State of the Industry

– *the Demand Side*

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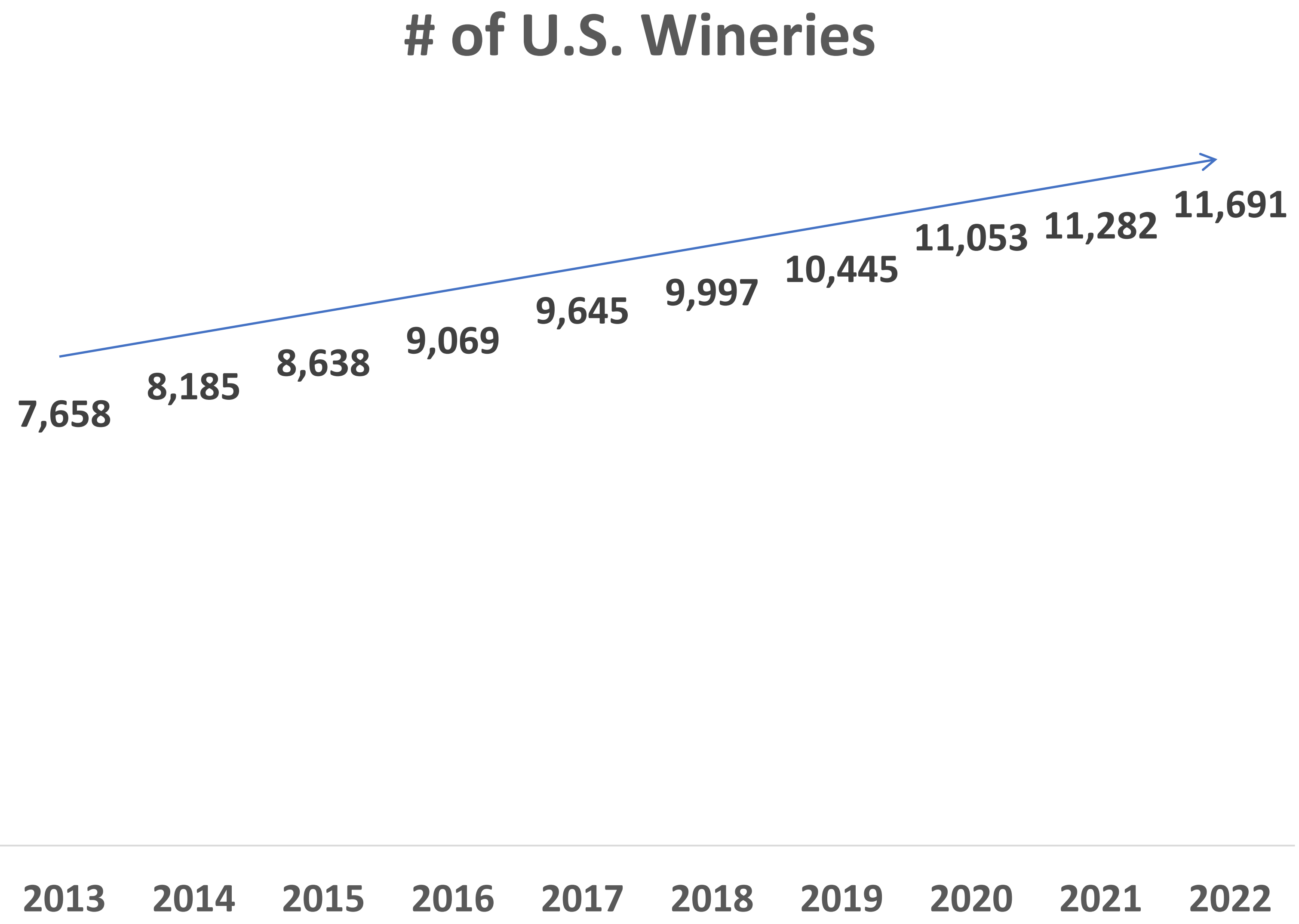
Sacramento, California

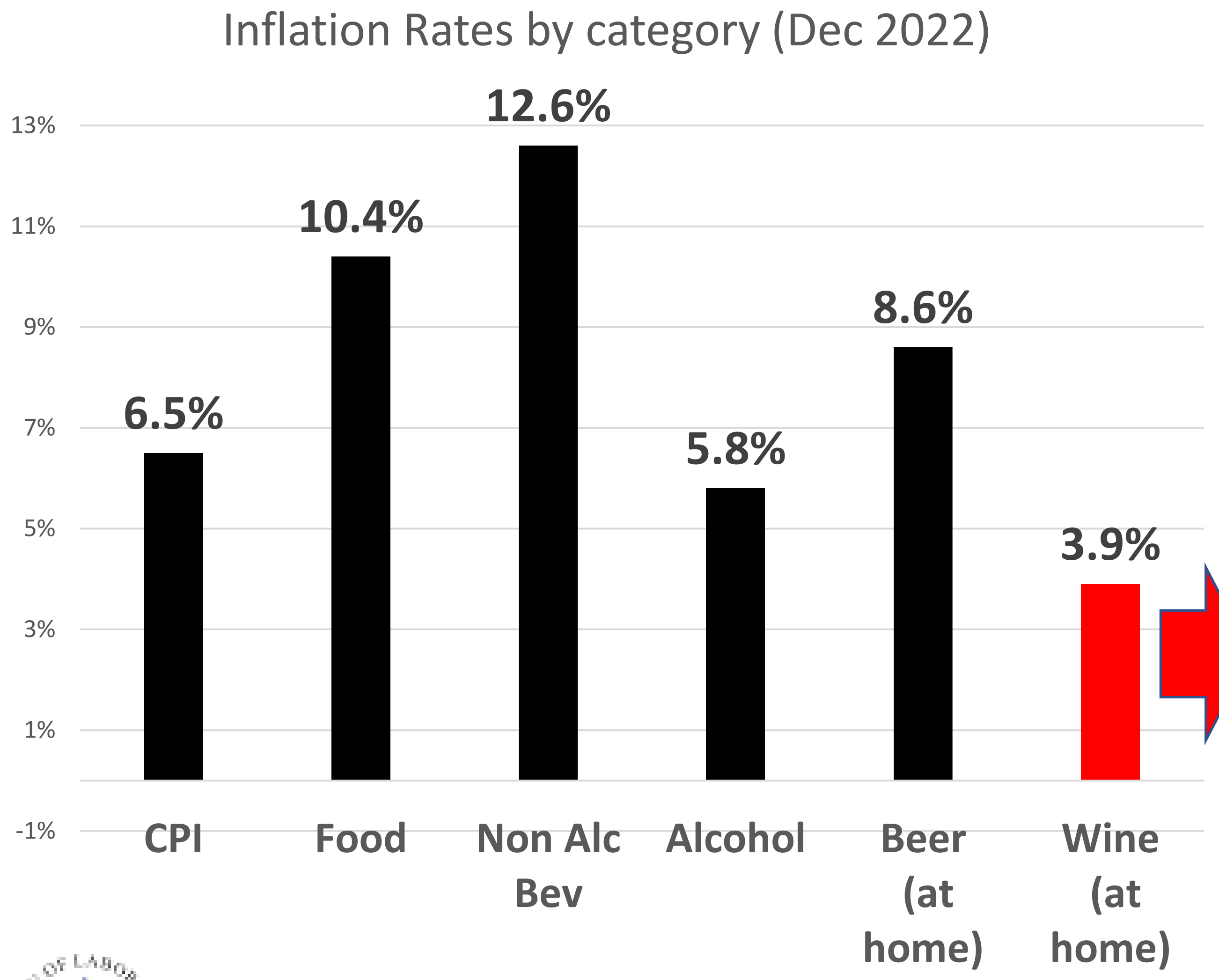
1. The Consumer
2. The Competition
3. Wine sales trends

Consensus around…
slipping Wine category
volume growth
flat to declining…

WE DON'T WANT THIS TO HAPPEN



WINE PRICE INCREASES MUCH LOWER THAN MOST OTHERS - AND YOUR COSTS; ON PREMISE HIGHER



DEC 2022	AT HOME	AWAY FROM HOME
FOOD	11.8%	8.3%
ALCOHOL	5.3%	6.8%
WINE	3.9%	7.8%

WINE PRICE INCREASES AT RETAIL (WHAT THE CONSUMER PAYS) – GENERALLY IN THE +4 TO 5% RANGE, BUT LOWER (2 TO 3%) IN THE HIGHLY COMPETITIVE $10-$20 RANGE

Top 2,50 + items; 13 w.e..December 31, 2022

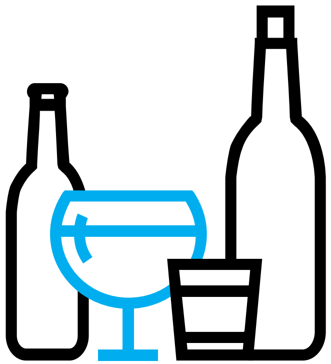
Source: Bureau of Labor Statistics

CONSUMER

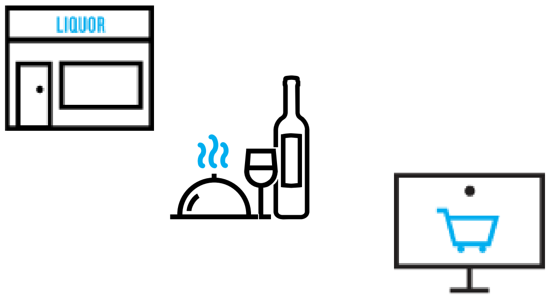
More than ever…complicated & demanding

- Consuming across Beverage Alcohol
- Drinking "better", not more
- Seeking convenience
- Flavor seekers
- Health Conscious/Socially Conscious
- Transparency
- Tied to their devices
- Diverse - across Generations; Race/Ethnicity

