



**SX Liquors**  
Your drink. Sexier.

The advertisement features a man in a white tuxedo jacket, black bow tie, and white shirt, smiling and looking to the right. He is wearing a watch and a ring. To his right are six bottles of SX Liquors, each with a unique, twisted design. The bottles are labeled: mojito (light green), Kumbia (light blue), cha cha cha (yellow), café doble (dark blue), blanco (white), and negro (black). Each bottle has a silver cap and a label with the SX logo and product details.

**Strategic Business Plan Summary**  
*July 2016*



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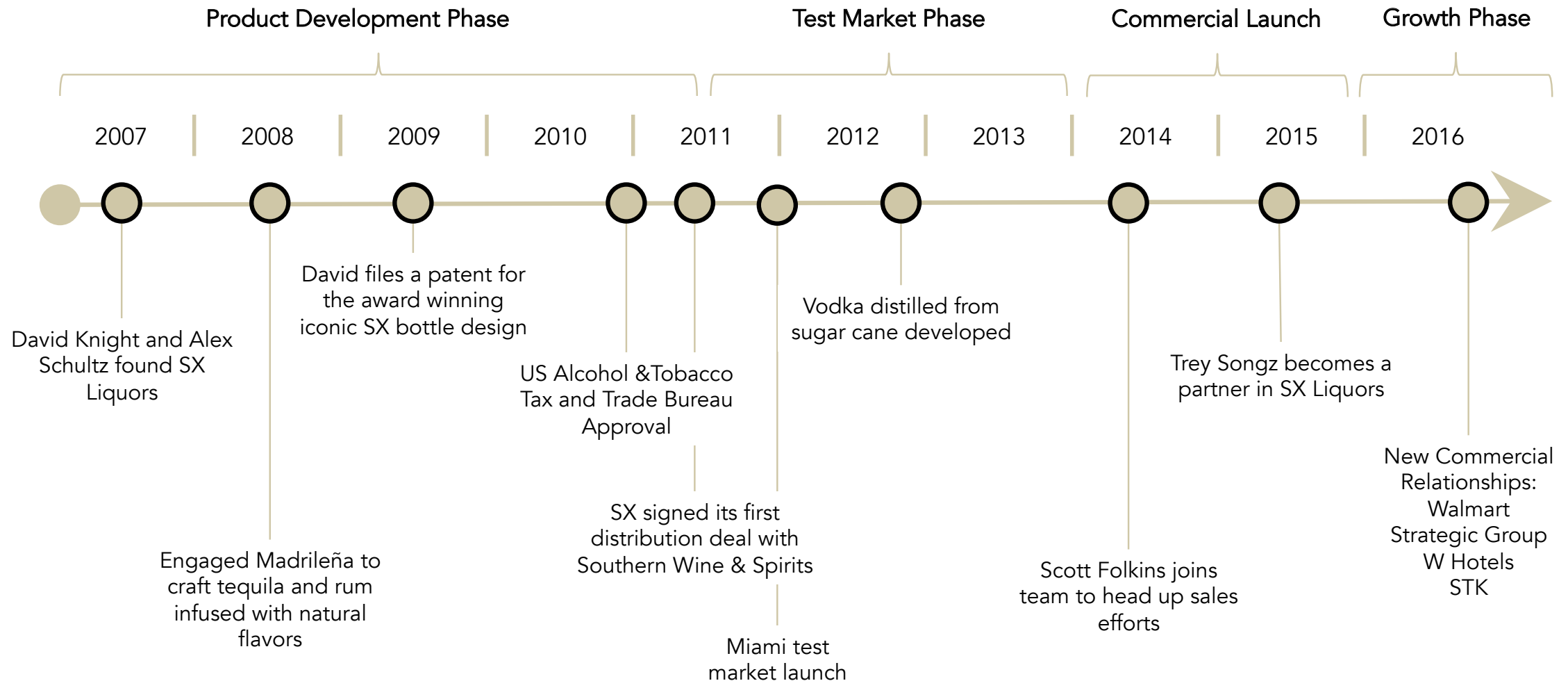
# Executive Summary

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- ▶ SX Latin Brands, Inc. ("SX Liquors" or the "Company") offers a differentiated product line of spirits with unique positioning to a currently underserved segment in a growing market
- ▶ After very successful product development, test market, and commercial launch phases, SX is poised to begin a growth phase driven by an increased investment in marketing to drive case volume
- ▶ Global entertainment superstar Trey Songz identified that the product, bottle design and target consumer completely aligned with his aesthetic and lifestyle
  - Trey loves the product and became an equity partner in 2015
  - Will help drive awareness and activate the brand
- ▶ The company has been funded to date by the company's founder, friends and family, and bootstrapping and has grown since its commercial launch in 2014
  - Over 2,700 cases sold and \$600,000 in revenue in 2015
  - Current distribution agreements that cover nearly 93% of the accounts in SX's target markets
- ▶ SX is seeking \$5.2 million in (strategic) equity capital to invest in proven marketing growth drivers to expand consumer franchise and deliver accelerated growth



# SX Liquors Company History





# SX Team & Advisors

Name	Expertise	Prior Brands	Prior Relevant Experience
David Knight	Founder & CEO	<ul style="list-style-type: none"><li>• Tostitos</li><li>• Cheetos</li><li>• Gatorade</li><li>• eBay</li></ul>	<ul style="list-style-type: none"><li>• VP International Marketing Gatorade, PepsiCo</li><li>• VP of Functional Beverages Asia Pacific, PepsiCo</li><li>• Vice-President of Marketing Asia Pacific, Quaker Oats</li><li>• Managing Director, Gatorade Australia &amp; New Zealand</li><li>• Various Marketing, Frito Lay &amp; PepsiCo</li></ul>
Peter McDonough	Marketing	<ul style="list-style-type: none"><li>• Diageo Portfolio</li><li>• Duracell</li><li>• Gillette</li><li>• Black &amp; Decker</li></ul>	<ul style="list-style-type: none"><li>• President, CMO, Chief Innovation Officer North America, Diageo</li><li>• General Manager: North American Innovation, Diageo</li><li>• Vice President North American Marketing, Gillette</li></ul>
Robert Cullins	Operations	<ul style="list-style-type: none"><li>• Stolichnaya Vodka</li><li>• Ron Santa Teresa</li><li>• Southern Wine Portfolio</li></ul>	<ul style="list-style-type: none"><li>• Chief Executive Officer, Stoli® Group</li><li>• President &amp; CEO, Heritage Brands, Inc.</li><li>• President – Japan, Managing Director – Korea, Maxxium</li><li>• Managing Director – USA, CA Ron Santa Teresa</li><li>• EVP/Managing Director, Southern Wine &amp; Spirits</li></ul>
Sebastian Besson	Finance	<ul style="list-style-type: none"><li>• Ace of Spades</li><li>• Duce</li><li>• Chopin Vodka</li><li>• Russian Standard</li></ul>	<ul style="list-style-type: none"><li>• CEO, Armand de Brignac Holdings, LLC</li><li>• CFO, VP Finance and International, Chopin Imports Ltd</li><li>• CEO and CFO, Russian Standard Vodka</li><li>• Director of Business Development North America, Allied Domecq</li></ul>
Scott Folkins	Sales	<ul style="list-style-type: none"><li>• Hawaiian Punch</li><li>• Sunny Delight</li><li>• Folgers</li><li>• Caribbean Cocktails</li><li>• Aha Yato Tequila</li></ul>	<ul style="list-style-type: none"><li>• Manager, Phoenix Rising Solutions Group</li><li>• Manager, Caribbean Wave Cocktail Company</li><li>• VP Sales &amp; Marketing, Phoenix Rising Group, Inc.</li><li>• Vice President Sales &amp; Marketing, Power Drinks, LLC</li><li>• Senior Sales Manager, Procter &amp; Gamble</li></ul>
Joseph Brim	Celebrity Engagement	<ul style="list-style-type: none"><li>• DefJam</li><li>• LaFace</li><li>• KWL</li></ul>	<ul style="list-style-type: none"><li>• General Manager LaFace/Epic Records</li><li>• Executive A&amp;R Warner Music Group</li><li>• VP of A&amp;R Island Def Jam Music Group</li></ul>

