



Alberta and BC Wine

ALSA 2017

Agenda

- Quick overview
- Distribution Model
- Warehousing 101
- Wine Stats
- Q + A

Alberta's Liquor Model



(Pre-Privatization)

Selection Panel

*202 Government-run
stores*

2,200 products

NOW (Fully Privatized)

Open listing practice

Over 530 agencies (brokers)

**Variety of private liquor stores
(1,451)**

22,972 products



Connect, the History and Future

- 1994 – CLS was formed to provide dedicated third-party liquor warehousing and distribution services for the AGLC
- 1995 – Warehouse operation of AGLC completely privatized – CLS awarded contract from 16 bids submitted.
- 2000 – Launched LiquorConnect.com
 - 2009 to current ongoing enhancements
 - Today, 97.6% of order processed online
- 2018 – New AGLC warehouse coming online

Connect Today

- Approximately 1.4 million square feet
- 6 current buildings, 4 by end of year
- 17500 sq ft cooler for unpasteurized beer
- 22,000+ products, SKUs, in stock
- 11 contracted carriers
- All spirits, wine, import beer. Many domestics.

Distribution Model

- 2017 FYF of 19.5 M cases throughput
- ~1400-1600 weekly delivery points
 - No bottle pick
 - 25 case minimum
- No barrier between license > license sales
 - Only ~100-200 licensees (restaurant, bar, etc)

LiquorConnect.com

- Website for Consumers, Retailers, and Agents
- Consumers > Product research / Where?
- Retailer > Ordering
- Agents > ASN's, allocations, reporting

Comment on Rates

- Suppliers pay for:
 - New SKU Registrations
 - Receiving + Admin
 - Storage
 - Assembly
- Retailers (Licensees) pay for:
 - Ordering
 - Transportation
- Activity based costing
 - Receiving > Pallet vs case vs slip sheet
 - Storage > cooler vs ambient, fast vs slow velocity
 - Assembly > case vs pallet

Provincial Markup



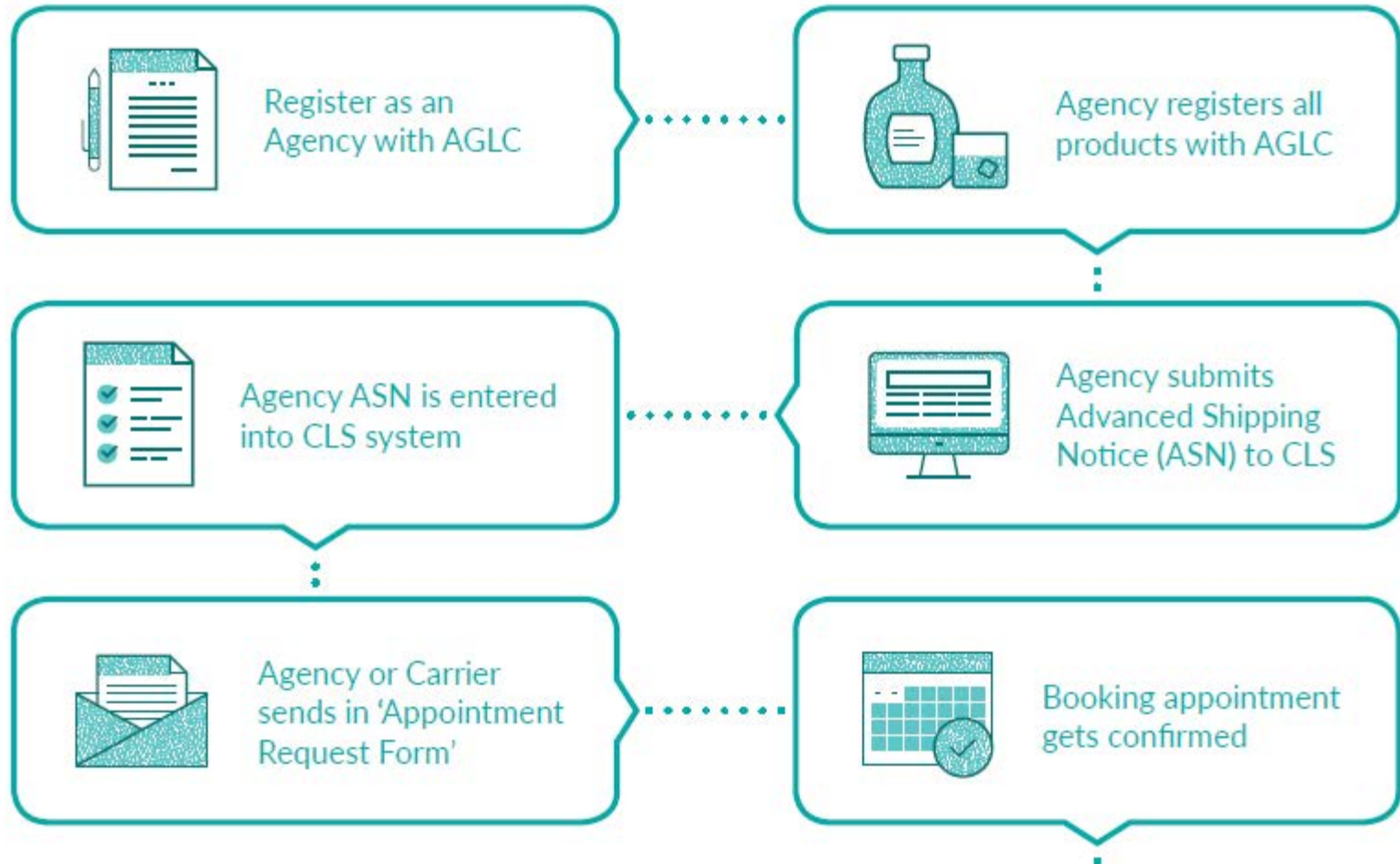
| Mark-up Per Litre | |
|---|----------------|
| Spirits – greater than 60% alcohol by volume | \$18.33 |
| Spirits – greater than 22% & less than or equal to 60% alcohol by volume | \$13.76 |
| Spirits – less than or equal to 22% alcohol by volume | \$10.36 |
| Refreshment Beverages – greater than 8% & less than or equal to 16% alcohol by volume | \$4.51 |
| Refreshment Beverages – greater than 1% & less than or equal to 8% alcohol by volume | \$1.81 |
| Wine & Sake – greater than 16% alcohol by volume | \$6.56 |
| Wine & Sake – less than or equal to 16% alcohol by volume | \$3.91 |
| Fruit Wine & Mead (sold from cottage winery/meadery farm gates, farmers' markets and/or artisan markets) | \$0.70 |
| Beer – less than or equal to 11.9% alcohol by volume | \$1.25 |
| Beer – greater than 11.9% & less than or equal to 16% alcohol by volume | \$4.51 |
| Beer – greater than 16% & less than or equal to 22% alcohol by volume | \$10.36 |
| Beer – greater than 22% & less than or equal to 60% alcohol by volume | \$13.76 |



