

Industry Trends Propelling the Prevailing Supplier & Distributor Partnership

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▶ INTRODUCING MATT DEEGAN



MATT DEEGAN
SVP, CHIEF SALES OFFICER



**MATT DEEGAN IS CONSTELLATION'S
SVP AND CHIEF SALES OFFICER,**

Matt is responsible for overseeing the Wine & Spirits sales organization, inclusive of the U.S., the Americas, sales strategy and commercial planning

Prior to joining Constellation Brands, Matt held broad senior leadership roles in sales and marketing with increasing responsibility across the industry



FORCES DRIVING THE FUTURE OF THE INDUSTRY

DIGITIZATION



Increased reliance on automation, smart signaling, and real-time agility

CHANNEL FLUIDITY



More formats and more specialized channels are disrupting the journey --- old, new, and next-frontier

BLURRING OF CATEGORIES



Rapidly shifting consumer needs, rising multiculturalism, and fragmented sources of influence blur category lines

PREMIUMIZATION



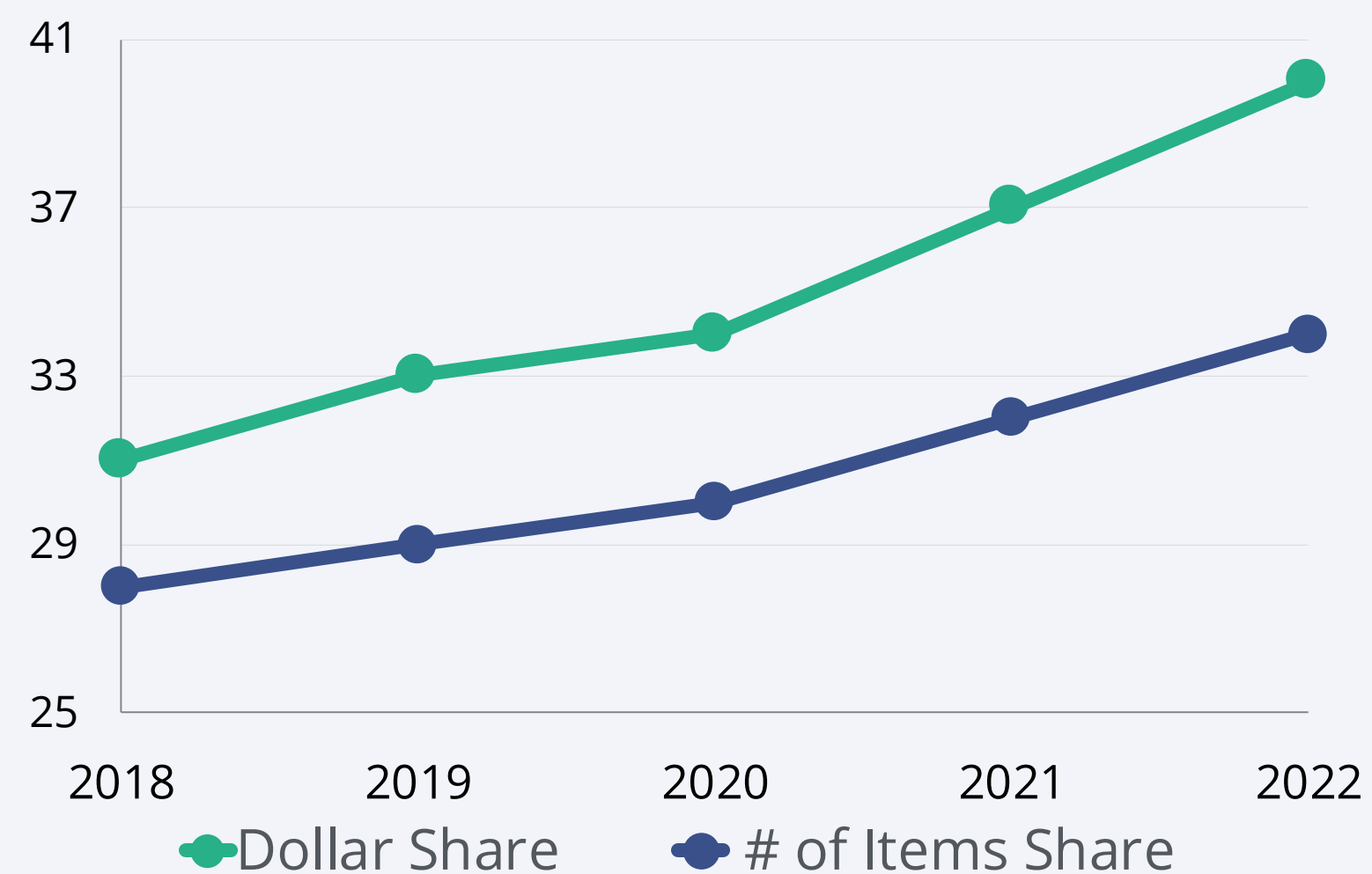
Generational shifts are driving premiumization in the search for simple pleasure & accessible luxury at even faster rates

