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Stock Spirits Group PLC acquire Distillerie Franciacorta

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Acquisition of Distillerie Franciacorta SpA in Italy establishes Stock Spirits as the leading branded grappa player in the Italian Off-Trade and includes acquisition of spirits brands with the prestigious Franciacorta provenance.

Stock Spirits Group PLC is pleased to announce that it has signed an agreement to acquire Distillerie Franciacorta SpA, one of the leading Italian producers of grappa, liqueurs and Franciacorta – a premium Italian sparkling wine that is produced solely in the Franciacorta region.

Founded in 1901, Distillerie Franciacorta is owned by the Gozio family and is located in Franciacorta, in the Lombardy region of Italy. Stock Spirits is acquiring the entirety of Distillerie Franciacorta's spirits and liqueurs business, together with land for the construction of a new production facility. It will also acquire the prestigious Franciacorta wine brands, although all aspects of the wine manufacturing will be retained by the vendor. As part of this transaction, Stock Spirits will also take a long-term lease of the historic Borgo San Vitale site, the distillery and visitor-centre that is an integral part of Distillerie Franciacorta's heritage. Stefano Gozio, one of the selling shareholders of Distillerie Franciacorta and a member of the founding Gozio family, will continue to act as a brand ambassador and consultant to Distillerie Franciacorta.

The grappa category is Italy's fourth largest spirits category, and the total premium price segments in which the Franciacorta brands are positioned grew by 5.0% in value from 2016 to 2017 (IWSR 2018). The acquisition will mean that Stock Spirits will be the number one branded grappa business by value in the Italian Off-Trade.^[i] Stock Spirits sees clear synergies with its existing operations, both in the On-Trade, where Stock Spirits can leverage Distillerie Franciacorta's strong presence, and in the Off-Trade, where the acquired brands will benefit from Stock Spirits' current strengths.

The purchase price is up to €23.5 million for the Business with a further €3m for the land, payable in cash in three tranches: an initial payment of €3.0 million upon signing (refundable if the vendors do not complete agreed conditions precedent); a further €21.5 million payable at completion; and up to €2.0 million deferred consideration payable over a four-year period.

Completion of the acquisition is conditional upon consultation with trade unions as well as certain restructuring steps, and is expected to occur in the second quarter of the year.

Sales in the year ended 31 December 2018 (unaudited) for the Business to be acquired were €9.7 million, its pro-forma operating profit (i.e. as if the business had been under Stock Spirits ownership during the period) was c. €2.0 million (excluding acquisition one-offs and the costs of integration), and the value of the gross assets of the Business is estimated to be c. €12.0 million at completion. The key assets that are being acquired are the brands. The fair value of these brands and any subsequent goodwill created from the acquisition will be calculated at completion. Stock Spirits anticipates that the acquisition will be earnings neutral in the first complete year of ownership and earnings enhancing thereafter, when it is expected to exceed the cost of capital.

Commenting on the acquisition, Mirek Stachowicz, Chief Executive of Stock Spirits, said:

"We are delighted to be acquiring Distillerie Franciacorta, which is a business with a fantastic heritage and outstanding brands. This is a truly compelling opportunity that we have been looking at for more than a year now, and we see clear and attractive synergies with our existing Italian operations. Distillerie Franciacorta's deep expertise in local, premium products resonates strongly with Stock Spirits' wider strategy of investing in well-loved national brands with genuine and high quality provenance.

This is our first step in pursuing in-market consolidation opportunities in Italy, and Distillerie Franciacorta will strengthen our position in what is a fragmented but highly attractive market for us. It should also be seen as a clear reflection of our willingness to undertake value-creating M&A as part of our four pillar growth strategy. We welcome Stefano and look forward to working with him in the next phase of the Distillerie Franciacorta story.”

Stefano Gozio of Distillerie Franciacorta said:

“We are delighted that a business that so clearly understands our values, brands and heritage is acquiring Distillerie Franciacorta. Mirek and his team at Stock Spirits have made it clear that they will nurture and grow the Franciacorta brands, and that they realise the importance of maintaining production locally. We are thrilled to be joining their operations, and look forward to an exciting new chapter for everyone associated with Distillerie Franciacorta.”



Source: Estimate of unified business being number one number by value is based on IRI total Italy, total Grappa, total off trade, MAT value to end December 2018

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Distillerie

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Solar House, Mercury Park, Wooburn Green,
Buckinghamshire, HP10 0HH, United Kingdom

Tel: +44 1628 648500 (tel:01628648500) Fax: +44 1628 521366 (fax:01628521366)