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Mergers & Acquisitions

A Spotlight on the Central Coast

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Agenda – Mergers & Acquisitions

Central Coast Insights – Mergers & Acquisitions – A Spotlight on the Central Coast

Robert Nicholson, International Wine Associates (IWA) – ***West Coast M&A Update & Transactions***

Matt Franklin, Zepponi – ***Central Coast M&A Update & Transactions***

JoAnn Waller, ALLIANCE AG – ***Central Coast trends in vineyard values***

Andrew Nelson, War Room Cellars – ***A Case Study : War Room Cellars and Bonny Doon***

Josh Grace, International Wine Associates (IWA) – ***How IWA prepares wineries, brand owners and vineyard clients for a sale***

IWA Notable Central Coast Transactions

SIERRA MADRE Vineyard 496 vineyard acres in Santa Barbara County was acquired by E&J. Gallo IWA represented Sierra Madre Vineyard 2018	CALERA A legendary producer of California Pinot Noir with 85 acres of Mount Harlan vineyard has sold to DUCKHORN VINEYARDS IWA represented Calera and initiated this transaction 2017	PINNACLE a 320-acre San Benito vineyard Was acquired by IWA represented Pinnacle 2017	DIAGEO has sold the CHALONE VINEYARD to FFW FOLEY FAMILY WINES IWA represented DIAGEO as their exclusive advisor 2016	TALBOTT VINEYARDS and the 525-acre Sleepy Hollow Vineyard have sold to E&J. Gallo IWA represented Talbott Vineyards as their exclusive advisor 2015
DIAGEO has sold their 50% ownership in EDNA VALLEY VINEYARD to E&J. Gallo Winery IWA served as exclusive advisors to Diageo & initiated this transaction. 2011	BROWN-FORMAN Sale of Five Rivers Vineyard, Paso Robles to **Silverado Premium Properties** IWA served as advisors to Brown-Forman & initiated the sale of a 427-acre vineyard to SPP 2010	**The Wine Group** has acquired ***Big House & Cardinal Zin*** California Wine Brands from BONNY DOON VINEYARD IWA initiated this transaction & served as strategic financial advisors to Bonny Doon 2006	a subsidiary of JIM BEAM has acquired WILD HORSE WINERY & VINEYARDS Templeton, California IWA initiated this transaction & acted as strategic financial advisors to Wild Horse in this $34 million sale 2002	SOUTHCORP *and* **Paragon Vineyard Company** have established a joint-venture company to produce and market California wines. IWA represented Paragon and acted as strategic advisor to the joint-venture 1996

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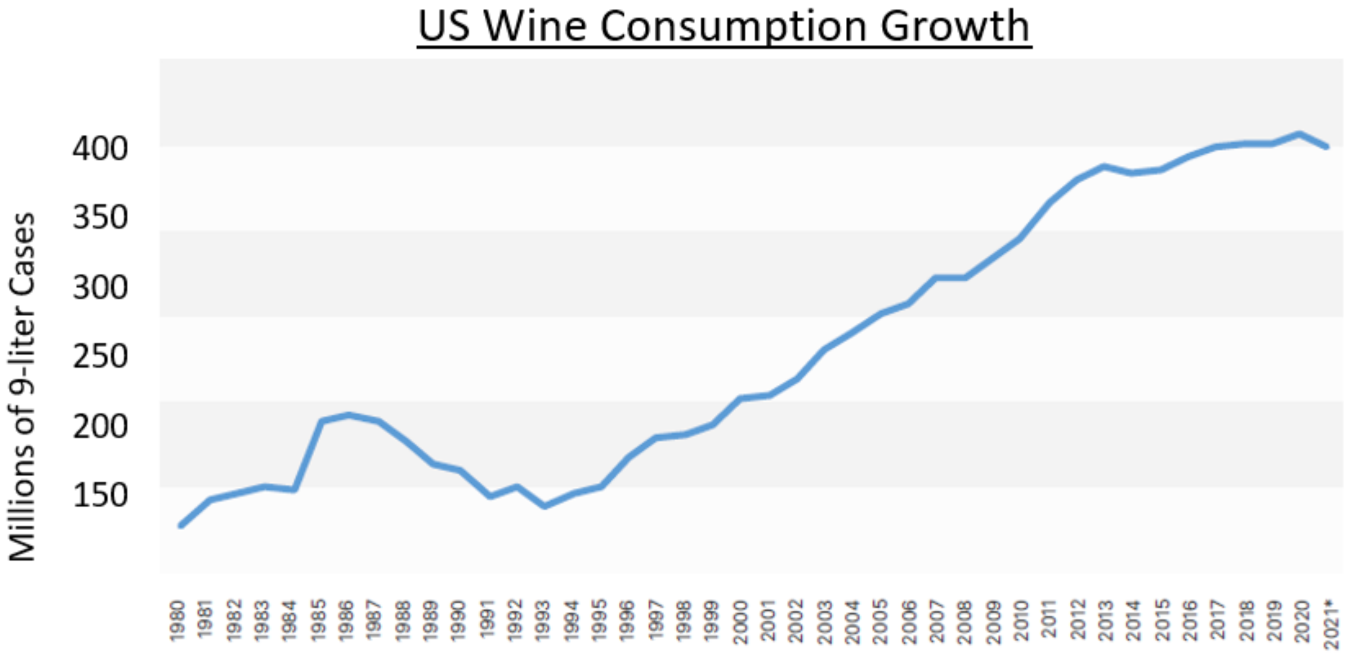
State of the US Wine Market



