



Beer Industry in 2023

Costs, Innovation and Pricing

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The Inflection Point



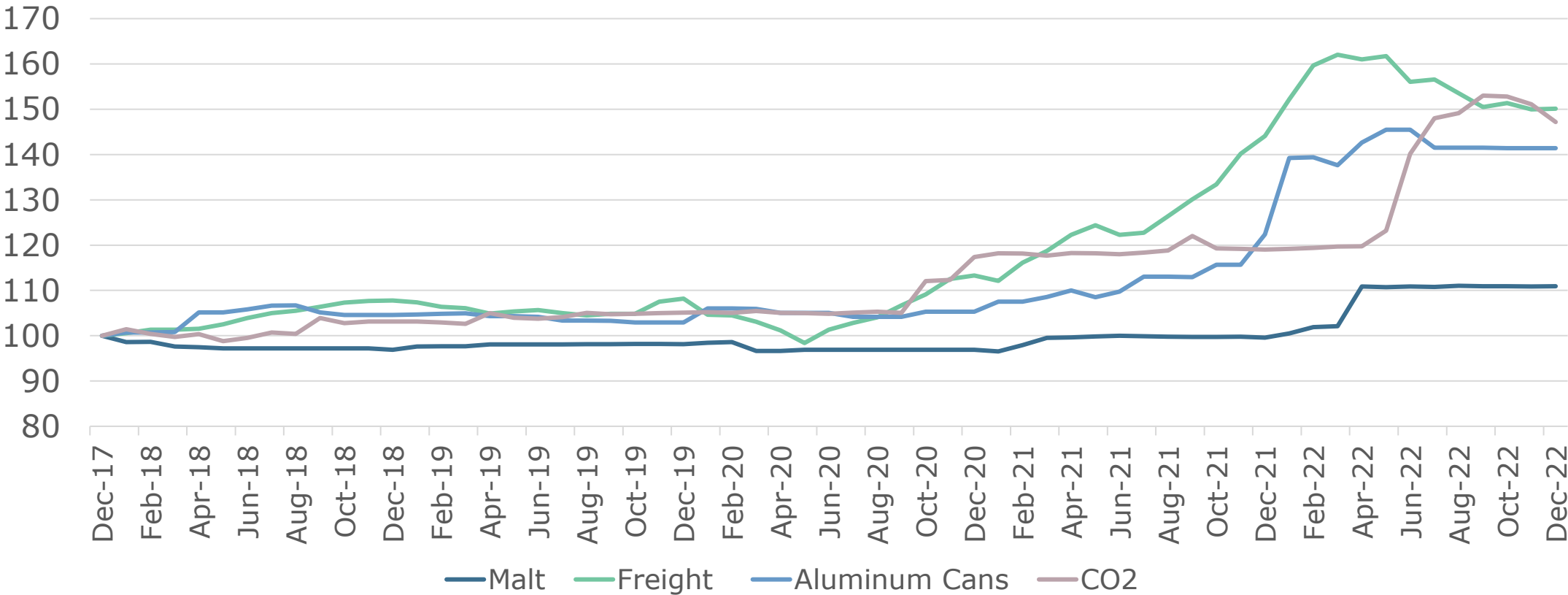
Y/Y price chg for 4 weeks ending	11-Dec	13-Nov	16-Oct	18-Sep	21-Aug	24-Jul	26-Jun
Carbonated Soft Drinks	18.9%	19.1%	19.1%	18.5%	16.7%	15.9%	15.8%
Coffee	17.1%	20.2%	19.8%	18.5%	19.2%	19.3%	17.0%
Sports Drinks	16.6%	16.0%	13.0%	9.9%	10.3%	12.5%	15.0%
Bottled Water	14.8%	14.8%	12.8%	13.7%	14.9%	14.3%	13.5%
RTD Tea and Coffee	14.1%	15.2%	13.9%	13.0%	11.3%	9.8%	9.3%
Aseptic Juice	11.3%	7.9%	11.1%	10.4%	11.1%	12.6%	13.5%
Energy Drinks	7.1%	7.4%	8.9%	7.8%	6.1%	3.1%	3.0%
Beer	7.1%	7.4%	5.7%	4.0%	3.9%	3.6%	3.0%
Wine	4.6%	4.7%	4.5%	4.2%	4.2%	3.8%	3.6%
Spirits	2.6%	3.0%	2.9%	2.7%	3.0%	2.9%	2.7%

