

Economic times are hard. Is there any silver lining?

Sonoma Valley Vintners & Growers Alliance

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SVVGA & FBM

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Who is Scion?

- Leading experts in *family business transitions*
- Strategic business planning & organization development
- Proven approach and results
 - 100 companies across several industries
- Seasoned team that has walked in your shoes and run businesses



"Time Waits For No One"

French vintner gobbles Chateau Montelena
Jon Bonné, Chronicle, Wednesday, July 23, 2008



- Prepare your business as if you are going to sell
 - Define success
 - Build an executable plan
 - Execute through the right team
- Take control of your transition and start planning early



A great family is much like a great wine --
They both get better and more complex
with each generation.



Key issue – Complexity!

- Communications!
- What is the goal & plan?
- Who to transfer to?
- When to transfer?
- How to transfer?
- Minority interests?
- How to fund buy outs?



What we said in 2008: SVB/Scion report

51% will likely change ownership in the next ten years

- 45% would prefer to sell to a third party
- 40% would prefer to sell to the children
- 30% because they are tired and the industry is a lot harder

■ Most are ill prepared



Wine business values: increase or decrease over the next 10 years?

- Volume sends values down
 - Wave of wine business owners exiting
 - Baby boomer wave
- Is wine rational?
- Values decline during down economy cycles



2009: What is happening?

- *Paralysis*
- False starts
- Limited financing options to grow, transition or sell
- Fall out of the weak
- Dwindling business valuations



Biggest opportunities!

- Prepare your business for sale.
 - 4 year window
 - Time to get smart

- Differentiate to survive.
 - As authentic family-owned brands
 - Adopt A player practices and mentality



Other opportunities!

- Be a creative buyer.
 - Private equity with deep pockets
 - Buy low, sell high: pick up brands and land opportunistically



How to prepare

- Obtain a rigorous business assessment.
- Assemble a team of experts.
 - Family Business Advisors
 - M&A-experienced Attorney
 - Estate and Corporate Attorneys
 - CPA
 - Private Investment Banker
 - Valuation Counsel
- Make “Go-Now” vs. “Build / Fix” Decision.



"Time Waits For No One"

Take control of your transition and start early.

- ✓ Get all owners on the same page.
- ✓ Plan for the long term.
- ✓ Prepare your business as if you are going to sell.
- ✓ Run best and worst case scenarios for your business and retirement.
- ✓ Figure out how to be relevant from a profitability standpoint.



“Scion gave us the courage and the reason to believe that we can do it.”

Tim Wallace, President
Benziger



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Case Study

Built stability, trust & 5 times growth in cash

Problem: Existing family & business structure stymies growth.

Approach: Develop a strategic organization structure to support sustainable growth.

Results: EBIT growth 5.5 times in 3 years; stable organization driving solid decision making and communications; divided owners working as cohesive company.



'Family' tombstones: 2006 - 2009

- Baritelle Vineyard to Fortress in 2006
- Bonny Doon Vineyard *Big House* and *Cardinal Zin* brands to The Wine Group in 2006
- Havens winery and *Havens Napa Valley* brand sale to Billington Imports in 2006
- Davis Bynum brand to Rodney Strong in 2006
- Chateau Potelle to Jess Jackson 2007
- Roshambo facility to Duncan family in 2007
- Duckhorn to GI Partners 2007
- Stags Leap Wine Cellars to Ste. Michelle/Antinori 2007
- Firestone to Foley Estates 2007
- William Hill to Gallo 2007
- Rosenblum Cellars to Diageo 2008
- Sebastiani Vineyards and Kuleto to Foley Estates 2009
- Flowers to Huneeus Family 2009
- Carneros Creek, Wildhurst & EOS to Sapphire wines 2009

