



November 16, 2022

SPLASH BEVERAGE GROUP INC.

(NYSE-AMERICAN: SBEV)

Industry: Beverages

Price Target: \$4.00

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Overlooked Beverage Play Set For Major Price Gains in 2023

Rob Goldman
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COMPANY SNAPSHOT

Splash Beverage Group, an innovator in the beverage industry, owns a growing portfolio of alcoholic and non-alcoholic beverage brands including *Copa di Vino* wine by the glass, *SALT* flavored tequilas, *Pulpoloco* sangria, and *TapouT* performance hydration and recovery drink. Splash's strategy is to rapidly develop early-stage brands already in its portfolio as well as acquire and then accelerate brands that have high visibility or are innovators in their categories. Led by a management team that has built and managed some of the top brands in the beverage industry and led sales from product launch into the billions, Splash is rapidly expanding its brand portfolio and global distribution.

KEY STATISTICS

Price as of 11/15/22	\$1.07
52 Week High – Low	\$5.60 - \$0.99
Est. Shares Outstanding	38.9M
Market Capitalization	\$41.6M
Average Volume	205,556
Exchange	NYSE-American

COMPANY INFORMATION

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INVESTMENT HIGHLIGHTS

Fast-growing, yet undervalued SBEV appears poised to enjoy a major rise in share price. Sales rose by 73% from 3Q21 to 3Q22, with continued strong gains forecasted ahead, but the stock is assigned a paltry 1.4x P/S ratio on FY23E projected sales, a big discount to its peer group.

Management is replicating prior successes leading major brands that generated billions in annual sales. This strategy fosters acquisition of core brands leading to diverse distribution and broad customer adoption.

The Company's approach could lead to industry-leading sales growth with solid gross margins based on potential product mixes. Plus, as product mix shifts and cross-sales occur, other costs could decline as a percentage of revenue.

Innovative niche brands and ecommerce including a general beverage and groceries B2B and B2C website are driving sales. A wine by the glass, flavored tequila, fruity sangria, and a Drew Brees ambassador-led performance drink are SBEV's core beverage offerings.

Our forecasts include revenue growing from \$11M in 2021 to \$19.4M in 2022 and \$30.7M in 2023. Our FY23E sales growth estimate represents a 52.8% as compared with 9.7% for SBEV's peer group.

Our \$4 price target reflects a 5x P/S multiple on FY23E sales. This metric is the same as the peer group, despite the substantially higher growth rate.

COMPANY OVERVIEW

The View from 30,000 Feet

Fast-growing beverage company **Splash Beverage Group, Inc. (NYSE American: SBEV)** appears poised to enjoy substantial top-line growth and diverse product deployment in 2023, thus driving its shares toward SBEV's 52-week high of \$5.60, in our view. Based on recent quarterly results and news on the distribution side, we believe that SBEV has reached key inflection points indicating that the Company has the wind at its back. These inflection points include major revenue growth, higher gross margin, and a stabilization in non-cash operating expenses. Moreover, trading around 1.4x our FY23E revenue forecast, we believe these shares offer considerable value for a high growth company that we project could increase revenue from \$11M in 2021 to \$19.4M in 2022 and \$30.7M in 2023. In contrast, some of SBEV's slower growth peers trade at 5x projected revenue or higher.

SBEV has an appealing, niche beverage portfolio that includes alcoholic and non-alcoholic beverages. These include beverage brands *Copa di Vino* wine by the glass, *SALT* flavored tequilas, *Pulpoloco* sangria, and *TapouT* performance hydration and recovery drink. Leveraging its current successes, we expect the Company may seek to add another brand to its portfolio sometime in 2023. Splash Beverage's strategy is to rapidly develop new brands as well as acquire and accelerate pre-existing brands that have high visibility or are innovators in their respective categories. Splash Beverage's strategy is to rapidly develop new brands as well as acquire and accelerate pre-existing brands that have high visibility or are innovators in their respective categories.

While distribution strategies and retail locations differ by product, SBEV brands enjoy shelf space at **Walmart (NYSE: WMT)**, **Target (NYSE:TGT)**, Winn-Dixie, Circle K, and others. Plus, new retailers such as **Rite Aid (NYSE: RAD)** and Aldi. Direct store distribution and broad line distribution with a number of major players are already in place. Plus, some beverages are sold online and products such as TapouT, a functional performance drink, benefits from influencers such as Drew Brees, thereby driving sales to new consumers.

