



# INVESTOR DAY CORPORATE STRATEGY UPDATE

## VIÑA CONCHA Y TORO

November 7, 2017

# Forward Looking Statements

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This presentation contains forward-looking statements, that should be considered as good faith estimates. Such statements are subject to risks and uncertainties outside of Viña Concha y Toro's control that could cause Viña Concha y Toro's actual results to differ materially from those set forth in the forward-looking statements. These risks factors include but are not limited to the risks factors in Item 3 – “Key Information –Risk Factors” in the 20-F Annual Report, and in those described in Viña Concha y Toro's Financial Statements, Note 5 (“Gestión de Riesgos Financieros”). Forward-looking statements speak only as of the date they are delivered, Viña Concha y Toro undertake no obligation to publicly update or revise them considering developments which differ from those anticipated.

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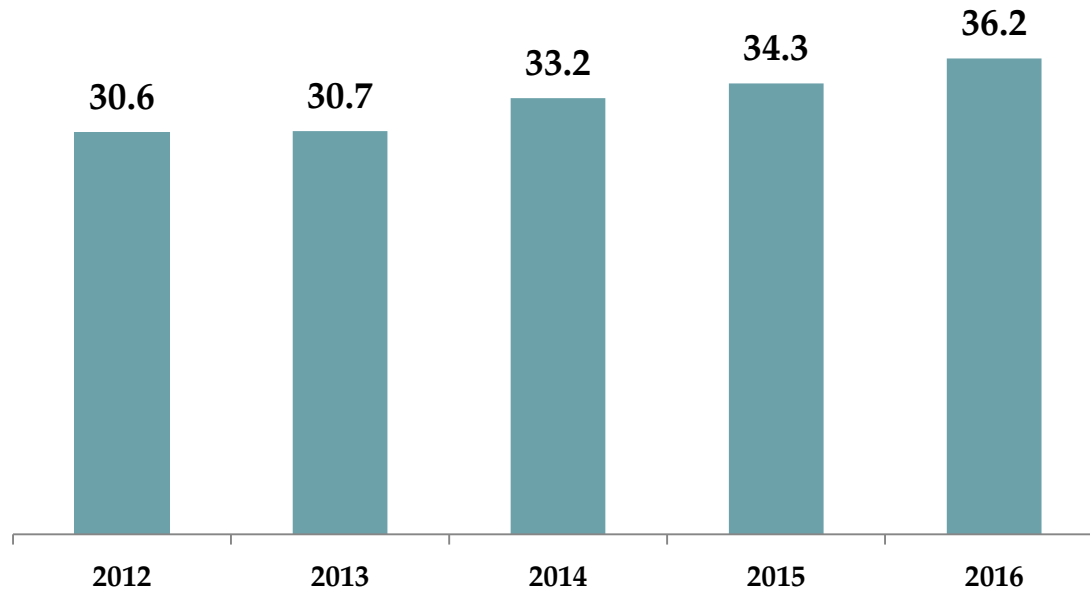
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- I. Company strategy
- II. Industry outlook
- III. Real Estate business
- IV. 3Q17 results

# Consolidated sales volume

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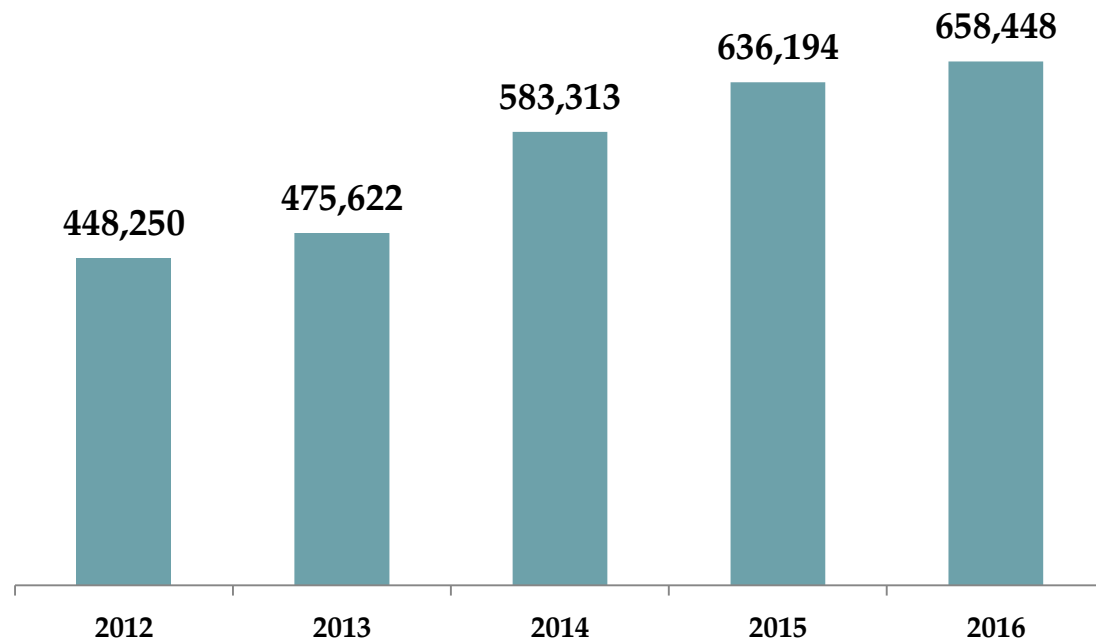
Wine sales - million 9 liter cases



# Consolidated sales

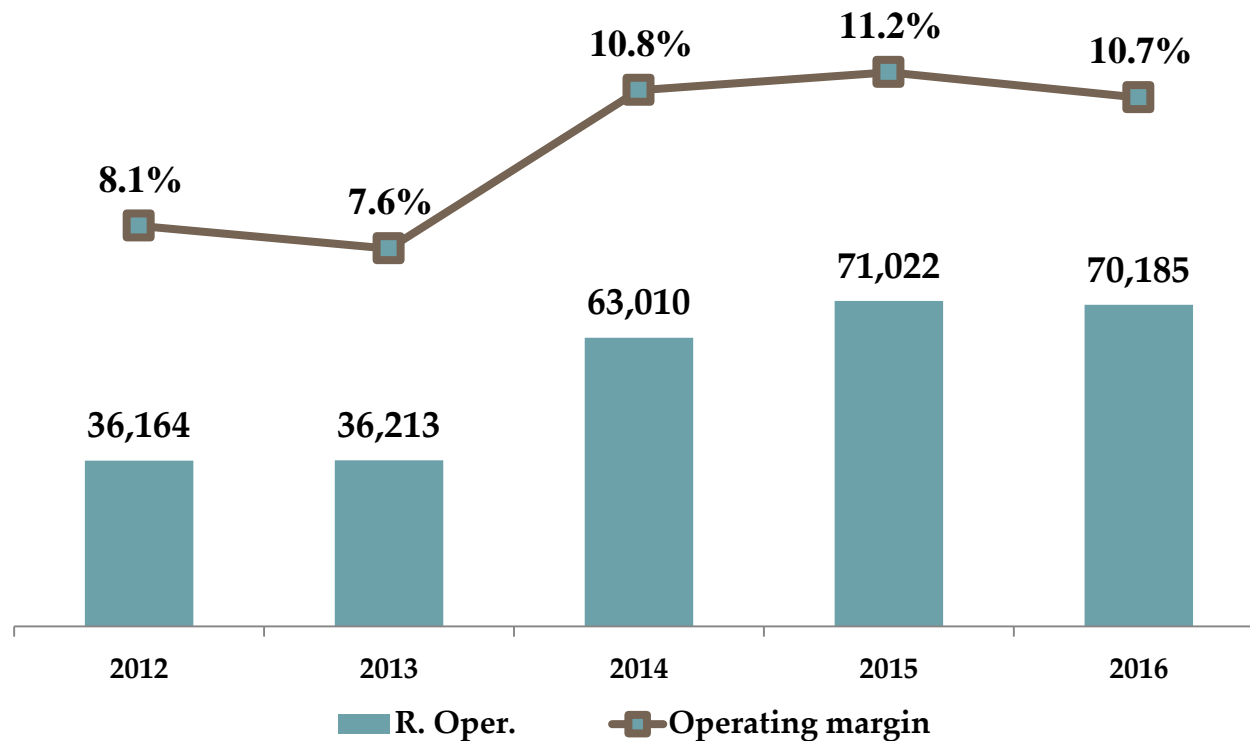
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(Ch\$ million)



