

## **Behavioral Finance issues in Listing and Delisting in the French wine industry: Lessons from the case of Grands Vins Boisset**

Arvind Ashta<sup>a</sup>, Sujata Patil<sup>b</sup>, Gilles Seguin<sup>c</sup>

<sup>a</sup> Finance Department, Burgundy School of Business - Groupe ESC Dijon Bourgogne, BP 50608 – 21006 Dijon cedex\*

<sup>b</sup> Diva, Beaune

<sup>c</sup> Financial Director of Boisset, Nuits Saint-Georges

Received 9<sup>th</sup> of December 05, final version 16<sup>th</sup> of December 05

\* auteur à qui envoyer la correspondance, corresponding author

---

### **Abstract**

*Classical financial economics was generally based on free competition, perfect information, efficient markets, rational utility maximizing individuals and profit maximizing firms. In this neat looking framework, second best solutions such as monopoly were admitted to account for small imperfections in the market mechanism. In the last few years there has been a paradigm shift to more realistic assumptions such as non-rationality, non-profit maximization and imperfect information, although classical economists feel that these non-rational behavior cancel out. Within the broad area of behavioral economics, as it has been termed, there is a sub-field of behavioral finance, dealing essentially with behavioral and cognitive issues in market finance and with inefficient markets. As an offspring, there is an emerging field of behavioral corporate finance, which is primarily applying behavioral finance findings to the corporate world. Our study, on the other hand, looked at a case study of a wine company and asked the reasons for listing and delisting. Some of the reasons turned out to be social and cultural and not necessarily related to profit maximization, other reasons turned out to be specific to the circumstances of the wine industry, although other industries meeting the criteria could be found.*

*To develop the paper, we present some theoretical notions in Part I which we will ultimately apply to the case study of Grands Vins Boisset in Part IV. Part II will deal more specifically with a literature review of listing on stock exchanges and delisting from stock exchanges to indicate that our findings, even if they are based on a clinical one-case study, have not necessarily been covered elsewhere. Part III provides us with the background on the global wine industry to indicate the industry scenario in which Grands Vins Boisset was operating. The literature reviewed in part II applied to the industry in part III would give us a priori hypothesis of what we should have expected as the reasons for Boisset to list and, later, to delist. However, as we shall see in part IV, these were not the reasons for Boisset to take these financial decisions. Instead Boisset was influenced by the concepts reviewed in part I.*

**Key words:** behavioral finance, wine industry, listing, delisting

---

### **Introduction**

Classical financial economics was generally based on free competition, perfect information, efficient markets, rational utility maximizing individuals and profit maximizing firms. In this neat looking framework, second best solutions such as monopoly were admitted to account for small imperfections in the market mechanism. In the last few years there has been a paradigm shift to more realistic assumptions such as non-rationality, non-profit maximization and imperfect information, although classical economists feel that these non-rational behavior cancel out. Within the broad area of behavioral economics, as it

has been termed, there is a sub-field of behavioral finance, dealing essentially with behavioral and cognitive issues in market finance and with inefficient markets. As an offspring, there is an emerging field of behavioral corporate finance, which is primarily applying behavioral finance findings to the corporate world. Our study, on the other hand, looked at a case study of a wine company and asked the reasons for listing and delisting. Some of the reasons turned out to be social and cultural and not necessarily related to profit maximization, other reasons turned out to be specific to the circumstances of the wine industry, although other industries meeting the criteria could be found.

To develop the paper, we present some theoretical notions in Part I which we will ultimately apply to the case study of Grands Vins Boisset in Part IV. Part II will deal more specifically with a literature review of listing on stock exchanges and delisting from stock exchanges to indicate that our findings, even if they are based on a clinical one-case study, have not necessarily been covered elsewhere. Part III provides us with the background on the global wine industry to indicate the industry scenario in which Grands Vins Boisset was operating. The literature reviewed in part II applied to the industry in part III would give us a priori hypothesis of what we should have expected as the reasons for Boisset to list and, later, to delist. However, as we shall see in part IV, these were not the reasons for Boisset to take these financial decisions. Instead Boisset was influenced by the concepts reviewed in part I.

To anticipate our arguments, what we find from part II is that the importance of listing and delisting is generally related to the cost of capital implications due to signaling and information effects. As a result, listing allows a firm to get cheap funds from the public, as well as cheaper funds from banks. While there is a lot of research on the effects of listing, delisting has not received as much attention. Among reasons for delisting detailed below are mergers and acquisitions, bankruptcy, forced delisting and voluntary delistings.

From part III we find that it was (and is also) a time of restructuring in the wine industry, with international corporate consolidation of wine and spirits. Also, with increased competition from international firms, many French wine companies may fail or get absorbed. At a time of increased activity in M&A deal making in general, facilitated by public shareholding and market value of shares, it is common to see new companies being taken over by giant houses. In such an environment, we would a priori expect that delistings are normal because companies are taken over and they don't exist anymore. However, it is uncommon to see a profitable, large, growing company, whose growth has been formed largely through external acquisitions, should now delist from the stock market and go private. This is the case of Grands Vins Boisset, the largest wine company in Burgundy, and it is therefore merits studying.<sup>1</sup>

Our null hypothesis would therefore combine the above elements and say that Grands Vins Boisset listed in order to get large access to cheap equity funds to buy companies and that, however, in the end it was forced to delist to avoid a takeover.

<sup>1</sup> Thanks to Joelle Brouard, Professor of Marketing at the Burgundy School of Business, for indicating the possible interest of this delisting case.

The actual reasons, which we will see in part IV, are related to succession issues and new understanding of other methods of providing information to overcome asymmetric information related problems.

## Part I: Review of some theoretical concepts

In this part, we will quickly revise notions of asymmetric information and irrationality. Within the asymmetric information area we will review the notions of adverse selection, moral hazard, free rider problem and agency problem. Within the irrationality part, we will review non-economic or non-market motives, stakeholders' theory, hubris and contagion.

Within the imperfect information scenario, there is a special case of asymmetry of information producing special problems such as adverse selection (Akerlof, 1970) and moral hazard (Stiglitz & Weiss, 1981)<sup>2</sup>. To counter these problems, solutions proposed have been the development of guarantees and cautions as well as the development of intermediaries with information. For example, securities intermediaries like stock exchanges create rules for doing business that add to information flow and to ethical norms for participating and their own credibility and reputation are a function of fixed and human capital invested in the exchanges (Mahoney, 2002). Value would be added to the society (in the Pareto optimality sense) if the adverse selection problem could be resolved by the provision of information.

However, if people with information provide this publicly, it creates a free rider problem. So some intermediaries (like banks) prefer to keep the information privately.

A special case of the moral hazard problem is the principal agency problem reported in management literature<sup>3</sup>. A special case of the principal agent problems dealt in financial literature is the shareholder-manager relationship and the controlling versus minority shareholder relationships. The latter problem would present firm objectives not as objective of diffused shareholders but of some controlling shareholders who may be more interested in short or long term profit maximization, depending on their incentive-structures. This problem is less common in closely held companies where there are no minorities. The shareholder-manager problem would also go away if the closely held shareholders

<sup>2</sup> The distinction between the two is that adverse selection is the problem faced by an agent before the event while moral hazard is the problem faced after an event (Mishkin 2004).

