

Italy – Food and Beverage

Growing margins in a flat environment

17th September 2019

H1-19 RESULTS RELEASE

RIC: ITWB.MI
BBG: IWB IM

Interim results showed revenues broadly unchanged: the increase in Wholesale more than counterbalanced the decrease in Distance Selling. Export reached 78.0% of total. Adj. EBITDA margin ex. IFRS 16 effect was 9.6%, +90bps YoY, thanks to 1) lower raw material prices, 2) a more favourable product mix, 3) a further curbing of variable/fixed costs.

Rating:

Buy

Price Target:

€ 19.20 (€ 18.60)

Upside/(Downside): 48.8%

Last Price: € 12.90

Market Cap.: € 96.1

1Y High/Low: € 13.50/€ 10.00

Free Float: 82.2%

Major shareholders:

Provinco Srl	9.1%
IPOC Srl	8.7%
Praude Asset Management	6.3%



Stock price performance

	1M	3M	12M
Absolute	4.0%	7.5%	4.0%
Rel.to AIM Italia	1.4%	12.9%	23.3%
Rel.to EU Sector	6.5%	5.7%	-4.8%

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Buy reiterated: new PT € 19.20/s (€ 18.60/s) offers 48.8% upside

The 2018 harvest was more generous than in 2017, with soaring volumes coupled with high quality grapes: this should produce a favourable effect on purchase costs for grapes, must and bulk wine already visible in H1-19 results. Following the publication of 2019 interim results, we left unchanged our model, only taking into account the effects stemming from the IFRS 16 adoption. We have updated DCF valuation criteria: PT goes to € 19.20/s (€ 18.60/s) mainly as a result of the decline in free-risk rates. We confirm our BUY rating on IWB, PT offers 48.8% upside.

H1-19 revenues were € 70.1m, 78.0% comes from abroad

Revenues were € 70.1m, broadly in line with € 69.9m of H1-18 (+0.19%); sales CAGR₁₇₋₁₉ is 0.8%, aligned with that of the reference market. The breakdown by geography shows a further consolidation of the group abroad: foreign markets grew by 1.1% YoY to € 54.4m, 78.0% of total revenues vs. 77.5% last year. The Wholesale division increased 6.0% to € 37.3m, from € 35.2m in H1-18. The Distance Selling division is stabilising its business scope, with sales down by 5.5% to € 32.5m, further reducing its weight on the total revenues: 46.4% vs. 49.2% in H1-18 and 55.4% in H1-17. However, the YoY decrease is lower than that recorded in the previous years.

EBITDA adj. improved to € 7.3m, 10.4% margin

EBITDA adj. reached € 7.3m (10.4% margin), vs. € 6.1m (8.7% margin) in H1-18. Excluding the positive effect of € 0.5m stemming from the IFRS 16 application, EBITDA adj. was € 6.7m, 9.6% margin, showing 90bps improvement YoY. The profitability grew mainly thanks to 1) lower purchase price of grapes, must and bulk wine following the abundant 2018 harvest, 2) the increase in its own-label products sales, characterised by higher margins and 3) a further curbing of both variable and fixed costs. EBITDA reported, including non-recurring costs for € 0.6m, grew by 25.2% to € 6.7m.

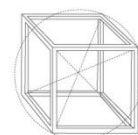
Development of 1) additional new brands, 2) distribution and 3) the digital channel

IWB stays focused to pursue its strategic goals: 1) create and develop strong brands, 2) enlarge the distribution reach in new countries, 3) keep operations lean and flexible and 4) strengthen the team. In particular IWB started to sell its brand “Grande Alberone” in USA and Germany, launched the new Tuscany wine “Poggio del Concone” and the Old World top item in China. Moreover the group also boosted sales throughout its digital platforms giordanovini.it (dedicated to Giordano products) and svinando.it (dedicated to all the group’s other brands), reaching € 5.6m of web sales in H1-19 (+22% YoY).

IWB, key financials and ratios

€ m	2017	2018	2019e	2020e	2021e
Sales	149.7	149.9	153.0	158.1	163.0
EBITDA adjusted	16.0	14.6	17.4	18.9	20.0
EBITDA	14.2	13.4	16.8	18.9	20.0
EBIT adjusted	12.7	11.1	13.7	15.2	16.4
EBIT	10.8	9.9	13.1	15.2	16.4
Net profit adjusted	8.1	7.2	9.5	10.5	11.3
Net profit	6.7	6.4	9.0	10.5	11.3
NFP (cash)/debt	2.3	3.4	(3.4)	(12.3)	(21.2)
EPS adjusted FD	1.10	0.98	1.29	1.41	1.53
EPS adj. FD growth	90.6%	-11.1%	32.0%	9.6%	7.8%
DPS ord. €/s	0.40	0.40	0.47	0.54	0.59
Dividend yield	3.1%	3.1%	3.6%	4.2%	4.6%
Free Cash Flow Yield	10.2%	3.1%	10.3%	12.1%	12.6%
PER adj. x *	11.7	13.2	10.6	9.6	8.9
PCF x *	8.9	13.7	7.2	6.9	6.7
EV/Sales x *	0.7	0.7	0.7	0.6	0.5
EV/EBITDA adj. x *	6.1	6.8	5.6	4.8	4.1
EV/EBIT adj. x *	7.8	9.0	8.0	6.3	5.3

* Multiples calculated including the IFRS 16 effect



H1-19 sees further boost in profitability

In a stable reference market, IWB reported H1-19 revenues in line with the previous year whilst improving profitability, mainly thanks to 1) lower purchase prices of grapes, must and bulk wine following the abundant harvest in 2018, 2) the increase in its own-label products sales, characterized by higher margins and 3) a further curbing of variable costs (mainly commercial) and fixed costs.

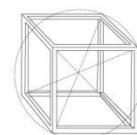
Table 1 – IWB, H1-19 results summary

€ m	H1-19	H1-18	% YoY
Revenues	70.1	69.9	0.2
Inventories	3.2	(0.3)	
Other	0.6	0.7	
Net revenues	74.0	70.4	5.1
Purchasing	(43.0)	(40.2)	
Services	(19.8)	(20.1)	
Personnel	(3.7)	(4.6)	
Other Costs	(0.8)	(0.1)	
EBITDA	6.7	5.3	25.2
% margin	9.5	8.0	
D&A	(2.3)	(1.7)	
EBIT	4.4	3.6	22.4
% margin	6.2	5.4	
Financial income	0.1	0.0	
Financial charges	(0.7)	(0.6)	
Pre-Tax profit	3.7	3.0	24.3
% margin	5.3	4.5	
Income taxes	(1.0)	(0.8)	
Minorities	0.0	0.0	
Net Profit	2.7	2.2	22.9
% margin	3.8	3.3	
One-off adjustments	0.6	0.8	
EBITDA adjusted	7.3	6.1	18.7
% margin	10.4	8.7	
Net Profit adjusted	3.1	2.8	12.9
% margin	4.4	3.9	
IFRS 16 Effect	0.5	0.0	
EBITDA excl. IFRS 16	6.1	5.3	15.2
% margin	8.8	7.6	
EBITDA adj. excl. IFRS 16	6.7	6.1	10.0
% margin	9.6	8.7	

Source: Company data, CFO Sim

H1-19 sales were € 70.1m, +0.2% vs. € 69.9m in H1-18. Top line CAGR₁₇₋₁₉ is 0.8%, broadly in line with the poor consumption in the reference market, which was substantially stable in the last two years both in terms of value and volumes. Revenue breakdown by geography shows a consolidation of IWB on the **international markets, up by 1.1% YoY to € 54.4m**, totalling 78.0% of total revenues vs. 77.5% in 2018.

➤ **The Wholesale division sales reached € 37.3m**, vs. € 35.2m in H1-18. The segment grew by 6.0% YoY, CAGR₁₇₋₁₉ 10.8%, largely outperforming the reference market. The slowdown in growth rate was mainly attributable to some withdrawals of goods by a big client shifted to Q3-19. The growth was driven mainly by its own-label products, which accounts for more than 90% of the channel sales. In addition, revenues were sustained by the acquisition of a few new accounts and by the increase of the market share in existing accounts.

