2023 Economic Overview

• U.S. spirits sector maintained market share lead of total beverage alcohol market
• Spirits sector reset following accelerated growth during pandemic
• U.S. spirits supplier revenue remained flat (+0.2%)
• U.S. spirits volume grew 1.2%
Spirits Industry is Major Contributor to U.S. Economy

- U.S. is second largest spirits market in the world
-Generates $200 billion in U.S. economic activity annually
-Supports around 1.7 million jobs through the production, distribution and sale of distilled spirits in the U.S.
-In 2022, 2.7 billion pounds of grains were used in production of U.S. whiskey, brandy, rum, gin and vodka
Grain Use in U.S. Distilled Spirits Production Up 133% Over Last Decade

From 1.17 billion pounds in 2012 to 2.73 billion pounds in 2022

Billions

Note: Includes only estimated grain use in the production of Whiskey, Brandy, Rum, Gin and Vodka.

Source: TTB, U.S. Department of the Treasury.
Marketplace Trends
Spirits Maintain U.S. Market Share Lead


U.S. Market Share by Supplier Revenue

Sources: Derived from industry financial reports, Beverage Information Group Handbooks, NABCA FOB prices, DISCUS Brand Data and Council Estimates
U.S. Spirits Market Resets in 2023

Revenue Increased by $73M

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>$37.6</td>
</tr>
<tr>
<td>2023</td>
<td>$37.7</td>
</tr>
</tbody>
</table>

0.2% YOY Growth

Volume Increased by 3.8M

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume (9-Liter Cases, Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>305.0</td>
</tr>
<tr>
<td>2023</td>
<td>308.8</td>
</tr>
</tbody>
</table>

1.2% YOY Growth

Source: DISCUS Market Segmentation Database, IWSR, and various industry publications.
Note: Excluding Cocktails/RTDs, the spirits industry revenue and volume declined by $0.5 billion (1.5%) and 8.4 million 9-liter cases (3.3%), respectively.
Spirits Revenues Grew 5.1% Annually Over Past 20 Years

Spirits Revenue, Billions


Source: DISCUS Market Segmentation Database, IWSR, and various industry publications.
2023 Market Share Snapshot
Spirits enjoy significant gains over last decade

Spirits Account for Over 42% of U.S. Alcohol Industry Revenue in 2023

- 2013: 34.7%
- 2018: 37.3%
- 2023: 42.2%

Spirits gained 7.5 percentage points over 10 years

Spirits Account for 39% of U.S. Alcohol Industry Volume in 2023

- 2013: 32.5%
- 2018: 35.4%
- 2023: 38.9%

Spirits gained 6.4 percentage points over 10 years

Source: DISCUS Market Segmentation Database, IWSR, and various industry publications.
Challenging Market Dynamics Contributed to Reset in 2023

- Consumers returned to more normal routines and buying habits post-pandemic
- Retailers and wholesalers paused reordering as they reduce inventory build ups
- Difficult economic conditions with high inflation and interest rates have reduced consumer discretionary spending
Hospitality Industry Employment Still Not Recovered to Pre-Pandemic Level

Hospitality Industry Employment is Down 86,000 Compared to Pre-Pandemic Levels

Note: From Feb. 2016- Feb. 2020, industry added 1.4 million jobs. Absence of job growth from 4 years ago is significant.

Consumer Trends

Consumers continue to embrace spirits-based RTDS
Vodka Remains Top Spirits Category in 2023

### Top 5 Spirits by Revenue

<table>
<thead>
<tr>
<th>Spirit Type</th>
<th>Revenue (Billions)</th>
<th>2022-23 Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vodka</td>
<td>$7.2</td>
<td>(-0.2%)</td>
</tr>
<tr>
<td>Tequila/Mezcal</td>
<td>$6.5</td>
<td>(7.9%)</td>
</tr>
<tr>
<td>American Whiskey</td>
<td>$5.3</td>
<td>(3.8%)</td>
</tr>
<tr>
<td>Cordials</td>
<td>$2.9</td>
<td>(-0.4%)</td>
</tr>
<tr>
<td>Cocktails/RTDs*</td>
<td>$2.8</td>
<td>(26.8%)</td>
</tr>
</tbody>
</table>

*Pre-mixed Cocktails, including spirits-based RTDs.

### Top 5 Spirits by Volume

<table>
<thead>
<tr>
<th>Spirit Type</th>
<th>Volume (9-Liter Cases, Millions)</th>
<th>2022-23 Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vodka</td>
<td>74.9</td>
<td>(-2.6%)</td>
</tr>
<tr>
<td>Cocktails/RTDs*</td>
<td>62.5</td>
<td>(24.3%)</td>
</tr>
<tr>
<td>Tequila/Mezcal</td>
<td>31.6</td>
<td>(5.7%)</td>
</tr>
<tr>
<td>American Whiskey</td>
<td>31.1</td>
<td>(-0.4%)</td>
</tr>
<tr>
<td>Rum</td>
<td>22.7</td>
<td>(-5.7%)</td>
</tr>
</tbody>
</table>

