

# INVESTOR PRESENTATION

# 1Q24

## 1Q24 Results Presentation Transcript – Viña Concha y Toro

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### Speakers:

- Osvaldo Solar - CFO
- Daniela Lama - Head of Investor Relations

### Moderator: Ma. Jose Undurraga

→ Good morning, everyone. My name is Maria Jose Undurraga, a moderator in the presentation of Viña Concha y Toro. I thank you for joining us for this presentation of results corresponding to the first quarter of 2024. Before we begin, please note that on the right side of your screen you may choose the language in which you want to listen to this presentation. The information we will review today is already available on our website, [vinacyt.com](http://vinacyt.com), both in Spanish and English.

Let us begin with a brief disclaimer. This presentation contains forward-looking statements with information available up to the present time, which must be considered in good faith. Such statements are subject to risks and uncertainties beyond the company's control that could cause Viña Concha y Toro's actual results to materially differ from those set forth in those statements.

Today, we will review the period's context with the company's CFO, Osvaldo Solar. Then we will move on to review sales analysis with Daniela Lama, Head of Investor Relations, and will return once again to Osvaldo Solar, who will discuss the results obtained by the company during the first quarter.

We will conclude today's presentation with a Q&A session, where we will address any questions you may send us through the platform chat. Now, I will leave you with Osvaldo Solar, CFO of Viña Concha y Toro.

*(The presentation begins)*

### Speaker: Osvaldo Solar

→ Good morning and good afternoon for some of you. We are pleased to present the results for the first quarter. I say 'pleased' because this is a quarter that has shown very good performance, very positive evolution, which clearly has to do, as we will soon explain, with what we discussed a month ago when we talked about the fourth quarter. The first part of what we will see will consist of some highlighted elements and then delving into their context, to then proceed with the sales and results.

Regarding the elements that we have highlighted, the first item is the issue of sales. Sales, as you may have seen, went up 26.4% in terms of revenue, behind a volume of 8.9% that Daniela will later explain in detail.

Another element that we have highlighted, that in this sense is now poorer than what we had towards the fourth quarter of last year, is the mix. We have been monitoring this mix between categories 1 and 2, or premium and non-premium, which is part of the company's strategy in this path towards premiumization. And in this quarter, we had a 49.9% principal and invest mix. In that sense, it is interesting to highlight that within the annual plan, the budget for the year considers reaching a number that should be close to 54%. On the other hand, we had a gross profit, which grew by 31.5%, positioning us at CLP\$78,618 million. In terms of the margin itself, a 38.1% which showcases this improvement regarding the 36.6% that we had last year during this same

period. This sets it on track towards what it should be by the end of the year. But it is still not there yet, as we will discuss.

The EBITDA presented a growth of 118%, placing it in CLP\$28,371 million, while the EBITDA margin is 13.8%. Also, as we will see throughout this presentation, we must always analyze this first quarter in the context of it being the smallest quarter, due to the nature of the season within the company's results. Therefore, the indexes and the percentage margins tend to be poorer, so to speak, than what the whole year presents, due to the smaller size of the quarter. That is why this 13.8% of EBITDA margin should be considered within a framework that should aim to reach levels of 18% or 19% by the end of the year. And finally, the net profit increases by 304%, placing it at CLP\$12,740 million.

These are the elements that we have considered the most prominent during this quarter in numerical terms and reflect the good performance of the company during the period that we are commenting on.

Now, the reality of these results exists within the 2024 context, which we do want to review because we still have elements that are affecting the results in general, or consumption in particular, at a worldwide level. And one element that remains relevant is still the high interest rates that have not yet loosen up completely. They have been loosening up somewhat, in the particular case of Chile, but at a global scale, they are still at a high level, which is expected to decrease towards the end of the year. The precise moment has been delayed a bit, particularly due to the United States. So, in this context of high interest rates, the way in which businesses are managed I consider speaking from a different reality than the one we have had in the past, but that allows, on the other hand, to have healthier inventories and distribution chains that seek to adapt to a reality in which more efficiency is demanded from them.

In our case, as we have seen in this first screenshot about the results and as we will soon see about sales in particular, I believe that the results we expected due to the changes that the company has been explaining are being reflected. We explained that we began this process around August, September of 2022, and today we have a company that allows us to face a new reality.

