

Italy – Food and Beverage

B2C recovery and integration starts bringing tangible results

18th September 2017

H1-17 RESULTS RELEASE

RIC: IWB.MI
BBG: IWB IM

IWB announced a solid set of interim results. Soaring CF generation, WC management and the tiny level of capex allowed IWB to diminish NFP significantly YoY. On the back of the first qualitative indication on Q3-17, the group is confident that it will continue on its growth path and increase profitability also thanks to the anticipated improving performance in B2C

Rating:

Buy

Price Target:

€ 14.50 (€ 12.70)

Upside/(Downside): 19.2%

Last Price: € 12.16

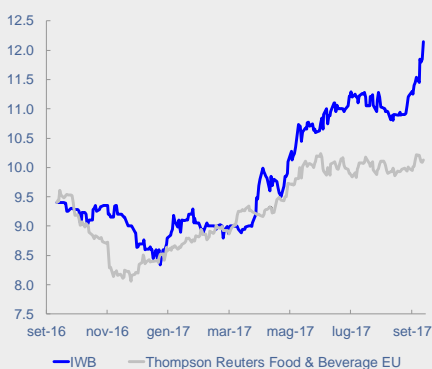
Market Cap.: € 69.0*

1Y High/Low: € 12.16/€ 8.25

Free Float: 83.7%

Major shareholders:

Provinco Srl 14.1%
Otus Capital Management 6.1%
Praude Asset Management 5.0%



Stock price performance

| | 1M | 3M | 12M |
|--------------------------|-------|------|-------|
| Absolute | 11.6% | 9.5% | 29.4% |
| Rel.to AIM Italia | 12.1% | 7.2% | 5.5% |
| Rel.to EU Sector | 8.8% | 8.8% | 22.1% |

Analyst:

Luca Arena
+39 02 30343 395
luca.arena@cfosim.com

Buy reiterated, PT of € 14.50/s (€ 12.70), 19.2% upside potential

We have revised upwards our estimates, factoring in the solid interim performance, considering also the seasonality of the business with the bulk of EBITDA generated in the second part of the year. In addition, we have included the benefit of further personnel reductions and the related lay-off costs. The result is a 10% upgrade in 2017-19 EPS, on average. In addition, we have updated DCF valuation criteria, bringing the free risk rate up-to-date. The result is a PT at € 14.50/s (€ 12.70). We reiterate our BUY rating on IWB.

H1-17 turnover up 6.8% YoY, exports 73.4% of total

Figures were characterised by a strong performance in B2B and stable results in B2C. Revenues increased by 6.8% to € 69.0m as a result of B2B division rising 20.1% and B2C remaining basically unchanged (down 0.7%: steady domestic market, foreign markets on the rise, repositioning towards more lucrative countries). Export sales account for 73.4% of total top line, vs. 70.7% in H1-16.

EBITDA doubled to € 6.3m

EBITDA increased more than proportionally to top line, reaching € 6.3m, 8.9% margin, vs. € 3.1m in H1-16, +100.0% YoY. After lower D&A YoY, EBIT amounted to € 4.7m, 6.7% margin (€ 1.2m, 1.8% margin in H1-16). The improvement in NFP prompted a decline in financial charges to € 0.8m from € 0.9m in the first half of last year. Net profit was € 2.8m vs. € 0.5m in H1-16. Net financial position was negative for € 13.6m, showing a strong improvement from € 23.2m in H1-16 and only a marginal increase vs € 10.5m of Dec-16, thanks to operating cash flow generation and WC streamlining.

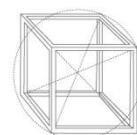
Move to the STAR segment in H1-18 and M&A add appeal to the stock

H1-17 was the turning point for the group, with the first tangible results of the B2C restructuring and integration process with B2B. The low capital intensive business model of the company allows profitability to grow more than proportionately to top line. Substantial FCF generation, the move to the STAR segment in H1-18 in addition to M&A appeal (buy & sell side – wide free float) are still not priced in at the current level.

IWB, key financials and ratios

| € m | 2015 | 2016 | 2017e | 2018e | 2019e |
|----------------------|--------|--------|-------|--------|--------|
| Sales | 144.8 | 145.9 | 154.4 | 161.1 | 169.1 |
| EBITDA adjusted | 13.4 | 11.3 | 14.3 | 15.9 | 17.7 |
| EBITDA | 10.8 | 9.3 | 12.8 | 15.9 | 17.7 |
| EBIT adjusted | 9.8 | 8.1 | 11.2 | 12.7 | 14.6 |
| EBIT | 7.2 | 6.1 | 9.7 | 12.7 | 14.6 |
| Net profit adjusted | 5.5 | 4.7 | 6.8 | 9.1 | 10.5 |
| Net profit | 3.6 | 4.3 | 6.8 | 9.1 | 10.5 |
| NFP (cash)/debt | 20.1 | 10.5 | 0.5 | (13.0) | (28.4) |
| EPS adjusted FD | 0.84 | 0.58 | 0.91 | 1.22 | 1.42 |
| EPS adj. FD growth | 7.1% | -31.2% | 58.2% | 34.0% | 15.8% |
| DPS ord. €/s | 0.00 | 0.20 | 0.25 | 0.30 | 0.35 |
| Dividend yield | 0.0% | 1.6% | 2.1% | 2.5% | 2.9% |
| Free Cash Flow Yield | -25.9% | 9.8% | 9.7% | 13.4% | 15.1% |
| PER x | 22.3 | 22.8 | 13.3 | 9.9 | 8.6 |
| PCF x | 5.8 | 9.5 | 9.4 | 7.0 | 6.3 |
| EV/Sales x | 0.7 | 0.6 | 0.5 | 0.4 | 0.3 |
| EV/EBITDA x | 8.3 | 8.5 | 5.4 | 3.5 | 2.3 |
| EV/EBIT x | 12.4 | 13.1 | 7.2 | 4.4 | 2.8 |

