



***“The private office for international winery transactions”***

## ***„Purchase & investment in a winery “***

*More and more entrepreneurs and celebrities are investing in the world of wine. For affluent families and entrepreneurs, it is to invest in a unique business concept.*

*The opportunity to work with a sumptuous product appeals to many, as does the ecological and sustainable aspect of such a project.*

*Who owns and purchases wineries? Which countries and regions are popular for doing so? Why are wineries being put on the market and what should you pay particular attention to when purchasing one?*



### **Who buys wineries?**

These days, an increasing number of prominent individuals, managers and wealthy wine-loving entrepreneurs are turning their dream into reality. Of course, in addition to these career changers, purely financial investors and companies from within the wine industry are also looking to buy and invest in wineries.

Between 2010 and 2017, Europe saw 150 acquisitions and transactions within the wine business. This figure does not include the purchases of “smaller” wineries and vineyards.

Very recently, an international Family Office purchased a renowned Brunello winery for a nine-figure sum and an American/ Columbian investor acquired 20% of the French cult-winery Pomerol (Petrus).

Celebrities such as Sting, Gianna Nannini, Brad Pitt, Johnny Depp, David Beckham, Carlos Santana, Francis Ford Coppola and Sir Cliff Richard all own or have shares in wineries. This is also the case for corporate groups such as Knauf, Ferragamo, Lamborghini, Wolfgang Reitzle, Jack Ma (Alibaba), Rupert Murdoch and many others.

Wealthy private individuals are looking for wineries in the top regions such as Barolo, Champagne, St. Émilion, etc. in order to buy and merge these vineyards in a Vineyard Holding. Others want to develop luxury brands.

International companies such as Chanel, the EPI Group and Black Rock as well as numerous companies from the beverage industry such as Henkel, Rotkäppchen, Mumm and others have acquired wineries and associated businesses. Big names such as Antinori, Frescobaldi and Zonin for example, also invest in projects based in South America and China.

### **WHERE?**

With vineyards located all over the world, the choice of wineries is quite extensive. The range of wineries available on the market is vast; from large corporate-run wineries with luxury hotels or historic villas to simple acreages without any significant real estate to straightforward wine-producing businesses. Traditional, family-run businesses also come onto the market.

The most popular countries and wine regions for purchasing a winery are Italy (Chianti Classico, Brunello, Prosecco, Barolo), and France (Bordeaux, Champagne, Provence), as well as Portugal, Spain, Germany and South America (Argentina, Chile and Uruguay). Or perhaps South Africa, where the German celebrities & entrepreneurs Schörghuber und Dornier are currently winegrowers.

Whatever your preference, there are wineries available for purchase almost everywhere in the world. Together, France and Italy account for 32% of the world's wine production.

However, even there, only off-market wineries in the best regions are interesting and hard to find.

### REASONS FOR SELLING?

The reasons for selling are as varied as for any company. Often there isn't anyone to carry on the business.



Some wineries often accumulate significant debt due to substantial investments in new buildings or modern technology and are only able to find a solution through putting the business back on the market. Some choose to find an active or silent partner in order to expand further using fresh capital. With these funds, they plan on planting new vineyards or developing new distribution channels. There are many wineries that simply want to benefit from having an experienced entrepreneur on board.

### WHAT ARE THE PITFALLS FOR INTERESTED PRIVATE PARTIES?

That which makes an investment of any description complicated: every country and even every wine growing region has its own rules and regulations. It is not enough to simply approach a real estate agency and enquire about wineries on offer. An agent needs to have good connections in the area and have the following competences: expertise in the field of viticulture, the ability to value both real estate and land, the ability to assess the quality of the site and production as well as the ability to assess the business

and the potential of the winery. Only expert consultation ensures a fair valuation.

Many of the wineries that are officially on the market are not attractive from a business point of view; a house with a vineyard is far from being a functioning winery. In such cases, buyers have to factor in significant initial losses and high investments in buildings, technology and the vineyards themselves. It is the so-called off-market wineries with functioning business models, established international brands and good financial health that are of particular interest.

