


Vintage 2014

New Zealand wine industry benchmarking survey

A joint publication from Deloitte and New Zealand Winegrowers





*Wine is sunlight,
held together
by water.*

Galileo Galilei

CONTENTS

1: WELCOME

3: EXECUTIVE SUMMARY

5: PROFITABILITY

9: FINANCIAL POSITION

12: KEY FINANCIAL RATIOS

16: DISTRIBUTION AND SALES

19: PRODUCTION AND INVENTORY

24: ISSUES FACING THE NEW ZEALAND INDUSTRY

25: ABOUT VINTAGE 2014

27: CONTACTS



Welcome

Deloitte, in conjunction with New Zealand Winegrowers is pleased to present the results of our Vintage 2014 financial benchmarking survey. This survey marks our ninth annual report and the first prepared by the Auckland office of Deloitte. After the successful publication of earlier surveys by Paul Munro and his team in Christchurch we look forward to taking the survey to new heights to ensure it builds on the high degree of relevance and quality we have seen since its first publication in 2006.

We have had a number of new participants provide data this year and we are pleased to report that there is a relatively even spread of participants across the categories. It is also pleasing to see that the survey data represents responses from participants that accounts for over 40% of a record 2014 harvest.

The surveys produced in recent years have reported signs of an industry turnaround and a level of optimism that was not present four to five years ago. Accordingly we undertook this year's analysis with interest to see if the trends had continued, especially with yet another record, high quality harvest reported.

As always, thank you to all the respondents who provided data. Without the commitment of the participants this survey would not be able to provide the insights into the financial well-being of the industry that it does. We understand that a lot of time and effort can go into producing the information we require and therefore are grateful for the efforts made. We are confident however that the results included within this report and the individual report that each participant will receive will provide value and make the exercise worthwhile.

We value our continued involvement with the industry and look forward to producing the survey for future vintages.

Peter Felstead

Sponsoring Partner - Deloitte

As the national organisation for New Zealand's grapegrowers and wineries, New Zealand Winegrowers is committed to providing timely, relevant and high quality information to our members. Our partnership with Deloitte in this financial benchmarking survey is part of the information suite we now provide to members.

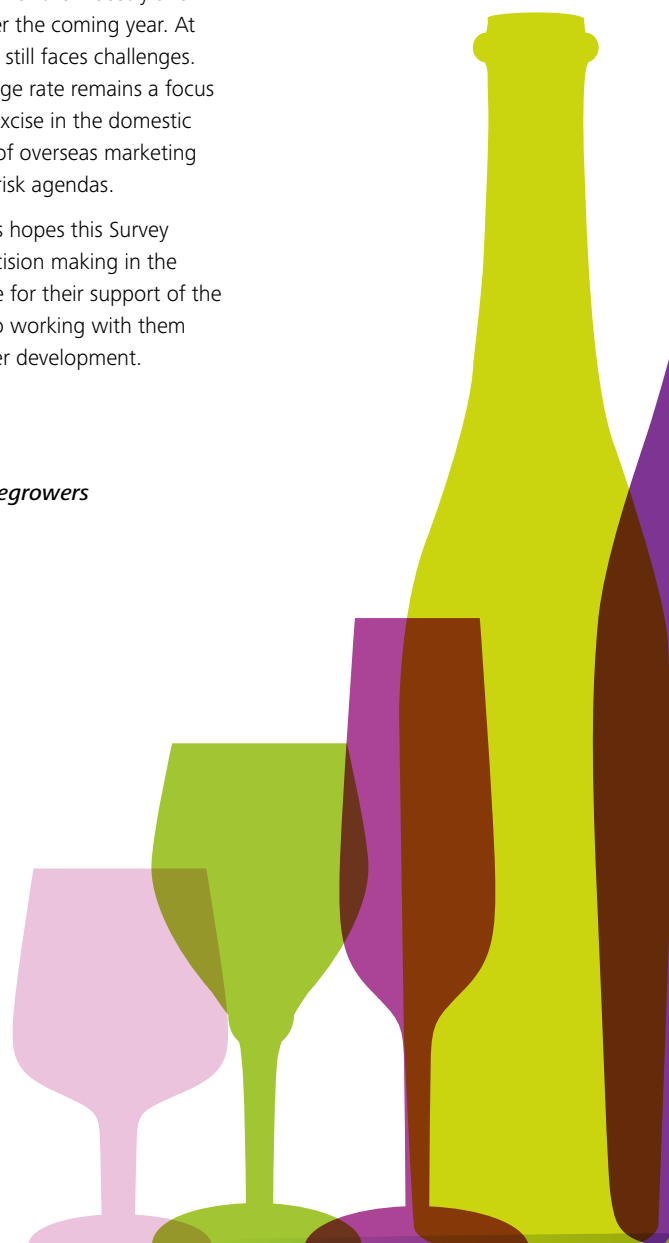
The wine industry is in an exciting phase in its development. Exports have grown at a compound rate of over 13% per annum over the past decade. New vineyards are being planted and new processing capacity installed as the sector has its eyes firmly set on \$2 billion of exports in 2020.

Vintage 2014 was a record for the industry and will fuel export growth over the coming year. At the same time the industry still faces challenges. Despite easing, the exchange rate remains a focus of winery concerns while excise in the domestic market and the challenge of overseas marketing are also high on wineries' risk agendas.

New Zealand Winegrowers hopes this Survey will help inform quality decision making in the industry. We thank Deloitte for their support of the Survey and look forward to working with them in future years on its further development.

Philip Gregan

CEO – New Zealand Winegrowers





Executive summary

It is estimated that the New Zealand wine industry has a turnover of approximately \$2 billion per annum with \$1.33 billion of this coming from export earnings. Combine this with significant investment in wineries, vineyards and plant and equipment and the industry plays an important part in the wellbeing of the New Zealand economy.

Vintage 2014 produced yet another record harvest of 445,000 tonnes of grapes; up significantly from a record 2013 vintage of 345,000 tonnes. Fortunately, the wine industry seems to have learned from its past experiences with oversupply and a difficult economic environment, and has been able to deal with this increased supply.

The Deloitte NZ wine industry financial benchmarking surveys' undertaken in recent years have shown signs of new optimism within the industry following years of supply imbalances, high external debt levels, the Global Financial Crisis and impacts of bulk wine sales. This optimism appears to have continued into this year's survey, particularly at the larger end of the market, with average profitability before tax for all the categories of wineries ranging from 3.3% to 17.6%.

We are also pleased to report all categories not only showed increases in profitability from the previous financial year, but not one category reported losses for the first time since 2007. Given an increase in profitability has generally been the trend for the last four years, it shows that the turnaround is increasingly sustainable.

Other key metrics within the survey results also continue to support a turnaround at the larger end of the market. This year's results for typical banking covenants such as interest cover and debt to equity ratios are sound for the \$10m+ categories, which tend to alleviate the concerns around the high external debt levels that were present in previous surveys.

While there was a record harvest for 2014, we have not seen inventory levels increase significantly this year. This is a positive sign, showing that wineries are better placed to deal with the increased supply by being able to dispose of the excess and avoid having large volumes remain on hand. Overall inventory levels have remained relatively stable across all categories but with marginal increases among the smaller three categories. This is potentially due to not having access to the higher volume distribution channels of the larger categories. The \$20m+ category increased significantly, however this is a result of new participants joining the survey for 2014.

Exports remain an integral part of the industry, which is a likely driver of survey participants to continually report the high New Zealand dollar as the number one ranked industry issue. The high New Zealand dollar is something that all exporters have to contend with and recent drops should facilitate more sustainable prices and volumes to overseas markets. We propose that any decreases in volumes exposed could be due to a change in the mix of participants this year rather than from less global demand for New Zealand wine. This conclusion is supported by NZ Winegrowers statistics that show export volumes remaining relatively consistent from 2013. It could also reflect that exchange rates are still the number one ranked issue by wineries.

The findings in this report are based on the responses of 28 survey participants which account for over 40% of the New Zealand wine industry by litres of wine produced.

