

Craft Brewery Industry Insights

HEADLINES & INDUSTRY TRENDS:



Industry revenue is forecast to rise at a CAGR of 0.6% to \$8.0 billion over the five years to 2028, with industry net profit margin reaching 4.4% in 2028.

Globalization increases domestic exposure to international brands and foreign craft beer movements are catching on in America. For example, Swedish breweries are creating innovative styles, like organic beers, that satisfy US consumers' evolving taste and food and beverage preferences, which include marketing toward "healthier" options.

Over the past five years, the emergence of more than 3,000 new craft breweries (*totaling over 9,000 in the US in 2021*) has furthered market over-saturation. Craft brewers now contend with fierce geographical and brand competition.

WHY WE ARE HOP'TIMISTIC:

While revenue is projected to increase only modestly, **well-known brands will continue to win in their backyards** as more turnover is seen away from newer brands or one-hit-wonders.

US craft breweries are also piquing the interest of foreign consumers – increasing an already burgeoning role in the global beer market. As exports rise with growth in foreign interest and the value of the USD deflates, US craft offerings will be relatively less expensive for international consumers.

While the classic pilsner and pale ale beers will be year-round staples, **seasonal beers, seltzers and pre-mixed drinks present opportunities for craft brewers to attract customers** with new flavors – and take risks.

IbisWorld, Craft Beer Production in the United States, Jan. 2023

Over the next five years, craft breweries may struggle to reach pre-pandemic highs in sales. Profit is anticipated to plateau as consumers' evolving tastes now require packing more punch into fewer calories.

We expect to see a renewed focus on seasonal and short-run innovative beers available at brand tap-rooms, as promotional tools that enhance brand loyalty.

Craft Brewery Industry Insights

BREWERY M&A MULTIPLES 2019 - PRESENT (\$MM)

	Minimum	Lower Quartile	Average	Median	Upper Quartile	Maximum
Enterprise Value (EV)	\$2.1	\$20.2	\$609.8	\$100.0	\$321.0	\$10,430.0
EV/Revenue	0.3x	1.0x	1.4x	1.3x	1.6x	2.6x
EV/EBITDA	6.8x	8.7x	9.8x	8.9x	10.2x	14.9x
EV/BBLs	140	426	599	517	840	1,149

Pitchbook

BREWERY M&A MULTIPLES 2021 - PRESENT (\$MM)

	Minimum	Lower Quartile	Average	Median	Upper Quartile	Maximum
Enterprise Value (EV)	\$5.1	\$33.7	\$131.7	\$88.8	\$200.8	\$330.0
EV/Revenue	1.0x	1.2x	1.2x	1.3x	1.4x	1.4x
EV/EBITDA	6.8x	7.6x	8.1x	8.4x	8.7x	9.0x
EV/BBLs	150	258	385	358	484	673

Pitchbook

Craft breweries are inherently small-scale because of the definition of craft, which limits producers' production. Still, major craft brewers like the Boston Beer Company and others below are acquiring smaller brands to expand product portfolios. **Brand equity and durability of brand loyalty will be the key to success** as we see discerning interest from investors in this space (*IbisWorld, Jan. 2023*).

SELECT RECENT BREWERY TRANSACTIONS

Date	Target	Acquirer/Investor	Transaction Value (\$M)	% Acquired	Implied Enterprise Value (\$M)	Financial Data (\$M)		Valuation		BBL Analysis	
						Sales	EBITDA	EV/Sales	EV/EBITDA	BBLs (est.)	EV/BBLs
09/15/2022	Amsterdam Brewing	Royal Unibrew (CSE: RBREW)	\$34	100%	\$34	\$25	\$4	1.3x	9.0x	80,000	\$421
09/07/2022	Beavertown Brewery	Heineken (AMS: HEIA)	\$45	51%	\$89	\$89	\$13	1.0x	6.8x	302,000	\$294
06/17/2022	Long Trail Brewing	Mass. Bay Brewing Co.		100%		\$18					
05/25/2022	Hansa Borg Bryggerier	Royal Unibrew (CSE: RBREW)	\$151	75%	\$201	\$144	\$24	1.4x	8.4x		
01/13/2022	CANarchy	Monster Beverage (NAS: MNST)	\$330	100%	\$330					490,000	\$673
12/28/2021	Uinta Brewing	US Beverage, LLC		100%						44,000	
12/20/2021	Green Flash Brewing	Aphria/Tilray	\$5	100%	\$5					34,000	\$150
11/20/2021	Bell's Brewery	Lion Little World Beverages (Kirin Holdings Co.)				\$61.0				500,000	
01/11/2021	Skytown Beer Company	Catawba Valley Brewing		100%							
12/22/2020	Woodburn Brewery	March First Brewing		100%							
11/30/2020	SweetWater Brewing Company	Aphria	\$300	100%	\$300					261,000	\$1,149
10/07/2020	Elevator Brewing Co	Jackie O's									
10/12/2020	Kona Brewing Co. (in Hawaii) (Craft Brew Alliance)	PV Brewing (VantEdge Partners)	\$16	100%	\$16					14,000	\$1,143

