

Monitor

Wine & Spirits



VOLUME
353

DRINKERS RETURN TO ON-PREMISE

HEALTHY HABITS

A new wave of health consciousness among consumers surged sales of low or no-alcohol beverages

THE PRICE IS RIGHT

Consumers continue to prefer premium products within each market, with pricier wines and expensive tequilas faring better than other segments

CONSOLIDATION CONCERNS

Acquisitions of smaller breweries and independent spirits producers by large players spurred concerns of competition

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MONITOR WINE & SPIRITS

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B. Riley Advisory Services Expands To Include Operations Management Services

The U.S. industrial sector has rebounded rapidly in 2021, and with the continued impact of COVID-related supply constraints, company profits are being challenged more than ever. However, B. Riley Financial (“B. Riley”) clients saw an average increase in EBITDA of 12.4% in annualized improvement. So how did they do that?

At B. Riley, we invested in expanding our team to meet these challenges head on and support the success of our clients. We acquired Anchor Resource Management, now called B. Riley Operations Management Services, a hands-on seasoned operating team that can rapidly impact the bottom line and change culture for sustainable success. Operations Management Services brings over 30 years of operations expertise and over 750 company transformations.

Our new capabilities add a team of highly skilled executives, general managers, and operations and supply chain professionals that have deep expertise in the wine and spirits industry. Our breadth of experience encompasses improving manufacturing performance (fermentation, distillation and bottling processes), optimizing packaging procurement and assessing profitability.

In addition, in 2021, B. Riley launched a Wine and Spirits Vertical with a full complement of synergistic services for our clients: Recruiting & Retention Assessments, Operations Transformations, Acquisition Due Diligence, Appraisal & Valuation Services, Real Estate Advisory, and Investment Banking.

With the full force of these expanded, collaborative capabilities, we are helping our clients transform into industry leaders.

B. Riley Operations Management Services professionals stand ready to quickly assess the intricacies of your business. We will develop and implement tailored “self-funding” solutions, empowering your company to be more responsive to current and future market conditions. To explore potential solutions for your business, contact a professional on the Meet The Team page.

WINE & SPIRITS VERTICAL LEAD

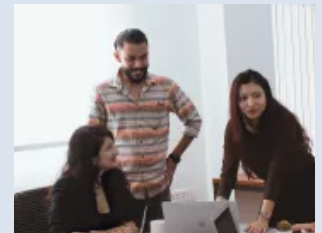


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750

Company Transformations



30

Years of Experience



\$4.1B

Company Savings



Broad

Industry Experience

Trend Tracker

	Selling Primarily to Off-Premise	Selling Primarily to On-Premise
NOLVs	Decreasing ▼	Mixed ◆
Sales Trends	Decreasing ▼	Increasing ▲
Gross Margin	Decreasing ▼	Decreasing ▼
Inventory	Increasing ▲	Increasing ▲

NOLVs

NOLVs generally decreased for companies primarily serving the off-premise channel as these sales softened compared to heightened sales amid stay-at-home orders in 2020. Additionally, companies faced increased input costs, such as packaging, inbound freight, and certain ingredients, which resulted in lower margins. NOLVs were mixed for companies primarily serving the on-premise channels. Though these companies also faced decreased margins related to increased input costs, on-premise sales increased as restaurants, bars, and tasting rooms reopened.

- **Wine:** NOLVs for wine were further impacted by softening bulk market prices, which decreased bulk wine NOLVs.
- **Spirits:** Bulk whiskey NOLVs generally increased as pricing remained steady or increased in certain instances. NOLVs for bulk tequila increased as the market continues to expand, while supplies remain limited.

SALES TRENDS

Sales trends were mixed for wineries and distributors as on-premise sales increased amid the reopening of tasting rooms, restaurants, and bars, while off-premise sales declined following the surge in wine retail in 2020. Sales trends increased for spirits producers and distributors due to an increase in both on-premise and off-premise sales. Many consumers have opted to stay at home and host their own events, particularly amid the emergence of new variants. Spirits have continued to gain market share over wine.

GROSS MARGIN

Gross margins were mixed as producers and distributors faced increased costs. However, as a result of premiumization trends within the industry, wine and spirits producers increased sales

Market Prices	Three Months	12 Months
Bulk Wine	Decreasing ▼	Decreasing ▼
Bulk Spirits	Mixed ◆	Mixed ◆
Corn	Increasing ▲	Increasing ▲
Wheat	Increasing ▲	Increasing ▲

of premium bottles, which typically achieve a higher margin. An increase in sales to the higher-margin on-premise channel also offset certain margin declines.

