Alcohol in the recovery phase in the U.S.

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July 20, 2021

SIPSOURCE UPDATE

- Current Wholesalers Reporting Data
  - Breakthru Beverage
  - Columbia Distributing
  - E&J Gallo (CA/NJ)
  - Fedway Associates
  - Heidelberg Distributing
  - Lipman Brothers
  - Martignetti Companies
  - RNDC/Young's
  - Southern Glazer's Wine & Spirits

- In Progress Wholesalers
  - Allied Beverage
  - Eder Brothers
  - Great Lakes Wine & Spirits
  - Henry A Fox Sales
  - Imperial Beverage
  - Kentucky Eagle
  - Major Brands
  - Opici Family Distributing
  - Virginia Imports
  - Winebow Fine Wines & Spirits

SIPSOURCE UPDATE

- Enhancements
  - Seven Geographic Breaks – U.S. Census Defined
  - Price Tiers
  - Segments
  - Future
    - Wholesaler Overlay
    - Innovation Module
    - Channel Shift Index
    - RTD Master
    - Country of Origin
    - Package Type

- Application
  - Complete Three Tier Volume Reporting
  - Wholesaler/Supplier Planning Process
  - Inventory Planning

Signs of recovery

The New York Times

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'Just Epic': Foo Fighters Bring Arena Rock Back, to the Vaccinated

Over the weekend, Foo Fighters played Madison Square Garden, the first full-capacity concert in a New York arena since March of 2020.

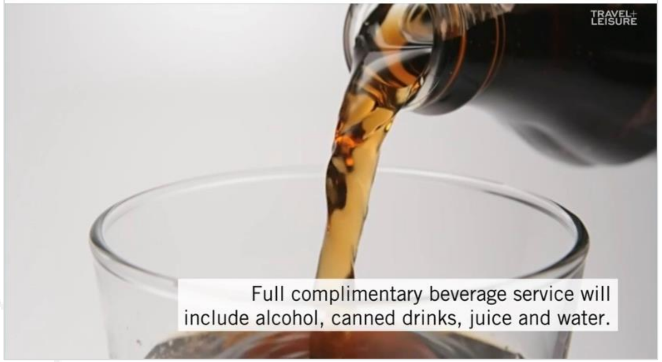
Los Angeles Times

Tuesday is Reopening Day! Here's what sports fans can do in Southern California

American Airlines Is Bringing Back Beverage Service This Summer

Cheers to that.

CAILEY RIZZO April 20, 2021



Full complimentary beverage service will include alcohol, canned drinks, juice and water.

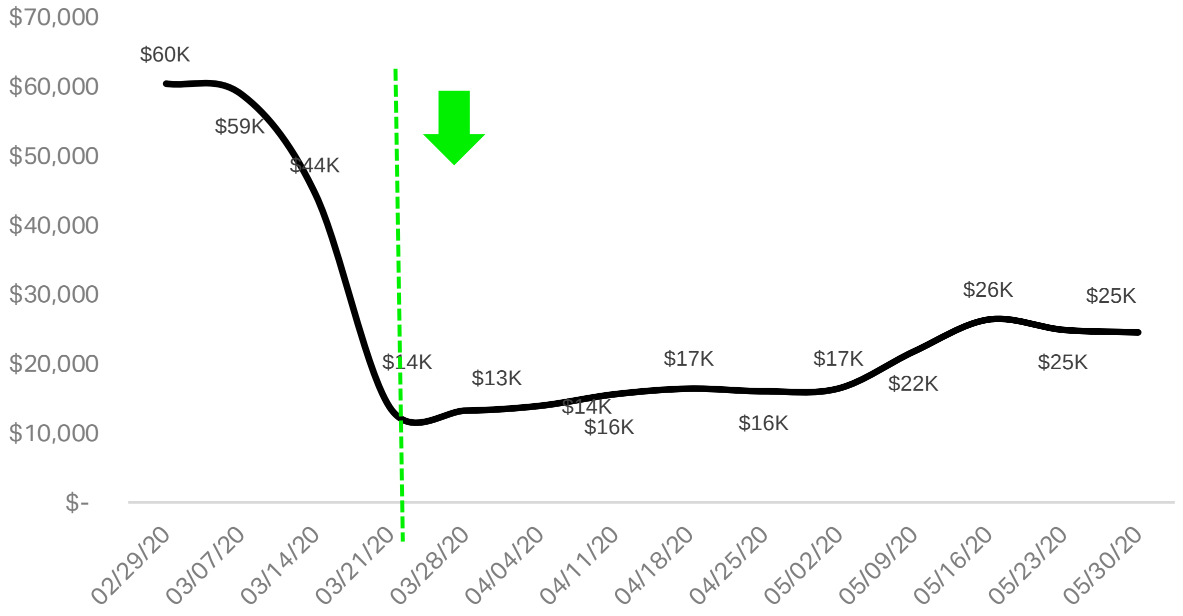
With signs of recovery, we also see signs of shift in alcohol volume back to on premise establishments

In 2020, from on premise to **off premise**

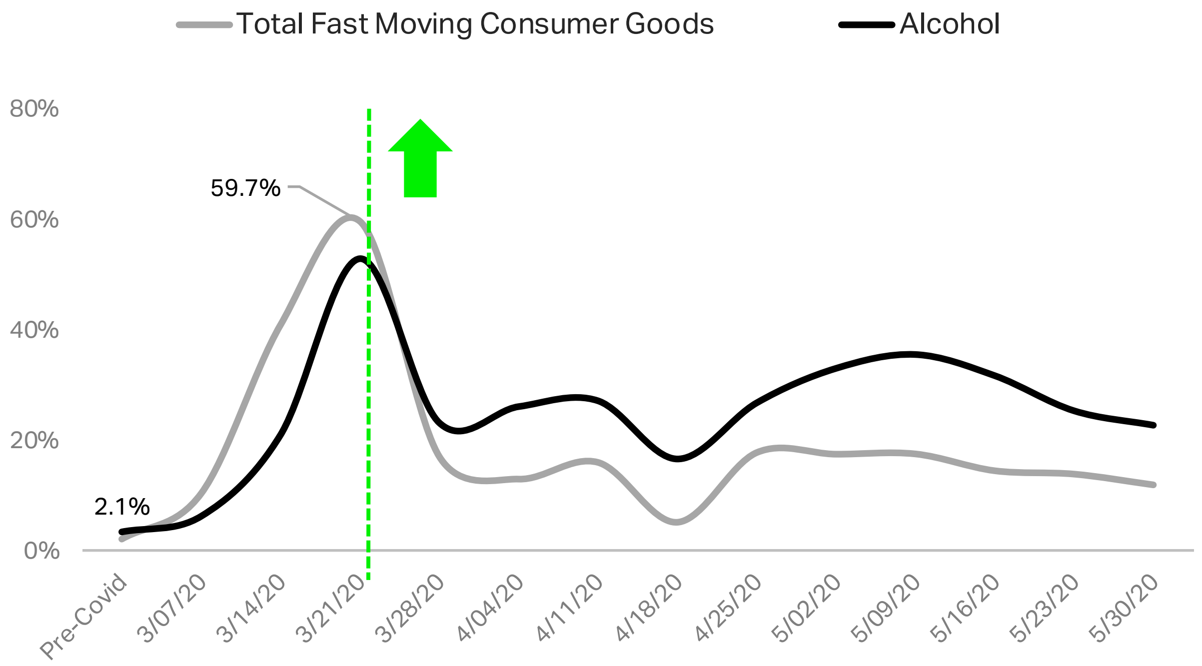
Spring 2021, beginning shift back to **on premise**

