated Term Loan Credit Agreement, dated as of March 26, 2020, as amended by Amendment No. 1, dated as of June 10, 2021, and Amendment No. 2, dated as of April 14, 2022, by and among the Company and Bank of America, N.A., as Administrative Agent and Lender.</a> †	8-K	4.3	October 26, 2022
10.1	<a href="#">Form of Terms and Conditions Memorandum for Employees with respect to grants of options to purchase Class 1 Stock pursuant to the Company's Long-Term Stock Incentive Plan (grants on or after April 24, 2023) (filed herewith).</a> *			
10.2	<a href="#">Form of Restricted Stock Unit Agreement with respect to the Company's Long-Term Stock Incentive Plan (awards on or after April 24, 2023) (filed herewith).</a> *			
10.3	<a href="#">Form of Performance Share Unit Agreement with respect to the Company's Long-Term Stock Incentive Plan (awards on or after April 24, 2023) (filed herewith).</a> *†			
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act (filed herewith).</a>			
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act (filed herewith).</a>			
32.1	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (furnished herewith).</a>			
32.2	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (furnished herewith).</a>			
99.1	<a href="#">Consent Agreement, dated April 18, 2019, by and between CBG Holdings LLC and Canopy (Form 6-K filed by Canopy).</a>	6-K	99.4	April 30, 2019

Exhibit No.	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
99.2	<a href="#">Second Amended and Restated Investor Rights Agreement, dated April 18, 2019, by and among Greenstar Canada Investment Limited Partnership, CBG Holdings LLC and Canopy (Form 6-K filed by Canopy).</a>	6-K	99.3	April 30, 2019
99.3	<a href="#">Consent Agreement, dated October 24, 2022, by and between CBG Holdings LLC, Greenstar Canada Investment Limited Partnership and Canopy.</a> †	8-K	99.2	October 26, 2022
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).			
*	Designates management contract or compensatory plan or arrangement.			
†	The exhibits, disclosure schedules, and other schedules, as applicable, have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish supplementally a copy of such exhibits, disclosure schedules, and other schedules, as applicable, or any section thereof, to the SEC upon request.			

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

## SIGNATURES

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

Date: June 30, 2023

### CONSTELLATION BRANDS, INC.

By: /s/ Darrell Hearne  
Darrell Hearne, Senior Vice President  
and Controller

Date: June 30, 2023

By: /s/ Garth Hankinson  
Garth Hankinson, Executive Vice President and  
Chief Financial Officer (principal financial  
officer and principal accounting officer)



**STOCK OPTION AGREEMENT - GLOBAL**

**TERMS AND CONDITIONS OF STOCK OPTIONS  
CLASS 1 COMMON STOCK**

**Name of Participant:**

**Grant Date:**

**Number of Options Granted:**

**Exercise Price:**

**Vesting Dates and Shares to Vest:**

VEST DATE

SHARES

**Earliest Retirement Date:**

**The first November 1<sup>st</sup> that is at least six months following the Grant Date**

**Termination Date:**

Constellation Brands, Inc. (the "Company") hereby awards under the Company's Long-Term Stock Incentive Plan, Amended and Restated as of July 18, 2017 (the "Plan") to the designated participant (the "Participant"), stock options to purchase Class 1 Common Stock, par value US\$0.01 per share, of the Company ("Shares"). The principal features of this Award are set forth above, including the date of grant of the stock options (the "Grant Date"). The stock options represented by this agreement (the "Options") are subject to the provisions of the terms and conditions of the agreement and the appendix, if any (together, the "Agreement"). The Options are Non-Qualified Stock Options granted pursuant to Section 5 of the Plan. The Number of Options Granted set forth above is referred to in this Agreement as "Option Shares."

**PLEASE BE SURE TO READ ALL OF THE SPECIFIC TERMS AND CONDITIONS OF THE AGREEMENT. TO THE EXTENT ANY CAPITALIZED TERMS USED IN THE TERMS AND CONDITIONS ARE NOT DEFINED HEREIN, THEY WILL HAVE THE MEANING ASCRIBED TO THEM IN THE PLAN.**

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**BY MY ELECTRONIC ELECTION TO ACCEPT THE TERMS AND CONDITIONS OF THIS AWARD OF OPTIONS (WHICH SERVES AS MY ELECTRONIC SIGNATURE OF THE AGREEMENT), I AGREE THAT MY PARTICIPATION IN THE PLAN IS GOVERNED BY THE PROVISIONS OF THE PLAN AND THE AGREEMENT (INCLUDING ITS TERMS AND CONDITIONS AND THE APPENDIX, IF ANY, FOR MY COUNTRY OF RESIDENCE OR EMPLOYMENT, IF DIFFERENT).**

**TERMS AND CONDITIONS OF STOCK OPTION AGREEMENT**

1. **Term of Options.** The Options hereby granted on the Grant Date (as set forth on the first page of this Agreement) to purchase up to the Number of Options Granted (as set forth on the first page of this Agreement) will terminate and expire, to the extent not previously exercised or earlier terminated as provided in this Agreement, at 5:00 p.m. U.S. Eastern Time on the Termination Date (as set forth on the first page of this Agreement). All references to times and dates in the Plan or in documents or materials relating to the Plan refer to Eastern Standard Time (or Eastern Daylight Savings Time, as appropriate) in the United States of America and to dates in New York State based on such Eastern Standard Time (or Eastern Daylight Savings Time, as appropriate).

2. **Vesting Schedule and Exercise Period.**

(a) **Service.** Except as otherwise provided for in this Section, the Options shall vest and become exercisable in accordance with the Vesting Dates (as set forth on the first page of this Agreement); provided, in each case, that the Participant remains in Continuous Service with the Company, any of its Subsidiaries, or any other entity which is a Related Entity (the "Employer") until such date. The Participant ceases to be in Continuous Service with the Employer on the date that the entity employing the Participant ceases to be a Subsidiary or an entity which is a Related Entity. For Participants based outside of the United States, the Participant ceases to be employed on the later of (i) the date that is the last day of any statutory notice of termination period applicable to the Participant pursuant to applicable employment standards legislation (but only if the Participant is entitled to such a notice under applicable employment standards legislation), or (ii) the date that is designated by the Employer as the last day of the Participant's employment with the Employer, and the date that the Participant ceases to be employed by the Employer specifically does not mean the expiration date for any period of reasonable notice that the Employer may be required at law to provide to the Participant.

(b) **Death or Disability.** Subject to the limitations on exercise set forth below, if a Participant dies or suffers a Disability (as defined below), all the unvested Option Shares shall become immediately vested and exercisable on the date of death or Disability. Options which have vested due to death or Disability prior to the date that the Participant ceases to be employed by the Employer may be exercised within three (3) years after the date of death or Disability. "Disability" means a disability as defined under Treasury regulation section 1.409A-3(i)(4)(i)(A) which generally means that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months.

(c) **Retirement.** Subject to the limitations on exercise set forth below, if a Participant ceases to be in Continuous Service with the Employer as a result of the Participant's Retirement (as defined below) at any time on or after the Earliest Retirement Date (as set forth on the first page of this Agreement), all the unvested Option Shares shall continue to vest and become exercisable according to the percentages and Vesting Dates (as set forth on the first page of this Agreement). Options which have vested after the Participant's Retirement may be exercised within any time prior to the Termination Date (as set forth on the first page of this Agreement). For purposes of the Agreement:



(i) “Retirement” means the Participant ceases to be in Continuous Service with the Employer for any reason other than Cause, death or disability (including but not limited to a Disability) on or after the date the Participant attains Retirement Eligibility with respect to this Award;

(ii) “Retirement Eligibility” with respect to this Award means a Participant attaining age sixty (60) and completing five (5) Full Years of Continuous Service with the Employer; and

(iii) “Full Year” means a twelve-month period beginning on the date of the Participant’s commencement of service for the Employer and each anniversary thereof.

The Participant’s Continuous Service with the Employer shall be determined by the Committee in its sole discretion.

(d) Other Terminations. Subject to the limitations on exercise set forth below, if a Participant ceases to be in Continuous Service with the Employer, and sections 2(b) or 2(c) are not applicable to the Participant, all the unvested Option Shares shall become immediately forfeited on the date that the Participant ceases to be in Continuous Service and Options which have vested prior to the date may be exercised for a period of ninety (90) days following such termination.

(e) Leave of Absence. Unless otherwise determined by the Committee, an authorized leave of absence pursuant to a written agreement or other leave entitling the Participant to reemployment in a comparable position by law or rule shall not constitute a termination of employment for purposes of the Plan and shall not interrupt the Participant’s Continuous Service with the Employer unless the Participant does not return at or before the end of the authorized leave or within the period for which re-employment is guaranteed by law or rule.

(f) Change in Control. If the successor or purchaser in the Change in Control has assumed the Company’s obligations with respect to the Options or provided a substitute award as contemplated by Section 22 of the Plan and, within 24 months following the occurrence of the Change in Control, the Participant’s employment is terminated without Cause or Participant terminates employment for Good Reason, the Options or such substitute award shall become fully vested and exercisable with respect to all Option Shares covered by the Options as of the time immediately prior to such termination of employment and, the Options shall become exercisable by the Participant for ninety (90) days following such termination.

(g) Limitations on Exercise.

(i) No Option may be exercised by any person if the Participant (A) has at any time after the Grant Date (as set forth on the first page of this Agreement) violated the Restrictive Covenants set forth below, or (B) has been terminated by the Employer for Cause, as defined in the Plan.

(ii) Any Options which are exercisable under this Section that are not exercised within the applicable period specified in this Section, will automatically terminate at the end of that applicable period.

(h) Clawback. Notwithstanding any provision to the contrary, any “clawback” or “recoupment” policy required under applicable law or provided for under Company policy shall automatically apply to this Award.

3. **Manner of Exercise.**

(a) The Participant can exercise Options by complying with the provisions of the Plan and by following instructions provided in materials distributed by the Company. Unless such alternatives are limited by the Company in its sole discretion, the Exercise Price (as set forth on the first page of this Agreement), for the number of Option Shares being purchased and any related withholding tax obligations may be paid by the Participant by (i) delivery of cash, money order or a certified or cashier's check; (ii) tendering previously acquired Shares or shares of Class A Common Stock, par value US\$0.01 per share, of the Company ("Class A Shares"), as provided for in the Plan; (iii) delivery of a conversion notice or other conversion instructions acceptable to the Company irrevocably electing to convert a sufficient number of Shares received under the Option into Class A Shares ("Conversion Shares") together with delivery of irrevocable instructions to a broker or other agent acceptable to the Company to promptly sell the Conversion Shares received under the Option and to deliver to the Company the appropriate amount of proceeds; and/or (iv) any other payment method that is established by the Company (which payment method may be restricted or eliminated from time to time by the Company, in its sole discretion).

(b) The Company or the Participant's Employer will, without transfer or issue tax to the Participant, issue and cause to be delivered to the Participant the number of Option Shares purchased as soon as reasonably practicable after the Participant has appropriately exercised any Options. The Company is not required to issue Shares to the Participant until all obligations to withhold taxes have been resolved to the satisfaction of the Company or the Employer.

4. **Restrictive Covenants.**

(a) The Participant agrees that (i) during the period of employment with the Company, its Subsidiaries, and/or any other entity which is a Related Entity (and its successors) ("Constellation" for purpose of this Section) and (ii) during any period of continued vesting following Retirement in accordance with the terms of this Agreement, the Participant will not, without the written consent of the Company, seek or obtain a position with a Competitor (as defined below) in which the Participant will use or is likely to use any confidential information or trade secrets of Constellation, or in which the Participant has duties for such Competitor that involve Competitive Services (as defined below) and that are the same or similar to those services actually performed by the Participant for Constellation. The parties agree that the Participant may continue service on any boards of directors on which he or she is serving while employed by Constellation. If Participant's employment is terminated by the Participant for Good Reason or by Constellation for any reason other than Cause, then Constellation will not unreasonably withhold such consent provided Constellation receives information and assurances, satisfactory to Constellation, regarding the Participant's new position.

