State of the Industry

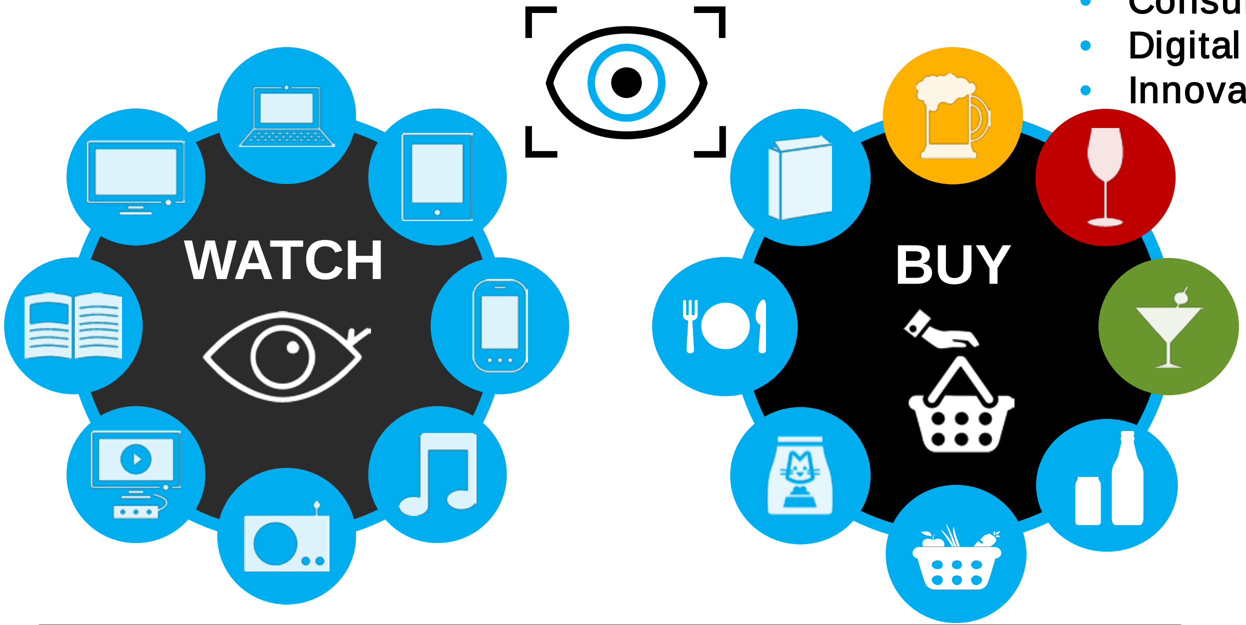
The Oregon Report Card

Danny Brager - SVP, Beverage Alcohol Practice
Portland, Oregon
February 20, 2018

nielsen - A Birdseye View Measuring What People Watch, Listen to And Buy

106 countries around the world

- Retail sales measurement
- Retail locations dbase
- Pricing/assortment analytics
- Consumer/Shopper insights
- Digital Ad research
- Innovation research



Who - What - Where - When - Why

You’re Top of the Class!!!

Growth well ahead of Market

At Premium End

Multiple distribution channels (Retail, DtC shipments)


LIDL
ALDI
PRIVATE LABEL
DRIZLY
amazon
GROCERAUNTS
SOCIAL MEDIA
WHOLE FOODS MARKET
wine.com
2018
DIRECT TO CONSUMER
Wine Shipping Report
Blue Apron
Hello FRESH
BREWPUB
TAP ROOM
Marijuana
American
CRAFT SPIRITS
TR
TASTING ROOM
CRAFT BEER
no strings
attached
disparity
economic
social
income
poor
inequality

Change quickening

➢ BIG won't beat SMALL; FAST will beat SLOW!

➢ FRAGMENTATION – CONSOLIDATION

- Product transparency, authenticity, emotional connection with brands
- The 'experience' (experiential venues)
- Convenience –what & how they buy
- Simplicity - ease of understanding
- Health/wellness as a 'lifestyle"
- Open/connected to the world – including food and drinks
- Discovery - looking for/open to, something different

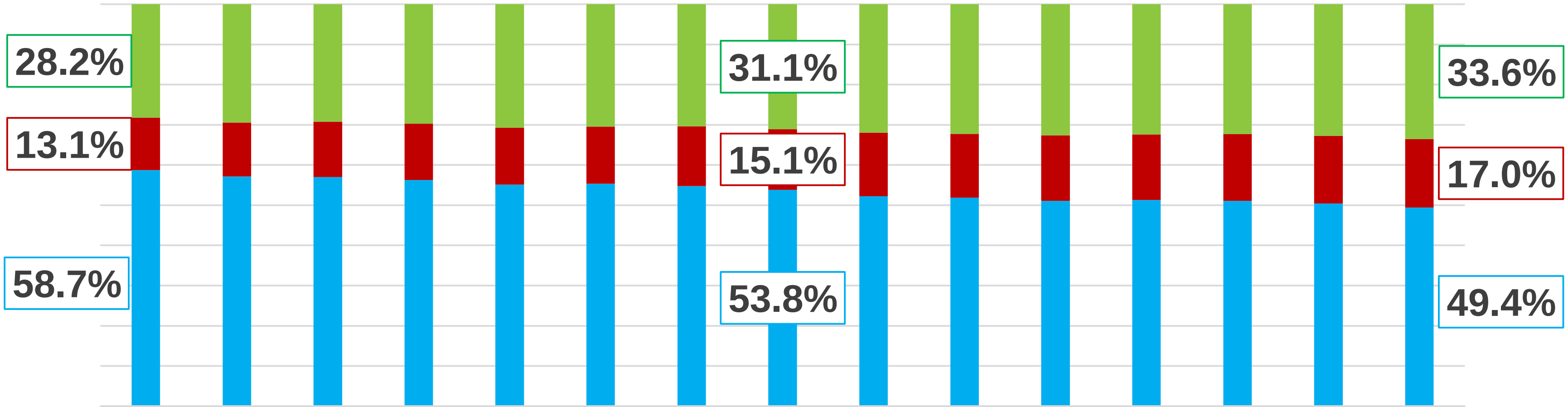
Millennials – YES
BUT don't ignore Gex X & Boomers

