

How To Build A Sustainable Craft Spirits Business For The Long Haul

Harry Kohlmann, PhD – Park Street, CEO

Dan Garrison – Garrison Brothers Distillery, Founder

Paul Hletko – FEW Spirits, Founder

Thomas Mooney – Westward Whiskey, Founder

American Craft Spirits Association Convention, February 2019





Panelist Background



**Harry Kohlmann, PhD
CEO**



**Dan Garrison,
Proprietor & Distiller**



**Paul Hletko,
Founder & Master Distiller**

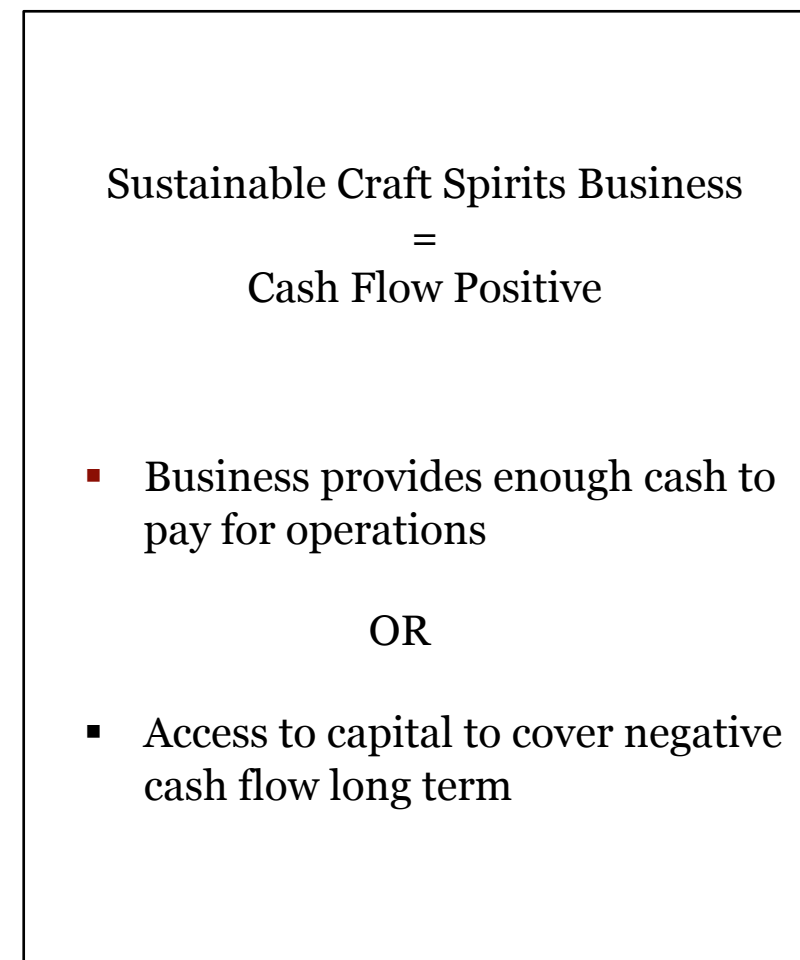
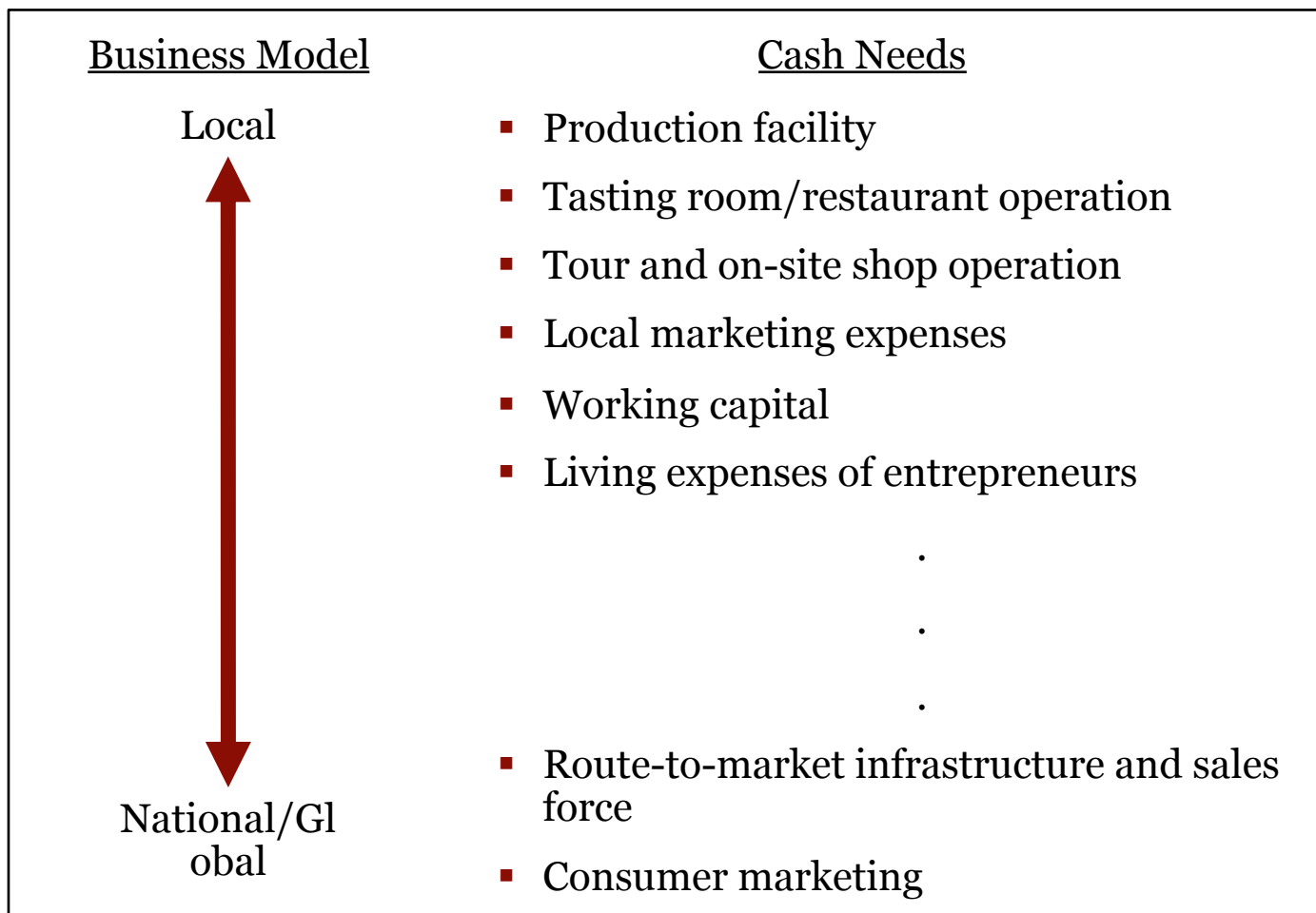


