



# EASTSIDE DISTILLING

Nasdaq: EAST

## Investor Relations

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June 2020

# Forward Looking Statements

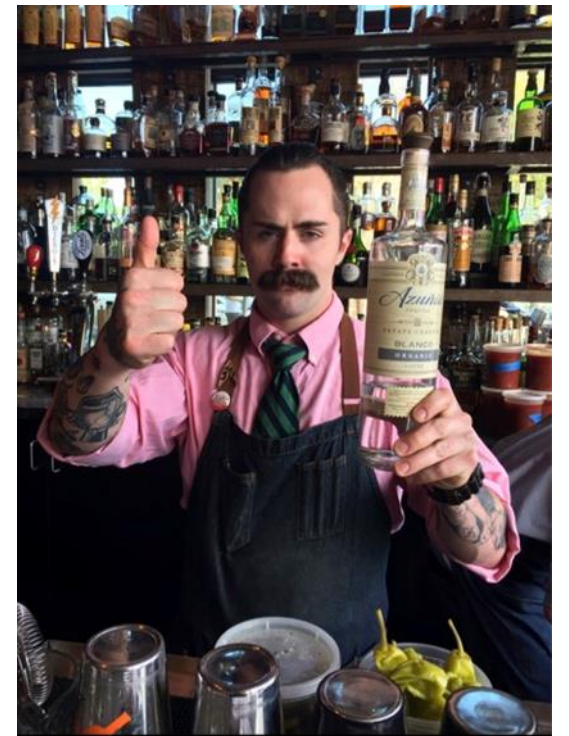
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Except for historical information contained herein, this presentation contains forward-looking statements, which reflect the expectations of management of Eastside Distilling, Inc. ("Eastside") with respect to potential future events. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such forward-looking statements include, but are not limited to comments regarding; (i) Eastside's plans to become a national spirits company; (ii) proposed changes in Eastside's distilling, location and new facility, and the impact that such changes will have on Eastside's market position, business operations and ultimate success; (iii) Eastside's plan to establish a relationship with a leading distributor, partner, and/or agent which will enhance scalability, and sales and marketing efforts; (iv) Eastside's product expansion, if any; (v) Eastside's strategic growth plan for coming years, including accelerating the growth of spirits sold on a national level; (vi) Eastside's predictions of its national growth potential of the sales of its products; (vii) Eastside's marketing initiatives, including a national campaign featuring print, billboards, radio, television, and social media to build brand awareness and drive sales. These forward-looking statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. Actual results and the timing of events could differ materially from those anticipated in the forward-looking statements as a result of such risks and uncertainties, which include, without limitation; general economic conditions and economic uncertainty in the global markets; current and continuing trends in the spirits industry; continued demand for and success of Eastside's products and reputation; unexpected increases in the price of raw materials or their reduced availability; Eastside's ability to sustain its past growth or manage its future growth; Eastside's ability to retain its key management personnel; continued protection of Eastside's intellectual property; legal, regulatory, political and economic risks; the highly competitive market for spirits and other products proposed to be developed and launched by Eastside; Eastside's inability to deliver its products to the market and to meet customer expectations due to problems with its distribution system or other unanticipated problems; Eastside's failure to obtain any future financing it requires to fund and grow its business; Eastside's inability to expand its sales or product lines; Eastside's inability to generate growth of the sales of its current and future products; Eastside's inability to penetrate and generate successful operations on a national level; and other risk factors. You are urged to consider these factors carefully in evaluating the forward-looking statements contained herein and are cautioned not to place undue reliance on such forward looking statements, which are qualified in their entirety by these cautionary statements. In addition, the use of comparables in this presentation are in no way indicative of Eastside's future financial or operating results or potential. Readers are cautioned that the foregoing factors are not exhaustive. Forward-looking statements in this presentation are made as of the date hereof and Eastside disclaims any intent or obligation to update publicly such forward-looking statements.

