The Pandemic, The Economy, and Wine

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Agenda

- Beverage Alcohol History
- Wines share of Beverage Alcohol
- Pandemic Impact on Wine
- Population Forecasts
- Human Resource Implications

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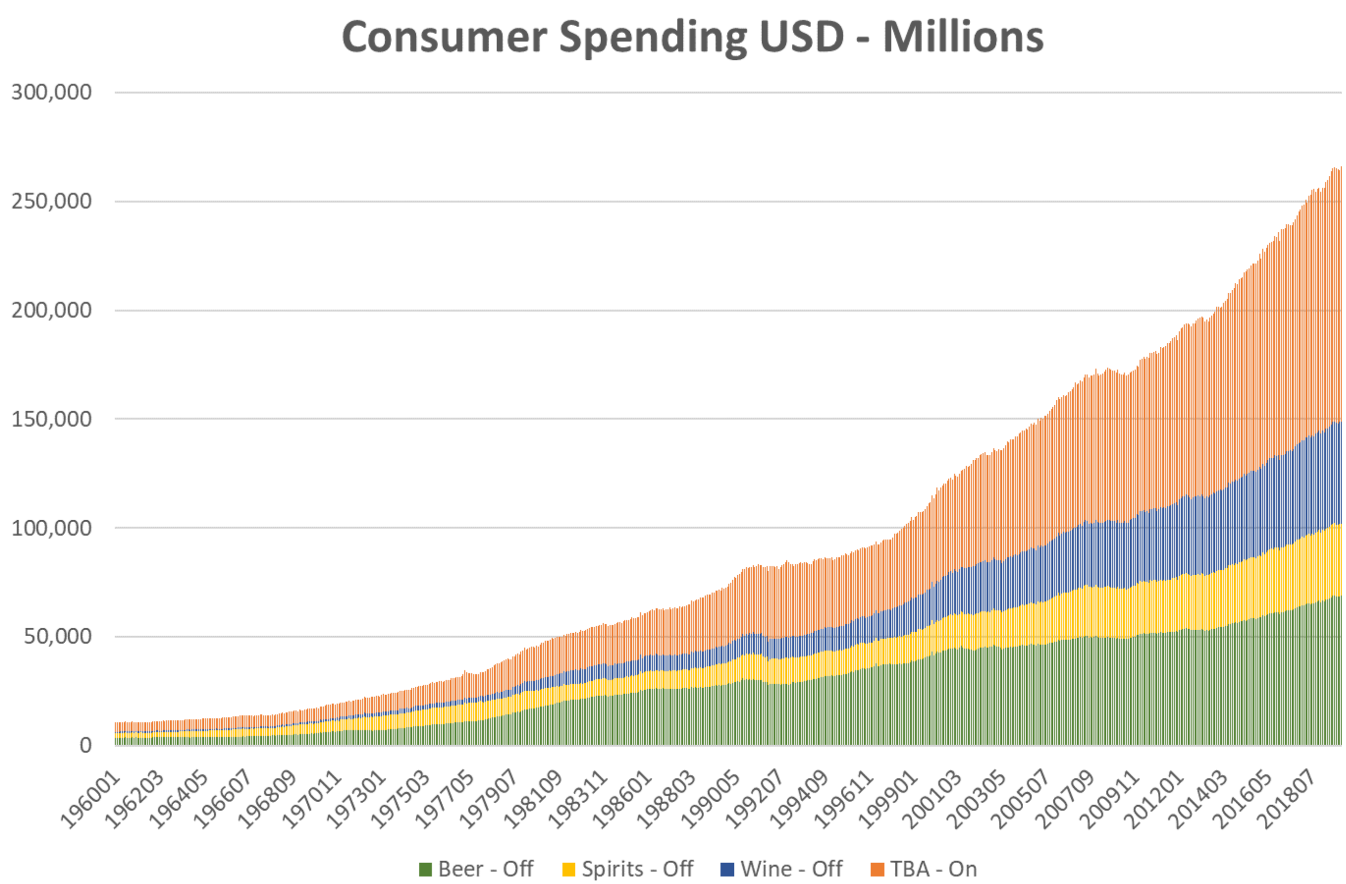

Recessions

Dates	GDP decline (peak to trough)
Apr 1960 to Feb 1961	−1.6%
Dec 1969 to Nov 1970	−0.6%
Nov 1973 to Mar 1975	−3.2%
Jan 1980 to Jul 1980	−2.2%
July 1981 to Nov 1982	−2.7%
Jul 1990 to Mar 1991	−1.4%
Mar 2001 to Nov 2001	−0.3%
Dec 2007 to Jun 2009	−4.3%
Mar 2020 to ???	-31.4%

