Diageo sells 19 non-core brands, including Seagram's and Goldschläger

Alcoholic beverages giant Diageo is selling 19 of its non-priority brands, positioned in the lower-end segment of the US drinks market, to US firm Sazerac for $550m. The decision is motivated by UK-based Diageo wanting to boost growth of its more premium brands in the US, one of its biggest markets.

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The offloaded brands included in the transaction are Seagram’s VO, Seagram’s 83, and Seagram’s Five Star, Myers’s Rum, Parrot Bay rum liqueur, Romana Sambuca, Popov vodka, Yukon Jack whisky liqueur, Goldschläger cinnamon liqueur, Stirrings cocktail mixer, The Club, Scoresby blended Scotch, Black Haus liqueur, Peligroso Tequila, Relska vodka, Grind espresso spirit, Piehole whiskey liqueur, Booth’s gin and John Begg blended Scotch.

The deal is expected to generate an "exceptional gain on disposal" of approximately $141.5 million for Diageo. The Johnny Walker maker has also agreed to enter into long-term supply contracts with Sazerac on completion for five of the brands each for a period of ten years. Supply of all other brands will transition to Sazerac within a one year period from completion.

Sazerac is one of America’s oldest family-owned, privately held distillers and is best known for its Southern Comfort whiskey. It has operations across the United States and global operations in the United Kingdom, Ireland, France, India, Australia and Canada.

Ivan Menezes, chief executive of Diageo, said: “Diageo has a clear strategy to deliver consistent efficient growth and value creation for our shareholders. This includes a disciplined approach to allocating resources and capital to ensure we maximise returns over time. Today’s announcement is another example of this strategy in action. The disposal of these brands enables us to have even greater focus on the faster-growing premium and above brands in the US spirits portfolio.”

According to Diageo, the world’s biggest distiller, the transaction is subject to regulatory approval and is expected to complete early in 2019.