Less Expansive, More Expensive Pie; **Many More Mouths**

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Beer Marketer's INSIGHTS

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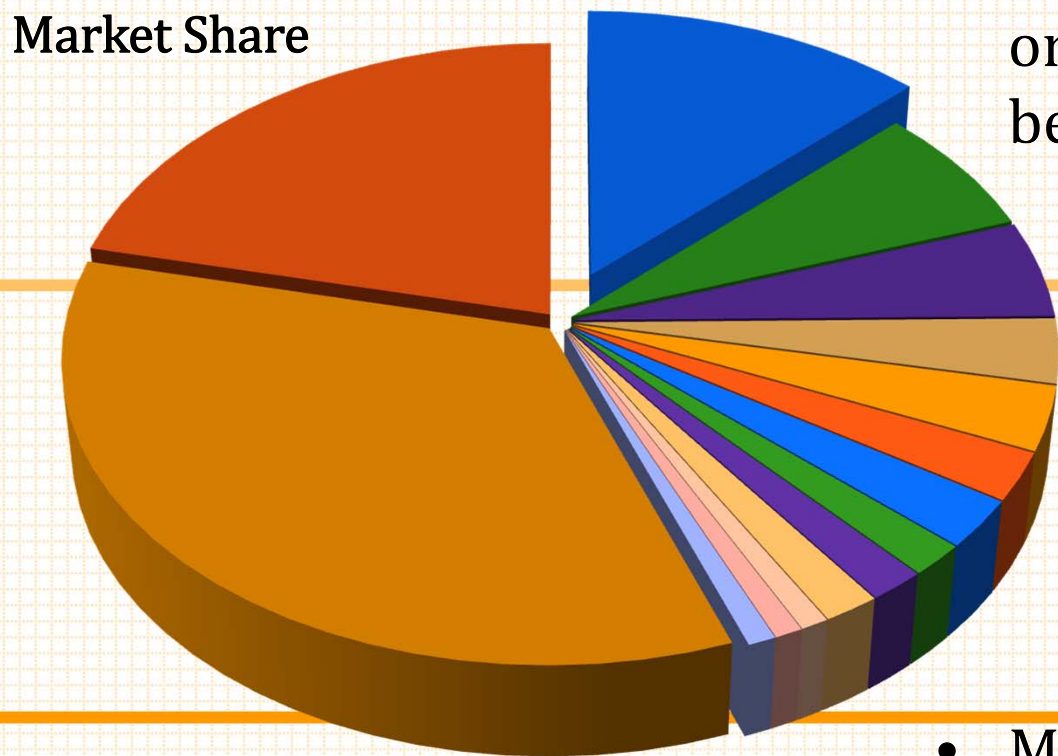
The U.S. beer pie ain't growin'…



- Less expansive: shrinking or stabilized overall U.S. beer volume
  - More expensive: major shift to high-end and above-premium segments
- Many more mouths: massive increase in brewers and brands

