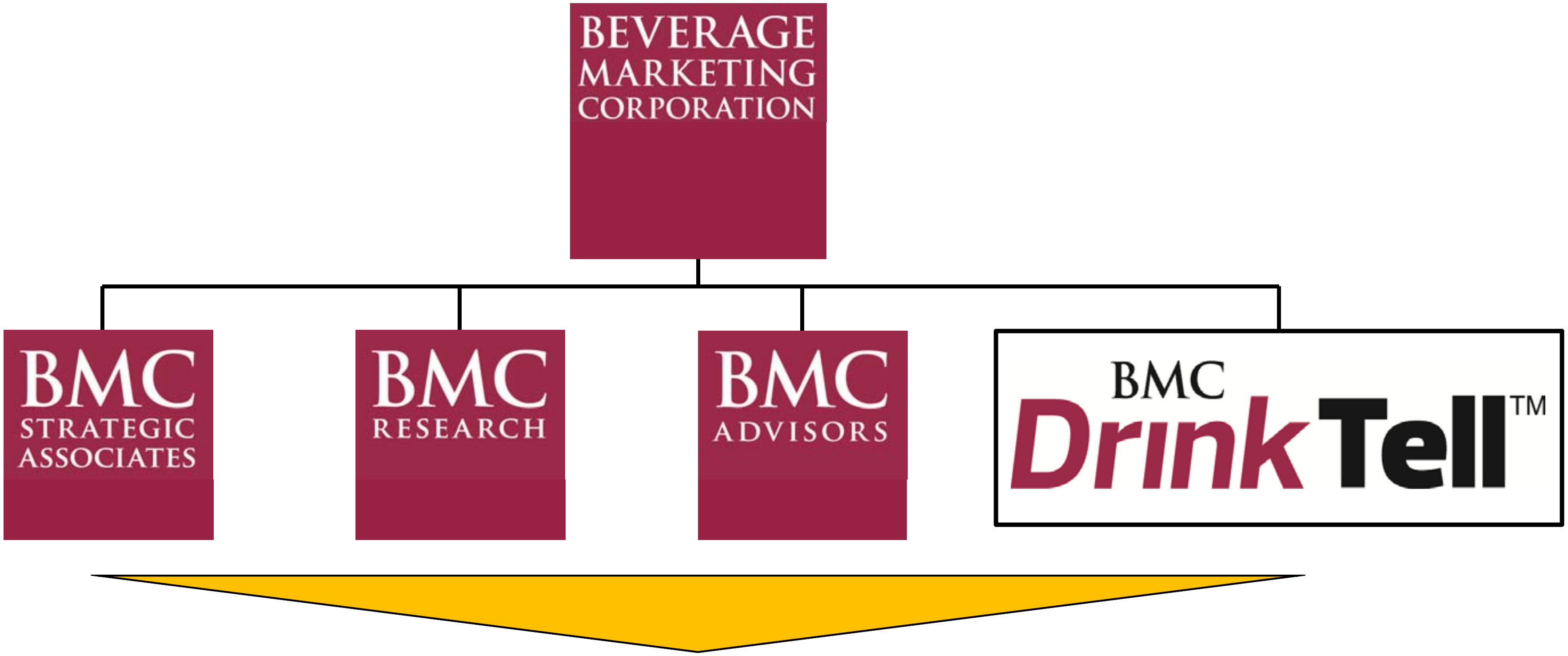
The Packaging Conference

Beverages 2015
What's In Store?

February 2, 2015

BEVERAGE
MARKETING
CORPORATION

Beverage Marketing Corporation utilizes an integrated model for providing information, analysis and advice to beverage industry clients



Unique Beverage Industry Expertise
for Providing "Added-Value" to Selected Clients

Cutting Edge Insights: New Age Emergence, Multiple Beverage Competition, Specialty Beer Opportunity, Bottled Water Dominance, Hyper-Category Competition, Micro-Marketing Age

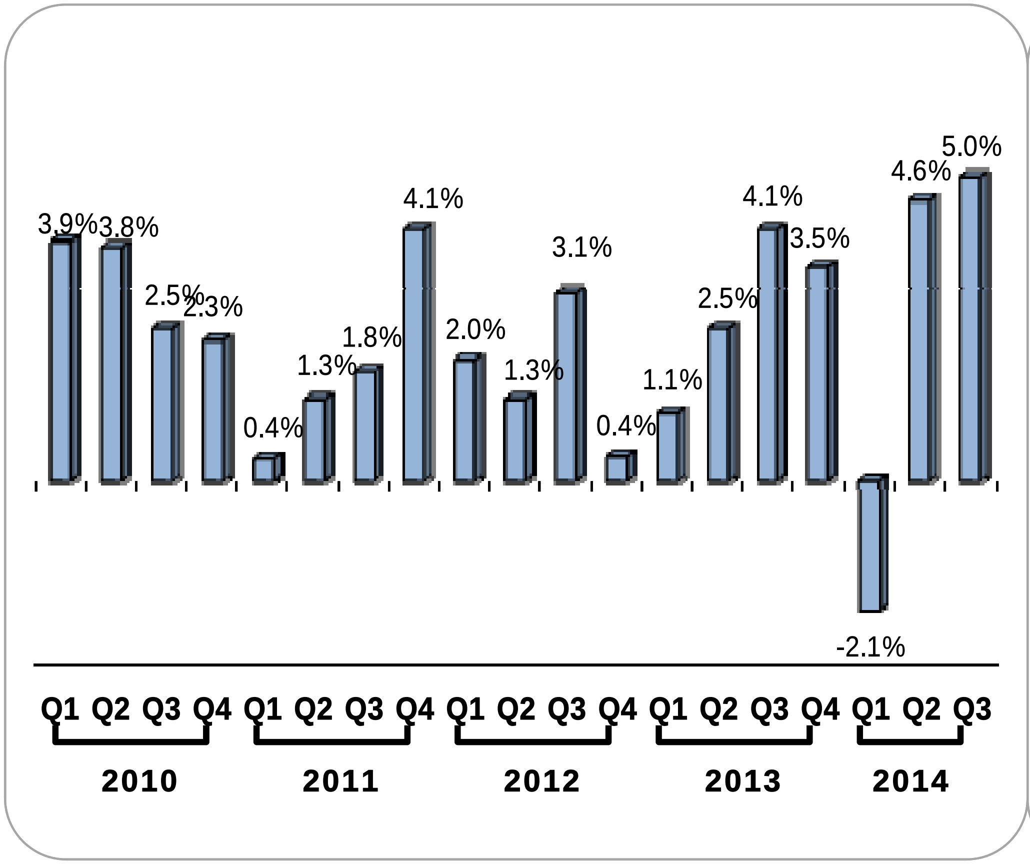
State of the Industry – The Good and the Bad

Beverage Headlines

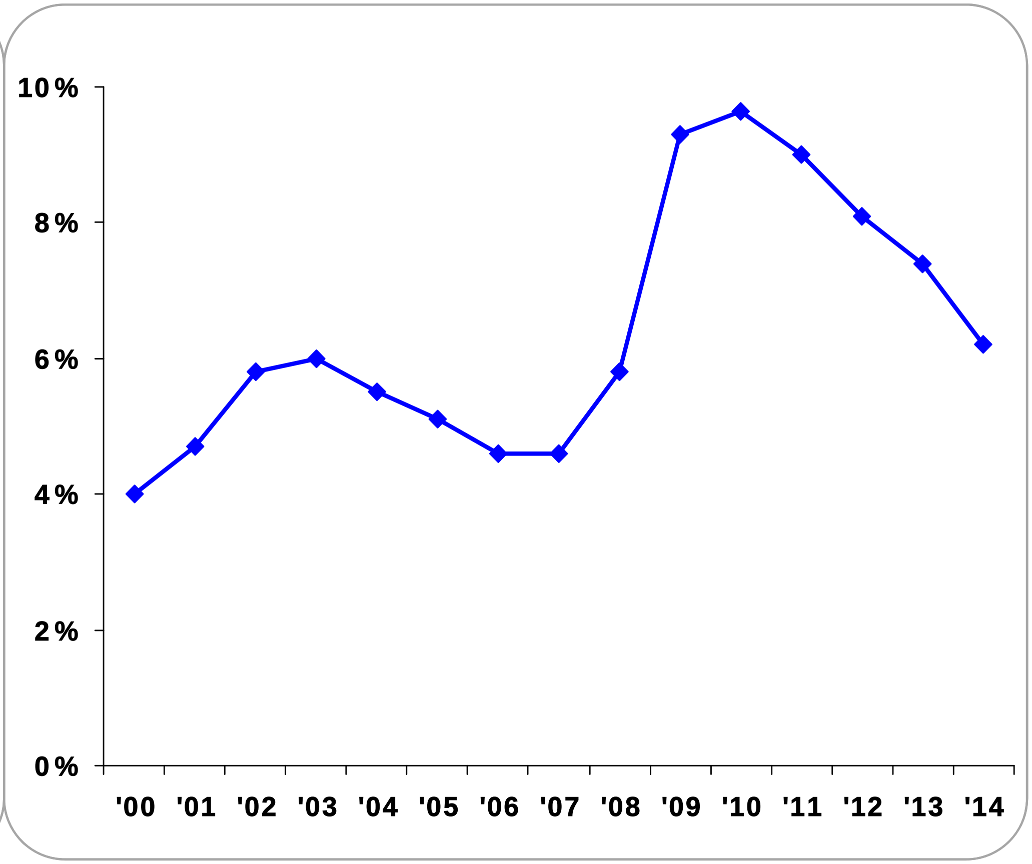
- Liquid refreshment beverage market rebounds with modest growth in 2014 after flat performance in 2013
- Carbonated soft drinks improve but experience modest decline
- Continued solid growth from bottled water
- Niche categories continue to outperform traditional mass-market categories
- Wine and spirits lead alcohol growth, and beer experiences improved performance

The economy continues to move in a positive direction with improved GDP growth and lower unemployment, but improvement has been slow

Quarterly GDP Change 2010 – Q3 2014



Unemployment Rate 2000 – 2014



Source: Beverage Marketing Corporation; Bureau of Economic Analysis, Department of Commerce, Department of Labor

Beverage stock performance was strong in 2014 – consistent with the performance of the overall stock market