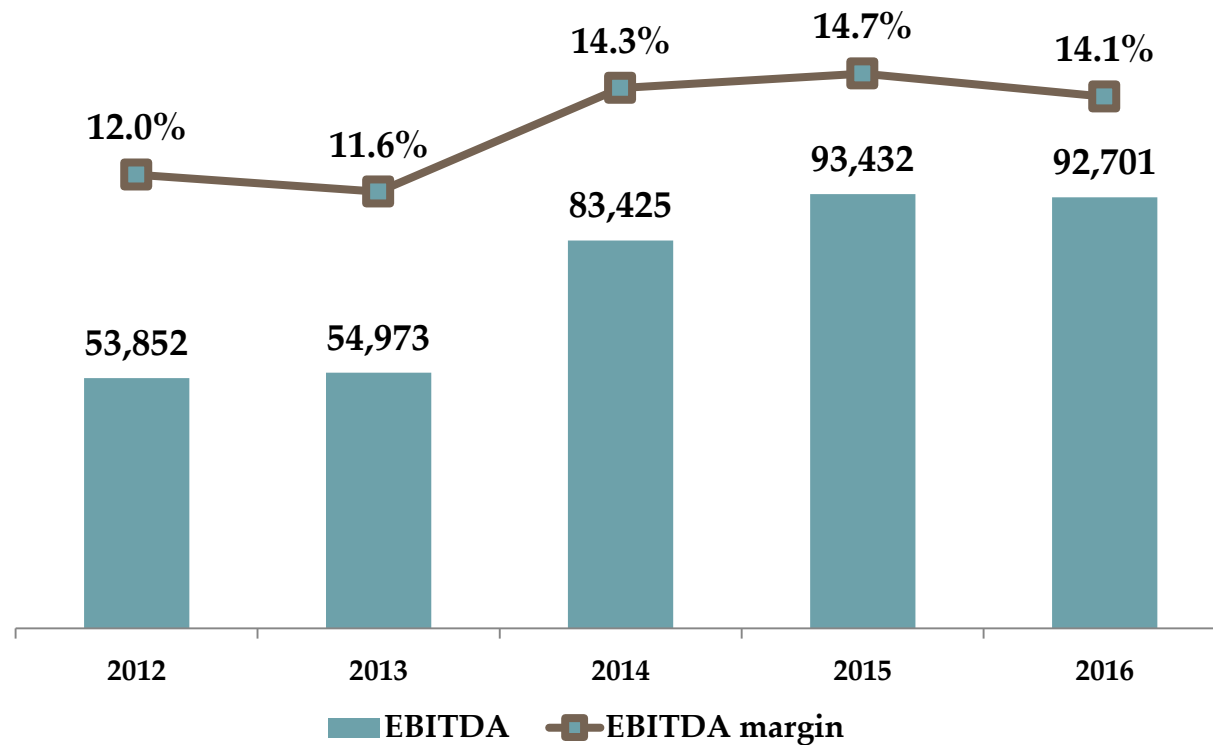
# Operating Result and margin

(Ch\$ million)



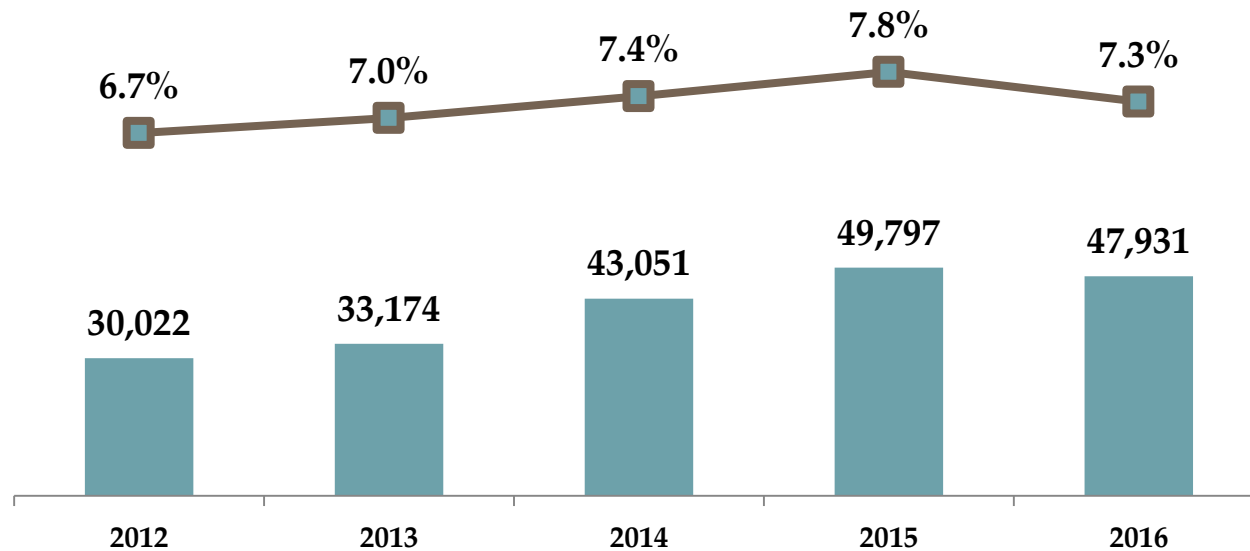
# EBITDA and EBITDA margin

(Ch\$ million)



# Net Income

(Ch\$ million)










# Financial Results - 2016

	12M 2016 MM Ch\$	12M 2015 MM Ch\$	Change %
Total volume (MM cases)	38.6	36.8	4.9%
Sales	658,448	636,194	3.5%
Cost of sales	(412,382)	(391,505)	5.3%
<b>Gross Profit</b>	<b>246,066</b>	<b>244,689</b>	<b>0.6%</b>
Gross margin	37.4%	38.5%	
SG&A	(182,475)	(172,453)	5.8%
SG&A / sales	-27.7%	-27.1%	
<b>Operating Income</b>	<b>70,185</b>	<b>71,022</b>	<b>-1.2%</b>
Operating margin	10.7%	11.2%	
Non-operating Income	(4,113)	(4,141)	-0.7%
<b>Net income</b>	<b>47,931</b>	<b>49,797</b>	<b>-3.7%</b>

# Operating margin by origin - 2016

Country	Sales		Operating
	MM 9L Cases	MM Ch\$	margin
 Chile	33.4	470,712	12.5%
 Trivento	2.6	45,628	8.6%
 Fetzer	2.6	77,366	1.6%
Total Holding	38.6	593,706	10.7%

# Operating margin: Exports and domestic market

Country	Exports	Domestic market
 <b>CHILE:</b>		
Operating margin	16.0%	1.6%
% of total sales	61.7%	19.4%
 <b>ARGENTINA:</b>		
Operating margin	13.6%	-20.1%
% of total sales	6.0%	1.0%

## A Project to achieve new operational objectives

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- As a consequence of the deep changes seen in the global wine industry in the past five years, the company initiated a process of reviewing its entire business model, in order to adjust it to the new reality of the markets in which we participate.
- This process is been addressed through a project based on four fundamental objectives: Profitability, Optimization, Innovation and Growth.

# 2022 TARGET

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**TO DOUBLE THE OPERATING INCOME FROM  
\$70,000 MM IN 2016/17 TO \$140,000 MM IN 2022.**

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Ch\$ million	2016-2017	2022	CAGR
Sales	653,000	854,000	5.5%
Operating Income	70,000	140,000	14.9%
Operating margin	10.7%	16.4%	+5.7 pps

# Strategy to achieve our 2022 targets

1. Restructuring process and cost savings
2. Recovery of profitability in domestic markets
3. New commercial strategy
4. Special focus on Casillero del Diablo brand
5. Focus on other high performing brands
6. Segment innovations in non wine category

# **1. Restructuring process in place**

- **Expected to be finished in 1H18**
- **Cost Savings**
- **Operational Efficiency**
- **Commercial strategy - focus on core brands**
- **Estimated full year savings: Ch\$18,000 million**




# 1. Restructuring process - Net estimated savings

- Net estimated savings 2.5% of sales in 2019.

(million Ch\$)	2017	2018	2019 onwards
Efficiencies and synergies from program	4,300	16,500	18,000
Severance payments and consultancy fees	-4,000	-2,800	-
Net savings	300	13,700	18,000



## 2. Recovery of profitability in domestic markets

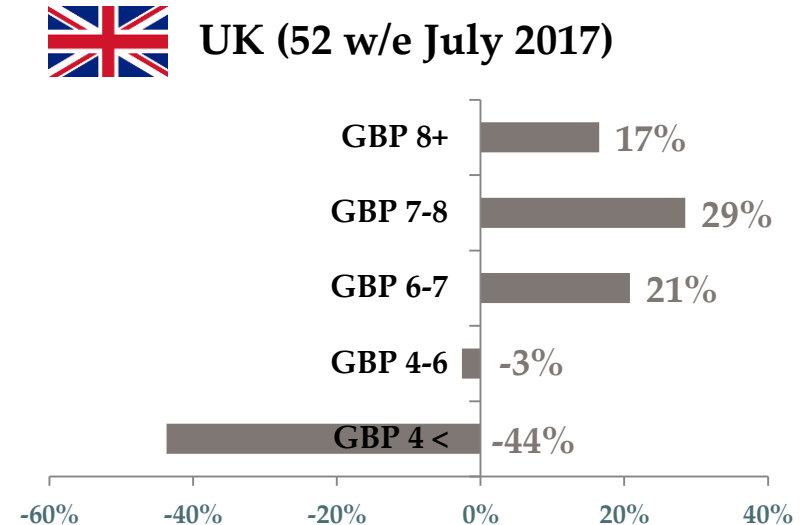
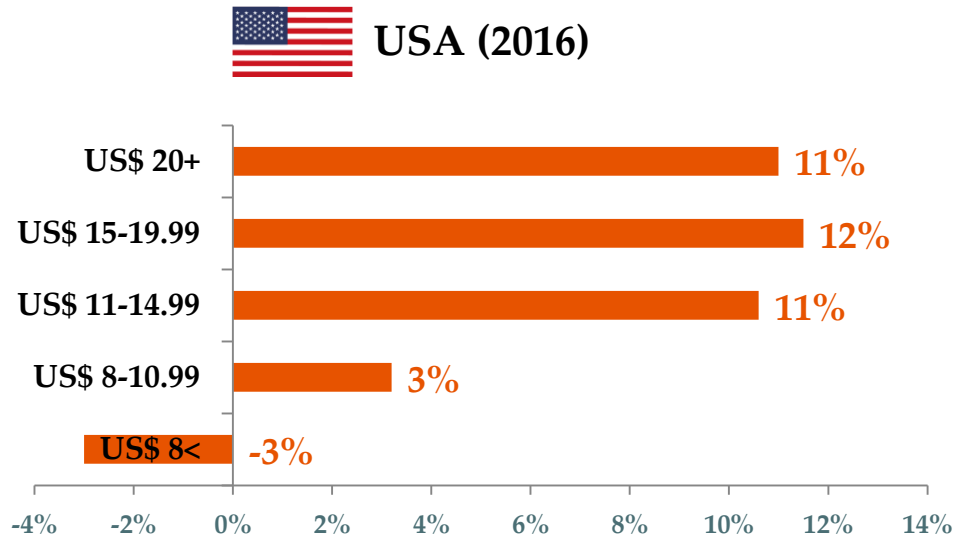
By origin:		Operating margin		Operating mg 3Q 2017*
		2016	2022	
	Chile	1.6%	8.0%	3.2%
	USA	1.0%	20.0%	5.5%
	Argentina	-20.1%	3.0%	-1.6%

\* Excludes non-recurring income and expenses

### 3. New commercial strategy – Premiumization trend

- Taking opportunities where industry is growing.
- Premium wine segment is driving the growth.

