CFA Institute Research Challenge

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Adolfo Ibáñez University

Adolfo Ibáñez University Student's Research

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[Wine Industry, Beverages Sector]

Concha y Toro SA

Date: 11/04/2013
Ticker: CONCHA CI Equity (Bloomberg)

Current Price: CLP $935 as of 10/30/2013
USD/CLP: $508

Recommendation: HOLD
Target Price: CLP $1,031 (+10.3%)

Holding Period Return		
End of 2013E	End of 2014E	End of 2017E
2.08%	6.85%	15.56%

Source: Team Estimates

Market profile	
52 Week Price Range	900-1010
Beta	0.8498
Dividend Yield (2012 Estimate)	1.73%
Shares Outstanding in millions	747
Market Capitalization CLP in millions	698,652

Source: Team Estimates

Key Financial Data	
EV/EBITDA	16.7
EV/SALES	2.0
EV/EBIT	24.9
P/BV	1.6
P/E	22.8
EPS	40.2
Profitability	
ROE	7.1%
ROA	3.5%
ROIC	4.3%
Leverage Ratio	
Debt to capital	1.01
Net debt/ EBITDA	3.76

Source: Team Estimates

Valuation	DCF	Multipliers
Estimated price	999	1063
Weights	50%	50%
Target price	**1031**	

Source: Team Estimates

Highlights

We initiate coverage of Viña Concha y Toro (VCT) with a HOLD recommendation and a year-end 2014 target price of CLP $1,031 per share, which represents an upside of 10.3% from current level.

VCT is the largest Chilean producer of wine in terms of volume and value, producing wine in Chile, Argentina and United States. It exports to over 137 countries. The company recorded CLP $450,545 million in revenues during 2012.

We rate VCT as HOLD as we believe that the market is effectively discounting its capabilities to generate a strong and diversified revenue stream but also the underlaying difficulties to sustain margins.

Industry offers opportunities to grow

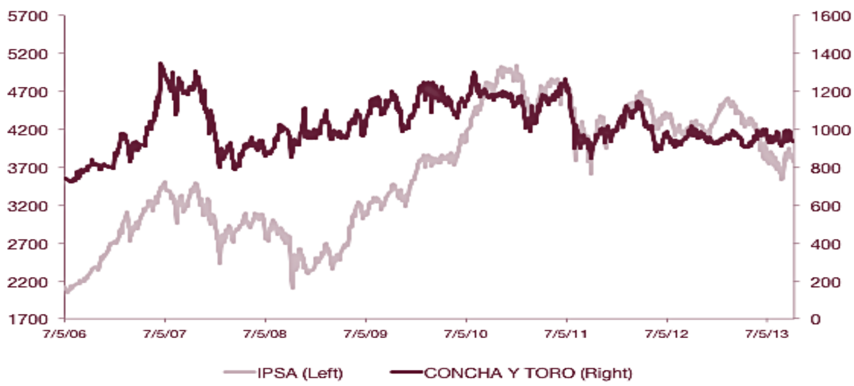
We expect the negative trends in developed countries to be more than offset by per capita consumption increasing in emerging markets.

Fully vertically integrated

This factor has led into a successful business model and great distribution network through its subsidiaries that allows Concha y Toro to reach new markets, making investments that support growth and innovation.

Threats on raising costs may affect profitable margins

Low unemployment rates, potential upturn on wages and difficulty to raise prices could affect directly on VCT´s strategy of improving its margins in its premium wine segments.



Source: Bloomberg

Price Target Sensitivity

		LT Growth						
		3.4%	3.8%	4.2%	4.6%	5.0%	5.4%	5.8%
WACC	9.12%	757	814	879	956	1048	1159	1297
	9.08%	764	821	888	967	1060	1174	1315
	9.04%	771	829	897	977	1073	1189	1334
	9.00%	778	837	907	988	1086	1205	1353
	8.96%	785	846	916	999	1099	1221	1373
	8.92%	793	854	926	1010	1112	1237	1393
	8.88%	800	862	935	1022	1126	1253	1414
	8.84%	808	871	945	1033	1140	1270	1435
	8.80%	815	880	955	1045	1154	1288	1456

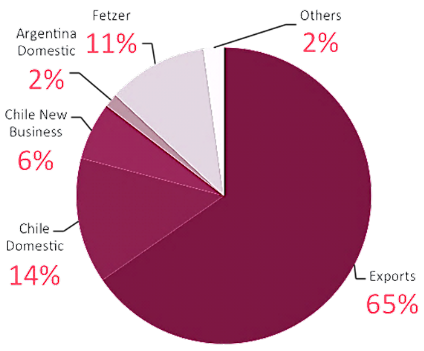
Source: Team Estimates, based on Consolidated DCF Analysis

Important disclosures appear at the back of this report

Business Description

Viña Concha y Toro S.A. is a Chilean winery company established in 1883 by Don Melchor Concha y Toro. It is one of the largest wine producers and exporters in the world, with presence over 137 countries. With more than 3,900 employees, it produces wine in Chile, Argentina and recently in the United States with the acquisition of "Fetzer Vineyards" in California. Managing its strategy in becoming a vertically integrated company, it owns and operates vineyards, winemaking and bottling factories, as well as a strong distribution network.

Figure N°1: Revenue Stream

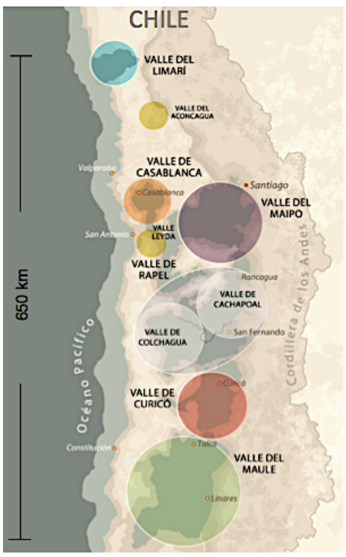


Source: Concha y Toro's Corporate Presentation, August 2013.

With a solid portfolio of wines (Appendix 1) across all market segments, Concha y Toro embraces to take place in every consumption experience, with more than 10,750 planted hectares of their own land to ensure the production of quality grapes (Appendix 2). Additionally, with a great base of know-how in its logistic, it developed an alternative revenue stream -New Businesses- coming from the distribution of other categories of alcoholic and nonalcoholic drinks. On May 13th of 2011, the Company acquired 40% of Southern Brewing Co. S.A. (Kross Beers) with the purpose of obtaining active participation in the domestic beer premium segment. The Company has strengthened its business strategy by placing themselves among the top ten winery companies in terms of volume and in a significant competitive position in terms of sales.

Revenue Stream: Reaching consolidated sales of CLP $451,870 million in the last 12 months coming mainly from exports, domestic, Fetzer's operations and new business sales (Figure 1)**.** During the period from 2002 to 2012 the company has shown a CAGR of 13.4%, mainly due to the increase in premium category sales in foreign markets.
In order to hold a diversified revenues stream, the company exports to a broad spectrum of countries, where the most significant markets are UK, Continental Europe, Nordics Countries (Sweden, Finland, Norway) and United States.

Figure N°2: Vineyards on Chilean Territories



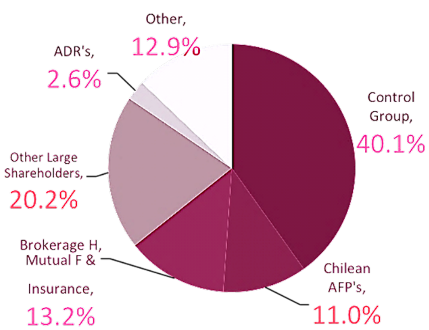
Source: Concha y Toro's Corporate Presentation (August 2013).

Strong Distribution Network: Concha y Toro has built a strong and long-term distribution network at domestic and international levels. With the creation of its own distribution offices in United Kingdom, Brazil, Sweden, Finland, Norway, Singapore, United States, Mexico, Canada, South Africa and China, it reaches a total of 23 subsidiaries (Appendix 3 and 3.1). Having an early global vision, it has negotiated exclusive distribution clauses with resellers to prevent the entrance of other Chilean competitors in these new markets.

Portfolio & Market Diversification: Commercializing premium, varietal and sparkling wine in two different packaging formats, such as bottled and bulks, the Company reaches all market segments through specialized production on its vineyards subsidiaries over Chilean territory (refer to Figure 2): "Viña Cono Sur", "Viña Maipo", "Viña Palo Alto", "Viña Maycas de Limarí", and "Viña Almaviva". This last one represents a joint venture agreement with the prestigious French winery Baron Philippe . Moreover, it expanded its business to Argentina in 1996, with the foundation of "Trivento Bodegas y Viñedos". Most recently (2011) it acquired the Californian winery "Fetzer Vineyards". This last strategic movement was made to penetrate the US wine market in order to gain some control of the zone's distribution and, appeal to the patriotic idiosyncrasy of the US society.

Global Brand Recognition: As a Chilean Company, Concha y Toro is one of the few local brands to be globally recognized, thanks to its strong branding and marketing strategy, such as the latest partnership with one of the world's most popular and successful soccer team: Manchester United, aiming to promote its premium wines and strengthening its positioning. As a matter of fact, the Company has been recognized for second consecutive year as the number one choice for global drinks buyers as "World's Most Admired Wine Brands" by the British magazine "Drinks International".

Figure N°3: Ownership Structure

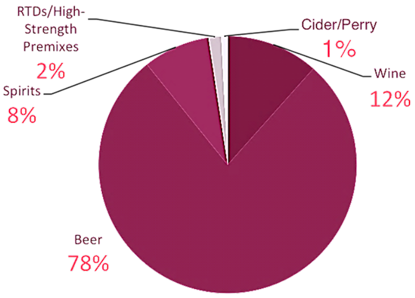


Source: Concha y Toro's Annual Report 2012.

Ownership Structure & Key Management: Viña Concha y Toro's main control group is represented by two families, *Guilisasti* and *Larraín*, together they own 40.12% of the shares. In second place, there are other large shareholders , who own 20.2%, followed by mutual funds, insurance and brokerage companies who represent the 13.2%. On the other hand, Chilean Provisional Funds (AFP's) have 11.0% of the shares. To see the rest of the ownership structure, please refer to figure 3. For more information about the board of directors and executives, go to Appendix 4.

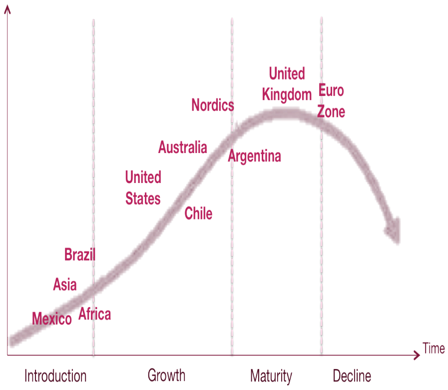
- **Directors and Senior Management:** Seven directors manage Concha y Toro's Board of Directors, which are renewed every three years and selected by the shareholders. Furthermore, the company is managed by 15 top executives, fully prepared to excel their duties and have shown to led a great company´s performance.
- ***Alfonso Larraín Santa María*** joined the company in 1969, and has been the Chairman of the board since 1998. Also, he served for two consecutive periods as the president of the association of Chilean wine exporters and bottlers. In order to pursuit a global vision, he managed to transform Concha y

Figure N°4: Distribution of Liters of Alcoholic Drinks.



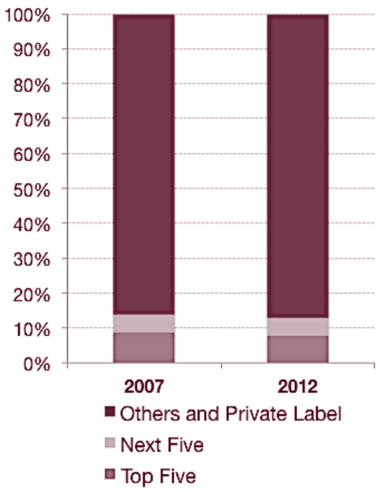
Source: Alcoholic Drinks: Spirits Onwards and Upwards. Euromonitor International.

Figure N°5: Stage of each Country in the Wine's Market.



Source: Team Estimates

Figure N°6: Global Wine Consolidation 2007/2012



Source: Passaport: Viña Concha y Toro SA. in Wine (World, by Euromonitor (October 2013)

Table N°1: Per capita Consumption by country

Country	2007	2010	% 2010/2007
FRANCE	47.11	45.70	-3%
SPAIN	33.04	26.16	-21%
ARGENTINA	27.29	23.74	-13%
UK	20.04	21.60	8%
CHILE	17.95	18.78	5%
CANADA	10.69	10.03	-6%
US	8.96	9.42	5%
BRAZIL	1.64	1.79	9%
CHINA	0.60	0.69	15%
MEXICO	0.56	0.49	-13%

Source: Wine Institute Research

Toro into an open worldwide enterprise, through the implementation of an aggressive policy of opening new markets.[1]

- ***Eduardo Guilisasti Gana***, Chief Executive Officer since 1989, has developed several strategies that have become successful, and has taken the company to an international competitive position. His management can be characterized by a strong policy of expansion in the export markets. As a result, in 1994 he led the first offer of American Depositary Receipts (ADR's) in the US, becoming the first winery in the world to be traded in the NYSE, among other significant events. Moreover, according to the British specialized media, "Decanter"[2], Mr. Guilisasti is one of the top ten most powerful men in the worldwide winery industry.

Industry Overview and Competitive Positioning

Industry Description

- **Asia Pacific Region leads the growth in the alcoholic drinks market**

In 2012, the alcoholic drinks industry was valued in over US$ 1,400 billion in global sales. Through this year, categories such as lager, still light grape wine and spirits were the most significant in terms of value. Regarding the market volume, the whole alcoholic drinks sales were 251 billion liters in 2012; where the wine's category represented about 12%, with 29 billion liters (please refer to figure 4).
The alcoholic industry has been growing at a 0.8% CAGR since 2008. The forecasted growth for the next three years is a CAGR of 2.8% due to the evolution of emerging markets such as Asia Pacific, Middle East and Africa countries; while the crisis in the Western Europe has threatened the expected evolution of mature markets. (Figure 5, Appendixes 5 and 5.1).

- **Wine Industry: Market remains fragmented**

According to Euromonitor International, still light grape wine is the second category in terms of sales on the alcoholic drinks industry with US$ 211,555 million, being red wine the one that dominates the global sales due to its health benefits.
It is of great importance to highlight the heavily fragmented nature of the wine category, where 10 of the biggest companies handle 13% of the market (Figure 6). This means that enterprises are making emphasis on the improvement of their margins rather than focusing on volumes.
According to the International Organization of Vine and Wine (OIV), in 2012, the traditional world wine exporters (France, Italy and Spain) grew at a rate of 7.2% in terms of euros, while the new exporters (Australia, Chile and USA) almost double it with a rate of 11.7%. However, sales for traditional producers decreased by 6.2% in volume while new producers increased by 6.4%.

- **Macroeconomic Outlook**

According to the International Monetary Fund, emerging market countries are coming off the cyclical peaks, and their growth rates are expected to continue much above of the advanced economies but below the high levels seen in recent periods. Regarding the countries where the Company operates and produces its wines, in terms of GDP Chile is expected to grow 4,4% in 2013 and 4,5% in 2014; Argentina 3,5% and 2,8% in 2013 and 2014 respectively; USA 1,6% and 2,6% for the same two years forward.

