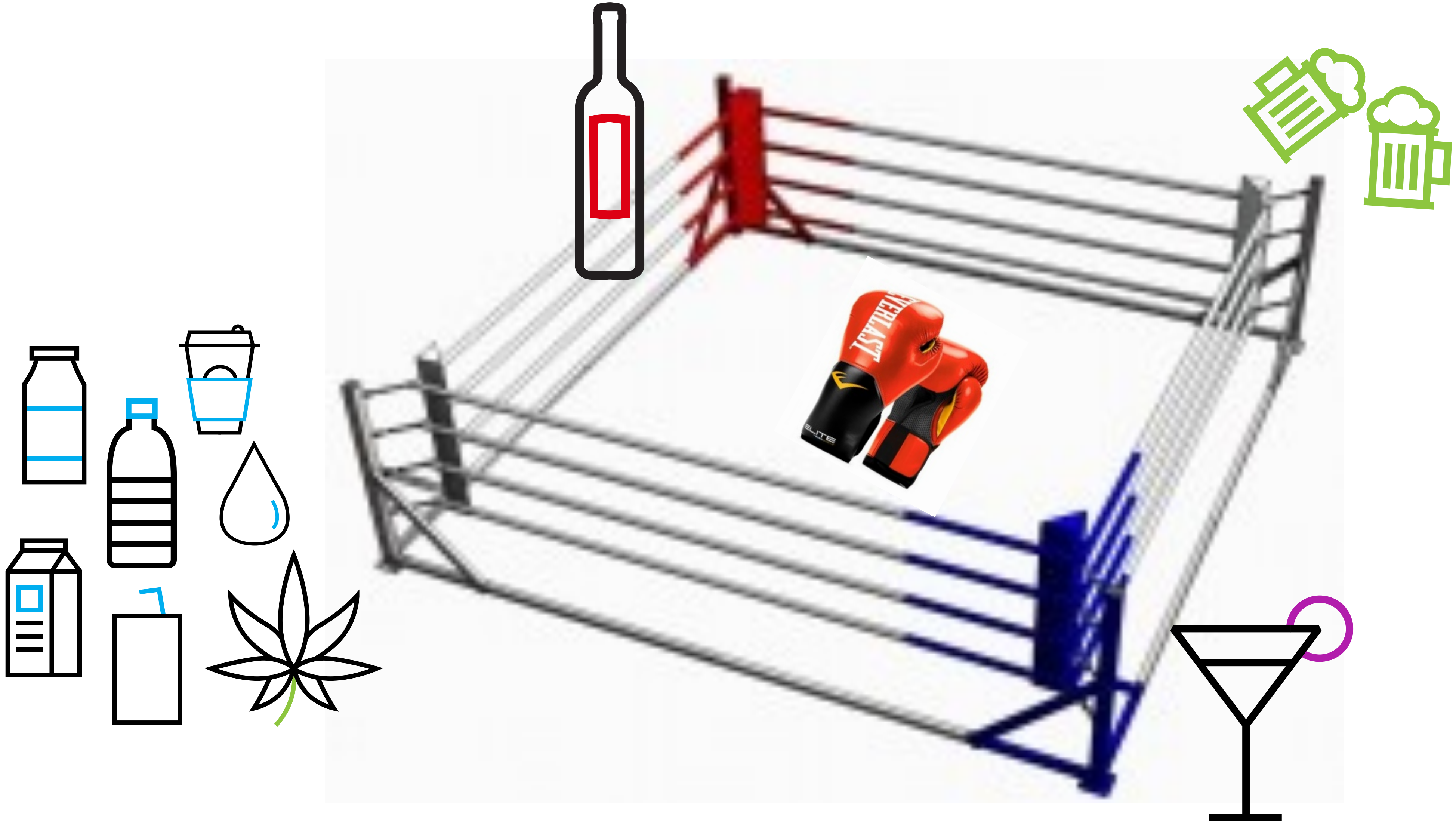
WHAT'S GOING ON – ALL AROUND US?

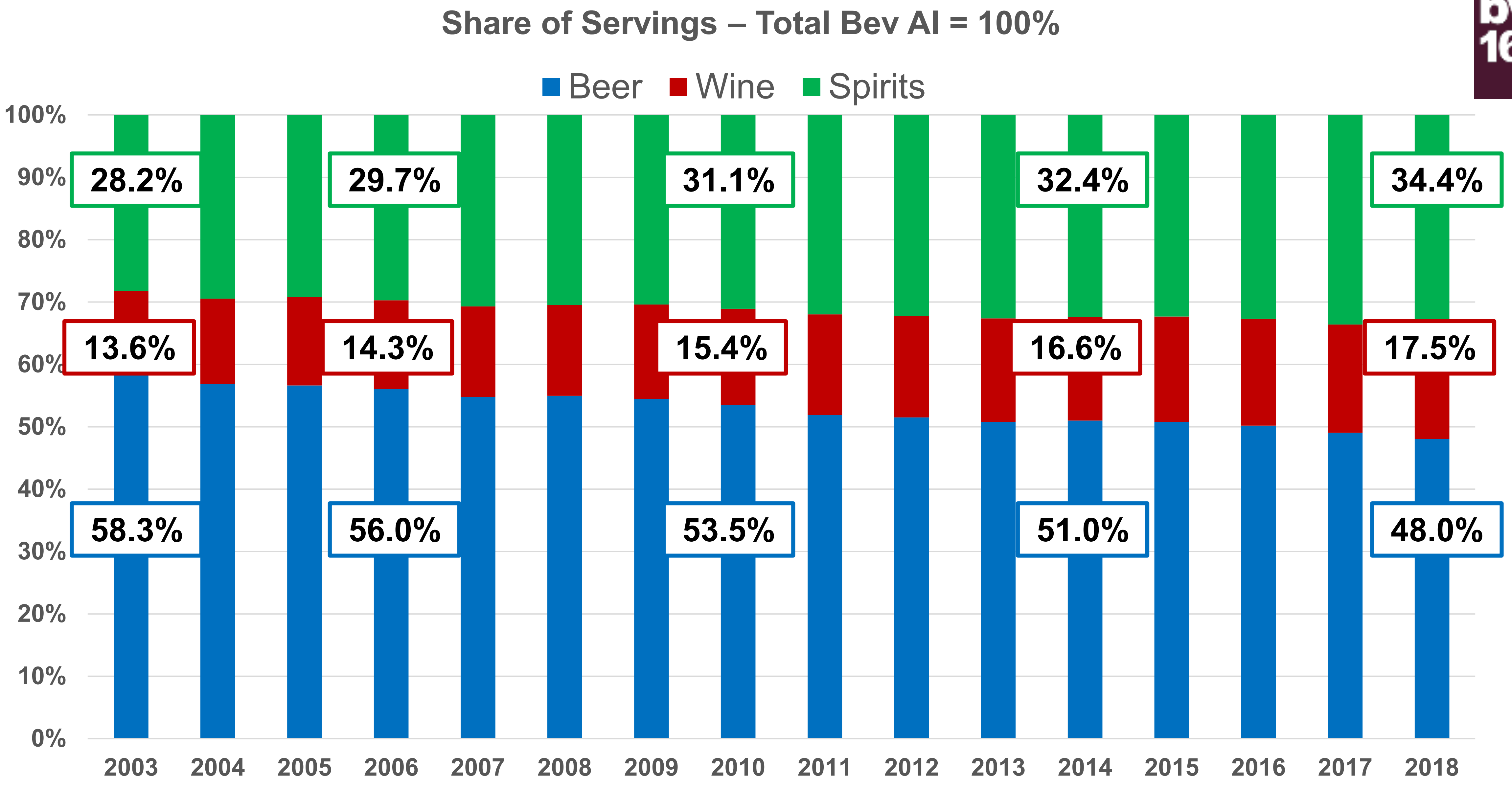
Wine Market Council Membership Meeting – May 9, 2019
Danny Brager - SVP, Nielsen Beverage Alcohol Practice

PER CAPITA ALCOHOL CONSUMPTION IS FLAT

We're in a battle for share – within & beyond Alcoholic Beverages



Spirits & Wine Gaining Share – at Beer's Expense



Source: BW166

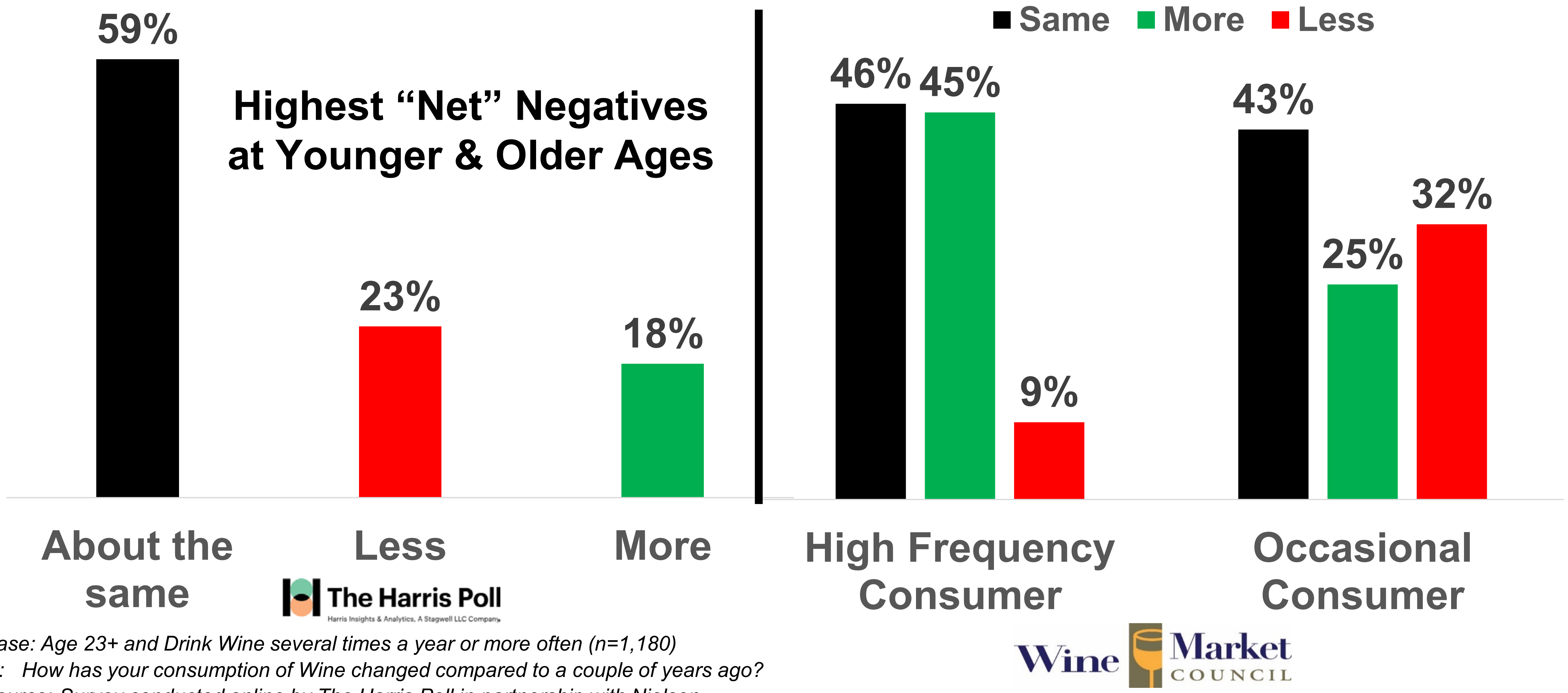
Consensus on Wine Sales Slowing - for the last 2 years –
and continuing to decelerate thru Q1 2019

