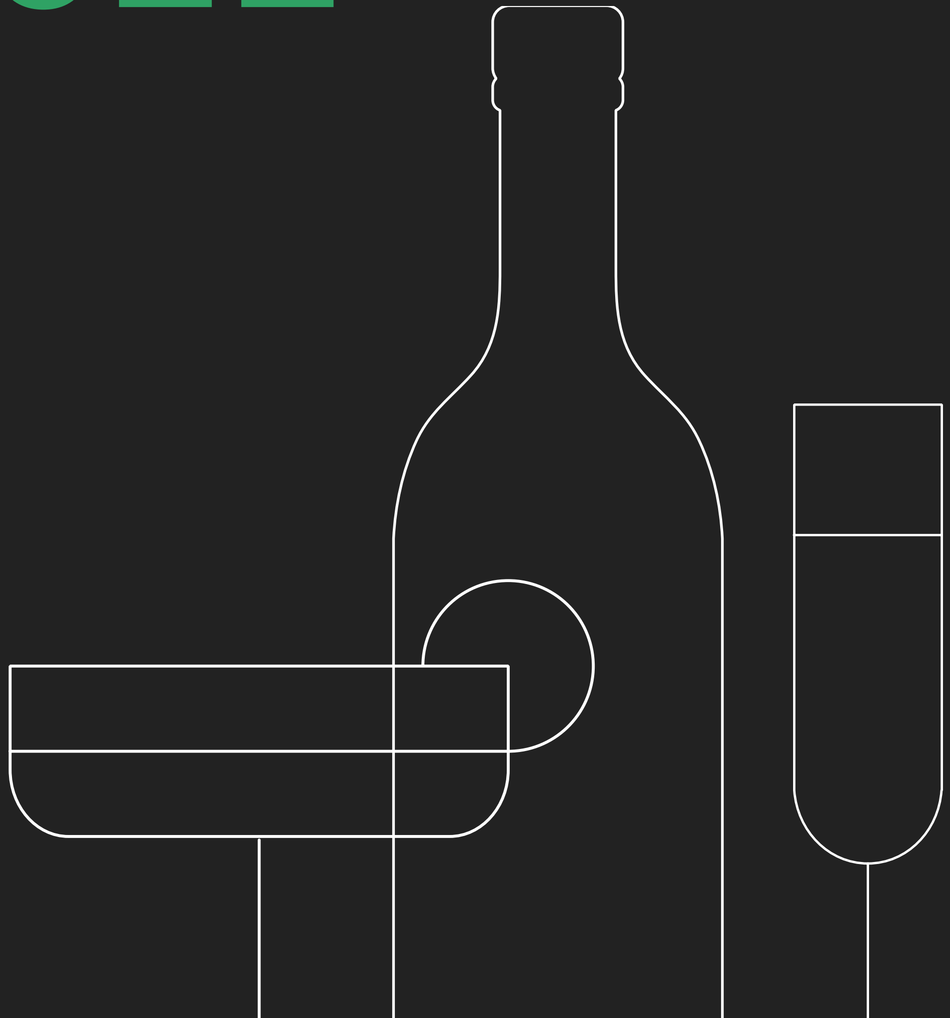
LCBO TRADE DAY 2022



Beer, Cider, Ready-To-Drink Breakout

Agenda

- Meet the Team
- Sales & Consumer Trends
- Plans and Priorities

01

Meet the Team

Beer Cider & Ready-to-Drink

Chris Robertson
Senior Director

Mark Wilson
Senior Category Manager
Beer & Cider

Neal Boven
Product Manager
Ontario Craft Beer

John Tyler
Product Manager
Imported & Domestic Beer & Cider

Lesley Morgan
Product Manager
Ready to Drink
Maternity leave

Madison Pearce
Product Manager
Ready to Drink

Karen Carter
Category Administrator
National & Ontario Beer

Holly Garner
Category Administrator
Grocery, TBS, Imports & Cider

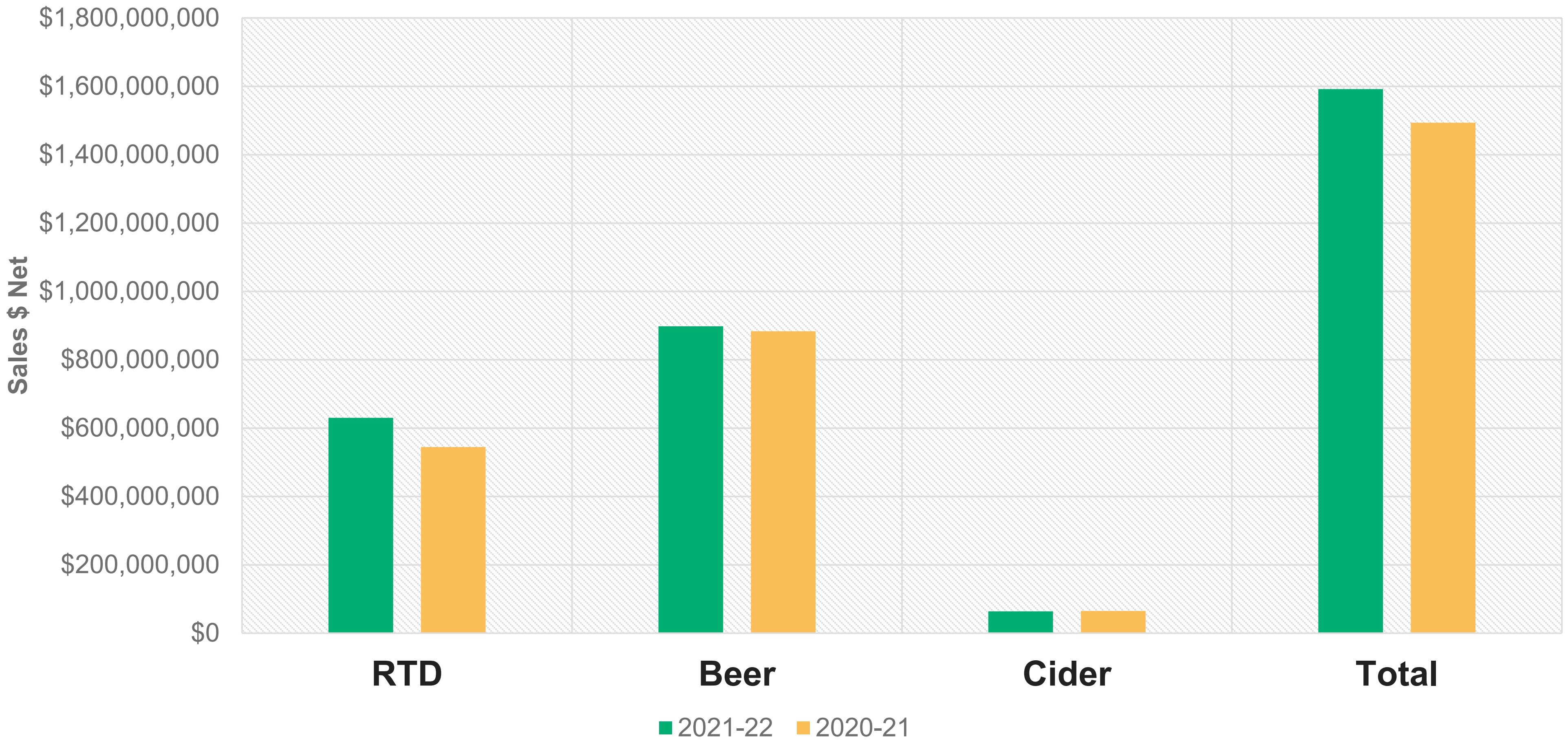
Helen Deterville
Administrative Assistant

