Wines of California Business Review & Plans for Canada

2024

Export Member Meeting

July 23, 2023

Market Insights

ACD February 2024

CALIFORNIA
WINES

Table Wine Retailing Landscape in Canada

$1BILLION in Revenue

40M 9L Cases Wine Nationally

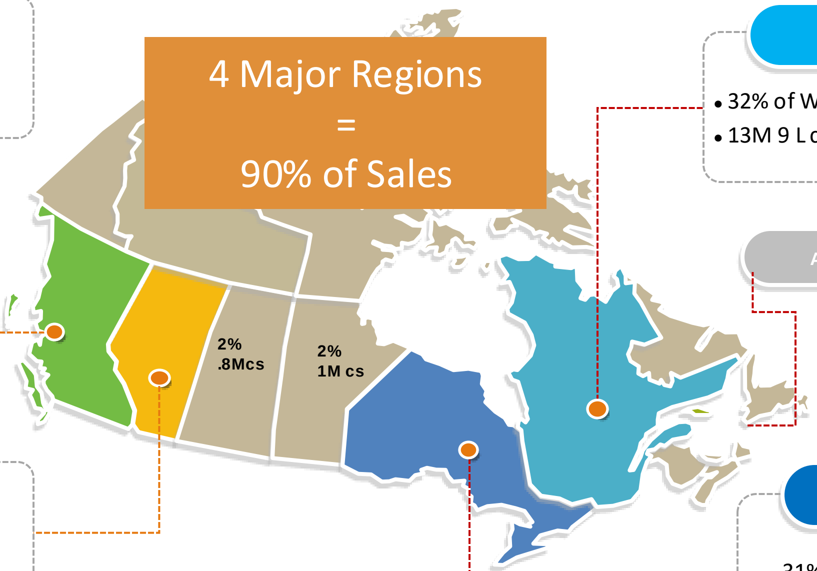
4 Major Regions
=
90% of Sales

British Columbia

- 17% of Wine Sales
- 7 M 9 L cs

Alberta

- 9% of Wine Sales
- 3.6 M 9L Cs



Quebec

- 32% of Wine Sales SAQ Only
- 13M 9 L cs

Atlantic

5%
2.2M cs

Ontario

- 31% of Wine Sales
- 12.7M 9L cs

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Canada is a Ranked TOP 5

wine intelligence
A division of the IWSR Group

STILL WINE MODEL
Top 50 ranking

Mature
Markets where wine appears to have reached its potential, with stable or declining volumes

Mature
Switzerland #3
Canada #6
UK #9
Germany #11
Denmark #11
Norway #13
Sweden #15
France #19
Netherlands #20
Belgium and Luxembourg #25
Austria #34
Finland #36
Argentina #47

Global Compass 2023
Top 50 most attractive markets for wine businesses

	Market	Score (1 to 10)	Tracking: Rank difference
1	United States	6.57	=
2	South Korea	6.11	2
3	Switzerland	6.01	=
4	Ireland	5.99	9
5	Japan	5.97	1
6	Canada	5.89	2
7	Singapore	5.84	11
8	Australia	5.77	9
9	United Kingdom	5.75	-4
10	China	5.73	-1

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Table Wines in Canada- Revenue Share by Country of Origin

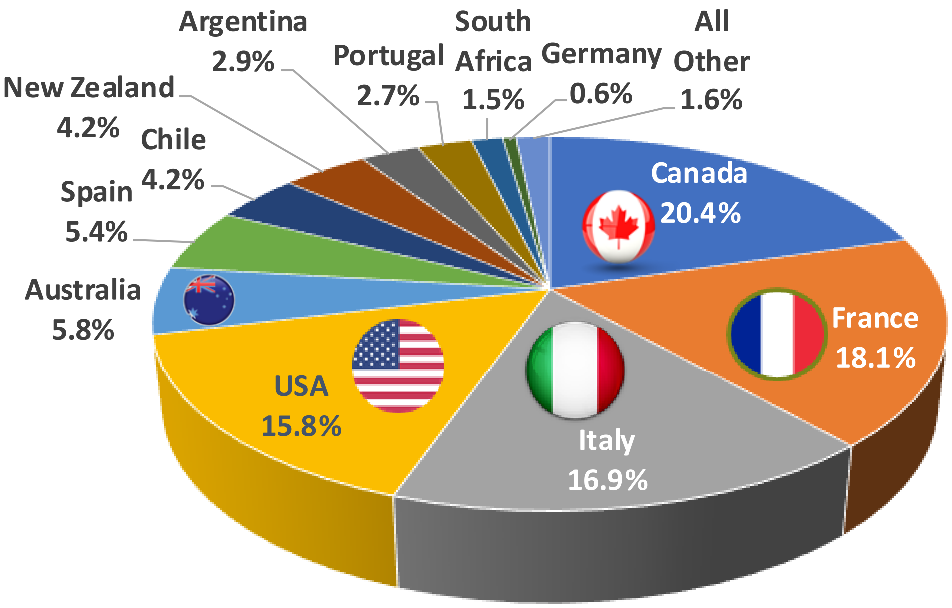

Table Wine by Country of Origin	
Country	MAT $ % Growth vs LY
Total Market	**-1%**
Canada	-3%
France	2%
Italy	1%
USA	-5%
Australia	-5%
Spain	2%
Chile	3%
New Zealand	2%
Argentina	-4%
Portugal	1%
South Africa	2%
Germany	-3%
All Other	12%

