Globalisation + Financialisation = Concentration?

RECENT TRENDS ON MERGERS, ACQUISITIONS AND FINANCIAL INVESTMENTS IN THE WINE SECTOR

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In 2005, almost 250 mergers, acquisitions and joint ventures were registered in the world wine and spirits sector. Interestingly this compares with only 70 mergers and acquisitions just five years ago! Even more significant, total value of the financial deals concluded in 2005 in the industry reached more than 22 billion us$ in 2005, ten times more than in 1998 (close to 2.23 billion US$).
What are the reasons behind this frenzy of financial deals occurring in the wine sector?
Do we assist, in the wine sector, to a growing globalisation, which would soon become comparable to the other foods and drinks sectors?

Reductions in trade barriers (multilateral or local), lower transport and communication costs, convergence in consumer spending patterns lead to a rising globalization: world exchanges began to exceed consumption (and production) growth in the mid 1970s. This conducted to industry rationalisation and hyper-competition, with an increasing number of firms becoming multinational in most sectors during the past three decades, except for the wine business…
It seems that it is only at the turn of the millennium, when a larger exposure to international competition has started to affect the leading wine firms, that this explosion of mergers and acquisitions has appeared.

But what are the reasons for more and more wine firms to undertake a risky strategic diversification through external growth?
From a theoretical point of view, either foreign competition (imports or local productions from foreign firms subsidiaries) is forcing domestic firms to become more competitive and/or domestic firms can seek to expand their international diversification in order to offset any location specific advantages enjoyed by their foreign rivals (Wiersema and Bowen, 2006). It might therefore be the right time to look at the determinants of economic competitiveness (or efficiency) in the wine sector.
A few theoretical reasons can explain that some firms are performing better than others in industrial sectors: stronger purchasing power or privileged access to scarce resources, higher productivity of assets, economies of scale and scope and differentiation (Jarrosson, 2004).

In order to become more competitive, a fully integrated wine firm would have to master one agricultural activity: grape growing, two industrial activities: wine making and bottling / packaging and one service activity: sales and marketing of packaged goods.

In this respect, and from an empirical point of view, it has been shown (Couderc and Cadot, 2005), that the unit cost differentials for three different wine price segments, and ceteribus paribus, essentially come from either:

a) Agricultural activity

- In the upper price segments, growing (instead of buying) grapes from renown production areas (having access to grapes from vineyards with high entry barriers).
- In all price segments, maximising grape yields (productivity is key: as most costs are fixed and are almost standard in the main competing countries, the divider counts!).

b) Industrial activities

- In all price segments, minimising the costs of wine making and packaging, essentially through economies of scale in larger production units.

c) Service activity

- In all price segments, minimising the percentage of sales dedicated to selling and marketing (marketing economies of scale are much more important than in the wine-making or packaging activities).
- Offer some differentiation (in order to avoid low prices and Buyers own Brands segments) and improve negotiating power when facing more and more concentrated distribution channels.

If these appear as being a key to improve competitiveness, then our hypothesis will be that these theoretical and empirical reasons could explain most of the explosion of financial deals, in order to meet the need for globalisation in the wine world.

In order to address these questions, the paper will be structured in two parts, as follows:

Part 1: Analysis of what happened over recent years regarding mergers and acquisitions in the wine (and spirits) sector

Part 2: Analysis of the deals motivations and confirmation of the hypotheses of strategies involved

The data base used for this research is W2D – World Wine Data (Coelho, 2006) which references all the financial transactions involving wine from 1998 to this date. These financial deals, although they are centred on wine firms, can include some spirit activities.

Introduction: some theoretical explanations to the recent M&A waves and financialisation

Mergers and acquisitions are a fast route for wine companies to expand their product lines by adding familiar brands to their established products in both domestic and international markets. Some changes in their institutional and competitive environment clearly favour external (instead of internal) growth: a tendency to deregulate the wine markets in many producing and consuming countries, a relative shortening of the product life cycle for branded wines, a more opened 'international' competition in the main importing countries, the growing maturity of the industry, etc.

Sequentially, M&A offer manufacturers a larger market share together with economies of scales and a better bargaining power in obtaining shelf space in the retail sector. However, the expansion of the strategies of the firms through mergers and acquisitions is expensive and involves specific risks (post-merger integration processes, agency conflicts…).

Financialisation is a new "buzz-word" used to describe "finance-led" strategies (Lazonick and O'Sullivan, 2000). Generally speaking, it includes three main issues: corporate share buyback programs (I), the rise of financial investors in the industry (II) and, finally, the emerging of specialized industry funds (III). Financialisation is also at the core of the corporate governance debates. Since the early nineties there was an increased focus on shareholder value creation in the wine industry. Increased concentration in the wine industry was driven by pro-active strategies in the market for corporate control and the search of economies of scale, scope and learning. However, considerable changes in the overall stock market conditions in the early 2000s, followed by wine surpluses led to a new type of restructuring.

The M&A market for corporate control in the wine sector has reached maturity and therefore investments in the industry are becoming more opportunistic and reactive than pro-active. At the same time, finance-specific actions, such as purchasing their own shares, were used by companies (Coelho and Rastoin, 2006a,b).

Finally, both M&A and financialisation can be considered as finance strategies that help managers to signalling their intentions. Although rent-seeking pathways can be intentional or opportunistic, M&A tend to thrive for oligopolistic rents.

Furthermore, M&A tend to reduce asymmetric information and agency costs (Jensen and Meckling, 1976), but they may, however, engender transaction costs (M&A are financial transactions, leading to some irreversible investments and requiring a regulatory compliance[3]).

An alternative explanation to M&A and financialisation derives from managerial entrenchment theories rooted on opportunism and managerial discretional behaviour (Shleifer and Vishny, 1989).

It remains that for neoclassical theories, the ultimate goal remains the maximisation of the shareholder value…

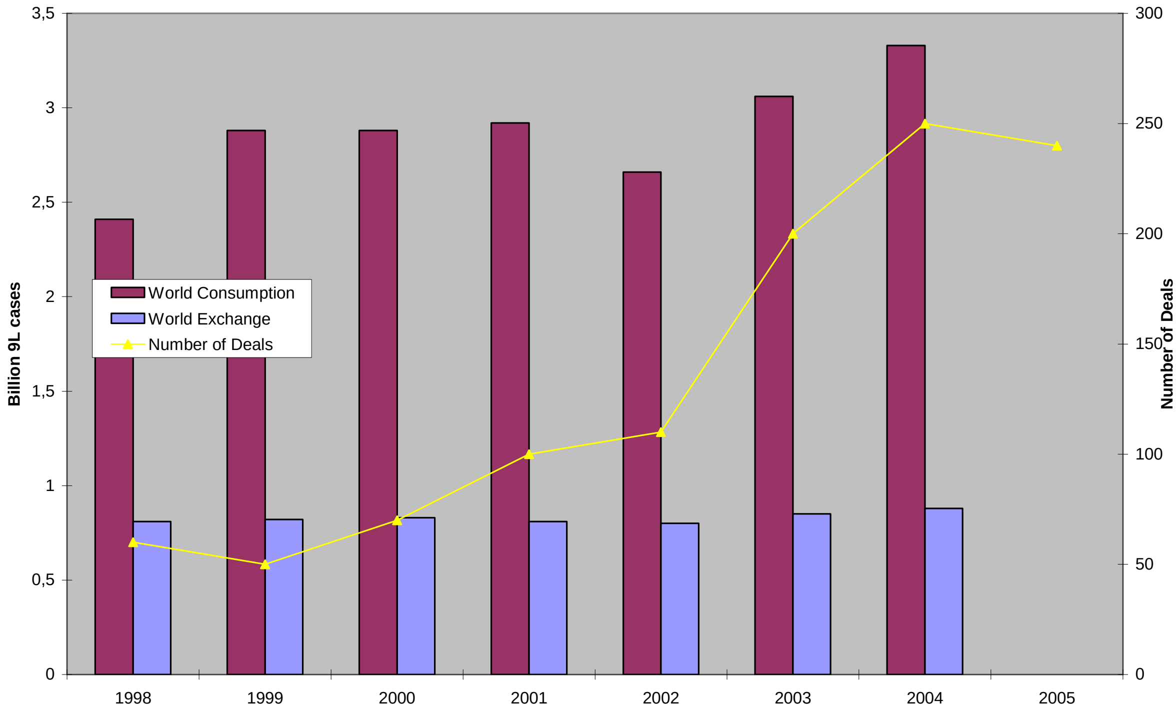
Part 1: Analysis of what happened in recent years regarding M&A in the wine sector.

