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RECRUIT | DEVELOP | RETAIN

The forum for wine industry HR professionals

So much going on…

Concerns

- Climate change – fire, drought
- Insurance costs
- Bottle shortages
- Other supply chain issues
- Job openings rising/labor shortages
- Cost pressures ➡ Inflation a concern

Positives

- COVID cases declining
- Personal savings rates
- Stock market
- Travel/tourism/entertainment/restaurants & bar returning – BUT….
    - Still below where we were pre-COVID
    - Wider choices of where to spend money

Overall consumer demand slowing for Wine

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There is a strong likelihood of price increases in 2021

How much of that will be reflected at Retail is less certain

Wine is already more expensive per serving than Beer or Spirits

SipSource Industry Leaders Sentiment Survey

Wine % Total Survey	Definitely will not increase prices	Probably will not increase price/ may or may not increase prices	Probably will increase prices	Definitely will increase prices
2021 (Q3 2021)	1%	21%	36%	43%
2019 (Q1 2019)	3%	29%	51%	17%

Question: Price: Over the next 12 months, what is the overall likelihood that your company will increase prices over some or all of your portfolio in the U.S?

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Broad Consumer Drivers

Experience	Authenticity; exploration/discovery; entertainment
Flavor(s)	Flavor seekers – traditional + new/different
Convenience	Online shopping; Right pack type/size
Wellness – for ‘me’ & ‘we’	Healthier/social moderation; sustainability/CSR
Transparency	Desire to know exactly what they’re consuming
Premiumization	Drinking better; not necessarily more

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NielsenIQ

- Retail Off Premise scan sales
- Consumer insights

SipSource By WSWA

- Aggregate of Off and On premise depletions
  - From 15 (and growing) participating wholesalers …

SOVOS ShipCompliant

WINES VINES ANALYTICS

Direct to Consumer Wine Shipments; winery universe

bw 166

Wine Market Council

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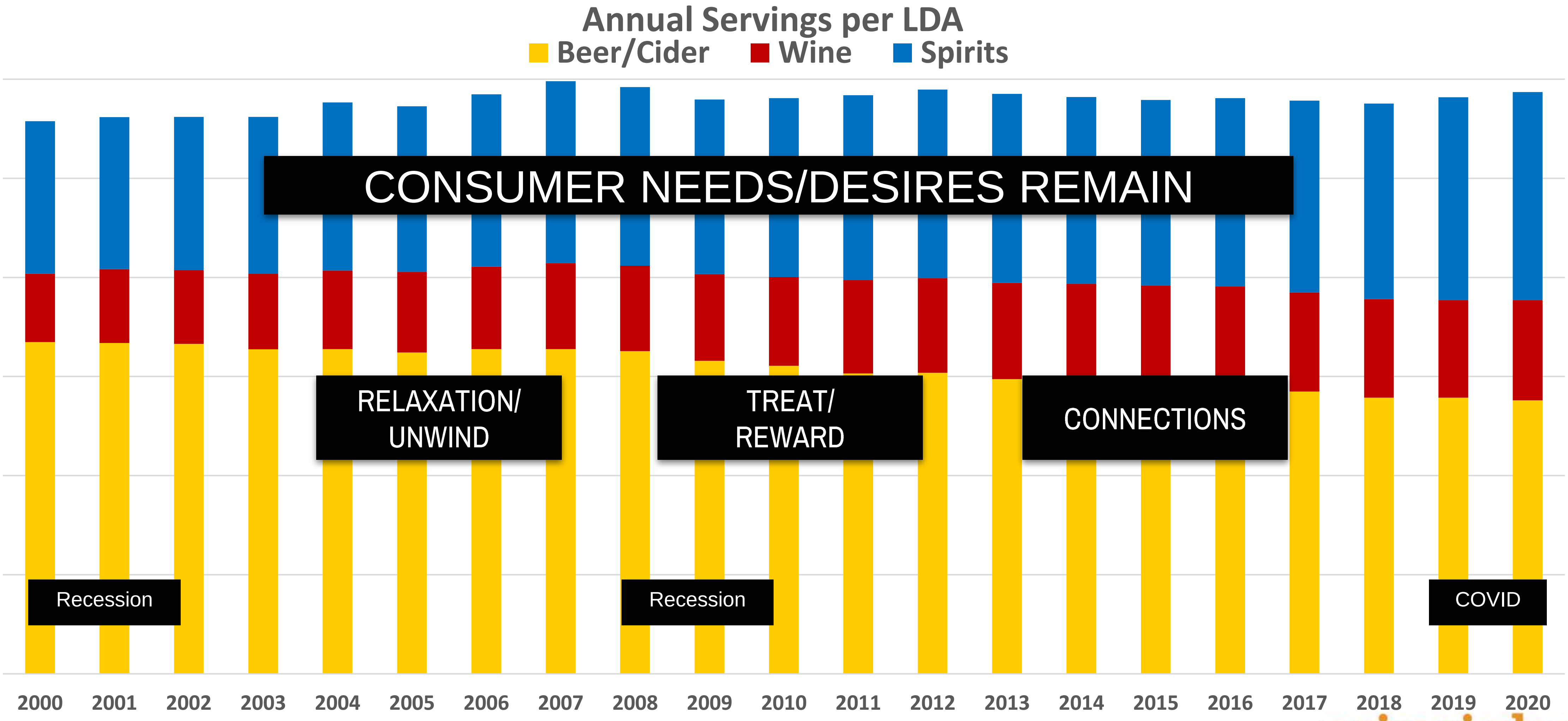
Total Alcohol per (LDA) capita consumption relatively steady – in good times or bad! It's a fight for share of hearts, minds, & wallets!



