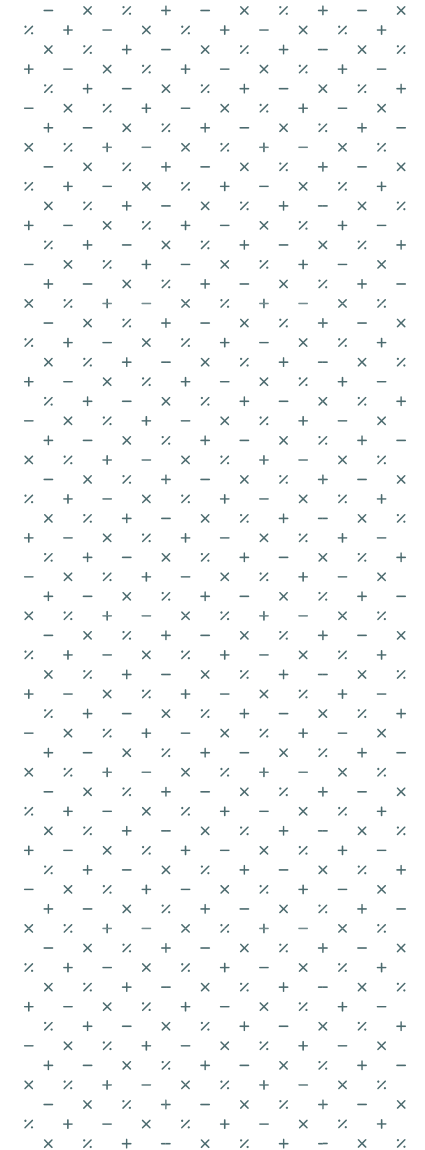




# Wineries and Vineyards

Market Monitor

Summer 2018



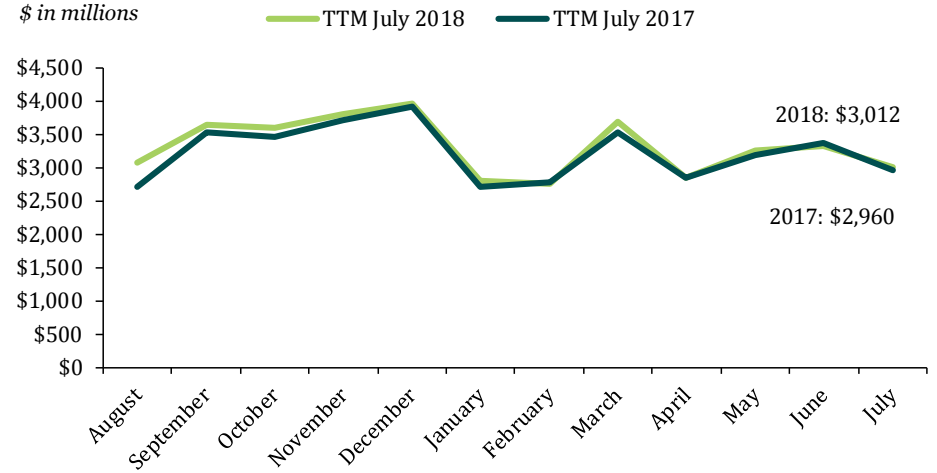
# Increased Focus on Direct-to-Consumer and Premium Wines