…but the table's getting crowded

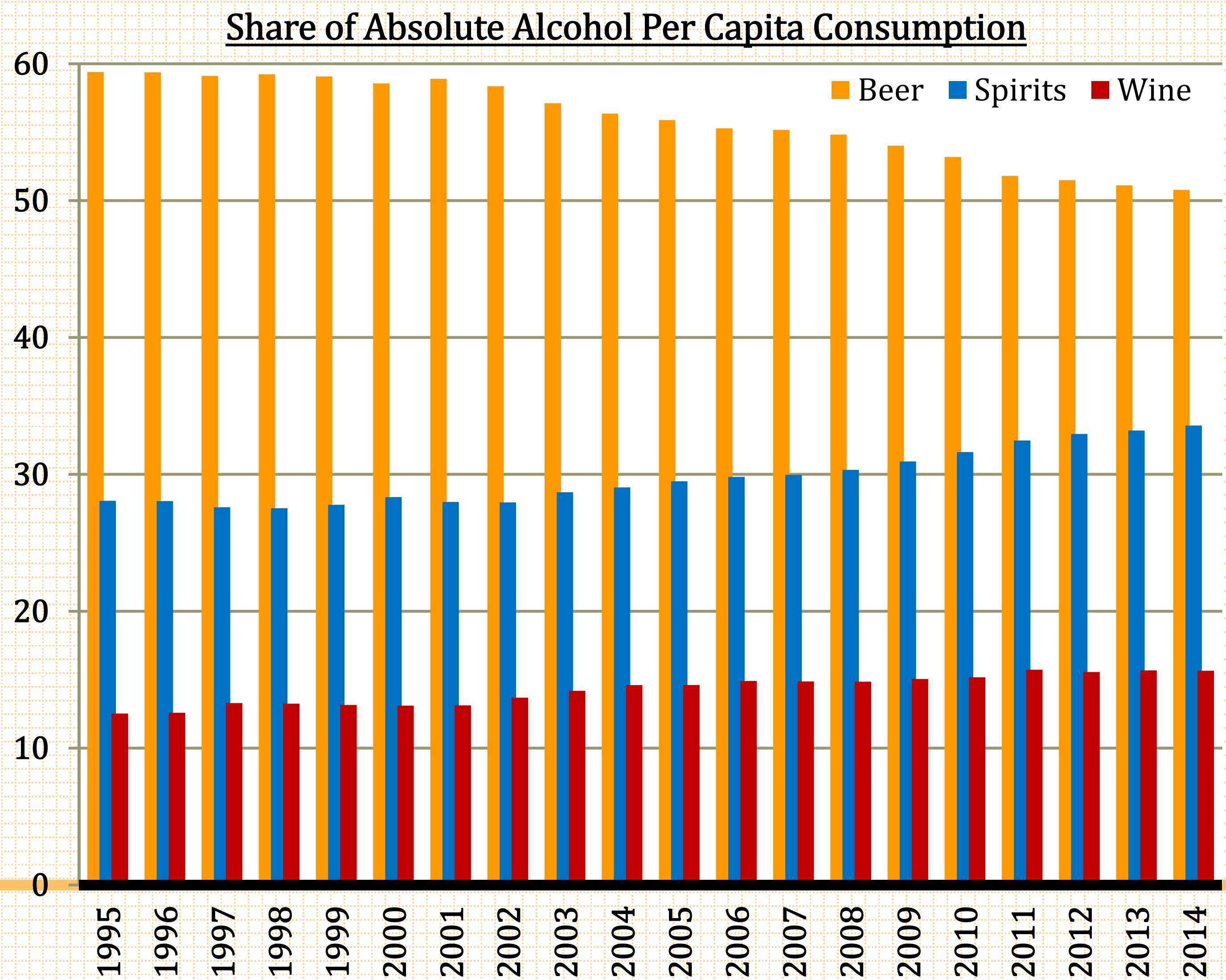
Beer vs Wine & Spirits: losing share of per capita consumption

