

CRAFT BREWERIES



Market Monitor

WINTER 2019



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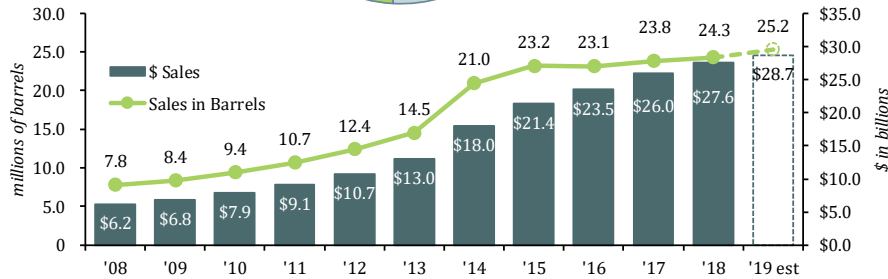
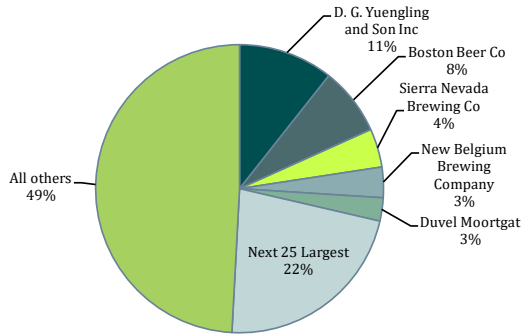
Craft Beer Industry Snapshot

- Craft brewery growth in 2018 out-paced its projection of 600 additional breweries set in 2017, with nearly 830 new craft breweries added in the year, corresponding to a 13% increase over 2017. However, the continued increase of brewery closings reflects the headwinds facing the smaller brewers.
- Much like 2017, smaller craft breweries made up the majority of the industries' production growth, with brewpubs growing 13% (corresponding to 20% of overall growth) while the larger regional breweries remained relatively flat in 2018.
- There has been a recent uptick in M&A activity, with some marquee brands announcing deals, including Ballast Point (again), New Belgium Brewing and Craft Brew Alliance.
- The trend of consumers becoming more health-conscious has spurred the explosive growth seen in the hard seltzer market, causing craft breweries to react with their own, low-calorie, low-alcohol variants such as Lagunitas' 98 calorie DayTime IPA, Dogfish Head's 95 calorie Slightly Mighty lo-cal IPA and Ballast Point's 99 calorie lager.
- Currently, the low- or no-alcohol beer category makes up around 5% of beer volume worldwide. However, according to a GlobalData report, it is the fastest growing segment in the beer market, achieving a ~4% compound annual growth rate ("CAGR") over the last 5 years, as compared to a 0.2% CAGR for traditional beer over the same time period; in line with this trend, AB InBev plans to generate around 20% of their overall sales from low- or no-alcohol brands by the end of 2025.

Craft Breweries

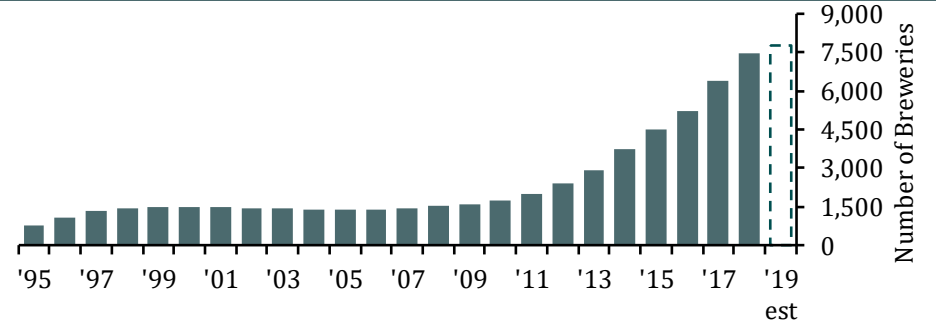


Craft Beer Sales



Source: Brewer's Association, beveragedynamics.com, axios.com, beveragedaily.com, & Moss Adams Capital estimates.

