



# VIÑA CONCHA Y TORO

— FAMILY OF WINERIES —

## Investor Presentation 2Q19 Results

*September, 2019*

# *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. Forward-looking statements speak only as of the date they are delivered, and Viña Concha y Toro undertakes no obligation to publicly update or revise them considering developments which differ from those anticipated.

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# *Agenda*

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I. 2Q2019 Results

II. 1H2019 Results

III. Outlook

# 2Q2019 Results

## 1. Top line consistent with the new commercial strategy

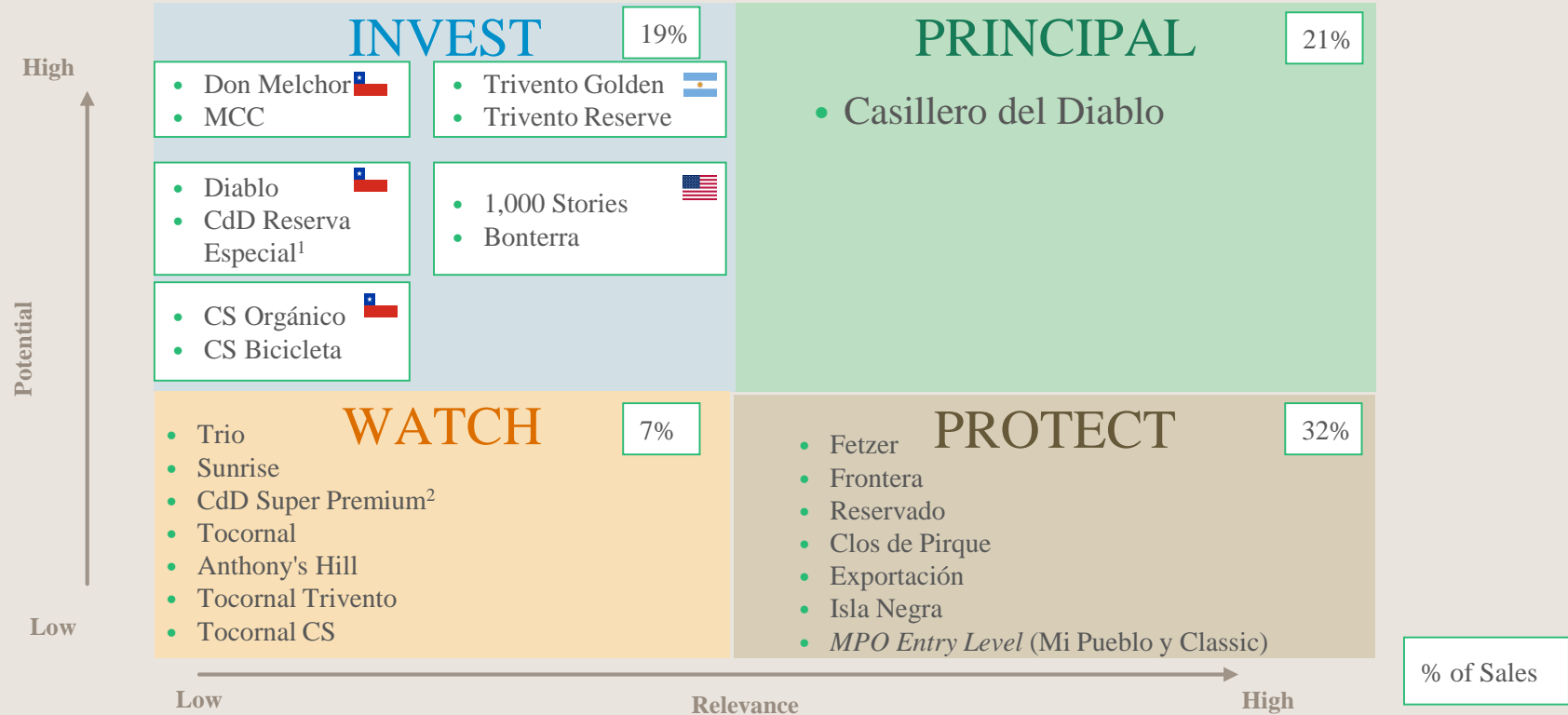
(Ch\$ million)	2Q19	2Q18	Var %
Sales	165,577	151,184	9.5%
Wine	158,520	139,474	13.7%
Others	7,056	11,710	(39.7%)