* Market capitalisation excluding redeemable shares. Cancellation subject to EGM approval



H1-17 sees profitability doubling

IWB reported solid H1-17 results, characterised by **strong performance in B2B and stable results in B2C** (steady domestic market, foreign markets on the rise, repositioning towards more lucrative markets). Soaring operating cash flow generation, WC management and the tiny level of capex required by the business model, allowed IWB to **reduce NFP significantly YoY**. On the back of the first qualitative indication on Q3-17, the group is confident that it will continue on its growth path and increase profitability also thanks to the anticipated better performance of B2C.

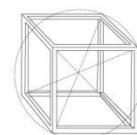
Table 1 – IWB, FY-16 results summary

| € m | H1-17 | H1-16 | % YoY |
|----------------------------|-------------|-------------|--------------|
| Revenues | 69.0 | 64.6 | 6.8 |
| Inventories | 1.0 | 1.8 | |
| Other | 0.5 | 0.5 | |
| Net revenues | 70.5 | 67.0 | 5.3 |
| Purchasing | (37.0) | (35.9) | |
| Services | (22.5) | (20.5) | |
| Personnel | (4.5) | (7.2) | |
| Other operating expenses | (0.2) | (0.2) | |
| EBITDA | 6.3 | 3.1 | 100.0 |
| % margin | 8.9 | 4.7 | |
| D&A | (1.6) | (1.9) | |
| EBIT | 4.7 | 1.2 | 291.1 |
| % margin | 6.7 | 1.8 | |
| Financial income | 0.1 | 0.0 | |
| Financial charges | (0.8) | (0.9) | |
| Extraordinary | 0.0 | 0.0 | |
| Pre-Tax profit | 3.9 | 0.3 | n.m. |
| % margin | 5.6 | 0.5 | |
| Income taxes | (1.1) | 0.2 | |
| Tax rate | 28.0% | -51.5% | |
| Minorities | 0.0 | 0.0 | |
| Net Profit | 2.8 | 0.5 | 520.3 |
| % margin | 4.0 | 0.7 | |
| EBITDA adjusted | 6.3 | 4.0 | 57.1 |
| Net Profit adjusted | 2.8 | 1.3 | 125.4 |

Source: Company data, CFO Sim

Revenues increased by 6.8% to € 69.0m as a result of B2B division rising some 20.1% and B2C remaining basically stable (down 0.7%, steady domestic market, foreign markets on the rise, repositioning towards more lucrative countries). Export sales account for 73.4% of total top line, vs. 70.7% in H1-16. In greater detail:

- **B2C** totalled € 38.2m, i.e. 55.3% of total revenues, vs. € 38.5m in H1-16. The channel was characterised by 1) **the stabilisation of Italian business** (in a context of market contraction), 2) **the decline in money draining product segments and markets** (namely the UK, Sweden and the US), 3) **additional investments in promising and lucrative countries** (that is to say Germany, Switzerland, France, Austria and Belgium) and 4) the decline in personnel and service costs (transport, logistics, G&A).
- **B2B** reached € 30.4m, 44.1% of group turnover, up 20.1% YoY. The strong growth was achieved thanks to **the enlargement of product portfolio and the acquisition of new customers**. Geographically, the bulk of top line improvement comes from the UK (contrarily to B2C, in B2B Great Britain is a profitable country), Denmark, Switzerland and Germany.



Purchasing costs declined as a percentage of sales to 52.5% from 53.2% as a result of 1) the development of **proprietary brands** (exceeding 85% of total revenues), 2) **B2C volume reduction in less profitable countries** (namely the UK, the US and Sweden) and 2) the **completion of production integration** and the centralisation of R&D and wine purchasing in addition to the move of the most profitable production to the two proprietary wineries. Services increased in absolute terms and as a percentage of sales as a result of the higher contribution of outsourcing, mainly of logistics. **Personnel costs declined by € 2.7m YoY**, from 10.8% to 6.4% of sales, as a result of the further reduction in the number of employees, currently at some 180 units.

As a result, **EBITDA increased more than proportionally to top line, reaching € 6.3m, 8.1% margin**, vs. € 3.1m in H1-16, **+100.0% YoY**. Excluding the non-recurring costs related to the B2C restructuring process, **EBITDA adjusted was € 6.4m** vs € 4.0m in H1-16, which excluded € 0.9m non-recurring items.

After lower D&A YoY, **EBIT amounted to € 4.7m, 6.7% margin** (€ 1.2m, 1.8% margin in H1-16). The improvement in NFP prompted a decline in financial charges to € 0.8m from € 0.9m in the first half of last year. **Net profit was € 2.8m** vs. € 0.5m in H1-16.

Net financial position was negative for € 13.6m, showing a strong improvement from € 23.2m in H1-16 and only a marginal increase vs € 10.5m of Dec-16, thanks to operating cash flow generation and to WC streamlining, specifically payables, benefitting from the outsourcing of logistics, the tiny level of capex required by the business despite the typical seasonality of the business, with greater cash flow generation in the second half of the year.

