Good time for wineries to cash in

Financier says hundreds will put vineyards on the block soon and early sellers will get best prices By KEVIN MCCALLUM THE PRESS DEMOCRAT Thinking of selling the family winery? A man with $100 million to spend thinks now's a pretty good time.

With hundreds of family-owned wineries likely to hit the market in the coming decade, financier Bill Price, a vineyard owner and co-founder of Texas Pacific Group, says winery owners might want to think about heading for the exits.

"If you're one of the people planning to sell, now might be a good time,"
Price told a wine conference in Santa Rosa on Wednesday.

Between 500 and 1,000 family-owned wineries in California, Oregon and Washington could be sold in coming years because the next generation is either unprepared or unwilling to follow in the footsteps of their pioneering winemaking parents, Price said, citing a recent study.

The study, conducted by Silicon Valley Bank, pointed out that 88 percent of wineries in the United States were founded after 1975. Of those surveyed, about 51 percent planned to transition ownership of the business in the next 10 years. Many will shift to other family members, but 45 percent said they either have no heirs or none are interested in taking over the winery.

Even if only 500 wineries are sold, it would be triple the number of deals from the previous decade, Price said.

With a rising tide of winery sales on the horizon, those who get out before the wave crashes will probably command a premium compared to the deals that follow, Price said.

The history of consolidation in other industries shows the highest prices are paid at the beginning and the end of the consolidation cycle, Price said.

An initial phase of two to three years sees strong companies gobbled up for sky-high values. Those prices draw more sellers into the market, increasing the supply and reducing the prices buyers are willing to pay. Then toward the end of the cycle, the "hold-outs" can again demand high prices, he said.

Price's perspective on corporate buyouts carries considerable weight in the wine industry.

Texas Pacific Group, which he co-founded in 1992, is one of the largest private equity firms in the nation, managing over $30 billion in capital.

The firm shocked the wine industry in 1996 when it bought Wine World Estates from Nestle for an estimated $350 million. Four years later it sold the portfolio, which included Beringer Wine Estates in Napa and Chateau St. Jean in Kenwood, to Australian beer giant Fosters for $1.5 billion.

Today, Price owns Durell Vineyards in the Carneros region, and recently took an equity position with the respected Russian River producer Kistler Vineyards.

He was also part of a group that last year bid $100 million for three wineries of bankrupt Legacy Estates Group, only to be outbid by Kendall-Jackson owner Jess Jackson.

So when Price talks, the wine industry listens.

He said the industry's current good fortunes provide another reason wineries may want to sell now. High-end wines are growing at twice the rate of the rest of the industry. Young people are showing a greater interest in wine than older generations. Direct shipping is opening up new sales opportunities. And the weak dollar doesn't hurt either, Price said, making even a fine California cabernet sauvignon a good value compared to an expensive bottle of French Bordeaux.

"If you spent 20 or 30 years building up a business and say 'Hey, things are really pretty good,' that's not necessarily a bad time to sell," Price said.
"Because when things aren't going well, buyers are going to want to take advantage of the situation."

The event was organized by the North Bay Business Journal, which is owned by The Press Democrat.

Charles Spinetta and his son, Tony, attended the conference at Vintner's Inn looking for insights into selling their Amador County winery.

"We need someone with calluses on his hands and a big fat wallet," Charles Spinetta said.

They have been working hard to position their winery, a zinfandel specialist founded in 1980, for an eventual sale. They separated a 30-acre winery parcel from more than 200 acres the family plans to continue to farm.

"It's not like a house," Tony Spinetta said. "You can't just put on a new coat of paint and steam clean the carpets. With a winery, it's more than that."

Others, however, aren't in such a rush to sell.

Peter Seghesio, president and CEO of one of Sonoma County's oldest wineries, said his family is well positioned to transition to the next generation, but only because it learned a few lessons about family wineries the hard way.

A 1993 IRS "audit from hell" exposed the "bad accounting practices of the family," and forced his generation to take over the family business, which was started in Healdsburg in 1895.

"It was too much of a problem for them to deal with," Seghesio said.

Today, 10 family members work at the winery and another 20 children and teenagers could join the business in the near future. Seghesio tells them very clearly that they must get a college degree and work in another field for four years if they want to work at the winery someday.

"It's not a birthright," he said.