THE TREND IS LARGE AND IN CHARGE (CALIFORNIA DREAMIN')

BEER MARKETER'S INSIGHTS

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SNAPSHOT OF NEW ERA 2008-13

- US beer biz down 4% for 5 yrs
- AB and MC each down 10%
- Craft up 80%

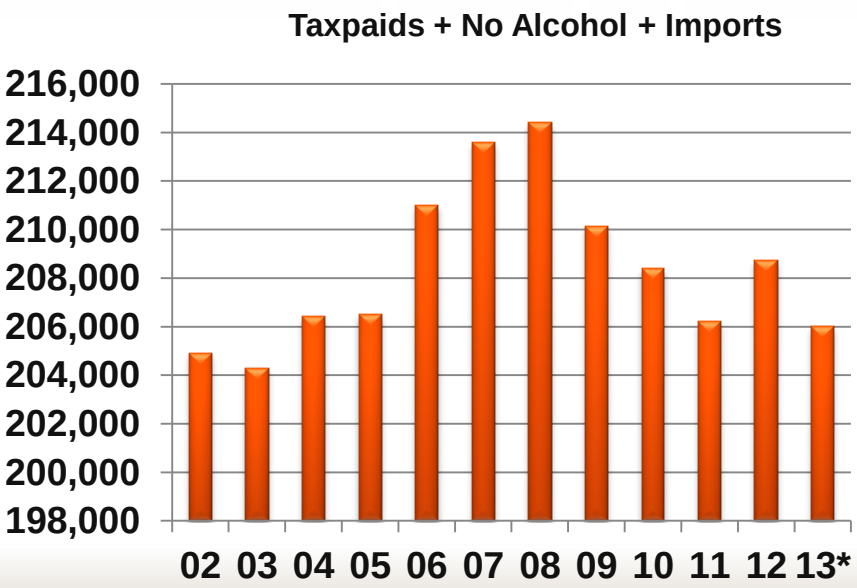
Big Changes in Total, Top 2 and Craft				
	2013	2008	%	Bbls
US Beer	206,268	214,416	-4	-8,148
AB + MC	171,500	153,900	-10	-17,600
Craft	16,050	8,910	80	7,140

Get the picture?

DECLINING VOLUME

- Total US beer down 1.3% in 2013; 4th down in 5; 5 of 6?
- Economic effects? Losing share to wine & spirits
- In 1st qtr US beer shipments flat but sales-to-retailers down
- AB loaded 1 mil bbls of inventory

US Shipments 2002-2013



* BMI estimates

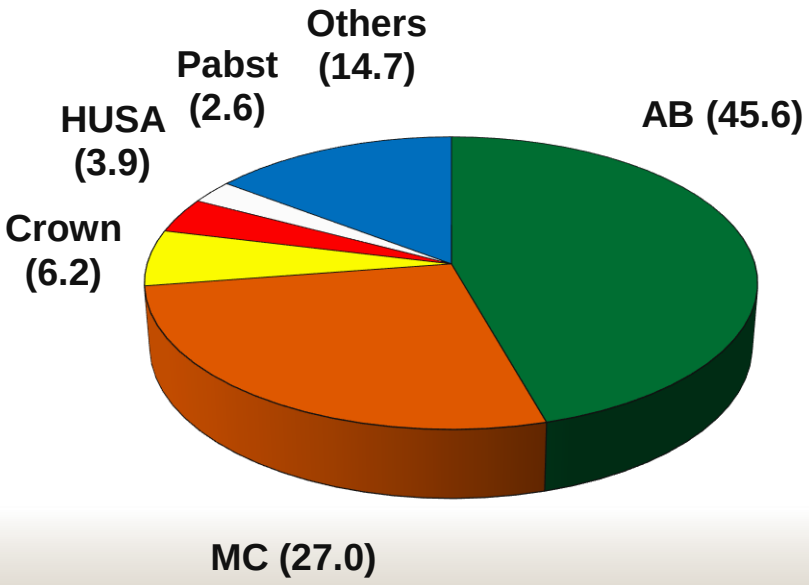
AB AND MC LOST 17.6 MIL BBLS IN 5 YRS

- Down another 4.25 mil bbls last yr. 242 mil cases in 5 yrs.
- Making $3 Bil more; Part of global game
- The cost? Accelerated paradigm shift among US consumers; might have happened anyway
- Over 20 mil bbls after this yr?