As on-premise alcohol sales dropped, off-premise sales increased

Alcohol dollar velocity by week
CGA on-premise channels

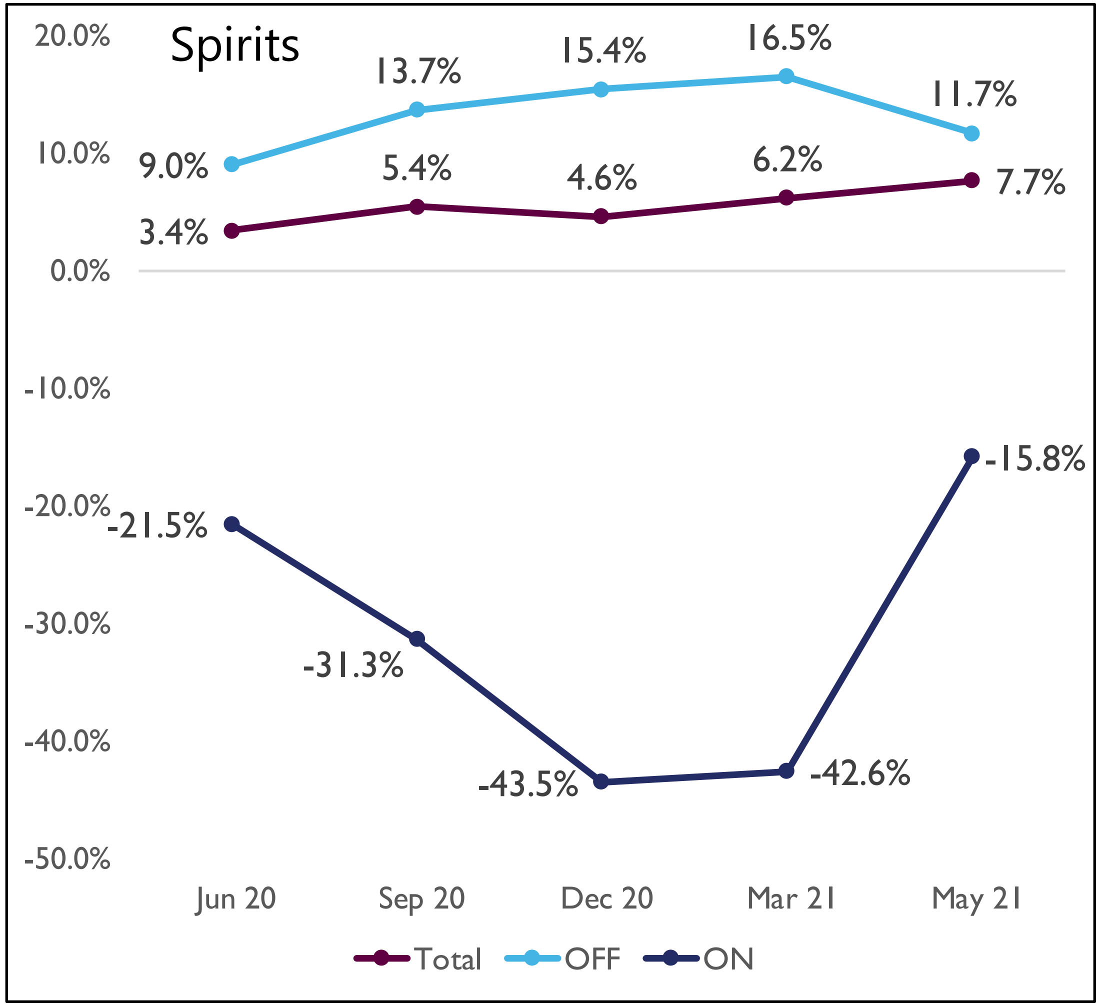


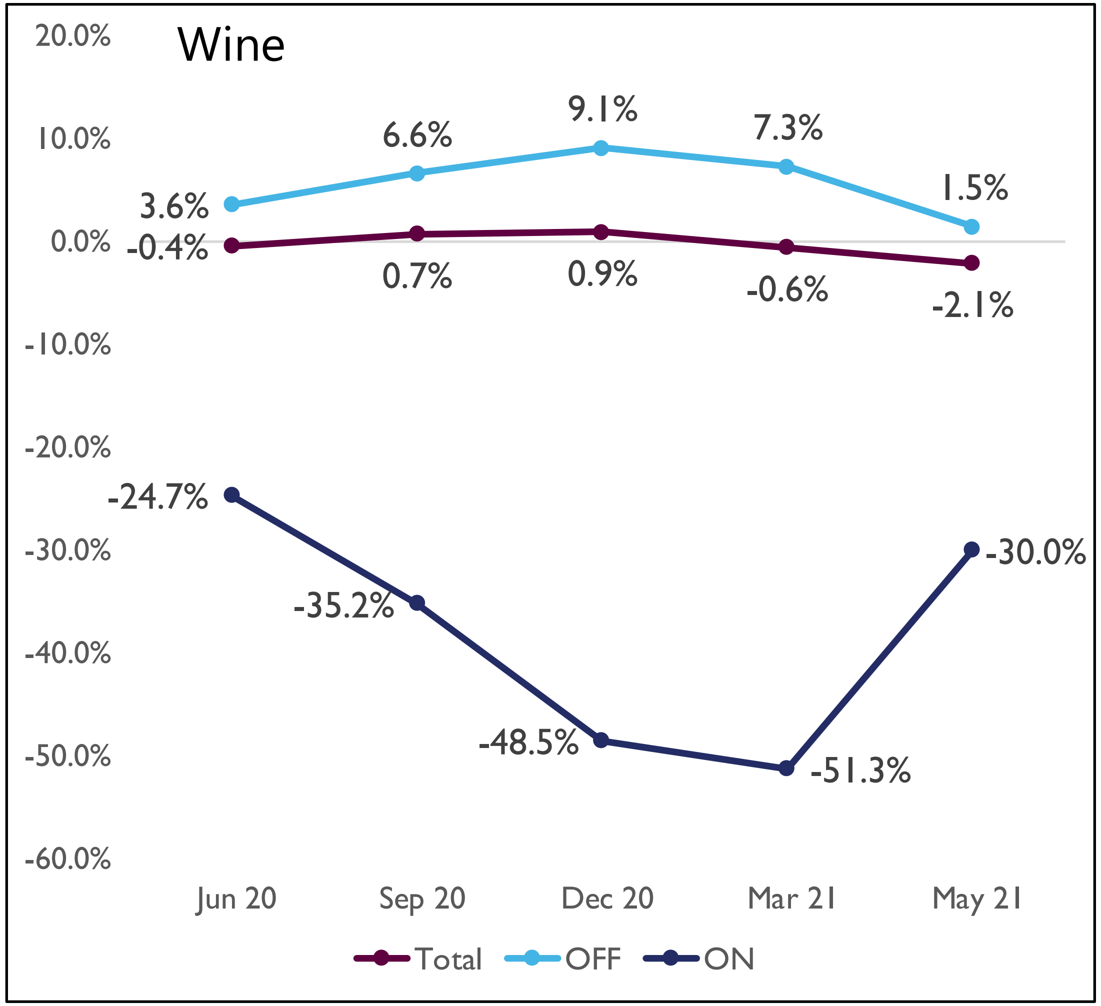
Consumer goods and alcohol dollar % change vs year ago
NielsenIQ off-premise channels



Source: NielsenIQ off premise channels and CGA Beveragetrak

ON-PREMISE RECOVERY STRONGER FOR SPIRITS





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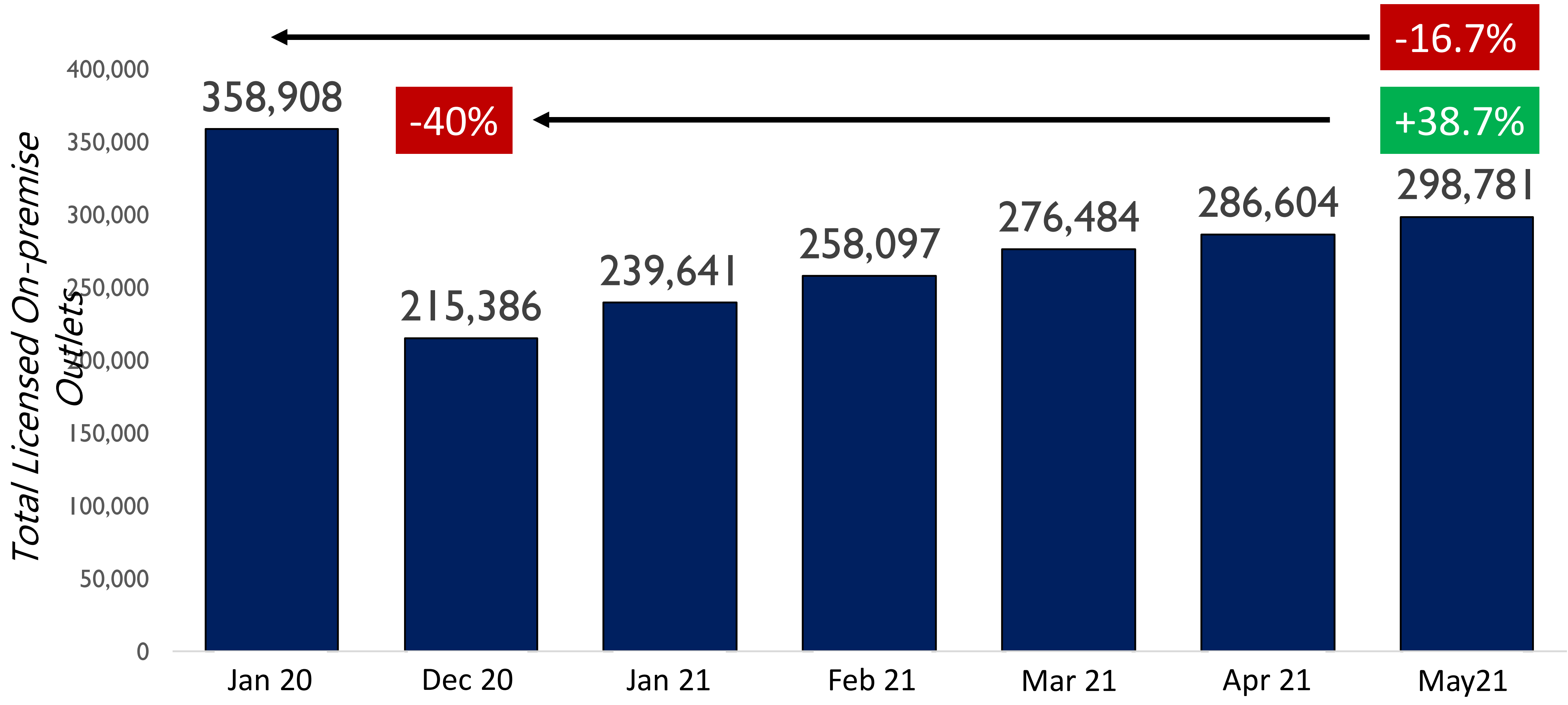
12 Month Rolling % Change vs. LY

OPEN ON-PREMISE ACCOUNTS REMAIN DOWN 16.7%



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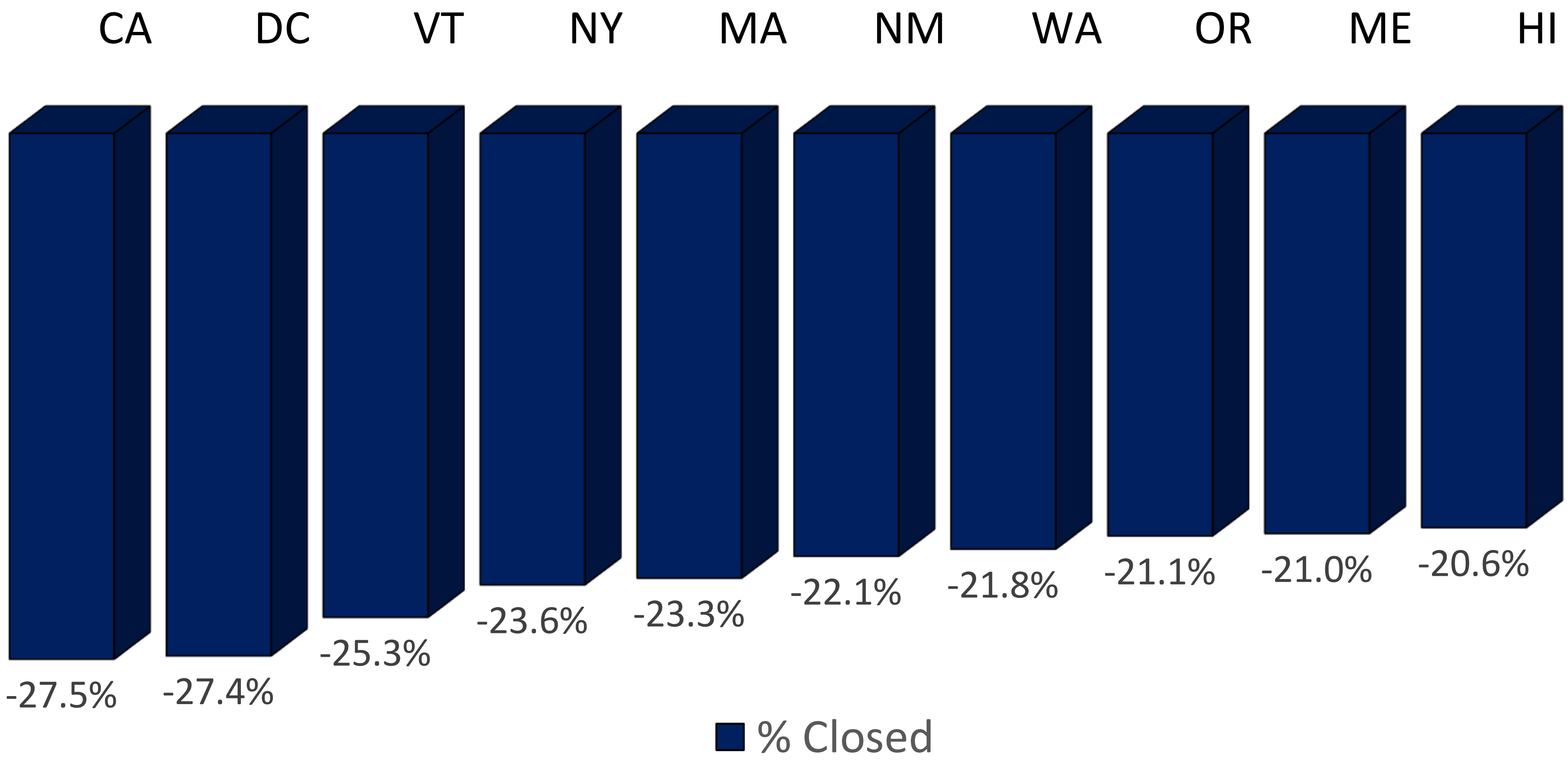
VIP Outlet Database

