BREWERS ASSOCIATION®

STATE of the INDUSTRY

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BIG PICTURE

- Growth in a Competitive Market
- Growth in a Crowded Marketplace
  - 2 openings a day
  - Large brewer acquisitions
  - Crowded distribution
- Small still healthy
  - Still growth out there

CRAFT BREWER DEFINED

- Small
- Independent
- Traditional

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- Important to continue to show numbers based on health of small and independent brewers
- Important to beer drinkers

OVERALL MARKET

6% CRAFT

7% IMPORT

-2% U.S. NON-CRAFT

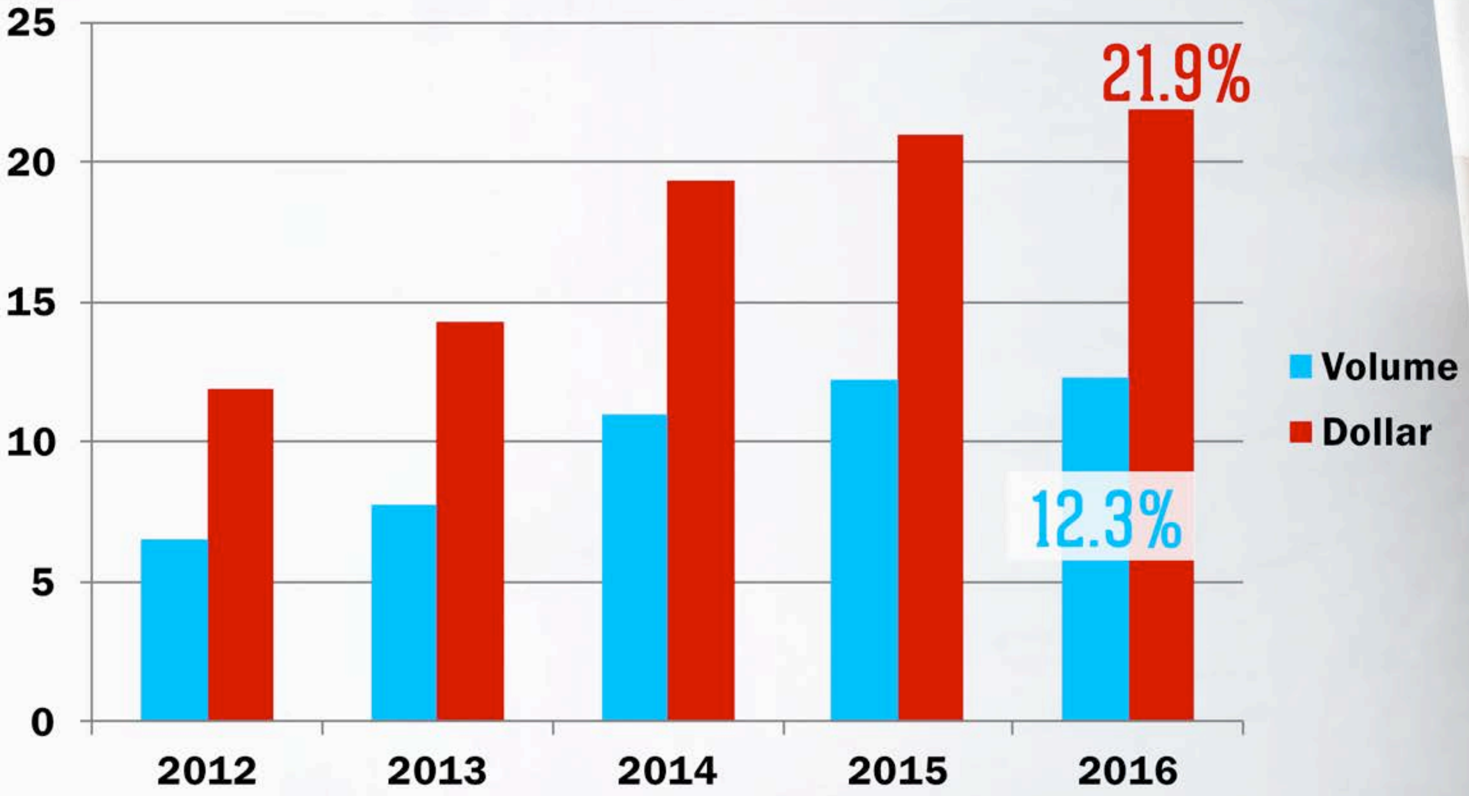
LARGE BREWER DOMESTIC SPECIALTY 2%

THE BACKGROUND

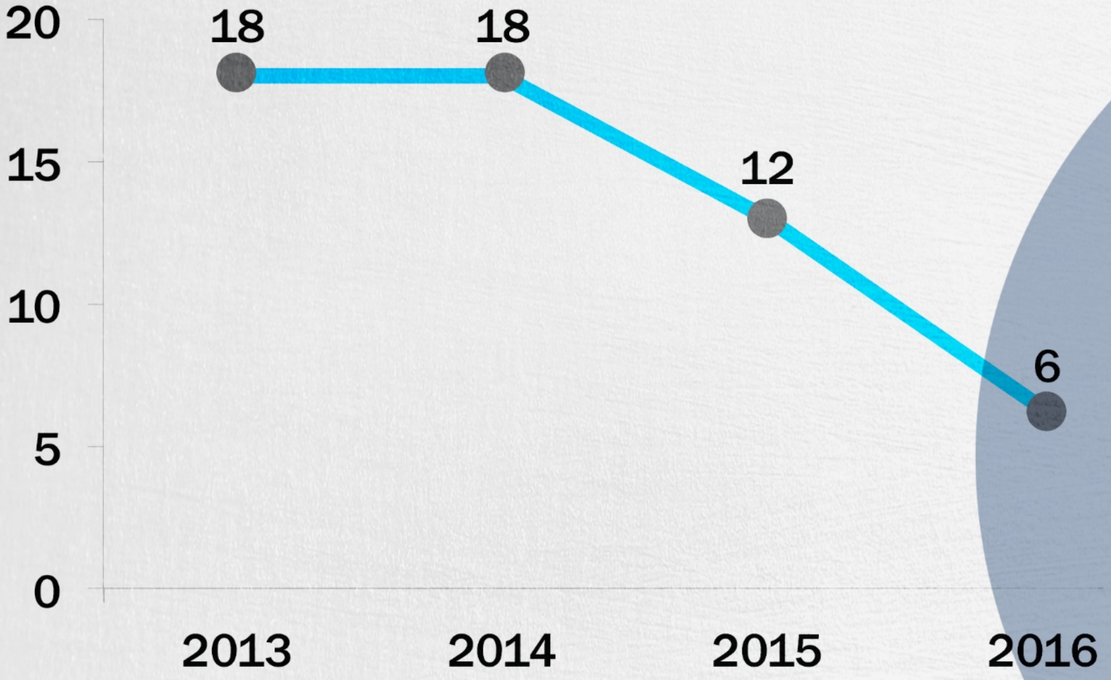
1. The biggest deal
2. Growing customer uncertainty
3. Increased regulatory action
4. Craft capacity decisions
5. A slowing of the feeding frenzy
6. Questions as to how unified the craft brewing industry can be going forward

