

# FINANCIAL REVIEW

SE Smart Money  
HD From near collapse to award-winning drop  
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WC 934 words  
PD 16 August 2014  
SN The Australian Financial Review  
SC AFNR  
ED First  
PG 34  
LA English  
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There's nothing like a glass of fine **wine** to help set the mood when you're sitting down to lunch with someone you don't know.

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I was grateful for this the other day as I met with Rathbone **Wine Group** chief executive Darren Rathbone at The Graham in Port Melbourne.

Buoyant and charming, Rathbone hosted – ordering a top example of his own wines, a 2010 Mount Langi Ghiran shiraz, which was more than up to the task of breaking the ice on a wintery Melbourne day.

Little wonder he was in a good mood. Just nights earlier, another Rathbone **wine**, the 2011 Xanadu Stevens Road cabernet sauvignon, had beaten around 9000 labels to take out **Wine** of the Year honours in the prestigious annual **Wine** Companion Awards. It rated 99 out of 100, according to **wine** critic and judge James Halliday.

Another 24 wines from the Rathbone **group** (which also includes the Yarra Valley's Yering Station) scored 94 points or higher this year.

Rathbone was flying high after previously almost hitting the skids. A tale of survival

It's a story worth sharing because his experience of going from promising growth to ending up on the block, then not only surviving but thriving provides valuable insights.

It all started in 1996 when Rathbone had just completed a degree in chemical engineering at Melbourne University. His father Doug, then, as now, chief executive of listed agricultural chemical **company** NuFarm, asked him to develop and **lead** a family **wine business** after he and brother Graeme had bought Yering Station. Rathbone spent three years organising the design and development of the winery, restaurant, and vineyard before leaving for California's UC Davis in 1999 to do his masters degree in food science and oenology (the study of **wine** and **wine**-making).

When he returned three years later, Yering Station had developed into a popular tourist destination and become a strong **wine brand** under then-winemaker Tom Carson.

The Rathbones embarked on an expansion plan to grow through **acquisition** of complementary brands.

They picked up another three wineries over the next three years, two of them (Mount Langi Ghiran in the Grampians and Parker Coonawarra **Estate**) businesses of exceptional reputation. The third was Xanadu in the Margaret River, a **property** with plenty of baggage (it was run by a publicly listed **company**) but with all sorts of promise. In 2006, the **group** also bought a Port Melbourne industrial **property** to house its head office and a new food storage and distribution facility, 14 Degrees Logistics. "Everything was looking strong and successful ... and we planned to continue growing and developing," Rathbone says. "Tasmania, the Barossa, McLaren Vale (and other wineries) were to be included in growth over the next

20 or 30 years." This growth had been facilitated via debt financing from ANZ Bank on the back of the family's NuFarm wealth. But after the global financial crisis, ANZ's view of the security of that wealth changed markedly, especially when the NuFarm share price tanked. The strengthening Australian dollar didn't help, making imported **wine** cheaper for locals and exports a much less compelling offer elsewhere. Finally, in 2010, ANZ gave Rathbone the order to sell – everything. Credit Suisse ran a quiet, off-market campaign through its global network for two years. But when nothing shifted, Adelaide **wine**-industry broker Gaetjens Langley gave it a more public six-month shot at selling the portfolio, again to no effect.

"We got a lot of tyre kickers coming from **China**, North America, Europe and Argentina," Rathbone says, "and a lot of other wineries that thought they might be able to pick up something for a steal. But we needed to get reasonable value to pay the debt."

Parker Coonawarra **Estate sold** in 2012, but the \$7 **million** proceeds weren't enough to mollify ANZ. Righting the ship

Rathbone pulled the **sale** of the family's winery assets and settled with the bank via a \$31.8 **million** block trade in NuFarm and a **sale**-and-leaseback deal of the Port Melbourne **site**. "Managing that process took so much **energy** away from running the **business**, especially [once the winery sales went public], after which no one would do a long-term deal with us any more," he says. That's all changed now and the **group** plans to continue growing, though only by building the existing brands. Offshore expansion will be a priority given most of the 2 **million** bottles the three wineries produce each year are **sold** in Australia. Rathbone's already gained a strong foothold in **China** since setting up joint venture distribution **business**, the **Wine** Republic, in **Hong Kong** in 2007. And Mount Langi Ghiran's inclusion on the Starwood **Hotel Group's** Wines of the World program has earned it valuable shelf space in Bangkok, Singapore, Kuala Lumpur and Jakarta. Rathbone's applying "precision viticulture" to the properties, using GPS technology and aerial **site** mapping to identify and expand on vineyard variables.

These have been scary years but Rathbone's dedicated to keeping the **group** on stable ground. "We need to listen to our customers and understand what they're looking for when they make their purchasing decisions."

Speaking of purchasing, in the days after our lunch, I tried to pick up some of that award-winning Stevens Road cab sav, without success. I wasn't quick enough, I suppose.

That's another thing you have to be in the **wine business**, nimble.

Rathbone's got that one down pat.

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