



# Constellation Brands

Company: Constellation Brands	Ticker: STZ	Price: \$129.18	Sector: Consumer Staples Industry: Beverages
52-Week Range: \$127.01–245.29	P/E: 18.78	Target Price: \$170	Market Cap: \$22.92B
Beta (5Y Monthly): 0.61	Div Yield: 3.2%	Stop Loss: \$109.80	

## Company Background

Constellation Brands is the largest provider of alcoholic beverages across the beer, wine, and spirits categories in the US, generating 84% of revenue from Mexican beer imports under top-selling brands such as Modelo and Corona. The company's imported beers are produced in Mexico, where the company is undergoing significant expansion. The company had 34 million hectoliters of production capacity in Mexico at the end of FY 19. To keep pace with strong demand growth, the company plans to add 10 million hectoliters of production capacity over the next four years.

## Industry Outlook

The global alcoholic beverages industry is expected to grow modestly at around 3–5% annually over the next several years, driven largely by premiumization as consumers increasingly favor higher-quality spirits, wines, and beers. This shift toward premium products is anticipated to outperform the broader market, with some segments growing close to 9–10% annually. However, the sector faces headwinds from evolving consumer preferences toward moderation and non-alcoholic alternatives, as well as rising costs from packaging, tariffs, and regulation. Despite these challenges, opportunities remain strong in emerging markets and ready-to-drink (RTD) categories, which continue to attract younger consumers and drive innovation within the space.

## Investment Thesis

Constellation Brands' investment thesis centers on its strong portfolio of premium beer, wine, and spirits brands—most notably Modelo and Corona—that continue to gain market share and command customer loyalty. The company is strategically refocusing on higher-margin premium offerings, positioning it well to benefit from long-term consumer trends toward premiumization and brand quality. Its strong cash flow generation and disciplined capital allocation support ongoing dividends, share buybacks, and reinvestment in growth. While short-term headwinds such as softer beer demand, input cost inflation, and tariff pressures weigh on performance, these are viewed as cyclical challenges. Over the long term, successful execution of its premiumization strategy and cost efficiencies could drive steady earnings growth and multiple expansion, offering solid upside potential for investors.

## Investment Risks

The main investment risks for Constellation Brands stem from shifting consumer preferences, as more people moderate alcohol consumption or turn to non-alcoholic alternatives, which could dampen volume growth. The company also faces exposure to cost inflation in raw materials, packaging, and logistics, as well as tariffs on imported goods from Mexico, which could pressure margins. Currency fluctuations and supply chain disruptions further add volatility to earnings, given its significant operations in Mexico. Additionally, the ongoing restructuring of its wine and spirits portfolio carries

execution risk, as the transition to premium segments may take longer than expected to yield results. Finally, broader macroeconomic challenges—such as weaker consumer spending and rising competition in the premium alcohol space—could constrain growth and limit upside potential for shareholders.

### Highlights from October 7<sup>th</sup> Earnings Call

- Reiterated FY2026 guidance after cutting guidance at an industry conference in September.
- Reiterated \$1.2B capex outlook, with spend primarily on the beer business; Remain on track with planned modular brewery capacity additions of +7M HL in FY26-FY28
- Continue to believe that structural headwinds are “relatively minor” versus the cyclical element

### Financial Performance

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	TTM	Financials (USD)
7247	7447	8086	8238	8565	—	9557	9820	10184	9624	9624	Revenue \$Mil
44.9	48.1	50.3	50.3	49.8	51.8	53.4	50.5	50.4	52.1	51.7	Gross Margin %
2109	2208	2463	2416	2840	—	3052	3007	3385	3042	3042	Oper Income \$Mil
27.0	29.1	30.1	29.7	30.3	32.4	34.0	30.1	32.0	33.0	31.6	Operating Margin %
1327	1845	3122	829	2014	—	101	1558	686	1223	1223	Net Income \$Mil
5.18	7.52	11.55	17.57	-0.07	10.23	-0.22	-0.11	9.39	-0.45	6.87	Earnings Per Share \$
1.24	1.60	2.08	2.96	3.00	3.00	3.04	3.20	3.56	4.04	4.06	Dividends \$
204	204	201	196	192	195	191	193	184	181	179	Shares Mil
36.63	40.72	59.35	59.37	60.28	58.98	50.87	51.37	43.55	42.85	42.85	Book Value Per Share \$
1738	1749	2437	2349	2838	2887	2542	2823	2991	2769	2769	Oper Cash Flow \$Mil
-969	-1021	-972	-804	-656	-996	-1112	-1264	-1289	-921	-921	Cap Spending \$Mil
769	727	1465	1544	2183	1891	1430	1560	1702	1848	1848	Free Cash Flow \$Mil