YOUR CONSUMER HAS MANY CHOICES

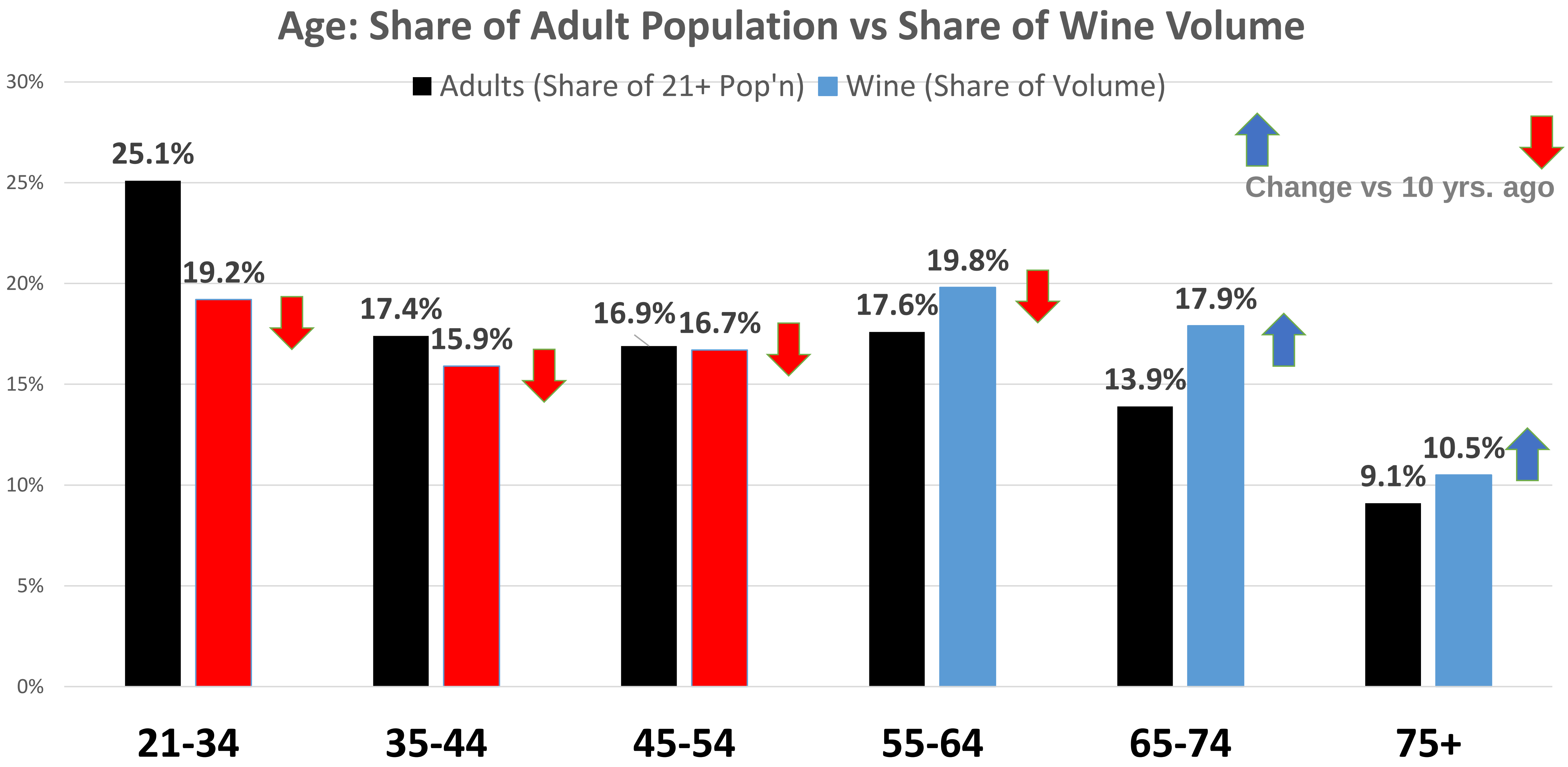


WHAT TO BUY



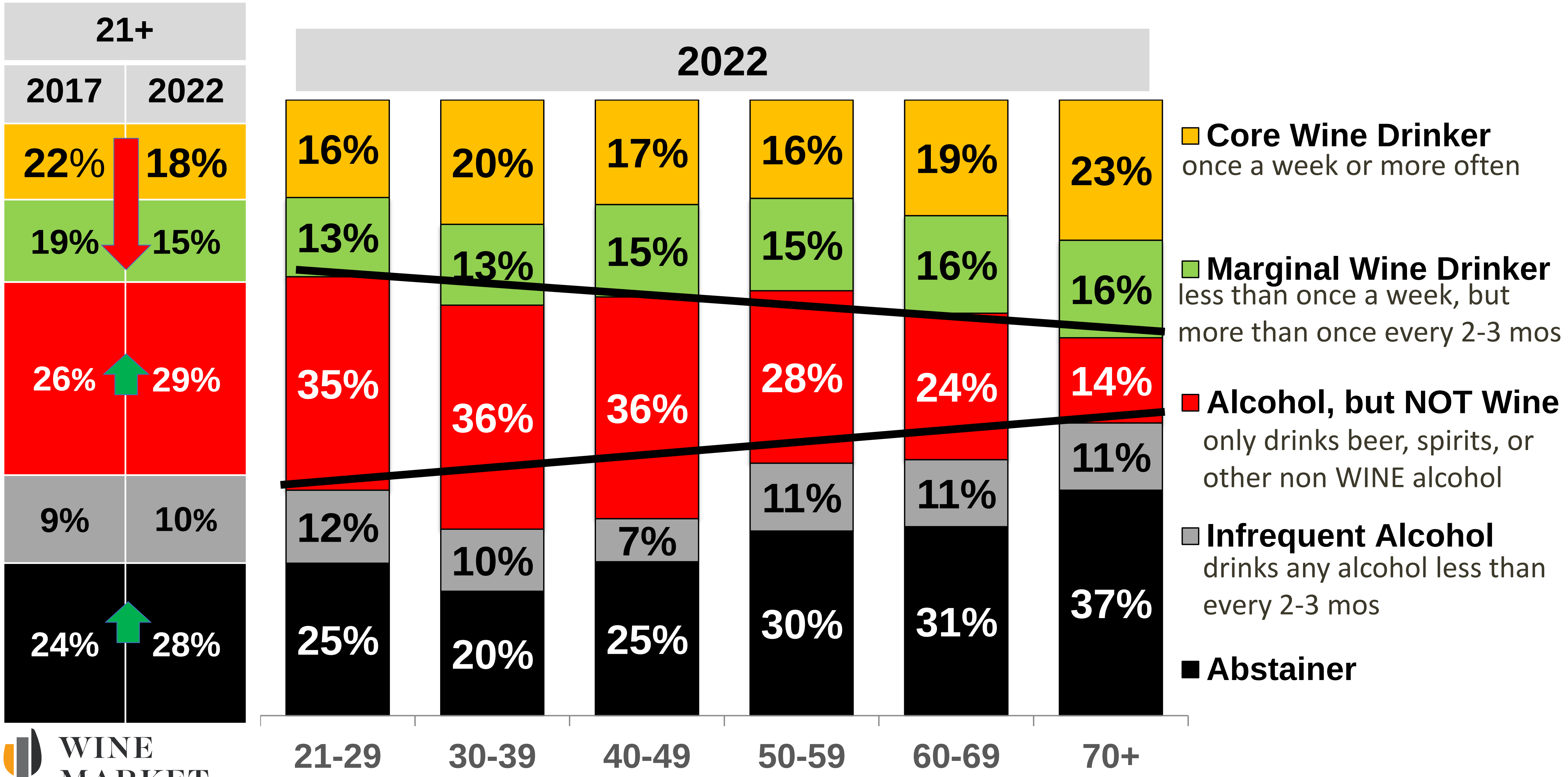
WHERE TO BUY

AGE/GENERATIONAL CHALLENGES for WINE



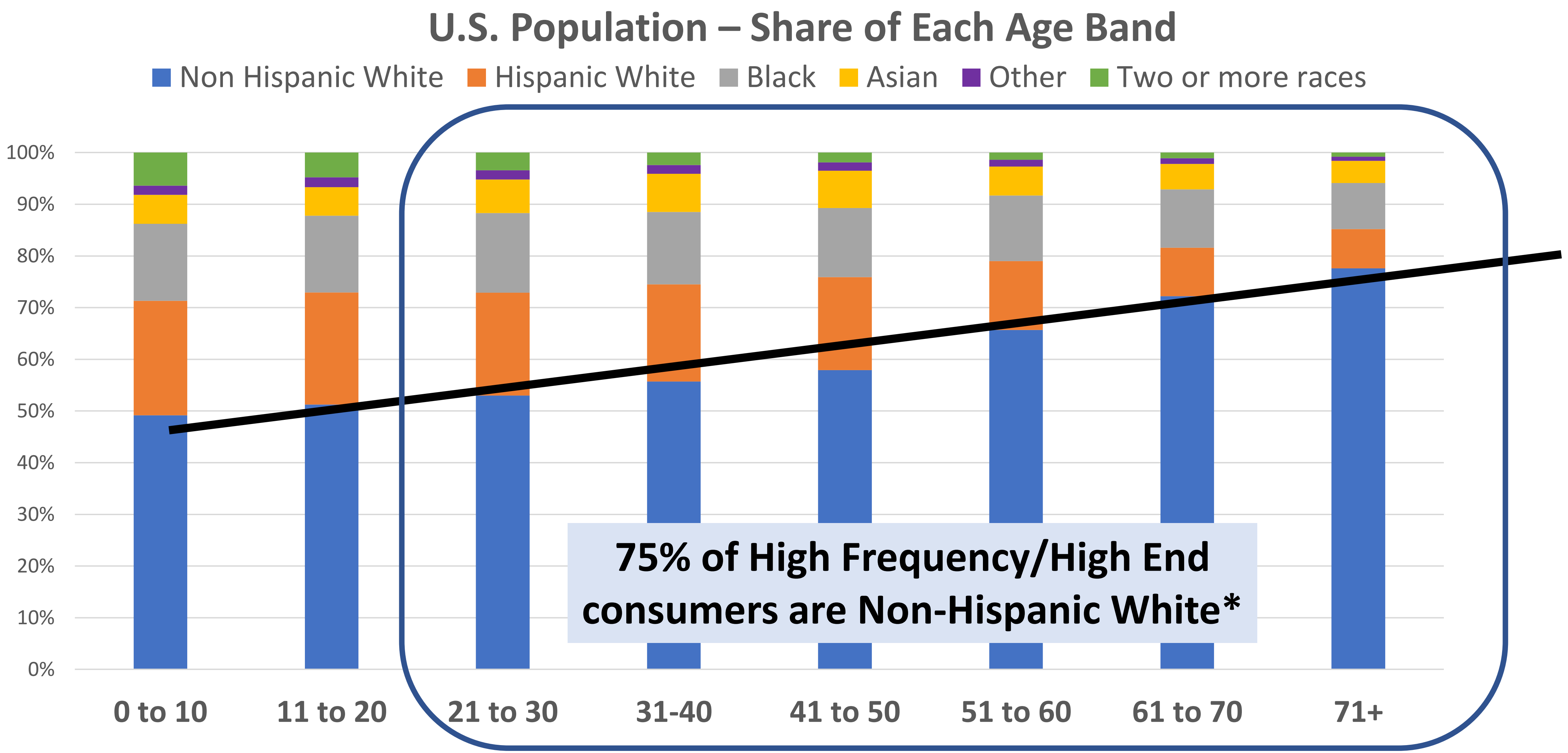
Source: Spectra/Simmons (2022)

THE GENERATIONAL CHALLENGE FOR WINE



Source: WMC –U.S. Wine Consumer Segmentation Surveys, Fall 2021/Spring 2022 Combined