<sup>3</sup> The principal agent view of relationships stems from a contract theory view to economics. According to this, in a contract one party is a principal and the other party is an agent. However, the agent may have his own personal agenda and may therefore not try to maximize the results for his principal. The contract therefore has to contain special clauses of controls and incentives.

actually managed the company. However, except in these rare cases, the problem exists. The problem is that managers are individuals maximizing their own utility as well as agents required to maximize the profits of shareholders. Their personal utility maximization takes into account other factors which may not be related to the firm. For example, managers may have family constraints, preferences to work with certain profile of people, etc. These may conflict with the Shareholder's interests and therefore create Agency Problems. One way of controlling this moral hazard has been to use share-market values to reward managers such as share-options. However, these incentives work if the market reflects the true value of the share.

This leads us to examine rationality. The rationality assumption in economics deals with utility maximization. For enterprises, a related assumption is profit maximization. Non-rationality for us therefore is not insanity, but merely having objectives other than utility maximization even if the individuals are logical.

The Agency Problems emanates from a Shareholder Theory viewpoint in which it is held that the objective of the firm should be to maximize shareholder value. The approach has been contrasted in recent years by the Stakeholders theory (Freeman & Reed, 1983; Harrison & Freeman, 1999) which states that, to be successful, the firm does not focus just on the shareholder's interest but also on the interests of diverse stakeholders such as employees, suppliers, customers, bankers, government, environmentalists, etc.

Also related to the Agency problem is the hubris hypothesis (Rolls 1986) applied to takeovers. According to this hypothesis, if subjective valuation of a company is randomly distributed, people who value the target company below the market price will not enter a bid for it. Only people who value the target at higher than the market price by more than the transaction costs, will consider purchasing it, provided they are confident that their valuations are better than those of the market. If markets are efficient, these managers are wrong. Hubris enters because these managers do not like to admit their mistakes. As a result they continue to make their errors. Once again, such managers are perhaps maximizing their personal utility and personal "need to win" but are not maximizing firm value and perhaps, even undermining their own long-term utility if the firm's profits go down owing to their hubris related decisions. Although Rolls applied his hubris hypothesis only to corporate takeovers, the hubris concept can have more general applications but no previous study has been noted with application to the listing and delisting area. We can hypothesize that voluntary delisting will occur only if managers value their own companies higher than the market price.

The concept of social contagion explains that behaviors and emotions spread within groups and across groups to entire societies (Marsden 1998). Within this area of research, there is some research on financial contagion which investigates financial panics and bulls within a social network analysis framework. Similarly, consumer research on social contagion explains fashions and fads. Part of contagion is explained by theories of social learning and theories of emergent norms. No previous work has been found on social contagion on listing and delisting.

Having reviewed some concepts in asymmetric information and irrationality, we note here that some of these have already been applied to listing and delisting and others have not. We will now review the literature on listing and delisting.

## **Part II: Literature Review of Listing and Delisting**

As stated, we go briefly into the reasons for listing, before looking at the causes and effects of delisting.

### **2.1 Listing**

Stock Exchanges are a marketplace for buying and selling shares. However, most investors are like buyers of cars: they don't know the companies selling the share. Therefore, there is an adverse selection problem. The stock exchange furnishes a guarantee that the companies listed on it are viable. The reputation of a stock exchange is based on the absence of cheating or house margin. If insiders have more chance of winning, outsiders may not invest. Therefore, another function of the stock exchange is to guarantee investors that they have as much access to information as anybody else (Mahoney, 2002). In short, stock exchanges increase the amount of information available about firms listed on them. For firms, the major reasons for listing on a stock exchange is access to cheaper equity capital as a result of overcoming the adverse selection problem, for which they are willing to bear the burden of furnishing extra information.

Most of the existing literature on listing is based on the US experience. It focuses on the market's behavior around listing, whether listing improves liquidity, what information or signaling listing conveys, whether listing affects a stock's risk and cost of capital (Baker & Meeks, 1991). To summarize, abnormal returns arise after the listing announcement but before listing and decline significantly after listing (Sanger & Peterson, 1990). Some of this could be explained by the fact that insiders buy stocks based on their private information of an impending exchange listing or because firms list only after strong positive performance (Lamba & Khan, 1999), and therefore much of the value to be added by the

listing has already been captured, even before the announcement. A stock's liquidity (judged either by the bid-ask spread or by the number of transactions related to price changes or by the long-term price variance versus the short-term price variance) before listing may affect the market's reaction to listing: less liquid stocks get more benefits of exchange listing. Liquidity signals information about some firms: it is like a certificate from an independent authority, especially those with low liquidity and poor earnings performance before listing. Evidently, the market guarantee function of stock exchanges is more important to under-performers because the adverse selection problem is greater for them. The risk characteristics do not change after listing, except temporarily immediately after listing. If there are no abnormal returns to listing through price increases and no risk changes, it is implicit that listing does not change a firm's cost of capital.

According to Goulet (1974), the principal reason for listing is that price of stock *should* increase (cost of capital reduces). There are many other reasons: marketability of stock, company prestige, sales of additional stock, loan value of stock for shareholders, ownership base, transactions, newspaper publicity, advertising value for the company and the fact that some institutions buy only listed stocks. However, Goulet admits that all these don't necessarily happen, in line with what we have seen above.

## 2.2 Delisting

We look briefly at the reasons for delisting and the effects of delisting.

### 2.2.1 Reasons for delisting

From the above, it would be reasonable to expect that delisting *should* cause a reverse effect: The Announcement of delisting *should* decrease prices, but after delisting is complete, the prices *should* rise. The literature on empirical seems to agree with this (Baker and Meeks, 1991). However, we could measure this only if there were an OTC market. In France this would be in the *Marché Libre* of Euronext Paris.

The principal causes of delisting can be grouped into three categories: legal necessity, forced delisting by stock exchanges and voluntary delisting by companies (Sanger & Peterson, 1990; Lamba & Khan 1999).

The legal necessity cases are of two main types. Either the company has been acquired or has been merged with another company and so no longer exists, or the company has been liquidated for other reasons. Tyrhaug (2003), for example, reports that Norway is finding that M&A activity is reducing the number of listed companies. Similarly, it is commonly known that LBO's usually result in target

firms being privatized so that agency problems with minority shareholders are minimized and to provide more freedom of action to the acquirer to restructure and skim the acquired property<sup>4</sup>.

The forced delisting by exchanges is imposed to guarantee viability and fair play. These are not required by general law, but by the exchanges own rules or criteria, because the exchange is trading on its image. Sanger & Peterson (1990) find that most such delisting are ordered because of failure to meet financial numbers (net income, minimum number of shareholders, minimum market capitalization), accounting practices, conflict of interest, inability to meet debt obligations, abnormally low price or volume of trading. For example, NYSE requires tangible assets available for common stock holders to exceed liabilities by a fixed amount.<sup>5</sup>

Another group of reasons are related to ethics. Exchanges want to seem fair. For this, they would like to assure small investors that they have equal chances and that the registered companies are not totally owned or controlled by one group of shareholders who could then manipulate prices. For this they impose maximum shareholding percentages and require large shareholders to disclose their shareholdings and punish companies who violate notions of fairness<sup>6</sup>. Another case where the Exchange intervenes is if brokers manipulate stock prices<sup>7</sup>.

