



## TFSA Investor Alert: This Recession-Proof Value Stock Could Soar

### Description

**Corby Spirit and Wine** ([TSX:CSW.A](#)) is a leading Canadian manufacturer and [marketer of spirits and manufacturer](#), marketer, and importer of wines. Corby's national leadership is sustained by a diverse brand portfolio, which allows the company to drive profitable organic growth with strong, consistent cash flows. Corby owns or represents seven of the 25 top-selling spirits brands in Canada and 11 of the top 50, as measured by case volumes.

### Strong brands

Through the company's affiliation with public relations (PR), Corby represents leading international brands such as Absolut vodka, Chivas Regal and Malibu rum. Corby's portfolio of owned brands includes some of the most renowned brands in Canada, including J.P. Wiser's, Pike Creek, and Polar Ice vodka.

In addition to representing PR's brands in Canada, Corby also provides representation for certain selected, unrelated third-party brands when they fit within the company's [strategic direction](#) and, thus, complement Corby's existing brand portfolio. The company's activities are comprised of the distribution of owned and represented spirits, liqueurs, and wines.

### Diverse revenue streams

More specifically, 79% of Corby's revenue is derived from sales of the company's owned spirit brands, while commissions earned from the sale of represented brands totaled 18% in 2020. The company also supplements these primary sources of revenue with other ancillary activities that are incidental to Corby's core business, such as logistics fees and miscellaneous bulk whisky sales to rebalance the company's maturation inventories.

Corby's business consists predominantly of sales within Canada, which represent 93% of the company's revenue. Sales in Canada are made to each of the provincial liquor boards. In fiscal 2020, sales to the three largest provincial liquor boards accounted for 44%, 16% and 12%, respectively, of

revenue of the company. The company's sales to customers outside Canada for each of the years ended 2020 and 2019 represented approximately 7% of revenue.

These sales mainly consisted of shipments of key brands, such as J.P. Wiser's Canadian whisky into the United States, and the sale of Ungava gin and Lamb's rum in the United Kingdom and other international markets. Corby's operations are subject to seasonal fluctuations. Sales are typically strong in the first and second quarters, while third-quarter sales usually decline after the end of the retail holiday season. Fourth-quarter sales typically increase again with the onset of warmer weather, as consumers tend to increase purchasing levels during the summer season.

## Local sourcing

In addition, retail sales comparisons are affected by timing of key holidays and provincial liquor board reporting calendars. The company sources more than 90% of Corby's spirits production requirements at Corby's production facility in Windsor, Ontario.

As a manufacturer and distributor of alcoholic beverages, Corby was deemed to be an essential business in Canada and remained open for business during the COVID-19 pandemic. The company initially limited the scope of certain activities. As well, in conjunction with liquor board social-distancing measures and limitations on in-store activities, industry commercial team presence decreased in retail stores, but Corby adapted to connect virtually, where possible.

In recent years, the global beverage alcohol industry has continued to experience consolidation. Industry consolidation creates exceptional opportunities, and Corby is well positioned to deal with this.

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