(b) The Participant understands and agrees that the relationship between Constellation and each of their respective employees constitutes a valuable asset of Constellation and may not be converted to the Participant's own use. Accordingly, the Participant hereby agrees that (i) during the period of employment with Constellation and (ii) during any period of continued vesting following Retirement in accordance with the terms of this Agreement, the Participant shall not directly or indirectly, on his or her own behalf or on behalf of another person, solicit or induce any employee to terminate his or her employment relationship with Constellation or to enter into employment with another person. The foregoing shall not apply to employees who respond to solicitations of employment directed to the general public or who seek employment at their own initiative.

For the purposes of this Section, "Competitive Services" means the provision of goods or services that are competitive with any goods or services offered by Constellation including, but not limited to

manufacturing, importing, exporting, distributing or selling cannabis, wine, beer, liquor or other alcoholic beverages in the United States, Canada, New Zealand, Italy and/or Mexico. The parties acknowledge that Constellation may from time to time during the term of this Agreement change or increase the line of goods or services it provides and its geographic markets, and Participant agrees that this provision shall be deemed to be amended from time to time to include such different or additional goods, services, and geographic markets to the definition of “Competitive Services” for purposes of this Section. “Competitor” means any individual or any entity or enterprise engaged, wholly or in part, in Competitive Services.

(c) The Participant agrees that, due to his or her position of trust and confidence, the restrictions contained in this Section are reasonable, and the equity compensation conferred on the Participant in this Agreement is adequate consideration, and, since the nature of Constellation’s collective business is international in scope, the geographic restriction herein is reasonable.

(d) The Participant acknowledges that a breach of this Section will cause irreparable injury and damage, which cannot be reasonably or adequately compensated by money damages. Accordingly, the Participant acknowledges that the remedies of injunction and specific performance shall be available in the event of such a breach, and the Company shall be entitled to money damages, costs and attorneys’ fees, and other legal or equitable remedies, including an injunction pending trial, without the posting of bond or other security. Any period of restriction set forth in this Section shall be extended for a period of time equal to the duration of any breach or violation thereof.

(e) In the event of the Participant’s breach of this Section, in addition to the injunctive relief described above, all unexercised Options held by the Participant shall be immediately forfeited on the date which the Participant breaches this Section unless terminated sooner by operation of another term or condition of this Agreement or the Plan, and any gain realized by the Participant from the vesting and exercise of all or a portion of the Options shall be paid by the Participant to the Company.

(f) In the event that any provision of this Section is held to be in any respect an unreasonable restriction, then the court so holding may modify the terms thereof, including the period of time during which it operates or the geographic area to which it applies, or effect any other change to the extent necessary to render this Section enforceable, it being acknowledged by the parties that the representations and covenants set forth herein are of the essence of this Agreement. Notwithstanding anything in this Agreement to the contrary, the post-employment restrictive covenants described in this Section above will not apply to this Award to the extent required under California law or other applicable law, as determined by the Company.

(g) **Trade Secrets and Confidential Information.** The Participant agrees that unless duly authorized in writing by the Company, the Participant will neither during his or her employment by Constellation nor at any time thereafter divulge or use in connection with any business activity other than that of Constellation any trade secrets or confidential information first acquired by the Participant during and by virtue of employment with Constellation. Notwithstanding the foregoing, nothing in this Agreement prohibits the Participant from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Securities and Exchange Commission, or making other disclosures that are protected under the whistleblower protections of federal law or regulation.

5. **Committee Discretion.** The Committee, in its absolute discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Options at any time. If so accelerated, such Options shall be considered as having vested as of the date specified by the Committee.

6. **Code Section 409A.** The Options are intended to be exempt from Code Section 409A and the Treasury regulations and guidance issued thereunder (“Section 409A”) and, accordingly, the terms of the Agreement shall be construed to preserve such exemption. To the extent that the Options are subject to the requirements of Section 409A, the Agreement shall be interpreted and administered in accordance with the intent that the Participant not be subject to tax under Section 409A. Neither the Company, any of its Subsidiaries nor any other entity which is a Related Entity shall be liable to any Participant (or any other individual claiming a benefit through the Participant) for any tax, interest, or penalties the Participant might owe as a result of participation in the Plan, and the Company, its Subsidiaries and any other entity which is a Related Entity shall have no obligation to indemnify or otherwise protect the Participant from the obligation to pay any taxes pursuant to Section 409A, unless otherwise specified.

7. **Responsibility for Taxes & Withholding.** Regardless of any action the Company, any of its Subsidiaries or any other entity which is a Related Entity takes with respect to any or all income tax, social insurance or social security, payroll tax, payment on account or other tax-related items related to the Participant’s participation in the Plan and legally applicable to the Participant (“Tax-Related Items”), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant’s responsibility and may exceed the amount actually withheld by the Company, any of its Subsidiaries or any other entity which is a Related Entity, if any. The Participant further acknowledges that the Company, any of its Subsidiaries or any other entity which is a Related Entity (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect to the Options, including, but not limited to, the grant, vesting or exercise of the Options, the issuance of Shares upon exercise of the Options, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends; and (b) do not commit to and are under no obligation to structure the terms of any Award to reduce or eliminate Participant’s liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant becomes subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Participant acknowledges that the Company, any of its Subsidiaries or any other entity which is a Related Entity may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

The Participant agrees as a condition of his or her participation in the Plan to make arrangements satisfactory to the Company, any of its Subsidiaries or any other entity which is a Related Entity (including the employer) to enable it to satisfy all withholding, payment and/or collection requirements associated with the satisfaction of the Tax-Related Items. The withholding obligation shall be satisfied in a manner acceptable to the Company in its sole discretion and may include the following methods:

(a) by surrender to the Company by attestation to the ownership of Shares already owned that would satisfy the withholding amount, or by having the Company retain a portion of the Shares otherwise issuable upon exercise of the Option, or

(b) by the Company, or if different, the employer withholding all applicable amounts from the Participant’s wages or other cash compensation due to the Participant, in accordance with any requirements under the laws, rules, and regulations of the country of which the Participant is a resident (“Local Law”), or

(c) by delivery of a conversion notice or other conversion instructions acceptable to the Company irrevocably electing to convert a sufficient number of Shares received under the Option into Conversion Shares together with delivery of irrevocable instructions to a broker or other agent acceptable to the Company to promptly sell the Conversion Shares received under the Option and to deliver to the Company the appropriate amount of proceeds to satisfy the withholding requirements.

To avoid negative accounting treatment, the Company, any of its Subsidiaries or any other entity which is a Related Entity may withhold or account for Tax-Related Items by considering applicable statutory

withholding amounts or other applicable withholding rates (but not in excess of the maximum amount permitted for tax withholding under applicable law). Furthermore, the Participant agrees to pay the Company, or if different, the employer, any amount the Company, or if different, the employer may be required to withhold, collect or pay as a result of the Participant's participation in the Plan or that cannot be satisfied by deduction from the Participant's wages or other cash compensation paid to the Participant by the Company, or if different, the employer or sale of the Shares acquired under the Plan. The Participant acknowledges that he or she may not participate in the Plan unless the tax withholding, payment and/or collection obligations of the Company, any of its Subsidiaries or any other entity which is a Related Entity are satisfied.

8. **No Transfer of Options.** Unless transferability is authorized by the Option grant or otherwise permitted by the Committee, Options are not transferable by the Participant other than (a) by will or the laws of descent and distribution, or (b) pursuant to a domestic relations order. Because of laws affecting the transferability of the Option Shares, the Participant should understand the securities laws and other implications of any transfer of Options. Any attempt at assignment, transfer, pledge, hypothecation, or other disposition of the Option contrary to the provisions hereof, and the levy of any attachment or similar process upon such Option, shall be null and void and without effect.

9. **Transferability of Shares.** Following exercise of the Option and issuance of Shares, in the event the Company permits the Participant to arrange for sale of Shares through a broker or another designated agent of the Company, the Participant acknowledges and agrees that the Company may block any such sale and/or cancel any order to sell placed by the Participant, in each case if the Participant is not then permitted under the Company's insider trading policy to engage in transactions with respect to securities of the Company. If the Committee determines that the ability of the Participant to sell or transfer Shares is restricted, then the Company may place a restrictive legend or stop transfer notation on any certificate that may be issued to represent such Shares or on its books with respect to such Shares. If a legend or stop transfer notation is placed on any certificate or the Company's books with respect to the Participant's Shares, the Participant may only sell such Shares in compliance with such legend or notation.

10. **Rights as Stockholder.** Neither the Participant nor any person claiming under or through the Participant shall have any of the rights or privileges of a stockholder of the Company in respect of any Options (whether vested or unvested) unless and until such Options are exercised and the corresponding Shares are issued. After such issuance, the Participant shall have the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares, if any.

11. **Acknowledgment.** The Participant acknowledges and agrees to the following:

- (a) The Plan is discretionary in nature and the Committee may amend, suspend, or terminate it at any time, to the extent permitted by the Plan.
- (b) The grant of the Options is voluntary and occasional and does not create any contractual or other right to receive future grants of Options or benefits in lieu of the Options even if the Options have been granted in the past.
- (c) All determinations with respect to such future Options, if any, including but not limited to, the times when the Options shall be granted or when the Options shall vest, will be at the sole discretion of the Committee.
- (d) The Participant's participation in the Plan is voluntary.

- (e) The future value of the Shares is unknown, indeterminable and cannot be predicted with certainty.
- (f) No claim or entitlement to compensation or damages arises from the termination or forfeiture of the Award, termination of the Plan, or diminution in value of the Options or Shares and the Participant irrevocably releases the Company, its Subsidiaries or any entity which is a Related Entity from any such claim that may arise.
- (g) Neither the Plan nor the Options shall be construed to create an employment relationship where any employment relationship did not otherwise already exist.
- (h) Nothing in the Agreement or the Plan shall confer upon the Participant any right to continue to be employed by the Employer or shall interfere with or restrict in any way the rights of the Employer, which are hereby expressly reserved, to terminate the employment of the Participant under applicable law.
- (i) The transfer of the employment of the Participant between the Company and any one of its Subsidiaries or any other entity which is a Related Entity (or between such entities) shall not be deemed a termination of service.
- (j) Nothing herein contained shall affect the Participant's right to participate in and receive benefits under and in accordance with the then current provisions of any pension, insurance or other Participant welfare plan or program of the Company or any Subsidiary.
- (k) The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.
- (l) The Company reserves the right to impose other requirements on participation in the Plan, on the Options and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with Local Law or facilitate the administration of the Plan, and to require the Participants to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
- (m) In addition, the following provisions apply if the Participant is providing services outside of the United States:
  - (i) the value of the Options is an extraordinary item of compensation, which is outside the scope of the Participant's employment contract (if any), except as may otherwise be explicitly provided in the Participant's employment contract (if any).
  - (ii) the Options are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating termination, severance, resignation, redundancy, dismissal, end of service, or similar payments, or bonuses, long-service awards, holiday pay, pension or retirement benefits or welfare or similar payments.
  - (iii) the Participant acknowledges and agrees that neither the Company, any Subsidiary nor any other entity which is a Related Entity shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the Option or any

amounts due to the Participant pursuant to the settlement of the Option or the subsequent sale of any Shares acquired upon settlement.

