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# VALUE PROPOSITION

- ▶ **ARTESANO is the ONLY rum made using pot still in Puerto Rico**
- ▶ **Early value creation through industry first focus. ARTESANO** provides industry stakeholders involvement and benefits from participating with the brand.
- ▶ Our business model validates our positioning as **"The bartender's rum"** by involving the industry's gate keepers, validating our rum's quality and personal involvement with the brand
- ▶ **ARTESANO** is designed to be a complex yet balanced expression of Puerto Rico Craft Rum made for world wide appeal by our expert team
- ▶ From seminars to product education, our industry engagement includes partnering with entities like **Tales of the Cocktails** with grants and support for the further development of the industry and connect in a relevant way

# WHY IS THIS A GOOD OPPORTUNITY?

- ▶ **Great team that knows how to make great rum and sell it to the world.**
- ▶ **Huge global market - 141.8MM 9 liter/case global market (IWSR 2016 edition)**
- ▶ **Strong growth markets:** With a meteoric projected growth of markets like **Venezuela, Dominican Republic, Russia, Honduras, Cuba, Australia, China, Brasil, Argentina & Italy** amongst others, there is a huge opportunity for new rum brands in the International market (IWSR 2016 edition)
- ▶ **Rum is the most versatile spirit.** There are many varieties of rum and even more ways to consume it. **There are spiced rums, flavored rums, white rums and aged rums from 2 years all the way to 25 years.** You can consume rum neat or in many cocktail recipes.
- ▶ **Cocktail-friendly:** As a molasses- or sugar cane-based product, **rum is highly mixable** and competes well in the high-energy cocktail occasion. **As cocktail culture expands globally, rum has the opportunity to expand with it. (IWSR 2016 edition)**



# THE DISTILLERY

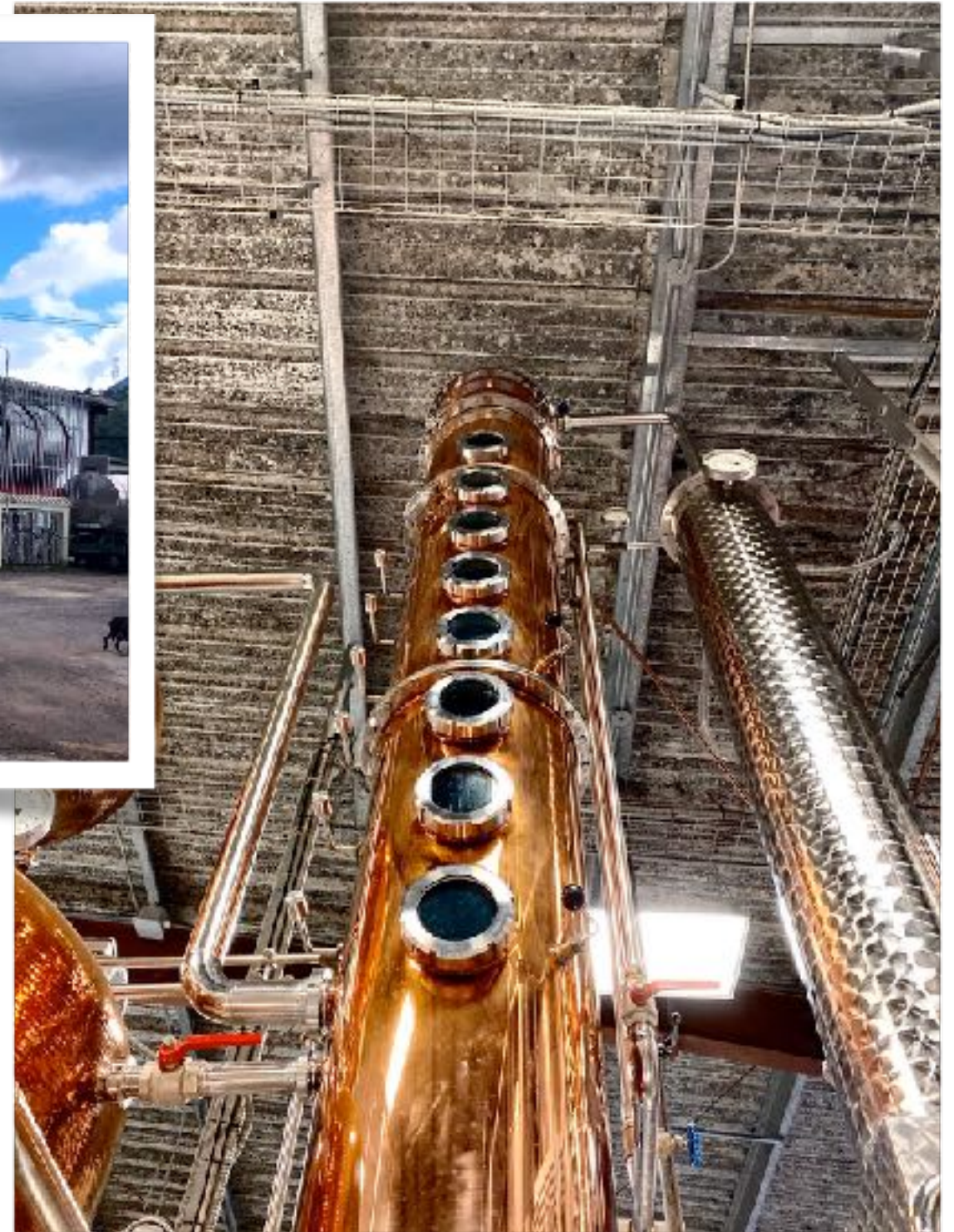




## THE DISTILLERY



Sol Taino Distilling Co., right by the mountains of Jayuya Puerto Rico, the rum capital of the world. Equipped with Arnold Holstein Distilling Equipment.