- **Chilean Market**

In 2012 the Chilean wine industry grew in terms of volume at a rate of 0.18%, and 0.38% in value. Nevertheless, the premium wine exports decreased 0.18% in volume and 1.1% in value. According to the Wine Institute Research, in terms of per capita consumption, from 2007 to 2010 it has increased 5%.
The challenging market situation where the competition between popular wines segment (such as tetra briks) and its indirect substitute, beer; has maximize the company's efforts oriented to the improvement of its profitability. AC Nielsen reports showed that chilean consumption of wine has decreased by 2.0% through the year 2011 and 4.7% in 2012.[3] That is one of the reason why the company has made emphasis on premium segments, which, opposite to other segments, has presented a growth opportunity.

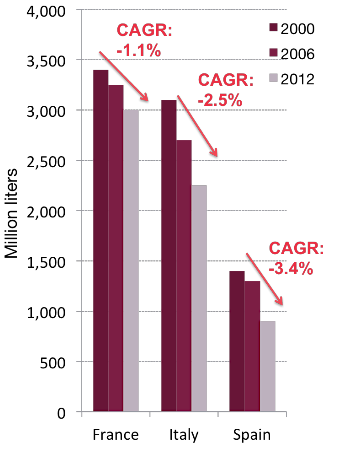
- **Argentinean Market**

This market its entering into a maturity stage, refer to Figure 5. According to the Wine Institute Research, in terms of per capita consumption, from 2007 to 2010 it has decreased 13%. Instability in macroeconomic environment still impedes value creation and innovation developments in the industry.

- **North American Market**

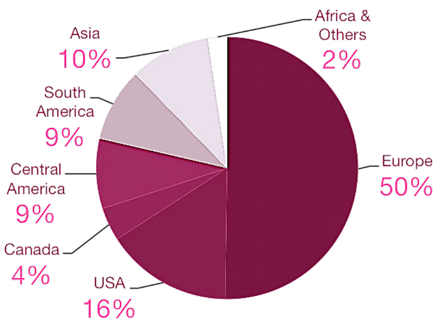
The U.S market is huge in terms of volume and value and is destined to become a major consumer in the next few years. According to the Wine Institute Research, in terms of per capita consumption, from 2007 to 2010 it has increased 5%. For more information about per capita consumption refer to Table N°1.

Figure N°7: Evolution of consumption on Europe's main wine producers since the year 2000 to date.



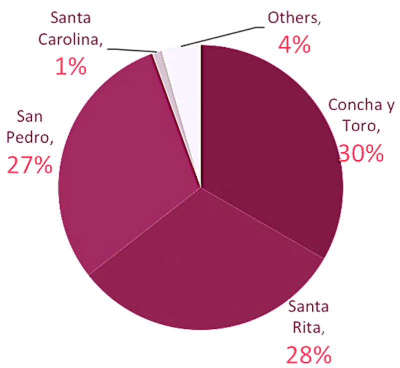
Source: OIV 2013 and Concha y Toro's Investor presentations, September 11th, 2013.

Figure N°9: Last twelve months exports Volume by Region (Considers Chilean, Argentinean Exports, Fetzer and distribution))subsidiaries).



Source: Concha y Toro's Press Release (3Q 2012 to 2Q 2013).

Figure N°10: 2012 Domestic Market Share by Volume



Source: AC Nielsen

- **Global Economic Crisis**

It is the most significant trend affecting not only the chilean wine industry, but also Concha y Toro's results. This trend, has had an important impact on consumption, specially of traditional markets, as described above, generating a turn on the focus of the industry towards emerging countries. The reason why Concha y Toro has maintained its position and improved its sales, is the width and depth of its portfolio and branding strategy, making it easier to address faster than other companies to the market demands.

Yields increase while production shrinks

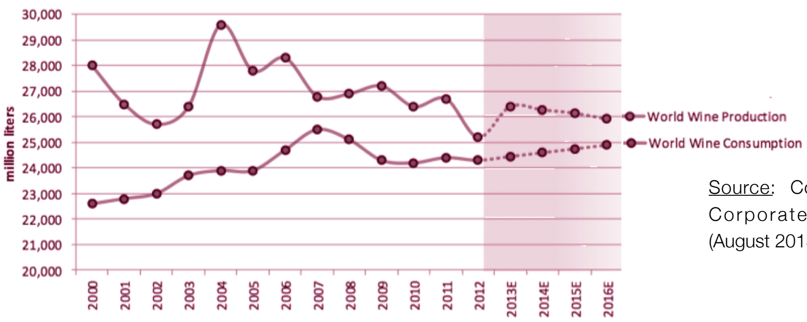
In the last 4 years as shown in Appendix 6, the world surface area of vineyards has decreased primarily because of the European shrinkage, mainly in Italy, France and Spain; notwithstanding that Asia, America, Africa and Oceania have presented a minor increase. Given this fact, new players from the emerging markets are becoming more important given the rise on wine consumption and consequently the growth of areas under vines.

Along with the diminish of areas under vine, the production followed the same trend, also due to poor weather conditions in Europe, which resulted in a decline per year of 0.9%. Growth rate has been mainly affected by traditional countries such as France, Italy and Spain (CAGR of -2.7%, -2.1%, and -2.6%, respectively).

Historically the big producers were big consumers, but nowadays they have decreased their consumption and production. Major countries such as France, Italy and Spain have being reducing their wine consumption on an average CAGR of 2.3% since 2000 (please refer to Figure 7 for individual details of each country consumption decline).

On the other hand, the wine consumption has grown in the last 12 years at a rate of 0.6% per year, mainly due to the increase of consumption in countries such as Russia (6.8% CAGR), China (4,3% CAGR), Australia (2,7% CAGR) and USA (2,6% CAGR). However traditional consumer countries from West Europe, have shown a significant decrease in their wine consumption due to the crisis and poor weather conditions, as described above (Figure 8).

Figure N°8



Source: Concha y Toro's Corporate Presentation (August 2013).

Business Strategy based on premium and super premium wines

The company wine´s portfolio consists on a wide range of products, which made the company able to participate in all market segments, offering high quality wines at competitive prices. The Company has focused its strategy especially in premium categories, which have enabled it to increase its margins and the average sales price. Accordingly, the company has been investing in land, vineyards and infrastructure in order to increase its own production and improve the quality of its wines. Referring to its integration strategy, in 2012 the company established two new subsidiaries: Canada and South Africa. Additionally in order to serve the Asian market it opened a new office in Singapore and Shanghai.

Concha y Toro´s competitive position

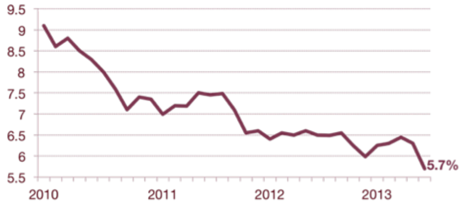
Globally, Concha y Toro is the 6th worldwide largest company in terms of volume, reaching a market share of 1% (Euromonitor International). Compared to year 2010, the Company moved up on the ranking, which is mainly due to the acquisition of Fetzer. Furthermore, the Company in Chile faces a strong competitive advantage in terms of production costs. We made a SWOT analysis on Appendix 7.

- **Exports markets:** the Company reaches wine segments all over the world, still being its main export market (in terms of volume) the european countries (please refer to Figure 9 in order to note the CTV's exports share). The global appreciation of the world wine producers currencies has forced them to emphasis on premium wine segments, increasing the average price and reducing their volumes. However, Concha y Toro has been able to compete successfully, increasing its exports sales in terms of value, placing them as the leader of the Chilean market on exports sales with a 35% of market share, followed by Viña San Pedro (13%) and Santa Rita (5%). On an International level, the companies that compete against CTV are: Constelation, Baron de Ley, Yantai-Changyu, Treasury Wine States, Pernot

Ricard, and Diageo. For more information about Concha y Toro's comparable companies, please refer to Appendix 13.

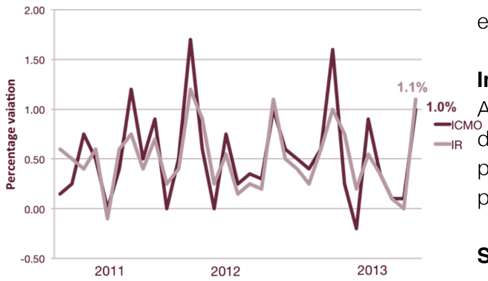
- **Domestic position:** In Chile Concha y Toro has leadership in terms of market share holding the 30% of the domestic sales. The most remarkable factors that have contributed to the company's strong position are its latest investments in technologies and production techniques for producing premium and super premium wines. Moreover, the industry concentration has been increasing among the years, which shows a favorable scenery to the company, because it removes price pressure to wine sales in the domestic and exports market. Because of this, the three largest players in the chilean domestic market are Viña Concha y Toro (29,6%) , Viña San Pedro (28%) y Viña Santa Rita (26,7%). (For more details, please refer to Figure 10).

Figure N°11: Chilean Unemployment Rate 2010-2013



Source: IPOM, Chilean Central Bank. September 2013.

Figure N°12: Chilean Labor costs and wages, 2011-2013

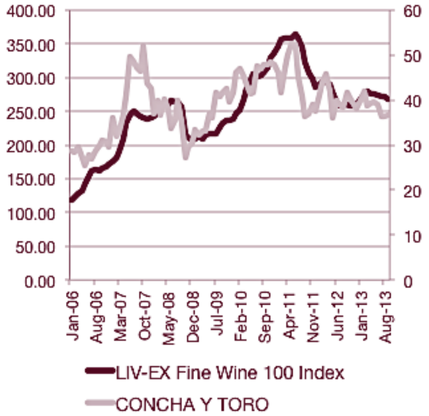


Source: IPOM, Chilean Central Bank. September 2013.

Figure N°13: Concha y Toro's return vs. IPSA Index (2006-2013).

Source: Bloomberg.

Figure N°14: Concha y Toro's return vs. LIV-EX Fine Wine 100 Index (2006-2013).



Source: LIV-EX.com

Investment Summary

Headquartered in Santiago, Chile, the Company has a strong position as a global wine producer and exporter becoming the biggest wine producer in Latin America.

Industry offering opportunities to grow

As we can see in figure N°8, the estimated world wine production in million liters for year 2016 will still dwindle, while world wine consumption will rise. This offers a great opportunity for the Company to penetrate into emerging markets, such as Asia Pacific and Latin America, whose have shown a growth in per capita consumption as we can see in Table 1. For a further analysis see Appendix 5.

Successful business model can carry them all

- **Fully vertically integrated:** Every investment decision that the Company has taken lately has been framed in a global strategy which is to become a vertically integrated organization, developing a great distribution network through its subsidiaries that allows Concha y Toro to reach new markets, making investments that support growth and innovation.
- **New business and diversification portfolio policy:** Making the most of its know how about distribution networks, the Company has been able to make gains through diversification on its revenues stream.
- **Global brand recognition:** Concha y Toro is one of the most popular Chilean brands and its partnership with Manchester United soccer team achieves a global brand positioning.
- **Sales generation:** Through time, the Company has shown a significant increase in its revenues. From 2001 to 2012 it raised its sale from CLP $40,000 to CLP $450,000 million. Moreover the net income jumped form CLP $10,000 to CLP $30,000 million, which reflects a great management performance and a strong competitive position.

Lowest unemployment rate and political issues threats to raise labor costs

As we can see in Figure 11, Chilean unemployment rate has reached its lowest point of 5.7% in recent years, which could directly affect its labor costs and margins. Moreover, new political proposals in the upcoming Chilean presidential elections on November may raise wages policy due to increasing social demands in this subject, which was reflected during the labor strike that affected the Company on June 2013. As we can see in Figure 12 labor costs and wages have increased during the last period.

Defensive stock profile

Levered beta of 0.8498 displays that stock price has a lower risk than the market, which is reflected in Figure 13, where we can see that the stock return are more stable than the market during recent periods. Concha y Toro's products are not basic consumer's goods, but its diversification on its portfolio and revenue stream allows a defensive stock profile.

The LIV-EX Fine Wine 100 Index is used globally as a benchmark price for wine merchant sellers and buyers, including 100 mayor companies from France and Italy of the wine industry. As we can see in Figure 14, where we compare Concha y Toro's returns versus Fine Wine 100 Index and S&P500, we can conclude that the Company presents less volatility, due to the fact that it has been more stable through time.

Strong stigma related to low prices

We are very conservative on the fact that the company will struggle to raise prices of its wines, since for Chilean wines there has been a strong stigma of cheaper wine. Nevertheless, VCT and its peers have been trying to improve national image on international markets, making the price to match the appropriate quality of the product.

Possible investment risks.

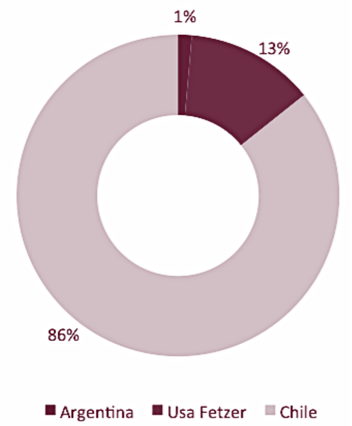
The company could find a major downside if is not capable to obtain gains from the consumption in new markets, the difficulty to raise prices and high competition could lead companies to jeopardize its margins.

Table N°2: WACC Calculation by Country

WACC Calculation	Chile	Argentina	United States
Risk Free Rate	5.00%	10.45%	1.76%
Risk Premium	6.85%	14.8%	5.8%
Marginal Tax rate	25.7%	25.7%	25.7%
Cost of Debt	5.18%	14.18%	4.13%
Cost of Equity	10.82%	23.03%	6.69%
WACC by Country	**8.98%**	**19.72%**	**5.73%**
WACC VCO	**8.96%**		

Source: Team Estimates and Aswath Damodaran Estimations

Figure N°15: Value of the Company by Country



Source: Team Estimates

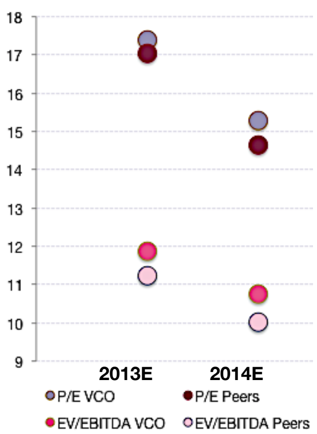
Table N°3: Multiple Valuation Summary

EV/EBITDA	
EBITDA 2014 VCO	90,795
Enterprise value	965,264
Equity	774,264
Target price	1,036
Upside potential	10.86%

P/E	
EPS 2014 VCO	68.784
Target price	1090.23
Upside potential	16.60%

Source: Team Estimates

Figure N°16: Multiple Valuation, Concha y Toro vs. Peers.



Source: Team Estimates

Other risk come from volatility in exchange rate and raises in labor cost. We performed a scenario analysis in order to dimension major gains or losses. Please refer to Appendix 8.

Valuation

We valued Concha y Toro in a multi-stage Discounted Cash Flow (DCF) model as the sum of the parts and a comparable company multiple pricing analysis.

The DCF valuation is based on the Free Cash Flow to the Firm (FCFF) approach, since the company has a target capital structure. We are convinced that the most appropriate estimation is an eight-year forecast, due to the wine's extensive production cycle and the company's strategy of betting for premium wine that requires more time in barrels. It also includes a terminal value with perpetual growth, in nominal CLP terms.