CONSUMER BEHAVIOR & MARKETPLACE TRENDS FAVOR WINE & SPIRITS

WHAT'S NOW

Bev Alcohol remains a **critical building block of sales and traffic**

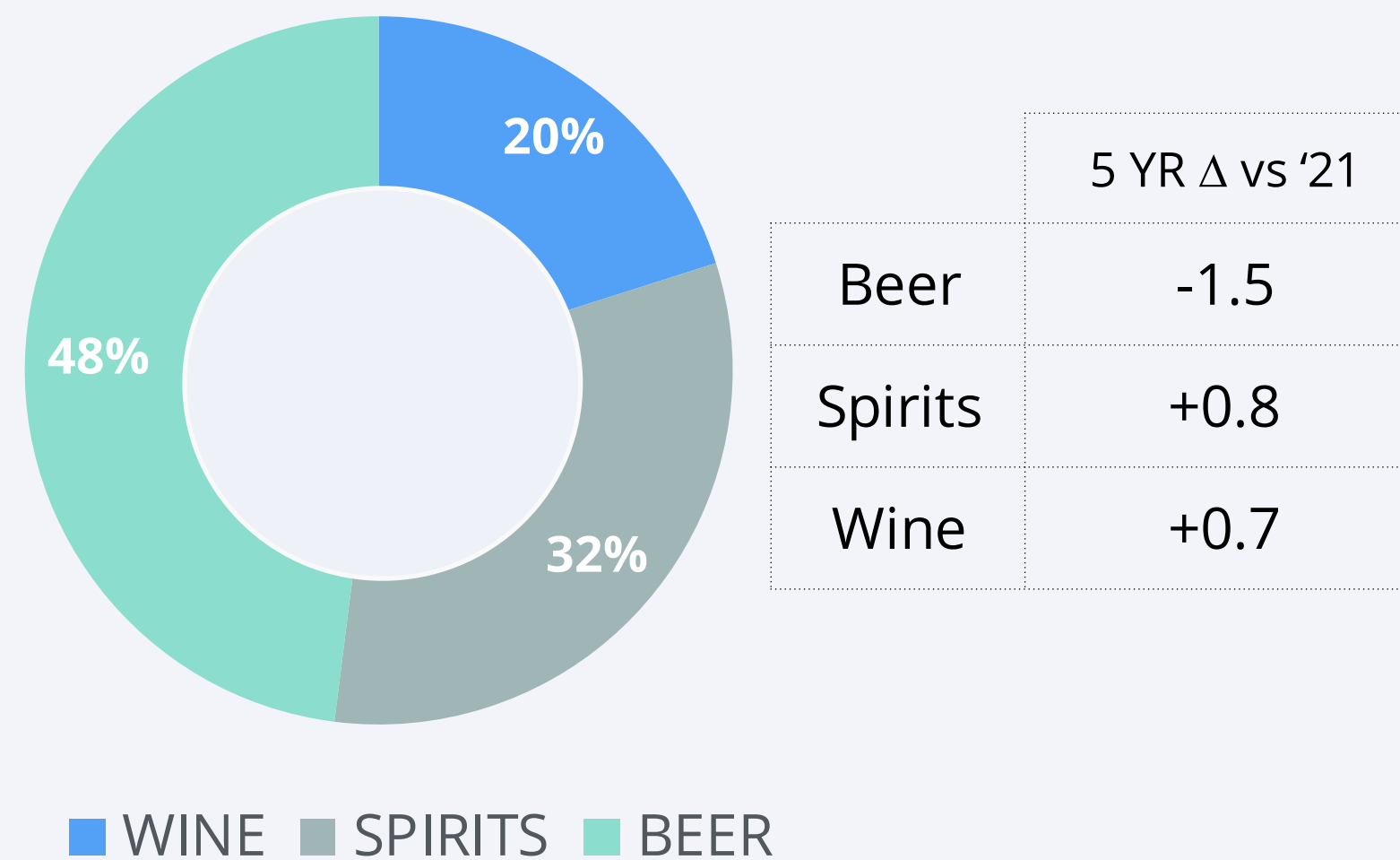
High End Wine Items lag \$ Share



WHAT'S NEXT

Wine and Spirits grow share of servings as demo and occasion shifts in their favor

Est 2026 Share of Total Servings



& BEYOND

Consumer "need spaces" are evolving

Technology becomes the next 'channel', disrupting the traditional shopper journey



“Talent wins games, but teamwork and intelligence win championships.”

