

The impact of Covid-19 on the Italian wine industry

Sicily en primeur 2020

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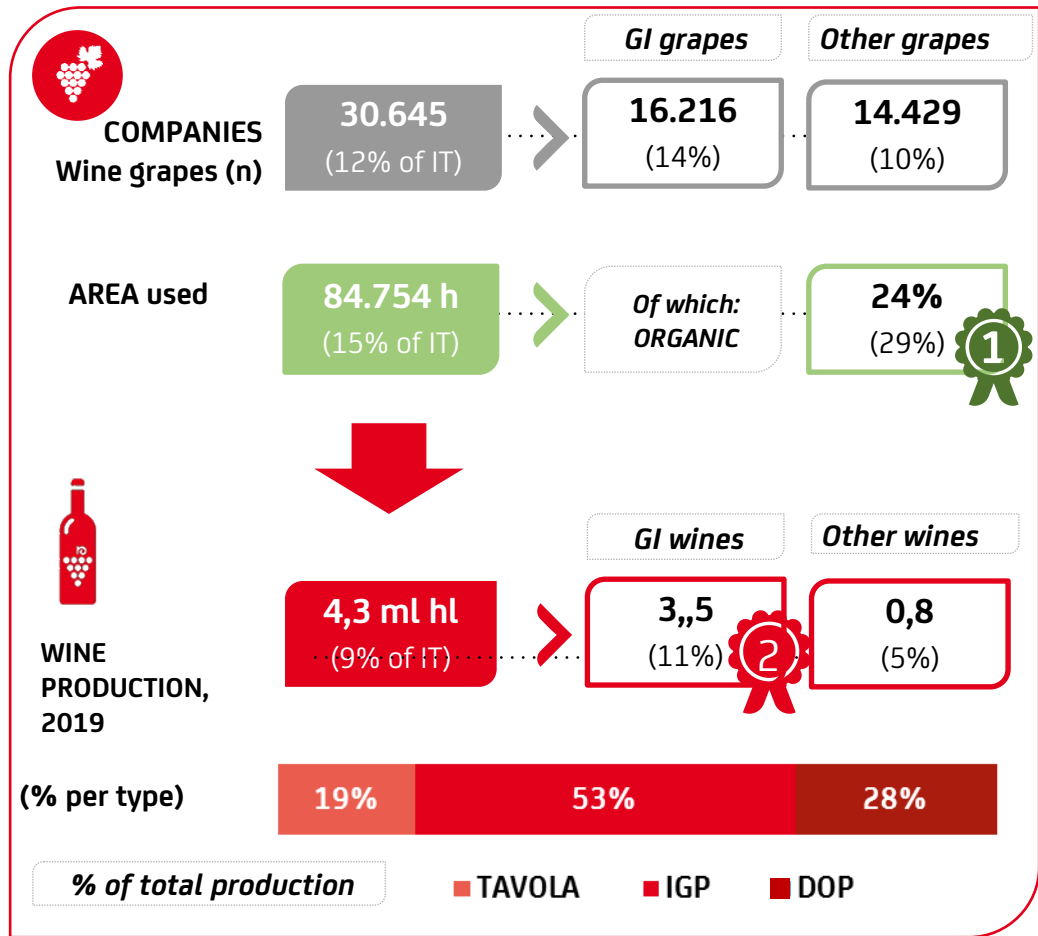
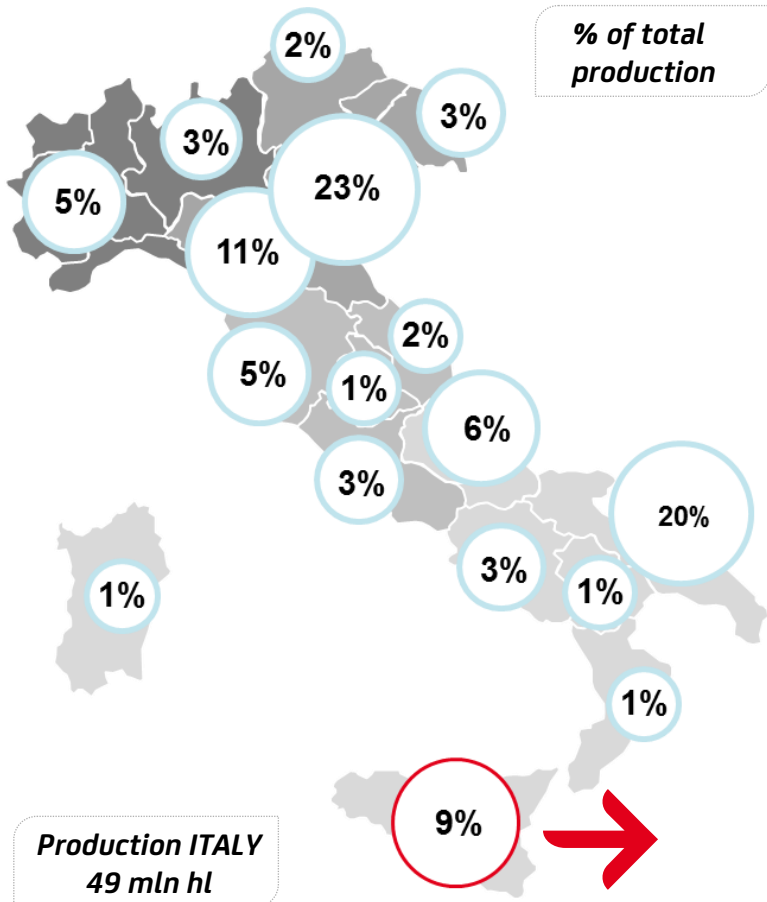
Palermo, 12nd May 2020