SBEV's management team resembles a beverage company generating multi-billion dollars in annual sales rather than an emerging company. The management team board members boast a combined 140 years of experience in the beverage industry. Brands managed by this leadership team include: RedBull, Gallo, **Diageo (NYSE: DEO)**, Bacardi, Nestlé, **Coca-Cola (NYSE: KO)**, Miller Coors, Sparkling Ice, Muscle Milk, **Jones Soda (OTC – JSDA)**, SoBe, Fuze, and Republic National Distributing Company (RNDC), one of the largest alcohol distributors.

Separately, the Company's online e-commerce division, *Qplash* (<https://qplash.com/>), a consumer-packaged goods retail segment sells beverages and groceries online and other packaged goods including PPE in B2B and B2C formats. In addition to its 1,500-product listing, SBEV's *TapouT* beverage is prominently placed on the website. Plus, the Company is able to sell its spirit brands online to consumers in the states in the US where such sales are legal. As a pure commerce play, *Qplash* also enjoys high margins which has a positive impact on SBEV's financials.

Valuation, Price Target

Based on its sales and distribution relationship success since inception, we believe that the Company is on track to emulate and replicate the success SBEV's CEO enjoyed while at RedBull. Now that the Company has a diverse portfolio, it is now securing broad brand awareness and retail distribution points. Importantly, SBEV is also now converting consumer awareness into consumer adoption and leveraging e-commerce opportunities. Next steps could include new brand additions or, as sales rise, brand sales to a major player. In either event, we believe such a move would serve as a catalyst for shareholder value increases.

At present, SBEV is on track to generate a projected \$19.4M in sales this year, with continued sequential improvement in gross margin and operating expenses, based on the revenue and product mix. This figure would represent a 70%+ jump in sales year-over-year. For 2023, without the addition of new brands, we project sales to reach \$30.7M, a 58% rise, with a 50% in gross margin rate. As noted above, some low-growth peers trade 5x projected sales or higher, and a number of brands/companies have sold at higher metrics. If growth rates, profitability gains and distribution events, continue, we believe these overlooked shares will approach their 52-week high of \$5.60, rather than trade at the current low valuation. Thus, our 6–12-month price target is \$4.00, which represents 5x our forecasted FY23E revenue.

THE SPLASH BEVERAGE APPROACH: ONE OF A KIND

The Approach

Splash Beverage Group, Inc. is a portfolio company managing multiple brands across several growth segments within the consumer beverage industry. SBEV has built organizational capabilities and an infrastructure enabling it to incubate and/or acquire brands with the intention of efficiently accelerating them to higher volumes. Management has proven capabilities in building consumer franchises and marketing and distributing multiple brands of beverages within the non-alcoholic and alcoholic segments. Manufacturing is typically outsourced to third party co-packers and distillers, or in select case, produced within its facility in Oregon.

The distribution landscape in the beverage industry is evolving and tech-enabled e-commerce business (such as B2C) models are thriving for companies that have embraced this approach, such as SBEV. The Company has built and operates a vertically integrated model for its own products and third-party products via its proprietary e-commerce platform, Qplash. This platform fosters high margin product sales including local and regional brands sales development via a direct line of sales (B2B) at retail stores.

Management seeks to combine the traditional approach of manufacturing, distributing, and marketing of beverages, with brands that have a reasonable level of pre-existing brand awareness and regional market presence, or have attributes that SBEV believes are innovative such as a new flavor to a popular type of beverage. Brand acquisitions can be wholly owned, owned on a minority share basis, or a venture based on a revenue split.

This approach fosters scalability for early-stage brands which can reduce development expenses while simultaneously increasing efficiencies for all portfolio brands. Most new single beverage brands have limited

access to distribution and thus find it extremely difficult to obtain meaningful retail shelf presence. Given SBEV management team's experience and relationships, the Company has demonstrated the ability to break through such bottlenecks, making it easier to attract potential sellers of existing brands. One reason why management has enjoyed success is the use of its hybrid distribution model. This model includes the direct warehouse line used by national chains such as Walmart and Target, along with Direct Store Delivery (DSD) via Class A distributors, which can include independent or regional markets and chains and is used by many of the Company's peers in the space. Broadline distributors, who deliver to national/regional chains and specialty stores. As noted above, SBEV is now leveraging its *Qplash* segment to sell directly to consumers, businesses, and some grocery chains.

