

August 18, 2022

SBEV: 2Q Results; Wholesale Wins Should Pave the Way For Continued Top-Line Acceleration

2Q Results. Splash delivered solid results, with net revenue of \$4.5M up 36.8% y/y and 14.6% sequentially. This was driven by its online platform, Qplash as well as the continued rollout of TapOut. Gross margins of 15% contracted 610 bps from a quarter ago due to a handful of one-time items. However, we would expect margin to meaningfully rebounded through the remainder of the year. Earnings per share came in at a loss of \$0.15 and the company ended the quarter with \$4.2M of cash. During the quarter, Splash brought on Ron Wall as CFO, who we believe is an important strategic hire. Mr. Wall brings extensive expertise as a spirits executive, having spent the prior 13 years at privately held William Grant and Sons as CFO.

Outlook. Management is continuing its aggressive expansion into wholesale, having recently announced a plethora of new relationships, including 7-11 and Circle-K. We believe that the push into the convenience-store chains is a natural evolution of the strategy and bodes well across the Splash portfolio.

Additionally, the company recently announced that it will be acquiring an 80% stake in Pulpoloco, which historically it merely had the distribution rights for. We believe that this is an import piece of the puzzle for the Splash portfolio given the dramatic increase in the demand for single-serve cocktails, coupled with the highly unique and innovative CartoCan format.

We have made modest tweaks to our estimates in the back half of this year and leave 2023 largely unchanged. We continue to be bullish on the asset light, portfolio approach that Splash is executing on and believe that they are on the precipice of material acceleration in sales as wholesale wins begin to bare fruit. Our price target of \$5, which is based on 4x 2023 ev/sales remains unchanged.

Key Risks. Splash is still in the early innings of its wholesale rollout strategy, and is attempting to take share in a highly competitive field against incumbents who have far more resources than it does. Historically the company has relied on the capital markets to fund losses and may need to continue doing so in the future. We encourage investors to review the company's filings with the SEC in conjunction with this report.

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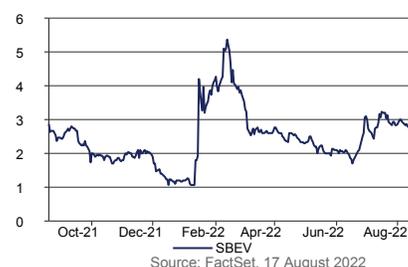
MARKET DATA

Rating	Buy
Price Target	\$5.00
Price	\$2.58
Average Daily Volume	121
Market Cap (\$M)	\$94.6
Enterprise Value (\$M)	\$85.7
Dividend Yield	0.0%

ESTIMATES

	2020A	2021A	2022E	2023E
Revenue (\$M)	3.0	12.1	24.2	47.0
<i>prev:</i>	-	-	27.7	48.9
EV/Sales	28.9x	7.1x	3.5x	1.8x
EPS	-	(0.96)	0.38	0.01
<i>prev:</i>	-	-	(0.20)	-
P/E		(2.7)x	6.8x	258.0x

One Year Performance Chart



Please see analyst certification and important disclosures on page 2 of this report.

Important Disclosures

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BUY (B) - Total return expected to exceed S&P 500 by at least 10%

HOLD (H) - Total return expected to be in-line with S&P 500

SELL (S) - Total return expected to underperform S&P 500 by at least 10%

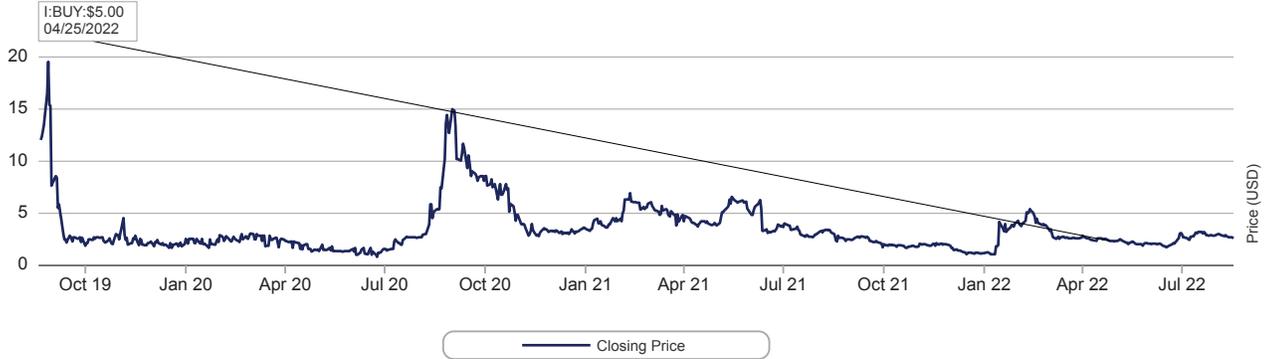
Distribution of Ratings/IB Services

EF Hutton

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent

BUY	78	98.73	27	34.62
HOLD	1	1.27	0	0.00
SELL	0	0.00	0	0.00

Splash Beverage Group, Inc. Rating History as of 08/16/2022



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