02

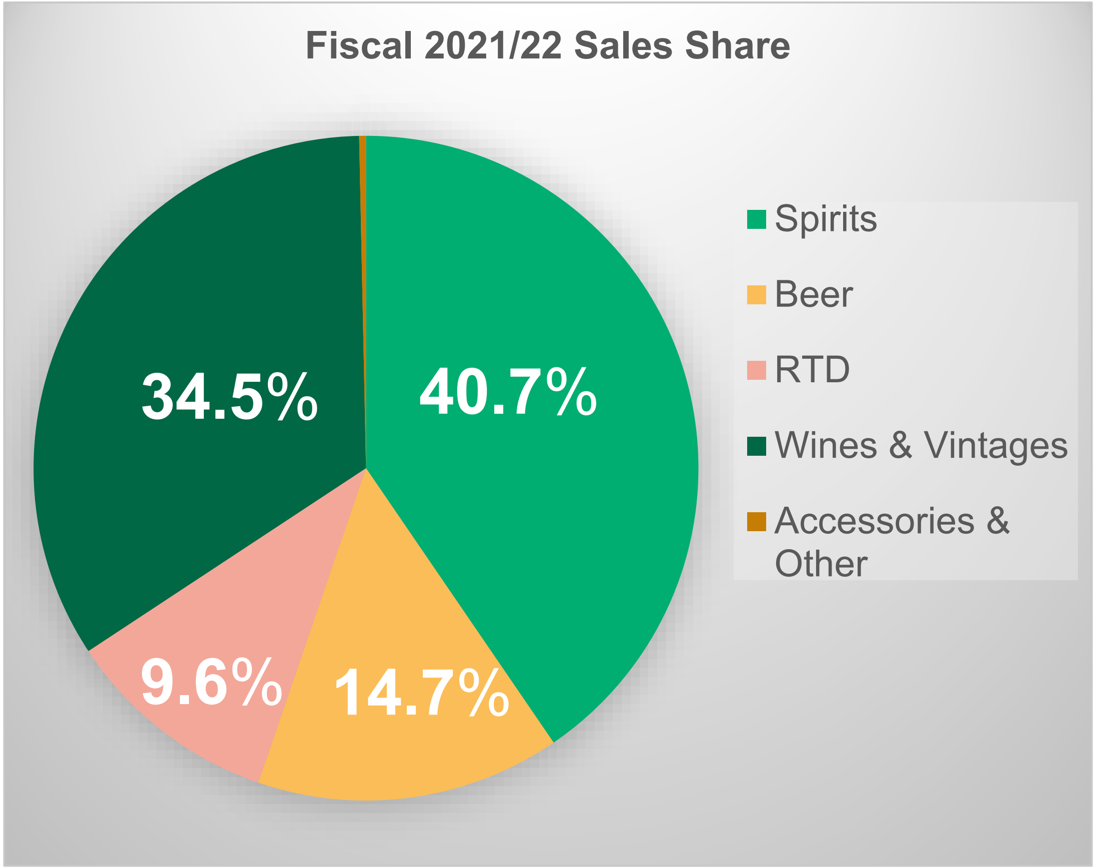
Sales & Consumer Trends

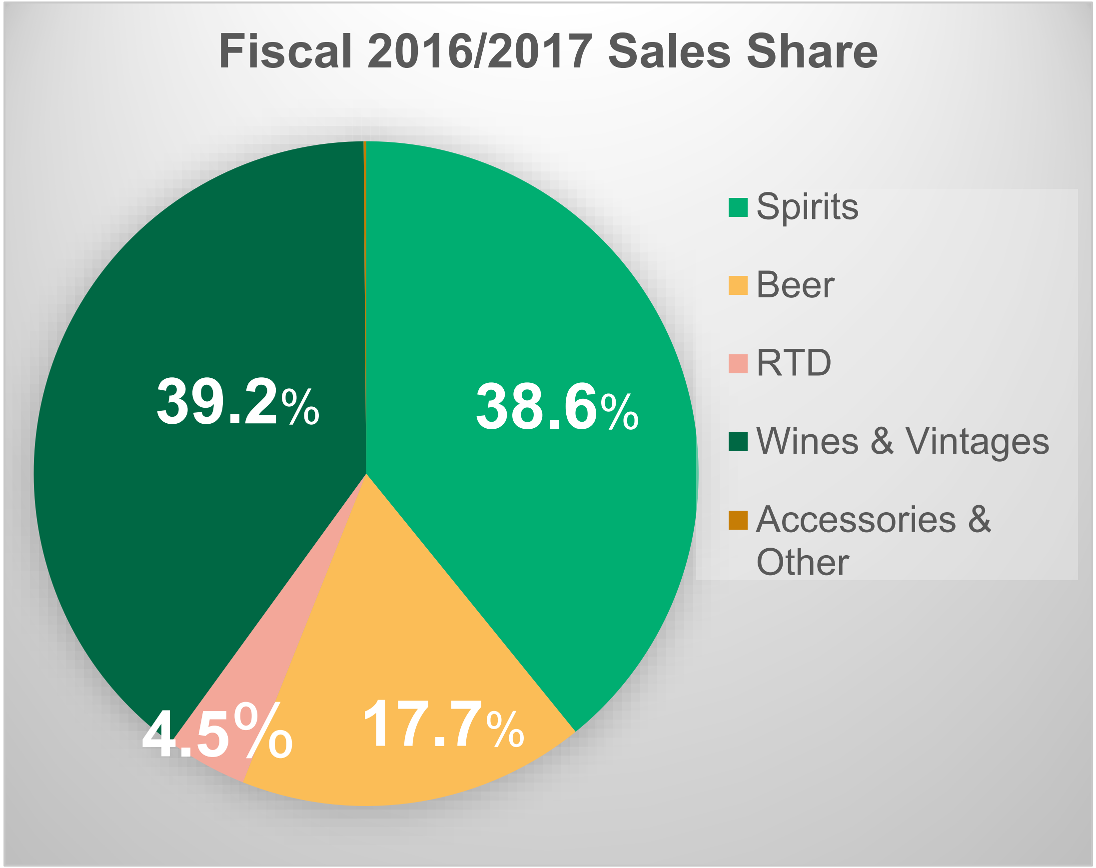
Fiscal 2020-21 Performance

Refreshment sales outpace other major categories at plus 6.6%, driven by Ready-to-Drink performance



Ready-to-Drink's share of total LCBO sales grew from 4.5% to 9.6% over the last five years



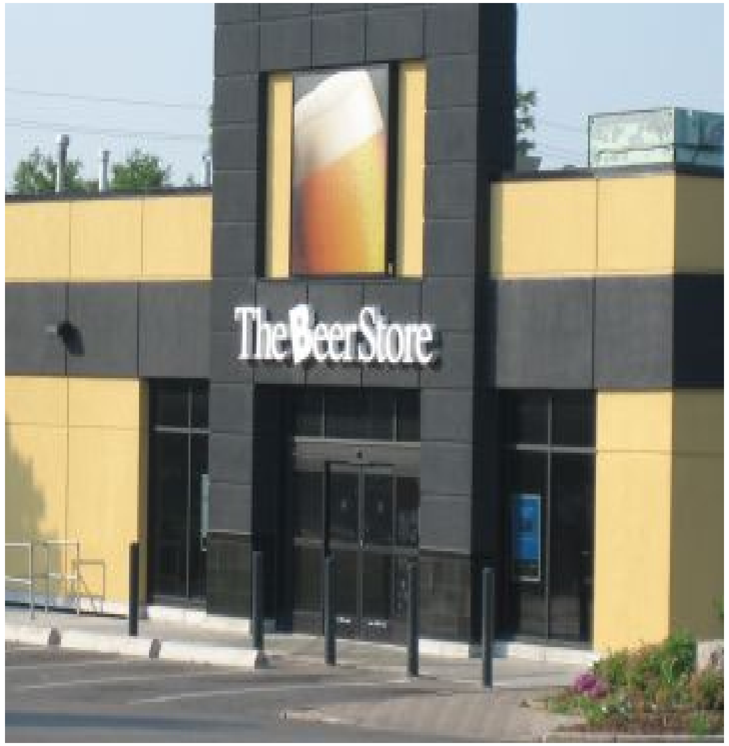


Beer & Cider Performance

The LCBO's share of the Ontario beer market rebounded last year as shopping routines normalize