Annual 2018…. percent change vs prior year

Source	Measure	Volume	Dollars
bw 166	Entering distribution:	+1.2%	
SipSource	Wholesaler depletions:	-0.6%	
nielsen	Off Premise:	-0.4%	+2.2%
nielsen CGA	Restaurants/Bars:	+0.9%	+1.2%
shipcompliant by sovos; Wines Vines Analytics	DtC shipments:	+8.9%	+11.6%

Consumers (in Particular Occasionals) – Reinforce Slowdown

Change in wine consumption vs a couple of years ago



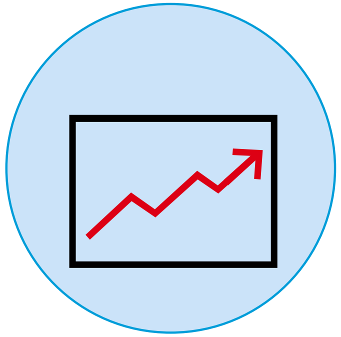
Base: Age 23+ and Drink Wine several times a year or more often (n=1,180)
Q: How has your consumption of Wine changed compared to a couple of years ago?
Source: *Survey conducted online by The Harris Poll in partnership with Nielsen (January 7-9, 2019); n=1,964 U.S. adults 21+*

Source: Wine Market Council ORC Segmentation Survey June/July 2018

THE BIG PICTURE

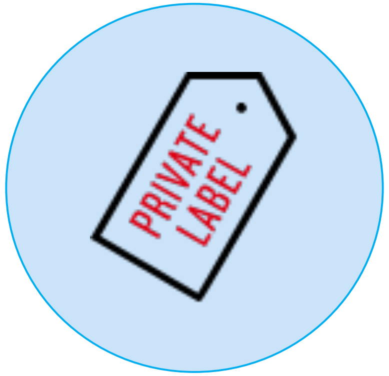
What's Happening Out There?

U.S. CURRENT STATE OVERALL



Economic indicators improving, but headwinds remain

Overall CPG sales volume flat but dollars up; growth in perimeter and e-commerce



Store Brands winning

Bifurcation of wants: health & wellness versus indulgence

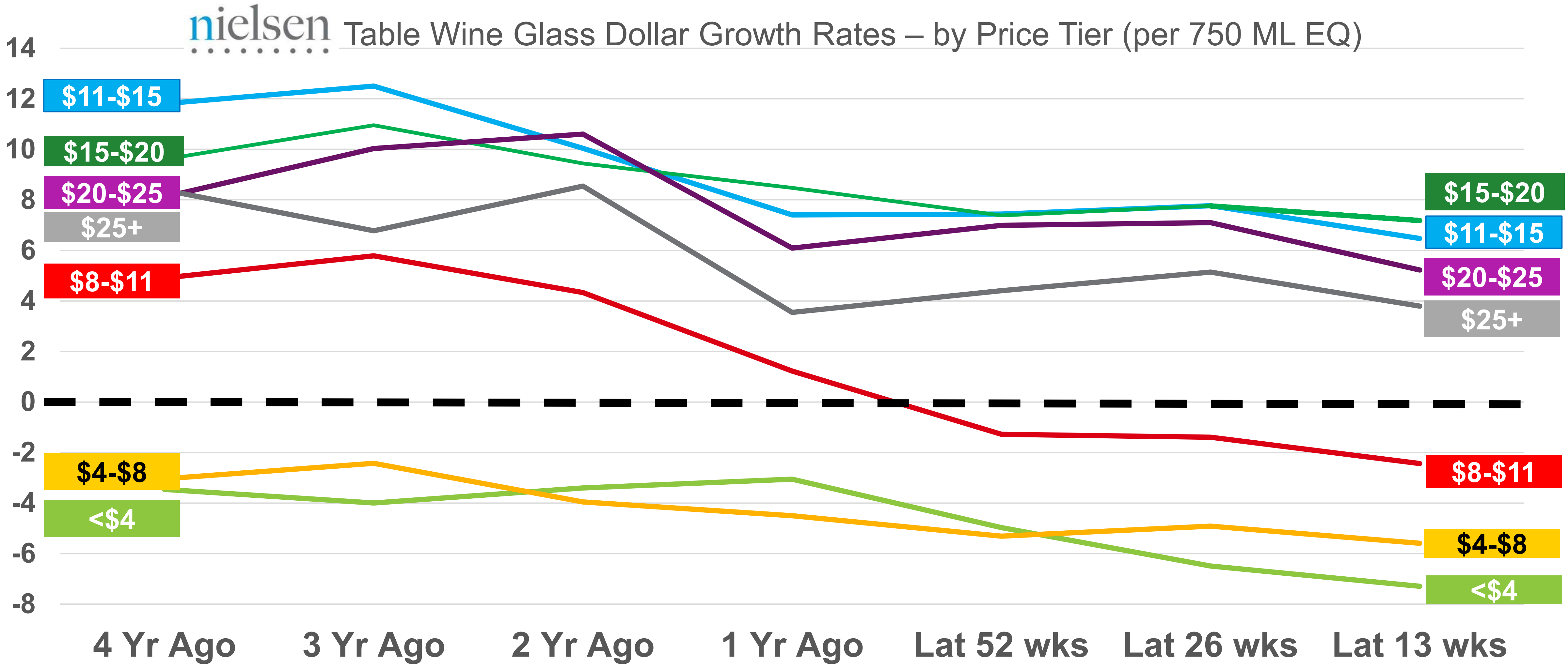
Price & Value	**Connecting With Shoppers**	**Digital Shopping & Digital Retailing**	**Right Products**	**Winning the Occasion**

CONSUMERS - Challenges & Opportunities

Drinking "better" (not a lot more)	Mindful Drinking/Health & Wellness
Convenience – What, How, & Where	Sharing – Everything
Category/Brand/Channel Promiscuity	Combined Drink & Food Occasions
Blurring - Categories & Channels	Fusions & Flavor Diversity
Authenticity; Transparency	Smaller Serves
Seeking "Experiences"	Cannabis; Non Alc Beverages
Multi-Cultural	Local, Local, Local
Little Pop'n Growth; Ageing Pop'n	Generational Diversity