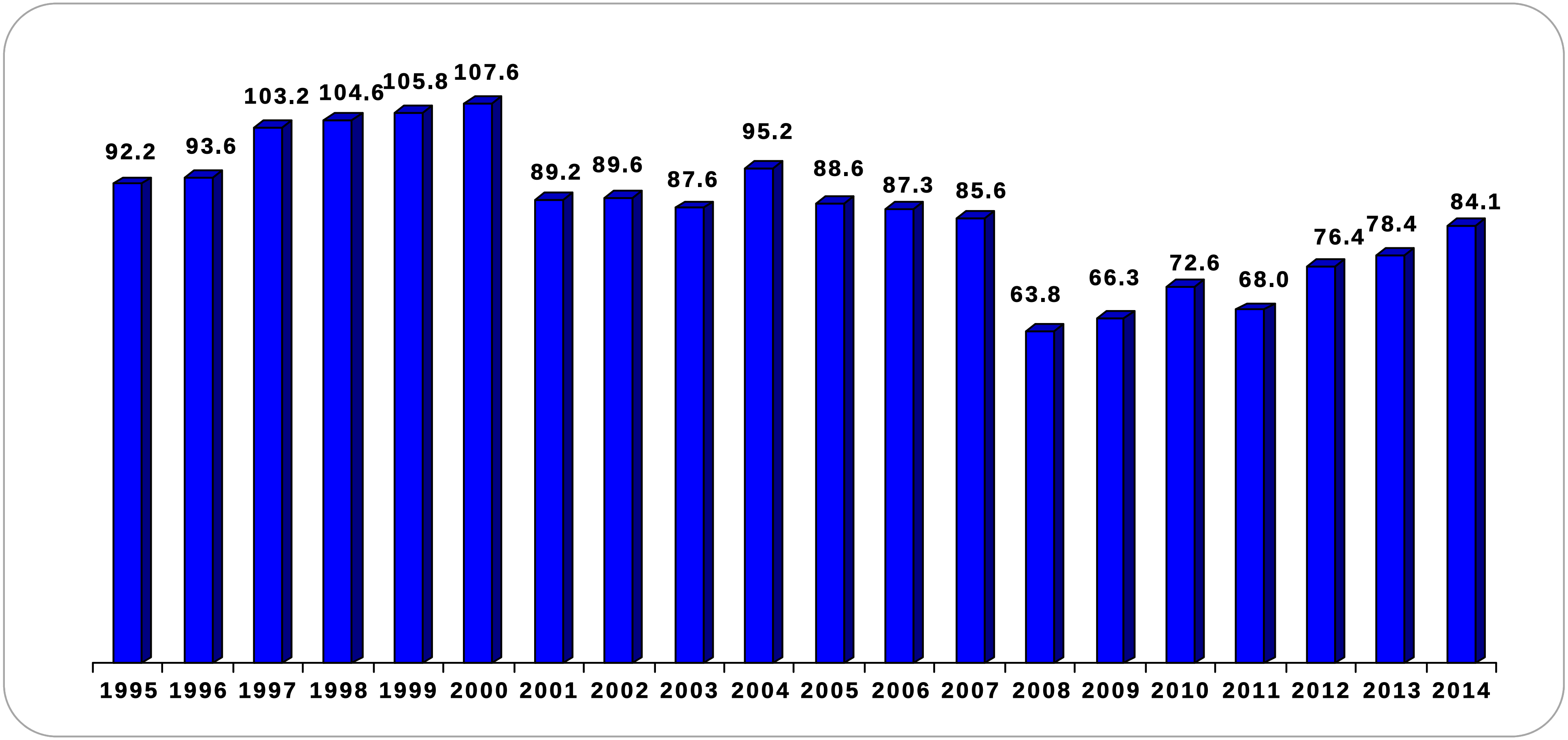
Stock Price Performance 2009 – 2014

	2009	2010	2011	2012	2013	2014
KO	+25.9%	+15.4%	+7.1%	+2.8%	+13.5%	+6.3%
PEP	+11.0%	+7.5%	-2.2%	+2.5%	+21.2%	+14.0%
DPS	+74.2%	+24.2%	+5.5%	+11.9%	+10.3%	+34.7%
CCE	+76.0%	+18.1%	+1.1%	+23.1%	+39.1%	+21.3%
COT	+540.6%	+36.7%	-29.7%	+28.3%	+0.4%	-13.9%
Soft Drinks	+21.6%	+14.6%	+3.8%	+8.6%	+9.8%	
Beverages	+20.4%	+15.0%	+4.2%	+10.1%	+13.1%	
Consumer Staples	+14.2%	N/A	+10.0%	+10.5%	+12.8%	

Source: Beverage Marketing Corporation; Charles Schwab

Consumer sentiment is at its highest level since the recession began in 2008 although still lagging pre-recession numbers

Annual U.S. Consumer Sentiment Index 1995 – 2014

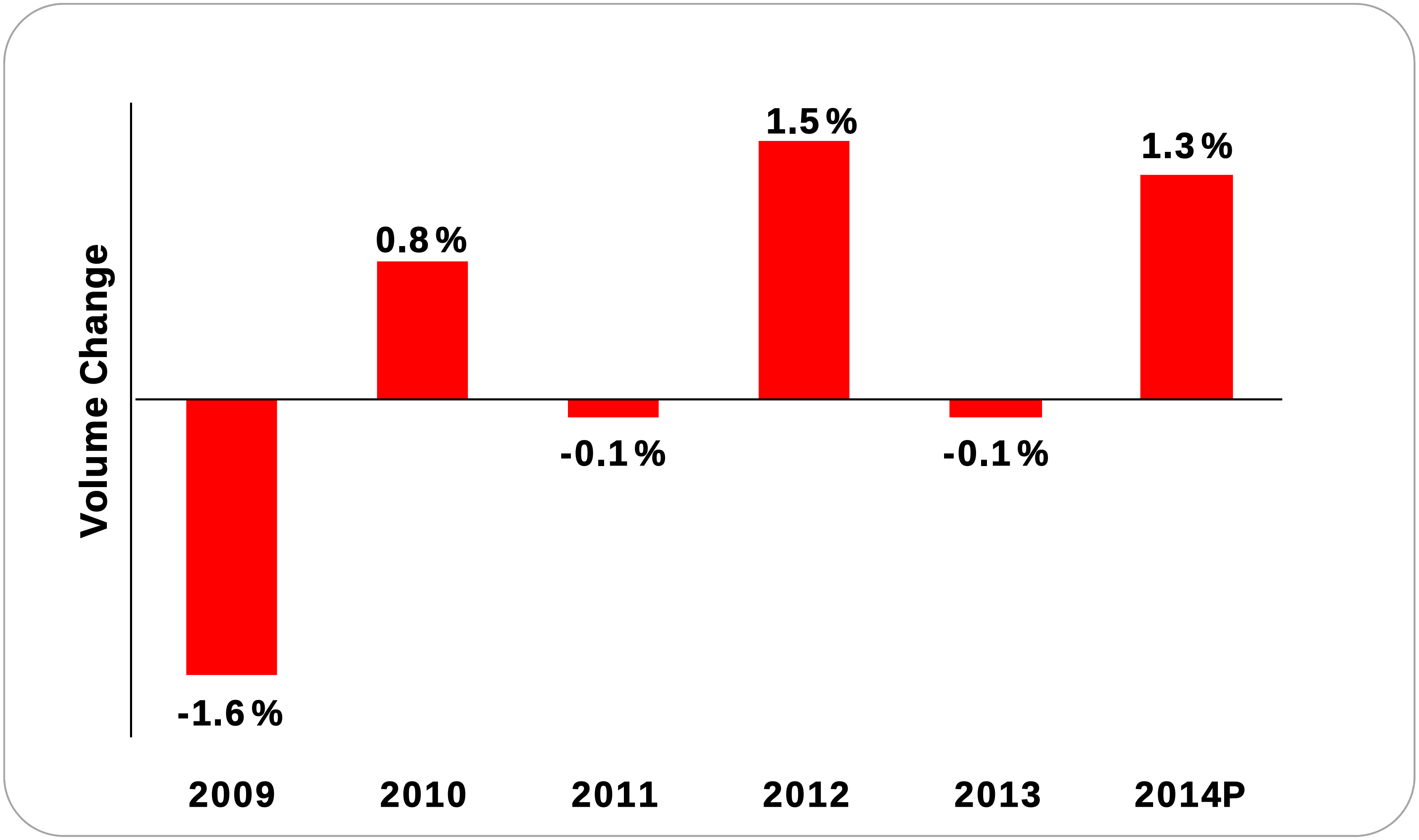


Source: Thompson Reuters/University of Michigan

The U.S. beverage market has experienced overall mixed performance since declines during the recession

- 2014 showed modest growth after flat performance in 2013

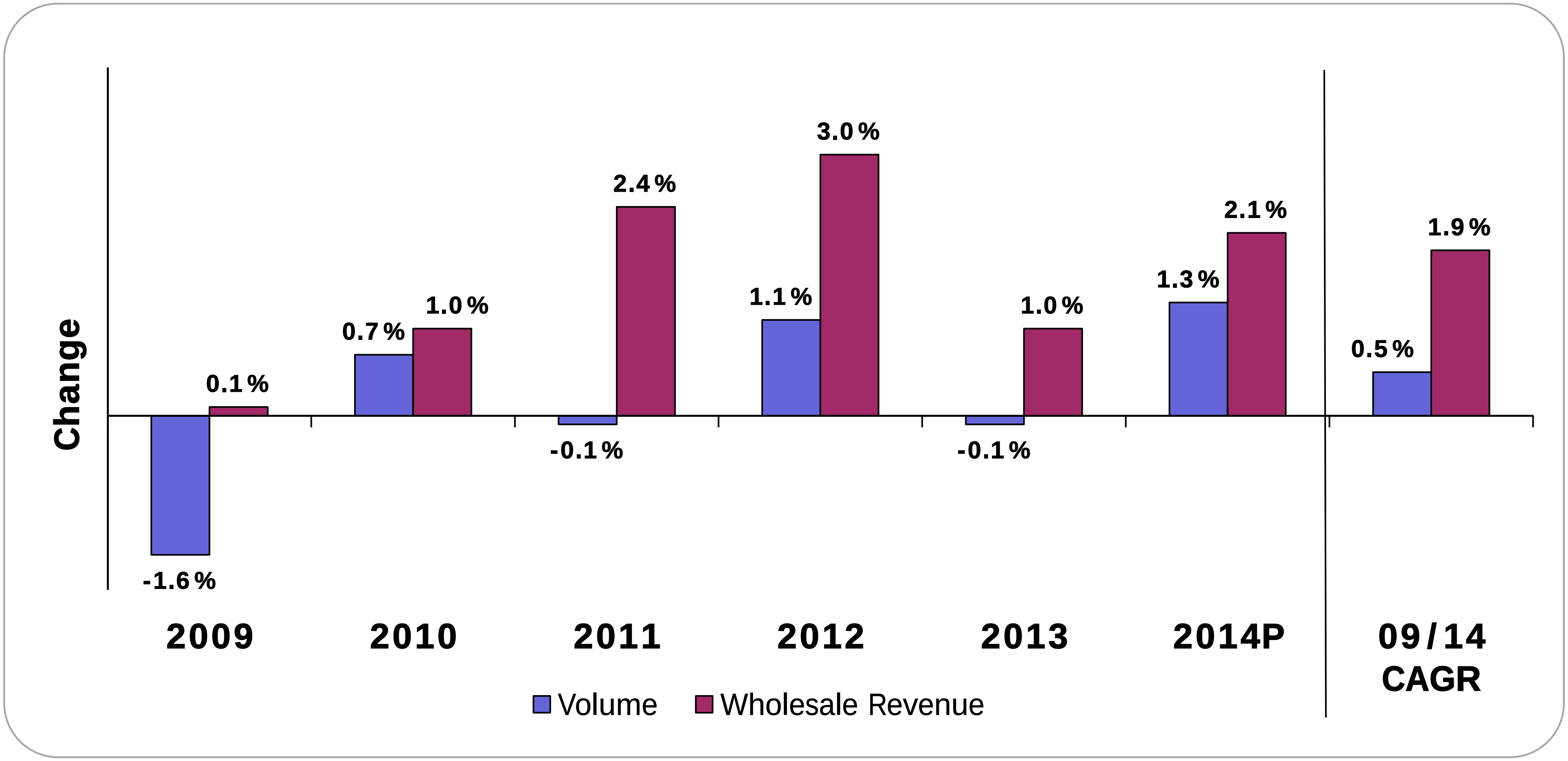
U.S. Total Beverage Market
2009 – 2014P



P: Preliminary
Source: Beverage Marketing Corp.

Post-recession annual beverage revenues have been consistently positive, but the differential versus volume growth is narrowing

