

# WINERIES & VINEYARDS



Market Monitor

FALL 2019



MOSSADAMS

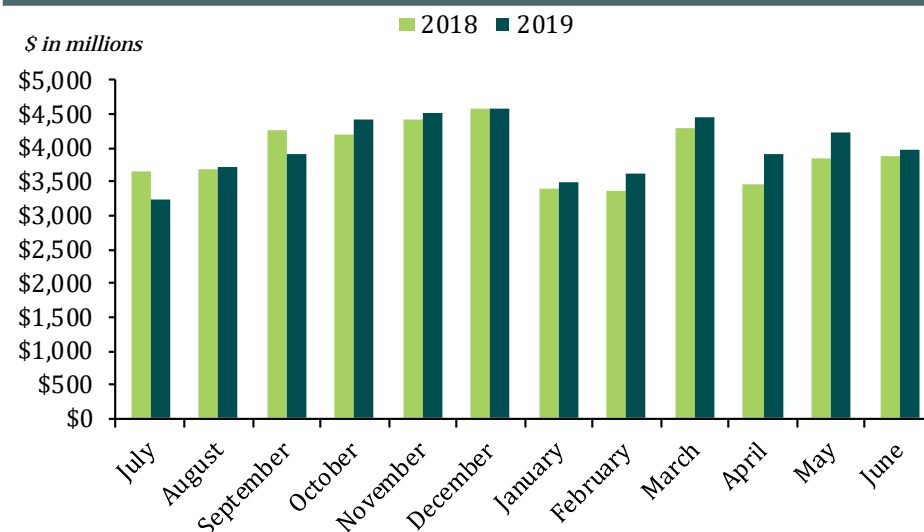
# Changing Dynamics Position the Wine Landscape for Growth

## Industry Update

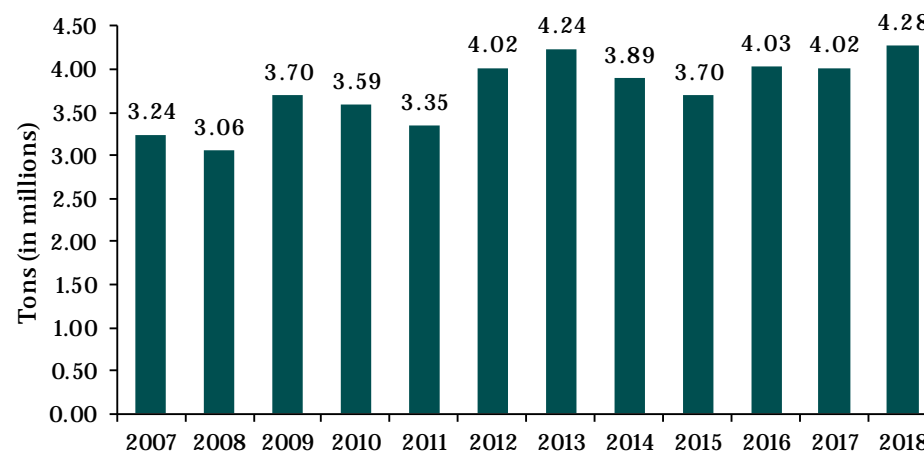
- For the trailing twelve month period ending June 2019, the U.S. wine market generated \$48.1 billion in sales, a 2.1% increase compared to the same period last year, as several nontraditional retail channels begin to incorporate wine in their service offerings and producers place greater emphasis on developing new strategies around the direct-to-consumer channel.
- Changing consumer trends moving away from luxurious trips and the lavish tasting room experience have forced wineries to find other ways of attracting younger consumers searching for more off-premise bang for their buck. With millennials' average spending trends revolving around experiences, rosé's association with summer partying and festivals continues to make it a strong entry point to the demographic group, placing Americans now as the second-largest consumers of rosé in the world after the French.
- Competition from imported wines hitting the market continues to be a threat; however, domestic producers are staying ahead of the curve by identifying high-quality acquisition targets and partnerships with foreign producers to achieve a more diversified portfolio. With only a small fraction of total U.S. wine sales coming from exports, the escalating tariff war with China hasn't created much concern to producers. As such, industry M&A activity continues at a decent pace, with strong valuations and a recent emergence of interest from high-net worth individuals.
- According to the California Agricultural Statistics Service, a record 4.28 million tons of wine grapes were crushed in 2018, up 6% from the previous year. Fueling this upward trend is the higher-than-average rainfall California experienced this year, creating a flourishing environment for all varietals affected from the drought that has plagued the state since 2011.



