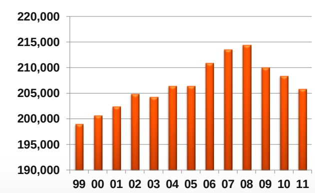
YOU SAY YOU WANNA REVOLUTION?

BENJ STEINMAN
Craft Brew News/BMI

Craft Brewers Conference
May 4, 2012
San Diego, CA

US BEER DOWN 8.5 MIL BBLS IN 3 YRS

- Total US beer biz dropped for 3d yr in row
- Down 8.5 Mil bbls in 3 yrs
- AB and MC Down 13 Mil Bbls Last 3 Yrs; "Great Lake of Beer"
- Craft Up 3.3 Mil Bbls, 36% Since 2008

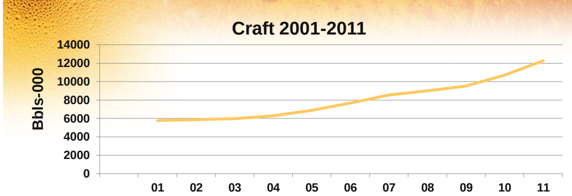


2011 YR IN REVIEW

- Each of AB and MC down 3% in 2011; HUSA down 4%
- Crown bucked trend. Up 5%
- Pabst up for 1st time since 1999
- Craft up 13-15%; Bigger than Crown

	Bbls (000)		
	2011	2010	% Chg
AB	98,500	101,725	-3.2
MillerCoors	59,625	61,485	-3.0
Crown	11,889	11,323	5.0
HUSA	8,075	8,400	-3.9
Pabst	5,700	5,675	0.4
Craft	12,250	10,700	14.5
Total	208,999	205,842	-1.4

CRAFT ACCELERATING



- Growing faster off a bigger base each of last 3 yrs
- Doubled since 2004

TRENDS OF TOP 10 CRAFT BREWERS

- 25 Over 100,000 Bbls; Each Up
- Top 10 about half of segment; lost 3 share
- Most grew 7-10%, but didn't keep pace
- Bell's biggest % gainer

	Bbls (000)	% Chg	Craft Share
Boston	2,471	9.4	19.9
Sierra Nevada	858	9.2	7.3
New Belgium	713	7.9	6.2
Craft Brewers	623	6.5	5.2
Spoetzl(Shiner)	487	13.0	4.0
Magic Hat/Pyramid	336	4.3	2.7
Deschutes	223	9.9	1.8
Matt	196	7.7	1.6
Bell's	180	16.9	1.5
Harpoon	173	15.3	1.4

FASTER

- Lagunitas "smokin'"
- 4 Others Up 30%
- 9 of 10 Brewers 11-20 Up Double Digits
- 6 More Entered 100,000-Bbl Club

	Bbls (000)	% Chg	Mkt Share
Lagunitas	162	60	1.3
Boulevard	157	5.4	1.3
Stone	149	29.6	1.2
Dogfish Head	144	19.0	1.2
Brooklyn	140	29.6	1.1
Alaskan	130	11.1	1.1
Shipyard	129	31.6	1.1
Abita	125	14.7	1.0
Long Trail	120	10.1	1.0
Great Lakes	120	31.9	1.0

2012: CRAFT STILL GOIN' GREAT GUNS

- Volume up 11%, $$ Up 15% in SIG Supers Thru Apr 15
- Lagunitas 50%, Dogfish Head 28%, Brooklyn up 36%, Sierra Up 18.5%, New Belgium up 20%
- Boston Beer up depletions up 10%
- But some warnings signs have begun to emerge

STRONG START IN 2012 SCAN

- 5 of Top 20 Up 20%+
- But #s 1/3/5 Up 6% With Price Hikes
- Lagunitas Fastest Gainer Again
- Some down further down list
- Founders Flying, 21st Amendment Tripling

Top Craft Brewers			
	Dollar Sales (000)	% Chg	Dollar Share of Craft
BOSTON BEER CO	41,942	5.9	18.2
SIERRA NEVADA	25,103	22.0	10.9
CRAFT BREW ALLIANCE	19,158	6.0	8.3
NEW BELGIUM BREWING	19,123	23.9	8.3
GAMBRINUS	13,535	5.9	5.9
DESCHUTES	8,298	15.0	3.6
LAGUNITAS	4,547	68.6	2.0
STONE BREWING	4,131	24.5	1.8
ABITA	3,242	17.8	1.4
BELLS	3,222	23.5	1.4
TOTAL CRAFT	230,292	15.0	

Source: Symphony IRI Food Thru Apr 8

WORLD FLIPPED IN TOP MKTS

- Each of Top 2 in Low 20s in $$ Share; Craft 1.5x Bigger
- Gaining At Least 1 $$ Share in Top Mkts
- SF/Oakland: Imports 34 Share Too
- Portland Craft Ceiling?