VINTAGE 2014 KEY INSIGHTS



\$2bn

NZ WINE INDUSTRY
TURNOVER PER ANNUM



\$1.33

BILLION TOTAL VALUE OF
EXPORT EARNINGS



**445,000
TONNES**

OF GRAPES HARVESTED –
UP 29% FROM 2013



**1.16
TIMES**

HIGHEST INVENTORY
TURNOVER AMONG WINERY
CATEGORIES



**EXCHANGE
RATES**

RANKED NUMBER 1
ISSUE BY NEW ZEALAND
WINERIES



**AUSTRALIA
AND U.S**

MOSTLY RELIED ON
MARKETS FOR EXPORTS



45.7%

HIGHEST CATEGORY
GROSS MARGIN
REPORTED



92%

OF ALL GRAPES CRUSHED
BY SMALLEST CATEGORY
WINERIES WERE THEIR
OWN GRAPES



Profitability

Profitability 2014

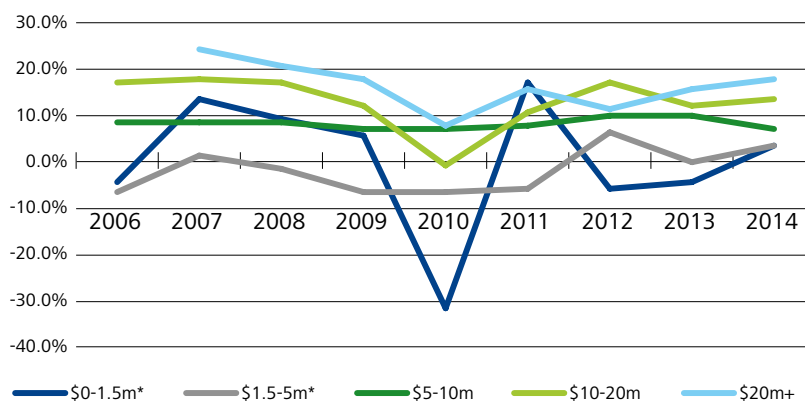
	Winery size (2014 revenue)				
	\$0-1.5m	\$1.5-5m	\$5-10m	\$10-20m	\$20m+
Net case sales revenue	80.2%	73.9%	81.0%	88.7%	91.4%
Add:					
Bulk wine sales - domestic	0.7%	1.6%	2.6%	2.3%	0.2%
Bulk wine sales - export	0.0%	0.0%	2.5%	0.4%	7.4%
Grape sales	14.6%	20.4%	0.0%	1.5%	0.1%
Merchandising revenue	0.0%	0.1%	0.1%	0.2%	0.0%
Contract winemaking revenue	0.0%	0.3%	2.7%	2.1%	0.1%
WET Rebate	3.9%	1.3%	2.5%	1.6%	0.2%
Other revenue	0.6%	2.4%	8.5%	3.4%	0.6%
Total revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	(66.9%)	(65.0%)	(66.5%)	(54.3%)	(55.2%)
Gross margin	33.1%	35.0%	33.5%	45.7%	44.8%
Less:					
Selling Costs	(7.8%)	(9.1%)	(10.6%)	(13.6%)	(13.1%)
General & administration costs	(10.3%)	(15.5%)	(11.3%)	(9.7%)	(6.1%)
EBITDA	15.0%	10.3%	11.5%	22.3%	25.6%
Less: Depreciation and amortisation	(6.2%)	(5.8%)	(1.8%)	(4.9%)	(4.7%)
EBIT	8.8%	4.6%	9.7%	17.4%	20.9%
Less: Interest expense	(6.5%)	(8.2%)	(2.9%)	(3.9%)	(4.0%)
Add: Interest income	0.0%	0.0%	0.0%	0.2%	0.2%
Add: Other non-operating income	1.9%	10.5%	0.0%	0.2%	0.1%
Less: Shareholder salaries	0.0%	(3.0%)	0.0%	(0.2%)	(0.1%)
Add/(Less): Foreign exchange gain/(loss)	(0.9%)	(0.7%)	0.4%	0.1%	0.5%
Less: Inventory write-downs	0.0%	(0.0%)	(0.0%)	(0.1%)	(0.0%)
Profit / (Loss) before tax	3.3%	3.3%	7.2%	13.7%	17.6%

Note: Amounts in above table represent relative percentages of "Total Revenue"

The 2014 survey results reinforce the results of earlier surveys and indicate that profitability generally increases with size, ranging from a profit of 3.3% for the two smaller categories to a profit of 17.6% for the largest category.

Each category's profitability and trends are discussed briefly below.

Profit / (Loss) before tax (as a % of Sales)



*Cut-off altered from prior years

\$0-\$1.5m category

- This category usually reflects the lowest average profit / (loss) before tax and while the 2013 survey returned a loss of 4.4% for this category, the 2014 results show a profit of 3.3% of revenue. However this can be attributed to the changing mix of participants this year who reported an average 2013 profit of 5.7%, varying from 4.4% due to a lower gross margin in 2014 of 33.1% from 36% for the same participants in 2013.
- A reduction in interest costs has driven this year's results (6.5% of revenue compared with 10.0% last year). In addition, profitability has also been improved by reductions in overheads (18.1% of revenue compared with 22.8% last year). However this has been slightly offset by a lower gross margin of 33.1% from 36.1% in 2013.
- The proportion of bulk wine sales revenue is lower for this category (0.7% of revenue) than in previous surveys after coming off a high of 9.4% of total sales in 2013. However this can be attributed to one participant's reduction in bulk wine revenue. Adjusting for this exception, bulk wine sales generated a proportion of revenue which is more in line with the longer term average.
- Compared with the other categories, participants in this category typically have lower selling and administration costs but higher depreciation and interest costs as a proportion of revenue.

\$1.5m-\$5m category

- Profitability for this category increased in 2014 to 3.3% from a loss of 0.5% in 2013. This is equal to the average profit of the \$0-1.5m category and can mostly be attributed to the changing mix of participants this year who reported an average 2013 profit of 2.5%.
- The revenue mix of this category is usually more in line with the three larger categories than the \$0-\$1.5m category. However this year we see a significant increase in grape sales to 20.4% of revenue, likely as a result of disposing excess stock from another record harvest.
- Overhead costs as a proportion of revenue are generally comparable to the larger categories at 24.6% of revenue.

\$5m-\$10m category

- 2014 has seen a slight decrease in average profitability as a proportion of revenue for the \$5m-\$10m category, decreasing to 7.2% from 9.8% in 2013.
- The 2014 participants recorded a lower level of interest costs than those in 2013 showing expenses making up 2.9% of revenue down from 5.2% in 2013. Interest costs as a proportion of revenue were lower in this category than any other category. This suggests a lower level of reliance on bank debt funding with these participants.
- Overhead costs as a proportion of revenue were broadly in line with the other larger categories 21.9% at of revenue.
- This category also reports a higher percentage of other revenue of 8.5%, however this can be attributed to one participant recording a high amount of this revenue. Excluding this participant, other revenue makes up 2.0% of total revenue for this category.

\$10m - \$20m category

- Profitability for this category increased in 2014 to 13.7% from 12.4% in 2013. This increase in profitability is attributed to increased gross margin (2013: 37.4%, 2014: 45.7%) which has been partially absorbed by increased selling and depreciation costs.
- The sales mix of case sales and export bulk wine sales in this category is broadly similar to 2013 however with a drop in bulk export revenue which can be attributed to a change in survey participants.

\$20m+ category

- Profitability for this category increased in 2014 to 17.6% from 16.0% in 2013, and once again returns this category to having the highest level of profitability across all the categories.
- The revenue mix this year has seen a higher level of export bulk wine (2013: 5.5%, 2014: 7.4%) and less of the same domestically (2013: 1.4%, 2014: 0.2%) while remaining largely consistent on all other revenues. A decrease in Cost of Goods Sold (2013: 59.2%, 2014: 55.2%) resulted in a higher gross margin of 44.8%, up from 40.8% in 2013.
- Participants in this category have on average remained largely consistent in overhead costs however the 2014 participants alone have recorded an increase in net profit directly attributable from lower cost of goods sold.

All categories

- The revenue split between case sales and other operating revenue are broadly in line with 2013 except for the \$0-1.5m category which had an increase in revenue from case sales (2013: 72.8%, 2014: 80.2%) and the \$1.5-5m category which showed a decrease (2013: 81.6%, 2014: 73.9%). This year the \$1.5-5m category has generated the highest proportion of its revenue from grape sales of 20.4% and the \$5-10m category had the highest domestic bulk wine sales of 2.6%.
- We note that the \$20m+ category again had significant levels of sales discounts and returns this year at 28.4% (24.0% in 2013).
- Previous surveys have made mention that a gross margin of 50% is generally regarded as being required for a winery business to be sustainable. However, our survey results in recent years and again this year potentially prove that this traditional measure may no longer apply, instead being closer to 40% which would, if overhead levels were consistently managed, likely return a more sustainable net profit of 10% or more. The \$10m-\$20m category has the highest gross margin this year at 45.7%, with the other categories ranging from 33.1% to 44.8%.
- While all categories had roughly comparable levels of cost of goods sold (COGS) as a proportion of revenue this year, the composition of COGS varied across categories. COGS for the smallest category had the largest relative amount of distribution costs, while the second smallest category displayed the highest relative amount of vineyard labour; the three middle categories displayed relatively higher grape costs while the largest category displayed relatively higher packaging costs.
- Similar to COGS, this year all categories had different compositions of sales and marketing expenses while remaining roughly comparable at a total percentage of revenue level. The largest category focused their spending mainly on advertising. While the second largest category focused on other sales & marketing expenses. The other three categories split their spending more evenly over the listed categories, with slightly more focus on advertising costs. The \$20m+ category has shown an increase in sales and marketing costs since last year from 12.3% to 13.1% this year, however this is still significantly less than the previous years (2012: 21.8%, 2011: 21.9%).
- The \$20m+ category achieved the highest profit level as a proportion of revenue this year at 17.6%. This profit level was accomplished by earning the second highest gross margin as a proportion of revenue, comparable sales and marketing expenses and thanks to its size and being able to achieve economies of scale, the lowest proportional general and administrative costs.