The Market

According to a recent Markets and Markets report, the global beverage market was valued at \$1.6 trillion in 2020 and is slated to reach \$1.8 trillion in 2024. As in most industries, sales are dominated by the companies that have multiple, diverse brands in spirits, soft drinks, beer/wine, and functional (performance) beverages. These include Diageo, Inbev, **Constellation Brands (NYSE: STZ)**, **Brown Forman (NYSE: BF-A)**, **Boston Beer (NASDAQ: SAM)**, **Keurig Dr Pepper (NASDAQ: KDP)**, **PepsiCo (NYSE: PEP)**, and Coca-Cola. For the past 15 years, these firms have arguably been the most frequent brand acquirers and have typically paid premium prices. We believe that part of SBEV's exit strategy is to buy, build, and sell (if applicable) portfolio brand(s) to larger players, which would be a boon for the Company and its shareholders.

To that end, SBEV's Chairman Robert Nistico has over 28 years of experience in all levels of the multi-tier distribution system used outlined above. Prior to joining the Company, he led the Marley Beverage Company from startup to over \$47 million in annual revenues and ultimately profitability in three and one-half years. Before that he was the 5th employee at Red Bull North America, Inc. and served as General Manager, VP of Field Marketing and Sr. Vice President & General Manager during his 11 years there. He was instrumental in building the Red Bull brand in North and Central America and the Caribbean. Under his leadership, revenues grew from \$0 revenue to over \$1.6 billion annually. Clearly, the implementation of Mr. Nistico's prior success formula is likely to be the driver of SBEV's success.

The Products



TapouT Performance is an international lifestyle brand that has been at the forefront of Mixed Martial Arts since its inception in 1997. *TapouT* beverages include a complete line of high-performance sports drinks. *TapouT Performance* drinks restore what the body loses through physical exertion with 9 Key Vitamins, ALL 5 Electrolytes and 3 Antioxidants. *TapouT* is the first advanced performance drink that focuses on all three levels of physical support: activation, hydration and recovery resulting in increased endurance and performance.

TapouT is a unique advanced performance beverage containing ingredients known for recuperative and cell regeneration which promotes better absorption of nutrients, increase hydration and cellular recovery. It is exclusively formulated with GRAS (FDA Designation “Generally Regarded As Safe”) ingredients versus controversial ingredients often used in many competitive products. It can be taken before, during or after activity to enhance activation, hydration, and recovery. The product offers a recovery ingredient matrix that differentiates *TapouT* from the commodity isotonic, which is a competitive advantage relative to other brands such as Gatorade, Powerade, Vitamin Water, and others.

TapouT is all natural and is balanced with a proprietary blend of 5 electrolytes, amino acids and a proprietary specialized ingredient blend of minerals and nutrients. Flavors include Cherry Lemonade, Peach Mango and Citrus. A licensed product in which SBEV pays a 6% royalty, SBEV has the rights to sell produce, sell and market *TapouT* on a global basis. *TapouT* is the Company’s current flagship performance beverage and boasts SBEV investor and brand ambassador Drew Brees. Brees is a former NFL-All Pro Quarterback, primarily with the New Orleans Saints, with whom he won a Super Bowl. As a world class athlete Brees is a key influencer for *TapouT* and a key voice for his nearly 7 million social media followers.

SALT Tequila: 100% Agave

SBEV produces and sells SALT Naturally Flavored Tequila (“SALT”), a 100% agave 80 proof line of flavored tequilas available in Berry, Citrus, and Salted Chocolate. Management believes that this is the first line of 100% agave 80-proof flavored tequilas. Vodka, rum, and brown spirits have experienced significant growth when flavors are introduced, and SBEV expects this growth of flavors to continue, as the tequila category continues to rapidly expand. At present, the Tequila Category is the #1 Spirits segment among young consumers. Plus, flavored spirits have been showing explosive growth across all spirits categories, which bodes well for SBEV. This demand is exemplified by recent distribution agreements which provide full state coverage in Maryland and Nevada.



Copa di Vino



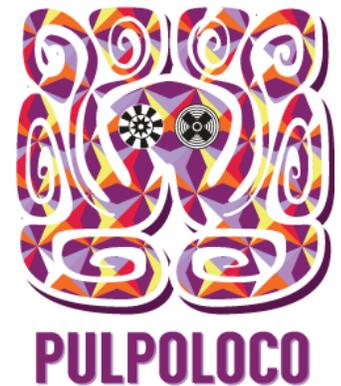
In late 2020, SBEV acquired the Copa di Vino brand, a pioneer in premium wine by the glass, single serve wine beverages for \$5.9M in debt, cash, and stock. This transaction was a deal that provided SBEV with an innovative product, new, unique packaging technology, a large distribution entrance into the Anheuser-Busch network, and 13,000 retail location reach. The packaging technology is also replicable for other categories and will enable the Company to enhance production efficiency.