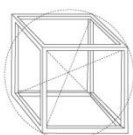


- **The Distance Selling division showed revenues of € 32.5m**, further reducing its weight on total to 46.4% vs. 49.2% in H1-18 and 55.4% in H1-17. The YoY 5.5% decrease is lower than that recorded in the previous years as the business is stabilising: 1) the downward trend in tele-selling is being offset by the contribution of the other channels, mainly digital (web sales jumped 22.0% to € 5.6m); 2) the telephone contact centre and customer service systems were centralised to a single external contractor.

2019 is the first year of the IFRS 16 adoption, thus figures include the effect stemming from the application of the new accounting principle. **EBITDA adjusted, included the IFRS 16 positive effect, reached € 7.3m (10.4% margin)**, vs. € 6.1m (8.7% margin) in H1-18. Excluding the positive effect of € 0.5m stemming from the IFRS 16 application, **EBITDA adjusted was € 6.7m, 9.6% margin, showing +90bps improvement YoY**. Profitability was boosted by 1) lower purchase price of grapes, must and bulk wine following the abundant harvest in 2018, 2) the increase in own-label products sales, characterised by higher margins and 3) a further curbing of both variable costs (mainly commercial) and fixed costs. **EBITDA reported**, which includes non-recurring costs for € 0.6m, **grew by 25.2% to € 6.7m** (vs. € 5.3m in H1-18).

Net Profit was € 2.7m, +22.9% YoY, despite the € 0.2m negative effect deriving from the application of IFRS 16. Excluding this effect Net Profit was € 2.9m.

Net financial position was € 9.9m negative, improving from € 11.3m in H1-18 and worsening from € 3.4m of Dec-18 mainly due to: 1) € 2.9m of dividend payment, 2) capex for € 0.9m, 3) treasury share purchasing for € 0.4m and 4) the cash absorption of NWC typical of the business seasonality. **Including the right of use liabilities deriving from the application of IFRS 16** (€ 11.7m, mainly stemming from the long-term rent agreement for the building used for the logistics activities), **the NFP reached € 21.6m**.



Estimates, valuation and risks

Following the publication of 2019 interim results, we have updated our model. **We left unchanged our projections, only taking into account the effects stemming from the IFRS 16 adoption** on both P&L and Balance Sheet structure. IWB substantiates the € 17.7m EBITDA consensus estimate for FY-19, with a +/-5% tolerance, excluding the IFRS 16 effect. CFO has **updated DCF valuation criteria**, brought the Free Risk Rate up-to-date. The combined result is a **PT increased to € 19.20/s** (€ 18.60/s), with a 48.8% upside. Buy recommendation confirmed.

In a year characterised by a raw material cost decrease, thanks to the abundant 2018 harvest, **IWB offered a solid interim margin improvement**, achieved thanks to the Distance Selling restructuring process and the integration completed 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. **The extremely lean cost structure and scale are projected to bring hefty cash flow and operating margin improvement in the coming years.**

IWB stays focused on cost control and external growth opportunities: IWB is actively on **the buy side**, searching ideal value adding targets that display **economic and balance sheet solidity, business structure coherence** similar to IWB and **presence in adjacent channels**, to leverage on dimension and reach which in turn can aid them in getting 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 client/product portfolio.

DCF

In the valuation via the DCF method explicit estimates until 2023 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 2 - WACC derived from:

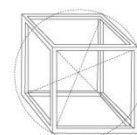
Interest costs, pre-tax	2.5%
Tax rate	27.0%
Int. costs, after taxes	1.8%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 2W average)	1.20%
Beta levered (x)	1.00
Required ROE	10.2%

Source: CFO Sim

Table 3 - IWB, DCF model

€ m	2019e	2020e	2021e	2022e	2023e	Term. Val.
EBIT	13.0	15.1	16.3	16.4	16.6	
Tax rate	27.0%	27.0%	27.0%	27.0%	27.0%	
Operating profit (NOPAT)	9.5	11.1	11.9	12.0	12.1	
Change working capital	0.5	(0.4)	(0.7)	(0.2)	(0.2)	
Depreciation	3.7	3.7	3.6	1.5	1.0	
Investments	(3.4)	(2.2)	(2.2)	(2.0)	(1.0)	
Free Cash Flows	10.4	12.1	12.6	11.3	11.9	160.1
Present value	10.1	10.9	10.5	8.6	8.4	112.7
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	
Long-term growth rate	1.0%					

Source: CFO Sim



The balance sheet structure adopted for WACC calculation, is an extremely conservative 80-20 equity-debt balance.