INVENTORY

Inventory levels increased for producers and distributors of wine and spirits. Bulk wine inventory levels increased due to a larger harvest in 2021 versus 2020, despite the 2021 yield still falling short of historical averages. Inventory levels for producers and distributors also increased due to higher input costs, while levels for distributors increased further in order to meet strong demand.

PRICING

Pricing for bulk wine decreased over the quarter and year due to a lower-than-average yield for the 2021 harvest. Despite low supplies, pricing dropped as off-premise demand softened. Pricing for bulk spirits was mixed over the three and 12-month periods. Pricing for younger aged whiskey and new fills decreased, due to additional supplies coming online, while the pricing of other brown spirits remained steady and even increased in some instances. Tequila pricing also increased. Corn prices increased in 2021 versus 2020, and in the last quarter of 2021, as a result of supply chain restraints, coupled with an increase in demand. Wheat prices increased in both periods, reaching highs not seen in recent years. Production declines, trade restrictions, and poor crop yields led to the surge in pricing. Pricing for corn and wheat, particularly wheat, surged further in the first quarter of 2022 amid conflicts in the northeastern hemisphere.

Overview

Consumers returned to restaurants, bars, and tasting rooms in 2021, amid the lifting of certain pandemic-related restrictions and vaccine rollouts. Pent-up demand for socialization led to an increase in on-premise sales, with the U.S. Census Bureau reporting that foodservice and drinking establishments' sales increased 32.2% in 2021 to \$821.5 billion, despite many restaurants and bars reporting traffic is not yet back to pre-pandemic levels.

Although at a slower rate as compared to 2020 when drinking occasions shifted to homes, retail sales remained strong throughout 2021 as the emergence of virus variants led to many consumers continuing this trend. Beer, wine, and liquor store sales increased 6.2% in 2021 to \$71.0 billion. Online sales continued to help drive retail growth. Rabobank reported that ecommerce alcohol sales increased 131% as compared to 2019, with online sales now representing 4% of the total off-premise market.

While many consumers already began considering certain health-related measures when making beer, wine, and spirits purchases prior to 2020, the pandemic spurred a new wave of health consciousness among consumers. Demand for low or no-alcohol beer, wine, and spirits has skyrocketed over the last year, with the segment increasingly gaining market share. The low or no-alcohol market continues to be dominated by non-alcoholic beers, which represents approximately 80% of the segment. In fact, sales of non-alcoholic beers increased at a faster rate than sales of any malt-based beverage last year, including hard seltzers.

In addition to low-ABV (alcohol by volume) drinks, premiumization continues to be a major trend that is benefitting the industry across each market segment. Table wines retailing for \$15 or higher increased 5% in 2021 according to *Shanken News Daily*, while Nielsen reported that premium spirits brands increased 2% on a dollar basis

in 2021, with ultra-premium spirits brands increasing 23.5%. The two fastest-growing spirits brands were Casamigos and Don Julio, both tequilas under the Diageo umbrella priced \$45 or higher. Within the beer sector, premiumization has primarily benefitted the craft beer market, which has faced mounting competition from the RTD (ready-to-drink) sector.

Tariff negotiations left good news for the wine and spirits industry in 2021. After a long-running dispute between the E.U. and the U.S., which led to 25% U.S. import tariffs on certain European liquor and wine, in addition to retaliatory tariffs of 25% on American whiskey, much of the tariffs were lifted in 2021. In March 2021, the U.S. suspended tariffs on most French, Spanish, and German wines and spirits, followed by the E.U. rolling back its 25% on U.S. whiskey beginning in January 2022. Under the pressure of tariffs, exports of whiskey to the U.K. dropped 53% between 2018 and 2022, according to *NBC News*. However, with negotiations in place and the prospect of tariffs disappearing, Tennessee and rye whiskey exports out of the U.S. increased 15% in 2021.

The U.S. government still has its eye on the alcoholic beverage industry, however. As the industry has been defined by consolidation via acquisitions and mergers in recent years, the U.S. Treasury Department has expressed concerns over the beer, wine, and spirits industry's lack of competition.

Overview

In a report issued in February 2022, the U.S. Treasury Department called upon the Alcohol and Tobacco Tax and Trade Bureau to update labeling mandates in order to reduce regulations and compliance costs that can hinder smaller companies. The report also called upon retailers not to favor large companies in its shelving arrangements and state governments to mandate that distributors set and hold prices.

