Q&A – Craft Beer Consumers: Who are They, Where are They and What About the Future?

Q: Of the 11% of craft buyers that left to go to cider, do you have a % of them that are making the change due to diet (e.g. gluten free) ?

NIELSEN RESPONSE

While we know that gluten free is an important attribute of Cider, we do not currently have data that can speak to Crafts volume loss to Cider due to consumer changing to a gluten free diet. This is something that we are looking to explore in the coming months via consumer surveys.

Q: On slide 46: how do you reconcile the low preference rate of 8% for IPA with the incredible recent sales numbers for IPAs? Is it just that the people who like IPAs REALLY like IPAs?

NIELSEN RESPONSE

This response was from a consumer survey that was done among Beer drinkers of various frequency —with 34 different styles optional choices, including both Pale Ale and IPAs. It is quite possible that some Beer drinkers may NOT have distinguished the two, despite each being presented separately. We do know that IPAs are among the fastest growing styles within the Craft Beer segment. However, given the vast assortment and selection of styles available in Crafts, IPAs still represent less than 20% (16% actually) of total Craft dollar volume in Nielsen measured channels. In a study that we completed last year on IPAs, we found that consumers who purchase IPAs are still somewhat promiscuous in their purchase behavior of Crafts. IPA consumers are only 25% loyal to the IPA segment, and they complete the remaining 75% of their Craft Beer purchases with other styles. As we continue to see the growth of IPA offerings, I think we will also continue to see consumer loyalty to IPAs grow as well.

Q: Is that NY City or New York State?

NIELSEN RESPONSE

There were two references to NY in the presentation, on slides 36 and 49. Both were referring to the local NY City market.

Q: Can you comment on the threat of Mexican imports to craft?

NIELSEN RESPONSE

At the present time Craft is <u>not</u> losing to Mexican imports; in fact, they are gaining some volume from Mexican imports. This would suggest that, in the absence of Crafts, Mexican import beer growth might even be higher. Within the overall Import loss to Crafts, European imports represent the most significant source of losses.

Q: Is "craft" defined by the consumer on slide 13? What does craft include?

NIELSEN RESPONSE

On this particular slide based upon Nielsen Panel information, the "craft" definition includes Crafts and Domestic Specialties (the latter of brands such as Blue Moon, Shock Top, etc.). In several other slides, a purer BA Craft definition is used, and referenced.

Q: You all touched briefly on craft beer consumers, particularly millennials, responding to sustainability and CSR. Can you elaborate on organic beer and ecologically focused beer offerings (i.e. breweries that are solar & wind powered, waste neutral)?

NIELSEN RESPONSE

Organic Crafts continue to grow, up 20.7% in dollar volume for the latest 52 weeks compared to last year. However, please keep in mind that organic beer still presents a very small % of the total beer category. We do not currently have data specific to Millennials and their purchase of organic beer, but this is something that we are looking to explore in the coming months through consumer surveys.

Q: Which are the fastest growing top 3 USA states for craft beer? Why?

NIELSEN RESPONSE

In Nielsen measured off-premise channels, where we have state-level data available (and that is not available for every single state), the top 3 fastest growing states are Illinois, Florida, and Iowa. There are several factors that could be driving growth in these states, but distribution is certainly one of the primary drivers. We're seeing a lot of growth coming from historically regional brands such as Lagunitas, New Belgium, and Deschutes increasing their national presence and gaining significant distribution in these states. We also see regional brands that are somewhat local to these states (for example, Michigan's Bell's and Founder to nearby Illinois) gaining distribution and popularity within their core markets.

Q: Referring to the slide titled "Crafts are best developed among millennial/gen X'ers, but boomers still represent close to 1/3 of overall volumes":

In the Index category, for 21-34 year olds in craft, the index is 138. Does that mean that demographic is 38% more likely to buy craft? Or are they spending 38% more on craft than other adults? Or something else?

NIELSEN RESPONSE

Crafts are overdeveloped among adults 21-34, relative to their share of the adult population. This demographic is responsible for just over 35% of Craft volume, while they account for just over ¼ of 21+ population (35.5 divided by 25.6 = 138 Index).