



Montpelier Foundation Community Consultants of Darden Yearling Barn Farm Brewery

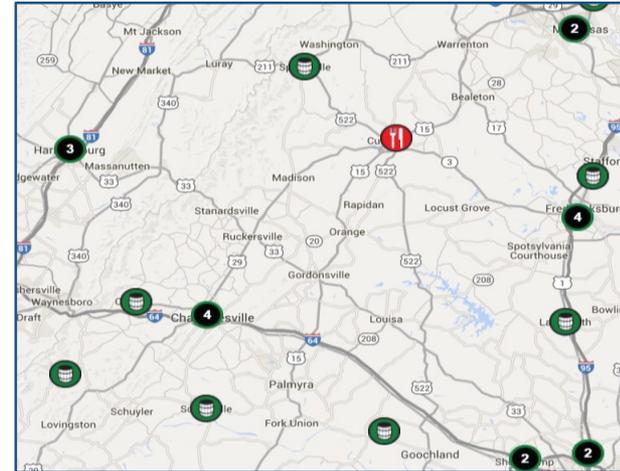
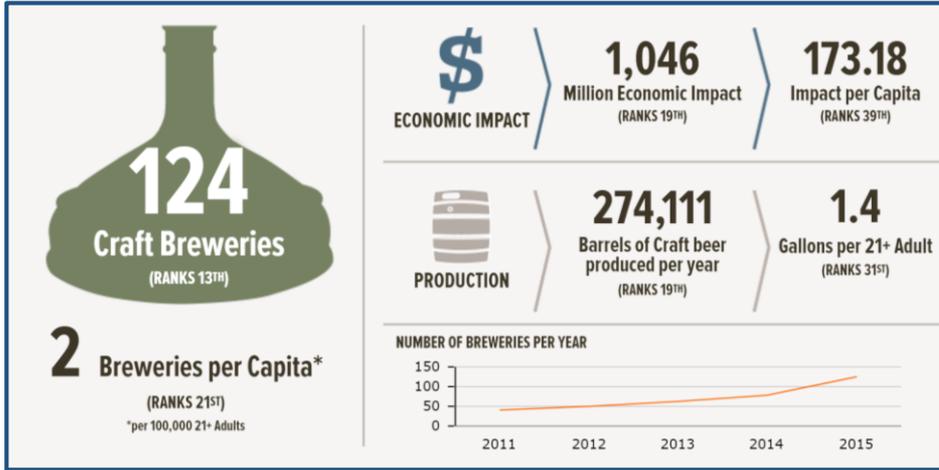
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Business Opportunity at Montpelier

- In an effort to increase visitation and length of stay, the Montpelier Foundation is exploring the development of the Yearling Barn
- The goal is for the Yearling Barn Farm Brewery to become self-sustaining and contribute financially to the Montpelier Foundation
- The Yearling Barn includes 21 acres of rolling pasture and one structure; there is possible access from a rear gravel road



Craft Breweries in Virginia (1/2)



In terms of production and economic impact of craft breweries, Virginia still ranks relatively lower as compared to the other states, indicating growth potential

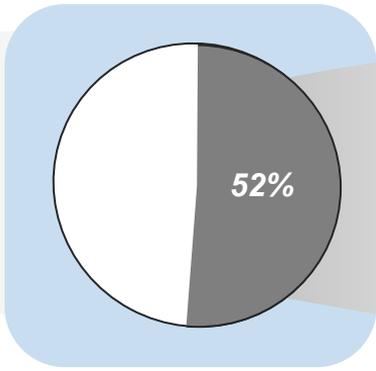
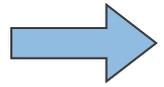
A brewery at Montpelier would typically attract people within a 1-hour driving distance (40 miles)

Source: [Brewers' Association](#); [Virginia Breweries](#)