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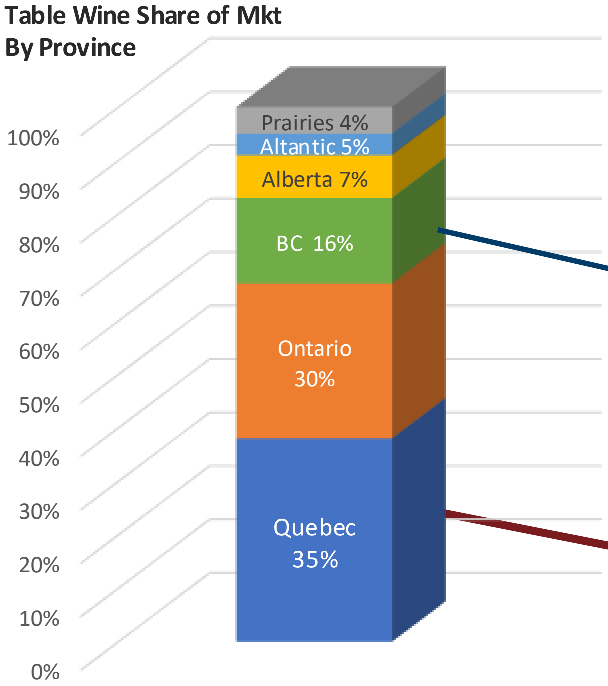
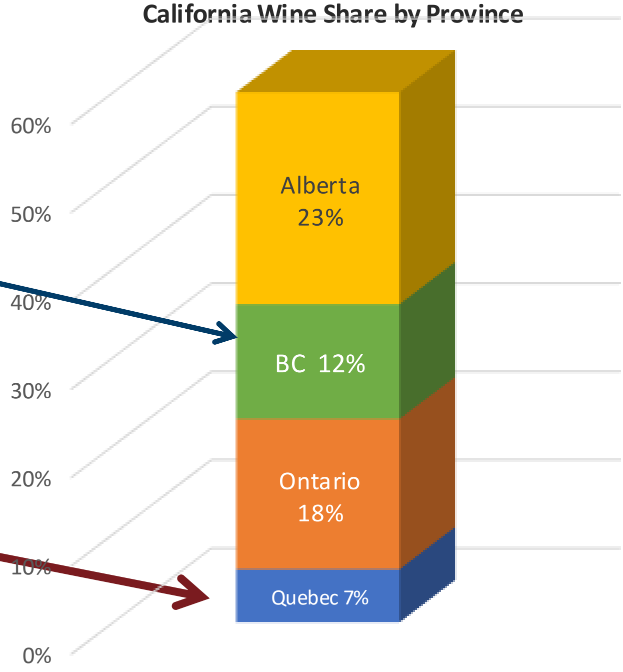
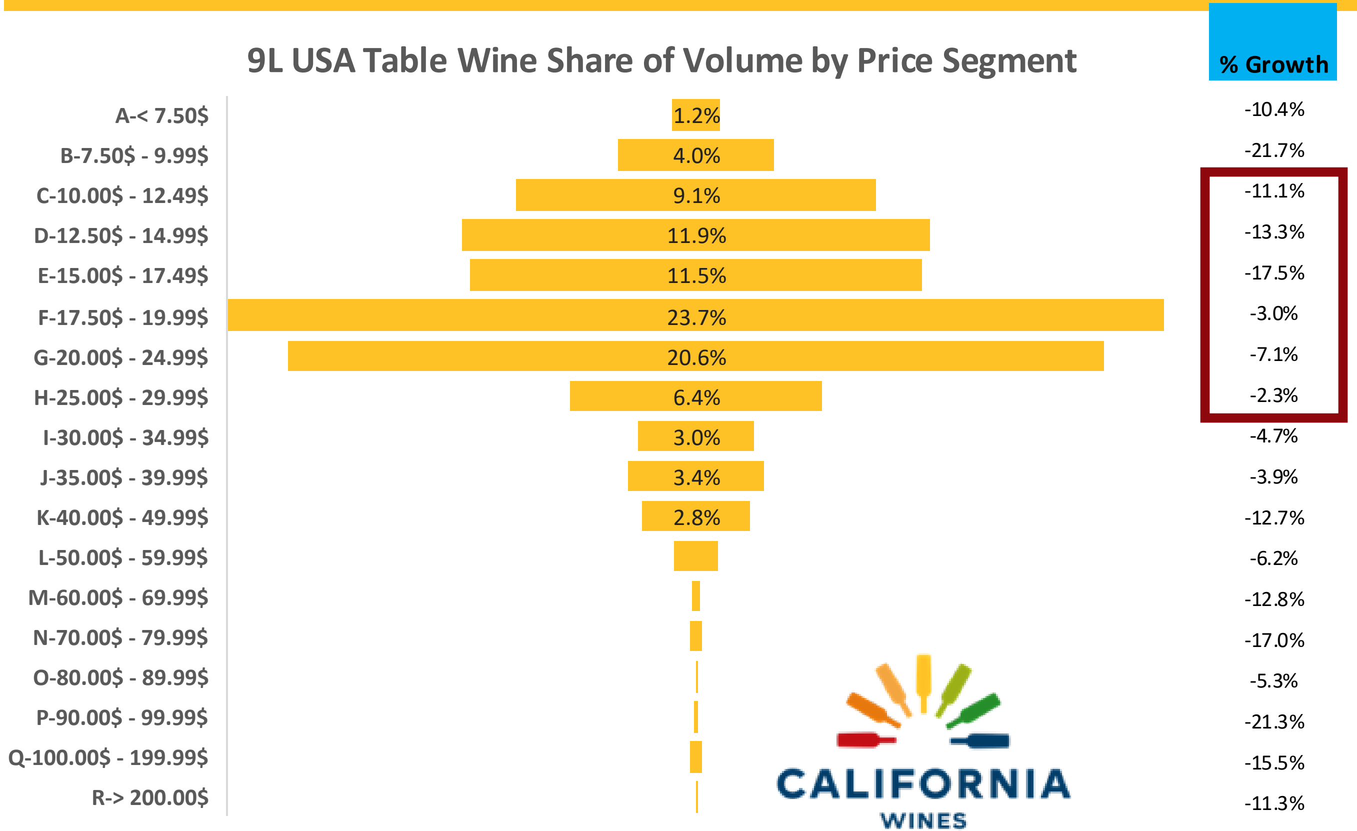
Provincial Overview: Challenges and Opportunities





Quebec remains the single biggest opportunity for California Wines followed by British Columbia

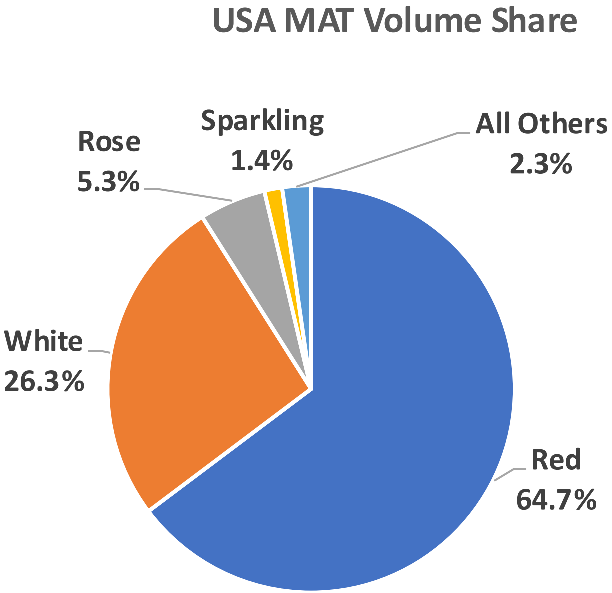
USA Table Wine by Price Segment

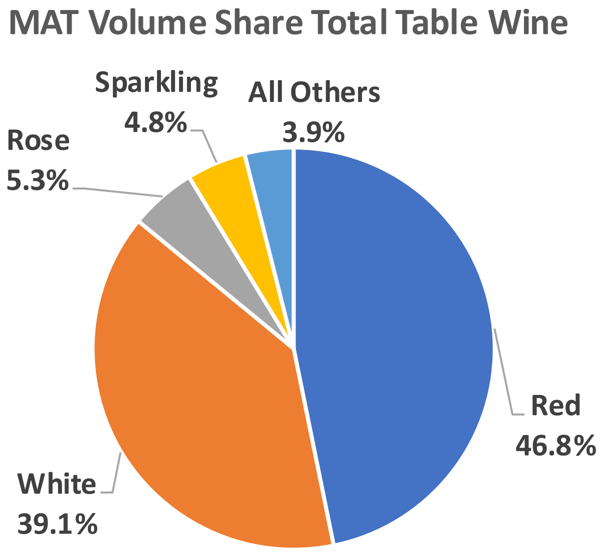


- 83% of volume sales come from the $10.00-$29.99 price range
- We see the steepest losses in price ranges below $17.50

USA Wine vs Total Wine by Colour-9L Share by Colour Trends

- USA Red Wine over indexes versus Total Red wine and USA White and USA Sparkling under index compared to these segments share of Total wine





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USA Table Wines by Province
(Excludes Grocery in QC)