Corporate Sales & Marketing

Sicily: area of excellence in the Italian wine industry

SICILY

SICILY: ranks 4° in wine production (quantity), 2019



Source: our elaboration of ISTAT data 2020

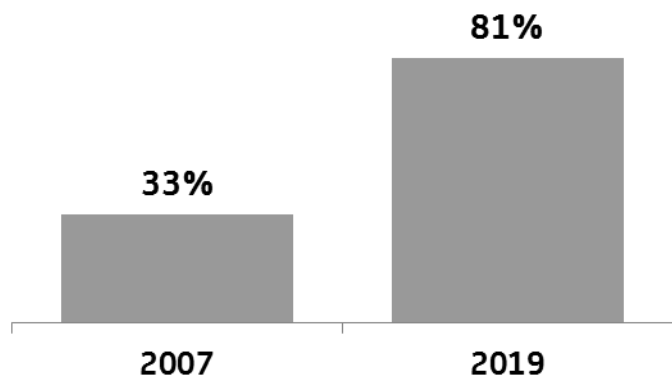


Over the last decade, Sicilians producers have pursued quality with determination

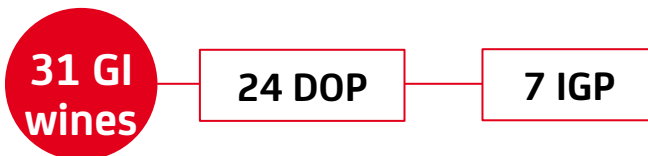
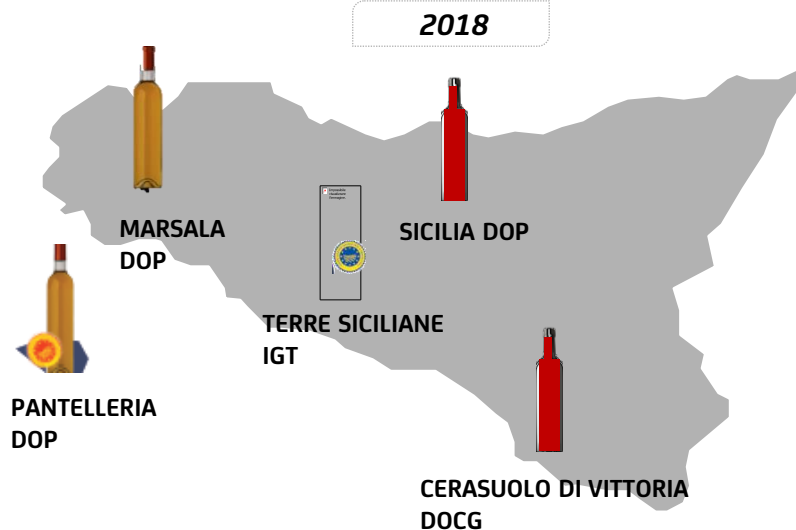
SICILY