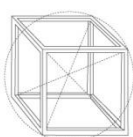
Move to the STAR in H1-18

IWB nominated its legal consultant and is in the process of nominating the sponsors for **the transition from the AIM Italia Alternative Investment Market to the 'Mercato Telematico Azionario' (MTA), STAR segment**, organised and managed by Borsa Italiana.

This step is entirely consistent with the asset structure, defined ownership subsequent to the value for share operation, free float and pan-European commercial operations of IWB, which will gain access to increased international financial visibility.

The company is proceeding with the internal and corporate governance procedures necessary, as well as the organisation of the request for admission to Borsa Italiana, and of the documentation relative to the admission to communicate to CONSOB.

IWB plans to **progress to the STAR segment of the MTA in H1-18** (by year-end previously). The move, in our view, is set to produce **tangible benefits in terms of liquidity and visibility**, thus **zeroing the AIM Italia discount** investors need to apply before evaluating the investment in IWB.



Estimates, valuation and risks

We have revised upwards our estimates, factoring in the solid interim performance, considering also the seasonality of the business with the bulk of EBITDA generated in the second part of the year. In addition, we have included the benefit of a further personnel diminishment and the related lay-off costs. The result is a **10% upgrade in 2017-19 EPS**, on average. In addition, we have **updated DCF valuation criteria**, bringing the free risk rate up-to-date. **The result is a PT at € 14.50/s (€ 12.70). We reiterate our BUY rating on IWB.**

The move to the STAR segment by H1-18 is set to benefit **liquidity and visibility**, thus presumably **zeroing the AIM Italia discount** investors need to apply to an IWB appraisal.

With the B2C restructuring and integration with B2B completed, **IWB now acts as a whole cohesive group**, with integrated production, purchasing, marketing, logistics and IT with the business units differentiated only by the diverse distributing channels served.

M&A appeal is still present: IWB is actively on **the buy side**. Ideal value adding targets show **economic and balance sheet solidity, business structure coherent** with that of IWB and **presence in adjacent channels**, to leverage on dimension and reach and to get access to key lucrative markets (namely the US). In addition, we might not exclude, also considering shareholder structure, the possibility of **IWB being a target** for a player aimed at exploiting synergies with the IWB logistic platform and clients/products portfolio.

DCF

In the valuation via the DCF method explicit estimates until 2021 and a long term growth of 1.0% were used. Cash flows were discounted back at an weighted average cost of capital calculated according to the following parameters:

Table 3 - WACC derived from:

| | |
|--|--------------|
| Interest costs, pre-tax | 2.5% |
| Tax rate | 27.0% |
| Int. costs, after taxes | 1.8% |
| Risk premium, incl. small size premium | 9.0% |
| Risk-free (10Y Gov. Bond 2W average) | 2.12% |
| Beta levered (x) | 1.00 |
| Required ROE | 11.1% |

Source: CFO Sim

Table 4 - IWB, DCF model

| € m | 2017e | 2018e | 2019e | 2020e | 2021e | Term. Val. |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| EBIT | 9.7 | 12.7 | 14.6 | 15.0 | 15.5 | |
| Tax rate | 27.0% | 27.0% | 27.0% | 27.0% | 27.0% | |
| Operating profit (NOPAT) | 7.1 | 9.3 | 10.6 | 11.0 | 11.3 | |
| Change working capital | (0.7) | 0.5 | 0.6 | 0.6 | 0.6 | |
| Depreciation | 3.1 | 3.1 | 3.1 | 2.0 | 0.8 | |
| Investments | (0.8) | (0.8) | (0.8) | (0.8) | (0.8) | |
| Free Cash Flows | 8.7 | 12.1 | 13.5 | 12.7 | 11.9 | 119.1 |
| Present value | 8.5 | 10.6 | 10.6 | 9.0 | 7.6 | 76.0 |
| WACC | 11.0% | 11.0% | 11.0% | 11.0% | 11.0% | |
| Long-term growth rate | 1.0% | | | | | |

Source: CFO Sim

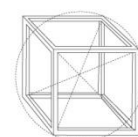


Table 5 – IWB, DCF per share derived from:

| € m | |
|--|--------------|
| Total EV present value € m | 122.3 |
| <i>thereof terminal value %</i> | 62.2% |
| NFP last reported H1-17 | (13.6) |
| Pension provision H1-17 | (1.0) |
| Equity value € m | 107.8 |
| #m shares fully diluted (warrant conversion @ € 13.30/s) | 7.45 |
| Equity value €/s | 14.50 |
| <i>% upside/(downside)</i> | 19.2% |

Source: CFO Sim

The application of the model produces an equity value of € 107.8m, which corresponds to **€ 14.50/s, with a potential upside of 19.2%**. The number of shares used to get the PT is fully diluted, considering the whole warrant conversion at a share price of € 13.30.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 13.50 – 15.70 (perpetuity range of between 0.00% and 2.00%), while 2) compared to changes in the free risk rate produces an equity value/s of € 16.20–13.10 (free risk range of between 1.12% and 3.12%) and 3) compared to changes in the risk premium, including small size premium results into an equity value/s of € € 18.30-11.90 (risk premium range of between 7.00% and 11.00%).

