INVESTOR PRESENTATION

1Q25

1Q25 Results Presentation Transcript – Viña Concha y Toro

May, Tuesday 27, 2025, 11:00 hrs (Chile)

Speakers:

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

Moderator: María José Undurraga

→ Hello, my name is María José Undurraga, moderator in representation of Viña Concha y Toro. I would like to thank you for joining us in this results presentation for the first quarter of 2025.

Before we begin, note that on the right-hand side of your screen you can select the language in which you would like to listen. The presentation we will be viewing today is already available on our website in both English and Spanish.

Let me begin by reading a brief disclaimer. This presentation contains forward-looking statements based on current available information and should be regarded as made in good faith. Such statements are subject to risks and uncertainties beyond the company's control, which could cause Viña Concha y Toro's actual results to differ materially from those expressed in these statements.

We will begin today's presentation with an overview of the industry context by Osvaldo Solar, CFO of the company. Then, we will move on to an analysis of accumulated sales with Daniela Lama, Head of Investor Relations. We will conclude once again with Osvaldo Solar, who will go over the results obtained by the company.

For a more detailed quarterly analysis, please refer to the press release published on Monday, May 26. If you have any questions or additional questions, please contact Daniela directly.

To close the presentation today, we will open a space to answer the questions you send 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 to some of you. As always, it is a pleasure to have the opportunity to share with you the results, on this occasion for the first quarter, which, for various reasons, we had to delay up to this week, to deliver our commentaries on the results that were published yesterday.

This has been a challenging quarter, in which we believe that Concha y Toro's performance has been outstanding, particularly in comparison to what has been seen across the industry.

We wanted to highlight some central elements of the results before diving into specific comments and detailed analysis.

One of these aspects is sales. Sales grew by 1.4%, as shown on screen, despite the drop in the exchange rate. We may keep in mind, as we will elaborate more on it shortly, the currency basket we have as a company. Because, while the dollar improved a bit - in the sense that the Chilean peso depreciated against the dollar and against the British pound - there was a strong appreciation against the Mexican peso and the Brazilian real as well, which ultimately impacted nearly 2% of our sales. So, this 1.4% increase reflects significant underlying growth.

On the other hand, growth continued in what we have defined as the 'premium category'. Let us remember that this premium is a fairly entry level and competitive segment, and we have explained in other presentations the reason behind this strategy, which is very powerful and has allowed Concha y Toro to profit on one hand and grow on the other. That mix, in this first quarter, yielded 51.9%, that is, an increase in 230 basis points.

In addition, gross profit also improved by 2.5%. The gross margin rose by 50 basis points, to 38.6%, which is a good reflection of what we are commenting on, that we are growing in sales while also aiming towards results that may generate profit out of these incomes.

Elsewhere, EBITDA also grew 5.8%, which we see as a very important figure, considering everything we have already mentioned. The EBITDA margin is 14.6%, moving toward the goals we have outlined for the company. We are still a long way from our long-term target margin, but we are steadily heading in that direction.

Finally, the net income also increased by 8.2% compared to the same quarter last year, which is also a good indicator. That is why we have highlighted these results as key achievements for the company.

Now, having clarified these general highlights, we want to provide some context within the industry. There is a first aspect that we have defined as a high level of volatility and uncertainty. That is something we must be aware of on a daily basis. As you can see in the news, there is often a development by the end of the week that forces us to wait until the opening of the markets to see how it plays out. This has been particularly evident in the U.S. market, where tariffs were set at 10%, but there is always talk of ongoing negotiations, unresolved issues, possible changes regarding Europe, and what may happen between the U.S. and China, etc. All of this generates uncertainty and volatility, both in terms of currencies and in the outlook for the months ahead. This is a reality we have experienced in recent months, and that has not diminished even after the close of the first quarter.

