

US Wine Companies

WR HAMBRECHT + CO

Market Data

Company	Current Price 04/17/02	% from 52 Week		Current Market Cap	Market / Book	Price/Earnings ("P/E") Ratios			Projected EPS Growth Rate	Enterprise Value /					
		High	Low			LTM ²	CY2001	CY2002		Revenue			EBITDA		
										LTM ²	CY2001	CY2002	LTM ²	CY2001	CY2002
Brown-Forman Corporation (BFB)	\$75.25	-1.7%	28.1%	\$5,140	4.1x	22.0x	20.9x	20.2x	8.5%	2.4x	2.6x	2.5x	12.1x	11.8x	10.9x
Chalone Wine Group, Ltd. (CHLN)	10.14	-23.8%	14.6%	104	1.2	50.7	na	na	na	1.8	na	na	11.6	na	na
Constellation Brands Inc. (STZ)	56.50	-2.2%	80.5%	2,472	2.6	18.5	14.6	12.7	15.0%	1.2	1.3	1.2	9.6	9.5	na
Fortune Brands, Inc. (FO)	52.91	-0.9%	74.9%	7,915	3.8	22.0	17.2	15.2	11.7%	1.6	1.5	na	9.6	9.2	na
Golden State Vintners (VINT)	3.25	-63.9%	9.4%	31	0.5	19.1	na	na	na	1.0	na	na	6.5	na	na
Robert Mondavi Corp. (MOND)	39.03	-24.2%	31.6%	627	1.5	14.5	15.1	13.2	11.0%	1.4	1.5	1.4	6.7	5.2	na
Minimum		-63.9%	9.4%	\$31	0.5x	14.5x	14.6x	12.7x	8.5%	1.0x	1.3x	1.2x	6.5x	5.2x	10.9x
Maximum		-0.9%	80.5%	7,915	4.1	50.7	20.9	20.2	15.0%	2.4	2.6	2.5	12.1	11.8	10.9
Average ¹		-13.0%	37.3%	2,086	2.3	20.4	16.1	14.2	11.3%	1.5	1.5	1.7	9.4	9.4	10.9
Median		-13.0%	29.9%	1,550	2.1	20.5	16.1	14.2	11.3%	1.5	1.5	1.4	9.6	9.4	10.9

Operating Data

Company	Date of Financials	Latest Fiscal Year	LTM ² Revenues	LTM ² EBITDA	Balance Sheet Items			Revenue Growth Rates			LTM ² Margins				
					Cash & Equiv.	Total Debt	Book Value	3 Years	Average 4 Qtrs.	Latest Quarter	Gross Profit	S,G&A	EBITDA	Operating Income	Net Income
Brown-Forman Corporation (BFB)	Jan-02	Apr-01	\$2,193.0	\$430.0	\$125.0	\$202.0	\$1,260.0	4.7%	2.3%	-11.3%	51.4%	35.0%	19.6%	16.5%	10.5%
Chalone Wine Group, Ltd. (CHLN)	Dec-01	Mar-01	57.6	9.0	0.1	-	91.3	18.3%	-0.6%	28.3%	39.3%	26.4%	15.6%	13.0%	3.6%
Constellation Brands Inc. (STZ)	Feb-02	Feb-02	2,699.1	381.6	9.0	1,429.6	955.7	21.2%	3.4%	-9.1%	28.4%	22.2%	14.1%	6.2%	4.9%
Fortune Brands, Inc. (FO)	Dec-01	Dec-01	5,678.7	926.1	48.7	989.5	2,102.7	2.7%	-1.4%	0.0%	37.5%	26.0%	16.3%	11.5%	7.0%
Golden State Vintners (VINT)	Dec-01	Jun-01	87.5	13.6	0.8	58.3	67.8	-5.0%	12.0%	106.7%	21.4%	12.9%	15.6%	8.4%	3.1%
Robert Mondavi Corp. (MOND)	Dec-01	Jun-01	482.7	101.9	7.2	366.7	410.3	15.8%	7.1%	62.1%	47.8%	33.3%	21.1%	14.4%	5.6%
Minimum								-5.0%	-1.4%	-11.3%	21.4%	12.9%	14.1%	6.2%	3.1%
Maximum								21.2%	12.0%	106.7%	51.4%	35.0%	21.1%	16.5%	10.5%
Average ¹								10.4%	3.0%	20.3%	38.2%	27.0%	16.8%	11.8%	5.3%
Median								10.3%	2.8%	14.1%	38.4%	26.2%	15.9%	12.2%	5.2%

All historical values from Fact Set. All projected values from First Call or third-party Equity Research. (1) "Average" excludes minimum and maximum values where data set exceeds three data points. (2) "LTM" is latest twelve months

Comparable Analysis Legend

To triangulate a more complete understanding of a company's value we look to numerous data points, including historical price ranges, operating margins, balance sheet strength as well as trading multiples. Some of these data points are more significant than others, but all are important in telling the full story.

