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Warren Buffett boosts Berkshire Hathaway stake in Constellation Brands with $1.2 billion investment ahead of leadership change

Acquisition comes as Constellation Brands stock declines and Berkshire prepares for Greg Abel to succeed Buffett later this year

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Warren Buffett has increased his stake in Constellation Brands with an investment of more than $1.2 billion during the first quarter of 2025. The move comes at a key moment for Berkshire Hathaway, as Buffett announced he will step down from leading the firm at the end of the year, passing the reins to Greg Abel. It remains unclear whether Abel's investment decisions will require Buffett's approval, but the market continues to interpret current moves as signals of Berkshire's conservative approach. For ten consecutive quarters, Berkshire has been a net seller of stocks. However, some recent acquisitions reflect selective opportunities that align with the long-term vision that has defined Buffett's investment style.

Constellation Brands stands out among these purchases. The company is a major player in the wine, beer, and spirits sector, producing well-known brands such as Robert Mondavi wines and Corona beer. According to Berkshire's most recent 13-F filing, the firm acquired an additional 6.4 million shares in the first quarter, totaling $1.2 billion. This follows the purchase of 5.6 million shares at the end of 2024 for $1.4 billion. Together, these transactions have given Berkshire a 6.6% stake in Constellation

Brands.

The timing of these investments is notable. Constellation Brands' stock has fallen about 15% so far this year and nearly 25% compared to the same period in 2024. For Buffett, this decline represents an opportunity to acquire a company with strong fundamentals at a more attractive price.

Buffett's investment decisions are driven by fundamental analysis rather than market sentiment. In Constellation Brands' case, financial metrics remain consistent with those of a quality company. Despite operating in the traditional alcoholic beverage sector, Constellation Brands reports a return on capital close to 30% and trades at a forward price-to-earnings ratio of around 15 times—levels comparable to some technology companies. The company's debt-to-equity ratio is reasonable for an asset-intensive business, and it maintains solid book value and stable operating margins. These are characteristics that have historically appealed to Buffett in other defensive investments.

The company's strategic direction has also played a role in attracting Berkshire's interest. After venturing into the cannabis market following legalization in Canada, Constellation Brands has refocused on its core business. This shift has led to positive results and improved capital allocation, factors that have not gone unnoticed by Buffett and his team.

Market reaction to Berkshire's increased stake has been mixed. Wall Street analysts remain divided on Constellation Brands' outlook. The average price target stands at $213.43 per share, suggesting moderate upside potential of about 14%. Some experts believe that this lack of widespread enthusiasm is exactly what attracts investors like Buffett, who has often said that the best opportunities are found in assets that are underestimated or misunderstood by the market.

In this case, many analysts argue that the recent drop in Constellation Brands' share price reflects temporary volatility rather than any structural change in its fundamentals. The company continues to generate strong cash flow and maintain its position as a leader in its sector.

Buffett’s latest move signals continued confidence in companies with resilient business models and sound financial management, even when broader market sentiment is cautious or negative. As Berkshire prepares for its leadership transition later this year, investors are watching closely to see how Greg Abel will shape future investment decisions and whether he will maintain Buffett’s disciplined approach.

For now, Berkshire Hathaway’s growing position in Constellation Brands stands as one of the most significant bets made by Buffett during his final year at the helm—a decision that could influence both the company’s trajectory and investor sentiment toward defensive stocks in a volatile market environment.