Michael Jordan



BUILDING WINNING BRANDS TOGETHER

Key to Developing Brands & Unlocking Value to both the Supplier and Distributor



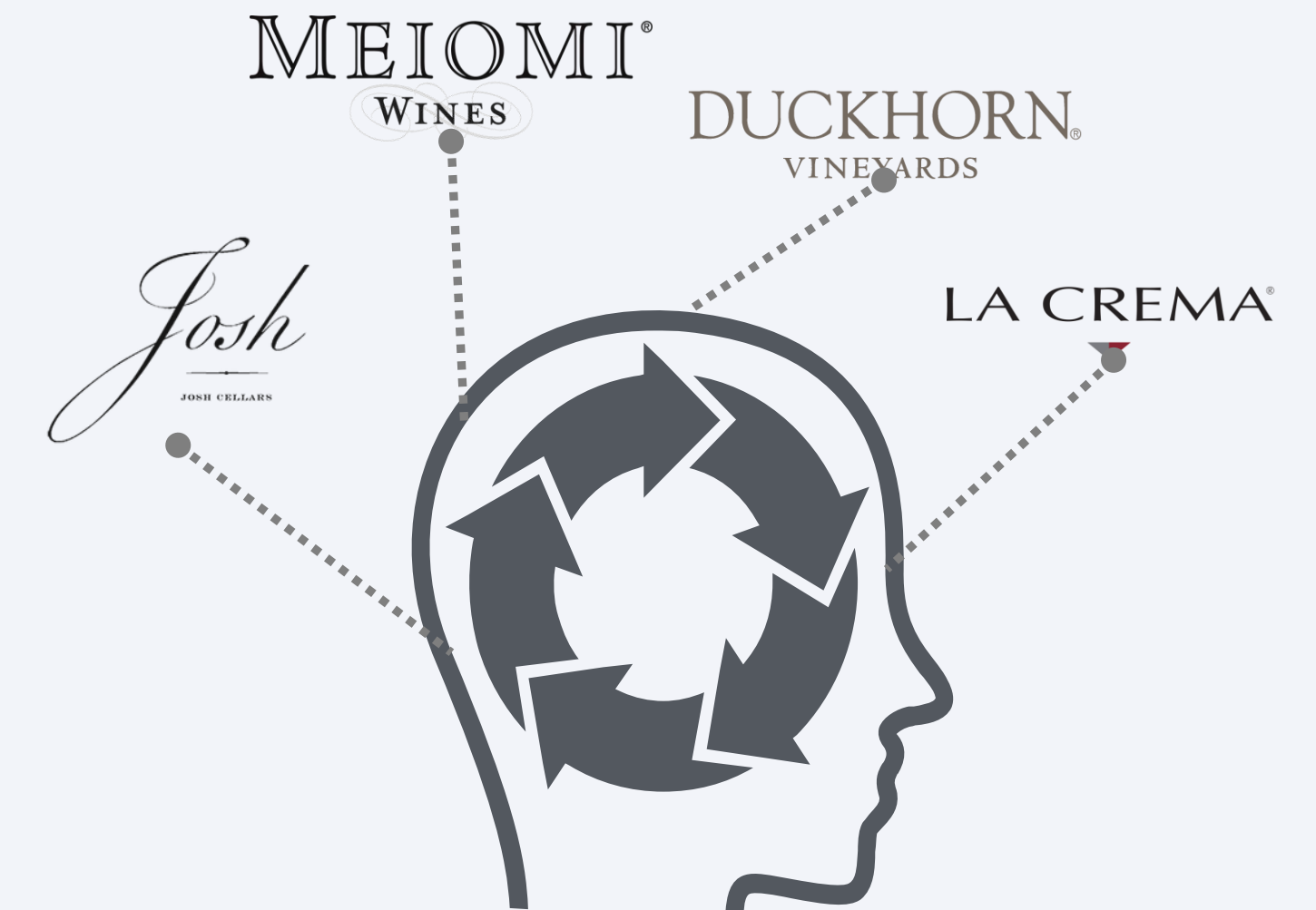
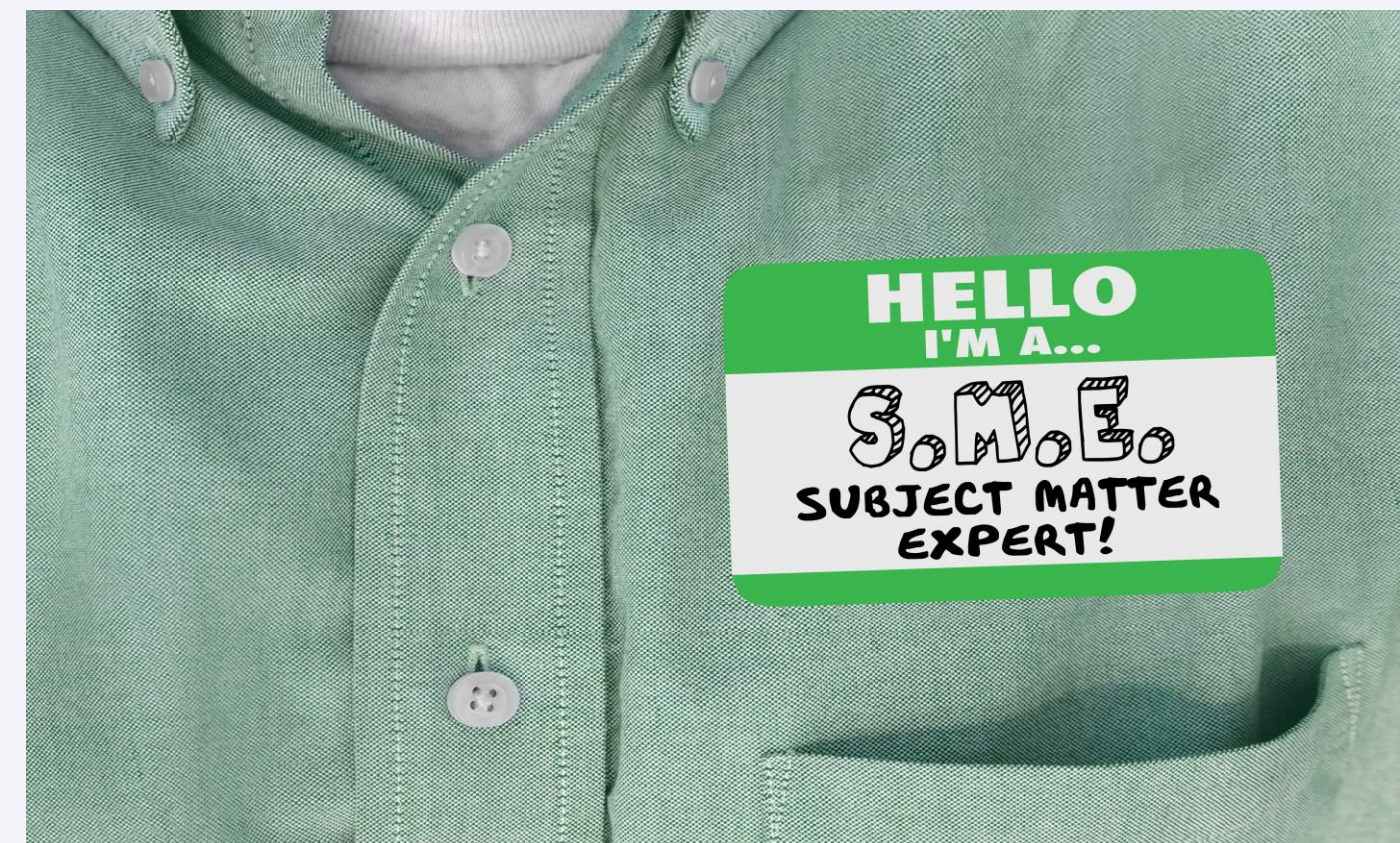
EDUCATION