USA Table Wine by Province			MAT 9L TY Share		
Province	9L RY TY	Growth vs LY	USA Table Wine as share of Total Table Wine	Province Share of USA Table Wine	Provincial Share of Table Wine
Grand Total	**5 080 705**	**-9.1%**	**12.6%**		
Ontario	2 181 193	-6.0%	17.2%	42.9%	31.4%
Quebec	892 549	-14.5%	6.9%	17.6%	32.2%
Alberta	841 816	-8.7%	23.3%	16.6%	9.0%
British Columbia	665 098	-9.4%	9.6%	13.1%	17.2%
Manitoba	144 014	-18.7%	14.0%	2.8%	2.6%
Saskatchewan	112 438	-10.2%	14.9%	2.2%	1.9%
Nova Scotia	78 042	-13.8%	8.8%	1.5%	2.2%
New Brunswick	85 130	-9.0%	11.2%	1.7%	1.9%
Newfoundland	52 134	3.4%	12.6%	1.0%	1.0%
PEI	17 067	-6.6%	10.4%	0.3%	0.4%
Yukon	5 802	-1.8%	11.3%	0.1%	0.1%
NW Territories	5 422	-15.2%	15.9%	0.1%	0.1%

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STRATEGIC FOCUS

CALIFORNIA
WINES

STRATEGIC PRIORITIES – Shifting Slightly

Key Pillars to Growth FY25 to FY28

- WIN AT RETAIL
- ENHANCE BRAND IMAGE
- STRENGTHEN TRADE RELATIONS

MAJOR PROGRAMS

Key Activities

WIN AT RETAIL

Key LDB Promotions

- LCBO: 2 x per year
- SAQ : 2 x per year
- **NEW:** SAQ LODI Tasting 30 wines
- BCLS: 1 x per year (VIWF)
- **NEW:** Atlantic: May Promo NS/NB

Key Activities

ENHANCE BRAND IMAGE

Wine Shows and Events 2024-25

EVENT	Timing	Attendance
• Cornucopia	Nov	4,000
• LCBO Discover Vintages	Nov	500
• Moncton Wine Fest	Nov	3,000
• La Grand Degustation	Nov	10,000
• Halifax Wine Festival	Nov	3,500
• VIWF	Feb	10,000
• LCBO Discover Cali	April	500
• Toronto Food & Drink	April	15,000
• Eureka Montreal	June	1,000
• Wine Fest Toronto	July	5,000
• Saguenay Wine Festival	July	30,000

Key Activities

ENHANCE BRAND IMAGE

Advertising and Social Media

Impressions

- ❖SOCIAL MEDIA:
  - Video Reels / Photography 30M
- ❖Co-Op Ad Opportunities: 45M
  - ELLE/F&D/TASTE/100 BEST/ National Post
  - Influencer Campaign – Super Wine Girl

CAPSTONE Workshops

Key Activities

STRENGTHEN TRADE RELATIONS

- Manitoba Sept 4th PC's ½ day
- SAQ 550 Retail staff Jan- Mar
- LCBO Product Consultants (PC's)
- Ontario Somms April
- BCLS PC's 50 per year
- VIWF: 2 x Trade Master classes
- Alberta: Co-op/ Willowpark April
- CAPS Sommeliers 100 Per year
- Atlantic : Halifax Nov 30

Key Activities

STRENGTHEN TRADE RELATIONS

Trade Shows 2023-24

• Moncton Wine Fest	Nov 3	200
• Vancouver Wine Festival	Feb 26-Mar 3	3500
• Eureka Montreal	June	200
• Toronto Discovery Tour	April 22	300

Leverage CWI In Market Activities

• Educators CAPSTONE TOUR	Jan	6
• Sustainability FAM Tour	Jan	3

FY'25 Promotional Calendar

	2024						2025					
Activation /Event	**July**	**August**	**Sept**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**June**
RETAIL												
SAQ On Line feature advertising up to 12 wines	July Passion Package			Paso Robles Inspiration Online Feature	Nov Passion Package US Wines							
SAQ Inspire Loyalty Points Promotion	Inspire Points US Wines July 11 to 17									Inspire Points Promotion PT 1 to PT 3		
SAQ Private Buyers Tasting					LODI							
SAQ Instore Tastings	100			100							50 stores Cali Lead	
LCBO Retail Promotions				NAPA Release	Premium Vintages Release					California PT1 Promotion with BAP overlay		US BAP Promotion
BCLDB Iconic Release & California Thematics			Merch Display 30 Stores					VIWF In Store Displays?	Merch Display 50 stores & Tastings		ICONIC RELEASE (last week of May)	
Atlantic: New Brunswick / Nova Scotia											In Store Promotion (Air Miles NS)	
Manitoba Liqour Marts										In Store Promotion		

FY’25 Promotional Calendar

	2024						2025					
Activation /Event	**July**	**August**	**Sept**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**June**
Trade & Consumer Shows and Tastings												
Toronto Wine Fest	July 5-7											
Moncton Wine Festival					Nov 2							
LCBO Vintages Event California Lead Region					Nov 8th					Dates TBC EUREKA Vintages		
Cornucopia Whistler					Nov 7-10							
Halifax Wine Show					Nov 30							
La Grand Degustation Montreal					Nov 28-30							
Vancouver International Wine Festival								Feb 22-Mar 2				
Toronto Food and Drink Festival										April 11-13		
EUREKA: The California Wine Discovery:												
Montreal												TBC
Wine Fest Toronto												
Saguenay Wine Festival Quebec												
CAPSTONE PROGRAMS												
CAPSTONE Workshops Product Consultants			MLCC 35 PC'S FULL DAY Sept 4		SAQ 50 PC's			BCLS 50 PC's 1/2 day				
SAQ Retail Training Conferences							**1 day Training for 10 SAQ Educators**	**1/2 day x 600 Retail EE's Training sessions**	**1/2 day x 600 Retail EE's Training sessions**			
CAPSTONE Workshops Sommeliers				ONT 40 Somms				VIWF 80 trade			Alberta 70 Sommeliers	