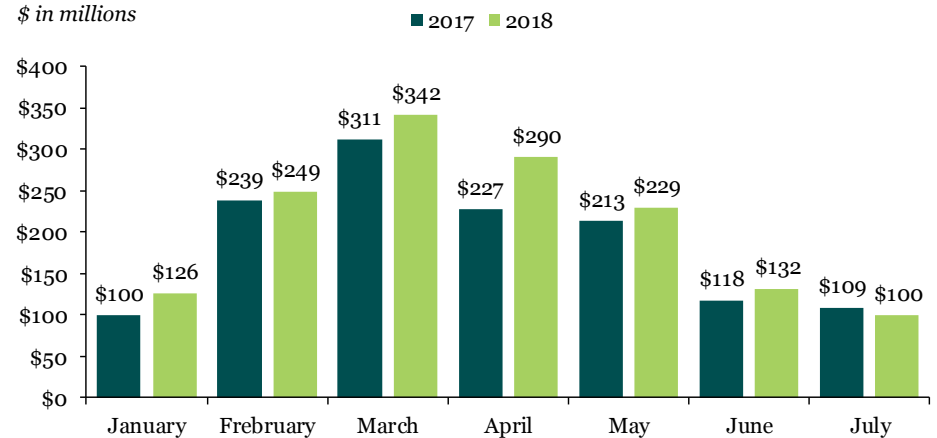
## Industry Update

- The U.S. wine industry experienced modest sales growth over the last twelve months. From August 2017 through July 2018, the U.S. wine market generated \$46.1 billion in sales, an increase of 3.0% compared to the same period last year.
- Anheuser-Busch InBev has made its second investment into the wine industry with a recent minority investment (March 2018) in Swish Beverages, a New York, NY based wine company that caters towards younger consumers. A-B InBev stated they believe that “SWISH has the potential to disrupt the traditional wine industry by offering unique choices that capture the tastes of its millennial following.”
- Many private label wines have recently been winning prestigious awards for their quality, marking a major shift in the premiumization of private label wines. For example, the German retail chain Lidl won 100 medals at the International Wine Competition in Los Angeles this past May.
- The trend toward premium private label wines can be attributed to millennials increasing the breadth of the wines that they drink. Older consumers continue to gravitate toward familiar grapes and regions, while cost sensitive millennials are more open to trying private label wines and an array of varietals from around the world.
- Direct-to-Consumer sales have grown 13.0% over the last 12 months and are expected to continue to rise as a larger share of consumers adopt this model of purchasing wine.
- Wildfire season has come early to Northern California this year with multiple fires already occurring in July (wildfire season does not typically begin until August). However, as of publication, wine country is not threatened by any major fires.

## TTM June 2017 v. TTM June 2018 Monthly Sales



## Month-over-Month DTC Sales Comparison



# 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	\$161.44	\$172.91 - \$131.19	\$42,624	\$51,486	\$10,844	\$3,138	28.9%	1.1%	2.4%	4.75x	16.4x	4.69x	16.0x
Constellation Brands, Inc.	210.23	236.62 - 191.71	40,199	50,106	7,704	2,789	36.2%	7.5%	11.0%	6.50x	18.0x	6.05x	16.2x
Treasury Wine Estates Limited	13.69	15.02 - 9.07	9,774	10,147	1,955	455	23.3%	2.8%	14.5%	5.19x	22.3x	5.05x	19.5x
Davide Campari-Milano S.p.A.	8.44	9.07 - 6.64	9,706	10,902	2,074	550	26.5%	(3.4%)	(6.9%)	5.26x	19.8x	5.44x	21.3x
Rémy Cointreau SA	136.69	153.66 - 110.42	6,835	7,167	1,388	318	22.9%	2.6%	4.3%	5.16x	22.5x	5.03x	21.6x
Viña Concha y Toro S.A.	2.15	2.37 - 1.60	1,605	1,940	1,071	143	13.4%	(2.9%)	6.0%	1.81x	13.5x	1.87x	12.8x
Laurent-Perrier S.A.	125.22	128.73 - 88.36	740	1,066	278	55	19.7%	(1.6%)	4.7%	3.83x	19.5x	3.89x	18.6x
Andrew Peller Limited	12.67	14.62 - 8.16	560	692	282	45	15.8%	7.7%	16.2%	2.45x	15.5x	2.28x	13.3x
AdVini S.A.	39.56	43.07 - 38.62	148	351	300	16	5.5%	4.5%	35.1%	1.17x	21.4x	1.12x	15.9x
Australian Vintage Ltd	0.42	0.49 - 0.30	116	178	194	18	9.1%	6.8%	9.8%	0.92x	10.1x	0.86x	9.2x
Willamette Valley Vineyards, Inc.	8.20	8.86 - 7.81	41	56	21	5	24.3%	NA	NA	2.69x	11.1x	NA	NA
Truett-Hurst, Inc.	1.31	2.50 - 1.26	6	23	23	(1)	NA	NA	NA	1.00x	NA	NA	NA

