

Italy – Food and Beverage

Another value-accretive move, entering premium Tuscan wines

25th November 2022

BARBANERA ACQUISITION

RIC: ITWB.MI
BBG: IWB IM

IWB buys 100% of Barbanera, a well-established producer of premium wines in Tuscany, for € 41.8m, corresponding to 7.7x EV/EBITDA. This is unquestionably an excellent strategic move in order to complete its presence in the most important Italian regions in the wine segment, in addition to exploiting interesting cross-selling and upselling opportunities.

Rating:

Buy

Price Target:

€ 33.00

Upside/(Downside): 21.3%

Last Price: € 27.20

Market Cap.: € 239.1m

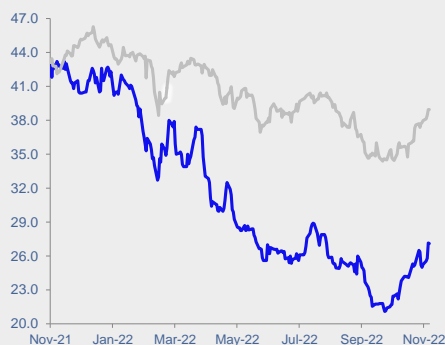
1Y High/Low: € 43.40 / € 20.60

Avg. Daily Turn. (3M, 6M): € 94k, € 98k

Free Float: 62.0%

Major shareholders:

Gruppo Pizzolo (Enoitalia)	14.8%
Provinco Srl	7.1%
Barbanera family	7.0%



Stock price performance

	1M	3M	12M
Absolute	16.7%	7.5%	-36.9%
Rel.to FTSE IT Growth	12.4%	13.8%	-7.2%
Rel.to EU Sector	6.9%	8.3%	-27.6%

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Another EPS/value accretive acquisition, PT offers 21.3% upside: BUY

Following the acquisition of Barbanera we have updated our model in order to consolidate the company starting from Jan-23, leaving our organic estimates unchanged for the 2022-24 period. The result is an average 9.9% and 12.9% increase in consolidated sales and EBITDA in 2023-24. Moreover, we have updated the DCF valuation criteria, bringing the Free Risk Rate up to date, resulting in an unchanged PT of € 33.00/s, 21.3% upside. The value brought in by the acquisition is entirely wiped out by the 50bps increase in WACC.

A landmark for premium Tuscan wines

Barbanera is a family company founded in the 70s in Cetona (Siena), operating in the winemaking, production and sale of premium segment wines. Barbanera has grown consistently in the last years: it is now a landmark of Tuscan wine. The raw material comes from the family vineyards (excluded from the acquisition perimeter, totalling some 33 hectares), and from a careful selection of third party grapes and wines. Barbanera and Fossalto generated consolidated sales to the tune of € 38.7m in 2021, of which over 90% generated abroad. Turnover was € 33.3m in 2020 and € 26.6m in 2019 (20.6% CAGR, all organic). EBITDA adj. amounted to € 5.4m - 14.0% margin, Net Profit € 3.8m - 9.8% margin, and NFP was positive for € 1.2m (IFRS).

IWB buys 100% of Barbanera for € 41.8m, 7.7x adjusted EV/EBITDA

IWB signed an agreement for the acquisition of 100% of Barbanera and Fossalto for € 42.0m equity value, which will be entirely financed by cash, without resorting to new financial debt. The transaction also provides for an earn-out of € 1.0m to be paid in H1-24 on the back of an increase in average EBITDA for 2022-2023. The price agreed entails an EV of € 41.8m, corresponding to 7.7x adjusted EV/EBITDA₂₁. The deal also provides that the Barbanera family will reinvest part of the sale proceeds into IWB for a total consideration of € 26.3m, via the subscription of 657,906 newly issued IWB ordinary shares at a price of € 40.00/s (pre-deal close € 25.80/s). The Barbanera family will hold 6.95% of IWB.

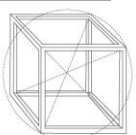
IWB completes its presence in the most important Italian wine regions

The acquisition impeccably fits with IWB current operating structure: boasting roots in Piedmont, Veneto and Puglia with its own production, winemaking and bottling cellars, IWB is completing the offer with an historic Tuscan producer with a portfolio of premium wines/brands that can be distributed globally through IWB's structured sales channels. In addition, as part of the deal, IWB will ensure the sourcing of high-quality raw grapes and wines via an exclusive and long-term supply contract with Le Forconate, a farm with some 33 hectares, entirely owned by the Barbanera family.