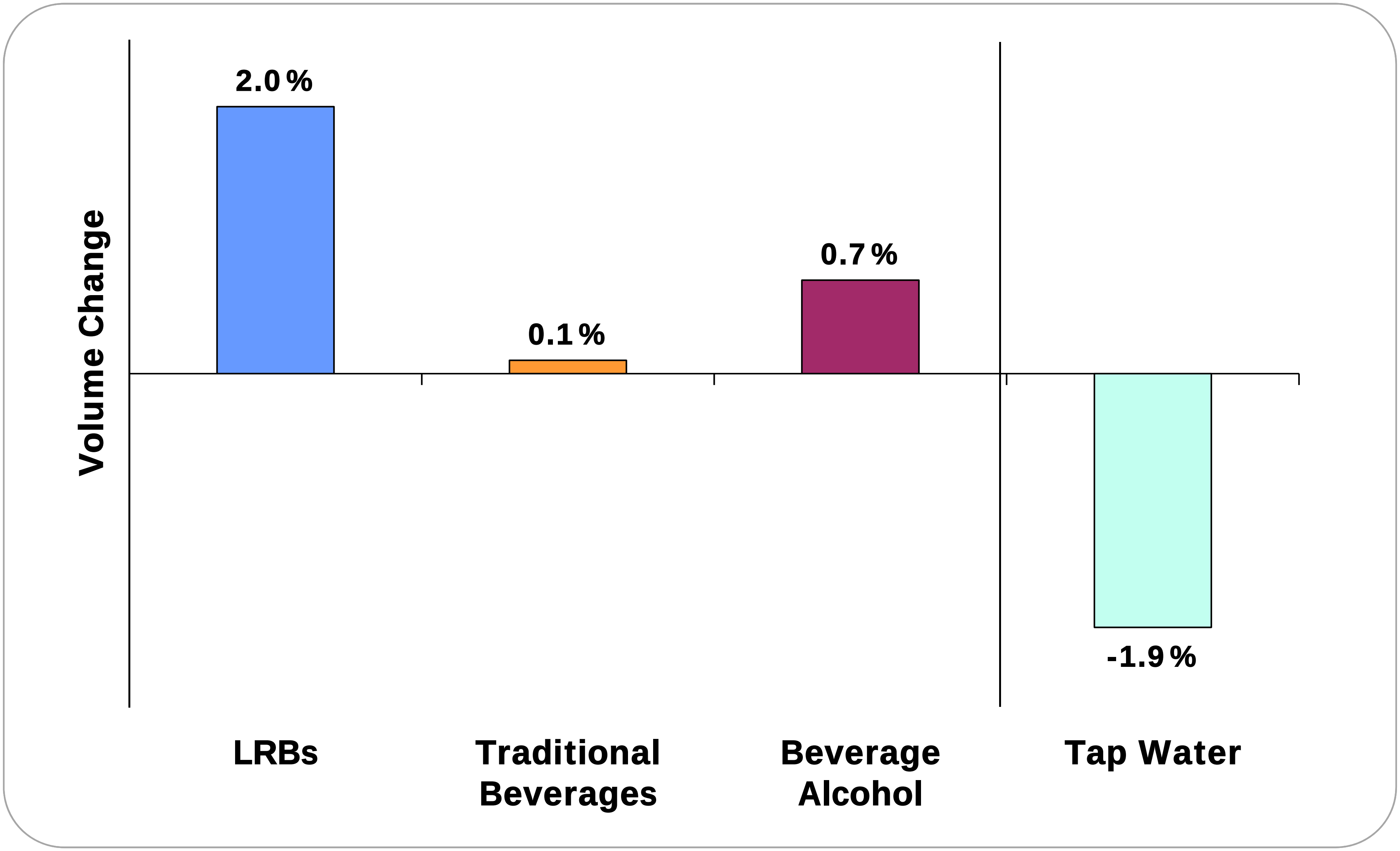
U.S. Total Beverage Market
Volume and Wholesale Revenue
(Millions of Gallons and Wholesale Dollars)
2009 – 2014P



P: Preliminary
Source: Beverage Marketing Corp.

For the first time since the recession, all commercial beverage groups advanced in 2014

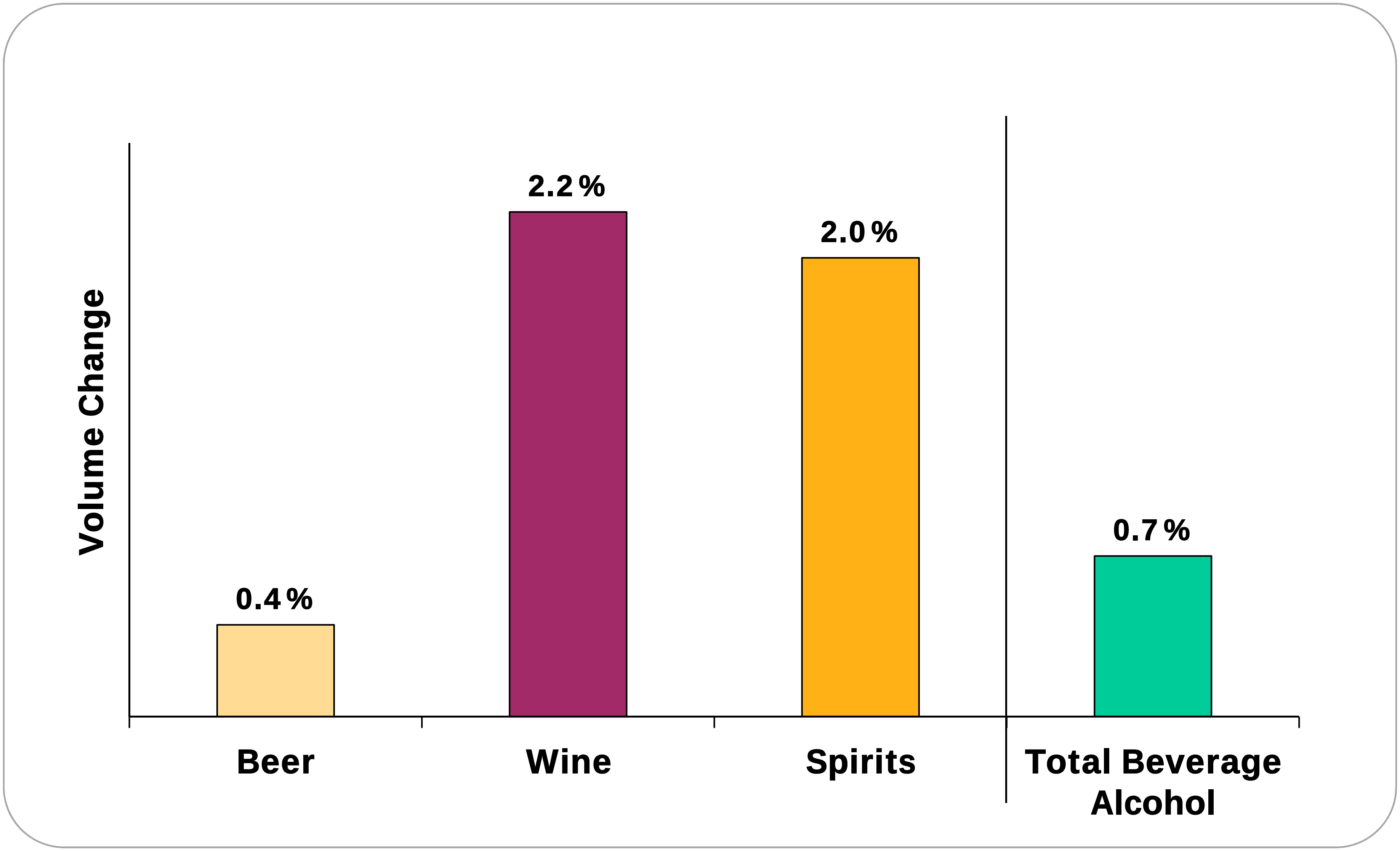
U.S. Beverage Market – 2014P



P: Preliminary
Source: Beverage Marketing Corp.

Wines and spirits have been driving beverage alcohol growth with beer turning slightly positive in 2014

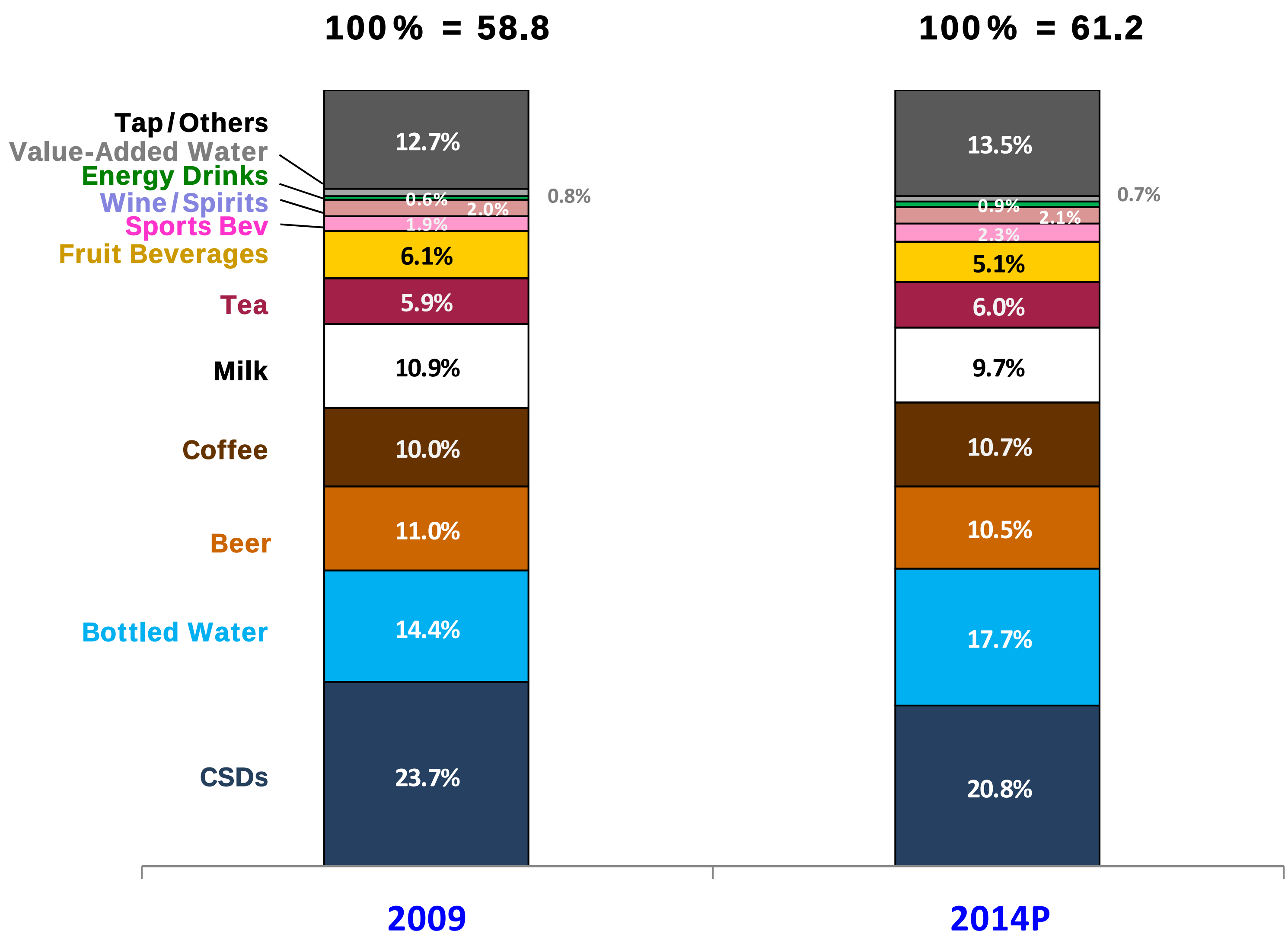
Beverage Alcohol – 2014P



P: Preliminary
Source: Beverage Marketing Corp.

Over the last five years, bottled water has increased its share of stomach by more than 3 share points, capturing the undisputed #2 position

Volume Share of Stomach by U.S. Beverage Segment – Billions of Gallons 2009 – 2014P



P: Preliminary
Source: Beverage Marketing Corporation

More non-alcoholic beverage categories grew in 2014 than declined, and niche categories generally outperformed large traditional categories

2014 Category Winners and Losers

WINNERS*

- Bottled Water
- RTD Coffee
- RTD Tea
- Sports Drinks
- Energy Drinks

LOSERS**

- CSDs
- Milk
- Fruit Beverages
- Value-Added Water

* Volume increases
** Volume declines

More categories experienced improved performance in 2014 even when they declined

2014 Beverage Report Card

IMPROVED

- Bottled Water
- CSDs
- Energy Drinks
- Milk
- RTD Tea
- Sports Drinks
- Value-Added Water

