



# Investor Presentation 2018 – 4Q18

VIÑA CONCHA Y TORO

*March, 2019*

## *Forward Looking Statements*

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.

# *Agenda*

I. 2022 Strategy update

II. 2018 Results

III. Industry trends

## *A new strategy for a changing scenario*

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
- ENTRY 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

# 2022 *Strategy Pillars*

1. RESTRUCTURING PROCESS AND COST SAVINGS
2. A NEW COMMERCIAL STRATEGY
  - FOCUS ON PRINCIPAL AND INVEST BRANDS
  - FOCUS ON HIGH POTENTIAL MARKETS

## 2022 Strategy Targets

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

| (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 |

## *Restructuring process – Estimated savings*

NET ESTIMATED SAVINGS OF CH\$18,800 MILLION

| (Ch\$ million)                          | 2018    | 2019    | Full Year |
|---|---------|---------|-----------|
| Efficiencies and synergies from program | 10,466  | 17,656  | 18,802    |
| Severance payments, consultancies       | (6,141) | (1,668) |           |
| Net savings                             | 4,325   | 15,989  | 18,802    |

## *New commercial strategy*

We seek to lead the global wine industry through a consumer-centric focus, oriented to the development of **premium brands**, delivering a higher value to our customers, through a **simple**, **agile**, and **sustainable** productive model.

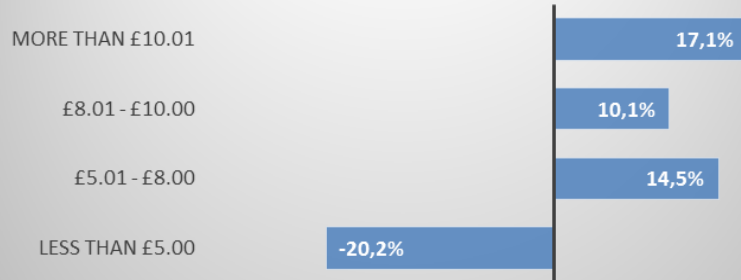
*We have carried out significant adjustments in the commercial area in order to face the new strategy.*



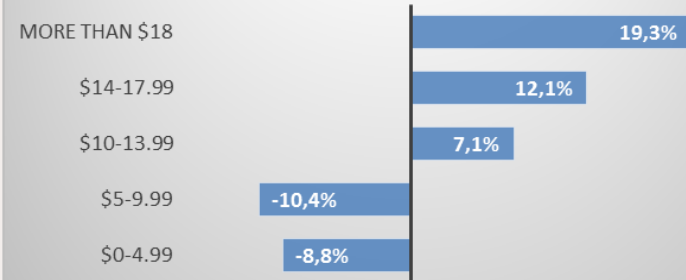
## Premium wine leading growth in global markets



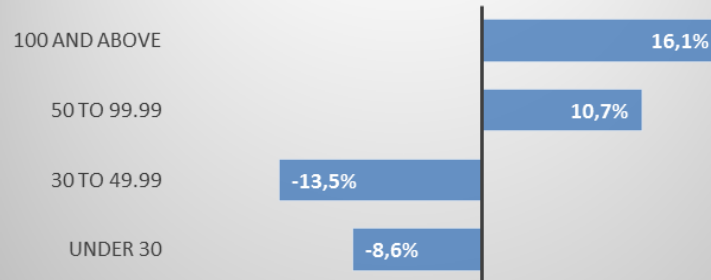
### TY Value Growth UK By Price Band



### 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


# Brand matrix: Higher value in Principal and Invest brands


## INVEST

- Don Melchor 
- MCC

- Trivento Golden 
- Trivento Reserve

- Diablo 
- CdD Reserva Especial<sup>1</sup>

- 1,000 Stories 
- Bonterra

- CS Orgánico 
- CS Bicicleta

## PRINCIPAL

- Casillero del Diablo

## WATCH

- Trio
- Sunrise
- CdD Super Premium<sup>2</sup>
- Tocornal
- Anthony's Hill
- Tocornal Trivento
- Tocornal CS

## PROTECT

- Fetzer
- Frontera
- Reservado
- Clos de Pirque
- Exportación
- Isla Negra
- MPO Entry Level (Mi Pueblo y Classic)

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

## *Brand matrix - Implications*

- Portfolio rationalization: Exit from 82 brand out of 304.
- Special focus on Casillero del Diablo brand (PRINCIPAL).
- Investments in brands with the highest potential from our 3 origins (INVEST).
- Commercial and marketing focus on new brands development to support a high growth.