- Wine growing, but at a slower pace
  - ➢ Ttl U.S.: +1.3% volume/+2.9% value
- Wine & Spirits > Beer
- More retail outlets selling Wine – off and on premise
- Multiple distribution channels – retail/direct; b&m/e-commerce
- Trading up/premiumization across BWS, but at a slower pace
- Less exclusive category drinkers - -choice 'occasion by occasion"

Wine & Spirits Winning Share Of Adult Beverages

Total Consumer Adult Beverage Expenditures: **$242 Billion**

Share of Adult Beverages - Servings



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Spirits	28.2%	29.4%	29.2%	29.7%	30.7%	30.5%	30.4%	31.1%	32.0%	32.3%	32.6%	32.4%	32.3%	32.7%	33.6%
Wine	13.1%	13.4%	13.8%	14.0%	14.2%	14.2%	14.8%	15.1%	15.8%	15.9%	16.3%	16.3%	16.7%	16.9%	17.0%
Beer	58.7%	57.1%	57.0%	56.3%	55.1%	55.3%	54.8%	53.8%	52.2%	51.9%	51.1%	51.3%	51.0%	50.4%	49.4%

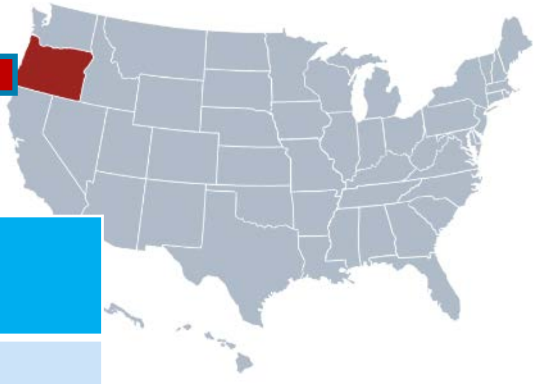
incl. Ciders/Coolers

Beer Wine Spirits

Source:

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 12-2-2017

Sales in Oregon Performing Well



Dollars	What	Tl U.S.	State of Oregon	Source	Notes
Wine	Off Premise	+2.1%	+2.0%	nielsen	
Wine	DtC Shipments	+15.5%	+24.5%	DIRECT TO CONSUMER	
Tl Wine	Off + DtC	+5.0%	+6.9%		
Spirits	Off+On Premise	+4.7%	+4.1%	NABCA	OR VOLUME growth>U.S.
Beer	Off Premise	+0.5%	+2.0%	nielsen	Highest "craft" share in country
Cider	Off Premise	-3.9%	+12.0%	nielsen	

Source: Nielsen xAOC State markets – Dollars - 52 w/e 1-28-2017/Annual 2017

WINE TRENDS

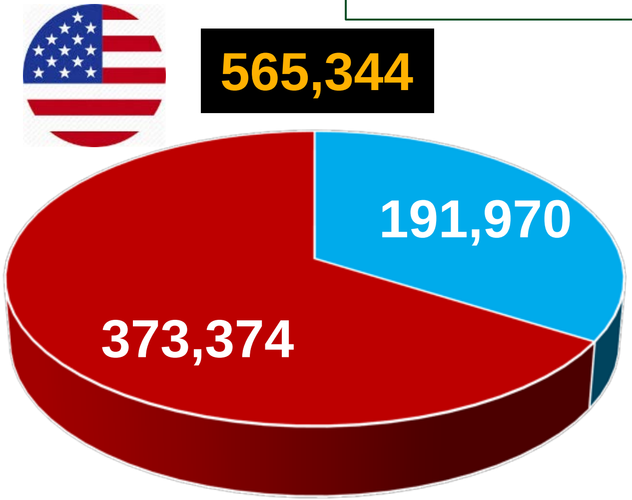
National/Oregon

Wine Selling Outlets Continue to Grow

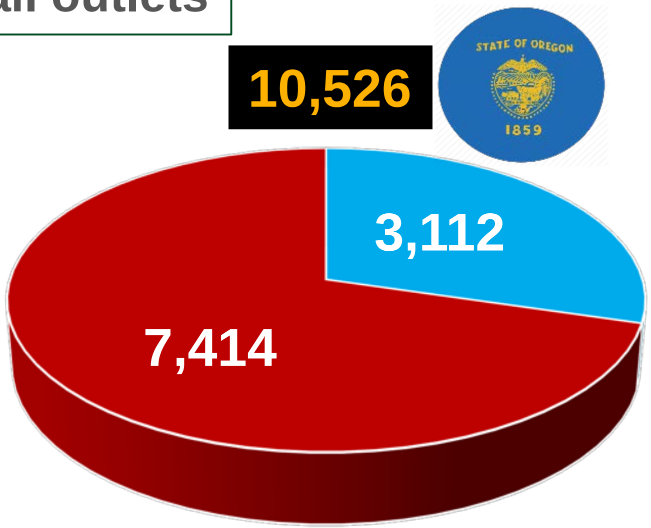
OFF **ON**

# of Wine selling retail outlets

565,344



10,526



+1.6%

CAGR – past 5 years

+2.1%

•Source: Nielsen TDLinx (Dec 2017)

NIELSEN RETAIL MEASUREMENT TODAY

nielsen

OFF PREMISE

XAOC

- Food (total U.S.)
- Drug (total U.S.)
- Mass Merchandiser (e.g.Target)
- Walmart
- Dollar (e.g. Dollar General, Family Dollar)
- Select Club Stores (BJ's, Sam's)

- Convenience (total U.S.)
- Military Exchanges (AAFES, Nexcom, MCG, CGX)
- Liquor* (selected geographies/retailers)

7 geographic markets; plus 17 Liquor chains

New

- Whole Foods
- Wine.com (2018)

nielsen CGA

PHENOMENAL DATA. EXPERT INSIGHT.

ON PREMISE

Total U.S.