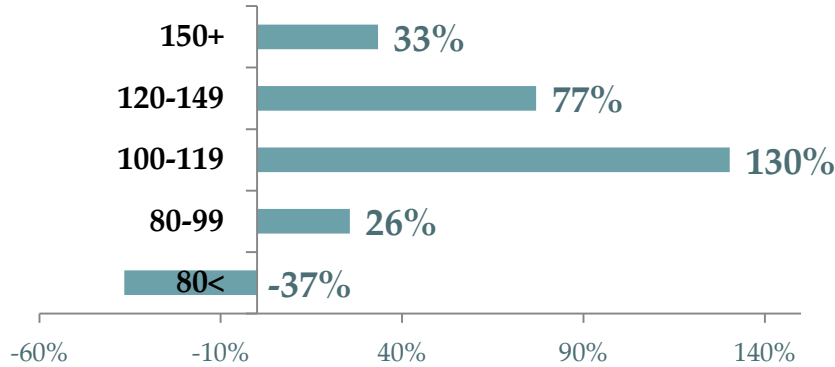
#### GROWTH RATE BY PRICE SEGMENT



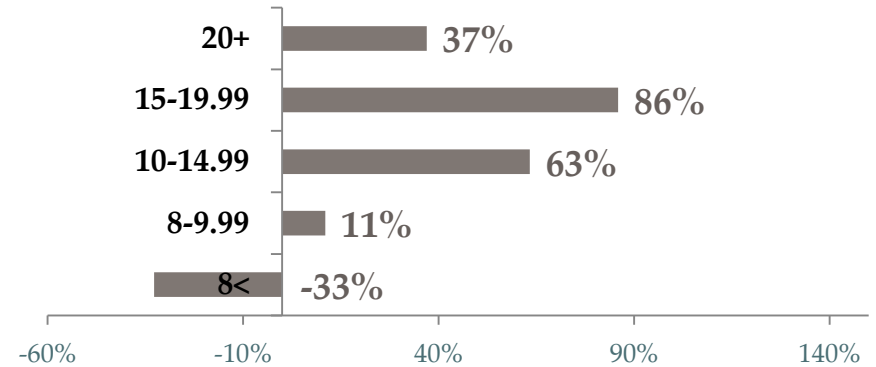
### 3. New commercial strategy – Premiumization trend



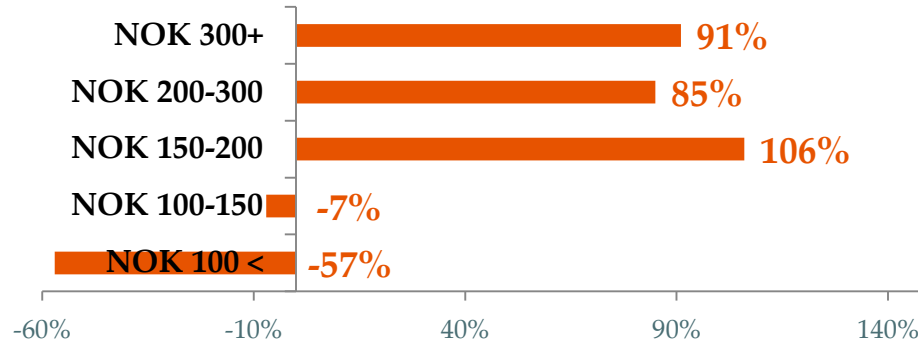
SWEDEN - RED WINE



FINLAND - RED & WHITE WINE



NORWAY - RED & WHITE WINE



\*Trend 2013-2017

### 3. New commercial strategy -- Premiumization trend

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- **Premium wines:**  
Seek strong growth in sales, focused in price segments >US\$10
- **Non-Premium wines:**  
Low single digit growth for categories of price <US\$10

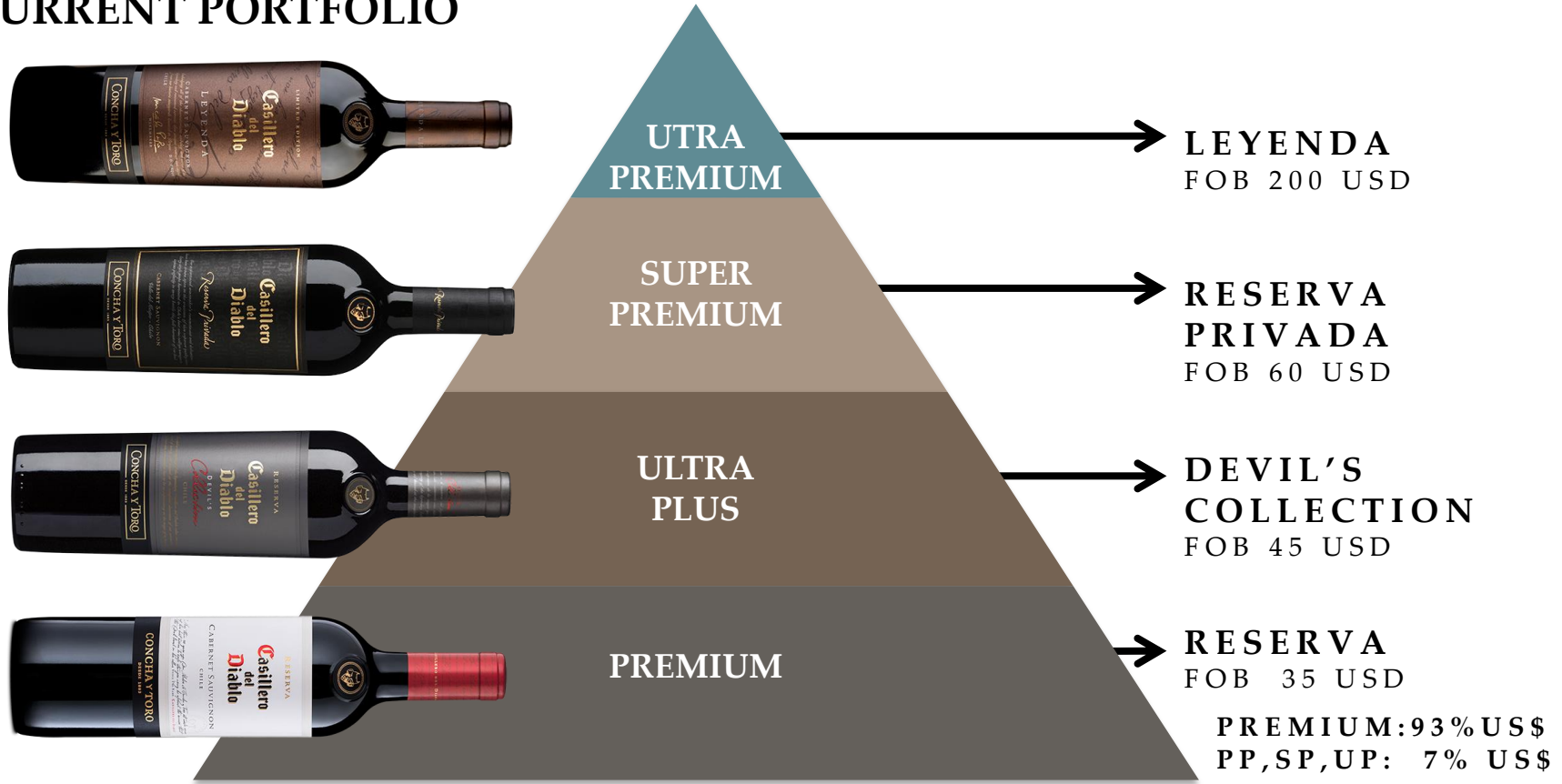
Current mix	Chile	Argentina	USA	Total
Premium	37.1%	44.8%	78.0%	42.5%
Non-Premium	62.9%	55.2%	22.0%	57.5%

## 4. Special focus on Casillero del Diablo brand



# 4. Special focus on Casillero del Diablo brand

## CURRENT PORTFOLIO



## 4. Special focus on Casillero del Diablo brand

### STRONG SALES GROWTH



# 4. Special focus on Casillero del Diablo brand

STRONG SALES GROWTH

2016 v/s 2015





## 4. Special focus on Casillero del Diablo brand

As a key Brand for the Company,  
**Casillero del Diablo** must be the driver for

**VOLUME** and **VALUE**

## 4. Special focus on Casillero del Diablo brand

**INNOVATION = GROWTH**

Highly competitive and complementary  
product portfolio, adding innovation  
to the brand