U.S. Brewery Statistics



Top 5 States by ...

| # of Barrels (000s) | | Gallons Produced | |
|---------------------|-------|------------------|----------------|
| State | # | State | # / 21+ Adults |
| Pennsylvania | 3,719 | Vermont | 21.3 |
| California | 3,421 | Delaware | 12.5 |
| Colorado | 1,523 | Alaska | 12.1 |
| Ohio | 1,398 | Pennsylvania | 11.7 |
| Florida | 1,374 | Colorado | 11.0 |

Note: Top bar graph represents total number of breweries and the bottom table represents craft breweries

Craft Beer Industry Snapshot

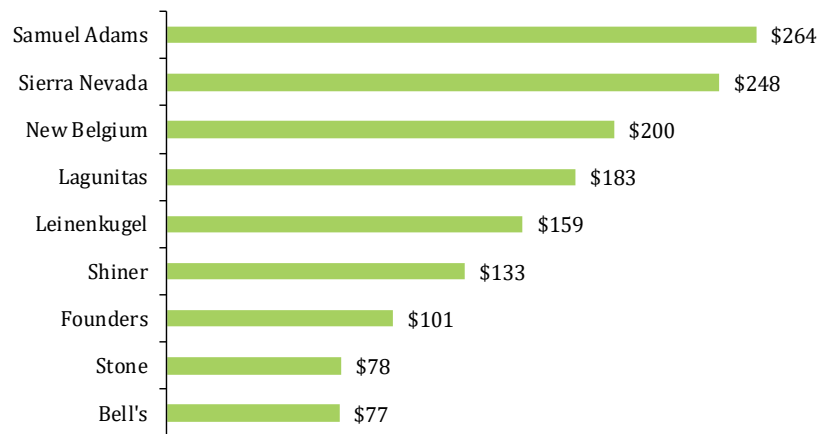
Top Craft Beer Styles by Sales - TTM Oct. 19 (in \$mm)



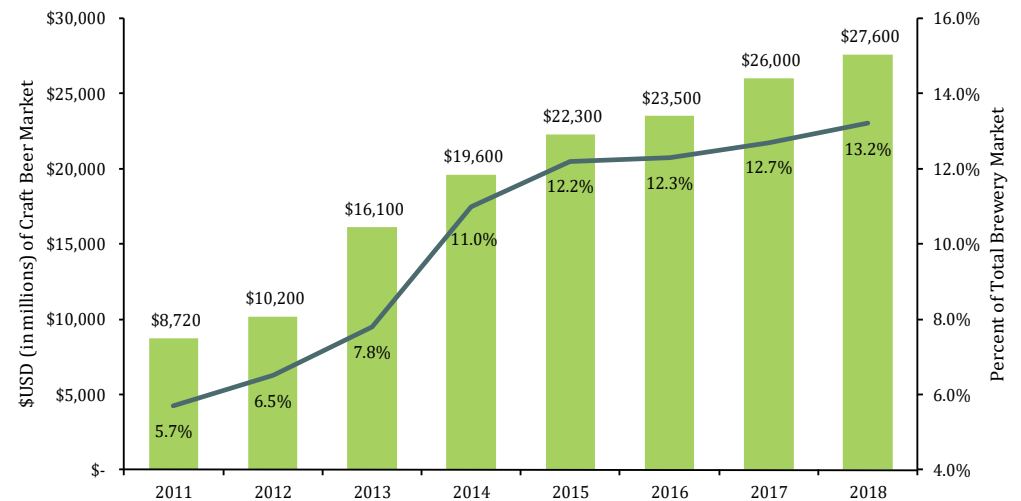
Craft Breweries



Top Craft Beer Sales by Brand - 2018 (in \$mm)



Craft Beer Market Share and \$US (in mm) Growth



- In 2018, at-the-brewery sales were up to around 3.1 million barrels representing an increase of about 400,000 barrels from 2017, or 14.8%.
- Although the trend has been for craft breweries to offer a large portfolio of beers in order to appeal to a wider audience, Mike Stevens, co-founder of Founders Brewery, states the next change in the brewery market is for breweries “to focus on a narrowing handful of brands, not 28 brands, and spending money supporting those core brands.”
- The IPA segment remains the top driver among craft beer sales, and despite its growth somewhat slowing, IPA sales as of TTM October 2019 still account for more than double the next most popular style’s.
- Several years ago, New England IPAs (“NEIPAs”), or hazy/unfiltered IPAs, became extremely popular, subsequently sparking the west coast to establish its own competing style of IPA, Brut IPAs; while NEIPAs are heavy and juicy, the Brut IPAs are made using brut champagne yeast giving them a crisp, balanced and light fruit flavor.

