The Cider Rebound

Now, let's keep it going

+8.4%

Nielsen Total U.S. Off Premise Outlets ; 52 w/e 12-29-2018
Cider category: >$500MM annually

Danny Brager - SVP, Beverage Alcohol Practice
Chicago, Illinois
February 7, 2019

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Thank You For Your Partnership!!!

WE'RE PASSIONATE ABOUT SUPPORTING YOUR MISSION

*…to **grow** a diverse and successful U.S. cider industry by providing **valuable information**, resources and services to our members and by advocating on their behalf.*

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General Session

Modern Cider Panel

1:30--3:00 (Williford C (3rd floor)

Tradeshow (Booth 806)

Onsite Product Coding

BEV AL PRACTICE

INNOVATION/ PACK DESIGN

ON PREMISE

DANNY BRAGER

S. Cal

CAITLYN BATTAGLIA

Roanoke

COLLEEN MCGINNIS

Chicago

THOMAS KONIOR

Chicago

JESSIE HIGGINS

Bend, OR

MATT CROMPTON

Chicago

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NIELSEN MEASURES CONSUMERS

insight into Consumers – who, when, where, when, why, how

Media

Buy

95 years as the market research leader

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THE BIG PICTURE AND BEVERAGE ALCOHOL TRENDS

What’s Happening Out There?

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DID YOU KNOW…

- Cider is **10x** bigger today **10** years ago (U.S. retail off premise)
- Overall Alcohol per capita consumption is **flat –** we're **fighting for SHARE of occasions**
- **Cider** grew faster than Beer & Wine & Spirits off premise
- **Hard Seltzers** now **$500MM**; growing at **+200%** annually
- **Non-Alc Bev $7B bigger** today vs 4 years ago; LaCroix - $½ B
- **Kombucha $454MM** annually today
- **Cannabis** Infused **Beverages +61%** yoy in Legal/Rec markets
- Almost **50%** of beverage alcohol drinkers say they're making efforts to **reduce** their Alcohol consumption (**2/3** for those 21-34)
- **Health**-related Bev Al social media conversations up **2-3x**

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CONSUMERS …

Drinking "better" (not a lot more)	Mindful Drinking/Moderation
Convenience – What, How, & Where	Sharing – Everything
Category/Brand/Channel Promiscuity	Combined Drink & Food Occasions
Blurring - Categories & Premises	Fusions & Flavor Diversity
Authenticity; Transparency	Smaller Serves
Seeking "Experiences"	Cannabis; Non Alc Beverages
Multi-Cultural	Brewpubs/Taprooms

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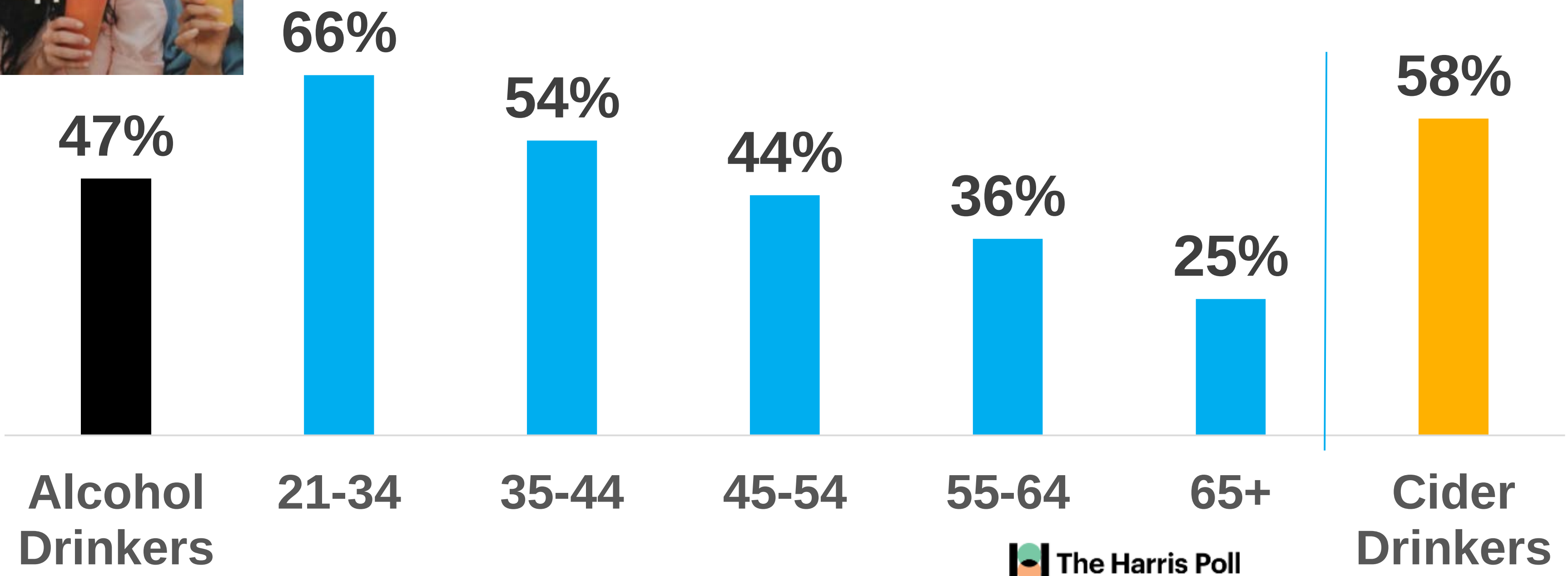
Efforts To Moderate Alcohol Consumption Led By Younger LDA's – *Mindful Drinking*

% Indicating Strong/Moderate Effort to Reduce Consumption of Alcohol



The Harris Poll

Base: Drink Alcohol Several Times A Year Or More Often (n=1,525)

Q: How much effort are you currently making to reduce your overall consumption of alcohol beverages?

Source: *Survey conducted online by The Harris Poll in partnership with Nielsen (January 7-9, 2019); n=1,964 U.S. adults 21+*

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Health Is Top Priority For Americans

TOP 5 CONCERNS AMONG AMERICANS

Q3 2017	Q3 2018
28% Economy	22% Economy
21% Terrorism	**21% Health**
18% Health	17% Debt
15% Debt	16% Terrorism
14% Political Stability	14% Political Stability

Source: The Q3 2018 Conference Board® Global Consumer Confidence Survey, conducted in collaboration with Nielsen

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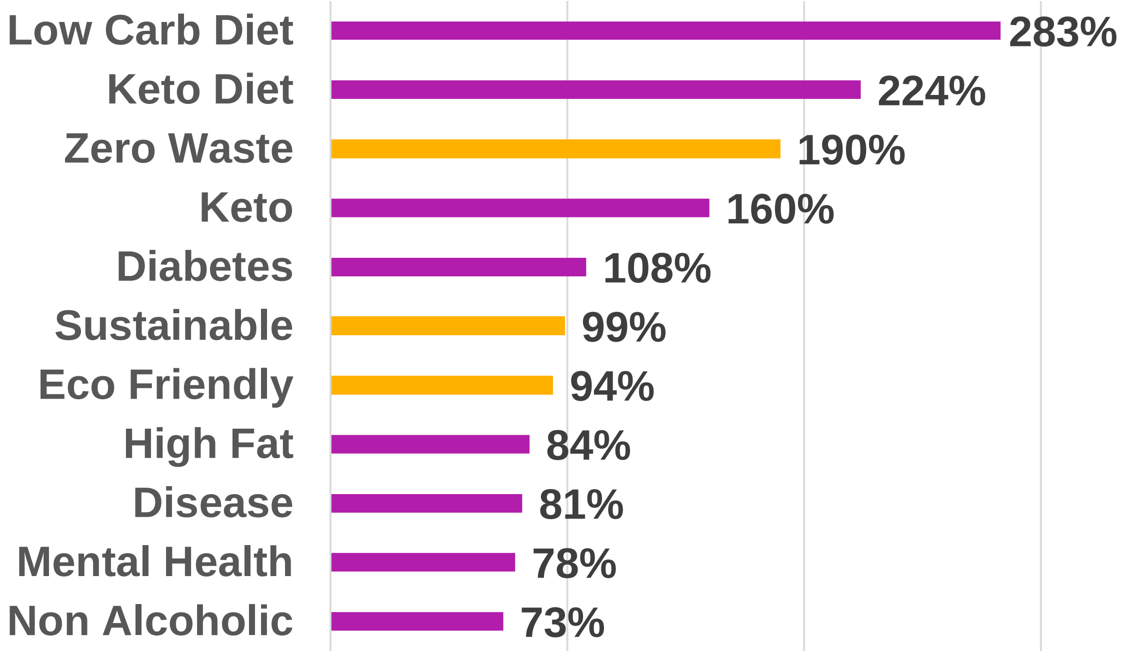
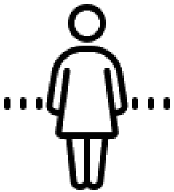
Health (& Sustainability) Related Social Conversations Fast Growing Bev Alc Topics

social standards

Which benefits and concerns demonstrate the highest growth in conversations?



Health related topics skew…



FEMALE

CAUCASIAN & HISPANIC

ALL AGES

VARIED INCOMES

Social Standards; % change: Oct. – Dec. '17 to Oct. – Dec. '18

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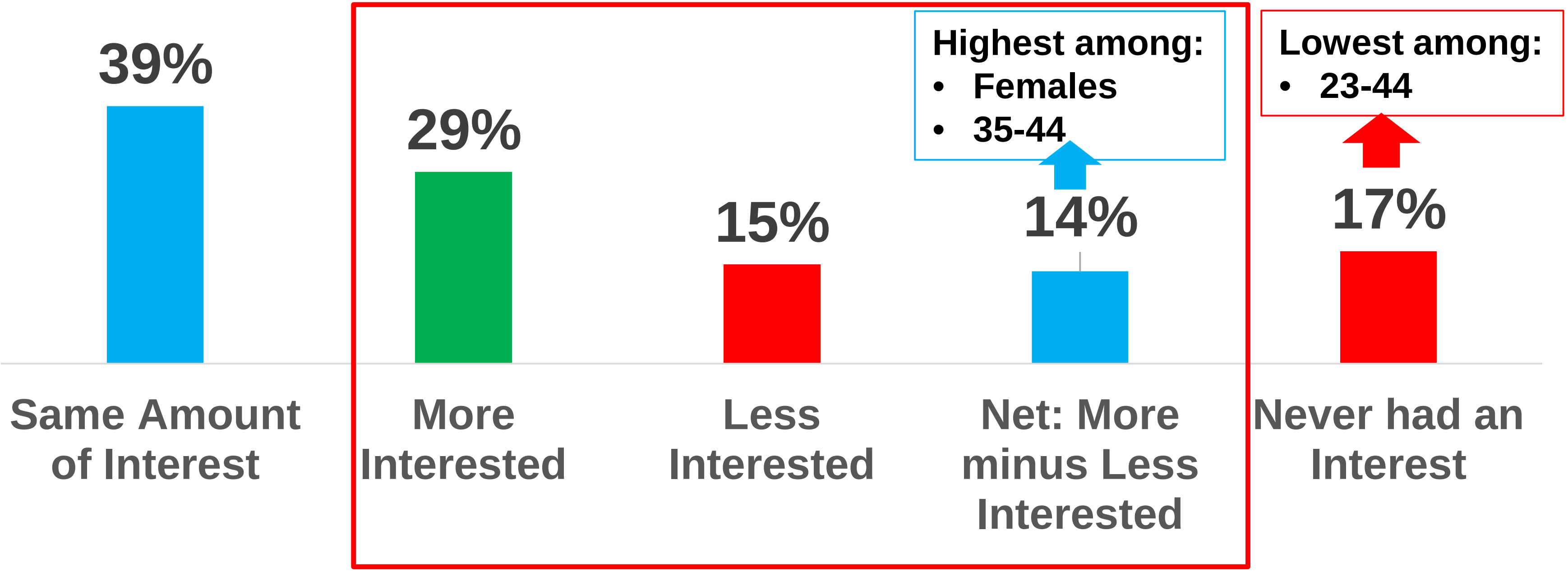
Significantly More Interest In Alcohol Beverages With Wellness In Mind

Among Cider Drinkers



Base: Age 23+ & Drink Cider Several Times A Year Or More Often (n=532)

Q: How has your interest in consuming alcohol beverages that are made with wellness in mind changed now compared to a couple years ago?

