



# VIÑA CONCHA Y TORO

## CORPORATE STRATEGY UPDATE

*October, 2018*

# 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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# THE COMPANY AT A GLANCE

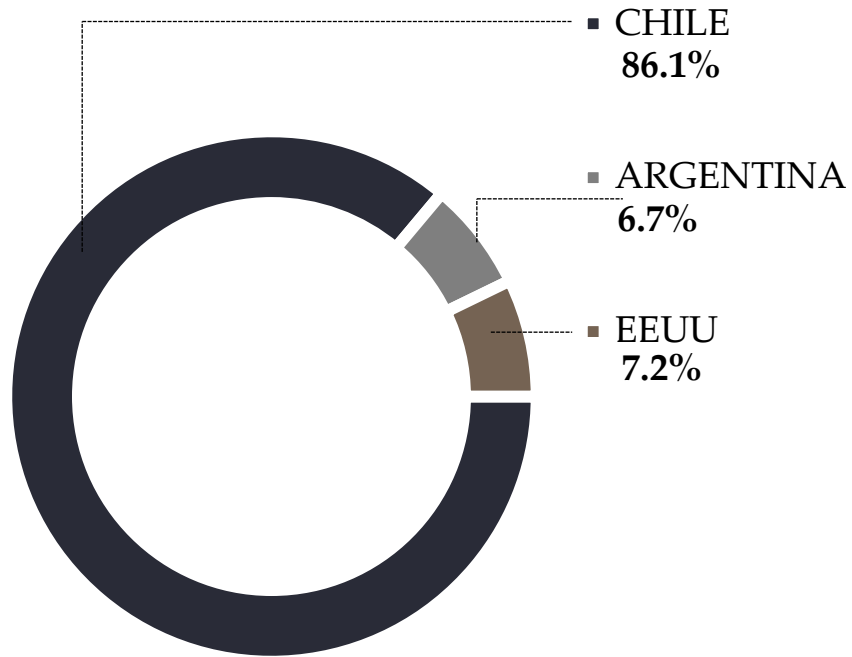
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- **Top 5 - largest wine companies globally:**
  - US 1 billion sales
  - 34,8 million cases
- **Multi origin portfolio - 3 production sources:**
  - Chile – USA - Argentina
- **Top 2 - planted vineyard land:** 11,319 hectares
- **Top 1 - Chilean wine exporter:** 30% share in volume
- **Top 3 - Argentina wine exporter:** 7,5% share by volume
- **Top 5 - US wine exporter:** 3,8% share by volume
- **Top 2 - The World's Most Admired Wine Brands, 2017.**  
Drinks international