Table 6 – IWB, equity value sensitivity to changes in terminal growth rate

| € m | 0.00% | 0.25% | 0.50% | 0.75% | 1.00% | 1.25% | 1.50% | 1.75% | 2.00% |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Present value of CF | 46.3 | 46.3 | 46.3 | 46.3 | 46.3 | 46.3 | 46.3 | 46.3 | 46.3 |
| PV of terminal value | 68.5 | 70.2 | 72.1 | 74.0 | 76.0 | 78.2 | 80.4 | 82.8 | 85.3 |
| Total value | 114.8 | 116.5 | 118.4 | 120.3 | 122.3 | 124.5 | 126.7 | 129.1 | 131.6 |
| NFP last reported H1-17 | (13.6) | (13.6) | (13.6) | (13.6) | (13.6) | (13.6) | (13.6) | (13.6) | (13.6) |
| Pension provision H1-17 | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) |
| Equity value | 100.2 | 102.0 | 103.8 | 105.8 | 107.8 | 109.9 | 112.2 | 114.5 | 117.0 |
| Equity value/share € | 13.50 | 13.70 | 13.90 | 14.20 | 14.50 | 14.80 | 15.10 | 15.40 | 15.70 |

Source: CFO Sim

Table 7 – IWB, equity value sensitivity to changes in free risk rate

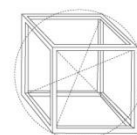
| € m | 1.12% | 1.37% | 1.62% | 1.87% | 2.12% | 2.37% | 2.62% | 2.87% | 3.12% |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Present value of CF | 47.2 | 47.0 | 46.8 | 46.5 | 46.3 | 46.1 | 45.8 | 45.6 | 45.4 |
| PV of terminal value | 87.7 | 84.5 | 81.5 | 78.7 | 76.0 | 73.5 | 71.1 | 68.8 | 66.6 |
| Total value | 134.9 | 131.5 | 128.3 | 125.2 | 122.3 | 119.6 | 116.9 | 114.4 | 112.0 |
| NFP last reported H1-17 | (13.6) | (13.6) | (13.6) | (13.6) | (13.6) | (13.6) | (13.6) | (13.6) | (13.6) |
| Pension provision H1-17 | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) |
| Equity value | 120.4 | 117.0 | 113.8 | 110.7 | 107.8 | 105.0 | 102.4 | 99.9 | 97.5 |
| Equity value/share € | 16.20 | 15.70 | 15.30 | 14.90 | 14.50 | 14.10 | 13.70 | 13.40 | 13.10 |

Source: CFO Sim

Table 8 – IWB, equity value sensitivity to changes in risk premium

| € m | 7.00% | 7.50% | 8.00% | 8.50% | 9.00% | 9.50% | 10.00% | 10.50% | 11.00% |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Present value of CF | 48.2 | 47.7 | 47.2 | 46.8 | 46.3 | 45.8 | 45.4 | 45.0 | 44.5 |
| PV of terminal value | 102.4 | 94.6 | 87.7 | 81.5 | 76.0 | 71.1 | 66.6 | 62.6 | 58.9 |
| Total value | 150.6 | 142.3 | 134.9 | 128.3 | 122.3 | 116.9 | 112.0 | 107.5 | 103.4 |
| NFP last reported H1-17 | (13.6) | (13.6) | (13.6) | (13.6) | (13.6) | (13.6) | (13.6) | (13.6) | (13.6) |
| Pension provision H1-17 | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) |
| Equity value | 136.0 | 127.7 | 120.4 | 113.8 | 107.8 | 102.4 | 97.5 | 93.0 | 88.8 |
| Equity value/share € | 18.30 | 17.20 | 16.20 | 15.30 | 14.50 | 13.70 | 13.10 | 12.50 | 11.90 |

Source: CFO Sim



Market multiples

We have included 10 peers in the sample, operating in the wine producing and distribution arena. What characterises our sample is almost total turnover stemming from wine sales: from the 91.2% of Treasury Wine Estates to the 100% of Lanson, Laurent Perrier, Masi and Schloss. Our sample for wine producers comprises: **Baron de Ley (ES)**, **Lanson (FR)**, **Laurent Perrier (FR)**, **Masi Agricola (IT, listed on the Milan AIM)**, **Schloss Wachenheim (D)**, **Treasury Wine Estates (AU)**, **Vina Concha (ES)** and **Vranken Pommery Monopole (FR)**. In addition we have included two players involved purely in distribution of wine: **Majestic Wine (UK)** and **Hawesko (D)**.

Looking at these figures, it emerges that growth on offer on the market is limited, to the tune of 3.0% for producers and 5.3% for distributors. IWB is the smallest in terms of market capitalization and amongst the smallest in terms of turnover. However, thanks to B2C & B2B integration benefits, it offers much higher projected profitability growth than the median for wine producers in 2016-19.