And lastly, we have innovation. A topic that we will keep on discussing over the months and over the quarters, because it is a topic that the company has positioned as a central theme for the future. And I believe that the company is prepared, both in product generation and in the concern or in the pursuit of efficiency to achieve that the company, both in its product generation and in terms of way of working, may always be at the forefront, capturing the best the markets have to offer.

What did this mean in terms of EBIT and EBITDA? That the results of the EBIT were CLP\$21,512 million with a margin of 10.4%. I want to emphasize once again that we are in the smallest quarter and that 10.4% should reach, towards the end of the year, a figure closer to 14%. In terms of the EBITDA, as we have already discussed, that 13.8% aims to be 18% or 19% toward the end of the year. Albeit all of this, the signs of growth of a 224% regarding the year 2023; and of an 118% in terms of EBITDA, put us at ease and are a sign that we are clearly on track to progress throughout a year that we see as very favorable for the results of the vineyard.

Now we will move on to the sales analysis that Daniela will present and then we will return to the final results of the exercise.

### Speaker: Daniela Lama

→ Good morning, everyone. Now we are going to look at the sales analysis for the quarter. Well, this is a new breakdown that we want to show you, where we are separating what is wine from what is non-wine. In terms of sales revenue, we have included an 'others' item, which includes sales from our souvenir stores, tourism, merchandising, etc. But basically, we wanted here to showcase the wine sales in particular, because the increase we have both in revenue and volume is much more positive than the consolidated figure. The consolidated figure is growing by 26.4% in revenues, whereas if we only consider wine, it is up 30.6%. This is mainly driven by growths in both the premium and superior segments, but also in the varietal and lower segments. And here, in particular, the Frontera brand stands out above the others.

On the other hand, the new businesses in Chile, which basically are the premium beer segment, experienced a double-digit decline here, of 15%,

which is better than what we saw in the previous two quarters, but still showing a decline. And that is due to an industry issue in Chile where the entire premium beer segment is declining. And, also, clearly, as we had mentioned before, there are climatic effects that also influence sales.

In terms of volume, following the same breakdown between wine and non-wine, we see that the increase was of 8.9%, but if we only consider wine, the growth was of 12.4%.

As Osvaldo mentioned, all the measures implemented by the company in recent periods may be seen already reflected here. Once again, in the lower and varietal segments, growth is particularly attributed to Frontera.

If we look at it by market, we are growing in each of our main markets. In particular in Chile, we may see a negative trend with a decline of 2.5%, but this is mainly due to the non-wine segment, basically beer, as I mentioned before. If we take these five countries, they represent almost 75% of our total sales, so we will continue to take this structure into account.

If we look only at Chile, without the beer segment, is growing by 5.8% compared to the first quarter of last year. The United States, which had a strong impact and helped us achieve a growth of 36.7%, this was basically due to the replenishment of the inventories in the distribution chain, and the strategies that began to be implemented in both marketing and in the structure, that are already yielding results.

At the level of our main brands, these seven brands, which represent the 59.3% of revenue, have high double-digit growth, except for Bonterra, that presents a single digit growth. Frontera, as I mentioned, had the highest increased in percentage terms, but Casillero del Diablo was the one that grew the most in absolute terms. We may also see that Trivento Reserve and Diablo continue with their double-digit growth, just as we saw last year.

If we now look at the mix, as Osvaldo also mentioned, we may see a decline of 60 basis points, but this is basically due to the growth we had from Frontera, particularly in the United States. We also see that the wine segment was also declining by 200 basis points. Last year, we had 56.2%, and this quarter, we ended up with 53.7%.

Next, if we look at the evolution of EBIT, we may see the 2023 performance represented in this dashed line, which reflects the effect from the judicial settlement in the United States that we mentioned last year, which we opted to keep displaying because the company has set the goal of surpassing the amounts from last year, but doing it also considering this extraordinary expense contingency that we had. And here we may see our growth during the first quarter compared to last year with this increase of 224%. So, without that eventuality during the fourth quarter, we would have reached these CLP\$34,780 million, and the idea is this year to also surpass the values of last year in each quarter.

The same applies to the margin. We also opted to show how 2023, represented by this dashed line, would have been without this judicial settlement, in order to review, quarter by quarter, how it evolved in comparison to how it would have been if that extraordinary expense had taken place. Here, we may see that in this quarter we are 600 basis points above what we had during the first quarter of last year.

Now we return to Osvaldo with the results of the quarter. Thank you very much.

