

DETHRONE ROYALTY HOLDINGS, INC.

Athlete Endorsements Drive Beverage Maker

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DETHRONE ROYALTY HOLDINGS, INC. (OTC:QB – DRHC - \$0.05)

Price Target: \$0.50

Rating: Speculative Buy

COMPANY SNAPSHOT

Dethrone Beverage, Inc. (a wholly-owned subsidiary of Dethrone Royalty Holdings, Inc.) entered into a Royalty Agreement with Dethrone Royalty Inc. for the purpose of manufacturing and distributing sports nutrition and water beverages under the Dethrone Beverage brand. The Company manufactures and markets sports nutrition and water beverages. The Dethrone Royalty brand was formed in 2009 and is based on the traditions of ancient kings. Dethrone Royalty Inc. has been an important factor in the growth of the sporting field of Mixed Martial Arts (MMA), as seen through their various sponsorships of fighters and events. The brand was formed in 2009 by Nick Swinmurn, founder of Zappos.com and co-owner of the NBA team, the Golden State Warriors.

KEY STATISTICS

Price as of 3/18/13	\$0.05
52 Wk High – Low	\$1.50 – 0.04
Est. Shares Outstanding	97.3M
Market Capitalization	\$4.9M
3 Mo Avg Vol	378,000
Exchange	OTC:QB

COMPANY INFORMATION

Dethrone Royalty Holdings, Inc.
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Cave Creek, Arizona 85331
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www.dethronebeverage.com
IR Contact: Ryan Troup, Circadian Group
646.257.2444

INVESTMENT HIGHLIGHTS

A major shift away from carbonated drinks toward functional water and sports nutrition beverages is occurring. Global Industry Analysts (GIA) forecast the global use of sports and nutrition foods and drinks to be a \$55 billion market in the US alone by 2018.

With the help of the Dethrone brand, the firm is primed to become a force in the sports nutrition beverage market. Dethrone has a major advantage over other firms due to its incredible brand awareness among fans in the wildly popular MMA market.

Management's clever athlete endorsement approach and deep marketing experience should enable the Company to generate millions in sales over the next 2 years. Dethrone has signed up some of sports most popular athletes to multi-year endorsement contracts, which should serve as major drivers of sales as the Company seeks to dominate key U.S. markets region by region.

The Dethrone Beverage offerings blaze a new trail in the industry and should gain fans from customers across varied segments. Leveraging on management's success and significant experience in the space, the Company has recently introduced a new hybrid beverage which bridges the gap between energy, supplements, and hydration.

In our view, Dethrone could become the go-to sports nutrition drink in the next 2 years, driven by its quality hybrid products and athlete endorsement strategy which should attract larger players seeking an acquisition and a key player in this space. Our price target is \$0.50 by year-end but we would not be surprised to see DRHC acquired at a premium down the road as its strategy proved successful. . Thus, we rate DRHC Speculative Buy.

DETHRONE ROYALTY HOLDINGS, INC. (OTC:QB DRHC)**COMPANY OVERVIEW**

Dethrone Beverage, Inc. (a wholly-owned subsidiary of Dethrone Royalty Holdings, Inc.) entered into a Royalty Agreement with Dethrone Royalty Inc. for the purpose of manufacturing and distributing sports nutrition and water beverages under the Dethrone Beverage brand. The Dethrone Royalty brand was founded by Nick Swinmurn, the founder of **Zappos.com** and co-owner of the NBA franchise, the Golden State Warriors. The Company has sold clothing and apparel targeted at the Mixed Martial Arts (MMA) and has developed tremendous brand popularity and brand loyalty among fans of this sport, which is one of the fastest-growing in the U.S.

Now, Dethrone Royalty Holdings, Inc. (DRHC), also known as Dethrone Beverage, Inc., produces markets, and sells sports nutrition drinks and other functional water beverages under the Dethrone Beverages trade name in the United States.

DRHC is entering the booming energy drink market with the creation of a new segment combining several niche categories: supplements, energy, and hydration. The **High Performance** drink was formulated for athletic benefit without sugar or other unsafe ingredients found in some of the drinks produced by the competition. The Company is poised to leverage the popularity of its apparel brand in MMA by sponsoring some of the most popular athletes in MMA, UFC, MLB, NFL, NBA, NHL and other sports with its new **High Performance** drink product.

Management is leveraging its deep on the ground marketing experience with some of the most popular brands such as Sobe by utilizing an initial short production run and region-by-region sales approach to key distributors and convenience stores, prior to larger production runs to larger chains such as supermarkets. This tried-and-true method is both prudent and clever, as most firms use a more scattered approach and do not have the advantage of the multi-year athlete endorsements or the Dethrone Royalty brand.

