

FULL FISCAL YEAR & FOURTH QUARTER 2025 FINANCIAL RESULTS AND FISCAL YEAR 2026 TO FISCAL YEAR 2028 OUTLOOK

CEO & CFO COMMENTARY

Use Of Non-GAAP Financial Measures, Conference Call Information, and Location of Defined Terms and Other Disclaimers

Please view this commentary in conjunction with our earnings release and presentation for our fiscal year and fourth quarter 2025 financial results and fiscal year 2026 to fiscal year 2028 outlook that can be found on our investor relations website at *ir.cbrands.com*. This commentary and our live conference call may contain non-GAAP financial measures. These and other non-GAAP financial measures, the purposes for which management uses them, why management believes they are useful to investors, and reconciliations to the most directly comparable GAAP financial measures may be found at *ir.cbrands.com* under the *Financial Info/Financial History (Non-GAAP)* section. All references to profit measures and earnings per share on a comparable basis exclude items that affect comparability. Non-GAAP financial measures are also referred to as being presented on a "comparable," "adjusted," or "organic" basis.

A live conference call for analysts to discuss our financial results, operating performance, strategic business initiatives, and outlook for the future with President and Chief Executive Officer, Bill Newlands, and Executive Vice President and Chief Financial Officer, Garth Hankinson, which will be hosted at 10:30 a.m. ET on Thursday, April 10, 2025.

The conference call can be accessed by dialing +1-877-407-9121 and entering conference identification number 13752140, beginning at 10:20 a.m. ET. A live, listen-only webcast of the conference call will be available on our investor relations website at *ir.cbrands.com* under the *News & Events* section.

For anyone unable to participate in the conference call, a replay will be available on our investor relations website.

A list of defined terms used within can be found under the "Defined Terms" heading below, and a list of other disclaimers can be found following the Defined Terms.

Forward-Looking Statements

This commentary, including the oral statements made in the live conference call in connection herewith, contain forward-looking statements that are based on certain assumptions, estimates, expectations, plans, analyses, and opinions made by management in light of their experience and perception of historical trends, current conditions, and expected future developments, as well as other factors management believes are appropriate in the circumstances. These forward-looking statements are subject to various risks and uncertainties, many of which are beyond our control, and which could cause actual results to differ materially from those set forth in, or implied by, such forward-looking statements. When used in this commentary and the live conference call, words such as "anticipate," "intend," "expect," "plan," "continue," "estimate," "exceed," "may," "will," "project," "predict," "propose," "potential," "targeting," "exploring," "goal," "outlook," "forecast," "trend," "path," "scheduled," "implementing," "ongoing," "seek," "could," "might," "should," "believe," "vision," and similar words or expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. Information provided in this commentary and the live conference call are necessarily summarized and may not contain all available material information.

All statements other than statements of historical fact set forth in this commentary and the live conference call may be forward-looking statements, including statements regarding or applicable to our business strategy and vision, the anticipated impact of the tariffs announced by the U.S. government on April 2, 2025 and the Canadian government on March 4, 2025, value proposition and opportunity, growth plans and drivers, operational and commercial execution initiatives, innovation, new products, tools, and capabilities, brand building, digital leadership and capabilities, including through our Digital Business Acceleration initiatives, future marketing strategies and spend, future focus areas, demographic and consumer projections and trends, future sales, space, partnership, distribution, and supply chain initiatives, our beer expansion, optimization, and/or construction activities, including anticipated scope, capacity, supply, costs, capital expenditures, and timeframes for completion, capital allocation priorities and commitments, future operations, financial position, net sales, costs, expenses, marketing investments, impairments, hedging programs, cost savings and efficiency initiatives, operating income, operating margins, leverage ratios, including target net leverage ratio, target dividend payout ratio, depreciation, equity in earnings, net interest expense, capital expenditures, tax rates, anticipated tax liabilities, operating cash flow, free cash flow, EPS, shares outstanding, non-controlling interests, and other financial metrics, expected volume, inventory, price, mix, and depletion trends, non-structural socioeconomic factors, consumer behaviors and demand, near-, medium-, and long-term financial models and targets, future acquisition, disposition, and investment activities, including the SVEDKA Divestiture and the 2025 Wine Divestitures Transaction and its expected timetable, our environmental responsibility, CSR, and human capital approach, initiatives, targets, objectives, ambitions, and priorities, the manner, timing, and duration of our share repurchase program and source of funds for share repurchases, the amount and timing of future dividends, access to capital markets, liquidity and capital resources, value creation efforts, 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, and prospects, plans, and objectives of management, as well as information concerning expected actions of third parties, are forward-looking statements (collectively, “Projections”) that involve risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by the Projections.

