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# Bordeaux 2014 – where is the value?

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## Executive Summary

### Introduction

As Bordeaux 2014 is released in bottle, Liv-ex takes a closer look at it in terms of price, quality and value compared to other vintages. 2014 is the first recent vintage that has not been reviewed by Robert Parker. It is being released in bottle following strong price gains by the Bordeaux market, albeit aided by a weaker Sterling. Liv-ex has applied its “fair value” methodology<sup>1</sup> to help identify where wines might offer value relative to other vintages.

### Price rises led by the second wines

The Liv-ex Bordeaux 500 index has gained 23.1% since the end of 2015. The second wines of the First Growths have witnessed some of the most spectacular gains as brand-driven buyers, particularly in Asia, seek exposure to the most prestigious brands at lower prices. For example, Petit Mouton 2014 has already more than doubled in price since its merchant release. Interestingly, Liv-ex’s “fair value” methodology shows age to be more important than critic score in determining prices for certain second wines, particularly Carruades Lafite.

### Left Bank receives the most praise from critics

The 2014 vintage received an average of 93 points by *The Wine Advocate*, putting it on a par with the 2006, 2008 and 2012 vintages. The top five scoring wines according to *The Wine Advocate* were Cheval Blanc, La Mission Haut Brion, Latour, Montrose and Vieux Chateau Certan which were all awarded 95-97 points by Neal Martin. Martin, along with other critics including James Suckling have praised the quality of the Left Bank 2014s, in particular.

### Where’s the value?

Liv-ex’s “fair value” methodology suggests that, on average, the 2014 vintage looks attractively priced relative to other vintages. Lafite Rothschild 2014, in particular, looks interesting compared to the Chateau’s other vintages. Likewise, Haut Batailley, Chapelle Mission, Pichon Lalande and Clinet might offer value. On the other hand, Beausejour Duffau, Pontet Canet, Haut Bailly, Petrus, Lagrange Saint Julien, Haut Brion, Leoville Barton and Palmer appear to be priced quite highly relative to similarly scored wines from the same estates.

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<sup>1</sup> Liv-ex’s “fair value” methodology uses regression analysis to generate a ‘fair value’ trend line for data on wine prices and respective critic scores. Where the correlation is significant, the trend line can be used to suggest a wine’s price for a given score. Liv-ex recognises that there are many other factors influencing the price of fine wine, including vintage quality and age, and that any conclusions drawn from regression analysis are subject to certain assumptions, including the direction of causation. However, Liv-ex believes that its ‘fair value’ methodology offers a useful starting point for professional buyers in the identification of wines that might be mispriced.

## Introduction

Liv-ex previously commented that Bordeaux 2014 was priced quite attractively during En Primeur (see: “Bordeaux 2015: Price Guide for Liv-ex Members”, Spring 2016). This was the result of ex-chateau prices falling back in line with the secondary market for the first time since the release of the acclaimed 2009 and 2010 vintages. Since then, the fall in Sterling has also helped to boost prices of Bordeaux 2014, along with the rest of the fine wine market. With Bordeaux 2014 now being released in bottle, Liv-ex takes a closer look at the vintage in terms of price, quality and value, using its “fair-value” methodology.

## Price rises led by the second wines

The 2014 vintage is being released in bottle as the Bordeaux market enjoys some impressive upward momentum. After four years of decline, the Bordeaux market stabilised in 2015 and posted impressive gains in 2016. Currency has played an important role in the Bordeaux market’s recovery with a weaker Sterling making fine wine prices more attractive for Euro and Dollar-based buyers.

The second wines of the First Growths have enjoyed some of the largest price rises since En Primeur release. The Second Wine 50 Index is the best performing sub-index of the Bordeaux 500 since the market low in June 2014, having increased by 35.6% over the past twelve months. As can be seen in the table below, the top three highest risers of the entire vintage are all second wines: Petit Mouton, Carruades Lafite and Pavillon Rouge. Second wines have become particularly popular with the brand-driven Asian market where they are seen as extensions of the Premier Crus, offering access to the top Bordeaux brands at more attractive prices.