IWB, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Sales	204.3	313.2	405.0	459.0	469.2
EBITDA adj.	25.6	34.0	34.5	49.6	52.5
EBITDA	23.6	31.0	34.5	49.6	52.5
EBIT adj.	20.2	25.9	22.9	37.3	40.1
EBIT	18.2	22.9	22.9	37.3	40.1
Net profit adj.	15.6	16.7	14.0	24.1	26.6
Net profit	14.2	14.5	14.0	24.1	26.6
NFP (cash)/debt	10.3	121.3	130.0	114.0	88.6
EPS adjusted FD	2.11	1.77	1.48	2.54	2.81
EPS adj. FD growth	70.2%	-16.3%	-16.4%	72.2%	10.3%
DPS ord. €/s	0.25	0.10	0.30	0.51	0.56
Dividend yield	0.9%	0.4%	1.1%	1.9%	2.1%
Free Cash Flow Yield	-0.7%	-49.4%	-3.2%	-3.0%	11.7%
PER adj. x	5.7	20.1	18.4	10.7	9.7
PCF x	5.6	34.0	17.1	6.1	6.7
EV/Sales x	0.6	1.3	0.6	0.6	0.5
EV/EBITDA adj. x	4.8	12.1	11.2	7.5	6.6
EV/EBIT adj. x	6.1	15.9	16.9	10.0	8.6

Multiples are calculated taking into consideration the new number of shares



The company at a glance

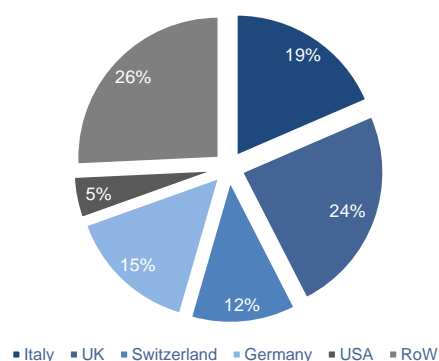
IWB (Italian Wine Brands) is a leading producer and distributor in the Italian wine industry. IWB became the largest domestic privately-owned wine group following the acquisition of Enoitalia. The group operates through two channels: B2C and B2B.

The B2C activity deals with the production and distribution of wine through distance selling channels such as mailing, telesales and the 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.

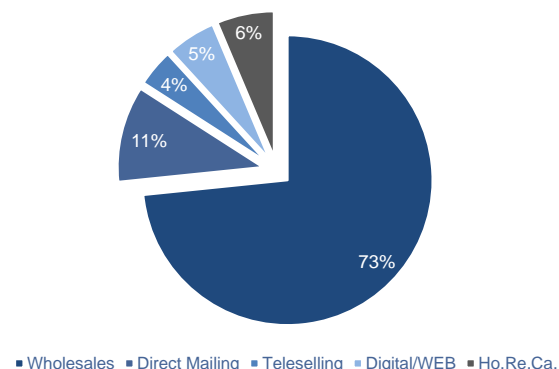
B2B is focused on sale and distribution in international markets to mass retailers where both privately labelled and branded products are distributed. Both the bottling and the logistic activities are outsourced in order to make the supply operations faster, leaner and more efficient.

Following the acquisition of Enoitalia, FY-21 sales reached € 408.9m, on a pro-forma basis. The Wholesale channel accounted for 73% of total turnover, while Distance Selling for 20% and the Ho.Re.Ca segment for 6%. Pro-forma EBITDA adjusted for non-recurring items totalled € 41.8m, 10.2% margin. Net Profit stood at € 18.3m, 4.4% margin.

2021 revenues by country and...



...by channel



Shareholder structure

	%	# m
Gruppo Pizzolo (ENOITALIA)	14.80%	1.40
Provinco	7.10%	0.67
Barbanera Family	6.95%	0.66
IPOC (promoters)	4.15%	0.39
SIP of Italy (promoters)	2.65%	0.25
Raphael Dal Bo	2.22%	0.21
Treasury Shares	0.11%	0.01
Free Float, o/w	62.01%	5.87
Otus Capital Management	5.71%	0.54
Praude Asset Management	4.95%	0.47
Total	100.00%	9.46

