



Craft Beer Mergers and Acquisitions

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Over the past several months, 15 notable deals have taken place in the craft beer space, continuing a trend toward consolidation in the industry. While the terms of most transactions remain undisclosed, the deals generally fall into three buckets: 1) strategic deals designed to combine leading brands and brewers and leverage distribution capacity, 2) targeted asset acquisitions designed primarily to expand brewing capacity, and 3) restructuring transactions.

STRATEGIC DEALS

Dogfish Head, Boston Beer Merge

The blockbuster deal of 2019 was the \$300 million merger of Dogfish Head and Boston Beer. The deal combines two of the most creative and independent brewers in the craft space, as well as some of the most well-known craft brands. According to a statement from Sam and Mariah Calagione, founders of Dogfish Head, "More than a dozen of our peers have sold to international conglomerates, while others have come together through platforms bringing a handful of craft breweries together in roll-ups. While neither of those strategies appealed to us, we did realize that Dogfish Head would be a stronger company with the support of our friends at Boston Beer, and vice-versa."

The combined company remains a craft brewer pursuant to the Brewers Association's definition. Sam Calagione, now the second largest individual shareholder of Boston Beer, is expected to join the Boston Beer board of directors in 2020.

Craft Brewers Alliance Acquisitions

On October 10, 2018, Craft Brewers Alliance (CBA), the publicly traded Oregon-based brewing group, announced the acquisition of Cisco



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Brewers, Wynwood Brewing Company, and Appalachian Mountain Brewery, adding their popular brands (and assets) to its portfolio. CBA had previously served as the master distributor for all three brands.

The largest of the three targets was Cisco Brewers. Founded as a winery on Nantucket in 1981, Cisco began brewing in 1995 and remains the only brewery on the island. The structure of the transaction, with an announced value of \$23 million, resulted in CBA owning the Cisco Brewers brand, while leaving Cisco's brewpub properties and retail merchandising, including the original brewery in Nantucket, in the hands of the five Cisco Brewers partners.

In addition to Cisco, CBA acquired Miami-based Wynwood Brewing Company, founded in 2013 by Luis Brignoni. Wynwood became a

wholly owned subsidiary of CBA but will continue to be managed independently. The purchase price was not disclosed.

The third piece of the puzzle was the acquisition of Appalachian Mountain Brewery, a micro-brewery located in Boone, N.C. CBA acquired the Appalachian brand, brewery, and pub for an undisclosed amount.

Of more recent note, on August 23, CBA announced that Anheuser-Busch InBev (A-B), which already owns approximately 30 percent of CBA's outstanding stock, declined to exercise a contractual right to make an offer to purchase the remainder of CBA's stock. A-B elected instead to pay a one-time, \$20 million penalty. Due to A-B's ownership percentage, none of these companies are part of the craft brewer data set.

Anheuser-Busch InBev Acquires Platform Beer

In August, A-B acquired Platform Beer, a regional craft brewer based in Cleveland. A-B's press release called Platform "the fastest growing regional brewery in the United States in 2017." Financial terms were not disclosed.

The acquisition is the latest in A-B's strategic effort to assemble a "Brewer's Collective" of acquired craft breweries. Other members of the Brewer's Collective are 10 Barrel Brewing Co., Blue Point Brewing Company, Breckenridge Brewery, Devils Backbone Brewing Company, Elysian Brewing Company, Four Peaks Brewing Co., Golden Road Brewing, Goose Island Beer Company, Karbach Brewing Co., Veza Sur Brewing Co., Virtue Cider, and Wicked Weed Brewing.

Avery Sells Control Stake to Mahou San Miguel

In April, Avery Brewing of Boulder, Colo. announced that Mahou San Miguel would purchase an additional 40 percent of the company, giving Mahou and its co-investors a total stake of 70 percent. In connection with the increased equity investment, it was announced that Mahou-owned Founders Brewing of Grand Rapids, Mich. would begin brewing its All Day IPA at Avery's facility.

Sierra Nevada Acquires Sufferfest

In February, Sierra Nevada Brewing Company, the third-largest domestic craft brewery, announced the acquisition of Sufferfest Beer Company. Founded in 2016 in San Francisco, Sufferfest is a small, lifestyle-oriented brand, boasting low-gluten offerings and catering to the athletic and young adult communities of Central California. Sierra's first-ever acquisition reflects an awareness of the growing health consciousness among consumers of alcohol beverage products.

R&D Acquires Bull Durham

In January, R&D Brewing Company, a Raleigh, N.C. microbrewery, purchased Bull Durham Beer Company, the first brewery to operate on the premises of a minor league baseball stadium, for an undisclosed sum. R&D is expected to continue producing Bull Durham brands, and no significant operational changes are expected.