Historically, prices for the second wines have tended to increase only when they have become physically available. However, with the broader Bordeaux market now in recovery, it would seem that buyers have decided to get ahead of the game.

## Bordeaux 2014: top risers since release

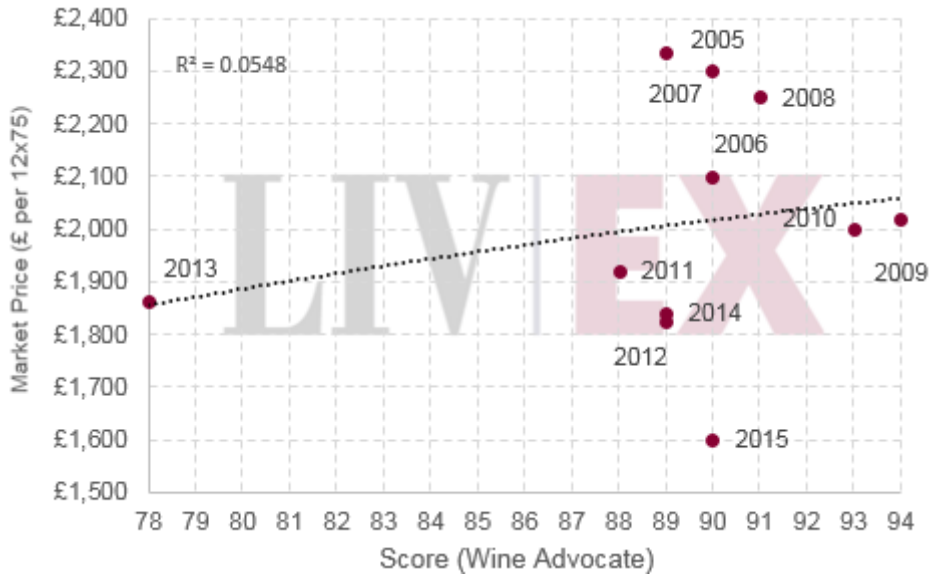
Wine	Merchant Release	Current Price	WA Score	Change (%)	Bordeaux Index	Index Change (%)
Petit Mouton	£756	£1,562	90-92	106.6%	Second Wine 50	35.6%
Carruades Lafite	£920	£1,840	88-90	100.0%	Second Wine 50	35.6%
Pavillon Rouge	£756	£1,325	89-91	75.3%	Second Wine 50	35.6%
Ausone	£3,430	£5,968	93-95	74.0%	Right Bank 50	19.7%
Pin	£10,500	£17,430	92-94	66.0%	Right Bank 50	19.7%
Petrus	£13,620	£22,380	93-95	64.3%	Right Bank 50	19.7%
Calon Segur	£420	£686	91-93	63.3%	Left Bank 200	23.7%
Clerc Milon	£324	£520	90-92	60.5%	-	-
Beychevelle	£415	£625	91-93	50.6%	Left Bank 200	23.7%
Mouton Rothschild	£2,340	£3,493	94-96	49.3%	Fine Wine 50	26.7%

While critic scores appear to have a significant influence on prices for First Growths and many other fine wines, this is much less apparent for their second wines. For example, the two charts below suggest that age is more significant than score (*Wine Advocate*) in explaining price variations over the last ten vintages of Carruades Lafite.

The correlation between prices for Carruades Lafite and scores (*Wine Advocate*) can be measured using a regression model as shown in the first chart below. In this model, we find