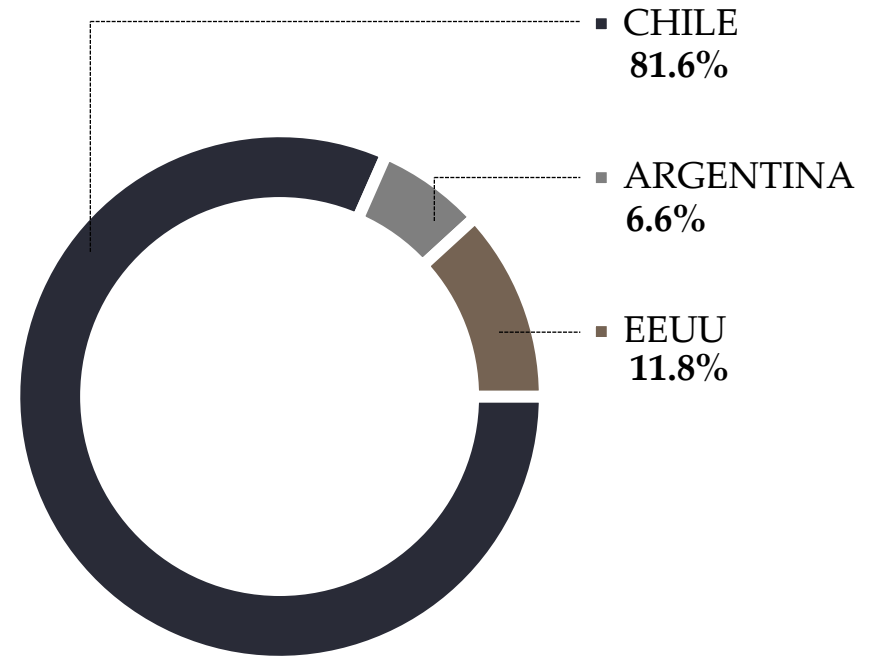
# SALES BY ORIGIN

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## VOLUME



## VALUE

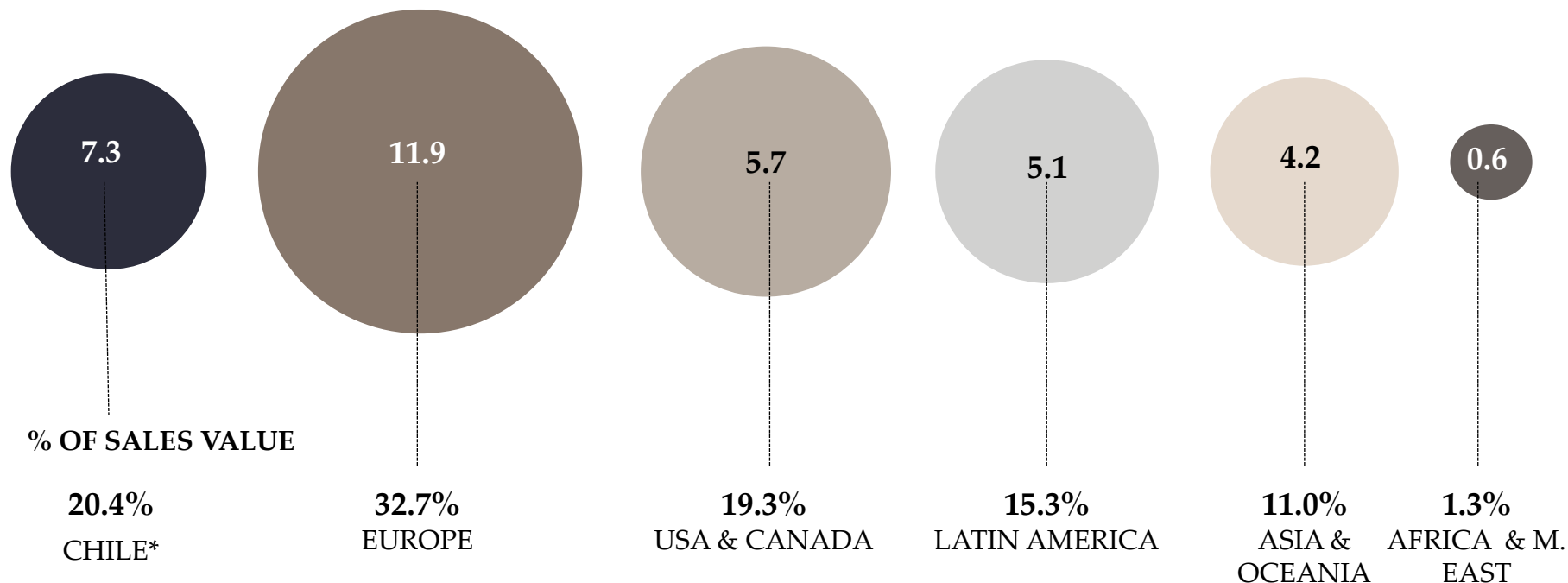


Figures as of Dec. 2017

# BREAKDOWN OF SALES BY GEOGRAPHY

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WINE VOLUME IN MILLION CASES



\* Chile includes sales of "Other Non-Wine Products", figures as of Dec. 2017

# LEADING EXPORTER OF CHILEAN WINE

## Top 10 markets for Chilean wine

**28%**  
of Chilean exports  
by value

COUNTRY	POSITION	% ON EXPORTED VALUE OF BOTTLED WINE
China	#1	9.0%
USA	#1	32.3 %
UK	#1	45.7%
Japan	#1	24.6%
Brazil	#1	18.3 %
Holland	#1	25.7 %
Canada	#1	36.4 %
South Korea	#1	25.7 %
Ireland	#2	30.8 %
Mexico	#1	55.7 %
TOTAL BOTTLED WINE	#1	28%

Source: Vinos de Chile - 1H2018

## TOP 5 - LARGEST WINE COMPANIES

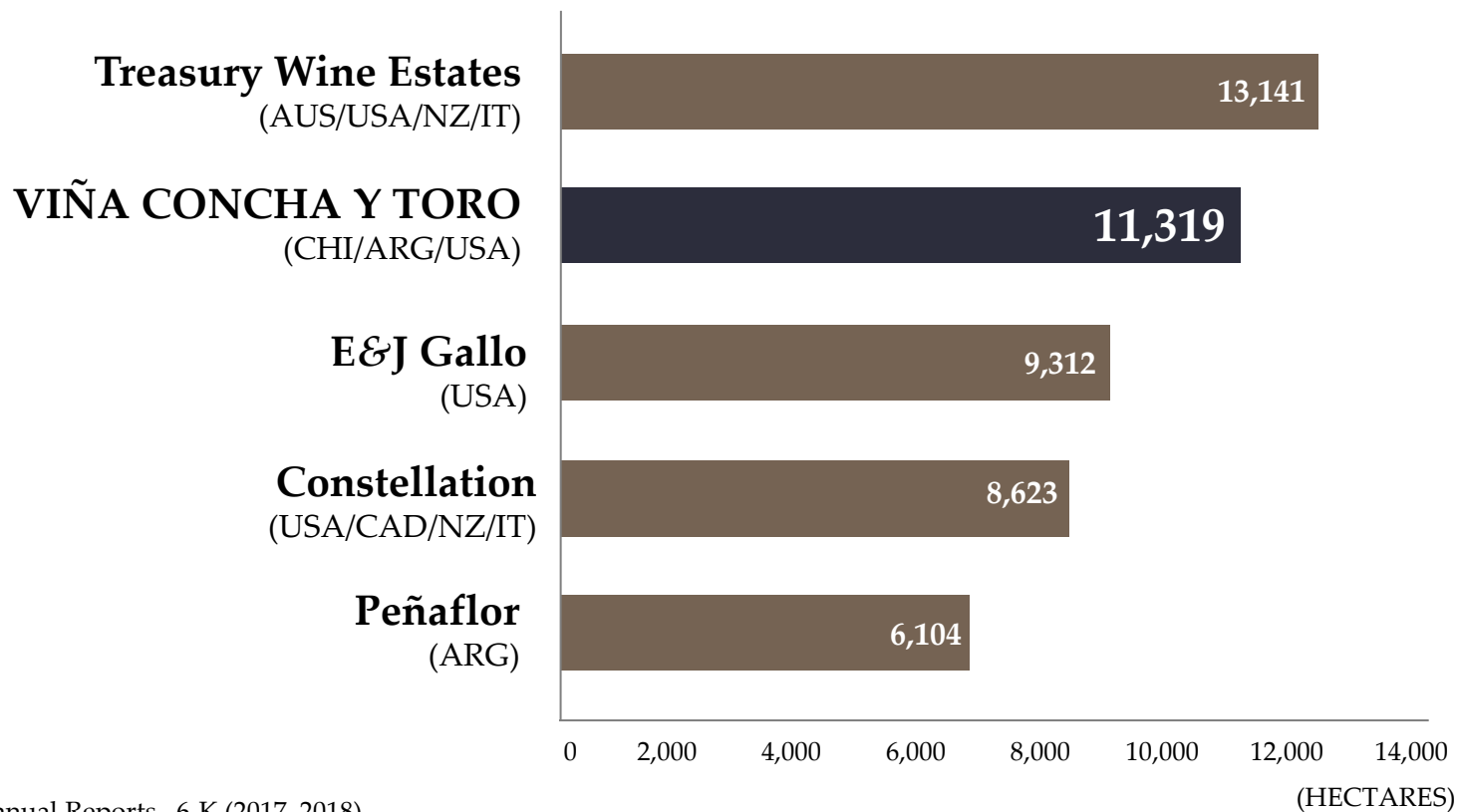
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RANKING	COMPANY	MARKET SHARE BY VOLUME
1 °	E&J Gallo Winery Inc	3.04%
2 °	Constellation Brands Inc	1.80%
3 °	Wine Group Inc, The	1.35%
4 °	Treasury Wine Estates Ltd	1.21%
5 °	<b>Viña Concha y Toro</b>	<b>1.14%</b>
6 °	Castel Groupe	1.07%
7 °	Accolade Wines Ltd	1.05%
8 °	Pernod Ricard Groupe	0.92%
9 °	Grupo Peñaflor SA	0.91%
10 °	FeCoVitA Coop Ltda	0.87%