A few people dream of a small winery for personal use and want to make this a reality by predominantly financing their purchase through outside capital. Be careful! Wine is a natural product and therefore its production is very much influenced by the unpredictability of nature. There will be both good and bad years.



### VALUATION?

The value of a winery is dependent on the following elements: real estate, land, vineyards, fixed assets (the condition of agricultural equipment and wine-making technology), wine stock both in bottles and in tanks as well as goodwill.

One hectare of planted vineyard for example, costs up to € 200,000 in Chianti Classico, in Montalcino a hectare of Brunello vineyard from € 900,000 to € 1,3m onwards. In the Prosecco region of Valdobbiadene or the Champagne region in France, vineyards reach up to € 1.2 million per hectare. In Portugal's Douro Valley, prices start at approx. €50,000/ha. Wineries in less established regions are naturally significantly less expensive.

But developing a brand there and establishing it on the market is virtually impossible these days, even for sales and marketing experts.

## M&A

The process of acquiring a winery is the same as with any company. The signing of the confidentiality agreement is followed by an LOI from the interested party in order to access financial data and to carry out a due diligence. A POF is required for most wineries and businesses.



## TARGETS FOR THE ACQUISITION OF WINERIES:

Acquisition of organic vineyards

Invest in a region with potential for an upward trend in prices

Invest in vineyards, historic vineyards and vineyards with new owners/management

Enhancing the trademark and brand recognition by moving the business/ trademark from Premium to Luxury, expanding the high-end ranges of products, expand the standard range of wines utilizing grapes from leased or acquired vineyards

Hospitality on the premises must move to high end luxury

Focusing the marketing on online marketing of the wines and the lifestyle

Shifting to online sales, direct distribution

Utilizing hotels/restaurants on the estates to sell the wines and the experience / workshops.

## WHAT IS THE MINIMUM AMOUNT NEEDED TO INVEST?

The value of a winery lies predominantly in its assets, i.e. purchase is based on earning capacity - notably, value of vineyards in the well-known regions is increasing.

Wineries can be purchased for between approx. € 3m and € 300m, or even more. There are diverse options depending on the budget of an interested party, their wine preferences and the use they envisage for the winery. Is the aim to buy a small winery in Tuscany for hobby purposes or rather a renowned winery in Barolo?

## A few points about the value of a winery and a required ROI from a prospective buyer

Acquiring a winery means buying the assets (buildings, winery, vineyards, other land, technical equipment, wine Stock) and buying the business (company, customer base, brand, etc.).

In the case of a small winery up to, for example, EUR 5m, the value of the Real estate naturally predominates, since due to the size of the winery no ROI can be achieved, as demanded by most investors. What is important when buying a winery is an already well-known international brand or even entry into one of the top regions.

Viva Business not only offers wineries for sale, but also offers extensive services, such as the creation of project and business plans, tailor-made for the particular winery in which a potential buyer is interested. The aim here is to increase turnover and the value of the winery.

Nowadays, only wineries in the renowned regions are interesting; everything else is lifestyle or love for a certain region. For example, in Italy the sought-after top regions are Brunello, Barolo, Chianti Classico, Veneto Nord (Prosecco DOCG) and also Sicily.

Only ROI important? An example of vineyard performance using Italy as an example:

The total vineyard area of Tuscany is 58.000 hectares. The famous Brunello di Montalcino DOCG may only be grown on 1.920 hectares, the Chianti Classico only on 6.700 hectares. 10 years ago, a hectare of Brunello vineyard cost about EUR 350,000, today between EUR 900,000 and EUR 1.3m, due to the low availability, the trend is increasing. Prices per ha have also risen by 30% in Chianti Classico.

The total vineyard area of Piedmont is 50.000 hectares. For the top wine Barolo DOCG only about 1.945 hectares are available. Prices here now average EUR 1.4m - EUR 2m/ha.

The increase in value of a winery in the top regions is therefore not only due to the expansion of the customer base and increase in turnover, but the value itself is constantly increasing and is also an important point in an intended exit.