TOP 10 STATES ON-PREMISE CLOSURES BY PERCENTAGE



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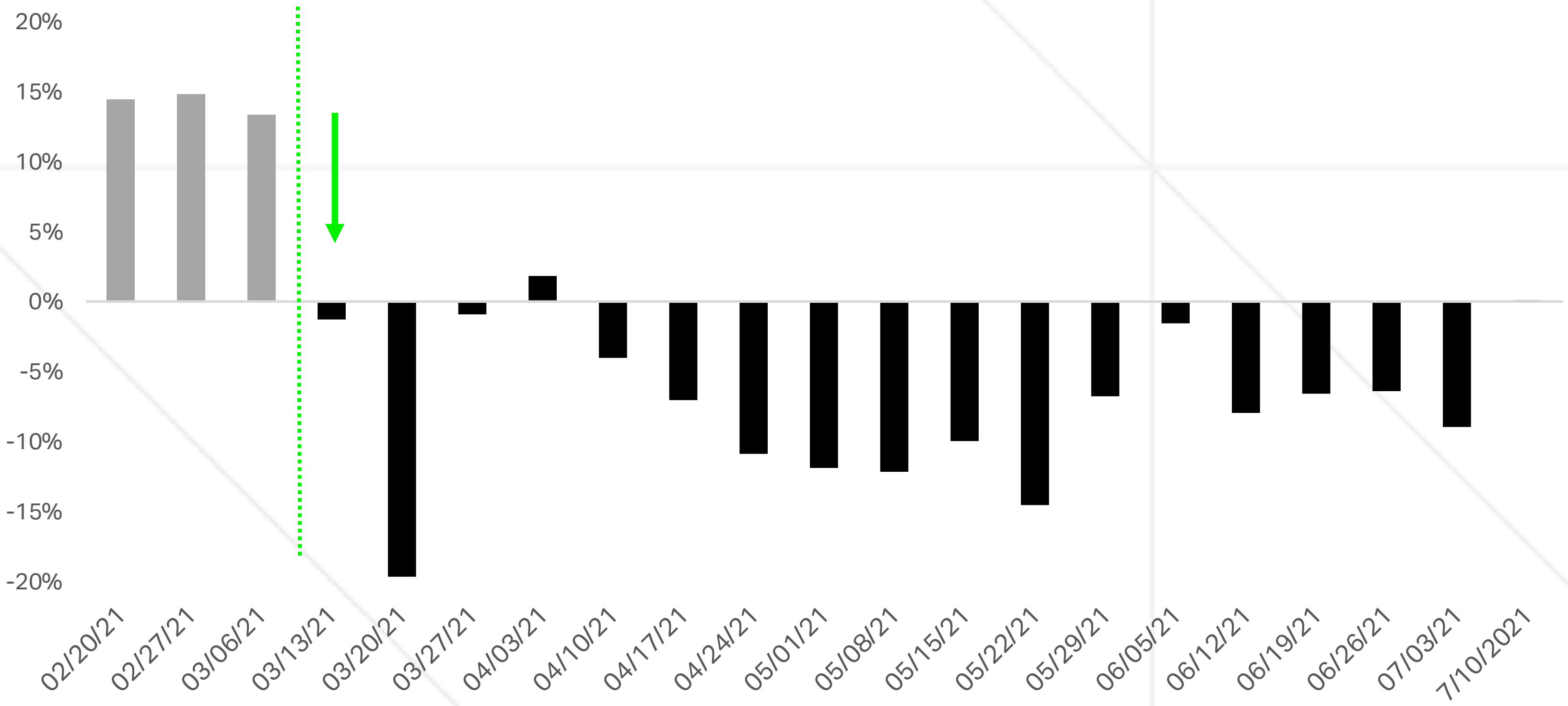
VIP Outlet Database: January 2020 to May 2021

Off-premise alcohol growth rates dropped dramatically beginning March 2021

Beverage alcohol dollar percent change vs year ago

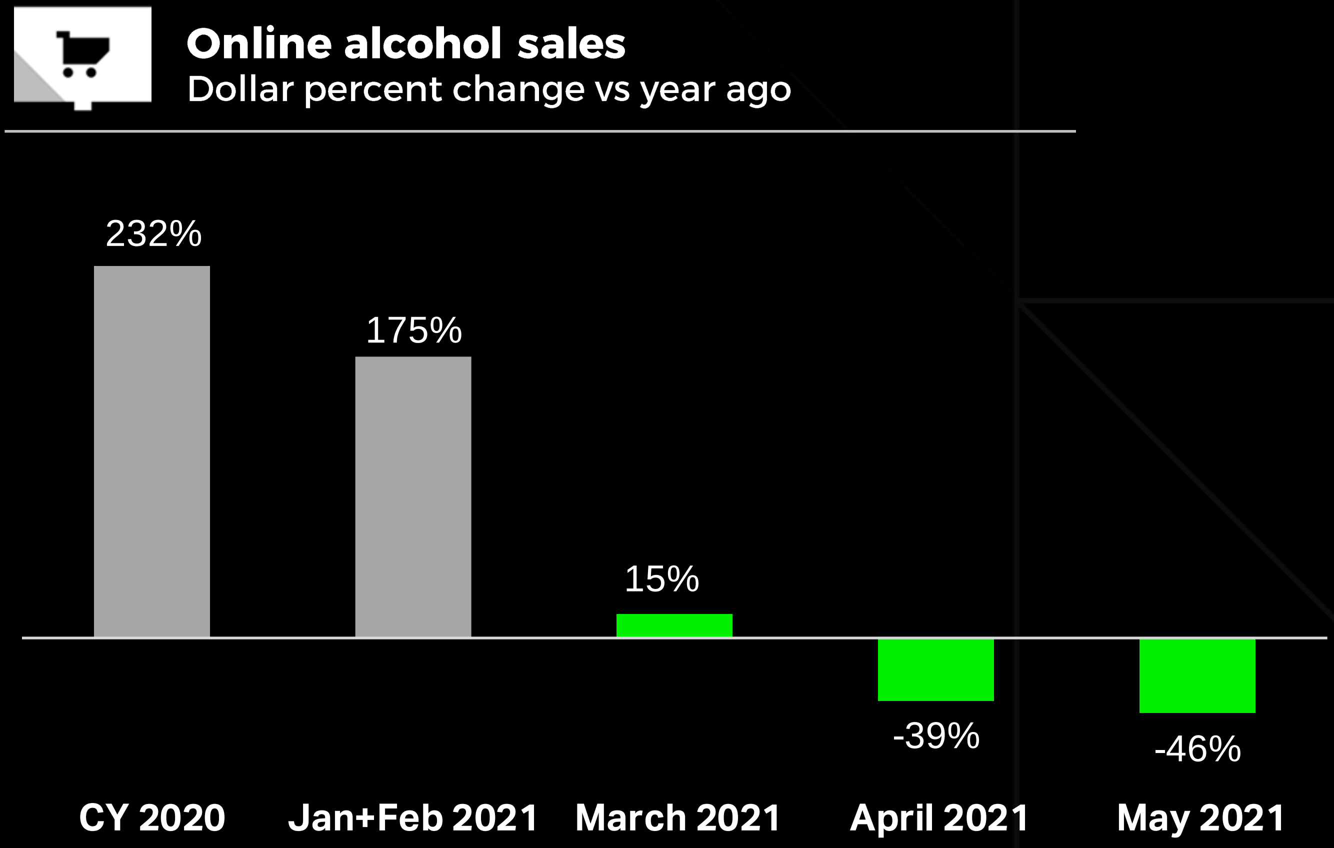
NielsenIQ off-premise channels



- Growth rates are lapping last year's record-breaking pantry loading weeks, and therefore, the industry expected declines beginning March 2021.
- During this time, consumers also began returning to bars and restaurants, and therefore likely purchasing less alcohol for at-home consumption.

Source: NielsenIQ off-premise channels; weekly data

Online alcohol growth is slowing compared to the unprecedented growth in the early months of the pandemic



Growth of online sales is declining for recent months, with difficult comps from the record-breaking sales of April/May last year.