Per Capita Consumption

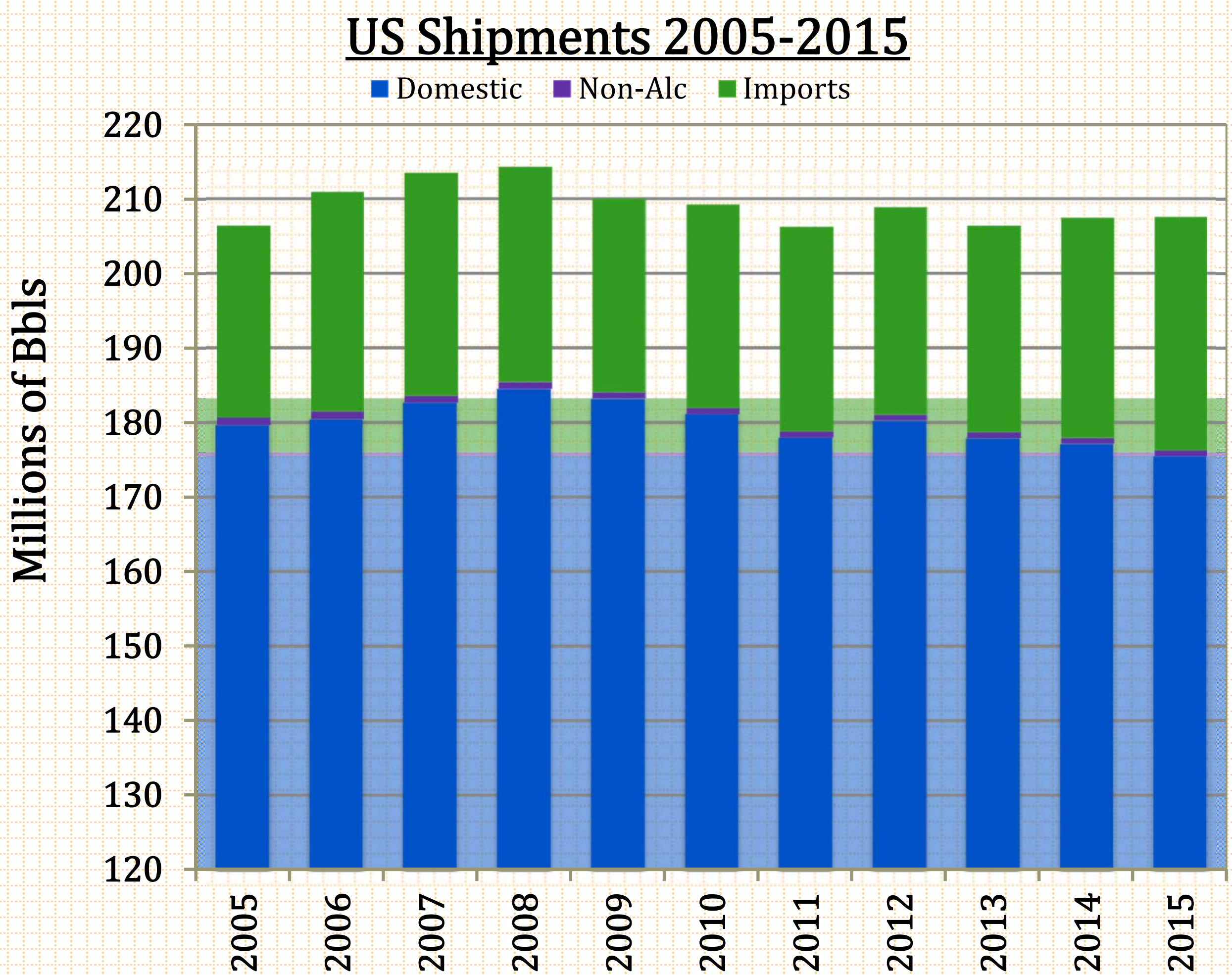
1980: 259 12-oz servings
2014: 213 12-oz servings
(-18.1%)

Share of Absolute Alcohol Per Capita Consumption

1995: 59.4%
2014: 50.8%
(-8.6 pts)