While the Company currently offers 2 delicious flavors, as market penetration occurs, management plans to introduce additional flavors.

INDUSTRY OVERVIEW

The growth of bottled water, sports, and other health drinks as substitutes to carbonated soda beverages marks an increasing trend toward health awareness in the consumer market. In 2012, the marketing research firm **Global Industry Analysts (GIA)** released a comprehensive report that forecast the global use of sports and nutrition foods and drinks to be a \$55 billion market in the U.S. alone by 2018. These trends show the societal shift away from carbonated soda drinks to healthier options, and the willingness of the consumer to pay for the convenience and packaging of a commodity like water that is free and comes out of any faucet. This has spawned an emergence of new healthy drinks, teas, flavored water, and juices. A worldwide aging of the population, especially in developed countries, is driving this market with more demand for beneficially healthy products.

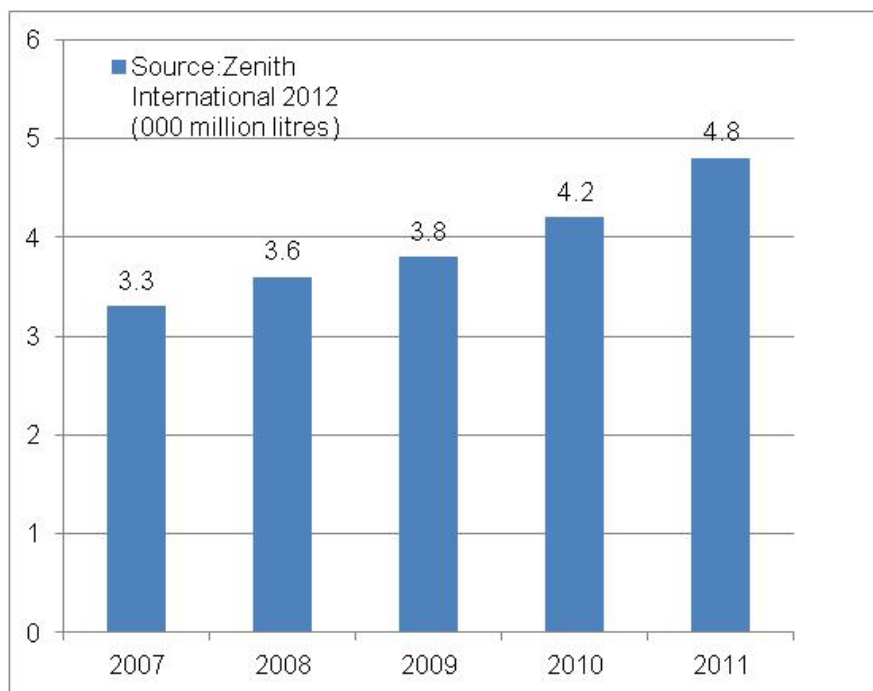
DETHRONE ROYALTY HOLDINGS, INC. (OTC:QB DRHC)

Market Dynamics

There are more than 400,000 retailers of non-alcoholic beverages in the United States alone. The U.S. has over 2,600 beverage companies, 500 bottlers, and a market size approaching \$110 billion in annual sales. The global market for non-alcoholic beverages is estimated to be \$300 billion! Coca-Cola (NYSE – KO) and PepsiCo are the giants, with over 70% of the market share. The general trend in mergers and acquisitions in the industry bodes well for Dethrone Royalty as we believe the Company could emerge as an acquisition candidate in the next 2-3 years.

In the last decade, billion dollar brands have been created in energy and functional drinks like the privately held Red Bull and Monster (NASDAQ – MNST) brands. Figure 1 shows a study from *Zenith International* documenting the last five years of growth in the energy drink market.

Figure 1: 5 Year Growth of Energy Drink Market



DETHRONE ROYALTY HOLDINGS, INC. (OTC:QB DRHC)

Chart I: MNST Stock Performance



While Monster and others have leadership status, it has come with a price, as a shift away from what some believe to be “toxic” drinks and toward “safe” energy drinks. The DRHC **High Performance** product is designed to meet these criteria with zero sugar, zero carbohydrates, 20 calories and 80mg of caffeine in a 16 oz. bottle. Some of Dethrone's competition has come under intense scrutiny. Nearly 20 deaths have been linked to Monster TM and Redbull TM which contain an extremely high amount of caffeine, between 300 to 600mg of per can. Gatorade TM is considered “sugar water” by some doctors and they also have come under fire for using a flame retardant as one of their ingredients.