Appendix
Additonal Data Slides

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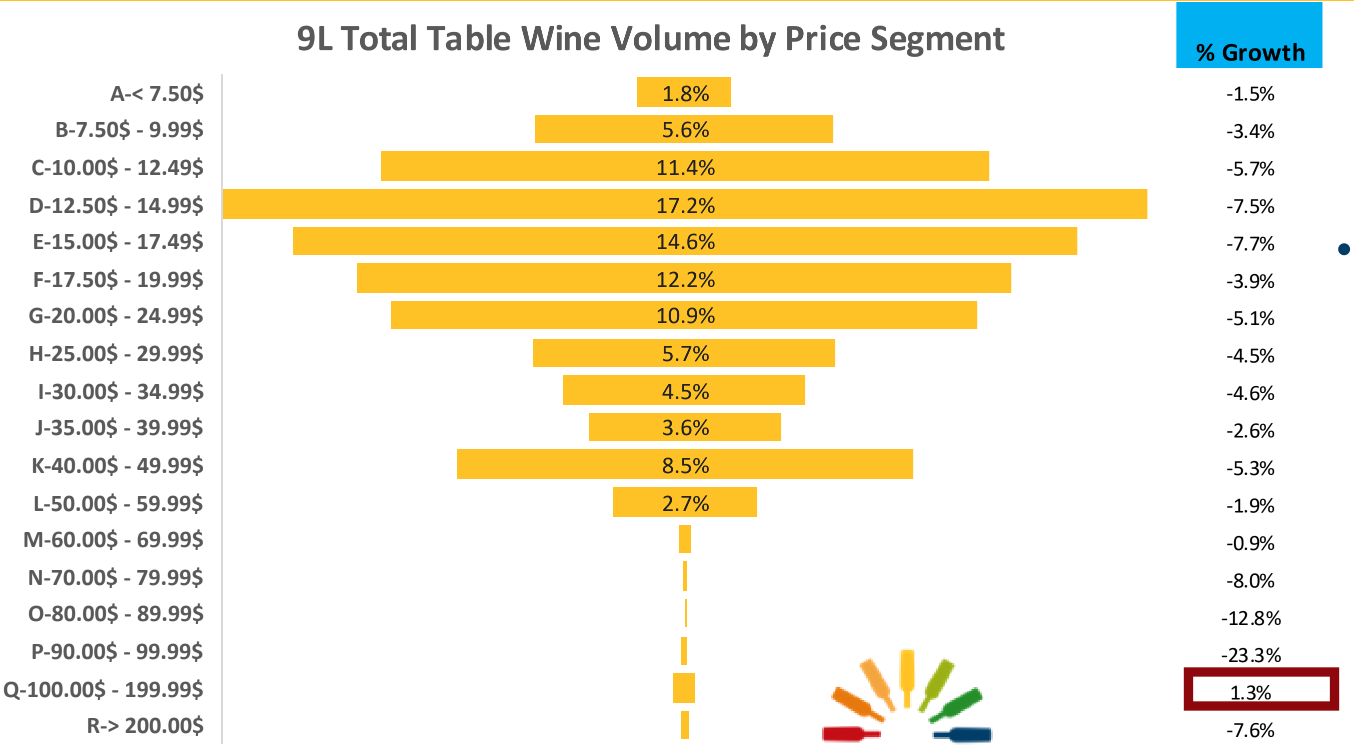
Total Table Wine by Price Segment



- 72% of volume sales come from the $10.00-$29.99 price range, and we see declines across almost all price segments

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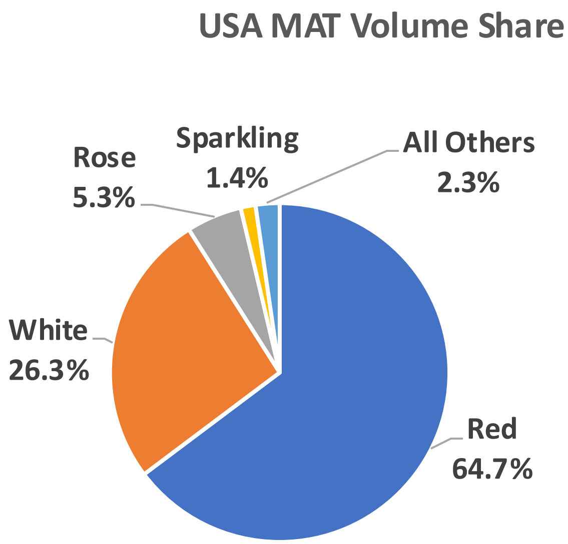
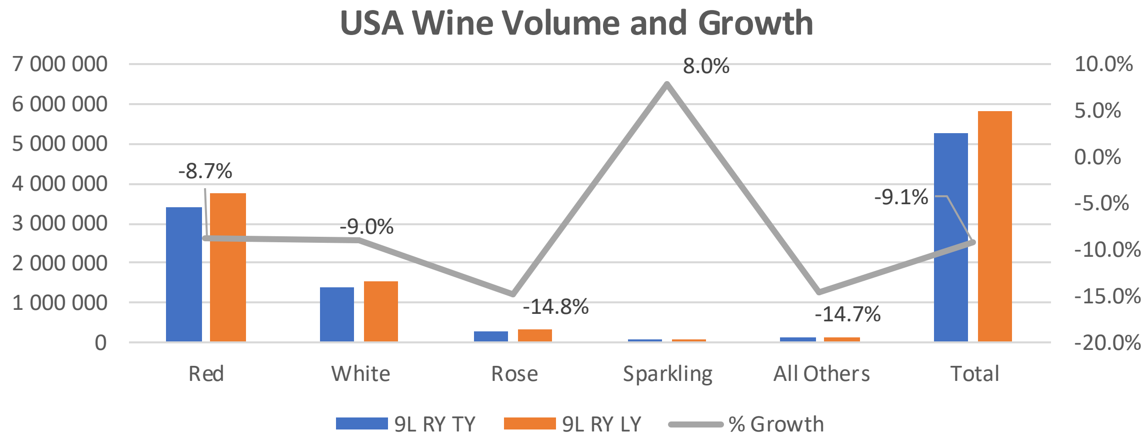
USA Wine by Colour-9L Trends

- Red Wine accounts for 64.7% of USA wines and has declined -8.7%





3.4M 1.4M 0.3M 0.075M 0.1M 5.3M

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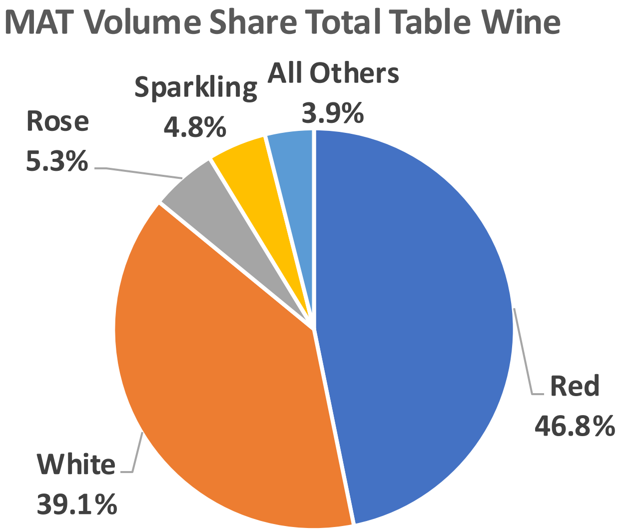
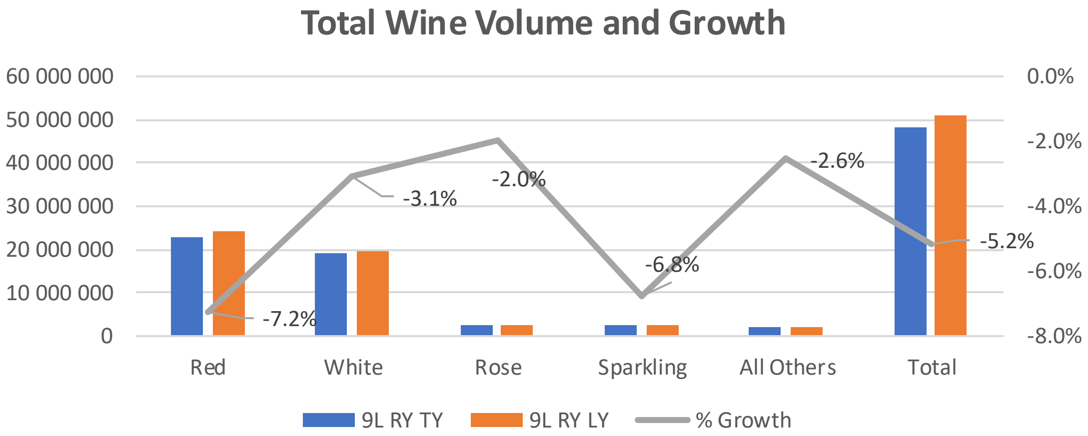
Total Wine by Colour-9L Trends