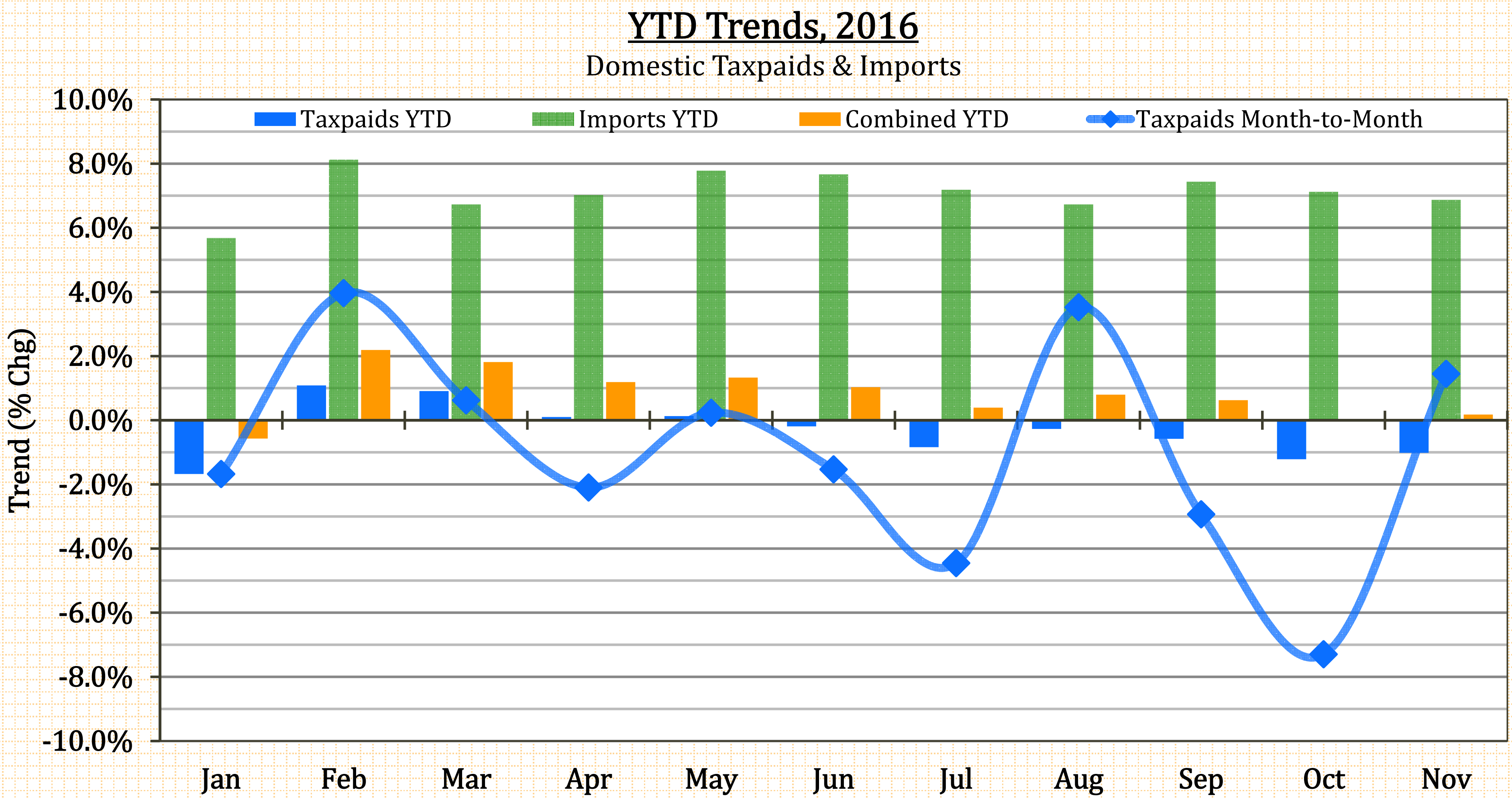
Overall volume: stable, down from peak



- U.S. Shipments: +0.2% in 2015,
- +0.6% since 2005
- Down 6.7 mil bbls, 3.1% since peak in 2008
- Domestic taxpaids down 9+ mil bbls, ~5% since peak

At 175.5 mil bbls, domestic shipments in 2015 were about the same size as in 1984, and smaller than they were in 1981.

