NAVIGATING BEVERAGE ALCOHOL THROUGH THE “NEXT” NORMAL

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Navigating the next normal

THE NIELSEN TEAM PRESENTING TODAY

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NIELSEN RETAIL MEASUREMENT TODAY

OFF PREMISE

XAOC

- **Food** (Total US)
- **Drug** (Total US)
- **Mass Merchandiser** (e.g. Target)
- **Walmart**
- **Dollar** (e.g. Family Dollar, Dollar General)
- **Select Warehouse Club Stores** (Sam's, BJ's)
- **Whole Foods Market**
- **Military Exchanges** (AAFES, Nexcom, MCG, CGX)

- **Convenience** (Total US)
- **Liquor*** (selected geographies/retailers)
  - *7 geographic markets + key Liquor chains •*

- **Wine.com**
- **Ecommerce** (through Rakuten)
- **Direct-to-Consumer** reports

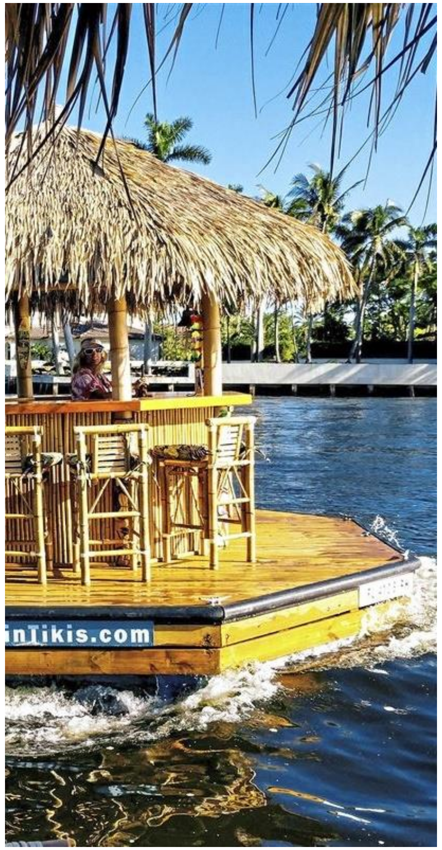
ON PREMISE

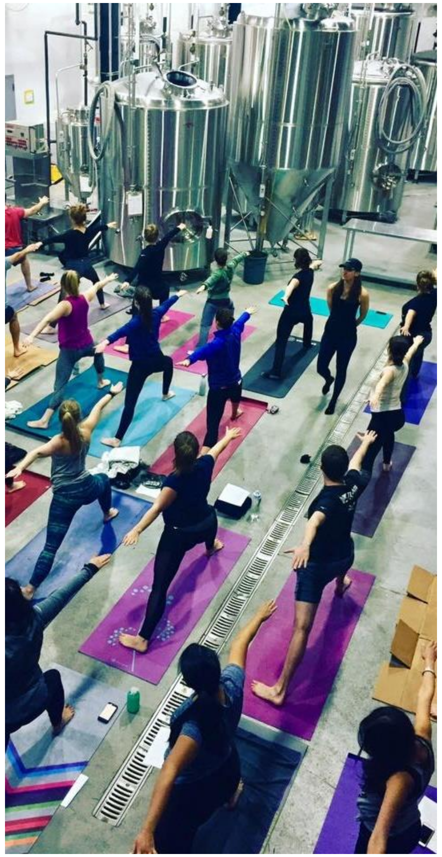
- **TOTAL US**
  - Eating (Restaurants) vs. Drinking (Bars)
  - Chains vs. Independents
  - 3 Years of History

- 9 Census Divisions
- Boston, Chicago, Dallas, Denver, LA, NYC
  - *NOW AVAILABLE (Beer): Miami, Seattle, San Francisco, Tampa; State lines; more product granularity*

- Also available from NCGA:
  - Guest check level analysis
  - Daypart/week analysis
  - Key Holiday/event analysis

A SNAPSHOT OF WHERE WE WERE…





EARLY 2020 BEVERAGE ALCOHOL LANDSCAPE

WELLNESS

Healthier Lifestyles

Mindful Drinking

Low/no alc

EXPERIENCE

Authenticity

Flavors

Blurring

CONVENIENCE

E-commerce/Delivery

Packaging

Innovation

PRE-COVID 19 OFF PREMISE TRENDS

Dollar Growth Rates: 52 Weeks ending 02/29/20

BEER/FMB/CIDER

+3.8%

SPIRITS

+5.4%

WINE

1.1%

Source: Nielsen Measured Off Premise Channels

PRE-COVID ON PREMISE TRENDS

	Beer	Wine	Spirits
Volume % chg vs YA			
YTD	+0.7%	-0.1%	+1.9%
L52	+0.1%	+0.6%	+1.9%
L4	+0.8%	-0.2%	+1.8%
Value % chg vs YA			
YTD	+5.5%	+0.5%	+3.0%
L52	+4.0%	+1.2%	+2.8%
L4	+5.8%	+0.4%	+2.9%

Source: Nielsen CGA on premise data – volume, 9L EQ, rolling 52/12 w/e 02/22/2020 vs YA

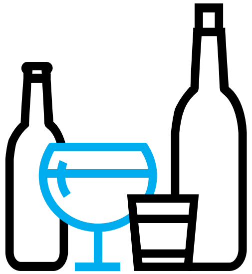
TODAY WE ARE OPERATING IN UNCHARTERED TERRITORY

A surge in **off premise** alcohol sales since early March as **on premise** shuttered

$41.2 BILLION

+$8.6 BILLION vs YAG

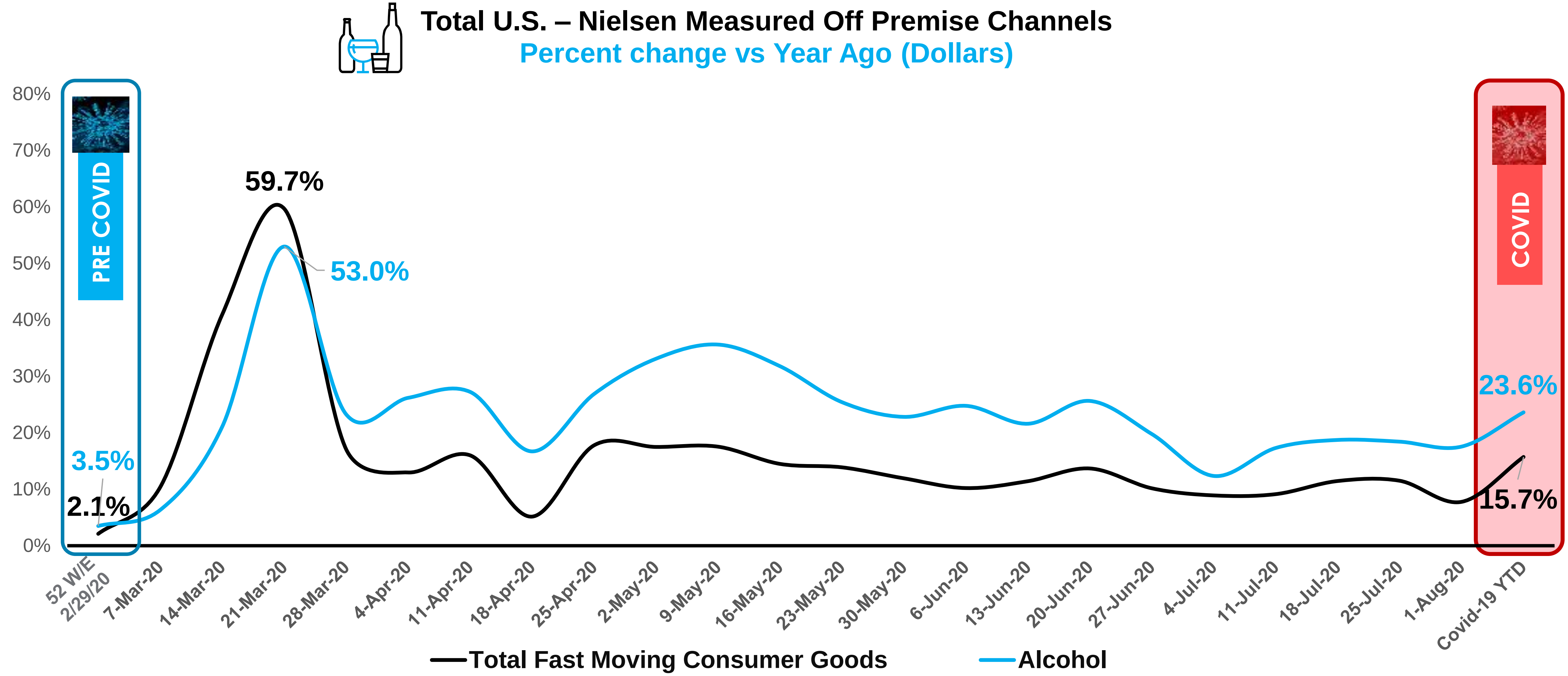
Total offline & online alcohol sales in the past 18 weeks across Nielsen measured off-premise channels



Are the off premise gains enough to make up for the on premise losses?

