CORPORATE FAMILY OFFICE SIM

ITALIAN WINE BRANDS

Italy – Food and Beverage

2023: the year of business consolidation and margin recovery

29th March 2023

FY-22 RESULTS RELEASE

RIC: ITWB.MI
BBG: IWB IM

2022 was characterised by rising cost inflation, only partially passed to customers in order to preserve the client base. At the beginning of 2023, IWB increased price lists: 90% of the contracts now entirely absorb the price inflation. We believe IWB is now an even more appealing equity story: after a harsh period, which is now behind us, the group is ready to consolidate its positioning, confirming its cash flow generation capacity.

Rating:
Buy

Price Target:
€ 33.00

Upside/(Downside): 49.0%

Last Price: € 22.15

Market Cap.: € 208.6m

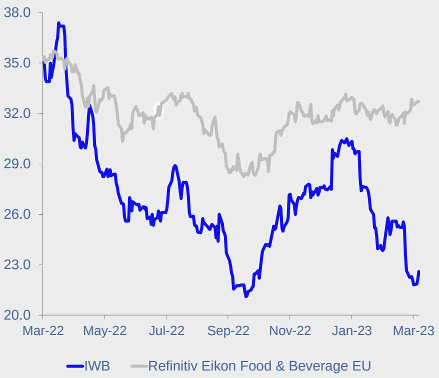
1Y High/Low: € 38.30 / € 20.60

Avg. Daily Turn. (3M, 6M): € 212k, € 155k

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	-12.8%	-20.0%	-36.9%
Rel.to FTSE IT Growth	-5.0%	-15.3%	-13.3%
Rel.to EU Sector	-16.4%	-23.4%	-31.0%

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Improving business conditions and recovering profitability in 2023. Buy, 49% upside

In 2022, IWB had to face rising cost inflation only partially passed on to customers in order to preserve sales volumes. At the beginning of 2023, IWB revised upwards price lists: 90% of the contracts have now been updated, entirely absorbing the price inflation that occurred in 2022. We have fine-tuned our model, with a recovery of profitability as of 2023, the result is an average 7% and 9% adjustment in EBITDA and Net Profit in 2023-24. Moreover, CFO has updated the DCF valuation criteria. The combined result is a PT unchanged at € 33.00. We believe IWB is now an even more appealing equity story: after a harsh period, which is now behind us, during which IWB preserved its customer base, the group is ready to consolidate its positioning, substantiating its generous cash flow generation capacity. Buy.

Pro-forma sales at € 430m: the largest privately-owned wine group in Italy

IWB reported FY-22 sales on a pro-forma basis at € 430.2m, up 5.2% YoY. Reported FY-22 total revenues reached € 396.8m, up 25.6% YoY slightly lower than our € 407.6m projection. According to a rudimentary calculation, revenues showed a mid/high-single-digit decline YoY if we include PF sales for Enovation and Barbanera in 2021 too. In 2022 IWB completed two acquisitions: Enovation Brands (in January) and Barbanera (in November). The acquisition of Enovation Brands allowed IWB to strengthen the group's presence in the US and Canada, with a focus on supermarkets and the Ho.Re.Ca. segment. The acquisition of Barbanera, a well-established producer of premium wines in Tuscany, was an excellent move in order to complete the group's presence in the most important Italian regions in the wine segment.

Price inflation with regard to some raw materials dented profitability

EBITDA adj. reached € 31.1m (7.8% margin), down 8.7% vs. € 34.0m (10.8% margin) in FY-21, lower than our € 34.5m forecast. The decline in margin is due to 1) the inflationary pressures on purchasing glass (up 80% YoY), packaging, labels and caps only partially reflected, progressively, in prices; 2) increased costs for utilities (more than doubled from € 2.5m to € 5.6m YoY, on a like for like basis) such as electricity and gas and 3) higher personnel costs stemming from the increased portion of internal production and new hiring in the commercial and sales department. The aforementioned price trends, coupled with the increase in D&A stemming from the acquisition of Enovation Brands and the higher financial charges linked to the € 130m bond issued in May-21, led to a Net Profit adj. of € 12.0m.

NFP increased to € 146m primarily because of the € 33m outlay for the M&A campaign

Net financial position was € 146.5m negative, including € 17.0m of right of use liabilities deriving from the application of IFRS16, mainly stemming from the long-term lease agreement concerning the building used for logistics activities. The increase from € 121.3m debt at end-21 is mainly due to the € 33m outlay stemming from the M&A campaign.

IWB, key financials and ratios

€ m	2021	2022	2023e	2024e	2025e
Sales	313.2	390.7	450.8	460.5	470.5
EBITDA adjusted	34.0	31.1	44.7	50.6	54.4
EBITDA	31.0	29.7	44.7	50.6	54.4
EBIT adjusted	25.9	20.5	32.3	38.2	41.7
EBIT	22.9	19.2	32.3	38.2	41.7
Net profit adjusted	16.7	12.0	20.5	25.4	29.0
Net profit	14.5	11.2	20.5	25.4	29.0
NFP (cash)/debt	121.3	146.5	122.7	96.3	65.7
EPS adjusted FD	1.77	1.27	2.17	2.69	3.06
EPS adj. FD growth	-16.3%	-28.0%	70.6%	23.8%	13.9%
DPS ord. €/s	0.10	0.10	0.20	0.30	0.30
Dividend yield	0.5%	0.5%	0.9%	1.4%	1.4%
Free Cash Flow Yield	-49.4%	-13.0%	11.8%	13.5%	15.9%
PER adj. X	20.1	23.4	10.2	8.2	7.2
PCF x	34.0	10.8	6.4	5.7	5.0
EV/Sales x	1.3	0.7	0.5	0.5	0.4
EV/EBITDA adj. X	12.1	13.2	7.4	6.0	5.0
EV/EBIT adj. X	15.9	20.0	10.2	8.0	6.6

The company at a glance

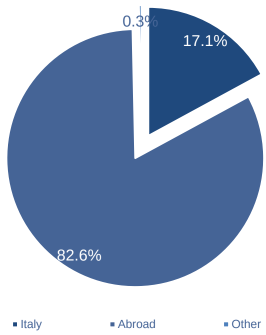
IWB (Italian Wine Brands) is a leading producer and distributor in the Italian wine industry. IWB became the largest domestic privately-owned wine group following the acquisition of Enoitalia. The group operates through two channels: B2C and B2B.

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 logistics activities are outsourced in order to make the supply operations faster, leaner and more efficient.

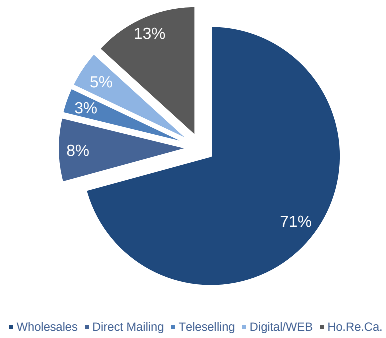
The B2C activity deals with the production and distribution of wine through distance selling channels such as mailing, telesales and the internet, addressed to end consumers in Italy, the UK, Germany, Switzerland, Holland, Austria, France and the USA. The B2C division boasts a catalogue of over 140 different 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.

Following the acquisition of Enoitalia, Enovation Brands and Barbanera FY-22 sales reached € 430.3m, on a pro-forma basis. The Wholesale channel accounted for 71% of total turnover, while Distance Selling for 16% and the Ho.Re.Ca segment for 13%. Pro-forma EBITDA adjusted for non-recurring items totalled € 37.2m, 8.5% margin. Adj. Net Profit stood at € 15.2m, 3.5% margin.

2022 pro-forma revenues by area 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	(0.9)	(1.7)	(8.1)	(8.7)	(5.2)	(7.0)
Lanson BCC SA	1.1	0.6	8.6	9.7	9.3	10.7
Laurent Perrier SA	1.8	(1.3)	(3.3)	(10.8)	18.9	(13.4)
Masi Agricola SpA	(0.4)	(0.4)	0.0	8.8	4.2	6.6
Schloss Wachenheim AG	0.7	0.7	(0.7)	(3.2)	(8.4)	(3.2)
Treasury Wine Estates Ltd	(1.1)	0.5	(4.7)	(3.1)	3.7	(4.2)
Vranken Pommery	2.0	3.5	(1.9)	5.7	9.3	4.8
Wine producers median	**0.7**	**0.5**	**(1.9)**	**(3.1)**	**4.2**	**(3.2)**
Hawesko Holding AG	(0.2)	(4.7)	3.4	10.6	28.2	8.9
Naked Wines PLC	(0.4)	6.0	(9.5)	(20.3)	17.3	(21.4)
Wine distributors median	**(0.4)**	**6.0**	**(9.5)**	**(20.3)**	**17.3**	**(21.4)**
Italian Wine Brands SpA	**1.4**	**(0.4)**	**(12.8)**	**(20.0)**	**(3.5)**	**(19.3)**

Source: Refinitiv 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	8.0	7.1	6.6	6.5	5.7	5.1	8.8	7.9	6.3
Lanson BCC SA	9.1	9.5	9.5	13.9	13.0	12.1	16.4	15.2	14.2
Laurent Perrier SA	12.7	13.0	12.3	9.7	9.9	9.6	11.2	11.2	10.6
Masi Agricola SpA	35.8	27.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Schloss Wachenheim AG	8.7	9.0	8.3	2.9	1.5	0.8	4.9	2.3	1.2
Treasury Wine Estates Ltd	25.2	21.3	19.2	13.6	12.1	11.1	17.1	14.9	13.4
Vranken Pommery Monopole SA	13.6	11.6	10.1	16.1	15.4	14.6	23.9	22.4	21.3
Wine producers median	**12.7**	**11.6**	**9.8**	**11.6**	**11.0**	**10.3**	**13.8**	**13.0**	**12.0**
Hawesko Holding AG	14.9	14.7	13.2	6.9	6.4	5.8	10.9	9.7	8.6
Naked Wines PLC	6.1	6.2	5.7	3.4	1.6	0.1	4.2	2.2	0.2
Wine distributors median	**10.5**	**10.5**	**9.4**	**5.1**	**4.0**	**2.9**	**7.5**	**6.0**	**4.4**
Italian Wine Brands SpA	**10.2**	**8.2**	**7.2**	**7.4**	**6.0**	**5.0**	**10.2**	**8.0**	**6.6**

Sources: CFO SIM, Refinitiv Eikon

Income statement (€ m)	2021	2022	2023e	2024e	2025e
Net Revenues	313.2	390.7	450.8	460.5	470.5
Purchasing	(204.4)	(271.2)	(296.3)	(297.5)	(301.6)
Services	(64.2)	(71.4)	(91.4)	(93.6)	(95.4)
Personnel	(15.3)	(21.8)	(22.7)	(23.1)	(23.6)
Other income / (expenses)	1.6	3.5	4.3	4.4	4.5
EBITDA adjusted	34.0	31.1	44.7	50.6	54.4
EBITDA	31.0	29.7	44.7	50.6	54.4
D&A	(8.1)	(10.5)	(12.4)	(12.4)	(12.7)
EBIT adjusted	25.9	20.5	32.3	38.2	41.7
EBIT	22.9	19.2	32.3	38.2	41.7
Financials	(3.9)	(5.5)	(5.8)	(5.4)	(5.0)
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	19.0	13.7	26.5	32.8	36.7
Income taxes	(4.4)	(2.7)	(5.6)	(6.9)	(7.7)
Minorities	0.0	0.2	(0.4)	(0.4)	0.0
Net Profit adjusted	16.7	12.0	20.5	25.4	29.0
Net Profit	14.5	11.2	20.5	25.4	29.0

Balance sheet (€ m)	2021	2022	2023e	2024e	2025e
Net Working Capital	8.7	27.7	28.9	30.2	30.2
Net Fixed Assets	267.2	305.9	301.9	297.9	293.7
Equity Investments	14.0	17.7	17.5	17.3	17.0
Other M/L Term A/L	(8.7)	(11.4)	(12.7)	(12.7)	(12.6)
Net Invested Capital	281.2	339.9	335.7	332.7	328.3
Net Financial Position	121.3	146.5	122.7	96.3	65.7
Minorities	0.0	(0.4)	0.0	0.5	0.5
Group's Shareholders Equity	160.0	193.7	212.9	236.0	262.1
Financial Liabilities & Equity	281.2	339.9	335.7	332.7	328.3

Cash Flow statement (€ m)	2021	2022	2023e	2024e	2025e
Total net income	14.5	11.2	20.5	25.4	29.0
Depreciation	8.1	10.5	12.4	12.4	12.7
Other non-cash charges	(4.6)	21.7	1.1	(0.1)	(0.1)
Cash Flow from Oper. (CFO)	18.0	43.5	34.1	37.8	41.6
Change in NWC	(9.4)	(19.0)	(1.2)	(1.3)	(0.0)
FCF from Operations (FCFO)	8.6	24.4	32.8	36.6	41.6
Net Investments (CFI)	(152.7)	(58.8)	(8.2)	(8.2)	(8.2)
Free CF to the Firm (FCFF)	(144.1)	(34.3)	24.6	28.4	33.4
CF from financials (CFF)	169.8	36.3	(0.9)	(12.3)	(12.7)
Free Cash Flow to Equity (FCFE)	25.7	1.9	23.7	16.1	20.7

Financial ratios	2021	2022	2023e	2024e	2025e
EBITDA margin	9.9%	7.6%	9.9%	11.0%	11.6%
EBIT margin	7.3%	4.9%	7.2%	8.3%	8.9%
Net profit margin	4.6%	2.9%	4.6%	5.5%	6.2%
Tax rate	23.4%	19.4%	21.0%	21.0%	21.0%
Op NWC/Sales	2.8%	7.1%	6.4%	6.6%	6.4%
Interest coverage x	0.20	0.37	0.19	0.16	0.14
Net Debt/Ebitda x	3.91	4.93	2.74	1.90	1.21
Debt-to-Equity x	0.76	0.76	0.58	0.41	0.25
ROIC	7.3%	3.6%	6.1%	7.6%	8.8%
ROCE	6.5%	4.7%	7.5%	8.5%	9.0%
ROACE	8.9%	5.0%	7.6%	8.7%	9.2%
ROE	11.0%	6.4%	10.1%	11.3%	11.6%
Payout ratio	6.5%	8.4%	9.2%	11.2%	9.8%

Per share figures	2021	2022	2023e	2024e	2025e
Final N. of shares # m	9.46	9.46	9.46	9.46	9.46
Average N. of shares # m	8.43	9.46	9.46	9.46	9.46
Final N. of shares (fully diluted) # m	9.46	9.46	9.46	9.46	9.46
EPS reported €	1.72	1.19	2.17	2.69	3.06
EPS reported FD €	1.53	1.19	2.17	2.69	3.06
EPS adjusted FD €	1.77	1.27	2.17	2.69	3.06
EBITDA FD €	3.28	3.14	4.73	5.35	5.75
EBIT FD €	0.06	0.16	0.04	0.05	0.06
FCFO FD €	0.91	2.58	3.47	3.86	4.40
FCFF FD €	(15.23)	(3.63)	2.60	3.00	3.53
FCFE FD €	2.72	0.21	2.50	1.70	2.18
Dividend €	0.10	0.10	0.20	0.30	0.30

IWB in a nutshell

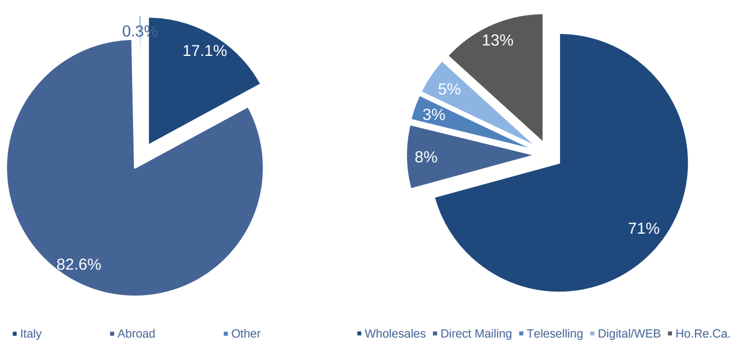
IWB (Italian Wine Brands) is **a leading producer and distributor in the Italian wine industry**. IWB became **the largest domestic privately-owned wine group** following the acquisition of Enoitalia. The group operates through two channels: B2C and B2B.

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

B2C deals with the production and distribution of wine through distance selling channels such as mailing, telesales or online, 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* and 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 they are processed in the group's two proprietary wineries.

Following the acquisition of Enoitalia, Enovation Brands and Barbanera **FY-22 sales reached € 430.3m, on a pro-forma basis**. The Wholesale channel accounted for 71% of total turnover, while Distance Selling for 16% and the Ho.Re.Ca segment for 13%**. Pro-forma EBITDA adjusted for non-recurring items totalled € 37.2m**, 8.5% margin. Adj. Net Profit stood at € 15.2m, 3.5% margin.

Chart 1 – IWB, 2022PF revenues by country and by channel



Source: CFO SIM elaboration on company data

IWB was listed on Euronext Growth Milan **on 29-Jan-15** at € 10.0/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 and the company's free float.

Table 1 - IWB, current shareholders 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
Free Float, o/w	**66.67%**	**5.87**
Otus Capital Management	6.14%	0.54
Praude Asset Management	5.32%	0.47
Total	**100.00%**	**8.80**

Source: CFO SIM elaboration on company data

Business model & Strategy

The IWB business model is plain: **IWB purchases wine**, **must and grapes** from local producers. Then **the group's proprietary wineries produce wine and bottle the liquid**. Afterwards IWB **markets and distributes the bottles** through two different sales channels: wholesale and distance selling.

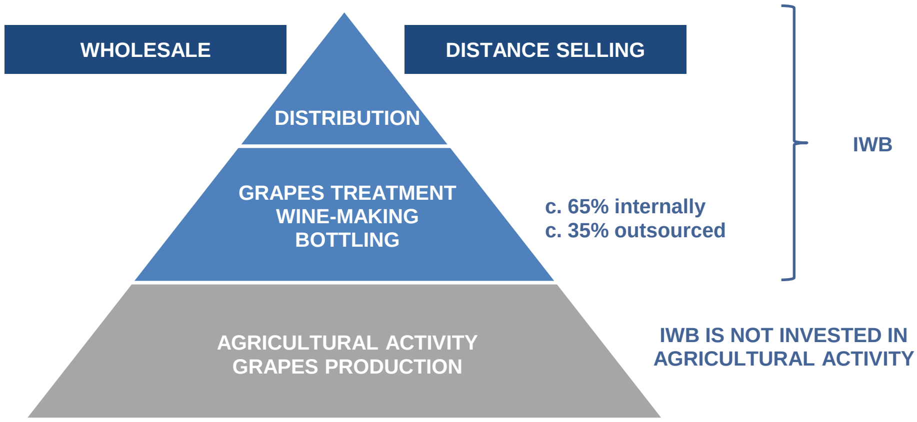
- **Wholesale** is focused on sale and distribution on international markets to mass retailers where it distributes both branded and privately labelled products.
- **Distance Selling** deals with the production and distribution of wine through mailing, telesales or online, addressed to end consumers in Italy, the UK, Germany, Switzerland, Holland, Austria, France and the USA.

IWB does not own vineyards, an asset characterised by the highest capital intensity in the business. IWB's business model is therefore extremely flexible and able to quickly respond to short-term changes in demand and it employs a relatively low amount of capital.

IWB's strategy can be defined as follow:

- **Foreign markets**: IWB aims to grow and consolidate its positioning abroad, in already known countries and in brand new markets, namely the US and Canada, where the perception of Italian wine leaves room for further growth.
- **Web sale channel**: currently, IWB is selling over 30% on the web (both through direct mailing and digital platforms). An expansion of this channel is set to produce a tangible positive impact in terms of WC optimisation (the customer pays by credit card as he/she orders, with - virtually - no credit risk) and simplification of order management.
- **Acquisitions**: following the acquisition of Enoitalia, IWB is currently the largest domestic player in the arena, excluding cooperatives, in a business where scale and volumes matter. Nevertheless, M&A scouting continues, potential targets are characterised by the same asset-light business model as IWB.

Chart 2 – IWB, wine business value pyramid



Source: CFO SIM elaboration on company data

SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable or unfavourable to achieving that objective.

- **Strengths**: characteristics of the business or project that give it an advantage over others.
- **Weaknesses**: characteristics that place the business or project at a disadvantage relative to others.
- **Opportunities**: elements that the project could use to its advantage.
- **Threats**: elements in the environment that could cause harm or be detrimental for the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60s'/70s' using Fortune 500 data.

S.W.O.T. Analysis

Strengths

- Amongst the **highest quality/price ratio** in the market
- **The largest domestic privately-owned wine group**
- B2C **huge customer database**
- **Lean operating structure** and well-proven logistic platform
- Skilled and motivated **top management**

Weaknesses

- Mature arena, **poor** market **growth rates**
- B2B segment: **bargaining power of important customers,** mitigated by IWB's leading position in the market

Opportunities

- **Web sale channel** expansion
- Penetration in **new foreign markets**
- **Free float in excess of 60%,** technically subject to takeover
- **Acquisitions** and/or **development agreements**

Threats

- **Changing consumer habits**, slowing demand
- Competition by **similar initiatives**

FY-22 Results

IWB reported mixed FY-22 results, with soaring top line driven by the consolidation of Enovation Brands and profitability dented by cost inflation (raw materials, services) and higher personnel expenses.

Table 2 – IWB, FY-22 results summary

€ m	2022	2021	% YoY	2022e	% Diff.
Net Revenues	**390.7**	**313.2**	***24.7***	**405.0**	***(3.5)***
Other Revenues	5.6	2.6		2.6	
Total Revenues	**396.2**	**315.9**	***25.4***	**407.6**	***(2.8)***
Purchasing	(271.2)	(204.4)		(269.0)	
Services	(71.4)	(64.2)		(81.7)	
Personnel	(21.8)	(15.3)		(20.6)	
Other operating expenses	(2.1)	(1.0)		(1.8)	
EBITDA	**29.7**	**31.0**	***(4.0)***	**34.5**	***(13.7)***
% margin	*7.5*	*9.8*		*8.5*	
D&A	(10.5)	(8.1)		(11.5)	
EBIT	**19.2**	**22.9**	***(16.1)***	**22.9**	***(16.3)***
% margin	*4.8*	*7.2*		*5.6*	
Financial income	1.5	0.6		0.2	
Financial charges	(7.0)	(4.5)		(5.3)	
Extraordinary	0.0	0.0		0.0	
Pre-Tax profit	**13.7**	**19.0**	***(27.7)***	**17.8**	***(23.2)***
% margin	*3.5*	*6.0*		*4.4*	
Income taxes	(2.7)	(4.4)		(3.6)	
Tax rate	*19.4%*	*23.4%*		*20.0%*	
Minorities	0.2	0.0		(0.3)	
Net Profit	**11.2**	**14.5**	***(22.6)***	**14.0**	***(19.6)***
% margin	*2.8*	*4.6*		*3.4*	
One-off adjustments	1.3	3.0		0.0	
EBITDA adjusted	**31.1**	**34.0**	***(8.7)***	**34.5**	***(9.9)***
% margin	*7.8*	*10.8*		*8.5*	
Net Profit Adjusted	**12.0**	**16.7**	***(28.0)***	**14.0**	***(13.9)***
% margin	*3.0*	*5.3*		*3.4*	
NFP Debt/(Cash)	**146.5**	**121.3**	***20.9***	**130.0**	***12.7***

Sources: Company data, CFO SIM

IWB reported FY-22 sales on a pro-forma basis at € 430.2m, up 5.2% YoY, confirming itself as the largest Italian privately-owned wine group. **Reported FY-22 total revenues reached € 396.8m, up 25.6% YoY slightly lower than our € 407.6m projection**. According to a rudimentary calculation, revenues showed a mid/high-single-digit decline YoY if we include PF sales for Enovation and Barbanera in 2021 too. In 2022 IWB completed two acquisitions: Enovation Brands (in January) and Barbanera (in November). The acquisition of Enovation Brands allowed IWB to strengthen the group's presence in the US and Canada, with a specific focus on supermarkets and the Ho.Re.Ca. segment. The acquisition of Barbanera, a well-established producer of premium wines in Tuscany, was an excellent strategic move in order to complete the group's presence in the most important Italian regions in the wine segment.

The wholesale segment rose by 1.4% YoY on a pro-forma basis, while organically it registered a decrease YoY, two-thirds of which related to the shortage of some raw materials, in particular glass, and the remainder as a consequence of lower demand for wine in large-scale retail trade. **The distance selling segment declined by 17.1% YoY** to € 68.5m, broadly in line with the pre-pandemic level (i.e. € 69.2m in 2019). In the 2020-21 period, direct sales to end customers benefited from the strong increase in home consumption, which is gradually declining in favour of out-of-home consumption thanks to the reopening of economic activities. The Ho.Re.Ca. segment more than doubled YoY thanks to the positive performance in the UK, the US and Canada.

EBITDA adj. reached € 31.1m (7.8% margin), down 8.7% vs. € 34.0m (10.8% margin) in FY-21, lower than our € 34.5m forecast. The decline in margin is due to 1) the **inflationary pressures** on purchasing glass (up 80% YoY), packaging, labels and caps only partially reflected, progressively, in prices; 2) **increased costs for utilities** (more than doubled from € 2.5m to € 5.6m YoY on a like for like basis) such as electricity and gas and 3) **higher personnel** costs stemming from the increased portion of internal production and new hirings in the commercial and sales department. **IWB chose, first of all, to preserve the relationship with its customers**, in a context made difficult not only by the increase in prices but also by the tension on supplies and the procurement difficulties, and only secondly to protect group margins.

The aforementioned price trends, coupled with the increase in D&A stemming from the acquisition of Enovation Brands and the higher financial charges linked to the € 130m bond issued in May-21, led to a **Net Profit adj. of € 12.0m**, lower than FY-21 as well as compared to our € 14.0m estimates. At the AGM, the BoD will propose the distribution of an € 0.10 cash dividend per share: ex-dividend date 2-May, record date 3-May and payment date 4-May.

Net financial position was € 146.5m negative, including € 17.0m of right of use liabilities deriving from the application of IFRS16, mainly stemming from the long-term lease agreement concerning the building used for logistics activities. The increase from € 121.3m debt at end-21 is mainly due to the € 33m outlay stemming from the M&A campaign.

Table 3 – IWB, FY-22 pro-forma results summary

€ m	2022PF	2021PF	% YoY	2022	2021	% YoY	2022e	% Diff.
Net Revenues	**430.3**	**408.9**	***5.2***	**390.7**	**313.2**	***24.7***	**405.0**	***(3.5)***
Total Revenues	**439.5**	**431.4**	***1.9***	**396.8**	**315.9**	***25.6***	**407.6**	***(2.6)***
Adj. EBITDA	**37.2**	**41.8**	***(11.1)***	**31.1**	**34.0**	***(8.7)***	**34.5**	***(9.9)***
% margin	*8.5*	*9.7*		*7.8*	*10.8*		*8.5*	
Adj. Net Profit	**15.2**	**20.5**	***(25.7)***	**12.0**	**16.7**	***(28.0)***	**14.0**	***(13.9)***
% margin	*3.5*	*4.7*		*3.0*	*5.3*		*3.4*	
NFP Debt/(Cash)	**146.5**	**121.3**	***20.9***	**146.5**	**121.3**	***20.9***	**130.0**	***12.7***

Sources: Company data, CFO SIM

FY-22 pro-forma revenues were € 430.3m vs. € 408.9m pro-forma in 2021. The pro-forma figure includes the consolidation of Enoitalia and Barbanera for 12 months. Considering the pro-forma figure, **exports accounted for almost 83%** of total revenues. Wholesale totalled € 303.5m (71% of total), Distance Selling generated € 68.5m (16% of total) and the Ho.Re.Ca. segment totalled € 56.9m (13% on total).

Table 4 – IWB, FY-22 pro-forma results breakdown by geography

€ m	2022PF	2021PF	%YoY
Domestic Revenues	73.5	75.7	*(2.9)*
Foreign Revenues	355.4	332.3	*6.9*
Other Revenues	1.4	0.9	*57.8*
Total Revenues	**430.3**	**408.9**	***5.2***
% on total revenues			
Domestic Revenues	*17.1*	*18.5*	
Foreign Revenues	*82.6*	*81.3*	
Other Revenues	*0.3*	*0.2*	
Total Revenues	***100.0***	***100.0***	

Sources: Company data, CFO SIM

Table 5 – IWB, FY-22 pro-forma results breakdown by distribution channel

€ m	2022PF	2021PF	%YoY
Wholesale	303.5	299.4	*1.4*
Distance selling	68.5	82.7	*(17.1)*
Ho.Re.Ca.	56.9	25.9	*n.m.*
Other Revenues	1.4	0.9	*57.8*
Total Revenues	**430.3**	**408.9**	***5.2***
% on total revenues			
Wholesale	*70.5*	*73.2*	
Distance selling	*15.9*	*20.2*	
Ho.Re.Ca.	*13.2*	*6.3*	
Other Revenues	*0.3*	*0.2*	
Total Revenues	***100.0***	***100.0***	

Sources: Company data, CFO SIM

Estimates, Valuation & Risks

In 2022, IWB had to face rising inflation with regard to raw materials, energy and logistics costs, only partially passed on to customers in order to preserve sales volumes. Furthermore, IWB experienced a prolonged shortage of glass bottles, which limited the number of deliveries. Organically, Wholesale's sales registered a tiny decrease, two-thirds of which related to the shortage of some inputs, in particular glass, and the remainder as a consequence of the lower demand for wine in large-scale retail trade. Distance selling declined to the pre-pandemic level.

In 2023, IWB revised upwards price lists with its key large clients, 90% of the contracts have now been updated with increased price lists introduced to **entirely absorb the dry goods price inflation occurred in 2022**. Moreover, in the course of 2023, IWB plans to set up a streamlining process aimed at simplifying the group's structure, in order to improve profitability.

Following the FY-22 results release and the current environment, characterised by the first timid evidence of easing tensions on the purchase prices of dry goods, energy and transportation, we **have fine-tuned our model factoring in a recovery of profitability** as of 2023. The combined result is an **average 7% and 9% decline in EBITDA and Net Profit, respectively, in 2023-24.** We have also introduced projections for 2025.

Table 6 – IWB, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Sales	**450.8**	**459.0**	*(1.8)*	**(8.2)**
EBITDA	**44.7**	**49.6**	*(9.9)*	**(4.9)**
% margin	*9.9*	*10.8*		
EBIT	**32.3**	**37.3**	*(13.3)*	**(4.9)**
% margin	*7.2*	*8.1*		
Net Profit	**20.5**	**24.1**	*(14.6)*	**(3.5)**
% margin	*4.6*	*5.2*		
Y/E net debt (net cash)	**122.7**	**114.0**	*7.7*	**8.7**

Sources: Company data, CFO SIM

Table 7 – IWB, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Sales	**460.5**	**469.2**	*(1.8)*	**(8.7)**
EBITDA	**50.6**	**52.5**	*(3.6)*	**(1.9)**
% margin	*11.0*	*11.2*		
EBIT	**38.2**	**40.1**	*(4.8)*	**(1.9)**
% margin	*8.3*	*8.5*		
Net Profit	**25.4**	**26.6**	*(4.2)*	**(1.1)**
% margin	*5.5*	*5.7*		
Y/E net debt (net cash)	**96.3**	**88.6**	*8.6*	**7.6**

Sources: Company data, CFO SIM

Moreover, CFO has updated the DCF valuation criteria, bringing the Free Risk Rate up to date and postponed the first valuation projection to 2023. The combined result is a **PT unchanged at € 33.00s, with an upside of 49.0%** at current prices.

Thanks to the strategic M&A deals completed in the last few years, IWB is now ready to sustain a medium-term growth thanks to: 1) its comprehensive offer in terms of both wines and sales channels, 2) a widespread presence worldwide and 3) its ability to properly manage the sourcing phase, by leveraging on a strong bargaining power with suppliers thanks to large-scale purchasing.

We believe IWB is now an even more appealing equity story: after a harsh period which is now behind us, where IWB preserved its customer base at the expense of margins, the group is ready to consolidate its positioning and light business model substantiating its cash flow generation capacity. **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 8 – WACC derived from:

Interest costs, pre-tax	3.0%
Tax rate	21.0%
Int. costs, after taxes	**2.4%**
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200d moving average)	4.00%
Beta levered (x)	1.00
Required ROE	**13.0%**

Source: CFO SIM

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

Table 9 – IWB, DCF model

€ m	2023e	2024e	2025e	2026e	2027e	Term. Val.
EBIT	32.3	38.2	41.7	44.3	46.7	
Tax rate	21.0%	21.0%	21.0%	21.0%	21.0%	
Operating profit (NOPAT)	**25.6**	**30.2**	**33.0**	**35.0**	**36.9**	
Change working capital	(1.2)	(1.3)	(0.0)	(0.0)	(0.1)	
Depreciation	12.4	12.4	12.7	7.3	2.0	
Investments	(8.2)	(8.2)	(8.2)	(5.1)	(2.0)	
Free Cash Flows	**28.5**	**33.1**	**37.4**	**37.2**	**36.8**	**484.5**
Present value	26.8	28.6	29.7	27.1	24.8	**325.5**
WACC	8.7%	8.7%	8.7%	8.7%	8.7%	
Long-term growth rate	**1.0%**					

Source: CFO SIM

Table 10 – IWB, DCF per share derived from:

€ m	
Total EV present value € m	462.4
thereof terminal value	*70.4%*
NFP last reported (debt)/cash	(146.5)
Pension provision last reported	(1.4)
Minorities (valued at 7.6x PER)	(3.0)
Equity value € m	**311.4**
#m shares (excl. treasury shares)	9.45
Equity value €/s	**33.00**
% upside/(downside)	*49.0%*

Source: CFO SIM

The outcome of our DCF model generated an equity value of € 311.4m for IWB, which corresponds **to € 33.00/s, with a potential upside of 49.0%**.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of € 28.370 – 38.50 (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 € 30.10 – 36.20 (free risk range of between 4.80% and 3.20%) and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value/s of € 26.40 – 41.90 (risk premium range of between 11.00% and 7.00%).

Table 11 – 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	137.0	137.0	137.0	137.0	137.0	137.0	137.0	137.0	137.0
PV of terminal value	285.1	294.3	304.1	314.4	325.5	337.2	349.8	363.3	377.9
Total value	**422.1**	**431.3**	**441.0**	**451.4**	**462.4**	**474.2**	**486.8**	**500.3**	**514.8**
NFP last reported	(146.5)	(146.5)	(146.5)	(146.5)	(146.5)	(146.5)	(146.5)	(146.5)	(146.5)
Pension provision last reported	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)
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	**271.1**	**280.3**	**290.0**	**300.4**	**311.4**	**323.2**	**335.8**	**349.3**	**363.8**
Equity value/share €	**28.70**	**29.70**	**30.70**	**31.80**	**33.00**	**34.20**	**35.50**	**37.00**	**38.50**

Source: CFO SIM

Table 12 – IWB, equity value sensitivity to changes in free risk rate

€ m	3.20%	3.40%	3.60%	3.80%	4.00%	4.20%	4.40%	4.60%	4.80%
Present value of CF	138.6	138.2	137.8	137.4	137.0	136.6	136.2	135.7	135.3
PV of terminal value	354.5	346.9	339.5	332.4	325.5	318.8	312.3	306.0	300.0
Total value	**493.2**	**485.1**	**477.3**	**469.7**	**462.4**	**455.3**	**448.5**	**441.8**	**435.3**
NFP last reported	(146.5)	(146.5)	(146.5)	(146.5)	(146.5)	(146.5)	(146.5)	(146.5)	(146.5)
Pension provision last reported	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)
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	**342.2**	**334.1**	**326.3**	**318.8**	**311.4**	**304.3**	**297.5**	**290.8**	**284.3**
Equity value/share €	**36.20**	**35.40**	**34.50**	**33.70**	**33.00**	**32.20**	**31.50**	**30.80**	**30.10**

Source: CFO SIM

Table 13 – 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	141.2	140.1	139.0	138.0	137.0	136.0	135.0	134.0	133.0
PV of terminal value	406.2	383.2	362.3	343.1	325.5	309.2	294.2	280.3	267.4
Total value	**547.4**	**523.3**	**501.3**	**481.1**	**462.4**	**445.2**	**429.2**	**414.3**	**400.4**
NFP last reported	(146.5)	(146.5)	(146.5)	(146.5)	(146.5)	(146.5)	(146.5)	(146.5)	(146.5)
Pension provision last reported	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)
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	**396.4**	**372.3**	**350.3**	**330.1**	**311.4**	**294.2**	**278.2**	**263.3**	**249.4**
Equity value/share €	**41.90**	**39.40**	**37.10**	**34.90**	**33.00**	**31.10**	**29.40**	**27.90**	**26.40**

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, Lauent 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, market growth is limited, to the tune of 2.6% for producers, and negative 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 2022-25.

Table 14 – IWB, peer group summary table

€ m	Mkt Cap	Wine % of Sales	Sales FY1	EBITDA FY1	EBITDA %	Sales $CAGR_{22-25}$	EBITDA $CAGR_{22-25}$	EBIT $CAGR_{22-25}$	EPS $CAGR_{23-25}$	NFP FY1	NFP/ EBITDA
Concha y Toro Winery Inc	847	98%	1,052	189	18.0%	2.6%	10.7%	13.5%	9.8%	378	2.0
Lanson BCC SA	237	100%	299	51	17.1%	1.7%	n.a.	n.a.	-1.9%	471	9.2
Laurent Perrier SA	687	100%	332	97	29.3%	3.0%	3.2%	2.6%	1.8%	256	2.6
Masi Agricola SpA	150	100%	79	12	14.6%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Schloss Wachenheim AG	120	91%	405	38	9.3%	2.7%	3.6%	4.8%	2.9%	(12)	n.m.
Treasury Wine Estates Ltd	5,824	92%	1,634	475	29.1%	3.5%	12.4%	15.9%	14.3%	631	1.3
Vranken Pommery Monopole	157	98%	329	51	15.4%	1.3%	n.a.	n.a.	16.1%	655	13.0
Wine producers median	**237**	**98%**	**332**	**51**	**17.1%**	**2.6%**	**7.1%**	**9.2%**	**6.4%**	**424**	**2.6**
Hawesko Holding AG	382		671	61	9.1%	2.9%	n.a.	n.a.	6.3%	43	0.7
Naked Wines PLC	84		387	21	5.5%	-3.3%	46.2%	89.7%	2.9%	(12)	n.m.
Wine distributors median	**233**		**529**	**41**	**7.3%**	**-0.2%**	**46.2%**	**89.7%**	**4.6%**	**15**	**0.7**
Italian Wine Brands SpA	**209**	**100%**	**451**	**45**	**9.9%**	**6.4%**	**22.3%**	**29.5%**	**18.8%**	**123**	**2.7**

