State of the Spirits Industry
2013
Spirits Continues to Gain U.S. Market Share at the Expense of Beer

**Suppliers $ Share (Billions)**

**2005 - 2011 CAGRs**

- **Wine**: 3.4%
- **Spirits**: 3.7%
- **Beer**: 2.2%

**Servings (Billions)**

- **2005 - 2011 CAGR: 0.9%**
- **2011 - 2015P CAGR: 0.3%**

**Beverage Alcohol Market Share**

2000:
- **Wine**: 16%
- **Beer**: 53%
- **Spirits**: 29%

2011:
- **Wine**: 17%
- **Beer**: 49%
- **Spirits**: 34%

**Growth in Servings**

- **2005 - 2011 Absolute Growth:**
  - **Beer**: (1.7%) 118.2
  - **Spirits**: 15.0% 120.8
  - **Wine**: 13.1% 123.7

Source: Beer Marketer’s Insights, DISCUS, IMPACT Spirits Databank. (1) Serving size: Beer - 12 oz; Spirits - 1.5 oz; Wine - 5 oz.
Vodka and Whiskey are Large and Driving Spirits Industry Growth

### Spirits Industry Market Size

(cases in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>9 Liter Cases Consumed</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>172</td>
<td>3.0%</td>
</tr>
<tr>
<td>2006</td>
<td>179</td>
<td>3.6%</td>
</tr>
<tr>
<td>2007</td>
<td>185</td>
<td>3.6%</td>
</tr>
<tr>
<td>2008</td>
<td>187</td>
<td>1.1%</td>
</tr>
<tr>
<td>2009</td>
<td>190</td>
<td>1.4%</td>
</tr>
<tr>
<td>2010</td>
<td>193</td>
<td>1.7%</td>
</tr>
<tr>
<td>2011</td>
<td>198</td>
<td>2.7%</td>
</tr>
<tr>
<td>2012P</td>
<td>203</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

2005 - 2012P CAGR: 2.3%

### Growth by Spirit Variety

(cases in millions)

<table>
<thead>
<tr>
<th>Spirit Variety</th>
<th>2005</th>
<th>2012P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vodka</td>
<td>28%</td>
<td></td>
</tr>
<tr>
<td>Whiskey</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>Rum</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Cordials &amp; Liqueurs</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Tequila</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Brandy</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Gin</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Cocktails &amp; Mixed Drinks</td>
<td>4%</td>
<td></td>
</tr>
</tbody>
</table>

2005 - 2012P CAGR:

- Vodka: 69 (5.2%)
- Whiskey: 45 (0.5%)
- Rum: 26 (2.6%)
- Cordials & Liqueurs: 21 (0.1%)
- Tequila: 13 (4.7%)
- Brandy: 11 (0.3%)
- Gin: 10 (0.6%)
- Cocktails & Mixed Drinks: 8 (0.6%)

### Average FOB by Spirit (2011 vs. 2010)

<table>
<thead>
<tr>
<th>Spirit Variety</th>
<th>2011 Average FOB</th>
<th>Increase from 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vodka</td>
<td>$97</td>
<td>$0.70</td>
</tr>
<tr>
<td>Whiskey</td>
<td>$133</td>
<td>$2.25</td>
</tr>
<tr>
<td>Rum</td>
<td>$108</td>
<td>$0.40</td>
</tr>
<tr>
<td>Cordials &amp; Liqueurs</td>
<td>$118</td>
<td>$0.18</td>
</tr>
<tr>
<td>Tequila</td>
<td>$160</td>
<td>$9.17</td>
</tr>
<tr>
<td>Brandy</td>
<td>$9.17</td>
<td>$0.64</td>
</tr>
<tr>
<td>Gin</td>
<td>$96</td>
<td>$0.88</td>
</tr>
<tr>
<td>Cocktails &amp; Mixed Drinks</td>
<td>$60</td>
<td>$1.38</td>
</tr>
</tbody>
</table>

Source: IMPACT Spirits Databank. (1) Serving size: Beer - 12 oz; Spirits - 1.5 oz; Wine - 5 oz.
Vodka has grown at a faster rate since 2005 than any other spirit (+5.2%); 4 of the top 5 brands are gaining size.