APP

Wine Still Premiumizing ($11+) – but at a Slower Rate



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 4-20-2019





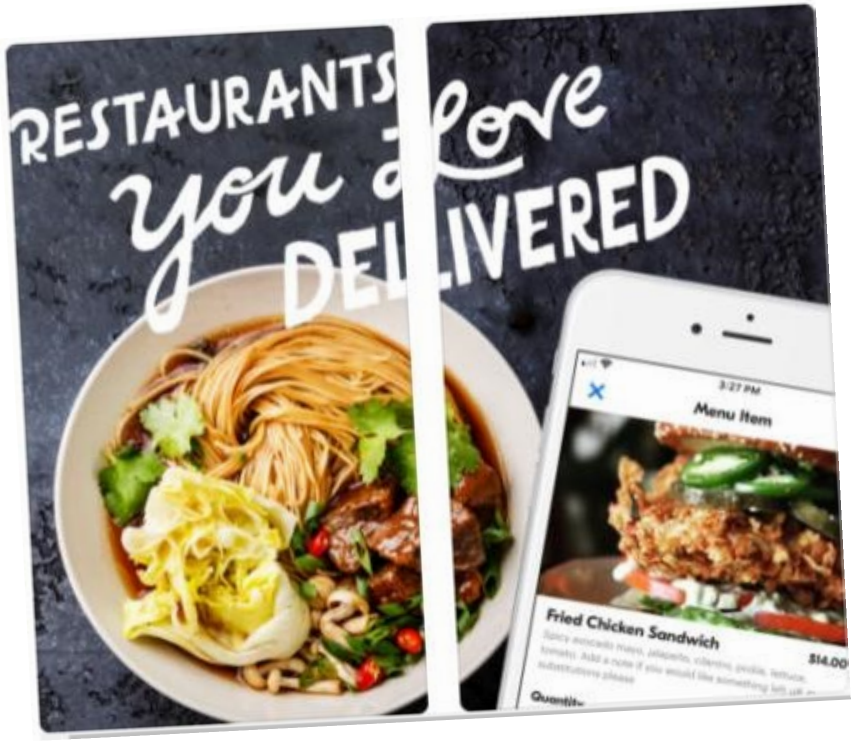



CONSUMER DRIVEN EXPERIENCES



Rise in Ordering in, and Staying In – Headwind for Drinking in the On Premise

POSTMATES



GRUBHUB

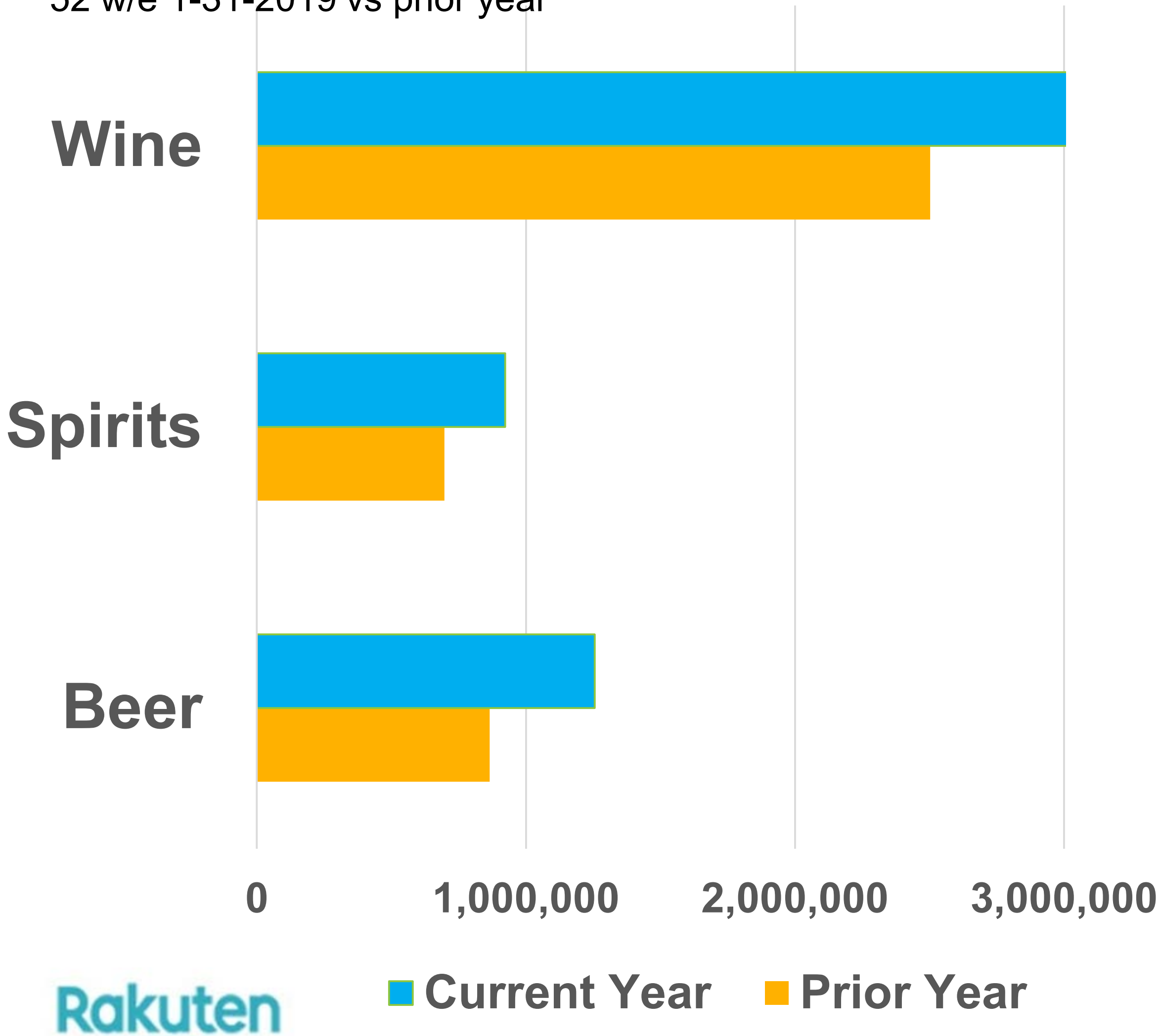
Uber Eats

DOORDASH

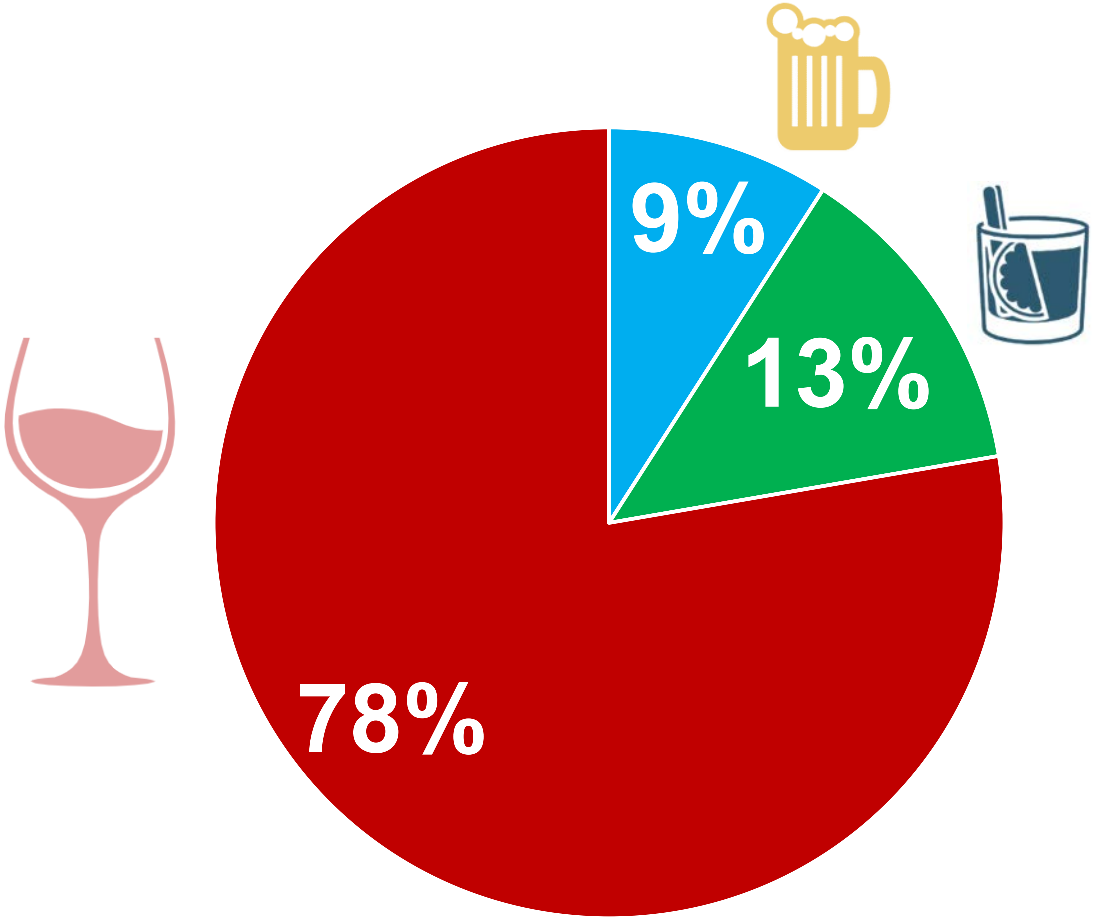
caviar

Bev Al E-Commerce – Wine Leads, by Far!!!

Beval Ecom Buyers by Category- total U.S.
52 w/e 1-31-2019 vs prior year



US Bev Al online $ share - 2018



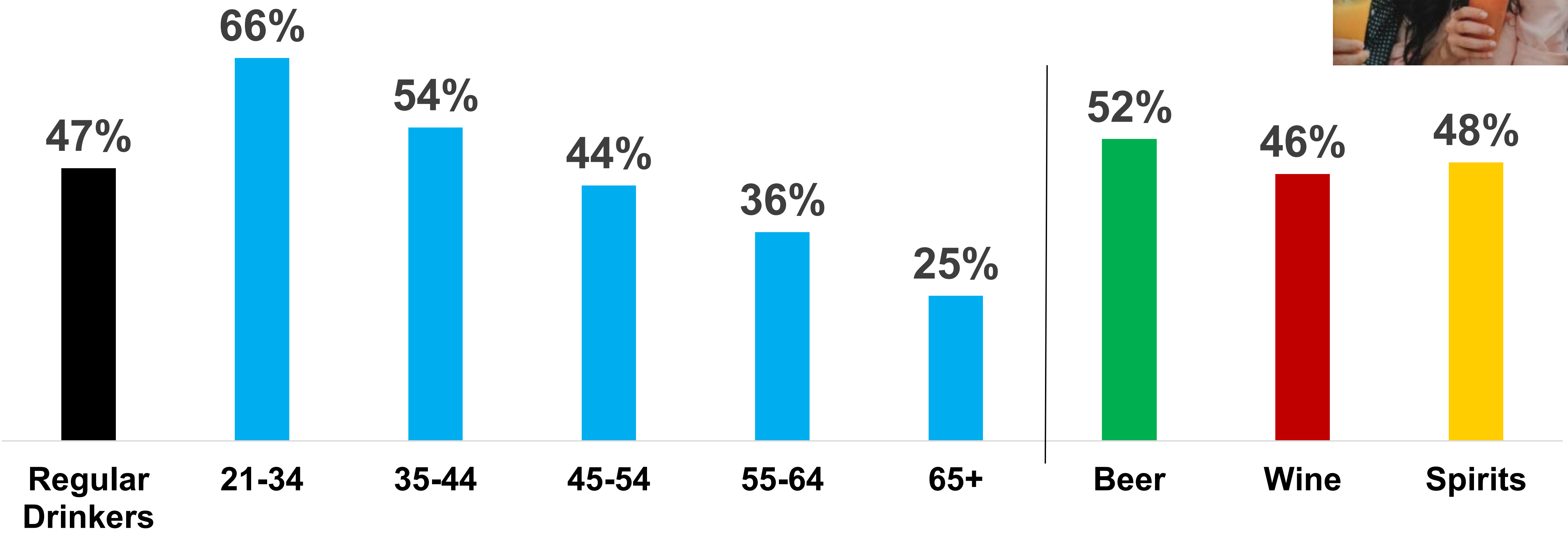
Rakuten Intelligence

Source: Nielsen e-commerce measurement powered by Rakuten Intelligence

SOCIAL MODERATION

Efforts To Moderate Alcohol Consumption Led By Younger LDA's – *Mindful Drinking*

% Indicating Strong/Moderate Effort to Reduce Consumption of Alcohol



The Harris Poll
Harris Insights & Analytics, A Stagwell LLC Company

Base: Drink Alcohol Several Times A Year Or More Often (n=1,525)
Q: How much effort are you currently making to reduce your overall consumption of alcohol beverages?