Source: Company data

Peer group absolute performance

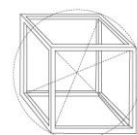
	1D	1W	1M	3M	6M	YTD
Concha y Toro Winery Inc	(0.1)	(0.8)	(1.5)	(4.1)	(16.3)	(17.2)
Lanson BCC SA	(0.6)	0.0	(1.8)	5.6	12.7	12.3
Laurent Perrier SA	(0.6)	(2.6)	(0.6)	(1.0)	8.1	(4.9)
Masi Agricola SpA	0.0	2.2	(1.7)	(4.0)	(6.1)	20.7
Schloss Wachenheim AG	2.6	1.9	(4.8)	(7.1)	(19.0)	(20.2)
Treasury Wine Estates Ltd	0.6	0.7	6.9	1.3	16.0	9.5
Vranken Pomm. Monop.	(1.2)	0.3	5.3	(2.3)	(3.2)	(6.9)
Wine producers median	(0.1)	0.3	(1.5)	(2.3)	(3.2)	(4.9)
Hawesko Holding AG	2.5	4.4	(1.2)	2.8	(24.5)	(24.0)
Naked Wines PLC	(0.6)	(5.5)	(15.8)	(33.3)	(73.1)	(85.7)
Wine distributors median	(0.6)	(5.5)	(15.8)	(33.3)	(73.1)	(85.7)
IWB	0.2	8.8	16.7	7.5	(3.7)	(34.5)

Source: Thomson Reuters Eikon

Peer group multiples table

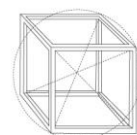
Price & EV multiples x	PER FY1	PER FY2	PER FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Concha y Toro Winery Inc	8.5	7.8	7.0	7.2	6.4	5.9	9.2	8.1	7.8
Lanson BCC SA	9.6	9.2	9.4	15.9	15.5	16.2	18.6	18.7	20.2
Laurent Perrier SA	11.5	11.8	11.2	9.3	9.5	8.8	10.6	10.5	9.8
Masi Agricola SpA	27.4	23.4	21.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Schloss Wachenheim AG	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	24.6	21.3	19.2	13.8	12.3	11.3	17.2	15.1	13.7
Vranken Pommery Monopole	13.0	11.1	11.5	16.1	15.2	16.0	23.7	21.9	23.8
Wine producers median	13.0	11.8	11.5	13.8	12.3	11.3	17.2	15.1	13.7
Hawesko Holding AG	14.4	14.4	13.4	7.9	7.4	6.9	12.3	11.3	10.4
Naked Wines PLC	10.5	7.0	4.5	5.0	1.5	0.2	6.2	2.0	n.m.
Wine distributors median	12.4	10.7	8.9	6.4	4.5	3.6	9.3	6.7	10.4
IWB	18.4	10.7	9.7	11.2	7.5	6.6	16.9	10.0	8.6