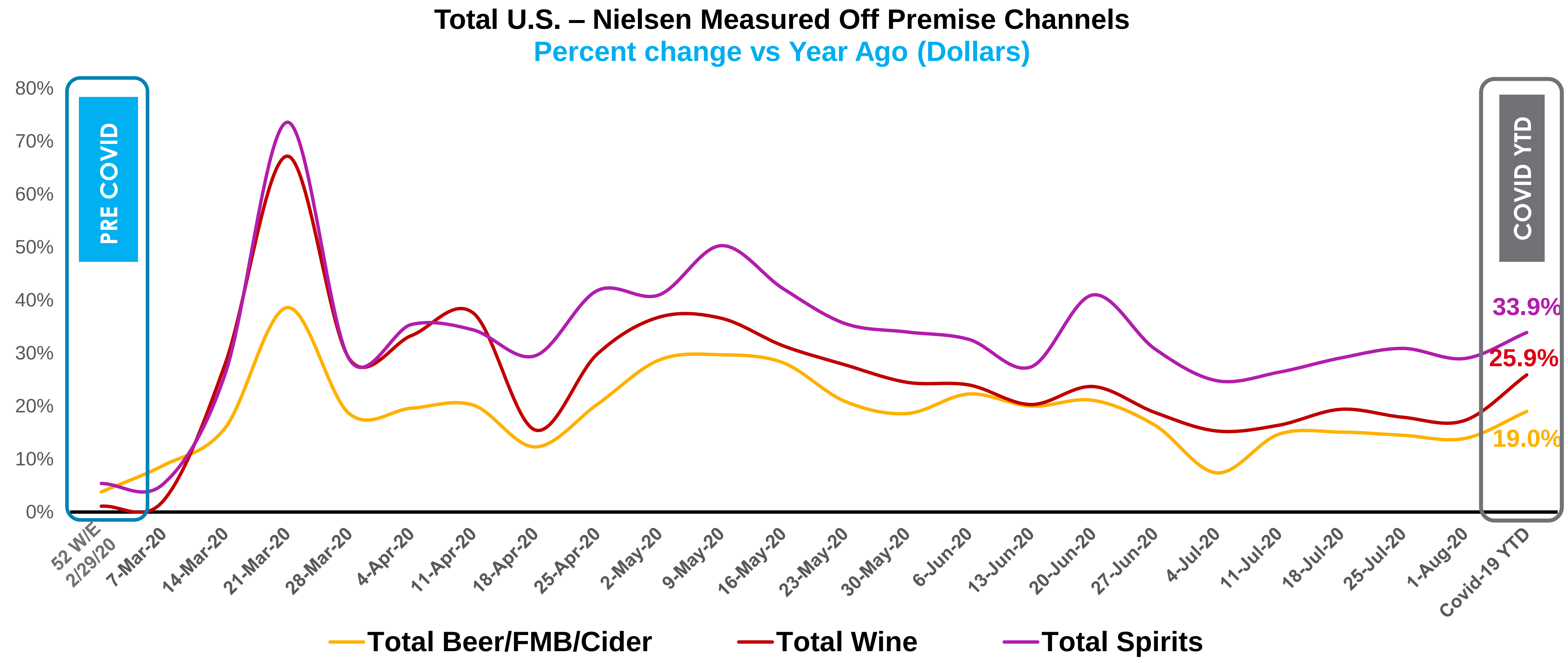
Source: Nielsen Measured Off Premise Channels (Total US xAOC+Convenience+Liquor); + e-commerce Rakuten measurement (COVID w/e March 7, 2020 thru August 1, 2020; Rakuten thru July 4, 2020) vs. Prior Year

FUELED BY ON PREMISE CLOSURES, OFF PREMISE ALCOHOL GROWTH OUTPACES CONSUMER GOODS



Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars) COVID-19 to Date; w/e March 7 through August 1, 2020

SPIRITS LEADS OFF PREMISE GROWTH, FOLLOWED BY WINE, WITH BEER TRAILING



Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars) COVID-19 to Date; w/e March 7 through August 1, 2020

WHAT IT WOULD TAKE FOR BEV ALC GROWTH TO GET TO FLAT?

VOLUME

22% growth required in off-premise to offset on-premise declines

assuming…

- On Premise = **20%** of total industry
- Sales down **-90%**

DOLLARS

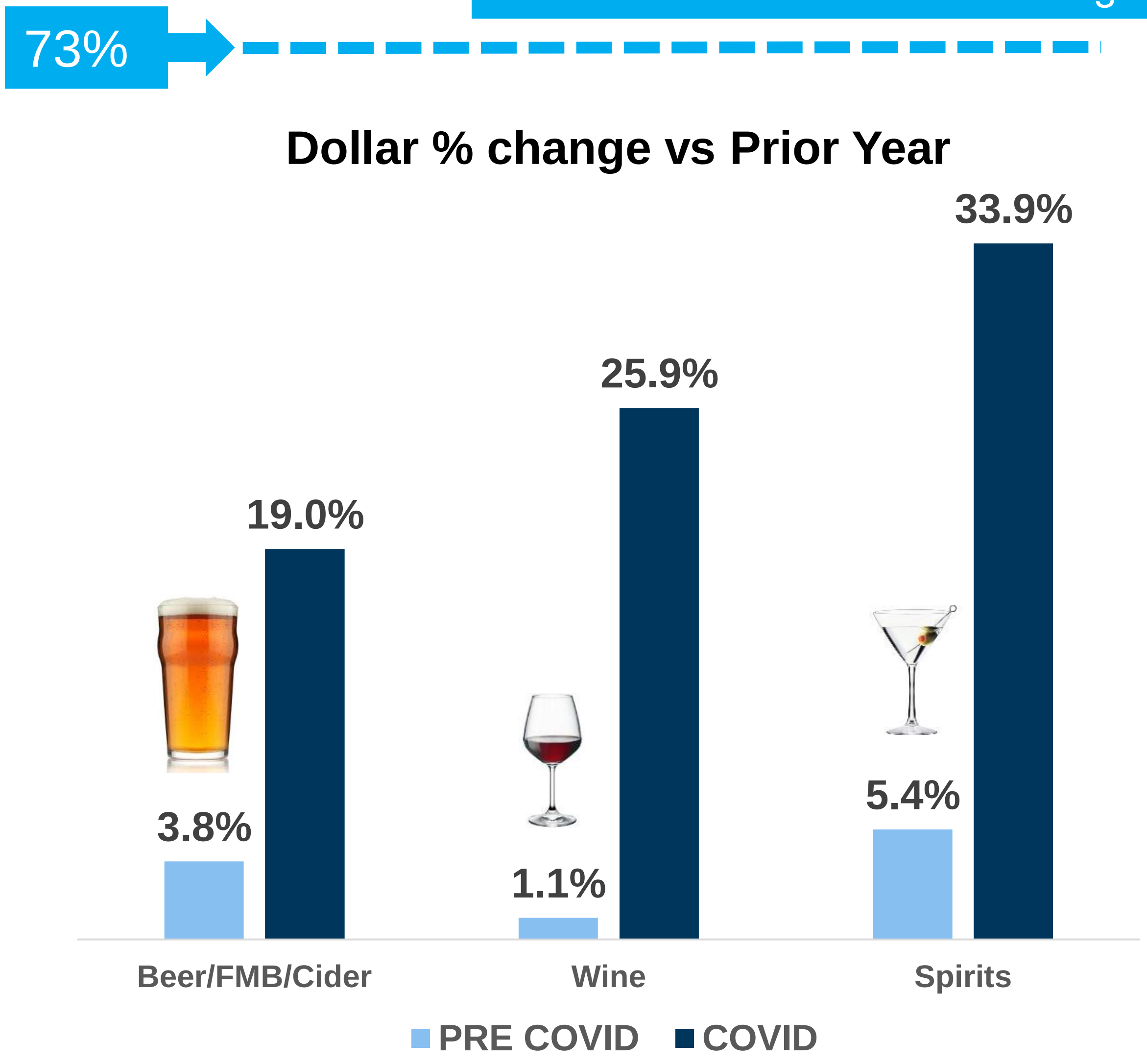
73% growth required in off-premise to offset on-premise declines

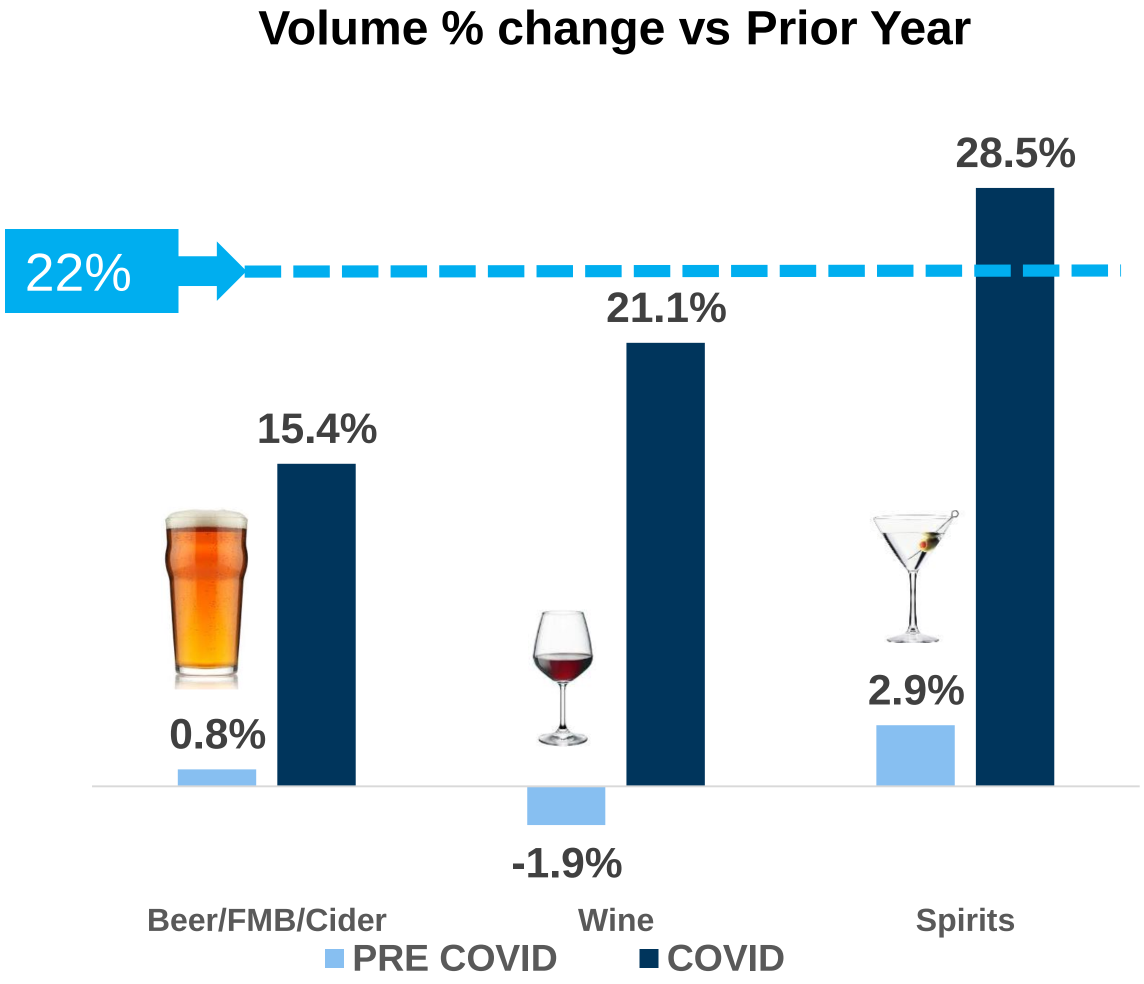
assuming…

- On Premise = **45%** of total industry
- Sales down **-90%**

DOES OFF PREMISE GROWTH MAKE UP FOR ON PREMISE LOSSES?