Image © Domaine Jaquiere

In detail

Income Statement 2014

	Winery size (2014 revenue)				
	\$0-1.5m	\$1.5-5m	\$5-10m	\$10-20m	\$20m+
Revenue and gross margin					
Gross case sales	80.6%	74.0%	81.1%	89.9%	119.8%
Less:					
Returns and cash discounts	(0.4%)	(0.1%)	(0.0%)	(1.3%)	(28.4%)
Net case sales revenue	80.2%	73.9%	81.0%	88.7%	91.4%
Plus other operating revenue					
Bulk wine sales - domestic	0.7%	1.6%	2.6%	2.3%	0.2%
Bulk wine sales - export	0.0%	0.0%	2.5%	0.4%	7.4%
Grape sales	14.6%	20.4%	0.0%	1.5%	0.1%
Merchandising revenue	0.0%	0.1%	0.1%	0.2%	0.0%
Contract winemaking revenue	0.0%	0.3%	2.7%	2.1%	0.1%
WET Rebate	3.9%	1.3%	2.5%	1.6%	0.2%
Other revenue	0.6%	2.4%	8.5%	3.4%	0.6%
Total revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Less cost of goods sold:					
Grapes	(3.5%)	(9.0%)	(14.2%)	(11.2%)	(8.4%)
Bulk wine	(11.0%)	(1.8%)	(3.0%)	(3.2%)	(1.6%)
Vineyard supplies	(8.3%)	(9.9%)	(2.1%)	(8.4%)	(1.1%)
Vineyard labour	(10.8%)	(11.2%)	(0.8%)	(7.1%)	(0.3%)
Winemaking supplies	(3.2%)	(7.7%)	(6.2%)	(1.7%)	(0.7%)
Winemaking labour	(5.2%)	(5.4%)	(2.0%)	(3.4%)	(0.5%)
Bottling	(7.6%)	(2.5%)	(1.7%)	(6.5%)	(1.7%)
Packaging	(7.6%)	(11.1%)	(7.7%)	(9.4%)	(28.2%)
Direct and indirect labour	(0.0%)	(1.3%)	(1.4%)	(0.5%)	(0.0%)
Excise tax	(5.8%)	(3.5%)	(7.3%)	(3.7%)	(6.3%)
Overheads	(0.7%)	(4.9%)	(6.4%)	(4.5%)	(3.2%)
Other	(0.3%)	0.0%	(21.7%)	(2.2%)	(8.7%)
Distribution (including freight)	(6.8%)	(2.3%)	(2.9%)	(2.4%)	(1.5%)
Stock movement	3.9%	5.5%	10.9%	10.0%	7.1%
Total cost of goods sold	(66.9%)	(65.0%)	(66.5%)	(54.3%)	(55.2%)
Gross Margin	33.1%	35.0%	33.5%	45.7%	44.8%
Sales and marketing expenses					
Compensation sales expenses					
Sales and marketing salaries	(1.9%)	(2.1%)	(5.1%)	(3.2%)	(3.9%)
Cellar door salaries	0.0%	(1.2%)	(0.6%)	(1.2%)	(0.0%)
Other sales expenses					
Advertising	(1.5%)	(2.4%)	(1.4%)	(2.0%)	(8.2%)
Travel and entertainment	(2.8%)	(2.0%)	(1.4%)	(1.3%)	(0.3%)
Other	(1.6%)	(1.5%)	(2.1%)	(5.9%)	(0.7%)
Total sales and marketing expenses	(7.8%)	(9.1%)	(10.6%)	(13.6%)	(13.1%)
General and administration expenses					
Finance/accounting/legal/professional	(0.7%)	(3.5%)	(5.9%)	(2.0%)	(0.9%)
ALAC levies	(0.0%)	(0.0%)	(0.1%)	(0.1%)	(0.1%)
Other general and administration expenses	(6.6%)	(9.2%)	(5.0%)	(5.5%)	(4.8%)
Rent/utilities/rates	(3.0%)	(2.8%)	(0.4%)	(2.2%)	(0.3%)
Total general and administration expenses	(10.3%)	(15.5%)	(11.3%)	(9.7%)	(6.1%)
EBITDA	15.0%	10.3%	11.5%	22.3%	25.6%
Depreciation and amortisation	(6.2%)	(5.8%)	(1.8%)	(4.9%)	(4.7%)
EBIT	8.8%	4.6%	9.7%	17.4%	20.9%
Interest expense	(6.5%)	(8.2%)	(2.9%)	(3.9%)	(4.0%)
Interest income	0.0%	0.0%	0.0%	0.2%	0.2%
Other non-operating income	1.9%	10.5%	0.0%	0.2%	0.1%
Shareholder salaries	0.0%	(3.0%)	0.0%	(0.2%)	(0.1%)
Foreign exchange gain/loss	(0.9%)	(0.7%)	0.4%	0.1%	0.5%
Inventory write-downs	0.0%	(0.0%)	(0.0%)	(0.1%)	(0.0%)
Profit/(loss) before tax	3.3%	3.3%	7.2%	13.7%	17.6%

Note: Amounts in above table represent relative percentages of "Total Revenue"

Financial position

Balance Sheet 2014

	Winery size (2014 revenue)				
	\$0-1.5m	\$1.5-5m	\$5-10m	\$10-20m	\$20m+
Assets					
Current assets					
Cash	2.1%	3.1%	1.2%	0.5%	1.7%
Receivables	8.7%	5.6%	10.4%	8.2%	5.1%
Inventories	45.5%	19.0%	39.6%	23.9%	26.4%
Other current assets	2.3%	0.7%	2.7%	0.9%	3.9%
Total current assets	58.6%	28.4%	54.0%	33.5%	37.1%
Non current assets					
Land	11.7%	31.8%	10.0%	11.8%	12.4%
Vineyards	17.8%	16.7%	4.2%	23.7%	11.4%
Buildings and improvements	5.3%	11.4%	10.3%	13.2%	6.2%
Winemaking equipment	1.8%	5.3%	6.1%	13.1%	13.7%
Vehicles	2.4%	1.0%	1.0%	0.7%	0.2%
Office equipment	0.7%	0.3%	0.8%	0.2%	7.4%
Total net fixed assets	39.8%	66.5%	32.3%	62.6%	51.2%
Purchased goodwill and other intangible assets	0.5%	0.1%	0.5%	1.6%	11.2%
Investments	1.1%	0.0%	13.2%	2.3%	0.5%
Deferred Tax Assets	0.0%	5.0%	0.0%	0.0%	0.0%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%
Current liabilities					
Bank debt/overdraft	2.0%	0.6%	3.7%	0.0%	0.0%
Provisions (incl. income tax, annual leave)	0.1%	0.7%	5.6%	0.5%	1.6%
Trade payables and accruals	6.7%	6.2%	12.2%	5.2%	13.1%
Total current liabilities	8.9%	7.4%	21.5%	5.7%	14.6%
Long term debt	34.9%	34.7%	36.5%	15.2%	20.8%
Deferred tax liabilities	0.0%	0.0%	0.0%	0.4%	3.6%
Other long term liabilities	4.7%	0.6%	0.0%	0.0%	2.0%
Total liabilities	48.5%	42.6%	58.0%	21.2%	41.1%
Equity (incl. capital, retained profits & reserves)	17.1%	32.9%	31.0%	61.6%	58.9%
Shareholder current accounts	31.9%	18.2%	6.6%	10.2%	0.0%
Shareholder loans	2.5%	6.3%	4.4%	7.0%	0.0%
Total Equity	51.5%	57.4%	42.0%	78.8%	58.9%
Total liabilities + equity	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Amounts in above table represent relative percentages of "Total Assets"

Balance Sheet commentary

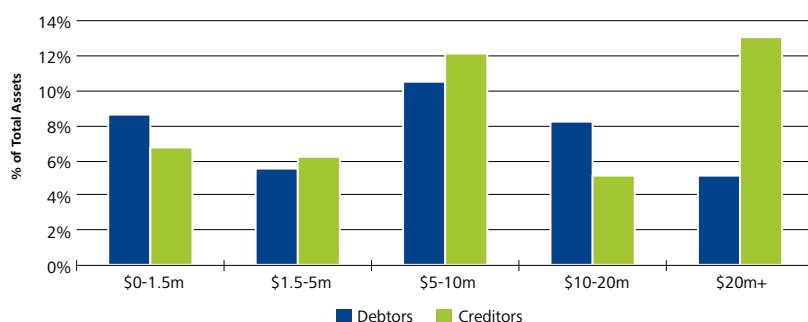
- With the exception of the \$0-\$1.5m and \$5-10m categories, receivables as a percentage of total assets reduced marginally compared with last year's survey. There was no clear trend in creditors as a percentage of total assets with the \$1.5-5m and \$10-20m categories falling (from between 9.6% to 10.8% in 2013 to between 5.2% to 6.2% in 2014 respectively).

The \$1.5-5m, \$5-10m and \$20m+ categories also rose (from between 4.6% and 9.6% in 2013 to between 6.7% and 13.1% this year).

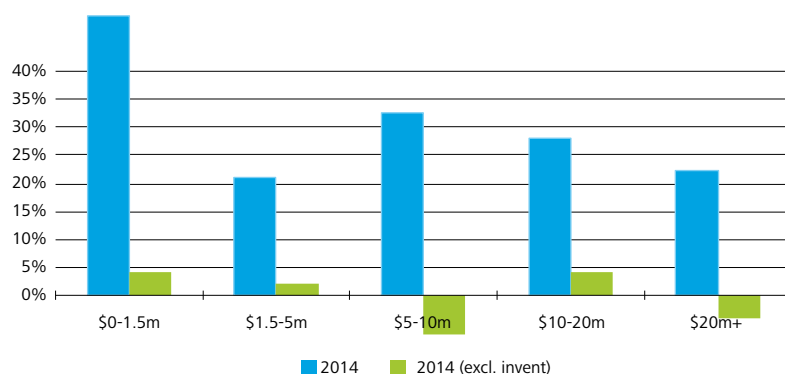
- As shown in the Debtors vs. Creditors graph below those more significant rises have meant that creditors have become higher than debtors for the \$1.5m-\$5m, \$5-10m and the \$20m+ categories. These categories are now net consumers of debt.

- Inventory as a percentage of total assets has showed mixed results comparatively to 2013 with all but the \$1.5-5m and \$10-20m categories showing increases. However, excluding the effect of a change in participants the three smaller categories all showed only marginal increases ranging between 1.7% to 5.4%.
- Net working capital is the difference between current assets and current liabilities and it represents the cash flow requirements for the day to day operations of the business. Working capital levels are shown as a percentage of total assets in the second chart, both including and excluding inventory. Consistent with last year's survey, inventory levels form a large portion of current assets. Given the seasonality of the industry and thus the variability in the movement of inventory levels, it is worth considering working capital excluding inventory for cash flow management purposes.
- Compared with last year's survey, the debt positions (combining bank debt/overdraft and long term debt) of participants within all categories decreased with the exception of the \$5-10m and \$10-20m categories, with the latter increasing from 34.3% in 2013 to 40.2% in 2014. The \$0-1.5m category decreased its debt position from 43.6% to 36.9% which we can attribute the lower interest costs observed earlier in this report. However this category change was wholly due to a change in participants with the 2014 results alone showing an increase of 1.2%.
- We note this year's participants in the \$5-10m category show a relatively low level of land and vineyard assets of 14.2% of total assets as opposed to 23.8% to 48.5% among the other categories. Whilst this does not necessarily represent a trend in this category it is worth noting that this lower result does correspond with this category reporting the highest COGS in terms of 'Grapes' and 'Other'. This would indicate that the wineries in this category have on average outsourced production to a higher degree than the other categories.

