



Wineries and Vineyards

Market Monitor
Summer 2015

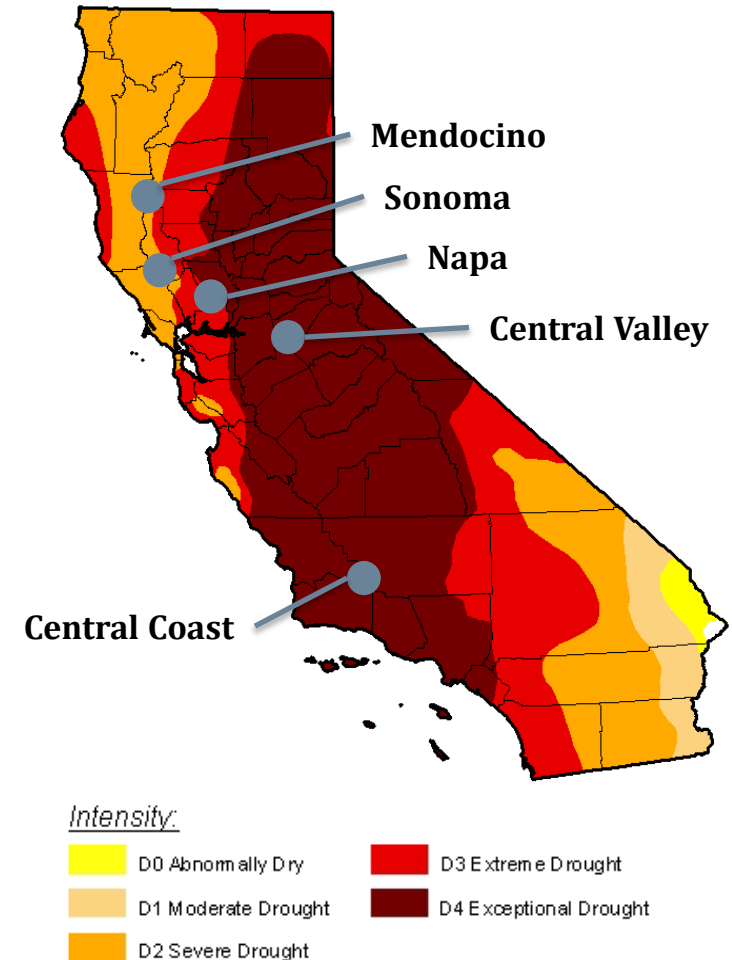
Contents

Industry Update	3
Public Stock Performance & Valuations	5
M&A Activity & Valuations	8
Moss Adams Overview	12
Contact Information	15

Record Harvests Continue But Drought Conditions Threaten Growers

Premium Wines Benefit From the Drought While Value Priced Producers are Hurt by Lower Yields and Competition

- The 2014 California grape harvest was 3.89 million tons, down from 2013's record 4.24 million tons, but still above average.
- The drought has resulted in better-tasting grapes which have been a boon to higher-end producers in Napa and Sonoma, but for vineyards in the Central Valley that produce cheaper wine and sell grapes by the pound – fewer, less juicy grapes mean fewer bottles on the market, and that raises their costs while at the same time, competing with craft breweries and distillers for younger demographic customers' dollars.
- Rising land values in the San Joaquin Valley have caused a rise of more-lucrative, grape-alternative crops, including: almonds, citrus, pomegranates, walnuts and pistachios, which are proving more attractive options to land owners. This has led to high production wineries, such as Gallo, Franzia and the Wine Group, acquiring more land to advance organic growth wine production opportunities.
- High-end boutique labels seem to be attracting interest from established wineries seeking to complement current organic growth. Wine groups are trending towards a portfolio with several core varietals, little overlap in price point, and similar sales channels and distribution philosophy.



Source: Silicon Valley Bank, Fredrickson & Associates, U.S. Drought Monitor, Symphony IRI Group, Wines & Vines Magazine, Moss Adams Capital analysis.

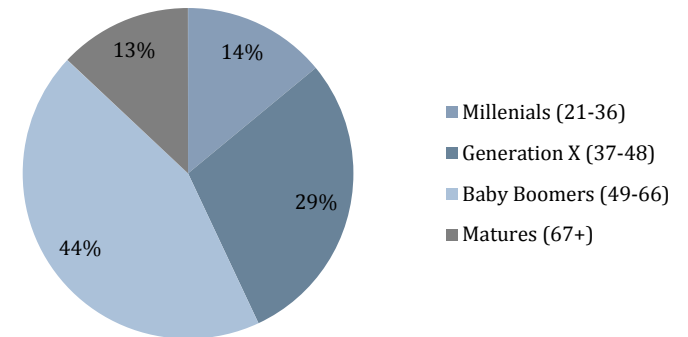
High Quality Harvests Fuel Growth In The Premium Wine Category

Luxury Wines on the Rise, Bulk Imports Decline

- Wine shipments in the U.S., including imports, rose 1 percent to 375 million cases in 2014, while California wineries increased shipments 4% to 225 million cases.
- The 2012 through 2014 vintages, which produced a large yield of high quality, have created a highly competitive and challenging market for bulk importers. Bulk imports were down 16% in 2014.
- Bulk imports were down 40% for the first half of 2015, primarily due to West Coast shipping disruptions and lower demand due to excess domestic supply.
- Wines priced above \$20 are showing the greatest growth with year-over-year sales up 15%, while sales for bottles priced below \$10 decline as consumers move up market for more premium wines as well as competition from increasing numbers of alcoholic beverage offerings.
- The wine market is not yet strongly influenced by millennials (14% of sales), as baby boomers hold a vast majority of the nations wealth and bottle sales (44%).

