

---

# *“Time Waits For No One”*

---

*Deborah Steinthal,  
Founder,  
Scion Advisors*



2009

# Which Bandwagon are you on?

Unified  
WINE & GRAPE  
SYMPOSIUM  
PRESENTED BY ASEV & CAWG



Ask yourself a fundamental question!  
Do you believe things will get better?

("Time can tear down a building  
or destroy a woman's face  
Hours are like diamonds, don't let them waste")

# 2009



# Family business transitions

---



- Scion/SVB 2008: What we said would happen
- 2009: What is happening
- Opportunities & Recommendations



# 2009

# 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

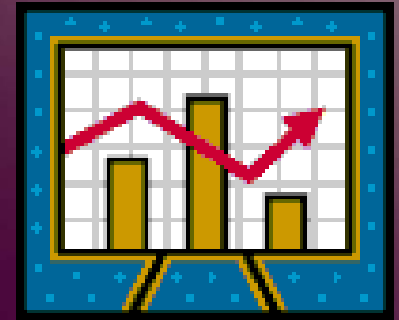
- Most are ill prepared



# 2009

# What else we said in 2008

- Ten years & Two *Bell Curves*
  - A & B players
  - ~100 could sell as businesses
  - The majority - property sales



# 2009

# 'Family' tombstones

## 2006 - 2008



- 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 to Foley 2009
- Flowers to Huneeus Family 2009



# 2009

# What did we learn?



## **Family Matters. Tensions Roil Estée Lauder Dynasty**

*Wall Street Journal, February 27, 2008*

... will hand the post of president to Fabrizio Freda, ... who is expected to succeed William Lauder, scion of the third generation, as chief executive.

thrived for six centuries. Here's how they did it.

## **Feuding family sells Sebastiani Vineyards**

By GABRIEL KAHN in Florence, Italy, April 5, 2008, Page A6  
Tuesday, December 23, 2008

**After the leap: His celebrated winery sold, Warren Winiarski ponders his legacy - and his next move**

Jon Bonné, Chronicle Wine Editor, Friday, March 28, 2008

## **Huneus Forms Partnership with Flowers**

Owner of Quintessa and Veramonte makes a substantial investment in Sonoma Coast Pinot Noir producer



# 2009

# What did we learn?

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



## *“Time Waits For No One” – Rolling Stones*

1. Take control of your transition and start planning early
2. Prepare your business as if you are going to sell



# 2009

*Temptation:* look at the numbers!