Another emerging factor has been tax increases in some markets. We have seen this in the U.S. and their tariffs but, more tangibly, regarding the taxes of alcoholic beverages in the UK and the recovery of packaging waste, for example, which are tax-related contingencies that we may also see in other countries, that are not just specific to the alcohol industry but are more general in scope. However, these are elements that we must consider as we evaluate 2025.

In this context, we want to highlight opportunities that arise. But in order for these opportunities to materialize, they must create economic value for the company. We have been very insistent over time about this, and we will also take a look at it here when analyzing the returns on invested capital. This profitability is critical in the medium and long term. Any opportunity we pursue must generate real economic value for the winery and, therefore, for its shareholders.

But when such volatile and uncertain situations arise, thanks to the sound basis that the company has, both as it is structured backwards, in terms of wineries and wine quality, as toward the future, in its integration in the distribution area, we are able to see a very sound position for the company that allows us to evaluate what is going on in the market and make decisions in that context, provided that they generate economic value.

So, in a volatile context, we may see that Concha y Toro presents results that differ from other performances within the industry, which are the result of the highly competitive position the company has been able to build, and that we will discuss further throughout the presentation.

Now I turn things over to Daniela for a more detailed analysis of sales during the first quarter.

Speaker: Daniela Lama

→ Hello, good morning. As you can see here, while we had consolidated sales growth of 1.4%, we are talking specifically about the wine segment. Compared to the same quarter last year, we are seeing a growth of 0.9% in value.

Now, it is important to remember that this company is seasonal, the first quarter is always lower than the other quarters. And yet, this year we managed to surpass the results of the past three years. Therefore, in that sense, as we will see later on, the company's strategy remains very stable and was the correct one.

We can see that the premium and superior segments were the ones that continued to grow, by 6.4% in the first quarter, while the lower-tier and varietal segments declined, with 5.1%. If we now look at volume, we see a decline in wine-only volume of 3%. We will explain the reasons behind this in the next slide, but basically, it was due to the lower-tier brands, with a 7.5% decline. However, the projection for year end remains positive, with a low single-digit positive number, just as we have stated before.

Now, let us look at performance by market. These five main markets represent almost 75% of total sales, and we see that the UK, Chile, and the US experienced growth in value. I would like to stop at each market individually, because each played a different role this quarter.

In the UK, as Osvaldo mentioned, a new tax on alcoholic products was implemented in the first quarter. This impacted lower-value, non-premium products the most, generating significant competition. As a result, our Isla Negra brand declined, which we will see in the next slide. This fall also affected our consolidated performance, since Isla Negra is one of the top five best-selling brands in the UK.

In Chile, though the 3.8% growth is positive, we also saw a drop in a non-premium product. However, the rest of the portfolio performed quite well, especially premium brands like Diablo and Don Melchor. We also had new launches, including Concha y Toro The Wine and Marques de Casa Concha Gold & Blue.

In the United States, the performance was good, both in volume and value, while in Brazil and Mexico something special happened. We need to consider that although we are growing in terms of volume, by 6.3% and 10.8%, respectively, but, due to the exchange rates of the currencies, sales value declined by 9.1% in Brazil and 3.3% in Mexico, as we will see in the next slides.

Now, looking at our top seven brands, which account for almost 65% of total sales, we see what I was commenting on before: premium brands remain resilient - strong and growing. The only one showing a decline was Trivento Reserve, but that is due to a shift to the next Trivento label: Trivento Private Reserve, which grew, while Trivento Reserve declined slightly by 2.6%. On the other hand, Frontera, we have this 6.6%, which is mostly explained by the Japanese market. However, it is important to note that Japan is best evaluated annually rather than quarterly due to its unique behavior that we have observed in previous years. And what happened here was not due to a drop in sales but rather an inventory timing issue.

Isla Negra, as mentioned before, dropped by 14% in the UK. And Tocornal, in Chile, also declined, but was offset by the growth of the other brands. Although it is not among the top seven, it is worth mentioning.