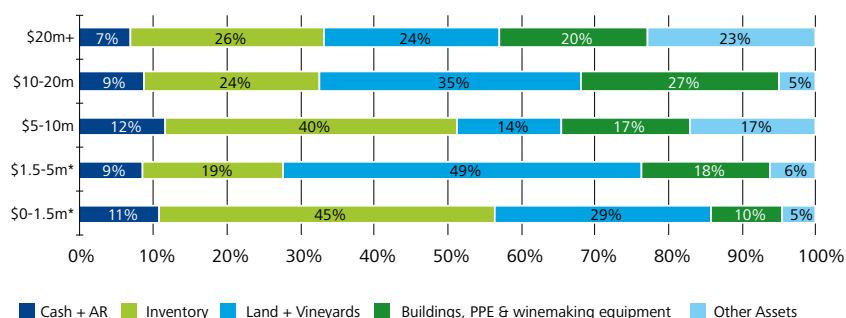
2014 Debtors vs Creditors



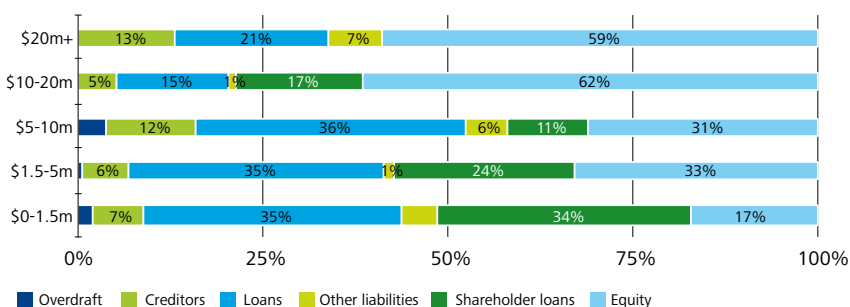
Net Working Capital 2014



Asset Summary 2014



Funding Summary 2014





Deloitte perspective:

The \$1.5-5m category had the largest interest expense of all the categories at 8.2%, 1.7% more than the next closest category. This is a key contributor to its financial performance being equal to that of the smaller \$0-1.5m category. Although the \$1.5-5m category had the largest interest expense, it did not have the highest percentage of long term debt. This would suggest that these wineries have paid down debt through the year resulting in a lower balance at year end, with interest savings and greater profitability to be realised in 2015 if margins and overhead costs can be managed consistently.

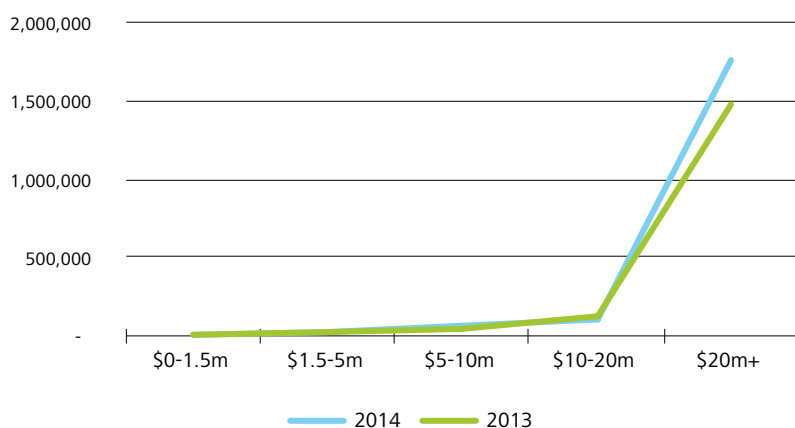
The \$5-10m category reported the lowest value combination of land and vineyard assets in addition to the highest proportion of 'Grape' and 'Other' COGS (see Income Statement – In Detail). Whilst the participants in this category may include a higher proportion of wineries whose production is deliberately contracted out, Deloitte interviews with a number of wineries indicate that many would buy more land to control supply as the top use of additional capital, alongside the paying down of long term debt.

Key financial ratios

Key Financial Ratios 2014

	Winery size (2014 revenue)				
	\$0-1.5m	\$1.5-5m	\$5-10m	\$10-20m	\$20m+
Cases sold	6,949	19,925	66,548	112,219	1,767,126
Revenues and expenses per case					
Revenue per case	\$104.95	\$93.11	\$95.80	\$91.83	\$76.54
Gross margin per case	\$43.28	\$44.06	\$39.56	\$47.35	\$37.55
Selling expenses per case	\$10.17	\$11.51	\$12.58	\$14.11	\$11.00
Overhead expenses per case	\$13.50	\$19.50	\$13.38	\$10.10	\$5.15
Packaging cost per case	\$9.94	\$14.01	\$9.15	\$9.76	\$23.65
Profit / (loss) per case	\$4.34	\$4.12	\$8.54	\$14.21	\$14.71
Solvency ratios					
Current Ratio	659.6%	383.3%	251.1%	592.0%	253.2%
Debtors / Sales	19.2%	21.5%	15.1%	21.5%	10.2%
Debt to equity ratio	71.8%	61.4%	95.6%	19.3%	35.3%
Debt to total tangible assets	48.7%	44.9%	58.2%	21.6%	46.2%
Interest cover ratio	135.2%	56.3%	334.6%	448.0%	522.1%
Efficiency ratios					
Inventory turnover	66.5%	88.6%	116.0%	86.3%	104.5%
Fixed Asset turnover	113.5%	39.0%	213.7%	60.8%	97.5%
Asset turnover	45.1%	25.9%	69.1%	38.0%	50.0%
Profitability ratios					
EBIT margin (average)	8.8%	4.6%	9.7%	17.4%	20.9%
EBIT to assets (average)	4.0%	1.2%	6.7%	6.6%	10.4%
EBT to equity (average)	2.9%	1.5%	11.9%	6.6%	14.9%
EBT to net case sales (average)	4.1%	4.4%	8.9%	15.5%	19.2%

Case volumes - 2013 & 2014



Case Volumes

- Consistent with last year's survey, on average case volumes are exponentially higher for the larger categories. For the 2014 set of survey participants over the last year average volumes have increased for all categories except for the \$1.5-5m category.

Revenue per case

- The revenue per case range has stayed in a general downward trend for all categories except for the \$10-20m category which recorded a slight increase. Decreases were observed among all of the lower three categories ranging from an 8.0% decrease in the \$1.5-5m category to 11.4% for the \$5-10m category. However the change in the \$5-10m category can be attributed to a change in participants with an increase actually reported of 3.1% from the 2013 results collected in this survey.

- This year we observed that revenue per case generally decreases as winery size increases. The \$0m-\$1.5m category recorded the highest (\$104.95) and the \$20m+ category recorded the lowest (\$76.54).

Packaging cost per case

- The lowest packaging costs per case of \$9.15 was recorded by the \$5m-\$10m category this year. This is contrary to the general trend that these costs decrease with scale with the largest category actually recording the highest packaging costs per case of \$23.65 this year, as was observed in 2013 (\$17.55). We do note that this increase may be due to a change in the \$20m+ category participants as well as some non case packaging costs being reported in combination in 2014.

Gross margin per case

- The range of gross margin per case is broadly consistent with last year's survey, exhibiting a low of \$37.55 and a high of \$47.35. However, the \$5-10m and \$10-20m categories both recorded increases and the \$0-1.5m category a decrease. The \$20m+ category has again recorded the lowest gross margin per case as observed in last year's survey (2013: \$35.16, 2014: \$37.55). The \$10-\$20m category reporting the highest gross margin per case of \$47.35 from the second lowest result in 2013 of \$39.90 per case.

Selling expenses per case

- The \$0-1.5m category has recorded the lowest selling expenses per case (\$10.17) in 2014 after recording the highest selling expenses per case in 2013 of \$16.17. The highest selling expenses per case this year were recorded by the \$10-20m category at \$14.11 per case.

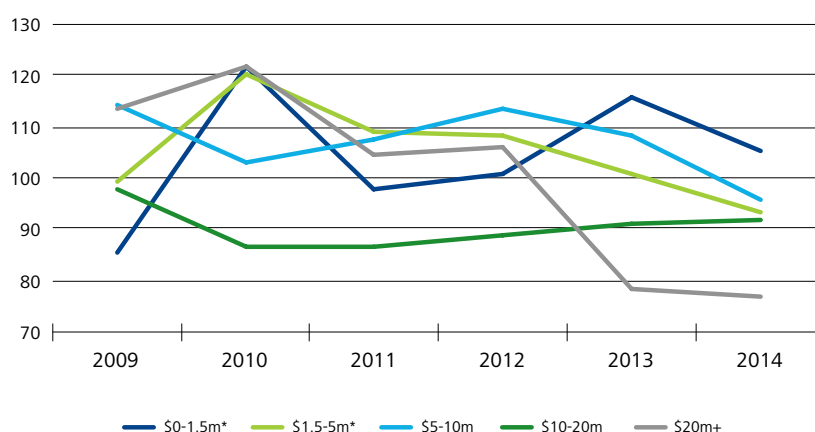
Overhead expenses per case

- Generally the trend holds that as wineries increase in size economies of scale exist to reduce overhead expenses per case and this year is no exception. With the exception of the smallest category with a cost per case of \$13.50, the trend shows the \$20m+ category having the lowest costs and then generally increasing as winery size decreases. The \$1.5-5m category recorded the highest cost and \$19.50 per case.