Copa di Vino is offered in seven varietals and is a ready to drink wine glass that can go anywhere without the need for a bottle. Varietals include Chardonnay, Cabernet, Merlot, White Zinfandel, Moscato, etc. The beverage was featured on Shark Tank; however, the founder elected not to do a deal there and instead sold to SBEV. Copa’s packaging is recyclable and comes with a splash cap.

Earlier this quarter, SBEV announced a major deal with the University of Alabama, the #1 selling brand in college athletics. Copa Di Vino will be the exclusive wine available at the University of Alabama’s Athletics, which includes NCAA football games in Bryant Denny Stadium. Through this agreement, Copa Di Vino will also be included in various broadcast and digital advertising conducted by the athletic department. The university hosts over 1.4 million spectators each academic year, including over 800,000 at Bryan Denny Stadium. Given the way fellow SEC and other college football athletics departments behave, we believe that this is just the first of what could be several similar deals to be struck in 2023.

Pulpoloco Sangria

Produced by Copa di Vino, four flavors of sangria are made in Spain via a proprietary family recipe. The product is encased in a 100% biodegradable can made of paper. The product is aseptically filled and packed in a unique eco-friendly CartoCan®. This process allows for the true flavors of authentic Spanish sangria to show and extends shelf life without adding any preservatives. Flavors include Traditional Fruits, Strawberry Lemonade, Lemon Ginger.



The SBEV Reach

Salt Tequila	TapouT Performance	Copa di Vino/Pulpoloco
Total Distributors: 20	Total Distributors: 26	Total Distributors: 358
Total counties: 748	Total counties: 575	Total counties: 1352 ^(estimate)



Data as of 11/3/2022 — *CDV/PL counties estimated based on numbers provided by The Dalles, OR

Image 1. Distributor Footprint
 Source: Splash Beverage Group, Inc.

We have touched upon the importance of building awareness and adoption and marrying this effort with a strong distribution or reach for an emerging company's portfolio of products. While many of the products are now distributed by leading national and regional distributors, Copa di Vino clearly has the largest number of distributors among the SBEV products. Still, we believe it is instructive to illustrate the locations and provide a breakdown of these distributor footprints as well as the current retail chain locations for the products. These include the recent agreements signed with 9 new distributors in the September quarter alone. It should be noted that many of these chains may increase their locations next year and nearly 6,000 locations are pending authorizations or planograms (model used for shelf display) for 2023.

Table I. Splash Beverage Group, Inc. Products @ Retail Chains		
<u>Product</u>	<u>Chain</u>	<u>#, Locations</u>
TapouT	Target	1,900
	AM/PM	1,200
	Publix	1100-1300 (TBD)
	Sav-a-Lot	700
	Winn Dixie	300
	Walmart	232
	Bashas	118
Total		5,550
Copa di Vino	Circle K (West)	237
	Ralph's	170
	Love's Travel Ctrs	100
Total		507
Pulpoloco	7-Eleven	2,000
SALT	Walmart	100
TOTAL		8,157
*Pending new locations for 2023:		5,850
Sources: SBEV and Goldman Small Cap Research		

Qplash



Qplash is the Company's consumer-packaged goods retail division and entry point into the growing e-commerce channel. The division sells beverages and groceries online through and third-party storefronts such as [Amazon.com](https://www.amazon.com) and [Walmart.com](https://www.walmart.com). Inside of the division, there are two primary customer groups: business to business retail businesses, which in turn offer the products to their customers, and business to customer, selling direct to end

users. The business retailers are typically found in the high-end apparel space who buy beverages from *Qplash* and provide them to their customers in store to enhance their shopping experience. They offer high end beverages for customers to enjoy while shopping or to take on the go. This program allows businesses to control inventory, order with payment terms, and offers the convenience of delivery directly to each store.

To the end user, *Qplash* ships orders from its warehouses direct to a customer's home or office. Consumers can order from www.qplash.com, from its storefront on Amazon, or other third-party platforms. Amazon is a valuable revenue source as it allows SBEV to access a loyal customer base and provides a high conversion rate as customers are comfortable navigating and checking out through their website. In addition to its 1,500 products listing, SBEV's *TapouT* beverage is prominently placed on the website. Plus, the Company is able to sell its spirit brands online to consumers in the states in the US where such sales are legal. As a pure commerce play, *Qplash* also enjoys high margins which has a positive impact on SBEV's financials.

