

ACQUIRING A PREMIUM TASTE

From craft beers to vintage cocktails, consumers are driving "premiumization" in the wine and spirits industry, pairing exclusivity with accessibility. Just as craft breweries have been acquired, artisanal distillers and private-label wineries are being snatched up as the industry tries to adjust to consumers' premium tastes.

SPIRITS



THE SPIRIT OF THE CRAFT

Driven by hundreds of independent craft distillers, the spirits segment has entered its 22nd consecutive year of volume growth and is projected to outshine both beer and wine for the sixth year in a row.



↑10.6% EXPORTS OF U.S. DISTILLED SPIRITS
FIRST HALF OF 2016-2017
(Led by a 6.1% increase in American whiskeys)

Source: Distilled Spirits Council

↑2.5% SALES VOLUME
2017

Source: Shanken's Impact Databank Review and Forecast

IRISH WHISKEY



↑19.8% SALES DOLLARS
2016

↑18.7% SALES VOLUME
2016

↑736% HIGH-END SALES VOLUME
2002-2016

↑3,456% SUPER-PREMIUM SALES VOLUME
2002-2016

Source: Distilled Spirits Council

TEQUILA



↑5.8% ANNUAL GROWTH
U.S. TEQUILA SALES VOLUME SINCE 2002

↑292% HIGH-END SALES VOLUME
SINCE 2002

↑706% SUPER-PREMIUM SALES VOLUME
SINCE 2002

Source: Distilled Spirits Council

THAT'S THE SPIRIT

Major alcohol groups are acquiring premium brands and craft distilleries, cashing in on customers' more refined taste.

APRIL



William Grant & Sons acquired Tuthilltown Spirits

JUNE



Diageo acquired Casamigos

SEPTEMBER



International Spirits and Beverage Group, Inc. acquired assets of ASCC, including RWB Vodka

BEER



SATURATED WITH SUDS

Once an explosive category, sales of craft beer have appeared to stabilize in a saturated market.



FLAT SALES VOLUME
196.7 MILLION BARRELS 2015-2016

Source: The Brewers Association

↓1.0% OVERALL BEER SALES DOLLARS
3 MONTHS TO JUNE 2016-2017

Source: Nielsen

↓0.7% CRAFT BEER SALES DOLLARS
3 MONTHS TO JUNE 2016-2017

Source: Nielsen

↓1.5% CRAFT BEER SALES VOLUME
3 MONTHS TO JUNE 2016-2017

Source: Nielsen

QUENCHING A THIRST FOR ACQUISITIONS?

After acquiring multiple craft breweries, Anheuser-Busch's InBev appears to be shifting focus to organic growth. However, Japanese companies continue to have a taste for the craft.

SEPTEMBER



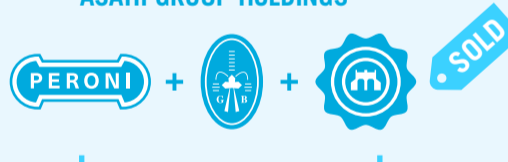
90% of InBev's sales force laid off (High-end division overseeing craft acquisitions)

AUGUST



Sapporo Holdings Ltd. acquired Anchor Brewing

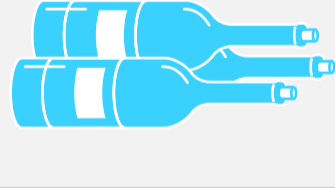
ASAHI GROUP HOLDINGS



2016: Acquired Peroni, Grolsch, and Pilsner Urquell for \$11bn

2017: Billions of dollars in acquisitions planned

WINE



SALES SPARKLE

The over-\$20 category of traditional wines is growing and sales of sparkling wine continue to pop, as bubbly is no longer perceived as exclusive to special occasions.



↑14% U.S. WINE SALES
TOTALING \$3.1BN AUGUST 2016-2017

Source: Wines & Vines Analytics

↑2% OFF-PREMISE U.S. WINE SALES
JULY 2016-2017

Source: Nielsen

BURNING THROUGH THE MARKET?

CA's wildfire devastation has created supply and price uncertainty, with 75-95% of the wine country grapes already harvested.

\$20+ WINE BOTTLES

↑9.8% SALES DOLLARS
JULY 2016-2017

Source: Nielsen

↑10.8% SALES VOLUME
JULY 2016-2017

Source: Nielsen

SPARKLING WINE

↑4% PREMIUM BRANDS SALES VOLUME
SIX LARGEST U.S. \$15+ SPARKLING WINE BRANDS 2015-2016

Source: Wines & Vines Analytics

↑9% U.S. SPARKLING WINE SALES VOLUME
AUGUST 2016-2017

Source: Wines & Vines Analytics

↑9% SALES VOLUME
MOËT HENNESSY USA'S DOMAINE CHANDON TOP-SELLING U.S. \$15+ SPARKLING WINE

Source: Shanken News Daily

WINE PAIRINGS

Consumers' premium palates continue to drive consolidation as larger wine producers seek to acquire known, high-end brands.

JULY



InVivo Group acquired Armit Wines

AUGUST



Duckhorn Wine Co. acquired Calera Wine Co.

AUGUST



Corby Spirit and Wine Limited acquired the Foreign Affair Winery

SEPTEMBER



Andrew Peller Limited acquired Tinhorn Creek Vineyards, Black Hills Estate Winery, and Gray Monk Estate Winery

HARVESTING THE GROWTH

As the entire industry adapts to consumer habits, oversupply in some areas is offsetting high demand. While prices of source commodities such as corn and wheat are up versus last year, bulk markets for both spirits and wine are seeing additional capacity, which may depress market prices. However, as consumer tastes seek out the next trend, premium bar tabs look to be with us for the foreseeable future.