

Beverage Market Update

Industry Consulting Team | Q2 2023

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Category Volume Performance	Beer	Spirits	Wine	Soft Drinks
LTM volumes through 3/31/23	-3.4%	2.9%	-9.9%	-3.2%

Industry Highlights & Overview

- Total Beverage industry observed some initial weakness during the first quarter of 2023 with every category experiencing a deceleration from FY22 trends, driven in part by supply chains normalizing causing supplier shipments to decline while distributors balance inventory levels with depletions; the Q1 transition was particularly impactful for wine & spirit sectors
- Beer volume dropped further through Q1'23 following a tough January, which partially rebounded in February and March
- Anheuser Busch / Bud Light challenges have caused market volatility resulting in sizable share shifts across suppliers
- Soft Drink volumes remain in moderate to low single digit decline despite large pricing increases from 2022

Trending Data & Analytics – Consumer Spending Trends & Inflation Impacts

Consumer Spending Trends *

	All US Drinkers	Male	Female	21-24	25-34	35-44	45-54	55-64	65+
Higher Spenders	39%	45%	31%	53%	55%	53%	33%	25%	18%
Lower Spenders	30%	31%	29%	46%	36%	38%	28%	20%	21%

* Green indicates above All US Drinker index, Red indicates below index

- The survey data above highlights consumer profiles across age/gender demographics illustrating which groups are spending more on beverage alcohol and those spending less
- Consumers are also evaluating how inflation is impacting their purchases; some consumers are spending more or not changing how they spend, while others are spending less or finding ways to save while still purchasing similar amounts

Change in Spend due to Inflation

Spend less 33%	Spend about the same 42%	Spend more 24%
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How Consumers are Spending Less:



- I bought my regular brand on promotion
- Bought an own-label product instead
- Switched to a different retailer
- Downgraded to a cheaper brand
- Downgraded to a smaller size bottle

Beverage Alcohol Consumption Trends

- Over the past 6 months, Beer, Wine, and Vodka benefitted from the most frequent consumption %
- Despite mixed volume trends, consumers broadly indicated their willingness to spend up across categories, with only hard seltzers being neutral

	Wine	Champ.	Beer	Seltzers	RTDs	Vodka	Agave	Whiskey
Past 6 mos. Consumption (% of consumers)	54%	21%	60%	26%	23%	43%	28%	29%
Volume (current vs. past behavior)	↑	—	↓	↑	—	—	—	↑
Spend (current vs. past behavior)	↑	↑	↑	—	↑	↑	↑	↑



Sources: IWSR, bw166, Beer Institute, DISCUS, Beverage Digest, NBWA, Brewers Association, Nielsen, CGA, Footprint Intelligence, BLS.gov, Drizly, Bump Williams Consulting

