Investment opportunities in the New Zealand Alcoholic Spirits industry

Part of the Food & Beverage Information Project

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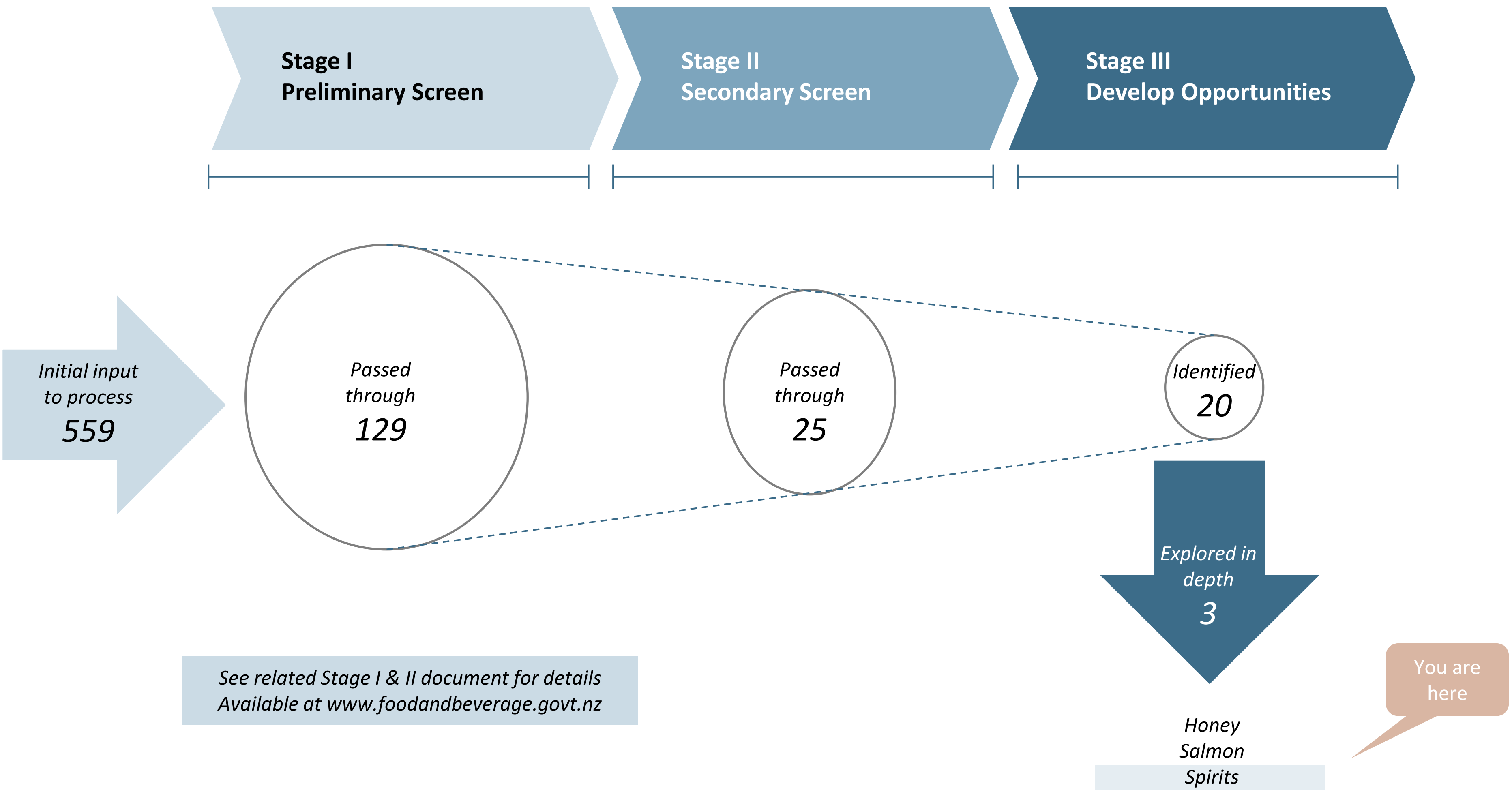
STAGE III

This document represents the third stage of a wider industry screen designed to identify, develop & highlight emerging growth opportunities in New Zealand food and beverage exports for potential investors and other interested parties



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GLOSSARY OF TERMS

This report uses the following acronyms and abbreviations

ANZSIC	AU/NZ Standard Industry Classification
b	Billion
CAGR	Compound Annual Growth Rate
e	Estimate
f	Forecast
FOB	Free on Board
FT	Full time
HS Codes	Harmonised System Codes for commodity classifications
m	Million
n/a	Not available/not applicable
NZ	New Zealand
NZ$/NZD	New Zealand dollar
PT	Part time
S.H./N.H.	Southern/Northern Hemisphere
SKU	Stock Keeping Unit
T/O	Turnover
t	Tonne
US/USA	United States of America
US$/USD	United States dollar
UK	United Kingdom

METHODOLOGY & DATA SOURCES

Data was from a variety of sources, and has a number of identified limitations

- This report uses a range of information sources, both qualitative and quantitative.

- The numbers in this report come from multiple sources. While we believe the data are directionally correct, we recognise the limitations in what information is available.
  - In many cases different data sources disagree (e.g. Statistics New Zealand vs. FAO* vs. UN Comtrade).
  - Many data sources incorporate estimates of industry experts.
  - As one example, in many cases, the value and/or volume recorded as exported by one country does not match the amount recorded as being received as imports by the counterparty [for understood reasons].

- In addition, in some places, we have made our own clearly noted estimates.

- Coriolis has not been asked to independently verify or audit the information or material provided to it by or on behalf of the Client or any of the data sources used in the project.
  - The information contained in the report and any commentary has been compiled from information and material supplied by third party sources and publicly available information which may (in part) be inaccurate or incomplete.
  - Coriolis makes no representation, warranty or guarantee, whether express or implied, as to the quality, accuracy, reliability, currency or completeness of the information provided in the report.

- All trade data analysed in all sections of the F&B Information project are calculated and displayed in US$ (other than a few places where detailed data is not available). This is done for a range of reasons:
  1. It is the currency most used in international trade
  2. It allows for cross country comparisons (e.g. vs. Denmark)
  3. It removes the impact of NZD exchange rate variability
  4. It is more comprehensible to non-NZ audiences (e.g. foreign investors)
  5. It is the currency in which the United Nations collects and tabulates global trade data

- The opinions expressed in this report represent those of the industry participants interviewed and the authors. These do not necessarily represent those of Coriolis Limited or the New Zealand Government.

- If you have any questions about the methodology, sources or accuracy of any part of this report, please contact Tim Morris, the report's lead author at Coriolis, on +64 9 623 1848

* Food and Agriculture Organisation of the United Nations

SUMMARY – THE SPIRITS OPPORTUNITY

The spirits industry, while still in its infancy, appears to have a bright future

Overview

- Spirits is a US$47m export industry. Exports have been growing at a compound rate of 10% per year for the past decade. Key markets are Australia and the Pacific Islands (36%), North America (31%) and developed Asia (31%).
- The success of the New Zealand wine industry over the past 20 years – growing from almost nothing to a billion dollar industry and becoming a highly respected producer of super premium wines has opened the door for the growth of NZ spirit exports.
- Prior to 2000 there were a wide range of small spirit ventures, producing small scale niche spirits for the domestic market. At the same time Independent Liquor launched RTD* spirit beverages primarily for domestic consumption and export to Australia. Everything changed with the launch, rapid growth and financial success of 42 Below which created global awareness of NZ as a super-premium spirits provider. In the wake of 42 Below a large number of new firms have entered the industry with a wide range of products and brands.
- The experience of other peer group countries – with strong parallels with NZ – suggest the NZ spirits industry is still at the early phase of its growth cycle. We expect continued growth for the foreseeable future.

Drivers

1. NZ has a massive, globally competitive dairy industry which produces as a by-product, very high quality whey alcohol. The alcohol is used as a base alcohol by many NZ and international spirit producers.
2. Spirit advertising strongly leverages country environment and identity (e.g. Finland and vodka). NZ is well positioned in key markets as a trusted, premium producer of safe foods in a natural environment.
3. The industry is thriving with a good mix of large players and new entrants. Significant innovation is occurring across products, packaging and marketing.
4. Similar to wine (but unlike, say, razor blades) spirit retailers and consumers globally welcome new products and constant innovation.
5. The success of NZ spirits in the international market is being driven in part by the use of NZ unique or signature flavours, examples include manuka honey, feijoa, tamarillo, kawakawa and kiwifruit. These flavours provide a defensible position for NZ spirits.

Opportunities

- NZ spirits is in the early phases of its growth cycle. The handful of large firms that exist are already controlled by global multi-nationals
  - Independent Liquor (Asahi; listed Japan)
  - Lion (Kirin; listed Japan)
  - DB Breweries (Heineken; Dutch; F&N; Singapore)
  - 42 Below (Bacardi; Bermuda)
- Given this ownership, and the fact that many of these firms have only changed hands in the last 5 years, appears to limit opportunity for new participants in the larger end of the industry.
- However, beyond this top 4, there is a large and growing group of small-to-medium sized spirits firms. Most of these firms would welcome investment due to the capital intensive and cash flow negative nature of being an export driven growth company in the spirits industry.
- Due to its current infancy, there are still a wide range of opportunities for new startups in the NZ spirits industry. The industry is currently akin to the NZ wine industry circa 1970, perhaps on the cusp of a huge explosion of new products, new flavours and new producers.
- The two largest spirit exporters in the world are the UK and France. NZ has demonstrated capability to compete successfully with producers in these countries.

* Ready to Drink

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TYPES OF ALCOHOLIC BEVERAGES

Spirits are one of three types of alcoholic beverages

Comparison of three major classifications of alcoholic beverages
(2011)

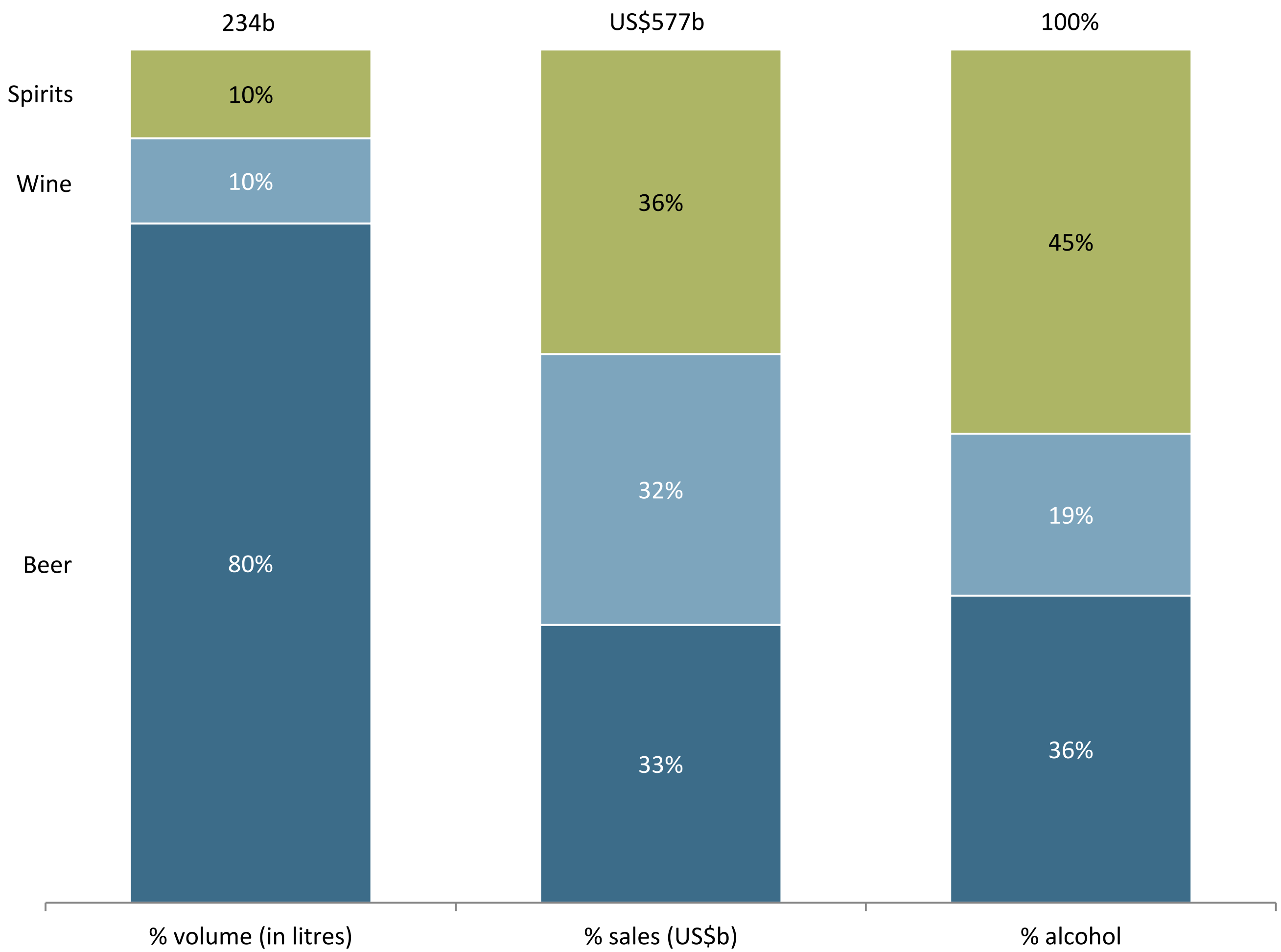
Product	Made from	Typical % alcohol	What is it?	Origin	Examples
Beer	- Malted cereal grains (wheat, barley, corn, others) - Hops - Yeast - Water	4-6% (1-20%)	- Crushed grains fermented with yeast - Hops typically added as a preservative/flavour	- Fermented beverages: Mesopotamia ~3,500BC - Modern beer: Germany 1500AD	- Stout - Porter - Lager - Pale Ale - Pilsener
Wine	- Grapes [and other fruit] - Yeast	~13%	- Grape juice fermented using yeast	- Georgia/Middle East: ~6,000BC	- Pinot noir - Chardonnay - Cabernet sauvignon - Gamay - Merlot - Champagne
Spirits	- Carbohydrate containing substance (e.g. sugar) - Yeast - Water	~20-40%	- Anything containing any form of sugar fermented with yeast - Result is then distilled to purify and increase alcohol content	- Distillation invented by Greeks in Egypt in 200AD - Spread to Europe via Arabs	- Vodka - Whisk(e)y - Brandy - Rum - Gin - Tequila

COMPARISON ACROSS ALCOHOLIC BEVERAGES

Spirits account for 10% of global alcoholic beverage volume, 36% of global sales and 45% of global pure alcohol consumption

Comparison of global alcoholic beverages across three metrics

(2010 or as available)



Source: Coriolis from multiple sources

TYPES OF ALCOHOLIC BEVERAGES

The three main alcoholic beverages have different industry characteristics; spirits is somewhat more consolidated than wine but much less consolidated than beer

Comparison of three major classifications of alcoholic beverages
(2011)

Product	Global volume	Global sales	Industry structure	Share of top 10 firms	Top global firms	Key firms in New Zealand
Beer	1,864*mhls*	US$188b (2010)	- Several dominant multinational companies - Many thousands of smaller producers	61%	- Anheuser-Busch InBev (Brazil) 343*mhls* - Heineken/FEMSA (Dutch) 161*mhls* - SABMiller (UK) 159*mhls* - Carlsberg (Denmark) 102*mhls* - China Resource Brew. (China) 93*mhls* - Tsingtao (China) 67*mhls* - Modelo (Mexico) [50% ABIB] 53*mhls* - Beijing Yanjing (China) 49*mhls* - Molson Coors (Canada) 47*mhls* - Kirin (Japan) 30*mhls*	- Heineken (DB Breweries) - Kirin (Lion) - Asahi (Independent) - *Numerous smaller*
Wine	2.6b cases (9l) 31.5b bottles (2009)	US$183.1b (2009)	- Some large firms - However highly fragmented globally	13%	- Constellation Brands (USA) $4.1b (11) - E&J Gallo (USA) - The Wine Group (USA) - GCF Group (France) €700m (08) - Pernod Ricard (France) - LVMH (France)	- Pernod Ricard (Montana) - Delegats (NZ Listed) - Kirin (Lion) - Constellation (Nobilo) - Villa Maria (NZ private) - Treasury Wine (Aust.) - *Numerous smaller*
Spirits	2.7b cases (9l) (2009)	US$205.9b (2009)	- Some large firms focused on key global brands - Many smaller producers	26%	- Diageo (UK) £13b (10) - Pernod Ricard (France) €7.6b (11) - Bacardi (Bermuda) US$5.5b - Brown-Forman (USA) US$3.4b - Beam Inc. (USA) US$2.7b - LVMH (France) €2.7b (alcohol) - ThaiBev (Thailand) - Belvédère Group (France) €1.2b - William Grant (UK) £838m - Campari Group (Italy) €1.1b	- Asahi (Independent) - Bacardi (42 Below) - *Numerous smaller*

TYPES OF SPIRITS

Spirits themselves can be broken down into multiple major types of product

Classification of major types of spirits
(2011)

Product	What is it?	Example brands
Vodka Aquavit Okovita	Fermented grain or potatoes Distilled Often with added flavours	Moskovskaya Smirnoff Aalborg
Baijiu	Fermented grains or rice; distilled	Maotai
Whisk(e)y	Fermented barley and other grains Distilled	Johnnie Walker Jack Daniels
Brandy Cognac Pisco	Distilled wine	Hennessy Remy Martin Courvoisier
Fruit Brandy Eau de vie Rakia Schnapps[1]	Fermented fruit Distilled	Pascal
Rum/Tafia Cachaça	Fermented molasses or sugar cane Distilled	Bacardi Captain Morgan
Gin	Ethyl alcohol flavoured by Juniper berries and other botanical ingredients	Gordons Beefeater Tanqueray
Tequila Mescal	Fermented heart of agave plant Distilled	Jose Cuervo Sauza
Soju Shochu	Fermented rice Distilled	Haamonii
Liqueurs	*Alcohol plus flavour & sugar* *See next table*	