The provision of regular information to the public is usually seen as a step in fair-play and Stock Exchanges require listed companies to provide regular information and threaten to delist companies who don't provide information on time<sup>8</sup>.

---

<sup>4</sup> Examples of such delistings include: *Winecorp SA* delisted from the *Johannesburg Securities Exchange* to amalgamate with its privately held subsidiary (*Off Licence News: "An industry comes of age"* dated August 20, 2004); ; *Fitch* delisted from the *London Stock Exchange* on being acquired by *Lighthouse Holdings* (*Design Week* dated Dec 17, 1999)

<sup>5</sup> *Business week: "Big Trouble at Alleghany"* dated August 11, 1986 reports the difference has to be \$8 million

<sup>6</sup> For example, the *International Financial Law Review* (2005) reports that *Seibu Railway Co. Ltd.* was delisted from *Tokyo Stock Exchange* because of false information it gave about the equity stake of *Kokudo Corp*, its parent company. According to TSE rules, companies are delisted if the top 10 shareholders own more than 75% of shares. Similarly, *NASDAQ* listing requires a majority of independent directors. In November 2004, the *Chalone Wine Group*, a *Napa-valley* based wine company, was forced to request two of its directors to resign because *NASDAQ* threatened to delist the company (*Business Wire* dated Nov 22, 2004 and *Business Wire* dated Dec 1, 2004).

<sup>7</sup> For example, *The Vancouver Stock Exchange* accused *Caprice-Greystokes Enterprises* of contravening its rules: using brokers to manipulate prices of stocks by offering them free shares and violating transparency by not disclosing that the company was paying people to market shares (*The Vancouver Sun* dated Nov 23, 1995)

<sup>8</sup> The *NYSE* threatened to delist *Rite Corp* because the company had abnormal delays in releasing its financial reports (*Times-Picayune* dated January 13, 2000). *NASDAQ* threatened to delist *Williamette Valley Vineyards* and charged a \$4,000 fine because

Annex 1 provides the delisting rules of the Euronext Stock Exchange. However, it should be noted that in view of many companies delisting owing to legal necessity, exchanges are soft-pedaling on forced delistings. For this, the exchanges are easing delisting requirements<sup>9</sup>. For example, after September 11, NASDAQ doubled the grace period that companies had to comply with the \$1 minimum bid price and \$50 million minimum public float on its SmallCap Market.<sup>10</sup>

An intriguing observation by Hubbard & Stephenson (1997) is that firms are delisted after emerging from bankruptcy!

The third category of delisting causes is Voluntary Delisting by companies. More and more companies seem to want to go private. Perrin (1999), for example finds that many UK small companies are going private. Amoako-Adu & Smith (1993) indicate that closely controlled companies go private to eliminate agency costs associated with minority shareholders. In addition to all these, there could be many other reasons: to avoid take-over<sup>11</sup>, to disclose less information to the market which is also available to competitors, the use of surplus cash through share buybacks encourages buying back of smaller shareholders, no expectation of using exchange to raise capital because of large cash availability<sup>12</sup>, lack of trading in the share<sup>13</sup> or lack of effective liquidity. Foster's, the seventh largest beer brewery, decided to delist from the London Stock Exchange because of low trading volumes and because there were only a small number of shareholders involved<sup>14</sup>. Geerling's & Wade, the largest mail and internet retailer of wines in the US decided to delist from NASDAQ but remain in the pink sheets. The directors of the company felt that from a financial and strategic viewpoint, the providing of information to maintain the NASDAQ listing status was just not worthwhile because there was little analytical coverage and the stock was very thinly traded<sup>15</sup>.

---

*the company was late in filing its quarterly information (UPI dated December 6, 2004).*

<sup>9</sup> *International Financial Law Review, Vol. 22, Issue 9, Sept.2003: "NYSE to ease restrictions on Delisting"*

<sup>10</sup> *Treasury and Risk Management, Dec-Jan 2002, "Nasdaq Eases Rules to Avoid Slew of Delistings"*

<sup>11</sup> *Evening Standard, March 9, 1994: Jardine Matheson threatened to delist from Hong Kong if it was not exempted from Hong Kong's take-over code.*

<sup>12</sup> *Canberra Times dated Sept 4, 2001 indicates that WoolStock Australia decided to delist and has a \$162 million cash surplus.*

<sup>13</sup> *Financial Times dated December 9, 1994: BASF decided to delist from the seven regional German stock exchanges and concentrate on Frankfurt which accounted for 75% of the share dealings*

<sup>14</sup> *The Mercury (Australia) dated January 6, 2005*

<sup>15</sup> *PR Newswire dated Sept 30, 2003. It is noted that during previous years, Geerling & Wade had received a threat from the NASDAQ to delist it if it could not keep its share price above \$1 for ten continuous days (PR Newswire dated Sept 9, 2002) and if it did not comply with the minimum market value of public float (PR Newswire dated Jan 31, 2001)*

Clyde and Schultz (1997) explain that voluntary delistings could also be moving from one exchange to another. For example, trading costs may explain why companies shift from American stock exchange and go to NASDAQ. This is reinforced by studies which indicate that rival exchanges have indeed positioned themselves differently. Corwin & Harris (2001) find that smaller, riskier firms tend to list on NASDAQ. In addition, there could be other reasons. If a company finds that its shares are not being traded on an exchange, it sees no reasons for bearing compliance costs<sup>16, 17</sup>. Some companies may even voluntarily delist in anticipation of mergers<sup>18</sup>.

Since Stock Exchanges do not like firms to delist, they often require stiff conditions such as overwhelming majority of voters required to delist<sup>19</sup>.

### 2.2.2 Effects of delisting

As we saw earlier, in contrast to listing, at the time of delisting, on announcement the price should fall but later on, once the delisting is complete, the price should rise.

In a study of the pre-announcement effects, Lamba & Khan (1999) find that insiders sell stock before even the announcement of the delisting.

For Post-announcement effects, Chandy, Sarkar and Tripathi (2004) find negative stock price reaction. Sanger & Perterson (1990) find that equity values decline on announcement day (if announced) or over the subsequent non-trading interval till the listing in a new exchange (if not announced). They also find that the liquidity hypothesis of listing is validated: they found bid-ask spreads increase, trading volume decreases.