Sources: Gomberg-Fredrikson and Wine Institute

Per-capita consumption in the US is low compared to every other wine-producing country, 10% of the US population drinks 80% of the wine. There is a huge opportunity to continue to convert non-wine drinkers, particularly those who currently consume beer.

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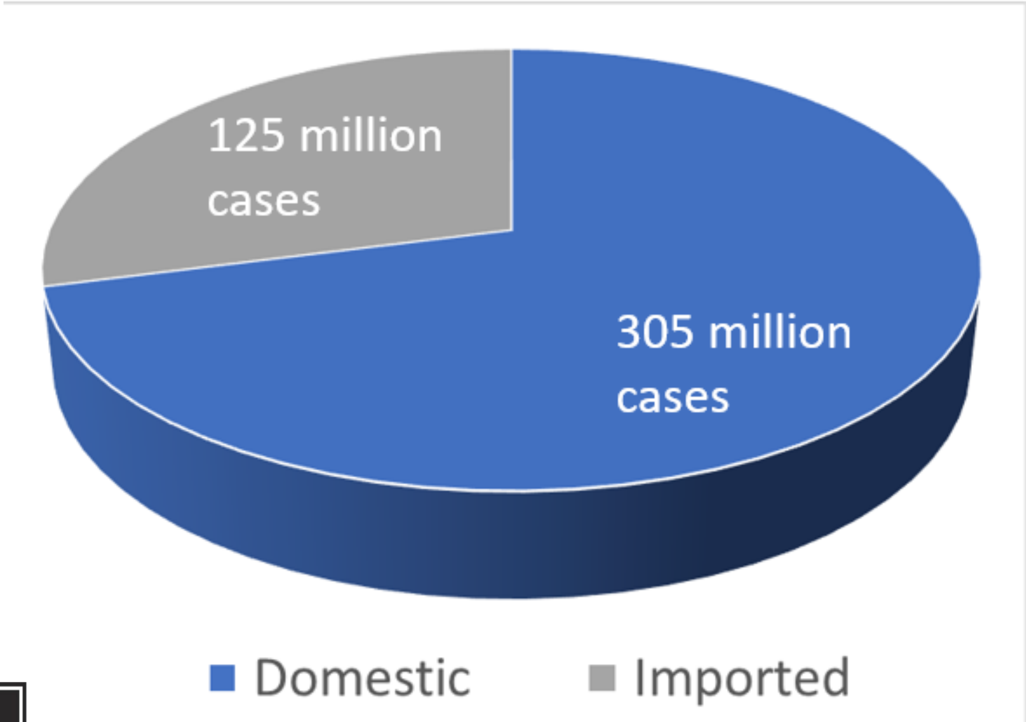
State of the US Wine Market

US Wine Consumption by Origin



- 11,000 domestic wineries
  - 43% in California
  - 8% in Oregon
  - 7% in Washington
  - 42% in 47 other states
- Two large wine companies in Washington, two in Oregon and all other large wine companies are in California (approximately 70)
- No large wine companies outside those 3 states

