Constellation brands

Updated pitch

Cost of capital

Cost of equity:

Levered beta .67

ERP @ 5.4%

10-year => 4.17%

CAPM:

7.7180%

Cost of debt:

Current rating

S & P => BBB

Yield: 5.01%

Moody's => Baa2

Yield 5.79% (Baa)

Estimate:

5.17%

Long-term schedule => BBB => 5.17%

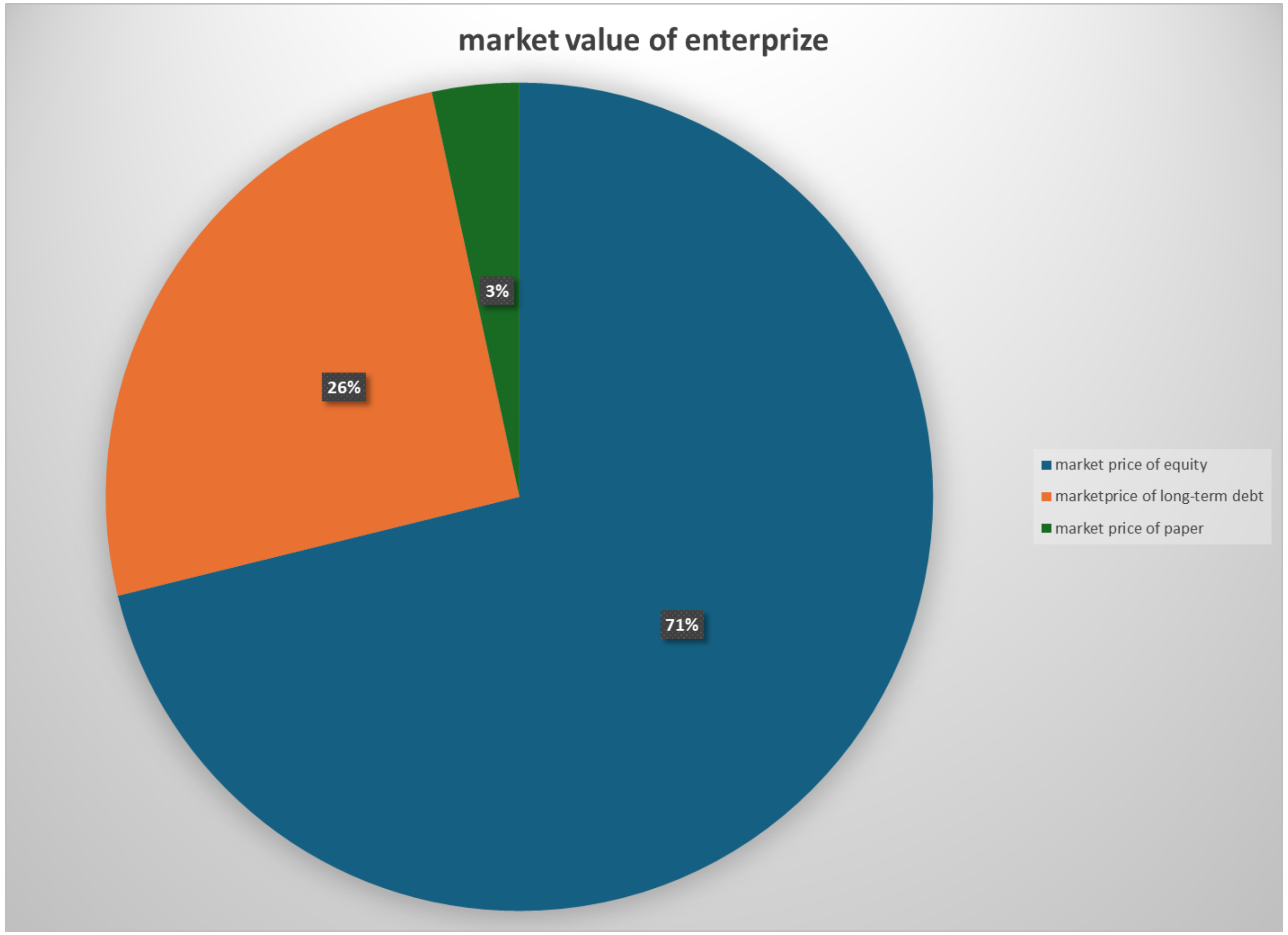
Bond Series	Principal (in millions)	Coupon Rate	Maturity Date	Estimated Market Value (in millions)
4.75% Senior Notes	$400.00	4.75%	Dec-25	$399.733
3.70% Senior Notes	$600.00	3.70%	Dec-26	$590.279
4.50% Senior Notes	$500.00	4.50%	May-27	$495.038
3.60% Senior Notes	$700.00	3.60%	May-47	$559.053
4.10% Senior Notes	$600.00	4.10%	Feb-28	$586.236
4.40% Senior Notes	$500.00	4.40%	Nov-25	$499.698
4.65% Senior Notes	$500.00	4.65%	Oct-28	$492.948
5.25% Senior Notes	$800.00	5.25%	Nov-48	$808.512
3.15% Senior Notes	$600.00	3.15%	Aug-29	$558.836
2.875% Senior Notes	$600.00	2.88%	May-30	$545.205
3.75% Senior Notes	$600.00	3.75%	May-50	$482.938
2.25% Senior Notes	$1,000.00	2.25%	Aug-31	$856.172
4.35% Senior Notes	$600.00	4.35%	May-27	$592.712
4.75% Senior Notes	$700.00	4.75%	May-32	$683.946
4.90% Senior Notes	$750.00	4.90%	May-33	$737.561
4.80% Senior Notes	$400.00	4.80%	Jan-29	$395.678
Total	$9,550.00			$8,884.81