Looking forward, climate change is also anticipated to play a role in the future of the wine and spirits industry. In production planning for 2022, many operators are forced to find alternative water supply solutions as a result of concerns over drought, wildfires, and low soil moisture.



Wine

The overall wine market is projected to have fallen 0.5% in volume in 2021, marking its first annual decline since 1993, according to *Shanken News Daily*. The decrease is primarily due to the softening of off-premise sales after retail sales of wine surged in 2020 amid stay-at-home orders. On-premise sales of wine also did not perform as strongly as anticipated. Though bars, restaurants, and wineries reopened, excessive markups employed by foodservice establishments led many consumers to steer away from wine.

Many experts do not anticipate the troubles to be over for the wine industry, with on-premise sales remaining dim for several years to come. In addition, the demographic of wine drinkers is typically older, with the largest sector representing those aged 65 and greater, while consumption among younger age groups is projected to continue decreasing. In an effort to differentiate themselves among a wide variety of consumers, many wine companies are entering the RTD cocktail space. According to *Shanken News Daily*, wine-based cocktails are the fastest growing segment in the wine industry, doubling in size in 2020 and continuing to rise throughout 2021. The newest addition is Delicato Family Wines' Bota Box brand, which is introducing a wine-based margarita in March 2022. Due to the ongoing health initiative among consumers, many opt for wine-based cocktails over wine itself as they have less alcohol content. Additionally, the industry has witnessed a growth of natural, organic wines, with Nielsen data reporting that organic wine sales have increased over 450% between 2017 and 2021.

With the lifting of tariffs on E.U. wines, imports fueled the sparkling wine segment of the industry. After declining 18% in 2020, champagne shipments from France increased 32% in 2021. Similarly, prosecco production in Italy ramped up to meet increased imports. Prosecco, which represents approximately 60% of imported sparkling wine shipments to the U.S., also witnessed premiumization as export values increased 4% per bottle in 2021.

Consolidation continues to take place within the wine industry, particularly as small wineries were unable to meet demand and retain capital during the pandemic. In order to obtain enough capital to acquire smaller vineyards, many wine companies, such as Duckhorn Vineyards and Vintage Wine Estates, have recently announced their decision to go public.

According to Nielsen data cited from *Wine Business Monthly*, for the 52 weeks ended January 1, 2022, off-premise sales decreased 7% versus the prior year to total \$16.2 billion. Off-premise case volumes decreased 11% over the same period to total 163.1 million nine-liter cases.

Sales for wines priced \$11 to \$14.99 decreased 4.1%, while sales for wines priced \$15 to \$19.99, \$20 to \$24.99, and over \$25 increased 2.2%, 1.9%, and 12.0%, respectively, illustrating the industry's pull toward premium products. On a volume-basis, nine-liter-equivalent cases of wine priced \$11 to \$14.99 decreased 4.4%, while the higher-priced segments increased 1.5%, 2.9%, and 8.9%, respectively. For the same 52-week period, sales for wines priced \$8 to \$10.99 decreased 12.0%, while volumes in nine-liter cases decreased 11.7%.

The top-selling varietal by revenue, cabernet sauvignon, witnessed a decrease of 4.3% in sales dollars and 10.6% in volume for the 52 weeks ended January 1, 2022, compared to the same period in 2020. The second largest varietal, chardonnay, decreased 6.3% and 9.0% in sales dollars and volume, respectively.



Spirits

The U.S. spirits market continued its upward climb throughout 2021, as on-premise sales of spirits rebounded and off-premise sales remained strong. According to DISCUS (Distilled Spirits Council of the U.S.), on-premise spirits sales increased 53% in 2021, while off-premise sales grew 1%. Though many consumers were still opting for cocktails at home, the increase in off-premise sales was much milder than in 2020 when sales jumped 18%. Overall, the U.S. spirits market reached new record highs, with DISCUS reporting spirits revenue increased 1.5% in dollars and 9.0% in volume in 2021.