Unified  
WINE & GRAPE  
SYMPOSIUM  
PRESENTED BY ASEV & CAWG



145 deals globally

Only 5 were > \$500 million

Average TEV/revenues: 2.4x

Average TEV/EBITDA: 11.5x

TEV = Total  
enterprise value

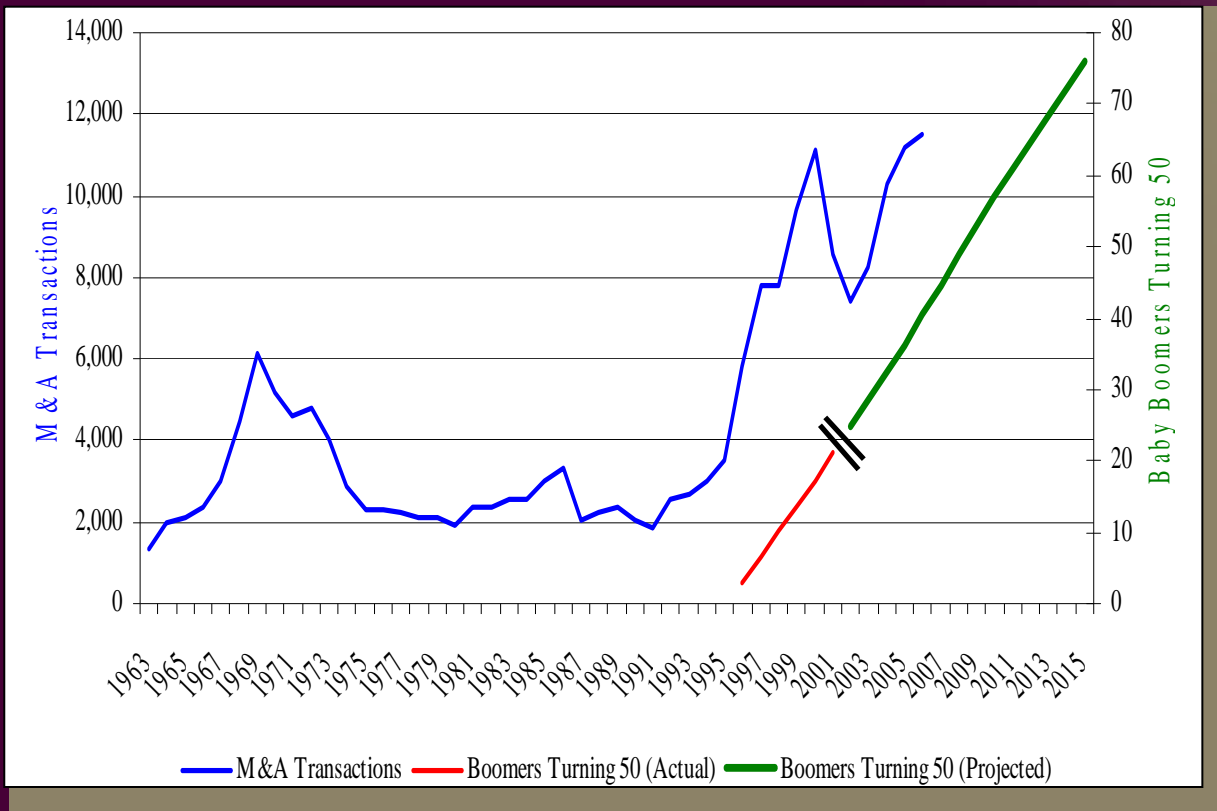
EBIDTA =  
measure of cash  
flow

Scion Advisors.

2009

BRERETON, HANLEY AND CO., INC.  
Global Private Investment Banking

# More competition: The Baby Boomer Wave



# of private businesses 'for sale' will be 10 x greater in 2010 than in 1995.

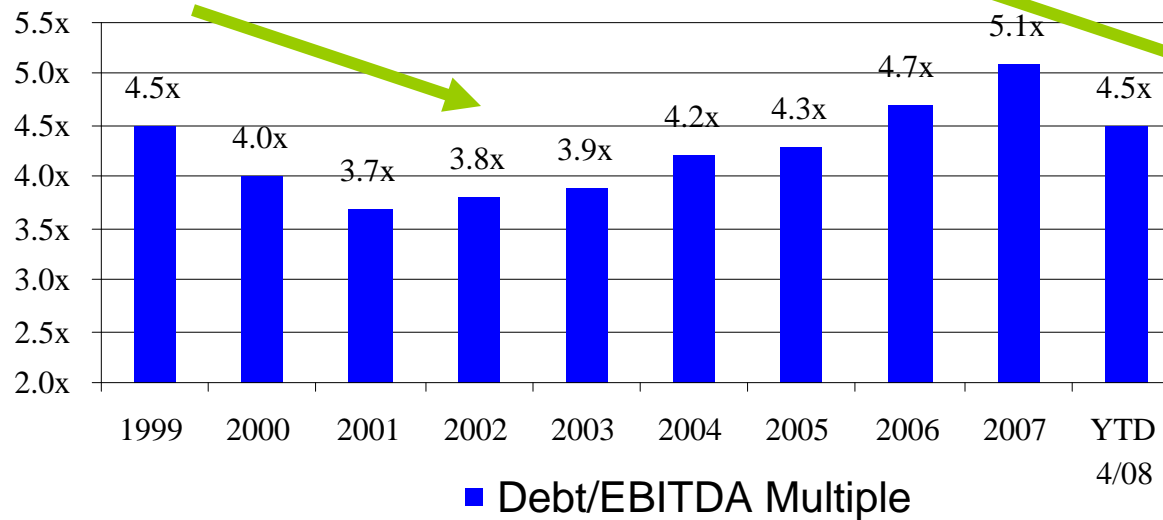


2009

# Down cycles: Lower valuations



## Averaged Debt Multiple: Leveraged Buy-Outs



**Only a few  
.... will  
realize  
premium  
sale values**

*Scion Advisors.*

# 2009

# 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!

---



1. Prepare your business for sale.
  - 4 year window
  - Time to get smart on transfer options
  
2. Differentiate to survive.
  - As authentic family-owned brands
  - Adopt A player practices and mentality



2009

# Other opportunities!

---

## 2. 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
  - CPA
  - M&A-experienced Attorney
  - Private Investment Banker
  - Valuation Counsel
- Make “Go-Now” vs. “Build / Fix” Decision
- If “Go-Now”: hire a private investment banker
- If “Build / Fix”: time your exit carefully and execute well

# 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.



# 2009

## *“Time Waits For No One”*

Have a winner mentality: take control of your transition and start early.

- ✓ 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.

# 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





---

# Deborah Steinthal

1339 Pearl Street, Suite 204  
Napa, CA 94559

[www.scionadvisors.com](http://www.scionadvisors.com)  
707.258.9130



# 2009

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

*Tim Wallace, President*  
**Benziger**