E&A SCHEER (MARINE) | AMSTERDAM, NETHERLANDS

RIVERSIDE INVESTMENT COUNCIL (RIC) | DECEMBER 10TH, 2018

DEAL OVERVIEW

Company Description: With origins dating back to 1712, E&A Scheer ("Marine", "Scheer" or "the Company") is the largest importer, blender and vendor of bulk Rum globally. Leveraging its unrivalled expertise and heritage, the Company specializes in sourcing and custom-blending bulk Rums to create tailor-made recipes with consistent taste and quality for its clients. It occupies a unique position in the Rum value chain, connecting distilleries with bottlers, distributors and brand owners. Thanks to an extensive inventory of Rum (incl. premium aged ones) and long-standing sourcing relationships, the Company is in a position to address all quality segments with a particular focus on premium. Scheer activities are split between its blending operations in Amsterdam, E&A Scheer ("E&AS"), and its ageing operations completed in Liverpool at The Main Rum Company ("MRC"), a UK-based subsidiary acquired in 2001.

Fund | Deal Stage	REF V | Final ION	**Risk/Upside (200)**	LOI: 70/60 → 130 | Final ION: 75/65 → 140
Deal Team | Orig.	Langer, Gaudin, d'Avout | Lenssen – Rufilanchas	**OP Consumption (1-3)**	Sales – 3; Ops – 2; Fin – 2
Ent. Value | Equity	€100m | €43.7m equity from REF V & Co-Investors	**Country Risk**	Low – Netherlands
EV / EBITDA	8.8x 2018E	**Lenders**	Debt Fund (Senior stretch) | €50m TLB, €6m RCF
MAMA Multiple	10.6x	**Deal Risk | Fraudar**	Low | Low
EV Comparables	Spirits: 15.5x (Public), 15.6x (M&A) Ingredients: 17.7x (Public), 16.4 (M&A)	**Structure | Tax Benefit**	Share Deal | None
Mgmt Rollover	CEO to reinvest 40% of gross proceeds (~€10.0m)	**Deal Source | Process**	Rabobank (Netherlands) | Full Auction
Options | Value	10% options (> 2.0x CoC) | €2.0m in the TRC Case	**Seller(s)**	CEO (25%) and Family (75%)
Key Mgmt Grades	CEO (3.0, Effective); CFO (to be recruited)	**Key Dates**	IOI:7/11/18 | LOI IC: 12/11/18 | FV: 28/11/18
Employees	21 FTEs	**Company Website**	www.rum.nl/

TRANSACTION SUMMARY *(€000's)*

Sources	At Close	Facility	% Srcs	Uses	
Revolver	–	6.000	5,5%	Consid. @ Close	100.000
Senior Term A		–	–	Expenses	3.650
Senior Term B		50.000	45,6%	Revolver Cushion	6.000
Sub. Debt	Equity	–	–	Incr. Cash Bal.	–
Assumed Debt	Ownership	–	–	Other	–
REF V Equity	*53,4%*	28.650	26,1%		
Mgmt. Equity	*18,6%*	10.000	9,1%		
Co-Invest	*28,0%*	15.000	13,7%		
Total Sources		**109.650**	**100,0%**	**Total Uses**	**109.650**

RETURNS SUMMARY *(€000's)*

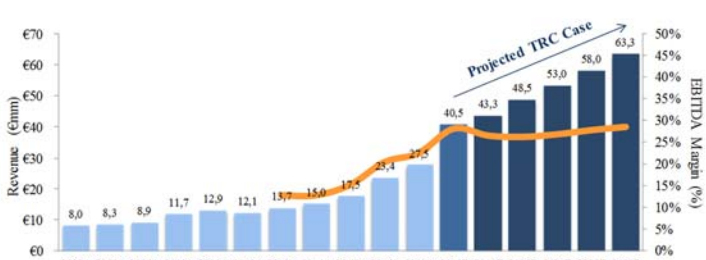
Scenario	**Investment**	**Exit**	**IRR**	**Mult.**
TRC Case - Pre Carry	28,650	71,832	20.2%	2.5x
TRC Case - Post-Carry	28,650	63,907	17.4%	2.2x
TRC Carry	***Gross:***	**7,925**	***Net:***	**6,736**
Scenario	**Investment**	**Exit**	**IRR**	**Mult.**
Mgmt. Case - Pre Carry	28,650	92,052	26.3%	3.2 x
Mgmt. Case - Post-Carry	28,650	80,416	22.9%	2.8 x
TRC Carry	***Gross:***	**11,636**	***Net:***	**9,891**

N.B. Returns assume a 09x exit multiple and a five year hold.

FINANCIAL & PURCHASE MULTIPLE SUMMARY *(€000's)*

	Historical					Projected TRC Case					Projected Management Case				
FYE 12/31	**2013A**	**2014A**	**2015A**	**2016A**	**2017A**	**LTM Nov-18**	**2018**	**2019**	**2023**	**CAGR '18-'23**	**LTM Nov-18**	**2018**	**2019**	**2023**	**CAGR '18-'23**
Sales	13,700	15,036	17,525	23,426	27,508	39,611	40,475	43,305	63,291	9.4%	39,611	40,475	44,177	70,073	11.6%
Gross Profit			6,749	9,006	10,884	16,700	17,115	18,251	27,184	9.7%	16,700	17,115	18,768	30,433	12.2%
EBITDA			2,674	4,816	6,219	11,578	11,401	11,495	18,086	9.7%	11,578	11,401	12,074	21,798	13.8%
UCF			2,574	4,716	6,119	11,478	11,301	11,395	17,986	9.7%	11,478	11,301	11,974	21,698	13.9%
FCF					2,908		4,253	9,067	14,582	27.9%		4,253	10,978	17,415	32.6%
Enterprise Value / Sales	'15–'17 CAGR			4.3x	3.6x	2.5x	2.5x	2.3x			2.5x	2.5x	2.3x		
Enterprise Value / EBITDA	Sales	25.3%			16.1x	8.6x	8.8x	8.7x	GRNAC	9.4%	8.6x	8.8x	8.3x	GRNAC	11.6%
Enterprise Value / UCF	EBITDA	52.5%			16.3x	8.7x	8.8x	8.8x	Gr Mult	0.94x	8.7x	8.8x	8.4x	Gr Mult	0.76x
Debt / EBITDA					8.0x	4.3x	4.4x	4.3x	2.8x		4.3x	4.4x	4.1x	2.3x	
Debt / UCF					8.2x	4.4x	4.4x	4.4x	2.8x		4.4x	4.4x	4.2x	2.3x	
Fixed Charge Coverage								3.2x	4.5x				3.5x	5.4x	
Sales Growth			17%	34%	17%		47%	7%	9%			47%	9%	11%	
EBITDA Growth				80%	29%		83%	1%	12%			83%	6%	15%	
GM %			39%	38%	40%	42%	42%	42%	43%		42%	42%	42%	43%	
EBITDA %			15%	21%	23%	29%	28%	27%	29%		29%	28%	27%	31%	
UCF %			15%	20%	22%	29%	28%	26%	28%		29%	28%	27%	31%	
FCF %					11%		11%	21%	23%			11%	25%	25%	
CapInv/EBITDA				2%	53%		63%	21%	19%			63%	9%	20%	
Cap Ex			100	100	100		100	100	100			100	100	100	
Incr (Decr) in WC					1,648		6,734	1,928	3,404			6,734	797	4,282	
CapInv				118	3,310		7,148	2,428	3,504			7,148	1,097	4,382	
CapInv / EBITDA Δ					236%		138%	2579%	179%			138%	163%	159%	

PROJECTED TRC CASE



INDUSTRY METRICS vs. SCHEER

Top 10 Markets vs. Scheer	**2013A**	**2017A**	**CAGR**
Rum Market Volume (m Litres)	360	351	(1%)
Growth %		(3%)	
Rum Market Value (EURm)	6,300	6,700	1.6%
Growth %		6.3%	
Premium Rum Market Volume (m Litres)	14	18	5.7%
Growth %		25.0%	
Scheer Volumes	7,000	10,577	10.9%
Growth %		51.1%	
Scheer Revenues	€ 13,700	€ 27,508	19.0%
Growth %		100.8%	

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) REPORT CARD

Grades	Environmental – B	Social – B	Governance – B	Values – A

INVESTMENT STRATEGY OVERVIEW	
Why Do We Want To Buy This Business?	**USP / unmatched niche position** – Scheer is the largest provider of blending and ageing services in the Rum industry (supplies c. 6% of the premium Rum volume globally) with a focus on the premium-end (75% of sales). With roots dating back 300+ years, the Company has gained a solid reputation for its value-added services (Scheer's ingredients represent ~4% of final retail price but are critically essential to the creation of a particular consistent flavor profile, leaving ample pricing elasticity) and its discretion (brands supplied are rarely revealed). Over time, Scheer has constituted a unique stock of aged Rum with a market value of over €50m. This inventory is replenished year after year thanks to the Company's extensive sourcing capabilities, long-term relationships with distillers, quality assurance (FDA approved) and traceability (difficult to replicate for new entrants). Closest competitors are either small players, blending generalists with limited focus on Rum, or brand owners with minor blending activities. Moreover, Scheer owns a unique & proprietary database of bespoke Rum blending recipes built-up over its history and the Company's two in-house Master Blenders ("noses") provide flavoring advisory to clients for new product development. **Favorable market dynamics** – Within the globally stable spirit market (flat in volume for the past 10 years), the premium segment grew at 5.5% CAGR (in million 9-litre cases). Rum is the 5th most consumed spirit category in the world (c. 8% of global volume, slightly declining), behind whisky (#1 | 25% of global volumes and growing), vodka (#2 | 25% declining), brandy (#3 | 11% stable) and flavored spirits (#4 | 9% slightly declining). Despite the slow volume erosion of Rum consumption (-1.1% CAGR from 2014-2017), the Rum category has benefited from a premiumization trend (+7.5% CAGR in volumes for premium Rums sold at retail price over €25 per bottle between 2013 and 2017). Rums within the super-premium (€32.5-40), ultra-premium (€40-100) and above (>€100) categories were growing even faster (double digit annual growth rates). Emergence of artisanal / craft spirit brands coupled with mixology culture will continue to fuel the Company's growth engine. **Unique business model** – The Company is usually the only Rum provider to their clients (i.e. customers only have to mix Scheer blends with appropriate quantities of water to reach the desired degree of alcohol content in order to obtain the final consumer product, without any additional ingredients/production steps required other than bottling & packaging). It creates a very high intimacy with customers leading to certain stickiness, repeat sales and loyalty/long-standing relationships. The Company's efficient supply chain consists in pre-blending Rum distillates once received from suppliers in order to create homogeneous intermediate batches. Upon receipt of a customer's order, Scheer blends the final bespoke mix (as little as 200L drums) and ships it within 7-10 days (providing consistent quality, flexibility and speed). Scheer outperformed its underlying market both on volumes and prices, is highly scalable and presents a very attractive financial profile (limited downside/cycle risk with significant upside potential).
What Will We Do With It?	**Strengthen Management team** – We plan to incorporate a CFO at Closing, involve RIVOT senior operating executive Juan Rufilanchas who has relevant industry experience (former Allied Domecq manager), duplicate purchasing and sales functions to add fire power and mitigate dependency risk, create an NPD/innovation function with additional "noses", review operations, focus on marketing solutions more than selling products. **Implement Sales Excellence program** – Key initiatives include establishing a clear strategy to fuel customer acquisition in EU, expand in North America and explore Asian markets through selective recruitments, proactively reaching out to new prospects, increasing share of wallet within existing clients, exploring pricing improvement initiatives, and building a flagship showroom to emphasize on Scheer's unique customer experience. There is a significant opportunity to increase sales by taking a more structured approach to geographic and channel growth. **(Explore) entering other spirit categories** – While we want to preserve Scheer's DNA, we believe the Company's success could be extended / replicated in other spirits where blending/ageing is necessary (such as Whisky, Bourbon and Cognac for instance) via add-on acquisition (if available/relevant) in order to further diversify away from Rum only and provide further growth to the next owner. However, we do not believe this is necessary during our investment period to generate attractive returns.
What Keeps Us Up At Night?	**Dependency on CEO** – Carsten Vlierboom (23 years with Scheer) was instrumental in the development and success of the Company, visits clients/suppliers on frequent basis and has a strong technical know-how (master blender / nose for new product developments and purchases). With only 21 FTEs (i.e. very lean organization), a sudden departure could be highly detrimental to the business. *Mitigants: Carsten is 54 and willing to continue to work. He is also a large shareholder in the company, and our acquisition is conditional upon a significant reinvestment of his proceeds.* **Suppliers concentration** – Top 3 suppliers account for 50%+ of volumes purchased. Moreover, most Rum distilleries are located in exotic countries in the Carribean/LatAm (political uncertainty, F/X volatility, extreme climate hazard). Some Rums may have distinct tastes which are hard to replicate. *Mitigants: Management has already initiated a diversification of its supplier base (in number, volume and categories of rum) and proved to be able to source in other locations to offset shortage / price increase. We will work on reinforcing the procurement area early on after closing.* **Alcohol-related business** – although neither producing nor selling direct to consumer, Scheer performance is ultimately driven by consumption of hard liquors, causing health concerns, with potential media exposure, subject to political debate, taxed specifically, could become subject to requirements on labelling (origin of products assembled), and is a dangerous good to maneuver/transport (inflammable/explosive). *Mitigant: Our DD indicates that the company has all of the procedures in place to correctly handle the products, and we have not been made aware of any past issues in this regard.*

COMPANY OVERVIEW	
Products	Scheer specializes in sourcing and blending Rums to create tailor-made recipes with consistent taste and quality. The Company is specialized in the premium segment, and product range includes blended aged Rum (40% of 2017A Sales), blended heavy Rum (16%), blended light Rum (12%), standard light Rum (28%), and Arrack (4%).
Customers	Scheer sells its blends (at ~85% alcohol content) to a diversified (multi-spirit companies 50%, intermediaries 21%, large spirit players 19%, flavors & ingredients companies 6%, rum specialists 4% | Top1=8%, Top 5 =27%) and growing mix of ca. 300 clients (+30 p.a. on avg.) located in more than 50 countries and which order quantities repetitively at terms (types, volumes and prices) pre-agreed on an annual basis for most of them.
Suppliers	Main supplies are Rum distilleries. Suppliers are concentrated with top 3 representing more than 50% of total purchases (as of latest data available in 2017A). Dependency is alleviated by the commoditized nature of raw Rum and the ability to obtain a similar taste through different blends.
Industry Primer	Over the past twenty years, Rum has consistently accounted for c. 8% of the global spirits market. As of 2017, the total consumption of Rum globally amounted to c. 140m 9-litre cases, out of which 68% consisted in lower tier products consumed in emerging markets (low-price and value categories), 30% consisted in standard products used for mixology, and 2% consisted in premium products (bottles with store price superior to €20). Recent years showed a polarization of the market with an increased demand for low-price (2014-17 CAGR of 2.3%) and premium categories where Scheer is active (2014-17 CAGR of 7.6%). In contrast, the value category has undergone a decline (2014-17 CAGR of -3.7%). In addition to the premiumization, the category has been fueled by the development of the cocktail culture which relies mostly on Rum recipes.
Competitive Environment	While the Rum end-market is heavily consolidated around large players (Bacardi, Pernod Ricard, Diageo), Scheer faces limited competition on ageing and blending services. Closest competitors are either small players without international certifications (Pilsa Rums), Rum brand owners with small side blending businesses (Oliver Rum) or generalist blenders with limited focus on Rum (Rum Albrecht, W. Fock & Sohn). Scheer enjoys an estimated market share of 75% in the outsourced blending market, which itself represents about 5% of the total Rum market.
Other Considerations	In summer 2017, the shareholders of Scheer opportunistically initiated one-on-one discussions with Tikehau Capital around a potential disposal. At the time, valuation expectations were standing at 10x EBITDA, translating into an EV of ca. €50m.

CONFIDENTIAL

RIVERSIDE EUROPE FUND V

INVESTMENT OPPORTUNITY NOTICE

THE MAIN RUM
COMPANY LIMITED

The Riverside Company

10 December 2018

Each prospective investor is hereby offered the opportunity to ask questions of, and receive answers from The Riverside Company. Inquiries concerning such additional information should be directed to:

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1 EXECUTIVE SUMMARY

1.1 Investment thesis

Scheer represents an opportunity for REF V to acquire a niche leader with a strong heritage in the global and resilient Rum industry. The Company benefits from a bespoke master blending know-how, a unique inventory of aged Rums, cutting-edge facilities ensuring consistent taste and quality, and unrivalled sourcing capabilities. Over the past 3 years, Scheer recorded a Sales CAGR of 25.3% achieved through both volume and price/mix improvements. We believe the Company still has significant runway to grow organically thanks to the rising demand for premium Rum, the emergence of new brands, and the constant development of new blends by historical players. Moreover, as a primary buyout we believe there are low-hanging fruit opportunities across areas of the business such as purchasing, pricing, sales & marketing, and expansion in the US, which with the support of Riverside's Operating team will translate into additional value creation during our holding period. Five years from now, we will seek to exit a strong market leader with even more diversified sales across client groups and geographies (especially in EU and US regions). Four main exit opportunities arise, with financial sponsors potentially more "natural" buyers than strategic due to unique Marine positioning in the value chain: financial sponsors i) "yield" story (attractiveness: very high) and ii) "growth" story (attractiveness: high) as well as strategic buyers: i) bottlers (attractiveness: reasonable) and spirit majors such as William Grant, Sazerac, Emperador or La Martiniquaise (attractiveness: moderate).

1.2 Transaction Summary

We have been contacted by Rabobank on October 8 to participate in the sales process of Scheer. Upon review of the information memorandum and following coffee meeting with the CEO on November 1, we placed a non-binding indication of interest on November 7 for €100m EV which brought us to the 2nd round. We received Financial, Tax and Commercial VDD reports shortly after, visited the UK facilities on November 21, met with the full Mgmt team and visited Dutch facilities on November 28 (incl. representative of the selling family). After completion of due diligence, mark-up of SPA and head of terms SHA as well as agreeing long-form term sheet with prospective lenders, and subject to sellers desire to go ahead with us, we believe to be well placed to sign the transaction before Christmas and close (subject to among others German antitrust filing) in early Q1 2019.

We completed Due Diligence with the support of Deloitte (Fin & Tax), Bain (Commercial), Allen & Overy (Legal), Marsh (Insurance & Employee Benefits), Intuitus (IT), Humatica (HR), Ramboll (HSE) and Kroll (background check). We had numerous sessions with management including an informal dinner. Management sees in us a strong partner able to add value particularly in executing the international strategy and professionalizing the organization, in particular the Sales team.