The Harris Poll
Harris Insights & Analytics, A Stagwell LLC Company

Source: *Survey conducted online by The Harris Poll in partnership with Nielsen (January 7-9, 2019); n=1,964 U.S. adults 21+*

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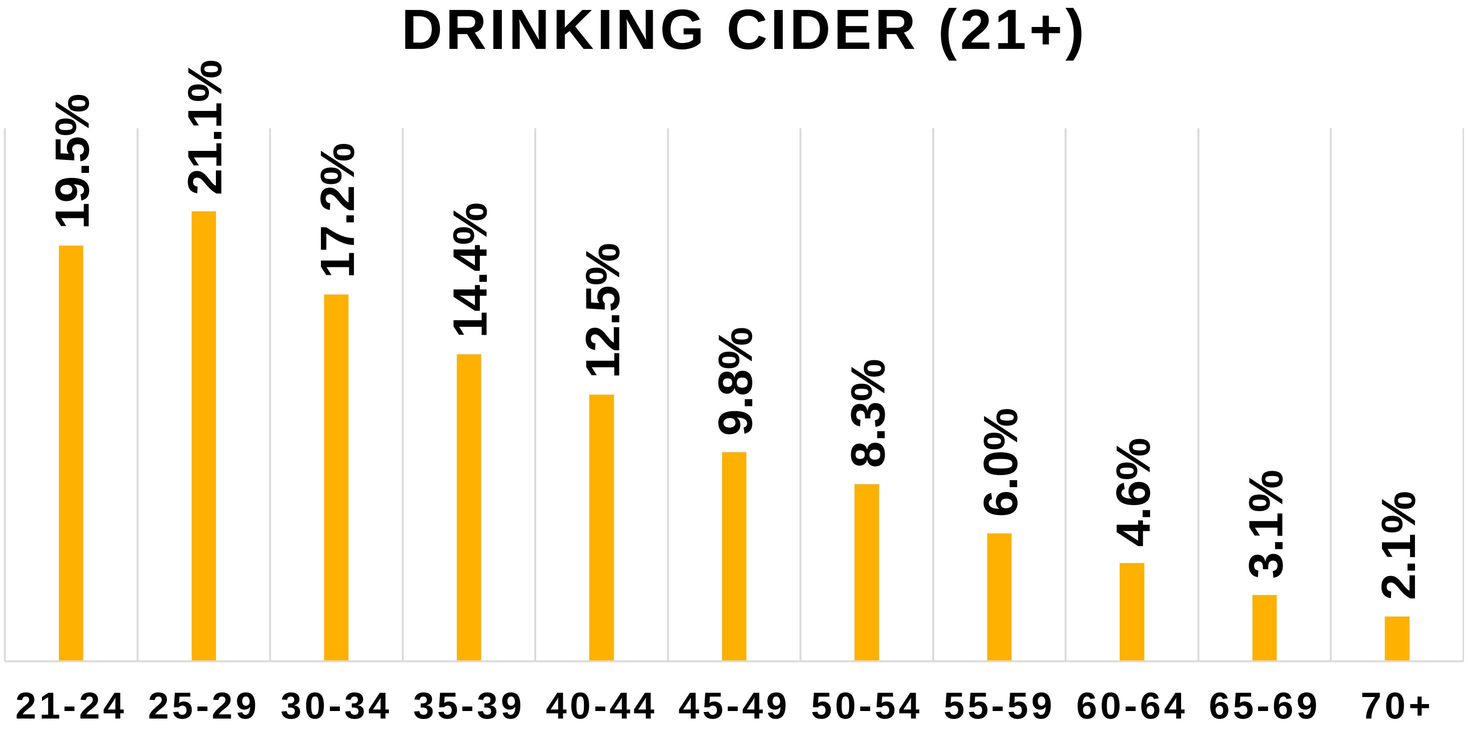
Cider Drinkers Concentrated in Younger LDA Generations



Source: Nielsen Scarborough (Total USA 21+, 2018 Release 1)
Base: Total Adults 21+; Projected: 239,186,650; Respondents: 206,835

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Cider Casts an Equal Gender Tent

Drinking Category

% by Gender	Male	Female
Cider	51%	49%
Wine	47%	53%
Beer	61%	39%
Spirits	53%	47%

Drinking past 7 days

% by Gender	Male	Female
Cider	50%	50%
Wine	45%	55%
Beer	67%	33%
Spirits	59%	41%

Source: Nielsen Scarborough (Total USA 21+, 2018 Release 1)
Base: Total Adults 21+; Projected: 239,186,650; Respondents: 206,835

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HEALTH (ier) BUZZ…

- *Low Alcohol*
- *Low Calorie*
- *Sulfite Free*
- *Organic*
- *Gluten Free*
- *Low Carb*
- *Probiotics*

THE FIRST CRAFT LIGHT CIDER BRAND
99 CALORIES, 5 CARBS PER CAN

…created with 100% all natural ingredients
… vegan, naturally gluten-free
…only 99 calories and 5 carbs per can.

Functional ALCOHOLIC BEVERAGES for a Functional You

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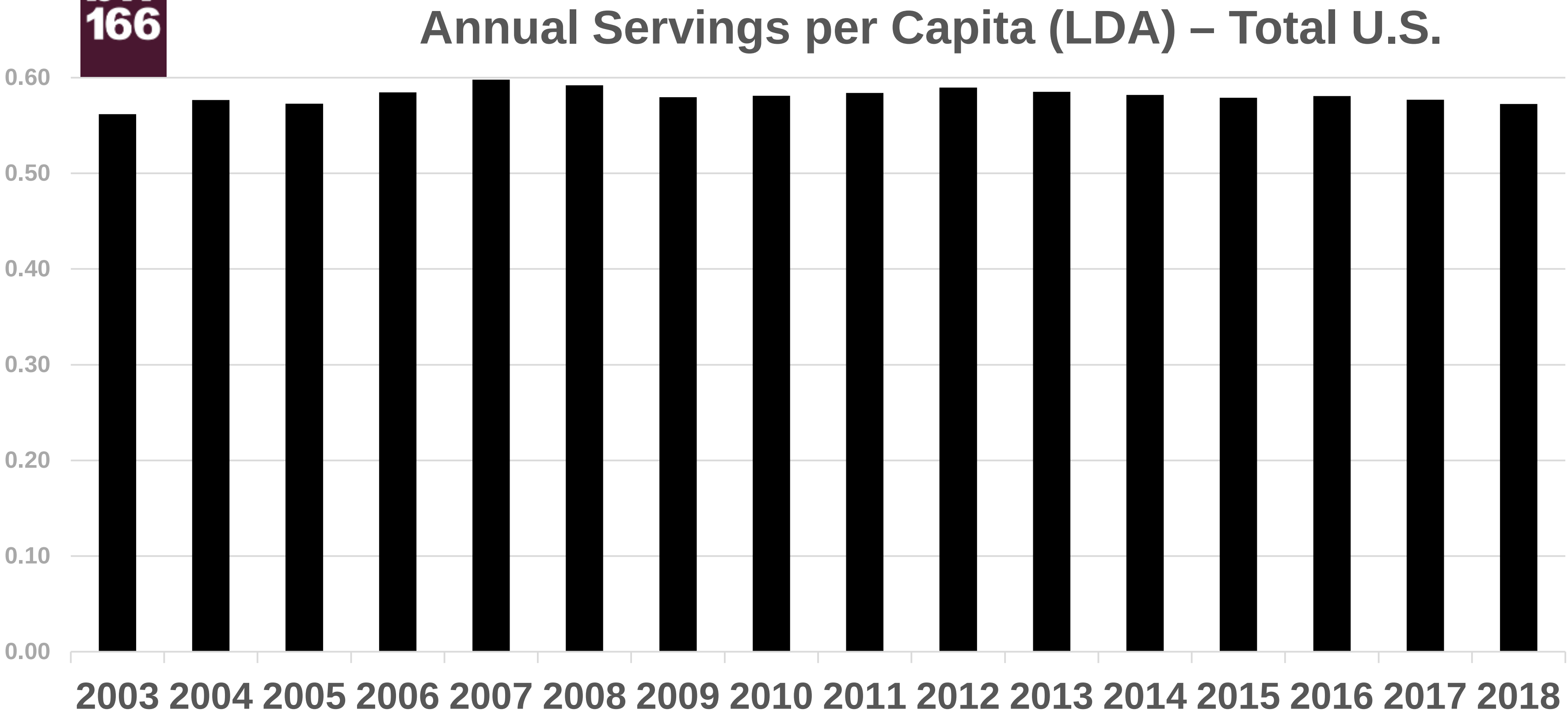
Per Capita Alcohol Consumption Flat

Battle for SHARE

bw 166



Source: BW166

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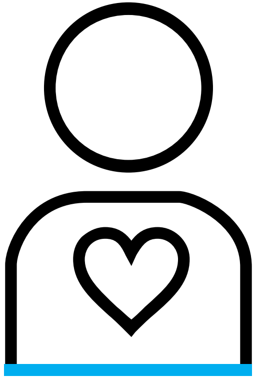
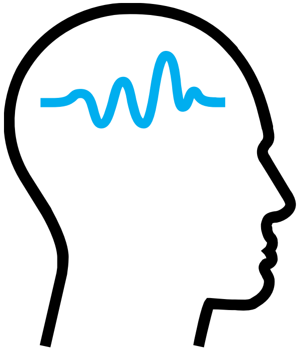
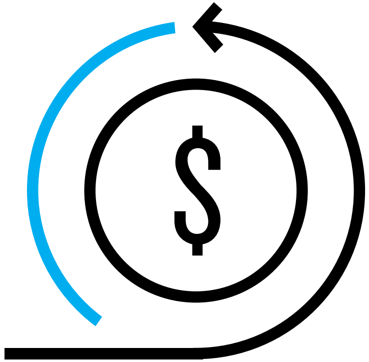
We’re in a Battle for…