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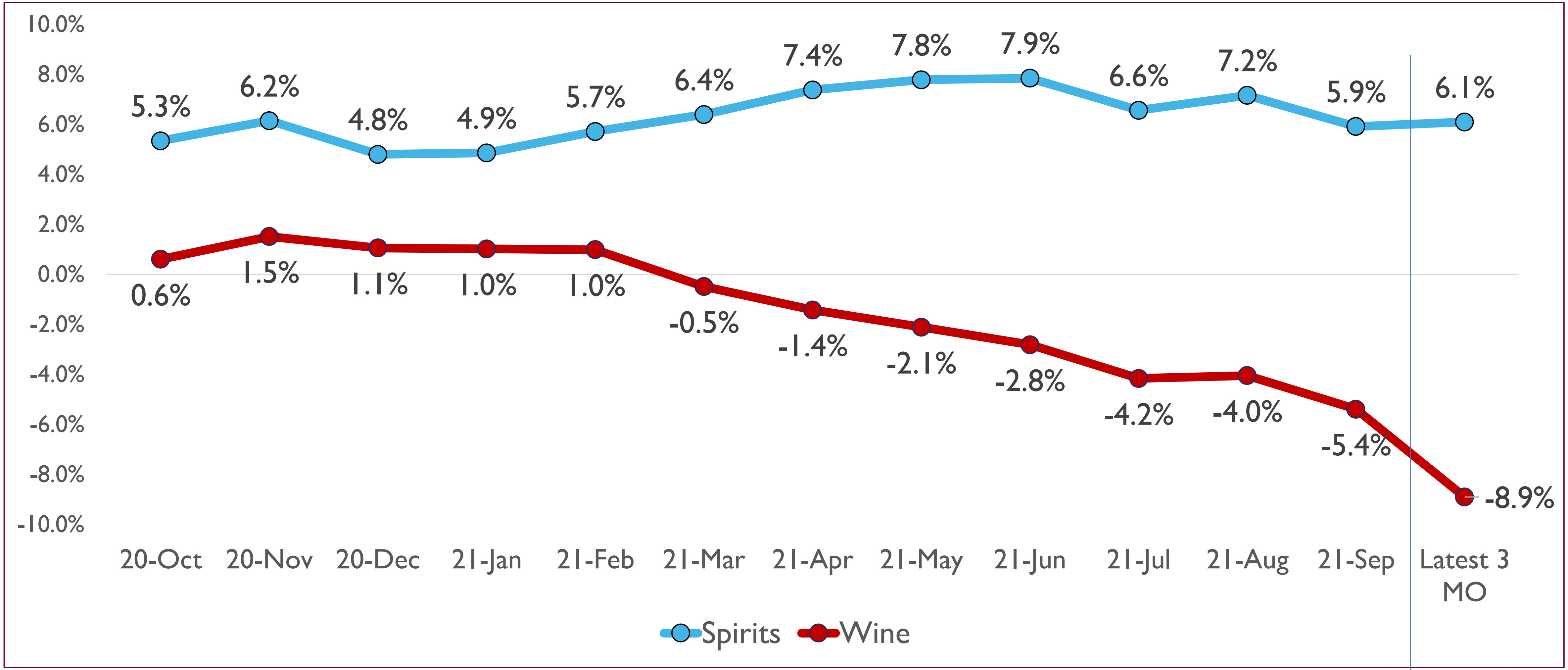
A growing percentage of consumers buy and drink across all Beverage alcohol categories

NielsenIQ

Source: NielsenIQ Homescan Panel, Total US: Annual 2020
Wine includes Still & Sparkling; Beer includes FMB and Ciders

Spirits continue to gain share from Wine



12 Month Rolling % Change vs. LY

SipSource By WSWA

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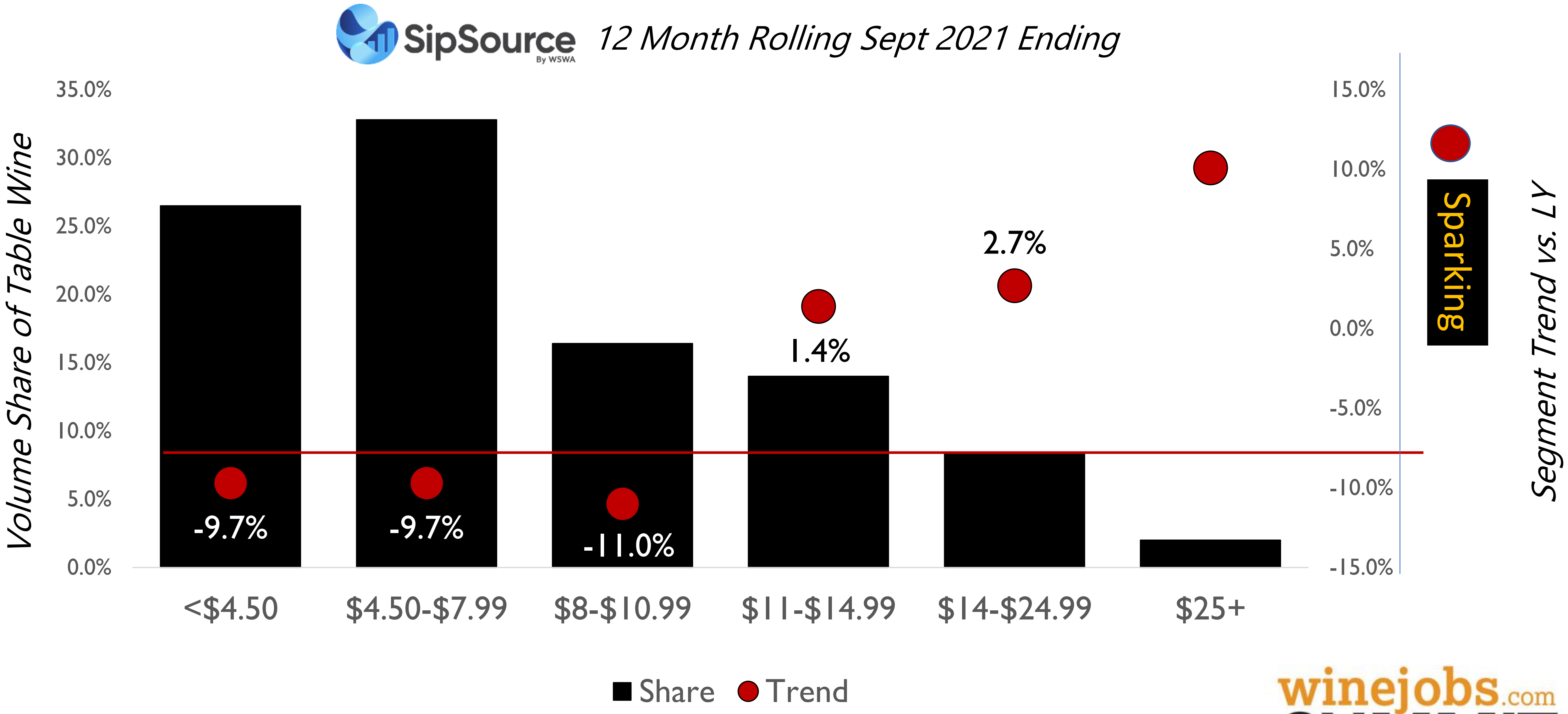
Table Wines $25+ lead in growth; <$11 very soft – Sparkling hot!



