

Italy – Food and Beverage

Decline in consumption and enduring inflation lead to a downgrade

27<sup>th</sup> June 2022

**BUSINESS UPDATE**

RIC: ITWB.MI  
BBG: IWB IM

The trading update published by Federvini highlights the current slowdown in retail wine consumption in Italy mainly caused by the huge inflationary pressure. IWB is acting in order to preserve its sales volumes even at the expense of some basis points in terms of profitability in the short term in order to benefit from a highly likely normalisation of the inflation trend in the medium term.

**Rating:**

**Buy**

**Price Target:**

**€ 38.00 (€ 55.00)**

**Upside/(Downside): 42.1%**

**Last Price: € 26.75**

**Market Cap.: € 234.8m**

**1Y High/Low: € 49.30 / € 24.05**

**Avg. Daily Turn. (3M, 6M): € 197k, € 285k**

**Free Float: 66.7%**

**Major shareholders:**

Gruppo Pizzolo (Enoitalia)	15.9%
Provinco Srl	7.6%
IPOC Srl	7.3%



**Stock price performance**

	1M	3M	12M
<b>Absolute</b>	-5.3%	-23.6%	-31.1%
<b>Rel.to FTSE IT Growth</b>	2.1%	-10.1%	-3.4%
<b>Rel.to EU Sector</b>	-1.4%	-16.0%	-19.1%

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**Estimates downgraded: new PT at € 38.00 (€ 55.00), 42.1% upside. Still a Buy**

We believe that IWB is not immune to the current tough macroeconomic environment, characterised by runaway inflation and a consequent decrease in consumption in consumer discretionary coupled with several logistic delays. As a consequence, we have downgraded our estimates by factoring in: 1) declining sales volumes with regard to both Wholesale and Distance Selling divisions partially offset by growing revenues stemming from Ho.Re.Ca.; 2) a further exacerbation of the inflationary trend in Q1-22, mainly with regard to glass, paper, energy and transport. Moreover, we left unchanged the assumptions for the 2023-24 period, both with regard to sales growth and profitability. The combined result is an average 11.2%, 17.6% and 26.2% reduction in sales, EBITDA and Net Profit, respectively, in 2022-24. CFO has also updated the DCF valuation criteria, bringing the Free Risk Rate up to date. As a consequence of the downgrade in estimates and the increase in the Free Risk Rate, the new DCF-based PT is set at € 38.00/s (€ 55.00), offering an upside of 42.1% to the current price levels. The Buy rating is confirmed.

**Declining domestic wine consumption...**

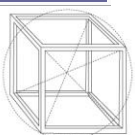
According to Federvini (Italian Association of wines and spirits producers), in the first four months of 2022 wine retail sales dropped by 9.6% YoY. Inflation and the war are curbing the spending of Italian consumers, leading to cuts to consumer discretionary purchases to save money, sacrificing wine and spirits. Furthermore, the expectations for the next few months are not encouraging. The main concerns are inflation and the Russian-Ukrainian conflict, followed by climate change, and unemployment. The projected impact on consumption for the next few months of 2022 is strong: according to Federvini, the majority of Italians will limit themselves to essential purchases and also plan to reduce lunches and dinners outside the home. In fact, according to a survey, as many as 5 out of 10 Italian citizens will give up on dinners and lunches out in the next months. This is despite the fact that in the first four months of the year there was a recovery in the consumption of wines and spirits in bars and restaurants, a trend supported by the easing of restrictions linked to the pandemic, albeit still far from the values reached in 2019.

**...while exports grew by double-digits**

On the other hand, in the first four months of 2022, exports of Italian wines grew by 12.0% YoY. Nevertheless, entrepreneurs are asking the Government to streamline bureaucratic burdens and tax incentives with the aim of improving the competitiveness of Italian companies on the foreign market. Moreover, Federvini highlighted the importance of the protection of geographical indications, in order to counter the spread of products that imitate the original Italian excellence.

**IWB, key financials and ratios**

€ m	2020	2021	2022e	2023e	2024e
Sales	204.3	313.2	405.0	418.0	426.9
EBITDA adj.	25.6	34.0	34.5	43.9	46.6
EBITDA	23.6	31.0	34.5	43.9	46.6
EBIT adj.	20.2	25.9	24.0	33.5	36.3
EBIT	18.2	22.9	24.0	33.5	36.3
Net profit adj.	15.6	16.7	14.9	21.9	24.5
Net profit	14.2	14.5	14.9	21.9	24.5
NFP (cash)/debt	10.3	121.3	125.0	101.9	80.0
EPS adjusted FD	2.11	1.90	1.69	2.49	2.78
EPS adj. FD growth	70.2%	-10.1%	-11.0%	47.3%	11.8%
DPS ord. €/s	0.25	0.10	0.34	0.50	0.56
Dividend yield	0.9%	0.4%	1.3%	1.9%	2.1%
Free Cash Flow Yield	-0.6%	-49.4%	-1.4%	11.1%	11.2%
PER adj. x	6.1	20.1	15.8	10.7	9.6
PCF x	6.0	34.0	9.6	6.9	6.8
EV/Sales x	0.6	1.3	0.6	0.6	0.5
EV/EBITDA adj. x	4.8	12.1	10.4	7.7	6.8
EV/EBIT adj. x	6.1	15.9	15.0	10.1	8.7





## The company at a glance

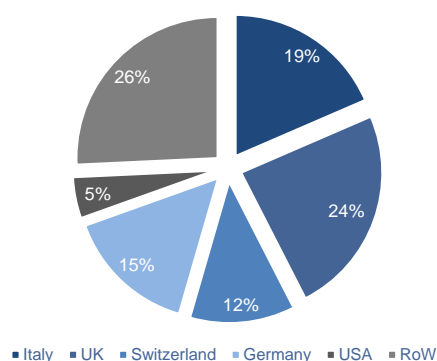
IWB (Italian Wine Brands) is a leading producer and distributor in the Italian wine industry. IWB became the largest domestic privately-owned wine group following the acquisition of Enoitalia. The group operates through two channels: B2C and B2B.

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.

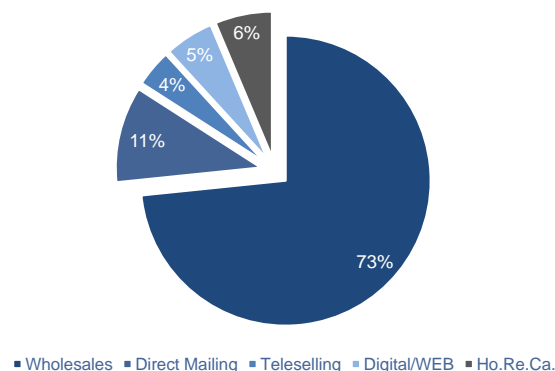
B2B is focused on sale and distribution in international markets to mass retailers where both privately labelled and branded products are distributed. Both the bottling and the logistic activities are outsourced in order to make the supply operations faster, leaner and more efficient.

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)	15.91%	1.40
Provinco	7.63%	0.67
IPOC	7.31%	0.64
Raphael Dal Bo	2.39%	0.21
Treasury Shares	0.09%	0.01
<b>Free Float, o/w</b>	<b>66.67%</b>	<b>5.87</b>
Otus Capital Management	6.14%	0.54
Praude Asset Management	5.32%	0.47
<b>Total</b>	<b>100.00%</b>	<b>8.80</b>

Source: Company data

## Peer group absolute performance

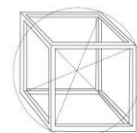
	1D	1W	1M	3M	6M	YTD
Concha y Toro Winery Inc	(1.1)	(0.9)	(9.1)	(3.7)	(6.4)	(7.7)
Lanson BCC SA	0.0	0.0	(2.1)	(6.7)	(3.1)	(1.8)
Laurent Perrier SA	0.0	(1.0)	6.1	2.3	(3.0)	(5.3)
Masi Agricola SpA	3.6	6.7	5.6	12.4	51.4	37.5
Schloss Wachenheim AG	(9.1)	(7.5)	(16.7)	(17.9)	(20.8)	(19.2)
Treasury Wine Estates Ltd	1.1	5.4	(3.1)	(2.1)	(6.4)	(7.8)
Vranken Pomm. Monop.	0.0	0.0	0.0	0.9	(2.5)	(3.9)
<b>Wine producers median</b>	<b>0.0</b>	<b>0.0</b>	<b>(2.1)</b>	<b>(2.1)</b>	<b>(3.1)</b>	<b>(5.3)</b>
Hawesko Holding AG	0.2	(0.4)	(12.1)	(4.0)	(11.8)	(13.8)
Naked Wines PLC	(6.1)	(47.9)	(58.0)	(57.7)	(76.5)	(76.6)
<b>Wine distributors median</b>	<b>(6.1)</b>	<b>(47.9)</b>	<b>(58.0)</b>	<b>(57.7)</b>	<b>(76.5)</b>	<b>(76.6)</b>
<b>IWB</b>	<b>2.1</b>	<b>4.5</b>	<b>(5.3)</b>	<b>(23.6)</b>	<b>(33.8)</b>	<b>(35.5)</b>

Source: Thomson Reuters Eikon

## Peer group multiples table

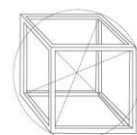
Price & EV multiples x	PER FY1	PER FY2	PER FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Concha y Toro Winery Inc	8.2	7.6	6.4	6.5	6.0	5.3	8.0	7.3	6.5
Lanson BCC SA	9.2	8.6	8.6	16.0	14.9	15.2	19.4	17.8	19.0
Laurent Perrier SA	14.4	13.0	n.a.	10.8	9.6	8.1	12.1	10.8	9.0
Masi Agricola SpA	37.3	32.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Schloss Wachenheim AG	10.4	11.3	9.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	25.5	20.5	17.9	13.7	11.5	10.4	17.5	14.3	12.6
Vranken Pommery Monopole	18.7	14.2	10.2	17.1	15.4	14.1	28.0	22.8	20.1
<b>Wine producers median</b>	<b>14.4</b>	<b>13.0</b>	<b>9.7</b>	<b>13.7</b>	<b>11.5</b>	<b>10.4</b>	<b>17.5</b>	<b>14.3</b>	<b>12.6</b>
Hawesko Holding AG	15.2	14.1	13.1	7.5	6.9	6.4	11.5	10.4	9.5
Naked Wines PLC	n.m.	30.1	n.a.	26.9	11.3	22.1	n.m.	n.m.	42.3
<b>Wine distributors median</b>	<b>15.2</b>	<b>22.1</b>	<b>13.1</b>	<b>17.2</b>	<b>9.1</b>	<b>14.3</b>	<b>11.5</b>	<b>10.4</b>	<b>25.9</b>
<b>IWB</b>	<b>15.8</b>	<b>10.7</b>	<b>9.6</b>	<b>10.4</b>	<b>7.7</b>	<b>6.8</b>	<b>15.0</b>	<b>10.1</b>	<b>8.7</b>

Sources: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2020	2021	2022e	2023e	2024e
Net Revenues	204.3	313.2	405.0	418.0	426.9
Purchasing	(118.9)	(204.4)	(271.5)	(271.8)	(276.3)
Services	(53.3)	(64.2)	(81.7)	(84.1)	(85.9)
Personnel	(8.7)	(15.3)	(20.6)	(21.5)	(21.5)
Other operating expenses	0.2	1.6	3.3	3.3	3.4
EBITDA adjusted	25.6	34.0	34.5	43.9	46.6
EBITDA	23.6	31.0	34.5	43.9	46.6
D&A	(5.4)	(8.1)	(10.4)	(10.4)	(10.3)
EBIT adjusted	20.2	25.9	24.0	33.5	36.3
EBIT	18.2	22.9	24.0	33.5	36.3
Financials	(1.2)	(3.9)	(5.1)	(4.9)	(4.3)
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	17.0	19.0	19.0	28.6	32.0
Income taxes	(2.8)	(4.4)	(3.8)	(6.3)	(7.0)
Minorities	0.0	0.0	(0.3)	(0.4)	(0.4)
Net Profit adjusted	15.6	16.7	14.9	21.9	24.5
Net Profit	14.2	14.5	14.9	21.9	24.5
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	(0.8)	8.7	11.1	9.1	9.3
Net Fixed Assets	117.4	267.2	283.6	281.4	279.4
Equity Investments	9.6	14.0	14.9	14.8	14.7
Other M/L Term A/L	(11.5)	(8.7)	(10.6)	(10.6)	(10.5)
Net Invested Capital	114.9	281.2	299.0	294.8	293.0
Net Financial Position	10.3	121.3	125.0	101.9	80.0
Minorities	0.0	0.0	0.3	0.7	1.1
Group's Shareholders Equity	104.5	160.0	173.7	192.2	211.9
Financial Liabilities & Equity	114.9	281.2	299.0	294.8	293.0
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	14.2	14.5	14.9	21.9	24.5
Depreciation	5.4	8.1	10.4	10.4	10.3
Other non-cash charges	(2.7)	(4.6)	1.6	(0.1)	(0.1)
Cash Flow from Oper. (CFO)	16.9	18.0	26.9	32.3	34.7
Change in NWC	(1.1)	(9.4)	(2.4)	1.9	(0.2)
FCF from Operations (FCFO)	15.8	8.6	24.5	34.2	34.5
Net Investments (CFI)	(16.4)	(152.7)	(27.7)	(8.2)	(8.2)
Free CF to the Firm (FCFF)	(0.6)	(144.1)	(3.2)	26.0	26.3
CF from financials (CFF)	1.4	169.8	(4.5)	(6.5)	(21.8)
Free Cash Flow to Equity (FCFE)	0.8	25.7	(7.7)	19.5	4.5
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA margin	11.6%	9.9%	8.5%	10.5%	10.9%
EBIT margin	8.9%	7.3%	5.9%	8.0%	8.5%
Net profit margin	6.9%	4.6%	3.7%	5.2%	5.7%
Tax rate	16.7%	23.4%	20.0%	22.0%	22.0%
Op NWC/Sales	-0.4%	2.8%	2.7%	2.2%	2.2%
Interest coverage x	0.08	0.20	0.22	0.16	0.13
Net Debt/Ebitda x	0.44	3.91	3.63	2.32	1.72
Debt-to-Equity x	0.10	0.76	0.72	0.53	0.38
ROIC	13.2%	7.3%	5.1%	7.4%	8.3%
ROCE	11.5%	6.5%	6.6%	8.8%	9.4%
ROACE	12.0%	8.9%	6.7%	9.0%	9.5%
ROE	14.7%	11.0%	8.9%	12.0%	12.1%
Payout ratio	13.0%	6.1%	20.0%	20.0%	20.0%
Per share figures	2020	2021	2022e	2023e	2024e
Final N. of shares # m	7.40	8.80	8.80	8.80	8.80
Average N. of shares # m	7.40	8.10	8.80	8.80	8.80
Final N. of shares (fully diluted) # m	7.40	8.80	8.80	8.80	8.80
EPS reported €	1.92	1.79	1.69	2.49	2.78
EPS reported FD €	1.92	1.65	1.69	2.49	2.78
EPS adjusted FD €	2.11	1.90	1.69	2.49	2.78
EBITDA FD €	3.19	3.52	3.92	4.99	5.29
EBIT FD €	0.03	0.07	0.03	0.04	0.04
FCFO FD €	2.14	0.97	2.78	3.89	3.92
FCFF FD €	(0.08)	(16.37)	(0.36)	2.96	2.98
FCFE FD €	0.10	2.92	(0.88)	2.21	0.51
Dividend €	0.25	0.10	0.34	0.50	0.56



## Declining domestic wine consumption...

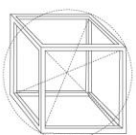
According to Federvini (Italian Association of wines and spirits producers), **in the first four months of 2022 wine retail sales dropped by 9.6% YoY**. Inflation and the war are curbing the spending of Italian consumers, leading to **cuts to consumer discretionary purchases to save money, sacrificing wine and spirits**.

In detail, the domestic sales of wines with a DOP denomination declined by 10.7% YoY in terms of value (11.2% in terms of volumes), while IGP wines by 8.7% YoY (9.7%) and generic wines by 8.1% YoY (9.6%).

Furthermore, **expectations for the next few months are not encouraging**. The main concerns are inflation and the Russian-Ukrainian conflict, followed by climate change, and unemployment. The projected impact on consumption for the next few months of 2022 is strong: according to Federvini, the majority of Italians will limit themselves to essential purchases and also plan to reduce lunches and dinners outside the home. In fact, according to a survey, as many as 5 out of 10 Italian citizens will give up on dinners and lunches out in the next months. This is **despite the fact that in the first four months of the year there was a recovery in the consumption of wines and spirits in bars and restaurants**, a trend supported by the easing of restrictions linked to the pandemic, **albeit still far from the values reached in 2019**.

## ...while exports grew by double-digits

On the other hand, in the first four months of 2022, **exports of Italian wines grew by 12.0% YoY**. Nevertheless, entrepreneurs are asking the Government to streamline bureaucratic burdens and some tax incentives with the aim of improving the competitiveness of Italian companies on the foreign market. Moreover, Federvini highlighted the importance of protecting geographical indications, in order to counter the spread of products that imitate the original Italian excellence.



## Estimates, valuation and risks

In light of the aforementioned sales trend in the first four months of 2022 with regard to domestic wine consumption, **we believe that IWB is not immune to the current tough macroeconomic environment**, characterised by runaway inflation and a consequent decrease in consumption in consumer discretionary coupled with several logistic delays.

As a consequence, **we have downgraded our estimates by factoring in:** 1) **declining sales volumes** with regard to both Wholesale and Distance Selling divisions partially offset by growing revenues stemming from Ho.Re.Ca.; 2) a further **exacerbation of the inflationary trend** in Q1-22, mainly with regard to glass, paper, energy and transport. Moreover, **we left unchanged the assumptions for the 2023-24 period**, both with regard to sales growth and profitability. The combined result is an **average 11.2%, 17.6% and 26.2% reduction in sales, EBITDA and Net Profit, respectively, in 2022-24.**

**Table 1 – IWB, 2022e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Net Sales</b>	<b>405.0</b>	<b>455.4</b>	(11.1)	<b>(50.4)</b>
<b>EBITDA</b>	<b>34.5</b>	<b>43.9</b>	(21.6)	<b>(9.5)</b>
% margin	8.5	9.7		
<b>EBIT</b>	<b>24.0</b>	<b>33.5</b>	(28.3)	<b>(9.5)</b>
% margin	5.9	7.4		
<b>Net Profit</b>	<b>14.9</b>	<b>22.6</b>	(34.0)	<b>(7.7)</b>
% margin	3.7	5.0		
<b>Y/E net debt (net cash)</b>	<b>125.0</b>	<b>100.1</b>	24.9	<b>24.9</b>

Sources: Company data, CFO Sim

**Table 2 – IWB, 2023e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Net Sales</b>	<b>418.0</b>	<b>471.0</b>	(11.3)	<b>(53.0)</b>
<b>EBITDA</b>	<b>43.9</b>	<b>52.1</b>	(15.7)	<b>(8.2)</b>
% margin	10.5	11.1		
<b>EBIT</b>	<b>33.5</b>	<b>41.7</b>	(19.6)	<b>(8.2)</b>
% margin	8.0	8.8		
<b>Net Profit</b>	<b>21.9</b>	<b>28.4</b>	(22.8)	<b>(6.5)</b>
% margin	5.2	6.0		
<b>Y/E net debt (net cash)</b>	<b>101.9</b>	<b>75.8</b>	34.4	<b>26.1</b>

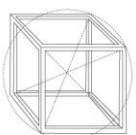
Sources: Company data, CFO Sim

**Table 3 – IWB, 2024e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Net Sales</b>	<b>426.9</b>	<b>481.6</b>	(11.4)	<b>(54.7)</b>
<b>EBITDA</b>	<b>46.6</b>	<b>55.2</b>	(15.6)	<b>(8.6)</b>
% margin	10.9	11.5		
<b>EBIT</b>	<b>36.3</b>	<b>44.9</b>	(19.1)	<b>(8.6)</b>
% margin	8.5	9.3		
<b>Net Profit</b>	<b>24.5</b>	<b>31.3</b>	(21.8)	<b>(6.8)</b>
% margin	5.7	6.5		
<b>Y/E net debt (net cash)</b>	<b>80.0</b>	<b>50.8</b>	57.6	<b>29.2</b>

Sources: Company data, CFO Sim

Moreover, CFO has updated the DCF valuation criteria, bringing the Free Risk Rate up to date. As a consequence of the downgrade in estimates and the increase in the Free Risk Rate, the **new DCF-based PT is set at € 38.00/s (€ 55.00), offering an upside of 42.1%** to the current price levels. We reiterate our **Buy recommendation on the stock.**



## DCF

In our DCF-based valuation, we assess explicit estimates until 2026 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 4 – WACC derived from:**

Interest costs, pre-tax	2.5%
Tax rate	27.0%
<b>Inf. costs, after taxes</b>	<b>1.8%</b>
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200d moving average)	1.81%
Beta levered (x)	1.00
<b>Required ROE</b>	<b>10.8%</b>

Source: CFO Sim

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

**Table 5 – IWB, DCF model**

€ m	2022e	2023e	2024e	2025e	2026e	Term. Val.
EBIT	24.0	33.5	36.3	38.1	39.8	
Tax rate	20.0%	22.0%	22.0%	22.5%	27.0%	
<b>Operating profit (NOPAT)</b>	<b>19.2</b>	<b>26.1</b>	<b>28.3</b>	<b>29.5</b>	<b>29.1</b>	
Change working capital	(2.4)	1.9	(0.2)	(0.1)	(0.1)	
Depreciation	10.4	10.4	10.3	7.2	4.0	
Investments	(8.2)	(8.2)	(8.2)	(6.1)	(4.0)	
<b>Free Cash Flows</b>	<b>19.1</b>	<b>30.3</b>	<b>30.2</b>	<b>30.4</b>	<b>29.0</b>	<b>470.8</b>
Present value	18.4	27.3	25.4	23.8	21.2	<b>343.9</b>
WACC	7.2%	7.2%	7.2%	7.2%	7.2%	
<b>Long-term growth rate</b>	<b>1.0%</b>					

Source: CFO Sim

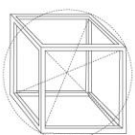
**Table 6 – IWB, DCF per share derived from:**

€ m	
Total EV present value € m	459.9
<i>thereof terminal value</i>	74.8%
NFP last reported (debt)/cash	(121.3)
Pension provision last reported	(1.2)
Minorities (valued at 7.6x PER)	(3.0)
<b>Equity value € m</b>	<b>334.5</b>
#m shares (excl. treasury shares)	8.79
<b>Equity value €/s</b>	<b>38.00</b>
<i>% upside/(downside)</i>	42.1%

Source: CFO Sim

The outcome of our DCF model generated an equity value of € 334.5m for IWB, which corresponds to **€ 38.00/s (€ 55.00), with a potential upside of 42.1%**.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of € 32.30 – 46.00 (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 € 34.40 – 42.30 (free risk range of between 1.01% and 2.61%) and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value/s of € 29.70 – 50.30 (risk premium range of between 11.00% and 7.00%).





**Table 7 – 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	116.0	116.0	116.0	116.0	116.0	116.0	116.0	116.0	116.0
PV of terminal value	293.3	304.6	316.7	329.8	343.9	359.2	375.8	394.0	413.9
<b>Total value</b>	<b>409.3</b>	<b>420.6</b>	<b>432.7</b>	<b>445.8</b>	<b>459.9</b>	<b>475.2</b>	<b>491.9</b>	<b>510.0</b>	<b>529.9</b>
NFP last reported	(121.3)	(121.3)	(121.3)	(121.3)	(121.3)	(121.3)	(121.3)	(121.3)	(121.3)
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)
<b>Equity value</b>	<b>283.8</b>	<b>295.1</b>	<b>307.3</b>	<b>320.3</b>	<b>334.5</b>	<b>349.8</b>	<b>366.4</b>	<b>384.6</b>	<b>404.5</b>
<b>Equity value/share €</b>	<b>32.30</b>	<b>33.60</b>	<b>34.90</b>	<b>36.40</b>	<b>38.00</b>	<b>39.80</b>	<b>41.70</b>	<b>43.70</b>	<b>46.00</b>

Source: CFO Sim

**Table 8 – IWB, equity value sensitivity to changes in free risk rate**

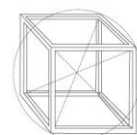
€ m	1.01%	1.21%	1.41%	1.61%	1.81%	2.01%	2.21%	2.41%	2.61%
Present value of CF	117.4	117.0	116.7	116.4	116.0	115.7	115.4	115.1	114.7
PV of terminal value	380.3	370.6	361.3	352.4	343.9	335.7	327.8	320.2	312.9
<b>Total value</b>	<b>497.7</b>	<b>487.6</b>	<b>478.0</b>	<b>468.8</b>	<b>459.9</b>	<b>451.4</b>	<b>443.2</b>	<b>435.2</b>	<b>427.6</b>
NFP last reported	(121.3)	(121.3)	(121.3)	(121.3)	(121.3)	(121.3)	(121.3)	(121.3)	(121.3)
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)
<b>Equity value</b>	<b>372.2</b>	<b>362.2</b>	<b>352.6</b>	<b>343.3</b>	<b>334.5</b>	<b>325.9</b>	<b>317.7</b>	<b>309.8</b>	<b>302.1</b>
<b>Equity value/share €</b>	<b>42.30</b>	<b>41.20</b>	<b>40.10</b>	<b>39.00</b>	<b>38.00</b>	<b>37.10</b>	<b>36.10</b>	<b>35.20</b>	<b>34.40</b>

Source: CFO Sim

**Table 9 – 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	119.4	118.5	117.7	116.9	116.0	115.2	114.4	113.6	112.8
PV of terminal value	448.4	417.7	390.4	365.9	343.9	323.9	305.8	289.3	274.1
<b>Total value</b>	<b>567.8</b>	<b>536.3</b>	<b>508.1</b>	<b>482.8</b>	<b>459.9</b>	<b>439.2</b>	<b>420.2</b>	<b>402.9</b>	<b>386.9</b>
NFP last reported	(121.3)	(121.3)	(121.3)	(121.3)	(121.3)	(121.3)	(121.3)	(121.3)	(121.3)
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)
<b>Equity value</b>	<b>442.3</b>	<b>410.8</b>	<b>382.6</b>	<b>357.3</b>	<b>334.5</b>	<b>313.7</b>	<b>294.8</b>	<b>277.4</b>	<b>261.5</b>
<b>Equity value/share €</b>	<b>50.30</b>	<b>46.70</b>	<b>43.50</b>	<b>40.60</b>	<b>38.00</b>	<b>35.70</b>	<b>33.50</b>	<b>31.50</b>	<b>29.70</b>

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 Wines (UK)**.

As one can see from these figures, market growth is limited, to the tune of 3.5% for producers, and 4.5% 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.

Table 10 – IWB, peer group summary table

€ m	Mkt Cap	Wine % of Sales	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR <sub>21-24</sub>	EBITDA CAGR <sub>21-24</sub>	EBIT CAGR <sub>21-24</sub>	EPS CAGR <sub>22-24</sub>	NFP FY1	NFP/EBITDA
Concha y Toro Winery Inc	910	97.6%	970	189	19.5%	9.5%	10.3%	11.2%	13.2%	317	1.7
Lanson BCC SA	198	100.0%	289	43	14.7%	3.7%	5.2%	5.0%	3.4%	482	11.3
Laurent Perrier SA	581	100.0%	294	76	25.8%	3.3%	n.a.	n.a.	n.a.	235	3.1
Masi Agricola SpA	168	100.0%	72	10	14.5%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Schloss Wachenheim AG	127	91.2%	371	42	11.3%	3.3%	3.5%	4.2%	3.3%	n.a.	n.a.
Treasury Wine Estates Ltd	5,427	91.7%	1,662	448	26.9%	3.9%	7.7%	13.6%	19.4%	706	1.6
Vranken Pommery Monopole	154	97.6%	301	47	15.7%	3.0%	6.8%	9.3%	35.3%	654	13.9
<b>Wine producers median</b>	<b>198</b>	<b>97.6%</b>	<b>301</b>	<b>47</b>	<b>15.7%</b>	<b>3.5%</b>	<b>6.8%</b>	<b>9.3%</b>	<b>13.2%</b>	<b>482</b>	<b>3.1</b>
Hawesko Holding AG	409		662	68	10.3%	1.3%	0.1%	-1.8%	7.9%	103	1.5
Naked Wines PLC	130		444	3.0	0.7%	7.8%	n.m.	n.m.	n.a.	(49)	n.m.
<b>Wine distributors median</b>	<b>270</b>		<b>553</b>	<b>35</b>	<b>5.5%</b>	<b>4.5%</b>	<b>n.a.</b>	<b>n.a.</b>	<b>7.9%</b>	<b>27</b>	<b>1.5</b>
<b>Italian Wine Brands SpA</b>	<b>235</b>	<b>100%</b>	<b>405</b>	<b>34</b>	<b>8.5%</b>	<b>10.9%</b>	<b>14.6%</b>	<b>16.6%</b>	<b>28.3%</b>	<b>125</b>	<b>3.6</b>

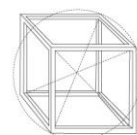
Sources: CFO Sim, Thomson Reuters Eikon

Table 11 – 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	8.2	7.6	6.4	6.5	6.0	5.3	8.0	7.3	6.5
Lanson BCC SA	9.2	8.6	8.6	16.0	14.9	15.2	19.4	17.8	19.0
Laurent Perrier SA	14.4	13.0	n.a.	10.8	9.6	8.1	12.1	10.8	9.0
Masi Agricola SpA	37.3	32.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Schloss Wachenheim AG	10.4	11.3	9.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	25.5	20.5	17.9	13.7	11.5	10.4	17.5	14.3	12.6
Vranken Pommery Monopole	18.7	14.2	10.2	17.1	15.4	14.1	28.0	22.8	20.1
<b>Wine producers median</b>	<b>14.4</b>	<b>13.0</b>	<b>9.7</b>	<b>13.7</b>	<b>11.5</b>	<b>10.4</b>	<b>17.5</b>	<b>14.3</b>	<b>12.6</b>
Hawesko Holding AG	15.2	14.1	13.1	7.5	6.9	6.4	11.5	10.4	9.5
Naked Wines PLC	n.m.	30.1	n.a.	26.9	11.3	22.1	n.m.	n.m.	42.3
<b>Wine distributors median</b>	<b>15.2</b>	<b>22.1</b>	<b>13.1</b>	<b>17.2</b>	<b>9.1</b>	<b>14.3</b>	<b>11.5</b>	<b>10.4</b>	<b>25.9</b>
<b>IWB</b>	<b>15.8</b>	<b>10.7</b>	<b>9.6</b>	<b>10.4</b>	<b>7.7</b>	<b>6.8</b>	<b>15.0</b>	<b>10.1</b>	<b>8.7</b>
% prem.(disc.)to prod.	9.3%	-17.7%	-1.7%	-23.8%	-33.6%	-35.2%	-14.5%	-29.8%	-31.3%
% prem.(disc.)to distr.	3.7%	-51.5%	-26.7%	-39.4%	-15.9%	-52.6%	29.9%	-3.7%	-66.5%

Sources: CFO Sim, Thomson Reuters Eikon

**IWB trades at a discount** vs. wine producers' median considering the EV/EBITDA and EV/EBIT multiples in 2022-24 period. This can be partially explained by its smaller 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 capitalisation 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 € 49.30/s on 25-Aug-21 and a minimum price of € 24.05/s on 20-Jun-22.

**Table 12 – IWB, peer group absolute performance**

	1D	1W	1M	3M	6M	YTD	1Y
Concha y Toro Winery Inc	(1.1)	(0.9)	(9.1)	(3.7)	(6.4)	(7.7)	(4.3)
Lanson BCC SA	0.0	0.0	(2.1)	(6.7)	(3.1)	(1.8)	8.1
Laurent Perrier SA	0.0	(1.0)	6.1	2.3	(3.0)	(5.3)	4.3
Masi Agricola SpA	3.6	6.7	5.6	12.4	51.4	37.5	55.0
Schloss Wachenheim AG	(9.1)	(7.5)	(16.7)	(17.9)	(20.8)	(19.2)	(15.8)
Treasury Wine Estates Ltd	1.1	5.4	(3.1)	(2.1)	(6.4)	(7.8)	(1.9)
Vranken Pommery Monopole SA	0.0	0.0	0.0	0.9	(2.5)	(3.9)	(3.4)
<b>Wine producers median</b>	<b>0.0</b>	<b>0.0</b>	<b>(2.1)</b>	<b>(2.1)</b>	<b>(3.1)</b>	<b>(5.3)</b>	<b>(1.9)</b>
Naked Wines PLC	0.2	(0.4)	(12.1)	(4.0)	(11.8)	(13.8)	(19.5)
Hawesko Holding AG	(6.1)	(47.9)	(58.0)	(57.7)	(76.5)	(76.6)	(79.2)
<b>Wine distributors median</b>	<b>(6.1)</b>	<b>(47.9)</b>	<b>(58.0)</b>	<b>(57.7)</b>	<b>(76.5)</b>	<b>(76.6)</b>	<b>(79.2)</b>
<b>IWB</b>	<b>2.1</b>	<b>4.5</b>	<b>(5.3)</b>	<b>(23.6)</b>	<b>(33.8)</b>	<b>(35.5)</b>	<b>(31.1)</b>

Source: Thomson Reuters Eikon

**Table 13 – IWB, reference sector index and Italian Market performances**

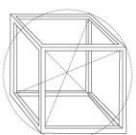
	1D	1W	1M	3M	6M	YTD	1Y
FTSE Italia Growth	1.2	(0.5)	(7.4)	(13.5)	(25.2)	(26.3)	(27.6)
Thomson Reuters Food & Beverage	3.1	4.1	(3.9)	(7.6)	(13.5)	(14.5)	(12.0)
<b>IWB</b>	<b>2.1</b>	<b>4.5</b>	<b>(5.3)</b>	<b>(23.6)</b>	<b>(33.8)</b>	<b>(35.5)</b>	<b>(31.1)</b>

Source: Thomson Reuters Eikon

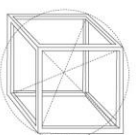
## Risks

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

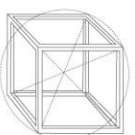
- impact on the profit and loss account and balance sheet profiles triggered by a **deep decline in local and global economic growth**,
- effects of long-lasting, widespread **COVID-19** and its possible variants,
- **competition** by similar initiatives,
- slower than anticipated **integration with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



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DATE	TARGET PRICE	RATING
27/06/2022	€38.00	BUY
30/03/2022	€55.00	BUY
28/01/2022	€61.00	BUY
11/01/2022	€61.00	BUY
20/09/2021	€58.00	BUY
24/06/2021	€53.00	BUY
22/03/2021	€41.50	BUY

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

