SL GREEN REALTY CORP
Form 8-K
October 20, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):
October 20, 2016 (October 19, 2016)

SL GREEN REALTY CORP.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MARYLAND
(STATE OF INCORPORATION)

1-13199	13-3956775
(COMMISSION FILE NUMBER)	(IRS EMPLOYER ID. NUMBER)

420 Lexington Avenue	10170
New York, New York	(ZIP CODE)

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(212) 594-2700
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:
[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

Following the issuance of a press release on October 19, 2016 announcing SL Green Realty Corp.'s, or the Company, results for the quarter ended September 30, 2016, the Company intends has made available on its website supplemental information regarding the Company's operations that is too voluminous for a press release. The Company is attaching the press release as Exhibit 99.1 and the supplemental package as Exhibit 99.2 to this Current Report on Form 8-K.

The information (including Exhibits 99.1 and 99.2) being furnished pursuant to this "Item 2.02. Results of Operations and Financial Condition" shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities of that section and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Act, or the Exchange Act regardless of any general incorporation language in such filing.

Item 7.01. Regulation FD Disclosure

As discussed in Item 2.02 above, on October 19, 2016, the Company issued a press release announcing its results for the quarter ended September 30, 2016.

The information being furnished pursuant to this "Item 7.01. Regulation FD Disclosure" shall not be deemed to be "filed" for the purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act regardless of any general incorporation language in such filing. This information will not be deemed an admission as to the materiality of such information that is required to be disclosed solely by Regulation FD.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

99.1 Press Release regarding results for the quarter ended September 30, 2016.
99.2 Supplemental package.

Non-GAAP Supplemental Financial Measures

Funds from Operations (FFO)

FFO is a widely recognized measure of REIT performance. The Company computes FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than the Company does. The revised White Paper on FFO approved by the Board of Governors of NAREIT in April 2002, and subsequently amended, defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring, sales of properties and real estate related impairment charges, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. The Company presents FFO because it considers it an important supplemental measure of the Company's operating performance and believes that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, particularly those that own and operate commercial office properties. The Company also uses FFO as one of several criteria to determine performance-based bonuses for members of its senior management. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, interest costs, providing perspective not immediately apparent from net income. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including our ability to make cash distributions.

Funds Available for Distribution (FAD)

FAD is a non-GAAP financial measure that is not intended to represent cash flow for the period and is not indicative of cash flow provided by operating activities as determined in accordance with GAAP. FAD is presented solely as a supplemental disclosure with respect to liquidity because the Company believes it provides useful information regarding the Company's ability to fund its dividends. Because all companies do not calculate FAD the same way, the presentation of FAD may not be comparable to similarly titled measures of other companies. FAD does not represent cash flow from operating, investing and finance activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of the Company's financial performance, as an alternative to net cash flows from operating activities (determined in accordance with GAAP), or as a measure of the Company's liquidity.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The Company presents earnings before interest, taxes, depreciation and amortization, or EBITDA, because the Company believes that EBITDA, along with cash flow from operating activities, investing activities and financing activities, provides investors with an additional indicator of the Company's ability to incur and service debt. EBITDA should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of the Company's financial performance, as an alternative to net cash flows from operating activities (determined in accordance with GAAP), or as a measure of the Company's liquidity. Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) is calculated by adding income taxes, loan loss reserves and the Company's share of joint venture depreciation and amortization to EBITDA.

Same-Store Net Operating Income, Same-Store Cash Net Operating Income and Related Measures

The Company presents same-store net operating income, same-store cash net operating income, same-store joint venture net operating income, and same-store joint venture cash net operating income because the Company believes that these measures provide investors with useful information regarding the operating performance of properties that are comparable for the periods presented. For properties owned since January 1, 2015 and still owned in the same manner at the end of the current quarter, the Company determines same-store net operating income by subtracting same-store property operating expenses and ground rent from same-store recurring rental and tenant reimbursement revenues. Same-store cash net operating income is derived by deducting same-store straight line and free rent from, and adding same-store tenant credit loss allowance to, same-store net operating income. Same-store joint venture net operating income and same-store joint venture cash net operating income are calculated in the same manner as noted above, but includes just the Company's pro-rata share of the joint venture net operating income. None of these measures is an alternative to net income (determined in accordance with GAAP) and same-store performance should not be considered an alternative to GAAP net income performance.

Debt to Market Capitalization Ratio

The Company presents the ratio of debt to market capitalization as a measure of the Company's leverage position relative to the Company's estimated market value. The Company's estimated market value is based upon the quarter-end trading price of the Company's common stock multiplied by all common shares and operating partnership units outstanding plus the face value of the Company's preferred equity. This ratio is presented on a consolidated basis and a combined basis. The combined debt to market capitalization includes the Company's pro-rata share of off-balance sheet (unconsolidated) joint venture debt. The Company believes this ratio may provide investors with another measure of the Company's current leverage position. The debt to market capitalization ratio should be used as one measure of the Company's leverage position, and this measure is commonly used in the REIT sector; however, this may not be comparable to other REITs that do not compute in the same manner. The debt to market capitalization ratio does not represent the Company's borrowing capacity and should not be considered an alternative measure to the Company's current lending arrangements.

Coverage Ratios

The Company presents fixed charge and interest coverage ratios to provide a measure of the Company’s financial flexibility to service current debt amortization, interest expense and ground rent from current cash net operating income. These coverage ratios are provided on both a consolidated and combined basis. The combined coverage ratios include the Company’s pro-rata share of off-balance sheet (unconsolidated) joint venture fixed charges and cash net operating income. These coverage ratios represent a common measure of the Company’s ability to service fixed cash payments; however, these ratios are not used as an alternative to cash flow from operating, financing and investing activities (determined in accordance with GAAP).

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.

SL GREEN REALTY CORP.

/s/ Matthew J. DiLiberto
Matthew J. DiLiberto
Chief Financial Officer

Date: October 20, 2016

;">

34

Table of Contents

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

	For the Nine Months Ended		For the Three Months Ended	
	November 30, 2018	November 30, 2017	November 30, 2018	November 30, 2017
(in millions)				
Unrealized net gain (loss) on securities measured at fair value and related activities	$786.5	$ 216.8	$(163.9)	$ 216.8
Net gain on sale of unconsolidated investment	99.8	—	—	—
Equity in earnings from equity method investees	31.9	32.8	29.3	32.2
Net gain on foreign currency derivative contracts associated with November 2017 Canopy securities measured at fair value	—	0.1	—	0.1
	$918.2	$ 249.7	$(134.6)	$ 249.1

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 consolidated financial statements and notes thereto included herein (the "Financial Statements") and with our consolidated financial statements and notes included in our 2018 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, including a discussion of investments and acquisitions.

- Results of operations. This section provides an analysis of our results of operations presented on a business segment basis for the three months ended November 30, 2018 ("Third Quarter 2019"), and November 30, 2017 ("Third Quarter 2018"), and the nine months ended November 30, 2018 ("Nine Months 2019"), and November 30, 2017 ("Nine Months 2018"). In addition, a brief description of transactions and other items that affect the comparability of the results is provided.

- Financial liquidity and capital resources. This section provides an analysis of our cash flows and a discussion of the amount of financial capacity available to fund our ongoing operations and future commitments, as well as a discussion of other financing arrangements.

Overview

We are an international beverage alcohol company with a broad portfolio of consumer-preferred high-end imported and craft beer brands, and premium wine and spirits brands. We are the third-largest producer and marketer of beer for the U.S. market and the world's leading premium wine company. We are the largest multi-category supplier (beer, wine and spirits) of beverage alcohol in the U.S., and a leading supplier of wine from New Zealand and Italy to North America.