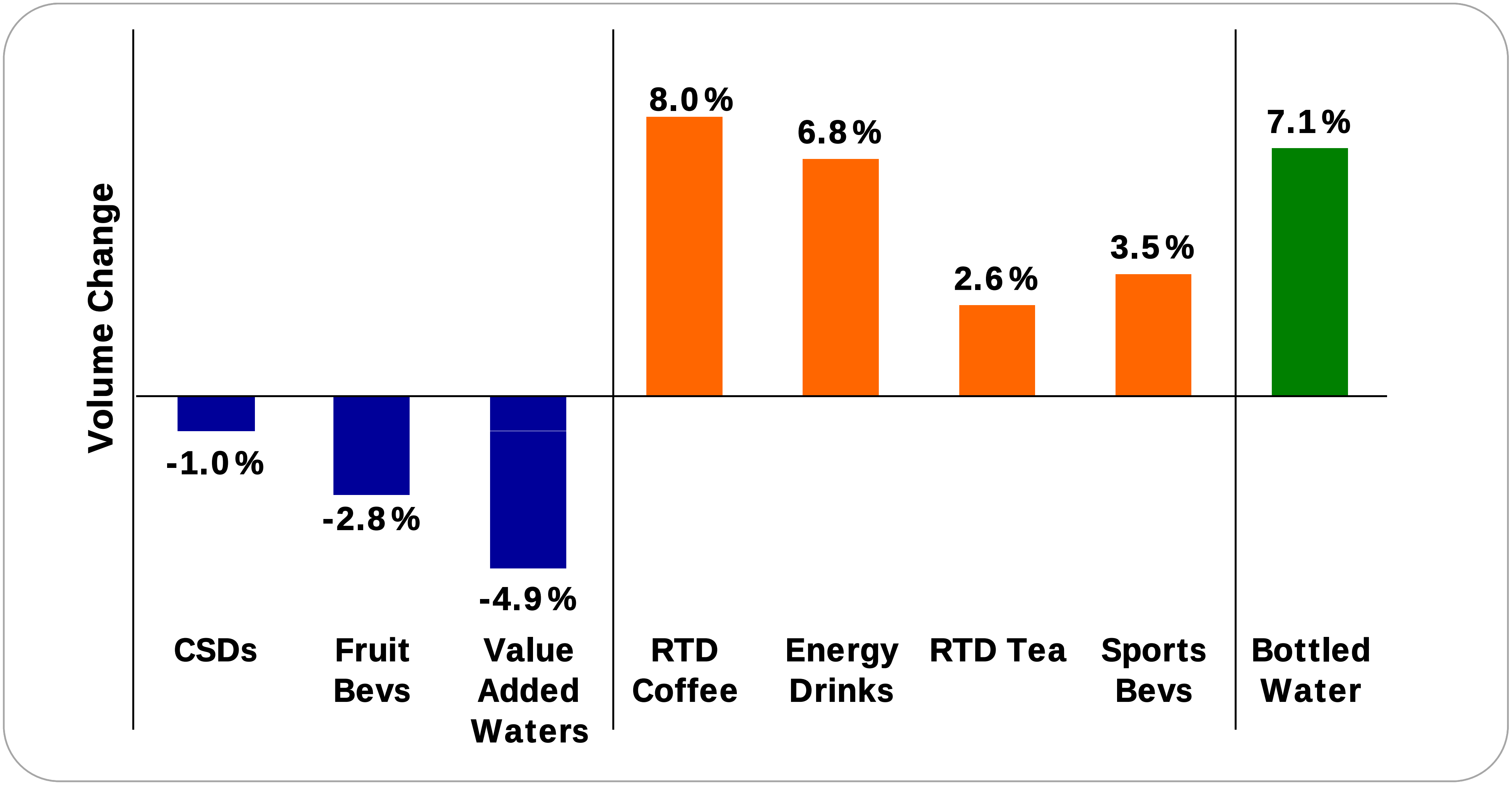
WORSENED

- Fruit Beverages
- RTD Coffee

In general, traditional mass market categories have struggled while niche categories have experienced growth

- Bottled water is the primary exception of a mainstream category that has thrived

The U.S. Liquid Refreshment Beverage Market
2014P



P: Preliminary
Source: Beverage Marketing Corp.

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Many big brands declined in 2013

Top 10 Soft Drinks

- Coke
- Diet Coke
- Pepsi-Cola
- Mountain Dew
- Dr Pepper
- Diet Pepsi
- Diet Mt. Dew
- Fanta
- Coke Zero

Top 10 Beer Brands

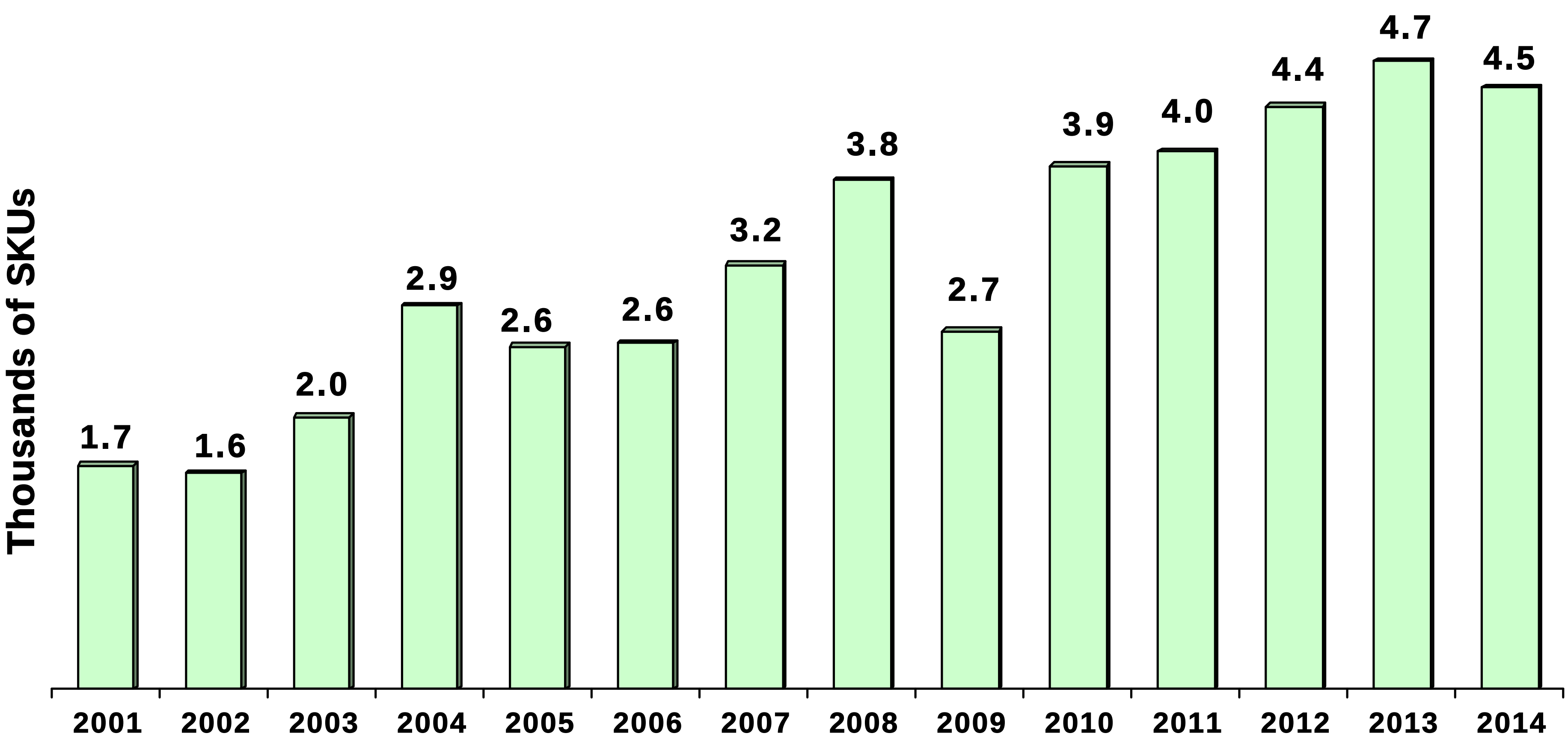
- Bud Light
- Coors Light
- Budweiser
- Miller Lite
- Natural Light
- Busch Light
- Busch
- Heineken

Top 10 Spirits Brands

- Bacardi
- Jack Daniels
- Absolut
- Grey Goose

New product introductions have been on the rise after declining in 2009 due to the recession in the beverage industry

New Beverage Product Introductions 2001 – 2014

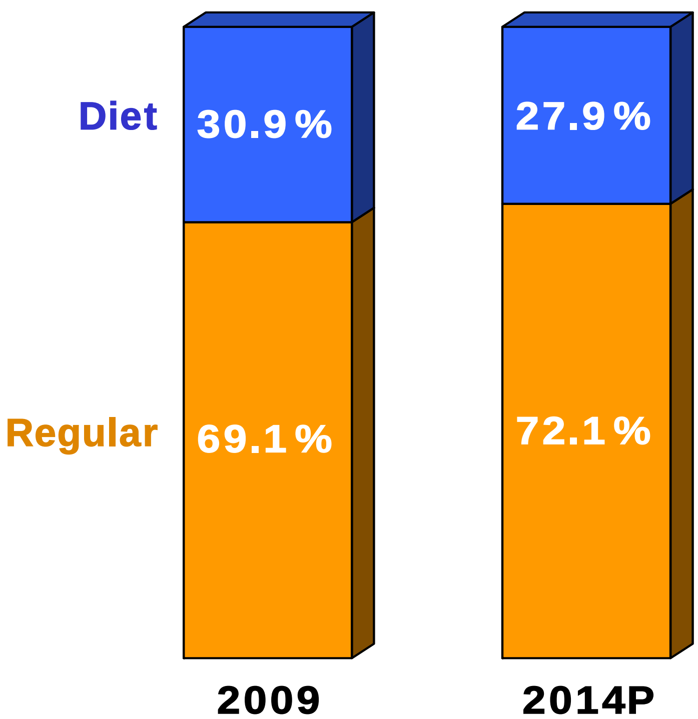


Source: Beverage Marketing Corp.; Mintel

Diet soft drinks have hit a ceiling and are declining at a faster rate than regular soft drinks

- Some diet consumers have shifted to bottled water and other categories
- Regular CSD volume increased in 2014 for the first time in many years

U.S. Carbonated Soft Drink Market Share by Type 2009 – 2014P



Carbonated Soft Drink Market Growth by Type 2010 – 2014P

Year	Regular	Diet
09/10	-0.9%	-0.7%
10/11	-1.5%	-2.5%
11/12	-1.1%	-3.4%
12/13	-1.9%	-6.3%
13/14P	0.9%	-5.5%
09/14P 5-Yr CAGR	**-0.9%**	**-3.7%**

P: Preliminary
Source: Beverage Marketing Corporation

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Reduced-calorie carbonated soft drinks formulated with varying versions of stevia account for a small but growing share of the diet CSD market

Stevia Sweetened CSDs

2013 Supermarket Sales
$0.1 Million

2013 Supermarket Sales
$2.0 Million

2013 Supermarket Sales
$12.7 Million

2013 Supermarket Sales
$7.2 Million

* *Retail sales in Supermarket only*
Source: Beverage Marketing Corp.; SymphonyIRI

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Craft sodas are beginning to emerge as a viable option for today's consumers with new brands and companies entering the market

Craft Soda

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New dispensing systems are offering consumers more variety

Variety and Customization

Coke Freestyle

Pepsi Spire

Coming Soon: Keurig Cold Cup Dispenser

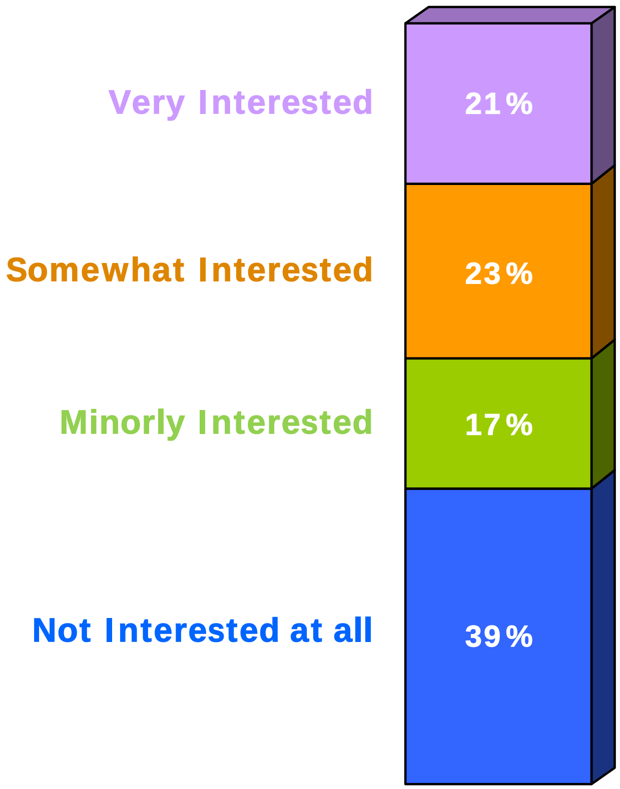
Keurig Cold Benefits

- **Beverage delivered cold**
- **Carbonation with no CO2 canister**
- **Perfect dosing & one touch simplicity**
- **Sustainable**
- **Vast brand selection**

Launching Fall 2015

Approximately 20 % of consumers say they have an interest in Keurig Cold and BMC estimates the potential market at 150 million cases by the second year

