

Italy – Food and Beverage

Margin resiliency in a tough market environment

18th September 2018

H1-18 RESULTS RELEASE

RIC: ITWB.MI
BBG: IWB IM

In a tough raw material environment, characterised by rising supply costs tied to the 2017 poor harvest, IWB delivered a solid set of results: operating profitability remained basically unchanged YoY, evidence of tight cost control and improving competitive positioning. The current harvest is expected to be generous in volume and quality: IWB is poised to fully benefit in FCF generation and outstanding operating margins in 2019.

Rating:

Buy

Price Target:

€ 18.60 (€ 19.60)

Upside/(Downside): 50.0%

Last Price: € 12.40

Market Cap.: € 91.4

1Y High/Low: € 14.75/€ 11.55

Free Float: 84.2%

Major shareholders:

Provinco Srl	9.1%
IPOC	8.7%
Praude Asset Management	5.2%



Stock price performance

	1M	3M	12M
Absolute	-0.8%	-4.2%	2.0%
Rel.to AIM Italia	-2.4%	-4.0%	-8.5%
Rel.to EU Sector	1.4%	-7.7%	7.8%

Analysts:

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

Emanuele Oggioni
+39 02 30343 396
emanuele.oggioni@cfosim.com

Buy reiterated, PT of € 18.60/s (€ 19.60), 50.0% upside potential

We have revised our estimates. The 2018 harvest is expected to show soaring volumes and high quality grapes: this should cause current procurement price tensions to definitely lessen to the benefit of the 2019 business outlook. However, the remaining part of the year is projected to be characterised to a certain extent by the same cost trend seen in H1-18. We have updated DCF valuation criteria and the free risk rate. The result is a PT at € 18.60/s (€ 19.60). We reiterate our BUY rating on IWB.

H1-18 turnover up 1.4% YoY, exports 77.5% of total

Sales were up 1.4% to € 69.9m. Exports represented 77.5% of top line (74% in H1-17). Domestic market turnover declined by 12.3% to € 15.7m tied to the decline in wine consumption and the reduction of telephone sales (distance selling) in favour of the development of wholesale and digital channels. We believe the driver of the top line was the wholesale channel, which we expected to increase by some 15% and estimated to account for some 50% of total sales (30% only a couple of years ago). The distance selling channel is expected to decrease by some 10%, mainly as a result of the low consumption in Italy and reduced sales in low margin countries such as Belgium and the UK.

EBITDA adj. basically unchanged YoY

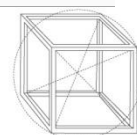
Notwithstanding the unfavourable business environment, adj. EBITDA remained almost unchanged YoY, € 6.1m vs. € 6.3m last year, mainly thanks to 1) the development of proprietary brands (exceeding 85% of total revenues), 2) volume reduction in less profitable countries and 3) the completion of production 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. The adjustments refer to € 0.8m non-recurring costs principally related to personnel reduction charges.

Cost restructuring allows hefty FCF generation and outstanding margins outlook

At the peak of raw material cost increases, IWB interim results showed the ability to maintain margins, reached thanks to the completion of Distance Selling restructuring and integration with Wholesale: 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. With a few further cost savings projected in H2-18, the IWB extremely lean cost structure and scale, should bring hefty cash flow and operating margin improvement in the coming years.

IWB, key financials and ratios

€ m	2016	2017	2018e	2019e	2020e
Sales	145.9	149.7	150.1	154.6	160.1
EBITDA adjusted	11.3	16.0	15.2	19.3	21.6
EBITDA	9.3	14.2	14.2	19.3	21.6
EBIT adjusted	8.1	12.7	11.6	15.7	18.0
EBIT	6.1	10.8	10.6	15.7	18.0
Net profit adjusted	4.7	8.1	7.5	11.0	12.8
Net profit	4.3	6.7	6.9	11.0	12.8
NFP (cash)/debt	10.5	2.3	(0.9)	(11.4)	(23.5)
EPS adjusted	0.58	1.10	1.01	1.49	1.74
EPS adj. growth	-31.2%	90.6%	-7.9%	47.3%	16.4%
DPS ord. €/s	0.20	0.40	0.40	0.57	0.67
Dividend yield	1.6%	3.2%	3.2%	4.6%	5.4%
Free Cash Flow Yield	9.6%	10.6%	6.4%	15.1%	16.8%
PER x	21.5	11.3	12.2	8.3	7.1
PCF x	9.7	8.6	9.3	6.2	5.6
EV/Sales x	0.7	0.6	0.6	0.5	0.4
EV/EBITDA x	10.9	6.6	6.4	4.1	3.1
EV/EBIT x	16.8	8.7	8.5	5.1	3.8