DCF Method

We derivate a target price of CLP $999 for year-end 2014 providing and upside of 6.85% from current price level of $935 at October 30th. According to the company's production and operations structure, we separate the DCF into three different approaches for each country: Chile, Argentina and United States, owing to value the magnitude of each production area. Subsequently, we consolidated the three of them into one DCF for the company (refer to Appendix 9). The main components of our forecast model are:

- **Sales Forecast:** The estimation is based on liters sold per year with a foreign exchange CLP/USD of CLP $515 for 2014 and CLP $510 for the next years according to Bloomberg, which is separate by country into exports and domestic sales. The company's projected growth rates are based on an historical performance and team estimations about the market and industry perspective.
  Chilean sales represent the most important revenue stream for the company, betting for 4.0% growth rate in export sales according to the strategy of investments in emerging markets subsidiaries which is also consistent with the estimation of the IMF for the world output from 2014 onwards. We estimated a growth of 2.0% for domestic markets justified mainly by the high competition and the market reaching a mature stage in the long run. Referring to new business revenues, we forecasted a growth of 10.0% due to an excellent performance and high historical growth.
  Argentina has shown a negative CAGR between 2008 and 2012, nevertheless we are positive and estimate a very conservative growth of 1.0% for export and 1.0% for domestic.
  For Fetzer's operations in United States, we are optimistic about profitability of this last acquisition expecting a growth rate of 7.0% for exports given the introductory stage of this new brand. For domestic market, the projected rate is 4.0% due to the high potential upside in the wine consumption per capita of the country. To see the Income Statement and Balance Sheet, please refer to Appendixes 10 and 11.

- **Terminal value**: Residual growth rate was estimated by country, based on economic scenario and team expectations for company revenues and wine industry. Chilean perpetuity growth rate of 4.7% was based on the GDP expectations of 4.5% plus the increase in consume of wine per capita in emerging markets, the tendency in healthier lifestyle and the focalization of premium wines, Argentinean terminal growth rate of 1.0% was based on the expected GDP of 2.8% minus the difficulty for developing business and United States rate also a 1.0% due to an expected GDP of 2.6% minus an expected high competition in the wine industry giving little room for valuable growth. Reaching a consolidated perpetuity rate of 4.6% for the entire company.

- **Capex:** In 2011 incremental Capex reached a top amount of CLP $25,580 million explained by Fetzer's acquisition. Therefore, we calculate a projected Capex as the last three years average increasing a 4.0% per year to be conservative and consistent to sales growth.

- **WACC:** The cost of equity was calculated using a CAPM model. Differentiating a WACC rate for each country adjusted by the cost of debt, country risk, risk premium and government bond risk free rate for each country, maintaining debt structure on 0.26x (D/EV) and a marginal tax rate of 25.7%. Un-levered (0.6759) and levered (0.8498) betas come from Aswath Damodaran 2013 estimates. WACC rates are 8.98%, 19.72% and 5.73% for Chile, Argentina and United States respectively. Consolidating a WACC rate for the entire company of 8.96% calculated as a weighted average according to sales wight (refer to Table 2). This estimation led us to know the value of the Company by country.

- **Enterprise value:** Chile represent an 86% of the whole enterprise value, with an amount of CLP$ 803,000 million approximately, followed by United States with 13% equivalent to CLP$ 121,000 million. Finally, Argentina represents the 1% of the company with CLP $13,000 approximately (Figure 15). THe consolidated value of the company is CLP $937,000 million.
  We performed a sensitivity analysis showing the percentage of change of the company's value, variating the perpetual growth of each country. Please refer to Appendix 12.

Multiples Valuations

Having previously chosen an appropriate comparable group of companies (refer to appendix 13) to value through this method we use as benchmark Enterprise Value to EBITDA (EV/EBITDA) and Price to Earnings (P/E) ratios, both based on two year forecasted means.

The projected EV/EBITDA for comparable companies for 2014 year-end is 10.63x and the estimated EBITDA for VCO is CLP $90,795 for the same period, therefore the projected enterprise value for that year-end is CLP $965,264 million, adding cash and equivalent of CLP $58,625 million and subtracting CLP $249,625 million of total debt, we have an estimated equity value of CLP $774,264 million divided by 747 million of outstanding shares gives a projected price of CLP $1,036 per share (Table 3 and Figure 16).

The comparable company's P/E average ratio is 15.85x, and Concha y Toro's forecasted earnings per share for 2014 is CLP $68.784, as a result the estimated price for the year-end is CLP $1,090.23.

Target Price

Using weights of 50% on DCF, 25% on EV/EBITDA and 25% on P/E our target price for year-end 2014 is CLP$1,031. DCF has a higher weight because we are convinced that the most appropriate estimation is an eight-year forecast, due to the wine's extensive production cycle. On the other hand, multiple analysis has a lower weight due to a short-term elements dependence making it hard to estimate an accurate price. Even though EV/EBITDA ratio gives an upside potential of 10.85% from the current price CLP $935.27, P/E ratio provides an upside of 16.60% and DCF an upside of 6.85%, our weighted average upside is 10,3% which implies a HOLD recommendation, because the company does not has an significant premium return over the market and is lower than its cost of equity which is 10.82% (Table 4).

Table N°4: Target Price.

PRICE FROM RELATIVE VALUATION	Weigh	Price	
P/E	25%	1090	273
EV/EBITDA	25%	1036	259
DCF	50%	999	500
Price per share			1031
Upside potencial			10.29%

Source: Team Estimates

Financial Analysis

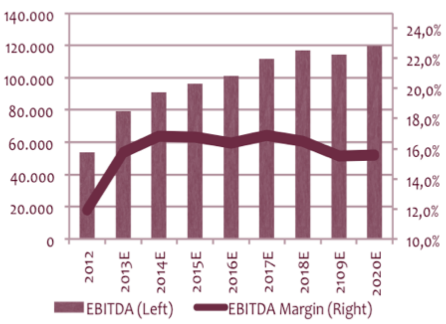
Sustainable sales

VCT has presented sustainable earnings in the last couple of years due to the leadership in the domestic market, high exports volume and the constant search for new markets helped by its strategy of vertically integrating its distribution chain. We estimate revenues to reach CLP $767,000 million by 2020 implying a CAGR of 6,9%. This is a caused primarily by the projected growth rate for U.S and Chilean operations.

Margins: Premium wines tasting better

The company has been turning its strategy into the premium wine segment, focusing into its margins more than volumes, Historical margins have shown a decrease in recent years mainly caused by higher cost related to inventory after the earthquake that affected Chile in 2010 and raising expenses in labor and energy costs. Moreover, Chilean wines have been struggling with its cheap and simple wine stigma, making it difficult to improve prices. On the other hand, as VCT is a company where its exports represent a significant portion of its revenue stream, a potential forward depreciation of the Chilean peso will benefit the outcomes of the winery. Nevertheless, we cannot be subject only to macroeconomic cycles; therefore we project an improvement on its production processes. Refer to Figure 17.

Figure N°17: EBITDA vs. EBITDA Margin.

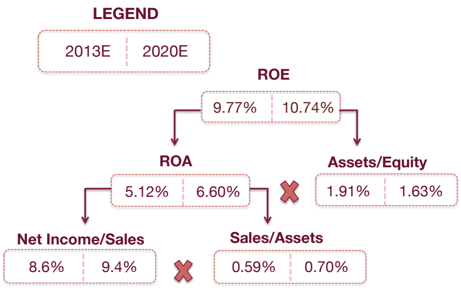


Source: Team Estimates

Change in Credit Rating

According to Humphreys Ratings, VCT has been downgraded from AA to AA-, owing to an increase in its debt in terms of absolute value and as a portion of its generating cash flow capability. Historically the company has been financing its operations through a capital structure maintaining 50% debt to assets, but recently has shown a 140% increase in its financial liabilities aiming to finance Fetzer acquisition, issuing new debt in the Chilean market in 2011. Despite this, the company has shown a strong competitive and financial position due to its sales levels, profitable ratios and good management performance.

Figure N°18: DuPont Analysis for 2013E & 2020E (Appendix 14)



Source: Team Estimates

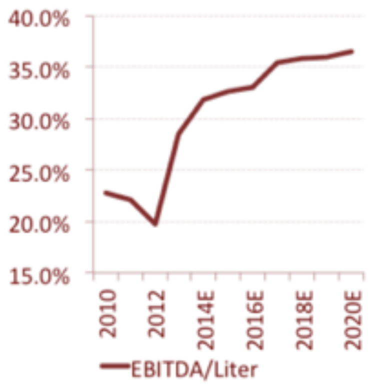
DuPont Analysis (Appendix 14)

Historical ROE between 2010 and 2012 decreased from 11.31% to 7.14%, triggered by an increase in its equity multiplier by an increase on its assets due to Fetzer's acquisition and high inventory levels. On the other side, ROA dropped from 7.17% to 3.55% caused by a net income fall in 2012 related to higher interest expenses and distribution costs mixed with assets increase. Forecasted outcomes reflect a stable ROE positioning around 11%. Referring to ROA we can see that could increase from 5.12% to 6.6% for 2020 estimations (Figure 18), due to an upturn on its net income level that may be more significant than possible increase on its assets, which is aligned with the strategy on premium wines betting on higher margins. Speaking of leverage ratio (assets to equity), we forecast a decrease, mainly caused by an increase on equity greater than assets, consistently with the higher net income level previously mentioned.

EBITDA to total liters sold ratio

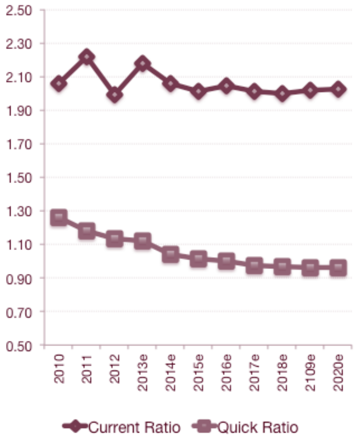
As team estimation we calculate a ratio that may reflect the Company's capability to generate operational income by liters sold. As we can see in Figure 19, this capability on cash flow generation during the forecasted period could be influenced by an improvement on margins by liters sold, consistent with its strategy on premium.

Figure N°19: **EBITDA to Liters sold.**



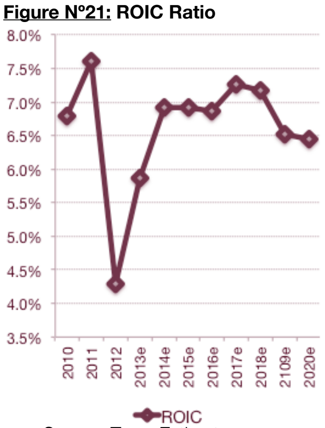
Source: Team Estimates

Figure N°20: **Current and Quick Liquidity Ratios**



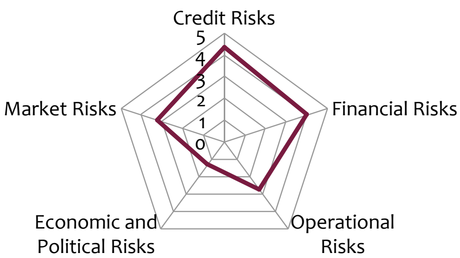
Source: Team Estimates

Figure N°21: **ROIC Ratio**



Source: Team Estimates

Figure N°22: **Mitigation of risks.**



Source: Team Estimates

Ratios playing for our team (Appendix 15)

- **Liquidity Ratios:** Current ratio presents a stable performance in the forecasted period, which means that the Company would be able to cover their short term liabilities.
  Quick ratio reflects a slight decrease, which is consistent with VCT's premium wine segment penetration strategy that involves having more inventories for longer periods. (Figure 20)

- **Solvency Ratios:** Debt/Equity ratio shows that during the forecasted period the Company is able to maintain its leverage ratio covenant not greater than 1.4x**.**
  Interest coverage (EBITDA/Interest expenses) ratio also satisfy its covenant about keeping a minimum level of 2.5x, showing that the Company will be in a health financial position.

- **Profitability ROIC:** We appreciate ROIC ratio which measures the capacity to generate net operating profits after tax over invested capital. Figure 21 shows that after a significant decrease for year 2012 - caused by a net income drop - we project a raise on its performance justified by a net income increase greater than equity. After 2014 ROIC maintains stable during the forecasted period, which is aligned with our HOLD recommendation.

Corporate Governance and sustainable development

- **Alignment of interests**: Viña Concha y Toro publishes its quarterly results and annual reports to the "Superintedencia de Valores y Seguros (SVS)" - which is equivalent to the Security Exchange Commission (SEC) in United States - to maintain a high quality of information that allows investors, clients, suppliers, employers and consumers to know about health position of its financial statements. Code of Business Conduct & Ethics is also relevant to the Company's strategy and corporate governance policy, which requires that every director, officers and employees must commit to the laws, ethic and integrity standards.

- **Social responsibility and sustainable development**: According to the Company data, Concha y Toro has always had a caring approach towards sustainable activities and social responsibility, prioritizing better agricultural practices, rational uses of natural resources in order to have a productive operation consistent with a sustainable long-term vision. Because of it, the company has promote vanguard technical guidelines, a constant investment on human capital, partnerships and research that help them improve productive processes with the objective of ensuring an exceptional quality and an optimal use of resources. Concha y Toro has the conviction that caring for the environment is one of the company's core business strategies.(For more information refer to Appendix 16).

Investment Risks

Concha y Toro, as every company, is not extent of risks. The Company´s target price is affected by operational, economic and political, financial and credit risks. Figure 22 show which risks are mitigated by the Company's actions, and Appendixes 17 and 17.1 present other risks not described below and the probabilities of the risks listed below and the possible impacts on the price.

OPERATIONAL RISKS

Agricultural and Weather Risks: Influence on wine making and grape growing

The most important activities on a winery company are subject to agricultural threats such as diseases and pests; and climate phenomena like drought, frosts and other conditions. All of them can adversely affect the quality, quantity, and costs of grapes, generating an impact not only on the Company's production, but also on the quality of its products and its profitability.

- **Grape supply:** it is directly affected by agricultural factors, influencing straightly on the wine's costs.
- **Emergent territories** Traditional countries are experiencing a lack of lands to expand their production operations. However, developing countries are facing a trend on terms of availability of territories, bringing new players into action.

Dependence on distributors: A strong distribution network

The Company has a strong distribution network to sell its products on export markets. For it to be successful, it has written exclusive distribution agreements with its distributors with duration of one or two year terms, automatically renewable, to ensure Concha y Toro's competitive position in international markets.

Some of these distributors also compete with wines that compete directly with the Company's products, creating a risk that these distributors may give higher priority to the competitors' products.

Suppliers: High Dependence on their suppliers network

To cover its bottle requirements, the Company depends only on one supplier: Cristalerías de Chile S.A., whose mayor shareholder is Viña Santa Rita, one of Concha Toro's main competitors. Any problem on the

bottles' production may affect, on the short term, the Company's operations.
To package wine in Tetra Brik packages the company has a license from Tetra Pack de Chile Comercial Ltds, to supply an important domestic demand of wines sold in Tetra Brik packages.
937 external vineyards provide grapes and 30 producers bulk wine. So, as the Company depends on external players to satisfy their demand of raw materials, disruptions on these or the increase in prices could have an adverse effect on the Company's earnings.

MARKET RISKS

Competition: Highly fragmented market

For years traditional markets such as France, Italy and Spain have congregated the market of wineries. Nowadays, new players have risen, mainly coming from emerging countries like United States, Argentina, Chile and Australia. This has contributed to a more fragmented market, where, as shown on Figure 6, the Top 10 companies account only for a 12.4% of market share.
On the other hand, the concept of brand in the wine industry remains relatively new. However, this trend seems to rising as wine consumption shifts from the Old World o the New World and emerging countries.
It is important to highlight that even though the market is fragmented, this industry has strong barriers for new entrants, especially because of the high requirements of capital investment. We realized a Porter's analysis on Appendix 18.