- Red Wine accounts for 46.8% of Total Wine and shows the sharpest volume decline at -7.2% MAT vs Last Year





22.6M 18.9M 2.6M 2.3M 1.9M 48.3M

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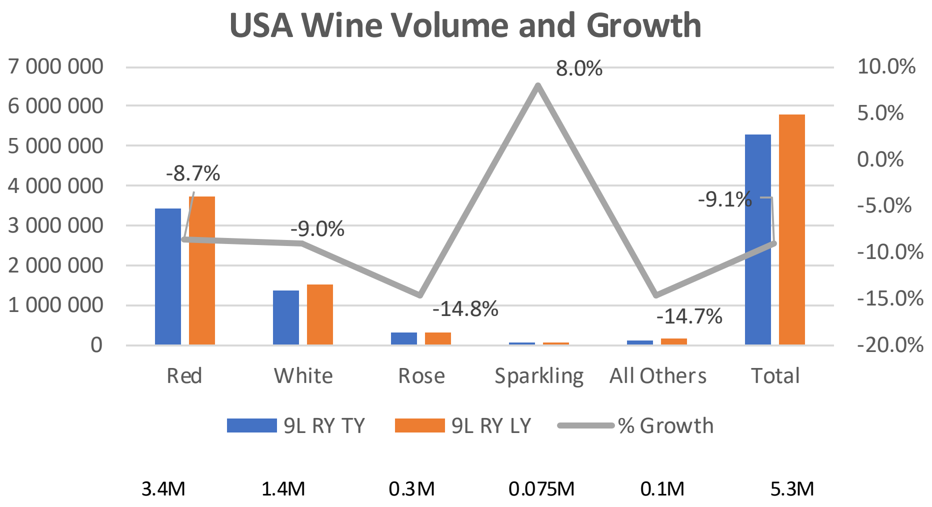
USA Wine vs Total Wine by Colour-9L % Growth Trends

- USA Red Wine is seeing declines (-11.1%) and is underperforming Total Red wine (-7.7%)
- White is showing the least softness (-6.9%) within USA wine but all USA Table wine segments are underperforming compared to total Wine



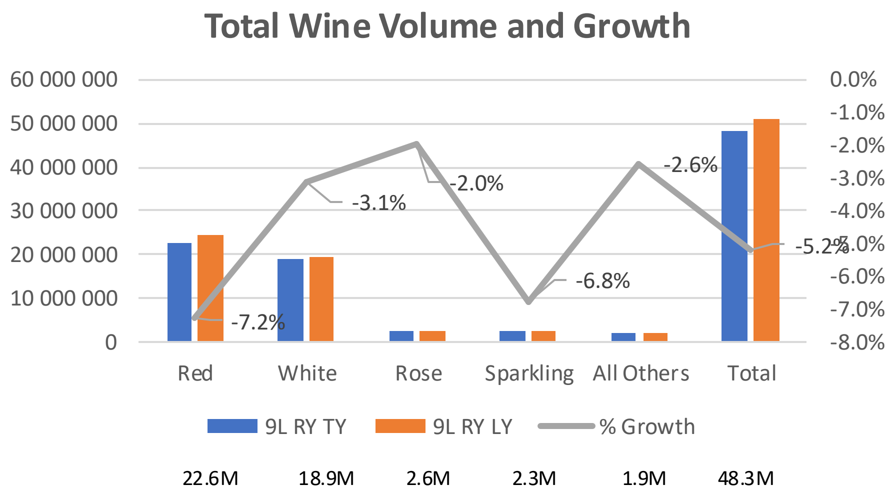


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Table Wines in Quebec-(Exc Grocery) Revenue Share by Country of Origin

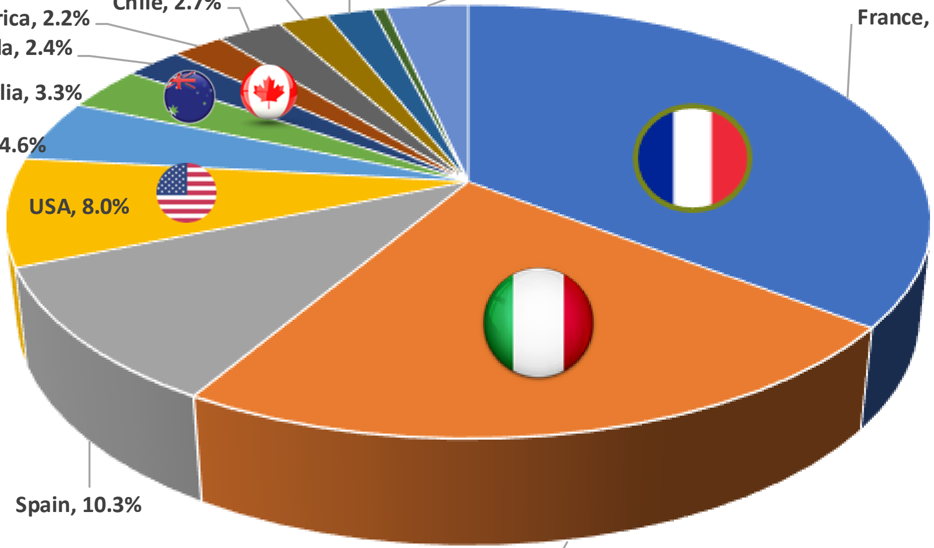

Table Wine by Country of Origin		
Country	**MAT 9L % Growth vs LY**	**MAT $ % Growth vs LY**
Total Market	**0%**	**2%**
France	1%	4%
Italy	1%	2%
Spain	6%	6%
USA	-12%	-8%
Portugal	-1%	0%
Australia	-8%	-7%
Canada	-2%	-2%
South Africa	1%	6%
Chile	5%	2%
Argentina	-5%	-3%
New Zealand	-3%	-2%
Germany	4%	4%
All Other	9%	13%

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Table Wines in Ontario-
Revenue Share by Country of Origin

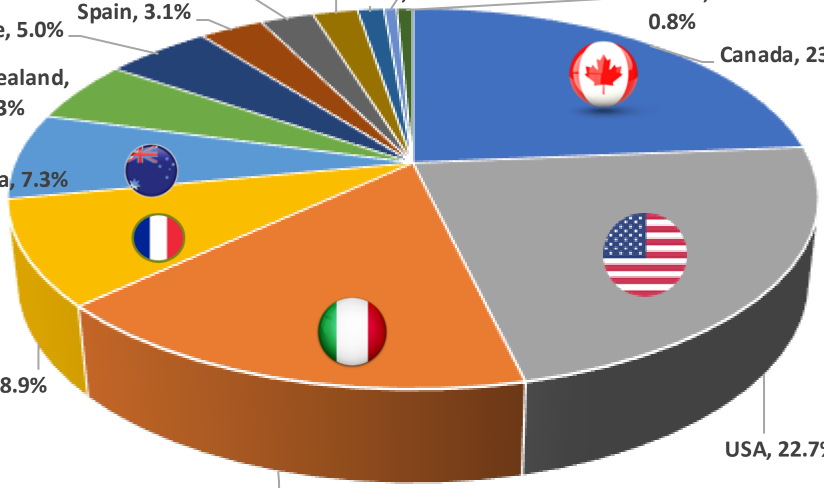

Table Wine by Country of Origin		
Country	**MAT 9L % Growth vs LY**	**MAT $ % Growth vs LY**
Total Market	**-7%**	**-1%**
Canada	-3%	0%
USA	-6%	-2%
Italy	-9%	1%
France	-12%	-3%
Australia	-13%	-5%
New Zealand	-1%	5%
Chile	-5%	3%
Spain	-10%	-3%
Argentina	-13%	-3%
Portugal	-4%	6%
South Africa	-11%	2%
Germany	-18%	-6%
All Others	-4%	9%