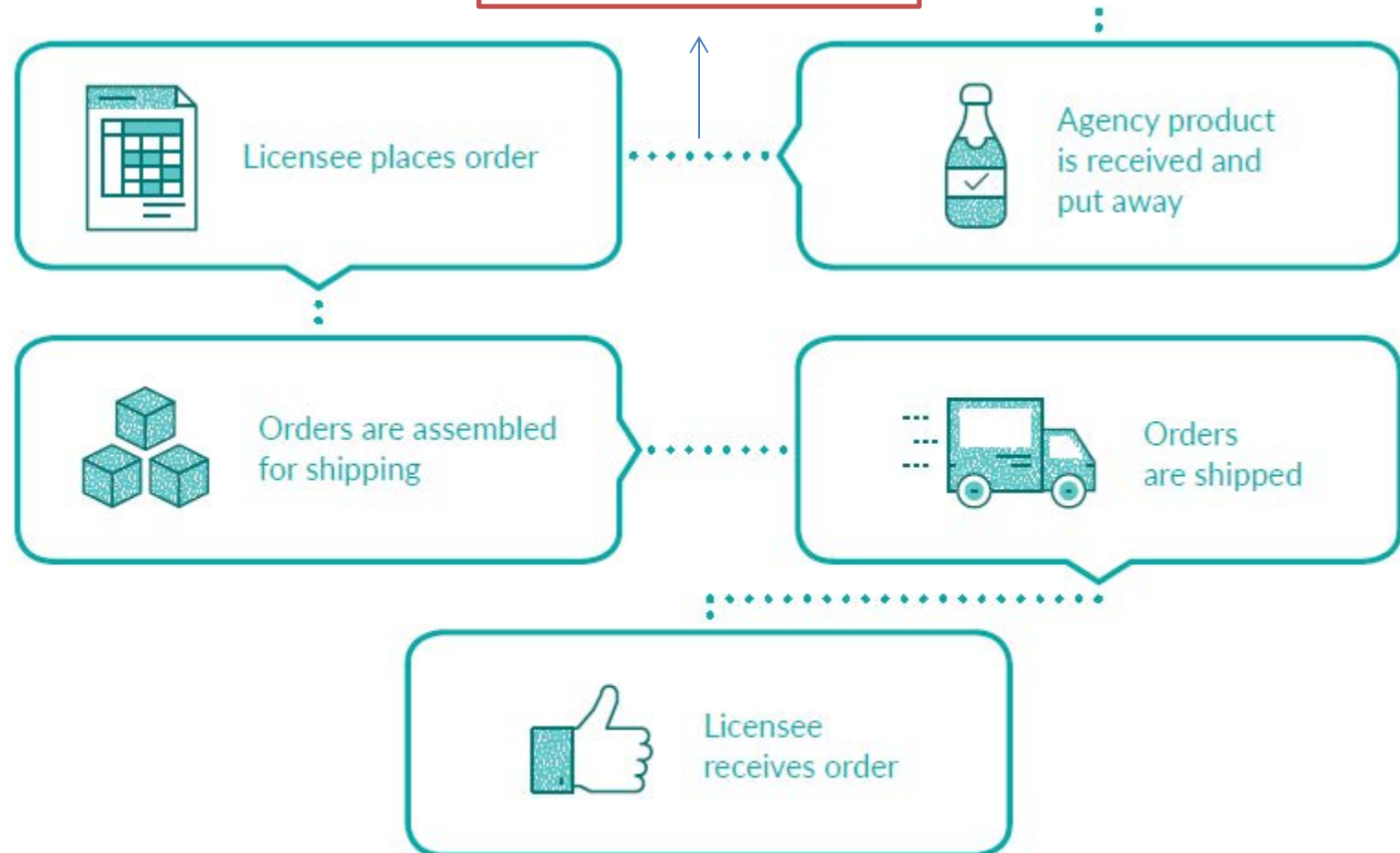


Warehouse 101

WAREHOUSE PROCESS



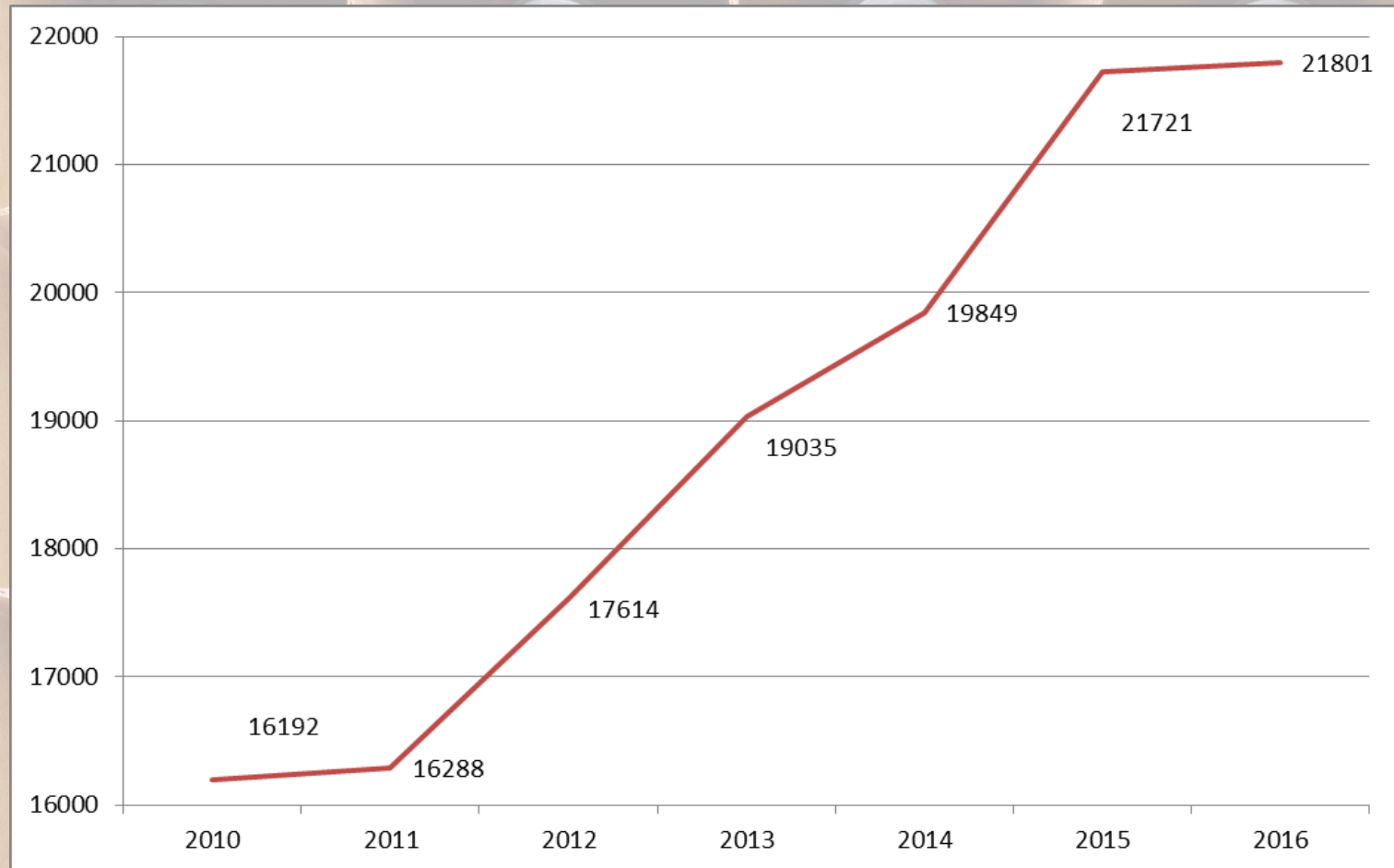
Allocations



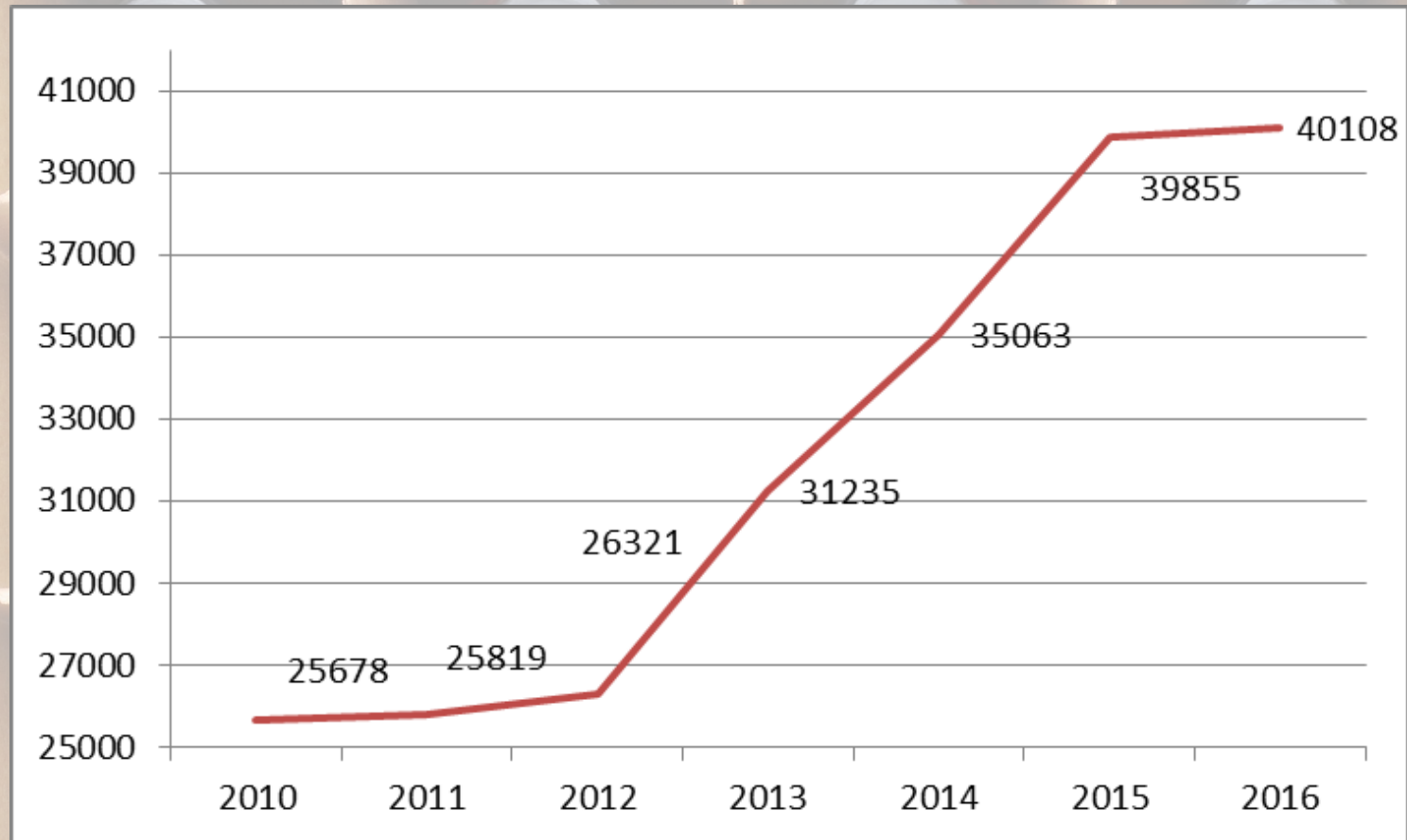
Agency and Product Registration

- EASY! No lawyer or consultant required!
- Represent yourself or work with an Agent
- Product registration is a simple form
 - Single admin fee ~\$75
- “What is the minimum?”