The spirits segment is continuing to be driven by RTD cocktails, which increased 42.3% in sales and 56.0% in volume in 2021. Many major spirits producers are looking for new ways to enter the RTD market. Constellation Brands, for example, recently made a deal with Coca-Cola to produce “Fresca Mixed,” a premixed canned cocktail. Tequila and whiskey are the next fastest growing sectors in the spirits industry. Grupo Cuervo’s net sales increased 12.5% to \$1.9 billion through fiscal year ended December 31, 2021, primarily driven by tequila and pre-mixed sales. The company’s 1800 brand’s Ultimate Margarita cocktail increased 28% for the period. Spirits giant Diageo announced that its tequila brands Casamigos and Don Julio increased 87% and 43% for the first fiscal half year ended December 31, 2021, respectively, while whiskey brands Crown Royal and Johnnie Walker increased 12% and 16%, respectively. Whiskey in particular has been positively impacted by the lifting of tariffs, with imports of scotch whiskey into the U.S. increasing 8%. Imports of cognac from France also bounced back in 2021, increasing 11.3%.

The vodka market remains extremely competitive, as major brands search for ways to differentiate themselves to take market share away from leading brand, Tito’s.

Many vodka brands are adapting the low-ABV trend, creating lower calorie, natural vodkas that still maintain the same brand taste. Grey Goose recently launched Gray Goose Essences, a 30% ABV, 75-calorie vodka infused with fruit and botanical essences. The introduction of this new product contributed to an increase in Grey Goose imports into the U.S. of 3% in 2021. Some vodka brands are also entering the RTD market. Absolut, for example, created Absolut Vodka Sodas and Absolut Cocktails.



The spirits industry is concentrated to a number of top consumer brands, with the top 25 brands accounting for approximately 46% of the spirits industry. As companies continue to merge and purchase smaller, independent spirits players, market share is projected to become even more concentrated. The latest merger in the industry was in February 2022, when Heaven Hill Brands, which owns Admiral Nelson, Burnetts, Evan Williams, Elijah Craig, Deep Eddy, and more, acquired craft spirits group Samson & Surrey. Many large companies are also benefitting from the premiumization trend, as the younger demographic has seemed to opt toward buying ultra-premium brands, while also maintaining distinguished brand loyalty.

Beer

After an uptick during COVID-19, the U.S. beer market has once again slowed, declining 0.4% for the 52 weeks ended December 26, 2021. While domestic beers continue to dominate the market, sales for domestic beers declined 5.2% in 2021. Conversely, import sales increased 4.8% for the period, characterized by Mexican imports, which represented 70% of total imports into the U.S. Leading up to 2021, the imported beer market benefitted from a strong U.S. dollar, which resulted in imported goods generally being less expensive than domestic. Though the U.S. dollar began to depreciate in 2021, import companies are hoping to capitalize on the premiumization trend, while also updating its packaging and marketing strategies to target younger consumers.

Hard seltzer growth seems to be stabilizing, despite still posting large sales increases. Hard seltzers increased 35.1% in 2021, after being up 64.1% in 2020 and 126.5% in 2019. This may be good news for the hard ciders and craft beer markets, which have been struggling to compete with the hard seltzer and RTD trend. Hard ciders decreased 2.4% for the 52 weeks ended December 26, 2021, according to *Beverage Industry*, while craft beer sales decreased 4.6%. Hard cider companies are less reliant on on-premise sales than craft breweries, which did not witness the rebound in on-premise sales that they had hoped. Both segments have put a focus on distribution, while certain breweries and cideries implemented curbside pickup, pop-up events, contests, and other incentives to gain on-site sales.

Non-alcoholic beers remain a bright spot for the industry, despite only accounting for approximately 1% of revenue. Non-alcoholic beer sales increased 24% for the 52-week period, with a report by IWSR Drinks Market Analysis anticipating this sector will continue to increase at a forecasted compound annual growth rate of 11% between 2021 and 2025. Heineken 0.0 represents the largest selling non-alcoholic beer in the U.S., followed by Anheuser-Busch's InBev's O'Douls and Budweiser Zero.

Like the wine and spirits markets, the beer industry has also been defined by a number of merger and acquisitions that have occurred in the last year, particularly regarding large drink corporations purchasing small breweries. Energy drink company, Monster Beverage Corp. acquired CANarchy Craft Brewery Collective in January 2022, marking the latest non-alcoholic beverage giant to enter the alcoholic beverage market.



Pricing Trends

BULK WINE

The U.S. includes over 11,000 wineries, with nearly half of them located in California. California accounts for approximately 90% of American wine production.

Though wildfires are constantly a threat, California did not face any significant fires that impacted the 2021 harvest, unlike 2020, which was plagued by some of the worst wildfires in the state's modern history. However, 2021 still experienced lower than average yields, primarily as the first half of the year was unseasonably dry. In addition, as uncertainty surrounding the future of the off-premise market swirled amongst buyers, demand for bulk wine declined and buyers were hesitant to make large purchases.