Median	\$1,503	\$686	\$99	22.9%	2.7%	7.9%	3.26x	18.0x	4.29x	16.1x
Average	\$11,176	\$2,178	\$627	20.5%	2.5%	9.7%	3.39x	17.3x	3.63x	16.4x

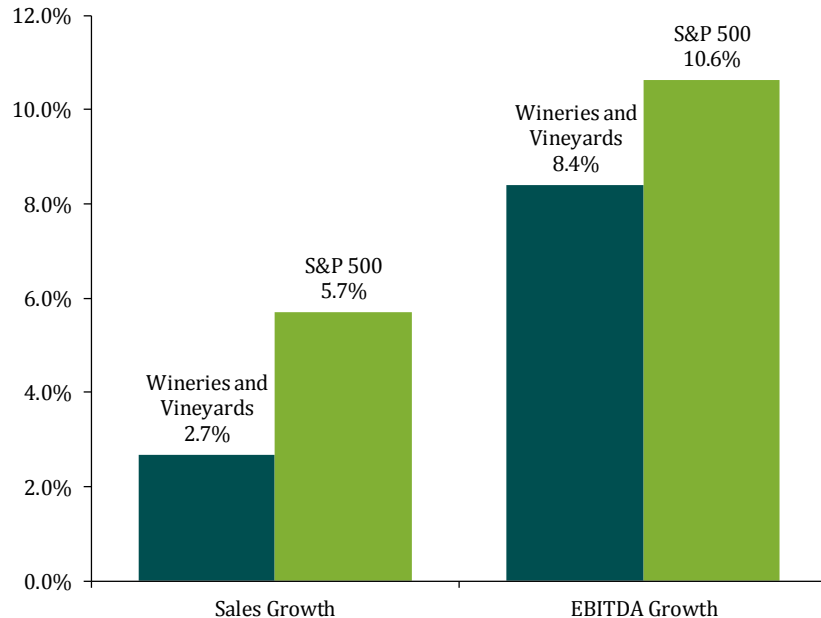
Note: Not meaningful (NM) if EV/Sales is greater than 10x, or EV/EBITDA is greater than 40x. NA if denominator is 0, for percentages and multiples, or if estimates are not available. NTM figures are based on the median estimate of Wall St. analysts.

Source: S&P CapitalIQ, company filings.

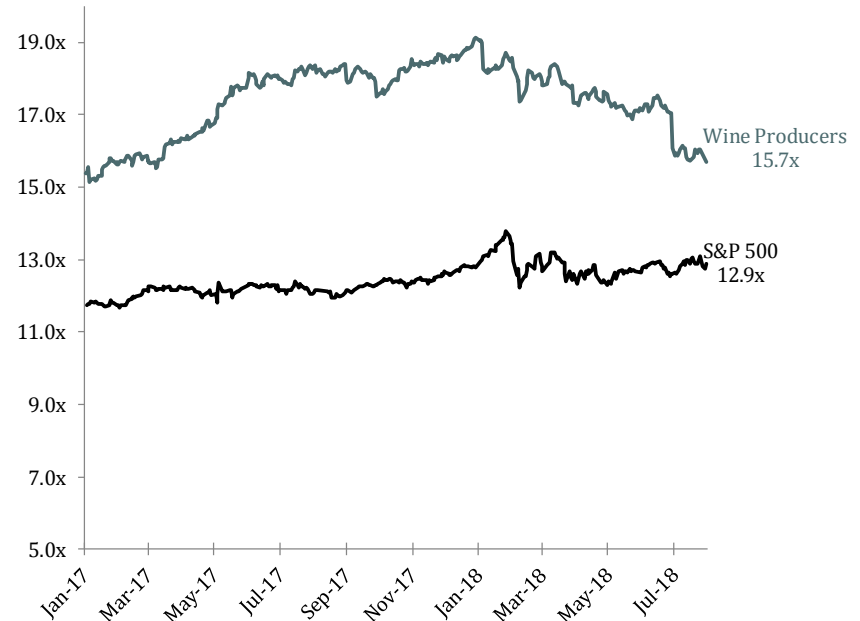
# Slight Headwinds Slowing Growth in 2018