SKUs with Inventory



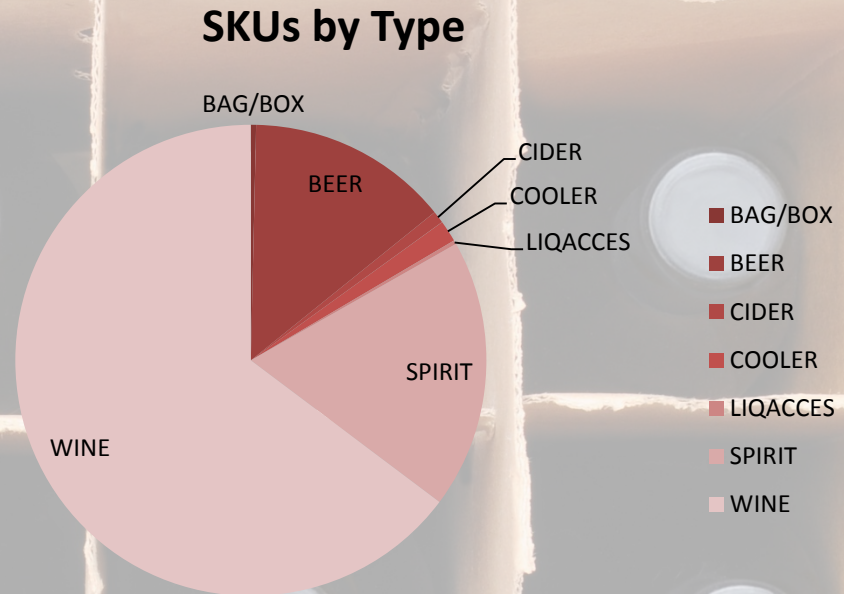
SKUs Registered



SKU BREAKDOWN

- Wine makes up 65% of SKUs at Connect based on SKU count.
- Wine represents 35% of cases in inventory.

| Type | Total SKUs |
|----------|------------|
| BEER | 5,291 |
| CIDER | 321 |
| COOLER | 566 |
| LIQACCES | 102 |
| SPIRIT | 7,056 |
| WINE | 24,742 |



Advance Shipping Notices (ASN)

- “How do I get it there?”
- Tell us what you’re sending
 - SKU, quantity, format
 - Promo goods?
 - ETA
- Easy on LiquorConnect.com

| | | | | | |
|----------------------|--------------------------|-----------------|------------------|-----------------------|----------------------|
| Agent PO: | <input type="text"/> | Status: | DRAFT | Confirmation Address: | connectcs@exel.com |
| Provincial Transfer: | <input type="checkbox"/> | Created By: | | Additional Addresses: | <input type="text"/> |
| Ship Date: | <input type="text"/> | Created Date: | 05/09/2017 11:16 | CLS ASN: | 0 |
| ETA Date: | <input type="text"/> | Confirmed Date: | | CLS Message: | |
| Comment: | <input type="text"/> | | | Number: | 4409 |
| Freight Forwarder: | <input type="text"/> | | | | |

| SKU | Description | Size | Units/Case | Quantity | |
|----------------------|----------------------|------|------------|----------------------|------------------------------------|
| <input type="text"/> | <input type="text"/> | | | <input type="text"/> | <input type="button" value="ADD"/> |

SAMPLE ITEMS

| Description | Quantity | |
|----------------------|----------------------|------------------------------------|
| <input type="text"/> | <input type="text"/> | <input type="button" value="ADD"/> |

Appointment Request

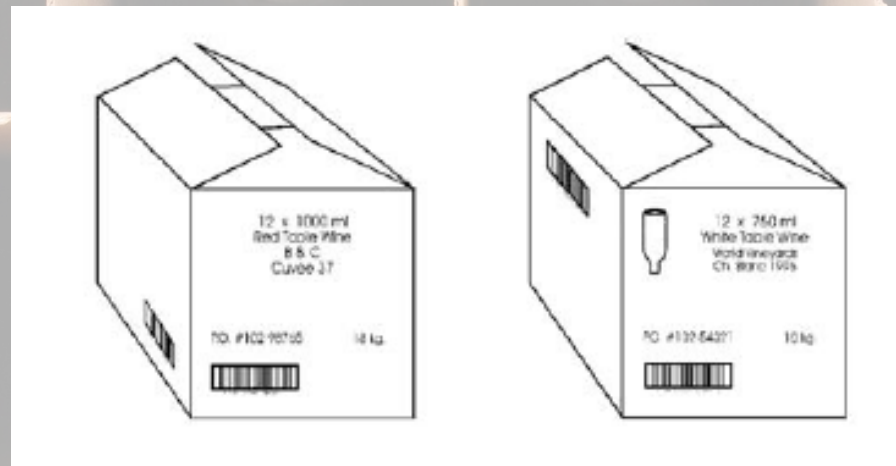
- Supplier or Carrier requested via email
- Specific “ask” to come in
 - Which ASN #'s (multiple can be on a booking)
 - Shipping method (Trailer, LTL, etc)
 - Pallet status (none, yes, slip sheets)
- CLS will issue a time
 - Arrival must be within 15 minutes of designated time if live unload

APPOINTMENT BOOKING SCHEDULES

| EMAIL DAY TO BOOK LOAD | BASED ON AVAILABILITY OF APPOINTMENTS, THE EARLIEST DAY THAT THE LOAD WILL BE BOOKED |
|---|--|
| Monday | Wednesday |
| Tuesday | Thursday |
| Wednesday | Friday |
| Thursday | Monday |
| Friday | Tuesday |
| Any load that requires re-booking will be treated as a new booking request. | |

