EASTSIDE DISTILLING, INC.
(NASDAQ: EAST)

Corporate Update Conference Call
To Discuss Intersect Beverage Acquisition

Tuesday, September 17, 2019
10:00 a.m. Eastern

CORPORATE PARTICIPANTS

Steve Shum – Chief Financial Officer & Interim CEO, Eastside Distilling, Inc.
Robert Mandfredonia – President, Eastside Distilling, Inc.
Robert Blum – Managing Partner, Lytham Partners

PRESENTATION

Operator
Good morning, and welcome to the Eastside Distilling reports First Quarter Fiscal Year 2019 Financial Results Good morning, and welcome to the Eastside Distilling corporate update conference call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then one on your telephone keypad. To withdraw your question, please press star, then two. Please note, this event is being recorded.

I would now like to turn the conference over to Robert Blum with Lytham Partners. Please go ahead.

Robert Blum
Thanks so much, Gary. Good morning, everyone, and thank you for joining us today to discuss Eastside Distilling's acquisition of Intersect Beverage, owners of the Azunia Tequila brand. As Gary indicated, I am Robert Blum of Lytham Partners. I will be your moderator for today's call. Yesterday, Eastside issued a press release as well as filed an 8-K regarding the acquisition.

Joining us on today's call to discuss the transaction details are Steve Shum and Robert Manfredonia. Following the remarks, we'll open the call to your questions. Please note that there is a slide presentation that will accompany a portion of today's call. Those of you listening on the webcast will have access through the webcast portal. And a copy is also available on the company's website under the investor relations section.

Before we begin with prepared remarks, we submit for the record the following statement. Certain matters discussed on this conference call by the management of Eastside Distilling may be forward-looking statements within the meaning of section 27A of the Securities Act of 1933 as amended, section 21E of the Securities Exchange Act of 1934 as amended. And such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements describe future expectations, plans, results, or strategies, and are generally preceded by words such as may, future, plan or planned, will or should, expected, anticipates, draft, eventually, or projected. Listeners are cautioned that such statements are subjected to a multitude of risks and uncertainties that could cause future circumstances, events, or results to differ materially from those projected in the forward-looking statements.

Such matters involves risks and uncertainties that may cause actual results to differ materially includes, but are not limited to, the company's acceptance and the company's products in the market, success in obtaining new customers, success in product development, ability to execute the business model and strategic plans, success in integrating acquired entities and assets, ability to obtain capital, ability to continue the growing concern, and all the risks and related information described from time to time in the company's filings with the Securities and Exchange Commission, including the financial statements and related information pertaining to the company's annual report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission on March 28, 2019.

With that said, I'd now like to turn the call over to Steve Shum. Steve, please proceed.

Steve Shum
Thank you, Robert. And thank you, everyone, for joining us on the call. We are excited to be back speaking with you so quickly after our recent earnings call. As most of you know, at the beginning of this year, we completed our major acquisition of Craft Canning, which dramatically bolstered our copacking and overall production capabilities. And we've been stressing to everyone how important and beneficial that deal was, as an important piece to our overall platform.

Today, we are pleased to be telling you about a major acquisition on the branded product side of the business. First, as mentioned on our recent earnings call--let me start by reiterating the key elements we've been targeting in our branded product acquisition efforts. First, deal structure. We wanted something to be highly attractive for our shareholders and avoid using our stock price at current prices. Second, critical mass or substance. We wanted to find a brand that already has real case volume and mass. Not so much that it's on the radar screen of a larger player, but substantial relative our current level of business.

Third, portfolio and market positioning. We wanted to target a brand that fits well with our existing portfolio, is growing fast, in the right category, and plays in the premium or luxury end of the market. And finally, it must be something that perpetuates the goal of building additional products through our national platform and which allows us to expand upon it more aggressively. Those parameters set a pretty high bar and we didn't think we would actually find something that checked all those boxes perfectly and we assumed we'd have to make some compromises, which is why we're extremely excited about the Azunia Tequila acquisition.