SPLASH BEVERAGE LEADERSHIP TEAM

Robert Nistico, Chairman, Chief Executive Officer

A 28-year beverage industry veteran, Robert was the fifth employee and VP/General Manager for Red Bull North America, where he led the start-up from zero sales to \$1.6 billion. Robert is the founder and CEO of Marley Beverages and was responsible for framing out the long-term vision for the company. Earlier in his career, Nistico held executive positions with Diageo, Gallo and RNDC. A highly motivated, results-driven, creative, and passionate leader with an entrepreneurial spirit and the highest of standards, he has delivered outstanding results in small private start-ups as well as global public environments.

His experience has included direct and indirect sales management, strategic brand marketing, production, co-packing, packaging, budgeting, forecasting, profit and loss management, financial modeling, operations and logistics. Robert also holds an Advisory Board position with Transition Capital Partners, LLC (a private equity firm), also in Dallas.

Ron Wall, Chief Financial Officer

With over 25 years Alcohol Beverage industry experience, Ron has held senior leadership roles in Finance at both William Grant & Sons and Diageo. Most recently, as CFO Americas at William Grant & Sons where in addition to his Finance responsibilities he had oversight of the General Manager of the majority owned Canadian selling agency with 166 employees. During his time at Diageo Ron working across a number of Finance roles in geographies including the USA, Latin America, Spain, and Canada. He has had oversight of businesses ranging from \$300 Million to \$1.8 Billion in revenues. Ron's experiences include budgeting, forecasting, profit & loss management, implementing ERP systems, processes & controls, M&A activities, pricing, route to market / distributor selection, as well as building high performance teams.

William Meissner, President, Chief Marketing Officer

A proven leader with more than twenty years of success in growing consumer brand companies with both large multinational and medium sized entrepreneurial organizations, Meissner's expertise includes multiple CEO roles revamping both healthy and distressed companies. Building and restoring brand value has been a hallmark of his leadership history. Prior to joining SBG, Meissner served as President and Chief Executive Officer for Sweet Leaf and Tradewinds Tea, a premium beverage vertical designed to build emerging brands, Chief Executive Officer for Genesis Today, Inc. a leader in the organic nutritional supplements category, Chief Executive Officer of Tazza Pronto, a joint venture between Distant Lands Coffee, Inc. and Caffita Systems SPA, Chief Executive Officer of Jones Soda, President of Talking Rain Beverages, Chief Marketing Officer of Fuze & NOS Beverages (Coca-Cola), Brand Director of SoBe Beverages (Pepsi-Co) and Nutritional Category Manager at Tetra Pak, USA Inc.

Sanjiv Javia, Vice-President, Product Development

Javia is the founder and President of Javia Wellness Group, a firm that focuses on innovative research, formulation, and design of nutritional exercise and wellness initiatives. As a sports nutrition expert, Sanjeev's work with Splash Beverage Group is developing innovative functional beverages with health benefits for the consumer. Since 2000, Sanjeev has advised some of the world's most elite athletes on fitness and nutrition. His client list includes Super Bowl MVPs Tom Brady and Kurt Warner, Cy Young Award Winners Curt Schilling and Randy Johnson, Stanley Cup Champions Marty Turco and Brendan Morrow, Olympic Gold Medalists Brianna Scurry and Caroline LaLive and PGA Golfers Tom Pernice Jr. and Suzanne Pettersen.

Aida Aragon, Senior Vice-President, National Accounts

Aragon is a Sales, Marketing and Brand Management Executive with years of experience in the sports supplement and beverage industry. Ms. Aragon possesses sales marketing experience, having spent a few years in positions in the sports beverage industry. Working with companies like EAS, CytoSport (Muscle Milk) and Labrada. She has played a pivotal role in executing successful store rollouts in specialty stores as well as in food, drug, and mass retailers. Her passion for brand development has always been second nature, but her main focus is to increase sales for some of the leading brands in the sports nutrition industry. Aida has owned her own consulting firm, Verdi Consulting, for the last six years developing brands and assisting in strategy, and new business development. Her latest venture as VP of National Accounts for Splash Beverage Group has afforded her limitless opportunities to increase brand awareness within major national grocery and convenience store chains. Her main purpose is to develop a brand that will make a significant difference in people's lives and increase their overall well-being. "My mission is to empower people with tools to better their health and to set their body for the best quality of life possible for many years to come."