12. **Changes in Stock.** In the event of a change in the capital stock of the Company as set forth in Section 16 of the Plan, the number and kind of unexercised Options and the Exercise Price of such Options are subject to adjustment consistent with such change to prevent substantial dilution or enlargement of the rights granted to, or available for, the Participant hereunder.
13. **Address for Notices.** All notices to the Company shall be in writing and sent to the Company's General Counsel at the Company's corporate headquarters. Notices to the Participant shall be addressed to the Participant at the address as from time to time reflected in the Company's employment records as the Participant's address.
14. **Binding Agreement.** Subject to the limitation on the transferability of this Award contained herein, the Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.
15. **Plan Governs.** The Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of the Agreement and one or more provisions of the Plan, the provisions of the Plan shall govern.
16. **Governing Law.** The Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, United States of America, regardless of the law that might be applied under principles of conflict of laws.
17. **Captions.** Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of the Agreement.
18. **Severability.** In the event that any provision in the Agreement shall be held invalid or unenforceable, such provision shall be severable from, and such invalidity or unenforceability shall not be construed to have any effect on, the remaining provisions of the Agreement.
19. **Modifications to the Agreement.** The Agreement constitutes the entire understanding of the parties on the subjects covered. The Participant expressly warrants that he or she is not executing the Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to the Agreement can be made only in an express written contract executed by a duly authorized officer of the Company.
20. **Amendment, Suspension or Termination of the Plan.** By accepting this Award, the Participant expressly warrants that he or she has received a right to an equity-based award under the Plan, and has received, read, and understood a description of the Plan. The Participant understands that the Plan is discretionary in nature and may be modified, suspended, or terminated by the Company at any time.
21. **Compliance with Laws and Regulations; General Restrictions on Delivery of Shares.** The Participant understands that the exercise of the Options under the Plan and the issuance, transfer, assignment, sale, or other dealings of the Shares shall be subject to compliance by the Company, any of its Subsidiaries or any other entity which is a Related Entity and the Participant with all applicable requirements under the laws, rules, and regulations of the country of which the Participant is a resident and/or employed. Furthermore, the Participant agrees that he or she will not acquire Shares pursuant to the Plan except in compliance with Local Law.

The Company shall not be required to transfer or deliver any Shares or dividends or distributions relating to such Shares until it has been furnished with such opinions, representations or other documents as it may deem necessary or desirable, in its discretion, to ensure compliance with any law or Rules of the Securities and Exchange Commission or any other governmental authority having jurisdiction under the Plan or over the Company, the Participant, or the Shares or any interests therein. The Award of Options evidenced by the Agreement is also subject to the condition that, if at any time the Committee administering the Plan shall determine, in its discretion, that the listing, registration or qualification of the Shares (or any capital stock distributed with respect thereto) upon the New York Stock Exchange (or any other securities exchange or trading market) or under any United States state or Federal law or other applicable Rule, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of the Award of Options evidenced by the Agreement or the issuance, transfer or delivery of the Shares (or the payment of any dividends or other distributions related to the Shares), the Company shall not be required to transfer or deliver any Shares or dividends or distributions relating to such Shares unless such listing, registration, qualification, consent or approval shall have been effected or obtained to the complete satisfaction of the Committee and free of any conditions not acceptable to the Committee.

22. **Authorization to Release and Transfer Necessary Personal Information.** *The Participant hereby explicitly and unambiguously consents to the collection, use, processing, and transfer, in electronic or other form, of his or her personal data by and among, as applicable, the Company, any of its Subsidiaries or any other entity which is a Related Entity for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that the Company, any of its Subsidiaries or any other entity which is a Related Entity may hold certain personal information about the Participant including, but not limited to, the Participant's name, home address, email address, and telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title, number of Options and/or Option Shares held and the details of all Options or any other entitlement to Shares awarded, exercised, cancelled, vested, unvested or outstanding for the purpose of implementing, administering and managing the Participant's participation in the Plan (the "Data"). The Participant understands that the Data may be transferred to the Company, any of its Subsidiaries or any other entity which is a Related Entity, or to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere, and that any recipient's country (e.g., the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data to a broker or other third party assisting with the administration of Options under the Plan or with whom Shares acquired pursuant to the exercise of the Options or cash from the sale of such Shares may be deposited. Furthermore, the Participant acknowledges and understands that the transfer of the Data to the Company, any of its Subsidiaries or any other entity which is a Related Entity or to any third parties is necessary for his or her participation in the Plan. The Participant understands that the Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. The Participant understands that he or she may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein by contacting the Company's Global Privacy Lead at [privacy@cbrands.com](mailto:privacy@cbrands.com). The Participant further acknowledges that withdrawal of consent may affect his or her ability to vest in or realize benefits from the Options, and his or her ability to participate in the Plan. For more information on the consequences of refusal to consent or withdrawal of consent, the Participant understands that he or she may contact the Company's Global Privacy Lead at [privacy@cbrands.com](mailto:privacy@cbrands.com).*



*Finally, upon request of the Company, or if different the Employer, the Participant agrees to provide an executed data privacy consent form (or any other agreements or consents that may be required by the Company and/or the Employer) to the Company and/or the Employer that the Company and/or the Employer may deem necessary to obtain from the Participant for the purpose of administering the Participant's participation in the Plan in compliance with the data privacy laws in the Participant's country, either now or in the future. The Participant understands and agrees that the Participant will not be able to participate in the Plan if the Participant fails to provide any such consent or agreement requested by the Company and/or the Employer.*

23. **No Listing of Option Shares; Conversion.** The Company has not listed the Option Shares for trading on the New York Stock Exchange and does not intend to effect such a listing. Pursuant to the Certificate of Incorporation of the Company, Option Shares may be converted into Class A Shares, but only if the Class A Shares received upon the conversion are sold or transferred immediately following the conversion in a market transaction or qualifying private transaction as such terms are defined in the Company's Certificate of Incorporation. The Class A Shares into which Option Shares may be converted have been or will, prior to issuance, be listed for trading on the New York Stock Exchange.

24. **Electronic Delivery and Execution.** The Participant hereby consents and agrees to electronic delivery of any documents that the Company may elect to deliver (including, but not limited to, plan documents, prospectus and prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports, and all other forms of communications) in connection with this and any other Award made or offered under the Plan. The Participant understands that, unless revoked by the Participant by giving written notice to the Company pursuant to the Plan, this consent will be effective for the duration of the Agreement. The Participant also understands that he or she will have the right at any time to request that the Company deliver written copies of any and all materials referred to above. The Participant hereby consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may elect to deliver, and agree that his or her electronic signature is the same as, and will have the same force and effect as, his or her manual signature. The Participant consents and agrees that any such procedures and delivery may be affected by a third party engaged by the Company to provide administrative services related to the Plan.

25. **English Language.** If the Participant is employed in a country where English is not an official language, the Participant acknowledges that the Participant is sufficiently proficient in English to understand the terms and conditions of this Agreement or have had the ability to consult with an advisor who is sufficiently proficient in the English language. The Participant further acknowledges and agrees that it is the Participant's express intent that this Agreement, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Plan be drawn up in English. If the Participant receives this Agreement, the Plan or any other document related to the Plan translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

26. **Appendix.** Notwithstanding any provision of the Agreement to the contrary, this Option grant and the Shares acquired under the Plan shall be subject to any and all additional terms and provisions as set forth in the Appendix, if any, for the Participant's country of residence (and country of employment, if different). Further, if the Participant transfers residence and/or employment to another country reflected in an Appendix to this Agreement, the additional terms and conditions for such country shall apply to the Participant to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local law or to facilitate the operation and administration of this Option Share and the Plan (or the Company may establish alternative terms or

conditions as may be necessary or advisable to accommodate the Participant's transfer). Any applicable Appendix shall constitute part of this Agreement.

Options Class 1

**RESTRICTED STOCK UNIT AGREEMENT**  
**Pursuant to the**  
**CONSTELLATION BRANDS, INC.**  
**LONG-TERM STOCK INCENTIVE PLAN**

**Name of Participant:**

**Grant Date:**

**Number of Restricted Stock Units:**

**Vesting Dates and Shares to Vest:**

**Earliest Retirement Date:**

VEST DATE

SHARE

**The first November 1<sup>st</sup> that is at least six months following the Grant Date**

Constellation Brands, Inc. (the "Company") hereby awards to the designated participant (the "Participant"), Restricted Stock Units under the Company's Long-Term Stock Incentive Plan, Amended and Restated as of July 18, 2017 (the "Plan"). The principal features of this Award are set forth above, including the date of grant of the Restricted Stock Units (the "Grant Date"). This Award shall be effective on the Grant Date. The Restricted Stock Units consist of the right to receive shares of Class A Common Stock, par value \$.01 per share, of the Company ("Shares") and are subject to the provisions of the Terms and Conditions of the Agreement and the Appendix, if any (together, the "Agreement").

**PLEASE BE SURE TO READ ALL OF THE SPECIFIC TERMS AND CONDITIONS OF THE AGREEMENT. TO THE EXTENT ANY CAPITALIZED TERMS USED IN THE TERMS AND CONDITIONS ARE NOT DEFINED HEREIN, THEY WILL HAVE THE MEANING ASCRIBED TO THEM IN THE PLAN.**

**BY MY ELECTRONIC ELECTION TO ACCEPT THE TERMS AND CONDITIONS OF THIS AWARD OF RESTRICTED STOCK UNITS (WHICH SERVES AS MY ELECTRONIC SIGNATURE OF THE AGREEMENT), I AGREE THAT MY PARTICIPATION IN THE PLAN IS GOVERNED BY THE PROVISIONS OF THE PLAN AND THE AGREEMENT (INCLUDING ITS TERMS AND CONDITIONS AND THE APPENDIX, IF ANY, FOR MY COUNTRY OF RESIDENCE OR EMPLOYMENT, IF DIFFERENT). IF I FAIL TO ACCEPT THE TERMS AND CONDITIONS OF THIS AWARD WITHIN NINETY (90) DAYS OF THE GRANT DATE SET FORTH ABOVE, THE COMPANY MAY DETERMINE THAT THIS AWARD HAS BEEN FORFEITED.**

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RSU

## TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AGREEMENT

1. **Award.** The Company hereby grants to the Participant under the Plan as a separate incentive and not in lieu of any salary or other compensation for his or her services, an Award of Restricted Stock Units as of the Grant Date specified above, subject to all of the terms and conditions in the Agreement and the Plan.

2. **Vesting Schedule.** Any Restricted Stock Units that do not vest in accordance with this Section shall be forfeited and shall not be paid.

(a) **Service.** Except as otherwise provided under this Agreement, the Restricted Stock Units shall vest in accordance with the Vesting Dates (as set forth on the first page of this Agreement); provided, in each case, that the Participant remains in Continuous Service with the Company, any of its Subsidiaries, or any other entity which is a Related Entity (the "Employer") until such date. The Participant ceases to be in Continuous Service with the Employer on the date that the entity employing the Participant ceases to be a Subsidiary or an entity which is a Related Entity. For Participants based outside of the United States, the Participant ceases to be employed by the Employer on the later of (i) the date that is the last day of any statutory notice of termination period applicable to the Participant pursuant to applicable employment standards legislation, or (ii) the date that is designated by the Employer as the last day of the Participant's employment with the Employer, and the date that the Participant ceases to be employed by the Employer specifically does not mean the expiration date for any period of reasonable notice that the Employer may be required at law to provide to the Participant. The first Vesting Date set forth on the first page of this Agreement is the "Initial Vesting Date," and the last Vesting Date set forth on the first page of this Agreement is the "Final Vesting Date."