Interest in Keurig Cold



Keurig Cold Estimates by BMC

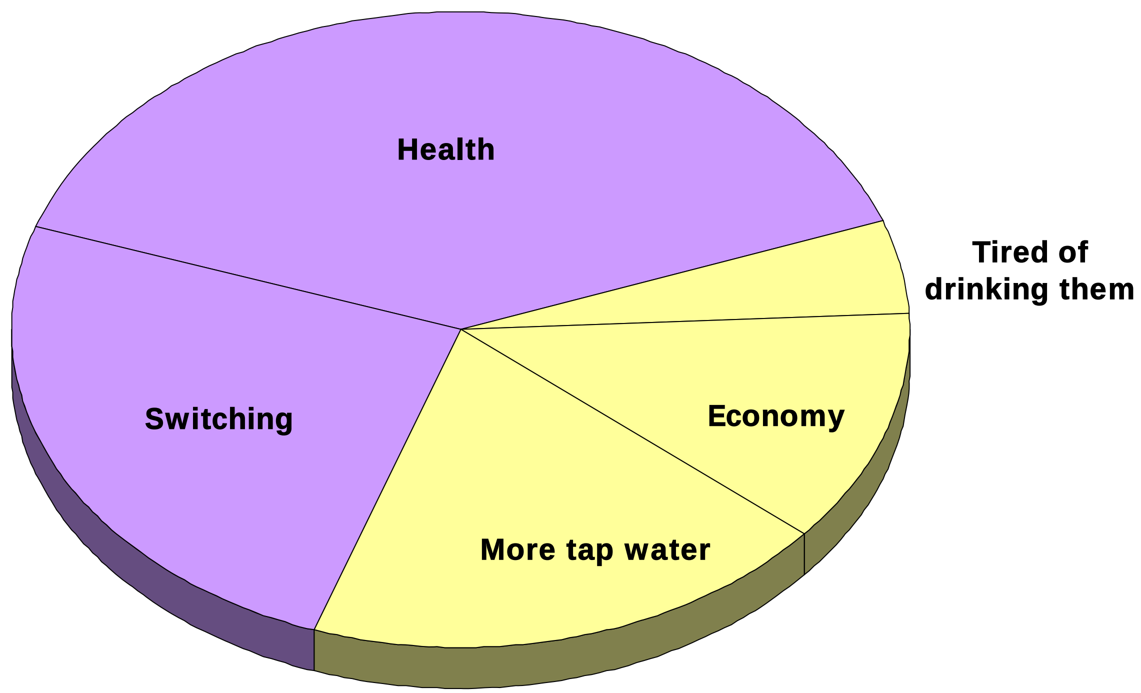
U. S. Households	**121.0 Million**
Penetration	**5 %**
Machines in Use	**6.0 Million**
Attachment Rate	**1.5 Servings per Day**
LRB Servings per Year	**3.3 Billion**

150 Million Cases

Source: Beverage Marketing Corp.; Consumer Edge Research

Consumer health and variety demands negatively impact CSD consumption

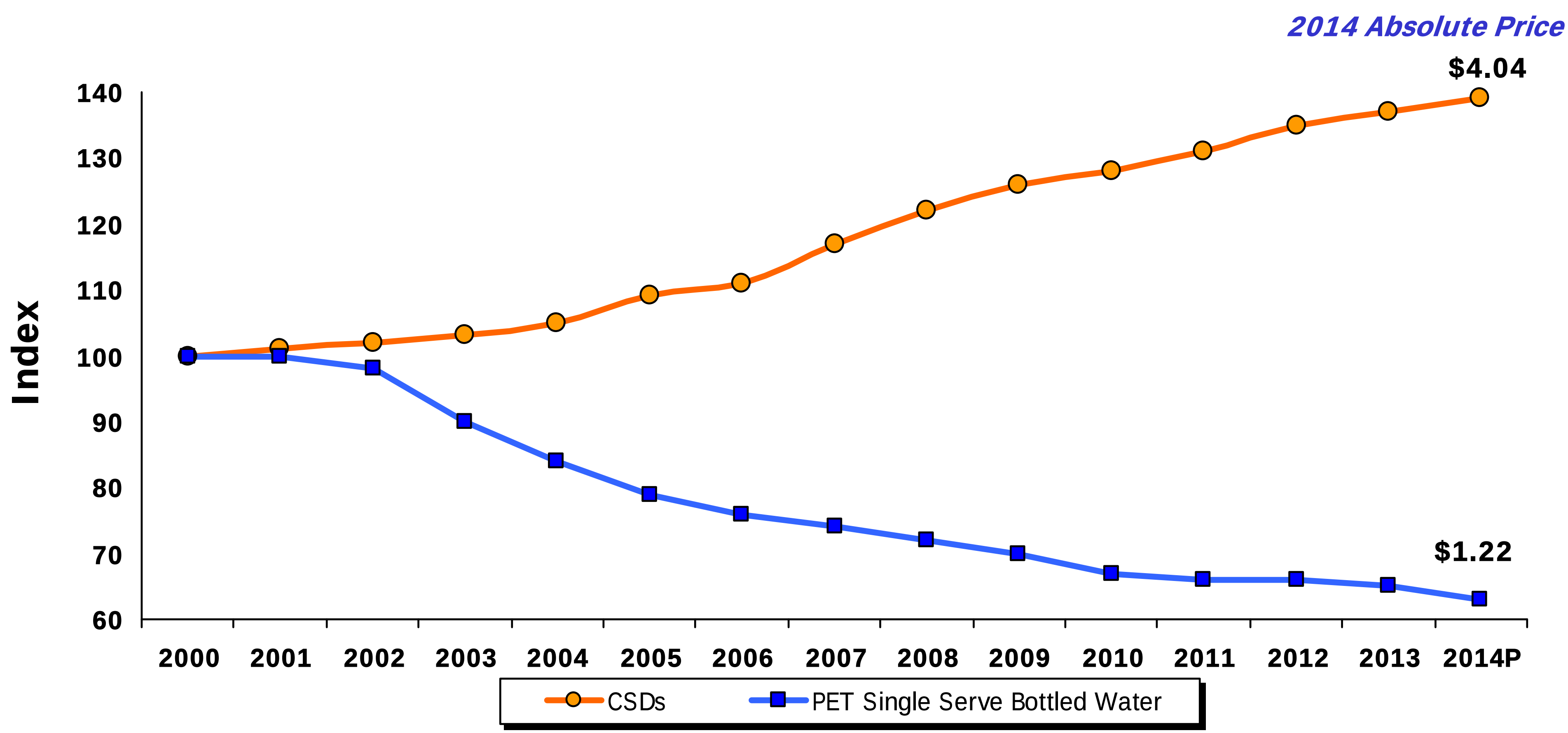
Reasons for Reducing CSD Consumption



Source: Beverage Marketing Corporation; Consumer Edge Research

Modest pricing increases in carbonated soft drinks coupled with significant pricing declines in bottled water have contributed to respective category performances

Wholesaler Dollars Per Gallon Indexed to 2000



Source: Beverage Marketing Corp.

The single-serve water segment continues to drive overall category growth and accounts for two-thirds of total volume

- Domestic sparkling was fastest growing segment in 2014 off a small base
- In 2013 and 2014, all category segments increased

U.S. Bottled Water Market
2012 – 2014P
Share and Growth in Volume by Category

	Share			Growth	
Categories	**2012**	**2013**	**2014P**	**12/13**	**13/14P**
NON-SPARKLING					
PET Single-Serve	65.1%	66.0%	66.6%	6.1%	8.4%
1-2.5 Gallon	10.3%	10.0%	9.5%	1.1%	2.2%
Direct Delivery	12.4%	12.1%	11.8%	1.7%	4.6%
Vending	8.3%	8.1%	7.9%	1.7%	5.2%
Subtotal	**96.2%**	**96.1%**	**95.8%**	**4.6%**	**7.0%**
Domestic Sparkling	2.7%	2.8%	3.1%	9.3%	17.1%
Imports	1.1%	1.1%	1.1%	3.9%	10.4%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**4.7%**	**7.3%**

P: Preliminary
Source: Beverage Marketing Corporation

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While stable, PET water pricing continues to be historically aggressive and is likely to remain so at least through 2015

- Every-day pricing has been as low as $2.49-2.99 for 24-packs at retail

Advances in Supply Chain Costs

- **High-speed bottle filling in a range of 15-18 million cases per year per line**
- **Stable to declining resin costs**
- **Continued bottle light-weighting**

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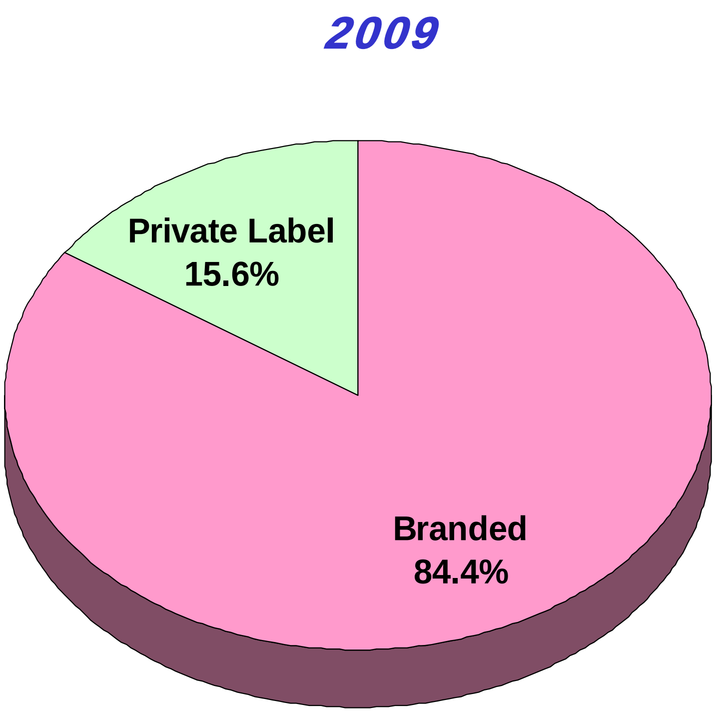
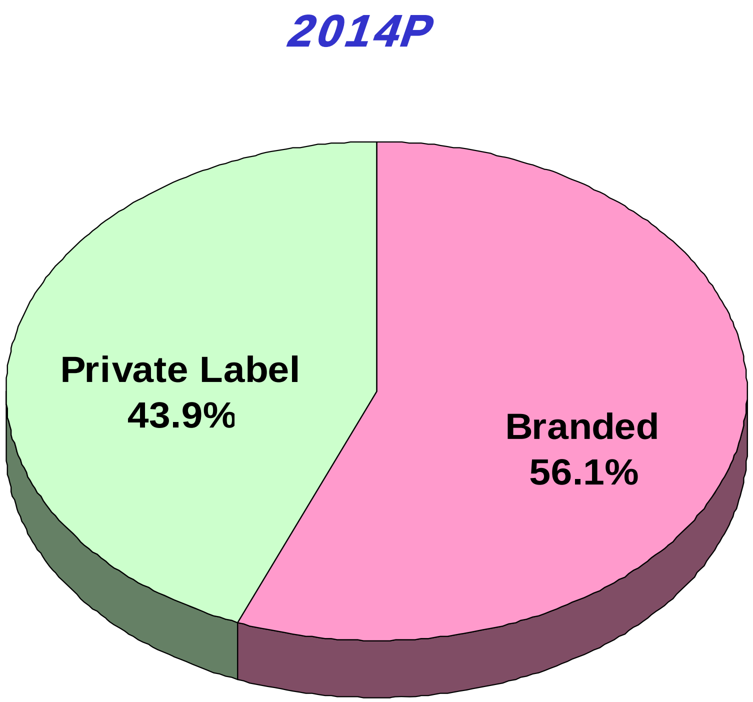
While branded water outsells private label in the retail PET segment, private label has made significant inroads over the last five years