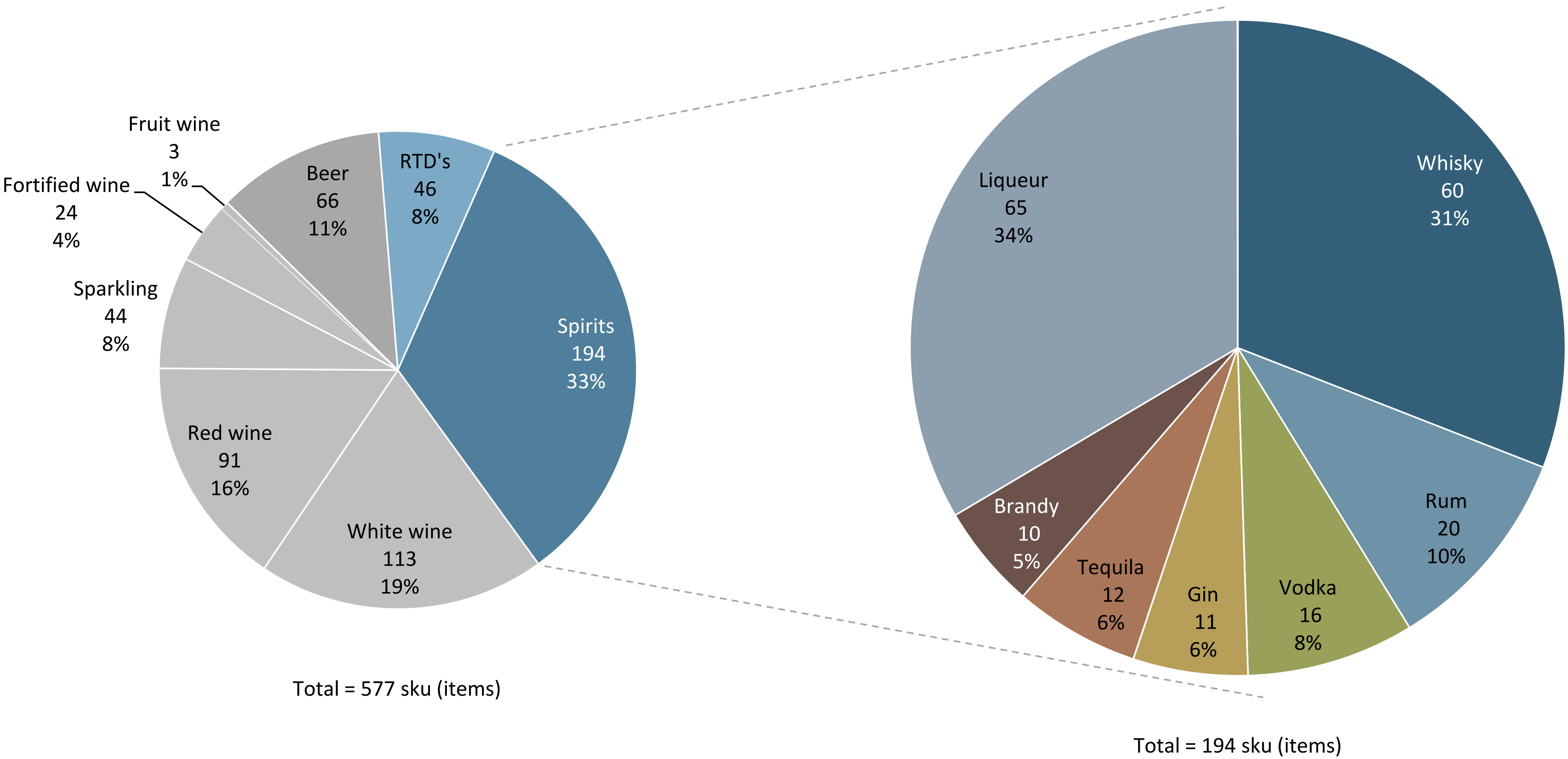
Key flavour	Product names/types	Example brands
Anise	Ouzo Arak Absinthe Pastis Sambuca Others	Yeni Raki Metaxa Ouzo Grand Absinthe Pernod Pastis
Coffee		Kahlua Tia Maria
Cream		Baileys Irish Cream
Fruit	Citrus/Triple Sec Berries Plum (Sloe gin)	Cointreau Grand Marnier Chambord Midori PAMA Southern Comfort
Honey		Drambuie
Nuts	Amaretto	Frangelico
Others (e.g. herbs)		Galliano Goldschläger Chartreuse Benedictine

Note: simplified summary; many more products and definitions exist, some overlapping; 1. Note: American schnapps are liqueurs; Source: Coriolis

RANGE BY PRODUCT CATEGORY

Spirits account for about a third of the range of the typical smaller liquor store; spirits range is spread across multiple varieties proportional to sales or profits

EXAMPLE: Number of items in total alcohol range on Liquor King New Zealand website
(# of SKU[1]; 2/2012)

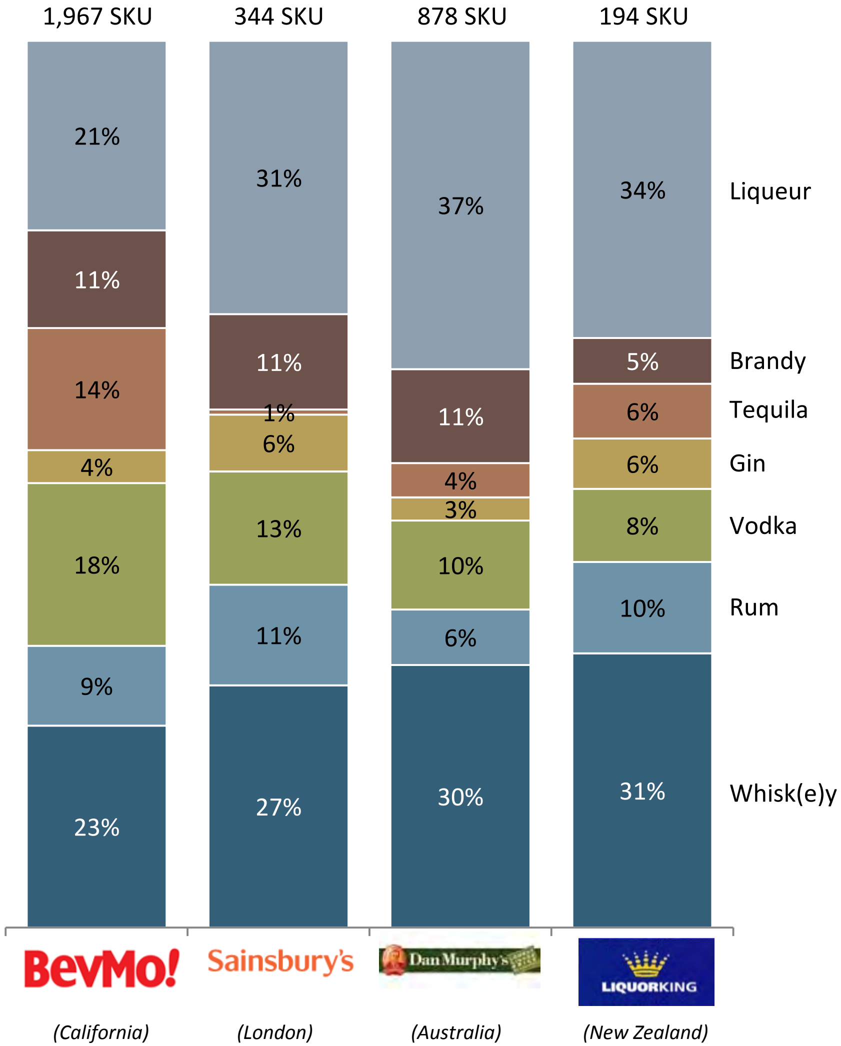


1. SKU = Stock Keeping Units (i.e. different barcodes); Source: Liquor King online Feb 2012; Coriolis analysis

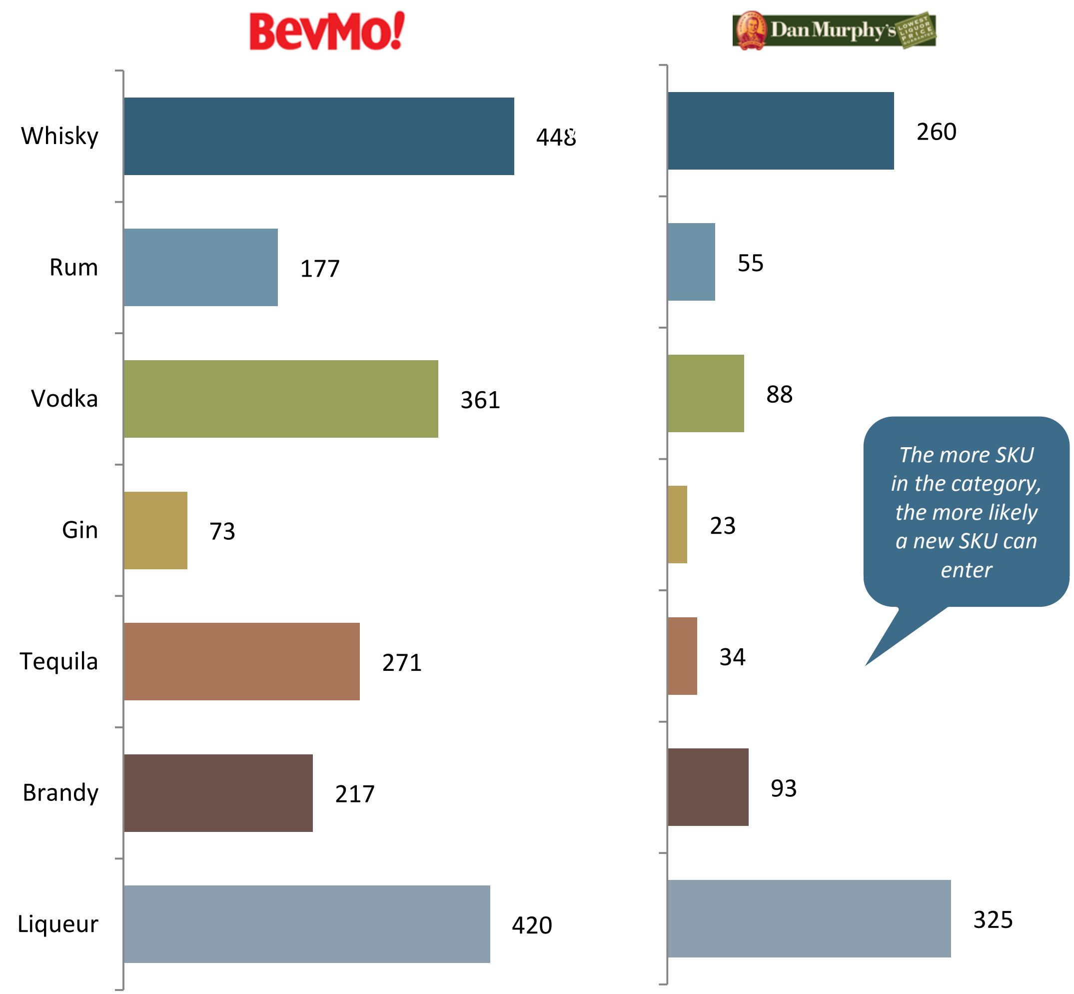
RANGE BY PRODUCT CATEGORY

Spirit SKU[1] mix similar across Anglo-Saxon countries; depth of range varies depending on type of retailer (large vs. small format)

EXAMPLE: Share of spirit range across select global retailers
(% of SKU[1]; 2/2012)



EXAMPLE: # of SKU in spirits: BevMo! vs. Dan Murphy's
(% of SKU; 2/2012)



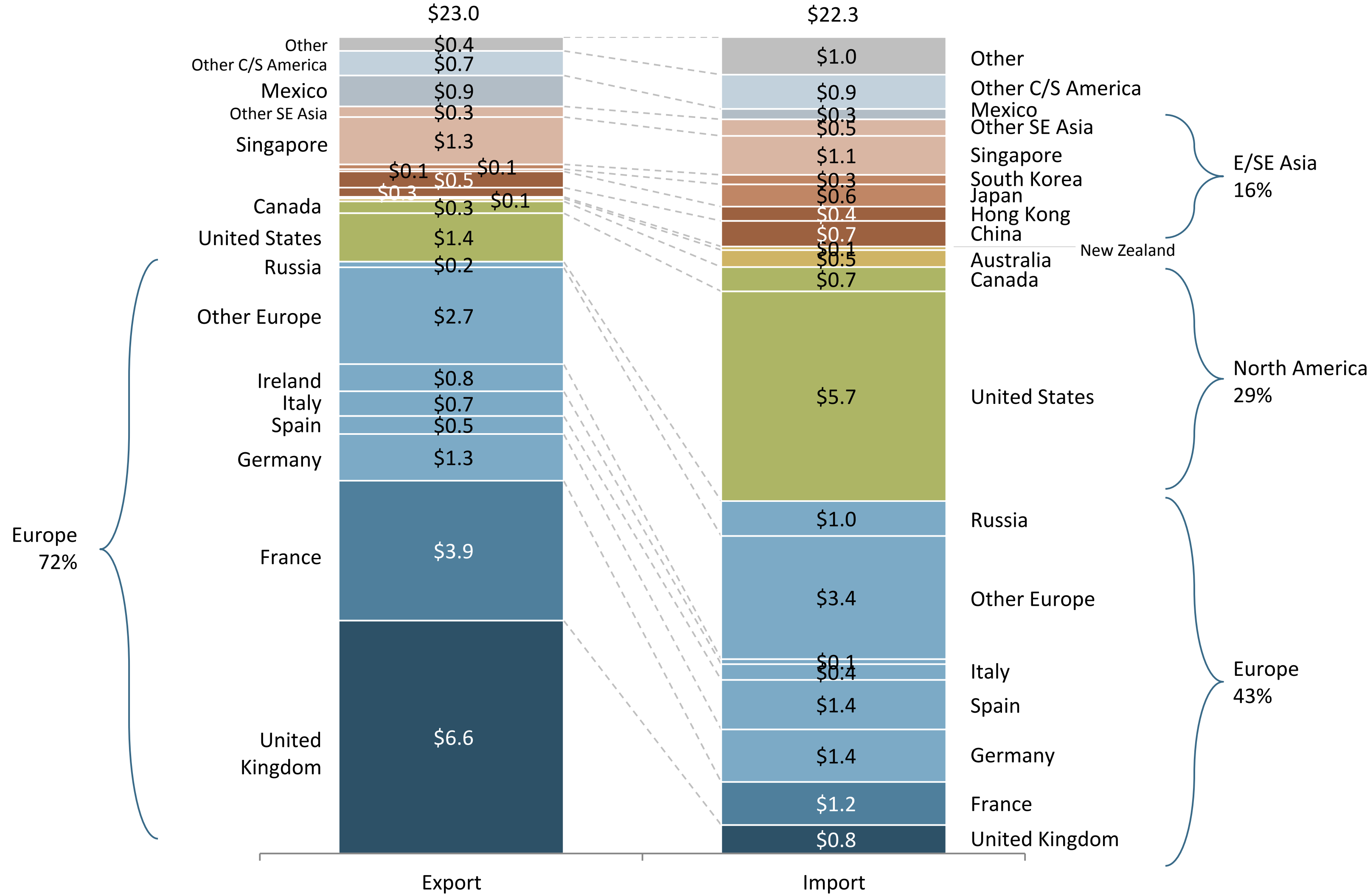
1. SKU = Stock Keeping Units (i.e. different barcodes); Source: Liquor King online Feb 2012; BevMo, Sainsbury & Dan Murphy online website; Coriolis analysis

GLOBAL SPIRIT TRADE

The US$23b global spirit trade is dominated by Europe on the export side and rich Western countries (particularly the USA) and Asia on the import side

World trade in spirits by key country and region

(US$; b; 2010)