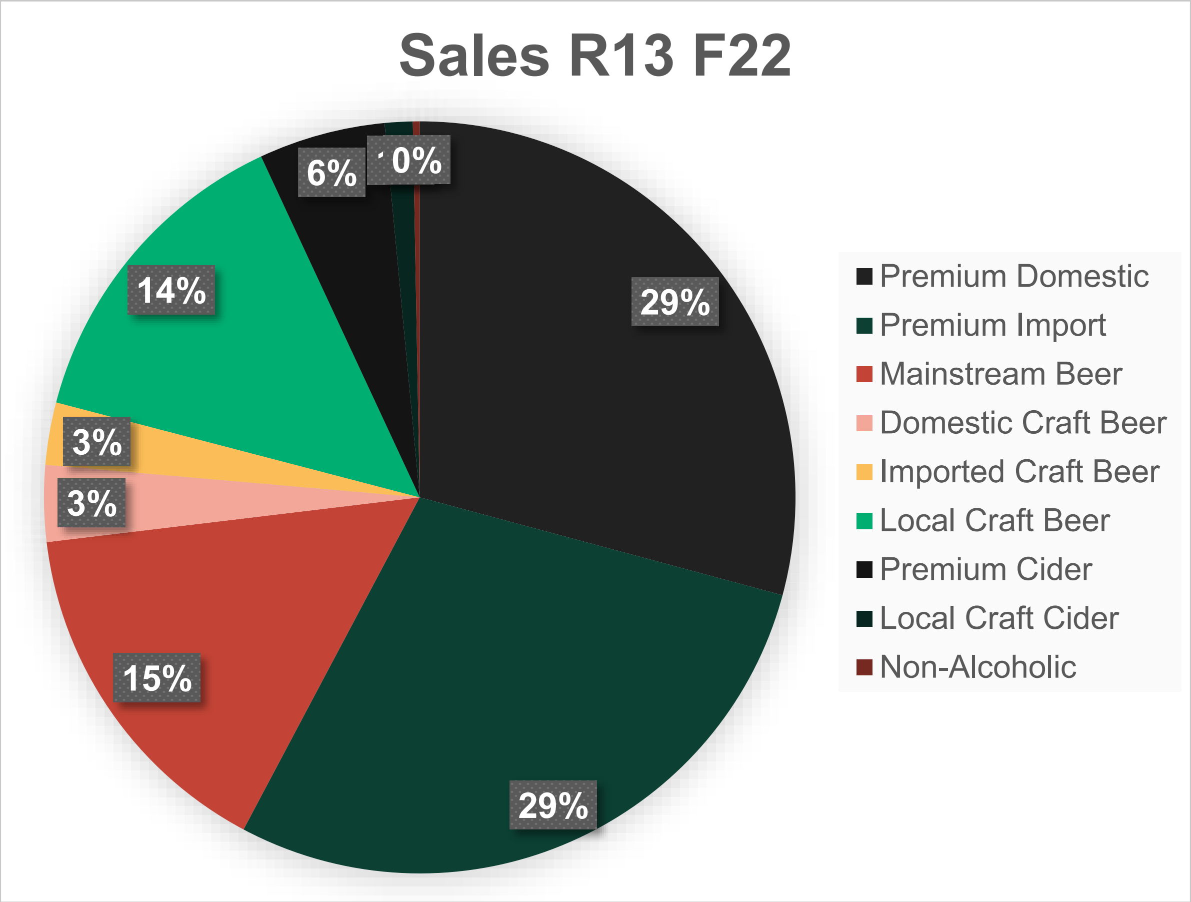
25.5% (+1.3%)

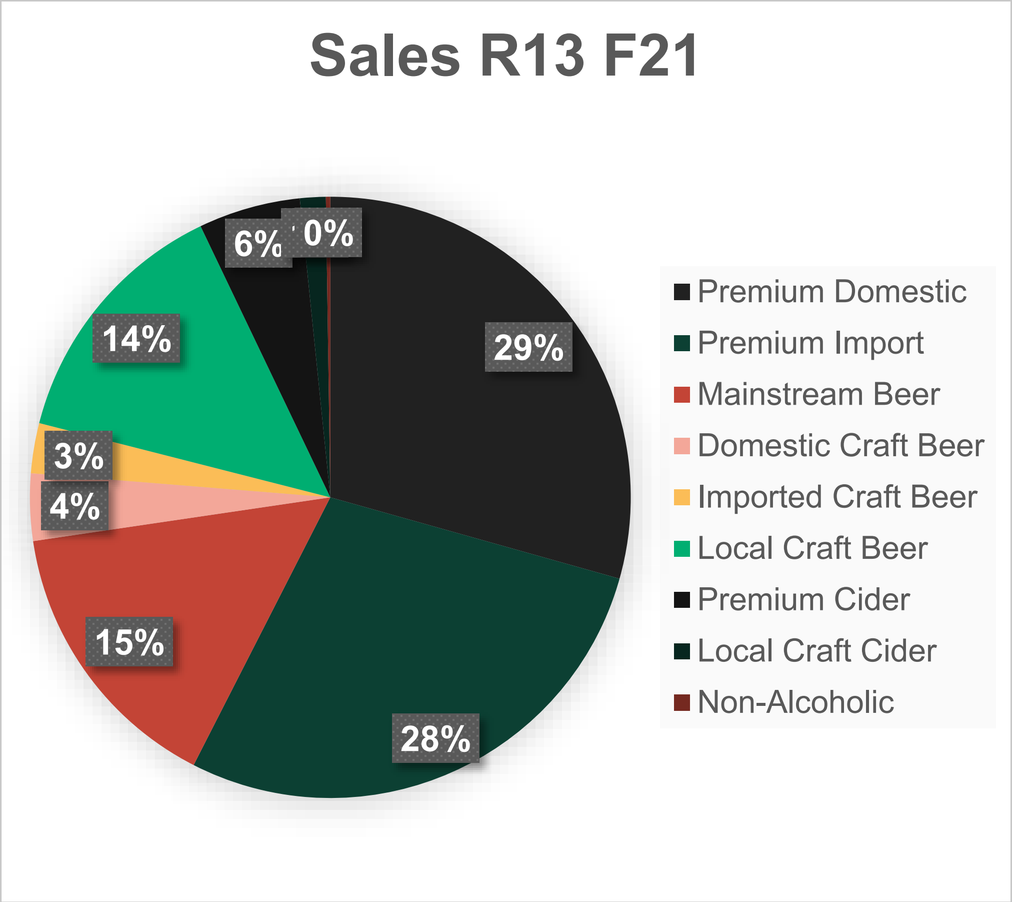
8.4% (-1.3%)



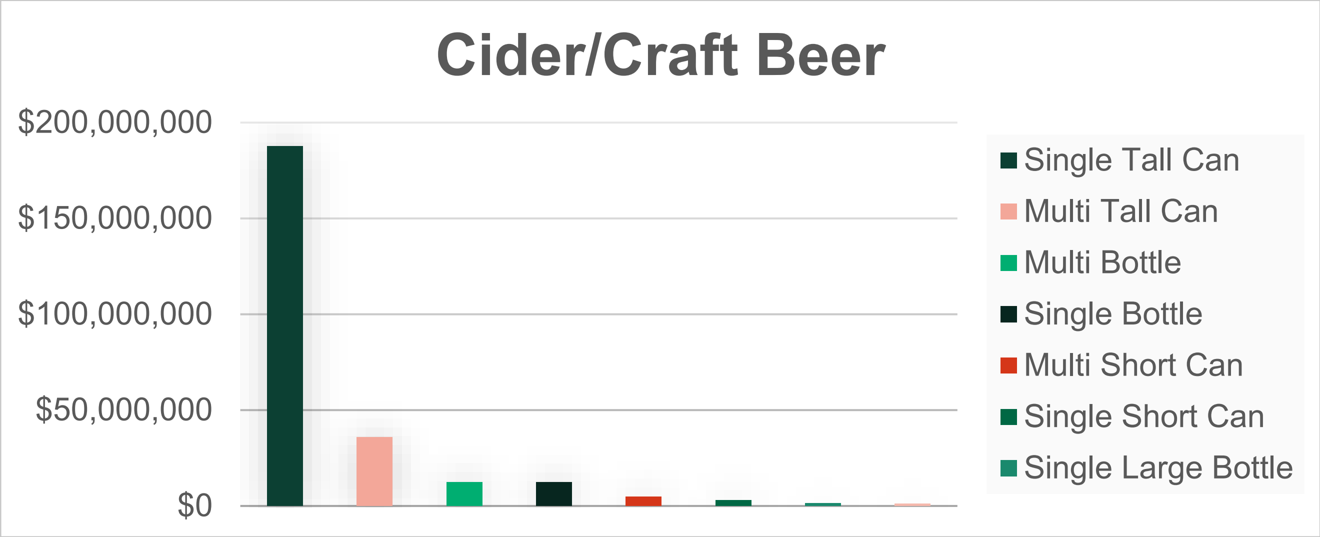
59.9% (flat)