Substitute products: Beer, the main rival

Even though there aren't direct substitutes in terms of taste, substitutes appear in terms of the occasions of use. According to Euromonitor International, beer is expected to continue growing through the next years, specially because of the rise on the consumption of low and non-alcoholic beers, and premium lagers. Because of it, beer will still be the world's most popular drink in terms of lpa consumption, by the year 2017. It is relevant to consider this category, especially when summer has extended. Appendix 19 exhibits the consumption per region per category, showing that beer is the most popular alcoholic drink in almost every area, presenting a threat to wines in terms of substitution.
It is important, also, to consider the role of Pisco in Chile. Pisco is a grape-based spirit very popular among Chilean and Peruvian population, used especially on cocktails. It represents a threat, especially among younger segments as a traditional party beverage.

ECONOMIC AND POLITICAL RISKS

Taxes, tariffs and government regulations risks: Changes on taxes regulation and its effect on the Company's profits.

Wines are subject to several taxes and tariffs among countries; an increase on them could affect the Company's sales, as the wine consumption declines. Also there is a potential risk that certain countries could intrude restrictions to imports and exports, however Chile has not been the target of any of this threatens; but Argentina with its populist organization, is exposed to high variations and changes on the taxes regulations. In this country, there's also a high risk of probable expropriation of international companies, making it more common for other countries to invest on this economy.
On November 2013, there are presidential elections in Chile, where one of the potential candidates, Michelle Bachelet, from the center left political party has proposed a tax reform that would increase corporate taxes from 20% to 25%. This would affect directly the company's earnings.
The production and sale of wine is under an extensive regulation framework, within and outside of Chile, in terms of licensing requirements, trade and price practices, permitted and required labeling, advertising and relations with wholesalers and retailers. There are no assurances that new requirements or licensing fees upturns - that would affect negatively to the company's operating results- would take place.

Labor indicators: An increase on labor hand cost.

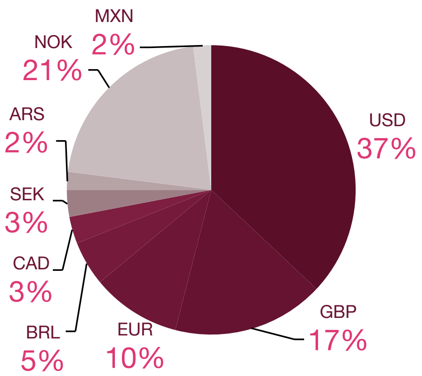
The rise on the minimum salary, caused variations on the General Index of Remunerations -IR- (+1.1%) and in the General Cost of Labor Hand -ICMO- (+1.0%). This is consistent with trend that has followed the year 2013 (Figure 12).
This has an impact on companies like Concha y Toro, as their costs are affected on a negative way.

Financial Risks

Currency fluctuations: Highly exposed sales.

Given Concha y Toro's export nature, sales are mainly expressed in foreign currencies: almost 79% of it sales depend on foreign currencies, especially on USD and GBP (54% of them). Because of it, this risk is highly dependent to the appreciation of the Chilean peso regarding other currencies, which may affect the company's financial condition and results of operations. This means, that the sales of the Company, in terms of Chilean pesos, are highly exposed to exchange fluctuations. For more information of VCT's currencies exposure, please refer to Figure 23.
In order to mitigate the effects of currency fluctuations, the Company checks daily the net exposure of each currency and states forward exchange agreements in order to cover the differences, using in some occasions Cross Currency Swap or other derivatives.

Figure N°23: VCT Currencies Exposure



Source: Concha y Toro's Corporate Presentation, August 2013

Inflation: Moderated levels will not affect the business in Chile.

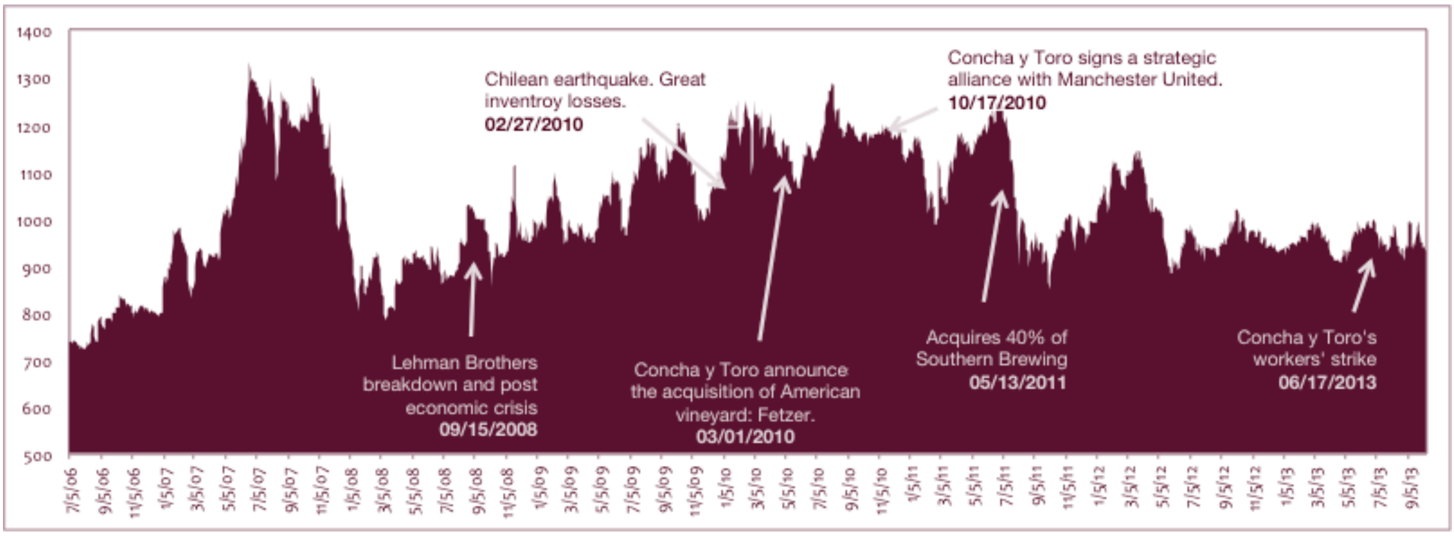
High levels of inflation affect the Company's financial condition and operational results, as the economy is impacted by it. Concha y Toro believes that their business in Chile will not be highly influenced by moderate inflation.

The depth of corporate bonds known as UF (Unidad de Fomento), characterize the Chilean financial market. The UF ensures a specific return in real terms, isolating the inflationary risks.

To December 31st, 2012, Concha y Toro has 28,7% of its debt denominated in UF. To cover their exposure to UF fluctuations, the Company has taken Swap agreements.

A summary of all these risk are shown on Figure 24, which reflects stock performance through contingent events through time.

Figure N°24: Stock performance through time



Source: Blloomberg

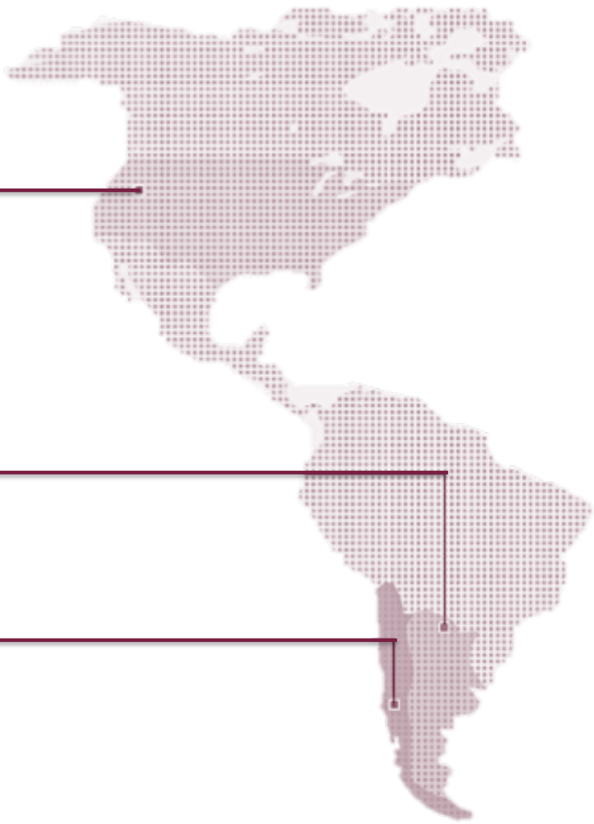
Team disclosure:

We assign a HOLD rating when a security is expected to deliver lower returns than the market portfolio. A BUY recommendation is given when the security is expected to deliver greater expected returns than the market portfolio, while a SELL rating implies negative expected returns.

Appendix 1:Concha y Toro's Wines' Portfolio

CONCHA Y TORO	- Frontera - Sunrise - Sendero - Casillero del Diablo - Trio - Gran Reserva - Marqués de Concha y Toro - Terrunyo - Amelia - Don Melchor
CONO SUR	- Bicicleta - Organic - Reserva Especial - Single Vineyard - Sparkling - Cosecha Noble - 20 Barrels Limited Edition - Ocio
VIÑA MAIPO	- Alto Tajamar - Protegido - Limited Edition - Vitral - Gran Devoción - Varietal - Dulzino - Sparkling
PALO ALTO	- Sparkling - Rosé - Sauvignon Blanc - Reserva II - Reserva I - Organic - Winemaker's Selection
MAYCAS DEL LIMARÍ	- Reserva - Reserva especial - Quebrada Seca
BODEGA TRIVENTO	- Tribu - Eolo - Golden Reserve - Amado Sur - Reserve - Espumantes - Brisa de Abril
FETZER	- Crimson and Quartz - Pinot Grigio - Sauvignon Blanc - Chardonnay - White Zinfandel - Riesling - Gewürstraminer - Moscato - Pinot Noir - Shiraz - Malbec - Zinfandel - Merlot - Cabernet Sauvignon
BONTERRA	- Sauvignon Blanc - Viognier - Pinot Noir - Zinfandel - Chardonnay - White Riesling - Merlot - The Butler - Muscat - The MCNAB - Syrah - Cabernet Sauvignon
ALMAVIVA	- Almaviva
CANEPA	- Magnificvm - Genovino - Finísimo - Reserva Privada - Novísimo

Appendix 2: Concha y Toro's Productive Operations



USA
463 hectares planted

Wineries
Fetzer Vineyards
Bonterra

ARGENTINA
1,154 hectares planted / **8** vineyards

Wineries
Trivento Bodegas y Viñedos

CHILE
9,133 hectares planted / **15** vineyards/ **9** valleys

Wineries
Viña Concha y Toro
Viña Cono Sur
Quinta de Maipo
Endolia Fine Wines
Viña Almaviva (1)

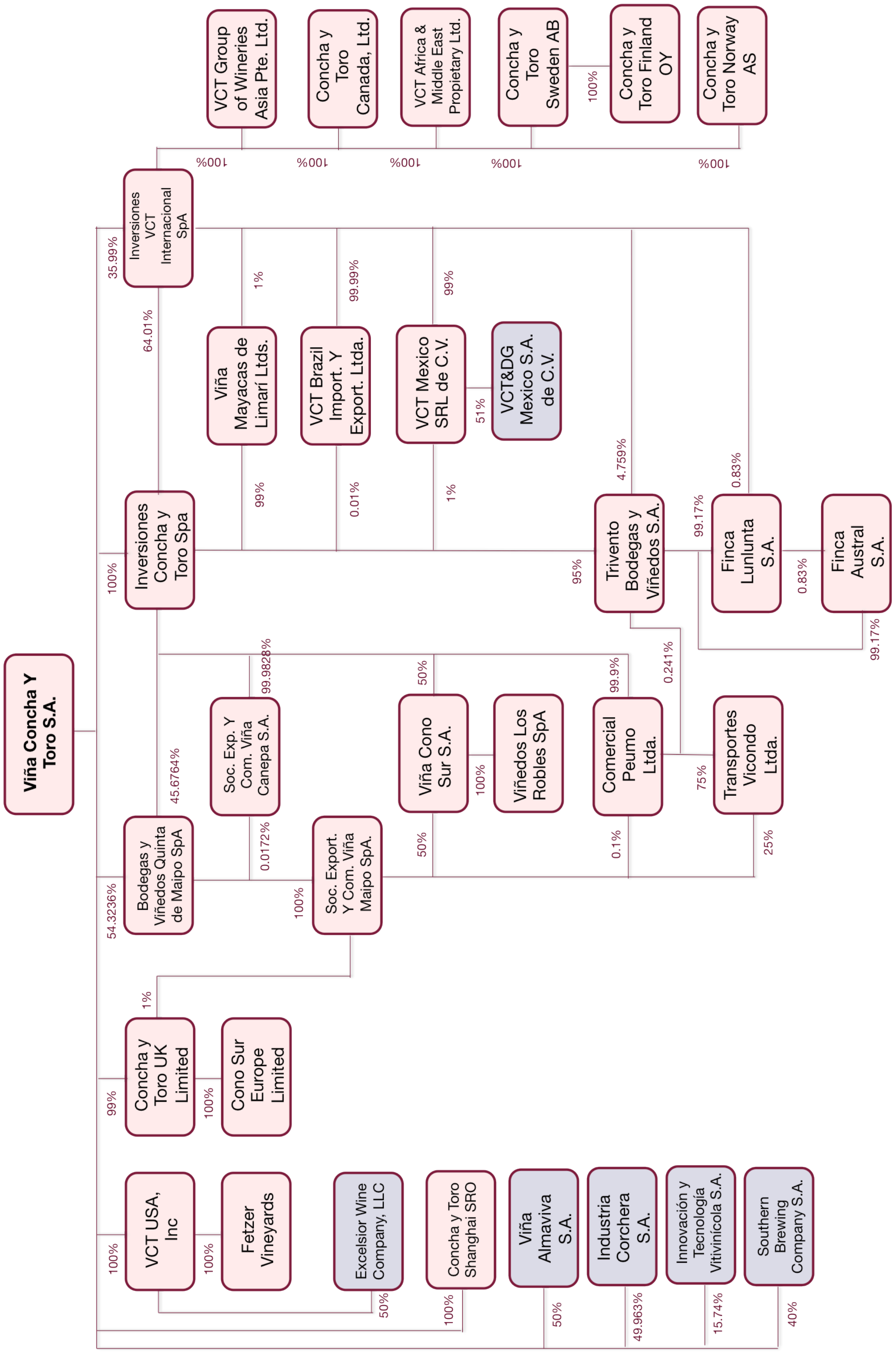
(1) Joint Venture: 50% Viña Concha y Toro; 50% Baron Philippe de Rothschild.

Source: Concha y Toro's 2012 Annual Report.

Appendix 3:Concha y Toro's Distribution Network

Source: Concha y Toro's 2012 Annual Report.

Appendix 3.1:Concha y Toro's Subsidiaries and Associates



Subsidiaries and/or Associations where Concha y Toro has not have a 100% ownership.

Source: Concha y Toro's 2012 Annual Report.

