



svb

Silicon Valley Bank

Wine Division

## 2014 Annual Wine Conditions Survey

*Compilation of significant findings by the  
SVB Analysts:*

*Bryan Scruggs*

*Abram Way*

*Nick Wolfe*

# Table of Contents

‣ <a href="#">Summary</a>	3
‣ <a href="#">Survey Respondent Profile</a>	4
‣ <a href="#">Demographics</a>	9
‣ <a href="#">2015 Price Projections</a>	13
‣ <a href="#">2014 Sales and Case Growth</a>	18
‣ <a href="#">Sales Channel Distribution</a>	24
‣ <a href="#">2014 Fiscal Year Review</a>	29
‣ <a href="#">Financial Health</a>	33
‣ <a href="#">Potential Sales</a>	37
‣ <a href="#">2014 Harvest</a>	43
‣ <a href="#">2015 Grape Expectations</a>	47
‣ <a href="#">California Drought Issues</a>	51
‣ <a href="#">Wholesale Representation</a>	54

# Summary

- 82% of wineries reported overall financial health of "good" or better for 2014. This is up 7% over the previous year. This trend is expected to continue as the grapes from three strong harvests (2012,2013, and 2014) make their way into the market.
- Consensus view of 2014 shows 79% of respondents reporting having a good year or better. The Sierra Foothills, CA region reported the largest proportion of disappointment which correlates directly to issues felt during the California drought. Over 41% of respondents from that region reported feeling some issues from the drought.
- 60% of all wineries are projecting price increases per retail bottle with only 6% projecting a decrease in 2015. The majority of increases are expected to be small across all price points except the >\$69 range. Wines with a price point >\$69 are the most bullish with 45% reporting increases of moderate to strong.
- Wine sales continue to be dominated by the Baby Boomer generation contributing to 44% of all sales with Gen-X'ers coming in at 29%. Three year trends indicate little change amongst the generational buyers in the market today.
- Overall, 93% of wineries reported the quality of grapes harvested as good/excellent for 2014. Wineries in the Pacific Northwest further benefited from the 2014 harvest with 62% of Washington wineries and 85% of Oregon wineries reporting higher yields than average. The next closest region was Napa, CA with 43% of wineries reporting higher than average yields.
- Only 36% of California wineries reported a measurable affect from the 2014 California drought with the most significant issues being felt in the Central Valley, CA, Central Coast, CA, and Sierra Foothill, CA regions.



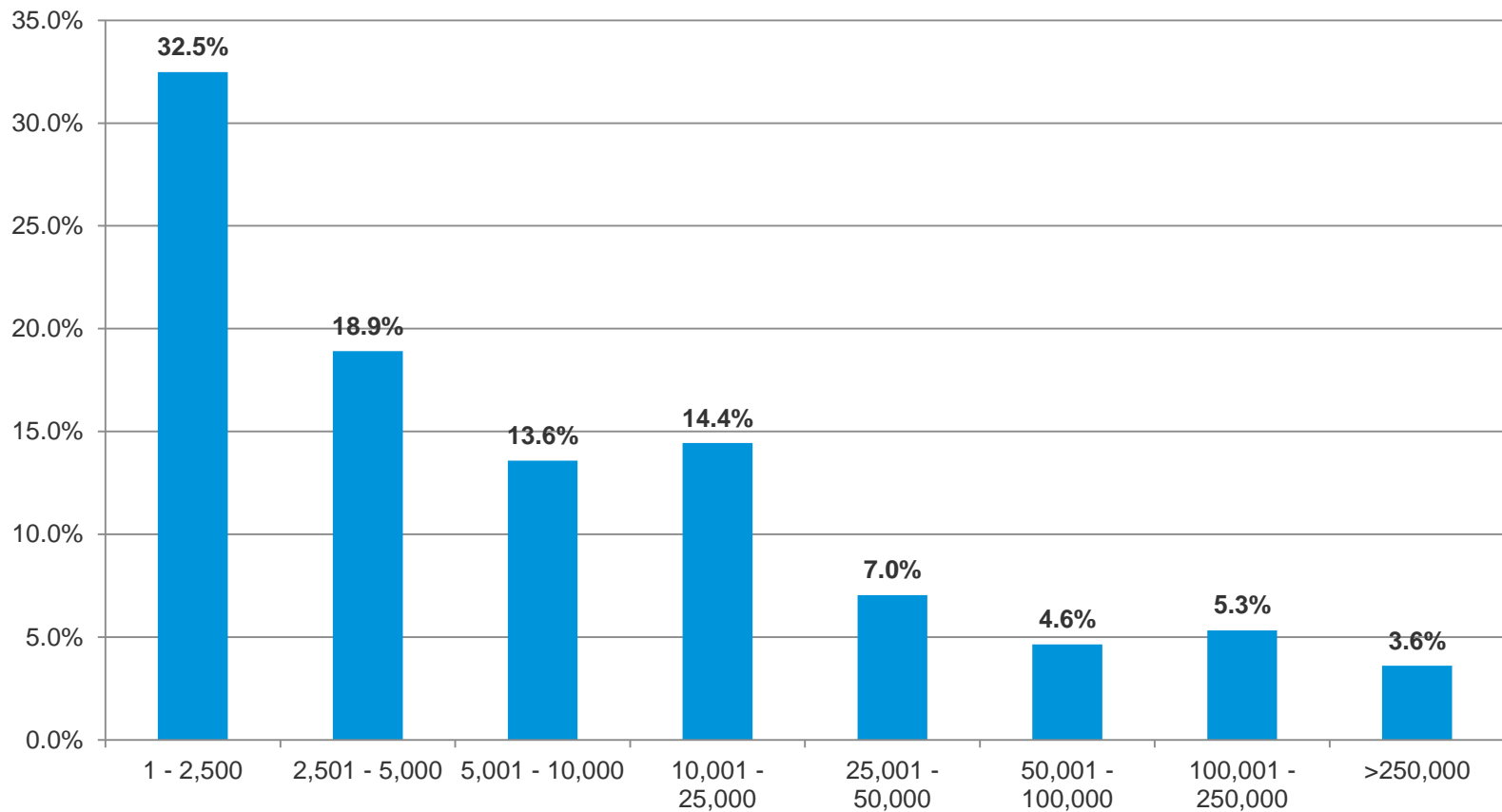


# Survey Respondent Profile

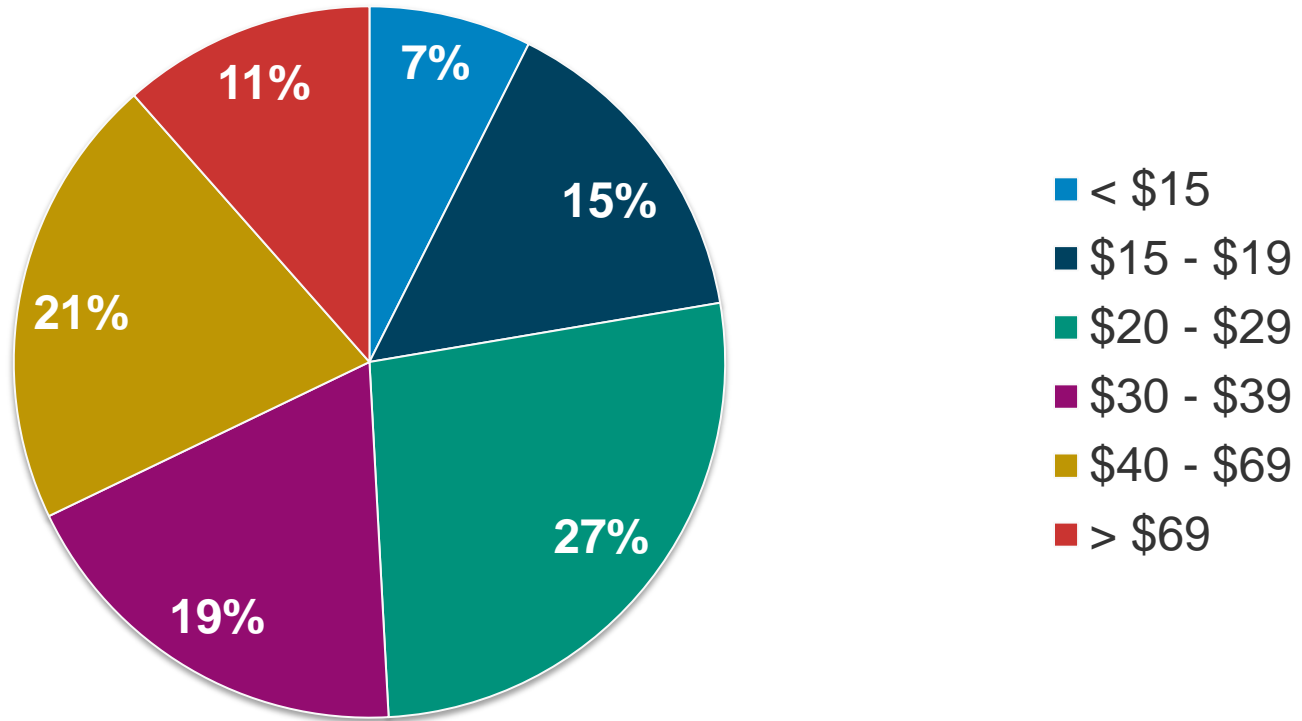
The number of winery responses totaled 582. If there were too few respondents from a participating region, the data was deemed insignificant based on the sample size and placed into “Other” categories or combined with a neighboring region as defined below.

- Lodi & Other Delta Counties, CA includes (Livermore and Contra Costa, CA)
- Central Coast, CA includes (San Luis Obispo/Paso Robles/Santa Barbara)
- Mid-Coastal, CA includes (Santa Cruz/Monterey,/Santa Clara)
- Central Valley, CA includes (Solano, CA)
- Other includes (Alabama, Arizona, British Columbia, California, Connecticut, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Mexico, Michigan, Minnesota, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Ontario, Pennsylvania, Peru, South Dakota, Tennessee, Texas, Vermont, and Virginia)

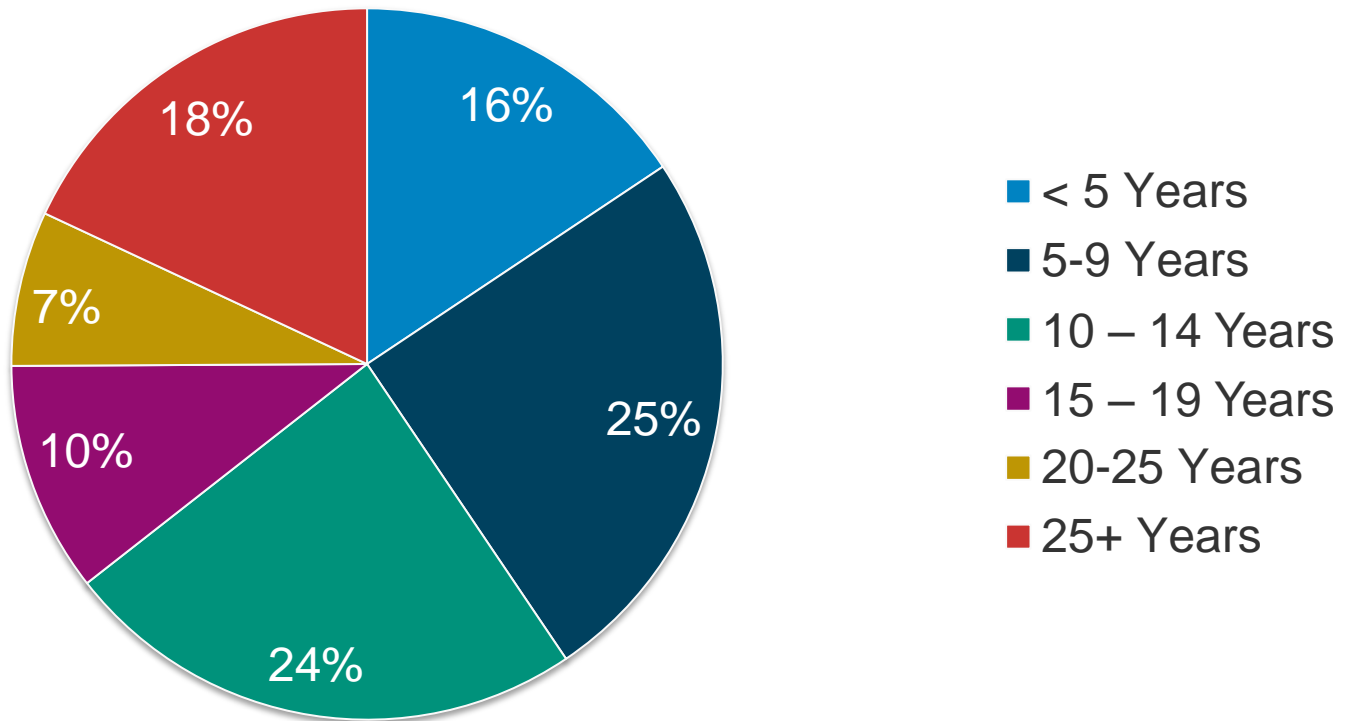
# Production Level of Survey Participants



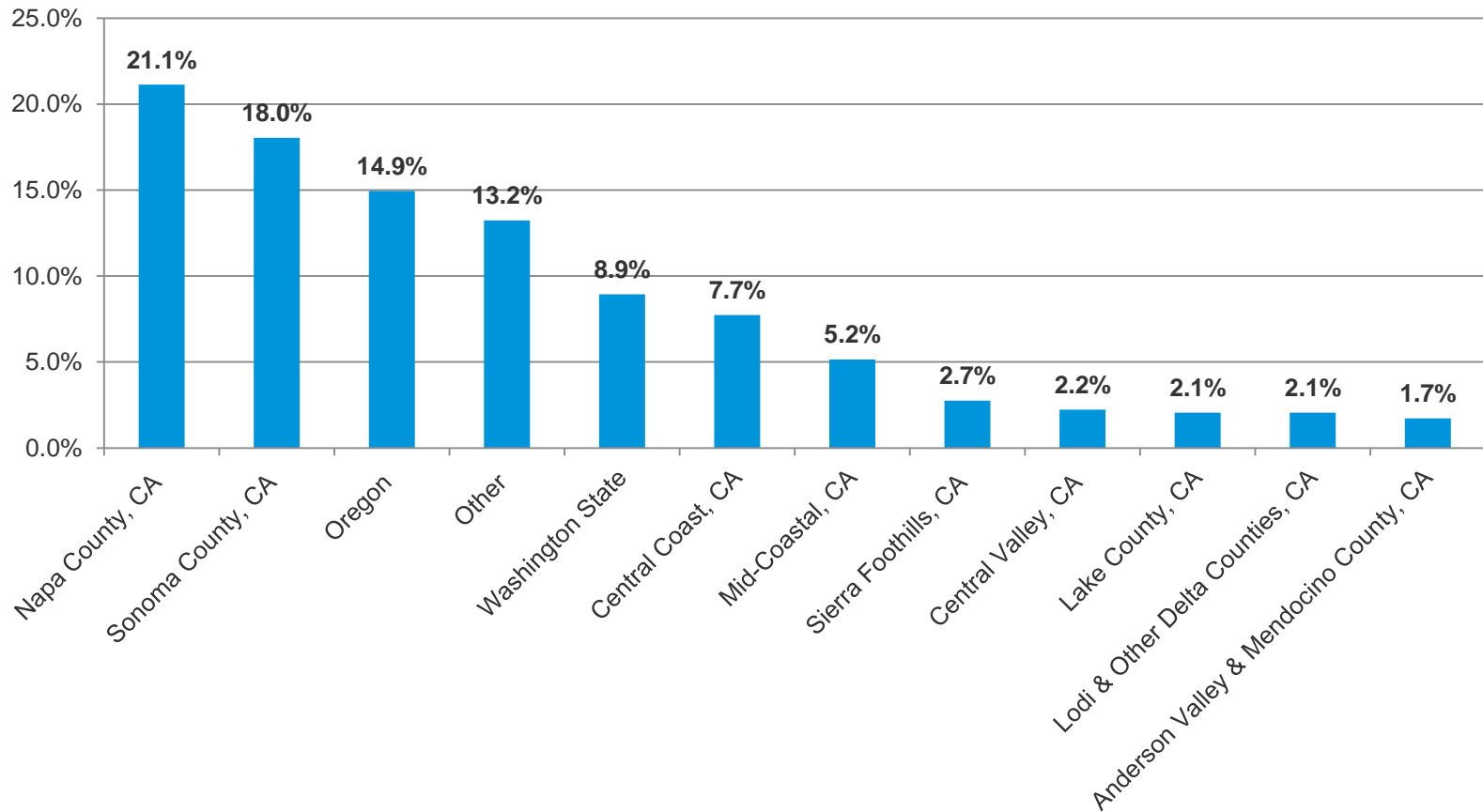
# Retail Price Points of Participants



# Operating Years of Experience of Survey Participants



# Region of Survey Participants







# Demographics

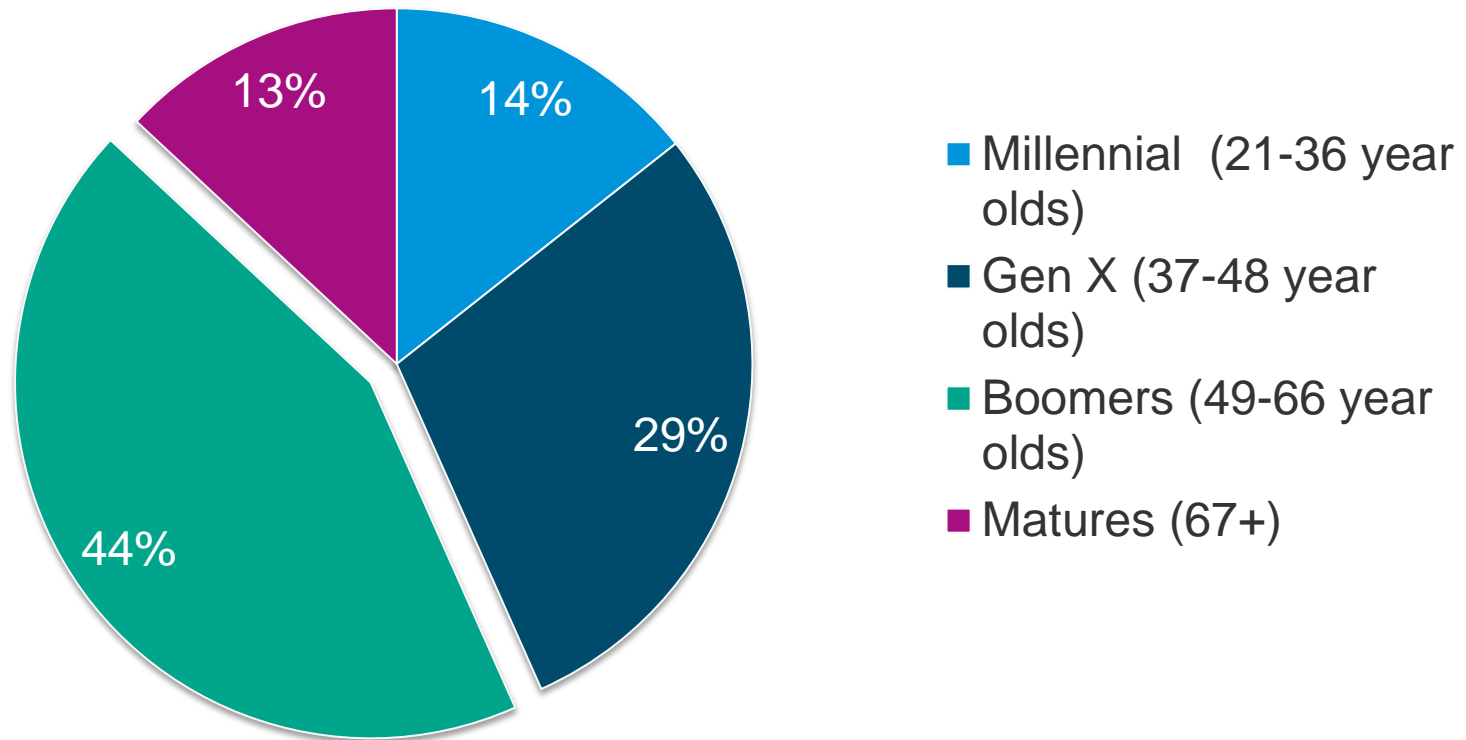
Millennials (21-36 years old)