Over the last eight years (1998-2005), the world wine consumption increased from 2.4 billion to almost 3 billion 9-liters cases. During the same period, total world wine export expanded from 0.67 billion to 0.73 billion 9-liters cases.

Whether there is a direct correlation between evolution of the wine sector and investment is hard to tell, but the number of financial deals (i.e.: mergers, acquisitions and joint-ventures) between 1998 and 2005 increased from 70 to 250, the all industry registering 1,084 restructuring operations between 1998 and 2005.

[3] **See, for example, the purchase of Montana wine company in New Zealand by Pernod Ricard in 2005.**

Figure 1: World Wine and Spirits Industry: World Consumption / World Export and World Restructuring Deals (1998-2005)



Source: BvD, W2D – World Wine Data (2006)
Note: Data as of December 23, 2005.

The expansion through mergers and acquisitions is adopted when growth opportunities exist, and it seems that development of the world consumption of wine has been one of the major driving forces.

Where are the target firms located?

To benefit from the dynamics of wine consumption, targeted firms were mostly situated in the main world producing countries: Australia, France, Spain, the U.S., and Italy. Some examples: Constellation Brands (US) purchased BRL Hardy (Australia) in 2003, Allied Domecq (UK) acquired Montana Group (NZ) and Bodegas y Bebidas (Spain) in 2001. The achievement of fast and long-term access to wine source was the dominant motivation behind major deals.

Figure 2: **World Wine and Spirits Deals by Target Country (1998-2005)**

Countries	1998-2001	2002-2005	1998-2005
Australia	28	128	156
France	68	85	153
Spain	29	84	113
USA	32	49	81
Italy	12	62	74
Chile	1	35	36
Russia	2	34	36
China	2	28	30
Greece	5	19	24
Germany	12	10	22
South Africa		20	20
Argentina	2	17	19
Ireland	3	14	17
Romania	2	12	14
Moldova	2	11	13
New Zealand	1	12	13
India		11	11

Source: BvD, W2D – World Wine Data (2006)
Note: Data as of December 23, 2005.

It should also be noted that, across the same period some Eastern European countries (EEC) also privatized many of their state-owned assets. This offered an unique opportunity for the leading companies in the industry to gain access to these EEC markets: Pernod Ricard purchased GWS in Georgia and Yerevan Brandy Corporation in Armenia; Seaboard Corp (Canada) buying Vinprom Rousse Wine Factory in Bulgaria. The leading German wine companies, Henkell & Sohnlein and Schloss Wachenheim[4] were among the main investors in EEC.

The geographic origins of investors

The largest numbers of investors in the industry investing in their home market were established in France (12 percent), Australia (11 percent), the U.S. (9 percent) and Spain (8 percent).

[4] Henkell & Sohnlein main shareholdings: Chateau Bznec brand, Vino Mikulov (Czech Republic), Hubert J.E. (Slovakia), Astese srl (Romania),
Schloss Wachenheim main shareholdings: Zarea Bucharest (Romania), Ambra (Poland), Vinex Slaviantsi Poland (Bulgaria)

Figure 3: World Wine and Spirits Deals: Investors Home-Country (1998-2005)

Top Acquirers Countries	#	%
Non identified	195	18
France	126	12
Australia	122	11
United States	93	9
Spain	87	8
Italy	61	6
Great-Britain	60	6
Germany	31	3
Portugal	24	2
Chile	23	2
Canada	20	2
Russia	19	2
China	16	1
Greece	16	1
Sweden	15	1
South Africa	12	1
Argentina	11	1
Other	153	14
	1084	**100%**

Source: BvD, W2D – World Wine Data (2006)
Note: Data as of December 23, 2005.

As 75 percent of these restructuring operations are targeted by investors located in the same countries, it clearly appears that priority is given by the firms to a further concentration in their home markets. Examples such as Constellation Brands (US) buying Mondavi (US), Southcorp Ltd (AUS) buying Rosemount Estates (AUS), Canandaigua Brands Inc (US) buying Franciscan Vineyards Inc (US), LVMH Moët Hennessy (FR) buying Krug (FR), Vranken (FR) buying Pommery (FR), bring illustration of this strong motivation.

It can also be said that, because internal export development strategies do not seem to be efficient enough to bring quick returns in today's wine market, 263 cross-border deals accounted for about 24 percent of all the deals during this period.

In 2005, however, and after several years of growth, the number of cross-border deals declined. Many firms had to face an oversupply of wine in their domestic markets and difficult price competition in core markets such the U.S. and United Kingdom. Under these conditions, firms chose to focus on restructuring their activities in domestic markets in order to improve efficiencies, rather than looking for additional but riskier foreign synergies.

Figure 4: The World Wine and Spirits Industries: Cross-Border Restructuring Deals (1998-2005)

Source: BvD, W2D – World Wine Data (2006)
Note: Data as of December 23, 2005.

Over the last few years, a greater number of investors involved in cross-border deals came from the fastest-growing consuming wine markets instead of the main producing countries: Great-Britain accounted for 16 percent, the United States for 15 percent, Australia 11 percent compared with France 7 percent, Spain or Italy 4 percent. In other words, investors located in non traditional wine producing countries tend to invest ... in cross border deals.

This data can show either where big money comes from, or it can also demonstrate that the business culture of investors in these Anglo-American markets is more open to investment outside their borders (i.e.: securing supplies, or combining risk-taking and more profitable opportunities).

The main target country for cross-border deals was France (13 percent). Foreign investors have had a particular interest in the vineyards and wineries located within the Bordeaux, Burgundy, Languedoc and Champagne regions.

Figure 5: World Wine and Spirits Cross-Border Deals: Investors Home-Country (1998-2005)

Top Acquirers countries	#	%
Great-Britain	41	16
United States	40	15
Australia	29	11
France	19	7
Germany	17	6
Canada	13	5
Spain	11	4
Sweden	11	4
Italy	10	4
Portugal	9	3
Russia	9	3
Netherlands	8	3
Other	46	17
Total	**263**	**100**

Source: BvD, W2D – World Wine Data (2006)
Note: Data as of December 23, 2005.

A second group of countries includes New World and Old World wine producers: Australia (7 percent), Italy (6 percent), China (6 percent), Great-Britain (5 percent), Portugal (4 percent), New-Zealand (4 percent), and Moldavia (4 percent).

Portugal and Italy have very prestigious wine regions (Douro, Tuscany). In the last few years many vineyards and wineries changed hands in these regions. For example, in the Douro region, many wineries traditionally owned by British conglomerates or families are now mainly owned by French and Spanish investors.

Figure 6: World Wine and Spirits Cross-Border Deals: Target Countries (1998-2005)

Top Target countries	#	%
France	33	13
Australia	19	7
Italy	16	6
China	13	5
Great-Britain	12	5
Portugal	11	4
New-Zealand	11	4
Moldavia	11	4
Argentina	9	3
Spain	9	3
Germany	7	3
Finland	7	3
Other	105	40
Total	**263**	**100**