Source: *Survey conducted online by The Harris Poll in partnership with Nielsen (January 7-9, 2019); n=1,964 U.S. adults 21+*

#1 reason for drinking less is "opting for healthier lifestyle"

Organic

Low Calorie

Sulfite Free

Low Carb

Reduced Sugar

Gluten Free

Natural

Source: *Survey conducted online by The Harris Poll in partnership with Nielsen (January 7-9, 2019); n=1,964 U.S. adults 21+*

The Harris Poll
Harris Insights & Analytics, A Stagwell LLC Company

Competition All Around Us…

Beer

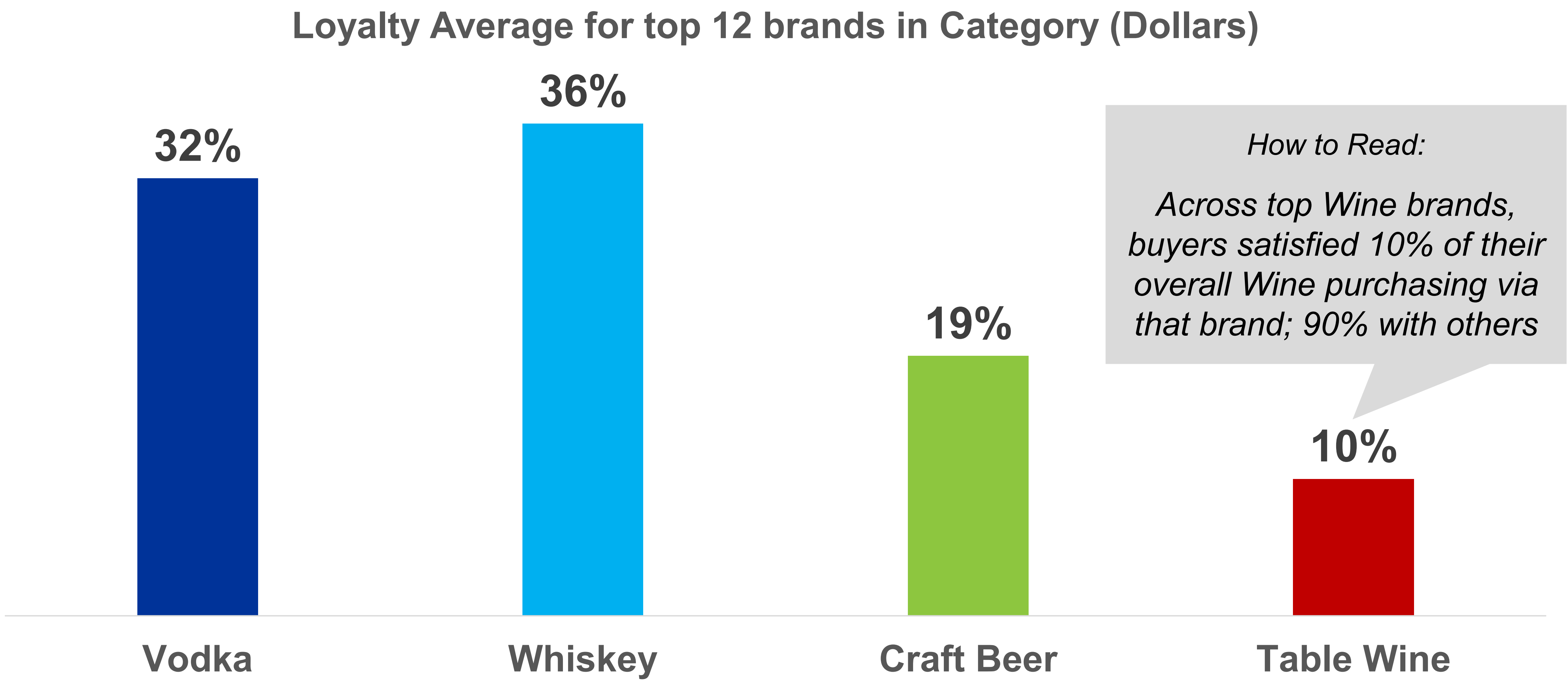
Battle for Occasions – Hearts, Minds, & Wallets

Non Alc Bev

Spirits

Cannabis

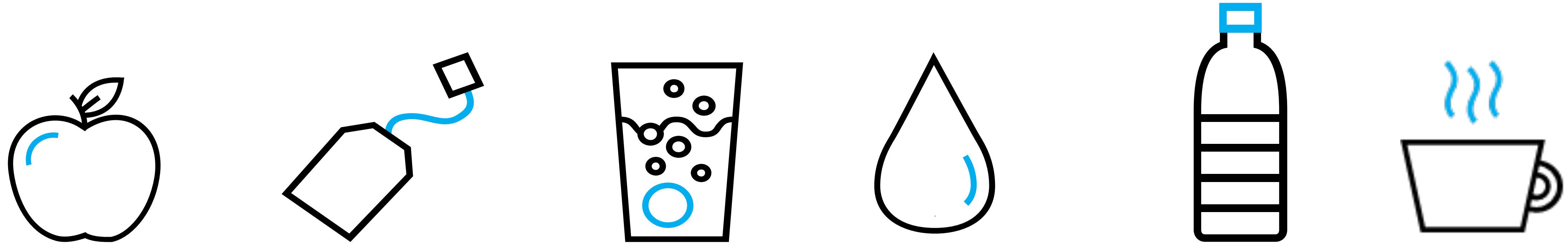
Wine Brand Loyalty is Relatively Low; Product Exploration, Promiscuity, and Discovery is High



Source: Nielsen Homescan Panel (All Outlets: Period 2-25-2018 thru 2-23-2019

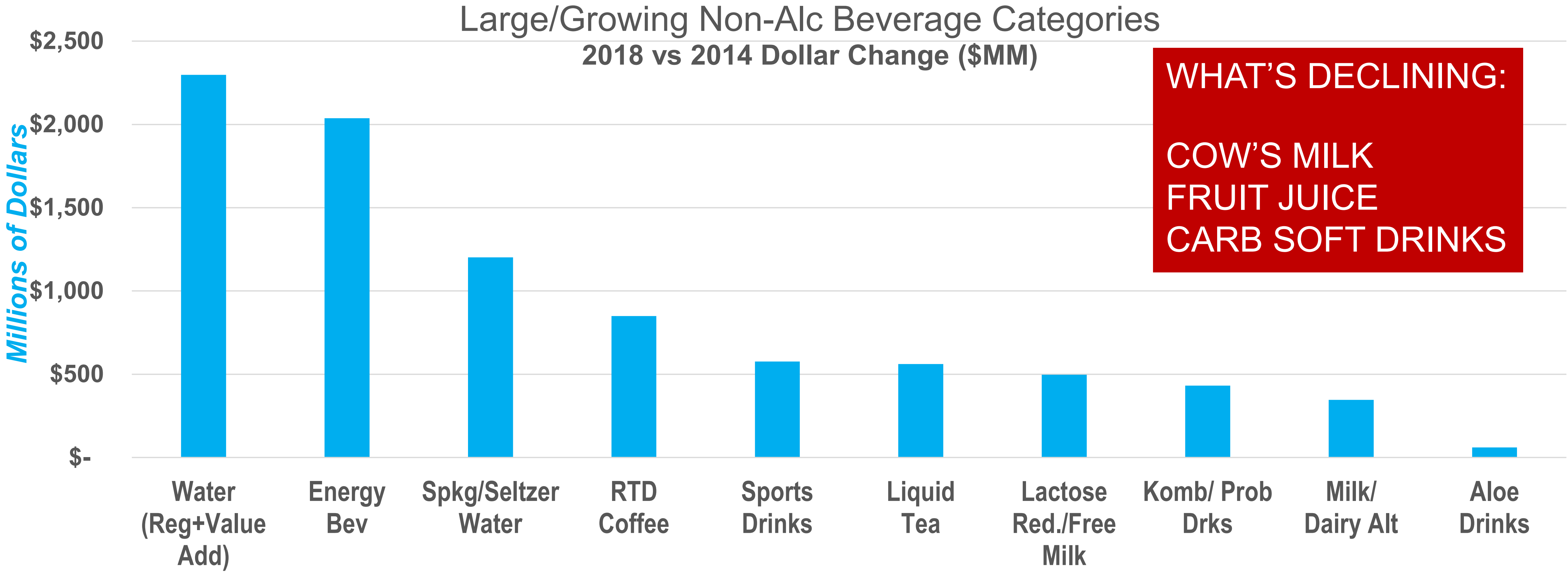
Competition – Other Beverage Categories

Non-Alc Bev $7B bigger today vs 4 years ago



Hard Cider	Hard Tea	Hard Seltzer	Hard Water	Hard Kombucha	Hard Coffee

WHAT'S GROWING ACROSS THE BEVERAGE AISLE



WHAT'S DECLINING:

COW'S MILK
FRUIT JUICE
CARB SOFT DRINKS

	Water (Reg+Value Add)	Energy Bev	Spkg/Seltzer Water	RTD Coffee	Sports Drinks	Liquid Tea	Lactose Red./Free Milk	Komb/ Prob Drks	Milk/ Dairy Alt	Aloe Drinks
2018 $ (MM)	$13,074	$12,293	$2,826	$2,433	$6,132	$4,448	$1,162	$553	$1,558	$137
CAGR	+3.9%	+3.7%	+11.7%	+9.0%	+2.0%	+2.7%	+11.8%	+35.5%	+5.0%	+12.6%

Source: Nielsen measured Off Premise channels -xAOC + Convenience (and Liquor channel for Beer) -all categories thru 12-22-2018,except Milk products thru 1-12-2019; Milt/Dairy Alt – Almond Milk, Soy Milk, Coconut Milk, Rick Milk, Oat Milk, Blend/Rem Milk; Beer

Where Does the Competitive Landscape Begin and End?