## Key Takeaways

- ▶ Very senior team with decades of experience growing brands in the spirits space
- ▶ Prior experience in senior leadership roles in the Wine & Spirits industry
  - Diageo
  - Allied Domecq
  - Southern Wine & Spirits
  - E&J Gallo
  - Chopin
  - Russian Standard
- ▶ Extensive experience marketing within blue chip CPG companies
  - Frito Lay
  - Pepsi
  - Procter & Gamble
  - Quaker Oats

# The Founder – David K. Knight



- ▶ 30+ years of global consumer goods experience
- ▶ Expertise around product development, packaging and brand building
- ▶ Passion for entrepreneurship and positively impacting the world
- ▶ Inspirational leader that builds great teams
- ▶ World class endurance athlete
  - Ultraman World Championship
  - Multiple Ironman Triathlons (15x)
  - Century Rider (5x)
  - English Channel Swim (1.5x\*)

## David's Previous Consumer Brand Examples



## Brand Development Mini Case Study



*Note: David hit a storm on the return trip from France*



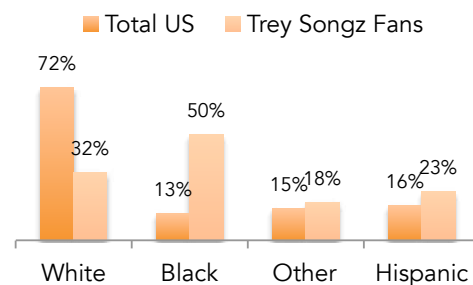
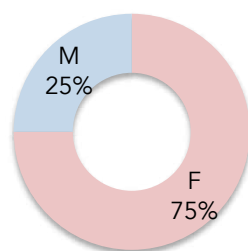


# Equity Partner – Tremaine Neverson

Tremaine Neverson, who performs as **Trey Songz**, is a global artist with multiple GRAMMY, Billboard, American Music, NAACP, BET, and Soul Train awards nominations and wins

Trey has sold over 5 million albums and generated over 1 billion video and audio streams to date

## Fan Demographics:



## Social Media Footprint:



16.8 million



9.9 million



6.3 million



2.0 million



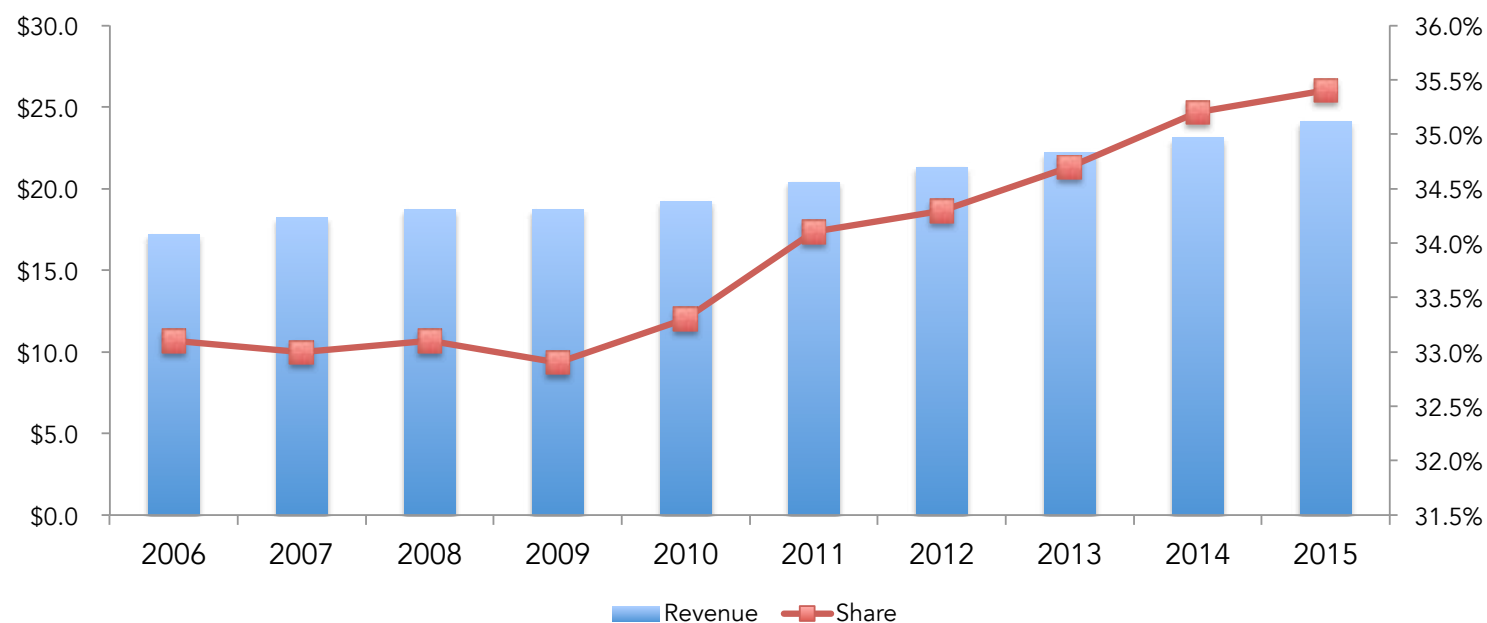
## Key Takeaways

- ▶ Trey Songz is a major equity partner deeply committed to the SX brand
- ▶ His large and highly engaged fans are SX's primary target consumer
  - Over 2/3 female
  - Over indexes on people of color
- ▶ Trey's fans are more responsive to opportunities on artist sites, email lists, and fan clubs than consumers at-large
- ▶ Delivers material benefits to SX
  - Immediately drives volume with distributors, trade and consumers
  - Drives awareness naturally and efficiently through social media, music videos and concert tours