Table 4 – IWB, DCF per share derived from:

€ m	
Total EV present value € m	161.3
<i>thereof terminal value</i>	69.9%
NFP last reported	(21.6)
Pension provision last reported	(0.7)
Equity value € m	139.1
#m shares (ex. treasury shares)	7.23
Equity value €/s	19.20
<i>% upside/(downside)</i>	48.8%

Source: CFO Sim

The application of the model produces an equity value of € 139.1m, which corresponds to **€ 19.20/s, with a potential upside of 48.8%**.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 17.30 – 21.80 (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 € 17.20 – 21.80 (free risk range of between 2.20% and 0.20%) and 3) compared to changes in the risk premium, including small size premium, this results into an equity value/s of € 15.50 – 25.00 (risk premium range of between 11.00% and 7.00%).

Table 5 – 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	48.6	48.6	48.6	48.6	48.6	48.6	48.6	48.6	48.6
PV of terminal value	98.5	101.8	105.2	108.8	112.7	116.9	121.4	126.1	131.3
Total value	147.1	150.3	153.8	157.4	161.3	165.5	169.9	174.7	179.9
NFP last reported	(21.6)	(21.6)	(21.6)	(21.6)	(21.6)	(21.6)	(21.6)	(21.6)	(21.6)
Pension provision last reported	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Equity value	124.9	128.1	131.5	135.2	139.1	143.2	147.7	152.5	157.6
Equity value/share €	17.30	17.70	18.20	18.70	19.20	19.80	20.40	21.10	21.80

Source: CFO Sim

Table 6 – IWB, equity value sensitivity to changes in free risk rate

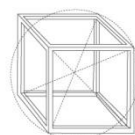
€ m	0.20%	0.45%	0.70%	0.95%	1.20%	1.45%	1.70%	1.95%	2.20%
Present value of CF	49.4	49.2	49.0	48.8	48.6	48.4	48.2	48.0	47.8
PV of terminal value	130.2	125.5	121.0	116.7	112.7	109.0	105.4	102.0	98.7
Total value	179.6	174.6	169.9	165.5	161.3	157.3	153.6	150.0	146.6
NFP last reported	(21.6)	(21.6)	(21.6)	(21.6)	(21.6)	(21.6)	(21.6)	(21.6)	(21.6)
Pension provision last reported	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Equity value	157.3	152.4	147.7	143.3	139.1	135.1	131.3	127.7	124.3
Equity value/share €	21.80	21.10	20.40	19.80	19.20	18.70	18.20	17.70	17.20

Source: CFO Sim

Table 7 – 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	50.2	49.8	49.4	49.0	48.6	48.2	47.8	47.4	47.1
PV of terminal value	152.6	140.7	130.2	121.0	112.7	105.4	98.7	92.8	87.3
Total value	202.8	190.4	179.6	169.9	161.3	153.6	146.6	140.2	134.4
NFP last reported	(21.6)	(21.6)	(21.6)	(21.6)	(21.6)	(21.6)	(21.6)	(21.6)	(21.6)
Pension provision last reported	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Equity value	180.5	168.2	157.3	147.7	139.1	131.3	124.3	118.0	112.2
Equity value/share €	25.00	23.30	21.80	20.40	19.20	18.20	17.20	16.30	15.50

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 Schloss Wachenheim to the 100% of Lanson, Lauent Perrier and Masi. Our sample for wine producers comprises of: **Baron de Ley (ES)**, **Concha y Toro Winery (ES)**, **Lanson (FR)**, **Laurent Perrier (FR)**, **Masi Agricola (IT, listed on the Milan AIM)**, **Schloss Wachenheim (D)**, **Treasury Wine Estates (AU)**, and **Vranken Pommery Monopole (FR)**. In addition we have included two players involved purely in distribution of wine: **Hawesko (D)** and **Naked Wine (UK)**.

Looking at these figures, it emerges that growth on offer for the market is limited, to the tune of 3.4% for producers, and 3.6% 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 2018-21.

