

CORPORATE ACTIVITY & VALUATION IN THE SPIRITS INDUSTRY

Industry Reporting & Analysis

Industry Overview

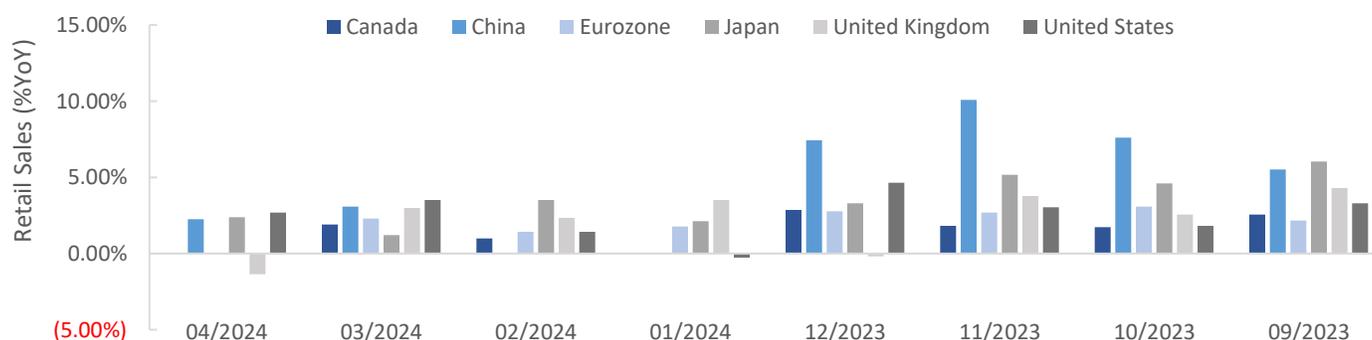
TAILWINDS FROM THE PANDEMIC RECEDE AS PRICE PRESSURES WEIGH ON CONSUMERS

The alcoholic beverages market was valued at \$2.13tn in 2023, and is projected to grow at a CAGR of 10.74% to exceed \$5.72tn by 2032¹. Segmentation within the industry has shown a particular shift towards ready-to-drink (RTD) beverages and spirits, with consumption volume CAGRs (in millions of 9L cases) of 37% and 4% respectively, 2019-2021². In contrast, the consumption of beer and wine by volume have lagged their RTD and spirit counterparts, experiencing CAGR declines of 2% and 3% over the same period³.

Notably, direct-to-consumer (DTC) channels have experienced significant tailwinds, particularly in North American markets, as COVID-19 pandemic restrictions set consumer precedent in online/bulk retail purchasing activity. Despite growth in the DTC segment having seemingly plateaued in 2022, online purchasing has remained attractive, with the overall off-trade channel having grown from 2% to 4% of the total market⁴.

Mixed consumer attitudes with respect to alcohol preference have, up to 2023 been driven by a “drink less but better” attitude, with middle-high end consumers shifting to premium agave spirits and US whisky, however gains have normalized following the first half of 2023 due to mounting consumer pressure in a high inflation, lower income environment. Particularly, consumer retail spending has moderated in key markets including the United States, the United Kingdom, and China following a pause in global interest rate increases in 2023 (Exhibit 1).

Exhibit 1: Consumer Spending Has Decelerated Following a Plateau in Global Interest Rates, But Remains Growing



Source(s): FactSet

SHIFTING CONSUMER PREFERENCES PROVE BENEFICIAL TO M&A ACTIVITY

The “premiumization” trend of consumer product preference, along with supply uncertainties brought on through the prevalence of major global conflicts and international transportation challenges have propped-up the alcoholic beverage M&A environment in 2023, as companies attempt to diversify their brand portfolios and near-shore supply challenges through acquisitions, while reallocating capital and performing divestitures in lower/declining growth segments (Exhibits 2 & 3).