Source: Warner Music Group Research; SX Analysis

# U.S. Spirits Market

U.S. Spirits Revenue and Market Share (USD, Billions)



## Key Takeaways

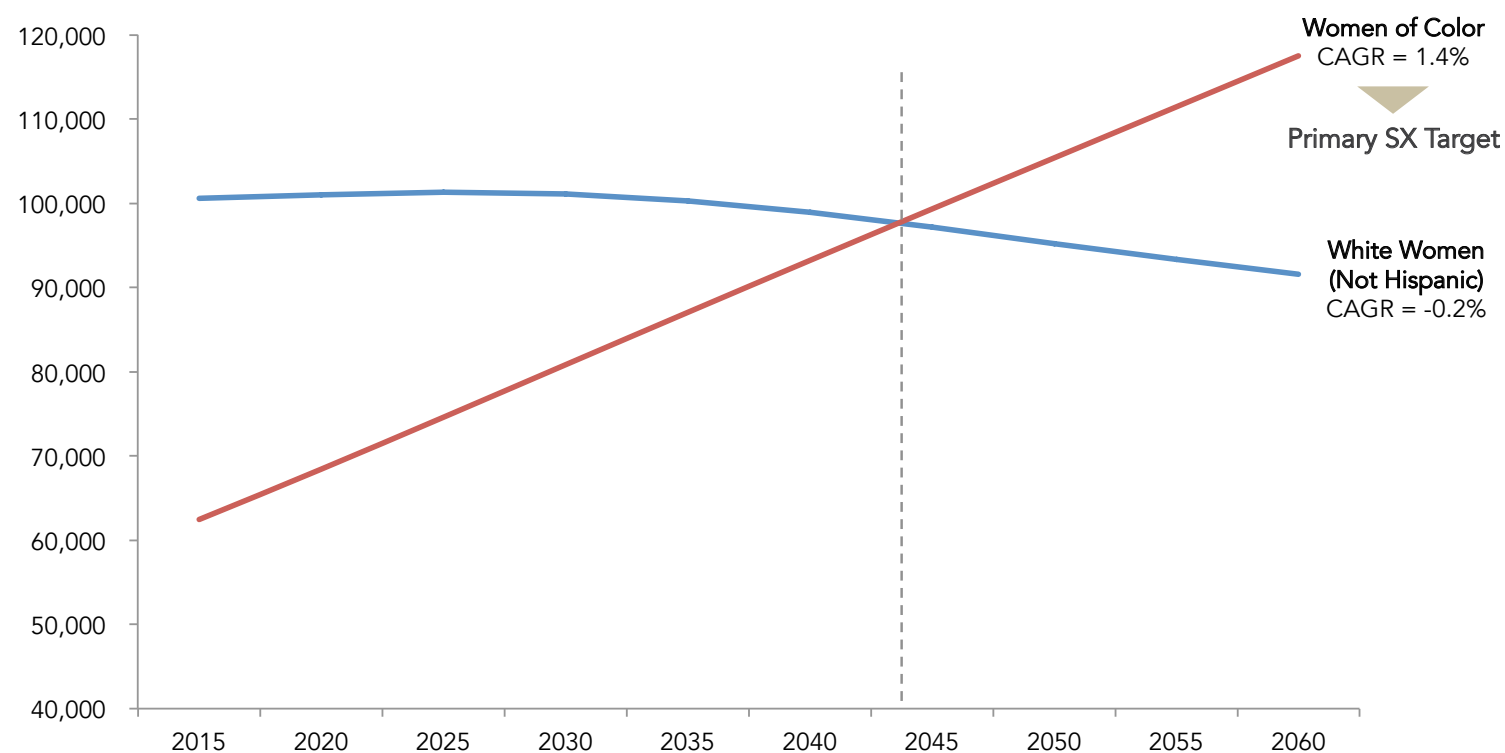
- ▶ Spirits revenue was up 4.1% to \$24.1 billion in 2015 with a \$950 million gain over 2014
- ▶ Spirits are over 1/3 of the total revenue for the alcoholic beverage category with steady gains against beer and wine

Source: The Distilled Spirits Council of the US; SX Analysis



# SX Target Consumer

Projected U.S. Female Population Growth (000s)



## Key Takeaways

- ▶ Women of color will represent the majority of American women within 30 years
- ▶ Women of color population will nearly double over the next 40 years
- ▶ This trend presents a specific and compelling marketing opportunity

Source: U.S. Census Bureau, 2014 National Population Projections; SX Analysis



# Competitive Landscape

## US Spirits Landscape By Price Category 750ml

	Value	Premium	High End Premium	Super Premium
<b>Vodka</b>	< \$12 Popov (\$6.00) Gilbey (\$8.24) Seagram's (\$11.49)	\$12 - \$25 Svedka (\$13.99) Pinnacle (\$17.00) Finlandia ( \$18.99) Stolichnaya (\$19.99) Absolut (\$24.00) Smirnoff (\$25.00)	\$25 - \$35 Tito's (\$28.00) <b>SX (\$29.99)</b> Chopin (\$29.99) Absolut 100 (\$29.99) Ketel One (\$33.00)	\$35+ Belvedere (\$39.00) Grey Goose (\$39.00) Snow Leopard (\$39.99) Ciroc (\$40.00) Hangar One (\$40.00) Stolichnaya elit (\$59.00)
<b>Tequila</b>	< \$15 Viva Mexico (\$6.59) El Toro Silver (1L) (\$8.99) Matador Silver (1L) (\$10.99)	\$15 - \$25 Sauza Gold (\$15.99) Dos Manos (\$16.99) Jose Cuervo Silver (\$25.00)	\$25 - \$40 El Jimador Reposado (\$27.00) 1800 Reposado (\$33.00) Cabo Wabo Blanco (\$33.99) <b>SX (\$34.99)</b> Patron Silver (\$36.97) Milagro Reposado (\$40.00)	\$40+ El Tesoro Reposado (\$47.96) Cabo Wabo Anejo (\$49.99) Avion Silver (\$50.00) Herradura Reposado (\$53.00) Don Julio Blanco (\$55.00)
<b>Rum</b>	< \$16 Ronrico (\$10.49) Appleton White (\$12.99) Don Q Cristal (\$15.00) Cruzan Light Aged (\$15.00)	\$16 - \$25 Bacardi Superior (\$16.00) Brugal Anejo (\$18.99) Malibu Coconut (\$20.00) Kraken (\$20.00)	\$25 - \$35 Appleton Reserve (\$27.99) <b>SX (\$27.99)</b> Bacardi 8 (\$29.00) Captain Morgan (\$29.00) Mount Gay Black (\$31.99) Cruzan Single Barrel (\$35.00)	\$40+ Appleton Rare Blend (\$38.99) Mount Gay XO (\$45.99) Brugal 1888 (\$49.99) Don Q Grand Anejo (\$70.00) Gosling's Old Rum (\$83.99) Ron Zacapa XO (\$119.00)

