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The next 24 months promise to be exciting for distributor consolidation. IBG believes that distributor profits will dictate the pace of transactions. If profits rise transactions will slow down and if profits decrease transactions will pick up. We expect more ABI deals than MC. Below are 3 industry trends that will affect consolidation and 10 reasons to call IBG if you are considering a buy/sell/merge transaction.

Industry Trends:

1. Volume declines – Our industry has declined the last 2 years by about 5 million barrels. This is primarily due to losses at ABI and MC. IBG thinks negative industry volume will continue because the “other” suppliers will be unable to grow fast enough to make up for the continued losses of the Big 2.
2. Margin Growth – We feel that continued aggressive pricing from the Big 2, the growth of crafts and imports and the movement of consumers up to the premium segment will cause margins to grow slightly.
3. Cost – Distributors have been aggressively cutting costs since 2006. We think this will be hard to maintain. While there are exceptions, we see the era of “saving our way to success” running out of steam.

Conclusion: IBG believes the negative impact of volume declines on distributor profits will be offset by the improvement in margins. There will be exceptions but generally speaking the ability for distributors to grow profits in 2011 and 2012 will depend on their ability to manage cost.

10 Reasons to call IBG:

1. We get the highest price because we have a better selling and positioning process.
2. We understand the emotions of beer distributors.
3. Experience in consolidation. 130 successful transactions, 15 in 2010.
4. We are persistent and never give up.
5. We keep everyone moving towards a successful close.
6. 100% Commission based so we economically participate with our clients.
7. IBG understands supplier's contractual requirements and unique policies.
8. Our overall industry knowledge and credibility are invaluable.
9. Confidentiality is more easily maintained.
10. We develop creative solutions to difficult problems.

We feel that the next 2 years will be critical for distributors. If you are a long-term participant in beer distribution, 5-25 years, it is a time to buy. If you plan to exit the industry in the next 5 years the time to sell is in the next 2 years. With profits high, taxes as low as they are likely to be and the cost of money reasonable and available there may never be a better time to buy/sell/merge.

We would appreciate the opportunity to discuss your consolidation plans and potentially represent you in a transaction. Phone calls and visits are free. Many recommendations are available upon request.

Visit our web site at independentbeveragegroup.com or you may contact us if you are considering buying/selling/merging at the following:

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