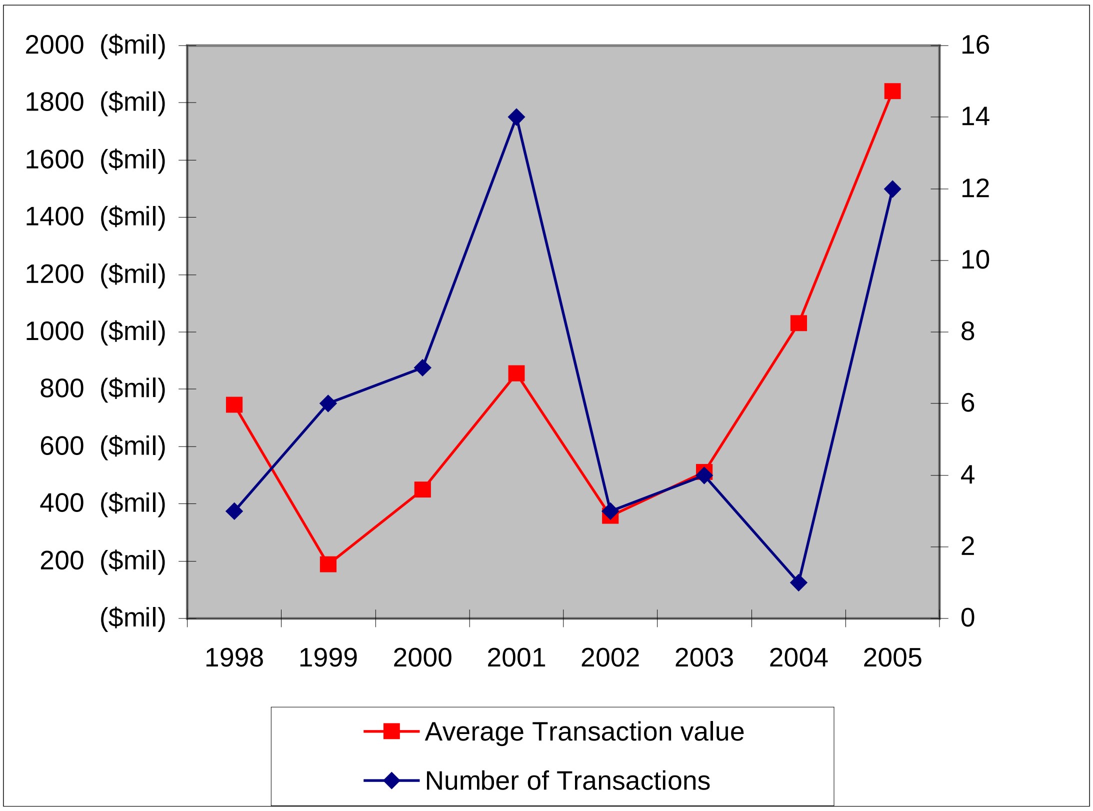
Source: BvD, W2D – World Wine Data (2006)
Note: Data as of December 23, 2005.

On average, deal values are increasing

The expansion or the entry into the wine and spirits market seems to become more and more expensive. In the period 1998-2005, the top three largest deals in the wine and spirits industry were announced or completed in 2005. In 2005, the purchase of Allied Domecq by Pernod Ricard and Fortune Brands became the most expensive deal of all times.

The fifty largest deals by value are listed in Annex (Table 1).

Figure 7: Correlation between "Average transaction value" and "Number of transactions"



Source: Thompson Financial, W2D – World Wine Data (2006)
Note: Data as of December 23, 2005.

This figure is showing that:

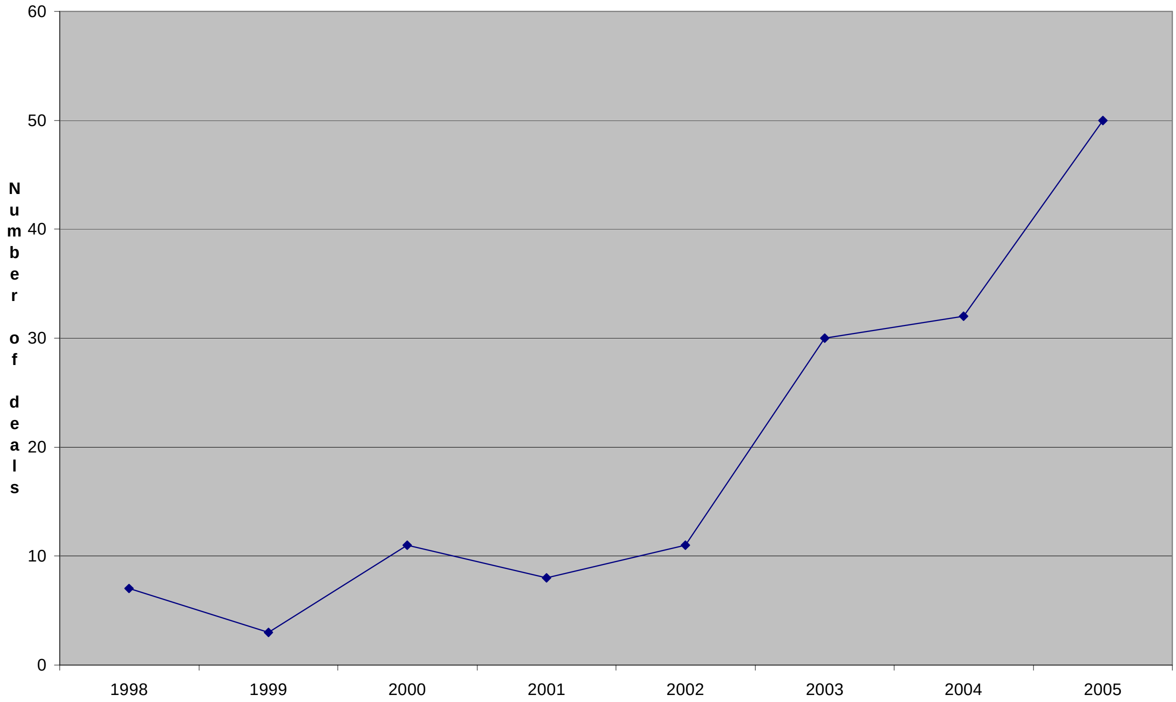
- There is a tendency for the average price of the transaction to increase;
- Together with a strong correlation between the average transaction value and the number of transaction per year (between 1998 to 2005);
- Two years are more important than the others: 2001 (14 transactions) and 2005 (with the most expensive deal of all times: the purchase of Allied Domecq by Pernod Ricard and Fortune Brands)

The role of the financial investors

A great diversity of investors are showing interest in the industry: in addition to family/private investors, more and more investment banks, insurance companies, institutional investors, specialised wine funds, venture capitalists have shown an interest in this sector …

Since 2001, this number of financial investors investing in the wine and spirits industry has increased rapidly. For some analysts, wine is an alternative investment to other commodity markets.

Figure 8: World Wine and Spirits Industry: Deals by Financial Investors (1998-2005)



Source: BvD, W2D – World Wine Data (2006)
Note: Data as of December 23, 2005.

There is, therefore, a great variety of investment behaviours across the wine industry:

- Venture capitalists generally have a strategy for 'voice' (nomination of directors to board of the companies in which they invest and an active participation at annual general meetings) and to exit (in a reasonable period of time they expect to exit through an IPO –initial public offering- or to sell their shares to another investor, either financial or industrial). Duke Street Capital investment in Marie Brizard (FR) is one of the most recent examples. The same approach is currently followed by Starwood Capital in the sale of Champagne Taittinger. A different strategy was followed by the New Zealand Wine Fund which has bought the winemaker Goldwater

Estate in 2006. Mr. Goldwater was given some shares of this wine fund and joined the board.

- Investment banks and insurance companies have a great diversity of behaviours and motivations to approach the wine business. Motivations range from building a prestigious portfolio of wine companies to buying back distressed companies they financed. For example, Axa Millésimes, a subsidiary of the French insurance company Axa, built a whole network of investments in the wine industry located in prestigious wine regions (i.e. Bordeaux, Languedoc (France), Douro (Portugal) and Tokay (Hungary)). The French Crédit Agricole S.A. also has a large portfolio of wine assets, and recently bought distressed wine companies (for example, by the end of 2004, Crédit Agricole S.A. purchased Domaines Listel from the Val d'Orbieu co-op. Later in 2005, the company was sold to the Champagne firm Vranken Pommery). The American merchant bank DLJ became a major investor in the Argentinean wine industry (Peñaflor Group);
- Institutional investors such as Calpers and Fidelity invested recently in wine ventures in the U.S. (Greenfield investments);
- Real estate investment trusts focusing exclusively on vineyards and wineries. Real estate investors, such as Vintage Wine Trust, a San-Rafael, CA. based company, focuses exclusively on vineyards and wineries. The company intends to acquire a portfolio of assets worth about $US 400 million and then go public. The company plans to acquire properties in order, ideally, to lease them back to the former owners.

Many deals concern publicly listed, companies as opportunities for investing in private, non-listed, wine companies are less easy to find. Also, there are a fewer opportunities for exiting from privately-owned wine companies.