Source: DISCUS Market Segmentation Database, IWSR, and various industry publications.
Cocktails/RTDs Remains Fastest Growing Spirits Category by Revenue

2022-23 Growth Rate (Change in Revenue)

- Cocktails/RTDs: 26.8% ($599 M)
- Tequila/Mezcal: 7.9% ($476 M)
- Blended Whiskey: 4.1% ($38 M)
- American Whiskey: 3.8% ($192 M)

Source: DISCUS Market Segmentation Database, IWSR, and various industry publications.
*Pre-mixed Cocktails, including spirits-based RTDs.
Cocktails/RTDs & Tequila Remain Fastest Growing Categories by Volume

Fastest Growing Spirits by Volume

2022-23 Growth Rate (Change in 9-Liter Cases)

- Cocktails/RTDs*: 24.3% (12.2 M)
- Tequila/Mezcal: 5.7% (1.7 M)

Source: DISCUS Market Segmentation Database, IWSR, and various industry publications.
*Pre-mixed Cocktails, including spirits-based RTDs.
Tequila/Mezcal, Cocktails/RTDs & American Whiskey Continue to Drive Industry Revenues

Revenue increases between 2022 and 2023

+ $1.3B

Tequila/Mezcal
+ $476 M

Cocktails/RTDs*
+ $599 M

American Whiskey
+ $192 M

Source: DISCUS Market Segmentation Database, IWSR, and various industry publications.

*Pre-mixed Cocktails, including spirits-based RTDs.
Premiumization Continues for Tequila/Mezcal and American Whiskey

2022-23 Change in Volume, 9-Liter Cases, Thousands

Tequila/Mezcal
- Value: 759
- Premium: 1,024

American Whiskey
- Value: 947
- Premium: 220

Source: DISCUS Market Segmentation Database
Note: Labels for values under 250,000 are not shown
Overall Premiumization Stalls Amid Reset

60% of total revenue is accounted for by high end & super premium

Total Spirit Revenue was Flat

<table>
<thead>
<tr>
<th>Year</th>
<th>Super Premium</th>
<th>High End Premium</th>
<th>Premium</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>$10.3</td>
<td>$12.5</td>
<td>$9.9</td>
<td>$4.9</td>
</tr>
<tr>
<td></td>
<td>-4.3%</td>
<td>+0.7%</td>
<td>+0.3%</td>
<td>+8.4%</td>
</tr>
<tr>
<td>2023</td>
<td>$9.8</td>
<td>$12.6</td>
<td>$9.9</td>
<td>$5.3</td>
</tr>
</tbody>
</table>

Source: DISCUS Market Segmentation Database, IWSR, and various industry publications.

Total Spirit Volume Rose 1.2%

9-Liter Cases, Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>High End</th>
<th>Super Premium</th>
<th>Premium</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>33.8</td>
<td>71.0</td>
<td>100.8</td>
<td>99.4</td>
</tr>
<tr>
<td>2023</td>
<td>32.2</td>
<td>69.8</td>
<td>99.6</td>
<td>107.3</td>
</tr>
</tbody>
</table>

-5.0%  -1.7%  +7.9%  +1.2%
Consumers Increasingly Prefer Spirits-Based RTDs

Spirits are still a small portion of the RTD market

Share of Market Volume

- **Spirits-Based:**
  - 2021: 8%
  - 2022: 13%
  - 2023: 16%

- **Malt-Based:**
  - 2021: 91%
  - 2022: 86%
  - 2023: 83%

- **Wine-Based:**
  - 2021: 1%
  - 2022: 1%
  - 2023: 1%

Source: IWSR.
Marten Lodewijks
IWSR Drinks Market Analysis

Head of Consulting - Americas
Spirits Only Alcohol Category to Grow in 2023
Beer & wine drive decline in total beverage alcohol volumes in 2023, spirits see some growth but at slower rate than previous years

US Volume by Category (FY 2019–23P*)
Volume (Billions of 9LCs)

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023P*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beer incl. malt-based RTDs</td>
<td>2.65</td>
<td>2.70</td>
<td>2.75</td>
<td>2.80</td>
<td></td>
</tr>
<tr>
<td>Spirits incl. spirit-based RTDs</td>
<td>0.20</td>
<td>0.25</td>
<td>0.30</td>
<td>0.35</td>
<td></td>
</tr>
<tr>
<td>Wine incl. wine-based RTDs</td>
<td>0.05</td>
<td>0.10</td>
<td>0.15</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FY 2023P* Volume CAGR
vs 2019 | vs 2022
-1%     | -3%
+6%     | +2%
-2%     | -4%
TBA     | TBA

*Note: 2023 data is preliminary and subject to change
Spirits-Based RTDs Outgrowing Malt-Based

Despite rapid growth malt-based RTDs saw from ‘17-‘21, spirit-based products have grown faster, albeit off a smaller base, and are continuing to see growth where malt-based products are in decline.

