

Bacardi to acquire Patrón in \$5.1bn deal

 By Lauren Hartzenberg

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NEWSWATCH: Family-owned global spirits maker Bacardi Limited has acquired 100% ownership of Patrón Spirits International and its Patrón tequila brand. The transaction values the tequila company at \$5.1 billion and is expected to close in the first half of 2018.



The deal is described as one of the [largest liquor deals](#) in recent years, coming days after Pernod Ricard bought out Avion Tequila and months after Diageo bought [George Clooney's Casamigos](#) tequila for up to \$1 billion.

Bacardi, which is the world's largest privately held spirits company, initially acquired a 30% stake in Patrón Spirits International in 2008. Bacardi adds the premium tequila to its brand stable that includes Grey Goose vodka, Bombay Sapphire gin, Dewars whisky, Martini and Cazadores tequila.

Fast-growing segment

According to the most recent IWSR data, this transaction will make Bacardi the number one spirits player in the super-premium segment in the U.S. and the second largest spirits company in market share by value in the United States market. "Tequila is one of the fastest-growing and most attractive categories in the spirits industry, with Patrón being the clear market leader in the super-premium segment. Super-premium brands continue to experience the fastest growth, and the trend is expected to continue," stated Bacardi in the [press release](#).

According to market research provider Euromonitor International, almost 291 million litres of tequila have been sold in 2016 globally, with the US and Mexico representing the largest markets. The data also shows that Bacardi ranks 11th in the global tequila market with 1.7% company shares in 2016.

Mahesh Madhavan, CEO of Bacardi Limited, commented: "Adding Patrón to the Bacardi portfolio creates a tremendous opportunity for the brand outside of the United States as Bacardi's international distribution network will help grow Patrón around the world, increasing scale in the U.S. and globally."

Patrón was founded by entrepreneurs John Paul DeJoria and Martin Crowley. Once the acquisition closes, DeJoria will serve as chairman emeritus for the Patrón brand. He plans to work with Bacardi on philanthropic projects and environmental consciousness, according to the company.

"We started this business more than a quarter century ago with a singular mission – to create an ultra-premium, luxury tequila," said DeJoria. "Today, with that continued commitment to quality and several other extraordinary brands in our portfolio, we produce more than three million cases of distilled spirits annually that are enjoyed around the world. I am proud of what our entire organisation has accomplished, and the work we do in giving back to the people and communities in which we operate."



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Portfolio premiumisation

Jeremy Cunningham, project manager – drinks, tobacco and packaging, at Euromonitor International, weighed in on the deal: "There is little surprise in Bacardi's acquisition of Patrón due to its existing minority stake in the company and the fact that all its major rivals have a super-premium tequila brand.

"The price, while seemingly high, too is not a surprise, with the dearth of high-quality brands available making it a seller's market. At least this one has the advantage of buying an established brand and with strong revenues rather than potential as many of the other recent acquisitions such as Diageo's one of Casamigos or Pernod's of Smooth Ambler bourbon/other US whiskey and thus a better chance of getting a return on investment."

However, Cunningham continued that while the purchase will broaden the category spread of Bacardi and give a much needed premiumisation boost to its portfolio, the US-centric brand will do nothing to help Bacardi's other major weakness: a narrow geographic spread based on North America and Western Europe.

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