Hearts



Minds



Dollars

Occasion by Occasion

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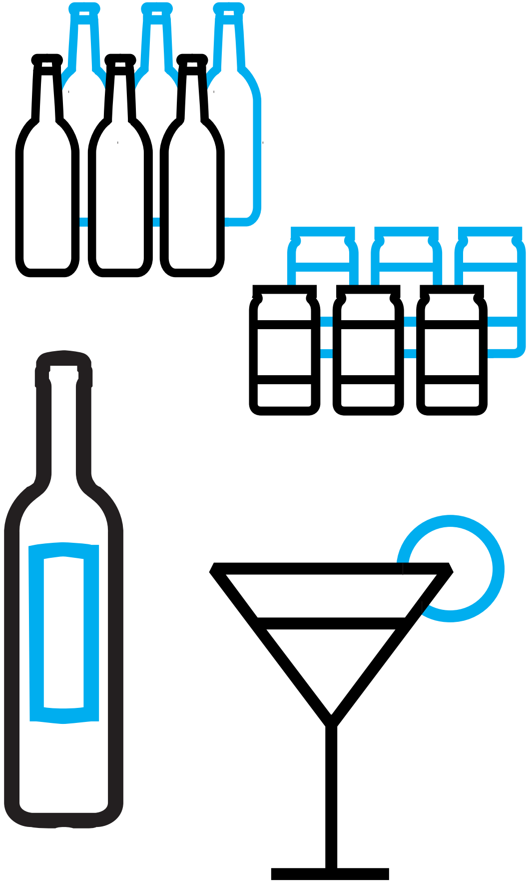

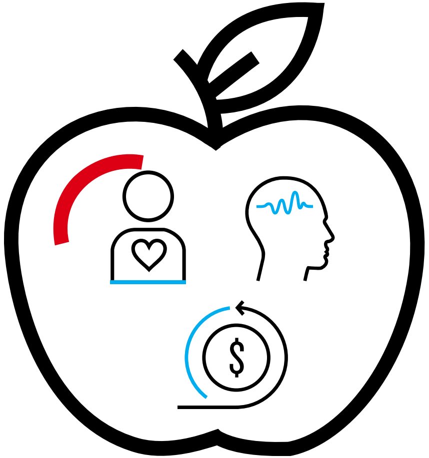

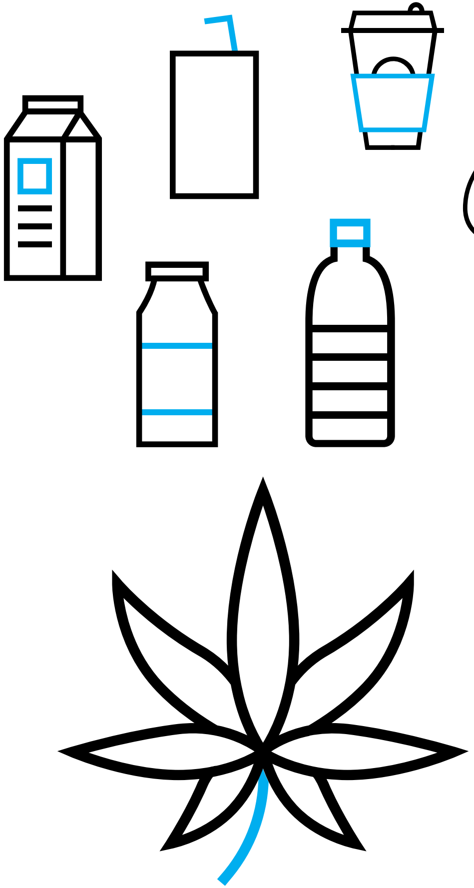

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Competition OR Inspiration OR Both???

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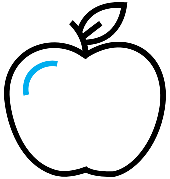
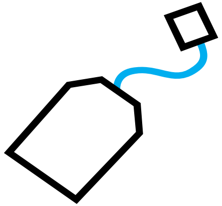
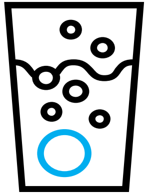
NON-ALC ADAPTATION TO “HARD” BEVERAGES



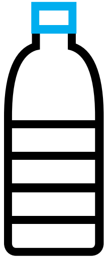
Hard Cider



Hard Tea



Hard Seltzer



Hard Kombucha

Hard Coffee

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And Now “Hard” Adaptations to Non-Alc Bev; Your Competitive Landscape Is Widening

- ...caters towards the wine, beer and cocktail drinkers, but are bored with soft drinks
- *“we found ourselves chatting about not wanting to drink as often, or as much, as we had before. When in a cocktail state of mind, we wanted something sipable, delightfully complex and interesting, and not an overly sweet mocktail”*

“all the spirit without the spirits”

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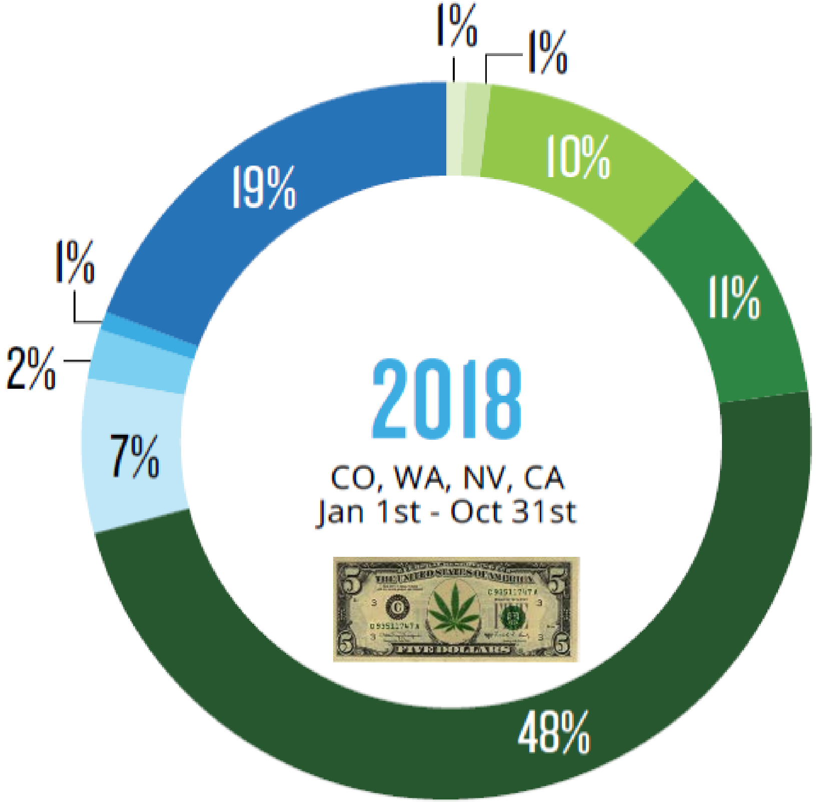
The Recreational Cannabis Landscape Is Changing Dramatically In Product Form, and Usage For Multiple Reasons

+61%	BEVERAGE
+20%	CAPSULES
-1%	CONCENTRATES
+50%	EDIBLE
+7%	FLOWER
+1%	PRE-ROLL
+95%	TINCTURE & SUB
+73%	TOPICAL
+60%	VAPOR PENS

Year over Year; Sept 18 vs 17



Beverages (4 states)

- 957 Products
- 114 Brands
- >$40MM today; >$100MM 3 years from now
- Downsizing of Package Sizes

Source: HEADSET

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Cannabis – Bev Al Style

BREWING CANNABIS BEER

0 Cal/
0 Carb

TWO DOSES, SAME HOPPY FIDELITY

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CIDER

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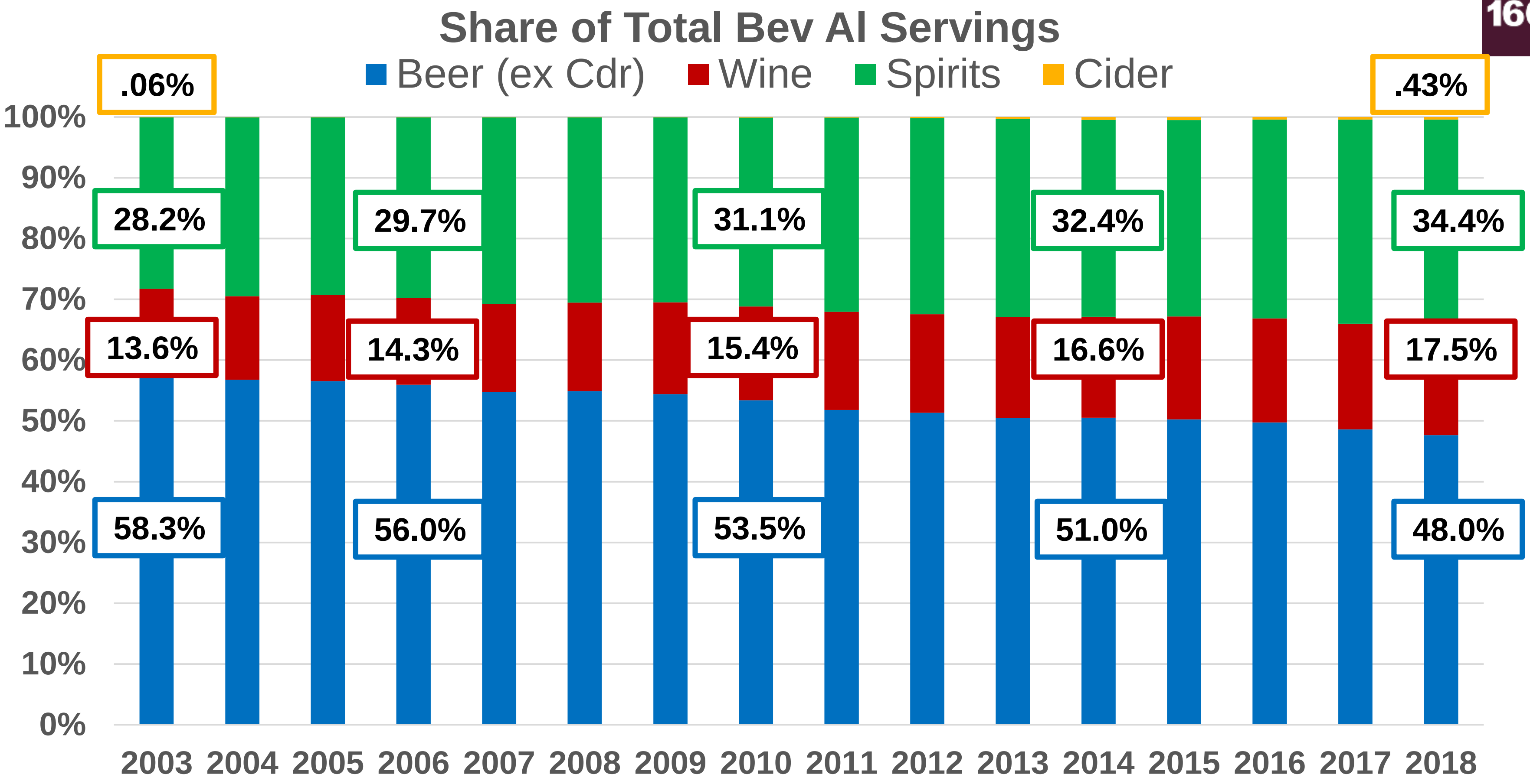
Wine & Spirits Gaining Share – at Beer's Expense



