svb Silicon Valley Bank
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Benchmarking the premium wine industry: Exclusive data from SVB

The insights below are drawn from Silicon Valley Bank's Peer Group Analysis database, a proprietary program designed to help wineries benchmark performance. By aggregating company financial statements into anonymous data bands, we've created a robust set of financial metrics that reveal industry trends and performance standards across the wine sector.

Our most recent analysis focuses on 2024 year-end financial statements from 86 premium West Coast wineries with diverse business models. Last year, the average winery in the group produced roughly 15,000 cases and sold approximately 11,000 — offering a representative snapshot of performance across the premium segment.

Here are additional observations from the dataset.

Revenue trends

Stabilization of the premium segment

While the premium wine industry experienced a cumulative 2% revenue decline from 2022 to 2024, it returned to positive growth in 2024 with a modest 1% year-over-year increase. This rebound was partly due to the recovery following inventory shortages caused by losses from the 2020 wildfires in several West Coast wine regions.

Bifurcated growth

The top 50% of wineries saw a 5% revenue increase, while the bottom 50% experienced a 6% decline. This disparity was most evident in the top quartile, which posted 21% revenue growth. Notably, this segment generates 64% of its sales volume through the Direct-to-Consumer, or DTC, channel, compared to only 41% for the bottom quartile.

DTC successes

A segment of small- to medium-sized wineries achieved both revenue and case volume growth by implementing effective DTC strategies. *Chart 1 illustrates the average growth rate of premium wineries based on the percentage of their revenue derived from the DTC channel.*

Percentage of case volume sales generated through DTC	Revenue growth	Volume growth
Under 40%	-6.1%	-15%
40-70%	3.9%	8%
Over 70%	6.1%	4%

Chart 1

Gross profit trends

Gross profit is how much money a winery makes on each bottle sold before operating expenses.

Margin contraction

Premium wineries are experiencing declining gross profit margins — gross profit divided by revenue — as inflationary pressures on input costs begin to flow through GAAP income statements.

Continued margin pressure in 2025

We expect gross profit margin declines to continue in 2025, as the cumulative effects of inflation from the 2022-2023 vintage flow through income statements. Pricing power is weakening, and with an environment of long inventory coupled with cash generation strategies aimed at moving aging stock, margins could take on additional downward pressure.

Vendor negotiations

Wineries can address current cash flow and future margin compression by renegotiating key vendor and sourcing contracts over the coming years.

Operating expense trends

Operating expenses are expenses not directly tied to wine production.

Growth in operating expenses

Operating expenses rose 7% year-over-year, primarily due to general inflationary pressures — including higher costs for labor, insurance, power, rent and marketing.

Increased investments in sales

To drive revenue, wineries expanded sales teams and allocated more capital to events and travel.

Widespread margin pressure

The combination of lower sales volumes and elevated fixed costs created margin pressure for wineries of all sizes.

Profitability trends

Profitability decline

Approximately 50% of the wineries in the sample were profitable in 2024, down from 76% in 2021.

Focus on cost structure

Wineries are reevaluating their cost structures to improve profitability. Many need to gain a clearer understanding of their economics on a SKU-by-SKU basis, including potential SKU rationalization for underperforming products.

Inventory trends

Inventory growth

Inventory value rose 10% year-over-year, with 84% of wineries reporting inventory increases. On average, wineries produced 15,000 cases but sold only 11,000 in both 2023 and 2024—resulting in consecutive years with a 1.3x production-to-sales ratio.

Working capital trends

Continued stress

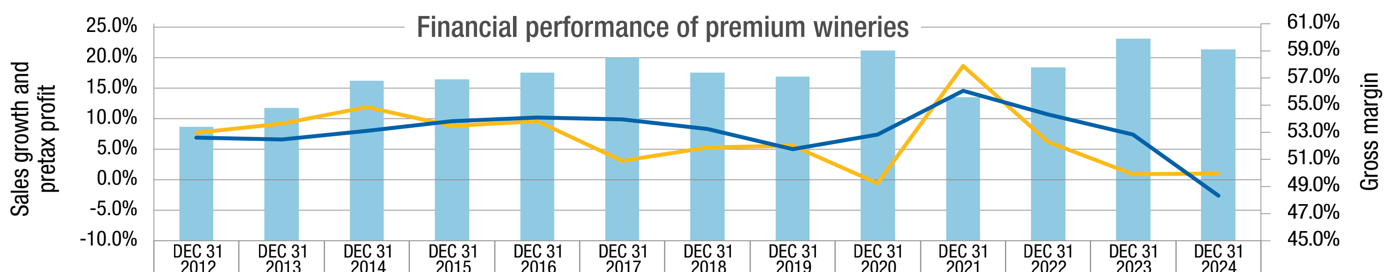
Excess balance sheet cash has been converted to inventory or used to offset cash flow deficits, straining the availability of working capital. Management must actively manage cash conversion cycles and build buffers for unexpected challenges.

Higher leverage increases strain

In general, businesses with higher debt-to-equity ratios—especially those with significant floating-rate debt—are experiencing more financial stress than peers with lower leverage. Reducing fixed costs during uncertainty can significantly improve financial flexibility.

Special offer for SVB Wine clients: Customized benchmarks

Access tailored benchmark data based on an anonymized peer set. Contact your Relationship Manager to get started.



	DEC 31 2012	DEC 31 2013	DEC 31 2014	DEC 31 2015	DEC 31 2016	DEC 31 2017	DEC 31 2018	DEC 31 2019	DEC 31 2020	DEC 31 2021	DEC 31 2022	DEC 31 2023	DEC 31 2024
Gross margin	53.4%	54.8%	56.8%	56.9%	57.4%	58.5%	57.4%	57.1%	59.0%	55.6%	57.8%	59.9%	59.1%
Sales growth	7.7%	9.2%	11.9%	8.8%	9.6%	3.1%	5.3%	5.6%	-0.6%	18.6%	6.2%	0.9%	1.0%
Pretax profit	6.9%	6.6%	8.0%	9.6%	10.2%	9.9%	8.3%	5.0%	7.4%	14.6%	10.7%	7.4%	-2.6%

About Silicon Valley Bank's Wine Division

Founded in 1994, SVB's Wine Division specializes in commercial banking for premium wineries, vineyards and the industries that support them. With the largest team of commercial bankers dedicated to the wine industry of any bank nationwide, SVB's Wine Division has offices in Napa, Sonoma and Oregon, serving clients in the fine wine-producing regions of California, Oregon and Washington. Learn more at svb.com/wine.