# 4. Special focus on Casillero del Diablo brand

## CURRENT PORTFOLIO



UTRA  
PREMIUM

LEYENDA  
FOB 200 USD



SUPER  
PREMIUM

RESERVA  
PRIVADA  
FOB 60 USD



ULTRA  
PLUS

DEVIL'S  
COLLECTION  
FOB 45 USD



PREMIUM

RESERVA  
FOB 35 USD

## 4. Special focus on Casillero del Diablo brand

# LARGEST PREMIUM WINE RANGE IN THE WORLD



## 4. Special focus on Casillero del Diablo brand

RESERVA

Casillero  
del  
Diablo

RED BLEND

New addition to the Global Range  
in Reserva Line

## 4. Special focus on Casillero del Diablo brand

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### PACKAGING

- Different from Reserva
- Modern look and more into the “Red Blend” mood

# 4. Special focus on Casillero del Diablo brand

## CURRENT PORTFOLIO



ULTRA  
PREMIUM

LEYENDA  
FOB 200 USD



SUPER  
PREMIUM

RESERVA  
PRIVADA  
FOB 60 USD



ULTRA  
PLUS

DEVIL'S  
COLLECTION  
FOB 45 USD



PREMIUM

RESERVA  
FOB 35 USD

## 4. Special focus on Casillero del Diablo brand





## 4. Special focus on Casillero del Diablo brand

### PRICE SEGMENT OPPORTUNITY



35 USD

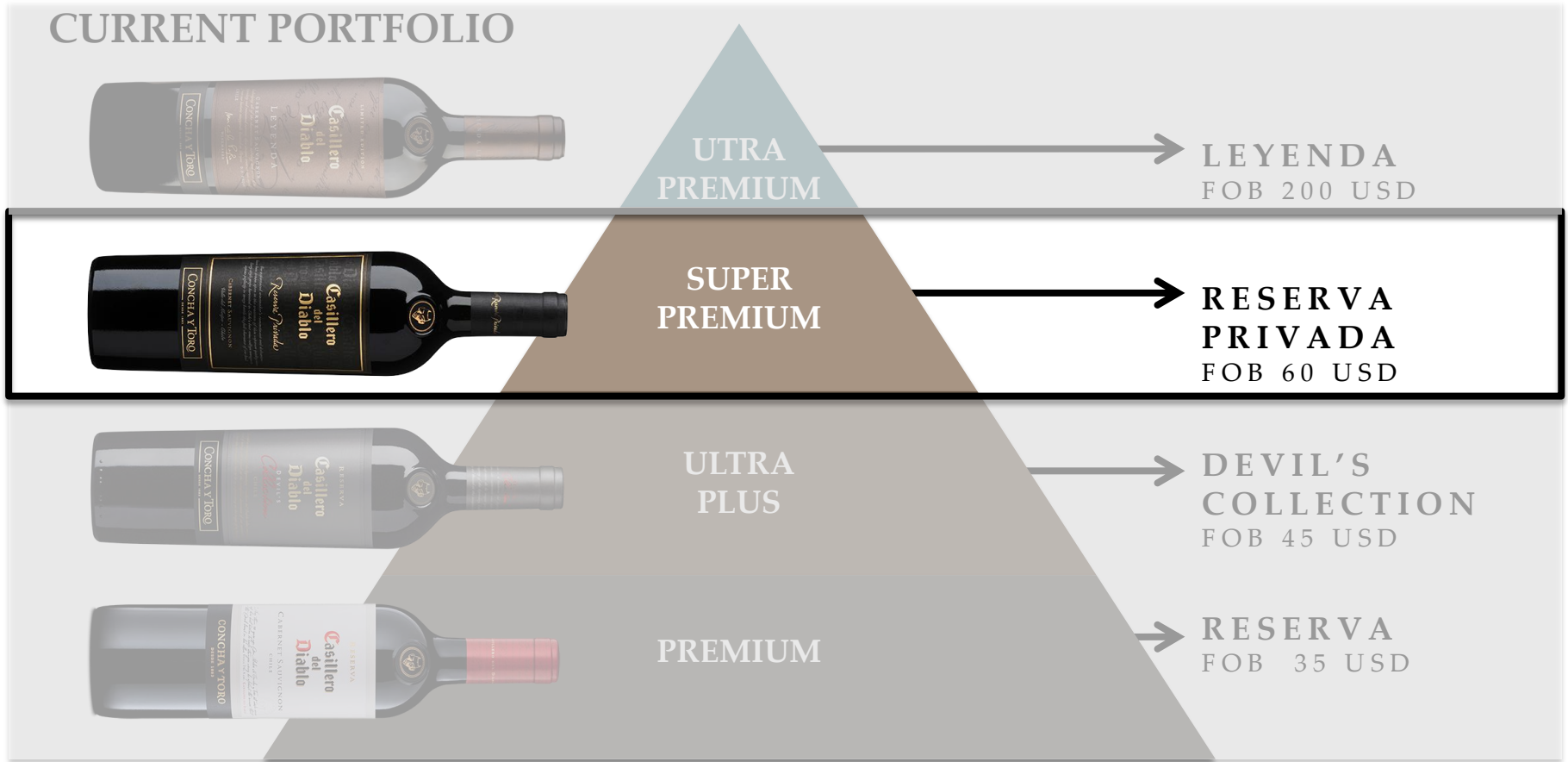


45 USD



60 USD

# 4. Special focus on Casillero del Diablo brand



## 4. Special focus on Casillero del Diablo brand

### NEW RESERVA PRIVADA PORTFOLIO



CABERNET  
SAUVIGNON



CARMENERA