Source: Passport Euromonitor, The Company. (2016)



## TOP 2 - SURFACE OF PLANTED VINEYARDS



Source: Annual Reports , 6-K (2017, 2018)

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# A NEW STRATEGY FOR A CHANGING SCENARIO

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In 2017, the Company made a throughout revision to its business model in response to the new reality of its markets:

- Consolidation in distribution and retail industries.
- Entrance of new consumers.
- Strong consumption trends for Premium wine.

Since 2017, the Company has carried out a new strategy, aimed to generate:

- Value and profitability growth.
- A commercial focus on the Premium category.

## 2022 STRATEGY TARGETS

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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	2022	CAGR
SALES	658,000	854,000	4.0%
OPERATING INCOME	70,000	140,000	12.0%
OPERATING MARGIN	10.7%	16.4%	+5.7pp

## 2022 STRATEGY PILLARS

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1. Restructuring process and cost savings.
2. Sales & Marketing strategy - Focus on premium wines.
3. Special focus on Casillero del Diablo brand.
4. Focus on other high performing brands.

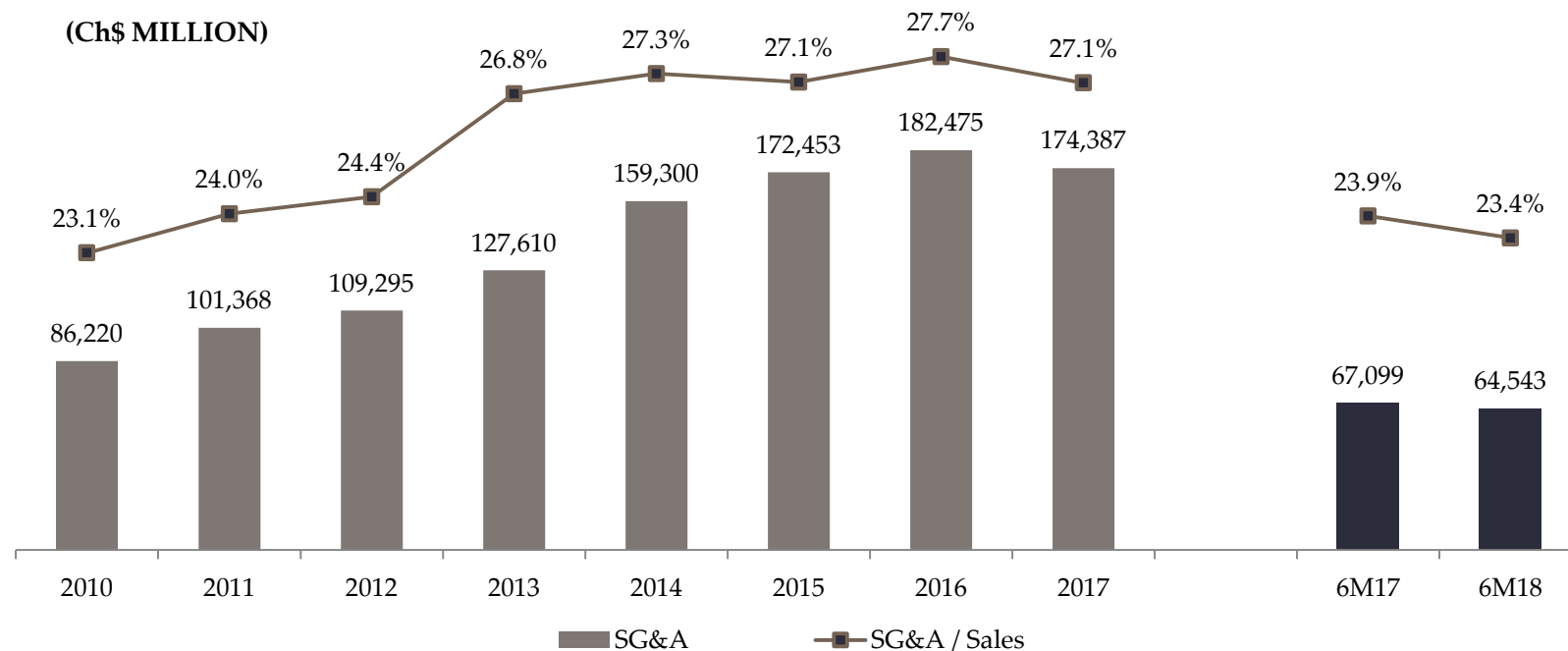
# 1. RESTRUCTURING PROCESS AND COST SAVINGS

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- Progress according to plan
  - Net estimated savings Ch\$18,800 million or 2,2% of sales in 2022.
- 

(CH\$ MILLION)	2017	2018	2019	FULL YEAR
EFFICIENCIES AND SYNERGIES FROM PROGRAM	4,383	10,466	17,656	18,802
SEVERANCE PAYMENTS AND CONSULTANCY FEES	(3,153)	(4,460)	(1,298)	
NET SAVINGS	1,230	6,006	16,358	18,802

# 1. RESTRUCTURING PROCESS - POSITIVE EVOLUTION OF SG&A



\* SG&A/Sales for 6M17 was restated from 27.3% to 23.9%, according to IFRS 15 (-3.4pp).

