STATE of the INDUSTRY

BREWERS ASSOCIATION®

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BIG PICTURE

- Success is a double-edged sword
- Growth means
  - Expanded production/Deals
  - Financial returns/Entrants
  - Opportunities/Competition
  - New models/Regulatory challenges
- Small still healthy

Access to Capital

- Capital for ownership
- Craft roll-ups
- Large brewers buying craft
- Private equity investing in craft
- ESOPs

The Script

1. Announcement of agreement
2. Quotes from seller: “Employees are excited. We get to tap into resources…”
3. Company history & more quotes: “We have a great community/market. Nothing’s gonna change.”
4. Quote from buyer: “Excited to ‘partner’… culture won’t change. We’ll learn from each other.”
5. List of retail establishments acquired. List of financial advisors and lawyers involved.

Deep Thoughts

- Company investor exits
- It's about money
- Brand impacts
- Strained relationships
- Value of craft

BA Perspective

- Craft brewer definition clear and known
- Sale to large brewer – no longer craft, loss of control, access to markets & materials change
- Sale to private equity/craft brewer – still in craft, loss of control, little change in access to markets & materials
- BA doesn't "kick out" anyone
- Craft brewer definition more important than ever

CRAFT BREWER DEFINED

- Small
- Independent
- Traditional

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

% CRAFT

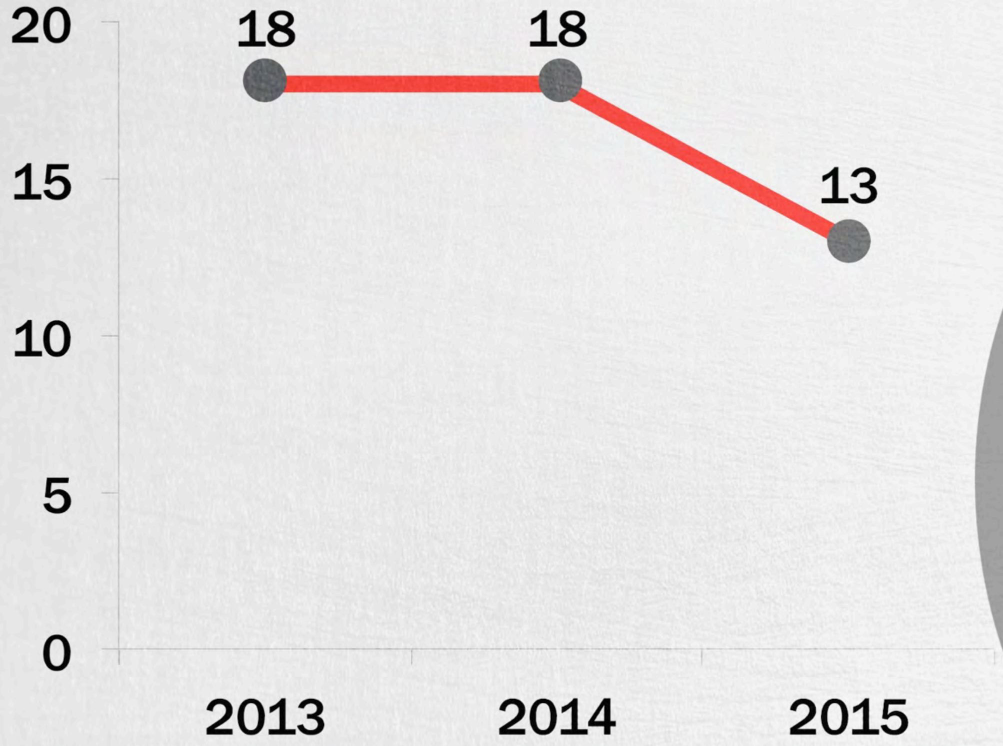
21%

DOLLAR SHARE

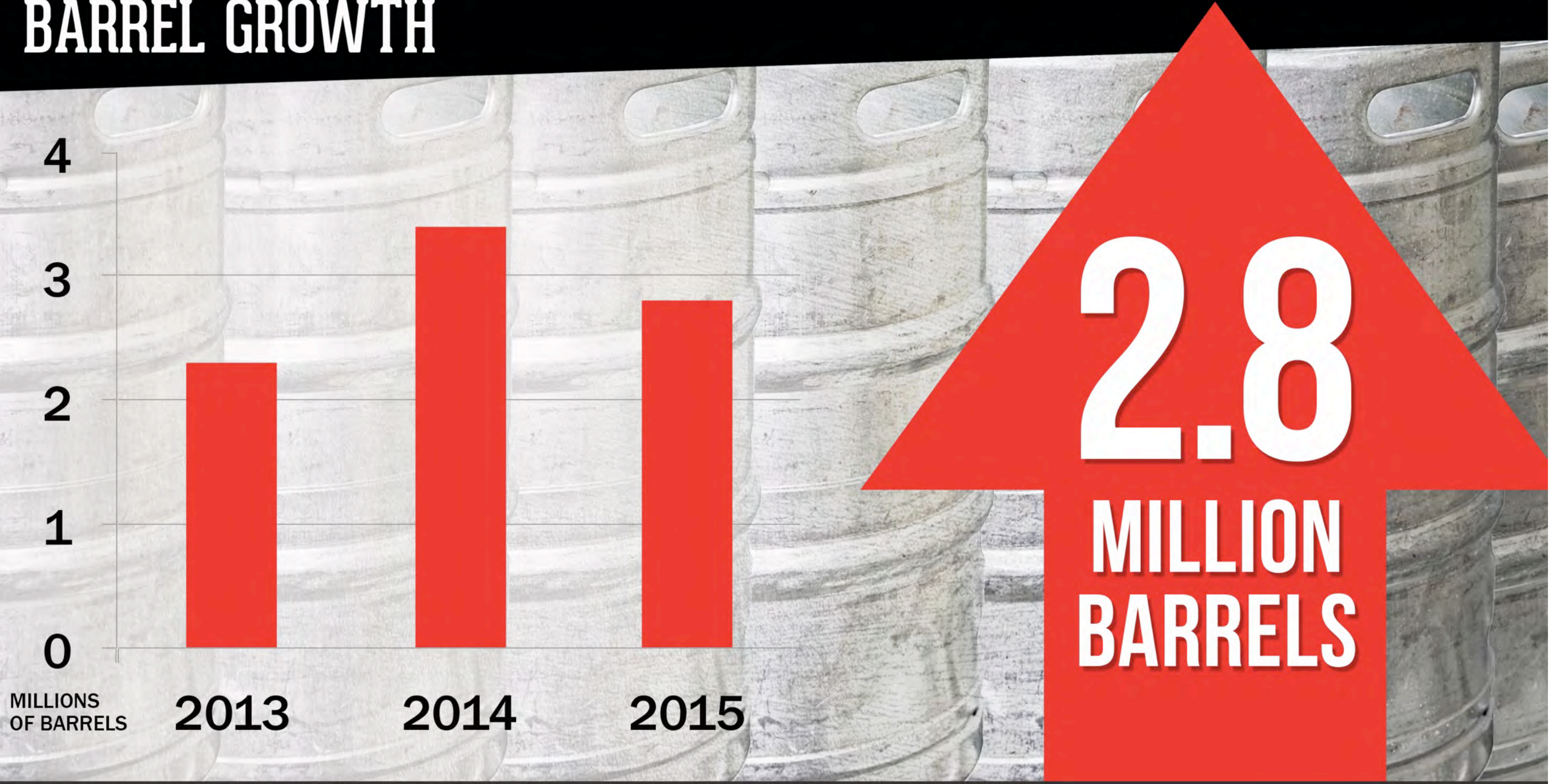
12%

VOLUME SHARE

GROWTH



BARREL GROWTH



CLOSINGS

2013: 68

2014: 73

2015: 67

OPENINGS

2013: 502

2014: 881

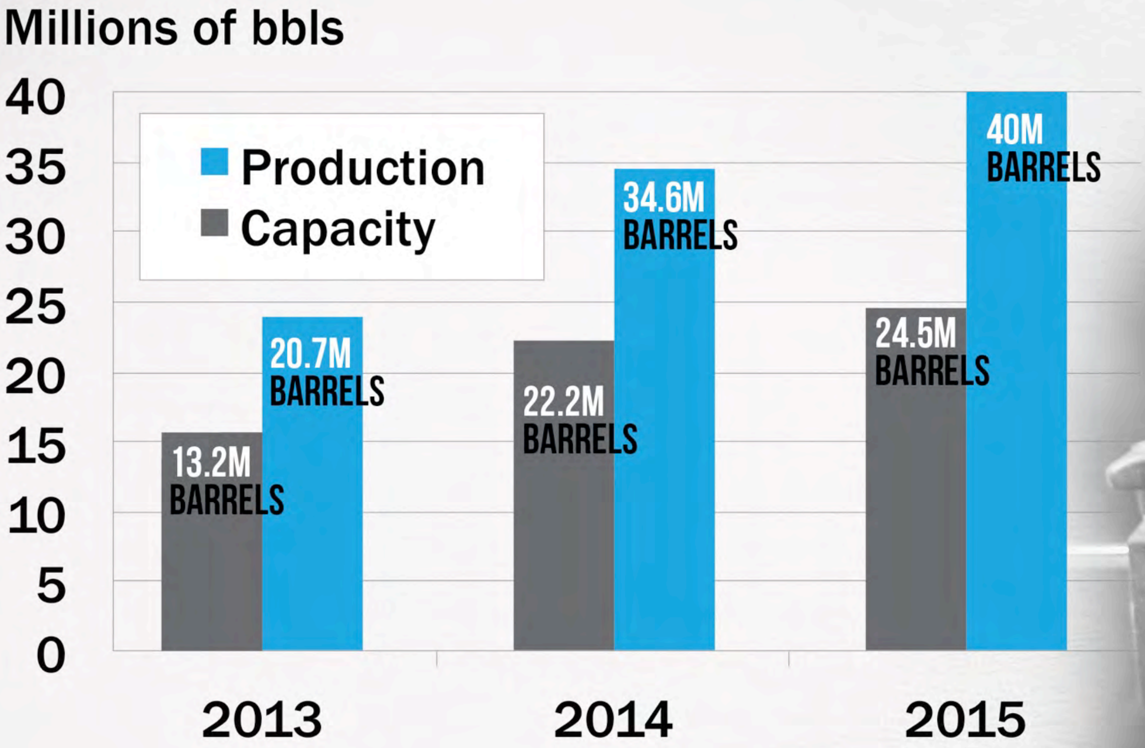
2015: 620

EXPANSIONS

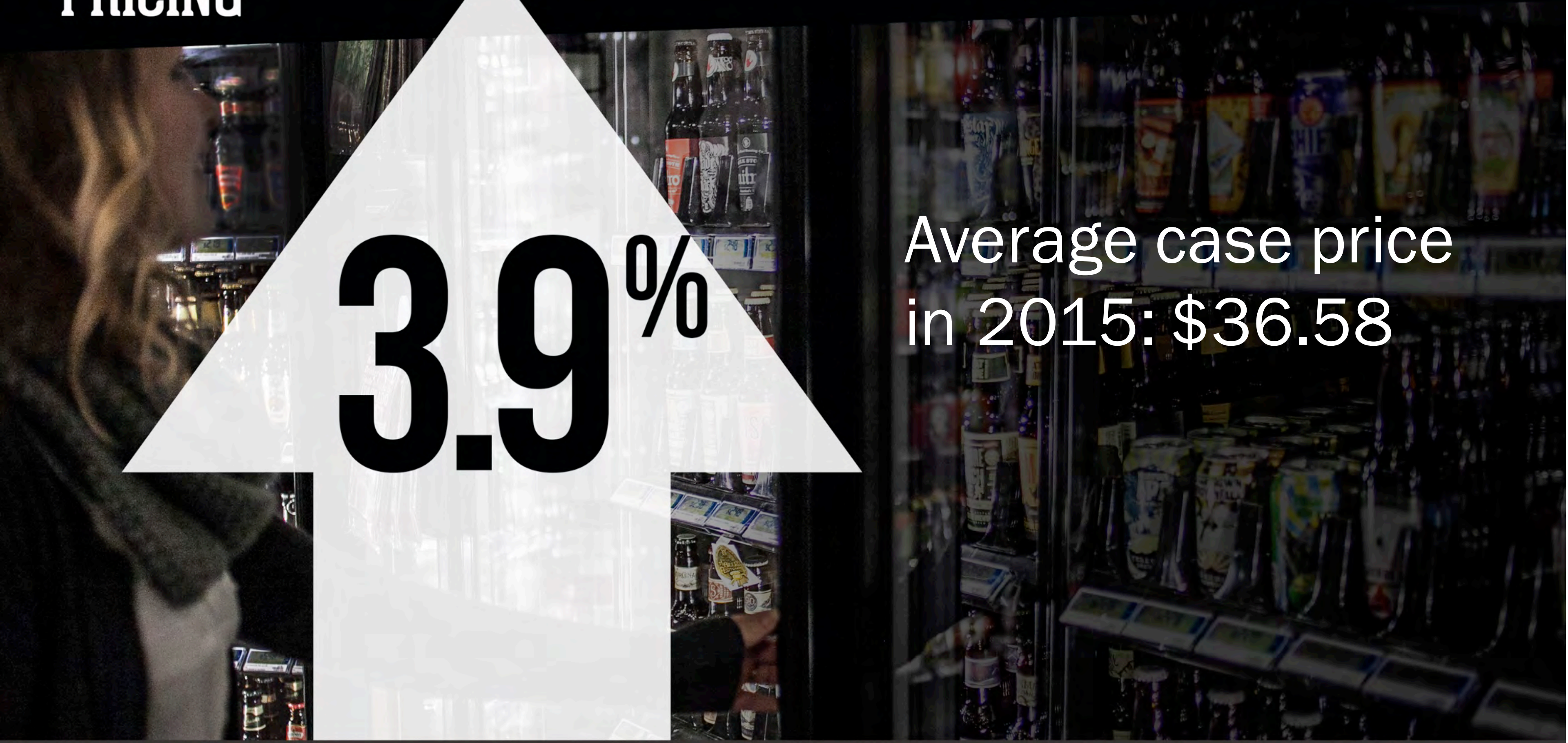
Openings underestimates dynamism

- Nearly half of breweries (49%) increased capacity by at least 10%
- More amazingly, more than a quarter increased capacity by 50% or more