- Eating (Restaurants) vs Drinking (Bars)
- Chains vs Independents

- 9 Census Divisions
- Boston, Chicago, Dallas, Denver; LA, NY City

…4 more in 2018 (Miami, Seattle, S.F., Tampa)

- 3 years of history

And in 2018…

- Guest check level analysis
- Daypart/week analysis
- Key Holiday/Event analysis

Vol % chg	-2.0%	+1.3%	+1.3%
$ % chg	-1.3%	+1.9%	+2.3%

Source: Nielsen CGA on premise data – 52 w/e 12/2/2017 vs YA

Over the last decade…
12,309 fewer neighborhood bars (1 in 6);
60,365 more restaurants (+40%)
Source: Nielsen TDLinx

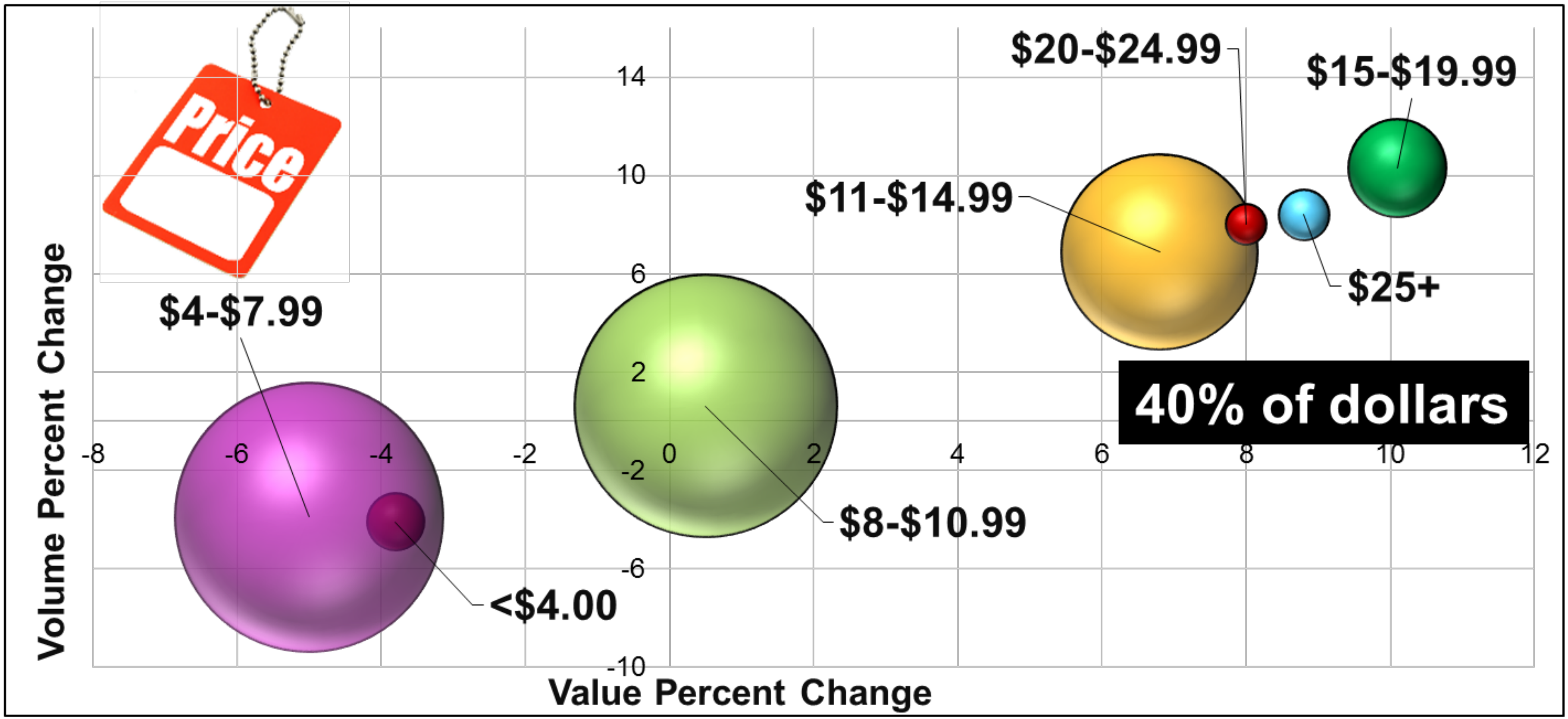
Twice as many Americans go out to eat <u>every</u> week and have a drink (67%), compared to drink-led visits (34%)
Source: Nielsen CGA survey (March 2016)

83% of On Premise Wine $ sales are in Restaurants (vs Bars); compared to 59% for Beer or Spirits
Source: Nielsen CGA (52 w/e 11-4-2017)

2016 was the 1st year with more food $$ spent away from home vs at home
Source: U.S. Census