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Sources: Gomberg-Fredrikson

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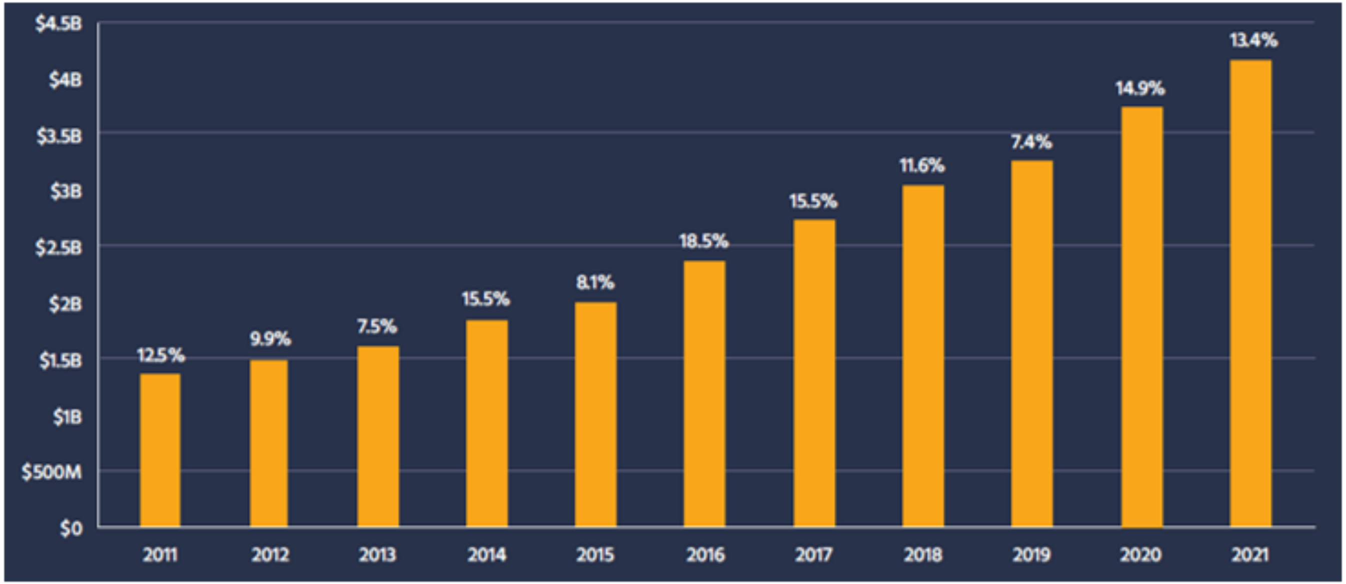
State of the US Wine Market

US Direct to Consumer (DTC) Revenue Growth



DTC market now $4 billion, tripling since 2011, at nearly 9 million cases

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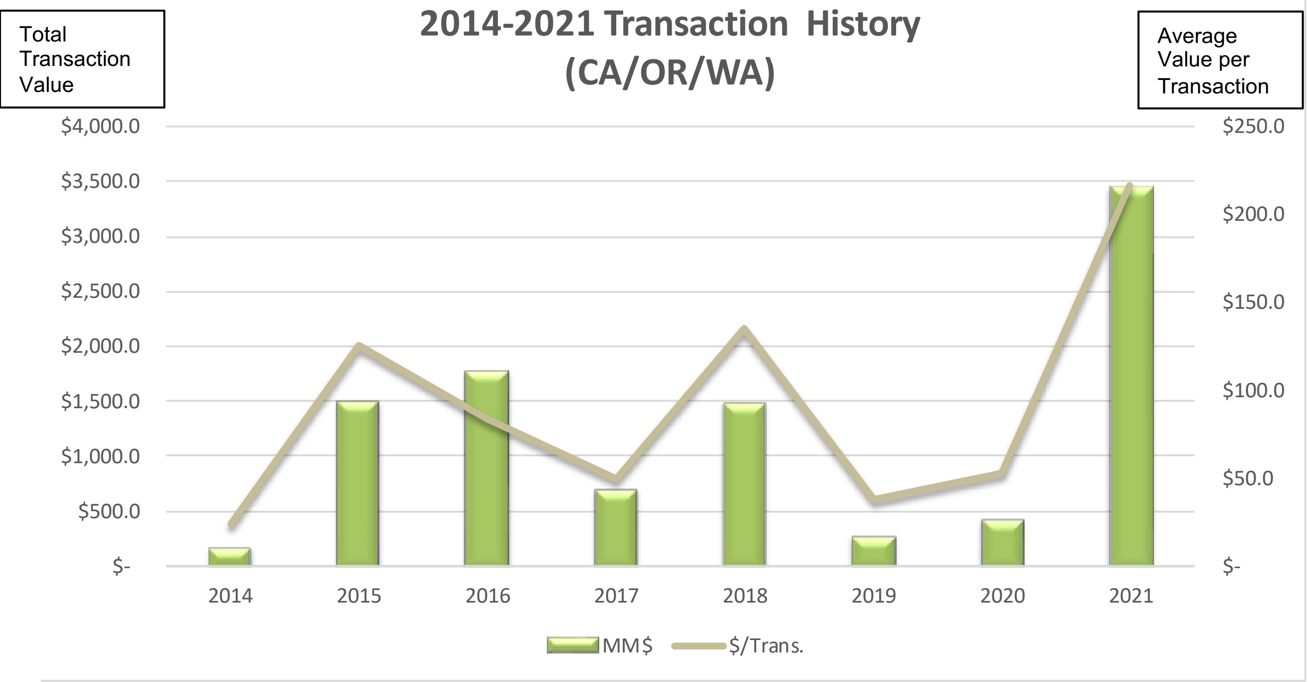
US Wine Industry Transaction Trends