MARKET EXPERT

SHARE OF MIND



WSET
LEVEL 2 WINES
CERTIFIED



Best in class **Commercial & Selling Capabilities**

Be the **Local SME** in your region

Supplier needs to drive **focus and share of mind** within the Distributor

▶ **BRILLIANT AT THE BASICS**

Where CBI believes Distributors & Retailers should be focusing their efforts

TABLE STAKES



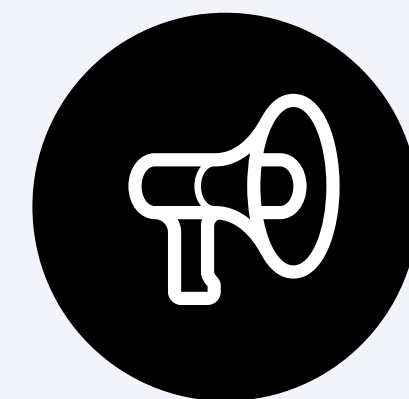
SUPPLY CHAIN

Inventory management, 'white glove' service, etc.



CHANNEL FOCUS

Product market fit, On Prem strat. (post Covid), etc.



COMMUNICATION

Efficient communication chain, clear goals, etc.

MUST WINS



EMERGING SEGMENTS

RTD driven by consumer, etc.



B2B ECOM

Seamless contact free, scalable, data rich



EDUCATION

Educated salesforce, understand the retailer & the end consumer

▶ **THREE KEY PILLARS TO SUCCESS**

WHAT SHOULD GREAT SUPPLIERS BE LOOKING FOR FROM THEIR DISTRIBUTORS OVER THE NEXT 3-5 YEARS?