Product is Received

- Availability within 1 business day on LC.com
- If possible,
 - Product follows CFIA and barcode requirements
 - ASN matches what arrives (compliance)



Receiving Rates

| RECEIVING RATES | | | | | | |
|-------------------------------|---|-----------------------|-----------------------|-----------------------|-----------------------|--------------------|
| RECEIVING SERVICE | DESCRIPTION | BOTTLE BEER | CAN BEER | WINE | SPIRITS | KEGS |
| Fully Palletized Receiving | 1 SKU per pallet. On acceptable pallets and proper TI x HI (pallet must not exceed 60 inches in height including pallet). | \$8.47/ per pallet | \$8.47/ per pallet | \$8.47/ per pallet | \$8.47/ per pallet | |
| Case Receiving | Cannot handle solely by forklift or slip machine. Case Handling. | \$0.42/ per case | \$0.42/ per case | \$0.42/ per case | \$0.42/ per case | |
| Slipsheet or Clamp Receiving | In proper TI x HI. Acceptable Slip sheet or ability to be clamped. | \$0.38/ per case | \$0.38/ per case | \$0.38/ per case | \$0.38/ per case | |
| Keg Receiving | | | | | | \$2.50/ per keg |
| Case Receiving Mega Cases/Keg | See definition on page 19. | \$0.84/ per case | \$0.84/ per case | \$0.84/ per case | \$0.84/ per case | \$5.00/ per keg |
| Barcoding | See definition on page 10. | \$0.26/ per case | \$0.26/ per case | \$0.26/ per case | \$0.26/ per case | |
| Administration | Charged at time of receipt. | \$0.25/ per case | \$0.25/ per case | \$0.25/ per case | \$0.25/ per case | \$0.25/ per keg |

Storage

- Storage is billed daily, so you only pay for what you use
- Inventory is vendor managed

STORAGE RATES (PER MONTH)

| PRODUCT TYPE | BOTTLE BEER | CAN BEER | WINE | SPIRITS | KEGS | MEGA CASE | MEGA KEGS |
|------------------------------------|-------------|----------|--------|---------|--------|-----------|-----------|
| < 6 months | \$0.46 | \$0.46 | \$0.46 | \$0.46 | \$3.83 | \$0.93 | \$7.66 |
| 6-12 months & Type "C" 0-12 months | \$0.97 | \$0.97 | \$0.97 | \$0.97 | \$4.13 | \$1.94 | \$8.26 |
| > 12 months | \$1.94 | \$1.94 | \$1.94 | \$1.94 | \$8.26 | \$3.88 | \$16.52 |

Allocations

- A formal process to allow suppliers to control specialized product purchases
 - “Specialized” 2000 cases per year or less
- Allocate up to 1000 cases per year, per SKU
- Allocations are set on LiquorConnect.com
 - \$0.21 per case (per transaction)
 - Expiry date
 - Suppliers and Licensees have full reporting access
- “Automatic” on receipt option

SUBMIT TRANSACTION

CANCEL TRANSACTION

| | | | | | |
|-------------|----------|-----------------|------------|-----------------------|----------------------|
| Number: | 225 | Status: | DRAFT | Confirmation Address: | connectcs@exel.com |
| Created By: | 30063200 | Created Date: | 05/09/2017 | Additional Addresses: | <input type="text"/> |
| | | Confirmed Date: | | CLS Message: | |

Product:

Destination:

| Source | Quantity | Destination | Expiry Date | Email Lic. |
|--|-------------------------|-------------|----------------------|-------------------------------------|
| <div><div>+</div><div><input type="text"/></div></div> | <div><div>0</div></div> | | <div>No Expiry</div> | <div><input type="checkbox"/></div> |

CURRENT ALLOCATION DETAIL WITH PROPOSED CHANGES FROM ABOVE

| Allocated To | SKU | Current Quantity | Proposed Quantity | Expiry Date |
|--------------|-----------|------------------|-------------------|-------------|
| | Total | 0 | 0 | |
| | Allocated | 0 | 0 | |

Assembly

- CLS fills orders via FIFO with onhand product
- CLS can fulfill shipments to other jurisdictions (typically YK, NWT, SK, BC)

WAREHOUSE ASSEMBLY RATES

| SERVICE | BOTTLE BEER | CAN BEER | WINE | SPIRITS | KEGS |
|--|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| Full Pallet | \$9.28/ per pallet | \$9.28/ per pallet | \$9.28/ per pallet | \$9.28/ per pallet | |
| Per Case | \$1.03/ per case | \$1.03/ per case | \$1.03/ per case | \$1.03/ per case | |
| Kegs | | | | | \$2.66/ per keg |
| Mega Case/Keg (See definition on page 19.) | \$2.06/ per case | \$2.06/ per case | \$2.06/ per case | \$2.06/ per case | \$5.32/ per case |

Getting Paid

- CLS integrates directly with AGLC
- Payee receives consignment payment, less markup and warehouse fees, weekly
- Detailed summary of charges provided