H1-18 sees profitability almost unchanged

In a tough business environment, characterised by rising supply costs, IWB reported almost unchanged YoY adjusted EBITDA. Net Financial Position improved YoY despite 1) doubling dividends paid, 2) much higher capex and 3) heftier treasury share purchasing.

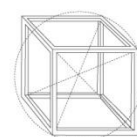
Table 1 – IWB, FY-18 results summary

€ m	H1-18	H1-17	% YoY
Revenues	69.9	69.0	1.4
Inventories	(0.3)	1.0	
Other	0.7	0.5	
Net revenues	70.4	70.5	(0.2)
Purchasing	(40.2)	(37.0)	
Services	(20.1)	(22.5)	
Personnel	(4.6)	(4.5)	
Other operating expenses	(0.1)	(0.2)	
EBITDA adjusted	6.1	6.3	(2.9)
% margin	8.7	9.4	
D&A	(1.7)	(1.6)	
EBIT adjusted	4.4	4.7	(6.7)
% margin	6.2	7.0	
Financial income	0.0	0.1	
Financial charges	(0.6)	(0.8)	
Pre-Tax profit adj.	3.8	3.9	(3.8)
% margin	5.4	5.9	
Income taxes	(0.8)	(1.1)	
Minorities	0.0	0.0	
Net Profit adjusted	2.8	2.8	(2.8)
% margin	3.9	4.2	
EBITDA reported	5.3	6.3	(16.3)
Net Profit reported	2.1	2.8	(24.8)

Source: Company data, CFO Sim

Revenues increased by 1.4% to € 69.9m, in a fundamentally stable market, characterised by a strong seasonality with consumption and results concentrated in the last quarter of the year. **Foreign countries represented 77.5% of total revenues**, i.e. € 54.2m (74% in H1-17). Export was driven by Switzerland, Germany and the UK where IWB increased its market share. **Domestic market turnover declined by 12.3%** to € 15.7m tied to the decline in wine consumption and the reduction of telephone sales (distance selling) in favour of the development of wholesale and digital channels. We estimate the driver of the top line was the **wholesale channel, which we expected to increase by some 15%** and estimated to account for some 50% of total sales (30% only a couple of years ago). **The distance selling channel is expected to decrease by some 10%**, mainly as a result of the low consumption in Italy and reduced sales in low margin countries such as Belgium and the UK.

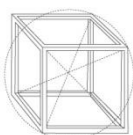
The 2017 harvest was poor: it was scarce in France, in Italy and in Spain, due to the extreme climatic conditions caused by frost, hail, gusts of wind, heat peaks and droughts. This contributed to significantly lowering production: -18% France, -25 % in Spain, over -26% in Italy. The decline in available wine therefore exerted pressure on supplies with a consequent weighty increase in prices on the bulk wine market and a shortage to a certain extent in some types of grape. **This afflicted particularly the first half of 2018 and is projected to impact the second part of the year to a lesser extent.**



Notwithstanding this unfavourable environment, which prompted a YoY increase in supply costs (from 52.5% to 57.1% on total sales), **adjusted EBITDA remained almost unchanged YoY, totalling € 6.1m** vs. € 6.3m last year, down 2.9%, mainly thanks to 1) the development of **proprietary brands** (exceeding 85% of total revenues), 2) **volume reduction in less profitable countries** and 3) 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. The adjustments refer to € 0.8m non-recurring costs principally related to personnel reduction charges (€ 0.7m), which will provide benefit in terms of lower personnel costs already in H2-18. **Reported EBITDA was € 5.3m, down 16.3% YoY.**

The improvement in NFP prompted a decline in financial costs to € 0.6m from € 0.7m YoY. **Net profit was € 2.1m** vs. € 2.8m in H1-17. **Adjusted Net Profit was € 2.8m, down 2.8% YoY.**

Net financial position was negative for € 11.3m, showing a decent improvement from € 13.6m in H1-18 and an increase vs € 2.3m of Dec-17 mainly linked to: 1) doubling dividends paid (€ 2.5m vs € 1.3m), 2) capex for € 3.2m vs € 1.0m and € 0.3m in FY-17 and H1-17 respectively and 3) treasury share purchasing for € 1.2m vs. € 0.3m in H1-17.