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 and craft beer brands. We have an exclusive perpetual brand license to import, market and sell in the U.S. our Mexican beer portfolio. In the Wine and Spirits segment, we sell a large number of wine brands across all categories – table wine, sparkling wine and dessert wine – and across all price points – popular, premium and luxury categories, primarily within the

35

Table of Contents

$5 to $25 price range at U.S. retail – complemented by certain premium spirits brands. Amounts included in the Corporate Operations and Other segment consist of costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal, public relations and information technology. The amounts 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 chief operating decision maker's evaluation of the operating income 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

Our overall strategy is to drive industry-leading growth and shareholder value by building premium brands that people love. We position our portfolio to benefit from industry premiumization trends, which we believe will continue to result in faster growth rates in the high-end of the beer, wine and spirits categories. We focus on developing our expertise in consumer insights and category management as well as our strong distributor network, which provides an effective route-to-market. Additionally, we leverage our scale across the total beverage alcohol market and our level of diversification hedges our portfolio risk. In addition to growing our existing business, we focus on targeted acquisitions of businesses that are premium, growing, high-margin, consumer-led, have a low integration risk and/or fill a gap in our portfolio. We also strive to identify, meet and stay ahead of evolving consumer trends and market dynamics (see "Investments – Canopy Growth Corporation").

We strive to strengthen our portfolio of premium beer, wine and spirits brands and differentiate ourselves through:

- leveraging our leading position in total beverage alcohol and our scale with wholesalers and retailers to expand distribution of our product portfolio and to provide for cross promotional opportunities;
- strengthening relationships with wholesalers and retailers by providing consumer and beverage alcohol insights;
- investing in brand building activities;
- positioning ourselves for success with consumer-led innovation capabilities that identify, meet and stay ahead of evolving consumer trends and market dynamics;
- realizing operating efficiencies through expanding and enhancing production capabilities and maximizing asset utilization; and
- developing employees to enhance performance in the marketplace.

Our business strategy for the Beer segment focuses on leading the high-end segment of the U.S. beer market and includes continued focus on growing our beer portfolio in the U.S. through expanding distribution for key brands, as well as new product development and innovation within the existing portfolio of brands, and continued expansion, construction and optimization activities for our Mexico beer operations. Additionally, in an effort to capitalize on one of the growth segments within the U.S. beer market, we established the high-end craft and specialty beer platform in order to fully leverage our craft beer expertise with that of the capabilities and infrastructure of our broader Beer segment.

In connection with our business strategy for the Beer segment, we have almost tripled the production capacity of our brewery located in Nava, Coahuila, Mexico since its June 2013 acquisition. In addition, construction of a new, state-of-the-art brewery in Mexicali, Baja California, Mexico is progressing and we are continuing to invest to expand the Obregon Brewery, which was acquired in December 2016. Expansion, construction and optimization efforts continue under our previously-announced Mexico beer expansion projects to align with our anticipated future growth expectations.

36

Table of Contents

Our business strategy for the Wine and Spirits segment is to build an industry-leading portfolio of premium wine and spirits brands. We are investing to meet the evolving needs of consumers and building brands through consumer insights, sensory expertise, innovation and refreshing existing brands as we continue to focus on the premiumization of our branded wine and spirits portfolio. We dedicate a large share of our sales and marketing resources to some of our well-known wine and spirits brands sold in the U.S., which comprise our U.S. Focus Brands (“Focus Brands”), as they represent a majority of our U.S. wine and spirits revenue and profitability, and generally have strong positions in their respective price categories. These brands and/or portfolios of brands include: 7 Moons, Black Box, Casa Noble, Clos du Bois, Franciscan, High West, Kim Crawford, Mark West, Meiomi, Mount Veeder, Nobilo, Ravage, Robert Mondavi, Ruffino, Schrader, Simi, SVEDKA Vodka, The Dreaming Tree and the Charles Smith and Prisoner portfolios of brands. We focus our innovation and investment dollars on those brands within our portfolio which position us to benefit from industry premiumization trends. We continue to refine our options to optimize the value of our wine and spirits portfolio and, as noted, drive increased focus on the high-end priority brands to accelerate growth and improve overall operating margins. In markets where it is feasible, we entered into contractual arrangements to consolidate our U.S. distribution network in order to obtain dedicated distributor selling resources which focus on our U.S. wine and spirits portfolio to drive organic growth. This consolidated U.S. distribution network currently represents about 70% of our branded wine and spirits volume in the U.S. Throughout the terms of these contracts, we generally expect shipments on an annual basis to these distributors to essentially equal the distributors’ shipments to retailers.

Marketing, sales and distribution of our products are managed on a geographic basis in order to fully 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, craft beer, 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, maintain our targeted leverage ratio and pay quarterly cash dividends.

Investments – Canopy Growth Corporation

Our investments in Canopy, and the method of accounting for these investments, consist of the following:

Date of Investment	Investment Acquired	Purchase Price	Method of Accounting
(in millions)			
Nov 2017	Common shares	$130.1	Fair value / equity method (1)
Nov 2017	Warrants	61.2	Fair value
		$191.3	
June 2018	Convertible debt securities	$150.5	Fair value
Nov 2018	Common shares	$2,740.3	Equity method
Nov 2018	Warrants	1,146.8	Fair value
		$3,887.1 (2)	

37

Table of Contents

We recognized an unrealized net gain (loss) from the changes in fair value of these investments accounted for at fair value in income (loss) from unconsolidated investments, as follows:

Date of Investment	Investment	Third Quarter 2019	Third Quarter 2018	Nine Months 2019	Nine Months 2018
(in millions)					
Nov 2017	Common shares [1]	$(168.5)	$139.7	$292.5	$139.7
Nov 2017	Warrants	(212.4)	77.1	223.5	77.1
June 2018	Convertible debt securities	(40.6)	—	12.9	—
Nov 2018	Warrants	257.6	—	257.6	—
		$(163.9)	$216.8	$786.5	$216.8

(1) Accounted for at fair value from the date of investment in November 2017 through October 31, 2018. Accounted for under the equity method from November 1, 2018 (refer to Note 8 of the Financial Statements).

(2) Includes $17.2 million of direct acquisition costs capitalized under the equity method cost accumulation model. Excludes $7.3 million of direct acquisition costs associated with the investment in warrants which are expensed as incurred in selling, general and administrative expenses. See "Financial Liquidity and Capital Resources – General" for a discussion of financing for this transaction.

We expect the fair value of the Canopy investments accounted for at fair value to be volatile in future periods. Additionally, we will recognize equity in earnings for our Canopy Equity Method Investment on a two-month lag. As a result, we will recognize equity in earnings from Canopy's results of operations from our date of acquisition, November 1, 2018, through December 31, 2018, in our consolidated financial statements for the fourth quarter of fiscal 2019.

As of November 30, 2018, the conversion of Canopy equity securities held by its employees and/or held by other third parties would not have a significant effect on our share of Canopy's reported earnings or losses. Additionally, under an amended and restated investor rights agreement, we have the option to purchase additional common shares of Canopy at the then-current price of the underlying equity security to allow us to maintain our relative ownership interest.

These investments are consistent with our long-term strategy to identify, meet and stay ahead of evolving consumer trends and market dynamics, and they represent a significant expansion of our strategic relationship to position Canopy as the global leader in cannabis production, branding, intellectual property and retailing.

For additional information on these and other investments, refer to Notes 5, 8 and 9 of the Financial Statements.

Acquisitions

Beer Segment

Four Corners Acquisition

In July 2018, we acquired Four Corners, which primarily included the acquisition of operations, goodwill, property, plant and equipment, and trademarks. This acquisition included a portfolio of high-performing, dynamic and bicultural, Texas-based craft beers to further strengthen our position in the high-end segment of the U.S. beer market. The results of operations of Four Corners are reported in the Beer segment and have been included in our consolidated results of operations from the date of acquisition.

Table of Contents

Funky Buddha Acquisition

In August 2017, we acquired Funky Buddha, which primarily included the acquisition of operations, goodwill and trademarks. This acquisition included a portfolio of high-quality, Florida-based craft beers to further strengthen our position in the high-end segment of the U.S. beer market. The results of operations of Funky Buddha are reported in the Beer segment and have been included in our consolidated results of operations from the date of acquisition.

