

**Italy – Food and Beverage**
**Top-notch figures corroborate recession-resistance equity story**

 18<sup>th</sup> September 2020

**H1-20 RESULTS RELEASE**

 RIC: ITWB.MI  
 BBG: IWB IM

IWB reported tremendous interim results characterised by double digit organic growth in addition to the recent acquisition of Raphael Dal Bo. Margins grew much more than proportionately to the top line. The firm visibly benefited from its positioning on retail chains and directly on consumers in these troubled times.

**Rating:**
**Buy**
**Price Target:**
**€ 25.00 (€ 20.00)**
**Upside/(Downside): 41.2%**
**Last Price: € 17.70**
**Market Cap.: € 130.7m**
**1Y High/Low: € 18.45/€ 10.70**
**Free Float: 79.4%**
**Major shareholders:**

Otus Capital Management	10.2%
Provinco Srl	9.1%
IPOC Srl	8.7%
Praude Assett Management	6.3%


**Stock price performance**

	1M	3M	12M
<b>Absolute</b>	<b>11.3%</b>	<b>16.4%</b>	<b>36.7%</b>
<b>Rel.to AIM Italia</b>	<b>10.0%</b>	<b>7.2%</b>	<b>27.0%</b>
<b>Rel.to EU Sector</b>	<b>10.7%</b>	<b>13.2%</b>	<b>38.6%</b>

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**Buy reiterated: new PT € 25.00/s (€ 20.00/s) offers 41.2% upside**

The remarkably strong performance achieved in H1 20 was driven by firm's positioning and undoubtedly also sustained by a shift from out-of-home to home consumptions caused by the pandemic. CFO SIM has updated its model: new estimates factor in a buoyant 2020, with decelerating growth expected for the second part of the year. In 2021-22 we adopted more reasonable and sustainable growth rates for top-line progression. Margin assumptions remain unchanged with EBITDA margin close to 13.0% in 2022. The result is an average 2020-22 increase in the top line and EBITDA of 13.9% and 15.5%, respectively. Moreover, CFO has updated the DCF valuation criteria. The combined result is a new PT of € 25.00/s (€ 20.00), with 41.2% upside. We reiterate our Buy.

**Interim revenues soared 31.5% to € 92.2m**

Sales were € 92.2m, up 31.5% YoY, 24.1% YoY organically. Revenue breakdown by geography shows a consolidation of IWB on international markets, up by 33.4% YoY to € 72.6m (79% of total), while domestic sales accounted for € 19.3m, up 25.6% YoY. This strong performance, abnormally high compared to historical figures, was driven by 1) broader proprietary brand portfolio, 2) new clients and 3) the increase of the share of wallet with the existing customers and undoubtedly sustained by the pandemic: out-of-home consumption (horeca: hotel, restaurant and café) declined dramatically during and after the lock-down to the benefit of home consumption. This trend led to a 22% organic sales progression of the Wholesale division (+35.5% including RdB) and a 27.3% rise in the Distance selling segment, driven by the doubling of on-line sales.

**EBITDA adj. at € 10.7m, 11.5% margin**

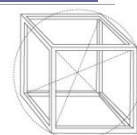
EBITDA adj. reached € 10.7m (11.5% margin), vs. € 7.3m (10.3% margin) in H1-19. Profitability was boosted by 1) a decent gross margin thanks to the stable purchase prices of grapes, must and bulk wine, 2) the increase in the group's sales of own-label products having higher marginality than entry level products and 3) further rationalisation of commercial costs and overheads, also due to a certain volume effect. Reported EBITDA, which includes non-recurring costs for € 0.5m, totalled € 10.2m (vs. € 6.7m in H1-19). Net Profit almost doubled YoY, reaching € 5.3m.

**Negative NFP at € 20.1m leaves further room for leveraging, if required**

NFP was € 20.1m negative, including € 10.7m of right of use liabilities deriving from the application of IFRS16, mainly stemming from the long-term rent agreement regarding the building used for logistics activities. The downtrend from € 10.7m of Dec-19 was mainly due to seasonal WC cash absorption and the CHF 9.5m cash out for the RDB acquisition, net of the purchase of IWB treasury shares by Mr. Raphael Dal Bo for CHF 2.9m.

**IWB, key financials and ratios**

€ m	2018	2019	2020e	2021e	2022e
Sales	149.9	157.5	189.1	190.2	194.6
EBITDA adj.	14.6	18.1	23.1	23.7	25.1
EBITDA	13.4	16.3	23.1	23.7	25.1
EBIT adj.	11.1	13.5	18.2	18.9	20.4
EBIT	9.9	11.7	18.2	18.9	20.4
Net profit adj.	7.2	9.2	12.5	13.0	14.2
Net profit	6.4	7.9	12.5	13.0	14.2
NFP (cash)/debt	3.4	10.7	9.4	(3.1)	(16.0)
EPS adjusted FD	0.98	1.24	1.69	1.76	1.92
EPS adj. FD growth	-11.1%	26.9%	36.0%	4.3%	8.7%
DPS ord. €/s	0.40	0.50	0.52	0.55	0.59
Dividend yield	2.3%	2.8%	2.9%	3.1%	3.3%
Free Cash Flow Yield	3.4%	8.9%	3.8%	12.5%	13.0%
PER adj. x	12.0	9.7	10.5	10.0	9.2
PCF x	12.4	61.5	60.3	47.2	50.6
EV/Sales x	0.6	0.6	0.7	0.7	0.7
EV/EBITDA adj. x	6.2	5.5	6.1	5.4	4.6
EV/EBIT adj. x	8.2	7.4	7.7	6.8	5.6





## The company at a glance

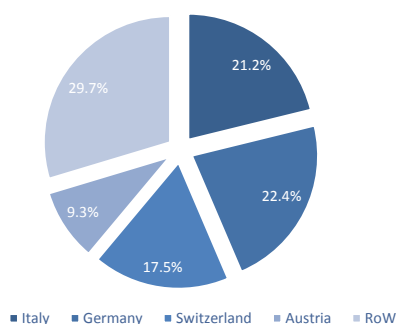
IWB (Italian Wine Brands) is the holding company of a leading producer and distributor in the Italian wine industry. The group operates through two channels: B2C and B2B.