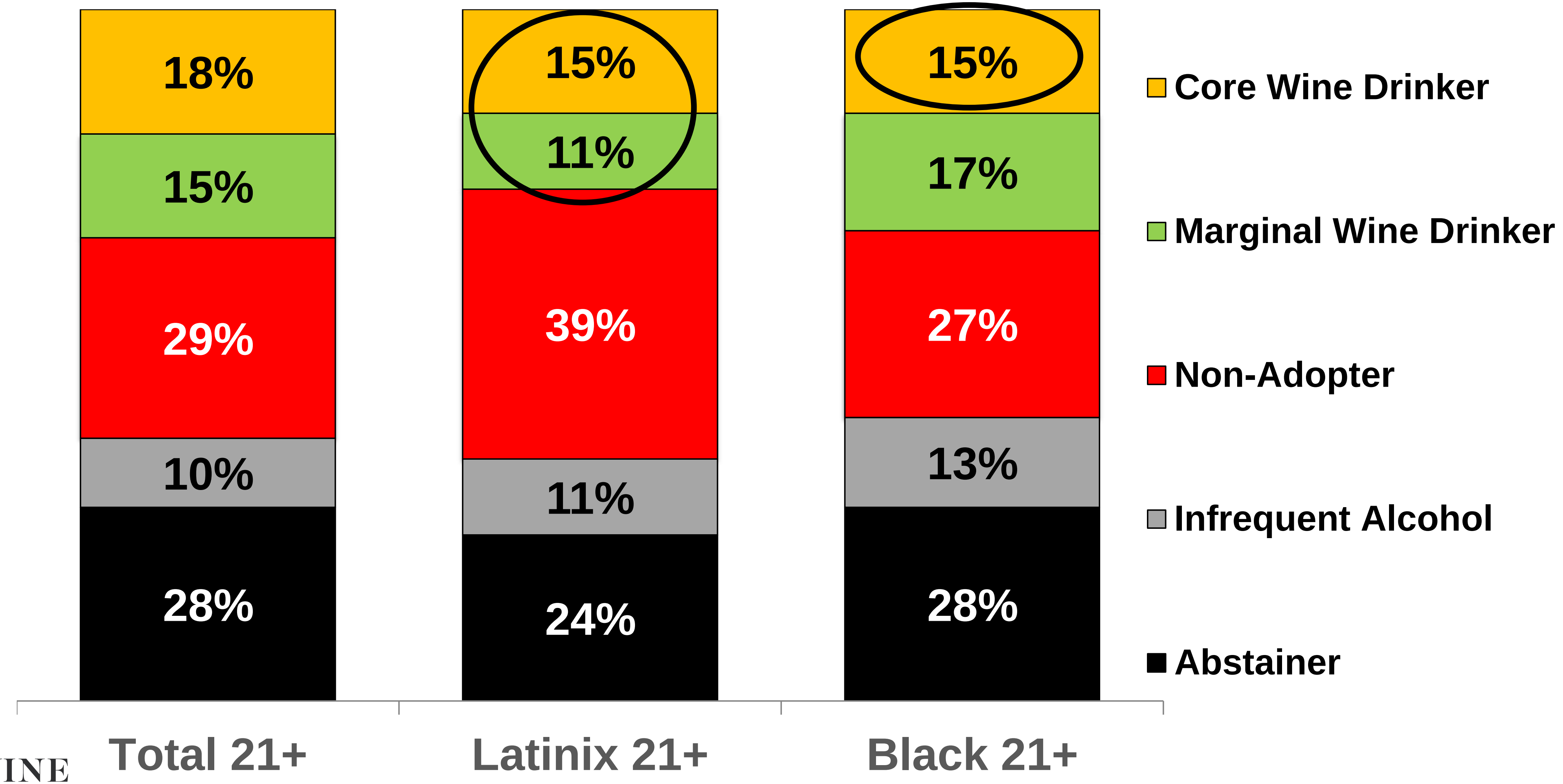
U.S. CONSUMER INCREASING MULTI-CULTURAL



U.S. census data as compiled by WINE MARKET COUNCIL

*U.S. Wine Consumer Segmentation Survey, October-November 2021

THE MULTI-CULTURAL CHALLENGE FOR WINE



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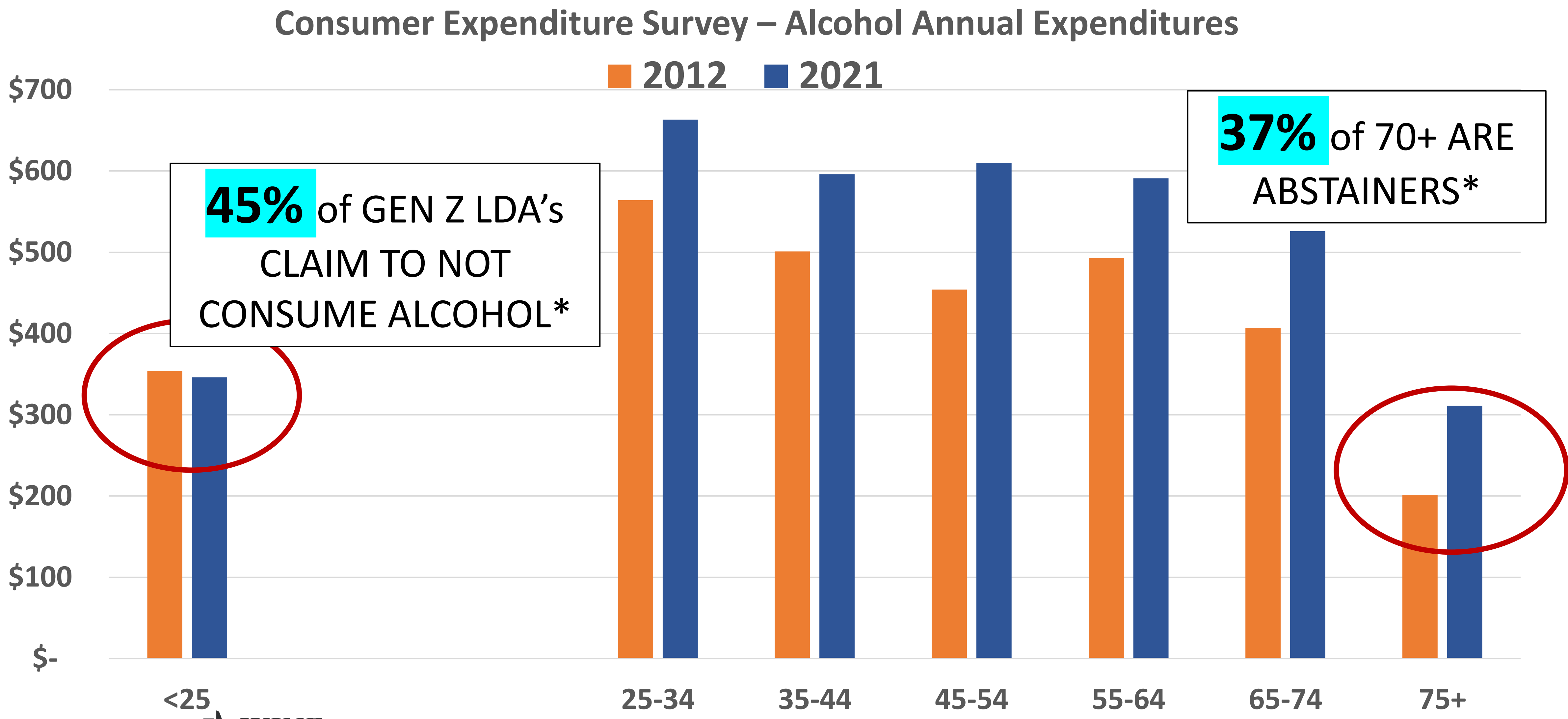
Source: WMC –U.S. Wine Consumer Segmentation Surveys, Fall 2021/Spring 2022 Combined

ALCOHOL SPENDING FLAT AT YOUNGER LDA END; SLOWS CONSIDERABLY AT SENIOR END



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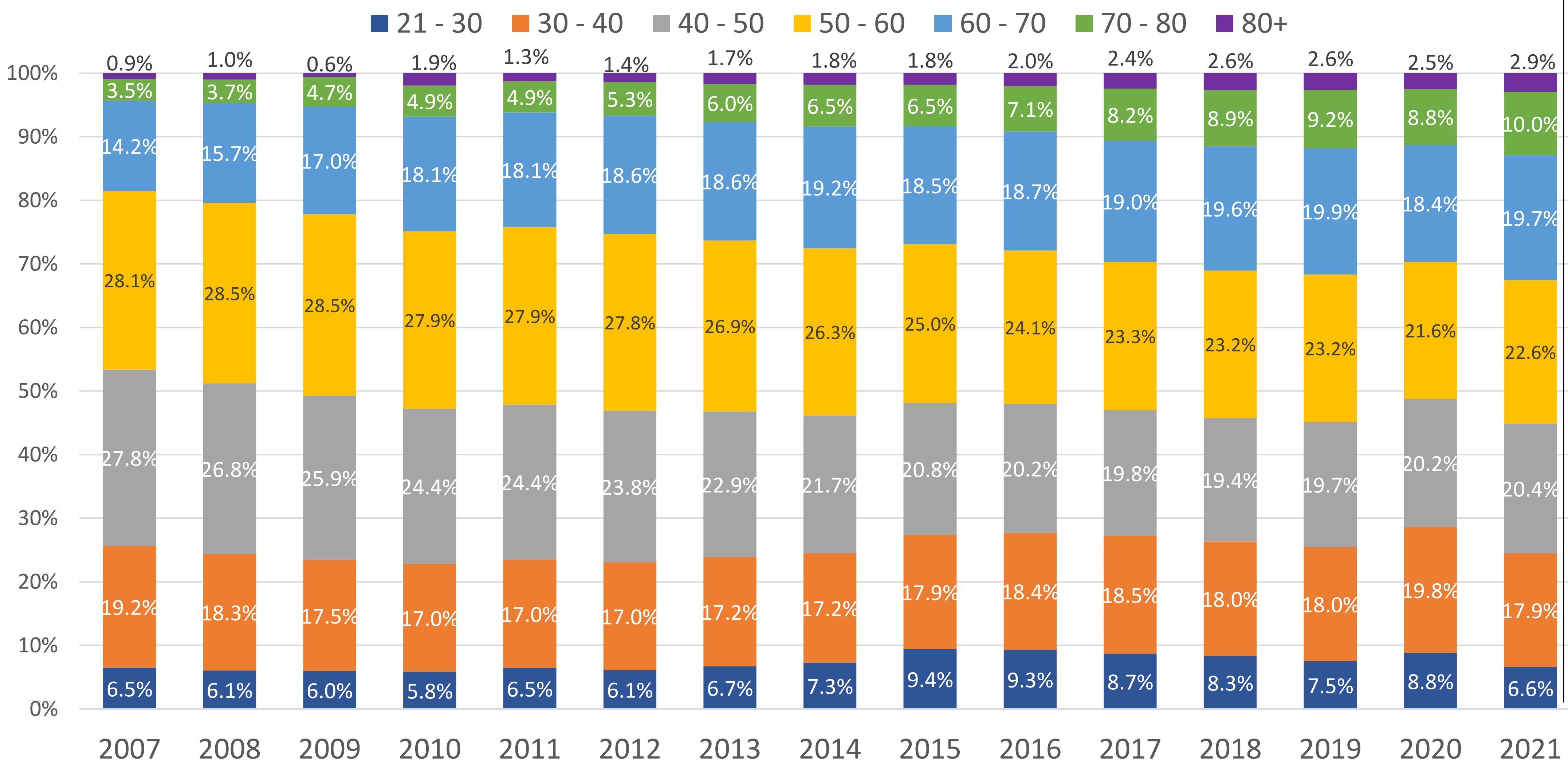
** WMC –U.S. Wine Consumer Segmentation Surveys, Fall 2021/Spring 2022 Combined

* Gen Z Study (2022)