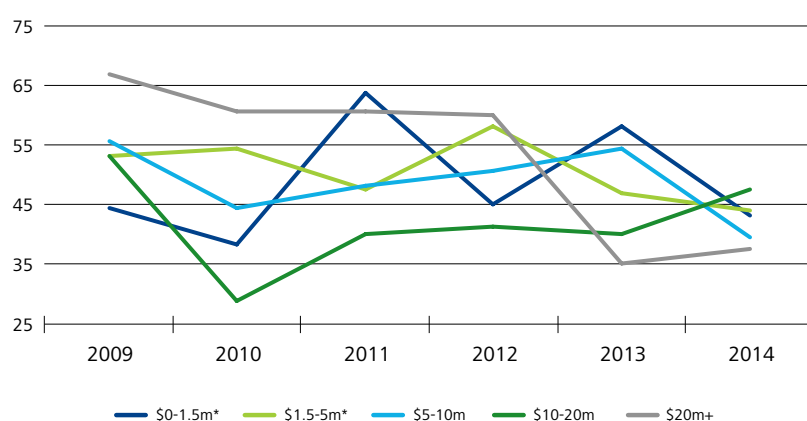
Profit / (loss) per case

- All categories except for the \$5-10m category have shown increases over the past year, with the \$5-10m category generating an average profit of in \$8.54 per case (2013: \$12.73).

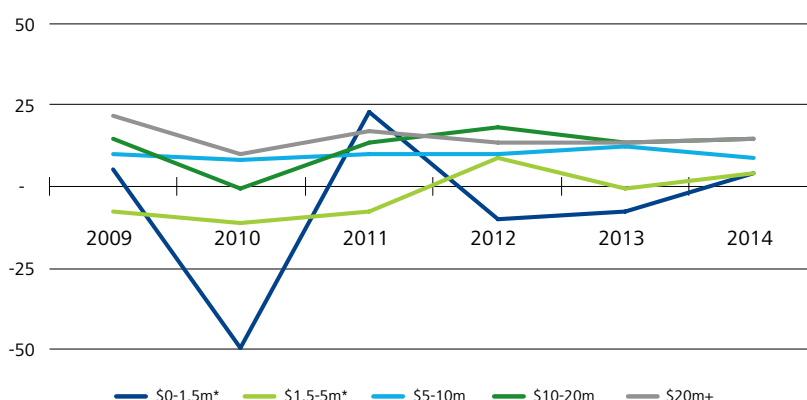
\$ Case sales revenue per case



\$ Gross margin per case



\$ Profit / (loss) before tax per case



- Despite recording the lowest revenue and highest packaging costs per case, the \$20m+ category records the highest profit per case of \$14.71. This demonstrates the existence of economies of scale in these larger winery businesses.

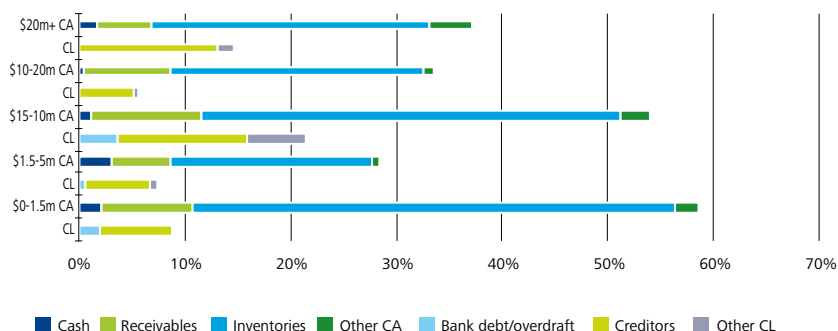
Current ratio

- The current ratio is calculated as current assets divided by current liabilities. If the current ratio is above 200% (\$2 current assets for every \$1 of current liability) then the company is considered to have good short term financial liquidity (depending on the proportion of current assets held in inventory).
- The current ratio recorded (including inventory) is well above the 200% threshold for all categories. However, the liquidity of the inventory that is included in current assets should also be taken into account when assessing the strength of this ratio.
- When recalculating the ratio using more liquid assets (excluding Inventory and Other Current Assets) no categories make the 200% threshold, with the \$5m-\$10m and the \$20m+ categories falling below 100%. The proportions of liquid assets to liabilities can be observed in the current assets and liabilities graph by comparing the total current liabilities to the first two bars of liquid current assets. It is worth noting that in reporting the results of the \$20m+ category in particular, due to the highly integrated nature of their winery operations with other parts of their business, some difficulty exists in isolating some pure winery related items balance sheet items which can slightly influence the results.

Debt ratios

- The debt to equity ratio is a common lending covenant, with lenders typically requiring more equity than debt – that is a ratio of less than 100%. This year's results range from 19.3% for the \$10m-\$20m category to 95.6% for the \$5m-\$10m category. All but the \$10m-\$20m and \$20m+ categories have ratios above 50%. The low ratio for the \$10m-\$20m category can be attributed to a number of the participants holding no long term debt at all.
- Following from this observation, the debt to total tangible assets ratio has remained consistent on average across all categories, with the range of ratios expanding between 21.6% and 58.2% for 2014, from 31.5% to 49.8% in 2013. This ratio implies that the

Current assets and liabilities 2014



wineries surveyed have sufficient tangible asset levels to cover their debt if the debt was required to be settled today. However, as raised in previous surveys, the book value of certain tangible assets that are based on historical cost may not reflect a fair current market value. Survey results this year indicate that land values predominantly seem to be based on historical cost as are building, vineyard and inventory values. These should be considered with some discretion if the historical cost basis is significantly different to realisable values. Subsequently, if realisable values of tangible assets are lower than their book values, there will be fewer assets to cover debt and higher ratios would be observed.

Interest cover ratio

- Interest cover is calculated as earnings before interest and tax ("EBIT") divided by the interest expense. This reflects the ability of the business to meet interest obligations. This is a standard measure in banking covenants, typically requiring a level of more than 200% to 300% to be maintained (i.e. EBIT covers interest costs 2 to 3 times).
- This year on average, participants in the two larger categories cover their interest more than 4 times, participants in the \$5m-\$10m category fall in the 3 times range, the \$0-1.5m category is in the 1 range and participants in the \$1.5-5m category fall below 1. This indicates a lack of profitability to cover interest payments in these smaller categories and/or comparatively higher debt levels, meaning that these wineries may have problems paying their interest payments as they fall due (but for high non-operating income this year).

- Implied interest rates have been calculated by taking the interest expense divided by the total interest bearing debt. The range calculated this year spanned from 5.0% to 9.8% which is in line with implied rates in last year's survey and do not appear unreasonable given current market rates.

Inventory turnover ratio

- Inventory turnover is calculated as the cost of goods sold (COGS) divided by the closing inventory figure in the balance sheet. This measure indicates the number of times that inventory has been turned over in the year. An inventory turnover figure of less than 100% indicates increasing inventory levels. Wineries would be expected to have inventory turnover of less than 100% during periods of increased production or supply, as some of the wine produced will be held in inventory for ageing or sale.
- Participants in the two smaller categories and the \$10-20m category record average ratios of less than 100% indicating that they are accumulating a portion of their stock. The highest recorded average inventory turnover was 116.0% in the \$5-10m category, which indicates that opening inventory levels have been sold down.

Profit before tax to equity ratio

- This EBT to equity ratio is calculated by dividing the profit before tax by the value of equity and represents the return on the owner's investment. The resulting metric is comparable to returns that could be generated by investing elsewhere. It is considered that an acceptable level of return to a winery investor would exceed 15% to ensure they are adequately compensated for risk.
- This year, all of the categories have recorded positive returns on investment ranging from 1.5% to 14.9%. The \$20m+ category records the highest and generally would be considered at an acceptable level. A number of categories however, while positive, have ratios below 10% and therefore further profitability is required to generate adequate returns, depending on the risk appetite of the investors.
- By way of comparison a 10 year government bond (generally considered risk free) has an interest rate of 3.87% before tax (as at 4 December 2014). Clearly at the recorded levels the smaller categories are significantly below this rate and, given the large amounts of risk present, do not seem like a rational investment if these levels of profit remain. It is worth noting however that this ratio is also directly influenced by the method in which some of these wineries value their assets, such as land, which can increase or decrease the return calculated on equity value.



Image © Yealands Estate Wines Ltd

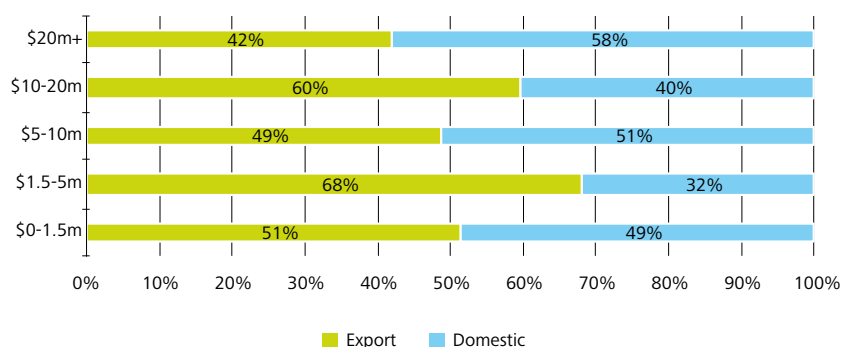
Distribution and sales

- The importance of exports to the New Zealand wine industry is a trend that has been noted in all of our prior surveys and is again prominent in Vintage 2014. Whilst all categories report large proportions of export case sales, the \$10-20m category has experienced a change from 49% to 60% of sales being exported. However this can mostly be attributed to a change in participants with this category reporting an average of 57% exports in this survey for 2013.

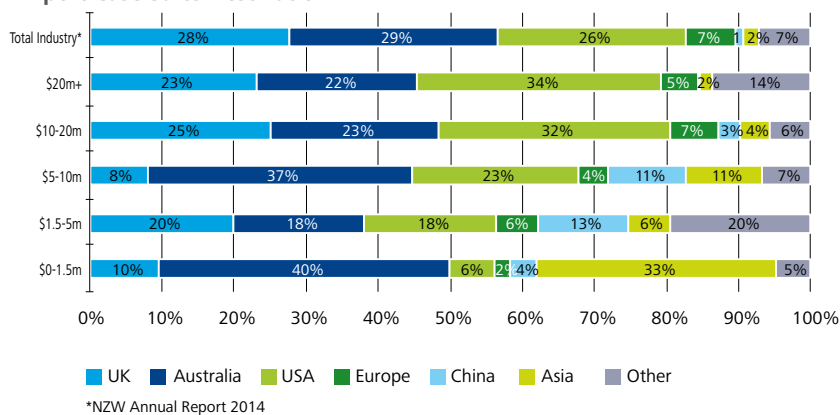
The two categories with the highest percentage being exported with 68% and 60% are the \$1.5-5m and \$10-20m categories respectively. The remaining three categories have exports sitting between 42% and 51%.