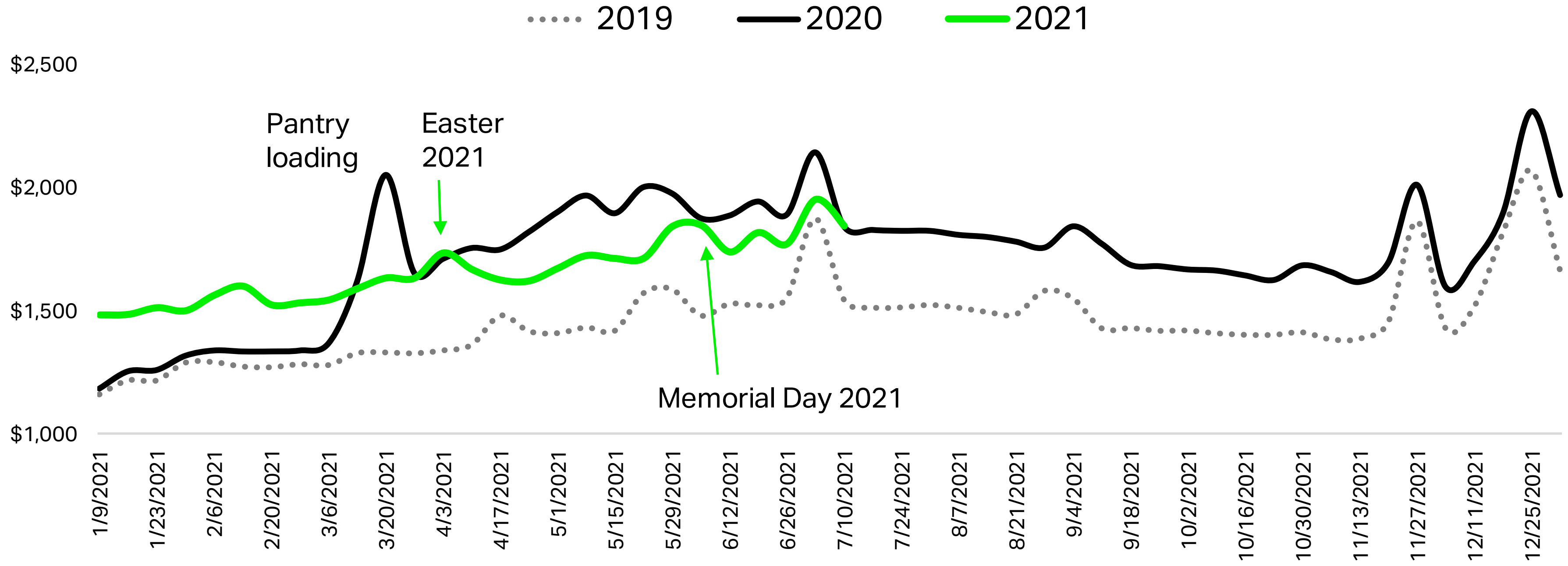
A drop in the # of orders is the biggest driver of declines.

Smaller basket rings and decline in buyers is also driving declines.

Source: NielsenIQ Total US Ecommerce measurement powered by Rakuten Intelligence; month ending May 2021