The deal team is seeking the Investment Committee's approval to acquire up to 100 % of the shares of E&A Scheer B.V. ("Marine", "Scheer", the "Company" or the "Business"), consisting of E&A Scheer B.V. and its subsidiary The Main Rum Company Ltd ("MRC") for an Enterprise Value of €100m (lock-box mechanism as of Oct 1, 2018). This valuation represents a multiple of 2.5x 2018E Sales and 8.8x 2018E EBITDA (excl. transaction costs). At the proposed valuation, we plan to finance the deal with €50m term loan B facility and €43.7m equity from REF V (€28.7m), certain LPs (€15.0m) and re-investing sellers / Management (€10.0m for CEO Carsten Vlierboom and potentially Anthony Huijsser -TBC-). We are working with Riverside's Investor Relations to bring in a co-investor (or group of) for the corresponding amount of equity. Management will have up to 10.0% incentive option pool allocated on time and performance-based vesting which will be tied to exit metrics (2.5% above 2.0x net CoC, 5.0% > 3.0x, 7.5% > 3.5x, 10% > 4.0x, plus conditional on a minimum net IRR of 20%). We have received binding long-form term sheet debt commitments from Blackrock, Tikehau, and OLB. Financing will be finalized between signing and closing. Our decision to work with senior stretch structure was driven by speed of execution and certainty of funding dealing with debt fund, in addition to the added flexibility of an all-B structure with ample covenant headroom. combined with balanced quantum/return proposition.

1.3 Projected Returns

We developed five scenarios in our model: (i) TRC case reflecting our latest assumptions for the Company going forward in light of the due diligence exercise performed, (ii) Upside Case reflecting US and private Label/retail strategies to be exploited (requiring more Opex, and potentially some CAPEX to be invested but unlocking significant growth potential), (iii) the Info Memo Case which reflects Management initial budget for 2018 and 5yr projections established top down by rum category, i.e. disregarded at this stage of the Transaction given the significant overperformance achieved and low level of granularity, (iv) a Downside Case which reflects a 2yr recession happening in 2019 and 2020 and slow economic recovery thereafter (v) a Lender Case which has been shared and agreed with the lenders as the basis for covenant setting and on which 30-35% headroom is applied. We conducted an Expected Value Analysis which provided a Weighted CoC of 2.8x and IRR of 21.9% (probability of 55% for TRC, 15% for Mgmt, 15% for Downside and 15% for Upside).

Scenario	Investment	Exit	IRR	Mult.	Scenario	Investment	Exit	IRR	Mult.
TRC Case - Pre Carry	28,650	71,832	20.2%	2.5x	Mgmt. Case - Pre Carry	28,650	92,052	26.3%	3.2 x
TRC Case - Post-Carry	28,650	63,907	17.4%	2.2x	Mgmt. Case - Post-Carry	28,650	80,416	22.9%	2.8 x
TRC Carry	***Gross:***	**7,925**	***Net:***	**6,736**	**TRC Carry**	***Gross:***	**11,636**	***Net:***	**9,891**
Scenario	**Investment**	**Exit**	**IRR**	**Mult.**	**Scenario**	**Investment**	**Exit**	**IRR**	**Mult.**
Upside Case - Pre Carry	28,650	**55,327**	27.9%	3.4 x	Downside Case - Pre Carry	28,650	55,327	14.1%	1.9 x
Upside Case - Post-Carry	28,650	**50,431**	24.4%	3.0 x	Downside Case - Post-Carry	28,650	50,431	12.0%	1.8 x
TRC Carry	***Gross:***	**12,782**	***Net:***	**10,865**	**TRC Carry**	***Gross:***	**4,896**	***Net:***	**4,162**

1.4 Investment Strategy

1) Strengthen resources to deliver business plan
   i. Financial reporting is currently led by Business and Operations Manager Emke Osinga. After closing we plan to onboard a CFO to support the management team. He/she will help collect the data necessary to optimize purchasing and pricing, develop set of KPIs, monitor performance towards lenders. We also consider adding IT, Admin, Legal and HR responsibilities given the lack of dedicated person in charge of these matters. He/she will also free-up time for management to concentrate on growing the business.
   ii. So far customer acquisition was made mostly through word of mouth and we believe the company could grow much faster with additional commercial resources. In order to improve key account management and proactively look for new clients we plan to hire 2-3 sales executives. They will focus on maximizing current reach and expanding into new geographies as well as new customer segments (private label, retailers, bottlers, premixes). Promotion of premium rum may also be required towards specialists (such as society clubs / connoisseurs / mixologists / influencers / ambassadors) to help educate consumer community.
   iii. Scheer is highly dependent on Carsten Vlierboom and Hein Smit master blending know how. To mitigate the risk associated with this dependency we plan to incorporate a 3rd master blender. He/she will help elaborating blends which are "island agnostic" (can be created using rums from different locations) and more profitable for Scheer, document process of master blending, insource persons know-how and convert it into data science, lead new product development initiatives together with key customers / partners, create NPD road map.
   iv. RIVOT senior operating executive Juan Rufilanchas has been working alongside us during the process to evaluate Scheer's strengths and weaknesses. Given his past experience with Allied Domecq we feel very confident in having him as Operating Partner on the deal. Alongside Juan we plan to put in place a BoD composed of one or more senior industry experts. We have not shortlisted OBDs at this stage but the deal team has several interesting profiles at hand.

2) Review commercial strategy
   i. While we believe there is still room to grow in Europe, we plan to explore development opportunities in North America and Asia. To allow a better client coverage, we envision to set up an office in the US, and if we reach a critical size a depot/warehouse. Management identified Miami as the ideal hub to serve the North American market due to proximity with the Caribbean. In order to benefit from favorable trade regime (low/no custom duties), it may also be beneficial to establish an entity out of the US Virgin Islands or Puerto Rico.
   ii. Develop client focused approach: build marketing case studies which could be applicable to peers
   iii. One of the main growth avenues for Rum players is the launch of new SKUs. Scheer through its unique master blending know-how is well positioned to assist clients in this process. Going forward we plan to proactively offer recommendations on new product development to increase share of wallet with existing customers.
   iv. In the absence of direct competitors, products and services provided by Scheer benefit from a strong price elasticity. As such we believe a thorough review of the pricing policy could have a significant impact on sales and margins. Overall the Rum market enjoys a healthy value chain, making price increases for Scheer actionable.

3) Improve operations

i. Currently the ageing facilities of MRC consist in a set of 7,500 wooden rum casks stored in an old warehouse in the outskirt of Liverpool. The building does not allow proper handling of operations, customer experience as well as necessary security, health, safety and hygiene standards as we would expect for such a valuable stock (€35-40m market value). The warehouse is owned by a 3rd party and managed by a local entrepreneur. Shortly after closing we plan to move the casks into a new cellar / warehouse owned by another third party which could be used as a marketing tool in the form of a customer visit centre (while offering all necessary equipment for such operations). We have assumed €2.1m of Capex and a €3.4m Opex increase in the BP to effect this change.

ii. New blend recipes are elaborated at the Company's Amsterdam-based historical office by CEO Carsten Vlierboom and Sales Director Hein Smit, following the online blending tool survey developed for clients to narrow down the infinite possibilities of combinations (rum profile, age component, origin, appearance, preference, price, scale, story) or directly through product specs. Samples bundled with price quotes are sent by post within days from order request. While this approach has proven to be efficient for small customers, we believe Scheer would benefit from having a showroom / exhibitor center to exchange with customers in a relaxed but technical manner: history of the company/heritage, modern laboratory/workshop, sensorial space (color, appearance, texture, taste, applications). Accordingly, we plan to set up an innovation center similar to the one built for Euromed, which will convey to existing and future clients the strong heritage and NPD capabilities of the Company.

iii. A large portion of the sourcing is from the Caribbean (c. 75% of FY18P COGS) and involves aged rum. To mitigate souring risks associated with a particular distillery or rum category, we will pursue the expansion of Scheer's sourcing network. In particular the company sees strong potential in countries like Mexico, Peru, Colombia, Thailand, Venezuela, Swaziland and Japan.

4) Diversify into other categories

i. Closest competitors like Rum Albrecht or W. Fock & Sohn provide blending and ageing services on other spirits. Similarly, we believe Scheer could leverage its blending know-how and expand into new categories. This is particularly relevant as a large chunk of the Company's clients are multi-spirit companies (50% of turnover). Products that share similar ageing and blending characteristics include Whisky, Bourbon and Cognac. Other beverage ingredient specialists like MGP Ingredients (Nasdaq-listed competitor) produces and supplies distilled spirits (food grade alcohol for beverage applications that include bourbon and rye whiskeys, as well as grain neutral spirits, including vodka and gin; and food grade industrial alcohol, which is used as an ingredient in foods, personal care products, cleaning solutions, pharmaceuticals, and various other products.), and specialty wheat proteins and starch food ingredients. Brown spirits (whisky, bourbon and cognac) represent the best strategic fit with Scheer due to the similarities in blending and ageing operations.

ii. Scheer's value chain presents an interesting profile, we believe intermediaries such as distributors with local reach in selected markets, ideally focused on rum import and distribution could represent attractive add-on targets to capture a higher share of the profits while benefitting from direct access to client portfolio.

1.5 Exit plan

Following a successful build-up of the company, multiple exit opportunities are available with financial sponsors potentially being more "natural" buyers than strategic parties due to Scheer's unique positioning in the value chain. Scheer could provide for an extremely attractive "yield" asset for financial sponsors and family offices due to its high—and-stable margin, defensive business with strong position on the value chain and recurring customer relationships. Furthermore, it is operating in a growing underlying (premium) market with high margin sustainability historically and going forward. Financial sponsors might also invest in Scheer from a "growth" perspective fueled by historic double-digit growth, positive underlying market and adjacencies (e.g. geography, other liquors) going forward. Strategic buyers are also likely to be interested in Scheer. Especially bottlers willing to diversify and/or vertically integrate. As rum is likely to be more dynamic industry than other main liquors (e.g. whisky, vodka), Scheer's unique position could provide a strong opportunity to get further or initial foothold here. Next to this, Scheer's new product capabilities and unique product portfolio (with premium stock/aged rums) could provide an interesting opportunity to tier-2 spirit majors to pre-empt competition.

Example of strategic acquisitive buyers include: (i) William Grant, which would significantly strengthen their "agency brands" activities in rum space, provide potential synergies primarily related to existing customer base in different spirit categories. For (ii) Sazerac (active buy-and-build recent years), Scheer would perfectly fit within subsidiary Last Drop Distillers, which creates (super-) premium spirits for global spirit brands. Next to this, Scheer would provide for an opportunity to strengthen / expand Sazerac's current activities with higher focus on whisky and bourbon. (iii) Emperador would be interested in Scheer to expand their existing brandy and whisky offering with rum. Potential synergies are primarily related to whisky bulk activities and existing Asian footprint. Another strategic buyer could be (iv) La Martiniquaise who has approached Scheer in the past including submitting an unsolicited offer. Scheer could be a strong optimization of their Rum procurement by integrating Scheer's activities.

1.6 Investment Merits

- **Strong Dutch heritage** – Founded in 1712 in Amsterdam as a shipping company, Scheer has over 3 centuries of experience in the Rum blending business. In 2017, the company was appointed purveyor to the Royal Court by his Majesty the King of the Netherlands. This warrant is awarded to Dutch small and medium-sized businesses that are at least 100 years old and have an exceptional track record. Currently less than 390 companies benefit from this status. Appointments are reviewed every 25 years by the Royal Court of the Netherlands.
- **Global sourcing capabilities** – Scheer sources Rums from more than 35 distilleries located in over 25 countries worldwide. Most of those sourcing partnerships have been in place for decades. The Company purchases on average around 10% of its suppliers' yearly production. Over the years the group has become a trusted and discrete partner to valorize Rum producers' surplus. Unlike some of its competitors, Scheer is a pure ageing and blending player and it does not commercialize Rums under a proprietary brand.
- **Unique position/scale within the spirit value chain** – Scheer is at the heart of the value chain sourcing Rums and providing blends in bulk to Rum brands. Those services account for only 8% of Rum bottles end-consumer price, leaving ample flexibility for Scheer to improve its pricing policy. Price elasticity is reinforced by the absence of direct competitors of the same scale (the Company supplies c. 6% of premium Rums volumes globally).
- **Strategic Rum inventory** – Over time Scheer has built a "tactical" inventory of Rum, representing a strong barrier for new entrants. Stocks are recorded in the Company's accounts at purchasing value. The long ageing periods for cask Rums translate into a high difference between stocks book and market value. As of June 2018, the inventory of Scheer had a book value of approximatively €18.4m and a market value of €54.0m. Warehousing facilities are split across Amsterdam for bulk Rums and Liverpool for aged Rums.
- **Longstanding and loyal customer base** – Scheer benefits from a growing client base of 293 customers. Sourcing from Scheer also allows brands to focus exclusively on sales and marketing aspects. Most relationships have evolved into long-term partnerships whereby the Company ensures constant batches quality and act as an advisor on new products developments. Accordingly, top ten clients have been collaborating with the Company for periods spanning from 9 to 40 years.
- **Unparalleled blending know-how** – The variety of distillate imports enables the Company to create a wide range of blends. Clients are assisted to define their requirements through a 10-question survey. They are advised by a master blender who will ultimately create blends that fill all their needs. Rums can be shipped in various batch sizes to suit the client's requirements. Continuity and consistency of supply reduces client's needs to hold large stocks.
- **Efficient supply chain** – Scheer has arranged the layout of its warehousing facilities to enable efficient operations. On average shipments are dispatched 10 days after initial order, this period includes 5 days for the blending realization and 2 days for administrative tasks. The Company is considered a reliable counterpart by its client with a 99% DIFOT (Delivery In Full and On Time).
- **Favorable market trends** – In the same way as other dark spirits, Rum consumption is shifting towards the premium and super-premium segments paving the way for the expansion of nascent craft brands. This trend is supported by an increased level of education of bar tenders, and the rising use of Rum in mixology. Overall between 2013 and 2018, the upper end of the market has been growing at 7.0% per annum in value. In addition, the broader Spirits market has proven to be resilient during downturns offering protection in the context of a recession. Moreover, the spirit industry has proven to be very resilient during economic downtime periods (not to say even countercyclical as alcohol sales rose along with unemployment rates).

Superior growth and margin profile – With a 2015-18P Sales CAGR of 32.2%, Scheer outperforms the broader Rum industry. This strong growth came along with a significant margin expansion over the period due to the change in products mix, with Gross and EBITDA margins growing respectively from 38.5% to 42.3% and from 15.3% to 28.2%. The Company is also highly cashflow generative with a projected FCF/EBITDA ratio of more than 80% from 2019P onwards.

1.7 Investment Risks

- **Dependency on CEO** – Scheer organization is relatively lean with only 21 FTEs across the firm. Former shareholder Arnaud de Trabuc confirmed that CEO Carsten Vlierboom manages most of the relationships with the Company's suppliers and customers. He also attributed the recent growth of the business to Carsten's strategic vision. Overall he stressed that his departure could have severe impacts to the business in the short run. *Mitigants: Carsten Vlierboom owns 25% of Scheer. We will expect a substantial reinvestment from him to complete the transaction. He also expressed his desire to remain in command of the business for the coming 5 years at least. We would nonetheless have to find a successor to take ownership of the next chapter after our exit and would plan to incorporate a new CEO towards the middle of our 5yrs horizon to successfully transition Carsten out of his role.*
- **Shift in consumers patterns** – Sales across spirit categories fluctuate according to consumption patterns and are subject to "fashion risks". The Rum category is highly dependent on the global demand for cocktails (mojito, cuba libre, daiquiri), and we could foresee a decline of those beverages over the coming years. *Mitigants: Unlike Aperol Spritz, Gin or Vodka, Rum has proven to be a stable category, with a flat global consumption over the past 10 years.*
- **Competitive market environment** – The spirits market is highly concentrated and dominated by large players (Diageo, Pernod Ricard, Suntory, LVMH). Rum is not immune with Bacardi, Diageo (McDowells and Captain Morgan) dominating the category. *Mitigants: Scheer does not compete directly with Rum brands owners and faces limited competition at blending level. The Company has also limited dependency to clients with top 3 representing less than 30% of Total Sales. Ultimately these large spirit players are even customers of Scheer. In a scenario where these large spirit companies would acquire select customers of Scheer within the premium Rum segment over the coming years, they would be as dependent as family owners to purchase supply from Scheer in order to ensure consistent quality/taste.*
- **Natural hazards in the Caribbean** – Caribbean countries share a common vulnerability to natural disasters, from hurricanes to floods. Most recently in October 2018, the region was hit by hurricane Michael. Scheer sources 75% of its Rums in Central America and the Caribbean and its activities could be affected in the context of severe hazards. *Mitigants: Scheer sources Rum in more than 25 countries and can rely on significant stock should the entire Caribbean be affected.*
- **Shortage of aged rum** – A large portion of Scheer Sales comes from the supply of blended aged Rums. Those Rums have been aged on average 8 years and are sourced either from the Company ageing facility or from third party distilleries. Should the demand for aged Rum grow in the coming years, the Company could face shortages. *Mitigants: The expert calls we conducted confirmed that current/future stocks will be sufficient to address demand.*
- **MRC UK operations** – results of our due diligence highlighted the need to migrate UK warehousing facilities to another (more professional) 3rd party supplier. It implies moving 7,500 barrels. RIVOT Senior Operating Executive would handle supervision of this project from feasibility study, choice of the new location/partner, cost analysis/contract negotiation, timing schedule and follow-up until delivery. We would leverage this opportunity to pick a convenient destination that suits the business model requirements (quality, food safety, hygiene, HSE) where a customer experience center/exhibitor showroom could be patched in.
- **Regulatory environment** – due to the nature of goods handled by the Company, several requirements must be obtained from authorities to operate, and the Company undergoes through frequent audit and inspections. Moreover, import & export of alcohol is subject to specific taxes (custom & excise duties) which are subject to bilateral trade agreements between countries (especially in the EU and US). *Mitigants: the regulatory framework creates significant barriers to entry for new players and the Company has operated for such a long period of time that it demonstrates its ability to comply with applicable regulations (no red flags raised during DD besides lack of some documentation). We plan to focus on making sure all processes are properly documented and regulatory framework closely monitored in order to anticipate potential issues in the future.*
- **Foreign exchange volatility** – Performance is impacted by the FX development ($/€) as a result of Company's sourcing activities in the Caribbean. Outside French islands (Guadeloupe, Martinique, St Barthelemy, and St Martin), all the Caribbean territories use dollar pegged currencies. *Mitigants: we will review options to improve hedging strategies, but overall will need to be comfortable with some FX-risk given it is inherent to the business model.*