Source: Brewer’s Association, Nielsen, beveragedynamics.com, & Moss Adams Capital estimates.

Current Events

Brewery Expansions & Growth



Charlton, MA based Tree House Brewing Co. is currently constructing a 76,700 sq. ft. warehouse expansion at its current location, which is anticipated to provide additional barrel aging capacity.



Victory Brewing, a Downingtown, PA based brewery, is planning on opening a 14,000 sq. ft. Philadelphia brewery and tap room in late 2020 that will feature a 10-barrel brewhouse, three bars, a kitchen and outdoor seating.



In May 2019, Worcester, MA based Wormtown Brewery announced it will be adding a second location at Gillette Stadium, investing a reported \$1.3 million in the project and also purchasing a 7-barrel brewhouse for the facility.



Georgia-based Scofflaw Brewing has recently added a new brewing system, allowing the company to produce 30,000 barrels as well as planning a second location in Atlanta that will serve as a R&D brewing facility and tasting room.



Russian River Brewing Company opened its highly anticipated \$50 million, 85,000 sq. ft. taproom and restaurant in October 2018. The brewery has also laid plans to increase its production to 40,000 barrels in 2019.



Three years after announcing its plans to open a farm brewery in Connecticut, Massachusetts based Trillium Brewing Company acquired farm-land 2 hours outside of Boston. This brewery will be Trillium's fourth location.

Upcoming Events

January 11, 2020

San Diego Brew Festival

San Diego, CA

January 24-25, 2020

Cleveland Winter Beerfest

Cleveland, OH

February 15, 2019

Hunahpu's Day 2020

Oceanside, California

May 15-16, 2020

World Expo of Beer

Frankenmuth, MI

May 15, 2020

SAVOR: Presented by the Brewers Association

Washington, D.C.