All Projections speak only as of the date of this commentary. We undertake no obligation to update or revise any Projections, whether as a result of new information, future events, or otherwise. The Projections are based on management’s current estimates, expectations, plans, and timetables, and unless otherwise noted, do not take into account the impact of any future acquisition, investment, merger, or other business combination, divestiture (including any associated amount of incremental contingent consideration payment paid or received) including the 2025 Wine Divestitures Transaction, cost savings, restructuring, or efficiency initiatives, tariff changes, or financing or share repurchases that may be completed after the issuance of this commentary. Although we believe that the estimates, expectations, plans, and timetables reflected in the Projections are reasonable, we can give no assurance that such estimates, expectations, plans and timetables 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, the Projections contained in this release

are also subject to the risk, uncertainty, and possible variance from our current expectations regarding:

- potential declines in the consumption of products we sell and our dependence on sales of our Mexican beer brands;
- economic and other uncertainties associated with our international operations, including new or increased tariffs;
- impacts of our acquisition, divestiture, investment, and new product development strategies and activities, including from the SVEDKA Divestiture and the 2025 Wine Divestitures Transaction (including completion of the 2025 Wine Divestitures Transaction on the expected terms, conditions, and timetable);
- dependence upon our trademarks and proprietary rights, including the failure to protect our intellectual property rights;
- potential damage to our reputation;
- competition in our industry and for talent;
- economic and other uncertainties associated with our international operations, including new or increased tariffs;
- water, agricultural and other raw material, and packaging material supply, production, and/or transportation difficulties, disruptions, and impacts, including limited groups of certain suppliers;
- reliance on complex information systems and third-party global networks as well as risks associated with cybersecurity and artificial intelligence;
- dependence on limited facilities for production of our Mexican beer brands, including beer operations expansion, optimization, and/or construction activities, scope, capacity, supply, costs (including impairments), capital expenditures, and timing;
- operational disruptions or catastrophic loss to our breweries, wineries, other production facilities, or distribution systems;
- the success of restructuring, cost reduction, and efficiency initiatives;
- severe weather, natural and man-made disasters, climate change, environmental responsibility and CSR regulatory compliance, failure to meet emissions, stewardship, and other environmental responsibility and CSR targets, objectives, or ambitions;
- reliance on wholesale distributors, major retailers, and government agencies;
- contamination and degradation of product quality from diseases, pests, weather, and other conditions;
- communicable infection or disease outbreaks, pandemics, or other widespread public health crises impacting our consumers, employees, distributors, retailers, and/or suppliers;
- effects of employee labor activities that could increase our costs;
- our indebtedness and interest rate fluctuations;

- our international operations, worldwide and regional economic trends and financial market conditions, geopolitical uncertainty, including the impact of military conflicts, or other governmental rules and regulations;
- class action or other litigation we may face, including related to alleged securities law violations, abuse or misuse of our products, product liability, marketing or sales practices, including product labeling, or other matters;
- potential impairments of our intangible assets, such as goodwill and trademarks;
- changes to tax laws, fluctuations in our effective tax rate, accounting for tax positions, the resolution of tax disputes, changes to accounting standards, elections, assertions, or policies, and the impact of a global minimum tax rate;
- amount, timing, and source of funds for any share repurchases;
- amount and timing of future dividends;
- Sands family members' ownership of our Class A Common Stock and Board of Director nomination rights;
- the choice-of-forum provision in our Amended and Restated By-laws; and
- other factors and uncertainties disclosed in our filings with the SEC, including our Annual Report on Form 10-K for the fiscal year ended February 29, 2024, and our Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2024, which could cause actual future performance to differ materially from our current expectations.

As usual, our CEO and CFO commentary will focus mainly on comparable results, starting at an enterprise level followed by business segment detail for fiscal 2025, and subsequently for the outlook and expectations for fiscals 2026 to 2028 in the same manner. Expectations for fiscal 2026 to fiscal 2028 reflect the anticipated impact of the tariffs announced by the U.S. government on April 2, 2025 and the Canadian government on March 4, 2025.

Overarching Highlights

In a tough socioeconomic environment we are taking decisive actions designed to continue to support our industry-leading Beer Business, reset our cost base, and redefine our portfolio, more specifically:

1. In fiscal 2025, despite a softer consumer demand backdrop largely driven by what we believe to be non-structural socioeconomic factors, we continued to deliver Enterprise net sales growth, realized substantial comparable operating margin improvement, and achieved double-digit comparable EPS growth.
2. Looking ahead, while we expect these non-structural socioeconomic factors affecting consumer demand to gradually stabilize and subside, we remain focused on driving distribution gains, launching disciplined innovation, and deploying incremental marketing investments to support the growth of our Beer Business while continuing to deliver best-in-class operating margins.
3. In addition, we expect significant improvements in the performance of our Wine and Spirits Business beyond fiscal 2026 following the anticipated closing of the 2025 Wine Divestitures Transaction that is primarily centered around the sale of the remaining mainstream wine brands in that portfolio, as well as the implementation of associated restructuring actions expected to yield over $200 million in net annualized cost savings across the Enterprise by fiscal 2028.
4. Against that backdrop, we are targeting to deliver approximately $9 billion in operating cash flow from fiscal 2026 to fiscal 2028, and approximately $6 billion in free cash flow as we continue to invest primarily in the modular development of our third brewery in Veracruz and modular additions at our existing facilities in Mexico.
5. In light of this strong cash flow generation and having achieved our comparable net leverage ratio target in fiscal 2025, we remain committed to a disciplined and balanced capital deployment framework, including our ~30% dividend payout ratio and executing share repurchases against our new three-year, $4 billion authorization.

