



1 Reason to Choose Andrew Peller Ltd. Over Any Beer Stock Right Now

Description

Consumer trends in younger generations are making the [food and beverage industry stop and think](#). The restaurant industry is undergoing major challenges because of the evolving habits of millennials, which have now grown to the largest demographic in North America. However, the trends in the alcoholic beverage industry could be even more transformative.

Investors should be excited about the prospects for **Andrew Peller Ltd.** ([TSX:ADW.A](#)) for one reason.

Younger generations are turning away from beer

A report from Berenberg, an equity research firm, has found that members of Generation Z are the first generation recorded to prefer spirits to beer. Generation Z is the demographic cohort that follows the millennials, and researchers typically use those born from the mid-1990s to the mid-2000s.

Recent research has also shown that [millennials are turning away from beer](#). The most popular beverage among the millennial demographic? Wine.

According to Berenberg, the marketing strategies of major beer companies have backfired on Generation Z. These companies have historically focused marketing strategies on white men, and this has resulted in this sub group being the only in Generation Z to prefer beer. Naturally, beer companies are working hard to shift marketing strategies to make up for this trend. However, Generation Z is also consuming less alcohol altogether.

In the United States, beer has lost 10% of its market share to wine and hard liquor from 2006 to 2016. Canada has seen similar trends, and companies like **Brick Brewing Co. Limited** (TSX:BRB) will likely need to fight a bitter battle with competitors for younger demographics. In the first nine months of 2017, Brick Brewing increased its marketing expenses to \$7 million, and EBITDA fell to \$6.4 million compared to \$7.1 million in the prior year.

Andrew Peller Ltd. should be on your radar

Andrew Peller is a Grimsby-based company that produces, bottles, and markets wine and wine-related

products in Canada. Shares of Andrew Peller have climbed 14.8% in 2018 as of close on March 7. Andrew Peller stock has soared 69.2% year over year. The company released its third-quarter brick results on February 7.

In the third quarter, sales rose 10.1% to \$103.5 million compared to \$94 million in the prior year. Gross margin increased 3.4% to 41.7% due to higher revenue and improved cost efficiencies. Andrew Peller posted net earnings of \$14.3 million compared to \$8.1 million in the prior year, and adjusted EBTIDA climbed to \$20.1 million from \$12.1 million in Q3 2017.

For the first nine months of fiscal 2018, revenue has risen to \$284 million compared to \$270 million in the same period the year prior. Adjusted EBITDA has climbed more than \$11 million to \$51.4 million compared to \$40.3 million. Net earnings have increased to \$31.8 million from \$24.3 million. The company also declared a dividend of \$0.05 per share, representing a 1% dividend yield.

Andrew Peller has impressive earnings and stands to benefit in a big way from consumer trends from upstart demographics.

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