Sources: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2020	2021	2022e	2023e	2024e
Net Revenues	204.3	313.2	405.0	459.0	469.2
Purchasing	(118.9)	(204.4)	(269.0)	(296.1)	(301.4)
Services	(53.3)	(64.2)	(81.7)	(92.6)	(94.7)
Personnel	(8.7)	(15.3)	(20.6)	(21.5)	(21.5)
Other income / (expenses)	0.2	1.6	0.8	0.9	0.9
EBITDA adjusted	25.6	34.0	34.5	49.6	52.5
EBITDA	23.6	31.0	34.5	49.6	52.5
D&A	(5.4)	(8.1)	(11.5)	(12.4)	(12.4)
EBIT adjusted	20.2	25.9	22.9	37.3	40.1
EBIT	18.2	22.9	22.9	37.3	40.1
Financials	(1.2)	(3.9)	(5.1)	(5.9)	(5.5)
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	17.0	19.0	17.8	31.4	34.6
Income taxes	(2.8)	(4.4)	(3.6)	(6.9)	(7.6)
Minorities	0.0	0.0	(0.3)	(0.4)	(0.4)
Net Profit adjusted	15.6	16.7	14.0	24.1	26.6
Net Profit	14.2	14.5	14.0	24.1	26.6
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	(0.8)	8.7	20.7	15.5	16.0
Net Fixed Assets	117.4	267.2	278.3	314.1	310.1
Equity Investments	9.6	14.0	14.6	16.5	16.3
Other M/L Term A/L	(11.5)	(8.7)	(10.6)	(11.5)	(11.4)
Net Invested Capital	114.9	281.2	303.0	334.6	330.9
Net Financial Position	10.3	121.3	130.0	114.0	88.6
Minorities	0.0	0.0	0.3	0.7	1.1
Group's Shareholders Equity	104.5	160.0	172.7	219.9	241.2
Financial Liabilities & Equity	114.9	281.2	303.0	334.6	330.9
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	14.2	14.5	14.0	24.1	26.6
Depreciation	5.4	8.1	11.5	12.4	12.4
Other non-cash charges	(2.7)	(4.6)	1.6	0.7	(0.1)
Cash Flow from Oper. (CFO)	16.9	18.0	27.1	37.2	38.8
Change in NWC	(1.1)	(9.4)	(12.0)	5.2	(0.5)
FCF from Operations (FCFO)	15.8	8.6	15.1	42.3	38.4
Net Investments (CFI)	(16.4)	(152.7)	(23.3)	(50.0)	(8.2)
Free CF to the Firm (FCFF)	(0.6)	(144.1)	(8.2)	(7.7)	30.2
CF from financials (CFF)	1.4	169.8	(4.6)	59.1	(15.5)
Free Cash Flow to Equity (FCFE)	0.8	25.7	(12.7)	51.4	14.7
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA margin	11.6%	9.9%	8.5%	10.8%	11.2%
EBIT margin	8.9%	7.3%	5.7%	8.1%	8.5%
Net profit margin	6.9%	4.6%	3.5%	5.2%	5.7%
Tax rate	16.7%	23.4%	20.0%	22.0%	22.0%
Op NWC/Sales	-0.4%	2.8%	5.1%	3.4%	3.4%
Interest coverage x	0.08	0.20	0.23	0.17	0.15
Net Debt/Ebitda x	0.44	3.91	3.77	2.30	1.69
Debt-to-Equity x	0.10	0.76	0.75	0.52	0.37
ROIC	13.2%	7.3%	4.8%	7.5%	8.0%
ROCE	11.5%	6.5%	6.3%	8.3%	8.7%
ROACE	12.0%	8.9%	6.4%	9.2%	8.8%
ROE	14.7%	11.0%	8.4%	12.3%	11.5%
Payout ratio	13.0%	6.5%	20.0%	20.0%	20.0%
Per share figures	2020	2021	2022e	2023e	2024e
Final N. of shares # m	7.40	9.46	9.46	9.46	9.46
Average N. of shares # m	7.40	8.43	9.46	9.46	9.46
Final N. of shares (fully diluted) # m	7.40	9.46	9.46	9.46	9.46
EPS reported €	1.92	1.72	1.48	2.54	2.81
EPS reported FD €	1.92	1.53	1.48	2.54	2.81
EPS adjusted FD €	2.11	1.77	1.48	2.54	2.81
EBITDA FD €	3.19	3.28	3.64	5.25	5.55
EBIT FD €	0.03	0.06	0.02	0.05	0.06
FCFO FD €	2.14	0.91	1.59	4.47	4.05
FCFF FD €	(0.08)	(15.23)	(0.86)	(0.81)	3.19
FCFE FD €	0.10	2.72	(1.35)	5.44	1.55
Dividend €	0.25	0.10	0.30	0.51	0.56



IWB enters the Tuscan premium segment at 7.7x EBITDA

IWB, with the fairly-priced acquisition of Barbanera, expands its product and customer portfolio. Barbanera is a Tuscan company, which has grown consistently in recent years, thanks to product innovation in the premium segment and the continuous expansion mainly abroad. The Barbanera family reinvests part of the proceeds in IWB and will continue to work in the company, becoming part of the group's organisation and exploiting IWB's production and commercial synergies. After the cellars in Piedmont, Puglia, Veneto, the distribution companies in Switzerland and the USA, IWB adds a direct presence in Tuscany: these are the most important Italian regions on the international market.

The Target: Barbanera

Barbanera is a family company founded in the 70s in Cetona (Siena), operating in the **winemaking, production and sale of premium segment wines**. Barbanera has grown consistently in the last years: it is now a landmark of Tuscan wine internationally with its three brands Barbanera®, Gigino®, Vecciano®. The raw material comes from the family vineyards (excluded from the acquisition perimeter, totalling some 33 hectares), and from a careful selection of third party grapes and wines.

Barbanera and Fossalto generated consolidated **sales to the tune of € 38.7m in 2021**, of which over 90% generated abroad. Turnover was € 33.3m in 2020 and € 26.6m in 2019 (20.6% CAGR, all organic). **Adjusted EBITDA amounted to € 5.4m - 14.0% margin, Net Profit € 3.8m - 9.8% margin, and NFP was positive for € 1.2m (IFRS)**.