Coca-Cola

"all the spirit without the spirits"

"we found ourselves chatting about not wanting to drink as often, or as much, as we had before. When in a cocktail state of mind, we wanted something sipable, delightfully complex and interesting, and not an overly sweet mocktail"

American Beverage Association TV Commercial For Lower Calorie Options

Food & Beverage / Soda / American Beverage Association

More choices. Fewer calories.

DeliveringChoices.org

The Coca-Cola Company
DR PEPPER SNAPPLE GROUP
PEPSICO
SunnyD

AMERICAN BEVERAGE ASSOCIATION

HARD SELTZERS

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 4-20-2019

Smirnoff Zero Sugar Infusions!

- new range of modern and sophisticated spirits
- crafted with zero sugar
- infused with natural flavors & essence of real botanicals

Heineken 0.0

- alcohol free
- 69 calories per bottle
- Made with natural ingredients
- Expands "drinking" occasions

Ketel One Botanical

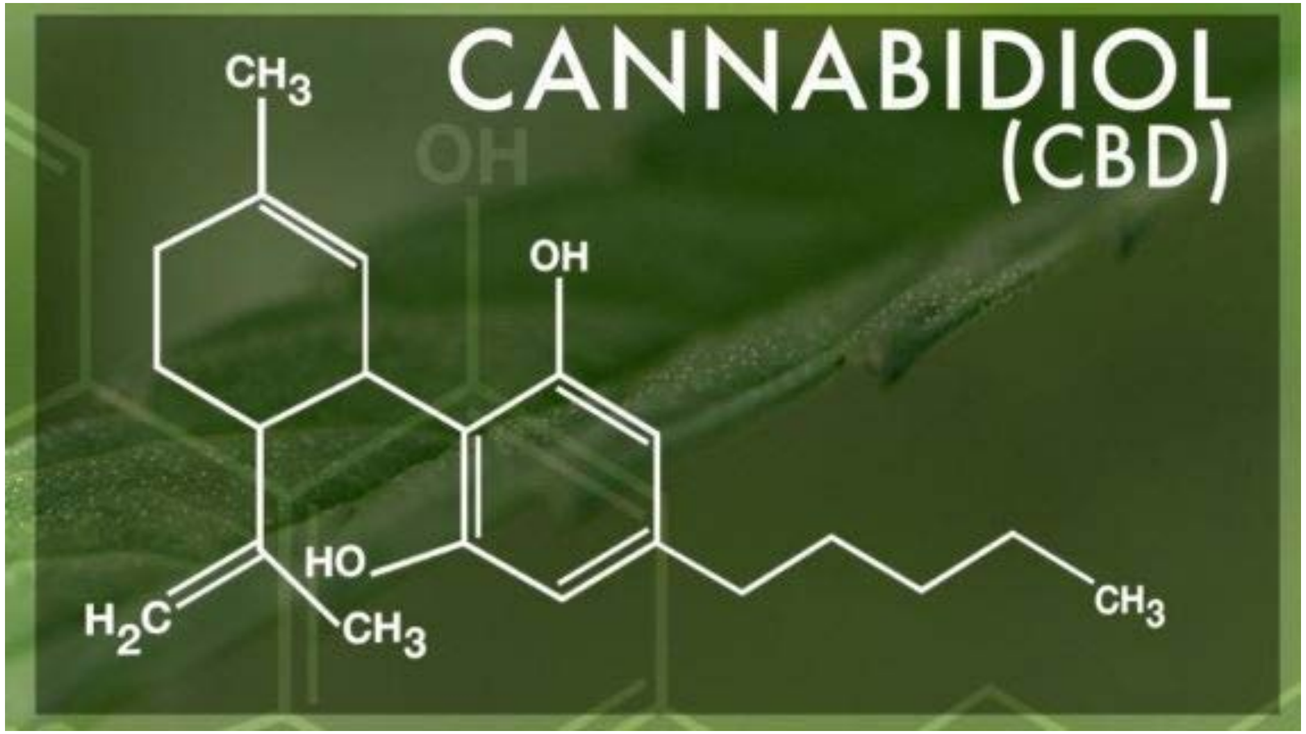
- distilled with real botanicals and infused with natural fruit and botanical essences.
- Made with 100% non-GMO grain
- 30% ABV spirit
- no carbs, no artificial flavors, no added sugars, no artificial sweeteners and only 73 calories (40% fewer calories than a glass of white wine)

Seedlip - "nonalcoholic spirit"

- macerating herbs and botanicals in neutral grain spirit and water
- copper-pot distillation
- flavors powerfully concentrated.
- mimics that of a spirit

CBD from Hemp already on the scene in non-consumable forms, but…

MANY COMPANIES READY TO POUNCE IF FDA APPROVES CBD FROM HEMP in INGESTIBLES



Cannabis – Bev Al Style

Source HEADSET

Less than 50%* of the Legal Cannabis market is now "FLOWER"

0 Cal/ 0 Carb

BEVERAGE ALCOHOL

1) Spirits Leading and Accelerating; Beer Lagging, Wine in the Middle; 2) Consumers Trading Up

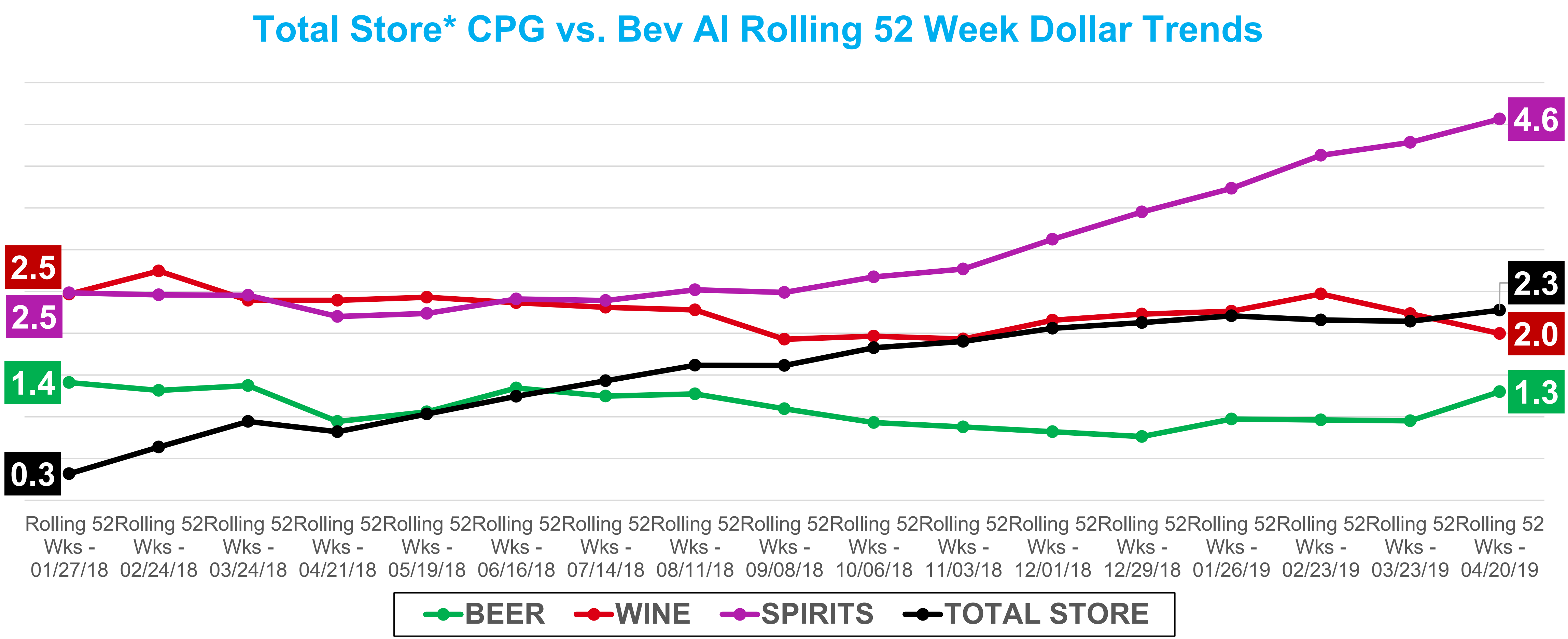
	Source	Off premise Volume	Off premise Value	On premise Volume	On premise Value
Total CPG	nielsen	-0.7%	+1.7%		
Beer/FMB/Cider	nielsen	-0.5%	+1.3%	-1.6%	+0.3%
Wine	nielsen	-0.8%	+2.0%	+0.9%	+1.3%
Wine	NABCA	-0.7%	n/a		
Spirits	nielsen	+2.1%	+4.5%	+1.5%	+2.0%
Spirits	NABCA	+3.7%	+6.7%		

nielsen | CGA

Source: Nielsen Off Premise channels –52 w/e 4-20-2019
Source: Total CPG – Nielsen xAOC + C-store – 52 w/e 3-3-2019
NABCA – thru February 2019

Source: Nielsen CGA On Premise channels – 52 w/e 2/23/2019 Restaurants/Bars'