It's really hard to envision a better fitting acquisition for where we are today as a company. It's really a great fit. Going through our checklist, I'll cover deal structure last.

Starting with critical mass, the Azunia brand has been developed over a 10-year period. They built a brand in a very traditional way, by initially targeting the on-premise arena of restaurants and bars. The brand should reach approximately 16 to 17,000 cases for this year fiscal 2019 and approach $4,000,000 to $4, 200,000 million in gross revenue. With the exception of Redneck Riviera, we have nothing even close to that size in our existing brand portfolio. So, this is really a major product addition.

As a side note, which Robert will cover in greater detail, their on-premise positioning, relationships, and sales team is also a great synergistic fit for our off-premise distribution network of independent national retailers and our sales team, another key reason this fits so well with Eastside.

Next, portfolio fit and market positioning. Tequila is one major product category we had not yet added to our portfolio. So, fill--fills that important gap. Equally important, tequila is an extremely hot growth segment, particularly in the premium to ultra premium category, which is exactly where Azunia's positioned. Robert will review additional data around that. The key point is the market tailwinds are at the back of this product. I would also note that Azunia's more recent growth pace has increased.

As we meld this product into our infrastructure, we will essentially more than double the number of sales reps now pushing the brand, have a very complementary focus with off-premise sales, and provide for a substantially higher distribution framework and overall points of distribution in other parts of the country. That is really the exciting opportunity here.

So, given its current size, case run rate, and growth rate, this product addition achieves our key objectives toward helping to advance our national sales distribution platform, and enable greater efficiencies and leverage of that distribution infrastructure. Assuming we maintain the current growth rate, which we believe we can improve upon, we would expect the brand could add in excess of 5.5 million or more in revenue next year. We also expect the brand's gross profit contribution to more than offset the added sales team addition and thus improve our original EBITDA objectives for 2020.

Lastly, deal structure. Let me first express our appreciation to the primary over 90 percent owners of the brand, Pat and Stephanie Kilkenny, for taking the time to understand and buy into the long-term vision of Eastside. They also demonstrated a tremendous amount of patience with us as we took a fair amount of time to evaluate and assess the brand and its merits, beginning around February of this year. So, our collective thanks to them.

I'd also like to make mention especially for those of us around here that are fans of the Portland Trailblazer basketball team, that Bill Walton, who led the Trailblazers to their only national championship so far, has been involved with Pat and Stephanie as a part owner and now a shareholder in Eastside and has helped promote the Azunia brand. We look forward to working with Bill Walton on how he might continue to help us develop and promote the brand under Eastside.

As mentioned in the press release and 8-K, this is designed to be a stock deal. The actual purchase price will be determined based on future revenue performance over the next 18 months from the closing date. No shares will be issued until we reach that 18 month point in the future. So, in essence, we acquire it now and pay for it in the future. One exception to that, part of the shares to be issued in the future, having preset price fixed at $6 a share. The remaining shares will be issued based on the final purchase price and the stock price in the future.

I would also note that the purchase price is capped at a maximum of $14.7 million plus a potential for an additional $1.5 million earn out. The sellers recognize that part of the future 18-month performance would be a result of our additional sales team distribution efforts brought to bear on the brand's success. Thus, they were willing to cap the price. That also means the better we do with the brand over the next 18 months will ultimately allow us to have even more favorable economics in terms of the price paid relative the revenue run rate at the time we complete the purchase.

When you take a minute to think about those mechanics of the transaction, we hope you all agree this was a great deal and structure for our shareholders. It puts us in a position to essentially pay for a major brand at what we believe is well below the market rate for what this brand could likely sell for in the near future and especially 18 months down the road. Again, this is a testament to Pat and Stephanie's vision and preference to team up with Eastside. They are now major stakeholders in Eastside and can continue to participate in the longer-term success of Azunia and Eastside as all.

And finally, part of the transaction included providing Azunia with a board seat. Stephanie Kilkenny, who has been extremely active with Azunia, plans to fill that seat and we look forward to her addition in the near future.