**RTD volumes by alcohol base 2017-2023P**

**Volume CAGR**

<table>
<thead>
<tr>
<th></th>
<th>‘17-‘21</th>
<th>‘21-‘23P*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malt base</td>
<td>34%</td>
<td>-3%</td>
</tr>
<tr>
<td>Spirit base</td>
<td>51%</td>
<td>30%</td>
</tr>
<tr>
<td>Wine base</td>
<td>19%</td>
<td>-7%</td>
</tr>
</tbody>
</table>

*Note: 2023 data is preliminary and subject to change*
Vodka-Based RTDs Are Biggest Winner

Unpacking spirits-based RTD growth, we see a redistribution of share from Tequila and Rum to Vodka and, to a lesser extent, Whiskey and Gin.
Crises Stall but Don’t Stop Premiumisation
The ‘08/’09 financial crisis & pandemic + current economic pressures paused shift to premium, but long term trend continues

Spirits volumes by price band indexed against 1990
United States

Financial crash in 2008/9 saw a slowdown in SP+ growth which lasted 12-18 months

Covid restrictions led to an even greater acceleration of SP+

Premium+ resilient in previous downturns and expected to recover as long as macro-economic factors remain positive in the US

Value: < $9.99; Standard: $10 – $22.49; Premium: $22.50 - $30.49; Super Premium Plus: > $30.50
Chris Swonger
Distilled Spirits Council of the United States & Responsibility.org
President & CEO
FEDERAL & INTERNATIONAL

- American Whiskey remains tariff free in the EU
  - Agreement between U.S.-EU extended the suspension the EU’s retaliatory tariffs on American Whiskeys in the steel-aluminum dispute
  - Tariffs suspended for 15 months (March 31, 2025)

- As a result of the tariff suspension, American Whiskey exports to the EU increased by 29% in 2022 compared to 2021, reaching $566 million in 2022.
  - This accounted for 44% of all American Whiskey exports, surpassing the pre-tariff level of $518 million in 2017.

- Through October 2023 (latest data available), American Whiskey exports to the EU are up nearly 64% as compared to the same period in 2022 (Jan-Oct).
2023 Key State Victories

- Secured 7-day sales in Montana, leaving 6 states with Sunday ban
- Increased Sunday sales hours in NY
- Cocktails to-go permanency in 5 new states bringing total permanent states to 23; extensions passed in 3
- Secured wins on spirits RTDs in 3 states
- Defeated tax threats in 6 states
- Retail tastings laws expanded in Arkansas and West Virginia
- Expanded distillery sales and/or measures signed into law in CT, TX and WV
2024 DISCUS Legislative Priorities

FEDERAL & INTERNATIONAL

• Securing the permanent suspension of EU, UK and U.S. retaliatory tariffs on all distilled spirits

• Defending distilled spirits sector from federal tax increases

• Supporting legislation to prevent retail theft

STATE

• Defending hospitality sector from state tax increases

• Fairer tax treatment & increased retail access for spirits ready-to-drink products in the states

• Expanded marketplace modernizations including cocktails to-go and spirits direct-to-consumer shipping
RTD Effort: Alabama Ready for Convenience Coalition

• Alabama Task Force creating bill on spirits ready-to-drink products
• Market Access: will allow where beer & wine are sold
• Tax Fairness: considering tax rate reduction
• Broad support across alcohol tiers and sectors working towards same goal: Increase market access for spirits RTDs and ensure they are competitive with fair tax rate

• Coalition:
  • Beer wholesalers
  • Grocers
  • Convenience store owners
  • Spirits producers
Spirits RTDs Have Great Opportunity for Expansion

Beer is Sold in 3.4 Times More Retail Outlets than Spirits

79,000 Retail Outlets Selling Spirits

VS.

265,000 Retail Outlets Selling Beer
Spirits Industry Committed to Preventing Underage Drinking

- Nearly 2 out of 3 teens have never consumed alcohol.
- Long-term declines in underage drinking noted over the past few decades remain, with prevalence rates at or near record low levels and below pre-pandemic prevalence rates.
- Among 12th grade students, lifetime, annual, current and daily prevalence rates declined significantly from 2022 to 2023.
Drunk driving fatalities increased 14% in 2021, but have decreased 15% since 1991, and 36% since 1982.

In 2021, alcohol-impaired driving fatalities accounted for 31% of the total vehicle traffic fatalities. And 20% of driver fatalities in motor vehicle crashes involved a driver who tested positive for drugs and alcohol.

High-risk impaired drivers continue to wreak havoc on our nation’s roadways accounting for 70% of drunk driving fatalities.

Among persons under 21, drunk driving fatalities have decreased almost 56% since 1991, but increased 17% from 2020 to 2021.
Responsibility.org Initiatives & Programs

- ask
- listen
- learn

Kids and alcohol don’t mix.

WE DON’T SERVE TEENS
WeDontServeTeens.org

ALCOH101+
A program of Responsibility.org

NASID
National Alliance to Stop Impaired Driving
Established By RESPONSIBILITY.ORG

RESPONSIBILITY.ORG
Question & Answer

DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES