Italy – Food and Beverage

Growing sales, margins rose more than proportionately

19th September 2023

H1-23 RESULTS RELEASE

RIC: ITWB.MI
BBG: IWB IM

In H1-23, IWB was able to grow despite a declining reference market affected by the reduction in wine consumption due to soaring inflation. In a challenging macroeconomic scenario, IWB gained market shares thanks to its geographical diversification and its presence in all distribution channels with an extremely vast product portfolio. Positive outlook for the second part of the year: focus on profitability and CF generation.

Rating:
Buy

Price Target:
€ 33.00

Upside/(Downside): 73.7%

Last Price: € 19.00

Market Cap.: € 179.1m

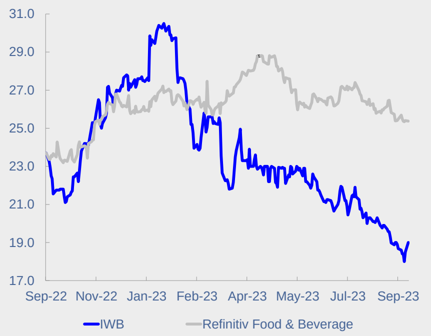
1Y High/Low: € 30.50 / € 17.64

Avg. Daily Turn. (3M, 6M): € 99k, € 154k

Free Float: 64.2%

Major shareholders:

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



Stock price performance

	1M	3M	12M
Absolute	-4.5%	-14.4%	-26.9%
Rel.to FTSE IT Growth	-2.1%	-8.9%	-19.8%
Rel.to EU Sector	-2.5%	-10.1%	-29.9%

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Estimates fine-tuned: Rating and PT confirmed

Despite a challenging macroeconomic scenario, marked by raising inflation and declining consumption, in H1-23 IWB was able to record organic sales growth coupled with a more than proportional margin progression. IWB expects the second part of the year to be characterised by higher sales and margins compared to H1. In particular, the list prices increases arranged with the majority of key customers will improve profitability, which will also be sustained by a few savings, mainly with respect to energy costs and dry goods. IWB's outlook for FY-23 envisages EBITDA and Net Profit between € 40-44m and € 15-18m, respectively. As a consequence, we have updated our model by factoring in: 1) a fine-tuning of top line growth by incorporating a different revenue mix; 2) almost unchanged assumptions with respect to profitability; 3) an increase in financial charges. The combined result is an average 3.5%, 4.2% and 18.2% decline in revenues, EBITDA, and Net Profit, respectively, in 2023-25. Moreover, we have updated our DCF valuation criteria. The combined result is an unchanged PT of € € 33.00/s, with an upside of 73.7% at current prices. Buy reiterated.

Organic sales were up by 2%, 11% including the companies acquired

IWB reported sales of € 196.8m, up by 11.0% YoY thanks to the consolidation of Barbanera coupled with 2% organic growth despite a declining wine market worldwide on the back the reduced spending power of consumers due to inflation. The wholesale channel contributed € 136.6m, up by 8.6% YoY thanks to 1) the increase in prices arranged with the main customers and 2) the acquisition of some new customers. Distance Selling totalled € 29.2m, down by 9.0% YoY, as a consequence of the repositioning of out-of-home consumption to the detriment of at-home consumption. The Ho.Re.Ca segment reached € 30.5m (€ 17.9m in H1-22), mainly thanks to the M&A activity, in particular Enovation Brands and Barbanera.

Adj. EBITDA margin up by +80bps to 8.7%. Adj. Net profit was € 5.4m

Adj. EBITDA was € 17.3m, 8.7% margin, up by +80bps YoY thanks to: 1) a stable incidence of the costs of raw materials driven by the group's ability to counterbalance the rise in prices with i) the arrangement of selective list prices increases with key customers and ii) the careful management of the purchasing process; 2) the reduction in energy costs compared to the peak recorded in 2022. EBIT grew by 21.8% YoY, reaching € 9.9m, 5.0% margin (+50 bps), as a result of the aforementioned increase in profitability and despite higher D&A on the back of the enlarged perimeter of the group. After soaring financial charges due to interest rate hikes, adj. Net Profit was € 5.4m, 2.7% margin, up by 28.0% YoY. NFP was € 154.2m debt, compared to € 156.4m in H1-22 and € 146.5m at year-end 2022. The increase compared to the year-end figure is mainly ascribable to inventory seasonality, which was offset by careful WC management.