Source: BW166

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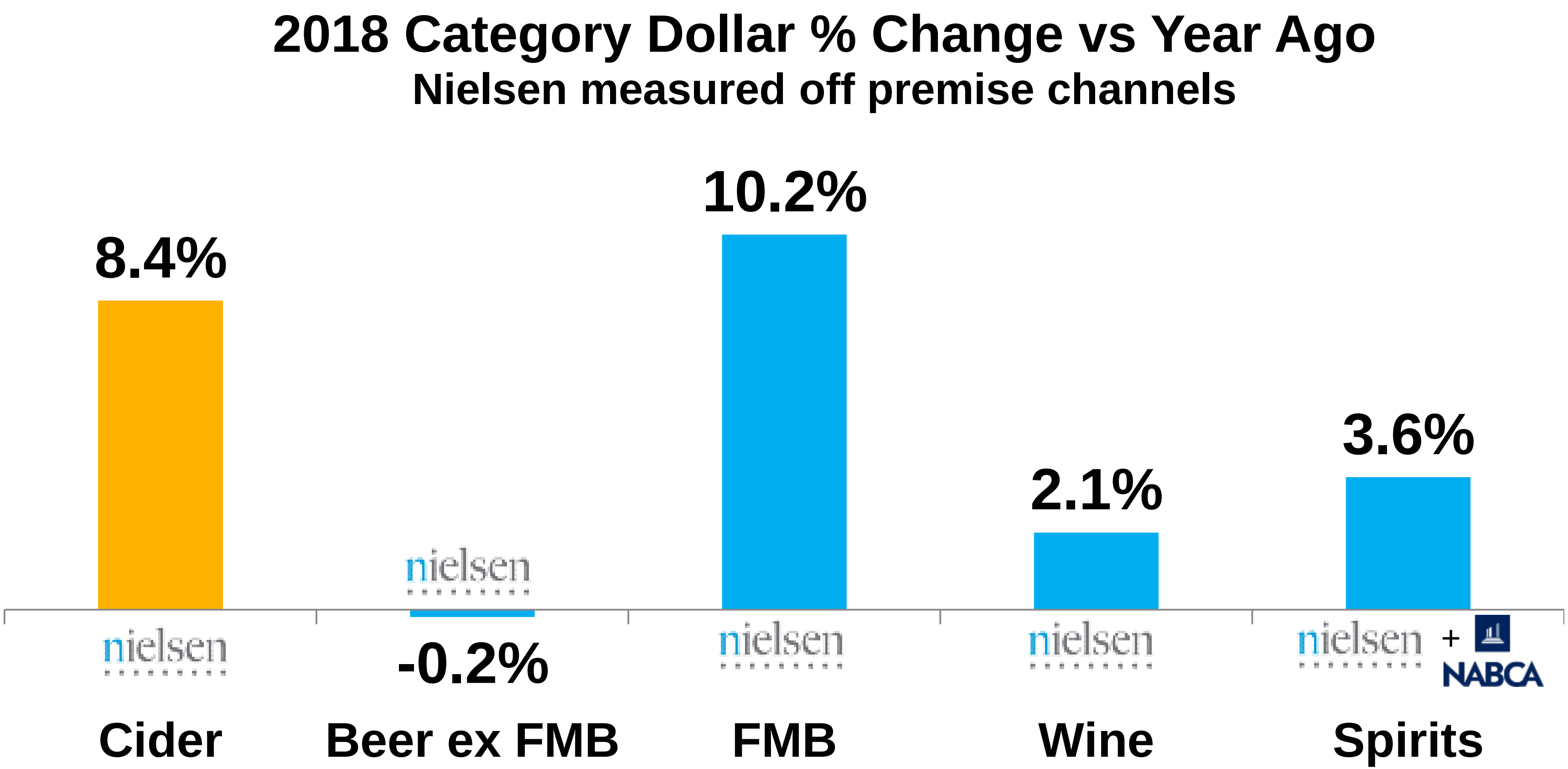
Cider – and FMB - Led the Way in 2018



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 12-29-2018

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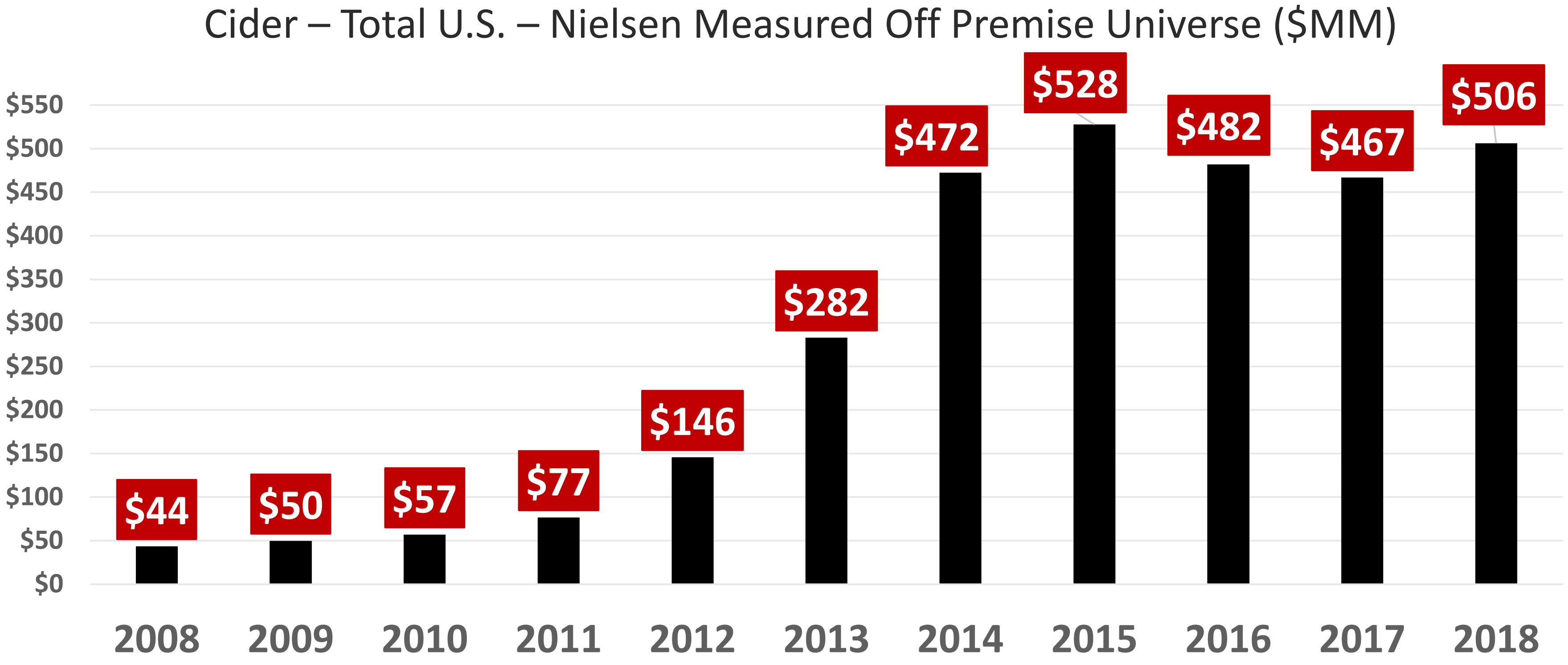
Cider Back to Growth

10x bigger than 10 years ago

2018: +8.4% vs Year Ago



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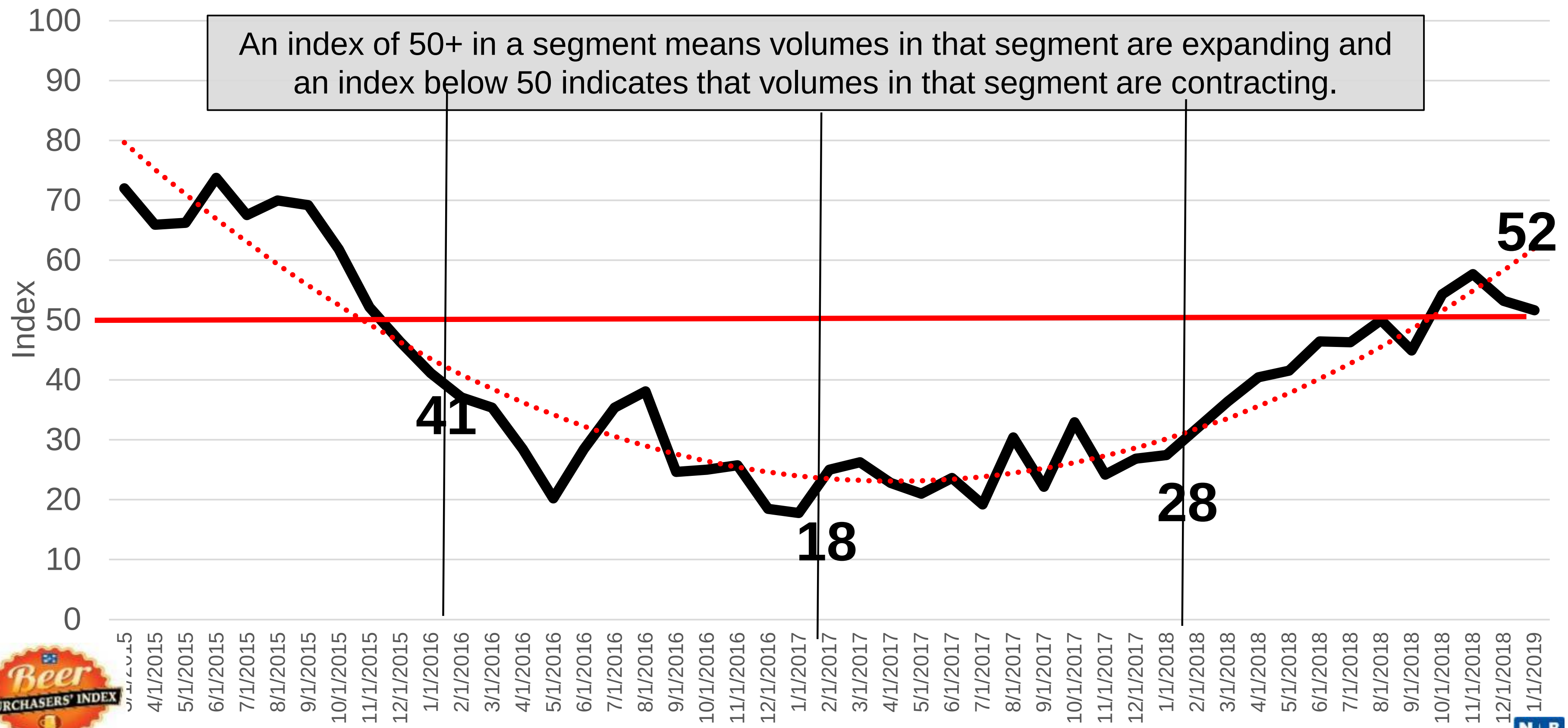
Nielsen Off Premise Measured Outlets – through 12-29-2018

NBWA Beer Purchaser Index - Cider Segment

March 2015 to January 2019



Source NBWA, Jan 2019.