Before turning the call over to Robert for his comments, I'd also like to revisit one of the key topics we covered on our earnings call, our near-term efforts and plans on working capital. As mentioned, one of our primary objectives involves utilizing our large inventory position and relatively larger receivable balance to provide liquidity. Those efforts are progressing, although, admittedly, have taken a little longer than expected as we work out certain mechanics. We had also described the fact that we recently had approximately 366,000 warrants expire and that we had received commitments from existing longstanding shareholders to supplement our inventory receivable funding plans if needed. With those other efforts taking a little longer and our desire to close Azunia, we accepted that commitment and completed a small equity raise as described in the press release and 8-K.

We fully understand shareholder sensitivity to dilution and did our best to line that equity funding up as close to an offset from the expiring warrants as possible so as to minimize the overall dilution picture from where we started at the beginning of this year. I would also like to mention that Pat and Stephanie participated in this offering. It's rare you can buy a quality company, pay for it in future stock, and then also have the sellers invest. Thank you, again, to them, as well as the other participating shareholders.

So, at this point, I'm going to turn the discussion over to Robert to take a deeper dive into the integration of Azunia. Robert?

Robert Manfredonia
Thanks, Steve. Good morning, everyone. We have 10 content slides and three additional slides in the appendix that include state distribution information and additional consumer insight data. I will discuss select points of information because of the amount of detail. Please feel free to contact me with any additional questions. Let's get started. Slide two, please.

Significant growth opportunity. The Azunia brand provides Eastside entrance into the fastest growth category space and the fastest growing price segments above premium luxury price tequila. The big opportunity is tequila. Volume only represents 10 percent of the U.S. spirits market and 1 percent of the global spirits market. Tequila is still in the infancy stage.

Tequila exports in 2018 was another record setting year. In fact, the ninth consecutive record setting year. Another key premium data point, 2018 marked the first time the exports of 100 percent agave tequila overtook exports of 51 percent mixto tequila. Meaning, a notable category shift to start it away from lower priced event, party occasion-based tequila.

Revenue synergies. Eastside's strength on the national platform includes accelerated distribution entrance within the off-premise channels. This includes the corporate national account sector. Notable point, Redneck Riviera gained 3,500 plus mandated corporate retail accounts in less than 12 months. And this is usually a four to six year build out. Azunia has only 400 points of distribution within retail corporate accounts. So, we see the opportunity for expedited new Azunia retail corporate account distribution.

Azunia's strength, conversely, is traditional on-premise brand development. This will enable route to market brands, like Burnside, Hue Hue, and other new brands to grow at an accelerated pace with less cost of entry. Next slide, please.

Brand portfolio value. Eastside now has two mainstream national brands. Both brands are positioned in high growth categories. Azunia and Redneck Riviera are in high growth price segments. Also, we now provide increased retail basket ring value to corporate retailers in high growth categories. There's also a reduced tactical support with the bundling of multiple brands.

Leveraging the sales force. Initial nationwide integration meetings were completed the week of 9/6. Eastside's national distributor network and sales organization build out is now complete. All major markets are covered. Distributor representation is now in 47 states and Washington, D.C. In comparison, September 2019, Eastside state coverage was 28 states. Next slide, please.

Acquisition value in retail and the wholesaler network, distribution synergies. If you're looking at the presentation, the red lines represent Redneck Riviera and in blue, it represents Azunia. So, when you review Redneck in red, distribution's driven primarily from the off-premise, almost 88 percent. In contrast, Azunia in blue, distribution's driven primarily from the on-premise, almost 66 percent of the total business. Also, there's minimal account distribution overlap between the brands. So, there's an immense opportunity to capitalize in existing accounts. So, please review the sub points below the charts and then we'll move to the top right.