May 30, 2020

Firestone Walker Invitational Beer Fest

Paso Robles, CA

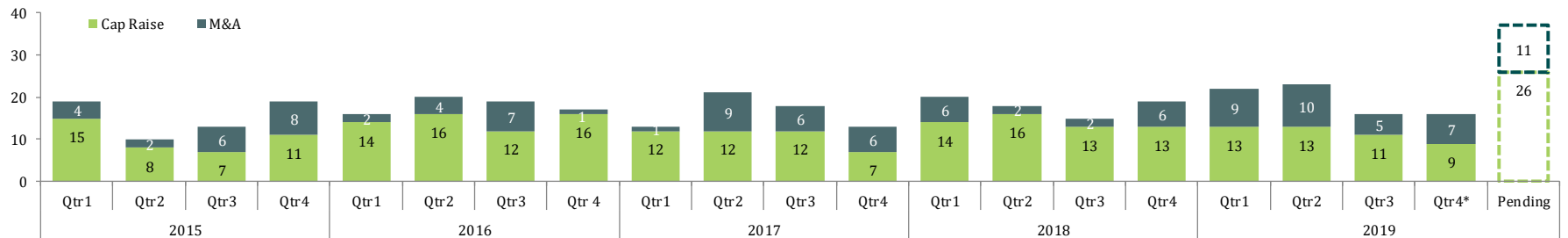


Select, Recent M&A Activity

\$ in millions

| Close Date | Target | Target Location | Acquirer/Investor | Percent Sought | Est. Production |
|------------|---|-------------------|--|----------------|-----------------|
| Announced | Ballast Point Brewing & Spirits, Inc. | San Diego, CA | Kings & Convicts Brewing Co. | 100% | 270,000 |
| Announced | Anderson Valley Brewing Company | Boonville, CA | Private Investor | 100% | 26,000 |
| Announced | Craft Brew Alliance, Inc. | Portland, OR | Anheuser-Busch Companies, LLC | 69% | 653,000 |
| Announced | Mad River Brewing Company, Inc. | Blue Lake, CA | Yurok Agricultural Corp. | 100% | 60,000 |
| Announced | Axle Brewing Company, LLC | Ferndale, MI | Eastern Market Brewing Company LLC | 100% | 1,000 |
| Announced | Rochester Mills Production Brewery, LLC | Auburn Hills, MI | Infamy Brews, LLC. | 100% | 60,000 |
| Announced | Canal Street Brewing Co., LLC (Founder Brewering Co.) | Grand Rapids, MI | Mahou, S.A. | 60% | 600,000 |
| Announced | Lake Louie Brewing, LLC | Arena, WI | Wisconsin Brewing Company LLC | 100% | 3,300 |
| Announced | Millcreek Brewing Company | Erie, PA | Erie Brewing Company | 100% | 4,000 |
| Announced | Gonzo's BigDoggy Brewing, LLC | Kalamazoo, MI | Saugatuck Brewing Company, Inc. | 100% | 1,000 |
| Announced | Dad & Dudes Breweria LLC | Aurora, CO | Cannabiniers | 100% | 2,000 |
| Nov-19 | New Belgium Brewing Company, Inc. | Fort Collins, CO | Lion Pty Limited | 100% | 853,000 |
| Oct-19 | Majority Assets of Rivertowne Brewing Company | Export, PA | Helltown Brewing LLC | 100% | 15,000 |
| Oct-19 | Aspen Brewing Company | Aspen, CO | Legacy Breweries Inc. | 100% | 4,500 |
| Oct-19 | Laurelwood Brewing Co. | Portland, OR | Legacy Breweries Inc. | 100% | 5,000 |
| Aug-19 | Platform Beer Co. | Cleveland, OH | Anheuser-Busch Companies, LLC | 100% | 20,000 |
| Jul-19 | Off-Centered Way LLC (Dogfish Head Brewery) | Boston, MA | The Boston Beer Company, Inc. | 59% | 300,000 |
| May-19 | Fountain Square Brewery LLC | Indianapolis, IN | New Day Meadery, LLC | 100% | 2,500 |
| May-19 | The Saint Louis Brewery, Inc. | Louis, SD | Schlafly Family | 60% | 40,000 |
| Apr-19 | Weyerbacher Brewing Co. Inc. | Easton, PA | 1518 Holdings LLC | 55% | 15,500 |
| Apr-19 | Ninkasi Holding Company Inc. | Eugene, OR | EPR Properties; Legacy Breweries Inc. | N/A | 90,744 |
| Apr-19 | Avery Brewing Company, LLC | Boulder, CO | Mahou, S.A.; Canal Street Brewing Co., LLC | 70% | 150,000 |
| Feb-19 | Sufferfest Brewing Company, Inc. | San Francisco, CA | Sierra Nevada Brewing Co. | 100% | 8,500 |
| Jan-19 | Flat 12 Bierwerks, LLC | Indianapolis, IN | Books & Brews LLC | 100% | 7,000 |
| Jan-19 | Schooner Brewing | Seattle, WA | San Juan Seltzer, Inc. | 100% | 2,000 |
| Jan-19 | Bull Durham Beer Company | Durham, NC | R&D Brewing Co. | 100% | 1,300 |

Craft Breweries



Source: CapitalIQ, PitchBook, company filings, news releases.

*Qtr4 2019 is through 12/5/2019

Selected Deal Profiles



Kings & Convicts Brewing Co. acquires Ballast Point Brewing

Announced December 4, 2019

- Kings & Convicts, a small, <1,000 barrel micro brewery headquartered in Chicago, IL (backed by several wealthy individuals) has announced its acquisition of Ballast Point Brewing from Constellation Brands.
- Brendan Watters, CEO of Kings & Convicts, stated, "Ballast Point's best-in-class brewing standards will remain unchanged... Our goal is to leverage Ballast Point's deep know-how, talented and passionate employee base, and outstanding operating team to grow both Ballast Point and Kings & Convicts together."
- Constellation Brands president and CEO further stated, "Trends in the U.S. craft beer segment have shifted dramatically since our acquisition of Ballast Point. Ballast Point remains one of the most iconic craft beer brands in the country and we're pleased to transition the business to an owner that can devote the resources needed to fuel its future growth."
- Constellation brands has recorded over \$200 million of impairment charges related to Ballast Point since it acquired the brand in 2017; furthermore, Ballast Point has seen declining production numbers, with an anticipated production of 270k barrels in 2019, off its high-water mark of 430k barrels in 2016.

