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Craft Beer Emerges as a Force

Frank, Rimerman + Co. LLP publishes a comprehensive research report on the craft beer industry: "Craft Beer and Wine at a Crossroads."

St. Helena, CA, November 12, 2013

Frank, Rimerman + Co. LLP, a leading regional accounting and consulting firm, has teamed up with investment banker Ian Malone to publish a comprehensive research report on the emergence of craft beer as a force in the U.S. beverage alcohol market entitled "Craft Beer and Wine at a Crossroads."

From the authors' perspective as experienced advisors to the wine industry with an emerging practice in craft beer, the report examines the parallels and key differences between the craft beer and ultra-premium wine industries and brings new perspectives to both industries. The report compares and contrasts craft beer and wine across a variety of dimensions including industry growth phases, market structure and dynamics, product, merchandising and marketing, packaging, distribution and production and raw ingredients.

Craft beer has grown dramatically over the past ten years. Not only has it become a direct category competitor to wine, but at \$12 billion in retail sales, it is also now the same size as the ultra-premium (\$14+/bottle) wine market. Other highlights from the report include:

- Key factors contributing to craft beer's growth include shifting demographics (the rise of the Millennials), consumers' desire for quality, diversity and authenticity as well as unprecedented innovation in brewing, marketing and packaging.
- Traditional domestic lager brands like Budweiser are experiencing massive volume declines, creating opportunities for craft beer (and wine) to increase market share as consumers seek more flavorful alternatives.
- Beer is at least 15 years behind wine in "premiumization." Given the immense size of the total U.S. beer market (\$100 billion retail sales), there is room for tremendous growth in craft beer and wine if they can continue converting light lager consumers to more flavorful beer and wine.
- The craft beer market in the U.S. should at least double in size from current levels since we believe it is still early days in beer's "premiumization" cycle.

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- A number of factors combine to create an industry dynamic that is quite favorable to craft breweries, allowing them to effectively compete against the Big Two (Anheuser-Busch InBev and MillerCoors).
- However, we also expect the Big Two to significantly expand the volume and variety of their “crafty” beer offerings.
- If the wine industry is any indication, we believe there is substantial room for growth in the number of craft breweries and SKUs.
- Craft brewers have many more packaging options than wine producers, giving them greater flexibility in how they position and price their products.

“Despite growing competition between craft beer and wine, we believe that both will thrive in the coming decade. Although they are fundamentally different in important ways, craft brewers can learn from the experience of the wine industry, and in turn, wineries can learn from the dynamic changes taking place in the beer industry, craft beer in particular,” says co-author Rob Morris, Director of Wine Business Services at Frank, Rimerman + Co. LLP.

For additional information and to obtain a free copy of this report, please visit www.frankrimerman.com/industries/wine-industry-research.asp

About Frank, Rimerman + Co. LLP

Frank, Rimerman + Co. LLP is one of the largest, locally-owned providers of accounting and consulting services in Northern California. The company’s clients range from individuals to some of the pioneering businesses in Silicon Valley, a spirit which Frank, Rimerman has embodied for over 60 years. With offices in Palo Alto, San Francisco, San Jose, and St. Helena, California, and in New York City, Frank, Rimerman partners with today’s innovators and leaders to meet its clients’ short-term needs and long-term financial goals. Frank, Rimerman has a dedicated Wine Business Services industry-focused practice which lists many wineries, vineyards, industry suppliers and industry trade organizations as clients. Frank, Rimerman produces original research on the business of wine and wine market trends, publishes a number of industry studies and provides business advisory services and conducts custom business research for individual companies, trade organizations and investors. For more information, visit www.frankrimerman.com.

About Ian Malone

Ian Malone specializes in advising companies in the wine and craft beer industries on mergers and acquisitions, corporate finance and other strategic matters. Most recently, Ian was a Senior Vice President at Global Wine Partners (GWP), where he advised numerous wine companies on mergers and acquisitions, corporate finance and other strategic matters. Ian was a key member of the team at GWP that advised Boulevard Brewing Company on its pending acquisition by Duvel Moortgat, one of the largest M&A transactions in the craft beer sector to date.

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