# Introduction to Eastside Distilling

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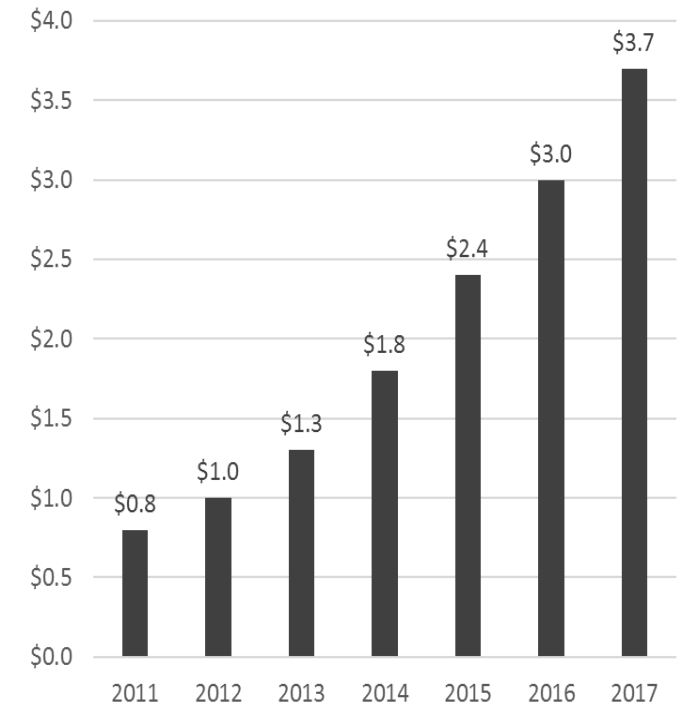
**Eastside Distilling** is a leading mid-sized, “House of Brands” that acquires, develops, markets and sells premium branded craft spirits on a regional level, then will sell those brands, once proven to the tier 1 spirits houses in the industry.



# MINING THE CRAFT SPIRIT EXPLOSION

- ▶ The market share of U.S. craft spirits reached 3.2% (volume) and 4.6% (value) in 2017.
- ▶ \$3.7 billion in sales, growing at an annual growth rate of 29.9%.
  - ▶ 7.2M cases in retail sales in 2017 up 23.7%.
- ▶ The market share of U.S. craft spirits reached 3.2% (volume) and 4.6% (value) in 2017.
  - ▶ 1.0% (volume)/1.2% (value) in 2011
  - ▶ 2.6% (volume)/3.8% (value) in 2016
- ▶ 2% of the larger producers responsible for 57.2% of the cases sold in craft.
  - ▶ 92.3% of U.S. craft producers are classified as small producers (between 0 and 10,000 proof gallons removed from bond).
  - ▶ Craft spirits are responsible for just 13.1% of the cases sold annually.
- ▶ Craft spirits has long way to catch up to craft beer market share
  - ▶ Case volumes would need to equal 31.3M to reach craft beer current market share of 12.3% of U.S. craft producers are classified as small producers (between 0 and 10,000 proof gallons removed from bond).
- ▶ Craft spirits has long way to catch up to craft beer market share
  - ▶ Case volumes would need to equal 31.3M to reach craft beer current market share of 12.8%

Craft Spirits Retail Sales by Value, \$ Billion



# FOCUSED BUSINESS MODEL FOR LONG TERM GROWTH



## In-House development

In-House product development with award winning master distilling team, brand incubation of distilled spirits and canned RTD's.

- Redneck Riviera Whiskey
- Portland Potato Vodka
- Burnside Whiskey
- Hue Hue Coffee Rum

## Acquired Brands

2019 acquisition of established on-premise Azunia tequila brand to leverage for regional growth in the off-premise trade through target markets in our national platform

## Premium Regional/National Distribution

Applied to large-scale, leading national distribution companies to magnify sales efforts and brand development

## Premium Off/On Premise Placements

Premium placements in national Off/On Premise Independent retail, chains, and restaurants

# EXECUTION HIGHLIGHTS

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- ▶ **Redneck Riviera Whiskey Brand Launch – Exceeded original target and well positioned for 2020 in the range of 40,000 cases+**
  - ▶ 49-state rollout - major retailers and distributors
  - ▶ Distributed through 9 tier-1 distributors as well as regional distributors
  - ▶ Located at more than 10,000 points of distribution
  - ▶ Major placements in Albertson, VONS, Pavilions, Safeway, Walmart, Winn-Dixie, Jewel-Osco, Binny's, Meijer's, WinCo, Rite Aid and more
- ▶ **Azunia Tequila Acquisition - Provides Eastside Distilling with a second national anchor brand**
  - ▶ 2,600 on-premise points of distribution
  - ▶ TTM Dec 2019 sales of \$3.6 million, an increase of 37% compared to the same year ago period, on approximately 15,000 cases sold
  - ▶ Major chain placements – Javier's, Toca Madera, Landry's
- ▶ **Local Oregon Proven Brands Positioned to Join National Distribution Platforms**
  - ▶ Portland Potato Vodka
  - ▶ Burnside Whiskey, Bourbon and Rye
  - ▶ Hue Hue Coffee Rum
- ▶ **Eastside National Corporate Account access provides non-traditional route to market**
  - ▶ Delivery of expedited distribution entry (within appropriate retail accounts & major chain clusters)
  - ▶ Brand building at our speed (instead of wholesaler pace control with retail access)
  - ▶ Work around distributors to circumvent top-down portfolio management. Standard protocol wholesalers present on behalf of all suppliers except for Diageo, Constellation, Suntory Beam, Gallo, Brown Forman & Pernod Ricard
  - ▶ The non- traditional 'route to market' saves a minimum of 3-5 years for entrance into large box scalable retailers and significant brand building cost savings

