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A CRAFTY FUTURE IN BEER

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BREWBOUND SESSION

NIELSEN MEASURES WHAT PEOPLE WATCH AND BUY

What - Where - When - Why - Who

NIELSEN RETAIL AND CONSUMER MEASUREMENTS

Retail Sales Scanned at Retail

Food, Drug, Convenience, Walmart, Target,
Sam's, BJ's, Dollar, Military (AAFES, Nexcom)
Variety of Liquor markets and accounts across U.S.

Consumer & Shopper Insights

Scanned purchase for in-home use,
Panel surveys, Harris Surveys
Spectra and TDLinx

TODAY'S DISCUSSION

Craft Beer Through the Total Beverage Alcohol Lens

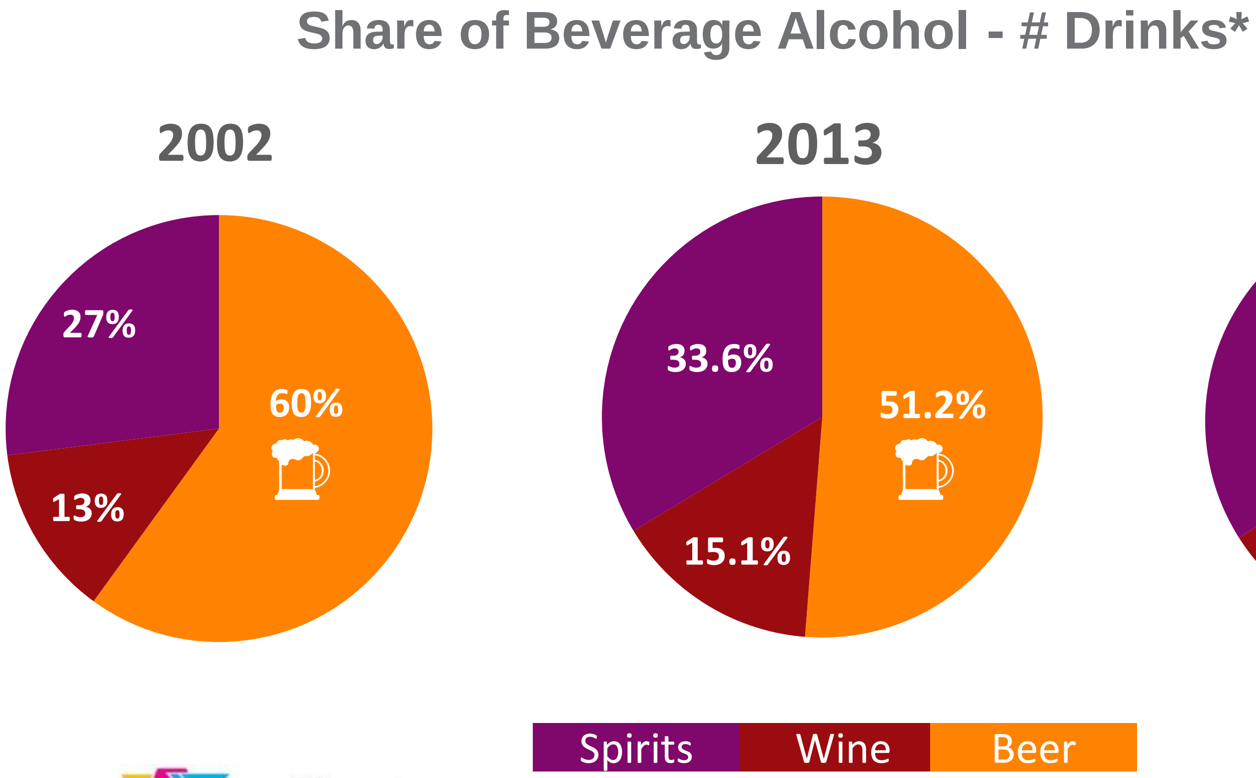
What Does "Craft" Mean to the Consumer

Craft Fragmentation and Consolidation

What Are the Next Growth Drivers for Craft?