Table Wine Bottle Growth Led At Higher End

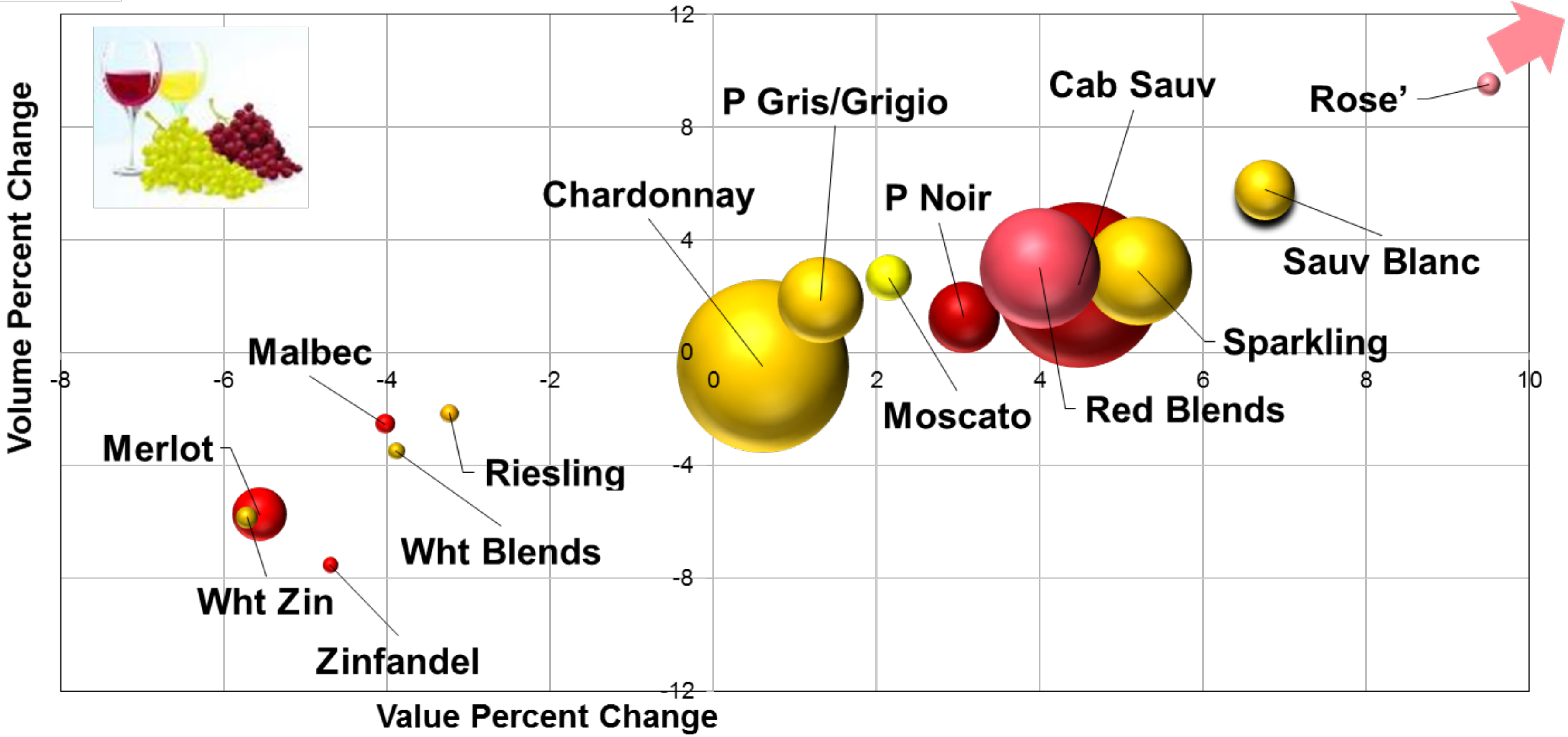
nielsen Total U.S. Off Premise



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 12-2-2017 (Bubble = Annual $ Size); Table Wine Glass

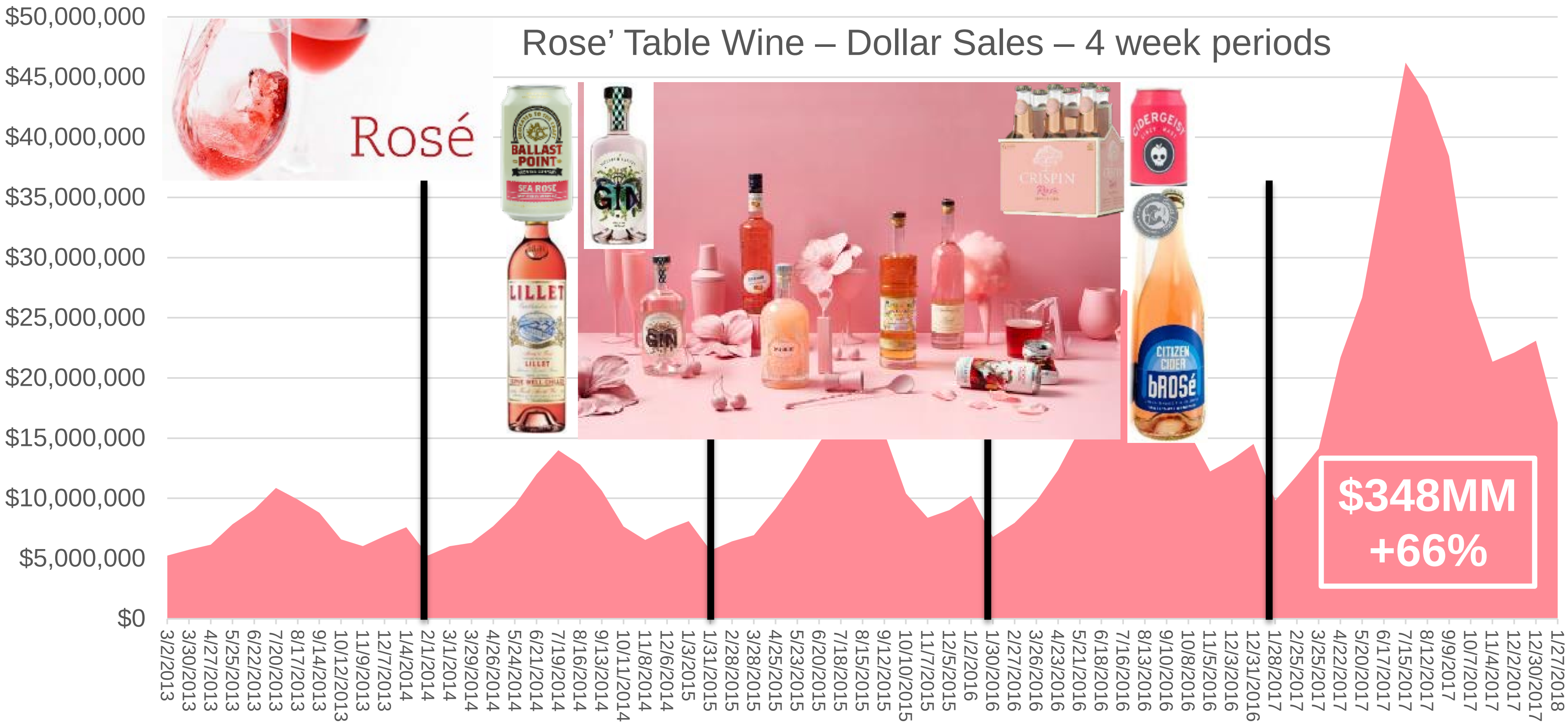
Rose', Sauv Blanc, Sparkling Lead Growth