Fiscal 2025 Results

- Starting with the Enterprise results for fiscal 2025, we achieved net sales growth of 2% – and of 3% on an organic basis, adjusted for the net sales associated with the SVEDKA Divestiture for the period January 6, 2024, through February 29, 2024.
    - As noted earlier, these results were delivered against an evolving consumer demand environment that affected the year-over-year performance of both our Businesses, as well as that of CPG more broadly.

- Our Beer Business experienced a deceleration in volume growth after the first quarter, as subdued spend and value seeking behaviors emerged among consumers.
- This was particularly notable in our top sales states, which faced relatively elevated unemployment rates in the second and third quarters – most significantly among the large Hispanic populations in these key markets.
- In the fourth quarter, incremental demand headwinds materialized as wider-ranging consumer indicators also showed increasing signs of broader pressures:
  - While unemployment rates began to improve, economic activity in "4000+ calorie job" sectors, which have a higher impact on beer category elasticities, reflected year-over-year weakness.
    * Markedly, private housing building permits for December, January, and February were below the corresponding prior year seasonally adjusted annual rates as reported by the U.S. Department of Housing and Urban Development.
  - In addition, year-over-year growth in real disposable personal income, as measured by the U.S. Bureau of Economic Analysis, reached a two-year low in January and remained at its second lowest rate within the same two-year period in February.
  - Lastly, consumer sentiment, as measured by the University of Michigan index, began deteriorating in December and reached a two-and-a-half-year low in March, and long-term inflation expectations rose also in March to levels last seen in early 1993.
- Our Wine and Spirits Business was also affected by the challenging consumer demand environment, as well as continued retailer destocking – particularly in lower-price segments.

◦ Despite these headwinds, the brand-health metrics for our core beer portfolio remain strong, we believe the relationships with our beer distributor network and our retail partners are as good as ever, the returns and effectiveness of our marketing investments continue to be excellent, and the improvement actions in our Wine and Spirits Business have begun to show the results in line with updated full year outlook provided with third quarter earnings.

- In fact, at an Enterprise level, Constellation Brands has once again been recognized as the #1 growth leader among large CPG companies by Circana for the most recently concluded calendar year, as we have been 6 of the last 8 years – moreover, we are the only CPG company of scale to make their Top 10 ranking for 12 consecutive years.

• We also delivered a 7% increase in comparable operating income, resulting in a 140 basis point increase in comparable operating margin to 34.0% for the Enterprise.

- This improvement was largely driven by our cost management and operational efficiency initiatives, which supported approximately $220 million in savings at an Enterprise-wide level.

- Comparable EPS grew 11% to $13.78, coming in at the high-end of our updated guidance range of $13.40 to $13.80.
  - This comparable EPS result excludes a loss arising from non-cash impairments of goodwill, trademark, and assets held for sale for the Wine and Spirits business of approximately $3.3 billion that was largely realized in the second quarter.
- We also generated $3.2 billion in operating cash flow, exceeding our $2.9 billion to $3.1 billion updated guidance.
- And in-line with our disciplined and balanced capital allocation priorities were able to:
  - reduce our comparable net leverage ratio to under our 3.0x target;
  - return over $1.1 billion in share repurchases and over $700 million through quarterly dividends back to our shareholders; and
  - continue to prudently invest to support ongoing growth, with total capital expenditures of $1.2 billion, most of which was focused on capacity additions to our Beer brewing operations.

<u>Beer Business</u>

- Our Beer Business remained the #1 dollar share gainer across all of Beverage Alcohol in Circana U.S. tracked channels and captured 1.1 points of share of the total beer category while outperforming in dollar sales year-over-year by nearly 5.6 points.
  - We also continued to extend our lead as the #1 high-end beer supplier in the U.S., delivering top share gains across the total beer category underpinned by a nearly 5% increase in dollar sales and approximately 4% volume growth.
  - Despite the previously noted deceleration in our rate of growth over the course of fiscal 2025, we continued to achieve in the fourth quarter notable share gains in both dollar sales and volumes across the total beer category.
- From a depletion perspective, our Beer Business achieved its 15th consecutive year of growth with a 2.9% annual increase of approximately 12 million incremental cases.
  - Off-premise depletions also grew by 2.9%, which represent nearly 89% of our total depletion volume.
    - The on-premise accounts for the balance of our depletions and grew by 2.3%.
  - In line with consumer demand trends, depletion growth followed a similar deceleration throughout fiscal 2025, which was also particularly notable in our top sales states.
    - Furthermore, these trends have also been more noticeable across retailers in zip codes with larger Hispanic populations – again, particularly in our top sales states.

- Most recently in the fourth quarter, from a channel perspective, these declines were most acutely present in off-premise "independent" retailers, which are largely untracked – and within Circana tracked retailers, the declines were more prevalent in the convenience store channel. Moving on to the performance of our largest beer brands:
  - Modelo Especial grew depletions by nearly 5% and maintained its leading position as the top share gainer and #1 overall beer brand in U.S. tracked channels.
  - Corona Extra depletions declined nearly 3% but the brand maintained its position as a top five beer brand in dollar sales and continued to gain share in U.S. tracked channels.
  - Pacifico delivered depletion growth of nearly 20%, exceeded the 25 million cases sold milestone, and was the #4 dollar and volume share gainer across the total Beer category.
  - Our Modelo Chelada brands delivered an increase of over 2% in depletions and remained the #1 Chelada in the category.

