

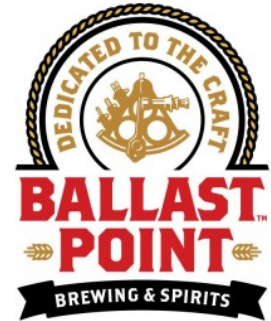
Constellation Brands to Borrow \$400 Million for Ballast Point Transaction

Chris Furnari | Nov. 20, 2015 at 7:18 PM

Constellation Brands will borrow \$400 million to help finance the \$1 billion purchase of San Diego's Ballast Point Brewing, the company [said in a statement](#). The cross-category beverage alcohol producer has tapped a banking syndicate that includes Bank of America Merrill Lynch, J.P Morgan Securities, Rabo Securities, Wells Fargo Securities, SunTrust Robinson Humphrey, Mitsubishi UFJ Securities, Goldman, Sachs & Co., Scotia Capital, Barclays Capital and BBVA Securities.

Constellation Brands will pay a 4.75 percent interest rate on a semi-annual basis (June 1 and Dec. 1), according to filings, and it has until 2025 to repay the loan.

In the statement, the company said it also expects the acquisition of Ballast Point, announced Monday, to close on Dec. 4.



One financial advisor Brewbound spoke to noted that the total [\\$1 billion price tag](#) and the \$400 million of bank financing aren't particularly large sums relative to industry norms, despite the fact that Ballast Point's 2015 earnings are only expected to [hit \\$32 million](#).

"I would say that 40 percent of the total acquisition price is a fairly light debt load," said Matt Franklin, a principal at advisory firm Zepponi & Company, a beverage alcohol advisory firm. "You usually see these companies borrow even more than that. I wouldn't say that it is an overleveraged deal, especially if they are able to realize growth prospects."

Indeed, Constellation is betting on its ability to scale Ballast Point as well as a vast nationwide network of wholesalers that already sell two of the top 10 beer brands in the country — Corona Extra and Modelo Especial are part of the Grupo Modelo portfolio, the rights to which Constellation owns in the U.S.

"This will allow Constellation to go and map out the remaining distribution network for Ballast Point across the U.S.," said Franklin. "I think it will be a great fit for them. They have long-term aspirations to be a big player in the U.S. beer market and now, with Ballast Point, they can go out and be an international player too."

[Wall Street](#) appears to be buying in too. Since the news was [first announced on Monday](#), Constellation's stock has traded up and had at one point hit a lifetime high of \$139.50 per share on Friday morning.

"The banks are buying into the fact that the business is growing significantly and that Constellation will be able to continue to dramatically grow Ballast Point's business," said Craig Farlie, an investment banker with knowledge of the craft beer business.

Nevertheless, Constellation's decision to spend \$1 billion on Ballast Point shows that buyers are betting on the continued growth of craft and indicates how competitive the landscape has become.

"I've seen the questions and concerns out there about the level of debt," said Franklin. "They were looking for something like this, they felt compelled to make this acquisition and I think they are going to be able to do really well with it."