We’ve seen this before

SHARE



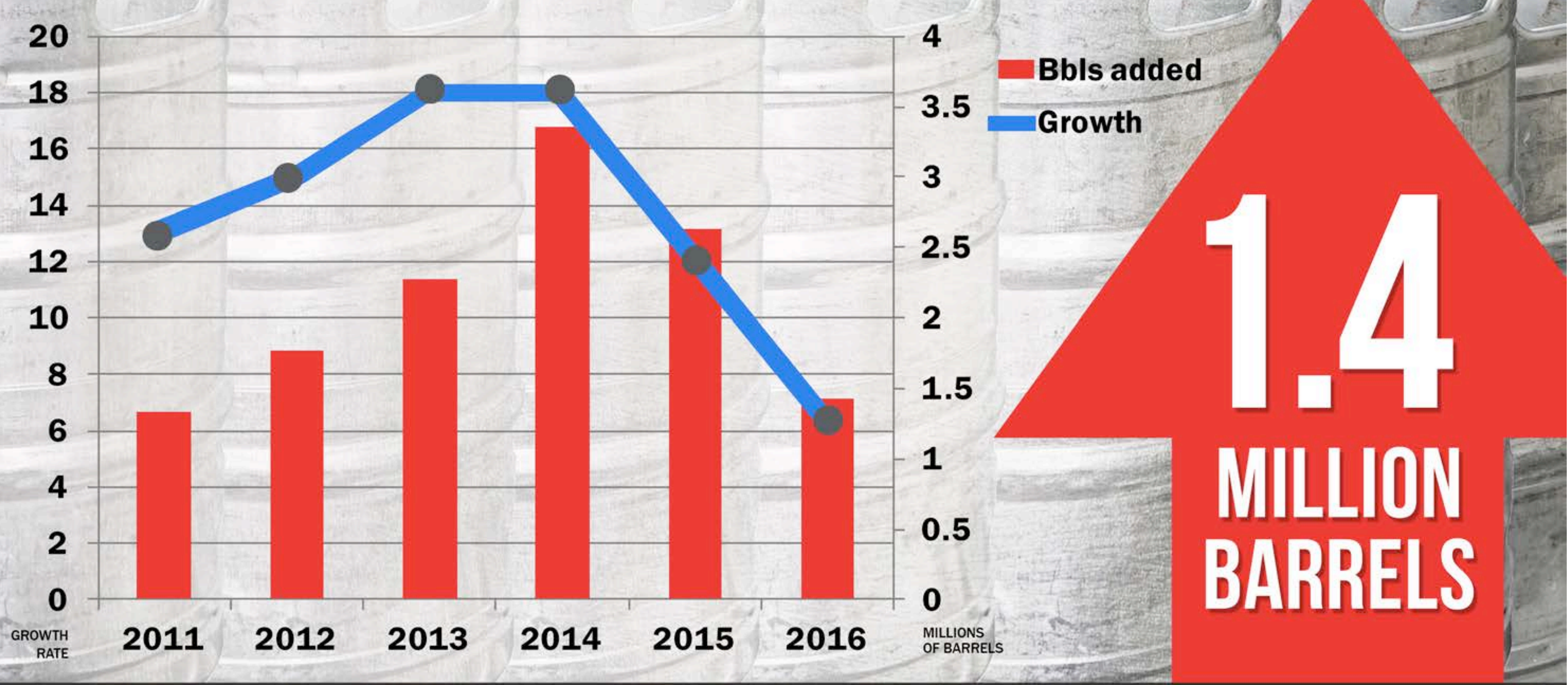
GROWTH



6%

GROWTH

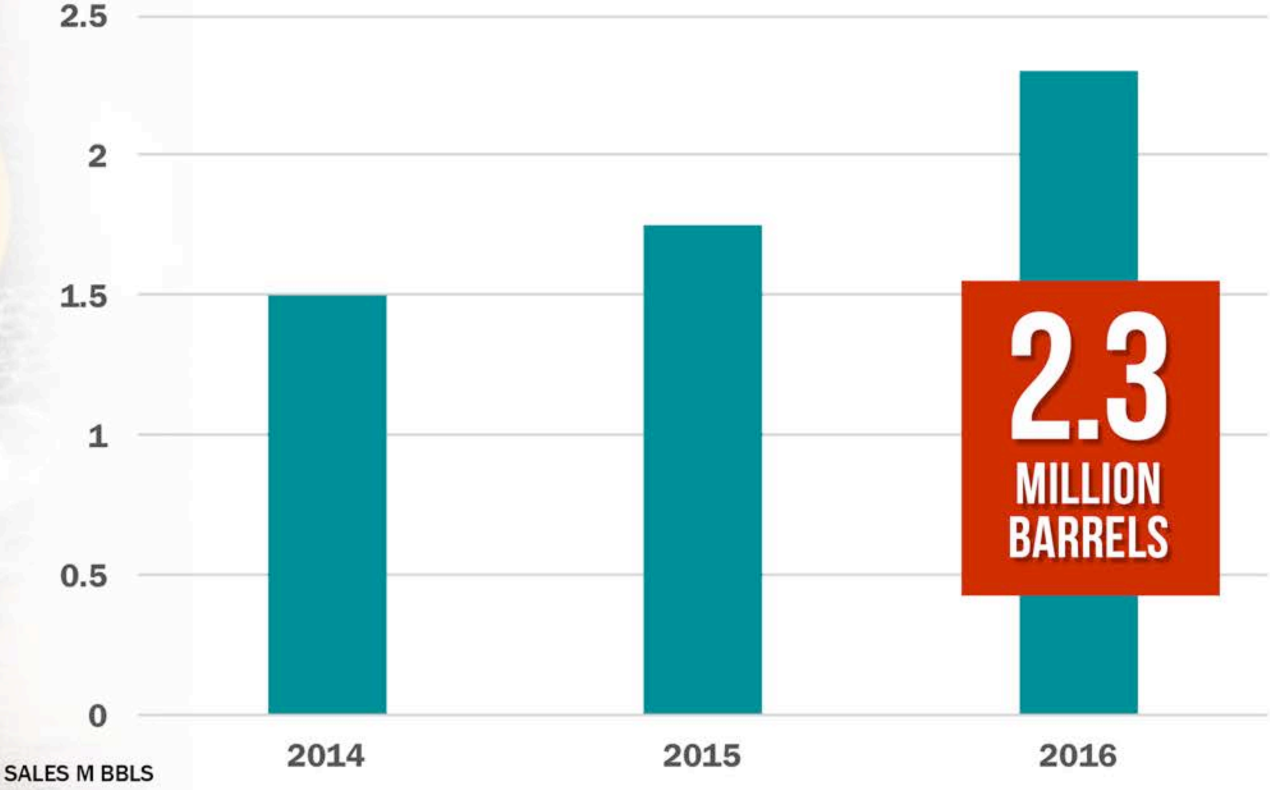
BARREL GROWTH



WHAT THE BEER DRINKER IS THINKING

- Local
