

Action Summary – 21 November 2024

Analyst Theodore R. O'Neill is *initiating coverage of Innovation Beverage Group Ltd. with a Buy rating and \$4PT*

- **We are initiating coverage of Innovation Beverage Group.** Innovation Beverage (NASDAQ: IBG) is a developer, manufacturer, marketer, exporter, and retailer of a growing beverage portfolio of 60 formulations across 13 alcoholic and non-alcoholic brands for which it owns exclusive manufacturing rights.
- **It is capitalizing on the expanding presence of lifestyle focused beverages.** The company is focused on creating, marketing, and scaling lifestyle focused beverage brands with a focus on Bitters, Non-Alcohol Spirits, Bottled cocktails and other high margin innovative products exclusively developed in house and sold via large distribution partners in Australia and around the globe.
- **It is increasing the distribution and geographic reach of owned brands.** The company is pursuing growth by increasing its range of brands as well as increasing its territories with a focus on large territories suited for its brands. A significant opportunity is to increase its range with current distribution partners.
- **Expanding direct-to-consumer (DTC) sales at its owned marketplaces.** It sells wine and spirits via company owned marketplaces www.wiredforwine.com, www.bevmart.com, www.bevmart.com.au, and www.drummerboy.com. It plans to increase the number of visitors to its marketplaces and increase the conversion via a customer acquisition strategy (CAC).
- Insiders have a major stake in the outcome of IBG. The company just completed a capital raise in which both management and insiders have a considerable stake in the business.
- **Shares appear to be priced significantly below absolute and comparative metrics.** The shares are selling at a discount to both our discounted price target model and its peers.

11/20 Closing price: \$0.79	Market cap: \$7 million	2025 Market cap/sales: 1.1x	2025 EV/Sales: 1.0
Shares outstanding: 8.3 million	Insider ownership: ~33%	Avg. trading volume: >10,000	Dividend/Yield: NA/NA

GAAP estimates (EPS in dollars – Revenue in millions)

Period	EPS	Revenue	EBITDA Margin
2022A	<u>(\$0.56)</u>	<u>\$4.35</u>	<u>(68.2%)</u>
2023A	<u>(\$0.27)</u>	<u>\$3.15</u>	<u>(59.9%)</u>
2024E	<u>(\$0.16)</u>	<u>\$4.50</u>	<u>(24.8%)</u>
2025E	<u>(\$0.05)</u>	<u>\$6.00</u>	<u>(1.2%)</u>
2026E	<u>\$0.11</u>	<u>\$9.00</u>	<u>17.0%</u>

Note: Numbers may not add due to rounding. See our full model in the back of this report.

Cash balance (millions)

• 2023A	• \$0.01
• 2024E	• \$4.07
• 2025E	• \$3.04
• 2026E	• \$4.48

Short term debt (millions)

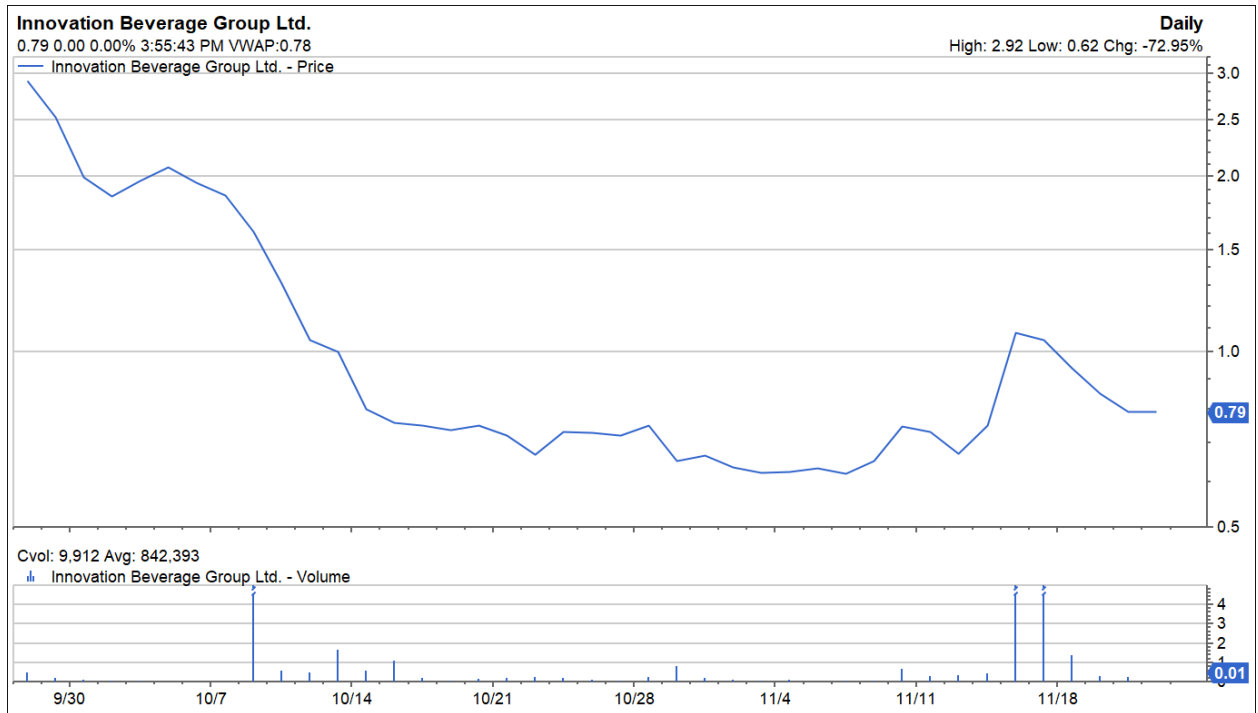
• 2023A	• \$1.6
• 2024E	• \$1.6
• 2025E	• \$1.6
• 2026E	• \$1.6

Risks/Valuation

- Risks include competition, brand development, lack of near-term earnings
- Our \$4.00 target is derived using a discounted future earnings model

Company description: Innovation Beverage Group is a developer, manufacturer, marketer, exporter, and retailer of a growing beverage portfolio of 60 formulations across 13 alcoholic and non-alcoholic brands for which it owns exclusive manufacturing rights. Focused on premium and super premium brands and market categories where it can disrupt age old brands.