## Key Takeaways

- SX is positioned competitively in the high end premium segment
- SX also competes with a few of the super premium spirits including Belvedere (vodka) and Don Julio (tequila)
- There is still room for SX to increase pricing and remain competitive in vodka, tequila and rum

Source: ReserveBar.com; Astor Wines and Spirits; BevMo.com; Crown Wine and Spirits; finewineandgoodspirits.com; VodkaBuzz ; SX Analysis

# SX Product Line

## Tequila



### SXchachacha

This 100% blue agave reposado tequila has a brilliant, rich amber color. The soft and spicy aged tequila greets the nose with the subtle, sweet floral notes of natural tropical honey. Fresh lemon zest brings a perfect balance to the palate.

- Alcohol by Volume: 35%
- Bottle Sizes: 750ml, 1.0L



### SXcafedoble

SXcafedoble Tequila is a 100% Blue Agave tequila that is infused with the flavors of coffee, honey, vanilla, star anise and cloves. It is dark and mysterious with a warm and delicious taste. Perfect on the rocks or in an espresso martini.

- Alcohol by Volume: 35%
- Bottle Sizes: 750ml

## Vodka



### SXnegro

Smoldering complexity and layered, woody tones emerge when you lovingly rest cane vodka in reposado oak casks. This spicy, one-of-a-kind spirit ignites the senses and can be enjoyed straight or in your favorite mixed drink.

- Alcohol by Volume: 48%
- Bottle Sizes: 750ml



### SXblanco

SXblanco is an impeccably smooth, gluten free, stylish and sexy vodka produced by carefully distilling Latin cane. This premium spirit is sensual and tantalizing whether enjoyed straight or stirred into your cocktail.

- Alcohol by Volume: 43%
- Bottle Sizes: 750ml

## Rum



### SXmojito

SXmojito is a rum with delicate hints of fresh lemon and green, leafy mint. The spirit alone makes the perfect mojito, with no further mixology required.

- Alcohol by Volume: 35%
- Bottle Sizes: 750ml, 1.0L



### SXsamba

SXsamba is a classic cachaca-style rum made from sugar cane with a modern-day twist. The crystal clear spirit features the rich, rustic zest of freshly squeezed limes combined with the softness of creamy vanilla.

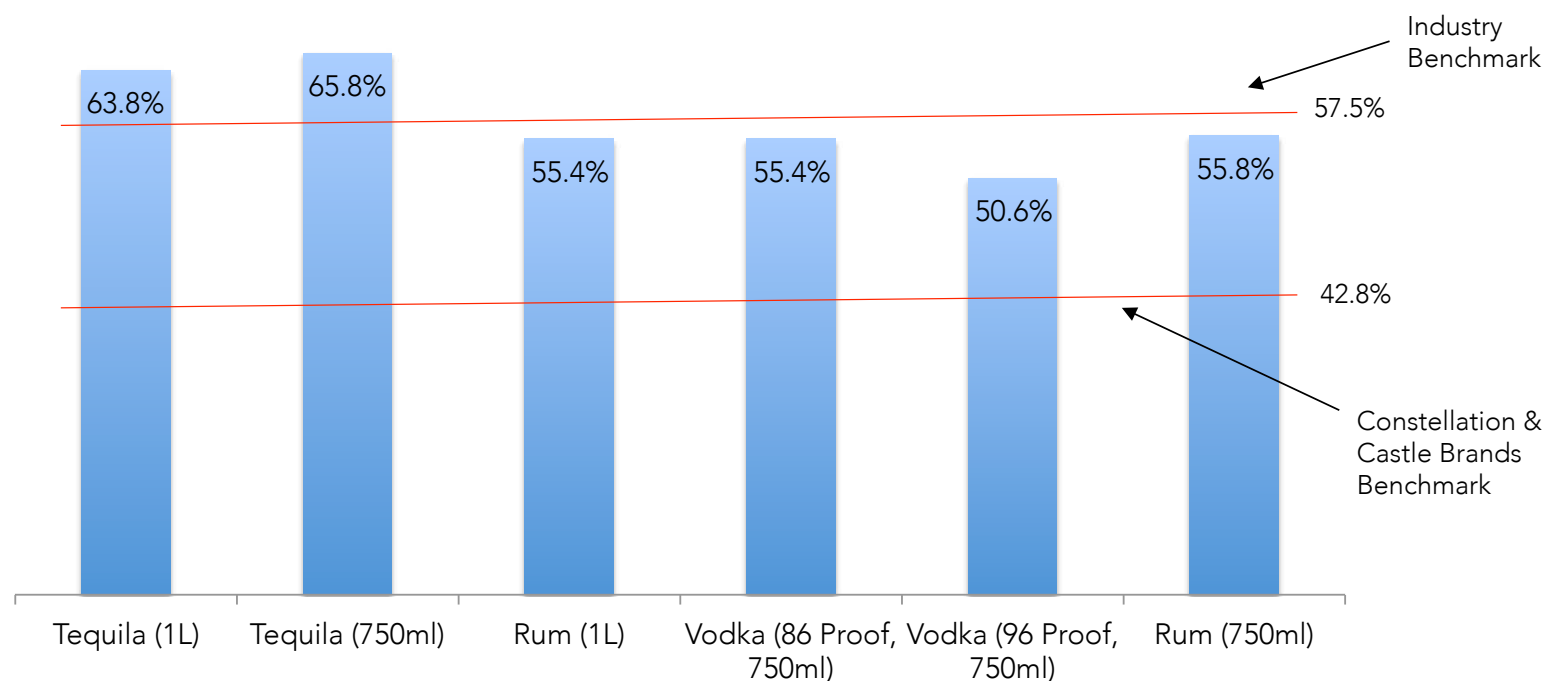
- Alcohol by Volume: 35%
- Bottle Sizes: 750ml, 1.0L

## Key Takeaways

- ▶ Compelling infused tequilas, vodkas, and rums
- ▶ Striking and unique patented bottle design that stands out
- ▶ Innovative processes drive unique and pleasing flavor profiles
  - SXchachacha is aged in bourbon barrels from Tennessee
  - SXnegro and SXblanco are distilled from sugarcane and gluten free as a result
  - SXnegro is rested in reposado oak casks from the SXchachacha manufacturing process
  - SXmojito is barrel aged for 6 months
- ▶ Variety to satisfy diverse tastes

