

01.18.2018

Strong Deal-Making Kicks Off 2018

Northwest at the center of recent winery and vineyard sales activity

by Peter Mitham



Doubleback Winery, a longtime client of Lefore Vineyard, announced its purchase of the property this week.

Walla Walla, Wash.—A tide of deals announced during the past week shows that wineries were actively hammering out purchases in the final quarter of 2017, as wine sales continued to expand.

Washington, and in particular the Walla Walla AVA, has been the epicenter of activity this week, with Vintage Wine Estates announcing the purchase of Tamarack Cellars on Jan. 15. The next day,

Doubleback Winery, a venture of former NFL quarterback Drew Bledsoe, announced the purchase of the 28-acre Lefore vineyard on the Oregon side of the valley. The purchase took place last fall, but general manager Josh McDaniels said this week's announcement aimed to send a strong signal in advance of Doubleback's new releases. Situated in The Rocks District of Milton-Freewater sub appellation, the vineyard boosts Bledsoe's vineyard holdings to 155 acres across four properties.

Joining Doubleback in The Rocks District is Maison Bleue Winery, which announced completion of its sale to Willamette Valley Vintners Inc. of Turner, Ore. Maison Bleue co-owner and winemaker Jon Meuret is consulting winemaker for Willamette Valley Vintners' Pambrun project, so the deal was a natural transition.

The acquisition sets the stage for Maison Bleue to plant an estate vineyard, winery and tasting room on a 36-acre site Willamette Valley Vintners purchased from the Roloff family at the end of 2016 (see "Willamette Valley Vintners Expands in Walla Walla"). An initial planting of 5 acres of Syrah will go in this spring, and a further 10 acres will be planted next year.

The deal boosts Willamette Valley Vintners' Oregon Estate Vineyards division, which will be part of the offerings at a new tasting room, Willamette Wineworks, planned for the Roundhouse in the historic downtown core of Folsom, Calif. The consumer-oriented location is set to open this fall and will be the Oregon vintner's first location in California.

The announcements come a week after Farmland LP was named purchaser of 6,000 acres of cropland on the western edge of the Walla Walla Valley AVA, which can accommodate upwards of 1,600 acres of vineyard. Details of that transaction are still emerging, but the deal marks a vote of confidence in the future of the AVA as the Washington industry continues to expand.

Outside The Rocks District, Napa's Huneeus Vintners agree to purchase Oregon's Benton-Lane Winery, which has 142 acres of vineyard on a sprawling, 1,860-acre estate north of Eugene in a deal that closed Jan. 17.

Common to most of the deals is a vision of expanding production. This is not only true of the straight land deals; out-of-state purchasers see opportunities to boost the flow of wine from a region that offers fine wine with better margins.

"The people that invest in those regions are going to be motivated by one of two things: It's either going to be a luxury, trophy brand that's going to draw their interest in that region, or it's going to be a brand that they feel they can grow, scale, and the economics there will support the acquirer's existing

business model,” Mario Zepponi, principal of advisory firm Zepponi & Co. in Santa Rosa, Calif., told *Wines & Vines*. (Zepponi was not a party to the transaction.)

The acquisition of Tamarack Cellars, Zepponi said, gives Vintage Wine Estates a portfolio of wines that sell in the \$20 price range (give or take a few dollars), nicely complementing its recent acquisition of Layer Cake, which has wines priced \$15 to \$18 per bottle.

“This represented a brand that at its price point they could grow well beyond the 25,000, 30,000 cases that it is to something that’s in that 100,000-case range or more, because of the economics,” Zepponi said.

But it won’t happen overnight, said Pat Roney, president and CEO of Vintage.

The company is committed to expanding Tamarack’s production from its current level of 25,000 cases, but growth will be prudent.

“I think 50,000 is a realistic goal. I’d like to be able to expand it to 100,000, but I wouldn’t say that’s the immediate plan,” Roney said.

The more immediate goal was to flesh out the company’s portfolio, giving it a well-rounded list for distributors, which are consolidating and seeking good sources with broad offerings. Tamarack’s acquisition follows not only Layer Cake but last year’s purchase of Firesteed Winery in Rickreall, Ore.

“We think there’s some solid wines coming out of the Willamette Valley and all of the state of Washington,” Roney said. “It gives us a bit more of a foothold in the market.”

Huneus owner Agustin Huneus said in a statement that the purchase of Benton-Lane was also about scaling up its offerings from a new geographic region.

“We have a unique ability to pioneer scale in fine wine while maintaining an artisanal feel,” he said. “This partnership also expands our geographical diversity with our first wines from Oregon. In the years ahead, our intention is to dramatically expand our vineyard presence throughout the Willamette Valley.”

While the start of each year brings a number of transactions worked out in the previous months, conditions are favorable for renewed merger and acquisition activity in 2018. Erik McLaughlin, managing partner of commercial advisory firm Metis, which worked with Tamarack on its sale, told

Wines & Vines his company is handling more deals for clients than at any time in its history.

“We think 2018 will be very active,” he said. “We’re seeing an increased interest in the Pacific Northwest from strategic operators from California and Europe, shifting from California for the sake of diversification.”

Regulatory issues, climate change and growth of the Northwest wine industry are all influencing buyers. Tax changes that give businesses the prospect of better margins on profits also are playing a role.

“Businesses are going to be able to generate higher return as a result of the change in tax policy, so we’re seeing an upward movement in valuations,” he said. “On the flip side, sellers are motivated.”