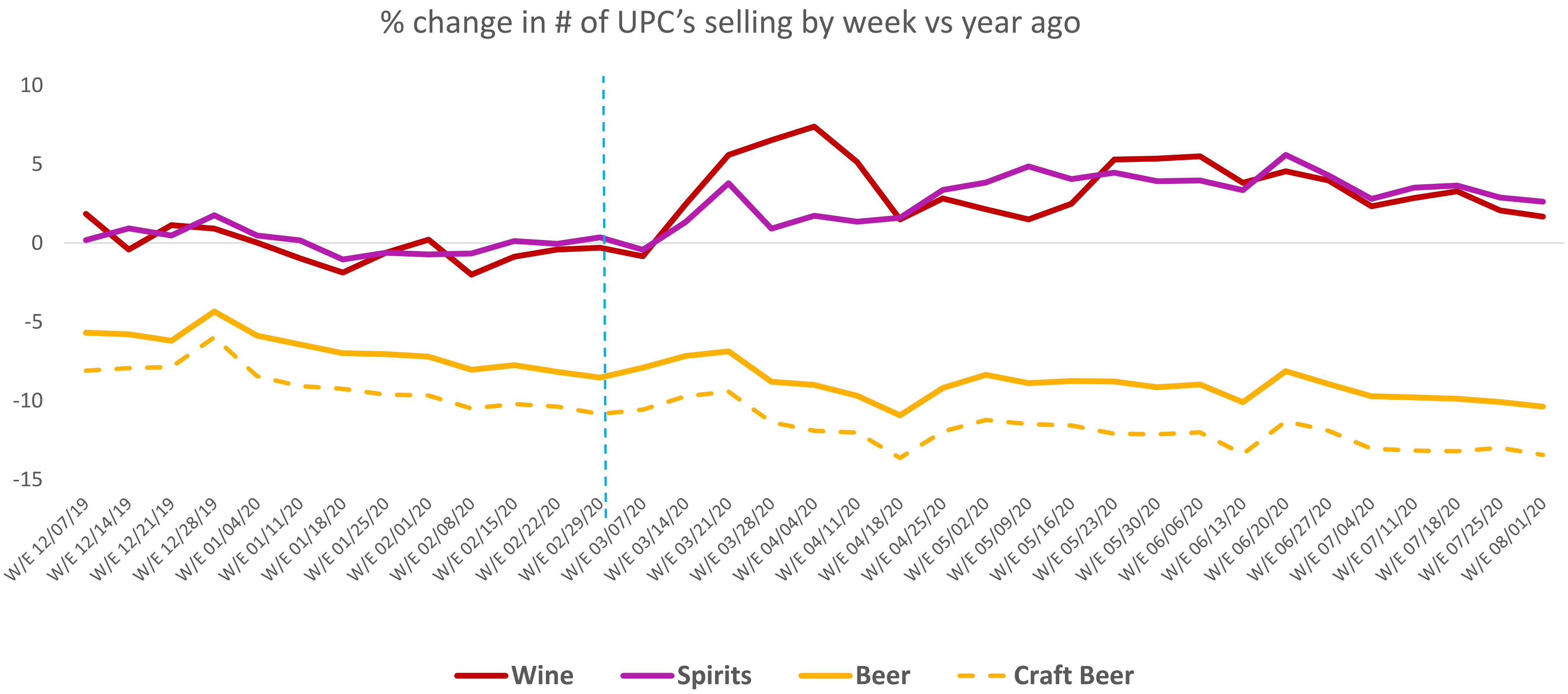
Full Lockdown threshold to get back to 'flat' total industry growth





Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars) COVID-19 to Date; w/e March 7 thru August 1, 2020; pre COVID 52 w/e Feb 29, 2020

WINE & SPIRITS OVERALL ASSORTMENT STEADY; BUT CRAFT BEER LONG TAIL REDUCTIONS



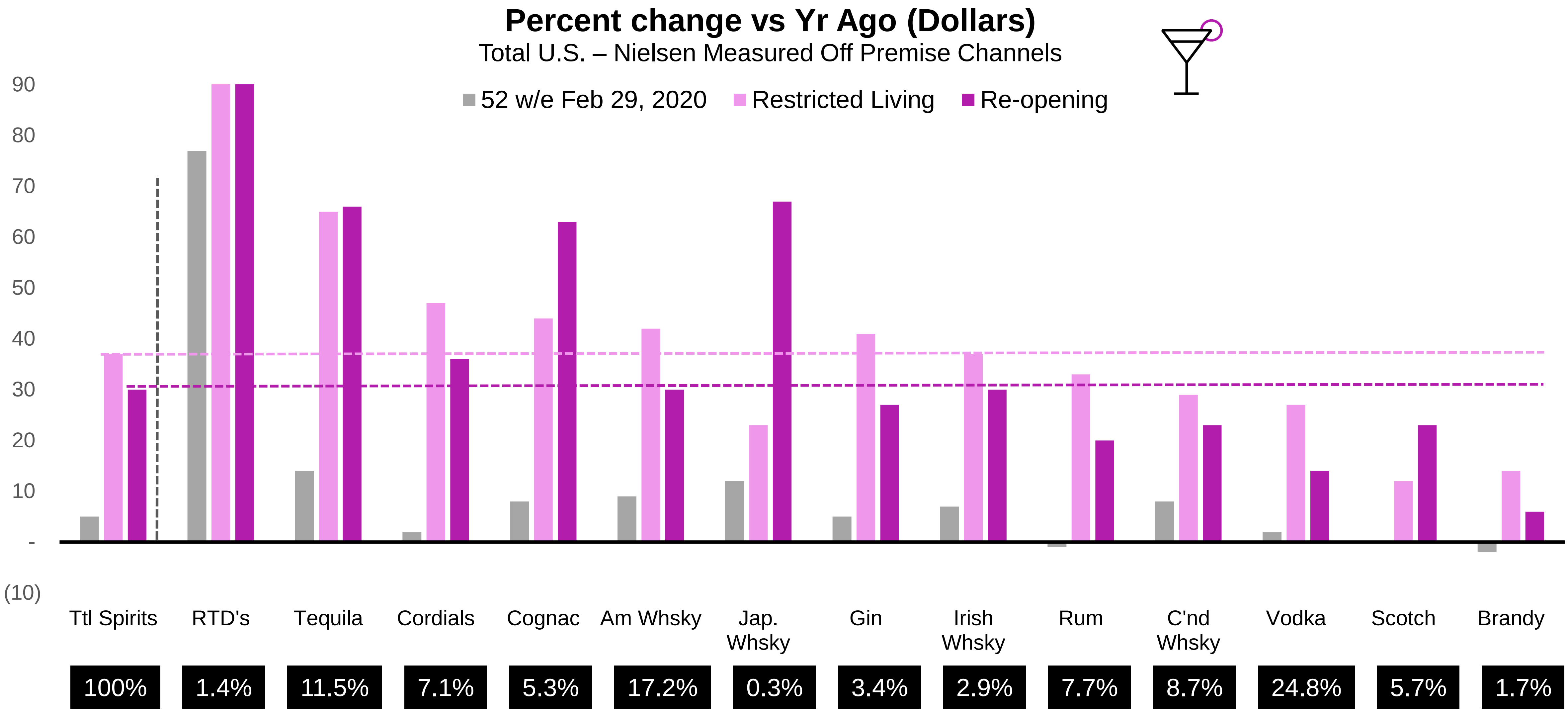
Source: Nielsen Measured Off Premise Channels (xAOC + Conv + Liquor)

THE WORLD AS WE KNOW IT NOW

OVERALL	COMMENTS
Safety – health & hygiene	#1 consideration
Massive shifting of “WHERE”	• On to Off Premise; a greater ‘homebody’ economy • ON the premises to more delivery/take-out • E-commerce/digital explosion
Consumers act/react differently • Economic impacts • Health related behavior	• Constrained vs Insulated spenders? • Younger vs older? • Where do they live? Who is your consumer?
Premiumization/trading up muddier & more nuanced now	In mainstream channels – YES, but in highly premium channels – NO On Premise trading down? On to Off Premise shifting down in ‘spend’
Overall Consumption	Likely in the flat range overall; Beer share losses accelerating