**Thomas Mooney,
Co-Owner & Founder**





What Is A Sustainable Craft Spirits Business?





**“Financing
growth
based on
cash flow is
possible
once the
distillery
opens.”**





“In order to have a successful consumer craft brand with widespread distribution, significant investment into route-to-market infrastructure will be required as well as consumer marketing investment.”





“The local business and the branded business are two distinct businesses that have two fundamentally different business models. You can run the local business without the branded business, but not the other way around.”





**“Authenticity
is the base of
every success
formula.”**





**“A tour and
a tasting
room will
make your
distillery
‘authentic’.”**





“High quality is a ‘must’ for a craft product to be successful, but quality alone doesn’t guarantee success as a consumer brand.”





**“Aim high
when setting
the initial
price points
as you’ll
never be
able to raise
prices.”**



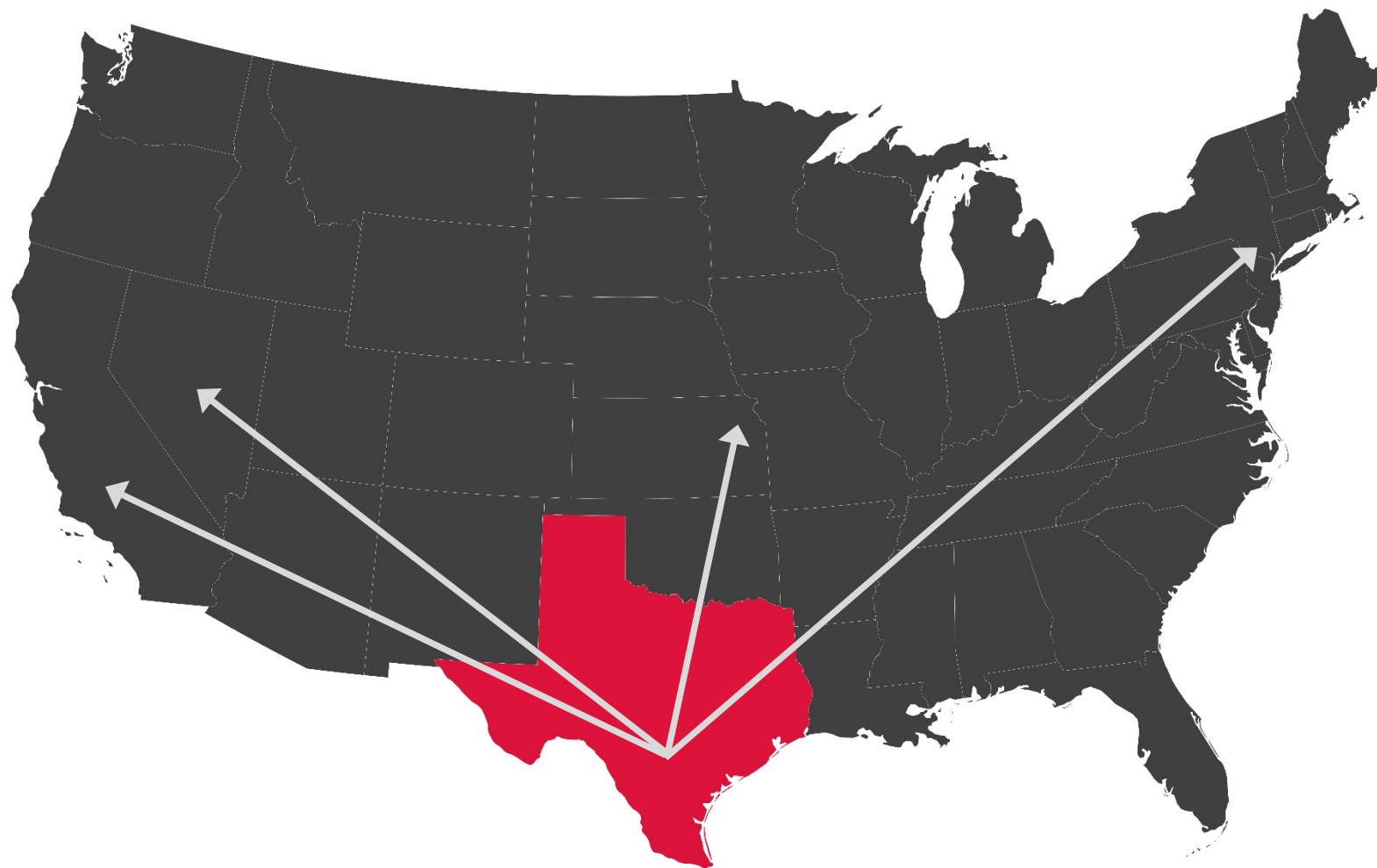


“You don’t need millions to be competitive on the consumer marketing side.”





“Win your home market first. Start with your neighborhood, then your city, then county, state, country and then start exploring the rest of the world.”





**“Prioritize
one product
category for
expansion
outside of
the home
market.”**





“The three tier system is helpful and you should not waste any time trying to fundamentally change it or get rid of it.”





“The largest distributor will drive the biggest growth.”





“Distributors are fulfillment houses. The selling has to be initiated by your own resources.”





“Support ACSA in their efforts to put craft distillers in a position at par with small wineries when it comes to direct shipping.”





