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CONSTELLATION BRANDS, INC.

Form 8-K

June 30, 2004

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): June 30, 2004

CONSTELLATION BRANDS, INC.

(Exact name of registrant as specified in its charter)

001-08495

(Commission File Number)

Delaware

(State or other jurisdiction
of incorporation)

16-0716709

(IRS Employer
Identification No.)

370 Woodcliff Drive, Suite 300, Fairport, New York 14450

(Address of principal executive offices) (Zip Code)

(585) 218-3600

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) The following exhibit is furnished as part of this Form 8-K.

No.	Description
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99.1	Press Release of Constellation Brands, Inc. (the "Company"), dated June 30, 2004.

ITEM 9. REGULATION FD DISCLOSURE.

On June 30, 2004, Constellation Brands, Inc. (the "Company"), a Delaware corporation, issued a press release (the "release"), a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

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The information included in this Form 8-K, including the press release attached as Exhibit 99.1, is incorporated by reference into this Item 9 in satisfaction of the public disclosure requirements of Regulation FD. This information is "furnished" and not "filed" for purposes of Section 18 of the Securities and Exchange Act of 1934, or otherwise subject to the liabilities of that section. It may only be incorporated by reference in another filing under the Securities Exchange Act of 1934 or the Securities Act of 1933 only if and to the extent such subsequent filing specifically references the information incorporated by reference herein.

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On June 30, 2004, the Company issued a press release (the "release") announcing its results of operations and financial condition for the first quarter ended as of May 31, 2004. A copy of the release is attached hereto as Exhibit 99.1 and incorporated herein by reference. The projections constituting the guidance included in the release involve risks and uncertainties, the outcome of which cannot be foreseen at this time and, therefore, actual results may vary materially from these forecasts. In this regard, see the information included in the release under the caption "Forward-Looking Statements."

The information in the release and in this Item 12 is "furnished" and not "filed" for purposes of Section 18 of the Securities and Exchange Act of 1934, or otherwise subject to the liabilities of that section. Such information may only be incorporated by reference in another filing under the Securities Exchange Act of 1934 or the Securities Act of 1933 only if and to the extent such subsequent filing specifically references such information.

The release contains non-GAAP financial measures; in the release these are referred to as "comparable" or "pro forma" measures. For purposes of Regulation G, a non-GAAP financial measure is a numerical measure of a registrant's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of income, balance sheet or statement of cash flows (or equivalent statements) of the issuer; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. In this regard, GAAP refers to generally accepted accounting principles in the United States. Pursuant to the requirements of Regulation G, the Company has provided reconciliations within the release of the non-GAAP financial measures to the most directly comparable GAAP financial measures.

Comparable measures are provided because management uses this information in evaluating the results of the continuing operations of the Company and in internal goal setting. In addition, the Company believes this information provides investors a better insight on underlying business trends and results in order to evaluate year over year financial performance. As such, an increase in cost of goods sold resulting from the flow through of inventory step-up associated with the acquisition of BRL Hardy Limited (now known as Hardy Wine Company Limited) ("Hardy"), financing costs, the imputed interest charge associated with the Hardy acquisition, restructuring and related charges (including exiting the United States commodity concentrate product line) and gains on changes in fair value of derivative instruments are excluded from comparable results. Similarly, the Company believes that pro forma information including Hardy sales information in the year ago period set forth in the release provides investors with better insight on underlying business trends and results in order to evaluate year over year financial performance.

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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, hereunto duly authorized.

CONSTELLATION BRANDS, INC.

Dated: June 30, 2004

By: /s/ Thomas S. Summer

Thomas S. Summer, Executive Vice
President and Chief Financial
Officer

INDEX TO EXHIBITS

- (1) UNDERWRITING AGREEMENT
Not Applicable.
- (2) PLAN OF ACQUISITION, REORGANIZATION, ARRANGEMENT, LIQUIDATION OR SUCCESSION
Not Applicable.
- (4) INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES
Not Applicable.
- (16) LETTER RE CHANGE IN CERTIFYING ACCOUNTANT
Not Applicable.
- (17) LETTER RE DIRECTOR RESIGNATION
Not Applicable.
- (20) OTHER DOCUMENTS OR STATEMENTS TO SECURITY HOLDERS
Not Applicable.
- (23) CONSENTS OF EXPERTS AND COUNSEL
Not Applicable.
- (24) POWER OF ATTORNEY
Not Applicable.
- (99) ADDITIONAL EXHIBITS
 - 99.1 Press Release dated June 30, 2004.

