



# **The New Brand / Craft Phenomenon: An Even Better Future!**

A Perspective From MHW

**John Beaudette**  
UNITED STATES TRADE TASTING  
May 16, 2017 - New York City



# AGENDA

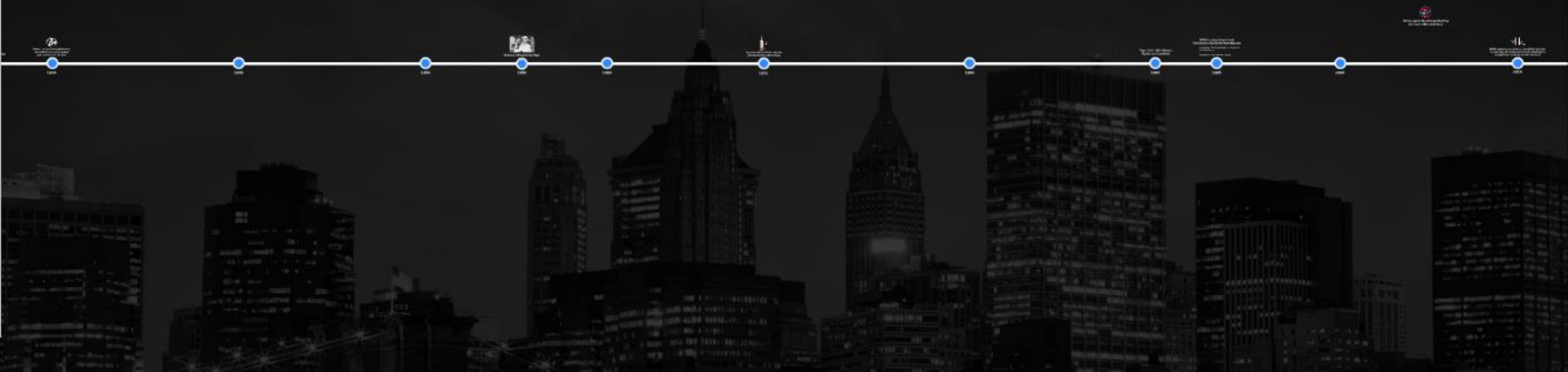
- MHW's role as service provider for new brands (wines, spirits, beer). -Company History.
- Why the future is so bright for new brands/crafts.
- Inside look at what's trending at MHW with respect to brand entries.
- Other considerations impacting beverage alcohol future & trends



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# Prohibition Ends



1933

THERE'S  
NO  
DOOR FEE

THERE'S

Roaring Good Times

SAT  
EDITION

•• GENTLEMEN: STEP OUT IN YOUR FEDORA ••

# PROHIBITION ENDS AT LAST!

DECEMBER 5, 1933







**MHW, Ltd. (Formally Monsieur  
Henri Wines) is incorporated  
and licensed for alcohol**



**1934**



## Nixon & Khrushchev Meet

1959







# Pepsi Acquires MHW, Imports and Distributes Stolichnaya



1972

# **Pepsi Sells Stolichnaya Rights to Grand Met**



**1994**

# MHW creates Import and Distribution Model for New Brands

- ✓ Anticipates US Consolidation of importers and distributors.
- ✓ Demand for new brands / choice.



1995



**We've spent decades perfecting  
our back office practices**



**MHW continues to deliver a simplified platform  
for aspiring and seasoned brands entering the  
complicated beverage alcohol industry**



**2016**





LICENSED SINCE 1934

TRUSTED INDUSTRY  
PARTNER

RECENT EXAMPLES

Stoli



ARMAND DE BRIGNAC  
CHAMPAGNE

RUM CHATA

DISARONNO  
ORIGINALE

Blue Chair  
BAY  
Premium Rum

EDRINGTON

REKORDERLIG  
CIDER

HEZCAL  
UNION



The Gateway to Growth

*IN AN EVER CHANGING LANDSCAPE,  
IT HELPS TO HAVE THE RIGHT MAP*

- SERVICE MODEL CREATED IN 1995 IN ANTICIPATION OF BRAND DEMAND IN A CONSOLIDATING ENVIRONMENT – AN ALTERNATIVE APPROACH TO MARKET
- DURING THIS PERIOD WE HAVE SERVICED OVER 25,000 PRODUCTS COVERING WINE, SPIRITS AND BEER, AS IMPORTER, DISTRIBUTOR, "DIRECT TO CONSUMER" WINES, ETC.
- FULL BACK OFFICE CAPABILITIES, FORMULA AND LABEL APPROVALS, LOGISTICS, REPORTING, DEPLETIONS, ETC.
- 100+ EMPLOYEES, ADVANCED TECHNOLOGY, FULL TRANSPARENCY, PROVEN TRACK RECORD, CUSTOMER SERVICE, AND SCALABILITY