The 2021 harvest took place for longer than usual due to uncharacteristically low temperatures throughout the growing season and supply chain disruptions, resulting from trucking and labor shortages. However, grapes did not experience many issues regarding smoke taint, which had hindered the 2020 harvest.



According to data from the USDA National Agricultural Statistics Service's *2021 California Grape Crush Report*, the wine grape crush totaled 3.9 million tons in 2021, up 9.2% from 3.6 million tons in 2020.

In 2021, red wine varieties represented the largest share of grapes crushed at 2.0 million tons, an increase of 11.5% from the prior year. The white wine variety crush totaled 1.6 million tons, an increase of 0.6% from 2020. Consistent with last year, Chardonnay accounted for the largest percentage of the total crush volume with 16%, while cabernet sauvignon followed at 15.3%.

In 2021, the average price of all varieties was \$860.57 per ton, an increase of 26.6% from 2020. Average prices for the 2021 crop by type were: red wine grapes, \$1,071.69, up 34.5%; white wine grapes, \$674.98, up 20.8%; table grapes, \$182.92, an increase of 14.5%; and raisin grapes, \$291.41, up 16.3%.

B. Riley relies on bulk wine prices from the nation's two leading brokerage companies, Ciatti Company and Turrentine Brokerage. According to John Ciatti, Ciatti Company completes over 4,000 transactions globally on over 100 million gallons of bulk wine annually. In addition, Turrentine Brokerage claims that its broad range of values covers approximately 95% of sales, while its most likely range applies to roughly 80% of sales. However, estimates from neither brokerage are guaranteed to reflect actual market prices.

Pricing Trends

BULK SPIRITS

Bourbon and whiskey are aged for multiple years and become more valuable as they age. While American corn whiskey tends to require less barrel age, its value increases over time in a consistent manner with Kentucky bourbon and Canadian whiskey.

Bulk prices for brown spirits have been mixed over the last year. Though brown spirits pricing has continued to remain steady and even increased in certain instances, younger brown spirits and new fills have seen drops in market pricing due to additional supplies coming online. Tequila continues to drive market pricing upward, as increased consumer demand has resulted in more producers entering the space, leading to agave shortages.

CORN

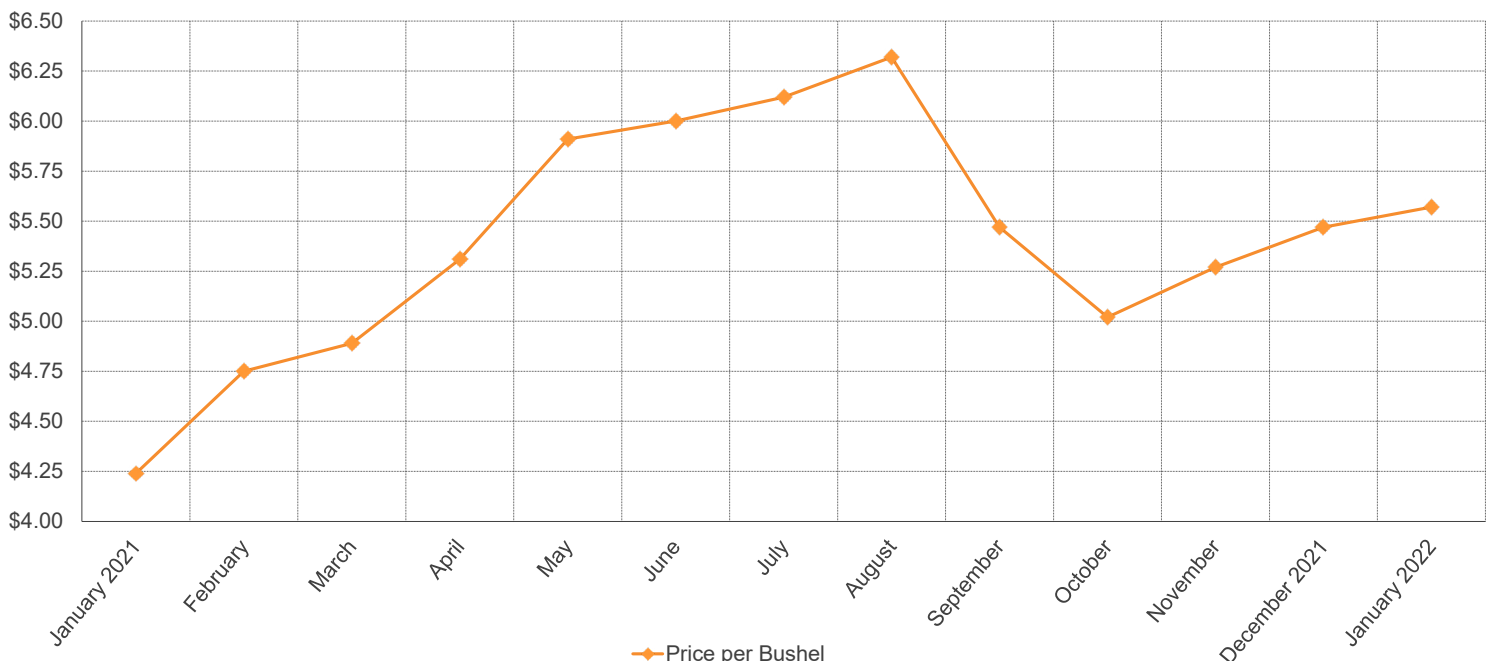
The corn marketing year runs from September of one year through August of the next year. Based on the most recent WASDE (*World Agricultural Supply and Demand Estimates*)