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Beer

Total Segment

Volume trend periods through March 31, 2023



12Mo Volume
-3.4%

3Mo Volume
-3.5%

1Mo Volume
-2.5%

LTM March '23 Beer Volumes



Domestic
4.3%



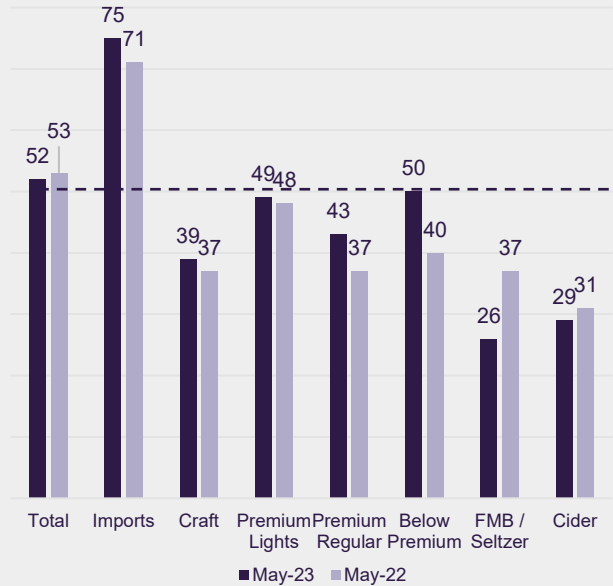
Total Imports
0.4%



Mexican Imports
2.5%

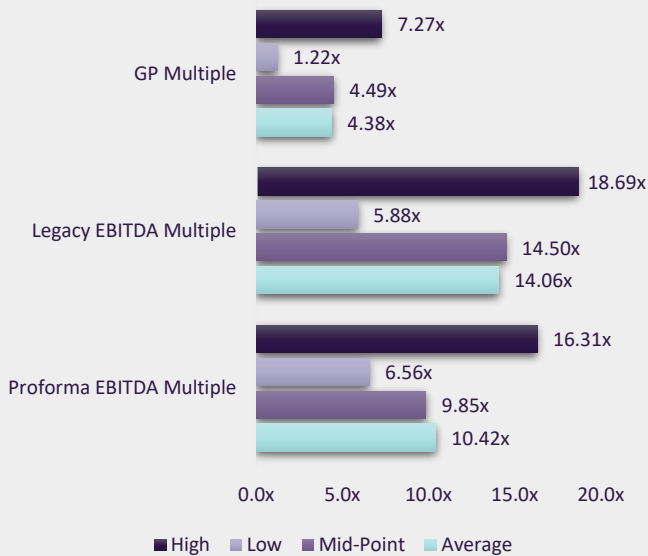
Year over Year Beer Purchaser's Index Trends

- YoY BPI for May 23 vs. 22 showed a reading of 52 which indicates an expansionary period in the industry
- May 23 readings were higher YoY for every category except the Seltzer and Ciders category



* BPI - A reading above / below 50 indicates the segment is expanding / contracting

Beer Distribution M&A Observations (Distribution Rights Only)



- Beer Distribution Right values have remained strong and stable despite economic and market volatility; potential downward pressures still exist with a rising rate environment
- Valuations above reflect real transactions over a 3-year average

In the News: Bud Light Purchasing Behavior

- Bud Light and parent company, Anheuser-Busch, have been facing consumer and media backlash following controversy over the use of Dylan Mulvaney as an influencer
- Bud Light, along with other notable AB-InBev brands, have been experiencing significant volume declines since early April when the Mulvaney video went viral

Week of:	BUD LIGHT	Budweiser	Michelob ULTRA	BUSCH LIGHT	Natural LIGHT
4/8/23	-10.7%	-5.9%	7.1%	9.6%	-2.1%
4/15/23	-21.1%	-10.7%	-2.5%	-3.6%	-6.5%
4/22/23	-26.1%	-13.1%	-8.0%	-7.5%	-6.5%
4/29/23	-27.3%	-15.9%	-8.0%	-8.4%	-10.2%
5/6/23	-27.7%	-14.5%	-7.0%	-7.0%	-8.0%
5/13/23	-28.4%	-14.9%	-6.8%	-13.0%	-8.5%
5/20/23	-29.5%	-15.3%	-7.5%	-11.4%	-9.7%



Sources: IWSR, bw166, Beer Institute, DISCUS, Beverage Digest, NBWA, Brewers Association, Nielsen, CGA, Footprint Intelligence, BLS.gov, Drizly, Bump Williams Consulting
Bud Light, Budweiser, Michelob Ultra, Busch Light, and Natural Light are all registered trademarks of Anheuser Busch InBev

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Spirits

Current Market Trends



- Even with deceleration of growth in Q1, Agave spirits still lead all spirits in category growth at +14% LTM Q1'23



- RTD cocktails stay in growth mode increasing 18% LTM through Q1'23 while also expanding regulatory market access



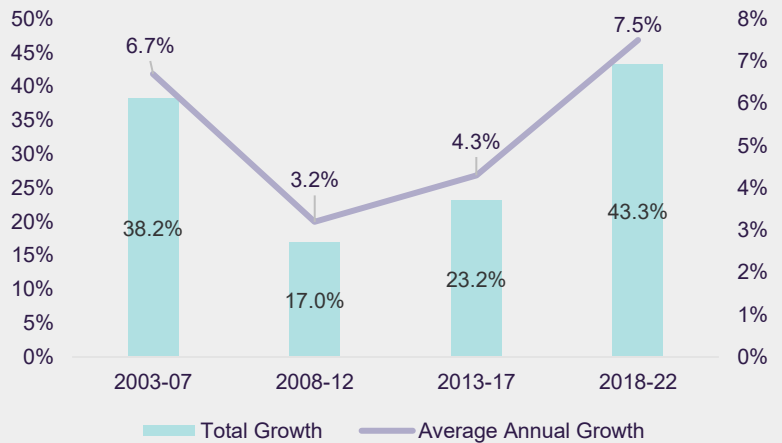
- M&A activity within spirits has stayed strong in early 2023 despite rising interest rates and inflationary pressures



