



Acquisition of Forty Creek Distillery Ltd.

Investor presentation

12 March 2014



Strategic Rationale

Acquired Business

Key metrics

Conclusion



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Campari acquires high-end Canadian whisky Forty Creek



- > Gruppo Campari has reached an agreement to acquire **100% of Forty Creek Distillery Ltd. ('FCD')**, a leading independently owned spirits company in Canada, owner of a strong portfolio of brands including **whisky, vodka, brandy, rum and liqueurs**
- > **With its flagship whisky brand Forty Creek, FCD is the fastest growing player in the Canadian whisky category in Canada and well positioned in the US market to exploit the high potential offered by the Canadian whisky category**
- > This transaction marks the Group's first move into the growing and attractive Canadian whisky category with high-end premium products
- > **FCD operates as an integrated business** that produces and sells spirits and provides contract blending and packaging services for third parties, including Gruppo Campari's Appleton Estate rum for the Canadian market
- > The turnover of FCD has increased by **+76%** in the last five years, or **11.9% CAGR**: from CAD\$ 19.4 million in FY 2008 ⁽¹⁾ to **CAD\$ 34.1 million** in FY 2013 ⁽¹⁾
- > It has won 3-Time Canadian Whisky of the Year champion at the Canadian Whisky Awards (2010 -12) and recently captured **5 Golden medals** at the Beverage Testing Institute competition in Chicago (2014)

⁽¹⁾ Fiscal year ended 31 March



FCD Acquisition: Strategic Rationale

Strategic Rationale

- > **Enter the large and growing Canadian whiskey** segment with a leading, profitable and fast growing brand in North America
- > **Further premiumise Campari's brand portfolio**, driving **richer product mix**, effectively positioning itself to capitalize on the **revival of brown spirits**, particularly in the US
- > Exploit Campari's **existing route-to-market in the US to efficiently achieve revenue synergies and growth acceleration** and strengthen route-to-market in Canada by combining the two portfolios
- > **Internalise bottling activities in the Canadian market**