(b) **Death or Disability.** If the Participant dies or incurs a RSU Disability (as defined below) while employed by the Employer prior to the Final Vesting Date, any Restricted Stock Units that have not vested prior to the date of the Participant's death or RSU Disability shall immediately vest. "RSU Disability" means a disability as defined under Treasury regulation section 1.409A-3(i)(4)(i)(A) which generally means that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(c) **Retirement.** If the Participant ceases to be in Continuous Service with the Employer prior to the Final Vesting Date as a result of the Participant's Retirement at any time on or after the Earliest Retirement Date (as set forth on the first page of this Agreement), any Restricted Stock Units that have not vested prior to the date of the Participant's Retirement, shall continue to vest according to the percentages and dates (as set forth on the first page of this Agreement). For purposes of this Agreement:

(i) "Retirement" means the Participant ceases to be in Continuous Service with the Employer for any reason other than Cause, death or disability (including but not limited to a RSU Disability) on or after the date the Participant attains Retirement Eligibility with respect to this Award;

(ii) "Retirement Eligibility" with respect to this Award means a Participant attaining age sixty (60) and completing five (5) Full Years of Continuous Service with the Employer; and

(iii) "Full Year" means a twelve-month period beginning on the date of the Participant's commencement of service for the Employer and each anniversary thereof.

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The Participant's Continuous Service with the Employer shall be determined by the Committee in its sole discretion (subject to applicable requirements of Code Section 409A and the Treasury regulations and guidance issued thereunder ("Section 409A"), to the extent applicable).

(d) Leave of Absence. Unless otherwise determined by the Committee or required under Section 409A, an authorized leave of absence pursuant to a written agreement or other leave entitling the Participant to reemployment in a comparable position by law or Rule shall not constitute a termination of employment for purposes of the Plan and shall not interrupt the Participant's Continuous Service with the Employer unless the Participant does not return at or before the end of the authorized leave or within the period for which reemployment is guaranteed by law or Rule.

(e) Change in Control. If the successor or purchaser in the Change in Control has assumed the Company's obligations with respect to the Restricted Stock Units or provided a substitute award as contemplated by Section 22 of the Plan and, within 24 months following the occurrence of the Change in Control, the Participant's employment is terminated without Cause or the Participant terminates employment for Good Reason, the Restricted Stock Units shall become fully vested immediately prior to such termination of employment.

### 3. Restrictive Covenants.

(a) The Participant agrees that (i) during the period of employment with the Company, its Subsidiaries, and/or any other entity which is a Related Entity (and its successors) ("Constellation" for purpose of this Section) and (ii) during any period of continued vesting following Retirement in accordance with the terms of this Agreement, the Participant will not, without the written consent of the Company, seek or obtain a position with a Competitor (as defined below) in which the Participant will use or is likely to use any confidential information or trade secrets of Constellation, or in which the Participant has duties for such Competitor that involve Competitive Services (as defined below) and that are the same or similar to those services actually performed by the Participant for Constellation. The parties agree that the Participant may continue service on any boards of directors on which he or she is serving while employed by Constellation. If Participant's employment is terminated by the Participant for Good Reason or by Constellation for any reason other than Cause, then Constellation will not unreasonably withhold such consent provided Constellation receives information and assurances, satisfactory to Constellation, regarding the Participant's new position.

(b) The Participant understands and agrees that the relationship between Constellation and each of their respective employees constitutes a valuable asset of Constellation and may not be converted to the Participant's own use. Accordingly, the Participant hereby agrees that (i) during the period of employment with Constellation and (ii) during any period of continued vesting following Retirement in accordance with the terms of this Agreement, the Participant shall not directly or indirectly, on his or her own behalf or on behalf of another person, solicit or induce any employee to terminate his or her employment relationship with Constellation or to enter into employment with another person. The foregoing shall not apply to employees who respond to solicitations of employment directed to the general public or who seek employment at their own initiative.

For the purposes of this Section, "Competitive Services" means the provision of goods or services that are competitive with any goods or services offered by Constellation including, but not limited to manufacturing, importing, exporting, distributing or selling cannabis, wine, beer, liquor or other alcoholic beverages in the United States, Canada, New Zealand, Italy and/or Mexico. The parties acknowledge that Constellation may from time to time during the term of this Agreement change or increase the line of goods or services it provides and its geographic markets, and the Participant agrees

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that this provision shall be deemed to be amended from time to time to include such different or additional goods, services, and geographic markets to the definition of "Competitive Services" for purposes of this Section. "Competitor" means any individual or any entity or enterprise engaged, wholly or in part, in Competitive Services.

(c) The Participant agrees that, due to his or her position of trust and confidence, the restrictions contained in this Section are reasonable, and the equity compensation conferred on the Participant in this Agreement is adequate consideration, and, since the nature of Constellation's collective business is international in scope, the geographic restriction herein is reasonable.

(d) The Participant acknowledges that a breach of this Section will cause irreparable injury and damage, which cannot be reasonably or adequately compensated by money damages. Accordingly, the Participant acknowledges that the remedies of injunction and specific performance shall be available in the event of such a breach, and the Company shall be entitled to money damages, costs and attorneys' fees, and other legal or equitable remedies, including an injunction pending trial, without the posting of bond or other security. Any period of restriction set forth in this Section shall be extended for a period of time equal to the duration of any breach or violation thereof.

(e) In the event of the Participant's breach of this Section, in addition to the injunctive relief described above, all unvested Restricted Stock Units held by the Participant shall be immediately forfeited on the date which the Participant breaches this Section unless terminated sooner by operation of another term or condition of this Agreement or the Plan, and any gain realized by the Participant from the vesting of any Restricted Stock Units, following such breach, shall be paid by the Participant to the Company.

(f) In the event that any provision of this Section is held to be in any respect an unreasonable restriction, then the court so holding may modify the terms thereof, including the period of time during which it operates or the geographic area to which it applies, or effect any other change to the extent necessary to render this Section enforceable, it being acknowledged by the parties that the representations and covenants set forth herein are of the essence of this Agreement. Notwithstanding anything in this Agreement to the contrary, the post-employment restrictive covenants described in this Section above will not apply to this Award to the extent required under California law or other applicable law, as determined by the Company.

(g) Trade Secrets and Confidential Information. The Participant agrees that unless duly authorized in writing by the Company, the Participant will neither during his or her employment by Constellation nor at any time thereafter divulge or use in connection with any business activity other than that of Constellation any trade secrets or confidential information first acquired by the Participant during and by virtue of employment with Constellation. Notwithstanding the foregoing, nothing in this Agreement prohibits the Participant from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Securities and Exchange Commission, or making other disclosures that are protected under the whistleblower protections of federal law or regulation.

4. **Committee Discretion.** The Committee, in its absolute discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Restricted Stock Units at any time; provided that, the time or schedule of any amount to be settled pursuant to the terms of this Agreement that provides for the deferral of compensation under Section 409A, may not be accelerated except as otherwise permitted under Section 409A. If so accelerated, such Restricted Stock Units shall be considered as having vested as of the date specified by the Committee.

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5. **Death of Participant.** Any distribution or delivery to be made to the Participant under the Agreement shall, if the Participant is then deceased, be made to the Participant's designated beneficiary, or if either no beneficiary survives the Participant or the Committee does not permit beneficiary designations, to the administrator or executor of the Participant's estate. Any designation of a beneficiary by the Participant shall be effective only if such designation is made in a form and manner acceptable to the Committee. Any transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

6. **Code Section 409A.** Notwithstanding any provision of this Agreement to the contrary, in the event that any delivery of Shares to the Participant is made upon, or as a result of the Participant's termination of employment (other than as a result of death), and the Participant is a "specified employee" (as that term is defined under Section 409A) at the time the Participant becomes entitled to delivery of such Shares, and provided further that the delivery of such Shares does not otherwise qualify for an applicable exemption from Section 409A, then no such delivery of such Shares shall be made to the Participant under this Agreement until the date that is the earlier to occur of: (i) the Participant's death, or (ii) six (6) months and one (1) day following the Participant's termination of employment (the "Delay Period"). For purposes of applying the provisions of Section 409A, each group of the total Restricted Stock Units granted hereunder that would normally vest on the Initial Vesting Date and each anniversary of the Initial Vesting Date thereafter shall be treated as a separate payment. For purposes of this Agreement, to the extent the Restricted Stock Units (or applicable portion thereof) are subject to the provision of Section 409A, the terms "ceases to be employed", "termination of employment" and variations thereof, as used in this Agreement, are intended to mean a termination of employment that constitutes a "separation from service" under Section 409A.

Restricted Stock Units are generally intended to be exempt from Section 409A as short-term deferrals and, accordingly, the terms of this Agreement shall be construed to preserve such exemption. To the extent that Restricted Stock Units granted under this Agreement are subject to the requirements of Section 409A, this Agreement shall be interpreted and administered in accordance with the intent that the Participant not be subject to tax under Section 409A. Neither the Company, any of its Subsidiaries nor any other entity which is a Related Entity, shall be liable to any Participant (or any other individual claiming a benefit through the Participant) for any tax, interest, or penalties the Participant might owe as a result of participation in the Plan, and the Company, its Subsidiaries nor any other entity which is a Related Entity shall have no obligation to indemnify or otherwise protect the Participant from the obligation to pay any taxes pursuant to Section 409A, unless otherwise specified.

7. **Settlement of Restricted Stock Units.**

(a) **Status as a Creditor.** Unless and until Restricted Stock Units have vested, the Participant will have no settlement right with respect to any Restricted Stock Units. Prior to settlement of any vested Restricted Stock Units, the vested Restricted Stock Units will represent an unfunded and unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. The Participant is an unsecured general creditor of the Company, and settlement of Restricted Stock Units is subject to the claims of the Company's creditors.

(b) **Form and Timing of Settlement.** Restricted Stock Units will be settled in the form of Shares upon the vesting of the Restricted Stock Units. Where a fractional Share would be owed to the Participant upon the vesting of Restricted Stock Units, the Company may (1) round up the Shares that are payable to the Participant to the nearest whole number, or (2) pay a cash payment equivalent in place of such fractional Share. Upon issuance, Shares will be electronically transferred to an account in the Participant's name at the provider then administering the Plan as it relates to the Restricted Stock Units.

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The Shares to be issued upon settlement will be issued as soon as practicable to the Participant following each Vesting Date; provided that:

(i) such Shares will be issued no later than the date that is two and a half (2.5) months from the end of the later of (1) the Participant's tax year that includes the Vesting Date, or (2) the Company's tax year that includes the Vesting Date; and

(ii) for any Restricted Stock Units for which the Vesting Date is after the date the Participant attains Retirement Eligibility and which would constitute a "deferral of compensation" under Section 409A, Shares will be issued:

(A) on the applicable Vesting Date;

(B) within thirty (30) days following a Separation from Service within 24 months of a Change in Control which triggers accelerated vesting in accordance with the terms of this Agreement; or

(C) in the event of a Participant's death or RSU Disability, within thirty (30) days of the date of death or RSU Disability.

(c) Clawback. Notwithstanding any provision to the contrary, any "clawback" or "recoupment" policy required under applicable law or provided for under Company policy shall automatically apply to this Award.

8. **Dividend Equivalents.** During the period beginning on the Grant Date and ending on the date that Shares are issued in settlement of vested Restricted Stock Units, the Participant will accrue dividend equivalents on the Restricted Stock Units equal to any cash dividend or cash distribution that would have been paid on the Restricted Stock Unit had that Restricted Stock Unit been an issued and outstanding Share of Class A Common Stock on the record date for the dividend or distribution. Such accrued dividend equivalents (1) will vest and become payable upon the same terms and at the same time of settlement as the Restricted Stock Unit to which they relate (and will be payable with respect to any Shares that are issued or that are withheld in order to satisfy Participant's Tax-Related Items), (2) will be denominated and payable solely in cash and paid in such manner as the Company deems appropriate, and (3) will not bear or accrue interest. Dividend equivalent payments, at settlement, will be net of applicable federal, state, local and foreign income and social insurance withholding taxes. Upon the forfeiture of the Restricted Stock Units, any accrued dividend equivalents attributable to such Restricted Stock Units will also be forfeited.

