



News Release

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Growing smarter; wine survey reveals profit, innovation and price on the up

- *For only the third time in the history of the annual survey, all five winery tiers featured profitable results in 2018*
- *Survey results indicate a positive correlation between innovation and financial performance.*
- *2018 saw a 1.8 percent lift in average prices received by Kiwi wineries.*

AUCKLAND, NEW ZEALAND — The New Zealand wine industry continues to perform well on the back of profitability for wineries of all sizes, strengthening balance sheets and a healthy propensity for innovation.

The 2018 Wine Industry Benchmarking and Insights survey report, entitled *Growing Smarter*, released today by Deloitte and ANZ Bank in conjunction with New Zealand Winegrowers, tracks the financial results of 36 survey participants accounting for 44 percent of the industry by litres of wine produced, and 35 percent by export sales revenue generated.

Deloitte partner Peter Felstead says that the 2018 results show all categories of participants recording positive profits before tax for only the third time in the twelve year history of the survey (2014, 2016 and 2018).

"In line with previous years' results, larger wine companies with more than \$20 million in revenue show the largest average profit after tax of 18.7 percent of revenue, with smaller wineries generally achieving lower returns and with greater variability amongst respondents." says Mr Felstead.

"It has also been pleasing to see equity levels, as a percentage of total assets for the wider survey group, have been steadily increasing over the last 10 years with levels ranging from 54 percent to 72 percent."

ANZ General Manager for Commercial & Agri John Bennett says this year's survey highlights the importance of innovation in the industry.

"The survey results indicate a positive correlation between innovation and the financial performance of wine companies," Mr. Bennett says.

“We are increasingly seeing businesses investing in technology and innovation which is leading to better business decisions.

“This is particularly relevant when it comes to environmental changes, managing staffing pressures and improving customer experiences.”

Investing in technological advancements in plant and equipment was identified as important to 94 percent of survey respondents.

According to the survey, wine companies are adopting digital tools to improve customer and staff experience and engagement, and to drive improved business decision making. Larger wineries are leading with a broader range of digital tools, including in the uptake of more sophisticated Internet of Things (IoT) solutions. While at the other end of the spectrum, many smaller wine companies are leveraging technology to connect and engage with their customers to maintain competitiveness in a tight market.

The report shows 2018 saw a 1.8 percent lift in average prices received by New Zealand wineries after sales outstripped supply during 2017.

Prices per litre ranged from NZ\$3.96 per litre for bulk export wine, NZ\$8.47 per litre for packaged exports and NZ\$10.34 per litre for supply into the domestic market.

In terms of New Zealand’s wine exports, 80 percent is bought by just three markets – the US, UK and Australia.

However, the price for New Zealand wine exported to the Asian markets of China, Hong Kong, Singapore and Japan is twice the average export price. These Asian markets account for just 2.5% of our wine exports indicating significant growth potential.

Furthermore with reduced tariffs brought about by the CPTPP, Canada (already New Zealand’s fourth largest export market) and Japan (the tenth largest) are shaping up as top candidates for growth opportunities.

Felstead and Bennett both extend their thanks to those that took part in this year’s survey.

“We hope the individual benchmarking reports provided to participants will support the best possible decision making in the industry. We are great believers in the power of information to help businesses assess their own performance and identify opportunities for growth.”

To read or download the full report, *Growing Smarter*, go to www.deloitte.com/nz/wine.

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About the Survey

The survey was conducted between September and December 2018 and is based on 2018 financial statements. The survey is designed to assist wine businesses by providing an insight into the relative efficiency and financial performance of their business – information to aid decision-making, to support and sustain growth, or to assist capital raising initiatives. Survey questionnaires were sent to all members of New Zealand Winegrowers. To assist

the comparison of different sized wineries, respondents are categorised into five tiers based on total annual revenue as follows:

- \$0-\$1.5m
- \$1.5m-\$5m
- \$5m-\$10m
- \$10m-\$20m
- \$20m+

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