Area Where Produced	2013	2014	Cases Change	% Change
California	215.4	224.9	9.5	4.4%
Other States	33.7	34.0	0.3	0.9%
Subtotal U.S.	249.1	258.9	9.8	3.9%
Imported	123.7	116.5	-7.2	-5.8%
Total Wine	372.8	375.4	2.6	0.7%

Consumption By Age Demographic

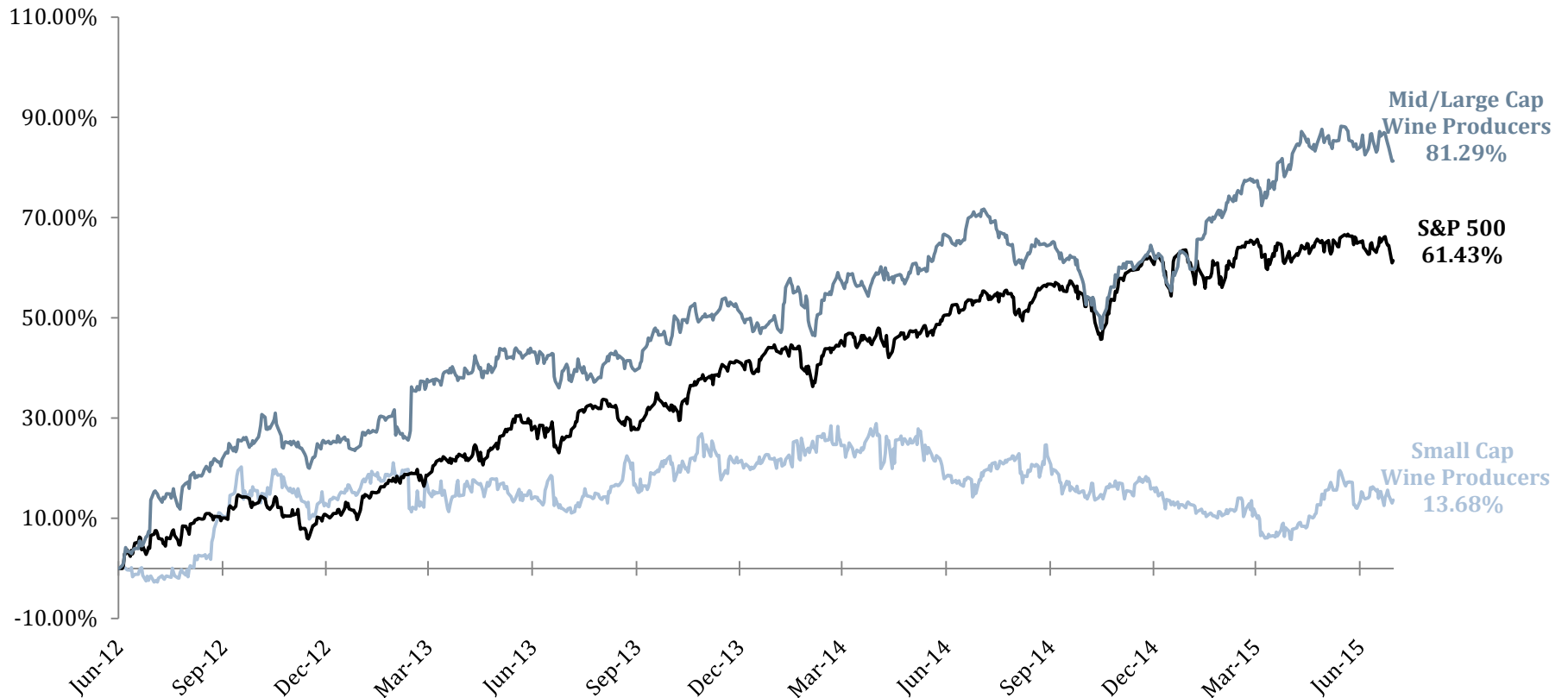


Source: Silicon Valley Bank, Fredrickson & Associates, Symphony IRI Group, Wines & Vines Magazine, Moss Adams Capital analysis.

Mid and Large Cap Wine Continues to Outperform S&P500

- For the past 3 years, Mid/Large Cap Wine producers have continued to outperform the S&P 500, while Small Cap Wine Producers have lagged since Q1 2013.
- Small Cap Wine Producer declines are primarily due to the adverse macroeconomic conditions in Europe and strengthening U.S. Dollar.

Public Equity Performance : Wineries vs. S&P 500



Note: The Wineries and Vineyards index is composed of the public companies included on page 7.

Source: CapitalIQ.