Estimates, valuation and risks

We have revised our estimates. The 2018 harvest is expected to show soaring volumes (some +20% on average, according to preliminary market indications) and high quality grapes: this should cause current procurement price tensions to definitely lessen to the benefit of the 2019 business outlook. However, the remaining part of the year is projected to be characterised to a certain extent by the same costs trend seen in H1-18. In addition, **we fine-tuned the CF statement**, implementing higher capex (€ 2.0m fixed assets purchase and € 0.5m for the acquisition of Svinando, a small but promising wine sale portal) as well as the share buyback. The result is a 7.0% average downgrade in adj. EBITDA in 2018-20.

We have **updated DCF valuation criteria**, bringing the free risk rate up-to-date. **The result is a PT at € 18.60/s (€ 19.60). We reiterate our BUY rating on IWB.**

At the peak of the raw material cost increase, IWB interim results showed the ability to maintain margins, reached thanks to the Distance Selling restructuring and integration with Wholesale completion: **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. **With a few further cost savings projected in H2-18, the IWB extremely lean cost structure and scale, should bring hefty cash flow and operating margin improvement in the coming years.**

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 2022 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:

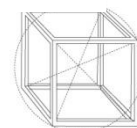
Interest costs, pre-tax	2.5%
Tax rate	27.0%
Int. costs, after taxes	1.8%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 2W average)	3.00%
Beta levered (x)	1.00
Required ROE	12.0%

Source: CFO Sim

Table 4 - IWB, DCF model

€ m	2018e	2019e	2020e	2021e	2022e	Term. Val.
EBIT	10.6	15.7	18.0	18.5	19.0	
Tax rate	27.0%	27.0%	27.0%	27.0%	27.0%	
Operating profit (NOPAT)	7.7	11.4	13.2	13.5	13.9	
Change working capital	(0.4)	0.1	(0.1)	(0.1)	(0.2)	
Depreciation	3.6	3.6	3.6	1.5	1.0	
Investments	(4.0)	(1.0)	(1.0)	(1.0)	(1.0)	
Free Cash Flows	6.9	14.2	15.6	13.9	13.7	138.5
Present value	6.7	12.4	12.3	9.8	8.7	88.5
WACC	11.0%	11.0%	11.0%	11.0%	11.0%	
Long-term growth rate	1.0%					

Source: CFO Sim



The balance sheet structure adopted for WACC calculation, is an extremely conservative 90-10 equity-debt balance vs. a virtually debt free current situation.

Table 5 – IWB, DCF per share derived from:

€ m	
Total EV present value € m	138.4
<i>thereof terminal value</i>	63.9%
NFP FY-17	(2.3)
Pension provision FY-17	(0.8)
Equity value € m	135.3
#m shares (ex-treasury shares)	7.28
Equity value €/s	18.60
<i>% upside/(downside)</i>	45.3%

Source: CFO Sim

The application of the model produces an equity value of € 135.3m, which corresponds to **€ 18.6/s, with a potential upside of 45.3%**.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 17.40 – 20.00 (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 € 17.10–20.40 (free risk range of between 2.00% and 4.00%) and 3) compared to changes in the risk premium, including small size premium results into an equity value/s of € 15.80-22.60 (risk premium range of between 7.0% and 11.0%).

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	49.9	49.9	49.9	49.9	49.9	49.9	49.9	49.9	49.9
PV of terminal value	79.7	81.7	83.9	86.1	88.5	91.0	93.6	96.4	99.3
Total value	129.6	131.6	133.8	136.1	138.4	140.9	143.6	146.3	149.3
NFP FY-17	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Pension provision FY-17	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Equity value	126.5	128.5	130.7	132.9	135.3	137.8	140.4	143.2	146.1
Equity value/share €	17.40	17.60	17.90	18.30	18.60	18.90	19.30	19.70	20.10