In August 2012, the New York attorney general subpoenaed three major producers of energy drinks as part of an investigation into whether the companies mislead consumers about potential health risks associated with mega doses of caffeine, sugar and other ingredients such as taurine. This is part of a larger government initiative examining the links between sugary beverages and rising rates of obesity and diabetes:

- New York City Mayor Michael Bloomberg has banned sales of beverages larger than 16 ounces (this law is under review).
- A California proposal would ban the sale of sugary, electrolyte replacement drinks such as Gatorade from school campuses during school hours.
- In a move to trim Boston's rising obesity rates, Mayor Thomas Menino has banned the sale and advertising of sugar-loaded drinks from city-owned buildings and city-sponsored events
- The banning of sugary drinks in schools and government buildings is a growing trend
- Americans consume on average more than 200 calories each day from sugary drinks —four times what they consumed in 1965—and strong evidence indicates that our rising thirst for “liquid candy” has been a major contributor to the obesity and diabetes epidemics.

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Dethrone's sugar free, low caffeine formula is engineered for athletic performance and offer a strong and healthy alternative to today's market leaders. Interestingly, after more than 20 years at Number 1, water has overtaken soda as the favorite beverage among Americans. This shift bodes well for Dethrone.

THE DETHRONE PRODUCTS

Image I: Dethrone *High Performance* Beverages



(Source: www.DethroneBeverage.com)

Dethrone has just launched a new beverage category with its **High Performance** drink. The product is designed to meet the increasing consumer demand for athletic performance drinks without any associated negative health risks. High Performance targets the three areas of muscle recovery, energy, and hydration with zero sugar, zero carbohydrates, a low amount of caffeine, and only 20 calories. Dethrone's health conscious formula is a strong advantage as the popularity of other energy drinks like Red Bull, Monster, and Five Hour Energy has attracted increased scrutiny from public health advocates. The product was developed over a two year span of extensive research and scientific innovation. The anticipated product launch occurred on February 3 this year at the *Texas vs. The Nation* bowl game where DRHC was a titled sponsor and the event was broadcast by Fox Sports Southwest and Dethrone Beverage aired ten 30 second commercials. Here is the formulation breakdown for the Dethrone **High Performance** drink.

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Energy matrix

- Caffeine only 80mg per bottle (very safe level)
- Beta-Alanine increases muscle power output, strength, training volume, high-intensity exercise performance and peak oxygen uptake (aerobic capacity)
- Green Tea Extract increases your metabolic rate and energy level

Hydration/Electrolytes

- Sodium
- Magnesium
- Potassium

Recovery Matrix

- L-Arginine hemodilating properties can enhance blood flow and lower blood pressure
- L-Glutamine muscle and joint recovery
- Isoleucine helps keeps the bone, muscle, and skin of the body healthy and promotes rapid healing of tissues. It prevents the breakdown of muscle and helps decrease lactic acid buildup in muscles.

MARKETING STRATEGY

The majority of energy products in the United States are tag-along products with no distinguishable front-end or back-end marketing plan save for traditional advertising and a social media push. As this segment matures, the barriers of entry will increase while several 'me too' products will be forced to exit. The Dethrone High Performance Sports Beverage product is designed to meet a growing target at just the right time.

As noted above, Dethrone already has major brand recognition with fans of MMA, and in recent weeks, management has succeeded in signing multi-year endorsement deals with popular athletes across all major U.S. sports. This front-end strategy for the new **High Performance** targets both the young demographic that follows the sports but also targets an older one via the healthier option of the DRHC products. This is a key differentiator from its competitors who solely target the under-30 age group.

We believe that the crossover or hybrid nature of the offering is also a major selling point for the Company. The High Performance sports beverage is currently available in two flavors: Blue Raspberry and Fruit Punch.

From the back-end perspective, management plans to utilize a region-by-region marketing approach through sales to regional stores, convenience stores and small distributors, prior to larger production runs to larger chains such as supermarkets. This method worked well for management with other brands and is primed to succeed once again.

DETHRONE ROYALTY HOLDINGS, INC. (OTC:QB DRHC)

Dethrone is focusing its initial efforts in the Western United States. This proven strategy for development of the supply chain is useful because the Western United States drives the market for national sales with California as the impetus behind this trend. For example, California is where Monster Beverages was founded and where Red Bull's U.S. business was launched. DRHC's management has years of experience in the beverage industry allowing them to build strong distributor relationships across the nation, but especially in California. Figure II shows the initial distribution chain.

