

Constellation Brands Shifts Strategy: Converts Canopy Growth Shares, Leaves Board

Constellation Converts Shares in Canopy Growth

Beverage alcohol giant Constellation Brands has undertaken a significant move regarding its investment in Canadian cannabis company Canopy Growth Corp.

Exchangeable Shares Structure

Constellation Brands has transformed its shares in Canopy Growth Corp. into new exchangeable shares. This conversion allows Constellation to exchange its shares back into Canopy common shares on a one-to-one basis.

Conditional Conversion

Constellation has specified conditions for the conversion of its exchangeable shares. They plan to convert them back into Canopy common shares only when the sale of marijuana in the U.S. is deemed legal under federal law, ensuring compliance with relevant regulations.

Board Resignations

As part of this deal, the three remaining Constellation nominees on Canopy's board have resigned. Consequently, Constellation no longer holds any governance rights in relation to Canopy Growth.

Debt Reduction

Constellation's subsidiary, Greenstar Canada Investment Limited Partnership, has forgiven a promissory note worth CA\$100 million to Canopy. This action eliminates CA\$100 million of debt from Canopy's balance sheet.

Strategic Alignment

Constellation's decision aligns with its strategy to eliminate the impact on its equity in earnings and refrain from further investment in Canopy Growth.

Canopy's Response

Canopy Growth acknowledges the transaction and expresses its commitment to maintaining a positive relationship with Constellation as its largest shareholder. The company anticipates advancing its Canopy

USA strategy, including acquisitions of Wana, Jetty, and Acreage.

Historical Context

Constellation Brands initially invested in Canopy in 2017, holding a 9.9% stake. Over time, Constellation increased its investment, acquiring board seats and warrants that could have led to a majority stake in Canopy.

Recent Developments

Canopy shareholders recently approved the creation of exchangeable shares, facilitating the formation of Canopy USA, aimed at acquiring Canopy's U.S. cannabis assets.

Financial Performance

Canopy Growth reported a quarterly net loss of CA\$216.7 million, with net revenue of CA\$78.5 million in its latest financial report.

Market Trading

Shares of Canopy Growth trade on the Nasdaq as CGC and on the Toronto Stock Exchange as WEED. Constellation Brands trades as STZ on the New York Stock Exchange.

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