Source: CFO Sim

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

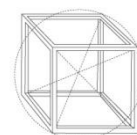
€ m	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%	4.00%
Present value of CF	50.9	50.6	50.4	50.2	49.9	49.7	49.5	49.2	49.0
PV of terminal value	100.7	97.4	94.3	91.3	88.5	85.8	83.2	80.8	78.4
Total value	151.6	148.1	144.7	141.5	138.4	135.5	132.7	130.0	127.4
NFP FY-17	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Pension provision FY-17	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Equity value	148.5	145.0	141.6	138.4	135.3	132.4	129.6	126.9	124.3
Equity value/share €	20.40	19.90	19.40	19.00	18.60	18.20	17.80	17.40	17.10

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	51.9	51.4	50.9	50.4	49.9	49.5	49.0	48.5	48.1
PV of terminal value	115.8	107.9	100.7	94.3	88.5	83.2	78.4	74.0	70.0
Total value	167.7	159.2	151.6	144.7	138.4	132.7	127.4	122.6	118.1
NFP FY-17	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Pension provision FY-17	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Equity value	164.6	156.1	148.5	141.6	135.3	129.6	124.3	119.4	115.0
Equity value/share €	22.60	21.40	20.40	19.40	18.60	17.80	17.10	16.40	15.80

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 3.2% for producers and 5.8% 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 2017-20.

Table 9 - IWB, peers group summary table

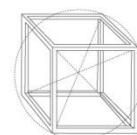
€ m	Mkt Cap	Wine % of Sales	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₁₇₋₂₀	EBITDA CAGR ₁₇₋₂₀	EBIT CAGR ₁₇₋₂₀	EPS CAGR ₁₇₋₁₉	NFP	NFP/EBITDA
Baron de Ley SA	464	99.0%	102	34	33.6%	3.7%	5.9%	4.9%	3.9%	(196)	(5.7)
Lanson BCC SA	219	100.0%	266	27	10.0%	2.0%	4.8%	5.9%	192.3%	497	18.8
Laurent Perrier SA	651	100.0%	239	51	21.1%	3.5%	3.7%	10.2%	9.8%	269	5.3
Masi Agricola SpA	138	100.0%	66	14	20.7%	3.0%	6.1%	6.7%	10.1%	15	1.1
Schloss Wachenheim	162	91.2%	321	33	10.2%	4.0%	3.2%	3.4%	5.7%	n.a.	n.a.
Treasury Wine Estates	7,846	91.7%	1,730	483	27.9%	9.7%	18.1%	21.4%	18.3%	459	0.9
Vina Concha y Toro SA	1,237	97.6%	816	116	14.2%	1.7%	11.8%	16.3%	21.6%	296	2.6
Vranken Pommery	220	97.6%	307	39	12.8%	2.4%	9.8%	13.2%	18.9%	613	15.5
Wine producers median	342	98.3%	286	37	17.5%	3.2%	6.0%	8.5%	14.2%	296	2.6
Majestic Wine PLC	321		584	26	4.4%	7.0%	16.8%	38.1%	31.9%	15	0.6
Hawesko Holding AG	408		532	41	7.6%	4.9%	6.6%	7.4%	10.0%	7	0.2
Wine distr. median	365		558	33	6.0%	5.9%	11.7%	22.8%	20.9%	11	0.4
IWB	91	100%	150	14.2	9.5%	2.3%	15.1%	18.6%	36.5%	(1)	(0.1)

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	17.2	17.4	15.9	7.8	7.9	6.7	9.7	10.3	8.7
Lanson BCC SA	18.3	16.9	2.1	27.0	24.5	22.7	34.9	31.7	28.4
Laurent Perrier SA	25.7	24.9	21.3	18.2	17.4	15.7	20.9	20.0	17.6
Masi Agricola SpA	19.6	17.5	16.1	11.2	10.5	10.0	14.2	13.2	12.5
Schloss Wachenheim	14.2	13.3	12.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates	27.7	22.7	19.8	17.2	14.5	12.9	20.0	16.6	14.2
Vina Concha y Toro SA	20.1	15.8	13.6	13.2	10.8	9.3	17.1	13.1	11.8
Vranken Pommery	27.2	21.8	19.3	21.1	19.5	18.5	28.9	26.5	24.9
Wine producers median	19.9	17.4	16.0	17.2	14.5	12.9	20.0	16.6	14.2
Majestic Wine PLC	23.2	17.3	13.3	13.1	10.4	9.0	19.3	14.2	11.0
Hawesko Holding AG	20.5	17.8	17.0	10.2	9.0	8.5	13.2	11.3	10.5
Wine distr. median	21.8	17.5	15.1	11.6	9.7	8.7	16.3	12.8	10.7
IWB	12.2	8.3	7.1	6.4	4.1	3.1	8.5	5.1	3.8
% prem.(disc.)to prod.	-38.3%	-52.3%	-55.5%	-63.0%	-71.4%	-75.7%	-57.3%	-69.3%	-73.4%
% prem.(disc.)to distr.	-43.9%	-52.6%	-52.8%	-45.4%	-57.3%	-64.0%	-47.6%	-60.0%	-64.9%