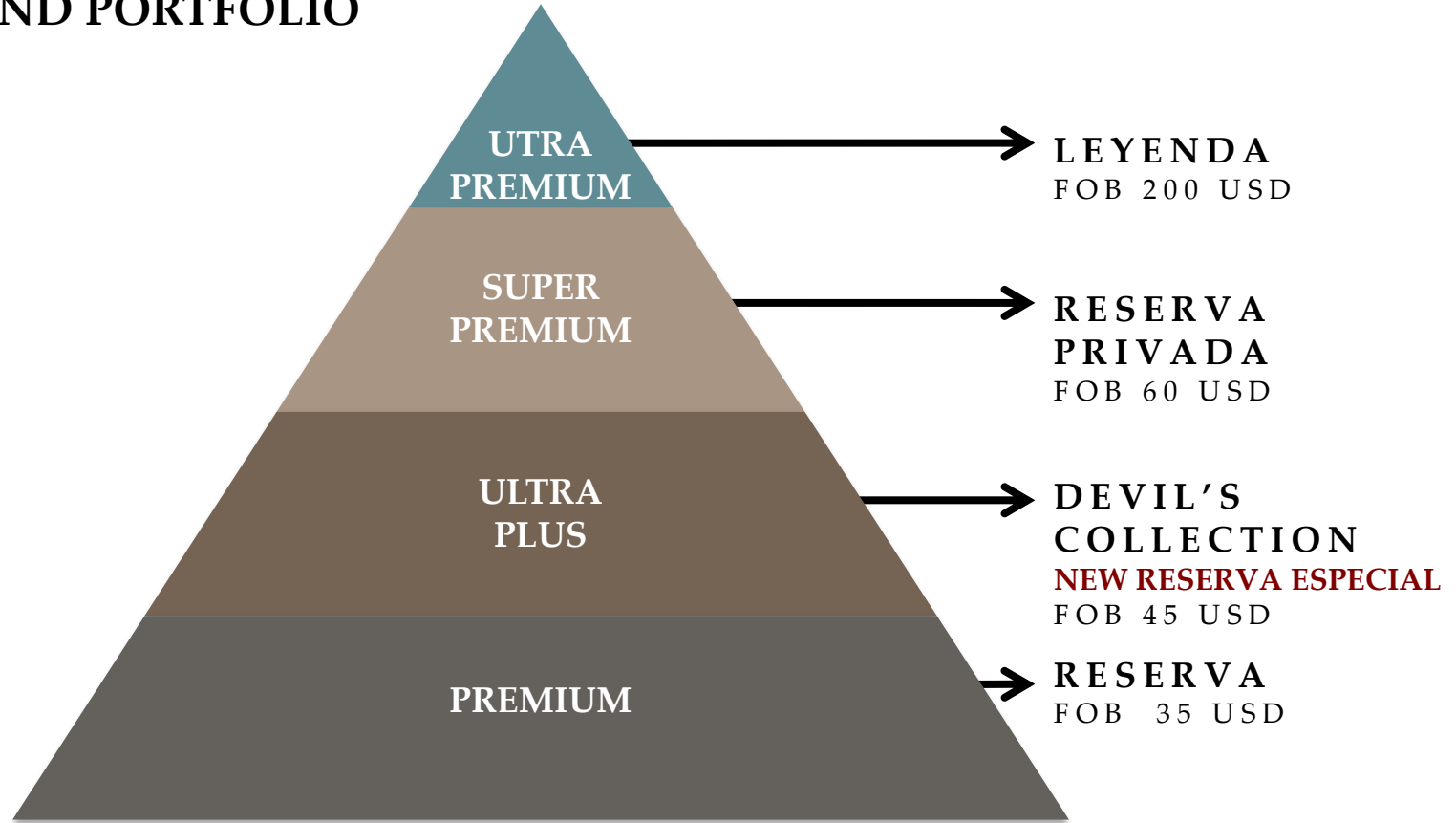
SAUVIGNON  
BLANC



CHARDONNAY

# 4. Special focus on Casillero del Diablo brand

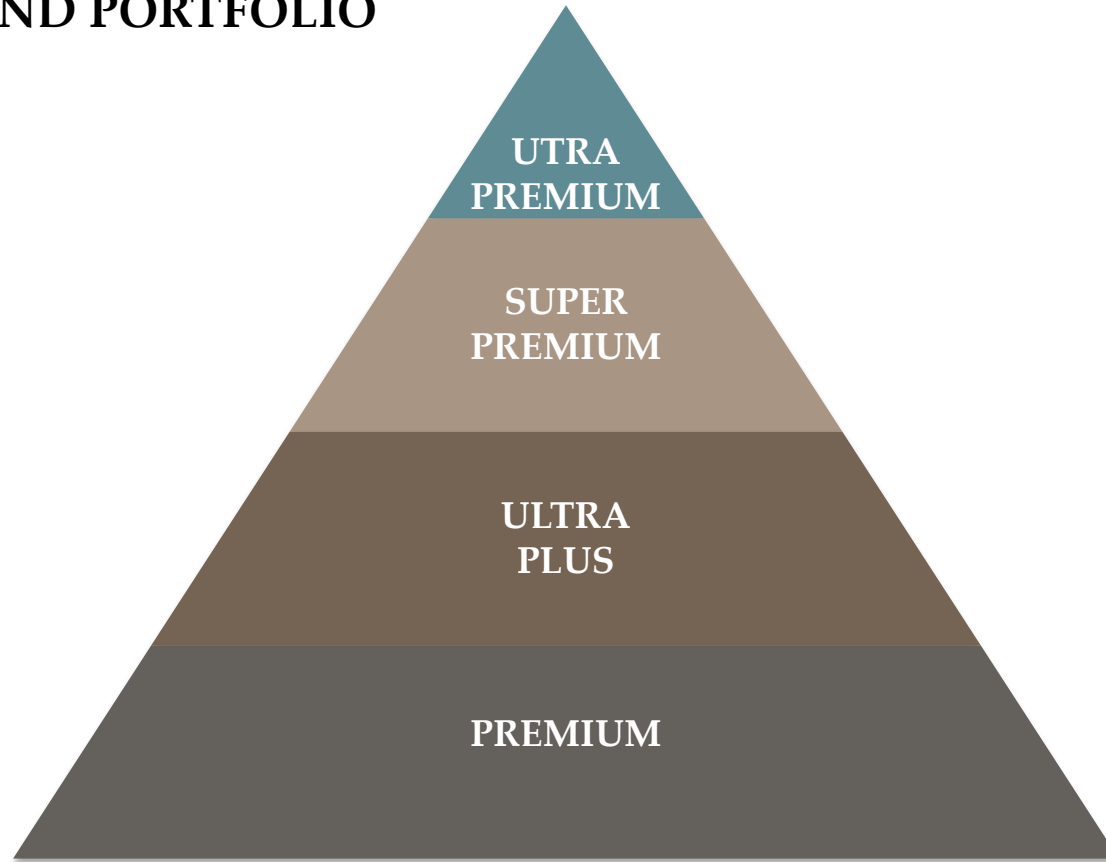
## NEW BRAND PORTFOLIO



## 4. Special focus on Casillero del Diablo brand

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NEW BRAND PORTFOLIO



INNOVATIONS

## 4. Special focus on Casillero del Diablo brand

### INNOVATIONS ROLE

- Incremental volume
- Show a fresh and modern brand
- Stand out from the competition

## 4. Special focus on Casillero del Diablo brand

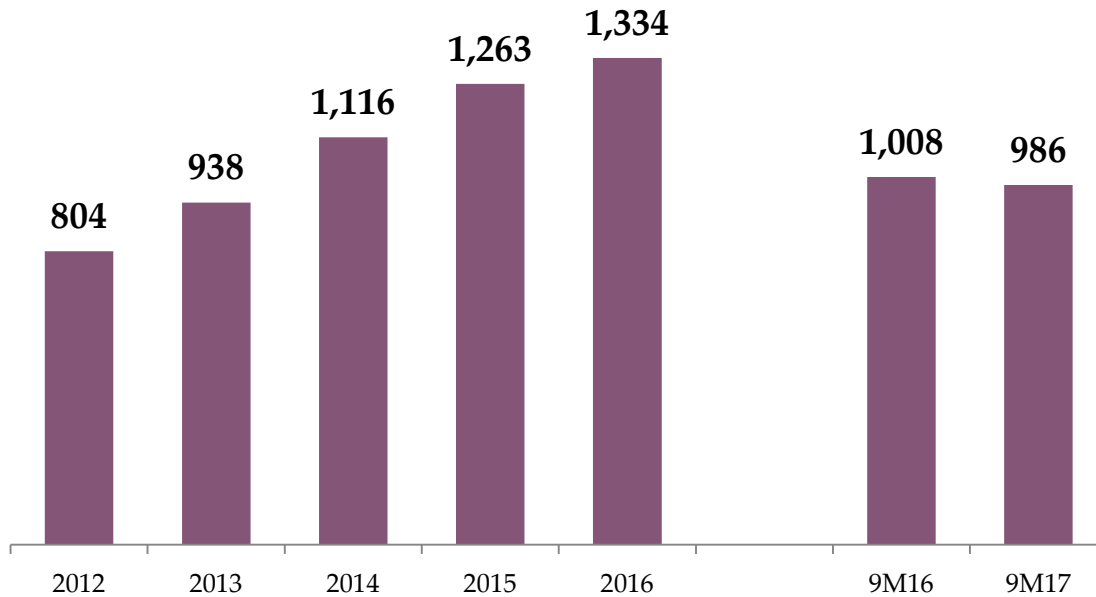
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# 5. Focus on high-performing brands - Cono Sur Bicicleta

(Volume in Th. 9 liter cases)

CAGR: + 13%





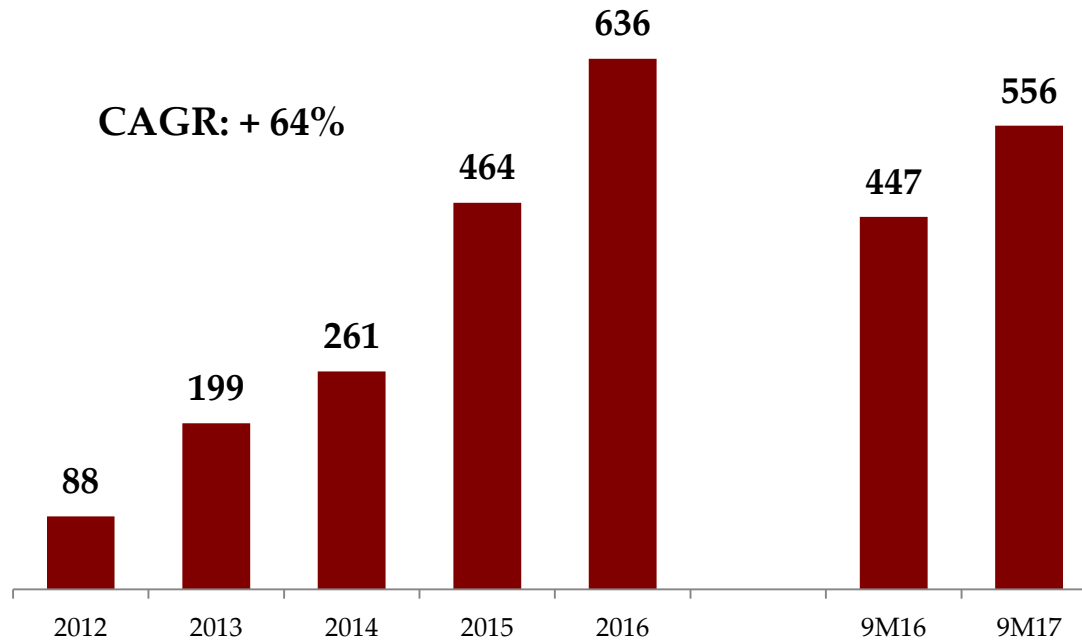
## 5. Focus on high-performing brands - Cono Sur Bicicleta

- Target: Price increase from US\$26 to US\$30 in 3 years.



## 5. Focus on high-performing brands - Trivento Reserve

(Volume in Th. 9 liter cases)



## 5. Focus on high-performing brands - Trivento Reserve

### KEY MARKETS

#### UK:

#1 Malbec

Growing at 32%



#### USA:

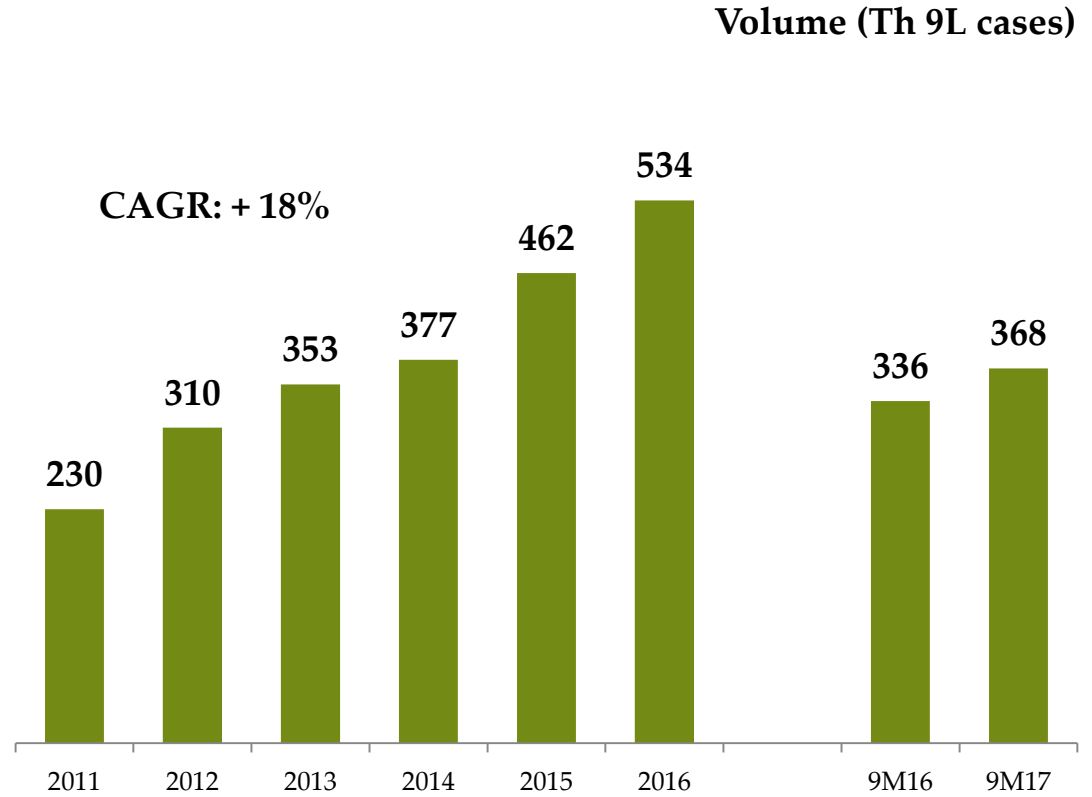
Hot brand

**2016 IMPACT**  
**HOT PROSPECT BRAND**

**M. SHANKEN COMMUNICATIONS, INC.**

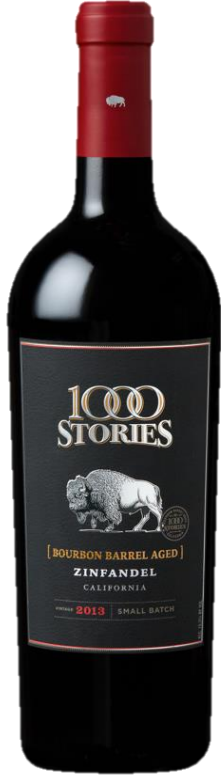
# 5. Focus on high-performing brands - Bonterra