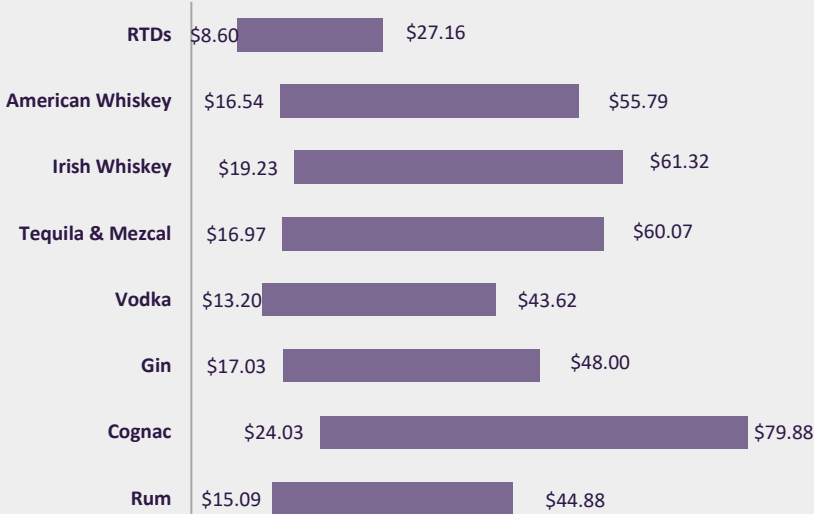
- Inflation is pressuring consumers more, but premiumization continues with price/mix leading in Agave & Am. Whiskey

Spirits Gaining Momentum

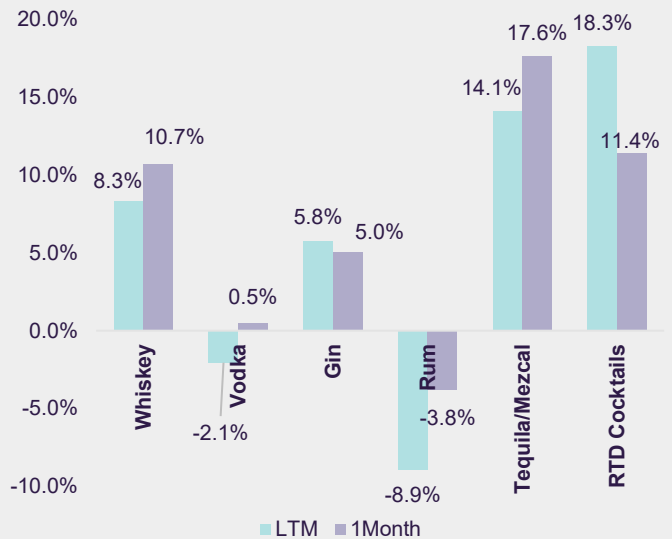
FY22 Spirits are experiencing the fastest growth seen in two decades with total revenues +43% and avg. 5yr gains of 7.5%



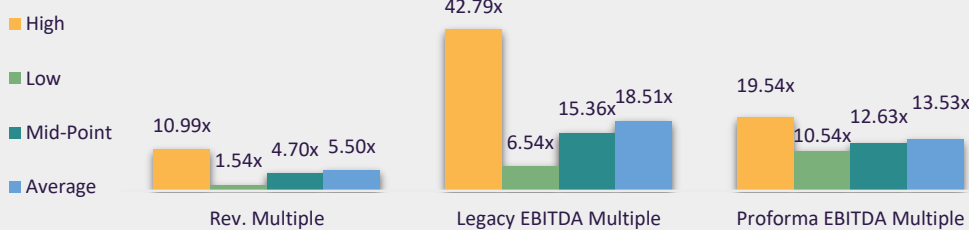
Consumer Price Sensitivity Too Cheap/Too Expensive