**“Overnight
successes
happen.”**





**“Someone
might copy your
innovation so
you need to
blitz scale.”**





**“You need
to align
yourself
with a
strategic
partner in
order to
scale.”**



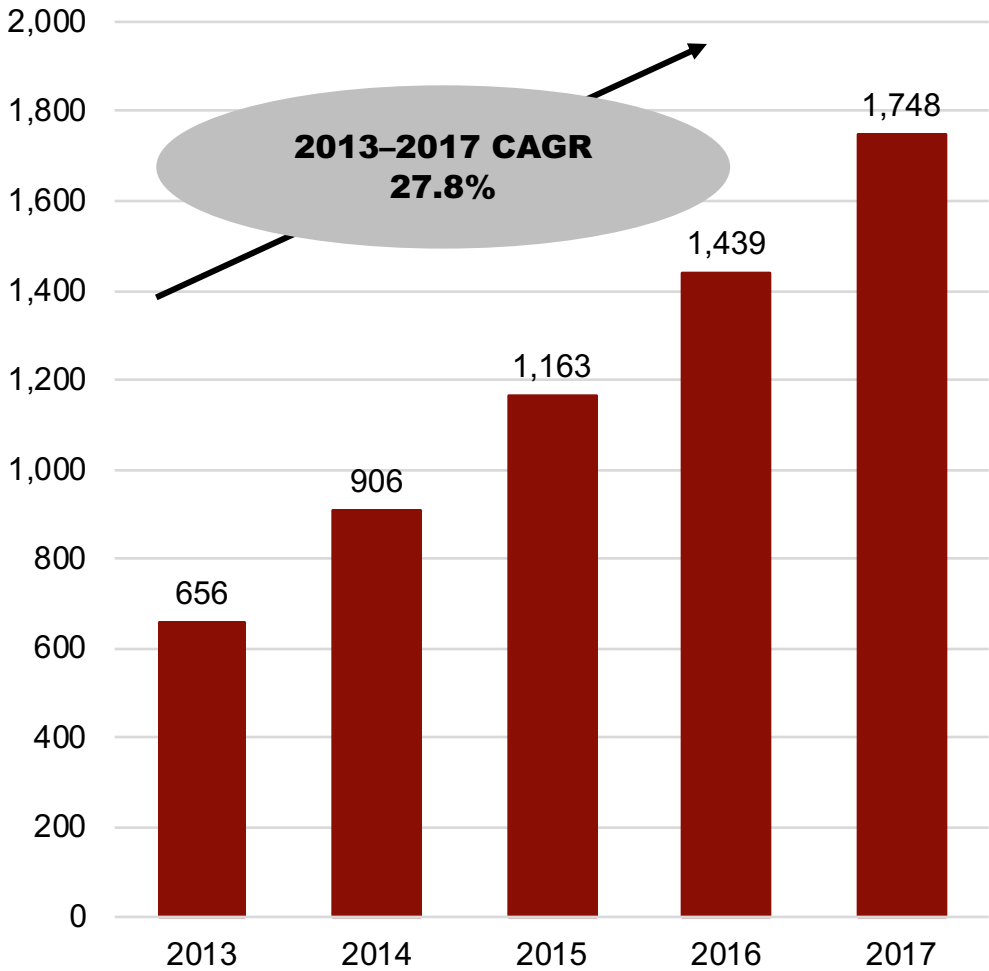


Questions?