- The export sales destination graph clearly illustrates that participants in different categories have a reliance on different markets for their exports. On average, participants in the \$20m+ category are more reliant on the USA (34% of exports), participants in the \$10m-\$20m category are reliant on the USA (32% of exports) and participants in the \$5m-\$10m category and the \$0-\$1.5m category are reliant on Australia (37% and 40% of exports respectively). By comparison, participants in the \$1.5m-\$5m category have relatively diversified exports on average, with the largest market being the UK and other (both 20% of exports), with Australia and the USA following with 18% each. The smaller categories focus on Australia makes complete sense given that proximity would make it more cost effective, as well as the presence of the WET rebate.
- It has been noted the importance of China and Asia in the New Zealand wine industry; however, this is only at the smaller end of the market. As the above graph illustrates from a total industry perspective China and Asia makes up only 3% of total exports by volume. We also note from NZ Winegrower statistics that volumes to China did not grow in 2014 however exports to USA did experience growth which we see reflected in the \$20m+ category (2014: 34%, 2013: 23%).

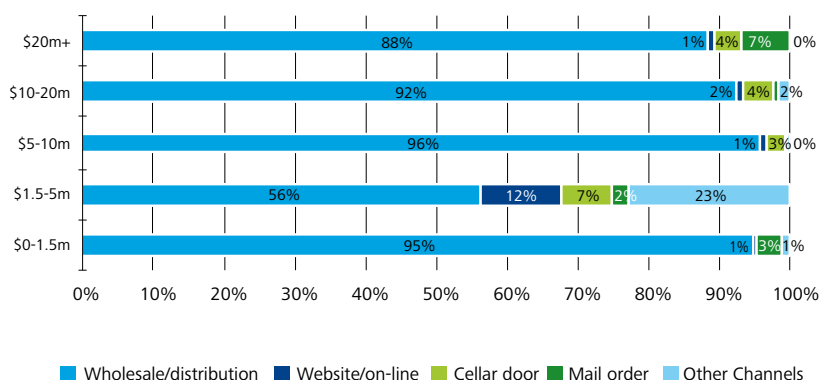
Distribution Channel Case Sales 2014



Export Case Sales Destination



Sales Distribution Channel 2014 (Domestic Case Sales)

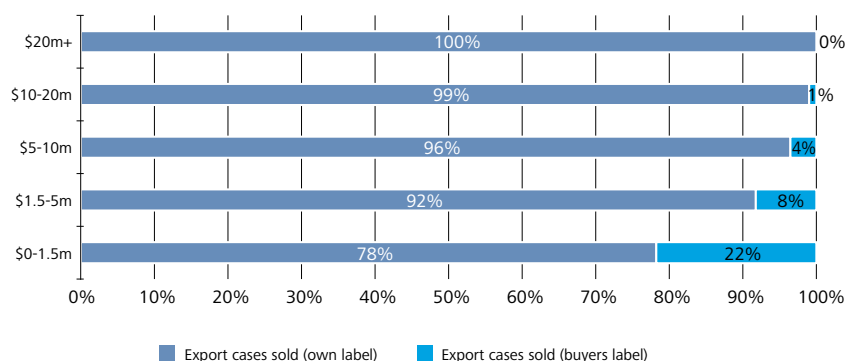


- Consistent with prior years the wholesale/ distribution channel remains the most important domestic distribution channel. This year website and/or mail order sales have only been larger than the cellar door sales in the \$1.5-5m category.
- The last chart shows the split between export cases sold under a winery's own label versus export cases sold under the buyers' label. We observe that on average participants in all categories sell proportionately more of their cases under their own label as we observed in 2013.

Price points

- The graph right illustrates the domestic retail price points that the participants achieve, based on volumes sold.
- Similarly to last year the \$20m+ category has targeted the cask market. On average, these participants target 10% of their domestic wine to this category. As opposed to that observed in 2013, both the \$1.5-5m and \$20m+ categories have shown a notable presence in targeting the less than \$7 a bottle market, albeit with a relatively small percentage of sales of 2% and 1% respectively.
- The survey results this year continue to show the trend that as winery size increases their average sales price tends to decrease, albeit with some exceptions such as the comparative price points between the \$5-10m and \$10-20m category.
- In this year's survey we observed a decrease in sales volume in the \$7-\$10 per bottle price bracket, particularly for participants in the \$1.5-5m and \$10-20m categories. These categories showed 3% and 13% respectively in 2013, decreasing to 2% and 0% respectively in 2014. This illustrates that price points are highly dependent on the participant mix each year.
- Our experience indicates that smaller wineries usually aim to sell lower volumes at a higher price. The responses received from participants in the two smallest categories this year on average align with this. Even more with the \$1.5-5m category showing 19% of sales in the \$50+ price point (2013: 0%).

Export Case Sales 2014



Sales price point 2014

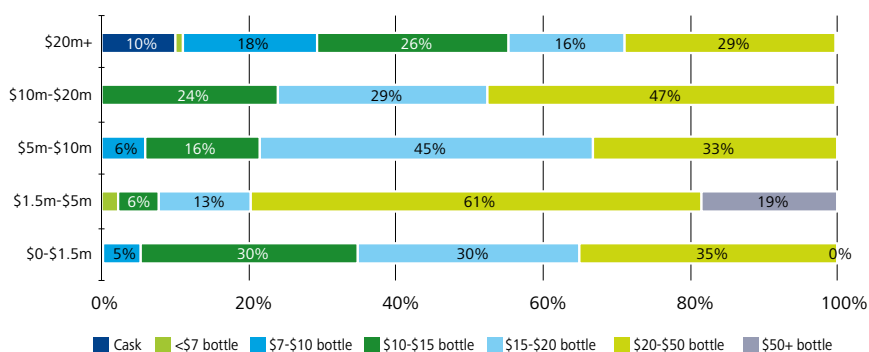


Image © Craggy Range Vineyards Ltd



Deloitte perspective

The shift away from exports and towards domestic sales seen in this year's survey is similar to the results displayed in last year's survey. However, the results from the 2014 and 2013 surveys go against the trend observed in all our previous surveys. This appears to contrast against 'whole of industry' export statistics which report export proportions increasing in 2013 and 2014 from lower levels in earlier years. We note that this difference may be due to the mix of participants in the survey being a relatively even spread among size categories and total industry statistics being more susceptible to larger participants moving large volumes through to export markets at lower price points. These export proportions may not be representative of the proportions of exports experienced by wineries in categories below \$20m in turnover.

It is possible that the persistently high exchange rate experienced in New Zealand recently means that New Zealand wine is becoming less competitive overseas from a pricing point which is causing overseas buyers to substitute other wines and wineries in turn to renew their domestic focus. In addition, we may be observing that many of the categories of wineries on which our results are based, may have opted through the 2013 and 2014 record harvests to move excess supply domestically as opposed to selling via export markets in similar proportions to the lower harvest years.

Since the inception of the survey, participants have consistently rated exchange rates as one of the major issues being faced by the industry and is discussed again later in the report.

The 'Export Case Sales Destination' graph on page 16 again clearly illustrates the increasing importance of the China market to the smaller end of the industry and differentiates these participants from the larger players. However, when compared to the 2013 graph we note that there has been some increase in activity in the US market from the larger wineries in 2014, which is also reflected in the export figures reported by NZW. These exports appear to be on average at a lower price point than Asian markets, however they may still be lucrative, with large volumes albeit smaller gross margins.

Given the prices being achieved through sales into China (from the NZ Winegrowers statistics) it appears this market remains lucrative for those that target it, however with the volumes observed as flattening across Asia, it could indicate that this market is maturing at the premium price points.

Production and inventory

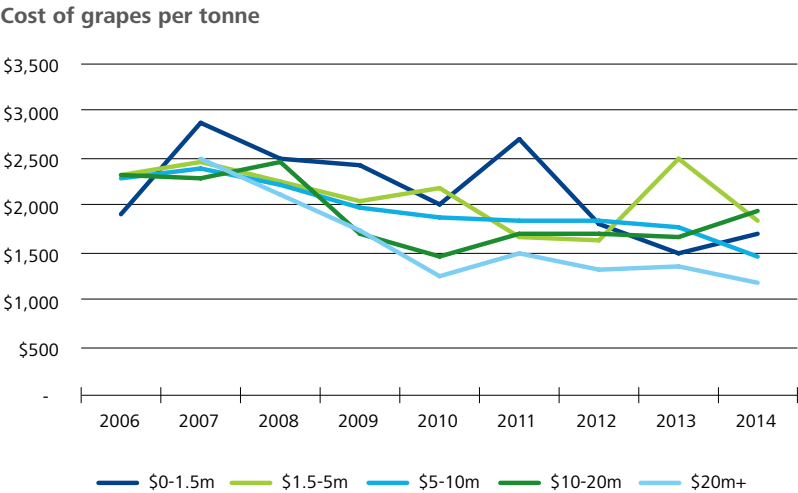
Production 2014

	Winery size (2014 revenue)				
	\$0-1.5m	\$1.5-5m	\$5-10m	\$10-20m	\$20m+
Crush (tonnes)					
Tonnes of grapes crushed					
Own grapes	92%	83%	23%	55%	57%
Purchased grapes	8%	13%	63%	29%	39%
Contract processed (by you for others)	0%	4%	14%	16%	4%
Total crushed	100%	100%	100%	100%	100%
Total crushed at your facilities	64	246	959	2,194	23,657
Utilisation (actual crush versus maximum crush)	NMR	81%	89%	109%	96%
Grape and Bulk wine supply					
Grapes purchased (tonnes)	21	158	832	726	9,695
Cost of grapes purchased (\$)	31,793	225,519	1,116,620	1,306,491	12,433,832
Cost of grapes per tonne	\$1,700	\$1,852	\$1,461	\$1,933	\$1,180
Bulk wine purchased (litres)	700	25,147	60,613	26,040	4,129,431
Cost of bulk wine purchased (\$)	133,168	103,217	295,734	740,144	2,834,470
Cost of bulk wine per litre	\$5.00	\$4.05	\$5.05	\$3.97	\$3.72
Volume (Litres)					
Litres of wine produced	80,517	230,356	856,794	1,496,169	17,507,721
Litres of wine produced per tonne crushed	539	532	492	626	714

We note that the production information generated was dependent upon the mix of participants in the survey and that the above information only includes results from wineries that provided complete tonnage and litreage data.