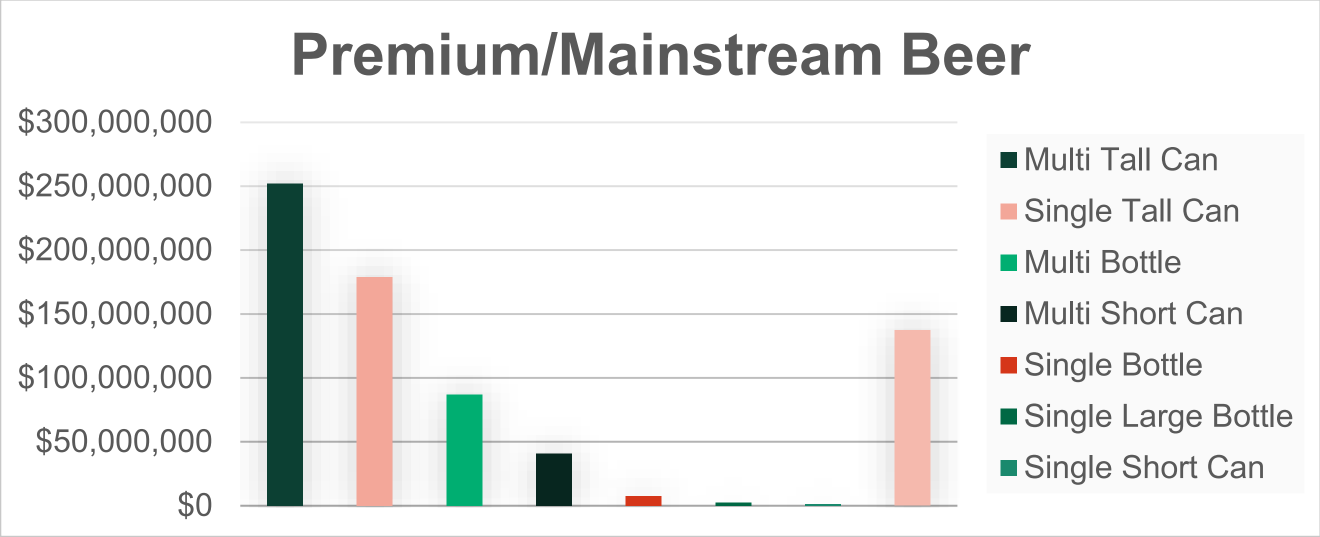
Little change in market share by beer and cider segment with the exception premium imported beer





Single cans preferred by craft customers; multipacks with Premium/Value shoppers.



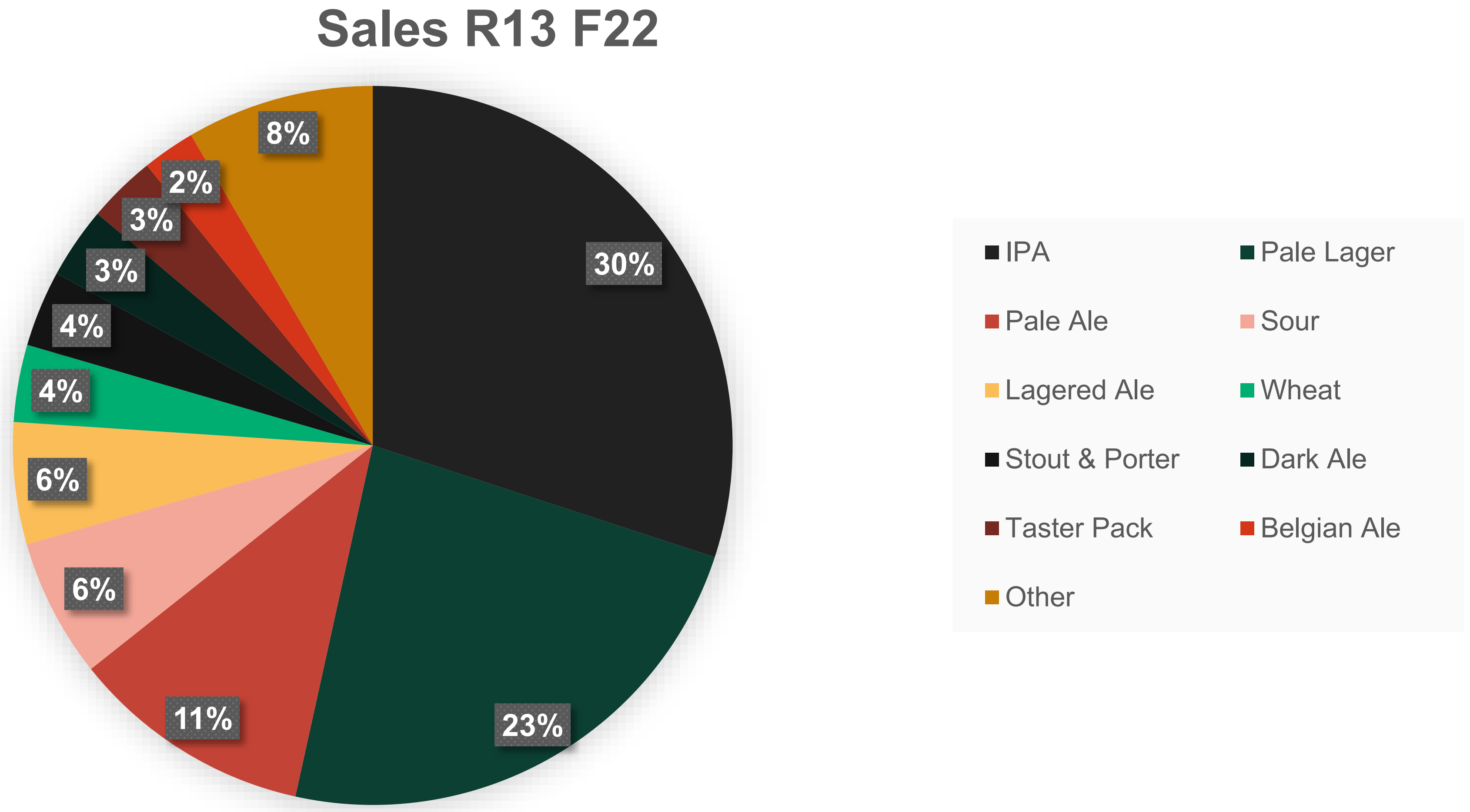


Local craft industry continues to expand with new entrants as sales become more fragmented

Local Craft	Sales $	Sales $ LY	% chg	# Suppliers	# Suppliers LY
Beer	$135M	$132M	+2%	225	208
Cider	$12M	$13M	-12%	37	36
Total	$148M	$144M	+2%	262	244

Note: All sales numbers are preliminary and unaudited

IPA remains the most popular craft beer style, followed by pale lagers and ales.



