

svb



Silicon Valley Bank



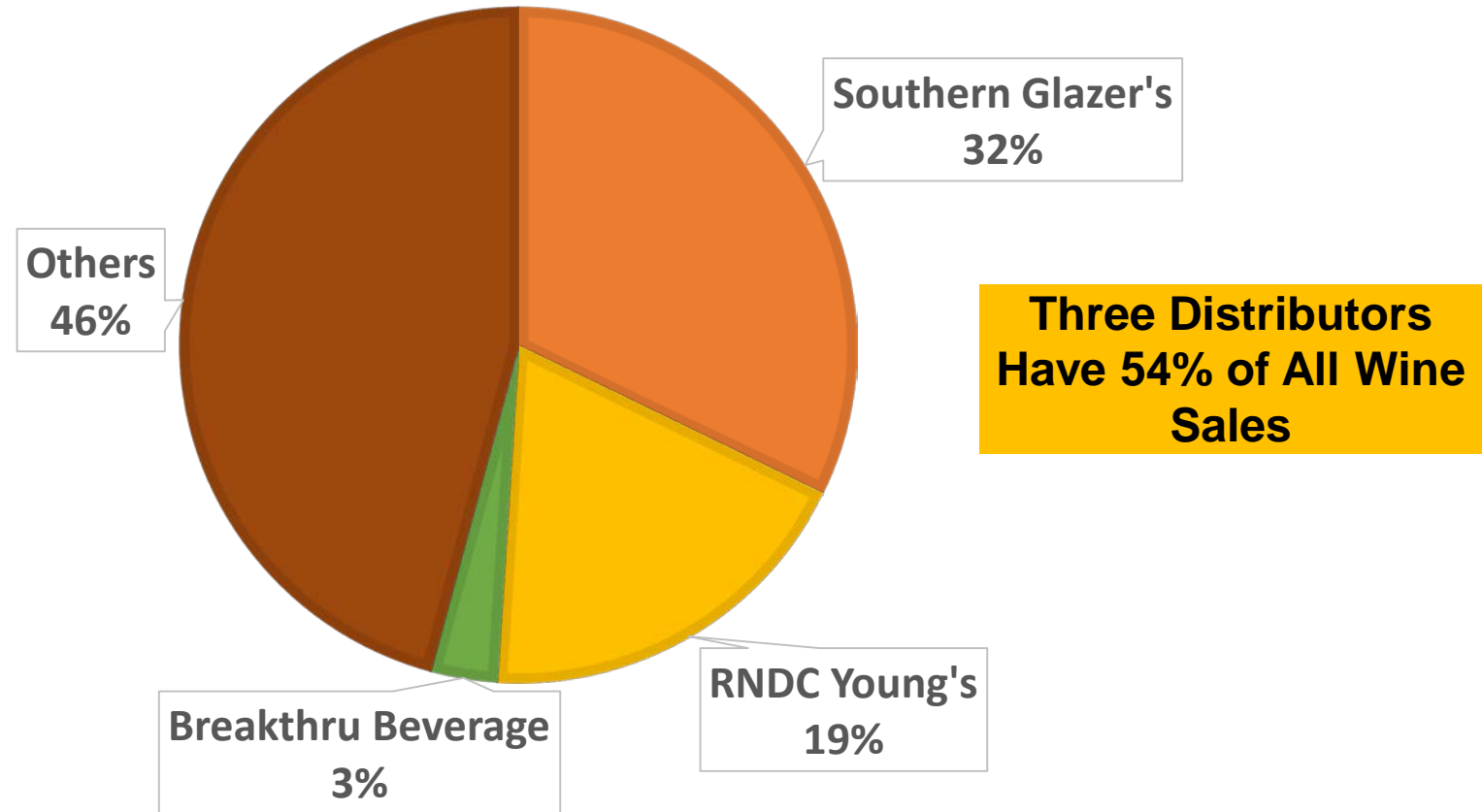
NAPA COUNTY
CALIFORNIA

2019 Wine Industry Evolution

Rob McMillan
EVP & Founder,
Silicon Valley Bank Wine Division



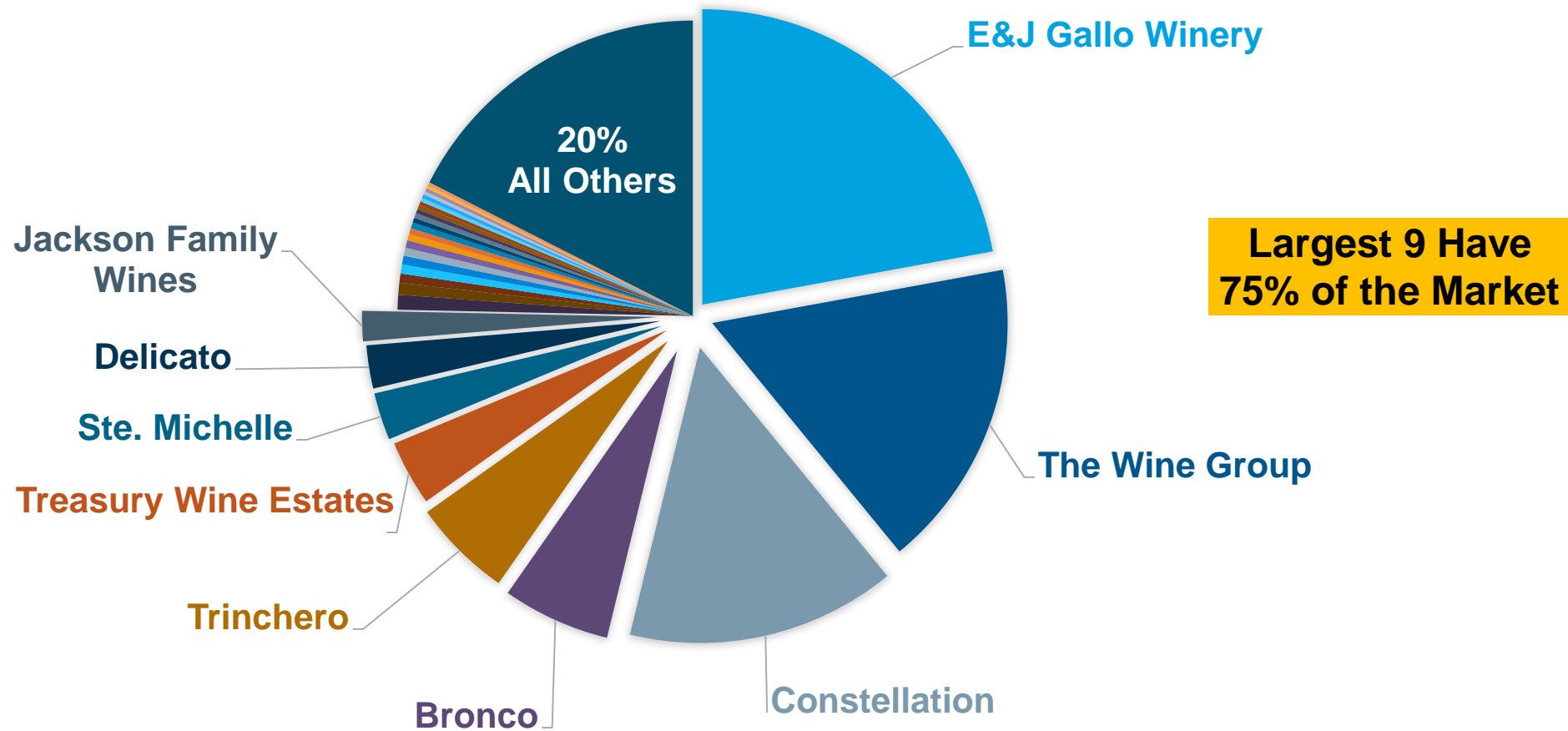
Current Distributor Share of US Market



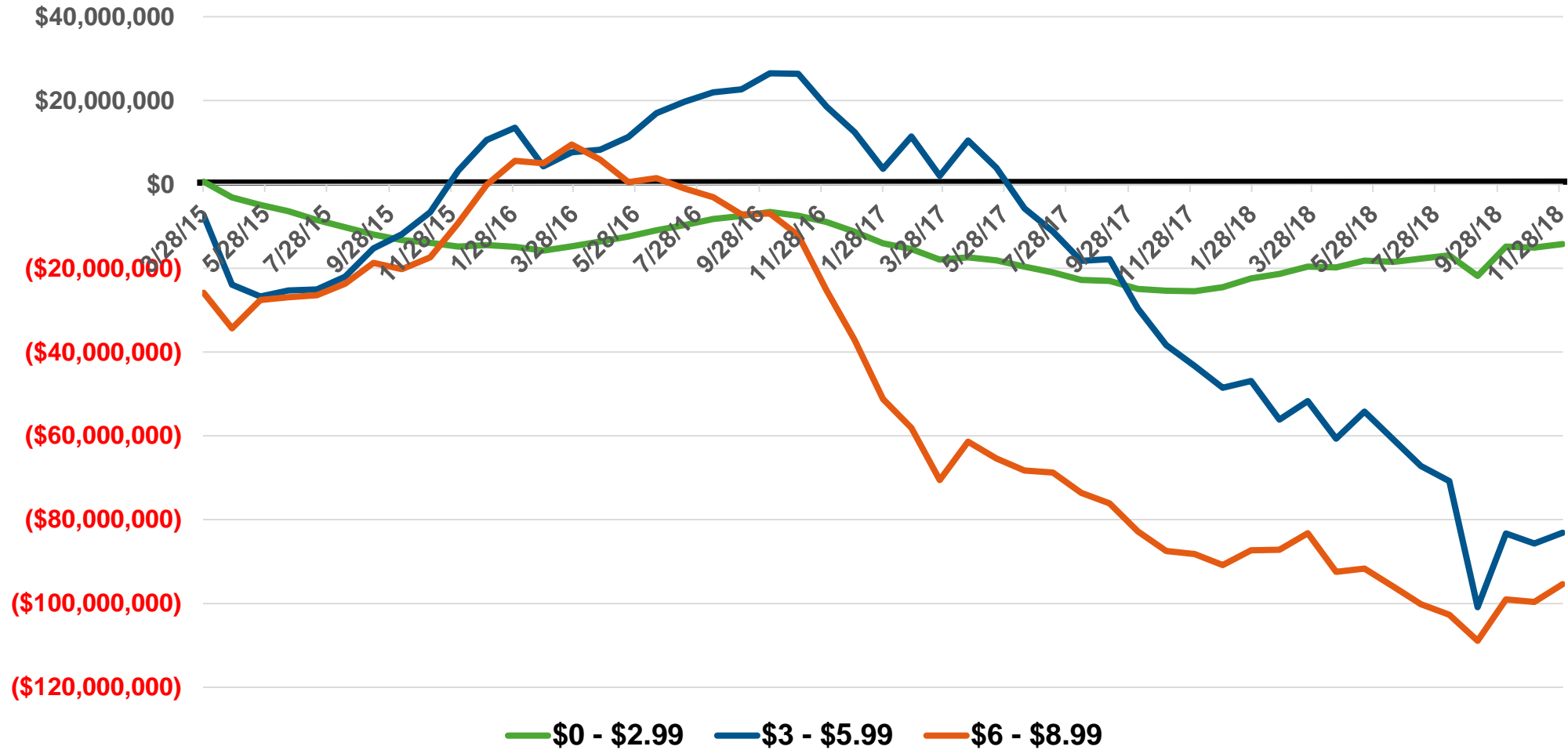
Source: Silicon Valley Bank