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Other Wine growth segments..
Packaging, Flavor, Cocktails, Health & Wellness…

NielsenIQ

Wine packaging/types	$ Share	% chg vs YAG
187 ml bottle/plastic	2.7%	+14%
Cans	1.0%	+12%
375 ml bottle	0.6%	+27%
Wine sub- categories		
Sparkling	11.9%	+13%
Flavored Beverage Wines	2.9%	+23
Wine Cocktails	2.0%	+60%

Source: NielsenIQ Scan Off Premise Channels – 52 w/e Oct 9, 2021

Wine Latest 13 weeks	$ Share	% chg vs Year Ago
Gluten Free	0.9%	+17%
Organic	0.8%	+/-0%
Low/no sugar	0.3%	+841%
Low/light/less calories	0.3%	+221%
Non Alc	0.2%	+40%
Brand set* (excl NA Wines)	0.6%	+111%

*Brands include: Avaline, Bev, Brancott Flight Song, Cense, Cupcake Light Hearted, Fit Vine, Girl Go Lightly, Kim Crawford Illuminate, Liquid Light, Mind & Body, Oro Bello, Skinny Girl, Skinny Dipping, Sunny with a Chance of Flowers, The Skinny Vine, Wonderful Wine Co., Yellow Tail Pure Bright

Source: NielsenIQ Scan Off Premise Channels; 13 w/e 8-14-2021

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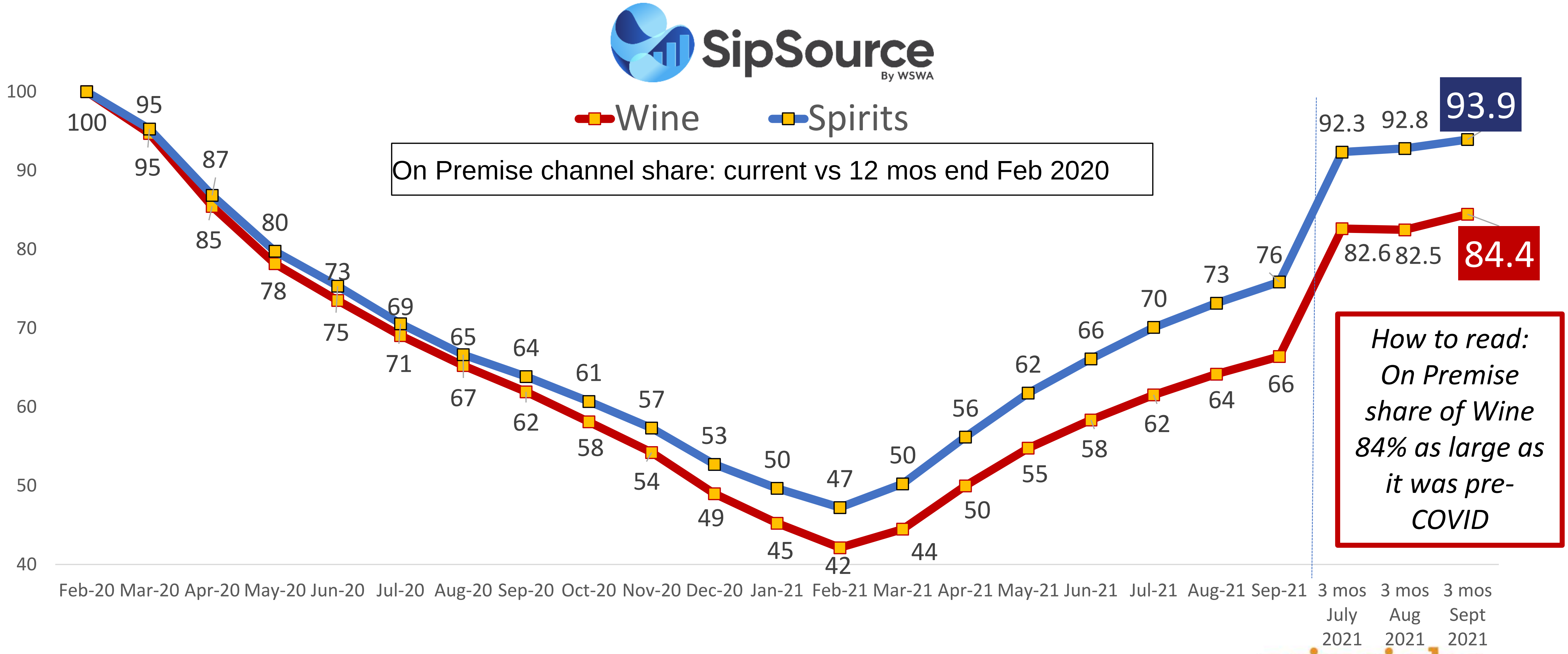
On Premise coming back – but not back fully yet (and Wine recovery still considerably behind Spirits)



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Just over 11K U.S. Wineries (2020) – large number hugely dependent upon DtC Channel

ANNUAL CASES	WINERY SIZE	% of Wineries	% of DtC Shipment Value	% of DtC Shipment Volume	Avg Price per 750 ml
>500K	LARGE	1%	8%	19%	$16.13
50K-499,999	MEDIUM	2%	21%	22%	$35.89
5K-49,999	SMALL	16%	48%	44%	$41.55
1K-4,999	VERY SMALL	34%	19%	12%	$60.21
<1K	LTD PRODUCTION	47%	4%	2%	$66.39
		100%	100%	100%	$36.83