Aida Aragon embodies a lifetime of passion for the health and fitness industry. The dedication was evident with a successful history of competing in Fitness Competitions and becoming an EAS sponsored athlete in 2002. The partnership with EAS would pave the way for a new career alongside one of the industry's top brands. She obtained her International Federation of Body Building & Fitness (IFBB) Pro Figure Card in 2005 at the New York Figure Nationals and retired from competitions to continue her career in sports supplements.

FINANCIALS SNAPSHOT

Recent Numbers

The Company recently published its 3Q22 (September 2022 quarter) and nine months 2022 results and in our view, they were impressive and indicative that SBEV is on the right track. Gross revenue of \$5.1 million compared to \$2.9 million in the prior year period, an increase of 73% over the prior year period. The increase in revenue was primarily due to increased sales from the e-commerce line as well as increased sales through a number of retail authorizations. On a nine-month basis, revenues increased to \$14.0 million from \$8.6 million in the prior year period, a 64% rise. Importantly, gross margin enjoyed a major jump on a sequential basis, from 15% in 2Q22A to 23.6% in 3Q22, a 57.3% rise.

With respect to gross margin, which we view as a key barometer for the Company, the Q2 result exemplified a poor, “one-off” product mix, namely more of the lower margin *TapouT*. We believe that a shift occurred in Q3 and that this reflects a trend that will continue, going forward. Also, e-commerce revenue comprised over 70% of sales in 3Q22, a recent trend that should continue and contribute to improved margins.

Investors should be pleased that on a sequential basis, total operating expenses decreased, namely non-cash items, despite higher recorded revenue. Overall, we believe management is in the process of “right-sizing” these expenses. Cost of goods, operating expense and packaging efficiencies in 2023 should begin to have a material impact on these line items in the second half of next year. Meanwhile, SBEV recorded an operating loss of **(\$5.1M)** and loss per share of **(\$0.13)**.

The balance sheet remains in good shape as there is little in the way of long-term liabilities. Inventory had a big increase, clearly to ensure the Company can cover demand. In the quarterly press release, management noted that it is currently evaluating various credit facility offers in hand to augment inventory needs as SBEV grows and has more traditional lending opportunities. Adding such leverage (non-dilutive financing) would be a proper move at this stage in the Company’s growth. Moreover, it could use these lender relationships for future M&A and deal activity as well. It will be interesting to see the terms of such deals as they are executed.

Our Forecasts

For 4Q22 and FY22, we are projecting \$5.4M and \$19.4M in gross revenue, respectively, with gross margin of 26.5% for the quarter, averaging out to 21.8% for the full year. Full year operating and net loss forecasts are **(\$21.4M)** and **(\$21.9M)**. SBEV is not paying taxes at present and likely has an NOL in the tens of millions so we do not expect this expense to be material any time soon. Loss per share for the quarter and year are estimated to be **(\$0.12)** and **(\$0.57)**. For 2023, we project gross revenue of \$30.7M, a 52.8% rise with gross margin of 31% for the year. We were conservative with our opex estimate of **(\$16.2M)** and a loss per share of **(\$0.42)**. We may elect to review and revise the forecasts following the 4Q22 and FY22 results to be issued in February 2023.

**Table II. Splash Beverage Group, Inc.
Financials Snapshot**

	<u>FY21A</u>	<u>FY22E</u>	<u>FY23E</u>
<u>Revenue*</u>			
Splash Beverage Group	\$4,459,409	\$6,122,327	\$10,441,800
E-Commerce	\$6,856,593	\$13,315,126	\$20,269,376
Total Revenue	\$11,316,002	\$19,437,453	\$30,711,176
Gross Margin	23%	22%	31%
Operating Loss	(\$29,082,922)	(\$21,394,234)	(\$16,155,559)
*denotes continuing ops only			
Sources: SBEV, SEC.gov, and Goldman Small Cap Research			

As evidenced by the figures in Table III below, the members of the large company peer group trade at price/projected sales multiples that are substantially greater than SBEV, despite generating much lower top-line growth rates. While it is not uncommon for high growth large peers to trade at higher valuations than their small company brethren, we believe that the spread will considerably narrow next year as top-line and gross margin growth continues for SBEV. Interestingly, the table illustrates that the group is forecasted to generate an average of less than 10% sales growth from '22 to '23, as compared with the 58.2% top-line growth we project for SBEV. Moreover, the average P/S multiple for FY23E is 5x, with the smallest of the large group trading at 7.9x FY23E revenue. These figures compare with the current 1.4x P/S multiple afforded SBEV.