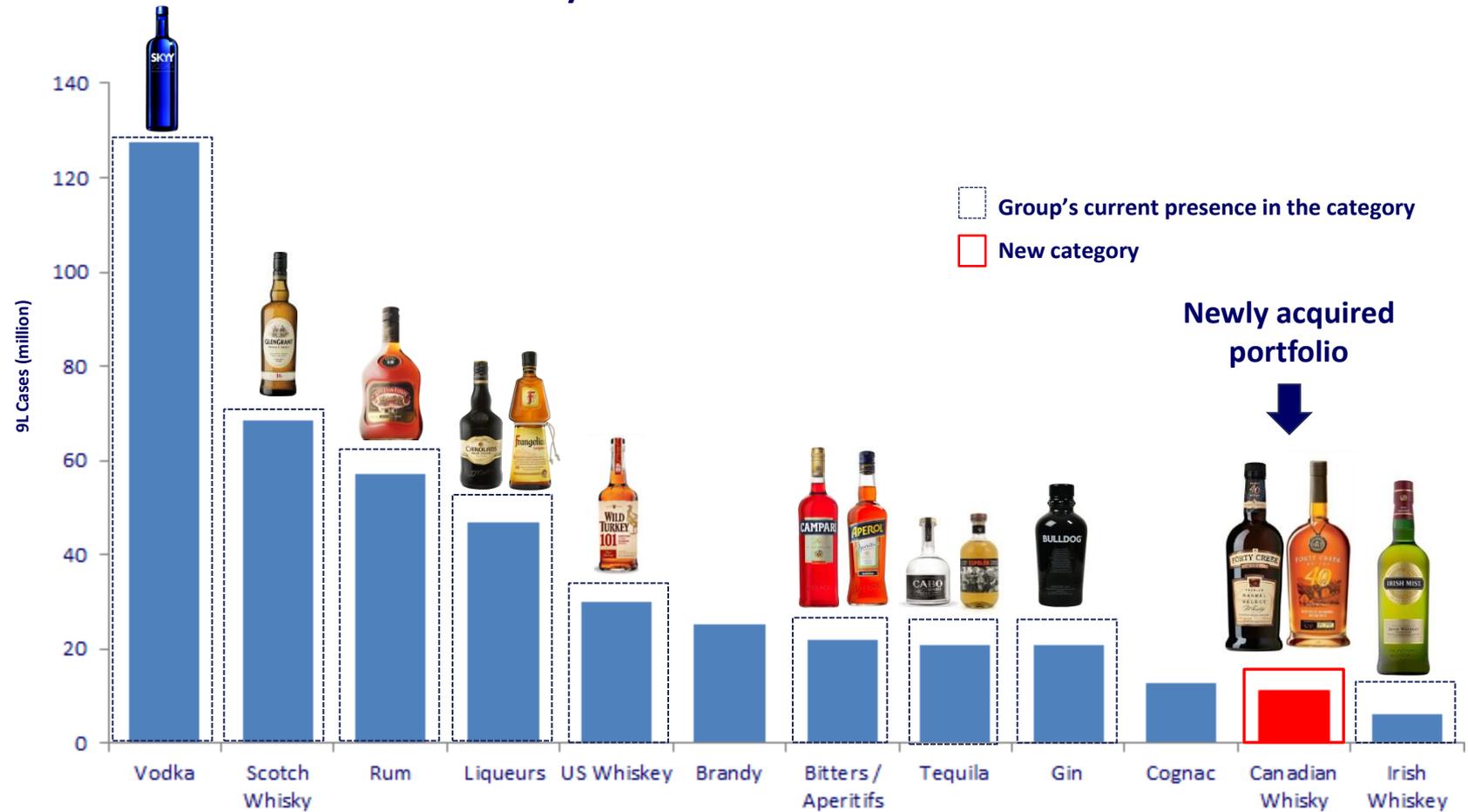


- > **FCD is an attractive and complementary addition to Campari's existing premium and ultra-premium spirits offering**, enabling the Group to **further build its critical mass in key North American markets**
- > The acquisition represents an **ideal fit with Campari's acquisition criteria in terms of type of brands** (hidden gems, fast growing and profitable brands) as well as provides a long term **opportunity to enhance Campari's premium portfolio** and **add critical mass in key North American markets**



Campari expands into a new growth category

Global premium brands⁽¹⁾ categories
by volume 2012



⁽¹⁾ IWSR selected quality: excl. low price and value brands



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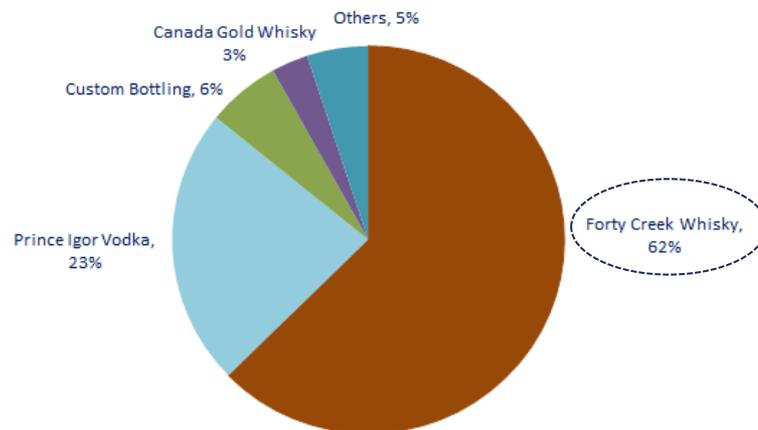