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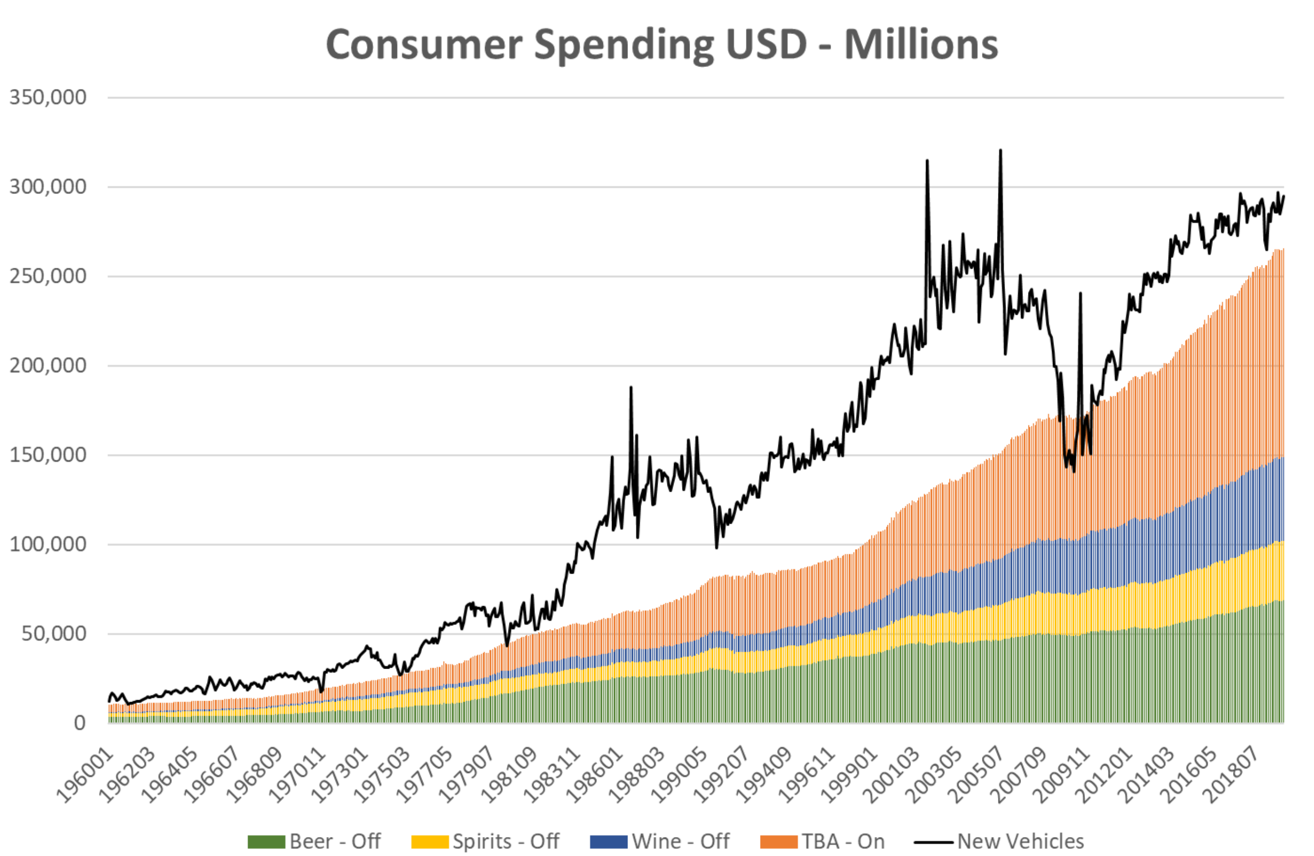

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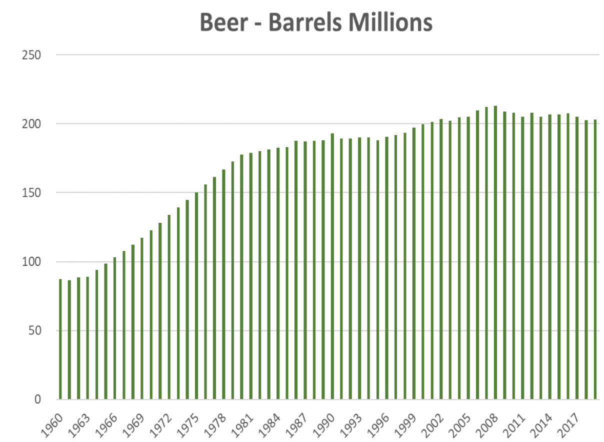