- Analysts expect publicly traded wine producers to have 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 2.7% and 5.7%, respectively.
- In addition, EBITDA growth projections are expected to lag behind the S&P 500 with public wineries and vineyards expected to grow their EBITDA 8.4% compared to the 10.6% growth expected of the broader market.
- Despite deceleration in sales growth and a decreasing trend in valuation multiples, wine producers' EV/EBITDA valuation multiples have been trading at a significant premium to the S&P 500. Wine producers are currently trading at 15.7x EBITDA, 24.8% above the S&P 500 index valuation of 12.9x.
- Wine producers' valuation multiples are trading 18.0% below the last twelve month high-water mark of 19.1x EBITDA in December 2017.

## Next 12 Months: Estimated Growth



## Public Market Valuations



Note: Wine Producers is composed of the public companies included on slide 4.

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	Huneus Vintners LLC	Benton-Lane Winery	OR	35K cases
Announced	Duckhorn Wine Company, Inc.	KB Wines, LLC	CA	30K cases
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	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
Mar-17	E. & J. Gallo Winery, Inc.	Stagecoach Vineyard	CA	NA
Jan-17	Vintage Wine Estates, Inc.	Clara Street Company	CA	NA
Dec-16	Trinchero Family Estates, Inc.	Mason Cellars	CA	45K cases
Oct-16	The Sill Family Vineyards	Ardente Estate Winery	CA	2.5K cases
Oct-16	TSG Consumer Partners	Duckhorn Wine Company, Inc.	CA	121K cases
Oct-16	Heathen Brewing, LLC	Village Vineyard Winery LLC (nka:Heathen Estate)	WA	NA
Oct-16	Vintage Wine Estates, Inc.	Delectus Winery	CA	4.5K cases
Oct-16	Jackson Family Wines, Inc.	Willakenzie Estate, Inc.	OR	25K cases
Sep-16	Jackson Family Wines, Inc.	Field Stone Winery & Vineyard, Inc.	CA	40K cases
Aug-16	Private Investor	Jaffurs Wine Cellars	CA	5K cases
Aug-16	KB Wines, LLC	Cerise Vineyards	CA	181 cases
Aug-16	O'Neill Vintners and Distillers	Robert Hall Winery LLC	CA	60K cases
Jul-16	Private Investor	Portfolio 12 Brands of Treasury Wine Estates	CA	1M cases

Wineries and Vineyards



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

# Overview of Select, Notable Transactions



**announces acquisition of**



**August 2018**

- Duckhorn Wine Company (“DWC”), a St. Helena, CA based winery that is backed by TSG Partners, has announced its acquisition of Kosta Browne Winery. Terms of the deal were not disclosed.
- Kosta Browne was founded in 1997 and makes one of the New World’s most sought-after Pinot Noirs.
- The acquisition consists of the Kosta Browne company, the winery, all assets and inventory, and 170 acres of vineyards through ownership or long-term leases which include the Cerise Vineyard in the Anderson Valley, sections of the Keefer Ranch Vineyard located in the Russian River Valley, and Gap’s Crown Vineyard on the Sonoma Coast.
- Alex Ryan, President and CEO of DWC stated, “Building out our esteemed Pinot Noir and Chardonnay collection with the addition of Kosta Browne will further enhance our visibility and reach among all wine drinkers.”
- TSG Partners President, Jamie O’Hara commented, “DWC’s acquisition of Kosta Browne comes at an exciting time in the premium beverage sector. We have been looking to expand our presence in this dynamic space as evidenced by our recent investments... We believe Kosta Browne is the perfect partner for DWC and an ideal fit with our investment strategy.”