Exhibit 2: The Alcoholic Beverage M&A Environment Has Been Active Despite Macroeconomic Headwinds

Ranges	Aggregate Transaction Value (Q1)			Number of Deals (Q1)			Median EV/Sales (Q1)			Median EV/EBITDA (Q1)		
	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
Over \$1000M	-	\$1,285.09	-	0	1	0	-	1.57x	-	-	18.17x	-
\$500M to \$999.9M	-	-	-	0	0	0	-	-	-	-	-	-
\$250M to \$499.9M	\$608.05	\$473.79	-	2	1	0	1.81x	-	-	16.08x	-	-
\$100M to \$249.9M	\$162.04	\$124.49	-	1	1	0	-	9.43x	-	-	-	-
\$50M to \$99.9M	-	-	-	0	0	0	-	-	-	-	-	-
\$25M to \$49.9M	\$73.76	-	\$54.95	2	0	2	3.11x	-	1.11x	-	-	8.86x
\$10M to \$24.9M	-	-	-	0	0	0	-	-	-	-	-	-
Under \$10M	\$4.45	\$7.07	\$5.24	2	4	2	1.18x	36.11x	-	-	-	-
Undisclosed	-	-	-	27	27	28	-	-	-	-	-	-
Total	\$848.29	\$1,890.44	\$60.19	34	34	32	1.18x	9.43x	1.11x	16.08x	18.17x	8.86x

Source(s): FactSet Mergers; all figures in millions of \$USD.

Please read disclosures/risk and liability information beginning on page 5, including Analyst information on page 6.

VERTIGE INVESTMENT GROUP | 230 COLLEGE STREET | TORONTO ON CANADA

Exhibit 3: Largest Alcoholic Beverage Transactions (Global)

Date Announced	Date Closed	Deal Title	Transaction Value	EV/Sales	EV/EBITDA
2022-10-25	2023-01-10	China Resources Beer (Holdings) Co. Ltd. takes a majority stake in Guizhou Jinsha Jiaojiu Winery Industry Co. Ltd.	\$1,552.46	-	-
2023-03-28	2023-10-17	Etablissements J. Soufflet SAS acquires United Malt Group Ltd.	\$1,285.09	1.57x	18.17x
2023-10-30	2023-12-13	Treasury Wine Estates Ltd. acquires DAOU Vineyards LLC	\$1,000.00	60.10x	20.83x
2023-01-17	2023-03-10	Diageo Plc acquires Bleeding Heart Rum Co.	\$473.79	-	-
2022-10-31	2022-12-07	Davide Campari-Milano NV takes a majority stake in Wilderness Trail Distillery, LLC	\$424.70	-	-
2023-11-16	2024-04-30	The Duckhorn Portfolio, Inc. acquires Sonoma-Cutrer Vineyards, Inc. from Brown-Forman Corp.	\$391.49	28.60x	-
2022-01-13	2022-02-17	Monster Beverage Corp. acquires CANarchy Craft Brewery Collective LLC	\$330.00	2.56x	-
2022-01-07	2022-05-25	Royal Unibrew A/S acquires Hansa Borg Bryggerier AS	\$278.05	1.07x	16.08x
2022-09-02	2022-11-25	Jinhui Liquor Co. Ltd. /Private Group/ takes a minority stake in Jinhui Liquor Co., Ltd.	\$263.43	-	-
2023-06-19	2023-11-01	Coca-Cola HBC AG acquires Brown-Forman Finland Oy from Brown-Forman Corp.	\$220.00	1.99x	-

Source(s): FactSet Mergers; all figures in millions of \$USD.

Valuation Analysis

COMPARABLE TRANSACTIONS

In line with the prospective client's aim to raise US\$50mn in growth equity, we have compiled a list of relevant transactions in recent years (2018-2024) in the spirits industry to conduct precedent transaction analysis (Exhibit 4). These deals range in size from US\$58m to US\$5,100m and involve predominately North American-based targets. VIG found valuation multiples to contract in the past few years, while average EV/Revenue and EV/EBITDA multiples are at 7.45x and 18.46x, respectively. VIG also analyzed volume of nine-liter case sales relative to EV, and, although there was much variation, the industry average EV/Cases multiple was about 926.22x. Many of the targets listed were acquired by large strategic buyers such as Molson Coors Beverage Company, Bacardi Limited, and Pernod Ricard SA.