Lighten Up: Beer & Cider

Low-carb premium beer driving growth, +20% to $43M. Smaller segment in craft, $2.8M

Non-alcoholic beer +30% to $2.9M

Emerging trend in cider of lower/no sugar

Ready-to-Drink Performance

Ready to Drink meets three core consumer trends/ needs

Convenience

↑ 62% prefer to buy single serve, ready to drink formats for convenience

Experience

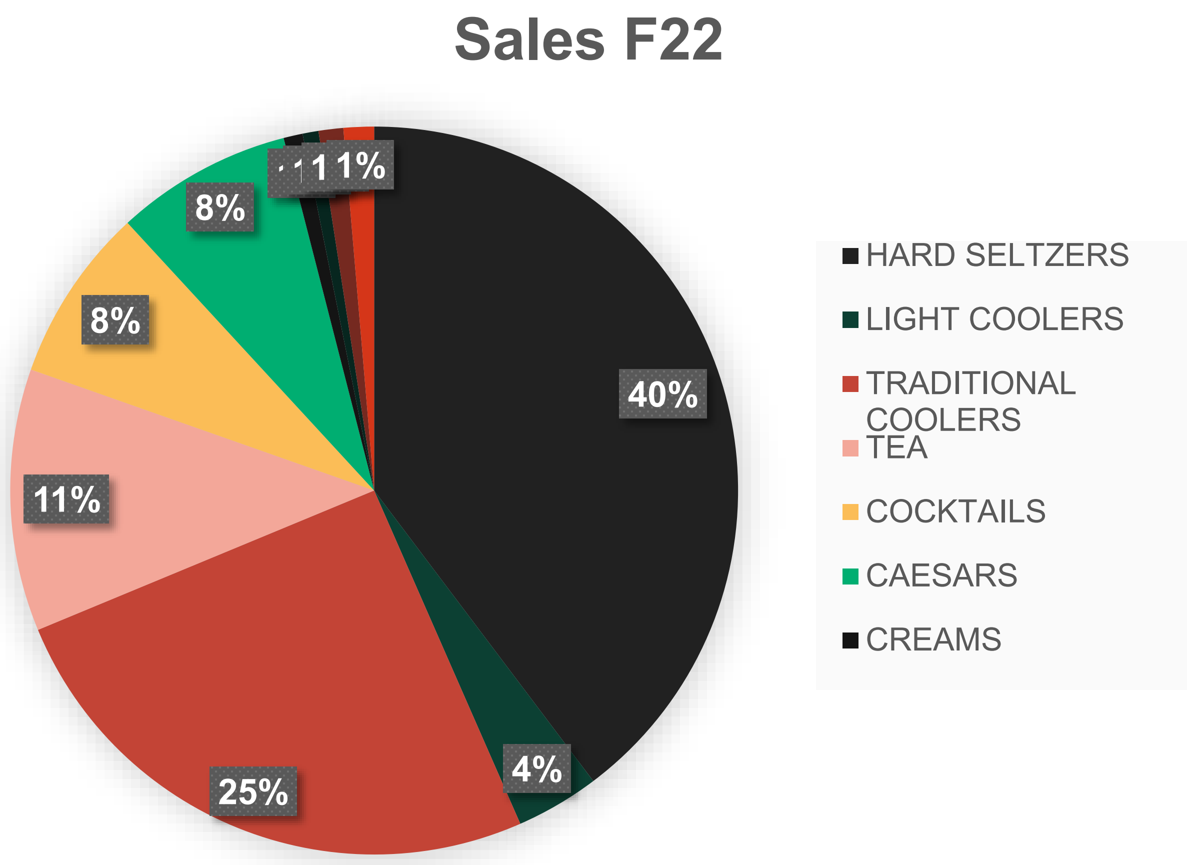
Encompasses a wide variety of products in terms of flavour, style, alcohol base & format

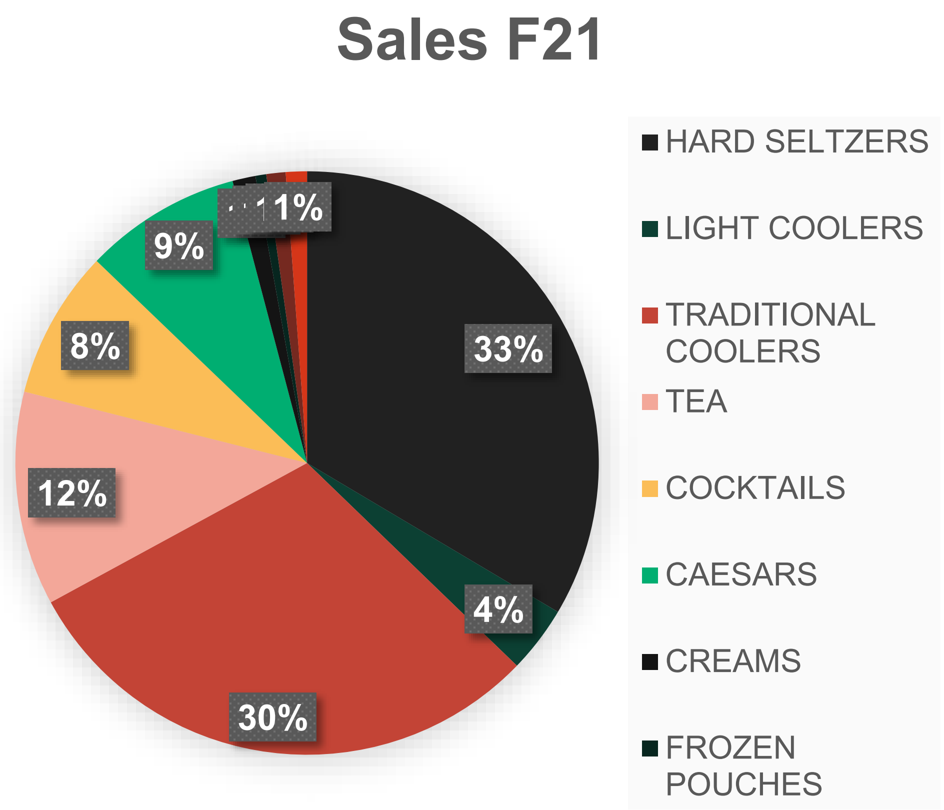
Wellness

↑ 52% buy because it is an easy to control consumption

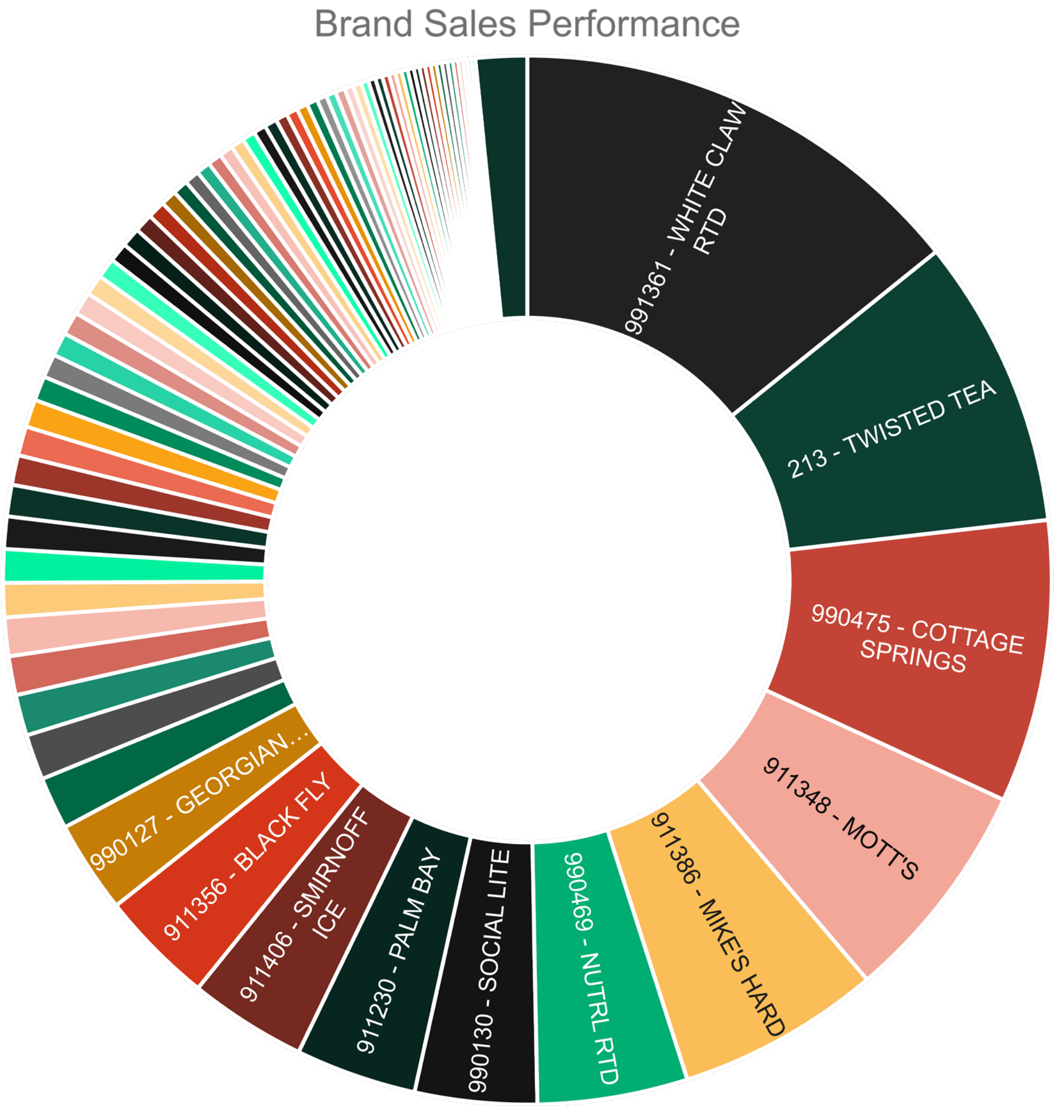
↑ 51% are looking for nutritional information