Source: UN Comtrade database; Coriolis analysis

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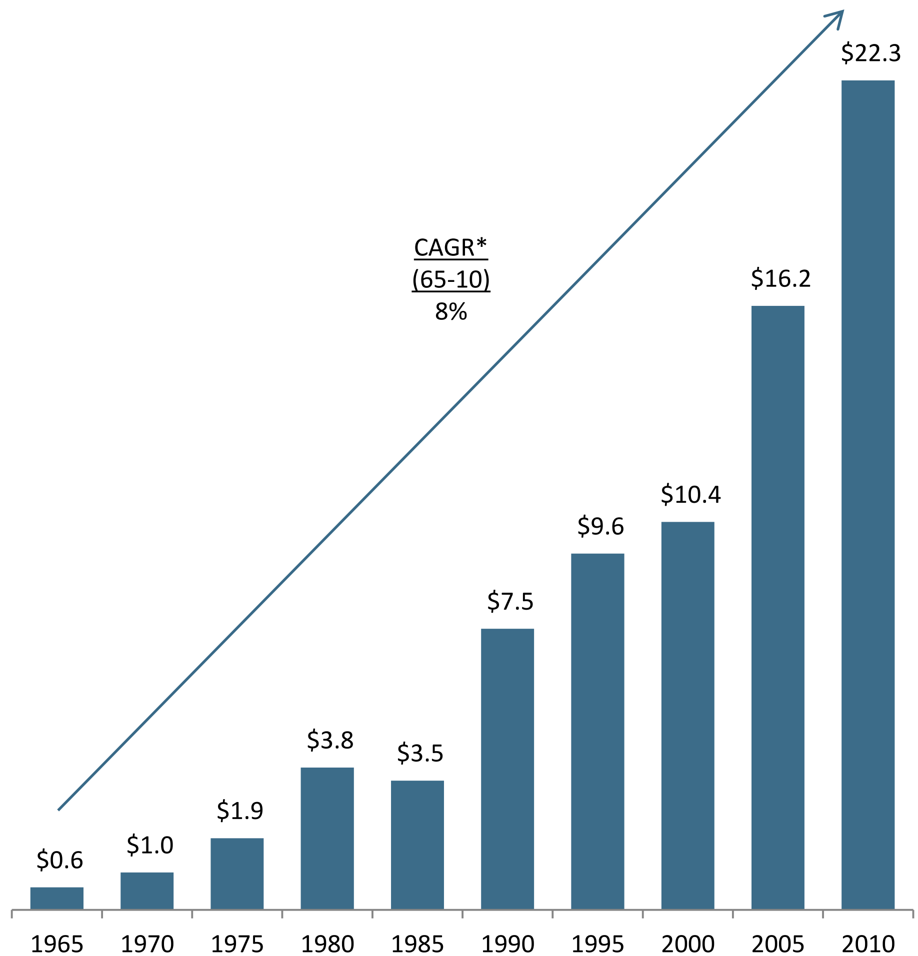
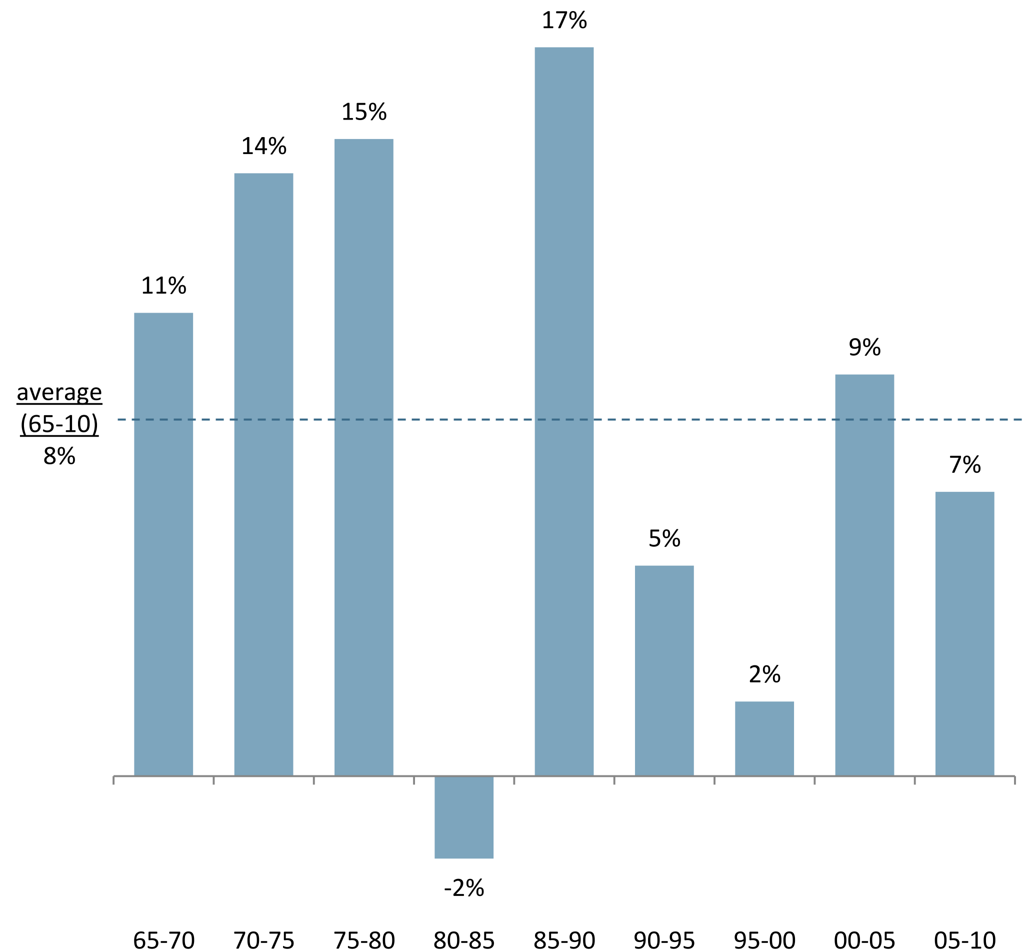
GROWING

The global spirits trade is growing

Aggregate global exports of spirits
(US$; b; 1965-2010)



5 year CAGR of aggregate global exports of spirits
(% of US$; 1965-2010)



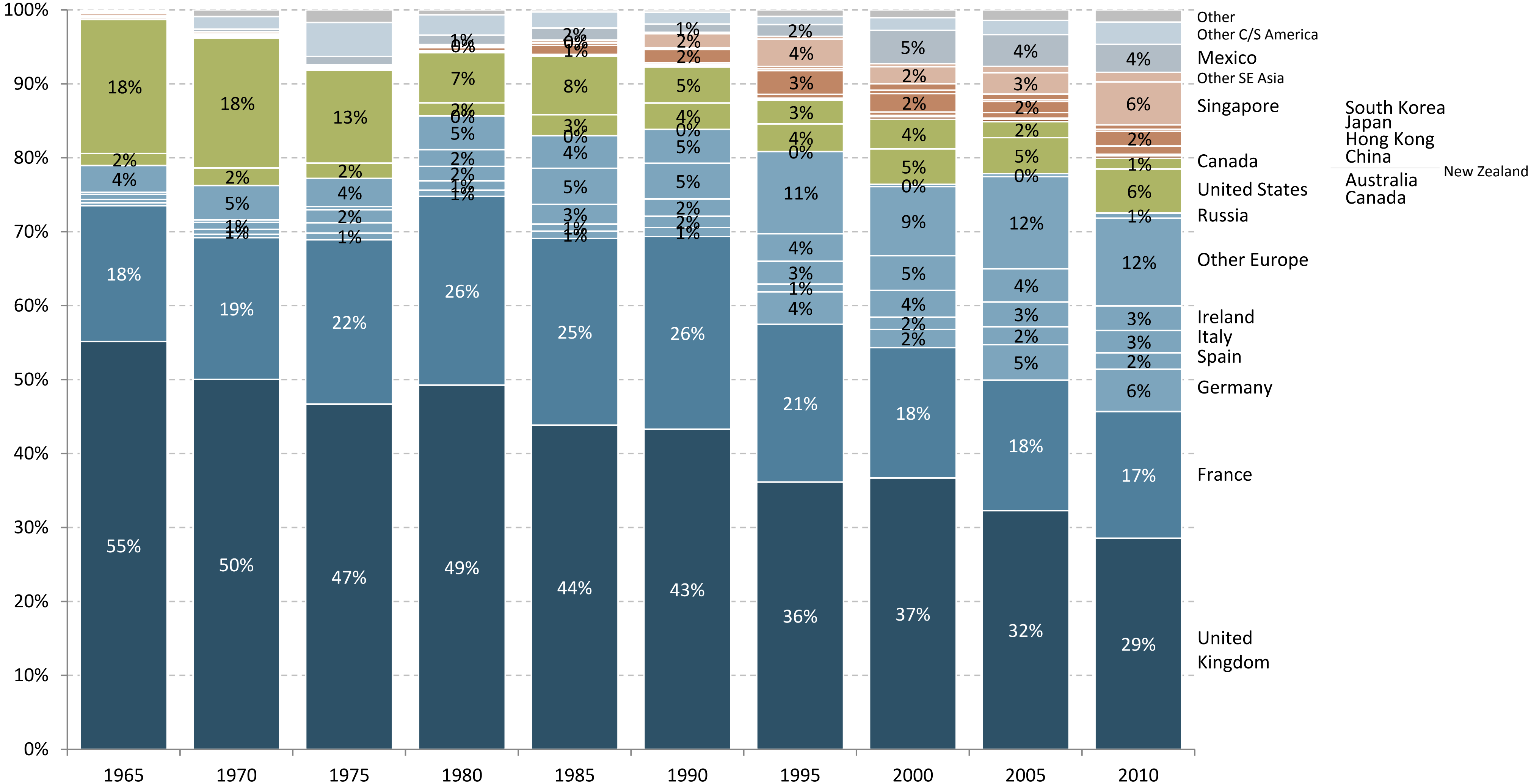
*CAGR = Compound Annual Growth Rate; Source: UN Comtrade database; Coriolis analysis

SHARE OF EXPORT VALUE

In exports, the historical dominance of the UK and France on the world spirit trade is diminishing; consumers appear to be welcoming a wider range of spirits from a wider range of countries

Share of aggregate world spirits exports by key country and region

(% of US$; 1965-2010)



Source: UN Comtrade database; Coriolis analysis

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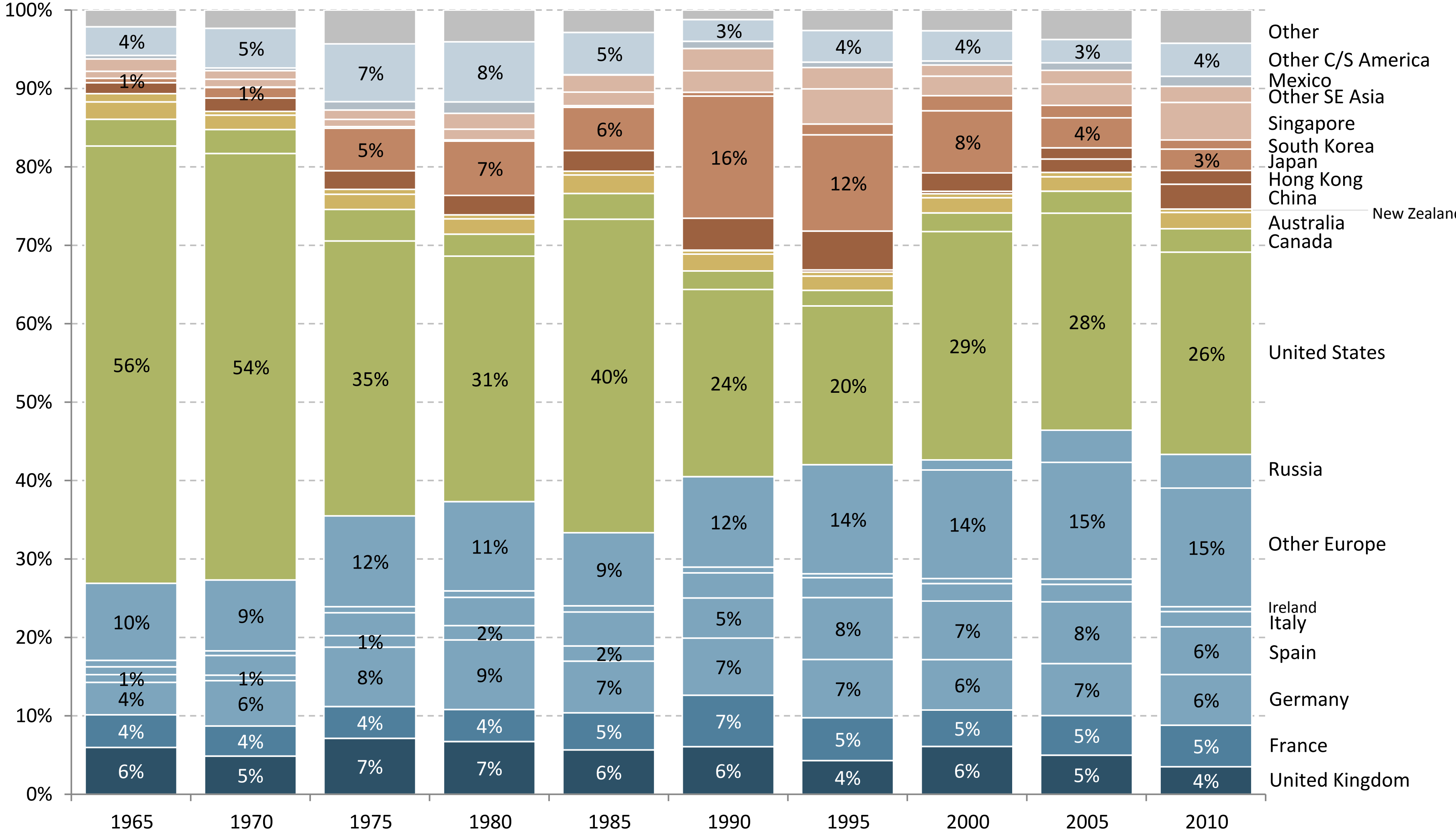
SHARE OF IMPORT VALUE

In imports, the relative importance of the US market is falling driven by the growth of Europe and Asia

Share of aggregate world spirits imports by key country and region

(% of US$; 1965-2010)



Source: UN Comtrade database; Coriolis analysis

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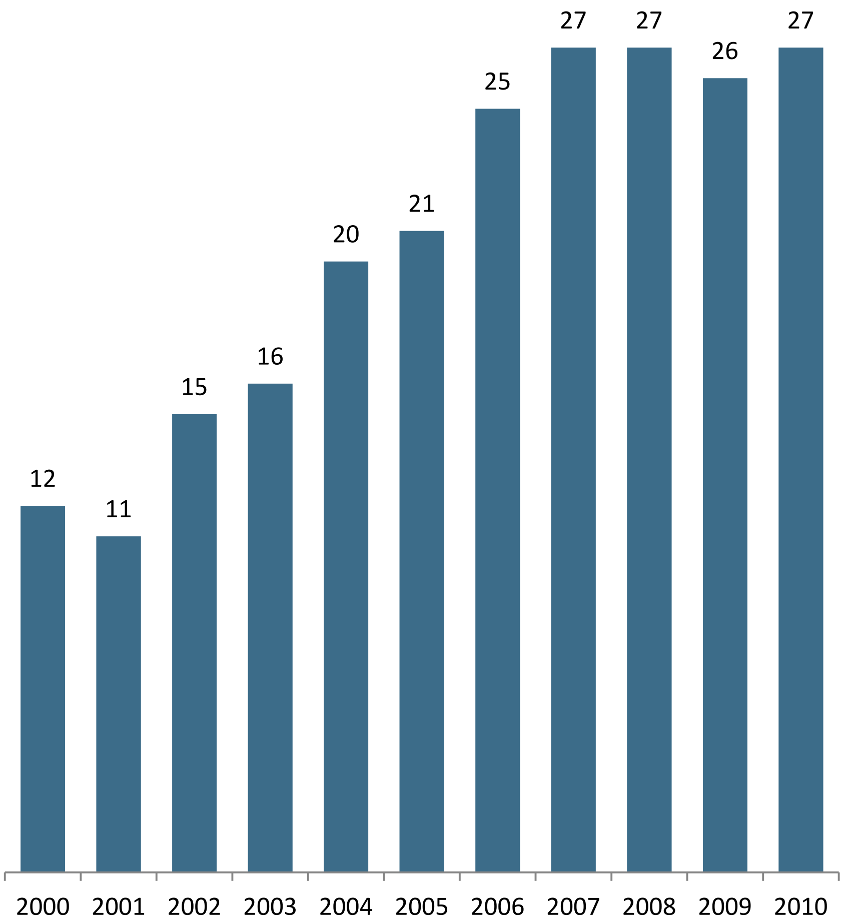
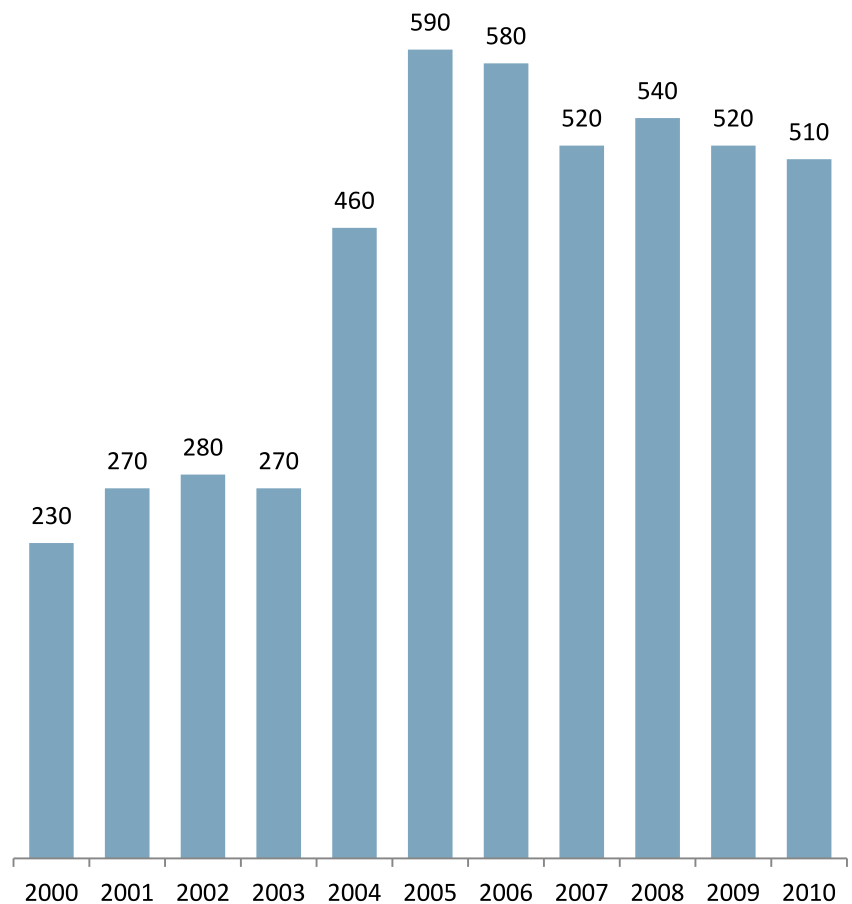
NEW ZEALAND – FIRMS & EMPLOYMENT

In New Zealand, the number of spirit manufacturing firms and employment have both grown over the past decade; however, the slowing economy appears to have forced productivity increases

Number of spirit manufacturing enterprises in New Zealand
(#; actual; 2000-2010)



Number of people employed in spirit manufacturing enterprises in NZ
(#; actual; 2000-2010)