During the 1990s many new specialised wine funds entered the market. Some of these specialist funds became listed companies. This trend was particularly important in the Australian wine market following the emergence of investment funds specialising in the wine industry, such as the establishment of the IWIF – International Wine Investment Fund -in Australia or the Orange Wine Fund in the Netherlands. The IWIF was one of the first funds to internationalise their investments, through investments in France (Gabriel Meffre, Michel Laroche) and in the U.S. (Vintage Nurseries).

Following the success of the IWIF in Australia and the flourishing opportunities in the industry, many other funds specialising in the wine industry were created and became active investors in the industry.

As a consequence of the evolution of the international environment and of the expectations created by the expansion of New World wine companies, financial investors targeted the most prestigious companies in the industry across the world.

Financial investors combine national and cross-border investments in vineyards and wineries. However the "home-country" factor seems to play an important role in the decision of investing in wine and spirits industries. In this case, the geographic proximity of financial investors helps provide a better knowledge of the target firms.

Clearly, the globalisation of the wine industry led to the rise of a new category of investors, the wine investment funds. With few exceptions, wine investment funds focus on Australian, New Zealand and California-based wine companies. On the other hand, international financial investors have a less significant presence in Australian wine companies. The rapid change of the wine industry in Australia could be suggested as one of the main reasons for this trend. Only companies established in the country would be able to follow investors' sentiment and the changes driving the industry.

A broader range of investor types (banks, insurance companies, institutional investors) invest in Old World producers. In EEC, deals are mostly led by specialized international banking organizations such as the EBRD, the IFC or Russian banks.

Fewer potential listed targets

The number of wine companies going public (IPOs) recently has been relatively small when compared with the number of initial public offerings completed during the 1990s. This adds to the fact that some family controlled companies have been exiting the stock markets because they were afraid to become a cheap and easy target.

The rise of corporate governance standards, particularly in the U.S., may also be a barrier to the expansion of IPOs.

This means that the number of listed wineries available for takeover has lately been decreasing, In 2006, only three wine firms went public: Delegat's Group (New Zealand), Cheviot Kirribilly Vineyard Property Group (Australia), and Yunnan (China).

See Appendix: Tables 2-5 Top Financial Investors by Country and Target Firms in the Wine and Spirits Industry

Part 2: Analysis of the strategies involved

Generally speaking, the analysis of the purchase of assets in the wine industries is showing that they pursue at least one of three main goals:

1. The access to 'cheaper' (or rare) wine or grape supplies;
2. The development or acquisition of strong corporate brands. Most particularly, those positioned in the premium (price/quality) segments (i.e. popular premium, premium, super-premium and ultra-premium). The purchase of corporate brands in the icon or luxury segments remains relatively marginal because these assets are already quite expensive and long-term focused. The leading firms in the wine industry privilege corporate brands in the '*life-styles*' consumer segments. It is important to notice here that this was one of the key features of a project defined by The Robert Mondavi Winery before the successful takeover carried out by Constellation Brands;
3. The access to (wide/transnational) distribution networks.

Concentration in the wine industry differs across countries. In New World producers the wine industry is much more concentrated than in Old World producers. In most of the former countries, like New Zealand, the wine industry is highly concentrated (Pernod Ricard purchased the leader Montana from Allied Domecq in 2005), with a handful of companies representing 60 to 80% of the total industry. Further concentration in these highly concentrated countries may require approval by national competition authorities. There are many more opportunities in France, Spain or Italy, where the first 8 largest firms only represent less than 30% of the total country production.

1. Ensuring long-term sourcing of wine grape supplies

The cost of land is a key driver of returns on capital. High land prices in the well known production areas of the Old World can lead to unprofitable corporate investments. The wine reputation Bordeaux lead to the rise of land prices in those regions, possibly benefiting more to real estate speculators than to the wine industry. It is also becoming the case in the New World (Napa Valley, for example).

In the regions classified as *appellation of origin*, vertical integration of grapes growing might therefore appear as a key element.

This can be illustrated by the examples of the sale of two leading champagne firms: Taittinger and Lanson International, as vineyards in champagne have become a relatively scarce resource.

They opposed two different strategies of control over grape supplies:

- Lanson International does not grow its own vines.
- Taittinger controls and owns more than 60 percent of its wine grape supplies. Taittinger also owns the prestigious Domaine Carneros (Napa Valley sparkling wine producer)..

Initially, the announcement of the sale of Lanson International attracted several investors. However, a few days later, the announcement of the sale of Taittinger International led most of the investors, namely champagne firms, to decline their interest in Lanson International and to turn themselves to Taittinger. The main reason advanced for the redirection of the investment of these Champagne firms was the size of the vineyards owned by Taittinger, which could be considered a unique opportunity over the last decade.

In 2001, Southcorp Ltd took over Rosemount Estates which was the Australian's largest family-owned winery. Southcorp CEO's M. Park said "When the opportunity arose to pursue this transaction, we were delighted; Rosemount is one of the jewels in the world wine industry and the ability to complete this transaction on terms advantageous to both our shareholders was an opportunity to accelerate our global branded vision with what we believe is the best global partner in the industry".

On the other hand, the availability and relatively low prices of land in Argentina and Brazil may attract more investors to the industry.

An example can be drawn from the recent history of Bodegas y Viñedos Santiago Graffigna S.A., an Argentinean wine company producing fine wines and established in 1870 in the San Juan area.

In May 1999, Advent International, an Argentinean venture capital fund, purchased a stake in the company for approximately $US 26,000 (LBO).

Later in 2001, Allied Domecq purchased (from Advent International and Galicia Advent for a total of $US 42.9 million) Santiago Graffigna winery, jointly with another Argentinean winery, Bodegas y Viñedos Sainte Sylvie S.A., in San Rafael, Mendoza. At this time, Allied Domecq also owned Balbi, a San-Rafael-based winery purchased in 1992, whose productions were focused on the export markets.

In 2005, after the purchase of Allied Domecq by Pernod Ricard, the French company became the owner of Santiago Graffigna and Balbi. Pernod Ricard was already well established in the Argentinean wine industry. In 1996 Pernod Ricard had acquired the complete control over Bodegas Etchart, located in the Salta area, where this company holds approximately 6,000 hectares, among which only 350 hectares are occupied with vineyards. Today, Santiago Graffigna produces more than half of all wine produced in the San Juan area. It has become one of the leading brands in the domestic market. In sum, these acquisitions largely increased concentration in the Argentinean wine industry and reinforced the portfolio of Pernod Ricard in local and export markets.

In the coming years, there seem to be some opportunities to further invest in land in South America (Argentina, Brazil), China and India, and in some Eastern European regions.

By contrast in most of the New world wine producing countries, investment in the industry is principally directed towards outsourcing value chain wine-related activities: E&J Gallo launched the brands Red Bicyclette and Pont d'Avignon with wine produced in Italy and France by third parties.

The two strategies described above – vertical integration and outsourcing – characterize the business models followed by the leading wineries across the world. Vertical strategy focuses on direct control of the raw materials (land, vineyards, oak barrels, etc.). Flexibility strategies focus on specifics more closely related with the wine brands and less related to the production assets.

2. The development or acquisition of strong corporate brands

Constellation Brands taking over Hardy's in 2003 (CEO Richard Sands said, "*This is a tremendous addition to Constellation's portfolio. By combining two fast growing and high performing companies, we fulfill Constellation's strategic objectives to accelerate its growth rates, broaden its product portfolio and geographic reach and increase its competitive advantage… Together, we will create the world's largest wine company, with powerful market positions in the U.S., U.K. and Australia…*") was followed by The Robert Mondavi Winery in 2004 ("With the successful completion of this landmark transaction, Constellation offers an unmatched wine portfolio with expanded fine wine offerings, in addition to our broad portfolio of leading brands in the spirits and imported beer categories and unparalleled global distribution capabilities." stated Richard Sands). This acquisition was immediately followed by a plan to refocus Mondavi's wine portfolio of brands in the premium segment. Also, the Canadian based company Vincor International purchasing the South African wine brand Kumala; the Swedish company V&S Vin&Sprit AB participating to the Chicago based Jim Beam Brands in 2001 and then to the Maxxium distribution partnership are other recent example of strategies implemented to quickly gain access to core markets, and more specifically to markets with high demand growth rate like the US or the UK.