2 COMPANY OVERVIEW

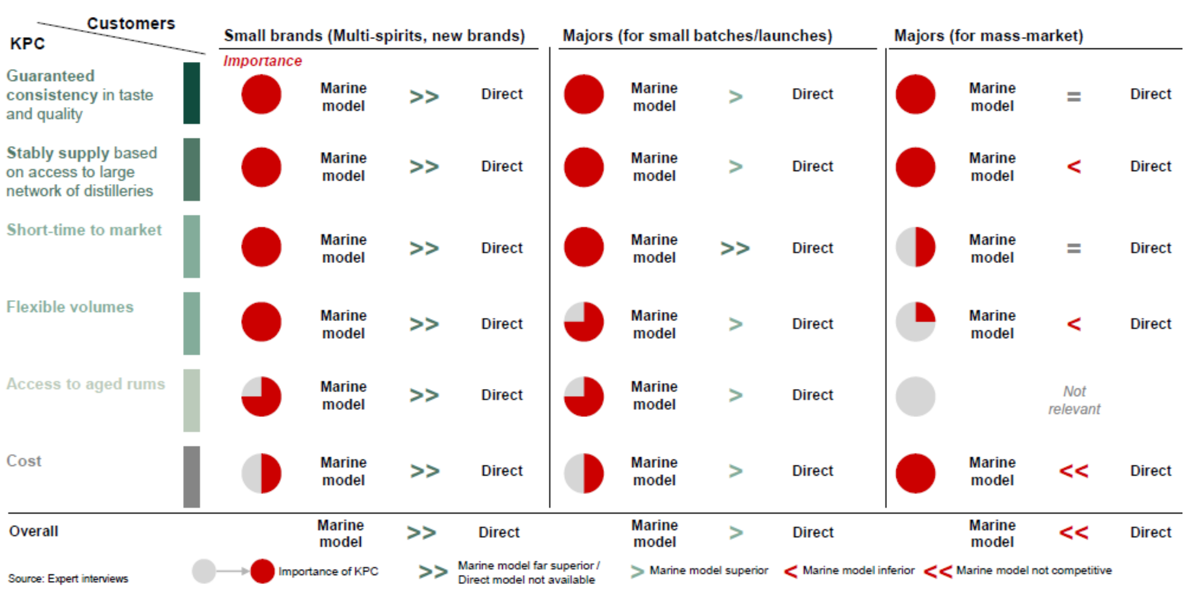
2.1 History

Scheer is a Dutch company with roots in the Rum business dating back to 1762. Originally devised as a general-purpose trading company in the same vein as the Dutch West India Company, the Company narrows its focus in the 1800's to the trading and blending of Rums and Arrack (an Indonesian cane-based spirit). Acquired in 1859 by the Huijsser family, Scheer progressively evolves into a critical player in the global Rum industry, connecting distillers to brands. During the second world war, occupying forces confiscate the Rum stock and the ships fleet, operations are then relaunched in 1946 with the construction of a new coaster. In the 1980's, Scheer acquires several of its competitors including Aparak, Gottfried Meyer & Co, and BAM. In 2001, Scheer acquires The Main Rum Company and gains access to the premium aged cask Rums market. In 2006, the Company is taken over by CL Financial for an EV of €8.0m and becomes part of a Trinidad based multinational conglomerate which aims to become a leader in the wines and spirits industry. The collapse of Lehman Brothers unleashes a global recession and CL Financial following a wave of acquisitions faces a liquidity crisis. In 2010, E&A Scheer is bought back by its former owners and current management at an EV of €11.0m. The company becomes part of RumArak, parent company of both The Main Rum Company and Scheer. Following death of the majority owner last year, the family (75% owner) took the decision to dispose of their stake in the Group.

2.2 USP

Scheer is the largest independent Rum blend supplier. Over time the Company has reached a critical size that makes it a strong and credible partner for distilleries as well as Rum players. Competitive positioning relies on a unique set of attributes:

- Products consistency: Company's unique 3-step blending process and unrivalled sourcing network enables customers to mitigate the supply volatility they would face through traders, direct sourcing or owned distilleries.
- Quality insurance: With fully traceable operations and frequent visits to its suppliers, Scheer is able to identify and ensure the precise source of all its blends.
- Flexibility on volumes and origins: Company offers a total of 29,500 recipes available in quantities ranging from 200 to 100,000+ Liters. Through this wide assortment Scheer is in a position to address the needs of all Rum players.
- Fast time-to-market: Typical lead time is less than 2 weeks thanks to automated blending facilities and an Amsterdam-based warehouse. In contrast lead time in direct sourcing and trader model is on average 6 weeks.
- R&D capabilities: Thanks to master blending know-how, the Company is able to create bespoke recipes for its clients as well as its prospects in very short timeframe (2-3 days) and offer tailor-made product which addresses both content specs and price metrics while creating stickiness in the future (recipes are proprietary to the Company).



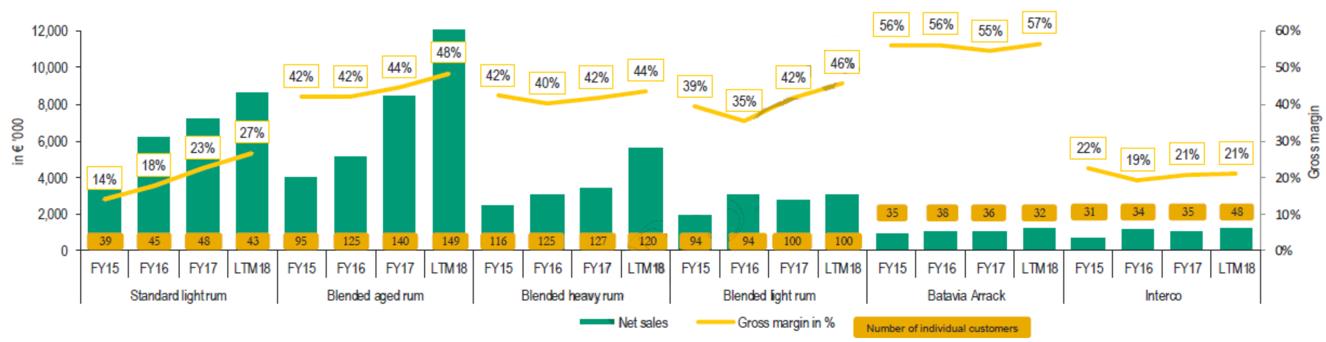
2.3 Product Offering

Scheer imports bulk Rums from more than 25 countries and blends them to create original recipes. Clients are assisted to define their requirements using an online survey. The Company has vast supplies of distillates and possesses a unique expertise to modify recipes in order to maintain a consistent flavor profile using erratic batches. Scheer commercializes five main types of products:

- Standard Light Rums (28% of 2018P Sales): Rums generally produced in a column still, that can be sourced in various locations but typically have a neutral flavor. Retail price ranges from €10.00 to €24.99 per bottle
- Light Blends (13% of 2018P Sales): Comprise Rums with less than 20% of aged or heavy Rum blend component. Rums are called heavy when they are flavored in pot stills and can then be used as raw materials by flavor and fragrance companies. Retail price ranges from €14.50 to €32.49 per bottle.
- Heavy Blends (16% of 2018P Sales): Comprise blends with 20% or more of heavy component, but proportionally less aged component. Retail price ranges from €25.00 to €99.99 per bottle.
- Aged Blends (47% of 2018P Sales): Comprise blends with 20% or more of aged component, but proportionally less heavy component. Retail price ranges from €25.00 to more than €1000.00 per bottle.
- Arrack (3% of 2018P Sales): Distilled alcoholic drink typically produced in the Indian Subcontinent and Southeast Asia, made from either the fermented sap of coconut flowers, sugarcane, grain or fruit.

Products are shipped on average in 10 days in a wide range of batch sizes, varying from 200 Liters drums to 30,000 Liters truck tanks.

EAS – trading results by rum category



2.4 Customers and Sales

Scheer sells Rum and Arrack in more than 50 countries worldwide. Its largest market is France (25% of 2017A Sales) followed by Germany (17%), the UK (16%), NL (9%), The US (4%), Italy (3%), Japan (3%), Spain (2%) and others (21%). The Company serves most of the Rum market players which can be classified into five main categories:

- Local spirits companies (111 clients, 45% of 2017A Sales): Comprise companies with an initial emphasis on a single spirit (e.g. Whisky, Liquor) that are willing to diversify into other alcohol including Rum. Key customers include Stock Group, Maison Ferrand, Rola, Stroh, Berentzen, and Goslings.
- Global spirits companies (17 clients, 19%): Comprise world's leading spirits companies with global reach and distribution that use Scheer expertise to develop new products. Key customers include Campari, Bacardi, Diageo, La Martiniquaise, and Pernod Ricard.
- Intermediaries (56 clients, 19%): Comprise companies acting as third parties for brands, bottlers, food producers, or distributors that are seeking continuous supply at competitive prices. Key customers include Halewood, Sasma, Grays, Rossi&Rossi, Vom Fass and Toorank.
- Flavours and ingredients players (46 clients, 6%): Comprises companies using Rum as an aroma or an ingredient that are looking for consistent quality with a professional expertise. Key customers include Givaudan, IFF, Symrise, Sensient, and Firmenich.
- Rum Specialists (62 clients, 3%): Comprise companies specialized exclusively on Rum that are looking for a master-blending know-how and continuous supply in small quantities. Key customers include Takamaka, Don Papa, Clement, and Duppy Shake.

Overall Scheer benefits from a limited customer concentration with top 1 and top 5 customers representing respectively 9.8% and 34% of EA&S standalone Sales in LTM Sept. '18. Customer base is also characterized by a high loyalty with c. 60% of the Sales generated from clients working with Scheer for more than 10 years. DD confirmed that brands are locked-in once they start collaborating with Scheer as a change in supplier could affect the flavor consistency of their product. In LTM18, €29.5m revenue (91.3% of total) is realized from customers recurring at least since FY15. Churn of customers is mostly attributed to small brands that launch and die.

Top 10 customers - EAS

€000	Country	Cust. Type	FY15	#	FY16	#	FY17	#	LTM18
1013200	France	Multi-spirits	1,767	1	2,352	1	2,900	1	3,155
2027100-02	Germany	Multi-spirits	45	69	524	5	1,570	2	2,684
1014400	Czech Republic	Large player	88	42	60	77	242	27	2,614
1006105-03	United Kingdom	Intermediaries	659	2	1,216	2	1,115	3	1,494
1000100	France	Large player	347	9	466	9	1,114	4	1,063
113454	France	Flavor/Ingredients	66	55	69	69	76	71	1,006
113588	United States	Large player	103	36	797	3	135	42	752
110093	United Kingdom	Intermediaries	369	7	460	10	403	13	638
113990	Philippines	Large player	-	n/a	258	20	276	23	598
1007700	Netherlands	Flavor/Ingredients	480	3	503	7	498	5	593
Subtotal top 10			**5,471**		**7,873**		**9,410**		**14,599**
Other			8,393		10,887		13,711		16,298
Transport & other revenue			939		1,101		1,239		1,452
Total			**14,803**		**19,861**		**24,361**		**32,349**
As % of total									
Top 1			*11.9%*		*11.8%*		*11.9%*		*9.8%*
Top 5			*25.1%*		*27.5%*		*29.5%*		*34.0%*
Top 10			*37.0%*		*39.6%*		*38.6%*		*45.1%*

MRC sells around 600 aged casks per year for annual turnover of ca. €1.5m and invoices UK customers which order standard and blended Rums shipped directly by Scheer. Main countries include UK (49% of 2017 Sales), France (20%), Germany (12%), Netherlands (9%), Italy (4%), Denmark (3%) and others (3%). Revenue by customer at MRC shows a relatively inconsistent development during FY15 – LTM18 as revenue generally relates to the sale of individual barrels of aged Rum.

Top 10 customers - MRC

£000	Country	FY15	#	FY16	#	FY17	#	LTM18
89	Germany	100	4	-	n/a	143	5	372
26	United Kingdom	166	2	182	2	90	10	272
11	United Kingdom	71	8	72	11	234	1	199
81	United Kingdom	19	23	46	19	153	4	158
60	United Kingdom	38	16	59	14	-	n/a	128
114	United Kingdom	125	3	172	3	113	7	123
197	United Kingdom	-	n/a	-	n/a	-	n/a	102
199	United Kingdom	-	n/a	-	n/a	-	n/a	85
95	United Kingdom	67	9	96	9	106	8	69
62	Netherlands	49	10	41	21	31	26	67
Subtotal top 10		**1,313**		**1,612**		**1,467**		**1,575**
Other		584		1,133		1,196		1,544
Transport & other revenue		78		157		93		194
Reconciling item		-		-		-		561
Total		**1,975**		**2,902**		**2,756**		**3,874**
As % of total								
Top 1		*24.5%*		*15.4%*		*8.5%*		*9.6%*
Top 5		*49.1%*		*37.2%*		*34.1%*		*29.2%*
Top 10		*66.5%*		*55.6%*		*53.2%*		*40.7%*

2.5 Suppliers

Throughout Scheer long history, the Company has developed close relationships with over 35 distilleries in more than 25 countries. On average it acquires around 10% of its supplier's yearly production. Most of the imports are made out of Central America (75% of 2017A COGS) followed by Africa (15% of 2017A COGS). The Company has a relatively high supplier concentration with top 1 and top 3 suppliers representing respectively 19% and 50% of 2017A COGS.
Since 2015 Scheer has increased the diversity of its supplier base, as purchases from the top 10 suppliers decreased by 12.2pp to 78.7% of total purchases in YTD18. They were also able to decrease average purchase price from €1.41 in FY15 to €1.24 in YTD18, mainly driven by a lower average purchase price for light Rum due to a shift in sourcing location and strengthening of the dollar vs. euro over the period. The purchasing team has a proactive approach to secure sourcing (push model), sharing volume demand projections in the last quarter of each year for the year forward. All purchases and sales are recoded in a real-time ERP system enabling to trace back each individual blend to its original Rums. The process is highly automated.

Supplier analysis - EAS

€000	# of	Purchase costs				Volume				Average purchase price				15-18
Country	Suppliers	FY15	FY16	FY17	YTD18	FY15	FY16	FY17	YTD18	FY15	FY16	FY17	YTD18	CAGR
Light rum	23	5,791	5,280	6,081	8,772	6,285	6,100	7,635	11,706	0.92	0.87	0.80	0.75	*(7.2%)*
Aged rum	18	3,093	3,882	5,580	6,043	762	914	1,349	1,575	4.06	4.25	4.14	3.84	*(2.0%)*
Heavy rum	14	1,178	1,572	1,777	1,611	304	379	387	431	3.88	4.14	4.59	3.74	*(1.3%)*
Bavatia Arrack	1	406	307	416	489	119	89	120	150	3.42	3.45	3.48	3.27	*(1.6%)*
Packaging / transport / other	26	228	202	242	238	101	3	4	3	2.27	71.07	64.01	69.26	*246.7%*
Cachaca	2	20	40	20	37	12	24	12	24	1.68	1.69	1.66	1.54	*(3.3%)*
Reconciling item		-	-	(14)	-	-	-	(22)	-	-	-	0.64	-	*n/a*
Total	**51**	**10,717**	**11,284**	**14,102**	**17,190**	**7,582**	**7,509**	**9,485**	**13,889**	**1.41**	**1.50**	**1.49**	**1.24**	***(4.7%)***

2.6 Marketing

Sales activities are run by CEO Carsten Vlierboom and Commercial Manager Hein Smit. Customer acquisition takes place either during fairs or through word of mouth, but mostly as reaction to customer inbound contacts. Key account management consists mostly in relationship management and responding to new product blending requests from large customers. The coverage of the US and Asian markets is limited and could unveil strong growth potential.

2.7 Management and Employees

Scheer has a very lean organization with 21 FTEs split across Amsterdam (17 FTEs) and Liverpool (4 FTEs). The warehouses employ 12 employees, and the remainder is working in purchasing (3 FTEs), management (3 FTEs), finance (2 FTEs), and sales (1 FTE). The average age of the workforce is 44 years old and typical employee tenure is 10 years. We had extensive access to CEO over the last 4 weeks. We first met him during a coffee meeting in Amsterdam, then along with Commercial Director Hain Smit at an informal dinner in Brussels, during the site visit in Liverpool, along with the rest of the team at the management presentation and through SHA discussion before binding due date. Overall our impression on the Scheer management team is very positive and we aim to retain them by putting together an incentive plan.

Name / Function / Comments	Overall First Rating		
	Inspiration: Championing Change & Improvement	**Impact: Achieving Results**	**Impact: Commercial Acumen**
Carsten Vlierboom (age 54), *CEO* Joined in 1995. Knowledgeable manager with a clear passion for Scheer's products. Has developed hundreds of blends and seems to be a key point of contact for most of the clients and suppliers. First non-Scheer or Huijsser descendent to run the Company.	**4.0** Highly Effective	**4.0** Highly Effective	**4.0** Highly Effective
Emke Osinga (age ~40), *Business and Operations Manager* Joined in 2012. Formerly business controller with GGZ Rivierdinen, and Nike. Oversees operations safety and efficiency. Professionalises the systems within Scheer, strong in structures and numbers.	**3.0** Effective	**4.0** Highly Effective	**4.0** Effective

Hein Smit (age ~30), *Commercial Manager* Joined in 2014 after a two-year experience in a VC fund. He has been instrumental in the expansion of the client portfolio and has been trained to become master blender.	**5.0** Exceptional	**4.0** Highly Effective	**3.0** Effective
Marjon de Haan (age ~50), *Purchasing Manager* Joined the Company in 1996 as quality controller and became over time Purchasing Manager. She has a strong network in the industry.	**3.0** Effective	**4.0** Highly Effective	**3.0** Effective

2.8 Facilities Overview

The head office of Scheer is located on the Herengracht canal in Amsterdam, and the Rum inventory is split across a 15,000sqm warehouse in the port of Amsterdam (60mL capacity) and a 6,000 sqm warehouse in Deccaweg (4.8mL capacity). As individual batches of Rum from distilleries arrive in Amsterdam, they are nosed and allocated to 25 intermediate blends which are used as building blocks to create new recipe for customers.

Ageing operations are run out of Liverpool with Rums stored in a 11,100 sqm warehouse (750kL) and a 4,500 sqm tank farm (750kL). Rums received in drums, casks or tanks directly from third party distilleries or from the Amsterdam warehouses are placed into wooden casks (North American and French) to age for a minimum period of 8 years.

The production process adheres to the highest quality standards in the industry and is backed by series of certificates (AEO, FSSC22000, ISO9001, Fair Trade, BON Sucro, NIK). Facilities are also FDA approved to allow the use of Scheer' products as ingredients for the flavor and fragrance industry.