COMPARABLE PUBLIC COMPANIES

Although the \$50mn transaction size does not have any direct comparisons in public markets, we have compiled a list of the best-in-class spirit/alcoholic beverage producers to provide insight on market valuations of full-scale operators in the industry. Our comparable public companies range from an enterprise value (EV) of \$17bn to \$209bn, and showed a mean EV/EBITDA multiple of 11.32x (Exhibit 5).

Comparable Transaction/Company sheets are provided on pages 3 and 4.

Exhibit 4: Comparable LMM Transactions (2018-2024)

Date	Target	Acquirer	Transaction Type	Deal Value	LTM Cases (Thousands)
04/02/2024 (Announced)	The Lakes Distillery	Nyetimber	Acquisition	\$57.90	
04/30/2024 (Closed)	Courvoisier S.A.S	Campari Group	Acquisition	\$1,293.54	
10/27/2023 (Closed)	Diageo Korea Co. Ltd	PT W Co. Ltd.	Acquisition	\$152.44	
10/09/2019 (Closed)	Castle Brands Inc.	Pernod Ricard SA	Acquisition	\$276.64	
08/07/2023 (Closed)	Blue Run Spirits Inc.	Molson Coors Beverage Company	Acquisition	\$78.00	21
04/27/2021 (Closed)	Eire Born Spirits LLC	Proximo Spirits Inc.	Acquisition	\$600.00	500
04/01/2021 (Closed)	Luxco Inc.	MGP Ingredients Inc.	Acquisition	\$503.80	4800
07/04/2023 (Closed)	Ace Beverage Group Inc.	Corby Spirit & Wine Ltd.	Acquisition	\$148.50	
4/30/2018 (Closed)	Patron Spirits International AG	Bacardi Ltd.	Acquisition	\$5,100.00	2600
08/3/2021 (Closed)	Loyal 9 Cocktails	Diageo	Acquisition	\$440.00	2000
02/22/2021 (Closed)	Aviation American Gin	Diageo	Acquisition	\$610.00	2000
01/29/2020 (Closed)	Licor 43	Campari Group	Majority Stake	\$150.00	600
10/31/2016 (Closed)	Southern Comfort	Sazerac Company	Acquisition	\$543.50	1250
11/14/2016 (Closed)	High West Distillery	Constellation Brands	Acquisition	\$160.00	1067

Target	Acquirer	Imp. EV	Imp. EV/Cases	Imp. EV/Rev	Imp. EV/EBITDA
The Lakes Distillery	Nyetimber	\$73.20	-	9.89x	-43.06x
Courvoisier S.A.S	Campari Group	\$1,322.74	-	6.13x	53.55x
Diageo Korea Co. Ltd	PT W Co. Ltd.	\$116.64	-	1.39x	4.24x
Castle Brands Inc.	Pernod Ricard SA	\$323.04	-	3.63x	73.42x
Blue Run Spirits Inc.	Molson Coors Beverage Company	-	3714.00x	-	-
Eire Born Spirits LLC	Proximo Spirits Inc.	-	1200.00x	-	-
Luxco Inc.	MGP Ingredients Inc.	\$503.80	105.00x	2.50x	18.00x
Ace Beverage Group Inc.	Corby Spirit & Wine Ltd.	-	-	-	-
Patron Spirits International AG	Bacardi Ltd.	-	1962.00x	-	-
Loyal 9 Cocktails	Diageo	\$440.00	220.00x	10.00x	20.00x
Aviation American Gin	Diageo	\$610.00	305.00x	12.00x	15.00x
Licor 43	Campari Group	\$150.00	250.00x	8.00x	12.00x
Southern Comfort	Sazerac Company	\$543.50	430.00x	9.00x	18.00x
High West Distillery	Constellation Brands	\$160.00	150.00x	7.00x	13.00x

Mean	\$424.29	926.22x	7.45x	18.46x
Median	\$381.52	305.00x	8.00x	15.00x

Source(s): S&P Capital IQ, ChatGPT; all figures in millions of \$USD.

Notes: See appendix for links to sources. Cases for the acquisition of Eire Born Spirits LLC are taken from 2018 to 2021. LTM Cases (thousands) are based on available public information and estimates. For some transactions, specific details were not disclosed.