Appendix 4: Concha y Toro's Board of Directors and Executives

BOARD OF DIRECTORS	Years on the Company	Short Biography
Alfonso Larraín Santa María	Since 1969	**Chairman of the board** since 1998, this business man joined the company as director in 1969. Over the years he has pursued a strong policy of opening to external markets.
Rafael Guilisasti Gana	Since 1978	**Vice chairman of the board** and director since 1998, but joined the company in 1978. He has a vast and outstanding experience in the Chilean wine industry.
Francisco Marín Estévez	Since 1982	Having a wide experience in the private sector, he joined the company as a director in 1982.
Mariano Fontecilla de Santiago Concha	Since 1949	Great grandson of the company's founder, Don Melchor de Concha y Toro; has been a director since 1949. He was the Chilean ambassador in Norway, Spain, Italy and the Vatican. Because of his contribution to promoting Chilean wine abroad, he was named as an honorary member of the Wine Industry Brotherhood.
Sergio de la Cuadra Fabres	Since 2005	This commercial engineer from Universidad Católica de Chile, joined the company in 2005. He was previously the president of the Chilean Central Bank and former minister of Finance.
Pablo Guilistasti Gana	Since 1977	He entered the company as a foreign-trade manager.
Jorge Desormeaux Jiménez	Since 2011	Entered the company's board in April 2011 as an independent director on behalf of the Administradoras de Fondos de Pensiones (AFP-pension fund managers).

EXECUTIVES	
Eduardo Guilisasti Gana **Chief Executive Officer**	Cristián Ceppi Lewin Corporate Export Manager Southern Zone
Andrés Larraín Santa María Agricultural Manager	Cristián López Pascual Corporate Export Manager Asia Zone
Carlos Saavedra Echeverría Engineering and Projects Manager	Giancarlo Bianchetti González General Manager Fetzer Vineyards
Osvaldo Solar Venegas Chief Financial Officer	Carlos Halaby Riadi Enology Manager
Thomas Domeyko Cassel Corporate Export Manager Northern Zone	Enrique Tirado Santelices Enology Manager Don Melchor
Daniel Durán Iurízar Processes and Information Technology Manager	Isabel Guilisasti Gana Marketing Manager Specific Origin Wines
Cristóbal Goycoolea Nagel Marketing Manager Global Brands	Tomás Larraín León Negotiations and New Business Manager

Source: Concha y Toro's Website.

Appendix 5: Ansoff's Matrix: Wine Industry.

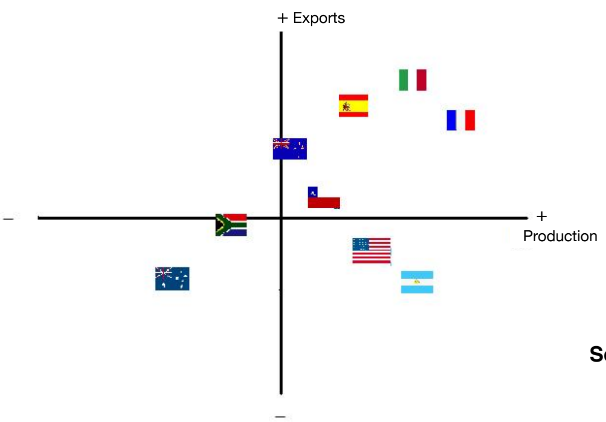
Source: Team's Estimates

As the matrix shows, the wine industry is mainly concentrated on an already existing product, leaving the Company with to main (and possible) strategies on which they can base their actions.

Concha y Toro operates on two types of countries, traditional ones and emerging or new ones:

- **Traditional:** Countries such as United Kingdom, France, Spain, Italy and Germany, are saturated markets, mainly because the count with own production and the competition is highly aggressive. On these cases, Ansoff recommends strategies based on gaining penetration, meaning the increase of market share.
- **Emerging:** Countries such as Brazil, China, South Africa, Mexico and New Zealand, are markets were there are a lot of opportunities to grow and capture the market, as companies are just entering them. Ansoff suggests strategies based on developing the market, in order to establish in a solid way so they can enjoy all of the benefits of being on the early stages of an industry's development on a specific country.

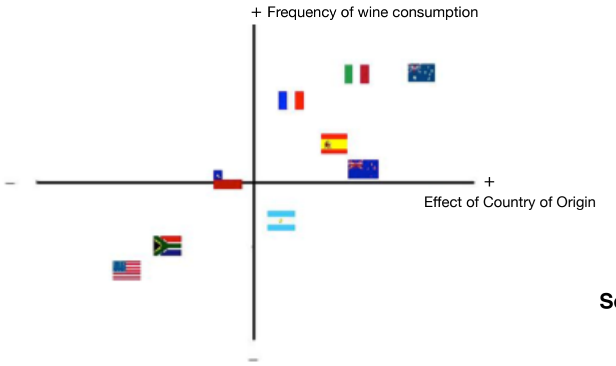
Appendix 5.1: Perceptual Analysis.



As the map shows, Chilean wines have a positive correlation between production and exports. This means that the more they produce, higher exports are expected.

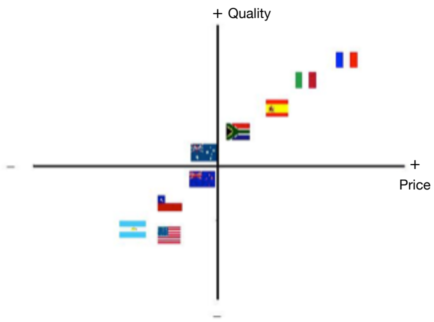
Source: Wines of Chile Strategic Plan 2020.

(continues) Appendix 5.1



From this map we can infer that the country of origin has an important role at the moment of consuming a wine.
Chile is an emergent country, not at all positioned as a known producer of wine, because of it, frequency of consumption tends to be low.

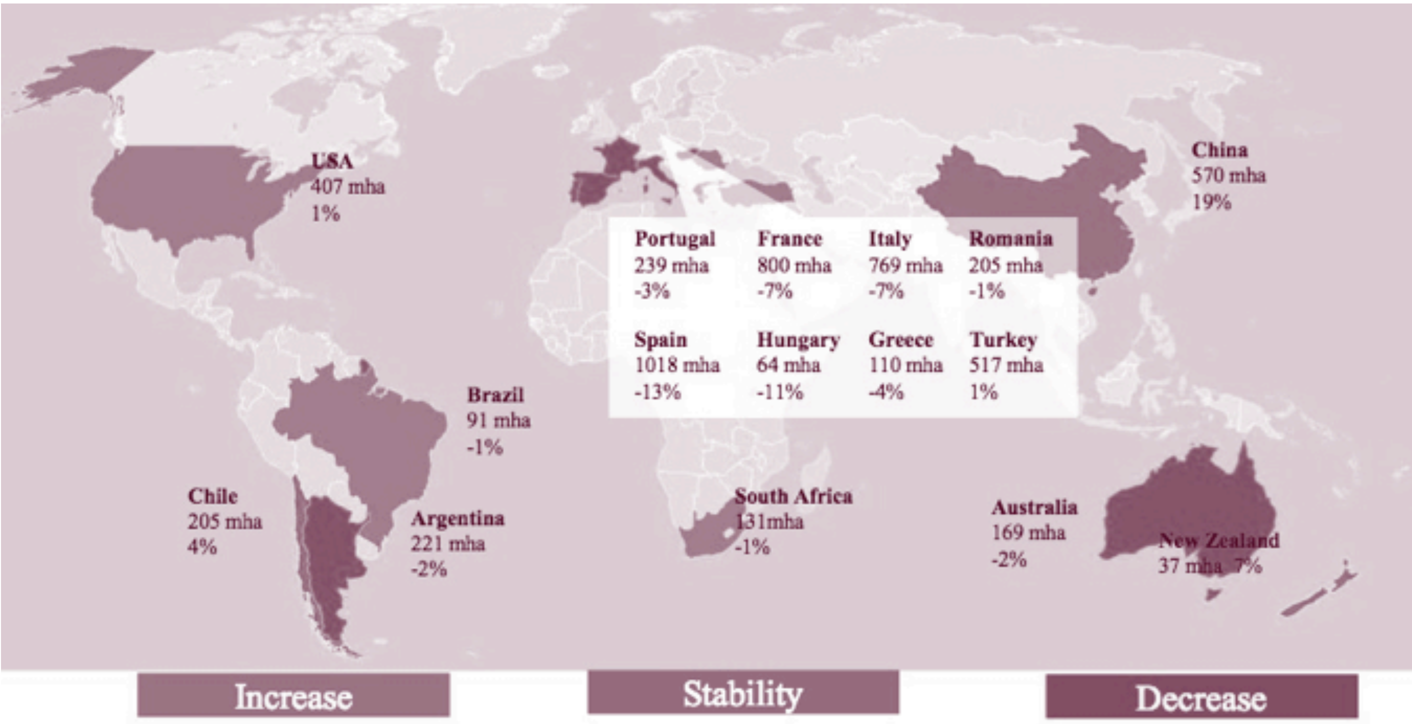
Source: Wines of Chile Strategic Plan 2020.



One of Concha y Toro's main challenge is to position itself as a premium quality wine producer, in order to enter this segment and charge higher prices. However, Chilean wines image doesn't help that much, as they are considered a low quality wines.

Source: Wines of Chile Strategic Plan 2020.

Appendix 6: Surface under vines 2012 (Evolution in % 2008-2012)



Source: OIV 2013

Appendix 7:Concha y Toro's SWOT analysis.

STRENGHTS	WEAKNESS
Strong Distribution Network Concha y Toro manages an extremely strong distribution network, based on strong relationships with both, third-party distributors and company-owned subsidiaries in numerous key markets. **Constant search for new territories** It has led the company to plant and develop 10,750 hectares of vineyards in valleys in Chile, Argentina and USA, giving CTV access to rich diversity of soils and varieties, enhancing its commitment with the production of quality wines and constant innovation. **Strong Brand Strategy** CTV has established itself as an ambassador for Chilean wines for consumers in several markets. Its strategy focuses on holding limited brands at key price points and a broad portfolio of products with the Concha y Toro's endorsement.	**Higher Debt Levels** With the acquisition of Fretzer, the company's debt/EBITDA ratio increased from under two to just under four. On a short-term basis, this reduces the company's financial room to move. **Dependence on Chile, USA and the UK** Alongside, Chile, USA and the UK, account for almost 59% of CTV's volume sales. This dependence carries an important risk, as it leaves the company's sales unprotected from declines on these markets. **Dependence on Suppliers** To cover uts bottle requirements, Concha y Toro's depends only on one supplier: Cristalerías e Chile S.A., whose mayor shareholder is Viña Santa Rita, one of CTV's main domestic competitors. Any problem in the bottles' production may affect, on short term, the Company's operations.
OPPORTUNITIES	**THREATS**
Emerging Markets Markets such as China, Russia, Brazil and Mexico, offer a significant growth potential driven by rising purchasing power and increasing sophistication of the consumer's demand. **New Distribution Channel un USA** With the acquisition of Fretzer, the voulme growth expected will enable Concha y Toro to capture US consumers' preferences for home-produced wine. **Developing New Segments** A greater focus of consumers in a healthy lifestyle, enhance CTV position as it may be associated to it. A greater focus on it and on premium wines should be made to take advantage of consumption among more sophisticated consumers. Another trend, is the preference of younger segments for sparkling wines.	**Economic Difficulties** The macroeconomic uncertainties continue to undetermined consumers' confidence in several markets, specifically on the Euro-Zone, Concha y Toro's largest export market. **Challenging Conditions in the Euro-Zone** The environment on this market is being exposed to aggressive discounting and high levels of taxations, reversing past trends as Europe being the main consumers' market. **New Competitors** The shrink of traditional markets, due to the economic crisis and climate factors, has impulse new markets onto the developing of vineyards, fragmenting the industry even more. **Substitutes** The prolonging of summer season and cultural habits, have encourage the consumption of wine's substitutes such as beers and Pisco, competing in some segments directly with the wine's category.

Source: Team's Estimates

Appendix 8: Base, Bull and Bear Analysis and the most relevant criteria's based on DCF Analysis

Base Case: 2014E Target Price: CLP $999 (+6.85%)
Domestic exports volume growing at 4%, prices increasing at 3% and Fetzer domestic volume growing at 4% with a price increase of 1.1% .

Bull Case: 2014E Target Price: CLP $1158 (+24%)
If the Company is able to stimulate the volume in the U.S market at 6% and Domestic exports volume growing at 5% with prices increasing at 4.3% .

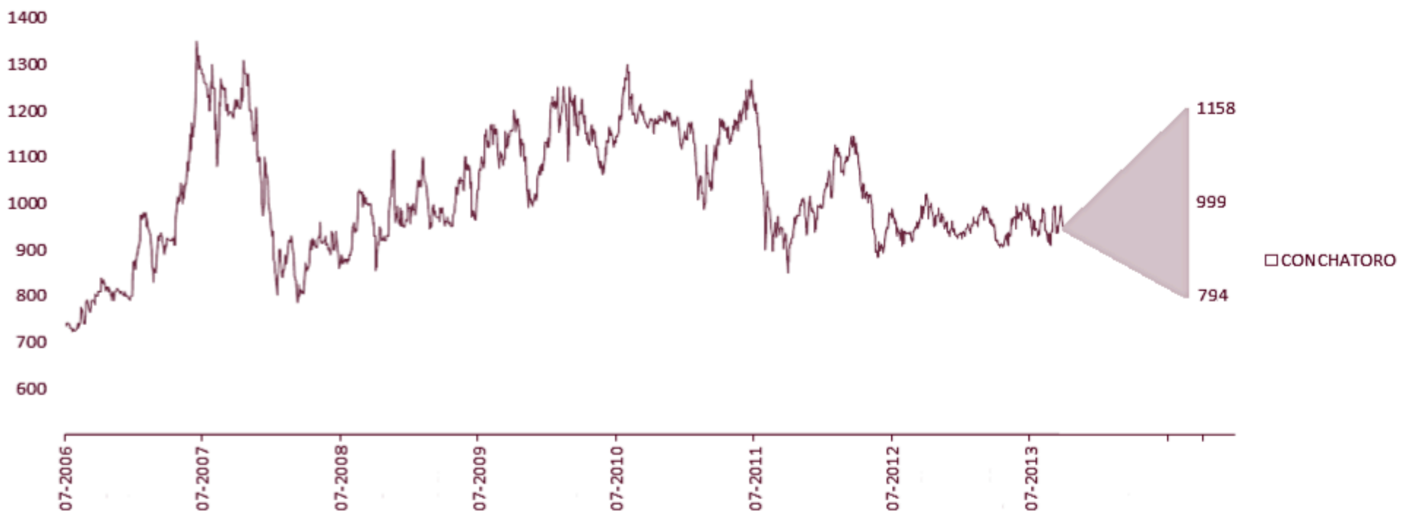
Bear Case: 2014E Target Price: CLP $794 (-15%)
If the Company face weak growth from developed countries with exports growing at 2.5% and flat prices and Fetzer domestic volume growing at an also 2.5%.

Bull Case	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Revenues	374,019	422,735	450,545	507,048	557,226	602,774	666,742	724,931	776,075	826,052	867,649
Ebitda	59,886	59,059	53,680	81,918	98,027	106,925	124,814	138,934	134,754	127,467	134,392
Net Income	41,919	50,482	30,303	45,454	56,863	63,253	76,617	86,775	82,968	77,438	82,554

Bear Case	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Revenues	374,019	422,735	450,545	497,179	518,021	532,259	551,235	571,129	592,000	609,713	628,985
Ebitda	59,886	59,059	53,680	83,873	87,218	89,242	90,200	96,594	97,703	95,330	98,939
Net Income	41,919	50,482	30,303	47,116	48,610	49,712	50,149	55,073	56,906	55,111	57,724

Base Case	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Revenues	374,019	422,735	450,545	500,551	539,975	574,319	615,734	660,371	708,489	736,801	767,527
Ebitda	59,886	59,059	53,680	78,777	90,795	96,182	100,728	111,666	116,943	114,209	119,519
Net Income	41,919	50,428	30,303	43,132	51,382	55,113	58,416	66,448	70,294	68,322	72,244

Source: Team's Estimates



Source: Bloomerg and Team Estimates.

