

US Beer Wine & Spirits

JANUARY 20, 2020

| TTB Label Approvals | | | | |
|---------------------|--------|---------|---------|---------|
| Year | Beer | Wine | Spirits | Total |
| 2013 | 14,369 | 98,024 | 9,679 | 122,072 |
| 2014 | 17,662 | 98,799 | 10,498 | 126,959 |
| 2015 | 21,686 | 103,478 | 10,789 | 135,953 |
| 2016 | 26,838 | 106,688 | 12,660 | 146,186 |
| 2017 | 32,570 | 115,358 | 14,005 | 161,933 |
| 2018 | 37,832 | 120,215 | 14,536 | 172,583 |
| 2019 | 41,263 | 123,007 | 16,091 | 180,361 |

- Looking at the Beverage Alcohol Market, one needs to remember it is a highly fragmented market.
- Wine consistently has more new labels introduced each year as opposed to Beer and Spirits.
- Not all Beer labels need to be approved by TTB so understates Beer items.
- Possibly 400,000 Beverage Alcohol items available in the US.

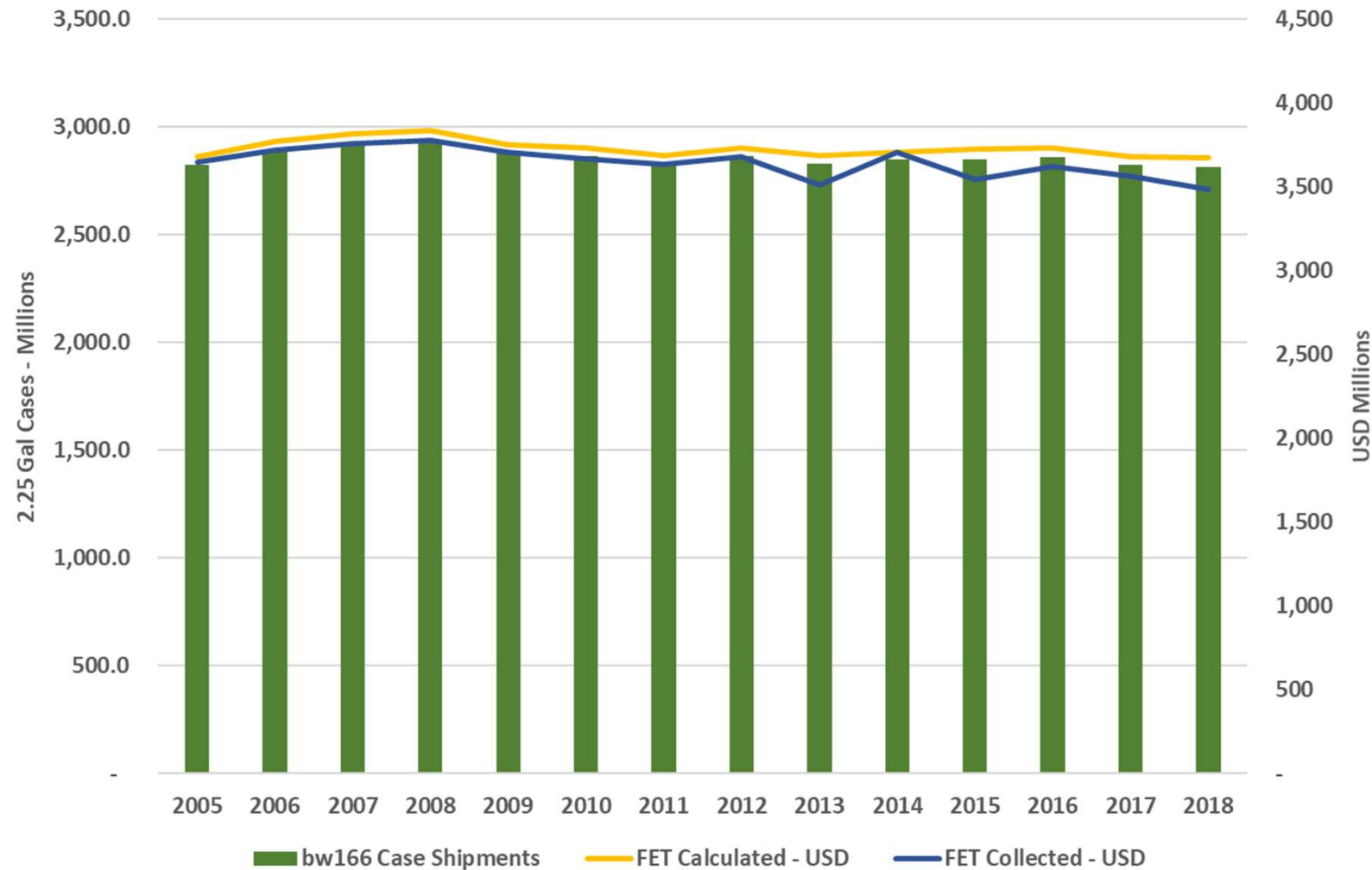
| 2019 Beverage Alcohol Market | | | |
|------------------------------|--------------|--------|----------|
| | 2018 | 2019 | % Change |
| Cases - Millions | | | |
| Beer 2.25 Gal Cases | 2,812 | 2,780 | -1.1% |
| Wine 9L Cases* | 405 | 409 | 1.1% |
| Spirits 9L Cases | 236 | 248 | 5.0% |
| Total Cases | 3,453 | 3,437 | -0.4% |
| bw166 Serving Index | | | |
| Beer | 100.90 | 99.79 | -1.1% |
| Wine** | 157.60 | 158.82 | 0.8% |
| Spirits | 147.79 | 155.08 | 4.9% |
| Total | 121.84 | 123.42 | 1.3% |
| Servings / Case | | | |
| Beer 2.25 Gal Cases | 12 Ounces | 24.00 | |
| Wine 9L Cases* | 5 Ounces | 60.87 | |
| Spirits 9L Cases | 1 1/2 Ounces | 202.89 | |
| * Excludes Cider | | | |
| ** Includes Cider | | | |
| 9L Case = 2.37753 Gals. | | | |

- Forecasts based on available data, January 2020.
- Decline in Beer may be slightly reduced if Hard Seltzer growth accelerates.
- Wine could be negatively impacted by tariffs in December.
- Spirits forecast challenged by delay in TTB data.

| bw166 Comparison of Early Projections to Final Numbers | | | | | |
|-------------------------------------------------------------------------|---------------|-------------|-------------|-------------------|-----------------|
| | Beer | Wine* | Spirits | Consumer Spending | |
| | Bbls Millions | 9L Millions | 9L Millions | USD Billions | Notes |
| CY 2016 | | | | | |
| Projection 1/15/17 | 209.3 | 399.6 | 221.3 | 233.5 | |
| Final Data | 207.6 | 398.2 | 222.3 | 231.5 | |
| CY 2017 | | | | | |
| Projection 1/7/18 | 205.2 | 403.0 | 230.2 | 241.8 | |
| Final Data | 204.9 | 403.7 | 229.1 | 246.3 | (1) |
| CY 2018 | | | | | |
| Projection 1/12/19 | 200.2 | 408.1 | 235.6 | 253.8 | |
| Final Data | 204.1 | 404.6 | 235.9 | 254.9 | (2) (3) (4) (5) |
| CY 2019 | | | | | |
| Projection 1/14/20 | 201.8 | 409.1 | 247.6 | 264.3 | |
| Notes: | | | | | |
| (1) Final consumer spending impacted by major Commerce Dept restatement | | | | | |
| (2) 2018 Projections complicated by Craft Beverage Modernization Act | | | | | |
| (3) Beer - 12 Mos Feb 2019 = 202.8 (Timing of Shipments) | | | | | |
| (4) Wine - 12 Mos Feb 2019 = 407.7 (Timing of Shipments) | | | | | |
| (5) Still waiting for final 2018 spirits data from TTB | | | | | |
| * Wine excludes cider | | | | | |