## Monthly U.S. Wine Sales



## Annual California Wine Grape Harvest



# Public Company Valuations

(\$U.S. in millions, except per share amounts)

Company Name	Share Price	52 Week High - Low	Market Cap	Enterprise Value	TTM Data			NTM Est. Growth		EV Multiple			
					Sales	EBITDA	Margin	Sales	EBITDA	TTM Sales	TTM EBITDA	NTM Sales	NTM EBITDA
<b>Wine Producers</b>													
Pernod Ricard SA	\$171.74	\$185.11 - \$142.15	\$45,364	\$53,644	\$10,574	\$3,046	28.8%	1.8%	10.0%	5.07x	17.6x	4.98x	16.0x
Constellation Brands, Inc.	186.69	228.91 - 150.37	35,623	49,838	8,166	3,007	36.8%	(4.3%)	(3.7%)	6.10x	16.6x	6.38x	17.2x
Davide Campari-Milano S.p.A.	9.10	10.41 - 7.05	10,476	11,548	2,027	499	24.6%	4.4%	12.5%	5.70x	23.2x	5.45x	20.6x
Treasury Wine Estates Limited	11.61	13.49 - 9.07	8,333	8,976	1,901	483	25.4%	7.7%	17.2%	4.72x	18.6x	4.38x	15.9x
Rémy Cointreau SA	140.19	153.73 - 105.34	6,982	7,368	1,264	323	25.5%	5.7%	15.9%	5.83x	22.8x	5.52x	19.7x
Viña Concha y Toro S.A.	1.91	2.07 - 1.75	1,430	1,818	913	125	13.7%	0.7%	16.0%	1.99x	14.5x	1.98x	12.5x
Laurent-Perrier S.A.	99.80	127.55 - 95.55	591	911	280	52	18.7%	3.5%	10.9%	3.25x	17.4x	3.14x	15.7x
Andrew Peller Limited	10.74	13.38 - 8.82	474	591	286	43	15.1%	3.5%	12.1%	2.07x	13.7x	2.00x	12.2x
AdVini S.A.	29.76	36.92 - 27.97	115	314	294	13	4.3%	5.7%	64.0%	1.07x	24.7x	1.01x	15.1x
Australian Vintage Ltd	0.33	0.42 - 0.28	91	145	194	18	9.2%	4.4%	6.9%	0.75x	8.1x	0.72x	7.6x
Willamette Valley Vineyards, Inc.	6.95	8.38 - 6.55	35	58	24	6	25.0%	NA	NA	2.47x	9.9x	NA	NA

Median	\$1,818	\$913	\$125	24.6%	4.0%	12.3%	3.25x	17.4x	3.76x	15.8x
Average	\$12,292	\$2,357	\$692	20.7%	3.3%	16.2%	3.55x	17.0x	3.56x	15.2x

Note: Not meaningful (NM) if EV/Sales is greater than 10x, or EV/EBITDA is greater than 40x. NA if denominator is 0, for percentages and multiples, or if estimates are not available. NTM figures are based on the median estimate of Wall St. analysts.

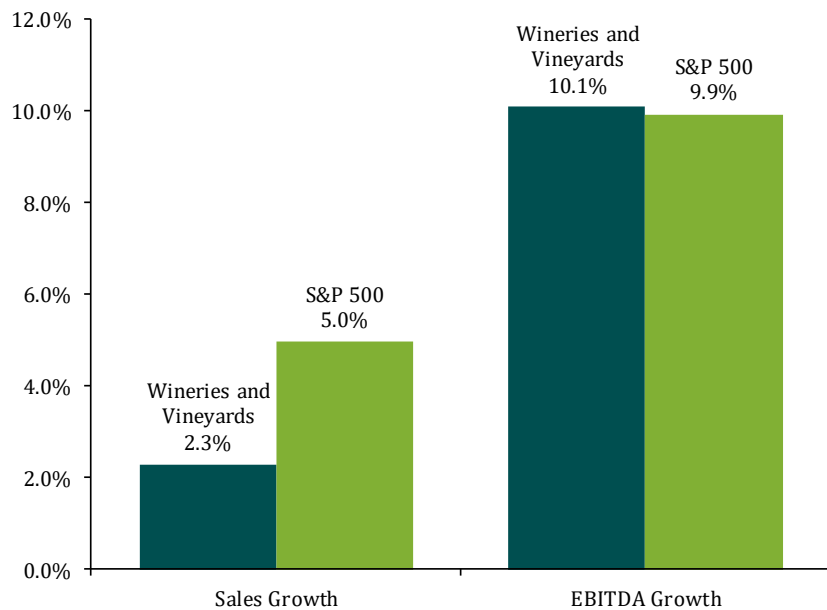
Source: S&P CapitalIQ, company filings.