Facilities in Amsterdam (E&A Scheer)

Item	Deccaweg	NWB	Herengracht
Year of operations start	1984	1965	1979
Surface area (sqm)	6,000	15,000	147
Storage capacity (mL)[1]	4.8	60.0	×
Volume stored (mL)[2]	2 - 3	3 - 8	×
Utilisation rate	67%	10-15%	×
FTEs	14	Outsourced	4.2
Rented	✓	✓	✓



Facilities in Liverpool (The Main Rum Company)

Item	Warehouse	Tank Farm	Office
Year of operations start	1993	2013	2003
Surface area (sqm)	11,100	4,500	75
Storage capacity (mL)[1]	0.75	0.75	×
Volume stored (000s casks)[1]	c. 8	n.a.	×
Utilisation rate	n.a.	10%	×
FTEs	Outsourced	Outsourced	3
Rented	✓	✓	✓



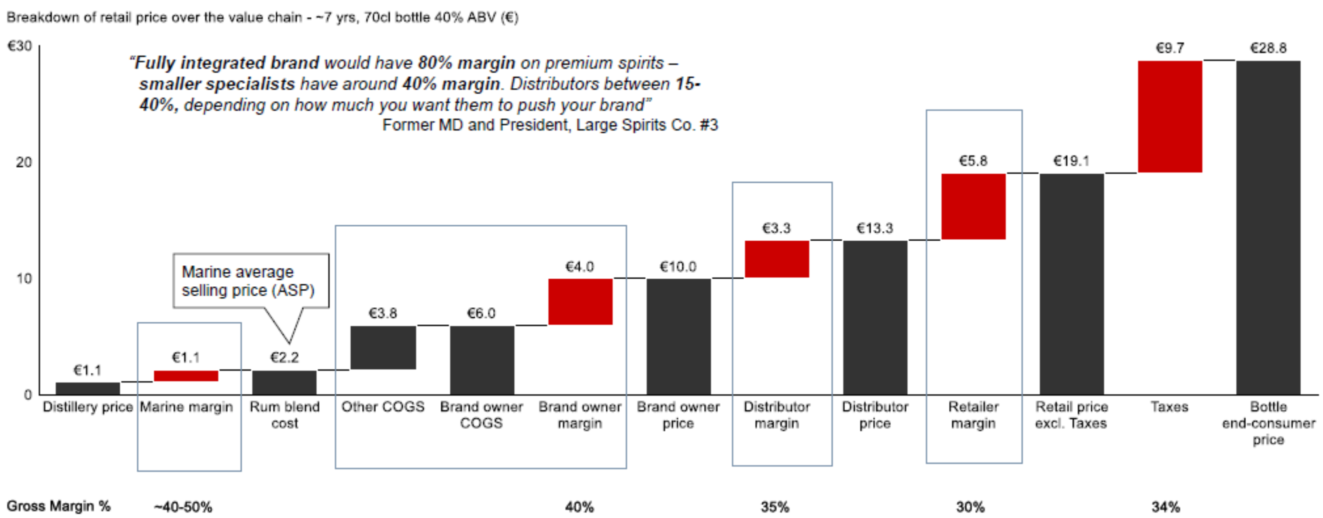
2.9 IT infrastructure

Although IT is important to Scheer, it is not critical to business operations due to the low volume of transactions in each operating company (~7/day at E&A Scheer, 3/day at MRC). The Amsterdam and Liverpool facilities are managed entirely standalone and do not use the same systems for purchasing, registration, sales and invoicing. MRC operates with SAGE system while E&A Scheer uses Blending ERP software with additional modules patched in. Communication with the Dutch customs go through Customs Controller (electronic document exchange platform).

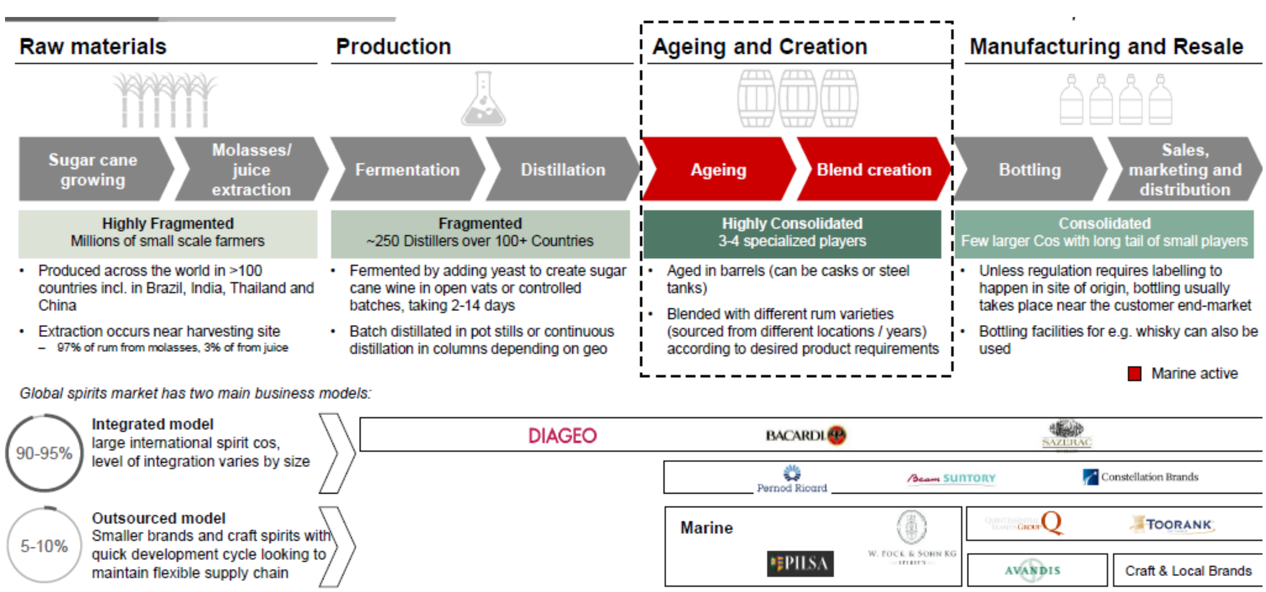
3 MARKET AND COMPETITION

3.1 The Rum Value Chain

The overall Rum market consists of the following main steps in the value chain: First, (i) Raw Materials, which is the growing, harvesting and extraction of juices and molasses from sugar cane. This is a highly fragmented segment, with millions of small-scale farmers across more than 100 countries. Second, (ii) Production comprises the fermentation and distillation of the extracted juices and molasses by adding yeast. This is a fragmented segment, with c. 250 distillers across more than 100 countries. Third step is the (iii) Ageing and Creation of various types of Rums, either by ageing them in barrels or by blending different Rum varieties according to desired product requirements. This is the part in the value chain that requires most (blending) know how and is highly consolidated with only 3-4 specialized independent players globally. Finally, (iv) Manufacturing and Resale comprises the bottling, sales, marketing and distribution of the final product. This is usually done close to the customer end-market. This is a consolidated segment with a few larger corporations and a long tail of small players.



Larger international spirit companies, a.o. Diageo and Bacardi, typically operate in an integrated model (95%) having the entire process from Rum production to sales in-house, while smaller brands and craft spirits often choose outsourced models (5%) with quick development cycles and a flexible supply chain.



Scheer is positioned in the Ageing and Blend Creation "outsourced" segment as an intermediary between distilleries and bottlers / brands which is a relatively marginal model on the overall Rum market. However, Scheer's outsourced model is uniquely positioned to serve "small" brands (multi-spirits, Rum specialists) and new product launches for large major Rum companies, due to its access to supply, volume flexibility and relatively cheaper price vs. direct sourcing. The outsourcing trend has increased rapidly over the past 5 years (+7-10% CAGR) and is expected to continue increasing going forward albeit at a more moderate pace (+1-2% CAGR).

3.2 Market Size & Growth

Over the past twenty years, Rum has consistently accounted for c. 8% of the global spirits market. As of 2017, the total consumption of Rum globally amounted to c. 140m 9-litre cases, out of which 68% consisted in lower tier products consumed in emerging markets (low-price and value categories, in particular Philippines and India), 30% consisted in standard products used for mixology (Bacardi type, non-aged), and 2% consisted in premium products (bottles with store price above €25).

The overall global Rum market historically stayed relatively flat while the "premium and above" category is growing fast (14-17 CAGR of 7.6%). Growth of the population in emerging markets and increasing awareness for crafted spirits in developed markets where customers have traded quantity for quality explains this trend. Alongside its premiumization, the Rum industry also underwent rejuvenation of its customer base helped by the development of the mixology and cocktail culture. Going forward, the overall global Rum market is projected to remain relatively flat (in volume terms), while the "premium and above" category will continue to grow at about c. 5-6% p.a. on the back of continued premiumization, and slowly underlying Rum volumes. Historically, consumers have not significantly changed their Rum consumption during a recession, premium segment not more impacted than others.

Scheer's addressable market comprises the value, standard and premium ("and above") Rum segments in Europe and North America as well as the standard and premium products offering in the rest of the world. This market amounts to c. 57m (9-litre cases) or 40% of the total Rum market. While large spirits companies source the majority of the Rum directly because of their integrated business model, the pure Rum manufacturing and resale players purchase the Rum indirectly via a trader or blender (outsourced). Scheer operates in the rapidly growing outsourced market, which amounts to c. 3.3m (9-litre cases). The company holds currently a leading market position with a global market share of c. 75%, while competition is limited. Scheer's market leadership is expected to continue going forward, with no clear competitive threat identified and sustainable differentiators (scale, access to distilleries). We notice significant differences across countries and continents as the premium segment is much larger in EU (6% in volume, 14% in value) vs. the US (4% and 8% resp.) as well as within the EU (9% premium category in Germany vs. 19% in France, 27% in value category in Germany vs. 2% in the UK). Based on an online survey conducted as part of our due diligence with 1,000 respondents in the UK, Germany and France, we estimate that 65% of Rum consumption happens on-trade (HoReCa) vs. 35% off-trade (retail, specialists and online). Premium Rums are consumed/sold even more on-trade (75%). Rum bought off-trade for home consumption tends to be of a lower quality than that bought on-trade. Off-trade is mainly supplied by general retailers (75%) and specialized stores (15%) – premium drinkers are more likely to shop in specialized stores. Five consumer segments were identified (Rum beginner, occasional indulger, premium Rum lover, home sipper and frequent enjoyer) with different patterns of consumption behavior in terms of frequency, volume/quality and price. ~50% of Rum consumption driven by ~20% of consumers drinking at least weekly, more frequent drinkers tend to go for more premium Rum. Rum is generally consumed with a mixer (38%) or cocktail (34%), and more than half of consumers drinking Rum in a mixed drink or cocktail have a Rum brand preference. Rum drinkers purchasing a new Rum are often influenced by friends or bartender recommendations.

To summarize:

- Overall spirits market: global spirits market is a slowly growing / flat market in volumes (+1% p.a. in 2017-2023) – with however some shift mix between liquors.
- Overall Rum market: Rum is expected to grow in line with the overall liquor market (+0.6% p.a. in 2017-2023)
- Marine's addressable Rum market: Marine is positioned on faster growing segments (EU, US, over-exposed to Premium segments) where the Rum market is expected to grow at ~2% p.a. in volumes and ~2% in prices as the

category continues to premiumize (premium market growth in high single digits) - customer survey confirms growing appetite for premium Rum, and increasing consumption trend going forward. Commercial DD confirms that the Rum premiumization is still in its early days (unlike whisky, vodka and gin) with small batch brands continuing to grow (multiplication of Rum #SKUs / innovation / retailers launching private label) and on-trade sales helping to drive the shift (mixology culture).

- Marine's outsourced market: Marine is addressing the "outsourced" part of its addressable market, which has been and will continue to grow faster than the underlying market (~+1-2% p.a. add. growth, +7-10% historically) due to proliferation of new SKUs leveraging the outsourced model (rather than direct sourcing)
- Prices are expected to continue to increase by ~2% p.a. (1% from mix effect, 1% from price increases) going forward, fueled by premiumization trend
- Marine competitive position is expected to remain strong (>75% market share), with mainly small/regional competitors lacking Marine's scale, expertise and network

3.3 Competitive Landscape

While the global Rum market is dominated by spirits majors (Bacardi, Diageo and Pernod Ricard), Scheer is the clear leader in bespoke blend creation and supply. It is recognized as the key player globally in outsourcing, with the largest scale and product assortment within the Rum category, best reaction-time and track record.

Direct competitors are either small players, Rum brand owners with side blending businesses or generalist blenders with limited focus on Rum. Consequently, their Rum blending expertise is limited compared to Scheer and they rather apply a pull strategy towards their customers while Scheer proactively supports their customers in new product development. Most important direct competitors include:

- Rum Albrecht (storage capacity of 2m Liters, 50 FTEs): Founded in the 1950's, Rum Albrecht imports and distillate, spirits, alcoholic ingredients, wines and fortified wines. The company is based in Bad Bevensen (Germany) and focuses on high value distillates, in particular Rum and whisky.
- W. Fock & Sohn (n.a.): Third generation family company based in Hamburg (Germany) that focuses on ingredients for the confectionery, flavor, fragrance and tobacco industries. It offers all types of spirits from whisky to gin.
- Oliver Rum (storage capacity of 1.2m Liters): Founded in 1963 and based in Dominican Republic, Oliver Rum is a producer of craft Rum sold under 15 different brands. In addition, the Company offers Rum blending services.
- Pilsa Rums (storage capacity of 10.0m Liters): Established in the early 2000's and based in Panama, Pilsa Rums offers Rum ageing and blending services to local Central and South American craft brands.
- Casa Santana: started as a distillery in Cuba but differentiates by providing master blending services for over 20yrs. Provider of majority of products for Colombian and South American brands.

Barriers to entry in the Ageing and Creation segment are high due to the need for an extensive sourcing network in order to guarantee a constant supply of high-quality Rum, time required to create a quality inventory, and develop a blending expertise recognized by other market players. Besides, new players need extensive knowledge on effective transportation methods, agile supply chain operations, and import and export regulations.

4 FINANCIAL OVERVIEW

4.1 Basis of Financial Reporting

Company's financial year ends on December 31st. The financial statements are prepared according to Dutch GAAP. The main sources of information for our Financial DD were the annual audited Consolidated Statutory Financial Statements 2015-2017 for the 2 legal entities (The Main Rum Company Ltd and E&A Scheer B.V.), management accounts prepared on a monthly basis (including P&L summary, inventory levels and KPIs) and historical orders since 2013 (client, country, type of Rum, volume, price and margin) . Revenues are recorded when sales invoice is sent (i.e. when the product is checked out of the warehouse) while ownership of goods is transferred when the goods are delivered. In most cases the Company is able to invoice a packaging and shipment fee, with a small margin.

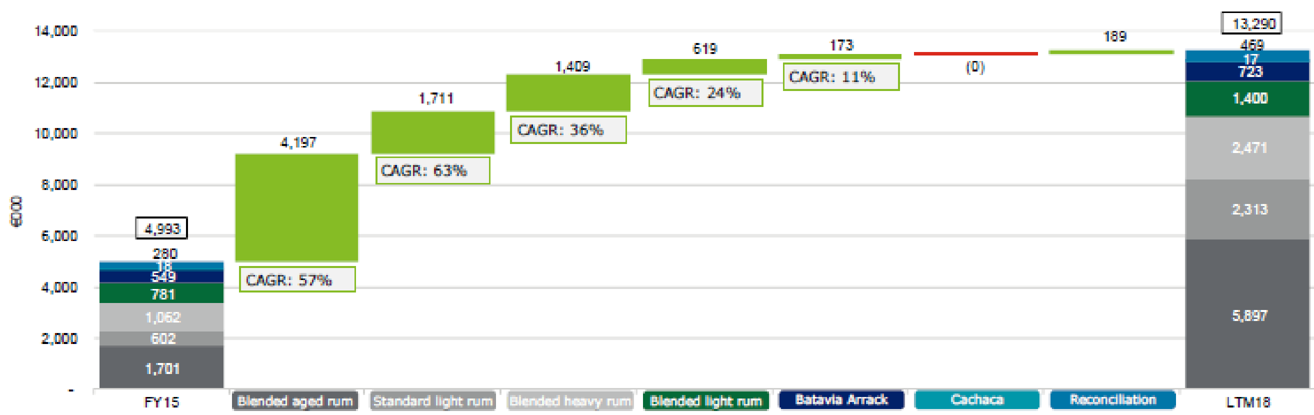
4.2 Historical Financials

- Revenues (2015-18P CAGR of 32%) Scheer revenues grew largely on volume but also on price:
  - Standard Light Rum (+24% CAGR volume, +2.2% ASP)
  - Blended Aged Rum (+39% CAGR volume, +3.5% ASP)
  - Blended Heavy Rum (+21% CAGR volume, +8.4% ASP)
  - Blended Light Rum (+13% CAGR volume, +2.6% ASP)
  - Aged Casks (-6% CAGR volume, +6.4% ASP)

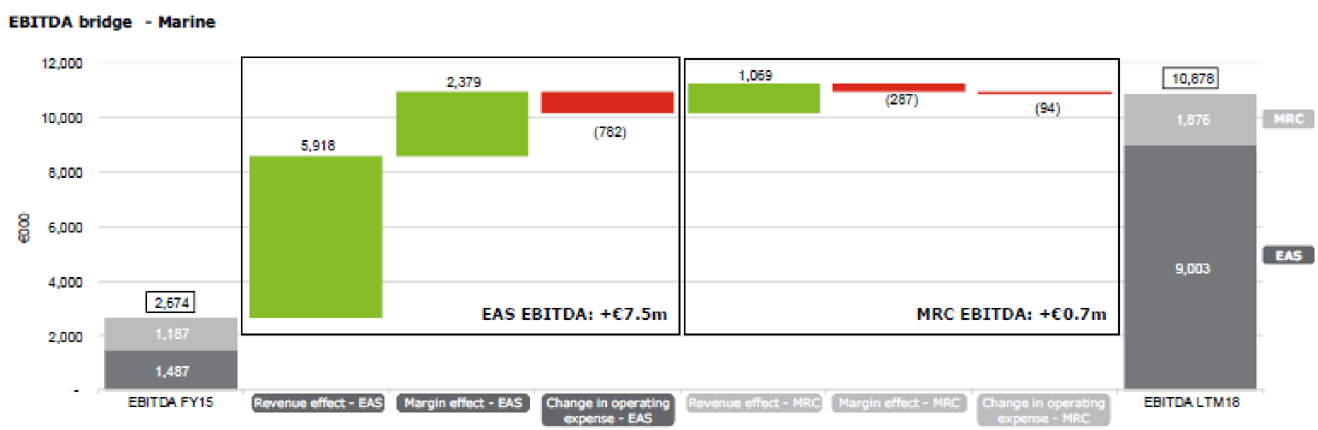
  The Company also expanded its customer portfolio from 229 clients in 2015 to over 300 in 2018P. A significant part of the Sales can be considered recurring, with c. 90% of EAS Sept-18A LTM Sales recorded through repeat customers (clients since at least 2015A). Impact of seasonality on revenues for Marine is relatively limited.