Figure 1 – Innovation Beverage - Trading snapshot since IPO



Source: Refinitiv Eikon

Investment Thesis

Innovation Beverage Group is a developer, manufacturer, marketer, exporter, and retailer of a growing beverage portfolio of 60 formulations across 13 alcoholic and non-alcoholic brands for which it owns exclusive manufacturing rights. Focused on premium and super premium brands and market categories where it can disrupt age old brands, IBG's brands include Australian Bitters, BITTERTALES, Drummerboy Spirits, Twisted Shaker, and more. Established in 2018, IBG's headquarters, distillery, innovation, and manufacturing facility are in Sydney, Australia with a U.S. sales office is located in New Jersey.

It is capitalizing on the expanding presence of lifestyle focused beverages. The company is focused on creating, marketing, and scaling lifestyle focused beverage brands with a focus on Bitters, Non-Alcohol Spirits, Bottled cocktails and other high margin innovative products exclusively developed in house and sold via large distribution partners in Australia and around the globe. Its largest distribution partnership is with Coca-Cola Euro-Pacific Partners (NASDAQ: CCEP-NR) followed by a strategic alliance with Blue Ridge Spirits & Wine Marketing.

It is increasing the distribution and geographic reach of owned brands. The company is pursuing growth by increasing its range of brands as well as increasing its territories with a focus on large territories suited for its brands. A significant opportunity is to increase its range with current distribution partners of which CCEP is a major distributor. It also has a U.S. expansion strategy for Bitters brands and its latest non-alcohol spirits innovation and brand called Drummerboy and is in active discussions with significant distributors around the world for its suite of brands.

Expanding direct-to-consumer (DTC) sales at its owned marketplaces. It sells wine and spirits via company owned marketplaces www.wiredforwine.com, www.bevmart.com, www.bevmart.com.au, and www.drummerboy.com. It plans to increase the number of visitors to its marketplaces and increase the conversion via a customer acquisition strategy (CAC). The primary growth opportunity is to increase revenues, increase efficiencies and gross margins. A primary driver of the increase in efficiencies is that both wiredforwine.com and drummerboy.com utilize the same back-end infrastructure and fulfillment center controlled by the company.

Insiders have a major stake in the outcome of IBG. The company just completed a capital raise of which both management and insiders have a considerable stake in the business.

Shares appear to be priced significantly below absolute and comparative metrics. The shares are selling at a discount to both our discounted price target model and its peers.

Valuation Methodology

We believe IBG is undervalued, and we support that belief with a series of valuation techniques. We use two different techniques, below. To determine our price target, we use a discounted future earnings model, and we validate that result with a comparison to peers, i.e.:

- 1) The discounted value of all future earnings was used for our price target (see Figure 2)
- 2) Valuation relative to peers (see Figure 3)

Discounted Future Earnings – Basis for Price Target

Our 12-month price target of \$4.00 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings discounted at 10%, which we believe is large enough to compensate for the risk. We assume approximately 50% EPS near-term growth for earnings which steps down to GDP after 5-7 years. Our valuation model is shown in Exhibit 2 below. Note, this model understates future new products and growth through acquisitions and probably understates the tax benefits, but offsetting that, the earnings never have a down year. The implied share price is \$4.08, which we round to \$4.00. Although this target is substantially above where the stock is currently, it traded near that level within the last few months. Were it to trade at that level, the implied 2025 EV/Revenue would be at or near the high end of the range.

Figure 2 – Innovation Beverage – Price Target Calculation

Discounted Earnings		\$4.08
Year 1 is	Forecast	Discounted
2025	EPS	EPS
1	(0.05)	(0.05)
2	0.11	0.09
3	0.20	0.15
4	0.25	0.17
5	0.30	0.19
Terminal Value		3.53

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

If we compare IBG to a simple average of its peers (Figure 3), the shares sell at a discount on sales measures ranging from 52% to 55%. Assuming IBG should trade at an average multiple, and we would argue that due to its growth potential, it should trade above average, these metrics indicate the stock price should be higher than where it is today. Details on each of the peers can be found in Figure 11 near the back of the report. The companies we used in Figure 11 are in similar lines of business although none of them are a perfect match.

Figure 3 – Innovation Beverage – Discount to Peers

	2025 Market Cap / Sales	2025 EV / Sales
Average	2.32	2.29
IBG	1.10	1.03
Discount to peers	52%	55%

Source: Litchfield Hills Research LLC and FactSet

Guidance and Financial Forecasts

The company provides no guidance. Our forecast assumes that the company reaches B/E sometime in 2026 and while it needs to generate more than the \$9MM of revenue we forecast for 2026 to be the success it hopes for, we do not need to make more aggressive assumption to justify our assertion that the shares are undervalued. In addition, if our forecast is correct, there is no near-term need for capital. We expect a capital raise in the future if the company needs it to support significantly greater growth than is in our forecasts.