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. The stock reached the historical maximum of € 14.75/s on 29-Mar-18 and the minimum of € 11.55 on 29-Jun-18.

Table 11 - IWB, peers group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Baron de Ley SA	(0.4)	(0.4)	0.0	1.8	6.5	3.7	8.5
Lanson BCC SA	0.6	(3.7)	(1.3)	(8.3)	(5.5)	(5.6)	(8.3)
Laurent Perrier SA	0.0	2.3	(1.8)	12.5	17.5	32.0	41.9
Masi Agricola SpA	1.4	4.4	0.9	0.2	0.2	(2.7)	(5.2)
Schloss Wachenheim AG	1.0	1.5	2.5	4.3	(2.4)	0.3	(1.0)
Treasury Wine Estates Ltd	(1.3)	(5.1)	(5.8)	(2.2)	0.9	10.3	23.3
Vina Concha y Toro SA	0.7	1.2	(0.9)	(1.5)	5.7	13.5	26.6
Vranken Pommery Monopole SA	0.4	3.8	2.1	6.5	6.0	4.7	3.7
Wine producers median	0.5	1.4	(0.5)	1.0	3.3	4.2	6.1
Majestic Wine PLC	0.4	(0.4)	(2.8)	(15.8)	(9.4)	(11.2)	24.5
Hawesko Holding AG	0.4	(4.2)	(8.1)	(14.8)	(9.7)	(10.6)	(10.6)
Wine distributors median	0.4	(2.3)	(5.4)	(15.3)	(9.6)	(10.9)	7.0
IWB	0.0	(0.8)	(0.8)	(4.2)	(5.3)	(1.4)	2.0

Source: Thomson Reuters Eikon

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

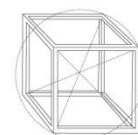
	1D	1W	1M	3M	6M	YTD	1Y
FTSE AIM All Share	(0.1)	(0.0)	1.6	(0.2)	4.6	4.6	10.5
Thomson Reuters Food & Beverage	0.2	0.7	(2.2)	3.4	(1.9)	(9.0)	(5.8)
IWB	0.0	(0.8)	(0.8)	(4.2)	(5.3)	(1.4)	2.0

Source: Thomson Reuters Eikon

Risks

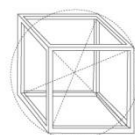
The principal investment **risks** in IWB may include:

