IBWA 2014

U.S. Bottled Water Market

Market Trends

November 13, 2014

To access the latest bottled water data and insights see http://shop.beveragemarketing.com/US-Bottled-Water.aspx
Beverage Marketing Corporation utilizes an integrated model for providing information, analysis and advice to beverage industry clients.

Beverage Marketing Capabilities

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

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

- Overview of U.S. Beverage Market
- U.S. Bottled Water Market
- Projections
State of the Industry - The Good and the Bad

Beverage Headlines

- Liquid refreshment beverage market essentially flat in 2013 after three years of growth, but has rebounded in first half of 2014
- Niche categories are outperforming traditional mass-market categories
- Bottled water strongest performing of mass-market categories
- Steadily-improving economy remains best impetus for beverage category success
- Outlook for modest growth in 2014
The economy continues to move in a positive direction with modest GDP growth for 21 straight quarters and unemployment now under 6%, but improvement has been slow.

**Quarterly GDP Change 2009 - 2014 Q3**

**Unemployment Rate 2000 - 2014***

*YTD through September 2014*

Source: Beverage Marketing Corporation; Bureau of Economic Analysis, Department of Commerce, Department of Labor
Total beverage volume will grow modestly in 2014, a slight improvement from 2013

- Both non-alcohol and alcohol are experiencing growth
- Modest improvement in the economy has helped to boost beverage sales

**U.S. Beverage Market**
(Billions of Gallons)
2000 - 2014(P)

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-Alcohol</th>
<th>Alcohol</th>
<th>Total</th>
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<tbody>
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<td>40.00</td>
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<td>42.50</td>
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<tr>
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<tr>
<td>2014(P)</td>
<td>47.00</td>
<td>36.00</td>
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</tr>
</tbody>
</table>

Growth: 12/13: -0.8%  13/14(P): 0.8%
Non-Alcohol: 0.4%  1.4%
Total: 0.2%  1.3%

For the latest on beverage trends across beverage categories see The Multiple Beverage Marketplace in the U.S.

P: Projected
Source: Beverage Marketing Corporation http://www.beveragemarketing.com
Agenda

• Overview of U.S. Beverage Market

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Bottled Water Headlines

• Most successful mass-market beverage category in the U. S.

• Every segment is growing - a rare feat

• Projections show bottled water will surpass CSDs by 2016

• With exception of retail PET segment, pricing is strong

• Pricing is at all-time low for retail PET

• Category is best positioned since pre-recession

While carbonated soft drink pricing has risen, bottled water pricing has dipped. This is likely impacting the performance of both categories.

**Wholesaler Dollars Per Gallon**

**2000 - 2013**

- **CSDs**
  - 2000: $2.64
  - 2013: $3.99
- **PET Single Serve Bottled Water**
  - 2000: $1.26
  - 2013: $1.26

*Source: Beverage Marketing Corporation; BMC's DrinkTell Database With Market Forecasts*

Total bottled water revenues in 1H14 grew at a rate slightly under volume growth.

**U.S. Bottled Water Market Quarterly**

**Revenue Growth**

2011 - 1H 2014

Source: Beverage Marketing Corporation http://www.beveragemarketing.com

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

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

### Advances in Supply Chain Costs

- High-speed bottle filling in a range of 1,500-1,800 bottles per minute
- Stable resin costs
- Continued bottle light-weighting

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

Beverage Marketing Corporation

• Consulting
• Research
• Advisory Services