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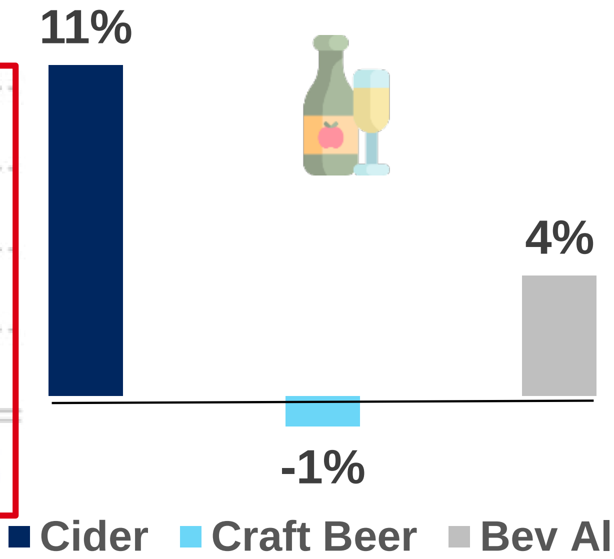
Growth In Hard Cider Conversations Surpassing that of Craft Beer, and the Bev Alc Market as a Whole

Hard cider social conversations spike in October

Hard Cider's Activity, IG 2018 (U.S.)

Instagram – Authentic Posts only

Social Standards, Instagram
% chg in post vs YAG
Oct 2018-Jan 2019 vs. Oct 2017-Dec 2018



Growth rate difference calculated based on volume of growth and not penetration

social standards

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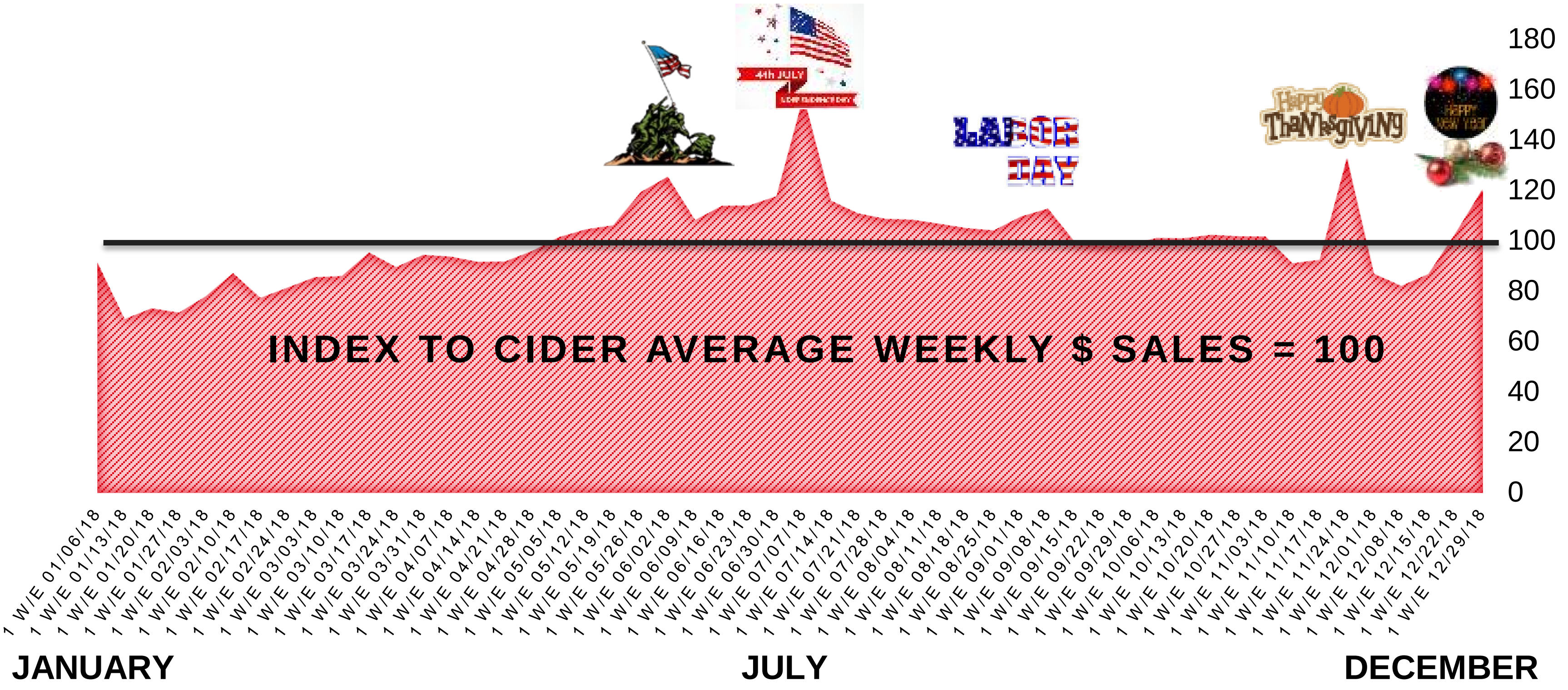
Cider Off Premise Sales Seasonality Skewed To Holiday Periods



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 12-31-2016

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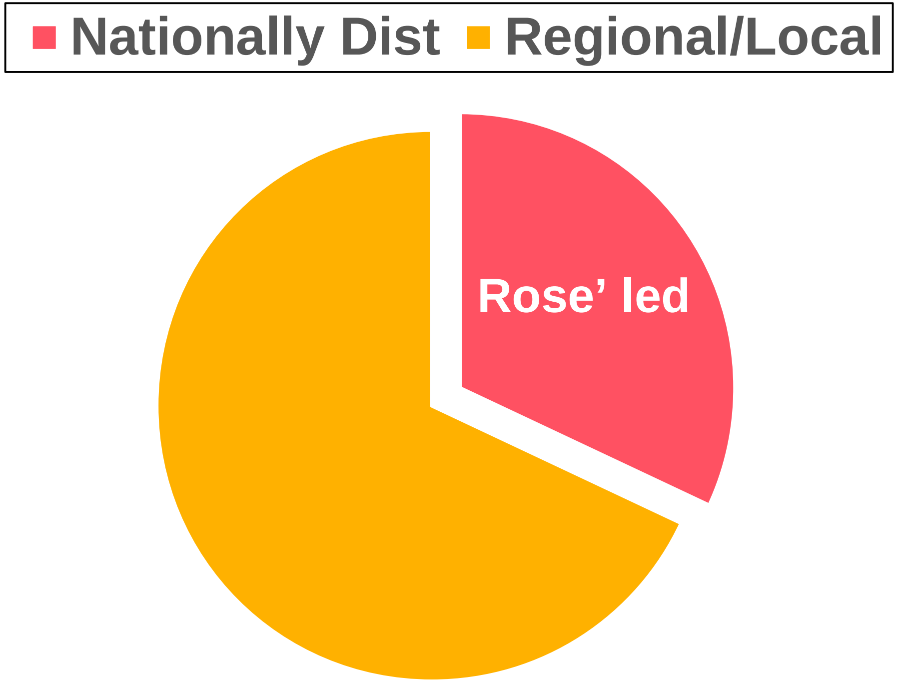
Cider at Retail Back in Growth

vs YAG
+$40MM

+8.4%

Sales $ Contribution to Growth



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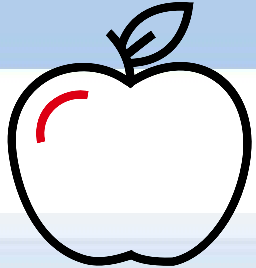
RISING TIDES LIFT ALL BOATS



Category Expansion is Good for All

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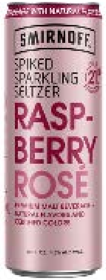

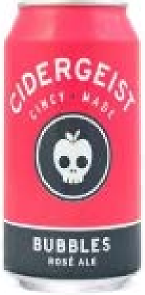

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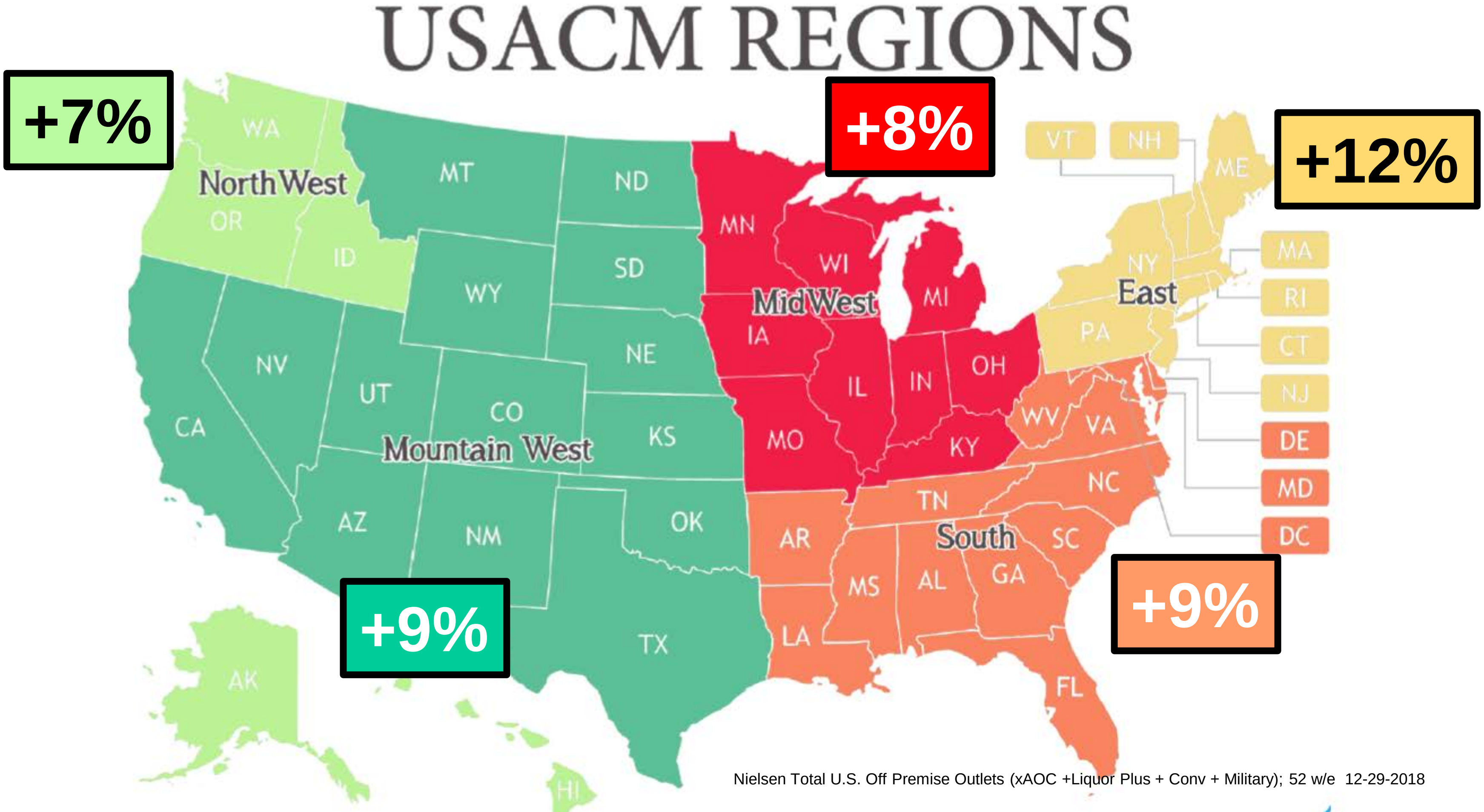
Total Cider - $ Percentage Growth – Latest 52 weeks