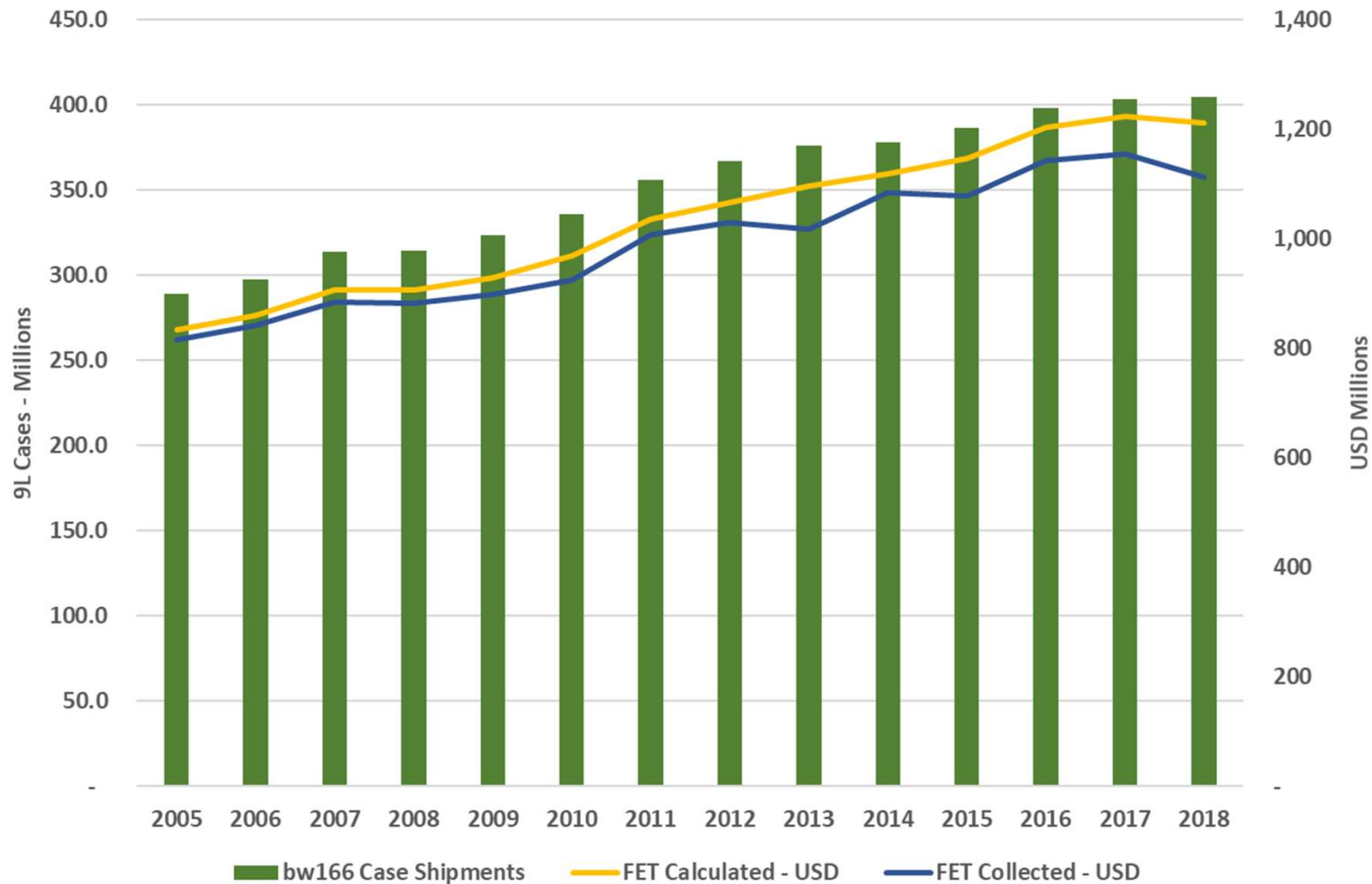
- Recent January forecasts have been good estimates of final market data.
- 2018 forecasts impacted by Craft Beverage Modernization Act. (note: Dec 2018 vs Feb 2019)

Beer Federal Excise Tax



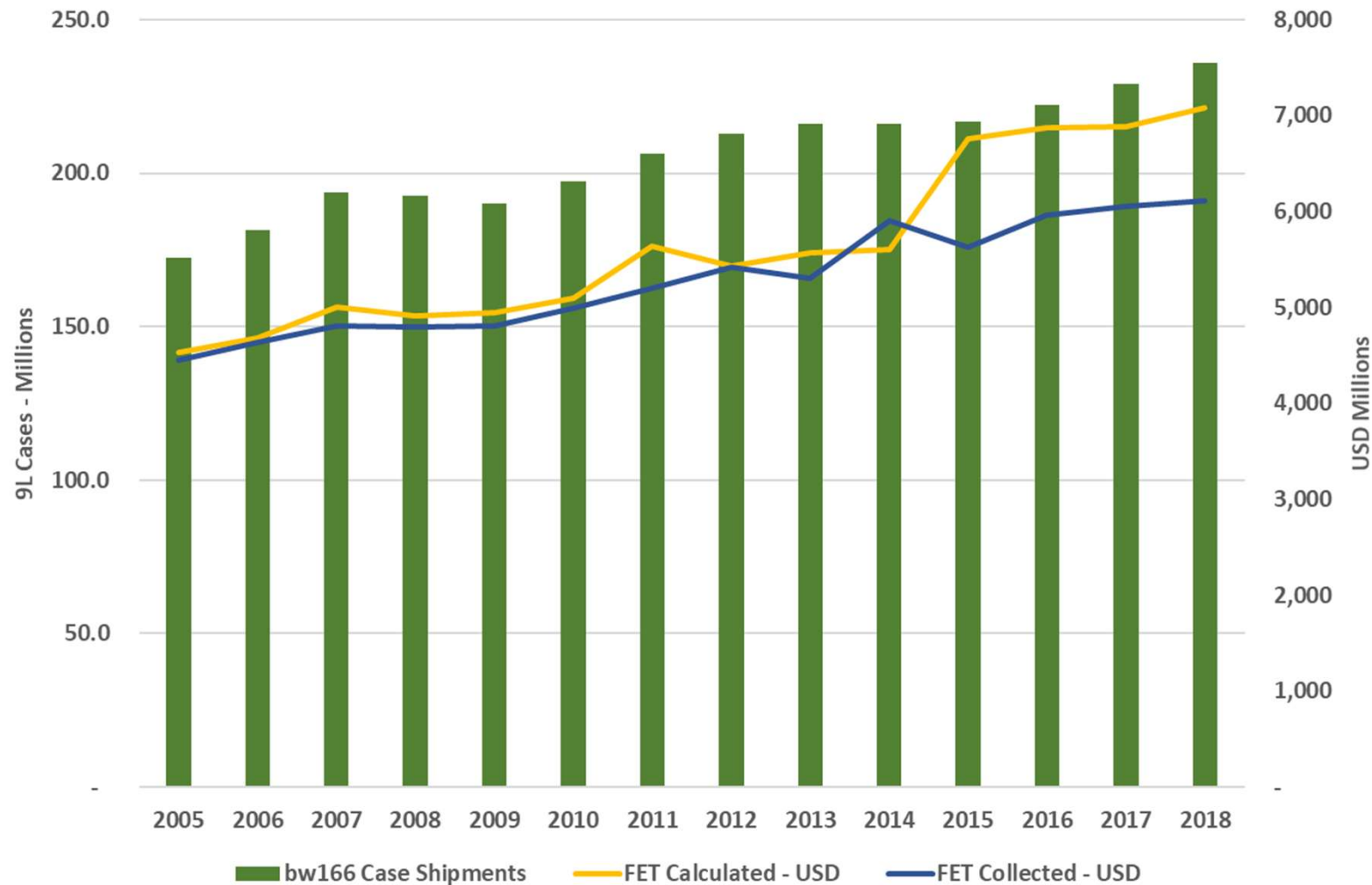
- bw166 market measurement uses tax paid shipments entering the market.
- Variance of Calculated FET vs. actual due to small producer credit.
- Larger variance in 2018 due to Craft Beverage Modernization Act.

