



THE THREE-TIER SYSTEM "TIPPING POINT"

August 2007

For over 20 years IBG has been a leader in helping distributors work through the maze of consolidation. We assist with the purchase, sale or merging of entire businesses as well as individual brands. We are committed to creating stronger distributors as a way of moving the industry and its products into the future. If you are exploring your options in the fast changing and complex world of consolidation it would benefit you to call IBG.

1. **Price** – Suppliers and competitors have a strong vested interest in protecting the party staying in the business, not the person leaving. It is naive for anyone to think that any supplier or potential buyer is interested in your well-being once you have decided to exit the industry. It is IBG's job to get you the highest price and protect your interest. This frequently means creating a competitive environment. Suppliers or people pursuing you try to do the opposite. Patience is important. Getting top dollar or even a fair price is not as easy as one might think. We get top dollar and protect our clients. We are currently experiencing the highest selling prices IBG has ever seen. Based on our data as well as public information our industry is currently in the middle of a significant upward spike in transactions. Vertical deals have risen 20% in the past 12 months and enterprise values have risen 15%. Historically both have been rising between 3% to 5%. How long this will continue is anyone's guess but in today's environment financial institutions may soon begin to balk if prices go much higher.

2. **Negotiating** – IBG separates the critical part of valuation and accounting from the selling process. This is a big point of difference between IBG and our competitors. We are skilled at creating economically balanced solutions that suppliers support and we sell your business; we do not simply present the numbers.

3. **Keeping the Process Moving** - We realize that you have a business to operate. Often distributors start discussions with each other about a potential transaction then get side tracked with the daily grind of operating their respective businesses. The strain of years of competing and emotional issues frequently slows down or stops the consolidation process. With IBG we avoid non-essential issues and stay focused on the transaction while you tend to business.

4. **Remove Obstacles** – IBG works with, and has close contacts with, all suppliers. We are familiar with supplier's contractual requirements. This dramatically helps facilitate the process. Suppliers have their own agendas and unique processes, and for the most part we know what they are. IBG is experienced at solving difficult problems. Our transactions work and this gives IBG unsurpassed credibility. We have earned this credibility by the fact that not a single deal we have worked on in over 20 years has failed.

5. **Flexibility to Adjust** – Flexibility during most transactions is critical. As suppliers and distributors continue to consolidate the need for flexibility increases. Rarely does a transaction end up like it starts. Whether it's a supplier partnering up with another supplier or something at the distributor level, changes frequently occur. IBG is very good at making the adjustments that occur during the process. We recently had to sell 423,000 cases to 5 different buyers. IBG's experience, persistence and unique solutions are often required to finish what has been started.

6. **Overall Industry Experience** – IBG is recognized as one of the forward thinking entities within the beverage industry. Access to the mega trends of our industry can be extremely helpful when making decisions about consolidation. We have consistently been ahead of the curve in forecasting future trends. While no one is ever 100% accurate at predicting the future, we are recognized as a firm that offers solid insight. This input is beneficial because it puts our clients in the position of anticipating rather than reacting to change. IBG has spoken at the NBWA, virtually all state conventions, Beer Marketer's Insights Conference, Beer Business Daily Conferences, and many suppliers' national conventions. We are quoted in industry journals, The Wall Street Journal, CNN and Forbes. While we do not profess to have a crystal ball we do have solid and respected positions.

7. **Market Evaluation** – Suppliers and distributors tend to look at the market from their own biased perspective. IBG looks at what works for the overall market. Because this is done in an objective, independent manner, it ultimately drives the best value for the business. While the emotions and individual agendas may temporarily look attractive in the end the economics of the market generally prevail. By retaining IBG you get a clear view of what will work, not a slanted or selfish opinion of what someone else wants.

8. **Potential Tax Changes** – With the new political climate in Washington there is a real possibility that Congress may escalate capital gains taxes above the current 15%. This could result in significant tax consequences for sellers. Potential sellers should keep in mind that now, rather than later, may be the time to begin their exit strategy. Transactions typically take between 3 to 12 months to complete and if rushed you reduce your leverage.

9. **Valuation** – We have one of the most extensive databases in the industry because we have closed over 115 transactions. This gives us great comparables. Our valuation expert is recognized throughout the industry and has been legally tested. We understand that distributorships often have more than one value. This knowledge and information is critical. Knowing the accurate value of your business or the value of the business you are buying or merging with is vital. We understand the different values to all potential parties.

10. Transaction Size and Type – IBG has closed transactions from \$1,000,000 to \$138,000,000. We have completed a merger of four separate distributors into one. In a number of instances we have sold various brands to multiple buyers to accommodate the individual wishes of suppliers. We have worked with or around structures such as C-corps, S-corps and LLC's. We have done asset and stock sales. Although we normally represent the seller we have represented the buyer successfully on many occasions. No one is too large or too small.

11. No Litigation – In the litigious times we live in it is important to work with people who know how to avoid litigation. IBG has never had legal problems, before or after, with any of our deals. We simply do not put our clients or ourselves in legal jeopardy. We know what not to do as well as exactly how to work honestly with people.

12. We will provide as many references as you want and we encourage you to call - our former clients can explain better than us why we were an important part of their successful transaction.

During the consolidation process the parties must deal with too many issues and emotions to sustain momentum on the ultimate consolidation task at hand. We are persistent, capable and focused. We get the job done. We are paid completely on commission and only after closing. If you would like a confidential discussion of your circumstances please feel free to give us a call.

Please feel free to contact any of us at any time.