FCD Brand Portfolio Overview

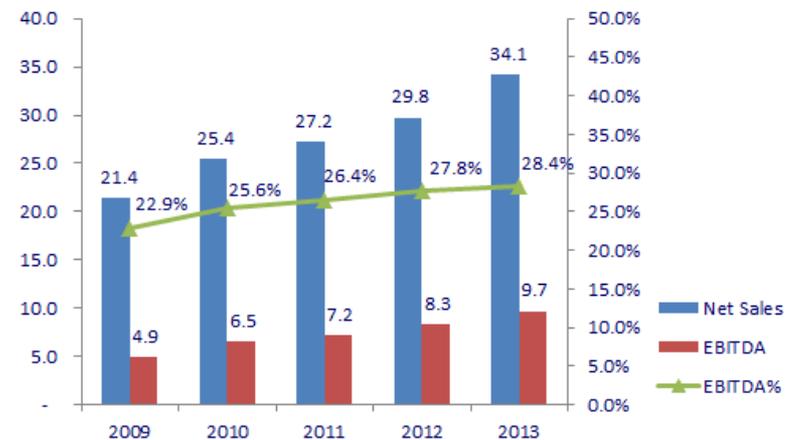


- > FCD has a strong portfolio of brands including **whisky, vodka, brandy, rum and liqueur**. **Whisky brand Forty Creek represents c.62% of the overall portfolio net sales in 2013⁽¹⁾** whilst vodka accounts for c.23%
- > From 2009⁽¹⁾ to 2013⁽¹⁾, FCD has **grown its net sales from CAD\$ 21.4 million to CAD\$ 34.1 million** with **EBITDA margin grown from 22.9% to 28.4%**
- > With its **flagship whisky brand Forty Creek**, FCD is a **top supplier in Canada** with an estimated market share of 7.4% in 2013 (LTM September 2013) and the **4th largest whisky supplier in Ontario**, FCD's core market, with an **estimated market share of 12.5%** (source: FCD)

2013⁽¹⁾ Net sales breakdown



Financials trend (2008A – 2013A⁽¹⁾)



⁽¹⁾ Fiscal year ending 31 March

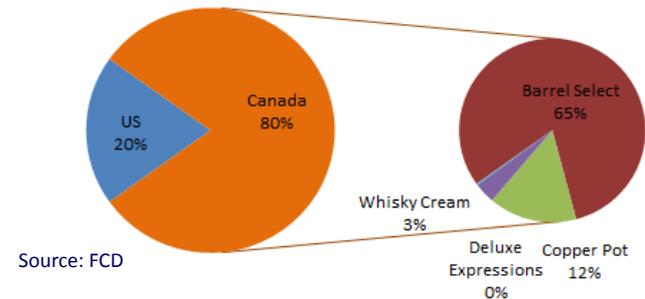
⁽¹⁾ Fiscal year ending 31 March



Forty Creek whisky portfolio



Forty Creek whisky portfolio volume split
(by geography and expressions, LTM Sep'13)



- > Forty Creek is positioned as a **high-end, handcrafted whisky brand**
- > The product range has been **successfully innovated** by introducing **new expressions** and **enhancing the brand's versatility**. As a result, Forty Creek whisky has effectively **attracted consumers beginning to turn to brown spirits and looking for a richer taste**
- > The brand family includes:
 - **Barrel Select**
 - **Copper Pot**
 - **Forty Creek Cream whisky**
 - **Reserve & Limited Editions (Deluxe Expressions)**

Brand Attributes

Canadian Best Tasting Gold Medal Winner Approachable Modern Small Batch Craft-Distilled
Hand-Crafted Local Friendly
 Rated Number One
Big Time Smooth New

TGIF
 Thank God It's Forty!



Forty Creek whisky portfolio (cont'd)

Barrel select



- > It is the **core of the brand family, a top selling Canadian whisky** and the **fastest growing brand in the category (+12% in Canada, LTM Sept 2013)**
- > In its home market, Ontario, it is the **4th largest Canadian whisky brand** and the **fastest growing brand** (10% in Ontario, LTM Sept 2013)
- > **Highly appealing liquid**
- > **Strategically priced within the middle of the premium price tier.** This pricing highlights and supports Barrel Select's high quality, yet affordable brand positioning
- > **Consistently received Gold Medals at the Beverage Testing Institute, Chicago, from 2010 - 2013; won Gold medals at both Beverage Testing Institute competition in Chicago 2014 and Wizards of Whisky Awards 2014**

Copper Pot



- > Positioned at a **higher premium price**
- > Rye forward whisky, delivering a spicy, bold and rich taste experience
- > **Gold medal at both Beverage Testing Institute competition in Chicago 2014**

Whisky Cream



- > **Category innovator** with the recent launch of the first ever Canadian Whisky based cream liquor
- > **Won cream whisky of the year and Gold Medal of Canadian Whisky Awards 2012**

Deluxe Expressions



High-end, limited releases, including **Forty Creek Confederation Oak, Double Barrel** and an **annual special John K. Hall Reserve release**; deluxe priced reflecting their excellent quality and limited availability

Gold medals at *Beverage Testing Institute competition in Chicago 2014*

Source: FCD



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FCD Igor Vodka & Regional Brands