	2013	2008	Bbls Loss
(All in millions of bbls)			
AB	96.7	107.0	10.3
MC	57.2	64.5	7.3
Total	153.9	171.5	17.6

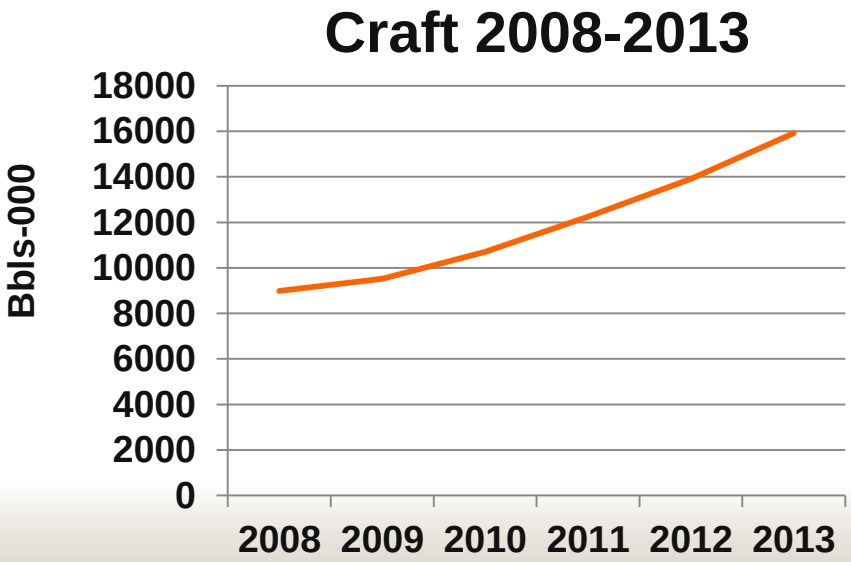
US BEER IS GETTING LESS CONCENTRATED

- Top 2 At 72.7 Share of Biz in 2012; Down 5.7 Share in 5 Yrs
- Losing Share Again This Yr
- Crown at 6, But Over 2x That in Calif; Craft at 7.8 Share in 2013
- World Flipped on its Ear in Some Mkts; Top 2 40 share of $$ in PAC NW Foodstores



UP, UP AND AWAY; CRAFT UP 80%% IN LAST 5 YRS

- Up double digits for 4th yr in a row; up 18% last yr
- Bigger growth on a bigger base; over 2 mil bbls last yr; 35-40% of 5 yr growth
- Even faster in 2014? Up 20.6% in IRI data thru Apr 27



TREND IS LARGE AND IN CHARGE

- 18% vs 14%
- Morphing so fast, a portion of growth not even visible
- Tasting rooms, taprooms, brewpubs, nanobreweries
- Just when you think you got your arms around it, changes again

CALIFORNIA DREAMIN'

- AB lost 1.4 mil bbls, 14% in Calif last 5 yrs, lost 4.7 share
- AB and MC just 60 share compared to 72.7 nationally
- Crown and Craft on the rise
- Went from ¼ to 1/3 of the market in just the last 5 yrs

CALIFORNIA 2008-2013 Share		
	2008	2013
AB	42.2	37.5
MC	23.6	22.5
Crown	11.1	13.8
Heineken	8.6	7.5
All Others	14.5	18.8

Source: Beer Marketer's INSIGHTS

CALIFORNIA DREAMIN', II

- To get an idea of how much things can change, let's go back a generation
- 1991: AB 50.8, MC 33.8. Near 85 Share
- So the top 2 dropped 25 share in the nation's largest state in a generation. In 22 Years. More than 1 Share a Year.
- No end in sight; Crown up double digits, Modelo Especial on fire and craft going through the roof.
- Where will it be in another generation? "Dream Big"

CALIF CRAFT $$ UP 21%

- Total Craft $$ Up 21%; Gained 1.3 Share to 11 ($108 Mil)
- Top 5 at 59 Share
- 2d Half of Top 10 All Calif Craft Brewers
- Lagunitas/Firestone/Bal last Point Up 7 Share

CALIFORNIA			
	Dollar Sales	Chg (%)	Share of Craft
Sierra Nevada	$21,855,953	9.4	20.22
Lagunitas	$14,090,480	80.7	13.04
CBA	$11,089,757	7.4	10.26
Boston Beer	$8,933,507	15.5	8.26
New Belgium	$7,788,156	10.1	7.21
Stone Brewing	$6,909,980	22.8	6.39
Firestone Walker	$4,995,333	76.2	4.62
Bear Republic	$2,725,018	26.2	2.52
Ballast Point	$2,667,423	164.5	2.47
Anchor Brewing	$2,657,030	40.4	2.46

Source: IRI MULC YTD Thru Apr 27

CALIFORNIA CRAFT CHANGING TOO

- Ongoing revolution/evolution within segment
- Endless proliferation of newbies; local a big deal
- Changing competitive landscape, clearly visible in local mkt data: San Diego, SF, LA
- Does the Revolution ultimately eat its own?