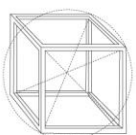
The Deal: IWB Buys Barbanera for 7.7x EV/EBITDA₂₁

IWB signed an agreement for the **acquisition of 100% of Barbanera and Fossalto for € 42.0m equity value**, which will be entirely financed by cash, without resorting to new financial debt. The transaction also provides for an earn-out of € 1.0m to be paid in H1-24 on the back of an increase in average EBITDA for 2022-2023 compared to 2021. The price agreed entails an Enterprise Value for the company of € 41.8m, corresponding to **7.7x adjusted EV/EBITDA₂₁**, and compares with the 7.5x IWB stand-alone multiple in 2023e at the time of the announcement. The closing is expected by year-end and, in any case, no later than 31-March-23.

The deal structure also provides that the **Barbanera family holding companies will reinvest part of the sale proceeds into IWB for a total consideration of € 26.3m**, via the subscription of **657,906** newly issued IWB ordinary shares at a price of **€ 40.00/s** (last close € 25.80/s). At the end of the transaction and post capital increase, the Barbanera family will hold 6.95% of IWB share capital, becoming a key shareholder of the group. The Barbanera family will have a 36 months lock-up. Sofia Barbanera, currently sales manager for Europe and the US of the targets, will enter the IWB BoD. The management continuity will be granted for the target companies by the Barbanera family.

The Strategic Rationale

The acquisition perfectly fits with IWB current operating structure: boasting roots in Piedmont, Veneto and Puglia with its own production, winemaking and bottling cellars, **IWB is completing the offer with an historic Tuscan producer** with a portfolio of premium wines/brands that can be distributed globally through IWB's structured sales channels. In addition, as part of the deal, IWB will ensure the sourcing of high-quality raw grapes and wines via an exclusive and long-term supply contract with Le Forconate, a farm with some 33 hectares, entirely owned by the Barbanera family.



Our view, estimates, valuation and risks

The acquisition of Barbanera is unquestionably **an excellent strategic move**: IWB expands its product and customer portfolio with a direct presence the premium segment of Tuscan wines. After the cellars in Piedmont, Puglia, Veneto, the distribution companies in Switzerland and the USA, IWB adds a direct presence in in Tuscany: these are the most important Italian regions on the international market.

IWB pays a very appealing multiple of 7.7x EV/EBITDA, also considering the potential revenue synergies the group may exploit quite easily in the short term, namely cross-selling and upselling opportunities in their respective client bases. Furthermore, € 1.0m of the price agreed with the sellers is subject to respecting the higher EBITDA in the 2022-23 period, thus ensuring a strong commitment by the Barbanera family, who reinvested more than half of the sale proceeds into IWB newly issued shares.

Following the acquisition of Barbanera, we have updated our model in order to include the **consolidation of the company starting from 1-Jan-23** coupled with the total cash out for the acquisition, equal to € 41.8m and the effect of the € 26.3m right issue in favour of the Barbanera family. We **left our assumptions for FY-22 unchanged**, as well as **our organic estimates for the 2023-24 period**.

The combined result is an **average 9.9% and 12.9% increase in consolidated sales and EBITDA in 2023-24**.

Table 1 – IWB, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Sales	459.0	418.0	9.8	41.0
EBITDA	49.6	43.9	13.0	5.7
% margin	10.8	10.5		
EBIT	37.3	32.9	13.2	4.3
% margin	8.1	7.9		
Net Profit	24.1	21.5	12.0	2.6
% margin	5.2	5.1		
Y/E net debt (net cash)	114.0	102.0	11.8	12.0

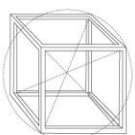
Sources: Company data, CFO Sim

Table 2 – IWB, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Sales	469.2	426.9	9.9	42.3
EBITDA	52.5	46.6	12.7	5.9
% margin	11.2	10.9		
EBIT	40.1	35.6	12.7	4.5
% margin	8.5	8.3		
Net Profit	26.6	24.0	10.8	2.6
% margin	5.7	5.6		
Y/E net debt (net cash)	88.6	80.0	10.7	8.6

Sources: Company data, CFO Sim

Once again, IWB M&A campaign brings in value: the acquisition **adds € 3.50/s to our fair value** of IWB. However, CFO has updated the DCF valuation criteria, bringing the Free Risk Rate up to date, now at 3.24% (200d moving average) vs. 2.46% in our previous report. The combined result is a **PT unchanged at € 33.00/s, with an upside of 21.3%** at current prices. **Buy rating is reiterated**.



DCF

In our DCF-based valuation, we assess explicit estimates until 2027 and assume a long-term growth rate of 1.0%. Cash flows are discounted back at a 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%
Inf. costs, after taxes	1.8%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200d moving average)	3.24%
Beta levered (x)	1.00
Required ROE	12.2%

Source: CFO Sim

The WACC is calculated by using a 60:40 equity/debt balance-sheet structure.

