



Constellation Brands

SEAN MCCLELLAN

Constellation Brands

- Starting in 1935, Robert Sands founded Car-Cal Winery.
- Constantly doing M&A to grow their portfolio and outreach to consumers
- Currently, Constellation Brands leading international product & marketer of beer, wine, & spirits
- Operating in US, Mexico, New Zealand & Italy
- Based out of Rochester, NY
- Goal: Deploy consumer-led innovations aligned with disciplined and balanced priorities



Portfolio of Products

OUR BEER BUSINESS
#1 SUPPLIER IN THE HIGH-END OF THE U.S. BEER MARKET

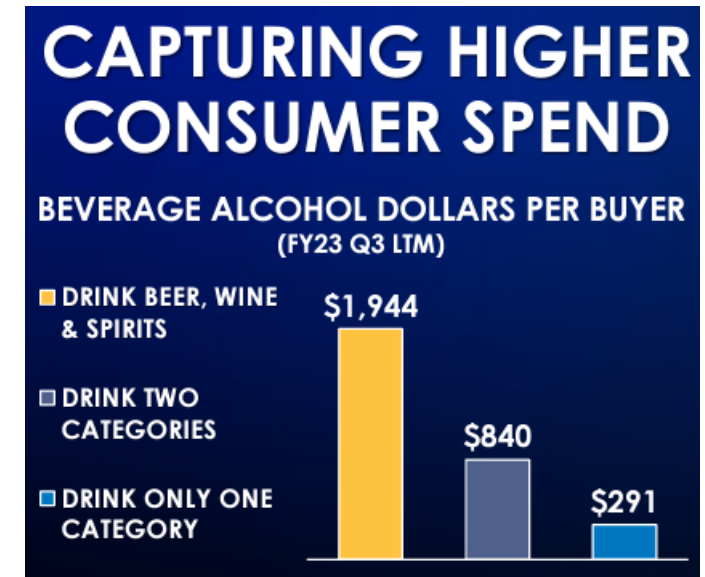


OUR WINE AND SPIRITS BUSINESS
A LEADING HIGHER-END WINE AND SPIRITS SUPPLIER



Growth Outlook

- US Beverage Alcohol CAGR 3% from 2010 – 2020.
- Consumer led premiumization trend is driving higher end growth.
- 88% of dollars sales in the United States come from consumer who drink across multiple categories.



Investment Thesis

1. Positive outlook for Company's beer segment.
2. Brand premiumization creates margin expansion
3. Product innovation driven by aggressive M&A strategy



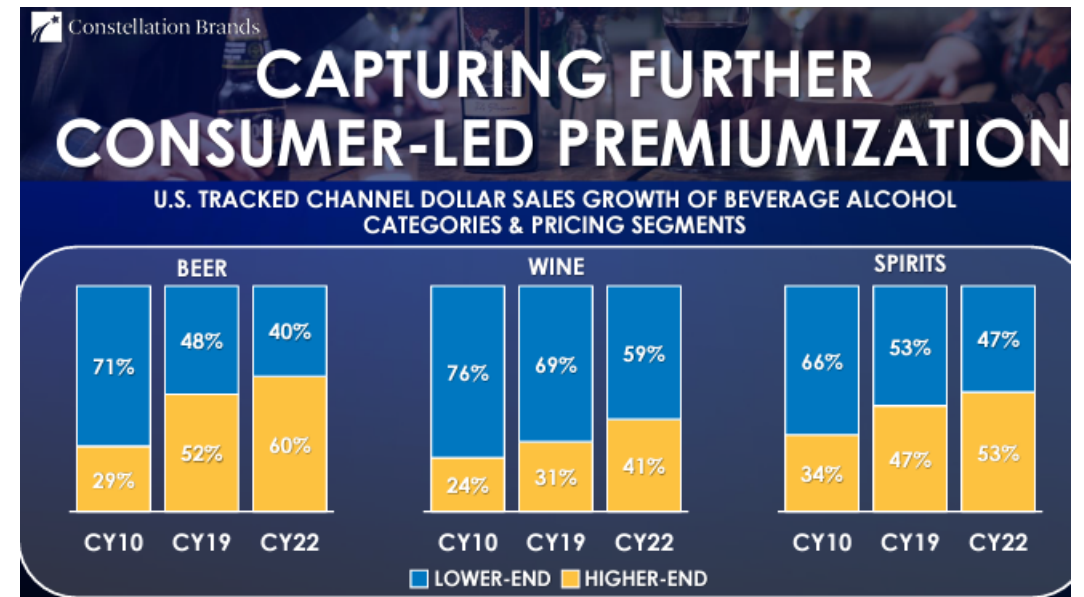
Beer

- Constellation Brands acquired these 3 brands from Anheuser Busch for \$4.75B in 2013.
- Can only sell these products in North America.
- #1 supplier in the high-end of the US beer market
- Targeting medium organic growth 7%-9%
- 5-7% Depletion growth + 1%-2% Price Increase
- 39%-40% Operating Income Margin in this Segment
- 55% of volumes occur in H1



Premiumization

- “Premium beer volume as a CAGR of 7% in comparison to non-premium beer volume of -4% CAGR over the last 10 years.”
- Modelo Especial - #1 Beer in the High-End Market. #2 Beer in the US Beer Market. 19% CAGR (Dollar Sales) From FY 2019
- Corona Extra - 8% CAGR, #3 beer in the high-end market, #1 Beer in the US market
- Major Wine & Spirits – Kim Crawford, Meiomi, The Prisoner Wine, High West. All leading players in their specific market



