

SAPPORO HOLDINGS Will Acquire a U.S. Beer Company— Limited Impact on Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the announcement by SAPPORO HOLDINGS LIMITED (security code: 2501) to acquire a U.S. beer company.

- (1) SAPPORO HOLDINGS LIMITED (the "Company") announced today that its Board of Directors has resolved to make Stone Brewing Co., LLC (Stone), which manufactures and sells beer and other products in the United States, a subsidiary. Sapporo U.S.A Inc., a consolidated subsidiary of the Company, will enter into an equity interest purchase agreement to acquire Stone, which is a wholly-owned subsidiary of Stone Brewing Holdings, LLC (Stone Holdings). The purchase price is USD 168 million (additional payment may be made to Stone Holdings depending on Stone's performance), and closing is scheduled to be in the third quarter of 2022. Stone has a beer manufacturing and sales business, a restaurant business, and an alcoholic beverage wholesale business, but the alcoholic beverage wholesale business is excluded from the scope of this acquisition.
- (2) While the Company's domestic beer business is still affected by the COVID-19 pandemic, sales of its own brands in the U.S. have been strong, and securing a production base for future growth has been an issue in its growth strategy. Stone is engaged in the production of Stone IPA and other brands, and has two brewing facilities in the East and West of the United States. The acquisition can strengthen the Company's capability to cope with local market needs and can reduce logistics costs by streamlining the supply chain. Although Stone has been incurring operating losses in recent years (including its alcoholic beverage wholesale business), the production of the Company's brands will help improve the facility utilization rate. On the other hand, at the end of the fiscal year ended December 2021, the Company's equity attributable to owners of the parent was 162.6 billion yen, with a net DER of 1.1x. Although the financial structure is expected to deteriorate somewhat due to the acquisition burden, the acquisition price is not excessive and the impact on the Company's creditworthiness is expected to be limited. JCR will pay attention to whether the synergy effects from the acquisition and other developments will spur a recovery in the Company's business performance.

Mikiya Kubota, Takeshi Fujita

<Reference>

Issuer: SAPPORO HOLDINGS LIMITED

Long-term Issuer Rating: A- Outlook: Stable

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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