

Napa wine group acquires historic Seghesio winery

By **CATHY BUSSEWITZ**
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Seghesio Family Vineyards, one of the oldest family-owned wineries in Sonoma County, was acquired Wednesday by a Napa-based collection of wineries owned by a New York investment company.

Future leadership of the Healdsburg winery, founded in 1895, and estate planning were part of the issues that led to the sale, said CEO Pete Seghesio, who will be staying on as wine-grape grower.

The family analyzed the work and expense it would take to continue for the next 20 years and agreed to get out of the business, especially at time when a small percentage of the 11 co-owners wanted to leave the business, he said.

“Any time you're a large older Italian family you run into these problems, and especially when the business has been successful and the value is at such a level, it's very challenging to get it to the next generation,” Seghesio said.

Financial terms were not disclosed by the Seghesio family or the Crimson Wine Group, the Napa company that purchased the winery, and which is owned by Leucadia National Corp., a New York holding company.

“We were approached by Crimson earlier in the spring, and we were just really taken aback by the offer and the interest,” he said.

An industry source estimated the sale to be worth between \$90 million and \$120 million.

Seghesio traces its roots back to the late 19th century, when Edoardo Seghesio planted his first zinfandel vineyard in the Alexander Valley. Since then, four generations of the Seghesio family have tended more than 400 acres of vineyards in the Alexander, Dry Creek and Russian

River valleys.

Historic photos line the walls of the rustic tasting room at the Seghesio Family Winery, with pictures of younger generations of winemakers alongside a portrait of Edoardo Seghesio wearing a long mustache and a top hat.

Pete Seghesio described Erle Martin, chief executive officer of Crimson Wine Group, as a close friend he has known for a decade who could carry on the Seghesio tradition.

Martin said Crimson has been hunting for a good acquisition, and Seghesio fit well with its focus on luxury, estate-based wines.

With the purchase, Crimson now owns five brands and more than 700 acres of vineyards in California, Oregon and Washington. It produces more than 250,000 cases of wine annually under such brands as Pine Ridge Vineyards in Napa Valley, Chamisal Vineyards in San Luis Obispo County's Edna Valley and Archery Summit in Oregon's Willamette Valley. Seghesio produces about 100,000 cases per year.

“This really was not a transaction that was shopped, this was a direct transaction,” said Mario Zepponi, partner at Zepponi and Company, a merger and acquisitions firm for the wine industry. “For that kind of a brand, usually it would be shopped.”

Much of the Seghesio family will remain at the winery in the day-to-day management and operations, including winemaker Ted Seghesio, Ed and Dave Segesio, and Jim Neumiller. Camille Seghesio, who was managing exports, will not be staying on, Pete Seghesio said.

“It's a surprising sale because it's a long-term family holding, a great family ... selling, and they've done a good job with it,” said Joe Ciatti, partner with Zepponi & Company. “But it kind of parallels what is happening when families change from one generation to another.”

The trend has been evident in Sonoma County in recent years when companies like Sebastiani Winery and Chalk Hill Winery were bought by Bill Foley, said Deborah Steinthal, managing director of Scion Advisors, a business strategy and consulting firm based in Napa.

“Some people think of a family business being sold as sad, but it really goes back to what the family's view of success is,” Steinthal said. “In other industries like high tech, most businesses have an exit plan.”

Steinthal said it's becoming increasingly difficult for smaller wineries to hold the attention of wine distributors, which have consolidated into fewer companies as the number of U.S. wine brands has exploded.

Wine is a small niche for Leucadia, which reported \$1.3 billion in revenues last year from its holdings in manufacturing, oil and gas drilling, gaming, real estate and medical devices.

It entered the wine business in 1991 when it acquired Pine Ridge. Over the next two decades, it added Archery Summit, which it founded in 1993, and Chamisal, which it acquired in 2008. Last year, its Napa-based wine group generated \$22.7 million in revenues, up from \$19.8 million in 2009, according to the Leucadia annual report. Case production rose to just over 111,000 cases, up from 92,000 cases in 2009.

“Our immediate focus will be on the integration of this entity within our portfolio,” Martin said. “Which is not to say I'm excluding additional opportunities, but in the near term this is going to be our focus.”

Foppiano Vineyards in Healdsburg remains as the oldest family-owned winery in the county.

In the 1990s, the Seghesio family refocused operations from producing table wine to higher-quality offerings. The winery has gained a place on the Wine Spectator's Top 100 list six times in the past decade.

“To me it's really an American dream,” Pete Seghesio said. “I'm going to be able to spend more time with my kids and teach them how to drive a tractor.”

You can reach Staff Writer Cathy Bussewitz at 521-5276 or cathy.bussewitz@pressdemocrat.com.