

Constellation Brands Looks to Sell Wine Brands in \$3 Billion Deal

By Madeleine Kerr, J.D. Candidate 2021 | October 31, 2018

Constellation Brands Inc., an international producer of beer, wine, and spirits, is allegedly looking to [sell](#) some of its United States wine brands. According to sources close to the matter, this deal could be worth as much as \$3 billion. This news comes just two weeks after Constellation's CEO of 11 years, Rob Sands, announced that he is [stepping down](#).

Constellation is a family-controlled company that has been in the alcohol production business for over 70 years and has grossed \$7.33 billion in 2017. Pursuant to the deal, Constellation is contemplating selling Clos du Bois, Mark West, Arbor Mist, and Cooks. These brands generate 12-month earnings before interest, tax, depreciation, and amortization of more than \$260 million.

Though the deal is still uncertain to close and is regarded as a confidential matter, it comes as little surprise that the company is looking to sell some of its wine brands. Last year, wine accounted for 38.6% of Constellation's consolidated net sales, which is down from 44.7% two years ago. In contrast, Constellation's beer business has continued to grow. During the second quarter of this year, Constellation was the top market share gainer in the U.S. beer industry. Further, one of Constellation's top beer brands, Modelo, has grown nearly 20% in the last five years.

As the company turns away from wine, it is looking to invest in new markets, including the cannabis industry. In August, Constellation paid almost \$4 billion to increase its stake in a Canadian cannabis company, Canopy Growth Corp., from 10% to 38%. Recreational marijuana is now legal in eight U.S. states and Washington D.C. Further, Canada just opened its [first cannabis dispensaries](#) within the last two weeks. Clearly, marijuana is a growing market and Constellation is taking advantage of the economic opportunity.

If Constellation sells these wine brands, it will represent a big shift in the company's targeted customers. Since its inception, wine has been Constellation's biggest business. However, as profitable opportunities increase in beer and cannabis, it will be interesting to see what other ventures Constellation engages in.