## *Principal brand category: Casillero del Diablo*

SUCCESSFUL POSITIONING OF A GLOBAL BRAND IN THE PREMIUM CATEGORY



## *Casillero del Diablo - Brand extensions*



## *Diablo, a successful launch in 2018*



- Successful launch of Diablo in Europe, Central America and Chile.
- 50,000 cases in 2018.
- FOB price : US\$ 60 per case

## *Focus on Principal and Invest brand categories*



2018 TH. 9L-CASES  
2018 US\$MM SALES


























1,318  
36.2 (0%)

678  
27.1 (+9%)

509  
39.8 (-6%)

142  
15.0 (+29%)

## Market matrix: Specialized commercial areas

| Presencia & Prioridad > | Mercado A   |   |   | Mercado B  | Mercado C  |
|-------------------------|---|---|---|--|--|
|                         | Prioridad   | Crecimiento continuo  | Crecimiento acelerado   | Siguiente ola  | Otros  |
|                         | Oficina comercial o de distribución   |   |   | Market Manager   |  |
| Mercados >              | 9 mercados  |   |   | 9 mercados   | 115 mercados   |
|                         |  |  <br> <br> <br> |  |  <br> <br> <br>  |  <br> <br> <br> <br>+ 107 Países |
| % Ventas 2017 >         |   | 77%   |   | 11%  | 12%  |

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



## *Fetzer-Excelsior merger in 2018*

1. Integration of Excelsior, our marketer for Chile and Argentina exports to USA, to Fetzer's distribution branch. The merger is a step taken after achieving a greater level of expertise by Fetzer commercial and support teams.
2. Fetzer's commercial branch increases its scale and offers a complete multi origin Portfolio from Chile, Argentina and US.
3. Context of consolidation of distributors and retailers in the USA. After the last merger, RNDC / Breakthru, # 1 & #2 will have 60% market share.
4. Cost savings from consolidation of sales force and SG&A absorption amounting US\$9.0 million per year, allowing reinvestment in marketing for US\$4.0 million. Net savings for US\$5.0 million.

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## 2018 results

### 1. TOP LINE CONSISTENT WITH THE NEW COMMERCIAL STRATEGY

- WINE SALES: +2.7%
- AVERAGE WINE PRICE: +8.3% → PRICE ADJUSTMENTS, FOCUS ON PREMIUM BRANDS
- WINE VOLUME: -5.2% → EXIT FROM LOWER-PROFIT BRANDS, IMPACT FROM PLANT TRANSITION AND PORT WORKERS' STRIKE.

| (Ch\$ million) | 12M18   | 12M17   | Var % |
|----------------|---------|---------|-------|
| Sales          | 614,129 | 613,515 | 0.1%  |

|        |         |         |         |
|--------|---------|---------|---------|
| Wine   | 573,699 | 558,786 | 2.7%    |
| Others | 40,430  | 54,730  | (26.1%) |

## 2018 results

### 2. OPERATING PROFIT MAINLY REFLECTING

- LOWER VOLUME
- HIGHER COST OF WINE
- HIGHER RESTRUCTURING COSTS AND EXPENSES
- HIGHER SG&A / INTEGRATION OF EXCELSIOR
- ABSENCE OF REAL ESTATE INCOME

| (Ch\$ million) | 12M18   | 12M17   | Var %   |
|----------------|---------|---------|---------|
| Sales          | 614,129 | 613,515 | 0.1%    |
| EBIT           | 60,007  | 61,912  | (3.1%)  |
| EBIT margin    | 9.8%    | 10.1%   | (32 bp) |

## 2018 results – Adjusted figures

| (Ch\$ million) | 12M18         | 12M17         | Var %         |
|----------------|---------------|---------------|---------------|
| <b>EBIT</b>    | <b>60,007</b> | <b>61,912</b> | <b>(3.1%)</b> |
| EBIT margin    | 9.8%          | 10.1%         | (32 bp)       |