When we look at the mix of Principal + Invest, considering only wines, it reach 56.1%, mainly due to the strength of brands such as Casillero del Diablo, Bonterra, which grew nearly 30% - especially in the U.S; and Don Melchor, which had a growth of 140%, mainly due to having been ranked No.1 worldwide during the fourth quarter of last year, which has had a very positive impact since then.

On the other hand, in the nonwine segment, which includes beer and spirits, we saw growth in both volume and value. This was primarily due to our Kross brand Odissea, which performed extremely well, growing more than 150%, but it is important to remember the brand was launched in the fourth quarter of 2023, so the base in the first quarter of last year was lower. This year, it is expected to continue to grow, although the variation is expected to decrease as the brand reaches normal levels. This strong performance helped the nonwine segment grew by 5.2% in value.

Now, I will hand it over to Osvaldo.

Speaker: Osvaldo Solar

→ Alright, now that we have gone over the sales figures, let us take a deeper look at the results for the period.

The first item we have is operating result, or EBIT. At first glance, the figure appears flat compared to last year (0.1% decline), which is why we did not highlight it. But it deserves further explanation. The CLP$21,479 million we see in orange on the left-hand side of the chart includes about CLP$2,039 million in write-offs. These write-offs relate to accounting effect due to the sale of a plot of land, wine write-off and certain vineyard replanting costs.

So, considering the write-offs of CLP$2,039 million, the adjusted operating result for the first quarter was CLP$23,518 million and not the CLP$21,479 million that includes the write-offs.

We wanted to make this distinction clear, because the EBIT actually increased was 7.4% compared to the official figure published of -0.1%. This is important to understand the company's outlook in light of the changes we have made in the past, as well as the ongoing development of our sales performance.

Looking at the margin, it is the same: the official EBIT margin was 10.3%, which would seem like a drop of about 10 basis points. But if we adjust for those write-offs, the real EBIT margin is 11.3%, which is still below the target we are aiming for, but clearly better than last year, and is not what one would perceive given the official figures published by the company. Therefore, we believe that operating performance is showing a fluctuation according to expectations for 2025.

Now, turning to EBITDA, which would represent the company's cash flow, it is CLP$30,447 million, reflecting this increase of 5.8% we noted in the highlights, which not only puts us above the figure of 2024, but also establishes a distance with the performance of 2023. We have maintained a quarterly comparison with the previous three years, as we have mentioned that 2023 was an exceptionally weak year, but we are presenting 2022 as a reference point both for the EBIT and the EBITDA.

Regarding the EBITDA margin, we see a slight improvement compared to last year: 14.6% versus 14,0%. Again, we are not yet at our company target, which should remain close to a 20% EBITDA margin, but we are on the right track, and the strategy and development plans continue to align with reaching that goal.

One central issue this quarter, which we mentioned before, has been the foreign exchange rates, so let us pause on this point for a moment. On the left-hand side of the slide, you can see our currency diversification policy, which we believe is key to providing stability, or in some cases directly reducing or neutralizing fluctuations. This quarter was somewhat atypical, because the most significant fluctuations did not occur in our largest currencies. The biggest impacts came from the Brazilian real, which represents 6,0%, and the Mexican peso, which represents 5.7%.

As we were saying, the U.S. dollar, which represents a 28.8%, went up a 1.1%, as we may see on the right side, rising from around 950 to 961 pesos. The pound sterling, appearing in third place, as we see on the right side, rose from 1,209 to 1,215, a subtle variation. But the significant effect took place on the Brazilian real and Mexican peso, which fell 14.4% and 15,4%, respectively, in terms of the appreciation of the Chilean peso against those currencies. This had an effect on the quarter, and that is why we commented on it when analyzing the sales, with an effect of CLP$4,041 million, corresponding to the 2% of the sales, decreasing the revenue, compared to last year; and at an operating results level, it had an effect of CLP$3,310 million.