- This year we have seen one category (\$10-20m) achieve a utilisation of 109%, which being over 100% has not been observed since 2011. It has been mentioned in past reports as achievable but not sustainable in the long term. Last year, no participants gained an utilisation of above 100%. However with a record harvest all reported categories increased utilisation from 2013, ranging from 81% to 96% (2013: 61% to 92%).
- All categories report similar cost of grapes per tonne this year between \$1,461 and \$1,933 except for the \$20m+ category at \$1,180 which we note may be influenced by the 2014 participant mix including some high volume, discounted purchases from the record harvest. Most are a reduction in cost per litre over 2013. Whilst some categories costs increased, it was likely the decreases noted are due to the record harvest and an increased supply of grapes.
- This year all categories contained a number of wineries that purchased bulk wine. The average price paid for bulk wine per category this year sits between \$3.72 and \$5.05 per litre, slightly lower than the \$3.47 - \$5.53 per litre observed in 2013. As observed above and in last year's survey, the \$20m+ category do appear to have additional bargaining power in comparison to smaller wineries with the lowest average price of \$3.72.

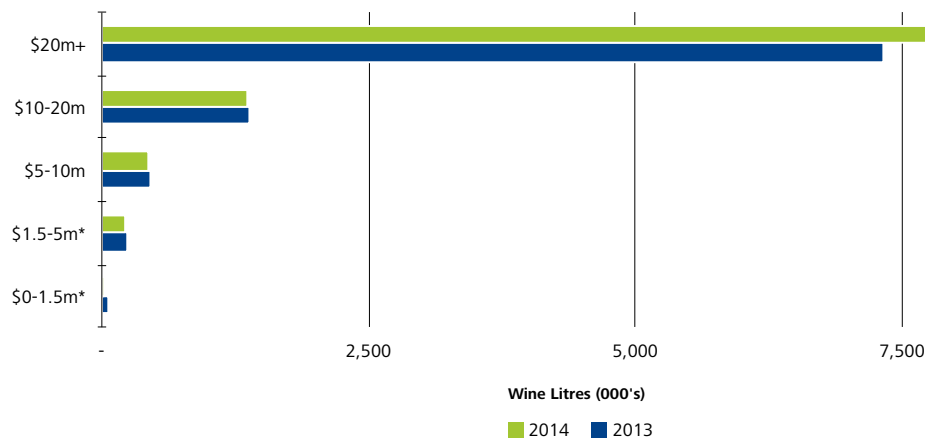
- The productivity levels recorded are all lower than those observed in 2013, with a minimum of 492 to a maximum of 714 litres of wine produced per tonne crushed compared to 592 -736 litres in 2013. The \$5-10m category has the lowest productivity which can be attributed to one particular participant reporting a very low result. Excluding this participant the category reported productivity of 560 litres per tonne of grapes. The overall lower productivity may be due to the excesses of another record harvest, as well as the participants finding that with such a high supply, efficiency in production became a much lesser of a priority than quality of the output.



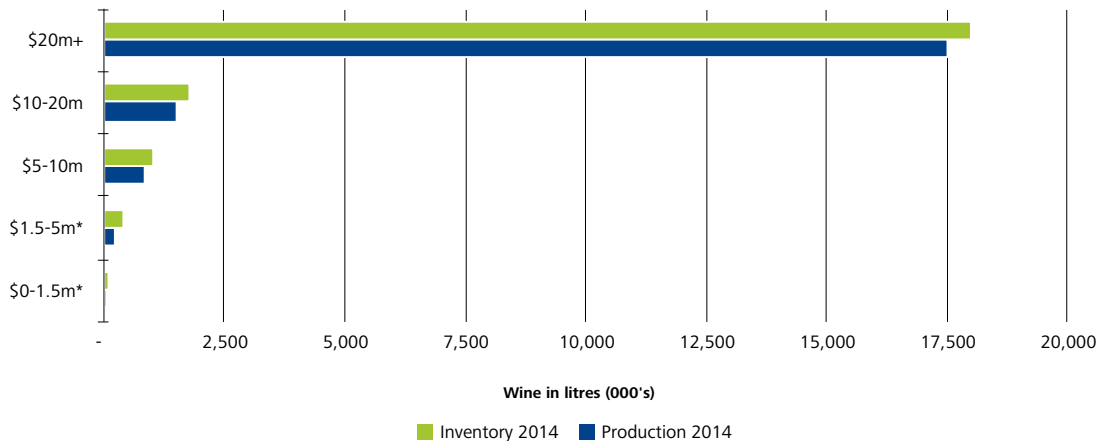
Inventory

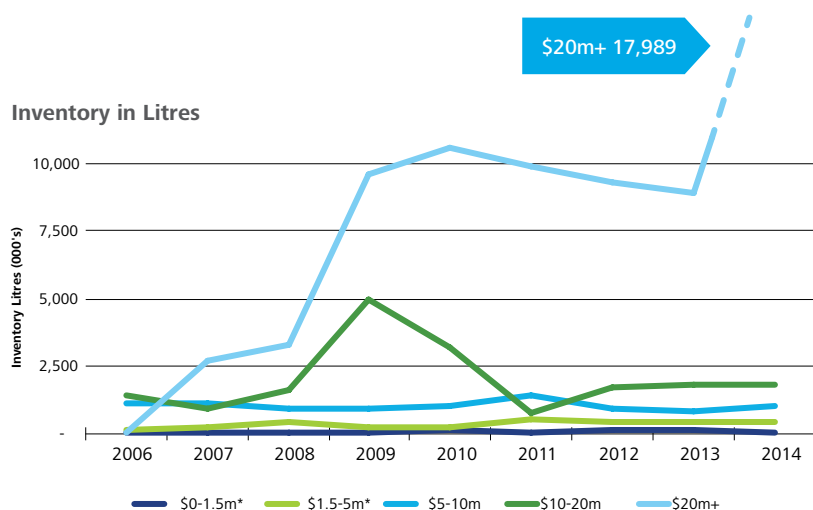
	Winery size (2014 revenue)				
	\$0-1.5m	\$1.5-5m	\$5-10m	\$10-20m	\$20m+
Red					
Maturing in oak (litres)	5,561	22,536	55,826	167,026	309,065
Bulk wine (litres)	7,325	10,882	30,807	142,916	2,549,034
Packaged wine (cases)	739	9,518	22,969	12,177	82,203
Total litres	19,537	119,076	293,353	419,532	3,597,929
White and Other					
Maturing in oak (litres)	1,815	3,318	26,991	33,593	225,357
Bulk wine (litres)	33,986	126,542	506,418	1,092,144	11,917,138
Packaged wine (cases)	4,389	17,742	20,299	27,259	249,852
Total litres	75,303	289,541	716,101	1,371,070	14,391,161
Total Litres all wines	94,840	408,617	1,009,454	1,790,602	17,989,090

Average Bulk Wine Inventory 2013 and 2014



Average Inventory and Production 2014





- Average inventory levels have shown mixed results compared to 2013, however the \$0-1.5m and \$10m-\$20m categories are similar to 2013 levels. The inventory of \$20m+ wineries has more than doubled this year which is due to a change in participants in the 2014 survey.
- This year, all of the categories hold more white wine inventory on average than red wine. This is in line with our previous surveys and expectations.

Deloitte perspective

Given the issues that the industry has faced following previous record Vintages and increased supply (in 2008, 2009, 2011 and 2013), the industry appears to be carefully and appropriately managing the record harvest of Vintage 2014 (445,000 tonnes). We highlighted in last year's survey the risk that large harvests need to be matched against market demand to avoid the issues of the past. In future years the sector needs to continue to focus on the growth in value, not just the volume, of sales. We are aware that new vineyard investments are being considered by industry players. Such investments need to be carefully assessed to ensure they are strongly market led and there is no repeat of the supply/demand imbalance seen in recent years.

Image © Ballochdale Estate Ltd

Issues facing the New Zealand industry

	Winery size (2014 revenue)				
	\$0-1.5m	\$1.5-5m	\$5-10m	\$10-20m	\$20m+
Exchange rates	2	1	2	1	1
Marketing product overseas	1	3	1	2	10
Excise and other levies	3	2	4	3	2
Grape supply (too little)	10	10	5	7	5
Interest rates	3	4	2	5	7
Labour supply/cost	5	7	7	6	8
Government compliance costs	6	6	7	7	9
Access to capital	8	8	9	10	11
Grape supply (too much)	7	9	6	3	3
Affordability of land	11	11	10	9	4
Company tax rates	9	5	10	11	5

- This year the top three issues that the industry are facing, as assessed by survey participants are "Exchange rates", "Marketing product overseas" and "Excise and other levies". As noted in previous surveys, these three issues have consistently rated as the top issues that the industry faces.
- This is the fifth year in a row that "Exchange rates" has held the number one spot and this year all categories with the exception of the \$0-1.5m and \$5m-\$10m categories rated it as their top issue. This is unsurprising given the persistently high exchange rate experienced by New Zealand exporters in recent years.
- We have seen similarities with last year's order of the second and third ranked issues survey with "Marketing product overseas" ranked as the second most important tying with "Excise and other levies". These results appear to be in line with the reduced level of exports observed in this year's survey as well as the record harvests experienced in 2013 and 2014.
- "Excise and other levies" first moved into the top three issues in our Vintage 2011 survey, appearing at number three and moved to number two in 2012, then back to number three in 2013. This year it has tied with "Marketing product overseas" for second place. With the prominence of the increases in excise tax over the past years it is no surprise it continues to rank highly. Consistent with our comments in last year's survey we would expect that this issue would remain near the top of the list until greater profitability returns to the industry.
- "Marketing product overseas" ranks highly for wineries with less than \$20m+ turnover which is representative of the degree and advantage that larger wineries have with their established distribution channels in foreign markets.
- This year "Interest Rates" is the fourth most important issue overall, which is a move from last year which had "Grape supply (too little)" as the fourth most important issue overall. It is unsurprising that "Grape supply (too little)" has moved down the important issue scale given the record harvests this year and in 2013.
- The biggest mover this year is "Grape supply (too little)" which has moved from an overall ranking of fourth in last year's survey to seventh this year with two out of five categories ranking it tenth.