Wine Federal Excise Tax



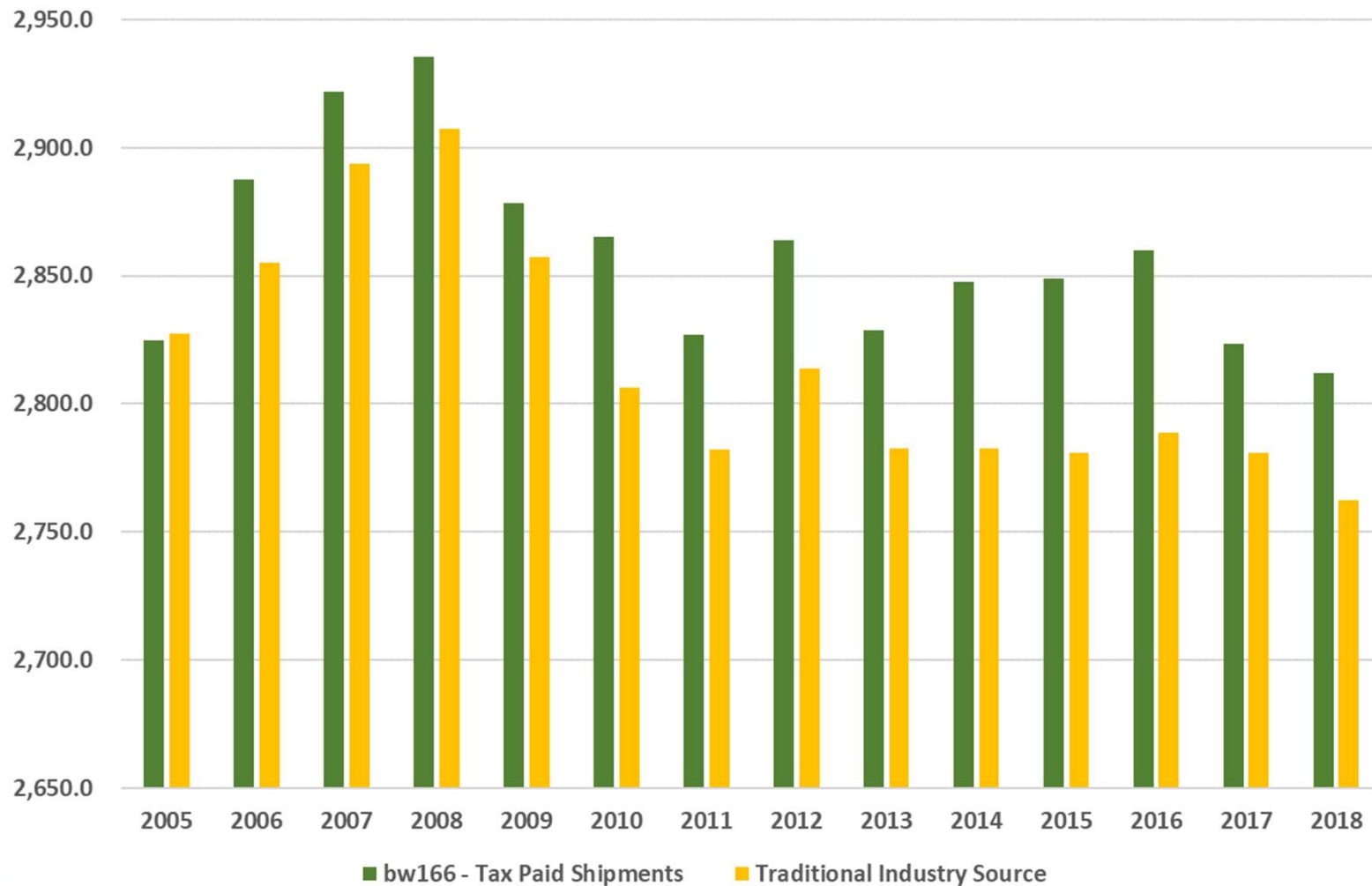
- bw166 market measurement uses tax paid shipments entering the market.
- Variance of Calculated FET vs. actual due to small producer credit.
- Larger variance in 2018 due to Craft Beverage Modernization Act.

Spirits Federal Excise Tax



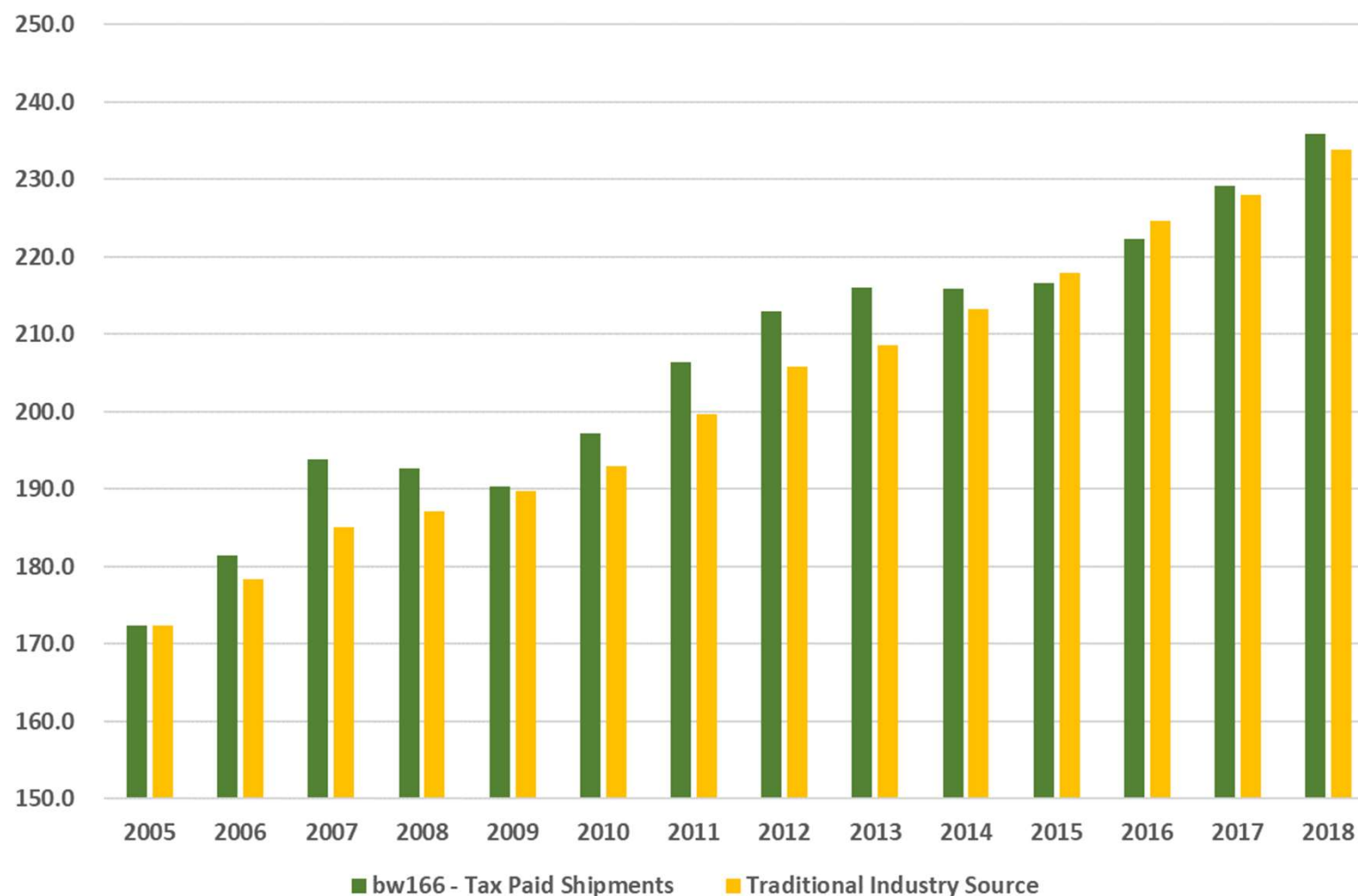
- bw166 market measurement uses tax paid shipments entering the market.
- Variance of Calculated FET vs. actual due to 5010 tax credit. Significant increase in Canadian bulk since 2015