IWB, key financials and ratios

€ m	2021	2022	2023e	2024e	2025e
Sales	313.2	390.7	435.4	444.3	453.5
Total Revenues	315.9	396.2	441.6	450.7	460.0
Adjusted EBITDA	34.0	31.1	42.4	48.3	53.0
EBITDA	31.0	29.7	42.4	48.3	53.0
EBIT	22.9	19.2	30.0	35.8	40.3
Net Profit	14.5	11.2	15.9	20.8	25.0
Adjusted Net Profit	16.7	12.0	15.9	20.8	25.0
NFP debt/(cash)	121.3	146.5	126.8	104.3	78.3
EPS adjusted FD	1.77	1.27	1.68	2.20	2.64
EPS adj. FD growth	-16.3%	-28.0%	31.8%	31.4%	19.9%
DPS ord. €/s	0.10	0.10	0.20	0.30	0.30
Dividend yield	0.5%	0.5%	1.1%	1.6%	1.6%
Free Cash Flow Yield	-49.4%	-13.0%	11.5%	13.6%	16.0%
PER adj. x	20.1	23.4	11.3	8.6	7.2
PCF x	34.0	10.8	6.2	5.5	4.9
EV/Sales x	1.3	0.7	0.4	0.4	0.4
EV/EBITDA adj. x	12.1	13.2	7.2	5.9	4.9
EV/EBIT x	18.0	21.3	10.2	7.9	6.4

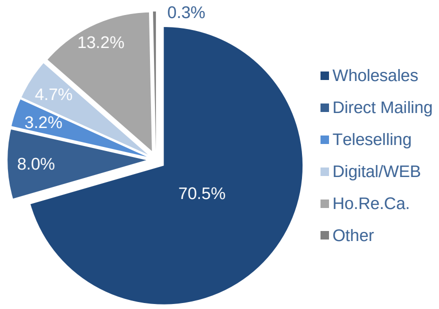
The company at a glance

Italian Wine Brands – IWB is a leading producer and distributor of Italian wines worldwide. IWB is amongst the largest domestic privately-owned wine groups thanks to massive organic growth coupled with several strategic acquisitions since its establishment. The group produces high quality wines in Italy's most prestigious winemaking regions, including Veneto (in particular, the Prosecco area), Tuscany and Piedmont where super-premium wines are produced, as well as Apulia. The group operates through three distribution channels, namely Wholesale, Distance Selling and Ho.Re.Ca., thus covering both the off- and on-trade (B2B) as well as the online (B2C) segments. In detail, IWB distributes both privately labelled and branded products (over 50 owned brands) in more than 80 countries in 5 continents. In 2022, the group sold over 180 million bottles.

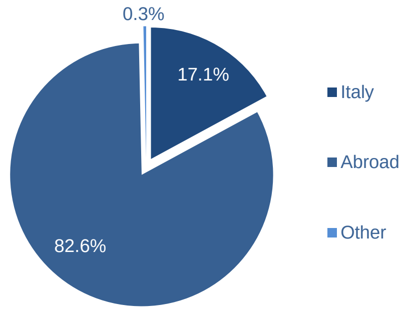
Since the group does not own any vineyards, raw materials (grapes, must and bulk wine) are procured from Italian wine producers and then processed in the group's proprietary wineries. IWB takes care of the key points of the value chain, namely winemaking, ageing, bottling, distribution, and marketing, thus keeping its business model extremely flexible and adaptable to market trends and customer behaviours.