Production of certified GI wine and composition of Sicilian wine, 2007 e 2019

% of total production (quantity)



■ TABLE WINE ■ IGP ■ DOP



1. The economic value refers to wine before bottling

Source: our elaboration of ISTAT data 2020 and ISMEA QUALIVITA data 2019

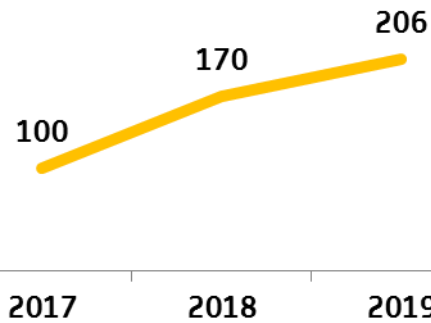


Sicilian high quality wine's popularity is growing abroad: exports of D.O.P. wine are increasing, including in faraway foreign markets

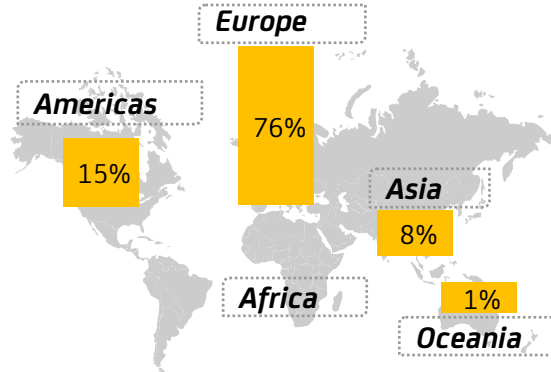
SICILY

Exports of DOP Sicilian wine (value), 2019

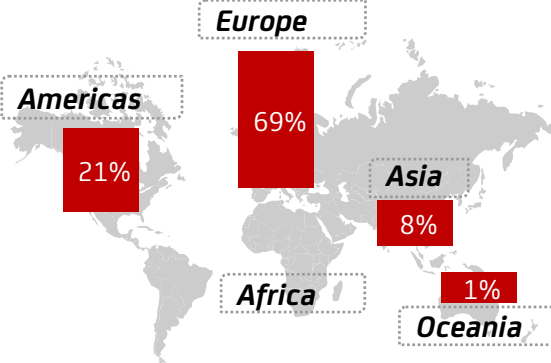
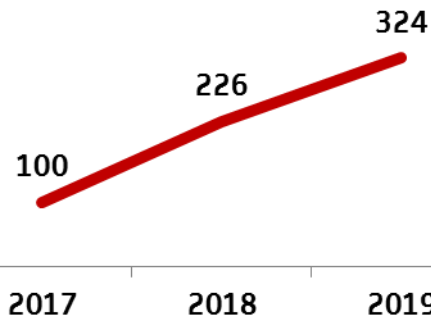
DOP white wine



