

Sector View

Spirits

Constellation acquires High West Distillery

	1 M	3 M	6 M	31/12/15
Food & Bev.	-1.1%	1.1%	4.8%	0.9%
DJ Stoxx 600	-1.2%	4.9%	3.5%	-5.4%

*Stoxx Sector Indices

Companies covered

CAMPARI	BUY	EUR10,5
DIAGEO	NEUTRAL	2100p
PERNOD RICARD	NEUTRAL	EUR112
REMY COINTREAU	BUY	EUR84

ANALYSIS

- Yesterday Constellation announced it had agreed to purchase Utah craft whiskey producer High West Distillery, beating rivals such as Moet Hennessy and Pernod Ricard. The price was not disclosed but was rumoured to be around USD150m. Constellation has been an aggressive acquirer over the past 18 months, adding nearly USD2bn worth of new business.
- High West Distillery has shown double digit volume growth year on year for the past three years. It currently sells around 70,000 cases a year, across a portfolio including four core products: American Prairie Bourbon, Double Rye!, Rendezvous Rye and Campfire. The company was founded in 2004 by David and Jane Perkins and now has four locations. In 2015, it opened its own distillery, which strengthened its craft credentials.
- Craft spirits launches increased by 265% between 2011 and 2015, according to Mintel. Today, one in seven launches is positioned as craft. Faced with this phenomenon, spirits groups are revamping their communication, creating limited editions/new brands and trying to acquire some of these craft brands. The last deals were Angel's Envy by Bacardi in 2015 and Monkey 47 by Pernod Ricard at the beginning of 2016. They have also created corporate venture capital firms to identify the opportunities (Distill Ventures of Diageo or Constellation Ventures)

NEXT CATALYSTS

- Rémy Cointreau: Q2 2016/17 sales on 18th October
- Pernod Ricard: Q1 2016/17 sales on 20th October

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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