Current Market Share of US Wineries

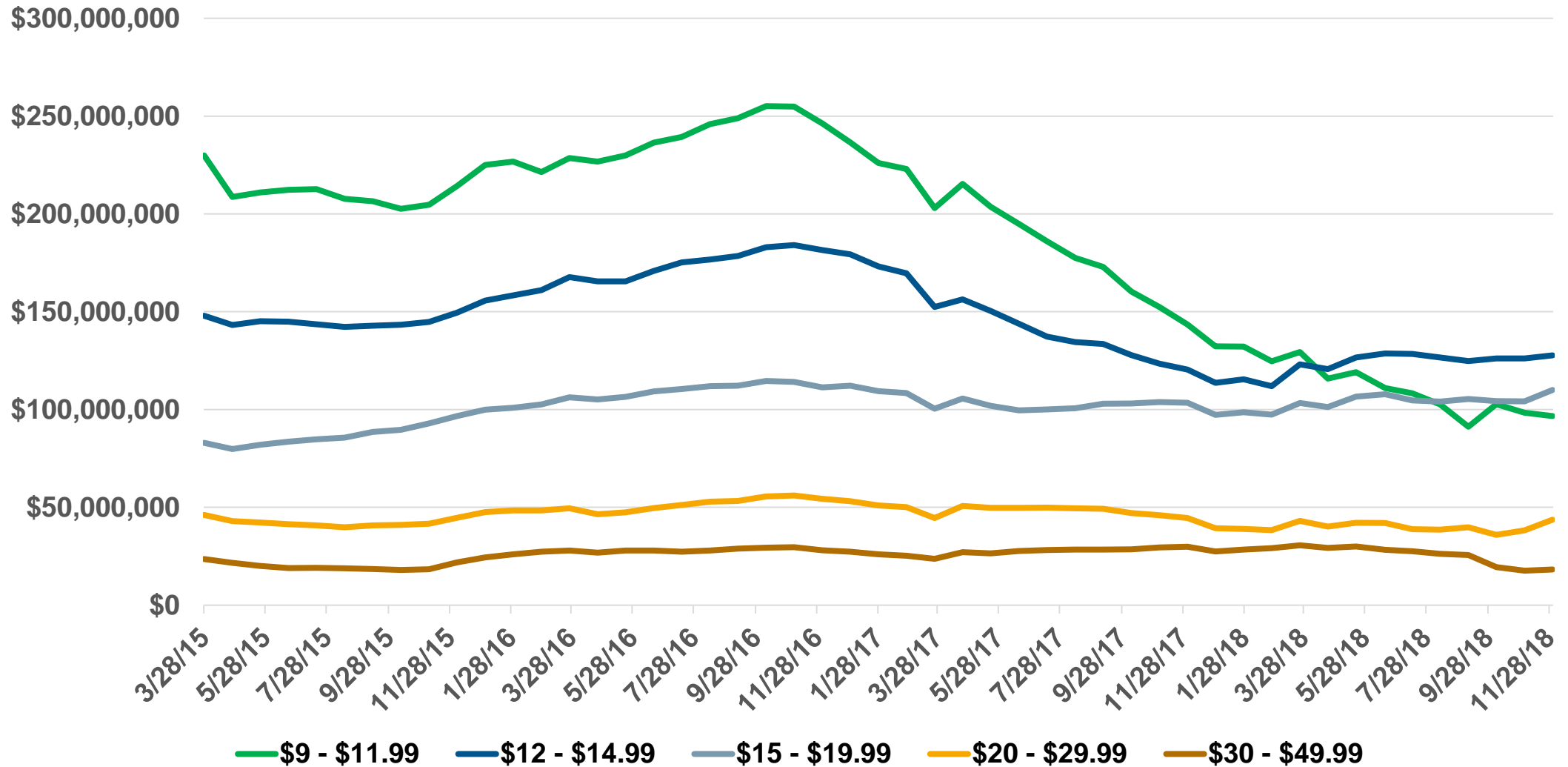
Largest 19 Have 80% of the Market



Grocery Sales of Wine Below \$9.00: Negative Growth

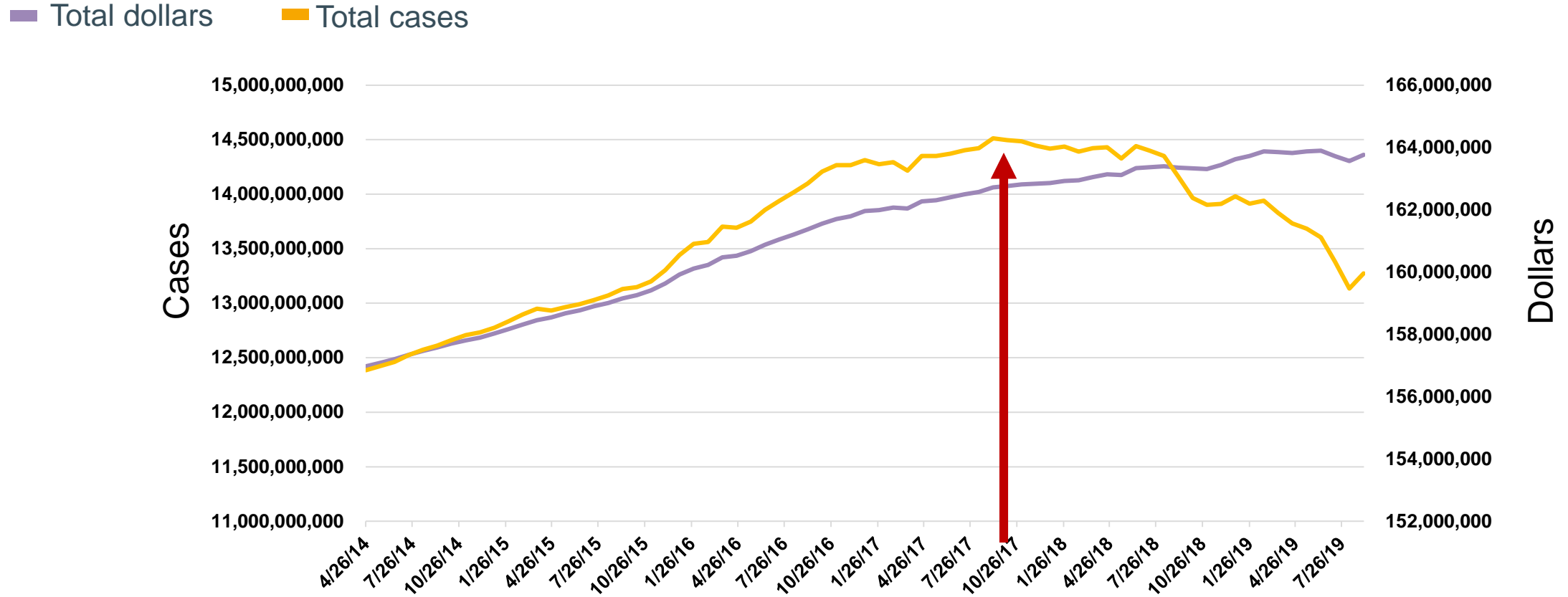


Grocery Sales of Wine Above \$9.00: Positive But Slowing



Total US Grocery Wine Sales to Sept. 2019