VESTED PARTNERSHIP

THE LONG-TERM FOUNDATION



**DISTINCTIVE
CONTRACT**

**SEAMLESS
PARTNERSHIP**

**JOINT
PLANNING**

**STRATEGIC
ALIGNMENT**

**SUPPLIER
SCALE**



SALES FORCE AGILITY

NEED TO BE NIMBLE

CUSTOMER FOCUS

Anticipate where customers are going



VALUE CREATION

Shift emphasis from closing sales to helping customers realize value



RESOURCES

Redeploy resources to match customer behavior



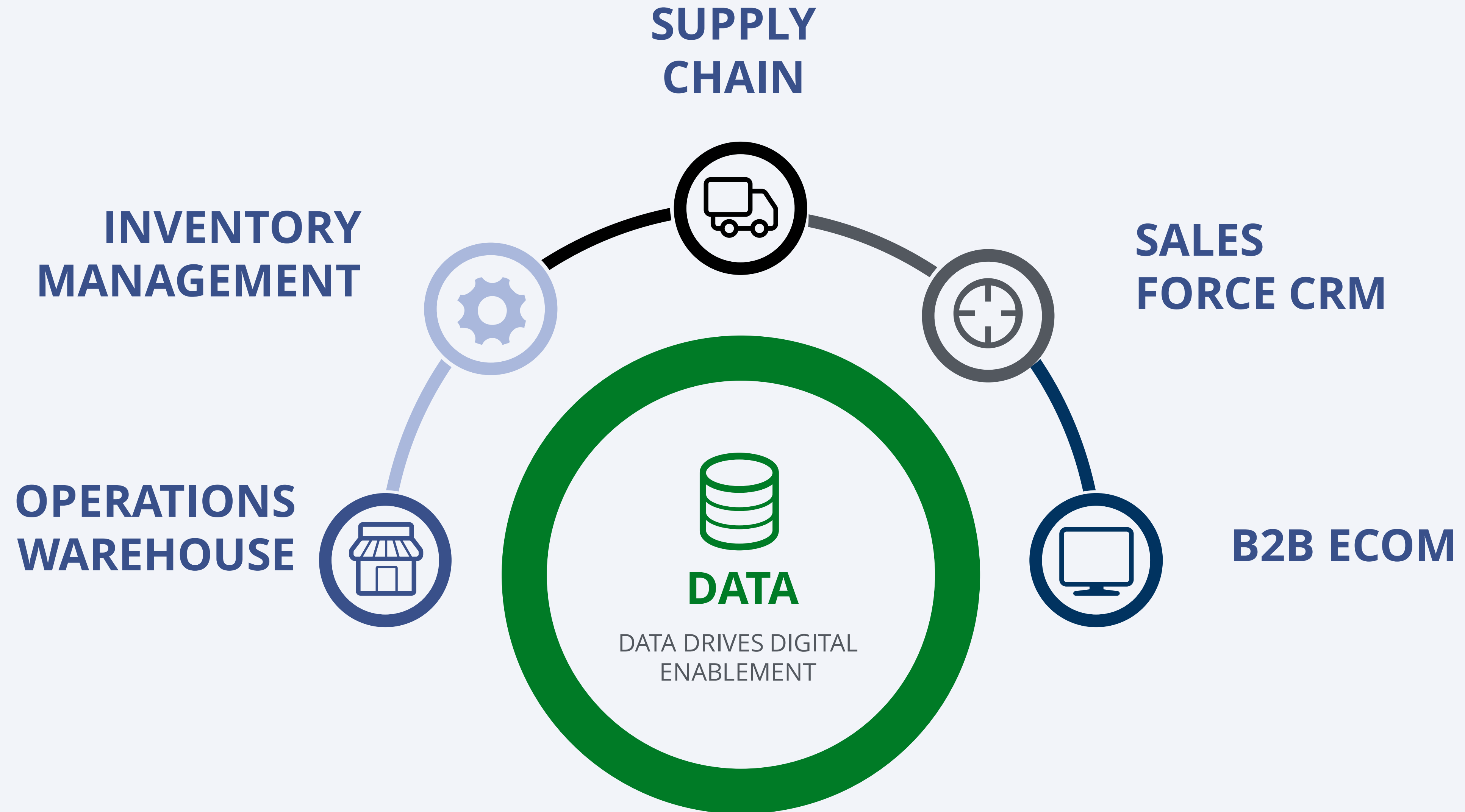
AGILITY

Embrace agile decision-making



DIGITAL ENABLEMENT & DATA

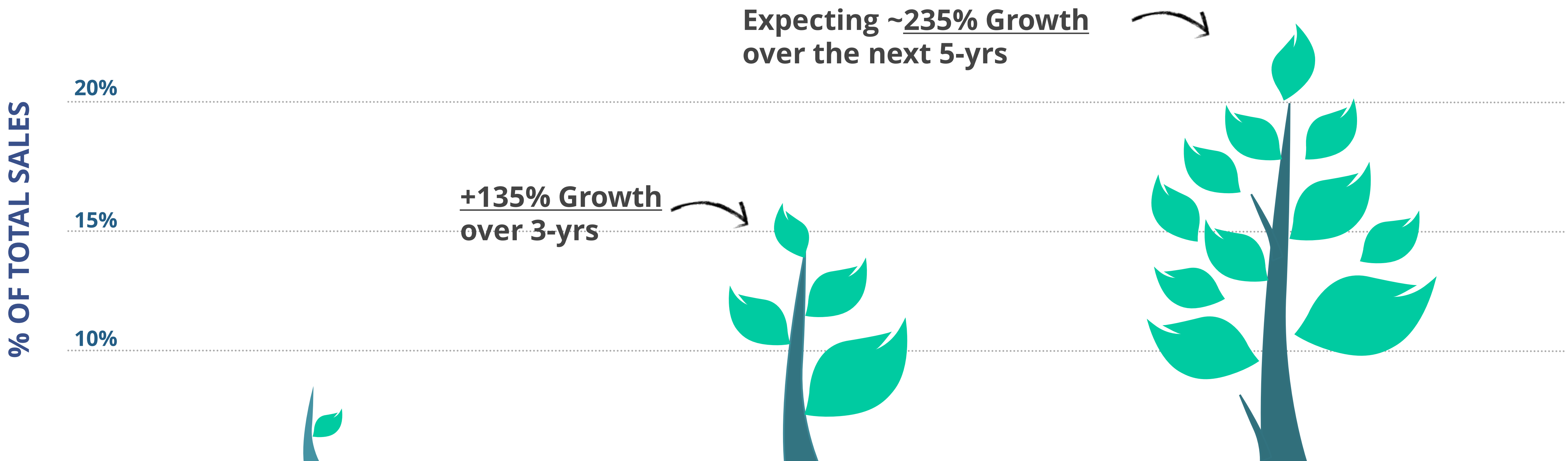
The Engine & The Fuel





B2B ECOMMERCE SET FOR ROBUST GROWTH

Innovation in B2B will drive improved sales efficiency and scale



2022

B2B comes into focus via Proprietary Distributor platforms and 3rd Party Providers

2025

Innovation begins to help curate the customer experience while providing the distributor with actionable customer shopping behavior insights

2027

Adoption – tailored, account-specific shopping experiences delivering a seamless and efficient ordering and inventory management process



KEYS TO A SUCCESSFUL PARTNERSHIP



INDUSTRY
FORCES



CONSUMER/
MARKETPLACE
TRENDS



BRILLIANT AT
BASICS



DIGITAL
ENABLEMENT

VESTED
PARTNERSHIP

SALES FORCE
AGILITY

Q&A



APPENDIX



Constellation
Brands

Talking Points and context

FURTHER EVOLUTIONS IN MARKET CONDITIONS WILL CONTINUE TO INFORM OUR PRIORITIZATION OF RESOURCES AND FOCUS AREAS (1/2)