Fiscal Year, Calendar Year and Projected Periods

Date of Financials. The information required for much of our historical (not forward-looking) analysis is found in a company's quarterly financial releases, and therefore any historical data presented is only as current as the latest financials. Interestingly, even though calendar year 2001 has already passed, 2/3 of the companies in our analysis have not reported their last quarter of 2001. i.e. calendar year 2001 data for Fortune Brands and Mondavi is based on actual historical financials whereas calendar year 2001 for the rest of the group is still a projected period.

Latest Fiscal Year. Many companies, particularly in the wine industry, report their financials over periods that do not correspond to the calendar year. Accordingly, we have to make a distinction between the "fiscal year" which forms the basis of a company's financial reporting schedule and the calendar year that we are all accustomed to.

LTM vs. "CY". As a result of varying fiscal years, historical data is presented for the latest twelve month ("LTM") period. In looking forward, it is customary to align financial projections with the calendar year; we call these projections "calendarized" (i.e. CY2001, CY2002).

Price and Market Cap

Current Price. The closing price per share of common stock as quoted on each company's respective stock exchange. Keep in mind that share prices are nominal and, taken out of context, tell us very little about any company. Although shares trading under \$5 on US exchanges start to come under additional regulatory scrutiny and "penny" stocks (i.e. trading below \$1) are almost always highly risky or distressed securities, in most cases, share prices are largely arbitrary, dependent on the number of shares that a company chooses to issue (i.e. holding value constant, more shares results in a lower per-share price, but this does not mean that the company is worth "less").

Point of interest: On some foreign exchanges, such as the Australian Stock Exchange (where numerous wine companies trade), share prices are well below \$5 and accordingly have different rules regarding "penny" stocks.

Percent from 52 Week High / Low. - One way to derive more meaning from the nominal price of a share is to consider it within a range of historic prices. In our analysis we compare the current price to the high and low over the past year (52 weeks). We can infer that companies trading at or near their 52-week high have recently performed above expectations or have announced developments that were favorably received by Wall Street. We can also gauge the relative volatility of a stock by noting the range within which it has traded over the past year - the wider the range, the higher the volatility. In our analysis, the peer group-on average-has traded within a 45 percent range of the current price whereas the S&P500 index has traded within a 35 percent range over the same period.

Current Market Cap. - Market Capitalization is the value placed on a company by the public markets and is calculated by multiplying the current share price by the number of outstanding shares. Most publicly traded companies on the NASDAQ National Market or the NYSE have a market cap above \$100 million and nearly a third are valued above \$1 billion. However, there are nearly 8,000 companies that trade on smaller exchanges (i.e. AMEX, NASDAQ SmallCap, OTC and bulletin boards), of which more than 80 percent have a market cap below \$50 million.

Book Value. Aside from having a public equity value (i.e. market cap), all companies (public and private) have a book equity value. Typically appearing as "shareholder's equity" on the balance sheet, book value is an accounting measure of all equity invested in a company plus the income generated and retained. Another way to think about book value is a measure of a company's assets net of all liabilities.

Market/Book. The ratio of market cap to book value. A public company may trade below its book value as it encounters difficulty in generating positive returns on its assets or as large liabilities restrain ongoing business operations. On the flip side, the assets of successfully functioning companies are often valued above book in anticipation of future returns on those assets.

Valuation Multiples

Price / Earning "P/E" Ratio. The P/E multiple is the most widely used financial ratio in evaluating public companies; it literally measures the "price" paid for the earnings of a company and is calculated by dividing the share price by the reported earnings per share (EPS). This is analogous to dividing the total market cap by the reported net income.

Projected EPS Growth Rate. The consensus (i.e. average) 3 to 5 year earnings growth rate projected by Wall Street research analysts.

Enterprise Value / Revenue and EBITDA. The Enterprise Value of a company is calculated by combining the value of its equity (i.e. market cap) with its net debt (the total debt on the books less the cash balance). This measure represents the true "capitalization" of the company and is used in calculating Revenue and EBITDA multiples.