Negative Volume Starts in 2018. First Time Since 1993

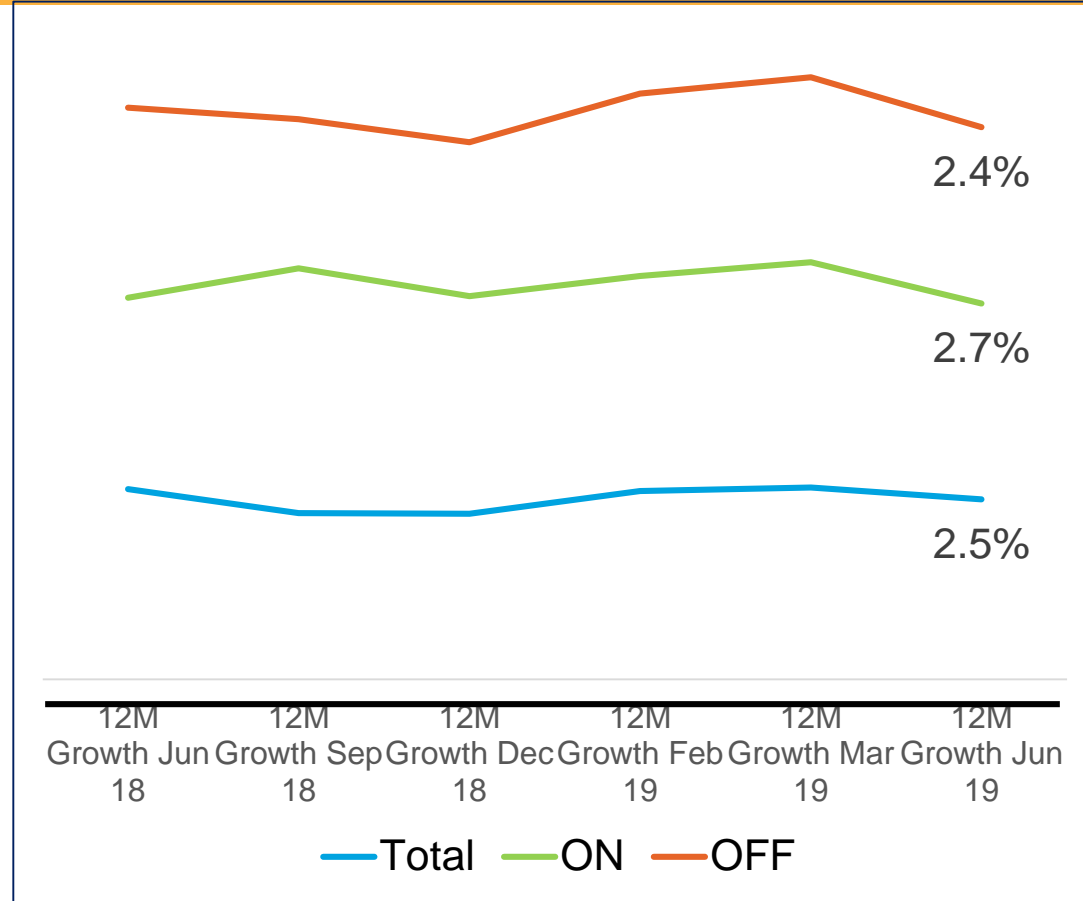


Source: Nielsen Beverage

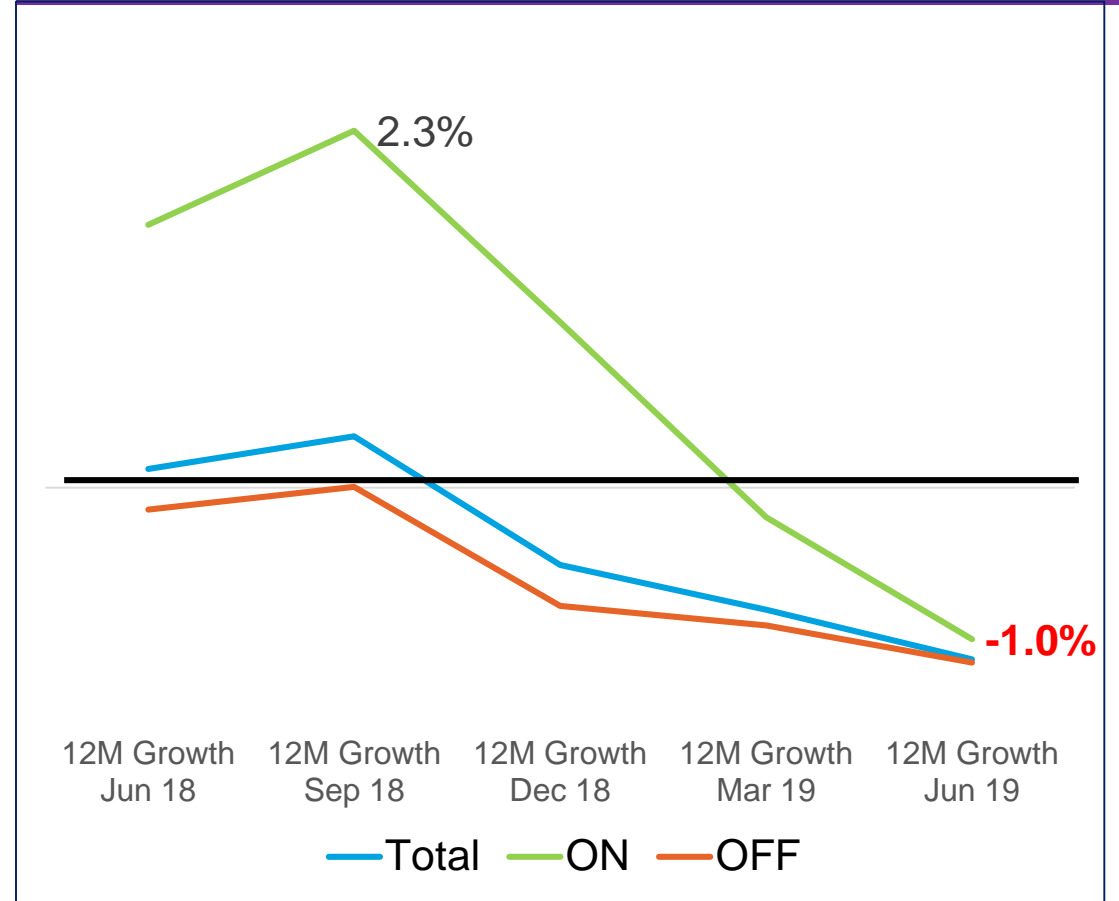
Spirits Are Still Growing

Wine Growth Below Zero in Restaurants Too

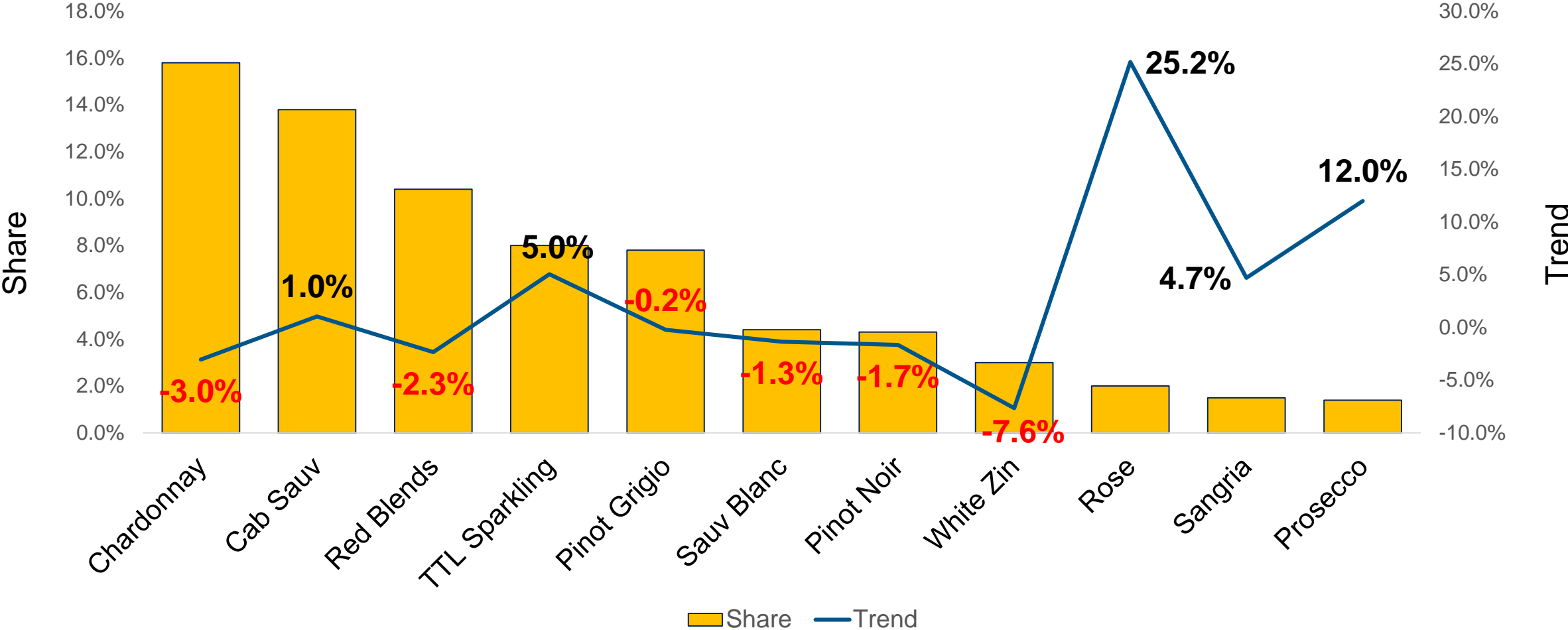
Volume Spirits Growth



Volume Wine Growth



Varietal Consumption Changes (Volume)