U.S. Retail PET Water Market
Branded vs. Private Label

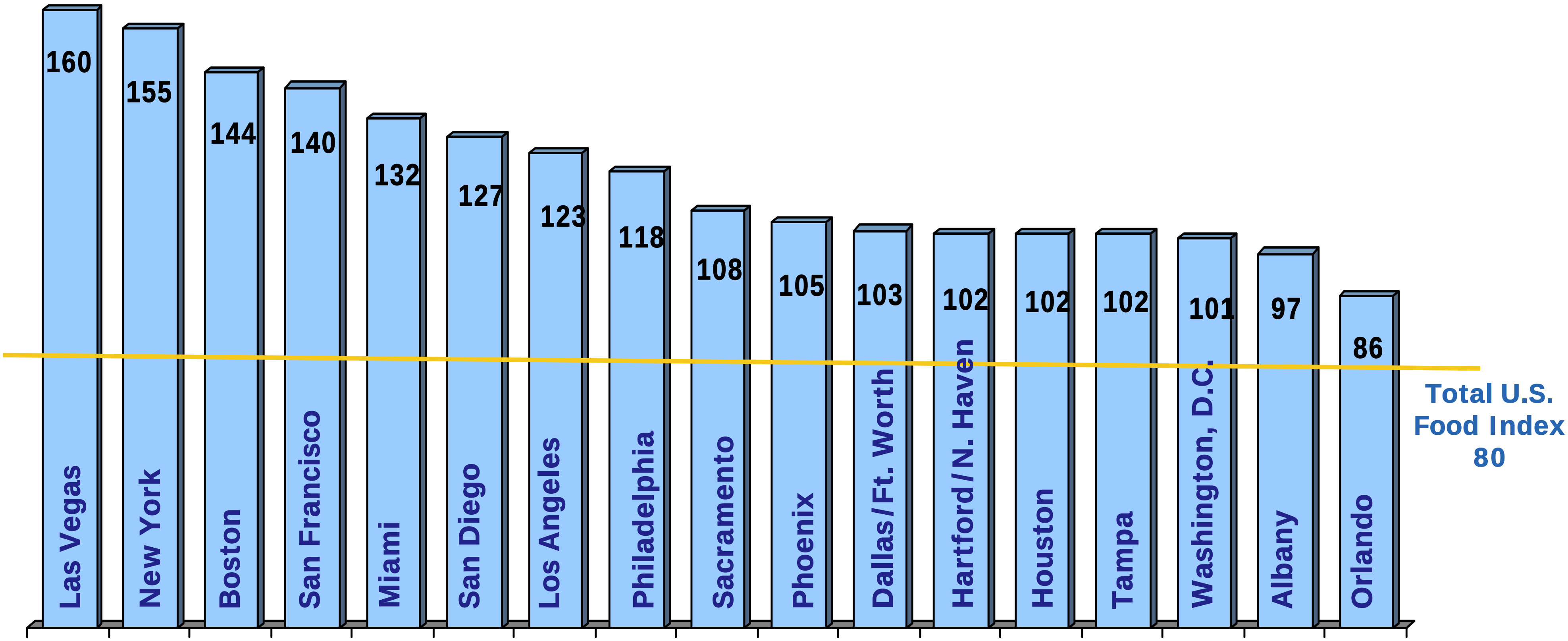




Source: Beverage Marketing Corporation

In a sign of the future, bottled water already outsells CSDs in food stores in 15 U.S. cities

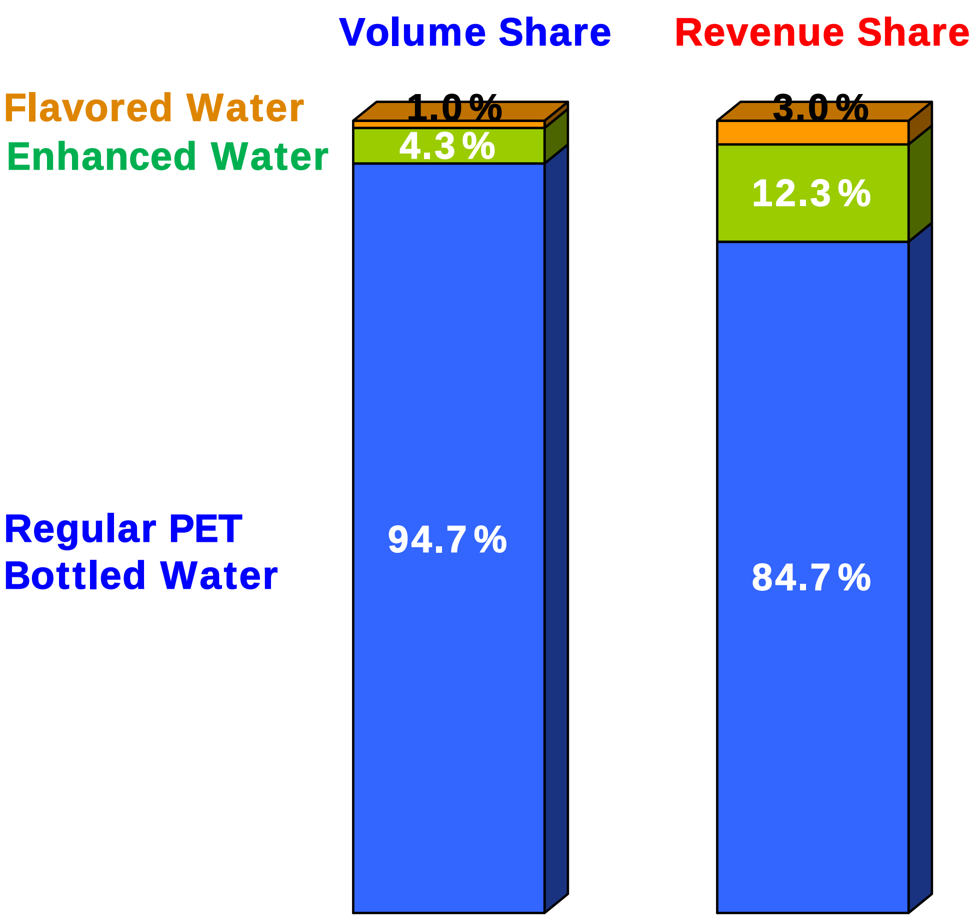
- With bottled water growing and CSDs declining, other markets are likely to join this group



** Nielsen Food Markets 52 weeks ending 9/7/13; Bottled Water does not include flavored/enhanced water*
Source: AC Nielsen; NWNA

Value-added waters account for just 5% of single-serve water beverage volume, but hold a larger share of revenues due to higher pricing

U.S. Retail Premium Bottled Water Market
Share and Growth by Volume and Revenues
2014P



Segment	Volume Change	Revenue Change
Flavored	1.5%	-0.5%
Enhanced	-6.5%	-5.5%
Regular PET	8.4%	5.1%
Total	**7.6%**	**3.5%**

P: Preliminary
Source: Beverage Marketing Corporation

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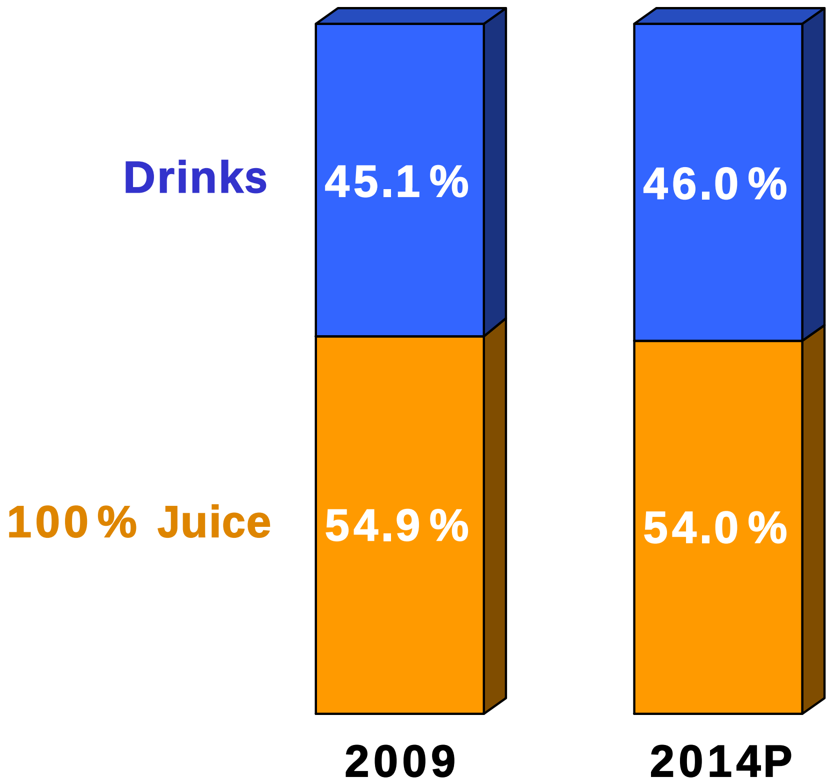
Slightly over half of the fruit beverage category is comprised of 100% juice

- Nevertheless, both 100% juice and juice drinks have experienced weak performance over the last five years

U.S. Fruit Beverage Market Volume Share by Segment 2009 – 2014P



U.S. Fruit Beverage Market Growth 2010 – 2014P

Year	100% Juice	Drinks
09/10	-4.1%	2.1%
10/11	-5.4%	-1.1%
11/12	-2.8%	-5.6%
12/13	-1.2%	-2.7%
13/14P	-1.6%	-4.2%
09/14P 5-Yr CAGR	**-3.0%**	**-2.3%**

P: Preliminary
Source: Beverage Marketing Corporation

Despite softness in the overall fruit beverage market, high-pressure pascalization (HPP) juices have emerged as a premium growth segment

HPP Juice Brands

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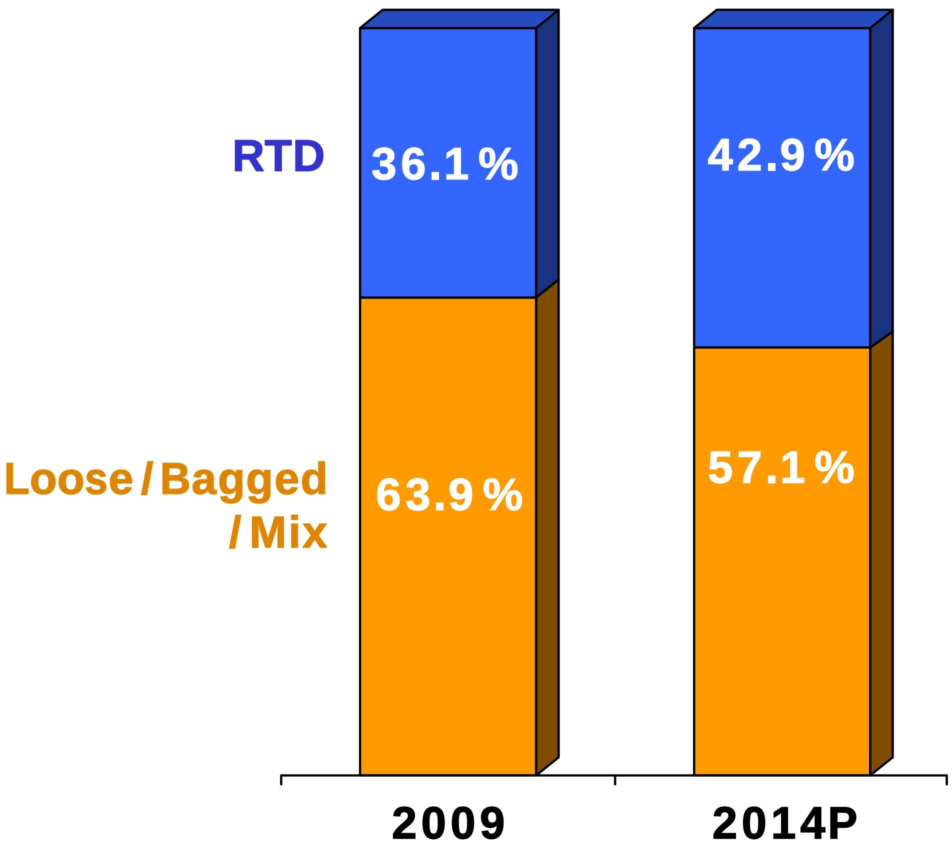
Virtually all of the growth in the U.S. tea category has come from RTD tea as consumers seek out convenience