Table 4 – IWB, DCF model

€ m	2023e	2024e	2025e	2026e	2027e	Term. Val.
EBIT	37.3	40.1	42.1	44.2	46.5	
Tax rate	22.0%	22.0%	22.5%	27.0%	27.0%	
Operating profit (NOPAT)	29.1	31.3	32.6	32.3	34.0	
Change working capital	5.2	(0.5)	(0.3)	(0.2)	(0.1)	
Depreciation	12.4	12.4	9.6	6.8	4.0	
Investments	(50.0)	(8.2)	(6.8)	(5.4)	(4.0)	
Free Cash Flows	(3.4)	35.0	35.1	33.5	33.9	483.5
Present value	(3.3)	32.2	29.8	26.3	24.6	351.7
WACC	8.1%	8.1%	8.1%	8.1%	8.1%	
Long-term growth rate	1.0%					

Source: CFO Sim

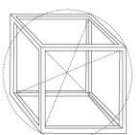
Table 5 – IWB, DCF per share derived from:

€ m	
Total EV present value € m	461.4
<i>thereof terminal value</i>	76.2%
NFP FY1 adj. (debt)/cash	(145.5)
Pension provision FY1	(1.2)
Minorities (valued at 7.6x PER)	(3.0)
Equity value € m	311.7
#m shares (excl. treasury shares)	9.45
Equity value €/s	33.00
<i>% upside/(downside)</i>	21.3%

Source: CFO Sim

The FY1 Net Financial Position (i.e. FY-22e) was adjusted for the cash out for the acquisition of Barbanera (net of the proceeds reinvested in IWB by the Barbanera family through a reserved capital increase).

The outcome of our DCF model generated an equity value of € 311.7m for IWB, which corresponds to **€ 33.00/s, with a potential upside of 21.3%**.



The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of € 28.10 - 39.50 (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 € 29.90 - 36.60 (free risk range of between 4.04% and 2.44%) and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value/s of € 25.90 - 43.00 (risk premium range of between 11.00% and 7.00%).

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

€ m	0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
Present value of CF	109.6	109.6	109.6	109.6	109.6	109.6	109.6	109.6	109.6
PV of terminal value	305.1	315.7	326.9	338.9	351.7	365.5	380.4	396.4	413.7
Total value	414.7	425.3	436.5	448.5	461.4	475.1	490.0	506.0	523.3
Adj. NFP last reported	(145.5)	(145.5)	(145.5)	(145.5)	(145.5)	(145.5)	(145.5)	(145.5)	(145.5)
Pension provision last reported	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Minorities (valued at 7.6x PER)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Equity value	265.1	275.6	286.8	298.8	311.7	325.5	340.3	356.3	373.7
Equity value/share €	28.10	29.20	30.40	31.60	33.00	34.40	36.00	37.70	39.50

Source: CFO Sim

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

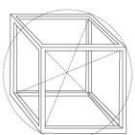
€ m	2.44%	2.64%	2.84%	3.04%	3.24%	3.44%	3.64%	3.84%	4.04%
Present value of CF	110.9	110.6	110.2	109.9	109.6	109.3	109.0	108.7	108.4
PV of terminal value	384.3	375.7	367.4	359.4	351.7	344.3	337.1	330.2	323.5
Total value	495.2	486.3	477.7	469.4	461.4	453.6	446.1	438.9	431.8
Adj. NFP last reported	(145.5)	(145.5)	(145.5)	(145.5)	(145.5)	(145.5)	(145.5)	(145.5)	(145.5)
Pension provision last reported	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Minorities (valued at 7.6x PER)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Equity value	345.5	336.6	328.0	319.7	311.7	303.9	296.4	289.2	282.2
Equity value/share €	36.60	35.60	34.70	33.80	33.00	32.20	31.40	30.60	29.90

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	112.8	112.0	111.2	110.4	109.6	108.8	108.1	107.3	106.6
PV of terminal value	443.4	417.1	393.2	371.5	351.7	333.6	317.0	301.6	287.4
Total value	556.2	529.0	504.4	481.9	461.4	442.5	425.0	408.9	394.0
Adj. NFP last reported	(145.5)	(145.5)	(145.5)	(145.5)	(145.5)	(145.5)	(145.5)	(145.5)	(145.5)
Pension provision last reported	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Minorities (valued at 7.6x PER)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Equity value	406.5	379.4	354.7	332.3	311.7	292.8	275.4	259.3	244.3
Equity value/share €	43.00	40.10	37.50	35.20	33.00	31.00	29.10	27.40	25.90

