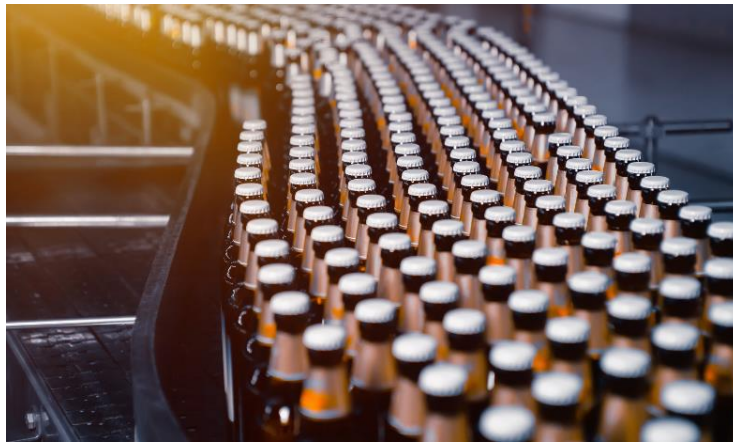


THE GROWING CONFLUENCE BETWEEN ALCOHOL AND CANNABIS: A-B SELLS CRAFT BRANDS TO TILRAY



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By: Regulated Products Section Chair [Richard Blau](#)

In a move signaling the continuing confluence between alcohol and cannabis, Tilray Brands, Inc. (Nasdaq | TSX: TLRY), a global cannabis-lifestyle and consumer packaged goods company, yesterday announced that it has entered into a definitive agreement to acquire eight beer and beverage brands from Anheuser-Busch (NYSE: BUD).

Assuming satisfaction of customary closing conditions, Tilray Brands will acquire the following:

1. Shock Top
2. Breckenridge Brewery
3. Blue Point Brewing Company
4. 10 Barrel Brewing Company
5. Redhook Brewery
6. Widmer Brothers Brewing
7. Square Mile Cider Company
8. HiBall Energy

Initiated through outreach from Tilray to A-B, the transaction includes current employees, breweries, and brewpubs associated with these brands. Tilray will gain four production facilities spread between (i) Littleton, Colorado; (ii) Patchogue, NY; and (iii) Bend and (iv) Portland, Oregon, bringing Tilray's total number of production facilities to six. Tilray also will gain brewpub locations in Breckenridge and Littleton,

Colorado; Boise, Idaho; Patchogue, New York; Bend and Portland, Oregon; and Seattle, Washington, bringing Tilray's total number of brewpubs to 12. The purchase price will be paid in all cash, and the transaction is expected to close in September 2023.

Some have suggested this is a sign of A-B leaving the craft beer world – far from it. Among the synergies of this transaction, Tilray expects its distribution relationships through the Anheuser-Busch system to strengthen the company's distribution footprint nationwide. It is also important to note that even after the transaction, A-B still owns at least a dozen craft beer brands that comprise approximately two million barrels of volume, including:

- Cisco Brewers
- Devils Backbone
- Elysian
- Four Peaks Brewing Co.
- Golden Road
- Goose Island
- Karbach Brewing
- Omission Brewing
- Platform Brewing
- Veza Sur Brewing Co
- Wicked Weed Brewing
- And Wynwood Brewing

So, why the acquisition by Tilray?

1. The Tilray acquisition cost the company \$85 million in cash, subject to working capital and certain other adjustments. In return, the expected sales volume of the acquired brands will elevate Tilray to the 5th largest craft beer business position in the United States, up from the 9th spot with its current brands SweetWater Brewing Company, Montauk Brewing Company, Alpine Beer Company, and Green Flash Brewing Company. Tilray also owns the Happy Flower line of CBD-infused sparkling non-alcohol cocktails and spirits brands produced by the Breckenridge Distillery.

2. Revenue for Tilray's U.S. alcohol beverage portfolio is expected to total around \$300 million post-Closing. Moreover, the acquisition makes Tilray's Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) positive, and the acquired brands are immediately EBITDA positive to Tilray's overall business.

3. Perhaps most telling, in just three years, Tilray has solidified its leadership position in the craft beer industry and intends to be that change agent that reinvigorates the sector through synergies merging alcohol and cannabis.

Wall Street appears to agree with Tilray's thinking. One day after announcing its deal with A-B, Tilray stock jumped 32%. That means the stock has almost doubled its value from the low point reached in mid-June of this year.

What to make of this?

Tilray touts itself as "the most responsible, trusted and market leading cannabis consumer products company in the world with a portfolio of innovative, high-quality, and beloved brands that address the needs of the consumers, customers, and patients we serve." A pioneer in cannabis research, cultivation, and distribution, Tilray's production platform supports over 20 cannabis-derived brands in over 20 countries, including comprehensive cannabis offerings, hemp-based foods, and craft beverages.

Tilray executives have publicly commented that when federal cannabis legalization finally occurs, the company expects to leverage its (i) growing leadership position, (ii) wide distribution network, and (iii) portfolio of recognized beverage and wellness brands to include THC-based products to maximize multi-segment commercial opportunities."

The beverage world is changing rapidly, and this transaction is the latest manifestation of the direction forward.

[Richard M. Blau](#) leads the GrayRobinson Regulated Products Section and oversees the firm's legal guidance, compliance, and support services for the alcohol beverage, cannabis, food, and tobacco products industries. Richard and his colleagues focus on the rules, regulations, and business practices that govern the marketing, sale, and consumption of international importers and domestic producers, processors and regional distributors, and retailers. Richard has achieved numerous peer-related accolades for his legal work, including Chambers and Partners – nationally ranked as "Band 1" for food and alcohol beverage law; Best Lawyers® in America – nationally listed for food and beverage law; and Super Lawyers – elected member.