bw 166 DtC (2019) : 16% of Domestic $; 7% of Domestic volume

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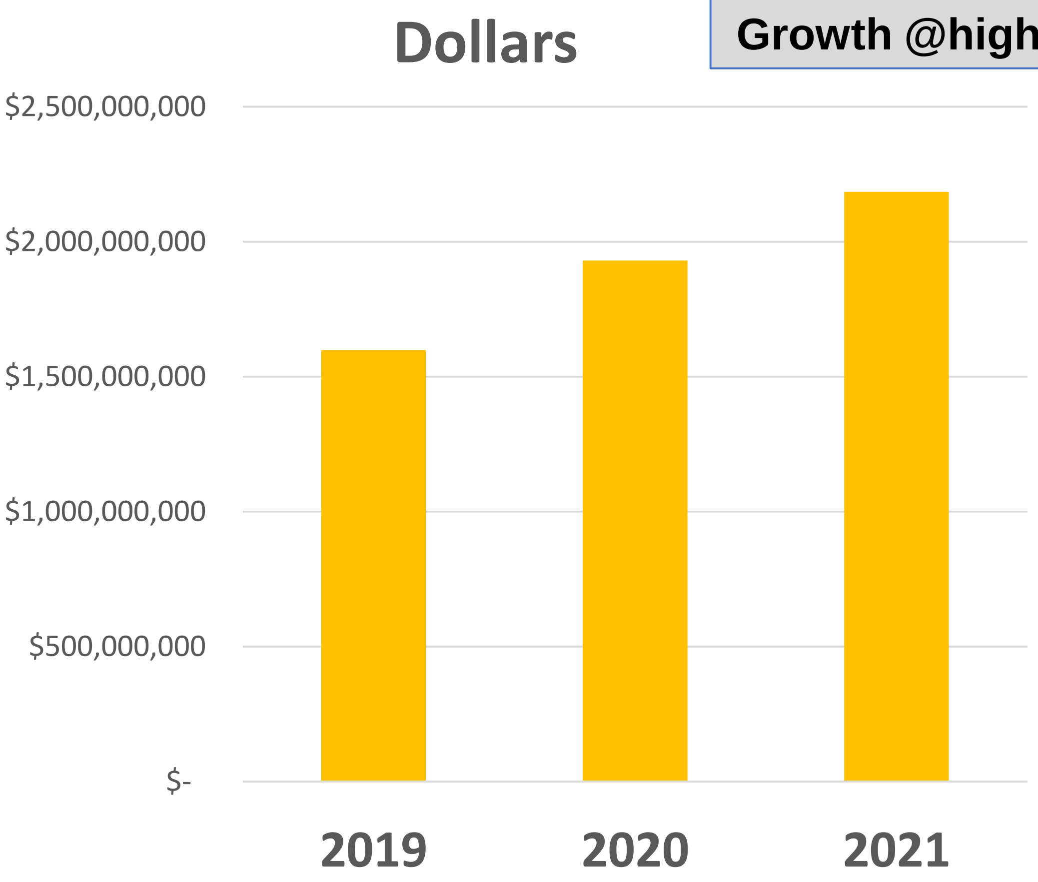
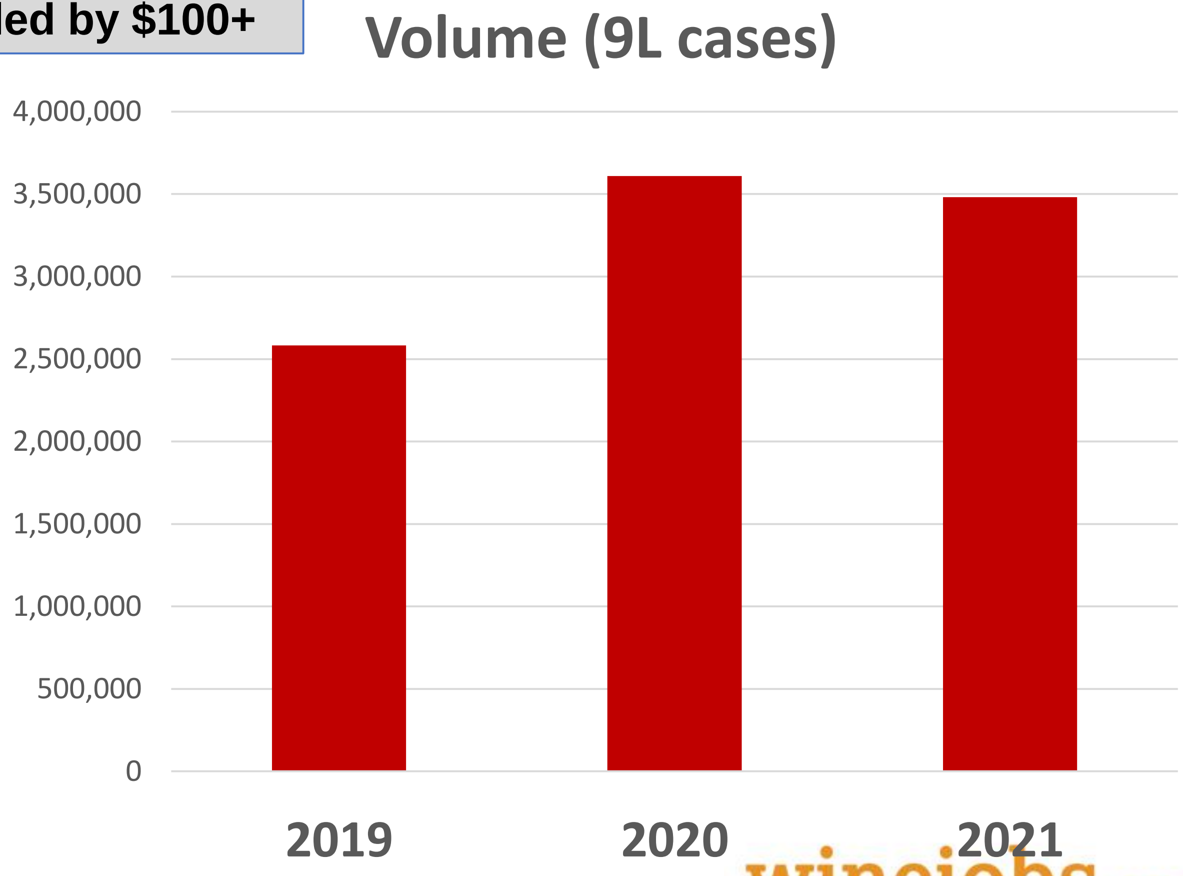
DtC channel performing well – strong shipments even with tasting room carryout business back now

