How optimistic is the industry?

2019 marked an historic change of sentiment

Source: Silicon Valley Bank Industry Survey
Trend of winery financial health

Source: SVB State of the Wine Industry Survey
How was your year?

Source: SVB State of the Wine Industry Survey & SVB Peer Group Database of Financial Statements
Wine consumption by cohort

Source: SVB State of the Wine Industry Survey
Acute over supply in market

California Bulk Wine Inventory
*Jan 2020 Est.

Bulk Gallons Available

TOTAL GALLONS
In Millions

Source: Ciatti Brokers
Consumption preference alcohol and cannabis

Will consumers continue to move to wine?

Sources: Scarborough Research, SVB Analysis
North coast CA grape price increases
The story of bubbles...The bad kind

Do you have a full-time employee dedicated to analyzing consumer data?

- **Full-Time**: 18%
- **Part-Time**: 27%
- **No**: 55%

Source: SVB State of the Wine Industry Survey
Predicted year-end sales growth

Change in $ Sales
Change in Case Sales

Source: SVB State of the Wine Industry Survey
Financial performance of premium wineries

Gross margin improving while profitability is lower

Source: Silicon Valley Bank Peer Group Analysis Database
Competition is beer and spirits
Only 15% of drinkers are exclusive to wine

Source: Nielsen Homescan Panel, Total US: 52 weeks ending 06/29/19
Wine includes Still & Sparkling; Beer includes FMB and Ciders
Projected retail price changes in 2019

Source: SVB State of the Wine Industry Survey
## Monthly visitors to tasting room

<table>
<thead>
<tr>
<th>Year</th>
<th>Average</th>
<th>Napa</th>
<th>Sonoma</th>
<th>Oregon</th>
<th>Washington</th>
<th>Virginia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,237</td>
<td>1,644</td>
<td>1,288</td>
<td>527</td>
<td>789</td>
<td>1,096</td>
</tr>
<tr>
<td>2016</td>
<td>1,297</td>
<td>1,369</td>
<td>1,099</td>
<td>587</td>
<td>656</td>
<td>1,644</td>
</tr>
<tr>
<td>2017</td>
<td>1,114</td>
<td>1,497</td>
<td>1,039</td>
<td>716</td>
<td>618</td>
<td>2,075</td>
</tr>
<tr>
<td>2018</td>
<td>1,160</td>
<td>1,453</td>
<td>1,004</td>
<td>712</td>
<td>808</td>
<td>1,482</td>
</tr>
<tr>
<td>2019</td>
<td>1,520</td>
<td>1,372</td>
<td>1,098</td>
<td>1,079</td>
<td>942</td>
<td>1,464</td>
</tr>
</tbody>
</table>

Source: Silicon Valley Bank Direct to Consumer Survey
Annual growth rate in hard seltzers

Source: Nielsen, 11-16-2019
Why are young consumers cutting back?

- Opting for healthier lifestyle: 32%
- Lost interest in drinking alcohol in general: 24%
- Consuming more of a different Alcohol beverage: 21%
- Don't go out as much as I used to: 19%
- Health related reasons: 18%
- Don't want to be hungover: 17%
- Can't afford to drink as much: 15%
- Want to maintain clarity/control: 14%
- Consuming more non alcoholic beverages: 13%
- More interested in Cannabis: 10%
- Friends/family are drinking less: 9%
- Other: 5%
- I/my partner is expecting or recently had a child: 5%

Survey conducted online by The Harris Poll in partnership with Nielsen (January 7-9, 2019); n=1,964 U.S. adults 21+
US population by age and cohort

Source: US Government Populations Statistics
Growth rate in volume between $9.00 – $19.99

Source: Nielsen – Rolling 52 Week 11-2019
Varietal growth and share of market

Source: SipSource, 12M rolling Sept 2019
Off-premise retail sales: 2014 – 2019

Source: Nielsen – Rolling 52 Week 12-2019
Wholesale depletions of wine and spirits

Source: SipSource, 2019
Off-premise growth rate below $9.00

Source: Nielsen – Rolling 52 Week 11-2019
Annual sales and growth rate direct to consumer

Sales in $USD

Growth Rate

DtC Sales

Growth Rate

Source: Wines Vines Analytics/ShipCompliant
Growth rate and share in formats

Source: Sip Source, 9-19
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