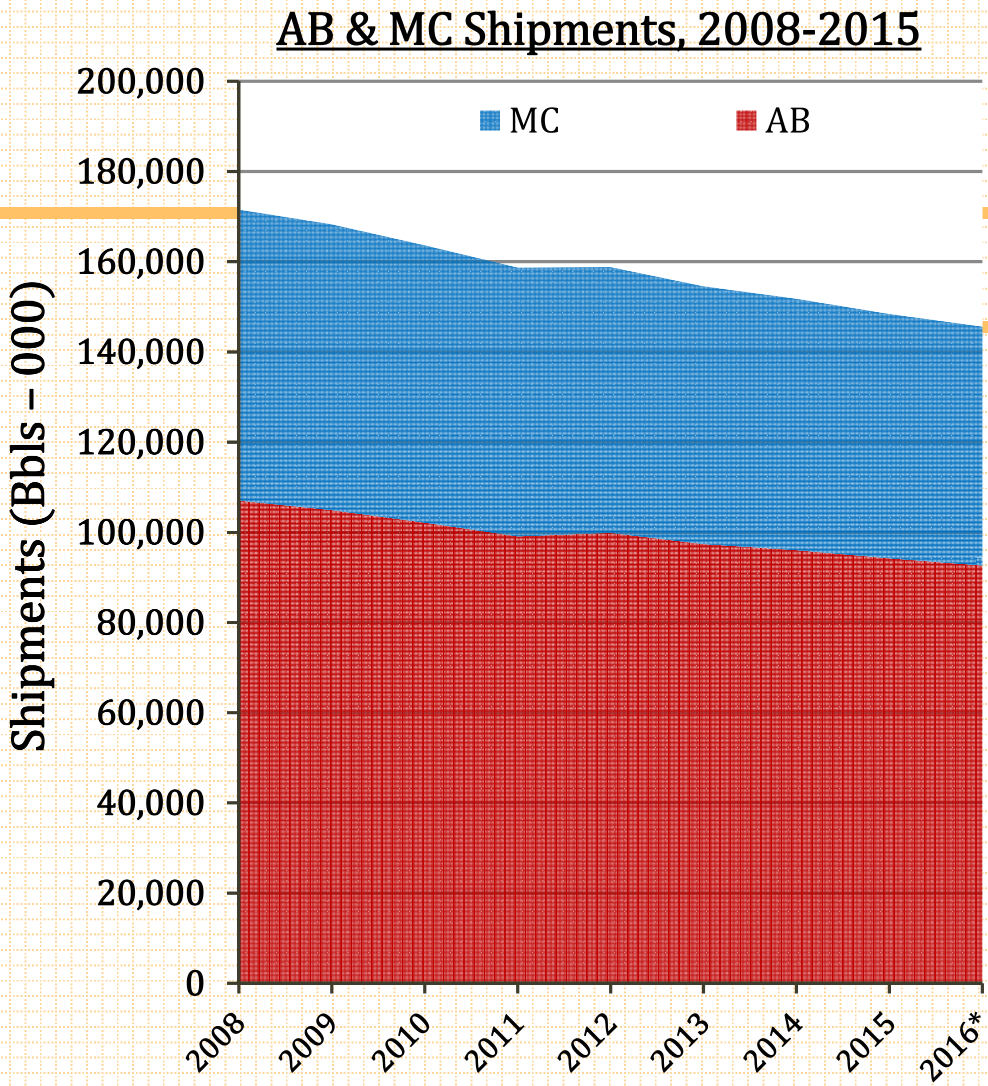
2016: More of the same



Year-to-Date thru November:

Domestic Taxpaid Shipments: -1.0% Imports: +6.9% Known Shipments: +0.2%

AB + MC lost ~26 mil bbls, 11 share, 2008-2016



2008: 171.5 mil bbls combined, 78.3 share

2016*: 145.6 mil bbls combined, 67.3 share

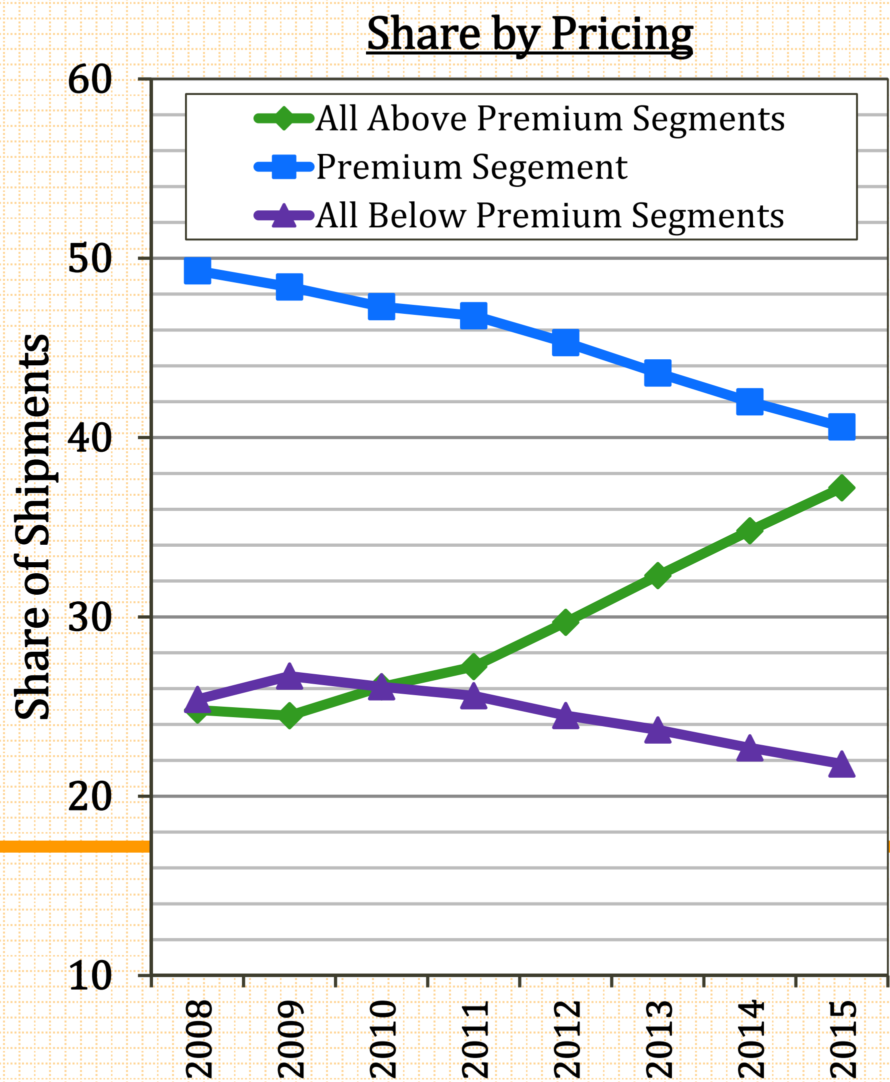
*BMI estimate

Recent Retail Outlook:

	2015		2016	
	Trend	Share Chg	Trend	Share Chg
AB	-1.1%	-1.0	-1.0%	-0.7
MC	-1.2%	-0.6	-1.7%	-0.5

Nielsen, off-premise, all outlet data, volume

Above Premium takes over: +12.4 share 2008-2015



Recent Retail Outlook:

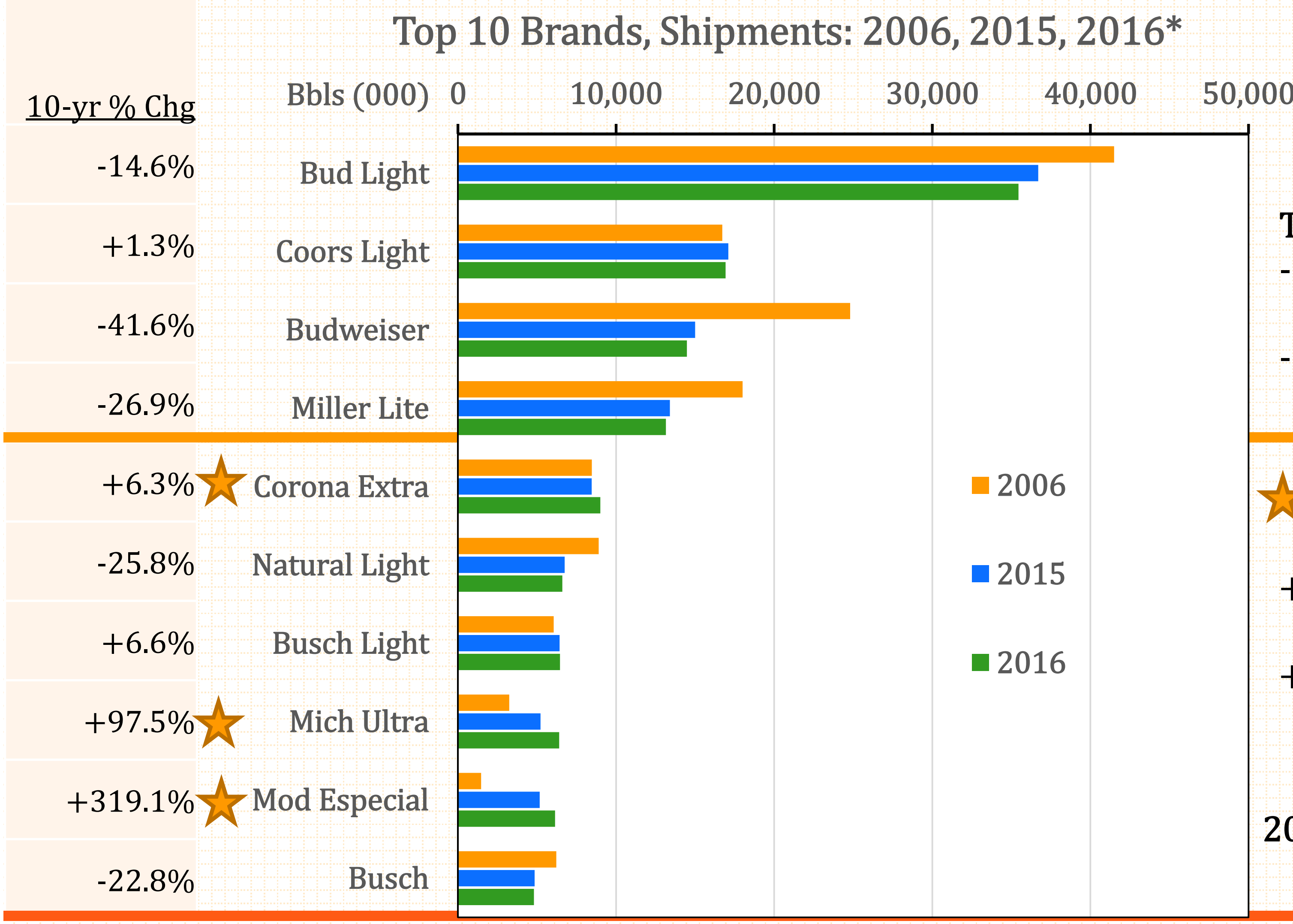
	2015		2016	
	Trend	Share Chg	Trend	Share Chg
Imports	+10.2%	+1.0	+10.1%	+1.2
Craft	+14.7%	+1.2	+5.7%	+0.3
Super Prem	+5.2%	+0.1	+9.2%	+0.4
FMBs	+4.2%	+0.0	+6.2%	+0.3
Cider	+10.8%	+0.1	-10.3%	-0.2
Prem Reg	-0.2%	-0.3	-0.4%	-0.2
Prem Lt	-0.2%	-1.2	-0.9%	-1.1
Budget	-2.2%	-1.0	-3.7%	-0.4