Igor Vodka

- > Consists of **Prince Igor Premium** and **Prince Igor Extreme**
- > Prince Igor Premium is the core brand, and is positioned **within the standard price range**. **Prince Igor Extreme** was developed as an opportunity to extend brand presence into the **premium price category**
- > Prince Igor is a leading selling vodka in Canada. **In Ontario (c.62% of the brand sales), it's the 4th largest selling vodka**

Regional Brands

Include a portfolio of **regional brands which are sold in Ontario only**. In particular, they include:

- > **Small Cask Brandy**
- > **Canada Gold Whisky**

Source: FCD

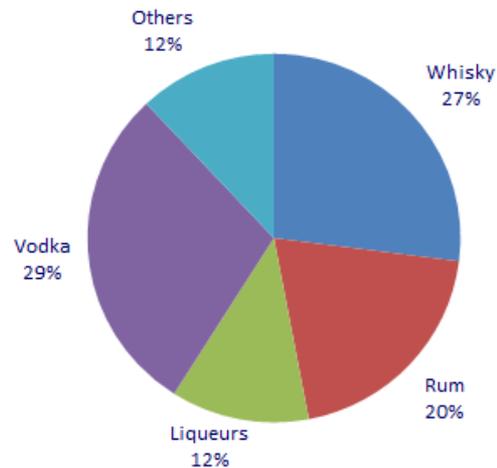


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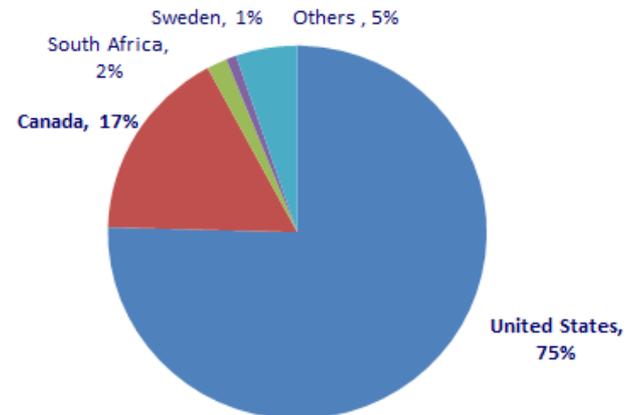
Global market for Canadian whisky category

- > The Canadian spirit market now represents c.**17.5 million cases annually**. Whisky has a 27% share of the spirit business in Canada. **The premium and deluxe price tiers represent c.72% of the spirit sales** in Canada. **Ontario is the largest spirit market**, commanding almost **40%** of all spirits sold in Canada
- > Worldwide, the **overall market size for Canadian whisky in 2012 was c.20 million cases** (c.6% of total whisky category)
- > Geographically, the **US is by far the biggest market for Canadian whisky**. It represents c.**75%** of the overall Canadian whisky volume in 2012. The second biggest market for the Canadian whisky category is Canada accounting for c.17%