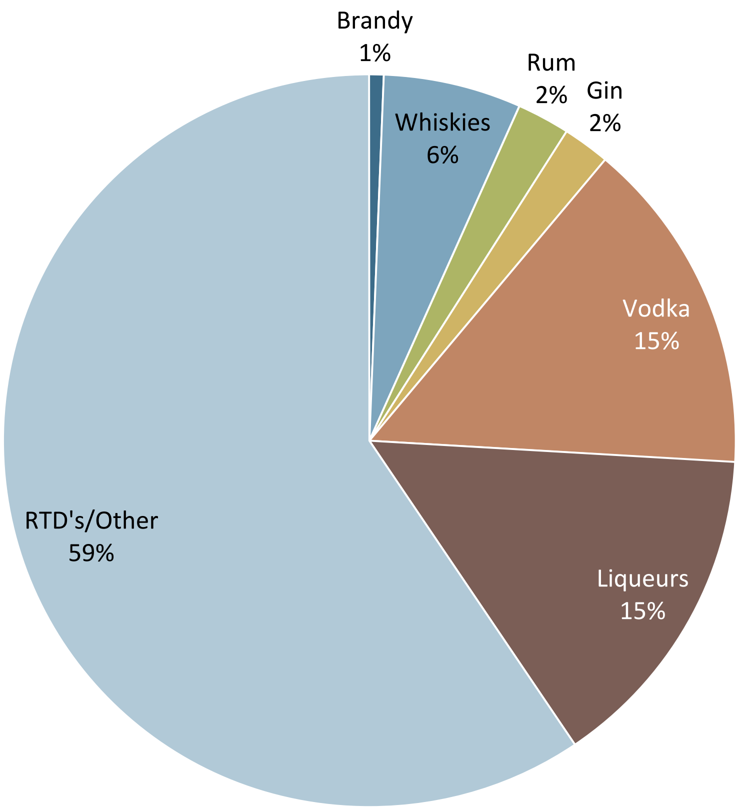


Source: Statistics New Zealand; Coriolis analysis

NEW ZEALAND – EXPORT BY TYPE & DESTINATION

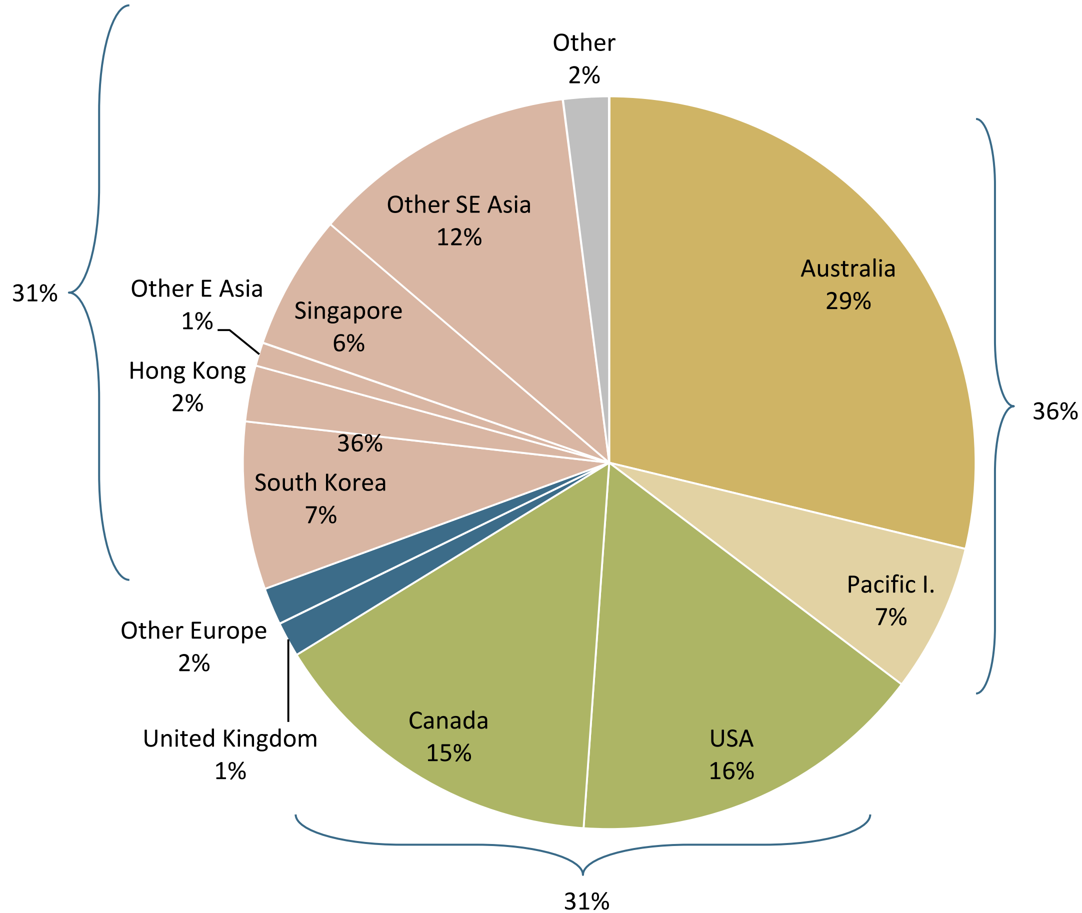
New Zealand exported US$46.8m in spirits in 2010; RTD's/other, liqueurs and vodka were the biggest products; markets are split between Australia/Pacific Islands, North America and Asia

New Zealand spirit export value by type
(US$; m; 2010)



TOTAL = US$46.8m

New Zealand spirit export value by destination
(US$; m; 2010)



TOTAL = US$46.8m

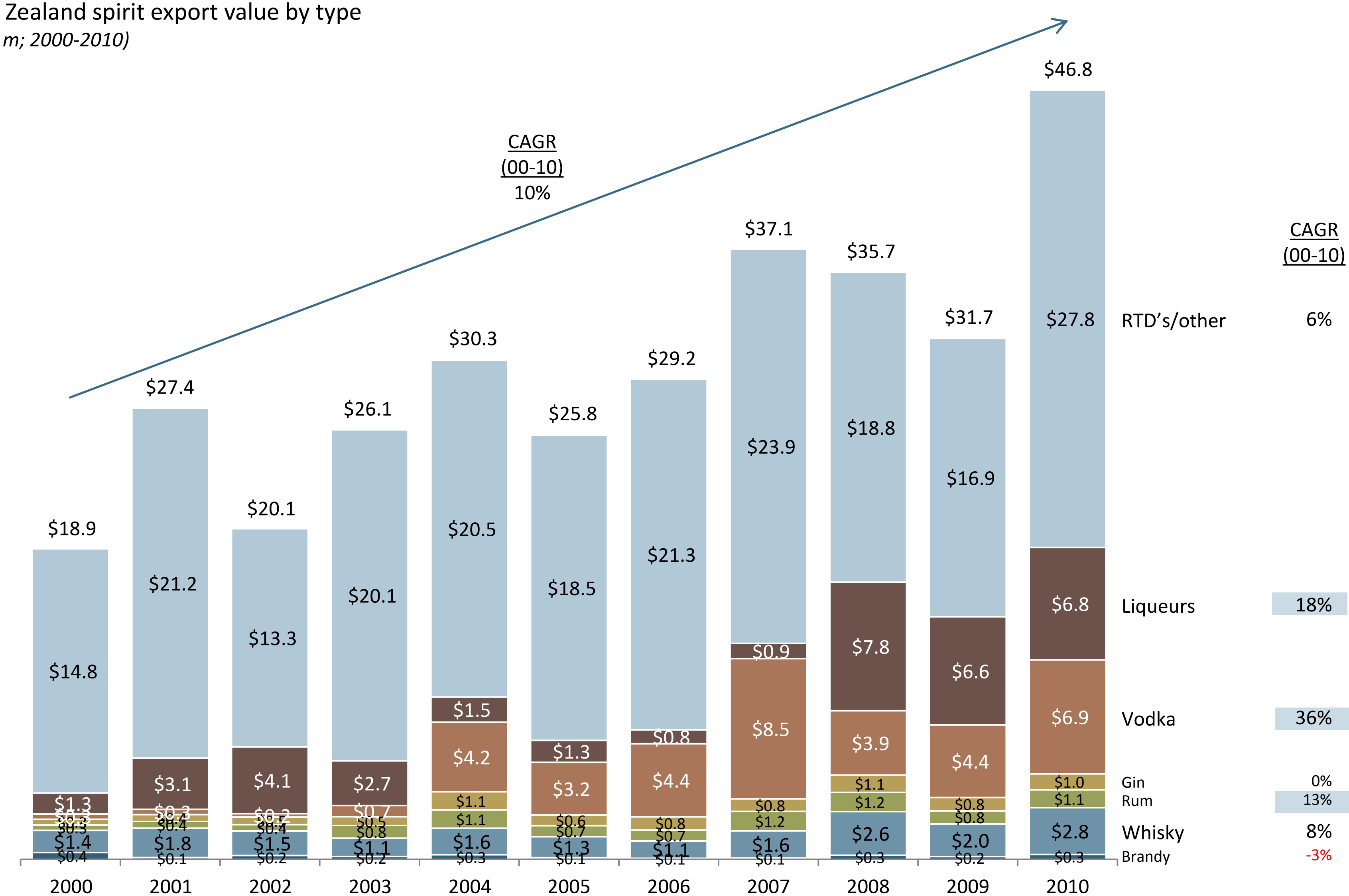
Source: Statistics New Zealand; Coriolis analysis

NEW ZEALAND – EXPORT VALUE BY PRODUCT

The value of New Zealand's spirit exports has been growing, achieving a 10% CAGR over the past decade; growth standouts include vodka, liqueurs and rum

New Zealand spirit export value by type

(US$; m; 2000-2010)



Source: UN Comtrade database; Coriolis analysis

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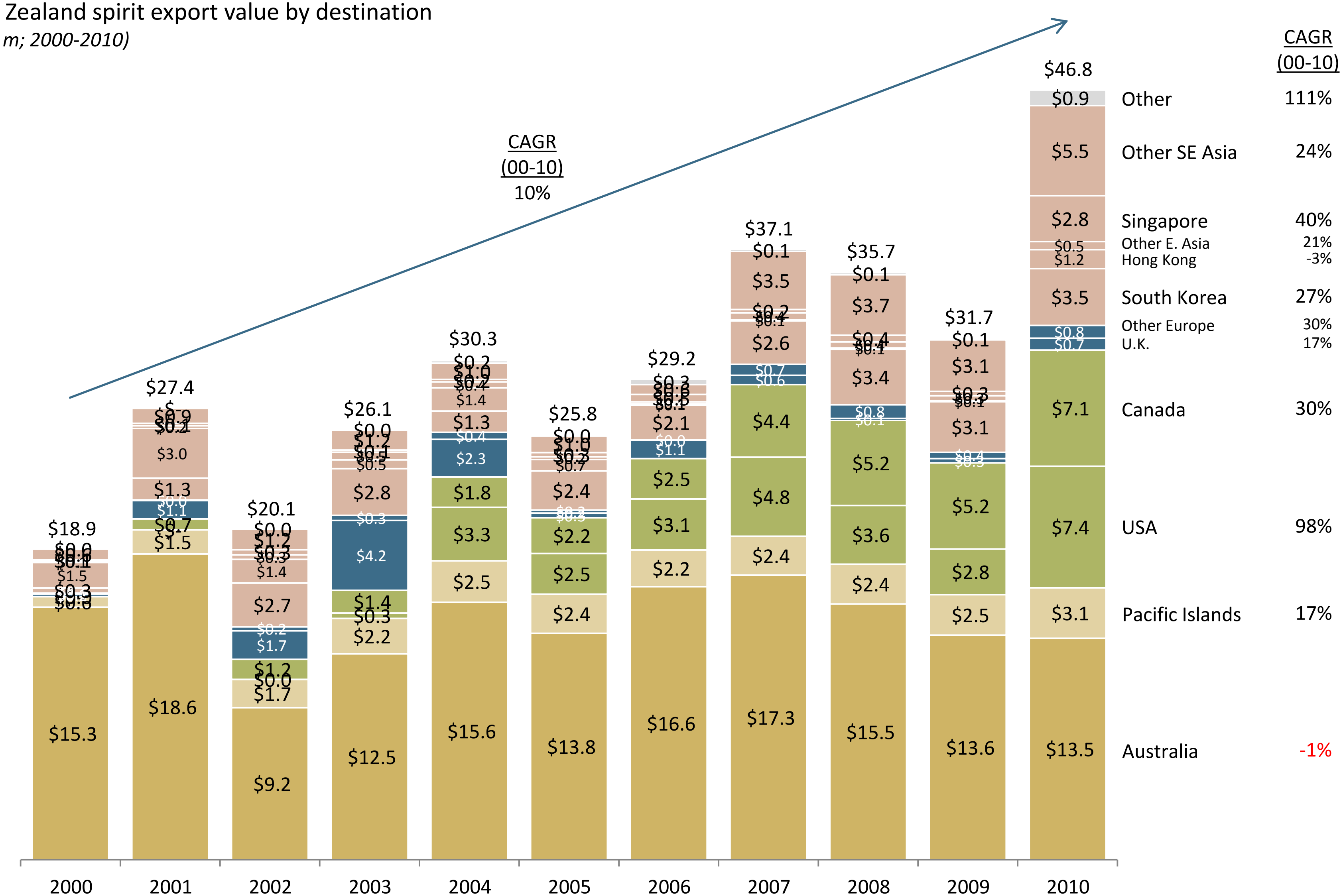
NEW ZEALAND – EXPORT VALUE BY DESTINATION

New Zealand spirit exports are growing to most destinations other than Australia

New Zealand spirit export value by destination
(US$; m; 2000-2010)



Source: UN Comtrade database; Coriolis analysis

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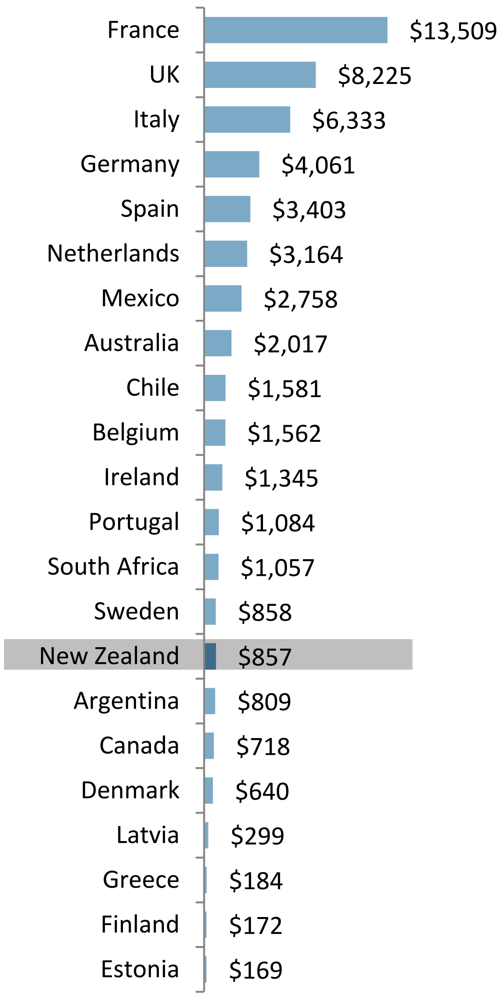
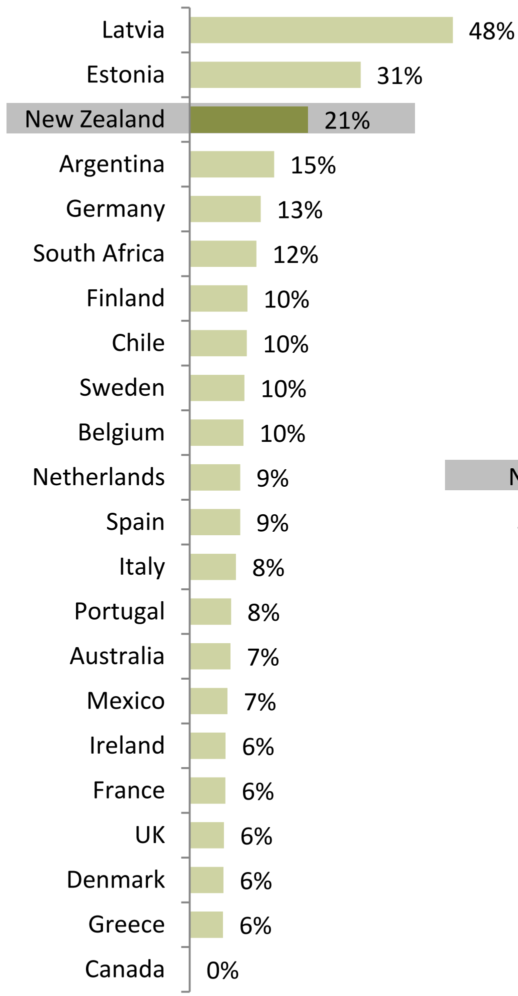
NZ VS. PEERS – TOTAL ALCOHOL EXPORTS – SELECT METRICS

New Zealand has achieved strong growth in total alcohol exports (wine, beer & spirits) over the past decade driven by wine; a wide peer group of countries suggests significant further growth is possible

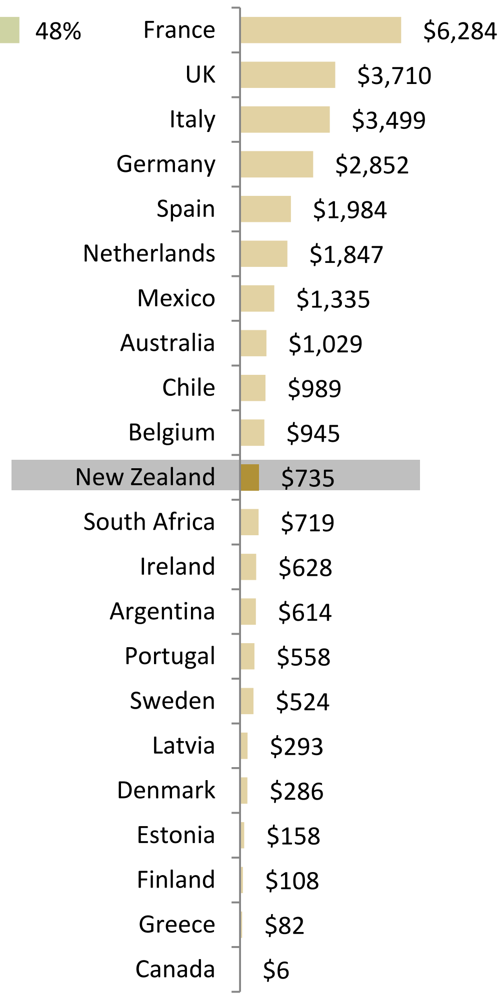
Total alcohol export value
(US$; m; 2010)



10 year CAGR export value
(% of US$; 2000-2010)



10 year value growth
(US$; m; 2000-2010)



Alcohol exports per capita
(US$; 2010)