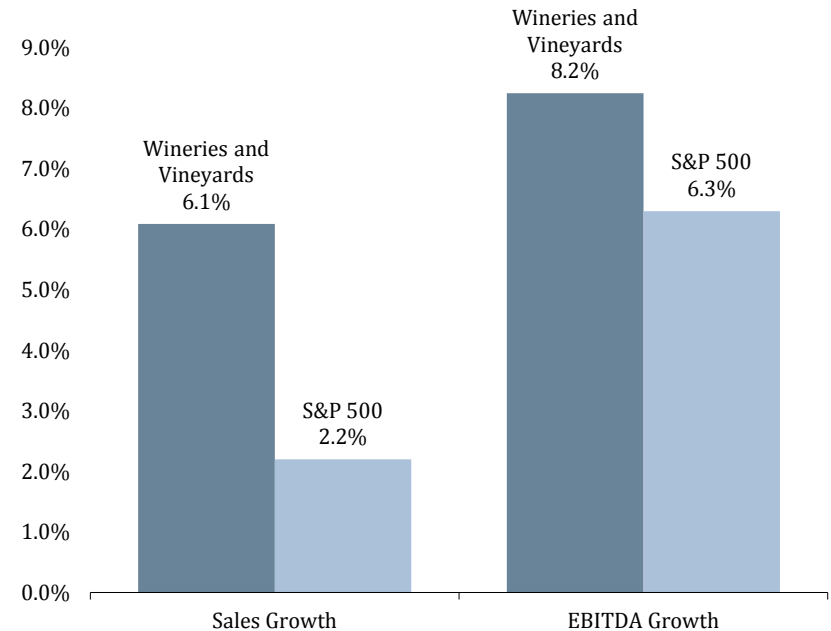
Outlook for Larger Wineries More Positive than Smaller Counterparts

- Valuation multiples for public Mid and Large Cap Wine producers are reaching highs seen two years ago.
- Small Cap Wine Producers, who are mostly outside of the U.S., have seen EV/EBITDA valuations decline by 23.0% since the observation period high of 13.37x in May 2014.
- The outlook for Winery and Vineyard companies is moderately positive, with sales and EBITDA projected to increase 6.1% and 8.2%, respectively, over the next 12 months.
- In comparison, companies in the S&P 500 are projected to have sales and EBITDA growth of 2.2% and 6.3%, respectively.

Public Market Valuations



Next 12 Months: Estimated Growth



Note: The Wineries and Vineyards index is composed of the public companies included on page 7.

Source: CapitalIQ.

Wineries and Vineyards Companies: Valuations

\$ millions, except per share data

Company Name	Country	Ticker	6/30/15		Market Cap	Enterprise Value	TTM Data			NTM Est. Growth		EV Multiple					
			Share Price	52 week High/Low			Sales	EBITDA	Margin	Sales	EBITDA	TTM Sales	TTM EBITDA	NTM Sales	NTM EBITDA		
Small Cap Wine Producers																	
AdVini S.A.	France	ENXTPA:ADVI	\$35.14	\$37.54 / \$30.95	\$121	\$222	\$276	\$17	6.2%	NA	NA	0.8 x	13.1 x	NA	NA		
Australian Vintage Limited.	Australia	ASX:AVG	0.28	0.37 / 0.25	65	134	190	17	9.0%	NA	NA	0.7 x	7.9 x	NA	NA		
Schlumberger AG	Austria	WBAG:SLBS	22.83	26.46 / 22.07	48	92	281	10	3.4%	NA	NA	0.3 x	9.6 x	NA	NA		
Willamette Valley Vineyards Inc.	U.S.	NasdaqCM:WVVI	6.92	7.23 / 5.15	34	40	16	4	25.6%	NA	NA	2.5 x	9.6 x	NA	NA		
						Average	\$ 122	\$ 190	\$ 12	11.0%	NA	NA	1.1 x	10.1 x	NA	NA	
						Median	\$ 113	\$ 233	\$ 13	7.6%	NA	NA	0.8 x	9.6 x	NA	NA	
Mid/Large Cap Wine Producers																	
Andrew Peller Limited	Canada	TSX:ADW.A	\$14.31	\$14.40 / \$10.70	\$205	\$283	\$249	\$28	11.1%	NA	NA	1.1 x	10.2 x	NA	NA		
Constellation Brands Inc.	U.S.	NYSE:STZ	116.02	122.13 / 80.70	22,655	30,161	6,133	1,840	30.0%	3.8%	7.2%	4.9 x	16.4 x	4.7 x	15.3 x		
Davide Campari - Milano SpA	Italy	CPR	7.60	8.16 / 5.39	4,386	5,586	1,888	412	21.8%	NA	NA	3.0 x	13.5 x	NA	NA		
Groupe Laurent-Perrier	France	ENXTPA:LPE	91.73	94.81 / 65.60	540	852	249	49	19.8%	NA	NA	3.4 x	17.2 x	NA	NA		
Rémy Cointreau SA	France	ENXTPA:RCO	72.01	82.69 / 55.59	3,498	4,105	1,037	189	18.2%	NA	NA	4.0 x	NM	NA	NA		
Treasury Wine Estates Limited	Australia	ASX:TWE	3.84	4.36 / 3.02	2,497	2,688	1,522	228	15.0%	NA	NA	1.8 x	11.8 x	NA	NA		
Vina Concha y Toro S.A.	Chile	SNSE:conchatoro	1.75	2.01 / 1.54	1,304	1,696	938	136	14.5%	8.4%	9.3%	1.8 x	12.5 x	1.7 x	11.4 x		
						Average	\$ 6,481	\$ 1,717	\$ 412	18.6%	6.1%	8.2%	2.9 x	13.6 x	3.2 x	13.3 x	
						Median	\$ 2,688	\$ 1,037	\$ 189	18.2%	6.1%	8.2%	3.0 x	13.0 x	3.2 x	13.3 x	
						All Companies Combined	Average	\$ 4,169	\$ 1,162	\$ 266	15.9%	6.1%	8.2%	2.2 x	12.2 x	3.2 x	13.3 x
						Median	\$ 852	\$ 281	\$ 49	15.0%	6.1%	8.2%	1.8 x	12.1 x	3.2 x	13.3 x	