Exhibit 5: Best-in-Class Alcoholic Beverage Companies (Public)

Company	Symbol	Type	Sales	Employees	MV	EV	P/E	EV/EBITDA	EBIT Margin
Anheuser-Busch InBev SA/NV	ABI-BE	Public	\$59,380.00	154540	\$130,061.88	\$208,657.88	19.54x	9.46x	25.16x
Mitsui Foods Co., Ltd.	06NX8Q-E	Private	\$49,941.90	-	-	-	-	-	-
Heineken Holding N.V.	HEIO-NL	Public	\$32,824.83	-	\$23,482.68	\$54,989.51	16.45x	-	-
Diageo plc	DGE-GB	Public	\$20,583.27	30269	\$74,458.71	\$95,778.71	17.99x	13.97x	29.73x
Asahi Group Holdings, Ltd.	2502-JP	Public	\$19,693.01	28639	\$18,522.42	\$28,594.40	16.22x	10.43x	9.17x
Kweichow Moutai Co., Ltd. Class A	600519-CN	Public	\$18,112.30	33302	\$285,861.28	\$277,492.30	25.84x	17.04x	69.15x
Kirin Holdings Co. Ltd.	2503-JP	Public	\$15,179.21	30183	\$12,650.42	\$18,604.81	14.60x	8.71x	9.02x
Pernod Ricard SA	RI-FR	Public	\$12,690.09	20600	\$38,005.52	\$51,698.76	16.91x	12.71x	26.88x
Molson Coors Beverage Company Class B	TAP-US	Public	\$11,702.10	16500	\$11,631.79	\$17,848.09	9.91x	6.92x	14.76x
Molson Coors Canada Inc. Class B	TPX.B-CA	Public	\$11,702.10	-	\$11,517.87	\$17,111.97	-	-	-
Mean			\$25,180.88	44862	\$67,354.73	\$85,641.82	17.18x	11.32x	26.27x
Median			\$18,902.65	30183	\$23,482.68	\$51,698.76	16.68x	10.43x	25.16x

Source(s): FactSet; all figures in millions of \$USD.

Notes: All multiples are expressed using LTM earnings figures.

Please read disclosures/risk and liability information beginning on page 5, including Analyst information on page 6.

Appendix

Auxiliary Item I: Links to Transactional Data Sources

Item	Source	Source Link
The Lakes Distillery	S&P Capital IQ	https://www.capitaliq.com/ciqdotnet/Transactions/TransactionSummary.aspx?CompanyId=543985376&transactionViewType=1
Courvoisier S.A.S	S&P Capital IQ	https://www.capitaliq.com/ciqdotnet/Transactions/TransactionSummary.aspx?CompanyId=5722320&transactionViewType=1
Diageo Korea Co. Ltd	S&P Capital IQ	https://www.capitaliq.com/ciqdotnet/Transactions/TransactionSummary.aspx?CompanyId=12825491&transactionViewType=1
Castle Brands Inc.	S&P Capital IQ	https://www.capitaliq.com/ciqdotnet/Transactions/TransactionSummary.aspx?CompanyId=23053355&transactionViewType=1
Blue Run Spirits Inc.	S&P Capital IQ	https://www.capitaliq.com/CIQDotNet/Transactions/transactionDetail.aspx?transactionId=1851491952&companyId=1686833050&UniqueScreenId=489682121&displayCriterion=1&ScreenOrderId=4
Eire Born Spirits LLC	S&P Capital IQ	https://www.capitaliq.com/CIQDotNet/Transactions/transactionDetail.aspx?transactionId=713101573&companyId=657883678&UniqueScreenId=489682121&displayCriterion=1&ScreenOrderId=4
Ace Beverage Group Inc.	S&P Capital IQ	https://www.capitaliq.com/CIQDotNet/Transactions/transactionDetail.aspx?transactionId=702218866&companyId=934375&UniqueScreenId=489682121&displayCriterion=1&ScreenOrderId=4
Patron Spirits International AG	S&P Capital IQ	https://www.capitaliq.com/ciqdotnet/Transactions/transactionDetail.aspx?transactionId=550308120&companyId=141003352
General Case Information	The Spirits Business	https://www.thespiritsbusiness.com/2023/02/ten-of-the-biggest-spirits-acquisitions/
Loyal 9 Cocktails	ChatGPT	https://chatgpt.com/c/f5122543-ab4a-413d-b097-309e83264482
Aviation American Gin	ChatGPT	https://chatgpt.com/c/f5122543-ab4a-413d-b097-309e83264482
Licor 43	ChatGPT	https://chatgpt.com/c/f5122543-ab4a-413d-b097-309e83264482
Southern Comfort	ChatGPT	https://chatgpt.com/c/f5122543-ab4a-413d-b097-309e83264482
High West Distillery	ChatGPT	https://chatgpt.com/c/f5122543-ab4a-413d-b097-309e83264482