Gen X (37-47 years old)

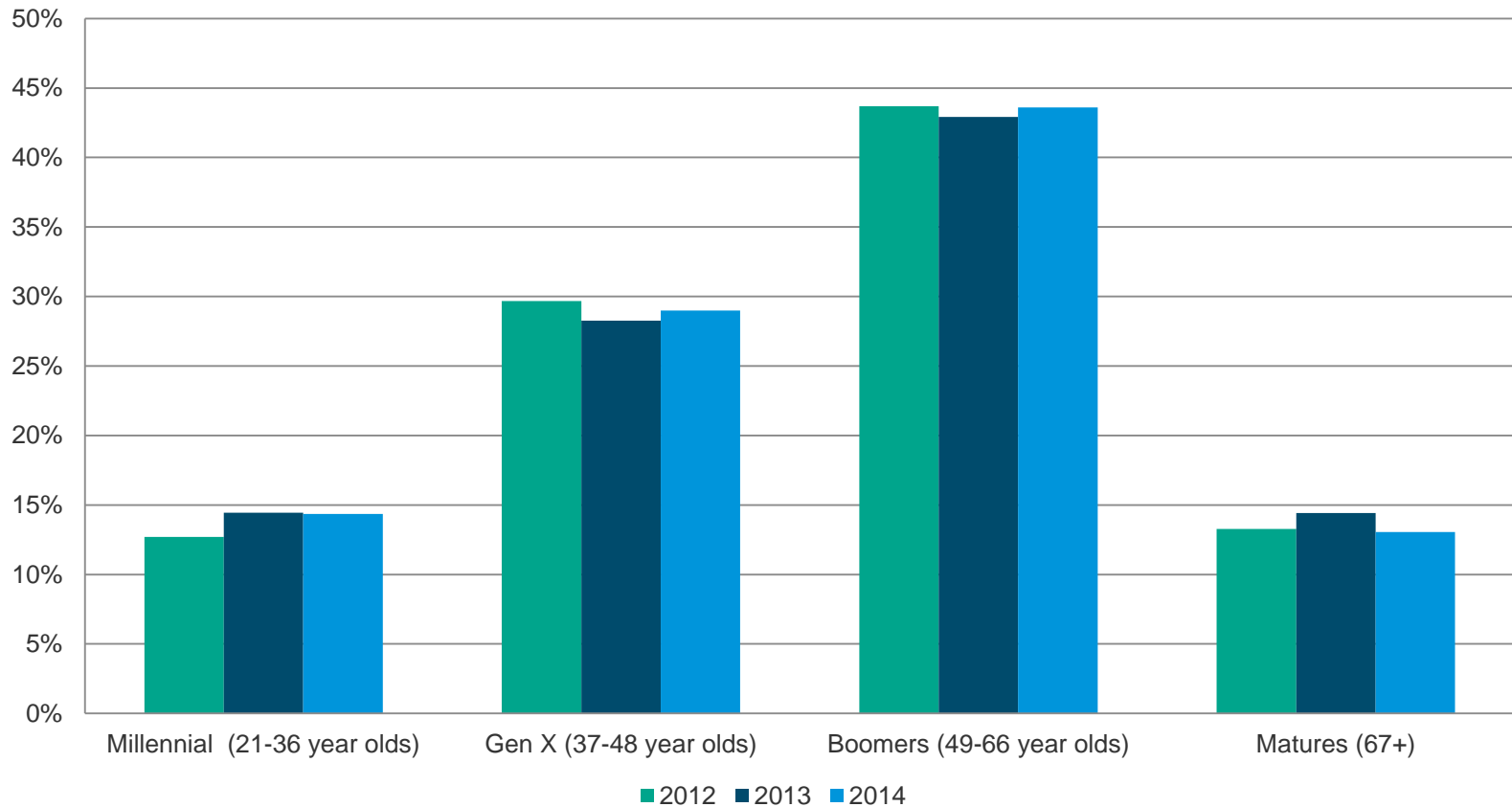
Boomers (48-65 years old)

Matures (matures (66+))

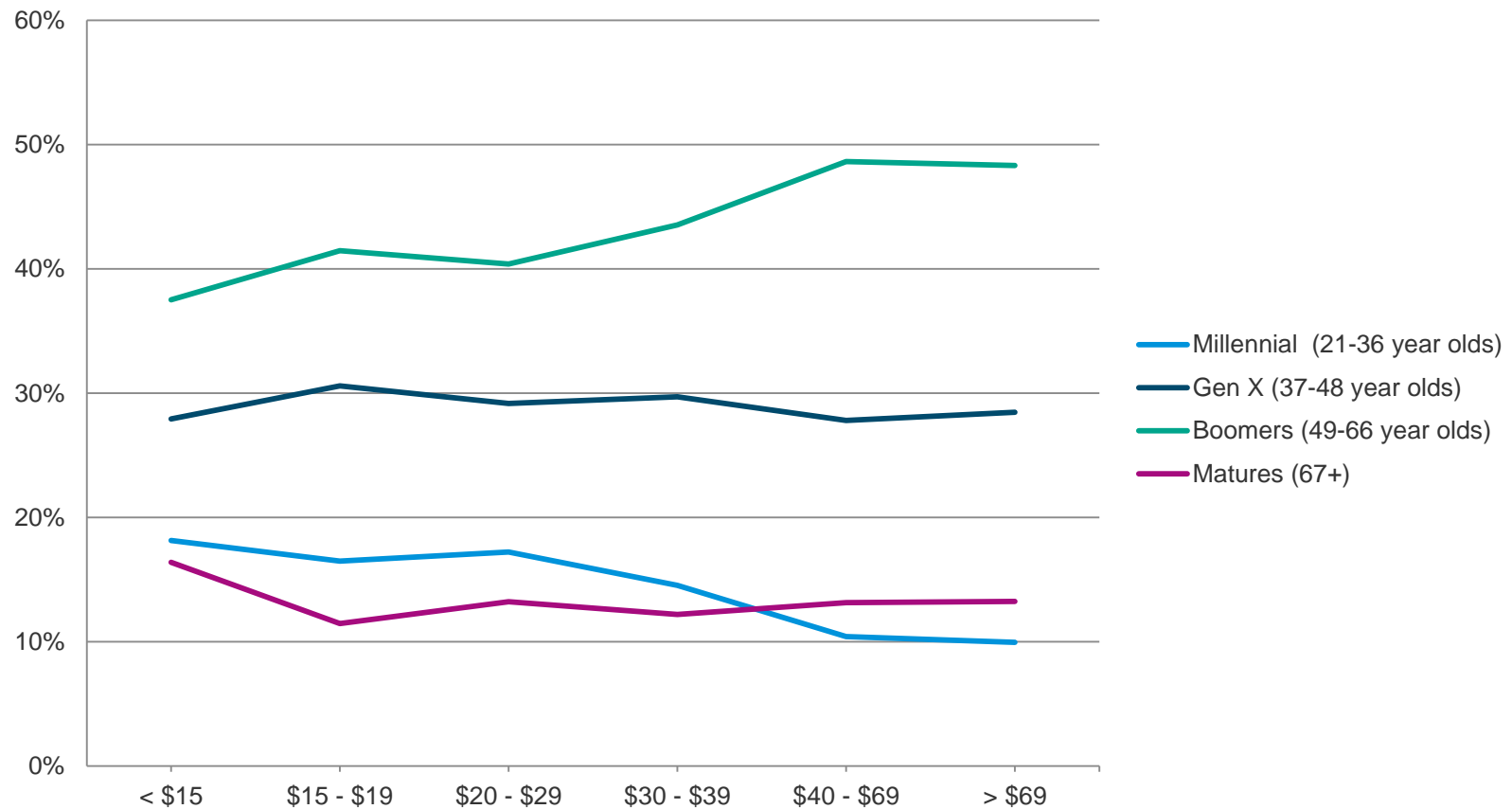
# Average Sales by Demographic



# Year Over Year Demographic Sales Trends



# Average % of Direct Sales by Age Group Compared to Bottle Price

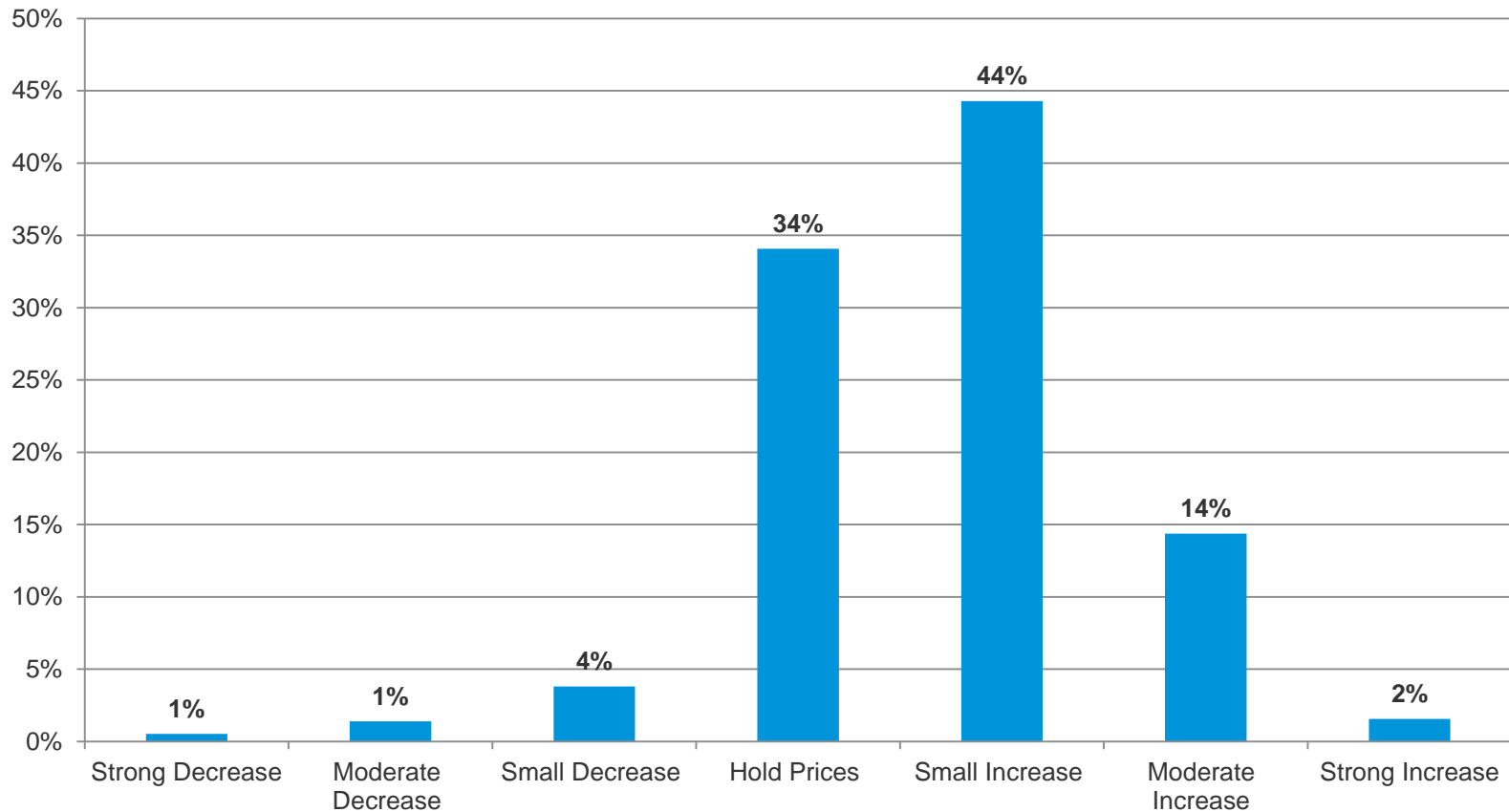




# 2015 Price Projections

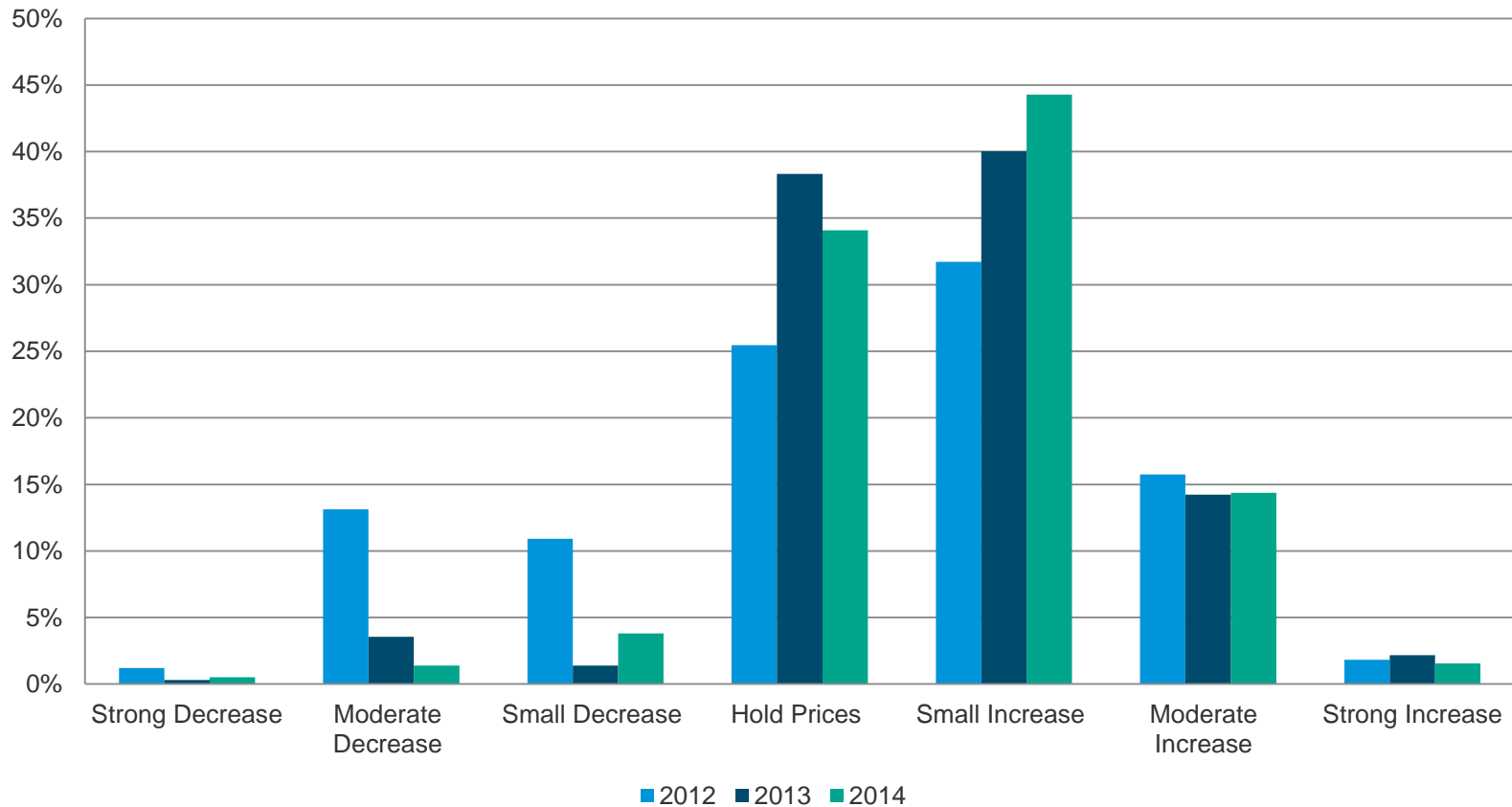
Increases/Decreases to Retail Bottle Price

