



Jones Soda Co.



Jones Soda Co. (JSDA.OB)

Christopher Golden
Long Fund Manager

February 20, 2005





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Soda Co.

Presentation Outline

- Brief background
- Thesis
- Additional opportunities
- Risks
- Summary
- Questions

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S O D A C O .[®]



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- Beverage History

- Jones Soda Co. launched 6 flavors in 1995
- Energy drink, Whoopass launched in 2000
- Jones Juice launched in 2001

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- The Product

- “Alternative Beverages” (aka “New Age”)
 - » Contain less sugar, less carbonation, all-natural ingredients
- 3 main products
 - » Jones Soda
 - » Jones Naturals
 - » Jones Energy (including Whoopass)

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- Distribution History

- Began with grass roots distribution strategy
 - » Unique venues, national clothing/ music stores
- Continues with unique marketing strategy
 - » Jones RV, emerging athletes
- Incorporates large direct-to-retail accounts

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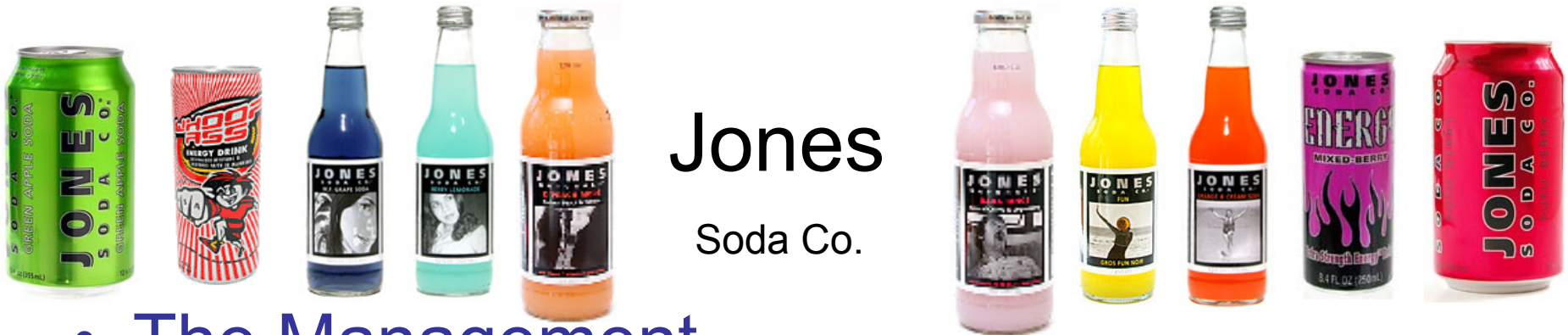


- Marketing

- Targets 12-24 year old market segment
 - » Dependence on image more than taste
 - » Trendy
- Sets premium price points
- Gathers raw materials from third party vendors

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- The Management



Peter Van Stolk

Strong leadership, experience from past distribution before starting Jones

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- Financial Snapshot

- Recent Price: \$4.24
- Market Cap: \$88 Million
- Forward P/E: 30.29
- Revenue: \$25.15 Million

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- Forecasts (Prudential Equity Group)

- Volume of case sales up over 1.7 million
- Sales to increase over 26%
- Free cash flow increase \$3 million
- EPS to \$0.14, up from \$0.06

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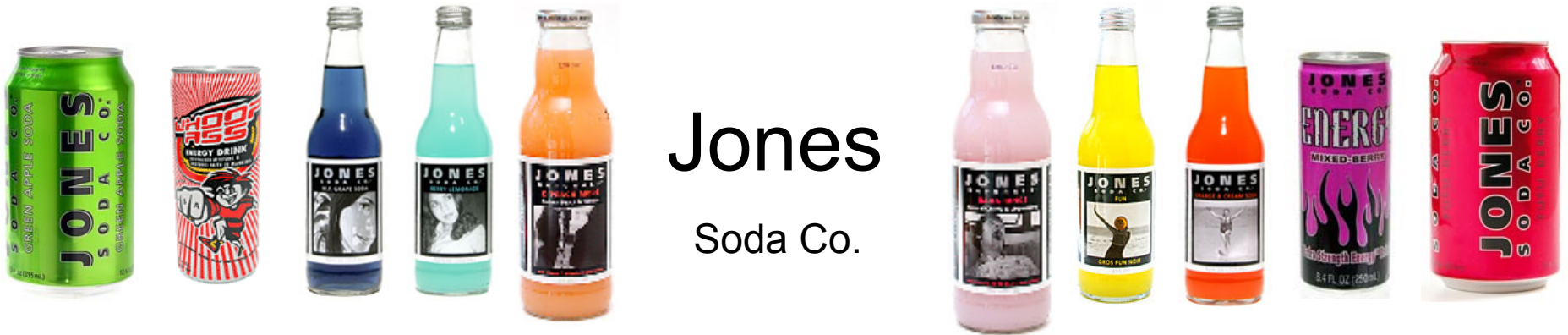
- Thesis 1