Company Overview

Summary

Founded in 2018, Innovation Beverage Group (NasdaqCM: IBG) is a developer, manufacturer, marketer, exporter, and retailer of a rapidly expanding beverage portfolio that includes 60 formulations across 13 alcoholic and non-alcoholic brands. With exclusive manufacturing rights, IBG focuses on premium and super-premium categories, aiming to disrupt long-established brands. Its brand lineup includes Australian Bitters, Bitter Tales, Drummerboy Spirits, Twisted Shaker, and more. Australian Bitters has been IBG's standout success, having disrupted a 200-year-old market leader and secured a dominant market position in several regions, including a partnership with Coca-Cola Europacific Partners (ENXTAM: CCEP) in Australia. IBG operates its headquarters, distillery, and innovation and manufacturing facility in Sydney, Australia, while its US sales office is based in New Jersey. The company reaches its customers via a 3-tier distribution network, exclusive partnerships, and direct-to-consumer (D2C) platforms.

Figure 4: Innovation Beverage - Key Financial Data – 2022 and 2023

Key Financial Data (USD '000s)	2022	2023
Revenues	4,530.4	3,147.8
Operating Income (Loss)	(4,288.4)	(2,139.1)
Net Income (Loss)	(4,127.8)	(2,014.0)
Cash and Cash Equivalents	92.0	14.1
Trade and Other Receivables	950.9	293.7
Trade and Other Payables	2,140.5	2,287.0
Total Equity	295.7	608.5
Net Cash from Operating Activities	(2,861.7)	30.1
Net Cash from Investing Activities	37.0	(119.5)
Net Cash from Financing Activities	1,342.0	25.9

Source: Company's Registration Filing, Sep 2024

Key Brands

IBG manufactures a diverse range of in-house brands to adapt to the evolving demands of customers in global markets. Notable brands include:

- **Australian Bitters Company:** Crafted in small batches, this is IBG's flagship bitters brand and is witnessing rapid global growth, playing a key role in the resurgence of cocktail culture. Found in major cities across the US, it recently earned double gold at the Los Angeles International Spirits Competition, affirming its position as one of the finest bitters available. The brand also received gold and silver medals at the 2018 International Wine and Spirit Competition (IWSC) and two Silver Medals at the 2018 L.A. Spirits Awards. In Australia, Coca-Cola Europacific Partners holds distribution rights, while IBG exclusively manufactures the product. Outside of Australia, IBG retains ownership of the brand and the rights to both manufacture and distribute its products. For the US, IBG has a Sales Service Agreement with Blue Ridge Spirits & Wine Marketing.
- **Bittertales Aromatic:** Made from a proprietary blend of 20 herbs and spices, sourced seasonally for peak freshness, it is handcrafted in small batches, designed with a new generation of cocktail enthusiasts in mind. BITTERTALES Aromatic Bitters has been recognized with a Gold Medal at the 2021 L.A. Spirits Awards and a Platinum Medal at the 2020 L.A. Spirits Awards, where it also earned the prestigious Best in Show title.
- **Twisted Shaker Cocktails:** Twisted Shaker offers an award-winning blend of expertly crafted recipes and creative takes on classic cocktails. The Twisted Shaker range includes five bottled cocktails: Tequila Margarita, Cucumber Gimlet, Raspberry Hibiscus Cosmopolitan, Espresso Martini, and Whiskey Old Fashioned. IBG holds a royalty-free license to manufacture, sell, and distribute Twisted Shaker products globally, except in the US and its territories.
- **Drummerboy Non-Alcoholic Spirits:** IBG offers non-alcoholic spirits under this brand. The company owns this brand and all intellectual property rights, including formulations, associated with the brand.
- **Bevmart:** Bevmart is an exclusive online retailer for IBG's spirits, liqueurs, and ready-to-drink products. It also holds private distribution agreements with globally recognized brands, including rapper Drake's Virginia Black Whiskey and Mod Selection Champagne. Bevmart AU operates as a vertically integrated, direct-to-consumer platform specializing in exclusive spirits and imported celebrity brands for the Australian market, offering a range of 50 SKUs that are primarily IBG products. Bevmart USA aims to become a leading direct-to-consumer spirits platform in the US, focusing on exclusive spirits and celebrity brands. It currently offers 13 SKUs, all featuring celebrity products. IBG owns and manufactures the Bevmart brands and operates the Bevmart.com.au website and business.
- **Wired For Wine:** Wired For Wine is a US-based online premium wine retailer, offering a growing selection of over 500 highly rated and sought-after wines at competitive prices. On November 3, 2021, IBG acquired 100% of the equity interests in REG Liquors, LLC, doing business as Wired for Wine (W4W), located in Stockton, New Jersey.