- The Vodka market is approximately 60% domestic and 40% imported
  - Imported Vodka is pushing industry growth with a CAGR approaching 10% since 2005; Domestic Vodka is also growing strong at a 3% CAGR
  - 3 of top 5 Vodkas are imported, with Svedka growing over 10%

- Beam’s Pinnacle will enter the top 10 in 2012 and is growing nearly 50%

- Diageo’s Smirnoff is the industry’s dominant brand, >2x the size of the 2nd largest Vodka brand

Source: IMPACT Spirits Databank and IRI 52 Weeks Ending December 2, 2012.
Vodka SKU-Magedon — Growth Driven by Flavor Expansion

**SKU Expansion Over Time**

**2000**
- Citrus: 52%
- Orange: 30%
- Raspberry: 9%
- Other: 3%

1.9 Million 9L Cases

**2010**
- Citrus: 13%
- Raspberry: 12%
- Other: 38%
- Orange: 10%

7.2 Million 9L Cases

**Select Vodka Brands Flavor SKU-ing Over Time**

**(9L Cases in Thousands)**

**SMIRNOFF**
- Flavors: 29
- 2010 Depletions: 9,550

**ABSOLUT**
- Flavors: 18
- 2010 Depletions: 4,630

**SKYY VODKA**
- Flavors: 11
- 2010 Depletions: 2,700

**Stolichnaya**
- Flavors: 20
- 2010 Depletions: 1,800

Source: IMPACT Spirits Databank.
Whiskey is Large and Steadily Growing (’05 - ’12P CAGR: +0.5%)

Overview

- Whiskey has grown at a CAGR of 0.5% since 2005; the top 3 brands are growing above the Whiskey average
- The Whiskey market is approximately 50% domestic and 50% imported
  - Domestic Whiskey is growing at a 2005 - 2012P CAGR of 1.0% whereas Imported Whiskey is flat
  - 3 of top 5 Whiskies are domestic, with the top 3 brands all growing above industry growth
- Diageo is the clear category leader with 2 of the top 5 brands and 24% market share

Whiskey Market Size (1) (Consumption)

(9L eqv. cases in millions)

(1) Domestic Whiskey includes Tennessee and Kentucky Whiskies, Bourbons, and Blends. Imported Whiskey includes Scotch, Canadian, Irish, Japanese, and other imported Whiskies.

Top Producers

Source: IMPACT Spirits Databank and IRI 52 Weeks Ending December 2, 2012.

Top Brands

Source: IMPACT Spirits Databank and IRI 52 Weeks Ending December 2, 2012.
Flavored Whiskies Seeing Hyper-Growth and an Explosion of SKUs

Overview

- Whiskey brands are SKU-ing into new flavors and un-aged to give current drinkers expanded offerings and new consumers a more mild Whiskey entry.
- Both line extensions (Jim Beam Red Stag, Jack Daniels Tennessee Honey, etc.) as well as upstart brands (Ole Smoky Tennessee Moonshine, Cabin Fever Maple Honey, etc.)
  - Typically a combination of flagship Whiskey mixed with flavored liqueurs
  - Line extensions generally priced a few dollars premium to the original product
  - Un-aged Whiskey, also known as White Whiskey or Moonshine, easy to flavor, as well as attracting the Whiskey enthusiast, looking for a higher proof Whiskey

IRI Growth of Select Flavored Brands

($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>Evan Williams Cinnamon</th>
<th>Evan Williams Honey</th>
<th>Jim Beam Red Stag</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jim Beam Red Stag</td>
<td>+77%</td>
<td>+34%</td>
<td>$10.5</td>
</tr>
<tr>
<td>Evan Williams Honey</td>
<td>+33%</td>
<td>$2.3</td>
<td></td>
</tr>
<tr>
<td>Evan Williams Cinnamon</td>
<td>$0.5</td>
<td>$0.9</td>
<td></td>
</tr>
</tbody>
</table>

## New Investment Anchoring Whiskey Brands with a Sense of Place for Authenticity

### Jim Beam American Stillhouse (Beam)

- $30 million Jim Beam Visitor Center and Distillery opened October 2012 in Clermont, Kentucky
- Offers visitors first ever tour of adjacent production facility (expected to attract 200,000+ visitors yearly)
- Also will house new state-of-the-art Global Innovation Center

### Wild Turkey (Campari)

- $4 million new Wild Turkey Visitor Center expected to open in April 2013 in Lawrenceburg, Kentucky
- Adjacent $40 million bottling and packaging operation also under construction (125,000 sq. ft.)
- Visitor Center 8x bigger than previous facility