Summary of High Impact Market Conditions Impacting Division Focus Areas and Resource Allocation Decisions

Market Condition	Description	Rationale
Blurring of Retailer Lines	<ul style="list-style-type: none"> • Retailer landscape is evolving with greater fluidity across old, new, and next-frontier channels (e.g. Uber + Drizly) • Consumers today has multiple “interfaces” to interact with a retailer (e.g., Walmart.com, Walmart store, Walmart mobile/apps, etc.) 	<ul style="list-style-type: none"> • Future channel segmentation will be less clear cut due to greater interaction across channels; implications for sales and marketing • Reinforce DTC as our “tip of the spear” into our omnichannel capabilities and see the consumer as the point-of-sale
Post-Pandemic On-Premise Rightsizing	<ul style="list-style-type: none"> • Post-pandemic, the on-prem will see a markedly different steady-state; accounts may have new innovation needs (e.g., large format cocktails-to-go) • Restaurants have already been offering fewer wine options on the menu, with both menus getting smaller and more spirits options being added 	<ul style="list-style-type: none"> • Implications for Aspira / Sales in managing premise mix back to steady-state; NPD universe must expand to cover new customers
Evolving Consumer Engagement: <i>Brand Content, Virtual Events, Digital Technology</i>	<ul style="list-style-type: none"> • Post-pandemic, value-added and digitally-enabled content/experiences will continue to be strong outreach tools, especially for non-CA markets 	<ul style="list-style-type: none"> • Modernizing our consumer engagement approach to cater to a younger, multicultural, digitally-savvy audience is pivotal to setting the division up for the long-term
Evolving Regulations Regarding Spirits Shipping	<ul style="list-style-type: none"> • Laws governing spirits shipping by state may continue to loosen up, opening more states up to DTC opportunities 	<ul style="list-style-type: none"> • Though our craft spirits struggle in traditional RTM, our best-in-class DTC platform can help us win share “out the gates” in these markets • Craft spirits brand management should create DTC playbooks in advance of regulation changes, so we can be prepared from Day 1

Note: Please see appendix slides for [full list of market conditions](#) and assessment of each, along with detailed commentary on potential influences on current ways of working

FURTHER EVOLUTIONS IN MARKET CONDITIONS WILL CONTINUE TO INFORM OUR PRIORITIZATION OF RESOURCES AND FOCUS AREAS (2/2)

Summary of High Impact Market Conditions Impacting Division Focus Areas and Resource Allocation Decisions

Market Condition	Description	Rationale
Evolving Regulations Regarding CA Hospitality	<ul style="list-style-type: none"> Laws governing Tasting Rooms and charitable promotions by Napa brands in CA have expanded, opening up additional DTC opportunities 	<ul style="list-style-type: none"> We can continue to drive awareness of Aspira brands through our Hospitality teams and deliver more innovative, net-positive consumer experiences
Inflationary Environment	<ul style="list-style-type: none"> The industry can no longer absorb pricing shocks from consumer goods inflation due to ongoing pandemic and supply chain disruptions 	<ul style="list-style-type: none"> Prices are likely to rise across the W&S industry, creating an opportune environment to drive both planned and unplanned price increases without risking major consumer backlash
Post-Pandemic Occasion-Based Drinking	<ul style="list-style-type: none"> Pent-up consumer spending and delay of celebrations / events due to COVID may lead to a “Roaring Twenties” type event once society is past the pandemic This may also spur more general occasion-based drinking that is less restricted by historic three BevAlc categories 	<ul style="list-style-type: none"> We must be better equipped to take advantage of occasion-based BevAlc spending (e.g., weddings, etc.), both from a sales & marketing perspective, as well as product format
Environmental-Related Supply Disruption	<ul style="list-style-type: none"> Environmental factors and global supply disruption is impacting our vendors and our own harvest yields of key varietals, both globally and domestic 	<ul style="list-style-type: none"> A predictive approach to weighing risk to product inputs and future wine supply will keep us ahead of our competition Diversification of appellations will further hedge our supply risk
Global Geopolitical Instability	<ul style="list-style-type: none"> Both globally and domestically, geopolitical uncertainty is at its peak in decades, with the Russia-Ukraine conflict and upcoming 2022 U.S. Primaries 	<ul style="list-style-type: none"> Geopolitical uncertainty inevitably affects how governments and consumers make decisions, and we must be prepared for increased volatility in the business environment Preparation handled primarily through Enterprise Risk Management, but must be able to activate for W&S

NEW for FY24

Note: Please see appendix slides for [full list of market conditions](#) and assessment of each, along with detailed commentary on potential influences on current ways of working

WE SHOULD BE MINDFUL OF MARKET / REGULATORY CONDITIONS THAT WILL INFLUENCE THE DIRECTION OF THE W&S INDUSTRY IN YEARS TO COME