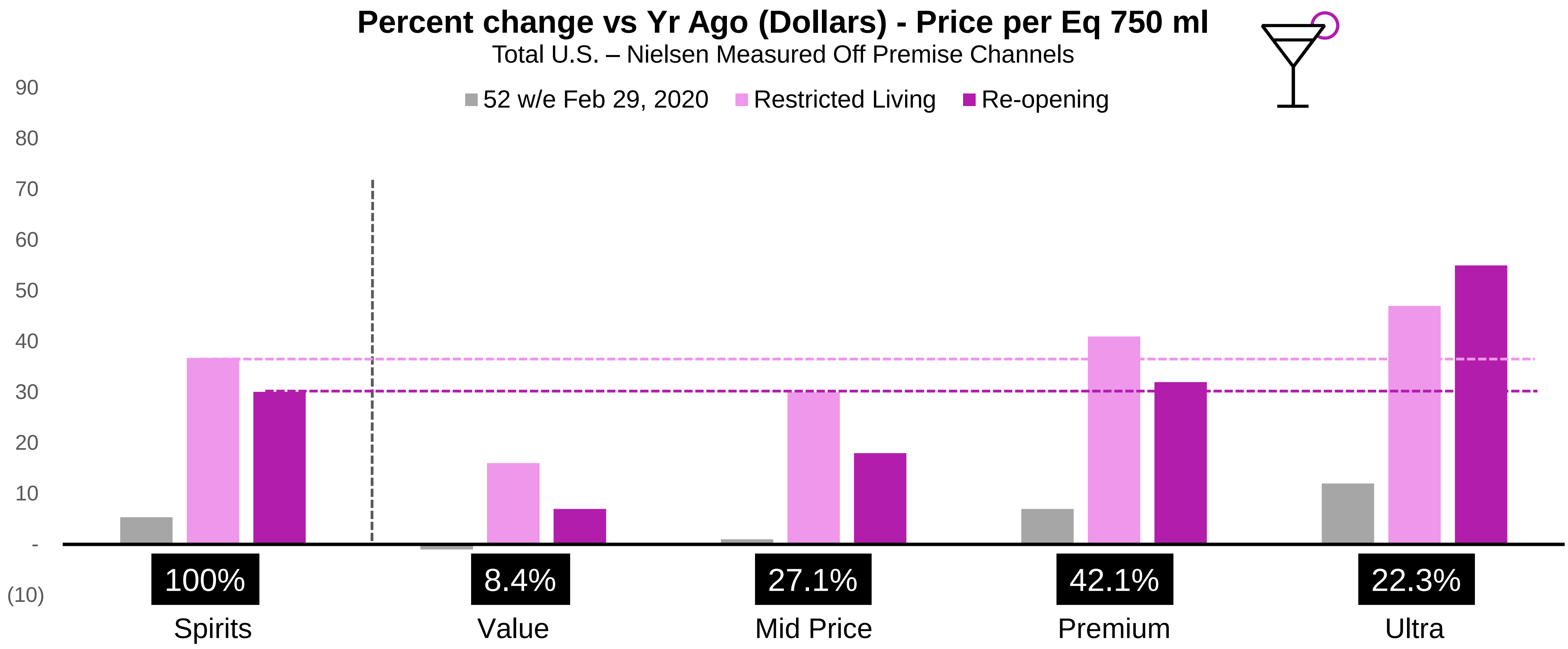
SPIRITS

SPIRITS GROWTH LED BY RTD'S, TEQUILA, COGNAC, AM WHISKEY



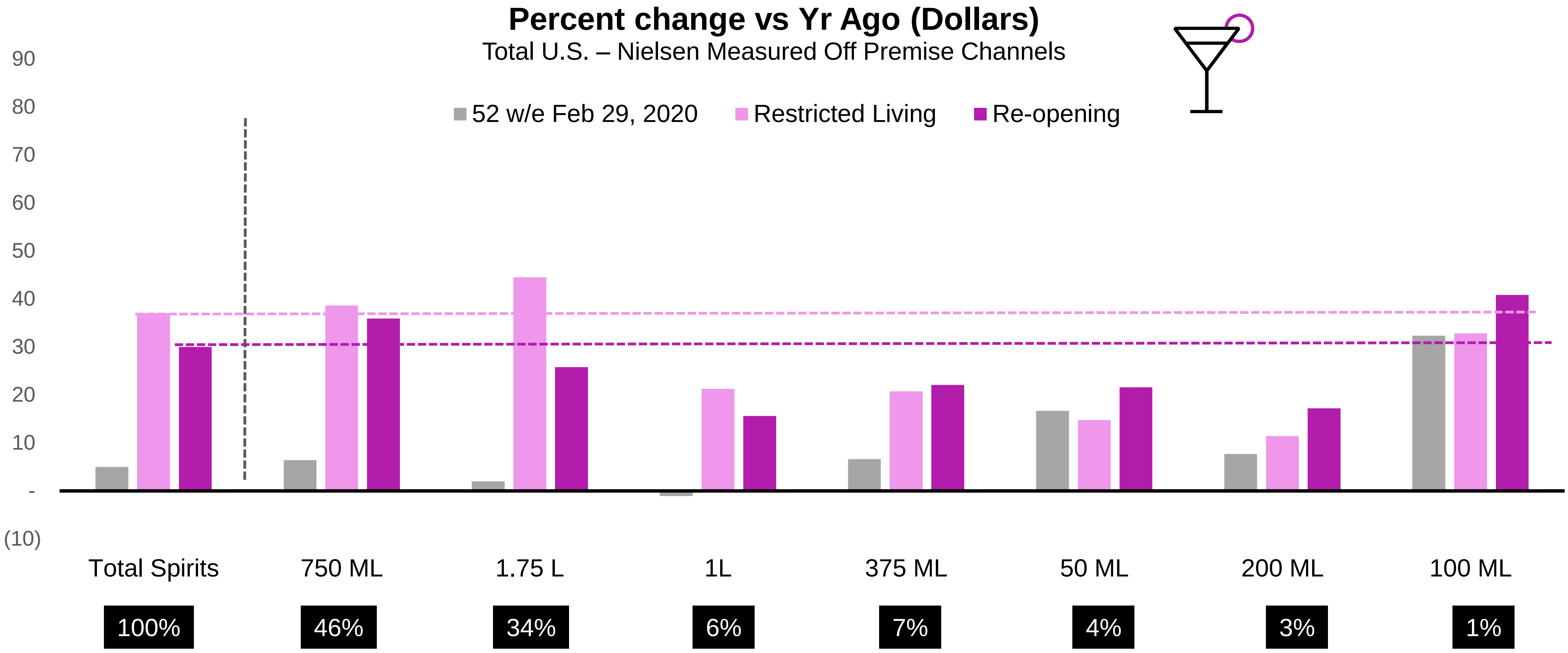
Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars) COVID-19 to Date; w/e March 7 through August 1, 2020; Share of COVID YTD

SPIRITS GROWTH LED BY HIGHER PRICE TIERS



Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars) COVID-19 to Date; w/e March 7 through August 1, 2020; Share of COVID YTD

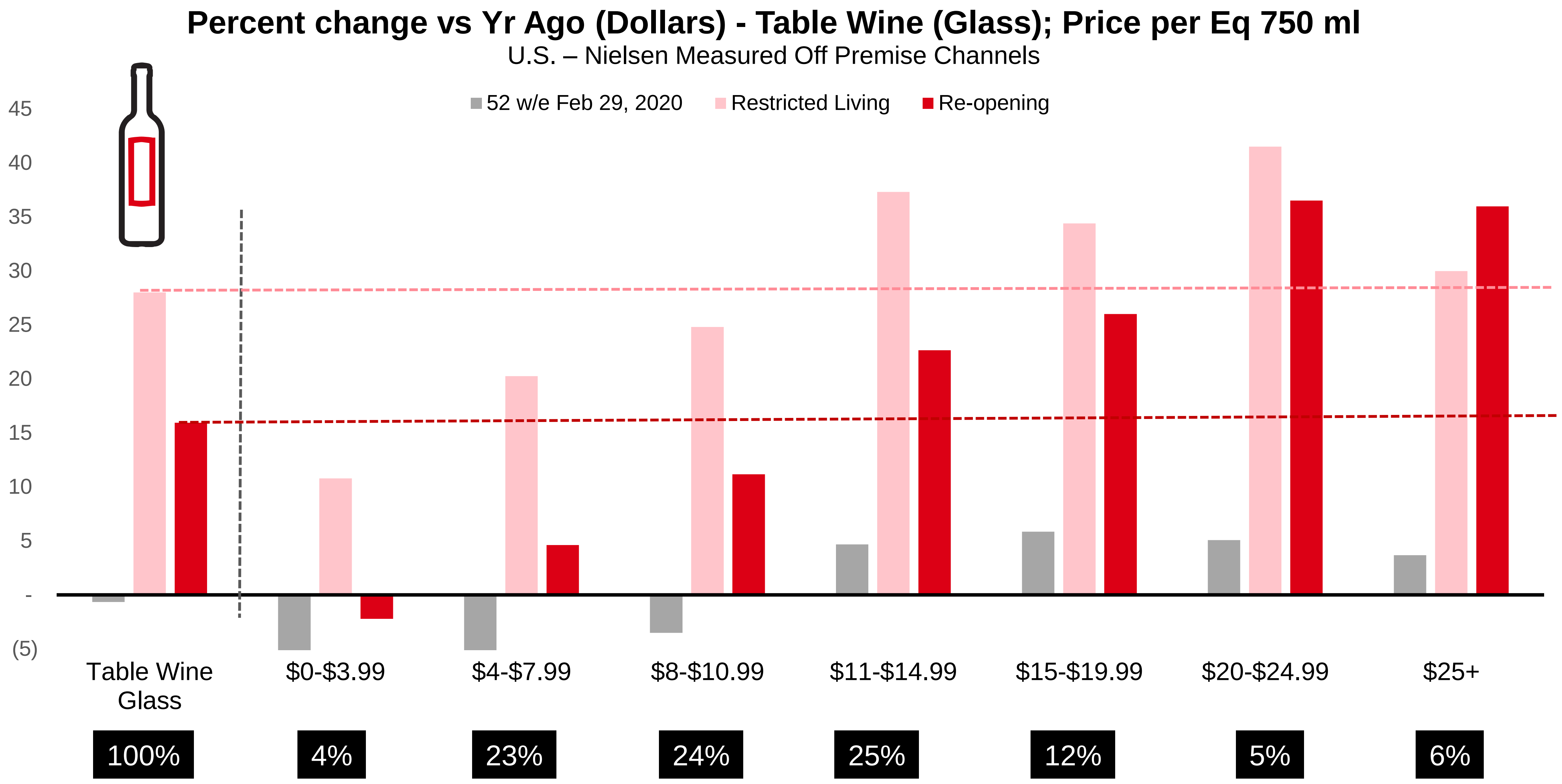
1.75 L DECELERATING, WHILE GROWTH OF SMALLER SIZES ACCELERATING



Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars) COVID-19 to Date; w/e March 7 through August 1, 2020; Share of COVID YTD