Sources: CFO SIM, Refinitiv Eikon

Table 15 – 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	8.0	7.1	6.6	6.5	5.7	5.1	8.8	7.9	6.3
Lanson BCC SA	9.1	9.5	9.5	13.9	13.0	12.1	16.4	15.2	14.2
Laurent Perrier SA	12.7	13.0	12.3	9.7	9.9	9.6	11.2	11.2	10.6
Masi Agricola SpA	35.8	27.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Schloss Wachenheim AG	8.7	9.0	8.3	2.9	1.5	0.8	4.9	2.3	1.2
Treasury Wine Estates Ltd	25.2	21.3	19.2	13.6	12.1	11.1	17.1	14.9	13.4
Vranken Pommery Monopole	13.6	11.6	10.1	16.1	15.4	14.6	23.9	22.4	21.3
Wine producers median	**12.7**	**11.6**	**9.8**	**11.6**	**11.0**	**10.3**	**13.8**	**13.0**	**12.0**
Hawesko Holding AG	14.9	14.7	13.2	6.9	6.4	5.8	10.9	9.7	8.6
Naked Wines PLC	6.1	6.2	5.7	3.4	1.6	0.1	4.2	2.2	0.2
Wine distributors median	**10.5**	**10.5**	**9.4**	**5.1**	**4.0**	**2.9**	**7.5**	**6.0**	**4.4**
IWB	**10.2**	**8.2**	**7.2**	**7.4**	**6.0**	**5.0**	**10.2**	**8.0**	**6.6**
% prem.(disc.)to prod.	*-20.1%*	*-29.3%*	*-26.5%*	*-36.4%*	*-45.1%*	*-51.1%*	*-25.9%*	*-38.8%*	*-45.2%*
% prem.(disc.)to distr.	*-3.1%*	*-21.6%*	*-23.8%*	*44.3%*	*51.3%*	*71.5%*	*36.1%*	*33.8%*	*50.1%*

Sources: CFO SIM, Refinitiv Eikon

IWB trades at discount vs. wine producers median considering the EV/EBITDA and EV/EBIT multiples in 2023-25 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 € 38.30/s on 14-Apr-22 and a minimum price of € 20.16/s on 12-Oct-22.

Table 16 – IWB, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Concha y Toro Winery Inc	(0.9)	(1.7)	(8.1)	(8.7)	(5.2)	(7.0)	(17.4)
Lanson BCC SA	1.1	0.6	8.6	9.7	9.3	10.7	17.7
Laurent Perrier SA	1.8	(1.3)	(3.3)	(10.8)	18.9	(13.4)	22.1
Masi Agricola SpA	(0.4)	(0.4)	0.0	8.8	4.2	6.6	2.0
Schloss Wachenheim AG	0.7	0.7	(0.7)	(3.2)	(8.4)	(3.2)	(22.8)
Treasury Wine Estates Ltd	(1.1)	0.5	(4.7)	(3.1)	3.7	(4.2)	10.0
Vranken Pommery Monopole SA	2.0	3.5	(1.9)	5.7	9.3	4.8	2.6
Wine producers median	**0.7**	**0.5**	**(1.9)**	**(3.1)**	**4.2**	**(3.2)**	**2.6**
Naked Wines PLC	(0.2)	(4.7)	3.4	10.6	28.2	8.9	(11.4)
Hawesko Holding AG	(0.4)	6.0	(9.5)	(20.3)	17.3	(21.4)	(72.7)
Wine distributors median	**(0.4)**	**6.0**	**(9.5)**	**(20.3)**	**17.3**	**(21.4)**	**(72.7)**
IWB	**1.4**	**(0.4)**	**(12.8)**	**(20.0)**	**(3.5)**	**(19.3)**	**(36.9)**

Source: Refinitiv Eikon

Table 17 – IWB, reference sector index and Italian Market performances

	1D	1W	1M	3M	6M	YTD	1Y
FTSE Italia Growth	(0.8)	(1.6)	(7.8)	(4.7)	(3.5)	(4.7)	(23.6)
Refinitiv Food & Beverage	0.1	1.5	3.7	3.4	14.9	3.6	(5.9)
IWB	**1.4**	**(0.4)**	**(12.8)**	**(20.0)**	**(3.5)**	**(19.3)**	**(36.9)**

Source: Refinitiv 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**,
- **competition** by similar initiatives,
- slower than anticipated **integration with recent acquisitions,**
- **changing consumers habits,** slowing demand.

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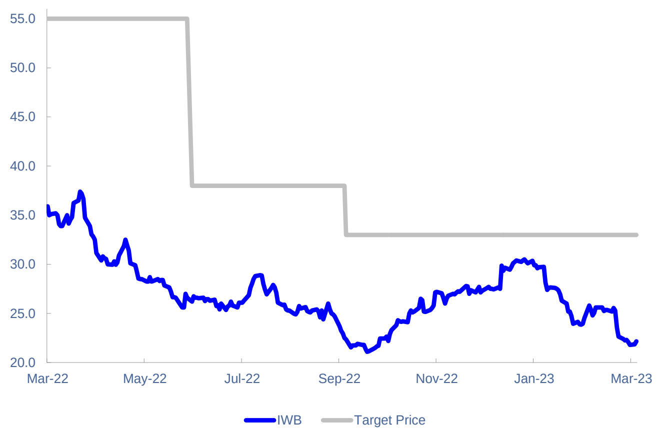

DATE	TARGET PRICE	RATING
29/03/2023	€33.00	BUY
02/03/2023	€33.00	BUY
02/02/2023	€33.00	BUY
25/11/2022	€33.00	BUY
20/09/2022	€33.00	BUY
27/06/2022	€38.00	BUY
30/03/2022	€55.00	BUY

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

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