

Diageo buys Clooney & Co's Casamigos tequila for \$1bn

Diageo reports that it has entered into 'a definitive agreement' to buy the Casamigos Tequila brand - valued at up to \$1bn - from its founding partnership comprising (actor) George Clooney, Rande Gerber and Mike Meldman.



Diageo claims that the brand is 'the fastest growing super-premium tequila brand in the US', with this acquisition bringing Diageo into both the fast growing US and international tequila markets.

The drinks company says it has agreed to pay the owners \$700m as a first down payment for the company, followed by the other \$300m based on a performance linked earn-out over 10 years. Diageo adds that this reflects 'the brand's exceptional growth trajectory and upside potential'.

The drinks giant commented: "Casamigos was created in 2013 by founders Rande Gerber, George Clooney and Mike Meldman. The essence of the brand, 'made by friends for friends', is reflected in the name, Casamigos or 'house of friends'.

THE BRAND SOLD 120,000 CASES IN 2016

"Since inception Casamigos has received numerous awards and accolades from tequila experts, taste makers and influencers across the US. Casamigos has an authentic brand identity with a smooth and accessible taste profile. The brand's quality and uniqueness has delivered impressive growth, reaching 120,000 cases in 2016, primarily in the US, and a CAGR of 54% in the last two years. The brand is on track to reach over 170,000 cases by the end of 2017.



"To date, the founders have built a brand that has thrived under their organic approach in reaching and expanding their "house of friends", and they will continue to promote the brand and provide their leadership and vision.

"We are delighted that the founders will have continued involvement and active participation in the future success of Casamigos. This, combined with the strengths of Diageo, will ensure the continued momentum of the brand in the US as well as realising the growth opportunity from international expansion."

Diageo says that the transaction - which is clearly premium-priced - is expected to be completed in the second half of this calendar year, although it is obviously subject to regulatory clearance. Diageo says it hopes to make a profit with the brand in the fourth full fiscal year post-completion. In addition, it adds that it will pay for the brand with a mixture of 'existing cash resources' and new debt (borrowings).

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The three varieties of Casamigos Tequila.
(Click to enlarge).

Commenting on the transaction, Ivan Menezes, CEO at Diageo said: "We are delighted to announce this transaction today to extend our participation in the tequila category. It supports our strategy to focus on the high growth super-premium and above segments of the category."

INTERNATIONAL MARKETS WILL PLAY A BIG ROLE

"With the global strength of Diageo we expect to expand the reach of Casamigos to markets beyond the US to capitalise on the significant international potential of the brand. We look forward to building on the remarkable success of Casamigos to date."

Adding her comments, Deirdre Mahlan, President Diageo North America said: "I am excited by the opportunity to bring Casamigos into the Diageo portfolio which allows us to further penetrate this exciting and high-growth category."

We believe Casamigos will play a complementary role alongside Tequila Don Julio. We look forward to partnering with Rande, George and Mike to realise the full potential of the brand."



George Clooney (right) with friends in the Casamigos Agave Fields.

Last, but not least, Casamigos Tequila Co-founder Rande Gerber said: "We are extremely excited to team up with one of the largest, most respected spirits companies in the world."

What started from a friendship and an idea to create the best tasting, smoothest tequila as our own house tequila to drink and share with friends has quickly turned into the fastest growing super-premium tequila.

"Casamigos has always been brought to you by those who drink it and we look forward to continuing that, working alongside the expertise and global reach of Diageo. Now even more people will be able to enjoy and experience our love and passion for Casamigos."