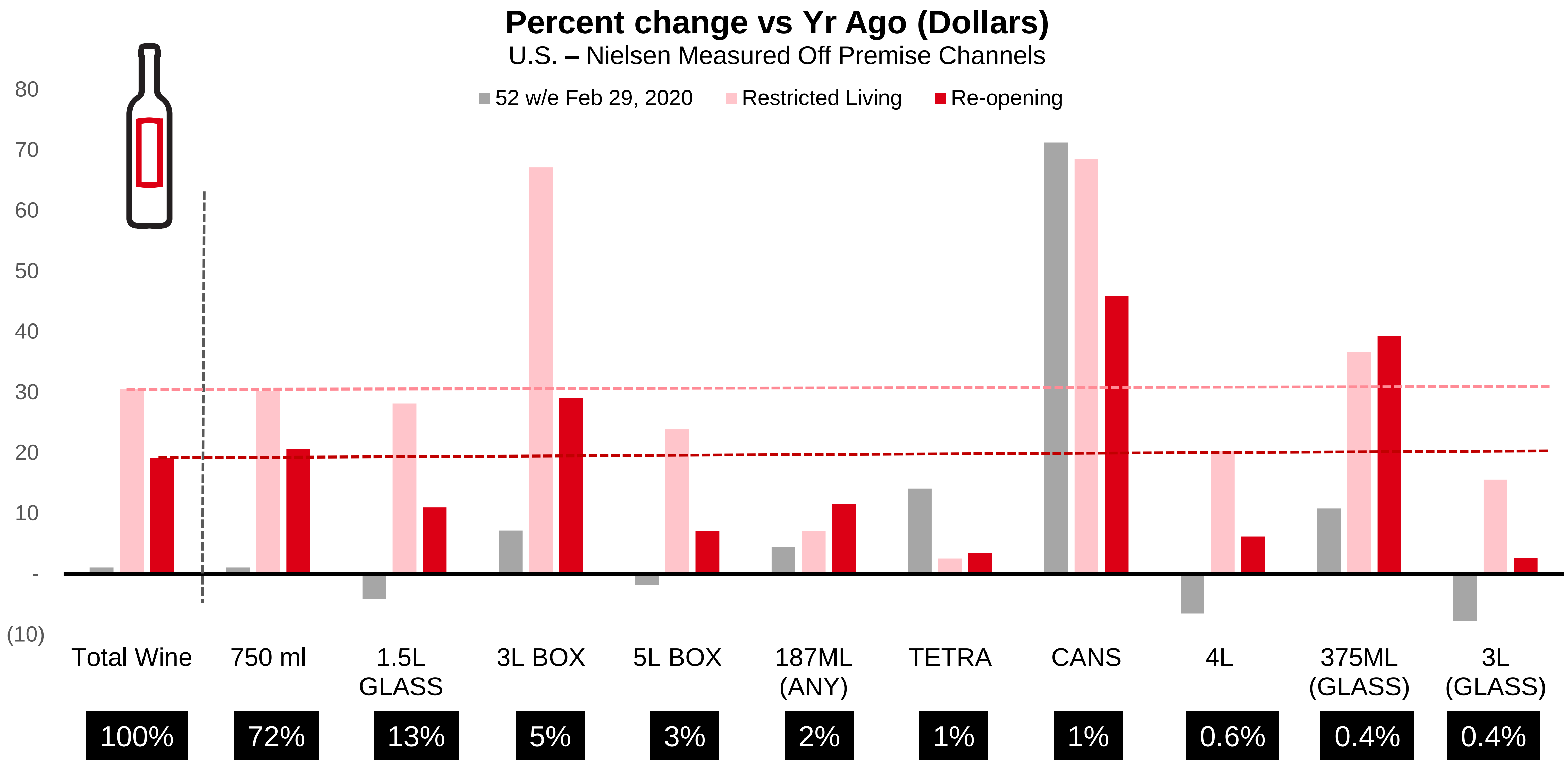
WINE

HIGH PREMIUMIZATION LEVEL IN OFF PREMISE



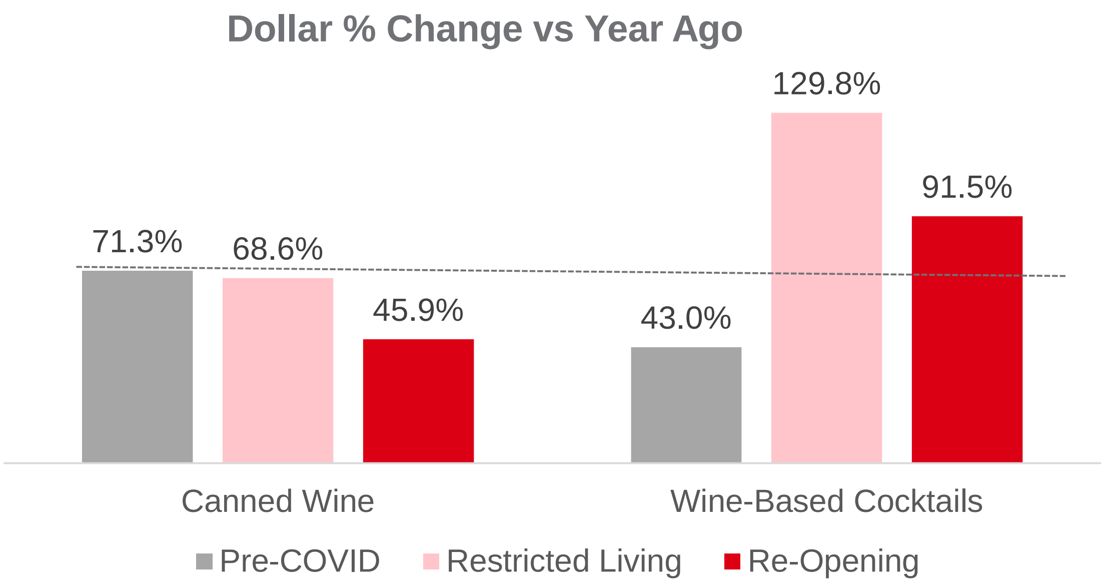
Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars); Restricted Living (w/e 3/7/2020 thru w/e 5/30/2020); Re-Opening (w/e 6/6/2020 thru w/e 8/1/2020)

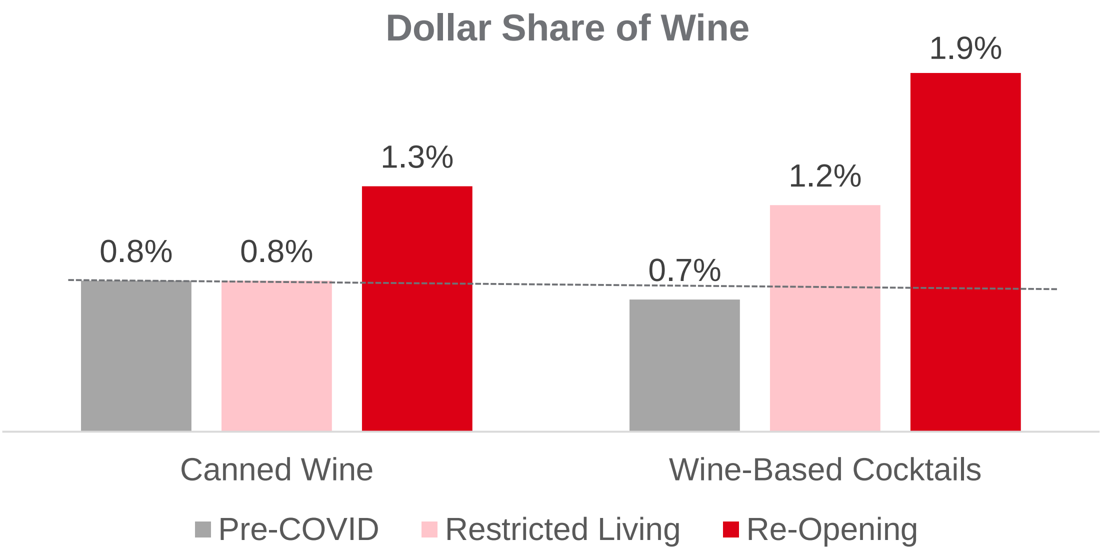
LARGER SIZE GROWTH DECELERATING



Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars); Restricted Living (w/e 3/7/2020 thru w/e 5/30/2020); Re-Opening (w/e 6/6/2020 thru w/e 8/1/2020)

GROWTH OF CANNED WINE AND WINE COCKTAILS





Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars); Restricted Living (w/e 3/7/2020 thru w/e 5/30/2020); Re-Opening (w/e 6/6/2020 thru w/e 7/11/2020)

BEER

COVID-19 TREND SHIFTS FOR BEER/FMB/CIDER

Large Sizes ★

- Every pack size smaller than 12 packs losing share to 12 packs and larger
- Dollar **share shift of 5.1% to large packs**
- *Medium term*

Premiumization

- Swing of **5.6%** dollar share from below premium & premium segments **to above premium**
- *Medium term*

Big Brands ★

- Among top 20 beer brands, **every brand is growing**
- Pre-COVID nearly half were in decline
- *Short term*

Still Trending

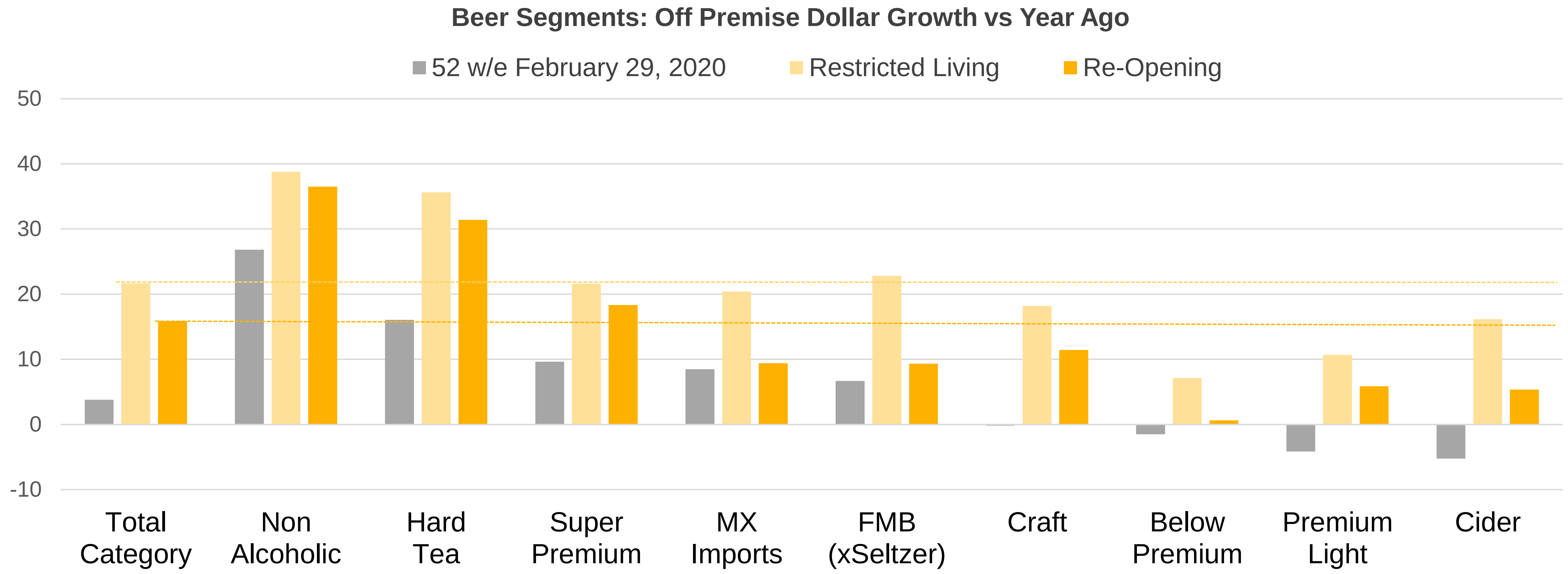
- Hard seltzers
- Beyond Beer (tea, coffee, RTD)
- Non and low alcohol
- *Most Beyond Beer segments growing at faster pace than pre-COVID, but non-alc growing at slightly slower pace*