Wine Stats

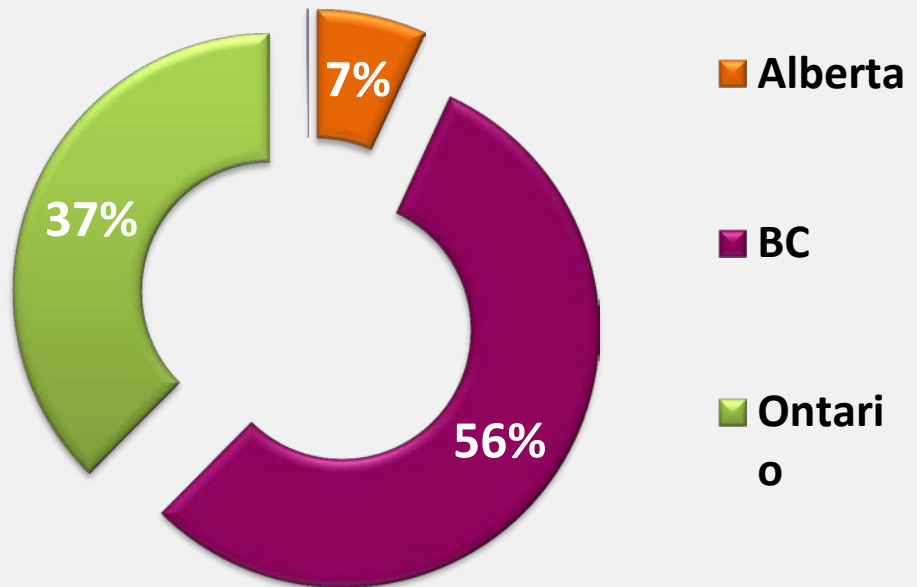
Canadian Wine

Total Canadian Wine

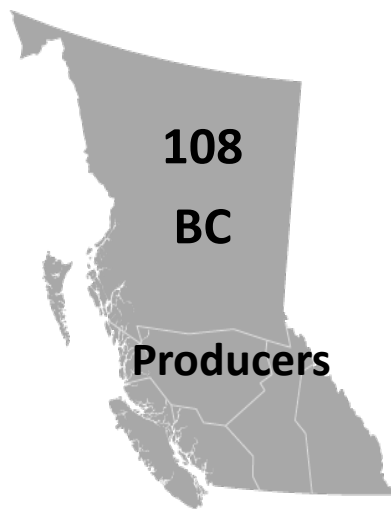
133,473 hL



% Volume Sold (by Province)



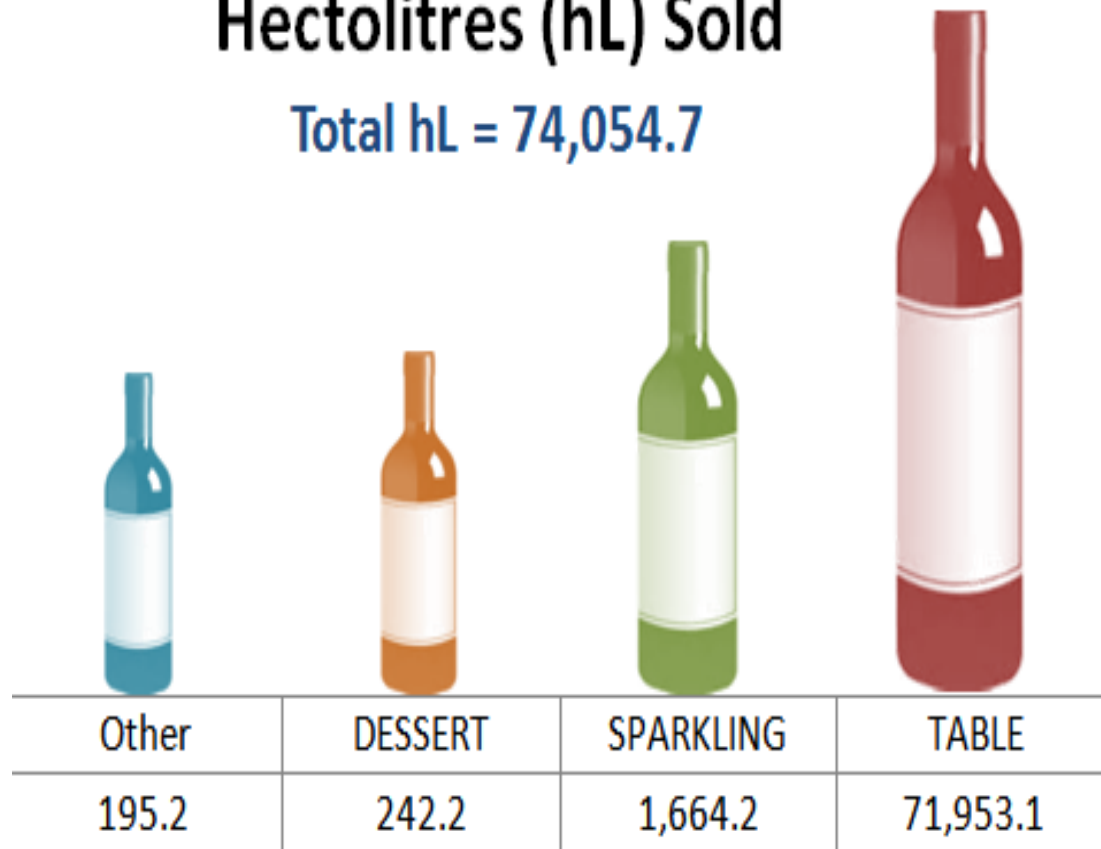
BC Wines



1,252
BC Products

Hectolitres (hL) Sold

Total hL = 74,054.7



WINE – COLOUR AND COUNTRY

- **-0.80%** compared to 2015.
- 24742 registered SKUs and 13594 available from 45 Countries. Some reduction in SKU count YOY.
- Currently 1252 BC wine and 306 Ontario available SKUs in Alberta. Wines from Alberta, Manitoba, Saskatchewan, and the Maritimes, are active at Connect.
- 55% of all wine shipped is Red.

| Product | SKU Count |
|---------|-----------|
| BLUSH | 381 |
| RED | 8109 |
| WHITE | 3903 |

| | 2012 to 2013 | 2013 to 2014 | 2014 to 2015 | 2015 to 2016 |
|-------------------|--------------|---------------|--------------|---------------|
| WINE - NEW ZELAND | 17.6% | 13.2% | 16.1% | 2.42% |
| WINE - ITALY | 6.22% | 10.9% | 6.9% | 0.01% |
| WINE - USA | 15.8% | 12.1% | 6.9% | -5.2% |
| WINE - CANADA | 4.0% | 7.5% | 6.7% | 2.4% |
| WINE - ARGENTINA | 6.1% | 2.2% | 0.2% | -1.1% |
| WINE - SPAIN | 4.5% | 2.6% | 16.9% | 11.6% |
| WINE – FRANCE | -3.5 | 0.72% | 8.4% | 4.2% |
| WINE - GERMANY | -2.7% | -4.3% | -1.9% | -13.8% |
| WINE - AUSTRALIA | -8.4% | -7.6% | -1.7% | -6.1% |
| WINE - CHILE | -8.2% | -6.06% | 8.2% | 6.7% |

