

NEW RISK ALERT: (STZ)

Constellation Brands' \$66.6 Million Write Off Confirms Hard Seltzer Bender is Over

Alcohol beverage maker takes multi-million dollar loss on obsolete seltzer inventory.

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This alert compares the language used in the company's latest filing with the period before. Research suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language underperform those that don't by 30-50 basis points per month for the following year.

Constellation Brands Tosses in Towel on Hard Seltzer, Takes \$66.6 Million Write Down

If The Boston Beer Company's (SAM) recent slide wasn't warning enough—shares have been cut in half since the company yanked guidance following a plunge in hard seltzer demand—another alcohol beverage maker is confirming the end of the trend is here. Constellation Brands, better known for its wine and beer, blamed a glut of hard seltzer inventory for a multi-million dollar write down.

In its latest [10-Q](#), Constellation Brands signaled it no longer believes it can move millions of cases of hard seltzer. The company took a \$66.6 million write down, an increase of 1,607% from the year prior and singled out hard seltzer as the culprit:

"The increase in obsolescence was predominantly from excess inventory of hard seltzers within the Beer segment, resulting from a slowdown in the overall category."

This is clearly Constellations' capitulatory quarter regarding hard seltzer. Despite clear indications from the market leader (SAM), Constellation has seemingly dragged its feet when it comes to recognizing obsolete hard seltzer inventory. With the \$66.6 million loss, it brings Constellation's six month write down total to \$82.6 million.

The category slowdown comes at an inopportune time for Constellation. Three months ago we revealed the company may have to stop selling hard seltzer under the Corona brand name due to litigation over alleged licensing violations:

- [Constellation Brands May Have to Stop Selling Corona Hard Seltzer](#)