M&A Strategy

RECENT ACQUISITIONS OF HIGH-GROWTH BRANDS ALMOST ENTIRELY SELF-FUNDED THROUGH SALE OF SUCCESSFUL VENTURE INVESTMENT

ACQUISITIONS

MY FAVORITE NEIGHBOR
HIGHER-END WINES FROM PASO ROBLES, CALIFORNIA, WITH STRONG DIRECT-TO-CONSUMER BUSINESS, INCLUDING ECOMMERCE

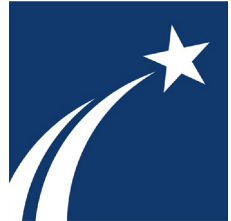
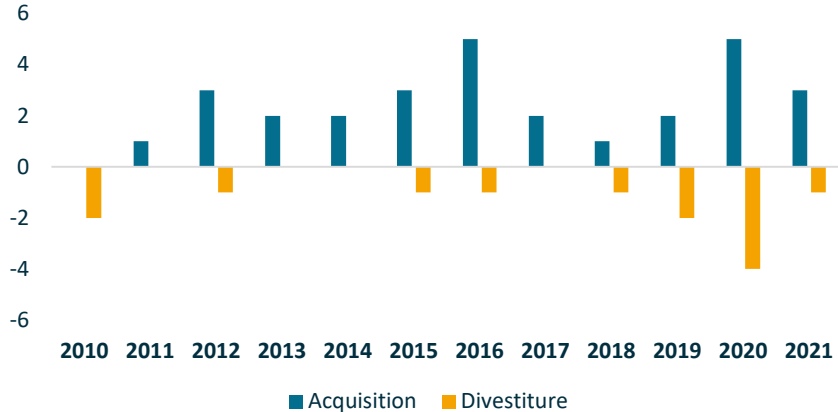
HIGHER-END WINES FROM WILLAMETTE VALLEY, OREGON

AUSTIN COCKTAILS

PREMIUM BRAND IN HIGH-GROWTH READY-TO-DRINK SEGMENT

Over the past 3 years, Constellation has utilized 5% of their operating cash flow for acquisition of products that strengths their portfolio.

Constellation M/A Activity



Competitors

Company	Ticker	Market Capitalization	Enterprise Value	EV / Revenue		EV / EBITDA	
				FY2022	LTM	FY2022	LTM
Molson Coors	TAP	\$12,484	\$19,622	1.8x	1.8x	11.5x	11.5x
Anheuser Busch	BUD	130,680	199,563	3.5x	3.5x	10.5x	10.5x
Diageo	DEO	103,020	114,982	7.4x	6.8x	18.4x	18.4x
Brown-Forman	BF-A	30,806	31,957	8.1x	7.6x	28.4x	28.4x
Boston Beer Company	SAM	3,907	3,782	1.8x	1.8x	18.2x	18.2x
Constellation Brands	STZ	\$41,585	\$54,731	5.8x	5.8x	16.6x	16.6x

Company	Ticker	Revenue		Revenue Growth		EBITDA		EBITDA Margin	
		FY2022	LTM	FY2022	LTM	FY2022	LTM	FY2022	LTM
Molson Coors	TAP	\$10,701	\$10,701	4.1%	4.1%	\$1,701	\$1,701	15.9%	15.9%
Anheuser Busch	BUD	57,786	57,786	6.4%	6.4%	19,045	19,045	33.0%	33.0%
Diageo	DEO	15,452	16,915	(1.8%)	(1.8%)	6,265	6,265	40.5%	37.0%
Brown-Forman	BF-A	3,933	4,178	13.6%	13.6%	1,124	1,124	28.6%	26.9%
Boston Beer Company	SAM	2,090	2,090	1.6%	1.6%	207	207	9.9%	9.9%
Constellation Brands	STZ	\$9,453	\$9,453	7.2%	7.2%	\$3,300	\$3,300	34.9%	34.9%



Canopy Growth Corporation

- Canopy Growth Corporation is a Canadian based cannabis company.
 - Brands (In US): Martha Stewart CBS, BioSteel, Quatreau, Spretrum Therapeitics
- In 2017, Constellation Brands invested \$4 Billion into the company, realizing the massive total addressable market within this sector.
- Nominated their former CFO to become CEO of Canopy Growth Corporation
- Through use of warrants & convertible note, Constellation has increased their stake to over 35.7%
- Overall: this investment has been a major burden on Constellation Brands after taking a \$1.1B write-down on the investment. Lottery ticket type of feeling.



Valuation

Model	DCF	Weight	Comps	Weight	Price Target
Bull	335.73	33%	272.27	67%	293.21
Base	282.12	33%	272.27	67%	275.52
Bear	224.90	33%	272.27	67%	256.64

Price Target: 275.52



Recent News

- Announced a deal with Coca-Cola to create a ready to make cocktail line.
 - Trying to compete with Boston Beer has a partnership with Pepsi.
- Formed a multi-year, multi-million-dollar partnership with Taste made to create first of its kind studio content.
 - First show, “Street Somm: explore food, and find unexpected wine pairing around the corner. Goal: Streamers, Tastemade streaming channel, increase wine sales.
- Eliminated dual class structure as the Sands family owned approximately 60% of voting shares before their agreement.

Monster Beverage and Constellation Mergers Talks Are Progressing

(2/14/2022)



Any Questions?