9. **Responsibility for Taxes & Withholding.** Regardless of any action the Company, any of its Subsidiaries or any other entity which is a Related Entity takes with respect to any or all income tax, social insurance or social security, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Company, any of its Subsidiaries or any other entity which is a Related Entity, if any. The Participant further acknowledges that the Company, any of its Subsidiaries or any other entity which is a Related Entity (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the issuance of Shares upon settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends and/or dividend equivalents; and (2) do not commit to and are under no obligation to structure the terms of any

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Award to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant becomes subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Participant acknowledges that the Company, any of its Subsidiaries or any other entity which is a Related Entity may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

The Participant agrees as a condition of his or her participation in the Plan to make arrangements satisfactory to the Company, any of its Subsidiaries or any other entity which is a Related Entity (including the employer) to satisfy all Tax-Related Items. In this regard, the Company, or their respective agents, will withhold Shares to be issued upon vesting/settlement of the Restricted Stock Units, unless the Company, or if different, the employer, at their discretion, permit the obligations to be satisfied with regard to all Tax-Related Items by one or a combination of the following:

- (a) withholding from the Participant's wages/salary or other cash compensation paid to the Participant by the Company, or if different, the employer; or
- (b) withholding from proceeds of the Shares acquired upon vesting/settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization).

Notwithstanding the above, if the Participant is a Section 16 officer of the Company under the U.S. Securities and Exchange Act of 1934, as amended, then the Company will withhold in Shares upon the relevant taxable or tax withholding event, as applicable, unless the use of such withholding method is problematic under applicable tax or securities law or has materially adverse accounting consequences, in which case, the obligation for Tax-Related Items may be satisfied by one or a combination of methods (a) and (b) above.

Notwithstanding anything to the contrary in the Plan, the Participant shall not be entitled to satisfy any Tax-Related Item or withholding obligation that arises as a result of the Agreement by delivering to the Company any shares of capital stock of the Company. To avoid negative accounting treatment, the Company, any of its Subsidiaries or any other entity which is a Related Entity may withhold or account for Tax-Related Items by considering applicable statutory withholding amounts or other applicable withholding rates (but not in excess of the maximum amount permitted for tax withholding under applicable law). If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares attributable to the vested Restricted Stock Units, notwithstanding that a number of Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan.

The Participant shall pay to the Company, or if different, the Employer, any amount of Tax-Related Items that the Company, or if different, the Employer, may be required to withhold or account for as a result of the Participant's participation in the Plan that will not for any reason be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

By accepting this grant of Restricted Stock Units, the Participant expressly consents to the methods of withholding Tax-Related Items by the Company, or if different, the Employer as set forth herein, including the withholding of Shares and the withholding from the Participant's wages/salary or other amounts payable to the Participant. All other Tax-Related Items related to the Restricted Stock Units and any Shares delivered in satisfaction thereof are the Participant's sole responsibility.

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10. **Transferability.** The Participant shall have no right to sell, assign, transfer, pledge or otherwise encumber the Restricted Stock Units in any manner until the Shares are issued to the Participant upon settlement. Following settlement and issuance of Shares, in the event the Company permits the Participant to arrange for sale of Shares through a broker or another designated agent of the Company, the Participant acknowledges and agrees that the Company may block any such sale and/or cancel any order to sell placed by the Participant, in each case if the Participant is not then permitted under the Company's insider trading policy to engage in transactions with respect to securities of the Company. If the Committee determines that the ability of the Participant to sell or transfer Shares is restricted, then the Company may notify the Participant in accordance with the terms of the Agreement. The Participant may only sell such Shares in compliance with such notification by the Company.

11. **Rights as Stockholder.** Neither the Participant nor any person claiming under or through the Participant shall have any of the rights or privileges of a stockholder of the Company in respect of any Restricted Stock Units (whether vested or unvested) unless and until such Restricted Stock Units vest and the corresponding Shares are issued. After such issuance, the Participant shall have the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares, if any.

12. **Acknowledgments.** The Participant acknowledges and agrees to the following:

(a) The Plan is discretionary in nature and the Committee may amend, suspend, or terminate it at any time, to the extent permitted by the Plan.

(b) The grant of the Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of the Restricted Stock Units even if the Restricted Stock Units have been granted in the past.

(c) All determinations with respect to such future Restricted Stock Units, if any, including but not limited to, the times when the Restricted Stock Units shall be granted or when the Restricted Stock Units shall vest, will be at the sole discretion of the Committee.

(d) The Participant's participation in the Plan is voluntary.

(e) The future value of the Shares is unknown, indeterminable and cannot be predicted with certainty.

(f) No claim or entitlement to compensation or damages arises from the termination or forfeiture of the Award, termination of the Plan, or diminution in value of the Restricted Stock Units or Shares and the Participant irrevocably releases the Company, any of its Subsidiaries or any other entity which is a Related Entity from any such claim that may arise.

(g) Neither the Plan nor the Restricted Stock Units shall be construed to create an employment relationship where any employment relationship did not otherwise already exist.

(h) Nothing in the Agreement or the Plan shall confer upon the Participant any right to continue to be employed by the Employer or shall interfere with or restrict in any way the rights of the Employer, which are hereby expressly reserved, to terminate the employment of the Participant under applicable law.

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(i) The transfer of the employment of the Participant between the Company, any one of its Subsidiaries or any other entity which is a Related Entity (or between such entities) shall not be deemed a termination of service.

(j) Nothing herein contained shall affect the Participant's right to participate in and receive benefits under and in accordance with the then current provisions of any pension, insurance or other Participant welfare plan or program of the Employer.

(k) The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(l) In addition, the following provisions apply if the Participant is providing services outside the United States:

(i) The value of the Restricted Stock Units is an extraordinary item of compensation, which is outside the scope of the Participant's employment contract (if any), except as may otherwise be explicitly provided in the Participant's employment contract (if any).

(ii) The Restricted Stock Units are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating termination, severance, resignation, redundancy, dismissal, end of service, or similar payments, or bonuses, long-service awards, holiday pay, pension or retirement benefits or welfare or similar payments.

(iii) The Participant acknowledges and agrees that neither the Company, any Subsidiary nor any other entity which is a Related Entity shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to the Participant pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement.

(iv) The Company reserves the right to impose other requirements on participation in the Plan, on the Restricted Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or other applicable Rule or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

13. **Changes in Stock.** In the event of a change in the capital stock of the Company as set forth in Section 16 of the Plan, the Restricted Stock Units shall be adjusted automatically consistent with such change to prevent substantial dilution or enlargement of the rights granted to, or available for, the Participant hereunder.

14. **Address for Notices.** All notices to the Company shall be in writing and sent to the Company's General Counsel at the Company's corporate headquarters. Notices to the Participant shall be addressed to the Participant at the address as from time to time reflected in the Company's employment records as the Participant's address.

15. **Binding Agreement.** Subject to the limitation on the transferability of this Award contained herein, the Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

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16. **Plan Governs.** The Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of the Agreement and one or more provisions of the Plan, the provisions of the Plan shall govern.

17. **Governing Law.** The Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, United States of America, regardless of the law that might be applied under principles of conflict of laws.

18. **Captions.** Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of the Agreement.

19. **Severability.** In the event that any provision in the Agreement shall be held invalid or unenforceable, such provision shall be severable from, and such invalidity or unenforceability shall not be construed to have any effect on, the remaining provisions of the Agreement.

20. **Modifications to the Agreement.** The Agreement constitutes the entire understanding of the parties on the subjects covered. The Participant expressly warrants that he or she is not executing the Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to the Agreement can be made only in an express written contract executed by a duly authorized officer of the Company.

21. **Amendment, Suspension or Termination of the Plan.** By accepting this Award, the Participant expressly warrants that he or she has received a right to an equity based award under the Plan, and has received, read, and understood a description of the Plan. The Participant understands that the Plan is discretionary in nature and may be modified, suspended, or terminated by the Company at any time.

22. **Compliance with Laws and Regulations; General Restrictions on Delivery of Shares.** The Participant understands that the vesting of the Restricted Stock Units under the Plan and the issuance, transfer, assignment, sale, or other dealings of the Shares shall be subject to compliance by the Company, any of its Subsidiaries or any other entity which is a Related Entity and the Participant with all applicable requirements under the laws and Rules of the country of which the Participant is a resident. Furthermore, the Participant agrees that he or she will not acquire Shares pursuant to the Plan except in compliance with the laws and Rules of the country of which the Participant is a resident and/or employed.

The Company shall not be required to transfer or deliver any Shares, dividends, dividend equivalents or distributions relating to such Shares until it has been furnished with such opinions, representations or other documents as it may deem necessary or desirable, in its discretion, to ensure compliance with any law or Rules of the Securities and Exchange Commission or any other governmental authority having jurisdiction under the Plan or over the Company, the Participant, or the Shares or any interests therein. The Award of Restricted Stock Units evidenced by the Agreement is also subject to the condition that, if at any time the Committee administering the Plan shall determine, in its discretion, that the listing, registration or qualification of the Shares (or any capital stock distributed with respect thereto) upon the New York Stock Exchange (or any other securities exchange or trading market) or under any United States state or federal law or other applicable Rule, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of the Award of Restricted Stock Units evidenced by the Agreement or the issuance, transfer or delivery of the Shares (or the payment of any dividends, dividend equivalents or other distributions related to the Shares), the Company shall not be required to transfer or deliver any Shares, dividends, dividend equivalents or distributions relating to such Shares unless such listing, registration,

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qualification, consent or approval shall have been effected or obtained to the complete satisfaction of the Committee and free of any conditions not acceptable to the Committee.

23. **Authorization to Release and Transfer Necessary Personal Information.** *The Participant hereby explicitly and unambiguously consents to the collection, use, processing, and transfer, in electronic or other form, of his or her personal data by and among, as applicable, the Company, any of its Subsidiaries or any other entity which is a Related Entity for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that the Company, any of its Subsidiaries or any other entity which is a Related Entity may hold certain personal information about the Participant including, but not limited to, the Participant's name, home address, email address, and telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title, number of Restricted Stock Units and/or Shares held and the details of all Restricted Stock Units or any other entitlement to Shares awarded, cancelled, vested, unvested or outstanding for the purpose of implementing, administering and managing the Participant's participation in the Plan (the "Data"). The Participant understands that the Data may be transferred to the Company, any of its Subsidiaries or any other entity which is a Related Entity, or to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere, and that any recipient's country (e.g., the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Company's Global Privacy Lead at [privacy@cbrands.com](mailto:privacy@cbrands.com). The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data to a broker or other third party assisting with the administration of Restricted Stock Units under the Plan or with whom Shares acquired pursuant to the vesting of the Restricted Stock Units or cash from the sale of such Shares may be deposited. Furthermore, the Participant acknowledges and understands that the transfer of the Data to the Company, any of its Subsidiaries or any other entity which is a Related Entity or to any third parties is necessary for his or her participation in the Plan. The Participant understands that the Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. The Participant understands that he or she may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein by contacting the Company's Global Privacy Lead at [privacy@cbrands.com](mailto:privacy@cbrands.com). The Participant further acknowledges that withdrawal of consent may affect his or her ability to vest in or realize benefits from the Restricted Stock Units, and his or her ability to participate in the Plan. For more information on the consequences of refusal to consent or withdrawal of consent, the Participant understands that he or she may contact the Company's Global Privacy Lead at [privacy@cbrands.com](mailto:privacy@cbrands.com).*

*Finally, upon request of the Employer, the Participant agrees to provide an executed data privacy consent form (or any other agreements or consents that may be required by the Employer) to the Employer that the Employer may deem necessary to obtain from the Participant for the purpose of administering the Participant's participation in the Plan in compliance with the data privacy laws in the Participant's country, either now or in the future. The Participant understands and agrees that the Participant will not be able to participate in the Plan if the Participant fails to provide any such consent or agreement requested by the Employer.*

24. **Electronic Delivery and Execution.** The Participant hereby consents and agrees to electronic delivery of any documents that the Company may elect to deliver (including, but not limited to, plan documents, prospectus and prospectus supplements, grant or award notifications and agreements,

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account statements, annual and quarterly reports, and all other forms of communications) in connection with this and any other Award made or offered under the Plan. The Participant understands that, unless revoked by the Participant by giving written notice to the Company pursuant to the Plan, this consent will be effective for the duration of the Agreement. The Participant also understands that he or she will have the right at any time to request that the Company deliver written copies of any and all materials referred to above. The Participant hereby consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may elect to deliver, and agree that his or her electronic signature is the same as, and will have the same force and effect as, his or her manual signature. The Participant consents and agrees that any such procedures and delivery may be affected by a third party engaged by the Company to provide administrative services related to the Plan.