- Wine sales: **+13.7%**, on higher volume, better mix, US distribution integration and positive f/x.
- Wine volume: **+3.8%**, with increases in key brands and markets.
- Principal and Invest categories posted strong performance, **+18%** in volume.
- Other sales declined **40%** on the end of diageo distribution.

# Brand Matrix: Higher focus in Principal and Invest brands

Brand matrix: 25 brands, represent 79% of group sales

Principal & Invest brands : +26% value growth , 40% of sales



(1) Considera CdD Reserva Especial y Casillero Devil's; (2) Considera Casillero Reserva Privada, Casillero Expert, CDD Vintage, CDD Leyenda y Casillero Legendary

# 2Q2019 Results

## 2. Focus of New Commercial strategy reflected in brands performance

- Brand Matrix Growth by category:

(Ch\$ million)	Value Var.	Volume Var.
Principal	16%	10%
Invest	39%	32%
Protect	6%	-3%
Watch	28%	14%

- The protect segment declines due to lower volume of Frontera. However its sales value increases 5.1%.

# 2Q2019 Results

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## Key Brands posted strong volume growth :

- Principal Casillero del Diablo: **+10%**
- Invest CyT: **+38%**
- Invest Cono Sur: **+23%**
- Invest Trivento : **+70%**
- Invest Fetzer: **+11%**



# *Casillero del Diablo*

Successful performance of Diablo and Casillero del Diablo line extensions.



Diablo:  
2Q19: 33,500 cases  
3X volume growth

Devils and Reserva Especial:  
2Q19: 50,700 cases  
40% volume growth



## *Brand Matrix – Trivento Reserve*





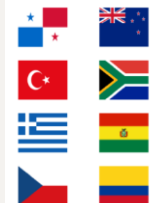
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Trivento Reserve:  
2Q19: 259,000 cases  
70% volume growth



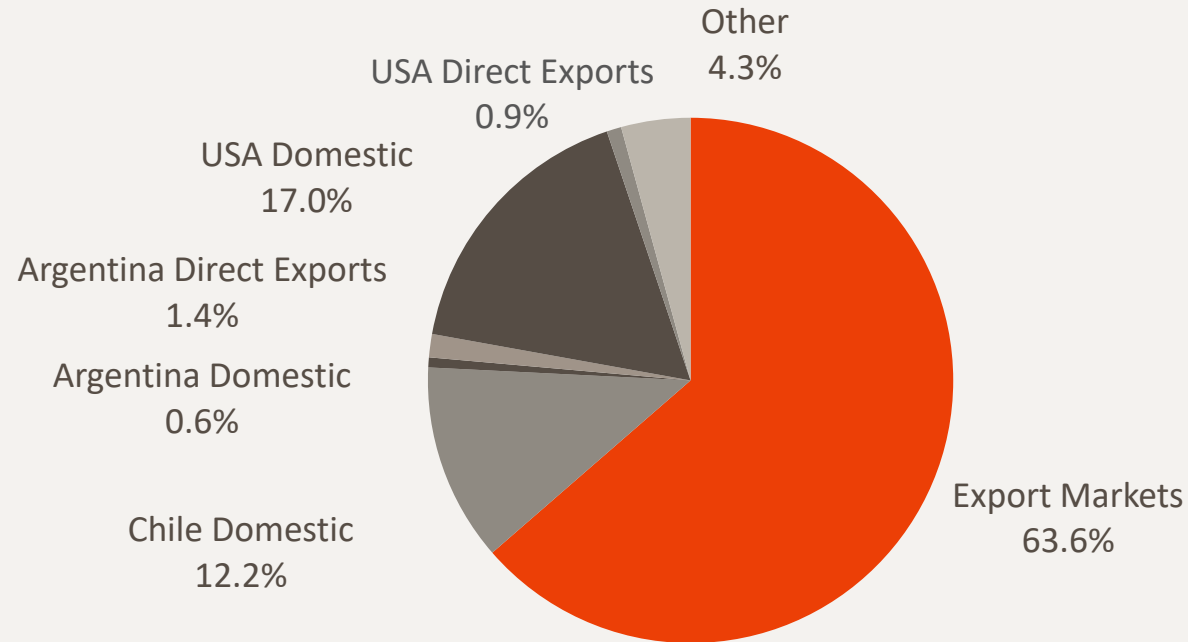
# Market Matrix: Specialized commercial areas