Figure 5 - Innovation Beverage – Corporate Timeline

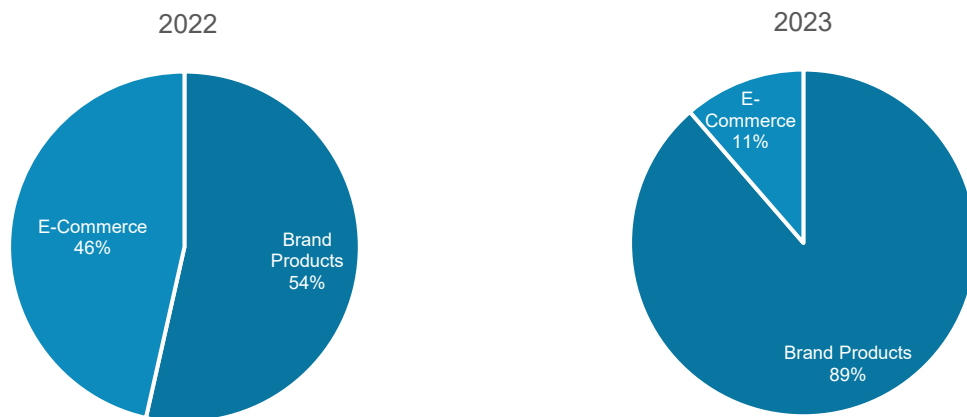
Period	Milestone
November 2024	IBG signed a Sales Services Agreement with Blue Ridge Spirits & Wine Marketing to sell its Australian Bitters Company and BITTERTALES brands throughout the U.S.
July 2024	IBG signed an agreement with European Importers, a subsidiary of Sysco Food Service, to enhance the distribution and scale of its brands across the US
March 2024	IBG entered into an agreement with Sysco Marketplace, making its bitters brands available to hundreds of thousands of venues across the US
October 2023	IBG signed distribution agreements with Rockland Trading, a Middle East-based importer and distributor
February 2023	IBG achieves a milestone of selling its 2MM bottle produced at its state-of-the-art distillery and production facility in Sydney, Australia
December 2022	IBG launches Twisted Shaker Cocktails, a premium bottled cocktail brand with five variants
August 2022	IBG launches Drummerboy, its latest non-alcohol spirit innovation and drummerboy.com, its first brand focused DTC store
January 2022	IBG launches bevmart.com
November 2021	IBG acquired its own US DTC marketplace, wiredforwine.com
May 2021	IBG launched bevmart.com.au, its own direct-to-consumer marketplace featuring its brands, including exclusive offerings like Drake’s Virginia Black Whiskey
January 2021	IBG launched Cheeky Vodka, Coventry Estate Gin, Geo Liqueurs and Twisted Shaker Cocktails
June 2020	IBG started manufacturing BITTERTALES for export and sale in the US market
December 2019	IBG started exporting Australian Bitters to New Zealand, USA and the UK
May 2019	IBG achieved placements of Australian Bitters co. brand in a large majority of Australian on-premises and off-premises accounts, expanding its partnership with Coca-Cola Amatil
April 2019	IBG was established

Source: Company’s Registration Filing, Sep 2024

Figure 6 - Innovation Beverage – Sales by Geography



Figure 7 - Innovation Beverage – Sales by reporting segment



Source: Company's Registration Filing, Sep 2024

IBG reports two geographic segments: Australia and the US. For the fiscal year ending December 31, 2023, revenue in Australia and the US was USD 2,876,251 and USD 271,512, respectively, compared to USD 2,579,241 and USD 1,951,155 for the fiscal year ending December 31, 2022. The decline in

revenue from the US segment is attributed to reduced wine sales through its platform, which falls under the US market.

During the year ending December 31, 2023, the Group had net sales to a single major customer that accounted for over 10% of its net sales, representing approximately 82.52% of the Group's total net sales for that year. In contrast, during the year ending December 31, 2022, the Group had net sales to two major customers, each exceeding 10% of net sales, which contributed approximately 36.7% and 12.5% of the Group's total net sales for that year.

Key Developments

- On October 8, 2024, IBG announced that its Australian Bitters is now available nationwide in the US through its US distributor, Buettner Global Services, which specializes in high-performance sourcing, procurement, and supply chain management. IBG aims to utilize Sysco's extensive industry experience and robust distribution network to enhance the accessibility of the Australian Bitters brand to restaurants, bars, and consumers across the country. This marks an expansion of IBG's sales channels for Australian Bitters in the US, moving beyond traditional alcohol distributors and into the foodservice sector.
- On September 30, 2024, IBG announced the appointment of Genevieve Jodhan, former CEO of Angostura Holdings Limited, as Chief Sales Officer. This new role comes as IBG aims for significant growth following its IPO and Nasdaq listing. With Genevieve on board, IBG is well-positioned to capture greater market share and maintain its momentum as a disruptive innovator in the beverage industry. Genevieve's addition to IBG underscores the strength of our brand portfolio. She is recognized in the beverage industry as a senior executive with a proven track record in brand development. Throughout her 11+ years at Angostura, she held several executive leadership positions, culminating in her role as CEO, making her the company's first female leader. During her tenure, she advanced through five executive roles, including Supply Chain Operations, Export Business Development, International Sales, and Marketing. She also directed the commercial team that revamped the distribution model for Europe, the Middle East, Africa, Asia, and Australia, as well as the marketing strategy for Angostura's international brands, including Angostura Aromatic Bitters.
- On September 27, 2024, IBG announced the successful closing of its initial public offering of 1,350,000 ordinary shares, priced at USD 4.00 per share, resulting in total gross proceeds of USD 5.4MM for the Company, before accounting for underwriting discounts and offering expenses. Additionally, the Company has granted underwriters a 30-day option to purchase up to 202,500 additional ordinary shares solely to cover any over-allotments. The ordinary shares commenced trading on The Nasdaq Capital Market under the ticker symbol "IBG" on September 26, 2024, with the Offering officially closing on September 27, 2024. The Benchmark Company, LLC served as the sole book-running manager for the Offering, while Sichenzia Ross Ference Carmel LLP provided legal counsel to the Company.
- On November 3, 2021, IBG acquired 100% of the outstanding equity interests in Reg Liquors LLC, a New Jersey limited liability company established on August 16, 2016. Operating under the name Wired For Wine, Reg Liquors LLC is an e-commerce retailer specializing in wines and spirits, managing its own marketplaces. Since acquiring Wired For Wine.com, IBG has started to redefine the brand's positioning and identity to focus on premiumization, aiming to establish Wired For Wine.com as the leading online destination for premium wine in the US.