## PUERTO RICO IS THE LOGICAL CHOICE

- ▶ **Rum Cover Over** - A Federal law that gives back Puerto Rico 98% of the Federal Excise Tax (rum tax) paid for all Continental US sales. Local government pays back to local rum producers between 35%-48% of received income tax from their US sales. If you sell rum in the USA and you are NOT producing that rum from Puerto Rico, you are missing out. **There is no better place in the world to produce rum.**
- ▶ **Business Tax Reliefs** - Foreign companies operating in Puerto Rico's soil receive serious tax benefits
- ▶ **Foreign Investment Tax Reliefs** - Foreign investors enjoy huge tax benefits for investing in operations in Puerto Rico

# FOUNDERS



**JOSE MUÑOZ**  
**The Creator.**

Over 21 years in the Marketing and Advertising business. Expert in Puerto Rico's alcoholic beverage business. Former Brand Manager for Puerto Rico's leading beer brand, Medalla Light. Former Brand Manager for the world's leading rum, Bacardi, with simultaneous duties as Promotions Manager for all Puerto Rico's Bacardi brands.



**LUIS J. CRUZ**  
**"Mr. Make it Happen"**

U.S. Army veteran. Serial entrepreneur. Obtained his BS in Electrical Engineering from Prairie View A&M University and graduate work from Stanford University and GA Tech. Supporter of venture capital and hi-tech venture development organizations.



**JAVIER HERRERA**  
**Rum Maestro.**

One of the most influential experts in the international rum business

Developer for new rum brands and distilleries

Director for the most prestigious rum festival in Europe, "Congreso Internacional del Ron" in Madrid, Spain & Miami, USA

## SOME IMPORTANT BRANDS WE HAVE WORKED WITH

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HYATT®



McCANN  
WORLDGROUP  
LATAM



Y&R





## ADVISORS

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### **ALBERTO BACÓ**

**Advisor.** Coach in Turnarounds, Mergers and Acquisitions, Private Placement Debt or Equity, Corporate Governance, Strategic Development and Growth, Interim CEO, Government Affairs, Board and Family Business Expert

#### **Experience**

**Partner** - One to One Corporate Finance /

**Principal & Owner** - ABB Capital, LLC

**President** - Government Development Bank of Puerto Rico

**Secretary of Economic Development and Commerce of Puerto Rico**



### **FRANCISCO "PANCHITO" MARTIN**

**Advisor.** Solid track record in commercial strategy management & execution, category & customer development, retail & shopper marketing and sales management with CPG Fortune 500 companies.

#### **Experience**

**Commercial Director** - Liquor /

**Beverage Division** - Mendez & Co. /

**Country Manager** - DIAGEO / **Regional**

**Customer Development Manager** -

DIAGEO / **Regional Marketing Manager** - DIAGEO



# PUERTO RICO RUM MARKET - COMPETITORS



## Strengths

- ▶ Market leaders in big sizes
- ▶ Leaders in bars and restaurants
- ▶ Consistent brand message
- ▶ Mixable
- ▶ Solid distribution
- ▶ Good brand image
- ▶ Good quality perception
- ▶ Don Q Limón

## Weaknesses

- ▶ Neutral flavor profile, similar to vodka (white rum)



## Strengths

- ▶ 3rd brand in Puerto Rico
- ▶ New improved packaging
- ▶ Strong with tourists
- ▶ Bacardi Visitor Center

## Weaknesses

- ▶ **Not identified as local rum in Puerto Rico**
- ▶ Identified as a commercial brand, not producers of craft or top quality rums



## Strengths

- ▶ Market leaders in small sizes (200ml & 375ml).
- ▶ Aggressive price proposition.
- ▶ Solid distribution.

## Weaknesses

- ▶ **Not perceived as a good quality product**
- ▶ Low acceptance in high image bars
- ▶ Over 60% of their sales come from 200ml & 375ml



## Strengths

- ▶ Strong heritage
- ▶ Recently purchased by Bacardi family member
- ▶ Investment on the development of the local business
- ▶ Many years of experience