Source: BevNET.com, Inc.; brewbound.com



Lion Little World Beverages (owned by Kirin) acquires New Belgium Brewing Company

Closed November 21, 2019

- This acquisition marks the end of New Belgium's 100% employee-owned status, which took effect in 2012 as well as the end of the company's status as a small and independent craft brewer by the Brewers Association.
- Sources are stating that Kirin spent between \$350-\$400 million for New Belgium which produced over 850k barrels in 2018.
- Lion Little Managing Director Matt Tapper stated, "We are putting down a pretty significant stake in the ground in the U.S. that is all about working with New Belgium over time to establish a leading craft beverage business in what is the largest craft beer market in the world by some distance."
- Co-founder of New Belgium, Kim Jordan, posted an open letter on the company's website regarding the transaction, noting that despite the company losing its employee-owned status, current and former employees of the company will be receiving nearly \$190 million, in aggregate, due to the transaction.
- Along with the transaction, New Belgium will acquire the outstanding stake in Magnolia Brewing Company, which will also become part of Kirin.



Boston Beer Company acquires Dogfish Head

Closed July 3, 2019

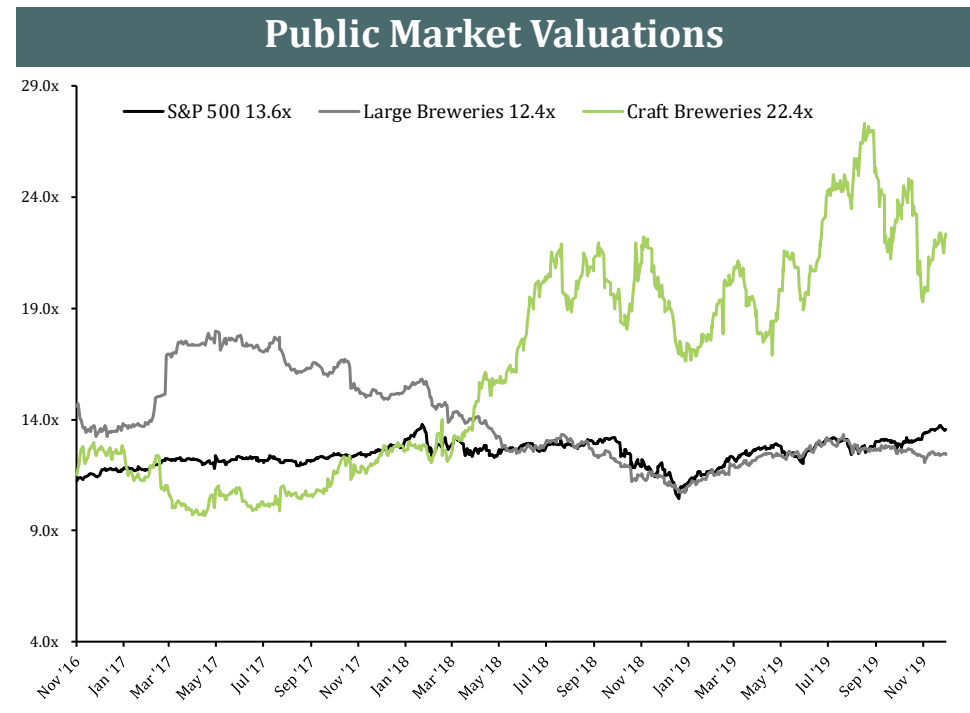
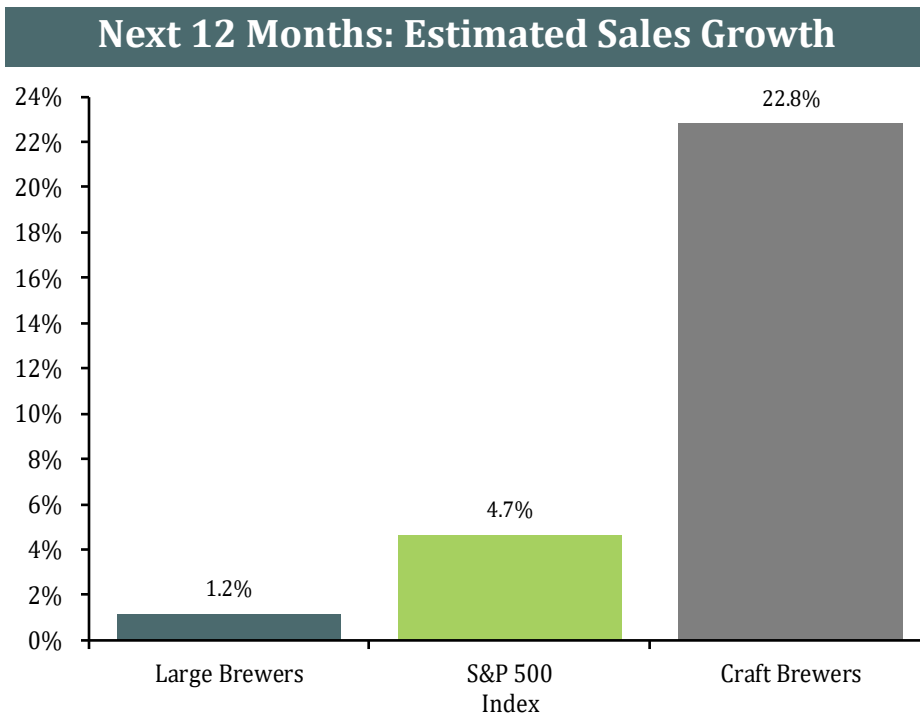
- Boston Beer Company (NYSE:SAM) acquired Dogfish Head Brewery for approximately \$300 million of both cash and Boston Beer stock.
- Co-founders Sam and Mariah Calagione will receive ~406,000 share of Boston Beer stock (valued at \$314.60 per share), making them the largest, non-institutional shareholders in the company, behind Boston Beer's founder Jim Koch.
- The remaining \$173 million will be paid out in cash to all existing shareholders and Sam Calagione will receive a seat on Boston Beer's board in 2020.
- Co-founder of Dogfish Head, Sam Calagione, stated, "This merger better positions Dogfish Head and our co-workers to continue growing within [the craft beer market] for many years to come."
- Boston Beer CEO, Dave Burwick, also stated, "This is a formidable combination of brands, incredible brewing talent, and leaders who remain 100% focused and committed to the long-term health of our breweries and growing the beer industry. United, we will have the highest quality, most distinct, high-end portfolio from both a price-point and product perspective with the top-ranked sales organization to bring it to market."