US Beer Market (2.25 Gal Cases- Millions)



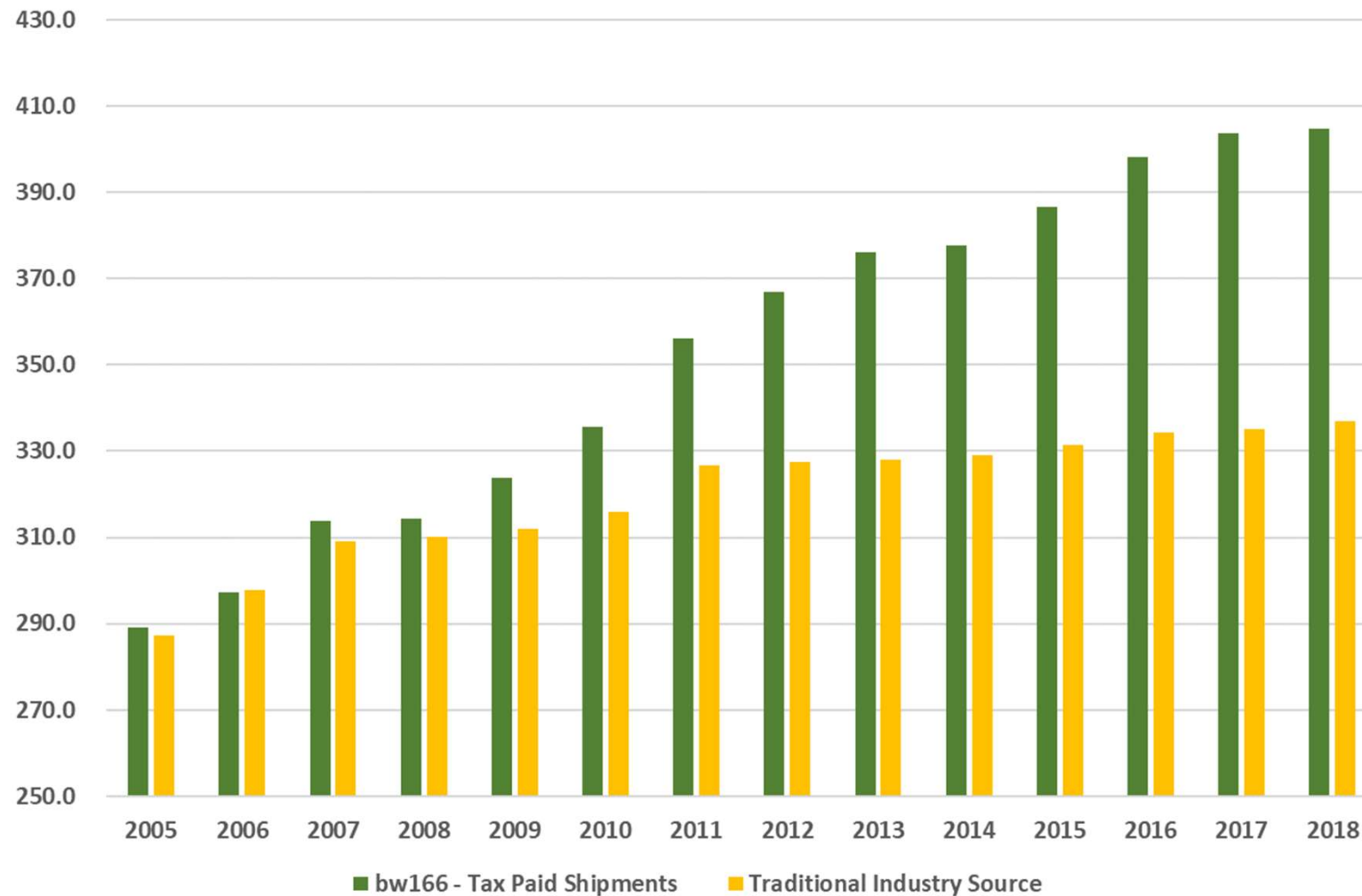
- Traditional industry sources often estimate depletions or consumer consumption.
- Tax Paid Shipments relative to the traditional industry sources for beer are similar in trends.
- bw166 CAGR = -0.03%
- Trad. CAGR = -0.18%

US Spirits Market (9L Cases- Millions)



- Traditional industry sources often estimate depletions or consumer consumption.
- Tax Paid Shipments relative to the traditional industry sources for Spirits have similar trends.
- bw166 CAGR = 2.44%
- Trad. CAGR = 2.37%

US Wine Market (9L Cases- Millions)



- Traditional industry sources often estimate depletions or consumer consumption.
- Tax Paid Shipments relative to the traditional industry sources for wine have diverged dramatically.
- Many Traditional Industry Sources are understating the size of the US Wine Market.
- bw166 CAGR = 2.62%
- Trad. CAGR = 1.23%
- Chart data for bw166 specifically excludes Cider.

| Total US vs. State Level Tax Paid data | | | | |
|----------------------------------------|---------|---------|---------|---------|
| | 2015 | 2016 | 2017 | 2018 |
| Total US Cases | | | | |
| Beer - 2.25 Gal | 2,848.9 | 2,859.9 | 2,823.6 | 2,812.0 |
| Wine - 9L | 386.6 | 398.2 | 403.7 | 404.6 |
| Spirits - 9L | 216.6 | 222.3 | 229.1 | 235.9 |
| Total | 3,452.1 | 3,480.4 | 3,456.4 | 3,452.5 |
| State Level Data Cases | | | | |
| Beer - 2.25 Gal | 2,875.3 | 2,885.4 | 2,858.8 | 2,815.0 |
| Wine - 9L | 380.8 | 387.9 | 395.2 | 398.7 |
| Spirits - 9L | 222.1 | 228.1 | 234.7 | 238.6 |
| Total | 3,478.2 | 3,501.4 | 3,488.7 | 3,452.3 |
| Total US vs State Totals | | | | |
| Beer | 99.1% | 99.1% | 98.8% | 99.9% |
| Wine | 101.5% | 102.7% | 102.1% | 101.5% |
| Spirits | 97.5% | 97.5% | 97.6% | 98.9% |
| Total | 99.2% | 99.4% | 99.1% | 100.0% |