## 2. COMMERCIAL STRATEGY - KEY ASPECTS

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### PREMIUMIZATION TREND

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

### PRICE REPOSITIONING

- Price adjustments across the portfolio to meet profitability guidelines.
- Average price growth in 1H18:
  - Export Markets (US\$): +5.5%
  - Chile Domestic (Ch\$): +11.7%
  - Fetzer (US\$): +6.4%
  - Trivento Exports (US\$): +12.9%

### MARKET SEGMENTATION

Focus on 9 key markets with high potential for Premium category and a new commercial structure aligned with the new strategy.



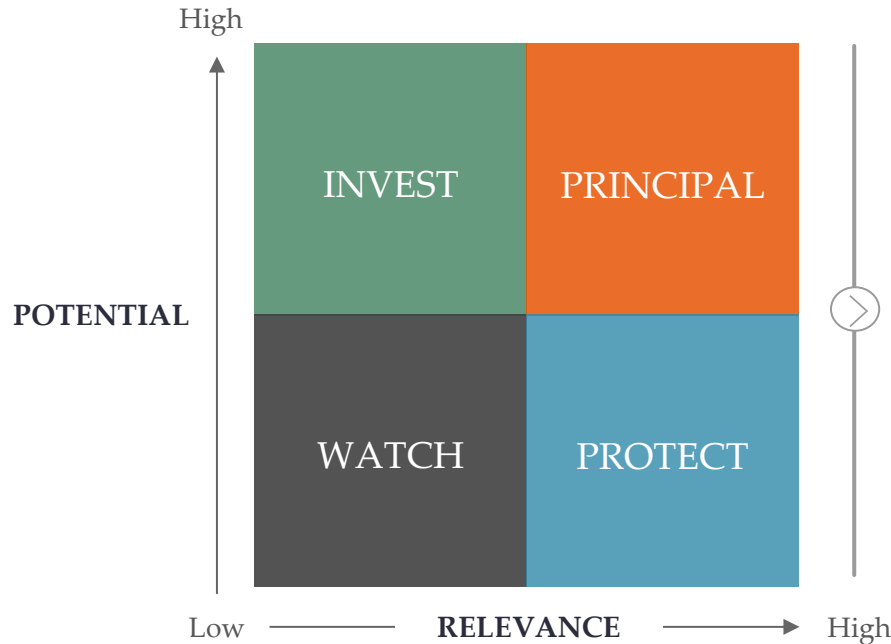
## 2. FOCUS AND INVESTMENT IN THE PREMIUM CATEGORY

- **Brand Matrix:**

Tool for portfolio management; aligns sales objectives and marketing investments.

- **Portfolio Rationalization:**

Profitability targets and logistics optimization drove the exit from ~80 brands/labels that represented 1% of sales.