Wine sales led by A markets increasing 18%.

Presence & Priority	<div>&gt;</div>	Priority	A MARKETS	Accelerated Growth	B MARKETS	C MARKETS
			Continuous Growth		Next wave	Others
		COMMERCIAL AND DISTRIBUTION OFFICES			Market Manager	
Markets	<div>&gt;</div>		9 MARKETS		9 MARKETS	115 MARKETS
						
						+107 COUNTRIES
% of Sales in 2018	<div>&gt;</div>		77%		11%	12%

Commercial offices: 14 - Distributors: 352 - Markets + 130

## 2Q2019 Results – Sales breakdown



# 2Q2019 Results

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## 3. Performance across markets

**3.1 Export markets:** positive performance in UK, Mexico, Brazil, Korea and China among others.

Value **+10.7%**

- **+3.3%** volume
- Better mix:
  - Premium sales **33.3%** of sales volume (30.2% in 2Q2018)
  - Premium sales **46.3%** of sales value (43.6% in 2Q2018)
- Favorable F/X (~7%)

# Recovery of Chilean wine exports 2Q2019

Bottled export volume starting to recover in 2Q2019, in a challenging global scenario for wine trade.

2Q2019	9L cases	US\$ value	Volume YoY%	Value YoY%
CHINA	2,175,036	71,940,516	0.1%	8.3%
ESTADOS UNIDOS	1,302,656	37,208,400	(1.3%)	4.0%
BRASIL	1,548,317	38,436,027	(1.8%)	(7.7%)
REINO UNIDO	1,360,973	35,021,710	(2.3%)	(4.2%)
JAPON	1,041,864	26,868,745	(11.8%)	(6.2%)
HOLANDA	769,221	19,930,968	(11.5%)	(19.4%)
CANADA	692,081	21,850,118	16.8%	13.9%
COREA DEL SUR	431,227	15,484,512	31.8%	28.6%
MEXICO	417,968	10,042,018	10.2%	(4.3%)
OTHERS	4,023,346	120,011,754	8.4%	8.6%
<b>TOTAL 2Q19</b>	<b>13,762,689</b>	<b>396,794,768</b>	<b>1.8%</b>	<b>2.8%</b>

## In 1Q19:

- Volume: -4.5%
- Value: -6.1%

## In 2Q19:

- Volume: +1.8%
- Value: +2.8%

# 2Q2019 Results

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## 3. Performance Across Markets

**3.2 Chile domestic market** led by Casillero del Diablo and upper Brand extensions.

- Value **+3.6%**
- Volume: **+3.0%**
- Premium growth : **+12.5 volume +13.1% value**

# 2Q2019 Results

Bonterra

**3.3 Operation in USA:** Growth led by domestic market volume across all portfolios: Fetzer and the Chilean and Argentine wines

- Total : Value **+30.9%**  
Volume **+3.7%**
- Domestic: Value **+40.4%**  
Volume **+12.1%**
- Exports: Value **-28.6%**  
Volume **-48.2%**
- Invest Brands **+10.8%** volume **+25.5%** value
- Bonterra (+8% vol. +19% value)
- 1000 stories (+25% vol. +54% value)





# 2Q2019 Results

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## 3.4 Operation in Argentina: focus on exports and key markets.