60+ AGE SHARE EXPANDING; <60 DECLINING

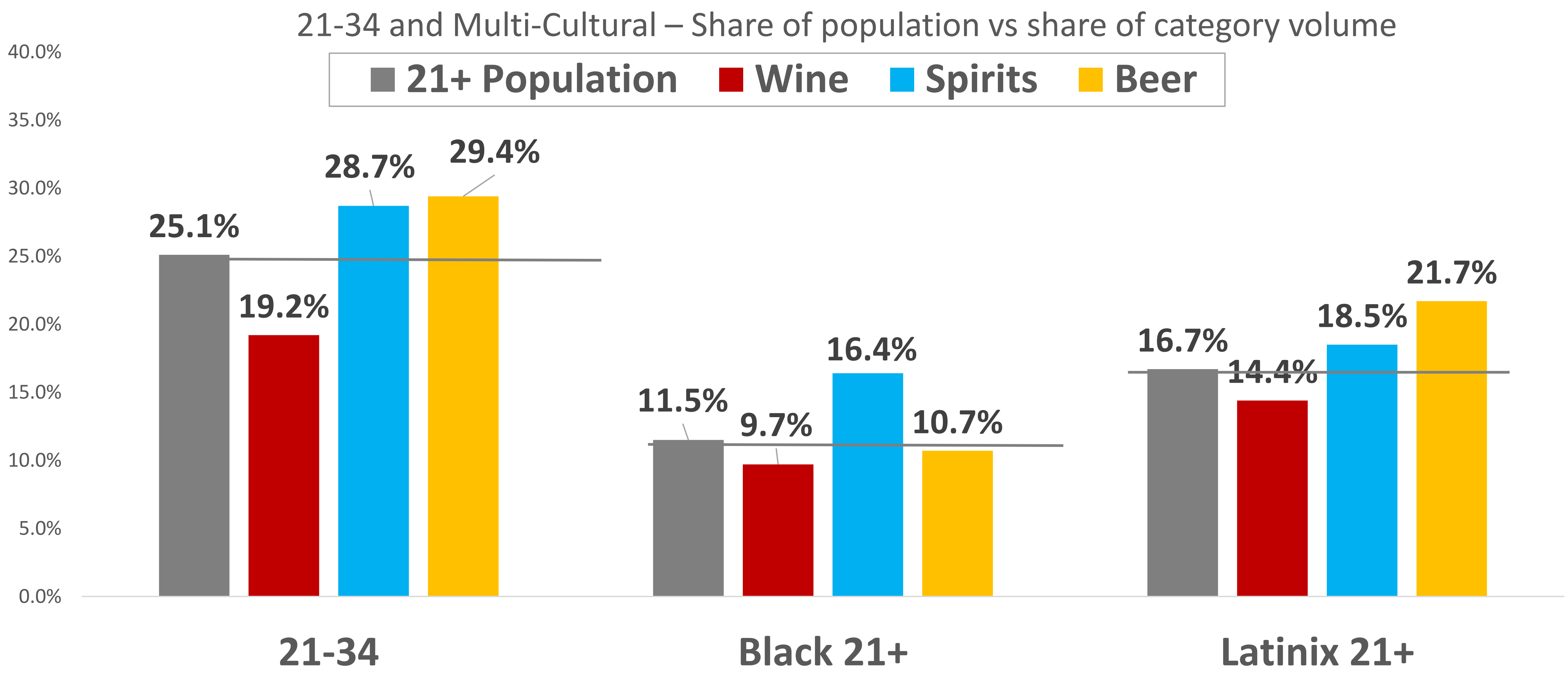
CUSTOMER AGE, SHARE OF DIRECT TO CONSUMER MARKET



Change in Share 2007-2021	
80+	+2.0
70-80	+6.5
60-70	+5.5
50-60	-5.5
40-50	-7.4
30-40	-1.3
21-30	+0.1

Source: Customer VIneyard, Sovos/ShipCompliant

WINE COMPETITIVELY DISADVANTAGED AMONG YOUNGER LDA's & MULTI-CULTURAL CONSUMERS



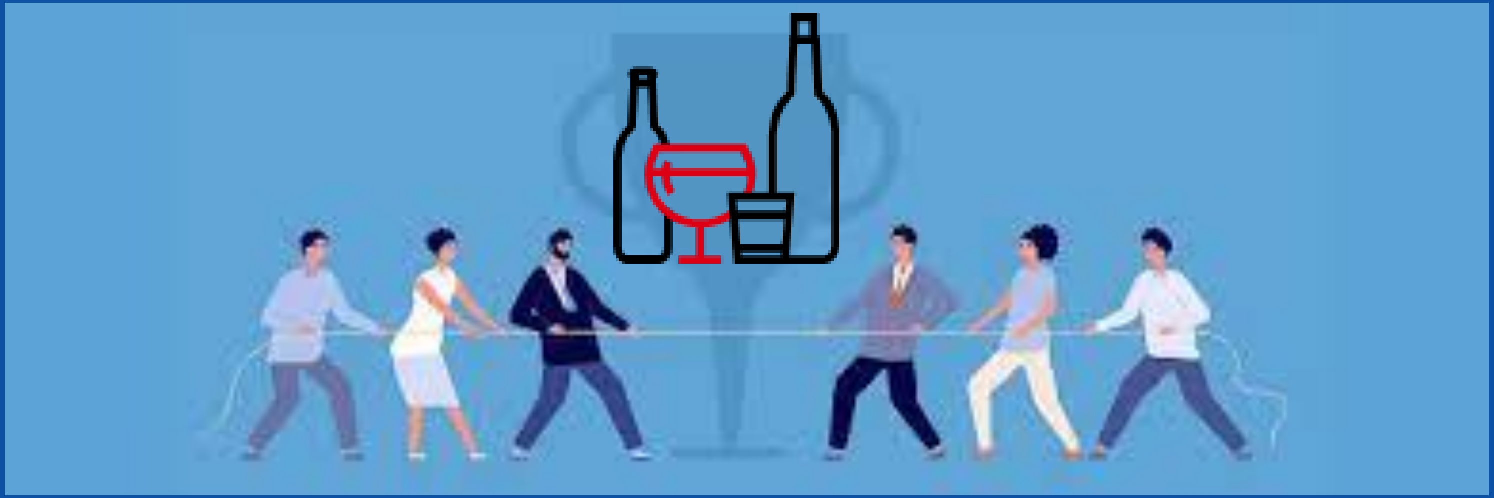
21–34-year-olds are 25.1% of LDA population; 19.2% of wine volume

Blacks represent 11.5% of LDA population; 9.7%% of wine volume

Latinix represent 16.7% of LDA population; 14.4% of wine volume

Spectra/Simmons (2022)

COMPETITION



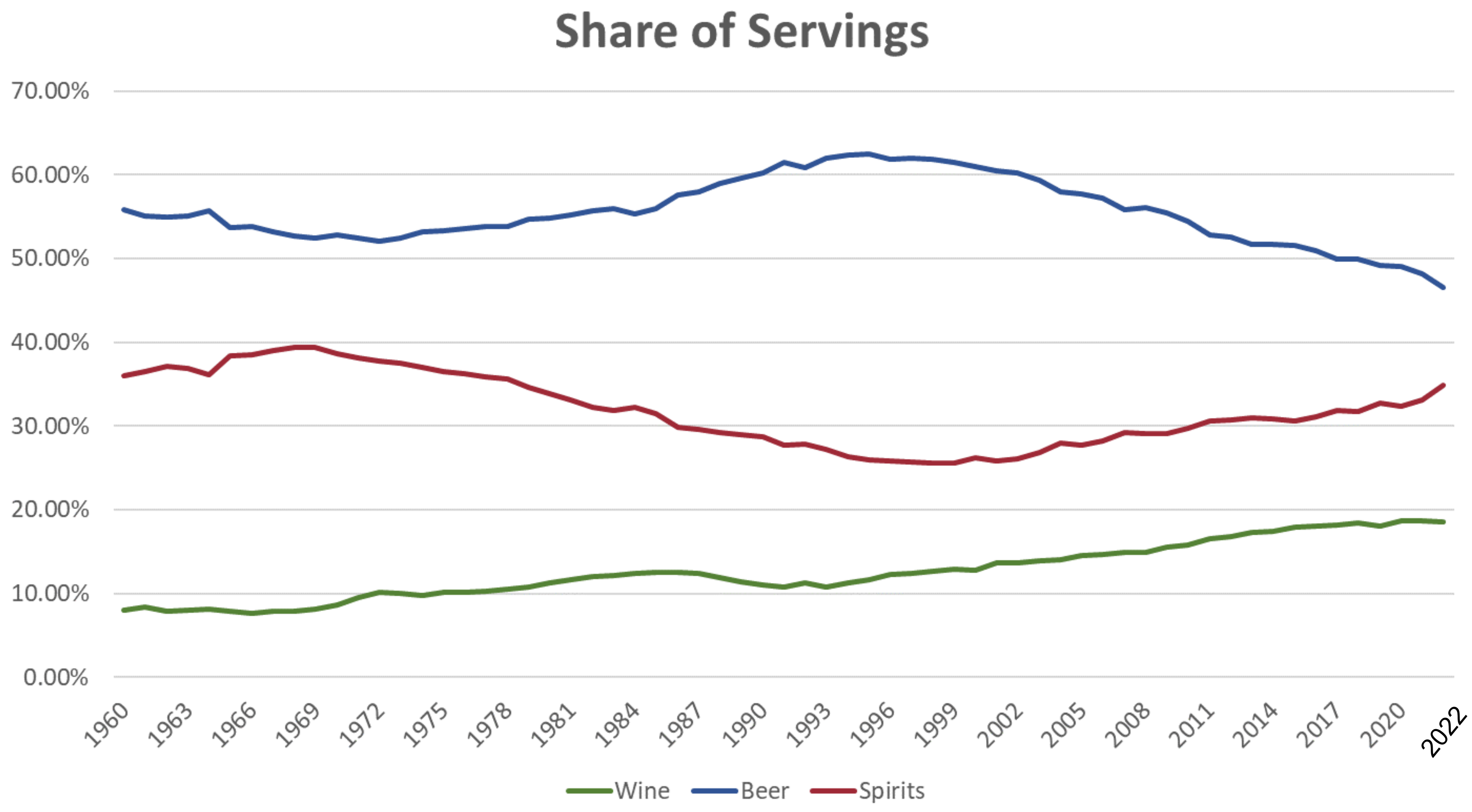
18%

- The percentage of Wine drinkers that only drink Wine; 82% drink Wine + others
- The percentage of Wine drinkers that drink Wine + Spirits + Beer + the “4th” category