CRAFT THROUGH THE TOTAL ADULT BEVERAGE LENS

BEER IS LOSING SHARE TO WINE AND SPIRITS



*Beer: 12 oz; Wine: 5 oz; Spirits: 1.5 oz

Source: THE BEVERAGE INFORMATION GROUP

HOWEVER, MORE WINE AND SPIRITS DRINKERS ARE PURCHASING CRAFT BEER

% Table Wine Buyers purchasing Craft Beer

2012		2014
26%	→	28%

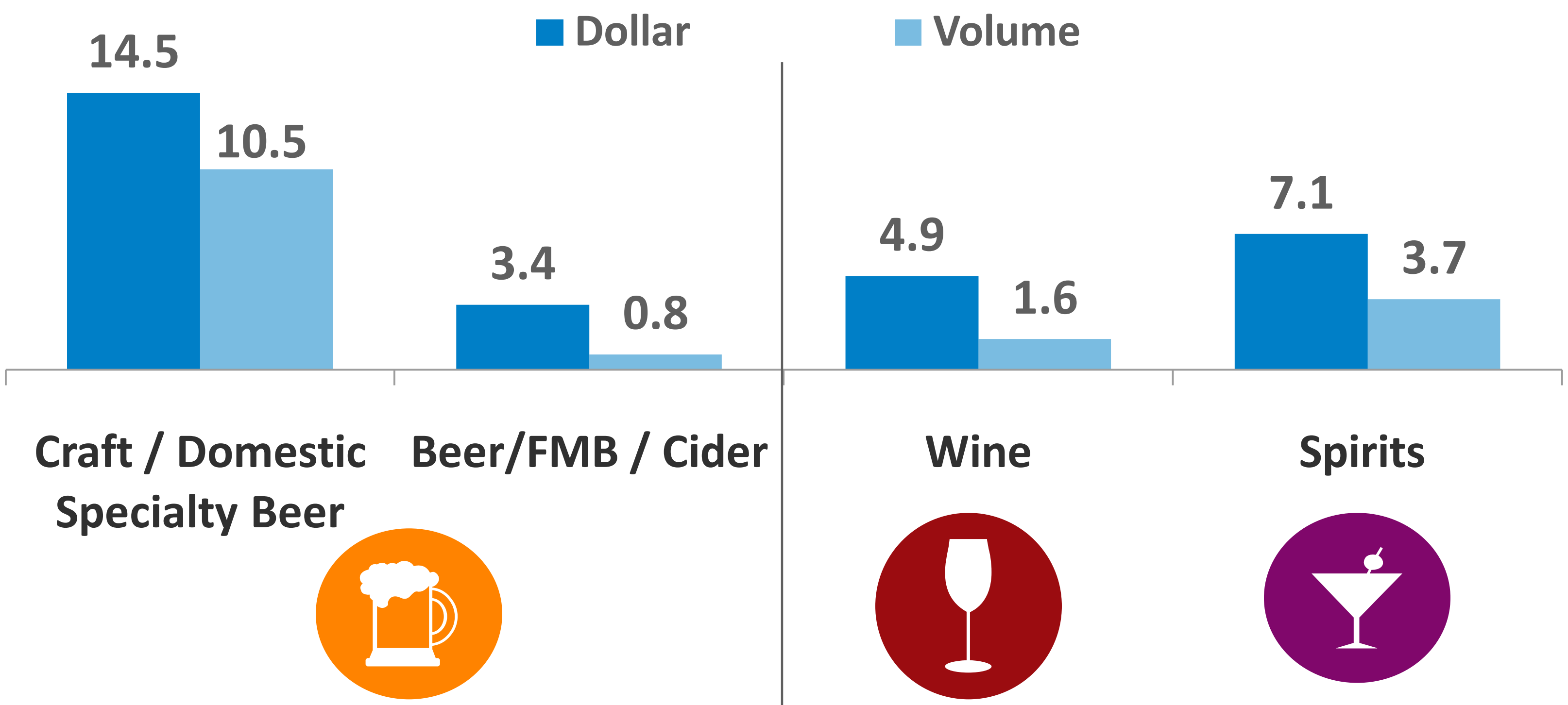
% Spirits Buyers purchasing Craft Beer

2012		2014
25%	→	29%

Source: Nielsen Homescan Panel, Total US: 52 weeks ending 12/24/2014

CRAFT BEER OUTPACES ALL BEV AL GROWTH

Total Nielsen Off Premise – Annual Growth Rates



Source: Nielsen Total U.S. All Outlets; 52 w/e 11/7/15

HIGH-END LEADING THE GROWTH IN BEER

Beer Segment	Average Case Price	Dollar Share	Volume Share	Dollar Growth	Volume Growth
Beer/FMB/Cider	**$22.59**			**3.4**	**0.8**
Cider	$35.77	1.5	0.9	**18.7**	**16.0**
Craft/Domestic Specialty	**$35.37**	**12.6**	**8.0**	**14.5**	**10.5**
Flavored Malt Bev (FMB)	$32.41	6.1	4.2	**4.5**	**4.4**
Imports	$29.06	17.0	13.2	**9.8**	**8.2**
Mexican Imports	$28.67	10.4	8.2	**14.6**	**12.7**
Premium Light	$20.24	31.1	34.7	-0.3	-0.9
Premium Regular	$20.58	8.3	9.1	-0.4	-1.3
Below Premium	$15.74	15.6	22.4	-2.2	-3.7

Source: Nielsen Total US xAOC+Conv+Military+Liquor Plus, 52 WE 11/07/15

STRONG GROWTH FOR MEXICAN IMPORT BEERS

One of fastest growing segments in Beer

Gaining volume share faster than Crafts

MX volume share up +0.9 pts vs Craft +0.7

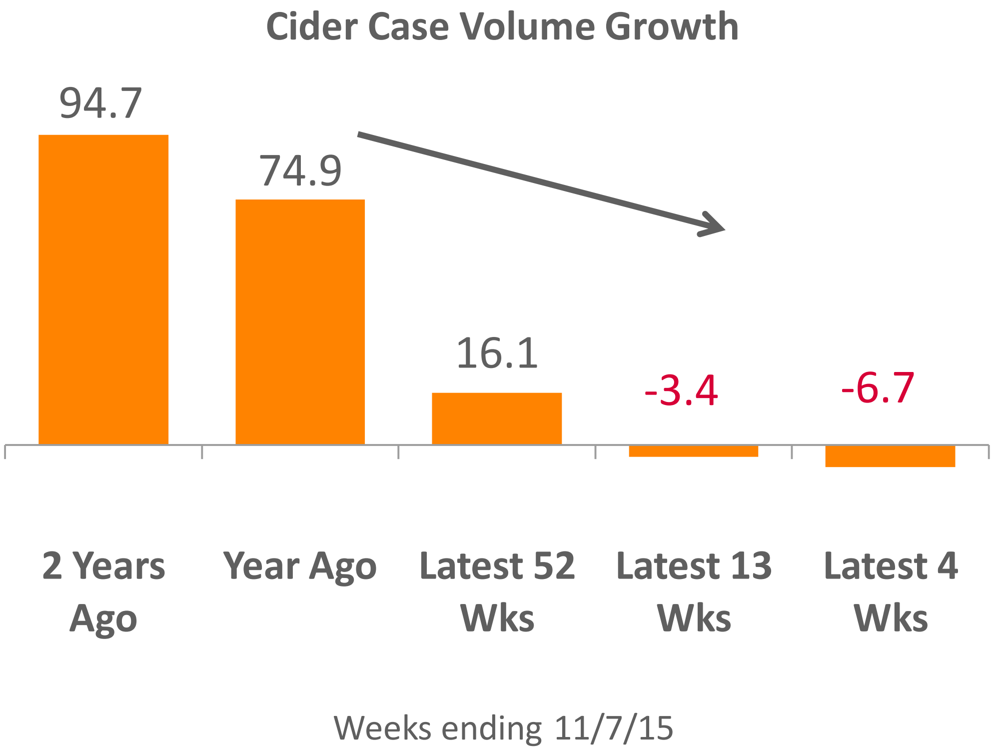
MX Import Beer drinkers are Craft drinkers