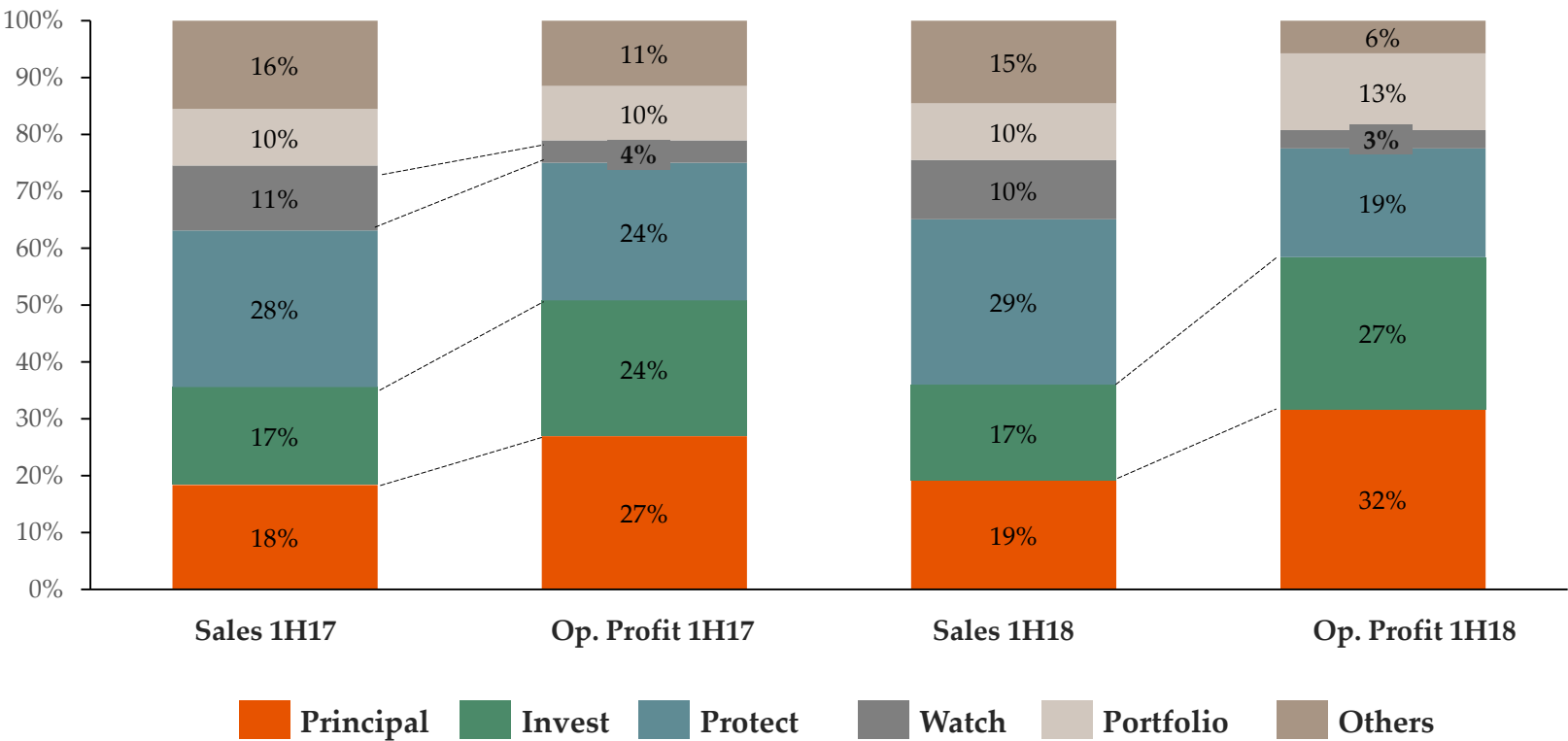


At corporate level  
matrix contains

~20%  
of total  
brands

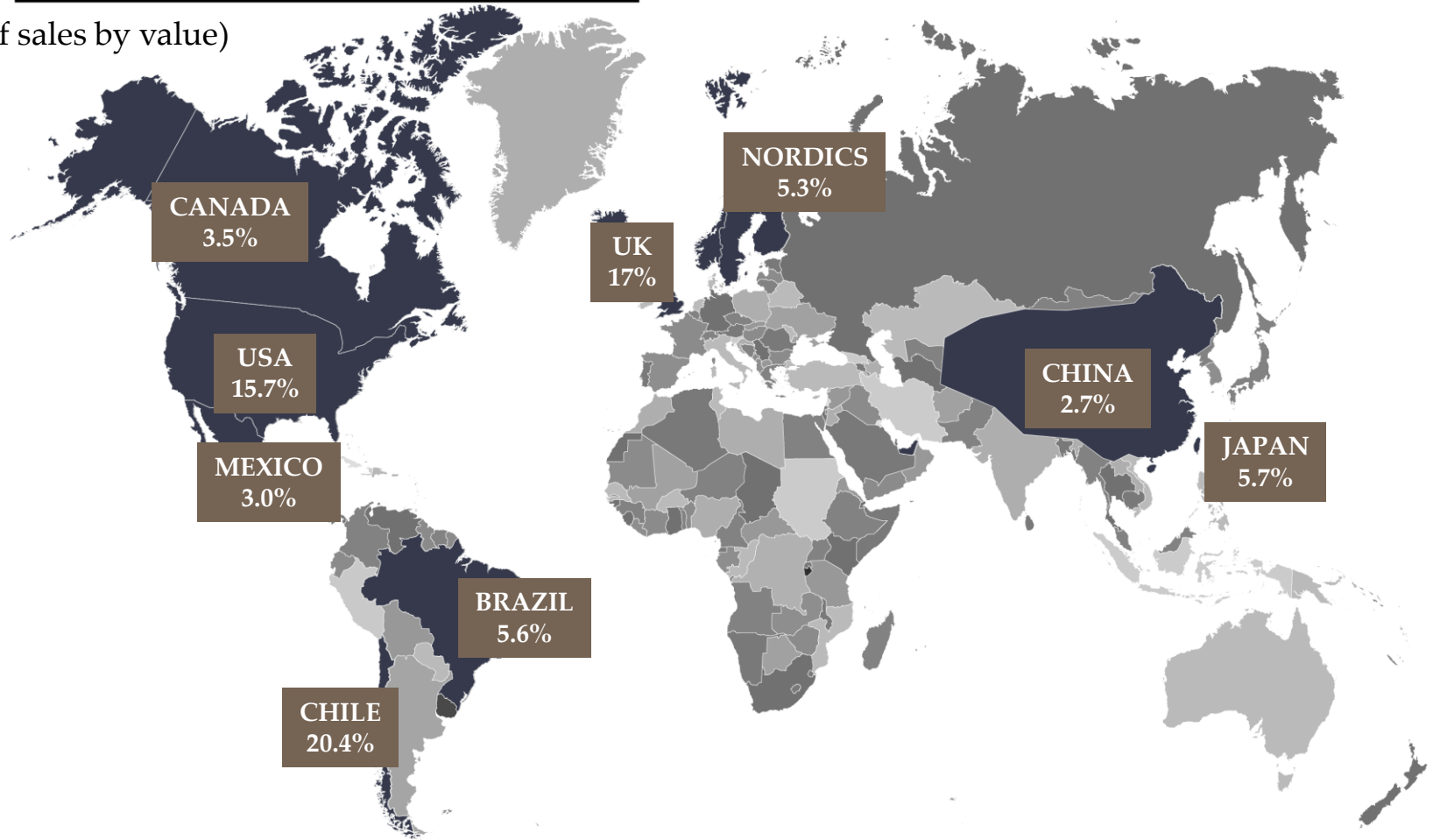
~80%  
of total  
revenues

## 2. INCREASING CONTRIBUTION OF PRINCIPAL AND INVEST BRANDS



## 2. KEY MARKETS TO DEVELOP HIGH PERFORMING BRANDS

(% of sales by value)