Strategy

IBG's objective is to expand its market share globally, and its partnership with Coca-Cola Europacific Partners, one of the largest Coca-Cola bottlers in the world, to exclusively manufacture ABC bitters for distribution in Australia plays a crucial role in this strategy. The Group's growth strategy focuses on:

- **Innovation and Formulation:** IBG continues to invest in developing new formulations and brands to introduce in the market and meet evolving customer expectations
- **Strategic Marketing:** IBG is committed to allocating resources toward strategic marketing initiatives that strengthen and elevate its brand portfolio, engage consumers and reinforce its market position
- **Global Distribution Expansion:** IBG is investing in expanding its global distribution network, ensuring that the products reach new markets and customers worldwide
- **Strong Distributor Relationships:** IBG prioritizes nurturing existing distributor partnerships while forging new alliances to broaden its global reach and strengthen its market presence
- **Optimal Production Efficiency:** By leveraging the potential of its Australian manufacturing facility, IBG optimizes production capabilities to meet rising demand
- **Diversified Direct-to-Consumer Approach:** IBG utilizes existing marketplaces while actively pursuing opportunities to acquire additional platforms to improve its direct-to-consumer capabilities

Industry Overview

Global Market for Bitters

The global bitters market refers to the worldwide industry that produces and sells bitters, which are concentrated flavoring agents typically made from herbs, spices, and other botanicals. Bitters are used in various applications, including cocktails, culinary dishes, and as digestive aids. This market encompasses a wide range of products, including traditional aromatic bitters, fruit-flavored bitters, and specialty bitters created for specific cocktails or culinary uses. The market includes various players, from small craft producers to large beverage companies, and is influenced by trends such as the growing interest in mixology, the rise of craft cocktails, and increased consumer demand for unique and high-quality flavors. US is the largest market by volume in the global bitters market followed by Australia.

Figure 8 - Innovation Beverage - Size of The Global Bitters Market (Volume)

Volume '000s 9lcs (9-liter case system)	Share % 2020	CAGR 2015-19	YOY 2019-20	CAGR 2020-25	Incr. 2020-25
Amari / Other Bitters	81.4%	3.5%	(5.0%)	3.5%	4,969
Fernet	18.2%	(4.6%)	(6.3%)	2.4%	742
Cocktail Bitters	0.4%	13.5%	(3.8%)	9.3%	73
Chine	0.1%	(6.3%)	7.3%	2.9%	4
Grand Total	32,624	1.8%	(5.2%)	3.3%	5,788

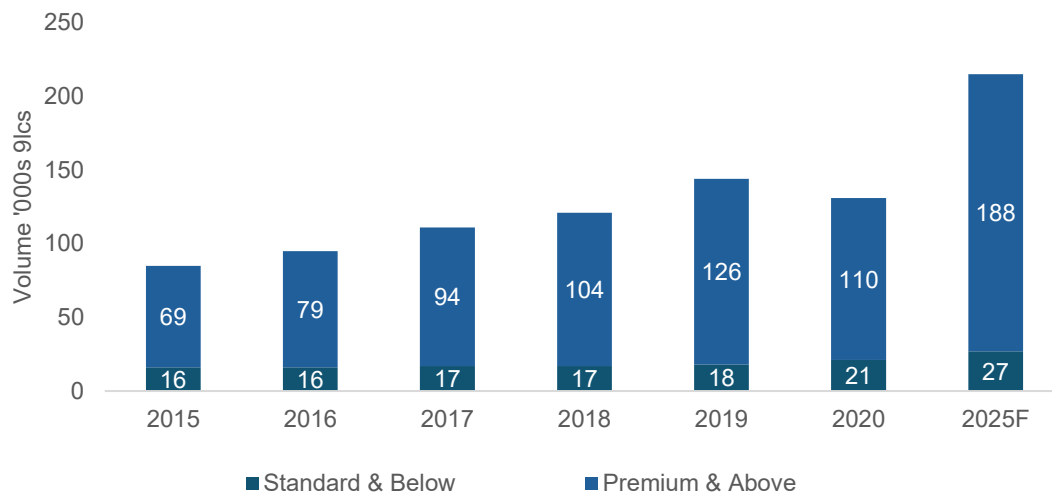
Source: IWSR, Global Cocktail Bitter Snapshot 2022. USD based on Retail Sales Price (Inclusive local taxes)

Figure 9 – Innovation Beverage - Size of The Global Bitters Market (Value)

Value '000s USD	Share % 2020	CAGR 2015-19	YOY 2019-20	CAGR 2020-25	Incr. 2020-25
Amari / Other Bitters	83.6%	3.2%	(11.2%)	3.8%	677,458
Fernet	14.6%	(13.1%)	0.1%	2.7%	83,827
Cocktail Bitters	1.8%	14.1%	(10.6%)	9.7%	41,154
Chine	0.1%	(6.5%)	40.9%	2.9%	644
Grand Total	3,993,497	0.2%	(9.6%)	3.7%	803,083

Source: IWSR, Global Cocktail Bitter Snapshot 2022. USD, based on Retail Sales Price (Inclusive local taxes)

Figure 10 – Innovation Beverage - Global Cocktail Bitters Market by Volume, 2015-2025



Source: IWSR, Global Cocktail Bitter Snapshot 2022. USD based on Retail Sales Price (Inclusive local taxes)

The market is expected to grow as consumers seek out diverse and innovative options for enhancing their drinking and dining experiences. Some of the factors that are likely to drive the demand are:

- **Rising Popularity of Craft Cocktails:** The craft cocktail movement has gained momentum, leading to increased demand for unique and artisanal bitters to enhance the complexity and flavor profiles of drinks.
- **Increased Interest in Mixology:** As consumers become more knowledgeable about cocktails and the art of mixology, they are more likely to experiment with bitters, seeking high-quality and innovative products.