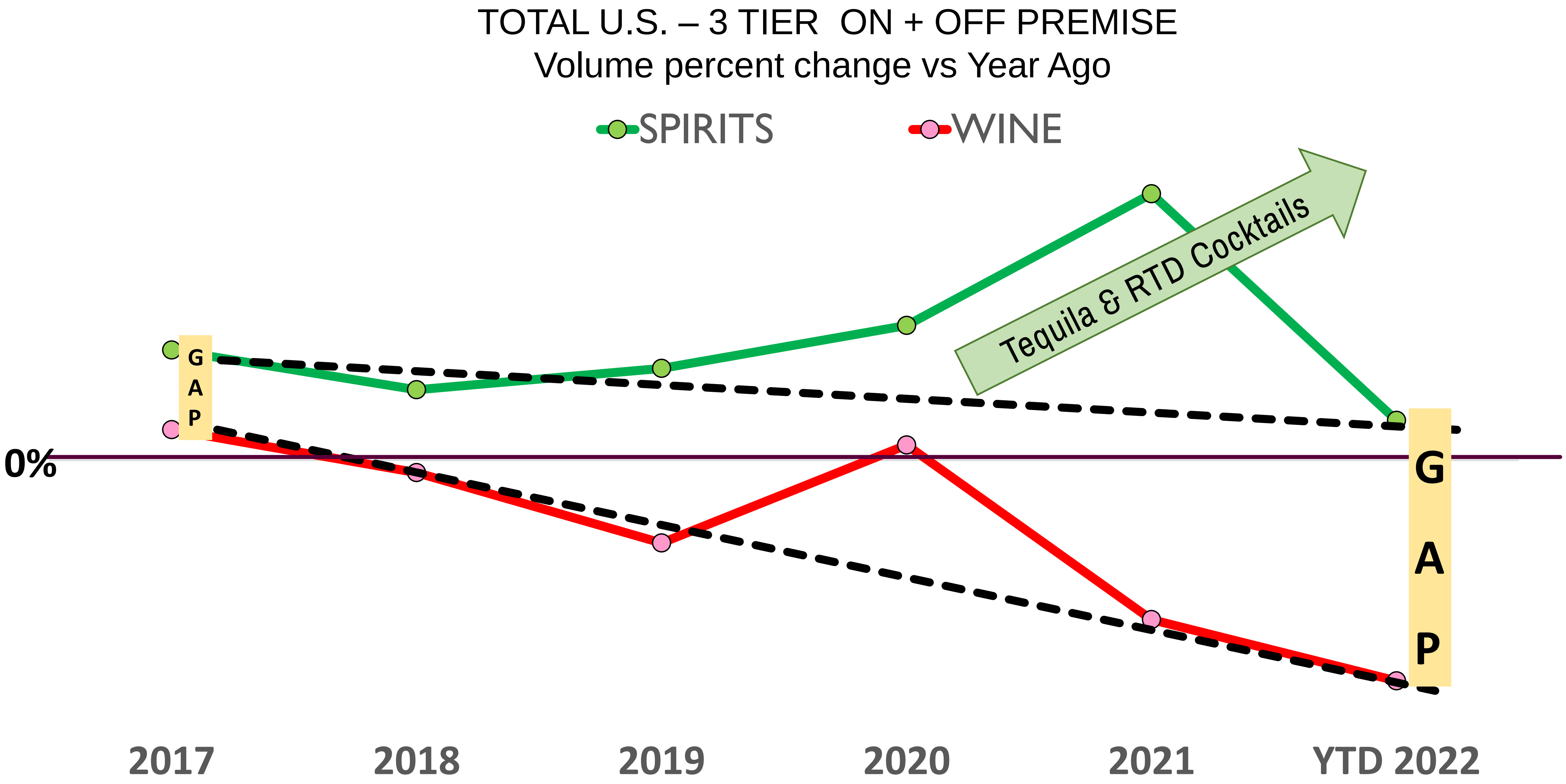
* 4th Category includes sangria, spritzers, fruit flavored wines, hard seltzers, premixed RTD’s, hard cider, hard tea, kombucha

Beer & Spirit drinkers don’t just drink Beer & Spirits – many drink Wine they’re your target consumer too!!!

Servings per LDA relatively flat since 1990's; within, SPIRITS expanding share



GROWTH GAP vs SPIRITS AT UNPRECEDENTED LEVELS



Volume % Change vs Last Year (thru Nov 2022)

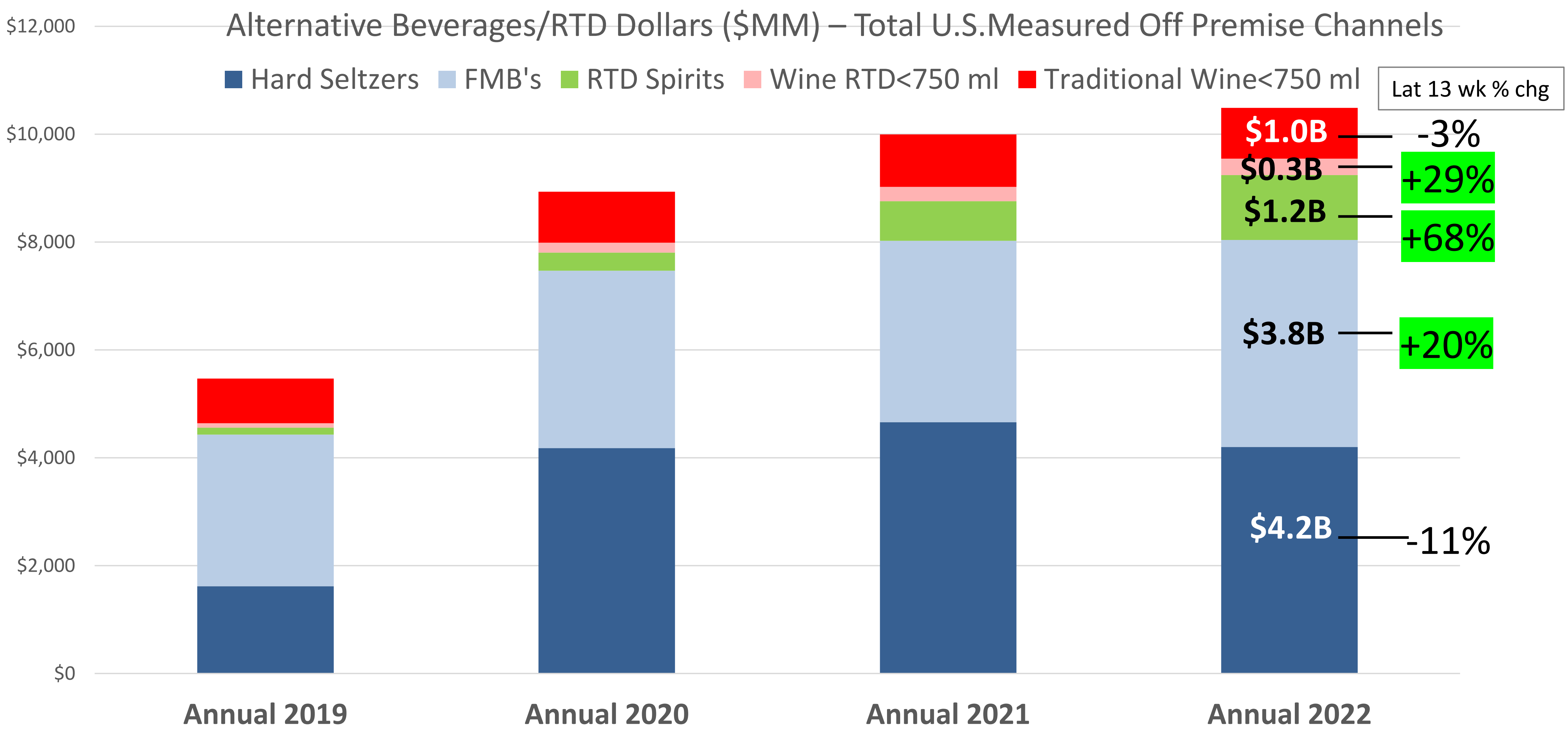
PROLIFERATION OF THESE (BWS)

Flavors	Variety	Packaging	Branding	Convenience	Standard Panel Facts	Better for You

~ 50% of Bev Shoppers have purchased one kind or another

Consumers don’t know what to call these products or generally care (including what the BASE Liquid is)

$10 BILLION TOTAL – and GROWING. WINE A VERY SMALL PLAYER – BUT HIGH NOON/GALLO THE LARGEST RTD SPIRIT



Source: NielsenIQ Scan Off-Premise Channels; period ending Dec 31, 2022 (Dollars)
Traditional wines – incl table, sparkling, dessert, sangria, flav bev wines

Consumers

serves a broad demographic range

Alternative
Beverages
BLURRING LINES

Categories
Across BWS

Competitors

OUR KEY DEMAND CHALLENGE:

HAVING YOUNGER LDA'S CHOOSE WINE ON MORE OCCASIONS

BUILD ON RAMPS

EXTEND OFF RAMPS

WINE SALES TRENDS

Channels

Price Tiers

COVID 2021 Calendar an Anomaly

Unified Wine & Grape Symposium
Presented by ASEV & CAWG

During the pandemic & immediate aftermath

- Many had more disposable income
- Many had more free time - with less options to spend on ‘services’; more spending on ‘stuff’
- Less inclined to go out – bought at off premise prices
- Low levels of inflation back then

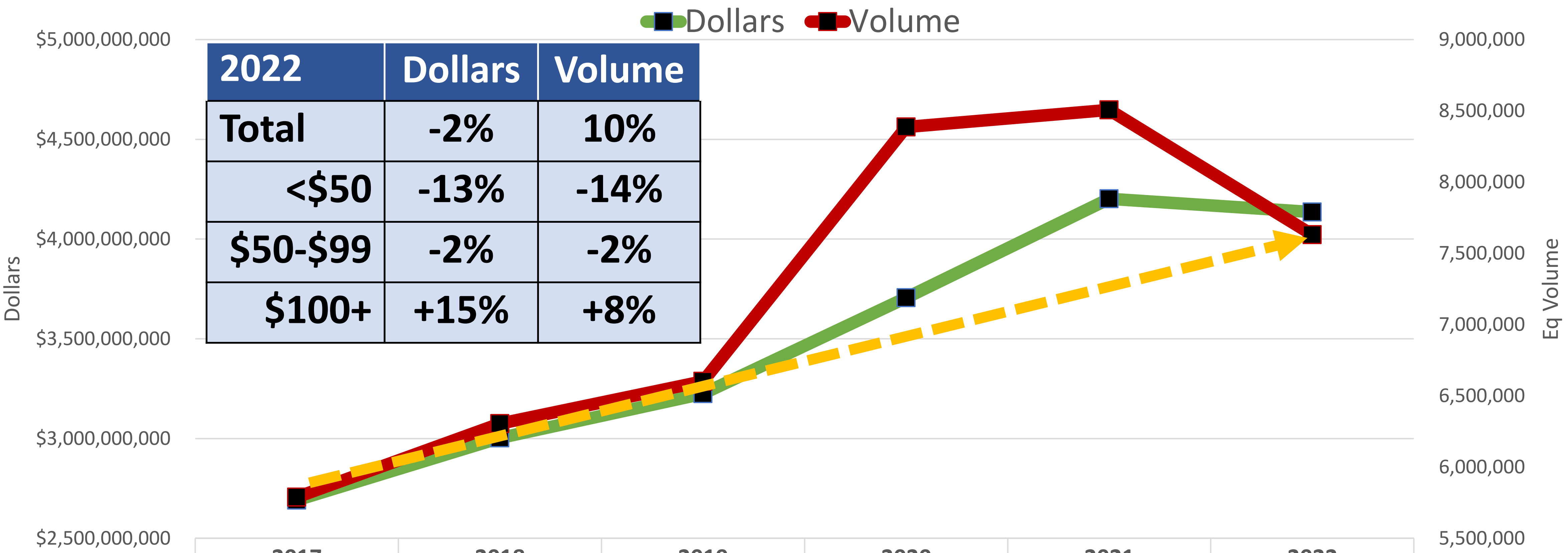
- Premiumization was on steroids!!! then fueled further by return to On Premise