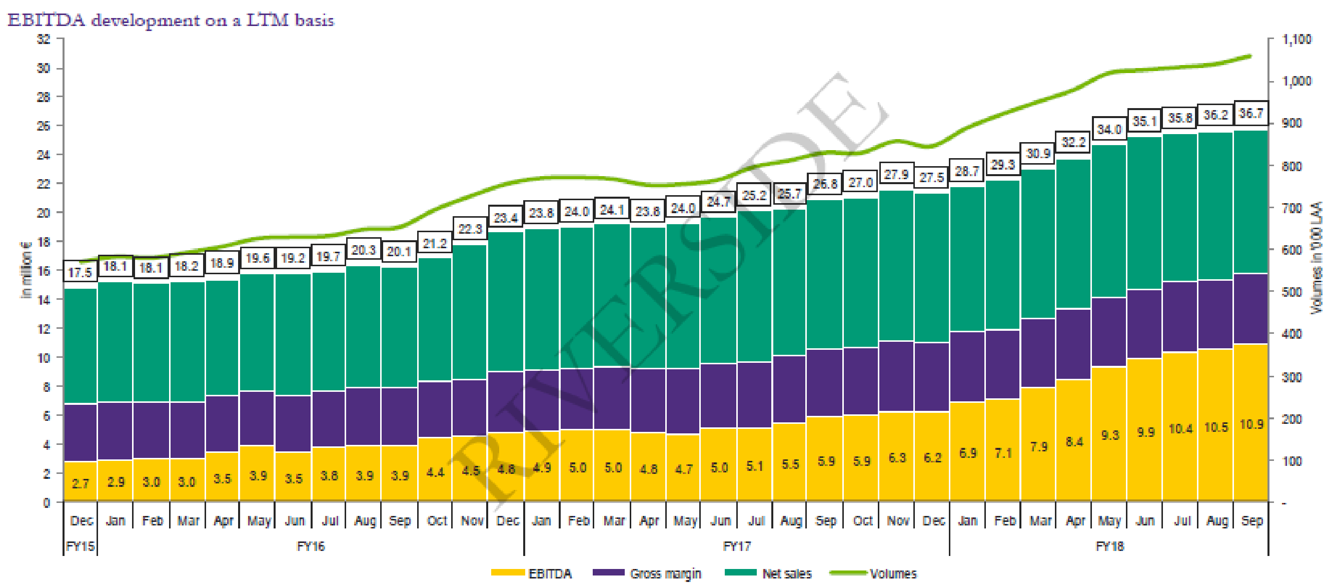
- Gross Profit (2015-18P CAGR of 32%) – Scheer recorded a strong improvement of its Gross Margin from 38.5% in 2015A to 42.3% in 2018P as a result of a shift in products mix with Aged Rums marked at book value generating more profits than Standard Light Rums. We believe this margin uplift is sustainable as most of the revenues related to the Sales of those blends come from Rums sourced already aged from distilleries. We conducted several expert session and are now comfortable with Scheer's ability to continue sourcing aged Rums at competitive prices given the company extensive network and the large number of distilleries globally. Moreover, the Company has demonstrated its ability to pass on price increase on a recurring frequency, irrespective of raw material fluctuation.

Gross profit development by rum category - EAS



- EBITDA (2015-18P CAGR of 55%) – Operating costs have risen from €4.0 m in 2015A to €5.3m in 2018P to support operations expansion. Over the period personnel costs which are the largest OPEX item have increased from €2.0m to €2.3m. Meanwhile costs associated with logistics have risen from €0.5m to €1.0m as a result of the increase in volumes traded. Monthly EBITDA fluctuates largely in line with monthly revenue development, indicating a relatively fixed cost base.





- <u>Capex</u> – The expansion CAPEX in FY17 relates to the replacement of wooden casks by steel tanks. A total of €400k is planned in FY18 for additional replacements. We understand that the average economic lifetime of tanks and casks is very long, therefore limited replacement CAPEX has been required so far. Historically Scheer has spent €100k a year for the maintenance of its tanks and casks.

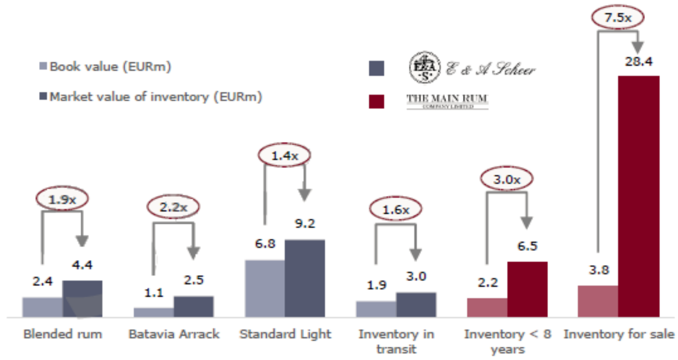
€k, FYE Dec	2016A	2017A	2018E
EBITDA	**4,816**	**6,219**	**11,401**
Δ Inventory	365	(2,052)	(2,465)
Δ Trade receivables	(1,641)	(508)	(1,239)
Δ Trade payables	(1,585)	859	(494)
Change in TWC	**(2,861)**	**(1,701)**	**(4,198)**
Capex, net	**118**	**1,662**	**414**
Operating cash flow	**2,073**	**6,180**	**7,617**
cash flow conversion (%)	*43%*	*99%*	*67%*

- Working Capital – Blending and ageing businesses are inventory driven business which implies high working capital requirements. As of September, 2018A, Scheer inventory had a book value of €18m and a market value of c. €55m. Half of the aged Rum sold comes from the Company ageing facilities out of MRC, with the remainder being purchased directly from distilleries. Receivable days have increased from c. 21 in 2015A to c. 40 in 2018P due to larger clients pushing for more favorable payment terms. Payable days have slightly deteriorated from c. 78 in 2016 to c. 54 in 2018P as payments to new suppliers are done rapidly to gain trust.

Inventory Breakdown by Categories

€000	Dec15	Dec16	Dec17	Sep17	Sep18
Blended rum	5,117	5,589	6,429		6,523
Batavia Arrack	965	934	987		1,070
Standard Light rum	3,875	1,851	579		2,658
In transit	1,012	1,547	2,379	9,839	2,681
Subtotal rum	10,969	9,921	10,374		12,932
Other inventory	82	(41)	(45)		(27)
Reconciling item	21	50	36		0
Total	11,072	9,930	10,365	9,839	12,905
MRC	2,994	3,771	5,388	4,800	5,312
Total	14,066	13,701	15,753	14,640	18,218
DIO	476	347	346	332	318

Inventory Book vs. Market Value (in €m)



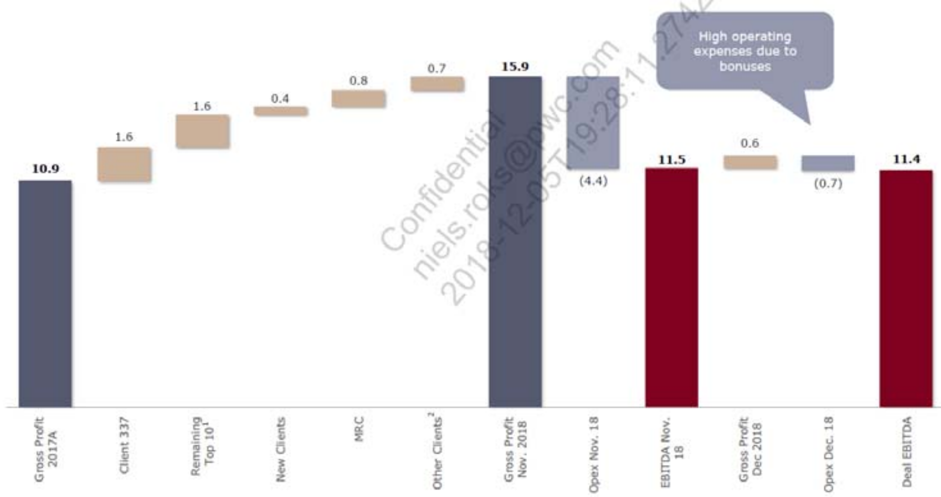
4.3 Current trading

Scheer is expected to have a strong Q4. Latest estimates for 2018P assume a Gross Profit of €16.5m and an EBITDA of €11.4m. Overall the company has outperformed budget with Gross Profit and EBITDA initially expected at €15.3m and €10.0m. We understand shareholders plan to distribute an extraordinary bonus to reward employees for the strong performance of the Company. Should we adjust for this compensation, EBITDA is expected to land around €11.7m.

FY18P LE1

Y/E 31 Dec, EURm	FY17A	FY18LE
Volume (m LAA[1])	**11.1**	**12.8**
% growth	*12.1%*	*15.7%*
Total sales	**27.4**	**35.0**
% growth	*18.5%*	*27.5%*
Cost of Sales	(16.6)	(19.7)
Gross profit	**10.9**	**15.3**
% margin	*39.6%*	*43.8%*
Operating costs	(4.7)	(5.4)
EBITDA	**6.2**	**10.0**
% margin	*22.6%*	*28.5%*

Expected Landing



5 BUSINESS PLAN

5.1 Management Case (3.2x Gross CoC / 26.3% IRR)

SUMMARY HISTORICAL AND PROJECTED FINANCIALS											
FYE 12/31, €000s	Historical					Management Case					
	2013A	2014A	2015A	2016A	2017A	2018P	2019P	2020P	2021P	2022P	2023P
Total Net Revenue	13,700	15,036	17,525	23,426	27,508	40,475	44,177	50,616	56,372	63,151	70,073
Gross Profit	5,055	5,548	6,749	9,006	10,884	17,115	18,768	21,403	23,917	27,226	30,433
EBITDA	1,755	1,926	2,674	4,816	6,219	11,401	12,074	14,192	16,075	19,037	21,798
UCF	1,755	1,926	2,674	4,716	6,119	11,301	11,974	14,092	15,975	18,937	21,698
Sales Growth	13.2%	9.8%	16.6%	33.7%	17.4%	47.1%	9.1%	14.6%	11.4%	12.0%	11.0%
Gross Margin	36.9%	36.9%	38.5%	38.4%	39.6%	42.3%	42.5%	42.3%	42.4%	43.1%	43.4%
EBITDA Margin	12.8%	12.8%	15.3%	20.6%	22.6%	28.2%	27.3%	28.0%	28.5%	30.1%	31.1%
Total CapEx				118	1,662	414	300	100	100	100	100

- Revenues (2018-23P CAGR of 11.6%) – Management expects Sales to grow Sales from €40m to €70m driven by (i) an increase penetration of its services with existing clients, (ii) an expansion of the customer base especially within small Rum specialists and local spirits players, and (iii) and a continued premiumization of the Rum market.
- Gross Profit (2018-23P CAGR of 12.2%) – Gross Margin is forecasted to improve from 42.3% to 44.2% over the 2018-23P period mostly driven by the evolution of the product mix with Blended Aged Rums expected to represent 49% of Sales in 2023P (vs. 38% in 2018P).
- EBITDA (2018-23P CAGR of 13.8%) – EBITDA Margin is expected to grow from 28.2% to 31.9% over the 2018-23P period driven by Sales growth, economies of scale, and the evolution of the product mix. Envisaged recruitments over the course of the period includes a CFO and 3 FTE blue collar in 2019, 1 FTE Sales and Marketing in 2020, 1 FTE white collar and 1 FTE blue collar in 2021, and finally 1 FTE white collar in 2023.
- Working Capital (2018-23P Convers. Cycle of 294=>278 days) – Management expects a slight improvement in inventory management following the investments made in the storage facilities driving the DIO down from 357 days in 2018P to 343 days in 2023P. They retained more conservative DSO and DPO assumptions which are respectively forecasted to increase from 52 to 55 days and from 115 to 120 days over the 2018-23P period.
- Capex – Over the 2018-23P period Management has budgeted €1.2m of Expansion Capex mostly related to the replacement of certain wooden casks by steel tanks and the acquisition of additional pumps.

5.2 TRC Case (2.5x Gross CoC / 20.2% IRR)

SUMMARY HISTORICAL AND PROJECTED FINANCIALS											
FYE 12/31, €000s	Historical					Riverside Case					
	2013A	2014A	2015A	2016A	2017A	2018P	2019P	2020P	2021P	2022P	2023P
Total Net Revenue	13,700	15,036	17,525	23,426	27,508	40,475	43,305	48,496	53,032	57,971	63,291
Gross Profit	5,055	5,548	6,749	9,006	10,884	17,115	18,251	20,352	22,332	24,721	27,184
EBITDA	1,755	1,926	2,674	4,816	6,219	11,401	11,495	12,729	14,236	16,131	18,086
UCF	1,755	1,926	2,674	4,716	6,119	11,301	11,395	12,629	14,136	16,031	17,986
Sales Growth	13.2%	9.8%	16.6%	33.7%	17.4%	47.1%	7.0%	12.0%	9.4%	9.3%	9.2%
Gross Margin	36.9%	36.9%	38.5%	38.4%	39.6%	42.3%	42.1%	42.0%	42.1%	42.6%	43.0%
EBITDA Margin	12.8%	12.8%	15.3%	20.6%	22.6%	28.2%	26.5%	26.2%	26.8%	27.8%	28.6%
Total CapEx				118	1,662	414	500	900	100	100	100

- Revenues (2018-23P CAGR of 9.4%) – To build the TRC Case we forecasted strong volumes and prices growth for Blended Aged and Blended Heavy Rums translating into revenues CAGR for each segment of 15.5% and 11.3% (vs. 17.3% and 13.1% in Management Case), and limited volumes and prices growth for Blended/Standard Light and Arrack translating into revenues CAGR for each segment of 8.5%/4.4% and 0.0% (vs. 12.6%/7.0% and 0.0% in Management Case).

- Gross Profit (2018-23P CAGR of 9.7%) – Gross Margin is forecast to improve from 42.3% to 42.8% over the 2018-23P period mostly driven by the evolution of the product mix with Blended Aged Rum expected to represent 48% of Sales in 2023P.
- EBITDA (2018-23P CAGR of 9.7%) – EBITDA Margin is expected to stay around 28% over the 2018-23P period with Gross Margin expansion offset by additional Operating Expenses. In particular we plan to move MRC stock to a modern cellar. We will onboard a CFO and 3 Sales executives after closing to support commercial efforts.
- Working Capital (2018-23P Convers. Cycle 290 days) – We retained conservative Working Capital assumptions assuming no improvement over the course of the investment period with DIO, DSO and DPO tightening at respectively 357 days, 52 days and 90 days.
- Capex – In addition to the Capex planned by Management plan to replace casks by steel tanks, we plan to spend €200k to move and set up MRC new storage facility. We also envisage a Capex of €800k to build an innovation center which would be used as flagship for large clients.

5.3 Upside Case (3.6x Gross CoC / 29.0% IRR)

SUMMARY HISTORICAL AND PROJECTED FINANCIALS

FYE 12/31, €000s	Historical					Upside Case					
	2013A	2014A	2015A	2016A	2017A	2018P	2019P	2020P	2021P	2022P	2023P
Total Net Revenue	13,700	15,036	17,525	23,426	27,508	40,475	43,196	48,721	56,756	68,733	83,592
Gross Profit	5,055	5,548	6,749	9,006	10,884	17,115	17,897	19,968	23,166	28,312	34,732
EBITDA	1,755	1,926	2,674	4,816	6,219	11,401	10,770	12,076	14,028	17,830	22,193
UCF	1,755	1,926	2,674	4,716	6,119	10,987	10,270	11,176	13,928	17,730	22,093
Sales Growth	13.2%	9.8%	16.6%	33.7%	17.4%	47.1%	6.7%	12.8%	16.5%	21.1%	21.6%
Gross Margin	36.9%	36.9%	38.5%	38.4%	39.6%	42.3%	41.4%	41.0%	40.8%	41.2%	41.5%
EBITDA Margin	12.8%	12.8%	15.3%	20.6%	22.6%	28.2%	24.9%	24.8%	24.7%	25.9%	26.5%
Total CapEx				118	1,662	414	500	900	100	100	100

- Revenues (2018-23P CAGR of 16.1%) – The upside case mirrors Bain upside case and assumes strong growth arising from a successful rollout in the US and further penetration in the private label segment.
- Gross Profit (2018-23P CAGR of 16.1%) – Gross Margin is forecasted to slightly deteriorate from 42.3% to 41.5% over the 2018-23P period mostly driven by an increase in raw material prices for Blended Aged Rum.
- EBITDA (2018-23P CAGR of 17.0%) – EBITDA Margin is expected to improve from 28.2% to 29.3% driven by economies of scale.
- Working Capital (2018-23P Convers. Cycle 290 days) – We retained the assumptions of the TRC Case.
- Capex – Capex projections are in line with TRC Case but assumes €500k more in 2019P to improve operations on the Amsterdam site.

5.4 Additional Growth Avenues

Beyond the growth levers listed earlier, namely an expansion in the US and a review of the pricing policy, management has explored additional upsides currently excluded from the business plan:

- Add-on acquisitions: Management and broker have together identified potential actionable opportunities to pursue a buy and build strategy. Key targets include bulk Rum and whisky suppliers (Rum Albrecht, Bumaser), bourbon and scotch distillers (Angus Dundee, Bardstown), and wine brokers (Ciatti).
- Expansion into other products: Scheer could leverage its in-house knowledge of Rum blending and customer relationships to venture into other spirits or ingredients. In particular, management is confident in its ability to apply its Rum blending know-how to the bourbons
- Creation of a Rum brand: The Company could utilize its expertise to establish or grow an existing brand in the premium segment. Development would be either direct or through a partnership with an existing client.
- Supply of industrial/medical alcohol: Scheer could use its sourcing network to enter the medical/medical segment. Closest competitor Pilsa has recently developed a similar offering.

- Acquisition of distilleries: The Company could consider a vertical integration to offset the potential risks related to sourcing and increase its quality control.

We believe the private label, US push and consolidation of selected intermediaries to be the most promising upsides.