CRAFT ¼ OF SD; BALLAST POINT

- Craft at 25 Share of SD Foodstores; Up 3.4 Share; Up 28.5%
- Ballast Point Passed Stone in SD Supers
- Each Far Bigger Than Natl Players
- Brewers #8-10 Are Also Local

SAN DIEGO			
	Dollar Sales	Chg (%)	Share of Craft
Ballast Point	$1,458,871	156.1	13.46
Stone Brewing	$1,441,718	23.6	13.30
Sierra Nevada	$1,007,975	2.5	9.30
CBA	$999,984	0.2	9.23
Boston Beer	$812,919	7.7	7.50
New Belgium	$795,691	14.6	7.34
Lagunitas	$769,434	87.2	7.10
Karl Strauss	$464,717	31.5	4.29
Coronado Brewing	$334,034	70.2	3.08
Green Flash	$318,156	17.8	2.94

Source: IRI Foodstores Thru Apr 27

SIERRA & LAGUNITAS IN SF

- Craft at 29 Share; Still Up Double Digits
- Top 5 at 57 Share; 6 of Top 10 Calif Craft
- Sierra and Lagunitas neck-and-neck

SAN FRANCISCO			
	Dollar Sales	Chg (%)	Share of Craft
Sierra Nevada	$3,194,490	6.1	18.35
Lagunitas	$3,071,692	41.2	17.64
CBA	$1,570,462	-9.1	9.02
Anchor	$1,193,207	31.8	6.85
New Belgium	$927,207	-0.3	5.33
Bear Republic	$843,635	11.2	4.85
Boston Beer	$838,211	17.4	4.81
Deschutes	$612,262	18.8	3.52
Stone	$427,757	52.5	2.46
Speakeasy Ales & Lagers	$418,984	18.0	2.41

Source: IRI MULC YTD Thru Apr 27

CRAFT LESS DEVELOPED IN LA

- Craft at 9 Share; Up 1.2; $$ Sales Up 21%
- CBA IS #1
- Natl Players Are the Top 4
- Biggest Semi-Local Is Hangar 24 at #7
- Ballast, Golden Road

LOS ANGELES			
	Dollar Sales	Chg (%)	Share of Craft
CBA	$2,948,938	13.4	15.09
Boston Beer	$2,786,237	15.3	14.25
Sierra Nevada	$2,269,868	8.8	11.61
New Belgium	$2,126,857	13.7	10.88
Stone Brewing	$1,709,412	36.3	8.75
Lagunitas	$1,559,086	144.6	7.98
Hangar 24	$1,082,606	34.9	5.54
Firestone Walker	$976,339	26.5	4.99
Karl Strauss	$413,989	10.2	2.12
World Brews	$408,519	-26.8	2.09

Source: IRI MULC YTD Thru Apr 27

BA TOP 50 CRAFT IN CALIF

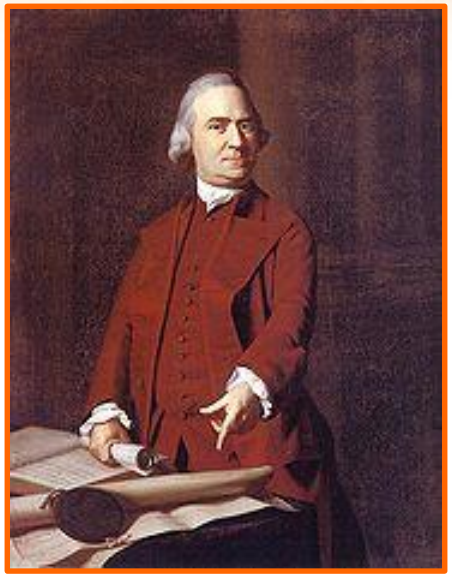
- 12 of Top 50 BA Craft in Calif
- 3 in Top 10; 4 between 40-50
- Almost all 50% or more in Calif; Some Calif craft selling over 80% of their US scan volume in Calif
- Ballast Point and Firestone Walker -explsosive growth