# 2015 Retail Bottle Price Projections



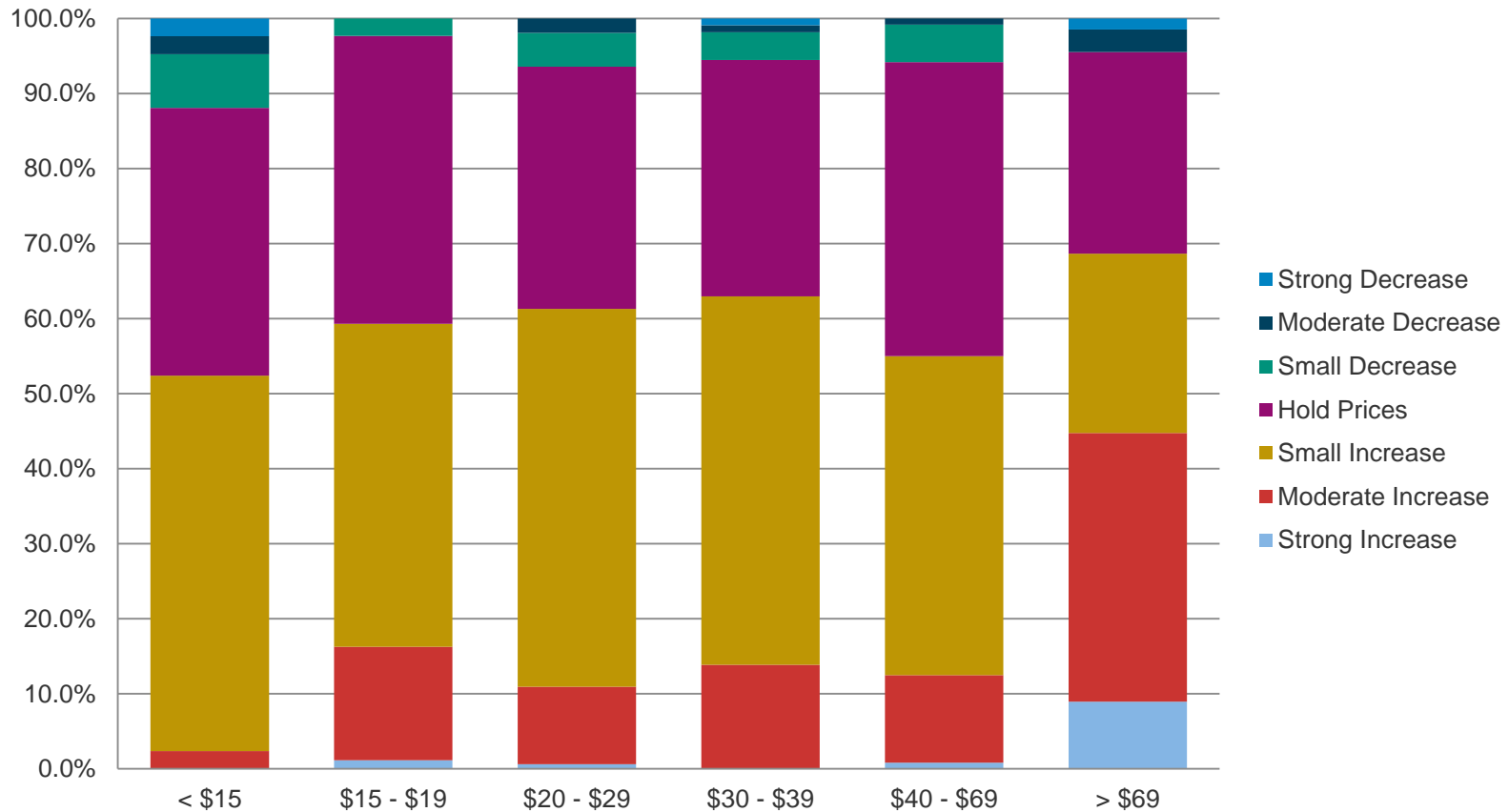


# 3 Year Bottle Price Projection Trends

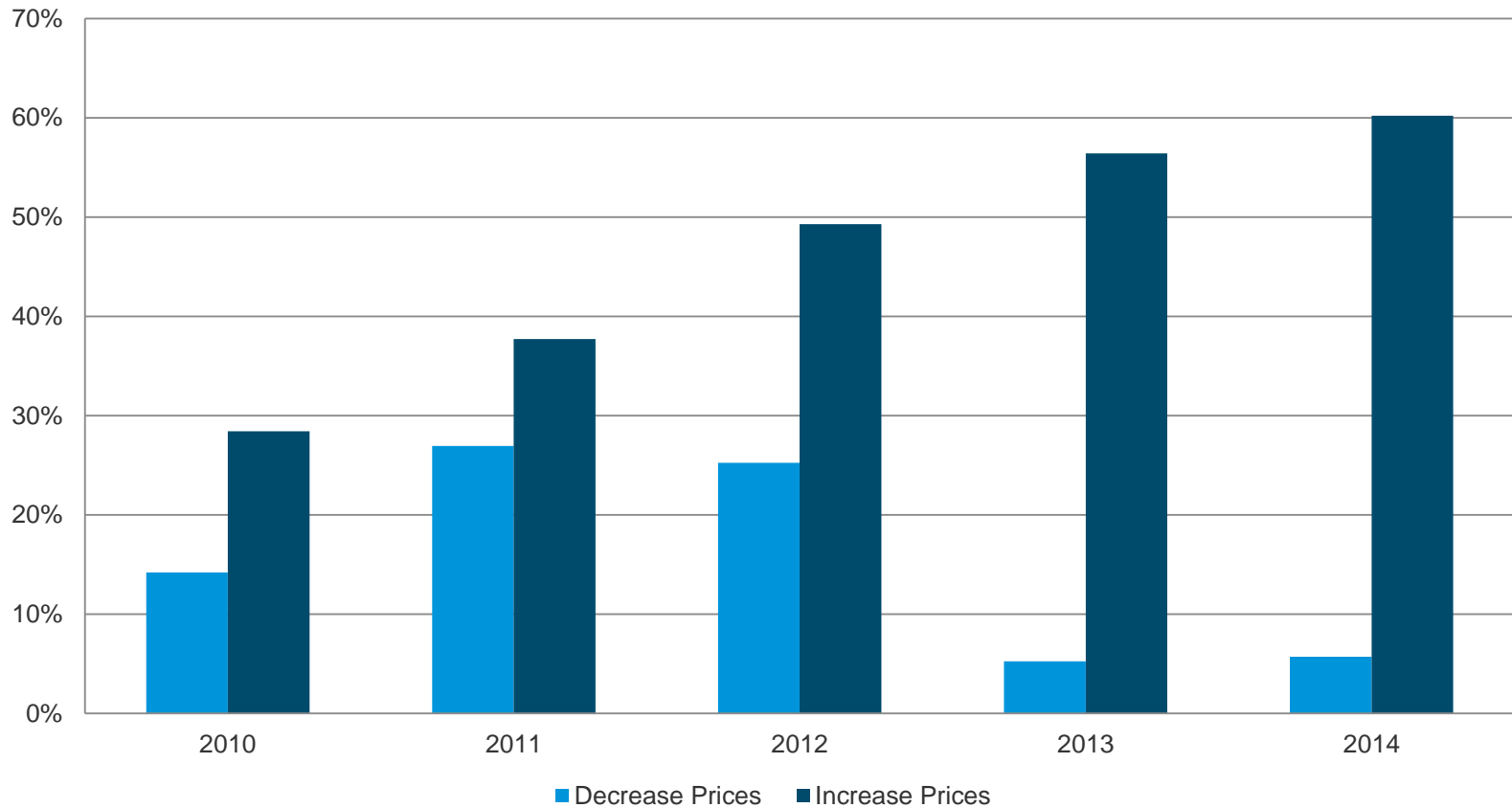




# 2015 Retail Price Projections by Price Point



# Price Projections: 5 Year Comparison

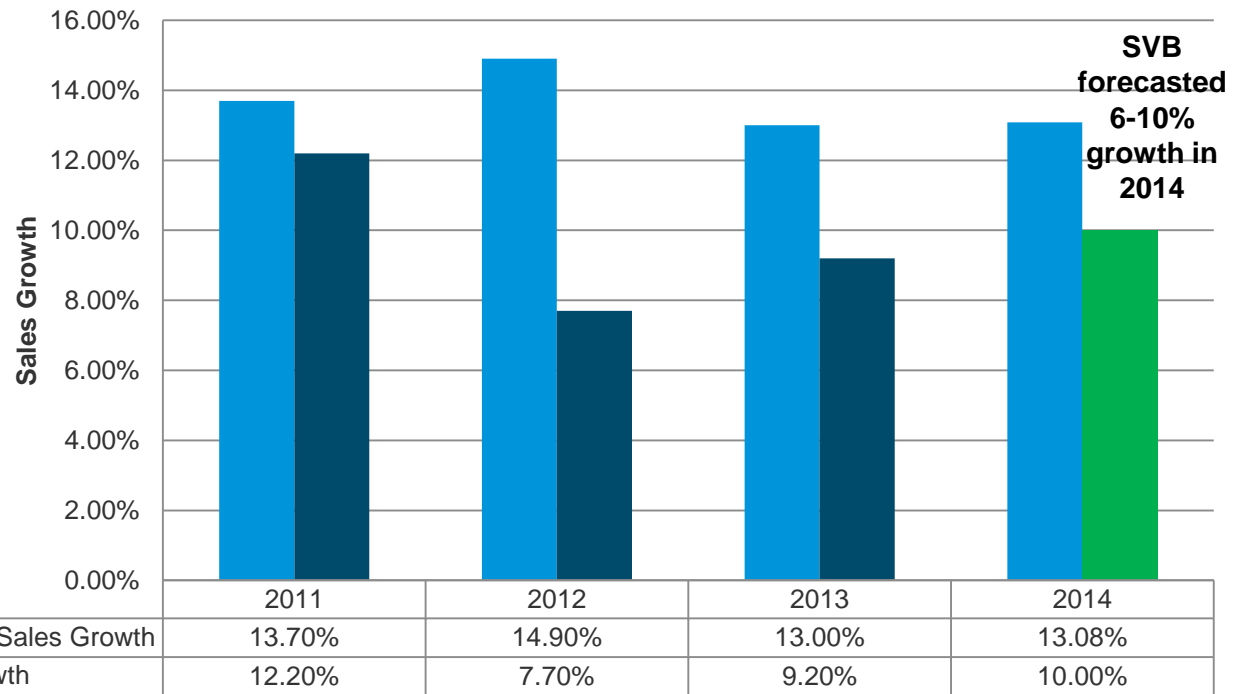




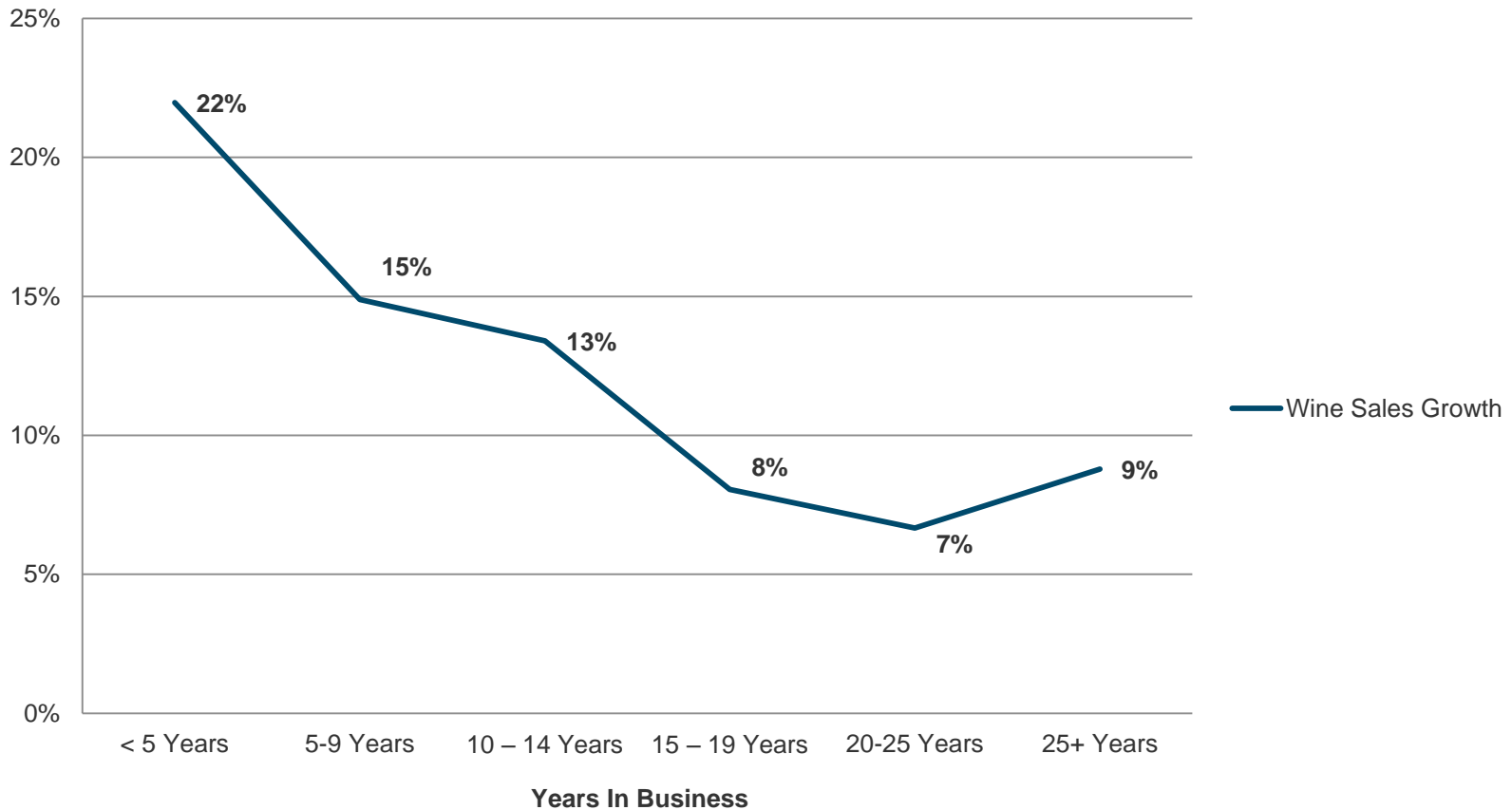
# 2014 Sales and Case Growth

(case growth refers to increase/decrease of cases sold over previous year)

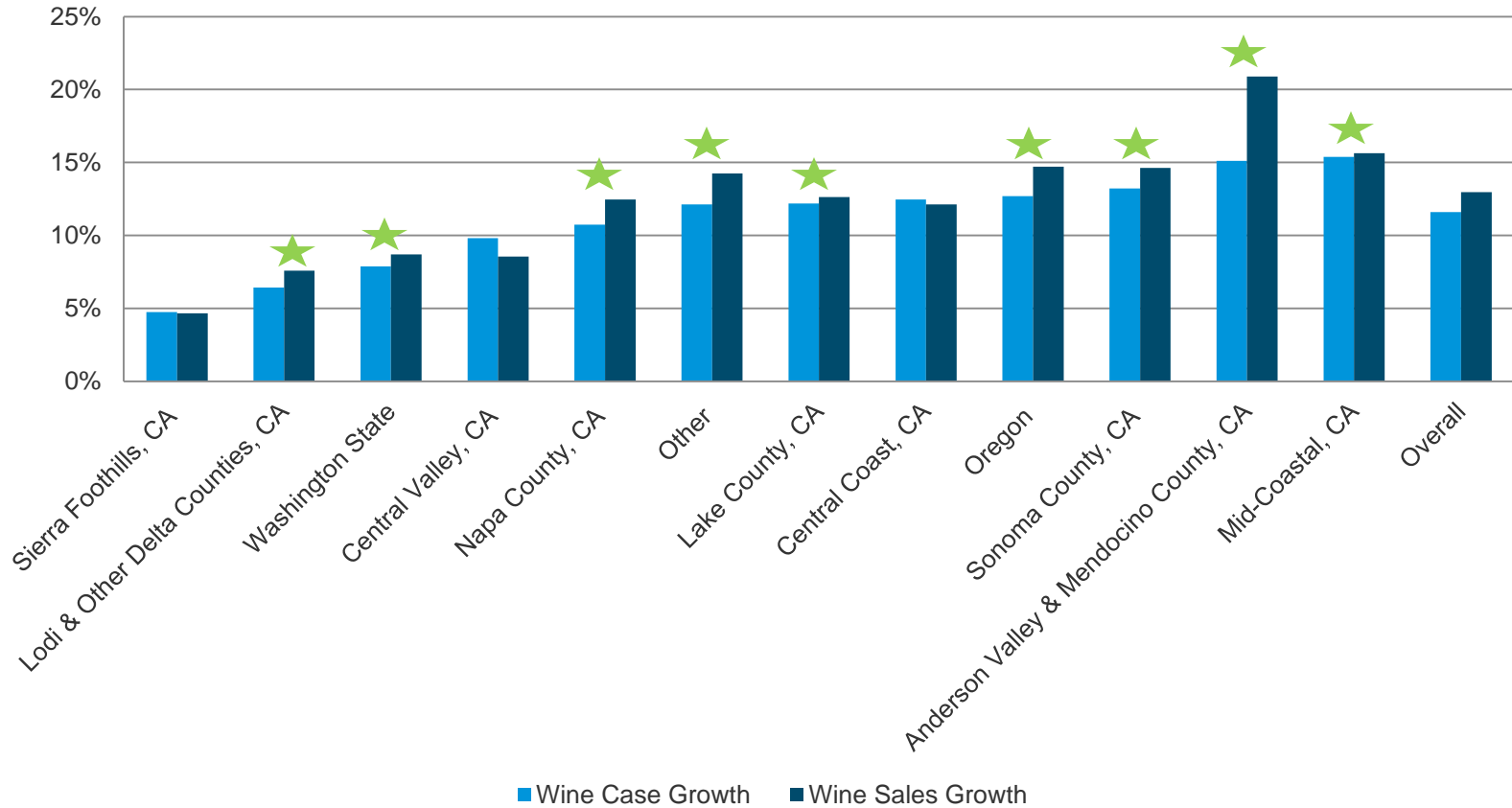
# Predicted End of Year Sales Growth vs. SVB Actual Sales Growth



# 2014 Predicted Sales Growth by Years in Business

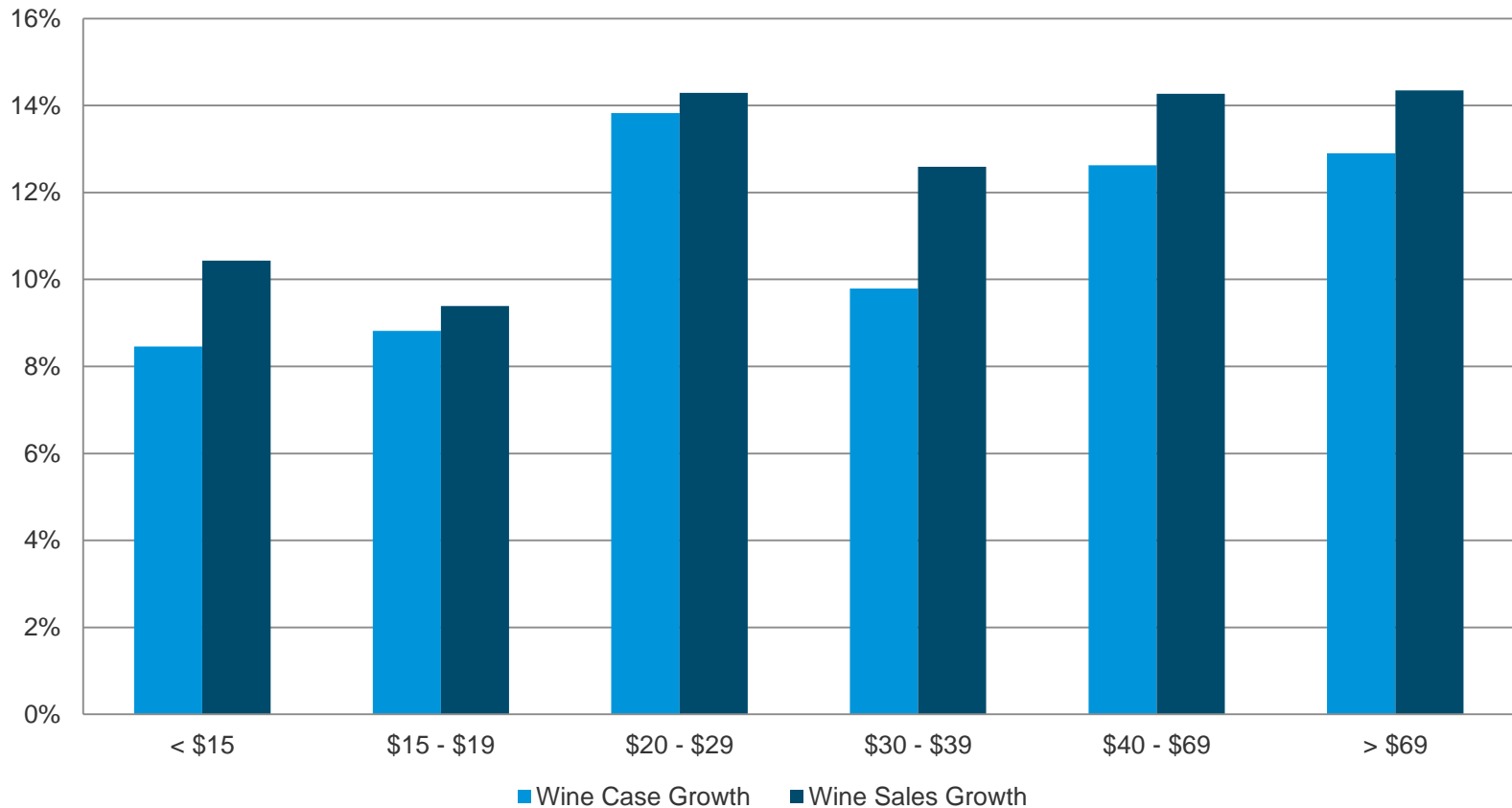


# 2014 Predicted Sales and Case Growth by Region



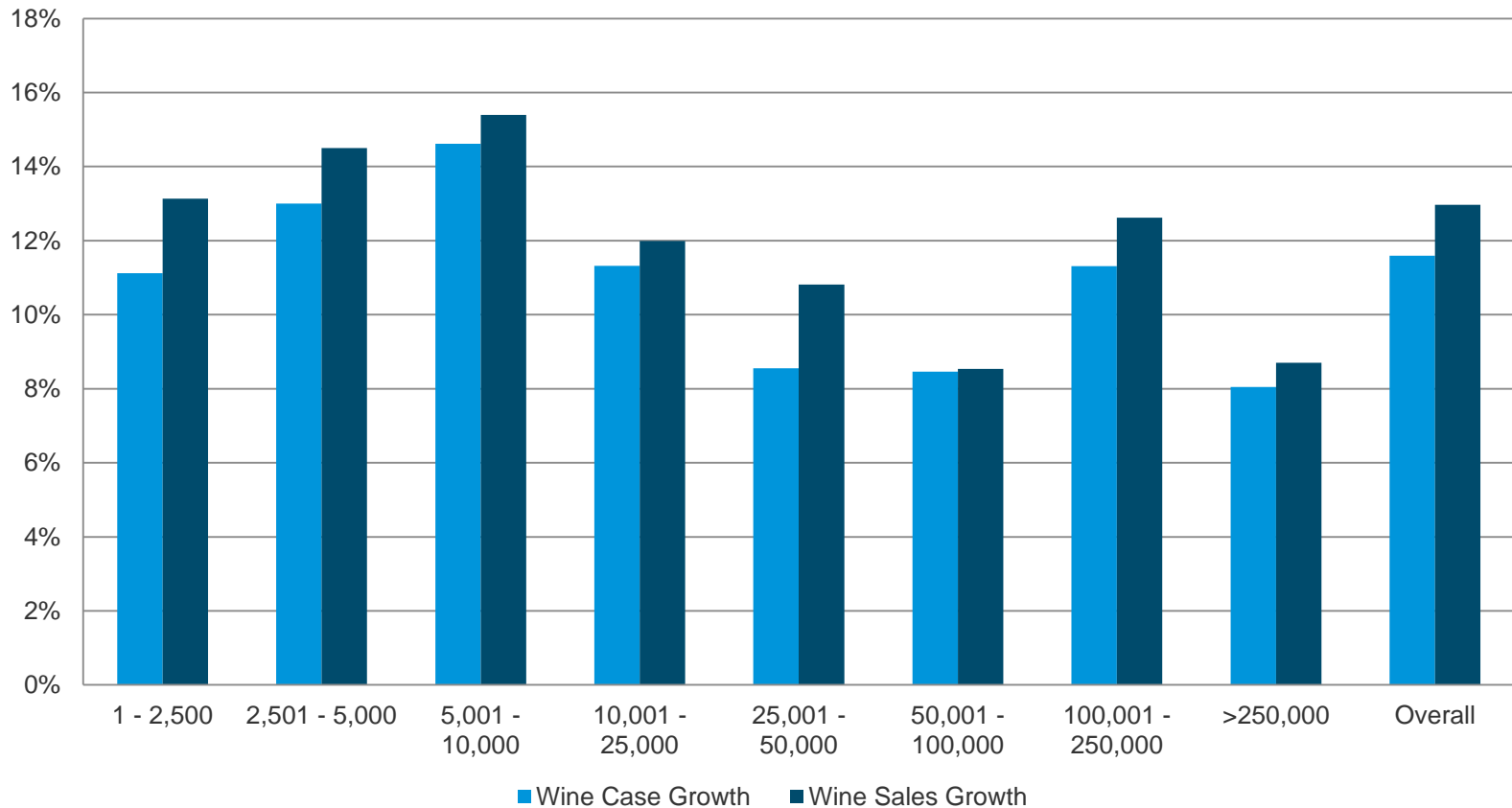
★ Indicates regions where price increases could be taken