Source: Nielsen Measured Off Premise Channels, week ending 07/11/20; pre-COVID share time period (13 weeks ending 2/29/20)

★ Indicates trend unique to COVID

ALL BEER SEGMENTS UP IN DOLLAR GROWTH

Share losses for Premium Light, Below Premium, Craft , and Mexican Imports



$ Share Chg COVID YTD vs YA	0.1	0.1	0.1	**-0.5**	**-0.1**	**-0.4**	**-1.8**	**-2.1**	**-0.1**

Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars) COVID-19 to Date; w/e March 7 through August 1, 2020

HARD SELTZER METEORIC RISE DURING COVID

$1.9 billion

Hard Seltzer dollars in Nielsen off premise channels during COVID weeks

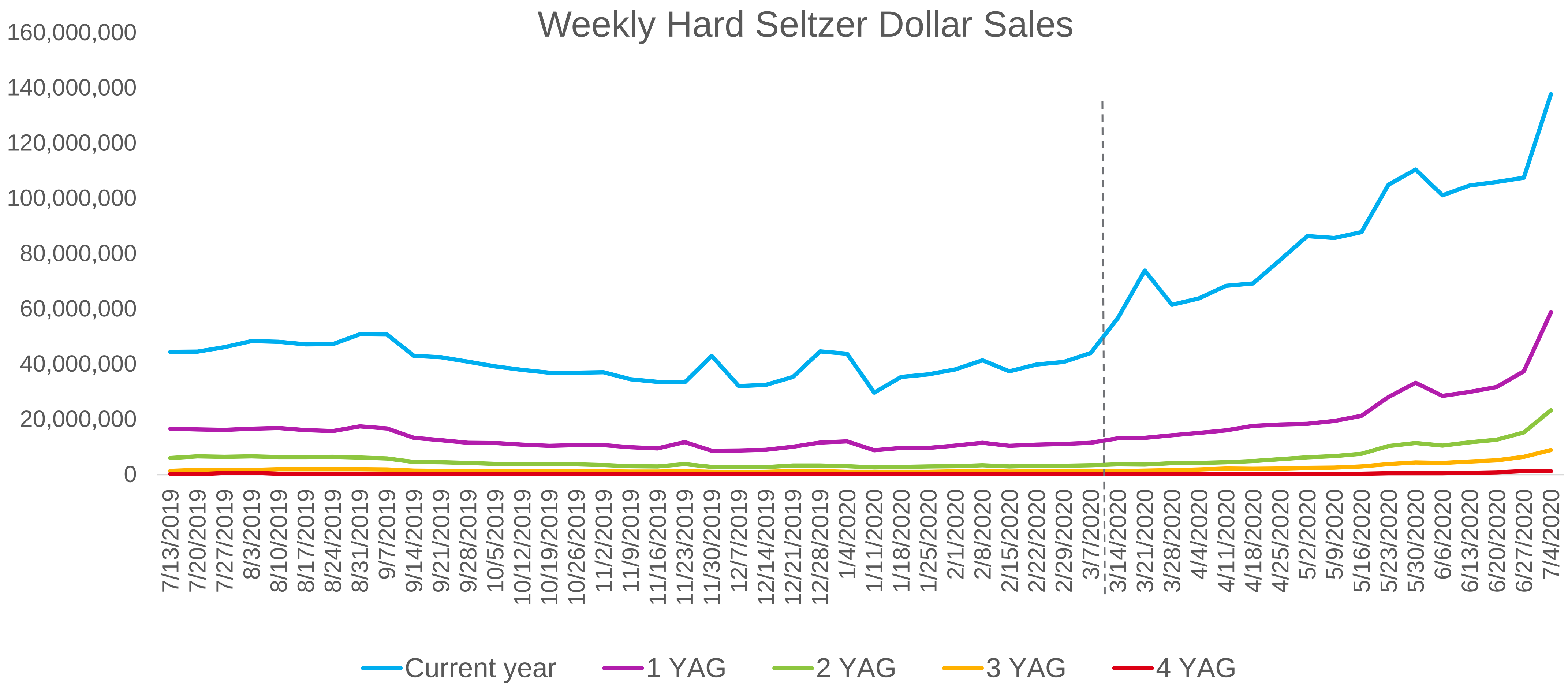
+5.7% gains

Dollar share gains during COVID weeks compared to same weeks last year

Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars) COVID-19 to Date; w/e March 7 through August 1, 2020

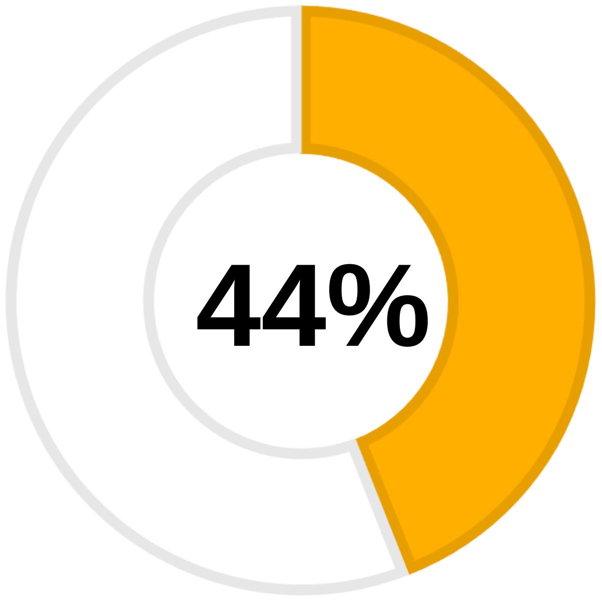
HARD SELTZERS SURPASSED $3B ANNUALLY

Wine and spirit-based hard seltzers represent additional $175MM annually (+91% vs YAG)