Off-premise alcohol sales remain above the norm from previous years

Beverage Alcohol weekly dollars (millions)
NielsenIQ off-premise channels



4 weeks end 7/10/21

Off-premise alcohol up

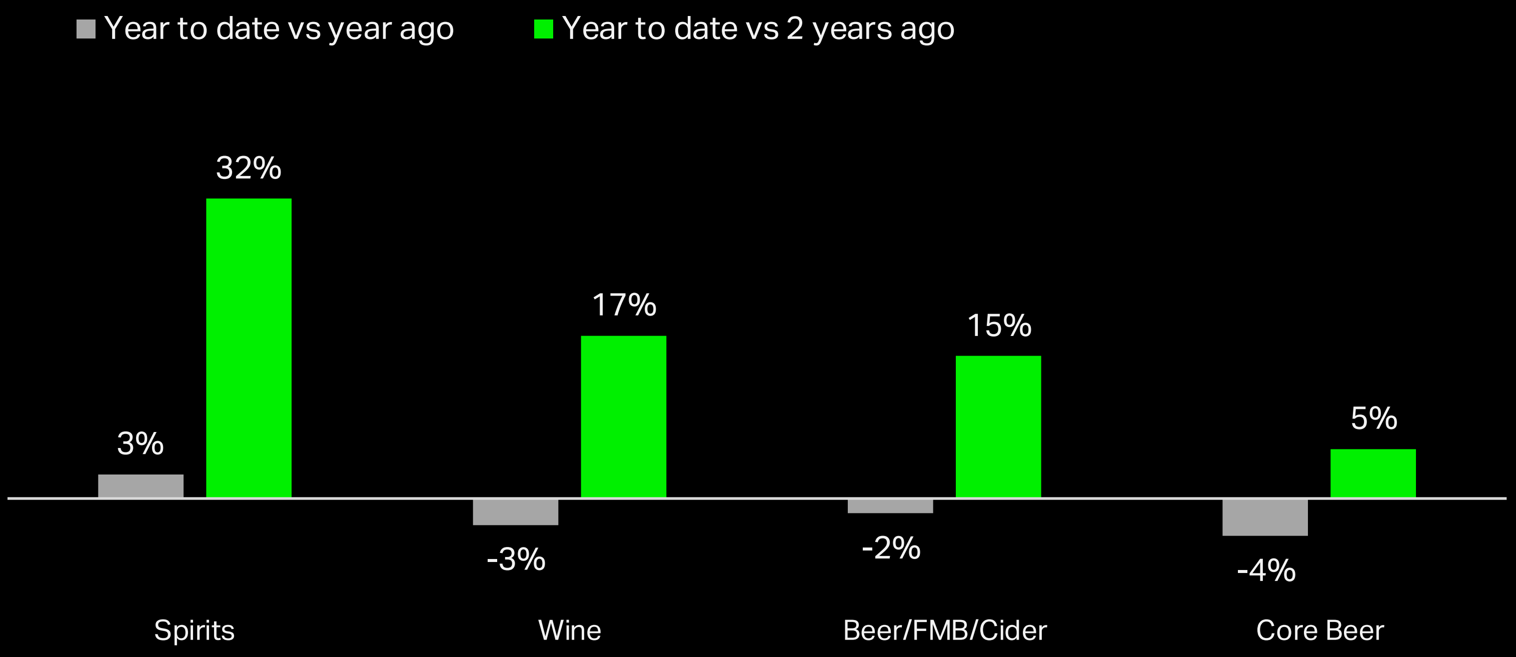
14%

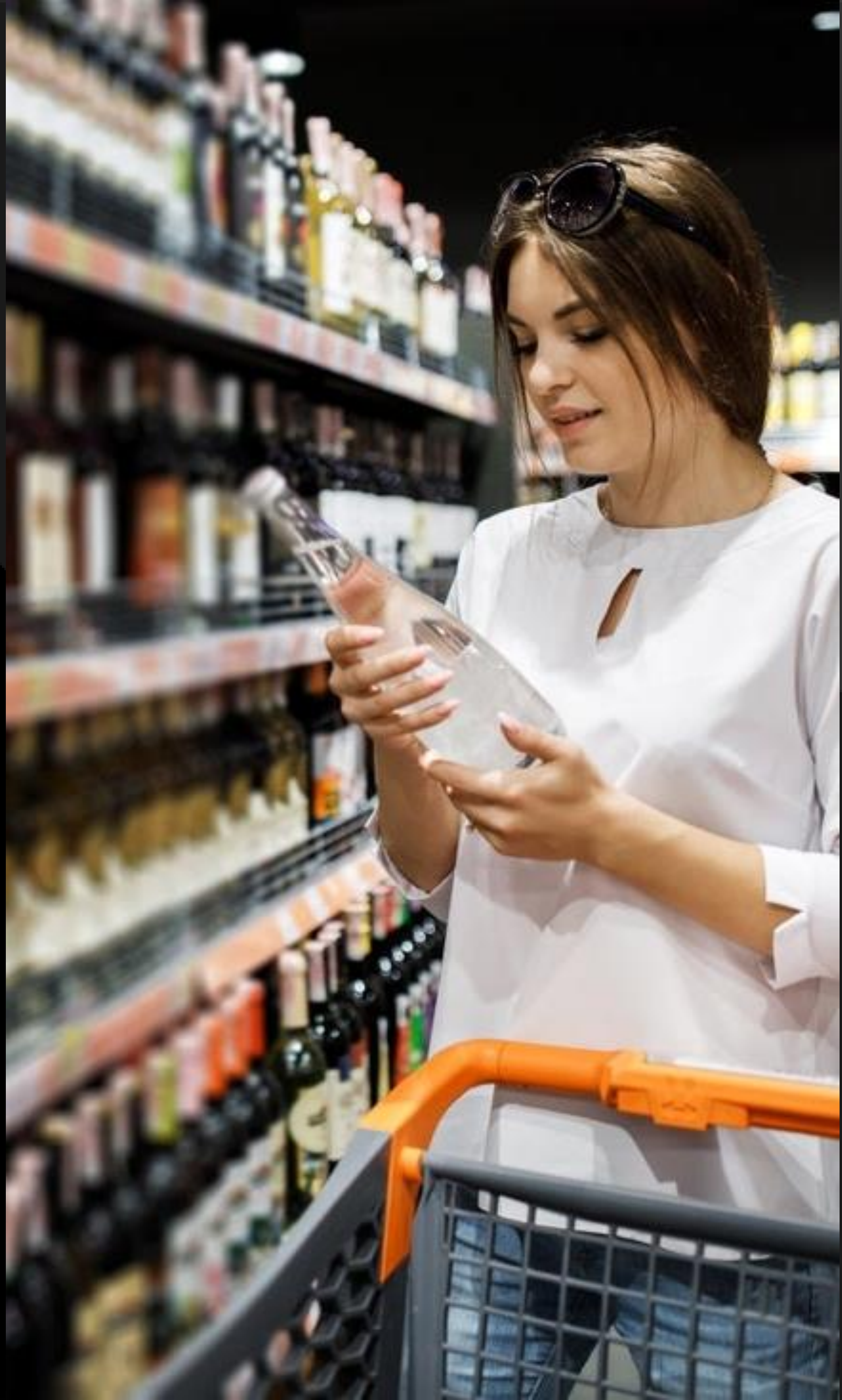
vs same 4 weeks in 2019

Source: NielsenIQ off-premise channels, weekly sales dollars

Spirits continue to lead off-premise growth YTD

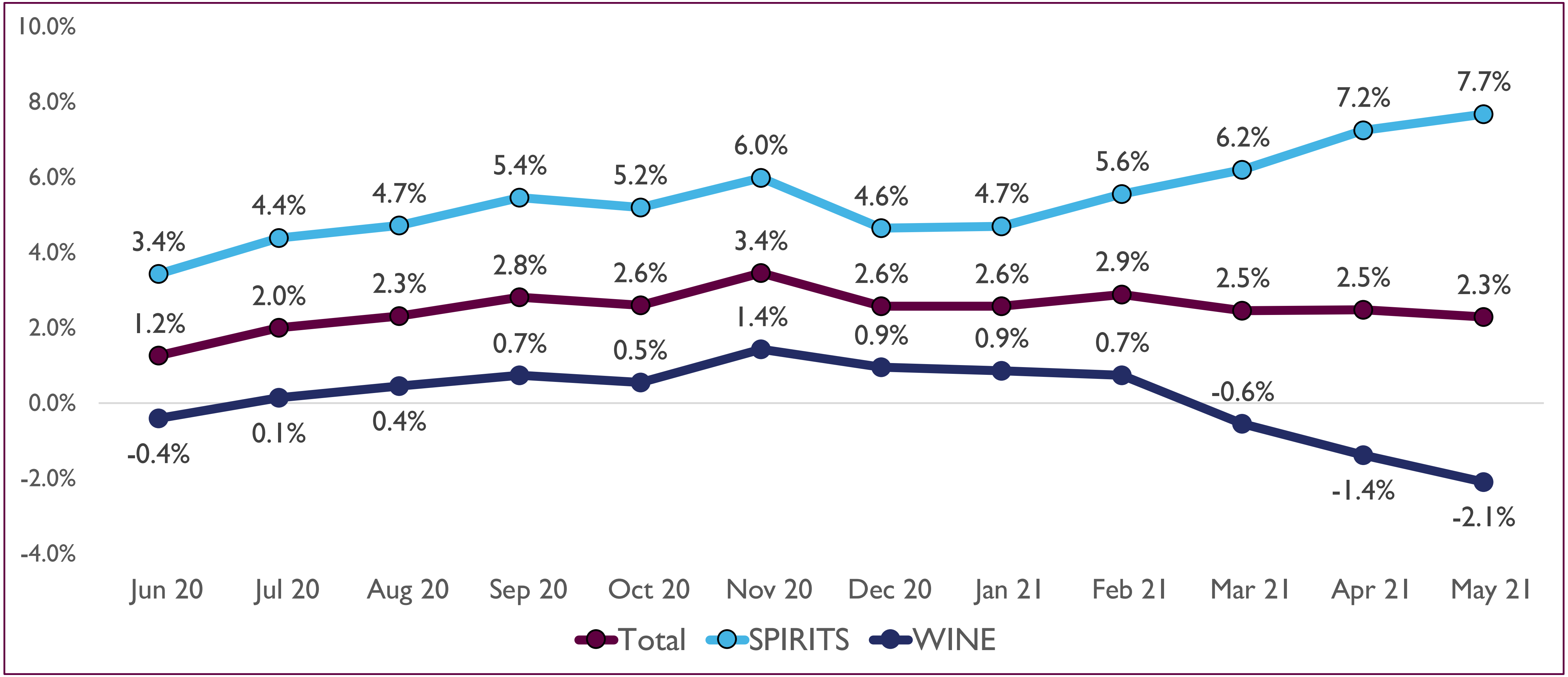
Dollar percent change vs year ago and 2 years ago
NielsenIQ off-premise channels





Source: NielsenIQ off-premise channels, year to date week ending July 10 2021

SPIRITS STRENGTH GAINING MOMENTUM



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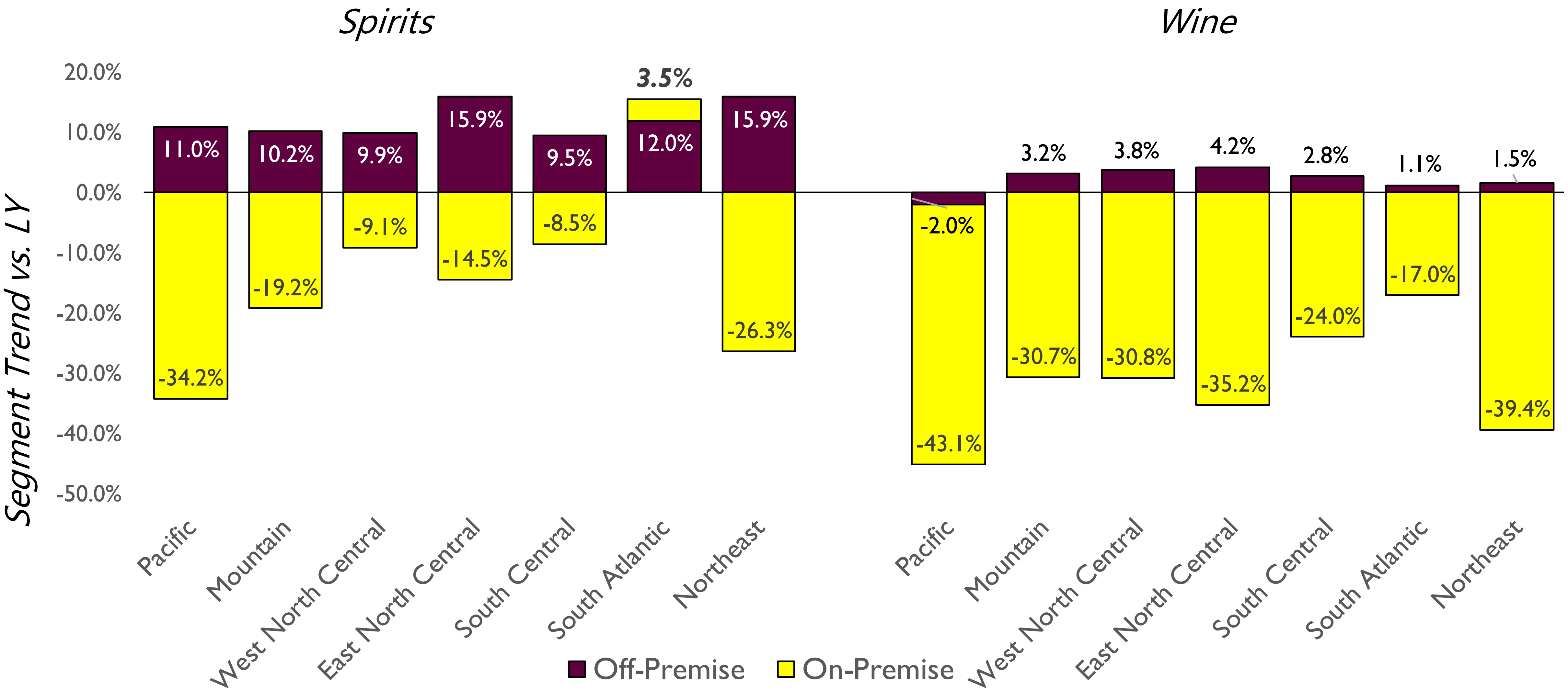
12 Month Rolling % Change vs. LY

SOUTH ATLANTIC MOVES TO POSITIVE FOR ON-PREMISE SPIRITS



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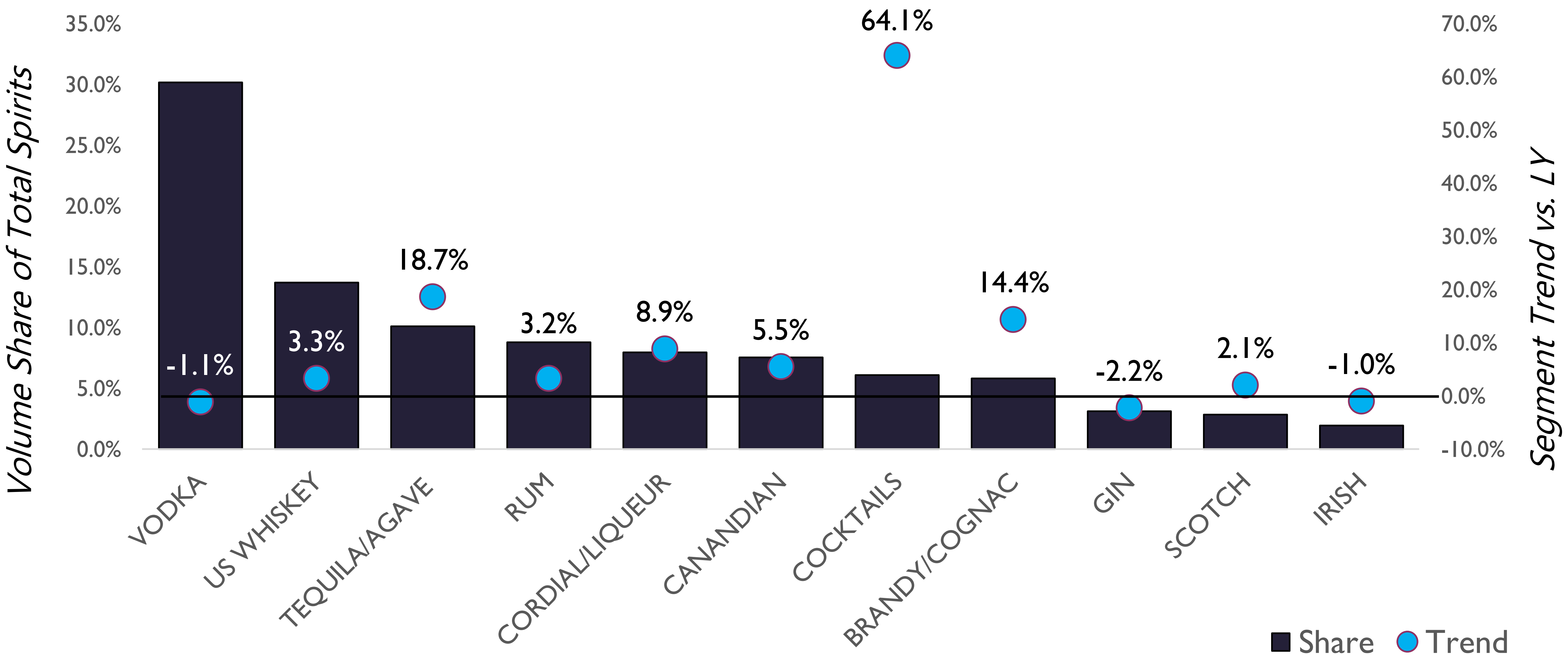
12 Month Rolling May 2021 Ending