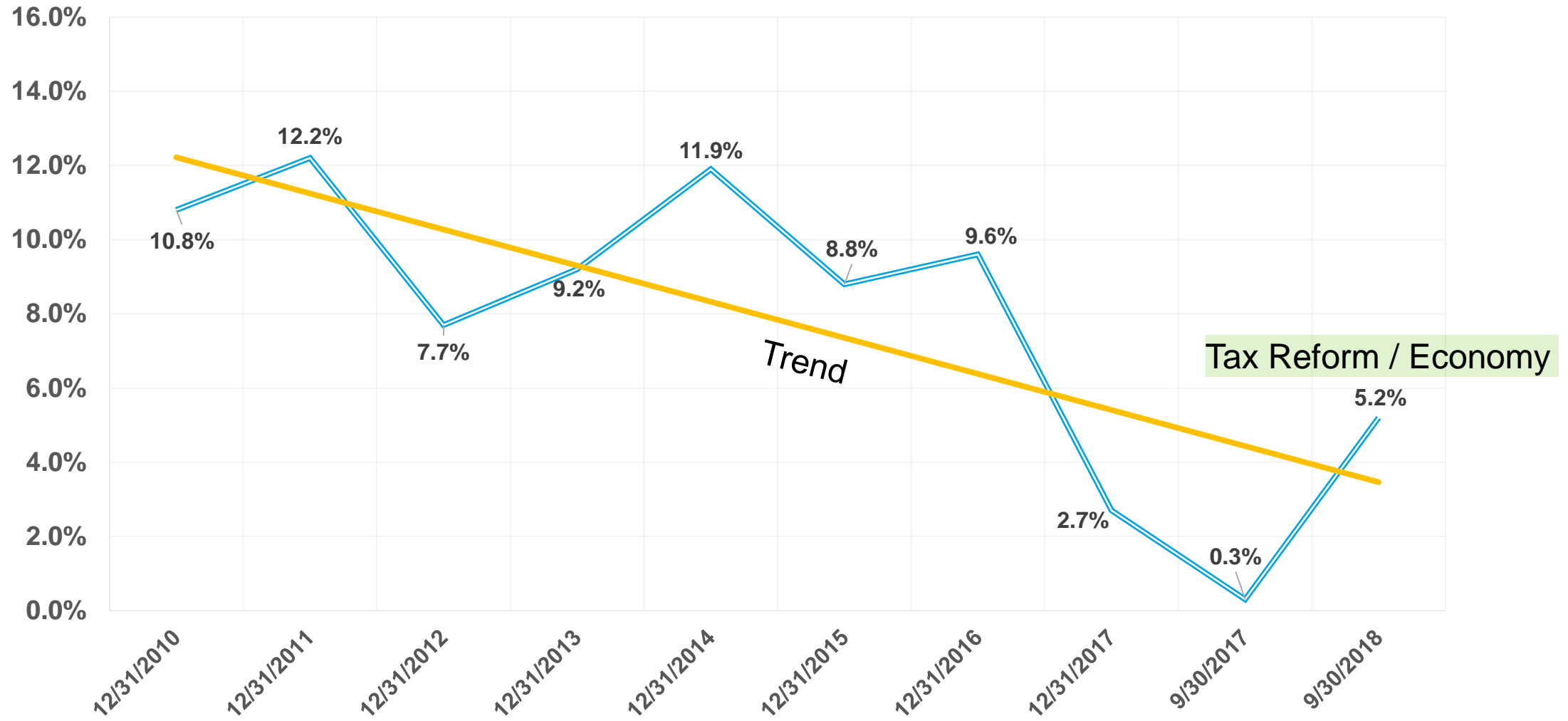


*Share based on 12/2018 Data



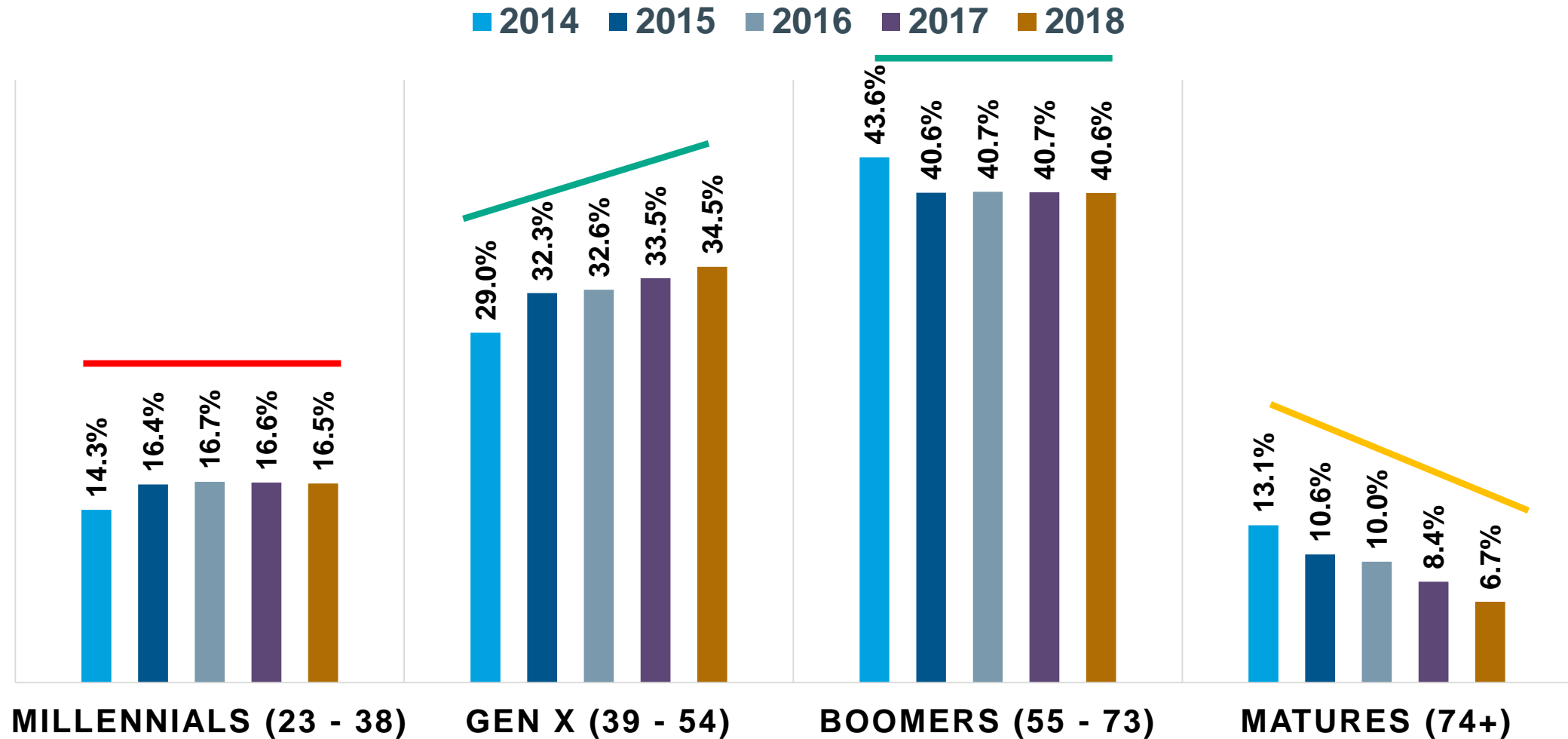
But Smaller Craft Wineries Have Modest Sales Growth

Premium Wine Is A Bright Spot



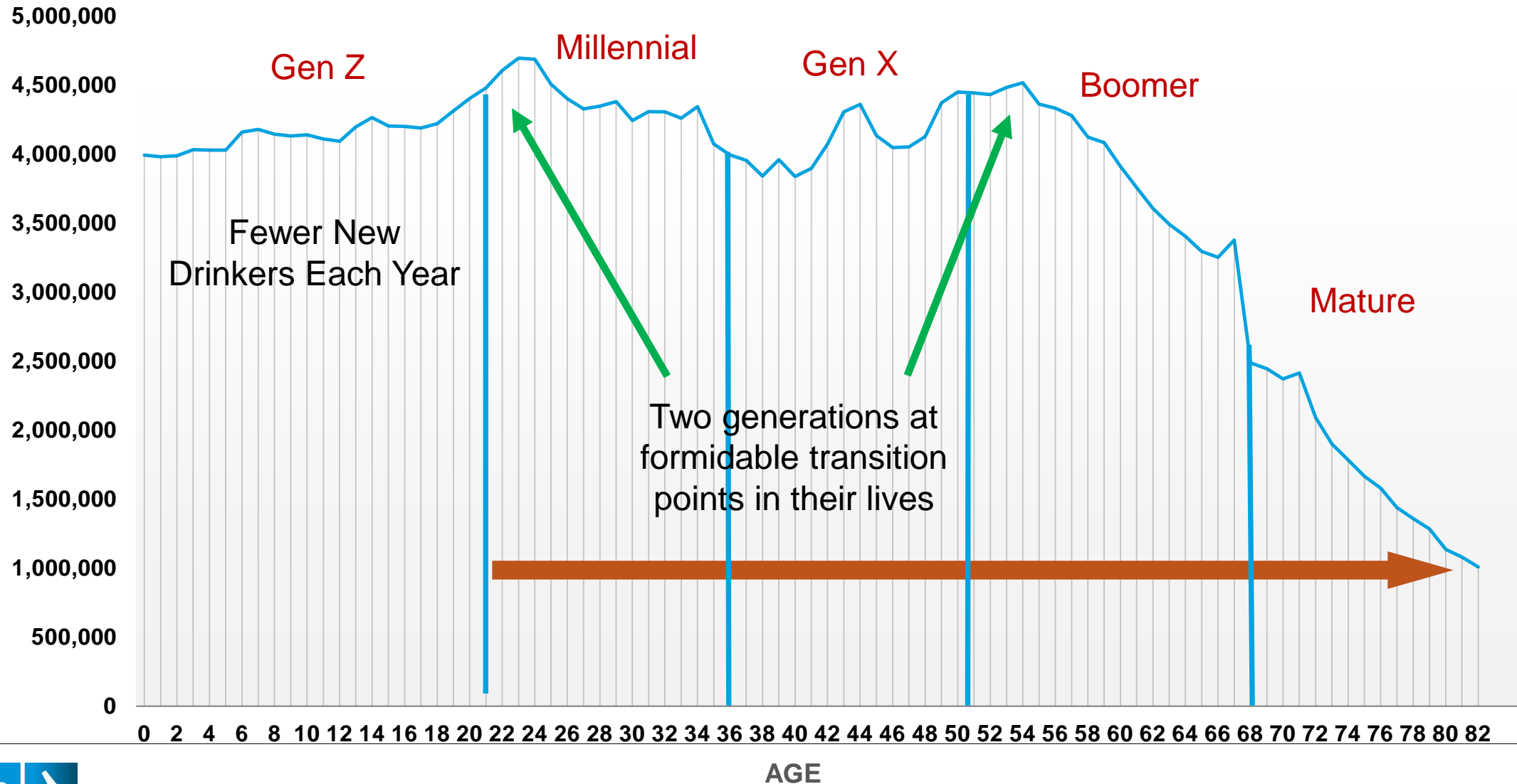
Cracks in the DtC Wall – Cohort Consumption

The Missing Millennial



U.S. Population by Age – 2018

Spike In Millennials Next Ten Years. Boomers Retiring on Fixed Incomes

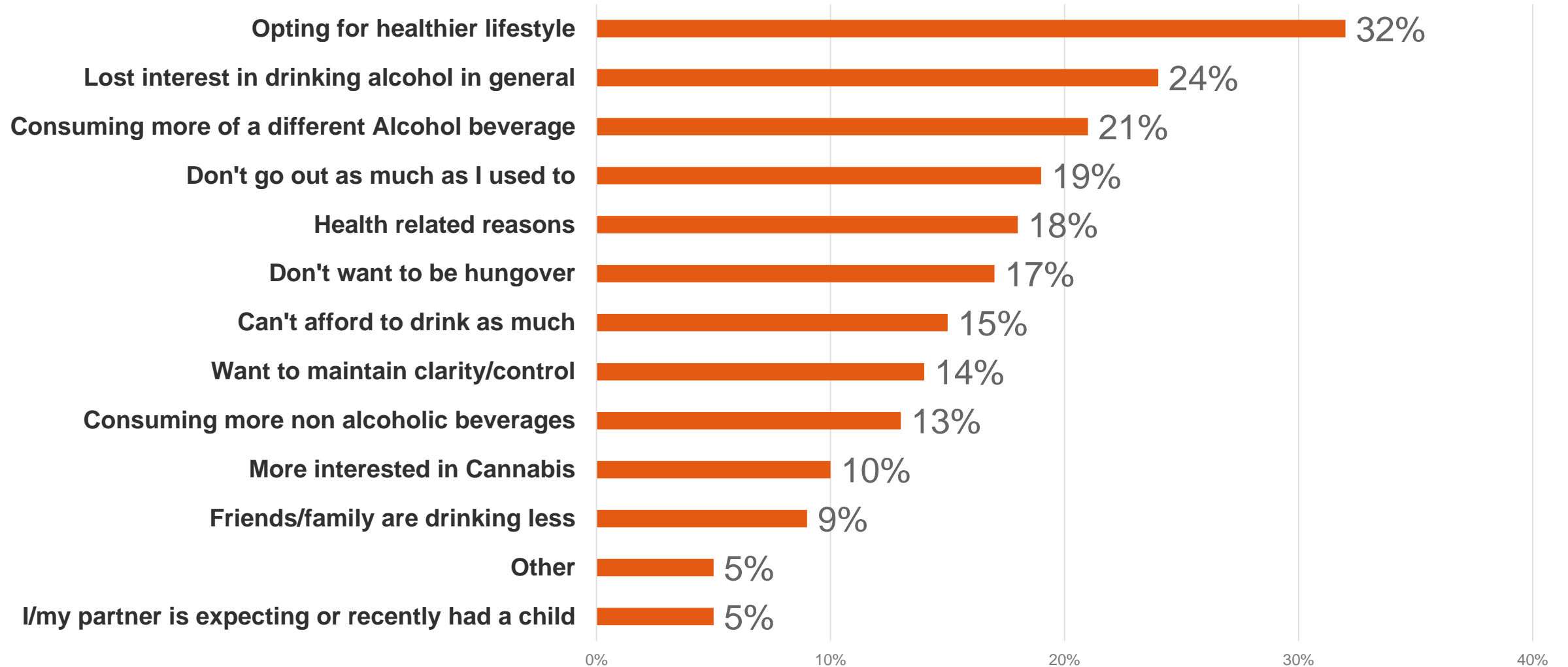


Source: U.S. Census and NBWA 2017.