Upside category	Upside description	Potential	Invest. required	Comments
Commercial	Increase sales force to better cover "white-space" in core geographies			Opportunity to develop a "push" strategy by increasing commercial workforce (e.g. from 1 to 5 FTEs)
Commercial 1	Aggressively pursue private label opportunity			**+EUR 10-12M** based on recent success in Germany/UK
Geographical 2	Commercial push in the US (create "mini-Marine" there)			**+EUR 10-12M** based on market potential and EU benchmark
Geographical	Commercial push in other regions (e.g. APAC)			Lower priority vs. US but still likely to generate upside due to premiumization-related opportunities
Diversification 3	Enter new spirits categories (cachaça)			**Likely limited (<EUR 1M)** in short-term, longer-term potential
Diversification	Enter new spirits categories (others)			Relevance of Marine's business model and core capabilities for other spirits to be further assessed
Diversification	Create own rum brand			Potential due to access to supply and know-how but significant organization to create
M&A	Buy / build strategy with competitors in rum / other liquors	Low High	Low High	Inorganic growth – potential to accelerate entry in new markets / generate synergies from other spirits players

6 APPENDICES

6.1 Appendix A – Spirits Comparables Multiples

Trading Comps

	Country	Market Cap	EV	LTM Sales	LTM EBITDA	LTM EBIT	3-yr Growth Rates Sales	3-yr Growth Rates EBITDA	LTM Margins GM	LTM Margins EBITDA	LTM Margins EBIT	LTM EV / Sales	LTM EV / EBITDA	NTM EV / Sales	NTM EV / EBITDA
Marie Brizard	France	120	124	439	15	7	(4.7%)	(16.0%)	36.4%	3.5%	1.5%	0.28 x	8.2 x	0.29 x	NM
Stock Spirits Group	United Kingdoı	382	416	281	56	47	2.2%	6.2%	50.0%	19.9%	16.7%	1.67 x	8.5 x	1.65 x	8.0 x
MGP Ingredients	United States	1,108	1,153	359	55	44	3.7%	15.5%	21.6%	15.4%	12.3%	3.21 x	20.8 x	2.95 x	17.6 x
Rémy Cointreau	France	5,458	5,742	1,127	258	237	5.3%	13.9%	67.5%	22.9%	21.0%	5.10 x	22.2 x	4.77 x	20.3 x
Davide Campari	Italy	7,893	8,850	1,778	501	458	2.9%	11.5%	60.2%	28.2%	25.8%	4.98 x	17.7 x	5.05 x	19.8 x
Brown-Forman	United States	23,084	25,359	3,291	1,122	1,055	1.7%	0.8%	67.8%	34.1%	32.1%	7.71 x	22.6 x	7.42 x	21.5 x
Distell Group	South Africa	24,421	28,191	17,835	2,843	2,395	5.0%	5.5%	43.7%	15.9%	13.4%	1.58 x	9.8 x	1.26 x	9.5 x
Pernod Ricard	France	36,450	43,595	8,987	2,560	2,344	1.6%	1.7%	62.4%	28.5%	26.1%	4.85 x	17.0 x	4.67 x	15.6 x
Constellation Brands	United States	37,947	47,929	7,915	2,887	2,560	8.1%	15.3%	50.7%	36.5%	32.3%	6.06 x	10.8 x	5.68 x	15.1 x
Diageo	United Kingdoı	65,120	76,113	12,163	4,121	3,808	4.0%	6.4%	61.9%	33.9%	31.3%	6.26 x	17.2 x	6.00 x	16.8 x
Mean							3.0%	6.1%	52.2%	23.9%	21.2%	4.17 x	15.5 x	3.97 x	16.0 x
Median							3.3%	6.3%	55.4%	25.5%	23.4%	4.91 x	17.1 x	4.72 x	16.8 x

Transaction Comps

Ann. Date	Target Company	Bidder Company	Deal Value EUR(m)	Revenue EUR(m)	Revenue Multiple	EBITDA Multiple	Deal Description
Jan-14	Oriental Brewery	Anheuser-Busch InBev	4,538	1,023	4.37x	12.3x	Anheuser-Busch InBev has agreed to acquire Oriental Brewery, a South Korean brewing company, from KKR and Affinity Equity Partners for $5.8bn.
Apr-14	Fratelli Averna	Davide Campari-Milano	104	98	1.06x	11.1x	Davide Campari-Milano has agreed to acquire Fratelli Averna, an Italy based spirits company, for a cash consideration of €98m.
May-14	Whyte & Mackay	Emperador	527	279	1.86x	24.0x	Emperador has signed an agreement to acquire Whyte & Mackay, the UK-based spirits producer, from United Spirits for an enterprise value of £430m.
Jul-14	Schlumberger	Sastre	78	228	0.34x	10.3x	Sastre has agreed to acquire 75% of Schlumberger, a listed Austria-based company engaged in manufacturing of wine and champagne.
Nov-14	Hawesko Holding (49.45% Stake)	Tocos Beteiligung GmbH	224	465	0.87x	13.8x	Tocos Beteiligung has made a takeover offer to acquire remaining 70.5% stake in Hawesko Holding, the Germany-based company engaged in the trading and sale of wines, champagnes and other alcoholic drinks.
Dec-14	Peter Lehmann Wines	Casella Wines	38	33	1.19x	13.3x	Casella Family has agreed to acquire Peter Lehmann Wines Limited, an Australia-based company that manufactures and sells wine, from Hess Family Wine Estates. The deal is estimated to be valued at AUD 57m.
Aug-15	Dicot Partners	Yantai Chang Yu Pioneer Wine Company	26	36	0.97x	13.4x	Yantai Changyu Pioneer Wine Company has agreed to acquire a 75% stake interest in Dicot Partners, a Spain-based wine producer for a cash consideration of €26m.
Sep-15	Matthew Clark	Conviviality Brands	273	1,118	0.25x	9.5x	Conviviality has entered into definitive agreement to acquire Matthew Clark Wholesale, a UK-based wholesaler and distributor of alcoholic beverages and bottled water, from Punch Tavern.
Nov-15	SABMiller	Anheuser-Busch	114,490	20,544	5.55x	15.8x	Anheuser-Busch InBev reached an agreement on the terms of a recommended acquisition of SABMiller, a UK based brewer.
Mar-16	Societe des Produits Marnier Lapostolle	Davide Campari-Milano	652	152	4.30x	21.4x	Davide Campari has launched a public offer to acquire Société des Produits Marnier Lapostolle, the French based and listed spirit company owner of Grand Marnier.
Apr-16	The BenRiach Distillery Company	Brown-Forman Corporation	362	56	6.86x	20.4x	Brown-Forman Corporation has agreed to acquire The BenRiach Distillery Company, a UK-based producer of single malt whiskies.
Sep-16	Brouwerij Bosteels	Anheuser-Busch InBev	220	33	6.59x	19.0x	Anheuser-Busch InBev has acquired Brouwerij Bosteels, a Belgium-based brewery company that produces beer and sparkling wines, from Waterland, for an estimated consideration of €200m.
Nov-16	Sella & Mosca	Terra Moretti Distribuzione	62	21	2.90x	19.4x	Terra Moretti Distribuzione has agreed to acquire Sella & Mosca, Italy-based company engaged in distribution and sale of wines, from Davide Campari-Milano.
Dec-16	Distell Group (26.4% Stake)	Public Investment Corporation	626	1,318	1.87x	14.8x	Public Investment Corporation has agreed to acquire 26.4% stake in Distell Group , a listed South Africa-based company headquartered in Stellenbosch.
Average					**2.78x**	**15.6x**	
Median					**1.87x**	**14.3x**	

6.2 Appendix B – Ingredients Comparables Multiples

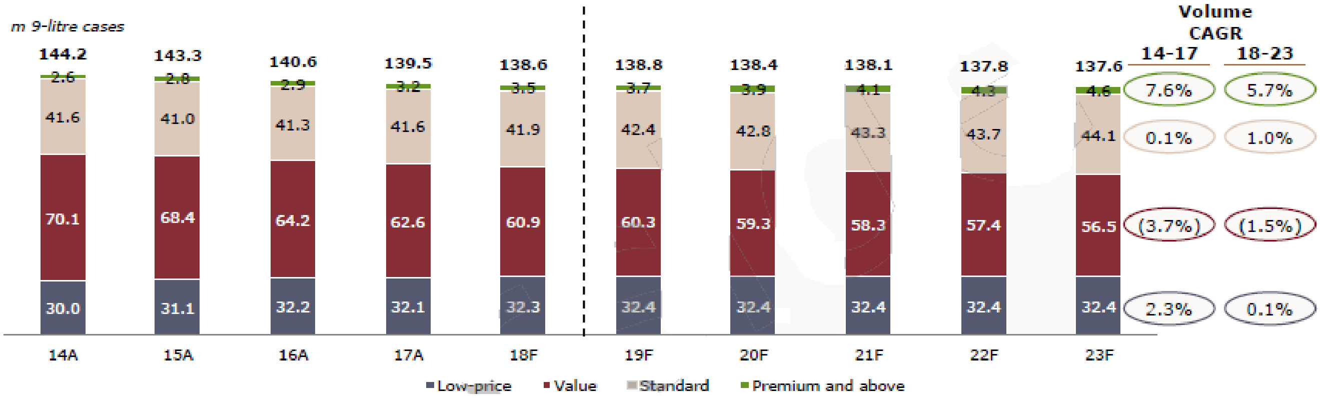
Trading Comps

	Country	Market Cap	EV	LTM Sales	LTM EBITDA	LTM EBIT	3-yr Growth Rates Sales	3-yr Growth Rates EBITDA	LTM Margins GM	LTM Margins EBITDA	LTM Margins EBIT	LTM EV / Sales	LTM EV / EBITDA	NTM EV / Sales	NTM EV / EBITDA
Corbion	Netherlands	1,570	1,817	869	145	102	0.7%	2.3%	30.2%	16.7%	11.8%	2.09 x	13.6 x	1.94 x	12.5 x
Sensient Technologies	United States	2,769	3,499	1,391	259	208	0.3%	(0.0%)	33.9%	18.6%	15.0%	2.52 x	13.5 x	2.45 x	12.9 x
Tate & Lyle	United Kingdoı	3,132	3,488	2,710	438	284	5.0%	16.6%	44.2%	16.2%	10.5%	1.29 x	7.5 x	1.28 x	7.9 x
Glanbia	Ireland	4,223	4,625	2,313	301	216	(4.7%)	3.7%	26.4%	13.0%	9.3%	2.00 x	13.3 x	1.91 x	13.8 x
Croda International	United Kingdoı	6,328	6,729	1,369	381	328	8.4%	10.3%	38.0%	27.8%	24.0%	4.92 x	17.7 x	4.70 x	16.0 x
Ingredion	United States	7,381	8,636	5,852	1,026	813	1.6%	6.3%	24.2%	17.5%	13.9%	1.48 x	8.4 x	1.48 x	8.7 x
Symrise	Germany	9,627	11,183	3,056	614	418	6.8%	4.8%	40.2%	20.1%	13.7%	3.66 x	18.2 x	3.46 x	16.7 x
Barry Callebaut	Switzerland	10,670	11,893	6,816	666	534	3.2%	7.8%	15.8%	9.8%	7.8%	1.74 x	17.8 x	1.67 x	16.4 x
IFF	United States	15,592	17,029	3,579	797	673	5.2%	5.9%	43.7%	22.3%	18.8%	4.76 x	21.4 x	3.52 x	15.7 x
Kerry Group	Ireland	16,034	17,530	6,452	852	695	3.1%	4.3%	45.0%	13.2%	10.8%	2.72 x	20.6 x	2.59 x	17.7 x
McCormick & Co	United States	19,107	24,036	5,401	1,083	951	8.2%	16.5%	43.9%	20.1%	17.6%	4.45 x	21.5 x	4.29 x	20.5 x
Givaudan	Switzerland	22,402	24,184	5,242	1,024	844	6.0%	3.7%	43.9%	19.5%	16.1%	4.61 x	23.5 x	4.09 x	18.8 x
Chr. Hansen	Denmark	90,421	95,332	1,097	371	320	8.5%	10.3%	54.7%	33.8%	29.1%	11.65 x	34.4 x	10.69 x	30.1 x
Novozymes	Denmark	95,379	97,820	14,349	5,032	4,036	1.5%	1.9%	57.6%	35.1%	28.1%	6.82 x	19.5 x	6.52 x	18.6 x
Mean							3.8%	6.8%	38.7%	20.3%	16.2%	3.91 x	17.9 x	3.61 x	16.2 x
Median							4.1%	5.4%	42.0%	19.1%	14.4%	3.19 x	18.0 x	3.03 x	16.2 x

Transaction Comps

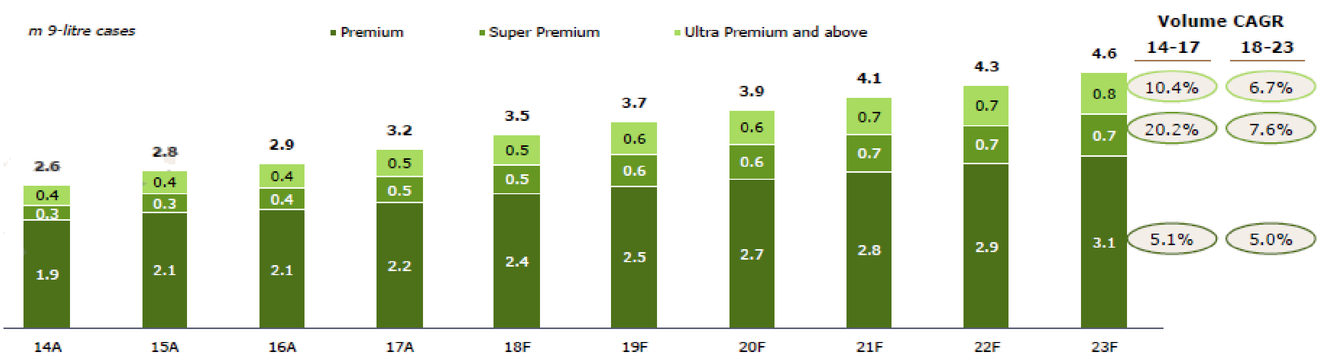
Ann. Date	Target Company	Bidder Company	Deal Value EUR(m)	Revenue EUR(m)	Revenue Multiple	EBITDA Multiple	Deal Description
Jan-12	CHR Hansen	Novo	2,549	636	4.01x	12.6x	Novo has agreed to acquire a 26% stake in Chr. Hansen, a developer of natural ingredient solutions, from PAI Partners.
Apr-14	Diana Group	Symrise	1,300	425	3.06x	14.6x	Symrise has agreed to acquire Diana Group, a France-based company that develops and sells organoleptic solutions based on natural ingredients, from Ardian and Motion Equity Partners.
Jul-14	WILD	ADM	2,300	1,000	2.30x	16.4x	Archer Daniels Midland has agreed to acquire WILD Flavors, a Swiss-based supplier of natural ingredients to the food and beverage industry, from KKR.
Jul-17	Iberchem	Eurazeo	405	111	3.65x	17.5x	Eurazeo has agreed to acquire Iberchem, a Spain-based manufacturer and distributor of flavours and fragrances for household, personal care, perfumery and food sectors, from Magnum Capital Industrial Partners.
Mar-18	Naturex	Givaudan	1,471	433	3.40x	20.2x	Givaudan has acquired a 40.6% stake in Naturex, a French listed manufacturer of speciality ingredients for the food, to be followed by a mandatory cash offer.
May-18	Frutarom	IFF	3,091	700	4.42x	20.3x	IFF has agreed to acquire Frutarom, the Israel-based and listed company engaged in developing, manufacturing and marketing flavors and ingredients used in the food, beverage, functional food, flavor, fragrance, pharmaceutical, nutraceutical and cosmetic industries.
Sep-18	AEB	Apax Partners	200	100	2.00x	10.0x	Apax Partners has agreed to acquire AEB SpA, an Italy-based company engaged in providing biotechnology solutions for winemaking, from SK Capital Partners.
Average					**3.26x**	**15.9x**	
Median					**3.40x**	**16.4x**	

6.3 Appendix C – Evolution and outlook of the global Rum market in volume



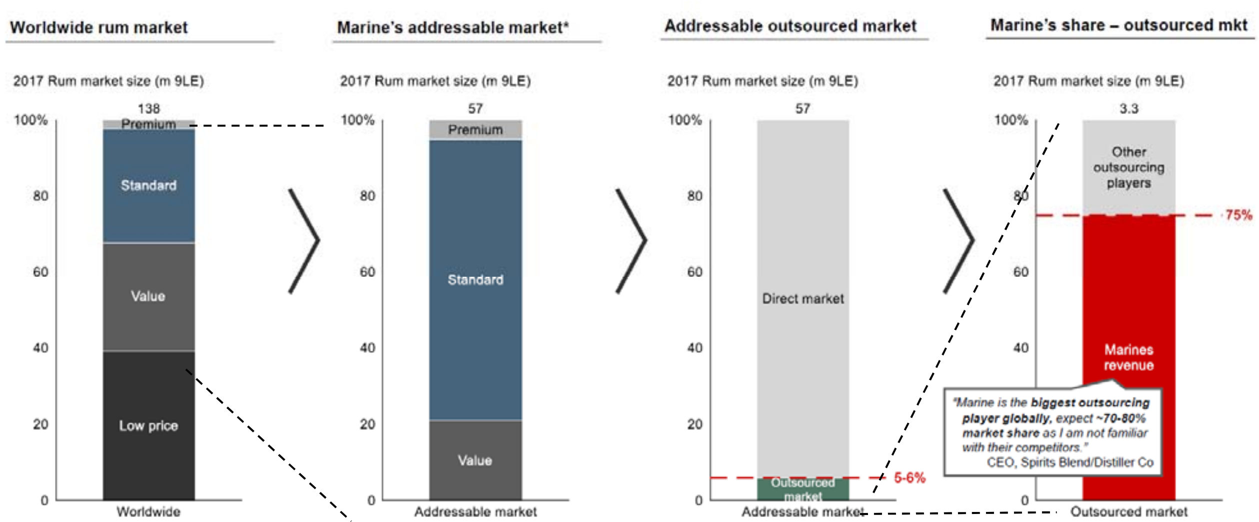
Source: IWSR

6.4 Appendix D – Evolution and outlook of the global premium Rum market in volume



Source: IWSR

6.5 Appendix E – Scheer's addressable market and market share



Source: IWSR, CIM, Bain

Appendix C – MCR

COMPANY								
Revenue & split:	Geographic: France (25%), Germany (17%), United Kingdom (16%), Netherlands (9%), USA (4%), RoW (29%) Clients: Local Spirit Players (45%), Global Spirit Players (19%), Intermediaries (19%), Ingredients Players (6%) Rum Specialists (11%)							
Historical growth	32.2% CAGR 2015-2018P		**Projected growth**	8.7% CAGR 2018-2023P			**Above-market growth?**	Y
Growth source:	**Domestic growth**	N	**International growth**	Y	**Entering new markets**	Y	**Add-ons**	N
Specialness:	**Better mousetrap?**	Y	**Innovative R&D?**	Y	**Cost advantage?**	Y	**Strong Brand/Other?**	Y
What makes this company special?	▪ Unrivalled sourcing network combining Rums from all origins and with all price and quality points (from standard light Rum to aged Rum blends) allowing to mitigate supply volatility at distillery level and optimize blender portfolio ▪ Bespoke master blending know-how offering each client a tailor-made recipe owned by Scheer ▪ Best-in-class industrial asset operated by a lean organization based on a unique 3-step blending process transforming Rum distillates into consistent blends and a dynamic ERP system with capabilities to optimize stock levels and to cope with demand fluctuation ▪ Agile supply chain thanks to different packaging sizes and flexible time-to-market with proven excellence							
Margin projections	**Gross margin**	Growing	**Why?**	Improvement arises from change in products (fuelled by aged rum) and Fx				
	EBITDA margin	Flat	**Why?**	Organisation is lean and we plan to hire additional FTEs				
Why are earnings/growth sustainable?	▪ Scheer customer base has proven to be sticky with c. 90% of revenues considered as recurring and over 45% of 2013-17A growth generated from clients already existing in 2013. ▪ The Company's superior value proposition (product quality and consistency, costs, "peace of mind") translates into a low customers churn (~4% of revenues) mostly related to small accounts ceasing business ▪ Underlying market has proven to be resilient during recession and is expected to grow at c. 1% in volume and 1% in price in the next 5 years. According to Bain Scheer addressable market (EU, Premium spirits) weighted by volume is expected to grow 3-4% p.a. and prices at 2% p.a.							