### RETURNS AND COSTS

Reputation is all well and good, but a winery should also be economically viable in the long term. The grapes may grow by themselves, but the wine is another matter. The dream of having your own profitable winery will only come to fruition through professional work, the right decisions, sound assessments and good business sense:

***Wine business is people business!***

Purchasing a winery includes developing long term strategies to open up new international distribution markets so that sales and profits rise. Turnover is generated from the sale of wine to importers and regional sales to wine bars and restaurants as well as direct sales to private customers at the winery.

The cost of exporting wine from a winery to different countries varies considerably, meaning that it is almost only profitable for wineries in known wine regions e.g. a bottle of Brunello Montalcino DOCG can be sold to an importer for between € 15 and € 25, but the price of a bottle can cost up to € 50. A good bottle of Margaux can reach between €150 and € 300 or even more (export price).

Other opportunities include switching to organic certification, biodynamic production methods, the production of kosher, natural or vegan wines etc. to tap into existing niche markets.

Increasing quality, participating in international wine competitions and receiving awards, certificates and points are further possibilities.

In some countries, such as Canada for example, an international award is required in order to sell the wine. Expansion is possible through the purchase or leasing of more vineyards to increase production. An interesting opportunity lies in becoming an active or silent partner/ part owner in a winery. Investing in this way means that one or more people can participate, which saves costs as well as transfer tax.

### AN EXAMPLE OF COSTS

A vineyard in the Chianti Classico region, approx. 10 years old, has approx. 6,500 vines. Each vine costs approx. € 1.20 per year, including all manual work such as pruning, defoliation etc, as well as necessary tractor work. The cost for the production of a bottle in the winery ranges between € 1.00 and € 1.50.



### WHAT ARE THE OPTIONS FOR MANAGING A WINERY?

20 years ago, a buyer of a winery would have had to manage everything themselves. This is now rare.

Entrepreneurs and private individuals, who purchase a winery today, generally don't have the time for the day-to-day running of the business and rely on specialized companies for support. Such companies, for example, can put an interim management team into place after purchase, to work with renowned oenologists and agronomists to advise on the strategic future orientation of the winery.

A good export manager for the distribution of own wines doesn't need to always be present at the winery, they can also work in the vicinity of the new owner.

Specialized regional consulting firms offer expertise in terms of investments and agricultural subsidies. Such firms will put together the necessary EU documentation on a commission basis.

### Exit

For those whose aim is to sell on the winery they are purchasing, it is important to choose a winery with an already established brand and international customer base.

Well-known wineries with a good brand and marketing strategy are very much in demand.



**Below are some information about the wine market, distribution, owners of wineries and values of vineyards:**

### The global wine markets

Europe is the world's largest producer, consumer, exporter and importer of wine. The wine sector is the EU's biggest agriculture exporter with an annual export amounting to EUR 11.5 billion in 2018. The largest EU exporters of wine are France, Italy and Spain. It is worth noting, that the export by volume is well ahead of the new world like USA, Chile, Argentina, Australia, South Africa. Furthermore, the largest export markets for EU wines are China, Canada and Switzerland.

The importance of wine in the world market has been heightened by former US president Trump's tariffs on French, Spanish and German wines. The 25 percent tariff has decreased the sale of French, Spanish and German wines on the US market while the sale of

Italian wines have increased dramatically due to the price advantage.

### The European production of wine

The largest producers of wine in EU are Italy (5,5 bn litres), Spain (4,3 bn litres), and France (3,4 bn. litres). The largest wine market in monetary value is France estimated to 9.5 bn. USD and Italy 6,2 bn. USD. Europe is the largest producer of organic wines. In Europe 78 percent of the organic wines are produced compared to 22 percent in the US.

### The European consumption of wine

Within the EU the largest consumption of wine per capita is in Italy followed by France and Spain. The wine consumption in USA and China is substantially lower than in Europe, but the size of the population makes the growth potential for wine sale very important for vineyards.

In general, the European domestic wine market is mature. The consumption is not growing in quantity as habits are changing in many countries. Despite a shrinking market, the demand on quality and organic wines are increasing.



### The market for Organic wines

The organic market in the world is expected to reach 87 million cases in 2022. The average growth in the sale of organic wines during 2017- 2020 has been an average 9.2 percent annually. Said growth is expected to continue due to the preference of the consumers.