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





Income statement (€ m)	2016	2017	2018e	2019e	2020e
Net Revenues	145.9	149.7	150.1	154.6	160.1
Purchasing	(79.0)	(83.2)	(88.8)	(88.0)	(89.5)
Services	(47.8)	(45.9)	(39.3)	(40.0)	(41.4)
Personnel	(12.0)	(9.8)	(8.6)	(8.2)	(8.4)
Other operating expenses	2.2	3.4	0.8	0.8	0.8
EBITDA adjusted	11.3	16.0	15.2	19.3	21.6
EBITDA	9.3	14.2	14.2	19.3	21.6
D&A	(3.3)	(3.4)	(3.6)	(3.6)	(3.6)
EBIT adjusted	8.1	12.7	11.6	15.7	18.0
EBIT	6.1	10.8	10.6	15.7	18.0
Financials	(1.6)	(1.6)	(1.2)	(0.6)	(0.4)
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	4.4	9.2	9.4	15.1	17.6
Income taxes	(0.1)	(2.5)	(2.5)	(4.1)	(4.7)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit adjusted	4.7	8.1	7.5	11.0	12.8
Net Profit	4.3	6.7	6.9	11.0	12.8
Balance sheet (€ m)	2016	2017	2018e	2019e	2020e
Net Working Capital	(2.2)	(4.4)	(3.9)	(4.0)	(3.9)
Net Fixed Assets	100.4	99.7	100.1	97.4	94.9
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(11.6)	(11.4)	(11.2)	(11.2)	(11.3)
Net Invested Capital	86.6	83.9	85.0	82.2	79.6
Net Financial Position	10.5	2.3	(0.9)	(11.4)	(23.5)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	76.2	81.6	85.9	93.6	103.2
Financial Liabilities & Equity	86.6	83.9	85.0	82.2	79.6
Cash Flow statement (€ m)	2016	2017	2018e	2019e	2020e
Total net income	4.3	6.7	6.9	11.0	12.8
Depreciation	3.3	3.4	3.6	3.6	3.6
Other non-cash charges	(3.9)	(1.6)	(0.2)	0.1	0.1
Cash Flow from Oper. (CFO)	3.7	8.5	10.3	14.7	16.5
Change in NWC	6.6	2.2	(0.4)	0.1	(0.1)
FCF from Operations (FCFO)	10.4	10.7	9.8	14.8	16.4
Net Investments (CFI)	(0.7)	(1.0)	(4.0)	(1.0)	(1.0)
Free CF to the Firm (FCFF)	9.7	9.7	5.8	13.8	15.4
CF from financials (CFF)	(4.9)	(6.6)	(2.2)	(3.0)	(4.0)
Free Cash Flow to Equity (FCFE)	4.8	3.1	3.6	10.8	11.4
Financial ratios	2016	2017	2018e	2019e	2020e
EBITDA margin	6.4%	9.5%	9.5%	12.5%	13.5%
EBIT margin	4.1%	7.2%	7.1%	10.1%	11.3%
Net profit margin	3.0%	4.5%	4.6%	7.1%	8.0%
Tax rate	1.8%	27.1%	27.0%	27.0%	27.0%
Op NWC/Sales	-1.5%	-2.9%	-2.6%	-2.6%	-2.4%
Interest coverage x	0.28	0.16	0.14	0.06	0.05
Net Debt/Ebitda x	1.12	0.16	(0.07)	(0.59)	(1.09)
Debt-to-Equity x	0.14	0.03	(0.01)	(0.12)	(0.23)
ROIC	4.9%	7.9%	8.2%	13.2%	15.9%
ROCE	4.7%	8.5%	8.0%	11.2%	12.1%
ROACE	4.7%	8.5%	8.2%	11.5%	12.5%
ROE	5.9%	8.5%	8.2%	12.3%	13.1%
Payout ratio	26.1%	38.5%	48.1%	30.0%	30.0%
Per share figures	2016	2017	2018e	2019e	2020e
Final N. of shares # m	7.40	7.40	7.40	7.40	7.40
Average N. of shares # m	6.99	7.40	7.40	7.40	7.40
Final N. of shares (fully diluted) # m	8.13	7.40	7.40	7.40	7.40
EPS reported €	0.62	0.91	0.93	1.49	1.73
EPS reported FD €	0.53	0.91	0.93	1.49	1.73
EPS adjusted FD €	0.53	0.91	0.93	1.49	1.73
EBITDA FD €	1.15	1.91	1.92	2.61	2.92
EBIT FD €	0.01	0.03	0.05	0.06	0.08
FCFO FD €	1.28	1.45	1.33	2.00	2.22
FCFF FD €	1.19	1.31	0.79	1.87	2.08
FCFE FD €	0.59	0.41	0.49	1.46	1.54
Dividend €	0.20	0.40	0.40	0.57	0.67



The company at a glance

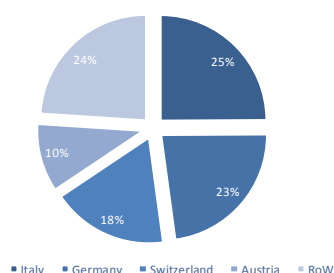
IWB (Italian Wine Brands) is the holding company of a leading producer and distributor in the Italian wine industry. The Group operates through two channels: Distance Selling and Wholesale.

Distance Selling'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. The Distance Selling division boasts a catalogue of over 140 different wines and spumanti and 130 traditional Italian food products. Since the Distance Selling 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.

