



PERKINS & CO

Let's get there

Winery Valuations

The Tangible and Intangible Nature of the Industry

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Step One – Define Engagement



- › **Business Model**
 - **Single Entity or Several**
 - **Ownership structure**
- › **What Does the Entity(s) Own?**
- › **What is the type and scope of products/services?**
- › **How does the entity sell products to public?**

Business Models for Wineries



Tangible



Intangible

Vineyard

Estate Winery

Operating Winery

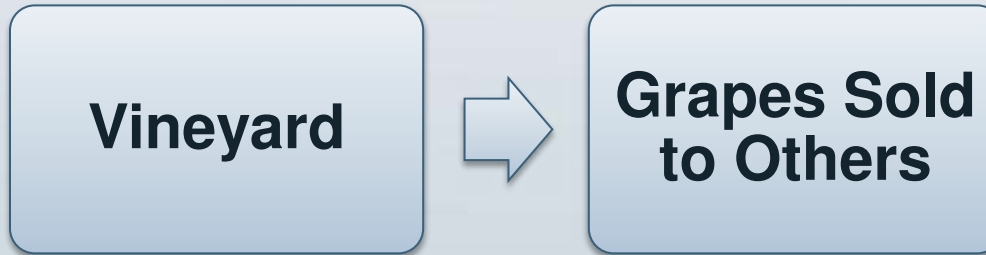
Contract Winery

or

Virtual Winery

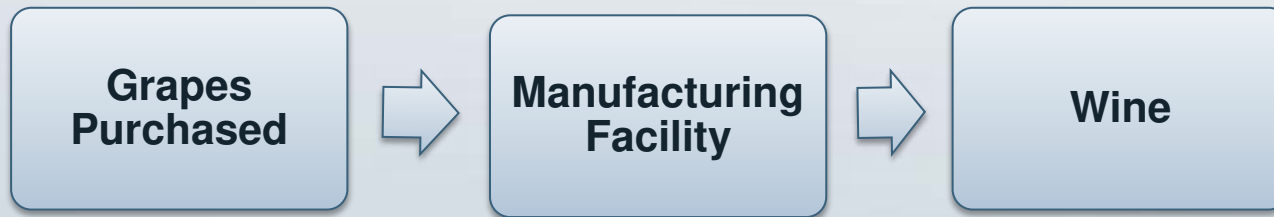
Negociant

Vineyard

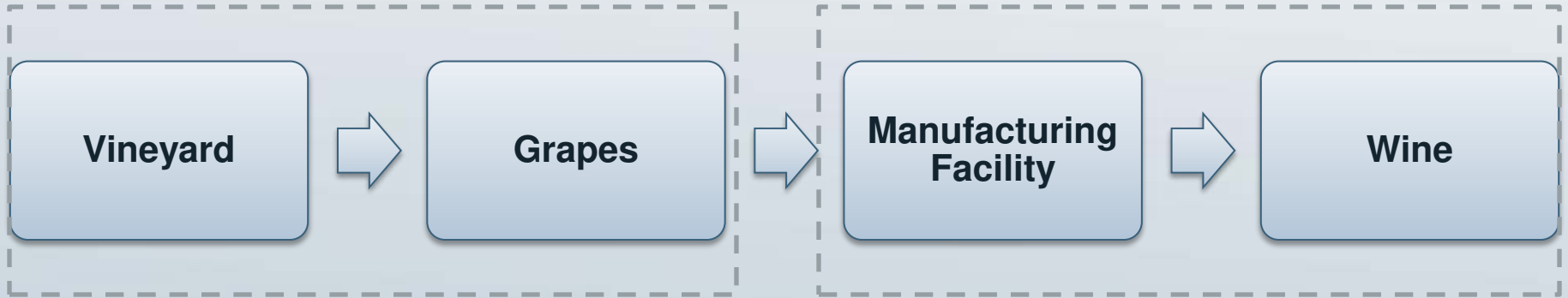


Land
Vines, trellising
Irrigation
Other improvements

Operating Winery



Financial assets
Inventory
Land, Building
Equipment
Intangibles

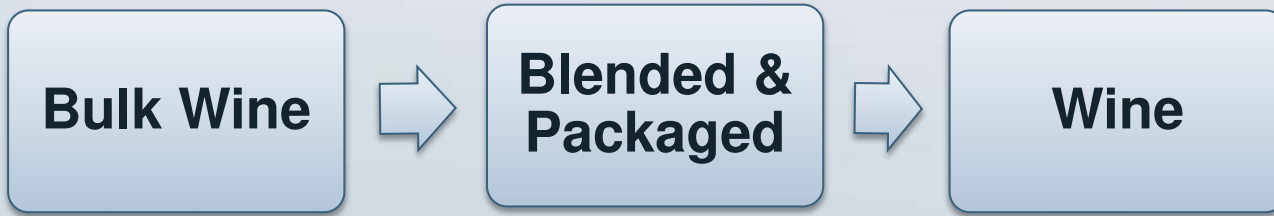


Contract or Virtual Winery



Financial assets
Inventory
Equipment?
Intangibles

Negociant



Financial assets
Inventory
Intangibles

Estate Winery Asset Listing



Tangible

Land

Building

Improvements - Other

Financial Assets

Inventory

Equipment

Intangible

Wine Club

Customer Lists

Distribution Agreements

Grape Contracts

Label(s)

Workforce – Winemaker,
Vineyard Manager

Location? AVA?

Goodwill (unidentified)



Products and Sales



- › Inventory Accounting
 - Bulk
 - Bottled
 - Location
- › Sales – 3 Tiered System
 - Direct/Retail
 - Wholesale
 - Distribution
- › Related party transactions/activities
- › Forecasts and Capacity

Estate Winery | Return on Investment



	FMV (\$)	ROI (%)	Return (\$)
Land	450	4	18
Building	750	6	45
Improvements - Other	300	6	18
Financial Assets	100	8	8
Inventory	1,200	8	96
Equipment	500	8	40
	<u>3,300</u>	<u>6.8</u>	<u>225</u>

Virtual or Contract Winery

Return on Investment (WARA)



	<u>FMV</u>	<u>ROI</u>	<u>Return</u>
Land	0	4%	0
Building	0	6	0
Improvements - Other	0	6	0
Financial Assets	100	8	8
Inventory	1,200	8	96
Equipment	100	8	8
	<u>1,400</u>	<u>8%</u>	<u>112</u>

Winery Financial Comparison



	(000)	(000)
Rev	<u>3,600</u>	<u>3,600</u>
Cogs	<u>1,600</u>	<u>2,300</u>
G.P.	2,000	1,300
Sales/Adv	500	500
Comp	400	200
O/H	<u>400</u>	<u>200</u>
	1,300	900
Pre tax	<u>700</u>	<u>400</u>
Post tax	420	240
ROI	12.7%	17.1%

Summary



- › Understand Business Model
- › Understand how/where assets are held
- › Understand Financial/Cash Flow Potential
- › Assess Risk

Questions?



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