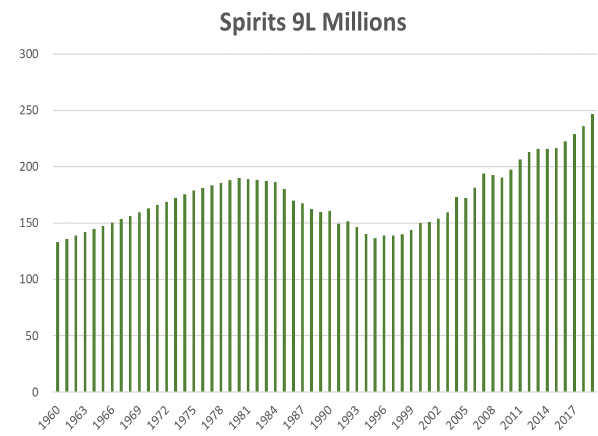

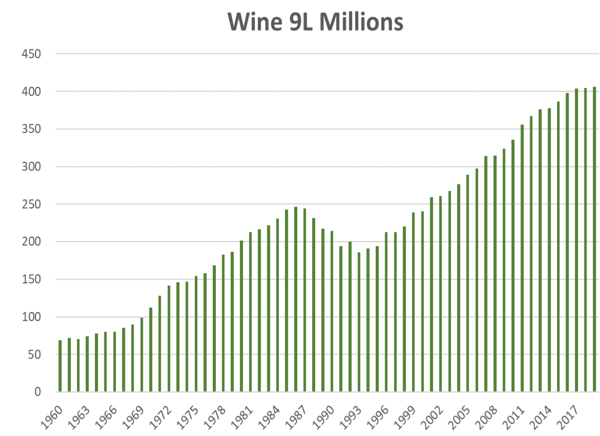

- Trends do not change quickly in the Beverage Alcohol space.
- Beer volumes have been fairly flat for 20 Years.
- Spirits were in decline from 1980 to 1995. Currently fastest growing category of Beverage Alcohol.
- Wine had shown declines from 1987 to 1993. 1993 to 2017 Wine growth = 3.2% per year. Recent slowing.
- One Serving – 12 Ounces Beer, 5 Ounces Wine, 1 ½ Ounces Spirits
- Growth trends since 1993 for Total Beverage Alcohol has been 1.2% per year.

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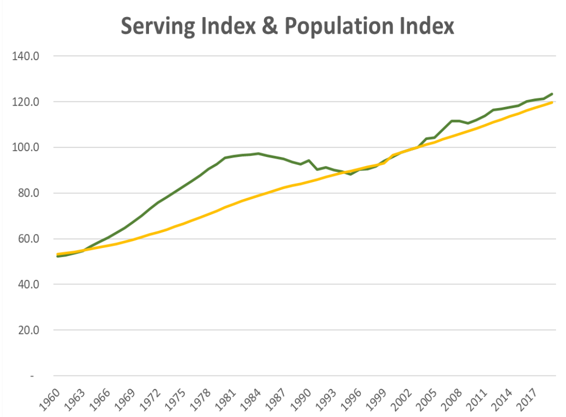