# SX Product Line Margins

SX Gross Margins By Product Line



## Key Takeaways

- The margins on SX tequilas are higher than the industry benchmark
- SX rum and vodka margins are higher than the industry's lower tier

Note: The industry benchmark is comprised of Diageo, Pernod-Ricard, Constellation, Brown & Forman, Remy Cointreau, and Castle Brands  
Source: Company annual reports and 10K filings



# Awards & Recognition

2011



SXchachacha



SXchachacha



SXcalypso



SXsamba

2013



SXsamba

## Key Takeaways

- ▶ SX has been recognized from the beginning for its unique formulations
- ▶ Each product in the SX portfolio has received independent 3rd party validation of its superior taste

2013



SXcafedoble



SXnegro



SXcalypso



SXblanco



SXsamba



SXchachacha

# Competitive Positioning

## Competitors Product/Brand Positioning



Source: SX Analysis

## Key Takeaways

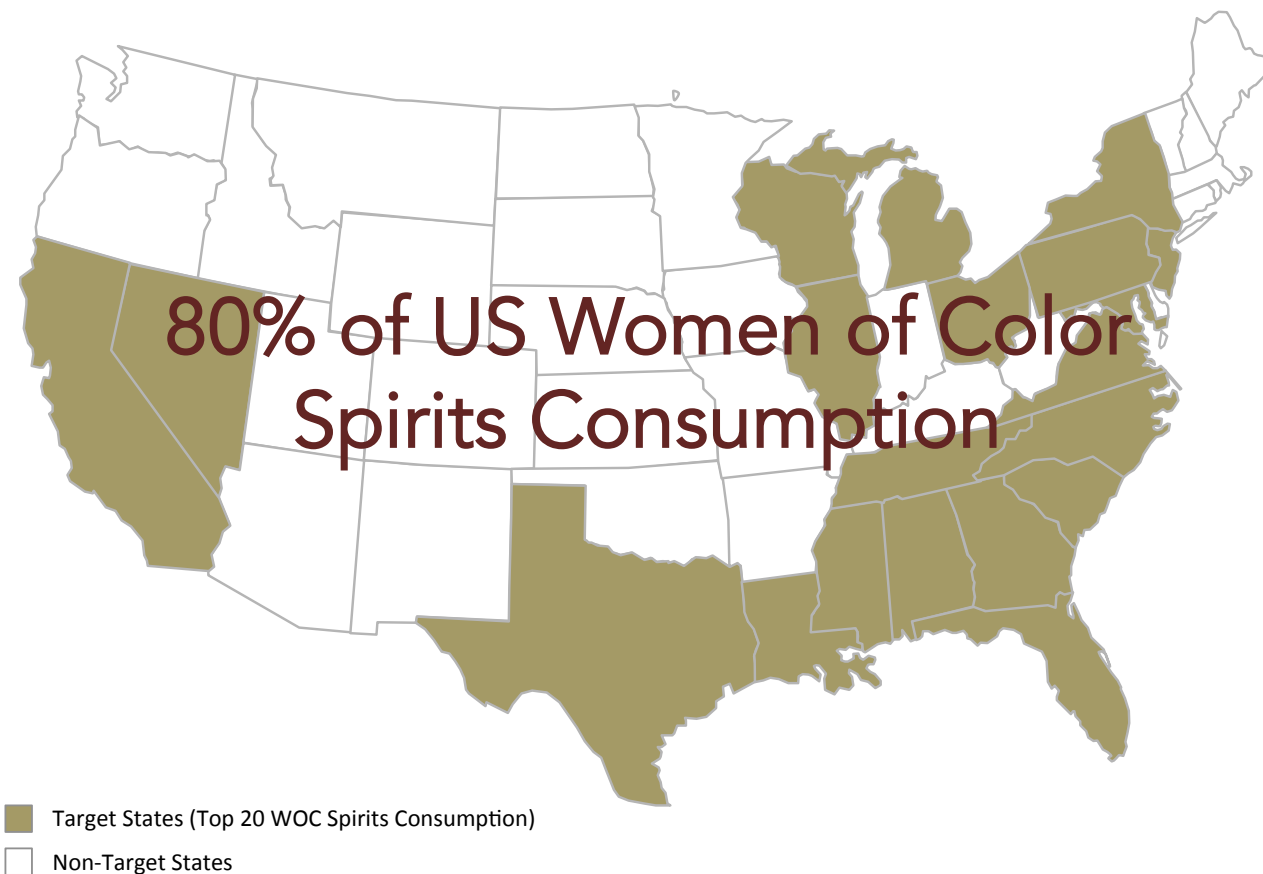
- SX is truly unique as no one is targeting a sexy positioning
- The majority of spirits position themselves around taste or authenticity
- The vast majority market the products as either traditional or luxury items





# Target Distribution Footprint

Target States Based on Spirits Consumption by Women of Color



## Key Takeaways

- ▶ Target distribution footprint requires penetration in only 20 states
  - Accounts for ~80% of spirits consumption by WOC
  - Accounts for over 85% of Black female spirits consumption
- ▶ Footprint is highly efficient for resource allocation
  - States primarily cut contiguously across the south and east
  - Allows focus on a limited number of distribution points

Source: US Census; US National Institute of Health, Surveillance Report #104 (2014); SX Analysis

# Distribution Relationships

Distributor	Target State	No. of Sales Ambassadors	Number of Potential Accounts		
			Liquor Stores	On Premise Locations	Total
Republic National	Florida	4	1,381	12,520	13,901
	Georgia	2	887	5,200	6,087
	Maryland/DC	1	1,189	2,600	3,789
	Louisiana	1	157	4,822	4,979
3 G Vino	New York	1	2,926	55,000	57,926
Premier 360	Texas	2	1,856	2,400	4,256
MHW	California	2	3,815	16,917	20,732
Southern Wine & Spirits	Illinois	1	1,340	1,200	2,540
	Nevada	1	141	2,000	2,141
Allied Beverage	New Jersey	1	1,703	7,200	8,903
Control States	North Carolina	1	556	5,000	5,556
	Michigan	1	1,599	9,690	11,289
	Virginia	1	455	5,000	5,455
	Pennsylvania	1	1,789	5,000	6,789
	Ohio	1	815	10,000	10,815
	Mississippi	1	344	900	1,244
	Alabama	1	359	2,500	2,859
TBD	South Carolina	1	405	4,980	5,385
	Tennessee	1	592	3,735	4,327
	Wisconsin	1	407	3,100	3,507
<b>Total Required For Target Markets</b>		<b>26</b>	<b>22,716</b>	<b>159,764</b>	<b>182,480</b>
<b>Total Current Distribution</b>			<b>21,312</b>	<b>147,949</b>	<b>169,261</b>
<b>% Coverage for SX</b>			<b>93.8%</b>	<b>92.6%</b>	<b>92.8%</b>