Global Spirits Market

The global spirits market refers to the worldwide industry that produces, distributes, and sells distilled alcoholic beverages, commonly known as spirits or liquors. Spirits include a wide range of products, such as whiskey, vodka, rum, gin, tequila, brandy, and other distilled drinks with varying alcohol content. These beverages are consumed in different ways—straight, mixed in cocktails, or as part of culinary creations. The spirits market is highly regulated, with governments imposing taxes and restrictions on the sale and consumption of alcohol. Changes in regulations can influence the growth and dynamics of the market in various regions.

Over the last decade, spirits in the US have continued to capture market share from beer and wine. The trend of premiumization also remains strong, with the premium and super-premium spirits categories experiencing growth of 7.3% and 12.7%, respectively (*Company's Registration Filing, Sep 2024*). Some of the factors driving this growth are:

- **Premiumization:** Consumers are increasingly gravitating toward premium and super-premium spirits, driven by a desire for higher-quality products and distinctive experiences. This shift has fueled substantial growth in the high-end segment of the market. In the US, demand for whiskies, particularly Bourbon, Tennessee, and Rye, is rising significantly. The growing interest in premium whiskies, coupled with the expansion of super-premium brands and the booming cocktail market, are key drivers of growth in the American whiskey market.
- **Emerging Markets:** Markets in Asia-Pacific, Africa, and Latin America are seeing rapid growth in spirits consumption due to urbanization, increased disposable income, and a shift in lifestyle trends.

No-and-Low Alcohol Products market

The global No-and-Low Alcohol Products market refers to the industry that produces, distributes, and sells beverages with little to no alcohol content. These products include no-alcohol (0.0% Alcohol by Volume) and low-alcohol (usually below 1.2% Alcohol by Volume) drinks that cater to consumers seeking alternatives to traditional alcoholic beverages. This market encompasses various categories, such as no- and low-alcohol beers, wines, spirits, and ready-to-drink (RTD) cocktails, and is driven by a growing trend toward health-conscious consumption and moderation.

The No/Low Alcohol market is valued at USD 9.9B, with a total volume of 349.2MM 9-liter cases. It is projected to grow at a compound annual growth rate (CAGR) of 8.0% between 2021 and 2025, which equates to a substantial increase of 126.4MM 9-liter cases. The largest markets for No/Low spirits are the US (719,000 9-liter equivalents), France (515,000 9LE), the UK (319,000 9LE), Germany (176,000 9LE), and Australia (63,000 9LE). (*Company's Registration Filing, Sep 2024*)

Some of the factors that are driving the market for no-and-low alcohol products include:

- **Health and Wellness Trends:** Increasing awareness of the negative health effects of excessive alcohol consumption, such as liver disease and weight gain, is pushing more consumers toward low-alcohol or alcohol-free alternatives.
- **Sober-Curious Movement:** The rise of the "sober curious" movement, where people choose to limit or eliminate alcohol from their lifestyles without necessarily abstaining permanently, has been a major force driving the market's growth.
- **Regulatory Support:** In some regions, governments are promoting the consumption of low- and no-alcohol drinks to reduce alcohol-related harm, further bolstering market growth.

- **Brand Expansions:** Established alcohol brands are increasingly entering the no- and low-alcohol space with line extensions of their popular beverages, such as alcohol-free versions of beers, wines, and spirits, expanding consumer options.

Management

Dean Huge, CEO

Dean Huge has been the Chief Executive Officer since February 2022. During his 35-year career as a high-impact, hands-on finance executive, he has built a track record of growing profitable operations and implementing successful turnarounds as CEO, CFO, Director, and Treasurer at public and private companies in industries including beverage, financial services, manufacturing, distribution, and SAAS. Most recently, Mr. Huge was CFO of Splash Beverage Group (NYSE American: SBEV) where within five years (between June 2017 to February 2022) he led the company from start-up to a NYSE uplisting. Prior to that, Mr. Huge, through D&H Energy Development, was a consultant for the creation of alternative energy projects in Ghana from May 2013 to April 2017. In 2012, he became CFO for Discovery Gold Corporation. From 2009 to 2012, Mr. Huge was a financial consultant for Pan Asia Group of Companies in Hong Kong and Shanghai, which included serving as CFO for China Chemical Corporation. During the period of 2000 to 2009, Mr. Huge was a business consultant for IPA Management Consultants and Major Marketing Concepts, Inc. helping companies organize their marketing and financial structure, including raising funds. During the same period, Mr. Huge contacted/closed major banks for the creation of reward programs which became enterprise solutions for cross selling of additional banking products and services. During the period of 1996 to 2000, Mr. Huge was Controller of D&H Wholesalers, Inc., an international wholesaler of non-perishable name brand products. During the period from 1993 to 1996, Mr. Huge worked for AK Trading as Chief Operating officer. Prior to that role, Mr. Huge served as Vice President of First Capital Resource Corporation, a financial company funding wholesalers' accounts receivable. During the period of 1988 to 1990, he served as Chief Operating Officer for PACER Energy Corporation the turnaround of a delisted company, previously called National Royalty Corporation. Mr. Huge was one of the first employees hired at Catalyst Energy Corporation where he was integrally involved in all aspects of financial management, controls, and SEC filings. From 1982 to 1984, Mr. Huge was an Associate/Accountant of special projects for A.G. Becker & Co., Inc., the commercial paper division of Becker Paribas.

Throughout his career, Mr. Huge has led multiple going-public transactions, including CFO and CEO, raised money through private placements, IPOs, RTOs, primary and secondary offerings, partnerships, and off-balance sheet funds. Mr. Huge's experience spans the globe, including working at international investment bank of BNP Paribas and private equity and investment funds in New York, Hong Kong, and Shanghai. Mr. Huge obtained a Bachelor of Science in Accounting and a Bachelor of Science in Finance from Southern Illinois University.