The B2C 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 B2C division boasts a catalogue of over 140 different wines and *spumanti* as well as 130 traditional Italian food products. Since the group does not own any vineyards, raw materials (grapes, must and bulk wine) are procured from Italian vineyards and wine producers and then processed in the group's two proprietary wineries.

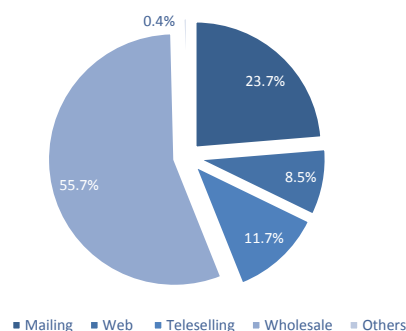
B2B is focused on sale and distribution in international markets to mass retailers where both privately labelled and branded products are distributed. Both the bottling and the logistic activities are outsourced in order to make the supply operations faster, leaner and more efficient.

Sales reached € 157.5m in 2019, +5.1% YoY. The figure was once again characterised by a strong performance in B2B and mixed results in B2C: the B2B division was up by 13.6% and B2C was down by 3.9%. EBITDA adjusted for non-recurring items was € 18.1m, with 11.5% margin (incl. IFRS 16 effect).

## 2019 revenues by country and...



## ...by channel



## Shareholder structure

	%	# m
Provinco	9.08%	0.67
IPOC	8.69%	0.64
Raphael Dal Bo	2.84%	0.21
Treasury Shares	0.04%	0.00
<b>Free Float, o/w</b>	<b>79.4%</b>	<b>5.87</b>
Otus Capital Management	9.93%	0.73
Praude Asset Management	6.33%	0.47
<b>Total</b>	<b>100.0%</b>	<b>7.40</b>

Source: Company data

## Peer group absolute performance

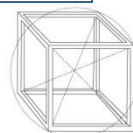
	1D	1W	1M	3M	6M	YTD
Baron de Ley SA	1.8	1.8	0.0	6.7	19.4	1.8
Concha y Toro Winery Inc	4.9	7.8	(4.2)	1.6	28.9	(7.4)
Lanson BCC SA	0.6	5.2	10.9	(17.3)	(8.4)	(38.3)
Laurent Perrier SA	(0.8)	(2.2)	(1.9)	(13.9)	(4.6)	(19.2)
Masi Agricola SpA	0.0	3.9	5.8	0.0	4.8	(23.9)
Schloss Wachenheim AG	0.0	1.4	(0.7)	(0.7)	21.5	(9.0)
Treasury Wine Estates Ltd	(1.1)	(2.3)	(10.7)	(17.2)	(8.4)	(45.5)
Vranken Pommery Mon.	0.7	(0.4)	7.6	4.4	(7.5)	(28.9)
<b>Wine producers median</b>	<b>0.3</b>	<b>1.6</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>0.1</b>	<b>(21.6)</b>
Hawesko Holding AG	(0.5)	(0.5)	(8.5)	17.3	79.4	13.3
Naked Wines PLC	(1.6)	(4.9)	(6.6)	16.7	73.7	87.2
<b>Wine distributors median</b>	<b>(1.6)</b>	<b>(4.9)</b>	<b>(6.6)</b>	<b>16.7</b>	<b>73.7</b>	<b>87.2</b>
<b>Italian Wine Brands SpA</b>	<b>(1.7)</b>	<b>4.1</b>	<b>11.3</b>	<b>16.4</b>	<b>56.6</b>	<b>38.8</b>

Source: Thomson Reuters Eikon

## Peers group multiples table

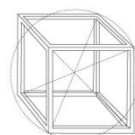
Price & EV multiples x	PER FY1	PER FY2	PER FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Baron de Ley SA	15.2	n.a.	n.a.	8.0	n.a.	n.a.	10.3	n.a.	n.a.
Concha y Toro Winery Inc	14.6	13.1	13.3	10.4	9.9	n.a.	13.3	12.6	n.a.
Lanson BCC SA	12.8	11.0	8.3	29.1	25.2	21.1	42.2	36.0	26.5
Laurent Perrier SA	20.1	18.3	n.a.	15.4	13.9	n.a.	18.1	16.2	n.a.
Masi Agricola SpA	n.s.	19.2	14.9	17.1	8.6	7.6	77.9	14.6	11.9
Schloss Wachenheim AG	15.4	14.7	11.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	19.0	14.9	13.5	10.5	8.9	8.2	13.4	11.2	9.6
Vranken Pommery Monopole	35.5	34.4	15.9	26.6	23.9	22.0	41.8	36.4	32.3
<b>Wine producers median</b>	<b>15.4</b>	<b>14.9</b>	<b>13.4</b>	<b>15.4</b>	<b>11.9</b>	<b>14.6</b>	<b>18.1</b>	<b>15.4</b>	<b>19.2</b>
Hawesko Holding AG	21.3	19.3	17.2	n.s.	8.4	7.4	n.a.	14.2	12.5
Naked Wines PLC	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	48.5
<b>Wine distributors median</b>	<b>21.3</b>	<b>19.3</b>	<b>17.2</b>	-	<b>8.4</b>	<b>7.4</b>	-	<b>14.2</b>	<b>30.5</b>
<b>IWB</b>	<b>10.5</b>	<b>10.0</b>	<b>9.2</b>	<b>6.1</b>	<b>5.4</b>	<b>4.6</b>	<b>7.7</b>	<b>6.8</b>	<b>5.6</b>