### INR

|                              |              |              |  |
|------------------------------|--------------|--------------|--|
| <b>Restructuring items</b>   | <b>8,428</b> | <b>5,310</b> |  |
| <b>Other transitory exp.</b> | <b>1,062</b> |              |  |
| <b>Revaluation of assets</b> | <b>6,218</b> | <b>2,485</b> |  |

|                    |               |               |               |
|--------------------|---------------|---------------|---------------|
| <b>Adj. EBIT *</b> | <b>63,279</b> | <b>64,738</b> | <b>(2.3%)</b> |
| Adj. EBIT margin*  | 10.3%         | 10.6%         | (25 bp)       |

|                           |          |              |  |
|---------------------------|----------|--------------|--|
| <b>Real Estate Income</b> | <b>-</b> | <b>1,961</b> |  |
|---------------------------|----------|--------------|--|

|                     |               |               |             |
|---------------------|---------------|---------------|-------------|
| <b>Adj. EBIT **</b> | <b>63,279</b> | <b>62,777</b> | <b>0.8%</b> |
| Adj. EBIT margin**  | 10.3%         | 10.2%         | 7 bp        |

## 2018 Results

| (Ch\$ million)       | 12M18   | 12M17   | Var %   |
|----------------------|---------|---------|---------|
| Sales                | 614,129 | 613,515 | 0.1%    |
| EBIT                 | 60,007  | 61,912  | (3.1%)  |
| EBIT margin          | 9.8%    | 10.1%   | (32 bp) |
| Non-operating profit | 1,488   | 1,798   | (17.2%) |
| Net profit           | 49,111  | 49,575  | (0.9%)  |
| Net margin           | 8.0%    | 8.1%    | (8 bp)  |
| EBITDA               | 86,025  | 86,267  | (0.3%)  |
| EBITDA margin        | 14.0%   | 14.1%   | (5 bp)  |

## 2018 results – Fetzer and Trivento

FETZER IMPROVED MARGINS ON A BETTER SALES MIX, PRICE INCREASES AND OPERATIONAL EFFICIENCIES

| Fetzer Vineyards | 2018 | 2017 | Var %  |
|------------------|------|------|--------|
| EBIT margin      | 9.0% | 5.3% | 368 bp |

TRIVENTO IMPROVED MARGINS OF THE OPERATION, WHICH IS REFLECTED IN THE NON OPERATING PROFIT

| Trivento    | 2018  | 2017 | Var %    |
|-------------|-------|------|----------|
| EBIT margin | 3.9%  | 4.8% | (95 bp)  |
| Net margin  | 17.7% | 0.8% | 1,690 bp |

## 4Q18 results

### 1. TOP LINE REFLECTS COMMERCIAL STRATEGY AND SHIPMENT DIFFICULTIES

- WINE SALES: +8.2%
- AVERAGE WINE PRICE: +15.3% → BETTER MIX, FAVORABLE F/X IMPACT OF +3% AND THE INTEGRATION OF EXCELSIOR
- WINE VOLUME: -6.1% → IMPACT FROM PLANT TRANSITION AND PORT WORKERS' STRIKE. ALSO EXIT FROM LOWER-PROFIT BRANDS,

| (Ch\$ million) | 4Q18    | 4Q17    | Var % |
|----------------|---------|---------|-------|
| Sales          | 183,379 | 179,391 | 2.2%  |

|        |         |         |         |
|--------|---------|---------|---------|
| Wine   | 175,080 | 161,820 | 8.2%    |
| Others | 8,298   | 17,571  | (52.8%) |



## 4Q18 results

### 2. OPERATING PROFIT MAINLY REFLECTING

- LOWER VOLUME
- HIGHER COST OF WINE
- HIGHER RESTRUCTURING COSTS AND EXPENSES
- HIGHER SG&A / INTEGRATION OF EXCELSIOR
- ABSENCE OF REAL ESTATE INCOME

| (Ch\$ million) | 4Q18    | 4Q17    | Var %    |
|----------------|---------|---------|----------|
| Sales          | 183,375 | 179,391 | 2.2%     |
| EBIT           | 18,203  | 22,371  | (18.6%)  |
| EBIT margin    | 9.9%    | 12.5%   | (254 bp) |

## 4Q18 results – Adjusted figures

| (Ch\$ million) | 4Q18          | 4Q17          | Var %          |
|----------------|---------------|---------------|----------------|
| <b>EBIT</b>    | <b>18,203</b> | <b>22,371</b> | <b>(18.6%)</b> |
| EBIT margin    | 9.9%          | 12.5%         | (254 bp)       |