# FAST GROWING NATIONAL BRANDS



**Redneck Riviera Whiskey – Made in Oregon**



**Azunia Tequila – Imported from Amatitan, MX**

- Redneck Riviera and Azunia are in the top 2 fastest growing category space from a dollar contribution position (above premium/ luxury priced Tequila and American Whiskey)



# REDNECK RIVIERA

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Redneck Riviera Whiskey is a partnership between John Rich, a multiple-platinum country music singer, songwriter and Eastside Distilling

- ▶ Product launched in February 2018 and has quickly become one of the most successful first year product launches in spirits history
- ▶ Redneck Riviera Whiskey has 10,000 points of distribution in 49 states through 9 different tier-one distributors.
  - ▶ Nationally 'mandated' or is participating within 'in and out' programs in all Off-Premise classes of trade.
  - ▶ Mandated in 750 Rite Aid Drug Stores starting June 1st. This represents the 1<sup>st</sup> entry into the 'drug' class of trade. Usually the drug 'class of trade' takes in excess of 5-years for brand entrance. Redneck Riviera Whiskey enters a major drug outlet in less than 2-years.
- ▶ Redneck Riviera is license agreement with John Rich and the agreement is royalty free for Eastside, with John Rich sharing 50% in the marketing costs paid at brand sale brand, and Eastside participating at a 25% level at brand sale



# AZUNIA TEQUILA



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**The Azunia tequila brand is Eastside's entrance into one of the fastest growth categories (above premium/luxury price position tequila)**

- ▶ Tequila Opportunity - Represents about 10% of the U.S. spirits market and 1% of the global spirits market
  - ▶ Currently considered to be infancy stage
- ▶ Tequila Exports- 2018 was record setting year – the ninth consecutive record setting year.
  - ▶ Over 224 million liters of tequila were exported last year
  - ▶ Industry expected to show strong growth, particularly as tequila finds its way into more international markets
    - ▶ Tequila was banned in China until 2014 (China is the largest and fastest-growing market for alcohol)
- ▶ Eastside's strategy is to launch the Azunia branded tequila's regionally through our national distribution platform focusing on the Off-premise trade
- ▶ Azunia Blanco and Reposado organic brands provide a key added sales position. The value of Organic imports has increased 34% since 2014.

# REDNECK RIVIERA KEY PARTNERS

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# AZUNIA KEY PARTNERS



# CRAFT SPIRITS DEVELOPMENT AND BRANDING

World class branding is applied to the incubators with several brands now ready for greater distribution.



Burnside Whiskeys & Hue-Hue Coffee Rum  
Positioned for National Rollout



Branded Regional Products

# POSITIONED FOR NEW MARKET OPPORTUNITIES

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Eastside has entered the fast growing Ready-to-Drink (RTD) market with the introduction of the Howdy Dew! canned wine-based product, and is poised to deliver additional RTD's quickly based on consumer trends and demand

- ▶ Howdy Dew early distribution returns are extremely positive with full sellouts within a few days at several grocery outlets
- ▶ Allows Eastside entry into:
  - ▶ Wine and Beer outlets, grocery stores and C-Stores
- ▶ As an industry category, RTD cocktails are expected to continue to grow:
  - ▶ According to Technavio, a research firm, low alcohol RTD drinks are expected to be one of the best performing sectors through 2021, with an expected cumulative annual growth rate (CAGR) of 8.2%.
  - ▶ Growth is driven by changing lifestyle and alcohol consumption habits, including the convenience and portability of the cans.