[LOGO] CONSTELLATION
NEWS RELEASE

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CONSTELLATION'S STRONG BEER & SPIRITS SALES RESULT IN HIGHER
THAN EXPECTED FIRST QUARTER EARNINGS PER SHARE

COMPANY RAISES FULL-YEAR EARNINGS PER SHARE GUIDANCE

FAIRPORT, N.Y., JUNE 30, 2004 - Constellation Brands, Inc. (NYSE: STZ, ASX: CBR), a leading international producer and marketer of beverage alcohol brands, reported record net sales of \$927 million, a 20 percent increase, for its first quarter ended May 31, 2004. Pro forma net sales for the quarter, which include \$31 million of sales from Hardy for March 2003, increased 15 percent driven by growth across all categories - imported beer, spirits, wine and the U.K. wholesale business. Currency contributed six percent of the increase.

"Our first quarter results represent a tremendous start to the new year and continue to demonstrate the strength of our strategy of breadth and scale leading to profitable growth," said Chairman and Chief Executive Officer Richard Sands. "Our recent beer price increase was well received in all channels resulting in a quicker volume rebound than we anticipated and our spirits business posted another quarter of sales growth that exceeded our expectations. Our wine business continued to experience healthy growth as evidenced by strong consumer purchases in all our major markets. With these strong results we are raising our full year earnings per share estimates."

Net income as reported under generally accepted accounting principles ("reported") for first quarter increased 31 percent to \$51 million and reported diluted earnings per share increased 10 percent to \$0.45. First quarter 2005 reported results include restructuring and related charges and net unusual costs of \$8 million after tax, or \$0.07 per

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share. First quarter 2004 reported results also include restructuring and related charges and net unusual costs of \$8 million after tax, or \$0.08 per share. Net income on a comparable basis, excluding the restructuring and related charges and net unusual costs, increased 27 percent to \$60 million and comparable diluted earnings per share increased six percent to reach \$0.52 per share. Earnings per share growth was negatively impacted by additional shares outstanding primarily as a result of the company's equity offerings in July 2003 which paid down debt incurred to partially finance the Hardy acquisition.

Net income and diluted earnings per share on a comparable basis exclude restructuring and related charges and net unusual costs. The company discusses results on a comparable basis in order to give investors better insight on underlying business trends from continuing operations. A table reconciling these measures and other related financial measures to reported results is included in this release. For a detailed discussion of these items, please see the section "Items Affecting Comparability" following the financial statements.

The company's measure of segment profitability excludes restructuring and related charges and net unusual costs, which is consistent with the measure used by management to evaluate results.

CONSTELLATION BEERS AND SPIRITS RESULTS

Net sales for the quarter grew 14 percent to reach \$316 million on both

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strong beer and spirits growth. Beer sales increased 14 percent driven by both pricing and volume gains on Corona Extra, Corona Light, Modelo Especial, Pacifico and Negra Modelo. The company's beer volumes rebounded quicker than expected following a planned price increase to wholesalers on its Mexican beers, which began to take effect in January 2004 and resulted in strong wholesaler demand prior to the price increase.

A seven percent increase in branded spirits sales and a sharp increase in production services sales resulted in total spirits sales improving 13 percent. The seven percent rise in branded sales was driven by Black Velvet Canadian Whisky, Montezuma Tequila, Fleischmann and Barton vodkas, the 99 Cordials range and Chi-Chi's prepared cocktails.

Operating income for Constellation Beers and Spirits grew 13 percent to reach \$68 million for the first quarter due primarily to higher sales. Operating margins remained relatively even as increased gross profit margins were offset by increases in advertising, marketing and general expenses to support growth initiatives.

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CONSTELLATION WINES RESULTS

With growth in branded wines and the U.K. wholesale business, net sales for first quarter fiscal 2005 increased 23 percent to \$611 million, including an eight percent benefit from currency.

Branded wine sales increased 17 percent to reach \$364 million, primarily due to an additional month of sales from the Hardy acquisition and a five percent benefit from currency. Pro forma net sales of branded wine, which include \$27 million of sales from Hardy for March 2003, increased eight percent for the quarter, including six percent from currency. Consumer purchases remained healthy across the company's wine categories and geographies, and wine shipments were strong in the U.K. and Australia. In the U.S., sales to retailers and consumer purchases exceeded company shipments.