Nielsen Total U.S. Off Premise Outlets (xAOC +Liquor Plus + Conv + Military); 52 w/e 12-29-2018

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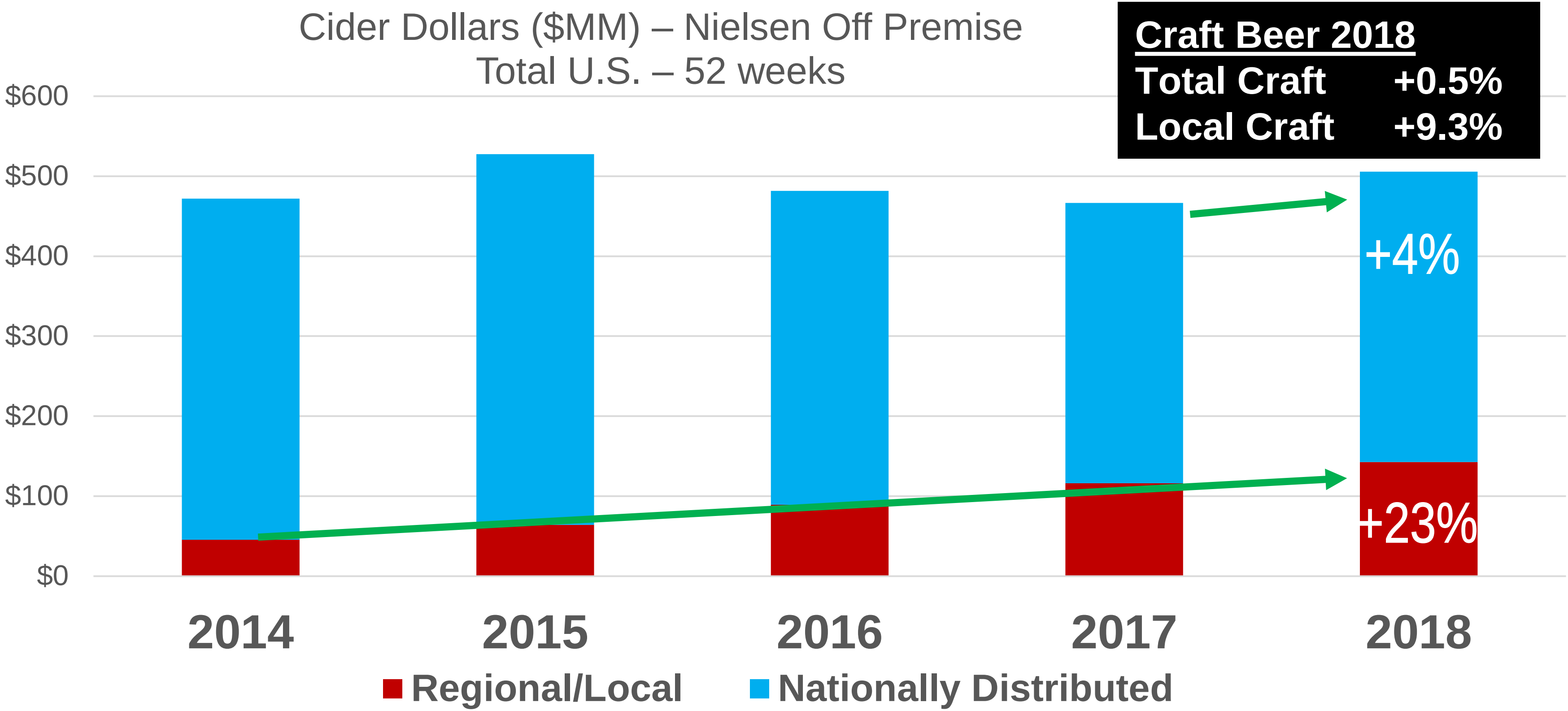
Cider Growth Led by Regional/Local Brands

Nat'l brand growth led by A. Orchard & Crispin

Regional/Local dynamic growth



Craft Beer 2018

Total Craft	**+0.5%**
Local Craft	**+9.3%**

Nielsen Total U.S. Off Premise Outlets (xAOC +Liquor Plus + Conv + Military); 52 w/e 12-29-2018

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Sales >$1MM; Double Digit % Gains

Angry Orchard Hard Cider
Bold Rock Hard Cider
Ace Premium Craft Ciders
2 Towns Ciderhouse
Crispin Cider Co
Austin Eastciders
Downeast The Unfiltered Craft Cider
Seattle Cider Co
Ciderboys Hard Cider
Citizen Cider
Schilling Hard Cider
Golden State Cider
Blake's Hard Cider Co.
Incline Cider Company Quality Craft Cider
Stem Ciders
Portland Cider Company
Cidergeist Cincy Made
Western Cider Co
Bishop Cider Co.
Virtue Cider
Vander Mill
Common Cider Company
Original Sin Premium Hard Cider

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 12-29-2018

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Any Many More Growing 2x

- 101 Cider House
- Appalachian Mtn
- Bad Granny
- Black Bird
- Bull City
- Carlson
- D's Wicked
- Embark
- Far from the Tree
- Finnriver
- Glacial Till
- Gowans
- Graft
- Ironbound
- Locust
- Mackjac
- Nine Pin
- One Tree Hard
- Platform
- Potter's
- Rootstock
- Shacksbury
- Stowe
- Tieton
- Wolffer
- Wyndridge

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 12-29-2019 (brands >$200K-$1MM annual in Nielsen)

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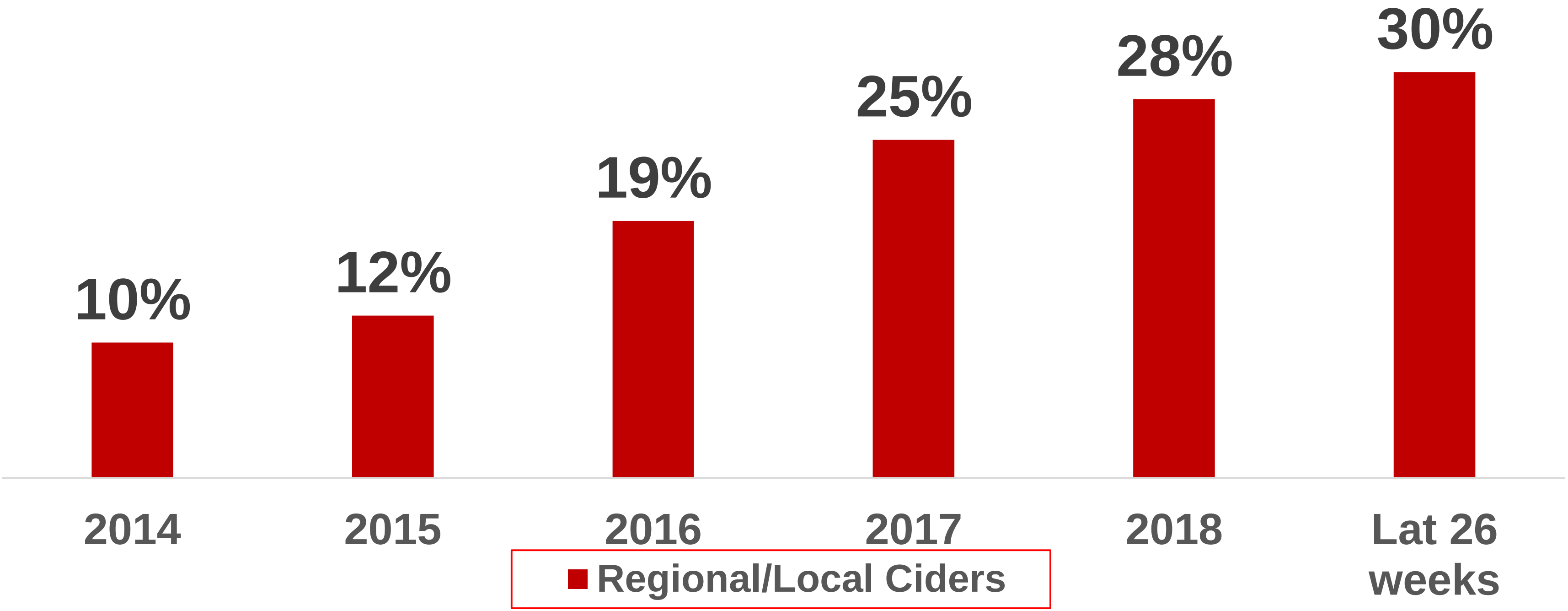
Regional/Local Ciders Almost 1/3 of Category

Regional/Local Ciders Dollar Share – Nielsen Measured Off Premise

Total U.S. – 52 weeks

17 of top 25 Cider brands Nationally

15 of 17 growing double digits (%)



Nielsen Total U.S. Off Premise Outlets (xAOC +Liquor Plus + Conv + Military); 52 w/e 12-29-2018