## 2. MERGING DISTRIBUTION BRANCHES IN THE US

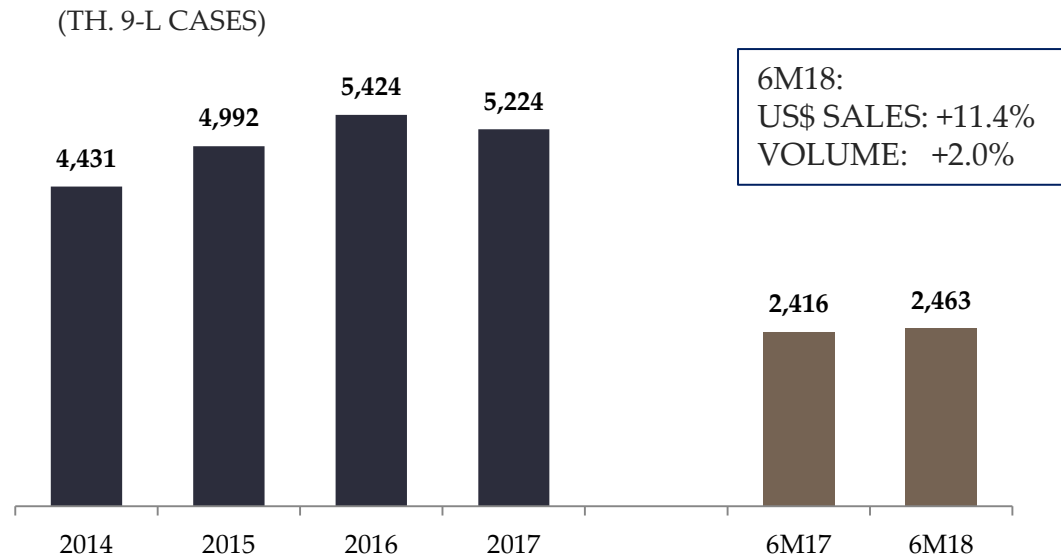
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- As of July 2018, Viña Concha y Toro through its subsidiary Fetzer Vineyards, takes full control of Excelsior and unifies distribution in the US.
- Fetzer increases its scale and becomes #12 marketer of wines in the US with a total volume of 5.2 million cases.
- Complete multi origin Portfolio: Chile, Argentina and US.
- Generates synergies and efficiencies through the consolidation of the two commercial branches, estimated US\$ 9 million per year.
- Enables the company to direct more resources towards brand building efforts, with a focus on priority brands in the premium segment.

### 3. SPECIAL FOCUS ON CASILLERO DEL DIABLO BRAND



- Price repositioning and line extensions at higher price points, driving value growth.
- Launch of Diablo in Europe, Central America and Chile.



### 3. CASILLERO DEL DIABLO PORTFOLIO

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## 4. FOCUS ON OTHER HIGH PERFORMING BRANDS

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2017 TH. CASES

1,394

713

559

113

2017 US\$ SALES

+4.8%

+14.4%

+16.9%

+33.1%

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# WINE INDUSTRY – RECENT TRENDS

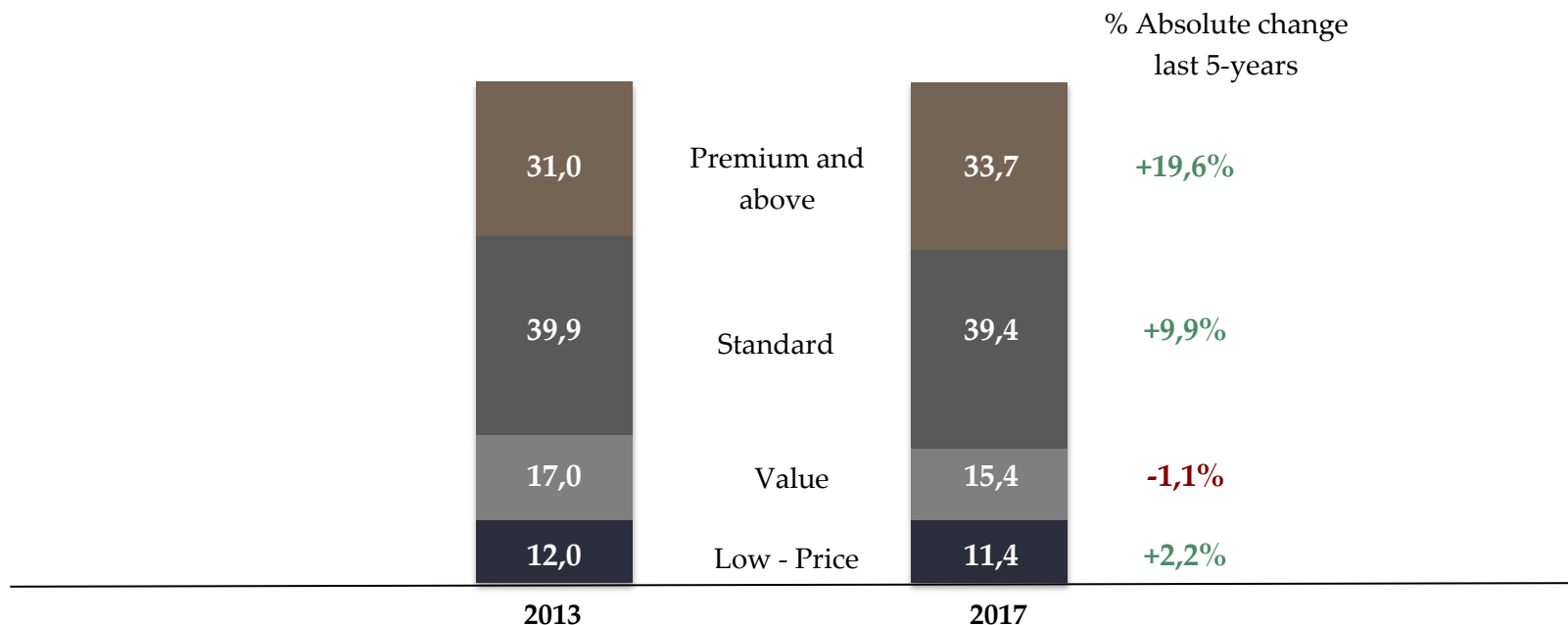
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1. Consumption growth driven by Premium wine.
2. Low 2017 global vintage impacting grape and wine cost.
3. A challenging context for global trade.