Wholesaler value. Azunia fills a void with wholesaler's portfolio in the highest growth segment within spirits. Many wholesalers have limited or no above premium luxury position tequila. And most have limited or no organic tequila. Wholesalers like to bundle high growth brands together and create additional value to retailers. And for each side, additional revenue contribution provides a lower margin expectation from the wholesalers. Again, please review the sub points below. I will touch upon the last point, which is all the wholesaler transition will be completed by quarter one 2020. Next slide, please.

This is a category segment dashboard with tequila specific information for 52 weeks ending 8/10/2019. Starting with the top left, highlighted we have U.S. whiskey, tequila, and cocktails. All segments (unintelligible) is in and all are high growth categories, especially from a dollar contribution standpoint. When you look at tequila, it is now the fastest growing dollar contribution segment within spirits. Dollars are outpacing cases by 5.1 percent, by far the greatest category difference.

Top right. Growth is in the ultra super premiums price segments. Azunia is predominately in the on--in the ultra premium space and Redneck Riviera is in both the super and the ultra premium segments. Bottom right. And this is tequila only. Highlighted, the fastest growth sub segment, growing 11 percent higher than the ultra premium category in total is the ultra premium 750 tequila. This is Azunia's core price position. Next slide, please.

This slide is tequila total U.S. xAOC plus package. If you're not aware, xAOC stands for extended all outlet combined. So, this is the total marketplace within corporate accounts. Left to right is the brand, the average retail sales price, 52-week dollar percentage change, and dollar contribution. I highlighted the dollar percentage change versus a year ago. Okay? So, I want you to take a look at this and one other data point. This is the top 100 tequila performers at eschew level plus $40 retail price.

So, when you look within that box, you see plus 6 percent Patron, which has an enormous base of business. But, below that, Don Julio, Casamigos, 43 percent growth, 73 percent growth, 23, 46, you can go down the list. This shows the high growth that's happening within plus $40 tequila. Luxury position tequila is now flourishing. One more example is if you look at Don Julio 1942, the second item, it is now the 10th highest dollar contribution brand at an average retail price of $126.13.

If you would've asked me five years ago, I never would've thought $100 bottle could drive enough turns even to be a top 25 brand, let alone a top 10 brand. This is the Azunia Black opportunity, $100 plus price position, two-year age Anejo in American oak barrels, multiple gold medal awards. For Eastside, gross profit for Black is 62 percent. Gross dollars per case is $442 on a nine liter case equivalent. This is the highest gross dollar case now within the Eastside portfolio by $280. Next slide, please.

Additional category data points. This slide is somewhat redundant, but the key data point is provided in the top left pie chart. Eastside now is, from a share standpoint nationwide, in one-third of the overall category space volume. Next slide, please.

The next couple of slides are about the brand. Among many outstanding attributes, Azunia is a great premium brand story. Next slide, please.

Azunia starts with authenticity. Key brand points include USDA certified organic, single estate hand-crafted. Azunia's from one exclusive distillery, 5,000 acre farm, no GMO or chemical additives, 100 percent all natural products. Next slide, please.

Differentiation in the tequila market. Consumers increasingly want the option to choose products that are natural and void of additives. When you review the brand differentiation on the chart, you can see the significant differences between Azunia and the competition. The consumer more than ever is educated. They care about what's in the bottle, especially at a plus $40 price position. Also, the points differentiation provide a strong selling platform in the on-premise and support the changing environment within the off-premise. Next slide, please.

This slide provides the tasting notes, aging, and the multiple awards. Not captured on this slide because the awards were presented on August 22nd are the following. Blanco, double gold winner in a New York Worldwide and Spirits competition. Also, a tremendous award. Azunia was named the organic distillery of the year by the New York World International Spirits Championship, a tremendous accomplishment.

So, you can read through and get an understanding a little bit more about each of the brands that Azunia has. There's a lot here to be proud of about the outline accomplishments. So, we'll be sending out more information, a little bit more detail as to some of the things that are part of the brand itself. Next slide, please.

This is the last slide, and this is the additional value that the acquisition provides. Number one is marketing. We fill a pivotal Eastside vacuum with a dedicated marketing team. Moving forward, we will improve with disciplined brand development and management. And this is inclusive of media relationships, corporate communication and PR, strategic partnerships, and we'll continue to improve sales and marketing continuity.