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 channel and…



…by geography



Shareholder structure

	%	# m
Gruppo Pizzolo (ENOITALIA)	14.8%	1.40
Provinco	7.1%	0.67
Barbanera Family	7.0%	0.66
IPOC (promoters)	4.1%	0.39
SIP of Italy (promoters)	2.7%	0.25
Treasury Shares	0.1%	0.01
Free Float, o/w	**64.2%**	**6.08**
Otus Capital Management	5.7%	0.54
Praude Asset Management	5.0%	0.47
Total	**100.0%**	**9.46**

Source: Company data

Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Concha y Toro Winery Inc	(2.0)	1.4	(5.8)	12.2	10.1	2.2
Lanson BCC SA	0.3	3.3	1.1	(9.8)	8.3	19.2
Laurent Perrier SA	1.6	(0.8)	2.9	(2.7)	8.7	(6.3)
Masi Agricola SpA	0.0	(1.3)	2.2	2.4	(2.3)	4.3
Schloss Wachenheim AG	(0.6)	1.9	0.6	0.0	9.3	5.1
Treasury Wine Estates Ltd	(1.5)	(0.3)	(3.4)	(0.1)	(9.6)	(15.4)
Vranken Pommery SA	0.0	(3.5)	(5.4)	(12.2)	(2.7)	(1.8)
Wine producers median	**0.0**	**(0.3)**	**0.6**	**(0.1)**	**8.3**	**2.2**
Hawesko Holding SE	0.3	(3.9)	(3.6)	(14.4)	(22.5)	(12.0)
Naked Wines PLC	1.4	0.7	(0.7)	(35.1)	(21.3)	(44.8)
Wine distributors median	**1.4**	**0.7**	**(0.7)**	**(35.1)**	**(21.3)**	**(44.8)**
Italian Wine Brands SpA	**2.7**	**2.2**	**(4.5)**	**(14.4)**	**(14.6)**	**(30.8)**

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	11.1	8.7	8.2	8.8	7.3	6.9	11.6	9.4	9.0
Lanson BCC SA	7.7	7.4	6.9	11.8	11.1	10.6	13.7	12.6	12.1
Laurent Perrier SA	12.5	12.2	12.2	9.8	9.8	9.2	10.9	10.8	10.0
Masi Agricola SpA	34.3	27.3	25.0	14.1	11.9	n.a.	21.0	17.4	n.a.
Schloss Wachenheim AG	12.1	8.4	7.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	21.5	19.1	17.4	12.3	11.3	10.4	15.4	13.8	12.4
Vranken Pommery Monopole SA	13.4	11.3	9.8	15.3	14.5	14.3	21.5	20.4	20.0
Wine producers median	**12.5**	**11.3**	**9.8**	**12.1**	**11.2**	**10.4**	**14.5**	**13.2**	**12.1**
Hawesko Holding AG	14.2	12.1	10.7	6.1	5.4	4.9	9.9	8.4	7.3
Naked Wines PLC	5.7	5.1	n.a.	1.4	0.0	n.a.	2.4	0.0	n.a.
Wine distributors median	**10.0**	**8.6**	**10.7**	**3.7**	**2.7**	**4.9**	**6.1**	**4.2**	**7.3**
Italian Wine Brands SpA	**11.3**	**8.6**	**7.2**	**7.2**	**5.9**	**4.9**	**10.2**	**7.9**	**6.4**

Sources: CFO SIM, Refinitiv Eikon

Income statement (€ m)	2021	2022	2023e	2024e	2025e
Sales	313.2	390.7	435.4	444.3	453.5
Total Revenues	315.9	396.2	441.6	450.7	460.0
Purchasing	(204.4)	(271.2)	(286.2)	(287.1)	(289.8)
Services	(64.2)	(71.4)	(88.3)	(90.1)	(91.5)
Personnel	(15.3)	(21.8)	(22.7)	(23.1)	(23.6)
Other income / (expenses)	(1.0)	(2.1)	(2.0)	(2.1)	(2.1)
EBITDA	31.0	29.7	42.4	48.3	53.0
D&A	(8.1)	(10.5)	(12.4)	(12.4)	(12.7)
EBIT	22.9	19.2	30.0	35.8	40.3
Financials	(3.9)	(5.5)	(8.3)	(7.5)	(7.0)
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	19.0	13.7	21.7	28.4	33.3
Income taxes	(4.4)	(2.7)	(5.4)	(7.1)	(8.3)
Minorities	0.0	0.2	(0.4)	(0.4)	0.0
Net Profit	14.5	11.2	15.9	20.8	25.0
Adjusted EBITDA	34.0	31.1	42.4	48.3	53.0
Adjusted EBIT	25.9	20.5	30.0	35.8	40.3
Adjusted Net Profit	16.7	12.0	15.9	20.8	25.0

Balance sheet (€ m)	2021	2022	2023e	2024e	2025e
Net Working Capital	8.7	27.7	28.0	28.5	29.1
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)	(12.3)	(12.3)	(12.2)
Net Invested Capital	281.2	339.9	335.1	331.4	327.6
Net Financial Position	121.3	146.5	126.8	104.3	78.3
Minorities	0.0	(0.4)	0.0	0.5	0.5
Group's Shareholders Equity	160.0	193.7	208.2	226.7	248.9
Financial Liabilities & Equity	281.2	339.9	335.1	331.4	327.6

Cash Flow statement (€ m)	2021	2022	2023e	2024e	2025e
Total net income	14.5	11.2	15.9	20.8	25.0
Depreciation	8.1	10.5	12.4	12.4	12.7
Other non-cash charges	(4.6)	21.7	0.8	(0.1)	(0.1)
Cash Flow from Oper. (CFO)	18.0	43.5	29.0	33.2	37.6
Change in NWC	(9.4)	(19.0)	(0.3)	(0.6)	(0.6)
FCF from Operations (FCFO)	8.6	24.4	28.8	32.6	37.0
Net Investments (CFI)	(152.7)	(58.8)	(8.2)	(8.2)	(8.2)
Free CF to the Firm (FCFF)	(144.1)	(34.3)	20.6	24.4	28.8
CF from financials (CFF)	169.8	36.3	(0.9)	(12.3)	(12.7)
Free Cash Flow to Equity (FCFE)	25.7	1.9	19.6	12.1	16.1

Financial ratios	2021	2022	2023e	2024e	2025e
Adj. EBITDA margin	10.8%	7.8%	9.6%	10.7%	11.5%
EBIT margin	7.2%	4.8%	6.8%	7.9%	8.8%
Adj. Net profit margin	5.3%	3.0%	3.6%	4.6%	5.4%
Tax rate	23.4%	19.4%	25.0%	25.0%	25.0%
Op NWC/Sales	2.8%	7.1%	6.4%	6.4%	6.4%
Interest coverage x	0.20	0.37	0.29	0.22	0.19
Net Debt/Ebitda x	3.91	4.93	2.99	2.16	1.48
Debt-to-Equity x	0.76	0.76	0.61	0.46	0.31
ROIC	7.3%	3.6%	4.7%	6.3%	7.6%
ROCE	6.5%	4.7%	7.0%	8.2%	9.0%
ROACE	8.9%	5.0%	7.1%	8.3%	9.1%
ROE	11.0%	6.4%	7.9%	9.6%	10.5%
Payout ratio	6.5%	8.4%	11.9%	13.6%	11.4%

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	1.68	2.20	2.64
EPS reported FD €	1.53	1.19	1.68	2.20	2.64
EPS adjusted FD €	1.77	1.27	1.68	2.20	2.64
EBITDA FD €	3.28	3.14	4.49	5.10	5.60
EBIT FD €	0.06	0.16	0.04	0.05	0.06
FCFO FD €	0.91	2.58	3.04	3.45	3.91
FCFF FD €	(15.23)	(3.63)	2.18	2.58	3.04
FCFE FD €	2.72	0.21	2.08	1.28	1.70
Dividend €	0.10	0.10	0.20	0.30	0.30

H1-23 Results

IWB reported 2023 interim results characterised by growing revenues and a more than proportional margin progression. Top line increased thanks to organic growth coupled with the acquisition of Barbanera. It is worth noting that **IWB was able to grow despite a declining reference market** affected by the reduction in wine consumption as a consequence of soaring inflation. In a challenging macroeconomic scenario, IWB gained market shares thanks to its geographical diversification and its presence in all distribution channels with an extremely vast product portfolio.