For the post-delisting effects, these can be measured only if the firm is listed on another exchange. Chandy et al (2004) find in such cases significant increase in bid-ask spreads, decrease in trading volume, both

---

<sup>16</sup> *For example, in 1999, South African Breweries, at that time the world's fourth largest brewing group, changed its primary listing from Johannesburg stock exchange and moved to the London Stock exchange. The move was made to get access to deeper and more liquid capital markets, as well as an active part in the expected consolidation of the global brewing industry (Global News Wire dated February 1, 1999). Since then, the company has made many acquisitions, merged with Miller and changed its name to SABMiller and become the world's second largest brewer.*

<sup>17</sup> *More recently, during 2001 Marks & Spencer decided to delist from stock markets in Paris, Amsterdam and Brussels because only a very small percentage of the shares were held via the listings and move considered a cost-cutting device. Global News Wire dated Dec 11, 2001*

<sup>18</sup> *For example, Winecorp, the smallest listed wine producer on the Johannesburg Stock Exchange delisted after making cash losses so that it would attract suitors with whom it could merge.*

<sup>19</sup> *For example, the Warsaw Stock Exchange required a 90% majority to delist. As a result, Zywiec, the largest beer maker in Poland, was forced to make a rights issue to Heineken that enabled the Dutch group to exceed this 90% threshold votes to delist the company (Poland Business Review dt. May 14, 2001).*

indicating decreased liquidity. They find that decreased liquidity leads to increase in cost of capital. Smith & Amoako-Adu (1992) find that minority shareholders gain by the buy-out. In a study of the Toronto Stock Exchange between 1977 and 1989, they found that the mean gain while selling to controlling shareholders was 52%, with gains ranging from 11% to 152%.

A compulsory delisting sends a negative signal and leads to lowering of price and increase in cost of capital (Sanger & Peterson, 1990). However, this negative signal may have already started before the delisting because the market would be aware of the under-performance (Baker & Meeks 1991), consistent with market efficiency hypothesis. Sanger & Peterson (1990) examined the liquidity, signaling, certification and downward sloping demand curve hypothesis and found validity only for the liquidity hypothesis to explain the delisting effect.

With this literature background, we will study the case of Grands Vins Boisset who delisted from the French second market on the 16<sup>th</sup> of September, 2003. We will see if any of these reasons were applicable to Boisset in Part III. But before that we would like to introduce the global wine context in which Boisset's financial strategy must be considered.

### **Part III: The wine industry environment: Consolidation and stagnation**

We focus on two parts of the wine industry environment. The first is total sales trends and the second is the corporate consolidation

#### **3.1 Global Sales Trends**

Global wine production has shrunk in recent years, mainly due to vine uprooting and replacement with premium grape varieties (mostly red) in the European Union, Chile, South Africa and many other countries. With increased land surface coming under premium grape variety cultivation, there has been tremendous growth in premium wine output around the world.

Producers from around the world are concentrating on the premium segment, as it is the area of rapid sales growth and high margins. Lower quality wines are succumbing to extremely strong competition from substitute beverages such as mineral water, soft drinks, beer, spirits and hot drinks.

Let us compare the situation of France, a European country or from the Old World, with that of Australia, a New World country.

The Wine industry in France has been going through a rather troubled phase since the past decade, mainly as it has seen a steep decline in both its domestic consumption as well as export sales. Most wine producers have seen their market shares decrease in

the various export markets, especially in traditionally strong markets such as UK and USA. The share of French wine imported by these two countries fell from 37% and 26% in 1994 to 23% and 16% in 2003<sup>20</sup>. The neighboring Germany's slow economy also made wine imports into this country decrease, though in the past year or two, sales towards Germany have started picking up slowly. The anti-US stand taken by the French government during the Iraq war also had its impact with the USA boycotting all French products during 2003 and 2004.

What ails the French wine industry? For one, the sheer number of French wines on the shelves, which confuse the consumers. The Appellation d'Origine Contrôlée (AOC) system based on the origin of the wines is not an easy one to comprehend, even for the French consumers. In addition, the lack of any real marketing effort to clarify the labels for the consumers just adds to the confusion. This lack of marketing also makes for a tough competition from wines from the New World countries such as Chile, Australia, Argentina, South Africa, which offer wines that are not only simpler to understand, but also of a good quality and for much lower prices.

In the domestic market, the sales of French wines have been affected by the strict laws against drunken driving as well as the restrictive Evin Law. The law regulates the content of commercial advertisements, the media delivering such communications, the sponsorship of events as well as the advertising at the point of sale and direct marketing efforts. High quality wines have thus suffered enormously as they have not been able to promote their uniqueness through advertising and were unable to support their products against the low priced, cheap quality wines that were readily available in the market. Another factor for drop in domestic consumption is the changing preferences of young consumers in favor of other drinks and the transformation of regular consumers to occasional consumers.<sup>21</sup>

The situation is very much in contrast with say, that of Australia, which has known exponential growth in both its domestic as well as export sales. Domestic sales grew thanks to a per capita consumption from about 6 liters / year in the mid-1960's to around 20 liters / year in 2001. This level of growth in the domestic market also led to increased export sales, with the volume and value sales rising 7 and 11 times respectively during the decade 1991-2000.

<sup>20</sup> Bose, Supriyo & Chaudhuri, Sumit Kumar, 2005 - France's Wine Industry – In need of better marketing, case study reference number 505-033-1 from ICFAI Business School Case Development Centre

<sup>21</sup> Our thanks to a participant at the Bacchus in Bourgogne conference held at Beaune, 2005, for pointing this out.

Australia's biggest markets are New Zealand and UK followed by the US, Canada and Germany<sup>22</sup>.

What are the factors that have contributed to the significant growth of the Australian wine industry? The industry's strong willingness to adapt to the global consumer demands is one factor. Where the industry saw a growing demand for premium red wines, it responded by increasing the red wine grape production. There has also been an increase in the red grape varieties used, with increases in the varieties such as Merlot and Pinot Noir, in addition to the already popular Shiraz and Cabernet Sauvignon. The industry has also tried to ensure that wine remains part of the younger people's lifestyles in order to benefit from their aging in the future, in contrast to the falling wine consumption among the

<sup>22</sup> Foale, Richard, July 2001 – *The Australian wine industry: will it cope in a more hostile international environment?* Report published by ANZ Banking Group Limited

young in Europe. A lot of credit also goes to the forming of Innovation Territories where independent firms got together to focus on combined R & D needs and joint global marketing initiatives.

The table below provides the distribution of beverage trading companies, which corresponds to Boisset's NAF nomenclature (513J) using the DIANE database. The total sales of 2003 of the 1187 companies were 14.7 billion Euros. The Sales figures for 2003 have been classified in quartiles, so that the four columns are about equal. Broadly speaking, a quarter of the enterprises is selling less than 2 million Euros, another quarter is between 2 and 4 million Euros, a third quartile sells between 4 and 10 million Euros, and the last quartile sells over 10 million Euros. The profitability margin (return on sales) varies from loss making companies to companies earning more than 15%.

### 1187 enterprises in beverage distribution decomposition

#### Sales (kEUR) AND Profitability Margin (%)

2003 Net profitability margin (%)	Sales (kEUR)				Total
	< 2,097	2,097 to 4,141	4,141 to 10,041	> 10,041	
Less than -10 %	9	6	6	2	23
-10 to 0	43	45	45	58	191
0 to 1%	54	72	80	83	289
1 to 2%	47	49	52	49	197
2 to 3%	35	39	41	33	148
3 to 5%	40	37	42	36	155
5 to 7%	25	25	10	20	80
7 to 10%	17	12	11	4	44
10 to 15%	9	9	4	6	28
More than 15%	14	4	7	7	32
<b>Total</b>	<b>293</b>	<b>298</b>	<b>298</b>	<b>298</b>	<b>1 187</b>

Source: Diane Data base

Appendix II indicates the major players in the industry in 2003, from the same Database. The sales vary from 90 million Euros to 490 million Euros. The Profitability figures reported in Appendix II are return on equity (and not return on sales). Return on equity varies significantly from loss-making companies to some getting more than 100% returns.

