

Beverage Market Update

Industry Consulting Team | Q1 2023

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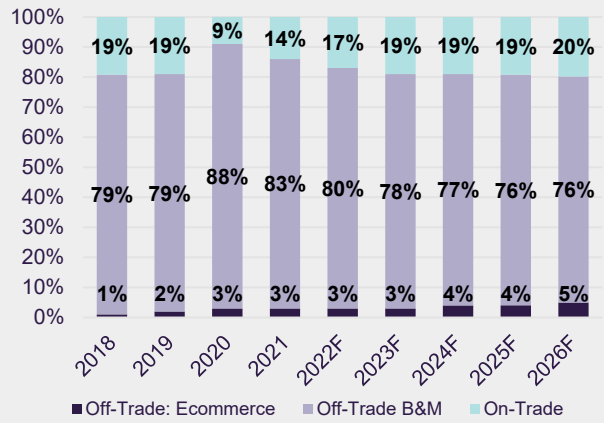
Industry Highlights & Overview



- FY22 ended with mixed results, volume softness is becoming more prevalent while pricing is being increased across all categories resulting in net favorable revenue position for most industry segments
- Premiumization continues throughout Total Beverage Alcohol (TBA); Beer +3.6%, Wine +6%, Spirits +13%, and RTDs +38%
- Spirits sector further establishes position of strength across TBA gaining outsized growth in volume and revenue; share positions nearly equivalent to Beer in volume terms and exceeding Beer in Revenue terms, per DISCUS
- Carbonated Soft Drinks (CSDs) experience modest volume slide of ~(-2%) while taking large pricing increases ranging 10 – 15% across various suppliers

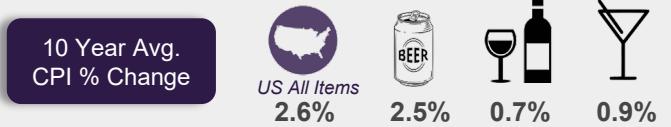
In-Focus

Ecommerce Value Share

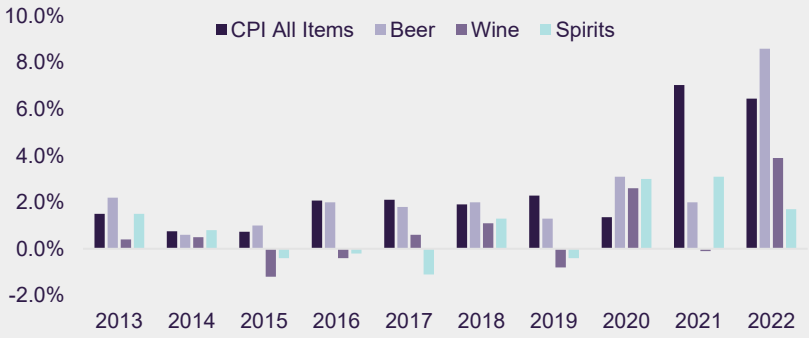


- While Ecommerce still makes up a small portion of overall value share, it is expected to continue gaining momentum while tightening Off-Trade Brick and Mortar sales.
- Ecommerce notably benefited during the pandemic due to on-trade restrictions, however even as on-trade bounces back, ecommerce is still projected to grow. This can be attributed to digital engagement becoming a key consumer preference.

Inflation Nation



- With inflation and pricing going up almost everywhere we compare Beverage Alcohol CPIs against the US All Items index
- Beer has largely tracked with general CPI inflation rates, but observed outsized pricing increases in 2022 compared to general All Items CPI increase
- Wine & Spirits consistently under-index general US pricing increases with less than 1% average increase over the past 10 years, with higher increases in recent years



Sources: IWSR, bw166, Beer Institute, DISCUS, Beverage Digest, NBWA, Brewers Association, Nielsen, CGA, Footprint Intelligence, BLS.gov