PRODUCTION to CAPACITY



PRICING



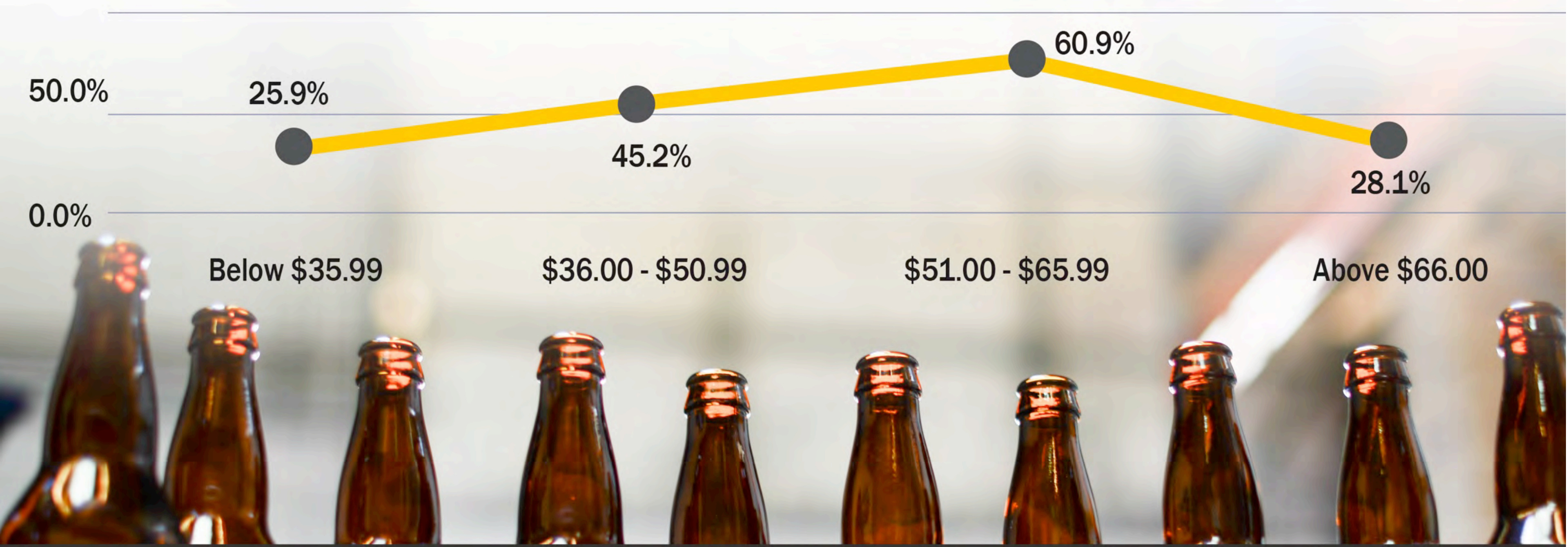
3.9%

Average case price in 2015: $36.58

Source: IRI Group, MULO+C

PRICING

Healthiest growth at the top



BREWPUBS

1.28M
BARRELS

+9.8%

MICROS

3.93M BARRELS

+24.2%

REGIONALS

19.08M BARRELS

+11.3%

U.S. Craft Brewer Exports

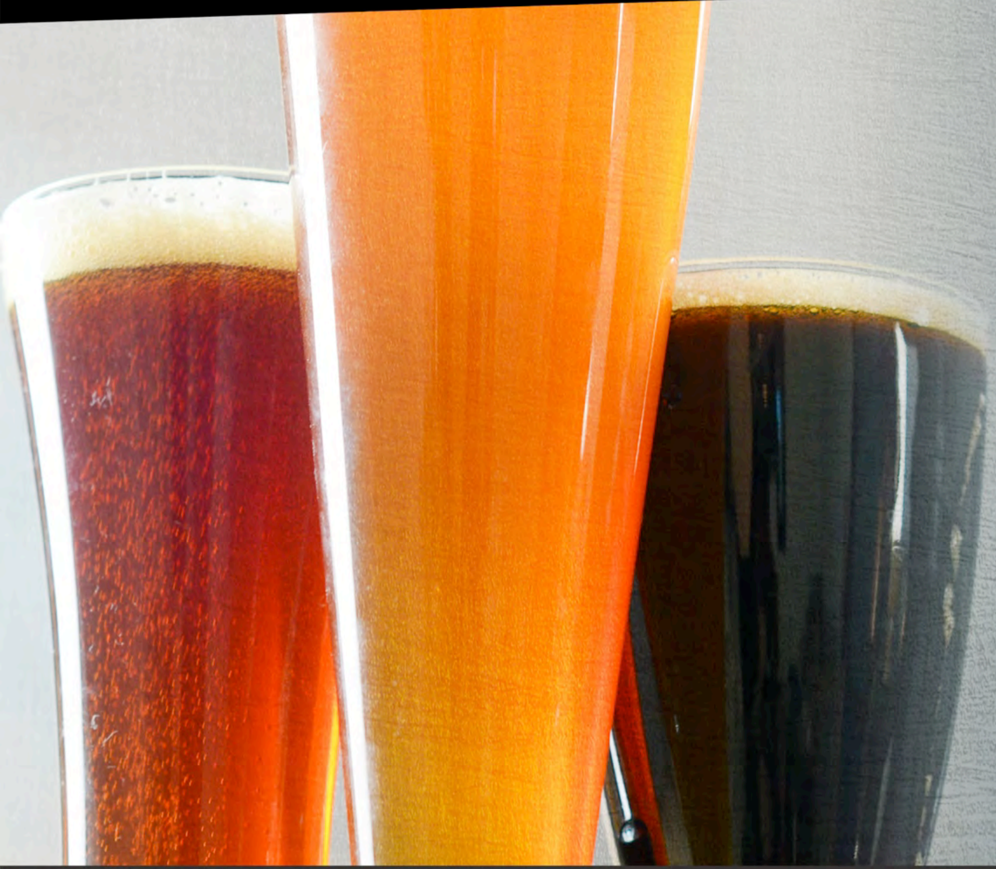
16%

446,151 BBL

BREWERIES IN PLANNING

More are coming!

- 6,000+ active TTB licenses at the end of 2015…
- Creative destruction
- Restaurants/Bars