Therefore, like many industries the beverage trade industry is comprised of a few major players and many atomized players. Concentration ratios measuring the share of top companies in total industry sales are: 12% for the top 4 companies; 18% for the top 8 companies; and 28% for the top 20

companies. The largest company had 3.3% market share. Consolidation should reduce the number of players over time.

### 3.2 Global Consolidation in the Wine industry

Along with stagnation in the production of wine and the emerging of New World wines, the wine industry has witnessed a global consolidation where major operators have focussed on external growth.

The world's leading company with sales of GBP 9 billion, Diageo was formed by the merger of

Guinness and GrandMet in 1997. Both of these companies had themselves acquired many other companies<sup>23</sup>. As a result, Diageo owns such leading brands as Smirnoff, Johnnie Walker, Guinness, Baileys, J&B and Beaulieu Vineyard and Sterling Vineyards wines. Diageo is listed on the London Stock Exchange.

The second biggest company, Pernod Ricard, with 2004 sales of € 5.6 billion was created in 1975. It is listed on the Euronext Paris SA. It has grown from such major acquisitions as Seagram in 2001 and part of Allied Domecq in 2005<sup>24</sup>. The latter was the third largest company, formed by the acquisition of Domecq by Allied in 1994<sup>25</sup>. Allied Domecq was listed on the London Stock Exchange.

Not all the leading wine operators are pure-plays. Fortune Brands, which also acquired a part of Allied Domecq, is a diversified company in consumer products (including home and hardware, wines and spirits and golf) and office products. Wine and Spirits represent just over a billion dollars in the total sales of 7.3 billion dollars in 2004. Its website announces it has acquired more than 20 major brands in 2005 alone, mostly thanks to the Allied Domecq acquisitions. It is listed on the NYSE.

The biggest wine company is Constellation Brands, the successor of Canandaigua Industries, renamed in 2000. Constellation Brands is listed on the NYSE. Today it has over 200 brands, either through launches or through acquisitions<sup>26</sup>, with total sales of over \$ 5 billion during 2004-2005.

In 2005, Foster's Group announced the creation of the world's leading premium wine business and Australia's leading multi-beverage business with the acquisition of Australian wine company, Southcorp. Both Foster's<sup>27</sup> and Southcorp<sup>28</sup> are themselves the result of many mergers and acquisitions. Foster's sales are \$ 4 billion and Southcorp's sales are \$1 billion.

From the above, it is clear that mergers and acquisitions are taking place at a rapid pace in the wine industry. In a stagnant market, this becomes a major way of showing growth and adding value through avoidance of duplicating costs. As we saw

earlier, within a stagnant market, Australian companies are expanding fast and French companies are in a weaker position.

The discussion on Boisset will be seen in this global industry background and in view of the literature on listing and delisting presented earlier. When the Delisting of Boisset was brought to our attention, we made the following series of hypothesis, causally linked by groups, before one of the co-authors working with Boisset joined us<sup>29</sup>. Before starting this research and meeting him, we knew little about Boisset except that it was the biggest wine company in Burgundy.

Our initial hypothesis:

#### **A. Boisset was growing through external acquisitions**

1. Till 2003 Boisset was growing fast, especially through external acquisitions
2. For this it wanted to be able to raise funds quickly if need be.
3. Being listed on the Stock Exchange permitted this.

#### **B. Boisset changed its strategy**

1. Either there was a failure in ability to integrate new companies
2. Or Boisset feared being taken over and lose control
3. Either strategy compelled Boisset to focus on internal growth only
4. In this case, funding needs reduced.

#### **C. Funding strategy therefore changed**

1. Being listed creates costs of providing information
2. Being listed creates risks of being undervalued and taken over
3. Being listed therefore requires strong leverage to avoid takeovers.
4. This does not suit a cash rich company
5. Therefore Boisset delisted.

The purpose of our press research, interviews and financial data research was to validate these hypotheses.

## **Part IV. The Case of Boisset**

### **4.1. Boisset History: listing, capital increase and consolidations**

Boisset is the leading wine producer in Burgundy and the 14<sup>th</sup> company in its industry, as indicate in Appendix II. Its sales were € 233 million in 2002

<sup>23</sup> Major events for Diageo and its predecessors can be seen on the site <http://www.diageo.com/en-row/aboutdiageo/ourhistory/ourhistory.aspx>

<sup>24</sup> Details of the major acquisitions of Pernod Ricard can be seen on <http://www.pernod-ricard.com/>

<sup>25</sup> The history of acquisitions of Allied Domecq is available on their website. The acquisition of Domecq is reported on <http://www.alliedomecqplc.com/en/AboutUs/OurBusiness/History/90s.htm>

<sup>26</sup> <http://www.cbrands.com/index.jsp?link=aboutus/history.htm>

<sup>27</sup> <http://www.fosters.com.au/about/history.htm>

<sup>28</sup> <http://www.southcorp.com.au/cps/rde/xchg/SID-53E7C3D8-E2A9B659/southcorp/style.xsl/history.html>

<sup>29</sup> This co-author started working with the Boisset Group in 1983, two years prior to its listing and is still working there. So this paper is verified by inside information.

before it was delisted from the Euronext stock exchange.

Boisset was started in 1964 and became a public limited company (*société anonyme*) in 1974.

Its expansion by acquisition started in 1982 with the purchase of Messrs. Thomas-Bassot, Gevrey-Chambertin and this was followed a year later with the acquisition of Messrs. Charles Viénot. Thereafter, there was no stopping and the firm gradually started acquiring firms outside the Burgundy region from 1996. Annex II provides details of the acquisition history of Boisset.

In 1985, the firm got listed in the French second market. Before the listing, JCB has 500,000 shares, of which 16% were held by Paribas and 84% were held by Mr. Jean-Claude Boisset. The original listing was not in order to attract share capital. In fact, only one of the reasons has been captured in the management literature.

The primary reason was that in 1985, Mr. Jean-Claude Boisset's children were minors and there was no *a priori* reason why they may have been interested in joining the father's business. As a result, to promote the longevity of his creation, Mr. Boisset decided to go public so that, if the need arose, he or his successors could transfer his shares to the public. These succession issues are not directly related to the profitability or cost of capital of the company. We can say that these are behavioral reasons. However, we cannot say that these are agency problems. Mr. Boisset, the manager, was as interested in the continuity of his creation, the firm, as in the ease of succession problems of his inheritors. It would be in the long-term profit maximization of the firm that CEO succession problems do not arise. As a result, we can see that short-term costs such as those related to listing requirements and providing information were incurred for long-term goals of the company.