# 2014 Predicted Sales and Case Growth by Price Point





# 2014 Predicted Sales and Case Growth by Production

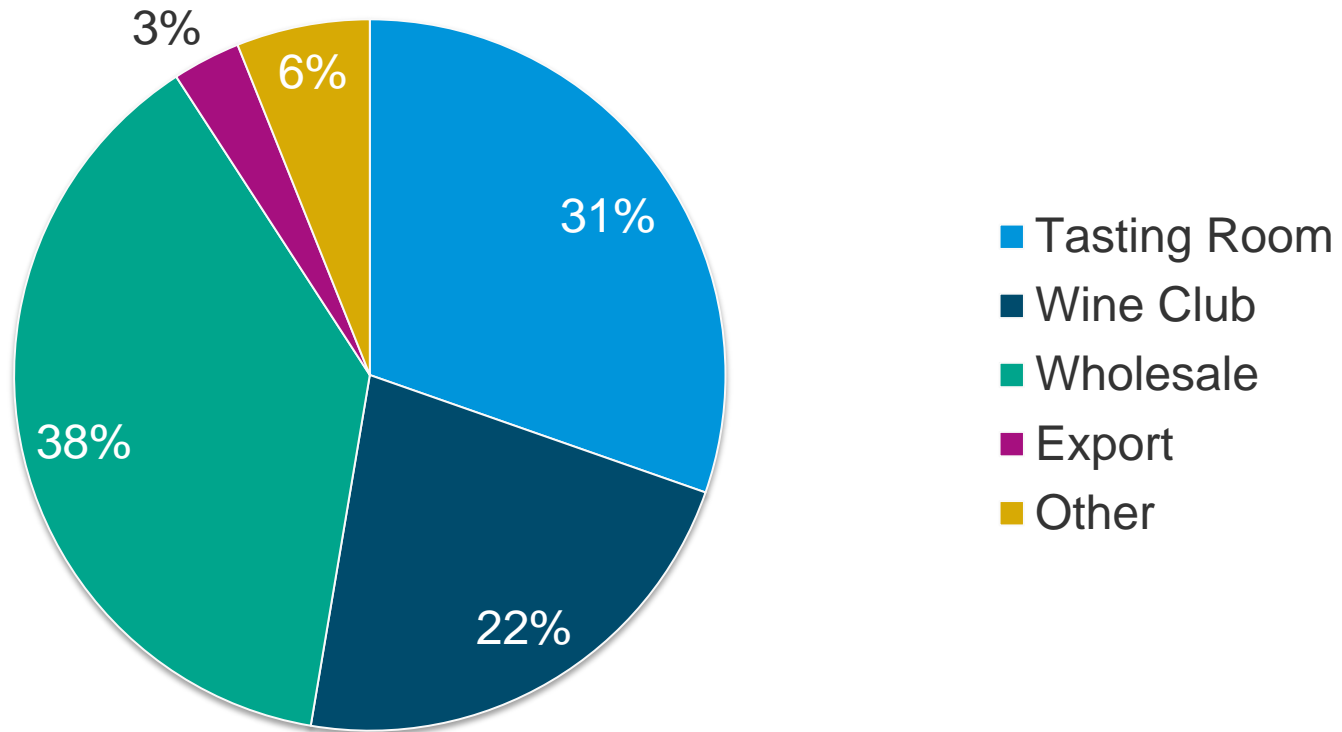




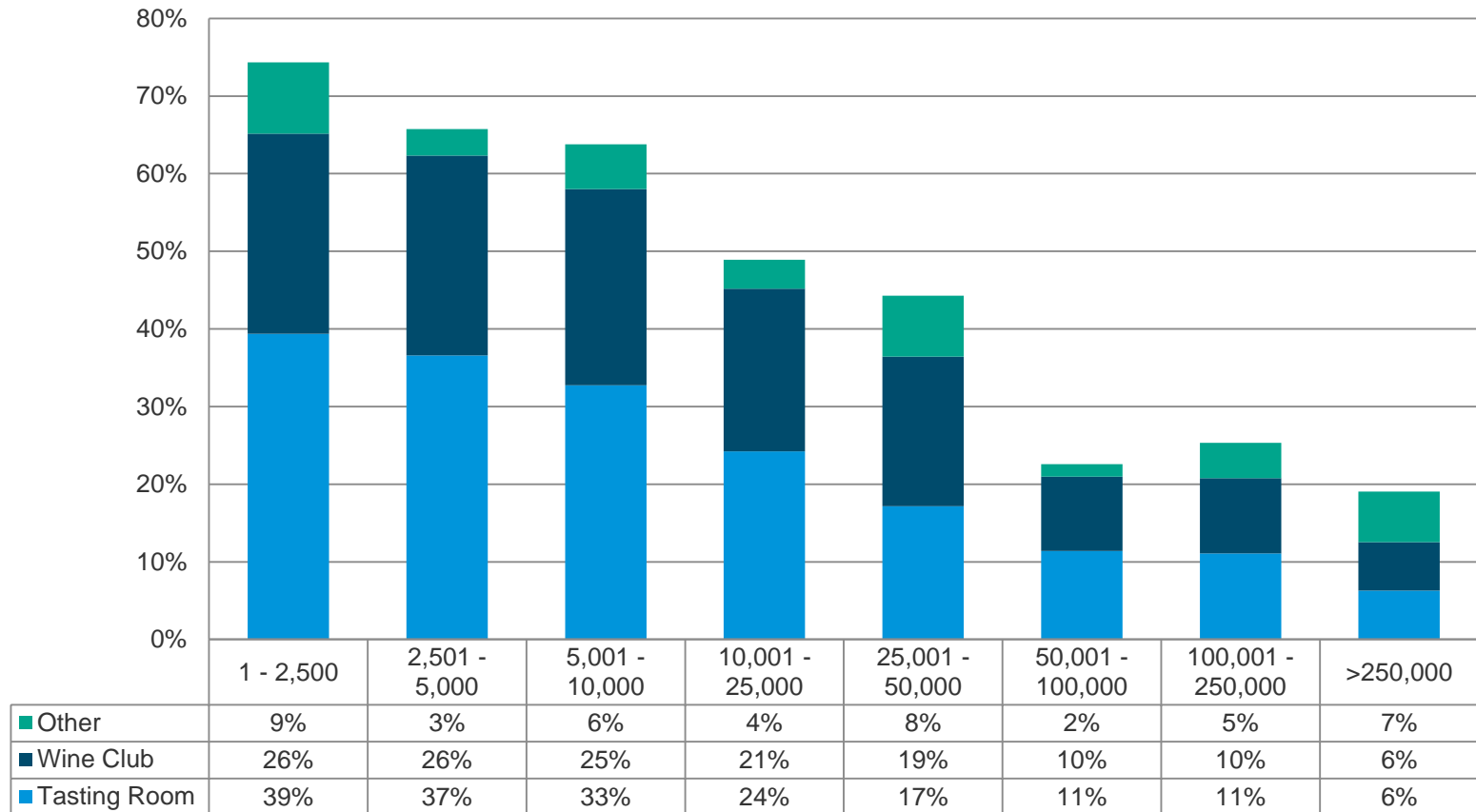
# Sales Channel Distribution

Tasting Room, Wine Club, Wholesale, Export, Other

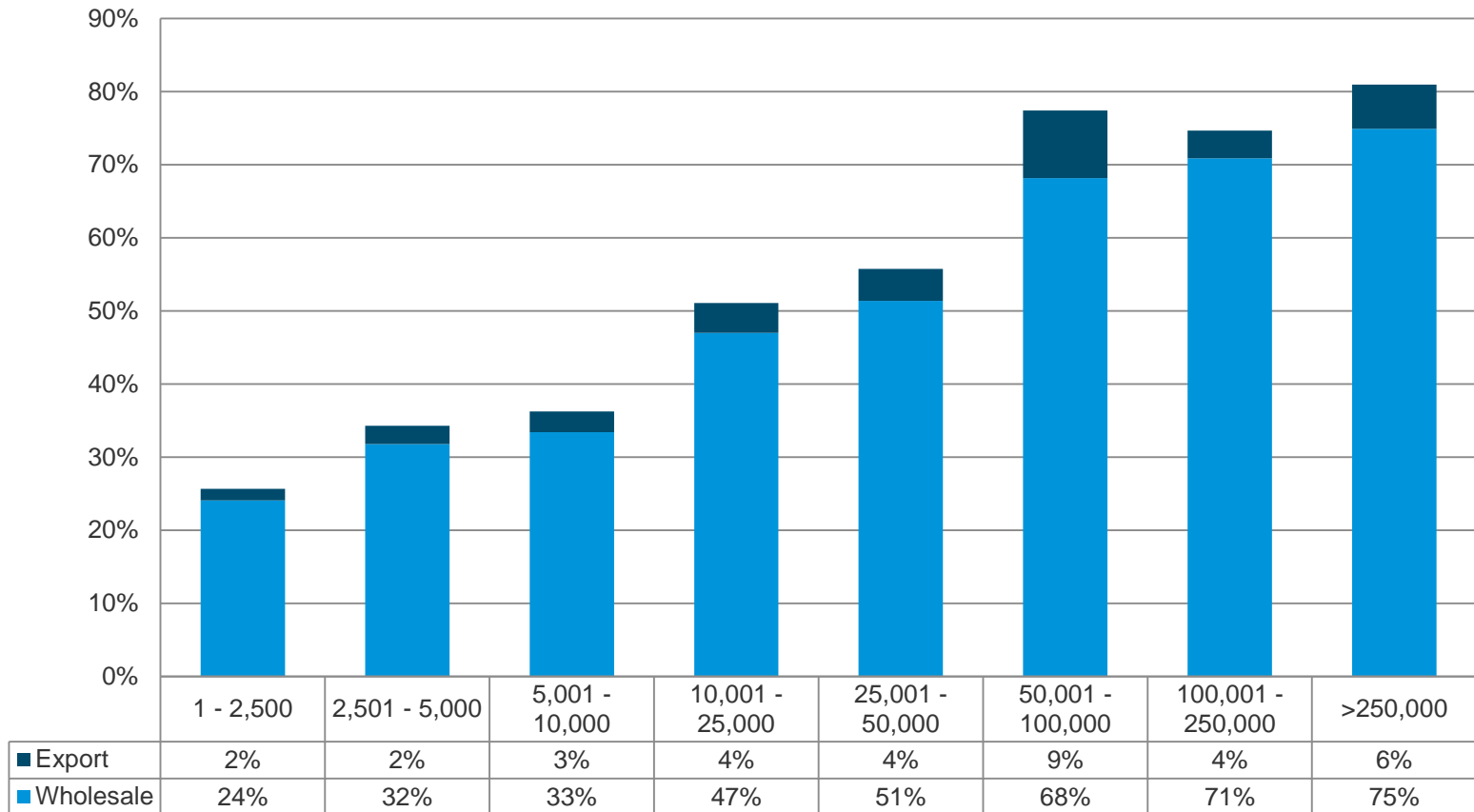
# 2014 Average Sales per Distribution Channel



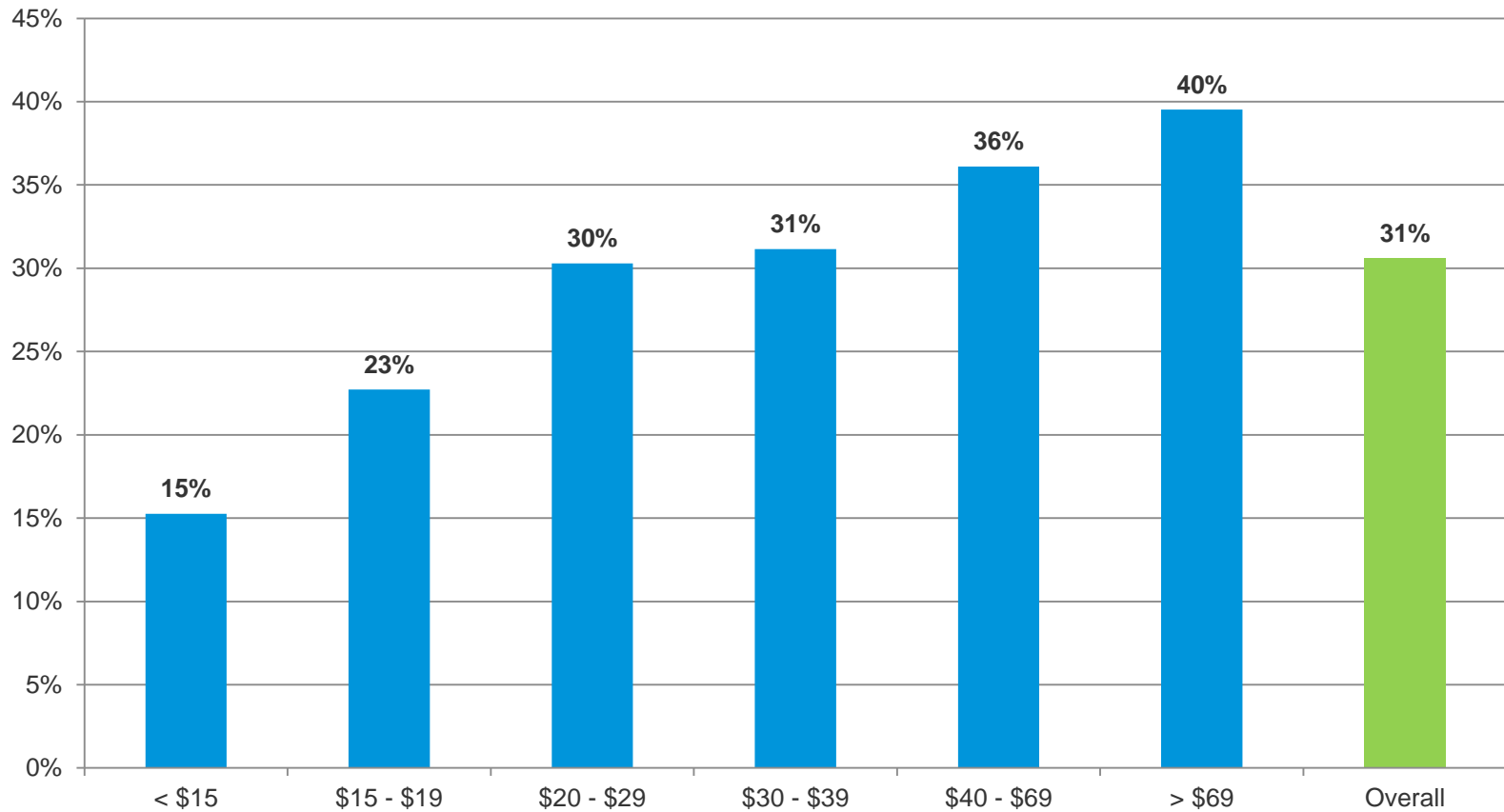
# Average Direct Sales per Channel by Production



