

Bacchus Toasts To Wine Industry

BY [PAUL ZIOBRO](#)

4/9/2008 – Bacchus Capital Management LLC is hoping to pop the cork on private equity deals in the wine industry, which is expected to see a wave of generational ownership transitions, the firm's chief executive and founder, Sam Bronfman, said.

The firm is "ready to make investments," said Bronfman, a member of the family that once controlled the Seagram's spirits brand. It will look to invest in wineries, wine brands and possibly wine distributors in the middle market.

Bacchus, of San Francisco, will primarily invest in the mezzanine portion of the capital structure to help finance generational shift in the wine industry. About 51% of wineries said they plan on having a change of control over the next 10 years, according to a report issued earlier this year by Silicon Valley Bank and Scion Advisors DBA.

The firm will primarily invest mezzanine debt because owners in the wine industry are reluctant to give up their equity in their companies, Bronfman said. Banks are also conservative in lending to the industry, as their appetite for debt relies on the fluid amount of inventory a company has on hand.

Instead, such companies can take on mezzanine debt and pay off the lender over time. "We're seeing an unmet need in terms of financing for wineries, especially as many are looking at generational transitions," Bronfman said. "We can bridge the gap between the equity and debt."

Bacchus hopes to initially do eight to 12 deals, Bronfman said, of companies with at least \$15 million in annual sales.

He declined to disclose the name or size of a fund, or who the investors would be.

Bronfman, who was previously president of the Seagram Chateau and Estate Wines business, founded Bacchus Capital last year along with Peter Kaufman and Henry Owsley, founding partners of investment bank Gordian Group. Bronfman had known Kaufman and Owsley from past wine investments that he pursued.

The firm announced the hiring of Mike Jaeger as president and chief operating officer. Jaeger was most recently president and operating chief of Partida Tequila, and has also served as group president of Constellation Brands Inc.

Bacchus will further look to capitalize on favorable growth trends in the U.S. wine industry, which has seen wine consumption grow each year for more than a decade. According to the Wine Institute, Americans drank 716 million gallons of wine in 2006, up from about 500 million gallons in 1996.