Operating Data

The operating data presented in our analysis summarizes the historical performance and latest balance sheet of each company in question. Most of the data points are self-explanatory or discussed above, with the exception of the following:

EBITDA. Earnings Before Interest, Taxes, Depreciation and Amortization. This measure is used to approximate the cashflow generated by a company before payment of interest and taxes, excluding the effect of accounting charges such as depreciation and amortization.

S,G&A. Selling, general and administrative expense.

Operating Income. Income before payment of interest, miscellaneous/ "other" expenses and taxes.

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Mergers & Acquisitions



US and Canada Wine Transactions

Completion Date	Target	Acquirer	Transaction Value (mm)	Enterprise Value (mm)	LTM			TEV / Revenue	TEV / EBITDA	Footnote
					Revenue (mm)	EBITDA (mm)	Cases (mm)			
Pending	Glen Ellen Winery (part of Diageo PLC)	Franzia Winery	\$83.0	\$83.0	na	na	3.00	na	na	(1)
16 Oct 2001	Blackstone Winery	Pacific Wine Partners	140.0	141.5	\$36.9	\$12.5	0.49	3.8	11.3	
01 Sep 2001	The Hogue Cellars	Vincor International	44.0	44.0	25.7	3.8	0.40	1.7	11.7	(2)
02 Jul 2001	Ravenswood Winery	Constellation Brands, Inc.	151.2	159.9	37.5	12.2	0.44	4.3	13.1	
26 Mar 2001	Corus Brands, Inc.	Constellation Brands, Inc.	52.0	52.0	32.0	5.4	0.65	1.6	9.6	
05 Mar 2001	Turner Road Vintners (Sebastiani Vineyards)	Constellation Brands, Inc.	295.0	295.0	204.0	33.0	7.70	1.4	8.9	
08 Feb 2001	Canoe Ridge Vineyard	Chalone Wine Group	6.0	12.1	8.1	NA	0.03	1.5	NA	(3)
05 Oct 2000	R.H. Phillips Inc	Vincor International, Inc.	84.9	84.9	29.2	9.7	0.50	2.9	8.7	
03 Oct 2000	Beringer Wine Estates Holdings	Foster's Brewing Group	1,560.0	1,560.0	438.8	133.6	7.72	3.6	11.7	
13 Jul 2000	Arrowood Vineyards	Robert Mondavi Corp.	18.0	31.2	7.2	2.8	0.03	4.3	11.1	(4)
13 Mar 2000	Matanzas Creek	Kendall-Jackson	47.0	47.0	8.0	NA	0.04	5.9	NA	
08 Jun 1999	Simi Winery	Constellation Brands, Inc.	55.0	55.0	18.0	5.0	0.18	3.1	11.0	
04 Jun 1999	Franciscan Estates	Constellation Brands, Inc.	240.0	240.0	50.0	20.0	0.60	4.8	12.0	
16 Apr 1999	Sonoma-Cutrer Vineyards	Brown-Forman Corporation	53.5	110.0	17.0	7.5	0.14	6.5	14.7	(5)
26 Aug 1998	Geysler Peak Winery	Fortune Brands, Inc.	92.0	92.0	35.0	7.0	0.50	2.6	13.1	

Average	3.4 x	11.4 x
Median	3.3	11.5
Low	1.4	8.7
High	6.5	14.7

International Wine Transactions

Completion Date	Target	Acquirer	Transaction Value (mm)	Enterprise Value (mm)	LTM			TEV / Revenue	TEV / EBITDA	Footnote
					Revenue (mm)	EBITDA (mm)	Cases (mm)			
Pending	Simeon Wines	Brian McGuigan Wines	\$124.1	\$182.8	\$83.7	\$20.5	NA	2.2 x	8.9 x	(6)
03 Dec 2001	Banksia Wines	Lion Nathan Ltd.	35.2	45.0	16.0	3.8	0.33	2.8	11.9	(7)
15 Nov 2001	Petaluma Ltd.	Lion Nathan Ltd.	118.6	138.9	25.1	9.4	NA	5.5	14.8	(8)
13 Sep 2001	Montana Group	Allied Domecq PLC	425.1	552.3	131.1	25.7	NA	4.2	21.5	(9)
27 Feb 2001	Rosemount Estates	Southcorp, Ltd.	780.2	780.2	195.3	57.8	4.20	4.0	13.5	(10)
15 Jan 2001	G.H. Mumm and Perrier-Jouet	Allied Domecq PLC	505.2	505.2	139.3	41.9	0.10	3.6	12.1	
01 Dec 1998	Mathew Clark	Constellation Brands, Inc.	356.0	445.1	915.9	57.0	NA	0.5	7.8	(11)

Average	3.3 x	12.9 x
Median	3.6	12.1
Low	0.5	7.8
High	5.5	21.5

Sources: SEC Filings, SDC Platinum, Comscan M&A Desk, Press Releases and third-party Research Reports.