Auxiliary Item II: Links to Exhibit Data Sources

Item	Source	Source Link
Exhibit 1	FactSet	https://my.apps.factset.com/workstation/navigator/industry/macro-factors/FI2425R1
Exhibit 2	FactSet	https://my.apps.factset.com/workstation/navigator/industry/ma-summary/FI2425R1
Exhibit 3	FactSet	https://my.apps.factset.com/workstation/navigator/industry/ma-summary/FI2425R1
Exhibit 4	S&P Capital IQ	See Auxiliary Item I
Exhibit 5	FactSet	https://my.apps.factset.com/workstation/navigator/industry/constituents/FI2425R1

Auxiliary Item III: Links to Footnote Sources

Footnote	Source	Source Link
1	Fortune Business Insights	https://www.fortunebusinessinsights.com/alcoholic-beverages-market-107439
2	IWSR	https://www.theiwsr.com/how-big-is-the-slowdown-in-the-us-beverage-alcohol-market-and-how-long-will-it-last/
3	IWSR	https://www.theiwsr.com/how-big-is-the-slowdown-in-the-us-beverage-alcohol-market-and-how-long-will-it-last/
4	National Library of Medicine	https://www.ncbi.nlm.nih.gov/pmc/articles/PMC817736/
Other	Distilled Spirits Org.	https://www.distilledspirits.org/news/distilled-spirits-council-annual-economic-briefing-reaching-historic-milestone-u-s-spirits-revenues-take-share-lead-of-total-u-s-beverage-alcohol-market-in-2022/

Important Disclosures

This document was produced by Vertige Investment Group for internal use, direct publication, or direct distribution to clients; distribution to or by unauthorized parties is strictly forbidden. Prior to making any decision to invest in a public security, investors should seek their own legal advice and be aware of any legal considerations relevant to making, maintaining, or divesting such investment.

Vertige Investment Group is a student organization based at the University of Toronto, established to provide its members with opportunities to engage in financial research and develop their understanding of the finance industry. **It is important to understand that Vertige Investment Group is not an incorporated body, partnership, or legal entity of any kind.** The organization operates purely as an educational entity, driven by students for the benefit of student learning and experience. **The research publications produced by Vertige Investment Group are created with the sole purpose of enhancing educational knowledge and should in no way be interpreted as professional investment advice.** These publications are the result of student efforts, relying on publicly available information and academic resources. Consequently, the accuracy, completeness, and reliability of the research cannot be guaranteed. **The content presented is intended to foster academic discussion and learning among students and should not be used as the basis for making real-world investment decisions. Members of Vertige Investment Group are students who do not possess any professional licenses or certifications. They engage in research activities as part of their educational development, without the oversight or endorsement of any regulatory bodies.** The insights and analyses presented in Vertige's publications reflect the students' academic understanding and interpretations, and not those of certified financial professionals. Given these circumstances, it is crucial for readers and recipients of Vertige Investment Group's research publications to exercise caution and seek advice from certified financial advisors before making any investment decisions. Vertige Investment Group disclaims any responsibility for any losses or damages incurred as a result of relying on the information contained in its publications.