### Evan Williams Bourbon Experience (Heaven Hill)

- $10 million Evan Williams Visitor Center expected to open in September 2013 in downtown Louisville, Kentucky
- Artisanal distillery, immersive tourism experience, and retail location located in Heaven Hill’s ‘Bourbon Row’ Main Street location

### Independent Brand Visitor Centers

- Ole Smoky Tennessee Moonshine opened a retail / production facility in Gatlinburg, Tennessee in July 2010
- Michter’s Distillery opened a distillery, bottling operation, and Visitor Center ($8 million) in Louisville, Kentucky in July 2011
- Four Roses Distillery completed 5,000 sq. ft. Visitor Center expansion ($2.4 million) in Lawrenceburg, Kentucky in September 2012
Majority of Growth Coming from 6 of the Top 10 Players

- Over 55% of the Industry’s dollar growth has been driven by the 6 of the Top 10 largest suppliers

Industry Growth by Supplier

Large Growing Spirits Brands in 2012

<table>
<thead>
<tr>
<th>Rank</th>
<th>Brand</th>
<th>Growth (mm)</th>
<th>%</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>JACK DANIELS</td>
<td>531</td>
<td>16%</td>
<td>BROWN-FORMAN</td>
</tr>
<tr>
<td>2</td>
<td>CIROC</td>
<td>24</td>
<td>81%</td>
<td>DIAGEO</td>
</tr>
<tr>
<td>3</td>
<td>SMIRNOFF</td>
<td>23</td>
<td>8%</td>
<td>DIAGEO</td>
</tr>
<tr>
<td>4</td>
<td>PARROT BAY</td>
<td>21</td>
<td>845%</td>
<td>DIAGEO</td>
</tr>
<tr>
<td>5</td>
<td>PINNACLE VODKA</td>
<td>17</td>
<td>62%</td>
<td>Beam</td>
</tr>
<tr>
<td>6</td>
<td>NEW AMSTERDAM</td>
<td>16</td>
<td>103%</td>
<td>E&amp;J Gallo Winery</td>
</tr>
<tr>
<td>7</td>
<td>SKINNYGIRL</td>
<td>16</td>
<td>71%</td>
<td>Beam</td>
</tr>
<tr>
<td>8</td>
<td>JAMESON</td>
<td>15</td>
<td>37%</td>
<td>Pernod Ricard</td>
</tr>
<tr>
<td>9</td>
<td>JOHN MCKENNA</td>
<td>14</td>
<td>160%</td>
<td>Sazerac</td>
</tr>
<tr>
<td>10</td>
<td>DAILY'S CORSAIRS</td>
<td>13</td>
<td>39%</td>
<td>ABC</td>
</tr>
</tbody>
</table>

Global Spirits Companies Acquiring Market Makers, Typically in Emerging Markets

- Beam
  - Acquired
  - December 2011

- Campari
  - Acquired
  - September 2012

- Diageo
  - Acquired
  - January 2013

- Diageo
  - Acquired
  - Zacapa Rum
  - June 2011

- Diageo
  - Acquired
  - Sagatiba
  - August 2011

- Diageo
  - Acquired
  - August 2012

- Diageo
  - Acquired
  - (Sichuan Swelfun)
  - March 2012

- BACARDI
  - Acquired
  - ST-GERMAIN
  - February 2011

- Diageo
  - Acquired
  - Pending
Within the U.S., Beam is the Intriguing M&A Target, Especially for Pernod & Bacardi

### Pernod Ricard Current
**Market Share % / Portfolio Overview**

- Diageo: 26%
- Beam: 10%
- Pernod Ricard: 8%
- Bacardi: 8%
- Brown-Forman: 7%
- Sazerac: 6%
- Campari: 3%
- Heaven Hill: 3%
- Constellation: 3%
- William Grant & Sons: 2%

### Bacardi Current
**Market Share % / Portfolio Overview**

- Diageo: 26%
- Beam: 10%
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- Heaven Hill: 3%
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### Pernod Ricard Pro Forma with Beam
**Market Share % / Portfolio Overview**

- Diageo: 19%
- Beam: 26%
- Pernod Ricard: 19%
- Bacardi: 8%
- Brown-Forman: 7%
- Sazerac: 6%
- Campari: 3%
- Heaven Hill: 3%
- Constellation: 3%
- William Grant & Sons: 2%

### Bacardi Pro Forma with Beam
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- Sazerac: 6%
- Campari: 3%
- Heaven Hill: 3%
- Constellation: 3%
- William Grant & Sons: 2%