Total U.S. Off Premise



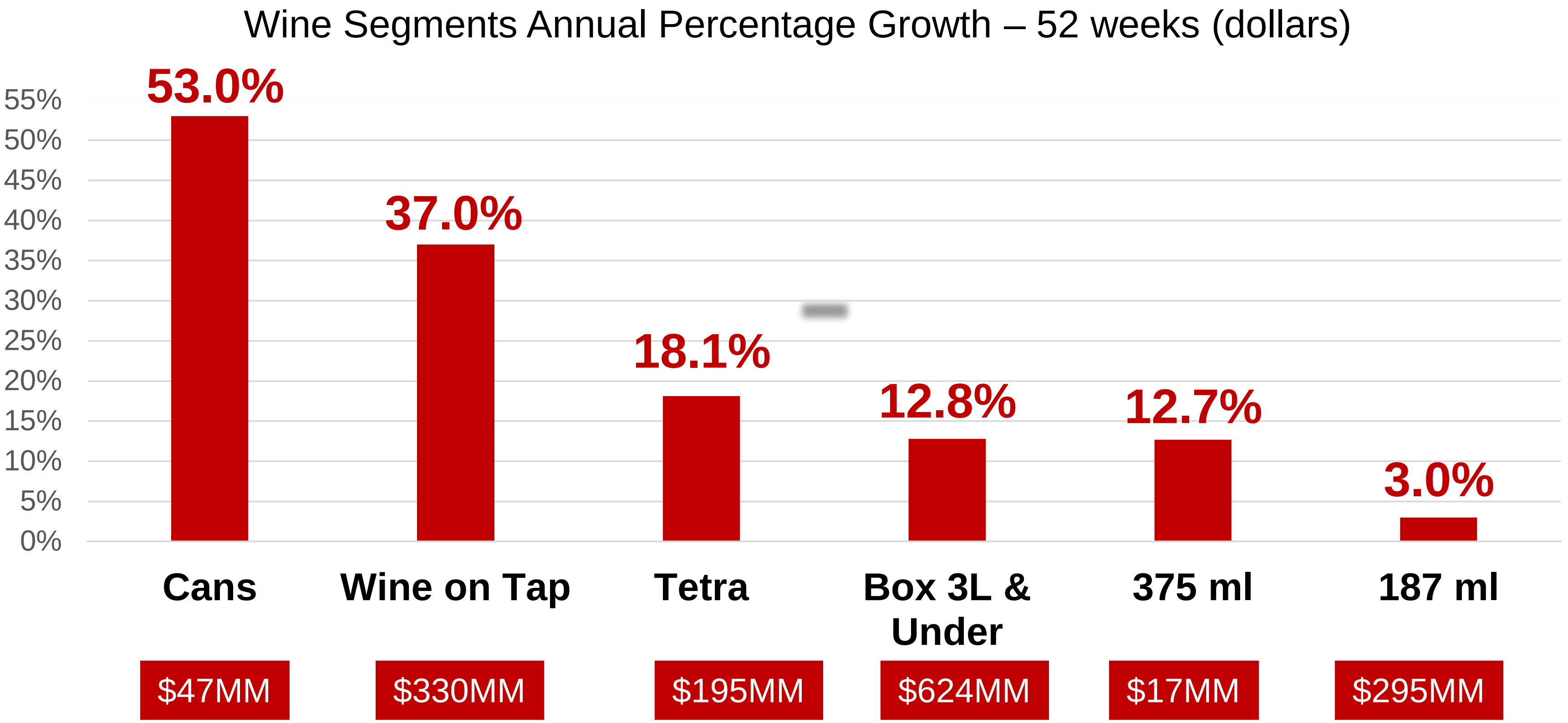
Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 12-2-2017 (Bubble = Annual $ Size); Table Wine/Sparkling

Everything's Coming Up Roses; No Signs Of Slowing



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); period ending 1-27-2018

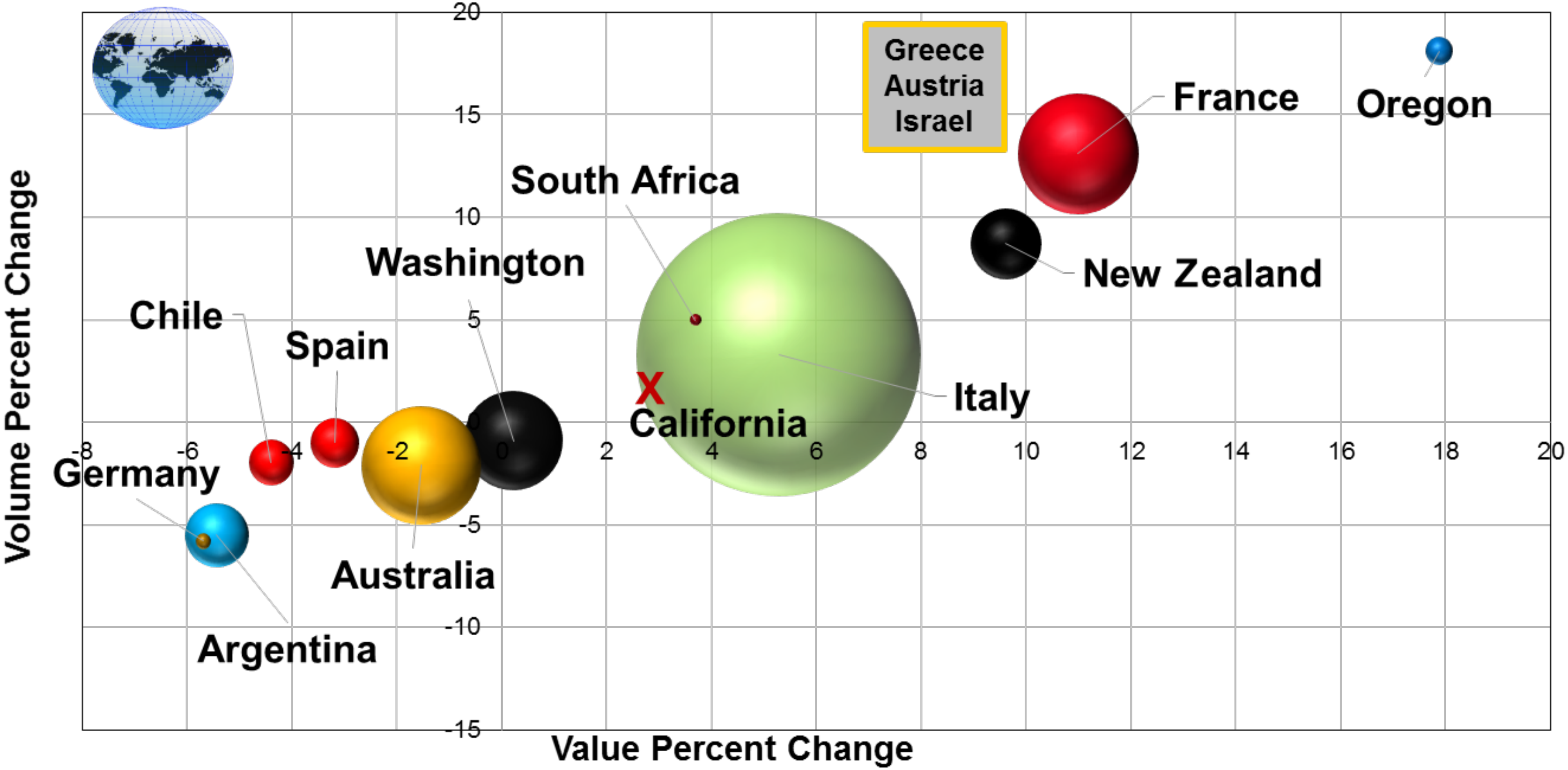
It's Only A Matter Of Time When Alternative Packaging Might Be Mainstream