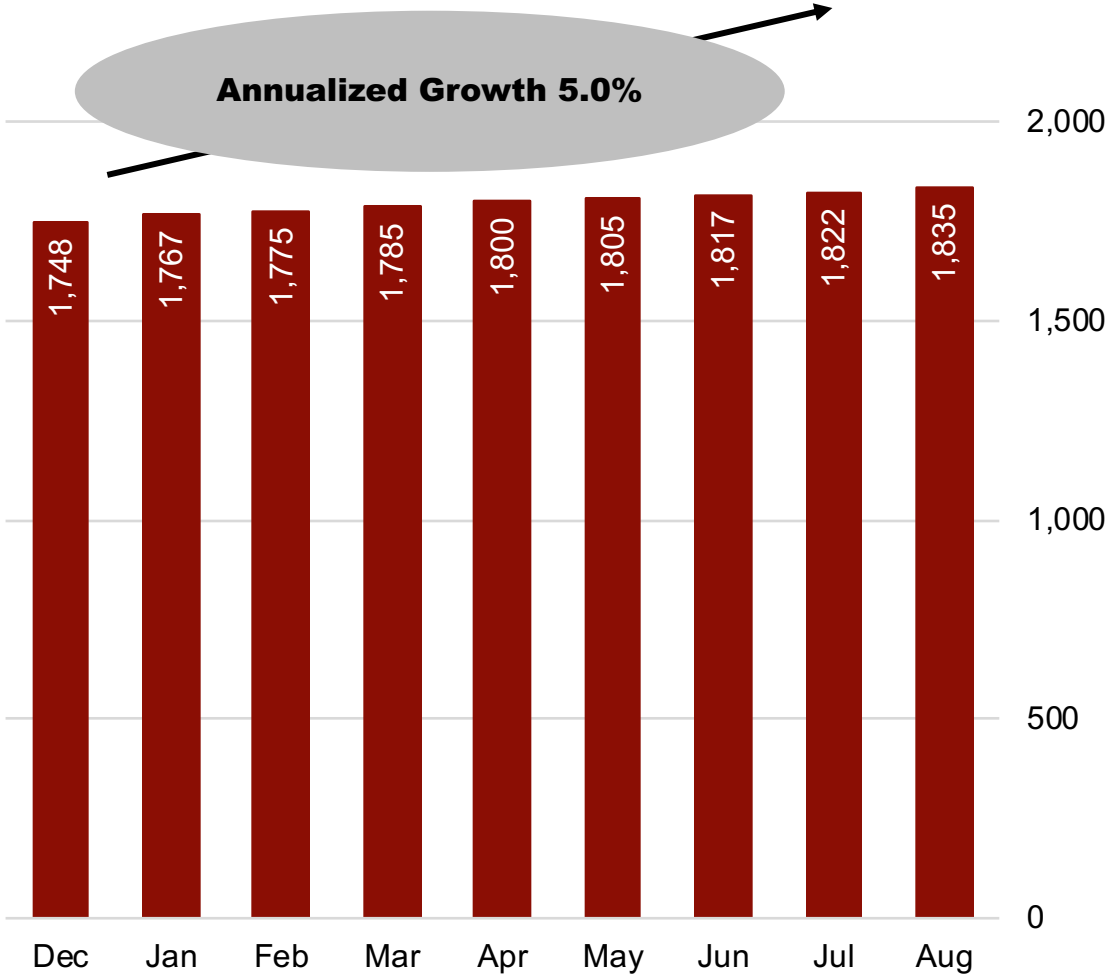


Number of Active Distillers Still Growing Rapidly

**Number of Craft Spirits Producers
2013 – 2017**



**Number of Craft Spirits Producers
December 2017 – August 2018**

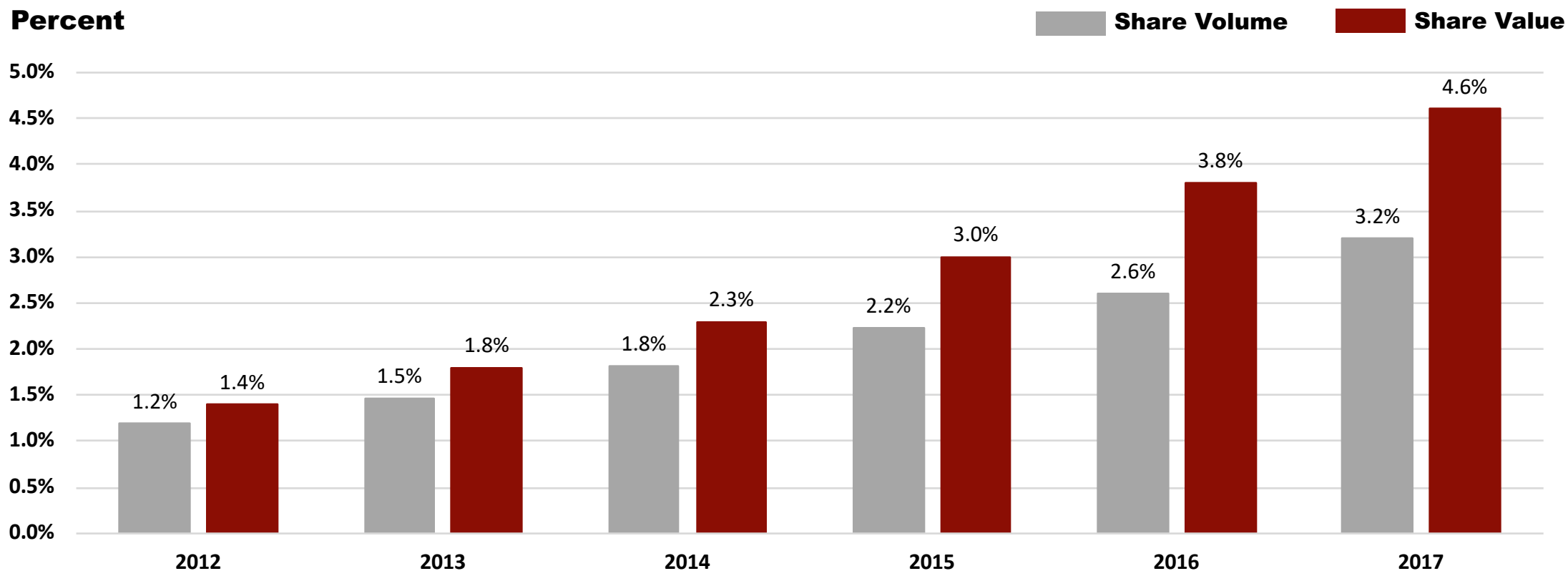


Source: 2018 Craft Spirits Data Project



Craft Spirits Market Share At 4.6% In Value And 3.2% In Volume