2021 high price tier growth levels not replicable nor sustainable for many

2023 end of year for comps to normalize

COVID ACCELERATED DTC GROWTH; FALLEN BACK SINCE TO MORE TRADITIONAL GROWTH

DtC Shipments – 2018 thru 2022



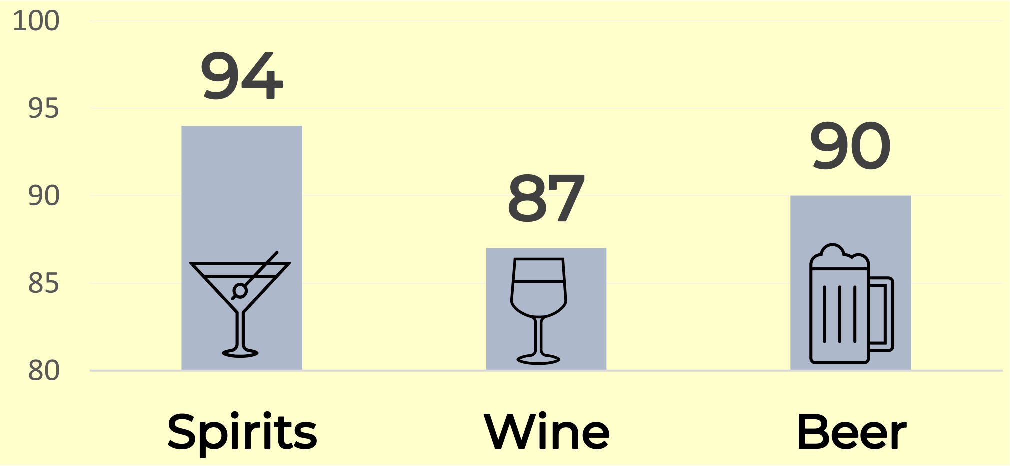
2022	Dollars	Volume
Total	-2%	10%
<$50	-13%	-14%
$50-$99	-2%	-2%
$100+	+15%	+8%

	2017	2018	2019	2020	2021	2022
Dollars	$2,691,717,000	$3,003,318,112	$3,224,688,824	$3,705,842,605	$4,201,450,284	$4,135,109,565
Volume	5,788,489	6,304,470	6,601,773	8,385,907	8,507,189	7,630,338

Straight line projection

WINES VINES ANALYTICS SOVOS ShipCompliant

ON PREMISE RECOVERING, BUT STILL BELOW PRE-COVID LEVELS; WINE LAGGING



Some COVID impacts may be longer lasting…

- Shifts from Out of Home to "Hometainment"
- Meal delivery to the home
- Alcohol "to go" in many states
- Business travel unlikely to return to pre-pandemic levels
- Many more working out of their homes
- Shorter restaurant operating hours (6.4 less hrs/week[1])
- Staffing/labor issues
- 15-20K less on premise accounts vs pre-COVID; in particular Independents[2]
- Consumers more sensitive to significant pricing up-charges On premise; now On Premise pricing rising faster than Off Premise

1 DATASSENTIAL

2 TDLINX

: Beer Institute STR and SipSource, powered by VIP, 3 months ending Nov 2022 vs 2019 on-premise volume share

COVID SHRUNK ON PREMISE ASSORTMENTS – BIG NAME BRANDS STAND OUT EVEN MORESO

Top 12 brands: # of On Premise placements

42,000 accounts today

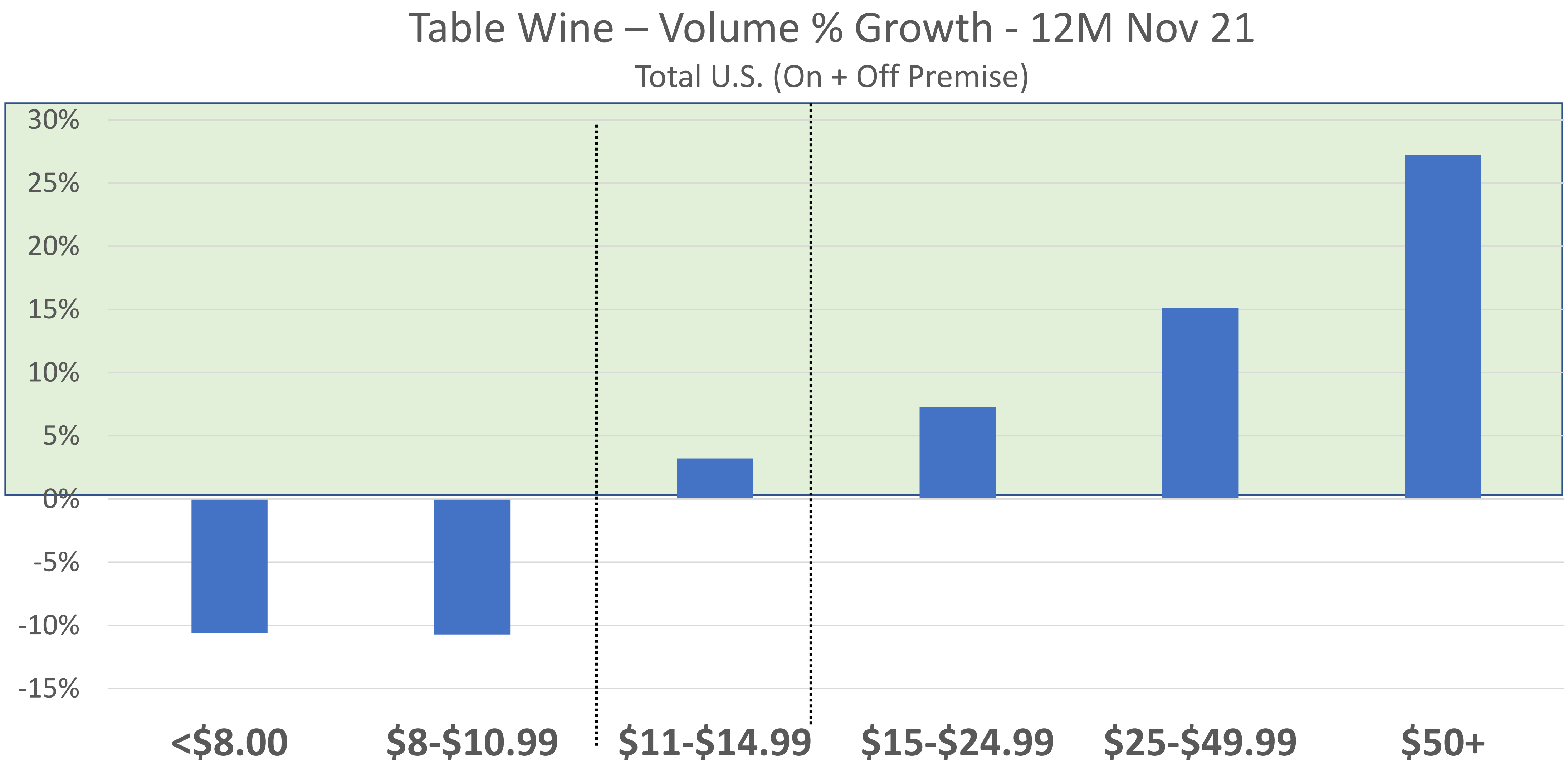
By the Bottle

1	Veuve Clicquot	Duckhorn	Caymus	Cakebread Cellars	Kendall Jackson	Dom Perignon	
	Prisoner	Sonoma Cutrer	Moet Chandon	Chateau Ste Michelle	Kim Crawford	Silver Oak	12

By the Glass

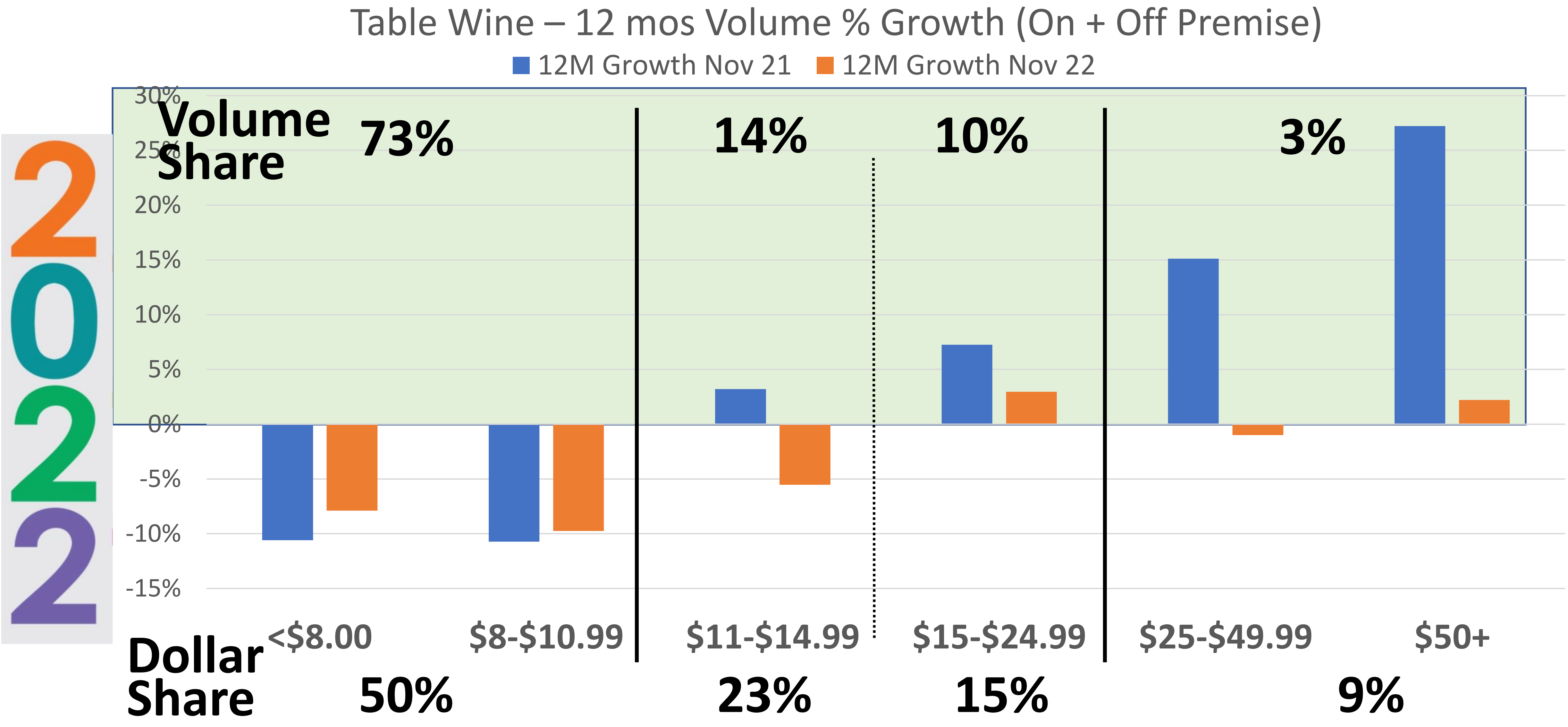
1	Kendall Jackson	Chateau Ste Michelle	Meiomi	Kim Crawford	Duckhorn	Ruffino	
	LaMarca	Sonoma Cutrer	J Lohr	Josh	Beringer	La Crema	12