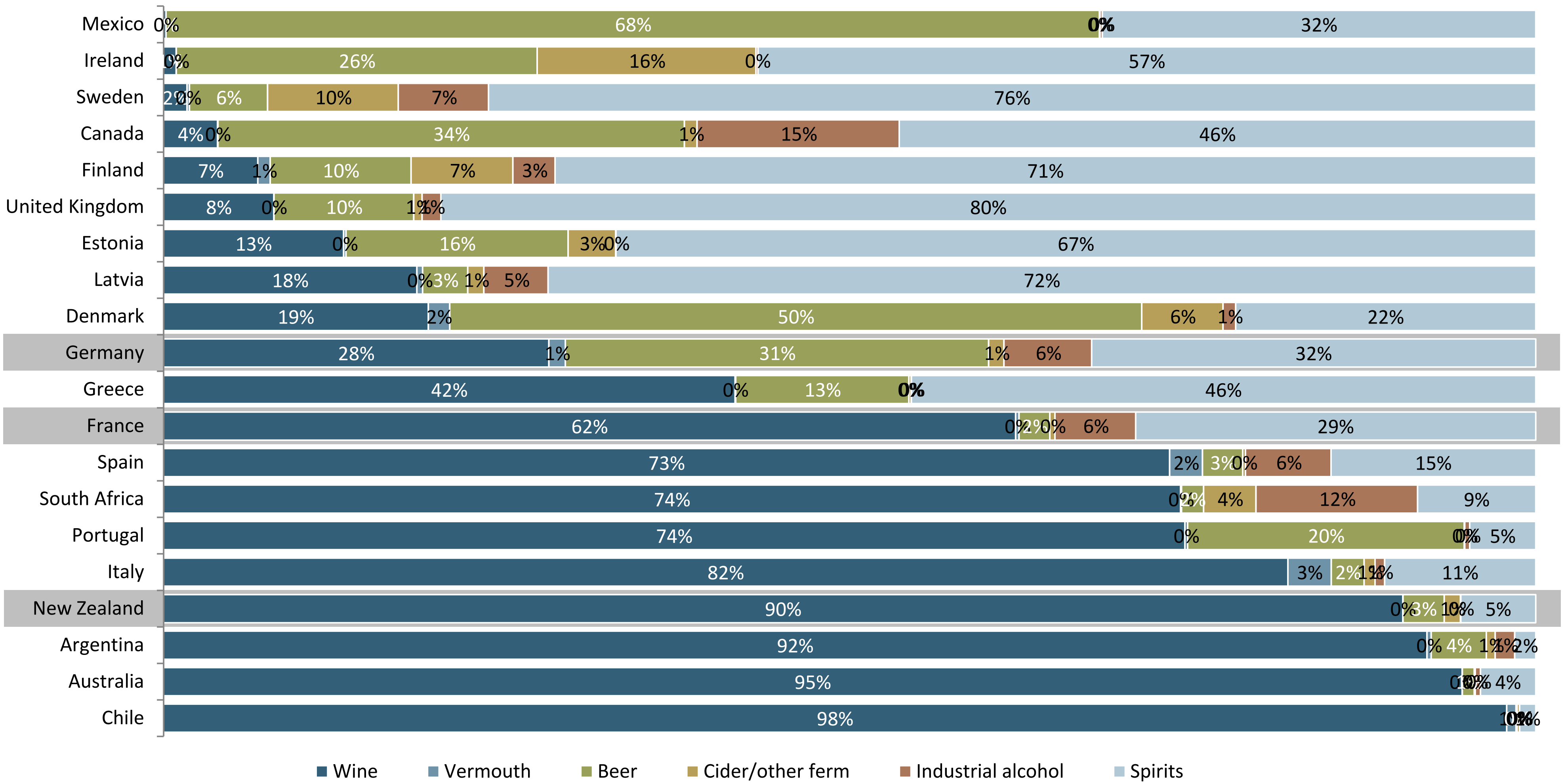
Source: UN PopStat; UN Comtrade database; Coriolis analysis

NZ VS. PEERS – ALCOHOL EXPORT MIX

New Zealand appears overweighted to wine; aspirationally New Zealand should have a more balanced mix similar to Germany or France

Alcohol export value mix by alcohol type: New Zealand vs. wide peer group

(% of US$; 2010)



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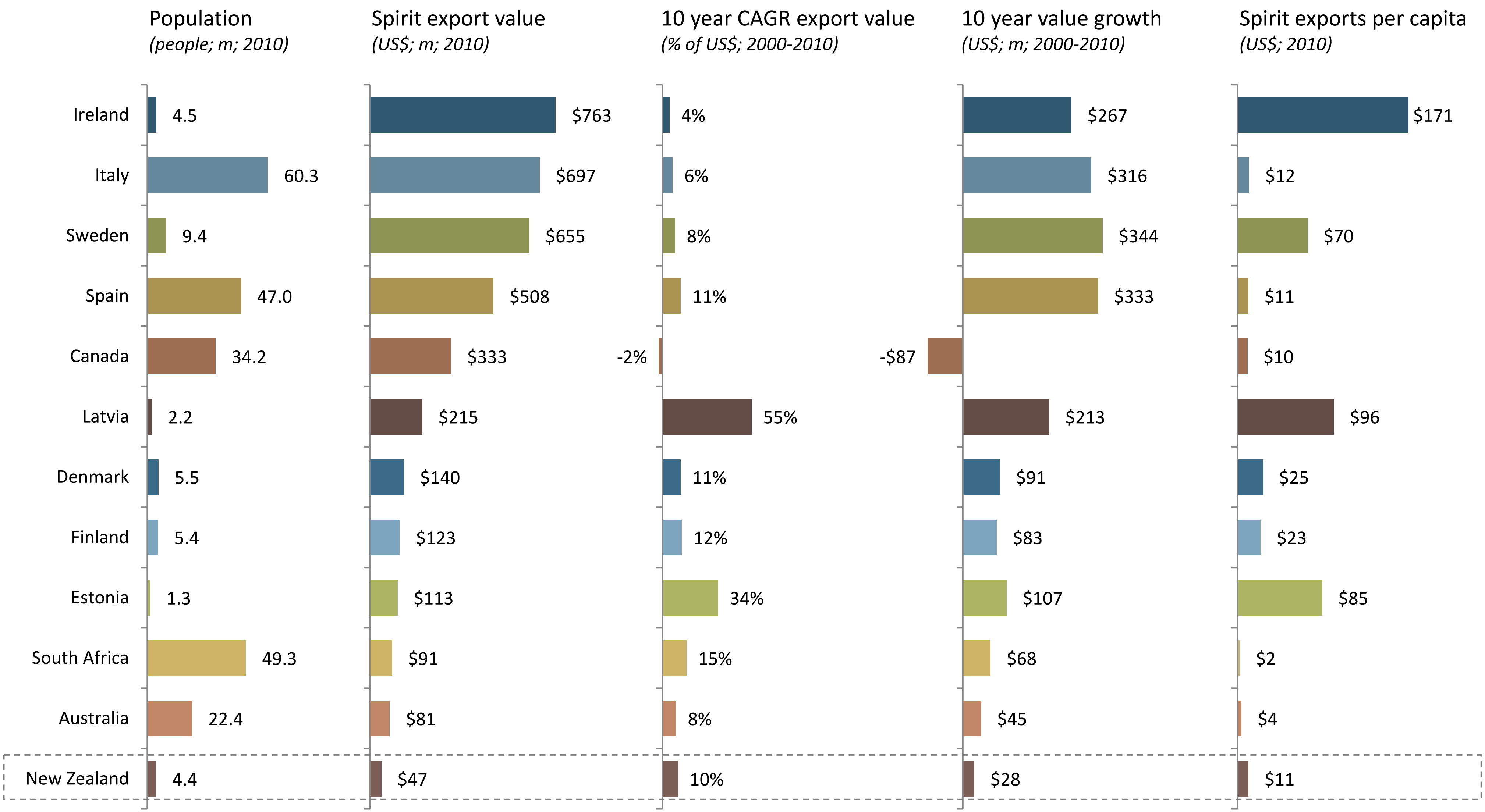
NZ VS. PEERS – SPIRITS – SELECT METRICS

Peers suggest New Zealand can export more spirits; suggest a 3-6 times potential export growth



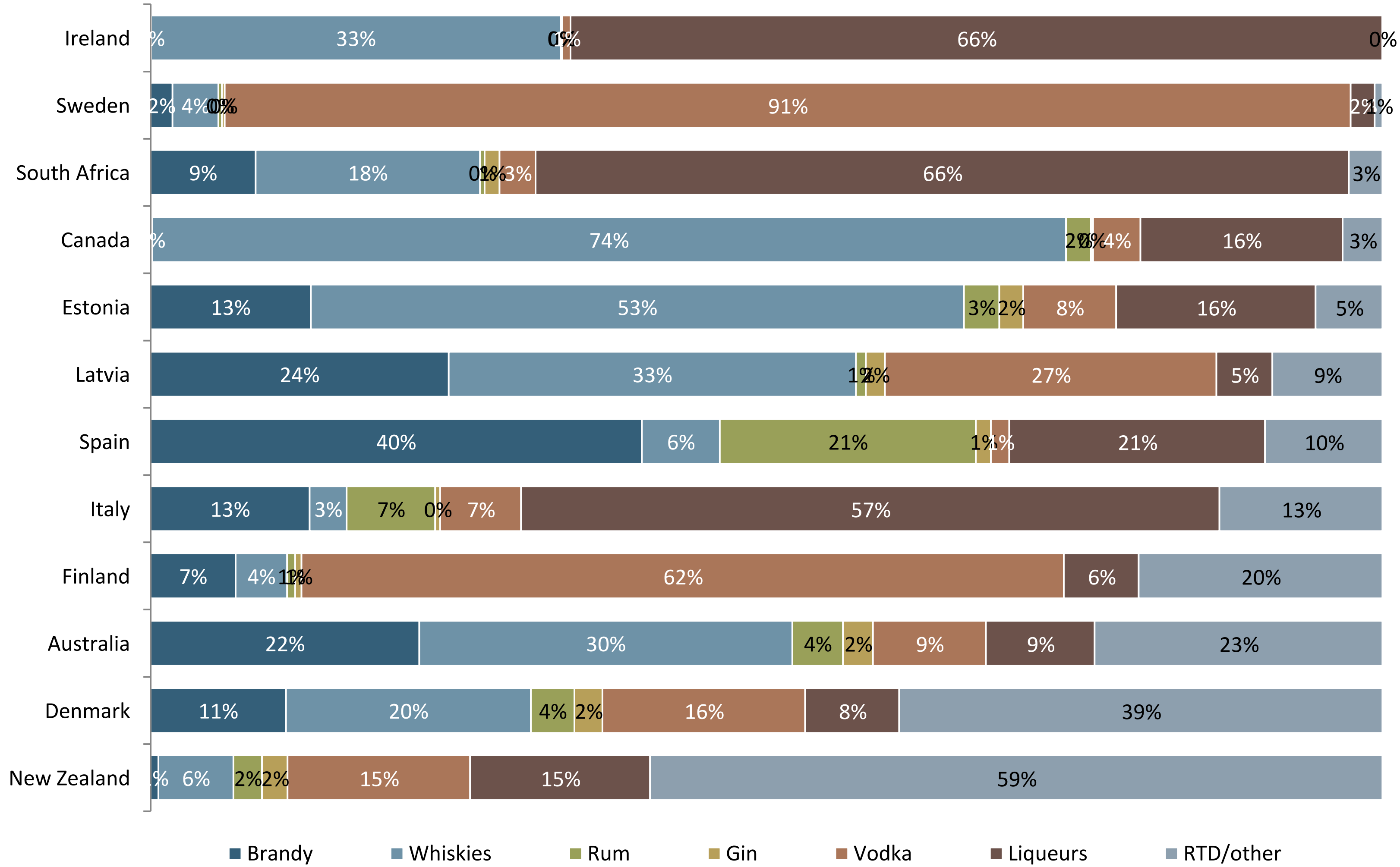
Source: UN PopStat; UN Comtrade database; Coriolis analysis

NZ VS. PEERS – SPIRITS – EXPORT MIX BY TYPE

Peers suggest New Zealand spirit export mix currently overweighted to RTD's/other

Share of spirits export value by key type

(% of US$; 2010)



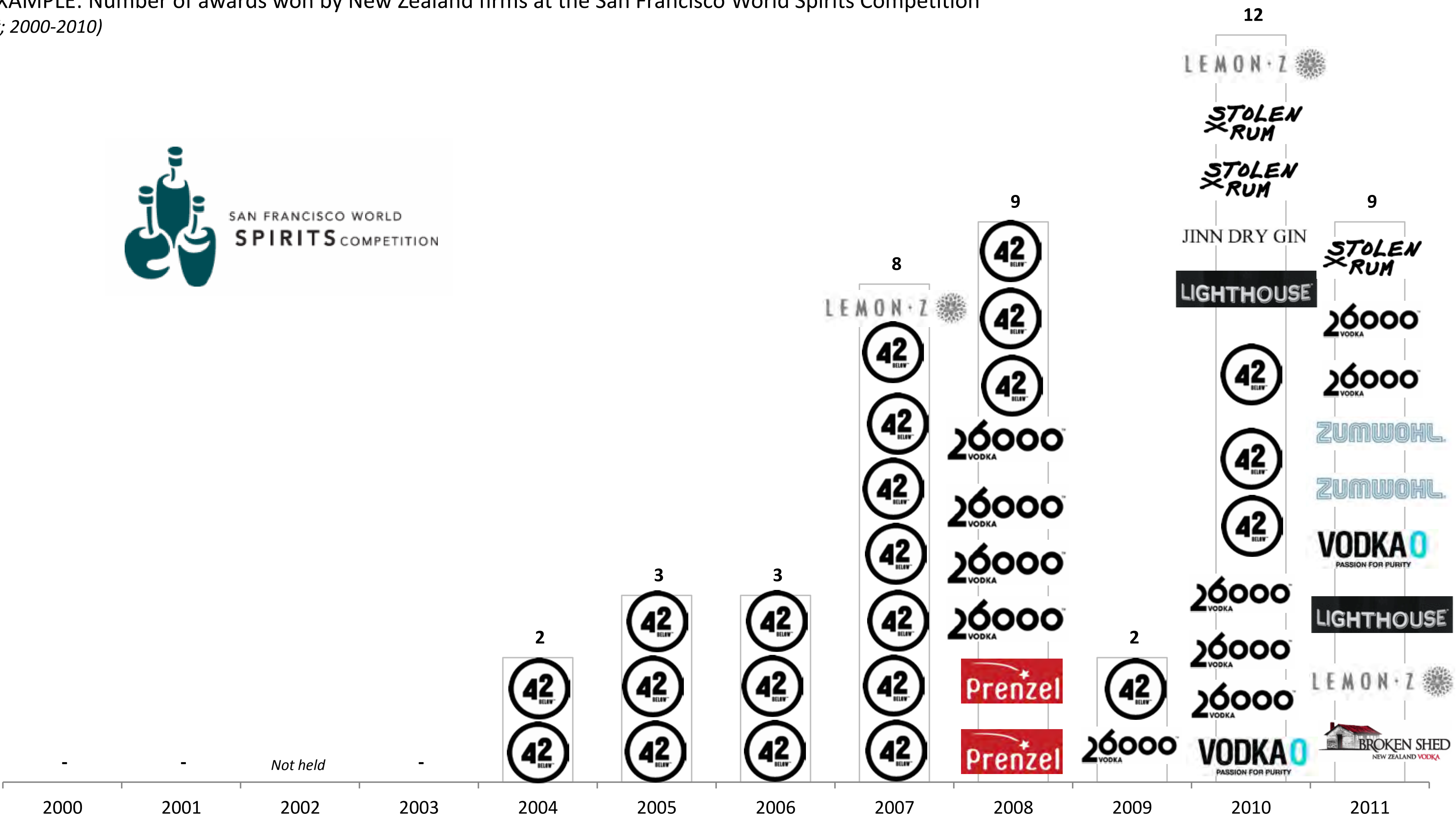
Key products

- Ireland: Whiskey, Irish Crème
- Sweden: Vodka
- South Africa: "Irish" Crème
- Canada: Whiskey
- Estonia: Whiskey, Vodka
- Latvia: Vodka, Whiskeys, Brandy
- Spain: Brandy, Rum
- Italy: Liqueurs, Brandy
- Finland: Vodka
- Australia: Whiskeys, Brandy
- Denmark: Multiple
- New Zealand: RTD's, Vodka, Liqueurs

Source: UN Comtrade database; Coriolis analysis

New Zealand spirits are winning awards

EXAMPLE: Number of awards won by New Zealand firms at the San Francisco World Spirits Competition
(#; 2000-2010)



Note: Vodka O and Jinn Dry Gin are made from New Zealand whey alcohol but bottled in Australia by ASM Liquor; Stolen Rum is made in Trinidad but sold by a NZ firm; Source: San Francisco World Spirits Competition; Coriolis analysis