- Fetzer Vineyards has acquired Excelsior Wine Company, an importer and marketer of South American and California wines, for \$40.5 million.
- Excelsior’s portfolio includes South American wines such as Viña Concha y Toro and Trivento as well as California brands such as the Little Black Dress and Beckon.
- The combined portfolio will produce an estimated 5.2 million cases annually.
- Fetzer Vineyards CEO stated, “We are thrilled to add this celebrated and diverse portfolio to our growing collection. These wines further enhance the breadth of our offerings, and allow us to deliver a variety of desirable brands across multiple origins and in every market segment for our valued trade partners and wine consumers.”
- Fetzer Vineyards was established in Mendocino County, California in 1968 and exports its diverse wines to more than 50 countries worldwide. Fetzer is currently a part of the global winery Viña Concha y Toro.

# 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

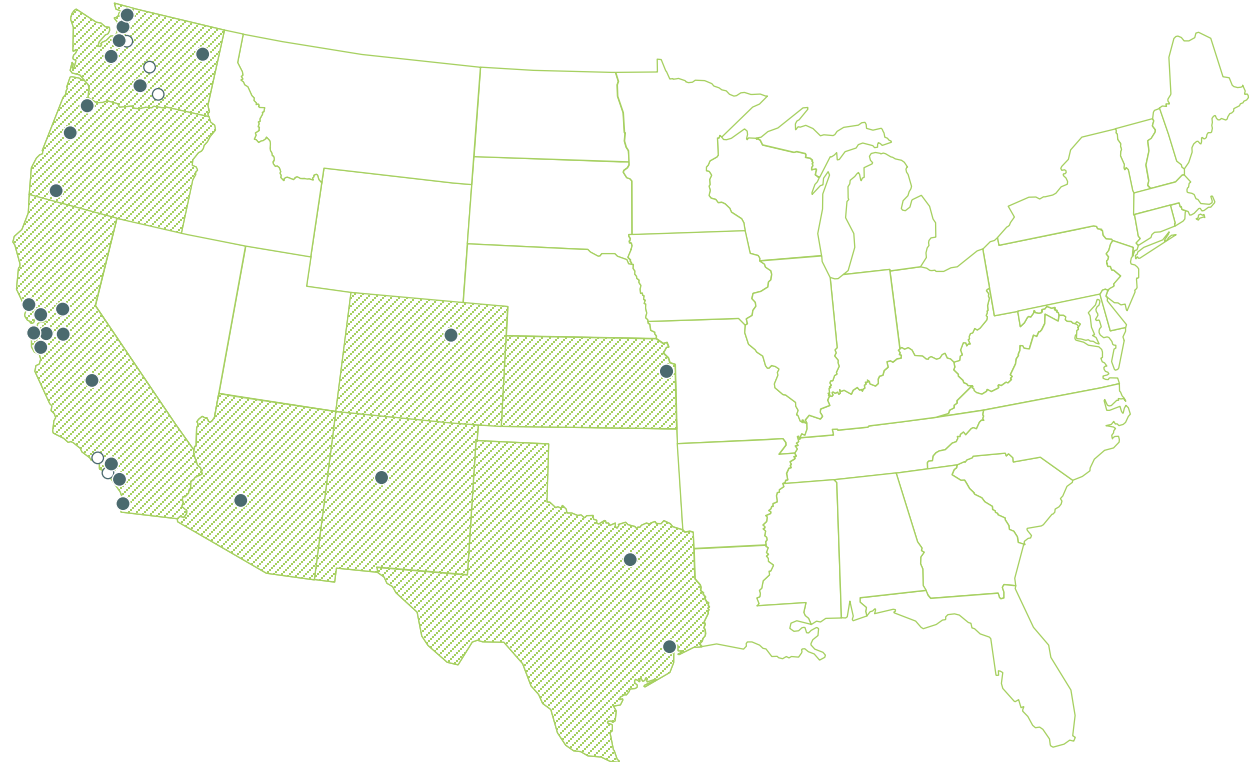
**NEW MEXICO**  
Albuquerque

**OREGON**  
Eugene  
Medford  
Portland

**TEXAS**  
Dallas  
Houston

**WASHINGTON**  
Bellingham  
Everett  
*Issaquah*  
Seattle  
Spokane  
Tacoma  
*Tri-Cities*  
*Wenatchee*  
Yakima

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○	Satellite



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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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Insurance