- Sales led by shipments to distribution offices.
  - Total Value: **+24%**
  - Total Volume: **+13.5%**
- Invest Brands **+70%** volume **+81%** value
- Trivento Reserve (74% vol. 87% value) and trivento golden (20% vol y 46% value)



# 2Q2019 Results

## 4. Operating profit increased 35% mainly reflecting

- Higher volume & mix, and favorable f/x effect.
- Lower wine cost in Chile, Argentina and the US,
- Partially offset by higher SG&A, and productive cost in Chile.

(Ch\$ million)	2Q19	2Q18	Var.%
Sales	165,577	151,184	9.5%
EBIT	19,787	14,677	34.8%
EBIT margin	12.0%	9.7%	220 bp
EBITDA	27,522	20,365	35.1%
EBITDA margin	16.6%	13.5%	320 bp

# Non operating profit

## 5. Non- Operating profit declined on lower exchange differences

- In 2Q18, gains from hedging strategy amounted CH\$ 5,832 million, mostly related to the Argentine peso depreciation.

(Ch\$ million)	2Q19	2Q18	Var %	Var \$
Financial income	144,063	295,655	(51.3%)	(151,592)
Financial costs	(2,917,919)	(2,803,234)	4.1%	(114,685)
Share of profit (loss) of associates and joint ventures using equity method	(22,314)	(46,728)	(52.2%)	24,414
Exchange differences	1,422,725	5,832,369	(75.6%)	(4,409,644)
Adjustment units	(386,636)	(137,610)	181.0%	(249,026)
<b>Non-operating profit (loss)</b>	<b>(1,760,081)</b>	<b>3,140,452</b>		<b>(4,900,533)</b>

# 2Q2019 Results

(Ch\$ million)	2Q19	2Q18	Var %
Sales	165,577	151,184	9.5%
Gross profit	60,521	49,451	22.4%
Gross margin	36.6%	32.7%	380 bp
EBIT	19,787	14,677	34.8%
EBIT margin	12.0%	9.7%	220 bp
Non-operating profit	(1,760)	3,140	
Net profit	13,985	13,536	3.3%
Net margin	8.4%	9.0%	(50 bp)

# *Successful bond placement*

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**This issuance is part of a debt restructuring plan to take advantage of lower interest rates.**

Issued in the local market, UF denominated: UF 2,000,000 (equivalent to US\$ 78 million)

Maturity: 25- year with a 20-year grace period and 18.8-year duration.

Rating: AA- (Feller and Humphreys)

**Placed at a rate of UF+1.35%**

Spread: 82 basis points over benchmark

Demand: 3.2 x the offering size

Avg. rate last 10 years: UF+3.70%

Avg. rate last 3 years (2016-2018): UF+2.94%

# *Agenda*

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I. 2Q2019 Results

**II. 1H2019 Results**

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# 1H2019 Results

(Ch\$ million)	1H19	1H18	Var %
Sales	296,263	275,626	7.5%
Gross profit	103,682	88,852	16.7%
Gross margin	35.0%	32.2%	280 bp
EBIT	29,193	24,348	19.9%
EBIT margin	9.9%	8.8%	100 bp
Non-operating profit	(3,622)	2,451	
Net profit	19,314	19,998	(3.4%)
Net margin	6.5%	7.3%	(70 bp)