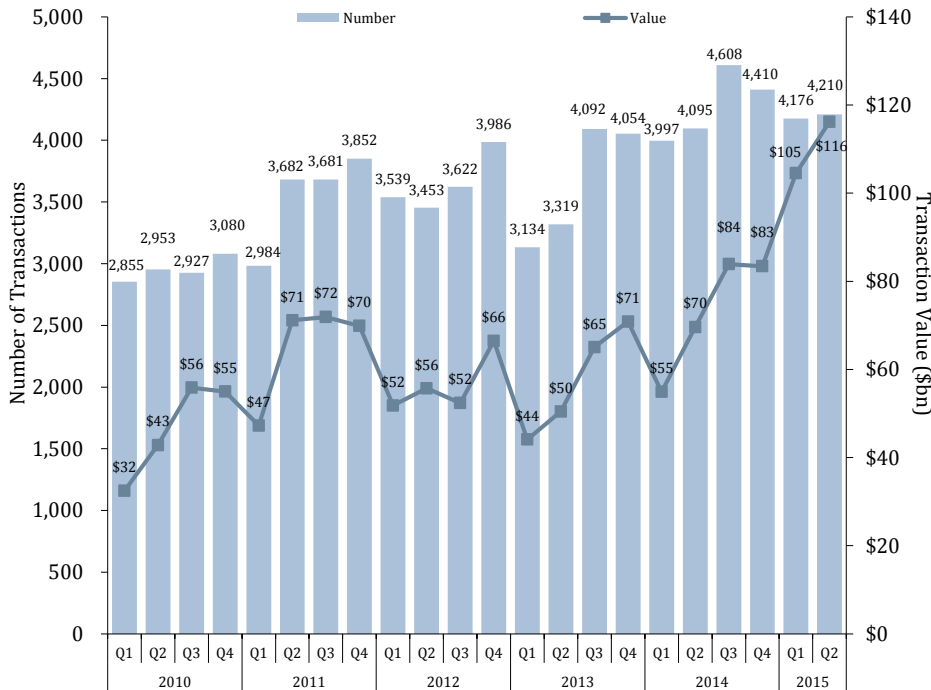
Note: Not meaningful (NM) if EV/Sales is greater than 5x, or EV/EBITDA is greater than 20x. NA if denominator is 0, for percentages and multiples, or if estimates are not available. NTM figures are based on the median estimate of Wall St. analysts.

Source: CapitalIQ, company filings and MA research.

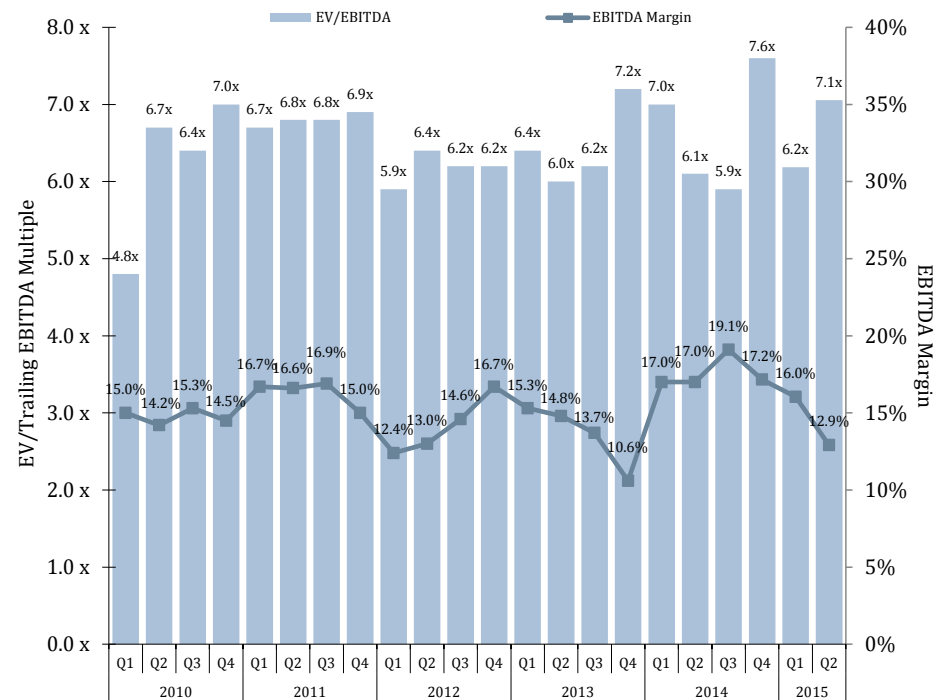
Middle Market M&A Volume Rises; M&A Deal Values Higher