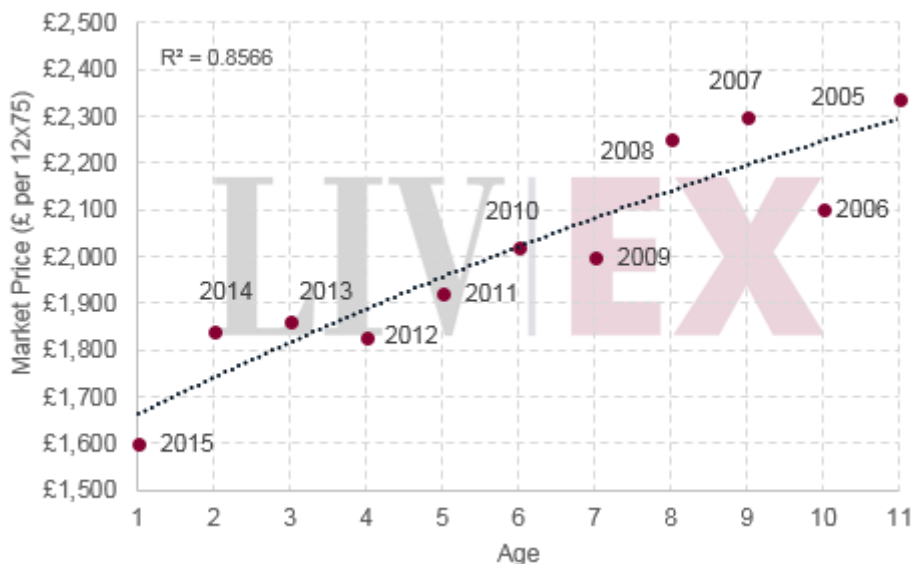
that just 5%<sup>2</sup> of the variation in price for Carruades Lafite can be explained by variations in score.

**Carruades Lafite (2005-2015): weak relationship between price and score**



In contrast, a regression model with prices for Carruades Lafite against age shows that most (86%) of the variation in price for Carruades Lafite can be explained by variations in age. This suggests that buyers of Carruades Lafite are prepared to pay a premium based on the wine's age and are less influenced by the score attributed to any particular vintage. Vintages that fall below the trend line might offer value relative to those above it.

**Carruades Lafite (2005-2015): strong relationship between price and age**



<sup>2</sup> Known in statistics as R-squared, a statistical measure of how close the data points are to the fitted regression line. An R-squared of 100% indicates that the regression line perfectly fits the data.

A number of wines have suffered price declines since En Primeur. Yquem 2014 was physically released in September and has fallen the most (9.7%), despite being one of the top-scoring wines of the vintage (WA 96-98). Rieussec is another high-scoring wine that has struggled.

In contrast, a number of the other worst performing wines, such as Batailley, are amongst the lowest scoring wines of their brands in the last ten years.

**Bordeaux 2014: fallers since release**

Wine	Merchant Release	Current Price	WA Score	Change (%)
Clos Marquis	£295	£288	90-92	-2.4%
Rieussec	£400	£390	93-95	-2.5%
Troplong Mondot	£590	£560	92-94	-5.1%
Batailley	£250	£234	89-91	-6.4%
Yquem	£2,850	£2,574	96-98	-9.7%

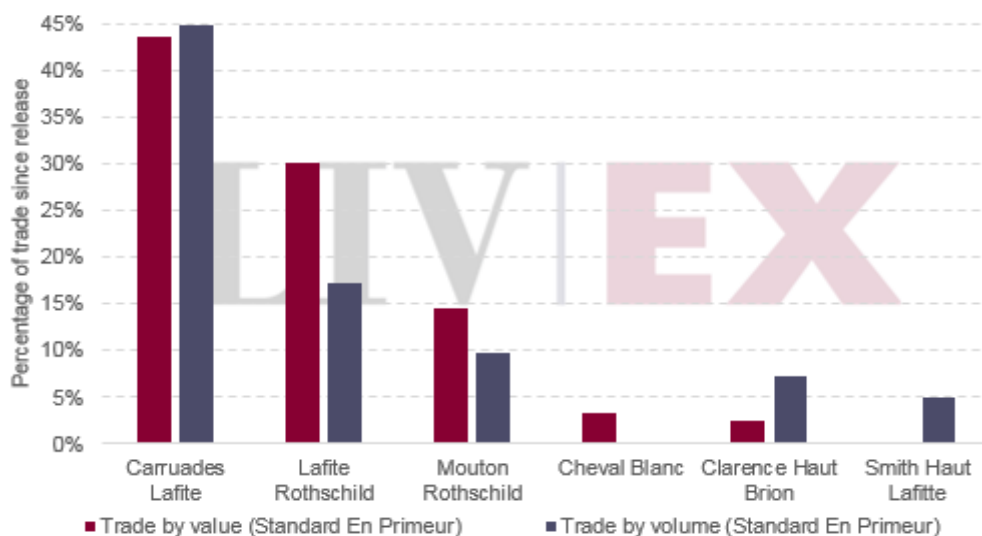
**Carruades Lafite is the most actively traded 2014 since release En Primeur**

The most actively traded 2014s by value and volume on Liv-ex are the First Growths and their second wines. Carruades Lafite represents 43.7% of trade by value and 44.9% of trade by volume of the 2014 vintage. Lafite Rothschild (30.1% by value; 17.1% by volume) and Mouton Rothschild (14.5% by value; 9.8% by volume) are second and third.