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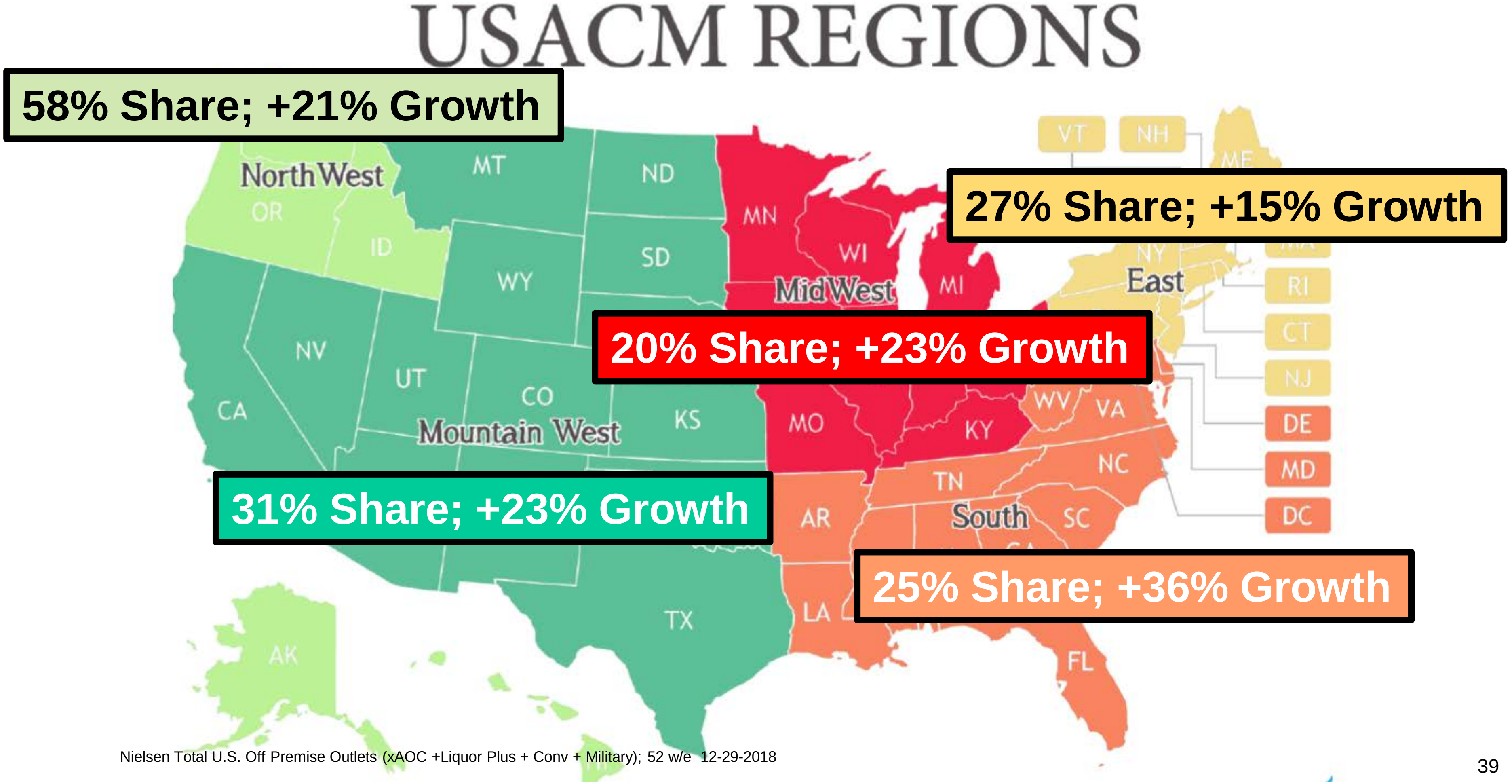
Regional/Local Cider Share; $ Percentage Growth – Latest 52 weeks



Nielsen Total U.S. Off Premise Outlets (xAOC +Liquor Plus + Conv + Military); 52 w/e 12-29-2018

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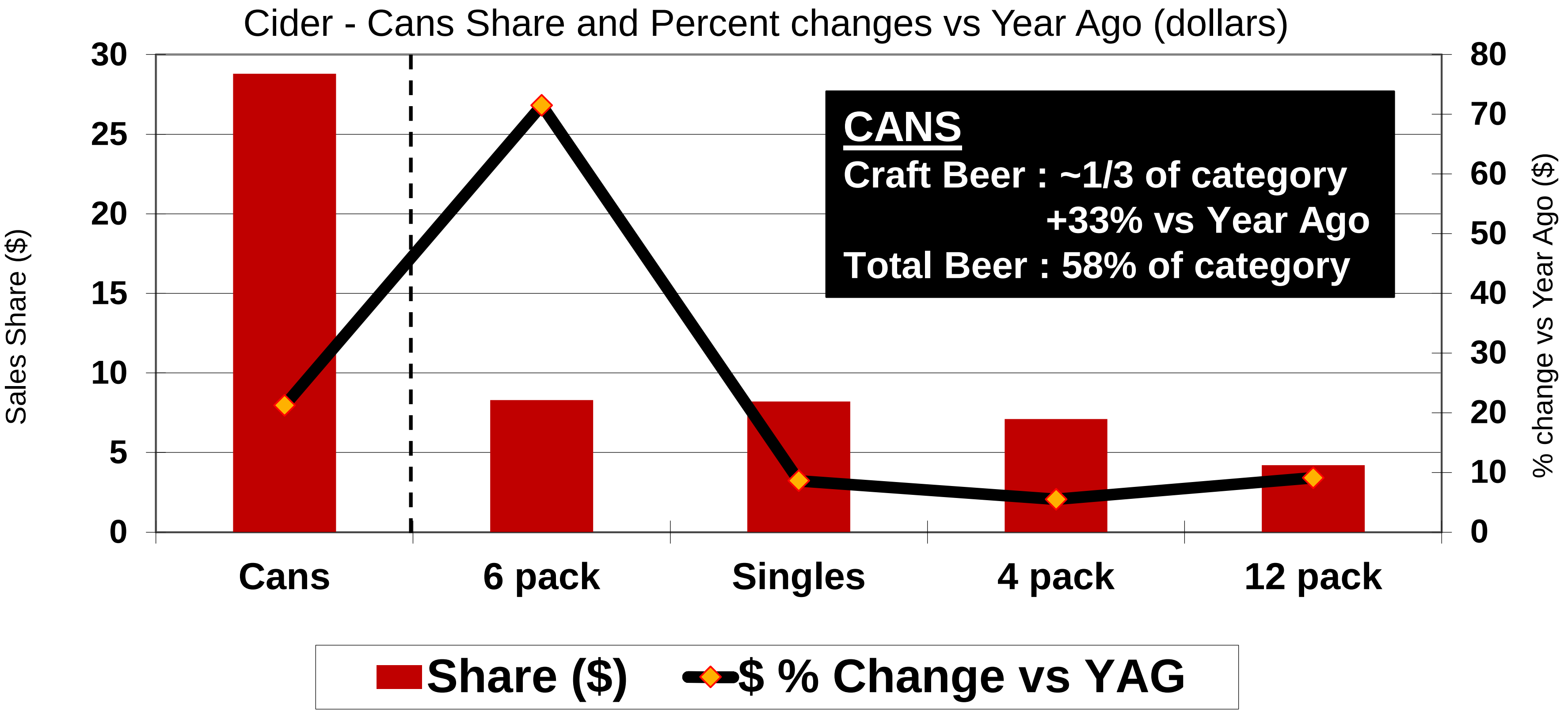
Cider Cans – On Fire



Source: Nielsen Off Premise Measured Outlets – 52 w/e 12-29-2018

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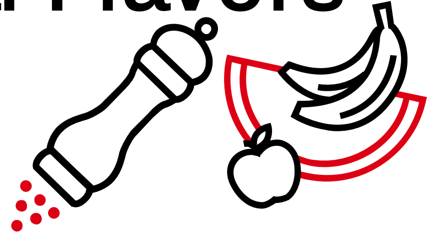
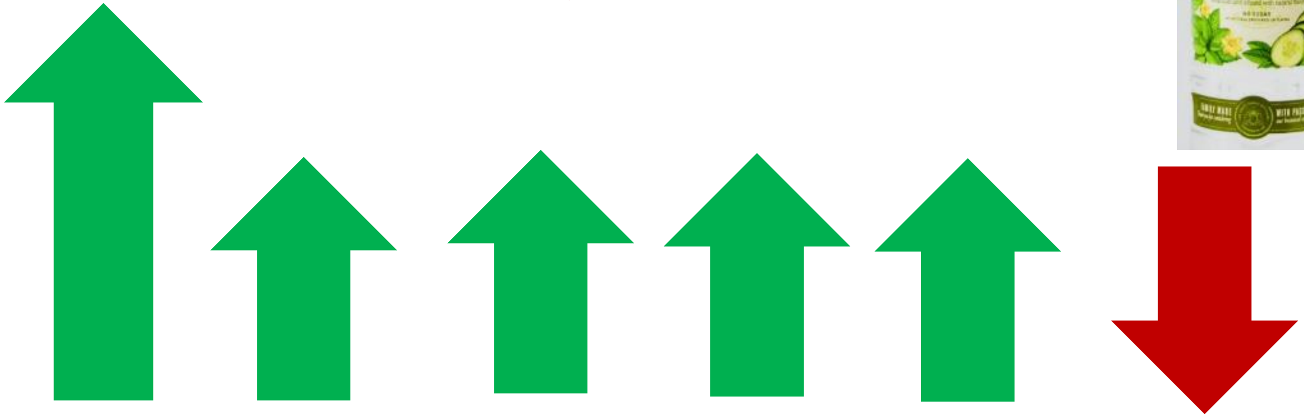
Cider – Additional Flavors USACM Reports





	Rose'	Pineapple	Spiced Blends	Botanical	Hopped	Cherry	To be added: Sour Berry/Frt Blends
SHARE	12%	2.6%	1.5%	~1%	~0.5%	~1%	