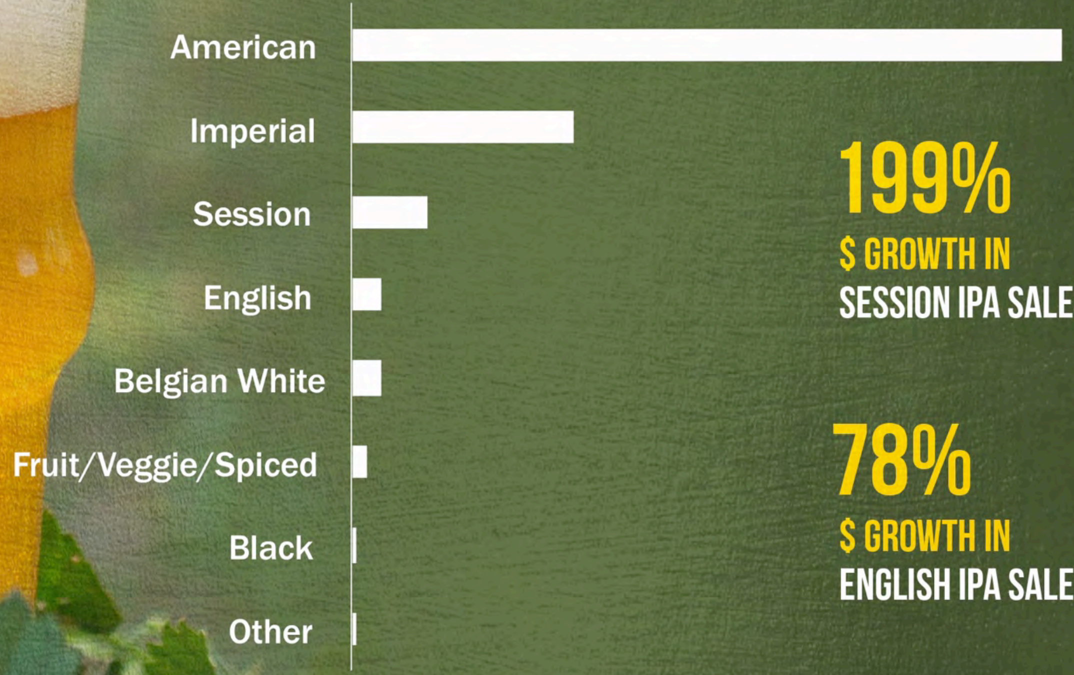
Dollar Share 2015

IPA	26.49
Seasonal	13.96
Pale Ale	9.28
Variety	6.98
Fruit/Veggie/Spiced	4.98
Amber Ale	4.69
Amber Lager	3.83