Commercial paper => BBB => 5.17%

	As of Feb 28, 2025	As of May 31, 2025
Inputs from Schedule:		
Outstanding Borrowings (Face Value)	$806.7 million	$377.5 million
Weighted Avg. Annual Interest Rate	4.70%	4.60%
Weighted Avg. Remaining Term	13 days	3 days
Pricing Calculation:		
Discount Factor	1.00167	1.00038
Calculated Market Value (Price)	$805.35	$377.36
Difference (Face Value - Market Value)	$1.35 million	$0.14 million
total	value	$1,182.71

Market value of cap table

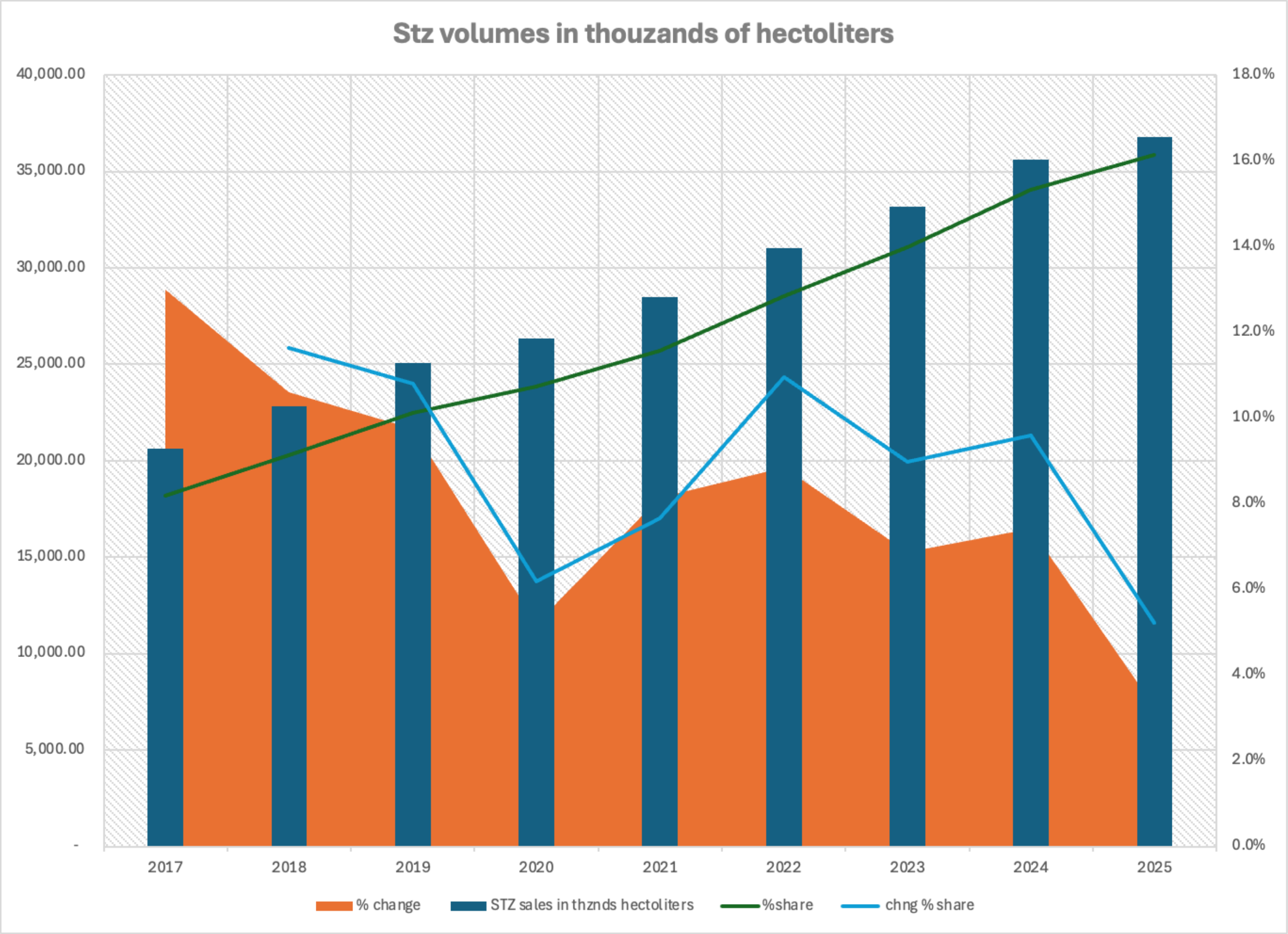
- Equity: 71%
  - ~24$bn common shares
- Debt: 29%
  - ~1.1$bn commercial paper
  - ~8.8$bn bonds
- Total market value of capital:
  - ~35$bn