INVESTMENT HYPOTHESIS AND STRATEGY	
How will this be a Transformational deal?	▪ Scheer is mostly present in Europe. We plan to expand operations in North America, initially from Amsterdam and later through an office in the USA. Similarly we will explore how to develop the company in Asia. ▪ Management processes are currently entrepreneurial (lack of documentation). We plan to onboard a CFO and formalize processes, reporting and realize operational improvements (IT, supply chain) to de-risk the business.
How do our findings support our strategy?	▪ Our DD confirmed that Scheer is a fast-growing group with a solid customer base and a highly differentiated business model. ▪ We received comfort on market fundamentals and the Company's unique positioning in the value chain, offering significant growth opportunities. ▪ Background checks did not identify past cases of misconduct by management, and time spent with them confirms a passionate team intent on winning in the market place. We believe they will be aligned with our interests under the envisaged co-investment and incentive scheme.
Must Win Battles	▪ Continue to strengthen internal capabilities to deliver management plan ▪ Review and potentially improve commercial strategy (pricing methodology, account planning, marketing) ▪ Improve operations, in particular we plan to move MRC stock to a modern warehouse and build an innovation center ▪ Set-up an office in the US to quickly capture market shares in North America ▪ Secure Rum supply to sustain growth both in quantity and quality (e.g. aged rums)
Who will buy it from us? Why?	▪ Spirit Majors willing to develop in-house Scheer's new product capabilities to pre-empt competition (likely tier-2 majors as tier-1 already have blending capabilities) and gain access to a unique stock of premium/aged Rum ▪ Bottlers willing to diversify away from less dynamic liquors (eg. Vodka, Porto, Schnaps) and/or vertically integrate ▪ Financial sponsors looking for High-margin business with strong position on the value chain and recurring customer relationships

MARKET / INDUSTRY			
Historical Growth	1.5% CAGR 2014-2017	**Projected growth**	1.9% CAGR 2018-2023
Market size, split:	€6.7bn or a volume of 56m9LC split between value (20%), standard (74%) and premium (6%)		
Market/Industry growth drivers:	▪ Rapid premiumization in the last decade, expected to continue going forward (double digit growth in the premium segment vs flat growth in overall rum volumes) ▪ Increased number of dedicated rum bars opening across Europe and North America to meet customer need for premium and unique experience ▪ Innovative playground for spirits players with the creation of craft brands and series of products launches. Number of brands has grown rapidly in the last 5 years, especially on the premium segment (x2.5 in France, x3 in UK)		
Cyclicality	▪ Scheer's addressable rum market has low cyclicality with +/- 3% variation in value experienced in the last decade (2005-2017) across geographies ▪ During last recessions, overall rum market continued to grow in value at a stable rate (+1% in 2008-2009, +3% in 2012-2013) ▪ When looking at premium segments only, premium rum performs better than standard rum, driven by increase in both volumes and prices, suggesting a relatively insulated market segment – the only exception on Marine's core geographies being the UK premium market in 2008-2009 (-4% in value)		
Risks, obstacles	Going forward, growth in number of brands likely to continue though at a slower rate due to structural limitation such as maximum absorption from the market (e.g. premium segment), limited designated shelf-space for craft rum (both in retail and bars), minimal scale required for a brand to be profitable (decreasing volume / brand) or reaction from majors (M&A, marketing…)		

COMPETITIVE POSITION					
Why do customers love this company and its products or services?	▪ Extensive rum types and blends availability (inventory)	**High customer stickiness**	5	**Low intensity of competition**	4
	▪ Less likelihood of supply shortage	**High barriers to entry**	4	**Low impact of government**	2
	▪ Short lead time (~2 weeks to 2 days)	**Low supplier power**	3	**Low risk of regulation change**	3
	▪ Flexible batch sizes	**Low customer power**	4	**Low risk of new technology**	4
	▪ Longstanding master blending expertise	**Low threat of substitutes**	4	*(5=best, 1=worst)* **AVERAGE:**	**3.7**

MANAGEMENT TEAM						
CEO	**Intact?**	Y	**Grade**	A	**Our view**	▪ Master blender with more than 20 years of expertise; developed tens of thousands of blends ▪ First non-Scheer or Huijsser descendent to run the Company ▪ Instrumental in the development of the company over the past 10 years
Business and Operations Manager	**Intact?**	Y	**Grade**	A	**Our view**	▪ Professionalized systems and procedures within Scheer ▪ Strong in structures and numbers ▪ Very responsive during technical Q&A sessions (IT DD)
Commercial Manager	**Intact?**	Y	**Grade**	A	**Our view**	▪ Young and dynamic manager with a clear vision for the business ▪ Developed a master blending know-how during the 6 years he psent at the company
Purchasing Manager	**Intact?**	Y	**Grade**	A	**Our view**	▪ Manages the relationships with distilleries and ensures quality control ▪ Seems very knowledgeable about the industry and quality procedures
Any roles need to be strengthened?	There is currently no CFO in the business. We plan to onboard shortly after closing a finance professional to enable the CEO to focus on the development of Scheer. In parallel we will recruit 2-3 Sales executives to improve key account management and expand customer base.					

OPERATING IMPROVEMENT

3 bullets from operating team

- There is significant “savoir faire” in the blending process; part of it is science -formulation- and part an art in the “hands” or “nose” of the CEO. Therefore it involves a key-man risk that we will have to mitigate with the development of other Master Blenders.
- From the operating point of view, the company has two sites; one is very modern, well connected and highly efficient in Amsterdam (rented, with plenty of spare capacity) and one for aging in Liverpool (also rented). The latter needs to be replaced asap as it poses a risk for the strategic aged inventory.
- The company is very lean and currently lacks a true CFO who will have to be recruited. From the Operations perspective E&A Scheer is well run but the person in charge is more a plant manager than a fully-fledged COO. Finally from an IT perspective, the company can also do better, but this can probably wait until the second year.

DUE DILIGENCE UPDATE

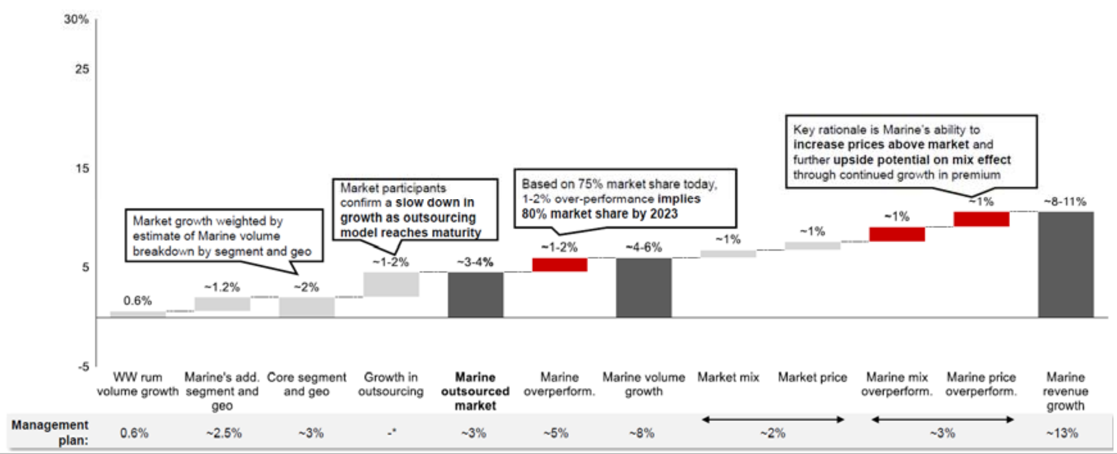
DD costs	Est. DD costs	€500k	Is this >2% of EV?	N	If yes, why?	-

Commercial
Bain

☺

- Bain spent 2 weeks analysing Scheer. It focused on analyzing market growth, historical performance and management plan through expert interviews, commercial data, and a customer survey. Overall the team is positive on the asset and has identified the following key attractions:
- Solid low-single digit market growth reinforced by exposure to faster growing premium and “outsourced” segments (volumes growing at ~10-14% p.a. historically), and a strong and defensible position both in the value chain and against competitors (market leader, strong feedback from clients and limited threat of disruption)
- Diversified customer base, with the majority of the growth coming from recurring customers, and a relatively low churn rate (~4% of sales p.a.) – and strong success stories of growing with its customers
- Significant upsides, mainly related to international expansion (especially US, ~+3-4% p.a.) and private label for retailers (~+3-4% p.a.)
- Limited risk of recession-driven downturn (~5-8% growth p.a. in recession scenario)

Marine performance vs. market
'18-'23 CAGR (%)



Financial & Tax
Deloitte

☺

Deloitte did not find major EBITDA adjustments besides the one suggested by Grant Thornton in the VDD:

- €63k of expenses considered as one off by Management which seem to be recurring (ERP Software upgrade and recruitment costs)
- €264k of stock appreciation rights put in place to retain employees which can be considered as part of the remuneration package (MIP)
- €21k of bank costs which can be categorised as operational.

Net financial debt comes at €931k (vs. €685k of Cash reported) and NWC at €19,476k (vs. €19,401k reported). The tax team flagged €225k of CIT payable per September 2018, and potential risks associated with Brexit with regards customs, which are plan to address in the SPA.

Normalised EBITDA - Marine

€000	FY15	FY16	FY17	LTM18
Reported EBITDA	**2,674**	**4,816**	**6,219**	**10,878**
Management adjustments				
1 One-off expenses - new tanks	51	74	162	109
2 One-off expenses - other	68	70	89	63
3 Net result on incorrect tank blend	-	-	(111)	(111)
4 Net results on collapsed tank	-	-	(25)	(25)
Subtotal management adjustments	119	144	115	37
Pro forma adjustments				
5 Expenses that were not capitalised	182	52	21	34
6 Currency translation differences	(27)	(85)	(137)	(36)
Subtotal pro forma adjustments	154	(33)	(116)	(2)
Underlying EBITDA (VDD)	**2,946**	**4,928**	**6,218**	**10,913**
Deloitte normalisations				
7 Add-back: One-off expenses - other	(68)	(70)	(89)	(63)
8 Stock appropriation right plan	-	(114)	(207)	(264)
9 Bank costs	(11)	(9)	(12)	(21)
10 New finance lead	n.q	n.q	n.q	n.q
Subtotal Deloitte normalisations	(79)	(193)	(308)	(348)
Normalised EBITDA	**2,868**	**4,735**	**5,910**	**10,565**
Item for consideration				
I Constant currency impact	843	1,056	903	84
II Tanslational FX effect MRC	(213)	(110)	(11)	-
As % of revenue				
Reported EBITDA	*15.3%*	*20.6%*	*22.6%*	*29.6%*
Normalised EBITDA	*16.4%*	*20.2%*	*21.5%*	*28.8%*

Adjusted net debt/ (cash) - Marine

€000	Sep18
Cash- and cash equivalents	(1,460)
Bank loans	1,940
Reported net debt / (cash)	**481**
VDD adjustments	
1 Defered tax liability	318
2 MRC - CIT payable	225
a. Normalised NWC	19,476
b. LTM average normalised NWC	17,767
3 NWC seasonality adjustment (b-a)	(1,709)
Subtotal VDD adjustments	(1,166)
VDD adjusted net debt / (cash)	**(685)**
Deloitte adjustments	
4 Add-back: VDD NWC seasonality adjustment	1,709
a. Normalised NWC	19,476
b. LTM average normalised NWC	19,347
5 NWC seasonality adjustment (b-a)	(129)
6 Bank guarantee	36
7 Leakage	n.q.
Subtotal Deloitte adjustments	1,616
Adjusted net debt/ (cash)	**931**
Item for consideration	
a. Term value of currency contract	1,271
b. Actual value of currency contract	(1,296)
A Forward currency contracts	(25)
B Future Capex	400
C SAR settlement	n.q.

Legal
Allen&Overy

😐

No material red flags identified but several post-closing corporate housekeeping items:

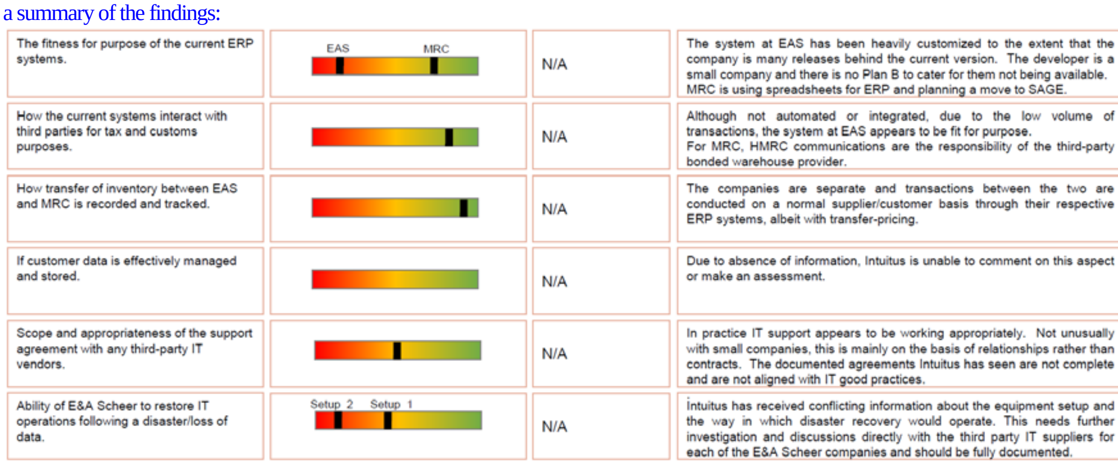
- Contracts: The Group rarely enters into written agreements with its customers and suppliers. We have therefore not been provided with any commercial agreements, other than an example customer agreement (governed by the laws of Jamaica) and an example of long-term supply agreement (governed by Indonesian law).
- Financing: bank Facilities signed with Rabobank will have to be repaid at the closing of the transaction.
- Employees: The template employment agreements provided do not include non-compete or non-solicitation provisions.
- Permits: The underlying environmental operating permit for the facility located at Deccaweg (NL) dates from 2003. There is a risk that the competent authority may at some point require a full permit revision, which could result in more stringent permit conditions being imposed.
- Business Compliance Practices: The Group does not have a written internal anti-bribery and anti-corruption policy.

Background Check
KROLL

☺

We retained Kroll to conduct an ethics and due diligence review on Scheer, MRC and Carsten Vlierboom in order to identify any potential red flag information that would render this deal unsuitable. Outside the turmoil encountered by former shareholder CL Financial, no issues were flagged in the report. In addition to public record research, Kroll conducted calls with a number of experts across the rum industry. Overall Interviewees were very positive about the Company.

Environmental, Health & Safety Ramboll	We conducted two site visits with Ramboll during the process. The first one took place in the Liverpool facilities. While we are still waiting for the report on this site, the deal team already plans move the stored casks to a more modern warehouse as it did not comply with basic food safety as well as HSE requirements (absence of automatic fire alarms and sprinklers, stairs blocked for emergency evacuation, messy set-up, spillage / mud on the ground). In contrast the Amsterdam site did not raise major concerns with only a minor compliance issue flagged with regards to hazardous materials storage. A portion of the older stainless-steel tanks will need re-inspecting as these have been installed in 1984.	😐
Insurance & Employee Benefits Marsh	Marine's insurance program can be broadly considered as adequate (although we would want to have better coverage of potential risks/damages via revision of Group insurance policy). Marsh has suggested some points of attention that should be addressed as part of ongoing housekeeping on insurance: ▪ Insured sums in the Property Damage/Business Interruption do not seem sufficient for the goods that are stored on various locations. Marsh advises to appraise the value of the goods to ensure insurance coverage can be matched to the actual risk exposure. ▪ The General Liability policy is ambiguous on whether cover is provided for US and Canada related risks and liabilities ▪ The Directors' and Officers' Liability insurance policy contains a change of control clause	😐
IT Intuitus	We assess the IT infrastructure of Scheer to befit for purpose, as well as the connectivity between Scheer and MRC. Overall IT infrastructure will need to be improved to support the development of the Company going forward but does not require urgent change. You will find below a summary of the findings:	😐



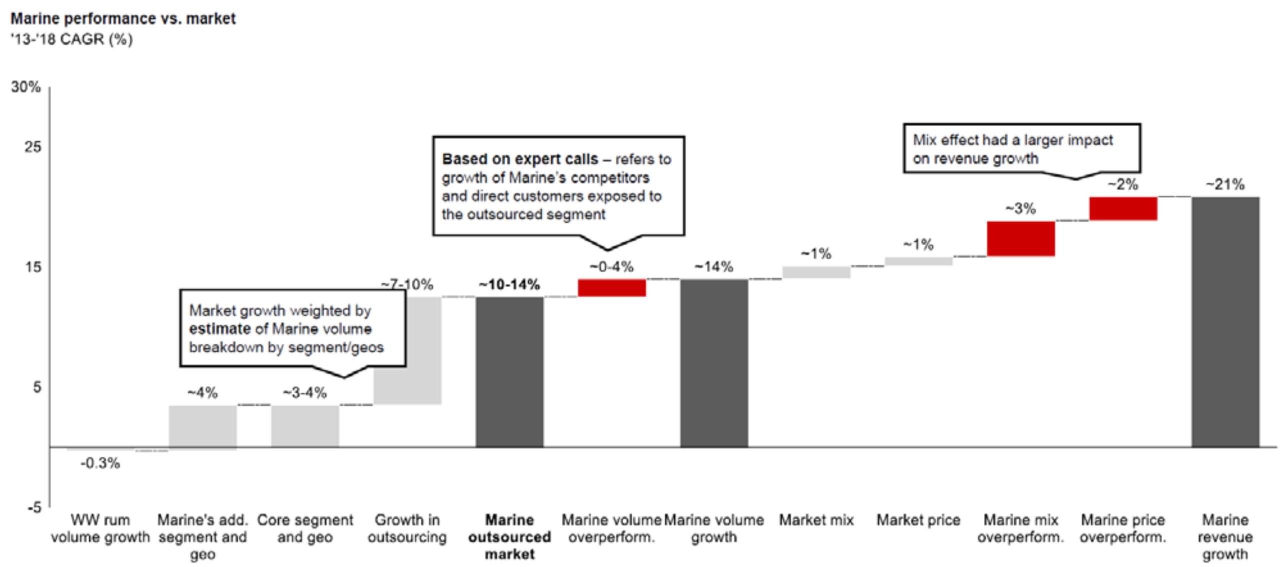
The fitness for purpose of the current ERP systems.	EAS MRC	N/A	The system at EAS has been heavily customized to the extent that the company is many releases behind the current version. The developer is a small company and there is no Plan B to cater for them not being available. MRC is using spreadsheets for ERP and planning a move to SAGE.
How the current systems interact with third parties for tax and customs purposes.		N/A	Although not automated or integrated, due to the low volume of transactions, the system at EAS appears to be fit for purpose. For MRC, HMRC communications are the responsibility of the third-party bonded warehouse provider.
How transfer of inventory between EAS and MRC is recorded and tracked.		N/A	The companies are separate and transactions between the two are conducted on a normal supplier/customer basis through their respective ERP systems, albeit with transfer-pricing.
If customer data is effectively managed and stored.		N/A	Due to absence of information, Intuitus is unable to comment on this aspect or make an assessment.
Scope and appropriateness of the support agreement with any third-party IT vendors.		N/A	In practice IT support appears to be working appropriately. Not unusually with small companies, this is mainly on the basis of relationships rather than contracts. The documented agreements Intuitus has seen are not complete and are not aligned with IT good practices.
Ability of E&A Scheer to restore IT operations following a disaster/loss of data.	Setup 2 Setup 1	N/A	Intuitus has received conflicting information about the equipment setup and the way in which disaster recovery would operate. This needs further investigation and discussions directly with the third party IT suppliers for each of the E&A Scheer companies and should be fully documented.