## Weaknesses

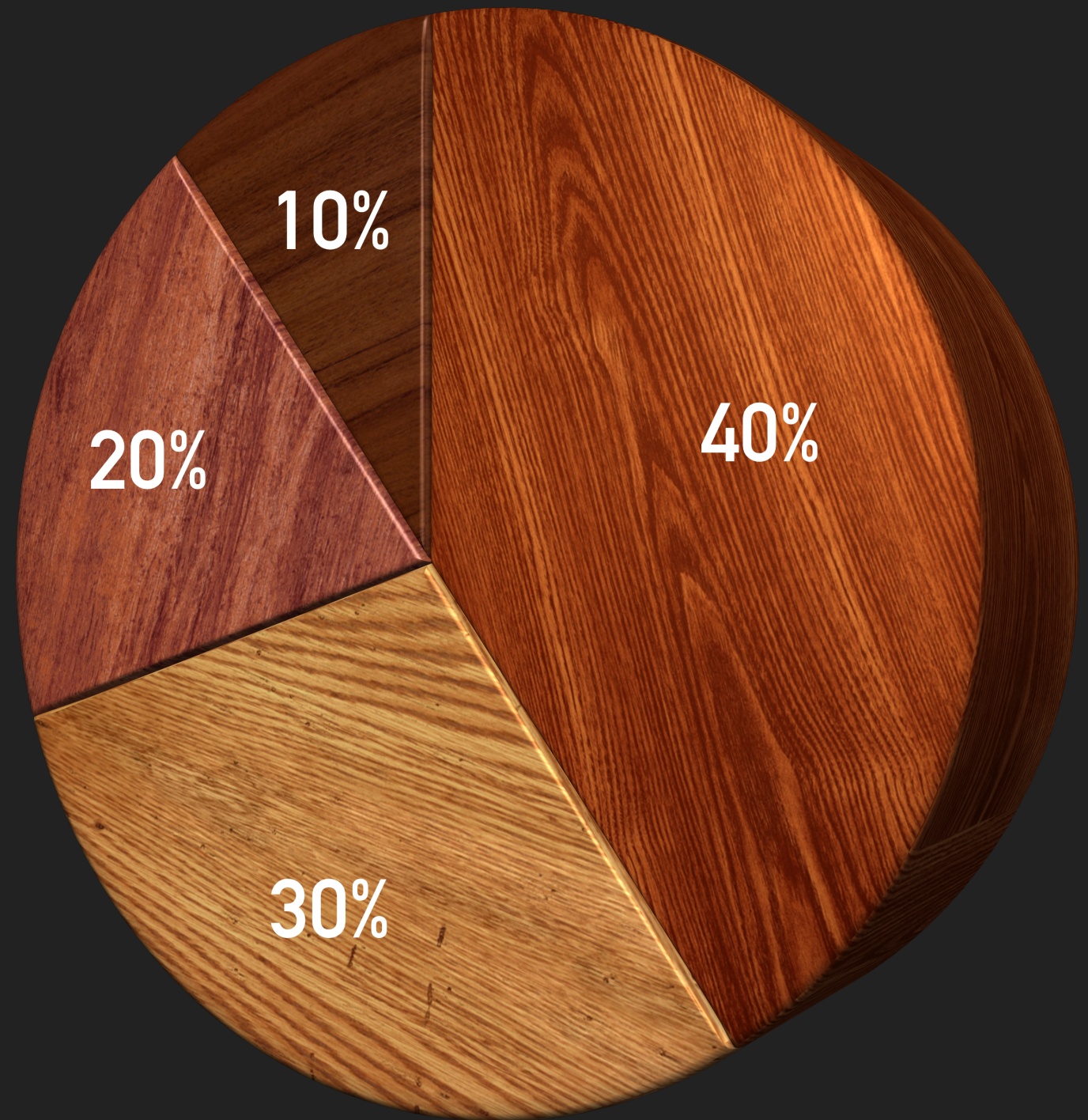
- ▶ **Distribution**
- ▶ No white rum
- ▶ **They do not produce their own rum**



## FUNDING NEEDED

**\$250,000 that will be used to:**

- ▶ **40%** Production & Packaging Costs
- ▶ **30%** Marketing
- ▶ **20%** Operational expenses
- ▶ **10%** New market development