- From an innovation perspective, we continued to advance offerings aligned with consumer-led flavor and betterment trends consistent with our disciplined and focused approach:
  - Modelo Spiked Aguas Frescas brands were a top 10 dollar share gainer within the flavor malt beverage segment – and the variety pack was a top 10 dollar and volume share gainer among new brands launched within the last two years;
  - in our Corona brand family, Corona Non-Alcoholic continued to gain momentum as a top 5 brand in dollar sales and the #4 dollar share gainer in the fast-growing Non-Alcoholic beer segment in the U.S.; and
  - after the successful test of Corona Sunbrew in select eastern markets, we will be proceeding to a national launch in fiscal 2026.
- Our Beer Business grew net sales by approximately 5%, mostly driven by higher volumes and favorable pricing.
  - Shipment volumes for our Beer Business in fiscal 2025 grew 3.3% and we achieved favorable pricing of just over 2%.
  - These volume and pricing increases were partially offset by an unfavorable product mix, primarily from a shift in package types.
  - In regards to selling days, we had one less sell day in the year, which occurred in Q2 and had a marginal negative impact on our full-year volumes.
  - Shipments and depletions, on an absolute basis, were over 99% aligned for the fiscal year.
- The continued solid execution of our Beer Business was also reflected in our ability to grow operating income by nearly 10%, and deliver an operating margin improvement of 180 basis points to 39.7%.

- Operating income and operating margin both increased while COGS remained relatively flat.
- This minor absolute increase in COGS includes the impact of both increased volume and the benefit of over $200 million from cost savings initiatives realized in fiscal 2025.
- By COGS component and on an absolute basis inclusive of both volume growth and cost savings year-over-year changes were as follows:
  - raw materials and packaging were just under the midpoint of the expected 55-60% range of total COGS, and had an absolute percentage increase in the low-single digits – which was below our expectations of a mid-single digits to high-single digits increase as a results of our cost savings and efficiency initiatives;
  - logistics represented approximately 20% of total COGS and declined in absolute terms by a low-single digit percentage, as a large portion of our cost savings agenda came from this area;
  - labor and overhead represented approximately 15% of total COGS and increased by a low-double digits percentage primarily attributable to the construction activities at our Veracruz brewery; and
  - the remaining portion of total COGS, depreciation, increased by approximately 10%.
- Moving on to marketing, our dollar spend increased by approximately 12% year over year.
  - As a percent of fiscal 2025 net sales, marketing was 9% – in line with our medium-term algorithm.
- Lastly, SG&A, which represented just under 5% of net sales, decreased approximately 7% driven by decreased legal expenses, the favorable impact of foreign currency, and decreased compensation and benefits.

- We also continued to invest in our Beer Business, deploying nearly $940 million in capital expenditures towards the modular development of our third brewery at Veracruz and the modular expansions of our existing breweries.

<u>Wine and Spirits Business</u>

- For our Wine and Spirits Business, net sales declined 7% and 6% on a reported and organic basis, respectively.
  - This decline was largely driven by unfavorable U.S. wholesale performance – particularly across our brands in the mainstream and premium segments of the wine category, which faced a challenging consumer demand backdrop.
    - Volumes for these segments declined year-over-year by nearly 7% and over 1%, respectively, for the 52-weeks ended March 2, 2025 in Circana tracked channels.
    - Notably, these declines accelerated in the fourth quarter of fiscal 2025, as Circana volumes for the mainstream segment fell by over 8% and for the premium segment by 3% on a year-over-year basis for the 12-weeks ended March 2, 2025.

        - That said, over that same period in Circana year-over-year volumes, Kim Crawford – the largest wine brand in our portfolio after the 2025 Wine Divestitures Transaction – achieved a consecutive quarter of outperformance versus the premium segment.
        - Furthermore, while Kim Crawford depletions in the fourth quarter of fiscal 2025 remained relatively stable year-over-year, the total brand portfolio that will remain in our Wine and Spirits Business following the 2025 Wine Divestitures Transaction delivered solid depletion growth of approximately 4%.
    - The U.S. wholesale decline was partially offset by net sales growth in our International markets and direct-to-consumer channel, which represented approximately 16% of total Wine and Spirits net sales in fiscal 2025.
        - In our International markets, net sales were up approximately 2% driven by more balanced inventory levels, particularly in Canada which is our largest export market.
        - Additionally, our direct-to-consumer-channel grew net sales by more than 7%.
- Our Wine and Spirits business organic operating income declined approximately 16%, excluding $10 million of gross profit less marketing in fiscal 2024 that are no longer part of the wine and spirits segment results due to the SVEDKA Divestiture.
    - Organic operating margin decreased 240 basis points to 19.5%, as lower fixed cost absorption due to unfavorable sales volume and unfavorable pricing more than offset higher contractual distributor payments and lower general and administrative spend.