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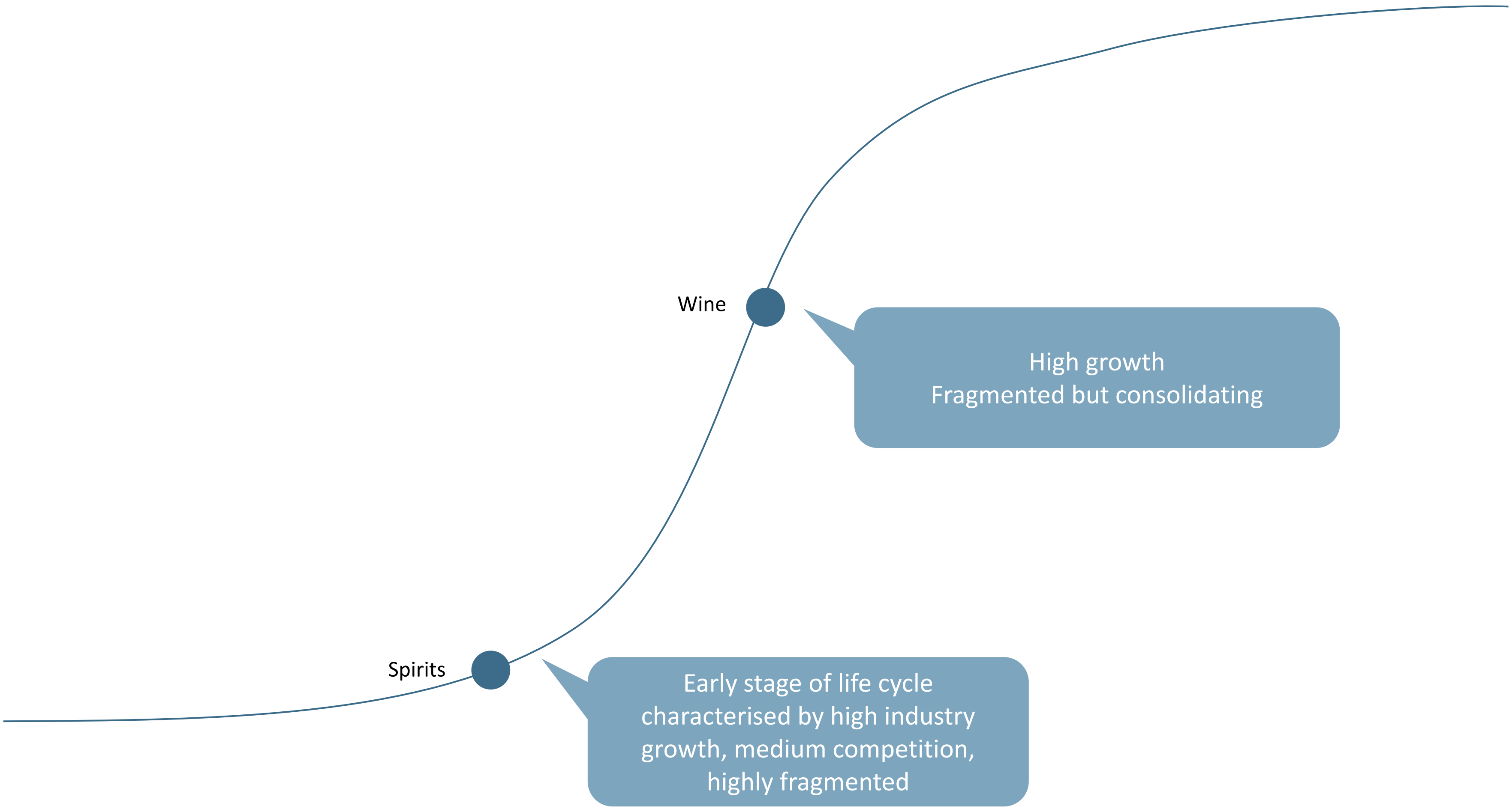
EARLY IN THE LIFE CYCLE

It is important to recognise that the New Zealand spirits industry is at an early point in its life cycle

Proposed "S-Curve" positioning of New Zealand spirits and wine industry
(model)



Source: Coriolis

NEW ZEALAND SPIRITS – SWOT ANALYSIS

Continued growth and success in spirits exports is possible but not guaranteed

Strengths	Weaknesses

- NZ recognised in alcohol and holds a strong premium position in wine (particularly in Australia, UK and the US)
- Multinational investment in the sector (Asahi, Kirin, Heineken, F&N, Bacardi)
    - Endorsing high growth potential of this emergent sector
    - Able to feed products into their sales networks
- Building new brands around RTD's (e.g. Woodstock, Vault)
- New Zealand trusted country and products with secure food source
- Able to leverage favourable opinion of New Zealand in key markets (e.g. China, Korea, Japan)
- Strong Scottish heritage in South Island; historical spirits production by early settlers
	- Fragmented; most NZ firms have low/no economies of scale
	- Lack of indigenous alcohol heritage (e.g. vs. Mexico)
	- Lack of global power brands; most NZ brands have relatively low brand value
	- Limited industry depth and institutional knowledge both inside firms and across wider value chain
	- Society and government attitude towards sector
	- Lack of critical mass outside RTD's
	- Lack of capital

Opportunities	**Issues/Threats/Risk**
- Immigrants bringing skills and experience - Growth of wealth in Asia - New Zealand unique plants - Increasing global interest in new and unique premium/super-premium spirits - Global growth of micro-distilleries (cf. microbreweries) - Leveraging existing wine industry inputs, outputs and sales networks - No NZ rules or definitions on formulation of specific spirits	- Government requirement to balance desirable growth of sector with potential social and health issues related to alcohol consumption - Strong foreign ownership of sector limiting vision and vigour - Growing a liquor startup is capital intensive and cashflow negative (due to pipeline fill) - No NZ rules or definitions on formulation of specific spirits - Growing a spirit product in export markets is hugely cashflow negative; numerous startups struggle, go under or are sold (e.g. 26000 Vodka)

Source: Interviews; Coriolis

Our research has identified five potential strategic directions for driving growth in New Zealand spirits exports; the potential directions should not be seen as exclusive, rather as different ways to grow

Identified potential strategic directions for the New Zealand spirits industry going forward
(model; 2012)

1. RTD beverages

2. Made elsewhere bottled in New Zealand

3. Conventional spirits made in New Zealand

4. Conventional spirits made in New Zealand with New Zealand flavours

5. New Zealand unique spirits

Source: various; photo credit (fair use; low resolution; complete product/brand for illustrative purposes); Coriolis analysis

1. RTD BEVERAGES

Much of the success to date of New Zealand spirit exports has come from RTDs; these can be categorised into those produced and branded in New Zealand and global brands (either importer or packed in New Zealand)

Two key types of RTD products in New Zealand
(2012)

New Zealand invented brands

- New brands invented in New Zealand in the last two decades
- Developed and packed in New Zealand; exported and produced in market

Global brands sold in New Zealand

- Historic global brands
- May be packaged in New Zealand from imported bulk spirits

Source: various; photo credit (fair use; low resolution; complete product/brand for illustrative purposes); Coriolis analysis

1. RTD BEVERAGES – KEY FIRMS

Three key firms manufacture RTD's in New Zealand – Independent Liquor and the two main breweries (The Mill - a NZ retailer – manufacturers in Australia); key wholesalers also import specific global brands

Identified producers of RTD beverages in New Zealand
(activity; 2012)

	Independent Liquor	Lion	db breweries	The Mill Liquor Save	Hancocks	Pernod Ricard	Beam Global Spirits
Business type	Manufacturer	Manufacturer Retailer	Manufacturer	Manufacturer (AU) Retailer	Importer Wholesaler	Importer	Importer
Domestic NZ-invented brands	Woodstock (bourbon) Dakota (bourbon) Cody's (bourbon) Cruiser (vodka) Tattoo (vodka) Segers (Gin) KGB (vodka) Pulse (vodka) Crazy Mexican (teq.) Mudshake (vodka) Black Heart (rum) Purple Goanna Bellini (wine)	Diesel (bourbon) Maverick (bourbon) Vault (vodka) Park Lane (Gin) Stil (vodka) Envy (vodka) Cactus (tequila) Amy's (vodka) Bulleit (bourbon)	Barrel 51 (bourbon) Barrel 71(bourbon) Fuse (vodka) Vudu (vodka)	Kentucky State (bourbon) Tropix Amp'd	-	-	-
Global brands	-	Archers Aqua Barcadi Breezer Coruba & Cola Cuervo Margarita Gordon's G&T Heaven Hill & Cola McKenna & Cola Smirnoff Ice	-	-	Jack Daniels & Cola Southern Comfort	Kahlua & Milk	Jim Beam & Cola Canadian Club

Source: Coriolis

1. RTD BEVERAGES – SITUATION & POTENTIAL STRATEGIC DIRECTIONS

RTD beverages have served to get the New Zealand spirits industry off the ground; the ability of the sector to continue to drive export growth going forward is unclear

RTD Beverages – Situation & Potential Strategic directions

Concept summary

- Pre-prepared, ready-to-drink alcoholic beverages in a bottle or can; typically with a strong named flavour
- Targeted at newer, entry-level drinkers through price point and sweet flavour profile
- Convenience a key part of offer to consumer
- Often segmented by sex (male vs. female), price point and brand (strong known brand vs. weak price fighter)
- Typically specifically formulated to minimise local tax via variable type and % of alcohol

Attractiveness Scorecard

Ease of execution	●
Defensible to NZ	○
Long term growth	◐

Examples

New Zealand

- Woodstock & Cola
- Vault 88
- Vodka Cruizer

Global

- Bacardi Breezer
- Skyy Blue
- Smirnoff Ice
- Jack Daniels & Cola

Key global trends

- Category moving from start-up brands to dominated by global players
- Greater regulation and industry scrutiny (e.g. advertising)
- Breweries leveraging existing strengths (e.g. distribution) into category
- Growth in Asia

History in NZ

- Wine Coolers launched in California in 1981 by E&J Gallo
- NZ expat Michael Erceg returned to NZ and copied concept in New Zealand
- Strong growth of sector through new product development
- Major brewers enter sector

Opportunities

- Brands developed or invented for RTDs products being transitioned into bottled spirits
- Can act as a “bootstrap” to get spirits industry off ground; industry can then transition to higher value
- Growth of store brands/controlled label
- Growth of consumption in Asia
- Low consumption among older consumers and aging baby boomers

Challenges

- Strong moves by global spirits firms with well known heritage brands into the category
- Multiple countries targeting products through specific “alcopop” taxes (e.g. Australia, Ireland, Germany)
- Relatively low value; little sense in shipping around the world (i.e. typically made in market); Independent Liquor exported to Australia in 1997 then opened two in-market production plants there
- Growth of store brands/controlled label

What is required to win going forward?

- Constant innovation through new flavours and fast following of global trends
- Manoeuvring through changing laws targeting product and category
- Strong brands demanded by consumers
- High volume, low cost production infrastructure
- Constant tactical activities at retail to maintain and build shelf space
- Constantly attracting new consumers while avoiding targeting underage drinkers

Source: Coriolis

● high ◐ medium ○ low

A number of spirits are produced elsewhere but packaged and sold by New Zealand based firms

Examples of non-domestically produced spirits bottled in New Zealand
(2012)

Rum

Bourbon

Source: various; photo credit (fair use; low resolution; complete product/brand for illustrative purposes); Coriolis analysis

2. BOTTLED IN NEW ZEALAND – SITUATION & POTENTIAL STRATEGIC DIRECTIONS

Packing and branding someone else's spirits is unlikely to be a defensible, long term strategy for robust and ongoing export success

Bottled in NZ – Situation & Potential Strategic directions

Concept summary

- Add value to high quality but low price alcohol produced elsewhere by wrapping it in a New Zealand brand and story
- Typically products where New Zealand does not have scale and/or produce inputs (e.g sugarcane for rum) or protected names (e.g. bourbon)
- Grabbing brand value in NZ, typically from low skills/capabilities producing countries
- Low cost way to get off the ground

Attractiveness Scorecard

Ease of execution	●
Defensible to NZ	○
Long term growth	○

Examples

New Zealand

- Stolen Rum
- Seven Tiki Rum from Fiji (42 Below)
- Tahiti Dark Rum (42 Below)
- Kentucky Blue bourbon

Global

- ASM Liquor in Australia bottling New Zealand vodka in Australia
- Numerous bottlers of Scottish whiskey blends outside Scotland
- Numerous bottlers of Mexican tequila outside Mexico

Key global trends

- Countries regulating against bulk exports of spirits

History in NZ

- Historical importation of barrels of spirits from around the world

Opportunities

- Transition to New Zealand production of product (if and where possible and economic)
- Leveraging low cost entry into stronger wider sector position

Challenges

- Bottle at point of production for export to other countries; why do it in New Zealand?
- Multinationals buying the business and taking it away from New Zealand or killing product
- Mixed message to consumer: where is it from?
- Producing countries changing bulk export rules and requiring bottling to consumer ready at home (e.g. single malt Scottish Whisky)
- Double exposure to exchange rate fluctuations
- Maturing consumers developing product knowledge and realising product is not "authentic"

What is required to win going forward?

- Existing bottling lines with spare capacity
- Leveragable assets (e.g. salesforce)
- Building and nurturing strong brands demanded by consumers
- Constant tactical activities at retail to maintain and build shelf space
- Hedging and exchange rate management

Source: Coriolis

● high ◑ medium ○ low

3. CONVENTIONAL SPIRITS MADE IN NZ

New Zealand produces a wide range of conventional spirits

Examples of spirits produced in New Zealand from primarily local ingredients
(2012)

Vodka

Whisky

Rum

Gin

Liqueurs

Schnapps

Brandy

Source: various; photo credit (fair use; low resolution; complete product/brand for illustrative purposes); Coriolis analysis

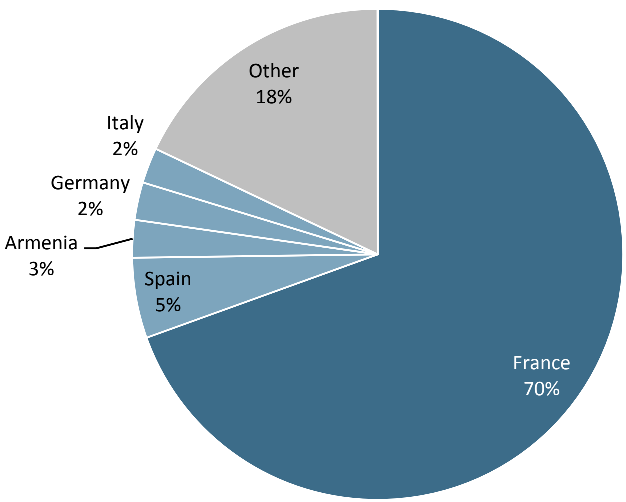
CORIOLIS

3. CONVENTIONAL SPIRITS MADE IN NZ – CONSOLIDATED

Global trade in some major conventional spirits are dominated by a handful of countries; new and emergent producers will find it difficult to break into this environment

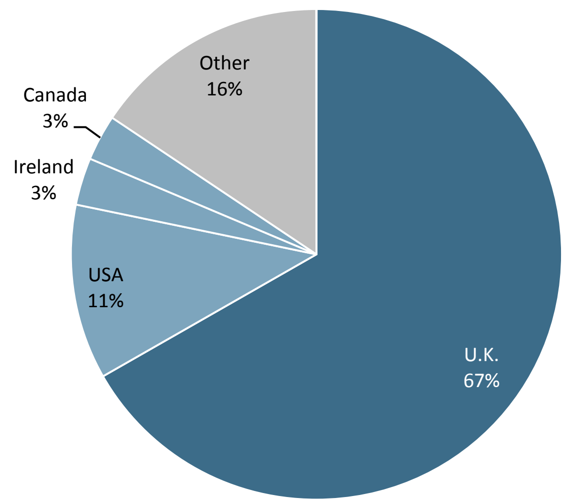
Value share of global trade in select spirits by key countries and other
(% of US$; 2010)

Distilled wine/brandy/cognac/etc.



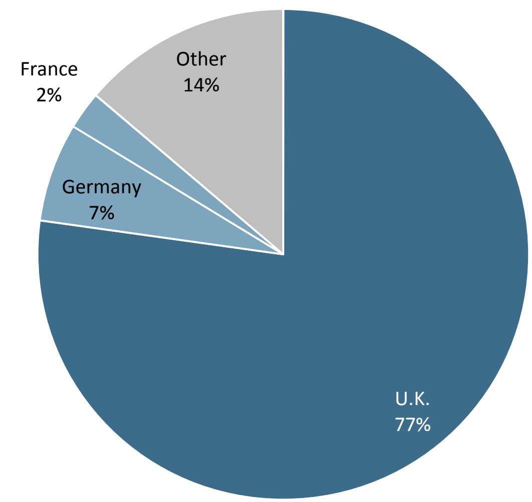
Top 3 = 78%

Whisk(e)y/Bourbon



Top 4 = 84%

Gin



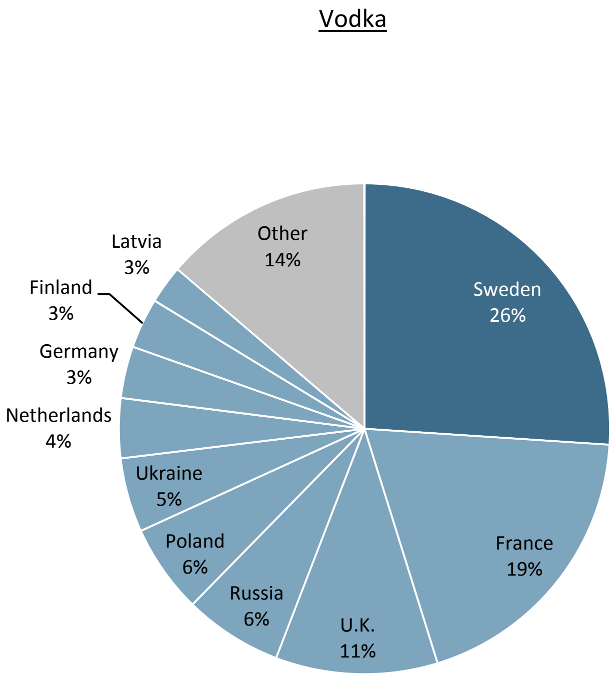
Top 3 = 86%

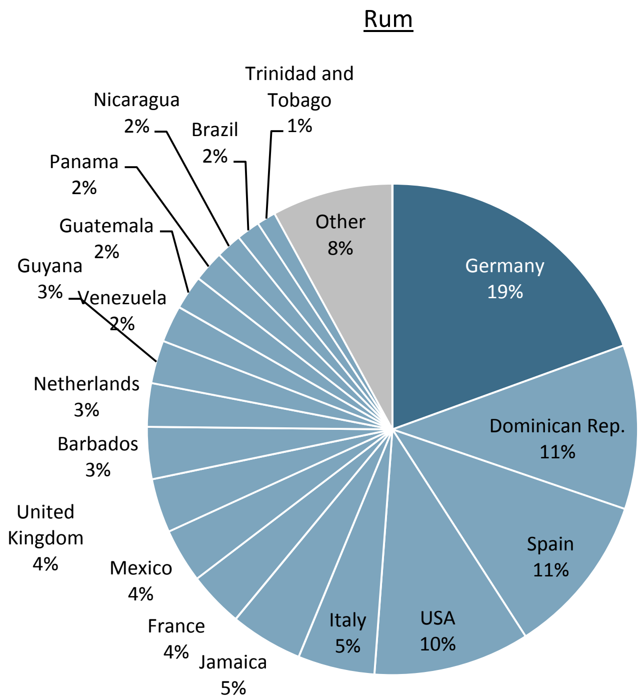
Source: UN Comtrade database; Coriolis analysis