# STRONG SYNERGY FOR GROWTH

## Confluence of Brands Positioned to Join Redneck Riviera Whiskey in the National Platform

- ▶ Off-Premise Distribution provides the highest returns
  - ▶ Profitability
  - ▶ Scale to position for a future Brand Sale
- ▶ Off/On Premise Targets for 2020:
  - ▶ Redneck Riviera Whiskey Brands
  - ▶ Azunia Tequila Brands
  - ▶ Burnside Bourbon Brands
  - ▶ Hue Hue Coffee Rum Brand

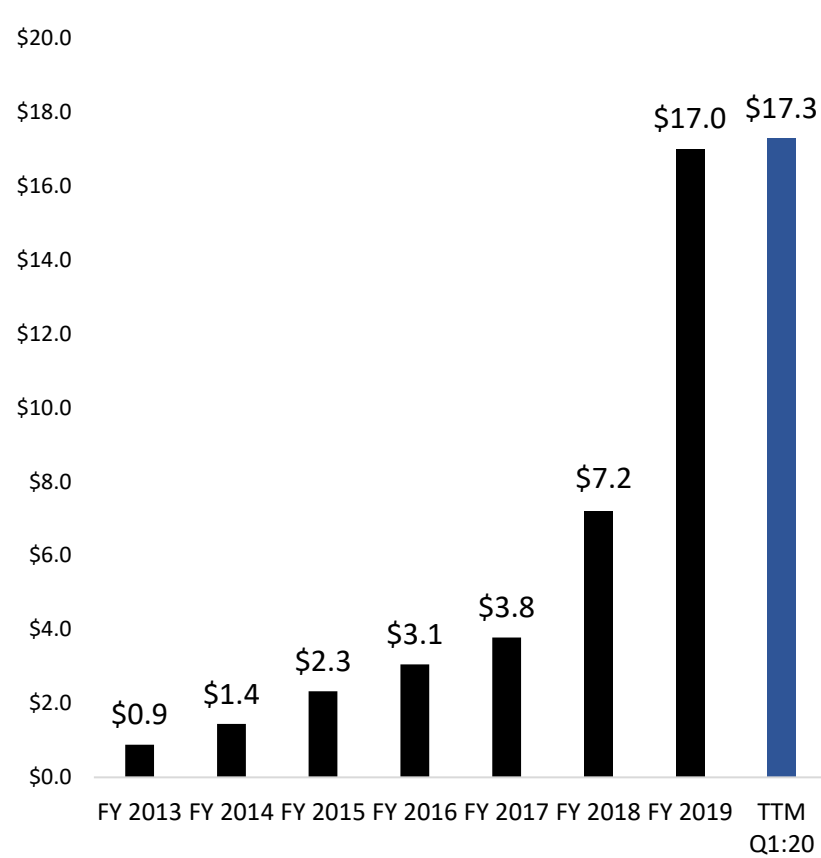


# CRAFT CANNING BUSINESS

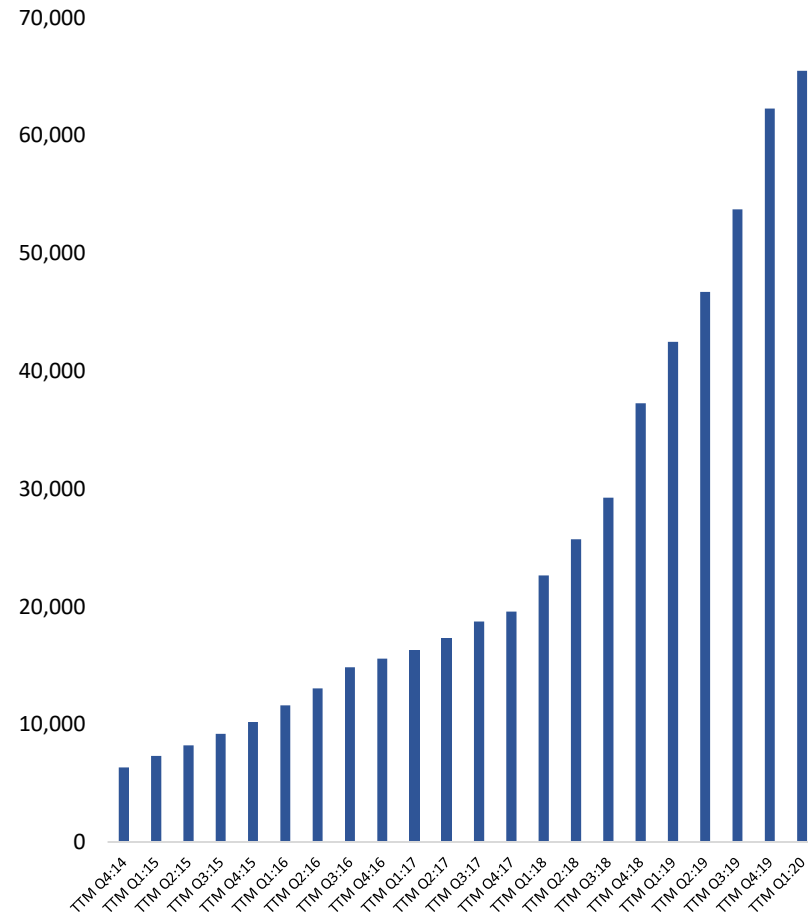
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- ▶ Mobile canning segment growing with the shift to canned beer and wine in the craft segment
  - ▶ Business Model:
    - ▶ Kit includes Truck, canning line, ancillary equipment and cans
    - ▶ Canning is on-site at the customer location
    - ▶ 1 day runs
  - ▶ Scalable business model:
    - ▶ Currently in Portland, Seattle and Denver
      - ▶ Organic Growth in these regions
    - ▶ Inorganic growth opportunities in other regions