## TARGET MARKET – SHORT-TERM FOCUS (IN ORDER)

**Our goal is to achieve 1% Total Market Share in any market we establish.**

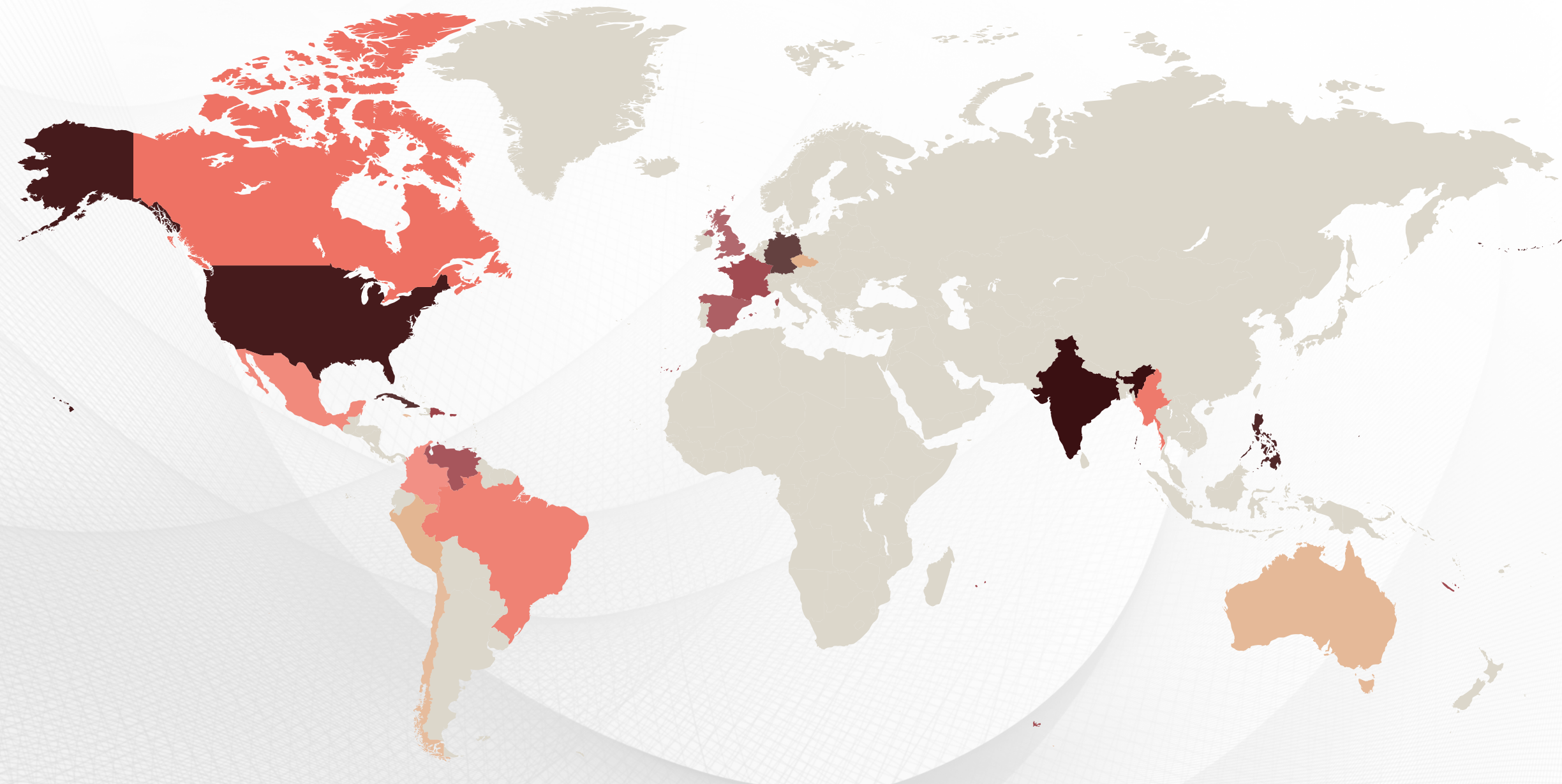
**Total sales in target markets: 30,971,000. 1% Total Market Share: 309,710 cases by the 10th year we establish in each market**

1. **Puerto Rico: 480,000 cases sold annually** - Local market. Potential distributor V. Suarez (letter of intent)
2. **Spain: 3,485,000 cases sold annually** - Javier's main market of influence. Potential distributor Exclusivas Priego, established in Córdoba, Spain (letter of intent)
3. **Germany: 4,430,000 cases sold annually.** Potential distributor ATF GmbH, established in Hamburg, Germany (letter of intent)
4. **USA: 22,076,000 cases sold annually**
5. **Rest of Caribbean (not Puerto Rico): 500,000 cases sold annually**



Top 20 rum markets forecast, 2016-2021

Source: IWSR



| 01    | 02            | 03          | 04   | 05      | 06                 | 07     | 08        | 09    | 10             | 11     | 12    | 13     | 14     | 15       | 16             | 17   | 18        | 19    | 20      |
|-------|---------------|-------------|------|---------|--------------------|--------|-----------|-------|----------------|--------|-------|--------|--------|----------|----------------|------|-----------|-------|---------|
| India | United States | Philippines | Cuba | Germany | Dominican Republic | France | Venezuela | Spain | United Kingdom | Canada | Burma | Brazil | Mexico | Colombia | Czech Republic | Peru | Australia | Chile | Jamaica |

# SALES & MARKETING

Our core strategy as presented recognizes we will need to to attack particularities of each regional market.