Jones maximizes first mover status

- First mover provides differentiation with:
 - » Brand promotion strategy
 - » High product quality
 - » Price Premium

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- Thesis 1 (first mover appeal)
 - Characteristics provide easy distinction from mainstream CSD
 - Low cost marketing
 - » “attacking the streets”
 - Powerful brand strength

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- Thesis 1 (first mover differentiation)

- High product quality extends to all products
 - » Sugar-free provides healthier alternative (Splenda)
 - » Management awareness of rising obesity
- Supplemental ingredients add nutrients
 - » Ginseng, zinc, taurine, vitamins (Naturals)
 - » Riboflavin, niacin, vitamin B6, thiamin (Energy)
 - » Appeal in a health conscious world

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- Thesis 1 (first mover benefits)

- Price points adds to profitability
- Other first movers have achieved \$100,000,000 in sales
 - » Examples: Clearly Canadian, Snapple, Sundance
- Strong branding will help to maintain high gross margin

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- Thesis 2

Jones succeeds with dynamic marketing

- New flavors, labels keep with fashion trends
- Dynamic marketing keeps appeal over long run
- Direct customer interaction with “my jones”

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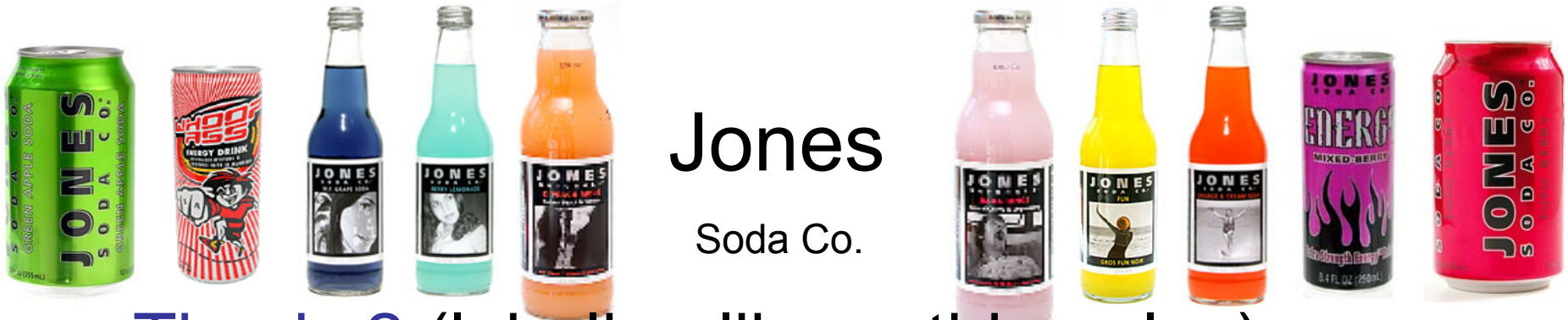
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- Thesis 2 (product cycle)
 - Jones constantly analyzes flavor success
 - » Management structure allows for quick reaction
 - » Out with the bad, in with the new
 - New flavors create buzz, more revenue
 - » Holiday Pack was large success
 - » Flavors like Green Bean Casserole, Mashed Potatoes and Butter, Turkey and Gravy

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- Thesis 2 (labeling like nothing else)

- Labels match company's review of fashion trends
- Customers personalize 12 packs
- Every label originates from customer submission
- Strategy keeps old customers, encourages new