The top five wines by value and volume are generally high-scoring and have brand appeal. Lafite Rothschild and Mouton Rothschild received a score from *The Wine Advocate* of 94-96 points. Likewise, Cheval Blanc is one of the top-scoring wines of the vintage, receiving 95-97 points.

Smith Haut Lafitte – representing 5% of trade by volume – is a brand on the rise. The 100-point 2009 was added to the Liv-ex 100 index this year. The 2014 was awarded a score of 92-94 points.

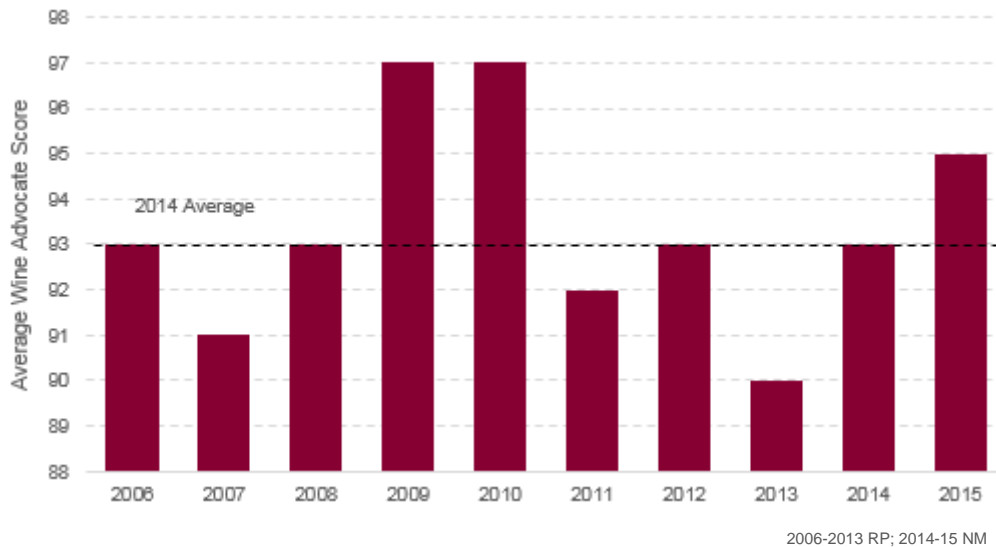
**The top five: 2014 trade by value and volume**



## 2014 vintage quality – good but not great

Wines of the 2014 vintage achieved an average of 93 points from Neal Martin. This places it on a par with the 2006, 2008 and 2012 vintages which also received 93 point averages from *The Wine Advocate*, albeit from Robert Parker. Interestingly, average scores for 2014 do not appear to vary much across critics with averages ranging from 93 to 94 points.

### Average Wine Advocate scores for Bordeaux Vintages (2006-2015)



The top five scoring 2014s according to *The Wine Advocate* were Cheval Blanc, La Mission Haut Brion, Latour, Montrose and Vieux Chateau Certan which were all awarded 95-97 points by Neal Martin.

The 2014 vintage was viewed by several leading critics as a Left Bank vintage, with St Julien, Pauillac and St Estephe receiving particular praise. Quality was also evident in the Right Bank although it tended to be less consistent.

Robert Parker did not score the 2014 vintage En Primeur. Of all the critics, there is little doubt that Parker wielded the greatest influence on Bordeaux fine wine prices and it remains to be seen how the next benchmark for Bordeaux wine quality will evolve.