COCKTAILS, TEQUILA, AND COGNAC LEAD THE WAY



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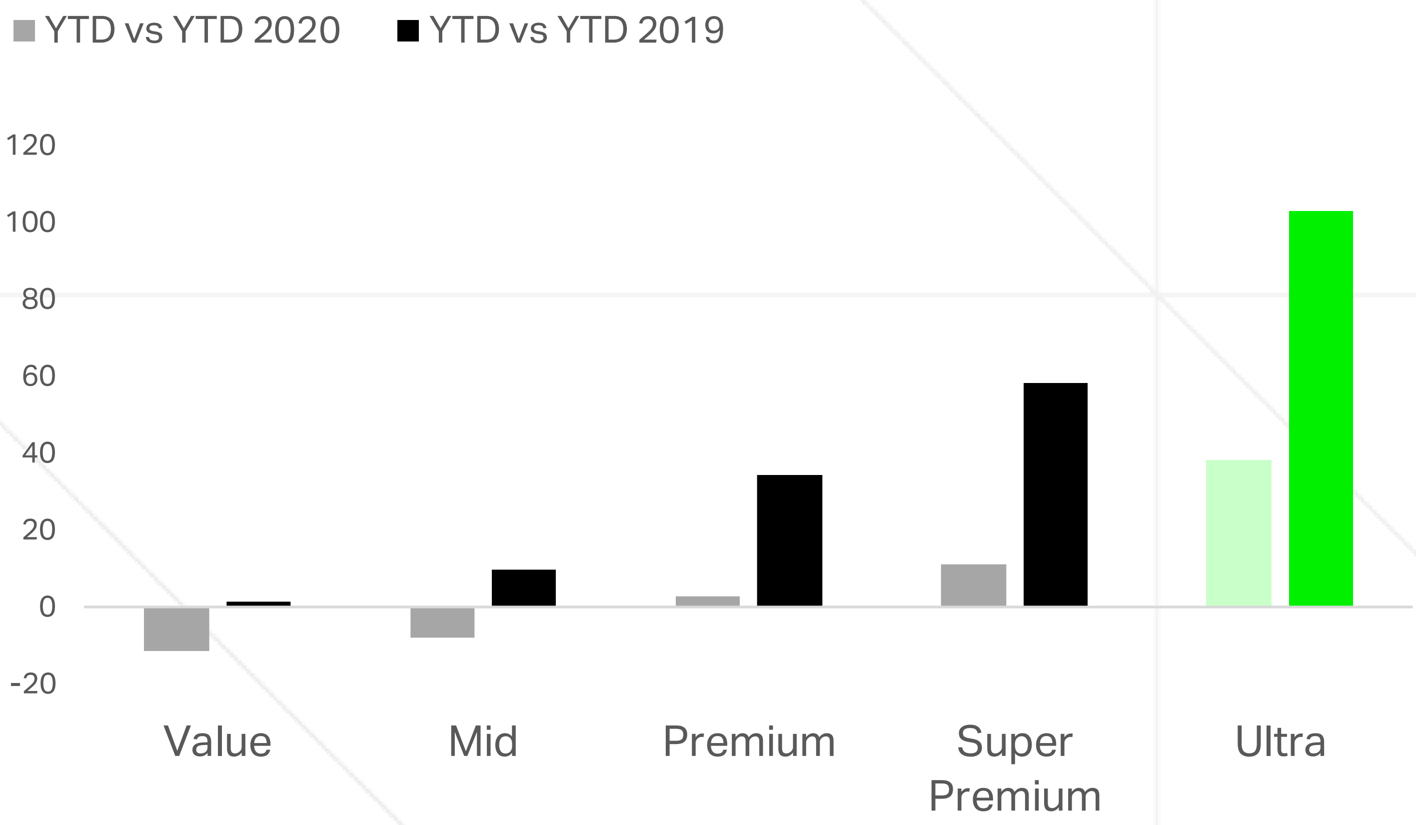
12 Month Rolling May 2021 Ending

The high-end continues to drive growth in spirits

Spirit price tiers - dollar percent change vs year ago
NielsenIQ off-premise channels



- Spirits ultra price tier is up 103% in dollar growth compared to 2019
- Super premium and ultra price tiers gained 6.4 share points in two years

Source: NielsenIQ off premise channels: YTD ending 7/10/21; Spirit price tiers

High end and sparkling lead growth in wine

Premiumization accelerated in most channels

- $15+ price tiers up 1.9 share pts, with $25 tier having strongest gains
- Average price declined by $6+ in direct-to-consumer channels for April 2021 vs yr ago

Sparkling outpaces growth of table wine

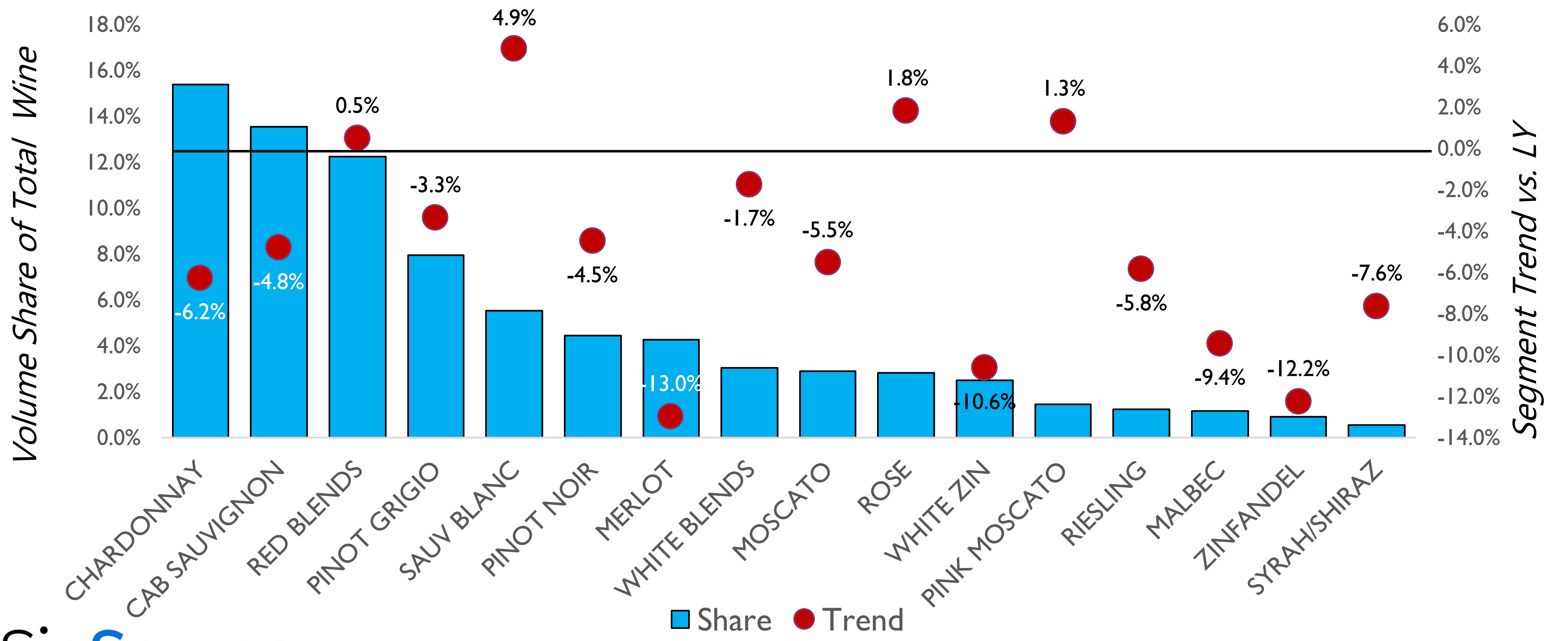
- For latest 4 weeks, table wine is up 6% vs 2019 and sparkling is up 34%
- French champagne leading growth, up 83% vs 2019 and 9% vs 2020

Varietals

- Sauvignon Blanc, rosé, red blends, pinot noir, and cab sauv were among the strongest growth varietals during COVID, and all are still up double digits compared to 2019
- Wine-based cocktails are up 40% vs year ago for latest 4 weeks

Source: NielsenIQ scan off-premise channels; 4 weeks ending 7/10/21

TABLE WINE TRENDS GETTING WORSE, DOWN 4.0%



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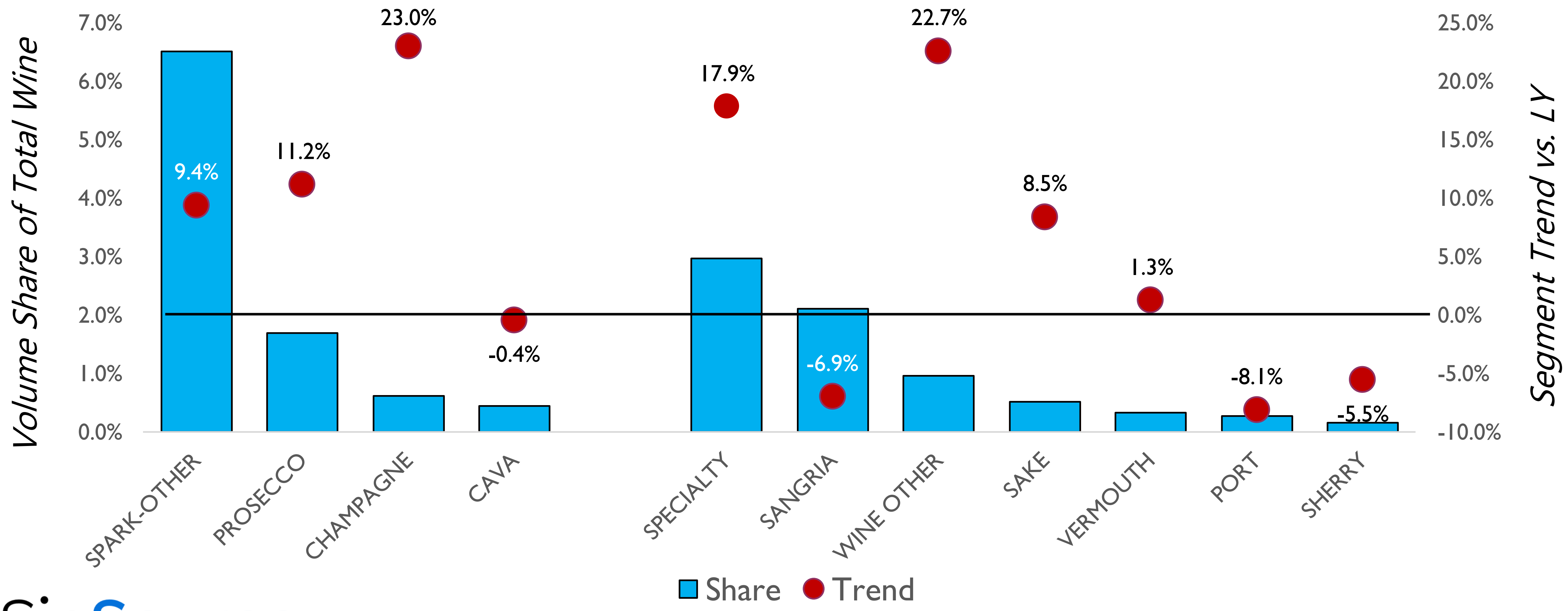
12 Month Rolling May 2021 Ending