### Intrinsic Value Analysis

Using the Gordon Growth Model	Growth Rate	3.00%	4.00%	5.00%
D1 = \$4.08, Rf = 4.1%, beta = 0.61, Rm = 9.5%	Intrinsic Value	\$92.73	\$120.00	\$170.00

Note: The 5-yr dividend CAGR is 6.24% and the 10-yr dividend CAGR is 12.59%

## Relative Valuation

Analysis of Constellation's Share P/E vs. Peers

Metric		Peers Benchmarked Against Group Average					3M 6M 1Y 2Y 5Y			
Name	Current Metric	Current vs 2Y Average Prem↓	Historical Avg	Diff	# SD	3M Trend	2Y Historical Premium Range			
							Low	Range	High	
Peer Group Average	21.5x									
1) Celsius Holdings Inc	44.4x	107%	89%	17%	0.4		16%		191%	
2) Vita Coco Co Inc/The	33.6x	56%	24%	32%	1.7		-12%		77%	
3) Monster Beverage Corp	32.7x	52%	27%	25%	1.9		3%		54%	
4) Boston Beer Co Inc/The	21.4x	0%	9%	-9%	-0.9		-14%		39%	
5) Coca-Cola Co/The	21.3x	-1%	-4%	3%	0.3		-29%		19%	
6) National Beverage Corp	18.0x	-16%	-2%	-14%	-2.4		-16%		12%	
7) PepsiCo Inc	16.8x	-22%	-18%	-4%	-0.7		-29%		-5%	
8) Brown-Forman Corp	16.4x	-23%	-5%	-19%	-1.6		-31%		17%	
9) Keurig Dr Pepper Inc	11.9x	-45%	-30%	-15%	-2.0		-46%		-16%	
10) Constellation Brands Inc	11.6x	-46%	-32%	-14%	-2.0		-48%		-20%	
11) Molson Coors Beverage Co	8.2x	-62%	-58%	-4%	-1.3		-64%		-51%	
12) Coca-Cola Consolidated Inc	--	--	--	--	--		--		--	

Grey values are excluded from group stats.

Source: EQRV <GO>, Bloomberg Intelligence

Bloomberg Intelligence

# Constellation Brands Inc Class A STZ ★★★★★

Stock = XNYS • Rating as of Nov 4, 2025



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## Sustainability ⓘ

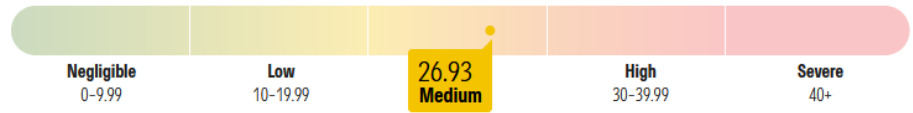
Risk Rating Assessment

Risk Rating Breakdown

### ESG Risk Rating Assessment



### ESG Risk Rating



### Highest Controversy Level (1 = Low, 5 = Severe)

**2 Moderate**

Incidents: Operations

### Top Material ESG Issues

Water Use  
Own Operations

E&S Impact of Products &  
Services  
Overall

Human Capital  
Overall

ESG Risk Rating is as of Sep 03, 2025. Highest Controversy Level is as of Oct 08, 2025. Sustainalytics Subindustry: Beer, Wine and Spirits. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: [sustainalytics.com/esg-ratings/](https://www.sustainalytics.com/esg-ratings/).