A LOOK BACK to 2021 PRICE TIER GROWTH



Based upon retail price per eq 750 m)

AND NOW IN 2022 - vs TOUGH COMPS



Based upon retail price per eq 750 m)

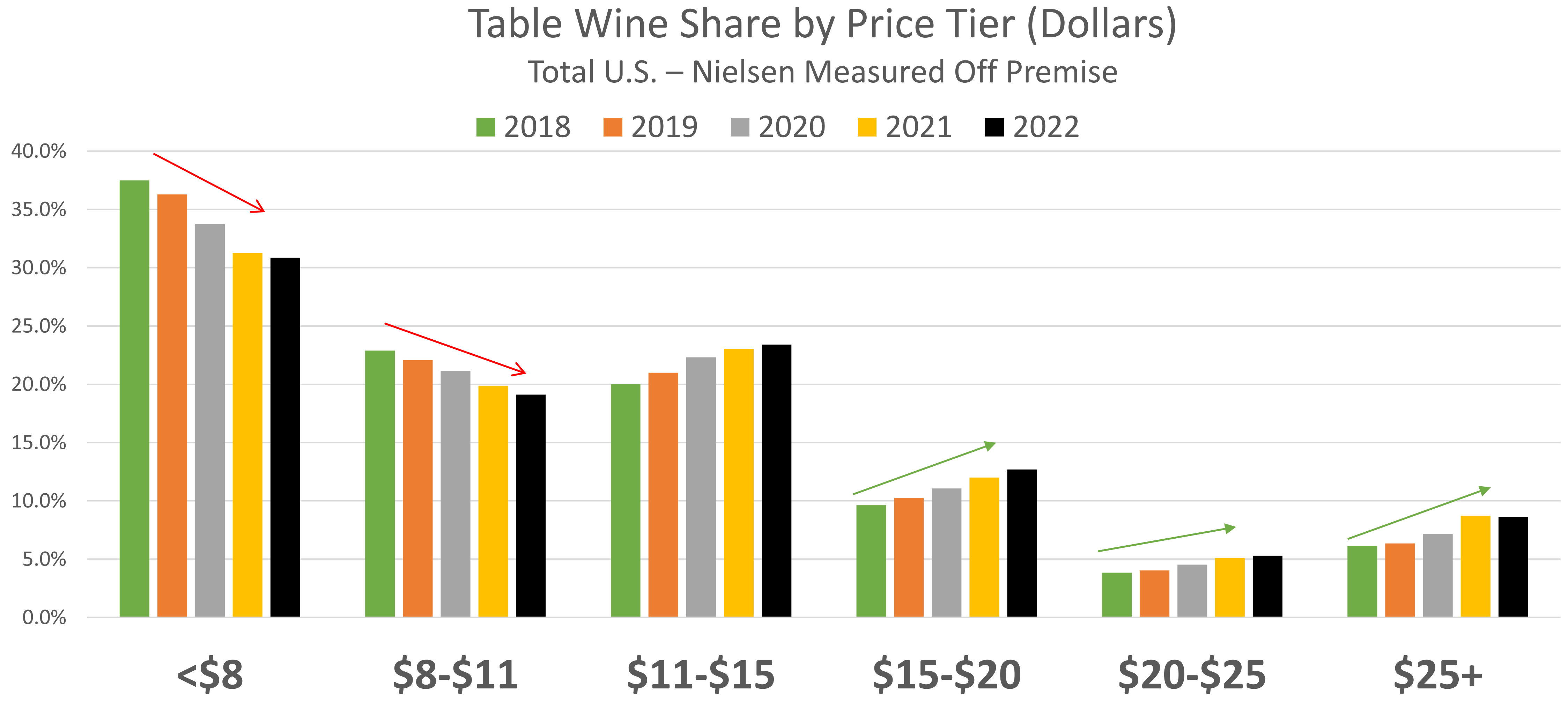
KEY VARIETAL PICTURE OVER $15 IS DECIDEDLY MORE FAVORABLE

Domestic	<$11	$11-$15	$15+
Cab Sauvignon	-7.4%	-5.4%	+0.6%
Chardonnay	-5.5%	-1.4%	+4.5%
Merlot	-12.6%	-4.3%	-5.8%
Moscato	-11.2%		
Pinot Gris/ Grigio	-2.7%	+10.8%	+3.8%
P Noir	-7.8%	-9.6%	+1.1%
Red Blends	-11.2%	-12.9%	+6.3%
Riesling	-14.2%		
Rosé	-19.6%	-17.5%	-3.1%
Sauv Blanc	+1.6%	+2.0%	+9.0%
White Blends	-6.7%	+53.5%	

Share within each Price Tier; Varietals 1.0% or larger

12 months to November 2022 (volume)

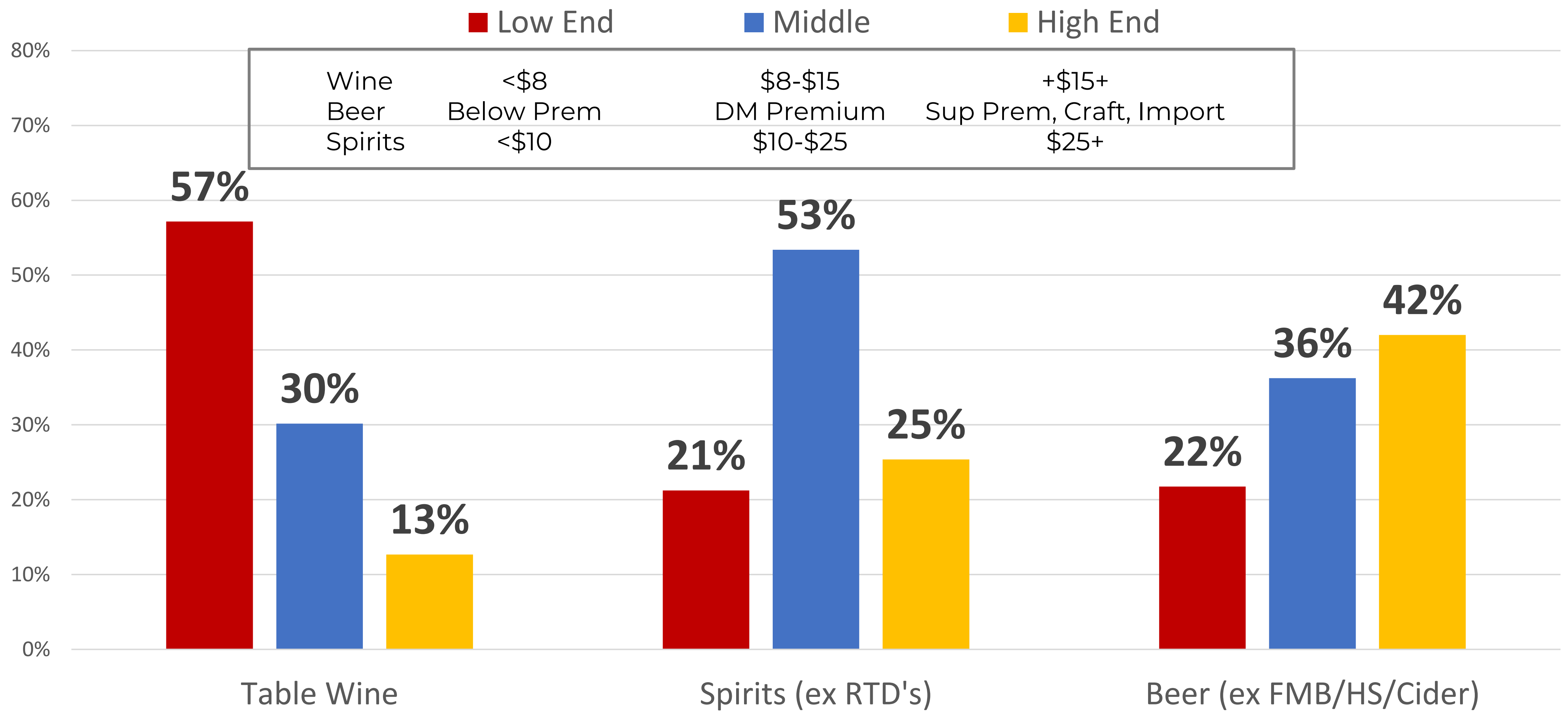
PREMIUMIZATION STILL IS & WILL BE A DRIVER LONG-TERM, BUT RATE SLOWED IN 2022



Total U.S Measured Scan Off-Premise Channels; period ending Dec 31, 2022; Dollars (price per eq 750 ml)

OVERALL WINE CATEGORY HEALTH STILL VERY TIED TO LOWER END, MUCH MORESO THAN OTHERS

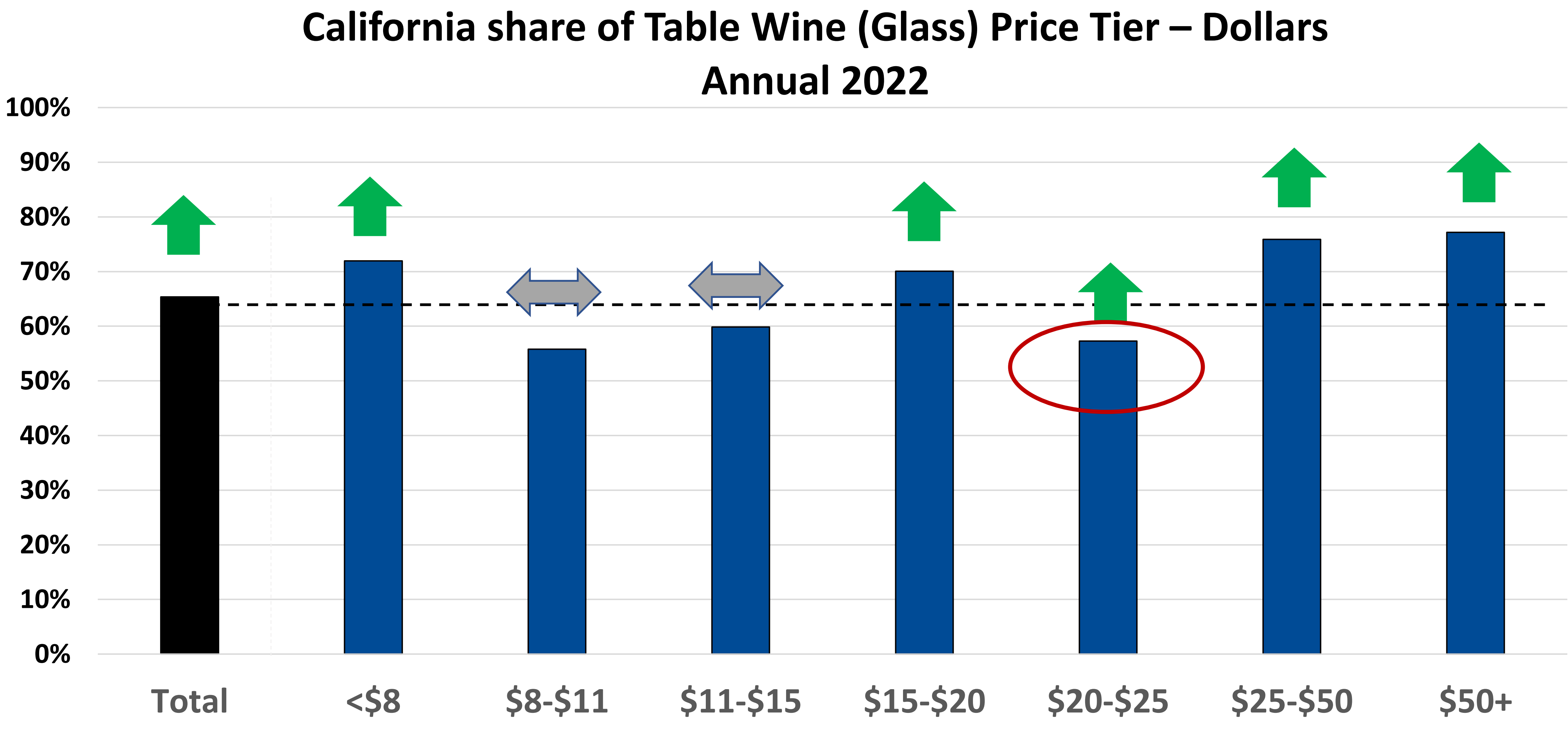
Volume Contribution by Price Tier to Category