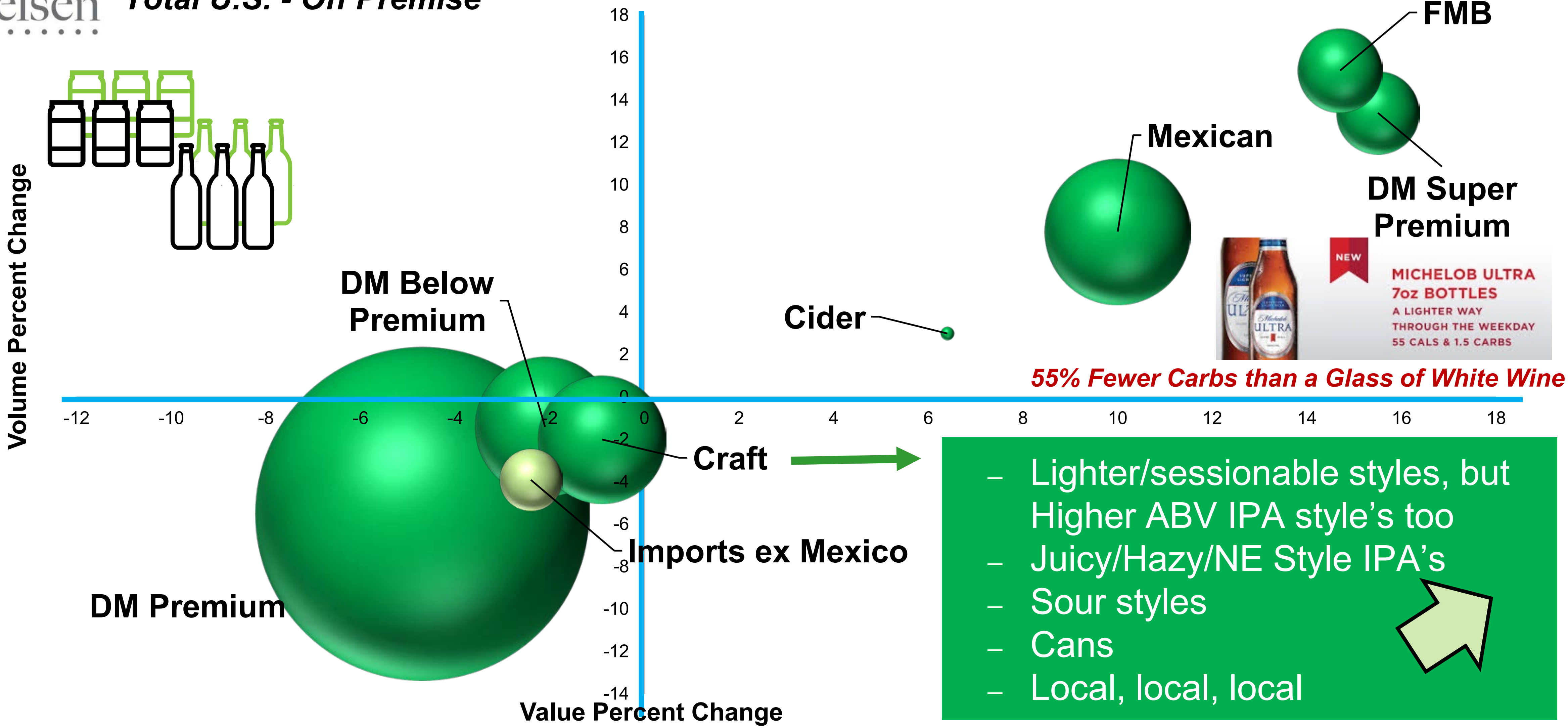
SPIRIT GROWTH GAP WIDENING – WINE IN LINE WITH TOTAL STORE GROWTH



*Total Store Definition – Includes Departments Bakery, Baby Care, Dairy, Deli, Frozen, General Merchandise, Grocery, Health & Beauty Care, Household Care, Meat, Pet Care, Produce…. Does NOT Include Alcohol and Tobacco Products (UPC Coded + Random Weight)

Mexican, DM Super Premium, Hard Seltzers (in FMB) Leading Growth; Craft Stalled

Total U.S. - Off Premise



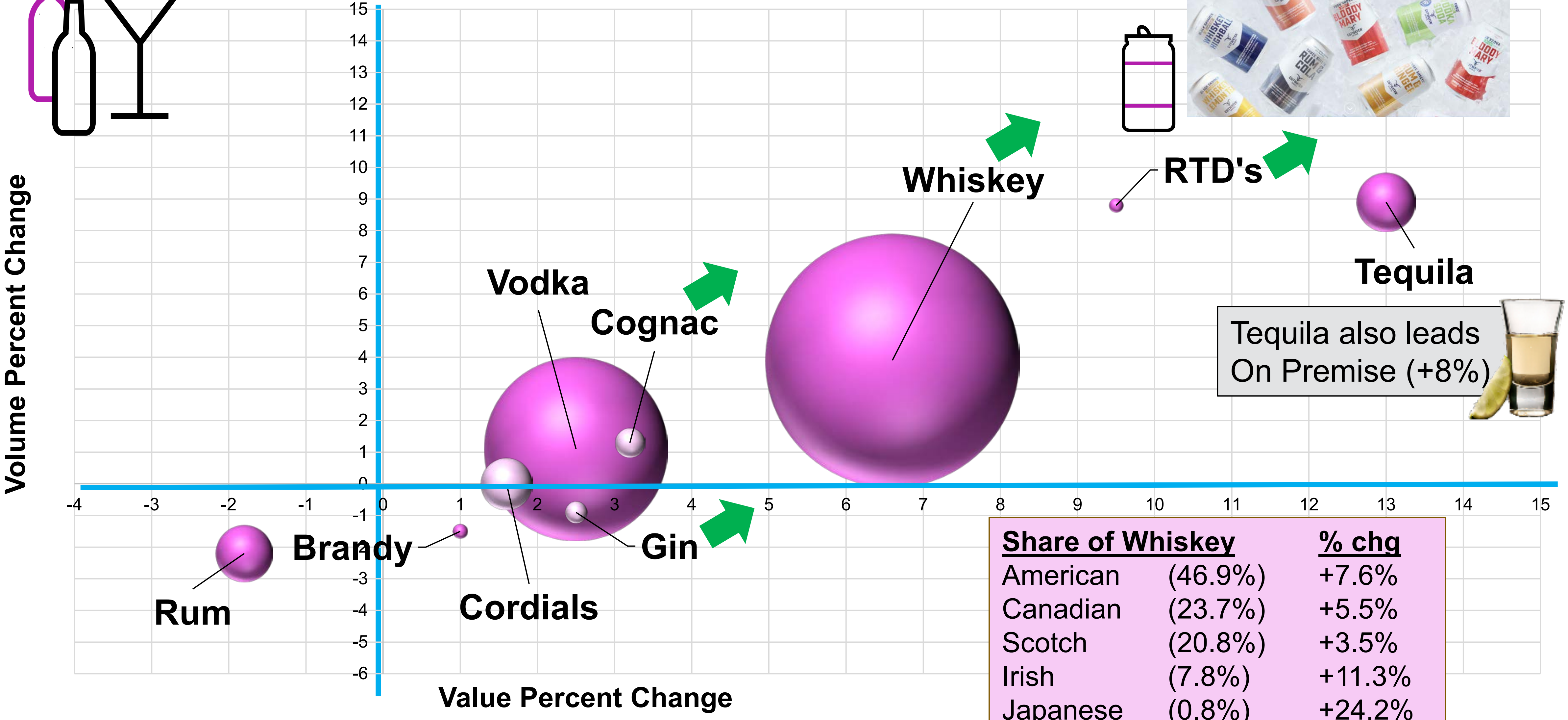
55% Fewer Carbs than a Glass of White Wine

- Lighter/sessionable styles, but Higher ABV IPA style's too
- Juicy/Hazy/NE Style IPA's
- Sour styles
- Cans
- Local, local, local

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 4-20-2019; Bubble = Annual $ Share; Total Beer/FMB/Cider

Tequila, Whiskey, & RTD's Leading

CUTWATER™ SPIRITS

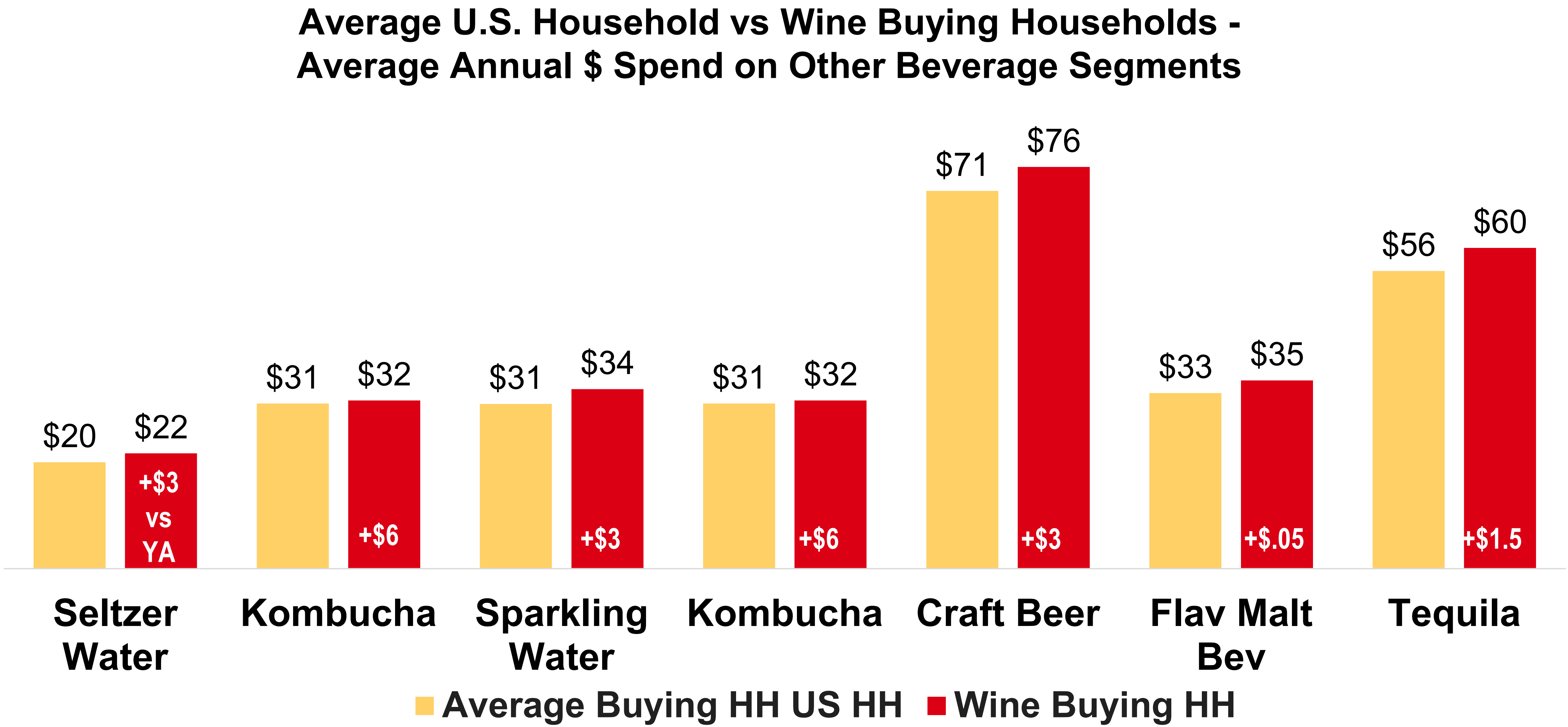


Tequila also leads On Premise (+8%)