Source: IRI

The Cost Environment Really Changed in 2021



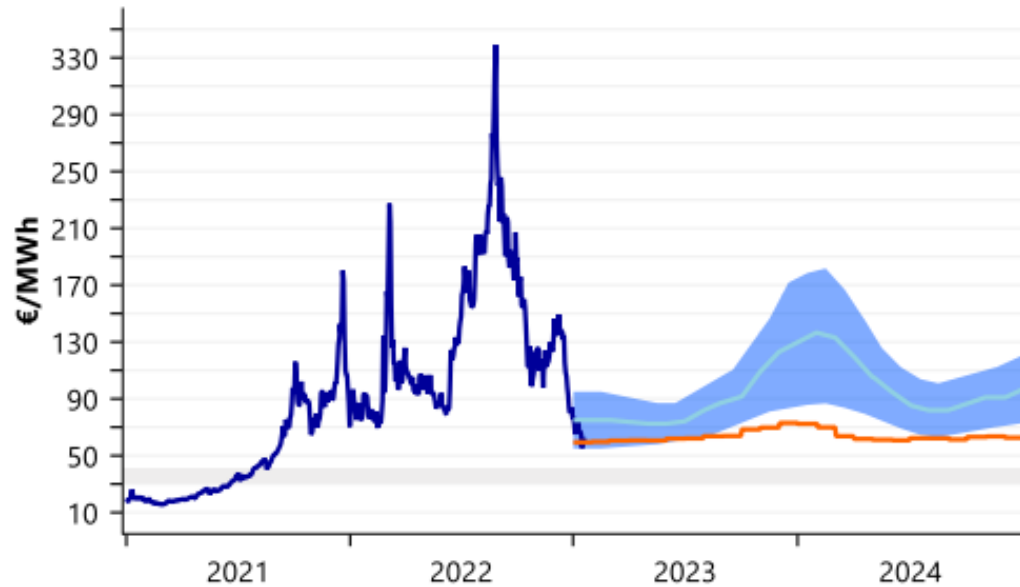
Selected Costs for Brewers, US



Source: Bureau of Labor Statistics

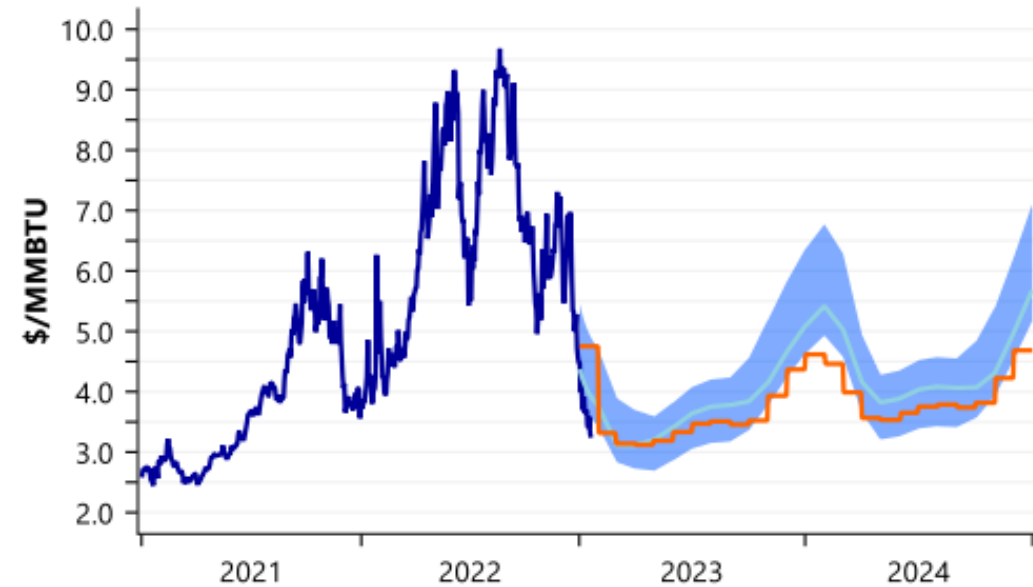
Energy prices stabilizing at higher levels