Weighted Average Cost of Capital

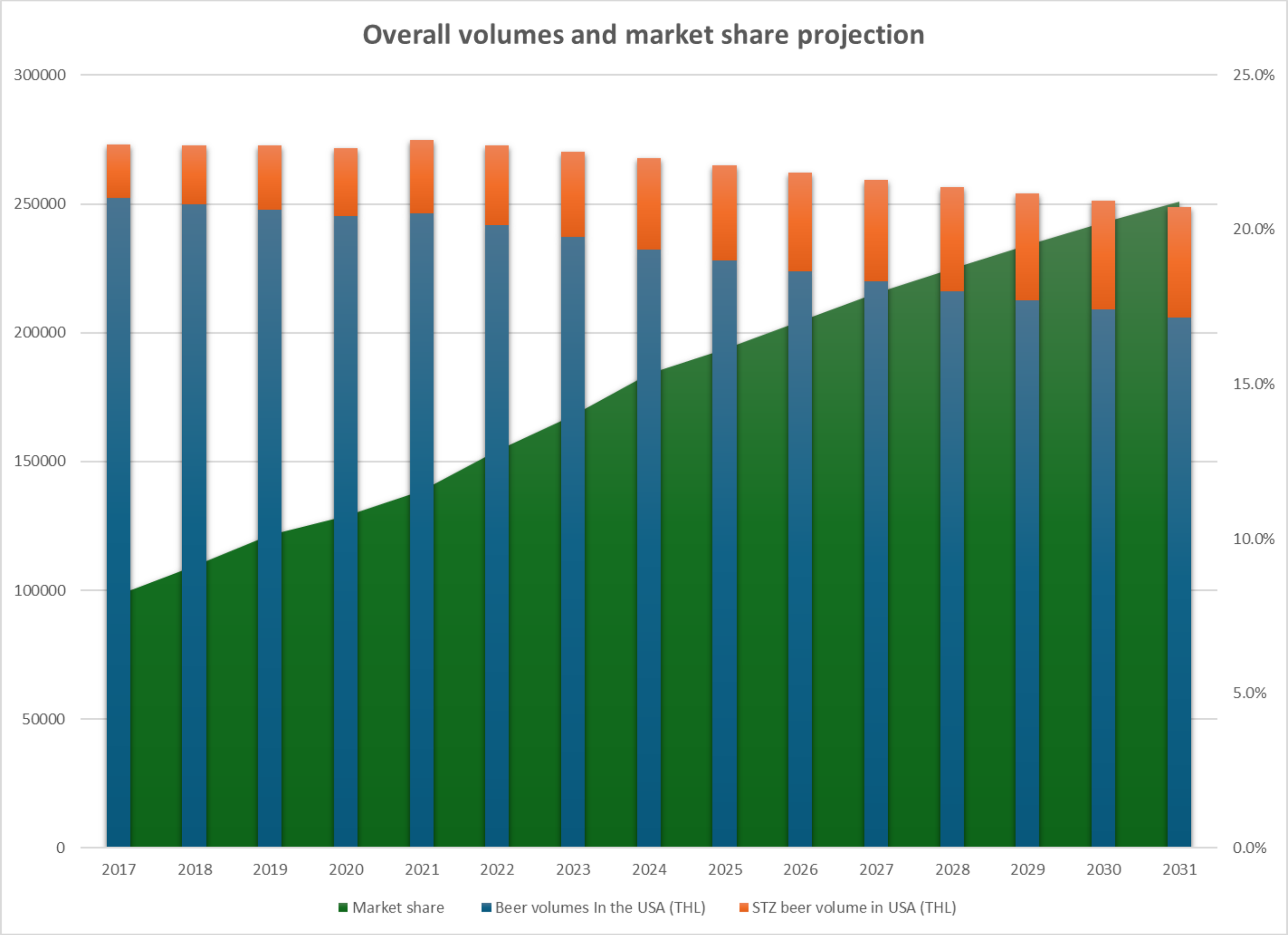
- Tax rate: 26%
- Equity: 71% * 7.71% +
- Debt: (29% * 5.17%) * (1 – 26%)
- Cost of capital => 6.6%

Past performance of beer volumes



Highlights:

- Volumes
  - 22800 to 205822
- Market share
  - %16.1 to %20.9



Rev model assumptions

BEER:

Will go from 431.80 to 505.22 million cases

Going from ~16% market share to ~21%

Price per case will go from $19.52 to $20.75 (.8%) price hike per year

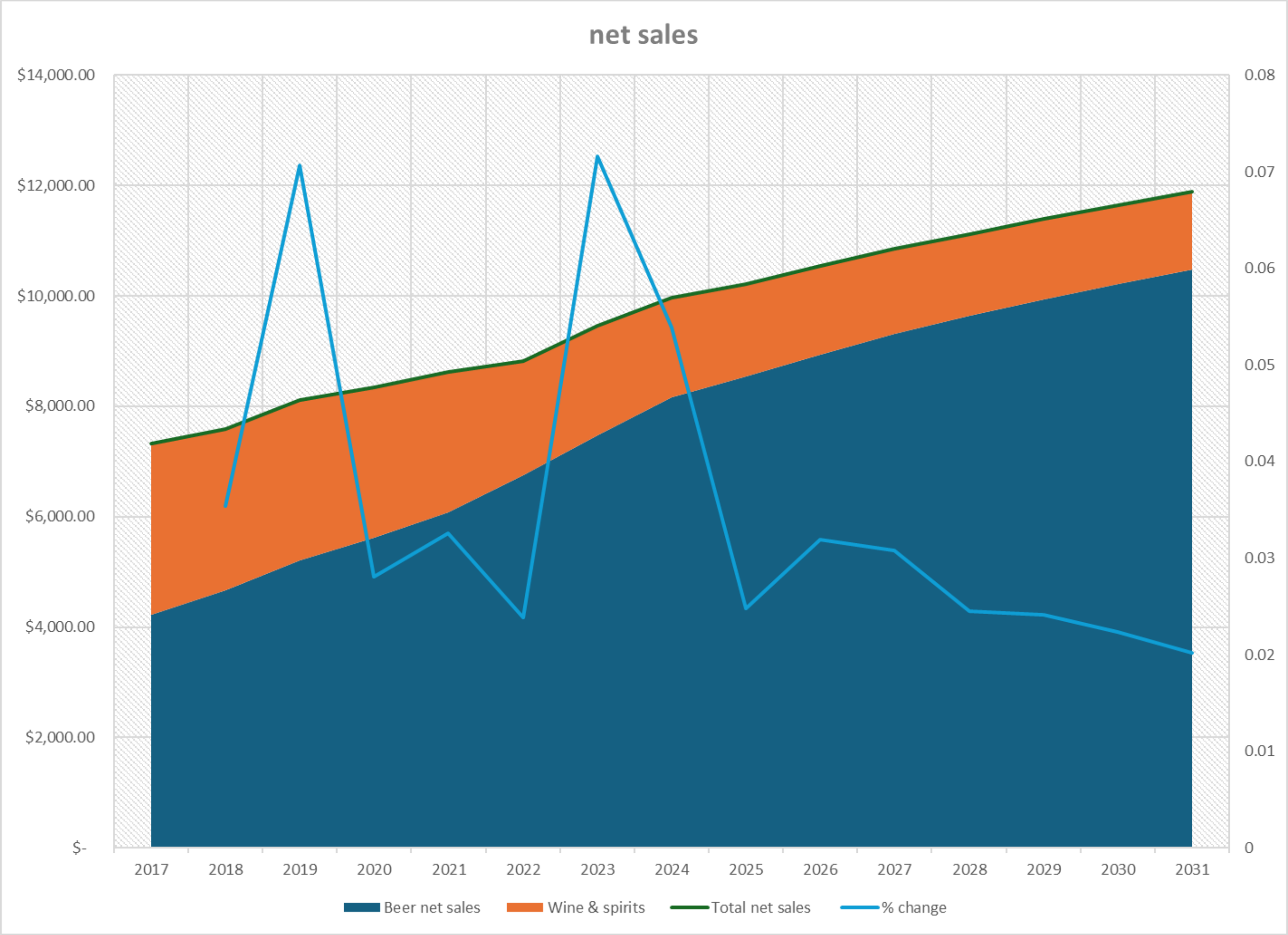
Wine & spirits:

Will go from 27.1 to 17.63 million cases

Price per case will go from $75.5 to $79.50 (1%) price hike per year

Highlights:

- Net sales
    - ~10.2$bn to 11.882$bn
    - Beer making up ~88% of sales by 2031
    - Rev growth decelerates



Costs & Capex

Tax assumption ~26%

SG & A ~ 19.5%

Regular:

- Gross margin ~51%

Tarriff regime:

- Gross margin ~ 46%

Capital required:

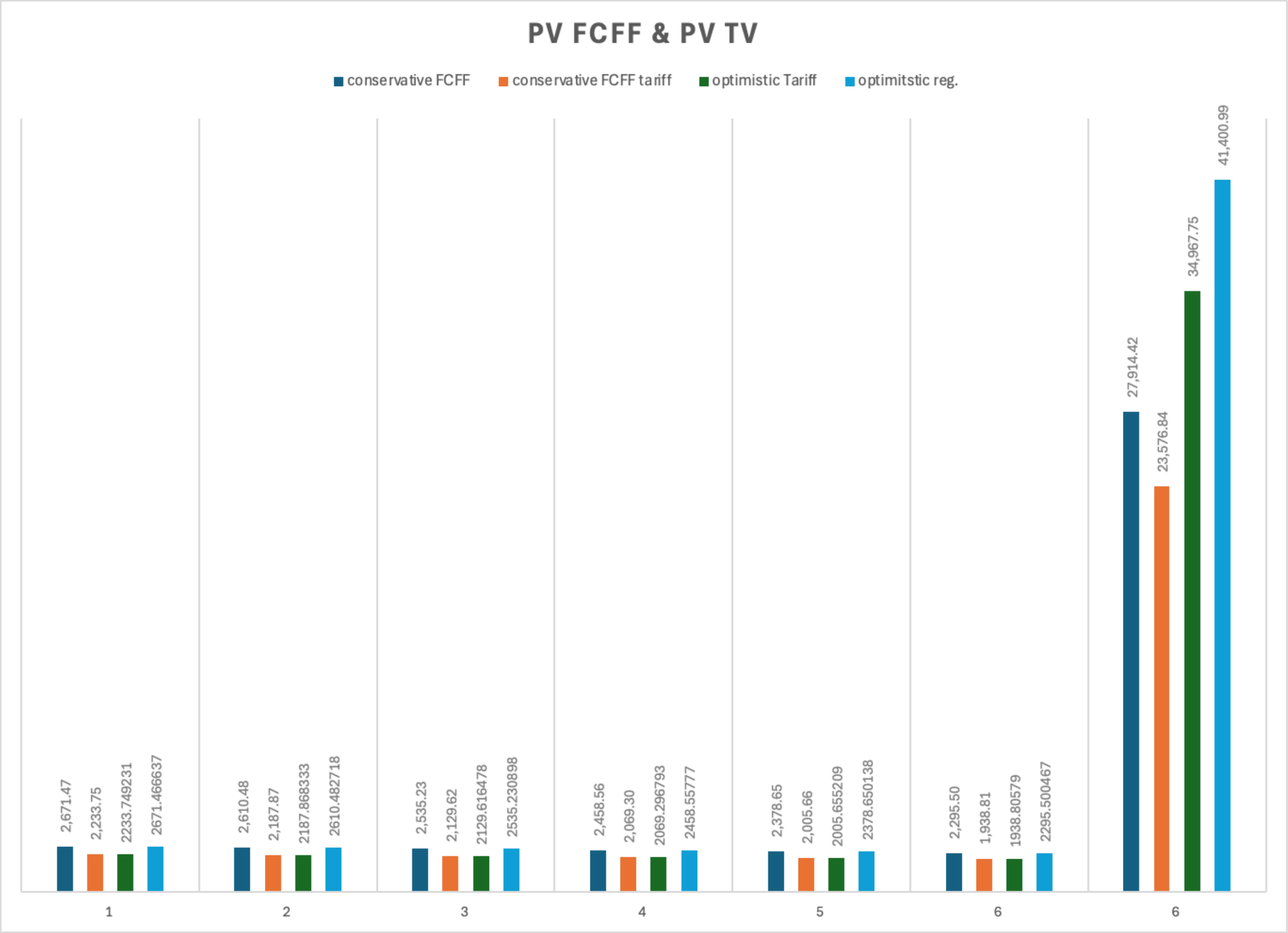
- Deprecation 5 % of PP&E
- Capex 11% of net sales

Weighted probability valuation 4 scenarios

WACC => 6.6% for all
Conservative terminal GR –1.5%
Optimistic terminal GR 1.0%
Tarriff assumption 25%
  64% absorbed by consumer
  36% absorbed by firm

weighted valuation				
conservative	reg.	$	240.82	50%
conservative	tarriff	$	203.05	30%
optimitstic	tarriff	$	267.05	10%
optimitstic	reg.	$	316.59	10%
weighted valuation		$	239.69	100%

PV FCFF



PV FCFF & PV TV
conservative FCFF
conservative FCFF tariff
optimistic Tariff
optimitstic reg.
2,671.47
2,233.75
2233.749231
2671.466637
2,610.48
2,187.87
2187.868333
2610.482718
2,535.23
2,129.62
2129.616478
2535.230898
2,458.56
2,069.30
2069.296793
2458.55777
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2,005.66
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1938.80579
2295.500467
27,914.42
23,576.84
34,967.75
41,400.99
1
2
3
4
5
6
6

Share Summary

Estimated valuation of equity:

~42.8$bn => ~$240 a share

Current market value of equity:

~24.8$bn => ~$140 a share

Upside:

~73%

demographics