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Table Wines in British Columbia- Revenue Share by Country of Origin

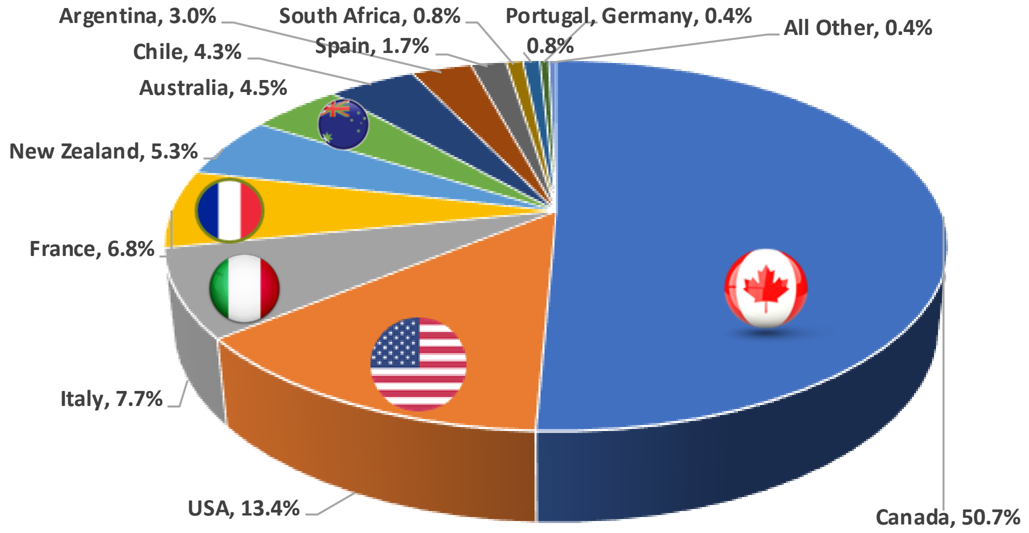

Table Wine by Country of Origin		
Country	MAT 9L % Growth vs LY	MAT $ % Growth vs LY
Total Market	**-7%**	**-4.6%**
Canada	-8%	-7%
USA	-9%	-6%
Italy	-3%	-1%
France	-4%	0%
New Zealand	5%	4%
Australia	-5%	-4%
Chile	2%	4%
Argentina	-7%	-4%
Spain	-11%	-7%
South Africa	-4%	1%
Portugal	2%	6%
Germany	-8%	-4%
All Other	-2%	4%

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Table Wines in Alberta- Revenue Share by Country of Origin

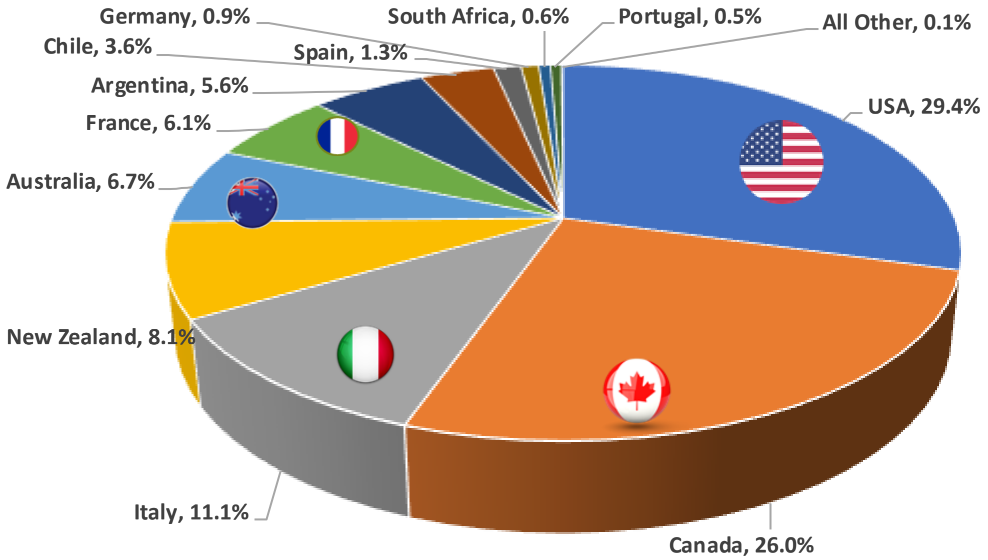

Table Wine by Country of Origin		
Country	**MAT 9L % Growth vs LY**	**MAT $ % Growth vs LY**
Total Market	**-4%**	**-1%**
USA	-9%	-6%
Canada	-2%	1%
Italy	1%	4%
New Zealand	6%	3%
Australia	-10%	-7%
France	0%	4%
Argentina	-6%	-4%
Chile	3%	4%
Spain	-16%	-13%
Germany	-8%	-5%
South Africa	0%	6%
Portugal	2%	4%
All Other	-8%	4%

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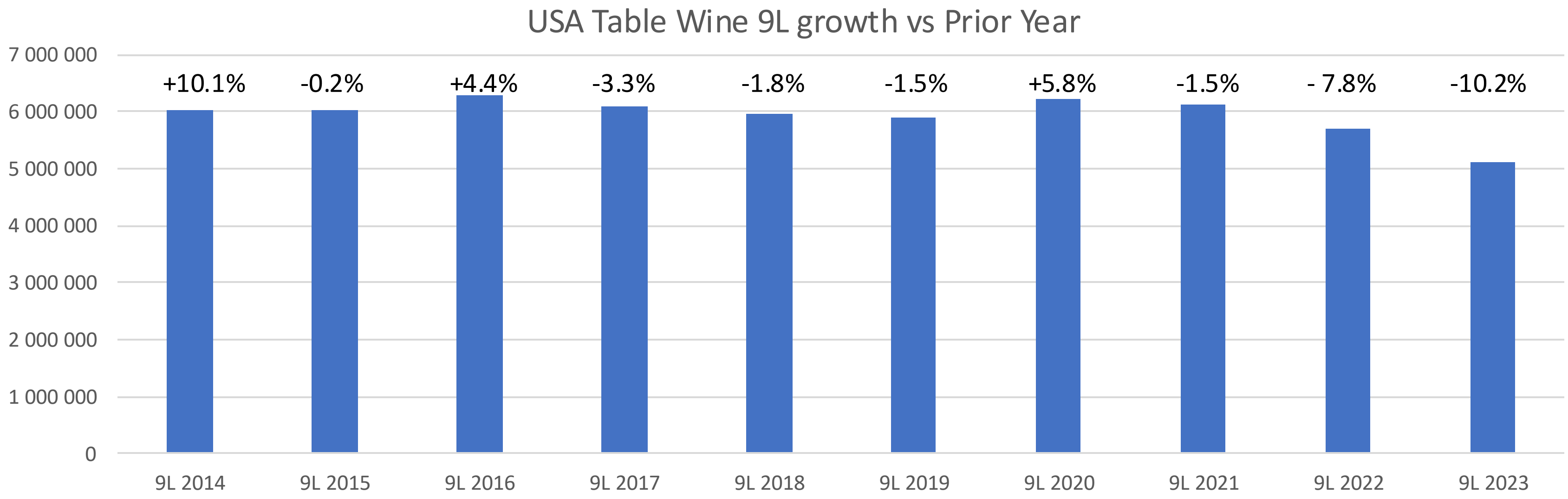
USA Table Wine-Annual Trends