# EXAMPLES OF SUCCESSFUL BRANDS SERVICED BY MHW, Ltd.

**1800**  
TEQUILA

  
HPNOTIQ



**BAMBU**  
WHITE RUM



**Sagatiba**

**ThreeOlives**  
VODKA 



Leyenda del  
**milagro**  
Tequila



**NUVO**  
L'ESPRIT DE PARIS  
SPARKLING LIQUEUR



  
**BELUGA**  
NOBLE RUSSIAN VODKA



**LEBLON**  
NATURAL CANE CACHAÇA • BRASIL

**EFFEN**  
VODKA



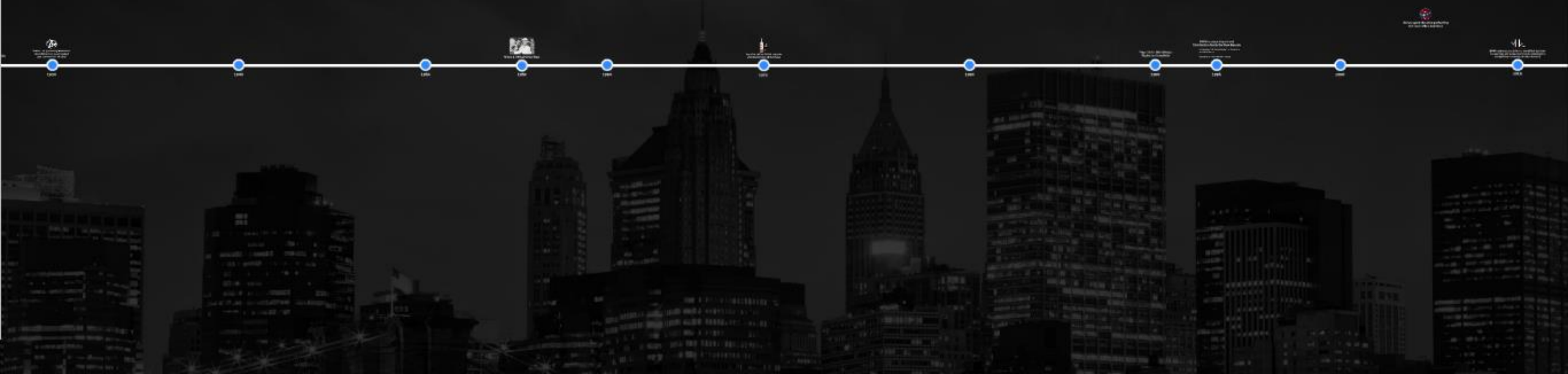
ILEGAL+MEZCAL



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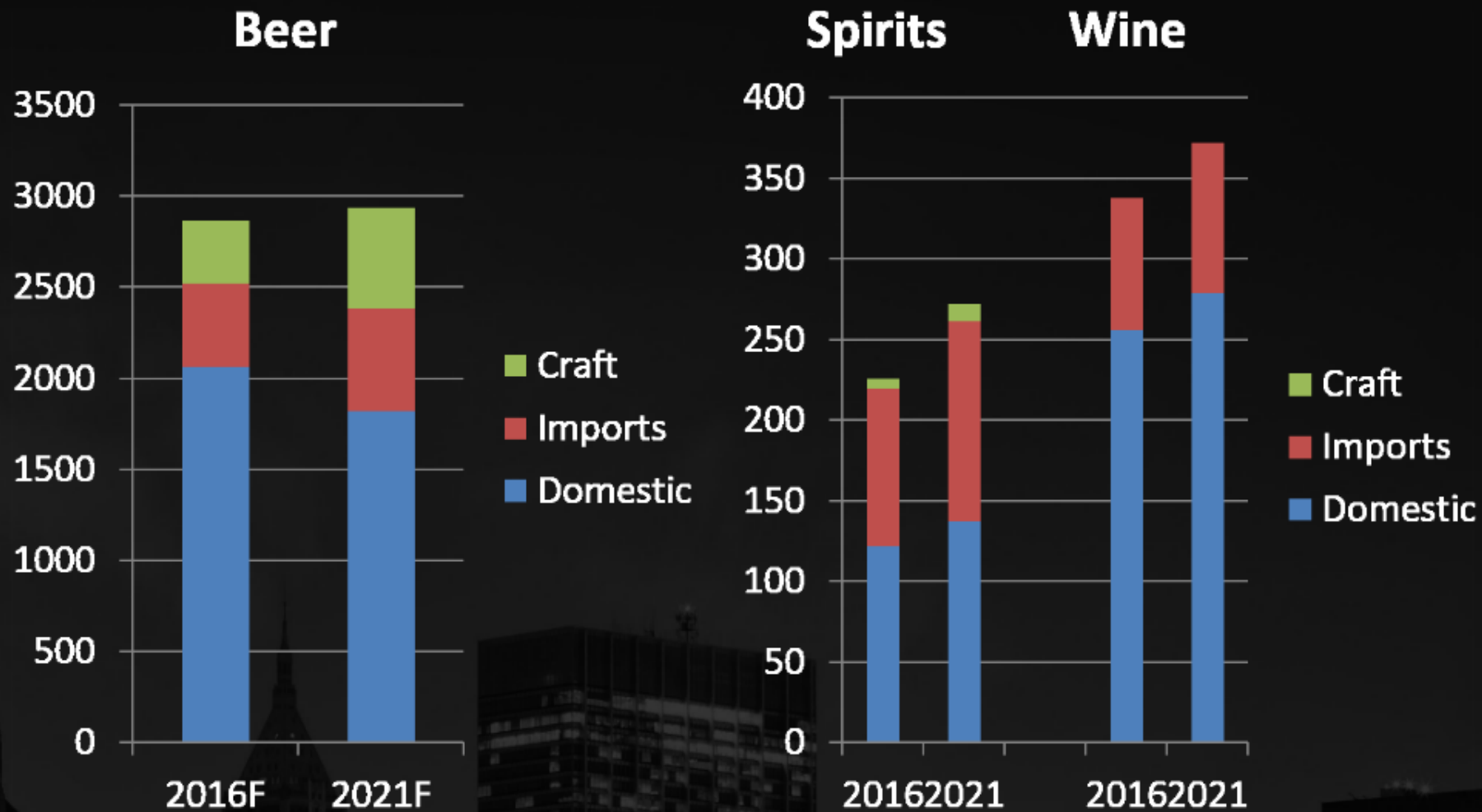
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# Beverage Alcohol Volume Forecasts 2016-2021

(In 000's Cases)





# **The Perfect Beverage Alcohol Storm Is Here!**

Industry poised for the greatest period  
of economic growth in our history.





# Why?

- We will combine **pre-recession growth rates (3.5%+ for spirits, 2.0% wine, 0.5%+ beer)** with a **continuation** of the **explosion** of new industry members, new brands, new technology, new distribution options, new services etc.
- Federal and State Governments recognize economic impact opportunity and are actively pursuing change.
- Big industry players need growth and look to new brands and entrepreneurs.
  - Millennials tough to hold on brands long term.
  - Strong brand valuations and active M&A brings new money and new players.
- Trade members and Regulators continue to effectively focus on protecting the public, our youth etc.-Stay Vigilant with Social Responsibility!
- America is the primary target market for the world because we have the best balance of excise taxes, product integrity and competitive landscape controls along with a **growing diverse 21+ market**.

## **Anyone connected to this industry in any capacity has a great opportunity to succeed.**

- The “economic impact multiplier” for growth including direct and indirect spending on products, services, and the resulting jobs is huge.
  - Production, marketing , advertising, PR, administration, licensing, legal, compliance, software / technology, travel, hospitality, regulatory and tax collection, press, etc.
- Strong opportunity brings strong competition so the business of beverage alcohol wont get easier-but more room for more players to win.
  - Distribution is still the primary challenge for so many players.
  - Solutions in process