Figure 2: TTF estimated range €58-€90 for Q1, Q2 2023



Source: Bloomberg, RaboResearch

Figure 3: Henry Hub downside to \$2.75, 2023 average ~\$3.80

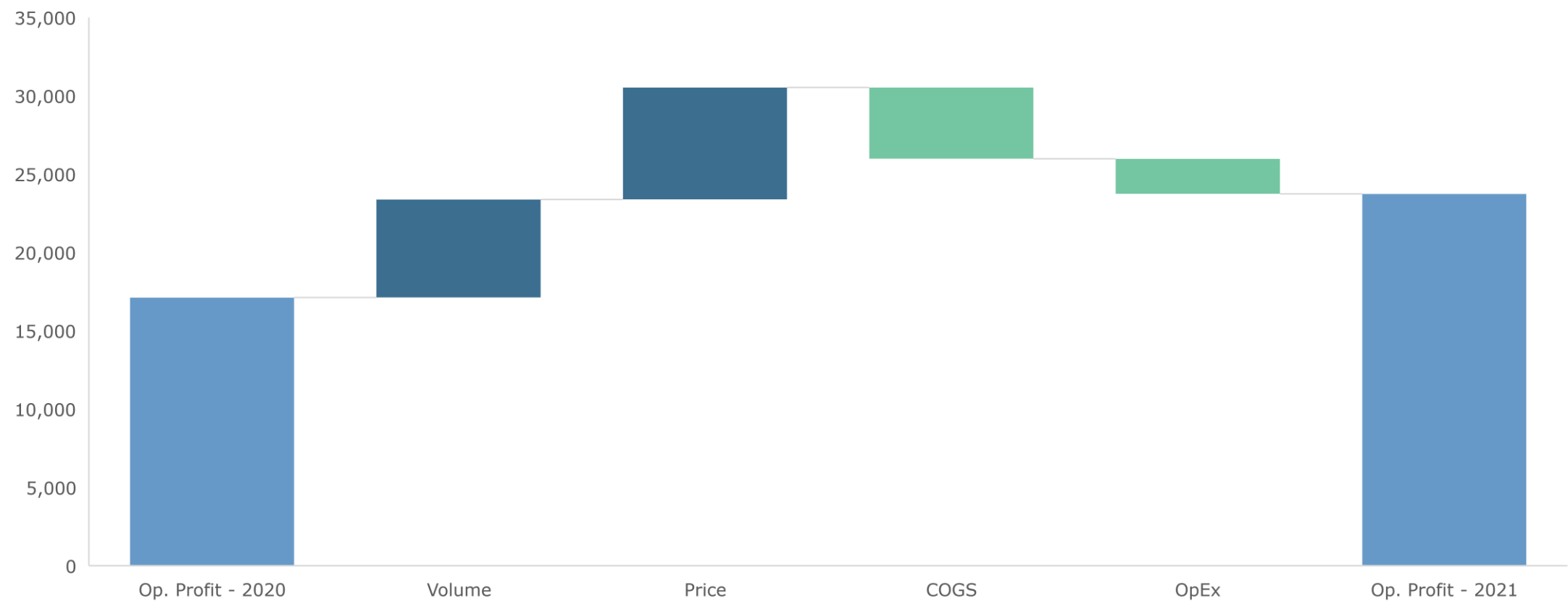


Source: Bloomberg, RaboResearch

2021, Ah the Good Old Days



Top 6 Global Brewers Growing Operating Profit in 2021

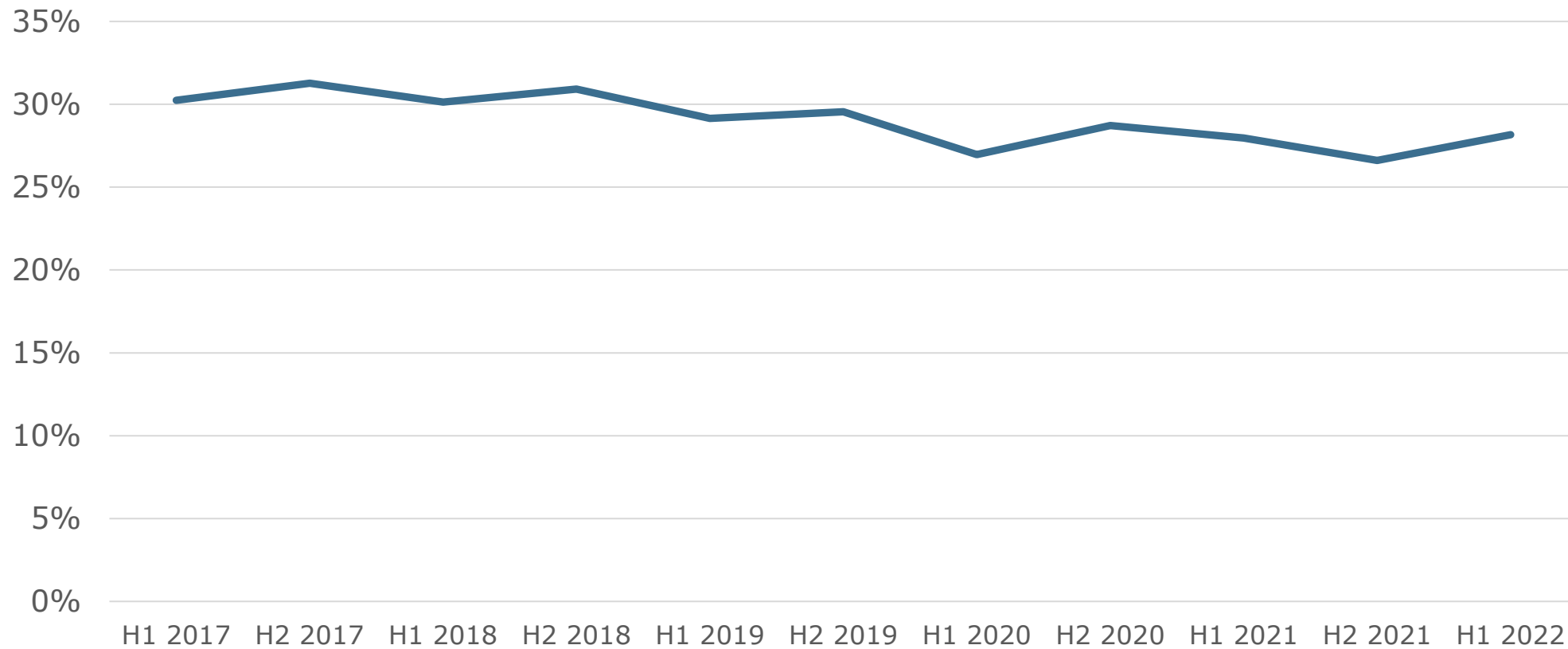


Source: Company Reports, Bloomberg, Rabobank

Margins had been holding steady-ish...



Top 6 Global Brewers EBITDA Margin



Why not just increase prices?