Wine and Spirits Segment

Schrader Cellars Acquisition

In June 2017, we acquired Schrader Cellars, which primarily included the acquisition of goodwill, inventories, trademarks and certain grape supply contracts. This acquisition included a collection of highly-rated, limited-production fine wines which aligned with our portfolio premiumization strategy and strengthened our position in the fine wine category. The results of operations of Schrader Cellars are reported in the Wine and Spirits segment and have been included in our consolidated results of operations from the date of acquisition.

For additional information on these and other acquisitions, refer to Note 6 of the Financial Statements.

Results of Operations

Financial Highlights

For Third Quarter 2019 and Third Quarter 2018:

- Our results of operations benefited primarily from continued improvements in the Beer segment, partially offset by an unrealized net loss from the changes in fair value of our investments in Canopy.

- Net sales increased 9% primarily due to an increase in Beer net sales driven predominantly by volume growth within our Mexican beer portfolio.

- Operating income increased 14% largely due to the Beer net sales volume growth and a favorable impact from pricing within our Mexican beer portfolio, combined with lower selling, general and administrative expenses within Wine and Spirits.

- Net income attributable to CBI and diluted net income per common share attributable to CBI decreased primarily due to an unrealized net loss from the changes in fair value of our investments in Canopy for Third Quarter 2019 as compared with an unrealized net gain for Third Quarter 2018.

For Nine Months 2019 and Nine Months 2018:

- Our results of operations benefited primarily from continued improvements within the Beer segment, an unrealized net gain from the changes in fair value of our investments in Canopy and a net gain on the sale of the Accolade Wine Investment.

- Net sales increased 9% primarily due to an increase in Beer net sales driven predominantly by volume growth and a favorable impact from pricing within our Mexican beer portfolio.

- Operating income increased 10% largely due to the net sales volume growth and favorable impact from pricing within our Mexican beer portfolio, and the overlap of an impairment of intangible assets for the

39

Table of Contents

first quarter of fiscal 2018. Operating income growth was tempered by planned increases in marketing spend and higher cost of product sold across both the Beer and Wine and Spirits segments.

- Net income attributable to CBI and diluted net income per common share attributable to CBI increased significantly primarily due to the factors discussed above.

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 segment management compensation are evaluated based on core segment operating income (loss). As such, the performance measures for incentive compensation purposes for segment management do not include the impact of these Comparable Adjustments.

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

(in millions)	Third Quarter 2019	Third Quarter 2018	Nine Months 2019	Nine Months 2018
Cost of product sold				
Net gain (loss) on undesignated commodity derivative contracts	$(14.7)	$3.5	$(5.1)	$4.3
Settlements of undesignated commodity derivative contracts	(2.2)	(0.1)	(7.3)	4.6
Flow through of inventory step-up	(2.2)	(7.2)	(3.6)	(17.0)
Accelerated depreciation	(1.5)	—	(6.5)	—
Loss on inventory write-down	(1.3)	—	(2.8)	—
Total cost of product sold	(21.9)	(3.8)	(25.3)	(8.1)
Selling, general and administrative expenses				
Net loss on foreign currency derivative contracts associated with acquisition of investment	(25.5)	—	(32.6)	—
Transaction, integration and other acquisition-related costs	(8.1)	(4.5)	(9.1)	(6.8)
Restructuring and other strategic business development costs	(2.3)	(4.1)	(10.9)	(7.5)
Deferred compensation	—	—	(16.3)	—
Impairment of intangible assets	—	—	—	(86.8)
Loss on contract termination	—	(59.0)	—	(59.0)
Costs associated with the sale of the Canadian wine business and related activities	—	—	—	(3.2)
Other gains	2.4	8.1	10.9	11.5
Total selling, general and administrative expenses	(33.5)	(59.5)	(58.0)	(151.8)
Comparable Adjustments, Operating loss	$(55.4)	$(63.3)	$(83.3)	$(159.9)
Income (loss) from unconsolidated investments	$(163.9)	$216.9	$886.3	$216.9

40

Table of Contents

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.

Selling, General and Administrative Expenses

Net Loss on Foreign Currency Derivative Contracts Associated with Acquisition of Investment

We recognized a net loss in connection with the settlement of foreign currency option contracts entered into to fix the U.S. dollar cost of the November 2018 Canopy Transaction.

Transaction, Integration and Other Acquisition-Related Costs

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

Restructuring and Other Strategic Business Development Costs

We recorded costs primarily in connection with the development of a program specifically intended to identify opportunities for further streamlining of processes and improving capabilities, linking strategy with execution, prioritizing resources and enabling an integrated digital platform.

Deferred Compensation

We recorded an adjustment related to prior periods to correct for previously unrecognized deferred compensation costs associated with certain employment agreements.

Impairment of Intangible Assets

We recorded trademark impairment losses related to our Beer segment’s craft beer trademark asset. For additional information, refer to Note 5 of the Financial Statements included herein.

Loss on Contract Termination

We recorded a loss in connection with the early termination of a beer glass supply contract with Owens-Illinois, a related-party entity with which we have an equally-owned joint venture which owns and operates a glass production plant located adjacent to our Nava Brewery.

Other Gains

We recorded gains primarily in connection with the sale of certain non-core assets (Nine Months 2019) and in connection with the reduction in estimated fair value of a contingent liability associated with a prior period acquisition

(Third Quarter 2018, Nine Months 2018).

41

Table of Contents

Income (Loss) From Unconsolidated Investments

We recognized an unrealized net gain (loss) from the changes in fair value of our securities measured at fair value, and a net gain in connection with the sale of our Accolade Wine Investment (Nine Months 2019). For additional information, refer to Notes 5, 8 and 9 of the Financial Statements included herein.

Third Quarter 2019 Compared to Third Quarter 2018

Net Sales

	Third Quarter 2019	Third Quarter 2018	Dollar Change	Percent Change
(in millions)				
Beer	$1,209.8	$1,042.5	$167.3	16 %
Wine and Spirits:				
Wine	670.3	666.6	3.7	1 %
Spirits	92.5	92.8	(0.3)	— %
Total Wine and Spirits	762.8	759.4	3.4	— %
Consolidated net sales	$1,972.6	$1,801.9	$170.7	9 %

Beer Segment	Third Quarter 2019	Third Quarter 2018	Dollar Change	Percent Change
(in millions, branded product, 24-pack, 12-ounce case equivalents)				
Net sales	$1,209.8	$1,042.5	$167.3	16 %
Shipment volume	68.0	59.6		14.1 %
Depletion volume [1]				7.8 %

(1) Depletions represent distributor shipments of our respective branded products to retail customers, based on third-party data.

The increase in Beer net sales is primarily due to (i) strong volume growth within our Mexican beer portfolio of $143.8 million and (ii) a favorable impact from pricing in select markets within our Mexican beer portfolio of $28.9 million. The strong volume growth is largely attributable to continued consumer demand, increased marketing spend and new product introductions, as well as timing as the shipment volume growth trend outpaced the depletion volume growth trend for Third Quarter 2019. For Nine Months 2019, the shipment volume growth trend is more closely aligned to the depletion volume growth trend.

Table of Contents

Wine and Spirits Segment	Third Quarter 2019	Third Quarter 2018	Dollar Change	Percent Change
(in millions, branded product, 9-liter case equivalents)				
Net sales	$762.8	$759.4	$ 3.4	— %
Shipment volume				
Total	14.8	14.8		— %
U.S. Domestic	13.8	13.6		1.5 %
U.S. Domestic Focus Brands	8.3	8.3		— %
Depletion volume [1]				
U.S. Domestic				(3.2 %)
U.S. Domestic Focus Brands				0.3 %

Wine and Spirits net sales remained relatively flat as a favorable impact from pricing of $10.0 million was offset by unfavorable product mix shift. U.S. depletion trends remained soft for Third Quarter 2019. This trend is not expected to improve for the remainder of the year. Additionally, for Nine Months 2019, our U.S. shipment volume trend has outpaced our U.S. depletion volume trend primarily due to timing. We expect this shipment timing benefit to reverse for the fourth quarter of fiscal 2019 as we expect U.S. shipment volume trends to be generally aligned with U.S. depletion volume trends for Fiscal 2019. Refer to "Nine Months 2019 Compared to Nine Months 2018 – Net Sales" for additional discussion.