### Sales Channels

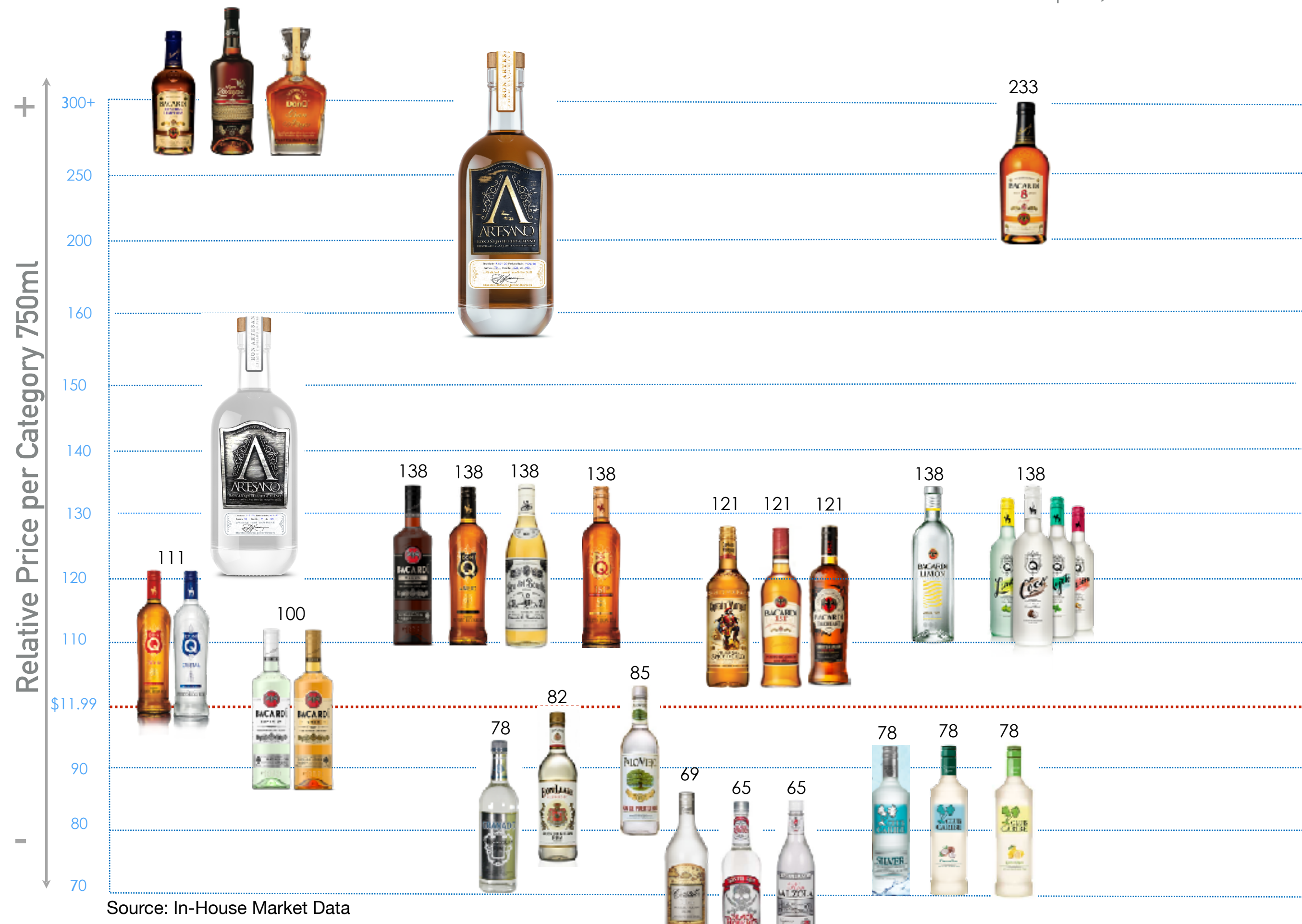
- ▶ Top 50 Bars
- ▶ Restaurants
- ▶ Dance Clubs
- ▶ Wholesalers & Clubs  
(Sam's & Costco)
- ▶ Industry service organizations

### Marketing Activities

We will target influential bars and restaurants in every market we have a presence. Outside of Puerto Rico we will attend trade shows to meet with potential distributors in new markets and use same influencer model with bartenders.



## PRICE INDEX RUM CATEGORY PUERTO RICO - ALL RUMS: 474 9LT CS / \$62,387MM



Source: In-House Market Data



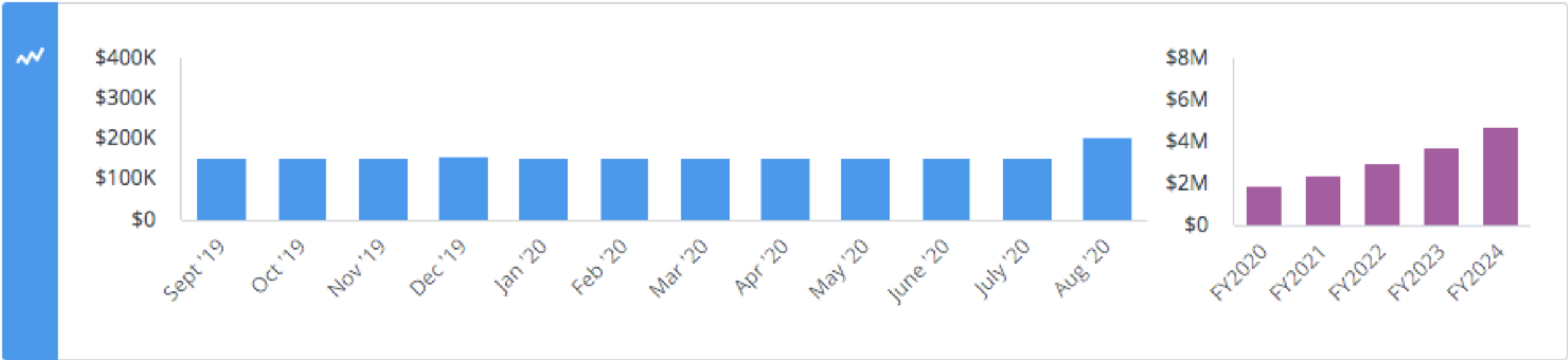
SALES PROJECTIONS

| Year | White Rum<br>9lt cases<br>75% | Aged Rum<br>9lt cases<br>25% | Sales 9lt<br>cases<br>Puerto Rico<br>20% | Sales 9lt<br>cases USA<br>Mainland<br>30% | Sales 9lt<br>cases<br>Europe 50% | TOTAL 9lt<br>Cases | TOTAL<br>750ml<br>Bottles |
|------|-------------------------------|------------------------------|--|---|----------------------------------|--------------------|---------------------------|
| 2020 | 7,350                         | 2,500                        | 1,970                                    | 2,955                                     | 4,925                            | 9,850              | 118,200                   |
| 2021 | 9,188                         | 3,125                        | 2,463                                    | 3,694                                     | 6,156                            | 12,313             | 147,750                   |
| 2022 | 11,484                        | 3,906                        | 3,078                                    | 4,617                                     | 7,695                            | 15,391             | 184,688                   |
| 2023 | 14,355                        | 4,883                        | 3,848                                    | 5,771                                     | 9,619                            | 19,238             | 230,859                   |
| 2024 | 17,944                        | 6,104                        | 4,810                                    | 7,214                                     | 12,024                           | 24,048             | 288,574                   |

This projections take into consideration 25% growth-rate from year to year.