Appendix 9:Concha y Toro's Discounted Cash Flows.

• Company's Discounted Cash Flows.

DCF	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Ebitda	78,777	90,795	96,182	100,728	111,666	116,943	114,209	119,519
Ebitda*(1-tax)	58,554	67,487	71,491	74,870	83,001	86,923	84,857	88,803
Depreciation*(tax)	4,722	4,911	5,108	5,312	5,524	5,745	5,982	6,221
WK	108	9,443	16,153	15,311	18,870	20,147	12,765	14,208
CAPEX	24,926	27,189	27,746	27,685	28,641	29,145	29,630	30,304
Time step			1	2	3	4	5	6
Free Cash Flow to Firm	38,243	35,767	32,700	37,187	41,014	43,377	48,444	50,511
Discounted Cash Flow for Firm	38,243	35,767	30,011	31,322	31,705	30,775	31,543	30,185

Wacc	8.96%
Perpetuity	4.6%
NPV 2015-2018	221,308
Terminal Value	716,021
Enterprise Value	937,329
Net debt	191,000
Shareholder Value	746,328
Outstanding Shares in mm	747
Value per Share	999.09

Source: Team's Estimates

	2013E	2014E	2015E	2016E	2017E	2018E	2020E	2020E
NPV	241,352	221,308	202,165	219,018	160,675	130,383	94,802	50,511
Terminal	657,141	716,021	780,176	850,080	926,247	1,009,239	1,099,666	1,198,196
Enterprise value	898,493	937,329	982,341	1,069,098	1,086,922	1,139,622	1,194,468	1,248,708
Net debt	185,547	191,000	175,180	156,248	135,410	112,841	83,257	52,655
Shareholder value	712,946	746,328	807,161	912,850	951,512	1,026,780	1,111,211	1,196,053
Value per Share	954	999	1,081	1,222	1,274	1,375	1,488	1,601
Market cap	712,946	746,328	807,161	912,850	951,512	1,026,780	1,111,211	1,196,053

Source: Team's Estimates

(continues) Appendix 9

- Chile's Discounted Cash Flows.

DCF Chile	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Ebitda	64,381	74,501	79,216	83,247	92,601	97,303	95,197	99,705
Ebitda*(1-tax)	47,854	55,377	58,881	61,877	68,830	72,324	70,731	74,081
Depreciation*(tax)	4,012	4,172	4,339	4,513	4,693	4,881	5,082	5,286
WK	88	7,748	13,304	12,654	15,648	16,763	10,640	11,853
CAPEX	20,371	22,309	22,852	22,880	23,751	24,250	24,698	25,281
Time step	0	0	1	2	3	4	5	6
Free Cash Flow to Firm	31,407	29,491	27,064	30,856	34,124	36,193	40,476	42,233
Discounted Cash Flow for Firm	31,407	29,491	24,834	25,980	26,364	25,659	26,355	25,238
Wacc	8.98%							
Perpetuity	4.7%							
NPV 2015-2018	183,921							
Terminal Value	619,718							
Enterprise Value	803,639							

Source: Team's Estimates

- Argentina's Discounted Cash Flows.

DCF Argentina	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Ebitda	3,796	4,146	4,198	4,210	4,468	4,478	4,239	4,301
Ebitda*(1-tax)	2,822	3,081	3,120	3,129	3,321	3,329	3,149	3,195
Depreciation*(tax)	507	527	548	570	593	617	642	668
WK	5	431	581	640	755	771	474	511
CAPEX	1,201	1,241	1,160	1,157	1,146	1,116	1,100	1,090
Time step	0	0	1	2	3	4	5	6
Free Cash Flow to Firm	2,122	1,936	1,928	1,902	2,013	2,058	2,218	2,262
Discounted Cash Flow for Firm	2,122	1,936	1,611	1,327	1,173	1,002	902	768
Wacc	19.72%							
Perpetuity	1.00%							
NPV 2015-2018	8,719							
Terminal Value	4,144							
Enterprise Value	12,863							

Source: Team's Estimates

- United States' Discounted Cash Flows.

DCF USA	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Ebitda	10,599	12,148	12,768	13,271	14,597	15,163	14,773	15,513
Ebitda*(1-tax)	7,879	9,029	9,491	9,864	10,850	11,270	10,976	11,526
Depreciation*(tax)	203	212	220	229	238	247	258	268
WK	14	1,263	2,144	2,017	2,467	2,612	1,651	1,844
CAPEX	3,354	3,638	3,683	3,648	3,744	3,779	3,833	3,933
Time step	0	0	1	2	3	4	5	6
Free Cash Flow to Firm	4,714	4,340	3,883	4,428	4,877	5,127	5,750	6,017
Discounted Cash Flow for Firm	4,714	4,340	3,672	3,961	4,126	4,102	4,352	4,307
Wacc	5.73%							
Perpetuity	1.00%							
NPV 2015-2018	28,861							
Terminal Value	91,965							
Enterprise Value	120,826							

Source: Team's Estimates

Appendix 10:Concha y Toro's Income Statement

• Segment Sales.

Segment Sales	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Revenues	**$ 374,019**	**$ 422,735**	**$ 450,545**	**$ 500,551**	**$ 539,975**	**$ 574,319**	**$ 615,734**	**$ 660,371**	**$ 708,489**	**$ 736,801**	**$ 767,527**
Export Sales (CLP$ million)	$ 261,273	$ 264,866	$ 277,384	$ 307,537	$ 335,893	$ 359,775	$ 389,132	$ 420,885	$ 455,230	$ 473,219	$ 492,147
Export sales (000' ltrs)	170,928	170,144	173,585	174,599	181,583	188,846	196,400	204,256	212,427	220,924	229,761
Average Exchange rate (US$/CLF	515.69	483.51	486.47	510.00	515.00	510.00	510.00	510.00	510.00	510.00	510.00
Average price (US$ per liter)	2.98	3.21	3.28	3.45	3.59	3.74	3.88	4.04	4.20	4.20	4.20
Domestic sales-wine (CLP$ millio	$ 59,639	$ 61,997	$ 61,573	$ 61,387	$ 63,867	$ 66,447	$ 69,132	$ 71,925	$ 74,830	$ 76,322	$ 77,848
Domestic sales-wine (000' ltrs)	70,434	65,118	61,934	61,666	62,900	64,158	65,441	66,750	68,085	69,446	70,835
Average price (per liter)	848.75	949.3	995.825	995.4682691	1015.377634	1035.685187	1056.398891	1077.526869	1099.077406	1099	1099
Argentina exports (CLP$ millions)	$ 16,869	$ 14,506	$ 14,753	$ 15,766	$ 16,048	$ 16,372	$ 16,866	$ 17,376	$ 17,900	$ 18,063	$ 18,244
Argentina exports (000' ltrs)	13,700	10,274	9,815	9,913	9,796	9,894	9,993	10,093	10,194	10,296	10,399
Average Exchange rate (US$/CLF	503.61	484.16	485.87	510.00	515.00	510.00	510.00	510.00	510.00	510.00	510.00
Average price (US$ per liter)	2.43	2.93	3.10	3.12	3.18	3.24	3.31	3.38	3.44	3.44	3.44
Argentina domestic (Ch$ millions)	$8,761	$7,462	$6,852	$8,355	$8,607	$8,695	$8,869	$9,048	$9,230	$9,282	$9,374
Argentina domestic (000' ltrs)	7,769	6,107	5,311	5,912	5,971	6,031	6,091	6,152	6,213	6,276	6,338
Average Exchange rate (US$/CLF	512.69	465.78	485.78	510.00	515.00	510.00	510.00	510.00	510.00	510.00	510.00
Average price (US$ per liter)	2.19	2.64	2.67	2.77	2.80	2.83	2.86	2.88	2.91	2.90	2.90
USA (Fetzer) Domestic (CLP$ millions)		$ 39,524	$ 51,430	$ 56,707	$ 60,745	$ 63,812	$ 67,692	$ 71,808	$ 76,174	$ 78,520	$ 81,660
USA (Fetzer) Domestic (000' ltrs)		15,278	21,202	22,123	23,008	23,928	24,885	25,881	26,916	27,993	29,112
Average Exchange rate (US$/CLF		484.68	486.30	510.00	515.00	510.00	510.00	510.00	510.00	510.00	510.00
Average price (US$ per liter)		5.35	5.04	5.03	5.13	5.23	5.33	5.44	5.55	5.50	5.50
USA (Fetzer) Exports (CLP$ millions)				$ 10,643	$ 11,501	$ 12,430	$ 13,433	$ 14,517	$ 15,688	$ 16,786	$ 17,961
USA (Fetzer) Exports (000' ltrs)				1,795	1,920	2,055	2,199	2,353	2,517	2,693	2,882
Average Exchange rate (US$/CLF				510	515	510	510	510	510	510	510
Average price (US$ per liter)				5.93	5.99	6.05	6.11	6.17	6.23	6.23	6.23
Other Revenues (CLP$ millions)	$ 7,094	$ 7,916	$ 8,796	$ 8,573	$ 8,573	$ 8,573	$ 8,573	$ 8,573	$ 8,573	$ 8,659	$ 8,746
Domestic sales-new business (Cl	$ 20,382	$ 24,796	$ 28,391	$ 31,583	$ 34,741	$ 38,215	$ 42,037	$ 46,240	$ 50,864	$ 55,951	$ 61,546
Total Liters Sold (000's)	**262,831**	**266,921**	**271,847**	**276,009**	**285,179**	**294,912**	**305,010**	**315,485**	**326,352**	**337,628**	**349,328**

Source: Team's Estimates

• Income Statement.

Income Statement	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Revenues	374,019	422,735	450,545	500,551	539,975	574,319	615,734	660,371	708,489	736,801	767,527
COGS	241,776	280,157	302,963	318,387	346,815	368,925	398,399	424,109	458,319	478,921	498,893
Gross Profit	132,243	142,579	147,581	182,164	193,160	205,394	217,336	236,262	250,171	257,880	268,634
Other Incomes	887	19,969	1,297	1,144	1,019	1,153	1,105	1,092	1,117	1,105	1,105
Distribution Cost	68,256	82,983	94,316	104,337	103,876	111,312	119,326	127,962	137,273	148,429	154,618
SG&As	18,851	18,385	17,274	17,446	17,621	17,797	17,975	18,155	18,336	18,520	18,705
Others expenses	747	1,033	1,124	940	1,043	1,046	1,019	1,046	1,048	1,058	1,069
Operating Income	45,275	60,146	36,164	60,585	71,639	76,392	80,120	90,191	94,631	90,979	95,347
Financial Income	340	380	1,109	1,585	1,585	1,585	1,585	1,585	1,585	1,585	1,585
Financial Cost	3,149	6,316	8,792	7,633	8,048	7,925	7,258	6,815	6,309	5,267	4,389
Participation	984	2,031	2,697	1,904	2,211	2,271	2,129	2,203	2,201	2,178	2,194
FX	9,057	8,039	10,565	2,503	2,700	2,763	2,962	3,176	3,407	3,424	3,441
Others adjustments	- 867	- 757	- 974	- 916	- 960	- 938	- 947	- 944	- 945	- 945	- 945
Non-operating Income	6,366	3,377	4,605	- 2,557	- 2,512	- 2,245	- 1,530	- 794	- 61	975	1,886
Net Income Before TAX	51,641	63,523	40,769	58,027	69,127	74,147	78,590	89,397	94,570	91,954	97,233
TAX	- 9,723	- 13,041	- 10,465	- 14,896	- 17,745	- 19,034	- 20,174	- 22,949	- 24,277	- 23,632	- 24,989
Net Income Controllers	41,919	50,482	30,303	43,132	51,382	55,113	58,416	66,448	70,294	68,322	72,244
Non controllers	0	-	281	405	483	518	549	625	661	642	679
Depreciation & Amortization	14,750	17,848	17,688	18,396	19,132	19,897	20,693	21,521	22,382	23,277	24,208
EBITDA	**59,886**	**59,059**	**53,680**	**78,777**	**90,795**	**96,182**	**100,728**	**111,666**	**116,943**	**114,209**	**119,519**
EBIT	**45,136**	**41,211**	**35,992**	**60,381**	**71,663**	**76,285**	**80,035**	**90,145**	**94,562**	**90,932**	**95,311**

Source: Team's Estimates

Appendix 11:Concha y Toro's Balance Sheet

Balance Sheet	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Assets											
Cash and equivalent	27,479	29,192	70,954	51,223	58,625	70,646	68,885	75,969	82,837	80,304	83,653
Account receivables	108,968	131,111	143,079	132,594	133,335	139,460	144,458	151,885	162,953	169,464	176,531
Inventory	107,234	173,974	192,199	207,838	224,300	242,421	262,208	283,822	304,650	316,824	330,037
Biological assets	10,945	12,408	14,497	14,731	14,969	15,210	15,456	15,705	15,959	16,216	16,478
Deferred tax asset, current	14,853	16,794	17,775	14,566	14,626	14,192	13,800	13,939	13,896	14,091	13,984
Other current assets	4,699	9,004	7,679	6,942	7,824	8,251	8,298	8,640	8,717	8,346	8,451
Total current assets	274,178	372,484	446,183	427,894	453,680	490,180	513,105	549,961	589,012	605,246	629,133
Intangible Assets different form Capital Gain	8,863	29,888	28,803	29,857	29,857	29,857	29,857	29,857	29,857	29,857	29,857
Capital Gain	-	22,578	20,871	22,054	22,054	22,054	22,054	22,054	22,054	22,054	22,054
Property, plant and equipment	225,070	259,665	257,673	257,679	257,688	257,695	257,702	257,709	257,716	257,723	257,729
Non current Biological assets	53,672	61,840	64,537	69,152	74,916	81,159	87,924	95,251	103,190	104,855	106,548
Differed taxes, assets	5,296	5,968	8,892	8,984	10,670	12,672	15,051	17,875	21,230	22,163	23,137
Other non-currents assets	17,836	21,709	27,708	26,441	26,441	26,441	26,441	26,441	26,441	26,441	26,441
Total Non- current assets	310,738	401,647	408,485	414,166	421,624	429,878	439,028	449,187	460,488	463,092	465,765
Total Assets	584,916	774,130	854,669	842,060	875,303	920,058	952,133	999,149	1,049,500	1,068,338	1,094,898
Liabilities and Shareholders' Equity											
Short term financial debt	30,732	52,921	103,139	74,014	89,489	104,048	102,073	113,406	122,785	121,610	126,681
Accounts payables	59,552	72,293	71,756	85,094	91,796	97,634	104,675	112,263	120,443	125,256	130,480
Other Short-Term Provisions	14,688	15,469	19,520	16,382	16,674	16,850	16,439	16,492	16,474	16,586	16,568
Deferred tax liabilities, current	18,022	15,622	16,651	10,371	12,318	14,630	17,376	20,637	24,510	25,587	26,712
Non-financial current liabilities	9,925	11,553	13,066	10,480	10,480	10,480	10,480	10,480	10,480	10,480	10,480
Total current liabilities	132,920	167,858	224,132	196,341	220,757	243,643	251,043	273,278	294,693	299,520	310,921
Long term financial debt	49,959	177,715	169,586	162,756	160,137	141,778	123,059	97,972	72,893	41,951	9,626
Deferred tax liabilities, non current	25,930	26,771	33,108	38,145	45,304	53,807	63,906	75,901	90,146	94,107	98,242
Other non-current liabilities	5,431	3,282	3,392	3,390	3,390	3,390	3,390	3,390	3,390	3,390	3,390
Total non-current liabilities	81,321	207,768	206,086	204,291	208,831	198,975	190,356	177,263	166,430	139,448	111,259
Total liabilities	214,240	375,626	430,219	400,632	429,588	442,618	441,399	450,541	461,123	438,968	422,180
Shareholders' Equity											
Issued Capital	78,030	84,179	84,179	84,179	84,179	84,179	84,179	84,179	84,179	84,179	84,179
Accumulated Gains (Losses)	279,004	310,205	326,929	341,215	369,215	400,939	434,232	472,106	511,875	552,867	596,214
Other reserves	7,493	3,828	12,769	8,030	8,209	9,669	8,636	8,838	9,048	8,840	8,909
Controlling interest	370,675	398,212	423,877	421,734	445,067	476,791	510,083	547,957	587,726	628,719	672,065
Non-controlling interest	0	292	573	648	649	649	650	650	651	652	652
Common Equity	370,675	398,504	424,450	441,428	445,715	477,440	510,733	548,607	588,377	629,370	672,718
Total Liabilities and Shareholders' Equity	**584,916**	**774,130**	**854,669**	**842,060**	**875,303**	**920,058**	**952,133**	**999,149**	**1,049,500**	**1,068,338**	**1,094,898**

Source: Team's Estimates

Appendix 12: Sensitivity Analysis Based on DCF

- Company's Analysis.