DtC Shipments (excludes carryout) March through Sept each year

Avg price $39 (+$5 vs YAG)
Growth @high end; led by $100+





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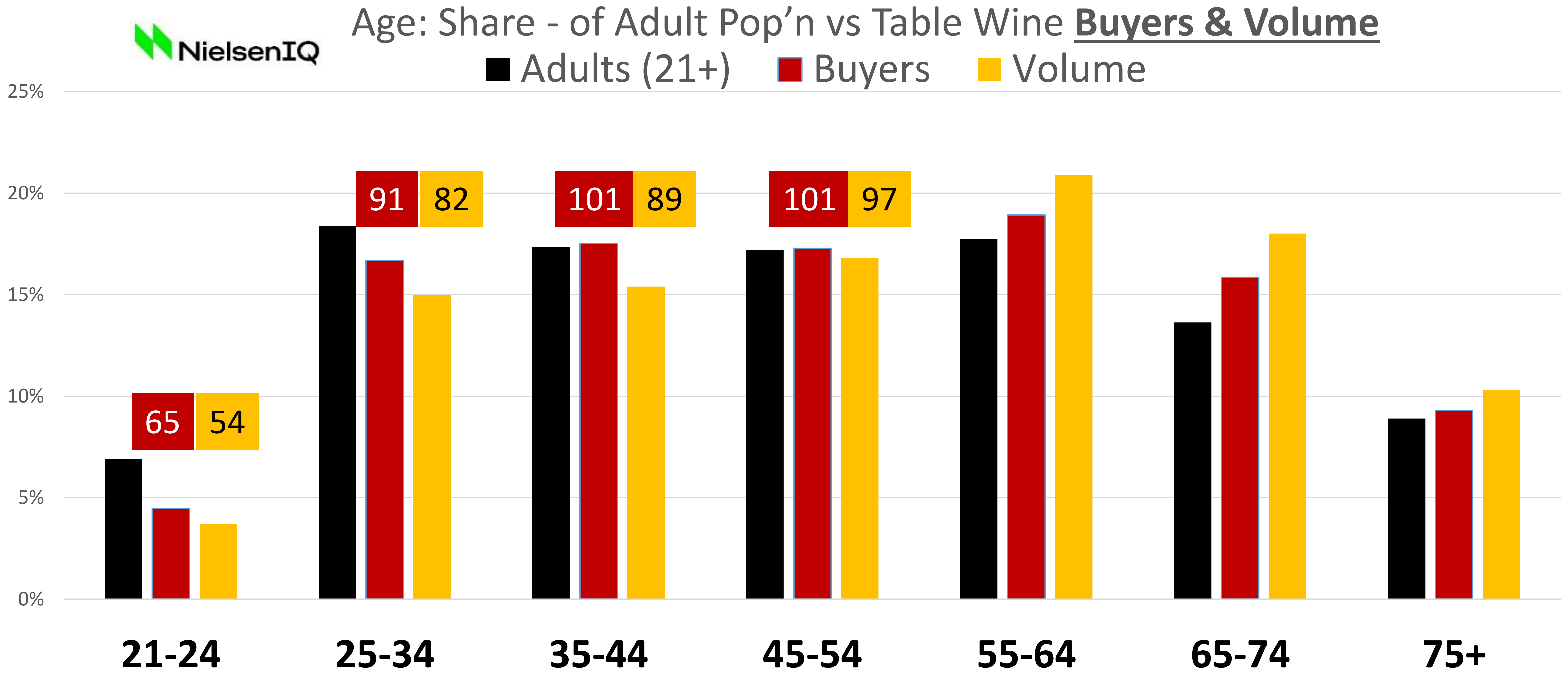
DEMOGRAPHICS

Core wine boomers ageing; recruiting younger LDA's is our challenge



Source: NielsenIQ Spectra (Simmons – Nov 2021)

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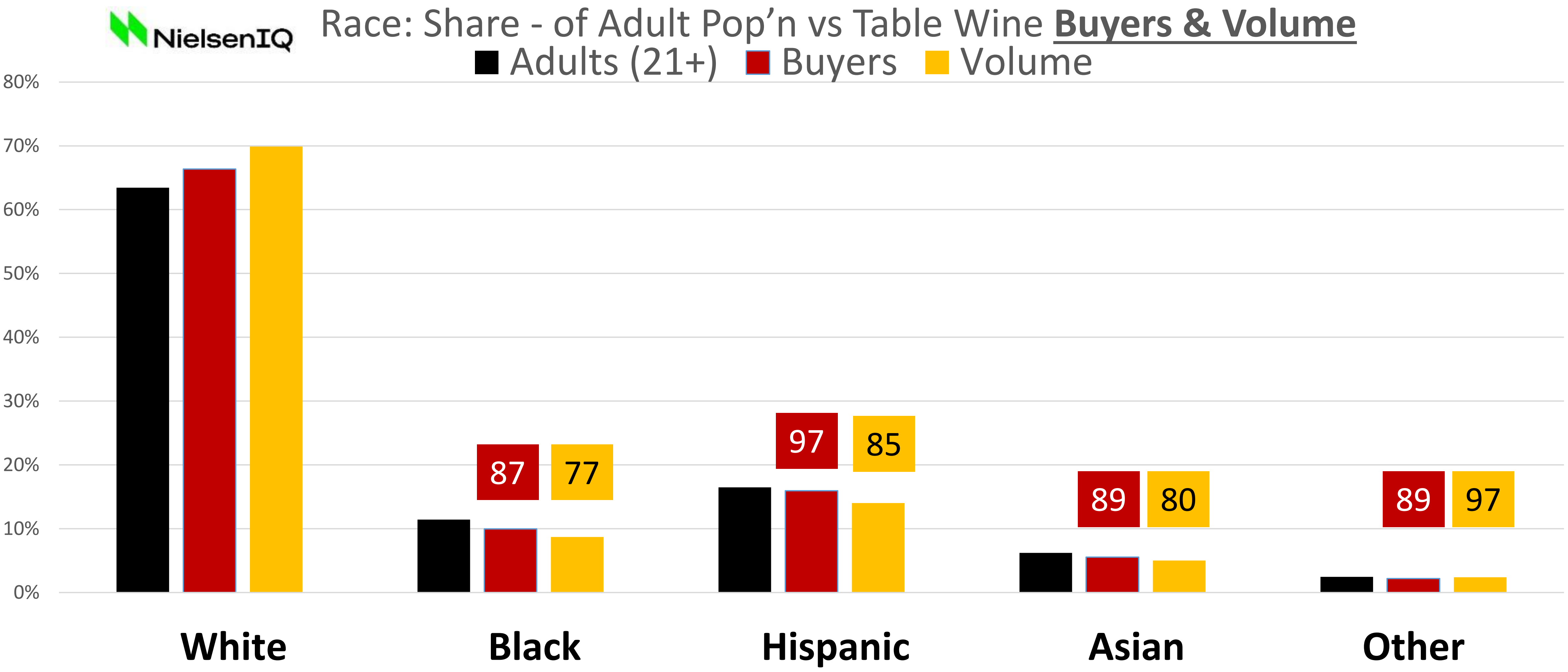
Attracting multi-cultural consumers is also a challenge



Source: NielsenIQ Spectra (Simmons – Nov 2021)