Gross Profit

	Third Quarter 2019	Third Quarter 2018	Dollar Change	Percent Change
(in millions)				
Beer	$651.0	$569.4	$ 81.6	14 %
Wine and Spirits	340.9	344.7	(3.8)	(1 %)
Comparable Adjustments	(21.9)	(3.8)	(18.1)	NM
Consolidated gross profit	$970.0	$910.3	$ 59.7	7 %

NM = Not meaningful

The increase in Beer is primarily due to the volume growth and the favorable impact from pricing in select markets within our Mexican beer portfolio of $79.9 million and $28.9 million, respectively, partially offset by a higher cost of product sold for our Mexican beer business of $21.3 million. The higher cost of product sold is primarily due to increased transportation and operational costs within our Mexican beer portfolio of $18.9 million and $8.5 million, respectively, partially offset by foreign currency transactional benefits of $6.1 million. The higher operational costs are largely attributable to higher costs associated with our glass production plant joint venture in connection with a temporary raw material supply issue.

The decrease in Wine and Spirits is primarily due to unfavorable product mix shift of $17.0 million, largely offset by the favorable impact from pricing of $10.0 million.

Gross profit as a percent of net sales decreased to 49.2% for Third Quarter 2019 compared with 50.5% for Third Quarter 2018. This was largely due to the higher cost of product sold within the Beer segment and an unfavorable change in Comparable Adjustments, which resulted in approximately 105 basis points and 90 basis points of rate decline, respectively; partially offset by the favorable impact from Beer pricing in select markets, which contributed approximately 70 basis points of rate growth.

43

Table of Contents

Selling, General and Administrative Expenses

(in millions)	Third Quarter 2019	Third Quarter 2018	Dollar Change	Percent Change
Beer	$200.1	$174.6	$25.5	15 %
Wine and Spirits	134.9	145.3	(10.4)	(7 %)
Corporate Operations and Other	45.0	41.3	3.7	9 %
Comparable Adjustments	33.5	59.5	(26.0)	(44 %)
Consolidated selling, general and administrative expenses	$413.5	$420.7	$(7.2)	(2 %)

The increase in Beer is primarily due to an increase in marketing spend of $24.8 million. The increase in marketing spend is due largely to planned investment to support the growth of our Mexican beer portfolio, including support of the new product introductions. The decrease in Wine and Spirits is primarily due to a decrease in general and administrative expenses of $10.9 million, driven by lower compensation and benefits and travel and entertainment expenses associated largely with reduced headcount and certain cost savings initiatives. The increase in Corporate Operations and Other is due to higher general and administrative expenses primarily attributable to increases in compensation and benefits largely due to support of our growth initiatives.

Selling, general and administrative expenses as a percent of net sales decreased to 21.0% for Third Quarter 2019 as compared with 23.3% for Third Quarter 2018. The decrease is driven largely by the favorable change in Comparable Adjustments, the decrease in Wine and Spirits selling, general and administrative expenses compared with nominal growth in Wine and Spirits net sales, and growth in Beer net sales having exceeded the growth in Beer selling, general and administrative expenses. These contributed approximately 140 basis points, 60 basis points and 55 basis points, respectively, of rate decline.

Operating Income

(in millions)	Third Quarter 2019	Third Quarter 2018	Dollar Change	Percent Change
Beer	$450.9	$394.8	$56.1	14 %
Wine and Spirits	206.0	199.4	6.6	3 %
Corporate Operations and Other	(45.0)	(41.3)	(3.7)	(9 %)
Comparable Adjustments	(55.4)	(63.3)	7.9	(12 %)
Consolidated operating income	$556.5	$489.6	$66.9	14 %

The increase in Beer is primarily attributable to the strong volume growth and the favorable impact from pricing, partially offset by the planned increase in marketing spend and the higher cost of product sold. The increase in Wine and Spirits was driven largely by reduced selling, general and administrative expenses for Third Quarter 2019 as well as the favorable impact from pricing, partially offset by the unfavorable product mix shift. Refer to “Nine Months 2019 Compared to Nine Months 2018 – Operating Income” for additional discussion.

Income (Loss) From Unconsolidated Investments

Income (loss) from unconsolidated investments decreased to a loss of $134.6 million for Third Quarter 2019 from a gain of $249.1 million for Third Quarter 2018, a decrease of $383.7 million. This decrease is driven largely by an unrealized net loss from the changes in fair value of our securities measured at fair value of $163.9 million for Third Quarter 2019 as compared with an unrealized net gain of $216.8 million for Third Quarter 2018.

44

Table of Contents

Interest Expense

Interest expense decreased to $72.8 million for Third Quarter 2019 from $81.4 million for Third Quarter 2018, a decrease of $8.6 million, or 11%. This decrease is predominantly due to the recognition of a gain of $32.4 million for Third Quarter 2019 in connection with the settlement of the forward-starting interest rate swap contracts entered into to economically hedge our exposure to interest rate volatility associated with the debt financing for the November 2018 Canopy Transaction. This gain was partially offset by the recognition of $12.1 million of additional interest expense associated with bridge commitment fees for the November 2018 Canopy Transaction and higher average borrowings of approximately $2.2 billion. The higher average borrowings are primarily attributable to the November 2018 Canopy Transaction as well as the significant purchases of treasury stock for Fiscal 2018.

Provision for Income Taxes

Our effective tax rate for Third Quarter 2019 was 10.2% as compared with 23.3% for Third Quarter 2018 due largely to:

- The new, lower federal statutory rate of 21% for Third Quarter 2019 associated with the December 2017 TCJ Act, as compared to the federal statutory rate of 35% in effect for Third Quarter 2018;
- The recognition of an income tax benefit upon the completion of our analysis of the income tax implications of the TCJ Act for Third Quarter 2019 resulting from a decrease in the mandatory one-time transition tax on unremitted earnings of our foreign businesses; and
- A larger net income tax benefit from higher stock-based compensation award activity for Third Quarter 2019 from increased option exercise activity.

For Third Quarter 2019, our effective tax rate was also unfavorably impacted by the lower effective tax rate on the benefit of the net unrealized losses from the changes in fair value of the November 2017 Canopy investments.

For additional information, refer to Note 11 of the Financial Statements included herein.

Net Income Attributable to CBI

Net income attributable to CBI decreased to $303.1 million for Third Quarter 2019 from $492.8 million for Third Quarter 2018, a decrease of $189.7 million. This decrease is largely attributable to the decrease in income from unconsolidated investments discussed above. The decrease was partially offset by solid operating performance for the Beer segment, which contributed an additional $56.1 million of operating income, as well as a net income tax benefit of $37.6 million resulting from the TCJ Act.

Nine Months 2019 Compared to Nine Months 2018

Net Sales

	Nine Months 2019	Nine Months 2018	Dollar Change	Percent Change
(in millions)				
Beer	$4,112.0	$3,663.4	$ 448.6	12 %
Wine and Spirits:				
Wine	1,933.1	1,882.7	50.4	3 %
Spirits	273.7	272.2	1.5	1 %
Total Wine and Spirits	2,206.8	2,154.9	51.9	2 %

Consolidated net sales	$6,318.8	$5,818.3	$500.5	9 %

45

Table of Contents

Beer Segment	Nine Months 2019	Nine Months 2018	Dollar Change	Percent Change
(in millions, branded product, 24-pack, 12-ounce case equivalents)				
Net sales	$4,112.0	$3,663.4	$ 448.6	12 %
Shipment volume	233.2	211.6		10.2 %
Depletion volume [(1)]				9.0 %

(1) Depletions represent distributor shipments of our respective branded products to retail customers, based on third-party data.

The increase in Beer net sales is primarily due to (i) volume growth within our Mexican beer portfolio of $366.4 million, which benefited from continued consumer demand, increased marketing spend and new product introductions, and (ii) a favorable impact from pricing in select markets within our Mexican beer portfolio of $77.1 million.