## GLOBAL LEADER IN ORGANIC WINE

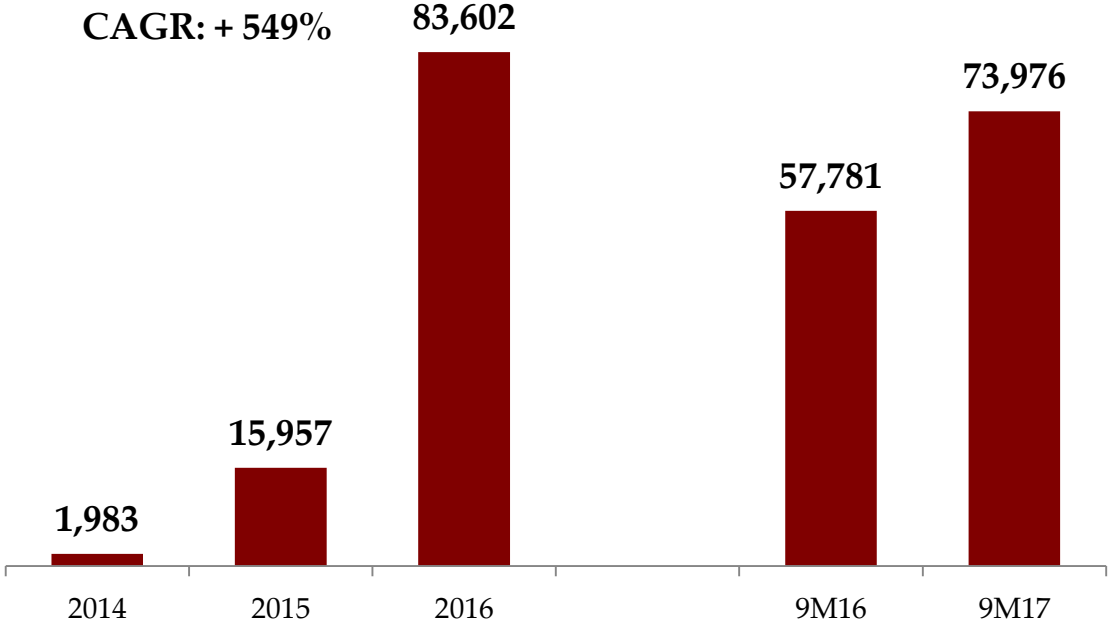


# 5. Focus on high-performing brands - 1000 Stories

## SUCCESSFUL INNOVATION IN THE AMERICAN MARKET



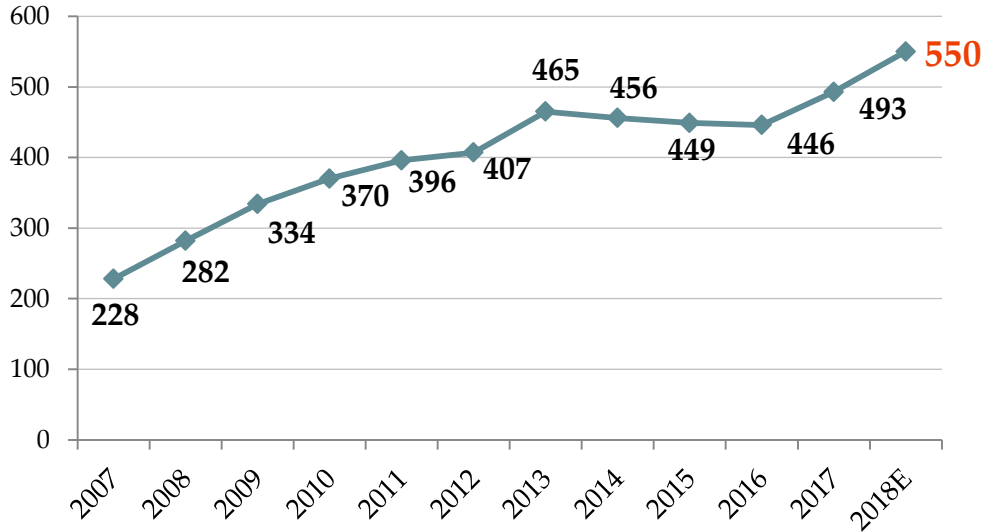
(Volume 9L cases)



# 5. Focus on high-performing brands – Don Melchor

## ONE OF THE WORLD'S GREATEST CABERNET SAUVIGNONS

FOB Price increase 2018E vs 2007: 140%  
PRICE GROWTH EVOLUTION



96  
PTS

VINTAGE 2014

COLLECTIBLE WINE  
HOT WINE

Wine Spectator



## 5. Focus on high-performing brands – Almaviva

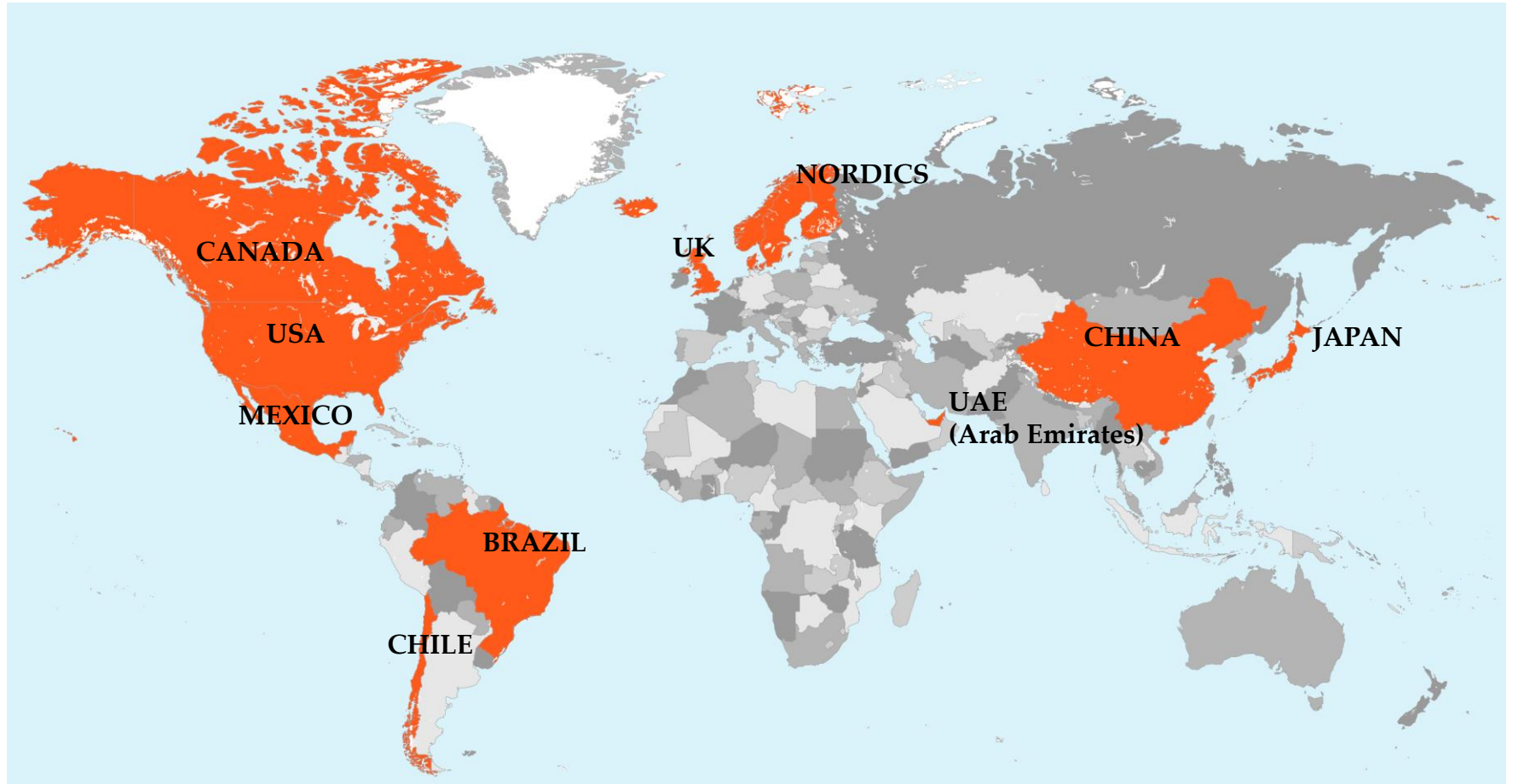
**ALMAVIVA 2015  
2017 WINE OF THE YEAR**



- Profitable business: Operating margin of 50%
- 2017 sales: US\$14 million



# Key markets to develop high performing brands





## 6. Segment innovations

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Looking for opportunities in non-wine categories

*TARGET:*

5% of sales; operating margin of Ch\$ 3,500 million.