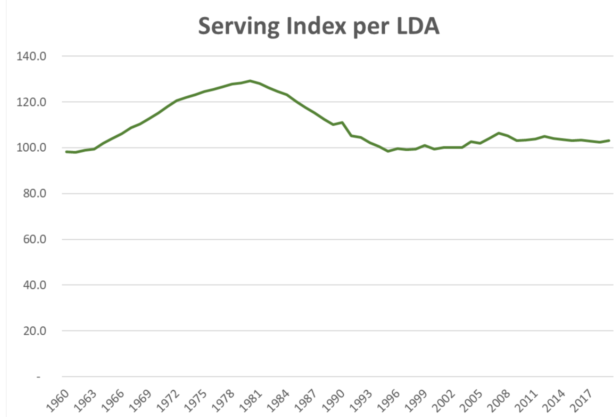

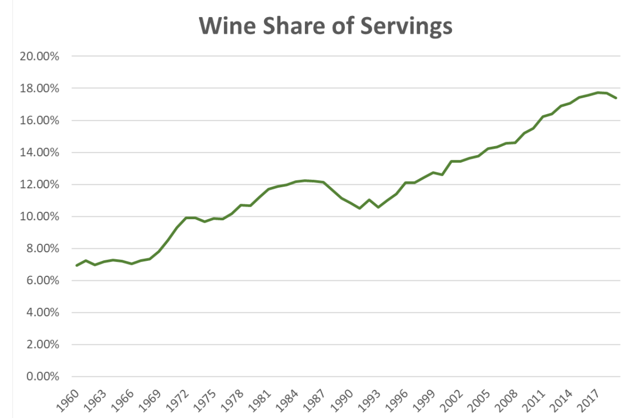

- Serving Index has been growing at 1.2% since 1993. Legal Drinking Age Population has also been growing at 1.2%
- Growth in 60’s and 70’s driven by lowering of Legal Drinking Age and 3 martini lunches.
- Growth reversed in 80’2 due to social challenges.
- Servings per LDA have been relatively flat since 1993. Growth of Beverage Alcohol growth driven by LDA growth.
- Wine has grown share of servings since 1993 but recently share growth has ceased.

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Fragmentation - 2019

Fragmentation - TTB Label Approvals (000)			
	Domestic	**Imports**	**Total**
Beer	36	3	39
Wine	40	85	125
Spirits	9	6	15
Total	85	94	179

- 35 Million High Frequency Wine Drinkers. (Consume 85% of wine sold in U.S.)
- Roughly 120 bottles per year, roughly 24 gallons per year.
- 1,000 new choices for every bottle purchased.

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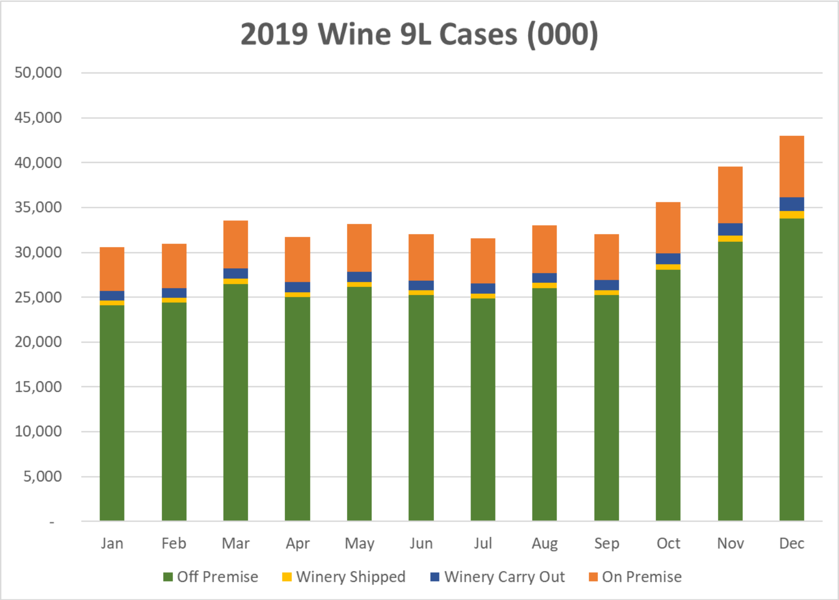