WINE – SALES DATA

| IMPORT BEER | 2011 To 2012 | 2012 To 2013 | 2013 To 2014 | 2014 To 2015 | 2015 To 2016 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| EDMONTON | 9.81% | 0.06% | 8.74% | 10.80% | -0.50% |
| CALGARY | 7.05% | 5.40% | 2.63% | 2.39% | -2.09% |
| RED DEER | 6.67% | 2.34% | 5.96% | 8.49% | -4.94% |
| LETHBRIDGE | 16.49% | 2.92% | 5.31% | 9.32% | 0.77% |
| MEDICINE HAT | 6.40% | 6.46% | 6.96% | 12.52% | -1.03% |

| | 2011 to 2012 | 2012 to 2013 | 2013 to 2014 | 2014 to 2015 | 2015 to 2016 |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| WINE - Less Than \$9.99 | 2% | 1% | 23% | 14% | 6% |
| WINE - \$10.00 to \$14.99 | 13% | 9% | 5% | 5% | 2% |
| WINE - \$15.00 to \$19.99 | 3% | 6% | 5% | 5% | -3% |
| WINE - \$20.00 to \$29.99 | 0% | 0% | 2% | 3% | -12% |
| WINE - \$30.00 to \$49.99 | 16% | 17% | 14% | 11% | 11% |
| WINE - \$50.00 and up | 2% | 2% | 7% | 4% | 8% |



TOP CITIES – 2016 CASE SALES



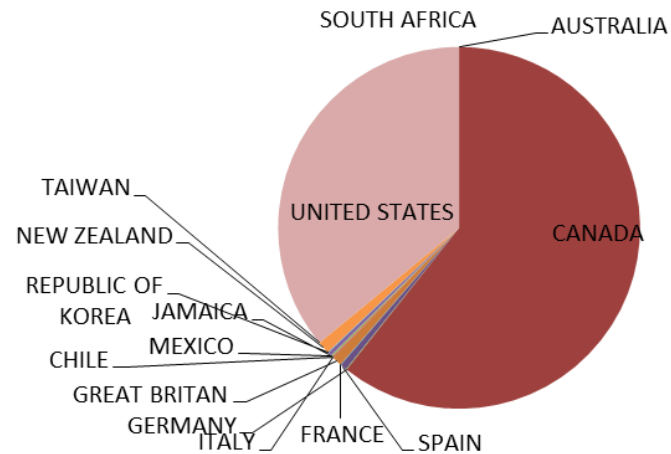
| City | Rank | Last Year | Position Change | Overall Change |
|-------------------|------|-----------|-----------------|----------------|
| CALGARY | 1 | 1 | -- | -5.78% |
| EDMONTON | 2 | 2 | -- | -8.96% |
| SHERWOOD PARK | 3 | 3 | -- | -5.54% |
| LETHBRIDGE | 4 | 4 | -- | -4.85% |
| SPRUCE GROVE | 5 | 9 | +4 | +36.05% |
| MEDICINE HAT | 6 | 7 | +1 | -6.16% |
| RED DEER | 7 | 5 | -2 | -11.19% |
| GRANDE PRAIRIE | 8 | 6 | -2 | -12.48% |
| ST ALBERT | 9 | 8 | -1 | -1.22% |
| AIRDRIE | 10 | 12 | +2 | -2.08% |
| LLOYDMINSTER | 11 | 10 | -1 | -21.79% |
| FORT MCMURRAY | 12 | 11 | -1 | -22.05% |
| OKOTOKS | 13 | 13 | -- | -2.70% |
| LEDUC | 14 | 15 | +1 | 4.61% |
| CANMORE | 15 | 17 | +2 | 0.42% |
| BANFF | 16 | 16 | -- | -3.86% |
| COLD LAKE | 17 | 14 | -3 | -10.88% |
| COCHRANE | 18 | 18 | -- | -8.23% |
| FORT SASKATCHEWAN | 19 | 20 | +1 | -8.41% |
| JASPER | 20 | N/A | +1 | -2.02% |

COOLERS

- **-3.6%** compared to 2015
- 566 registered SKUs and 457 available.
- Root Beer > 4000% increase from 2015 to 2016 to over 8000 HL.
- Liquor based coolers are +1%, while wine held steady, and beer and other fermented beverage based coolers **-12.8%** when compared to 2015.

| | 2011 To 2012 | 2012 To 2013 | 2013 To 2014 | 2014 To 2015 | 2015 To 2016 |
|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| SPIRIT | | | | | |
| EDMONTON | 20.02% | 18.83% | 8.17% | 7.09% | -3.60% |
| CALGARY | 14.18% | 13.98% | 6.86% | 4.27% | -2.56% |
| RED DEER | 23.59% | 26.77% | 7.76% | 2.18% | -8.60% |
| LETHBRIDGE | 20.96% | 12.45% | 8.88% | 12.47% | 2.21% |
| MEDICINE HAT | 27.29% | 16.30% | 12.39% | 13.48% | -1.35% |