25. **English Language.** If the Participant is employed in a country where English is not an official language, the Participant acknowledges that the Participant is sufficiently proficient in English to understand the terms and conditions of this Agreement or have had the ability to consult with an advisor who is sufficiently proficient in the English language. The Participant further acknowledges and agrees that it is the Participant's express intent that this Agreement, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Plan be drawn up in English. If the Participant receives this Agreement, the Plan or any other documents related to the Plan translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

26. **Appendix.** Notwithstanding any provision of the Agreement to the contrary, this Restricted Stock Unit Award and the Shares acquired under the Plan shall be subject to any and all special terms and provisions as set forth in the Appendix, if any, for the Participant's country of residence (and country of employment, if different). Further, if the Participant transfers his or her residence and/or employment to another country reflected in the Appendix to this Agreement, the special terms and conditions for such country will apply to the Participant to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws or rules to facilitate the operation and administration of the Restricted Stock Units and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer). Any applicable Appendix shall constitute part of this Agreement.

**PERFORMANCE SHARE UNIT AGREEMENT**  
**Pursuant to the**  
**CONSTELLATION BRANDS, INC.**  
**LONG-TERM STOCK INCENTIVE PLAN**

**Name of Participant:**

**Grant Date:**

**Target Number of Performance Share Units:**

**Service Vesting Date:**

**Earliest Retirement Date:**

**The first November 1st that is at least six months following the Date of Grant**

**PSU Payment Period**

**Within the two-week period following the Service Vesting Date**

Constellation Brands, Inc. (the “Company”) hereby awards to the designated participant (the “Participant”), the opportunity to receive the Performance Share Units described herein under the Company's Long-Term Stock Incentive Plan, Amended and Restated as of July 18, 2017 (the “Plan”). The principal features of this Award are set forth above, including the date of grant of the Performance Share Units (the “Grant Date”). This Award shall be effective on the Grant Date. The Performance Share Units consist of the right to receive shares of Class A Common Stock, par value \$.01 per share, of the Company (“Shares”). Generally, the Participant will not receive any Performance Share Units unless specified service and performance requirements are satisfied. This Performance Share Unit Agreement is subject to the provisions of the Terms and Conditions of Performance Share Unit Agreement and the Appendix, if any (together, this “Agreement”) and terms of the Plan.

**PLEASE BE SURE TO READ ALL OF THE SPECIFIC TERMS AND CONDITIONS OF THIS AGREEMENT. TO THE EXTENT ANY CAPITALIZED TERMS USED IN THE TERMS AND CONDITIONS ARE NOT DEFINED HEREIN, THEY WILL HAVE THE MEANING ASCRIBED TO THEM IN THE PLAN.**

**BY MY ELECTRONIC ELECTION TO ACCEPT THE TERMS AND CONDITIONS OF THIS AWARD OF PERFORMANCE SHARE UNITS (WHICH SERVES AS MY ELECTRONIC SIGNATURE OF THIS AGREEMENT), I AGREE THAT MY PARTICIPATION IN THE PLAN IS GOVERNED BY THE PROVISIONS OF THE PLAN AND THIS AGREEMENT (INCLUDING ITS TERMS AND CONDITIONS AND THE APPENDIX, IF ANY, FOR MY COUNTRY OF RESIDENCE OR EMPLOYMENT, IF DIFFERENT). IF I FAIL TO ACCEPT THE TERMS AND CONDITIONS OF THIS AWARD WITHIN NINETY (90) DAYS OF THE GRANT DATE SET FORTH ABOVE, THE COMPANY MAY DETERMINE THAT THIS AWARD HAS BEEN FORFEITED.**

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## TERMS AND CONDITIONS OF PERFORMANCE SHARE UNIT AGREEMENT

1. Award. The Company hereby grants to the Participant under the Plan as a separate incentive and not in lieu of any salary or other compensation for his or her services the opportunity to receive Performance Share Units as of the Grant Date specified above, subject to all of the terms and conditions in this Agreement and the Plan. Generally, the Participant will not receive any Performance Share Units unless the specified service and performance requirements set forth herein are satisfied.

2. Vesting in Performance Share Units. Any Performance Share Units that do not vest in accordance with this Section shall be forfeited and shall not be paid.

(a) Performance and service vesting requirements. Except as otherwise provided under this Agreement, both performance and service vesting requirements must be satisfied before the Participant can earn Performance Share Units under this Agreement. With certain exceptions noted below, the Participant will vest in his/her right to receive Performance Share Units under this Agreement if the Participant remains in Continuous Service with the Company, any of its Subsidiaries, or any other entity which is a Related Entity (the "Employer") until the Service Vesting Date (as set forth on the first page of this Agreement) and the Company achieves the performance targets specified in Schedule A. The Participant ceases to be employed with the Employer on the date that the entity employing the Participant ceases to be a Subsidiary or an entity which is a Related Entity. For participants based outside of the United States, the Participant ceases to be employed by the Employer on the later of (i) the date that is the last day of any statutory notice of termination period applicable to the Participant pursuant to applicable employment standards legislation or (ii) the date that is designated by the Employer as the last date of the Participant's employment with the Employer, and the date the Participant ceases to be employed by the Employer specifically does not mean the date on which any period of reasonable notice that the Employer may be required at law to provide to the Participant expires. If the Participant remains in Continuous Service with the Employer until the Service Vesting Date, the Participant shall vest in his/her right to receive a number of Performance Share Units based on the performance matrix set forth in Schedule A. Schedule A sets forth how the number of the Participant's vested Performance Share Units is calculated.

(b) Death or Disability. If the Participant dies or incurs a PSU Disability (as defined below) while employed by the Employer prior to the Service Vesting Date, the Participant shall vest in a number of Performance Share Units equal to the number of the Participant's Target Number of Performance Share Units, provided that such Performance Share Units were not previously forfeited. A "PSU Disability" means a disability as defined under Treasury regulation section 1.409A-3(i)(4)(i)(A) which generally means that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months. Any Performance Share Units that do not vest under this provision shall be forfeited upon the Participant's death or PSU Disability.

(c) Retirement. If the Participant ceases to be in Continuous Service with the Employer prior to the Service Vesting Date as a result of the Participant's Retirement at any time on or after the Earliest Retirement Date (as set forth on the first page of this Agreement), the Participant shall be deemed to have met the service vesting requirements under this Agreement and shall be eligible to receive a number of Performance Share Units equal to (X) multiplied by (Y), where: (X) equals the number of Performance Share Units to which the Participant would be entitled based on actual performance during the Valuation Period as described in the performance matrix set forth in Schedule A; and (Y) is a ratio, the numerator of which equals the number of days the Participant remained in Continuous Service with the Employer from the beginning of the Valuation Period as described in the performance matrix set forth

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in Schedule A (“Performance Start Date”) until Retirement, and the denominator of which equals the number of days from the Performance Start Date through the end of the Valuation Period as described in the performance matrix set forth in Schedule A. For purposes of this Agreement:

- (i) “Retirement” means the Participant ceases to be employed by the Employer for any reason other than Cause, death or disability (including but not limited to a PSU Disability) on or after the date the Participant attains Retirement Eligibility with respect to this Award;
- (ii) “Retirement Eligibility” with respect to this Award means a Participant attaining age sixty (60) and completing five (5) Full Years of Continuous Service with the Employer; and
- (iii) “Full Year” means a twelve-month period beginning on the date of the Participant's commencement of service for the Employer and each anniversary thereof.

The Participant's Continuous Service with the Employer shall be determined by the Committee in its sole discretion (subject to applicable requirements of Code Section 409A and the Treasury regulations and guidance issued thereunder (“Section 409A”), to the extent applicable).

(d) Leave of Absence. Unless otherwise determined by the Committee or required under Section 409A, an authorized leave of absence pursuant to a written agreement or other leave entitling the Participant to re-employment in a comparable position by law or Rule shall not constitute a termination of employment for purposes of the Plan and shall not interrupt the Participant's Continuous Service with the Employer unless the Participant does not return at or before the end of the authorized leave or within the period for which re-employment is guaranteed by law or Rule.

(e) Change in Control. If the successor or purchaser in the Change in Control has assumed the Company's obligations with respect to the Performance Share Units or provided a substitute award as contemplated by Section 22 of the Plan and, within 24 months following the occurrence of the Change in Control, the Participant's employment is terminated without Cause or the Participant terminates employment for Good Reason, the Participant shall become vested in the Participant's Target Number of Performance Share Units or if a substitute award has been provided, a number of units in the successor company (or a subsidiary or affiliate of such successor company, as applicable) that is equal in value to the Participant's Target Number of Performance Share Units as of the effective date of the Change in Control; provided that such Performance Share Units or substitute award units were not previously forfeited.

### 3. Restrictive Covenants.

(a) The Participant agrees that (i) during the period of employment with the Company, its Subsidiaries, and/or any other entity which is a Related Entity (and its successors) (“Constellation” for purpose of this Section) and (ii) during any period of continued vesting following Retirement in accordance with the terms of this Agreement, the Participant will not, without the written consent of the Company, seek or obtain a position with a Competitor (as defined below) in which the Participant will use or is likely to use any confidential information or trade secrets of Constellation, or in which the Participant has duties for such Competitor that involve Competitive Services (as defined below) and that are the same or similar to those services actually performed by the Participant for Constellation. The parties agree that the Participant may continue service on any boards of directors on which he or she is serving while employed by Constellation. If Participant's employment is terminated by the Participant for Good Reason or by Constellation for any reason other than Cause, then Constellation

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will not unreasonably withhold such consent provided Constellation receives information and assurances, satisfactory to Constellation, regarding the Participant's new position.

(b) The Participant understands and agrees that the relationship between Constellation and each of their respective employees constitutes a valuable asset of Constellation and may not be converted to the Participant's own use. Accordingly, the Participant hereby agrees that (i) during the period of employment with Constellation and (ii) during any period of continued vesting following Retirement in accordance with the terms of this Agreement, the Participant shall not directly or indirectly, on his or her own behalf or on behalf of another person, solicit or induce any employee to terminate his or her employment relationship with Constellation or to enter into employment with another person. The foregoing shall not apply to employees who respond to solicitations of employment directed to the general public or who seek employment at their own initiative.