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 1-28-2018; 2) Source: Freeflow Wines (2017)

Wines from Oregon Leading Growth

nielsen Total U.S. Off Premise



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 12-2-2017 (Bubble = Annual $ Size); Total Wine

- 3-tier consolidation – Distributor/Retailer
- Fixed brick and mortar walls

# of Wine items selling/store

AISLE 1

Grocery	768[1]
Liquor	1,567[1]

Source: Nielsen # of Wine items selling per store (13 w/ 7-17-2017)

Overall trips to store

amazon

wine.com®

+26%/+36%

2018 DIRECT TO CONSUMER Wine Shipping Report

Source: Wine.com (2017) - Revenue

+15.3%

OVER

5.78 MILLION

CASES SHIPPED

+15.5%

2018 DIRECT TO CONSUMER Wine Shipping Report

IN 2017, CONSUMERS SPENT

$2.69 BILLION

ON DtC WINE SHIPMENTS

10% of Domestic Retail Value

Source SOVOS WINES&VINES DtC Shipments (Annual 2017)

Oregon Wines Growing Significantly Faster Than the Category

nielsen	Case (877K) Growth %	Dollar ($170MM) Growth %	750 ml avg price
Total U.S.	+1.8%	+2.1%	$10.11*
Oregon Wines	+14.1%	+17.1%	$16.13

*750 ml glass only

2018 DIRECT TO CONSUMER Wine Shipping Report	Case (330K) Growth %	Dollar ($155MM) Growth %	750 ml avg price
Total U.S.	+15.3%	+15.5%	$38.75
Oregon Wines	+31.2%	+34.9%	$39.16

Oregon Wine $ Share **1.0%**

Oregon Wine $ Share **5.8%**

23 of top 30 OR brands double digits!

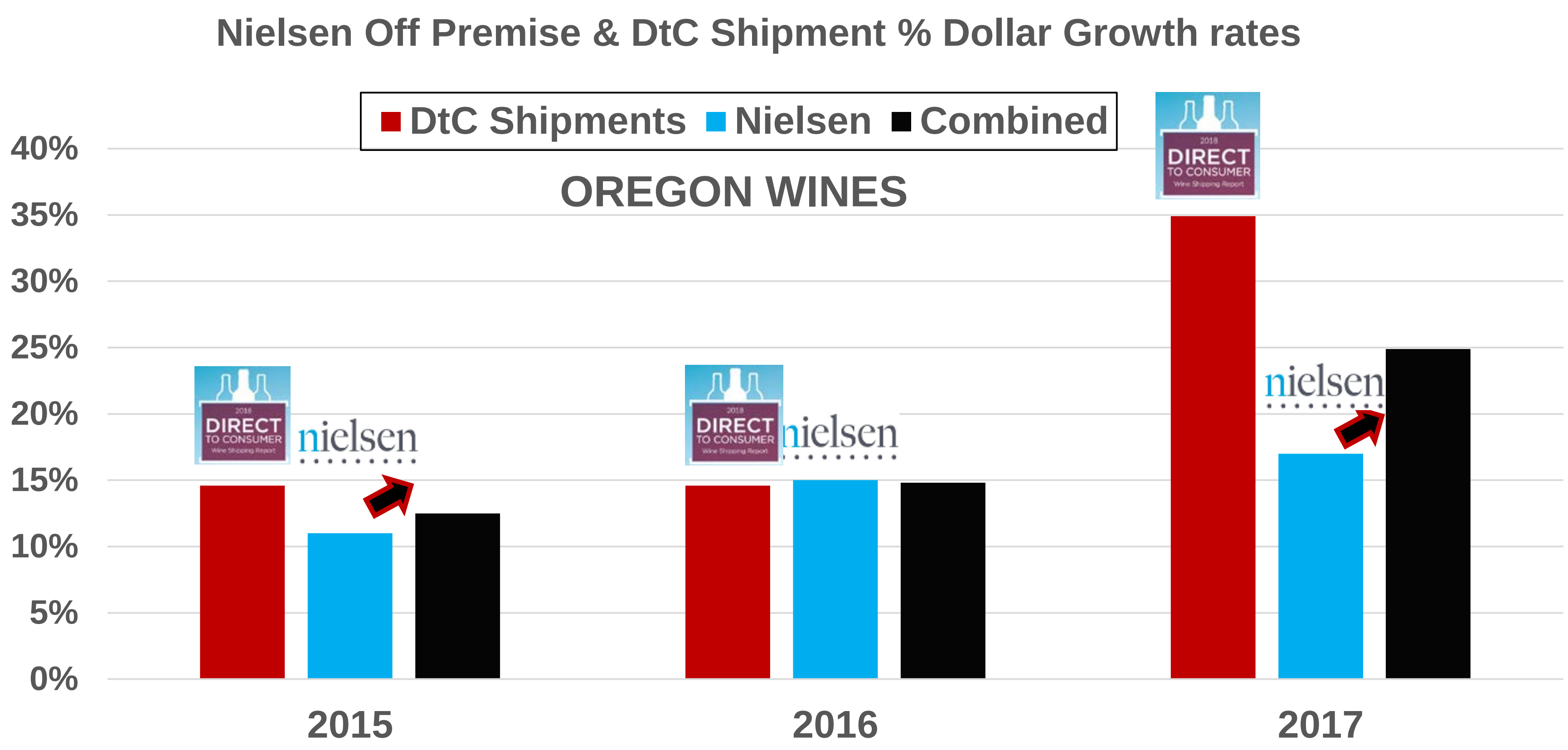
Fastest growing Wine region

STATE OF OREGON 1859

Source: Nielsen Total U.S. Off Premise Outlets (52 w/e 1-27-2018)

Source SOVOS INTELLIGENT COMPLIANCE WINES&VINES DtC Shipments (Annual 2017)

Stellar Oregon Wine Growth



Source: Nielsen Total U.S. Off Premise Outlets (52 w/e 1-27-2018)

