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Constellation Brands posts 6% sales growth in its fiscal second quarter

Beer sales led the gain, lifting earnings per share to $3.32 despite an impairment charge that cut operating income 8%.

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Constellation Brands said Tuesday that net sales rose 6% in its fiscal second quarter to $2.633 billion, as growth in both beer and wine and spirits helped lift earnings per share even as reported operating income fell on higher costs and an impairment

charge.

The Rochester, New York-based company reported net income attributable to Constellation Brands of $565.8 million for the quarter ended Aug. 31, up from $466.0 million a year earlier. Reported diluted earnings per share increased 25% to $3.32 from $2.65. The company said comparable earnings per share, a non-GAAP measure, rose 3% to $3.74. Reported operating income fell 8% to $805.0 million from $874.0 million, while comparable operating income edged up 1% to $897 million.

Constellation said the decline in reported operating income came as selling, general and administrative expenses rose to $538.2 million from $436.0 million and as the quarter included $49.8 million in asset impairment and related expenses. Gross profit increased to $1.393 billion from $1.310 billion.

Beer remained the main driver of the business. The company said beer net sales increased 5% to $2.474 billion, helped by a 5.5% rise in shipments, which reached 123.9 million 24-pack, 12-ounce case equivalents. Beer operating income rose 1% to $964.2 million. Even so, beer depletions, a measure of distributor sales to retailers, slipped 0.6% in the quarter. Constellation said the beer business had one additional sell day during the quarter, but that effect was largely offset by the timing of Labor Day, leaving only a minimal effect on underlying depletion trends.

That gap between shipment growth and depletion trends is likely to draw close attention across the beverage industry because it can help separate supplier sell-in to distributors from the pace of movement through retail channels. For brewers, winemakers, and spirits producers, that distinction can offer a clearer read on whether growth is coming from consumer demand, inventory builds in the distribution system, or a mix of both.

Within beer, Constellation said Modelo Especial depletions fell about 2% and Corona Extra declined about 5%. Those moves were partly offset by faster growth from Pacifico, up about 19%, Victoria, up about 15%, and Modelo Chelada brands, up about 5%. The company said its beer portfolio was the top dollar and volume share gainer in Circana’s tracked U.S. channels and outpaced the total beer category by 4 percentage points in both dollar sales and volume. It said Modelo Especial remained the top beer

brand by dollar sales in tracked channels, while Pacifico moved into the top 10.

The wine and spirits division posted a stronger growth rate from a smaller base. Constellation said net sales in that business rose 17% to $159.4 million, with shipment volumes up 15.4% to 1.5 million 9-liter case equivalents and depletions up 10.2%. Operating income improved to $6.1 million from a loss of $19.8 million a year earlier, and operating margin improved to 3.8%. The company said the margin gain was driven by favorable cost of goods sold tied to U.S. tariff recoveries and by lower marketing and other SG&A expenses linked to optimization and restructuring efforts.

Constellation said growth in wine and spirits was led in part by Kim Crawford, with depletions up about 11%, and Mi CAMPO, up about 51%. In Circana's tracked U.S. channels, the company said its wine and spirits portfolio outperformed the broader category in both dollar sales and volume, and that its wine portfolio ranked as the No. 3 dollar share gainer in the total wine category.

For the six months ended Aug. 31, Constellation reported net sales of $5.066 billion, up from $4.996 billion a year earlier. Net income attributable to the company rose to $1.220 billion from $982.1 million, and diluted earnings per share increased to $7.11 from $5.55. Operating cash flow for the first half of the fiscal year was $1.5 billion, down 1%, while free cash flow rose 4% to $1.1 billion.

The company updated its fiscal 2027 outlook by raising its reported earnings per share range to $11.85 to $12.55. It reaffirmed comparable earnings per share guidance of $11.20 to $11.90, operating cash flow of $2.4 billion to $2.5 billion, and free cash flow of $1.6 billion to $1.7 billion. It continues to expect enterprise organic net sales, beer net sales, and wine and spirits organic net sales to range from a 1% decline to 1% growth for the full year. Constellation said those year-over-year growth assumptions exclude $142 million in sales from a period in fiscal 2026 that is no longer part of the comparison after its 2025 wine divestitures.

Constellation also said it returned capital to shareholders during the period through buybacks and dividends. Share repurchases totaled $530 million year to date through September. The board declared a quarterly dividend of $1.03 a share on Class A common stock, payable Nov. 13 to shareholders of record at the close of business on

Oct. 30.

After the quarter ended, the company acquired SpikedAde, a ready-to-drink spirits-based brand in the “Ade” segment. Constellation said it paid $75 million at closing for full ownership of the business and could pay up to another $278 million over five years if performance targets are met. The company said the acquisition does not change its fiscal 2027 outlook.

Constellation had scheduled a conference call for October 7, 2026, at 8:00 a.m. ET to discuss the results and outlook with Chief Executive Officer Nicholas Fink and Chief Financial Officer Garth Hankinson.