#### Speaker: Osvaldo Solar

→ Well, continuing with the results, a first element that we have highlighted, quarter by quarter, and is a topic that we need to be always monitoring, because we believe it is relevant and a strength of company, which is the currency diversification that the company has. In this particular case, during this period, we had a significant increase in the exchange rates compared to the first quarter of last year. On the right side of the slide, you may see the growth of the basket that we defined of the vineyard's currencies by 19.8%, against the dollar at 17.4%, the euro at 19.7%, and the pound at 23.1%. If we look at the left side, the pound represents 30% of the company's revenue, as a result of the growth that has taken place in the United Kingdom.

Now there is an element that is interesting to consider, that within the positive effect of the exchange rate issue, this effect became diminished during the first quarter, something that looking ahead is not perceived in the same way, by the wine stocks we have abroad, particularly in England, Mexico, and Brazil. We are talking about our first, fourth, and fifth markets. And

what happened there was quite atypical. You have probably analyzed it numerically, but we highlight it anyway, to show that the exchange rate had a very strong variation in a very short period. We are talking about a comparison between this first quarter and the first quarter of last year, but if we compare it with December of last year, which was when we sent the stocks abroad, in this case, to England, Mexico, Brazil; the currency fluctuated a 9.2% in the case of England, a 9.4% in the case of Mexico, and a 7.4% in the case of Brazil.

What did this mean? That the costs, which originated from Chile and are in Chilean pesos, were increased by the exchange rate variation in these markets. So, I highlight this point because, for the analyses and models you have, it is interesting to see that the positive effect that it had was significantly diminished due to this reality of the types of exchange that took place in a very short period of time, generating, of course, a positive factor, as we have seen in the results, but not to the extent that we should expect looking forward as long as the exchange rates remain stable.

When we look at the non-operational results, what we want to highlight is a general view. Regarding the affiliated companies, an item that, as you well know, is not relevant now due to the season. Let us keep in mind that the main results of the affiliates companies correspond to Almagora, whose complete results are seen in September, therefore during the third quarter of the year. As a consequence, we only display this item to maintain consistency throughout the quarters, but it is not relevant.

What is relevant here? The item of financial expenses where we had an increase of CLP\$1,426 million that you are seeing right now on your screens, of which practically half of it, 52.6%, we could say, corresponds to an increase in capital and a 47% to interest rates, which, as we were saying a while ago, have not loosened up and therefore are still having an effect on the company's financial expenses. Let us keep in mind that the effect of financial expenses is diminished or controlled, as we have more than 60% with a fixed rate in the long term, but there is a 40% in rather short-term conditions.

In terms of financial expenses, we will continue to see during the coming quarters a higher financial expense than the last year, to have a tendency, in the fourth

quarter, to even out, or even to decrease, this due to the decreases in debt that the company will have as a consequence of the results that we are expecting to have.

In terms of net profitability, we have this chart that helps to visualize the 2023 results in particular, this drop that we have been explaining; we can also see the result that we have perceived during the first quarter of this year, with this CLP\$12,740 million versus CLP\$3,100 million of the previous year. This is always in the context that we are in the weakest quarter of all. Here, we wanted to showcase how net profit evolves over time through the quarters because, I insist, we need to have much clarity regarding the seasonality that the company goes through. So, the result we are presenting today has considerably better and superior characteristics, even compared to what we were showing, because this is the smallest quarter of the year.

In comparison, here we kept the year 2022, as an additional reference to 2023. If you notice, it is a bit lower than 2022. But the results for the first quarter of 2022 were completely atypical. In terms of seasonality, it was 20.3% of the profit for the year, which is completely abnormal. Typically, the results of the first quarter fluctuate between 12% and 13% of the annual profit.

One element that we are also tracking, which is of interest to you and us, is the return on invested capital. We should bear in mind that it is measured during 12 rolling months. In March 2024 it is at 5.7%, which is an improvement against the 5.3% that we had accumulated in 2023, up to December, considering the 12 rolling months, it is lower than what we had in March 2023, because March 2023 collected 12 rolling months, of which a large part corresponded to the year 2022. This is a number that concerns us and that is clearly moving in the direction we want. I am referring to the return on invested capital.

Regarding net financial debt, it has increased by CLP\$91,383 million compared to the previous quarter. We have to look at that CLP\$397,738 million compared to the CLP\$389,255 million at the end of December last year. This is an item that is fully in line with the need for capital or the growth of working capital that the company had due to the inventory increases that we were discussing earlier. This is expected to decrease throughout the year as

sales grow in the way we have discussed, and also depending on the exchange rate issue underlying that debt.