U.S. Tea Market
Volume Share by Segment
2009 – 2014P



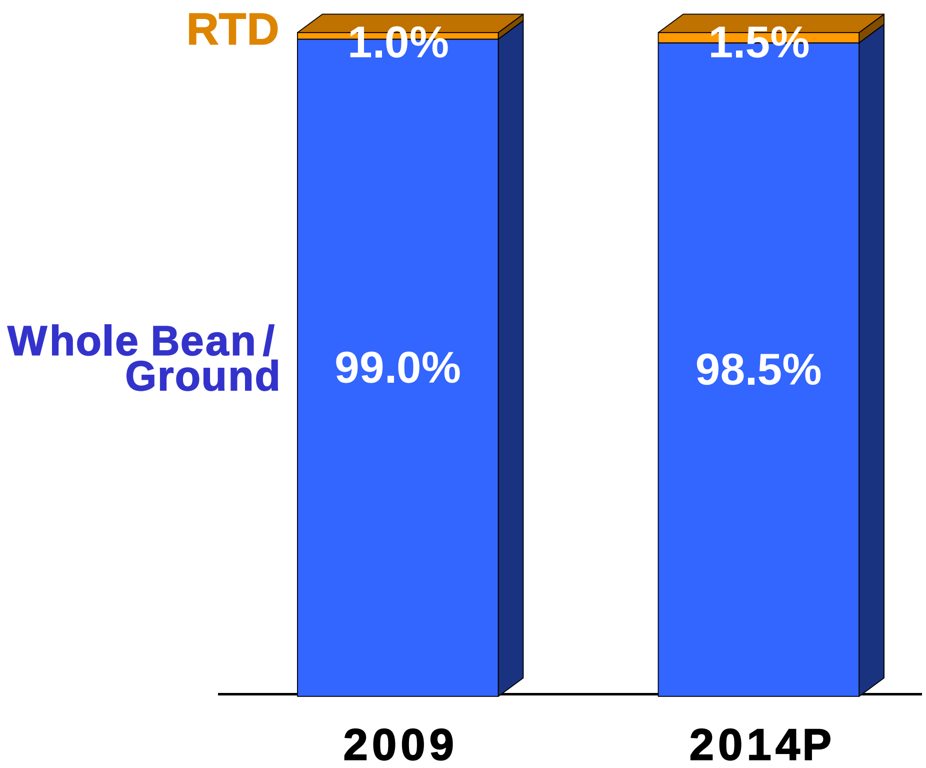
U.S. Tea Market
Volume Growth
2010 – 2014P

Year	RTD	Loose / Bagged / Mix
09/10	10.1%	-0.2%
10/11	5.3%	-2.2%
11/12	5.2%	-0.2%
12/13	0.6%	-1.4%
13/14P	2.6%	-1.2%
09 / 14P 5-Yr CAGR	**4.7 %**	**-1.0 %**

P: Preliminary
Source: Beverage Marketing Corporation

RTD coffee remains a relatively small share of the total U.S. coffee market, but growth has been healthy

U.S. Coffee Market Volume Share by Segment 2009 – 2014P



U.S. Coffee Market Volume Growth 2010 – 2014P

Year	RTD	Ground / Whole Bean
09/10	2.4%	0.2%
10/11	9.9%	-3.8%
11/12	9.5%	4.1%
12/13	11.1%	0.2%
13/14P	8.0%	-0.9%
09/14P 5-Yr CAGR	**8.1%**	**-0.1%**

P: Preliminary
Source: Beverage Marketing Corporation

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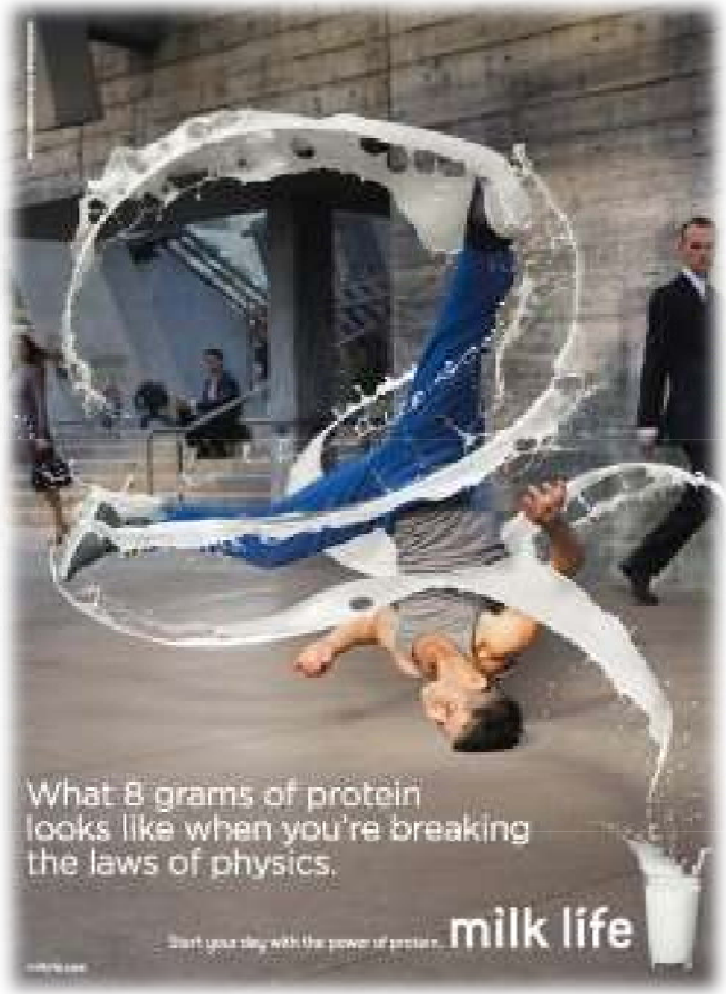
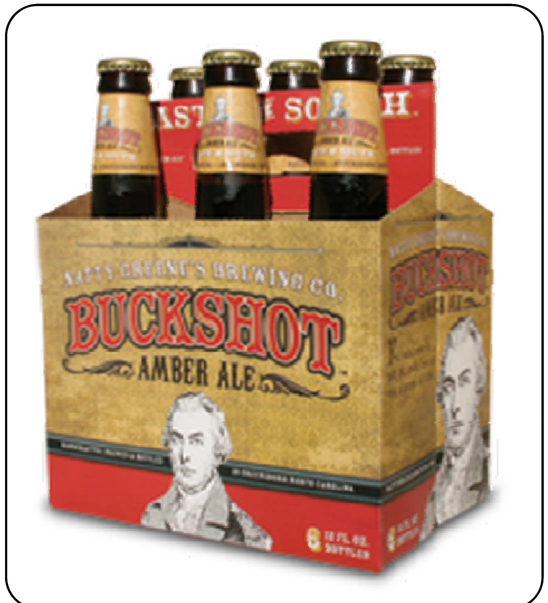
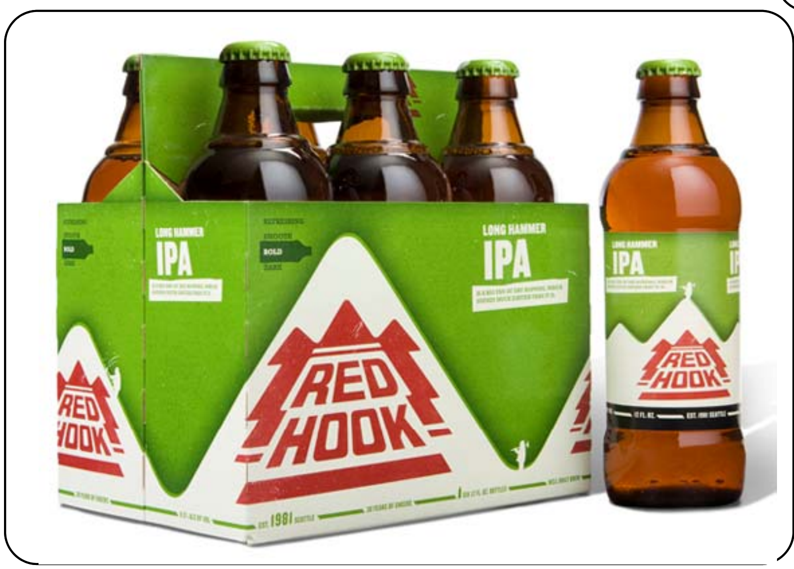
The milk industry is working to win the battle of public opinion to combat what it considers negative information in the marketplace

- Current advertising touts milk as a great source of protein, and also positions chocolate milk as a great energy source



Craft beer continues to be the fastest growing segment in the beer category as new breweries are still opening and approaching 3,000 nationally





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Most emerging categories have health and wellness attributes and/or promise specific functional benefits

Select Offerings and Categories of Today's Emerging Beverages

Functional

Chia

Aloe Vera

Plant-based Water

Probiotic

Energy Shots

Coconut Water

Kombucha

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As the number of beverage categories has proliferated, so have packaging alternatives

Evolution of Beverage Packaging 1970s to Present

1970s
- Multi-packs: 6-Pack
- PET: 2-Liter
- Glass: 10/12-oz

1980s
- Multi-packs: 6-Pack, 12-Pack & 24-Pack
- PET: 2-Liter, 3-Liter
- Glass: 10/12-oz, single-serve
- Cans

1990s
- Multi-packs: 6-Pack, 12-Pack, 24-Pack, 15-Pack & 20-Pack
- PET: 2-Liter, 3-Liter, 12-oz/500 ml, 16-oz, 20-oz, 32-oz, 34-oz, 96-oz
- Glass: 10/12-oz, single-serve, 7-oz, 16/17.5-oz, 20-oz.
- Cans
- Aseptic: multi-packs, single
- Paper: half-gallon, quart

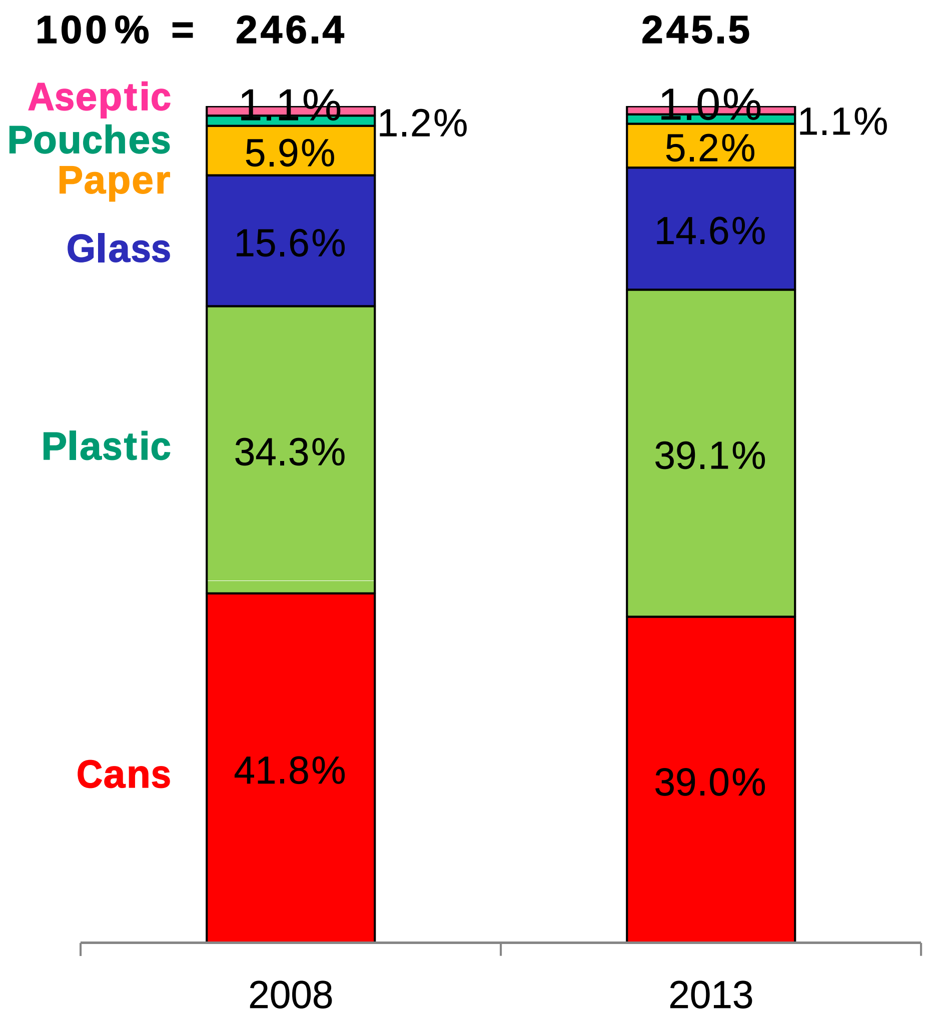
2000s
- Multi-packs: 6-Pack, 12-Pack, 24-Pack, 15-Pack, 20-Pack & 30-Pack, new configurations
- PET: 2-Liter, 3-Liter, 12-oz/500 ml, 16-oz, 20-oz, 32-oz, 34-oz, 96-oz, size proliferation, proprietary shapes, interactive packages
- Glass: 10/12-oz, single-serve, 7-oz, 16/17.5-oz, 20-oz. proprietary shapes
- Cans
- Aseptic: multi-packs, single, size proliferation, adult sizes/graphics
- Paper: half-gallon, quart

