

# Burn Stewart Distillers sold to Distell

Scottish-based CL World Brands and Angostura, owners of Hine Cognac and Angostura Bitters, have sold Burn Stewart Distillers to the Distell Group for R2.2 billion (£160 million).



The agreement involves the purchase of 100% of the equity in Burn Stewart, which includes three single malt whisky distilleries; a blending and maturation facility; a bottling hall; a dry and finished goods storage site and its in-house marketing and distribution functions. All Scotch whisky stocks currently in maturation also form part of the transaction.

The strategic purchase of the fully integrated producer of both blended and single malt whiskies will allow Distell to capitalise on the continuing global growth in whisky consumption and give it access to scarce blended and single malt stocks from prime whisky-producing regions in Scotland, while also enhancing its global footprint.

The deal follows an equal partner venture established in 2007 between Distell and Burn Stewart in which the two parties co-owned and marketed three scotch whiskies - Bunnahabhain, Black Bottle and Scottish Leader, in sub-Saharan Africa.

## International footprint

Burn Stewart is based in East Kilbride, near Glasgow, Scotland. The company employs close to 270 staff. It also operates a sales and marketing branch in Taiwan, the world's fourth biggest Scotch whisky market by volume and it holds a majority stake in a spirits distribution arm in the US. The biggest brand in its portfolio is Scottish Leader, the pre-eminent blended Scotch whisky in its category in Taiwan.

Others are the blended whisky Black Bottle as well as the single malts Bunnahabhain, Deanston, Tobermory and Ledaig. Some have long-established histories dating back to the 18th and 19th centuries. All are recognised for quality excellence on leading competitive platforms. They are sold in over 60 countries and have been making impressive inroads into developing markets.



Jan Scannell, Distell managing director

Commenting on the deal, Distell group MD Jan Scannell said, "The acquisition is a very significant development for the group from a strategic perspective but also, given the rich and proud history and heritage of the brands involved, gives us a foundation from which to build while cherishing their individual traditions.

"Bunnahabhain, the flagship single malt, is made on Islay, considered one of the most prestigious whisky locations by connoisseurs. There are only eight distilleries on the island, so we are extremely fortunate to acquire this very highly ranked brand.

"Tobermory is the only distillery on the Isle of Mull, one of the most popular tourist spots in Scotland, while the home of Scottish Leader is the Deanston Distillery situated in the Scottish Highlands in Doune near Stirling, close to both Edinburgh and Glasgow and another important destination for whisky enthusiasts."

Scannell confirmed that Scottish Leader, so well established in Taiwan, would give the group a springboard into a country with a growing appetite for other speciality drinks the company offers.

## Growth of whisky market

The Scotch Whisky Association (SWA) data shows that the global whisky market has been one of the fastest-growing

drinks segments and after vodka, is the world's biggest spirit category by volume.

The most recent SWA figures show that for the ten years from 2002 to 2012, sales values rose by 87% to £4,3 billion (R59.9 billion).

Consumption has risen across both developed and emerging markets, notably the UK, the US, Latin America, Eastern Europe, many parts of Asia and key African markets.

In South Africa, the whisky market was worth R6.6 billion for the 12 months to June 2012, representing a value increase of 70% since 2006, according to information published by SA Wine Industry & Information Systems (SAWIS). South Africa is now the sixth largest market for whisky by volume and seventh, by value.

Scannell added, "We have acquired a business with a portfolio of strong brands, backed by a sound production and marketing team. Their expertise is integral to the ongoing success of the company."

Marlon Holder, MD of CL Financial, parent of CL World Brands, said he was confident that Distell, a long-established company dating back to 1925 and with a reputation for successful brand building, would take Burn Stewart to the next level of its international development.

Burn Stewart MD, Fraser Thornton, added, "The close working relationship with Distell over 14 years has amply demonstrated the South African group's capacity, experience and expertise to strengthen and grow the company. We have developed solid synergies with a strong cultural fit between our two entities and are enthused by Distell's plans to recapitalise and advance the business."

The purchase marks the second time in recent years that Distell has invested in a major global spirits acquisition. In 2009, it acquired well-known heritage cognac brand Bisquit from Pernod Ricard. In the four years since then, it has re-established the brand as a major cognac player in global markets, building volumes by double digits across a range of developing markets.

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