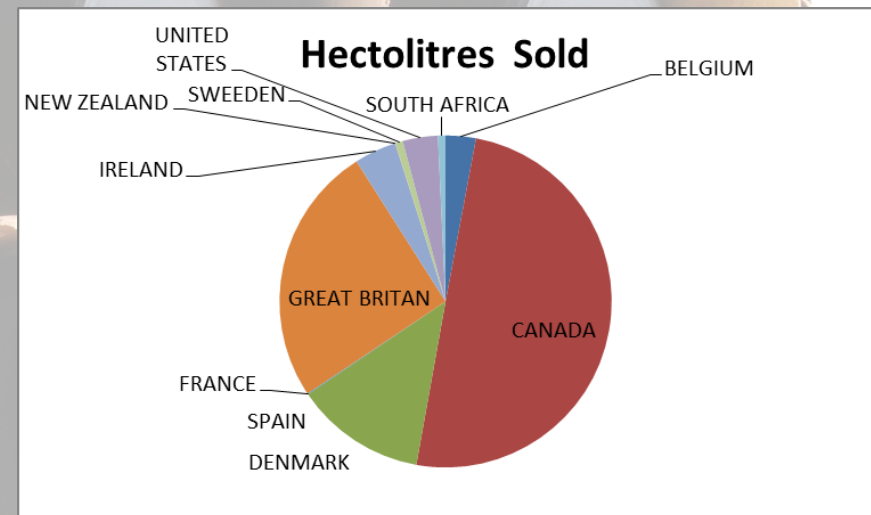
Hectolitres By Country



CIDER

- **-0.23%** compared to 2015 after significant growth in previous years.
- 50% of HL shipped are Canadian
- Cider SKU variety holds steady in 2016. 321 SKUs registered and 267 available.
- Apple and Pear are still popular. Pumpkin, Cherry, Blackberry, Citrus, and Strawberry/Rhubarb also available in Alberta.

| CIDER | 2011 To 2012 | 2012 To 2013 | 2013 To 2014 | 2014 To 2015 | 2015 To 2016 |
|--------------|--------------|--------------|--------------|--------------|---------------|
| EDMONTON | 9.55% | 21.77% | 28.97% | 20.68% | 0.62% |
| CALGARY | 7.75% | 26.09% | 27.34% | 18.24% | -5.58% |
| RED DEER | 9.56% | 17.98% | 31.22% | 21.01% | -2.02% |
| LETHBRIDGE | 0.18% | 18.88% | 36.55% | 23.86% | -1.00% |
| MEDICINE HAT | 6.71% | 24.00% | 26.30% | 45.80% | 0.21% |



SPIRITS

- **-3.05%** compared to 2015.
- After strong SKU growth in 2015, available SKUs dipped slightly in 2016 with just over 7000 SKUs registered and over 4500 available.
- Craft distilleries are becoming more common, with distilleries popping up across the province.
- 57% of HL shipped are Canadian. Spirits are available from 80 countries.

| SPIRIT | 2011 To 2012 | 2012 To 2013 | 2013 To 2014 | 2014 To 2015 | 2015 To 2016 |
|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| EDMONTON | 12.50% | -1.54% | 5.12% | 5.27% | 0.36% |
| CALGARY | 8.42% | 1.95% | -0.20% | 3.42% | -2.61% |
| RED DEER | 8.26% | -2.83% | 2.13% | -2.60% | -8.15% |
| LETHBRIDGE | 4.72% | 4.90% | -1.25% | 3.10% | -0.62% |
| MEDICINE HAT | 5.63% | 1.50% | 1.72% | 5.30% | -5.43% |

| Type | Change |
|-----------------|---------|
| MEZCAL | 40.32% |
| BITTER | 17.51% |
| MISC. LIQUOR | 16.94% |
| COGNAC | 7.81% |
| GRAPPA | 0.70% |
| TEQUILA | -0.24% |
| VODKA | -1.22% |
| WHISKY NEW RATE | -1.68% |
| GIN | -1.84% |
| BRANDY | -3.29% |
| LIQUEUR | -3.40% |
| RUM | -6.77% |
| BRANDY (FRUIT) | -6.85% |
| PRE-MIX | -11.00% |
| CACHACA | -11.07% |
| READY-TO-DRINK | -12.48% |
| ARMAGNAC | -14.91% |

RUM AND VODKA

- Vodka and Rum volumes decline vs. 2015.
 - Rum: **-5.24%** compared to 2015.
 - Vodka: **-1.22%** compared to 2015.
- Rum 638 registered SKUs and 468 available from 45 Countries. Barbados, Guyana, Jamaica, and the Dominican Republic are popular.
- Vodka 858 registered SKUs and 588 available from 30 Countries. Vodka from Canada and Russia, as well as France, Poland, Sweden, and Russia are popular.

| Product | 2012 to 2013 | 2013 to 2014 | 2014 to 2015 | 2015 to 2016 |
|------------------|---------------|----------------|---------------|----------------|
| RUM - DARK | 9.55% | -3.45% | 0.06% | 7.00% |
| RUM - FLAVORED | 29.75% | 5.81% | 3.47% | 15.53% |
| RUM - LIGHT | -5.10% | 0.82% | 2.31% | -7.13% |
| RUM - WHITE | -3.86% | -5.89% | -1.32% | -9.10% |
| VODKA - FLAVORED | -8.42% | -19.29% | -5.74% | -11.19% |
| VODKA - REGULAR | 4.39% | 3.17% | 1.70% | -0.54% |

| Type | Available SKUs |
|-------------------|----------------|
| RUM - DARK | 145 |
| RUM - FLAVOURED | 68 |
| RUM - LIGHT | 166 |
| RUM - WHITE | 89 |
| VODKA - FLAVOURED | 236 |
| VODKA - REGULAR | 352 |

WHISKY/WHISKEY

- **-1.68%** compared to 2015.
- 2930 registered SKUs and 1617 available.
- Flavored whisky, moonshine, and other products in the 'Other' category continue to fall after breakout year in 2014.
- High demand for aged single malt scotches and aged bourbons has put a strain on supply, making room for No Age Statement (NAS) whiskys in the market.

| Product | 2013 to 2014 | 2014 to 2015 | 2015 to 2016 |
|-------------------|--------------|---------------|----------------|
| WHISKY - AMERICAN | 10.97% | 11.16% | 0.69% |
| WHISKY - CANADIAN | 0.61% | 1.53% | -1.26% |
| WHISKY - IRISH | 25.14% | 21.37% | 1.56% |
| WHISKY - OTHER | 564.10% | -31.8% | -13.93% |
| WHISKY - SCOTCH | 9.37% | 7.69% | -2.96% |

| Type | # Available SKUs |
|----------|------------------|
| AMERICAN | 208 |
| CANADIAN | 287 |
| INDIAN | 14 |
| IRISH | 79 |
| OTHER | 75 |
| SCOTCH | 954 |