Point number two, logistics. Eastside will transition to in-house invoicing, licensing, and compliance, utilizing the Azunia logistics team and system. Currently, Eastside, we outsource support. And the in-housing will improve cost and control.

And number three, international. Eastside will start reviewing global opportunities. We've already assigned responsibility to a current Azunia manager. And we have already started looking at opportunities and multiple parts of the globe. In all three areas, marketing, logistics, international opportunities, we've started discussions and planning on July 15. So, we're a little bit ahead of the game.

So, I wanted to be brief, so we had a little bit more time on the Q&A to answer any questions. But, again, feel free to contact me with any questions that we didn't cover or we need further detail with. So, with that, I'll pass it back to Steve. Steve?

Steve Shum
Thanks, Robert. Before we open it for questions, I just want to, once again, thank all of our employees and the incoming Azunia employees for their dedication and hard work. Collectively, the entire team continues to make major contributions toward building Eastside into a significant independent spirits company. So, let's go ahead and open it up for questions. Operator?

QUESTION AND ANSWER

Operator
We will now begin the question and answer session. To ask a question, you may press star, then one on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star, then two. At this time, we will pause momentarily to assemble our roster.

The first question comes from David Bain with Roth Capital. Please go ahead.

David Bain
Great. Thank you. And congratulations on what we think is a great deal. First, Azunia was founded, I believe, 10 years ago or so. So, it's proven and established. But, growing at that 40 percent clip, I know that premium tequila category, as you outlined, Robert, is plus 10 percent. But, any other thoughts as to the recent outperformance by them and how sustainable that is?

Robert Manfredonia
Yeah. Hi, David. Good morning.

David Bain
Hi.

Robert Manfredonia
We think there's an immense opportunity because, again, you got to remember--I mentioned 66 percent of their distributions in the on-premise, but 85 percent of the volume is in the on-premise. Meaning, they haven't touched really the off-premise opportunity. Eastside/Redneck, we thrived within the off-premise sector. So, we think that we can sustain the current on-premise growth, but we think there is incremental immense opportunity with major corporate retailers across the United States.

As an example, today, I'm sitting in Dallas, Texas. I'm meeting with AFIS (ph), the Army and the Air Force to present Redneck Riviera and to present Azunia. Azunia's never presented before to any of the branches of the military. I'll be meeting with the Navy next month.

So, we have access and we're going to start presenting to all the major retailers across the United States immediately. So, if we sustain our growth in the on-premise and then we kind of stable our core competencies in the off, I think we have immense volume opportunities ahead of us.

David Bain
And any reason, though, that you think that they're growing at that 40 percent clip recently, outperforming the market? Is the brand taking hold in some ways? Is it getting street credibility? Anything--any kind of drivers you can--

Robert Manfredonia
--Yeah. Yeah. Well, I think it's a couple of things. I think it's a credit to their sales organization who I've gotten to know a little bit more. They have really good competent people that they've hired. And they've been able to make sustainable growth, especially in California. I also think the organic point of differentiation provides a lot of value. People are coming around to sort of wanting to have something that is organic.

So, if you think about it this way, David, there's really three types of tequila. There is what we mentioned, mixto tequila, right, that's not pure. It has additives to it. And then, you have 100 percent agave tequila, which is starting to thrive. And then, the next level over is 100 percent agave that is organic that very few companies are in and that's where we are. So, we think that point of differentiation as people start to trade up and go to a higher priced tequila, that's where Azunia's positioned.

So, I think it's a combination of their personnel and I think their messaging that is starting to take hold with tequila customers across the country.

David Bain
Okay. And then, Robert, you also mentioned 1Q 2020 is folding in of their respective sales forces. Can you give us an idea of the cadence from that point forward as to gaining penetration in actual whitespace for both brands, really? Is that an elongated ramp? Or is that something you think can occur with initial resets? Or how should we look at that?