Index 2017=100 and % of total exports

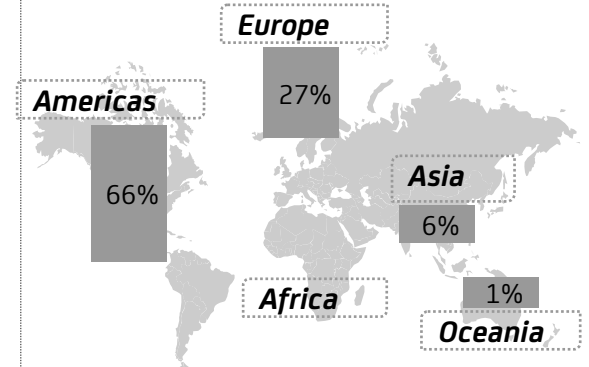
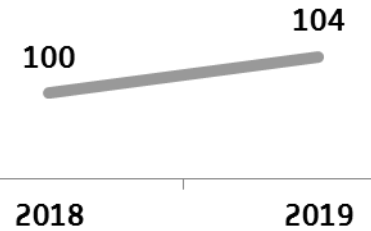


DOP red wine



Index 2018=100 and % of total exports

Marsala IGP e DOP



Source: our elaboration of ISTAT data 2020



Elements to assess the economic impact of COVID-19

REFERENCE SCENARIO



UNCERTAINTY

- **IN THE NEXT FEW MONTHS UNCERTAINTY WILL PREVAIL**

In the last few weeks we learned that what we believe today can be overturned tomorrow. For the next few months, the situation will stay uncertain and that is why **when we make plans we need to figure out alternative paths and possibilities**

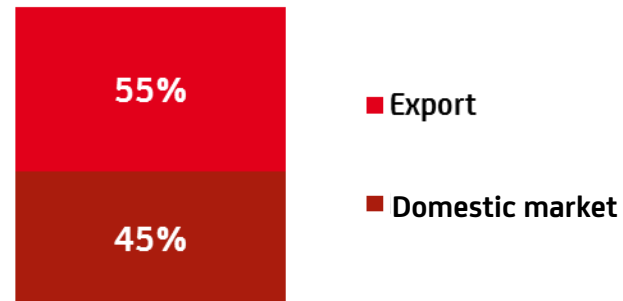
FACTORS THAT WILL AFFECT THE FUTURE SCENARIO

- **Mortality rate of the pandemic**
- **Duration**
- **Recurrence** (once or more times)
- **Containment measures** (social distancing, limitations to trade and production for domestic use or export)
- **Stimulus measures** (mainly fiscal and monetary)
- **Social behaviours** (change of shopping/work/free time habits)

FOCUS on the WINE INDUSTRY

National production of wine for destination markets (value)

% of total production



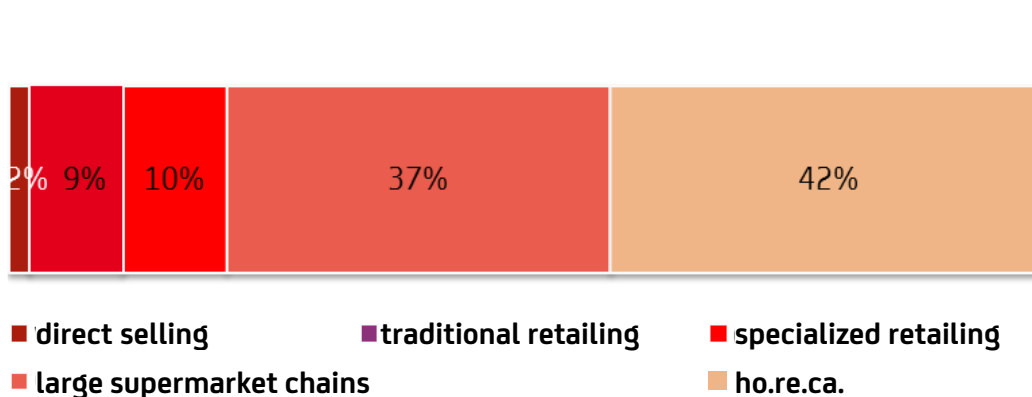
Source: our elaboration of ISTAT data 2020