# Average Wholesale/Export Sales per Channel by Production



# % of Sales from Restaurants



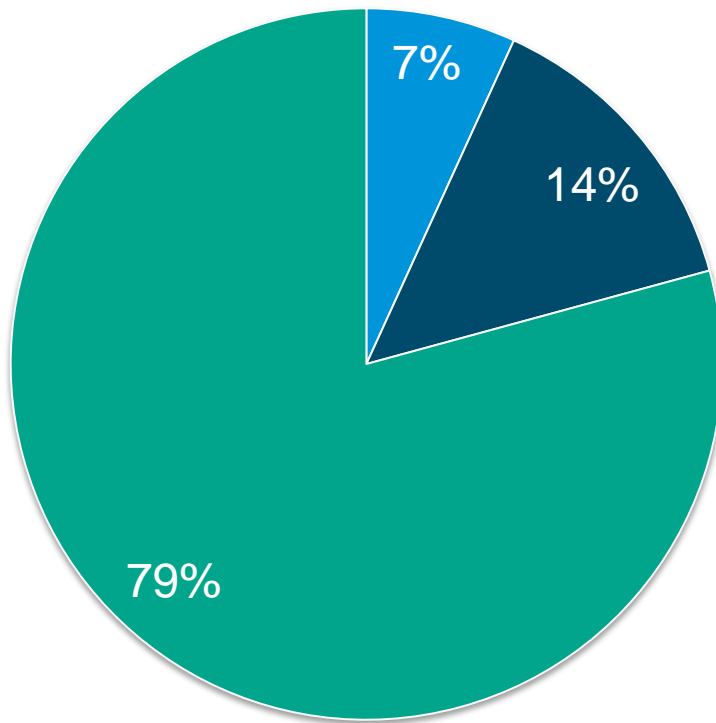


# 2014 Fiscal Year Review

Overview of 2014

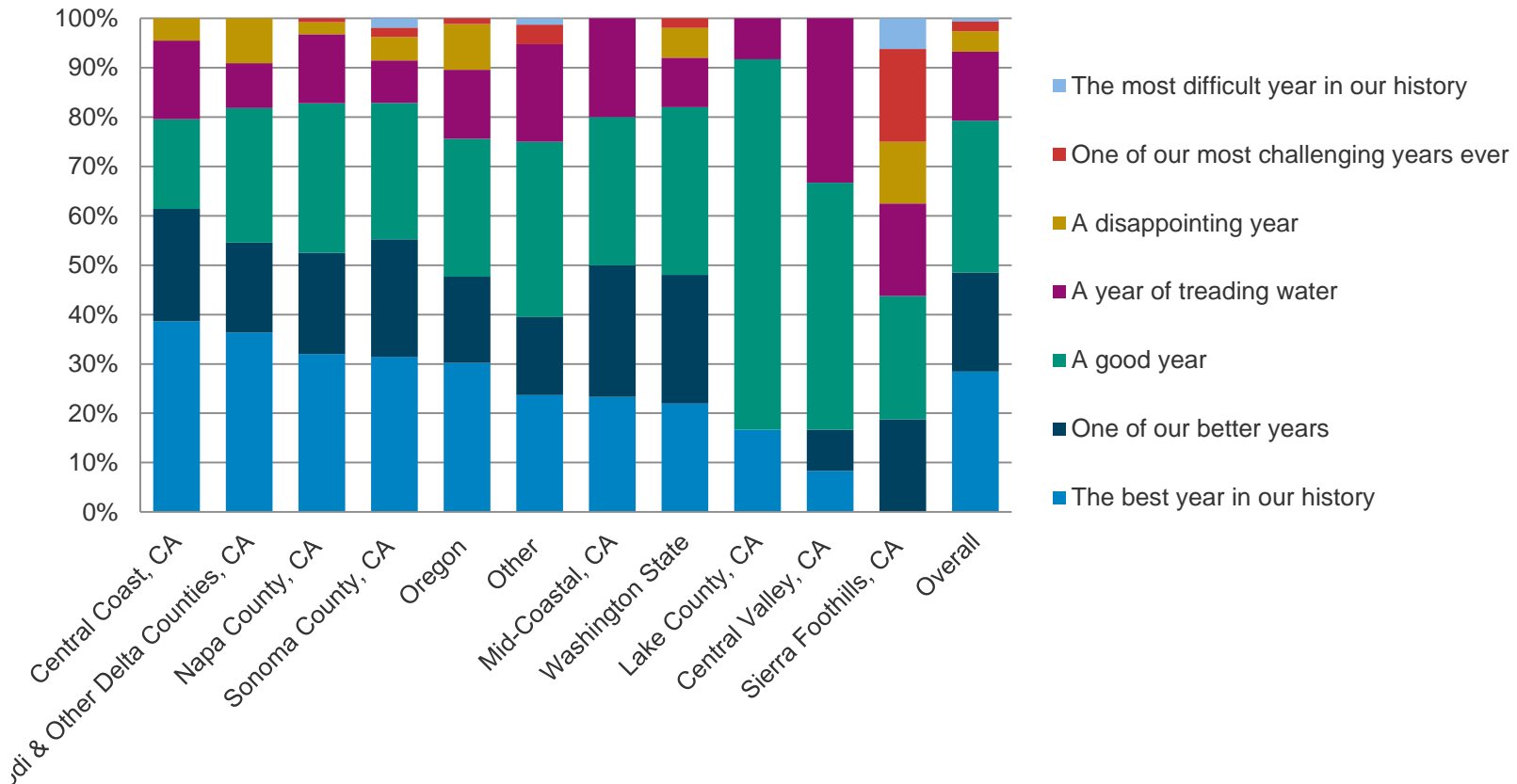


# Yearly Success in 2014

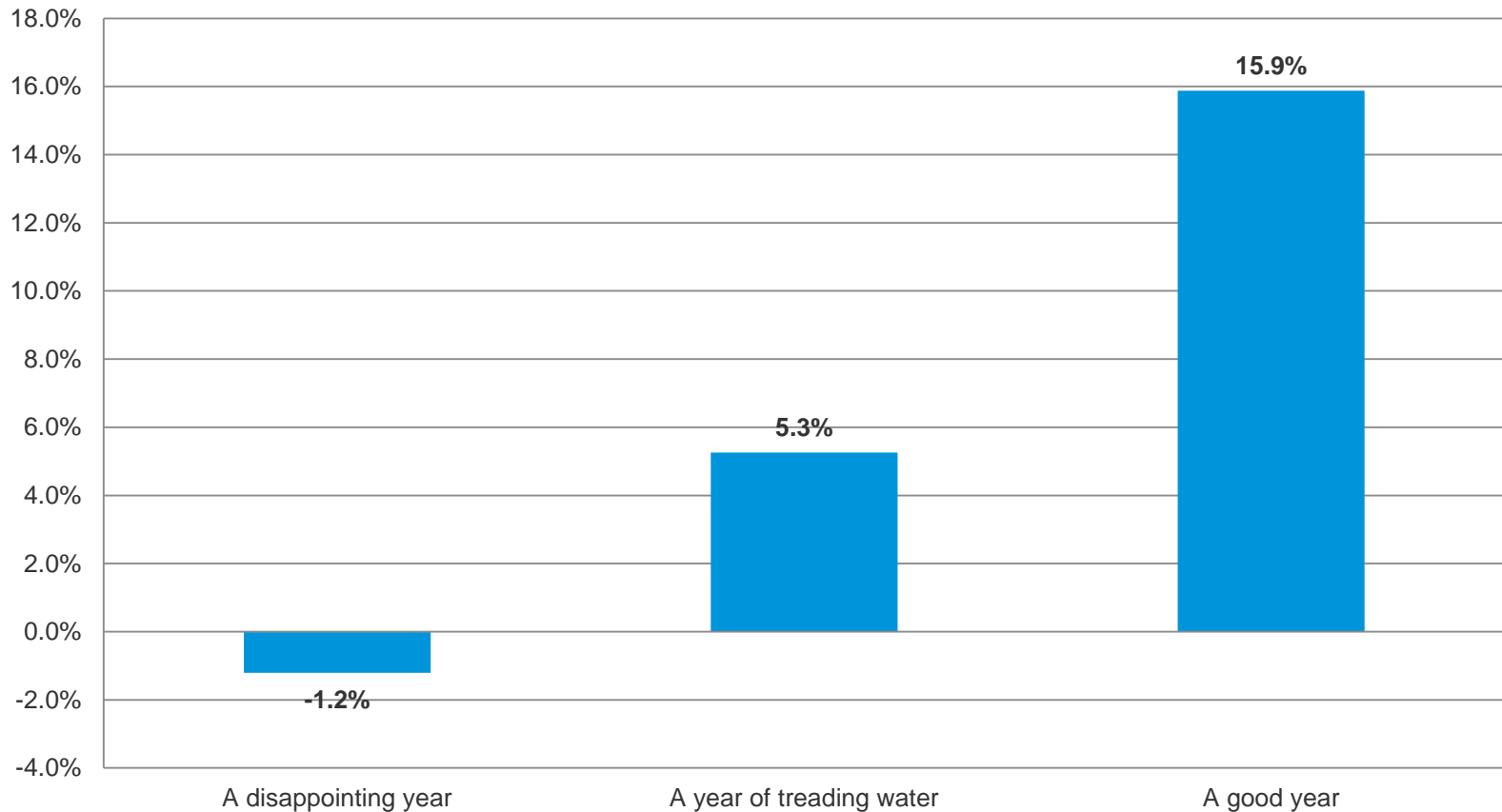


- A disappointing year
- A year of treading water
- A good year

# Regional Detailed Overview of 2014



# Average Growth of Wine Sales Based on 2014 Success

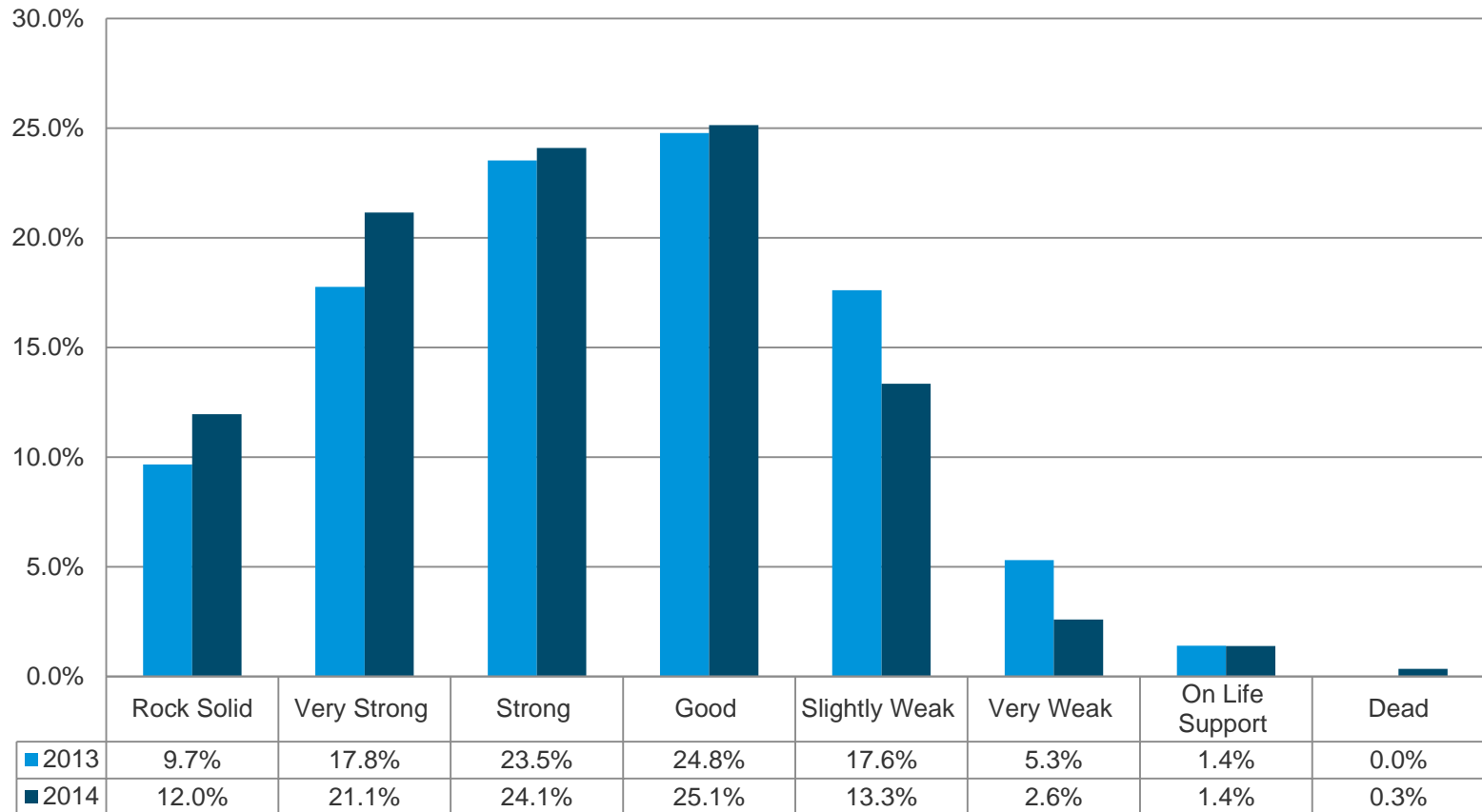




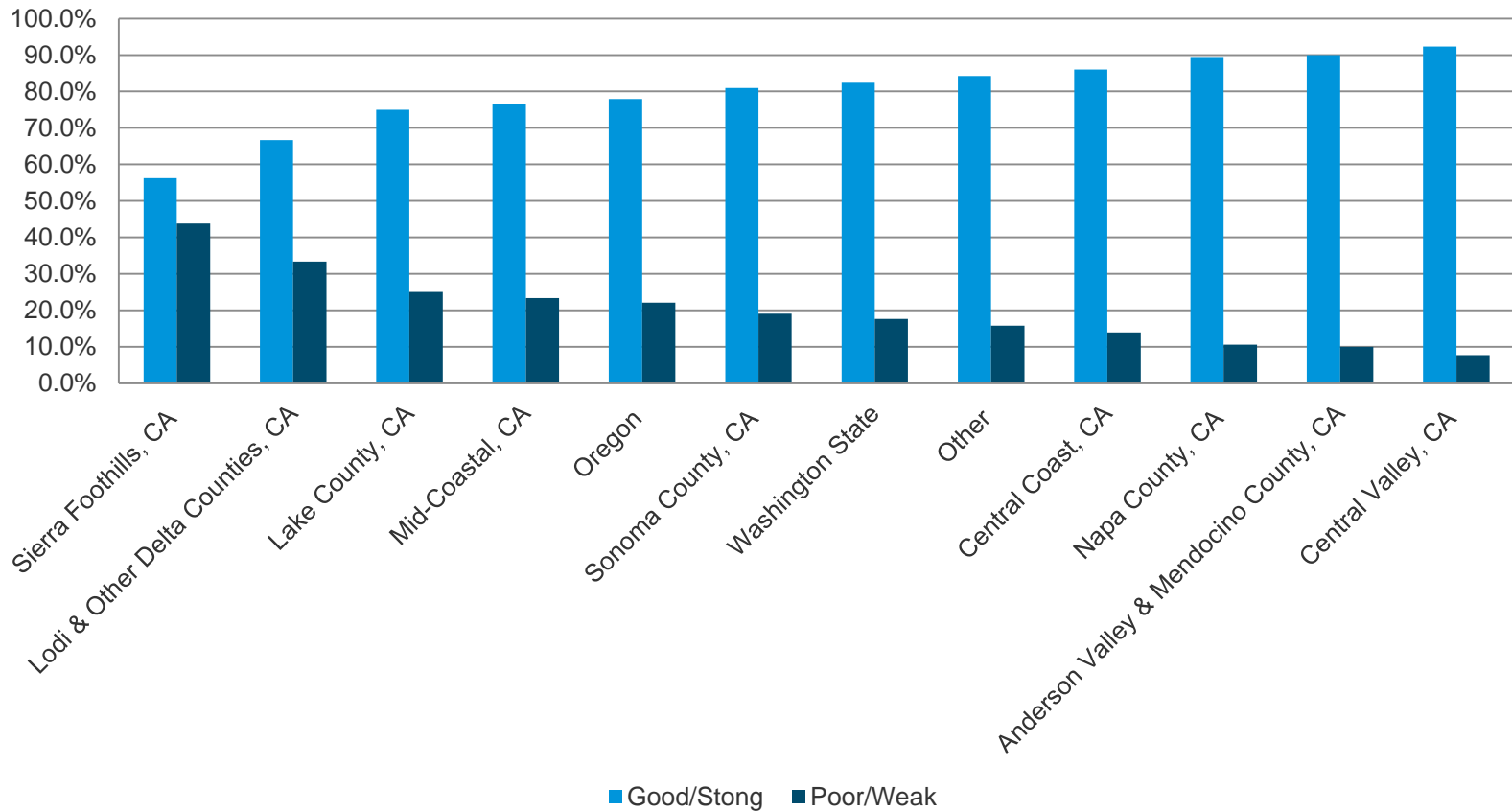
# Financial Health

Wineries view of the overall financial condition of the business

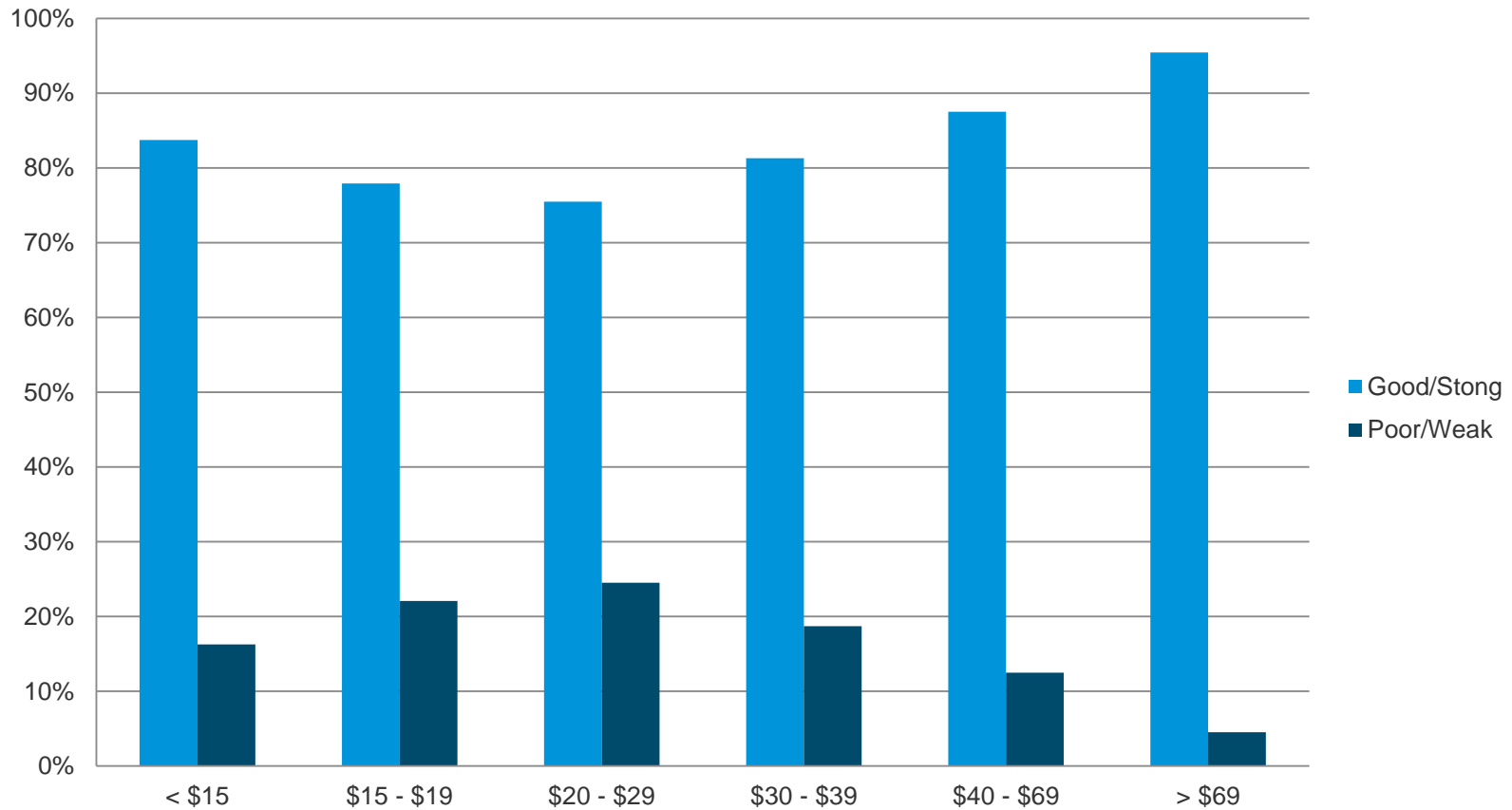
# Financial Health: Year Over Year Comparison