Table III. SBEV Publicly-Traded Peer Group

Company Name	Symbol	Price (11/15/22)	Mkt Cap (mil)	FY22E Revs (mil)	FY23E Revs (mil)	22E - 23E Revs Growth	2022E Price/Revs	2023E Price/Revs
Brown-Forman	BF-B	\$69.25	\$33,322	\$4,004	\$4,240	5.9%	8.3	7.9
Constellation Brands	STZ	\$243.45	\$46,362	\$10,970	\$12,650	15.3%	4.2	3.7
Diageo	DEO	\$173.66	\$98,841	\$17,500	\$19,300	10.3%	5.6	5.1
Keurig Dr Pepper	KDP	\$36.59	\$51,821	\$14,040	\$14,720	4.8%	3.7	3.5
Average			\$57,587	\$11,629	\$12,728	9%	5.5	5.0
<i>Splash Bev Grp</i>	<i>SBEV</i>	<i>\$1.07</i>	<i>\$43</i>	<i>\$19</i>	<i>\$31</i>	<i>58.2%</i>	<i>2.2</i>	<i>1.4</i>
Splash Bev Grp	SBEV	\$4.00	\$154	\$19	\$31	58.2%	7.9	5.0
Sources: www.Yahoo!Finance.com, Company websites, Goldman Small Cap Research								

Our six-twelve-month price target of \$4 reflects a 5x P/S multiple on forecasted FY23E revenue—a fair multiple given its growth rate compared to the peer group. Moreover, valuation multiples for M&A and spin-off deals are typically 5-7x revenue, which affirms our usage of the 5x P/S multiple. As the SBEV brands enjoy high adoption rates, they could become attractive acquisition targets by the large peers who have a propensity and history of paying premium multiples for in-demand brands.

RISK FACTORS

In our view, there are varied risks with respect to SBEV's business. From the big picture perspective, continued rising inflation could have a negative impact on consumers' discretionary spending, thereby slowing the Company's growth. A shift in beverage trends and procurements, or consumer loyalties to other brands could also impair growth. The SBEV e-commerce cross-merchandising successes may offset these issues and aid in overall brand loyalty, as could the revenue from the hybrid channel approach. Still, while awareness and influencers may play a role in growth, adoption could require additional sales and marketing spending. This expense increase and a negative product mix on gross margin could impair profitability. SBEV's M&A strategy may be stalled if M&A pricing becomes prohibitive and fewer quality deals exist. Access to capital to fund losses, while not an issue for SBEV presently, could become a hurdle depending upon the economy and the long term capability of leadership to continue to demonstrate its ability to generate outsized growth, post-acquisition. Competitive risks include lower pricing, more effective sales/marketing, greater overall efficiency.

The aforementioned risks could come from larger competitors, existing firms, or new entrants. Still, these future concerns are consistent with firms of SBEV's size and standing. Moreover, we believe that SBEV's seasoned management team is prepared to overcome these hurdles and generate significant top-line growth and consistent social media management implementations.

Volatility and liquidity are typical concerns for microcap stocks. However, an overriding financial benefit as a public company is the favorable access to and the availability of capital to fund M&A, product launches, consistent marketing campaigns and other initiatives. Since the proceeds of any future funding would be used in large part to advance major business development and sales, we believe that any dilutive effect from such a funding could be offset by related increases in market value. Plus, as noted above, we believe SBEV has proper leverage to take on debt to fund various initiatives.

VALUATION AND CONCLUSION

Fast-growing, yet undervalued SBEV appears poised to enjoy a major rise in share price. Sales rose by 73% from 3Q21 to 3Q22, with continued strong gains forecasted ahead, but the stock is assigned a paltry 1.4x P/S ratio on FY23E projected sales, a big discount to its peer group. Management is replicating prior successes leading major brands that generated billions in annual sales. This strategy fosters acquisition of core brands leading to diverse distribution and broad customer adoption.

The Company's approach could lead to industry-leading sales growth with solid gross margins based on potential product mixes. Plus, as product mix shifts and cross-sales occur, other costs could decline as a percentage of revenue. Innovative niche brands and ecommerce including a general beverage and groceries

B2B and B2C website are driving sales. A wine by the glass, flavored tequila, fruity sangria, and a Drew Brees ambassador-led performance drink are SBEV's core beverage offerings.

Our forecasts include revenue growing from \$11M in 2021 to \$19.4M in 2022 and \$30.7M in 2023. Our FY23E sales growth estimate represents a 52.8% as compared with 9.7% for SBEV's peer group. Our \$4 price target reflects a 5x P/S multiple on FY23E sales. This metric is the same as the slower growth peer group members, despite the substantially higher growth rate enjoyed by SBEV.