Expected contraction of the domestic market, due to the difficulties of the ho.re.ca. channel and the decreased spending capacity of households

DOMESTIC MARKET AND SALES CHANNELS

Sales channels of the domestic market, 2018

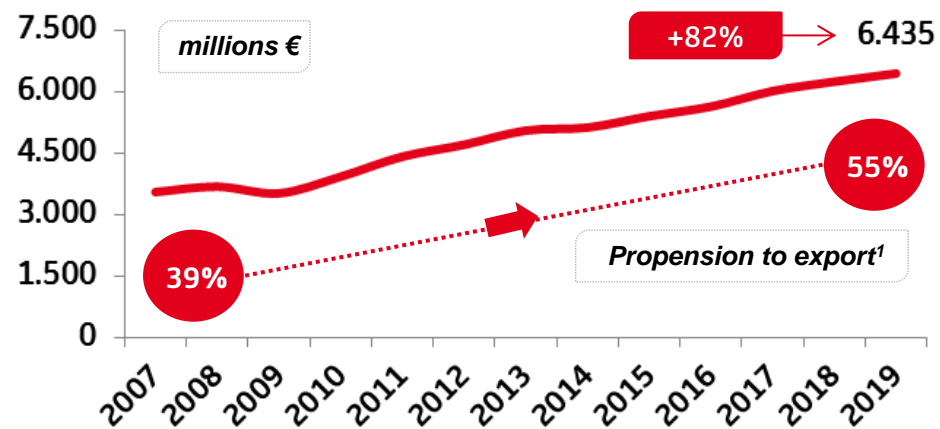


Source: our elaboration of ISTAT data 2020 and CERVED data 2019

Sharp slowdown of exports due to the spreading of the pandemia and the economic crisis that will follow

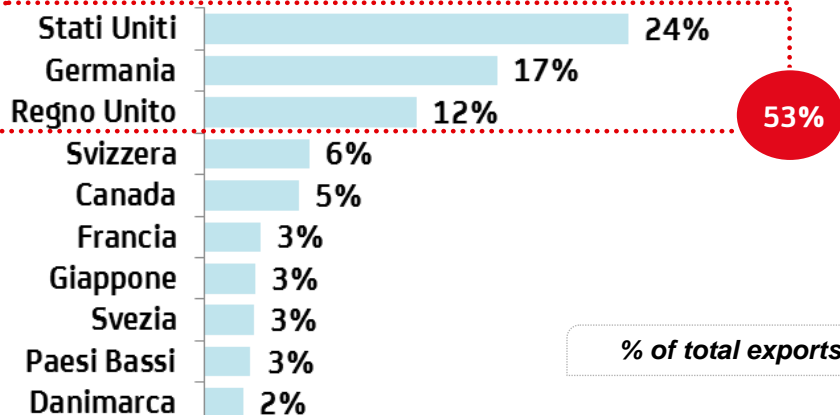
EXPORTS

Wine exports, 2007-2019



- According to the estimates of OIV², global sales will decrease by 35 to 50% in 2020