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Beer

Total Segment



2022 Volume
-2.5%

2022 Value
-0.6%

2022 Beer Volumes



Domestic
3.8%



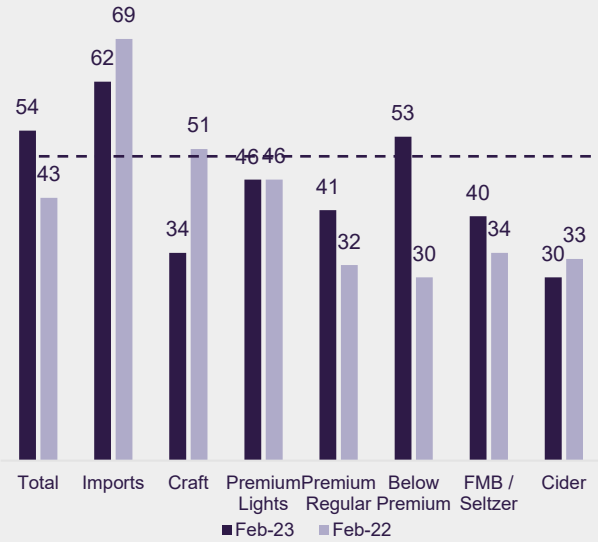
Total Imports
2.7%



Mexican Imports
8.4%

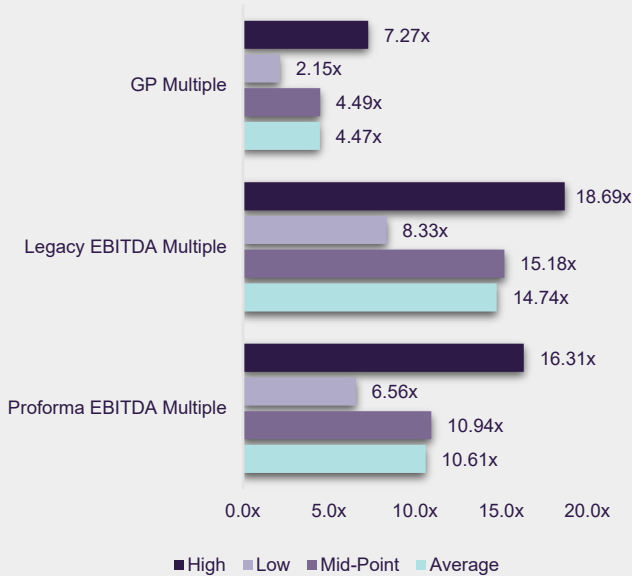
Year over Year Beer Purchaser's Index Trends*

- YoY BPI for Feb. 23 vs. 22 showed the first view of industry expansion for the Total category in more than 6 months
- Imports observed slight decrease YoY despite remaining in expansion
- Below Premium increased into expansion at 53



* BPI - A reading above / below 50 indicates the segment is expanding / contracting

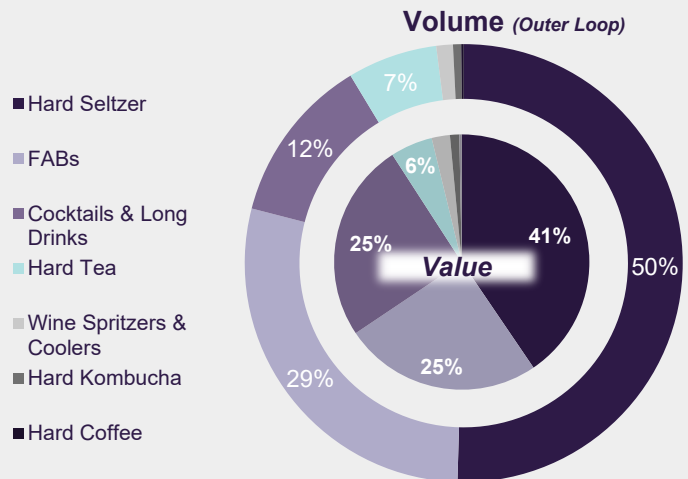
Beer Distribution M&A Observations (Distribution Rights Only)



- Beer Distribution Right values have remained strong and stable despite economic and market volatility, potential downward pressures still exist with a rising rate environment
- Valuations above reflect real transactions over a 3-year average

Hard Seltzer / RTDs Volume & Value Comparison

- Increasing shifts and ongoing evolution of Hard Seltzer / FMB / RTD space
- Beer based Hard Seltzer segment still dominates overall category at ~50% of total volume, but experienced ~12% declines in FY22 & under-indexes in value share
- Meanwhile Spirit based RTDs were up +45% in both Vol. & Val. (on a smaller base)



Sources: IWSR, bw166, Beer Institute, DISCUS, Beverage Digest, NBWA, Brewers Association, Nielsen, CGA, Footprint Intelligence, BLS.gov

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Spirits

Key Segment Themes



- Agave spirit revenues grew 17% surpassing American Whiskey as #2 revenue segment