Share of Whiskey		% chg
American	(46.9%)	+7.6%
Canadian	(23.7%)	+5.5%
Scotch	(20.8%)	+3.5%
Irish	(7.8%)	+11.3%
Japanese	(0.8%)	+24.2%

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 4-20-2019 (Bubble = Annual $ Share)

WINE DRINKERS ARE INCREASINGLY ENGAGED IN MANY OTHER BEVERAGES



Source: Nielsen Homescan Panel, Total US, 52 Weeks Ending 12/29/18

WINE TRENDS

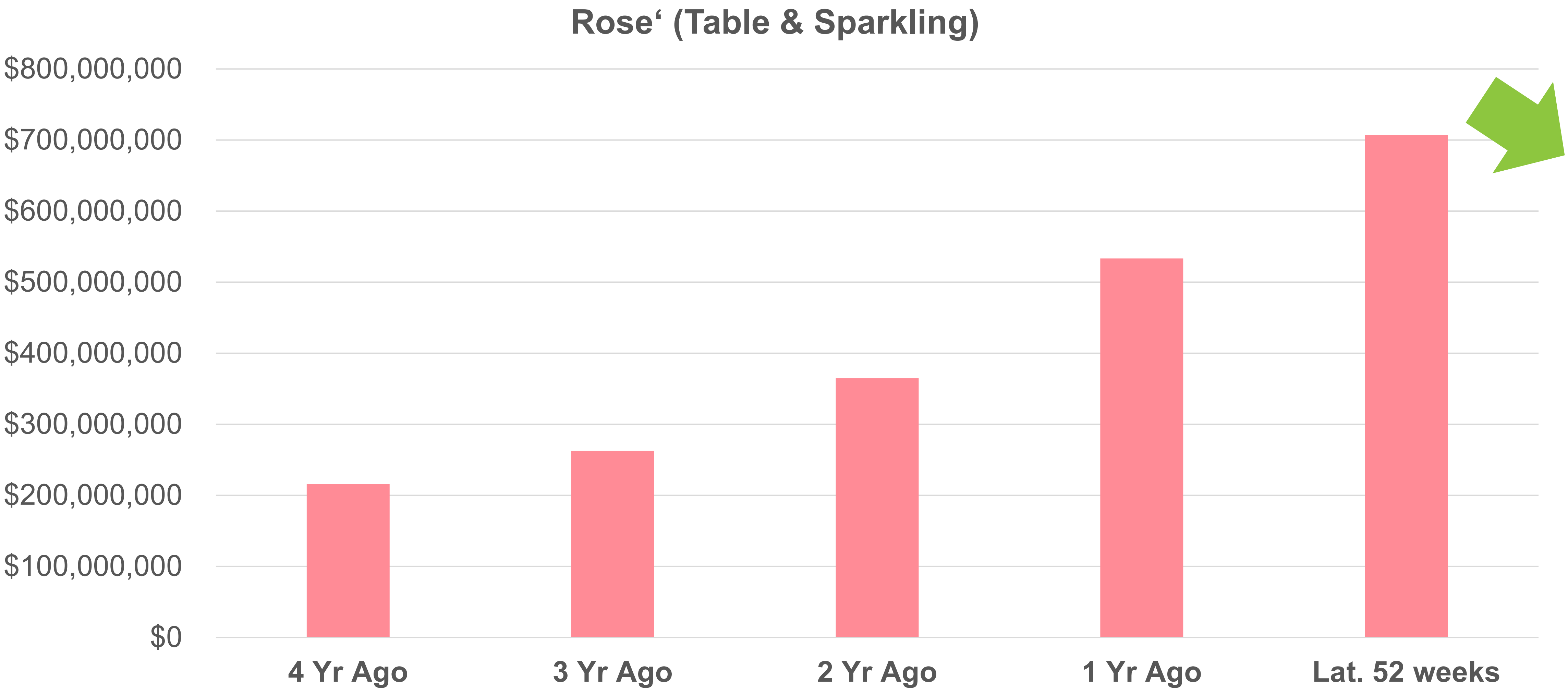
With Wine Growth Decelerating, More Important Than Ever To Focus On Pockets of Growth

Wine Segments with Strong Growth

SIZE	VERY SMALL	SMALL	MEDIUM	LARGE
Varietal	Cab Franc Gruner Veltliner			Rosé Prosecco Sauv Blanc/NZ
Origin	Austria	Portugal	Oregon	France New Zealand
Packaging	375 ml glass 1 L glass	Cans 1/1.5L box	Tetra	3L Box
Other		Wine Cocktails	Sangria	

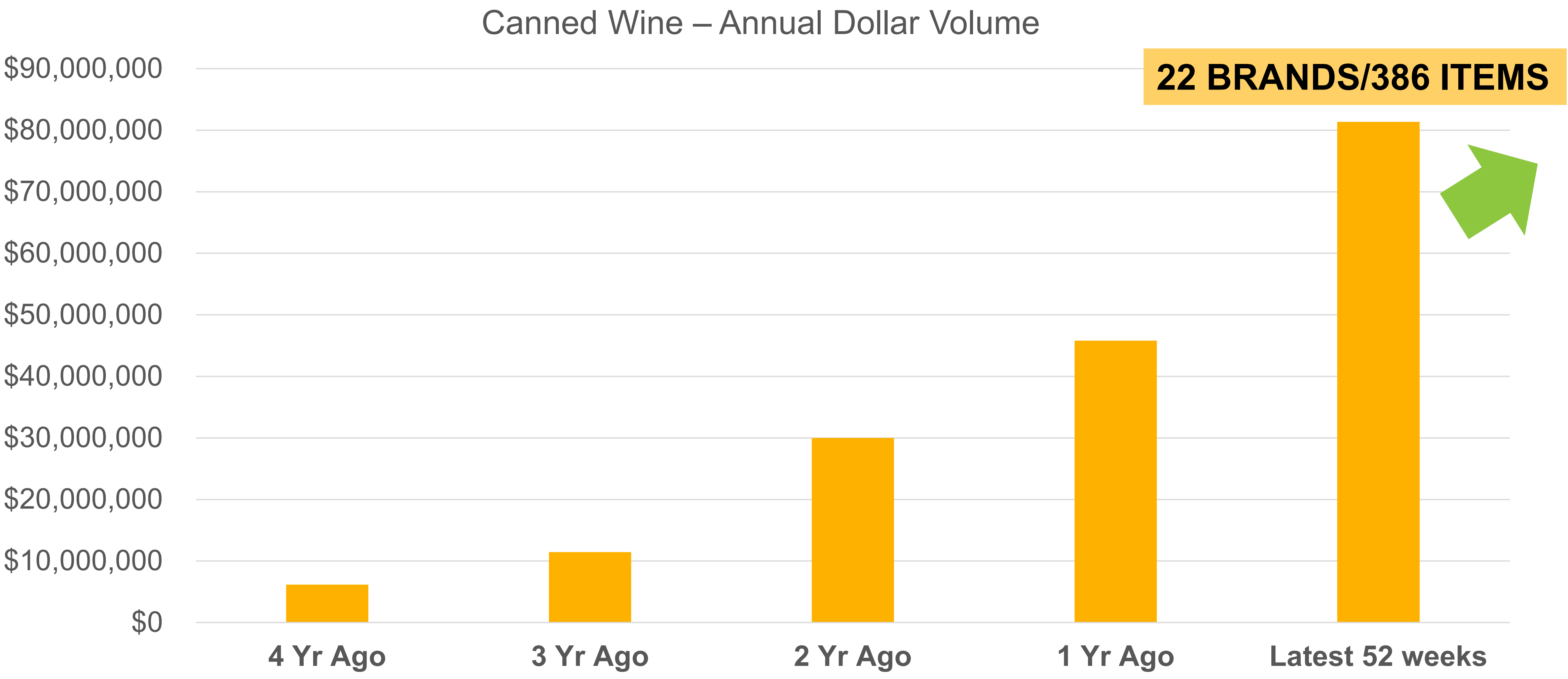
Nielsen: Total U.S. Off Premise Measurement (52 w/e 4-20-2019); Dollars

ROSE' WINE



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 4-20-2019

CANNED WINE



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 4-20-2019

WINE BASED COCKTAILS

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 4-20-2019

WINE BASED COCKTAILS

The Cleanest Alcohol Available Today

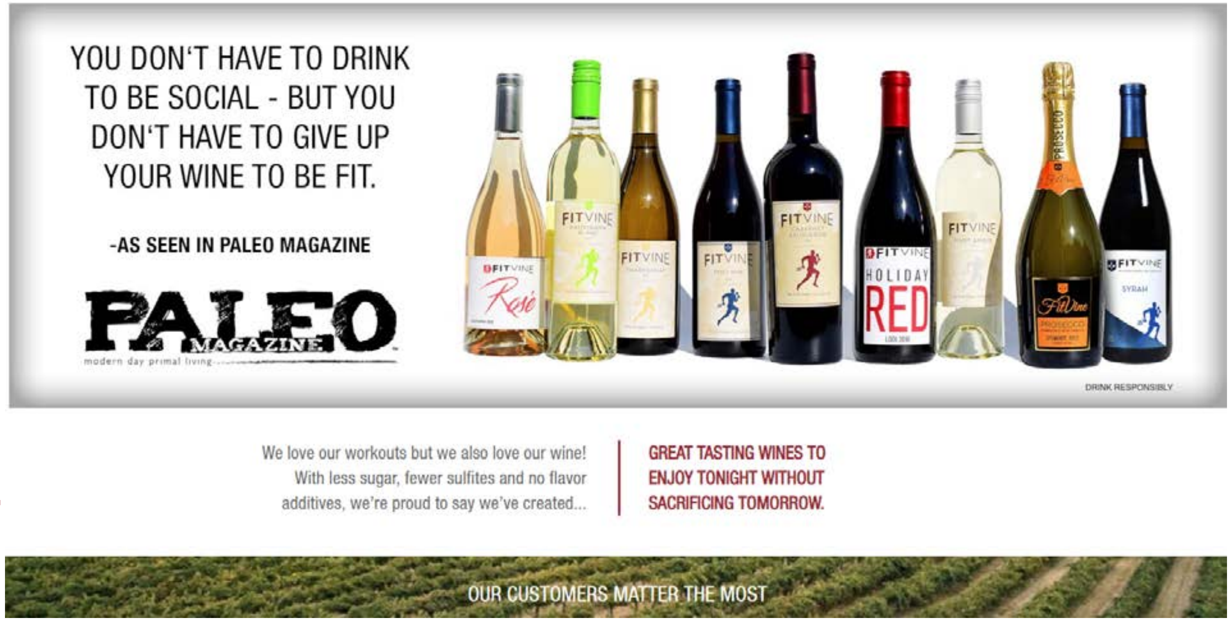
USDA CERTIFIED **ORGANIC** | GLUTEN + SULFITE **FREE** | **88** CALORIES | **1G** SUGAR | **4G** CARBS | **4%** ABV

