

Aging Tequila Barrel investment opportunity

Deal Basics

Fifty 200L barrels of 100% Agave tequila

- Investment size: \$260k
- Duration: 3 - 5 years
- Potential IRR: 35% to 40%
- Fees: 2% management | 20% carry | nominal one-time subscription TBC

Deal Overview

The value of tequila grows significantly from Blanco—which is what the spirit is called straight out of the distillation process—through extra añejo, which is the most valuable and prized version of the spirit.

Through this SPV, we will acquire 50 barrels of 100% agave tequila to buy and hold for at least 3 years as the spirits age.

The barrels will be acquired, stored, and disposed of through our network of tequila brokers, private collectors, and exclusive brands in Jalisco, Mexico, over the course of 3 to 5 years.

What's the opportunity

The first thing you need to know about the tequila industry is that it's massive. Well over \$10 billion a year and growing.

The second is that there are four main types of tequila:

- **Blanco (Silver or Plata) Tequila:** Unaged or aged for up to two months, it is the purest expression of agave flavor.
- **Reposado Tequila:** Aged in oak barrels for two months to one year, it has a light golden hue and a smoother taste with a subtle oak influence.
- **Añejo Tequila:** Aged for at least one year but less than three years in small oak barrels, it has a darker color, smoother taste, and more complex aroma than Blanco and Reposado tequilas.
- **Extra Añejo Tequila:** Aged for a minimum of three years in oak barrels, it is the smoothest and most complex tequila expression, with a richer flavor and aroma. The oldest we have seen for sale is 15 years old and compares in complexity to a 40 year old whiskey.

From an investment point of view, age is what we're looking at because it makes a big difference to price.

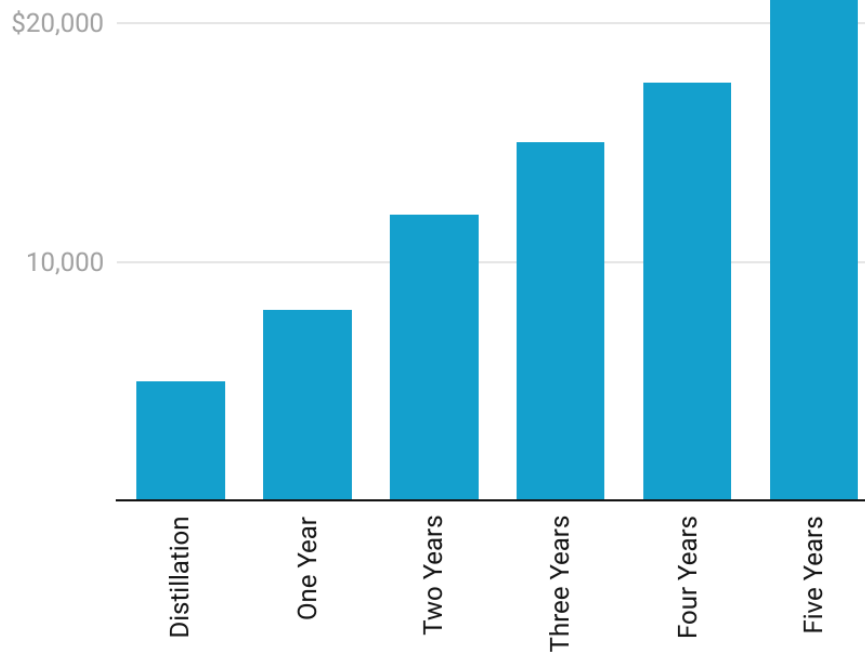
	PRODUCTO	PRECIO
	EXTRA AÑEJO	\$1,690.00
	AÑEJO	\$900.00
	REPOSADO	\$660.00
	PLATA	\$550.00

The prices above are in Mexican pesos (around 15 to the USD), but the math is the same.

The price increases 63% from plata to Añejo in one year and nearly doubles again over the next two years.

So the appreciation profile of tequila looks something like over five years.

Tequila Barrel Valuation



Source: Altea • Created with Datawrapper

Aging tequila does cost money, but those costs aren't enough to justify the increased price. The oak barrel is anywhere from \$500 to \$3000; you also need a warehouse (cheap) and insurance (even cheaper).

It's all down to cash flow.

Even though the tequila industry is worth more than \$10 billion annually, most distillers live year to year.