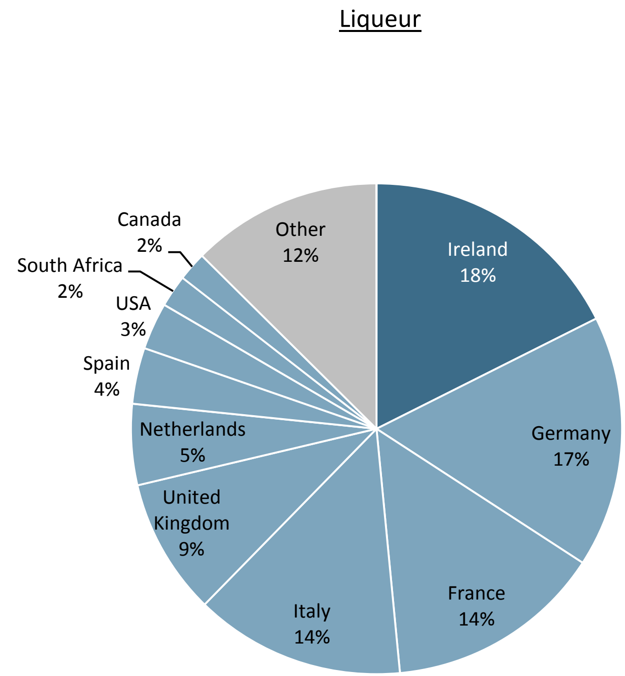
3. CONVENTIONAL SPIRITS MADE IN NZ – FRAGMENTED

Global trade in other major conventional spirits is highly fragmented – a more welcoming environment for new entrants

Value share of global trade in select spirits by key countries and other
(% of US$; 2010)







Source: UN Comtrade database; Coriolis analysis

CORIOLIS

3. CONVENTIONAL SPIRITS MADE IN NZ – LEVERAGE

New Zealand has the ability to – and is – leveraging its existing comparative advantage into spirits

Existing New Zealand comparative advantage as a point of leverage into spirits
(simplified model; 2012)

Existing area of comparative advantage	Point(s) of leverage	Potential or actual usage in spirits industry
Dairy	- Ethanol (pure alcohol) a by-product produced from whey, which is produced during various dairy processing techniques - "Cream" (typically milk powder) is an ingredient of cream liqueurs	- As a base alcohol to which flavour Is added - Currently used by numerous NZ and international spirits manufacturers to manufacture vodka, gin, RTDs and other spirit-based products
Apples & pears	- Second grade fruit - Global reputation as a quality supplier of apples - Growing cider exports	- As a flavour in spirits - As an ingredient into liqueurs - Fruit brandy
Kiwifruit	- Second grade fruit - Global reputation as a quality supplier of kiwifruit	- As a flavour in spirits - As an ingredient into liqueurs
Honey	- Growing honey production and exports - Medicinal benefits of Manuka honey	- As a flavour in spirits - As a ingredient into liqueurs - As an liqueur-ceutical (cf. nutraceutical)
Wine	- Premium price and position of New Zealand wine - Growing strength in many markets - Wine from secondary regions and excess wine currently being exported as a bulk product - Waste from wine production process (lees, etc.)	- Grappa (made by distilling the skins, pulp, seeds, and stems left over from winemaking after pressing the grapes) - Brandy/Cognac (produced by distilling wine) - Port, sherry, madeira, marsala, vermouth and other fortified wine (wine that has had a spirit – typically grape brandy - added to it)

Source: Coriolis

3. CONVENTIONAL SPIRITS MADE IN NZ – BRAND EXTENSION

There may be an opportunity to leverage existing iconic New Zealand brands into the liquor space

Hypothetical examples of brand extensions by existing iconic New Zealand brands into liquor space
(2012)

Brand	Current position	Current product example	Example potential liquor product		Example global model
Zespri Kiwifruit	- Single desk seller of all New Zealand export kiwifruit outside Australia - Strong brand and brand position, particularly in Japan, China and other Asia - Industry currently struggling from impact of PSA virus		Zespri Gold liqueur		PAMA Pomegranate liqueur using 100% California pomegranates US$20.99/750ml
envy Jazz	- 2 IP controlled varieties of apple – Envy and Jazz - developed in New Zealand by HortResearch - Owned by T&G/Enza, itself recently partially acquired by BayWa of Germany and Mr Apple - Being promoted across major global markets		Envy apple schnapps		Schoenauer Apfel Apple Schnapps US$$23.99/750ml
Whittaker's SINCE 1896	- New Zealand iconic chocolate brand		Whittaker's chocolate liqueur		Godiva Chocolate Liqueur US$29.99/750ml
Fonterra	- New Zealand farmer-owned cooperative controlling ~93% of NZ milk production - Portfolio of strong brands; strength in Asia - Significant producer of ethanol from whey		Anchor Zealandia Cream		Baileys Irish Cream US$18.99/750ml

Source: various; photo credit (fair use; low resolution; complete product/brand for illustrative purposes); Coriolis analysis

3. CONVENTIONAL SPIRITS MADE IN NZ – SITUATION & POTENTIAL STRATEGIC DIRECTIONS

To date New Zealand has achieved early success in producing conventional world class spirits; continued growth will require more of the same

Conventional spirits made in NZ – Situation & Potential Strategic directions

Concept summary

- Produce conventional spirits to traditional formulations in New Zealand
- Leverage positive attributes of New Zealand (water, nature, remote location, low population density) in advertising

Attractiveness Scorecard

Ease of execution	●
Defensible to NZ	◑
Long term growth	●

Examples

New Zealand

- 42 Below vodka
- Thomson whisky
- Canterbury Cream
- Zumwohl schnapps
- Lemon-Z limoncello
- Broken Shed vodka

Global

- Absolut vodka
- Bacardi rum
- Johnnie Walker whisky
- Jack Daniel's bourbon
- Hennessy cognac
- Baileys Irish Cream

Key global trends

- Growth and emphasis on premium/super-premium
- Search for authenticity; increasing consumer sophistication
- Increasing range and variety across many categories
- Emergence of new spirits and new producers into world markets
- Gifting/gift packs

History in NZ

- Robust and vibrant spirit production by early immigrants
- Industry killed by regulation early 1900's
- Recent industry revival and blossoming

Opportunities

- Transforming wine and wine waste into spirits
- Leveraging very strong Scottish heritage of New Zealand South Island into whisky
- Low cost inputs (e.g. whey alcohol)

Challenges

- Making "world class" products that achieve a premium is difficult in some products (e.g. whisky)
- Lack of tradition and heritage in products

What is required to win going forward?

- Truly premium/superpremium products that consistently win blind tests and awards
- Distinctive position and character that stands out
- Strong distribution
- In market presence and push

Source: Coriolis

● high ◑ medium ○ low

4. CONVENTIONAL SPIRITS WITH UNIQUE NZ FLAVOURS

New Zealand produces a number of spirits with unique New Zealand flavours using either native botanicals (e.g. kawakawa) or signature/identity fruit (e.g. kiwifruit)

Examples of spirits produced in New Zealand containing unique or signature NZ flavours
(2012)

Native botanicals

42 Below
Vodka

Manuka Honey

Lighthouse
Gin

Kawakawa

South
Gin

Manuka berries
Kawakawa

NZ signature/identity fruit

8th Tribe
Liqueur

Gold Kiwifruit

Schnapp Dragon
Liqueur

Tangelo

Mana
Shochu

Kiwi Gold

Zumwohl
schnapps

Feijoa

Source: various; photo credit (fair use; low resolution; complete product/brand for illustrative purposes); Coriolis analysis

CASE STUDY – SIGNATURE INGREDIENTS FROM OTHER COUNTRIES

Use of unique or signature flavours is a growing trend in the spirits category as these global examples show

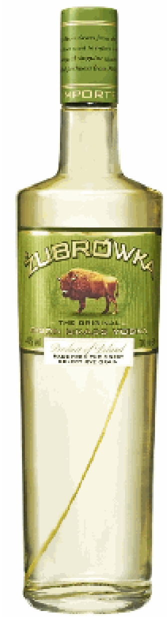
Examples of non-New Zealand products leveraging unique or signature botanicals
(select examples; 2012)

Kai
Lychee Flavored Vodka
Vietnam

"This vodka is produced in northern Vietnam in the Red River Delta from a naturally sweet and glutinous rice called yellow blossom rice. This makes it gluten free for people who are Celiacs or otherwise wheat intolerant… For the sake of clarity; this is flavored with lychee, not made directly from, infused, or macerated lychee."

44 Degrees North
Mountain Huckleberry flavoured vodka
USA

"Distilled from Idaho potatoes, blended with Rock Mountain water from the Snake River Aquifer and then steeped in mountain picked Huckleberries for 10 days!"



contains an actual blade of buffalo grass

Zubrowka
Buffalo Grass Vodka
Poland

"For centuries in eastern Poland, massive buffalo have roamed the lush and fertile fields that are full of rich flowers and "Zubrowka" or "Bison Grass," an herb steeped in intrigue, mystique and romanticism. High Society would celebrate hunting successes with a special vodka flavored with "Bison Grass," in belief this would yield grand power, increase stature and youthfulness which centuries later had been banned from American shores."

Source: BevMo website; various; photo credit (fair use; low resolution; complete product/brand for illustrative purposes); Coriolis analysis

4. CONVENTIONAL SPIRITS WITH UNIQUE NZ FLAVOURS – SITUATION & POTENTIAL STRATEGIC DIRECTIONS

Conventional spirits with unique New Zealand flavours is a highly defensible positioning; execution in sales and marketing is the key to success

Conventional spirits with NZ flavours – Situation & Potential Strategic directions

Concept summary

- Add unique NZ flavours to conventional spirits made in New Zealand
- Leverage positive attributes of New Zealand (water, nature, remote location, low population density) in advertising
- Potentially leverage existing NZ positioning with global consumers (e.g. kiwifruit, dairy)

Attractiveness Scorecard

Ease of execution	◑
Defensible to NZ	●
Long term growth	◑

Examples

New Zealand

- 42 Below Vodka Manuka Honey
- Zumwohl Feijoa
- Lighthouse Gin with kawakawa
- South Gin with manuka & kawakawa
- Mana Shochu Zespri Gold kiwifruit

Global

- Scottish whisky

Key global trends

- Countries registering and protecting their regional product names
- Constant emergence of new flavours similar to non-alcoholic beverages
- Nutraceuticals into alcohol = alcoceuticals (alcohol that’s good for you)

History in NZ

- Early settlers distilled a wide range of New Zealand native botanicals
- Various small scale producers (e.g. kiwifruit or honey liqueurs)
- Strong re-emergence of the concept in the last decade

Opportunities

- Huge range of New Zealand unique plants available nowhere else on earth
- Rediscovering traditional Maori knowledge and widespread experimentation of early settlers

Challenges

- Can become a flavour exporter in bulk; value captured by market leaders
- Multinationals buying firms leading to loss of vision and vigour into conservative bureaucracy

What is required to win going forward?

- Marketing, marketing, marketing
- In market presence and push; sales force execution
- Unique flavours yet suited to global tastes (i.e. rather than acquired tastes)
- Control over product/ingredient name to prevent becoming a flavour supplier

Source: Coriolis

● high ◑ medium ○ low

5. NEW ZEALAND UNIQUE SPIRITS

New Zealand has yet to develop a unique and iconic spirit; Ti-toki is the best example of the potential of the idea to date

Examples of truly unique spirits produced in New Zealand containing unique or signature NZ flavours
(2012)

In the mid 1970's, a West Auckland winemaker drew inspiration from the surrounding native flora to create a distinctive New Zealand liqueur. Using indigenous plants such as kawakawa, manuka leaves and the oils from the ti-toki tree berry - those unique flavours became 'Ti-Toki Liqueur'.

Ti-toki Liqueur is most often recognised by the 500ml hand-made ceramic crock in the shape of a "Tekoteko", the carved figure that guards against evil spirits on the top or in front of a Maori meeting house.

Available in a beautiful greenstone-inspired glaze with paua eyes, this crock is lovingly made in a small ceramics studio minutes from Muriwai Beach, north-west of Auckland.

Ti-Toki Liqueur (37% alc/vol) can be savoured 'straight-up', chilled, in a delicious cocktail, special coffee or served with cranberry juice, soda, tonic water or ginger beer.

Source: various; photo credit (fair use; low resolution; complete product/brand for illustrative purposes); Coriolis analysis

NZ UNIQUE SPIRITS – REGIONAL

Unique spirits can come in the form of specific named products tied to a specific region but made by multiple producers

EXAMPLES: Distinctive unique/signature spirits tied to specific regions
(various; 2012)

Product	What is it?	Where is it produced?	Protection	Annual production or sales
Armagnac	Distinctive kind of brandy	Armagnac region, Gascony, France	Appellation d'origine contrôlée	3,700ha 6m bottles
Cognac	Distinctive kind of brandy	Cognac region, Charente and Charente-Maritime, France	Appellation d'origine contrôlée	-
Brandy de Jerez	Distinctive kind of brandy	Jerez area, Andalusia, Spain	Protected Designation of Origin (PDO)	-
Plymouth Gin	Style of gin	Plymouth, England	Protected Geographical Indication	-
Steinhäger	Style of gin	The village of Steinhagen, North Rhine-Westphalia, Germany	Protected Geographical Indication	-
Irish Cream	Irish whiskey, cream, and other ingredient	Ireland	Protected Geographical Indication	-
Pisco	colourless grape brandy	Specific regions in both Peru and Chile	Appellation of origin	-
Tequila	Fermented and distilled blue agave plant	the state of Jalisco and limited regions in the states of Guanajuato, Michoacán, Nayarit, and Tamaulipas	Norma Oficial Mexicana; Mexican laws; international treaties	-
Ouzo	an anise-flavoured aperitif	Greece and Cyprus	Protected Designation of Origin	-
Mezcal	Fermented and distilled manguey plant	Durango, Guanajuato, Guerrero, Oaxaca, San Luis Potosí, Tamaulipas and Zacatecas, Mexico		330,000ha 2m litres

Source: "The Ultimate Encyclopaedia of Wine, Beer, Spirits & Liqueurs"; Wikipedia; various published articles; Coriolis analysis

CASE STUDY – TEQUILA PRICE POINTS

Successful regional spirits create value through a wide range of price points, typically using packaging, barrel aging, and exclusive smaller regional producers to drive perception of value

EXAMPLE: Price points of select tequila products among 273 items for sale at BevMo! California online website
(US$; 2/2012)

Source: BevMo online; photo credit (fair use; low resolution; complete product/brand for illustrative purposes); Coriolis analysis

UNIQUE SPIRITS – REGIONAL

Unique spirits can also be unique branded products owned by specific firms

EXAMPLES: Distinctive unique/signature spirits tied to specific regions
(various; 2012)

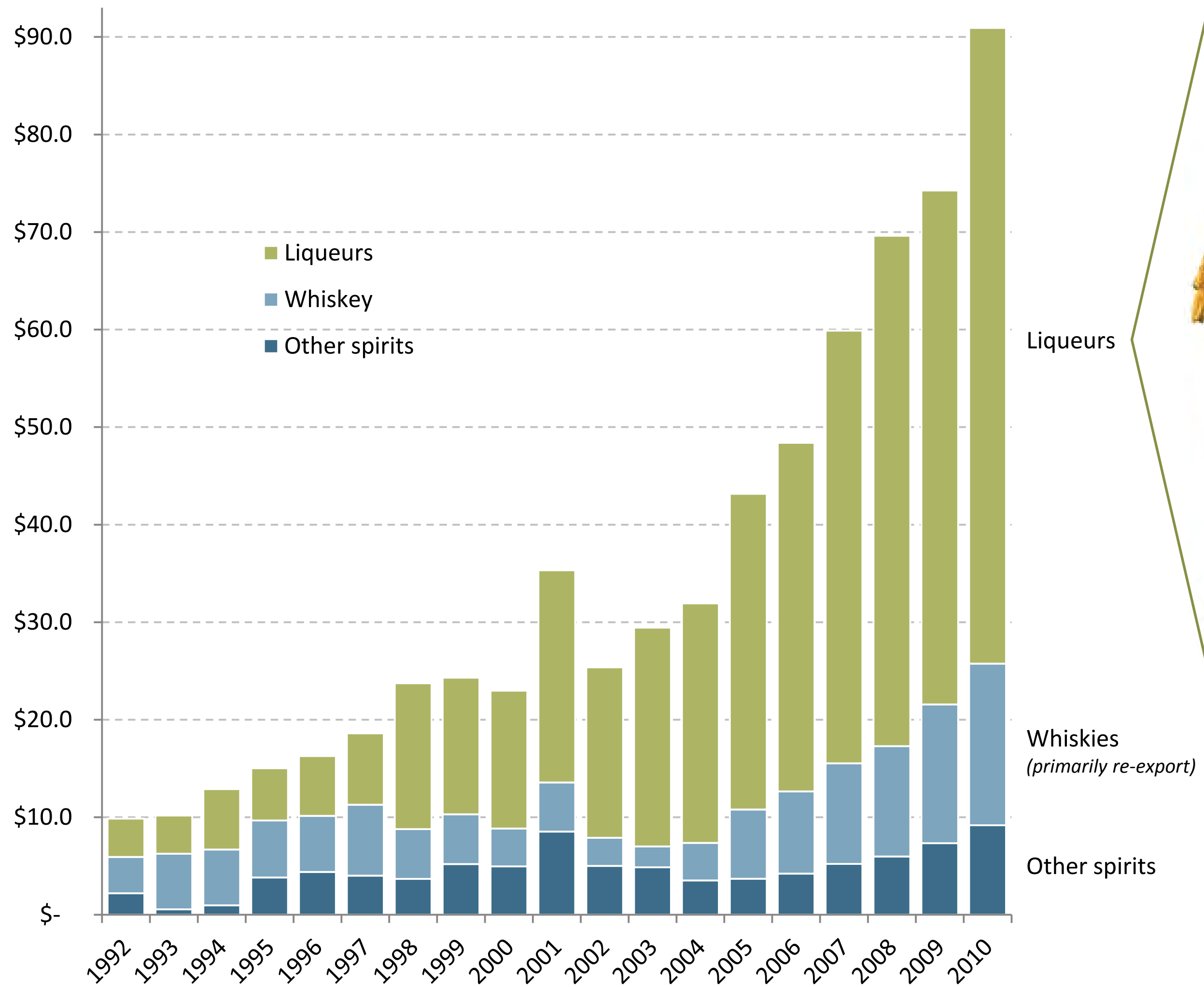
Product	What is it?	Who invented it? Who owns it?	Typical usage
Midori	Bright green melon liqueur	- Developed by Suntory (Japan) in 1980's - Midori is Japanese word for green - Unique bottle; green colour from dye not melons - Instant success worldwide	- As a mixer in cocktail recipes - To add colour to a drink
Southern Comfort	Peach and bourbon liqueur	- Originally created by bartender Martin Wilkes Heron in New Orleans in 1874 - Now owned by the Brown-Forman Corporation	- Neat or on the rocks - As a mixer in cocktails
Tia Maria	Coffee-flavoured liqueur	- Invented by Dr. Evans in Jamaica just after World War II - Bought by Pernod Ricard in 2005, sold to Illva Saronno in 2009	- Neat or on the rocks - As a mixer in cocktails
Pimm's	Gin-based drink/liqueur (technically a fruit cup)	- First produced in 1823 by James Pimm, a farmer's son from Kent who became the owner of an oyster bar in the City of London - Purchased by Diageo in 2006	- With lemonade or soda
Frangelico	Hazelnut and herb-flavored liqueur	- 1980's; claimed to be based on 300 year old legend - Produced in the Piedmont region of northern Italy - Distinctive bottle which resembles the habit of a Franciscan friar, - brand was purchased by Gruppo Campari in 2010, having previously been owned by William Grant and C&C Group	- On ice - As a mixer in cocktails
Malibu	Coconut-flavoured rum	- Developed to simplify the making of Piña Coladas by bartenders - First produced in Curacao, then Barbados - Sold to Diageo in 2002 then Pernod RIcard	- As a mixer in cocktails
Kahlua	Coffee flavoured liqueur	- Pedro Domecq (cf. Allied Domecq) began producing Kahlúa in 1936 in Mexico; now part of Pernod Ricard	- On ice - As a mixer in cocktails

Source: "The Ultimate Encyclopaedia of Wine, Beer, Spirits & Liqueurs"; Wikipedia; various published articles; Coriolis analysis

CASE STUDY – SOUTH AFRICA

The success of South Africa's Amarula crème liqueur shows that a single product can drive export success

South African spirits export value by select categories
(US$; m; 1992-2010)



Ingredients: Sugar, cream, native Marula tree fruit

"The Amarula phenomenon is a premium cream liqueur from Africa. Amarula totally dominates the cream liqueur market locally and it has resounding success in some international markets. Amarula is endowed with excellent intrinsics – an accessible and self-indulgent cream made from a unique subequatorial African fruit, the Marula. It has truly unique packaging with strong African icons, such as the African elephant and the Marula fruit.