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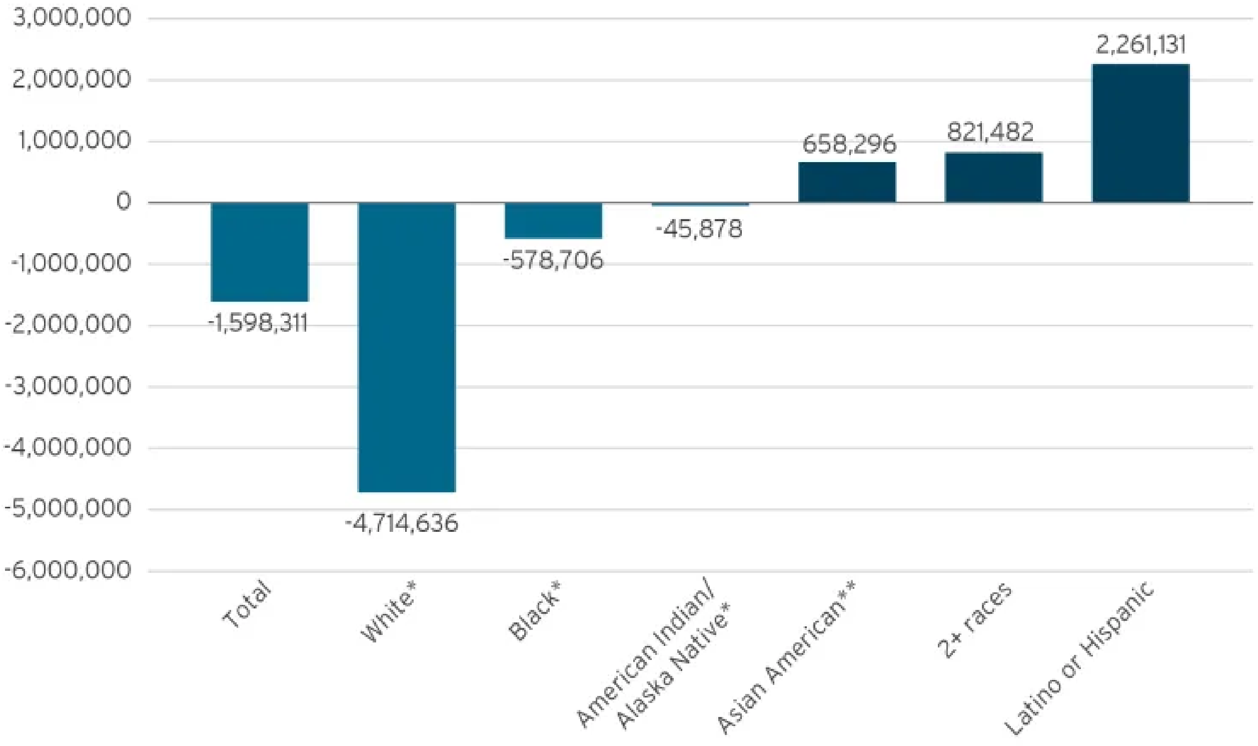
Younger LDA generation and multi-cultural are intertwined, not two separate topics

FIGURE 4

Change in US under age 25 population
2010 to 2019



* members of race group who do not identify as Latino or Hispanic
* non-Latino or Hispanic Asians, Hawaiians and other Pacific Islanders

Source: William H Frey analysis of Census population estimates released June 25, 2020

B | Metropolitan Policy Program at BROOKINGS

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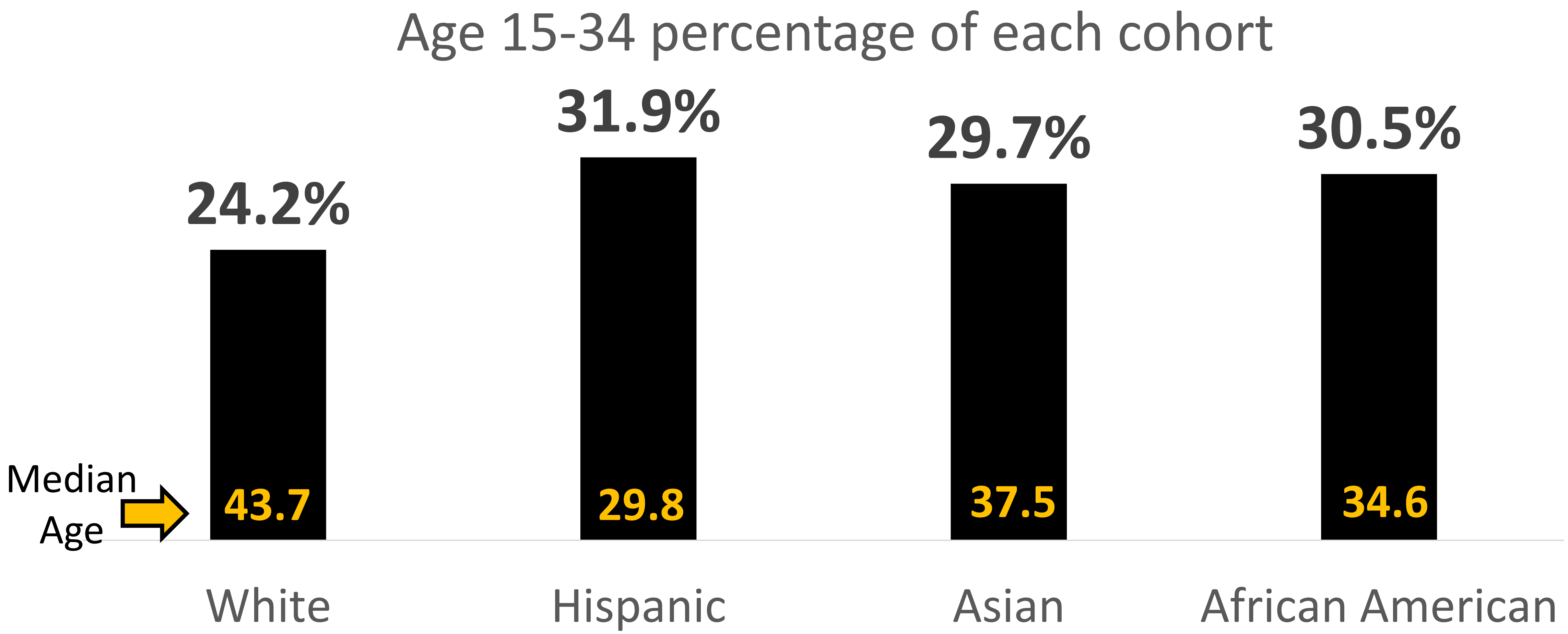
Younger LDA generation and multi-cultural are intertwined