Winery size (2014 revenue)					
	\$0-1.5m	\$1.5-5m	\$5-10m	\$10-20m	\$20m+
2006	Exchange rates	Marketing product overseas	Exchange rates	Marketing product overseas	No participants of this size in 2006
2007	Government compliance costs	Marketing product overseas	Exchange rates	Grape supply (too much/too little)	Grape supply (too much/too little)
2008	Excise and other levies	Marketing product overseas	Exchange rates	Marketing product overseas	Marketing product overseas
2009	Marketing product overseas	Exchange rates	Exchange rates	Grape supply (too much)	Grape supply (too much)
2010	Exchange rates	Exchange rates	Marketing product overseas	Exchange rates	Grape supply - both too much and too little
2011	Exchange rates	Exchange rates	Exchange rates	Exchange rates	Grape supply (too much)
2012	Exchange rates	Marketing product overseas	Exchange rates	Exchange rates	Exchange rates
2013	Exchange rates	Exchange rates	Excise and other levies	Exchange rates	Exchange rates
2014	Marketing product overseas	Exchange rates	Marketing product overseas	Exchange rates	Exchange rates



Deloitte perspective

The table above shows the number one issue within each category over the last nine vintage surveys. As illustrated there is not a lot of variation in the number one industry issue this year with “Exchange rates” holding this spot for three of the five categories. This is similar with the results from our previous surveys.

“Excise and other levies” no longer makes an appearance in the table this year. However it is still rated second equal over all, indicating the wineries that felt the pinch of the past increases have begun to restructure pricing and costs to accommodate the expense.

About Vintage 2014

- Deloitte has conducted this annual financial benchmarking survey in conjunction with New Zealand Winegrowers. The survey was conducted between September and October 2014 and is based upon financial statements that cover the 2014 vintage¹.
- The survey is designed to assist wine growers to make more informed decisions about their relative strengths and weaknesses compared with others in the industry. The study also hopes to provide wineries with an insight into the relative efficiency and financial performance of their business – information that is vital for those looking to attract capital, expand and sustain growth.
- Survey questionnaires were sent to all members of New Zealand Winegrowers. Comments made in this report are based on the responses of 28 survey participants, which account for approximately 38% of the New Zealand wine industry by litres of wine produced and 42% by export sales revenue generated for the 2014 year. Respondents either own or lease 22% of the 35,313² producing hectares currently under vine in New Zealand. Approximately 75% of respondents are past participants of previous surveys.
- To assist the comparison of different sized wineries, respondents have been categorised based on total annual revenue as follows:
 - \$0-\$1.5m
 - \$1.5m-\$5m
 - \$5m-\$10m
 - \$10m-\$20m
 - \$20m+
- Participant information is treated with high confidentiality. The results are reported in aggregate form with no disclosure of the names of the individual participants, nor how many participants existed in each category.
- Where appropriate we have also commented on the results which represent the opinion of Deloitte. Though the survey response level is reasonable this survey cannot be considered completely representative of the whole of the New Zealand wine industry. Care must therefore be taken when analysing the state of the industry based on the information set out in this survey, although we believe it does provide an indication of industry performance and trends.
- Figures presented have not been adjusted to eliminate rounding variances.

¹It should be noted that financial statements covering this period are likely to contain some sales and costs from previous vintages.

²New Zealand Wine Annual Report 2013 http://www.nzwine.com/info-centre/#annual_report

³New Zealand Wine Annual Report 2013 http://www.nzwine.com/info-centre/#annual_report

About Deloitte

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

Deloitte New Zealand brings together more than 900 specialists providing audit, tax, technology and systems, strategy and performance improvement, risk management, corporate finance, business recovery, forensic and accounting services. Our people are based in Auckland, Hamilton, Rotorua, Wellington, Christchurch and Dunedin, serving clients that range from New Zealand's largest companies and public sector organisations to smaller businesses with ambition to grow. For more information about Deloitte in New Zealand, look to our website www.deloitte.co.nz and our dedicated wine industry webpage www.deloitte.com/nz/wine.

About New Zealand Winegrowers

New Zealand Winegrowers is the national organisation for New Zealand's grape and wine sector. The organisation currently has approximately 850 grower members and 700 winery members and aims to represent, promote and research the national and international interests of the New Zealand wine industry.

New Zealand Winegrowers conducts a wide range of tasks on behalf of the grape and wine sector including: advocacy at regional local and international levels; providing a global marketing platform for New Zealand wine; facilitating world-class research on industry priorities; giving the industry timely and strategic information; and organising sector-wide events such as the Bragato Conference and Awards and the Air New Zealand Wine Awards.

New Zealand Winegrowers was established in March 2002 as a joint initiative of the New Zealand Grape Growers Council, representing the interests of New Zealand's independent grapegrowers, and the Wine Institute of New Zealand, representing New Zealand wineries.

New Zealand Winegrowers is governed by a Board of Directors of 12, comprising 7 representatives from the Institute and 5 representatives from the Council. New Zealand Winegrowers is funded through levies collected by the Council and the Institute as well as from user pays activities and sponsorships.

For more information on New Zealand Winegrowers visit www.nzwine.com.

Contacts

Deloitte Wine Industry Group Contacts:

Peter Felstead

Partner, Tax – Auckland

Phone: +64 (0) 9 303 0860

Email: pfelstead@deloitte.co.nz

Paul Munro

Partner, Corporate Finance – Christchurch

Phone: +64 (0) 3 363 3856

Email: pmunro@deloitte.co.nz

Rob McDonald

Director, Corporate Finance – Christchurch

Phone: +64 (0) 3 363 3836

Email: robmcdonald@deloitte.co.nz

Doug Wilson

Partner, Accounting & Advisory – Hamilton

Phone: +64 (0) 7 834 7876

Email: douwilson@deloitte.co.nz

Andrew Gibbs

Partner, Tax & Private – Wellington

Phone: +64 (0) 4 470 3639

Email: agibbs@deloitte.co.nz

Steve Thompson

Partner, Tax – Dunedin

Phone: +64 (0) 3 474 8637

Email: stthompson@deloitte.co.nz

Annalie Hampton

Partner, Tax – Auckland

Phone: +64 (0) 9 303 0725

Email: ahampton@deloitte.co.nz

Bryce Henderson

Partner, Audit – Auckland

Phone: +64 (0) 9 303 0717

Email: brycehenderson@Deloitte.co.nz

Deloitte Sustainability Group Contacts:

www.deloitte.com/nz/sustainability

Brett Tomkins

Partner, Audit – Dunedin

Phone: +64 (0) 3 471 4341

Email: btomkins@deloitte.co.nz

Jackie Robertson

Partner, Audit – Wellington

Phone: +64 (0) 4 470 3561

Email: jacrobertson@deloitte.co.nz

New Zealand Winegrowers Contact:

Philip Gregan

Chief Executive Officer

Tel: +64 (0) 9 306 5555

Fax: +64 (0) 9 302 2969

www.nzwine.com



Image © Te Awa Winery



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's more than 200,000 professionals are committed to becoming the standard of excellence.

Deloitte New Zealand brings together more than 1000 specialist professionals providing audit, tax, technology and systems, strategy and performance improvement, risk management, corporate finance, business recovery, forensic and accounting services. Our people are based in Auckland, Hamilton, Rotorua, Wellington, Christchurch and Dunedin, serving clients that range from New Zealand's largest companies and public sector organisations to smaller businesses with ambition to grow. For more information about Deloitte in New Zealand, look to our website www.deloitte.co.nz

© 2014. For information, contact Deloitte Touche Tohmatsu Limited.

Auckland

Deloitte Centre
80 Queen Street, Auckland 1010
Private Bag 115033
Shortland Street, Auckland 1140
New Zealand
Tel: +64 (0) 9 303 0700
Fax: +64 (0) 9 303 0701

Hamilton

Deloitte House
24 Bridge Street, Hamilton East
Hamilton, 3216
PO Box 17, Hamilton, 3240
New Zealand
Tel +64 (0) 7 838 4800
Fax +64 (0) 7 838 4810

Rotorua

Level 2, Pukeroa Oruawhata House
2/1176 Amohau Street, Rotorua
PO Box 12003
New Zealand
Tel +64 (0) 7 343 1050
Fax +64 (0) 7 343 1051

Wellington

Deloitte House
Levels 11-16, 10 Brandon Street
Wellington, 6011
PO Box 1990, Wellington, 6140
New Zealand
Tel +64 (0) 4 470 3500
Fax +64 (0) 4 470 3501

Christchurch

50 Hazeldean Road
Christchurch, 8024
PO Box 248
Christchurch, 8140
New Zealand
Tel +64 (0) 3 363 3800
Fax +64 (0) 3 363 3801

Dunedin

Otago House
481 Moray Place
Dunedin, 9016
PO Box 1245, Dunedin, 9054
New Zealand
Tel +64 (0) 3 474 8630
Fax +64 (0) 3 474 8650