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HD **Peter Lehmann in the black**

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Wine: Peter Lehmann Wines, the iconic Australian winemaker controlled by Switzerland's Hess family, has nearly doubled its profit over the last year thanks to strong local sales and a booming business in China, but has warned that a string of small vintages could put a brake on profits.

Underlining the potential return to riches for wine companies, which has sparked interest in the sector from private equity including a rejected $3.4 billion grab for Treasury Wine Estates, Peter Lehmann has recorded its second consecutive full-year profit.

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Documents lodged with the Australian Securities & Investments Commission show Peter Lehmann posted a full-year profit of $754,000 for 2013-14, up 76 per cent. Sales were up 13 per cent to $47.9 million.

Despite a pullback in consumer spending triggered by the tough budget this year, Peter Lehmann said domestic revenue increased 39 per cent to $22.8m.

Positive sales momentum in the local market will be welcomed by other investors in the sector, especially shareholders in Treasury, owners of brands such as Penfolds and Wolf Blass, as exports to North America and Europe suffer.

North America continues to be a sore point for Australian wine brands, including Peter Lehmann. Total exports for the year fell 17 per cent for Peter Lehmann, with more than 60 per cent of that emanating from the US and Canada.

"We are reviewing our strategies in the US, and we have made significant changes to our distributor network in Canada to address these issues,'' Peter Lehmann chairman Christoph Ehrbar said in his report to shareholders.

An overhaul of its route into China bolstered sales at a time when a corruption crackdown and austerity drive has hurt sales in the region for other winemakers. "Albeit early, this change has already started to yield results with sales up 105 per cent versus the previous year,'' Mr Ehrbar said.

Hess Family Wine Estates made a $149m bid for Peter Lehmann in 2003, scooping up 86 per cent of the winemaker, with 10 per cent still owned by the Lehmann family. Following the takeover it was delisted from the ASX.Mr Ehrbar warned that historically low vintages in 2012, 2013 and 2014 meant costs would rise with no bulk wine available for sale. Peter Lehmann would grow its revenue base while addressing costs by better sourcing and supply strategies, which should benefit increased profit in two to three years.

CO trzwn : Treasury Wine Estates Ltd

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