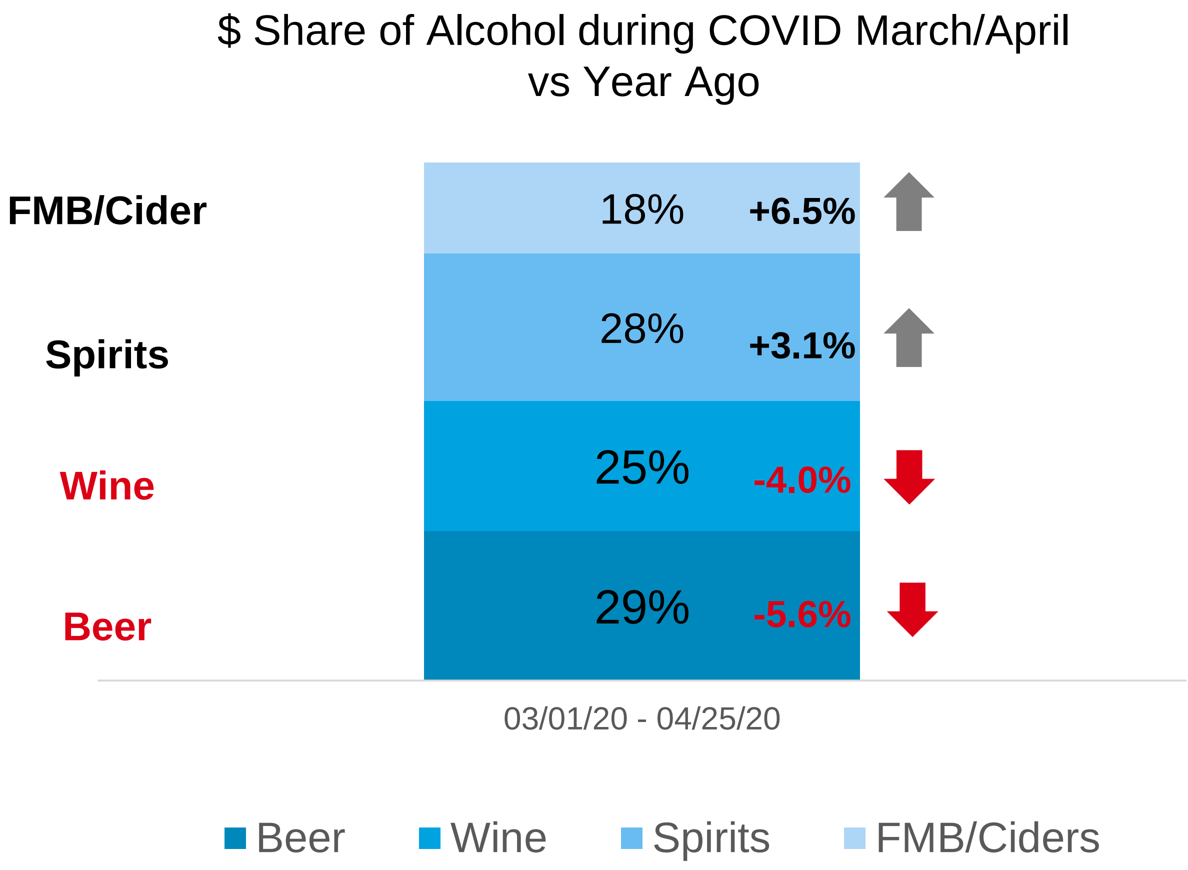


Source: Nielsen Measured Off Premise Channels

THE HARD SELTZER BUYER DURING COVID



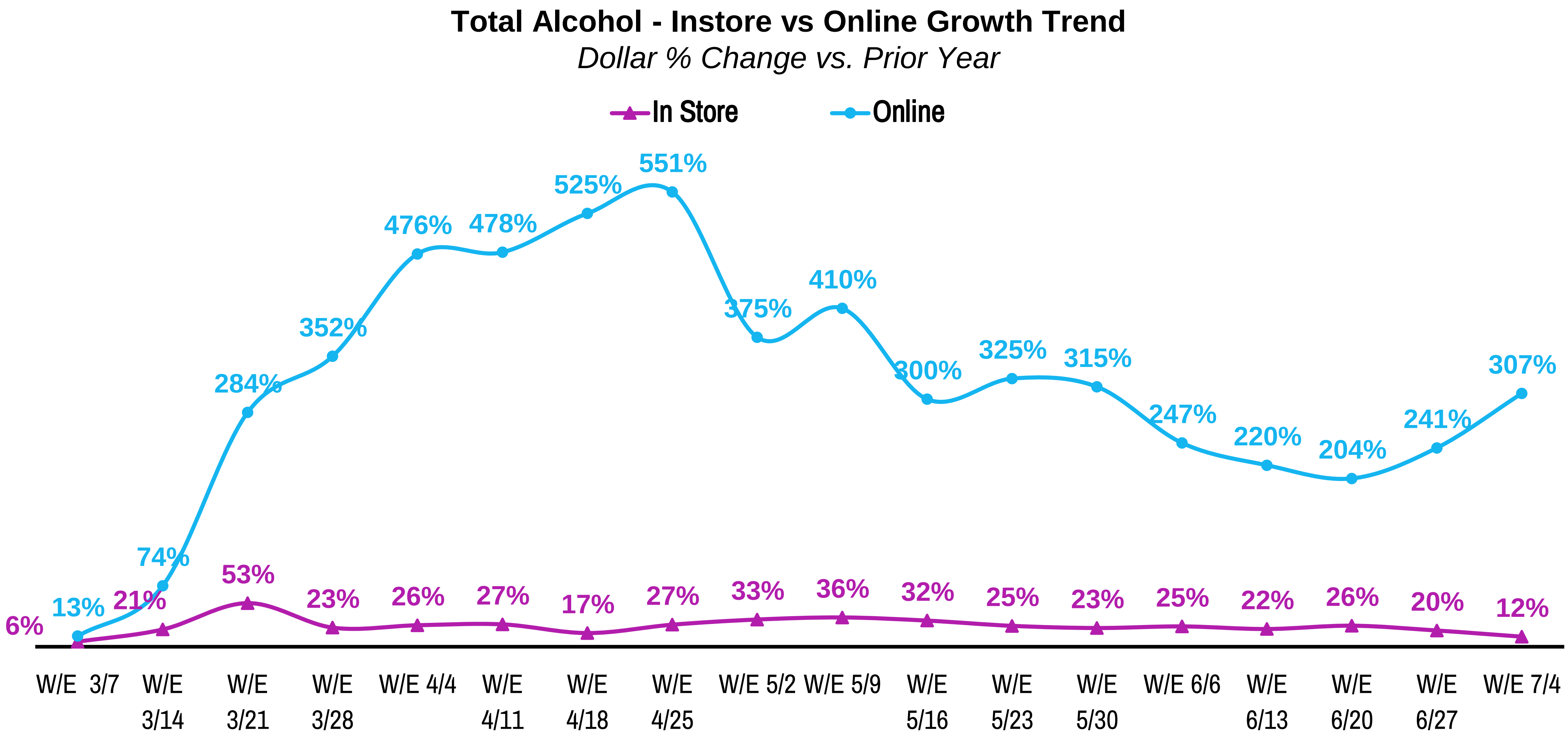
44% of hard seltzer buyers during COVID months of March/April were NEW to Hard Seltzer



NEW BUYERS = Purchased in March/April 2020 and NOT during period of 52 weeks ending February 2020
Source: Nielsen Homescan Premium

ECOMMERCE

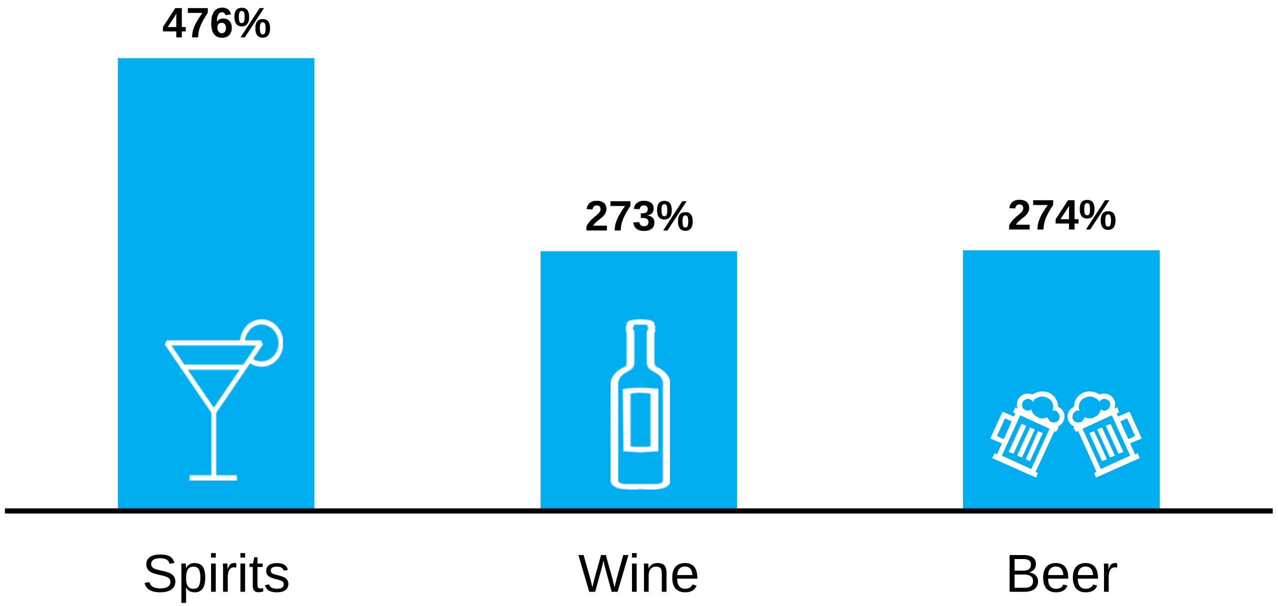
BEV ALCOHOL ONLINE SALES CONTINUE TO GROW (FASTER THAN ANY OTHER CPG DEPARTMENT)



Source: Nielsen Total US xAOC+Convenience+Liquor; Nielsen Ecommerce measurement powered by Rakuten Intelligence

ONLINE ALCOHOL STILL DOMINATED BY WINE, BUT SPIRITS GROWING FASTEST

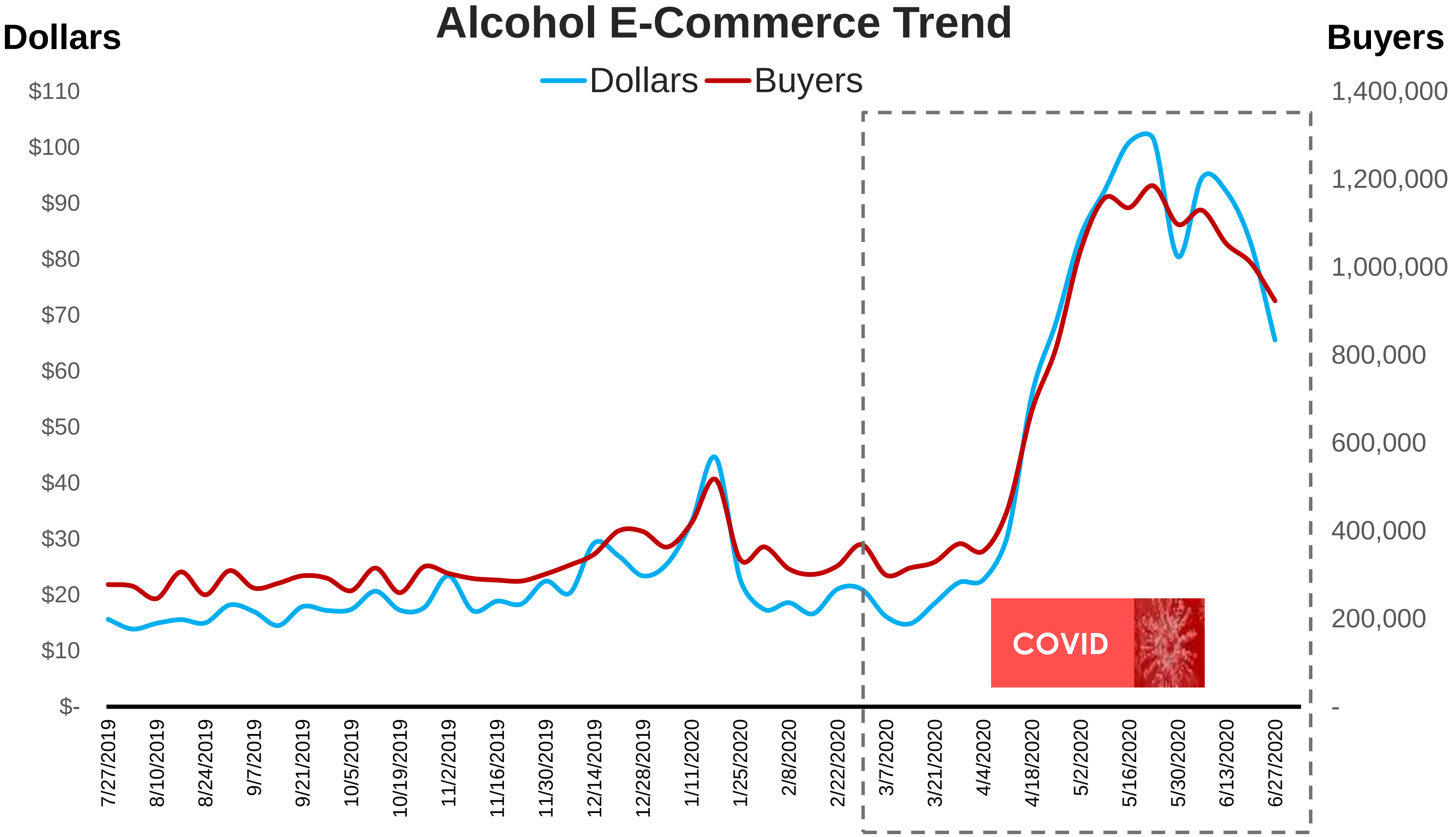
Alcohol Ecommerce Dollar % Change vs Year Ago
COVID Weeks Thru 7/4/2020