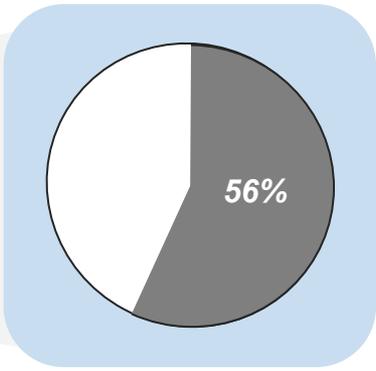
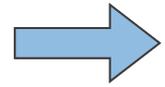
Demand Estimate – Montpelier Brewery (1/2)



This area is ~5,030 square miles and will have a total population of ~1.02 million



Probable drinking population will be around 526,300

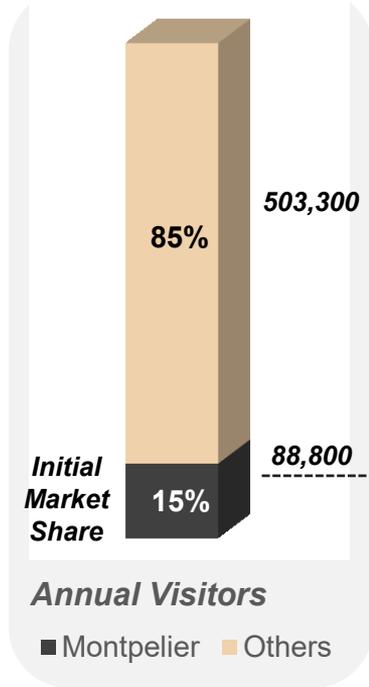


Population that drinks craft beer will be around 296,000

Potential Market Size

Source: [Virginia Census](#); CCoD Team Analysis

Demand Estimate – Montpelier Brewery (2/2)



Average number of 16 oz. beers consumed by visitors annually will be around 177,600



Average number of 31-gallon barrels required annually will be around 715

Source: CCoD Team Analysis

Recommendation from interviews: Open Farm Brewery

Four of the five experts recommended a 7-barrel brewpub based on Montpelier's location, specifications, and consumer demand

A successful brewery should have a theme: Montpelier will be second, following only the White House, president's home to brew beer

A brewpub will be more profitable than a tasting room – margins on the beer will be significantly higher

The passion necessary to enter this business has been clearly demonstrated by the Montpelier team

Interview Insight: Consumer Demand

- What it takes: Good beer, a good view, a great interior, and food
- Making good beer: A great brewmaster, good infrastructure, creativity, and the support of management
- Montpelier and the brewpub will reinforce each other in drawing a family crowd



Interview Insight: Marketing

- Devote staffing and financial resources to marketing
- Need an effective brand strategy
 - Create a consistent strategy, with press and ads
 - Integrate the brewery into tours
 - Use concerts or movie series to draw crowds in the off-season
 - Merchandize to help build the brand
 - Use social media



Interview Insight: Theme & Branding

- Theme centered around James Madison and American history will emphasize Montpelier as the only presidential house outside the White House to make its own beer
- Make use of the agricultural setting and natural atmosphere
- After consideration, avoid going with a meadery or cidery



Interview Insight: Setup By the Numbers

50

Seat Number: Utilizing the outdoor space of the barn will enable Montpelier to do about 400 covers a day, roughly equating to 1000 beers per weekend at about \$6000 revenue per weekend

18

Months before opening: A year and a half would be a fast turnaround from construction to open but is possible with an incredibly dedicated staff

240,000

Initial Equipment Investment: While equipment could be purchased for less on the second-hand market, there is a significant monetary investment in equipment alone

2

Years before \$\$: A brewpub will be cash-flow positive by it's second year in operation

7

Barrel-System Size: Allow Montpelier the ability to brew enough beer to cover projected demand without unnecessary inventory

90

Potential % Margins: Beer brewed in house is more lucrative than beer at a tasting room that requires a distribution network