- Total Whiskey increases 9L CEs to 84.3MM passing Vodka as #1 volume segment



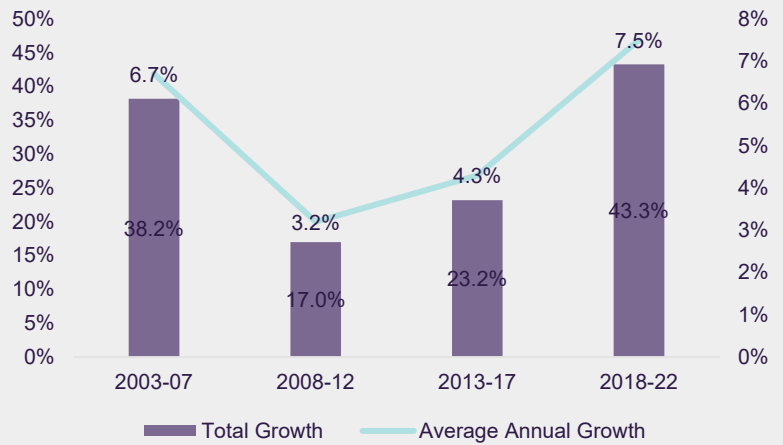
- DISCUS reported for FY22 Spirits revenue share exceeded that of Beer for the first time ever



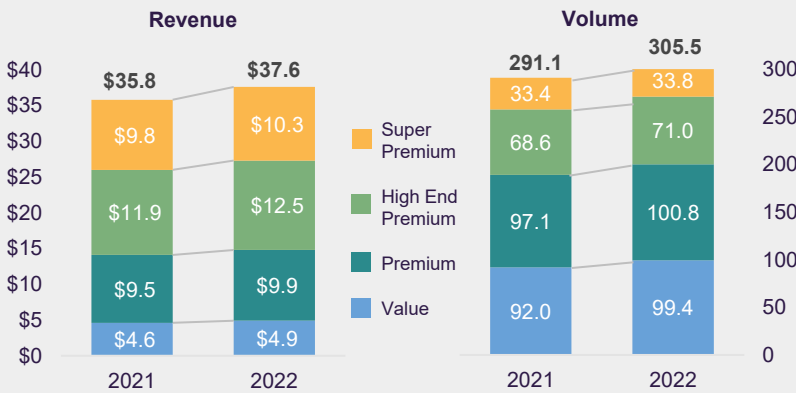
- Premiumization continues across Spirit categories with Agave and American Whiskey leading the way

Spirits Gaining Momentum

FY22 Spirits are experiencing the fastest growth seen in two decades with total revenues +43% and avg. 5yr gains of 7.5%



Spirits Premiumization

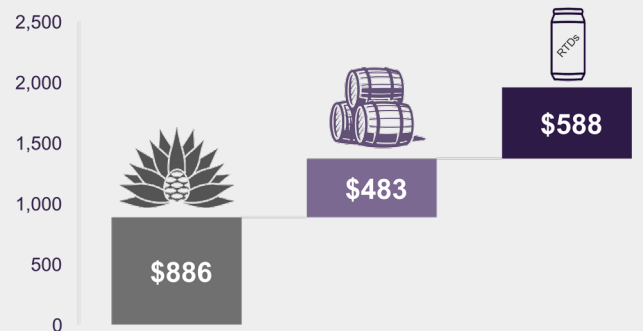


- Premiumization continued with High End and Super Premium pricing segments accounting for 61% of total revenue growth. High End & Super Premium Agave and American Whiskey contributed 25% of the total industry growth

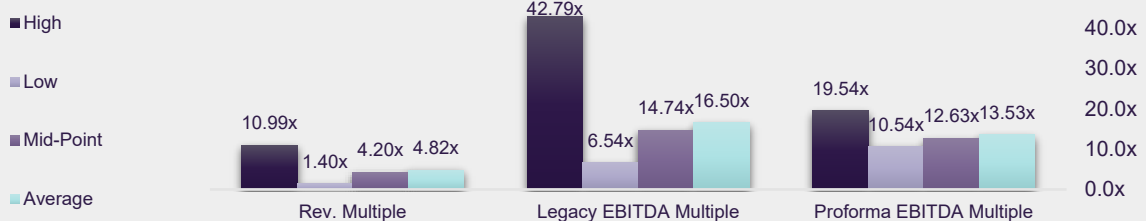
Agave accounted for 45% of total category revenue growth adding \$900MM

American Whiskey added nearly \$500MM or 25% of industry gains

Ready-to-drink (RTDs) continue their ascent making up 30% of total industry growth



Wine & Spirits Manufacturer & Brand Company Merger & Acquisition Observations ⁽¹⁾