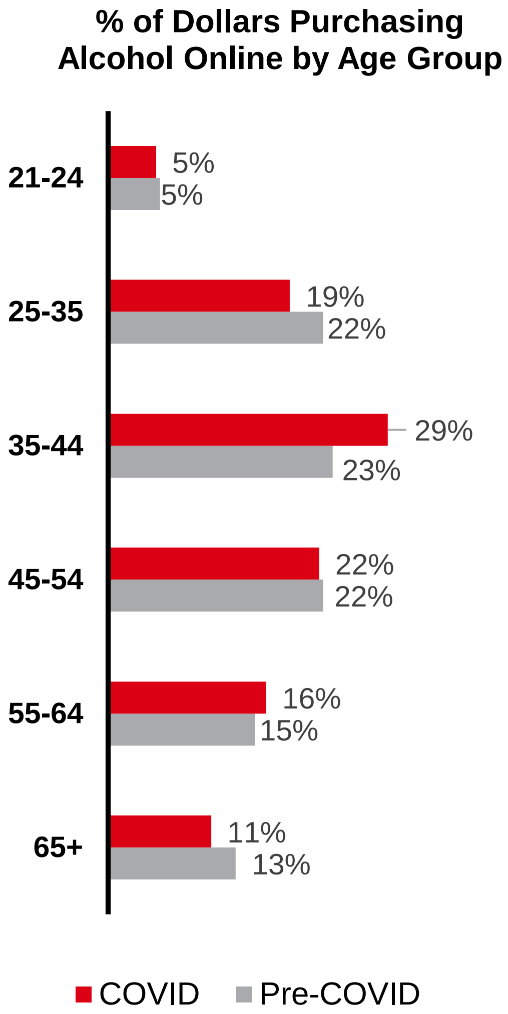


	Spirits	Wine	Beer
Share	21.1%	69.0%	11.2%
Share Change	+6.1	-6.1	-1.0

Source: Nielsen Ecommerce measurement powered by Rakuten Intelligence

ALCOHOL ECOMM GAINS DRIVEN LARGELY BY NEW BUYERS; 35-44 SHARE OF ONLINE $ GROWING FASTEST





Source: Nielsen Ecommerce measurement powered by Rakuten Intelligence

NOT ALL ECOMMERCE RETAILERS ARE THE SAME

Of the top 12 Nielsen Retail Off Premise brands, how many of those are also in the top 12 at…

wine.com	amazon	E-comm
1	7	6

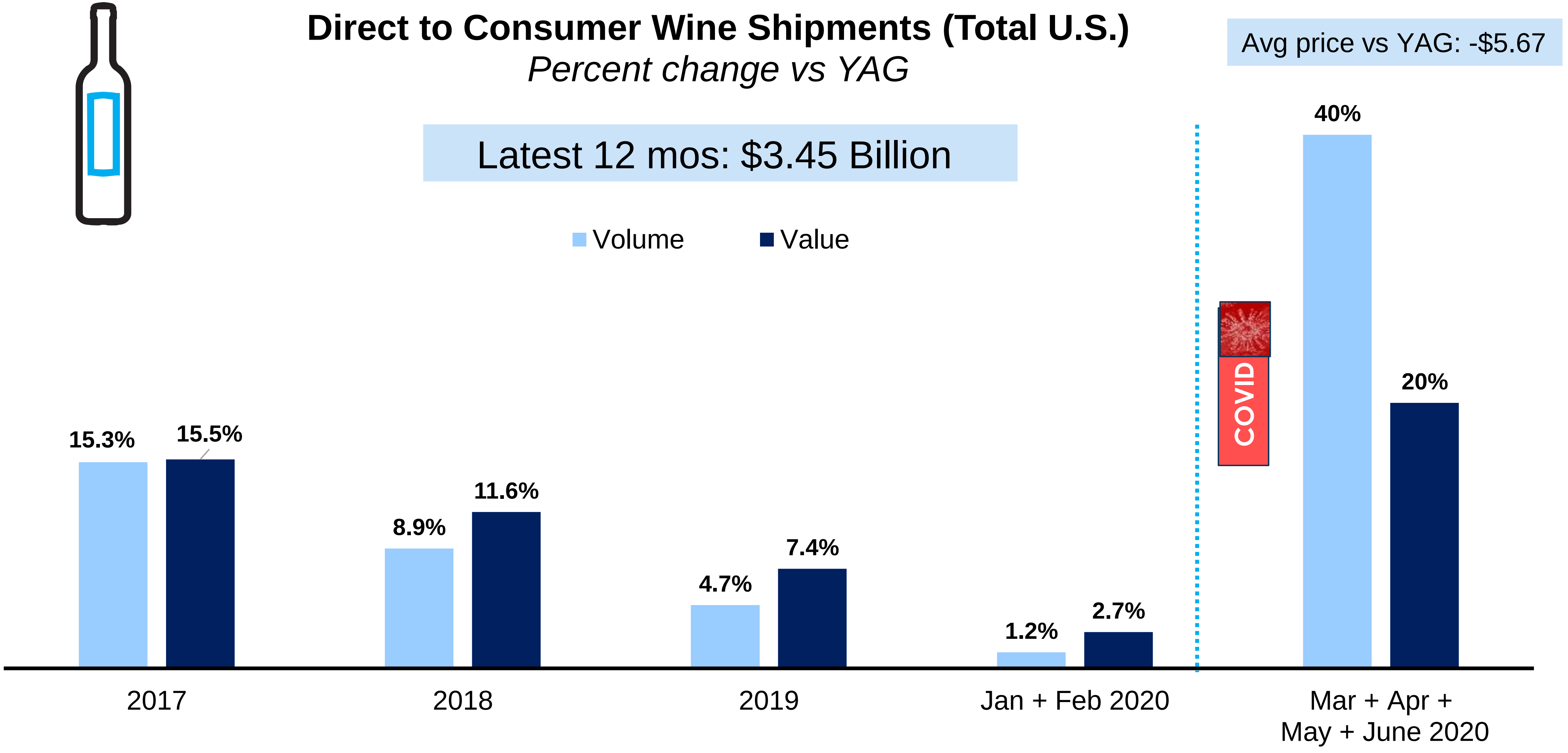
wine.com	amazon	E-comm
3	6	2

amazonfresh amazon Primenow amazongo

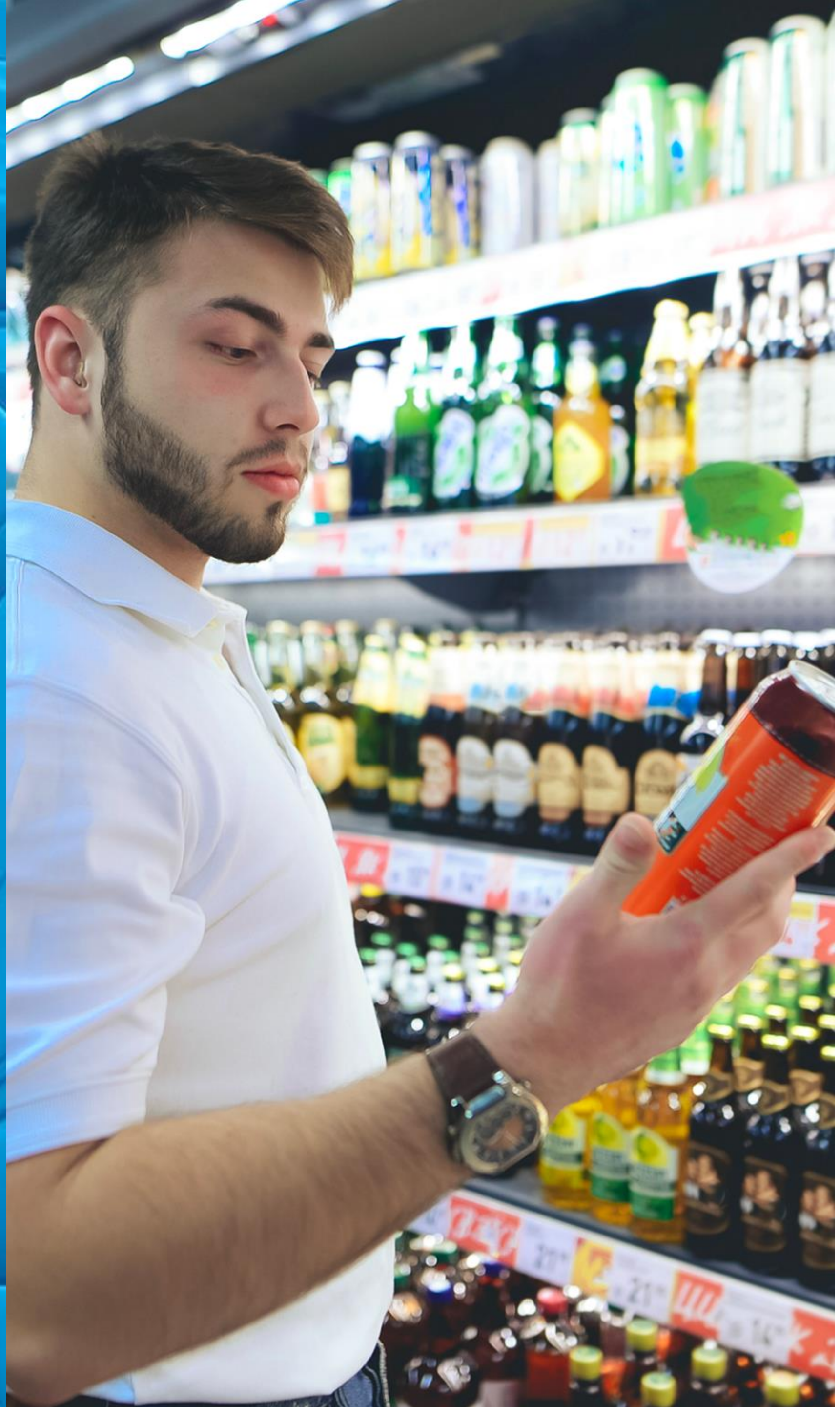
$30MM annually in Bev Alc; +250% 16 wks thru 6/20/2020 vs YAG

Source (Nielsen): Amazon: 52 weeks thru 6-20-2020; Wine.com (thru Q2 2020) (Dollars)
:Nielsen Ecommerce measurement powered by Rakuten Intelligence

DtC WINE SHIPMENTS GROWTH REBOUNDS AS TASTING ROOMS SHUTTER, BUT PRICE IMPACTED



Source: Nielsen in collaboration with WINES VINES ANALYTICS SOVOS ShipCompliant



CLOSING THOUGHTS

- The true economic fallout could very likely still be ahead of us
- With “homebody” economy, off premise presents biggest opportunities, for now
- Consumers trading up, but premiumization more nuanced
- Prepare for pivots in pricing/promotion, as spending wallets adjust to income constraints
- Maximize digital communication and e-commerce channels
- Size importance of key consumer groups to your business
- Be granular (geography, timeliness) to quickly act on local demand signals

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