	US $$ Sales (mil)	% of biz in Calif IRI
Sierra Nevada	$60.7	35.9
Lagunitas	$25.5	55.2
Stone	$12.7	54.3
Firestone Walker	$5.8	86.0
Anchor	$3.8	71.0
Ballast Point	$3.2	84.0
Bear Republic	$3.16	86.0

Others: Lost Coast, Karl Strauss, North Coast, 21st Amendment, Gordon Biersch

THE REVOLUTION IS UPON US

- It's a broad-based consumer movement in tune with times
- Not Just Beer; Profound effects; revolt against established order
- Cumulatively destabilizing effect on perception of light beer
- Increasing clout of lots of players at local level
- Phenomenal wealth creation



CRAFT #1 BY FAR ON PREMISE

- Craft almost 1/3 of $$ in tough on-premise mkt in Guest Metrics data but growth slowed
- Much bigger than AB and MC, which each took big hit in this channel
- Doesn't even factor in tasting rooms and brewpubs; craft even bigger than that

On-Premise			
Dollar Sales, 2013			
	Trend	Share	Chg
Craft	7.1	32.1	2.3
AB	-8.4	25.0	-1.2
MillerCoors	-8.2	18.6	-0.8

CRAFT FLYING SO FAR IN 2014

- Craft volume up 20%+ in IRI, several points faster than 2013
- Top 6 at 50 share of segment
- Lagunitas and NBB gained over 1 share of segment

Craft Thru 4/27 in IRI MULC				
	$$ Mil	Chg ($$-mil)	Chg (%)	Share of Craft
Craft	628.1	122.0	24.1	
Boston Beer	97.4	15.8	19.4	15.1
Sierra Nevada	60.7	5.7	10.4	9.7
New Belgium	54.8	17.1	45.4	8.7
Gambrinus	39.9	3.5	9.7	6.4
CBA	36.9	2.5	7.2	5.9
Lagunitas	25.5	11.4	80.7	4.0

Source: IRI MULC YTD Thru Apr 27

IPAs All the Way

- IPAs at 22.6 share of craft $$, up 53%
- Gained Over 4 share of $$$
- IPAs, Seasonals and Pale Ale almost half
- 4 of top 10 brands

IRI MULC DATA YTD THRU APR 20					
	$$ Mil	Chg (%)	Chg ($$-mil)	Share	Chg
IPAs	$133.1	52.6	45.9	22.6	4.15
Seasonals	$82.7	23.6	15.8	14.3	-0.1
Pale	$66.7	14.3	8.3	11.4	-1.1
Craft	$589.1	24.6	116.8		

TOP 2 CAN PLAY HERE, BUT

- AB and MC more than doubled, up 2.5 mil bbls
- Conundrum: better you play in niches, tuffer on main biz
- Brings more people in; Craft sped up in that time frame
- Blue Moon 2x as big as top craft in scan; BM, Shock Top up solid; Problem with Seasonals

Bbls (000)		
	2013	2009
Blue Moon	2025	1150
Shock Top	1050	<200
Goose Island	350	114
Leinenkugel	975	480

"THE CENTRE CANNOT HOLD"

- Top light beers all took turn for worse in 2013
- Miller Lite down 7%, Bud Light down 4% , Coors Light 2%
- Lite lost over 20% of volume in 5 yrs; Budweiser lost 28% of volume in last 5 yrs.
- Two brands down 10 mil bbls in 5 yrs; Product Lifecycle
- Soft Start in 2014

	2013 (bbls-000)	2013 Trend	2013 Share
Bud Light	38,150	-3.8	18.0
Coors Light	18,225	-2.3	8.6
Miller Lite	13,700	-7.1	7.6
Budweiser	16,000	-4.8	6.5
Total	86,075	-4.3	40.7

* BMI Estimates,

IT'S A NEW ERA:
SELL LESS, MAKE MORE

- **$$ Better Than Volume**
- **US Profit Pool Up By Over 50%**
- **AB US EBITDA Up to $5.9 Bil from $3.8 Bil from 2008-2012 on $13.9 Bil in Sales. EBITDA Margin 42.4.**
- **AB and MC Profits Up Again in Q1**

TOP 10 CRAFT BREWERS

- All up, but each of top 5 up single digits
- Lost 2.8 Share of segment
- Lagunitas Fastest Gainer; 2d most bbls
- 3 Climbed Over 200 K