# 1. Consumption: Growth driven by Premium wines

- Higher-end segments are driving growth, 19,6% increase in 2013-2017

Still Wine – Value Share by Price Segment



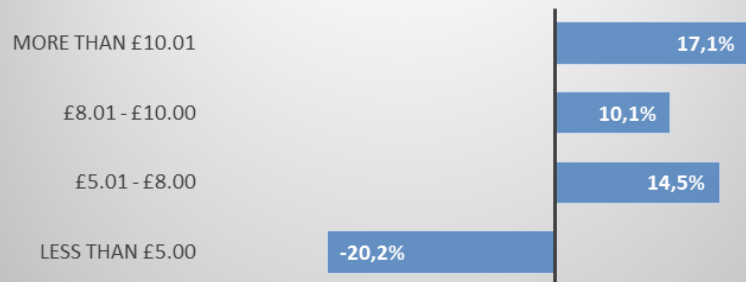
Note: Premium > US\$10 & up , Low-Price (under \$3), Value (between \$3 and \$5) and Standard (between \$5 and \$10)

Source : IWSR, Value, Still Wine, Global.

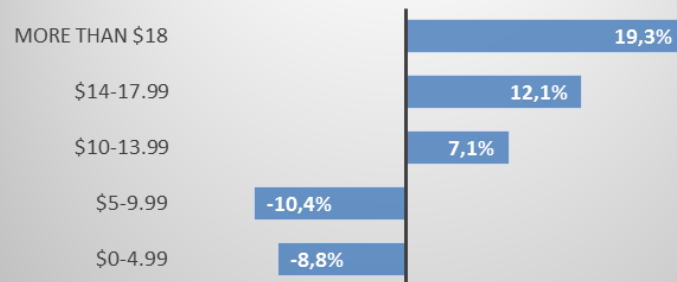
# 1. Premium wine leading growth in several markets



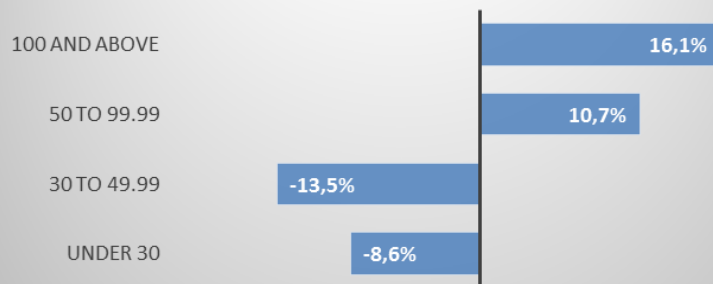
## TY Value Growth UK By Price Band



## TY Value Growth USA By Price Band



## TY Value Growth CHINA By Price Band

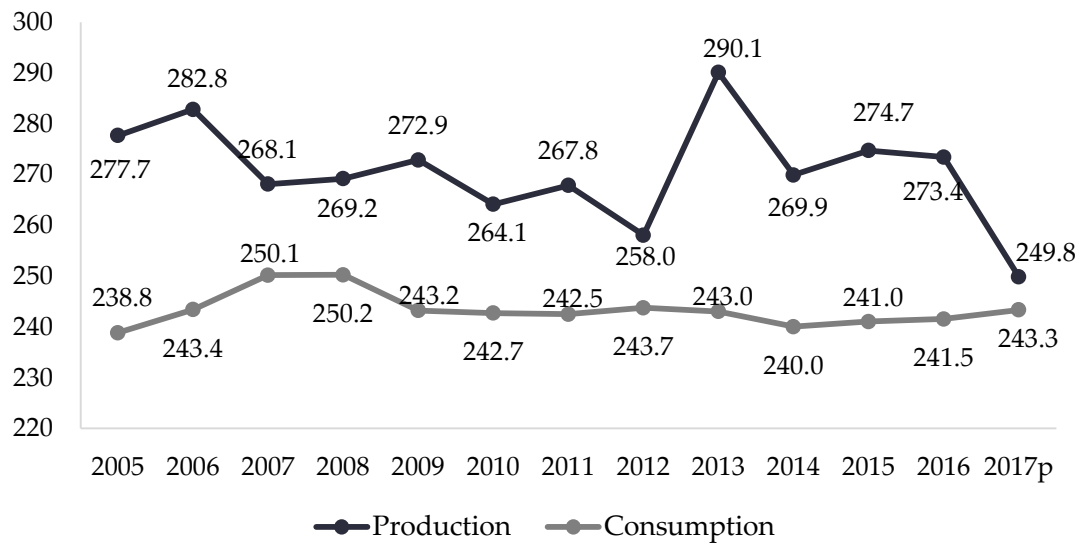


Source:  
Nielsen USA (until 14.07.2018)  
Nielsen UK (until 14.07.2018)  
IWSR China 2017

## 2. Production: Global Production strong decline in 2017

- Global wine production at historical low level in 2017, -8.6% yoy
- Europe down 15% yoy.

(million hectoliters)



### 2017 vintage:

Italy: -17%

France: -19%

Spain: -20%

Germany: -15%

USA: -1%

Australia: 5%

Argentina: 13%

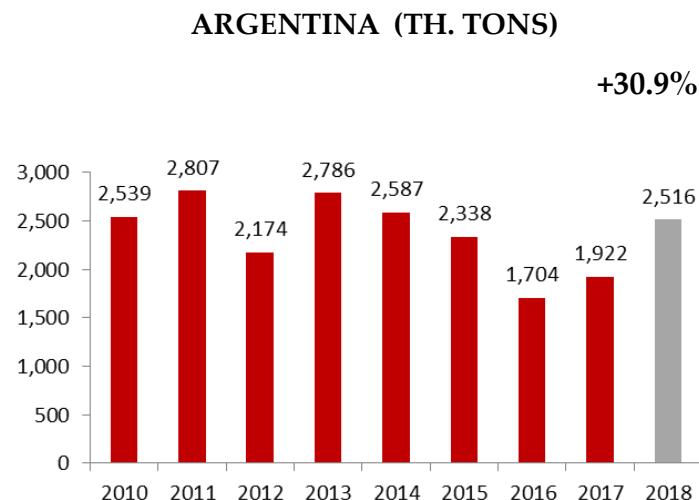
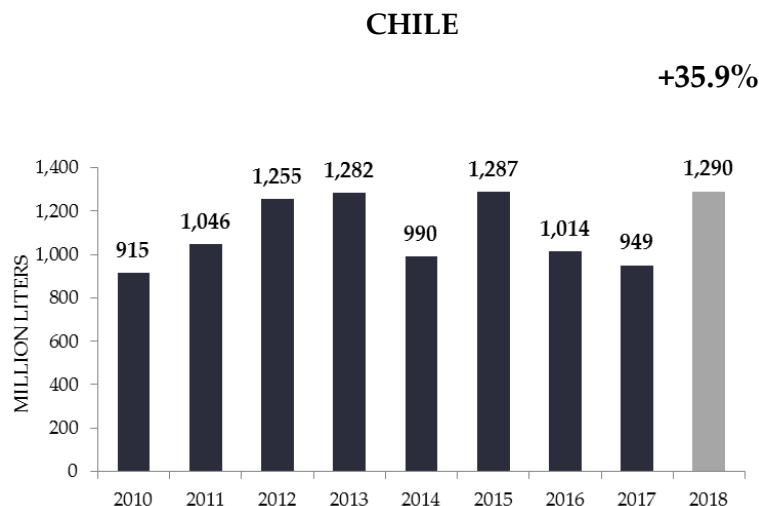
South Africa: 3%