### INR

|                              |              |              |  |
|------------------------------|--------------|--------------|--|
| <b>Restructuring items</b>   | <b>3,417</b> | <b>1,722</b> |  |
| <b>Other transitory exp.</b> | <b>101</b>   |              |  |
| <b>Revaluation of assets</b> |              | <b>2,485</b> |  |

|               |               |               |             |
|---------------|---------------|---------------|-------------|
| <b>EBIT *</b> | <b>21,721</b> | <b>21,608</b> | <b>0.5%</b> |
| EBIT margin*  | 11.8%         | 12.0%         | (20 bp)     |

|                           |  |              |  |
|---------------------------|--|--------------|--|
| <b>Real Estate Income</b> |  | <b>1,961</b> |  |
|---------------------------|--|--------------|--|

|                |               |               |              |
|----------------|---------------|---------------|--------------|
| <b>EBIT **</b> | <b>21,721</b> | <b>19,647</b> | <b>10.6%</b> |
| EBIT margin**  | 11.8%         | 11.0%         | 89 bp        |

## 4Q18 Results

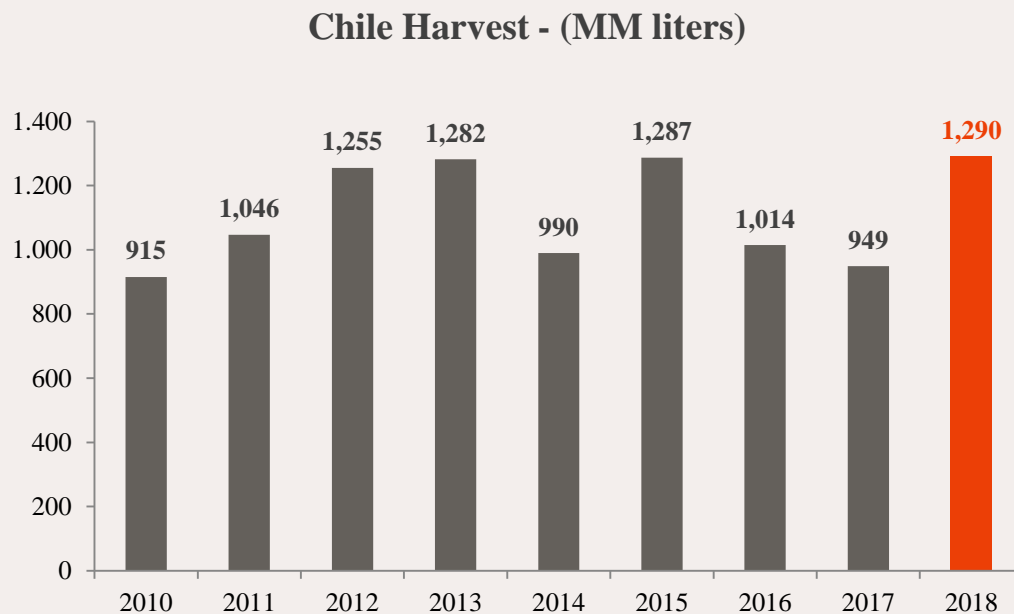
| (Ch\$ million)       | 4Q18    | 4Q17    | Var %    |
|----------------------|---------|---------|----------|
| Sales                | 183,375 | 179,391 | 2.2%     |
| EBIT                 | 18,203  | 22,371  | (18.6%)  |
| EBIT margin          | 9.9%    | 12.5%   | (254 bp) |
| Non-operating profit | (2,569) | 1,464   |          |
| Net profit           | 11,531  | 19,592  | (41.1%)  |
| Net margin           | 6.3%    | 10.9%   | (463 bp) |
| EBITDA               | 25,916  | 29,801  | (13.0%)  |
| EBITDA margin        | 14.1%   | 16.6%   | (248 bp) |

# Agenda

- I. 2022 Strategy update
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- III. Industry trends

## 2018 harvest - Chile

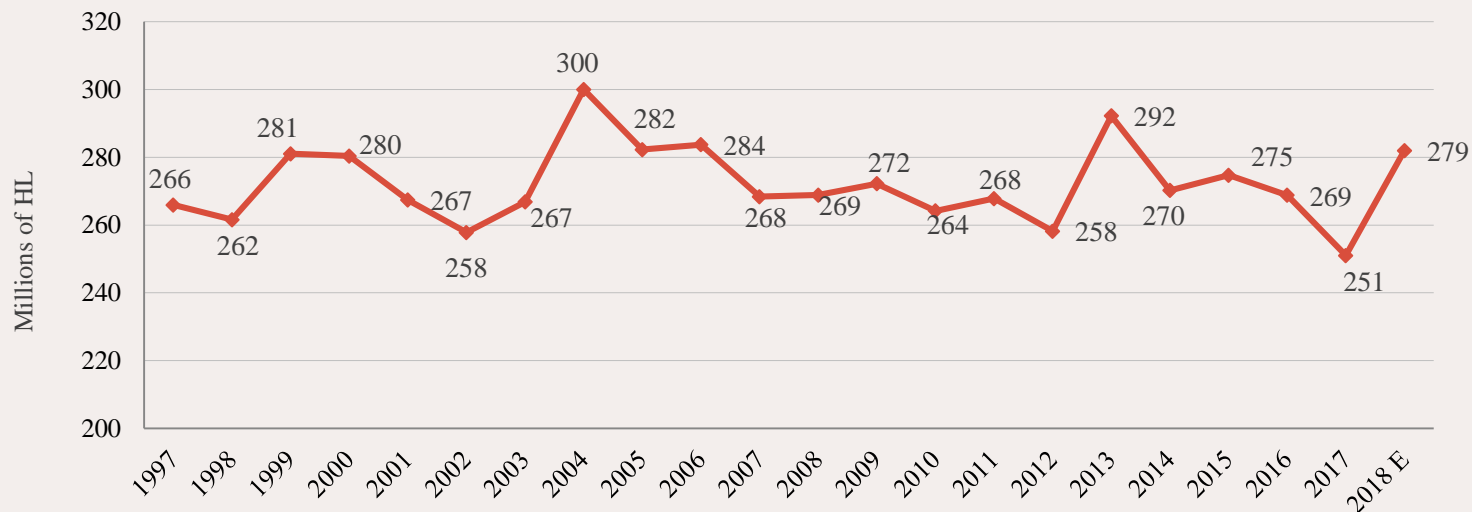
Following two low-volume vintages, 2018 harvested volume increased 36% in Chile.



Source: SAG

## Global wine production

- Estimates for global wine production are at 279 Mhl, an increase of 13% YoY.
- Strong rebound of main producers:  
Italy (+14%), France (+27%), and Spain (+26%).



Source: OIV

## Conclusions

- Premium inventory stocks have recovered strongly.
- A decline in the price of wine during 2018 was foreseen.
- 2018 harvest: **One of the best if not the greatest in terms of quality**, in Chile and Argentina.

*“I can’t remember such a good year in terms of wine volume or quality. The wines are very fruity, expressive and long, and they are easy to drink. This 2018 harvest has achieved great wines”.*

Marcelo Papa  
Technical Director Viña Concha y Toro

*“It was a typical harvest in Mendoza, with excellent health and quality. Volume came in above our expectations.”*

Germán Di Césare  
Chief Winemaker Trivento.

## Conclusions

- Wine prices in 2018 year-to-date, in equivalent terms to grape prices::
  - Generic Cabernet Sauvignon: **-31%**
  - Sauvignon Blanc: **-34%**
- **2019 vintage outlook :**  
Normal conditions up to date, downward trend for grape prices.