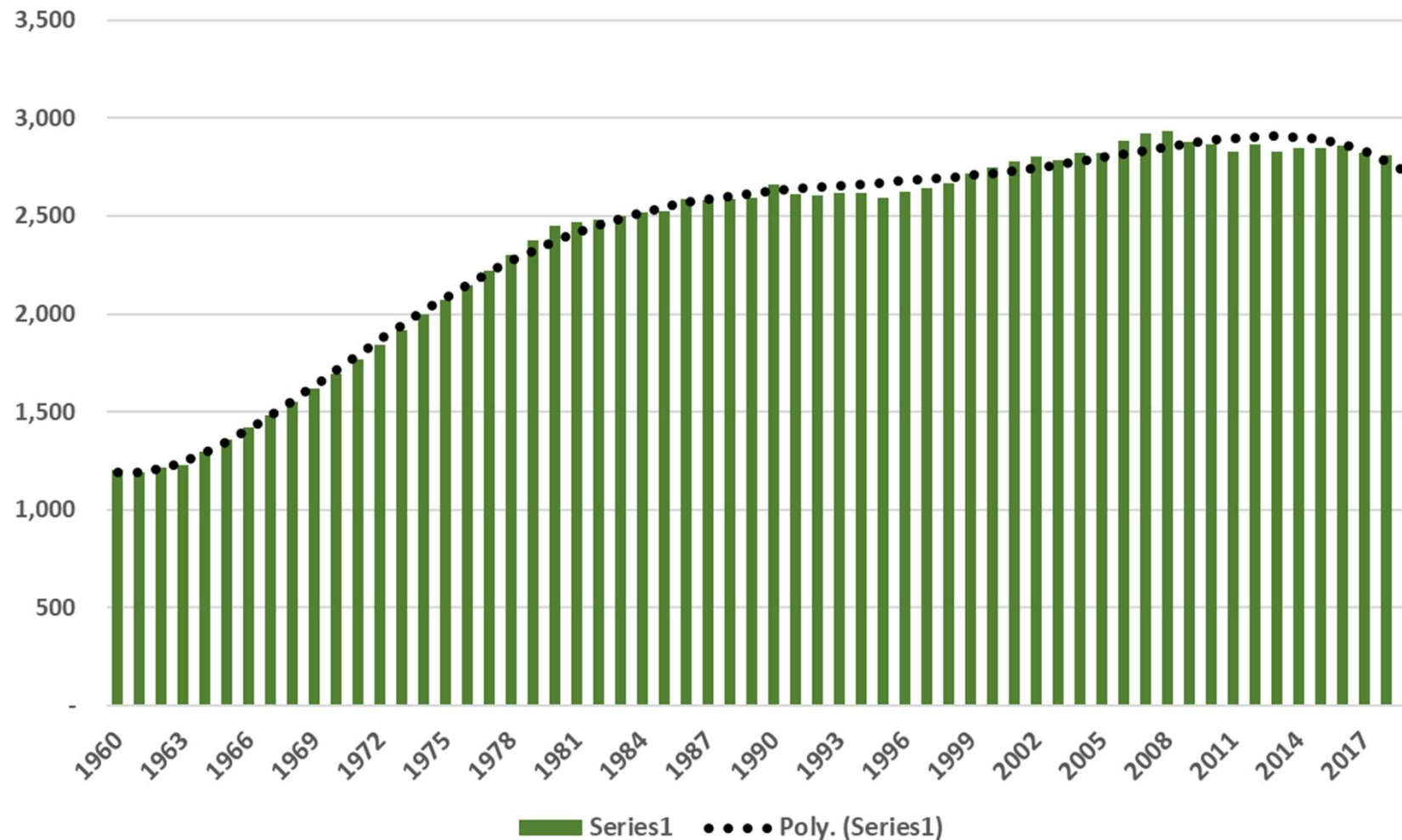
- bw166 has been working on a project of comparing national tax paid volumes to cumulative state level tax paid data over time.
- The project is over 90% complete. Finalizing accurate data for a few states and validating certain tax classes.
- Results to date are consistent with national data.
- Confident that tax paid shipments give the best view of overall market trends.

| 2019 US Wine Market - Cases Millions | | | |
|--------------------------------------|-------|-------|--------|
| | 2018 | 2019 | Change |
| Total Market | 404.6 | 409.1 | 4.5 |
| Components of Change | | | |
| Domestic Still Wines | | | 1.4 |
| Domestic Sparkling Wines | | | 0.2 |
| Domestic Sangria / Coolers/ Other | | | (1.2) |
| Bulk Imports Bottled in US | | | (1.5) |
| Imported Still Wines | | | 0.7 |
| Imported Sparkling Wines | | | 1.7 |
| Imported Sangria / Coolers / Other | | | 3.1 |
| Total Change* | | | 4.4 |
| * Variance due to Rounding | | | |

- Another year of slow growth.
- Growth driven by Imports
- Wine has been gaining share of Beverage Alcohol but growth has slowed to overall Beverage Alcohol trend.
- Will address growth trends in next section of Long Term Trends.