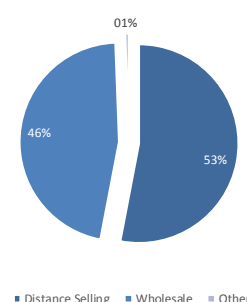
Wholesale is focused on sale and distribution in the international markets to mass retailers where it distributes both privately labelled and branded products. The Wholesale arm outsources both the bottling and the logistic activity in order to make its supply operations faster, leaner and more efficient.

Sales reached € 149.7m in 2017, +2.6% YoY. The figure was characterised once again by a strong performance in Wholesale and mixed results in Distance Selling: Wholesale division up by some 14.0% and Distance Selling down by circa 6.0%. EBITDA, which includes € 1.9m of non-recurring items, was € 14.2m, with 9.5% margin.

2017 revenues by country and...



...by channel



Shareholder structure

	%	# m
Provinco	9.08%	0.67
IPOC	8.67%	0.64
Free Float, o/w	82.3%	6.09
Praude Asset Management	5.20%	0.38
Total	100.00%	7.40

Total number of share

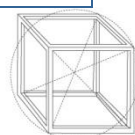
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Baron de Ley SA	(0.4)	(0.4)	0.0	1.8	6.5	3.7
Lanson BCC SA	0.6	(3.7)	(1.3)	(8.3)	(5.5)	(5.6)
Laurent Perrier SA	0.0	2.3	(1.8)	12.5	17.5	32.0
Masi Agricola SpA	1.4	4.4	0.9	0.2	0.2	(2.7)
Schloss AG	1.0	1.5	2.5	4.3	(2.4)	0.3
Treasury Wine Est.	(1.3)	(5.1)	(5.8)	(2.2)	0.9	10.3
Vina ConchaYtoro	0.7	1.2	(0.9)	(1.5)	5.7	13.5
Vranken Pommery M.	0.4	3.8	2.1	6.5	6.0	4.7
Wine producers median	0.5	1.4	(0.5)	1.0	3.3	4.2
Majestic Wine PLC	0.4	(0.4)	(2.8)	(15.8)	(9.4)	(11.2)
Hawesko Holding AG	0.4	(4.2)	(8.1)	(14.8)	(9.7)	(10.6)
Wine distributors median	0.4	(2.3)	(5.4)	(15.3)	(9.6)	(10.9)
IWB	0.0	(0.8)	(0.8)	(4.2)	(5.3)	(1.4)

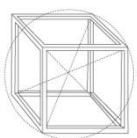
Peers group multiples table

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	17.2	17.4	15.9	7.8	7.9	6.7	9.7	10.3	8.7
Lanson BCC SA	18.3	16.9	2.1	27.0	24.5	22.7	34.9	31.7	28.4
Laurent Perrier SA	25.7	24.9	21.3	18.2	17.4	15.7	20.9	20.0	17.6
Masi Agricola SpA	19.6	17.5	16.1	11.2	10.5	10.0	14.2	13.2	12.5
Schloss Wachenheim	14.2	13.3	12.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates	27.7	22.7	19.8	17.2	14.5	12.9	20.0	16.6	14.2
Vina Concha y Toro SA	20.1	15.8	13.6	13.2	10.8	9.3	17.1	13.1	11.8
Vranken Pommery	27.2	21.8	19.3	21.1	19.5	18.5	28.9	26.5	24.9
Wine producers median	19.9	17.4	16.0	17.2	14.5	12.9	20.0	16.6	14.2
Majestic Wine PLC	23.2	17.3	13.3	13.1	10.4	9.0	19.3	14.2	11.0
Hawesko Holding AG	20.5	17.8	17.0	10.2	9.0	8.5	13.2	11.3	10.5
Wine distr. median	21.8	17.5	15.1	11.6	9.7	8.7	16.3	12.8	10.7
IWB	12.2	8.3	7.1	6.4	4.1	3.1	8.5	5.1	3.8

Source: CFO Sim, Thomson Reuters Eikon

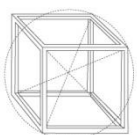


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DATE	TARGET PRICE	RATING
18/09/2018	€18.60	BUY
17/07/2018	€19.60	BUY
26/03/2018	€19.60	BUY
08/11/2017	€17.00	BUY
18/09/2017	€14.50	BUY

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- 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.

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