- U.S. middle market M&A deal volumes in Q2 2015 increased 0.8% from Q1 2015. Deal volume increased by 3.6% during the first half of 2015 compared to the first half of 2014.
- U.S. middle market M&A activity, measured by deal values, increased 11.2% in Q2 2015 vs. Q1 2015.
- EBITDA multiples of middle market transactions in Q2 2015 increased to 7.1x, representing a 14.1% increase over Q1 2015.
- Q2 2015 EBITDA margins of reportable transactions dipped to 12.9%, below the five year average of 15.2%.

U.S. MIDDLE MARKET M&A ¹



U.S. MIDDLE MARKET M&A VALUATIONS ²



1) Middle market M&A includes transactions with undisclosed values, and disclosed values where EV < \$500 million

2) Middle market M&A includes transactions with disclosed EBITDA, where EV < \$500 million and EV/EBITDA < 10x. Note: transactions with disclosed EBITDA represent <5% of all transactions

Source: CapitalIQ

Recent U.S. Wineries and Vineyards Transactions

\$ millions

Date	Acquirer/Investor	Target	Target State	Deal Size	Comments
07/01/15	Constellation Brands, Inc.	Copper Cane Wines & Provisions, Meiomi Wine Brand	CA	\$315.0	550K cases
06/08/15	The Wine Group LLC	Benziger Family Winery and Imagery Estate Winery	CA	-	170K cases
05/19/15	E. & J. Gallo Winery, Inc.	Cypress Ranch and a Portion of the Palisades Vineyard in Napa	CA	-	-
03/24/15	E. & J. Gallo Winery, Inc.	J Vineyards & Winery LLC	CA	-	150K cases
03/24/15	Jackson Family Wines, Inc.	Novy Family Wines and Siduri Wines, LLC	CA	-	20K cases
01/07/15	Terlato Wines International Inc.	Juliana Vineyard in Pope Valley	CA	-	60 acres
01/05/15	J.W. Childs Associates, L.P.	KB Wines, LLC	CA	-	14K cases
12/16/14	Betz Family Winery LLC	40 Acres of Land at SeVein Vineyard	OR	-	40 acres
11/15/14	Private Investor	Armand de Brignac Champagne Brand		-	-
09/18/14	Kieu Hoang Winery, LLC (Merged Entity)	Guilliams Vineyards	CA	-	2K cases
09/18/14	S.A.S. Meo Camuzet Frere Et Soeurs	Bishop Creek Vineyard	OR	-	-
09/09/14	Wyandotte Winery LLC	Rockside Vineyards LLC	OH	-	500 cases
07/29/14	The Wine Foundry	The Napa Juice Box, LLC	CA	-	-
06/05/14	Kieu Hoang Winery, LLC	Michael Mondavi Family Estate, Carneros Winery	CA	-	13 acres
05/27/14	Vintage Wine Estates, Inc.	Canopy Management Wine Company	CA	-	300K cases
04/30/14	Union Wine Company	Amity Vineyards, Inc.	OR	-	10K cases
04/24/14	Gallo Vineyards, Inc.	Ledgewood Creek Winery LLC	CA	-	230 acres
04/24/14	Pernod Ricard USA, LLC	Kenwood Vineyards, Inc.	CA	-	600K cases
04/08/14	Atlas Vineyard Management, Inc.	683 Acres in Oregon, Willamette Valley	OR	-	683 acres
03/31/14	Foley Family Wines, Inc.	The Four Graces	OR	-	22K cases
03/20/14	Winery Exchange Inc.	Chronic Cellars Winery Inc.	CA	-	13K cases
01/24/14	Hood River Distillers, Inc.	Clear Creek Distillery LLC	OR	-	-
01/03/14	Private Investor	Alderbrook Winery, LLC	CA	-	200K cases
12/20/13	Private Investor	Alma Rosa Winery & Vineyards, LLC	CA	\$0.5	10K cases
12/20/13	Jackson Family Wines, Inc.	Terra Valentine, Yverdon Vineyard and Winery	CA	-	8K cases
12/18/13	Premium Beverage Group, Inc.	Premium Wine Group and Lieb Cellars	NY	-	80K cases

Source: CapitalIQ, news releases, MA research.