# *Agenda*

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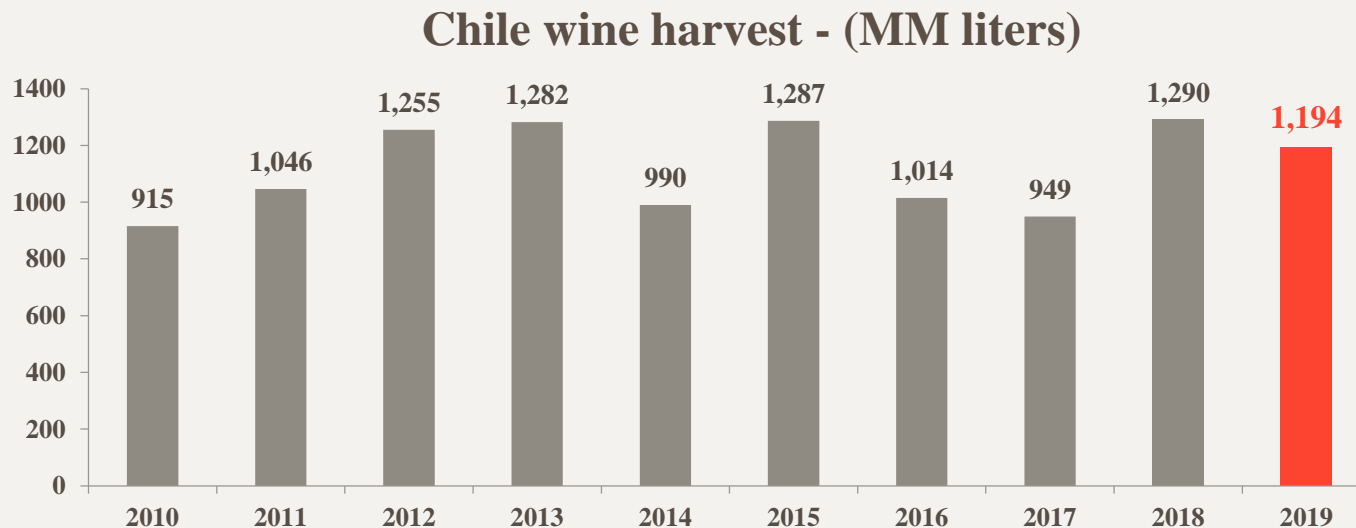
I. 2Q2019 Results

II. 1H2019 Results

**III. Outlook**

## 2019 harvest - Chile

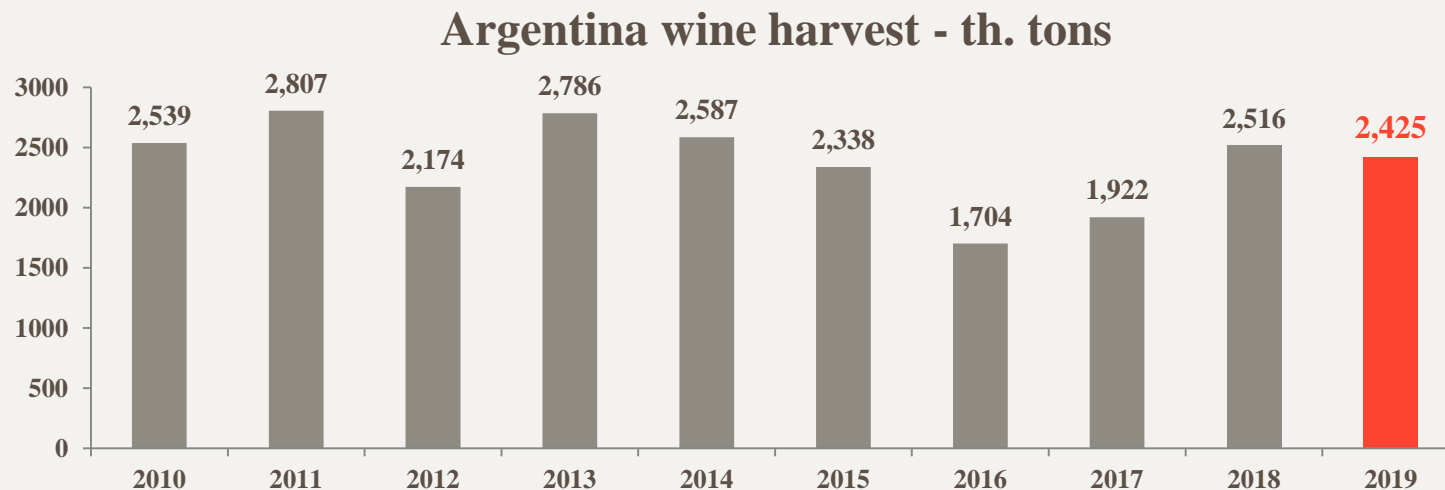
- The 2019 harvest in Chile decreased 7.4%, to 1,194 million liters.
- Excluding wine from table grapes, production declined 2.1% YoY.