## Key Takeaways

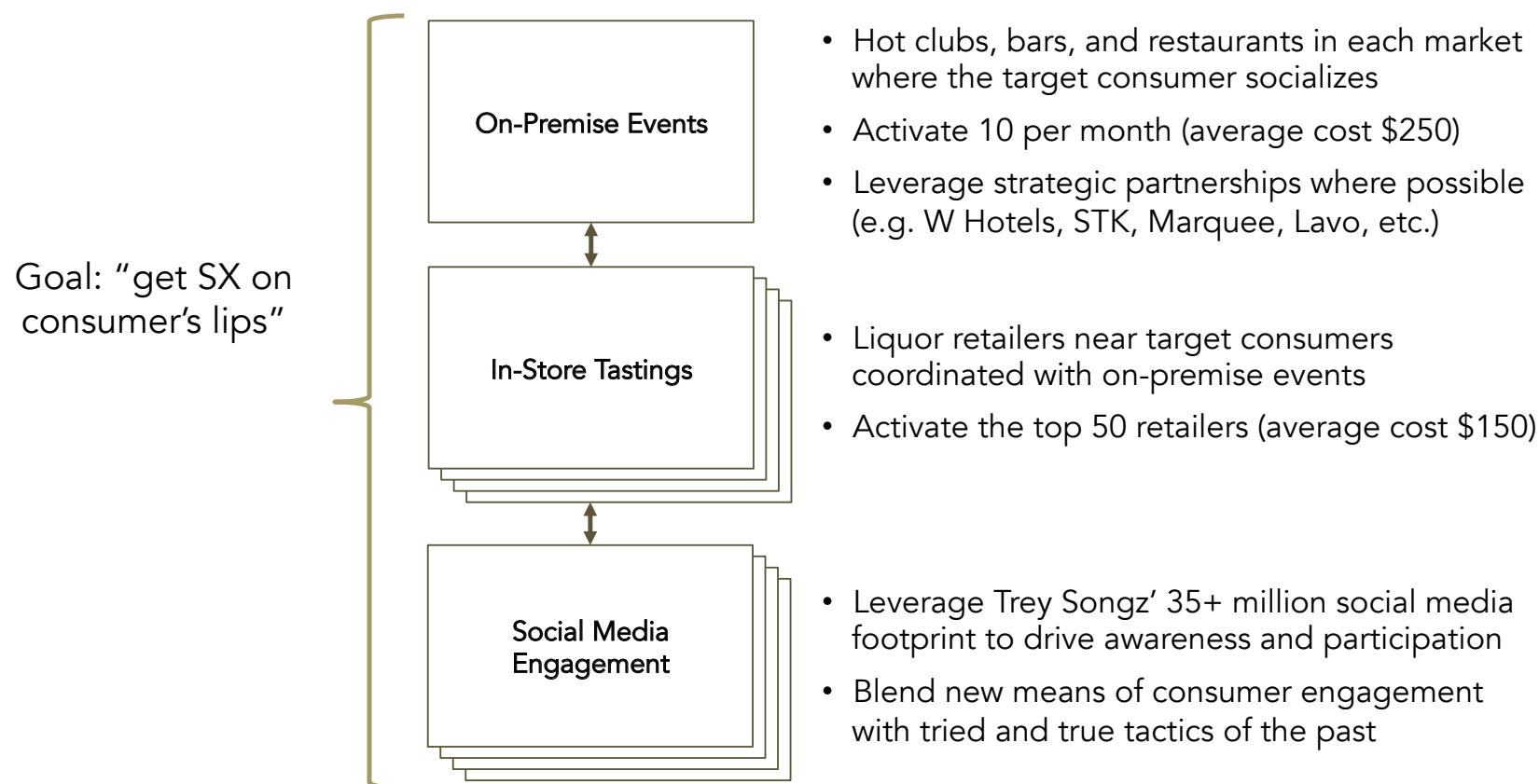
- ▶ Because of the three-tiered system in the United States, all sales must go through a licensed distributor in each state
- ▶ SX has already secured distribution coverage for almost 93% of the total potential accounts in the target markets
- ▶ The focus of the next phase of growth for SX will involve driving volume through existing distribution rather than securing incremental distribution
- ▶ Sales ambassadors will be assigned in each market to work with their respective distributors to drive cases

Source: CBP (Census) ; Bridged-Race Population Estimates for Census 2000 and 2010 (CDC, Census, NCHS); SX Analysis