Table 9 - IWB, peers group summary table

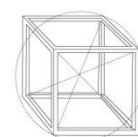
| € m | Mkt Cap | Wine % of Sales | Sales FY1 | EBITDA FY1 | EBITDA % | Sales CAGR ₁₆₋₁₉ | EBITDA CAGR ₁₆₋₁₉ | EBIT CAGR ₁₆₋₁₉ | EPS CAGR ₁₇₋₁₉ | NFP | NFP/EBITDA |
|------------------------------|------------|-----------------|------------|-------------|--------------|-----------------------------|------------------------------|----------------------------|---------------------------|------------|------------|
| Baron de Ley SA | 451 | 99.0% | 97 | 32 | 32.8% | 2.3% | 3.6% | 4.5% | 1.6% | (119) | (3.7) |
| Lanson BCC SA | 240 | 100.0% | 257 | 26 | 10.1% | 1.3% | -2.1% | n.a. | 13.0% | 475 | 18.3 |
| Laurent Perrier SA | 461 | 100.0% | 239 | 48 | 20.0% | 2.7% | 3.7% | 9.1% | 13.3% | 265 | 5.5 |
| Masi Agricola SpA | 146 | 100.0% | 65 | 15 | 22.5% | 3.4% | 3.1% | 6.9% | 13.6% | 6 | 0.4 |
| Schloss Wachenheim | 164 | 91.2% | 293 | 29 | 9.9% | 1.9% | 2.5% | 4.8% | -0.6% | n.a. | n.a. |
| Treasury Wine Estates | 7,063 | 91.7% | 1,763 | 426 | 24.2% | 6.2% | 15.5% | 19.3% | 18.0% | 311 | 0.7 |
| Vina Concha y Toro SA | 1,047 | 97.6% | 933 | 123 | 13.1% | 4.1% | 5.0% | 11.8% | 9.8% | 98 | 0.8 |
| Vranken Pommery | 213 | 97.6% | 311 | 37 | 11.9% | 3.3% | 10.2% | 14.8% | 18.5% | 635 | 17.1 |
| Wine producers median | 346 | 98.3% | 275 | 34 | 16.6% | 3.0% | 3.6% | 9.1% | 13.2% | 265 | 0.8 |
| Majestic Wine PLC | 260 | | 540 | 27 | 5.1% | 5.1% | 36.1% | n.m. | 18.1% | 10 | 0.3 |
| Hawesko Holding AG | 458 | | 503 | 39 | 7.7% | 5.5% | 7.6% | 7.3% | 11.4% | (7) | (0.2) |
| Wine distr. median | 359 | | 521 | 33 | 6.4% | 5.3% | 21.9% | 7.3% | 14.8% | 1 | 0.1 |
| IWB | 69 | 100% | 154 | 12.8 | 8.3% | 5.0% | 23.8% | 34.0% | 24.6% | 1 | 0.0 |

Source: CFO Sim, Thomson Reuters Eikon

Table 10 - IWB, peers group multiples table

| Price & EV multiples x | PER FY1 | PER FY2 | PER FY3 | EBITDA FY1 | EBITDA FY2 | EBITDA FY3 | EBIT FY1 | EBIT FY2 | EBIT FY3 |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Baron de Ley SA | 17.3 | 17.2 | 16.7 | 10.4 | 9.5 | 8.2 | 13.2 | 11.9 | 10.3 |
| Lanson BCC SA | 26.7 | 21.8 | 20.9 | 27.6 | 25.4 | 27.6 | 36.4 | 32.9 | 39.3 |
| Laurent Perrier SA | 18.7 | 16.6 | 14.6 | 15.2 | 13.4 | 13.4 | 16.6 | 14.9 | 13.2 |
| Masi Agricola SpA | 21.9 | 21.3 | 17.0 | 10.4 | 9.9 | 9.3 | 14.5 | 13.6 | 12.6 |
| Schloss Wachenheim | 12.7 | 13.5 | 12.9 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Treasury Wine Estates | 30.8 | 25.3 | 22.1 | 17.3 | 14.6 | 13.0 | 21.0 | 17.3 | 14.7 |
| Vina Concha y Toro SA | 16.8 | 15.1 | 13.9 | 9.3 | 8.4 | 7.6 | 12.1 | 10.6 | 8.8 |
| Vranken Pommery | 24.9 | 19.4 | 17.7 | 22.9 | 20.9 | 20.8 | 31.2 | 28.1 | 27.6 |
| Wine producers median | 20.3 | 18.3 | 16.8 | 15.2 | 13.4 | 13.0 | 16.6 | 14.9 | 13.2 |
| Majestic Wine PLC | 17.5 | 14.8 | 12.6 | 9.9 | 8.3 | 7.3 | 13.6 | 11.4 | 9.7 |
| Hawesko Holding AG | 23.0 | 21.2 | 18.5 | 11.6 | 10.6 | 9.6 | 14.6 | 13.4 | 12.1 |
| Wine distr. median | 20.2 | 18.0 | 15.5 | 10.7 | 9.5 | 8.4 | 14.1 | 12.4 | 10.9 |
| IWB | 13.3 | 9.9 | 8.6 | 5.4 | 3.5 | 2.3 | 7.2 | 4.4 | 2.8 |
| % prem.(disc.)to prod. | -34.3% | -45.6% | -49.0% | -64.2% | -73.8% | -82.3% | -56.7% | -70.5% | -78.9% |
| % prem.(disc.)to distr. | -34.2% | -44.8% | -44.7% | -49.5% | -62.7% | -72.8% | -49.2% | -64.5% | -74.4% |

Source: CFO Sim, Thomson Reuters Eikon



IWB trades at an massive unjustified discount vs. peer medians – producers and distributors - at all levels considering EV multiples and PER. This can be partially explained by lower size, trading volumes and listing on the AIM Italia. Even if comparing IWB with Masi Agricola, also listed on the Milan AIM, and which offers higher margins but lower projected growth, it trades at a discount. We believe this is not justified and the stock has to fill somewhat the valuation gap compared to its peers.