The Missing Millennial – Why?

1. Frugal Hedonism – The Indulgence Gap
2. Health Messaging
3. Momentum with Craft Spirits and Beer

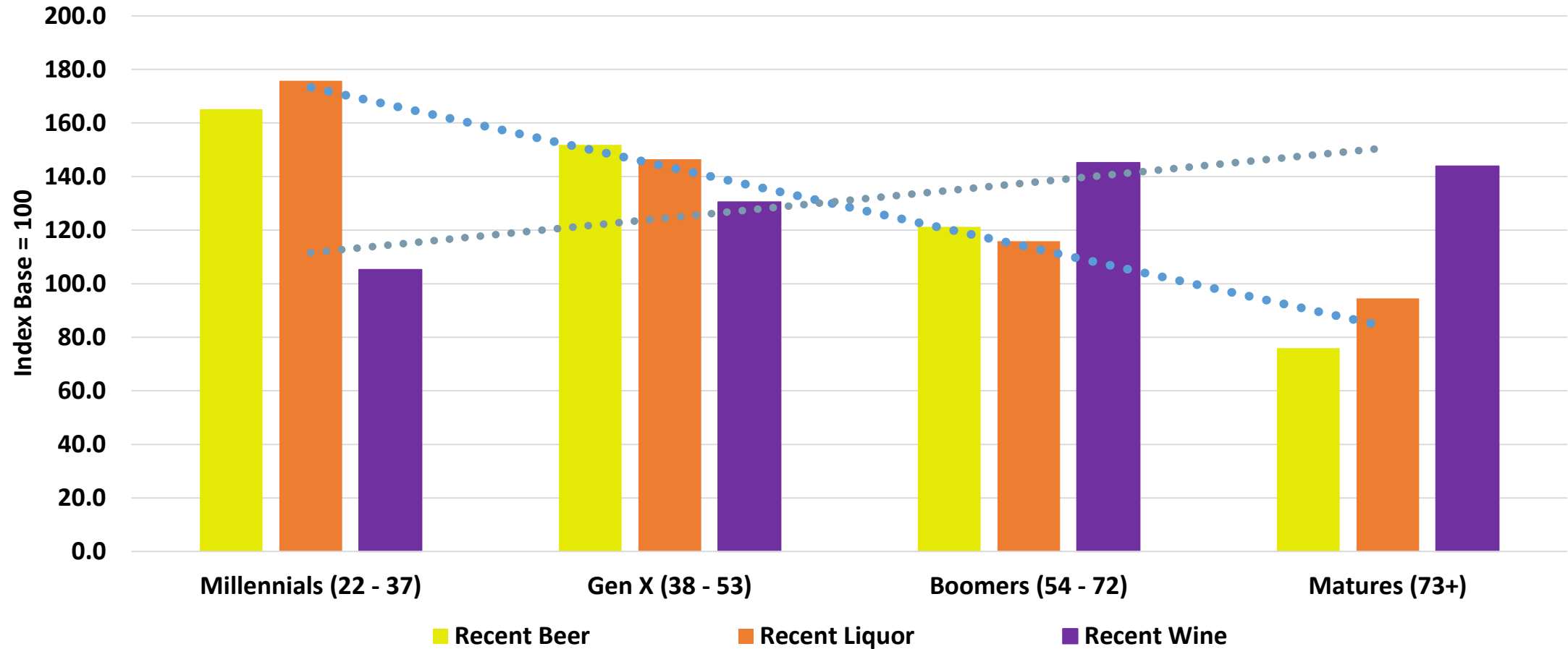
Younger Consumers Are Cutting Back



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

Consumption Preference Alcohol

Will Consumers Continue to Move to Wine?