Seltzers and other lighter RTD styles led growth



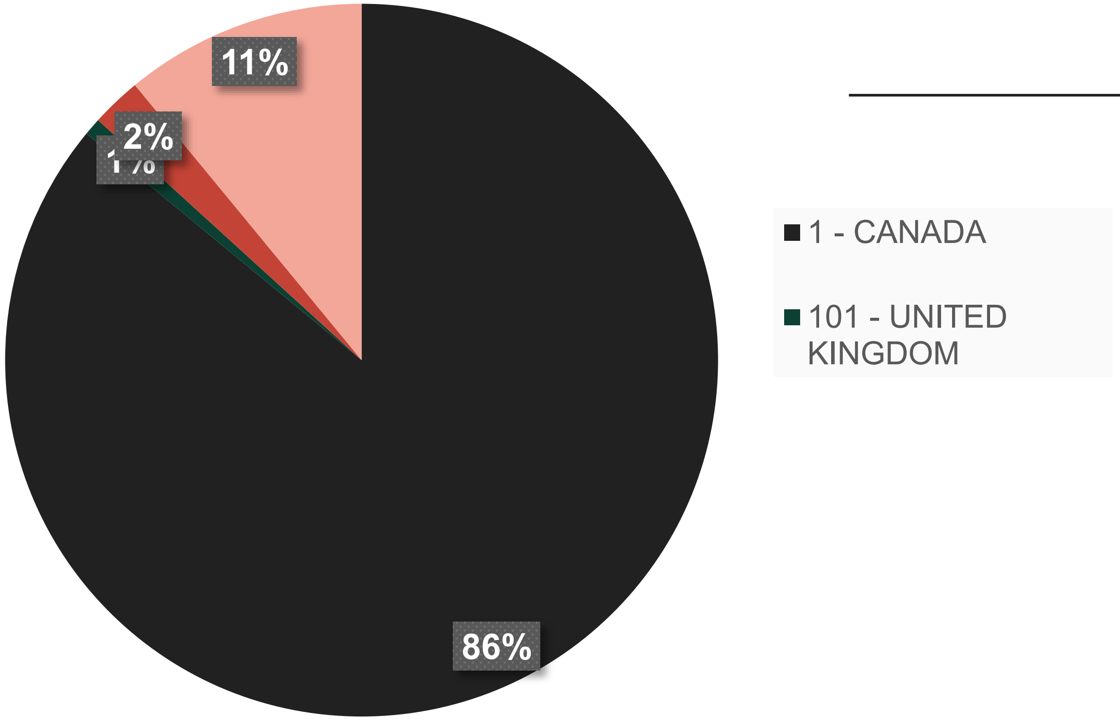


Top 10 RTD brands equal 67% of sales

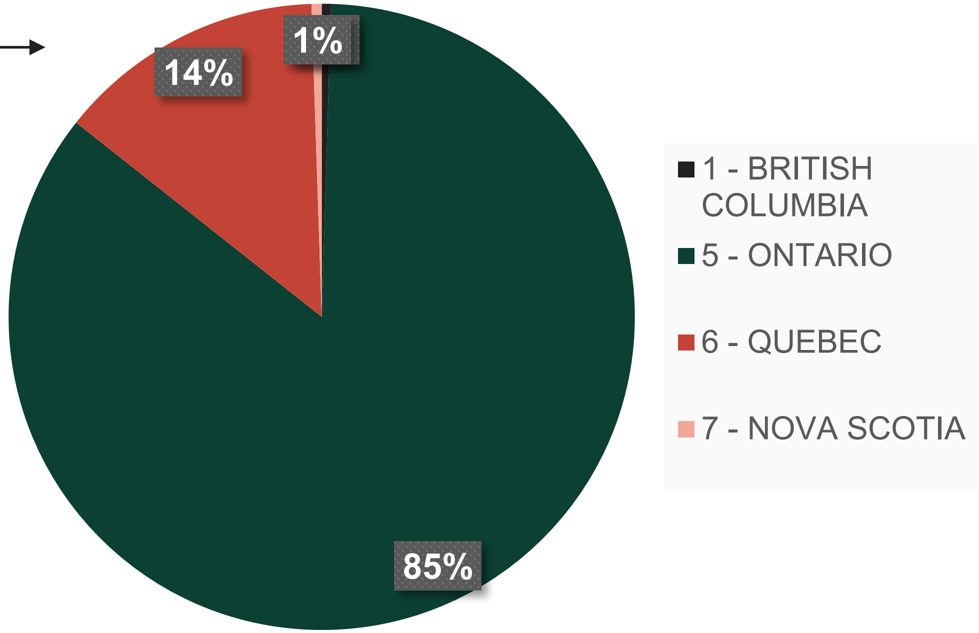


Canadian manufactured products dominate sales, particularly Ontario-made

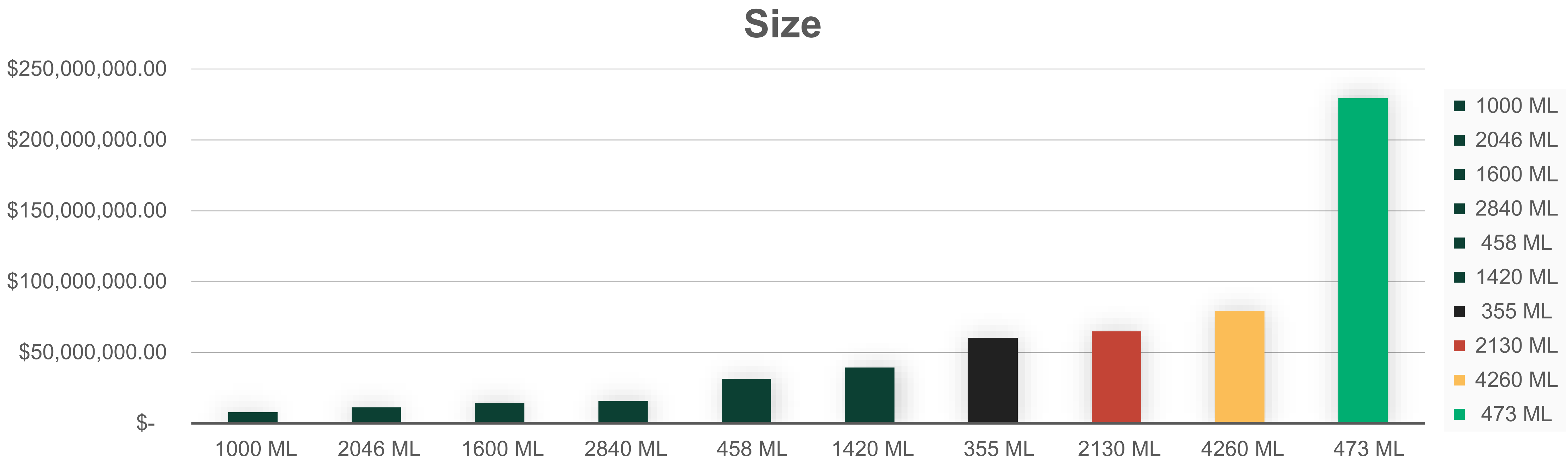
Producing Country – Sales YTD



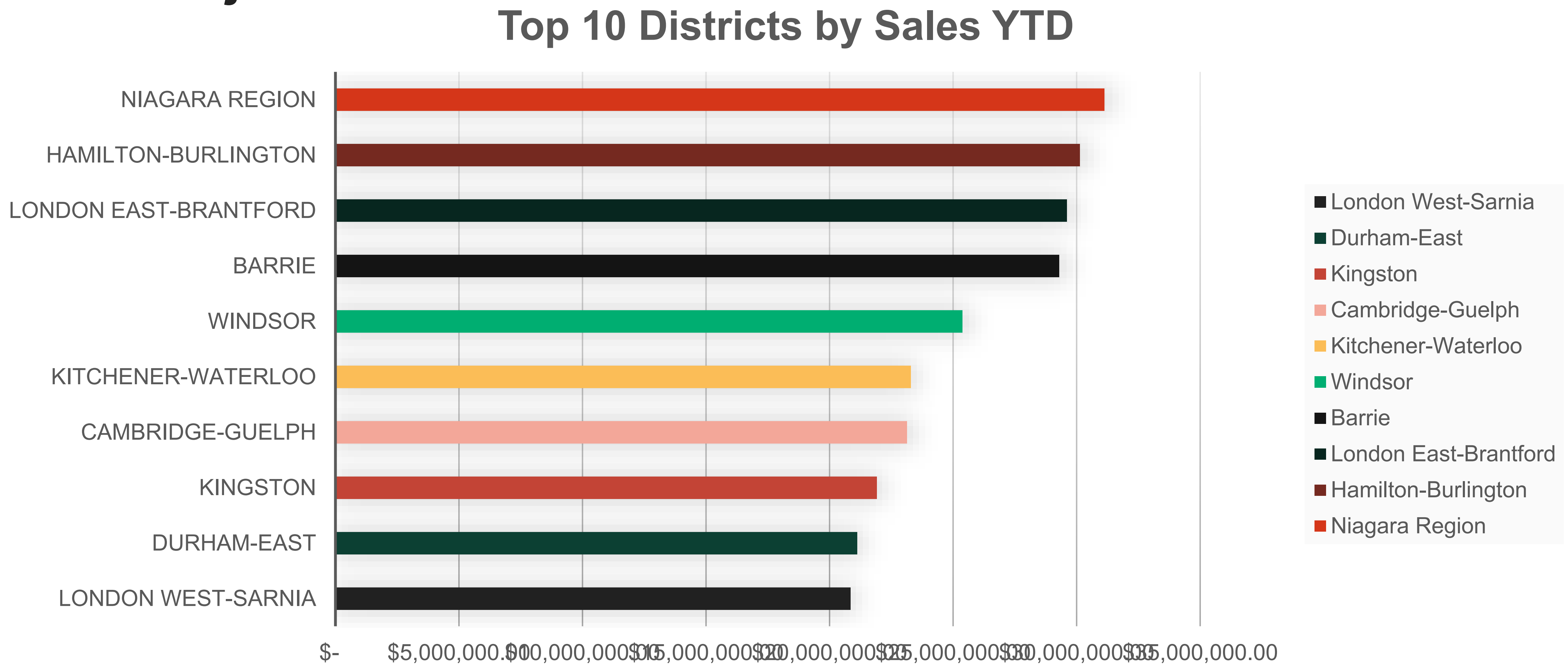
Producing Region (Canada) Sales YTD