45% of Mexican Import beer drinkers also purchase Craft

Growth across many MX Import brands

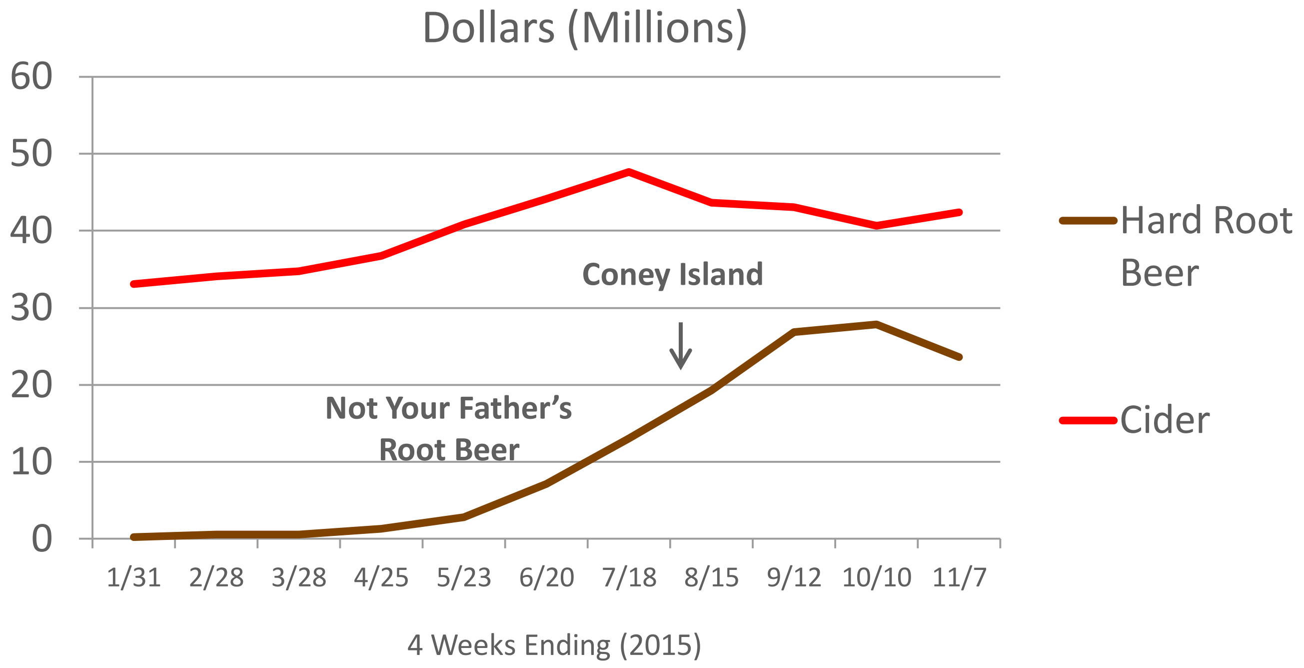
Source: Nielsen Total US xAOC+Conv+Military+Liquor Plus, 52 WE 11./07/15; Nielsen Homescan Premium (52 WE 8/01/15)

RECENT CIDER DECLINES: A BLIP OR A TREND?



Source: Nielsen AOD Total US xAOC+Conv+Military+Liquor Plus, Week ending 11/07/15

HARD ROOT BEER TAKES OFF IN 2015, WITH MORE TO COME IN 2016



Source: Nielsen AOD Total US xAOC+Conv+Military+Liquor Plus, 2015

"CRAFT" BY ANY OTHER NAME…

WHAT DOES "CRAFT" MEAN TO YOU?

Handcrafted

Heartcrafted

Artisanal

Crafty

Independently Owned

Local

Quality

Sustainably Produced

Craft Food

Craft Beer

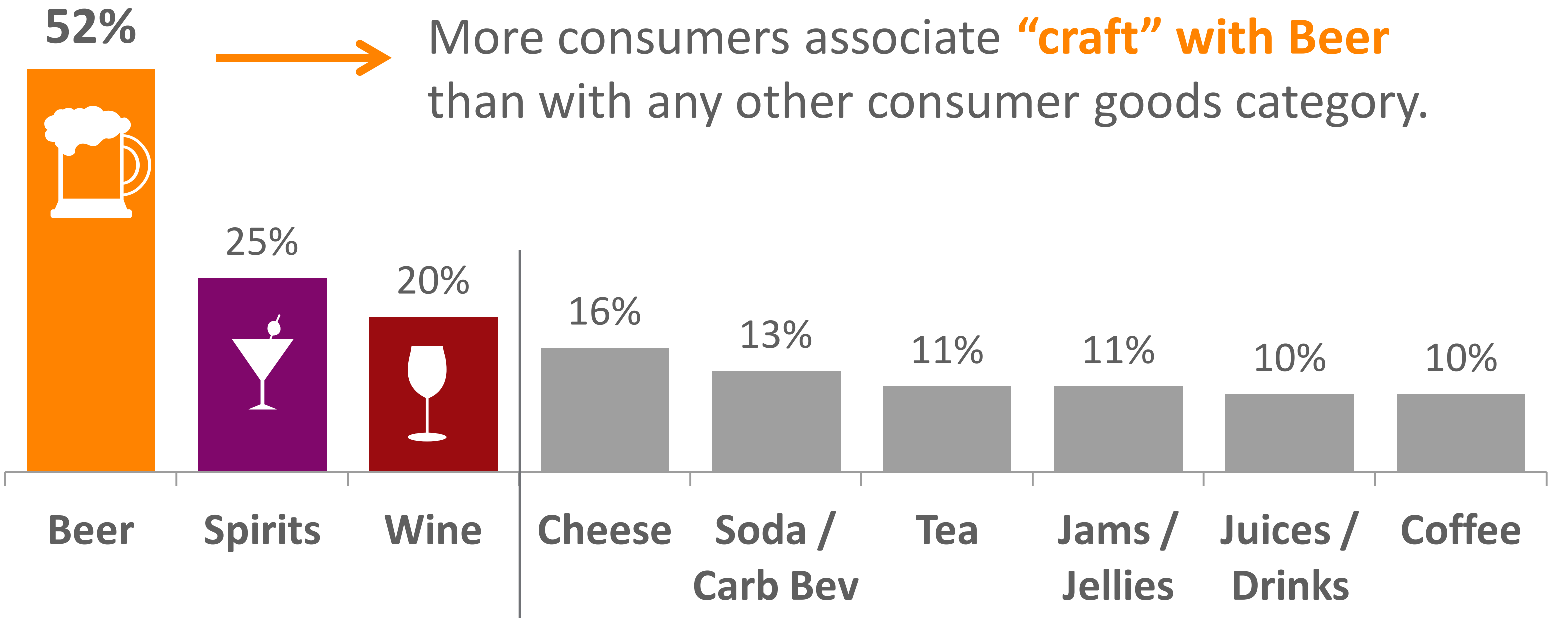
Craft Spirits

Craft Soda

BEER FITS BEST WITH "CRAFT"

Which of these categories do you consider a strong fit with the description "CRAFT"?

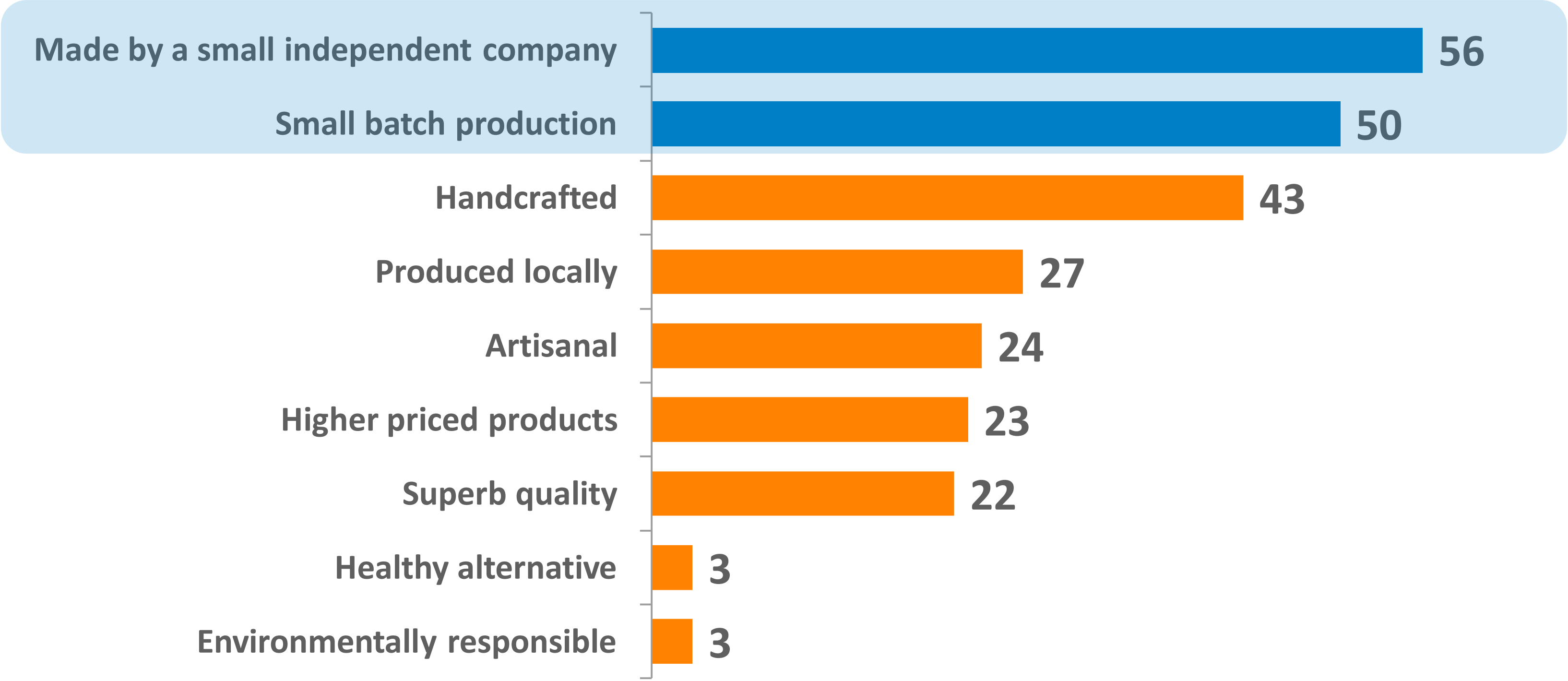
More consumers associate **"craft" with Beer** than with any other consumer goods category.



Source: Nielsen' – Harris Poll Online (May 20-26, 2015); 21+ respondent base for all Bev Al categories

CONSUMERS SAY CRAFT IS SMALL AND INDEPENDENT

Which of the following would you say are the top 3 terms you associate with the word 'craft' as it relates to alcoholic beverage products?



Source: Nielsen survey conducted by Harris Poll, May 2015

MILLENNIALS SAY CRAFT MEANS *HANDCRAFTED*

Which of the following would you say are the top terms you associate with the word ‘craft’ as it relates to alcoholic beverage products?

Age 21-34

#1: Handcrafted

#2: Made by a small independent company

Males

#1: Made by a small independent company

#2: Small Batch

Females

#1: Made by a small independent company

#2: Handcrafted

Source: Nielsen survey conducted by Harris Poll, May 2015

MILLENNIAL MALES MOST INFLUENCED BY “CRAFT”

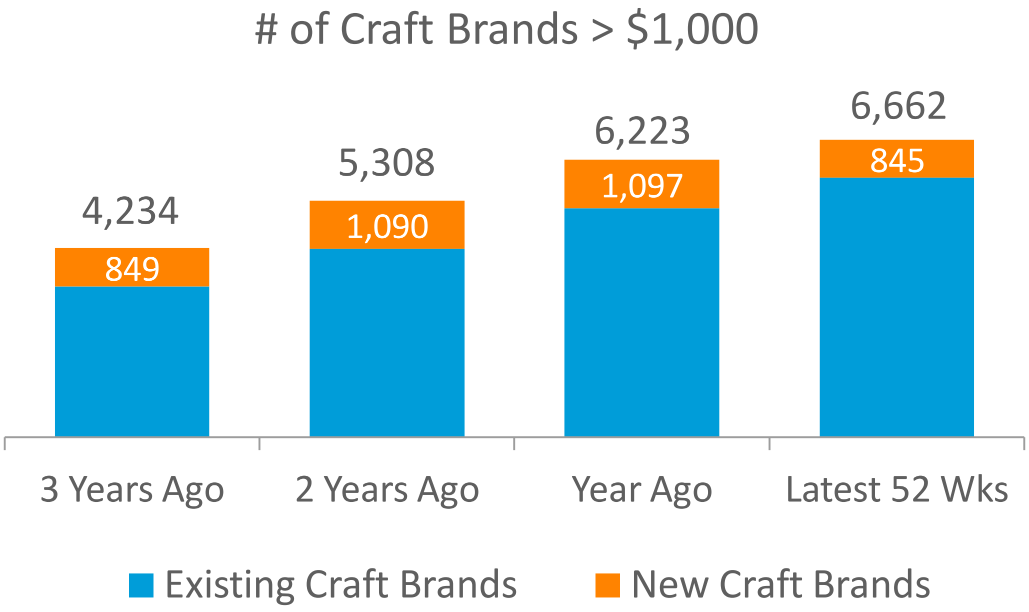
How you feel when you hear an alcoholic beverage described as “craft”……

	More interested in trying the product	Does not influence decision	Less interested in trying the product
Total Respondents	35%	55%	10%
Male 21-34	46%	43%	11%
Female 21-34	38%	52%	10%

Source: Nielsen survey conducted by Harris Poll, May 2015

CRAFT FRAGMENTATION AND CONSOLIDATION

NEW CRAFT ENTRANTS STILL STRONG BUT SLOWING…FOR NOW



Source: Nielsen AOD Total US xAOC+Conv+Military+Liquor Plus, 52 Weeks ending 11/07/15

WILL CRAFT STAY SMALL?

Craft/Domestic Specialty brands owned by big brewers represent **37%** of the segment's volume

AB InBev → Shock Top Brewing Co., Goose Island, Elysian Brewing, Golden Road Brewing, 10 Barrel Brewing Co, Blue Point Brewing Company, CBA Craft Brew Alliance

MillerCoors → Blue Moon Brewing Company, Leinenkugel's, Third Shift, Batch 19 Pre-Prohibition Style Lager, Henry Weinhard's, George Killian's Irish Red, Saint Archer Brewing Company

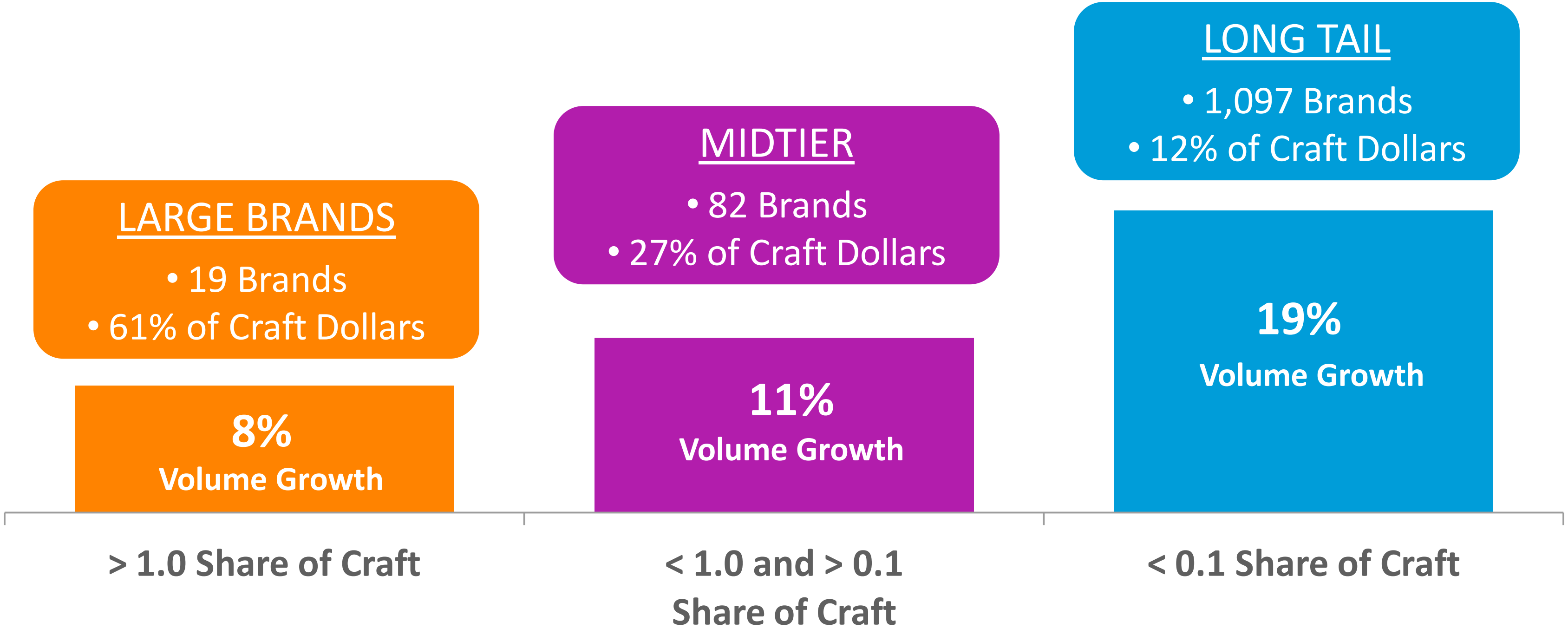
North American Breweries → Dundee Ales & Lagers, Pyramid Breweries, Portland Brewing, Magic Hat Brewing Company

Other Recent Partnerships and Acquisitions → Heineken / Lagunitas Brewing Company; Pabst Brewing Co. / Small Town Brewery; Constellation Brands / Ballast Point; Founders Brewing / Mahou San Miguel; Firestone Walker Brewing Company / Duvel

Ownership of at least 25%

STRONGEST GROWTH RATES FROM THE LONG TAIL

Craft/Domestic Specialty Tiers: % Volume Growth

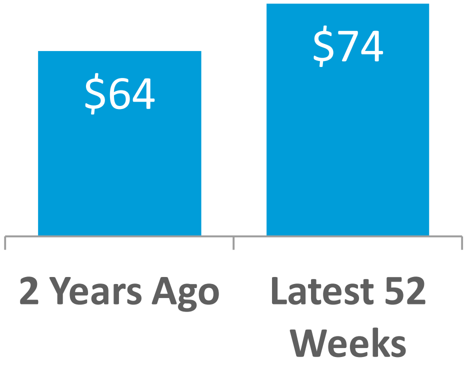


Source: Nielsen AOD Total US xAOC/Conv/Military/Liquor+, 52 Weeks 11/07/15; Craft/Domestic Specialty brands with at least $1,000 in sales for latest year

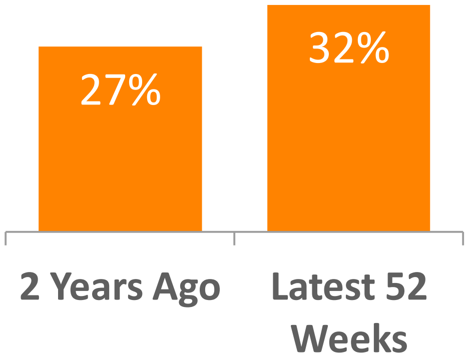
IS CRAFT ATTRACTING THE MAINSTREAM DRINKER?

More Premium/Mainstream drinkers are buying Craft and spending more on Craft

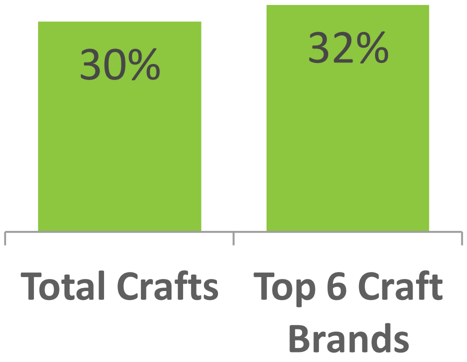
Average $ Premium Beer Household Spends on Craft



% Premium Beer Households Purchasing Craft Beer



Craft Dollar Growth Among Premium Beer Buyers



Nielsen Homescan Panel; 52 Weeks Ending 10/10/15 vs 2 Years Ago; Examples of Premium Beer (Bud, Coors Light, Miller Lite)