Within that context, we show you here what we have always considered as our financial leverage, the level of debt the company is at 0,68, with a covenant that is at 1,2 times our equity. In terms of financial expense coverage, the covenant is 2,5 times, and we are 4,8, which is already starting to show this rebound in comparison to the 4,6 times that we had in December, as you can see in the graph in the middle of the slide. In this item, this is not a covenant, but rather just an indication that we have given and is part of our approach, which aims to determine what level of debt over the EBITDA that the company should have. We are aiming for 2,5 times and we are already at 3,6, lower than the 4,1 that we had in December, and by the end of the year we expect the number to be close to two times the EBITDA.

Finally, we wanted to touch on a concept that we defined as a non-financial result, but that has three aspects that are fundamental and that the company is monitoring. One of them is the brand strength, as it is a very fundamental asset for the company's results along with distribution, etc., where brands are a central item. Then, the ESG performance, because the truth is that we see it as a relevant element when it comes to how the company will be sustained in the future. And finally, some progress we have made on the topic of the research and innovation center because we believe that it is also a central source for the future of the company, in how it is innovating.

In terms of brands, we see the distinction from Drinks International, who are positioning Concha y Toro once again as the leading Chilean vineyard in their ranking. Then, in terms of different products of the brand, we have what we did this summer with fruity cocktails, where the Melvin flavor, the green bottle at the middle, was a huge hit, and that shows once again the ease that the company has when generating products that accompany the needs of the consumer. And finally, we have defined as the "Luxury Brand Division", a new concept that the company has been structuring at an organizational level to face the world of luxury brands, and that is already taking its first steps.

In terms of ESG, the environmental, social and governance aspects, let us keep in mind that we have considered the Dow Jones index as the element

that measures us, because we have considered it to be the more complete and comprehensive one for the company, as it measures all three elements, not just the environmental aspect, which has been fundamental and on which we have been making progress in a truly spectacular way, but also in what happens with governance, what happens with the more social aspect.

The index, as we see here, has two components. One is these bars, which represent the percentile, and which is the one that we monitor the most. Here, it shows that Concha y Toro is in the 93rd percentile, with a score of 71. We have also included the average for the drinking industry both domestically and globally, which is 28 points. So, the 71 that Concha y Toro has must be considered within that context.

When we look at the score line, it looks rather flat. And that is because year after year, and this is part of our challenges, the Dow Jones index keeps adding new elements and new requirements, which we must incorporate. Therefore, the best element to measure this, along with keeping a very good score, as we have done, is the percentile that indicates the position in which the company stands compared to its peers. And I think that the reality we are presenting here shows that this is a central item for us, on which we work constantly, looking towards the future.

In May, you will receive an invitation to an exclusive focus on this topic to delve into detail on what the company is doing regarding these three fundamental aspects for the future.

Finally, and this has to do with the progress we have made, here is a central theme, a new agreement to see how we can apply artificial intelligence to winemaking. We believe that there is a very relevant space there that could be, let us say, a new quantum leap, in terms of what the company is doing with innovation in its core, which goes from the grapes, in a beginning, which then will be transformed into these wines that have given us this global prestige.

And finally, in the outlook for 2024, we see a positive year after how challenging last year was. And we see three main aspects. First, we must continue this year with double-digit growth in our wines, as we saw in the first quarter. We will see a continuation of this throughout the year. A second aspect is the cost efficiency improvements for this year, at CLP\$16,000

million for this year, to reach a standard year of CLP\$20,000 million, as we discussed, for the year 2025. This CLP\$16,000 are net, because there are also one-time expenses that need to be incorporated. And finally, the margin improvements that are aimed for the year 2025 to reach an EBIT of 15% or 16%, but that right now this is rather around a 14%, to then reach that growing normality, which could be defined towards 2025, as a 15% or 16%.

That is why we are closing with the final message that we believe that the company is writing a new chapter, with a different company, prepared for growth. We think we have captured well what the consumer world wants, and the company is able to answer with great strength, with great clarity, and that is being reflected in the results.

Thank you very much.

*(End of the presentation)*

**Moderator: Ma. Jose Undurraga**

→ We have reached the end of this presentation. We thank you for your attendance and wish you a very good afternoon.