Single tall cans are the top selling format, but larger mixed packs are the fastest growing

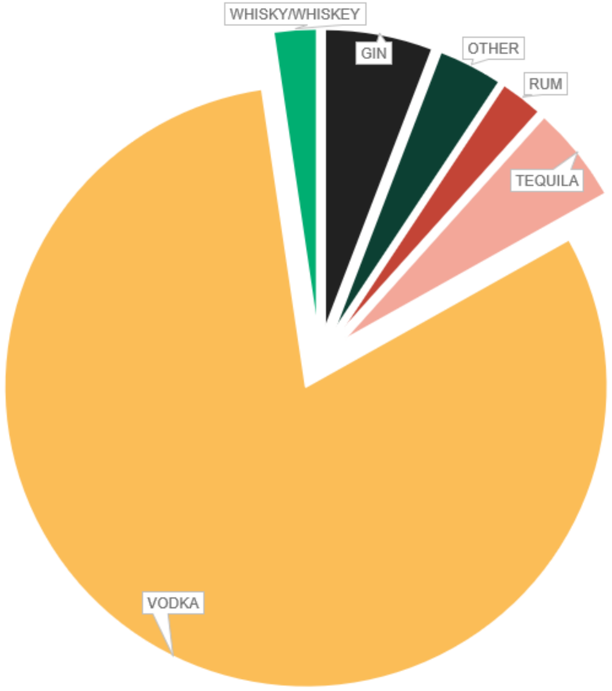


Sales continue to be driven by regions outside the two major cities



Spirit-based coolers perceived as higher quality and vodka is still the dominate base

Vodka makes up over 80% of the RTD spirit bases, the other 20% is made of whisky, gin, rum and tequila