SPARKLING WINE PERFORMANCE REMAINS STRONG



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12 Month Rolling May 2021 Ending

Ready-to-drink dollar sales up 116% vs 2019 and up 18% vs 2020

$4.4 billion in off-premise sales YTD 2021

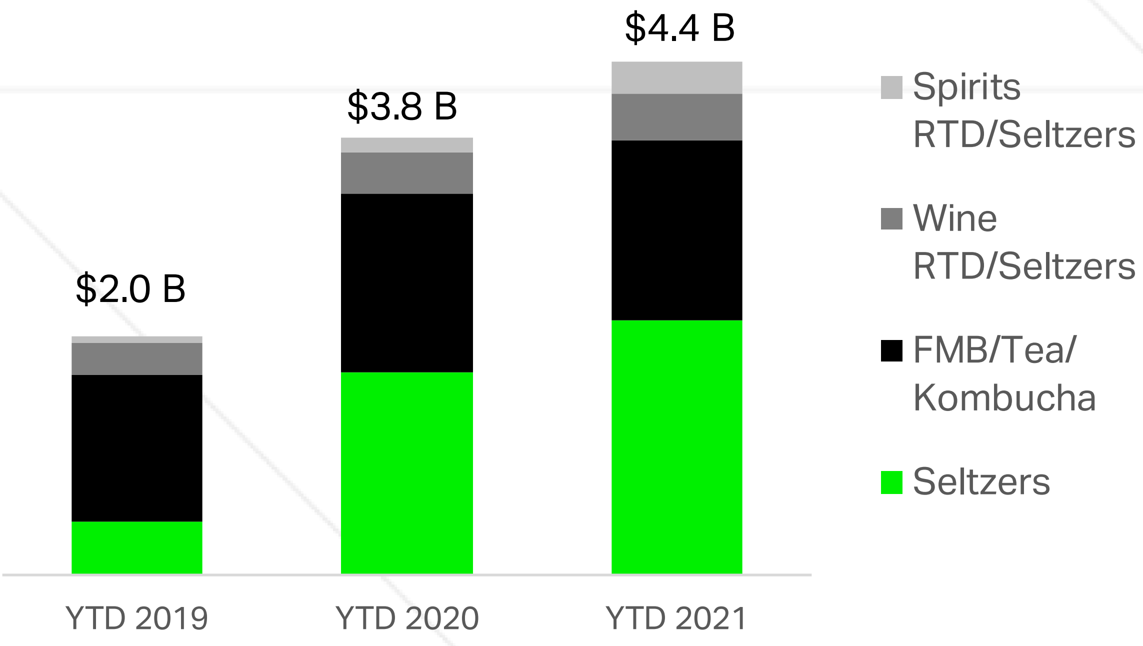
vs. $3.8B year-to-date last year

Source: NielsenIQ Scan Off Premise Channels; year to date ending 6/26/21

Spirits-based seltzers and cocktails lead growth across all RTD segments

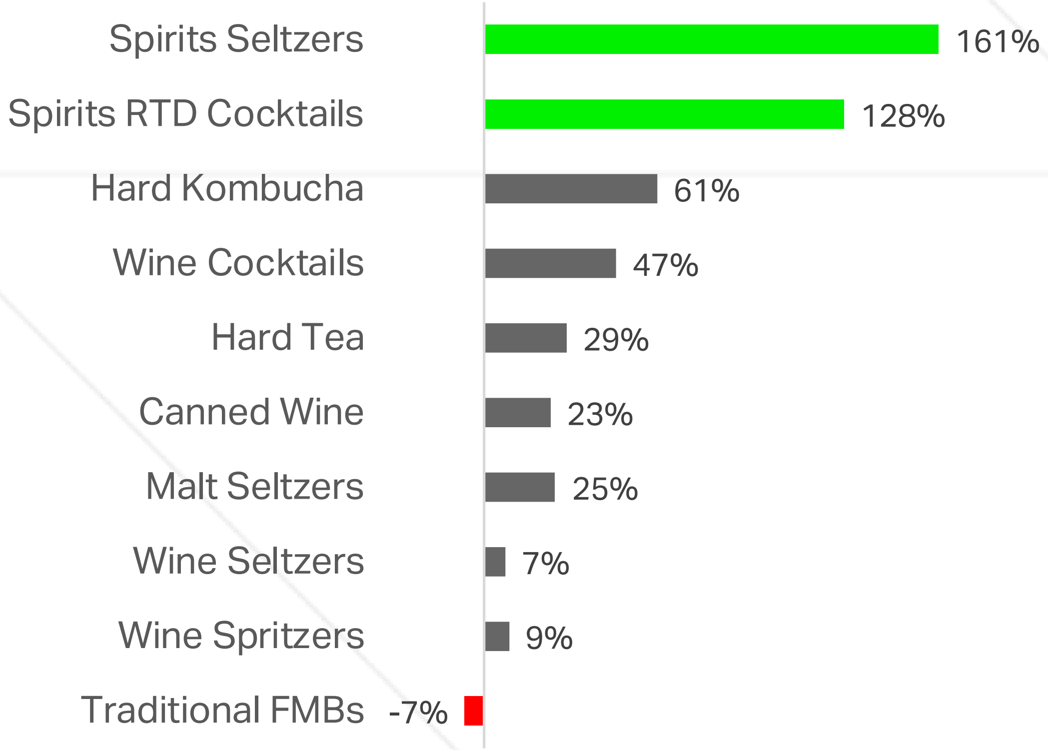
Ready-to-drink dollar sales YTD

NielsenIQ off premise channels



Ready-to-drink dollar growth YTD

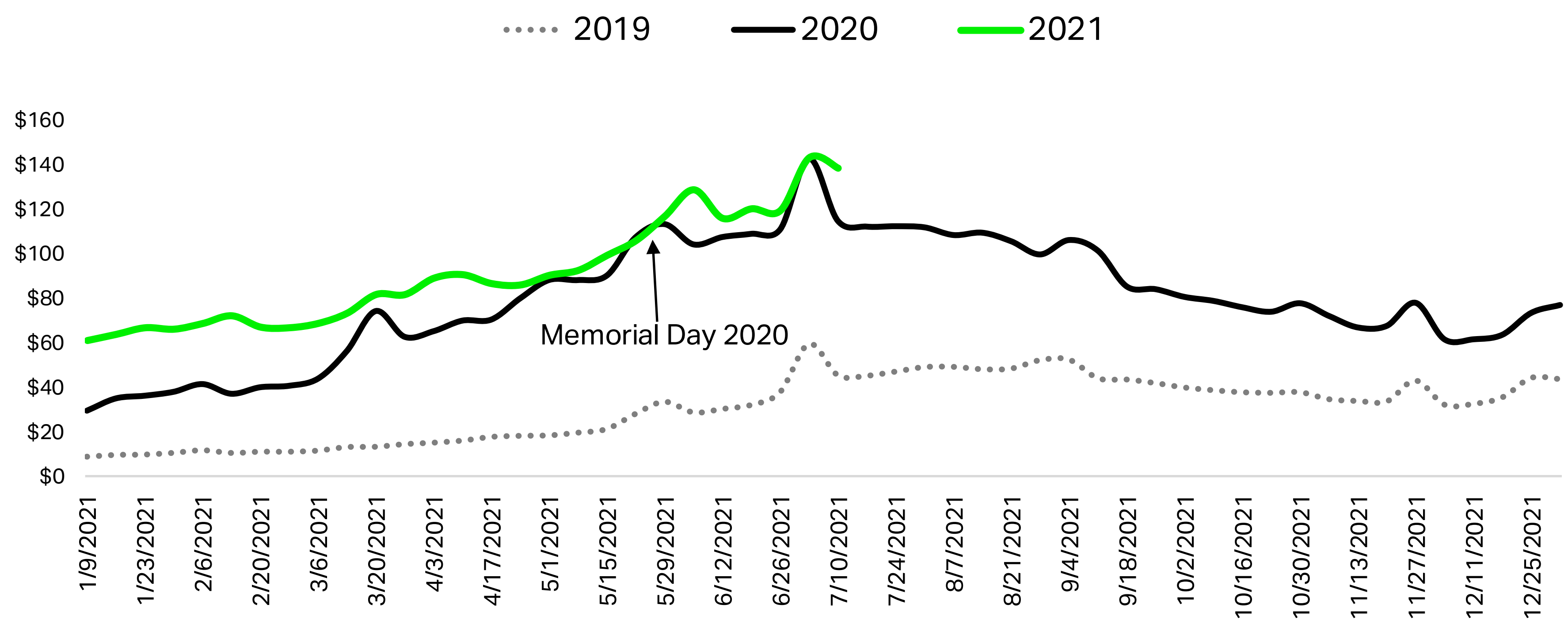
NielsenIQ off premise channels



Source: NielsenIQ Scan Off Premise Channels; year to date ending 6/26/21

Hard seltzer dollars surpass 2020 summer sales

Malt hard seltzer weekly dollars (millions)
NielsenIQ off-premise channels



While seltzer growth is slowing, sales surpassed 2020 sales for all but one week in 2021.