Craft Distiller Sales as a Share of Total U.S. Spirits Volume and Value



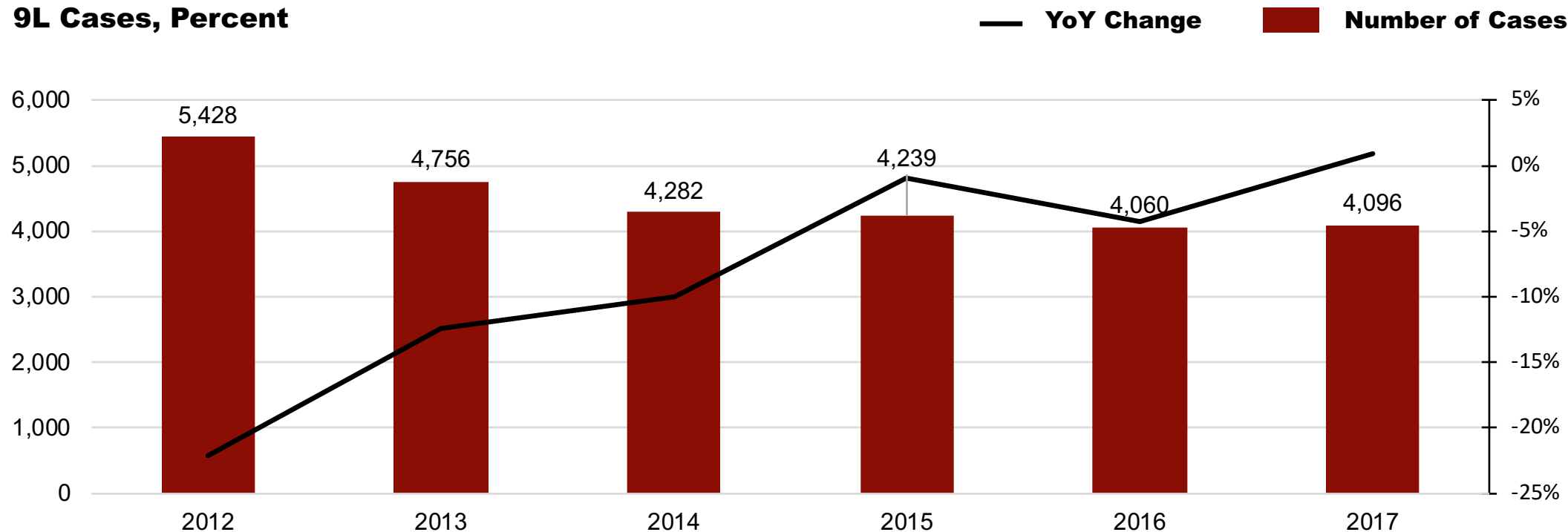
- U.S. craft currently has an estimated market share of 3.2% in cases, up from 1.2% in 2012
- U.S. craft is clearly a contributor to the trend towards premiumization in the U.S. market
- The U.S. craft market share in value is estimated at 4.6%, up from 1.4% in 2012



