CASE STUDY

Campari

CAMPARI

Brief

In 2009, Campari SPA acquired the Wild Turkey Kentucky bourbon brand from Pernod Ricard under an asset purchase agreement for $582 million. Intangible Business Ltd was appointed to value the assets and liabilities acquired under IFRS 3. The assets and liabilities acquired included the Wild Turkey brand, goodwill, inventories, fixed assets, current assets and liabilities (excluding receivables and liabilities from Pernod affiliated companies) and pension liabilities.

Approach

Intangible Business determined the fair value of the assets and liabilities and quantified the goodwill on the acquisition. The principal assets acquired were the Wild Turkey brand, maturing stocks, barrels, finished goods stocks (US, Japan & Australia) and the distillery in Lawrenceburg, Kentucky, and nearby warehousing facilities.

Intangible Business identified that the value of barrels excluded their residual value and recommended an alternative accounting methodology to ensure compliance with IAS 2 and IAS 16.

The fair value of maturing inventory was determined by ascertaining third party traded prices for bulk maturing bourbon. The fair value of finished goods stock and bulk maturing stock included a “step up” based on the price that an own label manufacturer would be prepared to pay to bottle and distribute through its own channels. This recognises that the value of the Wild Turkey brand is embedded in the finished product when it enters an authorised distribution channel and not by the process of bottling and labelling. Consumer demand has been created by the combination of brand marketing and investment in distribution channels. Consumers recognise, and are willing to pay a brand premium, when the product authenticity is assured by acquisition through a recognised and trusted source. Consequently, the fair value of finished goods stock is determined by ascertaining the price that an unbranded distillery would obtain for product supplied to a multiple chain for sale as an own label product.

Service
IFRS 3 valuation

Territory
Worldwide

Sector
Alcoholic beverages

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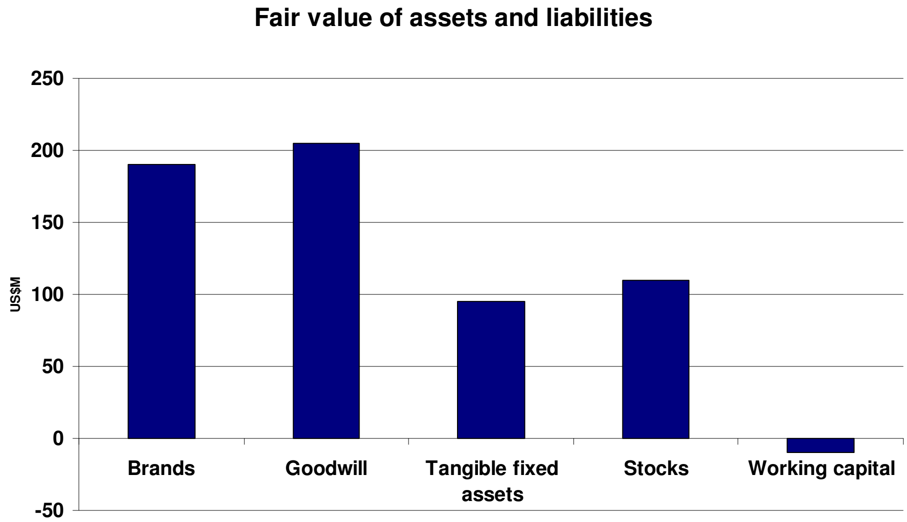
The Wild Turkey brand was valued by aggregating the fair values of each of the individual brands within the portfolio. We used a method based on relief from royalty methodology and utilised DCF techniques. To facilitate the valuation Intangible Business performed (i) a detailed review of each brand by key market, (ii) benchmarked products against competitor products, and (iii) recalculated the standard costs of each product to take into account the fair value of maturing stocks and changes to warehousing and distribution costs following acquisition.

Intangible Business appointed valuation experts for land and buildings, plant and machinery and coordinated their activities from its London office.

Intangible Business produced technical papers and supporting documentation to support each valuation and worked closely with Campari's auditors, Ernst & Young.



Result

Our analysis supporting IFRS3 was supported by the auditors and formed the basis for the purchase price allocation within the 2009/10 statutory accounts.

INTANGIBLE BUSINESS

Service	Territory	Sector
IFRS 3 valuation	Worldwide	Alcoholic beverages

Intangible Business Ltd