	Bbls (000)	% Chg	Craft Share
Boston	2,325	8.1	14.5
Sierra Nevada	980	2.1	6.1
New Belgium	792	3.5	4.9
Craft Brewers	726	7.6	4.5
Spoetzl(Shiner)	568	8.4	3.5
Lagunitas	400	70.2	2.5
Deschutes	286	13	1.8
Bell's	248	14.8	1.5
Brooklyn	216	22.7	1.3
Stone	213	20.3	1.3

Source: BMI

30 craft brewers over 100,000 bbls
13 craft brewers over 200,000 bbls

“SMALL IS BEAUTIFUL”

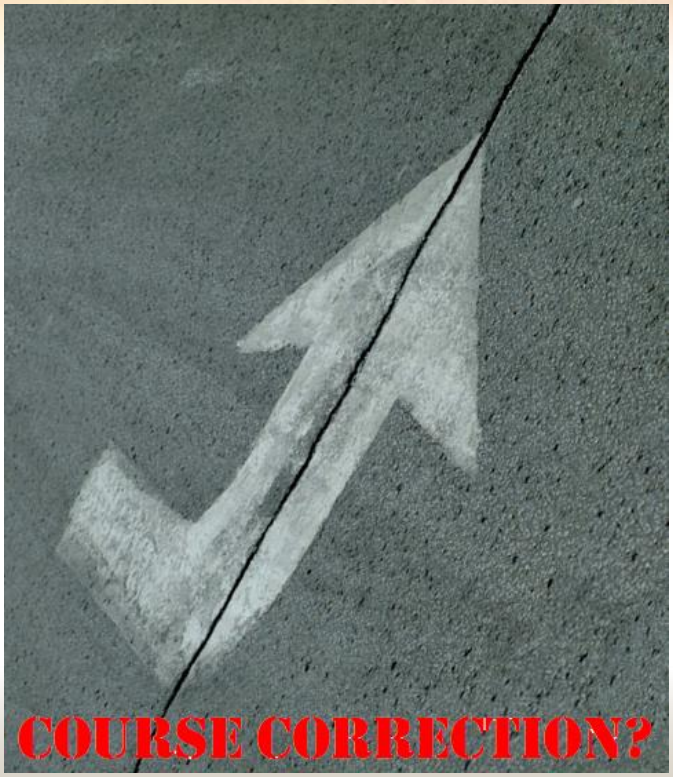
- Soon Be 3000 Brewers with 2000 in Planning
- Up to 2866 brewers in US at end of March; 1898 in planning
- Local brewers are rising everywhere; local a very big deal
- About 450 in Calif; Pushing 500 by Yearend

IS THE LONG TAIL TAILING OFF?

- Currently 12 of top 100 craft brewers are down in scan
- Almost 10,000 SKUs nationally in food stores
- Bottom 5%of craft volume in Portland includes most of brewers, down 10%
- But outside of measured channels, long tail getting longer and longer

COURSE CORRECTION COMING?

- Not visible so far; that's for sure
- Other yrs we featured more cautionary notes
- "Centre Cannot Hold"; Nestor's version
- Sometimes trends just stop; Tip of cap to late great Dr. Bob Weinberg
- Separate more into winners and losers and growth continues



20 SHARE BY 2020?

- Change definition, add 3 mil bbls
- BA's redefined craft should reach 10 share in 2014
- How could we get there?
- Beer biz declines 1% per yr; Craft gains 11% per yr
- Other brewers would have to decline 34 mil bbls
- What if we changed the terms?

HIGH END STILL GAINING STEAM

- Flavor, innovation variety
- Add big brewer brands, more flavorful imports, cider, already at 14 share
- Add FMBs, at 18 share; up about 7 share last 5 yrs
- High end at 35 share of $$ in scan; Up 3; Craft Leading Growth

A PEEK INTO A POSSIBLE 2014

- Craft up 15% would be 2.4 mil bbls; a slowdown
- Crown at 7.5% is 1 mil bbls
- Boston Beer sez 16-20%; 500-700K
- Yuengling Expanding; Mike's
- If Industry Flat, Rest Would be Down 4+ Mil Bbls

TREND IS LARGE AND IN CHARGE

- Craft making now historic gains in US beer biz
- Total industry dynamics changing radically and craft leading the charge
- Number 1 on-premise nationally ; Number 1 in Pac NW off premise
- Coming soon: 3000 breweries and 2000 in planning
- No end in sight; How High Is Up? “Dream Big?”

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