Source: IRI Group

BEER STYLES

IPA CATEGORY DOLLAR SALES



199%
$ GROWTH IN
SESSION IPA SALES

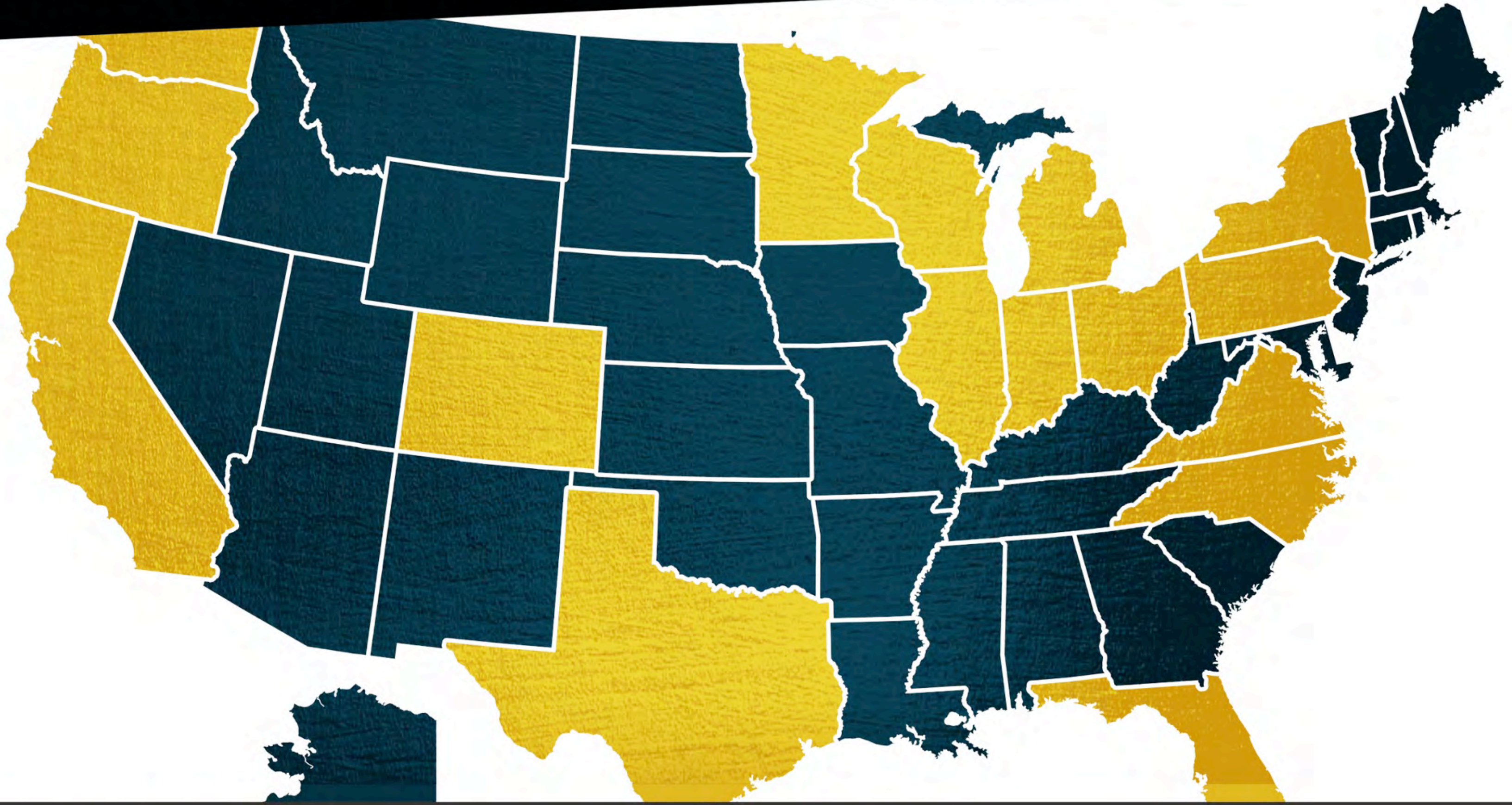
78%
$ GROWTH IN
ENGLISH IPA SALES