Traditionally, there have been few wine brands in the world wine industry. Cava, sekt and champagne were usually produced by brand-based companies. Over the last few years, wine brands have been driving growth in the industry. The leading firms in the wine industry segmented the wine market for different categories of brands based on the price/quality segments. Brands are at the core of the fight for additional room in retailers' shelves. The value of brands is not static; their performance across the price-point is dynamic.

Several companies (for example: New World brands, Inc.) have assembled a comprehensive wine and spirits portfolio and have now taken a significant step towards brand ownership.
A testimony of this is from Patrick Ricard, CEO of Pernod Ricard, after the acquisition of Allied Domecq : « …An integration work of teams and brands is going to take place with celerity according to our decentralised organisation mode. For now on, the portfolio of Pernod Ricard is based on 14 key brands: Ricard, Ballantine's, Chivas Regal, Kahlua, Malibu, Beefeater, Havana Club, Stolichnaya (distribution in the USA), Jameson, Martell, The

Glenlivet, Jacob's Creek, Mumm and Perrier-Jouët. The holding is controlling, furthermore, some local brands which are allowing the financing of integrated distribution networks, which are needed to ensure the development of worldwide brands. The strategy of Pernod Ricard is founded on the decentralization of its structure. On the one hand we are brand owners and branches define the development strategies for these. On the other hand distribution branches adapt their priorities to other local market demand.

3. The control over distribution networks

The investment in importers and distributors (or even retailers) is a key for future developments. Some reasons justifying investment in these companies:

- Fragmented supply implies that even large firms have little power over distributors. Further concentration in the industry is also a means to reduce dependency on distributors and wine traders.
- Distribution costs vary internationally, as well as by brand scale. The optimisation of distribution networks is a key success factor in the industry. Companies may seek to increase their synergies and improve efficiency in distribution in some key markets.
- A large number of small wine trade customers and highly specific product attributes also make some up-market wine sales labour-intensive.
- Emerging markets and transition economies are restructuring their distribution systems. At some point, wine and spirits companies may choose to make additional investments in these markets.
- There are only a few transnational independent distributor networks with a broad geographic coverage.

Distribution agreements accounted for about 20 percent of all the deals in the wine and spirits industry in the period 2000-2005.

Unsurprisingly, North America was the most active region accounting for about 41 percent of all the distribution deals/agreements. This region was followed by the European Union (15 percent) and South Asia (10 percent).

In the European Union, Great Britain is the main target (28 deals/agreements).

The dominant type of agreement in distribution networks is the co-operation (77 percent), i.e. basically licensing agreements. This form of agreement ensures firms the necessary flexibility and low investment costs.

Figure 9: Wine & Spirits Distribution Agreements by Region (2000-2005)

	Country	Region	
	#	#	%
Africa		2	0,7
Latin America		13	4,8
North America		112	41,5
U.S.	105		
Canada	5		
South Asia		27	10,0
China (& Hong-Kong)	10		
India	6		
Japan	8		
European Union (15)		64	23,7
Great-Britain	28		
France	7		
Germany	4		
EEC		20	7,4
Poland	9		
Mediterranean Basin		3	1,1
Oceania		14	5,2
n.a.		15	5,6
Total		**270**	**100**

Source: estimation based on W2D-World Wine Data, 2006.

Recent example of distribution agreements/deals involving “control” (mergers, acquisitions, establishment of new subsidiaries…) is the U.S. importer J.Deutsch & Sons purchasing a stake in the ownership of Casella Wines Ltd, the parent company of Yellowtail, the leading wine brand in the U.S. The investment of Vincor International in Western Wines, one of the largest wine distributors in the UK, followed the same strategy.

Similar to this strategy of transnational acquisitions, the US wine distribution market offers a good illustration of domestic mergers and acquisitions: Southern Wine & Spirits of America, a leading distributor of distilled spirits, wine, beer and non-alcoholic beverages in the U.S., acquired a number of established wholesalers in the last few years: New Mexico in 2000, followed by Colorado 2001, Illinois in 2002 (through an agreement with the Terlato Wine Group). In 2004, Southern Wine & Spirits of America acquired Premier Wine & Spirits of New York and its New York state distributor arm (Letchworth Wine & Spirits).

Recent legal changes in the U.S. “three-tier” system created and alternative route to sell wines to the market. Wineries have just started to sell wines directly to retailers. As a consequence, in the last few months, many e-wineries (B2B and B2C) became a flourishing business.

Some confirmation of the starting hypotheses

The starting hypothesis, namely a globalisation of the competition, which has been leading to a recent "financialisation" of the external growth (requiring more and more capital), seems to be confirmed. Large players in the wine sector move towards a better control of their strategic grape supplies, are constituting and restructuring their wine brands portfolio and try to gain more control (or bargaining power) of the distribution channels.

The business models for wine companies are evolving. Three factors seem to explain the success of these large companies in the wine industry: production facilities, corporate brands and distribution networks.

- Achieving flexibility and efficiency in production facilities is becoming more and more important in today's wine industry. Recently, some leading Australian wine companies have been experiencing some difficulties in achieving efficiency. The most striking examples are McGuigan Simeon and Evans & Tate. Foster's Group also cut jobs in the Penfolds winery.
- Building strong portfolios of wine brands and easier access to distribution channels. The leading firms target the most notorious brands in each country or segment. For example, in January 1999 LVMH acquired 100% of the famous « Champagne Krug » for 150 million €. Krug had a big development potential through the Moët Hennessy world distribution network. This investment strategically completed the Moët Champagne brand's portfolio, with an exceptional quality prestige 'cuvée'. With Krug, Veuve Clicquot Ponsardin and Canard Duchêne, Dom Pérignon, Moët & Chandon, Ruinart and Mercier, Moët has constituted the first world portfolio of champagne brands. More recently, LVMH established Moët Hennessy Wine Estates, a group of wineries specialist in the production of premium wines from the New World.
  Building an international portfolio of wine brands is also a competitive argument. Here, the international expansion of wineries focuses on one of two main approaches: controlling the winery (physical) assets (Constellation Brands, Laroche) and controlling the wine brands (E&J Gallo) In the distilled spirits industry companies also try to have both a broad range of white and brown spirits. Finally, some firms in the wine industry specialise in targeting companies in the premium categories.

- **Size of the company** does matter. Major food and beverage retailers have centralised wine purchases. These retailers also expect that wine companies will be able to supply high volumes of wine. As the reputation of corporate brands also plays a key role in negotiations, discussions with major retailers could then be disadvantageous for smaller and medium players.

- **The existence of a wine cluster environment** (Montalcino/Tuscany in Italy, California, Chile, Australia) is a favourable factor. Knowledge linkages and the institutional setting in these regions create a business environment helping firms to compete. Wine clusters boost the competitiveness of local firms and attract foreign investors. Similarly, a great number of newcomers in the wine industry had a previous contact/experience in the industry (family ties…).

Conclusion

We have been showing that rising globalisation and hyper-competition have recently lead to a move towards new strategies of external growth together with a growing financialisation of the leading firms in the wine sector.

But during turbulent times, is management the key to successfully implement these new strategies?
One could advance that only the most competent or subtle triumph…
An interesting double example can be drawn from the rapid rise leading to exceptional gains recently offered to its shareholders by Marie Brizard. This family-owned liquor firm was almost distressed when sold (70%, with about 20% public) at about 55 € per share to Duke Street Capital investment fund in the year 2000. It took a new management, named in January 2002, less than three years to diversify its activity in France both in the wine sector (purchase of Chais Beaucairois - the last industrial unit of the Casino distributor holdings-) and in the Bordeaux wine brands and spirit sector (purchase of William Pitters). This led in 2005 to a very profitable public offer (at 141 euros per share, the value has been multiplied by 2.5) to purchase Marie Brizard made by the new fast growing spirit company 'Belvedere', issued from a Russian finance - Polish marketing connection.

At the same time, Groupe Val d'Orbieu (co-op), which was fighting with Castel Group for the wine leadership in France in year 2000, has recently lost to its bank (Crédit Agricole), due to heavy losses and a cash crisis, all its Bordeaux Chateaux and *négoce* businesses, as well as one of the leading French brand Listel (all purchased in the mid 1990s), sold to the Vranken Champagne and wines growing empire.