They can't afford to let their tequila age because they need the pesos today.

Deal Economics

The tequila market is fluid but reasonably consistent. We have a well-thought-out strategy but will maintain flexibility as and when market forces require. This way, we can time the market and be opportunistic as the best offers for the liquid arise.

Altea Tequila SPV Cash Flows						
5 year hold	Apr 2024	Apr 2025	Apr 2026	Apr 2027	Apr 2028	Apr 2029
Costs						
Number of barrels	50					
Price per barrel	-\$5,200					
<i>Includes Storage & Insurance</i>						
Total acquisition cost	-\$260,000					
Management fees						
2%	-\$5,000	-\$8,000	-\$12,000	-\$7,500	-\$8,750	
Subscription fee (roughly)	-\$10,000					
Revenue						
Book value per barrel	\$5,000	\$8,000	\$12,000	\$15,000	\$17,500	\$22,000
Barrels sold	0	0	0	25	0	25
Revenue from asset disposal	\$0	\$0	\$0	\$375,000	\$0	\$550,000
Barrels remaining	50	50	50	25	25	0
Total asset value	\$250,000	\$400,000	\$600,000	\$375,000	\$437,500	\$0
Yearly Cash Flow	-\$280,200	-\$8,000	-\$12,000	\$367,500	-\$8,750	\$550,000
Total Net						\$608,550
Additional 1 rows not shown.						
Source: Altea • Created with Datawrapper						

The initial plan is to hold half the barrels for 3 years, after which we will sell 25 barrels at a minimum.

That will return your investment if all goes well.

Based on prevailing market conditions, we will then decide whether to (a) sell the other 25 as well, completing the transaction and returning capital, or hold the barrels for two more years.

Currently, aging tequila for more than 5 years delivers diminished marginal returns, but if that changes in the next 5 years, we will adjust strategy accordingly.

About the Tequila

The Tequila will be sourced from NOM 1123 distillery, renowned for its quality and history, ensuring a premium product that appeals to both consumers and investors.



The Orendain family has owned NOM 1123 for five generations (125 years), and it is one of the world's most well-respected family-owned Tequila makers.

We chose this distillery because it produces a spirit without additives or compromises, which is a step up from the more common industrial-made 100% agave tequila options available on the market.

This means that tequila tastes better. But it also gives us the most exit opportunities when we divest the portfolio because the spirit can be used for a wide variety of applications, including wholesale sales, a special edition launch, or a new brand.

FAQs

The ROI after one year is 60%. Why not sell after twelve months?

Brands and bottlers who make reposado do their own twelve-month aging, so there isn't a liquid market for this. If the opportunity presents itself as a one-off, we'll explore this option.

Where will the barrels be stored?

The barrels are stored in a private cellar within the distillery's warehousing facilities to ensure their safekeeping and quality assurance. The warehouse has monitored CCTV, regulatory-compliant safety, and fire deterrent systems. It is also windowless and is surrounded by a secure stainless steel fence and gate system.

How will they be insured?

The warehouse is insured through the distillery using AXA INSURANCE COMPANY warehousing insurance, with a declared value; industry experts re-appoint this value once a year to ensure the whole lot is covered at its true value.

How about quality assurance?

Tequila, as a DOP-protected spirit, is a highly regulated and controlled industry. The CRT (Consejo Regulador del Tequila) supervises every step of the production (including aging) of the Tequila. In practice, this means a supervisor will be supervising the ageing process. As part of that, frequent liquid samples are taken to the CRT lab within a secure repository to make sure the Tequila remains pristine. Each barrel is serialized and sealed by the CRT.

Can I have/buy a bottle once the tequila is aged?

At the end of the aging process, we will bottle some extra anejo for our investors. The spirit will be available for collection from the distillery.

How are you so confident about future prices?

We are not, but that's the beauty of alternative assets, we price our model using current market prices and looking at worldwide trends (Tequila soon to be the most drunk liquid in the world) and past performance of the asset we are sure we will be surprised with the performance of the asset year after year.

Who will you sell to?

Our initial approach to exit will be through wholesale brokers, meaning the liquid will be offered wholesale to distilleries, bottlers, and brands within the Tequila ecosystem via auction. Other possible buyers include private collectors, independent bottlers, and other investment companies (e.g. whisky investment funds).