Excerpt from

What It’s Worth:

Winery Value
# Table of Contents

INTRODUCTION ........................................................................................................... 4

SECTION I: THE LANDSCAPE OF VALUE FOR THE WINERY INDUSTRY ................. 5
   1. KEY DRIVERS IN WINERY VALUES. ................................................................. 6

SECTION II: VALUATION METHODS AND CONSIDERATIONS FOR WINERIES .......... 10
   2. SPECIAL ISSUES AND CONSIDERATIONS FOR VALUING WINERIES .......... 11
   3. SIX QUESTIONS TO ASK WHEN ANALYZING WINERY OPERATIONS AND CASH FLOWS .... 26
   4. VALUATION EXAMPLE: A WINERY CASE STUDY .................................... 31
   5. FOUR UNIQUE ASPECTS OF WINERIES MAKE VALUATION A CHALLENGE .... 45
      By Keith Meyers, CPA, ABV, CFF
   6. CASES OF NOTE IN WINERY TRANSACTIONS ........................................... 48
      Arn v. Arn ......................................................................................................... 49
      DFG Wine Co., LLC v. Eight Estates Wine Holdings, LLC ................................ 50
      Estate of Heck v. Commissioner ...................................................................... 52

SECTION III: BUY-SELL TRENDS IN THE WINERY MARKET ............................... 55
   7. THE CURRENT MARKET FOR WINERIES .................................................... 56
   8. THE BUY-SELL LANDSCAPE FOR WINERIES ........................................... 59

SECTION IV: SELLING AND SUCCESSION PLANNING FOR WINERY OWNERS ........ 61
   9. HOW TO MAXIMIZE THE VALUE OF A WINERY ........................................ 62
   10. HOW SUCCESSION PLANNING BUILDS WINERY AND VINEYARD VALUE .... 65

SECTION V: FINANCIAL AND VALUATION DATA FOR WINERIES .......................... 68
   11. WINERY INDUSTRY FINANCIAL REPORT FROM BIZMINER ..................... 69
   12. PRICING RULES OF THUMB—WINERIES ................................................... 85
   13. ADDITIONAL RESOURCES ........................................................................ 89
Introduction

Whether you are a business appraiser, a winery owner, or an investor, wineries are quite unique to assess from a value perspective. There are many variables affecting value that are inherent in winery operations, and they can be difficult to control. There's the weather, which can have a dramatic impact on the quality of the product from year-to-year. As the industry grows, there's the challenge of being able to secure the grapes needed to control the business. There's also the long cycle of production, from the time the grapes are harvested until the wine is ready to be sold, along with the distribution method, where wineries fight for shelf space and attention or strive to lure enough visitors to the facility to purchase directly.

In this BVR special report, What It’s Worth: Winery Value, you’ll get advice from top experts who work with wineries and study valuation issues associated with this industry on a daily basis. These experts walk you through the factors involved in winery valuation, from the best valuation approaches to use to how to value the buildings associated with the winery, the specialized equipment needed to produce the wine, and the key personnel who operate the winery. In addition, this report contains benchmarks that will help you understand where a winery falls in terms of revenue, liabilities, and overall value. This special report will bring you up to date on the current trends and pressing issues of the industry, as well as introducing the key drivers that will help you “hit the mark” when valuing a winery.

Scott Kraft, Editor
2016
SECTION I:
THE LANDSCAPE OF VALUE
FOR THE WINERY INDUSTRY
1. Key Drivers in Winery Values

The methods used to value a winery are similar to those used for most industries, but with a few significant differences. Winery values are often influenced by factors such as the capital intensiveness of the business, ownership structures, and the disparity in size between bigger and smaller wineries, which complicate the process of properly valuing the assets of these types of businesses.

Both Jim Andersen, of Hemming Morse LLP and Keith Meyers, of Perkins & Co. have worked extensively with winery and vineyard management clients on a range of matters including merger and acquisition transactions, buy-sell agreements, dissenting shareholder actions, marital dissolutions, and estate and gift tax plans.

Here are the key value drivers that Andersen and Meyers discuss with clients who are looking to buy or sell a winery:

- Capital intensiveness;
- Winery type;
- Different markets for different tiers of wine;
- Brand value;
- Debt structure and capital needs;
- Distribution;
- Weather forecasting/vineyard replanting models;
- Stable sources of grapes and manufacturing inputs;
About Business Valuation Resources
Every informed stakeholder in business valuation, performance benchmarking, or risk assessment turns to Business Valuation Resources (BVR) for authoritative deal and market data, news and research, training, and expert opinion. Trust BVR for unimpeachable business valuation intelligence. BVR's data, publications, and analysis have won in the boardroom and the courtroom for over two decades.

Deal & Market Data
- Pratt’s Stats
- Public Stats
- BIZCOMPS
- Economic Outlook Update
- Factset Mergerstat/BVR Control Premium Study
- The FMV Restricted Stock Study
- Valuation Advisors Discount for Lack of Marketability Study
- ktMINE Royalty Rate Data & License Agreements
- First Research Industry, State & Province Profiles
- Butler Pinkerton Calculator – Total Cost of Equity and Public Company Specific Risk Calculator
- Mergerstat Review & Mergerstat Review Monthly
- Valuation Handbook Risk Premium Toolkit
- Valuation Handbook – Industry Cost of Capital
- BizMiner Industry Financial Reports
- PitchBook Guideline Public Company Comps Tool

News & Research
- Business Valuation Update
- Business Valuation Update Australia
- BVLaw
- Business Reference Guide Online

Training & CPE
- Webinars
- Web Workshops & Special Series
- Desktop Learning Centers
- Self-study CPE

Guides, Books & Reports
- Guides & Books
- Special Reports
- Legal Compendiums
- Yearbooks

Learn more about all of our offerings at: bvresources.com
Contact us at: 1-503-291-7963 or info@bvresources.com