So, when we look at the quarterly results, with a growth of 7.4%, with write-offs aside, this growth took place even considering this negative effect we had on the average currency rate, we believe that this represents a resilience or strength in the company's results that is worth considering.

Now on to non-operating results, which include two main items: net financial expenses and exchange rate effects, and results from joint ventures, the most important section is the one in blue, where we show non-operating results excluding joint ventures. Our associates and joint ventures, while having an accountable impact, are only to be considered towards the third quarter, when Almaviva shows its results, as it sets the standard for this scheme. So, while there is a current negative figure of CLP$420 million, we do not consider it relevant at this stage, because it must be examined in an annual context.

As for financial expenses and currency differences, we are seeing an improvement of almost CLP$1,000 million on comparison. Where does this improvement come from? It is largely due to the financial costs, which is something we have been discussing for some time and whose positive impact is fully reflected in this first quarter with an improvement of CLP$1,358 million.

Currency effects, as you know, are the result of positions the company takes. In this case, let us remember that there is a hedge that the company calculates on a daily basis, and due to future value hedging, we may see a loss of CLP$135 million, compared to last year's CLP$230 million.

What's interesting about financial costs is that 80% of the reduction comes from lower debt, and the other 20% comes from lower interest rates, a very relevant point when looking ahead.

Here we can see it on this graph, where we must compare it to the light blue line corresponding to 2024, which is a stricter result than the one we had in 2023, year when the company was forced to get into debt, due to the low performance of that season. So, we must aim towards the results of the bottom grey line, which displays different conditions, due to the rise on the interest rate and the higher debt into which the company had to incur.

So, when we look at this decrease of 20%, we must consider it within this context, which is interesting for looking toward the future.

And when we look toward the future, there are a few important aspects to consider. One of them is what is happening with inflation, which has an effect over interest rates. We wanted to highlight this in the first quarter, as we have explained before, and it continues to be relevant - in fact, we consider it a strength of the company as long as inflation in Chile does not converge to 3%. If it does, this aspect will lose importance, but since it has not, considering that it is nowadays around 4.5% annualized, this benefit persists.

If we looked at inflation during the first few months of the year, the annualized rate would be even higher. So, the company still holds an advantage reflected in the first quarter through an implicit gain of CLP$1,100 million, as a result of the difference between the fixed inflation of 2.82% that the company has set for all its bonds versus the actual inflation during the period.

On the right side of the slide, we show how our bonds are structured, with about UF5.2 million indexed to 2.82%, and another UF1.75 million are converted to US dollars so we may align assets and liabilities in foreign currency, which gives out an annual rate of 4.69%, which is very competitive compared to current market conditions and real financing alternatives available today.

Now, if we look at the interest rates in more detail, although they appear relatively stable, the debt renewals that the company carried out during the first quarter and into the second quarter, within the short-term percentage, have shown a substantial drop of over one point for each renewal, so, interest costs will continue to be a very favorable factor going forward, as we understand that rates should keep trending downward, particularly short-term rates. As for long-term rates, we already have them locked in through the structure I mentioned earlier, and the company does not need to increase its long-term debt.

What does all this mean in absolute terms? We have reduced debt by CLP$50,590 million. And one thing we always highlight is the company's daily hedging strategy, matching assets and liabilities across different currencies.

What did all of this lead to? In terms of net income, we saw this growth of 8.2%, going from CLP12,740 million to CLP$13,783 million. Let us remember what Daniela mentioned earlier about seasonality—the first quarter is typically the lowest quarter of the year for the company. That is what makes this growth all the more notable. In the graph, we include a five-year comparison to give a broader perspective on this result.