Source: SAG

## 2018 harvest - Argentina

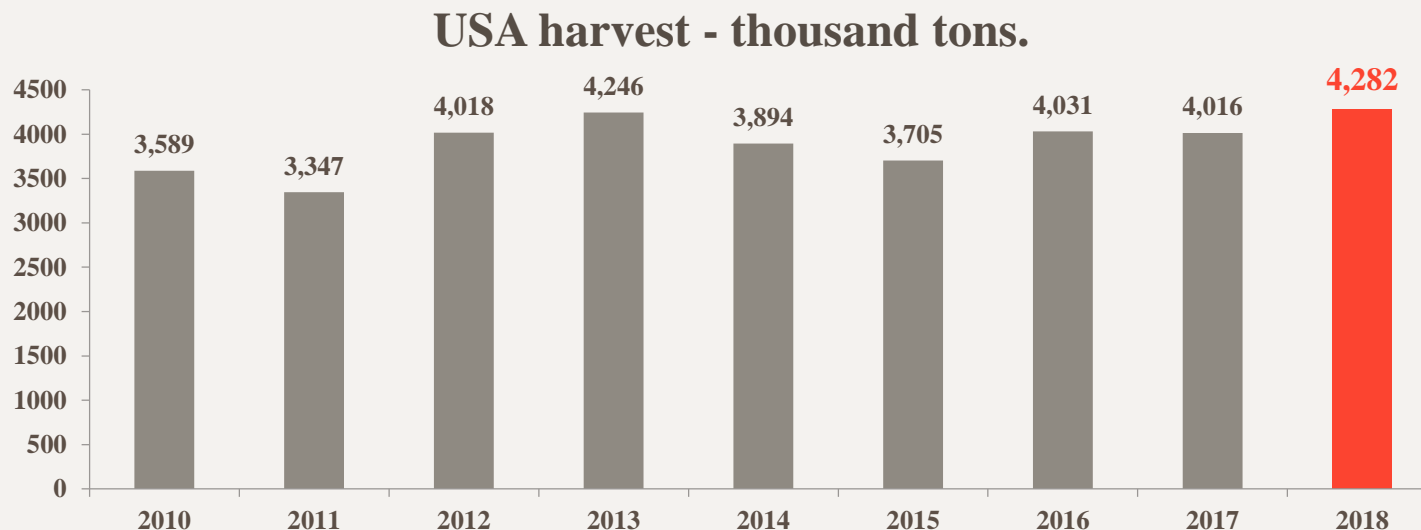
- The 2019 harvest totaled 2.4 million tons, 3.6% lower when compared to 2018.
- The Malbec variety increased 4%, and represents 36% of red grapes.