Source: NielsenIQ off-premise channels, weekly sales dollars through 7/10/21

Innovation is driving growth in seltzers

8.8%

Off-premise dollar growth for latest 4 weeks

12.3%

Dollar share for latest 4 weeks, up 1.6 share points from same 4 weeks in 2020

72%

For YTD 2021, new seltzer items represent 34% of seltzer items, but contribute 72% of the growth

Source: NielsenIQ off-premise scan; 4 weeks ending 7/10/21

Emerging seltzer flavors and styles seeing sizeable sales

$453M

Lemonade seltzers
dollars in the latest 52 weeks
(+777% vs. year ago)

$67M

Hard tea seltzers
dollars in the latest 52 weeks
(new vs. year ago)

$13M

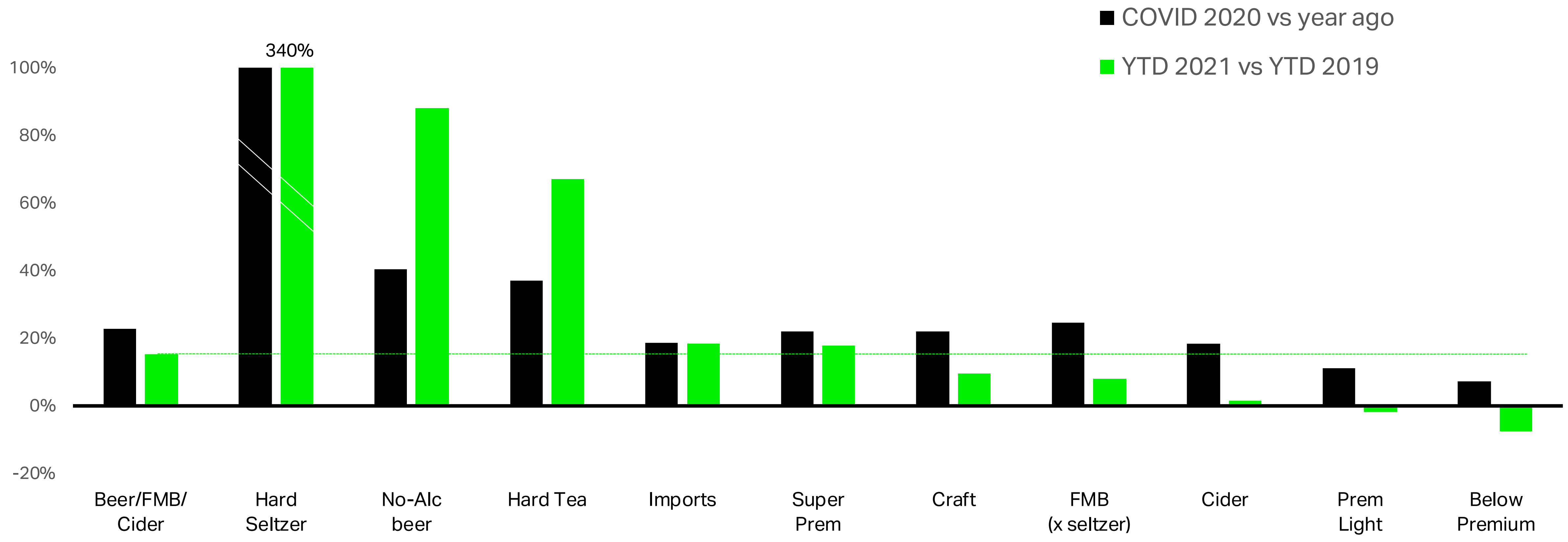
Ranch water seltzers
dollars in the latest 52 weeks
(new vs. year ago)

Source: NielsenIQ Scan Off Premise Channels; latest 52 weeks ending 5/15/21 vs. year ago; *all Malt-based seltzers*

"Beyond beer" segments and imports lead growth for beer/FMB/cider

Beer segments - dollar percent change vs year ago

NielsenIQ off-premise channels



$YTD Share Chg vs year ago	Hard Seltzer	No-Alc beer	Hard Tea	Imports	Super Prem	Craft	FMB (x seltzer)	Cider	Prem Light	Below Premium
	2.0	0.2	0.3	1.1	0.2	-0.4	-0.3	-0.1	-1.3	-1.2

Source: NielsenIQ Measured Off Premise Channels; Total U.S. (Dollars) COVID 2020 (March – December 2020); YTD ending 7/10/21

37% vs year ago

YTD dollar growth of **non-alcoholic** beer, wine, and spirits in off premise channels

Source: NielsenIQ Scan Off Premise Channels; 52 WE 4/10/21

What to expect for the remainder of 2021

Polarization

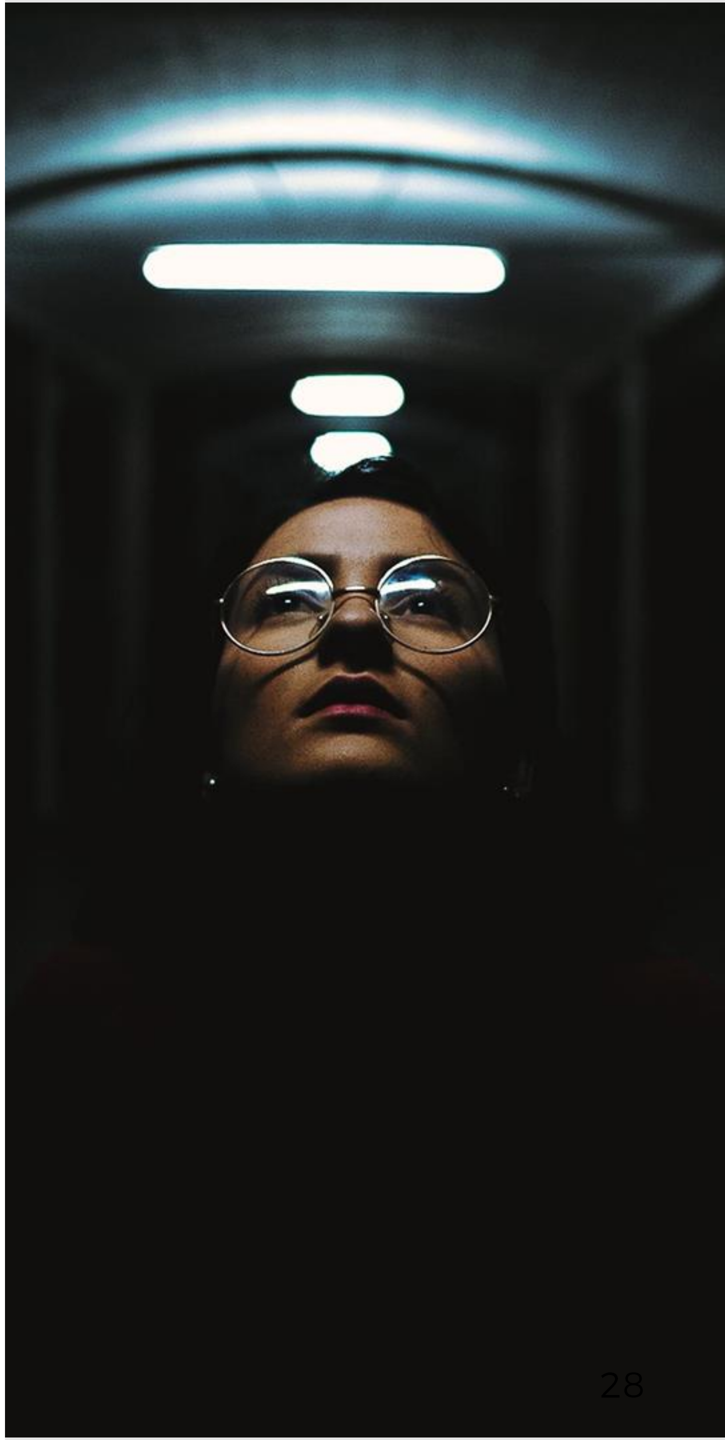
Plan for continued polarization in how consumers are returning to the on premise or settling into their cocooning habits. Also plan for **Constrained and Insulated consumers** to shop differently.

Prepared drinks

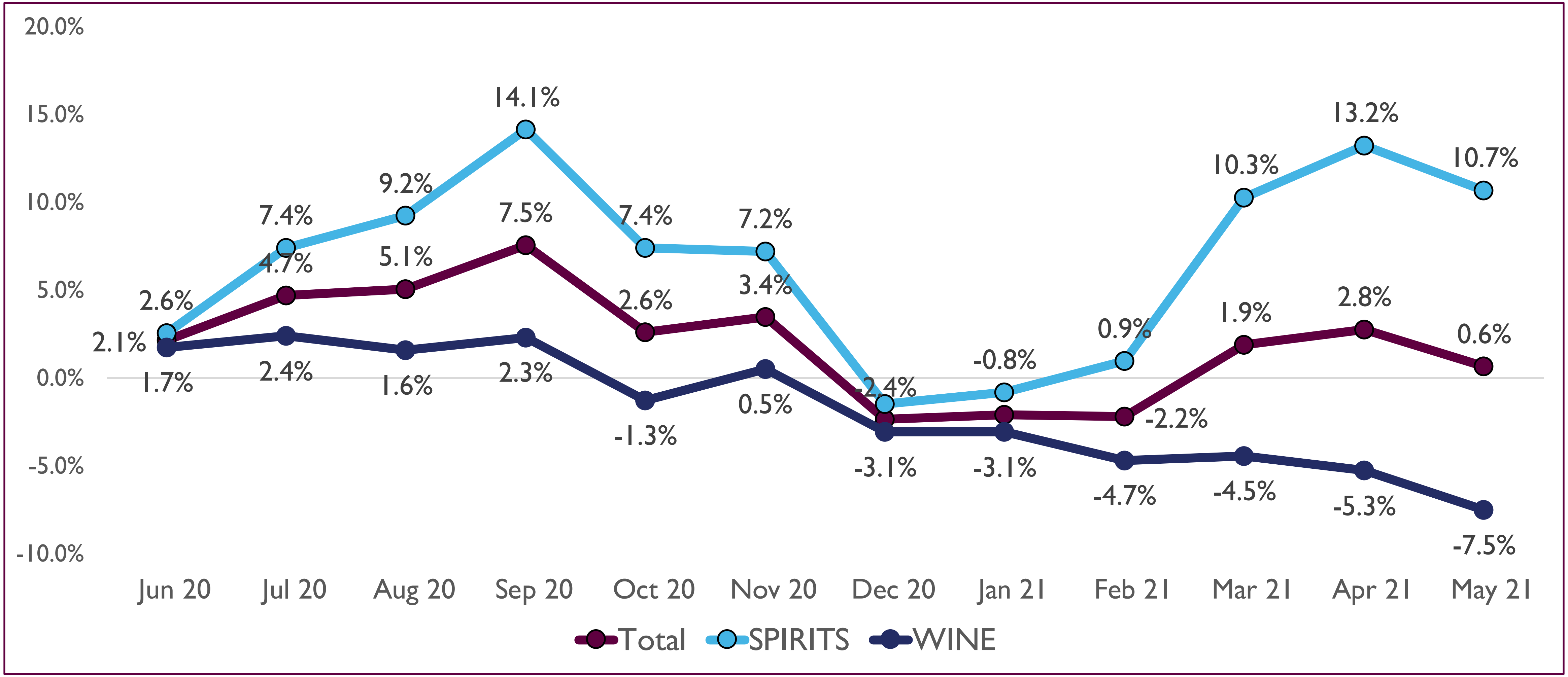
Ready-to-drink momentum will continue, with sales surpassing summer 2020 sales in off premise, and also expanding in on-premise channels. Additional off-premise opportunities for **spirit and wine-based RTD cocktails during winter holidays**.

Premiumization

Growth in the highest-end price tiers will continue, however, it will begin to slow as more consumers return to on-premise establishments.



DIFFICULT 2020 HOLIDAY – HUGE 2021 HOLIDAY?



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3 Month Rolling % Change vs. LY