For the purposes of this Section, "Competitive Services" means the provision of goods or services that are competitive with any goods or services offered by Constellation including, but not limited to manufacturing, importing, exporting, distributing or selling cannabis, wine, beer, liquor or other alcoholic beverages in the United States, Canada, New Zealand, Italy and/or Mexico. The parties acknowledge that Constellation may from time to time during the term of this Agreement change or increase the line of goods or services it provides and its geographic markets, and the Participant agrees that this provision shall be deemed to be amended from time to time to include such different or additional goods, services, and geographic markets to the definition of "Competitive Services" for purposes of this Section. "Competitor" means any individual or any entity or enterprise engaged, wholly or in part, in Competitive Services.

(c) The Participant agrees that, due to his or her position of trust and confidence, the restrictions contained in this Section are reasonable, and the equity compensation conferred on the Participant in this Agreement is adequate consideration, and, since the nature of Constellation's collective business is international in scope, the geographic restriction herein is reasonable.

(d) The Participant acknowledges that a breach of this Section will cause irreparable injury and damage, which cannot be reasonably or adequately compensated by money damages. Accordingly, the Participant acknowledges that the remedies of injunction and specific performance shall be available in the event of such a breach, and the Company shall be entitled to money damages, costs and attorneys' fees, and other legal or equitable remedies, including an injunction pending trial, without the posting of bond or other security. Any period of restriction set forth in this Section shall be extended for a period of time equal to the duration of any breach or violation thereof.

(e) In the event of the Participant's breach of this Section, in addition to the injunctive relief described above, all unvested Performance Share Units held by the Participant shall be immediately forfeited on the date which the Participant breaches this Section unless terminated sooner by operation of another term or condition of this Agreement or the Plan, and any gain realized by the Participant from the vesting of any Performance Share Units, following such breach, shall be paid by the Participant to the Company.

(f) In the event that any provision of this Section is held to be in any respect an unreasonable restriction, then the court so holding may modify the terms thereof, including the period of time during which it operates or the geographic area to which it applies, or effect any other change to the extent necessary to render this Section enforceable, it being acknowledged by the parties that the representations and covenants set forth herein are of the essence of this Agreement. Notwithstanding anything in this Agreement to the contrary, the post-employment restrictive covenants described in this

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Section above will not apply to this Award to the extent required under California law or other applicable law, as determined by the Company.

(g) Trade Secrets and Confidential Information. The Participant agrees that unless duly authorized in writing by the Company, the Participant will neither during his or her employment by Constellation nor at any time thereafter divulge or use in connection with any business activity other than that of Constellation any trade secrets or confidential information first acquired by the Participant during and by virtue of employment with Constellation. Notwithstanding the foregoing, nothing in this Agreement prohibits the Participant from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Securities and Exchange Commission, or making other disclosures that are protected under the whistleblower protections of federal law or regulation.

4. Committee Discretion. The Committee, in its absolute discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Performance Share Units at any time; provided that, the time or schedule of any amount to be settled pursuant to the terms of this Agreement that provides for the deferral of compensation under Section 409A, may not be accelerated except as otherwise permitted under Section 409A. The Committee has complete and full discretionary authority to make all decisions and determinations under this Agreement, and all decisions and determinations by the Committee will be final and binding upon all persons, including, but not limited to, the Participant and his/her personal representatives, heirs and assigns.

5. Death of Participant. Any distribution or delivery to be made to the Participant under this Agreement shall, if the Participant is then deceased, be made to the Participant's designated beneficiary, or if no beneficiary survives the Participant, the Participant does not designate any beneficiary or the Committee does not permit beneficiary designations, to the administrator or executor of the Participant's estate. Any designation of a beneficiary by the Participant shall be effective only if such designation is made in a form and manner acceptable to the Committee. Any such permitted transferee upon the Participant's death must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

6. Code Section 409A. Notwithstanding any provision of this Agreement to the contrary, in the event that any delivery of Shares to the Participant is made upon, or as a result of the Participant's termination of employment (other than as a result of death), and the Participant is a "specified employee" (as that term is defined under Section 409A) at the time the Participant becomes entitled to delivery of such Shares, and provided further that the delivery of such Shares does not otherwise qualify for an applicable exemption from Section 409A, then no such delivery of such Shares shall be made to the Participant under this Agreement until the date that is the earlier to occur of: (i) the Participant's death, or (ii) six (6) months and one (1) day following the Participant's termination of employment (the "Delay Period"). For purposes of this Agreement, to the extent the Performance Share Units (or equivalent units received following a Change in Control) are subject to the provision of Section 409A, the terms "ceases to be employed", "termination of employment" and variations thereof, as used in this Agreement, are intended to mean a termination of employment that constitutes a "separation from service" under Section 409A.

Performance Share Units are generally intended to be exempt from Section 409A as short-term deferrals and, accordingly, the terms of this Agreement shall be construed to preserve such exemption. To the extent that Performance Share Units granted under this Agreement are subject to the requirements of Section 409A, this Agreement shall be interpreted and administered in accordance with the intent that the Participant not be subject to tax under Section 409A. Neither the Company, any of its

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Subsidiaries nor any entity which is a Related Entity shall be liable to any Participant (or any other individual claiming a benefit through the Participant) for any tax, interest, or penalties the Participant might owe as a result of participation in the Plan, and the Company, its Subsidiaries nor any other entity which is a Related Entity shall have no obligation to indemnify or otherwise protect the Participant from the obligation to pay any taxes pursuant to Section 409A, unless otherwise specified.

7. Settlement of Performance Share Units.

(a) Status as a Creditor. Unless and until Performance Share Units have vested and become payable, the Participant will have no settlement right with respect to any Performance Share Units. Prior to settlement of any vested Performance Share Units, the vested Performance Share Units will represent an unfunded and unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. The Participant is an unsecured general creditor of the Company, and settlement of Performance Share Units is subject to the claims of the Company's creditors.

(b) Form and Timing of Settlement. Performance Share Units will be settled in the form of Shares of Class A Stock. Fractional Shares will not be issued upon the vesting of Performance Share Units. In the event that a fractional Share is owed to the Participant, the Company may (1) round up the Shares that are payable to the Participant to the nearest whole number, or (2) pay a cash payment equivalent in place of such fractional Share. Upon issuance, Shares will be electronically transferred to an account in the Participant's name at the provider then administering the Plan as it relates to the Performance Share Units. The Shares to be issued upon settlement will be issued as soon as practicable to the Participant following the Service Vesting Date; provided that:

(i) such Shares shall be paid during the PSU Payment Period (as set forth on the first page of this Agreement), but payment shall only be made after the Committee completes a written certification with respect to this Award;

(ii) if the Participant dies or incurs a PSU Disability while employed by the Employer prior to the Service Vesting Date, the Participant's vested Performance Share Units shall be paid within thirty (30) days following the date of the Participant's death or PSU Disability; or

(iii) if the Participant's employment is terminated within 24 months of a Change in Control which triggers accelerated vesting in accordance with the terms of this Agreement, the Participant shall receive payment within thirty (30) days following the date of the Participant's termination of employment.

(c) Clawback. Notwithstanding any provision to the contrary, any "clawback" or "recoupment" policy required under applicable law or provided for under Company policy shall automatically apply to this Award.

8. Dividend Equivalents. During the period beginning on the Grant Date and ending on the date that Shares are issued in settlement of vested Performance Share Units, the Participant will accrue dividend equivalents on the Performance Share Units equal to any cash dividend or cash distribution that would have been paid on the Performance Share Unit had that Performance Share Unit been an issued and outstanding Share of Class A Common Stock on the record date for the dividend or distribution. Such accrued dividend equivalents (i) will vest and become payable upon the same terms and at the same time of settlement as the Performance Share Unit to which they relate (and will be payable with respect to any Shares that are issued or that are withheld in order to satisfy Participant's Tax-Related Items), (ii) will be denominated and payable solely in cash and paid in such manner as the Company deems appropriate, and (iii) will not bear or accrue interest. Dividend equivalent payments, at settlement, will be net of applicable federal, state, local and foreign income and social insurance withholding taxes. Upon the

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forfeiture of the Performance Share Units, any accrued dividend equivalents attributable to such Performance Share Units will also be forfeited.

9. **Responsibility for Taxes & Withholding.** Regardless of any action the Company, any of its Subsidiaries or any other entity which is a Related Entity takes with respect to any or all income tax, social insurance or social security, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Company, any of its Subsidiaries or any other entity which is a Related Entity, if any. The Participant further acknowledges that the Company, any of its Subsidiaries or any other entity which is a Related Entity (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Performance Share Units, including, but not limited to, the grant, vesting or settlement of the Performance Share Units, the issuance of Shares upon settlement of the Performance Share Units, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends and/or dividend equivalents; and (2) do not commit to and are under no obligation to structure the terms of any Award to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant becomes subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Participant acknowledges that Company, any of its Subsidiaries or any other entity which is a Related Entity may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

The Participant agrees as a condition of his or her participation in the Plan to make arrangements satisfactory to the Company, any of its Subsidiaries or any other entity which is a Related Entity (including the employer) to satisfy all Tax-Related Items. In this regard, the Company, or their respective agents, will withhold Shares to be issued upon vesting/settlement of the Performance Share Units, unless the Company, or if different, the employer, at their discretion, permit the obligations to be satisfied with regard to all Tax-Related Items by one or a combination of the following:

(a) withholding from the Participant's wages/salary or other cash compensation paid to the Participant by the Company, or if different, the employer; or

(b) withholding from proceeds of the Shares acquired upon settlement of the Performance Share Units either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization).

Notwithstanding the above, if the Participant is a Section 16 officer of the Company under the U.S. Securities and Exchange Act of 1934, as amended, then the Company will withhold in Shares upon the relevant taxable or tax withholding event, as applicable, unless the use of such withholding method is problematic under applicable tax or securities law or has materially adverse accounting consequences, in which case, the obligation for Tax-Related Items may be satisfied by one or a combination of methods (a) and (b) above.

Notwithstanding anything to the contrary in the Plan, the Participant shall not be entitled to satisfy any Tax-Related Item or withholding obligation that arises as a result of the Agreement by delivering to the Company any shares of capital stock of the Company. To avoid negative accounting treatment, the Company, any of its Subsidiaries or any other entity which is a Related Entity may withhold or account for Tax-Related Items by considering applicable statutory withholding amounts or other applicable withholding rates (but not in excess of the maximum amount permitted for tax withholding under applicable law). If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares

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attributable to the vested Performance Share Units, notwithstanding that a number of Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan.

The Participant shall pay to the Company, or if different, the employer, any amount of Tax-Related Items that the Company, or if different, the employer, may be required to withhold or account for as a result of the Participant's participation in the Plan that will not for any reason be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

By accepting this grant of Performance Share Units, the Participant expressly consents to the methods of withholding Tax-Related Items by the Company, or if different, the employer as set forth herein, including the withholding of Shares and the withholding from the Participant's wages/salary or other amounts payable to the Participant. All other Tax-Related Items related to the Performance Share Units and any Shares delivered in satisfaction thereof are the Participant's sole responsibility.

10. Transferability. The Participant shall have no right to sell, assign, transfer, pledge or otherwise encumber the Performance Share Units in any manner until the Shares are issued to the Participant upon settlement. Following settlement and issuance of Shares, in the event the Company permits the Participant to arrange for a sale of Shares through a broker or another designated agent of the Company, the Participant acknowledges and agrees that the Company may block any such sale and/or cancel any order to sell placed by the Participant, in each case if the Participant is not then permitted under the Company's insider trading policy to engage in transactions with respect to securities of the Company. If the Committee determines that the ability of the Participant to sell or transfer Shares is restricted, then the Company may notify the Participant in accordance with the terms this Agreement. The Participant may only sell such Shares in compliance with such notification by the Company.