## 6. Segment innovations - Increase in ownership of Kross

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- Increasing ownership from 49% to 77% in a high-growth, high-margin craft beer business.
- 5-year growth rate: 25% value  
22% volume
- Sales 2017E: Ch\$ 4,400 million
- EBITDA margin 2017E: 25%



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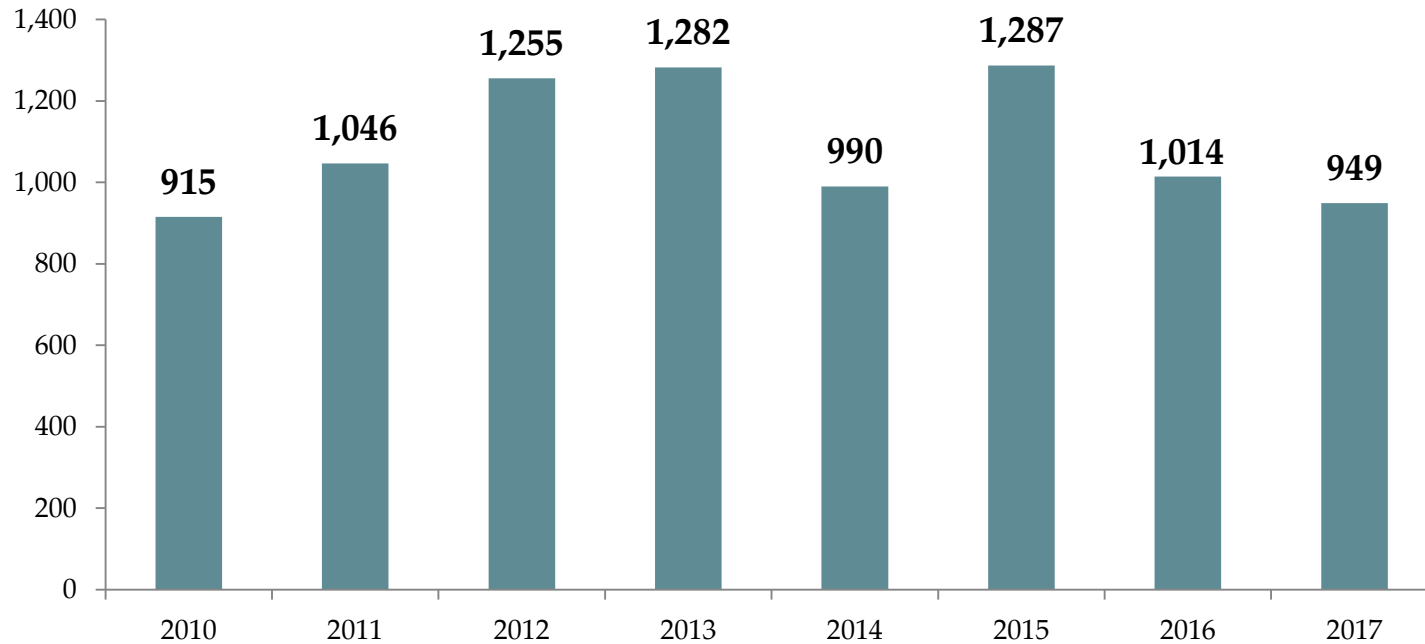
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# Global wine production – Chile

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- Two low volume harvests: 2016: -21,2% & 2017: -6,4%

## Chile Wine Harvest (mm liters)

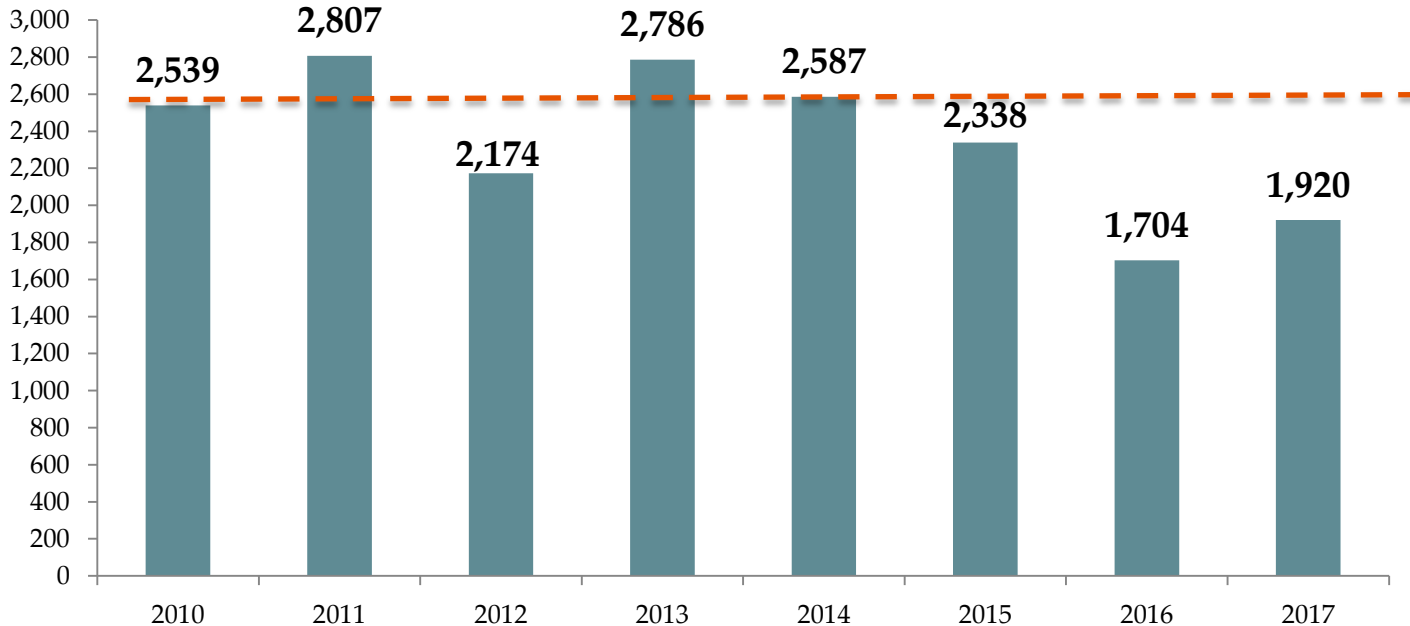


# Global wine production – Argentina

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- Two low volume harvests: 2016: -27,1% and 2017 increased 12,7% but 24% lower than the 2010-15 average