**SALES OR ANY OTHER PROJECTIONS ARE NOT GUARANTEED.\*THIS DOES NOT CONSIDER COVER-OVER INCOME, NOR TAX CREDITS. NUMBERS MAY FLUCTUATE DUE TO CHANGES IN PRIORITIES ONCE WE DEFINE SPECIFIC SALES, DISTRIBUTION & MARKETING STRATEGIES PER EACH COUNTRY.**

REVENUE



| Revenue                    | FY2020      | FY2021      | FY2022      | FY2023      | FY2024      |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| Aged Rum                   | \$650,000   | \$812,500   | \$1,015,560 | \$1,269,580 | \$1,587,040 |
| White Rum                  | \$1,234,800 | \$1,543,584 | \$1,929,312 | \$2,411,640 | \$3,014,592 |
| BRAND MERCHANDISE          | \$6,875     | \$7,500     | \$12,500    | \$25,000    | \$50,000    |
| DISTILLERY TOUR            | \$3,150     | \$5,000     | \$8,000     | \$11,000    | \$20,000    |
| SPECIAL PRODUCTION BOTTLES | \$10,400    | \$19,200    | \$32,000    | \$48,000    | \$64,000    |
| Totals                     | \$1,905,225 | \$2,387,784 | \$2,997,372 | \$3,765,220 | \$4,735,632 |

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# PROJECTED P&L

| ▶ Projected Profit & Loss     | FY2020      | FY2021      | FY2022      | FY2023      | FY2024      |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| ▶ Revenue                     | \$1,905,225 | \$2,387,784 | \$2,997,372 | \$3,765,220 | \$4,735,632 |
| ▶ Direct Costs                | \$730,303   | \$913,386   | \$1,143,830 | \$1,433,888 | \$1,798,273 |
| Gross Margin                  | \$1,174,922 | \$1,474,398 | \$1,853,543 | \$2,331,332 | \$2,937,359 |
| Gross Margin %                | 62%         | 62%         | 62%         | 62%         | 62%         |
| ▶ Operating Expenses          | \$312,672   | \$603,000   | \$996,685   | \$712,826   | \$829,276   |
| Operating Income              | \$862,250   | \$871,397   | \$856,858   | \$1,618,506 | \$2,108,083 |
| Income Taxes                  | \$34,453    | \$34,800    | \$34,218    | \$64,684    | \$84,267    |
| Depreciation and Amortization | \$933       | \$1,400     | \$1,400     | \$1,400     | \$1,400     |
| Total Expenses                | \$1,078,361 | \$1,552,587 | \$2,176,132 | \$2,212,799 | \$2,713,215 |
| Net Profit                    | \$826,864   | \$835,197   | \$821,240   | \$1,552,421 | \$2,022,417 |
| Net Profit %                  | 43%         | 35%         | 27%         | 41%         | 43%         |

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# PROJECTED BALANCE SHEET

| ▶ | Projected Balance Sheet | FY2020      | FY2021      | FY2022      | FY2023      | FY2024      |
|---|-------------------------|-------------|-------------|-------------|-------------|-------------|
| ▼ | Assets                  | \$1,940,522 | \$2,799,933 | \$3,348,036 | \$4,642,161 | \$6,379,186 |
| ▼ | Current Assets          | \$1,934,456 | \$2,795,266 | \$3,344,769 | \$4,640,295 | \$6,378,720 |
|   | Cash                    | \$1,536,837 | \$2,294,840 | \$2,741,967 | \$3,883,990 | \$5,581,900 |
|   | Accounts Receivable     | \$102,863   | \$119,155   | \$124,816   | \$156,869   | \$197,350   |
|   | Inventory               | \$294,756   | \$381,272   | \$477,986   | \$599,436   | \$599,470   |
| ▶ | Long-Term Assets        | \$6,067     | \$4,667     | \$3,267     | \$1,867     | \$467       |
| ▼ | Liabilities & Equity    | \$1,940,522 | \$2,799,933 | \$3,348,036 | \$4,642,161 | \$6,379,186 |
| ▼ | Liabilities             | \$113,659   | \$137,872   | \$164,734   | \$206,439   | \$221,047   |
| ▶ | Current Liabilities     | \$113,659   | \$137,872   | \$164,734   | \$206,439   | \$221,047   |
|   | Long-Term Liabilities   |             |             |             |             |             |
| ▼ | Equity                  | \$1,826,864 | \$2,662,061 | \$3,183,301 | \$4,435,722 | \$6,158,139 |
|   | Paid-In Capital         | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
|   | Retained Earnings       |             | \$826,864   | \$1,362,061 | \$1,883,301 | \$3,135,722 |
|   | Earnings                | \$826,864   | \$835,197   | \$821,240   | \$1,552,421 | \$2,022,416 |

SALES OR ANY OTHER PROJECTIONS ARE NOT GUARANTEED.\*THIS DOES NOT CONSIDER COVER-OVER INCOME, NOR TAX CREDITS. NUMBERS MAY FLUCTUATE DUE TO CHANGES IN PRIORITIES ONCE WE DEFINE SPECIFIC SALES, DISTRIBUTION & MARKETING STRATEGIES PER EACH COUNTRY.

