

A Major Wine Company Goes Public

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Contributor

Dining



SPACs—short for a [special purpose acquisition company](#) that is publicly traded and has no other assets other than cash—are fairly new to both the market and the wine industry. Few major wine entities, with the exception of large companies like [Pernod Ricard](#) and [LVHM](#), have historically gone public in the wine sector.

The bulk of wineries are still family and privately owned and many trade on the mystique of being small, close-to-the-vest operated and managed businesses. However, that standard is evolving and the use of shell companies to acquire established multi-brand, wine entities is growing.

Case in point is Vintage Wine Estate's (VWE) upcoming mid-May public offering with the Toronto-based Bespoke Capitol Acquisition. It doesn't hurt that former Diageo CEO Paul Walsh heads up Bespoke. The deal is presumed to give VWE more leverage to buy brands. "The current investment landscape offered an opportunity to accelerate our growth and we believe others may follow suit. Duckhorn just filed an S-1, announcing its

intention to follow us in going public,” shares [Terry Wheatley](#), the president of the Santa Rosa, California-based VWE.

Why the Wine Business Avoids IPOs

The wine industry can require large cash infusions and makes most of its retail revenue in the holiday season. It also doesn't generate as consistent revenue as many other sectors given its agricultural, and constantly in flux, rhythms.

“The wine industry is very capital intensive, in large part due to the higher cost of fixed real property and equipment assets. However, one of the more complicating factors is that the manufacturing process requires aging the wine inventory for a minimum of six to twelve months for white wines and two to four years for red wines before the wines can be shipped and sold to consumers,” notes Mario Zepponi, a wine merger and acquisition advisor at the Santa Rosa-based [Zepponi & Company](#).



He adds that, **“Therefore, quick changes in consumer demand and grape sourcing supply cycles can have significant economic impacts on an industry that is wedded to longer-term planning. It is during these down-cycles where publicly traded companies have less flexibility ... [and it is difficult for them] to take a longer-term focus during down cycles due to the tremendous pressure that they are under to satisfy the shorter-term earnings expectations of their respective shareholders and Wall Street analysts,”** notes Zepponi.

Some of the Benefits of a SPAC

However, the type of public offering that WVE is taking does offer a number of benefits. **“On the upside, the access to capital creates some real advantages and there is some value in the transparency and financial discipline that is demanded of publicly traded companies,”** Zepponi shares.



He goes on to note that, **“Margins are often less attractive than other categories, yield fluctuations can have a significant impact on returns, and it is just generally harder to build strong brands. There is a reason why most of the big spirits companies [Diageo, Campari, Brown Forman, etc.] have generally divested much of their exposure to the wine businesses, while companies like Constellation and Gallo, that started off as wine businesses, have been building their exposure to other categories, like beer and spirits,”** continues Zepponi.

Many other wine companies, such as Robert Mondavi, have gone public without much of the public even being aware of the transaction. WVE hopes to do so as well. “We are a real company with real people, real brands and real profits. We intend to continue to do business that way. The capital from the IPO gives us the rocket fuel to drive organic growth, acquire new brands, expand direct-to-consumer at an elevated pace, build brands and accelerate innovation,” concludes Wheatley.



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I have been writing, educating and consulting about wine, cocktails and food for more than two decades. I also do innovative wine events for corporate team building and educational projects for wine producers and regions. I have worked almost every angle of the wine and food business: from server and consultant to positions in distribution, education and sales. My approach to wine education is savvy, down to earth and unpretentious. I focus on demystifying wine and transforming it into a daily joy and a tool for business and networking for clients and readers. I have visited all the world's major wine-growing and spirits-producing regions — 50-plus countries and counting — and am one of several hundred people in the U.S. to hold the Diploma of Wine & Spirits (D.W.S.), the three-year program that is the precursor to the Master of Wine.