Chile: - 6%

## 2. Harvest volume recovers in Chile and Argentina in 2018

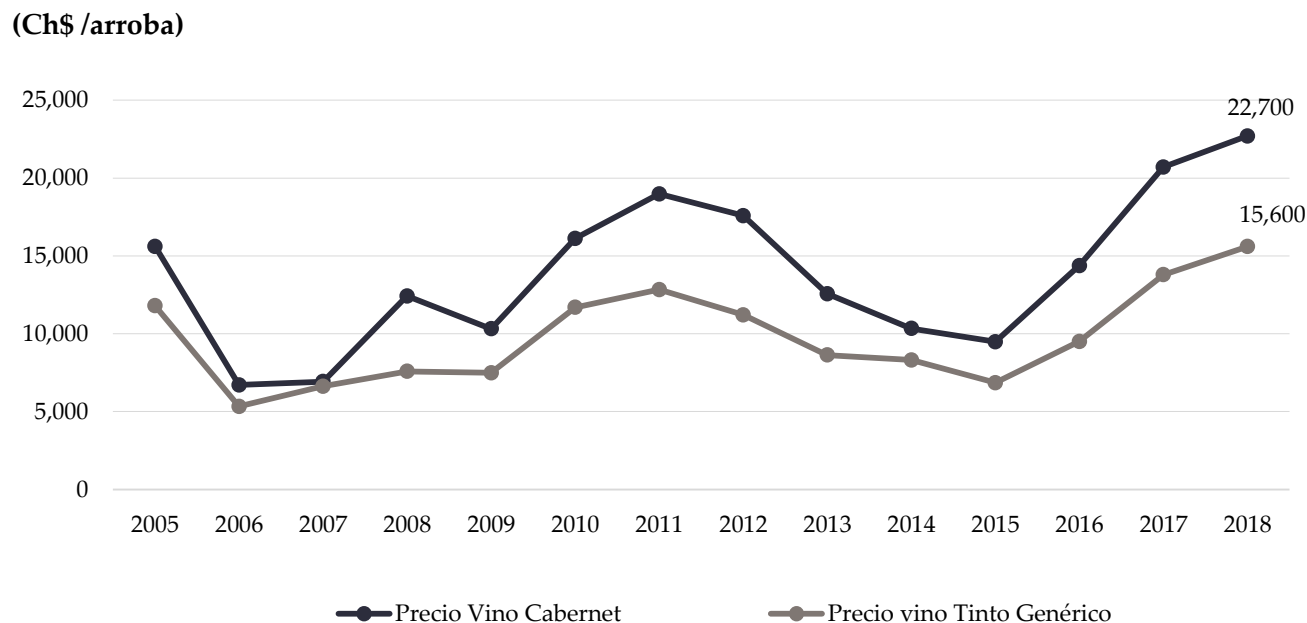
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- Following two low-volume vintages, 2016&2017, harvested volume increased 36% in Chile and 31% in Argentina in 2018.
- Latest estimates indicate a return to normal-size harvest 2018 for France, Spain and Italy (double-digit growth rate).



## 2. For 1H 2018: Chile bulk wine price remains at high level

- 2018 grape prices and contracts were closed before the harvest season. They reflect the 2017 tight supply, low inventory stocks and higher bulk wine prices in 2017 and 1H2018.



## 2. Global bulk wine markets in 2018

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- The second half of 2018 has halted the upward trend on bulk wine prices, following larger harvests in Chile and Argentina, and higher estimates for the Northern Hemisphere.

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Country	Variety	Vintage	Price (US\$/liter)			Trend
Chile	Cab. Sauvignon	2018	0.90	-	1.05	↓
Argentina	Malbec Stand.	2018	1.05	-	1.15	↓
Australia	Cab. Sauvignon	2018	1.04	-	1.49	↑
South Africa	Generic Red	2018	0.55	-	0.61	↑
California	Cab. Sauvignon	2017	132	-	1.85	↓
France	Cab. Sauvignon	2017	1.08	-	1.48	—
Spain	Generic Red	2017	0.81	-	1.05	↓
Italy	Cab. Sauvignon	2017	0.81	-	0.93	↓

Source: Ciatti Report September 2018

### 3. A challenging context for global trade

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- **June 2016** – Brexit.
- **March 2018** – Trade war (US & China).
- **May 2018** – Argentina and Brazil under tough economic conditions.
- F/X volatility.
- Wine demand from major distributors and clients affected by uncertainty.



# OUTLOOK

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- A more challenging environment for volume growth in external markets.
- Concha y Toro has the correct strategy, with price repositioning phase completed.
- Efficiencies and cost savings partially reflected in financials. Full year 2020.
- Progressive recovery in profitability in domestic markets of Chile and USA.
- Better wine cost outlook for 2H2019.



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*October, 2018*