

Beverage Market Update

Industry Consulting Team | September 2023

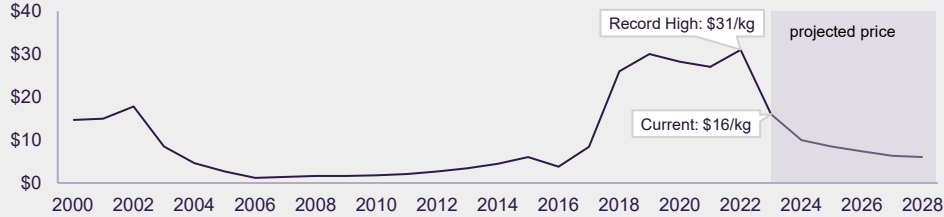
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Category Volume Performance	Beer	Spirits	Wine	Soft Drinks
LTM CE vol. 6/30/23	- 4.05%	1.46%	-7.57%	- 3.5%
Commentary & Trends by Sector	US Beer market trends softened during H1'23 led by domestic beers offset by Mexican imports; Bud Light issues begin in Q2'23	Spirits remain area of strength across US Bev Alc led by cont'd growth in agave / Am whiskey; wholesale inventory levels pressure growth	US Wine volume down during H1'23, Still and Sparkling segments down along with domestic and imported wines all down YoY	Soft Drinks experience a slightly widened volume decline while pricing and dollar growth both decelerate

Agave Prices Decline After Years of Historic Highs... What that Means for a Strong Tequila & Mezcal Market

Agave Price in MXN Pesos per Kilo



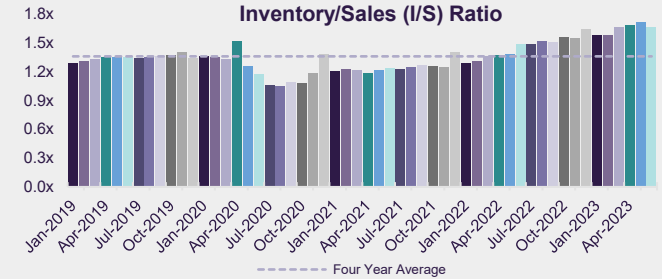
- Baseline data references: above chart is in MXN Pesos; pricing index refers to Blue Weber agave, approximately 7kgs produce 1L of tequila, Blue Weber agave reaches maturity around 5-7 years
- In recent years, agave prices have soared reaching historical highs of over \$30/kg, pricing began stabilizing in 2023 as plantings & matured agave caught up with demand, despite cont'd growth
- Per TasteTequila.com, current agave pricing has fallen to ~\$16/kg and could fall to roughly \$5/kg based on trending tequila growth and expected agave supply
- Lower pricing will drive margin expansion while also supporting growth in 100% agave brands

Mid-Year Update on Wholesaler Inventory Levels

April I/S Ratio
1.68x

May I/S Ratio
1.71x

June I/S Ratio
1.66x



- Data from the US Census Bureau shows that wholesaler inventories slightly moderated across beer, wine and spirits; June inventory/sales ratio improved to 1.66x but remain above the 3yr average, 1.33x
- As sales to retailers improve, excess inventory at the distributor level will be digested. If growth stalls, there is a risk that shipments underperform depletions resulting in pressure for future supplier shipments
- Despite recent improvements, overall wholesale inventories across beer, wine and spirits continue to run ahead of historical levels; distributors have taken notice and actively managing levels and SKUs

RTDs Beat the Summer Heat



- Over the summer, RTDs continued to climb with significant changes in total RTD by alcohol base \$ share.
- Spirits RTDs and FMBs (Flavored Malt Beverages) are gaining share of total RTD at Hard Seltzers expense. As of 7/08/2023, Hard Seltzers share fell below FMB share YoY.

*YoY comparisons as of July 2023

Notable M&A Transactions



- M&A continues to be active across beverage alcohol despite higher rate environment and tightening capital markets
- Within beer sector, Tilray continues to expand presence in craft beer category, now becoming one of the largest craft producers with the acquisition of 8 various brands from Anheuser Busch; reported transaction values well below brand valuations of yester-years reflecting craft climate
- Recent spirits transactions reflect the category's growth segments, tequila & mezcal and American whiskey; Ole Smoky expanded their portfolio entering the agave space acquiring Tanteo, a premium infused and traditional tequila brand, while MolsonCoors made headlines with the acquisition of Truist client, Blue Run Spirits, expanding their American whiskey position; and Bacardi just announced their full acquisition of Illegal Mezcal, a leading mezcal brand in the US and company they had a minority stake in