Corporate and Other

- Corporate Expense for fiscal 2025 was $245 million reflecting a 1% or $3 million decrease year-over-year driven mainly by lower net compensation and benefits impacts and the tax credit resulting from our corporate headquarters relocation and were offset by higher consulting services and depreciation expense.
- Net interest expense was $411 million – an approximately 6% decrease from prior year, driven by lower average borrowings and increased capitalized interest.
    - We ended fiscal 2025 with a comparable net leverage ratio of 2.9x – leaving us slightly below our target comparable net leverage ratio of 3.0x.
- Our comparable effective tax rate was 17.1% versus 18.5% last year – this decline was driven by changes in inventory, geographic mix, and regulations affecting profits.

Fiscal 2026 Outlook

- With that, let us now step through our outlook for fiscal 2026, starting with the Enterprise.

Enterprise

- For fiscal 2026, we expect organic Enterprise net sales to be down approximately 2% to up approximately 1% – this guidance reflects:
    - the exclusion of a $98 million net sales contribution from SVEDKA for the March 1, 2024 to January 5, 2025 period;

  - the exclusion of a $613 million net sales contribution for the June 1, 2024 to February 28, 2025 period from the brands included in the 2025 Wine Divestitures Transaction also announced today, reflecting an anticipated closing immediately after the end of the first quarter of fiscal 2026; and
  - the anticipated impact of the tariffs announced by the U.S. government on April 2, 2025 and the Canadian government on March 4, 2025, particularly for the Wine and Spirits Business.
- Enterprise comparable operating income is expected to be down approximately 3% to down approximately 1% – this guidance reflects:
  - the exclusion of a $35 million gross profit less marketing contribution from SVEDKA for the March 1, 2024 to January 5, 2025 period;
  - the exclusion of a $210 million gross profit less marketing contribution for the June 1, 2024 to February 28, 2025 period from the brands included in the 2025 Wine Divestitures Transaction;
  - an associated at least $55 million of restructuring net cost savings in fiscal 2026 partially associated with the 2025 Wine Divestitures Transaction; and
  - the additional anticipated impact of the tariffs announced by the U.S. government on April 2, 2025 and the Canadian government on March 4, 2025, including for the Beer Business.
- It is also relevant to note that these year-over-year expectations include for the brands remaining in our Wine and Spirits portfolio following the 2025 Wine Divestitures Transaction:
  - in fiscal 2025, a $34 million benefit in both net sales and operating income from distributor contractual payments; and
  - in fiscal 2026, an adverse variance of $56 million and $41 million in net sales and operating income, respectively, due to changes of financial and volume related contractual obligations.
- All in, for comparable EPS, we expect a range of $12.60 to $12.90 for fiscal 2026.
- We expect to generate between $2.7 billion and $2.8 billion in operating cash flow, and $1.5 billion and $1.6 billion in free cash flow.
  - In addition, we expect cash flows to benefit from the approximately $900 million of proceeds, subject to closing adjustments, related to the 2025 Wine Divestitures Transaction.
- And in-line with our disciplined and balanced capital allocation priorities we are looking to maintain:
  - our comparable net leverage ratio at approximately our 3.0x target;

- cash returns to our shareholders through our approximately 30% dividend payout ratio and opportunistic share repurchases against our three-year, $4 billion share repurchase authorization; and
- prudent investments primarily focused on capacity additions to our Beer brewing operations to support ongoing growth, with total capital expenditures of nearly $1.2 billion expected for fiscal 2026.

Beer Business

- For our Beer Business, we expect net sales to be flat to up 3%, inclusive of an approximately 1% to 2% price uplift.
  - From a volume perspective, we continue to expect distribution gains to be the main driver of growth – and are targeting high-single digit uplift in distribution, including a double-digit increase in Shopper First Shelf resets.
- In addition, we anticipate the national launch of Corona Sunbrew to be a notable contributor from an innovation growth perspective – and our continued media investments to maintain Modelo Especial's and Corona Extra's #1 and #2 share of voice in the beer category, respectively.
  - We anticipate shipments and depletions to track closely on an absolute basis, consistent with prior years.
- Operating income for our Beer Business is anticipated to be flat to up 2% inclusive of a low-single digit to mid-single digit absolute increase in COGS – which reflects volume growth, cost savings, our multi-year hedging actions, and the anticipated impact of the tariffs announced by the U.S. government on April 2.
  - We expect the following share and absolute year-over-year changes across each of the below COGS components:
    - packaging and raw materials are anticipated to account for approximately 55% to 60% of COGS and experience a low-single digit percent increase;
    - logistics to make up approximately 15% to 20%, and remain relatively stable year-over-year;
    - labor and overhead to be approximately 15% to 20% and increase low-double digits percent – primarily driven by incremental headcount primarily at our Veracruz brewery, as we continue to advance the development of that facility; and
    - depreciation which accounts for the remainder of COGS and is expected to increase by approximately mid-single digit percentage step-up.
- Outside of COGS, we expect marketing expense as a percentage of net sales to be approximately 8.5% and other SG&A as a percentage of net sales to be just over 5%.
  - From a marketing perspective, we expect to continue to drive efficiencies in our spend through the prioritization of our highest-return opportunities across our core beer and flavor brands, while deploying focused strategic investments in our betterment brands.