Stock performance

IWB was listed on the **Milan AIM** (Alternative Investment Market) on **29-Jan-15** at € 10/share, corresponding to a market capitalization post money of € 65.7m, through the innovate pre-booking company **IPO Challenger**, whose investors/ex-bondholders were reimbursed in kind with the listed shares and warrants of IWB, becoming direct shareholders and free float of the company. IWB also issued 6.16m warrants, 33% owned by the sponsors of the transaction and 67% owned by public investors. The stock reached the historical maximum of € 12.18/s on 15-Sep-17 and the minimum of € 8.25 on 22-Dec-16. **IWB consistently outperformed peers, sector and indexes.**

Table 11 - IWB, peers group absolute performance

| | 1D | 1W | 1M | 3M | 6M | YTD | 1Y |
|---------------------------------|--------------|------------|-------------|--------------|-------------|-------------|-------------|
| Baron de Ley SA | (1.3) | (1.6) | (3.6) | (6.4) | (10.3) | (12.1) | 3.1 |
| Lanson BCC SA | 1.6 | 4.4 | 1.7 | 0.3 | 10.7 | 0.0 | 12.6 |
| Laurent Perrier SA | 0.3 | 0.9 | 0.9 | 2.6 | 13.2 | 7.6 | 6.0 |
| Masi Agricola SpA | 0.0 | (0.0) | 1.1 | 2.2 | 0.4 | 3.9 | 7.9 |
| Schloss Wachenheim AG | (0.3) | 1.0 | 8.3 | 23.4 | 27.0 | 35.0 | 37.3 |
| Treasury Wine Estates Ltd | 1.3 | (2.3) | 4.6 | 4.5 | 16.8 | 33.7 | 30.3 |
| Vina Concha y Toro SA | (0.1) | 0.3 | (2.3) | (0.6) | (3.9) | (2.9) | (9.8) |
| Vranken Pommery Monopole SA | (0.1) | 0.6 | (1.3) | (1.2) | 7.7 | 5.9 | 3.5 |
| Wine producers median | (0.0) | 0.4 | 1.0 | 1.2 | 9.2 | 4.9 | 6.9 |
| Majestic Wine PLC | 1.5 | 2.8 | 2.3 | (5.0) | (6.3) | 1.6 | (23.3) |
| Hawesko Holding AG | 0.1 | 1.0 | 2.4 | 0.7 | 7.8 | 17.6 | 25.5 |
| Wine distributors median | 0.8 | 1.9 | 2.4 | (2.2) | 0.8 | 9.6 | 1.1 |
| IWB | 2.6 | 5.4 | 11.6 | 9.5 | 35.9 | 39.8 | 29.4 |

Source: Thomson Reuters Eikon

Table 12 – IWB, reference sector index and Italian Market performances

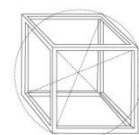
| | 1D | 1W | 1M | 3M | 6M | YTD | 1Y |
|---------------------------------|------------|------------|-------------|------------|-------------|-------------|-------------|
| FTSE AIM All Share | (0.6) | (1.7) | (0.5) | 2.3 | 7.2 | 17.7 | 23.9 |
| Thomson Reuters Food & Beverage | 0.5 | (0.9) | 2.8 | 0.7 | 9.5 | 19.0 | 7.2 |
| IWB | 2.6 | 5.4 | 11.6 | 9.5 | 35.9 | 39.8 | 29.4 |

Source: Thomson Reuters Eikon

Risks

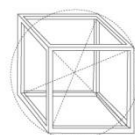
The principal investment **risks** in IWB may include:

- impact on economics and balance sheet profile triggered by a **deep decline in local and global economic growth**,
- **Competition** by similar initiatives
- **Changing in consumers habits**, slowing demand.