- Trying something new
- Beer is fun
- Taprooms/community

AT THE BREWERY SALES



CLOSINGS

2012: 47

2013: 68

2014: 75

2015: 78

2016: 97

OPENINGS

2012: 456

2013: 525

2014: 896

2015: 845

2016: 826

BREWERIES IN PLANNING

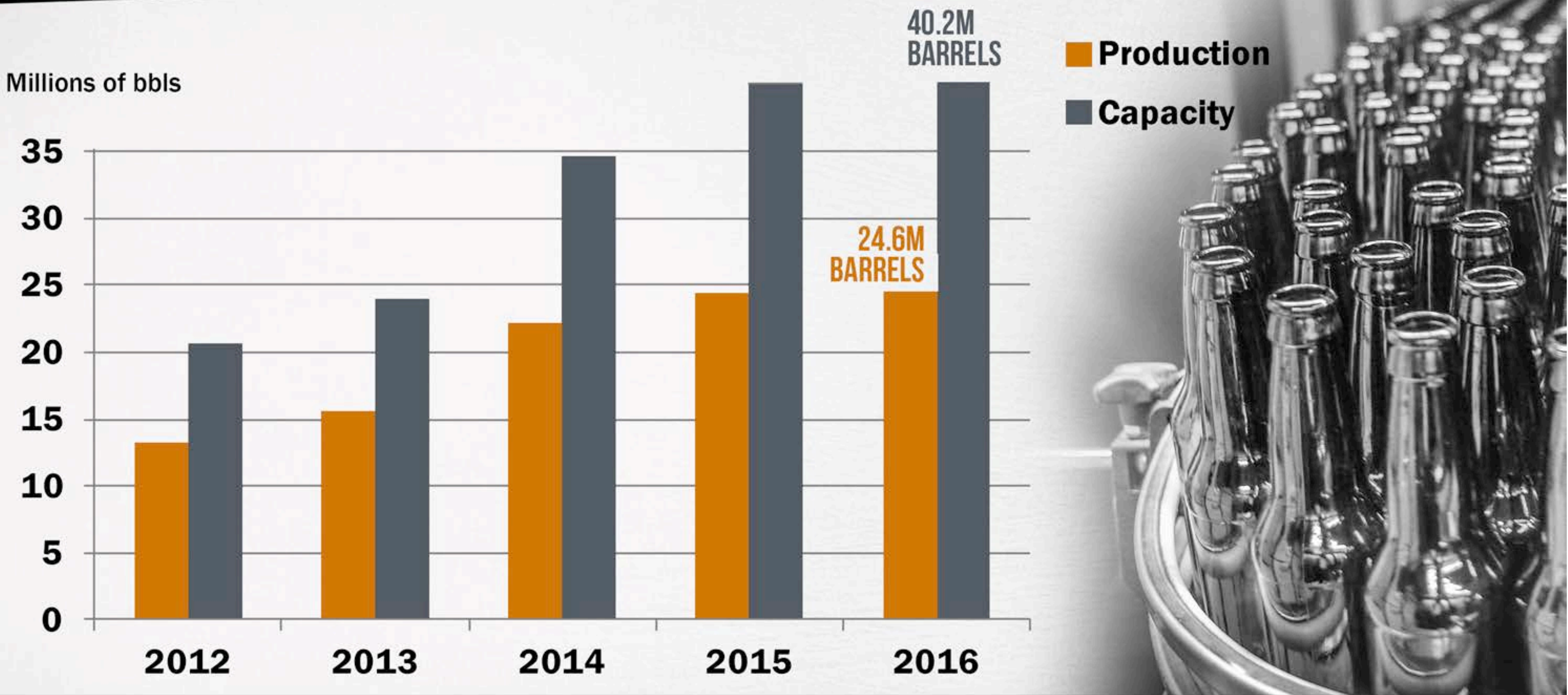
More are coming

- 7,700+ active TTB licenses as of March 31, 2017…

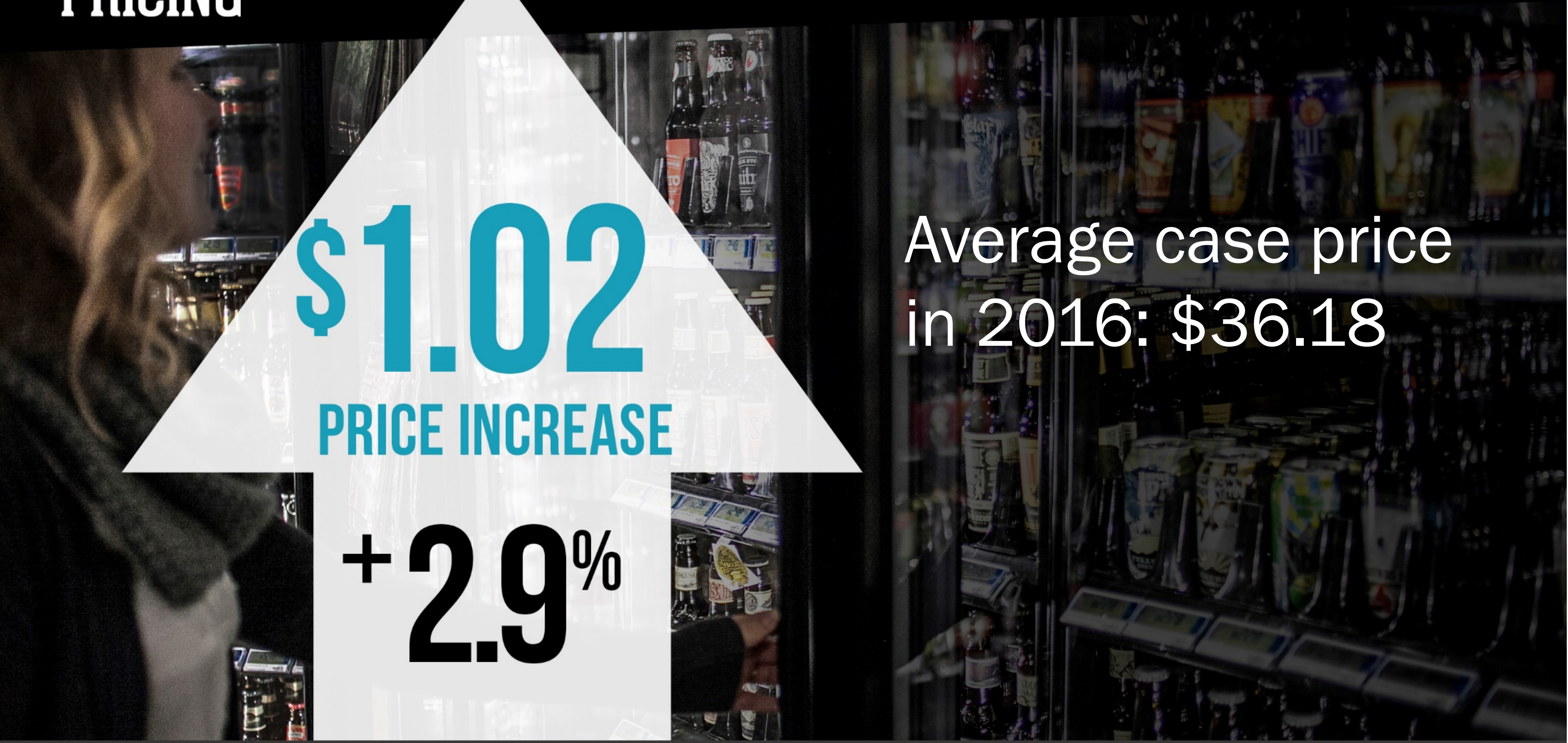
EXPANSIONS

- Lots of capacity
- But people are getting the message
  - Ratio didn’t change much from 2015-2016
  - Tracked 1,000 breweries from 2015 to 2016
    - Group grew capacity (collectively) by 2.8%.