# Consumer Consumption Trends





# THE NEW NORMAL....THE BEER, AND WINE, AND SPIRITS DRINKER

**40%**

of Millennials say  
they drink Beer,  
Wine, **AND** Spirits



# Fusion/Blurring Across Category Lines

## Spirit Flavored Beer



## Other Hybrids



## Wine Infused Spirits



## Wine Infused Beers



## Hopped Spirits







**HISPANICS**  
**Millennials**  
**women**



**FLAVORIZATION**  
across all beverage alcohol categories

return to  
**Premiumization**



# Consumer Trends-What Nielsen Says

## MILLENNIALS

*...requires every industry to think "differently"*



- ...always connected*
- ...techno-savvy*
- ...multi-taskers*
- ...positive; optimistic – enjoy life, fun*
- ...social minded; "green" minded*
- ...self-confident*
- ...most educated*
- ...VERY diverse, and accepting*
- ...gender role shifts*
- ...more liberal*
- ...self-expressive*
- ...embrace "personalization"*
- ...love to "capture" life, and "share" it*
- ...craves feedback – if it's good?*
- ...values authenticity – be genuine & real*
- ...experimental, adventurous*
- ...conversational - talk with, not to – but succinctly*

**Challenges for  
big brands**

# Celebrity Impact On Brand Growth



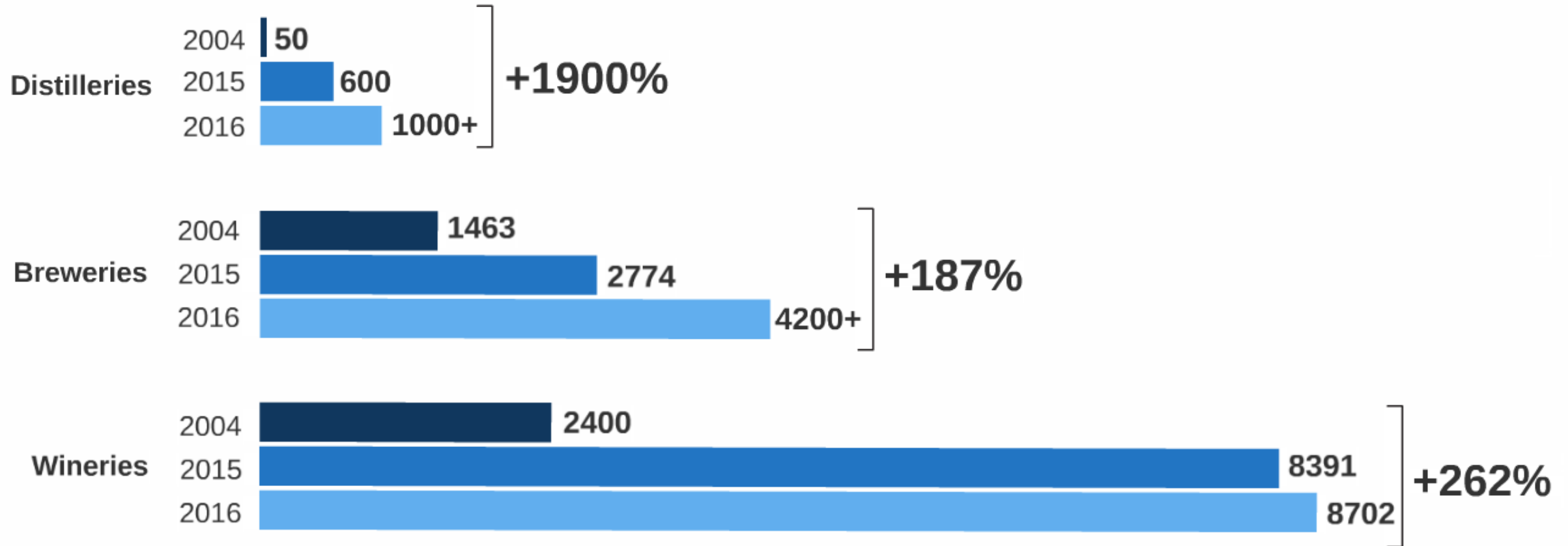


# E-commerce and alcohol delivery apps facilitating in-home consumption



# The Local Artisanal Craft Movement

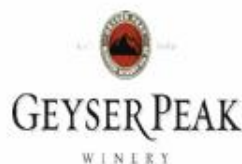
Over the past 10 years, there have been craft distilleries, breweries and wineries all across the U.S. that are helping to drive consumer interest and excitement with their innovative new brands.