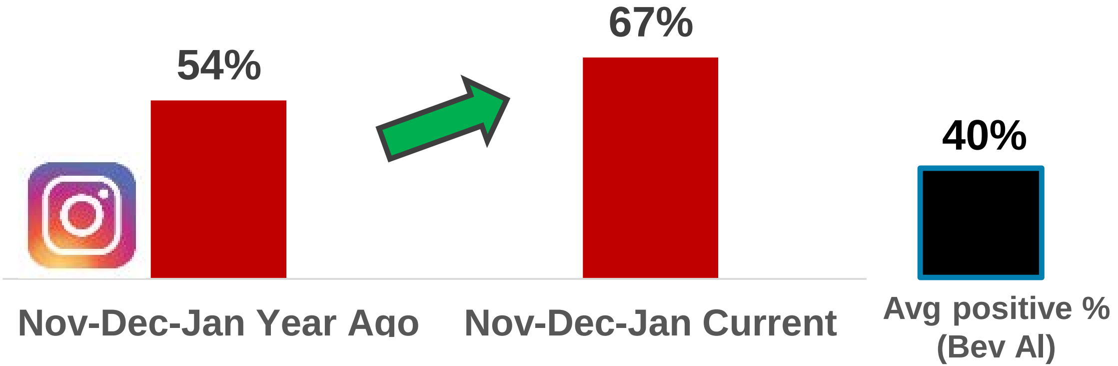
Source SOVOS WINES&VINES DtC Shipments

Oregon Wines Social Media Metrics Strong and Trending Even Stronger

social standards

Wine discussions in posts mentioning Oregon compared to other Beverage Alcohol mentions in posts discussing Oregon

Positive sentiment % in posts mentioning Oregon and Wine



Source: Social Standards

Broad Growth for Oregon by Price Tier

OREGON WINE = 100%

nielsen	Case Share	Dollar Share	Case % chg
$8-10.99	6.3%	4.0%	+3.0%
$11-$14.99	37.4%	29.1%	+15.1%
$15-$19.99	40.9%	42.5%	+17.5%
$20-$24.99	8.0%	10.9%	+23.5%
$25+	6.8%	13.1%	+17.1%

2018 DIRECT TO CONSUMER Wine Shipping Report	Case Share	Dollar Share	Case % chg
<$15	9.6%	2.7%	+14.7%
$15-$19.99	13.5%	6.0%	+23.2%
$20-$29.99	20.3%	12.5%	+26.5%
$30-$39.99	13.5%	12.0%	+43.7%
$40-$49.99	15.4%	17.5%	+40.0%
$50-$59.99	8.3%	11.5%	+22.5%
$60-79.99	8.8%	15.3%	+29.1%
$80-$99.99	5.4%	12.1%	+72.0%
$100+	5.2%	10.5%	+54.4%

Source: Nielsen measured off premise outlets (52 w/e 1-27-2018)

Source SOVOS INTELLIGENT COMPLIANCE WINES&VINES DtC Shipments (Annual 2017

Pinot Noir Obviously the Star, but Not the Only Growth Contributor

OREGON WINE = 100%

nielsen	$ Share	% chg vs YAG	Avg Price
Pinot Noir	**67.4%**	**+18.4%**	**$17.95**
OR Share of Total P. Noir: 11%			
Pinot Gris	20.8%	+10.9%	$13.18
Rose'	4.7%	+79.0%	$13.38
Chardonnay	2.1%	+6.5%	$13.66

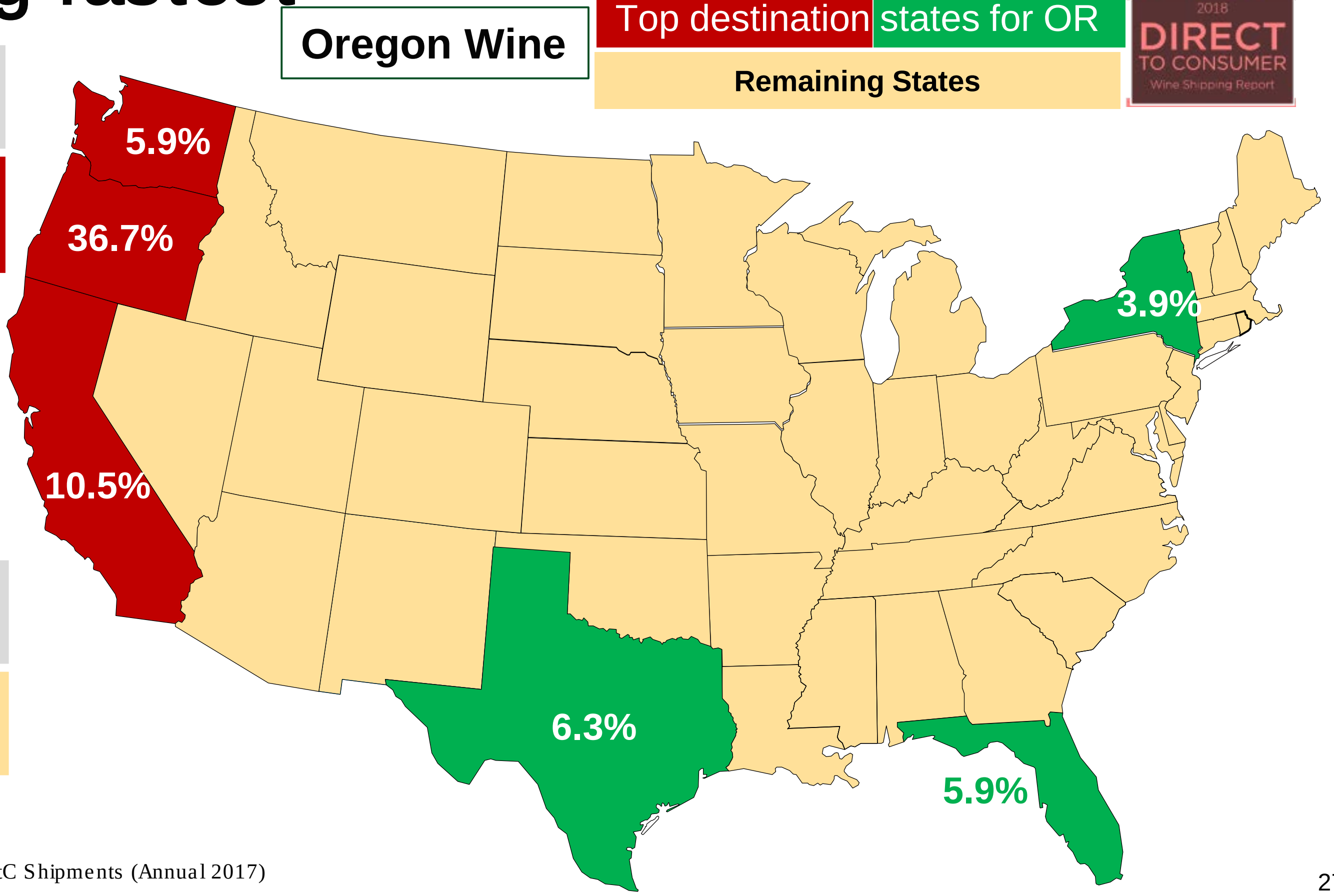
2018 DIRECT TO CONSUMER Wine Shipping Report	$ Share	% chg vs YAG	Avg Price
Pinot Noir	**68.8%**	**+38.3%**	**$47.98**
OR Share of Total P. Noir: 24%			
Chardonnay	7.6%	+50.9%	$36.56
Red Blend	3.2%	+42.6%	$26.49
Pinot Gris	2.7%	+22.5%	$19.16
Cab Sauv	2.5%	+17.8%	$33.47
Rose'	2.3%	+43.1%	$26.84
Sparkling	2.2%	+21.1%	34.7%
Syrah/Shiraz	2.2%	+6.2%	$40.64