Pitchbook

Craft Brewery Industry Insights

SELECT CM&CO RECENT TRANSACTION EXPERIENCE

<p>Project Vulcan</p> <p>Project financing related to the construction of a domestic alternative iron unit production facility</p> <p>The undersigned is currently providing exclusive financial advisory services to Project Vulcan</p> <p>Carleton McKenna INVESTMENT BANKING SERVICES</p>	<p>Malloy's CHOCOLATES</p> <p>has completed a recapitalization with</p> <p>Promise Holdings</p> <p>The undersigned provided exclusive financial advisory services to Malloy's Candies, Inc.</p> <p>Carleton McKenna INVESTMENT BANKING SERVICES</p>	<p>PLATFORM BEER CO.</p> <p>has been acquired by</p> <p>ANHEUSER-BUSCH</p> <p>The undersigned provided exclusive financial advisory services to Platform Beer Co.</p> <p>Carleton McKenna INVESTMENT BANKING SERVICES</p>	<p>SIBLING REVELRY BREWING</p> <p>WEST LAKE, OHIO</p> <p>The undersigned provided exclusive valuation and financial advisory services to Sibling Revelry Brewing.</p> <p>Carleton McKenna INVESTMENT BANKING SERVICES</p>	<p>petsense</p> <p>has successfully closed on the sale of equity financing</p> <p>The undersigned served as the exclusive financial advisor to Petsense, Inc.</p> <p>Carleton McKenna INVESTMENT BANKING SERVICES</p>
<p>SPOT & TANGO</p> <p>Paul Carleton is a Board Representative for this rapidly growing organic pet food company and has assisted in capital raising</p> <p>Carleton McKenna INVESTMENT BANKING SERVICES</p>	<p>Buehler's Fresh Foods</p> <p>The undersigned provided transactional financial advisory services to Buehler's Food Markets, Inc.</p> <p>Carleton McKenna INVESTMENT BANKING SERVICES</p> <p>W W M WEBER WOOD MEDINGER</p>	<p>WEBSTER INDUSTRIES</p> <p>has acquired</p> <p>ACTION VIBRATORY EQUIPMENT</p> <p>The undersigned provided exclusive financial advisory services to Webster Industries, Inc.</p> <p>Carleton McKenna INVESTMENT BANKING SERVICES</p>	<p>TOAST SPIRITS, LLC</p> <p>The undersigned provided financial advisory services to Toast Spirits, LLC</p> <p>Carleton McKenna INVESTMENT BANKING SERVICES</p>	<p>SAUCY BREW WORKS</p> <p>The undersigned provided exclusive valuation and financial advisory services to Saucy Brew Works, LLC.</p> <p>Carleton McKenna INVESTMENT BANKING SERVICES</p>

FIRM OVERVIEW:

Carleton McKenna & Co is an independent investment banking firm providing M&A and Capital Raising advisory services. We work with middle-market closely-held family businesses, multi-generational family businesses, portfolio companies of financial sponsor firms and divisions or subsidiaries of public companies focusing in Specialty Manufacturing & Chemicals, Consumer Products, Food & Beverage, B2B Services, and Cybersecurity.

Our Team is made up of finance and accounting experts, entrepreneurs and operators, C-Suite and Board professionals, lawyers, consultants and marketing professionals. These diverse experiences and skills drive extraordinary results for our clients.

We believe businesses are the economic engine of our society, and that business owners deserve and require a proactive advocate to maximize life changing transactions.

Interested in Learning More?

Contact Emily for additional information or any questions you may have about this report or CM&Co's services.



Emily A. Kuznik
Marketing Analyst
ek@carletonmckenna.com

CM&Co TEAM:

- Paul H. Carleton
Managing Partner
- Christopher J. McKenna
Managing Partner
- Michael C. Adams
Managing Director
- Andrew S. Gelfand
Managing Director
- Nora T. Mahoney
Principal
- Alexis M. Becker
Vice President
- Patrick T. Berry
Assistant Vice President
- Emily A. Kuznik
Marketing Analyst
- David T. Jeziorowski
Analyst
- Patricia C. Otcasek
Director of Operations
- David W. Kuhr
Financial Operations Principal
- Joseph D. Carney
Operating Advisor
- Kristen M. Laughlin
Registered Representative
- Dan J. Rose
Director
- Kristin Chalet Kane
Controller