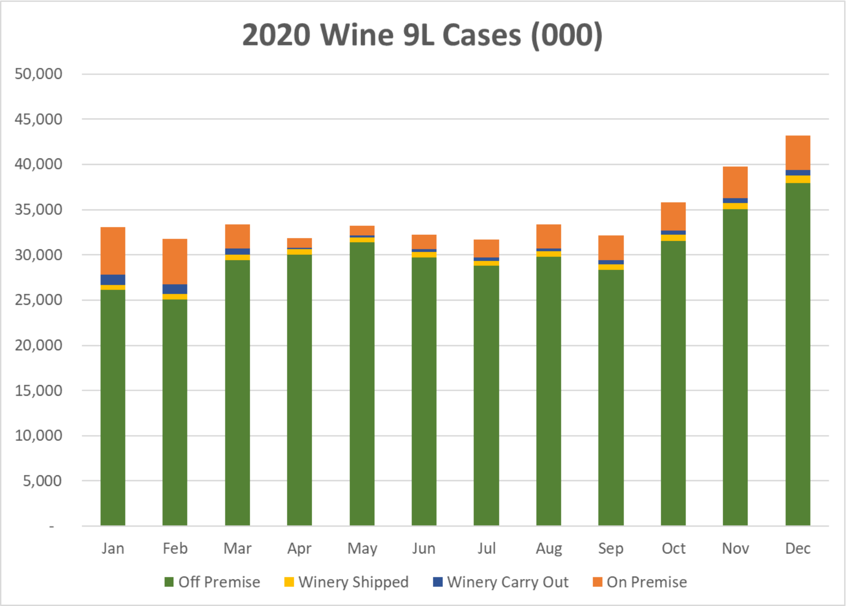

- Total 9L case volumes will grow slightly in 2020.
- Significant increases in the Off- Premise. Majority of increase is in major chains which benefits large brands.
- Increases in volume shipped from wineries.
- Significant volume declines in winery carry-out business and On-Premise.

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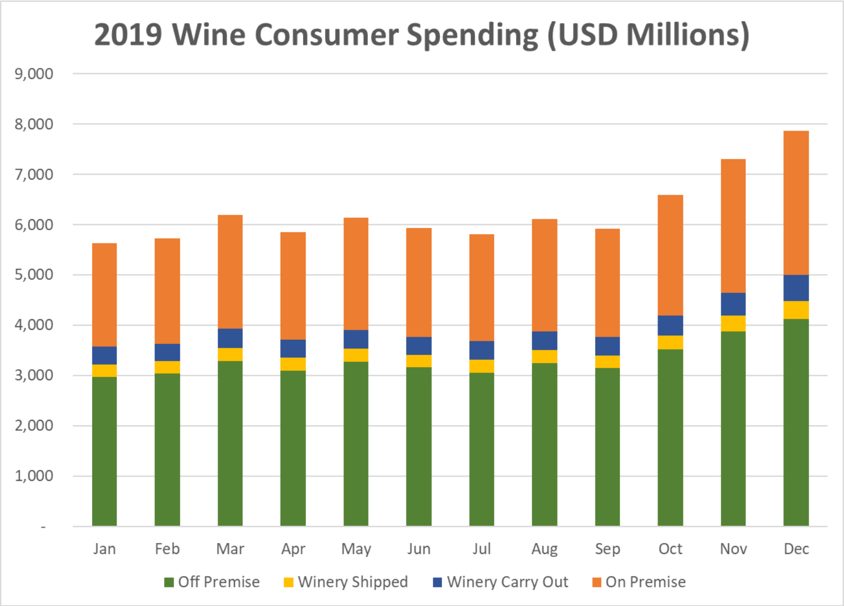

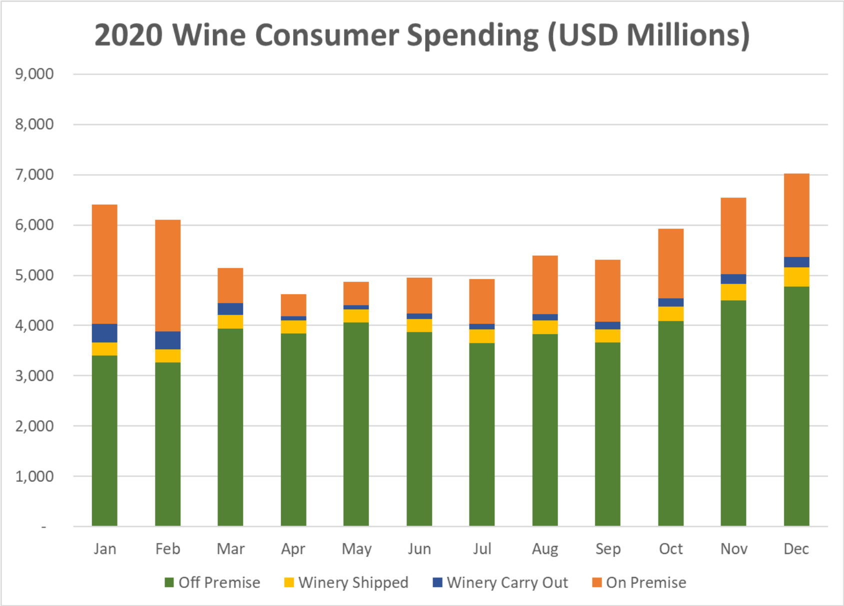

- Increased consumer spending in the Off-Premise and Winery shipments.
- Significant declines in Winery Carry –Out and the On-Premise