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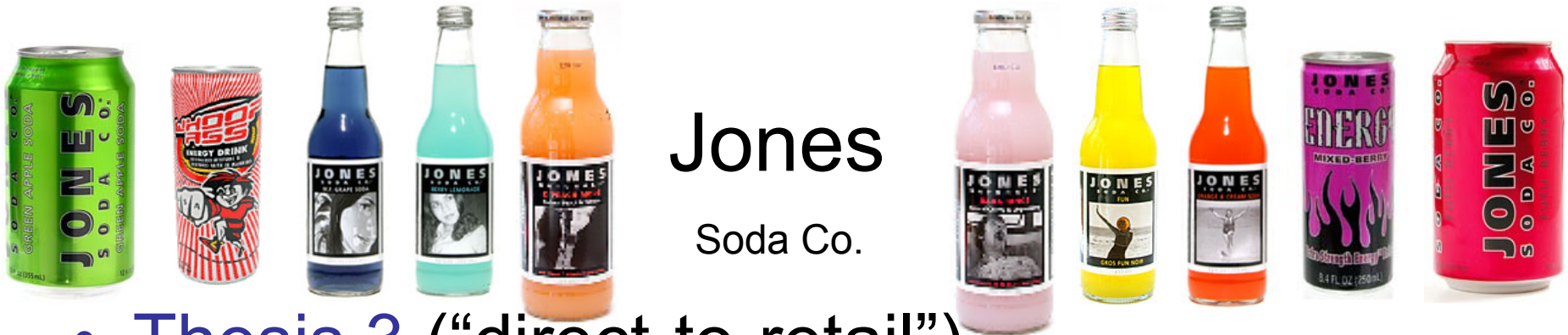
- Thesis 3

Jones begins retail conquest, greater revenue

- New “direct-to-retail” distribution finds early success
- More distribution translates into greater sales

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- Thesis 3 (“direct-to-retail”)
 - High profile partnerships provide opportunity
 - » Starbucks, Panera, Costplus, Barnes & Noble, 7-Eleven, Target
 - 12-ounce cans exclusive to Target opens door

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- Thesis 3 (top line, bottom line)
 - Net Sales (3rd Quarter) increased 31.6%
 - Net Income (3rd Quarter) increased 47%
 - Lot of room for growth: currently holds 5% of the 3.2% of the soda market for New Age beverages

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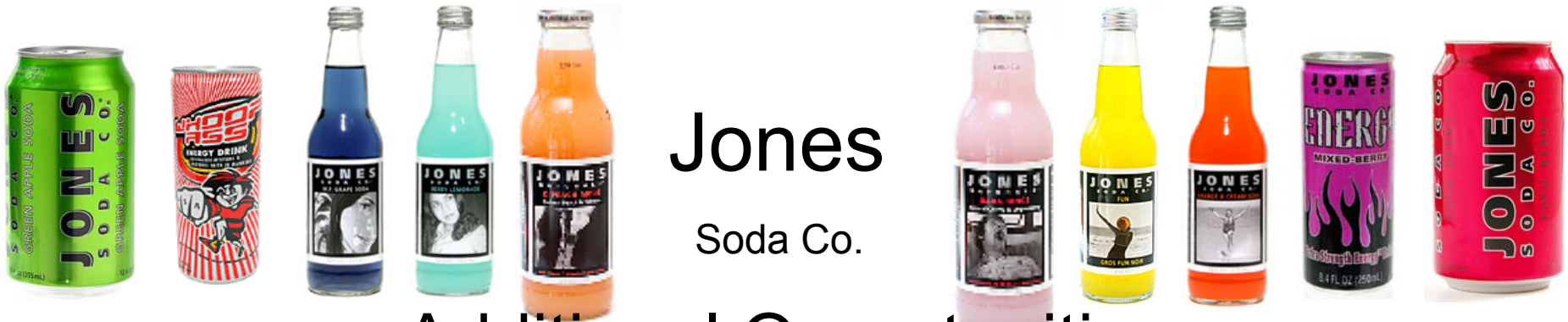
Additional Opportunities

- Buyout

- Thomas H. Lee bought **Snapple** at 44 cents a share, sold at \$14....investment of \$27.9 million made profit of \$872.1 million
- Later.. Cadbury Schepkes purchased **Snapple** from Triarc for \$1.45 billion
- Cadbury buys **Nantucket Nectars** from Ocean Spray at an undisclosed price (**Orangina** also purchased)

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Additional Opportunities

- **Nasdaq Small Cap**

- Mkt value of securities: \$50 million
- NI greater than \$750,000
- Minimum bid price: \$4 (90 days)
- 300 Round lot holders (>100 shares)

So far, looking good.....

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- Before you pull your wallet out: **RISKS**

- Beverage industry highly competitive
 - Pressure from larger distributors
- Heavy dependence on distributors
 - Must continue to develop strong relationships
- Poor performance will maim company
 - Loss of high-profile accounts hurt reputation

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- The Chart

JONES SODA CO
as of 18-Feb-2005



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• Closing Points and Summary

- Smaller company poised for growth
- MII loves easy VAR experience
- Other company set buyout example
- Status on OTC Bulletin Board makes the risk-averse (spineless) weary of investment
- Trust your taste buds

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Run with the little guy... create some change.



Questions Please

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