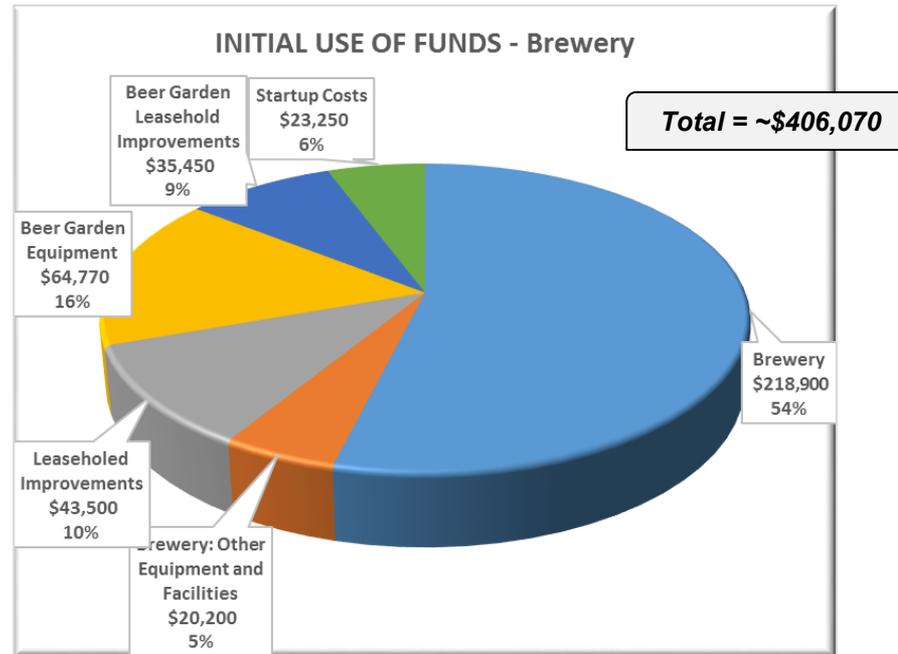
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Initial Food Setup: A kitchen may be a good idea in the future but the capital investment is large and margins on goods sold are smaller than beer

3

Years to Breakeven: With significant capital investment and start-up construction costs, it will be about 36 months until losses are recouped

Startup Costs: Brewery

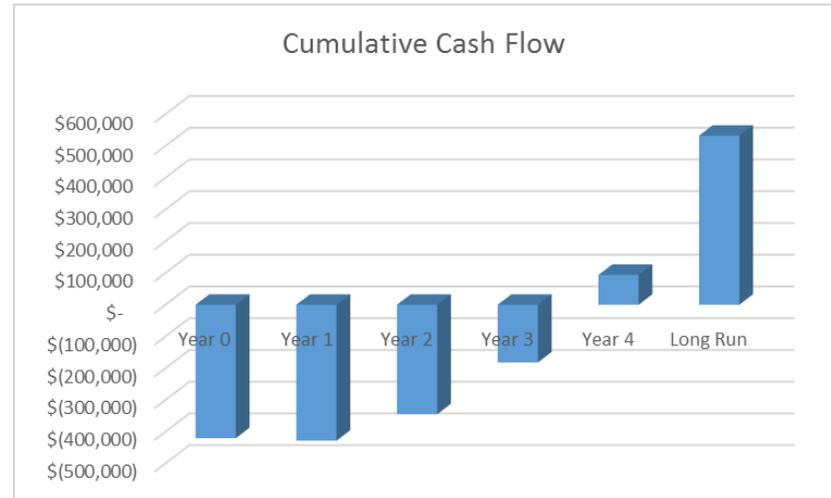


- * We are not considering full costs of overhauling the Yearling Barn or building a new structure
- * Starting a small "Bar" at first could be a good first step, would save in over 240k in improvements and equipment

Free Cash Flow & Cumulative Cash for Brewery Scenario



The brewery will become cash positive around year 2



The payback period will occur around year 4

- * Montpelier will need to have funds available to sustain operations from around year 0 to year 4

Our Recommendation

Throughout the interviews, there was a resounding sentiment that the idea of opening a farm brewery at Montpelier is a strong one. Because of that, we recommend that Montpelier move forward with the creation of a small scale 7-bbl brewpub in the Yearling barn.