- 2023 has seen a steep decline of -10.2% vs prior year



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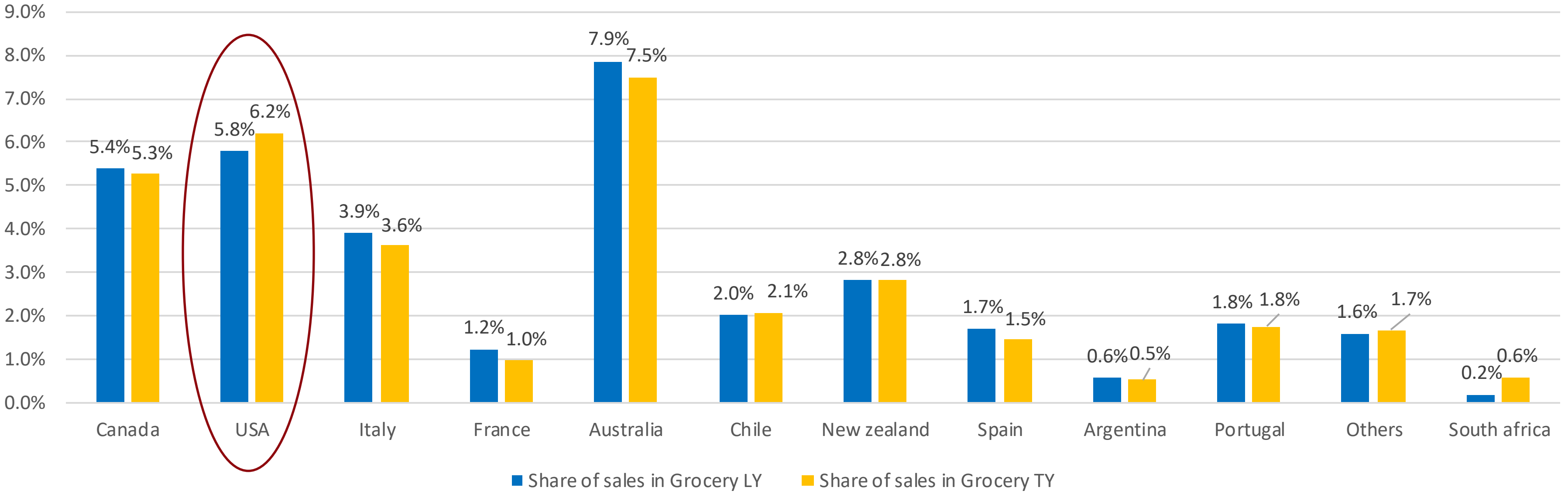
USA Wine sales in Ontario-Grocery

The Grocery Channel in Ontario has experienced a decline of -6.7% MAT compared to the Government Retail Channel which declined at -5.8%. Licensee sales have declined -4.8% vs MAT LY. USA wine sales have increased share in grocery, with Canada Wines while Italy and France losing share compared to last year.



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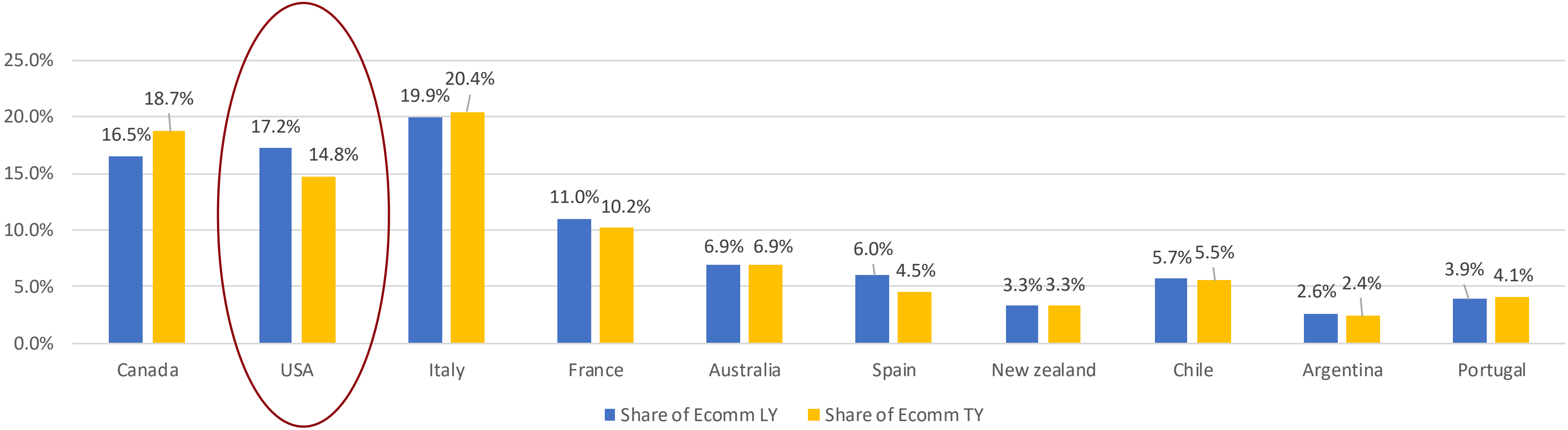
USA Wine sales in Ontario E-comm

The E-comm Channel in Ontario has lost an additional 13K 9L cases MAT versus Last Year. USA wine sales show a share loss of -2.5pts, the steepest share loss across the top 5 countries. Canada and Italy have shown share gains within this channel.