# 2014 Financial Health by Region



# Financial Health by Price Point



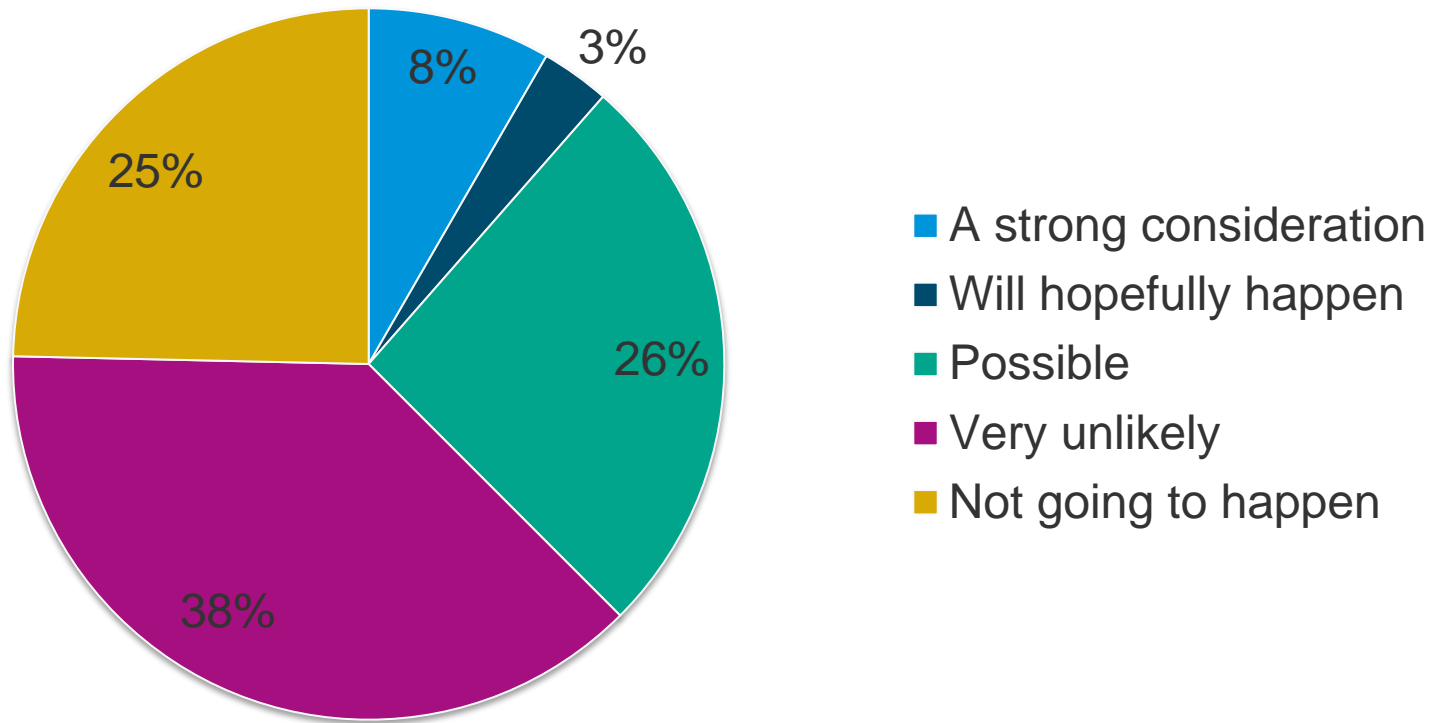




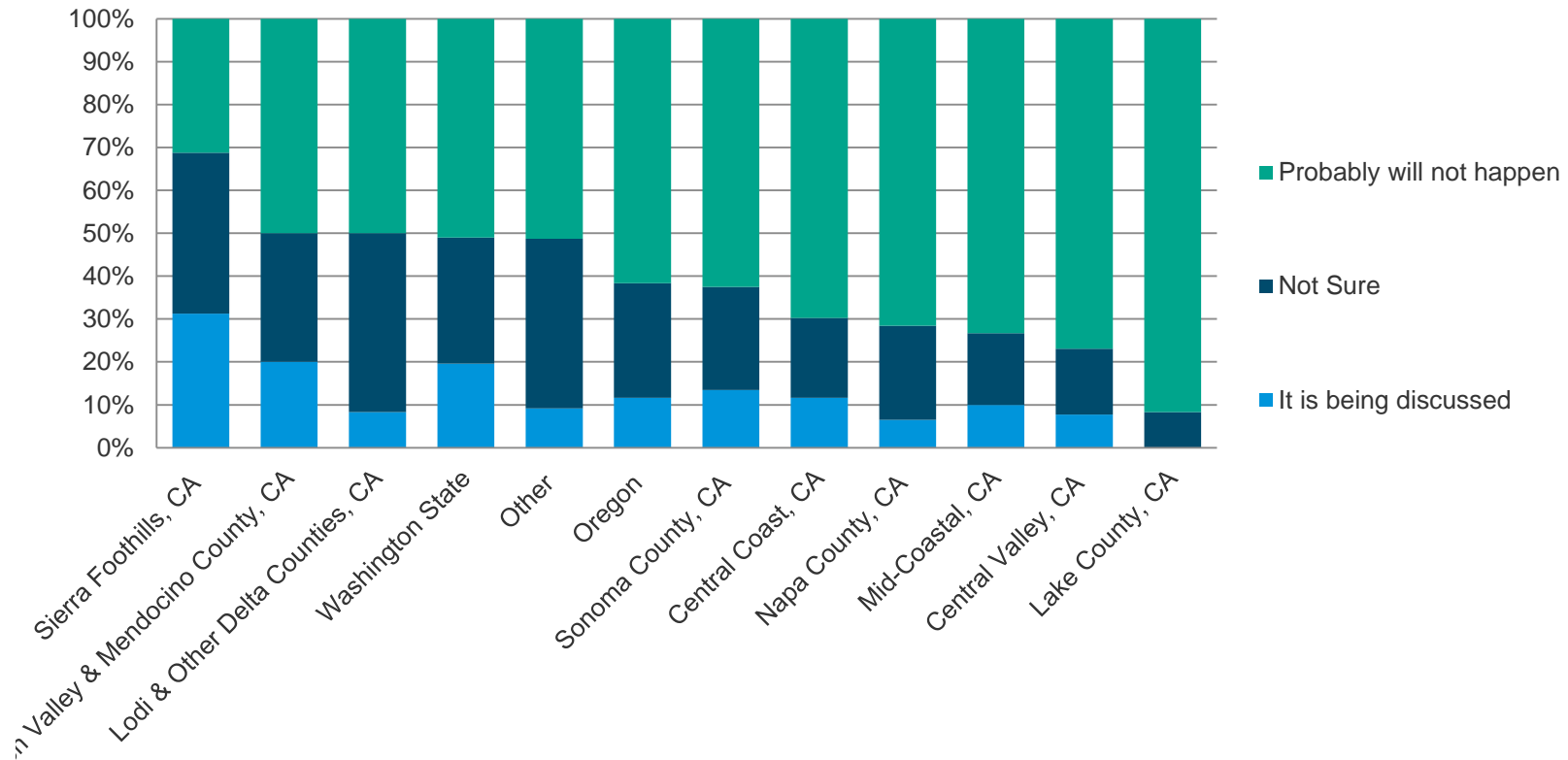
# Potential Sale

Potential Sale of winery in the next 5 years along with Succession Planning  
(passing control to children of owners)

# Potential Sale of Winery In the Next 5 Years



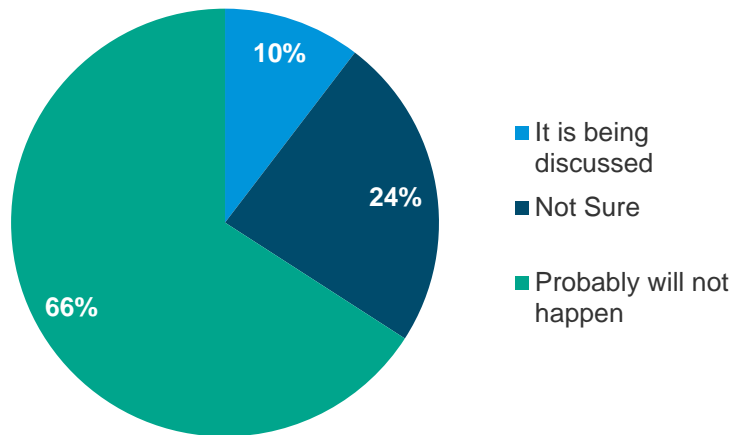
# Potential Sale of Winery in the Next 5 Years\*



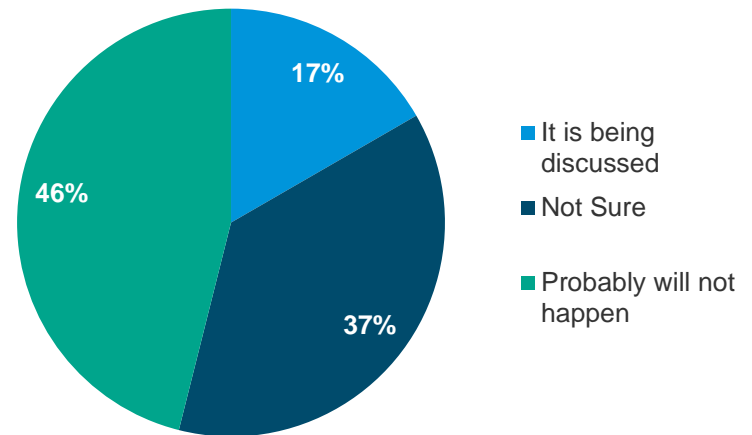
\*original data consolidated into 3 categories

# Potential Sale Based on Financial Health\*

## Good/Strong

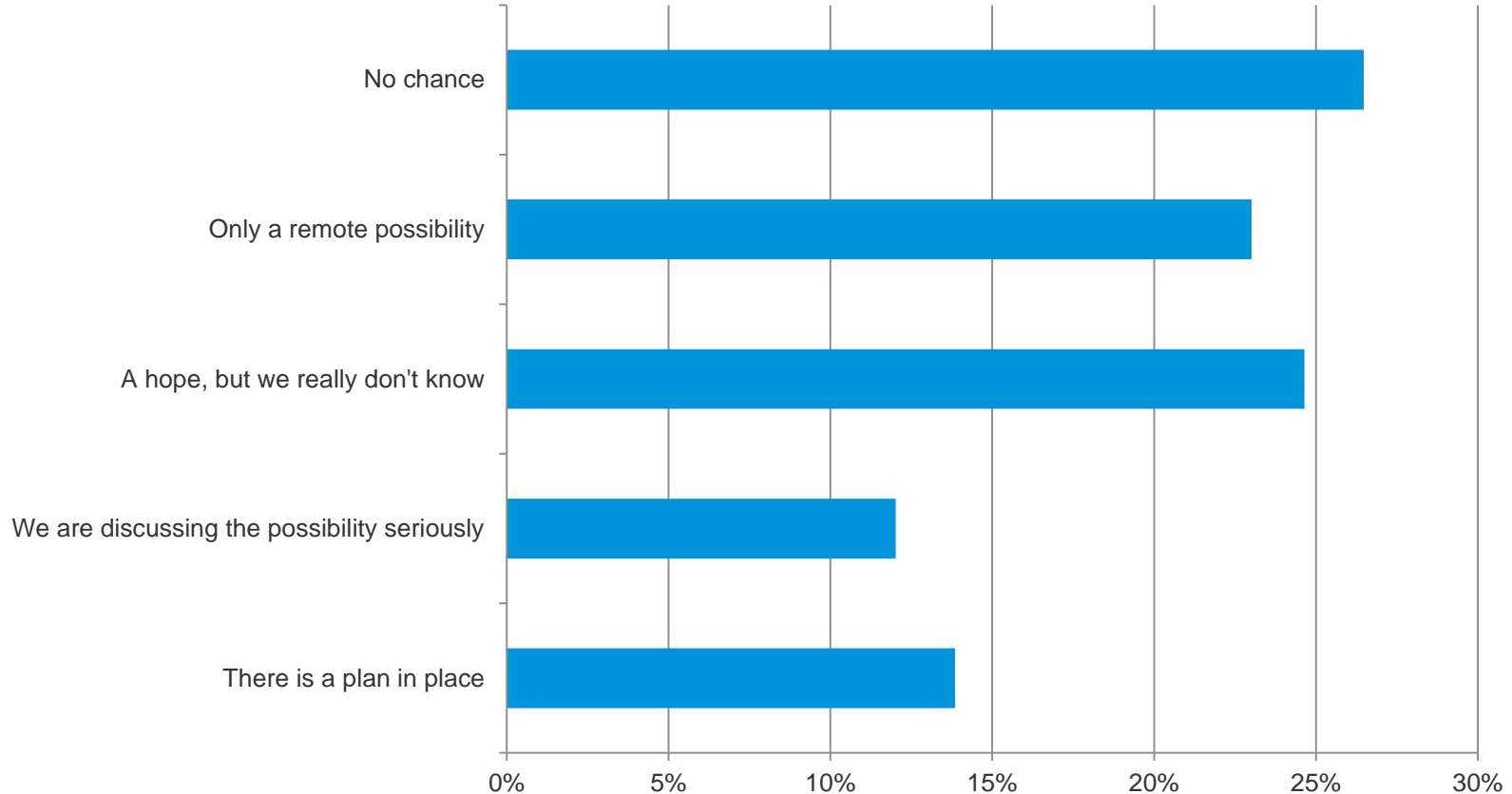


## Poor/Weak

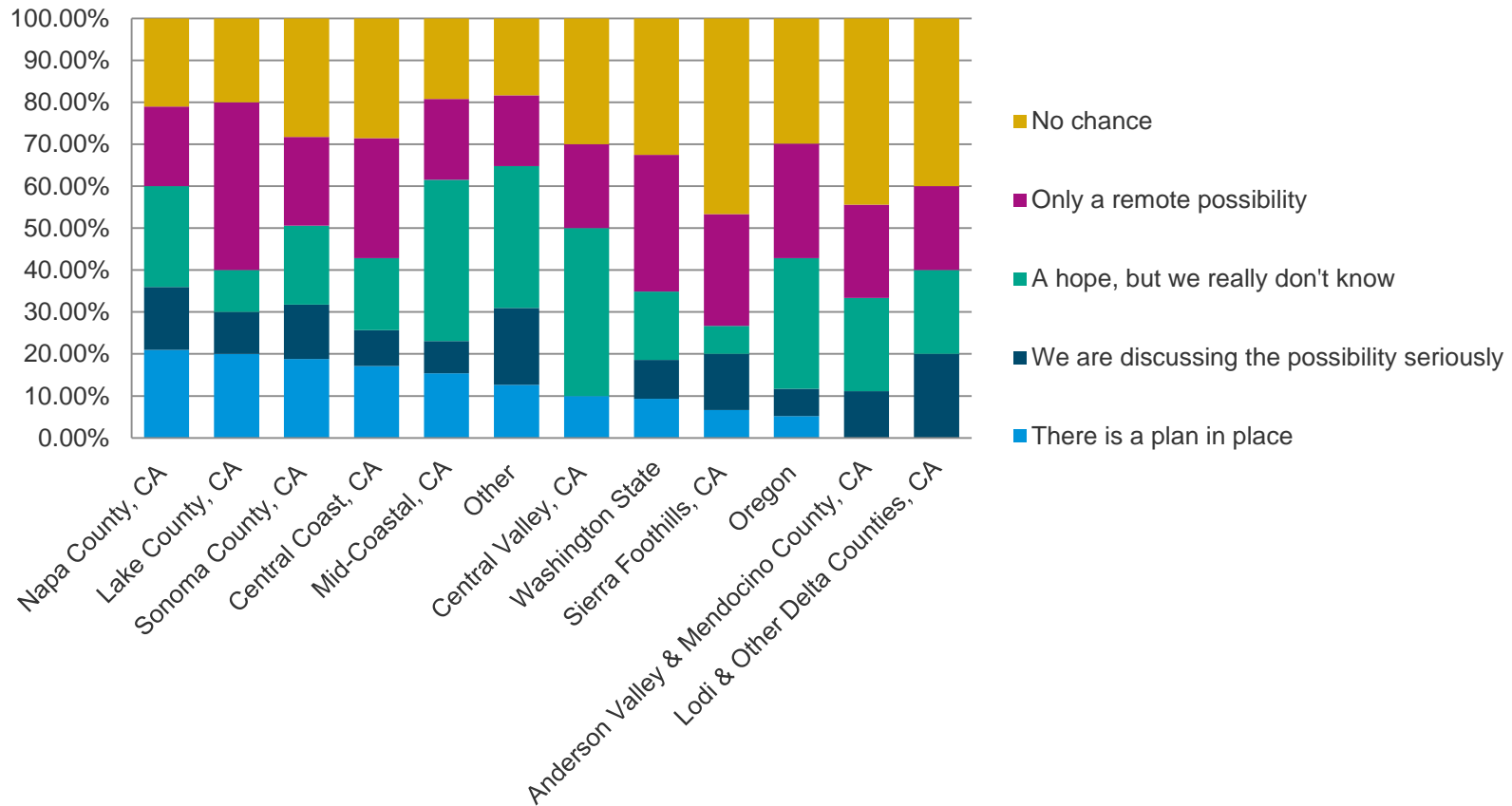


\*original data consolidated into 3 categories

# Succession Planning (Children to Take Over Operations)



# Succession Planning by Region



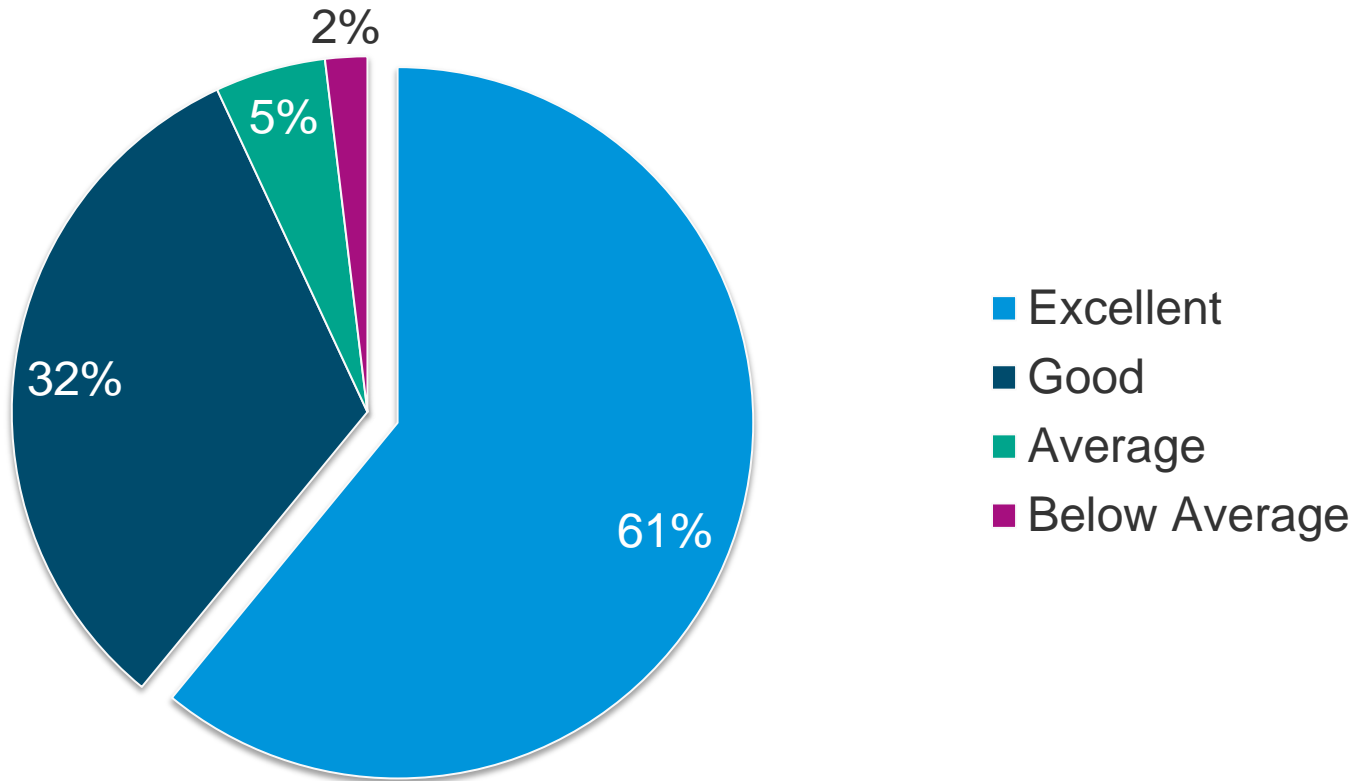




# 2014 Harvest

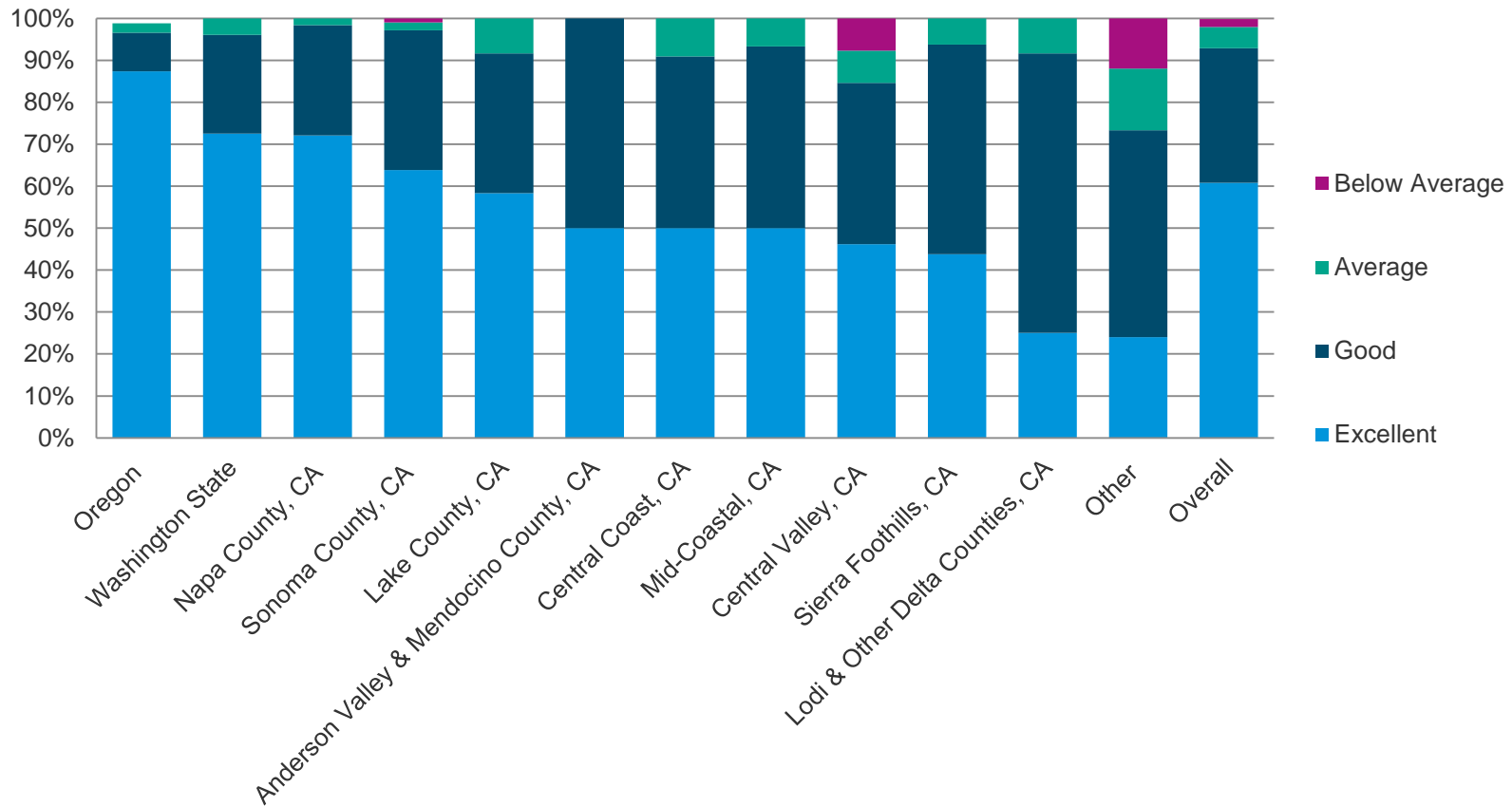
Quality and Yield summary from the grape harvest