report from the USDA released on March 8, 2022, corn supply outlook remains unchanged from the February 9 report, though use has increased 25 million bushels and primarily relates to ethanol usage. Corn ending stocks decreased to 1.4 million bushels, while foreign corn ending stocks increased, specifically in Ukraine, India, and Russia.

The season-average corn price received by producers increased from the February 9 report \$0.20 to \$5.65 per bushel based on observed prices to date.

The 2021/22 foreign coarse grain outlook is for increased production, decreased trade, and larger ending stocks relative to last month. Foreign corn production is forecast somewhat higher with inclines from India and Russia, which were offset by decreases from Argentina and South Africa. The declines in Argentina and South Africa productions is due to an anticipated lower yield.

1 U.S. Corn Average Farm Price Received per Bushel 13 Months Ended January 2022



Pricing Trends

WHEAT

The wheat marketing year runs from June of one year through May of the next year. The outlook for 2021/22 U.S. wheat based on the most recent WASDE report saw decreases in supply and exports, while ending stocks increased, and domestic use remained unchanged. Exports decreased 10 million bushels from the February 9 report, primarily due to reduced demand for hard red winter and soft red winter wheat. Though ending stocks increased 5 million bushels, they are still 23% lower than the 2020/2021 year.

The season-average farm price remains increased \$0.20 per bushel from the February 9 report to \$7.50 per bushel, based on NASS prices reported to date and expectations for cash and futures prices the remainder of the 2021/22 marketing year.

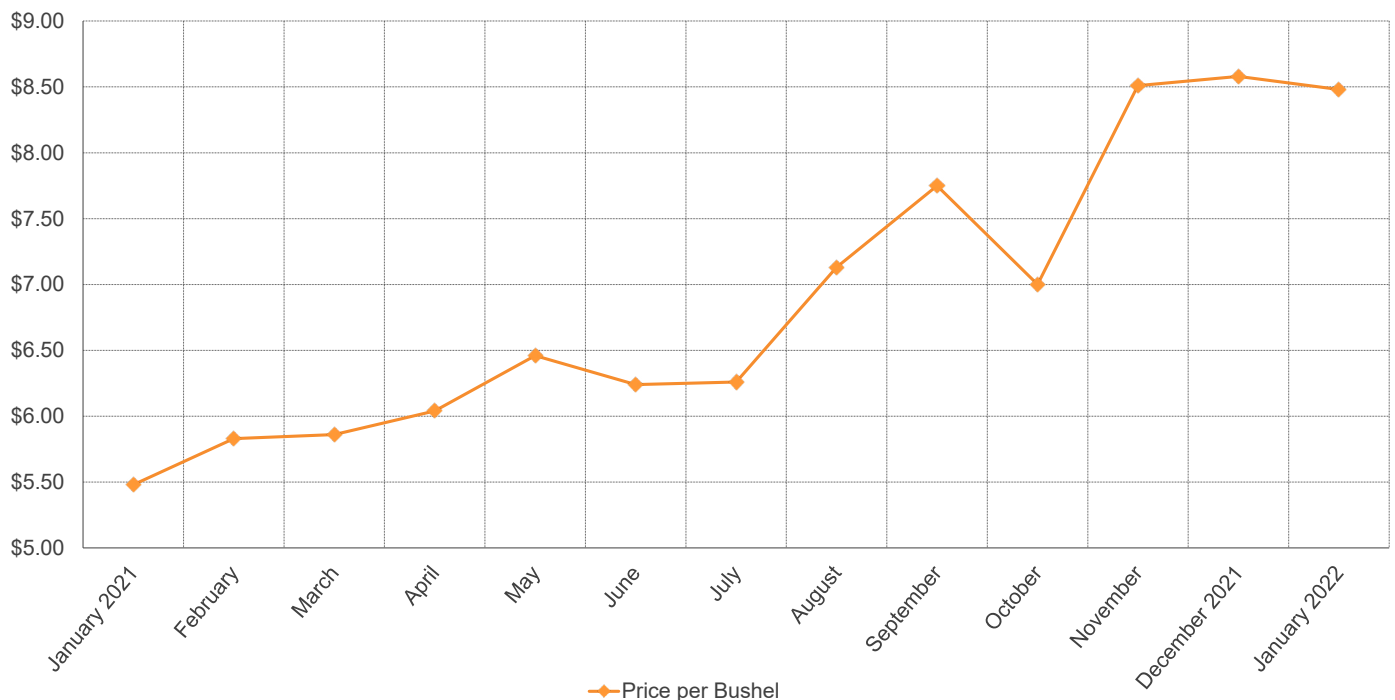
The 2021/22 global wheat outlook is for increased production, lower consumption, decreased trade, and higher ending