# Brand Sales & Valuation Trends

- Beverage Alcohol Brands Commanding Strong Prices
- Valuation Ranges/Methods:
  - Annual Case Multiples (ACM) \$300 to \$1,500 (spirits); \$73 (beer)
  - Revenue Multiples (1 to 5+Times)
  - EBITDA Multiple (6 to 14+ Times)



# Brand Sales & Valuation Trends

## Recent Examples

High West Whiskey (Constellation), Deep Eddy (Heaven Hill), Angels Envy (Bacardi), Leblon (Bacardi), Souverain Wine (Gallo), Founders Beer (Mahou San Miguel), Lagunitas (Heineken).



# Craft beer mergers, acquisitions, ESOPs and liquidity transactions the last 12 months

- **Duvel Moortgat – Firestone Walker** (July 2015)
- **Odell Brewing Company ESOP** (July 2015)
- Left Hand Brewing Co. ESOP (July 2015)
- Logsdon Farmhouse Ales – Uptown Market LLC (July 2015)
- **Lucid Brewing – American Sky Brewing** (June 2015)
- **SABMiller – Meantime Brewery Company** (May 2015)
- Enjoy Beer LLC – Abita Brewing Co. (April 2015)
- Full Sail Brewing Co. – Encore Consumer Capital (March 2015)
- **AB InBev – Elysian Brewing** (January 2015)
- **Bayhawk Ales – Evans Brewing Co.** (January 2015)
- **Founders Brewing Co. – Mahou San Miguel** (December 2014)
- **Green Flash Brewing – Alpine Beer Co.** (November 2014)
- **AB InBev -Ten Barrel Brewing Co.** (November 2014)
- SweetWater Brewing – TSG Consumer Partners (September 2014)
- **Southern Tier Brewing – Ulysses Management LLC** (September 2014)
- **Uinta Brewing – The Riverside Company** (August 2014)
- **Harpoon Brewing ESOP** (July 2014)



# Distribution Landscape

**Exploding Growth In brands produced in the US and around the world.**

- Consumers want everything-imports, craft, premium etc.
- Social media, internet and referrals make it easier for consumers to find a brand and for brands to find a consumer.
- Industry and non industry players are jumping into brand distribution and ownership at unprecedented levels.





# US Distribution Entity & Brand Trends

## 2008-2015 Licensed Entity Increases:

- Breweries: 250+% NOW **6,080** In USA
- Wineries: 60+%
- Distilleries: 270+% NOW **1,000** Operating, **400+ Coming**
- Importers: 40+% (14,300, tripled since 1994)
  