This document is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of, or located in, any locality, state, country, or other jurisdiction where such distribution, publication, availability, or use would be contrary to law or regulation. The securities discussed in this document may not be eligible for sale in some jurisdictions. This research is not an offer to sell or a solicitation of an offer to buy any security in any jurisdiction where such an offer would be illegal. It does not constitute a personal recommendation nor does it take into account the particular investment objectives, financial situations, or needs of individual readers. Information in this report should not be construed as advice designed to meet the individual objectives of any particular investor. **Investors should not consider this report as a factor in making their investment decision.** Consultation with your investment advisor is recommended. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur.

The information provided is as of the date indicated and is subject to change. It should not be deemed a recommendation to buy or sell any security. **Certain information has been obtained from third-party sources we consider reliable, but we do not guarantee that such information is accurate or complete.** Members of the Vertige Investment Group may have information that is not available to the contributors of the information contained in this publication.

Vertige Investment Group, including affiliates and members, may execute transactions in the securities listed in this publication that may not be consistent with the ratings appearing in this publication. All expressions of opinion reflect the judgment of the Research Department of Vertige Investment Group or its affiliates as of the date of publication and are subject to change. Vertige Investment Group, including affiliates and members may perform services for, or solicit business from, any company mentioned in this document.

Research reports by Vertige Investment Group are disseminated and made available for educational purposes via electronic publication on our internal proprietary websites. Not all research reports are directly distributed to external platforms or aggregators. Certain research reports may only be disseminated on our internal proprietary websites; however, such research reports will not contain estimates or changes to earnings forecasts, target price valuations, or investment or suitability ratings. Individual Research Analysts may also opt to circulate published research to select individuals electronically. This electronic communication distribution is discretionary and is done only after the research has been publicly disseminated via our internal proprietary websites. The level and types of communications provided by Research Analysts to recipients may vary depending on various factors, including but not limited to, individual preference regarding the frequency and manner of receiving communications from Research Analysts. For research reports, models, or other data available on a particular security, please visit our proprietary websites or contact Vertige Investment Group directly.

ANALYST INFORMATION

At Vertige Investment Group (VIG), all roles, including those of Equity Research analysts, associates, vice presidents, and managing directors are held by students on a voluntary basis. As a student organization at the University of Toronto, VIG does not offer financial compensation for any position. Instead, members gain valuable experience, skills, and educational growth through their participation in research activities and other club initiatives. Factors contributing to the evaluation of an analyst's performance at VIG include: (i) Quality and overall productivity of research, including the accuracy and depth of analysis; (ii) Recognition and feedback from peers and academic mentors; (iii) Effectiveness in supporting and collaborating with other club members; (iv) Contributions to club initiatives and research publications; and (v) Engagement and active participation in VIG events and meetings.

The analyst(s) responsible for the preparation of this research report, George Runoff and Braden Keil, attest to the following: (1) that the views and opinions rendered in this research report reflect their personal views about the subject companies or issuers, and (2) that no part of the research analyst's work was, is, or will be directly or indirectly related to specific recommendations or views in this research report. Additionally, said analyst(s) has not received any form of compensation from any subject company. All research conducted and published by VIG is for educational purposes only and does not constitute professional investment advice.

VERTIGE INVESTMENT GROUP RELATIONSHIP DISCLOSURES

The person(s) responsible for the production of this communication declare(s) that, to the best of their knowledge, there are no relationships or circumstances (including conflicts of interest) that may in any way impair the objectivity of this research. This applies equally to any individuals closely associated with them. It is possible, however, that the individuals involved in this communication may have holdings in the financial instruments discussed, and any such holdings will be disclosed. Vertige Investment Group has protocols in place to manage and mitigate such risks to ensure the integrity and objectivity of our research.

RISK FACTORS

General Risk Factors: The following are some general risk factors that pertain to the businesses of the subject companies and the projected target prices and recommendations included in Vertige Investment Group's research: (1) Industry fundamentals, such as customer demand or product/service pricing, could change and adversely impact expected revenues and earnings; (2) Issues relating to major competitors, market shares, or new product expectations could change investor attitudes toward the sector or the stock in question; and (3) Unforeseen developments related to the management, financial condition, or accounting policies or practices could alter the prospective valuation.