Transactions	7	12	21	14	11	7	8	16

- **Includes transactions over $15 million, does not include IPO/SPAC**
- **More transactions in 2021 than any year since 2016**
- **Value per transaction highest in recent years, skewed by Constellation/Gallo, Coppola/Delicato and Ste Michelle/Sycamore**

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2021 Transaction Recap

2021 Closing	Assets Acquired	Acquirer	Acquirer Type
December	Far Niente Family of Wineries and Vineyards	Apax Partners (partial acquisition)	Private Equity
December		Foley Family Wines	Strategic - Domestic
December	Last Bottle – Your Daily Purveyor of Fine Wine	Wine Bid	Strategic - Domestic
December	Frank Family Vineyards	Treasury Wine Estates	Strategic - Domestic
November	Provenance Vineyards	Far Niente / Thomas Allen	Private Equity / Family Business
November	Ste Michelle Wine Estates	Sycamore Partners	Private Equity
October	Redwood Ranch Vineyards	Silverado/SIMCO	Institutional
September	L Lewis Cellars	The Wonderful Company	Strategic - Diversified Domestic

2021 Closing	Assets Acquired	Acquirer	Acquirer Type
August	WX Brands	Peñaflor (Bemberg Family)	Strategic - Diversified Foreign
August	Francis Ford Coppola	Delicato	Strategic - Domestic
June	VWE Vintage Wine Estates	Bespoke Capital	SPAC
April	Ponzi Vineyards	Bollinger	Strategic - Foreign
March	The Duckhorn Portfolio	IPO	IPO
March	Brand Licensing	The Wine Group	Strategic - Domestic
January	Williams Selyem	Domaine Faiveley	Strategic - Foreign
January	Constellation Brands Selected Brands	Gallo	Strategic - Domestic

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What is Driving Recent M&A Activity?

- Since 2015 US wine market growth has fueled unprecedented growth in winery, brand & vineyard acquisitions & has in certain cases significantly increased valuations
- Very few distressed sales, large increase in the number of transactions, buyers paying over the asking price in many situations
- International buyers – winery acquisitions improve access to U.S. distribution (wholesale & DTC) for imported wines & provide asset diversification from home base
- USA buyers – acquisitions improves their market leverage & provides opportunity for portfolio expansion into “new” categories, AVAs, etc.
- Continued consolidation at distributor & retail level
- All types of buyers are active now – international, strategic, family & private equity

What’s Coming in M&A in 2022-2023 ?

- Already in 2022 major Napa Valley transaction closed : Shafer Vineyards to Korean buyer & Santa Margherita acquisition of Roco Winery in Oregon
- Increase in activity with a number of other transactions now *en route*
- Strong market for well-known businesses & assets, i.e. Shafer
- Questionable market for unknown wineries & distressed assets
- Buyers are specific about what they want & don’t want
- Are we returning to a Buyers market ?
- Cautiously optimistic for on-going M&A activity in 2022 & 2023 for profitable & well known businesses

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