The chart below highlights the differences of opinion amongst the leading critics for individual wines, using a mid-point of the barrel-range, where available. As can be seen, there are significant variations between the critics for particular wines. For example, Ausone was awarded 93-95 by Neal Martin, 95-96 by James Suckling and received a straight 98 points from Jean Marc Quarin. In 2014, it is also apparent that Parker's successor at *The Wine Advocate*, Neal Martin, generally scores wines towards the bottom of the range.

Cantemerle has the greatest variation in critic score with a low 87 points from Jean Marc Quarin and a high 93-94 from James Suckling. Critics were most in agreement on Vieux Chateau Certan, Pontet Canet and Mouton Rothschild. Vieux Chateau Certan was one of the top-scoring 2014 wines.

## Range between highest and lowest critic score in 2015



## How is 2014 priced compared to other vintages?

The chart below plots the average price of recent Bordeaux vintages against their respective average *Wine Advocate* scores, based on the wines of the Bordeaux 500 index. The trend line highlights the relationship between average score and price. Robert Parker's scores are used for the 2004-2013 vintages and the mid-point of Neal Martin's scores are used for the 2014s.

The trend line shows that lower-scoring wines tend to trade at similar prices, while points become increasingly valuable for higher scoring wines. Vintages below the line potentially offer greater value for money than those above the line. The 2014 vintage falls just below the line, hinting that prices may be relatively attractive on average.

## Average Market Price Bordeaux 500 Index v Average Wine Advocate Score

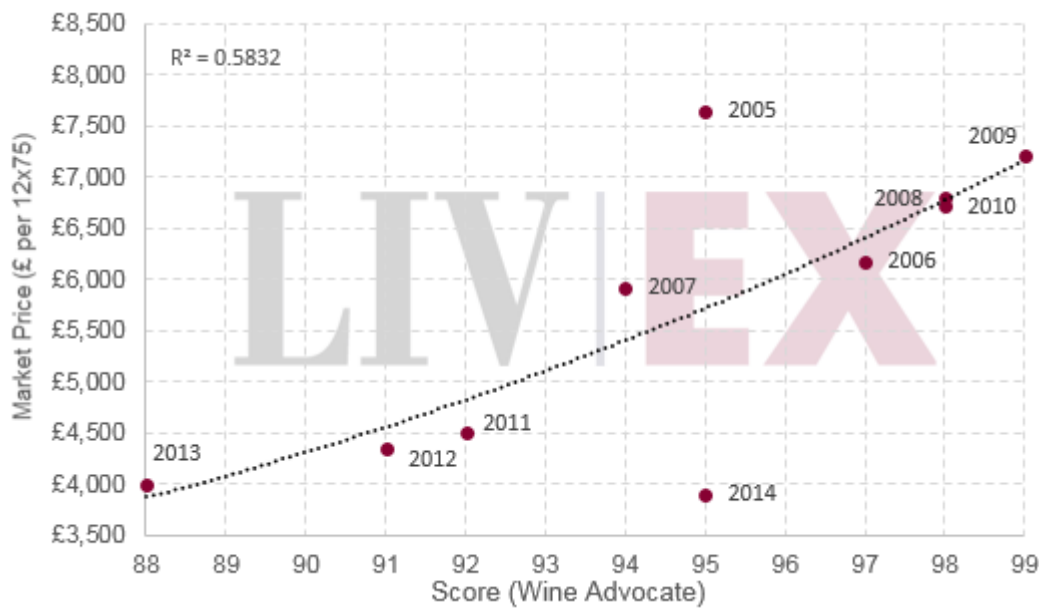


### Digging deeper to find value in Bordeaux

In order to identify which Bordeaux 2014 wines offer the best value compared to other vintages from the same estates, we plotted individual charts for 100 Bordeaux wines. Prices were plotted against scores, and trend lines were drawn for the 50 wines of the Bordeaux 500 index as well as for 50 other prominent Bordeaux reds. Each chart and trend line was plotted for ten vintages (2005-2014) using Robert Parker's scores for 2005-2013 and the mid-point of Neal Martin's barrel ranges for 2014. Sauternes and wines that do not have a full set of *Wine Advocate* scores have been excluded. We then focused on the wines within this group that displayed correlation between price and score of at least 50%. In total, 42 wines qualified.