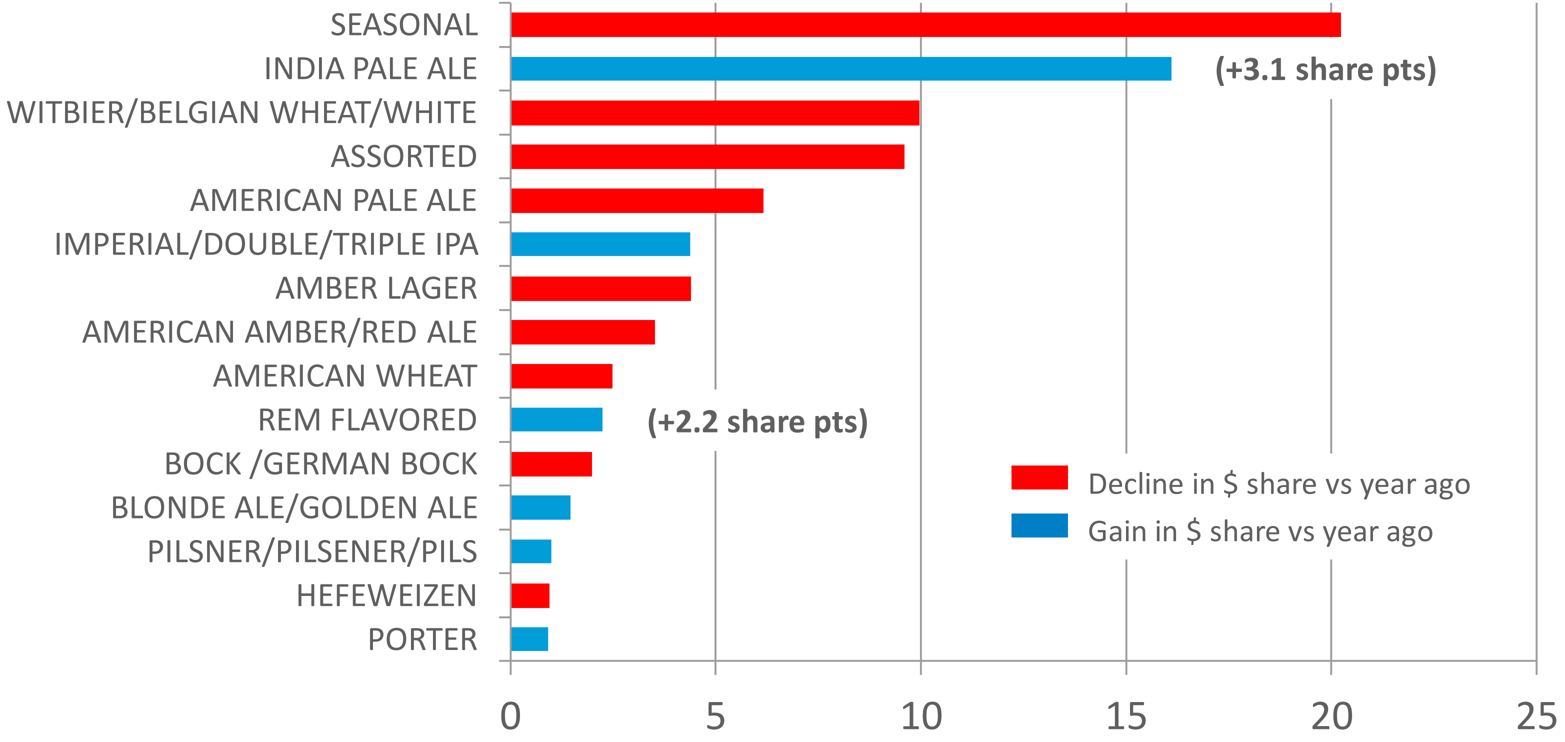
WHAT'S THE NEXT GROWTH DRIVER FOR CRAFT?

ARE 2015 TRENDS FOLLOWING 2014 TRENDS IN CRAFT?