SipSource 12 mos ending Nov 2022

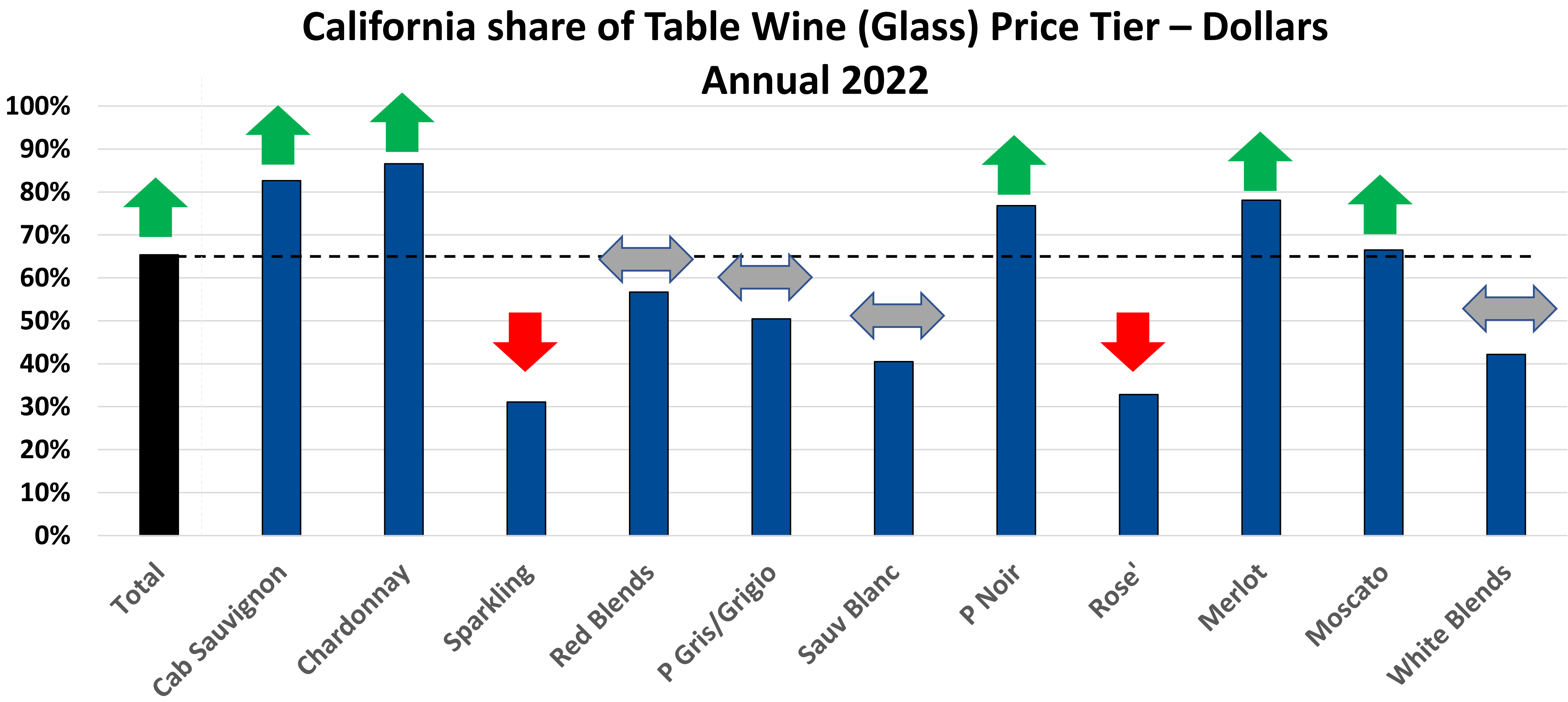
NielsenIQ 52 w.e. Dec 3, 2022

CA SHARE GENERALLY EXPANDING; OPPORTUNITY FOR MORE GAINS in $20-$25



NielsenIQ Measured Off Premise Channels – Total U.S.; w/e 12-31-2022

CA SHARE GENERALLY EXPANDING; EXCEPT FOR SPARKLING & ROSE'



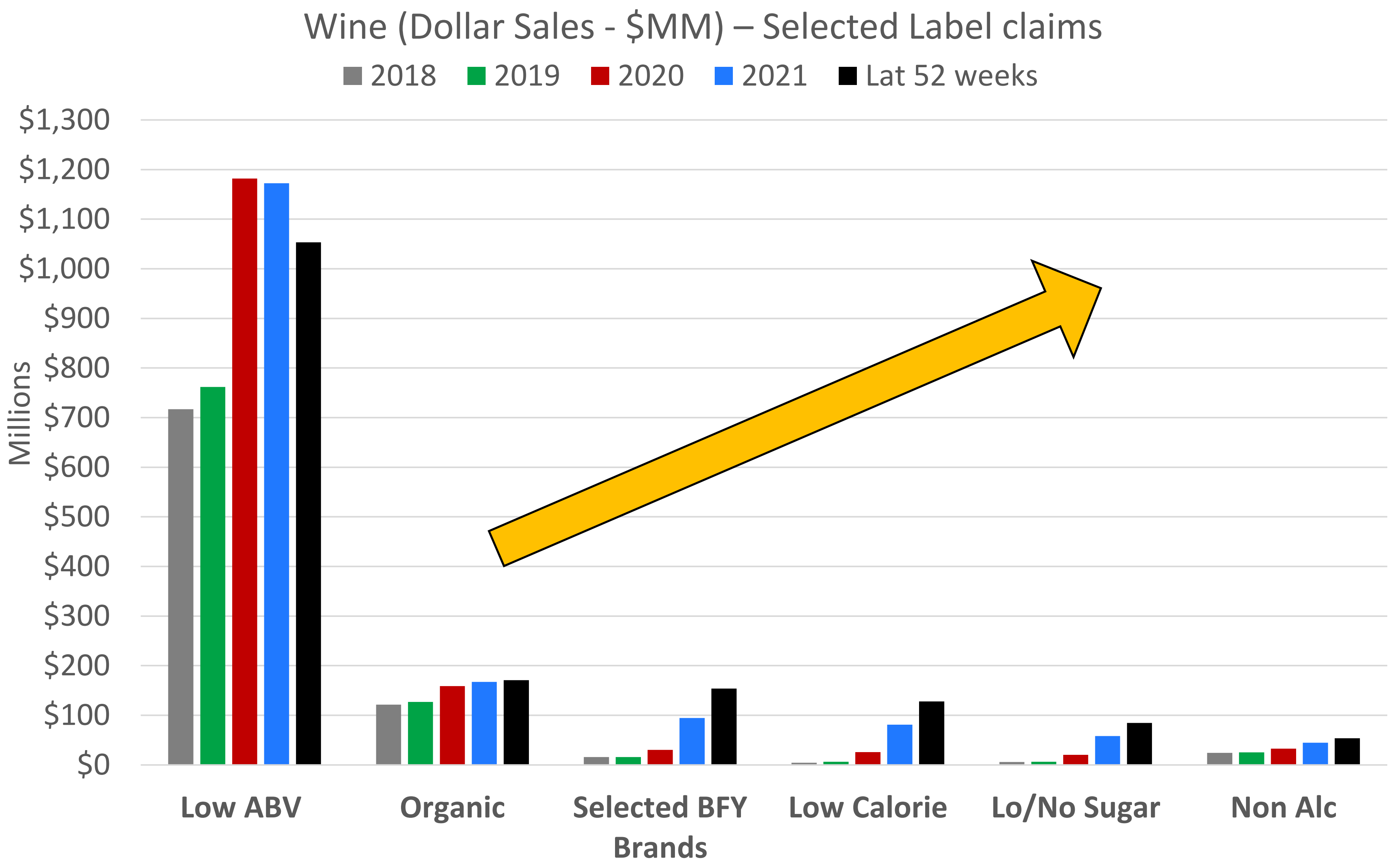
NielsenIQ Measured Off Premise Channels – Total U.S.; w/e 12-31-2022

WINE INHERENTLY VIEWED AS A HEALTHIER ALCOHOLIC BEVERAGE

	Wine	Beer	Spirits	Hard seltzer
Is low calorie	10	9	9	24
Is low carb	11	7	14	21
Contains less sugar	9	13	14	21
Is a good option when dieting or watching what I eat	18	4	9	18
Is healthier than most alcoholic beverages	34	6	5	13
Is lower in alcohol	14	23	1	22

Q21. Which type or types of alcoholic beverages, if any, would you most closely associate with each statement? Please select as many types of alcoholic beverages as apply...
Wine Market Council – Health & Wellness Nielsen Homescan Panel Survey (Fielded 10/16/2020 – 11/9/2020). Alcoholic Beverage Buyers (n=1933

GROWTH IN H&W POSITIONED BRANDS



Source: NielsenIQ Scan Off-Premise Channels; 52 week period end December 2022

	LOW ALC	NON ALC
Across Bev Alc	Wine leads	Beer leads
% said they've bought xxx **Wine** during the past 12 mos	22%	12%
Top 3 Reasons	1. Reduce my alcohol intake 2. Stay in control 3. Avoid effects of alcohol in general	1. Stay in control 2. Avoid effects of alcohol in general 3. A healthy lifestyle choice
		4 of 5 Non Alc beverage buyers also purchase Alcohol NielsenIQ

...the no and low category is "actually stealing share from traditional non-alcoholic drinks" like water and soda (IWSR)

- **Many positives** – Premiumization, California share growing, niche segment growth, ‘leadership’ in DtC space; but **long-term challenges**
- Chief among those is converting Wine ***interest*** among younger LDA’s of all color - into ***engagement/involvement*** - **choosing WINE on more occasions**
  - What’s important to their lifestyles, culture, traditions, and the particular ‘occasion’
  - Not just where you are, but where they are – where they live, shop, eat/drink
  - They are “open” to new things
- Wine highly associated with…timelessness, elegance, romance, formal events, pairings - but how about ***fun, casual, convenient***
- Go after Beer and Spirit drinkers of all ages – they’re your target market too!
- Not losing in On Premise – can any of these help: wine cocktails, greater wine BTG programs / wine in kegs, creative approaches to what the consumer pays
- Embrace what <u>your</u> consumers are looking for

LET’S DO IT!!!

THANK YOU

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