Table 8 - IWB, peers group summary table

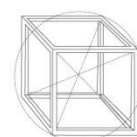
€ m	Mkt Cap	Wine % of Sales	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₁₈₋₂₁	EBITDA CAGR ₁₈₋₂₁	EBIT CAGR ₁₈₋₂₁	EPS CAGR ₁₉₋₂₁	NFP	NFP/EBITDA
Baron de Ley SA	443	99.0%	101	33	32.6%	n.a	n.a	n.a	n.a	(156)	(4.8)
Concha y Toro Winery Inc	1,439	97.6%	829	127	15.3%	7.2%	18.5%	29.4%	17.8%	312	2.4
Lanson BCC SA	188	100.0%	282	30	10.7%	1.5%	4.9%	5.2%	6.9%	512	17.1
Laurent Perrier SA	535	100.0%	253	53	20.8%	6.3%	n.a	n.a	7.6%	254	4.8
Masi Agricola SpA	118	100.0%	67	13	18.8%	3.4%	5.5%	4.8%	3.9%	10	0.8
Schloss Wachenheim AG	132	91.2%	340	33	9.8%	3.0%	3.7%	3.6%	5.5%	n.a.	n.a.
Treasury Wine Estates Ltd	8,295	91.7%	1,953	559	28.6%	10.1%	16.6%	18.7%	16.9%	538	1.0
Vranken Pommery Monopole	194	97.6%	299	39	13.1%	1.2%	7.5%	9.5%	27.6%	613	15.6
Wine producers median	319	98.3%	290	36	17.1%	3.4%	6.5%	7.4%	7.6%	312	2.4
Hawesko Holding AG	300		566	46	8.1%	4.5%	14.9%	9.2%	7.0%	55	1.2
Naked Wines PLC	215		591	22	3.7%	2.7%	14.9%	43.4%	36.8%	18	0.8
Wine distributors median	258		578	34	5.9%	3.6%	14.9%	26.3%	21.9%	36	1.0
IWB	96	100%	153	17	11.0%	2.8%	11.1%	18.4%	11.7%	(3)	(0.2)

Source: CFO Sim, Thomson Reuters Eikon

Table 9 - 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	17.8	17.6	n.a.	8.7	7.7	n.a.	11.4	10.1	n.a.
Concha y Toro Winery Inc	20.8	17.6	15.0	13.8	11.8	n.a.	17.7	14.5	n.a.
Lanson BCC SA	13.4	10.7	11.7	23.3	20.0	20.9	29.7	24.2	26.6
Laurent Perrier SA	20.6	19.2	17.8	15.0	13.9	12.7	17.4	16.3	14.7
Masi Agricola SpA	16.9	15.8	15.7	10.3	9.9	9.4	13.4	12.6	12.7
Schloss Wachenheim AG	11.8	11.0	10.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	25.2	20.9	18.5	15.8	13.3	12.0	18.2	15.2	13.2
Vranken Pommery Monopole	26.4	21.9	16.2	20.6	19.6	18.2	29.1	27.0	25.1
Wine producers median	19.2	17.6	15.7	15.0	13.3	12.7	17.7	15.2	14.7
Hawesko Holding AG	15.8	14.7	13.8	7.7	8.2	6.9	11.6	12.2	10.7
Naked Wines PLC	22.7	16.3	12.1	10.7	8.9	8.3	17.6	13.3	11.2
Wine distributors median	19.3	15.5	13.0	9.2	8.6	7.6	14.6	12.8	11.0
IWB	10.6	9.6	8.9	5.5	4.4	3.7	7.1	5.5	4.6
% prem.(disc.)to prod.	-45.0%	-45.4%	-43.4%	-63.2%	-66.8%	-70.6%	-60.2%	-63.8%	-68.9%
% prem.(disc.)to distr.	-45.1%	-38.1%	-31.6%	-40.3%	-48.3%	-50.7%	-51.7%	-56.9%	-58.3%

Source: CFO Sim, Thomson Reuters Eikon



IWB trades at a 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 when comparing IWB with Masi Agricola, also listed on the Milan AIM, which also 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 1Y maximum of € 13.50/s on 08-Oct-18 and the minimum of € 10.00/s on 11-Dec-18.