# Quality of 2014 Grape Harvest

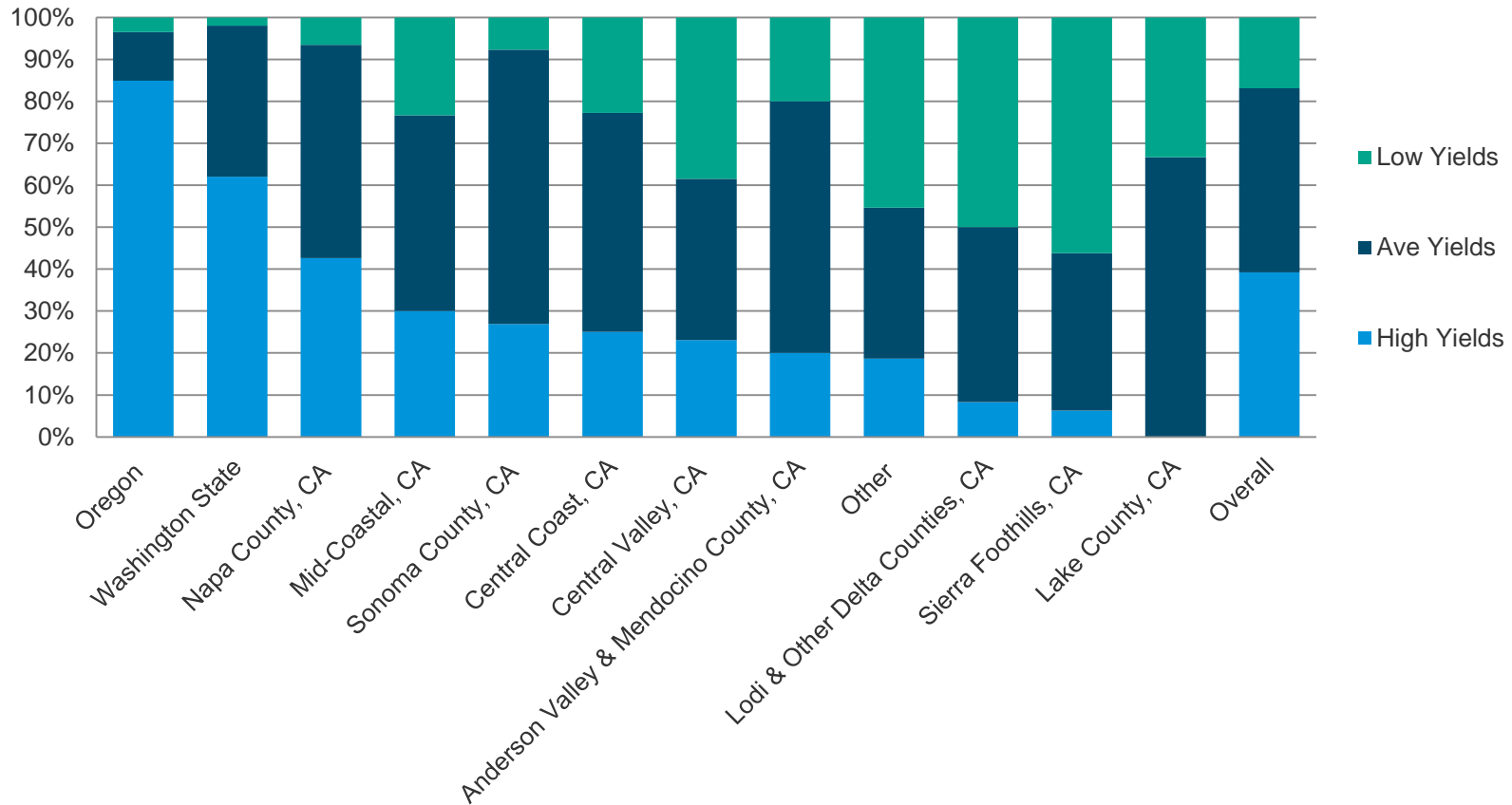




# Quality of 2014 Grape Harvest by Region



# Yield of 2014 Grape Harvest

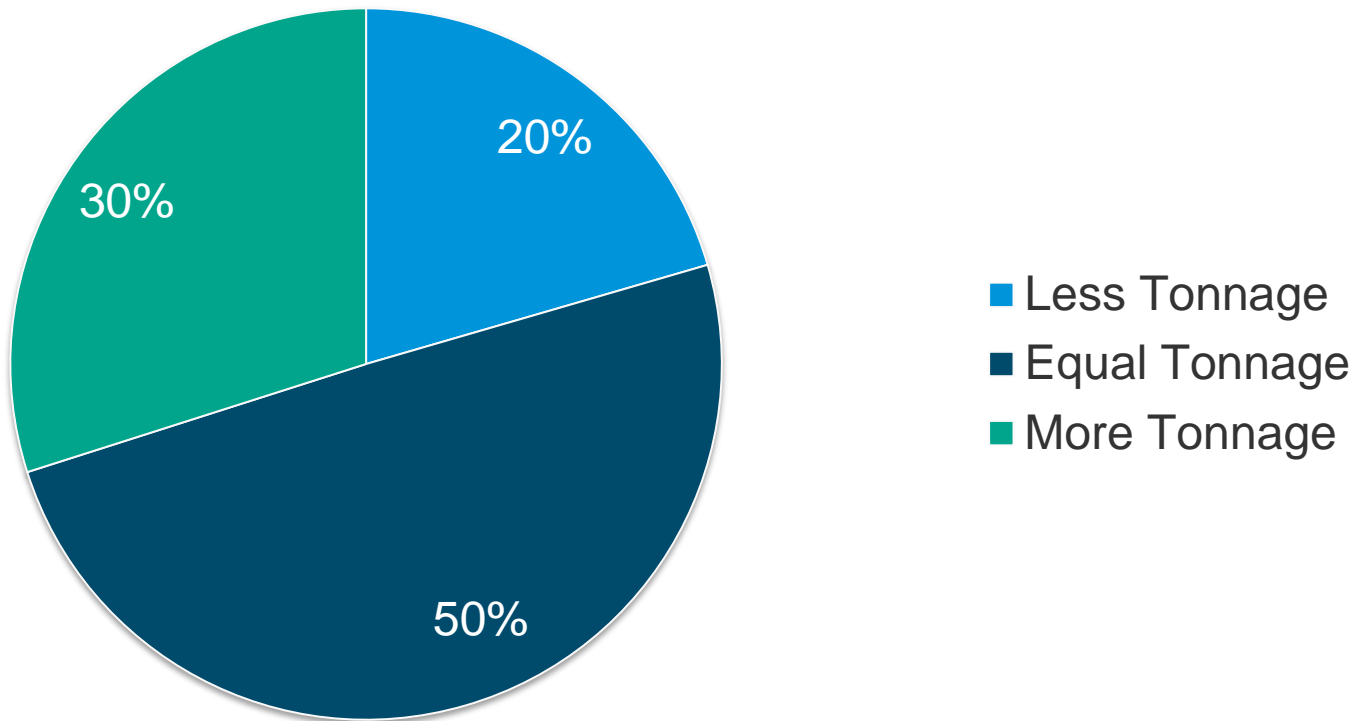




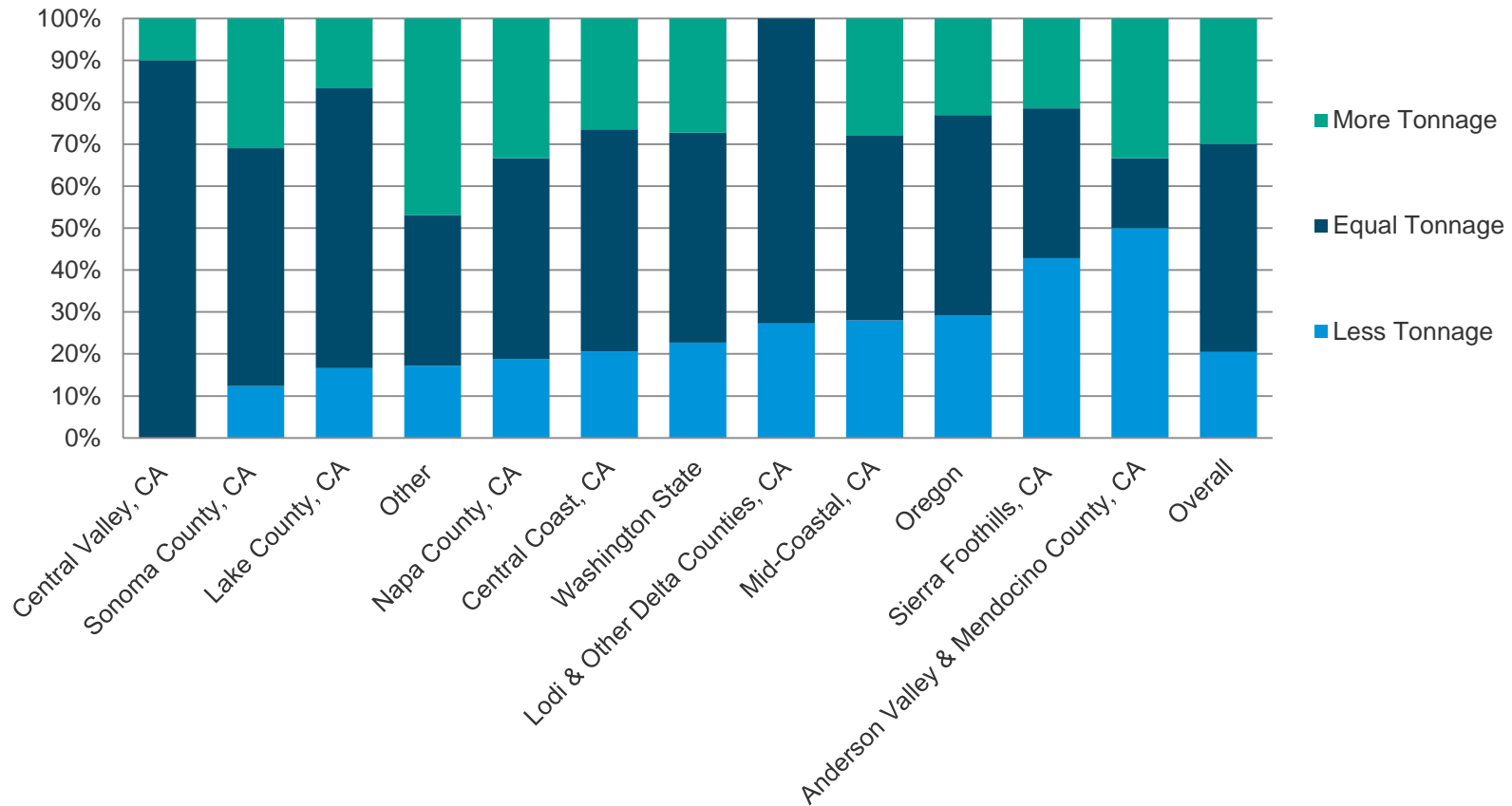
# 2015 Grape Expectations

Purchase and Price expectations for next years harvest

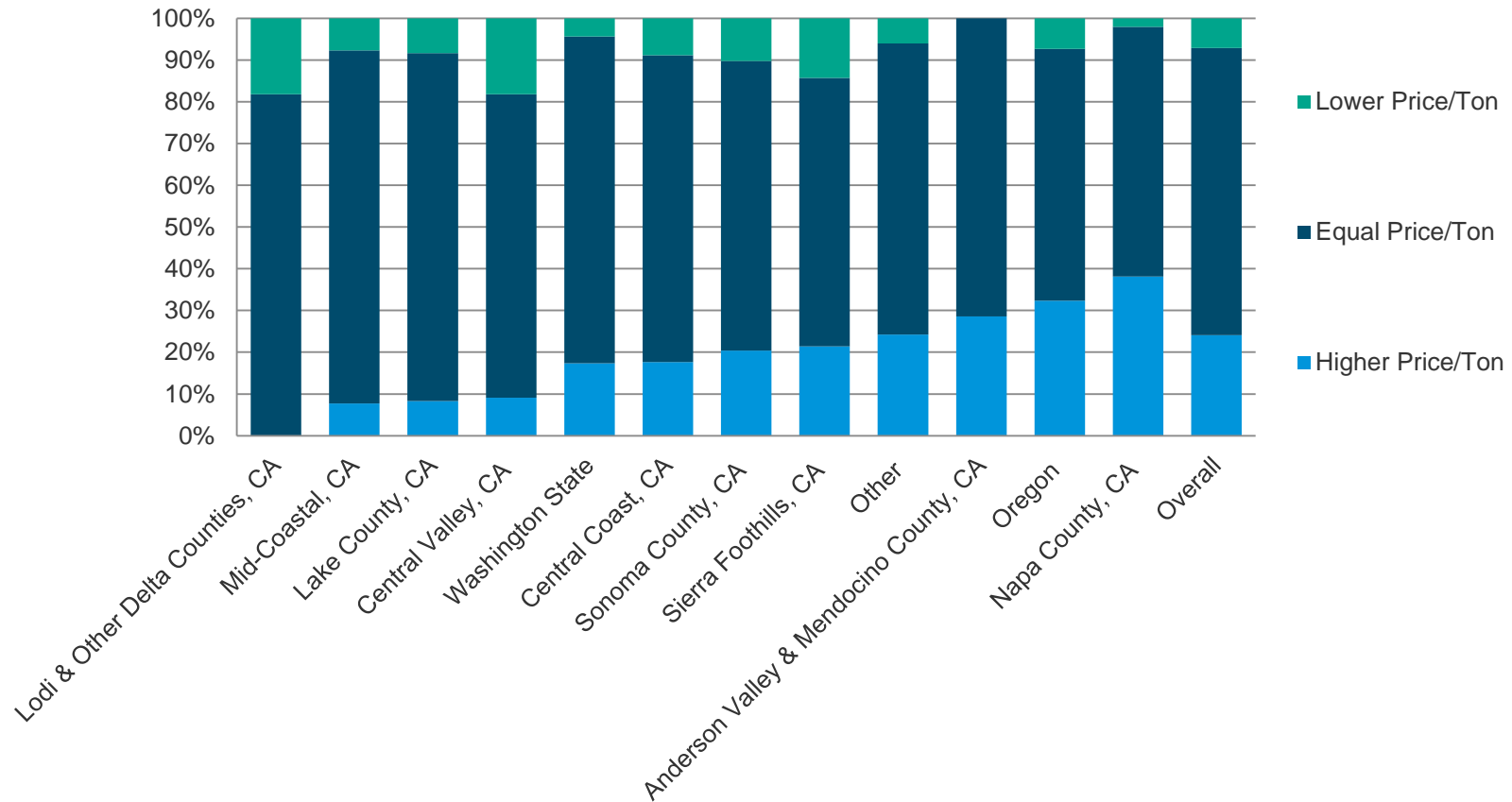
# Grape Purchase Expectations In 2015



# Grape Purchase Expectations by Region



# 2015 Price per Ton Expectations



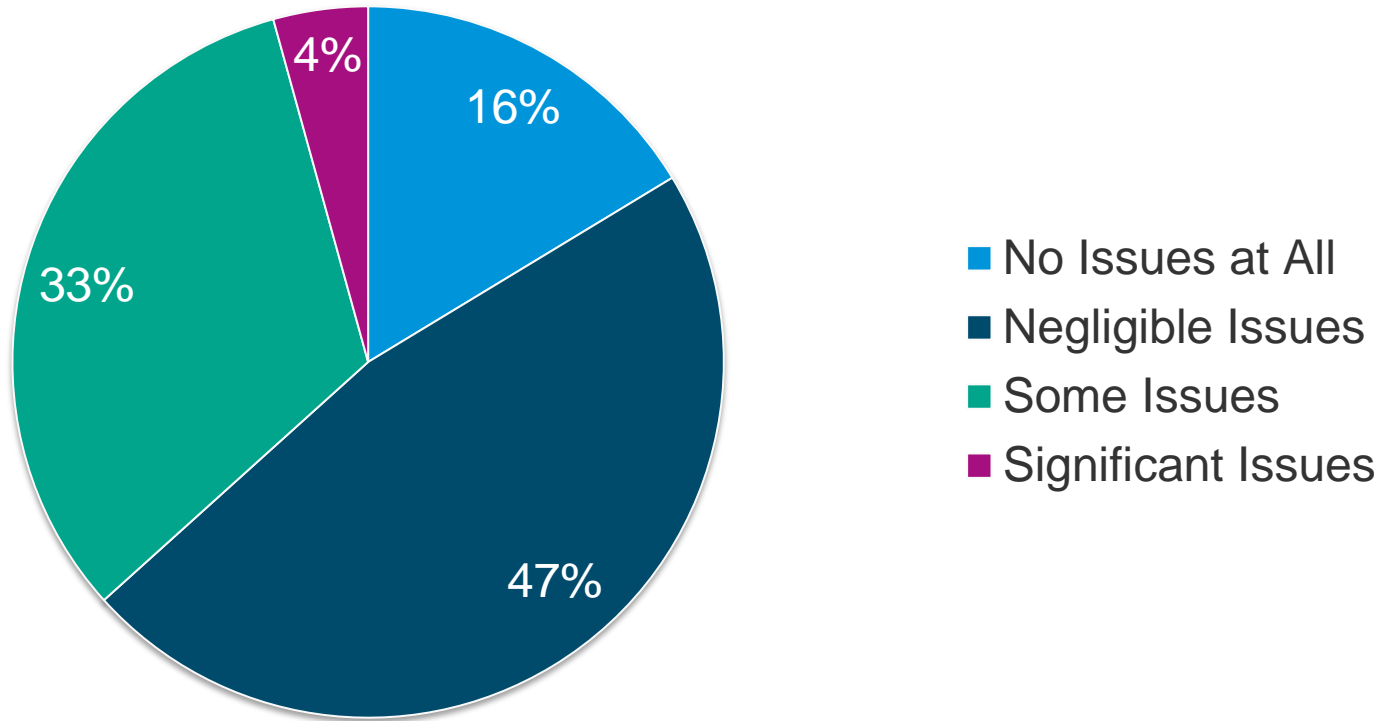




# California Drought Issues

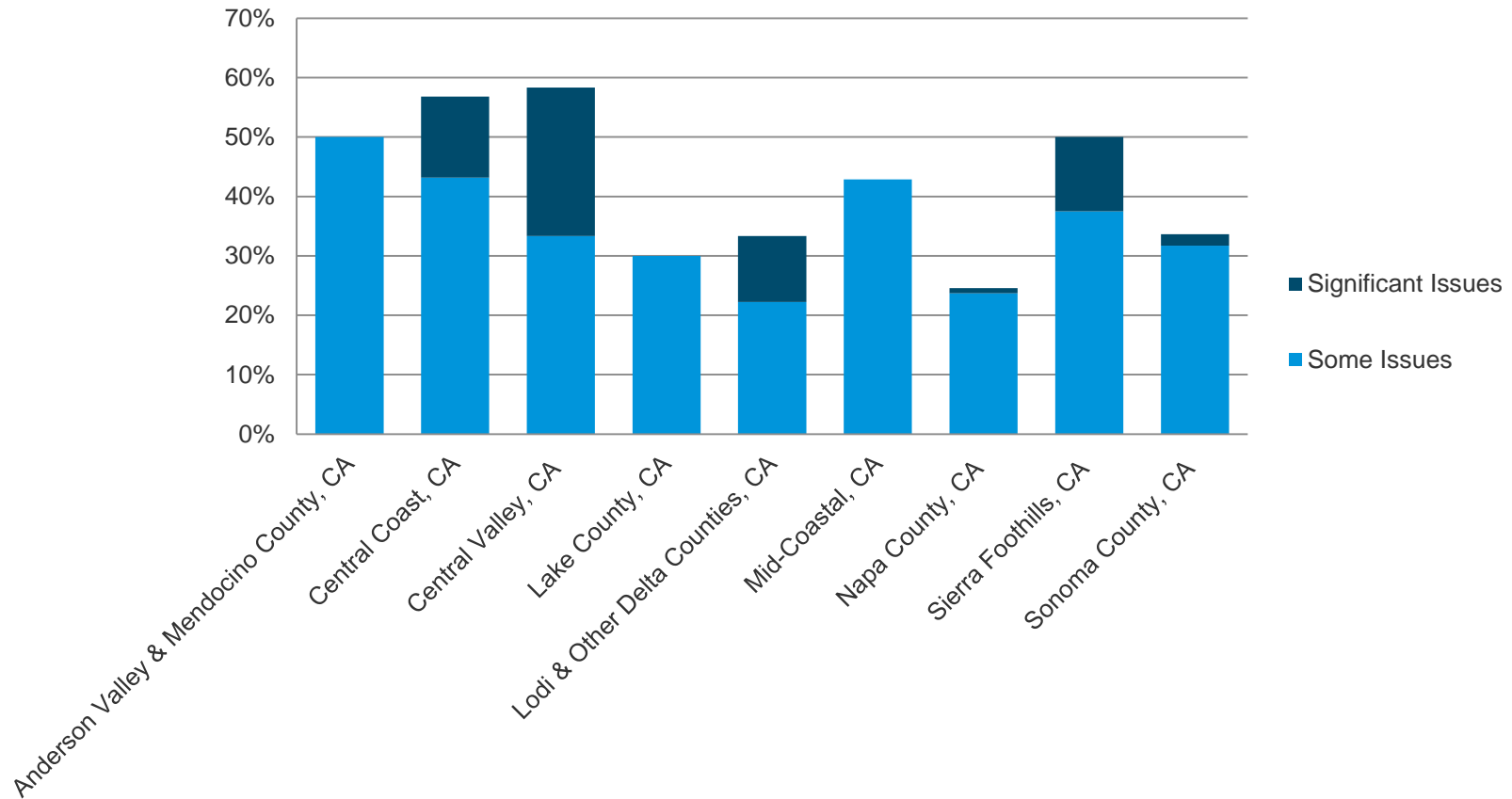
Current effects felt from the drought

# Issues from California Drought





# Issues From California Drought by Region

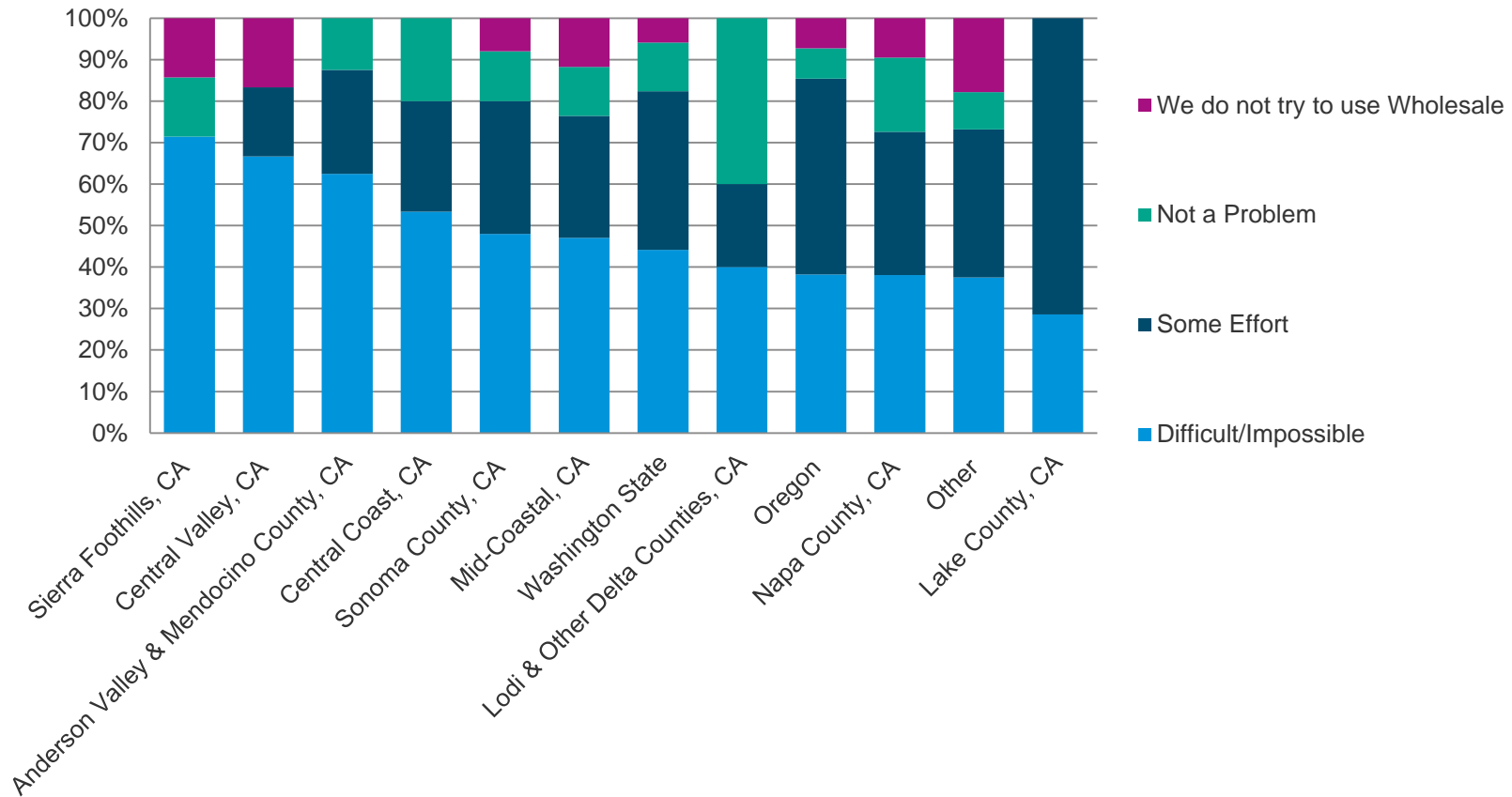




# Wholesale Representation

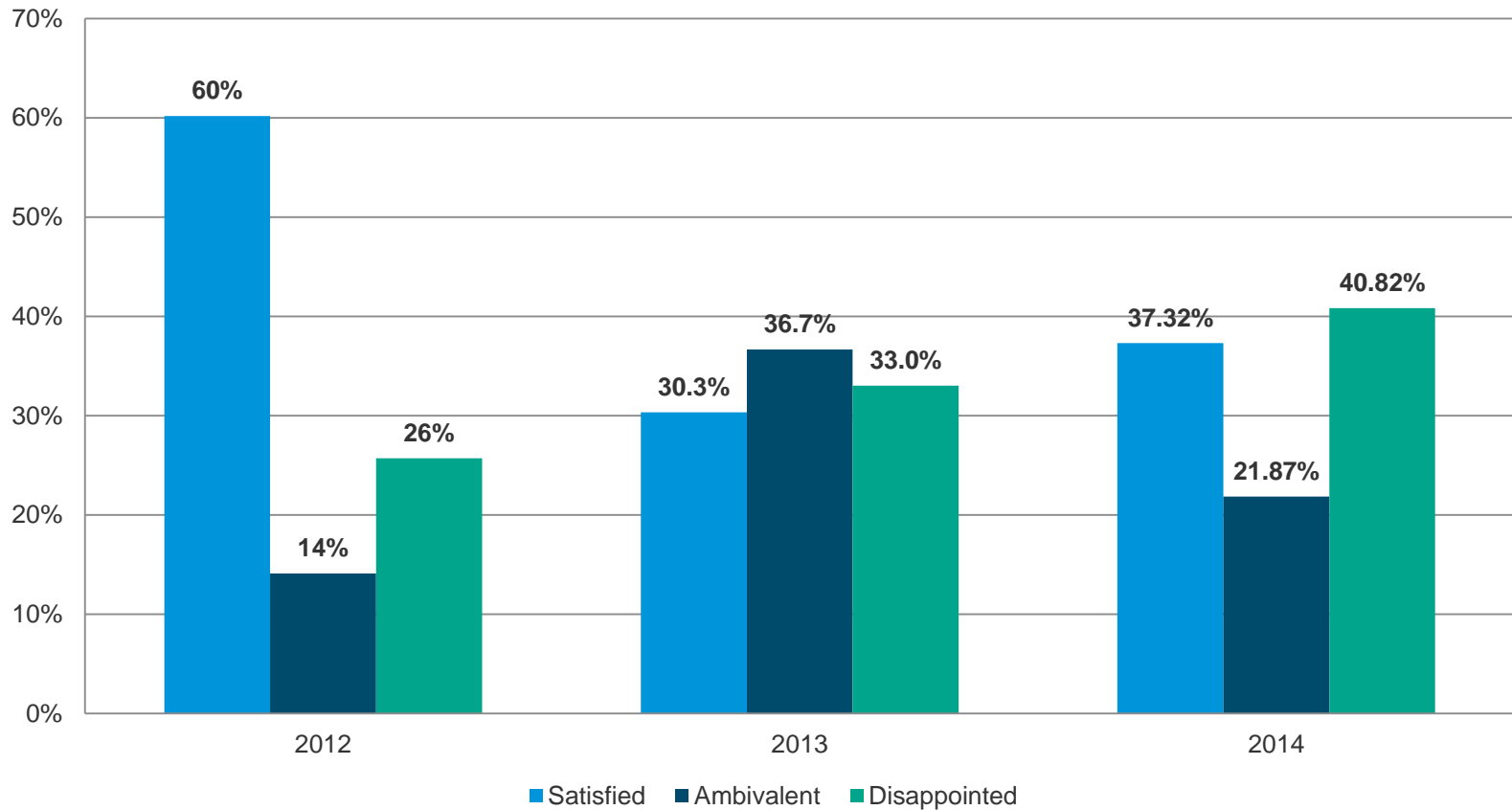
Finding Wholesale and Overall Satisfaction with Representation

# Obtaining Wholesale Representation by Region



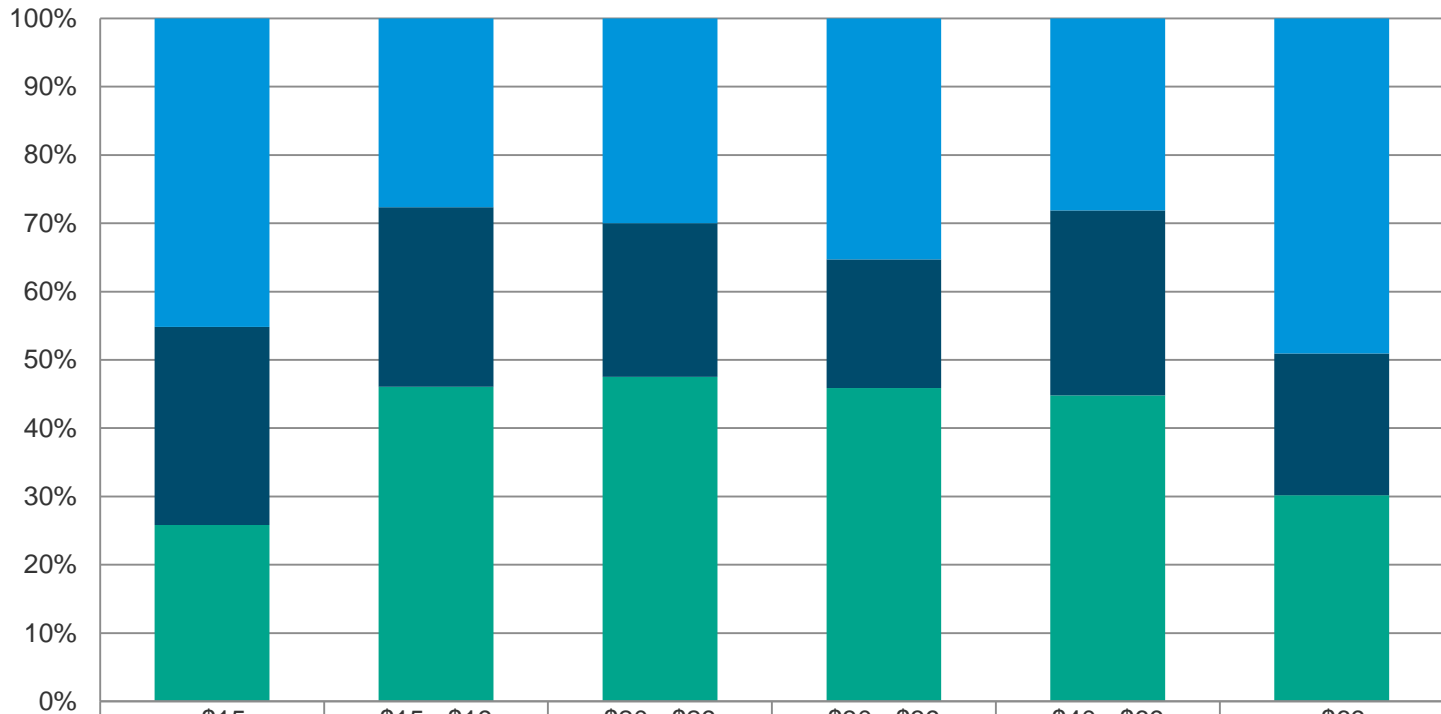
# Wholesale Representation Satisfaction\*

adjusted to remove all wineries < 2,500 case production



# Satisfaction with Wholesale Representation\*

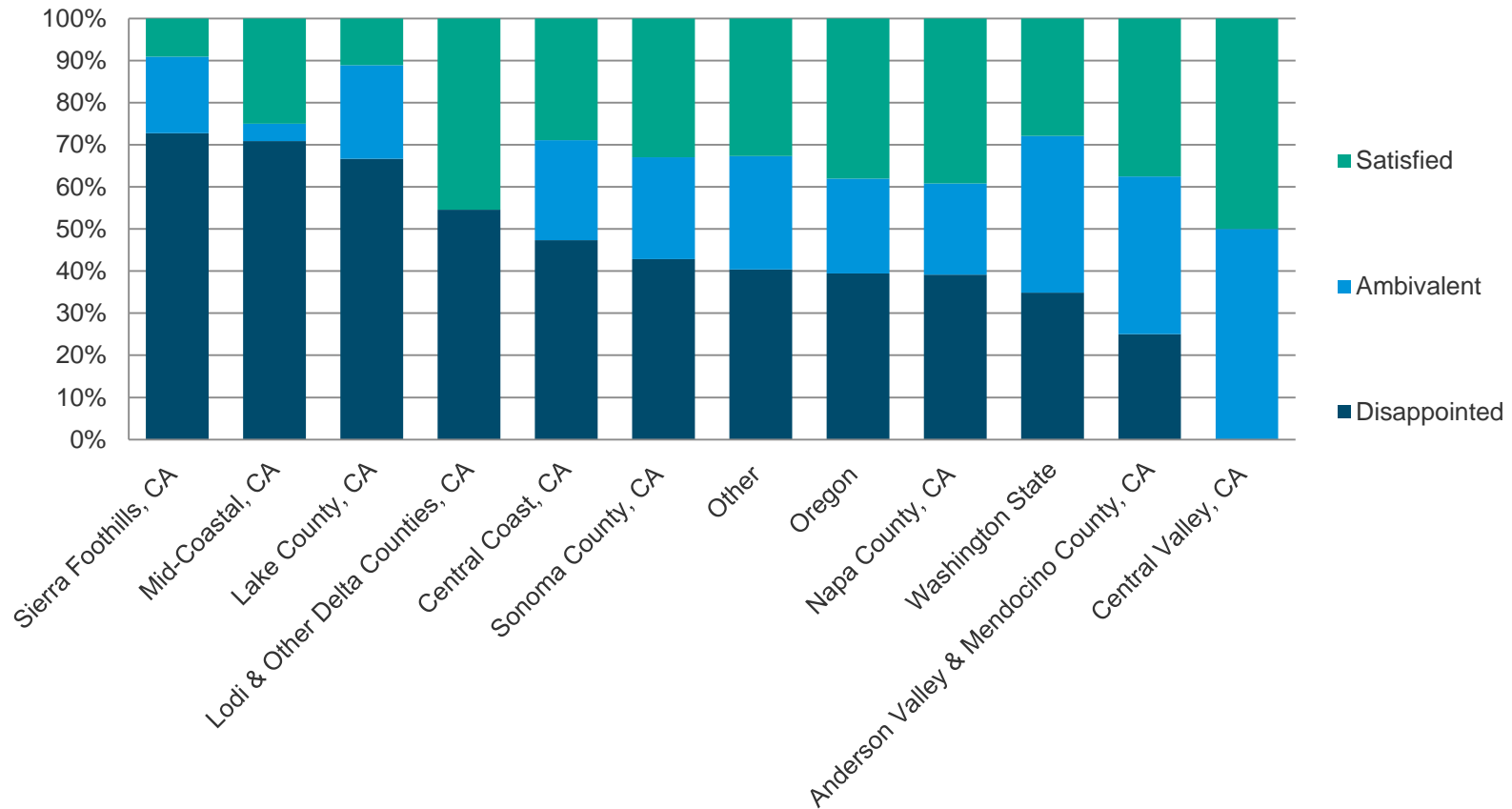
adjusted to remove all wineries < 2,500 case production



■ Satisfied	45%	28%	30%	35%	28%	49%
■ Ambivalent	29%	26%	23%	19%	27%	21%
■ Disappointed	26%	46%	48%	46%	45%	30%

# Satisfaction with Wholesale Representation\*

adjusted to remove all wineries < 2,500 case production



# About Silicon Valley Bank Wine Division

Silicon Valley Bank is the premier commercial bank for emerging, growth and mature companies in the technology, life science, venture capital, private equity and premium wine industries. Its Wine Division specializes in commercial banking for premium wineries and vineyards and the industries that support them. SVB has the largest team of commercial bankers dedicated to the wine industry of any bank nationwide. Founded in 1994, SVB's Wine Division has offices in Napa and Sonoma counties and serves clients in the fine wine producing regions of California, Oregon and Washington. By virtue of its dedication to the wine industry, Silicon Valley Bank is able to support its clients consistently through economic and growth cycles, and offer guidance on many aspects of their business, beyond traditional banking services. Silicon Valley Bank is a member of global financial services firm SVB Financial Group (Nasdaq: SIVB), with SVB Analytics, SVB Capital and SVB Private Bank. More information on the company can be found at [www.svb.com/winedivision](http://www.svb.com/winedivision)