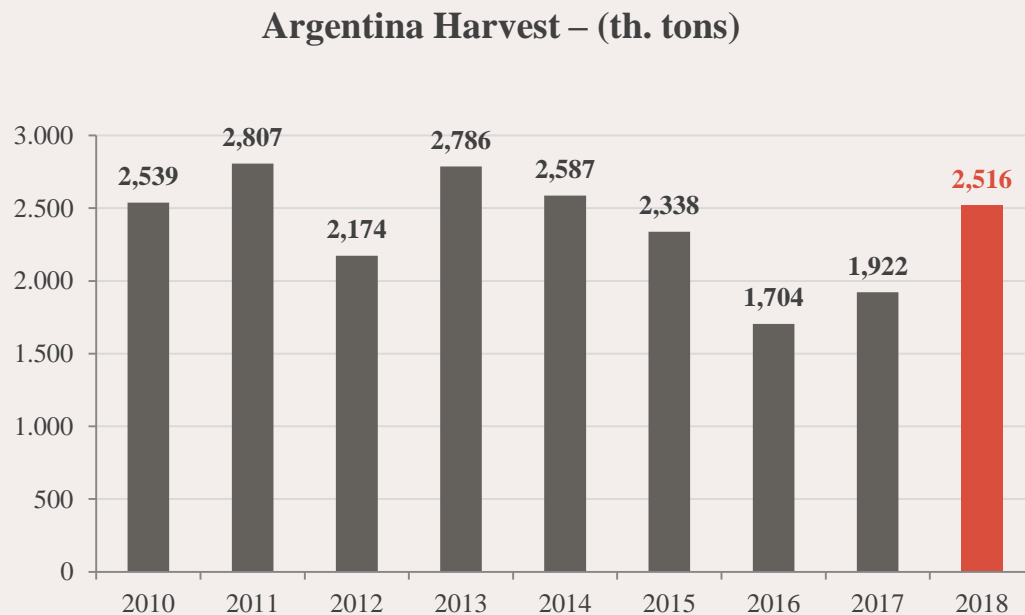


## Currency mix

|     | 1Q17  | 2Q17  | 3Q17  | 4Q17  | 1Q18  | 2Q18  | 3Q18  | 4Q18  |
|-----|-------|-------|-------|-------|-------|-------|-------|-------|
| CLP | 20.9% | 19.5% | 21.5% | 19.3% | 23.5% | 20.6% | 21.1% | 15.6% |
| USD | 34.9% | 34.2% | 35.0% | 40.2% | 30.3% | 33.6% | 36.0% | 40.1% |
| GBP | 18.1% | 18.9% | 18.4% | 15.5% | 19.4% | 21.0% | 20.5% | 19.9% |
| EUR | 10.7% | 9.6%  | 9.6%  | 8.7%  | 11.7% | 8.2%  | 8.1%  | 7.9%  |
| CAD | 4.1%  | 3.4%  | 3.2%  | 3.1%  | 4.1%  | 3.1%  | 3.4%  | 3.2%  |
| BRL | 3.1%  | 7.4%  | 5.0%  | 4.4%  | 2.7%  | 6.3%  | 3.9%  | 4.0%  |
| PEM | 2.9%  | 2.2%  | 2.1%  | 4.2%  | 3.1%  | 2.8%  | 2.7%  | 5.3%  |
| SEK | 2.7%  | 2.6%  | 2.7%  | 2.4%  | 2.8%  | 2.5%  | 2.4%  | 2.2%  |
| ARS | 1.6%  | 1.5%  | 1.6%  | 1.2%  | 1.2%  | 0.8%  | 1.0%  | 0.6%  |
| NOK | 1.0%  | 0.9%  | 1.0%  | 1.0%  | 1.1%  | 1.0%  | 1.0%  | 1.1%  |

## 2018 harvest - Argentina

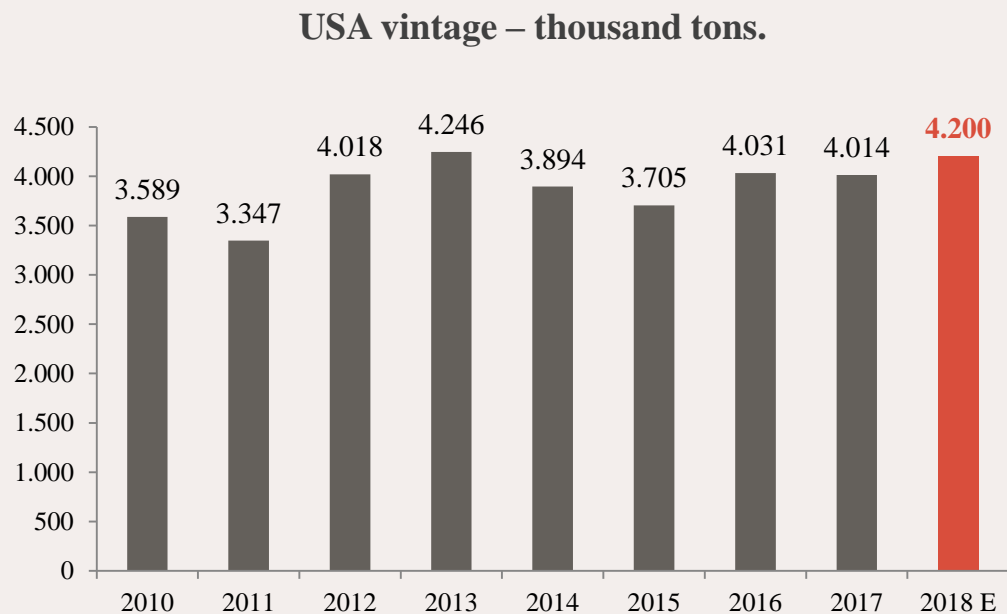
In Argentina, the harvested volume **increased 31%** in 2018.



Source: INV

## 2018 harvest - USA

Estimates for California vintage point to a 5% increase in the harvested volume  
**(4.2 millions of tons)**



Source: Ciatti