The second reason for listing was to enable Banque Paribas to off-load shares in the market. This reason for public offerings has often been noted in the literature on venture capital and private equity. Here the venture capitalist gets a return on his investment of having entered the equity capital at a low price and exiting at a higher price offered to the public. As a result, on listing, Paribas and Mr. Boisset both sold 8% of the shares to the public at a price of 20 French Francs per share. No new shares were issued. At the end of the listing operation, therefore, Paribas had 8% shares, Mr. Jean-Claude Boisset had 76% shares and the public had 16% of the outstanding share capital of 500,000 shares. Both Paribas and Mr. Boisset earned a return on their operation.

The third reason for Delisting is linked to social contagion. The "Second Marché" was created in France in 1983. Everybody in financial circles was talking about it and the advantages of getting on it.

The lower cost of capital was an attractive concept but became the central focus of financial discussions. Therefore, on the advice or repeated suggestions of the bankers, the Boisset management decided to list on the Second Marché.

The fourth reason for entering the market is linked to the asset structure of the wine industry. One of the salient features of the wine manufacturing industry is the high level of stocks to age the wine. This stock has to be financed. As a result, wine companies have high levels of debt. The cost of debt is high and, in fact, access to debt is constrained because bankers suffer from the asymmetric information problem and therefore are loath to lend except at high rates. It was assumed that by listing, even if the purpose was not to get new equity, the high market price of the equity post-listing Second Marché would increase the value of the company's equity used by bankers to calculate the debt-equity ratio. By decreasing the debt-equity ratio, the company would then get more debt at cheaper rates. So, the reason for listing was not to issue capital, nor to reduce the cost of equity capital, but to reduce the cost of debt capital. This financial strategy advantage has not been found in the literature on listing.

This last reason can directly be linked to a "hubris" notion, although differing from Roll's hubris hypothesis, discussed earlier. The management was assuming that the euphoria of stock markets or incorporation on non-accounting aspects (brands) would price the equity at higher than the accounting value communicated to banks.

In fact, our *a priori* hypothesis that the company got listed to finance its external growth through acquisition fell on its face because the company did not increase its equity capital. The company went into external acquisitions before and after the listing without increasing share capital.

Between 1986 and 1990, Paribas sold the rest of its shares either to the public or to Mr. Boisset. At the end of this period, Mr. Boisset held 80% of the shares and the public owned 20%.

Note that in 1987, the Bourse crashed. This meant that most managers felt that their company shares were being undervalued (back to hubris). As a result, managers did not want to issue new capital. Although some cyclical recoveries took place for major firms, the Second Marché did not really recover. The only time Grand Vins Boisset seriously contemplated issuing new capital to the public was in 1993. But before it could do so, there was a mini-crash in 1993 and the managers no longer felt that it was profitable to issue capital.

In 1994, the Grand Vins Boisset acquired Messrs Chevalier. This company was owned by Mr. Bindschindler, who insisted on equity instead of cash, again for behavioral reasons. He felt that he had

greater faith in Mr. Boisset than in the market. As a result, for the first time, the company issued new capital and Mr. Bindschindler got 4% of the capital. Once again, we see a behavioral element (trust in one individual) entering the dimension of financial decision-making.

During its listing history, the managers learned out-of-text-book lessons. They found that although listing did not improve their credibility with shareholders, it did improve their credibility with many other stakeholders: banks to get debt, suppliers to get credit, customers and dealer networks to stock their products and target companies to get acquired. In fact, all these stakeholders suffered from the adverse selection problems associated with imperfect or asymmetric information and the guarantee accorded by being a listed company got over many of these problems. Although it is not possible to quantify the reduction in cost of debt, the managers felt that it was much easier to obtain debt and negotiate terms.

Moreover, it accorded a learning curve for possible future financial operations in the stock market. Thus, there is a value to actions such as stock exchange listings. This is the real option value of the lessons learnt from experimenting in different ventures. Having learnt how to prepare and communicate financial information to obtain easier terms, the company is in a much more comfortable position today.

#### **4.2. Delisting**

This history of trading of Boisset shares on the primary market showed that there was rather little action. An average of 22 shares was being traded on any given day, essentially because there were large periods without any trading activity. As a result, investors felt there was lack of liquidity.

Over the years, Mr. Boisset received many requests from individual minority shareholders to buy their shares, and he did so. The company also had already engaged in share buybacks. For example, in 2002, the company bought back 1807 of its shares for a value of 33,519 Euros. On 31 December 2002, it held 93,066 of its shares valued at 2.9 million Euros. Some of these share buybacks had been done for fulfilling stock options to managers. As a result of all the above, the share of the public went down to 12%. Institutions were not interested in acquiring Boisset shares. Moreover, with the introduction of the Euro and the Euronext, public interest in French Second Marché went down further. Instead of focussing on the top 40 French companies, shareholders were now focussing on the top 50 European companies. As a result, companies like Grand Vins Boisset were not in the radar vision and felt neglected.

From the delisting prospectus ("Offre Publique d'Achat Simplifié published on July 1, 2003), we note that one of the reasons given captures the above discussion:

*1. The shares of the company GRANDS VINS JEAN-CLAUDE BOISSET ("BOISSET" ou la "Société") were admitted in the French second market on 15th of May 1985. Since that date, the Boisset family had always controlled the company through Société Familiale de Gestion de la Vougeraie (la "SFG de la Vougeraie") to the extent of 82.47 % of the capital and 91.78 % of the voting rights. As a result, very little of the capital was really in circulation. During the first six months, an average of 22 shares was transacted per day.*

The company was incurring costs of 150,000 Euros per year in preparing and disseminating financial information and adhering to all the listing requirements. This cost was not linked to any perceived returns. This brings us to the second officially communicated reason:

*2. The company itself did not need any funds from the market, so there was little point in staying listed in the market and incurring associated costs.*

We can add many other reasons, not disclosed in the official prospectus.

From a strategic viewpoint, the French wine industry financial structure also influenced the reason for dissatisfaction with listing. Only a handful of other companies (Jean-Jean, Cottin Frères, Henri Maire) were providing information on their financials and strategies to the market. As a result, information on GVB and these few companies was available to product competitors and supply chain partner groups, creating an uneven battle because GVB did not have access to information on all these participants because they were not listed. Therefore, although the asymmetric information problem was over, it bred the free rider problem. Everybody was benefiting from GVB's listing, but the benefits to GVB had reduced. An example of strategic information was, for example, a product proliferation strategy (multi-brand) is less successful if the consumer is aware that all the brands belong to the same company. Another example is that if the supply chain partners (up-stream or down-stream) are aware that GVB has cash flow to make acquisitions, they would demand better terms.

Between 1995 and 2000, Mr. Boisset's sons and son-in-law entered the management of the firm. So the succession issues were also over. The family owned company did not need outside shareholders to continue its existence.

The market share price plummeted, way below manager's valuations. The company could have bought back shares but there was a Euronext rule saying that company and controlling shareholder intervention has to be less than 75% of shares offered in the market. Since there was no one ready to buy

the other 25%, prices went down. The controlling family felt that the price of Boisset shares at around 13 to 14 Euros did not reflect the real value of the company. This is evident from the fact that they were

buying back the share at € 30.20. This justifies our relating the hubris hypothesis to delisting.