(1) Acquisition includes Glen Ellen and M.G. Valjejo brands, excludes facilities and vineyards. (2) Acquisition of The Hogue Cellars included over 100 acres of vineyards and approximately \$8 million in acquisition costs. All values converted from Canadian Dollars at \$0.646/\$CAN. (3) Chalone Wine Group acquired 49.5% of shares outstanding. (4) Robert Mondavi paid \$18M for Arrowood's stock and has options (a) to purchase Arrowood's winery and vineyard operating leases for \$12M in 2005 and (b) to purchase the Arrowood brand names in 2010 for an additional \$15M. TEV is based on the purchase price plus the discounted value of the two options to purchase remaining assets of Arrowood (Risk Adjusted Discount Rate of 10.03% assuming zero debt beta, asset beta of 0.84, tax rate of 34%, and risk free rate of 5.1%). Revenue and EBITDA for Arrowood are Mondavi estimates for the year following the acquisition (fiscal 2001). (5) Brown-Forman purchased 80% of Sonoma-Cutrer. (6) All values converted from Australian Dollars at \$0.541/\$AUS (7) Lion Nathan announced a take-over bid for Banksia Wines shares. It currently controls 85% of Banksia, with the remaining 15% held by Allied Domecq. All values converted from Australian Dollars at \$0.518/\$AUS. (8) Lion Nathan acquired Petaluma through a friendly tender offer. All values converted from Australian Dollars at \$0.518/\$AUS. (9) Allied Domecq acquired Montana Group in incremental stages after a prolonged takeover battle with Lion Nathan. All values are converted from New Zealand Dollars at \$0.42/\$NZ (10) Rosemount operating and case sales figures are stated Pro Forma for FY2001, ended June. All values converted from Australian Dollars at \$0.52/\$AUS. (11) Constellation Brands acquired all of the outstanding Mathew Clark shares through a tender offer. All values converted from British Pounds at \$1.66/£P

Merger and Acquisition Related Terms

Completion Date—The date upon which the transaction is officially consummated. Most mergers involving public targets and/or acquirers are announced before the official close of the transaction, giving both parties time to perform final due diligence and settle necessary regulatory matters.

Target—The company being acquired.

Acquirer—The acquiring company.

Transaction Value—This is the reported value of the transaction, i.e. how much was paid by the acquirer to purchase the target. This is often not a comprehensive measure. Transaction value typically represents the nominal amount paid for the target's equity, excluding the debt obligations assumed by the acquirer and other considerations that affect the true financial value of the transaction.

Total Enterprise Value (TEV)—This is a measure of the complete value implied by the transaction, defined as the value of the equity purchased, plus net debt assumed (the target's debt liability assumed by the acquirer less the cash balance), plus any other relevant transaction considerations affecting value. Often, in a private transaction, where detailed information regarding the transaction is not publicly available, Total Enterprise Value is assumed to equal to the disclosed Transaction Value.

LTM—"Latest Twelve Months". By convention, financial results in M&A transactions are reported for the target, as of the "Latest Twelve Months" before completion. In other words, the financial results for the four quarters preceding the completion of a transaction. In some private transactions, financials for the target are not disclosed.

In practice, acquirers are most concerned with forward-looking financial projections, as these will directly impact the value realized by owning the target. However, forward-looking financial projections are not readily available and typically vary according to each acquirer's perception of the future prospects of a target, both as a stand-alone entity and, more importantly, as a part of the acquirer's existing operations.

Revenue—The target's revenue as reported in disclosed financial statements or press releases.

EBITDA—Earnings Before Interest, Taxes, Depreciation and Amortization. This measure is used to approximate the cashflow generated by the target's business.

TEV/Revenue—The multiple of LTM Revenue that the Total Enterprise Value of the transaction suggests (i.e. Total Enterprise Value divided by LTM Revenue).

TEV/EBITDA—The multiple of LTM EBITDA that the Total Enterprise Value of the transaction suggests (i.e. Total Enterprise Value divided by LTM EBITDA).

Both revenue and EBITDA multiples provide insight into the valuation implied by a specific transaction. EBITDA multiples are the most significant measure, suggesting what the acquirer paid for a specific stream of cash-flows.

In aggregate, transaction multiples provide a gauge for the valuations that the market will bear. Multiples can also be compared across transactions to determine if the target was valued at a "premium" or a "discount" to the market average. **wbm**