- Wholesalers: 33+%
- CURRENT WHOLESALERS APPROACHING 30,000\*

## 2015 COLAs Received: 153,000+/ Formulas

- 13 Year growth for both
- TTB Adding 20+ headcount for label growth

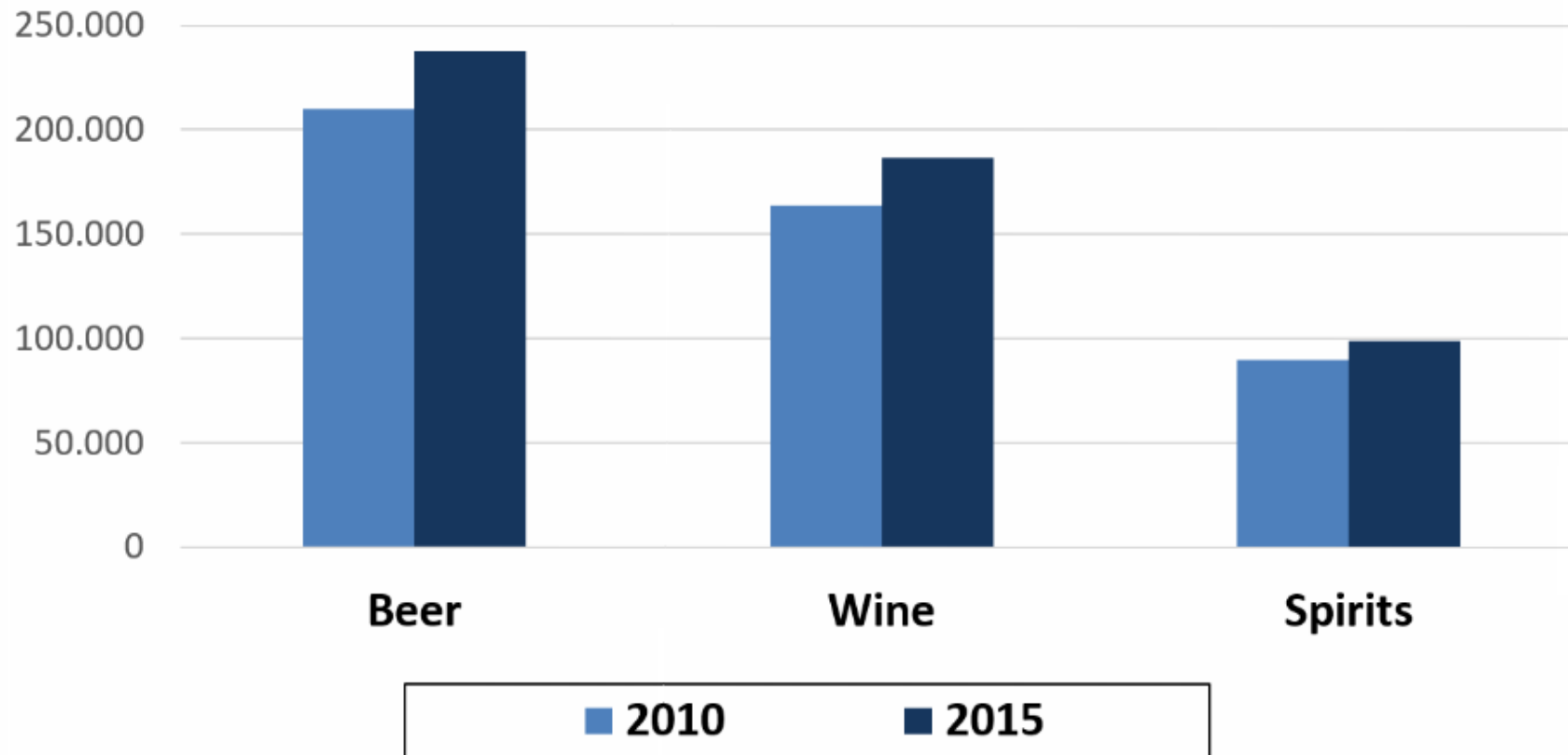
# Proliferation of Suppliers/ Wholesalers to Meet Consumption Growth and Demand for New Brands



Retail Outlets up 90k to 640k in 10 years

# INCREASED AVAILABILITY TO BEVERAGE ALCOHOL IN OFF-PREMISE OUTLETS

Total U.S. - Number of Off Premise Alcohol Selling Outlets

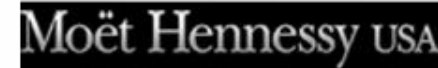
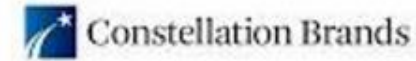


# Brand Approaches to the U.S. Market and Trends

- Major National Importers/Suppliers (examples)



DIAGEO



- Midsize / Small Importers and Distributors (many and growing).
- Local / Regional Distributors (with importing capabilities).
- Licensed Service Importers & National Distribution Companies.
  - Companies like MHW, Ltd.
- Local Craft Brewers, Craft Distilleries, Wine Contract Production.
- Establish US Import & Distribution Company.
  - Ability to outsource
- Other (Internet for wine), "Reverse Tier Marketing"/Private Labels., Crowdfunding" (a new approach to initial capital raises).



# Distribution Landscape-Challenges

**For Wine & Spirits, top 10 wholesalers control close to 75% of volume**

- Many markets have 2 majors handling 4,000 to 7,000 sku's.
- All brands, even the majors need brand owner street support.
- Smaller and newer brands face distribution challenges.

**For Beer, wholesalers handling the top brands dominate even more than wine and spirits.**

# Distribution Considerations

- New wholesalers (beer, wine, and spirits) are emerging but for a new brand owner, they must proceed cautiously.
  - 2nd tier wholesalers have big opportunity in a consolidating environment with blurring of wine, spirits, and beer consumption.
- Beer wholesalers now handling spirits and wine are improving each year- especially with craft beer marketing techniques.
- “Direct to Consumer” wine opportunities by state continue to grow.
- Service providers on all fronts necessary to cost effectively help get product (especially new) to market.
- Imported wines losing share to domestic due to DTC “reciprocity” approach used by states.
  - Current Transatlantic Trade & Investment Partnership Treaty (“TTIP”) Negotiations Addressing this.
- States are looking for ways to accommodate in- state craft brewers, distillers, and wineries to promote business and jobs.
  - Opens door for reform of antiquated rules and regs.
- Import and export “Crafts” may be the next boom.



