



Ashley Rountree

2019: the year in review — a banker's perspective

Last year was a busy one for mergers and acquisitions in spirits, with a lot of the big boys active in the market. Bacardi, Pernod Ricard, Rémy Cointreau, Brown-Forman, Campari, Heaven Hill and E&J Gallo all made acquisitions during the year. While 2019 was mostly about gins and whiskies (including Bourbon), Campari bought Trois Rivières, a rum agricole — not a category that usually draws a lot of deals.

It's (still) raining gin...

You will remember that 2018 was already the 'year of the gin', with transactions on Martin Miller's, Puerto de Indias, Ungava and Aviation gins. This year was further proof — if any was needed — that we are having a gin moment.

Four very visible early stage gin brands traded in 2019. Brown-Forman picked up Ford's Gin. Ford's is the most successful brand in the portfolio Simon Ford launched in 2012 under the name the 86 Co. targeting bartenders, with the help and input of the founders of New York's Employees Only speakeasy. Ford's is made at Thames Distillers in London and bills itself as 'the cocktail gin', very mixable and aimed squarely at the speed rail in high-end and trendy saloons. The bottle is ergonomically designed to please bartenders, with a long neck and middle grip coupled with a simple screwtop cap. Brown-Forman will be looking to take the brand to the next level, principally in the US market.

Pernod Ricard also brought two new gins into the fold this year: Malfy, the Mediterranean wonderchild of Elwyn Gladstone, and Inverroche, the South African star created by Lorna Scott seven years ago. When Mark Teasdale traded in his position as CEO of Proximo Spirits last year to join his old colleague Elwyn Gladstone in a small startup, industry observers expected that there would be more news to come. Indeed, barely a year later, Pernod Ricard emerged as the winner in a discreet but competitive bidding war for Malfy. Pernod now has one of the most impressive gin stables in the business, as Malfy and Inverroche have joined Monkey 47, Ungava and Plymouth, not to mention Beefeater and Seagram's.

It is rumored that Pernod Ricard would have liked to have bought Four Pillars too, but that went to Kirin Beer via its Australian subsidiary Lion Pty Limited. Created in 2013 by Stuart Gregor and Cameron McKenzie — a wine guy and a marketing guy — the brand has taken Australia by storm with its high-quality liquid and bottle that has 'craft' written all over it.

Pernod is on a tear...

Pernod Ricard was the industry's hyperactive child this year, with five significant acquisitions across the board. The official line from corporate is that Alexandre Ricard is moving ahead as expected with the 'Transform & Accelerate' plan for the group. Unofficially, the arrival of Elliott Management does seem to be having the desired effect of pushing on the throttle.

In addition to the two gin acquisitions noted (Malfy and Inverroche), Pernod Ricard last year acquired Rabbit Hole Whiskey and TX Whiskey, craft Bourbons and whiskey to join Smooth Ambler, and Castle Brands, which includes Jefferson's Bourbon, as well as Goslings rum and ginger beer, a couple of Irish whiskies in Knappogue Castle and Clontarf, Pallini limoncello, and a few others. Perella Weinberg, improbably, had been hawking Castle Brands for over two years without finding a buyer, until Pernod changed its mind and stepped up. At less than 3x revenues, Castle Brands looks cheap. But the group is a hodgepodge of brands, distribution rights, cross-party agreements, and a mix of spirits and ginger beer.

Sometimes marriage looks a lot like divorce...

Also in 2019, Bacardi acquired Stillhouse. The founder Brad Beckerman, who made the leap from clothing design to a very successful and disruptive innovation in spirits, was the first to put quality whiskey into what looks like a turpentine can. Sized like a hip flask, the package and the brand found a proud partner in G-Eazy, the rapper-composer out of Oakland.

As the story goes, Beckerman was given two minutes to pitch the brand to a tableful of executives at Walmart. He stood up, grabbed a fire engine red can of Stillhouse Whiskey off the table and dropped it to the concrete floor. Before the echo of the can had subsided, Walmart had signed up for 1,000 cases.

Bacardi was a minority investor in the brand, but somewhere along the line the relationship with Beckerman grew testy. Depending on whom you believe, either Bacardi was not delivering enough support, or Beckerman was not delivering enough results. By March of last year, Beckerman was suing Bacardi for \$100m. In November, Bacardi acquired the brand and the suit was dropped. Beckerman will be following other pursuits...

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