Hoppy Styles	More on the Shelf	Variety Packs	Cans
✓	✓	✗	✓

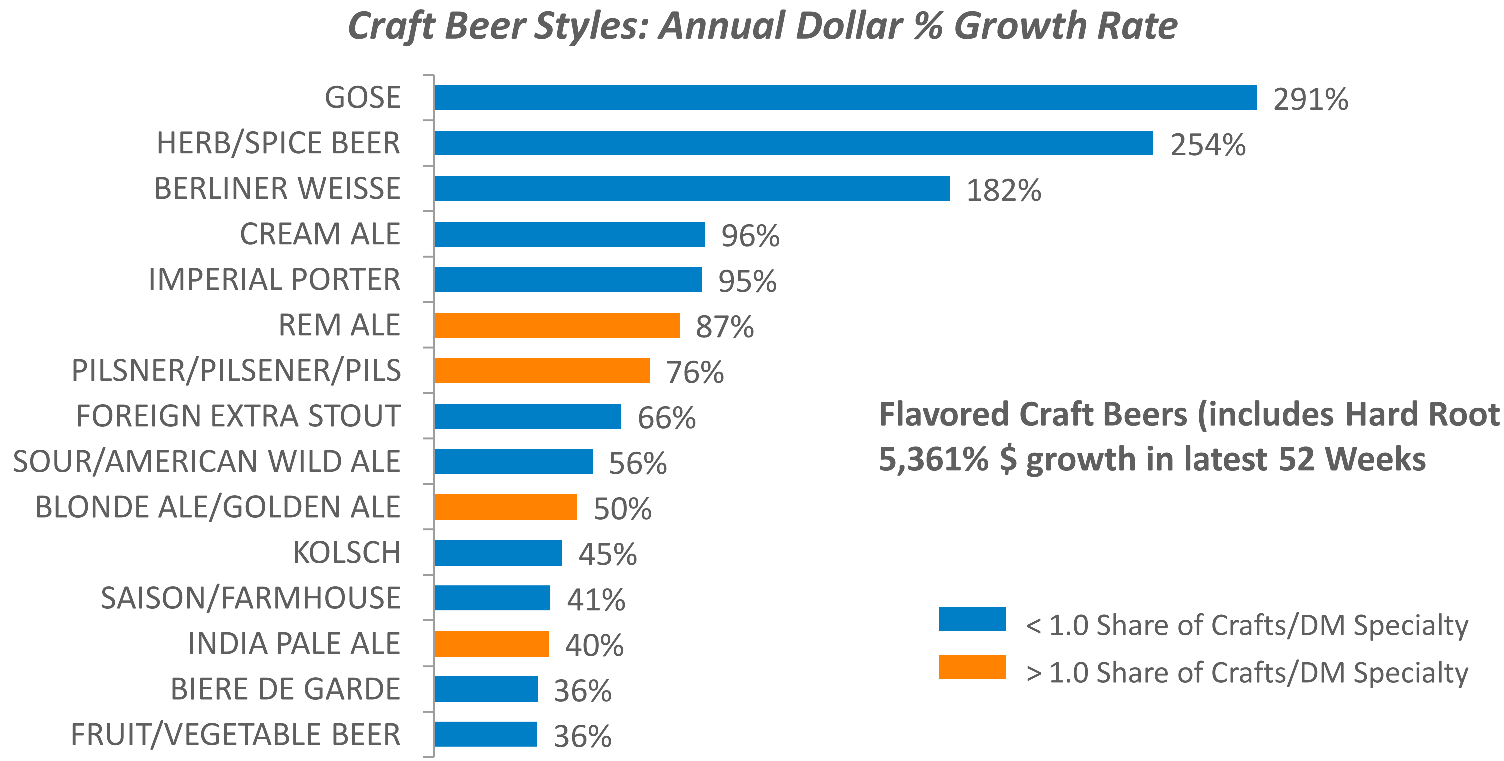
IPAS AND FLAVORS TOP THE LIST AND STILL GROWING

Craft Beer Styles: Dollar Share of Craft/Domestic Specialty Segment



Source: Nielsen AOD Total US xAOC+Conv+Military+Liquor Plus, 52 Weeks ending 11/07/15

FLAVORED CRAFTS, GOSE, AND HERB/SPICE AMONG THE FASTEST GROWING CRAFT BEER STYLES



Flavored Craft Beers (includes Hard Root Beer): 5,361% $ growth in latest 52 Weeks

Source: Nielsen AOD Total US xAOC+Conv+Military+Liquor Plus, 52 Weeks ending 11/07/15

WHICH STYLES ARE CONSUMERS TRYING?

CRAFT BEER STYLES: TOP 10 CLAIMED FAVORITE
Amber Lager
Pale Ale
Amber/Red Ale
American IPA
Porter
Blonde/Golden Ale
Pilsner/Pils
Brown Ale
Pale Lager
American Wheat

TOP 10 STYLES: TRIED FOR FIRST TIME THIS YEAR
Fruit/Vegetable/Pumpkin
Amber/Red Ale
Cream/Milk Stout
Herb/Spice beer
Shandy/Radler
Brown Ale
Sour Ale/American Wild Ale
Porter
Pale Ale
Cream Ale

Source: Nielsen survey (Craft Beer Insights Poll) November 2015

LOCAL MATTERS IN CRAFT BEER

Map represents top 5 Craft Brands in market, if other than top 6 National Brands*

*Top 6 National Brands: Sam Adams, Blue Moon, Sierra Nevada, New Belgium, Leinenkugel's, Shock Top

Source: Nielsen Grocery market (Liquor in case of Boston, Baltimore, Minneapolis), Colorado); 52 w/e 8-15-2015; dollars

VISITS TO A LOCAL BREWERY CAN OFTEN RESULT IN INCREASED POST-VISIT BUYING

After your visits to a craft brewery, which of the following describe how, if at all, your purchasing habits of that craft brewer's products changed?

61% say ...

"I purchased more of that craft brewers' products after visiting that brewery"

Midwest
64%

Males 21-34
74%

Af-Am 74%
Hispanic 69%

Source: Nielsen's Craft Beer Insights Poll (CIP) conducted May 2015 by Harris Poll (n=1,014 Craft Drinkers/ n=590 weekly craft drinkers

CRAFT DRINKERS SEEK "BETTER" (QUALITY), TASTE, FLAVOR, VARIETY, AND LOCAL

Why would you choose a craft beer over a non craft beer option if both were available?

Source: Nielsen's Craft Beer Insights Poll (CIP) conducted May 2015 by Harris Poll (n=1,014 Craft Drinkers/ n=590 weekly craft drinkers

CRAFT BEER….

- Outpacing total Alcoholic Beverage growth, and plenty of room for even more growth!
- Beer has the ability to own “Craft”
- The Long Tail will continue to drive growth, but it isn’t big enough yet to influence overall segment trends.
- IPAs are common place (but still growing!) among Craft beer styles now; Amber Ale, Herb/Spice, Flavored/Hard Root Beer and Sour Ales among fastest growing.
- Local matters: consumers seek local connections and experiences, either through brew pub visits or local events for national brands.

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AN UNCOMMON SENSE OF THE CONSUMER™

CHEERS!

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