Macro Trends	Brief Description
Spirits Shipping Laws	Laws governing shipping for spirits to states may loosen up soon, opening more states to DTC opportunities
Blurring of Retailer Lines	Retailer landscape is quickly changing through M&A, opening up more fluidity across old, new, and next-frontier channels
Post-Pandemic On-Premise Rightsizing	Post-pandemic, the on-premise will have a markedly different steady-state in sales, and accounts will have new innovation needs
Spirits Pack Sizes and "Shrinkflation"	New pack sizes have been approved, opening new strategies such as "shrinkflation," a common tactic in broader food & beverage
Brand Digital Content / Tech	Competitors are enriching experiences through content and value-add, digitally-enabled technologies
Regularity of Wildfires	Wildfires are becoming an annual phenomenon and financial liability, threatening our supply and operations
Advances in Sustainability Technology	Competitors have actively been innovating in sustainability practices, thinking outside the box to make bold, first-to-market claims
Societal Polarization	The pandemic and political climate have deepened divides in society, along lines of income disparity, political philosophy, and more
Celebrity Partnerships / Endorsements	Competitors are actively leveraging celebrity partnerships and endorsements to build brands quickly and attract specific, targeted demographics
Fine Wine Counterfeiting	Fine Wine counterfeits are on the rise; we can prepare solutions as we build out our Aspira ambitions
Virtual Tastings / Events	The pandemic prompted virtual tastings / events; these can and should continue to be used as an outreach tool for non-CA consumers
Inflationary Environment	Ongoing pandemic and supply chain disruptions have created an inflationary environment across CPG
CA Hospitality Laws	New laws in CA allow additional tasting rooms and BevAlc promotions in connection with charitable causes
Supply Chain / Varietal "Shakeup"	Global supply disruption impacting our vendor partners as well as environmental factors influencing harvest yields of key varietals; continued global warming may impact vineyard locations
Spirits-based RTDs / Rise of Drinking-In Occasion	Consumers are now more accustomed to the "drinking-in" occasion and looking for more upscale RTDs
Staffing Shortages	The Omicron COVID variant is more virulent and causing staffing shortages across industries
Post-Pandemic Occasion-Based Drinking	Pent-up consumer spending and delay of celebrations / events due to COVID may lead to a "Roaring Twenties" type event once society is past the pandemic and related restrictions
Global Geopolitical Instability	Both globally and domestically, geopolitical uncertainty is at its peak in decades, with the Russia-Ukraine conflict and upcoming 2022 U.S. Primaries

WE RECOMMEND ADDRESSING CHANGES IN SPIRITS SHIPPING LAWS, BLURRING RETAILER LINES, ON-PREM RIGHTSIZING...

Market Conditions	Driver + Time Horizon	Sales	Marketing	Operations	Growth & Strategy	Finance & CorpDev	DTC/eComm	Trend Magnitude	Participation
★ Spirits Shipping Laws	Regulatory (~1 year)	- Distributor management to balance CBI needs vs. distributor fears and concerns	- Shift budget toward digital vs. POS to reach more consumers through DTC avenues	- Operations infrastructure will need to flex for spirits DTC capabilities; identify ways to scale with wine			- Develop spirit specific playbook, based on wine playbook	Requires manufacturer participation but no major first-mover advantage	Mandatory
★ Blurring of Retailer Lines	Market / Channel (1-5 years)	- Changes account influence (e.g., buying power) and sales strategies; increasing importance of 3TE	- Adapt marketing and trade tactics to better engage consumers through digital / eComm interfaces		- Factor of holistic channel optimization component of transformation efforts		- DTC/eComm addressable market is expanding and bleeding into both traditional (B+M) and new (last-mile)	Benefits for early movers but steady-state is tablestakes	Mandatory
★ Post-Pandemic On-Premise Rightsizing	Market / Channel (1-3 years)	- Requires balancing act of off-premise and on-premise sales as new consumption steady-state forms	- Requires updated tactics for marketing TRU brands as on-premise account universe shrinks drastically		- Reemerging on-premise accounts may have new NPD demands (e.g. large-format cocktails to-go)			Benefits for early movers but steady-state is tablestakes	Mandatory
Spirits Pack Sizes and "Shrinkflation"	Regulatory (~1 year)			- Depending on strategic need, may need to adjust bottling lines and acquire new bottle moulds	- Assess how new pack sizes can and will play into broader Convenience trends / consumer reaction	- Assess financial opportunity of pursuing "shrinkflation" tactics common in broader CPG		Requires industry to move as a whole, something to pursue when everyone else pursues	Conditional
★ Consumer Engagement: Brand Content and Digital Technology	Market / Competitive (1-5 years)		- Identify brands with potential to deliver content / digital experience and execute change in current tactics		- Must identify updated tactics and capabilities to digitally integrate the brand experience / develop content		- Refreshed brand experience must also seamlessly fit with DTC and eComm channel experiences	Benefits for early movers; steady-state is conditional on industry trends	Optional
★ CA Hospitality Laws	Regulatory (1-3 years)		- Leverage charity events to promote brands; evaluate sites for additional TRs	- Work with Hospitality teams to drive build-out of potential new Tasting Rooms			- Develop plan to capitalize on expanding CA laws while building connectivity with existing DTC platform	Benefits for early movers but steady-state is tablestakes	Optional

★ Strategy Recommendations to Prioritize

- Material impact / system change needed
- Requires executional refinement
- Minor to no change required



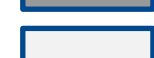
...AND MODERN CONSUMER ENGAGEMENT TACTICS IN THE NEAR-TERM...