stocks. Production increases primarily stem from Australia, with competitive prices anticipated to boost Australia exports. Meanwhile, conflicts in the northeastern hemisphere have resulted in a decline in overall global exports. Specifically, exports are lowered for Ukraine by 4 million tons, while Russia exports are lowered by 3 million tons. Projected 2021/22 world ending stocks increased 3.3 million tons to 281.5 million, with most of the increases relating to Russia and Ukraine, partially offset by decreases in Turkey, India, and the E.U.



2

U.S. Wheat Average Farm Price Received per Bushel 13 Months Ended January 2022



Reference Sheet

U.S. CORN

Average farm price received per bushel

Marketing Year*	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN
2020/2021	\$3.78	\$3.68	\$3.29	\$3.20	\$3.16	\$3.21	\$3.12	\$3.40	\$3.61	\$3.79	\$3.97	\$4.24
2021/2022	\$4.75	\$4.89	\$5.31	\$5.91	\$6.00	\$6.12	\$6.32	\$5.47	\$5.02	\$5.27	\$5.47	\$5.57
Change	25.7%	32.9%	61.4%	84.7%	89.9%	90.7%	102.6%	60.9%	39.1%	39.1%	37.8%	31.4%

*U.S. marketing year for corn is from September to August.

U.S. WHEAT

Average farm price received per bushel

Marketing Year*	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN
2020/2021	\$4.88	\$4.86	\$4.85	\$4.76	\$4.56	\$4.54	\$4.55	\$4.73	\$4.98	\$5.24	\$5.43	\$5.48
2021/2022	\$5.83	\$5.86	\$6.04	\$6.46	\$6.24	\$6.26	\$7.13	\$7.75	\$7.00	\$8.51	\$8.58	\$8.48
Change	19.5%	20.6%	24.5%	35.7%	36.8%	37.9%	56.7%	63.8%	40.9%	62.4%	58.0%	54.7%

*U.S. marketing year for wheat is from June to May.

U.S. BARLEY

Average farm price received per bushel

Marketing Year*	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN
2020/2021	\$4.68	\$4.89	\$4.64	\$4.76	\$4.57	\$4.66	\$4.60	\$4.76	\$4.74	\$4.78	\$4.79	\$4.67
2021/2022	\$4.97	\$4.90	\$4.83	\$4.92	\$4.86	\$5.02	\$5.04	\$5.19	\$5.39	\$5.22	\$5.40	\$5.59
Change	6.2%	0.2%	4.1%	3.4%	6.3%	7.7%	9.6%	9.0%	13.7%	13.7%	12.7%	19.7%

*U.S. marketing year for barley is from June to May.

U.S. RYE

Average farm price received per bushel

	2021	2020	2019	2018	2019
PRICE PER BUSHEL	\$6.65	\$5.35	\$6.01	\$6.27	\$4.70
CHANGE FROM PRIOR YEAR	24.3%	(11.0%)	(4.1%)	33.4%	(8.2%)

Monitor Information

B. Riley Advisory Services' *Wine & Spirits Monitor* relates information covering most wine and spirits, including industry trends and market pricing, and their relation to our valuation process. Should you need any further information or wish to discuss recovery ranges for a particular segment, please feel free to contact your B. Riley Advisory Services Business Development Officer.