Wholesale and other sales increased 34 percent driven by the U.K. wholesale business, which added new accounts and increased sales in existing accounts. Nearly half this increase was due to the benefit of currency.

Operating income for Constellation Wines in first quarter fiscal 2005 increased 11 percent to reach \$68 million. Operating margins were 11.1 percent in the quarter versus 12.3 percent in the prior year. The decline in margins was due to a greater volume of sales of lower margin products, and increased advertising spend.

In summarizing the first quarter results Sands concluded, "With a broad portfolio of beverage alcohol products, strong global routes-to-market and independent businesses managing this wide breadth and scale within their geographies, we are able to take advantage of different market forces to consistently grow the business and deliver shareholder value."

OUTLOOK

The following table sets forth management's current diluted earnings per share expectations both on a reported basis and comparable basis for the second quarter ending August 31, 2004 and fiscal year ending February 28, 2005. The table also includes actual diluted earnings per share both on a reported basis and comparable basis for the same periods a year ago. A reconciliation of reported information to comparable information is included in this media release.

CONSTELLATION BRANDS SECOND QUARTER AND FISCAL YEAR 2005
DILUTED EARNINGS PER SHARE OUTLOOK

	REPORTED BASIS		COMPARABLE BASIS	
	FY05 Estimate	FY04 Actual	FY05 Estimate	FY04 Actual
Second Quarter Ending August 31	\$0.66 - \$0.69	\$0.34	\$0.68 - \$0.71	\$0.64
Full Year Ending February 28/29	\$2.42 - \$2.52	\$2.06	\$2.57 - \$2.67	\$2.49

ABOUT CONSTELLATION

Constellation Brands, Inc. is a leading international producer and marketer of beverage alcohol brands with a broad portfolio across the wine, spirits and imported beer categories. Well-known brands in Constellation's portfolio include: Corona Extra, Pacifico, St. Pauli Girl, Black Velvet, Fleischmann's, Mr. Boston, Paul Masson Grande Amber Brandy, Franciscan Oakville Estate, Estancia, Simi, Ravenswood, Blackstone, Banrock Station, Hardys, Nobilo, Alice White, Vendange, Almaden, Arbor Mist, Stowells and Blackthorn.

QUARTERLY CONFERENCE CALL

A conference call to discuss first quarter fiscal 2005 results will be hosted by Chairman and CEO Richard Sands and Executive Vice President and Chief Financial Officer Tom Summer on Wednesday, June 30, 2004 at 5:00 p.m. (Eastern). The conference call can be accessed by dialing 412-858-4600 beginning 10 minutes prior to the start of the call. A live listen-only web cast of the conference call, together with a copy of this press release (including the attachments) and other financial information that may be discussed in the call are available on the Internet at Constellation's web site: www.cbrands.com under "Investors."

FORWARD-LOOKING STATEMENTS

The statements made under the heading Outlook (collectively, the "Outlook"), as well as all other statements set forth in this press release which are not historical facts, are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by the forward-looking statements.

During the quarter, Constellation may reiterate the estimates set forth above under the heading Outlook. Prior to the start of the company's quiet period, beginning August 18, the public can continue to rely on the Outlook as still being Constellation's current expectations on the matters covered, unless Constellation publishes a notice stating otherwise.

Beginning August 18, 2004, Constellation will observe a "quiet period" during which the Outlook no longer constitutes the company's current expectations. During the quiet period, the Outlook should be considered to be historical, speaking as of prior to the quiet period only, and not subject to

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update by the company.

The company's forward-looking statements are based on management's current expectations and, unless otherwise noted, do not take into account the impact of any future acquisition, merger or any other business combination, divestiture or financing that may be completed after the date of this release. Any projections of future results of operations, and in particular, (i) the company's estimated diluted earnings per share on a reported basis for second quarter 2005 and fiscal 2005, and (ii) the company's estimated diluted earnings per share on a comparable basis for second quarter 2005 and fiscal 2005, should not be construed in any manner as a guarantee that such results will in fact occur. In addition to the risks and uncertainties of ordinary business operations, the forward-looking statements of the company contained in this press release are also subject to the following risks and uncertainties: the company achieving certain sales projections and meeting certain cost targets; wholesalers and retailers may give higher priority to products of the company's competitors; raw material supply, production or shipment difficulties could adversely affect the company's ability to supply its customers; increased competitive activities in the form of pricing, advertising and promotions could adversely impact consumer demand for the company's products and/or result in higher than expected selling, general and administrative expenses; a general decline in alcohol consumption; increases in excise and other taxes on beverage alcohol products; and changes in foreign currency exchange rates. For additional information about risks and uncertainties that could adversely affect the company's forward-looking statements, please refer to the company's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended February 29, 2004.