Cross brand/category elasticity

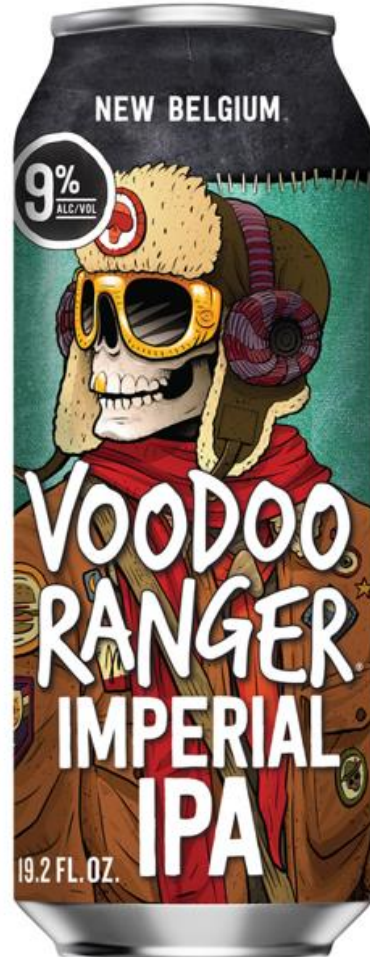
Fear of consumer push-back

Fear of distrib/retailer pushback

Effective cost hedges

Timing of planning/pricing cycle

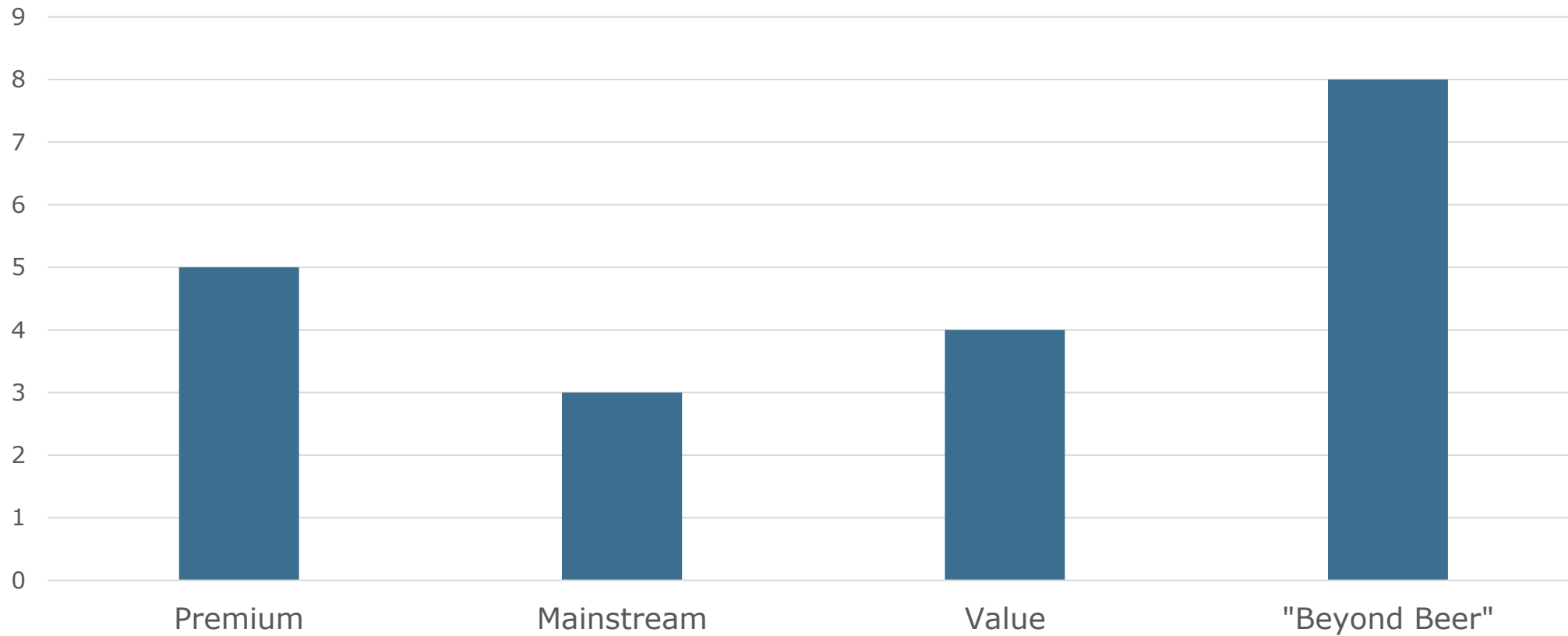
Ok, but can we innovate our way out of this?



Beer Category growth finding a new normal?



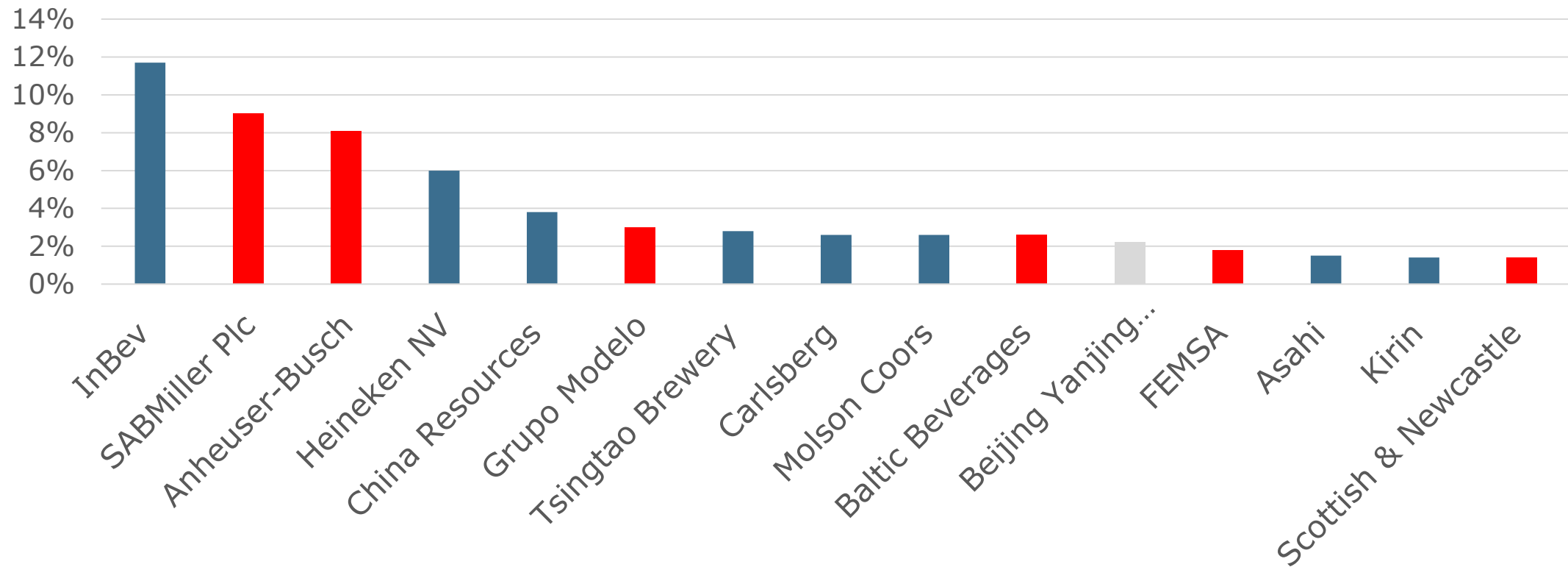
Breakdown of Beer Brands in Top 20 by 2022 Value Growth























Industry consolidation now in the “picking up the last pieces” stage

- All top-15 beer brand owners (outside of China) made major acquisitions (Blue) or were acquired (Red) in the last 10 years