Sahil Beri, COO and Chairman

Sahil Beri has been the Chief Operating Officer and Chairman of the Board of Directors since April 2022 and is primarily located in Sydney, NSW, Australia. From August 2018 through April 2022, Mr. Beri served as Innovation Beverage Group's Australian Managing/Executive Director. Mr. Beri is a highly experienced executive officer, focused on operational excellence in the beverage industry where he has for the past 10 years on multiple facets of the industry, with a primary focus on creating and commercializing new innovative beverages. He has strong formulation, new product development, commercialization, and business development skills. In his career across several beverage companies, Mr. Beri has been involved in the development and launch of a significant number of products. Prior to his role at Innovation Beverage Group, Mr. Beri was the Executive Director and Chief Technology Officer at Sway Energy Corporation between December 2019 through March 2022, where he was responsible for the creation of all beverage systems for formulations, manufacturing systems, innovation, development and commercialization for a range of alcohol and non-alcohol beverages. Between September 2016 and July 2018, Mr. Beri was the New Product Development Manager at Europa International Pty Ltd, a beverage company headquartered

in Sydney, Australia. Between January 2017 till March 2020, Mr. Beri also served as a non-executive director on the board of CannHealth Group Limited, an Australian nutraceutical company. Mr. Beri is a registered Pharmacist who completed his Master of Pharmacy in 2012 from the University of Newcastle, Australia and concurrently worked in both the beverage industry as well as the pharmaceutical industry for several years. Mr. Beri also completed his Master in Biochemistry in 2009 from Australia's Bond University and a Bachelor of Arts and Science in 2008 from the University of Sydney, Australia.

Eric Yu, CFO

Eric Yu has served as the Chief Financial Officer since July 2021 and is primarily located in Sydney, NSW, Australia. Mr. Yu has over 15 years of experience working at the big four accounting firms, in large-scale management consulting companies and commercial corporations within the food and beverage industry. Mr. Yu has substantial experience in both private companies and public companies listed on the Australian Securities Exchange Ltd (ASX). He has worked in both Australia and China where he supported a wide range of businesses to manage end-to-end accounting functions and identify finance transformation, value creation and performance improvement opportunities. Before joining Innovation Beverage Group in July 2021, Mr. Yu was a Senior Manager with EY Oceania from August 2019 to July 2021 where he worked alongside advisory leaders and drew his skills in leading teams to support a diverse range of clients with their accounting needs and implementation of finance transformation initiatives. From June 2016 to February 2019, Mr. Yu was Head of Finance of the Bindaree Food Group where he led a team that managed the full-cycle finance, internal control, capital raising, compliance and reporting of this vertically integrated fast-moving consumer goods company with an AUD\$600 million annual turnover. Mr. Yu obtained his Master of Accounting degree from the Australian National University. He is also a member of the Chartered Accountants Australia & New Zealand (CA ANZ).

Competition

There are no direct public comparables. We compare it to a list of companies with one or more similar product or market characteristics in Figure 11.

Figure 11– Innovation Beverage – Comp Table

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2025 Consensus Multiples (Except book multiple)			
					Market Cap / Sales	EV /Sales	EV / EBITDA	Price to Book
CARL.B-DK	Carlsberg A/S (Class B)	\$101.83	14,289	17,896	1.11	1.38	6.86	3.35
2503-JP	Kirin Holdings Co. Ltd. (Ordinary)	\$13.50	12,339	18,489	0.83	1.20	9.19	1.27
CCK-US	Crown Holdings Inc	\$90.28	10,800	17,176	0.89	1.41	8.73	3.70
CPR-IT	Davide Campari-Milano S.p.A. (IT Listing)	\$5.96	7,334	9,805	3.24	2.75	11.20	1.66
GTLS-US	Chart Industries Inc.	\$168.62	7,219	11,688	1.54	2.49	9.95	1.97
TWE-AU	Treasury Wine Estates Ltd (AU Listing)	\$7.23	5,866	6,803	2.79	3.22	9.82	1.82
2501-JP	Sapporo Holdings Ltd.	\$52.95	4,172	5,687	1.20	1.60		
RCO-FR	Remy Cointreau	\$59.44	3,100	3,727	2.63	3.16	11.34	1.43
SAM-US	Boston Beer Company	\$309.07	2,910	3,393	1.73	1.69	12.73	3.56
2531-JP	Takara Holdings Inc.	\$7.82	1,542	1,513				
507205-IN	Tilaknagar Industries Ltd.	\$4.07	785	790	3.68			6.56
600238-CN	Hainan Yedao Co Ltd (Class A)	\$1.16	522	560				
DIST.N0000-LK	Distilleries Co Of Sri Lanka PLC	\$0.11	503	512				
AHL-TT	Angostura Holdings	\$2.37	488	439				
MBWS-FR	Marie Brizard Wine and Spirits SA	\$4.11	461	417	2.21	2.00	27.00	1.96
CSW.A-CA	Corby Spirit and Wine Ltd (Class A)	\$9.00	255	351				
507488-IN	G.M. Breweries Ltd.	\$9.00	206	198				
CWGL-US	Crimson Wine Group Ltd.	\$6.45	133	124				
LRK-AU	Lark Distilling Co. Ltd.	\$0.75	79	56	5.94	4.26		1.04
WVVI-US	Willamette Valley Vineyards Inc	\$3.26	16	88				
	AVERAGE				<u>2.32</u>	<u>2.29</u>	<u>11.87</u>	<u>2.57</u>
IBG-US	Innovation Beverage Group Ltd.	\$0.79	7	6	1.10	1.03		
IBG-US Premium/(Discount) to peers:					-52%	-55%		