| Income statement (€ m) | 2015 | 2016 | 2017e | 2018e | 2019e |
|--|--------|--------|--------|--------|--------|
| Net Revenues | 144.8 | 145.9 | 154.4 | 161.1 | 169.1 |
| Purchasing | (71.0) | (79.0) | (78.6) | (82.0) | (85.4) |
| Services | (40.9) | (47.8) | (49.8) | (51.9) | (54.5) |
| Personnel | (16.9) | (12.0) | (11.6) | (11.2) | (11.3) |
| Other operating expenses | (5.3) | 2.2 | (1.6) | (0.1) | (0.1) |
| EBITDA adjusted | 13.4 | 11.3 | 14.3 | 15.9 | 17.7 |
| EBITDA | 10.8 | 9.3 | 12.8 | 15.9 | 17.7 |
| D&A | (3.6) | (3.3) | (3.1) | (3.1) | (3.1) |
| EBIT adjusted | 9.8 | 8.1 | 11.2 | 12.7 | 14.6 |
| EBIT | 7.2 | 6.1 | 9.7 | 12.7 | 14.6 |
| Financials | (1.8) | (1.6) | (0.4) | (0.3) | (0.1) |
| Extraordinary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pre-Tax profit | 5.4 | 4.4 | 9.3 | 12.5 | 14.4 |
| Income taxes | (1.8) | (0.1) | (2.5) | (3.4) | (3.9) |
| Minorities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Profit adjusted | 5.5 | 4.7 | 6.8 | 9.1 | 10.5 |
| Net Profit | 3.6 | 4.3 | 6.8 | 9.1 | 10.5 |
| Balance sheet (€ m) | 2015 | 2016 | 2017e | 2018e | 2019e |
| Net Working Capital | 4.5 | (2.2) | (1.5) | (2.0) | (2.6) |
| Net Fixed Assets | 102.0 | 100.4 | 98.1 | 95.8 | 93.5 |
| Equity Investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other M/L Term A/L | (14.4) | (11.6) | (11.9) | (12.1) | (12.4) |
| Net Invested Capital | 92.0 | 86.6 | 84.6 | 81.6 | 78.5 |
| Net Financial Position | 20.1 | 10.5 | 0.5 | (13.0) | (28.4) |
| Minorities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Group's Shareholders Equity | 72.0 | 76.2 | 84.1 | 94.6 | 106.9 |
| Financial Liabilities & Equity | 92.0 | 86.6 | 84.6 | 81.6 | 78.5 |
| Cash Flow statement (€ m) | 2015 | 2016 | 2017e | 2018e | 2019e |
| Total net income | 3.6 | 4.3 | 6.8 | 9.1 | 10.5 |
| Depreciation | 3.6 | 3.3 | 3.1 | 3.1 | 3.1 |
| Other non-cash charges | (2.8) | (3.9) | 0.3 | 0.2 | 0.3 |
| Cash Flow from Oper. (CFO) | 4.3 | 3.7 | 10.2 | 12.4 | 13.9 |
| Change in NWC | 9.5 | 6.6 | (0.7) | 0.5 | 0.6 |
| FCF from Operations (FCFO) | 13.8 | 10.4 | 9.6 | 12.9 | 14.5 |
| Net Investments (CFI) | (34.5) | (0.7) | (0.8) | (0.8) | (0.8) |
| Free CF to the Firm (FCFF) | (20.7) | 9.7 | 8.8 | 12.1 | 13.7 |
| CF from financials (CFF) | 43.5 | (4.9) | 2.5 | 2.2 | 2.9 |
| Free Cash Flow to Equity (FCFE) | 22.8 | 4.8 | 11.3 | 14.4 | 16.5 |
| Financial ratios | 2015 | 2016 | 2017e | 2018e | 2019e |
| EBITDA margin | 7.4% | 6.4% | 8.3% | 9.9% | 10.4% |
| EBIT margin | 5.0% | 4.1% | 6.3% | 7.9% | 8.6% |
| Net profit margin | 2.5% | 3.0% | 4.4% | 5.7% | 6.2% |
| Tax rate | 33.1% | 1.8% | 27.0% | 27.0% | 27.0% |
| Interest coverage x | 0.35 | 0.28 | 0.08 | 0.06 | 0.06 |
| Net Debt/Ebitda x | 1.86 | 1.12 | 0.04 | (0.82) | (1.61) |
| Debt-to-Equity x | 0.28 | 0.14 | 0.01 | (0.14) | (0.27) |
| ROIC | 3.7% | 4.9% | 7.9% | 11.0% | 13.2% |
| ROCE | 5.5% | 4.7% | 7.1% | 8.6% | 9.0% |
| ROACE | 5.4% | 4.7% | 7.3% | 8.9% | 9.3% |
| ROE | 5.1% | 5.9% | 8.5% | 10.2% | 10.5% |
| Payout ratio | 0.0% | 26.1% | 20.9% | 18.7% | 18.8% |
| Per share figures | 2015 | 2016 | 2017e | 2018e | 2019e |
| Final N. of shares # m | 6.58 | 6.36 | 5.67 | 5.67 | 5.67 |
| Average N. of shares # m | 6.58 | 6.47 | 6.02 | 5.67 | 5.67 |
| Final N. of shares (fully diluted) # m | 6.58 | 8.13 | 7.45 | 7.45 | 7.45 |
| EPS reported € | 0.55 | 0.67 | 1.13 | 1.60 | 1.86 |
| EPS reported FD € | 0.55 | 0.53 | 0.91 | 1.22 | 1.42 |
| EPS adjusted FD € | 0.55 | 0.53 | 0.91 | 1.22 | 1.42 |
| EBITDA FD € | 1.64 | 1.15 | 1.72 | 2.13 | 2.37 |
| EBIT FD € | 0.11 | 0.01 | 0.05 | 0.07 | 0.09 |
| FCFO FD € | 2.10 | 1.28 | 1.29 | 1.74 | 1.94 |
| FCFF FD € | (3.15) | 1.19 | 1.18 | 1.63 | 1.84 |
| FCFE FD € | 3.46 | 0.59 | 1.52 | 1.93 | 2.22 |
| Dividend € | 0.00 | 0.20 | 0.25 | 0.30 | 0.35 |



The company at a glance

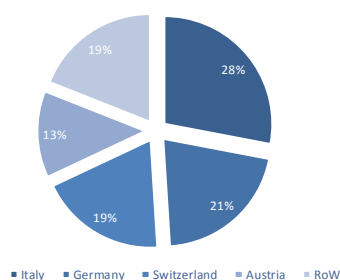
IWB (Italian Wine Brands) is the holding company of a leading producer and distributor in the Italian wine industry. The Group operates through two channels: B2C and B2B.

B2C's activity deals with the production and distribution of wine through distance selling channels such as mailing, telesales or internet, addressed to end consumers in Italy, the UK, Germany, Switzerland, Holland, Austria, France and the USA. B2C division boasts a catalogue of over 140 different wines and spumanti and 130 traditional Italian food products. Since the B2C arm does not own any vineyards, it procures raw materials (grapes, must and bulk wine) from Italian vineyards and wine producers, which it works in its own two proprietary wineries.

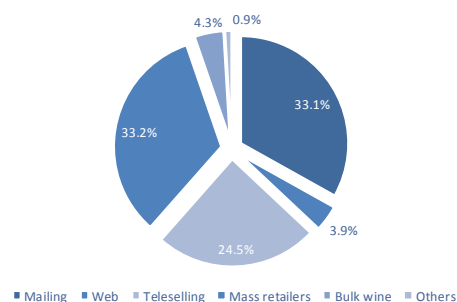
B2B is focused on sale and distribution in the international markets to mass retailers where it distributes both privately labelled and branded products. The B2B arm outsources both the bottling and the logistic activity in order to make its supply operations faster, leaner and more efficient.