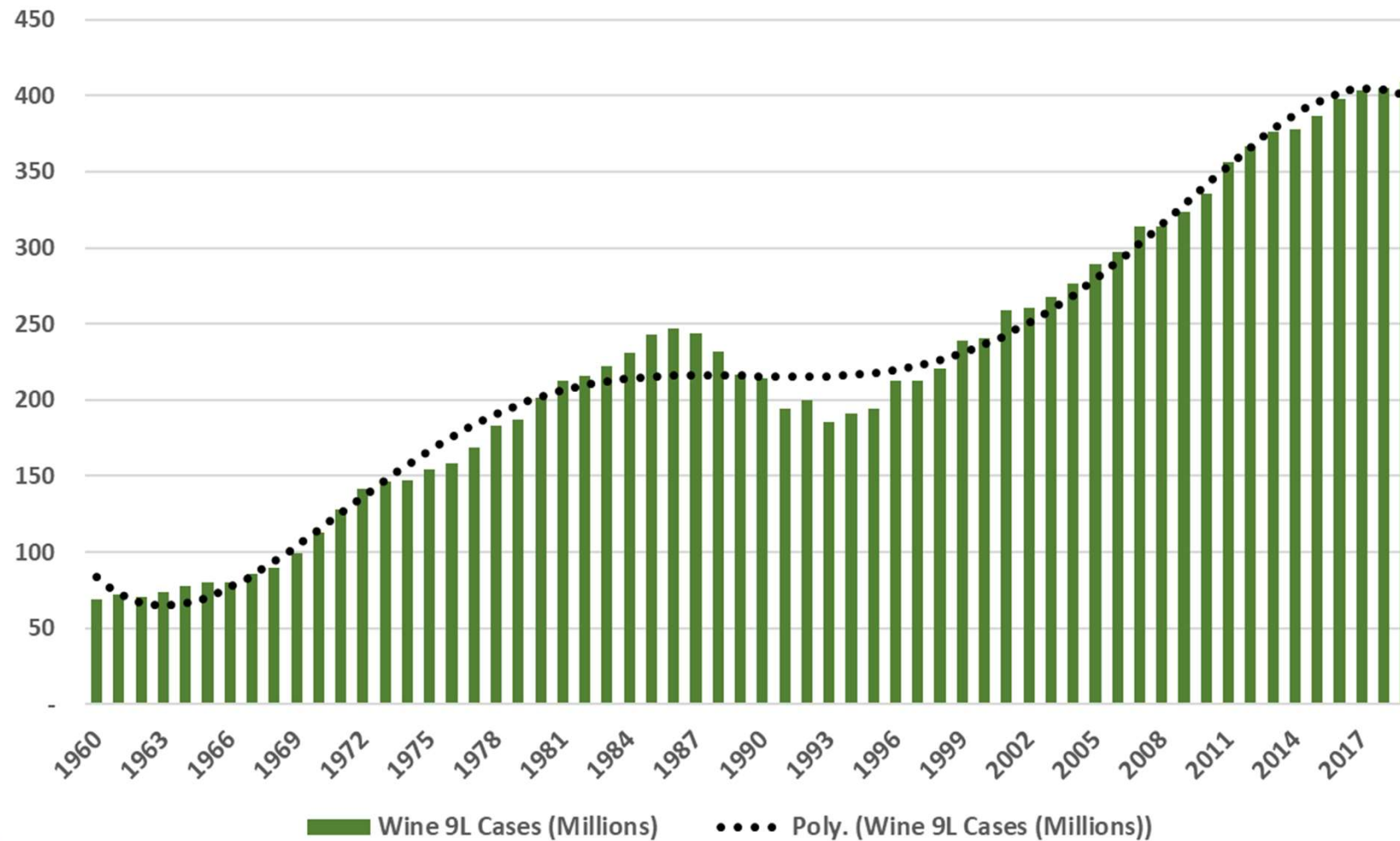
Long Term Trends in Beverage Alcohol

Beer 2.25 Gal. Cases (Millions)



- Beer saw growth from 1960 to 1990.
- Somewhat slower growth from 1990 to 2008.
- Since 2008 flat to decline.
- The past few years has seen a slow decline, even with new products such as Hard Seltzers.

Wine 9L Cases (Millions)



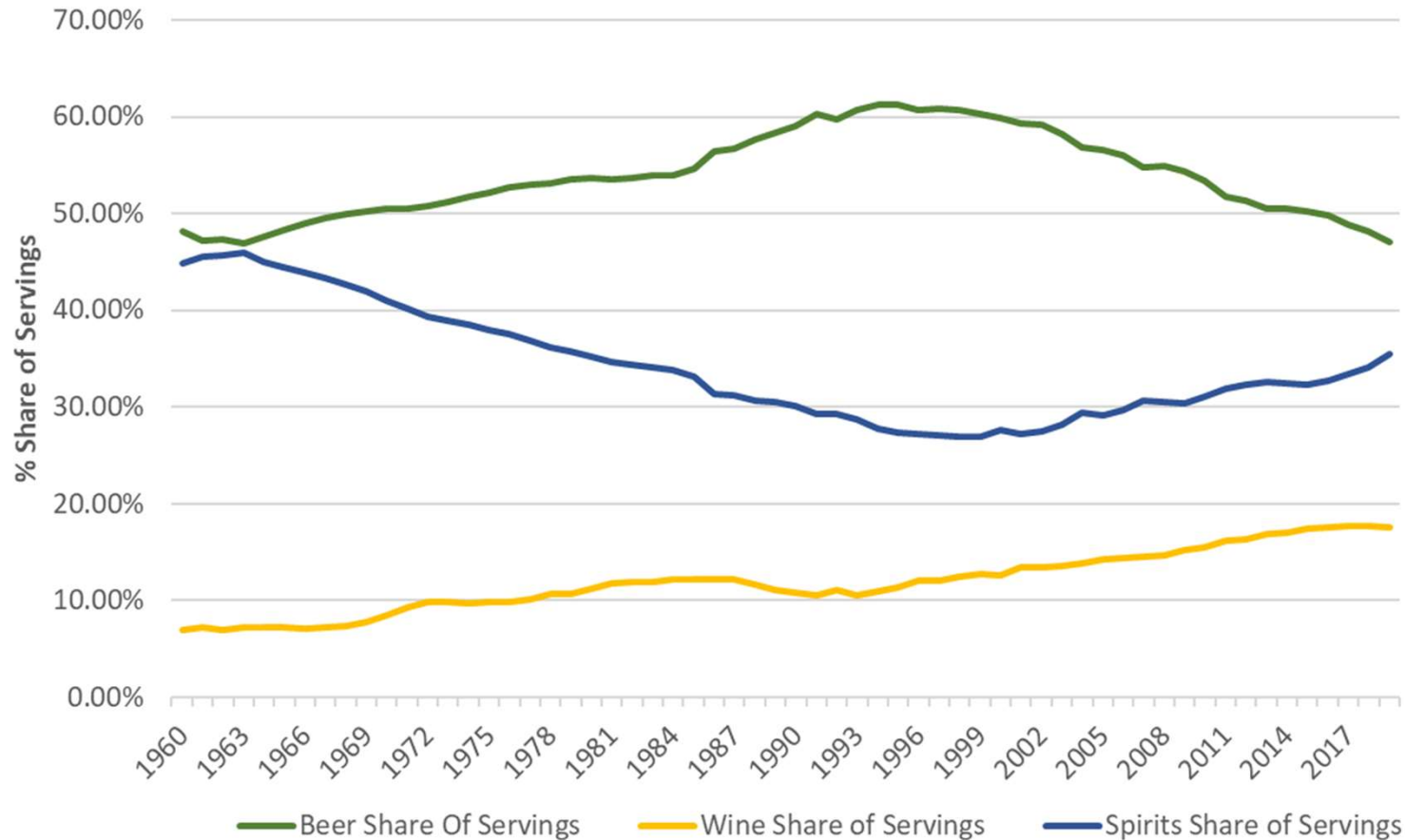
- Most people do not remember but wine was in decline from the mid 1980's to 1993.
- Wine experienced strong growth for 25 years but that growth has slowed.

Spirits 9L Cases (Millions)



- Spirits were in decline from 1980 to 1996.
- The category has been seeing fairly steady growth since then.
- This is the segment that consumers are migrating towards.