Top Craft Mkts in Foodstores

	Dollar Share	Share Chang	Trend
Portland	34.4	1.3	7.8
Seattle/Tacoma	30.9	2.0	14.3
San Fran/Oakland	26.0	2.3	14.7
TOTAL CRAFT	11.2	1.0	15.2

Source: Symphony IRI Foodstores Thru April 8, 2012

CRAFT BEER TAKES A DIP IN THE MAINSTREAM

- Craft Featured in Ball Parks
- Buffalo Wild Wings
- Growlers in C-Stores
- Mass media (Sam w/ Martha Stewart), Celebrity projects, Sports Sponsorships
- Even on cruises

ROOM TO RUN: POWERFUL LIST OF POSITIVE PERCEPTUAL ATTRIBUTES

Perception of Craft

- Authenticity
- Local
- Born in the USA
- Family owned
- Entrepreneurial
- Innovative
- Differentiation
- Variety
- Flavor

Perception of Top 2

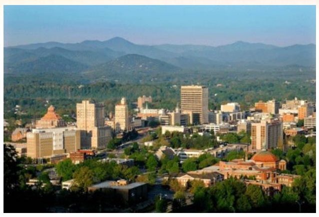
- Image-based
- Global
- Foreign-based
- Public; corporate
- Bureaucratic
- Risk-averse
- Light lager
- Ditto

STARTUPS EVERYWHERE

- Over 1100 Breweries in Planning
- 139 Breweries in Colorado, 75 More in Planning
- 3 Coming in the Bronx
- A Dozen or More in Bend, OR
- California Dreamin

3 BREWERIES IN OR NEAR ASHEVILLE

- So Far
- Sierra $105 Mil Over 5 Yrs, 300,000 bbls
- New Belgium $115 Mil, 400,000 Bbls
- Oskar Blues Late This Yr



THEORETICAL CAPACITY COMING

Brewer	Incremental Capacity Potential
Boston	1 Mil Bbls
Lagunitas	1 Mil Bbls
Sierra Nevada	600,000
New Belgium	700,000
Dogfish Head	400,000
Stone	300,000
Bells	300,000
Sweetwater	400,000
8 Brewer Total	4.7 Mil Bbls

CRAFT CHANGE OF GUARD

Brand	YTD thru Apr 15 in SIG Supers
Sierra Pale	-2.4
Sam Lager	-5.2
Fat Tire	+8.1
Shiner Bock	0.0
Widmer Hefe	-8.0

Lost 2.5 share of segment

Brand	YTD thru Apr 15 in SIG Supers
Torpedo IPA	+60.7
Ranger IPA	+58.0
Lagunitas IPA	+43.0
Sierra Seasonal	+84.0
New Belgium Seasonal	+42.0

Gained 2.6 share of segment

BOSTON BEER

- Another solid first qtr
- Growth driven by seasonals, Tea, cider
- Rev per bbl up 3%
- Profits zoomed

Boston Beer		
Add 000 to all figures. All figures in $$$ except bbls.		
	2010	2011
Bbls	2,272	2,484
Net Rev	463,798	513,000
Operating Income	81,178	103,655
Stock Mkt Cap	$1.4 Billion	

REGIONAL VARIATIONS 1

- In-state Oreg Craft at 15 share, up 7.7%
- 3 of Top 5 Down
- Ninkasi flying, #3; half of craft growth
- Top 5 near 2/3 of in-state craft; up 4%
- Next 100+ Up 12%

Oregon				
	2011 Bbls	Bbls Chg	% Chg	Share of Craft
Redhook & Widmer	85,508	-7,489	-8.1	20.9
Deschutes	83,059	-1,098	-1.3	20.2
Ninkasi	36,459	14,745	67.8	8.9
Bridgeport	27,431	3,425	14.3	6.7
Mac's Taproom Pyramid	25,161	-83	-0.3	6.1

REGIONAL VARIATIONS 2

- Craft at 4.4 of Mo mkt, up 12%
- Top 5 are ¾ of mkt; 4 of 5 slowed
- Multiple new entrants in AB's backyard
- Smaller players got over half growth

Missouri				
	2011 Bbls	Bbls Chg	% Chg	Share of Craft
Boulevard	59,154	3998	7.2	31.6
Schlafly	32,871	4353	15.3	17.5
St Louis	29,737	967	3.4	15.9
New Belgium	14,974	-2	0	8.0
O'Fallons	3,942	29	0.7	2.1

Craft Brewers Conference; May 4, 2012, 2011; San Diego, CA

THE EMPIRE STRIKES BACK

- Almost 600,000 Bbls of Growth in 2011
- Tenth and Blake expects 600,000 bbls in 2012
- Blue Moon slowing; Shandy growing
- Shocktop and Goose another 400,000 Bbls

Bbls (000)		
	2010	2011
Blue Moon	1,450	1,700
Shock Top	275	600
Goose Island	126	150
Leinenkugel	500	575

Craft Brewers Conference; May 4, 2012, 2011; San Diego, CA

THE EMPIRE STRIKES BACK II

- The Battle for Shelf Space
- Balanced Portfolio Approach
- Power of Premium Lights
- Blizzard of New Entrants/ Value Plays; Acquisitions

Craft Brewers Conference; May 4, 2012, 2011; San Diego, CA

ARE PREMIUM LIGHTS DIMMING?