Books & Brews Acquires Flat 12

Also in January, Indianapolis-based brewpub chain Books & Brews acquired Flat 12 Bierwerks, a downtown Indianapolis taproom and beer garden. Both will continue in business, leveraging Flat 12's brewing capacity to produce both sets of brands. According to Indiana On Tap, the "Flat 12 brewing system is more than adequate to keep brewing all the Flat 12 beers, expand their portfolio, and make beer for Books & Brews and all the existing and coming stores and franchises."

NOTABLE ASSET/CAPACITY PURCHASES

Erie Brewing Acquires Millcreek

In April, Erie Brewing Company bought out the assets and brewery of local competitor Millcreek Brewing Company, expanding its brewing capacity and entering the brewpub market on the west side of Erie, Pa. Erie Brewing elected not to continue selling Millcreek's brands, instead branding the former Millcreek location as its own.

Willoughby Brewing Co. Purchases Buckeye

On September 1, 2018, Willoughby Brewing Co., an Ohio craft brewer, announced the purchase of the brewing assets of the former Buckeye Brewing Co. in Cleveland. The main motivation for the purchase was to secure greater

production for Willoughby's own brands, increasing draught and retail distribution.

Lupulin Acquires Hydra

In June, Lupulin Brewing Co. of Big Lake, Minn. acquired the assets of Hydra Beer Co. of Sioux Falls, S.D. Lupulin announced its intention to convert Hydra's brewing and taproom operations into its own, expanding the Lupulin brand outside of Minnesota.

RESTRUCTURINGS

Weyerbacher Sells Controlling Stake

In April, Weyerbacher Brewing Company, a craft brewer based in Easton, Pa., announced the sale of a controlling stake, reported to be approximately 55 percent of company stock, to 1518 Holdings, a

RECENT CRAFT BREWING M&A

PURCHASER/INVESTOR	TARGET	TARGET SEGMENT	PURCHASE PRICE	# OF YEARS SINCE TARGET'S FOUNDING
1518 Holdings	Weyerbacher Brewing Company	Regional	Undisclosed	24
Anheuser-Busch InBev	Platform Beer	Regional	Undisclosed	5
Books & Brews, LLC	Flat 12 Bierwerks, LLC	Brewpub	Undisclosed	9
Boston Beer Company	Dogfish Head*	Brewpub/Regional	\$300M	24
Craft Brewers Alliance	Cisco Brewers*	Brewpub	\$23M	24
Craft Brewers Alliance	Wynwood Brewing Company	Regional	Undisclosed	6
Craft Brewers Alliance	Appalachian Mountain Brewery	Microbrewery	Undisclosed	6
Erie Brewing Company	Millcreek Brewing Company	Microbrewery	Undisclosed	4
Helltown Brewing	Rivertowne Brewing Company	Asset purchase	\$2.1M	12
Lupulin Brewing Company	Hydra Beer Company	Asset purchase	Undisclosed	4
Mahou, SA and Canal Street Brewing Co.	Avery Brewing Company, LLC	Regional	Undisclosed	26
R&D Brewing	Bull Durham Beer Company	Microbrewery	Undisclosed	4
Schlafly family investors	Saint Louis Brewery (under majority ownership of Sage Capital, LLC)	Regional	Undisclosed	28; 7 years since Sage Capital had taken majority stake
Sierra Nevada Brewing Company*	Sufferfest Beer Company	Microbrewery	Undisclosed	3
Willoughby Brewery	Buckeye Brewing Co.	Asset purchase	Undisclosed	21 (Ceased operations after 20 years)

*Disclosure: Represented in the transaction by McDermott Will & Emery, LLP

Philadelphia private equity fund. In conjunction with the equity sale, Weyerbacher also filed for Chapter 11 bankruptcy protection to restructure its debt. Weyerbacher and 1518 Holdings have indicated that the goal is to implement an ESOP, which will be a significant part of the private equity fund's ultimate exit strategy. In the meantime, Weyerbacher has indicated that it will begin offering contract brewing services to other Pennsylvania brewers in a bid to use its excess capacity.

Helltown Brewing Acquires Rivertowne

Monroeville, Pa.'s Rivertowne Brewing declared bankruptcy in May 2018. Helltown Brewing won the court auction for Rivertowne's assets with a bid of \$2.1 million. The purchase agreement sold movable assets, such as machinery and equipment, as well as Rivertowne's licenses. The acquisition allows Helltown to expand operations and meet a growing demand. The company stated that "with this purchase, we are able to greatly increase production, including cans, of Helltown's beer."

Schlafly Family Reacquires Control of Saint Louis Brewery

In 2012, as part of a succession plan, founders Dan Kopman and Tom Schlafly sold a controlling stake in Saint Louis Brewery to local investment fund Sage Capital. This past May, after a period of declining sales (according to Brewbound), a new investor group led by David Schlafly, cousin of Tom, purchased the stakes of a number of equity holders, giving the Schlafly family control of 80 percent of the company. Sage Capital will retain a 20 percent stake. Financial details were not disclosed.

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