Table 10 - IWB, peers group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Baron de Ley SA	2.9	2.9	0.5	3.9	(1.4)	(2.3)	(6.1)
Concha y Toro Winery Inc	0.2	4.1	2.4	4.7	5.6	10.6	13.3
Lanson BCC SA	(1.5)	(0.8)	(5.1)	(8.4)	(3.0)	(12.1)	(14.9)
Laurent Perrier SA	(0.2)	(0.2)	0.2	(1.8)	(3.0)	(5.9)	(18.7)
Masi Agricola SpA	0.0	(1.6)	(3.7)	(2.1)	(4.4)	(0.8)	(13.9)
Schloss Wachenheim AG	1.2	1.5	2.5	(0.3)	(7.3)	(1.2)	(18.7)
Treasury Wine Estates Ltd	0.5	(0.6)	1.4	23.7	16.8	24.8	3.5
Vranken Pommery Monopole SA	0.9	(2.7)	(0.9)	(4.4)	(7.3)	(8.9)	(12.2)
Wine producers median	0.3	(0.4)	0.3	(1.0)	(3.0)	(1.7)	(13.0)
Naked Wines PLC	(1.9)	3.2	(1.5)	(5.1)	(6.6)	5.7	(34.3)
Hawesko Holding AG	(1.5)	(1.8)	(2.9)	(9.5)	(10.3)	(19.0)	(26.9)
Wine distributors median	(1.7)	0.7	(2.2)	(7.3)	(8.4)	(6.7)	(30.6)
IWB	(2.3)	(1.9)	4.0	7.5	18.3	8.9	4.0

Source: Thomson Reuters Eikon

Table 11 – IWB, reference sector index and Italian Market performances

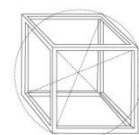
	1D	1W	1M	3M	6M	YTD	1Y
FTSE AIM All Share	0.1	1.1	2.6	(5.4)	(3.6)	3.3	(19.3)
Thomson Reuters Food & Beverage	(1.3)	(2.9)	(2.5)	1.8	3.0	19.6	8.8
IWB	(2.3)	(1.9)	4.0	7.5	18.3	8.9	4.0

Source: Thomson Reuters Eikon

Risks

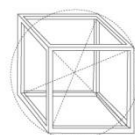
The principal investment **risks** in IWB may include:

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





Income statement (€ m)	2017	2018	2019e	2020e	2021e
Net Revenues	149.7	149.9	153.0	158.1	163.0
Purchasing	(80.8)	(87.2)	(87.0)	(89.8)	(92.1)
Services	(45.9)	(42.0)	(42.0)	(42.5)	(43.8)
Personnel	(9.8)	(8.3)	(7.6)	(7.9)	(8.1)
Other operating expenses	1.0	1.1	0.4	1.1	1.1
EBITDA adjusted	16.0	14.6	17.4	18.9	20.0
EBITDA	14.2	13.4	16.8	18.9	20.0
D&A	(3.4)	(3.5)	(3.7)	(3.7)	(3.6)
EBIT adjusted	12.7	11.1	13.7	15.2	16.4
EBIT	10.8	9.9	13.1	15.2	16.4
Financials	(1.6)	(1.1)	(0.7)	(0.9)	(0.9)
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	9.2	8.7	12.4	14.3	15.5
Income taxes	(2.5)	(2.4)	(3.3)	(3.9)	(4.2)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit adjusted	8.1	7.2	9.5	10.5	11.3
Net Profit	6.7	6.4	9.0	10.5	11.3
EBITDA adj. Incl. IFRS 16	-	-	18.5	20.0	21.1
EBIT adj. Incl. IFRS 16	-	-	13.0	15.1	16.3
Net Profit adj. Incl. IFRS 16	-	-	9.1	10.0	10.8
Balance sheet (€ m)	2017	2018	2019e	2020e	2021e
Net Working Capital	(4.4)	(4.7)	(5.3)	(4.9)	(4.2)
Net Fixed Assets	99.7	101.8	101.5	100.0	98.6
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(11.4)	(9.4)	(9.4)	(9.4)	(9.4)
Net Invested Capital	83.9	87.7	86.8	85.7	84.9
Net Financial Position	2.3	3.4	(3.4)	(12.3)	(21.2)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	81.6	84.3	90.3	98.0	106.2
Financial Liabilities & Equity	83.9	87.7	86.8	85.7	84.9
Net Financial Position Incl. IFRS 16	-	-	8.3	(0.6)	(9.5)
Cash Flow statement (€ m)	2017	2018	2019e	2020e	2021e
Total net income	6.7	6.4	9.0	10.5	11.3
Depreciation	3.4	3.5	3.7	3.7	3.6
Other non-cash charges	(1.6)	(3.3)	(0.1)	0.0	0.0
Cash Flow from Oper. (CFO)	8.5	6.6	12.7	14.2	14.9
Change in NWC	2.2	0.4	0.5	(0.4)	(0.7)
FCF from Operations (FCFO)	10.7	7.0	13.3	13.8	14.3
Net Investments (CFI)	(1.0)	(4.0)	(3.4)	(2.2)	(2.2)
Free CF to the Firm (FCFF)	9.7	2.9	9.9	11.6	12.1
CF from financials (CFF)	(6.6)	5.6	(3.0)	(3.6)	(4.0)
Free Cash Flow to Equity (FCFE)	3.1	8.5	6.8	8.0	8.1
Financial ratios	2017	2018	2019e	2020e	2021e
EBITDA margin	9.5%	9.0%	11.0%	12.0%	12.3%
EBIT margin	7.2%	6.6%	8.6%	9.6%	10.1%
Net profit margin	4.5%	4.2%	5.9%	6.6%	6.9%
Tax rate	27.1%	27.3%	27.0%	27.0%	27.0%
Op NWC/Sales	-2.9%	-3.2%	-3.5%	-3.1%	-2.6%
Interest coverage x	0.16	0.12	0.07	0.08	0.08
Net Debt/Ebitda x	0.16	0.25	(0.20)	(0.65)	(1.06)
Debt-to-Equity x	0.03	0.04	(0.04)	(0.13)	(0.20)
ROIC	7.9%	7.4%	10.4%	12.1%	13.2%
ROCE	8.5%	7.1%	9.0%	10.0%	10.3%
ROACE	8.5%	7.4%	9.2%	10.3%	10.5%
ROE	8.5%	7.7%	10.4%	11.1%	11.1%
Payout ratio	38.5%	48.3%	30.0%	30.0%	30.0%
Per share figures	2017	2018	2019e	2020e	2021e
Final N. of shares # m	7.40	7.40	7.40	7.40	7.40
Average N. of shares # m	7.40	7.40	7.40	7.40	7.40
Final N. of shares (fully diluted) # m	7.40	7.40	7.40	7.40	7.40
EPS reported €	0.91	0.86	1.22	1.41	1.53
EPS reported FD €	0.91	0.86	1.22	1.41	1.53
EPS adjusted FD €	1.10	0.98	1.29	1.41	1.53
EBITDA FD €	1.91	1.81	2.28	2.56	2.70
EBIT FD €	0.03	0.01	0.02	0.04	0.04
FCFO FD €	1.45	0.94	1.79	1.86	1.93
FCFF FD €	1.31	0.40	1.33	1.57	1.63
FCFE FD €	0.41	1.15	0.92	1.08	1.09
Dividend €	0.40	0.40	0.47	0.54	0.59





The company at a glance

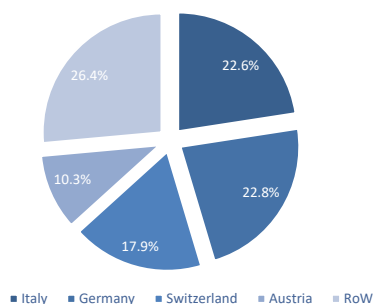
IWB (Italian Wine Brands) is the holding company of a leading producer and distributor in the Italian wine industry. The Group operates through two channels: B2C and B2B.

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.

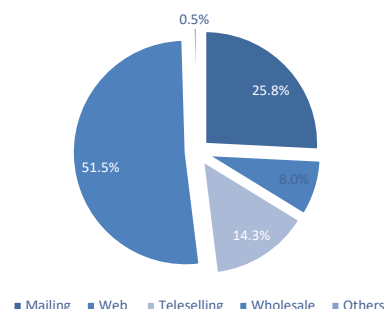
B2B is focused on sale and distribution in the international markets to mass retailers where it distributes both privately labelled and branded products. The B2B arm outsources both the bottling and the logistic activity in order to make its supply operations faster, leaner and more efficient.

Sales reached € 149.9m in 2018, +0.1% YoY. The figure was characterised once again by a strong performance in B2B and mixed results in B2C: B2B division up by some 11.8% and B2C down by circa 8.9%. EBITDA, which includes € 1.2m of non-recurring items, was € 13.4m, with 8.9% margin.

2018 revenues by country and...



...by channel



Shareholder structure

	%	# m
Provinco	9.08%	0.67
IPOC	8.69%	0.64
Free Float	82.2%	6.09
o/w Praude Asset Management	6.33%	0.47
Total	100.0%	7.40

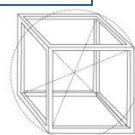
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Baron de Ley SA	2.9	2.9	0.5	3.9	(1.4)	(2.3)
Concha y Toro Winery Inc	0.2	4.1	2.4	4.7	5.6	10.6
Lanson BCC SA	(1.5)	(0.8)	(5.1)	(8.4)	(3.0)	(12.1)
Laurent Perrier SA	(0.2)	(0.2)	0.2	(1.8)	(3.0)	(5.9)
Masi Agricola SpA	0.0	(1.6)	(3.7)	(2.1)	(4.4)	(0.8)
Schloss Wachenheim AG	1.2	1.5	2.5	(0.3)	(7.3)	(1.2)
Treasury Wine Estates Ltd	0.5	(0.6)	1.4	23.7	16.8	24.8
Vranken Pommery	0.9	(2.7)	(0.9)	(4.4)	(7.3)	(8.9)
Wine producers median	0.3	(0.4)	0.3	(1.0)	(3.0)	(1.7)
Naked Wines PLC	(1.9)	3.2	(1.5)	(5.1)	(6.6)	5.7
Hawesko Holding AG	(1.5)	(1.8)	(2.9)	(9.5)	(10.3)	(19.0)
Wine distributors median	(1.7)	0.7	(2.2)	(7.3)	(8.4)	(6.7)
IWB	(2.3)	(1.9)	4.0	7.5	18.3	8.9

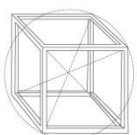
Peers group multiples table

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	17.8	17.6	n.a.	8.7	7.7	n.a.	11.4	10.1	n.a.
Concha y Toro Winery Inc	20.8	17.6	15.0	13.8	11.8	n.a.	17.7	14.5	n.a.
Lanson BCC SA	13.4	10.7	11.7	23.3	20.0	20.9	29.7	24.2	26.6
Laurent Perrier SA	20.6	19.2	17.8	15.0	13.9	12.7	17.4	16.3	14.7
Masi Agricola SpA	16.9	15.8	15.7	10.3	9.9	9.4	13.4	12.6	12.7
Schloss Wachenheim AG	11.8	11.0	10.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	25.2	20.9	18.5	15.8	13.3	12.0	18.2	15.2	13.2
Vranken Pommery Monopole	26.4	21.9	16.2	20.6	19.6	18.2	29.1	27.0	25.1
Wine producers median	19.2	17.6	15.7	15.0	13.3	12.7	17.7	15.2	14.7
Hawesko Holding AG	15.8	14.7	13.8	7.7	8.2	6.9	11.6	12.2	10.7
Naked Wines PLC	22.7	16.3	12.1	10.7	8.9	8.3	17.6	13.3	11.2
Wine distributors median	19.3	15.5	13.0	9.2	8.6	7.6	14.6	12.8	11.0
IWB	10.6	9.6	8.9	5.5	4.4	3.7	7.1	5.5	4.6

Source: CFO Sim, Thomson Reuters Eikon

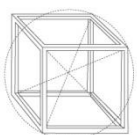


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DATE	TARGET PRICE	RATING
17/09/2019	€19.20	BUY
02/04/2019	€18.60	BUY
18/09/2018	€18.60	BUY

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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.