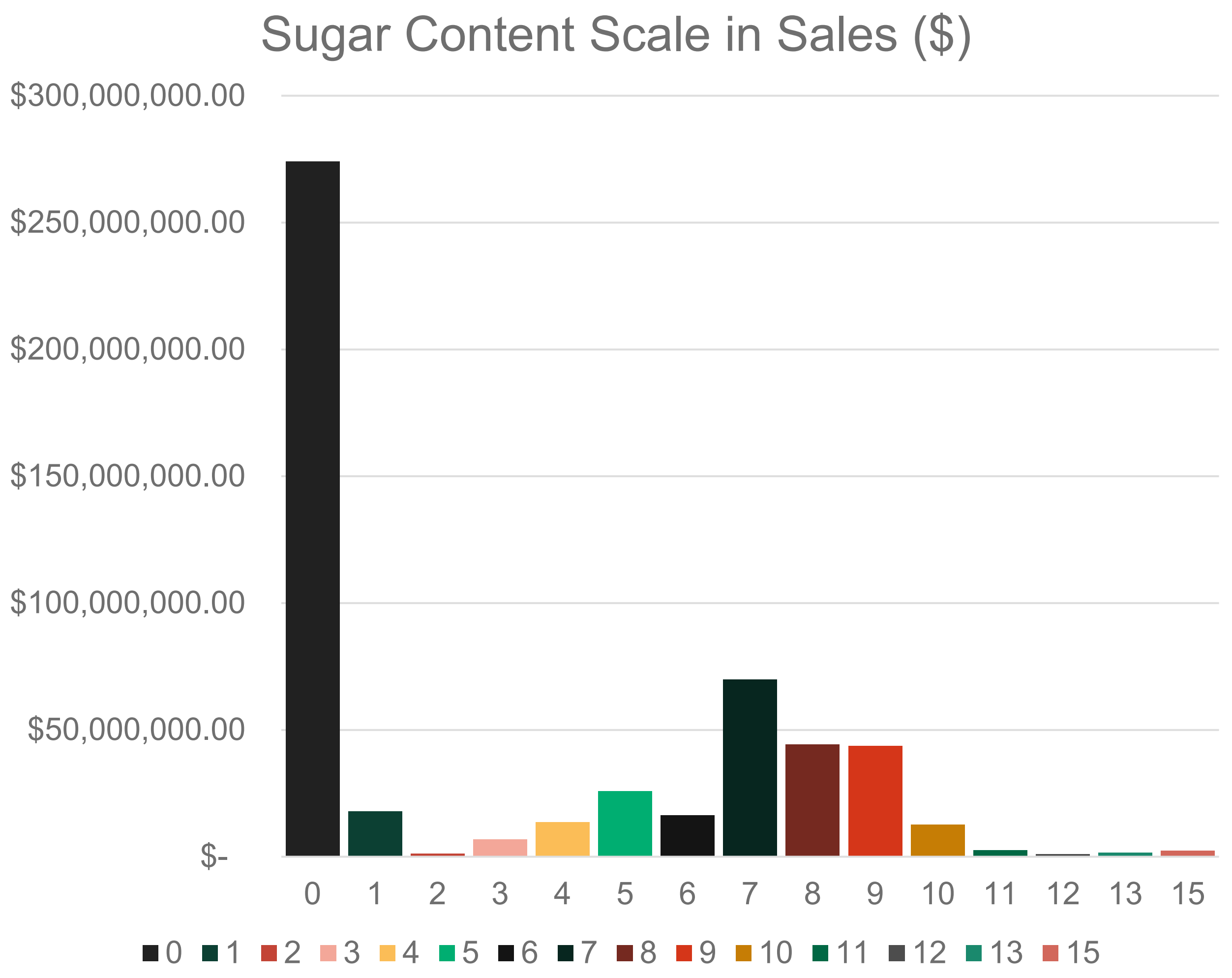


Lighten Up: RTD

Hard Seltzers (<3g of sugar) owns 38% of total RTD sales, typically low calorie and BFY

Light Coolers (<3g/l - 20g/l of sugar) are up +60% growth

5% alcohol is the highest selling alcohol content format



Gifting Performance

Holiday Gifting RTD

top selling skus

- 11 products contributed to $2.6M in sales, up +39% (+$741K) from LY with majority of the sales coming earlier in Period's 8 and 9.
- Classic premixed continues to be the customer favourite, while cooler variety packs provided entertaining solutions.

Holiday Gifting Beer & Cider

top selling skus

- 2021 Program had 45 products generating $4.6M in sales, +18%
- Increased selection of local craft beer & cider, many regionally distributed

03

Plans and Priorities

BCRTD Priorities

Optimized assortment

- Refresh through competitive call process
- On trend, in demand products
- Leverage channels strategically
- Well-timed innovation
- Strong gift offerings
- Leverage RTD to build basket

Effective promotions

- Support innovative trade ideas
- Priority to exclusive & unique offers
- Drive traffic to LCBO
- Leverage channels
- Explore Aeroplan

Optimized space

- Update in accordance to customer demand and category trends
- Maintain customer-ready presentation
- Support operational efficiency

Support local

- Higher proportion of new products
- Higher product churn
- Dedicated displays and special exposure

Assortment Priorities

Beer & Cider is planned for modest growth this year, while Ready to Drink continues to lead.

	Net Sales FY23 Plan	Y/Y Net sales var
Beer & Cider	$ 986,324,860	2.5%
RTD	$ 698,215,919	10.8%
Beer & Cider, RTD	$ **1,684,540,778**	**5.8%**

Retail Sales = Home Consumers, E-commerce, Licensee, and Agency

Note: All sales numbers are preliminary and unaudited

Category roles and assortment priorities

Product Set	Craft Beer	Premium Beer	Value Beer	Cider	Ready to Drink	Non-Alcohol
Status	Grow	Grow	Maintain	Grow Local	Grow	Grow
Role	Lead Differentiator Image	Compete Traffic Driver Protect Market Share	Play Traffic Driver Maintain	Lead Local Compete Premium	Lead Profit Driver Channel Exclusive	Compete Differentiator Grow Market Share
Needs	Local Driven High Churn Exclusivity	First-To-Market Exclusive Offers & Promotions	Everyday Value Deep LTOs	Premium & Local Focus	Innovation Lead Exclusivity Breadth	Exclusivity Style Breadth Competitive Costs
Product Call	Yes	Planning	No	Yes	Yes	Planning

Key Takeaways: Assortment

Beer

Focus on premium and craft. Assortment size largely. maintained but refreshed.

Ready to Drink

Most competitive category where priority is given to strong proof of concept and LCBO exclusivity.

Non-Alcohol

Priority for exclusive, premium or craft with competitive costing that enhances LCBO margins.

Cider

Focus is on maintaining a good representation of premium innovation and local craft offerings.

Highly competitive categories

Almost
3,000
new product applications annually

900
RTD submissions almost doubled over last two years

Success rate varies by call and category needs

RTD sales targets increase in line with category growth; in-season trend adjustments may be applied

CATEGORY	Timeframe	Size	TARGET
Variety /Mixed Packs Large Formants SKUS > 2100 mL	Periods 1 to 5 (innovation & existing)	>2100mL	$1,100,000
Seltzers & Sodas Light Coolers & Cocktails Tea	Period 1 to 5 (innovation)	Single & Multi (<2100mL)	$900,000
	Annual (existing)	Single & Multi (<2100mL)	$1,700,000
Traditional Cocktails Caesar Creams	Period 1 to 5	Single & Multi (<2100mL)	$800,000
	Annual	Single & Multi (<2100mL)	$1,400,000
Premixed Cocktails / Shots Niche Items	Period 1 to 5	All Formats/Sizes	$500,000

Collaborative planning best practices

- Focused and concise meetings and presentations
- Robust and reliable supply chain
- Adherence to category planning and on-boarding timelines

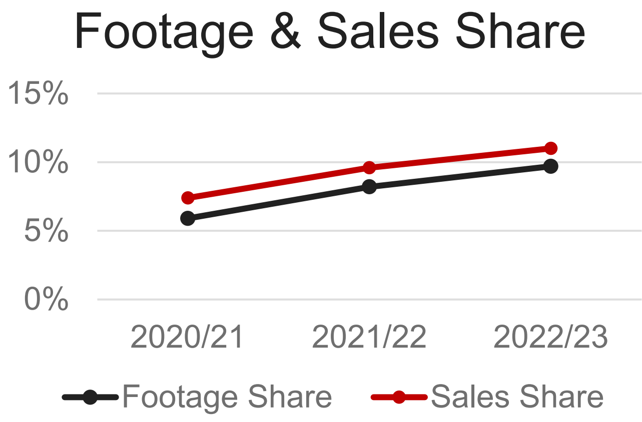
Merchandising & Promotional Priorities

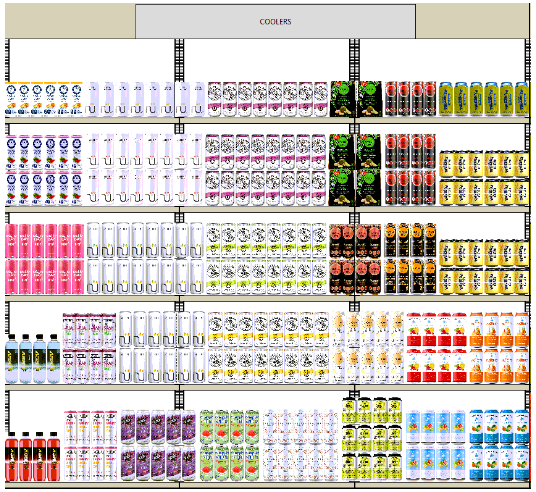
Space Planning Update

1
Seasonal space grew by last year

2
Further reallocation this year

3
SKU targets largely protected





Beer, Cider & Ready-to-Drink major display opportunities

Beer Excitement Zone

Increased End Aisles

Year-round block pile

Grow ecommerce sales with engaging exclusive products and offers

Continue to elevate and support local craft beer and cider

Drive exciting Aeroplan promotions

LCBO | AEROPLAN

Key Takeaways

What this means for YOUR Business

1. Assortment priorities & trends drive product selection

2. The listing process is highly competitive

3. Priority given to exclusive or unique product and promotional offers

4. Ready to Drink is transforming the refreshment business and by extension section space

Thank you