- All in, this implies a fiscal 2026 Beer Business ongoing best-in-class operating margin between 39% to 40%, as we seek to deliver year-over-year top line growth and drive operating leverage through our cost savings and efficiency initiatives.

Wine and Spirits Business

- For our Wine and Spirits Business, we expect an organic net sales decline of 17% to 20%, inclusive of the previously referenced distributor contractual payments in fiscal 2025 and changes of financial and volume related contractual obligations resulting from the planned 2025 Wine Divestitures Transaction in fiscal 2026, as well as the anticipated impact of the tariffs announced by the U.S. government on April 2, 2025 and the Canadian government on March 4, 2025.
    - From a volume perspective, we continue to anticipate volume growth to remain challenged in the wine category within the U.S. wholesale channel.
        - Growth is expected to remain subdued in the higher-end segments – while the mainstream segment is anticipated to continue to decline, further affecting our portfolio until completion of the 2025 Wine Divestitures Transaction.
    - However, in-line with our strategic segment and channel focus, we expect the majority of our fine wine and craft spirits brands to deliver steady improvements, as they benefit from continued momentum and exposure to our faster growing direct-to-consumer channel.
- Our Wine and Spirits Business operating income is expected to decline 97% to 100%, mostly as a result of the previously noted distributor contractual payments in fiscal 2025 and the adverse variance in fiscal 2026 due to changes of financial and volume related contractual obligations resulting from the planned 2025 Wine Divestitures Transaction.
    - Beyond these adjustments, operating income for our Wine and Spirits Business in fiscal 2026 is expected to benefit from:
        - approximately $55 million of net cost savings attributable to the Wine and Spirits Business arising from our broader restructuring actions; and
        - a nearly 100 basis points reduction in marketing as a percent of net sales, as marketing investments become more focused on our most instrumental brands.
    - These gains are expected to be partially offset by lower fixed cost absorption due to the initial impact on sales volume from divestiture transactions, as well as the anticipated impact of the tariffs announced by the U.S. government on April 2, 2025 and the Canadian government on March 4, 2025.
- In light of these drivers, Wine and Spirits operating margins are expected to be approximately nil in fiscal 2026.
- We expect equity in earnings in our Wine & Spirits Business to be about $30 million.

Corporate and Other

- Corporate expense is anticipated to increase slightly to $265 million reflecting an approximately 8% increase year-over-year mainly as a result of inflationary drivers, particularly in compensation and benefits, partially offset by restructuring net cost savings.
- We expect net interest expense to be approximately $385 million, driven by lower average borrowings – and we expect our comparable effective tax rate to come in at approximately 18%, as a result of a less favorable impact from changes in inventory, geographic mix, and regulations affecting profits.
- We anticipate weighted average diluted shares outstanding for fiscal 2026 to be around 176 million, inclusive of share repurchase activity.

Fiscals 2027 & 2028 Outlook

- Lastly, we are also updating our expectations for fiscals 2027 and 2028, which cover the remainder of the five-year outlook shared at our last Investor Day.

Enterprise

- Our year-over-year Enterprise net sales growth is anticipated to be between 2% to 4%.
  - As noted earlier, the brand-health metrics for our core Beer Business remain strong – particularly among Hispanic consumers.
    - Our beer portfolio has the highest level of loyalty among Hispanic consumers relative to any other major beer supplier in the U.S. – in fact, over the past five years, our beer portfolio achieved the greatest increase in that metric, with uplifts across our top three brand families.
    - Notably, these brand families are also increasing loyalty among non-Hispanic consumers, albeit at a lesser rate.
  - Furthermore, we expect the growth profile and competitive position of our Wine and Spirits Business to be enhanced by:
    - the strategic decision to further reconfigure our wine and spirits portfolio to focus solely on higher-end brands positioned in segments and channels that we believe have more compelling outlooks; and
    - the improvement actions initiated at the beginning of fiscal 2025 to deliver results at least in-line with the overall performance of those segments and channels.
- For our Enterprise operating income, we are targeting operating margin of approximately 35% to 36% annually – reflecting an approximately 150 to 250 basis point improvement relative to fiscal 2026.
  - We intend to reach this enterprise target by continuing to:
    - unlock cost savings through our restructuring actions, particularly in our Wine and Spirits Business, and our productivity initiatives to at least partially offset COGS inflation in our Beer Business;

        - execute optimized marketing plans that support incremental investments in higher growth areas that best connect with our consumers and deliver robust returns; and
        - drive efficiencies in other SG&A expenses relative to net sales, particularly in our Wine and Spirits Business.