Source: Nielsen Off Premise Measured Outlets – Q4 2018

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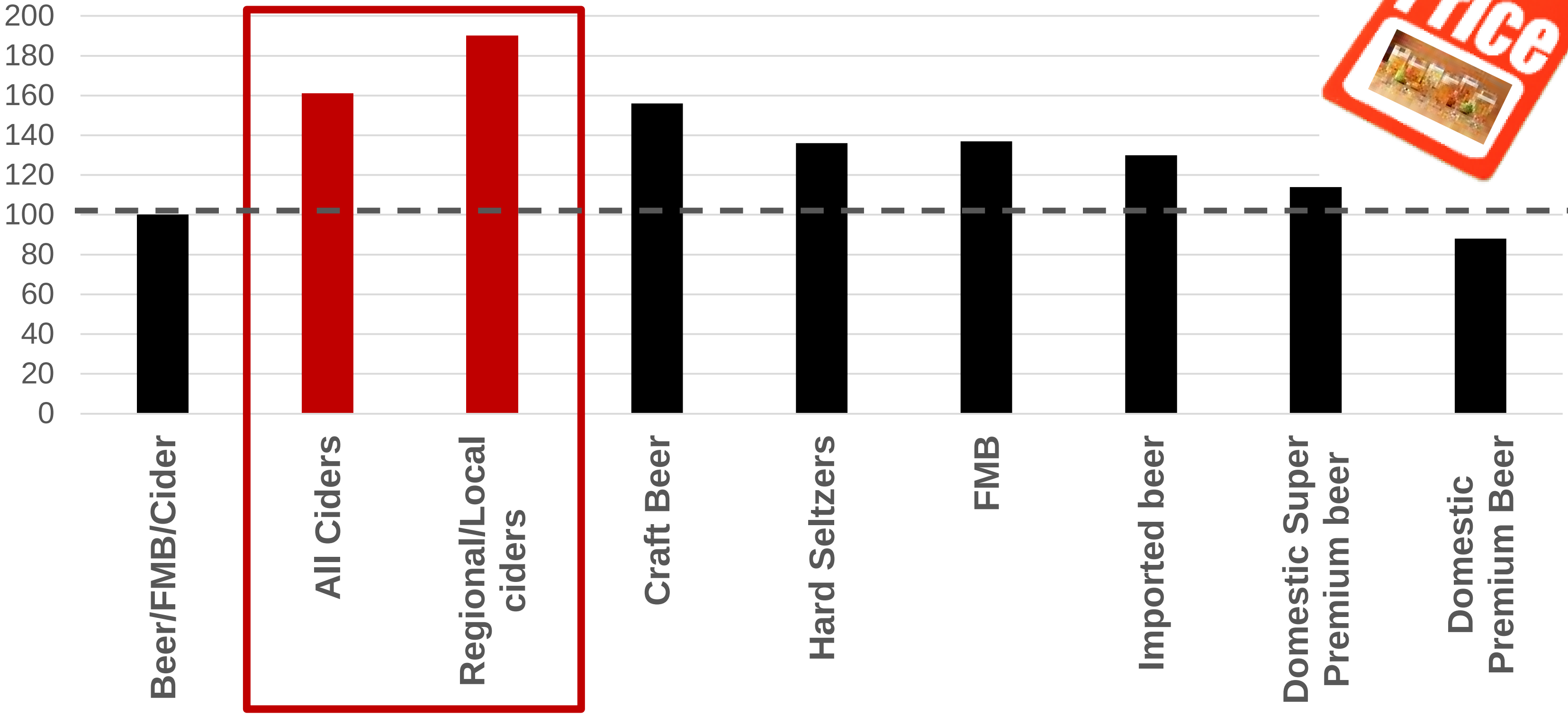
Cider Represents a "Trade-Up" Regional/Local Ciders even Moreso



Nielsen Total U.S. Off Premise Outlets (xAOC +Liquor Plus + Conv + Military); 52 w/e 12-29-2018

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ON PREMISE

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Total Cider Restaurants/Bars $722MM	Share	% chg vs YAG	Total Dist’n Pts
	100%	-4.0%	+1.2%
Draft	68%	-4.1%	+0.3%
Packaged	32%	-3.7%	-0.6%
Nationally Dist	57%	-5.2%	-1.4%
Regional/Local	43%	-2.4%	+7.0%

Source: Nielsen CGA On Premise (restaurants & bars) – 52 w/e 10-6-2018

Cider Flavors On Premise Not Well Developed, but with Growth Potential

Citrus

+7.2%

Stone Fruit

+2.4%

Fruit Combination

+0.8%

Source: Nielsen OPM Rolling 52 W/E 12/01/2018

Draft Fruit Cider

21% of Ttl Cider
+37%

Source: CGA OPMS P12 Data to 12-1-2018

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Fruit Ciders Dominate the Winning Draught & Packaged GB brands

Strongbow Dark Fruit

Carling Black Fruit

Thatchers Gold

Magners Dark Fruit

Thatchers Somerset Haze

Old Mout Berries

Old Mout Pomegranate & Strawberry

Rekorderlig Wild Berries

Old Mout Kiwi & Lime

Old Mout Passionfruit & Apple

GB Brand Volume Performance +/- (Actual change)

Source: CGA OPMS P12 Data to 12-1-2018

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Cider Location Opportunities On Premise

ON PREMISE
391,359

>+5% CAGR past 5 years

Channel	# selling Beer
Fast Casual	26,203
Other Entertainment	6,809
QSR	4,851
Theater	3,994
Premium Bar/Club	3,444
Stadium	2,083
Brewpubs – ?????	2,250

Source: Nielsen TDLinx (Dec of each year); total Outlets = all off premise PLUS licensed on premise outlets

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Over the last decade…
12,309 fewer neighborhood bars (1 in 6); 60,365 more restaurants (+40%)
Source: Nielsen TDLinx

Twice as many Americans go out to eat <u>every</u> week and have a drink (70%), compared to drink-led visits (30%)
Source: Nielsen CGA survey (Fall 2018)

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Experience

...the desire for variety, experimenting and experiences in eating/drinking occasions growing

Cinema/Theater
Concerts
Festivals
Museums
Sports/Activity Bars
Brewpubs/Taprooms
Rooftop Bars
Tiki Bars
Trivia Bars
Or AT HOME...

ON PREMISE TIDBITS

- Cider is **4.5x larger than Flav Malt Bev** On Premise
- Cider drinkers are **Valuable**
  - they visit the On Premise more often than Beer drinkers, and spend more
  - they are **Gender neutral** – unlike Beer drinkers
- **Brewpubs/Taprooms**
  - **30%** of Hard Cider consumers in the On premise have visited a **Brewpub** or **Taproom** in the last 3 mos; **22%** a **Brewery tasting room**
  - About **¼** of **Brewpub/Taproom** visitors drink Hard Cider
  - Almost **3 in 5 Brewpub** visitors cite the range of products on offer as important
- **Craft** Cider - over **20%** of on premise visitors say they're aware of a **"Craft"** cider trend; of those about **½** say they've tried one
- Cider **Cocktails** - **22%** of Cocktail drinkers 21-34 say they drink **Cider Cocktails**

•Source: Nielsen CGA Consumer Research (2018)

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What's the Upside for Cider in U.S.?

Cider share of Beer/FMB/Cider today (Off plus On Premise) is 1.6% today (dollars)

What If Cider's Share of Beer in U.S. increases by 1 point?

U.S. Cider sales would increase +65%, (over $800MM more than today)

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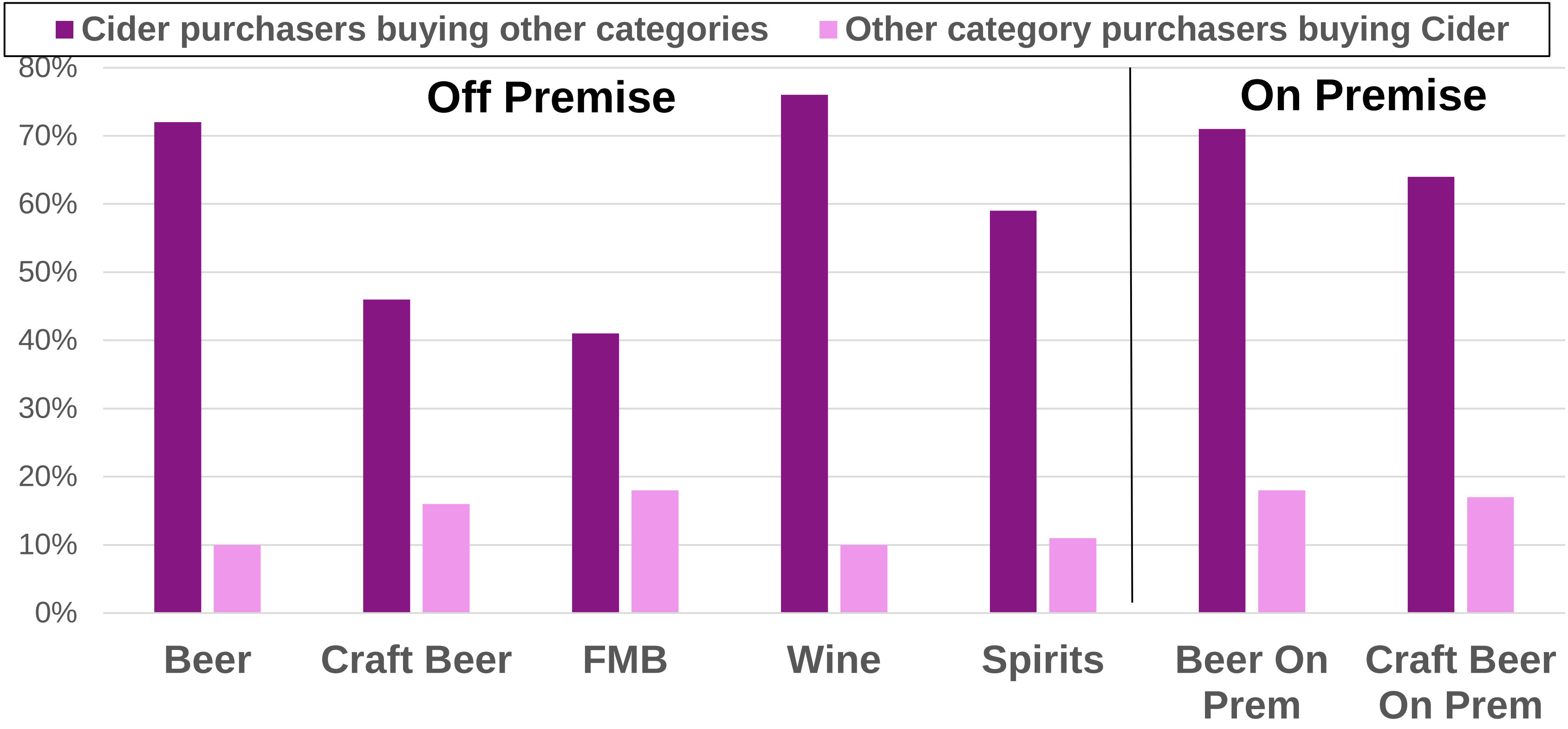
Cider Buyers Buy Other Alcohol Categories, But Huge Opportunity the Other Way Around



Source: Nielsen Homescan Calendar 2018 vs 2017

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WHAT DOES OUR PARTNERSHIP ENTAIL?

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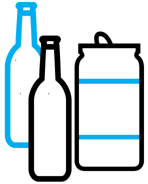
What does our partnership entail?

1. **Annual report of Cider trends (off/on premise) – on USACM website for member use**
   - **National & multiple Local markets**
   - **Category and key segment**
   - **Quarterly reporting options thru USACM**
   - **More detail (e.g. brands, retailers, etc) thru Nielsen**

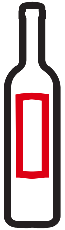
2. **GET YOUR PRODUCTS CODED WITH NIELSEN!**



3. **Package Design Opt-in Audit Research - USACM discount**

- **Evaluate your package design against others**

4. **What's Happening in Wine webinar (Q1 2019)**



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What You Should Take Away

❶ Cider is growing (off premise)

- led by regional/local Ciders - premium
- turnaround from some bigger National ciders, Rose' led

❷ Leverage your gender balance; seek to create more age balance

❸ Leverage opportunities - Cans, Flavors, Seasonal/ Holiday periods

❹ Address On Premise softness collectively

❺ Connect Cider and Food

❻ Tell your story, and use 'friendly' **FACTS** as part of your selling story

Let's get that 1 extra share point

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Thank You!!!

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