Recent U.S. Wineries and Vineyards Transactions

<i>\$ millions</i>					
Date	Acquirer/Investor	Target	Target State	Deal Size	Comments
11/30/13	Koko Nor Corporation	Sundown Ranch LLC., US Winery Assets		\$15.0	-
11/15/13	Private Investor	Elkin Winery	NC	-	-
11/06/13	Bingham Family Cellars, LLC	Pheasant Ridge Winery and 61 Acres of Vineyard	TX	\$0.7	3K cases
04/30/13	Glenora Wine Cellars, Inc.	Chateau LaFayette Reneau	NY	-	15K cases
10/10/13	Terroir Selections	Qupe Wine Cellars	CA	-	40K cases
10/03/13	Vintage Wine Estates, Inc.	Viansa Winery and Marketplace	CA	-	50K cases
08/19/13	Maison Louis Jadot S.A.	Resonance Vineyard	OR	-	32 acres
08/19/13	Jackson Family Wines, Inc.	Solena Estate	OR	-	12K cases
07/26/13	FCC North American Investment LLC	Cleavage Creek Winery, Brand and Vineyards in Napa County	CA	\$5.0	7K cases
08/07/13	Duckhorn Wine Company, Inc.	Hopland Winery Facility	CA	\$19.3	15 acres
07/25/13	Artémis Group, Owners of Château Latour	Araujo Estate Wines	CA	-	12K cases
05/23/13	Guarachi Family Wines	Sun Chase Vineyard	CA	-	248 acres
05/16/13	Golden Equity Investments	Goosecross Cellars	CA	-	11 acres
05/15/13	Panache Distillery, LLC	Empire Wineries, LLC	FL	\$4.2	-
05/15/13	Bacchus Capital Management	Panther Creek Cellars LLC	OR	-	-
05/14/13	Precept Wine	Yamhela Vineyard in Yamhill	OR	-	374 acres
05/10/13	Jackson Family Wines, Inc.	Additional Willamette Valley Property	OR	-	41 acres
04/30/13	Sinegal-Inglewood LLC	Inglewood Estate	CA	\$20.0	-
04/30/13	NW Wine Company, LLC	Two Willamette Valley Vineyards	OR	\$3.9	397 acres
03/31/13	Francis Ford Coppola Presents, LLC	Geyser Peak Winery Facility And 32 Acres Of Vineyards	CA		32 acres
03/15/13	Jackson Family Wines, Inc.	Oregon Vineyard Properties With Nearly 400 Acres Near West Salem And Monmouth	OR	\$3.4	400 acres
03/12/13	Private Investor	The Evening Land & Vineyards, LLC, Central Coast Properties	CA	-	40 acres
01/28/13	Laird Family Estate LLC	Silverado Hill Winery	CA	-	25 acres
01/22/13	Private Investor	Lost Creek Vineyards & Winery	VA	\$2.3	-
01/01/13	Winery Exchange Inc.	Nevada County Wine Guild, Portfolio of Certified Organic and Sulfite-free Private Wine Brands	CA	-	-

Source: CapitalIQ, news releases, MA research.

Overview of Selected Transactions

Constellation Brands *acquires* **MEIOMI** (July 2015)

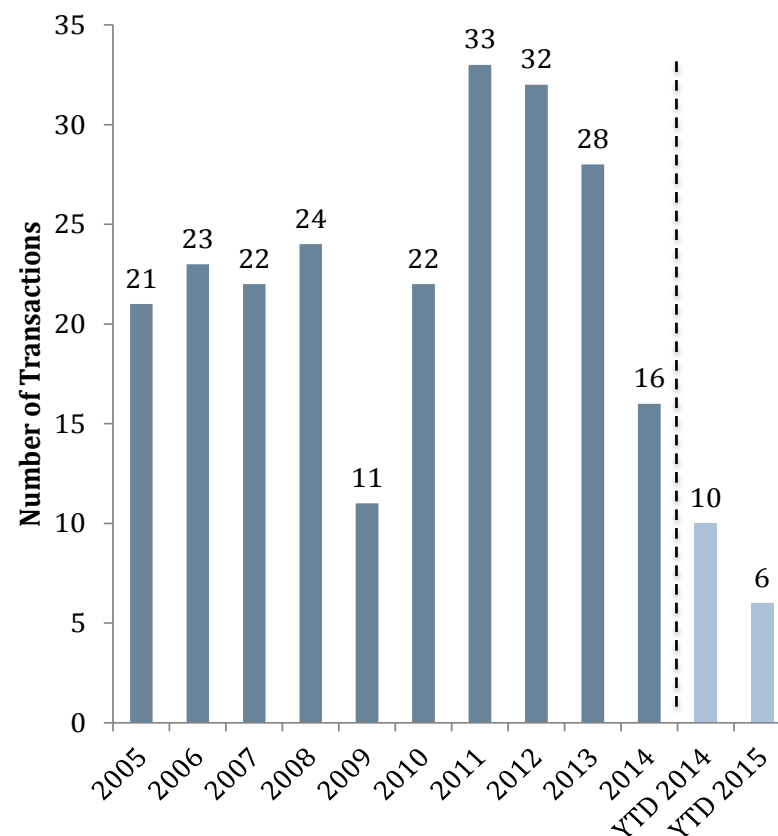
- Meiomis is a fast-growing, premium wine brand known for its pinot noir and chardonnay wines and has established itself as a leader in the luxury wine market. The brand was founded by Joe Wagner in 2006 and has quickly grown to 550,000 cases sold in 2014. The deal only includes Meiomis's existing inventory and brand.
- The transaction is notable because of the growing value of wine brands that are able to sell at luxury prices on a large scale. Meiomis is one of only three brands at a \$20 price point that sell more than 500,000 cases domestically.
- Constellation Brands is the third-largest wine company in United States, selling 50 million cases annually. The Company said the acquisition will help it gain a larger share of the premium market, allowing the Company to leverage its vast production facilities and vineyards to expand the Meiomis brand.