We have talked before about the importance of return on invested capital. 2023 was a particularly low point, as reflected in that 5.3%. But last year we improved significantly, reaching 8% by year-end. We recall that this figure is calculated on a rolling twelve-month basis, meaning that when analyzing the first quarter of this year, we include the last three quarters of last year and the first quarter of the current year. With the addition of this first quarter, we already see that this ROIC up to March 2025 is of 8%, compared to the 5.7% of last year.

This shows that we are moving in the right direction. The investments the company has made are particularly focused on generating returns. This is something I insist on, as it is a common question one receives, and this is a key metric that both management and the board pay close attention to, as it serves as a good indicator of the quality of investments, especially for a company like ours that is fully vertically integrated.

Here, we have included a chart on financial debt, where one may clearly see the decline we have been talking about. As we will see in the following, our indicators reflect what we define as financial solidity in the company's position.

First, we have this net debt covenant, set at 1.2x, while the company's debt is 0.5x; compared to the 0.67x we had in the same month last year.

On the other hand, we have the coverage on the financial expenses, where the covenant is 2.5x, and we are currently at 6.8x index. So again, this shows an improvement from the 4.8x by march of last year, and these ratios align with the solid position we are aiming for.

This next chart is not a covenant, but rather a reference point to indicate what the company is targeting. It reflects the figure towards which the board aims, which sometimes becomes higher, when there is some acquisition, or any other contingency, but in general, the company's net financial debt over EBITDA tends to be 2.5x. Right now, we are at 2.2x, which is very aligned with this perspective, which gives us the flexibility to invest, should a real opportunity arise that generates true economic value.

Finally, we want to highlight a few nonfinancial results, which are also important to mention. One is the case of Amelia, which we decided to spotlight here because we have already talked about Don Melchor and its milestone 100-point rating for the 2021 vintage, which was a major achievement. But beyond that, the company also has other ultra-premium wines with strong recognition. In this case, Amelia was named 'White Wine of the Year' by Tim Atkin. We wanted to highlight this because Concha y Toro is a portfolio of brands. And in the high-end segment, we have many brands that have a lot to say due to the extraordinary quality of our wines, so we wanted to highlight this as a non-financial result that reflects one of the strengths of the company.

We also want to mention our performance in brand recognition, where we see that Concha y Toro is once again listed among the Top 10 Most Admired Brands in the World, according to Drinks International. These recognitions are more difficult to quantify, but they are fundamental to the results the company achieves - especially when it comes to integration, wine quality; but one of the central aspects nowadays are our brands, which reflect the identity of Concha y Toro. And this is not just something we say ourselves; it is recognized worldwide.

We have also added two other notable achievements that are part of the strength of the company. The first is the research and innovation the company carries out, where we were recently incorporated into the Biotechnology Advisory Commission under the Chilean Ministry of Science. Although it is an indirect aspect, we highlight it, because it reflects the powerful results our research center has delivered, especially in areas such as plant development and efficient water use, and will without a doubt bring benefits to Concha y Toro's performance, and is not only recognized by us, but also by the scientific institutions that see this center as an important source of quality and knowledge.

And lastly, we have the recognition by the Dow Jones Sustainability Index 2025, where our winery was named the most sustainable winery in the world. When we say 'most sustainable', this is a very relevant element in terms of what our winery is doing in terms of climate, water and energy use, etc. But this must always be aligned with the profitability that makes this company viable. So, we have this achievement of a very high-standard recognition, without degrading the financial results of the company. On the contrary, it has been an element that has helped us to become stronger. For example, the reduction in water use in our vineyards, where we have achieved significant progress, as we have commented on in other instances, such as an 18% reduction on water use in our fields, through technological innovation and intelligence in such a vital aspect. Therefore, being recognized as the most sustainable winery is an additional element that reflects the comprehensive and ongoing effort the company is making.

With this, we conclude the presentation. Thank you very much for your attention. We would be very happy to answer any questions you may have.

(End of the presentation)

Speaker: María José Undurraga

→ We have now reached the end of this presentation of the results. Thank you for attending and we wish you a very good afternoon.