

Winc, Inc. – Research Report



The wine industry may be synonymous with France and the rest of Europe but it should not be forgotten that the United States has a thriving fine wine industry of its own. There are now many wine producers in the United States which produce high-quality wines rivalling most in Europe and the world.

However, not many wine producing companies can actually boast of having the ability to dramatically scale up sales and distribution. Now may be a good time for investors to consider an investment in **Winc, Inc. (NYSE: WBEV)** one of the more recognizable and remarkable producers in the U S wine industry.

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Overview

Before one decides to invest in any company, one needs to have a very good idea about the nature of its business and its operations. Otherwise, it amounts to nothing but speculation. At this point in time, **Winc, Inc. (NYSE: WBEV)** is among the wineries with the **fastest growth in the United States**. After completing its \$22 million IPO in Nov 2021 this company is rapidly expanding.

However, at the same time, it is perhaps equally important to keep in mind that **Winc Inc** is a company that has the scalability which is so vital when it comes to long-term growth. It is necessary for investors to take a look at the scale of growth in recent years.

As far as case volume sold is concerned, **Winc Inc** has managed to generate **growth of as much as 80%** over the course of the past two years. In 2020 alone, the company managed to sell as many as 430,000 cases of wine. The secret of growth at **Winc Inc** is based on two main factors. One of those is the company's brand development strategies which are fully data-driven and the other is its genuine Omni-channel network of distribution.

KEY STATISTICS

Price as of 1/12/22	\$7.00
52-Week High - Low	\$4.10 - \$14.20
Est Shares Outstanding	13.16M
Market Capitalization	\$92.694M
Average Volume 30 Day	87,386
Exchange	NYSE

Source: Yahoo Finance

RECENT NEWS

Jan. 7, 2022 -- Winc, Inc., one of the fastest-growing beverage companies in the United States, continues its strong wholesale growth with a portfolio of brands for the next generation of consumers such as Summer Water and Lost Poet. In 2021, Winc's wholesale portfolio expanded by 50% more SKUs overall and saw its brands perform well on shelves, growing by 123% in sales at Whole Foods (1) and by 75% in overall depletions among national and regional chains (2).

Dec. 14, 2021 /PRNewswire/ -- Winc, Inc., one of the fastest-growing at-scale wineries in the United States, today announced the growth and expansion of its organic wines in major national retailers including Walmart, Whole Foods, Albertsons, HEB, Central Market, and HyVee, in response to unprecedented demand from consumers.



Winc Inc has claimed that these two factors are going to allow it to bring about long-term growth in the alcoholic beverages space that is now valued at a **staggering \$400 billion**. The company has also stated that it seeks to become among the biggest players in the alcoholic beverage space through its data-driven approach and its omni-channel distribution structure.

Technical Analysis

These shares have recently consolidated from its yearly high of \$14.20 after its Nov 2021 IPO at \$13.00. With a 5 day moving average of \$7.61 and average daily 5 day volume of 91,342 these shares are ready to advance.

Some initial investors have now moved out of the way and we see movement toward the \$10.00 level and first minor resistance. In a stock that has just begun to trade, it is important to watch the volume for signs of a BREAKOUT. We feel that the sellers are now out of the way .

These shares could trade in the \$17- \$20 range, as Covid begins to retreat in the spring and restaurants begin to fully reopen . We urge all serious investors to placde these shares on their buy list and watch for a BREAKOUT on expanded volume.

RECENT NEWS (Contd.)

Dec. 8, 2021 /PRNewswire/ -- Winc, Inc, one of the fastest-growing at-scale beverage companies in the United States, today announced financial results for the quarter ended September 30, 2021. "Third quarter results were in line with our expectations as strong growth in wholesale more than offset tough comparisons in our DTC business," said Geoff McFarlane, Chief Executive Officer.

Nov. 24, 2021 /PRNewswire/ -- Winc, Inc. , one of the fastest-growing at-scale wineries in the United States, announces the launch of Summer Water Bubbly. Summer Water is a top 100 brand in Wine Enthusiast owned exclusively by Winc and is the first digitally launched wine brand to find wholesale success and scale. Today Summer Water is the #1 selling ultra-premium domestic rosé in the US market (1) with 66% year-over-year growth in wholesale depletions (2), 75% omni-channel (across both digital and wholesale channels) volume growth (3), and 88% total omni-channel revenue growth (3).