Source: U.S. Census

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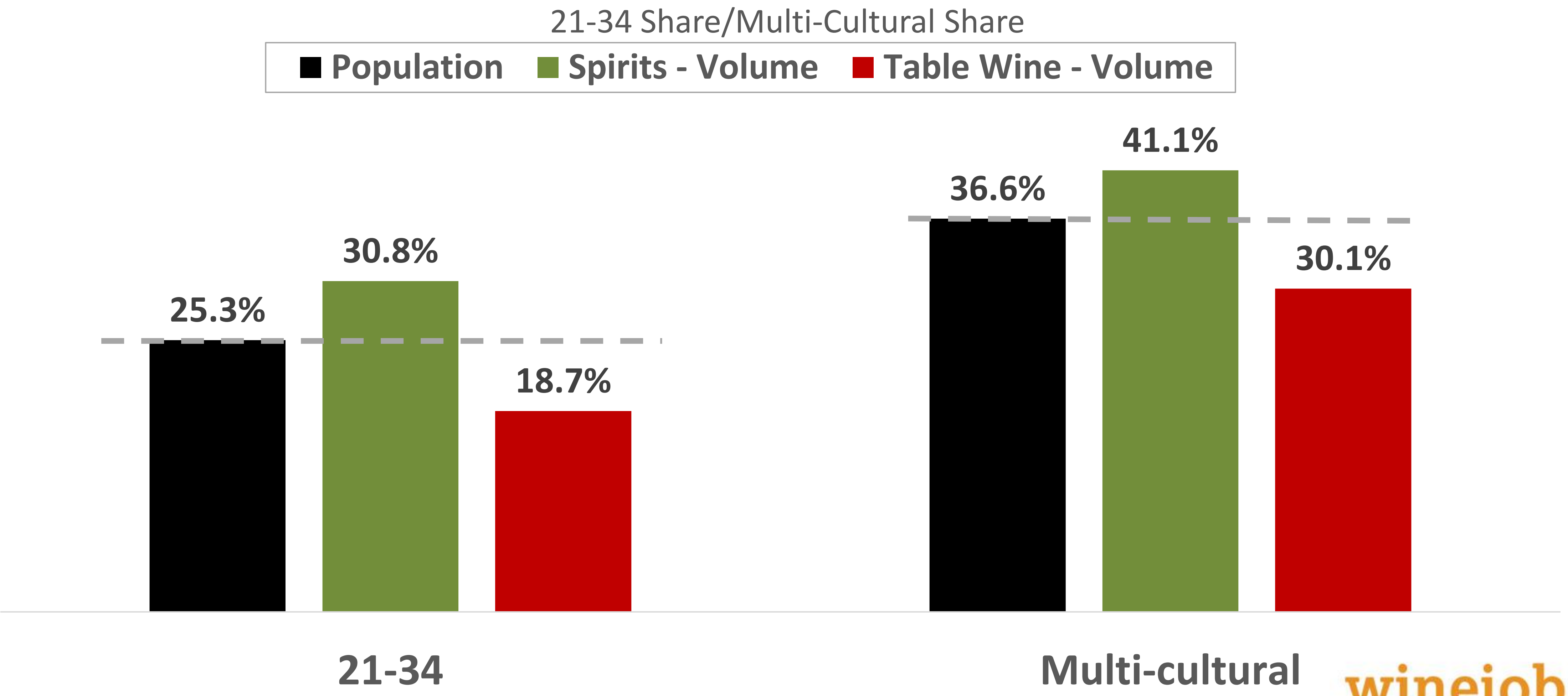
Competitively, Spirits derives a much greater amount of its business from 21-34 and Multi-Cultural consumers



NielsenIQ

NielsenIQ Spectra/Simmons (2021)

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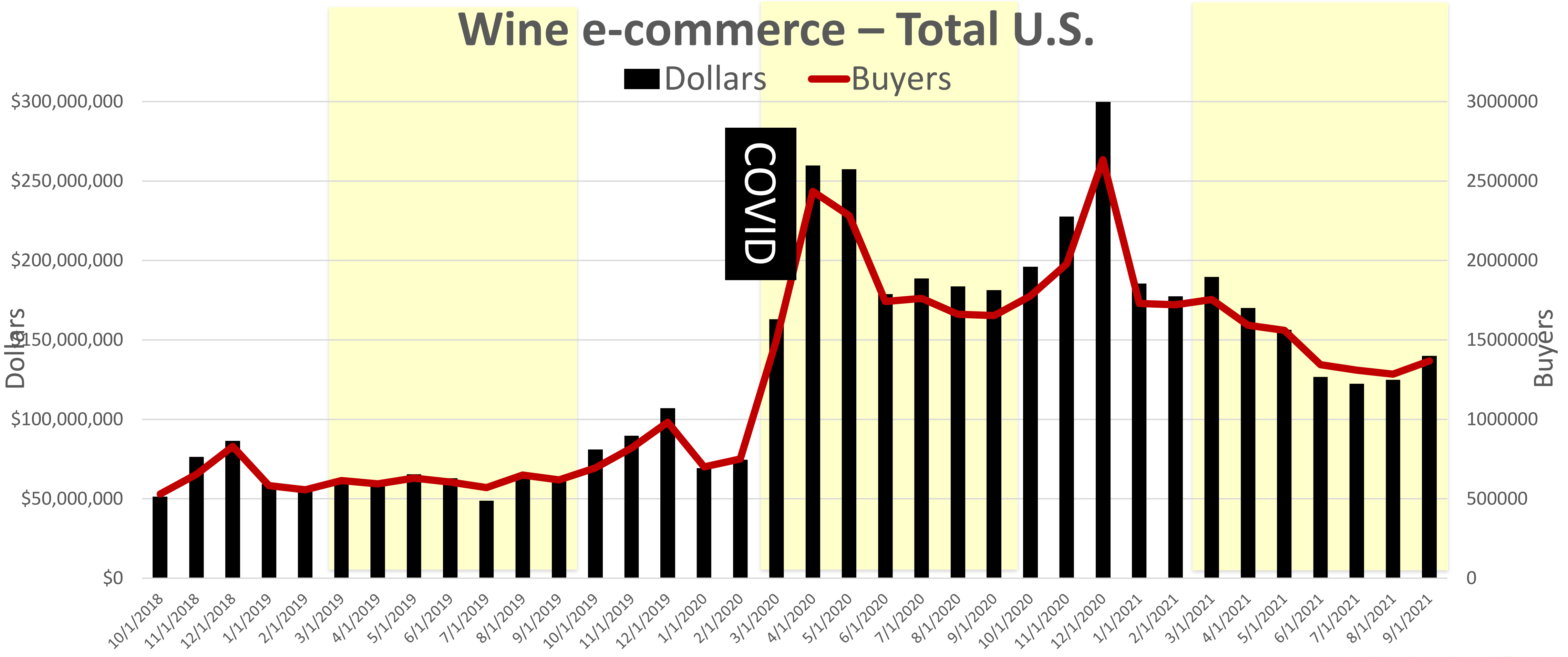
Online Wine sales March thru Sept 2021 almost 3x ahead of pre-COVID; not unexpectedly less than COVID heights



Source: NielsenIQ e-commerce measurement powered by Rakuten Intelligence (largely 3-tier e-commerce measurement)

