

CONSTELLATION BRANDS, INC.

Form 10-Q

January 05, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 30, 2017

or

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

For the transition period from _____ to _____

Commission File Number: 001-08495

CONSTELLATION BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware 16-0716709

(State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification No.)

207 High Point Drive, Building 100, Victor, New York 14564

(Address of principal executive offices) (Zip Code)

(585) 678-7100

(Registrant's telephone number, including area code)

Not Applicable

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90

days. ☒ Yes ☐ No

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
(Do not check if a smaller reporting company)		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 ☒

The number of shares outstanding with respect to each of the classes of common stock of Constellation Brands, Inc., as of December 31, 2017, is set forth below:

Class	Number of Shares Outstanding
Class A Common Stock, par value \$.01 per share	171,380,625
Class B Common Stock, par value \$.01 per share	23,329,587
Class 1 Common Stock, par value \$.01 per share	1,220

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This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company’s control, that could cause actual results to differ materially from those set forth in, or implied by, such forward-looking statements. For further information regarding such forward-looking statements, risks and uncertainties, please see “Information Regarding Forward-Looking Statements” under Part I – Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Unless the context otherwise requires, the terms “Company,” “CBI,” “we,” “our,” or “us” refer to Constellation Brands, Inc. and its subsidiaries. Unless otherwise defined herein, refer to the Notes to Consolidated Financial Statements under Item 1 of this Quarterly Report on Form 10-Q for the definition of capitalized terms used herein. All references to

“Fiscal 2017” refer to our fiscal year ended February 28, 2017. All references to “Fiscal 2018” refer to our fiscal year ending February 28, 2018.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in millions, except share and per share data)

(unaudited)

	November 30, 2017	February 28, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 154.5	\$ 177.4
Accounts receivable	779.5	737.0
Inventories	2,167.6	1,955.1
Prepaid expenses and other	444.0	360.5
Total current assets	3,545.6	3,230.0
Property, plant and equipment	4,551.0	3,932.8
Goodwill	8,085.7	7,920.5
Intangible assets	3,303.8	3,377.7
Other assets	621.0	141.4
Total assets	\$ 20,107.1	\$ 18,602.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 1,212.8	\$ 606.5
Current maturities of long-term debt	23.2	910.9
Accounts payable	742.2	559.8
Other accrued expenses and liabilities	557.7	620.4
Total current liabilities	2,535.9	2,697.6
Long-term debt, less current maturities	8,114.2	7,720.7
Deferred income taxes	1,233.6	1,133.6
Other liabilities	214.3	165.7
Total liabilities	12,098.0	11,717.6
Commitments and contingencies		
CBI stockholders' equity:		
Class A Common Stock, \$.01 par value – Authorized, 322,000,000 shares; Issued, 258,532,772 shares and 257,506,184 shares, respectively	2.6	2.6
Class B Convertible Common Stock, \$.01 par value – Authorized, 30,000,000 shares; Issued, 28,335,387 shares and 28,358,527 shares, respectively	0.3	0.3
Additional paid-in capital	2,809.2	2,755.8
Retained earnings	8,401.7	7,310.0
Accumulated other comprehensive loss	(209.0)	(399.8)
	11,004.8	9,668.9
Less: Treasury stock –		
Class A Common Stock, at cost, 87,158,141 shares and 86,262,971 shares, respectively	(3,008.7)	(2,775.5)
Class B Convertible Common Stock, at cost, 5,005,800 shares	(2.2)	(2.2)
	(3,010.9)	(2,777.7)
Total CBI stockholders' equity	7,993.9	6,891.2
Noncontrolling interests	15.2	(6.4)
Total stockholders' equity	8,009.1	6,884.8
Total liabilities and stockholders' equity	\$ 20,107.1	\$ 18,602.4

The accompanying notes are an integral part of these statements.

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

(in millions, except per share data)

(unaudited)

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	2017	2016	2017	2016
Sales	\$6,391.4	\$6,268.5	\$1,978.9	\$1,992.7
Excise taxes	(572.3)	(565.0)	(179.8)	(182.2)
Net sales	5,819.1	5,703.5	1,799.1	1,810.5
Cost of product sold	(2,851.0)	(2,961.8)	(891.6)	(919.1)
Gross profit	2,968.1	2,741.7	907.5	891.4
Selling, general and administrative expenses	(1,199.3)	(1,044.1)	(420.7)	(357.4)
Operating income	1,768.8	1,697.6	486.8	534.0
Income from unconsolidated investments	249.7	28.2	249.1	27.5
Interest expense	(245.1)	(256.3)	(81.4)	(77.6)
Loss on write-off of debt issuance costs	(19.1)	—	(10.3)	—
Income before income taxes	1,754.3	1,469.5	644.2	483.9