FITVINE

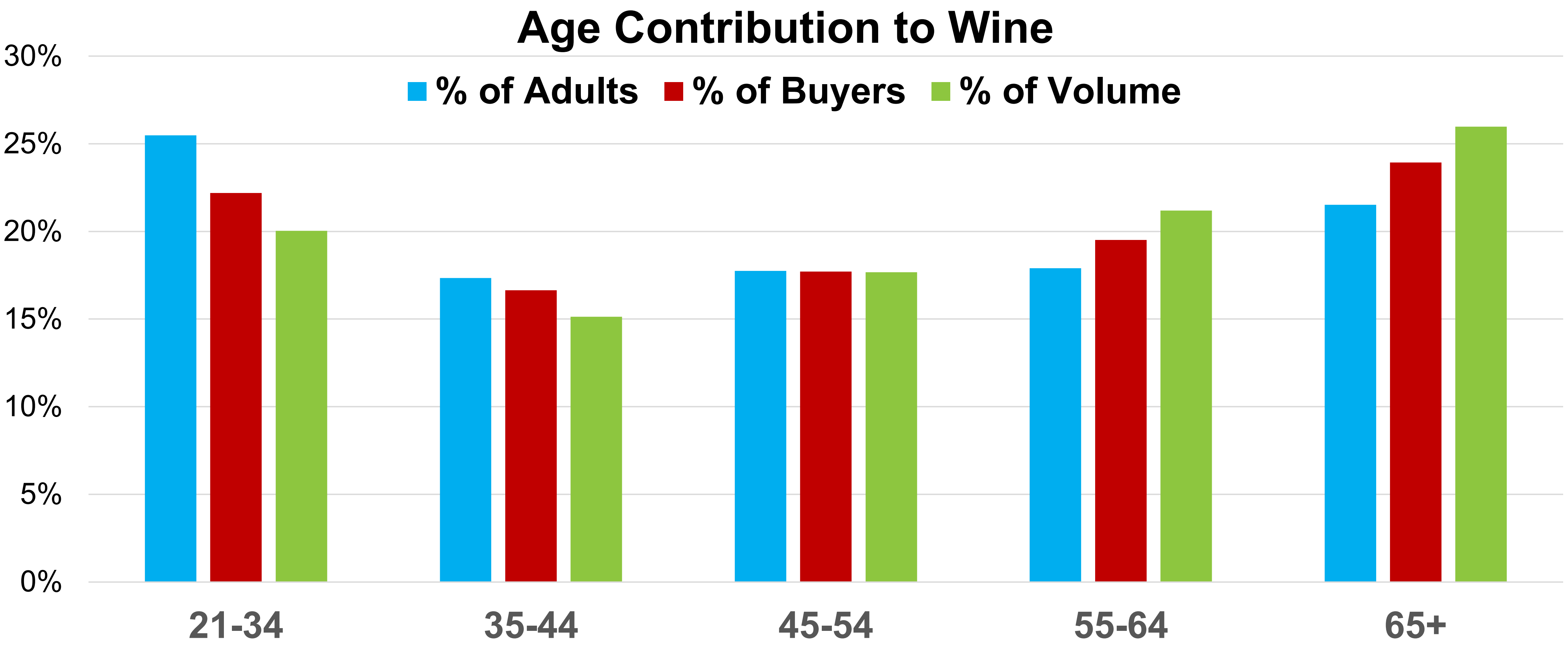
WE CRUSH GRAPES, YOU CRUSH LIFE

We love our workouts but we also love our wine! With less sugar, fewer sulfites and no flavor additives, we're proud to say we've created.

GREAT TASTING WINES TO ENJOY TONIGHT WITHOUT SACRIFICING TOMORROW.

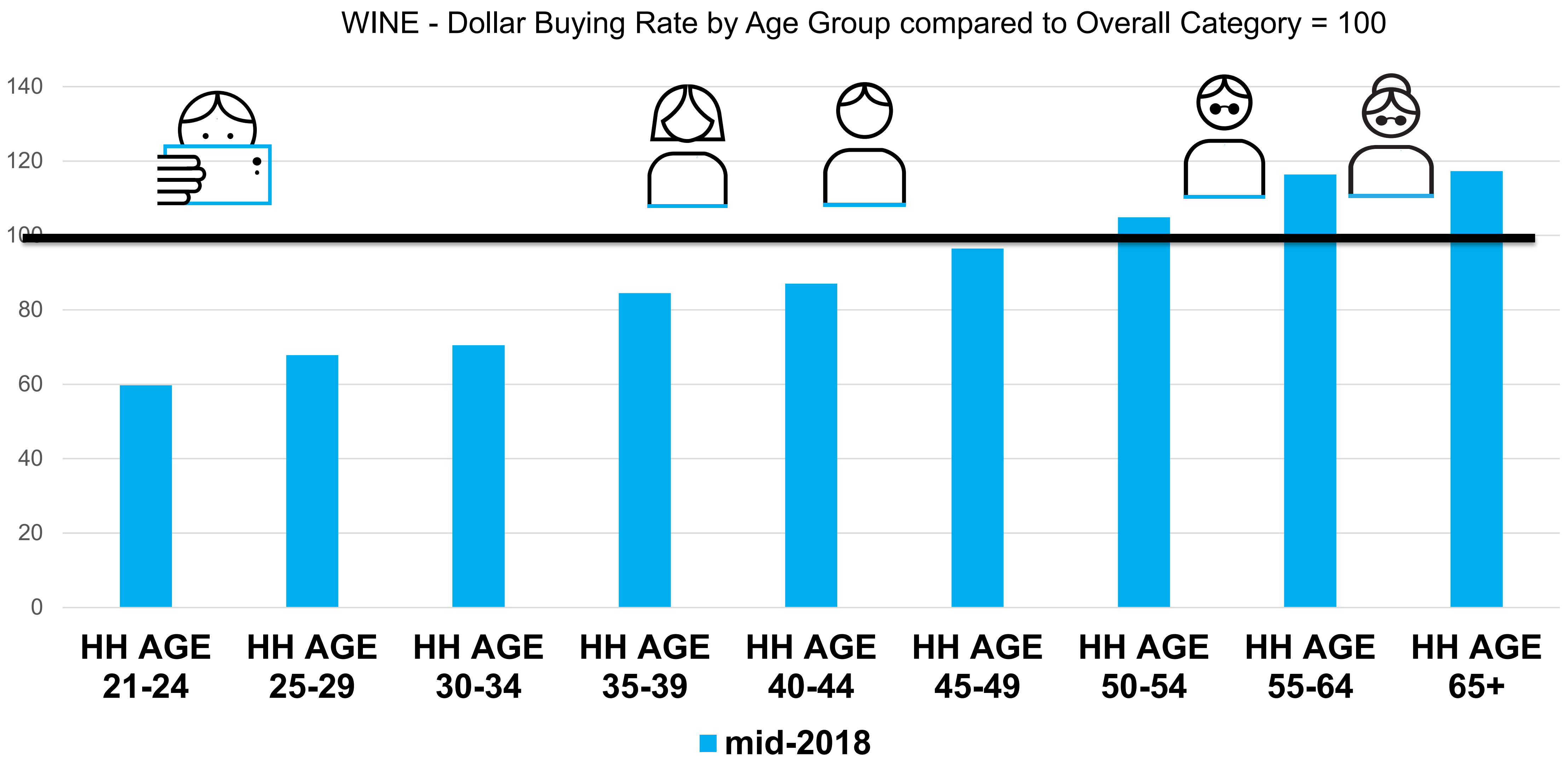


21-34 Are Still Under-Represented Contributors to Wine Volume



• Source: Nielsen Spectra (Simmons); Data Version – Dec 2018; Base: 2018 Census Adult Pop'n

Younger Generations Buying Rate Well Behind Older Age Groups – in a Linear Fashion



- Source: Nielsen Homescan; Total U.S. Off Premise – All Outlets – 52 week period

HEADWINDS

- Little pop’n growth; Ageing pop’n
- Generational & Multi-cultural challenges
- Occasionals drinking less
- Beer, Spirits, NA Bev, Cannabis
- Social moderation attitudes
- Hyper “Experience” spending
- E-Commerce gaps

TAILWINDS

- Gender equality; broad age reach
- Growth hot horses
- High Frequency drinking more
- Diversity – varietals; origin
- Expansion in Wine selling outlets
- Growth in Drink & Food Occasions
- DtC Shipments; e-Commerce

What You Should Take Away

❶ Wine **growth has slowed** amidst rapid consumer shifts, and challenges from within and beyond Bev Al. We must **FIGHT** for share!

❷ **Premiumization** still a factor (north of $11) – but at reduced levels

❸ **Focus intensely** on **growth** pockets where you can play/stand out (distribution channels, product segments) but also be prepared to adjust

❹ It's imperative for us to meet the needs of **younger** consumers, while also retaining **Boomers into their Golden years**

❺ **Give consumers what THEY want, where & how THEY want it – INNOVATE! –** Others are Doing It!!!

nielsen

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