2007 Global Beer Volume Share



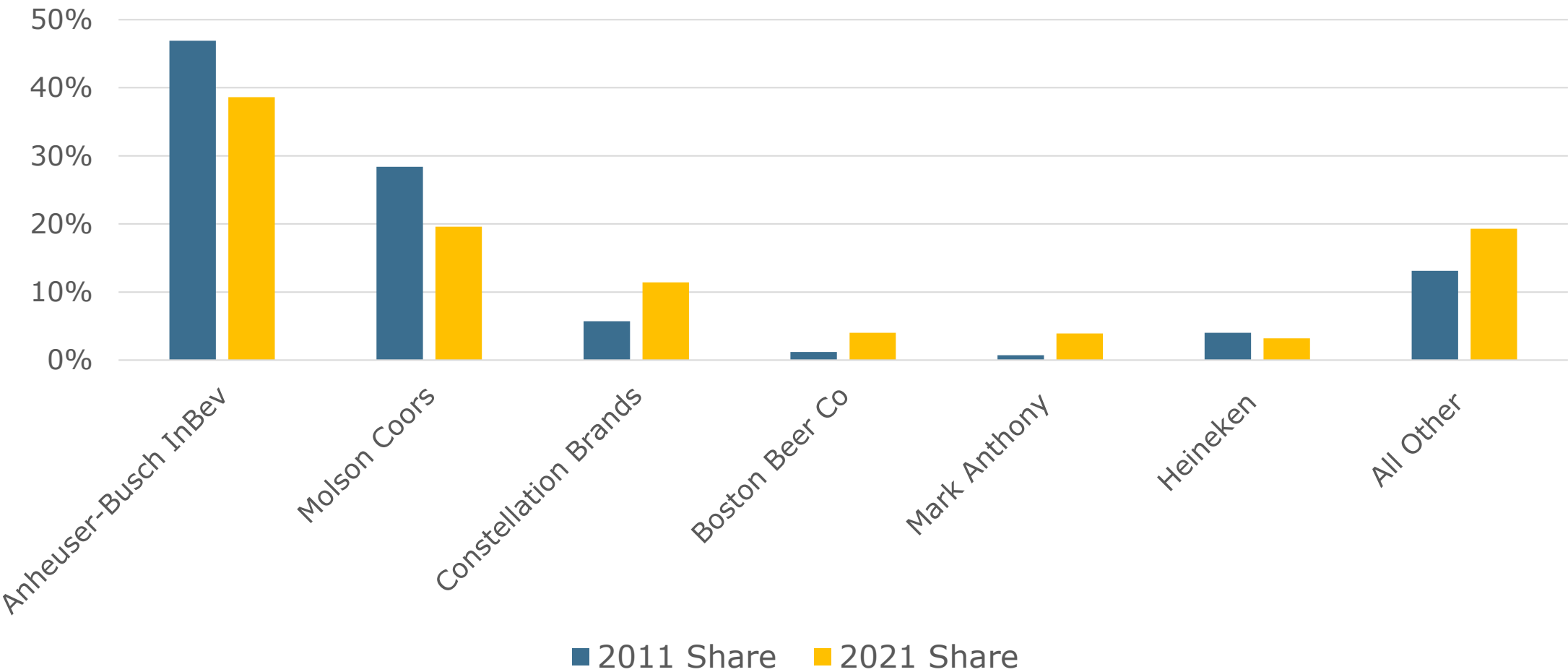
Craft beer also going through a period of consolidation / transition

1		D.G. Yuengling & Son, Inc.	Partnered with Molson Coors
2		Boston Beer Co.	Acquired Dogfish Head
3		Sierra Nevada Brewing Co.	Independent
4		New Belgium Brewing Co.	Acquired by Kirin/Lion
5		Duvel Moortgat	Rollup
6		Gambrinus	Independent
7		Bell's Brewery Inc.	Acquired by Kirin/Lion
8		Stone Brewing Co.	Acquired by Sapporo
9		CANarchy	Acquired by Monster
10		Deschutes Brewery	Independent
11		Brooklyn Brewery	Partnerships with Kirin and Carlsberg
12		Dogfish Head Craft Brewery	Acquired by Boston Beer
13		Minhas Craft Brewery	Co-manufacturer
14		Artisanal Brewing Ventures	Rollup
15		SweetWater Brewing Co.	Acquired by Aphria
16		New Glarus Brewing Co.	Only available in WI
17		Matt Brewing Co.	Co-manufacturer
18		Harpoon Brewery	Rollup
19		Alaskan Brewing	Independent
20		Great Lakes Brewing Co.	Independent

The shift away from a “Big Two” in the US beer market



US Value Share by Brewer



Beer pricing is on the move



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Source: IRI

Why not just increase prices – what changed?