Inflection Point Has Been Reached - Average Volume Has Started To Increase

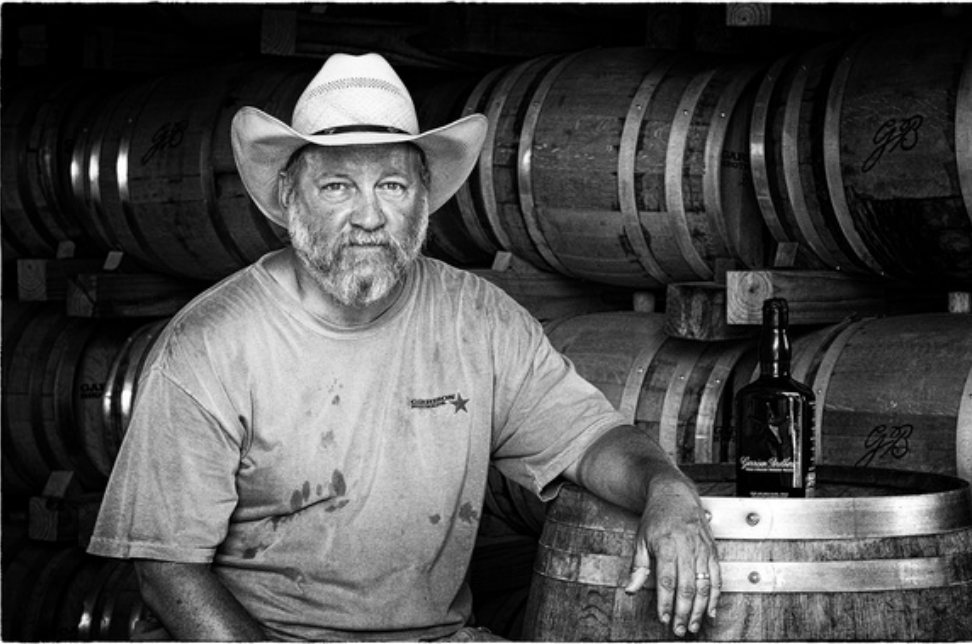
Number of Cases of Average U.S. Craft Distiller 2012 – 2017

9L Cases, Percent



- The market has reached an inflection point at which the volume growth outpaces the growth in number of distillers.
- The volume of the average U.S. craft distiller reached 4,096 cases in 2017, up 0.9% versus 2016.

