Willamette Valley Vineyards Inc.

Case Study

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Company Overview

The company produces and sells premium, super-premium, and ultra-premium wine. The company's wines are made from grapes grown in vineyards owned, leased or contracted by the company and from grapes purchased from other vineyards.

Sales

- Average sales price per case of wine was $156 in 2021, and $181 in 2022.
- Sales prices are expected to average $204 in 2023 and remain relatively stable thereafter at prices roughly in the range of ~$200.
- Costs of revenues are expected to rise at inflation.
- The company is growing rapidly, and sales volumes are expected to grow at 10% per year.

Operating Costs

- Cost of sales were classified as 43% variable costs and 56% as fixed.
- Cost inflation is expected to be 2% per year for the next 5 years.
- SGA expense is expected to be 20.6M in 2023 and grow at inflation thereafter.

Capex & Depreciation

- The company is actively trying to grow and will invest 15M per year from 2023-2025 and then reduce capex to ~8M and ~5M respectively in 2026 and 2027.
- The company uses straight line depreciation.
- Existing assets have a remaining useful life of 10 years and new assets have a useful life of 20.

Working Capital

- Working capital is based on historical data from the previous 2 years.

Income Taxes

- Willamette Valley Vineyard's tax rate is 15%
- The reduction in government pre-tax earnings will be $1M lower than accounting pre-tax earnings due to timing differences.
- The decrease in tax expense and/or benefit has been primarily the result of lower income from operations and higher tax depreciation deductions related to higher capital spend.

Debt

- The company has long term debt in the form with vendors and stakeholders and short-term debt in the form of notes payables.
- Notes payable will remain relatively constant at 1M until 2024, with larger payoff amounts in 2025 and 2026.
- The company has entered into a revolving credit agreement that pays 5% interest.
- The long-term debt pays interest at 7%
- Amortization of the debt will be 1M until the debt is repaid.
- The company will draw on its revolver if there is a cash shortfall.
- The revolver has a cash sweep such that any excess cash will be used to be used to pay off the revolver.

Equity

- The company has preferred shares and common shares but only pays out dividends on preferred shares.
- The company will issue and buy back as needed based on the growth of the company.
- The company had preferred shares valued at 38.9M on the balance sheet as of 2022 and plans to issue 3M worth of new shares every year until 2027.