**Trending at MHW**





Blue Harbour Vodka /  
Wild Wombat  
Vodka/Gin



3+  
AUSTRALIA

The West Winds Gin  
Gin



Vodka Plus  
RTD (Vodka Based)



**Jiu Jiu Vodka**  
Vodka



**New Zealand  
Winery Direct Ltd**  
Wine



**The Reid Vodka /  
Source Gin / Rose  
Rabbit Orange Liqueur**  
Vodka/Gin/Liqueur

**3+**  
NEW ZEALAND



**Sullivan's Brewing  
Company  
Beer**



**Irish Liquor**



**3+**  
**IRELAND**

**Irish American  
Trading Company  
Whiskey**



3 Kilos Vodka  
Vodka



1+  
HOLAND

Zoller-Hof  
Beer



Riedenburger  
Beer



Distelhäuser  
Beer



6+  
GERMANY

Thr3  
Monkeys  
Wine



Himburgs  
Braukunstkeller  
Beer



Weltachs  
Wine





**Cheurlin Thomas**  
Champagne



**Cognac**  
**Maxime Trijol**  
Cognac



**Himburgs**  
**Braukunstkeller**  
Beer

**Weltachs**  
Wine



**4+**  
FRANCE

**Louis Jolliet Cognac**  
Cognac



**Compagnie de**  
**Burgondie**  
Wine



**3**  
IT

**Manos Del Sur  
Wine**



**2+  
CHILE**

**Vina Chocalan  
Wine**



**1+  
ARGENTINA**



**Mythic Wine  
Wine**

**1+  
BRAZIL**



**Angel do Brasil  
Cachaça**





Rock Leaf Dolfo  
Wine

1+  
SLOVENIA

3+  
ITALY

Wine

Montcalm Wine  
Importers, Ltd.  
Wine

G.D. Vajra  
Wine

+1  
GREECE



**Siete Misterios Mezcal**  
Mezcal



**2+**  
MEXICO

**Hotel California Tequila**  
Tequila





**+1**  
**SOUTH  
AFRICA**



**Baobab Wines Inc**  
**Wine**

**+1**  
**UKRAINE**



Staritsky  
Levitsky  
Vodka

**+1**  
**GREECE**



Cava Oinos  
LLC  
Wine

**+1**  
**ISRAEL**



King David  
Wines LLC  
Wine

Rock Leaf Dolfo  
Wine

S.D. Vajra  
Wine



**Mackmyra Whiskey**  
Whiskey



**+1**  
FINLAND

**+1**  
SWEDEN



**Pyynikin**  
Beer

**+1**  
**PORTUGAL**

**Tam Wines**  
Wine



**+1**  
**SPAIN**

**Thr3**  
**Monkeys**  
Wine





A stylized map of Canada is shown in blue with white outlines for the provinces and territories. The map is set against a dark background that features a faint, grayscale image of a city skyline. In the center of the map, there is a bottle of Bulwark Cider. To the left of the bottle, the text '+1 CANADA' is displayed in white and blue. Below this, the words 'Bulwark Cider' are written in white. The bottle itself is dark with a red label that has the word 'BULWARK' in white.