Public Market Valuations and Forward Projections

- Boston Beer Company (NYSE: SAM) recently released its third quarter 2019 earnings, its first release since its acquisition of Dogfish Head Brewery in July 2019, with a consolidated increase of 23.3% in net revenue primarily due to a 19.1% increase in shipments. Founder of Boston Beer Company, Jim Koch, stated that the company reported depletions growth of 30% for the quarter, 24% of which was from Boston Beer brands, with the remainder coming from Dogfish Head brands, post-closing.
- Large brewers continue to marginally lag the S&P 500 (13.6x EBITDA), with craft brewers still experiencing elevated valuations due to higher anticipated growth.
- This growth in the craft brewing industry is expected to be due to many craft breweries introducing lower calorie, lower alcohol options, marketing them to still have the same taste as many of their other offerings, which will help these breweries compete with encroaching sales from the hard seltzer and kombucha markets, especially amongst younger consumers.
- Several large, marquee M&A deals have occurred or been announced in the second half of 2019, including Constellation Brands sale of Ballast Point, which the company stated allowed Constellation to focus on its import brands as well as the launch of its new hard seltzer product under the Corona brand.

Craft Breweries



Note: The Craft Breweries and Major Breweries Indices are composed of the public companies included on page 9.
Source: S&P Capital IQ.