Wine and Spirits Segment	Nine Months 2019	Nine Months 2018	Dollar Change	Percent Change
(in millions, branded product, 9-liter case equivalents)				
Net sales	$2,206.8	$2,154.9	$ 51.9	2 %
Shipment volume				
Total	44.3	43.4		2.1 %
U.S. Domestic	41.1	40.1		2.5 %
U.S. Domestic Focus Brands	25.5	24.3		4.9 %
Depletion volume [(1)]				
U.S. Domestic				(2.1 %)
U.S. Domestic Focus Brands				1.1 %

The increase in Wine and Spirits net sales is primarily due to higher branded wine and spirits volume and a favorable impact from pricing of $40.8 million and $24.6 million, respectively. The increase in volume is largely attributable to timing as the U.S. shipment volume trend outpaced the U.S. depletion volume trend. Shipment volumes were accelerated for the second quarter of fiscal 2019 in advance of expected continuing logistic and transportation constraints anticipated for Third Quarter 2019. Although these constraints were realized, U.S. depletion volume growth trends for Third Quarter 2019 remained softer than expected. Accordingly, this shipment timing benefit did not reverse in Third Quarter 2019 as anticipated. We now expect this shipment timing benefit to reverse for the fourth quarter of fiscal 2019 as U.S. shipment volume trends should be generally aligned with U.S. depletion volume trends for Fiscal 2019. These trends are expected to be down in the low-single digit range for Fiscal 2019. Accordingly, we now expect net sales for Wine and Spirits to decrease low-single digits for Fiscal 2019.

Table of Contents

Gross Profit

(in millions)	Nine Months 2019	Nine Months 2018	Dollar Change	Percent Change
Beer	$2,243.8	$1,999.7	$244.1	12 %
Wine and Spirits	968.3	975.7	(7.4)	(1 %)
Comparable Adjustments	(25.3)	(8.1)	(17.2)	NM
Consolidated gross profit	$3,186.8	$2,967.3	$219.5	7 %

The increase in Beer is primarily due to the volume growth and the favorable impact from pricing in select markets within our Mexican beer portfolio of $202.3 million and $77.1 million, respectively, partially offset by higher cost of product sold for our Mexican beer business of $35.6 million. The higher cost of product sold is predominantly due to increased transportation of $43.8 million, partially offset by foreign currency transactional benefits within our Mexican beer portfolio of $12.3 million. The Beer segment also recognized higher operational costs for Nine Months 2019, largely attributable to higher depreciation, brewery maintenance and compensation and benefits; however, these costs were offset by brewery sourcing benefits.

The decrease in Wine and Spirits is largely due to higher cost of product sold and an unfavorable product mix shift of $30.9 million and $23.5 million, respectively, partially offset by the favorable impact from pricing and branded wine and spirits volume growth of $24.6 million and $18.8 million, respectively. The higher cost of product sold is largely attributable to higher raw material costs, including grape, bulk wine and imported vodka costs, as well as increased transportation costs.

Gross profit as a percent of net sales decreased to 50.4% for Nine Months 2019 compared with 51.0% for Nine Months 2018 primarily due to the higher cost of product sold within both the Beer and Wine and Spirits segments, which resulted in approximately 55 basis points and 45 basis points of rate decline, respectively, partially offset by the favorable impact from Beer pricing in select markets, which contributed approximately 55 basis points of rate growth.

Selling, General and Administrative Expenses

(in millions)	Nine Months 2019	Nine Months 2018	Dollar Change	Percent Change
Beer	$642.3	$538.4	$103.9	19 %
Wine and Spirits	393.1	388.9	4.2	1 %
Corporate Operations and Other	146.5	120.2	26.3	22 %
Comparable Adjustments	58.0	151.8	(93.8)	(62 %)
Consolidated selling, general and administrative expenses	$1,239.9	$1,199.3	$40.6	3 %

The increase in Beer is primarily due to an increase in marketing spend of $73.2 million and general and administrative expenses of $31.1 million. The increase in marketing spend is due largely to planned investment to support the growth of our Mexican beer portfolio, including support of the new product introductions. The increase in general and administrative expenses is largely driven by unfavorable foreign currency transaction losses and higher expenses supporting the growth of the business, including compensation and benefits associated primarily with increased headcount and information technology.

The increase in Wine and Spirits is due to an increase in marketing spend of $14.9 million, partially offset by a decrease in general and administrative expenses of $10.7 million. The increase in marketing spend is primarily

47

Table of Contents

attributable to planned investment supporting the portfolio. The decrease in general and administrative expenses is largely driven by certain cost savings initiatives.

The increase in Corporate Operations and Other is due to higher general and administrative expenses driven predominantly by increases in compensation and benefits of approximately $20 million and consulting of approximately $4 million, both largely attributable to supporting our growth initiatives.

Selling, general and administrative expenses as a percent of net sales decreased to 19.6% for Nine Months 2019 as compared with 20.6% for Nine Months 2018. The decrease is driven by the favorable change in Comparable Adjustments, which contributed approximately 165 basis points to the rate decline. This decrease was partially offset by the increase in Corporate Operations and Other general and administrative expenses, which resulted in approximately 45 basis points of rate growth, and the growth in Beer selling, general and administrative expenses exceeding the growth in Beer net sales, which resulted in approximately 30 basis points of rate growth.

Operating Income

	Nine Months 2019	Nine Months 2018	Dollar Change	Percent Change
(in millions)				
Beer	$1,601.5	$1,461.3	$140.2	10 %
Wine and Spirits	575.2	586.8	(11.6)	(2 %)
Corporate Operations and Other	(146.5)	(120.2)	(26.3)	(22 %)
Comparable Adjustments	(83.3)	(159.9)	76.6	(48 %)
Consolidated operating income	$1,946.9	$1,768.0	$178.9	10 %

The increase in Beer is primarily attributable to the strong volume growth and the favorable impact from pricing, partially offset by the planned increase in marketing spend and the higher cost of product sold. As previously discussed, Corporate Operations and Other reduction in operating income is due largely to the higher costs supporting our growth initiatives.

The decrease in Wine and Spirits was driven largely by the higher cost of product sold as the segment's net sales growth was offset by its increased marketing spend. With the expected low-single digit decline in net sales for Wine and Spirits for Fiscal 2019, we also expect operating income for the segment to be down in the low-single digit range for Fiscal 2019.

Income (Loss) From Unconsolidated Investments

Income from unconsolidated investments increased to $918.2 million for Nine Months 2019 from $249.7 million for Nine Months 2018, an increase of $668.5 million. This increase is driven largely by an unrealized net gain from the changes in fair value of our securities measured at fair value of $786.5 million for Nine Months 2019 as compared with an unrealized net gain of $216.8 million recognized for Nine Months 2018. Nine Months 2019 also benefited from a net gain in connection with the sale of our Accolade Wine Investment of $99.8 million.

Interest Expense

Interest expense increased to $248.6 million for Nine Months 2019 from $245.1 million for Nine Months 2018, an increase of $3.5 million, or 1%. This increase is predominantly due to higher average borrowings of approximately $1.4 billion. The higher average borrowings are primarily attributable to the significant purchases of treasury stock for Fiscal 2018 and the November 2018 Canopy Transaction.

48

Table of Contents

Provision for Income Taxes

Our effective tax rate for Nine Months 2019 was 15.5% as compared with 20.1% for Nine Months 2018 due largely to:

- The new, lower federal statutory rate of 21% for Nine Months 2019 associated with the December 2017 TCJ Act, as compared to the federal statutory rate of 35% in effect for Nine Months 2018;
- Lower effective tax rates applicable to our foreign businesses, net of incremental U.S. tax on foreign earnings under the TCJ Act; and
- The recognition of an income tax benefit upon the completion of our analysis of the income tax implications of the TCJ Act for Third Quarter 2019 resulting from a decrease in the mandatory one-time transition tax on unremitted earnings of our foreign businesses.

For Nine Months 2019, our effective tax rate was also unfavorably impacted by a lower net income tax benefit from stock-based compensation award activity as a result of the rate reduction under the TCJ Act and reduced vesting and exercise activity.