*Silicon Valley Bank is the California bank subsidiary and the commercial banking operation of SVB Financial Group. Banking services are provided by Silicon Valley Bank, a member of the FDIC and the Federal Reserve System. SVB Private Bank is a division of Silicon Valley Bank. SVB Financial Group is also a member of the Federal Reserve System.*



# Disclaimer

- This material, including without limitation to the statistical information herein, is provided for informational purposes only. The material is based in part on information from third-party sources that we believe to be reliable, but which have not been independently verified by us and for this reason we do not represent that the information is accurate or complete. The information should not be viewed as tax, investment, legal or other advice nor is it to be relied on in making an investment or other decision. You should obtain relevant and specific professional advice before making any investment decision. Nothing relating to the material should be construed as a solicitation, offer or recommendation to acquire or dispose of any investment or to engage in any other transaction. Foreign exchange transactions can be highly risky, and losses may occur in short periods of time if there is an adverse movement of exchange rates. Exchange rates can be highly volatile and are impacted by numerous economic, political and social factors, as well as supply and demand and governmental intervention, control and adjustments. Investments in financial instruments carry significant risk, including the possible loss of the principal amount invested. Before entering any foreign exchange transaction, you should obtain advice from your own tax, financial, legal and other advisors, and only make investment decisions on the basis of your own objectives, experience and resources. Opinions expressed are our opinions as of the date of this content only. The material is based upon information which we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such.
- ©2014 SVB Financial Group. All rights reserved. Silicon Valley Bank is a member of FDIC and Federal Reserve System. SVB>, SVB>Find a way, SVB Financial Group, and Silicon Valley Bank are registered trademarks. B\_WD-14-13677 Rev. 12-02-14.



The logo consists of the letters 'svb' in white on a blue square background, followed by a blue square containing a white chevron pointing to the right.

svb

**Silicon Valley Bank**

Wine Division

**2014 Annual Wine Conditions Survey**