# Sales & Social Model

## Key Market Rollout Strategy – Sales Bunkers



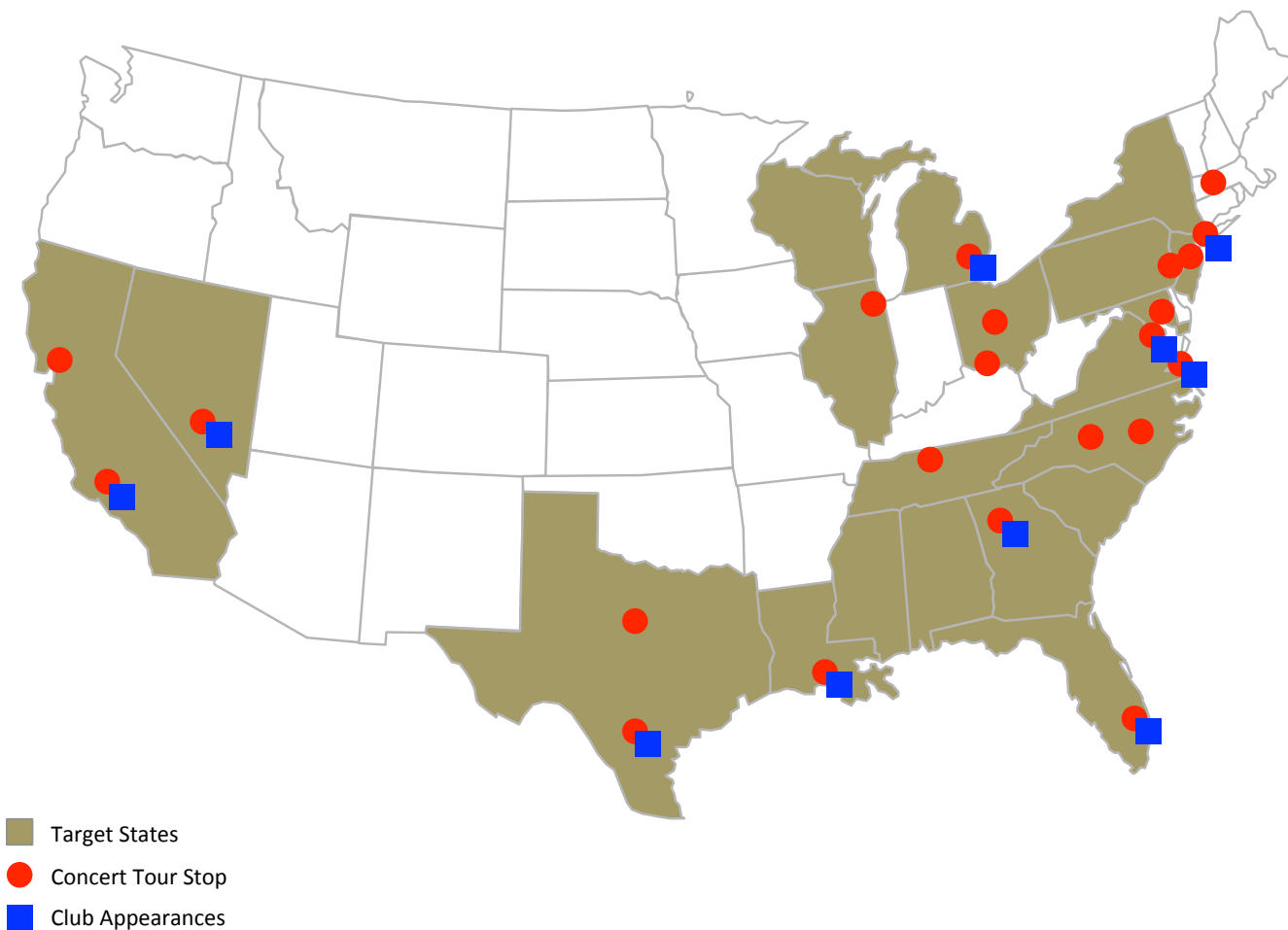
## Key Takeaways

- ▶ Establish “sales bunkers” to stimulate on-premise and off-premise demand in each market
- ▶ Activate on-premise events at least monthly to maintain persistence
- ▶ Use social media to amplify all of the programs and increase the efficiency of our efforts



# Trey Songz – In Market Opportunities

Trey Songz 2015 Calendar



## Key Takeaways

- ▶ Trey Songz typically makes over 100 appearances each year
- ▶ Management schedules dates in as many SX target markets as possible
- ▶ His artist rider requires each venue to order SX products from distributors
- ▶ Trey's appearances typically drive both volume and awareness
  - Club appearances result in 25X increase in sales
  - In-store bottle signings result in 75X increase in sales

# SX Momentum

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The Power of SX and Trey Songz has broken through and delivered a proven platform for growth in 2016 and beyond



## **Distributors**

RNDC – Launched SX in Georgia and Louisiana in Q4 2015.

RNDC Florida – Q1 2016 Tier 1 Programing ~ 2,500 cases.

Southern Wine & Spirits - Launched Illinois in Q3 2015.

Virginia Liquor Board –2 SX products for 100 stores in Q1 2016.

## **Retailers & On Premise**

Walmart – 20 additional stores in Florida Q4 2016, commitment in Louisiana for 26 stores by the end of Q3 2016

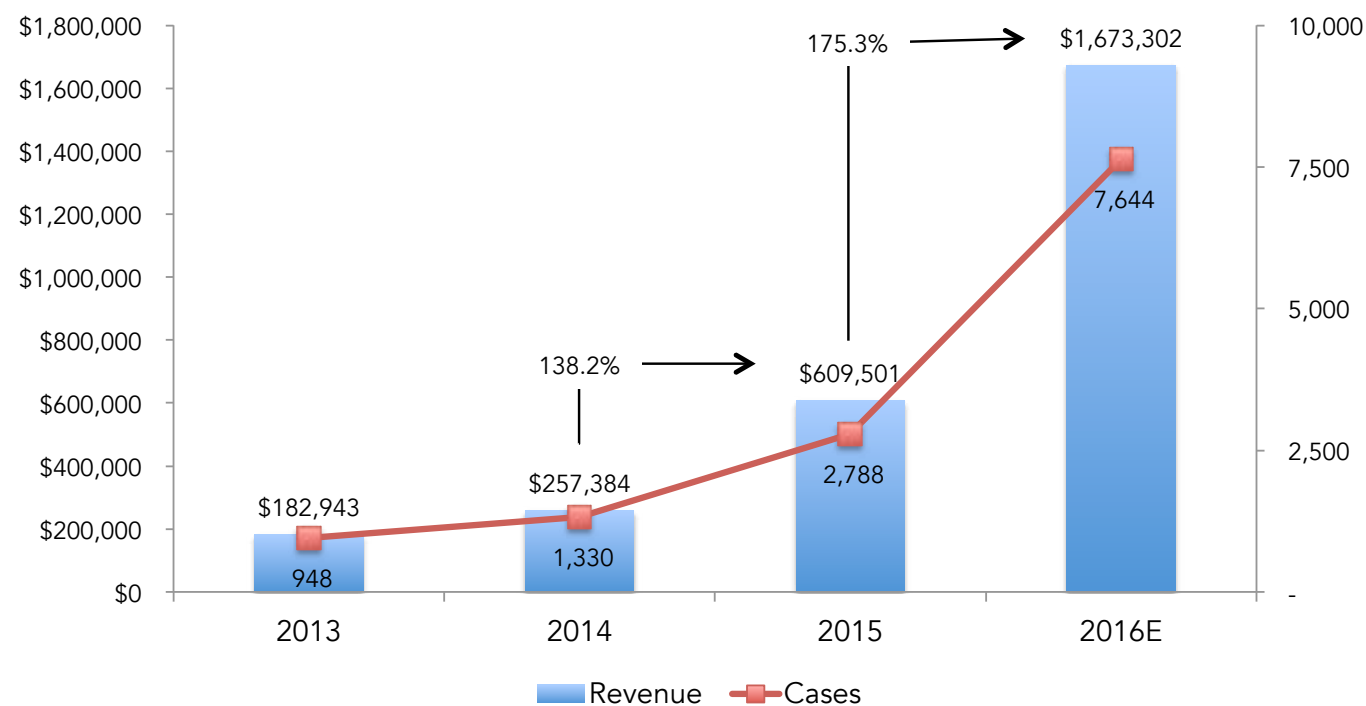
The Strategic Group – NY Activation ~ Marquee, Avenue, Tao, Lavo, PHd, Bodega Negra

STK Group – National Menu / Shot Program

W Hotel – National and Global Program in development

# Historical Performance

SX Revenue and Volume Growth (9L Cases)