Cross brand/category elasticity

Fear of consumer push-back

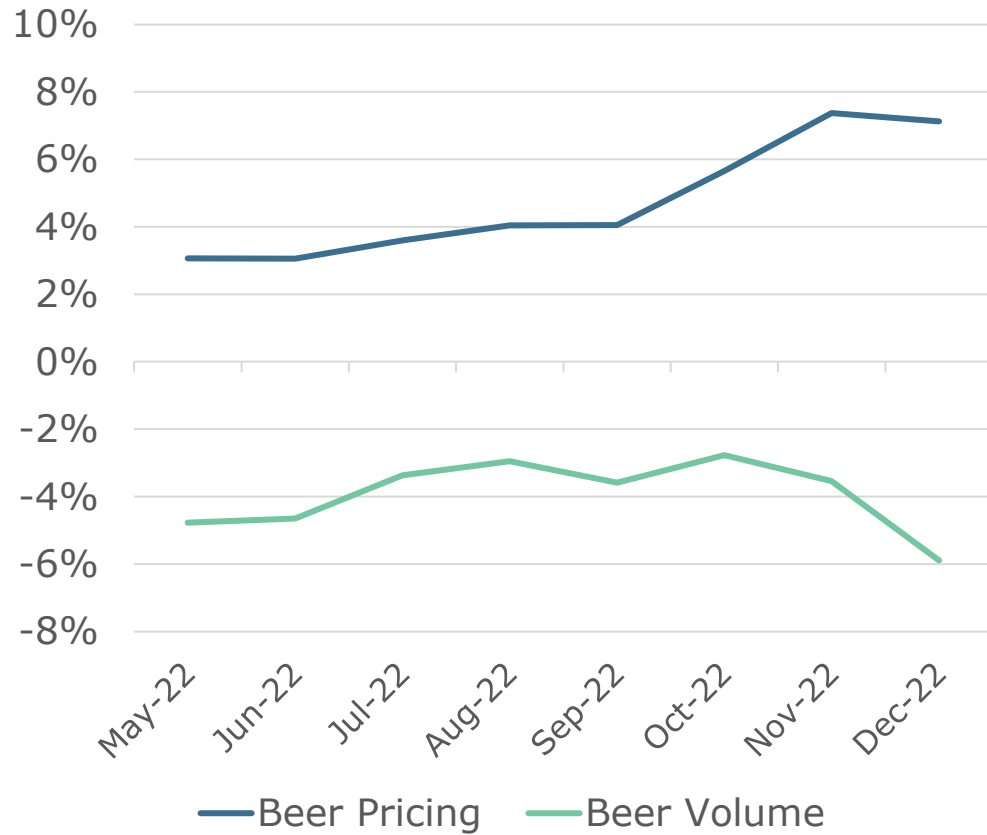
Fear of distrib/retailer pushback

Effective cost hedges

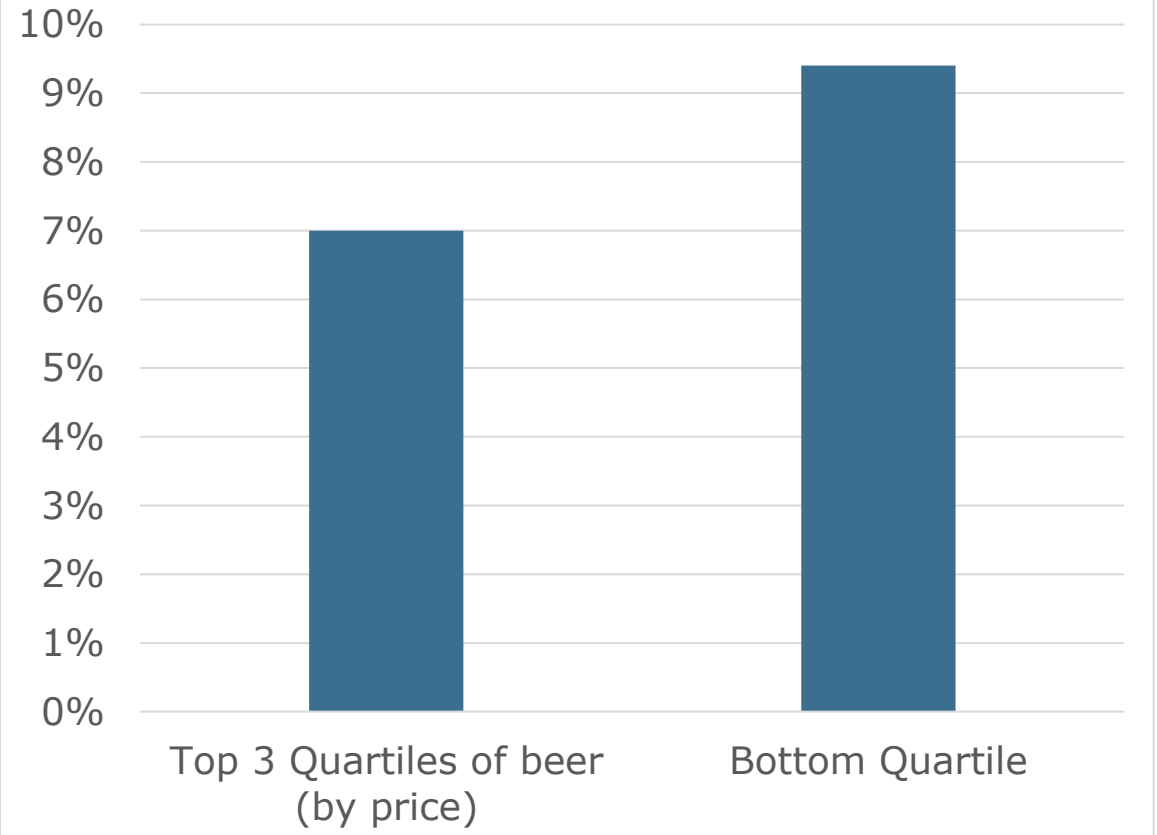
Timing of planning/pricing cycle

Can the beer consumer handle a price increase?