HR Humatica	We hired Patrick Mina to assess management team. He confirmed that the organization has numerous strengths which drove past performance: ▪ Operationally focused, loyal, dedicated, hands on management team ▪ Non hierarchical, open and customer service focused culture (E&A) ▪ Lean organisational set up supported by integrated IT system (E&A –Blending, online blend requests) ▪ Loyal and diversified customer and supplier base ▪ Strong customer (Carsten, Hein, Ian) and supplier (Carsten, Marjon, Ian) relationships ▪ Customer service focused, proactive culture (E&A) ▪ Deep understanding of the blended (E&A) and aged (MRC) rum markets Whilst the company operates successfully today he identified issues that may limit growth going forward: ▪ Lack of a clear strategy, plan by segment/geography and structured sales pipeline ▪ Unsegmented pricing approach ▪ Lack of management bandwidth to drive change and lack of succession capability ▪ Limited integration across E&A and MRC	

6.7 Appendix G – Key Threshold Issues

What has driven historical growth?

Between 2013A and 2018P, Scheer has been on a strong growth trajectory (21% Sales CAGR), accelerating from the 2007-2014A period (9% Sales CAGR), supported by a solid underlying market growth (+10-14% CAGR). The Company has been able to grow both in number of clients (from 194 to 283), volumes per client (from 33.9kL to 44.9kL) and average selling prices (from €1.7 to €2.5). This growth benefited to all customer segments, geographies and Rum categories. It was mostly driven by existing (45% of growth driven by clients existing in 2013) and recurring customers (80-85% of revenues) rather than one-off clients. Finally, the Company has had a relatively low-churn (~4% of sales, ~11% of clients), mainly related to nascent brands ceasing activities.



Is the growth sustainable?

Scheer budget is consistent with historical performance and underlying market trends. According to Bain the company is expected to grow top line between 8% and 11% p.a. driven by:

- The growth of the Rum market (3-4%): Rum is expected to grow in line with the overall liquor market (+0.6% p.a. in 2017-2023). Scheer is positioned on faster growing segments (EU, US, Premium categories) which all combined are expected to grow at ~2% p.a. in volumes and ~2% in prices.
- The outsourcing trend (1-2%): Scheer is addressing the "outsourced" part of its addressable market, which has been and will continue to grow faster than the underlying market (7-10% historically) due to proliferation of new SKUs and the launch of craft brands.
- Geographic expansion (~2%): The US and Asia currently represent a small share of Scheer revenues (<14% of FY17 revenues). Those regions were not the focus of the company due to the high growth in Europe, and we believe they have strong untapped potential.
- Price increase (2-3%): Once they elaborate a recipe with Scheer, customers are "locked-in" as a change in supplier could affect the taste of their products. This translates into a high price elasticity which enables the company to consistently increase its prices.

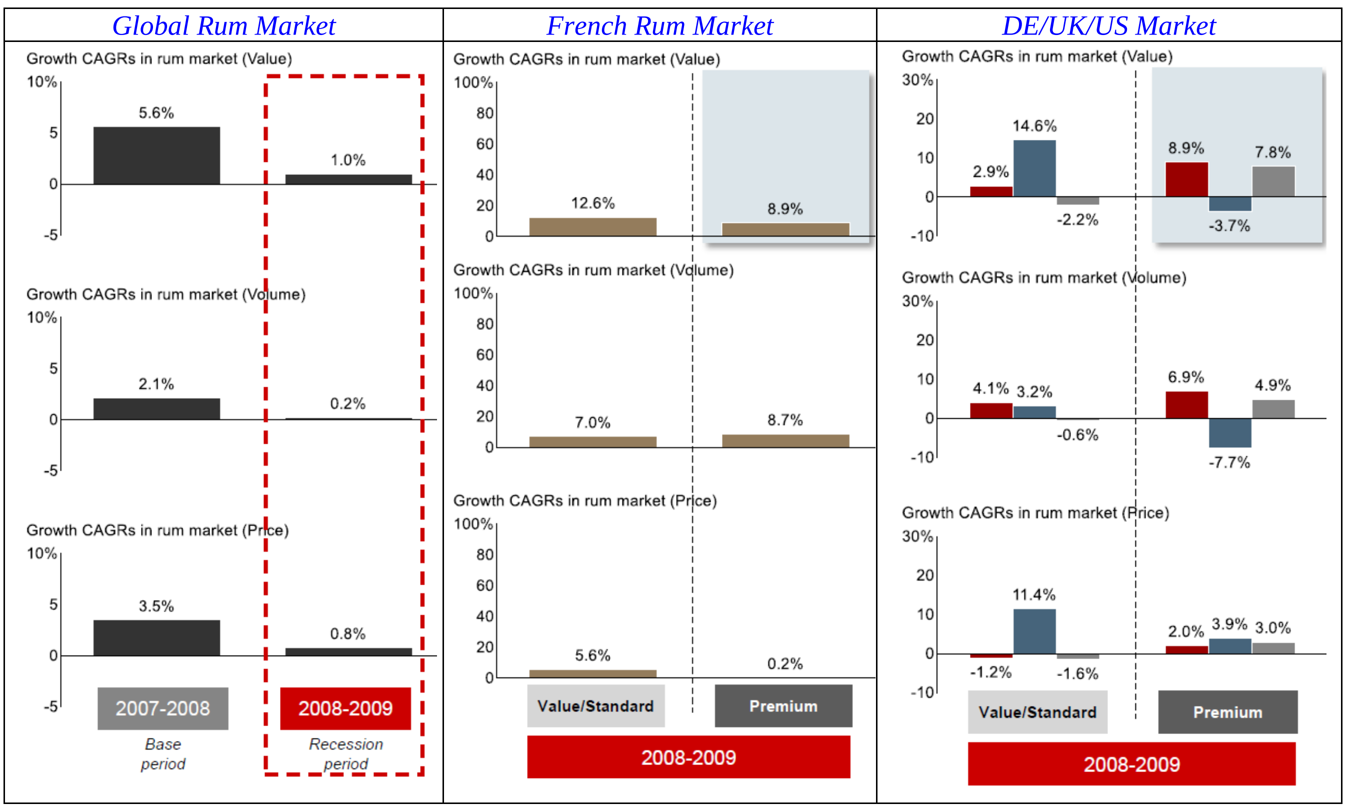
What has been the f/x effect on the growth?

Rum purchases are largely sourced from Caribbean countries and therefore in USD (73% in FY17). The average EUR-USD FX-rate decreased from €0.90 in FY15 to €0.84 in YTD18, which had a positive impact on purchase prices converted to EUR. In FY18, positive impact on gross margin amounted to c. 3%. On average 50% of planned purchases are hedged with forward contracts. Going forward, we expect the company to be naturally hedged with the ramp up of Sales in the US.

USD/EUR	**0.80**	**0.84**	**0.85**	**0.90**	**0.95**	**1.00**
EUR/USD	1.25	1.20	1.18	1.11	1.05	1.00
COGS	20,242	20,899	21,154	22,067	22,979	23,892
Gross Margin	16,486	15,829	15,574	14,661	13,749	12,836
Gross Margin %	*44.9%*	*43.1%*	*42.4%*	*39.9%*	*37.4%*	*34.9%*

If the economy goes down will the premium spirit cycle?

According to Bain, Scheer's addressable Rum market has low cyclicality with +/- 3% variation in value experienced in the last decade (2005-2017A) across geographies. During last recessions, overall Rum market continued to grow in value at a stable rate (+1% in 2008-2009A & +3% in 2012-2013). When looking at premium segments only, premium Rum performs better than standard Rum, driven by increase in both volumes and prices, suggesting a relatively insulated market segment – the only exception on Scheer's core geographies being the UK premium market in 2008-2009 (-4% in value). Consumer survey and expert feedback confirm findings, suggesting consumers keep consuming (premium) Rum during recessions.



Who are Scheer customers?

Scheer has built over the past 10 years a portfolio of 280+ clients seeking supply consistency, advices on new product development, guaranteed traceability and fast time-to-market (2 weeks vs. 6 weeks in a trader model). Top 10 clients in FY18 represent 45.1% of Scheer Sales and are all recurring customers:

- **Maison Ferrand** (€3.2m Sales, 15-18 CAGR of 21.3%): French Cognac house that expanded into Gin, Rum and Curacao. A total of 15 different SKUs are made out of Rum sourced from Scheer. Ferrand is not exclusive to Scheer and maintains commercial relationships with Rum traders. It also owns distilleries in Barbados and Jamaica.
- **Berentzen** (€2.7m Sales, 15-18 CAGR of 290.7%): German spirits bottler listed on the Frankfurt stock exchange. Sourced Rums are mostly used to manufacture premium private label products for German retailers.
- **Stock Spirits** (€2.6m Sales, 15-18 CAGR of 209.7%): Leading Eastern European spirits player headquartered in Prague and listed on the London Stock Exchange. Stock sources Rum from Scheer for its brand Bozkov sold in Czech Republic.
- **H&A Bottling** (€1.5m Sales, 15-18 CAGR of 31.4%): British bottler specialized in the production of branded and own label spirits, liqueurs, and wines. Scheer provides Rum for products sold under the Kraken brand.
- **Bardinet** (€1.1m Sales, 15-18 CAGR of 45.2%): Subsidiary of French spirit major La Martiniquaise. Sources Rum from Scheer for its products sold outside France. Bardinet owns distilleries and benefits from a special tax regime for products produced and sold in France.
- **Robertet** (€1.0m Sales, 15-18 CAGR of 147.9%): French fragrance and flavor manufacturer that specializes in natural raw material. Scheer sells to subsidiary Hitex focused on CO2 extraction.
- **Sazerac** (€0.8m Sales, 15-18 CAGR of 94.0%): Privately-held American alcoholic beverage company headquartered in Metairie (Louisiana), with a principal office in Louisville, Kentucky. Scheer provides blends for the group, and works closely with management on new products development. We understand from PwC that Sazerac participates in the auction process.
- **Halewood** (€0.6m Sales, 15-18 CAGR of 20.0%): Halewood International is a manufacturer and distributor of alcoholic beverages based in Merseyside (UK). It commercializes Jamaican Rum under the Dead Man's Fingers brand.
- **Tanduay Distillers** (€0.6m Sales, initiated Sales in 2016): Diversified spirits group headquartered in the Philippines with a large presence in Asia.
- **Toorank** (€0.6m Sales, 15-18 CAGR of 7.3%): Dutch liqueur group that diversified into Gin and Rum. Toorank sources Rum from Scheer to produce its Rebellion and Optimum ranges.

6.8 Appendix H – RIVOT senior operating executive comments

"E&A Scheer offers a unique proposition to the market as it considerably simplifies Rum sourcing both to small and large players. To small players E&A offers access to distillers which otherwise could unreachable for them given the large minimum orders in the industry (25K L), while to large manufacturers they provide a one-stop shop with variety of origins, stable volumes, consistent quality and lower supply risk. The company is a true ingredient maker as its blends are multi-origin and multi-distiller, rendering the replication process almost impossible for its customers.

There is significant "savoir faire" in the blending process; part of it is science -formulation- and part an art in the "hands" or "nose" of the CEO. There is therefore a key-man risk that we will have to mitigate with the development of the second Master Blender.

From the operating point of view, the company has two sites; one is very modern, well connected and highly efficient in Amsterdam (rented, with plenty of spare capacity) and one for aging in Liverpool (also rented). The latter needs to be replaced asap as it poses a risk for the strategic aged inventory. Fortunately, there is excess capacity in several S&W producing cities (Scotland, Bordeaux, Jerez, Porto) and barrels can travel well. This is a key project to complete immediately after closing.

The company is very lean. It currently lacks a true CFO who will have to be recruited -it won't be difficult as the business is relatively simple- and also a sales and marketing force. Presence in the US and Latam should foster growth. From the Operations perspective the E&A is well run but the person in charge is more a plant manager than a fully-fledged COO. From an IT perspective, the company can also do better, but this can probably wait until the second year.

IWSR and Canadean are independent and globally recognized providers of data who regularly check all markets and publish detailed historical depletions and forecasts. E&A is focused in the Premium & Above segments of the Rum category which is expected to grow at between 7% and 17% p.a. in value until 2023 according to IWSR.

All in, E&A should have healthy growth driven by its dominant position, excellent blending knowledge in the English, Spanish and French oriented premium Rums, stock of aged products and favorable market trend.

With these in mind and high multiples for acquisitions in the industry the company should provide a good return at exit but it will also require more operating -and industry specific- support than typically needed by Riverside profitable companies"

6.9 Appendix I – CoC Return Variables

Returns	Probability	Scenario
<1x CoC	5%	• Market trend fades and Rum becomes like Vodka • Key employees leave before adequate ressources are put in place • The Rum stock burns by accident • Breach of covenants • Disagreements and legal disputes with Carsten Vlierboom
1-2x CoC	15%	• The Rum market declines over the course of the investment period • Scheer faces mixed success in the US • Sales with existing customers remains stable • Limited gain of new customers and increased churn
2-4x CoC	70%	• The Rum market remains stable over the course of the investment period • Scheer successfully develops in the US • Continued increase of share of wallet with existing customers • Gain of new customers especially in the US and within the Private Label segment • Blending outsourcing trend continues
>4x CoC	10%	• Rum becomes more popular than whisky and the premiumization trend continues • Scheer successfully develops in the US and Asia • Scheer enters new spirits categories • Exit multiple is higher than entry multiple • Recapitalization in the middle of our ownership period, maximizing IRR

6.10 Appendix J – SPA Summary

Subject	Summary
Parties	Sellers: Rumarak Holding B.V., a holding company jointly owned by the Huijsser family and CEO Carsten Vlierboom
Consideration and structure	Purchase Price (locked box principle as of 30 Sept. 2018): • Initial Purchase Price: €100m EV + €0.9m net cash position – €1.6m NWC Adj. minus the Leakage Amount and minus the amount of Additional Leakages (if any); • Plus 6.0% [TBC] p.a. as remuneration on equity value until Closing Date (calculated to be €2.0m based on closing date of 31/12/2018, and corresponding to roughly the free cash flow generated during the period from effective till closing date);
Conditions Precedent	• No Material Adverse Effect having occurred (on aged rum inventory);

Subject	Summary
	• Financing fully committed at signing; • SHA in execution form; • Approval from German antitrust authorities; • Satisfactory insurance policy (higher coverage); • Visit and / or interviews with Top 3 suppliers [to be negotiated];
Long Stop Date	• 31/01/2019 [TBC]
Pre-completion obligations	• Undertaking from Sellers to conduct business in ordinary course between signing and closing (broad list of prohibited actions); • Sellers to provide access to the Company and weekly update on Company's current trading;
Closing	• Contemplated for mid-January, earlier if possible (subject to fulfilling of CPs)
Permitted Leakage	• None disclosed at this stage
Warranties of Seller	• Set of warranties covering the following areas: share capital, organization, accounts, conduct of business, tax matters, intellectual property, data protection, assets, contracts and commitments, insurance, employees and directors, pension, real property, environmental, compliance with laws, OFAC, anti-corruption, and anti-money laundering; • Warranties are given subject to matters disclosed to Purchaser in the dataroom and during the due diligence (disclosure letter) attached to the SPA; • Repetition of all warranties on Closing; • Cap at [TBD]% of purchase price, de minimis (€50k), basket (€500k); • Limitations in time: 18 months for general warranties, 5 years for share capital, organization, and accounts, 2 months after statute of limitations for tax.
Specific indemnities	Liabilities resulting from: • violation of any anticorruption and anti-bribery law including; • the economic, financial and trade embargoes and sanctions laws, regulations, rules and/or restrictive measures administered, enacted or enforced by the UN Security Council, any UN Security Council Sanctions Committee, the EU, any Member State of the EU, the UK and/or any other government, public or regulatory authority or body; • any investigation, proceeding, including disciplinary proceedings, suit or inquiry by, or order, decree, decision or judgment of any Governmental Authority; • any excise duties, customs duties or VAT.
Escrow	• % of Purchase Price [TBD] for [18] months.
Non–compete and non–solicit	• Customary for 2 years
Governing law and arbitration/jurisdiction	• Governing law: the Netherlands. • Disputes to be settled by arbitration