Source: INV

## 2019 harvest - USA

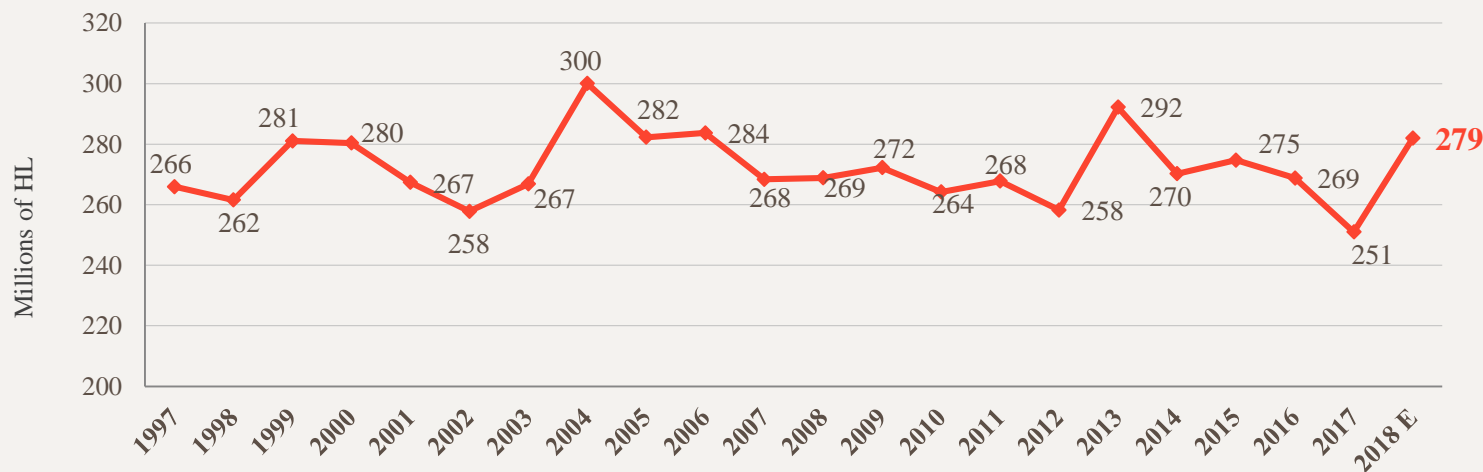
- The 2018 California crush reveals a bountiful 2018 winegrape harvest up 6.6% in volume to 4.3 million tons.



Source: USDA

# Global wine production

- World wine production in 2018 reached 279 Mhl, an increase of 13% YoY.
- Inventory stocks have recovered after an abundant harvest in 2018, bringing global industry market to a balanced situation.



Source: OIV

# Outlook

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- The 2019 harvest in the southern hemisphere in general is lower than the previous year on strong comparables.
- In Chile and Argentina wine prices for 2019 harvest have declined, reflecting the recovery of inventory stocks.
- 2019 - 2020 season in the central valleys of Chile, from Curicó to the north, is being affected by drought conditions.



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*September, 2019*



## Currency mix

	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
CLP	21.5%	19.3%	23.5%	20.6%	21.1%	15.6%	18.3%	16.3%
USD	35.0%	40.2%	30.3%	33.6%	36.0%	40.1%	31.3%	37.2%
GBP	18.4%	15.5%	19.4%	21.0%	20.5%	19.9%	24.5%	20.0%
EUR	9.6%	8.7%	11.7%	8.2%	8.1%	7.9%	11.2%	9.8%
CAD	3.2%	3.1%	4.1%	3.1%	3.4%	3.2%	3.5%	3.1%
BRL	5.0%	4.4%	2.7%	6.3%	3.9%	4.0%	3.2%	6.9%
PEM	2.1%	4.2%	3.1%	2.8%	2.7%	5.3%	3.6%	3.1%
SEK	2.7%	2.4%	2.8%	2.5%	2.4%	2.2%	2.6%	2.2%
ARS	1.6%	1.2%	1.2%	0.8%	1.0%	0.6%	0.8%	0.6%
NOK	1.0%	1.0%	1.1%	1.0%	1.0%	1.1%	1.1%	1.0%