- **Previous experience in mergers and acquisitions is quite useful:** for example, Pernod Ricard, following the purchase of Canadian-based Seagram, is one of the companies that have the required knowledge and experience to successfully achieve the post-merger integration process. This can be supplemented, however, by **the presence of financial investors in the ownership** of the wine and spirits firms, which is generally perceived by the business community as being a positive issue. Previous experience in successfully building and implementing a business plan matters. In this case, institutional investors have a key advantage. They have the required skills, knowledge and experience to successfully invest in new wine ventures.

- **The control of the majority of the capital** is also one reason which can explain some deals success (avoiding asymmetries of information and conflicts of interest).

- The right timing is important as, from a takeover perspective, the best time to purchase a wine and spirits company, for the strongest and richest, is when the market is down! Foster's Group has already swallowed Southcorp; Pernod Ricard and Fortune Brands purchased Allied Domecq; Constellation Brands just swallowed Vincor...

- Human capital seems to matter to manage the high-intensity investments required by this industry. The market for high skilled managers with expertise in viticulture, oenology, finance and marketing also appears as one of the key success factors in the wine industry[5].

To what extent financialisation will affect the overall wine industry ?

As the industry globalises, the search for increased efficiency and synergies in the wine industry through mergers and acquisitions will become more and more difficult to achieve. Simultaneously, financialisation is still expanding across the wine chain. Dividend distribution is not the only and most effective way to signalling managers' intentions to focusing in shareholder value creation to focus on shareholder value creation. Share buybacks as well as high debt leverage also increase the risks and costs for the industry.

Potential conflicts may arise between industrial and financial logics. The overall trend sets a new agenda to challenge the academia and the industry, particularly in terms of their contribution to the debates on shareholder/stakeholder value creation (or destruction)...

[5] For example, the leading Chinese wine company Changyu launched recently a job offer for an oenologist with more than 15 years of experience, for a salary of € 105.000 /year.

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Appendix

Table 1: Top 50 Financial Deals by Value in the Wine and Spirits Industry (98-2005)

#	Date Effective	Target Name	Target country	Acquirer Name	Acquirer country	% of Shares Acq.	Value of Transaction ($mil)	Price Per Share
1	2005	Allied Domecq PLC	United Kingdom	Goal Acquisitions Ltd	France	100	14414,13	12,87
2	2001	Seagram Co-Alcohol & Spirit	Canada	Investor Group	United Kingdom	100	8169,62	
3	2005	Jinro Ltd	South Korea	Hite Brewery Co Ltd	South Korea	100	3382,72	
4	2005	Southcorp Ltd	Australia	Fosters Group Ltd	Australia	81,2	2024,99	3,35
5	1998	Diageo-Dewar's,Bombay Gin	United Kingdom	Bacardi Corp	Puerto Rico	100	1935,45	
6	2000	Beringer Wine Estates Holdings	United States	Fosters Brewing Group Ltd	Australia	100	1447,17	55,75
7	2003	BRL Hardy Ltd	Australia	Constellation Brands Inc	United States	100	1153,82	6,13
8	2004	Robert Mondavi Corp	United States	Constellation Brands Inc	United States	100	1029,45	59,77
9	2002	Diageo PLC-Malibu Coconut Rum	United Kingdom	Allied Domecq PLC	United Kingdom	100	793,30	
10	2001	Rosemount Estates	Australia	Southcorp Ltd	Australia	100	786,20	
11	2000	Highland Distillers PLC	United Kingdom	1887 PLC(Edrington Group Ltd)	United Kingdom	72,1	722,26	6,92
12	2003	Brown-Forman Corp	United States	Brown-Forman Corp	United States	11,78	569,48	70,65
13	2001	GH Mumm et Cie,Perrier-Jouet	France	Allied Domecq PLC	United Kingdom	100	505,20	
14	2005	Southcorp Ltd	Australia	Beringer Blass Wines Pty Ltd	Australia	18,8	465,50	3,33
15	2000	Bols Royal Distilleries	Netherlands	Remy Cointreau	France	100	459,66	
16	2001	Montana Group Ltd	New Zealand	Allied Domecq PLC	United Kingdom	73,71	391,56	2,13
17	2001	Jim Beam Brands Co	United States	V & S Vin & Sprit AB	Sweden	10	375,00	
18	2005	Old Bushmills Distillery Co	Ireland-Rep	Diageo PLC	United Kingdom	100	364,92	
19	2005	Polmos Bialystok	Poland	Central European Distn Corp	United States	61	312,26	
20	1999	GH Mumm et Cie,Perrier-Jouet	France	Hicks Muse Tate & Furst Inc	United States	100	310,00	
21	2001	Turner Road Vintners	United States	Constellation Brands Inc	United States	100	295,00	
22	2001	Jim Beam-Invergordon,Whyte & Mackay	United Kingdom	Investor Group	United Kingdom	100	290,01	
23	2005	BOLS Sp zoo	Poland	Central European Distn Corp	United States	100	267,59	
24	2001	Bodegas y Bebidas	Spain	Allied Domecq PLC	United Kingdom	100	250,09	14,06
25	2005	Chalone Wine Group Ltd	United States	Diageo PLC	United Kingdom	100	223,66	14,25
26	1999	Franciscan Vineyards Inc	United States	Canandaigua Brands Inc	United States	100	220,00	
27	2001	Skyy Spirits Inc	United States	Davide Campari-Milano SpA	Italy	50	207,50	
28	2005	URSUS Vodka Co NV-Brands(2)	Netherlands	Diageo PLC	United Kingdom	100	192,74	
29	2001	Kuemmerling GmbH	Germany	Allied Domecq PLC	United Kingdom	100	184,69	
30	2003	Barbero 1891 SpA	Italy	Davide Campari-Milano SpA	Italy	100	179,96	
31	1999	Krug Vins Fins de Champagne	France	LVMH Moet-Hennessy Louis SA	France	100	176,87	
32	1999	United Distillers-N Amer Drink	United States	Investor Group	United States	100	171,00	
33	2002	Champagne Pommery et Greno	France	Vranken Pommery Monopole	France	100	158,54	

34	2001	Ravenswood Winery Inc	United States	Constellation Brands Inc	United States	100	157,15	29,5
35	2005	Skyy Spirits Inc	United States	Davide Campari-Milano SpA	Italy	30,1	156,60	
36	2000	Marie Brizard et Roger Intl	France	Duke Street Capital	United Kingdom	53,18	152,87	61,56
37	1998	Chateau Cheval Blanc	France	Investors	France	100	151,10	
38	1998	Cos d'Estournel	France	Societe Bernard Taillan France	France	100	145,92	
39	2005	Larios Pernod-Ricard SA	France	Fortune Brands Inc	United States	100	142,83	
40	2001	Blackstone Winery-Cert Asts	United States	Pacific Wine Partners	Australia	100	140,00	
41	1999	Danisco Distillers A/S	Denmark	V & S Vin & Sprit AB	Sweden	51	139,43	
42	2003	Cosecheros Abastecedores SA	Spain	Nazca Capital SGECR SA	Spain	96	134,95	
43	2000	Danisco Distillers A/S	Denmark	V & S Vin & Sprit AB	Sweden	49	133,97	
44	2005	Cruzan International Inc	United States	V & S Vin & Sprit AB	Sweden	67,75	129,32	28,37
45	2002	Simeon Wines Ltd	Australia	Brian McGuigan Wines Ltd	Australia	100	118,82	1,53
46	2000	Jinro Ltd-Whiskey Unit	South Korea	Allied Domecq PLC	United Kingdom	70	118,20	
47	1999	Arco Bodegas Unidas SA	Spain	Alianza de Cosecheros de la	Spain	56,2	116,56	
48	2001	Petaluma Ltd	Australia	Lion Nathan Ltd	Australia	100	114,30	3,6
49	2000	Cos d'Estournel	France	Michel Reybier	France	100	103,86	
50	2001	Montana Group Ltd	New Zealand	Lion Nathan Ltd	Australia	23	100,49	2,06
					Average		**893,73**	

Source: Thompson Financial, W2D – World Wine Data (2006)
Note: Data as of December 23, 2005.