Nielsen, off-premise, all outlet data, dollar sales

Premiumization continues:

Above premium segments likely gained another 2 share volume in 2016.

Top 10 brands record modest gain, due to 3 hi-flyers*



Top 4:
-2.2 mil bbls in 2016

-21 mil bbls in 10 yrs,
-11 share

3 Hi-Flyers:

+2.7 mil bbls in 2016

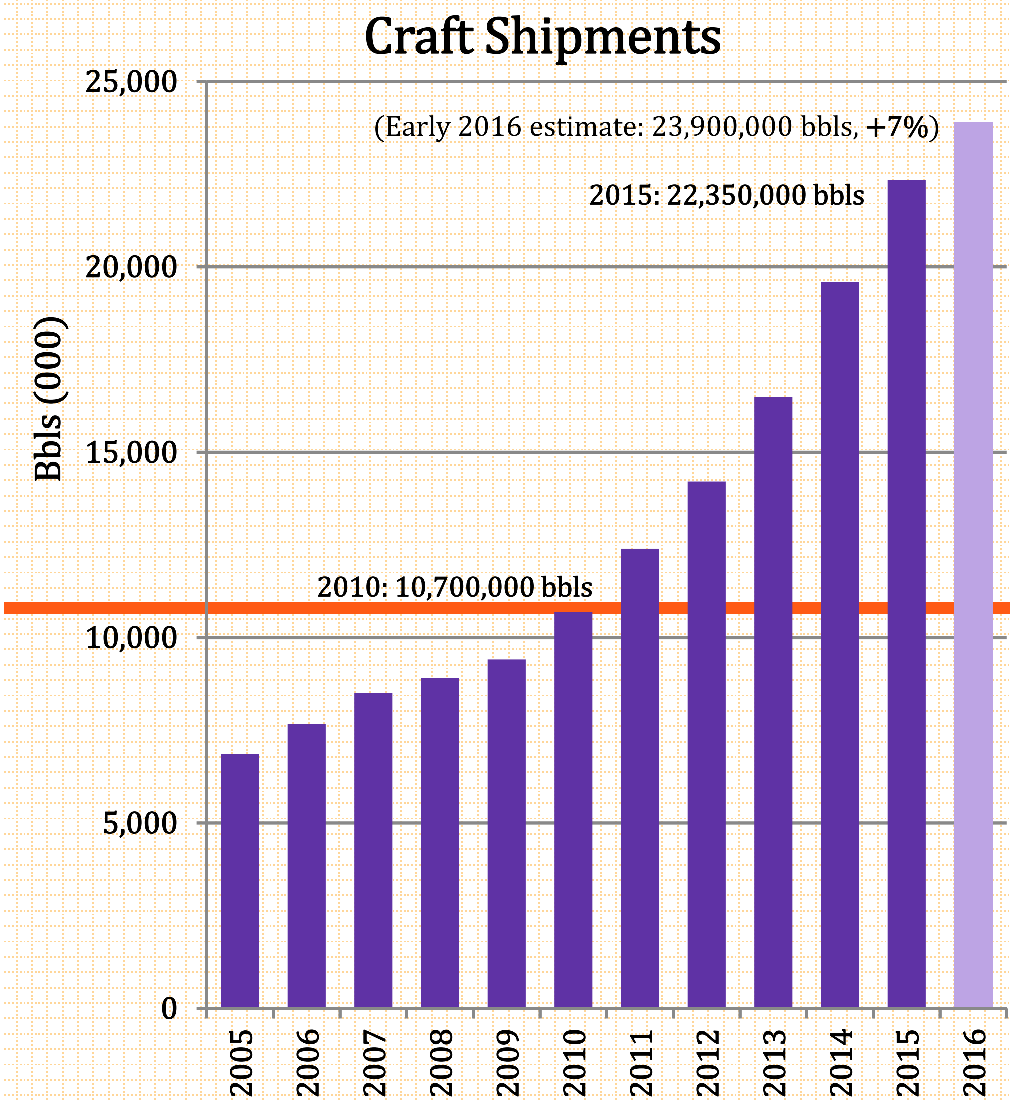
+8.4 mil bbls in 10 yrs,
almost doubling