E&J Gallo Winery *acquires* **J VINEYARDS** (March 2015)

- J Vineyards & Winery, is a prominent Sonoma county producer of sparkling wine, Chardonnay and Pinot Noir. The sale includes the brand, the winery, inventory and more than 300 acres spread over nine vineyards in the Russian River Valley and the Sonoma Coast regions.
- The purchase allows Gallo, the nation's largest wine producer to expand its already formidable presence in Sonoma County and add another well-known specialty brand within the premium wine segment to its product offerings.
- The acquisition will help Gallo cover an even greater swath of the wine world with its portfolio of nine wineries in California and Washington. The addition of J Vineyards gives Gallo more of play in the premium sparkling market, complementing its more affordable André label, while also giving it a market share in pinot gris, a grape that has been especially strong in the Oregon market.

- 2014 U.S. M&A Activity has decreased significantly after 3 years of record level activity, however, 2014 global M&A activity only decreased 4% to 109 transactions.
- YTD M&A activity through June 2015 has been slower compared to the YTD period in 2014.

U.S. Wineries & Vineyards M&A



Source: Company press releases, CapitalIQ.

Moss Adams at a Glance

Leadership through Experience and Results

Moss Adams Capital LLC

- Full-service investment bank and strategic advisor
- Dedicated industry specialists
- Advisory and execution
- Private equity
- Debt
- Mergers and acquisitions
- Restructuring

Long-Term Industry Relationships

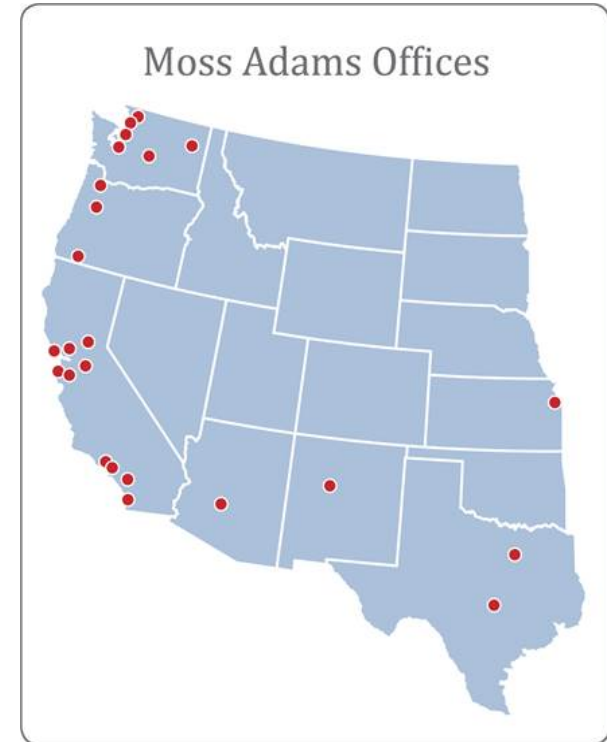
- All product types
- Major markets and metro areas
- Public and private entities
- Full range of the capital stock

Moss Adams LLP

- Fully integrated accounting, tax, and business advisory firm
- 100+ years old
- Dominant in western US
- Middle-market specialists
- Accounting, tax, and transaction Experience
- Real estate accounting best practices
- Senior, experienced tax specialists
- Leverageable transaction resources

International Presence

- Dominance in Western US
- 2,000 employees in 24 offices
- Presence on national/global basis
- Praxity affiliates across US and more than 100 countries around globe



Expert Teams



INDUSTRY KNOWLEDGE MATCHED WITH AN EXPERIENCED TEAM

- Senior Level Attention
- Commitment to our Clients
- Professional Excellence
- Objective & Independent Advice
- Creating Value for Owners
- Global Presence & Capabilities

Premier accounting and financial services advice for middle market winery and vineyard companies.

Moss Adams Capital Overview

Full Service Mid Market Investment Bank

Corporate Finance

- Capital Placement – Equity and Debt,
- Merger and acquisition advisory,
- Strategic alternatives assessment,
- Exclusive sales and divestitures,
- Strategic planning,
- Management buy-outs,
- Recapitalizations,
- Fairness opinions,
- Restructuring and special situations advisory.

Highlights and Accomplishments

- Completed over 250 transactions.
- Access to key decision-makers among institutional investor universe.
- Coverage of relevant strategic partners.
- Average of 20 years of investment banking experience among senior leaders.

Comprehensive Industry Coverage

Aerospace, Defense & Government Services	Automotive & Dealer Services	Business & Marketing Services
Consumer, Retail & Apparel	Food, Beverage & Agriculture	Healthcare Services & Products
Industrials / Niche Manufacturing	Infrastructure & Construction	Paper, Plastics, & Packaging
Real Estate, Lodging & Leisure	Technology, Communications, & Media	Transportation & Logistics

Global Reach

Moss Adams is a founding member of Praxity, AISBL, a global alliance of independent accounting firms. In addition to its deep, **direct international relationships**, Praxity provides access and trusted advisory expertise worldwide.

