



PANACHE

BEVERAGES, INC.

OTCQB: WDKA

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PANACHE BEVERAGES



www.PanacheSpirits.com

Opportunity

The major spirits conglomerates largely abandoned the grassroots developments of brands years ago in favor of an “acquire to grow” philosophy. Most acquisitions halted in 2008 when the economy turned down but over the past year, these spirits companies have begun to ratchet up their appetite for new deals. Panache management believes that the climate is ideal for significant M&A activity in the space over the next several years.

Strategy

Given its size and entrepreneurial style, the Company is able to move quickly and efficiently to fill these gaps and meet the ever-changing demands of consumers of spirits. The Company’s first spirits product is Wodka Vodka, a less expensive but high quality alternative to more expensive brands on the market. This product exploits the trend towards “premiumization”, whereby consumers are demanding high quality vodka at less expensive price points.

With its proven ability to identify market opportunities, develop products into successful, commercially viable and recognizable brands via marketing and PR campaigns, and the ability to monetize these assets through strategic sales—creating value for shareholders, Panache’s management team is well positioned to build its “build and exit” business model beyond Wodka Vodka with their two additional brands Alchemia Vodka and Alibi Whiskey.

Quick Facts and Key Ratios



12-Month Trading Price High	\$2.00
12-Month Trading Price Low	\$0.10
Closing Price 6-29-2012	\$1.34
Shares Outstanding 6-29-2012	26,382,891
Market Capitalization	\$35.35M
Enterprise Value	\$36.34M
Last Quarter Revenue	\$671,041
TTM Revenue	\$2,142,524
Current Assets (Most Recent 10Q or 10K)	\$842,253
Current Liabilities (Most Recent 10Q or 10K)	\$2,372,801
Current Ratio (Most Recent 10Q or 10K)	0.35
Total Assets (Most Recent 10Q or 10K)	\$854,611
Total Liabilities (Most Recent 10Q or 10K)	\$2,372,801

Recent Trends in the Global Spirits Market

1. Between 2000 and 2005, the market has been growing more in value than in volume across all categories as people drink less—but pay more for what they do drink.
2. While the growth of consumption is projected to be attractive in emerging markets, those markets are not expected to deliver a future growth premium.
3. However, a premiumization strategy does not translate well into emerging markets, such as Latin America and Asia Pacific, where price per liter is not a strong upward trend.
4. This has a particular impact in developed regions, where consumers have been increasingly willing and able to pay more for higher-priced products.
5. Since 1990, there has been significant consolidation in the industry, with top 10 companies now controlling more than 60% of the market share.
6. Premiumization and consolidation have raised overall economic profitability.
7. Plainly, the path to future success lies in being global—but with a focus on the right markets and the right categories.

Investment Highlights

- The Company's expertise lies in the strategic development and early growth of its brands establishing its assets as viable and attractive acquisition candidates for the major \ global spirits companies.
- Panache management is following a "build and exit" business model. In December 2006, Panache sold 42 BELOW to Bacardi for \$91 million.
- Panache's existing portfolio contains three brands, all meeting different consumer needs in the marketplace: Wodka Vodka, Alchemia Vodka and Alibi Whiskey.
- With consumers looking for new brands and large conglomerates desperate for growth (in a mature developed market) through acquisition, Panache is the right conduit for both to meet their respective needs.
- During February and March 2012, the Company has announced several significant distribution agreements in diverse regions of the country, that expand the Company's reach and national footprint.

Priced very well against other premium brands

NEWS

VODKA BRANDING DISTILLED

A long time ago, in an economy far from slumping down 30 bucks for a bottle of Stolichnaya, vodka was no longer. Then again, neither were sub-prime mortgages. The recession has changed all that, of course, and made saving money cool. The latest proof: cheap-chic vodkas—award-winning distillations that sell for around 30 bucks.

"We've left the days of glitz and bling behind," says spirits industry consultant Arthur Shapiro. "Consumers might like their Grey Goose and Ketel One, but they might as well buy a good-tasting vodka at a lower price." And they are.

— vodka—which began the cheap-chic change several years ago—is now the fastest growing spirits brand in America. And guess where its drinkers are coming from? "We steal market share from our more expensive competitors," says SVP Marina Hahn. These newcomer brands are hardly subtle about it, either. A recent ad for Sobieski reads: "Overpricing on vodka? That's so 2008."

Even the bottles look upscale—as our shelf of contenders and defenders below illustrate. While cheap-chic vodkas might not be comforting for the likes of Ketel One, it's great news for average consumers. As a Wodka spokesperson put it: "Good vodka for less money appeals to everybody." No Zlotowiel!

—Robert Klara

Additional Information



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