

Small Vineyard Valuation & Estate Homes Workshop

March 3, 2011

New Year - New Game

Joe Ciatti

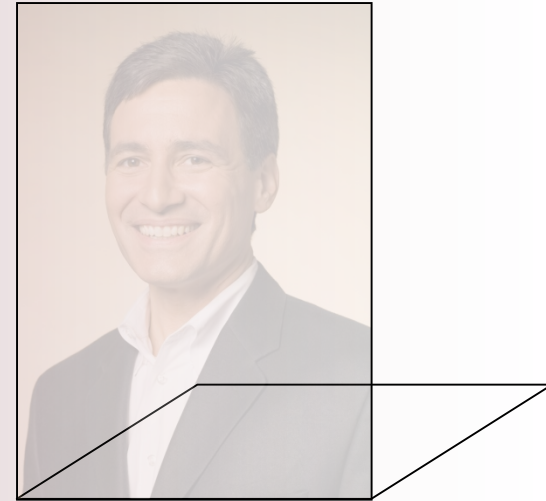
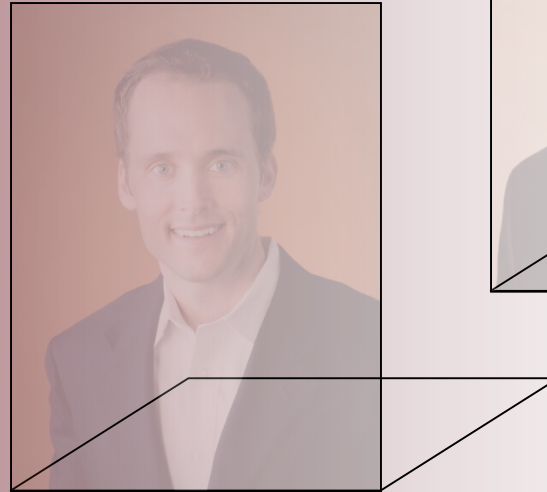
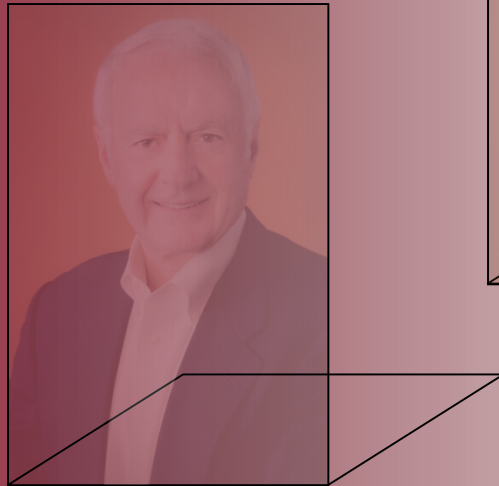


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Zepponi & Company – Who we are

- Global wine industry mergers and acquisitions advisory firm
 - Mario Zepponi
 - Matt Franklin
 - Joe Ciatti



Zepponi & Company – What we do

- Transaction advisory services
 - Wineries
 - Brands and *négociant* labels
 - Appellation-specific vineyards
- Corporate strategic advisory services

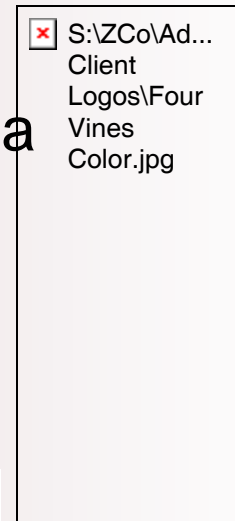


Zepponi & Company 2010

Transactions

- Five Deals Totaling Over \$110 million

- Roy Estate – Napa
- Black Stallion Winery
– Sold to Delicato Family Vineyards
- Russian River Valley Vineyard – Sonoma
- Chalk Hill Estate Winery & Vineyards
– Sold to Foley Family Wines
- Four Vines
– Sold to Purple Wine Company



Notable 2010 Central Coast Transactions

- Justin Vineyards & Winery
 - Sold to Fiji Water

- EOS Estate Winery
(brand & inventory)
 - Sold to Foley Family Wines

Zepponi & Company 2011

Transactions

- Seven Deals Totaling Over \$40 million

- Moon Mountain Winery
- Echelon Wine Label
 - Sold to Winery Exchange
- Sagelands Winery
 - Sold to Precept Brands
- Canoe Ridge Winery
- Canoe Ridge Vineyard
 - Sold to Precept Brands
- Napa Vineyard (pending)
- St. Helena Road Winery (pending)



COME!!!!

...MORE TO



Other 2011 Transactions

- Pacific Rim Winery
 - Sold to Banfi Vintners (Mariani Family; Italy)
- Constellation Wines
 - Sold 80% of all UK and Australian holdings to Champ (Private equity firm; Australia)
- MacRostie Winery & Vineyards
 - Sold to Lion Nathan USA (Kiernan; Japan)
- Cosentino Winery
 - Sold to Vintage Wine Estates (Rudd/Roney; US)

2011 Pending Transactions

- Wineries to be SOLD in 2011
 - Treasury Wine Estates (Foster's Brands)
 - Beringer
 - Chateau St. Jean
 - Stags' Leap Winery
 - Etude
 - Meridian
 - Souverain
 - Fetzer Winery & Vineyard
 - What happens to Sonoma-Cutrer?

Totaling over \$1 Billion in value

New buyers and new faces

2011 Plus for the Wine Industry

- Better balance in the grape and bulk market
- More buyers for vineyards, wineries and brands
 - Industry Players, Private Equity and...
Lifestyle Buyers
- U.S. wine sales continue to grow
- Credit markets functioning reasonably well
- Fewer bank foreclosures
- Many private wineries are thriving
- Flexibility is the key

2011 Minus for the Wine

Industry

- Luxury squeeze/consumers still trading down
- Discounting of assets, like vineyards, is still happening
- Banks applying pressure where owners have too much debt
- Public beverage company exiting the wine industry



State of Industry M&A Activity

- Plenty of activity behind the scenes
- M&A activity stemming from three categories of winery assets:
 - Marquee brands and assets
 - Assets with strong cash flow
 - Assets trading at discounted values



Assets Trading at a Discount

- Freestanding winery assets with minimal cash flow or brand equity component
- In some cases, financial distress
- Why is this happening?
 - Slow economic recovery
 - Owners not proactive in addressing problems
 - Owners not flexible when selling assets



Drivers of M&A Activity

- “Owner Fatigue”
- Lack of succession planning
- Financial duress
- Lender-initiated



Thank you!