Source: CFO Sim



Market multiples

In the sample, we have included 9 peers operating in wine production and distribution. What characterises our sample is that turnover almost entirely stems from wine sales: from 91.2% of Schloss Wachenheim to 100% of Lanson, Laurent Perrier and Masi. It comprises: **Concha y Toro Winery (CL)**, **Lanson (FR)**, **Laurent Perrier (FR)**, **Masi Agricola (IT, listed on Euronext Growth Milan)**, **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 to the market is limited, to the tune of 3.6% for producers, and 2.0% for distributors. IWB is broadly in line with the median in terms of market capitalisation and turnover. However, it offers much higher projected sales and profitability growth than the median in 2022-24, also thanks to M&A campaign.

Table 9 – IWB, peer group summary table

€ m	Mkt Cap	Wine % of Sales	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₁₋₂₄	EBITDA CAGR ₂₁₋₂₄	EBIT CAGR ₂₁₋₂₄	EPS CAGR ₂₁₋₂₄	NFP	NFP/EBITDA
Concha y Toro Winery Inc	825	98%	926	167	18.0%	6.6%	6.4%	4.6%	9.8%	384	2.3
Lanson BCC SA	215	100%	295	45	15.1%	3.6%	5.2%	5.0%	1.1%	493	11.1
Laurent Perrier SA	584	100%	325	91	27.9%	2.3%	1.2%	0.6%	1.0%	257	2.8
Masi Agricola SpA	148	100%	75	12	16.0%	6.4%	8.4%	9.6%	13.9%	n.a.	n.a.
Schloss Wachenheim AG	125	91%	403	38	9.3%	2.7%	3.6%	4.8%	28.1%	n.a.	n.a.
Treasury Wine Estates Ltd	6,360	92%	1,805	515	28.5%	6.3%	15.2%	18.8%	13.1%	721	1.4
Vranken Pommery Monopole	150	98%	319	50	15.5%	3.2%	4.6%	5.7%	6.3%	645	13.0
Wine producers median	215	98%	325	50	16.0%	3.6%	5.2%	5.0%	9.8%	493	2.8
Hawesko Holding AG	362		664	60	9.0%	1.9%	-3.7%	-6.1%	3.6%	110	1.8
Naked Wines PLC	80		408	11	2.7%	2.2%	n.m.	n.m.	52.9%	(25)	n.m.
Wine distributors median	221		536	35	5.9%	2.0%	n.a.	n.a.	28.2%	42	1.8
Italian Wine Brands SpA	257	100%	405	34	8.5%	14.4%	19.2%	20.6%	37.8%	130	3.8

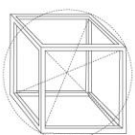
Sources: CFO Sim, Thomson Reuters Eikon, market cap take into consideration the new number of shares

Table 10 – IWB, peer 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
Concha y Toro Winery Inc	8.5	7.8	7.0	7.2	6.4	5.9	9.2	8.1	7.8
Lanson BCC SA	9.6	9.2	9.4	15.9	15.5	16.2	18.6	18.7	20.2
Laurent Perrier SA	11.5	11.8	11.2	9.3	9.5	8.8	10.6	10.5	9.8
Masi Agricola SpA	27.4	23.4	21.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Schloss Wachenheim AG	1,299.0	907.1	792.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	24.6	21.3	19.2	13.8	12.3	11.3	17.2	15.1	13.7
Vranken Pommery Monopole	13.0	11.1	11.5	16.1	15.2	16.0	23.7	21.9	23.8
Wine producers median	13.0	11.8	11.5	13.8	12.3	11.3	17.2	15.1	13.7
Hawesko Holding AG	14.4	14.4	13.4	7.9	7.4	6.9	12.3	11.3	10.4
Naked Wines PLC	10.5	7.0	4.5	5.0	1.5	0.2	6.2	2.0	n.m.
Wine distributors median	12.4	10.7	8.9	6.4	4.5	3.6	9.3	6.7	10.4
IWB	18.4	10.7	9.7	11.2	7.5	6.6	16.9	10.0	8.6
% prem.(disc.)to prod.	41.4%	-9.7%	-15.8%	-18.4%	-39.4%	-41.8%	-1.8%	-34.0%	-36.9%
% prem.(disc.)to distr.	48.0%	-0.1%	8.2%	74.6%	67.2%	84.5%	82.2%	49.5%	-17.4%

Sources: CFO Sim, Thomson Reuters Eikon, IWB multiples do take into consideration the new number of shares

IWB trades at discount vs. wine producers median considering the EV/EBITDA and EV/EBIT multiples in 2021/24. This can be partially explained by its lower size, its trading volumes and its listing on Euronext Growth Milan. However, 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 **Euronext Growth Milan** on **29-Jan-15** at € 10.00/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, thus becoming direct shareholders (i.e. the company's free float). The stock reached a 1Y maximum level of € 43.40/s on 17-Jan-22 and a minimum price of € 27.20/s on 12-Oct-22.