# Tailwinds Continue to Push Growth Further into 2019

- The Street expects wine producers to have slightly lower sales growth over the next twelve months as compared to the S&P 500, with publicly traded wine companies and the broader market expected to grow revenues by 2.3% and 5.0%, respectively.
- However, EBITDA growth projections are expected to surpass the S&P 500 with public wineries and vineyards expected to grow their EBITDA 10.1% compared to the 9.9% growth expected of the broader market.
- Despite softening sales growth and changing industry specific dynamics, wine producers' EV/EBITDA valuation multiples have been trading at a significant premium to the S&P 500. Wine producers are currently trading at 15.6x EBITDA, 22.8% above the S&P 500 index valuation of 12.7x.
- This growth is driven by wineries updating their value proposition toward younger consumers and implementing investments in direct-to-consumer strategies to offset increased competition from foreign producers.



## Next 12 Months: Estimated Growth



## Public Market Valuations



Note: Wine Producers is composed of the public companies included on slide 3.  
Source: S&P CapitalIQ.

# Select, Recent M&A Activity

\$ in millions

Close

Date	Acquirer/Investor	Target	Target State	Comments
Announced	Vintage Wine Estates, Inc.	Tamarack Cellars	WA	25K cases
Announced	Allegro Wine Company, LLC	Naylor Wine Cellars, Inc	PA	NA
Aug-19	Foley Family Wines, Inc.	Huntington Hill Vineyards/Chalk Ridge Vineyard	CA & OR	NA
Jun-19	Private Investor	Sierra Vista Vineyards & Winery, Inc.	CA	5K cases
Jun-19	ZX Ventures LLC	Swish Beverages LLC	NY	NA
Apr-19	E. & J. Gallo Winery, Inc.	Portfolio Of Wine And Spirits Brands And Six Winemaking Facilities of Constellation Brands, Inc.	NY	NA
Mar-19	Distinguished Vineyards & Wine Partners	Textbook Wines of Scenic Root Winegrowers	CA	NA
Mar-19	Vintage Wine Estates, Inc.	Laetitia Vineyard And Winery, Inc.	CA	35K cases
Mar-19	Vintage Wine Estates, Inc.	Alloy Wine Works LLC	CA	4,000 12-pack 375 ml cans
Feb-19	Champagne Louis Roederer S.A.	Meredith Vineyard Estate, Inc.	CA	28K cases
Jan-19	Rombauer Vineyards, Inc.	Renwood Winery Facility in Amador County	CA	NA
Jan-19	Private Investor	BRAND Napa Valley LLC	CA	NA
Nov-18	Vintage Wine Estates, Inc.	QUPE WINE CELLARS, LLC	CA	NA
Oct-18	Guarachi Wine Partners, Inc.	Parker Station	CA	30K cases
Oct-18	The Wine Group LLC	7 Deadly Brand of Michael David Winery	CA	300K cases
Aug-18	The Great Oregon Wine Co.	Duck Pond Cellars, Inc	OR	50K cases
Aug-18	Long Meadow Ranch Winery, Inc.	Stony Hill Vineyard	CA	5K cases
Aug-18	Duckhorn Wine Company, Inc.	KB Wines, LLC	CA	30K cases
Aug-18	Precept Wine, LLC	Wholesale Wine Business of Truett-Hurst, Inc.	WA	300K cases
Jul-18	AXA Millesimes SA	Outpost Wines, LLC	CA	3K cases
Jul-18	E. & J. Gallo Winery, Inc.	Locations Brand Of Shooting Gallery Wines, LLC	CA	NA
Jun-18	Fetzer Vineyards, Inc.	Excelsior Wine Company, LLC	NY	130K cases
May-18	E. & J. Gallo Winery, Inc.	Rancho Real Vineyard	CA	NA
Apr-18	The Lawrence Group	Heitz Wine Cellars Inc.	CA	40K cases
Apr-18	Foley Family Wines, Inc.	Acrobat Wine	OR	156K cases
Jan-18	Huneeus Vintners LLC	Benton-Lane Winery	OR	35K cases
Jan-18	Willamette Valley Vineyards, Inc.	Maison Bleue Winery	WA	2K cases
Jan-18	Vite USA, Inc.	Sullivan Vineyards Corporation	CA	3K cases
Nov-17	Private Investor	Lake James Cellars	NC	2.5K cases
Nov-17	Paul Hobbs Winery, Inc.	Silverado Investment Management Company, Cabernet Sauvignon Vineyard	CA	NA
Oct-17	Private Investor	King Of Clubs	CA	NA
Sep-17	Silver Oak Cellars, Inc.	Erath Vineyards, Inc., Prince Hill Vineyard	OR	NA
Sep-17	Private Investor	Mayacamas Vineyards Inc.	CA	5K cases
Aug-17	Duckhorn Wine Company, Inc.	Calera Wine Company	CA	1K cases
Jul-17	Private Investor	Wahluke Wine Company, Inc.	WA	1.8MM cases
Jun-17	Got Wine, LLC	Hidden Lake Winery and Banquet Center	IL	NA
Jun-17	Constellation Brands, Inc.	Schrader Cellars, LLC	CA	4K cases
May-17	Jackson Family Wines, Inc.	Brewer-Clifton LLC	CA	9.8K cases
Apr-17	Private Investor	Sisyphus LLC	CA	NA
Apr-17	Maisons & Domaines Henriot America	Beaux Frères, LLC	OR	8.5K cases
Apr-17	Waliser Winery LLC	Balboa Winery, LLC	WA	7.5K cases
Apr-17	Francis Ford Coppola Presents, LLC	The Silverwood Vineyard	CA	NA
Apr-17	Private Investor	Cannon River Winery, LLC	MN	NA
Apr-17	E. & J. Gallo Winery, Inc.	Stagecoach Vineyard	CA	NA
Jan-17	Vintage Wine Estates, Inc.	Clara Street Company	CA	NA