In connection with the completion of our analysis of the income tax implications of the TCJ Act and the recognition of the additional income tax benefit for Third Quarter 2019, we now expect our effective tax rate for Fiscal 2019 to be in the range of 16% to 17%. This includes the impact of an estimated benefit related to the recognition of the income tax effect of stock based compensation awards in the income statement when the awards vest or are settled and lower effective tax rates applicable to our foreign businesses. This range does not assume any future changes in the fair value of the Canopy investments accounted for at fair value and the associated income tax effect.

For additional information, refer to Note 11 of the Financial Statements included herein.

Net Income Attributable to CBI

Net income attributable to CBI increased to $2,196.4 million for Nine Months 2019 from $1,392.9 million for Nine Months 2018, an increase of $803.5 million. This increase is largely attributable to the increase in income from unconsolidated investments discussed above. Solid operating performance from Beer contributed an additional $140.2 million of operating income.

Financial Liquidity and Capital Resources

General

Our ability to consistently generate cash flow from operating activities is one of our most significant financial strengths. Our strong cash flows enable us to invest in our people and our brands, make appropriate capital investments, provide a quarterly cash dividend program, and from time-to-time, repurchase shares of our common stock and make strategic acquisitions that we believe will enhance stockholder value. Our primary source of liquidity has been cash flow from operating activities. Our principal use of cash in our operating activities is for purchasing and carrying inventories and carrying seasonal accounts receivable. Historically, we have used cash flow from operating activities to repay our short-term borrowings and fund capital expenditures. Additionally, we have a commercial paper program which we use to fund our short-term borrowing requirements and to maintain our access to the capital markets. We will continue to use our short-term borrowings, including our commercial paper program, to support our working capital requirements and capital expenditures.

We have maintained 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 activities and financing activities, primarily short-term borrowings, will provide adequate

Table of Contents

resources to satisfy our working capital, scheduled principal and interest payments on debt, anticipated dividend payments and anticipated capital expenditure requirements for both our short-term and long-term capital needs.

In November 2018, we completed the November 2018 Canopy Transaction for C$5,078.7 million, or $3,869.9 million. In addition, we incurred $24.5 million of direct acquisition costs. The aggregate cash paid at closing was financed with (i) the net proceeds from the issuance of $2,150.0 million aggregate principal amount of October 2018 Senior Notes, (ii) $1,500.0 million in term loans under the Term Credit Agreement and (iii) the remainder from proceeds of borrowings under our commercial paper program. Based on our ability to consistently generate strong cash flow from operating activities, we expect to be able to return to our targeted leverage ratio within 24 months following the close of this transaction, while continuing to make appropriate investments in our business that we believe will enhance stockholder value.

In August 2018, we entered into forward-starting interest rate swap contracts to economically hedge our exposure to interest rate volatility associated with the debt financing for the November 2018 Canopy Transaction. The interest rate swap contracts were not designated as a hedge for accounting purposes. For Third Quarter 2019 and Nine Months 2019, we recognized a gain of $32.4 million and $35.0 million, respectively, in connection with the settlement of the interest rate swap contracts in October 2018. This amount was recognized in interest expense.

Cash Flows

	Nine Months 2019	Nine Months 2018	Dollar Change
(in millions)			
Net cash provided by (used in):			
Operating activities	$1,973.9	$1,468.4	$505.5
Investing activities	(4,587.3)	(1,038.3)	(3,549.0)
Financing activities	2,661.3	(458.1)	3,119.4
Effect of exchange rate changes on cash and cash equivalents	(7.6)	5.1	(12.7)
Net increase (decrease) in cash and cash equivalents	$40.3	$(22.9)	$63.2

Operating Activities

The increase in net cash provided by operating activities for Nine Months 2019 is largely due to strong cash flow from the Beer segment driven primarily by the segment's solid operating results and a benefit from accounts payable primarily attributable to timing of payments. Additionally, net cash provided by operating activities for Nine Months 2019 benefited from lower income tax payments predominantly due to (i) lower federal tax payments resulting from the reduction in the U.S. corporate income tax rate associated with the enactment of the TCJ Act and (ii) the receipt of a federal tax refund for Nine Months 2019.

Investing Activities

The increase in net cash used in investing activities for Nine Months 2019 is primarily due to the November 2018 Canopy Transaction. The increase in net cash used in investing activities was partially offset by (i) proceeds from the May 2018 sale of our Accolade Wine Investment of $110.2 million, (ii) the lower level of business acquisition activity of $86.6 million and (iii) lower capital expenditures of $85.3 million.

Table of Contents

Financing Activities

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

(in millions)	Nine Months 2019	Nine Months 2018	Dollar Change
Net proceeds from debt, current and long-term, and related activities	$3,564.5	$67.6	$3,496.9
Purchases of treasury stock	(504.3)	(239.2)	(265.1)
Dividends paid	(417.9)	(301.1)	(116.8)
Net cash provided by stock-based compensation activities	19.0	14.6	4.4
Net cash provided by (used in) financing activities	$2,661.3	$(458.1)	$3,119.4

Debt

Total debt outstanding as of November 30, 2018, amounted to $13,569.6 million, an increase of $3,382.9 million from February 28, 2018. This increase was predominately due to the financing of the November 2018 Canopy Transaction, including the issuance of the October 2018 Senior Notes and the Term Credit Agreement, partially offset by the conversion of $248.4 million from long-term debt to noncontrolling equity interests associated with the noncash settlement of a prior contractual agreement with our glass production plant joint venture partner.

Senior Credit Facility

In August 2018, we entered into the August 2018 Restatement Agreement that amended and restated our 2017 Credit Agreement, primarily for technical amendments. In September 2018, we entered into the 2018 Restatement Agreement that amended and restated the August 2018 Credit Agreement. Among other things, the 2018 Restatement Agreement increased our revolving credit facility by $500.0 million to $2.0 billion and extended its maturity to September 14, 2023. Additionally, the 2018 Restatement Agreement modified certain financial covenants and added various representations and warranties, covenants and an event of default in connection with the then-pending additional investment in Canopy.

General

The majority of our outstanding borrowings as of November 30, 2018, consisted of fixed-rate senior unsecured notes, with maturities ranging from calendar 2019 to calendar 2048, and variable-rate senior unsecured term loan facilities under our 2018 Credit Agreement and Term Credit Agreement, with maturities ranging from calendar 2021 to calendar 2024.

Additionally, we have a commercial paper program which provides for the issuance of up to an aggregate principal amount of $2.0 billion of commercial paper. Our commercial paper program is backed by unused commitments under our revolving credit facility under the 2018 Credit Agreement. Accordingly, outstanding borrowings under our commercial paper program reduce the amount available under our revolving credit facility under the 2018 Credit Agreement.

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 outstanding commercial paper borrowings mature, we will utilize unused commitments under our revolving credit facility under the 2018 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 under the 2018 Credit Agreement.

51

Table of Contents

We had the following borrowing capacity available under the 2018 Credit Agreement:

	Remaining Borrowing Capacity	
	November 30, 2018	December 31, 2018
(in millions)		
Revolving Credit Facility [1]	$1,257.2	$1,164.4

(1) Net of outstanding revolving credit facility borrowings and outstanding letters of credit under the 2018 Credit Agreement and outstanding borrowings under our commercial paper program.

The financial institutions participating in the 2018 Credit Agreement have complied with prior funding requests and we believe such financial institutions will comply with any future funding requests. However, there can be no assurances that any particular financial institution will continue to do so.

We and our subsidiaries are subject to covenants that are contained in the 2018 Credit Agreement, including those restricting the incurrence of additional indebtedness (including guarantees of indebtedness) by subsidiaries that are not guarantors, 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 the 2018 Credit Agreement. As of November 30, 2018, under the 2018 Credit Agreement, the minimum interest coverage ratio was 2.5x and the maximum net leverage ratio was 5.25x.

The obligations under the Term Credit Agreement are guaranteed by certain of our U.S. subsidiaries. In addition, the representations, warranties, covenants and events of default set forth in the Term Credit Agreement are substantially similar to those set forth in the 2018 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 November 30, 2018, we were in compliance with all of our covenants under the 2018 Credit Agreement, the Term Credit Agreement and our indentures, and have met all debt payment obligations.