Table 2: Top Financial Investors by Country and Target Firms in the Wine and Spirits Industry (1998-2005): Australia & New Zealand

Target country	Target firm	Acquirer name	Acquirer country	Deal value th EUR	% Acquired stake	Date announced
Australia	First Opportunity Fund Ltd	Trent Capital Ltd	Australia	n.a.	Unknown %	2005
	First Wine Fund Ltd	First Wine Fund Ltd	Australia	n.a.	Unknown %	2003
	First Wine Fund Ltd	First Wine Fund Ltd	Australia	n.a.	10	2004
	First Wine Fund Ltd	Nipol Pty Ltd	Australia	n.a.	Unknown %	2004
	Foster's Group Ltd	Commonwealth Bank of Australia Ltd	Australia	n.a.	Unknown %	2005
	Grande Junction Vineyard, The	Challenger Wine Trust	Australia	n.a.	100	2005
	Lion Nathan Ltd	Lazard Asset Management Pacific Co	Australia	n.a.	Unknown %	2005
	Lion Nathan Ltd	Schroder Investment Management Australia Ltd	Australia	n.a.	Unknown minority	2005
	McGuigan Simeon Wines Ltd	Schroder Investment Management Australia Ltd	Australia	n.a.	Unknown %	2005
	Southcorp Ltd	Portfolio Partners Ltd	Australia	n.a.	Unknown %	2005
	Challenger Beston Wine Trust	Challenger Financial Services Group Ltd	Australia	9,123.76 *	10	2005
	McGuigan Simeon Wines Ltd	Schroder Investment Management Australia Ltd	Australia	7,545.91 *	2,65	2005
	McGuigan Simeon Wines Ltd	Schroder Investment Management Australia Ltd	Australia	3,655.45 *	1,3	2005
	McGuigan Simeon Wines Ltd	Maple-Brown Abbott Ltd	Australia	3,412.34 *	1,1	2005
	McGuigan Simeon Wines Ltd	Schroder Investment Management Australia Ltd	Australia	2,822.98 *	1,3	2005
	Whitton Vineyard, The	Challenger Beston Wine Trust	Australia	2,087.84 *	100	2005
	Southcorp Ltd	Maple-Brown Abbott Ltd	Australia	13,582.64 *	1,01	2004
	Lion Nathan Ltd	UBS Nominees Pty Ltd	Australia	81 568,65	5,08	2003
	McGuigan Simeon Wines Ltd's first tranche of vineyards	Beston Wine Industry Trust, The	Australia	39 865,29	100	2003
	Second tranche of Balranald vineyards	Beston Wine Industry Trust, The	Australia	5 305,56	100	2003
	Cocoparra Vineyard	Beston Wine Industry Trust, The	Australia	4 987,57	100	2003
	Evans & Tate Ltd	International Wine Investment Fund, The	Australia	4 882,91	8,25	2003
	Hay Shed Hill	Australian Wine Holdings Ltd	Australia	3 438,82	100	2002
	Cockatoo Ridge Wines Ltd	Institutional Investors	Australia	3 100,12	12,11	2004
	Poole's Rock Wines Pty Ltd's Rock Winery & Post Office Vineyard	Challenger Beston Wine Trust	Australia	2 855,55	100	2004
	Cockatoo Ridge Wines Ltd	Institutional Investors	Australia	2 711,59	Unknown minority	2003
	Karridale vineyard	Everbroad Pty Ltd	Australia	1 617,21	100	2005
	Loxton Vineyard	Playford Wine Holdings Pty Ltd	Australia	1 477,80	100	2003
	Oakridge Vineyards Pty Ltd	Beston Wine Industry Trust, The	Australia	1 263,00	100	2003
	Woods' Vineyard	Beston Wine Industry Trust, The	Australia	673,6	100	2003
	First Wine Fund Ltd	First Wine Fund Ltd	Australia	272,81	10	
New Zealand	Montana Group (N.Z.) Ltd	Millstream Equities Ltd	GBR	589 244,80	90	2001
	Vavasour Wines Ltd	New Zealand Wine Fund	New Zealand	7 683,47	100	2003
	Oyster Bay Marlborough Vineyards Ltd	Peter Yealands Investments Ltd	New Zealand	7 041,28	44,4	2005

Source: BvD, W2D – World Wine Data (2006)
Note: Data as of December 23, 2005.

Table 3: Top Financial Investors by Country and Target Firms in the Wine and Spirits Industry (1998-2005): Spain & France

Target country	Target name	Acquirer name	Acquiror country	Deal value th EUR	% Acquired stake	Date announced
Spain	Arco Bodegas Unidas SA	Caja Duero	Spain	n.a.	Unknown %	2000
	Arco Bodegas Unidas SA	Corporacion Financiera Reunida SA	Spain	n.a.	7,2	1998
	Barón de Ley SA	Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra SA	Spain	n.a.	3,22	2005
	Barón de Ley SA	Schroder Investment Management Ltd	GBR	n.a.	5,03	2003
	Bodegas CampoBurgo SA	Corporacion Financiera Reunida SA	Spain	n.a.	100	1998
	Bodegas Julian Chivite	Rabobank - Cooperative Centrale Raiffeisen-Boerenleenbank BA	NDL	n.a.	13,25	1998
	Bodegas Principe de Viana SL	Investors		n.a.	49	2005
	Bodegas Riojanas SA	Libertas 7 SA	Spain	n.a.	9,26	2001
	Barón de Ley SA	Harris Associates LP	USA	13,000.00 *	5,04	2004
	J García-Carrión	Caja de Ahorros del Mediterráneo	Spain	90 000,00	22,5	2005
	Bodegas Lan SA	Mercapital Servicios Financieros SA	Spain	25 000,00	47,5	2002
	Barón de Ley SA	Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra SA	Spain	13 700,00	4,75	2005
	Bodegas Principe de Viana SL	Caja Rural de Navarra	Spain	12 000,00	Unknown %	2003
	Bodegas y Bebidas SA	Metalgest-Sociedade de Gestao SGPS SA	Portugal	9 616,50	5,11	2000
	Bodegas Principe de Viana SL	Caja Rural de Navarra	Spain	9 000,00	Unknown %	2003
	Vinum Terrae	Caja de Ahorros de Vigo, Ourense e Pontevedra	Spain	8 000,00	30	2003
	Mr Manuel Fernández-Avilés Zamorano's Noblejo, Toledo-based group of wineries	Knightsbridge Fine Wines Inc.	USA	6 000,00	100	2003
	Casa de la Ermita SAT 9814	Inversiones Ibersuizas SA	Spain	5 000,00	55	2003
	Casa de la Ermita SAT 9814	Inversiones Ibersuizas SA	Spain	3 100,00	Unknown minority	2005
	Bodegas Durius - Alto Duero SA	Caja Duero	Spain	2 944,90	49	2000
	BodegasTerras Gauda SA	La Caja de Ahorros de Galicia - Caixa Galicia	Spain	1 200,00	5	2002
	Albavin SA	Corporación HMS Hermasan SL	Spain	435	Unknown %	2003
	Bodegas y Bebidas SA	Metalgest-Sociedade de Gestao SGPS SA	Portugal	19,83	4,89	2000
France	Bricout d'Avize	Financiere Martin et Fils SA	France	n.a.	100	1998
	Champagnes Albert Le Brun	Finance du Levant SA	France	n.a.	100	2000
	Groupe Taittinger SA	Compagnie Nationale à Portefeuille SA	Belgium	n.a.	9,2	2002
	Groupe Taittinger SA	Hoche Participations	France	n.a.	13,05	2000
	Groupe Taittinger SA	Société Foncière et Financière de Participations SA	France	n.a.	Unknown %	2003
	Laurent Perrier SA	Arnhold and S Bleichroeder Advisers LLC	USA	n.a.	Unknown minority	2004
	Marie Brizard & Roger International SA	Tocqueville Finance SA	France	n.a.	Unknown %	2000
	Marie Brizard & Roger International SA	Tocqueville Finance SA	France	n.a.	Unknown minority	2003
	Montus	Grands Crus Investissement	France	n.a.	29	2005
	Paris Orléans SA	Asset Value Investors Ltd	GBR	n.a.	Unknown minority	2004
	Paris Orléans SA	Assurances Générales de France SA	France	n.a.	Unknown minority	2005
	Pere Magloire	Finance du Pays d'Auge	France	n.a.	100	1998
	Groupe Taittinger SA	Starwood Capital Group LLC	USA	804,540.00 *	69	2005
	Laurent Perrier SA	ASN SC	France	5,845.00 *	2,35	2005
	Cordier Mestrezat's vineyards	Crédit Agricole SA	France	100,000.00 *	100	2004
	GH Mumm & Compagnie	Hicks Muse Tate & Furst Inc.	USA	298 076,90	100	1999
	Marie Brizard & Roger International SA	Duke Street Capital Ltd	GBR	183 000,00	100	2000
	Groupe Taittinger SA	Star GT Acquisition SAS	France	146 969,00	31,1	2005
	Château Lascombes	Colony Capital Inc.	USA	77 000,00	100	2001
	Marne et Champagne SA	Caisse Nationale des Caisses d'Epargne et de Prevoyance	France	38 000,00	44	2004
	La Bastide Blanche vineyard	Bolloré Investissement SA	France	10 747,66	100	2000
	Laurent Perrier SA	Arnhold and S Bleichroeder Advisers LLC	USA	6 890,00	5,37	2003
	Gabriel Meffre SA	International Wine Investment Fund, The	Australia	3 437,02	Unknown %	2001
	Champagnes Albert Le Brun	Plantagenet Capital Management LLC	USA	2 286,74	Unknown %	1999
	Domaine Laroche SA	International Wine Investment Fund, The	Australia	664,35	4	2002
	Germain	SPEF Venture SA	France	304,9	Unknown %	2001