Panelist Background & Information



Dan Garrison
Proprietor and Distiller,
Garrison Brothers Distillery

A lifetime lover of straight bourbon, Garrison was reading a newspaper story about “yet another Texas vodka.” He wondered aloud to his wife why anyone would make that crap when they could make Bourbon. She replied, “As much of that stuff as you drink, maybe you should. We’d probably save money.” Two weeks later, he was in Kentucky.

Thus began an entrepreneurial labor of love. After numerous trips to Kentucky to learn the craft from the best in the world, Garrison set up shop on his family’s farm and borrowed money from his curious bourbon-drinking friends.

Since then, eleven vintages of Garrison Brothers Texas Bourbon Whiskey have been released and each release has sold out in a matter of months. Garrison Brothers Cowboy Bourbon was twice named the American Micro Whiskey Of The Year in *Jim Murray’s Whiskey Bible* with an astounding score of 96.5.

Garrison is the founder of the The Trail Foundation and the Hye Appreciation Society. He also is a founder of the Texas Distilled Spirits Association and currently serves on the board of directors of the American Crafts Spirits Association.

Panelist Background & Information



Paul Hletko
Founder & Master Distiller,
FEW Spirits

A maverick for the ages, Paul Hletko wore many hats before launching FEW Spirits, but one thing has always remained consistent throughout — he loves to make new things. Whether that was making blueprints as an engineer, deals as a lawyer or music for his rock-n-roll band, at his core Paul is a creative and always wants to bring something to the table that hasn't been done before.

In 2011 Paul opened the FEW Distillery and since then has produced award winning spirits that are original, distinctive and playful. His love for the nuances & flavor of whiskey and his flexibility to innovate with gin have made them FEW's backbone products, but he continues to play around and innovate daily with limited expressions and new collaborations. In the future, Paul aspires to take FEW to an even bigger production facility where he and his team can continue to produce their liquid for enthusiasts around the world, while still remaining true to their craft roots. Recently, Paul was named the 2018 World Distiller of the Year in Gin Magazine's annual "Icons of Gin" feature.

Panelist Background & Information



Thomas Mooney
Co-Owner & Founder,
Westward American Single Malt
Whiskey

Thomas Mooney is a founder and the CEO of Westward American Single Malt whiskey, a leader of America's craft distilling resurgence and the largest craft distiller on the West Coast. In this role, Mooney oversees both the company's flagship brand, Westward American Single Malt whiskey and the other award-winning products produced at the distillery, including Volstead vodka and Casa Magdalena rum. Additionally, as the inaugural president of the ACSA and a longtime board member and advisor, Mooney is widely recognized as an authority on craft distilling.

Under his leadership, Mooney has guided the company through several key periods of growth, expansion and transition, previously as House Spirits Distillery, and more recently as Westward whiskey.

Mooney has spearheaded several expansion efforts to drive the distillery's ambitious growth plans and further solidify its position as a leading craft spirits producer. Under Mooney, House Spirits transformed its original flagship product, Aviation American Gin, from a beloved regional brand into the leading American craft gin before selling it to Davos Brands in 2017. Most recently, in September, 2018, Mooney secured a significant minority investment from Diageo through its Distill Ventures arm, which will fund the growth of Westward whiskey and enable the brand to realize its full potential.

Panelist Background & Information



**Harry Kohlmann, PhD
CEO,
Park Street**

Dr. Kohlmann is the founder and CEO of Park Street, a provider of productivity-enhancing and cost-saving back-office solutions, advisory services, working capital, compliance management, export solutions, integrated accounting, and human resources management solutions to more than 12,500 alcoholic beverage brands from the U.S. and around the world. The company's clients range from entrepreneurs to multi-brand global suppliers, and include craft distillers, centuries-old family businesses, award-winning wineries, innovation brands, and more.