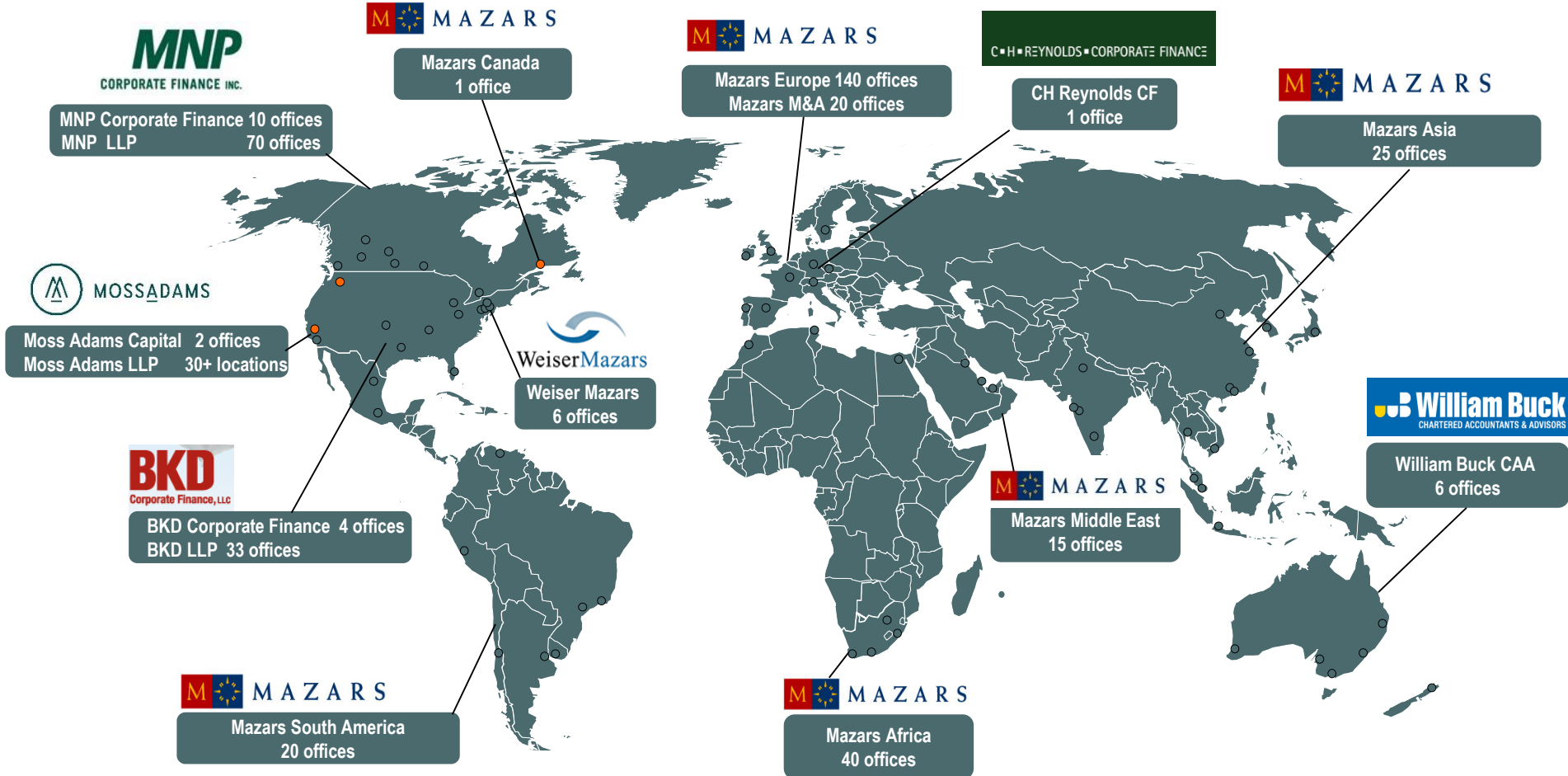
# Our Global Reach Through Local Contacts



Wineries and Vineyards



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