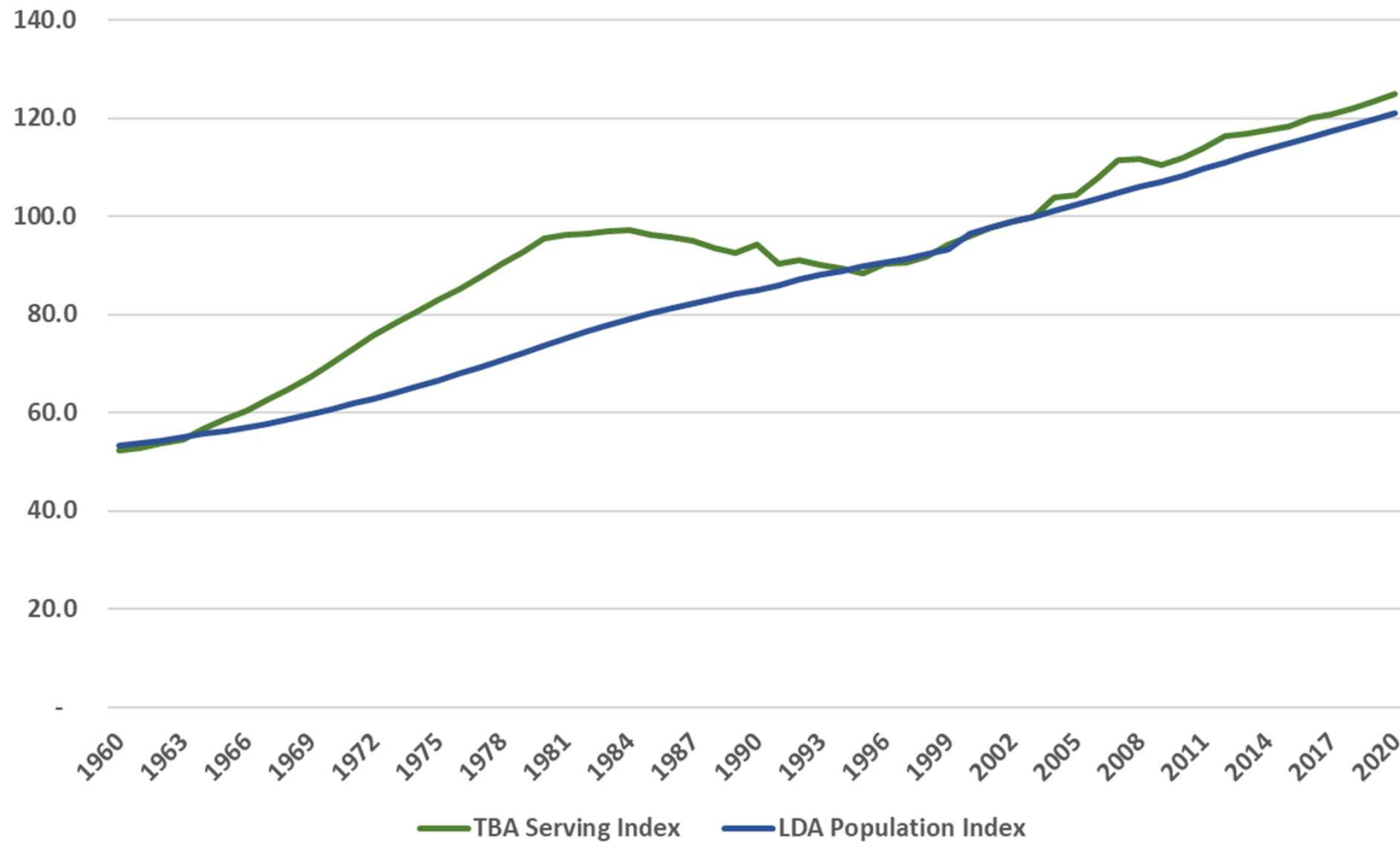
Share of Servings



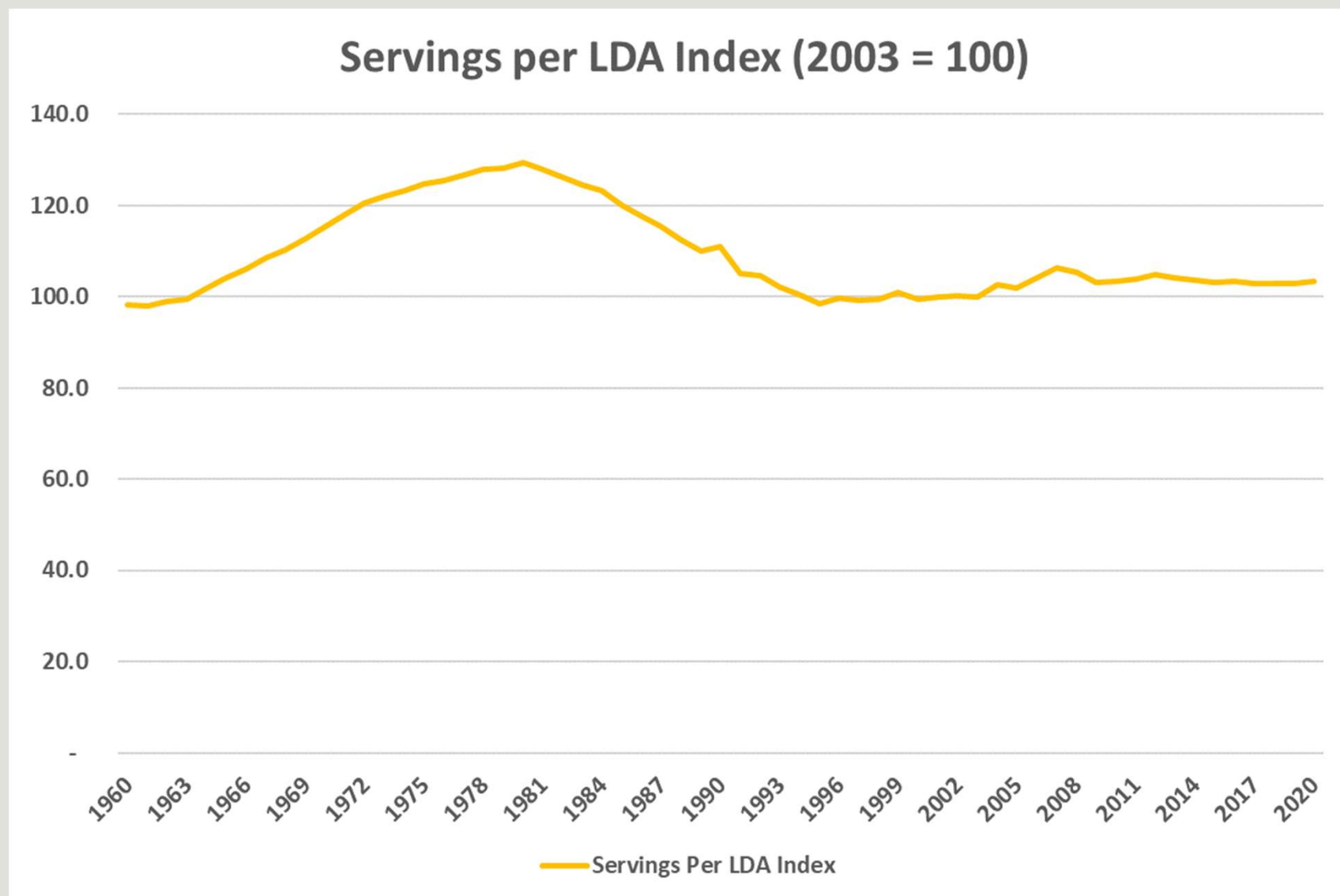
Source: US Commerce Department

- Beer has been losing share of servings since the mid 1990's. One serving = 12 ounces.
- Wine began to grow share of servings in the 1993 but these gains have slowed in the last few years. One serving = 5 ounces.
- Spirits began to grow share in 2000 and these share gains continue. One serving = 1.5 ounces.

bw166 Indices (2003 = 100)