## Argentina Wine Harvest (mm lts)

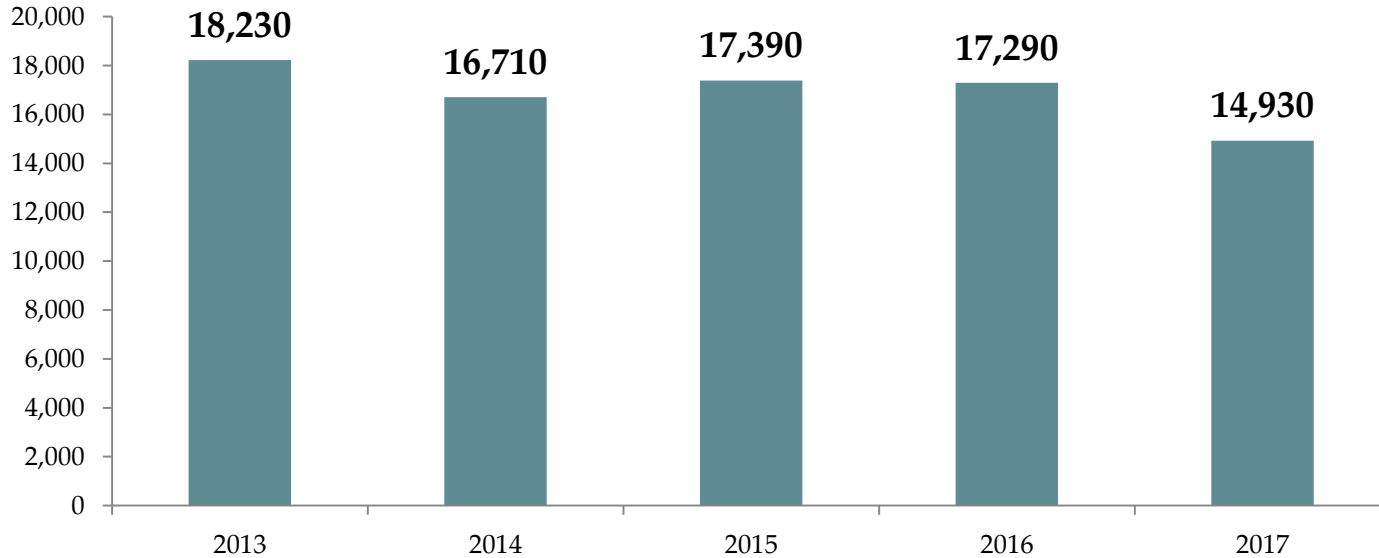


# Global wine production – Europe

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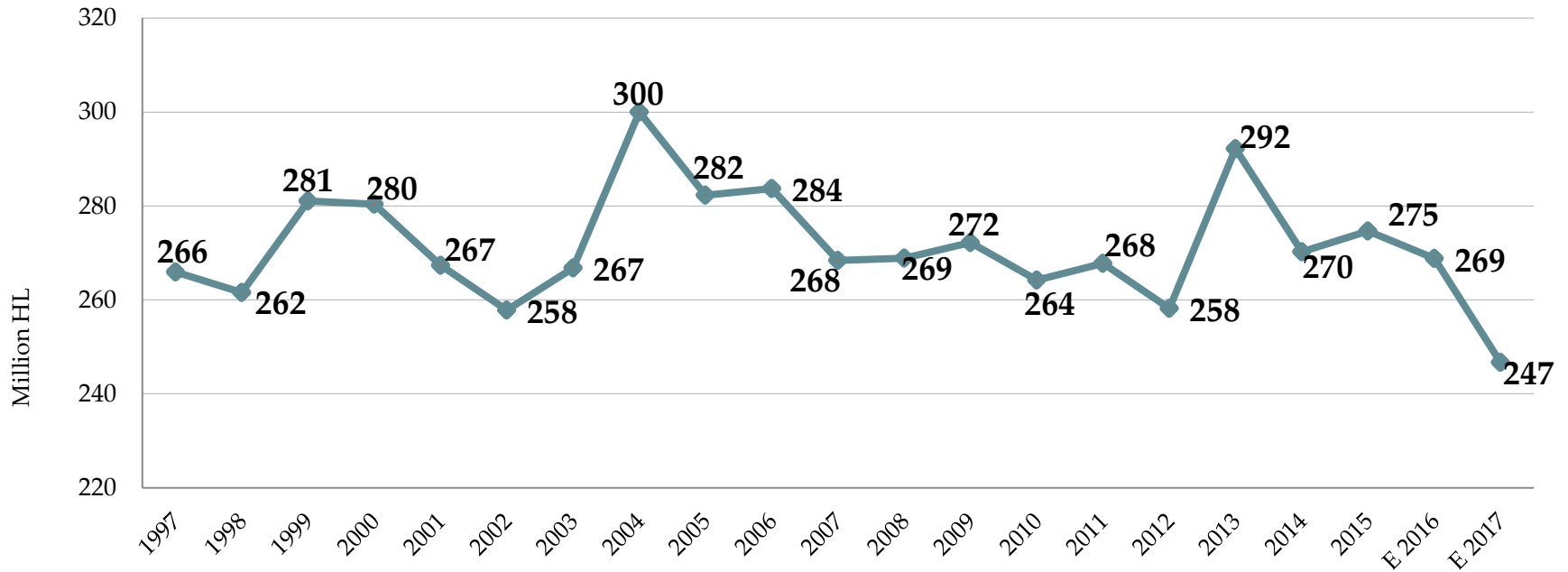
- Significant decreases in Europe due to unfavorable climate conditions (-14%).
- Italy: -23%, France: -19%, Spain: -15%, Germany: -10%

**Europe wine production (million liters)**



# Global wine production 2017

- Historical low global production: -8.2% vs. 2016.



# Company position in a tighter global supply scenario

Concha y Toro has a competitive advantage to face this current scenario due to:

- High self sufficiency of grape production
- Powerful brands
- Distribution network



## Company position in a tighter global supply scenario

### Outlook for Concha y Toro's own production in 2018

- Expected increase of 20% vs. 2017.

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## II. Real Estate business

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In addition, the company is entering in the Real Estate business, in order to maximize the profitability of its non-core properties.

# Real Estate business

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We have identified 400 hectares of non-core properties with high potential for real estate projects.

In a first stage, we have targeted 74 hectares to develop in the next 10 to 15 years.

# Real Estate business: Fundo Tocornal



**Location:** Puente Alto, RM

**Land area:** 43.57 Ha.

**Current state:** feasibility study (18 months)

**Real Estate project:** houses

**Project timing:** 11 years

**Book value:** UF 0.8/m<sup>2</sup>

**Est. land market value w/feasibility:** UF 1.8/m<sup>2</sup>

**Estimated project market value\*:** UF 4.5 /m<sup>2</sup>

# Real Estate business: Pirque



Location: Pirque, RM

Land area: 30 Ha.

**Current state:** sanitary feasibility  
(24 months)

**Real Estate project:** houses

**Project timing:** 7 years

**Book value:** UF 0.05/m<sup>2</sup>

**Est. land market value  
w/feasibility:** UF 1.8/m<sup>2</sup>

**Estimated project market value\*:**  
UF 4.0 /m<sup>2</sup>

# Real Estate business: Industria Corchera (50% owned)

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**Location:** La Cisterna, RM

**Land area:** 10,070 m<sup>2</sup>

**Current state:** project draft approval (6 months)

**Real Estate project:** apartments

**Project timing:** 9 years

**Book value:** 0.52

**Est. land market value w/feasibility:** UF 19/m<sup>2</sup>

**Estimated project market value\*:** UF 48.5/m<sup>2</sup>

# Divestment of facilities in Chile

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- In line with our restructuring program, regarding logistics optimization, we expect to divest certain distribution facilities in the next 12 to 24 months.
- Divestments located in Punta Arenas, Curicó, Coquimbo, Antofagasta, Osorno, Concepción and San Antonio.
- A total surface area of 51,100 m<sup>2</sup> with an estimated market value of UF 200,000.



# Real Estate business and divestments - Summary

	Land area (hectares)	Estimated market value UF/m2	Total Estimated value
<b>Tocornal:</b>	<b>43.5</b>	<b>4.5</b>	<b>UF 1,957,500</b>
<b>Pirque:</b>	<b>30.0</b>	<b>4.0</b>	<b>UF 1,200,000</b>
<b>Corchera (50% CyT)</b>	<b>0.5085</b>	<b>48.5</b>	<b>UF 247,000</b>
<b>Divestments</b>			<b>UF 200,000</b>
<b>Estimated total value</b>			<b>UF 3,604,500</b>
<b>USD equivalent (USD = CLP625)</b>			<b>~MMUSD 150</b>

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### III. Third Quarter 2017 Results

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(million Ch\$)	3Q17	3Q16	Change	Change%
Sales	160,532	169,800	-9,268	-5.5%
Costs of sales	102,535	105,870	-3,335	-3.2%
Gross profit	57,997	63,930	-5,933	-9.3%
SG&A	43,265	48,128	-4,863	-10.1%
Operating profit	14,891	17,667	-2,776	-15.7%

## Adjusted\* SG&A - 3Q17

(million Ch\$)	3Q17	3Q16	Change	Change%
SG&A	43,265	48,128	-4,863	-10.1%
SG&A / Sales	27.0%	28.3%	-1.39 pp	
Extraordinary expenses from restructuring program	737	0	737	
Adjusted*SG&A	42,528	48,128	-5,600	-11.6%
Adjusted* SG&A / Sales	26.5%	28.3%	-1.85 pp	

\*For analysis purposes, the figures are presented excluding non recurring items (NRI). These include several extraordinary expenses, costs and incomes, registered in 2016 and 2017.

## Adjusted\* Operating Profit - 3Q17

(million Ch\$)	3Q17	3Q16	Change	Change %
Operating profit	14,891	17,667	-2,776	-15.7%
Non-recurring income**	0	-2,150	2,150	
Extraordinary expenses from restructuring program	1,131	0	1,131	
Adjusted Operating Profit	16,022	15,517	505	3.3%

\*For analysis purposes, the figures are presented excluding non recurring items (NRI). These include several extraordinary expenses, costs and incomes, registered in 2016 and 2017.

\*\*Non-recurring income includes compensation from the ending of the distribution agreement by Monster.

## Operating Profit - Quarterly trend

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Operating profit / Sales	1Q	2Q	3Q
2016	9.2%	12.4%	10.4%
Adjusted* 2016	<b>9.2%</b>	<b>12.4%</b>	<b>9.1%</b>
2017	6.1%	10.2%	9.3%
Adjusted* 2017	<b>6.7%</b>	<b>11.0%</b>	<b>10.0%</b>

\*2016 adjusted by compensation payments in 3Q16.

\*2017 adjusted by expenses from restructuring program and consultancy fees.

## Non-operating profit - 3Q17

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(million Ch\$)	3Q17	3Q16	Change
Net financial expenses	-2,600	-2,579	-21
Exchange-rate differences	3,791	-266	4,057
Income/expenses by adjustment units	16	10	6
Profit from affiliated companies	2,905	2,378	527
Non-operating profit	4,112	-456	4,568

## Profit from Affiliated companies - 3Q17

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(million Ch\$)	3Q17	3Q16	Change
Industria Corchera	169	-54	223
Viña Almaviva S.A.	2,128	1,901	227
Excelsior Wine Company*	546	524	22
Others	63	7	56
Profit from Associated companies	2,905	2,378	527

\* EBT



# Consolidated results - 3Q17

(million Ch\$)	3Q17 Reported	3Q16 Reported	Change %	3Q17 Adjusted	3Q16 Adjusted	Change %
Sales	160.532	169.800	-5,5%	160.532	169.800	-5,5%
Gross profit	57.997	63.930	-9,3%	58.391	63.930	-8,7%
Gross margin	36,1%	37,7%	-150 bp	36,4%	37,7%	-130 bp
Operating income	14.891	17.667	-15,7%	16.022	15.517	3,3%
Operating margin	9,3%	10,4%	-110 bp	10,0%	9,1%	80 bp
Net income	14.642	13.512	8,4%	15.773	11.362	38,8%
Net margin	9,1%	8,0%	120 bp	9,8%	6,7%	310 bp
EBITDA	21.003	23.889	-12,1%	22.134	21.739	1,8%
EBITDA margin	13,1%	14,1%	-100 bp	13,8%	12,8%	100 bp

## Consolidated results – 9-Months 2017

(million Ch\$)	9M17 Reported	9M16 Reported	Change %	9M17 Adjusted	9M16 Adjusted	Change %
Sales	453.948	475.247	-4,5%	453.948	475.247	-4,5%
Gross profit	162.815	181.406	-10,2%	163.521	181.406	-9,9%
Gross margin	35,9%	38,2%	-230 bp	36,0%	38,2%	-210 bp
Operating income	39.541	51.359	-23,0%	42.048	49.209	-14,6%
Operating margin	8,7%	10,8%	-210 bp	9,3%	10,4%	-110 bp
Net income	29.983	34.057	-12,0%	32.490	31.907	1,8%
Net margin	6,6%	7,2%	-60 bp	7,2%	6,7%	40 bp
EBITDA	56.466	67.328	-16,1%	58.973	65.177	-9,5%
EBITDA margin	12,4%	14,2%	-170 bp	13,0%	13,7%	-70 bp



# INVESTOR DAY CORPORATE STRATEGY UPDATE

## VIÑA CONCHA Y TORO

November 7, 2017