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SWOT ANALYSIS

CANADA

STRENGTH	• Cal Wines reputation for producing high quality wines • Global leader in sustainability / climate action • Own Chard and Cab varietals • Many appellations, regions varietals across all price points = Rich Diversity • Innovative: Formats/styles/ pkg • Positive aspirational place for Cdns • Proximity for delivery/orders • Cda as a priority mkt for Cal Vintners • Cda as a stable mkt for Cal Vintners	• Perception of wines style as BIG, Fruity and high alcohol (high sugar) vs trend • Not seen as Rose producer a growing category • Not seen as sparkling producers (category growing) • Well known with trade … not shiny and new • Value for $$ vs other regions i.e Spain • Hard to move beyond Chard and Cab to diversity • Beyond Napa/Sonoma our AVA's are not well known • Not as strong on niche/trend wines that somms adore • Need to better communicate the diversity of our wines	WEAKNESS
OPPORTUNITY	• Targeting and appealing to younger consumers for growth • Expand and Improve Digital/Social presence • Developing compelling displays and comprehensive promotions beyond LDB's • Re-imagine National Road Show (CWF) • Champion education for the trade (CAPSTONE) • Continue to grow Premium segment • Leverage our diversity& sustainability louder • Help make Cali wine choices easier / occ/ price	• Low alc/ Low Carb RTD's and wines from other regions • Cdn$ to US$ impacts value for money perception • Inflation, high interest rates but hope for economy • Every other country is focusing on Canada as a top market • Wildfires and potential perception of "smoke exposure" • Climate change impact: drought and other natural disasters • Reduced budgets and competing with other regions (EU) • COGS increases due to inflationary pressures • On Premise continues to struggle in new economy • US election and potential results	THREAT

USA Table Wines by Province
(Excludes Grocery in QC) Mat REV

USA Table Wine by Province			MAT $ TY Share		
Province	$ RY TY	Growth vs LY	USA Table Wine as share of Total Table Wine	Province Share of USA Table Wine	Provincial Share of Table Wine
Grand Total	**$1,105,809,255**	**-5.2%**	**15.8%**		
Ontario	$515,849,404	-2.3%	22.5%	46.6%	32.5%
Quebec	$208,939,755	-10.1%	8.1%	18.9%	37.1%
Alberta	$143,474,805	-5.5%	29.0%	13.0%	7.0%
British Columbia	$132,979,124	-6.3%	12.8%	12.0%	14.1%
Manitoba	$28,149,504	-12.8%	17.7%	2.5%	2.2%
Saskatchewan	$20,522,663	-9.1%	20.6%	1.9%	1.4%
Nova Scotia	$19,017,436	-8.9%	11.7%	1.7%	2.2%
New Brunswick	$18,628,830	-3.6%	15.2%	1.7%	1.7%
Newfoundland	$12,348,862	8.9%	13.7%	1.1%	1.2%
PEI	$3,777,147	3.0%	13.7%	0.3%	0.4%
Yukon	$1,319,987	-1.1%	15.4%	0.1%	0.1%
NW Territories	$801,737	-31.6%	12.0%	0.1%	0.1%

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Target Market Defined

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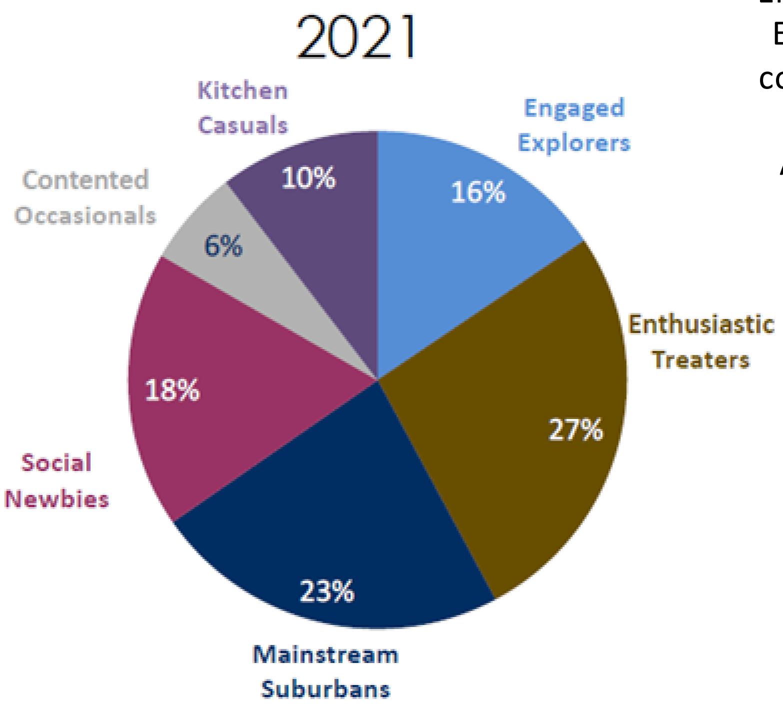
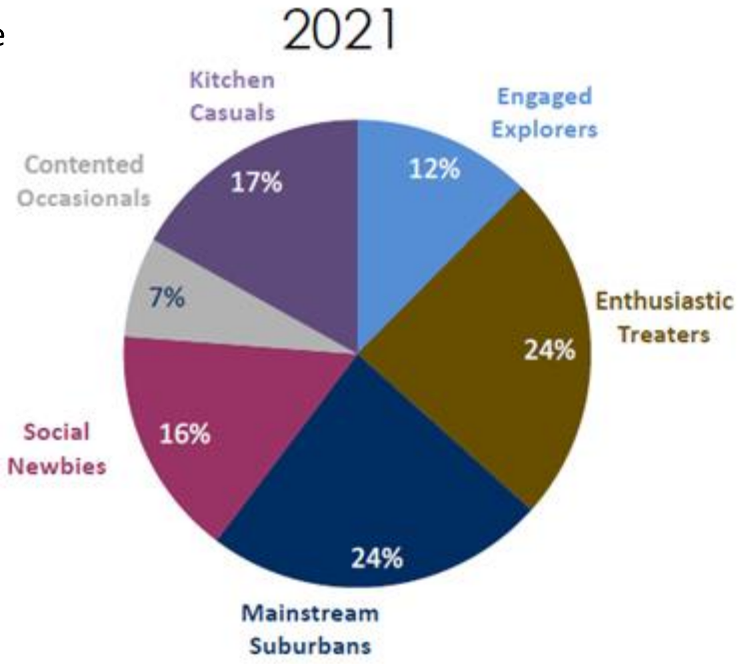
Consumer Segments Canada



% share of **total value** of wine by Portraits segments Canada

Engaged Explorers and Enthusiastic Treaters comprise 43% of Wine sales by Value
And 25% of Volume



% share of **total volume** of wine by Portraits segments Canada

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	Enthusiastic Treaters
Who are they?	Millennials, likely to be married and living with a young family. Frequent social drinkers, lack knowledge and are cautiously exploring the wine category
Why do they drink wine?	Highly social group, especially in the on-premise. Wine helps elevate social occasions. Wine is a topic of conversation
Where do they shop for wine?	Government-controlled liquor stores are the main channel, due to habitual wine buying behaviour. They are the most experience online shoppers
What type of wine do they buy?	Often have a few 'safe bets' – familiar varietals or mainstream brands they fall back on, but are keen to try new recommendations from those in the know

Target Market:

Enthusiastic Treaters: Millennial, social drinkers less experienced in the wine category but are keen to explore and learn more. Drink a lot of wine in on-premise, and also more likely to use ecommerce

	Engaged Explorers
Who are they?	Mid-aged, confident and knowledgeable wine drinkers, the majority are married and live with a partner but no children
Why do they drink wine?	Wine is a key part of their lifestyle, drunk socially with friends but also for everyday occasions
Where do they shop for wine?	Mainly government-controlled liquor stores but strong preference to buy wine from smaller, independent boutiques and directly from wineries
What type of wine do they buy?	Have the broad wine repertoire. Drawn to more boutique wines from local importers to discover new wines. Interested in alternative wines

Target Market:

Engaged Explorers: Mid-aged, confident wine drinkers for whom wine is an important part of their lifestyle, drink socially with friends and also for everyday occasions

Source: Wine Intelligence Consumer Portraits Dec 2021