Table 11 – IWB, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Concha y Toro Winery Inc	(0.1)	(0.8)	(1.5)	(4.1)	(16.3)	(17.2)	(15.2)
Lanson BCC SA	(0.6)	0.0	(1.8)	5.6	12.7	12.3	10.0
Laurent Perrier SA	(0.6)	(2.6)	(0.6)	(1.0)	8.1	(4.9)	2.5
Masi Agricola SpA	0.0	2.2	(1.7)	(4.0)	(6.1)	20.7	43.3
Schloss Wachenheim AG	2.6	1.9	(4.8)	(7.1)	(19.0)	(20.2)	(21.8)
Treasury Wine Estates Ltd	0.6	0.7	6.9	1.3	16.0	9.5	12.3
Vranken Pommery Monopole SA	(1.2)	0.3	5.3	(2.3)	(3.2)	(6.9)	(5.9)
Wine producers median	(0.1)	0.3	(1.5)	(2.3)	(3.2)	(4.9)	2.5
Naked Wines PLC	2.5	4.4	(1.2)	2.8	(24.5)	(24.0)	(30.8)
Hawesko Holding AG	(0.6)	(5.5)	(15.8)	(33.3)	(73.1)	(85.7)	(85.4)
Wine distributors median	(0.6)	(5.5)	(15.8)	(33.3)	(73.1)	(85.7)	(85.4)
IWB	0.2	8.8	16.7	7.5	(3.7)	(34.5)	(36.9)

Source: Thomson Reuters Eikon

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

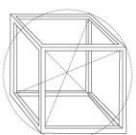
	1D	1W	1M	3M	6M	YTD	1Y
FTSE Italia Growth	0.5	1.1	4.3	(6.3)	(11.9)	(30.6)	(29.7)
Thomson Reuters Food & Beverage	0.4	3.4	9.8	(0.8)	(2.5)	(14.3)	(9.3)
IWB	0.2	8.8	16.7	7.5	(3.7)	(34.5)	(36.9)

Source: Thomson Reuters Eikon

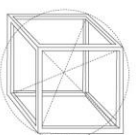
Risks

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

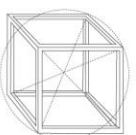
- impact on the profit and loss account and balance sheet profiles triggered by a **deep decline in local and global economic growth**,
- effects of the long, wide spread of **COVID-19** and its possible variants,
- **competition** by similar initiatives,
- slower than anticipated **integration with recent acquisitions**,
- **changing consumers habits**, slowing demand.



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ANALYST CERTIFICATION

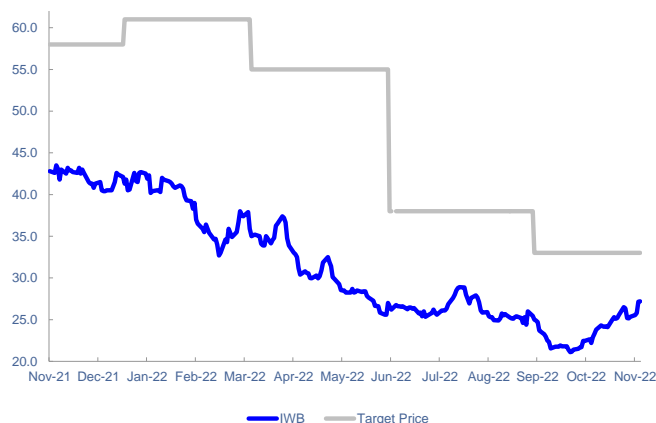
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DATE	TARGET PRICE	RATING
25/11/2022	€33.00	25/11/2022
20/09/2022	€33.00	20/09/2022
27/06/2022	€38.00	27/06/2022
30/03/2022	€55.00	30/03/2022
28/01/2022	€61.00	28/01/2022
11/01/2022	€61.00	11/01/2022

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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% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. 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.