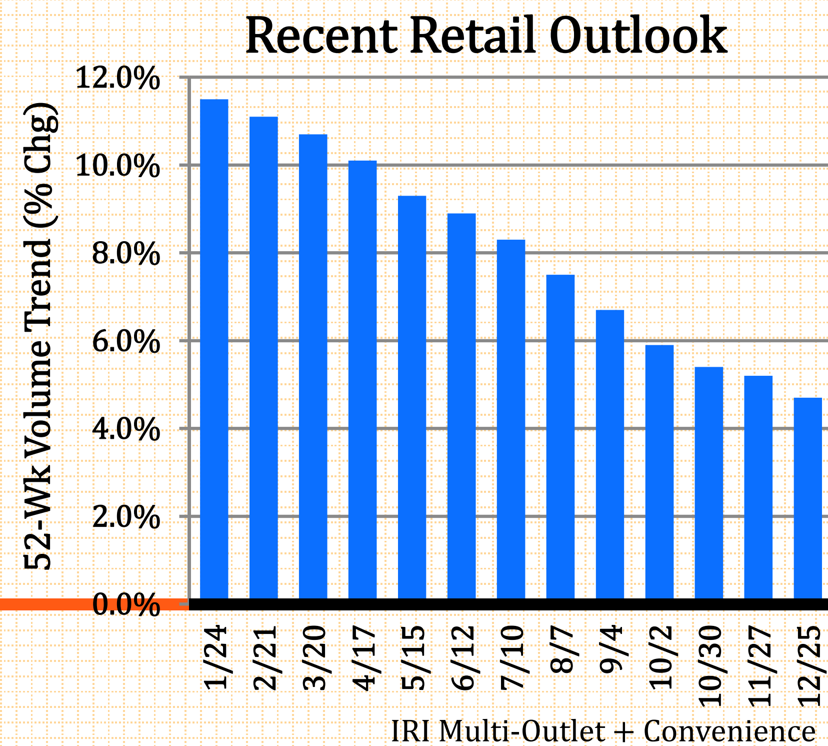
2016 Top 10:
>55 share, +0.3%

*BMI estimates

2006 Top 10: ~66 share

Craft growth slows to single-digits





Craft volume thru Dec 25:
+2.6% for 12 wks
+0.1% for 4 wks

Recent INSIGHTS Headlines:

Craft Teeters at Top As Long Tail, Taprooms and Global Brewer Craft Plays Pick Up Pace
(beer marketer's, Vol 48, #2; Jan 23, 2017)

DOJ's "Proposed Final Judgment" on ABI-SAB Is "Effective and Appropriate," It Sez in Response to Comments (INSIGHTS Express, Vol 19, #19; Jan 13, 2017)

Another 1,110 New Brewery Permits Issued in 2016; 7,190 Total
(Craft Brew News, Vol 8, #4; Jan 13, 2017)

ABI-Backed PicoBrew to Offer Restaurants/Bars In-House Brewing Appliance
(Craft Brew News, Vol 8, #3; Jan 11, 2017)

Do Alc Bev Regs in MO and CA Violate Free Speech Rights? Topic Heats Up in Two US Appeals Courts (INSIGHTS Express, Vol 19, #14; Jan 20, 2017)

As Wal-Mart/Amazon Face Off, What About Beer, 3-Tier? More Disruption; 3 State Battles
(beer marketer's, Vol 47, #20, Oct 24, 2016)

Bottom Line: Consolidation within fragmentation, creating constant flux and shift

thank you!

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