Source: Nielsen measured Off Premise outlets (52 w/e 1-27-2018); Dollars

Source SOVOS WINES&VINES DtC Shipments (Annual 2017)

Approaching the 50/50 tipping point – Rem States growing fastest

Cases	Share	% chg vs YAG
West (OR,WA,CA	53%	+24.0%



Cases	Share	% chg vs YAG
Rem States	47%	+40.5%

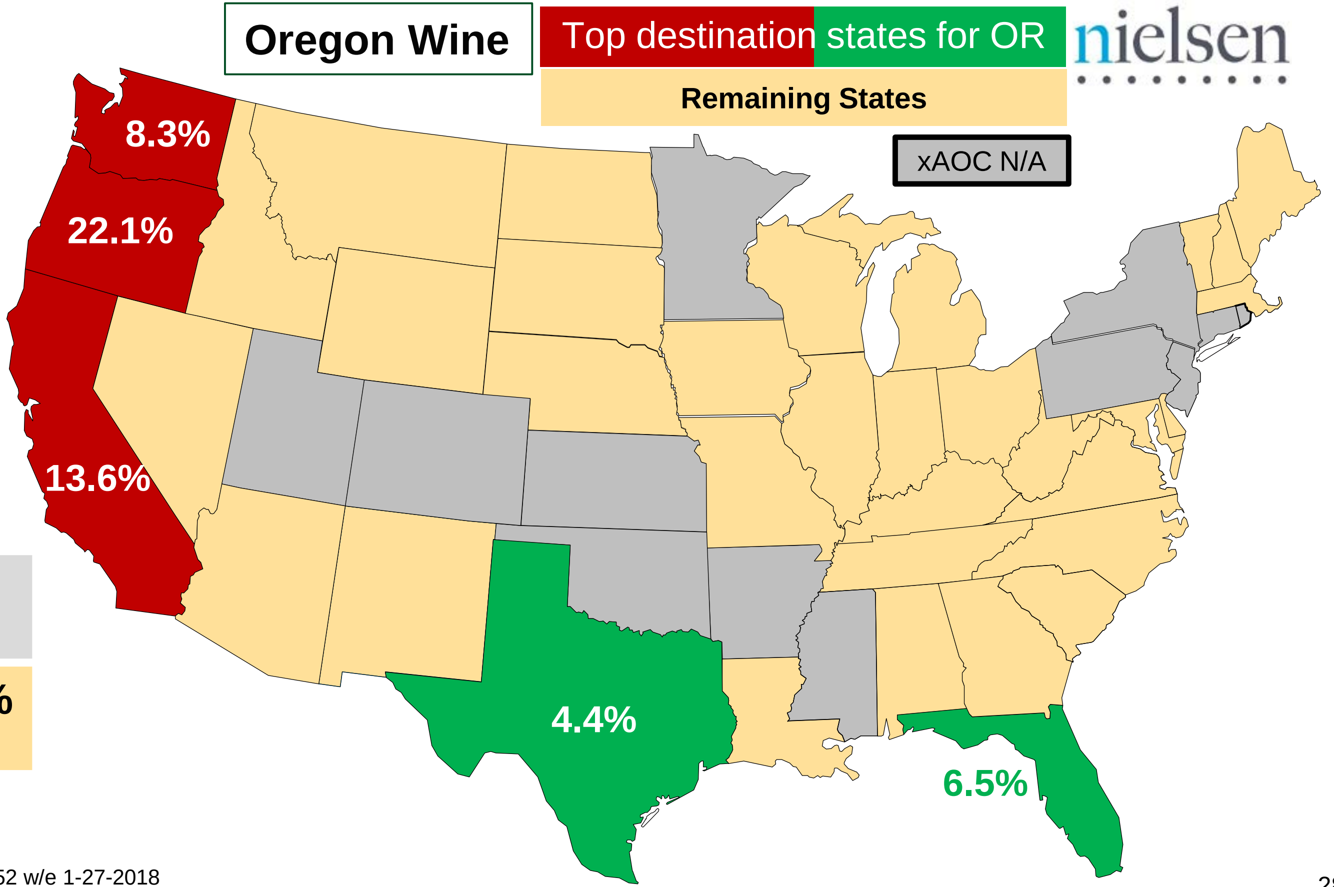
Source SOVOS WINES&VINES DtC Shipments (Annual 2017)

CA & Rem States (esp East Coast) growing >NW

Dollars	Share	% chg vs YAG
OR	22.1%	+8.9%
CA	13.6%	+36.6%
WA	8.3%	+10.9%

xAOC Off Premise
State markets

Dollars	Share	% chg vs YAG
Rem States	56.0%	+21.1%



Source: Nielsen measured off premise outlets - 52 w/e 1-27-2018

Oregon is hot – but with ample room to grow

Danny Brager
Senior Vice President, Nielsen Beverage Alcohol Practice
danny.brager@nielsen.com