Sources: IWSR, bw166, Beer Institute, DISCUS, Beverage Digest, NBWA, Brewers Association, Nielsen, CGA, Footprint Intelligence, BLS.gov

(1) W&S Manufacturer & Brand Company M&A Transaction multiples reflect real transactions observed over a series of years & maintained by internal database

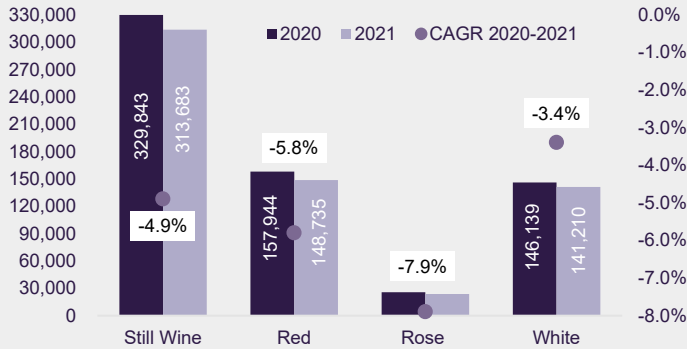
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Wine

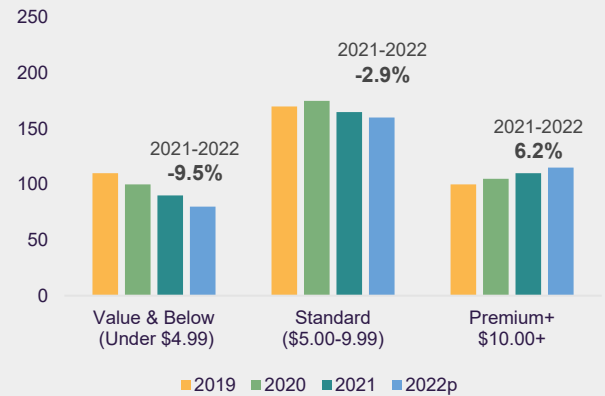
Wine Volumes by Type



- FY22 Total Wine volume declined by -3.8%
- Still wine was flat at 0.7% YoY & continues to be the largest segment of the wine category accounting for over 80% of volume
- Sparkling gained 3.5% volume YoY

Volume Share by Price Band

- Volume Share continues to decline in the Value and Standard price bands
- Premium+ Wine is showing strength up 6%



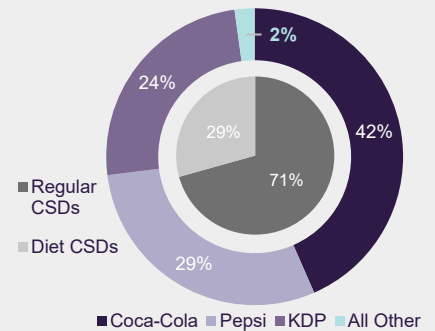
Non-Alcoholic

2022 Carbonated & Non-Carbonated Beverage Performance

| Corporations | Vol+/- | \$ +/- |
|----------------------------|---------------|--------------|
| Coca-Cola Co | (0.3%) | 15.5% |
| PepsiCo | (4.8%) | 8.2% |
| Keurig Dr Pepper | (1.3%) | 12.7% |
| Private Label | (2.2%) | 14.3% |
| CSD Industry | (1.9%) | 12.7% |
| Category | Vol+/- | \$ +/- |
| Plain Bottled Water | 1.8% | 15.1% |
| Flavored / Enhanced Waters | (4.7%) | 3.6% |
| Sports Drinks | (2.0%) | 11.7% |
| RTD Teas | (6.7%) | 3.9% |
| Juice Drinks | (1.4%) | 7.7% |

- Total Non-Alcoholic category volume softened in FY 22 with CSDs shedding ~2% of total volume and Non-Carbonated Beverages (NCBs) declining -1.4%
- Volumes still cycling big volume lifts from COVID periods thus facing tough comps
- Total industry observed major pricing increases ranging from modest 4-8% levels to more than 15% pricing increases

Carbonated Soft Drink Market Shares



- No & Low Alcohol products are gaining significance due to a push for health and wellness in consumer spending

Blurred Lines → traditional non-alcoholic brands are increasingly joining the beverage alcohol segment through brand extensions



Market Volume: 37.3M



Market Value: \$2.52Bn



Volume Share of Total Market: 1.1%



Volume Growth 2021-2022: +14.8%



Sources: IWSR, bw166, Beer Institute, DISCUS, Beverage Digest, NBWA, Brewers Association, Nielsen, CGA, Footprint Intelligence, BLS.gov
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