US Beer Price vs Volume

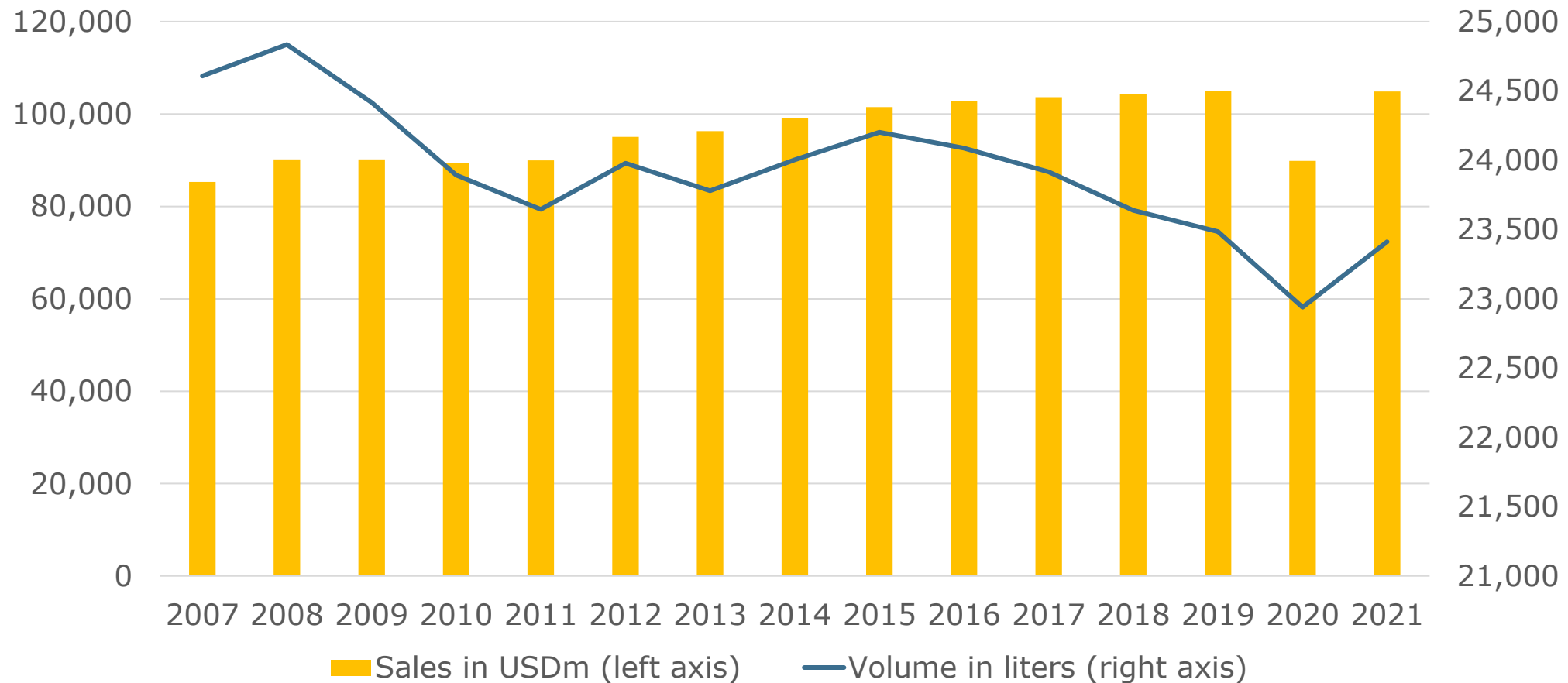


Last 3 month beer price increases

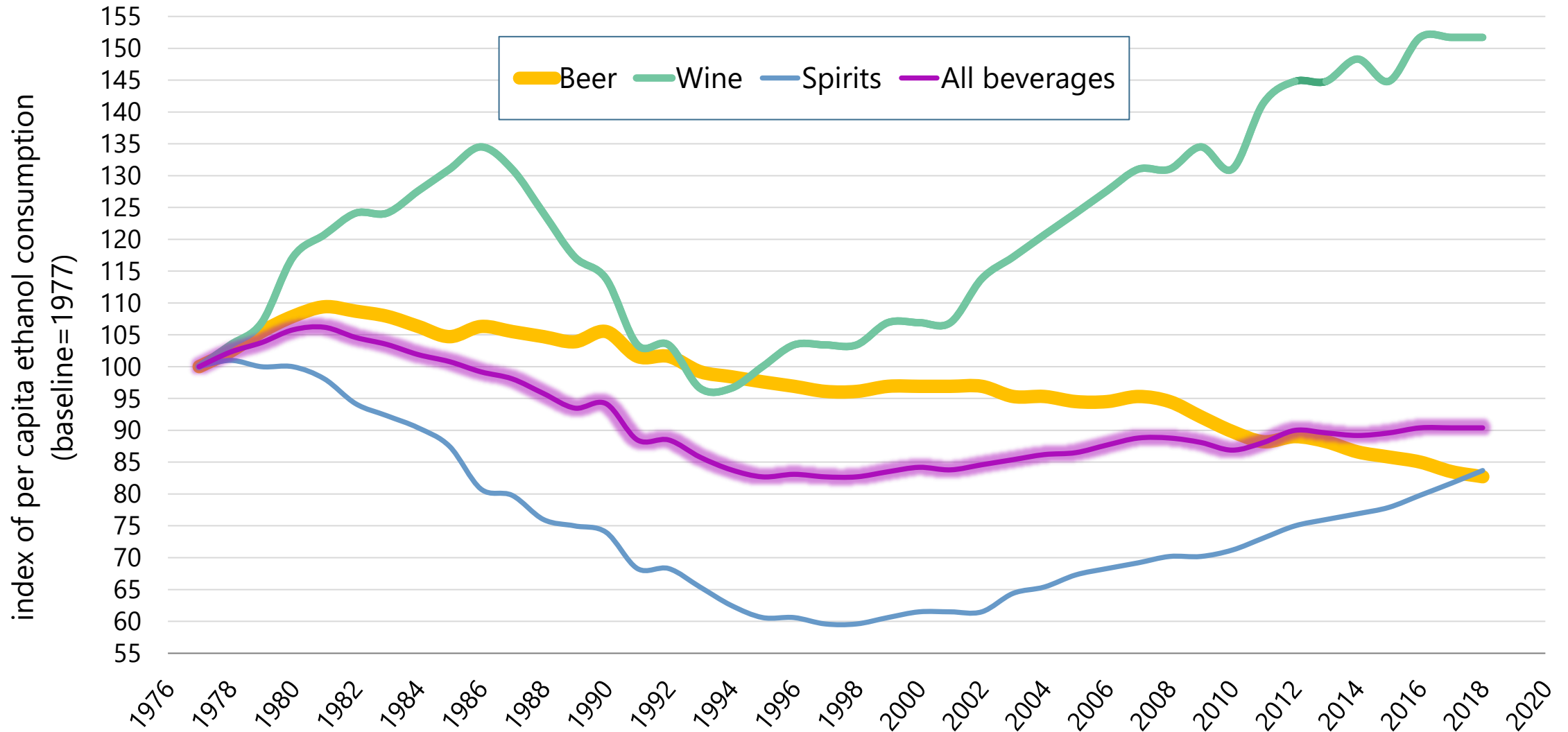


Declining volumes offset by a slow but steady rise in dollar sales

US beer market – sales vs volume trends

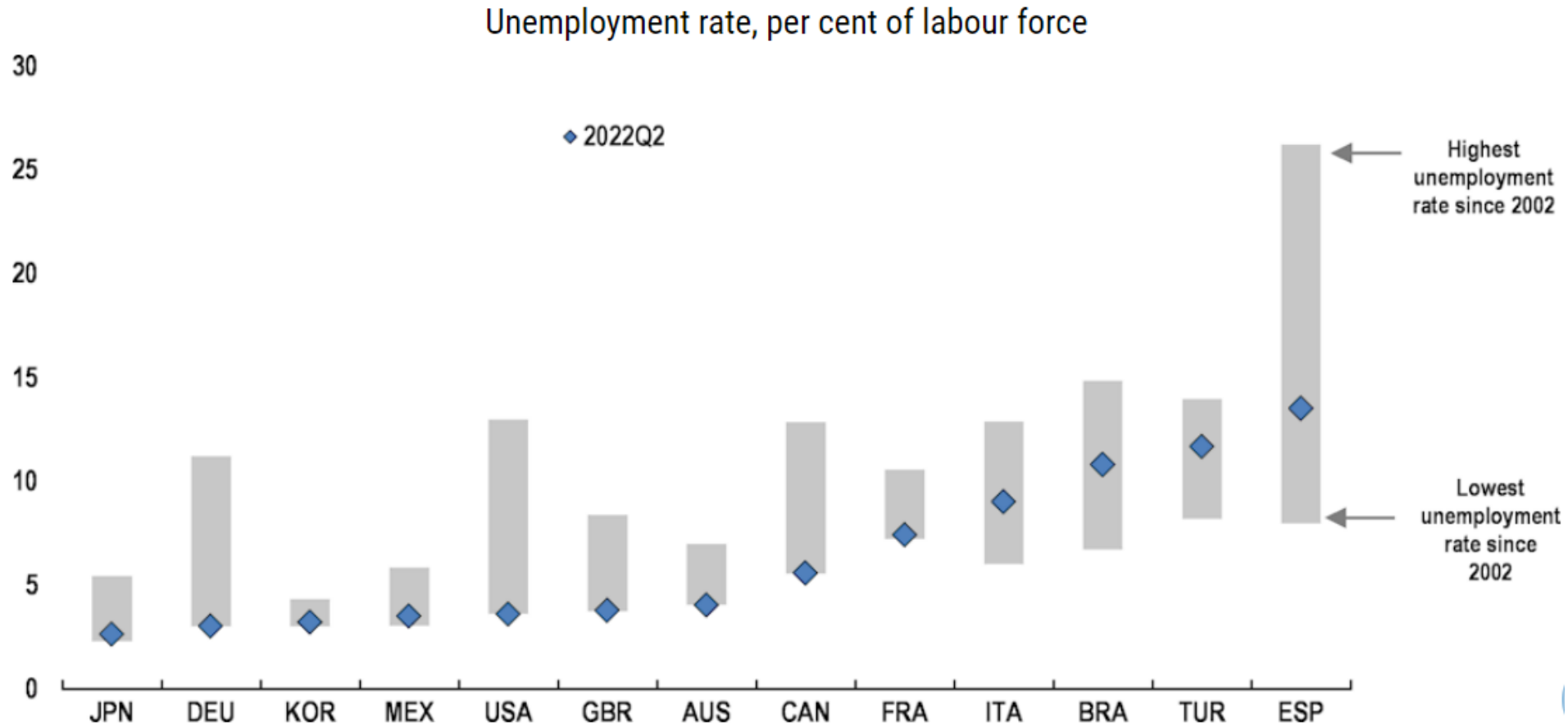


Beer is losing consumers to wine and spirits



Labor markets remain tight – will this recession be different?