For each of these wines we quantified the difference between the current Market Price for the 2014 vintage and the price suggested by the trend line. Wines with Market Prices significantly above the line may be considered most overvalued while those falling below the line may be potentially undervalued. For example, the chart below shows the individual trend line for Lafite Rothschild, where the 2014 vintage is priced 31.8% below the price suggested by its trend line.

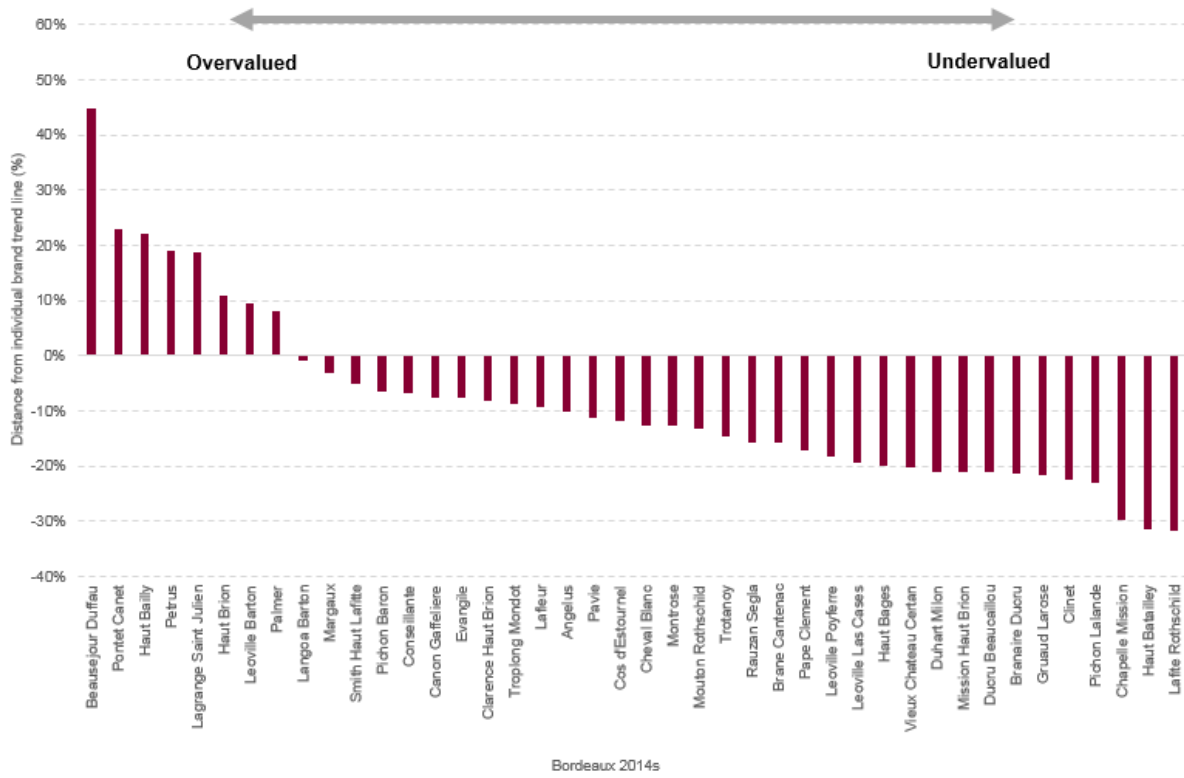
#### Lafite Rothschild (2005-2014)



The chart below summarises the results of our analysis. Lafite Rothschild 2014 falls furthest from its suggested price, according to our “fair value” methodology, and therefore appears on the far right hand side of the chart.



**Bordeaux 2014: overvalued and undervalued wines**



**Conclusion**

In the context of a rising market many wines from Bordeaux 2014 have seen significant increases since En Primeur, even ahead of their physical releases. Despite this, a number continue to appear attractive next to other vintages. Lafite Rothschild 2014, for example, falls well below the price generated by our “fair value” methodology. Others – Beausejour Duffau, Pontet Canet and Haut Bailly, to name a few – are priced well above this level. With the wines being released in bottle during this interesting time for the market, buyers will no doubt be more aware than ever of the need to hunt for relative value.