Source: FactSet and Litchfield Hills Research LLC

Figure 12 – Innovation Beverage – Income Statement (\$ 000)

December ending year	2022A Year	2023A Year	2024E Year	2025E Year	2026E Year
Total revenue	\$4,530	\$3,148	\$4,500	\$6,000	\$9,000
<i>Growth</i>	NA	-31%	43%	33%	50%
Cost of Goods	2,125	1,093	1,575	2,100	3,150
Gross Profit	2,406	2,054	2,925	3,900	5,850
Gross Margin	53.1%	65.3%	65.0%	65.0%	65.0%
Salaries and wages	1,918	1,675	1,750	1,900	2,100
% of total revenue	42%	53%	39%	32%	23%
Other G&A	1,810	1,404	1,500	1,200	1,200
% of total revenue	40%	45%	33%	20%	13%
Sales and marketing	847	329	550	650	800
% of total revenue	19%	10%	12%	11%	9%
Contracted services	1,167	785	500	500	500
% of total revenue	26%	25%	11%	8%	6%
Total expenses	5,742	4,193	4,300	4,250	4,600
Operating income	(3,337)	(2,139)	(1,375)	(350)	1,250
EBITDA	(3,092)	(1,887)	(1,115)	(70)	1,530
EBITDA Margin	-68.2%	-59.9%	-24.8%	-1.2%	17.0%
Other income/(expense)	<u>(1,210)</u>	<u>(162)</u>	<u>(150)</u>	<u>(150)</u>	<u>(150)</u>
Pre-Tax Income	(4,546)	(2,301)	(1,525)	(500)	1,100
Pre-Tax Margin	NMF	NMF	NMF	-8.3%	12.2%
Taxes (benefit)	(350)	(241)	(153)	(50)	110
Tax Rate	7.7%	10.5%	10.0%	10.0%	10.0%
Net Income (loss)	<u>(\$4,196)</u>	<u>(\$2,060)</u>	<u>(\$1,373)</u>	<u>(\$450)</u>	<u>\$990</u>
Net Margin	NMF	NMF	NMF	-7.5%	11.0%
EPS, as reported	<u>(\$0.56)</u>	<u>(\$0.27)</u>	<u>(\$0.16)</u>	<u>(\$0.05)</u>	<u>\$0.11</u>
Diluted Shares Outstanding	7,433	7,760	8,400	8,800	9,000

Source: Company reports and Litchfield Hills Research LLC

Figure 13 – Innovation Beverage – Balance Sheet (\$ 000)

December ending year	FY2026E	FY2025E	FY2024E	FY2023A	FY2022A
Balance sheet					
Current Assets					
Cash and S.T.I.	\$4,483	\$3,038	\$4,068	\$14	\$92
Accounts receivables	1,400	1,200	500	294	951
Inventories	1,500	1,400	1,200	990	1,412
Other assets	800	800	800	772	921
Total Current Assets	8,183	6,438	6,568	2,069	3,375
Net PP&E	125	150	150	125	158
Goodwill & Intangibles	300	330	350	372	392
Other non-current assets	2,000	2,000	2,000	2,367	638
Total Assets	<u>\$10,608</u>	<u>\$8,918</u>	<u>\$9,068</u>	<u>\$4,932</u>	<u>\$4,563</u>
Current Liabilities					
AP and accrued expenses	\$3,800	\$3,200	\$3,000	\$2,287	\$2,141
Current portion of borrowings	\$1,600	\$1,600	\$1,600	\$1,600	\$1,514
lease liabilities	\$100	\$100	\$100	\$64	\$153
Deferred revenue	\$400	\$300	\$200	\$161	\$160
Other current liabilities	\$200	\$200	\$200	\$166	\$165
Total current liabilities	<u>6,100</u>	<u>5,400</u>	<u>5,100</u>	<u>4,277</u>	<u>4,132</u>
Interest bearing borrowings	0	0	0	0	47
Other Liabilities	50	50	50	46	88
Total Liabilities	6,150	5,450	5,150	4,323	4,267
Stockholders' Equity					
Preferred stock	0	0	0	0	0
Share Capital	0	0	0	6,977	4,632
Additional paid-in-capital	11,500	11,500	11,500	0	0
Retained earnings	(7,042)	(8,032)	(7,582)	(6,210)	(4,223)
Cum. Other comp and treasury stock	0	0	0	(159)	(113)
Total stockholders' equity	4,458	3,468	3,918	608	296
Total Liabilities and equity	<u>\$10,608</u>	<u>\$8,918</u>	<u>\$9,068</u>	<u>\$4,932</u>	<u>\$4,563</u>

Source: Company reports and Litchfield Hills Research LLC

Figure 14 – Innovation Beverage – Cash Flow (\$ 000)

	FY25E	FY24E	FY23A
Net Income	(\$450)	(\$1,373)	(\$2,060)
Accounts receivables	(700)	(206)	657
Inventories	(200)	(210)	422
Other assets	0	(28)	149
Net PP&E	0	(25)	33
Goodwill & Intangibles	20	22	21
Other non-current	0	367	(1,729)
AP and accrued expenses	200	713	146
lease liabilities	0	36	(90)
Current portion of borrowings	0	0	86
Deferred revenue	100	39	2
Other current liabilities	0	34	1
Interest bearing borrowings	0	0	(47)
Other Liabilities	0	4	(42)
Preferred stock	0	0	0
Share Capital	0	(6,977)	2,345
Additional paid-in-capital	0	11,500	0
Cum. trans. adj. and treasury stock	0	159	(46)
Other	0	0	0
Total Cash Flow	(\$1,030)	\$4,054	(\$78)

Source: Litchfield Hills Research LLC

Disclosures:

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