BEER STYLES

And the next frontier may be the large brewer sandbox:

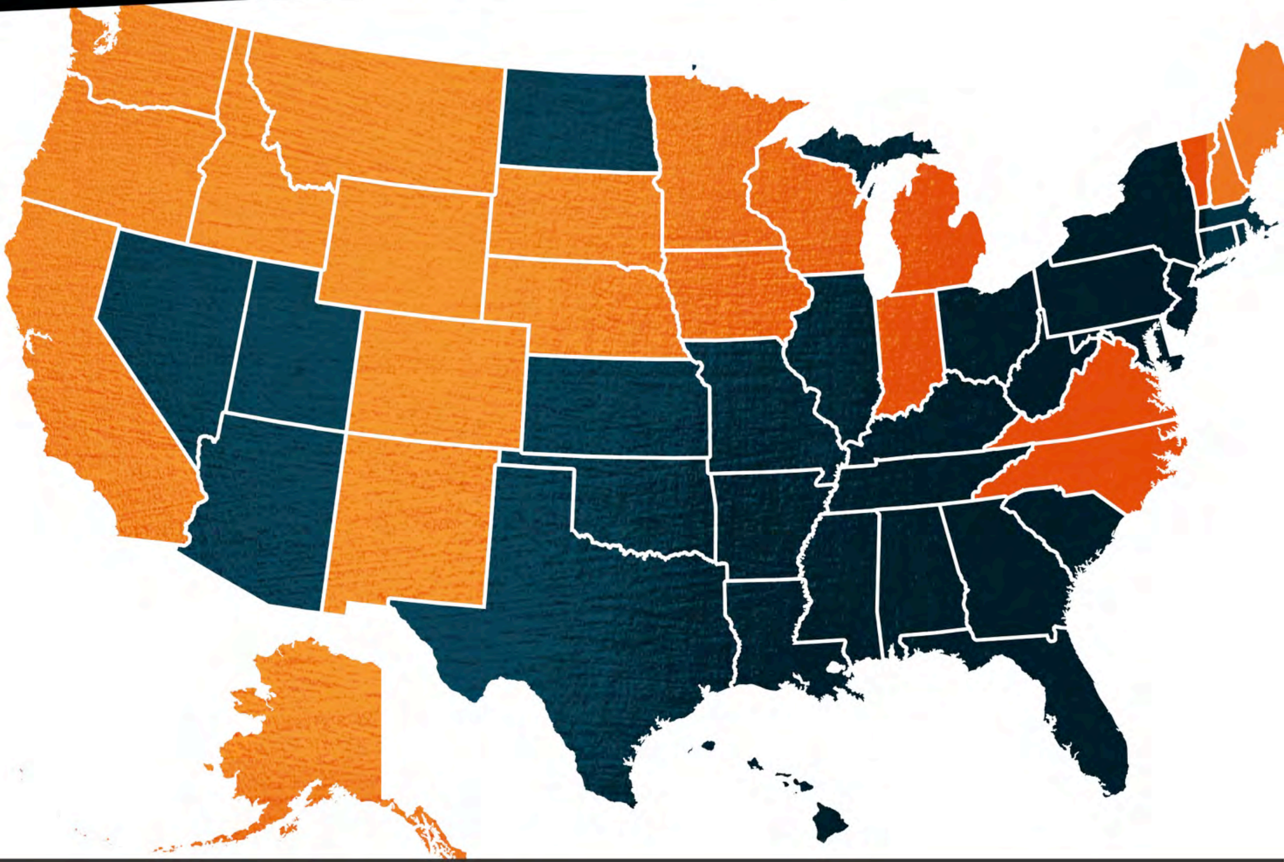
- Pilsners
- Golden ales
- Other sessionable styles