Figure II: DRHC Distribution Network

STATE	DISTRIBUTOR NAME	APPROXIMATE ACCOUNTS
Arizona	Spike Beverage	3000
Arizona	Hensley	3000
N. California	Morris	4000
N. California	Markstein	4000
N. California	NorCal Beverage	4000
N. California	Mesa	4000
N. California	DBI	4000
S. California	Haralambos	20000
S. California	Crest Beverage	15000
S. California	5 Star Beverage	15000
Nevada	Wirtz Beverage	2500
Nevada	Crown Distributing	2500
Texas	Kimball Distribution	5000
Texas	Ben E. Keith	5000
Denver	New Age Beverage	5000
Hawaii	Johnson Brothers	3000

(Source: Dethrone Royalty Holdings, Inc.)

DETHRONE ROYALTY HOLDINGS, INC. (OTC:QB DRHC)Sample Athlete Endorsements

- ✓ Taj Gibson – NBA – Chicago Bulls
- ✓ David Lee – NBA – Golden State Warriors
- ✓ Pablo Sandoval 'Kung Fu Panda' – MLB – San Francisco Giants
- ✓ Salvador Perez – MLB – Kansas City Royals
- ✓ Josh Koscheck – MMA
- ✓ Ben Henderson – MMA
- ✓ Jonathan Quick – NHL – Los Angeles Kings
- ✓ Matt Muslon – NHL – New York Islanders
- ✓ Aldon Smith – NFL – San Francisco 49ers
- ✓ Haloti Ngata – NFL – Baltimore Ravens

THE DETHRONE BEVERAGE EXECUTIVE TEAM

The management team of Dethrone has a wealth of experience in sales, operations, production and marketing. The leadership has over 50 years combined experience in the beverage industry including experience at Budweiser, Coors, Miller, Southern Wine and Spirits, Whole Foods, Pepsi (NYSE – PEP), Sobe, Arizona Iced Tea, and Xyience.

Toby McBride – Chief Executive Officer

Mr. McBride has nearly 20 years of experience in the beverage industry highlighted by stints at Whole Foods as a National Buyer and at Sobe, where he was one of the company's first Sales Directors. His skill set has made him a sought after consultant in the beverage industry because of the variety of the talents he brings to the table. He has led large sales teams and distributors on a national level, while running detailed micro marketing efforts in major cities.

Michael Holley – President

Mr. Holley has over 15 years of experience in the beverage industry, specifically in launching major brands like Arizona Iced Tea and Xyience. Additionally, he has acquired the necessary skills related to new products in the industry as a key account manager in the wine and spirits industry and progressing to the national distribution and sales force level in a production environment.

DETHRONE ROYALTY HOLDINGS, INC. (OTC:QB DRHC)**RISK FACTORS**

In our view, the biggest risk factors for DRHC are related to potential logjams at the distribution points or if the products do not prove to be as popular as expected. While to a degree it is the “chicken and the egg” scenario as it relates to sales and distribution, the Company is already well on its way to surpass the proof of concept stage. Thus, we believe that the product could prove wildly successful, and it will be ubiquitous and available everywhere. If the sales ramp is muted, garnering additional distributors and distribution points could prove to be difficult. Plus, competition for shelf space remains fierce among all players in the space. Execution risks could push meaningful revenue generation out to a later date, or in a smaller initial ramp, thus impacting the Company’s revenue ramp or time to profitability. Competition from larger firms or even from newer entrants is a typical concern and is also consistent with firms of DRHC’s size and standing. Still, with the strong brand equity of Dethrone coupled with athlete endorsements and the crossover product, we believe that DRHC will overcome these obstacles.

CONCLUSION

In our view, Dethrone could become the go-to sports nutrition drink in the next 2 years, driven by its quality hybrid products and athlete endorsement strategy which should attract larger players seeking an acquisition and a key player in this space. Our price target is \$0.50 by year-end as we believe the stock will be strongly news-driven but we would not be surprised to see the company acquired for a premium down the road, if the strategy proves successful. Numerous brands have been acquired at premium valuations by major players once the 1M cases shipped annual mark is reached. Thus, we rate DRHC Speculative Buy.

DETHRONE ROYALTY HOLDINGS, INC. (OTC:QB DRHC)

Recent Trading History For DRHC

(Source: Stockta.com)





DETHRONE ROYALTY HOLDINGS, INC. (OTC:QB DRHC)

Analyst: Robert Goldman

Rob Goldman has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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