## THE ASK

### Financial Structuring Data & Parameters

- ▶ Pre-Money Valuation of the Business: \$2,000,000
- ▶ Initial Expected Capital Raise: \$1,000,000
- ▶ Percentage Owned by Investors: 50%
- ▶ Percentage Owned by Artesano: 50%

### Why a \$2MM valuation?

- ▶ **Existing distillery functioning with healthy financials, permits, etc.**
- ▶ **Team of three (3) industry experts, each with 20+ years of experience in marketing, rum elaboration and production**
- ▶ Huge upside on an international business scope (**142MM cases worldwide** / 16.4B+ dollars worldwide market cap in 2019 **growing annually by 3.9% CAGR** (statista.com))
- ▶ **The project should be profitable by the 2nd year.**

### Flexible Structure

- ▶ Common Stocks or Preferred Convertible Stocks  
(conversion details to be discussed)

# EXPECTED RETURN

- ▶ **\$36,000,000 in 7 years** - Valuation calculated by using projected Revenues of years 7 & 8
- ▶ **\$60,000,000 in 10 years** - Valuation calculated by using projected Revenues of years 7 & 8

Acquisitions in the spirits industry typically range from five to twenty times the company's operating income (EBITDA) or 2 to 2.5 times gross annual earnings. Our forecast is base on 25% yearly growth, resulting in a **minimum return on investment (ROI) for our investors of 15x their investment.**



# CAN THIS HAPPEN?

### Tequila Casamigos

Tequila Casamigos has been sold to global conglomerate DIAGEO. **Casamigos sold only 120,000 cases in the USA** and it is expected to sell 170,000 cases by the closing of 2017.

**The initial consideration for Casamigos is \$700 million, with the potential for up to an additional \$300 million based on performance over the next 10 years.**

"It supports our strategy to focus on the high growth super-premium and above segments of the category," said Ivan Menezes, Diageo's chief executive, in a statement.



### CAN THIS HAPPEN?

Milan-headquartered **Campari Group** first entered into “exclusive negotiations” to buy Rhumantilles.

**The agreement between the two parties, which is valued at €60 million (US\$66m) was signed on the 5th of September 2019.**

The deal includes the brands, the land holdings, the distilleries and visitor centres, as well as a high-quality aged rum inventory. **It's a serious jolt for rum agricole, which occupies a tiny share of global rum production,** producing rum from fresh sugar cane juice as opposed to the vast majority of rums, which are made from molasses.





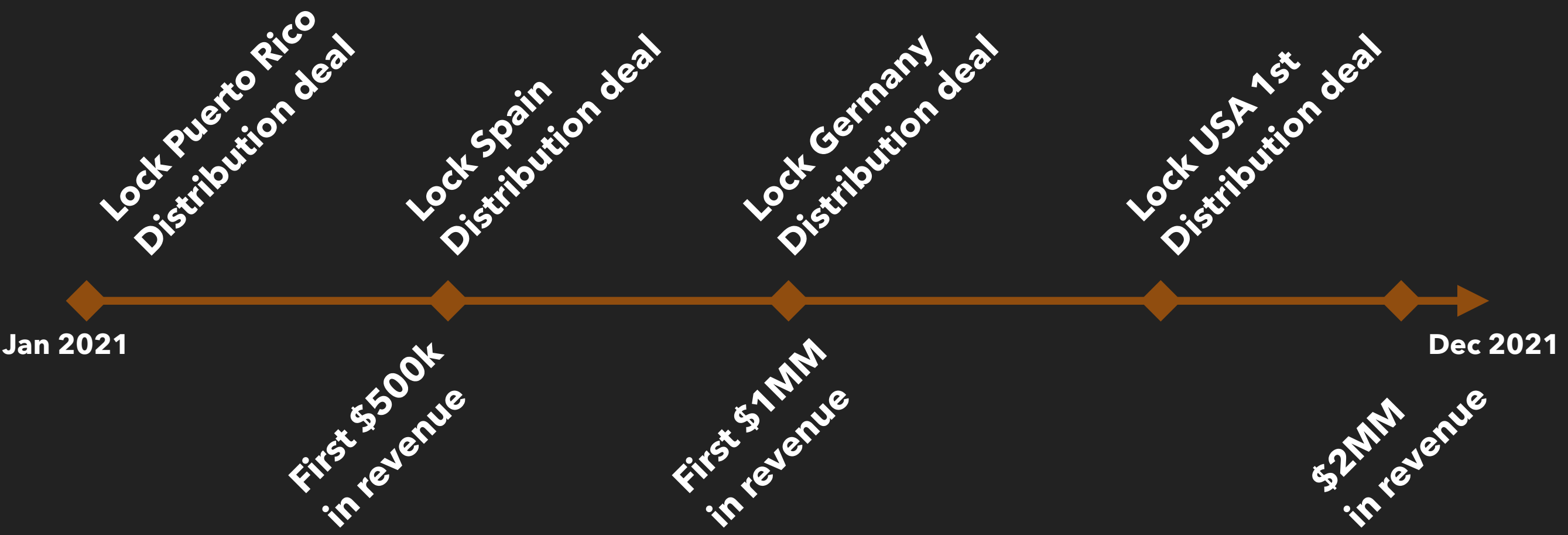
# CAN THIS HAPPEN?