For a complete discussion and presentation of all borrowings and available sources of borrowing, refer to Note 12 of our consolidated financial statements included in our 2018 Annual Report and Note 10 of the Financial Statements included herein.

Common Stock Dividends

On January 8, 2019, our Board of Directors declared a quarterly cash dividend of $0.74 per share of Class A Common Stock, $0.67 per share of Class B Convertible Common Stock and $0.67 per share of Class 1 Common Stock payable on February 26, 2019, to stockholders of record of each class on February 12, 2019.

We 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 2018 Annual Report as supplemented by the additional factors set forth under Item 1A “Risk Factors” included in our Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2018.

Share Repurchase Program

Our Board of Directors have authorized the repurchase of up to $3.0 billion of our Class A Common Stock and Class B Convertible Common Stock under the 2018 Authorization. Shares repurchased under this authorization have become treasury shares.

52

Table of Contents

As of November 30, 2018, 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)			
2018 Authorization	$ 3,000.0	$995.9	4,632,012

Share repurchases under the 2018 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.

For additional information, refer to Note 15 of our consolidated financial statements included in our 2018 Annual Report and Note 12 of the Financial Statements included herein.

Accounting Guidance

Refer to Note 2 of the Financial Statements included herein for information on recently adopted accounting guidance and accounting guidance not yet adopted.

Information Regarding Forward-Looking Statements

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 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 Quarterly Report on Form 10-Q, including without limitation (I) the statements under Part I – Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding (i) our business strategy, future operations, future financial position, future net sales and expected volume trends, expected effective tax rates and anticipated tax liabilities, prospects, plans and objectives of management, (ii) information concerning expected or potential actions of third parties, including potential changes to international trade agreements, tariffs, taxes and other governmental rules and regulations, (iii) information concerning the future expected balance of supply and demand for our products, (iv) timing and source of funds for operating activities, (v) the manner, timing and duration of the share repurchase program and source of funds for share repurchases, and (vi) the amount and timing of future dividends, (II) the statements regarding our beer operations expansion, construction and optimization activities, including anticipated costs and timeframes for completion, and (III) the statements regarding (i) the volatility of the fair value of our investments in Canopy, (ii) our activities following the close of the November 2018 Canopy Transaction, and (iii) time to return to our targeted leverage ratio following the close of the November 2018 Canopy Transaction are forward-looking statements. When used in this Quarterly Report on 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 Quarterly Report on 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 Quarterly Report on Form 10-Q are also subject to the risk and uncertainty that (i) the actual balance of supply and demand for our products will vary from current expectations due to, among other

53

reasons, actual raw material supply, actual shipments to distributors and actual consumer demand, (ii) the actual demand for our products, actual net sales and actual volume trends will vary from current expectations due to, among other reasons, actual shipments to distributors and actual consumer demand, (iii) the amount and timing of and source of funds for any share repurchases may vary due to market conditions, our cash and debt position, the impact of the beer operations expansion activities, the impact of the November 2018 Canopy Transaction, and other factors as determined by management from time to time, (iv) the amount and timing of future dividends may differ from our current expectations 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, (v) the fair value of our investments in Canopy may vary due to market and economic conditions in Canopy's locations, (vi) the timeframe and actual costs associated with the beer operations expansion, construction and optimization activities may vary from management's current expectations due to 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, and (vii) the time to return to our targeted leverage ratio may vary from management's current expectations 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 adversely affect our forward-looking statements, please refer to Item 1A "Risk Factors" of our 2018 Annual Report as supplemented by Item 1A "Risk Factors" of our Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2018.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a result of our global operating, acquisition and financing activities, we are exposed to market risk associated with changes in foreign currency exchange rates, commodity prices, interest rates and equity prices. 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 and interest rate swap 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 have not entered into derivative instruments to hedge our exposure to equity price risks. 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 acquisitions, divestitures or investments outside the U.S. As of November 30, 2018, we had exposures to foreign currency risk primarily related to the Mexican peso, euro, New Zealand dollar and Canadian dollar. Approximately 81% of our balance sheet exposures and forecasted transactional exposures for the remaining three months of fiscal 2019 were hedged as of November 30, 2018.

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 November 30, 2018, exposures to commodity price risk which we are currently hedging primarily include diesel fuel, natural gas and aluminum prices. Approximately 86% of our forecasted transactional exposures for the remaining three months of fiscal 2019 were hedged as of November 30, 2018.

Table of Contents

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. Losses or gains 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	
	November 30, 2018	November 30, 2017	November 30, 2018	November 30, 2017	November 30, 2018	November 30, 2017
(in millions)						
Foreign currency contracts	$1,955.5	$ 1,871.5	$(56.2)	$ 3.2	$136.5	$ (108.7)
Commodity derivative contracts	$260.2	$ 164.3	$(8.9)	$ 2.8	$22.1	$ (14.8)

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 LIBOR-based), certain of which includes a fixed margin subject to the same risks identified for our fixed interest rate debt. As of November 30, 2018, and November 30, 2017, we had no interest rate swap contracts outstanding. Refer to Note 10 of the Financial Statements for a discussion of the interest rate swap contracts entered into to economically hedge our exposure to interest rate volatility associated with the debt financing for the November 2018 Canopy Transaction.

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 and variable interest rate debt, including current maturities, are summarized as follows:

	Aggregate Notional Value		Fair Value		Decrease in Fair Value – Hypothetical 1% Rate Increase	
	November 30, 2018	November 30, 2017	November 30, 2018	November 30, 2017	November 30, 2018	November 30, 2017
(in millions)						
Fixed interest rate debt	$10,282.1	$ 7,490.8	$9,855.4	$ 7,720.7	$(569.0)	$ (406.8)
Variable interest rate debt	$3,376.5	$ 1,923.8	$3,333.6	$ 1,902.8	$(98.1)	$ (41.8)

Equity Price Risk

The estimated fair value of our investments in the Canopy warrants and the Canopy convertible debt securities are subject to equity price risk, interest rate risk, credit risk and foreign currency risk. These investments are recorded at fair value utilizing various option-pricing models and have the potential to fluctuate from, among other items, changes in the quoted market price of the underlying equity security. We manage our equity price risk exposure by closely monitoring the financial condition, performance and outlook of Canopy Growth Corporation.

As of November 30, 2018, the fair value of our investments in the Canopy warrants and the Canopy convertible debt securities was $2,048.1 million, with an unrealized net gain on these investments of $494.0 million recognized in our results of operations for the nine months ended November 30, 2018. We have performed a sensitivity analysis to estimate our exposure to market risk of the equity price reflecting the impact of a hypothetical

Table of Contents

10% adverse change in the quoted market price of the underlying equity security. As of November 30, 2018, such a hypothetical 10% adverse change would have resulted in a decrease in fair value of $288.5 million.

For additional discussion on our market risk, refer to Notes 4 and 5 of the Financial Statements.

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 Securities Exchange Act of 1934 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 Securities Exchange Act of 1934 (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission'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 Securities Exchange Act of 1934 Rules 13a-15(f) and 15d-15(f)) that occurred during our fiscal quarter ended November 30, 2018, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 6. Exhibits.

Exhibits required to be filed by Item 601 of Regulation S-K.

For the exhibits that are filed herewith or incorporated herein by reference, see the Index to Exhibits immediately following.