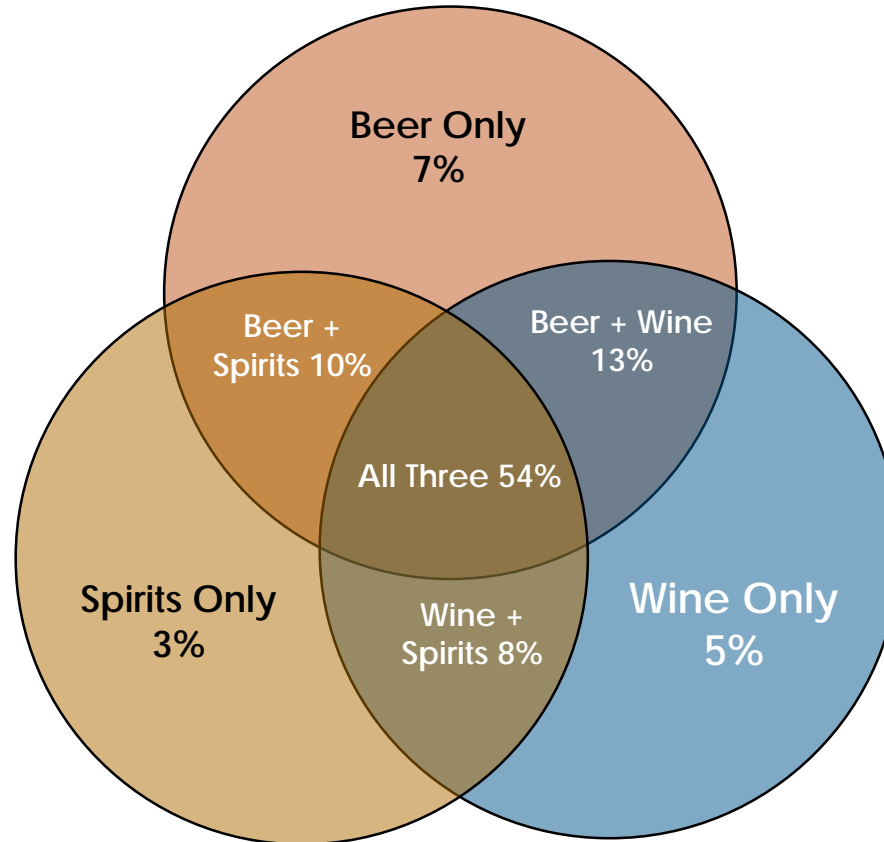


Competition Today is Total Bev Alcohol

Total Beverage Alcohol Drinker Share of Dollar Sales

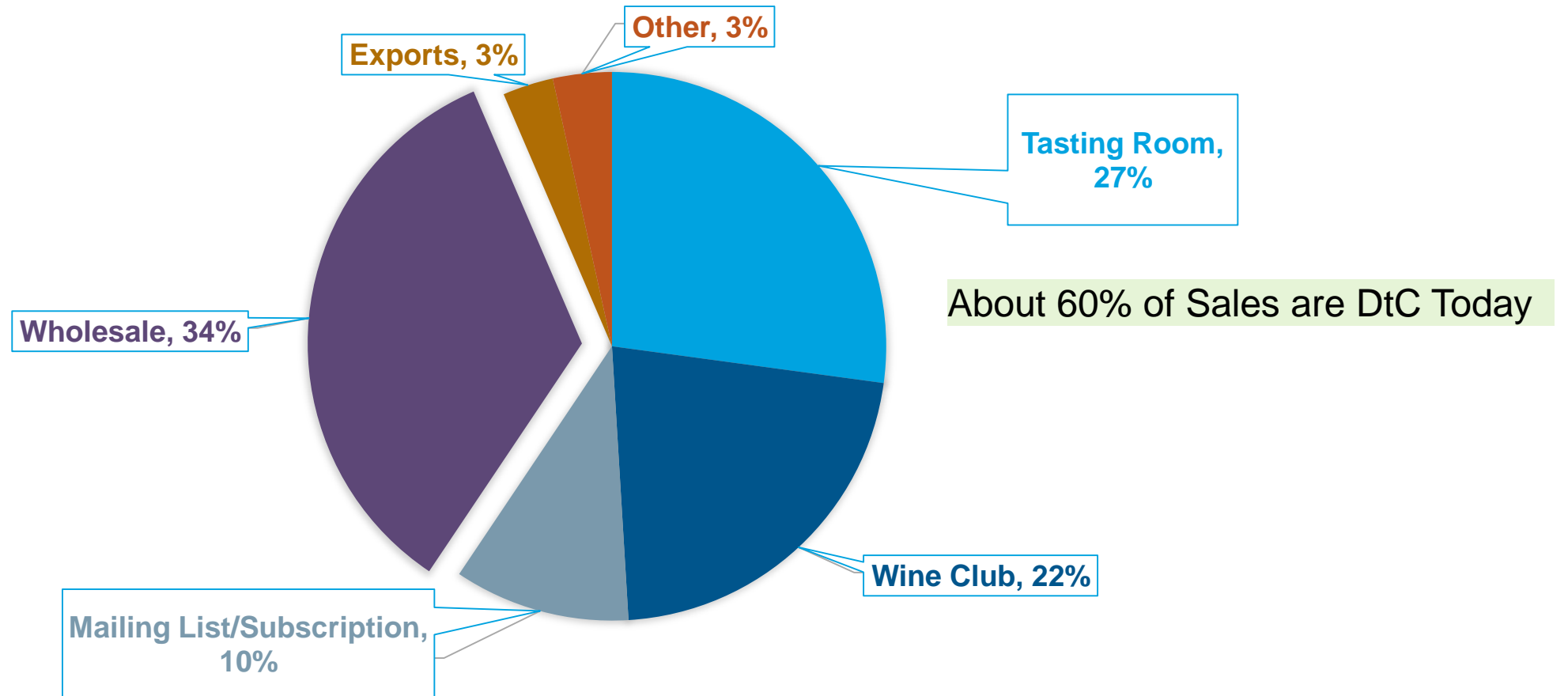
59% of Shoppers participate in 2+ Categories...