Robert Manfredonia
Yeah. We think we can make impact in early 2020. Really, this timing is really critical for a lot of the presentations that are being made. So, one of the things I would think about, David, from a staffing standpoint, we held off on some of the positions that we had outlined in the Eastside national sort of framework for personnel. And another great point of this acquisition is the synergy. A lot of the folks that Azunia has fit in perfectly with what we actually needed. So, we didn't have to add incremental head count to what we already had planned out for 2019.

The great part is that we have the fourth quarter to synergize everything together and be ready for 2020. So, we think we're going to have immense impact not just from organic growth but also from incremental volume opportunities that I mentioned, especially in the off-premise.

David Bain
Right. And Steve, did I hear you right when you said Azunia should be about $4.2 million of revenue at the end of the year? And you gave guidance for next year of $5.2 [million]?

Steve Shum
I said that they're expecting to approach four to $4.2 million this year, roughly. And what we said is that if at minimum the brand maintained its current growth rate, which as a side note we think we could improve upon, but just assuming it maintains the current growth rate, then that would suggest an excess of $5.5 million.

David Bain
Right. Okay. I was getting 5.8 and then--okay. Just wanted to clarify. And I guess last thing, just because you haven't spoken about it previously was if you could describe international a little bit, what--any sort of potential timing. And then, when you look at Redneck as a brand, does that resonate internationally in your view?

Robert Manfredonia
Yeah. We've done a very high-level review of opportunities with Redneck. Just some very preliminary work. And we do think that there are markets out there that Redneck would be applicable to on the international stage. Regarding Azunia, we have already initiated market reviews of China, Taiwan, Hong Kong, India, Dubai, and the UK. So, we think we can fit in. As an example, craft whiskey's flourishing in Spain and in the UK. So, they're two areas that we think we have a little bit of overlap with where we think we can put the brands together in. Different customers, but one's a craft whiskey and then we have a tequila.

But we think the international horizon with 1 percent penetration. And if you look at China, tequila was banned until 2014. So, you have an enormous market. The largest consumption market with spirits on the globe that we're going to start looking toward in the very near term.

David Bain
All right. Great. Congratulations, again.

Robert Manfredonia
Thanks, David.

Steve Shum
Thanks, David.

David Bain
Thank you.

Operator
Again, if you have a question, please press star, then one.

The next question comes from Ross Taylor with ARS. Please go ahead.

Ross Taylor
Yeah. Congratulations on what looks like a really great deal. Can you give us a little bit more meat on the bones for the way you see or the kind of volume impact you would expect to see in both Redneck with the new on-premise marketing force as well as Azunia being able to basically piggyback on what you guys are currently doing with Redneck inside their retail end of that? It would seem to me that both of those should give a substantial on-ramp to much higher case volumes as we work through 2020.

Robert Manfredonia
Yeah. Ross, hey. Good morning, Ross. Yeah. I think there's immense incremental new business, as you mentioned, just because of the unique differences on the platform. Azunia being an on-premise brand

that has the off-premise opportunity. And conversely, Redneck Riviera, that is 88 percent of the distribution and 94 percent of the volume, is sourced through the off-premise. So, we need to have better balance with both brands and there lies the volume implication and opportunity.

So, I think 2020--and again, there are timelines that we have to hit here, Ross, because a lot of the major chains work six to nine months out. So, we got to make sure that we capture those. That's a little bit of a challenge because of the timing of this, but we're asking for a little bit of favorability to not hold to the usual timelines. But we think there's immense opportunity to work back and forth between these brands between the on and the off premise.

The other big value that I really didn't highlight is we've talked before about brands that we have in our stable in Oregon, like Hue Hue and like Burnside. They may not be national brands yet, but they're very strong regional brands. And again, those brands, like Hue Hue and Burnside, they're not all premise brands yet. They got to follow a very traditional model. And we're going to be able to go right on the back of a lot of the Azunia accounts in Los Angeles, in San Francisco, in New York and be able to bring those type of brands in where we already have relationships.