**+1**  
CANADA

Bulwark Cider  
Cider

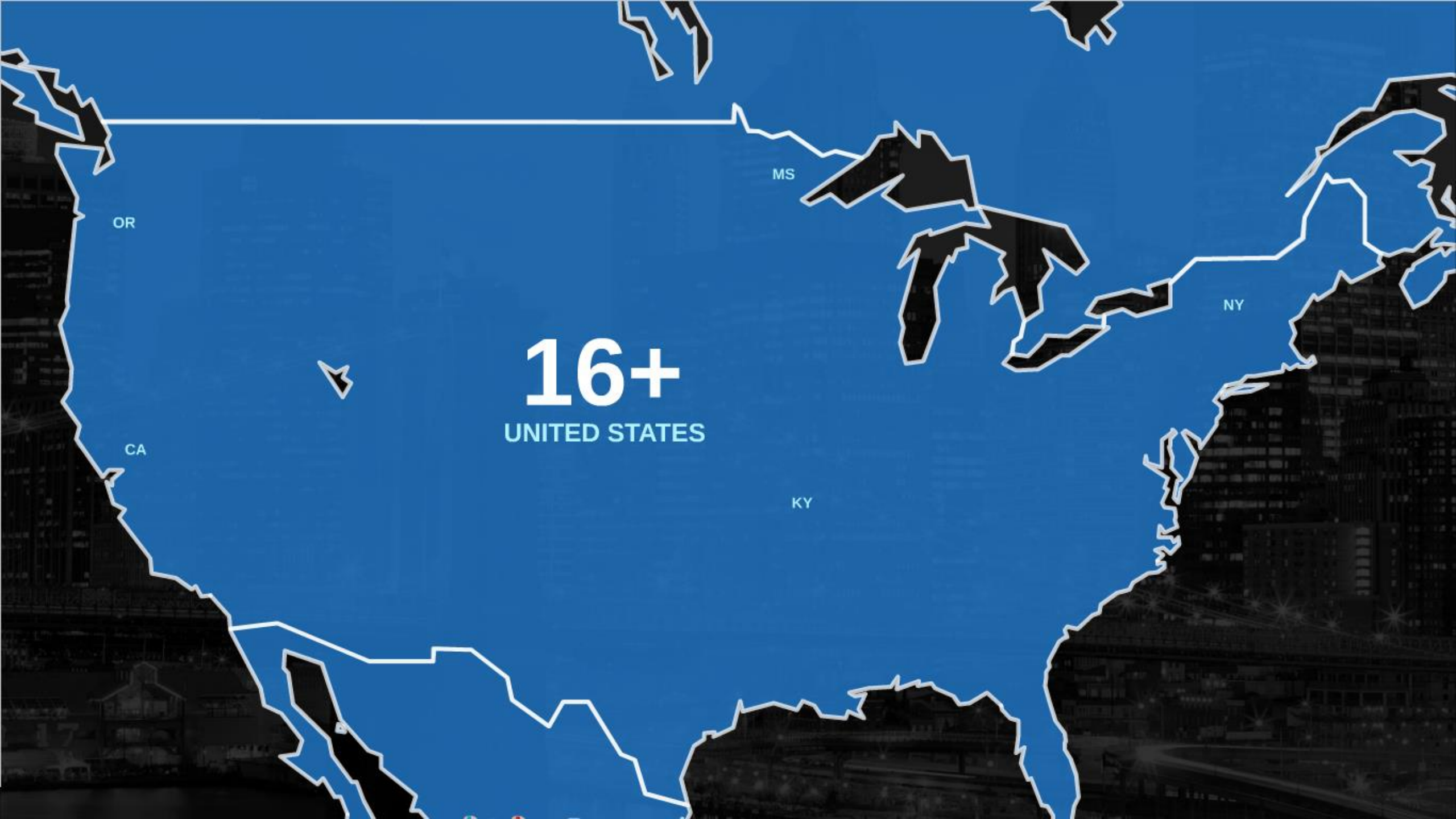




Heaven Sake  
Sake

+1  
JAPAN





**16+**  
UNITED STATES

OR

CA

MS

KY

NY

MS



**North Forest Kreme  
Liqueur**



**Copper & Kings  
American Brandy  
Brandy**

KY

**BOM BOM  
Coco Mochanut  
Liqueur**



NY



**Kaiso Cocktail  
RTD (Vodka/  
Tequila based)**



**Catskill Distilling Company  
Whiskey/Vodka/Gin/Grappa**



**Irvine Family Vineyards  
Wine**



OR

**Hawks Cove Brut  
Sparkling Wine**



CA

**Rendles Gin  
Gin**







# OTHER CONSIDERATIONS IMPACTING BEVERAGE ALCOHOL FUTURE & TRENDS

- ✓ "Big Box Retailer" growth
  - Private Label growth
- ✓ DTC("Direct to Consumer")growth
  - Wine, Potential Spirits & Beer
  - Imports / Discriminatory
- ✓ Marijuana
- ✓ Technology
- ✓ Taxes-Border Equalization / Other
- ✓ Social Responsibility - MUST STAY DILIGENT  
WHEN PROTECTING PUBLIC / UNDER 21's



# THANK YOU

## **The New Brand / Craft Phenomenon: An Even Better Future!**

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