Source: S&P CapitalIQ, PitchBook, company filings, news releases.





# Overview of Select, Notable Transactions



acquires



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Announced

FOLEY FAMILY WINES

- Foley Family Wines (FFW) announced the acquisition of Huntington Hill Vineyards in Willamette Valley, Oregon, and Chalk Ridge Vineyard in Russian River Valley, California for an undisclosed amount.
- Each vineyard will support the rapidly growing luxury wine portfolio, which includes The Four Graces from Willamette Valley and Chalk Hill from Sonoma County.
- "The purchase of these two premier vineyards reaffirms the Foley family's commitment to the luxury wine segment and provides the FFW organization the opportunity to fuel growth for both The Four Graces and Chalk Hill brands," said Gerard Thoukis, Chief marketing Officer for Foley Family Wines.

Wineries and Vineyards



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acquires



March 2019

- Vintage Wine Estates ("DWC"), the 14<sup>th</sup> largest wine company in the U.S., acquired Alloy Wine Works, one of the first innovators of the fine varietal, appellation wines available in aluminum cans available in high-end retailers and fine wine shops nationwide.
- "Simply put, we were so impressed by [Alloy's] vision of providing high quality wines in alternative packaging that we felt the brand aligned perfectly with our commitment to vertical integration and innovation, of always being focused on wine quality and the consumer experience," commented Pat Roney, CEO of Vintage Wine Estates.
- The four core varietals of the acquired portfolio include the Everyday Rosé, Chardonnay, Pinot Noir and Everyday Red with continued small production of exclusive favorites such as Book Club (Sauvignon Blanc), Antipasto (Sangiovese) and Pacific Bloom Sangria.
- Alloy Wine Works is currently ranked #8 for premium canned wine above \$10.

Source: S&P CapitalIQ, company filings, news releases.