STATES WITH 100+ BREWERIES



BREWERIES PER CAPITA

States with 2+ breweries per 100,000 21+ adults (per capita leaders)

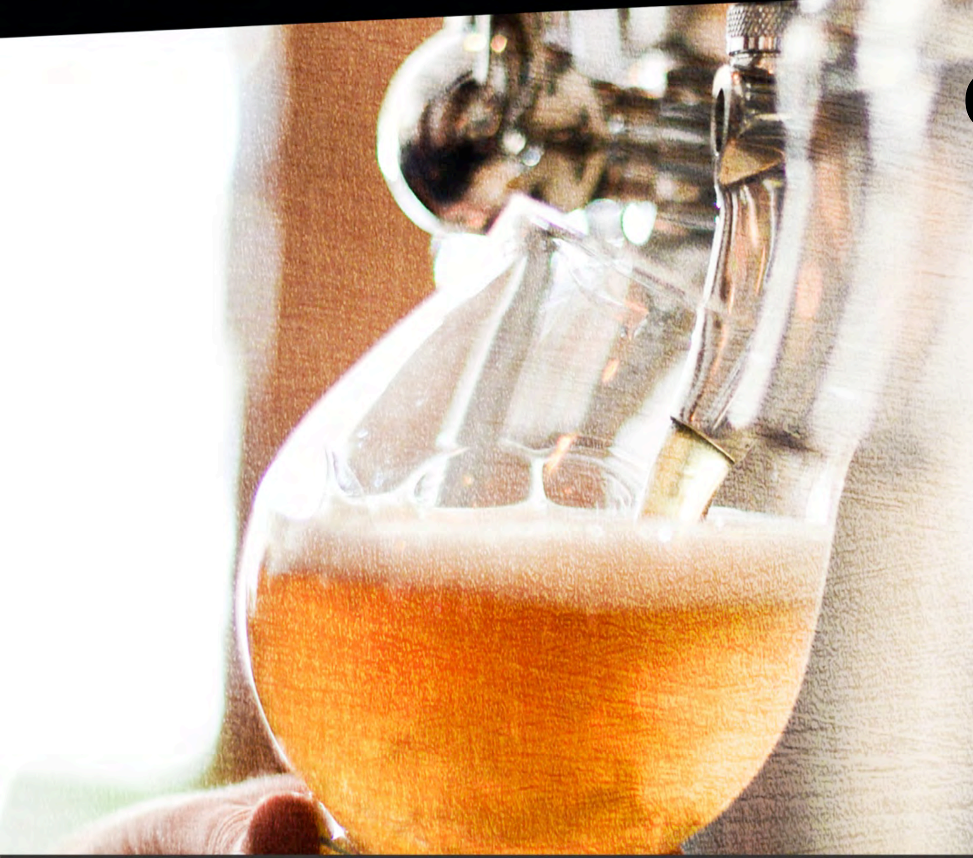


TRENDS

Concerns

- Loss of passion, uniqueness
- Quality gaps
- Regulatory & retailer demands
- Distribution no longer a given

TRENDS



Optimism

- Demand is on our side
- Demographics on our side
- We matter
  - Jobs
  - Customers love craft
- So many great beers!

CRAFT BEER SALES ARE AT AN ALL TIME HIGH!

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