Our expected projections present the 5th year with total sales of 24,048 9lt cases and **revenues of approximately \$4,735,000.**

We believe these numbers are possible, and **ARTESANO could be for rum what Tito's is for Vodka, and Casamigos for Tequila.**



# 1ST YEAR MILESTONES



## IN CONCLUSION, THIS IS A WINNING PROJECT BECAUSE:

- ▶ **Up & running distillery**
- ▶ **Knowledge, experience, commitment & clear vision of the Team**
- ▶ **Scalability & growth potential of the project**
- ▶ **Low Cost Venture**
- ▶ **We can produce a World class rum...NOW**
- ▶ Rum is the 3rd spirit in the USA and growing (IWSR)
- ▶ Rum is highly profitable
- ▶ **Private label production for other distilleries wanting to benefit from the Rum Cover-Over**
- ▶ **100% tax exemption on dividend distribution for the first 5 years of operation from personal property, 90% thereafter.**
- ▶ **50% tax credit**
- ▶ **Rum Cover-Over**
- ▶ **Committed distribution pipeline in Puerto Rico, Spain and Germany**

# ATF GmbH

Hamburg, Germany

## Letter of Intent



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ATF GmbH, Langenhorner Chaussee 406, 22419 Hamburg

To whom it may concern:

25. October 2017

Our company ATF GmbH, established since 2007 in Hamburg, Germany in very interested in developing the artisanal rum ARTESANO, to be produced and bottled in Puerto Rico. Our interest is to invest some money in the product as seed capital and to be official ARTESANO importers and brand representatives for Europe as soon as the product is available and for years to come. For more information on our company please visit [www.atf.hamburg](http://www.atf.hamburg).

Sincerely,

Nikolai Munk  
Tel. +494031182522  
email: [atf@atf.hamburg](mailto:atf@atf.hamburg)



# Exclusivas Priego

Córdoba, Spain

## Letter of Intent



En Priego de Córdoba a 16 de noviembre de 2017.

### CARTA DE INTENCIONES.

Estimados señores:

Debido a nuestras recientes conversaciones con D. Javier Herrera, la razón de esta carta es fijar los principales términos y condiciones sobre un acuerdo de distribución-importación en exclusiva para el territorio del Reino de España con nuestra distribuido Exclusivas Priego S.L de su producto Ron Artesano procedente de Puerto Rico.

Los términos de esta carta no son exhaustivos y tienen como objeto la manifestación de nuestra intención de celebrar un contrato por escrito. Los términos de esta carta no son legalmente vinculantes entre los negociadores salvo que expresamente así se establezca.

#### Clausula de exclusividad

El acuerdo debe contener clausula de distribución en exclusiva para nuestra distribuidora en el territorio del Reino de España de los productos que se determine, haciéndole expreso manifiesto que esta compañía ha mantenido, mantiene y mantendrá acuerdos de distribución e importación en exclusiva de rones procedentes de Cuba, República Dominicana, Guatemala, Venezuela y Nicaragua y por ello no deben se considerarse competencia ni concurrencia a estos efectos.

#### Clausula de confidencialidad

Los negociadores serán responsables del deber de secreto y confidencialidad sea respetado por sus empleados.

#### Ley reguladora y jurisdicción

El acuerdo a constituir se someterá a las Leyes del Estado Español, el cual, tendrá jurisdicción sobre los asuntos del mismo.

Esperando sus noticias.

Reciba un cordial saludo.

Javier Pozo  
Administrador Único.

**V. Suárez**

San Juan,  
Puerto Rico

**Letter  
of Intent**

*V. Suárez*

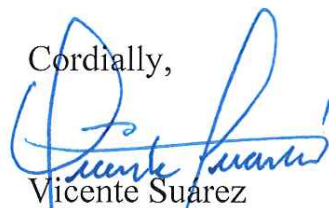
November 21, 2017

To whom it may concern:

V. Suárez & Co., Inc. established in Puerto Rico, evaluated the concept and proposal of rum ARTESANO, and we are very interested to collaborate in the distribution with the rum ARTESANO in Puerto Rico.

The terms of this letter are not legally binding between parties, and it just represents our stated interest.

Cordially,



Vicente Suárez  
Senior Vice-president of Sales  
V. Suárez & Co. Inc.

## WHAT IS THE RUM COVER-OVER?

- ▶ It's a Federal grant that started for Puerto Rico in 1917.
- ▶ **Under the Federal Rum Excise Tax Cover-Over Program, the Government of Puerto Rico currently receives a refund of \$13.25 per proof gallon from the \$13.50 excise tax that is imposed upon every proof gallon of rum sold in the United States.** These funds are used to provide incentives to the Puerto Rico rum industry to offset marketing, promotion and production costs. **Currently, Puerto Rico is offering rum manufacturers incentives worth 46% of the rum rebate revenue generated from branded rum sales and 25% from bulk rum sales. Furthermore, the Government of Puerto Rico provides an additional 11% for bulk rum sales to be used as an incentive for the benefit of the third-party purchaser of bulk rum.** In return, rum producers that have currently signed agreements with the Government of Puerto Rico have agreed to maintain a minimum level of production in Puerto Rico for a period of twenty years.