Q1'23 Spirits Volume Changes



Wine & Spirits Merger & Acquisition Observations ⁽¹⁾



Notable M&A Transactions



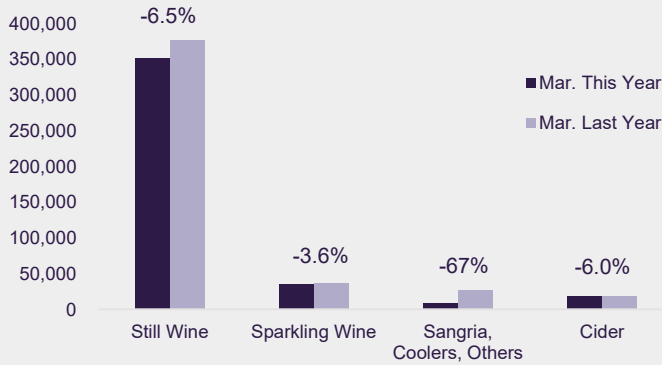
Sources: IWSR, bw166, Beer Institute, DISCUS, Beverage Digest, NBWA, Brewers Association, Nielsen, CGA, Footprint Intelligence, BLS.gov, Drizly, Bump Williams Consulting
 (1) W&S Manufacturer & Brand Company M&A Transaction multiples reflect real transactions observed over a series of years & maintained by internal database

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Wine

Wine Volumes by Type & % Chg. YoY LTM Q1'23



- Total Wine volume declined by -9.9% over the LTM Q1'23
- Still wine was down -6.5% YoY & continues to be the largest segment of the wine category accounting for over 80% of volume

Wine Channel Performance

- Wine volume continued to shift from off-premise to on-premise as consumers return to dining out
- YoY thru Q1'23 on-premise trade gained 3 share pts
- Despite volume softness, consumers increased their spend in both channels over the last 12 months



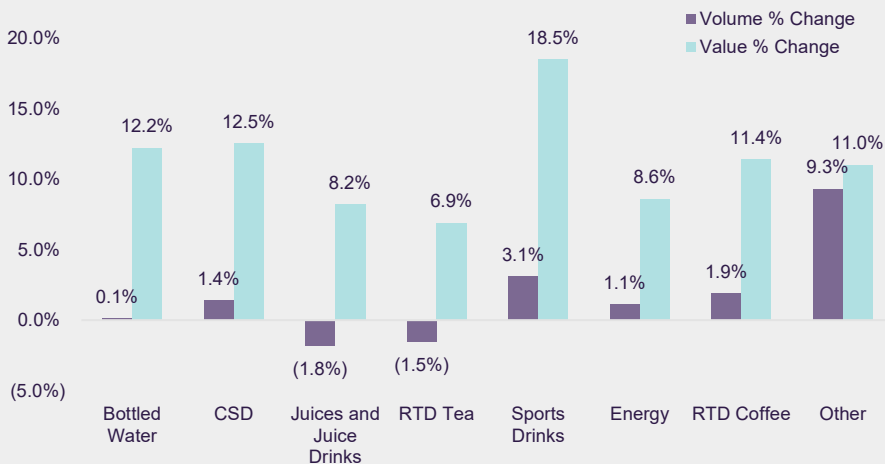
Trade Channel	Volume +/-
Off-Premise	(12.1%)
On-Premise	4.5%



Trade Channel	Consumer Spend +/-
Off-Premise	3.6%
On-Premise	18.4%

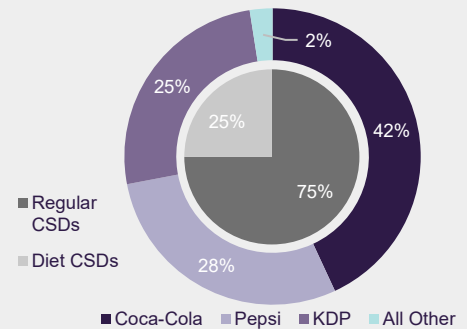
Non-Alcoholic (NA)

Total NA Category Volume & Dollar Performance

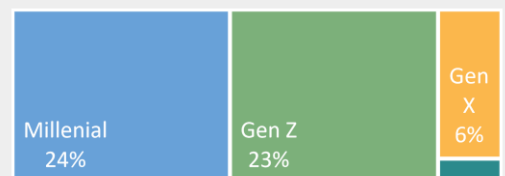


- Total Non-Alcoholic beverages (NAs) across the U.S. grew by +0.9% in volume and +11.3% in value for 2022—the largest segment by volume is Bottled Water and by value is Carbonated Soft Drinks
- Pricing continues to increase as manufacturers offset higher operating and input costs while some volume softness is developing
- Health and wellness stays on trend, consumers are increasingly willing to pay up for healthier / better-for-you functional beverages

Carbonated Soft Drink Market Shares



- No & Low Alcohol products are growing in popularity for younger generations: 23% of Gen Z and 24% of Millennials reported drinking these options often. Only 6% of Gen X and 1% of Boomers reported the same.



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