Source: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2018	2019	2020e	2021e	2022e
Net Revenues	149.9	157.5	189.1	190.2	194.6
Purchasing	(87.2)	(91.2)	(108.3)	(108.8)	(110.9)
Services	(42.0)	(42.6)	(50.5)	(50.4)	(51.2)
Personnel	(8.3)	(7.7)	(8.2)	(8.3)	(8.4)
Other operating expenses	1.1	0.3	1.0	1.0	1.0
EBITDA adjusted	14.6	18.1	23.1	23.7	25.1
EBITDA	13.4	16.3	23.1	23.7	25.1
D&A	(3.5)	(4.6)	(4.8)	(4.8)	(4.7)
EBIT adjusted	11.1	13.5	18.2	18.9	20.4
EBIT	9.9	11.7	18.2	18.9	20.4
Financials	(1.1)	(1.2)	(1.1)	(1.0)	(0.9)
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	8.7	10.5	17.1	17.9	19.4
Income taxes	(2.4)	(2.6)	(4.6)	(4.8)	(5.2)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit adjusted	7.2	9.2	12.5	13.0	14.2
Net Profit	6.4	7.9	12.5	13.0	14.2
Balance sheet (€ m)	2018	2019	2020e	2021e	2022e
Net Working Capital	(4.7)	(1.8)	1.4	(1.4)	(1.6)
Net Fixed Assets	101.8	102.5	108.1	107.4	105.2
Equity Investments	0.0	10.9	11.5	11.4	11.1
Other M/L Term A/L	(9.4)	(11.6)	(13.6)	(13.4)	(13.4)
Net Invested Capital	87.7	99.9	107.4	104.0	101.3
Net Financial Position	3.4	10.7	9.4	(3.1)	(16.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	84.3	89.2	98.0	107.2	117.3
Financial Liabilities & Equity	87.7	99.9	107.4	104.0	101.3
Cash Flow statement (€ m)	2018	2019	2020e	2021e	2022e
Total net income	6.4	7.9	12.5	13.0	14.2
Depreciation	3.5	4.6	4.8	4.8	4.7
Other non-cash charges	(3.3)	1.1	1.9	(0.2)	0.0
Cash Flow from Oper. (CFO)	6.6	13.6	19.2	17.6	18.9
Change in NWC	0.4	(2.9)	(3.2)	2.8	0.2
FCF from Operations (FCFO)	7.0	10.7	16.0	20.5	19.1
Net Investments (CFI)	(4.0)	(2.8)	(11.0)	(4.1)	(2.2)
Free CF to the Firm (FCFF)	2.9	7.9	5.0	16.4	16.9
CF from financials (CFF)	5.6	(14.4)	(4.6)	(4.7)	(4.9)
Free Cash Flow to Equity (FCFE)	8.5	(6.5)	0.4	11.7	12.0
Financial ratios	2018	2019	2020e	2021e	2022e
EBITDA margin	9.0%	10.4%	12.2%	12.5%	12.9%
EBIT margin	6.6%	7.4%	9.6%	9.9%	10.5%
Net profit margin	4.2%	5.0%	6.6%	6.9%	7.3%
Tax rate	27.3%	24.8%	27.0%	27.0%	27.0%
Op NWC/Sales	-3.2%	-1.1%	0.7%	-0.7%	-0.8%
Interest coverage x	0.12	0.12	0.07	0.07	0.06
Net Debt/Ebitda x	0.25	0.66	0.41	(0.13)	(0.64)
Debt-to-Equity x	0.04	0.12	0.10	(0.03)	(0.14)
ROIC	7.4%	8.4%	12.1%	12.3%	13.8%
ROCE	7.1%	8.1%	11.8%	11.6%	11.9%
ROACE	7.4%	8.3%	12.2%	11.9%	12.2%
ROE	7.7%	9.1%	13.3%	12.7%	12.6%
Payout ratio	46.6%	46.9%	31.0%	31.0%	31.0%
Per share figures	2018	2019	2020e	2021e	2022e
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 €	0.86	1.07	1.69	1.76	1.92
EPS reported FD €	0.86	1.07	1.69	1.76	1.92
EPS adjusted FD €	0.98	1.24	1.69	1.76	1.92
EBITDA FD €	1.81	2.20	3.12	3.20	3.39
EBIT FD €	0.01	0.03	0.02	0.03	0.04
FCFO FD €	0.94	1.44	2.16	2.77	2.58
FCFF FD €	0.40	1.06	0.67	2.21	2.29
FCFE FD €	1.15	(0.88)	0.06	1.57	1.63
Dividend €	0.40	0.50	0.52	0.55	0.59



## Double-digit organic growth and soaring profitability

IWB reported excellent H1-20 results, with double-digit organic growth in addition to the recent acquisition of Raphael Dal Bo. Margins grew more than proportionally to the top line thanks to 1) an increase in the group's sales of own-label products having higher marginality than entry level products, 2) stable raw materials purchase prices and 3) further rationalisation of commercial costs and overheads.

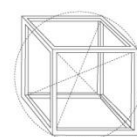
**Table 1 – IWB, H1-20 results summary**

€ m	H1-20	H1-19	% YoY
Wholesale	50.6	37.3	35.5
Distance selling	41.4	32.5	27.3
Other Revenues	0.2	0.3	(20.2)
<b>Total Revenues</b>	<b>92.2</b>	<b>70.1</b>	<b>31.5</b>
Inventories	4.3	3.2	
Other	0.5	0.6	
<b>Net Revenues</b>	<b>96.9</b>	<b>74.0</b>	<b>31.0</b>
Purchasing	(56.6)	(43.0)	
Services	(25.4)	(19.8)	
Personnel	(4.2)	(3.7)	
Other Costs	(0.6)	(0.8)	
<b>EBITDA</b>	<b>10.2</b>	<b>6.7</b>	<b>52.2</b>
% margin	11.0	9.5	
D&A	(2.4)	(2.3)	
<b>EBIT</b>	<b>7.7</b>	<b>4.4</b>	<b>75.5</b>
% margin	8.4	6.3	
Financial income	0.1	0.1	
Financial charges	(0.7)	(0.7)	
<b>Pre-Tax profit</b>	<b>7.1</b>	<b>3.7</b>	<b>90.2</b>
% margin	7.7	5.3	
Income taxes	(1.7)	(1.0)	
Tax rate	24.6%	27.9%	
Minorities	0.0	0.0	
<b>Net Profit</b>	<b>5.3</b>	<b>2.7</b>	<b>99.0</b>
% margin	5.8	3.8	
One-off adjustments	0.5	0.6	
<b>EBITDA adjusted</b>	<b>10.7</b>	<b>7.3</b>	<b>47.0</b>
% margin	11.5	10.3	
<b>Net Profit adjusted</b>	<b>5.8</b>	<b>3.1</b>	<b>86.8</b>
% margin	6.3	4.4	
<b>Net Financial Position</b>	<b>20.2</b>	<b>21.6</b>	<b>(6.4)</b>

Source: Company data, CFO Sim

**In H1-20 total revenues were € 92.2m**, up 31.5% YoY. The contribution of Raphael Dal Bo, acquired at the beginning of 2020, was € 5.2m: **the group grew 24.1% YoY organically**. Revenue breakdown by geography shows a consolidation of IWB on international markets, up by 33.4% YoY to € 72.6m (79% of total), while domestic sales accounted for € 19.3m, up 25.6% YoY.

This strong performance, abnormally high compared to historical figures, was undoubtedly **sustained by the pandemic: out-of-home consumption** (horeca: hotel, restaurant and café) **declined dramatically** during and after the lock-down to the **benefit of home consumption**. IWB is not present in the horeca segment, therefore the group's numbers were boosted by this shift in consumption, allowing to outperform significantly the wine market as a whole. IWB's main clients are 1) large retail chains, which are and were fully operational, served by the wholesale division and 2) end-consumers, directly reached through the distance selling channel. This trend led to a 22% organic sales progression of the Wholesale division and a doubling of on-line sales of the Distance Selling segment.



- **The Wholesale division sales reached € 50.6m** (54.9% of total revenues), showing an increase of 35.5% YoY (including RDB). Wholesale revenues organic growth was 21.6%. The segment recorded a solid 19.9% CAGR<sub>18-20</sub> including M&A while organic CAGR<sub>18-20</sub> was 13.6%. Growth was driven mainly by the group's own-label products, which accounts for more than 90% of the wholesale turnover. In addition, revenues were sustained by the acquisition of a few new accounts, an increase in the market share in existing accounts and M&A activity.
- **The Distance Selling division showed revenues of € 41.4m**, up 27.3% YoY, mainly thanks to the outstanding performance of online sales, increased by 113.6% to € 11.9m.

**EBITDA adjusted reached € 10.7m (11.5% margin)**, vs. € 7.3m (10.3% margin) in H1-19. Profitability was boosted by 1) a decent gross margin thanks to the stable purchase prices of grapes, must and bulk wine, 2) an increase in the group's own-label products with higher marginality than entry level ones and 3) further rationalisation of commercial costs and overheads, also due to a certain volume effect. **Reported EBITDA**, which includes non-recurring costs for € 0.5m, **totalled € 10.2m** (vs. € 6.7m in H1-19). **Net Profit almost doubled YoY, reaching € 5.3m.**

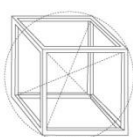
**Net financial position was € 20.1m negative**, including € 10.7m of right of use liabilities deriving from the application of IFRS16, mainly stemming from the long-term rent agreement concerning the building used for logistics activities. The downtrend from € 10.7m of Dec-19 was mainly due to the CHF 9.5m cash out for the RDB acquisition, net of the purchase of IWB treasury shares by Mr. Raphael Dal Bo for CHF 2.9m.

## Recent developments: Raphael Dal Bo acquisition

Last March IWB announced the acquisition of 100% of Raphael Dal Bo (RDB) for a total Enterprise Value consideration of CHF 13.4m (€ 12.6m. CHF 12.4m - i.e. 86% of the total consideration - were paid at the closing and max CHF 2.0m will be paid by 31-Mar-21). The remainder is linked to the consistency of RDB results in 2020. RDB generated revenues to the tune of CHF 10.7m in 2019, up 10.4% YoY, with an estimated EBITDA margin significantly higher than that of IWB on the back of RDB positioning in the organic niche and the Swiss market. Net Cash was CHF 1.0m. Mr. Raphael Dal Bo remained CEO of RDB and reinvested part of the cash in IWB shares: he bought 210k IWB shares (CHF 2.9m) and will reinvest 30% of the earn-out cash consideration in IWB shares with a 36-month lock-up.

As a result of this acquisition, IWB reinforced its leading positioning in the Swiss market, the fourth largest market for Italian wines in the world, valued at the sum of € 350m. IWB generated 18% of consolidated revenues in 2019 in the Swiss market. Headquartered in Riedikon (Zurich), RDB has a solid positioning in Switzerland in the organic prosecco & sparkling wines niche with its own brands 'Raphael Dal Bo', 'La vita è bella' and 'Raffaello'. Its products stand in the affordable premium segment and are sold to large-scale retailers and specialty shops.

RDB will distribute new organic still wines to its customers, produced in IWB's wine cellars in Puglia and Piedmont. Moreover, IWB will offer organic RDB products in its international reference markets. Costs side, the greater amount of raw material purchases arising from the consolidation of the newly acquired company, enlarges IWB's purchasing power and is anticipated to benefit the group's profitability.





## Estimates, valuation and risks

H1-20 unusually strong performance, if compared to historical figures, was driven by 1) a **broader proprietary brand portfolio**, 2) **new clients** and 3) **the increase of the share of wallet** with the existing customers and it was undoubtedly **also sustained by a shift from out-of-home to home consumption caused by the pandemic**. Since IWB is not present in the *horeca* segment, the group performance was boosted by this change in consumption habit. Following the delivery of 2020 interim result, CFO SIM has updated its model: **our new estimates factor in a buoyant 2020**, however with decelerating growth expected for the second part of the year. Please note that historically the second part of the year generates 54% of FY sales. **In 2021-22, we adopted more reasonable and sustainable growth rates for top line progression**. We believe the 2020 shift from out-of-home to home consumption is not something permanent and to a certain extent we expect a gradual recovery of the status quo. Margin assumptions remain broadly unchanged with EBITDA margin close to 13.0% in 2022. The result is an average 2020-22 increase in the top-line and EBITDA of 13.9% and 15.5%, respectively.

**Table 2 – IWB, 2020e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Net Sales</b>	<b>189.1</b>	<b>165.1</b>	14.5	<b>24.0</b>
<b>EBITDA</b>	<b>23.1</b>	<b>19.3</b>	19.4	<b>3.8</b>
% margin	12.2	11.7		
<b>EBIT</b>	<b>18.2</b>	<b>14.5</b>	25.9	<b>3.8</b>
% margin	9.6	8.8		
<b>Net Profit</b>	<b>12.5</b>	<b>9.7</b>	28.2	<b>2.7</b>
% margin	6.6	5.9		
<b>Y/E net debt (net cash)</b>	<b>9.4</b>	<b>11.3</b>	(17.1)	<b>(1.9)</b>

Source: Company data, CFO Sim

**Table 3 – IWB, 2021e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Net Sales</b>	<b>190.2</b>	<b>168.1</b>	13.2	<b>22.1</b>
<b>EBITDA</b>	<b>23.7</b>	<b>20.9</b>	13.2	<b>2.8</b>
% margin	12.5	12.4		
<b>EBIT</b>	<b>18.9</b>	<b>16.1</b>	17.1	<b>2.8</b>
% margin	9.9	9.6		
<b>Net Profit</b>	<b>13.0</b>	<b>11.0</b>	18.5	<b>2.0</b>
% margin	6.9	6.5		
<b>Y/E net debt (net cash)</b>	<b>(3.1)</b>	<b>2.4</b>	(230.4)	<b>(5.5)</b>

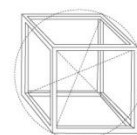
Source: Company data, CFO Sim

**Table 4 – IWB, 2022e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Net Sales</b>	<b>194.6</b>	<b>171.8</b>	13.3	<b>22.9</b>
<b>EBITDA</b>	<b>25.1</b>	<b>22.2</b>	12.9	<b>2.9</b>
% margin	12.9	12.9		
<b>EBIT</b>	<b>20.4</b>	<b>17.5</b>	16.4	<b>2.9</b>
% margin	10.5	10.2		
<b>Net Profit</b>	<b>14.2</b>	<b>12.1</b>	17.6	<b>2.1</b>
% margin	7.3	7.0		
<b>Y/E net debt (net cash)</b>	<b>(16.0)</b>	<b>(9.0)</b>	78.2	<b>(7.0)</b>

Source: Company data, CFO Sim

Moreover, CFO has updated the DCF valuation criteria, bringing the Free Risk Rate up-to-date. The combined result is a **new PT of € 25.00/s (€20.00), with an upside of 41.2%** at current prices. **We reiterate our positive stance on the stock**: wine consumption via retail chains and distance selling is anti-cyclical and recession-resistant to a certain extent. The company 1) was **able to guarantee production and logistic continuity** during a critical moment, 2) is **focusing towards visible lucrative proprietary brands and efforts on the on-line channel** which growing trend is inexorably consolidating. Also, IWB is a dividend-paying stock with a strong balance sheet and healthy cash flow generation.



## DCF

In the valuation via the DCF method explicit estimates until 2024 and a long-term growth of 1.0% were used. Cash flows were discounted back at a weighted average cost of capital calculated according to the following parameters:

**Table 5 – WACC derived from:**

Interest costs, pre-tax	2.5%
Tax rate	27.0%
<b>Int. costs, after taxes</b>	<b>1.8%</b>
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200d moving average)	1.37%
Beta levered (x)	1.00
<b>Required ROE</b>	<b>10.4%</b>

Source: CFO Sim

**Table 6 – IWB, DCF model**

€ m	2020e	2021e	2022e	2023e	2024e	Term. Val.
EBIT	18.2	18.9	20.4	20.5	20.6	
Tax rate	27.0%	27.0%	27.0%	27.0%	27.0%	
<b>Operating profit (NOPAT)</b>	<b>13.3</b>	<b>13.8</b>	<b>14.9</b>	<b>15.0</b>	<b>15.0</b>	
Change working capital	(3.2)	2.8	0.2	(0.9)	(0.9)	
Depreciation	4.8	4.8	4.7	4.0	2.0	
Investments	(2.2)	(2.2)	(2.2)	(2.0)	(2.0)	
<b>Free Cash Flows</b>	<b>12.7</b>	<b>19.2</b>	<b>17.6</b>	<b>16.1</b>	<b>14.1</b>	<b>185.9</b>
Present value	12.4	17.3	14.5	12.2	9.9	<b>130.2</b>
WACC	8.7%	8.7%	8.7%	8.7%	8.7%	
<b>Long-term growth rate</b>	<b>1.0%</b>					

Source: CFO Sim

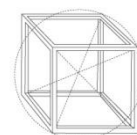
The balance sheet structure adopted for the WACC calculation is an extremely conservative 80-20 equity-debt balance.

**Table 7 – IWB, DCF per share derived from:**

€ m	
Total EV present value € m	196.6
<i>thereof terminal value</i>	66.2%
NFP last reported	(10.7)
Pension provision last reported	(0.7)
<b>Equity value € m</b>	<b>185.2</b>
#m shares (ex. treasury shares)	7.40
<b>Equity value €/s</b>	<b>25.00</b>
<i>% upside/(downside)</i>	41.2%

Source: CFO Sim

The application of the model produces an equity value of € 185.2m, which corresponds to **€ 25.00/s, with a potential upside of 41.2%**.



The following tables illustrate that sensitivity, 1) if compared to changes in the terminal growth rate, produces an equity value per share of € 22.80 – 27.90 (perpetuity range of between 0.00% and 2.00%), while, 2) if compared to changes in the free risk rate, it produces an equity value/s of € 22.70 – 27.90 (free risk range of between 2.37% and 0.37%) and, 3) if compared to changes in the risk premium, including small size premium, it produces an equity value/s of € 20.80 – 31.40 (risk premium range of between 11.00% and 7.00%).

**Table 8 – 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	66.3	66.3	66.3	66.3	66.3	66.3	66.3	66.3	66.3
PV of terminal value	114.0	117.7	121.6	125.8	130.2	134.9	140.0	145.4	151.2
<b>Total value</b>	<b>180.4</b>	<b>184.0</b>	<b>187.9</b>	<b>192.1</b>	<b>196.5</b>	<b>201.3</b>	<b>206.3</b>	<b>211.7</b>	<b>217.6</b>
NFP last reported	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)
Pension provision last reported	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
<b>Equity value</b>	<b>169.0</b>	<b>172.7</b>	<b>176.6</b>	<b>180.8</b>	<b>185.2</b>	<b>189.9</b>	<b>195.0</b>	<b>200.4</b>	<b>206.2</b>
<b>Equity value/share €</b>	<b>22.80</b>	<b>23.30</b>	<b>23.90</b>	<b>24.40</b>	<b>25.00</b>	<b>25.70</b>	<b>26.40</b>	<b>27.10</b>	<b>27.90</b>

Source: CFO Sim

**Table 9 – IWB, equity value sensitivity to changes in free risk rate**

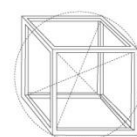
€ m	0.37%	0.62%	0.87%	1.12%	1.37%	1.62%	1.87%	2.12%	2.37%
Present value of CF	67.4	67.1	66.9	66.6	66.3	66.1	65.8	65.6	65.3
PV of terminal value	150.0	144.6	139.6	134.7	130.2	125.9	121.8	117.9	114.2
<b>Total value</b>	<b>217.4</b>	<b>211.8</b>	<b>206.4</b>	<b>201.3</b>	<b>196.5</b>	<b>192.0</b>	<b>187.6</b>	<b>183.5</b>	<b>179.5</b>
NFP last reported	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)
Pension provision last reported	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
<b>Equity value</b>	<b>206.1</b>	<b>200.4</b>	<b>195.1</b>	<b>190.0</b>	<b>185.2</b>	<b>180.6</b>	<b>176.3</b>	<b>172.2</b>	<b>168.2</b>
<b>Equity value/share €</b>	<b>27.90</b>	<b>27.10</b>	<b>26.40</b>	<b>25.70</b>	<b>25.00</b>	<b>24.40</b>	<b>23.80</b>	<b>23.30</b>	<b>22.70</b>

Source: CFO Sim

**Table 10 – 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	68.5	67.9	67.4	66.9	66.3	65.8	65.3	64.8	64.3
PV of terminal value	175.4	161.9	150.0	139.6	130.2	121.8	114.2	107.4	101.2
<b>Total value</b>	<b>243.8</b>	<b>229.8</b>	<b>217.4</b>	<b>206.4</b>	<b>196.5</b>	<b>187.6</b>	<b>179.5</b>	<b>172.2</b>	<b>165.5</b>
NFP last reported	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)
Pension provision last reported	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
<b>Equity value</b>	<b>232.5</b>	<b>218.5</b>	<b>206.1</b>	<b>195.1</b>	<b>185.2</b>	<b>176.3</b>	<b>168.2</b>	<b>160.9</b>	<b>154.1</b>
<b>Equity value/share €</b>	<b>31.40</b>	<b>29.50</b>	<b>27.90</b>	<b>26.40</b>	<b>25.00</b>	<b>23.80</b>	<b>22.70</b>	<b>21.70</b>	<b>20.80</b>

Source: CFO Sim





## Market multiples

In the sample, we have included 10 peers operating in wine production and distribution. What characterises our sample is almost total turnover stemming from wine sales: from 91.2% of Schloss Wachenheim to 100% of Lanson, Laurent Perrier and Masi. It 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 wine distribution: **Hawesko (D)** and **Naked Wine (UK)**.

As one can see from these figures, growth on offer for the market is limited, to the tune of 2.6% for producers, and 11.8% for distributors. IWB is the amongst the smallest in terms of market capitalization and turnover. However, it offers much higher projected profitability growth than the median for wine producers in 2020-22.

Table 11 – IWB, peers group summary table

€ m	Mkt Cap	Wine % of Sales	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR <sub>18-21</sub>	EBITDA CAGR <sub>18-21</sub>	EBIT CAGR <sub>18-21</sub>	EPS CAGR <sub>19-21</sub>	NFP	NFP/EBITDA
Baron de Ley SA	448	99.0%	106	35	32.7%	n.a.	n.a.	n.a.	n.a.	(173)	(5.0)
Concha y Toro Winery Inc	1,080	97.6%	797	135	16.9%	3.0%	3.2%	4.5%	4.9%	318	2.4
Lanson BCC SA	116	100.0%	242	23	9.3%	2.8%	5.0%	9.2%	24.7%	539	24.0
Laurent Perrier SA	419	100.0%	226	43	19.2%	n.a.	n.a.	n.a.	n.a.	249	5.7
Masi Agricola SpA	77	100.0%	55	5	9.5%	0.4%	1.5%	0.5%	353.9%	13	2.5
Schloss Wachenheim AG	116	91.2%	336	32	9.4%	2.4%	3.4%	-2.1%	16.6%	n.a.	n.a.
Treasury Wine Estates Ltd	3,939	91.7%	1,627	449	27.6%	3.5%	12.7%	18.5%	18.8%	756	1.7
Vranken Pommery Monopole	126	97.6%	269	30	11.3%	1.5%	n.a.	n.a.	49.5%	683	22.5
<b>Wine producers median</b>	<b>272</b>	<b>98.3%</b>	<b>255</b>	<b>33</b>	<b>14.1%</b>	<b>2.6%</b>	<b>3.4%</b>	<b>4.5%</b>	<b>21.8%</b>	<b>318</b>	<b>2.5</b>
Hawesko Holding AG	358		572	50	8.7%	3.6%	n.a.	11.6%	11.1%	n.a.	n.a.
Naked Wines PLC	339		300	(0)	-0.1%	20.0%	n.s.	n.s.	n.s.	(47)	250.3
<b>Wine distributors median</b>	<b>348</b>		<b>436</b>	<b>25</b>	<b>4.3%</b>	<b>11.8%</b>	-	-	<b>11.1%</b>	<b>(47)</b>	<b>250.3</b>
<b>IWB</b>	<b>131</b>	<b>100%</b>	<b>189</b>	<b>23</b>	<b>12.2%</b>	<b>7.3%</b>	<b>15.4%</b>	<b>20.2%</b>	<b>6.5%</b>	<b>9</b>	<b>0.4</b>

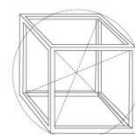
Source: CFO Sim, Thomson Reuters Eikon

Table 12 – 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	15.2	n.a.	n.a.	8.0	n.a.	n.a.	10.3	n.a.	n.a.
Concha y Toro Winery Inc	14.6	13.1	13.3	10.4	9.9	n.a.	13.3	12.6	n.a.
Lanson BCC SA	12.8	11.0	8.3	29.1	25.2	21.1	42.2	36.0	26.5
Laurent Perrier SA	20.1	18.3	n.a.	15.4	13.9	n.a.	18.1	16.2	n.a.
Masi Agricola SpA	n.s.	19.2	14.9	17.1	8.6	7.6	77.9	14.6	11.9
Schloss Wachenheim AG	15.4	14.7	11.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	19.0	14.9	13.5	10.5	8.9	8.2	13.4	11.2	9.6
Vranken Pommery Monopole	35.5	34.4	15.9	26.6	23.9	22.0	41.8	36.4	32.3
<b>Wine producers median</b>	<b>15.4</b>	<b>14.9</b>	<b>13.4</b>	<b>15.4</b>	<b>11.9</b>	<b>14.6</b>	<b>18.1</b>	<b>15.4</b>	<b>19.2</b>
Hawesko Holding AG	21.3	19.3	17.2	n.s.	8.4	7.4	n.a.	14.2	12.5
Naked Wines PLC	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	48.5
<b>Wine distributors median</b>	<b>21.3</b>	<b>19.3</b>	<b>17.2</b>	-	<b>8.4</b>	<b>7.4</b>	-	<b>14.2</b>	<b>30.5</b>
<b>IWB</b>	<b>10.5</b>	<b>10.0</b>	<b>9.2</b>	<b>6.1</b>	<b>5.4</b>	<b>4.6</b>	<b>7.7</b>	<b>6.8</b>	<b>5.6</b>
% prem.(disc.)to prod.	-32.0%	-32.7%	-31.1%	-60.6%	-54.8%	-68.7%	-57.7%	-56.1%	-70.7%
% prem.(disc.)to distr.	-50.8%	-48.0%	-46.5%	-	-35.6%	-38.3%	-	-52.3%	-81.5%

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 its lower size, its trading volumes and its listing on AIM Italia. But even when compared with Masi Agricola, also listed on the Milan AIM and offering lower margins and projected growth, IWB trades at a discount. We believe this is not justified and the stock has to somehow fill the valuation gap with its peers.



## Stock performance

IWB was listed on **Milan AIM** (Alternative Investment Market) on **29-Jan-15** at € 10/share, corresponding to a post-money market capitalization of € 65.7m, through the innovative pre-booking company **IPO Challenger**, whose investors/ex-bondholders were reimbursed in kind with IWB's listed shares and warrants and become direct shareholders and free float of the company. The stock reached a 1Y maximum level of € 18.45/s on 17-Sep-20 and a minimum price of € 10.70/s on 26-Mar-20.

**Table 13 – IWB, peers group absolute performance**

	1D	1W	1M	3M	6M	YTD	1Y
Baron de Ley SA	1.8	1.8	0.0	6.7	19.4	1.8	3.3
Concha y Toro Winery Inc	4.9	7.8	(4.2)	1.6	28.9	(7.4)	(10.9)
Lanson BCC SA	0.6	5.2	10.9	(17.3)	(8.4)	(38.3)	(38.3)
Laurent Perrier SA	(0.8)	(2.2)	(1.9)	(13.9)	(4.6)	(19.2)	(21.2)
Masi Agricola SpA	0.0	3.9	5.8	0.0	4.8	(23.9)	(33.6)
Schloss Wachenheim AG	0.0	1.4	(0.7)	(0.7)	21.5	(9.0)	(8.7)
Treasury Wine Estates Ltd	(1.1)	(2.3)	(10.7)	(17.2)	(8.4)	(45.5)	(53.5)
Vranken Pommeroy Monopole SA	0.7	(0.4)	7.6	4.4	(7.5)	(28.9)	(35.1)
<b>Wine producers median</b>	<b>0.3</b>	<b>1.6</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>0.1</b>	<b>(21.6)</b>	<b>(27.4)</b>
Naked Wines PLC	(0.5)	(0.5)	(8.5)	17.3	79.4	13.3	17.6
Hawesko Holding AG	(1.6)	(4.9)	(6.6)	16.7	73.7	87.2	68.4
<b>Wine distributors median</b>	<b>(1.6)</b>	<b>(4.9)</b>	<b>(6.6)</b>	<b>16.7</b>	<b>73.7</b>	<b>87.2</b>	<b>68.4</b>
<b>IWB</b>	<b>(1.7)</b>	<b>4.1</b>	<b>11.3</b>	<b>16.4</b>	<b>56.6</b>	<b>38.8</b>	<b>36.7</b>

Source: Thomson Reuters Eikon

**Table 14 – IWB, reference sector index and Italian Market performances**

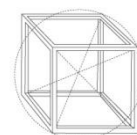
	1D	1W	1M	3M	6M	YTD	1Y
FTSE AIM All Share	(0.4)	1.5	1.3	9.2	64.4	1.2	9.7
Thomson Reuters Food & Beverage	(0.6)	0.5	0.6	3.3	22.2	(4.2)	(1.9)
<b>IWB</b>	<b>(1.7)</b>	<b>4.1</b>	<b>11.3</b>	<b>16.4</b>	<b>56.6</b>	<b>38.8</b>	<b>36.7</b>

Source: Thomson Reuters Eikon

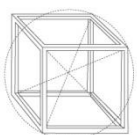
## Risks

The principal investment **risks** associated with IWB may include:

- impact on the profit and loss account and balance sheet profiles triggered by a **deep decline in local and global economic growth**,
- effects the long, wide spread of **COVID-19**
- **competition** by similar initiatives,
- **changing consumer habits**, slowing demand



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This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

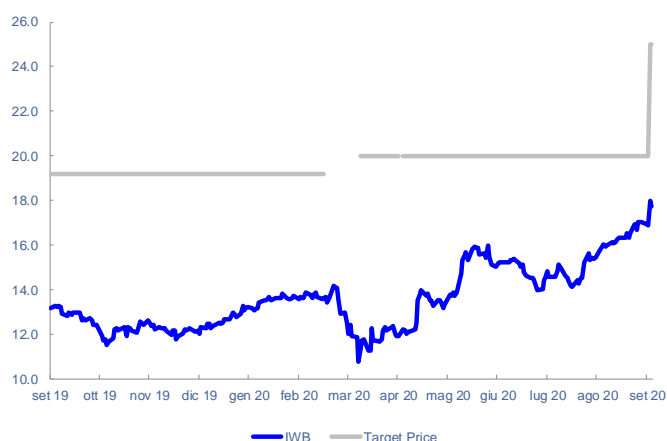
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DATE	TARGET PRICE	RATING
18/09/2020	€25.00	BUY
08/06/2020	€20.00	BUY
25/03/2020	€20.00	BUY
03/03/2020	U.R.	BUY
08/01/2020	€19.20	BUY
17/09/2019	€19.20	BUY

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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.

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.

