State of the Wine Industry

Wednesday, January 13, 2021
9:00 a.m. – 10:00 a.m. PST

Part 1
Featured Speakers

Amy Hoopes
President
Wente Family Estates

Devin Joshua
Managing Director
Merryvale Vineyards

Paul Mabray
CEO
Pix.wine

Eric McLaughlin
CEO
Metis

Rob McMillan
EVP & Founder
SVB Wine Division
Channel Shifts: DtC, Off-Prem, On-Prem
Long Term Off-Premise Sales

Channel Shift. NOT Demand Change

Source: Nielsen. Rolling 52 Weeks
2020 Off-Premise Volume & Value Changes

Source: Nielsen

-10.0%
0.0%
10.0%
20.0%
30.0%
40.0%
50.0%
60.0%
70.0%
80.0%

Value Chg YA
Volume Chg YA

Pre-COVID
Shelter in Place
Reopening
2020 On-Premise Alcohol Channel Shift

Source: Nielsen CGA, 4 week change YOY
Average Winery’s Sales Channels in 2020

APRIL 1ST, 2020

- Tasting Room: 28%
- Wine Club: 23%
- Mailing List: 5%
- Subscription: 1%
- Wholesale Off-Prem: 18%
- Wholesale On-Prem: 15%
- Online: 2%
- Phone: 2%
- Other: 3%

NOVEMBER 1ST, 2020

- Tasting Room: 27%
- Wine Club: 22%
- Mailing List: 3%
- Subscription: 1%
- Wholesale Off-Prem: 19%
- Wholesale On-Prem: 11%
- Online: 10%
- Phone: 2%
- Other: 2%

Source: SVB Winery Conditions Survey
## Growth in Direct Channels

<table>
<thead>
<tr>
<th>Channel/Segment</th>
<th>Total Sales Growth</th>
<th>Total # of Orders Growth</th>
<th>2019 Average Order</th>
<th>2020 Average Order</th>
<th>Growth in Average Order</th>
</tr>
</thead>
<tbody>
<tr>
<td>Club</td>
<td>-5.18%</td>
<td>-8.98%</td>
<td>$184.68</td>
<td>$192.38</td>
<td>4.17%</td>
</tr>
<tr>
<td>POS/Tasting Room</td>
<td>-37.43%</td>
<td>-42.31%</td>
<td>$66.35</td>
<td>$71.96</td>
<td>8.46%</td>
</tr>
<tr>
<td>Ecommerce</td>
<td>153.04%</td>
<td>190.67%</td>
<td>$280.50</td>
<td>$244.19</td>
<td>-12.95%</td>
</tr>
</tbody>
</table>

Source: vinSUITE
Ecommerce
Long Term E-commerce Trends in Wine

Source: Nielsen Ecommerce measurement powered by Rakuten Intelligence
Ecommerce Penetration in Transactions

10 Year's Growth in 3 Months

Source: Drizly
Do You Have a Data Analytics Person to Review Your Consumer Data?

- None: 48%
- Full-Time: 16%
- Part-Time: 30%
- Other: 6%

Source: SVB Winery Conditions Survey
2020 Harvest Yields Were Lowest in Years

<table>
<thead>
<tr>
<th>Region</th>
<th>At or slightly below record high yields</th>
<th>Better than historical average yields</th>
<th>Close to average historical yields</th>
<th>Weaker than historical average yields</th>
<th>At or near record low yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>SANTA BARBARA, CA</td>
<td>0%</td>
<td>10%</td>
<td>30%</td>
<td>35%</td>
<td>15%</td>
</tr>
<tr>
<td>SANTA CRUZ, MONTEREY, SANTA CLARA, CA</td>
<td>0%</td>
<td>5%</td>
<td>35%</td>
<td>30%</td>
<td>10%</td>
</tr>
<tr>
<td>SIERRA FOOTHILLS, CA</td>
<td>12%</td>
<td>24%</td>
<td>33%</td>
<td>29%</td>
<td>6%</td>
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<tr>
<td>TEXAS</td>
<td>10%</td>
<td>24%</td>
<td>33%</td>
<td>29%</td>
<td>6%</td>
</tr>
<tr>
<td>OTHER</td>
<td>10%</td>
<td>24%</td>
<td>33%</td>
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<td>6%</td>
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<tr>
<td>NORTHERN OREGON</td>
<td>10%</td>
<td>24%</td>
<td>33%</td>
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<tr>
<td>NAPA COUNTY, CA</td>
<td>10%</td>
<td>24%</td>
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<td>29%</td>
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</tr>
<tr>
<td>SANTA CRUZ, MONTEREY, SANTA CLARA, CA</td>
<td>10%</td>
<td>24%</td>
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<td>6%</td>
</tr>
<tr>
<td>SAN DIEGO, TEMECULA &amp; LOS ANGELES, CA</td>
<td>10%</td>
<td>24%</td>
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<td>29%</td>
<td>6%</td>
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<tr>
<td>VIRGINIA</td>
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<td>6%</td>
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<td>SONOMA COUNTY, CA</td>
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<td>24%</td>
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<td>29%</td>
<td>6%</td>
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<tr>
<td>NEW YORK</td>
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<td>24%</td>
<td>33%</td>
<td>29%</td>
<td>6%</td>
</tr>
<tr>
<td>LODI/CLARKSBURG, CA</td>
<td>10%</td>
<td>24%</td>
<td>33%</td>
<td>29%</td>
<td>6%</td>
</tr>
<tr>
<td>PASO ROBLES AVA</td>
<td>10%</td>
<td>24%</td>
<td>33%</td>
<td>29%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: SVB Annual Winery Conditions Survey
2020 Harvest Quality

Source: SVB Annual Winery Conditions Survey
Bulk Wine
Bulk Wine Inventory at Acute Excess in Jan 2020

Source: Ciatti
2020 CA Bulk Wine Balanced by EOY

Source: Ciatti
Survey Slides
Most Important Direct Channels During COVID Closures

Source: SVB State of the Industry Survey 2020

Channels providing best future lift

1st
Internet Sales

2nd
Zoom/Digital Outreach

3rd
Phone Sales

4th
Curated DTC

Club Sales
Internet Sales
Phone Sales
Virtual Tasting
Curbside Pickup
Wholesale Off-Premise
Other
Consumption of Alcohol, Health, Marketing
Thoughts on SRP Change

Projected Price Changes

Strong Increase: I will be able to take strong price increases on most of my wines 0%
Moderate Increase: I can take modest price increases on most of my wines 6%
Small Increase: I can take some small price increases on selective SKUs 30%
Hold Prices: I can pretty much hold my shelf price on average 51%
Small Decrease: I need to give some small price reductions on selective SKUs 8%
Moderate Decrease: I need to give modest price reductions on most of my wines 4%
Strong Decrease: I need to give strong price reductions on most of my wines 1%

Annual trends of SRP change

Source: SVB State of the Industry Survey 2020