- From a diluted EPS perspective, we expect:
    - mid-single digits to low-double digits growth in fiscal 2027, with the spread reflecting the shift to ranges in the expectations of operating margins for the Businesses, corporate expense, and net interest expense; and
    - low-single digits to mid-single digits growth in fiscal 2028, reflecting a more normalized spread given the consistency in approach to ranges relative to fiscal 2027.
- Now, as we look at our capital allocation priorities in fiscals 2027 and 2028 – they remain the same, and we intend to maintain or further advance the underlying commitments against each priority.
    - We will continue to target a strong balance sheet that supports our investment grade rating and expect to maintain our comparable net leverage ratio of approximately 3X.
    - We expect to maintain a dividend payout ratio of approximately 30% supporting continued growth of our dividend per share in line with our earnings expectations.
    - We expect to continue to execute share repurchases against the total $4 billion authorized by our board from fiscal 2026 to fiscal 2028.
    - We plan to invest just over $1 billion in growth and maintenance capital expenditures across both fiscal 2027 to fiscal 2028.
    - The majority of this spend will be within our Beer Business to support completion of the construction of the first module of our new brewery at Veracruz and other modular expansions at our existing breweries.
    - We now expect to have a total approximately 55M HL of capacity across our three brewery sites by the end of fiscal 2028.
    - The reduction in the anticipated capacity we expect to have by the end of fiscal 2028 relative to our previous estimate reflects the alignment of our modular approach to the anticipated growth in demand for our products and increased construction costs.

<u>Beer Business</u>

- Moving on to our Beer Business, we are also updating our net sales growth expectations for fiscals 2027 and 2028 to up 2% to 4%.
    - This growth is expected to be supported by low-single digit volume increases driven mainly by our existing core beer portfolio, as well as ongoing contributions from innovation.
        - We expect to grow points of distribution at a mid-single digit compounded annual growth rate to fiscal 2028, propelled mainly by gains on our Modelo Especial and

Pacifico core beer brands – as well as supported by a smaller increase across our brands targeting consumer-led flavor and betterment trends.

- In our view, our focused portfolio of brands and SKUs provides continued runway for disciplined pack size and new liquid innovation – such as our recently launched citrus-flavored beer Corona Sunbrew, launching nationally in fiscal 2026 and we expect will continue to be an incremental contributor in fiscals 2027 and 2028.

- Our pricing algorithm remains consistent, as we expect to realize pricing benefits of 1% to 2% annually.
  - We intend to continue to analyze pricing opportunities and their impact on elasticities at a brand, market, and SKU level, and to assess any actions being mindful of the shifts in the socioeconomic circumstances of different consumers groups across the U.S.
  - As we have stated before, our approach means that not every SKU in every market will see a price increase – but on average we expect to realize 1% to 2% of pricing benefits each year.

- Moving beyond net sales, our expectations to deliver best-in-class 39% to 40% operating margins in our Beer Business remain unchanged.
  - In fiscals 2027 and 2028 we anticipate a low-single digit to mid-single digit absolute COGS increase – which includes the anticipated impact of the tariffs announced by the U.S. government on April 2, 2025, as well as cost savings and efficiency initiatives.
    - Our expected cost savings and efficiency initiatives reflect future opportunities identified across supplier and sourcing optimization, innovation to reduce material and manufacturing costs, and productivity gains across logistics.
  - Beyond our COGS expectations, we anticipate maintaining marketing as a percentage of net sales relatively in-line with our fiscal 2026 expectations to support the continued growth of our beer brands, and other SG&A at approximately 5% of net sales.

<u>Wine and Spirits Business</u>

- In our Wine and Spirits Business, inclusive of the anticipated impact of the tariffs announced by the U.S. government on April 2, 2025 and the Canadian government on March 4, 2025, we expect to deliver annual net sales increases of up to 3% and operating margins between 22% to 24% driven mainly by the shift of our portfolio to brands positioned exclusively in the higher-end segment of both categories, which are anticipated to deliver both higher-growth and higher-margins.
  - We expect a relatively stable to low-single digit contribution from volumes year-over-year and an approximately 1% benefit to net sales from the combination of both price and mix.
    - From a channel perspective, we expect to increase the share of net sales through our higher-growth, direct-to-consumer channel and to International markets to increase by 100 to 200 basis points relative to fiscal 2026.

- We anticipate operating margins to also benefit from the realized net cost savings of our restructuring actions, as well as ongoing cost savings and efficiency initiatives delivering benefits across COGS, marketing, and other SG&A.
  - We expect significant improvements in gross margins – however, the majority of the benefits to operating margins are expected to be achieved as marketing as a percentage of net sales shifts to be approximately 7% and SG&A as a percentage of net sales to be between 17% to 18%.

- Lastly on our Wine and Spirits Business, we expect our equity in earnings to contribute an additional approximately $30 million a year.

Corporate and Other

- We anticipate corporate expense between $245 million to $250 million, as we also expect to deliver efficiencies at the corporate expense level through our restructuring actions, as our Strategic Enterprise Functions take a more focused approach to both support the performance of our existing Businesses, while also positioning our company to quickly adapt as needed to emerging opportunities and challenges.
- We anticipate our effective tax rate to be approximately 20% in fiscal 2027 and approximately 22% in fiscal 2028 – with the increase relative to fiscals 2025 and 2026 largely attributed to expected changes in the impact of global tax regulations affecting profits.
- Net interest expense is expected to be between $430 million to $440 million in fiscal 2027 and $440 million to $450 million in fiscal 2028, as we maintain our targeted leverage ratio and manage our debt levels and associated interest charges accordingly.
- Additionally, we anticipate approximately $55 million of annual non-controlling interest adjustments, primarily from our Glass Plant joint venture with Owens-Illinois.
- Finally, we expect diluted shares outstanding to decline to approximately 171 million shares and approximately 166 million shares in fiscals 2027 and 2028, respectively, as a result of our share repurchase plans.