The Millennium consumers, who are conscious about what they eat and drink, and the well-heeled consumers are the target for sale of organic wine. In Japan, for example, 10 percent of the consumption of wine is organic compared to 6 percent in Germany.

Even more interesting is that 80 percent of the red wines consumed in Japan is organic.

### Distribution of wine

In general, there are different ways for vineyards to distribute their wines:

Wine wholesalers, who represent and promotes different vineyards on a specific market like vineyard ambassadors, handle the warehouse, sale and distribution.

Wine retailers, which either buy their wines from wholesalers or directly from vineyards.

Online wines stores, which sell a wide range of wines.

Direct sales from vineyards through their own online store or wine clubs.



### Owners of vineyards

The owners of vineyards can be divided in different categories, below are some examples of the different categories:

Large listed companies, like LMWH, which is the owner of for example Chateau Cheval Blanc, d'Yquem, Moet Chandon, Don Perignon etc focusing on collecting the best luxury brands. Furthermore, you have Carlyle Group owning the Australian Accolade, which is the largest wine producer in Australia.

Listed wine companies like Bodegas Esmeralda, Treasury Wine Estates, Vranken Pommery Metropole, Laurent Perrier SA, the owner of Laurent Perrier Champagne, Masi wines, Chapel Down, Gusbourne,

Duckhorn, Constellation Brands (wine, beer and spirits) etc.

Historic Families and historic estates with luxury wine brands like Rothschild,

Bollinger, Chateau Lynch-Bages (Cazes), Vega Sicilia, Pol Roger, Léoville Las Casas.

Professional vineyard owners like Jabolet, Chapoutier, Guigal in France, Castello Banfi in Italy, Badia a Coltibuono, Ricasoli, Duckhorn wineries. This category also includes a number of other vineyards, which has been owned by the same family for generations producing quality wines.

Recreational/investors owners, who buy it as part of a lifestyle as an investor and, as most vineyards (subject to area) tend to increase in price



### Prices of Vineyards

Prices of Vineyards have, during the past 20-30 years, skyrocketed, especially in France. The reason is strong demand for the prestigious brands from investors, and limited hectares of prime/prestigious wine regions/appellations. The latter has been a driving force in the continuous appreciation of prestigious vineyards.

Furthermore, the limited amount of land in specific areas in Italy like Barolo, Brunello and Chianti Classico are an important factor in price appreciation. In general, the prices of Italian vineyards are increasing. The latter is a trend, which has been developing during a number of years. The most expensive vineyard in Italy is in Barolo, where the top areas are priced at EUR 1,4 -2m per



hectare. It is worth noting that the absolute top areas in Barolo commands a price of 2,5 million EUR per hectare. In Barbaresco the dynamics is the same as Barolo, the price per hectare is around 600.000 EUR per hectare.

Within the registered area of Chianti Classico, the price per hectare is around 200.000 EUR. The best vineyard and sub-areas in Chianti Classico reach 250.000 EUR. In Nobile di Montepulciano the price per hectare is between 120,000 and 150.000 EUR, and in the rest Of Chianti is around 90.000 EUR per hectare. In Brunello di Montalcino the price range is between 900.000 – 1,3m EUR per hectare.

In Valpolicella, in the classic zone, the price per hectare is between 450.000 and 550.000 EUR with peaks of up to EUR 600.000. In Alto Adige the price is around 500.000 EUR, a territory of excellence especially for the production of white wine.



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#### **About Viva Business**

We are experts in the sale and purchase of international wineries, working worldwide and offering selected off-market wineries, investments or shareholdings in the wine and beverage industry and projects.

Our portfolio of opportunities for sale consists of prestigious wineries in Italy, Portugal, France (Bordeaux, Champagne, Provence), Spain, Switzerland, Germany, UK, Greece, South Africa, Israel, Chile, Argentina, Australia, India, U.S.A. and other countries, depending on the request.

Our team has professional experience, expertise and technical competence in wine production and cellar management, as well as in the international wine business. Viva Business is neither an estate agent nor a

broker, but a specialist agency for the sale and transactions of wineries.



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