Top 10 export destination markets, 2019



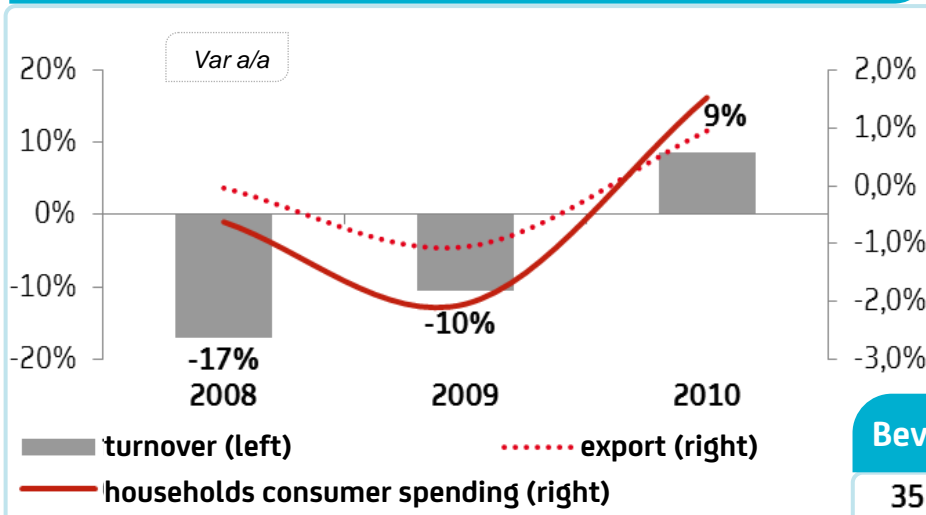
1. Exports/Production value ratio
2. International Organization of Vine and Wine

Source: our elaboration of ISTAT data 2020

According to the baseline scenario there will be a 30-35% decrease in the average revenues of the industry

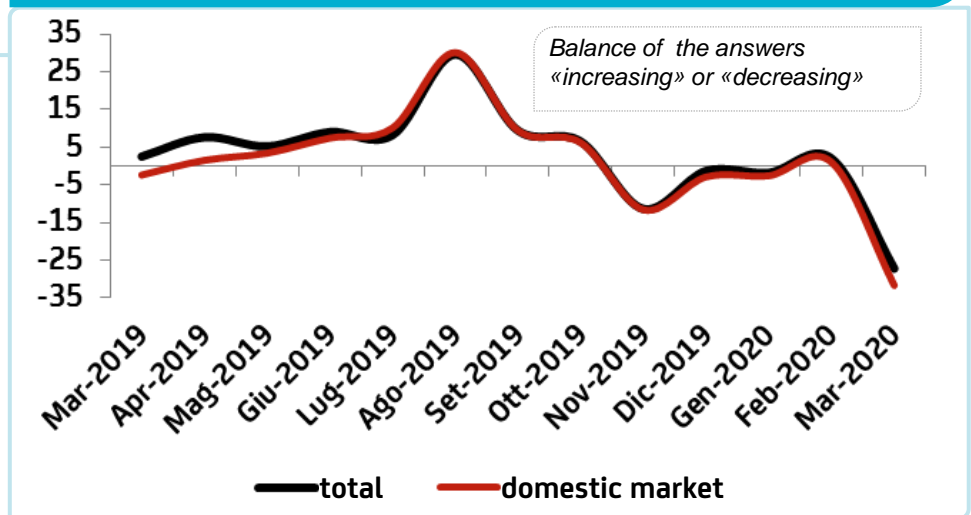
BASELINE SCENARIO 2020

CRISIS 2007-2008 – Turnover, consumption and export of wine



- Higher decreases in the sales of: medium-high range wines, sparkling wines, "innovative" wines

Beverage² producers on orders, March 2020



1. Family consumption include only direct purchase of alcoholic beverages; it does not include purchases on the ho.re.ca. channel (bars, restaurants, hotels)
 2. Active wine companies account for 60% of the BEVERAGE sector and produce 52% of total production in terms of value

Source: our elaboration of ISTAT data 2020

Changes companies look forward to in times of Coronavirus

SHORT AND MEDIUM TERM STRATEGIES

Save-vineyards plan

(Coldiretti, etc.)

- **Green harvesting** (reduction of at least 3 mln h of production of high quality wines)
- **Voluntary distillation** (reduction of at least 3 mln h of production of generic wines)

National and/or "proximity" value chains

- **Build/strengthen national value chains**
- **Focus on local area**

Diversification

"Not all eggs in one basket". It is important to diversify:

- **Destination markets**
- **Sales channels**

Strategic factors



Ability to innovate the production and organization models



Control of the value chain



Presence in the most attractive markets



Diversification of the distribution channels



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