The information contained herein is based on a composite of B. Riley Advisory Services' industry expertise, contact with industry personnel, liquidation and appraisal experience, and data compiled from a variety of well-respected sources believed to be reliable. B. Riley Advisory Services does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this issue. Neither B. Riley Advisory Services nor any of its representatives shall be liable for use of any information in this issue or any errors therein or omissions therefrom.



Experience

B. Riley Advisory Services was involved in the liquidation of Havens Wine Cellars and Billington Imports LLC and has liquidated several national and regional grocery stores that included wine and spirits such as A&P, Andronicos, Cost Cutter, Food Pavilion, and The Markets. B. Riley Advisory Services has also worked with and appraised numerous companies within the wine and spirits industry. While our clients remain confidential, they include industry leaders, including large distributors and specialty retailers of alcoholic beverages, producers of wine and beer, and national and regional grocery stores. Products have included a variety of value-priced, mid-tier, premium, and ultra-premium brands including highly recognizable and reputable names. B. Riley Advisory Services' extensive list of appraisal experience includes:

- Leading regional distributors of spirits, wine, and beer with products such as vodka, whiskey, cognac, rum, brandy, scotch, tequila, various wines, craft beers, and non-alcoholic beverages such as mixers, water, and carbonated drinks.
- Producers and rectifiers of whiskey and other distilled spirits, including vodka, gin, tequila, liqueurs, and absinthe, which are sold under well-recognized, nationally distributed brands.
- A producer and distributor of private label wine, beer, and spirits for large retailers primarily in the U.S. and the U.K.
- A vertically integrated distributor of a known vodka brand.
- One of the largest specialty retailers of alcoholic beverages in the West that offers more than 3,000 types of wine, 1,500 types of spirits, and 1,200 types of beer.
- One of the largest U.S. distributors of wine and spirits with revenues of over \$1.5 billion, servicing liquor and grocery stores, restaurants, bars, casinos, and reservations.
- National and regional grocery stores that sell a wide variety of beer, wine, and spirits.

In addition to wholesalers of case and bulk wine, including those mentioned on the above, B. Riley Advisory Services also maintains extensive appraisal experience with numerous domestic wineries, allowing for additional specialization.

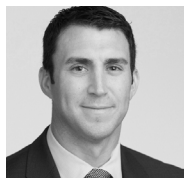
- A well-known producer of ultra-premium, luxury wines from estate vineyards in Napa Valley and Anderson Valley, as well as from vineyards in the Russian River Valley and Sonoma Valley.
- A producer of wines originating primarily from California's North and Central Coasts, as well as from the Lodi AVA in the Central Valley, which are sold under its well-known labels throughout the U.S. and the world.
- A producer of moderate- to high-end wines, with varietals including pinot noir and chardonnay and sourced from its three estate vineyards in the Carneros AVA, while the remainder is sourced from growers primarily in the same AVA in Napa and Sonoma counties.
- A bottler and distributor of wines under several proprietary labels, with varietals sourced from California and internationally.
- A Napa Valley producer of high-end wines sold under well-known proprietary labels, with over 99% of grapes sourced from its 235-acre estate in Rutherford, California.
- A producer and marketer of moderate- to high-end wines in the Napa Valley and Sonoma County, all of which are produced with estate-grown fruit and sold under three owned brands.
- A producer of moderate- to high-priced wines in the Pacific Northwest and California including eight well-known brands with an annual production of over half a million cases.
- A high-end producer of wines, including Bordeaux-style blends and varietals such as merlot, chardonnay, and pinot noir, which are sourced from its own 100-acre vineyard near Napa, while the remainder is from several California vineyards.
- Numerous importers and marketers of more than 500 foreign and domestic brands of wine.

In addition to our vast liquidation and appraisal experience, B. Riley Advisory Services maintains contacts within the wine and spirits industry that we utilize for insight and perspective on recovery values.

Appraisal & Valuation Team

APPRAISAL & VALUATION TEAM

BUSINESS DEVELOPMENT TEAM



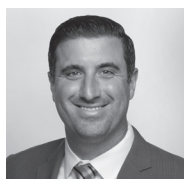
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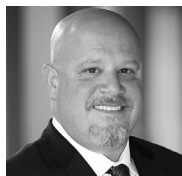
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