- Top 3 Light Beers 35% of Biz
- Lost 4.5 Mil Bbls Last 3 Yrs
- Product Life Cycle Issues
- “Insanity, Poppycock, B.S.”
- “It Can’t Happen Here” Frank Zappa– Craft?

Top 3 Light Beers (2008-2011)

	2008	2009	2010	2011
Total (bbls-000)	77,800	75,700	74,500	73,275

CRACKS IN CRAFT CAMARADERIE

- “New Belgium Shadow Syndrome”
- “Breathtaking Arrogance”
- “Lookin’ in the Rear View Mirror”
- Revolution devours its own children

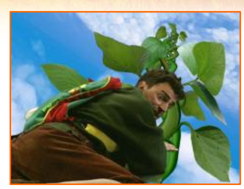
BLURRING DEFINITIONS

- Craft 11.5 BA
- CBA and IBU 1 Mil Bbls
- Shock Top/Blue Moon/Leinie/Goose 3 mil bbls
- Yuengling 2.5 Mil Bbls
- Guinness 1 Mil Bbls
- Newcastle 500K
- Other non-light lager imports, value craft etc: 1 Mil bbls

Already 10% Non-Light Lager

HOW HIGH IS UP?

- Hail to the High-End
- Is 10 Share a Layup?
- There will be some misses, some messes



HOW MUCH IS TOO MUCH?

- Shelf space is finite
- Capacity, demand finite
- “Like pebbles in a bucket, the bucket eventually fills up”

THE YEAR OF THE DEAL?

- Schlafly, Alchemy and Science Bought Angel City Brewing
- Crispin Cider
- More than half dozen of the top 30 have at least explored deals
- “Another wave of deals soon to happen,” Paul Gatza

“THE YEAR OF THE IPA”

- Torrid growth; Up 41% in 2011 SIG Data
- Up 42% so far in 2012 in SIG Supers; Gained 3 share of segment $$ in Supers
- #1 Style, Passing Seasonals
- Some of fastest growing craft brewers have lead or hottest brand that is IPA
- Sierra Torpedo up, Ruthless Rye, Ranger, Lagunitas

BASIC LAYOUT OF 3-TIER SYSTEM

- Down to 530 AB distribs from peak over 900
- Down to 450 MC distribs, 77% consolidated
- AB has 13 branches; MC 1
- Less than 1000 Distribs Sell Over 90% of Beer

	Distribs	Branches
AB	530	13
MC	450	1

DISTRIBUTOR DEVELOPMENTS

- Statewide craft-centric distribs developing some clout– often owned by AB, MC distribs
- Statewide alliances of distribs: Colo, Mass, Wisc, NY to more effectively compete
- AB branches and anchor wholesaler concept will create distribution quandaries
- The big get bigger

SO MANY DIFFERENT MODELS

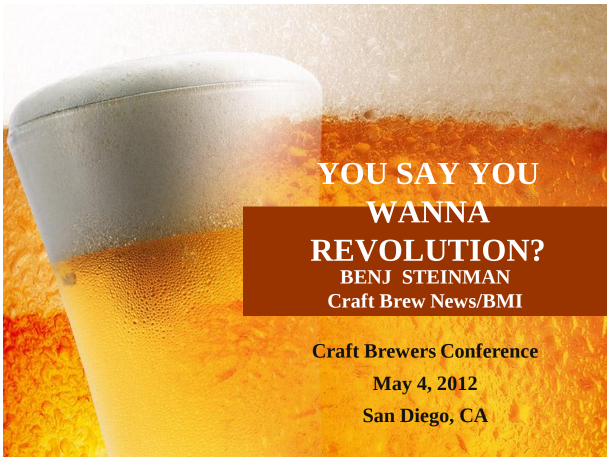
- New Glarus
- Lagunitas
- Black Star Cooperative
- Two Roads

STORM CLOUDS ON THE HORIZON

- Big craft brewers/brands slowing or declining
- Too many new entrants, too much capacity coming on-stream
- The Empire Strikes Back
- Cracks in Camaraderie
- A Revolution Eats Its Own Young

CHANGING THE WORLD

- Literally Going Global— Craft Movements All Over
- Beer Is the "Perfect Lens" to "Examine Innovation"
- Brewing As Focus Industry Like High Tech in SD
- Craft in a Very Sweet Spot


YOU SAY YOU WANNA REVOLUTION?
BENJ STEINMAN
Craft Brew News/BMI
Craft Brewers Conference
May 4, 2012
San Diego, CA