Table of Contents

INDEX TO EXHIBITS

Exhibit No.	
2.1	Subscription Agreement, dated as of August 14, 2018, by and between CBG Holdings LLC and Canopy Growth Corporation, including, among other things, a form of the Amended and Restated Investor Rights Agreement (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated August 14, 2018, filed August 16, 2018, and incorporated herein by reference). +
2.2	Foreign Exchange Rate Agreement dated October 26, 2018 between CBG Holdings LLC and Canopy Growth Corporation (filed herewith).
3.1	Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2009 and incorporated herein by reference). #
3.2	Certificate of Amendment to the Certificate of Incorporation of the Company (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2009 and incorporated herein by reference). #
3.3	By-Laws of the Company, amended and restated as of October 3, 2018 (filed as Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2018 and incorporated herein by reference).
4.1	Indenture, dated as of April 17, 2012, by and among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated April 17, 2012, filed April 23, 2012 and incorporated herein by reference). #
4.2	Supplemental Indenture No. 1, with respect to 6.0% Senior Notes due May 2022, dated as of April 17, 2012, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (no longer outstanding) (filed as Exhibit 4.1.1 to the Company's Current Report on Form 8-K dated April 17, 2012, filed April 23, 2012 and incorporated herein by reference). #
4.3	Supplemental Indenture No. 3, with respect to 3.75% Senior Notes due May 2021, dated as of May 14, 2013, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 14, 2013, filed May 16, 2013 and incorporated herein by reference). #
4.4	Supplemental Indenture No. 4, with respect to 4.25% Senior Notes due May 2023, dated as of May 14, 2013, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 14, 2013, filed May 16, 2013 and incorporated herein by reference). #
4.5	Supplemental Indenture No. 5, dated as of June 7, 2013, among the Company, Constellation Brands Beach Holdings, Inc., Crown Imports LLC, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.4 to the Company's Current Report on Form 8-K dated June 7, 2013, filed June 11, 2013 and incorporated herein by reference). #
4.6	

	Supplemental Indenture No. 6, dated as of May 28, 2014, among the Company, Constellation Marketing Services, Inc., and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.21 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2014 and incorporated herein by reference).
4.7	Supplemental Indenture No. 7, with respect to 3.875% Senior Notes due 2019, dated as of November 3, 2014, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated November 3, 2014, filed November 7, 2014 and incorporated herein by reference).
4.8	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 Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated November 3, 2014, filed November 7, 2014 and incorporated herein by reference).
4.9	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 Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 4, 2015, filed December 8, 2015 and incorporated herein by reference).
4.10	Supplemental Indenture No. 10, dated as of January 15, 2016, among the Company, Home Brew Mart, Inc. and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.26 to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2016 and incorporated herein by reference).

57

Table of Contents

4.11	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 Manufacturers and Traders Trust Company, as Trustee, (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 6, 2016, filed December 6, 2016 and incorporated herein by reference).
4.12	Supplemental Indenture No. 12 with respect to 2.700% Senior Notes due 2022, dated as of May 9, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 9, 2017, filed May 9, 2017 and incorporated herein by reference).
4.13	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 Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 9, 2017, filed May 9, 2017 and incorporated herein by reference).
4.14	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 Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated May 9, 2017, filed May 9, 2017 and incorporated herein by reference).
4.15	Supplemental Indenture No. 15 with respect to 2.000% Senior Notes due 2019, dated as of November 7, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated November 7, 2017, filed November 7, 2017 and incorporated herein by reference).
4.16	Supplemental Indenture No. 16 with respect to 2.250% Senior Notes due 2020, dated as of November 7, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated November 7, 2017, filed November 7, 2017 and incorporated herein by reference).
4.17	Supplemental Indenture No. 17 with respect to 2.650% Senior Notes due 2022, dated as of November 7, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated November 7, 2017, filed November 7, 2017 and incorporated herein by reference).
4.18	Supplemental Indenture No. 18 with respect to 3.200% Senior Notes due 2023, dated as of February 7, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 7, 2018 filed February 7, 2018 and incorporated herein by reference).
4.19	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 Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated February 7, 2018 filed February 7, 2018 and incorporated herein by reference).
4.20	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 Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated February 7, 2018 filed February 7, 2018 and incorporated herein by reference).

4.21	Restatement Agreement, dated as of August 10, 2018, by and among the Company, CIH International S.à r.l., CB International Finance S.à r.l., Bank of America, N.A., as Administrative Agent, and the Lenders party thereto, including the Seventh Amended and Restated Credit Agreement dated as of August 10, 2018, 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 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 10, 2018, filed August 14, 2018 and incorporated herein by reference).
4.22	Restatement Agreement, dated as of September 14, 2018, by and among the Company, CB International Finance S.à r.l., certain of the Company's subsidiaries as guarantors, Bank of America, N.A., as Administrative Agent, and the Lenders party thereto, including the Eighth Amended and Restated Credit Agreement dated as of September 14, 2018, by an among the Company, CB International Financing S.à r.l., Bank of America, N.A., as Administrative Agent, and the Lenders party thereto (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated September 14, 2018, filed September 19, 2018 and incorporated herein by reference).
4.23	Term Loan Credit Agreement, dated as of September 14, 2018, by and among the Company, Bank of America, N.A., as Administrative Agent, and the Lenders party thereto (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated September 14, 2018, filed September 19, 2018 and incorporated herein by reference).
4.24	Bridge Credit Agreement, dated September 14, 2018, by and among the Company, Bank of America, N.A., as Administrative Agent, and the Lenders party thereto (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated September 14, 2018, filed September 19, 2018 and incorporated herein by reference).

58

Table of Contents

4.25	Supplemental Indenture No. 21 with respect to Senior Floating Rate Notes due 2021, dated as of October 29, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated October 29, 2018, filed October 29, 2018, and incorporated herein by reference).
4.26	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 Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated October 29, 2018, filed October 29, 2018, and incorporated herein by reference).
4.27	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 Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated October 29, 2018, filed October 29, 2018 and incorporated herein by reference).
4.28	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 Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.4 to the Company's Current Report on Form 8-K dated October 29, 2018, filed October 29, 2018 and incorporated herein by reference).
10.1	Amended and Restated Guarantee Agreement, dated as of July 14, 2017, made by the subsidiaries of Constellation Brands, Inc. from time to time party thereto and Constellation Brands, Inc. in favor of Bank of America, N.A., as Administrative Agent, for the ratable benefit of the Lenders party to the Credit Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated July 14, 2017, filed July 19, 2017 and incorporated herein by reference).
10.2	Guarantee Agreement (Term Loan Credit Agreement), dated as of September 14, 2018, made by the subsidiaries of Constellation Brands, Inc. from time to time party thereto in favor of Bank of America, N.A., as Administrative Agent, for the ratable benefit of the Lenders party to the Term Loan Credit Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 14, 2018, filed September 19, 2018 and incorporated herein by reference).
10.3	Guarantee Agreement (Bridge Credit Agreement), dated as of September 14, 2018, made by the subsidiaries of Constellation Brands, Inc. from time to time party thereto in favor of Bank of America, N.A., as Administrative Agent for the ratable benefit of the Lenders party to the Bridge Credit Agreement (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated September 14, 2018, filed September 19, 2018 and incorporated herein by reference).
10.4	Third Amendment to the Company's 2005 Supplemental Executive Retirement Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 2, 2018, filed October 4, 2018 and incorporated herein by reference). *
10.5	Constellation Brands, Inc. Non-Qualified Savings Plan (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated October 2, 2018, filed October 4, 2018 and incorporated herein by reference). *
10.6	Form of Performance Share Unit Agreement with respect to the Company's Long-Term Stock Incentive Plan (relating to contingent grants) (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 19, 2018, filed October 22, 2018 and incorporated herein by reference). *

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith).
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (filed herewith).
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (filed herewith).
101.1	The following materials from the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of November 30, 2018 and February 28, 2018, (ii) Consolidated Statements of Comprehensive Income for the nine months and three months ended November 30, 2018 and 2017, (iii) Consolidated Statements of Cash Flows for the nine months ended November 30, 2018 and 2017, and (iv) Notes to Consolidated Financial Statements.

#Company’s Commission File No. 001-08495.
*Designates management contract or compensatory plan or arrangement.
+ The disclosure schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Constellation Brands agrees to furnish supplementally a copy of such disclosure schedules, or any section thereof, to the SEC upon request.

59

Table of Contents

The Company agrees, upon request of the Securities and Exchange Commission, 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.

Table of Contents

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.

			CONSTELLATION BRANDS, INC.
Date:	January 9, 2019	By:	/s/ Thomas M. McCorry
			Thomas M. McCorry, Senior Vice President and Controller
Date:	January 9, 2019	By:	/s/ David Klein
			David Klein, Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)

61