

Kentucky's New Retail King

Blue Equity is now a dominant force in the Bluegrass State's retailing scene

Louisville, Kentucky-based Blue Equity is invested in everything from Mexican resorts to flooring companies to talent management firms that represent chefs and TV broadcasters. But chairman Jonathan Blue's great passion lies close to home in Kentucky, where he was an early backer of Angel's Envy Bourbon and, more recently, an investor in beverage alcohol retail. In late 2015, Blue Equity purchased the two-location, Louisville-based Party Mart group, and last year, the company acquired the Liquor Barn retail chain from Canada's Liquor Stores N.A. Ltd.—a roughly \$26 million deal that included 15 Liquor Barn locations around the Bluegrass State, which range in size from 2,700-44,000 square feet. With the purchase of Liquor Barn, Blue Equity became Kentucky's biggest beverage alcohol retailer, although competition from Total Wine & More is on the horizon. Moving forward, Blue is eyeing expansion across the state under the Liquor Barn name and planning to renovate existing stores. MARKET WATCH recently caught up with Blue to discuss his plans for the future.

MW: Angel's Envy turned out to be a good investment for you.

Blue: We generally like to invest in later-stage, or mature, businesses. Angel's Envy was young, but we were one of the last investors to take a piece of them five years ago. Their offices moved into our building, and we also helped them get financing to build their distillery. Our interest ended when Angel's Envy was sold off to Bacardi three years ago.

MW: Why the switch to retailing?

Blue: Since new distilleries must lay down liquid for many years without knowing what future trends will be, there are challenges to that business. In retailing, we can be a purveyor of all brands. I acquired two companies with great reputations, knowledgeable staff, and marketing reach around



Blue Equity (chairman Jonathan Blue pictured) is heavily invested in Kentucky's beverage alcohol retail industry after purchasing Party Mart in 2015 and Liquor Barn last year.

Kentucky. And we've got significant plans for growing the business. For example, we'll soon be introducing Yuengling beer into the state. We'll also be adding more cigar humidors in many locations, with the goal of becoming the No.-1 cigar purveyor in the state. And eventually, we hope to feature the chefs and broadcasters that our talent management firms represent in events at our stores.

MW: Did you retain most of the Liquor Barn staff?

Blue: Yes, we kept the entire local operation, which is led by COO Chris Edgerton. We folded them into our existing management. Liquor Barn and Party Mart are now collaborating on buying, which has given us some real power buying opportunities.

MW: Are you looking to expand with more stores?

Blue: We would like to open more stores eventually. We could grow by acquiring more liquor stores or building new ones. There are under-retailed towns like Paducah where we could be some day, but we're not looking to enter other states.

MW: Total Wine & More now has a store in Louisville, and it's building another one in Lexington. How much do you fear a competitor like that?

Blue: We respect all our competitors, but Kentucky consumers are very loyal to businesses like ours that are locally owned. There's another kind of competition we're worried about. Kentucky doesn't have legal marijuana yet, but bills have been introduced in the state legislature to legalize it. That's not likely to help our liquor business or our cigar business.

MW: Most private equity owners look to build up a business for five years and then divest. Is that your plan here?

Blue: This is a long-term hold for us. There are only a couple of other investors with money in this venture, so it's closely held. We're modeling this after a family business, so it will never make enough revenue to go public. **mw**

The Editors



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