That's not part of the Redneck model. So, there's an opportunity downstream with secondary brands that can be high volume, but they're highly profitable. So, that's part of building the platform out.

Ross Taylor
So, from an investor standpoint looking at this, you would expect this to show traction in the second half of 2020 as--

Robert Manfredonia
--Yeah.

Ross Taylor
Just because of the dynamics of how the industry buys and integrating the sales forces and bringing all the products. So, -this is a major step forward in your idea of becoming a brand incubator and brand builder, isn't it?

Robert Manfredonia
Yeah.

Ross Taylor
It's taking from one brand to now you're going to have a family of products.

Robert Manfredonia
Yeah. That's really the point on your timing point. So, we're trying to squeeze into the window right now of trying to get into the spring 2020 new sets. We're a little bit late. So, I'm going to try to do as much as I can.

The next review process, Ross, is going to be March for September of next year. That fits in with your timeline. So, we think we can keep feeding and growing the organic business that Azunia has, keep building Redneck Riviera. And then, within the corporate national accounts, start to get a lot of traction in the back half of next year. That's probably going to be to save timing for us to look at.

Ross Taylor
Okay. And then you've talked about this being EBITDA positive. And as that ramps, I would assume it becomes--

Robert Manfredonia
--Yeah--

Ross Taylor
--Meaningful EBITDA positive. So, as we move through next year, we should start to see a ramp upwards. And with 2021 being potentially explosive, you're on the upside.

Robert Manfredonia
Completely agree. Completely agree.

Ross Taylor
Congratulations. I know the market doesn't seem to appreciate what you did, but as one of your larger holders, I think we find it to be an elegantly structured deal and a really exciting one as well. Thank you.

Robert Manfredonia
Thank you, Ross.

Steve Shum
Thank you, Ross.

Operator
Once again, if you have a question, please press star, then one.

The next question is from Ian Gilson with Zacks Investment Research. Please go ahead.

Ian Gilson
Sure. Good morning, gentlemen. I have a couple of small questions. With the acquisition, what assets, such as inventory and raw materials, come with that?

Steve Shum
Yeah. The primary asset, Ian, is inventory. And of course, all the brand IP and trademarks and everything like that. But, from a tangible asset, it is mainly inventory.

Ian Gilson
That is inventory that is in the process of maturing in Mexico?

Steve Shum
It's mostly finished product and some work in process. So, the bulk of it is actually existing finished goods.

Ian Gilson
So, what measures have you taken to ensure raw material apply? Because you don't actually do the agave fermentation, correct?

Steve Shum
Right. We have a supply agreement with the distillery down in Mexico that's a long term agreement, and basically, they have fairly substantial access capacity capability beyond the forecast that we have provided to them.

Ian Gilson
Okay. And bottling of the tequila, can you move that up to Portland? Or is it being done somewhere else? I assume it's being done somewhere else. Can you move that into our facilities?

Steve Shum
We're not quite sure just yet. It's all being done down in Mexico, as you mentioned. But, we're evaluating that.

Ian Gilson
Okay. Fine. So, the share count, that does not move until 2021?

Steve Shum
Correct.

Ian Gilson
Okay, great. Thank you very much.

Steve Shum
Thanks, Ian.

Operator
This concludes our question and answer session. I would like to turn the conference back over to Steve Shum for any closing remarks.

CONCLUSION

Steve Shum
Once again, we thank everybody for joining us today. We just want to reiterate that this is a very significant transaction for us. We certainly had the luxury internally to evaluate this and know the significant impact that this affords the company. We've been doing that evaluation for the better part of six months. We recognize that everybody else is just now seeing this over the last 24 hours.

But, we're confident that as you think about it and how this fits for the company and the impact that this will have both immediately as well as long term that you will agree with our analysis that this is a major positive transaction for the company.

And again, if anybody has any follow up questions, please don't hesitate to reach out to either myself or Robert. So, thanks, again.

Operator
The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.