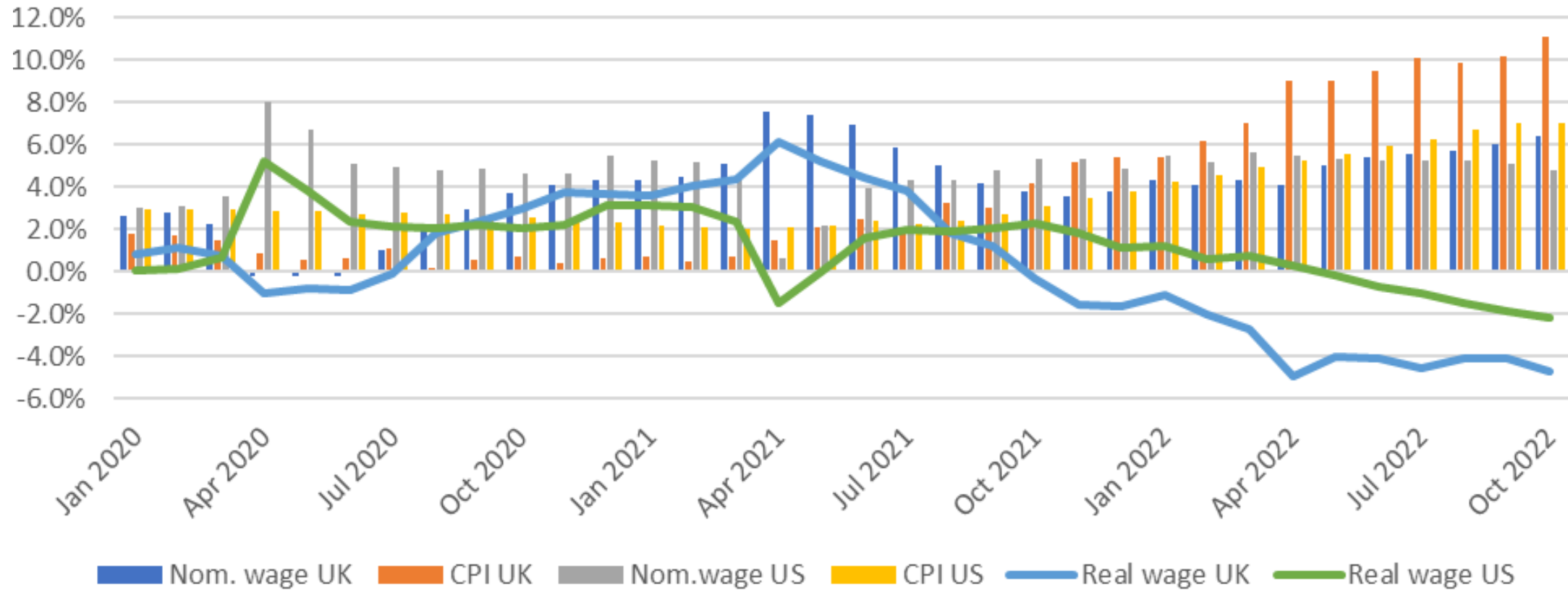
Figure 3. **Labour markets remain tight in almost all OECD countries**



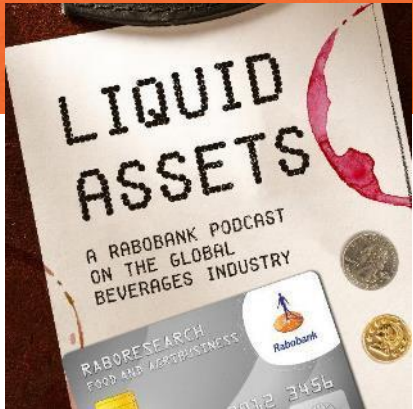
Note: The shaded areas represent the highest and lowest unemployment rates since 2002.

Source: OECD Labour Market Statistics; and OECD calculations.

Real Wages are in Decline



Q&A



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