At the Same Time, Major Wineries Increasingly See Spirits as an Adjacency

<table>
<thead>
<tr>
<th>Company</th>
<th>Select Brands</th>
<th>Commentary</th>
</tr>
</thead>
</table>
| **E&J Gallo Winery**     | ![E&J](image) | - Continuing spirits legacy of E. & J. Brandy, Gallo launched New Amsterdam Gin in 2007 and New Amsterdam Vodka in 2011  
- Launched Family Camarena Tequila in 2010  
- Launched Shellback Caribbean Rum in 2012 |
| **THE WINE GROUP**      | ![Cupcake](image) | - Launched Cupcake Vodka in 2011 and flipflop Rum and Big House Bourbon in 2012, extending successful Wine brands into Spirits  
- Housed under “Underdog Wine & Spirits,” The Wine Group’s Millennial-focused division |
| **TRINCHERO Family Estates** | ![Cruz](image) | - Acquired CRUZ Tequila in 2012 and developed Trincher Family Estates Spirits division  
- Signed agreement with Tres Agaves Tequila in 2012 to import, sell, and market Tequila and non-alcoholic mixes |
| **Deutsch Family**       | ![Adult Chocolate Milk](image) | - Formed separate Spirits division in 2009  
- Launched 2011 joint venture with Adult Beverage Company (Chocolate Milk, Limeade) with equity stake |
| **PALM BAY International** | ![Skinnygirl](image) | - 2011 core initiative to build Spirits division with focus on acquiring small amounts of equity in distributed Spirits brands  
  - Sold equity stake in Skinnygirl Margarita to Beam in 2011 |
### Demeter Group Recent Transactions *(December 2010 - 2012)*

<table>
<thead>
<tr>
<th>Company</th>
<th>Acquired by</th>
</tr>
</thead>
<tbody>
<tr>
<td>SNOWS LAKE</td>
<td>E &amp; J Gallo Winery</td>
</tr>
<tr>
<td>COURTSIDE CELLAR</td>
<td>E &amp; J Gallo Winery</td>
</tr>
<tr>
<td>Skinnygirl</td>
<td>Beam</td>
</tr>
<tr>
<td>MARK WEST</td>
<td>Constellation Brands</td>
</tr>
<tr>
<td>JUSTIN</td>
<td>Fiji Water</td>
</tr>
<tr>
<td>SEGHESIO</td>
<td>Crimson Family Spirits</td>
</tr>
<tr>
<td>LANDMARK</td>
<td>Fiji Water</td>
</tr>
<tr>
<td>GEYSER PEAK</td>
<td>Accolade Wines</td>
</tr>
<tr>
<td>COLUMBIA WINERY</td>
<td>E &amp; J Gallo Winery</td>
</tr>
<tr>
<td>Se CHAPELLE</td>
<td>Precept Wine</td>
</tr>
<tr>
<td>Macadamia</td>
<td>Star Avenue Capital, LLC</td>
</tr>
<tr>
<td>CLE HENRIKSEN</td>
<td>LVMH</td>
</tr>
<tr>
<td>Freeman</td>
<td>éclat</td>
</tr>
<tr>
<td>ColorScience</td>
<td>SkinMedica</td>
</tr>
</tbody>
</table>

**$850 Million**

Completed Transaction Value

<table>
<thead>
<tr>
<th>Completed Transactions</th>
<th>Completed Transactions in Beverage Alcohol</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>67%</td>
</tr>
</tbody>
</table>

**71%**

Transactions Marketed to Fewer Than 5 Potential Buyers

| 36% | Transactions Marketed to 1 Buyer |

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Guthy, Renker. **Joint Venture With** supersmile.
Demeter Group Recent Beverage Alcohol Transactions

March 2011
Skinnygirl
Acquired By: Beam Global Spirits & Wine

May 2011
Seghesio Family Vineyards
Acquired By: Crimson Wine Group

December 2010
Justin Vineyards & Winery
Acquired By: Fiji Water

July 2012
Mark West
Acquired By: Constellation Brands

September 2012
Snows Lake
Acquired By: E. & J. Gallo Winery

August 2012
Courtside Cellars
Acquired By: E. & J. Gallo Winery

June 2012
Geyser Peak Winery
Acquired By: Accolade Wines

June 2012
Columbia Winery
Acquired By: E. & J. Gallo Winery

May 2012
Ste Chapelle
Acquired By: Precept Wines

August 2011
Landmark Vineyards
Acquired By: Fiji Water