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CONSTELLATION BRANDS, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (in thousands)

	May 31, 2004 -----	February 29, 2004 -----
ASSETS		

CURRENT ASSETS:		
Cash and cash investments	\$ 11,443	\$ 37,136
Accounts receivable, net	711,847	635,910
Inventories, net	1,315,356	1,261,378
Prepaid expenses and other	141,589	137,047
	-----	-----
Total current assets	2,180,235	2,071,471
PROPERTY, PLANT AND EQUIPMENT, net	1,060,706	1,097,362
GOODWILL	1,501,912	1,540,637
INTANGIBLE ASSETS, net	723,887	744,978
OTHER ASSETS	82,334	104,225
	-----	-----
Total assets	\$ 5,549,074	\$ 5,558,673
	=====	=====
 LIABILITIES AND STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES:		
Notes payable to banks	\$ 243,552	\$ 1,792
Current maturities of long-term debt	108,927	267,245

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Accounts payable	361,506	270,291
Accrued excise taxes	55,377	48,465
Other accrued expenses and liabilities	397,979	442,009
	-----	-----
Total current liabilities	1,167,341	1,029,802
LONG-TERM DEBT, less current maturities	1,736,159	1,778,853
DEFERRED INCOME TAXES	178,258	187,410
OTHER LIABILITIES	156,633	184,989
STOCKHOLDERS' EQUITY	2,310,683	2,377,619
	-----	-----
Total liabilities and stockholders' equity	\$ 5,549,074	\$ 5,558,673
	=====	=====

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CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
ON A REPORTED BASIS
(in thousands, except per share data)

	For the Three Months Ended May 31, 2004	For the Three Months Ended May 31, 2003	Pe Ch
	-----	-----	---
Sales	\$ 1,174,315	\$ 990,240	
Excise taxes	(247,010)	(217,438)	
	-----	-----	
Net sales	927,305	772,802	
Cost of product sold	(676,843)	(563,717)	
	-----	-----	
Gross profit	250,462	209,085	
Selling, general and administrative expenses	(138,428)	(107,802)	
Restructuring and related charges	(1,613)	(2,316)	
	-----	-----	
Operating income	110,421	98,967	
Gain on change in fair value of derivative instruments	-	1,181	
Equity in earnings of equity method investees	62	328	
Interest expense, net	(30,281)	(39,243)	
	-----	-----	
Income before income taxes	80,202	61,233	
Provision for income taxes	(28,873)	(22,044)	
	-----	-----	
Net income	51,329	39,189	
Dividends on preferred stock	(2,451)	-	
	-----	-----	
Income available to common stockholders	\$ 48,878	\$ 39,189	
	=====	=====	
Earnings per common share:			
Basic	\$ 0.46	\$ 0.42	
Diluted	\$ 0.45	\$ 0.41	
Weighted average common shares outstanding:			
Basic	106,778	92,880	
Diluted	115,062	95,661	

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Segment Information:

Net sales:

Constellation Beers and Spirits		
Imported beers	\$ 236,896	\$ 207,264
Spirits	79,291	70,205
	-----	-----
Net sales	\$ 316,187	\$ 277,469
Constellation Wines		
Branded wine	\$ 363,883	\$ 310,480
Wholesale and other	247,235	184,853
	-----	-----
Net sales	\$ 611,118	\$ 495,333
	-----	-----
Consolidated net sales	\$ 927,305	\$ 772,802
	=====	=====

Operating income:

Constellation Beers and Spirits	\$ 67,852	\$ 59,883
Constellation Wines	67,659	61,023
Corporate Operations and Other	(11,869)	(10,071)
Restructuring and related charges and unusual costs (a)	(13,221)	(11,868)
	-----	-----
Consolidated operating income	\$ 110,421	\$ 98,967
	=====	=====