		LT Growth						
		3.4%	3.8%	4.2%	4.6%	5.0%	5.4%	5.8%
WACC	9.12%	757	814	879	956	1048	1159	1297
	9.08%	764	821	888	967	1060	1174	1315
	9.04%	771	829	897	977	1073	1189	1334
	9.00%	778	837	907	988	1086	1205	1353
	8.96%	785	846	916	999	1099	1221	1373
	8.92%	793	854	926	1010	1112	1237	1393
	8.88%	800	862	935	1022	1126	1253	1414
	8.84%	808	871	945	1033	1140	1270	1435
	8.80%	815	880	955	1045	1154	1288	1456

Source: Team's Estimates

- Chile's Analysis.

		LT Growth Chile						
		4.1%	4.3%	4.5%	4.7%	4.9%	5.1%	5.3%
WACC Chile	9.14%	-10.9%	-8.5%	-5.8%	-3.0%	0.1%	3.6%	7.3%
	9.10%	-10.3%	-7.8%	-5.2%	-2.3%	0.9%	4.4%	8.3%
	9.06%	-9.7%	-7.2%	-4.5%	-1.5%	1.7%	5.3%	9.3%
	9.02%	-9.1%	-6.6%	-3.8%	-0.8%	2.5%	6.2%	10.3%
	8.98%	-8.5%	-5.9%	-3.1%	0.0%	3.4%	7.1%	11.3%
	8.94%	-7.9%	-5.2%	-2.4%	0.8%	4.2%	8.1%	12.3%
	8.90%	-7.3%	-4.6%	-1.6%	1.6%	5.1%	9.0%	13.4%
	8.86%	-6.6%	-3.9%	-0.9%	2.4%	6.0%	10.0%	14.5%
	8.82%	-6.0%	-3.2%	-0.1%	3.2%	6.9%	11.0%	15.6%

Source: Team's Estimates

- Argentina's Analysis.

		LT Growth Argentina						
		1.00%	2.00%	3.00%	4.00%	5.00%	6.00%	7.00%
WACC Argentina	19.72%	0.00%	0.03%	0.06%	0.10%	0.14%	0.19%	0.25%
	19.32%	0.03%	0.06%	0.09%	0.13%	0.18%	0.23%	0.29%
	18.92%	0.05%	0.09%	0.12%	0.17%	0.22%	0.27%	0.34%
	18.52%	0.08%	0.12%	0.16%	0.20%	0.26%	0.32%	0.39%
	18.12%	0.11%	0.15%	0.19%	0.24%	0.30%	0.37%	0.44%
	17.72%	0.14%	0.19%	0.23%	0.28%	0.35%	0.42%	0.50%
	17.32%	0.18%	0.22%	0.27%	0.33%	0.39%	0.47%	0.56%
	16.92%	0.21%	0.26%	0.31%	0.37%	0.45%	0.53%	0.63%
	16.52%	0.25%	0.30%	0.36%	0.42%	0.50%	0.59%	0.71%

Source: Team's Estimates

(continues) Appendix 12

•United States' Analysis.

		LT Growth USA						
		0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
WACC USA	5.89%	-1.73%	-1.34%	-0.90%	-0.42%	0.11%	0.70%	1.37%
	5.85%	-1.65%	-1.25%	-0.81%	-0.32%	0.22%	0.83%	1.50%
	5.81%	-1.57%	-1.16%	-0.71%	-0.21%	0.34%	0.95%	1.64%
	5.77%	-1.49%	-1.07%	-0.61%	-0.11%	0.45%	1.08%	1.79%
	5.73%	-1.41%	-0.98%	-0.52%	0.00%	0.57%	1.21%	1.94%
	5.69%	-1.32%	-0.89%	-0.42%	0.11%	0.69%	1.35%	2.09%
	5.65%	-1.24%	-0.80%	-0.31%	0.22%	0.82%	1.48%	2.24%
	5.61%	-1.15%	-0.70%	-0.21%	0.33%	0.94%	1.62%	2.39%
	5.57%	-1.06%	-0.61%	-0.11%	0.45%	1.07%	1.77%	2.55%

Source: Team's Estimates

Appendix 13:Multipliers Valuation

Source: Team's Estimates

Peers	Market Cap USDm	EBITDA Margin	P/E 2013E	P/E 2014E	Mean	EV/EBITDA 2013E	EV/EBITDA 2014E	Mean
Concha y Toro	1.398	11.9%	16.53	14.53	15.51	11.41	10.32	10.865
Viña San Pedro	264	11.6%	12.9	9.8	11.35	7.5	6.2	6.85
Constellation	9.797	23.1%	18.4	14.6	16.5	10.5	8.6	9.55
Baron de Ley	346	-	12.4	11.8	12.1	9.8	9.4	9.6
Yantai-Changyu	3.262	-	9	7.6	8.3	7.3	6.3	6.8
Treasury Wine States S	2.900	11.8%	23	19.8	21.4	11.5	10.1	10.8
Diageo	78.686	36.5%	19.9	18.1	19	15.3	14.2	14.75
Pernot Ricard	30.705	28.8%	18.2	16.4	17.3	13.4	12.6	13
Remy Cointreau	5.304	22.0%	22.5	19.2	20.85	14.6	12.8	13.7
Mean					**15.85**			**10.631**

P/E VALUATION	
P/E peers average	15.85
EPS 2014 VCT	68.784
Price from P/E	1090
Upside potential	16.60%

EV/ EBITDA	
EV/EBITDA peers	10.63
EBITDA 2014 VCT	90,795
Enterprise value	965,264
Net debt	191,000
Equity	774,264
Outstanding Shares	747
Price from EV/EBITDA	1036
Upside potential	10.85%

PRICE FROM RELATIVE VALUATION	Weigh	Price	
P/E	25%	1090	273
EV/EBITDA	25%	1036	259
DCF	50%	999	500
Price per share			1031
Upside potential			4,1%

Appendix 14:DuPont Analysis

LEGEND

2010	2011	2012
2013E	2014E	2015E
2016E	2017E	2018E
2019E	2020E	

ROE

11.31%	12.67%	7.14%
9.77%	11.53%	11.54%
11.44%	12.11%	11.95%
10.86%	10.74%	

ROA

7.17%	6.52%	3.55%
5.12%	5.87%	5.99%
6.14%	6.65%	6.70%
6.40%	6.60%	

Assets/Equity

1.58%	1.94%	2.01%
1.91%	1.96%	1.93%
1.86%	1.82%	1.78%
1.70%	1.63%	

Net Income/Sales

11.2%	11.9%	6.7%
8.6%	9.5%	9.6%
9.5%	10.1%	9.9%
9.3%	9.4%	

Sales/Assets

0.64%	0.55%	0.53%
0.59%	0.62%	0.62%
0.65%	0.66%	0.68%
0.69%	0.70%	

Source: Company data and Team's Estimates

Appendix 15:Ratios

	Historical			Projections							
VALUATION RATIOS/ MULTIPLES	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2109E	2020E
EV / EBITDA	11.88	12.09	16.68	11.41	10.32	10.21	10.61	9.73	9.75	10.46	10.45
EV/SALES	2.4	2.22	1.99	1.80	1.74	1.71	1.74	1.65	1.61	1.62	1.63
EV/EBIT	19.84	15.64	24.85	14.88	13.08	12.88	14.01	12.06	12.05	13.14	13.10
P / E	17.4	14.6	22.8	16.53	14.53	14.65	15.63	14.32	14.61	16.26	16.56
P / BV	2.27	1.86	1.64	1.62	1.67	1.69	1.79	1.73	1.75	1.77	1.78
Div. Yield	1.992	2.63	1.73	2.42	2.75	2.73	2.56	2.79	2.74	2.46	2.42
LIQUIDITY RATIOS											
Current Ratio	2.06	2.22	1.99	2.18	2.06	2.01	2.04	2.01	2.00	2.02	2.02
Quick Ratio	1.26	1.18	1.13	1.12	1.04	1.02	1.00	0.97	0.96	0.96	0.96
Cash Ratio	0.207	0.174	0.317	0.261	0.266	0.290	0.274	0.278	0.281	0.268	0.269
EFICIENCY RATIOS											
Account receivable turnover	3.4	3.5	3.3	3.6	4.1	4.2	4.3	4.5	4.5	4.3	4.3
Number of days receivable	-	102	110	99	89	85	83	81	80	83	83
Asset turnover	0.64	0.55	0.53	0.59	0.62	0.62	0.65	0.66	0.68	0.69	0.70
Fixed assets turnover	1.29	1.27	1.34	1.47	1.55	1.62	1.71	1.79	1.88	1.95	2.02
Inventory turnover	2.3	3.0	2.5	2.5	2.5	2.5	2.4	2.4	1.5	1.5	1.5
Days of inventory on hand	-	120	146	144	144	146	148	149	150	155	155
Payables turnover	4.06	4.25	4.21	4.06	3.92	3.90	3.94	3.91	3.94	3.82	3.82
Number of days of payables	-	85	86	89	92	92	91	92	91	94	94
SOLVENCY RATIOS											
Debt / Assets	0.37	0.49	0.50	0.48	0.49	0.48	0.46	0.45	0.44	0.41	0.39
Debt / Equity	0.58	0.94	1.01	0.91	0.96	0.93	0.86	0.82	0.78	0.70	0.63
Net debt / EBITDA	0.89	3.41	3.76	2.36	2.10	1.82	1.55	1.21	0.96	0.73	0.44
Interest Coverage (net)	16.40	10.06	4.64	7.60	8.59	9.36	10.83	13.12	14.99	17.46	22.15
PROFITABILITY RATIOS											
Gross Profit margin	35.4%	33.7%	32.8%	36.4%	35.8%	35.8%	35.3%	35.8%	35.3%	35.0%	35.0%
EBIT Margin	12.1%	9.7%	8.0%	12.1%	13.3%	13.3%	13.0%	13.7%	13.3%	12.3%	12.4%
EBITDA Marging	16.0%	14.0%	11.9%	15.7%	16.8%	16.7%	16.4%	16.9%	16.5%	15.5%	15.6%
Net Profit Margin	11.2%	11.9%	6.7%	8.6%	9.5%	9.6%	9.5%	10.1%	9.9%	9.3%	9.4%
ROE	11.3%	12.7%	7.1%	9.8%	11.5%	11.5%	11.4%	12.1%	11.9%	10.9%	10.7%
ROA	7.2%	6.5%	3.5%	5.1%	5.9%	6.0%	6.1%	6.7%	6.7%	6.4%	6.6%
ROIC	6.8%	7.6%	4.3%	5.9%	6.9%	6.9%	6.9%	7.3%	7.2%	6.5%	6.4%
EPS	56.12	67.58	40.19	57.74	68.78	73.78	78.20	88.95	94.10	91.46	96.71

Source: Company data and Team's Estimates

Appendix 16:Sustainable Development

Adapted from Concha y Toro's Anniversary Kit (October 2013).

Concha y Toro has always had a caring approach towards sustainable activities, prioritizing better agricultural practices, rational uses of natural resources in order to have a productive operation consistent with a sustainable long-term vision. Because of it, the company has promote vanguard technical guidelines, a constant investment on human capital, partnerships and research that help them improve productive processes with the objective of ensuring an exceptional quality and an optimal use of resources. Concha y Toro has the conviction that caring for the environment is one of the company's core business strategies.

CARBON FOOTPRINT: Since 2007, the company promotes the measurement of its carbon footprint (in order to account for the sources of emissions please refer to Figure 22).

As the Figure 22 shows that the greatest impact on the environment is caused by the transportation of wine to its targets markets due to the bottles' weight. Because of it, in 2009 Concha y Toro implemented the use of light-weighted bottles (made with less wine) to reduce transport emissions. Due to these actions, nowadays, over 90% of the bottles are made with light-weighted glass.

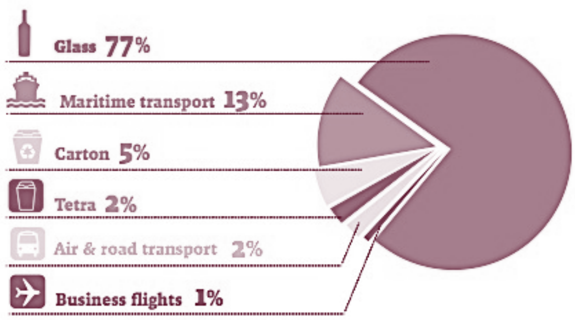
CONSERVATION AND PROTECTION OF NATIVE SCLEROPHYLL FOREST: Due to the growth of this forest in company's grounds, Concha y Toro's agricultural management registered with the National Forestry Corporation of Chile (CONAF) a total of 3,272 hectares of native forest in order to create specific conservation plans.

RESPONSIBLE WATER MANAGEMENT: Concha y Toro was the first winery in the world to assess its water footprint together with the Water Footprint Network and Fundación Chile. In order to use water on a more efficient way, the company implemented the drip irrigation system, now used in 95% of its own vineyards.

CLEAN PRODUCTION AGREEMENT (APL): Since 2006 the Company is subscribed to this agreement, which certifies the efficient use of raw materials, reducing emission and discharges in both, the winemaking and agricultural zones.

NATIONAL SUSTAINABILITY CODE CERTIFICATION: Adopted in the year 2012 for its Green Area, it demonstrates the Company's commitment to sustainable winemaking, corroborating that it meets the national standards for the industry, promoting good practices throughout its supply chain. With this certification. Concha y Toro embarks on a process leading into the next phases of this initiative, which includes audits in social areas, cellars and bottling plants.

Figure N°25: Concha y Toro's Carbon Footprint Measurement



Source: Concha y Toro's Anniversary Kit, October 2013

Appendix 17: More Concha y Toro's Risks

OPERATIONAL RISK

Seasonality risks: An industry lead by seasonality

Historically, the Company's sales and net profits have shown a significant increase during the third and fourth quarters and a decrease through the first one. This is due to the timing of certain holidays and promotional periods, and on the rate at which distributors inventories are reduced through sales to wine retailers.

ECONOMIC AND POLITICAL RISKS

Chilean Market Approaching changes on government.

By the end of year 2012, approximately 83% of Concha y Toro's assets were located in Chile. Because of it, the local situation has a certain degree of correlation with what might happen on the Company's performance.

The last report published by the Chilean Central Bank (September, 2013), shows that even though the local economy is slowing down, the GDP still grew on the last trimester a 4.1%.