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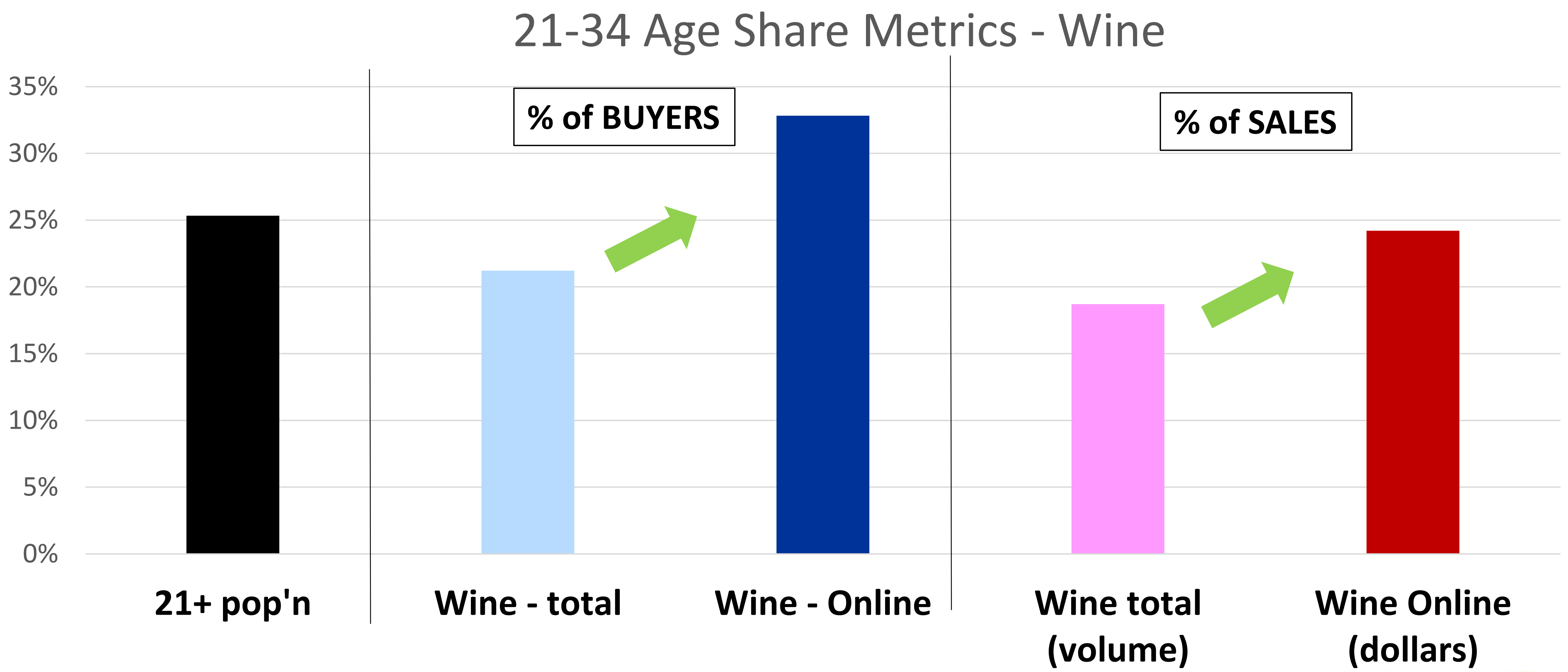
21-34 much more important in the e-commerce space



Source: NielsenIQ Spectra (Simmons – Nov 2021) and e-commerce measurement powered by Rakuten Intelligence (largely 3-tier e-commerce measurement)

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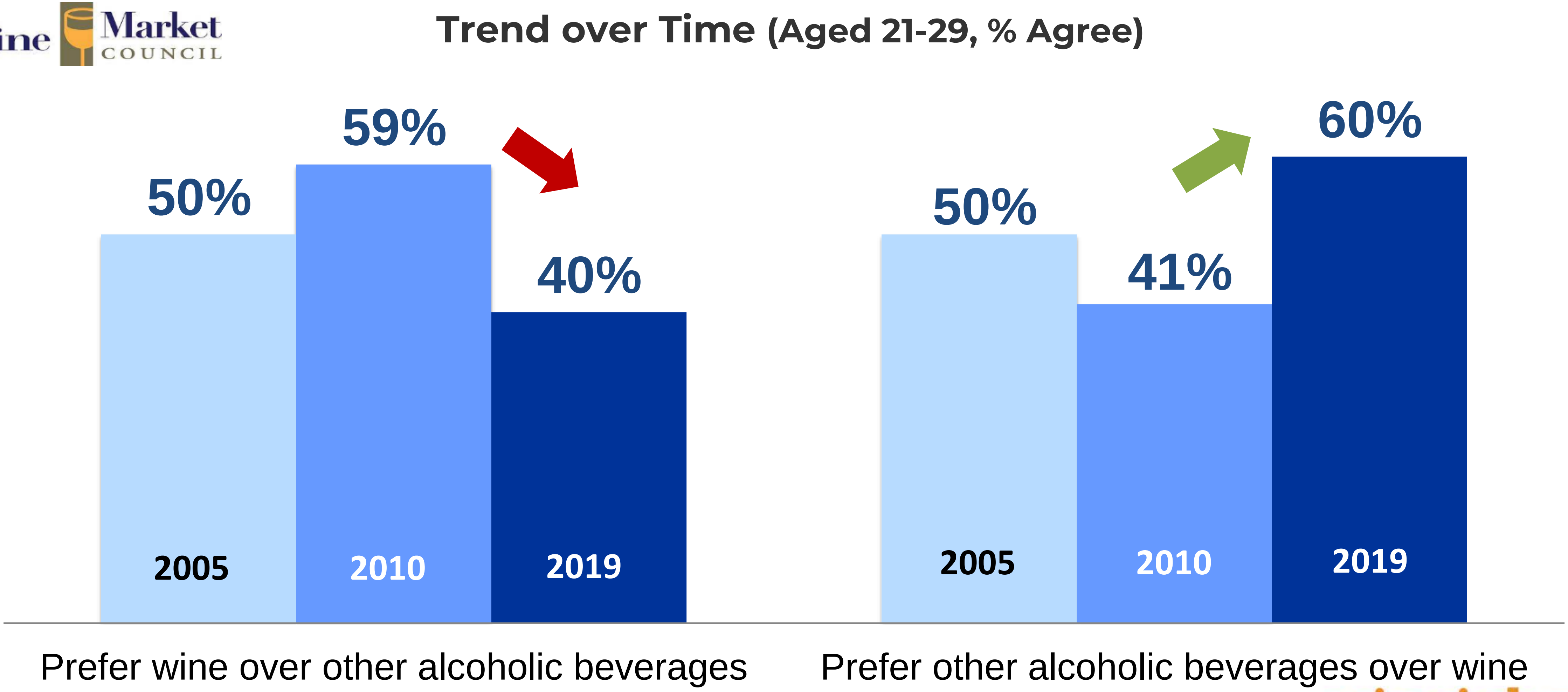
We need to change this trend among younger wine drinkers



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