 Actively worked on

Market Conditions	Driver + Time Horizon	Sales	Marketing	Operations	Growth & Strategy	Finance & CorpDev	DTC/eComm	Trend Magnitude	Participation
Regularity of Wildfires	Macro Event (Recurring)			- Continue to diversify supply out of affected counties and place rigorous management practices in place		- Regularly ideate contingency plans to solve shortfalls from wildfires		Some winner-takes-all elements, given grape supply is a finite resource	Mandatory
Advances in Sustainability Technology	Market / Competitive (1-5 years)			- Fast follow to key advances in technology and keep up with competitive landscape	- Assess new capabilities and ensure opportunities are codified in Strat Plan / Sustainability work			Benefits for early movers but steady-state is tablestakes	Mandatory
Societal Polarization	Macro Event (Recurring)	- Further SKU assortment refinement based on account / regional demos	- Develop social responsibility and equality-based messaging, reach out to underrepresented demos		- Assess how income polarization will affect premiumization trends			Benefits for early movers but steady-state is tablestakes	Mandatory
Celebrity Partnerships / Endorsements	Market / Competitive (1-3 years)		- Identify priority target demos for brands and celebrities who can help attract those demos		- Innovation to continue assessing celebrity partnership opportunities	- Develop financial model to structure deals with celebs at margin accretive levels	- Incorporate an influencer strategy into social media / digital plans to expand consumer reach	Some winner-takes-all elements, given appropriate celebrities are a finite resource	Optional
Fine Wine Counterfeiting	Market / Competitive (1-5 years)	- Control distribution to retailers with authority and control over their supply chain (e.g., not Amazon)	- Develop campaigns that ensure consumers can trust our Fine Wine brands and their authenticity	- Investigate technologies that can establish provenance for our Fine Wine production				Benefits for early movers but steady-state is tablestakes	Optional
Consumer Engagement: Virtual Tastings / Events	Market / Competitive (1-3 years)	- Leverage virtual events as tool to influence accounts all over the U.S.	- Create more creative programming for virtual events that take us beyond the status quo		- Consider alternative vehicles to directly reach non-CA consumers of Fine Wine (e.g., Pop-ups)		- Consider building a virtual analog to the tasting room and relevant content	Benefits for early movers; steady-state is conditional on industry trends	Optional



 Strategy Recommendations to Prioritize

-  Material impact / system change needed
-  Requires executional refinement
-  Minor to no change required

...AS WELL AS MORE RECENT DEVELOPMENTS, SUCH AS THE U.S. INFLATIONARY ENVIRONMENT AND CHANGES IN CA HOSPITALITY LAWS

Market Conditions	Driver + Time Horizon	Sales	Marketing	Operations	Growth & Strategy	Finance & CorpDev	DTC/eComm	Trend Magnitude	Participation
★ Inflationary Environment	Macro Event (1-5 years)	- Communicate any price increases / strategy to trade	- Monitor price increases from competitive set			- Incorporate inflationary pressures into LRP process / LE2 estimates	- Understand how price increases will flow through to DTC and impact consumers	Somewhat requires industry to move as a whole, to not be perceived negatively	Mandatory
★ Supply Chain / Varietal Shortages	Macro Event (1-5 years)			- Predict any impacts to future wine supply and prepare contingency plans / diversification	- Work with Operations team to conduct a supply chain resiliency study			Benefits for early movers but steady-state is tablestakes	Mandatory
★ Post-Pandemic Occasion-Based Drinking	Macro Event (1-3 years)	- Shift resources to channels that are more suited to occasion-driven spending (e.g., club, direct)	- Build marketing campaigns that position our brands for specific occasions (e.g., weddings, graduation)		- NPD must have the right product format / type to appeal to these occasions / events		- Build out of "concierge" type channel for large, occasion-based orders	Benefits for early movers but steady-state is tablestakes	Optional
★ Spirits-based RTDs / Rise of Drinking-In Occasion	Market / Competitive (1-3 years)	- Sound out retailer willingness to carry these products and risk to existing CBI SKUs	- Identify how to best cater to drinking-in consumers, with products / messaging		- Identify portfolio plan of attack for Spirits-based RTDs; innovate new products			Benefits for early movers but steady-state is tablestakes	Mandatory
Staffing Shortages	Macro Event (~1 year)	- Determine potential risk to staff, both CBI and distributors		- Determine potential risk to staff and service levels for production			- Determine potential risk to Hospitality staff and consumer traffic	Benefits for early movers but steady-state is tablestakes	Mandatory
★ Global Geopolitical Instability	Macro Event (1-5 years)				- Scenario planning to account for geopolitical uncertainty	- Scenario planning to account for geopolitical uncertainty		Benefits for early movers but steady-state is tablestakes	Mandatory

★ Strategy Recommendations to Prioritize

- Material impact / system change needed
- Requires executional refinement
- Minor to no change required

ATTACK ZONES

2.0 – Continue to push beyond product and inspire thinking across the org



PERSONAL-CALIBRATION

Help proactively and intentionally fine-tune every facet of well-being from mood to physical and mental health



SIMPLE PLEASURES

Create moments to indulge in the enjoyment and ease of the approachable and uncomplicated



SENSORY DISCOVERY

Delight the mind and body by reimagining digital & physical sensorial experiences



NET POSITIVE

Create opportunity for positive impact and change that matters at home, local communities and in the world



ENGAGING CULTURE

Generate conversation and add value by boldly engaging with culture



DISRUPT THE JOURNEY

Reimagine how people discover, experience & engage with brands

Betterment – Premium – Quality Ingredients – Authentic