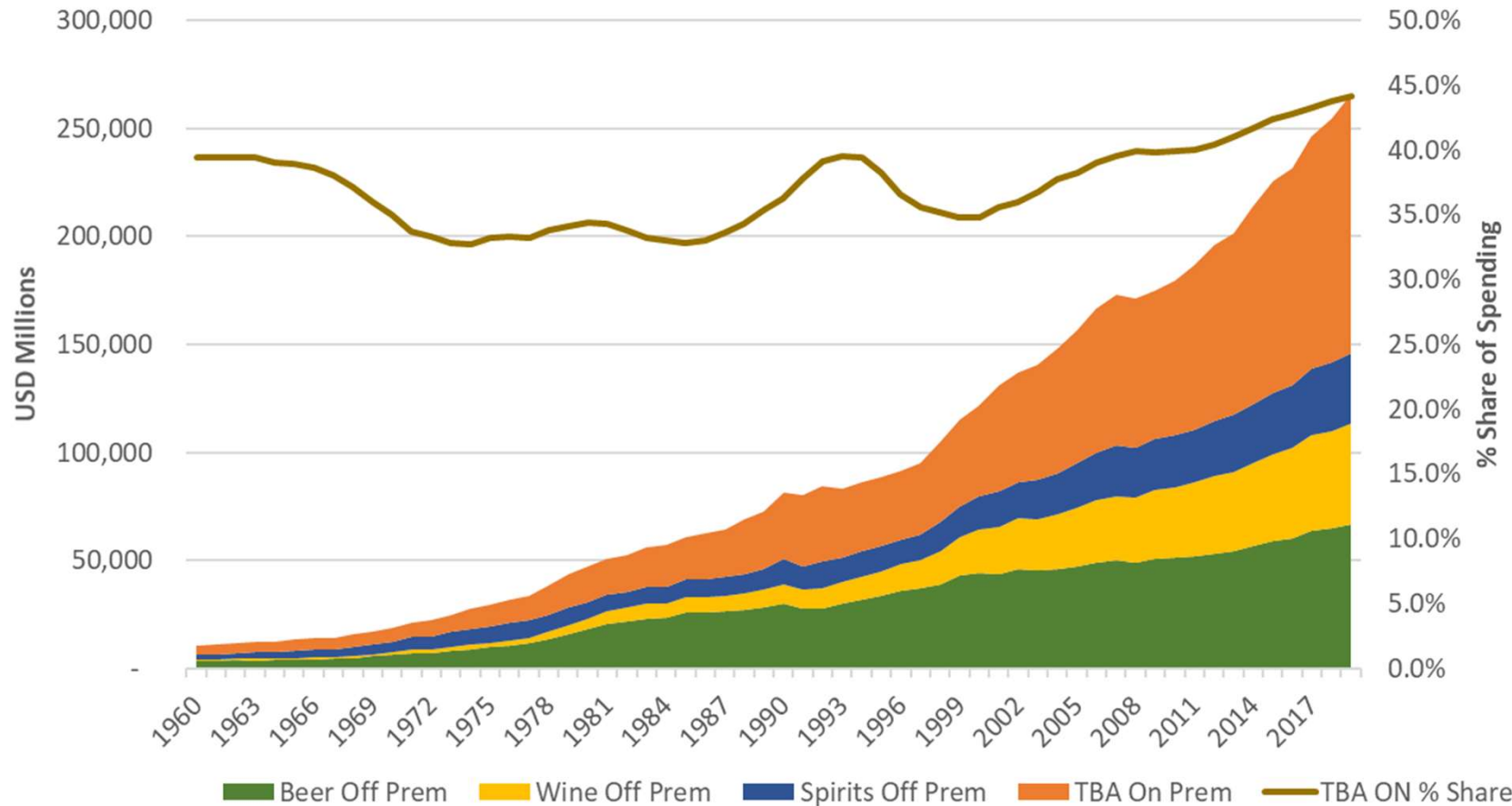
- To easily compare different data sets, bw166 uses indices.
- This chart compares growth in servings over time versus Legal Drinking Age population.
- The trends have mirrored each other for 25 years.



| CAGR - Compound Annual Growth Rates | | |
|-------------------------------------|----------|------------|
| Years | Servings | Population |
| 25 | 1.30% | 1.20% |
| 20 | 1.36% | 1.26% |
| 15 | 1.16% | 1.13% |
| 10 | 1.11% | 1.12% |
| 5 | 0.96% | 1.07% |

- Consumption per capita has been flat for 25 years.
- Societal impacts can be seen from 1964 to 1995.
- Some surveys indicate a move away from alcohol but serving figures do not bear this out.
- Approximately 30% of LDA do not drink alcohol.

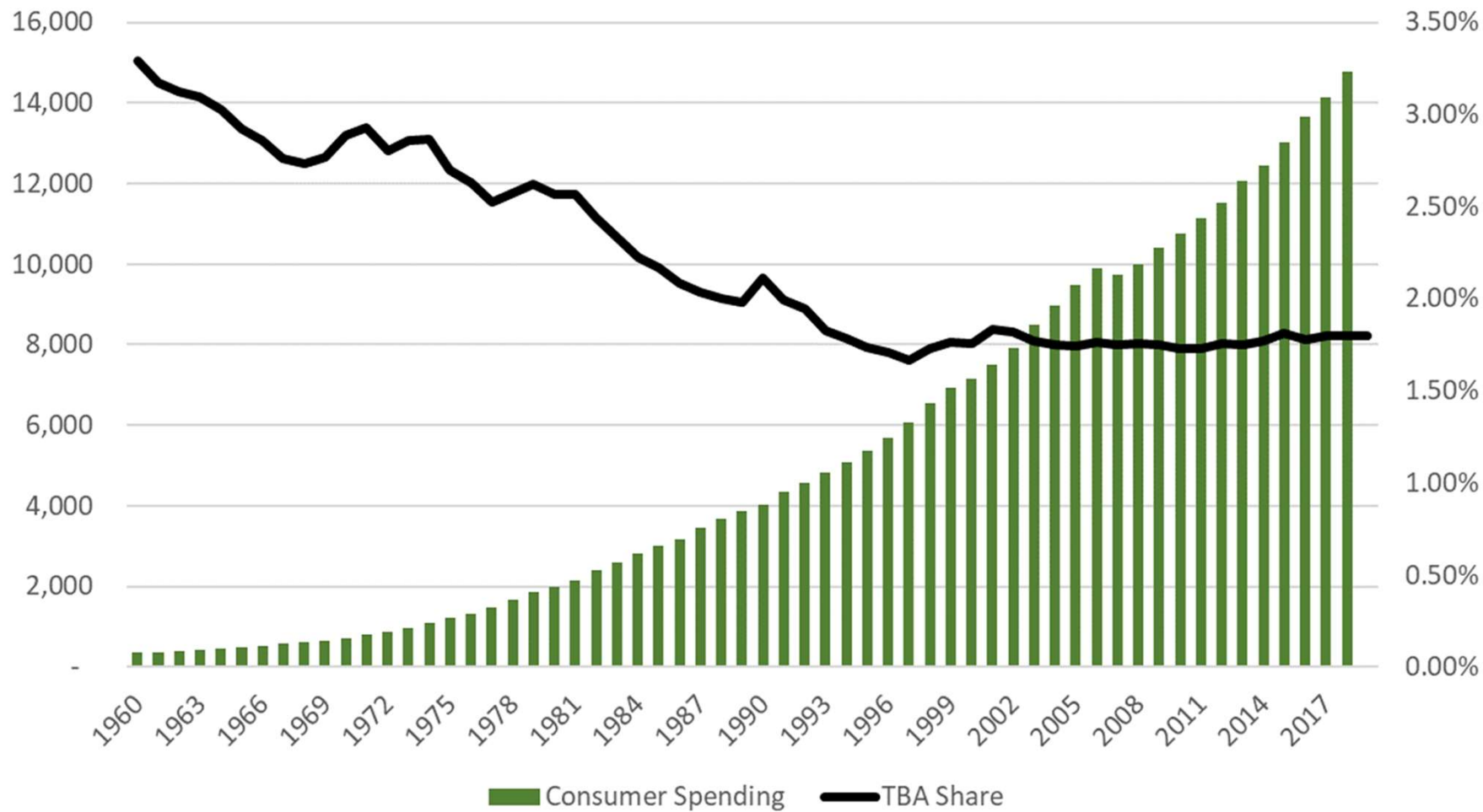
U.S. Consumer Expenditures Beverage Alcohol



Source: US Commerce Department

- Unlike servings, consumer expenditures on Beverage Alcohol have been consistently growing since 1960.
- All categories have been growing.
- Over the last 20 years consumers have been shifting more of their spend to the On- Premise.

US Consumer Expenditures (USD Billions)



Consumer expenditures on Beverage Alcohol has held steady at 1.8% of all consumer spending for 20 years.