Today
- Multi-packs: 6-Pack, 12-Pack, 24-Pack, 15-Pack, 20-Pack & 30-Pack, new configurations
- PET: 2-Liter, 3-Liter, 12-oz/500 ml, 16-oz, 20-oz, 32-oz, 34-oz, 96-oz, size proliferation, proprietary shapes, interactive packages
- Glass: 10/12-oz, single-serve, 7-oz, 16/17.5-oz, 20-oz. proprietary shapes
- Cans
- Aseptic: multi-packs, single, size proliferation, adult sizes/graphics
- Paper: half-gallon, quart
- "Shot" formats

Cans, plastic and glass comprise more than 90% of the beverage packaging universe

- Over the last five years, plastic has seen the most growth due mostly to the success of the bottled water category

Beverage Packaging Share by Package Type*
Billions of Packaging Units



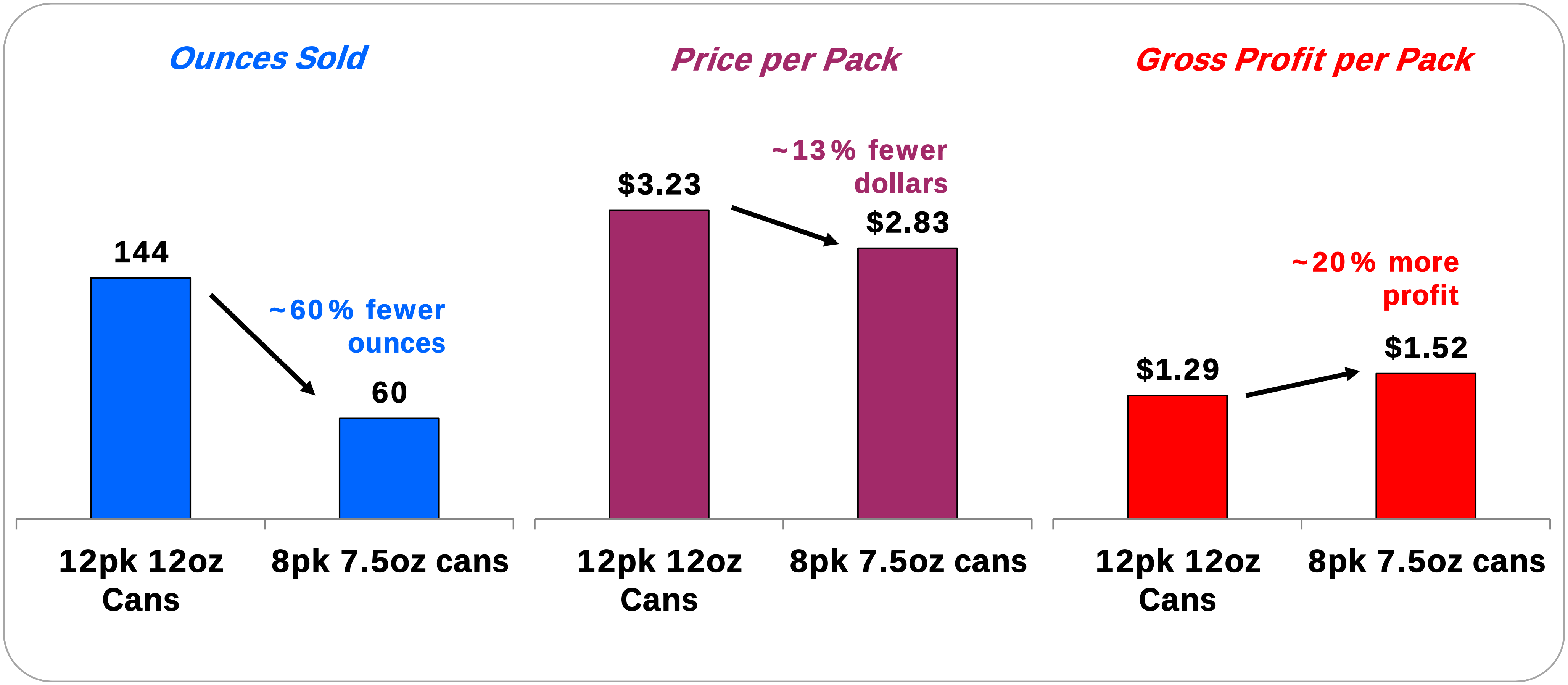
Beverage Package Types Growth

TYPE	2008 – 2013 CAGR (%)
Aseptic	-3.1%
Pouches	-1.6%
Paper	-2.5%
Glass	-1.4%
Plastic	2.6%
Cans	-1.5%
TOTAL	-0.1%

** Includes Milk, does not include Beer kegs*
Source: Beverage Marketing Corp. BMC Strategic Associates analysis

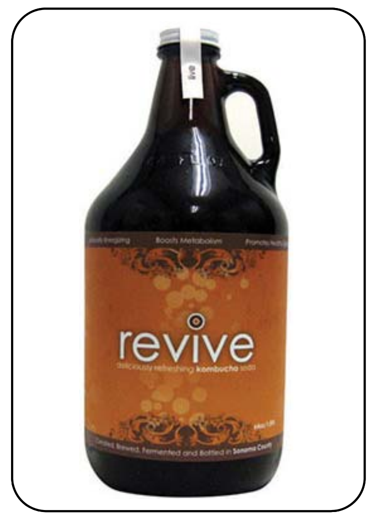
Recently, smaller CSD packages have entered the market, generally increasing gross profit per pack, but impacting volume

Multipack Volume, Revenue and Profit Comparison



Source: Beverage Marketing Corporation

Packaging innovation has gained in importance as the marketplace has gotten more crowded as a means to distinguish both categories and brands



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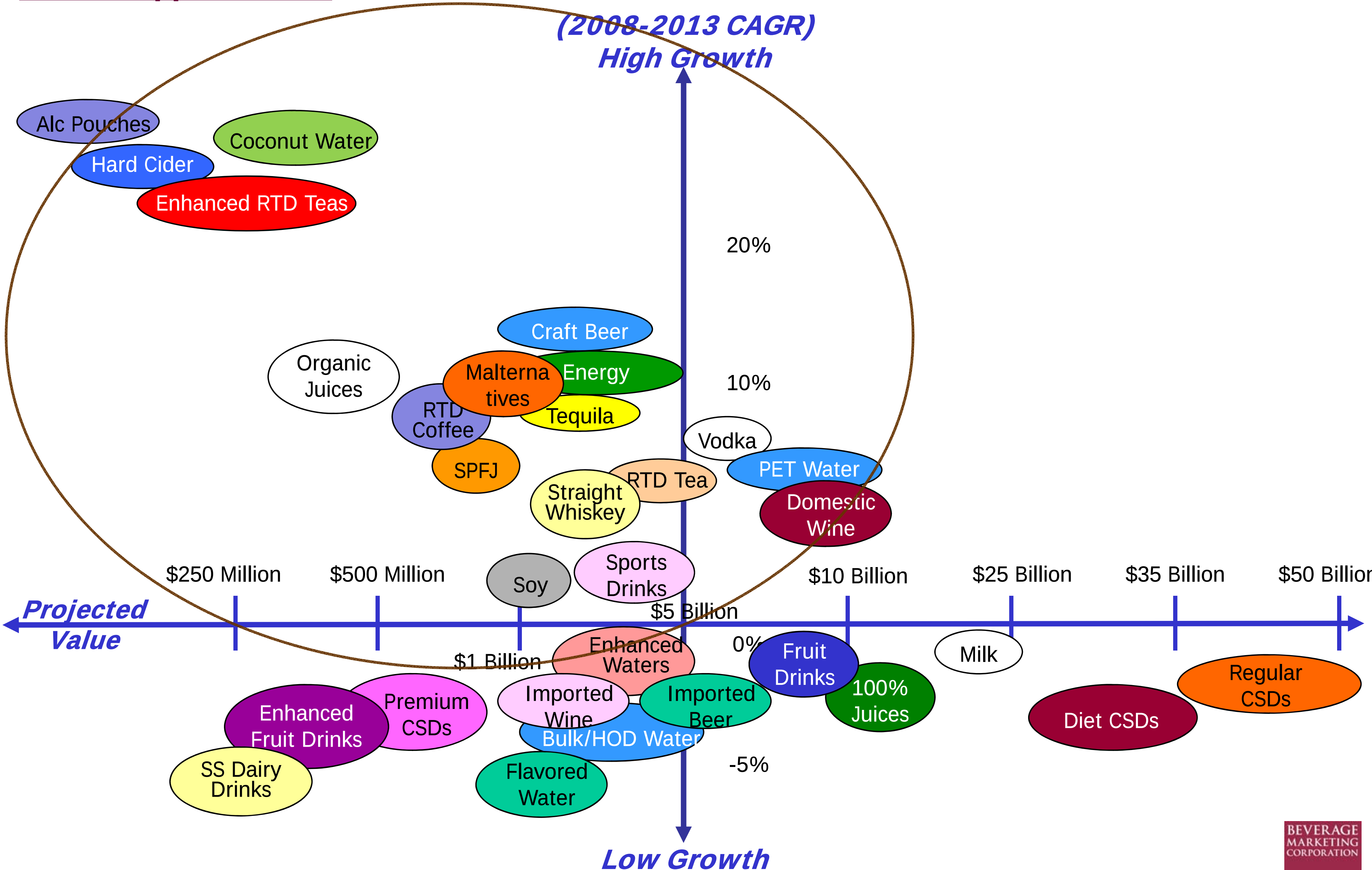
Brands often tend to be identified with a particular packaging material – often indicative of the package in which the brand was launched

Selected Beverage Brands by Lead Pack Type

Lead Format					
Glass	Red Stripe	Corona	Angel Natural Energy	Snapple	Jarritos
Aluminum	Pabst Blue Ribbon Beer	Modelo especial	Red Bull	AriZona	zevia Zero Calorie Soda
Plastic	Gatorade	Naked Juice	Glacéau vitaminwater	Tampico Fruit Punches	POM Wonderful
Hybrid	Coors Light	Heineken	Pepsi	Orangina	Fuze Healthy Infuzions

In the future, the marketplace will be characterized by numerous high-value, low relative volume opportunities



Among refreshment beverages, the strongest growth is projected for bottled water, sports beverages, energy drinks and RTD tea and coffees

- CSDs, milk and fruit beverages will need to innovate and provide healthier options to rekindle growth

U.S. Beverage Market Projections by Category 2014P – 2015p

	Share		Growth	
Categories	**2014P**	**2015p**	**13/14P**	**14P/15p**
Non-Alcoholic				
Carbonated Soft Drinks	33.1%	32.2%	-1.0%	-1.2%
Bottled Water	28.1%	29.3%	7.1%	5.6%
PET Water	18.8%	19.7%	8.5%	6.5%
Fruit Beverages	8.2%	7.9%	-2.8%	-2.3%
RTD Tea	4.1%	4.1%	2.6%	2.7%
Sports Beverages	3.7%	3.7%	3.5%	2.8%
Energy Drinks	1.5%	1.6%	6.8%	6.0%
Value-Added Water	1.1%	1.0%	-4.9%	-2.9%
RTD Coffee	0.2%	0.2%	8.0%	7.0%
Subtotal	**80.0%**	**80.1%**	**2.0%**	**1.6%**
Alcoholic				
Beer	16.6%	16.5%	0.4%	0.7%
Wine	2.1%	2.1%	2.2%	2.5%
Spirits	1.3%	1.3%	2.0%	2.0%
Subtotal	**20.0%**	**19.9%**	**0.7%**	**1.0%**
TOTAL	**100.0%**	**100.0%**	**1.8%**	**1.5%**

P: Preliminary; p:Projected
Source: Beverage Marketing Corporation

Thank You

Beverage Marketing Corporation

- **Strategic Associates**
- **Research**
- **Advisors**

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