Direct to Customer Growth - DTC

A consumer-focused company cannot be one-dimensional when it comes to chasing growth and hence, it is no surprise that **Winc, Inc.** (NYSE: **WBEV**) has decided to go into the direct-to-consumer model in a big way in recent times. The company is known for a product that is organic in nature and hence, **Winc Inc** is trying to **cater to the millennials**, a substantial portion of the market that is well known for its preferences for organic products. Last year in March, the company had in fact brought out a report in which it was revealed that its organic variant of wines presented a major opportunity among younger consumers.



As far as its Direct to Consumer sales model is concerned, **Winc Inc** noted that as much as 76% of the customer pool was made up of millennial customers. The co-founder and Chief Executive Officer of the company Brian Smith had spoken about its strategy with regards to the organic offerings as well.

He stated that in order to further grow its direct-to-customer offerings, **Winc Inc** was working on partnerships for the sole purpose of expanding the organic products on offer. The combination of the company's direct-to-customer sales model and the expansion of organic offerings could help Winc with its plans for long-term growth.

Industry Highlights - Looking ahead

The U.S. wine industry relies heavily on restaurant sales comprising of half of all wine revenues. The restaurant industry was hard hit by Covid 19 lockdowns and closings. In addition wineries were forced to close down their tasting rooms. These losses were partially offset by online sales (DTC - Direct To Consumer) which we believe is a permanent shift in consumer behavior that will drive sales over the coming years. Now with partial reopenings of restaurants and tasting rooms we are looking for a blockbuster comeback in 2022. (Silicon Valley Bank Report). Pent up demand and inflationary price increases will drive 2022 sales once Covid is behind us.

According to an August 2021 survey, 73 % of the people questioned reported spending more on fine wine than at the start of the 2020 Covid lockdown. Half reported that they treated themselves to some type of luxury which prompted their investment in fine wine. More than 86% of the people questioned were planning on making fine wine consumption a permanent lifestyle change.

Wine industry titans (BELOW) have recently consolidated to lower levels due to the resurgence of the Omicron Covid variant and the prospects of restaurants closing or table restrictions being reinforced once again . With consumers flush with cash we see a resurgence of luxury " Feel Good" consumables including fine wines in the coming months.

We feel an industry wide buying opportunity may be close at hand as we prepare for the spring and summer lulls in Covid . (Best Wine Stocks For 2022)

Brown Forman (NYSE BF-B), one of the largest winemakers in the US , with 6 mos sales 2022 at \$1.9 B, with investment company Cowen & Co placing an outperform target \$100 on the shares . The company projects high single digit sales growth over the coming years.



Another giant of the wine industry Diago plc (NYSE DEO) announced a buy back of its own shares and projecting organic profit growth of 14%. Consolidating to current levels may present a buying opportunity for savvy investors . 7 analysts have a BUY rating on DEO..



Constellation Brands Inc (NYSE STZ) recently buying a stake in La Fete du Rose , a premium rose wine label is looking ahead to a stellar comeback in the wine and spirits industry . Growth is still strong despite significant demand swings in the industry. Company expects price increases to offset any decline in volume as inflation surges . 13 analysts have a BUY rating on STZ.



Investment Highlights

Now that you have a idea about the company’s business, its operations, and projected growth , it is the right time to take a look at some of the key developments from the recent past. The fresh development with regards to the company will provide investors with some of the insights that they may need before deciding on their course of action with regards to the **Winc Inc** shares. Here is a look at three recent events.

A. Advantage of the Omni-channel

Almost all companies are known for having a secret sauce that makes everything tick and in the case of **Winc Inc**, it is the Omni-channel distribution system that could be considered. The fact that the Omni-channel strategy is working can be gauged from the fact that it has managed to generate significant growth in sales recently. In

November 2021, the company managed to generate as much as 81% of its total sales at Whole Foods selling its organic wines. This reflected a major rise in the percentage of organic wine sales, which was only 58% in the third fiscal quarter of 2020.

While the company's growth has been impressive, investors are more interested in the future. It may be a good time to look into the projections of **Winc Inc.** The company recently announced that it was looking to drive significant growth in its organic wine variants in 2022 through both its wholesale channels and the direct-to-customer channel.

However, that is not all. **Winc Inc** is currently looking into building relationships with suppliers in order to significantly boost its sales. On the other hand, the company has also been working diligently in order to expand its brand portfolio. One of the products that is in focus in this context is the organic Prosecco, which is a form of orange wine and is also available in a non-alcoholic variant. The company further noted that it expects sales to rise at a much faster rate than expected in 2022.