North America

United States, Canada

Europe

Austria, Belgium, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Jersey, Latvia, Lithuania, Luxembourg, Malta, Monaco, Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Spain, Sweden, Switzerland, Turkey, United Kingdom, Ukraine

Asia

China, Indonesia, Japan, South Korea, Malaysia, Singapore, Taiwan, Thailand, Vietnam

Middle East and Indian Subcontinent

India, Israel, Lebanon, Pakistan, United Arab Emirates

Latin America and Caribbean

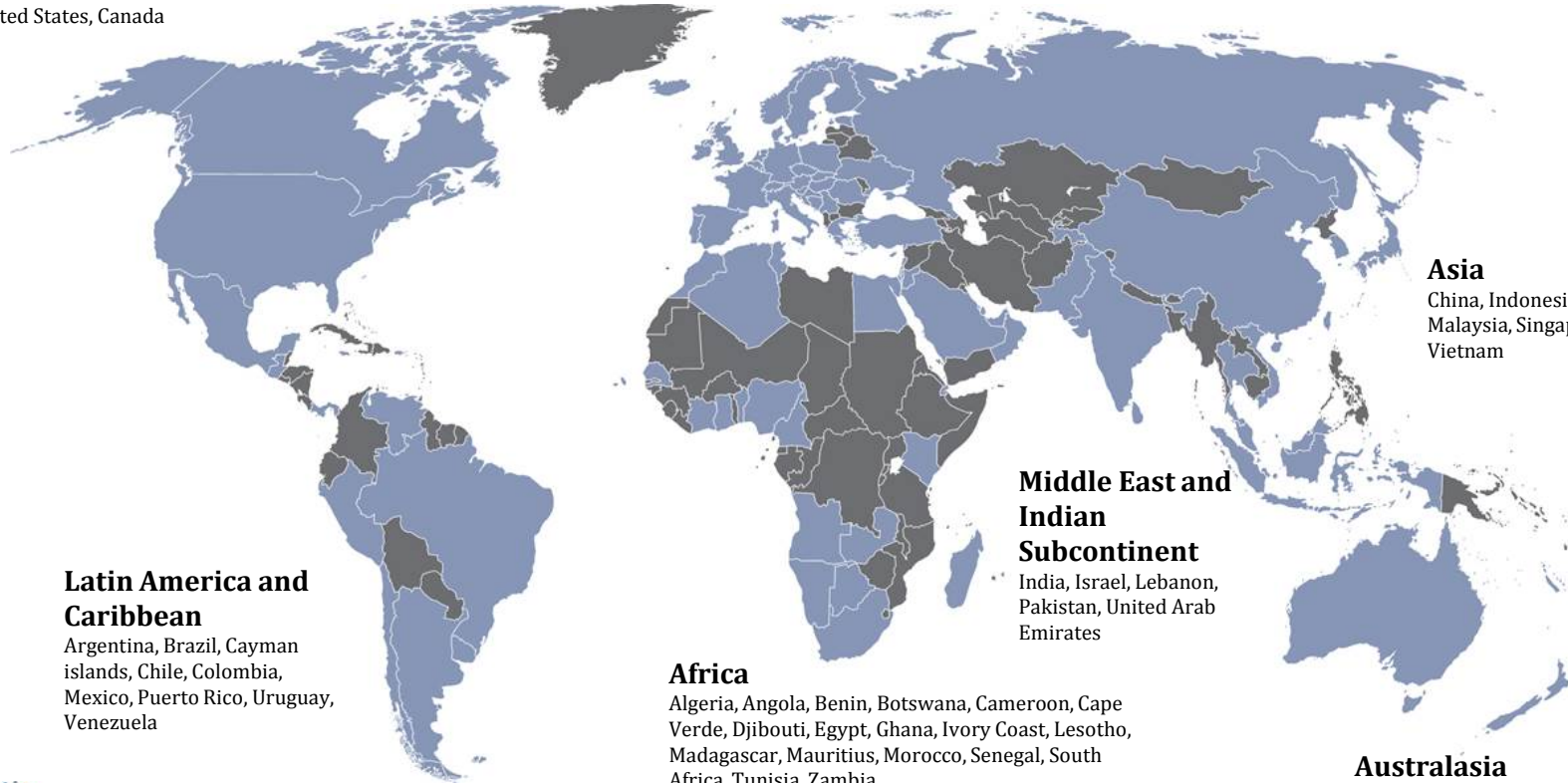
Argentina, Brazil, Cayman islands, Chile, Colombia, Mexico, Puerto Rico, Uruguay, Venezuela

Africa

Algeria, Angola, Benin, Botswana, Cameroon, Cape Verde, Djibouti, Egypt, Ghana, Ivory Coast, Lesotho, Madagascar, Mauritius, Morocco, Senegal, South Africa, Tunisia, Zambia

Australasia

Australia, New Zealand



Global M&A Reach Through Local Relationships

Local, National and Global Reach

Our affiliation with CFxB consists of 150+ Corporate Finance Professionals across the U.S. and in over 25 countries.



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