Canadian spirit market by category



Canadian whisky volume by country



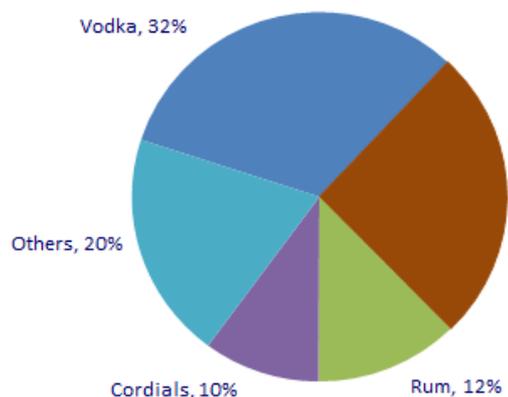
Source: IWSR 2012



Canadian whisky category - A focus on US Market

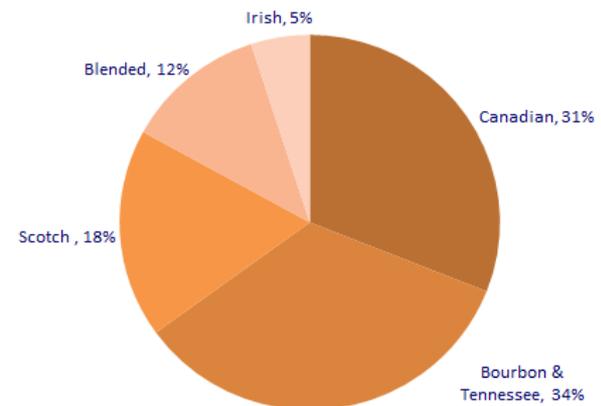
- > In the US, **whisky is the second largest selling spirit behind vodka** with 52 million 9L cases in 2013
- > Within the whisky category, the **Canadian whisky has 31% of the volume share**, slightly behind Bourbon. Overall, **Canadian whisky commands c. 8% share of the US spirit market**
- > **US is the largest market worldwide for Canadian whisky** with c. **16.5 million 9L cases** in 2013 (source: Discus 2013)
- > In the recent years, a **whisky revival has occurred in the US**: consumers increasingly interested in brown spirits and looking for a richer taste experience
- > The whisky category growth is driven by the **increasing attractiveness of premium and high-end priced whiskies** as well as **strong and growing consumer interest in handcrafted expressions**

US spirit volume breakdown (2013)



Breakdown

US whisky volume breakdown (2013)



Source: Discus 2013

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Slide 12

FCD acquisition

The US opportunity for Forty Creek whisky

- > In the past year, **Canadian whisky** had a volume growth of +2.9% and **value growth of +6.1%, with solid contribution from pricing**
- > The **high-end spirit price segment in the US experienced tremendous growth** from 2012 to 2013. For Canadian whisky specifically, the **high-end premium** and **super premium** segments had value growth of **+62.8% and +9.1%** respectively in 2013 vs. 2012
- > In most US markets, Forty Creek whisky is positioned as **super premium, priced at c.50% premium compared with the market average**
- > Today the US market accounts for c.20% of **Forty Creek whisky sales**



- > The **US market, the largest for Canadian whisky and fast growing in the premium and super premium category** as well is showing **strong interest in handcrafted whiskies**, is a **solid growth opportunity**
- > Forty Creek whisky portfolio is **perfectly positioned to meet the demands of this consumer group as a high-end, handcrafted whisky brand**

Source: Discus/ Nielsen



Manufacturing & Hospitality Center

Distillery Location

- > The distillery is **conveniently located in the town of Grimsby, Ontario, Canada**. It's 75 km from Toronto and a 30 minute drive to the main US border accessing the North Eastern United States

Manufacturing Facilities

- > FCD has a modern 175,000 sq. ft. facility including fermentation, distilling, barrel aging cellars, blending, refrigeration, freezer tank storage, cold room, filtering, bottling, climate controlled warehousing and laboratory services

Hospitality Center

- > The distillery holds a hospitality center, which includes a retail store and tour seminars. There are overall 100,000 visitors to Forty Creek Distillery each year



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FCD key financials

- > 2008A-2013A ⁽¹⁾ CAGR sales value **+11.9%**
- > LE 2014 ⁽¹⁾ Sales of **CAD\$ 39.5 million** (+ **15.6%** growth vs. 2013A ⁽¹⁾)

Deal structure

- > Total purchase price for **100% of FCD is CAD\$ 185.6 million (€ 120.5 million at the current exchange rate) on cash and debt free basis**
- > Consideration **paid for in cash**
- > Closing expected on 2 June 2014

Deal valuation

- > **EBITDA multiple of 14.5 x in 2014 LE ⁽¹⁾, excluding synergies generated by incremental business to be achieved by Gruppo Campari in US and Canada as well as the benefits of the internalisation of key activities in the Canadian market**

⁽¹⁾ Fiscal year ending 31 March



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Looking into the future, thanks to the acquired whisky portfolio of FCD, **Gruppo Campari is well positioned to:**

Short term...

- > Develop the acquired portfolio in **its core markets** (Canada and US), successfully exploiting the brands' **high-end** and **handcrafted** attributes within the **growing** and **premiumising Canadian whisky category**
- > Continue to **efficiently leverage Campari's strong route-to-market in the US**
- > **Internalise bottling activities in the Canadian market**

...Long term

- > Further **premiumise Campari's brand portfolio**, driving richer product mix, **effectively exploiting the revival of brown spirits, particularly in the US**
- > **Grow the acquired portfolio beyond its core markets by leveraging the international appeal of the Canadian whisky category, coupled with Gruppo Campari's strengthened distribution capabilities**





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