# STRONG PERFORMANCE TRENDS



Annual Sales (\$ Millions)



Branded Cases Shipped (TTM)



# FINANCIAL HIGHLIGHTS

Amounts show in thousands

	YE 2019 Amount	YE 2018 Amount	Change
Total Branded Case Volume	62.3	37.3	67%
Redneck Riviera Case Volume	27.2	15.0	81%
Azunia Tequila Case Volume	5.0	--	--
Legacy Non-Retail Case Volume	26.7	18.8	42%
Retail Case Volume	3.4	3.5	-3%

Amounts show in thousands

	YE 2019 Amount	YE 2018 Amount	Change
Total Gross Sales	\$ 17,021	\$ 7,204	136%
Branded Sales	\$ 7,482	\$ 4,354	72%
Co-Packing Services	\$ 7,166	\$ 405	1669%
Retail Sales	\$ 1,113	\$ 1,213	-8%
Barrel Sales	\$ 1,261	\$ 1,232	2%

Amounts show in thousands

	Q1 2020	Q1 2019	Change
Redneck Riviera Case Volume	4.6	5.7	-19%
Azunia Tequila Case Volume	3.5	-	-
Burnside Case Volume	1.0	1.1	-9%
Hue-Hue Coffee Rum Case Volume	0.1	0.1	0%
Portland Potato Vodka Case Volume	2.0	3.7	-46%
All other	1	1	-44%

Amounts show in thousands

	Q1 2020	Q1 2019	Change
Total Gross sales	\$ 3,746	\$ 3,460	8%
Redneck Riviera Sales	616	877	-30%
Azunia Tequila Sales	994	-	-
Burnside Sales	199	196	2%
Hue Hue Sales	21	11	91%
Portland Potato Vodka Sales	352	279	26%
Other Legacy Sales	69	103	-33%
Co-Packing Services and Barrel Sales	1,495	1,994	-25%

# INVESTMENT HIGHLIGHTS

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- ▶ **High Growth Potential, supported by:**
  - ▶ Organic growth from in-house developed brands
  - ▶ Acquisition strategy for emerging brands
- ▶ **National Off/On Premise Distribution Platform Built to Support Multiple Brands**
  - ▶ Redneck Riviera Whiskey launched in 2018 with Country Music Superstar John Rich represents one of the fastest growing spirits launches in history – Zero to >28k cases in 18 months
  - ▶ Azunia, Burnside Bourbons and Hue Hue Coffee Liqueur – Targeted national brands for 2020
  - ▶ Craft Canning & Bottling drives efficiencies in production, with incremental revenue and cash flow for private label co-packing clients
- ▶ **Business Model Improvements**
  - ▶ Continued cost improvements – COGS, Overhead
  - ▶ Repurposing marketing dollars to tactical off-premise chain programs to drive rate of sale to consumers
  - ▶ Working Capital management
- ▶ **Targeting Every Class of Trade in the On/Off-Premise**
  - ▶ Chain through C-Store – Restaurants and Bars
  - ▶ Bottled Spirits through RTD's

# MANAGEMENT TEAM

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39 years of enterprise, operations and financial management experience in both public and private companies, with tenures as CEO, CFO and COO across multiple industry sectors.

Appointed CEO in November 2019 and originally joined Eastside's Board in September 2019.

**Lawrence Firestone**  
Chief Executive Officer



25 years of experience helping liquor companies drive new business growth, distributor focus and strong relationships with external business partners.

Joined Eastside as VP of National Accounts in April 2018.

Previously Director of National Accounts for Russian Standard Vodka.

**Robert Manfredonia**  
President



Formerly a Member of Quad Capital Management Advisors, LLC and the Managing Member of Group G Capital Partners, LLC

Appointed CFO in June 2020 and originally joined Eastside's Board in August 2019

**Geoffrey Gwin**  
Chief Financial Officer