The story of Amarula dates back to 1989 when it first appeared on the South African market. Since then it has grown tremendously and today its great taste is enjoyed in over 100 countries worldwide. Amarula can be enjoyed over ice, in a unique range of cocktails, as well as in delicious dishes." *Distell website, Feb 2012*

Source: UN Comtrade database; photo credit (fair use; low resolution; complete product/brand for illustrative purposes); Coriolis analysis

CASE STUDY – KAHLUA LINE EXTENSIONS

Once a strong brand is developed, product and line extensions can be used to extend reach and increase shelf presence

EXAMPLE: Line extensions of Kahlua coffee flavoured liqueur
(select items; 2012)

Source: various; photo credit (fair use; low resolution; complete product/brand for illustrative purposes); Coriolis analysis

NZ UNIQUE

New Zealand has a wide range of unique plants/trees that have been used historically to brew alcohol; all can provide unique/defensible ingredient bases…

New Zealand unique potential plants used as waipiro
(2010 or as available)

Name	Part used	Historical usage	Suitable attributes	Notes
Cabbage tree *Cordyline australis / terminalis* Tikouka/ti pore	Root Young stem (2 yrs old) Cooked tap root	- Roots used for brewing a type of beer using the young stem - Cooked root made into a sweet paste	- Fast growing - Distributed throughout NZ in wet areas	- *terminalis* is 20% sucrose
Tutu *Coriaria sarmentosa/ arborea*	Petals and flesh of seed ONLY	- Made into wine by early settlers (used similar to Elderberry) - The edible juice or jelly mixed with seaweed	- Distributed throughout NZ in forest, scrub & subalpine	- Seeds/plant is highly poison and ingesting causes death - Absinth leverages dangerous elements of wormwood (Artemisia absinthium) to create products mystery
Kawakawa *macropiper excelsum*	Berries Leaves	- Leaves used to make beer - Berries eaten - A flavoured jelly made from seaweed - Leaves made into tea	- Distributed south to CHCH; abundant shrub in lowland and coastal forest	- Relative of native Fijian Kava (but not the same properties)
Kohekohe *Dysoxylum spectabile*	Leaves Bark	- The leaves and bark are cooked to brew beer	- North Cape to Nelson; coastal forests	
Kiekie *Freycinetia banksii*	Bracts (tawhara) Flowers Pulp of fruit	- Overripe tawhara made a fermented liquor - Prized food of Maori	- Most common in north but far south as Marlborough	- A scrambling climber up to 20m in sheltered moist areas - Highly prized by early Maori
Titoki New Zealand Ash *Alectryon excelsus*	Berries	- Made a distilled liqueur from berries - Edible fruit and fleshy part of root		- Liqueur exported to California

Source: various published sources

New Zealand unique potential plants used as waipiro

(2010 or as available)

Name	Part used	Historical usage	Suitable attributes	Notes
Makomako *Aristotelia serrate* Wineberry	Ripe berries	- Berries eaten traditionally - Berry jam made by early settlers - Wine made by early colonists	- Fast growing - Forest and scrub land throughout NZ; Often on roadsides after clearing	- Small tree up to 10m - Similar to elderberry wine
Manuka/Kanuka *Leptosperrnum scoparium*	Leaves	- Used as a tea (by Captain Cook) - Used to brew beer by early settlers	- Very fast growing, - National coverage	- Captain Cook had recipe for brewing beer in diary - Beer made at Mussel Inn “Captain Cooker” and in Belgium
Rimu *Dacrydium cypressinium* Red pine	Fruit eaten raw Leaves	- Leaves brewed to make a beer; added to manuka leaves and molasses	- Common in all but driest forests up to montane altitues	- Tall forest tree; slow growing so not ideal
Kareao; pirita *Ripogonum scandens* Supplejack	Roots Juice from vine Flesh of berries shoots	- Beer brewed from roots - Juice drunk from vine - Shoots eaten to cure scabies	- Very fast growing at 5cm/day	- Fast growing vine
Matai *Podocarpus spicatus* Black pine	Sap Berries edible	- Sap of tree called Matai beer - Drilled base with auger and tapped tree	- Forest tree reaching 30m - Common throughout NZ in lowland and montane forest	
Nikau palm *Rhopalostylis sapida*	Hearts Flowers Immature berries	- Medicinal; used as laxative and to relax muscles during childbirth	- South to CHCH	- Very slow growing therefore heart not suitable for eating as it kills the plant (only if desparate)

Source: various published sources

5. NEW ZEALAND UNIQUE SPIRITS – SITUATION & POTENTIAL STRATEGIC DIRECTIONS

Developing a unique, defensible and protected New Zealand spirit is a great idea in theory that is easier said than done

NZ Unique spirit – Situation & Potential Strategic directions		Attractiveness Scorecard	
Concept summary	- Create a unique drink leveraging New Zealand native botanicals or ingredients - Product should ideally respond well to barrel aging to drive multiple quality-driven price points - Product should ideally suit consumption straignt/on-the-rock and as a key component in a signature cocktail	Ease of execution	○
		Defensible to NZ	●
		Long term growth	◐

Examples		Key global trends	History in NZ
New Zealand	**Global**		
- Ti-toki liqueur	- Amarula (South Africa) - Kahlua (Mexico) - Tequila (Mexico) - Cognac (France) - Bourbon (Kentucky)	- Strong push on premium/super-premium due to much higher profitability and halo effect	- Early settlers distilled a wide range of New Zealand native botanicals - Various small scale producers (primarily Ti-toki)

Opportunities	Challenges	What is required to win going forward?
- Huge range of New Zealand unique plants available nowhere else on earth - Rediscovering traditional Maori knowledge and widespread experimentation of early settlers	- Easier said than done - Creating a regional product tied to New Zealand rather than a brand sold offshore	- A good product

Source: Coriolis

● high ◐ medium ○ low

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ACQUISITIONS

The New Zealand spirits sector has seen some large transactions in the past five years

Identified acquisitions in the New Zealand spirits sector over the past 5 years
(2006-2011)

Date	Target	Buyer	Seller	Price	Details
Aug 2011	Independent Liquor	Asahi (Japan)	Pacific Equity Partners (AU)	NZ$1.5b	- From Australian private equity firm
Oct 2010	The New Zealand Whisky Company	"Nine international investors led by Interglobal Brands Pty, of Tasmania"	Warren and Debbie Preston (TBC); firm in receivership	N/A	- placed in receivership in February 2010 by South Canterbury Finance, owing an estimated $3 million - Purchased the 450 whisky barrel assets from receivership - "About 225 were barrels of single malt about 18 to 24 years old, which had been branded Lammerlaw, and the other 225 barrels were the former Wilsons brand, which were at least 12 years old" - Single malts include Milford, 1987, (cask strength) 1988 and South Island Single Malt, and blends the Water of Leith and Dunedin DoubleWood
Oct 2009	26000 Vodka	McCashin's Brewery	Wakefield Quay; in receivership	N/A	- Ken Telfar and Warryn Bermingham started 26000 Vodka in 2006, working from a corrugated iron shed in Mapua - Fell victim to the world economic downturn
Dec 2006	42 Below	Bacardi (Bermuda)	Listed on NZX	US$90m NZ$131m	- Bacardi acquires the 42 Below vodka brands, including four flavored vodkas - Manuka Honey, Kiwifruit, Feijoa and Passionfruit and the newly developed products of South Gin, Stil Vodka, Seven Tiki White Rum, Tahiti Dark Rum and 420 spring water
2006	Independent Liquor	Pacific Equity Partners	Erceg family	N/A	- Pacific Equity Partners and Unitas bought 80 per cent of Independent Liquor following helicopter death of founder - Erceg family keeps 20% in firm
2006	Ti-toki Liqueur	Douglas, Murray & Hirst	N/A	N/A	

Source: various company websites and articles; Coriolis

SPIRITS – KEY FIRMS

There are a handful of larger firms manufacturing spirits in New Zealand

Key firms in the New Zealand other alcohol sector
(2010 or as available)

	Year founded	Turnover	Emp.	Ownership	Key products	Notes
Asahi / Independent Liquor	1987	$414.4m (2010)	300	Japan; listed (Asahi; TYO: 2502)	RTDs Spirits Beer	www.independentliquor.co.nz; www.asahibeer.com Originally winery; moved into RTDs & spirits Acquired by PEP following death of founder (M. Erceg) Acquired by Asahi (Japan) August 2011
Kirin / Lion	1968	$605m (2010)	1400 (NZ) 1800 (Au)	Japan; listed (Kirin; TYO: 2503)	Beer Wine RTDs Spirits	www.lionco.com; lion-nathan.com.au; www.kirin.com; www.kirinholdings.co.jp Lion, Beer Spirits Wine (NZ) trading at Lion (as of Jul 2011) Previously NZ company, moved listing to Australia; acquired Brands: Steinlager, Speight's, Lion, Mac's, Waikato Draught, Canterbury Draught, others
Heineken / F&N / dbreweries	1930	$461.4m (2010)	500 (K)	Singapore; listed (Asia Pacific Breweries; SGX:A46)	Beer RTDs	www.dbbreweries.co.nz; http://www.apb.com.sg www.heinekeninternational.com www.fraserandneave.com Asia Pacific is 42.5% owned by Heineken; 40% by F&N Previously NZ company, moved listing to Australia; acquired
42 Below	2000	$10.8m (2010)	TBD	Bermuda; private (Bacardi family)	Vodka Gin Rum	www.42below.com; www.bacardi.com http://www.southgin.com/ www.bacardilimited.com Formerly listed in NZ; acquired
VnC Cocktails	2007	$1.9m (2010) (Ke)	25 (NZ) 20-25 (Int'l)	NZ; private (McKillen,Couillaut & others)	Premix cocktails	www.vnccocktails.com VNC Cocktails Limited established by ex founder 42 Below
McCashin's	1980 /2009	N/A	11-20 (K)	NZ; private (McCashin family)	Beer Cider Spirits	http://mccashins.co.nz/ Regional small brewer; acquired 2600 vodka and is moving into spirits
The Mill Liquor Save	N/A	N/A	N/A	NZ; private (Chris Simkin)	[Retailing] RTDs Spirits	http://www.themill.co.nz/ Discount alcohol retailer Operates RTD/spirit plant in Australia

Source: various company websites; various article searches; Kompass (K); Coriolis analysis and estimates

SPIRITS – SMALLER/EMERGENT FIRMS

There are a wide range of smaller/emergent spirits firms in New Zealand…

Key firms in the New Zealand other alcohol sector

(2010 or as available)

	Year founded	Turnover	Emp.	Ownership	Address	Notes
The New Zealand Whisky Company	2010	N/A		Various Australian investors	14-16 Harbour St Oamaru 9400	http://www.thenzwhisky.com/
Thomson Whisky New Zealand	2009	N/A		NZ; private (Thomson family)	Thomson Whisky New Zealand (3471691) PO Box 44356, Pt Chev, Auckland 1246	http://thomsonwhisky.com/
Stolen Rum	2009	N/A		NZ; private (Holmes; Duff; others)	International Trading Cartel (2261517) L3 Buckland Building, 34 Customs Street, Britomart, Auckland 1010	http://stolenrum.com/
Mana	2007	N/A	1-5	NZ; private (Carran family)	Mana Shuzou New Zealand (1917224) 20 Oscar Road, Greenhithe, Auckland 0632	http://www.manashuzou.co.nz/
Broken Shed New Zealand Vodka	2009	N/A		NZ; private (Turner, O'Brien)	Broken Shed Ltd. (2363655) 333 Beacon Point Road, Wanaka, 9305	http://www.brokenshed.com/
Ti-toki Liqueur	1970's/ 2006	N/A	1-5	NZ; private (Hirst, Murray)	Ti-toki Limited (1775736) 30 Elliot St, Riverhead	http://www.ti-toki.com/ http://boozee.co.nz/liqueur-2874.html
The Southern Distilling Co.	2005	N/A		NZ; private (Willmott; Wheeler)	Southern Distilling Co. (1592715) 627 Te Atatu Road, Te Atatu Peninsula, Auckland	http://www.hokonuiwhiskey.com/
Kings / Amor	1979 1993	N/A	6-10	NZ; private (Broome, others)	Kings Liquor Ltd. (595034) 16-18 Greenhithe Rd, Greenhithe,	Cream liqueurs Amor and Te Kaha http://www.amor.co.nz

Source: various company websites; various article searches; Coriolis analysis and estimates

Key firms in the New Zealand other alcohol sector

(2010 or as available)

	Year founded	Turnover	Emp.	Ownership	Address	Notes
	1994	N/A	1-5	NZ; private (Deinlein family)	Ditto Co. Ltd. (610478) 656 Minden Road, Rd6, Tauranga 3176	http://www.distillerie.co.nz
	1980/ 1983	N/A		NZ; private (Fitzpatrick family)	Southern Grain Spirits (202999) 9a Peraki Street, Kaiapoi	http://www.southerngrainspirits.co.nz/
	1992/ 2009	N/A	21-50	NZ; private (Steadman; Wilfred)	The Prenzel Distilling Co. (2344048) PO Box 246, Riverlands Estate, Blenheim 03 578 2800	http://www.prenzel.co.nz/ http://www.theprenzelshop.co.nz
	2006	N/A		NZ; private (Knight; others)	Schnapp Dragon Distillery 1 Hoddy Alley, Takaka, Nelson	http://www.schnappdragon.co.nz
	2009	N/A		NZ; private (Brent King)	Purple Monkey Finger Ltd. (2238575) 441 Robertson Rd, R D 1, Ruawai, Northland	http://www.purplemonkeyfinger.com Made from Kumara
	2010	N/A		NZ; private (Karani family)	Exotica Enterprise Ltd. (2449730) 7 Reeves Road, Pakuranga Auckland 2010	http://www.exoticaenterprise.com
	2011	N/A		NZ; private (Loggia; Turcato)	Villa Italia Ltd. (3684535) 37 Kingfisher Drive, Kerikeri, 0294	http://www.limoncello.co.nz/
South Pacific Distillery	1982	N/A		NZ; private (Brian Hetzel)	South Pacific Holdings Ltd. (150932) PO Box 1359, Nelson	http://www.roaringforties.co.nz/

Source: various company websites; various article searches; Coriolis analysis and estimates

SPIRITS – KEY FIRMS

... continued

Key firms in the New Zealand other alcohol sector

(2010 or as available)

	Year founded	Turnover	Emp.	Ownership	Address	Notes
LEMON·Z	2004	N/A		NZ; private (Grigg family)	Lemon Z Ltd. (1526884) 5 General Gates Ave, Kerikeri, Bay of Islands	http://www.lemon-z.co.nz/ http://www.hancocks.co.nz/brand.jsp?name=LEMON%20Z
LIGHTHOUSE	1994	N/A		NZ; private (Wright; Catherall; others)	Greytown Fine Distillates (620865) PO BOX 113 Greytown 5742	http://www.lighthousegin.co.nz
ZUMWOHL	2008	N/A		NZ; private (Fuhrer; others)	Aotearoa Distillers Level 7, 36 Brandon Street, Wellington, 6011	http://www.zumwohl.co.nz
Wild Days Rum	2003	N/A		NZ; private (Duurloo)	Wild Days Rum (1332982) 21 View Rd, Onetangi, Waiheke Island	http://wilddaysrum.co.nz
Wild FERN	1993/ 2005	N/A		NZ; private (Atkin)	Wildfern New Zealand Ltd. (1644265 5 Tarras Grove, Lower Hutt	Honey Mead http://www.bemrose.co.nz/ http://www.wildfern.co.nz/

Source: various company websites; various article searches; Kompass (K); Coriolis analysis and estimates *www.foodandbeverage.govt.nz*