Sales reached € 145.9m in 2016, +0.8% YoY. The figure was characterised once again by a strong performance in B2B and mixed results in B2C: B2B division up by some 11.0% and B2C down by circa 6.0%. EBITDA, which includes € 2.2m of non-recurring items, was € 11.3m, with 7.7% margin.

2016 revenues by country and...



...by channel



Shareholder structure

| | % | # m |
|-------------------------|---------------|-------------|
| Provinco srl | 14.1% | 0.80 |
| Free Float, o/w | 83.7% | 4.75 |
| Otus Capital Management | 6.1% | 0.35 |
| Praude Asset Management | 5.0% | 0.28 |
| Total | 100.0% | 5.67 |

Total number of share

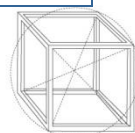
Peer group absolute performance

| | 1D | 1W | 1M | 3M | 6M | YTD |
|---------------------------------|--------------|------------|-------------|--------------|-------------|-------------|
| Baron de Ley SA | (1.3) | (1.6) | (3.6) | (6.4) | (10.3) | (12.1) |
| Lanson BCC SA | 1.6 | 4.4 | 1.7 | 0.3 | 10.7 | 0.0 |
| Laurent Perrier SA | 0.3 | 0.9 | 0.9 | 2.6 | 13.2 | 7.6 |
| Masi Agricola SpA | 0.0 | (0.0) | 1.1 | 2.2 | 0.4 | 3.9 |
| Schloss AG | (0.3) | 1.0 | 8.3 | 23.4 | 27.0 | 35.0 |
| Treasury Wine Est. | 1.3 | (2.3) | 4.6 | 4.5 | 16.8 | 33.7 |
| Vina ConchaYtoro | (0.1) | 0.3 | (2.3) | (0.6) | (3.9) | (2.9) |
| Vranken Pommery M. | (0.1) | 0.6 | (1.3) | (1.2) | 7.7 | 5.9 |
| Wine producers median | (0.0) | 0.4 | 1.0 | 1.2 | 9.2 | 4.9 |
| Majestic Wine PLC | 1.5 | 2.8 | 2.3 | (5.0) | (6.3) | 1.6 |
| Hawesko Holding AG | 0.1 | 1.0 | 2.4 | 0.7 | 7.8 | 17.6 |
| Wine distributors median | 0.8 | 1.9 | 2.4 | (2.2) | 0.8 | 9.6 |
| IWB | 2.6 | 5.4 | 11.6 | 9.5 | 35.9 | 39.8 |

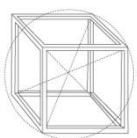
Peers group multiples table

| Price & EV multiples x | PER FY1 | PER FY2 | PER FY3 | EBITDA FY1 | EBITDA FY2 | EBITDA FY3 | EBIT FY1 | EBIT FY2 | EBIT FY3 |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Baron de Ley SA | 17.3 | 17.2 | 16.7 | 10.4 | 9.5 | 8.2 | 13.2 | 11.9 | 10.3 |
| Lanson BCC SA | 26.7 | 21.8 | 20.9 | 27.6 | 25.4 | 27.6 | 36.4 | 32.9 | 39.3 |
| Laurent Perrier SA | 18.7 | 16.6 | 14.6 | 15.2 | 13.4 | 13.4 | 16.6 | 14.9 | 13.2 |
| Masi Agricola SpA | 21.9 | 21.3 | 17.0 | 10.4 | 9.9 | 9.3 | 14.5 | 13.6 | 12.6 |
| Schloss Wachenheim | 12.7 | 13.5 | 12.9 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Treasury Wine Estates | 30.8 | 25.3 | 22.1 | 17.3 | 14.6 | 13.0 | 21.0 | 17.3 | 14.7 |
| Vina Concha y Toro SA | 16.8 | 15.1 | 13.9 | 9.3 | 8.4 | 7.6 | 12.1 | 10.6 | 8.8 |
| Vranken Pommery | 24.9 | 19.4 | 17.7 | 22.9 | 20.9 | 20.8 | 31.2 | 28.1 | 27.6 |
| Wine producers median | 20.3 | 18.3 | 16.8 | 15.2 | 13.4 | 13.0 | 16.6 | 14.9 | 13.2 |
| Majestic Wine PLC | 17.5 | 14.8 | 12.6 | 9.9 | 8.3 | 7.3 | 13.6 | 11.4 | 9.7 |
| Hawesko Holding AG | 23.0 | 21.2 | 18.5 | 11.6 | 10.6 | 9.6 | 14.6 | 13.4 | 12.1 |
| Wine distr. median | 20.2 | 18.0 | 15.5 | 10.7 | 9.5 | 8.4 | 14.1 | 12.4 | 10.9 |
| IWB | 13.3 | 9.9 | 8.6 | 5.4 | 3.5 | 2.3 | 7.2 | 4.4 | 2.8 |

Source: CFO Sim, Thomson Reuters Eikon

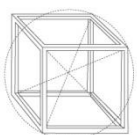


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| DATE | TARGET PRICE | RATING |
|------------|--------------|--------|
| 18/09/2017 | €14.50 | BUY |
| 24/03/2017 | €12.70 | BUY |
| 16/09/2016 | €13.30 | BUY |
| 24/05/2016 | €13.30 | BUY |

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- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