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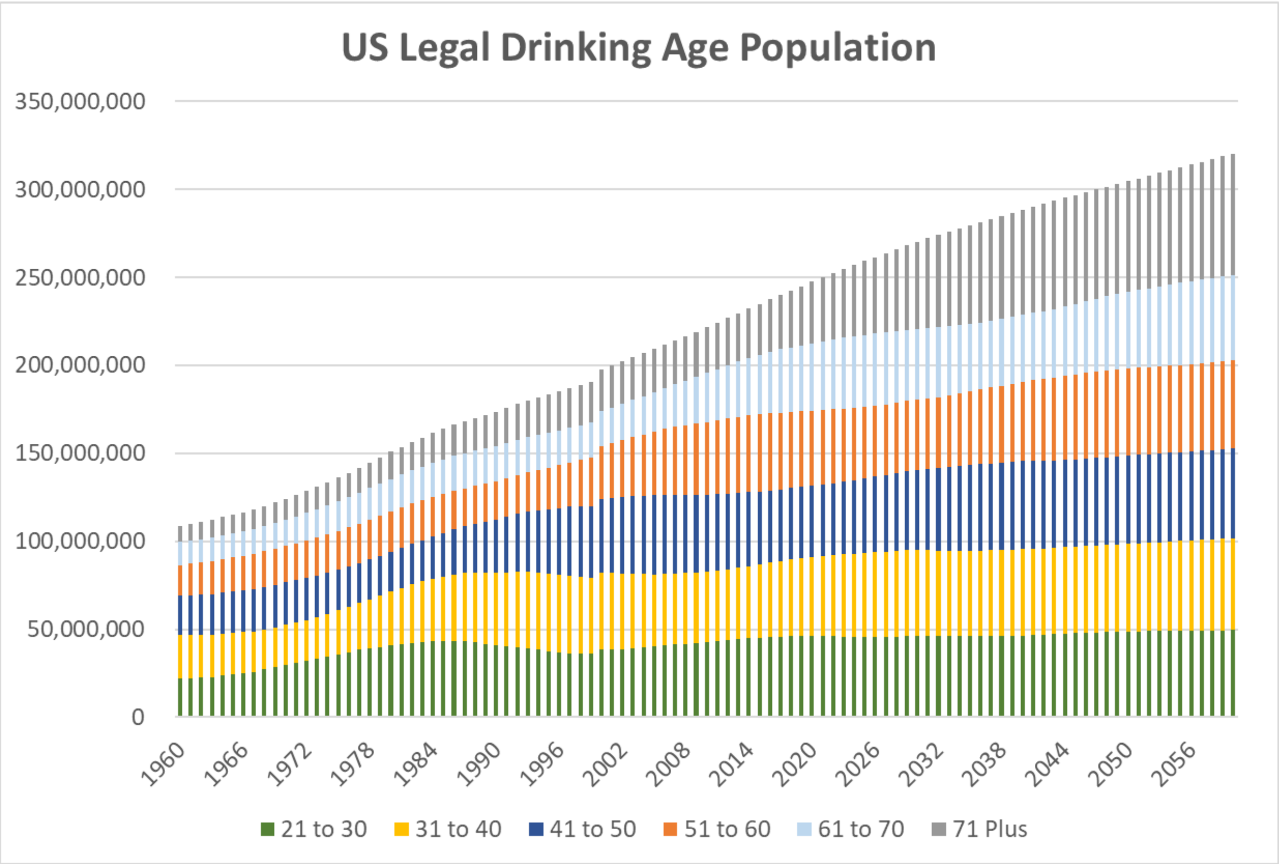

Demographic Trends

Year	20 Yr CAGR	Share 71+
1960		8.5%
1980	1.64%	10.2%
2000	1.36%	12.0%
2020	1.13%	14.1%
2040	0.77%	20.7%
2060	0.53%	21.6%

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Human Resource Implications

- Slower volume growth moving forward.
- Off-Premise declines in 2021, as volumes return to On-Premise.
- On-Premise was 16% of volume prior to Pandemic. Likely 12% over medium term.
- Will be harder to build brands On-Premise.
- Relationships still matter. May find employees reluctant to travel.
- Interactions with wholesalers and trade have changed. Challenge will be how to be most effective.

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Human Resource Implications cont.

- Ecommerce has become a more important component of winery interactions. Trend will continue.
- Consumer visits to wineries will take time to rebuild. Experience is key.
- Fragmentation of category will continue. This has, and will continue to make passing on cost increases a challenge.
- Greater need for mechanization and automation.
- Continued evolution of skills required.
- Implications of aging population.