Industry Showcase

Eric Henckels
Beverage Market

- Market/Economics
- Company/Product
- Competition/Customer
- Externals
Market

• Beverages is a big word
  – Necessity (Water Loss)
    • Sweat: 0.5 L
    • Breathing: 0.25 L
    • Loss: 1.5 L
  – Consumption
    • 2 L / Day
    • 7 Billion People
    • 5.1 Trillion Liters/Year
Market Segments

• Consumer, Non-cyclical
  – Beverage
    • Alcoholic
      – Beer
      – Wine
    • Non-Alcoholic
      – Water
      – ‘Soda’
      – Coffee*
      – Energy
      – Liquor
      – Other
      – Sports
      – Enhanced Water
      – Tea*
      – Juice
# U.S. Liquid Refreshment Beverage Market

## Volume by Segment

### 2007 – 2008

<table>
<thead>
<tr>
<th>Segments</th>
<th>Rank</th>
<th>Millions of Gallons</th>
<th>% Change</th>
<th>Share of Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbonated Soft Drinks</td>
<td>1</td>
<td>14,688.0</td>
<td>-3.1%</td>
<td>48.0%</td>
</tr>
<tr>
<td>Bottled Water*</td>
<td>2</td>
<td>8,757.4</td>
<td>-1.0%</td>
<td>28.6%</td>
</tr>
<tr>
<td>Fruit Beverages</td>
<td>3</td>
<td>4,009.3</td>
<td>-2.0%</td>
<td>13.1%</td>
</tr>
<tr>
<td>Sports Drinks</td>
<td>4</td>
<td>1,361.1</td>
<td>-3.1%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Ready-to-Drink Tea</td>
<td>5</td>
<td>875.1</td>
<td>-1.8%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Flavored and Enhanced Water</td>
<td>6</td>
<td>506.1</td>
<td>8.3%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Energy Drinks</td>
<td>7</td>
<td>335.7</td>
<td>9.0%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Ready-to-Drink Coffee</td>
<td>8</td>
<td>46.8</td>
<td>1.6%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

**TOTAL**

| Months | 30,579.4 | 29,973.2 | -2.0% | 100.0% | 100.0% |

* Includes retail PET, retail bulk, home and office delivery, vending, domestic sparkling and imports; excludes flavored and enhanced water.

*Source: Beverage Marketing Corporation*
Players

- Coca-Cola
- Pepsico
- SAB (Coke-Heineken)
- Ambev
- Anheuser-Busch InBev
- Diageo
- SAB-Miller
- Molson Coors
- Dr. Pepper/Snapple
- Brown-Forman
- Monster

Billions

- Profit
- Revenue
Profits

Operating Profit (Billions)

<table>
<thead>
<tr>
<th>Company</th>
<th>Profit (Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monster</td>
<td>0.21</td>
</tr>
<tr>
<td>Brown-Forman</td>
<td>0.57</td>
</tr>
<tr>
<td>Dr. Pepper/Snapple</td>
<td>0.61</td>
</tr>
<tr>
<td>Molson Coors</td>
<td>0.67</td>
</tr>
<tr>
<td>SAB-Miller</td>
<td>2.56</td>
</tr>
<tr>
<td>Diageo</td>
<td>2.98</td>
</tr>
<tr>
<td>Anheuser-Busch InBev</td>
<td>4.03</td>
</tr>
<tr>
<td>Ambev</td>
<td>4.40</td>
</tr>
<tr>
<td>SAB (Coke-Heineken)</td>
<td>5.27</td>
</tr>
<tr>
<td>Pepsico</td>
<td>6.44</td>
</tr>
<tr>
<td>Coca-Cola</td>
<td>8.57</td>
</tr>
</tbody>
</table>
• Anheuser-Busch InBev
• Belgo-Brazilian Firm
• 25% Global Market Share
• Ambev (Ambev) is a Brazil-based subsidiary of ImBev
• Produce, distribute and sell beer, carbonated soft drinks (Pepsi)
• 14 countries across the Americas
• Canada, represented by Labatt’s operations includes domestic sales in Canada.
DIAGEO

- Largest Spirits Manufacturer
- $60B
50 Cent

- Glaceau was sold to Coca-Cola for $4.1 B
- Curtis Jackson (50 Cent) had 10% stake
- Cashed ~$150 M from the deal
Food & Beverage

Nestlé

Good Food, Good Life

Products: sales and organic growth (OG)

<table>
<thead>
<tr>
<th>OG (%)</th>
<th>CHF bio</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.0</td>
<td></td>
</tr>
<tr>
<td>7.5</td>
<td></td>
</tr>
<tr>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>2.5</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>In billions of CHF</th>
<th>Sales</th>
<th>OG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Powdered and liquid beverages</td>
<td>20.6</td>
<td>8.5%</td>
</tr>
<tr>
<td>Water (a)</td>
<td>9.1</td>
<td>4.5%</td>
</tr>
<tr>
<td>Milk products and Ice cream</td>
<td>20.3</td>
<td>6.6%</td>
</tr>
<tr>
<td>Nutrition (a)</td>
<td>10.4</td>
<td>6.7%</td>
</tr>
<tr>
<td>Prepared dishes and cooking aids</td>
<td>18.1</td>
<td>2.6%</td>
</tr>
<tr>
<td>Confectionery</td>
<td>12.1</td>
<td>7.0%</td>
</tr>
<tr>
<td>PetCare</td>
<td>13.1</td>
<td>4.9%</td>
</tr>
<tr>
<td>Pharmaceutical products (b)</td>
<td>6.0</td>
<td>10.8%</td>
</tr>
</tbody>
</table>
Competition

• **Globalization**
  – Coca-Cola failed in its attempt to buy China’s largest juice group, Huiyuan, for $2.4 billion this year
  – PepsiCo offered $3.8B for 66% of Russia’s leading dairy manufacturer

• **Mergers**
  – InBev’s purchase of Anheuser-Busch
  – Proposed merger between Kirin and Suntory would create a global food and beverage giant with revenues exceeding those of Anheuser-Busch Inbev’s $22.3 billion and Coca-Cola’s $31.9 billion.