From an image viewpoint, the low price of the share in the Second Marché was in fact creating a negative image for the enterprise. Therefore, not only did it rule out acquisition by shares, it created bottlenecks to external acquisitions because managers and labor unions of targets would not want to be bought out by a company which was valued so lowly by the market.

In short, all the value accorded by the prestige of being listed had been transformed into negatives.

We have so far not treated the social contagion theory. According to this listing and delisting are contagious phenomena. The following chart provides the details of enterprises listed on French stock exchanges (now Euronext) during the last few years.

	Number of Listed Enterprises						
	2004	2003	2002	2001	2000	1999	1998
Premier Marché	353	368	395	425	453	484	513
Second Marché	306	312	325	347	354	372	368
Nouveau Marché	128	137	153	164	158	111	81
Next Track	43	39	33	22	0	0	0
Marché libre	246	254	258	239	218	173	141
<b>Total</b>	<b>1076</b>	<b>1110</b>	<b>1164</b>	<b>1197</b>	<b>1183</b>	<b>1140</b>	<b>1103</b>

Source: AMF Annual reports for 2004 & 2003 and COB annual report for 2002.

Note that the number of enterprises listed on the premium Premier Marché has been decreasing constantly since 1998. The number of enterprises on the Second Marché has been reducing regularly since 1999. The Nouveau Marché was new and we can say that there was a fad till 2001, but since then it too is in decline. The next track was introduced in 2000 and already seems to stabilize in 2004. The Marché Libre, equivalent to the Pink Sheets in the US, plateaued out in 2002 and is also declining. All this supports the fad hypothesis or the social contagion theory. The delisting by Boisset was therefore responding to a fad. In 2003, within the second

Marché where Boisset was listed, the number of enterprises went down from 325 to 312. This net decline of 13 represented 16 exits and 3 transfers from Nouveau Marché and Marché Libre. The 16 exits included 1 who got dissolved, 2 who went in for judicial liquidation, 1 who went in for an asset transfer (acquisition) and 12 who went in for a voluntary delisting with an OPRA. From the above, it is possible to say that the research also seems to support a product life cycle curve for stock exchange products, if each "market" is viewed as a product of the stock exchange. As a result, Boisset was just

responding to social contagion and exiting a product which was now on a down-swing.

Note that in our null hypothesis, we thought that the delisting was an anti-takeover pill. However, this was not found to be true. Since GVB was found to be closely-held, the threat of an unwanted takeover at a low price did not exist.

One other related question was considered. We noted in the delisting literature that controlling shareholders paid about 52% premium to minority shareholders before delisting. Mr. Boisset paid a premium of about 140% by buying GVB shares at 30.20 Euros instead of a market price of 13 to 14 Euros. This was done because he strongly believed that the fair valuation was indeed around 30.20 Euros. The Boisset family also did not want any minority litigation in case the price went up later based on the plea that "insiders had information".

Over the long run, this provided a 7% to 8% return on shares acquired in 1985. The managers considered that this was ethically more correct.

## Conclusion

We have noted that both in listing and delisting, there are both financial, strategic and behavioral reasons involved. We note that the hubris hypothesis as well as the social contagion theory, in particular, may explain both listing and delisting. At least the hubris hypothesis seems to hold for this case because the stock market price was much lower than the valuation by Boisset Managers. Of course, it needs to be verified over a large sample, although confirming evidence includes studies indicating that going private firms are undervalued, and are concentrated in industries with stable cash flows, unused debt capacity, high agency costs of free cash flows, and smaller in size to firms that do not go private (Kim & Lyn, 1991). The social contagion theory of listing and delisting could also be applied as it seems that French stock exchanges use different "markets" as a product and each goes through its life-cycle as a fad. The product life cycle could have been influenced by globalization or at least Europeanization of the financial markets along with new information technologies. Other behavioral reasons, such as succession issues, have also been noted.

However, we have not pointed out a significant learning from the case. Boisset Managers found that the significant advantage gained by listing is the provision of financial information which reduced asymmetric information and added to the convenience of doing business. As a result, although Boisset delisted, it continues to produce the financial information and have it audited by internationally reputed auditors. This financial information it then provides to bankers as well as those who need the information. Therefore, it has found that the role of

the stock-market is being adequately served by reputed auditors in guaranteeing the information communicated. As a result, it can selectively give its information to those to whom GVB considers necessary. Having thus converted public information to private information, it has solved the free rider problem. This kind of action can be termed entrepreneurial management because it analyses the zero-based reason for incurring costs and seizes opportunities to shed costs to get the same benefits.

There are many other lessons to be learnt from Boisset and the study of the wine industry. One interesting area would be the strategic reasons for consolidating operating results of certain wines in one subsidiary and part played in financial information communication. But we leave all this for future research.

## References:

- Akerlof, George A.; 1970; "The Market for Lemons: Quality Uncertainty and the Market Mechanism"; Quarterly Journal of Economics; 84 (3), August
- Baker, H. Kent & Meeks, Sue E.; 1991; "Research on Exchange Listings and Delistings: A Review and Synthesis"; Financial Practice and Education; Spring
- Bose, Supriyo & Chaudhuri, Sumit Kumar; 2005; "France's Wine Industry: In need of Better Marketing"; ICAI Business School Case Development Centre; Case no. 505-033-1
- Foale, Richard; 2001; "The Australian Wine Industry: will it cope in a more hostile international environment?"; ANZ Banking Group Limited; ACN 005-357-522
- Goulet, Waldermar M.; 1974; "Price Changes, Managerial Actions and Insider Trading at the time of Listing"; Financial Management; Spring
- Hubbard, Jeff & Kevin Stephenson; 1997; "A fool and his money: buying bankrupt stocks"; Journal of Investing; Vol. 6, Issue 3, Fall
- Kim, Wi Saeng & Lyn, Eseralda O.: "Going Private: Corporate Restructuring under Information Uncertainty and Agency Problems", Journal of Business Finance and Accounting, Sept. 1991, Vol. 18 (5).
- Lamba, Asjeet S. & Khan, Walayet A.; 1999; "Exchange Listings and Delistings: The role of insider information and insider trading"; The Journal of Financial Research; Vol XXII, No. 2
- Mahoney, Paul G.; 2002; "Information Technology and the Organization of Securities Markets"; Brookings-Wharton Papers on Financial Services; paper 02-17,
- Marsden, Paul; 1998; "[Memetics and social contagion: Two sides of the same coin?](#)"; Journal

of Memetics - Evolutionary Models of Information Transmission; Vol. 2 Issue 2

Rolls, Richard; 1986; "The Hubris Hypothesis of Corporate Takeover"; Journal of Business; Vol. 59, no.2

Sanger, Gary C. & Peterson, James D.; 1990; "An Empirical Analysis of Common Stock Delistings"; Journal of Financial & Quantitative Analysis; Vol. 25, No. 2 June

Stiglitz, Joseph E. & Weiss, Andrew; 1981; "Credit Rationing in Markets with Imperfect Information"; The American Economic Review; June

Tyrhaug, Steve; 2003; "Norway softens laws to boost new issues"; International Financial Law Review;