Formerly, Dr. Kohlmann was a strategy consultant at McKinsey & Company where he worked extensively in the fast moving consumer goods sector in North America and Europe with a specialty in alcoholic beverages. Dr. Kohlmann holds an M.B.A. and PhD in Economics from Germany's University of Cologne. He is fluent in English and German.



About Park Street

Park Street: The Platform for Innovators



Park Street's Mission Statement

Park Street's mission is to help emerging and established alcoholic beverage companies build and manage successful businesses by providing innovative solutions and exceptional service.

The Park Street Advantage

Park Street invests heavily in technology-driven systems to streamline back office operations and provide clients performance-enhancing business management tools. Park Street was founded on the professional service standards of McKinsey & Company, and its talented people distinguish the firm through their responsiveness, accountability, and commitment to putting clients' interests first. Park Street offers a fully integrated solution across front- and back-office services, working capital investment, and advisory services. With more than seventy-five years of combined experience among its senior management team and expertise in operations, strategy, information technology, finance, and deal structuring and negotiation, Park Street is able to help clients overcome challenges, accelerate growth, and capitalize on opportunities.



Park Street Services (1 of 2)

Back-Office Services

- Park Street provides a cost-effective, turn-key solution to manage the thousands of complex details required to import (if applicable), transport, insure, warehouse, sell, and receive payment for alcoholic beverage products in the United States (U.S.) and European Union (EU) — all while maintaining compliance with federal and state (U.S.) and European Commission and individual country (EU) alcoholic beverage control laws and tax requirements.
- The three core benefits to Park Street's clients from the U.S. and around the globe are: (i) achieving cost effectiveness, (ii) enhancing operational performance, and (iii) focusing client resources on sales, marketing, and product innovation. With precision and transparency, Park Street manages the logistics, compliance, order fulfillment, data management, customer service, and accounting from the point the product is picked up at the producer until it is delivered to the customer and the customer invoice is paid. Park Street's operational infrastructure integrates seamlessly with production facilities in the U.S., EU, or anywhere in the world resulting in streamlined operations.

Distribution: Direct-to-retail

- In select U.S. markets (FL, NY, NJ, CA), clients can leverage Park Street's distribution network to sell imported and domestic product directly to retailers (restaurants, bars, liquor stores, etc.). This distribution model is attractive to both established and emerging brands. It allows established brands to lower cost by leveraging the wholesale clearing model and enables emerging brands to enter new markets quickly and inexpensively in order to demonstrate initial market traction (i.e., test market campaign) before moving on to a traditional distributor. Brand owners also utilize Park Street's distribution capabilities to sell additional products not supported by their traditional distributor (i.e., supplementary distribution).



Park Street Services (2 of 2)

Compliance Management

- Park Street offers a full suite of turn-key compliance set-up and management services in order to help U.S. and non-U.S. alcoholic beverage companies rapidly access U.S. and EU markets and operate in adherence with all applicable alcoholic beverage laws and regulations. The company's compliance set-up and management services provide an easy and cost-effective U.S. and EU solution which enables clients to avoid costly delays and penalties and remain focused on the core competencies which drive brand growth.

Working Capital & Trade Financing

- Park Street offers flexible working capital solutions which enable clients to capitalize on opportunities, meet seasonal liquidity demands, optimize production schedules, and more. Products include advance payments, credit facilities, overdraft privileges, and corporate guarantees. The underwriting process focuses on, among other factors, the quality and liquidity of the collateral/assets (e.g., creditworthiness of the distributor, payment history, inventory turnover rate), the financial and operational stability of the client, and the quality and track record of other relevant stakeholders (e.g., producers, suppliers).

Ancillary Services

- Park Street provides a range of ancillary services designed to help clients reduce costs, streamline operations, and/or accelerate growth and profitability. Some of these solutions are offered as value added services, while others are provided on a fee-for-service basis. Services include integrated accounting solutions (e.g., consolidated financial reporting, front-office accounts payable, expense management), advisory services (e.g., route-to-market, regulatory strategy, market insights, growth acceleration, dispute resolution, strategic partnerships, negotiation support, exit planning), trade show solutions (e.g., insights, managed set-ups, vendor qualification, site selection, POS materials), HR management solutions (e.g., employee benefit management, payroll, workers' compensation, employment documentation, HR dashboard), and more.

Export Solutions

- Park Street's export solutions enable suppliers to access markets beyond the U.S. and EU. For example, non-U.S. suppliers are able to utilize free trade zones at select U.S. ports to service regional and sub-regional markets (e.g., Mexico, Caribbean, Central America, South America). Services include, among others, warehousing, logistics management, regulatory compliance, order fulfillment, invoicing, and customer service.