Public Company Valuations

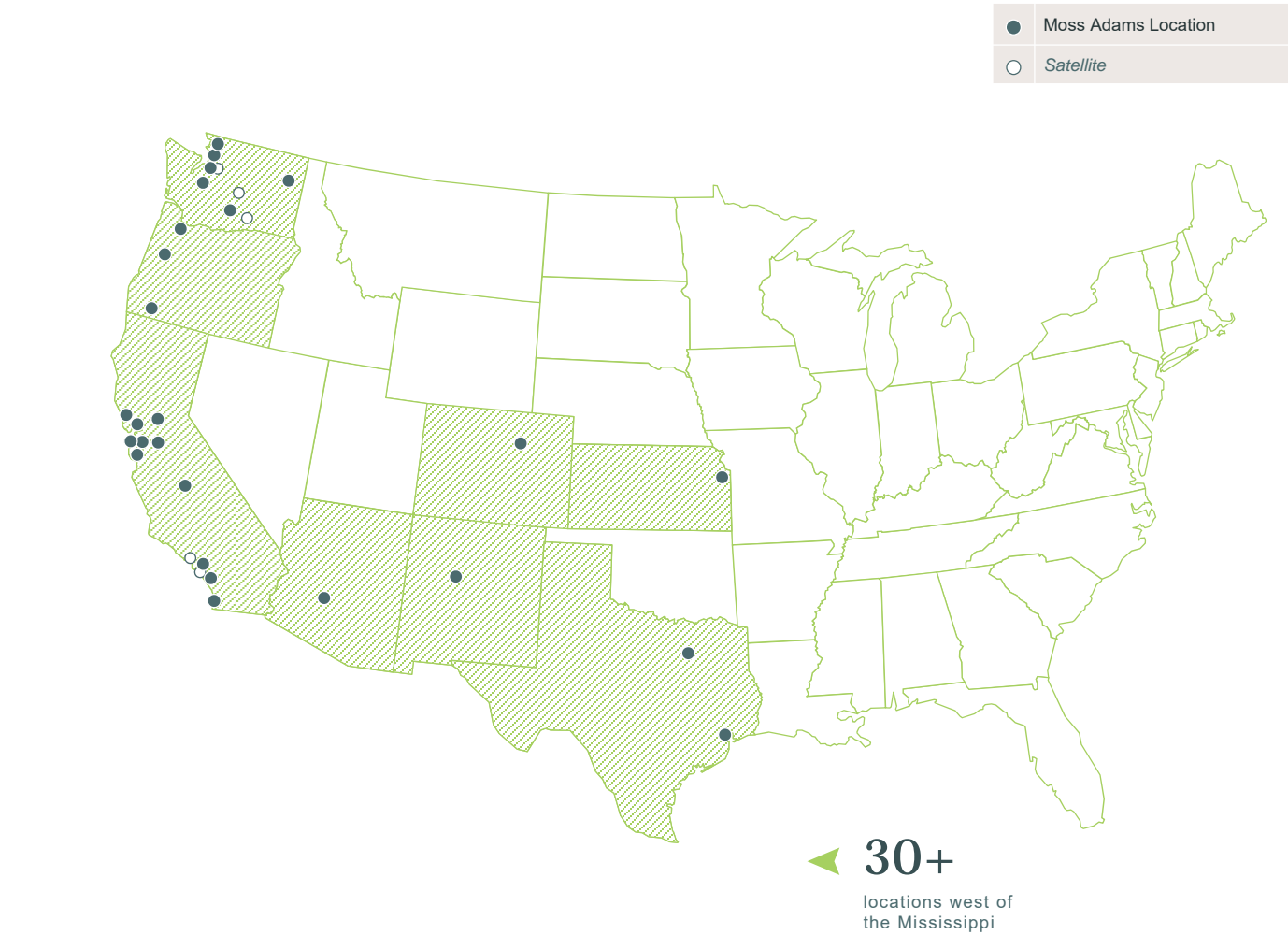
(\$U.S. in millions, except per share amounts)