As always, we thank you for your interest in Constellation Brands – and as we approach the upcoming Spring holidays of Cinco de Mayo and Memorial Day, we invite you to enjoy some of our amazing products as part of your festivities and celebrations!

Defined Terms

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

Term	Meaning
$	U.S. dollars
2025 Wine Divestitures Transaction	We entered into a definitive agreement to fully divest and, in certain instances, exclusively license the trademarks of a portion of our wine and spirits business, primarily centered around our remaining mainstream wine brands and associated inventory, wineries, vineyards, offices, and facilities
4000+ Calorie Jobs	Jobs that require a significant amount of physical effort, e.g. construction, agriculture, and mining
Beverage Alcohol	Total beverage alcohol, includes beer, wine and spirits segments
Circana	A leading provider of consumer, shopper, and retail market intelligence and insights. Compiles laser-scanning data and other information to develop projected monthly revenues and volume sales on CPG. Provider of syndicated data with detailed analysis of sales.
COGS	Cost of product sold
Comparable basis ("comparable")	Amounts which exclude items that affect comparability, as they are not reflective of core operations of the segments
CPG	Consumer packaged goods
Depletions	Represents U.S. distributor shipments of our respective branded products to retail customers, based on third-party data
EPS	Diluted net income (loss) per share attributable to CBI
FY	Fiscal year
GAAP	General accepted accounting principles in the U.S.
Glass Plant	Glass production plant in Nava operated through an equally-owned joint venture with Owens-Illinois
High-End Beer	Beer that sells above $27.00 a case at retail
Higher-End Spirits	Spirits that generally sell above $14.00 - $17.00 per bottle at retail
Higher-End Wine	Wine that sells above $11.00 per bottle at retail for table wine and above $13.00 for sparkling wine
HL	Hectoliters
International markets	Markets outside of the U.S. in which we sell our Wine and Spirits products
Investor Day	November 2, 2023 event hosted by Constellation Brands, during which member's of the executive and broader leadership teams presented insights into the company's performance and plans
Lower-End Spirits	Spirits that generally sell for less than $14.00 - $17.00 per bottle at retail
Lower-End Wine	Wine that sells for less than $11.00 per bottle at retail for table wine and less than $13.00 for sparkling wine

Mainstream	Includes wine that sells less than $11.00 per bottle at retail, sparkling wine and all other wine that sells less than $13.00 per bottle at retail, and spirits that sell less than $14.00 per bottle at retail
Nava	Nava, Coahuila, Mexico
Net interest expense	Includes interest expense, interest income, and extinguishment of debt
Owens-Illinois	O-I Glass, Inc., the ultimate parent of the company which we have an equally-owned joint venture to operate the Glass Plant
Premium	Includes wine that sells between $11.00 to $24.99 per bottle at retail, sparkling wine that sells between $13.00 to $34.99 per bottle at retail, tequila that sells between $17.00 to $23.99 per bottle at retail, and whiskey that sell between $17.00 to $24.99 per bottle at retail
Reported basis ("reported")	Derived from amounts as reported under generally accepted accounting principles in the U.S.
SEC	Securities and Exchange Commission
SG&A	Selling, general, and administrative expenses
Shipments	Represents the volume shipped from CBI to distributors
Shopper First Shelf	Constellation Brands' approach to grow wine and beer sales by optimizing shelf flow, space, and assortment based on insights into how today's consumers shop
SKU	Stock keeping unit
SVEDKA Divestiture	Sale of the SVEDKA brand and related assets, primarily including inventory and equipment
U.S.	United States of America
Veracruz Brewery	A new brewery being constructed in Veracruz

Disclaimers and Caution Regarding Outdated Material

The notes offered under our commercial paper program have not been and will not be registered under the Securities Act of 1933, as amended, and may not be offered or sold in the U.S. absent registration or an applicable exemption from registration requirements. This commentary shall not constitute an offer to sell or the solicitation of an offer to buy our notes under the commercial paper program.

Unless the context otherwise requires, the term “consumers” refers to legal drinking age consumers and references to “betterment” products means our lower-alcohol, lower-calorie, non-alcoholic, or no-calorie products. Market positions and industry data discussed in this commentary have been obtained or derived from industry and other third-party publications and our estimates. We have not independently verified the data from the industry and other third-party publications. Unless otherwise indicated, (i) all references to market positions are based on equivalent unit volume, and (ii) data discussed in this commentary is based on our data, analysis, plans, and reporting. Unless otherwise indicated, the information presented in this commentary is as of April 9, 2025, and, to the best of our knowledge, timely and accurate when made. Thereafter, the information contained in this commentary should be considered historical and not subject to further update by us.