PRODUCTION to CAPACITY



PRICING



$1.02

PRICE INCREASE

+2.9%

Average case price in 2016: $36.18

Source: IRI Group, MULO+C

BREWPUBS

2016

1.35M

BARRELS

14.8%

GROWTH RATE

MICROS

2016

5.0M BARRELS

27%

GROWTH RATE

REGIONALS

2016

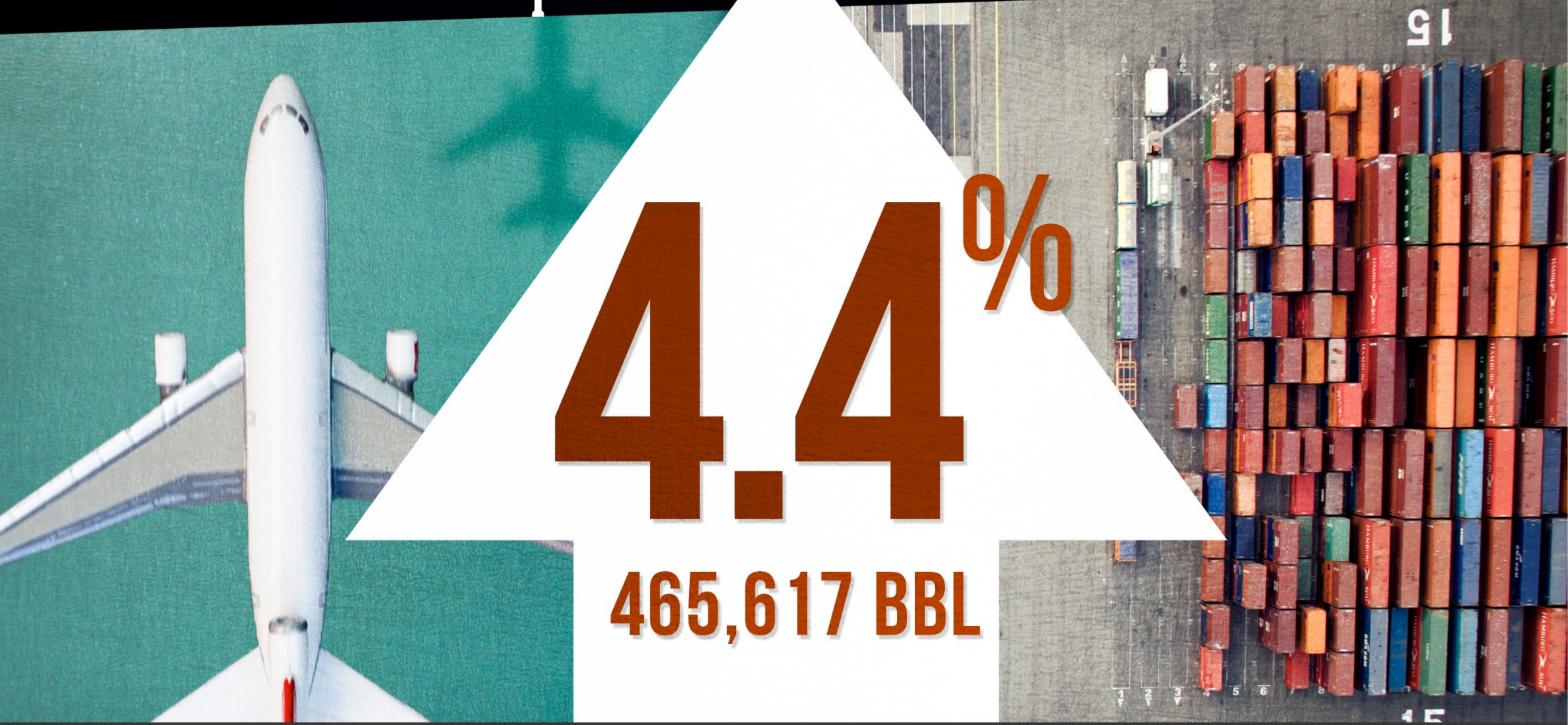
17.94M

BARRELS

0.9%

GROWTH RATE

U.S. Craft Brewer Exports



4.4%

465,617 BBL

BEER STYLES

2016 Dollar Share & Growth

	$ Sales Share	Growth Rate
IPA	25.4%	22.6%
SEASONAL	13.3%	-2.3%
OTHER PALE LAGERS	11.2%	9.2%
PALE ALE	8.8%	4.4%
VARIETY	7.6%	5.2%
AMBER ALE	4.3%	1.2%
AMBER LAGER	4.1%	-6.3%

Source: IRI Group

BEER STYLES

- Shift toward the lighter side
- Growth in scan
- Hearing on brewpub side

GOLDEN ALES	51.2%
SAISON/ FARMHOUSE ALES	44.4%
PILSNER	12.1%
WHEAT BEER	11.9%
BELGIAN WITS	11.4%
OTHER PALE LAGERS	9.2%

STATES

- What is true nationally not necessarily true in the states
- Starting to see a divergence in growth in different places
- Know your market

STATES GROWTH

- States with **above average** craft share (2015), 2016 growth = **1.9%**

- States with **below average** craft share (2015), 2016 growth = **7.7%**

TRENDS

- Concerns
  - .05
  - Trade practice violations
  - Brewing great beer is no longer enough
- Optimism
  - We've built businesses that people love in their communities
  - Premiumization tide isn't swinging back
  - Inclusiveness

CRAFT BEER SALES ARE AT AN ALL TIME HIGH!

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