11. Rights as Stockholder. Neither the Participant nor any person claiming under or through the Participant shall have any of the rights or privileges of a stockholder of the Company in respect of any Performance Share Units (whether vested or unvested) or underlying Shares unless and until such Performance Share Units vest and the corresponding Shares are issued. After such issuance, the Participant shall have the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares, if any.

12. Acknowledgments. The Participant acknowledges and agrees to the following:

- (a) The Plan is discretionary in nature and the Committee may amend, suspend, or terminate it at any time, to the extent permitted by the Plan.
  - (b) The grant of the Performance Share Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Performance Share Units, or benefits in lieu of the Performance Share Units, even if the Performance Share Units have been granted in the past.
  - (c) All determinations with respect to such future Performance Share Units, if any, including, but not limited to, the times when Performance Share Units shall be granted or when Performance Share Units shall vest, will be at the sole discretion of the Committee.
  - (d) The Participant's participation in the Plan is voluntary.
  - (e) The future value of the Shares is unknown, indeterminable and cannot be predicted with certainty.
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(f) No claim or entitlement to compensation or damages arises from the termination or forfeiture of the Award, termination of the Plan, or diminution in value of the Performance Share Units or Shares, and the Participant irrevocably releases the Company, any of its Subsidiaries or any other entity which is a Related Entity from any such claim that may arise.

(g) Neither the Plan nor the Performance Share Units shall be construed to create an employment relationship where any employment relationship did not otherwise already exist.

(h) Nothing in this Agreement or the Plan shall confer upon the Participant any right to continue to be employed by the Employer or shall interfere with or restrict in any way the rights of the Employer, which are hereby expressly reserved, to terminate the employment of the Participant under applicable law.

(i) The transfer of the employment of the Participant between the Company, any one of its Subsidiaries or any other entity which is a Related Entity (or between such entities) shall not be deemed a termination of service.

(j) Nothing in this Agreement shall affect the Participant's right to participate in and receive benefits under and in accordance with the then current provisions of any pension, insurance or other employee welfare plan or program of the Employer.

(k) The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(l) In addition, the following provisions apply if the Participant is providing services outside the United States:

(i) The value of the Performance Share Units is an extraordinary item of compensation, which is outside the scope of the Participant's employment contract (if any), except as may otherwise be explicitly provided in the Participant's employment contract (if any).

(ii) The Performance Share Units are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating termination, severance, resignation, redundancy, dismissal, end of service, or similar payments, or bonuses, long-service awards, holiday pay, pension or retirement benefits or welfare or similar payments.

(iii) The Participant acknowledges and agrees that neither the Company, any Subsidiary nor any other entity which is a Related Entity shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Performance Share Units or of any amounts due to the Participant pursuant to the settlement of the Performance Share Units or the subsequent sale of any Shares acquired upon settlement.

(iv) The Company reserves the right to impose other requirements on participation in the Plan, on the Performance Share Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local laws or other

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applicable Rule or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

13. Changes in Stock. In the event of a change in the capital stock of the Company as set forth in Section 16 of the Plan, the Performance Share Units shall be adjusted automatically consistent with such change to prevent substantial dilution or enlargement of the rights granted to, or available for, the Participant hereunder.

14. Address for Notices. All notices to the Company shall be in writing and sent to the Company's General Counsel at the Company's corporate headquarters. Notices to the Participant shall be addressed to the Participant at the address as from time to time reflected in the Company's employment records as the Participant's address.

15. Binding Agreement. Subject to the limitation on the transferability of this Award contained herein, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

16. Plan Governs. This Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan shall govern.

17. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, United States of America, regardless of the law that might be applied under principles of conflict of laws.

18. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

19. Severability. In the event that any provision in this Agreement shall be held invalid or unenforceable, such provision shall be severable from, and such invalidity or unenforceability shall not be construed to have any effect on, the remaining provisions of this Agreement.

20. Modifications to this Agreement. This Agreement constitutes the entire understanding of the parties on the subjects covered. The Participant expressly warrants that he or she is not executing this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement can be made only in an express written contract executed by a duly authorized officer of the Company.

21. Amendment, Suspension or Termination of the Plan. By accepting this Award, the Participant expressly warrants that he or she has received a right to an equity based award under the Plan, and has received, read, and understood a description of the Plan. The Participant understands that the Plan is discretionary in nature and may be modified, suspended, or terminated by the Company at any time.

22. Compliance with Laws and Regulations; General Restrictions on Delivery of Shares. The Participant understands that the vesting of the Performance Share Units under the Plan and the issuance, transfer, assignment, sale, or other dealings of the Shares shall be subject to compliance by the Company, any of its Subsidiaries or any other entity which is a Related Entity and the Participant with all applicable requirements under the laws and Rules of the country of which the Participant is a resident. Furthermore, the Participant agrees that he or she will not acquire Shares pursuant to the Plan except in

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compliance with the laws and Rules of the country of which the Participant is a resident and/or employed.

The Company shall not be required to transfer or deliver any Shares, dividends, dividend equivalents or distributions relating to such Shares until it has been furnished with such opinions, representations or other documents as it may deem necessary or desirable, in its discretion, to ensure compliance with any law or Rules of the Securities and Exchange Commission or any other governmental authority having jurisdiction under the Plan or over the Company, the Participant, or the Shares or any interests therein. The Award of Performance Share Units evidenced by this Agreement is also subject to the condition that, if at any time the Committee administering the Plan shall determine, in its discretion, that the listing, registration or qualification of the Shares (or any capital stock distributed with respect thereto) upon the New York Stock Exchange (or any other securities exchange or trading market) or under any United States state or federal law or other applicable Rule, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of the Performance Share Units evidenced by this Agreement or the issuance, transfer or delivery of the Shares (or the payment of any dividends, dividend equivalents or other distributions related to the Shares), the Company shall not be required to transfer or deliver any Shares, dividends, dividend equivalents or distributions relating to such Shares unless such listing, registration, qualification, consent or approval shall have been effected or obtained to the complete satisfaction of the Committee and free of any conditions not acceptable to the Committee.

23. ***Authorization to Release and Transfer Necessary Personal Information.*** *The Participant hereby explicitly and unambiguously consents to the collection, use, processing, and transfer, in electronic or other form, of his or her personal data by and among, as applicable, the Company, any of its Subsidiaries or any other entity which is a Related Entity for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that the Company, any of its Subsidiaries or any other entity which is a Related Entity may hold certain personal information about the Participant including, but not limited to, the Participant's name, home address, email address and telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title, number of Performance Share Units and/or Shares held and the details of all Performance Share Units or any other entitlement to Shares awarded, cancelled, vested, unvested or outstanding for the purpose of implementing, administering and managing the Participant's participation in the Plan (the "Data"). The Participant understands that the Data may be transferred to the Company, any of its Subsidiaries or any other entity which is a Related Entity, or to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere, and that any recipient's country (e.g., the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Company's Global Privacy Lead at [privacy@cbrands.com](mailto:privacy@cbrands.com). The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data to a broker or other third party assisting with the administration of Performance Share Units under the Plan or with whom Shares acquired pursuant to the vesting of the Performance Share Units or cash from the sale of such Shares may be deposited. Furthermore, the Participant acknowledges and understands that the transfer of the Data to the Company, any of its Subsidiaries or any other entity which is a Related Entity or to any third parties is necessary for his or her participation in the Plan. The Participant understands that the Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. The Participant understands that he or she may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary*

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*amendments to the Data or refuse or withdraw the consents herein by contacting the Company's Global Privacy Lead at [privacy@cbrands.com](mailto:privacy@cbrands.com). The Participant further acknowledges that withdrawal of consent may affect his or her ability to vest in or realize benefits from the Performance Share Units, and his or her ability to participate in the Plan. For more information on the consequences of refusal to consent or withdrawal of consent, the Participant understands that he or she may contact the Company's Global Privacy Lead at [privacy@cbrands.com](mailto:privacy@cbrands.com).*

*Finally, upon request of the Employer, the Participant agrees to provide an executed data privacy consent form (or any other agreements or consents that may be required by the Employer) to the Employer that the Employer may deem necessary to obtain from the Participant for the purpose of administering the Participant's participation in the Plan in compliance with the data privacy laws in the Participant's country, either now or in the future. The Participant understands and agrees that the Participant will not be able to participate in the Plan if the Participant fails to provide any such consent or agreement requested by the Employer.*

24. Electronic Delivery and Execution. The Participant hereby consents and agrees to electronic delivery of any documents that the Company may elect to deliver (including, but not limited to, plan documents, prospectus and prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports, and all other forms of communications) in connection with this and any other Award made or offered under the Plan. The Participant understands that, unless revoked by the Participant by giving written notice to the Company pursuant to the Plan, this consent will be effective for the duration of this Agreement. The Participant also understands that he or she will have the right at any time to request that the Company deliver written copies of any and all materials referred to above. The Participant hereby consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may elect to deliver, and agrees that his or her electronic signature is the same as, and will have the same force and effect as, his or her manual signature. The Participant consents and agrees that any such procedures and delivery may be affected by a third party engaged by the Company to provide administrative services related to the Plan.

25. English Language. If the Participant is employed in a country where English is not an official language, the Participant acknowledges that the Participant is sufficiently proficient in English to understand the terms and conditions of this Agreement or have had the ability to consult with an advisor who is sufficiently proficient in the English language. The Participant further acknowledges and agrees that it is the Participant's express intent that this Agreement, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Plan be drawn up in English. If the Participant receives this Agreement, the Plan or any other documents related to the Plan translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

26. Appendix. Notwithstanding any provision of the Agreement to the contrary, this Performance Share Unit Award and the Shares acquired under the Plan shall be subject to any and all special terms and provisions as set forth in the Appendix, if any, for the Participant's country of residence (and country of employment, if different). Further, if the Participant transfers his or her residence and/or employment to another country reflected in the Appendix to this Agreement, the special terms and conditions for such country will apply to the Participant to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws or rules to facilitate the operation and administration of the Performance Share Units and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer). Any applicable Appendix shall constitute part of this Agreement.

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

**Constellation Brands, Inc.  
Form 10-Q for Fiscal Quarter Ended May 31, 2023**

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
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(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: June 30, 2023

/s/ William A. Newlands

William A. Newlands  
President and  
Chief Executive Officer

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

**Constellation Brands, Inc.  
Form 10-Q for Fiscal Quarter Ended May 31, 2023**

I, Garth Hankinson, 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
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(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: June 30, 2023

/s/ Garth Hankinson

Garth Hankinson

Executive Vice President and  
Chief Financial Officer

**SECTION 1350 CERTIFICATION  
OF CHIEF EXECUTIVE OFFICER**

**Constellation Brands, Inc.  
Form 10-Q for Fiscal Quarter Ended May 31, 2023**

In connection with the Constellation Brands, Inc. Quarterly Report on Form 10-Q for the Fiscal Quarter Ended May 31, 2023, 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 May 31, 2023 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 May 31, 2023 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: June 30, 2023

/s/ William A. Newlands

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William A. Newlands  
President and  
Chief Executive Officer

**SECTION 1350 CERTIFICATION  
OF CHIEF FINANCIAL OFFICER**

**Constellation Brands, Inc.  
Form 10-Q for Fiscal Quarter Ended May 31, 2023**

In connection with the Constellation Brands, Inc. Quarterly Report on Form 10-Q for the Fiscal Quarter Ended May 31, 2023, I, Garth Hankinson, 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 May 31, 2023 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 May 31, 2023 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: June 30, 2023

/s/ Garth Hankinson

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Garth Hankinson  
Executive Vice President and  
Chief Financial Officer