# Our Locations



## ARIZONA

Phoenix

## CALIFORNIA

Fresno

Los Angeles

*Manhattan Beach*

Napa

Orange County

Silicon Valley

Sacramento

San Diego

San Francisco

Santa Rosa

Stockton

Walnut Creek

*Woodland Hills*

*Colorado*

Denver

## KANSAS

Kansas City

## NEW MEXICO

Albuquerque

## OREGON

Eugene

Medford

Portland

## TEXAS

Dallas

Houston

## WASHINGTON

Bellingham

Everett

*Issaquah*

Seattle

Spokane

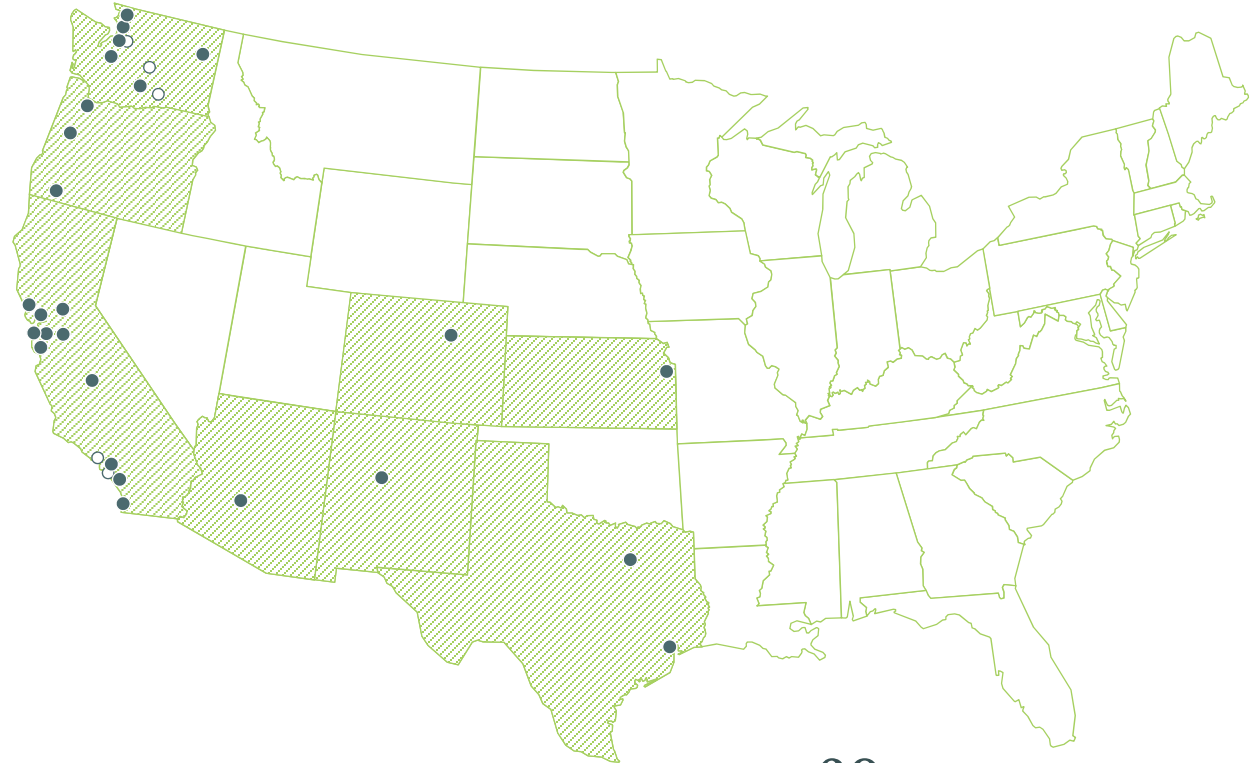
Tacoma

*Tri-Cities*

*Wenatchee*

Yakima

- Moss Adams Location
- *Satellite*



◀ **30+**  
locations west of  
the Mississippi



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CLEAN TECHNOLOGY	COMMUNICATIONS & MEDIA	CONSTRUCTION	ENERGY & UTILITIES
FINANCIAL SERVICES	FOOD & BEVERAGE	FOREST PRODUCTS	GOVERNMENT
HEALTH CARE	HIGHER EDUCATION	HOSPITALITY	LIFE SCIENCES & MEDICAL DEVICES
MANUFACTURING & CONSUMER PRODUCTS	NOT-FOR-PROFIT	PRIVATE CLIENTS	PRIVATE EQUITY
PROFESSIONAL SERVICES	REAL ESTATE	RESTAURANTS	RETAIL
TECHNOLOGY	TRANSPORTATION & LOGISTICS	TRIBAL & GAMING	WINE

 **30+**  
Industries served





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# Our Global Reach Through Local Contacts



Wineries and Vineyards

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# Contact Us

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