Table IV. Splash Beverage Group, Inc.
Pro Forma Income Statement

	FY21A	1Q22A	2Q22A	3Q22A	4Q22E	FY22E	FY23E
GROSS REVENUE	\$11,316,002	\$4,071,356	\$4,861,700	\$5,104,397	\$5,400,000	\$19,437,453	\$30,711,176
Customer Discount		\$144,783	\$362,760	\$233,990	\$250,000	\$991,533	\$1,535,559
Net Revenue	\$11,316,002	\$3,926,573	\$4,498,940	\$4,870,407	\$5,150,000	\$18,445,920	\$29,175,617
Cost of Sales	\$8,734,413	\$3,094,571	\$3,825,785	\$3,719,360	\$3,785,250	\$14,424,966	\$20,131,176
Gross Profit	\$2,581,589	\$832,002	\$673,155	\$1,151,047	\$1,364,750	\$4,020,954	\$9,044,441
<i>Gross Margin</i>	22.8%	21.2%	15.0%	23.6%	26.5%	21.8%	31.0%
Operating Expenses:							
Contracted Services	\$1,584,830	\$431,545	\$327,303	\$438,004	\$450,000	\$1,646,852	\$1,800,000
Salary & Wages	\$3,807,492	\$785,651	\$1,131,612	\$1,262,935	\$1,325,000	\$4,505,198	\$5,400,000
Salary & Wages-non-cash share-based comp	\$5,572,680	\$1,242,697	\$2,772,369	\$1,697,201	\$1,300,000	\$7,012,267	\$5,500,000
Other General & Admin	\$7,088,874	\$2,222,238	\$1,605,961	\$2,116,824	\$2,300,000	\$8,245,023	\$9,400,000
Other General & Admin-non-cash share based comp	\$12,822,808	\$1,112,845	\$0	\$0	\$0	\$1,112,845	\$0
Sales & Marketing	\$787,827	\$720,979	\$665,059	\$746,965	\$760,000	\$2,893,003	\$3,100,000
Total Operating Expenses	\$31,664,511	\$6,515,955	\$6,502,304	\$6,261,929	\$6,135,000	\$25,415,188	\$25,200,000
Operating Income	(\$29,082,922)	(\$5,683,953)	(\$5,829,149)	(\$5,110,882)	(\$4,770,250)	(\$21,394,234)	(\$16,155,559)
<i>Operating Income Margin</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other income	\$3,632	\$0	\$0	\$0	\$0	\$0	\$0
Interest income	\$643	\$0	\$2,709	\$158	\$170	\$3,037	\$1,000
Interest expense:	(\$442,807)	(\$85,879)	(\$73,471)	(\$66,193)	(\$80,000)	(\$305,543)	(\$350,000)
Gain from debt extinguishment	\$176,082	\$0	\$0	\$0	\$0	\$0	\$0
Total Other Income (Expense)	(\$262,450)	(\$85,879)	(\$70,762)	(\$66,035)	(\$79,830)	(\$302,506)	(\$349,000)
Pre-Tax Income (Loss)	(\$29,345,372)	(\$5,769,831)	(\$5,899,911)	(\$5,176,917)	(\$4,850,080)	(\$21,696,740)	(\$16,504,559)
Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tax Rate	N/A	N/A	N/A	N/A	N/A	0.0%	N/A
Net Income (Loss)	(\$29,345,372)	(\$5,769,831)	(\$5,899,911)	(\$5,176,917)	(\$4,850,080)	(\$21,696,740)	(\$16,504,559)
Net income, disc ops	\$294,550	(\$224,576)	\$25,421	\$33,116	\$10,000	(\$156,039)	
Gain on sale of disc ops			\$115,632				
Net income	(\$29,050,822)	(\$5,994,408)	(\$5,758,857)	(\$5,143,801)	(\$4,840,080)	(\$21,852,779)	(\$16,504,559)
Diluted Earnings Per Share	(\$0.91)	(\$0.17)	(\$0.15)	(\$0.13)	(\$0.12)	(\$0.57)	(\$0.42)
Wtd. Est. Shares Outstanding	31,922,743	35,188,404	38,703,365	38,861,544	39,000,000	38,500,000	39,500,000

Sources: SBEV, SEC.gov, Yahoo!Finance, and Goldman Small Cap Research

RECENT TRADING HISTORY FOR SBEV

(Source: www.StockCharts.com)





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Rob Goldman founded Goldman Small Cap Research in 2009 and has over 25 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*.

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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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