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Constellation Brands Reports 667% Surge in Operating Income Despite 10% Drop in Annual Net Sales

Beer segment outperforms with share gains as wine and spirits sales plunge following major divestitures

Thursday, April 9, 2026



Constellation Brands, a major producer and marketer of beer, wine, and spirits, reported its financial results for the fiscal year ended February 28, 2026. The company delivered strong performance in its beer business, maintaining its position as the leading dollar share gainer across U.S. tracked channels. Despite a challenging

operating environment, Constellation Brands returned over $1.6 billion to shareholders during the year, including $924 million in share repurchases and an additional $75 million in March 2026.

For fiscal 2026, Constellation Brands reported net sales of $9.14 billion, a decrease of 10% from the previous year. Operating income rose sharply to $2.72 billion from $354.9 million in fiscal 2025, reflecting a 667% increase. Net income attributable to the company reached $1.69 billion, compared to a loss of $81.4 million in the prior year. Adjusted EBIT was $2.73 billion, up 731%. Reported earnings per share (EPS) were $9.61, while comparable EPS stood at $11.82.

The beer segment continued to outperform the broader category, with net sales of $8.32 billion for the year, down 3% due to shipment declines of 3.8%. Depletions fell by 2.1%, mainly because of decreases in Modelo Especial (down about 3%), Corona Extra (down about 7%), and Modelo Chelada brands (down about 1%). However, Pacifico and Victoria brands saw strong depletion growth of over 15% and 16%, respectively. The beer business gained 0.4 share points in Circana U.S. tracked channels and had four brands among the top 15 dollar share gainers nationwide.

In the fourth quarter of fiscal 2026, beer net sales increased by over 1%, driven by shipment growth of 1.1% and favorable pricing, partially offset by an unfavorable mix. Depletions grew by 0.6%, with Pacifico up about 21%, Victoria up about 17%, and Modelo Chelada brands up about 5%. Operating margin for beer decreased to 33.2% from 36.6% in the same quarter last year due to higher costs of goods sold (COGS), increased depreciation, and aluminum tariffs.

The wine and spirits segment experienced significant changes following divestitures completed in June 2025 and January 2025, which included the sale of several mainstream wine brands and the SVEDKA vodka brand. As a result, net sales for wine and spirits dropped by 51% to $823.8 million for the year, with shipment volumes down by 62.4%. The operating margin for this segment fell from 19.5% to just 1.3%. In the fourth quarter alone, net sales declined by 58%, with shipments down nearly 73%. Despite these declines, the remaining portfolio outperformed the total wine category in both dollar sales and volume performance in Circana U.S.-tracked channels during the

fiscal year and delivered over 8% depletion growth in the fourth quarter.

Constellation Brands generated operating cash flow of $2.67 billion for fiscal 2026 and free cash flow of $1.79 billion, exceeding internal expectations. The company maintained its investment-grade credit rating and kept comparable net leverage at its target level of around three times EBITDA.

On April 8, Constellation’s board declared a quarterly cash dividend of $1.03 per share for Class A Common Stock, representing a 1% increase over the previous dividend.

Looking ahead to fiscal year ending February 28, 2027, Constellation Brands issued updated guidance reflecting ongoing uncertainty in the operating environment due to evolving socioeconomic factors and limited near-term visibility. The company expects reported EPS between $11.10 and $11.80 and comparable EPS between $11.20 and $11.90 for fiscal 2027. Enterprise organic net sales are projected to range from a decline of 1% to growth of 1%. Beer segment net sales are expected within that same range; wine and spirits organic net sales are also forecasted between a decline of 1% and growth of 1%. Operating margin is targeted at between 32% and 33% on both a reported and comparable basis.

Capital expenditures are planned at approximately $800 million for fiscal year ending February 28, 2027, with operating cash flow targeted between $2.4 billion and $2.5 billion and free cash flow between $1.6 billion and $1.7 billion.

Constellation Brands continues to invest in modular brewing capacity to support future growth in its beer business while maintaining a disciplined approach to capital allocation aimed at strengthening long-term business performance and delivering returns to shareholders.

The company operates internationally with production facilities in the United States, Mexico, New Zealand, and Italy, marketing well-known brands such as Corona Extra, Modelo Especial, Pacifico, Victoria (beer), The Prisoner Wine Company, Robert Mondavi Winery (wine), Mi CAMPO Tequila, and High West Whiskey (spirits). Constellation Brands emphasizes sustainability practices across its operations as part of its long-term strategy.

Management noted that while macroeconomic conditions remain dynamic—including risks related to tariffs on aluminum imports affecting COGS—the company remains focused on executing its strategic priorities with discipline.

Constellation Brands’ full earnings release is available on its investor relations website along with detailed financial statements and reconciliations of non-GAAP measures used by management for internal evaluation purposes.

The company cautioned that forward-looking statements are subject to risks including further declines in product consumption trends—especially among Mexican beer brands—supply chain disruptions, regulatory changes affecting beverage alcohol markets or environmental compliance requirements, competition for talent or market share within consumer packaged goods categories, potential litigation or reputational risks related to product quality or labeling practices, interest rate fluctuations affecting debt service costs or capital structure decisions, as well as broader economic or geopolitical uncertainties that could impact future results.

Constellation Brands is listed on the New York Stock Exchange under ticker symbol STZ.