• **Expansion into new markets**
  – Nonalcoholic with Alcoholic
  – Food & Beverage
  – Soda, Energy Drinks, Sports Drinks, Enhanced Water, Water
Cola War Defense Spending | PepsiCo devotes less of its ad budget to sodas

ADVERTISING SPENDING FOR SODA IN 2010

**PepsiCo Inc.**
- Total: $153.3 million
- Regular Pepsi: $32.3 million
- Diet Pepsi: $27.0 million

**Coca-Cola Co.**
- Total: $252.6 million
- Regular Coke: $130.2 million
- Diet Coke: $34.4 million

MARKET SHARE BY BRAND IN 2010

<table>
<thead>
<tr>
<th>Brand</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coke</td>
<td>17.0%</td>
</tr>
<tr>
<td>Diet Coke</td>
<td>9.9%</td>
</tr>
<tr>
<td>Pepsi-Cola</td>
<td>9.5%</td>
</tr>
<tr>
<td>Mountain Dew</td>
<td>6.8%</td>
</tr>
<tr>
<td>Dr Pepper</td>
<td>6.3%</td>
</tr>
</tbody>
</table>

Sources: Beverage Digest; Nielsen Co; Photos: Joe Schram/The Wall Street Journal
Soda Landscape

• Coca-cola
  – Diet Coke now #2 most popular soda overtaking Pepsi

• Pepsi
  – Indra Nooyi
  – Focus on ‘healthy’
    • 20% of Revenue
    • No Superbowl Ad 2010
  – Spending to increase
    • 30% in US Marketing
Energy Drinks

Market Share 2007

<table>
<thead>
<tr>
<th>Brand</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Red Bull</td>
<td>12.0%</td>
</tr>
<tr>
<td>Monster</td>
<td>8.2%</td>
</tr>
<tr>
<td>SoBe</td>
<td>8.1%</td>
</tr>
<tr>
<td>Rockstar</td>
<td>4.3%</td>
</tr>
<tr>
<td>Full Throttle</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

• Energy Shot Market
  • Market
    • Women are a larger percentage
    • >31 years old are a larger percentage
  • 5-hour energy
    • 60% of market
  • Coca-Cola – Nos Shot

• $26.9 B with 8.6% growth
• Market is mostly Male 18 – 32
• Market is maturing
Water’s Rise

![Bar chart showing water's rise from 1976 to 1997, with thousands of gallons on the y-axis and years on the x-axis, illustrating an increasing trend over the years.]
Water’s Peak?

U.S. refreshment beverage volume declines for the first time in 2008

Source: Beverage Marketing Corporation
Transition & Causes

• Nielsen reports that bottled water sales fell 3.3% in the US last year.
• Evian reported that its 2008 profits shrank 69% in part because of declining sales of bottled water in France, Spain, Britain and Japan. Sales of bottled water in France fell by 7.5% last year.
• Switzerland-based Nestlé, the world's biggest bottled water manufacturer, including the brands Perrier and San Pellegrino, reported that sales of its water declined by 4.1% in the first three months of 2009, with a particularly startling 9% drop in the British market last year.

• Trash, Safety, Cost, Effort, and Environment
Tea

• After water, tea is the most consumed beverage
• 3.21 M tones of Tea annually
• Production

![Pie chart showing tea production by country]

- China: 30.4%
- India: 24.4%
- Kenya: 9.5%
- Sri Lanka: 7.9%
- Turkey: 5.3%
- Vietnam: 4.2%
- Indonesia: 3.9%
- Others: 14.4%
Coffee

- 1/3 the consumption of water
- 2nd most traded commodity in the world
- Price/Consumption

![Coffee Consumption Per Capita Chart]

Countries:

- #1 Norway: 10.7 kg
- #2 Finland: 10.1 kg
- #3 Denmark: 9.7 kg
- #4 Sweden: 7.8 kg
- #5 Netherlands: 7.1 kg
- #6 Switzerland: 7 kg
- #7 Germany: 5.7 kg
- #8 Austria: 5.5 kg
- #9 Belgium: 5.5 kg
- #10 France: 3.9 kg
- #11 Italy: 3.2 kg
- #12 United States: 3 kg
- #13 Canada: 2.4 kg
- #14 Australia: 2 kg
- #15 Japan: 1.4 kg
- #16 United Kingdom: 1.2 kg
- #17 New Zealand: 0.7 kg
- #18 Ireland: 0.7 kg

Amount (kgs)

Nationmaster.com
Todd Carmichael

- Le Bernadin
- Fastest Unaided time to the South Pole
Externals

• New Products
  – Designer Drops, Functional Water (Dream, etc)
• Regulation
  – Water, etc
• Health
  – Honest Tea (Coca-Cola $43 M for 40%)
• Environment
  – Shelf Stability (Nestle Milk)
• Commodity vs. Marketing
  – Bottled Water
  – Coke vs. Pepsi
  – Starbucks
  – Joe’s
  – Other examples?
Thank You