Table 4: Top Financial Investors by Country and Target Firms in the Wine and Spirits Industry (1998-2005)
Italy & Portugal

Target country	Target name	Acquiror name	Acquiror country	Deal value th EUR	% Acquired stake	Date announced
Italy	Avignonesi SpA	Centroinvest SICI	Italy	n.a.	20	2002
	Azienda agricola Bersi Serlini	GP Finanziaria SpA	Italy	n.a.	15	2004
	Chianti Ruffino SpA	InvestIndustrial SpA	Italy	n.a.	45	2003
	Davide Campari - Milano SpA	Fidelity Investments	USA	n.a.	0,56	2004
	Davide Campari - Milano SpA	Lazard Asset Management LLC	USA	n.a.	2,08	2004
	Davide Campari - Milano SpA	Morgan Stanley Dean Witter Investment Management Inc.	USA	n.a.	4,19	2002
	John Hopps & Sons Srl	Sviluppo Italia SpA	Italy	n.a.	35	2005
	Mionetto SpA	3i Group plc	GBR	n.a.	49	2004
	Davide Campari - Milano SpA	Cedar Rock Capital Ltd	GBR	32,362.00 *	3,48	2004
	Davide Campari - Milano SpA	Cedar Rock Capital Ltd	GBR	30,156.00 *	2,1	2005
	Industrie Zignago Santa Margherita SpA	Coloniale Srl	Italy	20,402.00 *	6,21	2004
	Industrie Zignago Santa Margherita SpA	Zi.Fi Srl	Italy	226 609,00	45,1	2005
	Davide Campari - Milano SpA	UBS Capital		100 000,00	10	2000
	Industrie Zignago Santa Margherita SpA	Zi.Fi Srl	Italy	15 494,00	3,31	2005
	Mionetto SpA	3i Group plc	GBR	11 974,94	Unknown %	2003
Portugal	Sogevinus SGPS SA	Caixa Vigo	Spain	n.a.	21,42	1998
	Sogevinus SGPS SA	Caixanova Gestion FIM	Spain	n.a.	21	2003
	Portuvinus	Caixa Capital - Sociedade de Capital de Risco, SA	Portugal	2 900,00	Unknown %	2002

Source: BvD, W2D – World Wine Data (2006)
Note: Data as of December 23, 2005.

Table 5: Top Financial Investors by Country and Target Firms in the Wine and Spirits Industry (1998-2005): Other New World Countries

Target country	Target firm	Acquiror name	Acquiror country	Deal value th EUR	% Acquired stake	Date announced
Argentina	Bodegas Tittarelli	Pucosol - Fondo de Inversión	Chile	n.a.	Unknown %	2003
	Finca Las Moras	DLJ Merchant Banking Partners	USA	n.a.	100	2004
	Bodegas y Viñedos Anguinán SA	Knightsbridge Fine Wines Inc.	USA	5 168,77	100	2003
Bulgaria	Gamza 1922 AD	Finance Consult	Bulgaria	n.a.	52	2003
Canada	Vincor International Inc.	AGF Management Ltd	Canada	8,037.03 *	1,58	2005
Chile	Viña Dassault-San Pedro SA	Dassault Investment Fund Inc.	USA	766.70 *	Unknown %	2005
	Viña Concha y Toro SA	Inversiones Quivolgo SA	Chile	700,28	Unknown %	2004
	Viña Concha y Toro SA	Inversiones Quivolgo SA	Chile	52,92	Unknown %	2004
	Viña Concha y Toro SA	Inversiones y Asesorías Alcalá Ltda	Chile	32,01	Unknown %	2004
	Viña Concha y Toro SA	Inversiones y Asesorías Alcalá Ltda	Chile	30,01	Unknown %	2004
	Viña Concha y Toro SA	Inversiones Quivolgo SA	Chile	10,46	Unknown %	2004
	Viña Concha y Toro SA	Inversiones y Asesorías Alcalá Ltda	Chile	3,36	Unknown %	2004
	Bodegas y Viñedos Santa Emiliana SA	Inversiones Quivolgo SA	Chile	0,67	Unknown %	2004
China	Yunnan Honghe Guangming Co., Ltd	Shanghai Bairuijia Investment Co., Ltd	Chine	n.a.	13,8	2005
	Baron Federico Bianchi and the Chinese government's winery in China	Chinese government	Chine	160,000.00 *	100	2004
	Yantai Changyu Group Co., Ltd	International Finance Corporation, The		14,033.54 *	10	2005
Georgia	Teliani Veli	European Bank for Reconstruction and Development	GBR	999,12	29	2004
India	Samant Soma Wines Ltd	GEM India Advisors	MU	2 859,30	Unknown minority	2005
	Balaji Distilleries Ltd	Industrial Development Bank of India Ltd	India	727,27	Unknown %	2005
Korea	Jinro Co., Ltd	Morgan Stanley Global Emerging Markets Private Investors LLC	USA	3,255,553*	10	2005
Moldova	Asconi Corporation	Grand Slam Treasures Inc.	USA	n.a.	100	2001
Russia	Tatspirtprom	Tatarstan State Property Ministry	Russia	2,255.52 *	4,47	2005
USA	Gravelly Ford	Vintage Wine Trust Inc.	USA	n.a.	100	2005
	Iron Corral	Vintage Wine Trust Inc.	USA	n.a.	100	2005
	Sonoma County winery	Pacific Wine Partners LLC	USA	n.a.	100	2002
	Treppaux Winery LLC	Airedale Financial Corporation	Canada	n.a.	100	2003
	Constellation Brands Inc.'s Arrowood and Byron wine assets	Legacy Estates Group LLC, The	USA	29,924.00 *	100	2005
	Blackstone Winery	Pacific Wine Partners LLC	USA	152 348,00	100	2001
	UST Inc.	TRC Capital Corporation	Canada	87 970,05	2,1	2003
	Golden State Vintners Inc	O'Neill Acquisition Company LLC	USA	74 935,85	81,3	2004
	Terra Ventosa vineyard	Vintage Wine Trust Inc.	USA	28 782,30	100	2005
	Huichica Hills vineyard	Vintage Wine Trust Inc.	USA	23 337,00	100	2005
	Pope Creek vineyard	Vintage Wine Trust Inc.	USA	4 667,40	100	2005
	Vintage Nurseries LLC	Vintage Nurseries LLC	USA	4 484,00	100	2002
South Africa	Boland Vineyards International (Pty) Ltd	Boland Basadi Investments	South Africa	n.a.	26	2005
	Boschendal's brand, winery and tasting unit	DGB (Pty) Ltd	South Africa	n.a.	100	2005
	KWV Ltd	Pethogo Investments	South Africa	24,650.21 *	25,1	2004
	Lindiwe Wines	National Empowerment Fund Trust	South Africa	377,39	49	2005

Source: BvD, W2D – World Wine Data (2006)
Note: Data as of December 23, 2005.