According to the same source, on August (2013) the monthly index of economic activity (IMACEC) increased 4.1% over the same month a year before. The rise on the IMACEC was due mainly to the dynamism of mining and trade activities.

By October of 2013, the consumer's price index showed a monthly variation of 0.5%, which means an increase on 2.0% on the last twelve months. On the other hand, this index is an indicator for the inflations evolution on the country.

- NEW DRUNK DRIVING LAW: On March 2012, a new drunk driving legislation, known as the "Zero Tolerance Law", was proclaimed in order to limit the level of alcohol tolerated while driving a vehicle. This initiative has negatively affected the alcoholic drinks market in certain categories. In the case of the wine industry, sales were somewhat impacted as consumer were discouraged from having the usual glass of wine while dining out.
- TRENDS: Chilean consumers increasingly prefer beer to wine, especially due to its price, alcoholic content and formats. Imports and premium beers have seen a strong growth on the past years; but non-alcoholic beers have seen a most powerful growth due to the law. Another trend is the risen of sparkling wines, which has expanded its consumption form Christmas and New Year's occasions, to happy hours and get-togethers, specially due to its appeal to younger consumers, mainly among women.

Argentinean Environment: Actions guided by a protectionist Government.

The deterioration in international financial conditions, alongside the difficult macroeconomic climate, has started to affect the expectations of the consumers, lowering the consumptions growth rates on the last two quarters. These, has also been affected by the rise on the inflation rates. Official data shows that consumer prices rose almost to an 11%; nevertheless, unofficial forecasts indicated that real inflation is at least twice that rate. If these unofficial estimates are correct, the expectations will continue eroding consumer purchase power. Because of it, consumption will present a slowdown in its growth in the next years.

Another factor to consider is the government's protectionism, which has strengthened up on the past years. This regime has applied additional restrictions to industries such as alcoholic, generating import volume decreases. A large spectrum of imported products, require licenses, which have to be obtained before importation can take place. The rules attained to these licenses cause long delays and drastically increasing trading costs, provoking that multiple imported alcoholic brands suffer shortages, offering an advantage to domestic brands.

U.S. Market.

The U.S market has the particularly that is a very competitive market where a little inattention or bad decisions will affect directly to revenues, besides VCT is subject to macroeconomic environments such as the postponed of the debt ceiling to February 2014 leaving uncertainty.

FINANCIAL RISKS

Interest rate: Great impact on the Company's financial debt.

Concha y Toro has an interest-free total financial debt of CLP$ 265.798 millions (December 31st, 2012). At the end of the year 2012, the Company maintains 30,1% of its debt with variable interest. Considering this, the Company fixes the interest rate though derivatives (interest rate Swaps), which are denominated in US dollars influenced by the libor rate.

Inflation: Moderated levels will not affect the business in Chile.

High levels of inflation affect the Company's financial condition and operational results, as the economy is impacted by it. Concha y Toro believes that their business in Chile will not be highly influenced by moderate inflation.

The depth of corporate bonds known as UF (Unidad de Fomento), characterize the Chilean financial market. The UF ensures a specific return in real terms, isolating the inflationary risks.

To December 31st, 2012, Concha y Toto has 28,7% of its debt denominated in UF. To cover their exposure to UF fluctuations, the Company has taken Swap agreements.

CREDIT RISKS

ACCOUNTS RECEIVABLE: Default risk into consideration.

The main credit risk is the default risk of particular clients. Specifically, the Company has a high exposure to this factor, mainly because it exports to more than 135 foreign countries and 10.000 clients in the domestic market.

Because of the impact this risk has on the Company's operational results, they have a policy of coverage of all of their international and domestic clients.

SHORT-TERM INVESTMENTS AND FORWARDS:

The Company's investment policy establishes that all cash surplus have to be invested on the short-term, mainly on repurchase agreements, long term deposits, mutual funds, among others. On the other hand, Concha y Toro has coverage instruments such as Forwards and Swaps, hired for no more than four years and only with banks.

In other to diminish the risks brought by all these instruments, the Company diversifies its investments on different institutions.

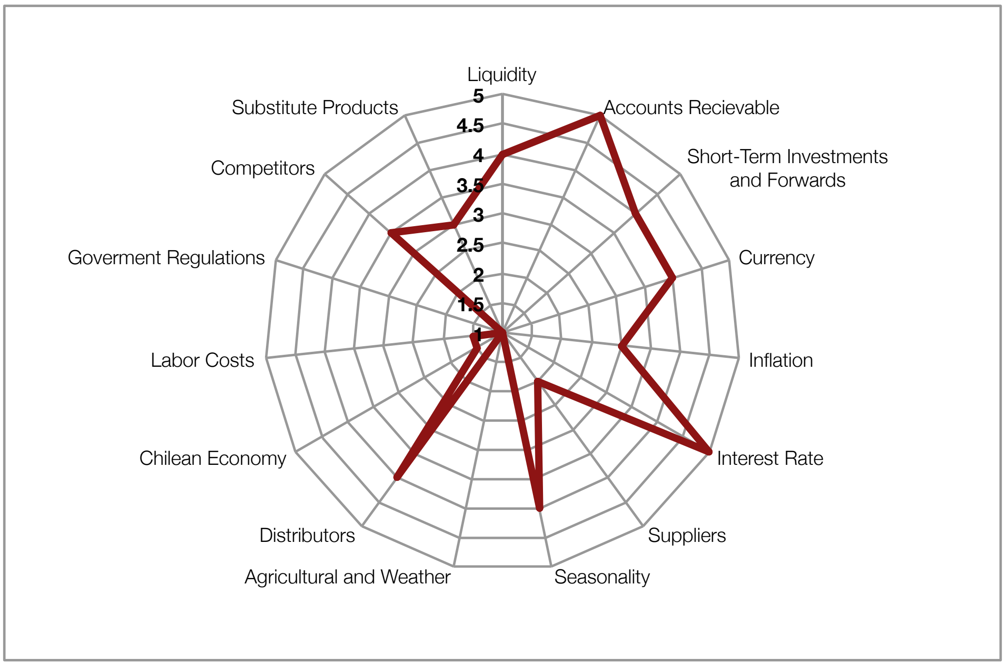
LIQUIDITY RISK: A constant follow up of the Company's capabilities.

It means the capacity of the Company to fall into default with their providers and financial institutions.

Concha y Toro's main source of liquidity are the cash flows from their operations. Likewise, it counts with several lines of financing that are not being used by them.

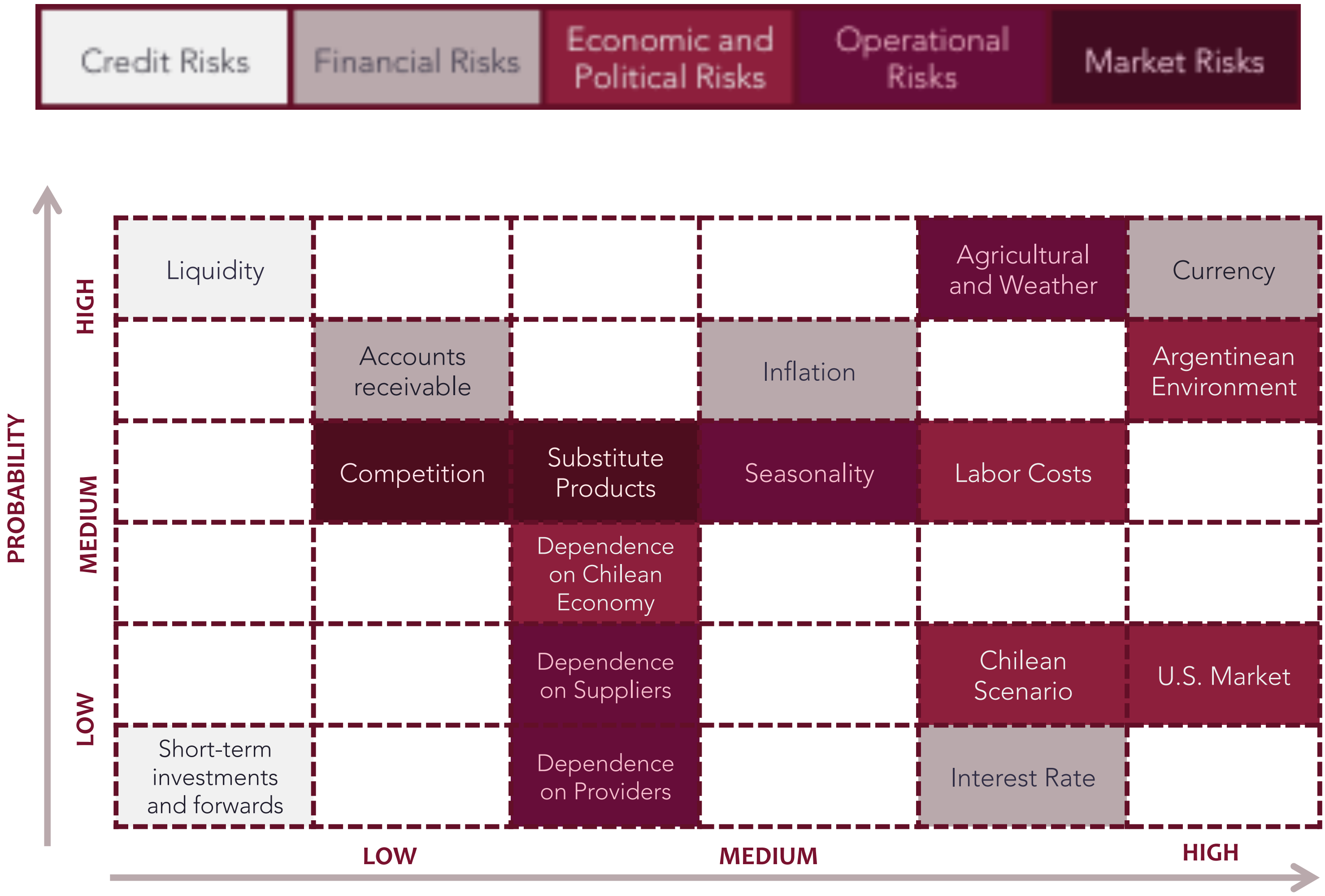
To extenuate this risk, the Company follows, monthly and annually, through estimated cash flows, the firm's capacity to finance their working capital, future investments, and their debts expiration dates.

Mitigation of Risks



Source: Team Estimates

Appendix 17.1: Concha y Toro's Risks Matrix



Source: Team Estimates

Appendix 18: Porter's Analysis

Source: Team Estimates

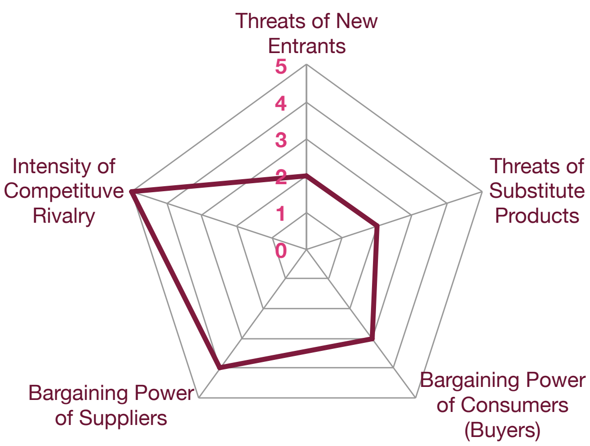
Threat of New Entrants → Score: 2
- Requires high levels of capital investment.
- Access to a distribution network.
- High requirements of harvestable land.
- Existence of economies of scales.
- High need for differentiation.
- Suitable climate and *terroir.*
- Varying costs.
- Highly experienced agents (already existent competitors).
- Governmental policies (depending on de country).

Threat of Substitutes Products → Score: 2
- Strong presence of indirect substitutes, such as beer and Pisco.
- Rise on non-alcoholic beverages consumption (due to policies such as "Zero Tolerance Law" and healthier lifestyle habits).
- There's no direct substitute.

Bargaining Power of Consumers (buyers) → Score: 3
- **B2B**: High bargaining power of distribution channels such as supermarkets and specialized stores.
- **B2B**: A high competition encourages the existence of restrictions.
- **B2C**: Power of choice of consumers (they choose what to buy).
- **B2C**: Price sensitivity.

Bargaining Power of Suppliers → Score: 4
- Excessive bargaining power of bottle suppliers.
- Need of numerous suppliers.
- Forward integration is impossible.
- Labor hand.

Intensity of Competitive Rivalry → Score: 5
- Rise on the importance of new payers from developing countries such as Australia, United States, South Africa, among others.
- Highly fragmented industry: great number of competitors.
- Perception of a little differentiation of the products.
- Strong exit barriers: High investment on specialized capital, high fixed costs of exit, emotional barriers, and governmental restrictions.
- Highly fragmented industry.
- An aggressive approach between companies.
- The role of quality differentiation on the decrease of the intensity of competitive rivalry.



Average Rating: 3.2

0: No Interaction	**2:** Low	**4:** High
1: Insignificant	**3:** Average	**5:** Significant

Appendix 19: Share of Throat (%) for Alcoholic Drinks Globally and by Region 2012/2017

WORLD	2012	2017	LATINAMERICA	2012	2017
Beer	44.4	43.9	Beer	58.7	60.6
Cider/Perry	0.4	0.5	Cider/Perry	0.3	0.3
RTDs/High-Stregth Premixes	1.0	1.0	RTDs/High-Stregth Premixes	0.6	0.7
Spirits	38.0	38.7	Spirits	31.3	29.2
Wine	12.2	15.9	Wine	9.2	9.2
ASIA PACIFIC	**2012**	**2017**	**MIDDLE EAST AND AFRICA**	**2012**	**2017**
Beer	39.1	38.2	Beer	70.7	70.6
Cider/Perry	0.0	0.0	Cider/Perry	1.4	1.8
RTDs/High-Stregth Premixes	0.5	0.4	RTDs/High-Stregth Premixes	1.7	1.7
Spirits	52.0	52.0	Spirits	13.5	12.6
Wine	8.5	9.4	Wine	12.5	12.3
AUSTRALASIA	**2012**	**2017**	**NORTH AMERICA**	**2012**	**2017**
Beer	42.0	37.9	Beer	51.0	48.1
Cider/Perry	1.8	4.3	Cider/Perry	0.2	0.6
RTDs/High-Stregth Premixes	7.4	6.9	RTDs/High-Stregth Premixes	1.3	1.3
Spirits	12.9	13.4	Spirits	30.2	31.3
Wine	35.8	37.4	Wine	17.3	18.7
EASTERN EUROPE	**2012**	**2017**	**WESTERN EUROPE**	**2012**	**2017**
Beer	43.2	44.0	Beer	36.2	35.8
Cider/Perry	0.1	0.2	Cider/Perry	1.7	1.9
RTDs/High-Stregth Premixes	1.2	1.6	RTDs/High-Stregth Premixes	1.6	1.6
Spirits	41.0	38.2	Spirits	20.4	20.7
Wine	14.5	16.0	Wine	40.2	39.9

Source: Euromonitor International.

References

[1] For more information about the Company's board of directors, refer to Concha y Toro's website: http://www.conchaytoro.com/web/the-company/board-of-directors/

[2] Taken form Qué Pasa magazine's article "Eduardo Guilisasti Gana: Concha y Toro siempre ha salido fortalecido de la crisis", published on thursday december 29th of the year 2011 on the website http://www.quepasa.cl/articulo/actualidad/2011/12/1-7356-9-eduardo-guilisasti-concha-y-toro-siempre-ha-salido-fortalecido-de-las-crisis.shtml

[3] Data taken from Concha y Toro's 20-F form, published on April 20th of the 2013.

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