## **Annex 1: Delisting rules of Euronext**

(as set out in EURONEXT RULES – BOOK I March 23, 2005)

### *6804 Delisting*

6804/1 Euronext may delist Securities listed on its markets in the following circumstances:

- i. at the written request of the relevant Issuer or Applicant insofar as this is permitted by National Regulations; or
- ii. on its own initiative and on any appropriate grounds including (without limitation):
  - a) manifest failure to comply by the Issuer or the Applicant with the obligations imposed and the requirements set pursuant to the Rules or the Listing Agreement; or
  - b) Dissolution of the Issuer or payment moratorium or bankruptcy or any similar insolvency proceedings under National Regulations or foreign law against the Issuer or the Applicant; or
  - c) in the opinion of the Relevant Euronext Market Undertaking\*\* less than 5% of the Securities remain available for trading; or
  - d) without prejudice to Rule 4404/2, in the opinion of the Relevant Euronext Market Undertaking\*\*, facts or developments occur or have occurred with regard to a Security which prevent the continued listing of that Security or which cause the Relevant Euronext Market Undertaking\*\* to believe that a fair, orderly and efficient market for a Security cannot be maintained; or
  - e) adequate clearing and/or settlement services for a type of Securities are no longer available; or
  - f) The delisting of the Shares or other Securities into which they are convertible or for which they are exchangeable, as the case may be.

6804/2 If the Relevant Euronext Market Undertaking\*\* decides to delist a Security pursuant to Rule 6804/1 (ii), the following procedure shall apply:

- i. the Relevant Euronext Market Undertaking\*\* shall determine the date on which the delisting of the Securities shall become effective;
- ii. the intention to delist and the anticipated date for such delisting shall be notified in writing to the Issuer;
- iii. the Issuer shall be given an opportunity to be heard by the Relevant Euronext Market Undertaking\*\* before any decision to delist is taken;
- iv. the Relevant Euronext Market Undertaking\*\* shall publish the date on which delisting of the Securities shall become effective as well as the conditions of delisting and any other relevant information concerning the delisting;
- v. On the date on which the delisting of the Securities becomes effective the Listing Agreement, if any, will be terminated without any further action being required.

6804/3 If a request for delisting of Securities is made by the Issuer according to Rule 6804/1(i), the following procedure shall apply:

- i. The written request for delisting must state for which Securities delisting is requested as well as the grounds for delisting.
- ii. The Relevant Euronext Market Undertaking\*\* shall determine the date on which the delisting of the Securities shall become effective.
- iii. the Relevant Euronext Market Undertaking\*\* shall publish the date on which delisting of the Securities shall become effective as well as the conditions of delisting and any other relevant information concerning the delisting.

6804/4 The Relevant Euronext Market Undertaking\*\* may subject any delisting of Securities to such additional requirements as it deems appropriate.

### *6805 Appeals*

6805/1 The relevant Applicant or the Issuer may appeal against the decision to delist pursuant to Rule 6804 taken by the Relevant Euronext Market Undertaking\*\* before any court or authority and according to such procedures and within such timeframe as may be prescribed under National Regulations.

## Annex II: Top 25 French beverage trading companies in 2003

Beverages Distribution	Sales kEUR 2003	Return on Equity (%) 2003	Market Share 2003
1 MAISON JOHANNES BOUBEE	489 761	52,55	3,3%
2 MOET HENNESSY DIAGEO	484 151	80,24	3,3%
3 CASTEL FRERES	420 912	29,61	2,9%
4 BACARDI FRANCE	305 979	163,47	2,1%
5 LES GRANDS CHAIS DE FRANCE	299 860	23,28	2,0%
6 INBEV FRANCE	251 879	3,97	1,7%
7 TRIODIS	243 471	131,78	1,7%
8 SOCIETE EN NOM COLLECTIF NEPTUNE DISTRIBUTI	202 717	0,00	1,4%
9 CHAIS BEUCAIROIS SAS	165 232	21,24	1,1%
10 BALLANTINE'SMUMMDISTRIBUTION SA	160 541	8,94	1,1%
11 BERTRAND SAS	139 114	9,40	0,9%
12 MARIE BRIZARD ET ROGER INTERNATIONAL	124 482	10,57	0,8%
13 COMPAGNIE DES VINS DE BORDEAUX ET DE LA GIR	113 777	7,72	0,8%
<b>14 BOISSET COTE D'OR</b>	<b>112 673</b>	<b>81,98</b>	<b>0,8%</b>
15 TRILLES	108 459	17,21	0,7%
16 SA VINS G. DUBOEUF	104 291	11,92	0,7%
17 GROUPE UCCOAR SA	103 397	-36,45	0,7%
18 LA FIEE DES LOIS	103 316	61,73	0,7%
19 BARON PHILIPPE DE ROTHSCHILD SA	103 201	6,02	0,7%
20 GRANDS VINS DE GIRONDE	102 831	-1,56	0,7%
21 JEANJEAN SA	100 100	31,72	0,7%
22 KARLSBRAU FRANCE SA	95 822	23,85	0,6%
23 LAURENT PERRIER DIFFUSION	94 570	9,26	0,6%
24 H MOUNIER	93 290	102,41	0,6%
25 RIEUX SARL	90 412	1,80	0,6%

## Annex III: Acquisition history of Boisset

1982: First expansion by acquisition - of Messrs. Thomas-Bassot, Gevrey-Chambertin.

1983: The firm of Charles Viénot (founded 1735) enters the fold.

**1985: The firm joins the Second Market, giving a lead to French still wine merchants.**

1986: Acquisition of the Beaune firms of P. de Marcilly and Pierre Ponnelle.

1987: Acquisition of the Nuits-Saint-Georges firm of Morin Père & Fils whose cellars are open 365 days a year.

1988: Diversification into spirit-production with acquisition of the Bouhy distillery.

1993: Two new Beaune firms join the team: Jaffelin in September and Bouchard Aîné & Fils at Christmas. Purchase of Messrs E. Delaunay & Fils (Bourgogne).

1994: Diversification into sparkling wines (Messrs. Chevalier, and Charles de Fère). Foothold in Meursault with Ropiteau Frères, specialists in great white burgundies.

1996: Expansion into French wine-growing districts outside Burgundy: Cellier des Samsons in the Beaujolais, and Boisset Méditerranée in Languedoc-Roussillon. Take-over of Louis Violland, Beaune, at the Caisse des Dépôts et Consignation.

1997: Acquisition of Mommessin-Thorin gives Boisset the number two position in the Beaujolais. Varichon & Clerc bring a new area into play - Savoy. Boisset becomes France's leading producer of Crème de Cassis (take-over of L'Héritier-Guyot). Boisset in Chablis (J.Moreau & Fils).

1998: Takeover of Messrs. Pellerin in the Beaujolais. Penetration of southern Rhône Valley with Domaines Bernard. Joint distribution venture with Vincor, a leading Canadian wine firm.

2000: Creation of the Clos Jordan vineyard in the Niagara peninsula, Canada, as joint venture by Boisset and Vincer. Beaujolais firm of François Paquet joins Pellerin. Boisset is associated with Languedoc-Roussillon firm "Cristal de Veyrac".