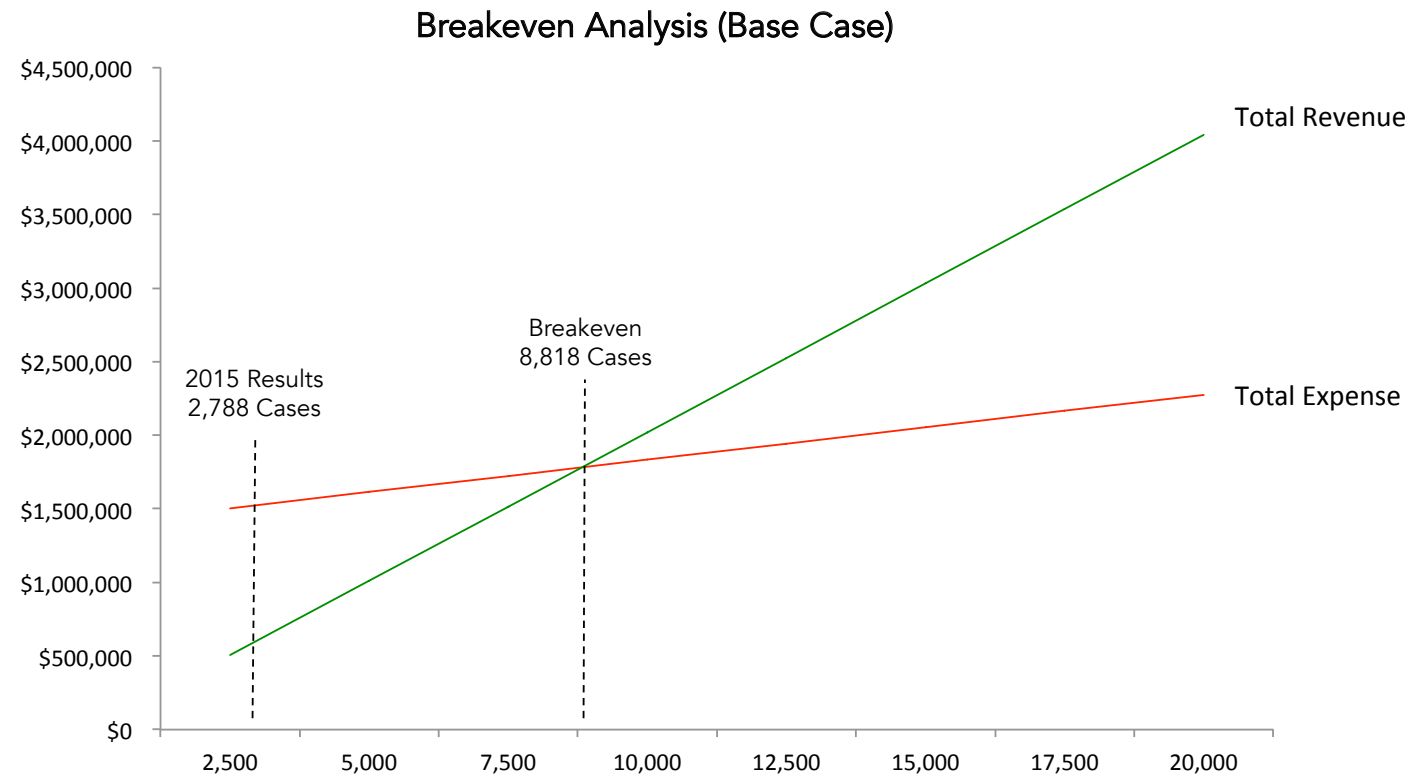
## Key Takeaways

- ▶ SX has organically grown during its test market and commercial launch phases
- ▶ Revenue has more than doubled since Trey Songz involvement with SX





# Breakeven Analysis



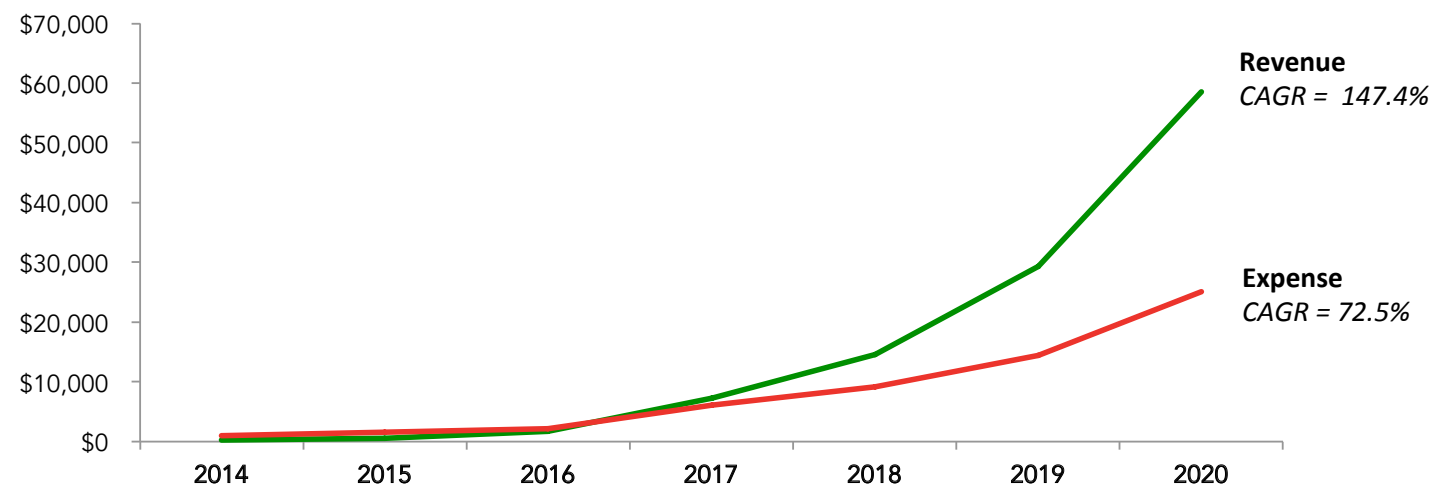
## Key Takeaways

- ▶ The breakeven number of cases in the base case is just over 3x the 2015 results
- ▶ In the aggressive case, the breakeven number of cases is ~4.7x the 2015 results
- ▶ In the downside case, breakeven doesn't occur until after the forecast period



# Operating Income Growth Forecast (Base Case)

OI GROWTH ANALYSIS – BASE CASE (000s)



## Key Takeaways

- At scale, the business model provides a solid operating margin and attractive returns relative to the investment
- SX achieves breakeven in mid-2017

Operating Income							
	(\$698)	(\$925)	(\$469)	\$1,078	\$5,538	\$14,809	\$33,468
Operating Margin							
	-273.6%	-152.1%	-28.0%	14.9%	37.8%	50.6%	57.2%
Return on OpEx							
	-191.8%	-181.7%	-126.1%	-76.8%	-9.4%	73.3%	150.5%

# Capital Needs (Base Case)

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SX is seeking \$5.2 million in equity investment to fund the growth phase and reach breakeven



Uses	Amount
Sales & Marketing Programs	\$3,313,877
Inventory	\$1,000,000
Overhead	\$764,715
Transaction Costs	\$100,000
<b>Total</b>	<b>\$5,178,592</b>