| Company Name | 12/4/19 | 52 Week High - Low | Market Cap | Enterprise Value | TTM Data | | | EV Multiple | | | | |
|----------------------------------|----------------|-----------------------|---------------|---------------------|-----------------|-----------------|----------------|--------------|---------------|--------------|---------------|--------------|
| | Share Price | | | | Sales | EBITDA | Margin | TTM Sales | TTM EBITDA | NTM Sales | NTM EBITDA | |
| Major Breweries | | | | | | | | | | | | |
| Anheuser-Busch InBev SA/NV | \$79.22 | \$102.81 - \$62.45 | \$155,221 | \$269,500 | \$54,364 | \$21,383 | 39.3% | 5.0x | 12.6x | 5.0x | 12.1x | |
| Heineken N.V. | 104.46 | 115.32 - 82.37 | 59,560 | 78,585 | 26,307 | 5,753 | 21.9% | 3.0x | 13.7x | 2.9x | 12.4x | |
| Asahi Group Holdings, Ltd. | 48.46 | 51.26 - 36.97 | 22,200 | 30,811 | 19,355 | 2,950 | 15.2% | 1.6x | 10.4x | 1.5x | 9.6x | |
| Carlsberg A/S | 145.27 | 153.31 - 101.72 | 21,326 | 24,686 | 9,838 | 2,112 | 21.5% | 2.5x | 11.7x | 2.5x | 11.1x | |
| Kirin Holdings Company, Limited | 22.33 | 25.08 - 18.68 | 19,506 | 25,250 | 18,018 | 1,510 | 8.4% | 1.4x | 16.7x | 1.4x | 10.7x | |
| Molson Coors Brewing Company | 51.13 | 67.24 - 49.82 | 11,079 | 20,499 | 10,512 | 2,181 | 20.7% | 2.0x | 9.4x | 2.0x | 9.3x | |
| Tsingtao Brewery Company Limited | 6.34 | 7.03 - 3.83 | 9,177 | 6,868 | 3,894 | 354 | 9.1% | 1.8x | 19.4x | 1.7x | 13.9x | |
| United Breweries Limited | 17.29 | 20.89 - 16.51 | 4,573 | 4,621 | 950 | 134 | 14.1% | 4.9x | 34.5x | 4.4x | 29.2x | |
| Beijing Yanjing Brewery Co.,Ltd. | 0.87 | 1.20 - 0.76 | 2,459 | 2,130 | 1,606 | 169 | 10.5% | 1.3x | 12.6x | 1.3x | 10.6x | |
| Sapporo Holdings Limited | 24.49 | 25.85 - 19.78 | 1,908 | 4,204 | 4,843 | 332 | 6.9% | 0.9x | 12.7x | 0.9x | 10.6x | |
| | | | | Median | \$22,593 | \$10,175 | \$1,811 | 14.7% | 1.9x | 12.7x | 1.8x | 10.9x |
| | | | | Average | \$46,716 | \$14,969 | \$3,688 | 16.8% | 2.4x | 15.4x | 2.4x | 12.9x |
| Craft Breweries | | | | | | | | | | | | |
| The Boston Beer Company, Inc. | \$389.23 | \$444.65 - \$230.93 | \$4,636 | \$4,656 | \$1,174 | \$217 | 18.5% | 4.0x | 21.5x | 3.2x | 17.8x | |
| Craft Brew Alliance, Inc. | 16.50 | 17.40 - 7.11 | 321 | 369 | 199 | 5 | 2.7% | 1.9x | NM | 1.7x | 15.9x | |
| Waterloo Brewing Ltd. | 2.63 | 3.10 - 1.91 | 93 | 119 | 44 | 8 | 17.3% | 2.7x | 15.4x | 2.7x | 11.2x | |
| | | | | Median | \$369 | \$199 | \$8 | 17.3% | 2.7x | 18.4x | 2.7x | 15.9x |
| | | | | Average | \$1,715 | \$472 | \$77 | 12.8% | 2.8x | 18.4x | 2.5x | 15.0x |

Note: NA if denominator is 0, for percentages and multiples, or if estimates are not available. NTM figures are based on the median estimate of Wall St. analysts.

Source: CapitalIQ, company filings.

Our Locations



| | |
|---|---------------------|
| ● | Moss Adams Location |
| ○ | Satellite |

ARIZONA
Phoenix

CALIFORNIA
Fresno
Los Angeles
Manhattan Beach
Napa
Orange County
Silicon Valley
Sacramento
San Diego
San Francisco
Santa Rosa
Stockton
Walnut Creek
Woodland Hills

COLORADO
Denver

KANSAS
Kansas City

NEW MEXICO
Albuquerque

OREGON
Eugene
Medford
Portland

TEXAS
Dallas
Houston

WASHINGTON
Bellingham
Everett
Issaquah
Seattle
Spokane
Tacoma
Tri-Cities
Wenatchee
Yakima





Industry Focus

Here you'll discover the advantage of industrial grade expertise. Beyond technical acumen, our professionals are steeped in the market sectors they serve. Our keen understanding of industry trends and challenges permits us to anticipate and respond to opportunities for our clients that might otherwise go untapped.

| | | | |
|-----------------------------------|----------------------------|-----------------|---------------------------------|
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| MANUFACTURING & CONSUMER PRODUCTS | OUTDOOR & RECREATION | PRIVATE CLIENTS | PRIVATE EQUITY |
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Our Global Reach Through Local Relationships



Craft Breweries





Contact Us



Richard Anderson
Partner

Rich.anderson@mossadams.com



Tyler Dale
Director

Tyler.dale@mossadams.com



Andrew Freeman
Associate

Andrew.freeman@mossadams.com

FOR ADDITIONAL INFORMATION CONTACT CONTRIBUTING AUTHORS WITH MOSS ADAMS INVESTMENT BANKING & ADVISORY

SEATTLE, WA
(206) 302-6500

IRVINE, CA
(949) 221-4000

MACAPITAL@MOSSADAMS.COM

WWW.MOSSADAMS.COM/SERVICES/CONSULTING/TRANSACTIONS/INVESTMENT-BANKING



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