... and represent 86% of Spending

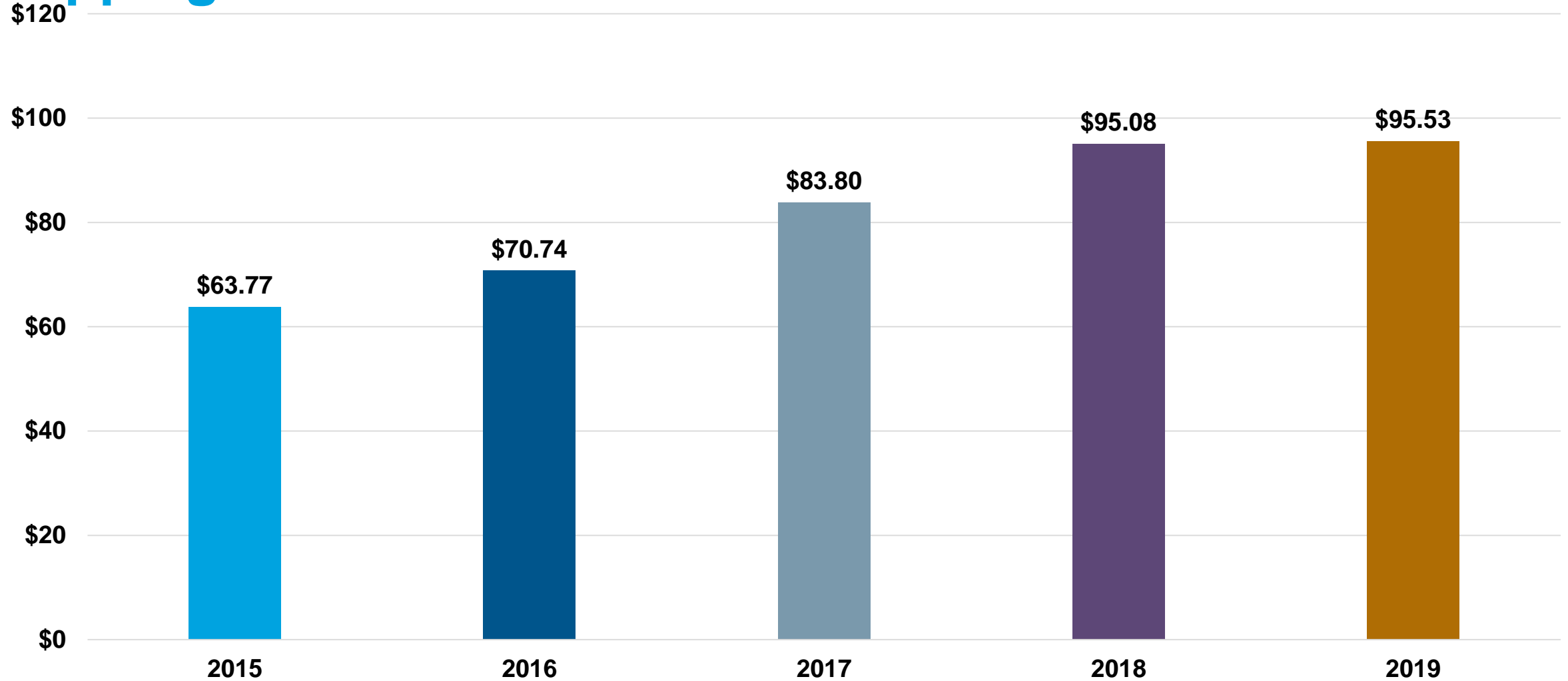


Napa Specific Information

The Average Napa Winery's Sales Channels Today

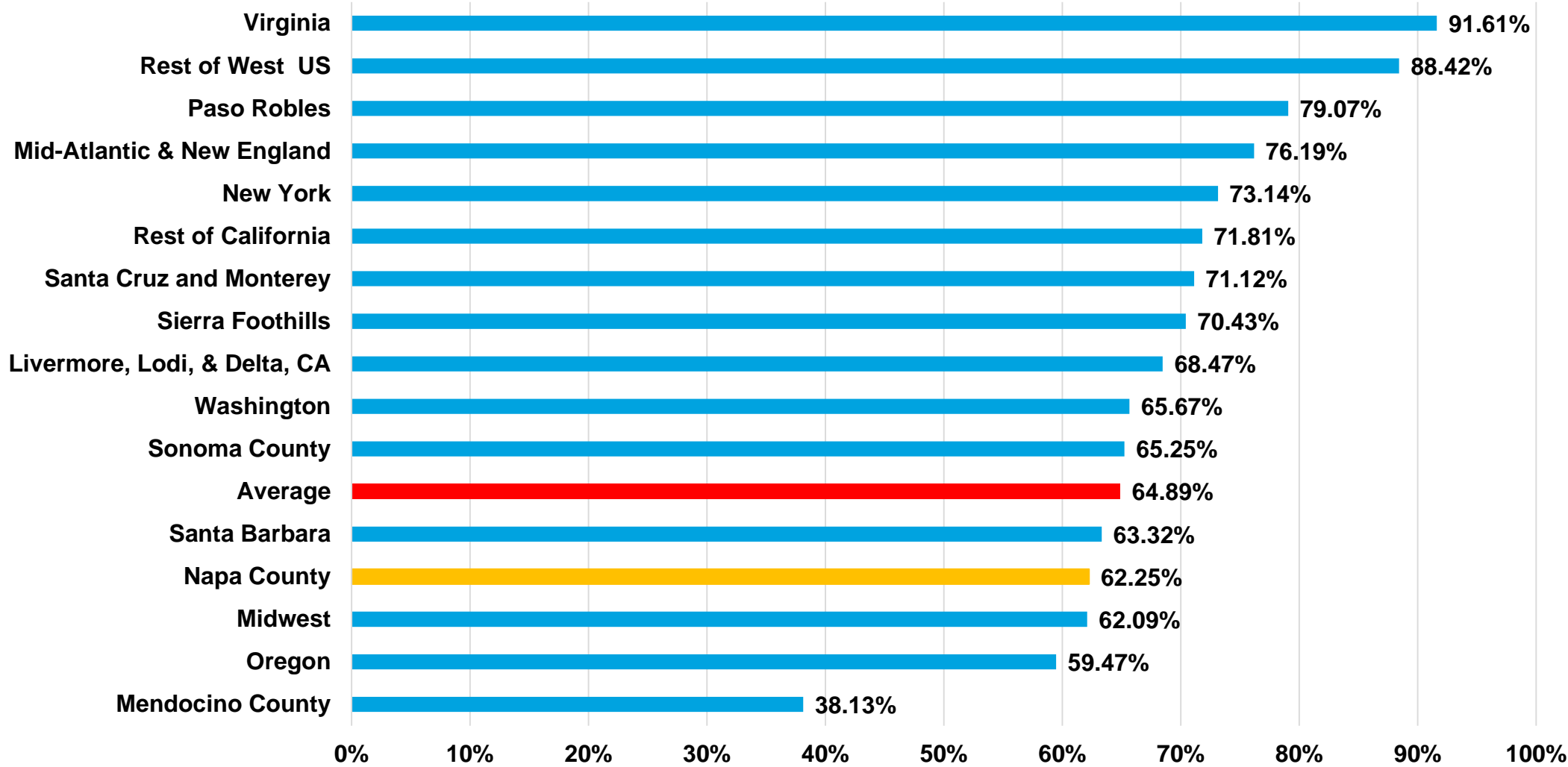


After Rapid Growth, Napa County Avg. Bottle Prices Topping

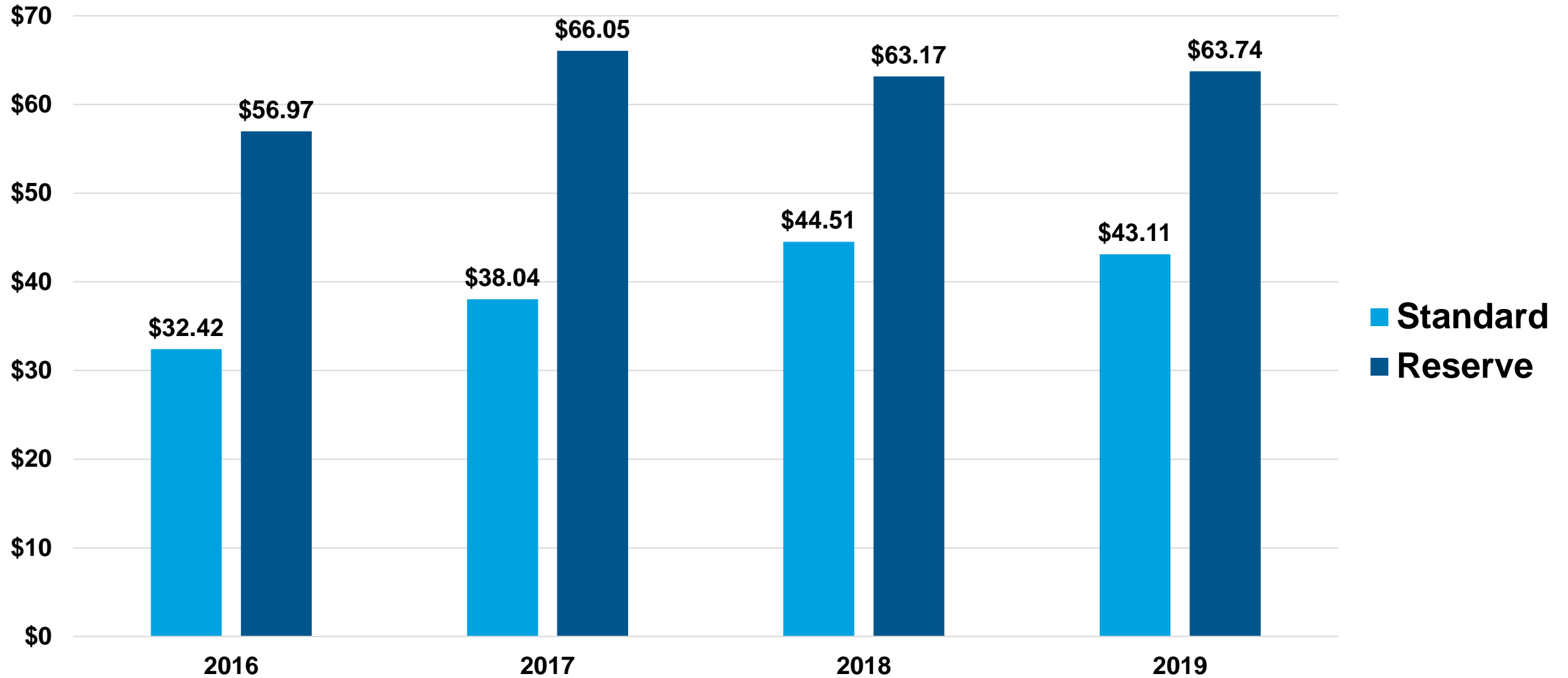


Total Sales from DTC Channel by Region

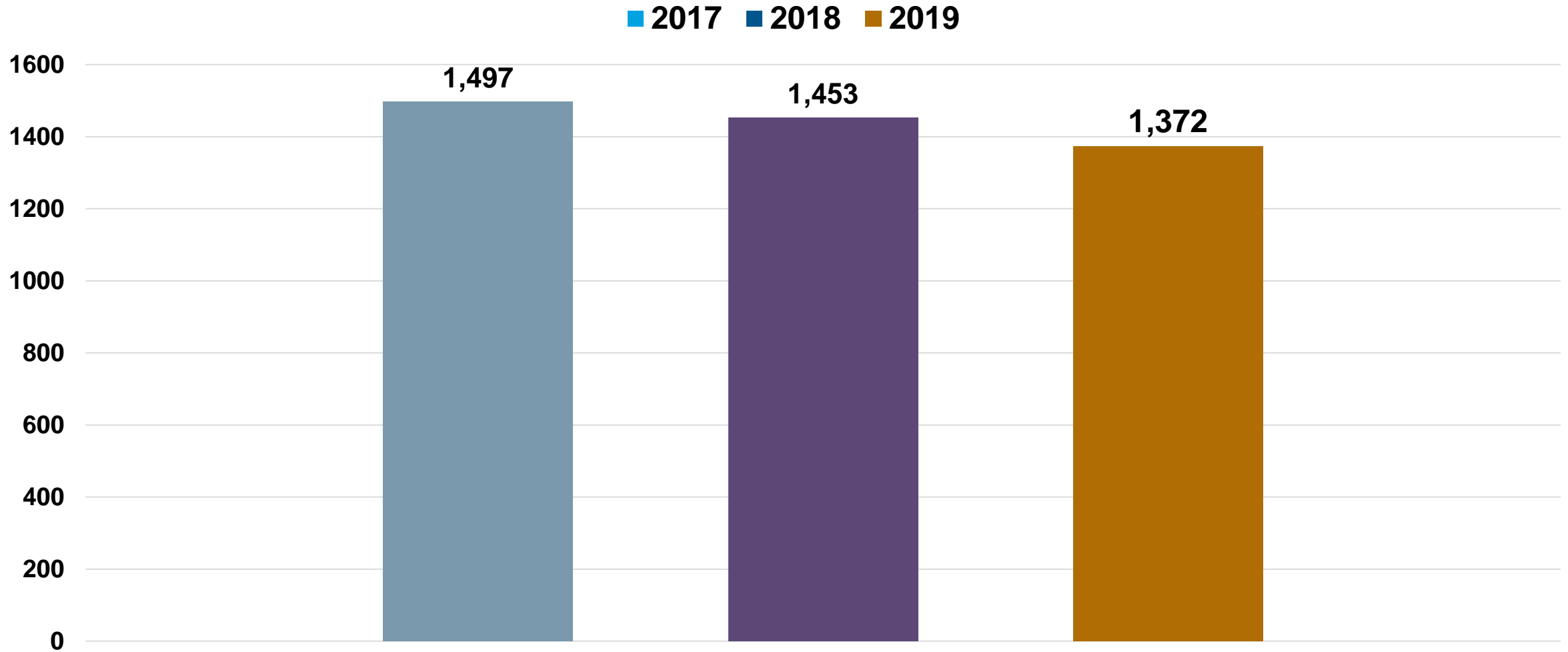
Napa Lower in DtC Due to Better Wholesale Distribution



Four Year Trend of Average Tasting Fees in Napa County



Monthly Tasting Room Visits Slowly Falling



Challenges and Opportunities

1. Overall growth in the wine category is stagnating.
2. Cabernet is still king of varietals and Napa is king of cabernet.
3. Bottle prices are difficult to increase today.
4. Tourism to Napa is still growing, but TR visitation is dropping slowly.
5. Napa has a firm luxury brand, but will need to adapt to a new consumer.
6. Expect concept changes to move away from “Your parent’s tasting room.”
7. Land prices and grape prices are likely done escalating for a time.