B. Retail Boom

While the direct-to-customer model can be a strong source of sales, it cannot be denied that it can only be a small portion of the total sales. At the end of the day, a wine producer can get significant growth by expanding its retail footprint and it may be important for investors to look at the work that the company has accomplished with regards to its retail growth.

The company recently noted that the **retail sales footprint is growing at a significant rate**. At this point in time, the wines from **Winc Inc** are available in some of the biggest retail chains across the United States. Some of the retail behemoths which offer its wines include Walmart, Trader Joe's, HyVee, Albertsons, and Target.

These are all massive retail chains with footprints expanding across the United States giving **Winc Inc** platforms from which the company can turbocharge its retail efforts. At the same time, those big-ticket retailers are only five of the many other retail outlets with which the company has reached agreements.

The company announced recently that it had a retail footprint and had over 11476 accounts. That reflected a rise of as much as 53% from the retail accounts count from back in the second fiscal quarter of 2020.

Although it is true that the number seems impressive at first, it cannot be denied that it can only be taken as the beginning of the retail growth for the company. Ultimately, the company wishes to grow its retail relationships through diligent work and its ultimate target is to have as many as 50000 retail accounts in its network within the next few years.

Hence, it can be seen that there is considerable room for growth for **Winc Inc** when it comes to the retail side of the business. Ultimately a company needs to have the right products that can meet the demand of a large number

of customers for it to be a success. On that front, it can be said that **Winc Inc** does possess the products that fulfill the demand of a large number of people.

C. Rapid Wholesale Growth

On December 14, 2021, the company had come into sharp focus after it announced that it had managed to grow its retail presence significantly. As mentioned above, the company announced that its organic wines had become available at five of the biggest retail chains in the United States- Walmart, Trader Joe's, HyVee, Albertsons, and Target.

The company noted that it had been possible to get the products into those stores thanks to the “unprecedented demand’ for the products from a large number of customers. In this context, investors need to note that **Winc Inc** is trying to become a major player in the organic wine market and that market is growing rapidly. **Research suggests that the market could end up being as much as \$3.9 billion by 2027 and that is going to work out to compound the annual growth rate or CAGR of a healthy 11.6%.**

D. Strong Financial Performance

As far as investment highlights are concerned there is nothing more important than the financial performance of a company and hence it is important for investors to take a look at the latest financial results that were released by the company. On December 8, 2021, **Winc Inc** announced its financial results for the third fiscal quarter 10-Q that had ended on September 30, 2021. It may be a good time for investors to watch carefully . The company reported revenues of \$18.5 million for that period a year-on-year **increase of 3.4%**.

On the other hand, the wholesale revenues soared by **106.9% to \$5.5 million**. It should be noted that the direct-to-customer revenues actually went down by 12.8% year on year reporting \$12.7 million. The net losses reported by **Winc Inc** during the third fiscal quarter widened to \$5.7 million from \$1.3 million.

E. Product Expansion

A winery needs to be dynamic when it comes to the launch of new products since consumers are always watching for new tastes to develop. In that regard, **Winc Inc** has worked well but it is also important for companies to expand the presence of successful products. Back on November 24, 2021, the company announced it had decided to expand its successful product Water Bubbly Rose on a national scale. It goes without saying that it was a major announcement from the company and one that could lead to further growth over the course of the coming quarters and years.

Company's Management Team

A company may have the best product and a favorable market but without able management, all that cannot be maximized. Hence, it is necessary for investors to take a look at the credentials of the Winc management as well.

Geoffrey McFarlane, CEO, Director, and Founder

Mr McFarlane has been intimately linked with the company since its inception and has been serving as the Chief Executive Officer since 2018. He has been a director since as far back as 2011. Prior to his association with the company, he had been involved in the restaurant and hotel industry. He is a highly competent and experienced executive.

Bria Smith, Chairman of the Board and Founder

Like McFarlane, Smith has also been involved with **Winc Inc** since its inception and has served as the president of the company since 2018. It was back in June 2020 that Smith became the Chairman of the company's board. Before co-founding Winc Inc , Smith had established the millennial-related wine brand Jolie Folle and had sold it in 2017. Hence, his expertise with regard to the industry is beyond question.

As you can see, **Winc, Inc. (NYSE: WBEV)** is a company that not only has the right product and a thriving market, but also a management team that can make **Winc Inc** a major player . It may be the right time for investors to start tracking this company .