IWB expects the second part of the year to be characterised by higher sales and margins compared to H1. In particular, the list prices increases arranged with most customers at the beginning of 2023 will improve profitability in H2, which will also be sustained by a few savings, mainly with respect to energy costs thanks to the constant decrease in prices and a new 1.5MW photovoltaic plant. In detail, for the full year 2023, **IWB expects EBITDA to be in the € 40-44m range** with a CF conversion rate to the tune of 50%, thus allowing the company to reduce net debt by approximately € 20-25m.

Table 1 – IWB, H1-23 results summary

€ m	H1-23	H1-22	% YoY
Sales	**196.8**	**177.3**	***11.0***
Other Revenues	1.6	3.1	
Total Revenues	**198.4**	**180.4**	***10.0***
Purchasing	(133.5)	(121.1)	
Services	(35.5)	(34.1)	
Personnel	(12.7)	(10.8)	
Other operating expenses	(0.5)	(0.5)	
EBITDA	**16.2**	**13.8**	***17.2***
% margin	*8.2*	*7.7*	
D&A	(6.3)	(5.7)	
EBIT	**9.9**	**8.1**	***21.8***
% margin	*5.0*	*4.5*	
Financial income	0.7	0.3	
Financial charges	(4.3)	(2.8)	
Pre-Tax profit	**6.2**	**5.6**	***11.6***
% margin	*3.1*	*3.1*	
Income taxes	(1.6)	(1.7)	
Tax rate	*26.2%*	*30.0%*	
Minorities	(0.0)	0.0	
Net Profit	**4.6**	**3.9**	***16.4***
% margin	*2.3*	*2.2*	
One-off adjustments	(1.0)	(0.4)	
Adjusted EBITDA	**17.3**	**14.2**	***21.4***
% margin	*8.7*	*7.9*	
Adjusted Net Profit	**5.4**	**4.2**	***28.0***
% margin	*2.7*	*2.3*	
NFP debt/(cash)	**154.2**	**156.4**	***(1.4)***

Sources: Company data, CFO SIM

In H1-23, **IWB reported sales of € 196.8m, up by 11.0% YoY** thanks to the consolidation of Barbanera (acquired in Nov-22) coupled with **organic growth to the tune of 2%** despite a declining wine market worldwide on the back the reduced spending power of consumers due to the inflationary pressure.

In terms of geography, **foreign sales soared by 15.3% YoY** with a particular boost in the US (+32.3% YoY) and Germany (+18.2% YoY), namely the two major end markets for Italian wine abroad. Growth was driven by the acquisition of new customers both in the Wholesale and Ho.Re.Ca. segments, as well as thanks to the M&A activity. Domestic sales declined by 4.2% YoY. Overall, Europe (excl. Italy) accounted for 71% of the group's sales, followed by Italy (16%), the US (10%) and the rest of the world (3%).

Table 2 – IWB, H1-23 sales breakdown by geography

€ m	H1-23	H1-22	% YoY
Domestic Sales	31.3	32.7	*(4.2)*
Foreign Sales	165.0	143.1	*15.3*
Other Sales	0.5	1.5	*(65.1)*
Total Sales	**196.8**	**177.3**	***11.0***
% on sales			
Domestic Sales	*15.9*	*18.4*	
Foreign Sales	*83.8*	*80.7*	
Other Sales	*0.3*	*0.8*	
Total Sales	***100.0***	***100.0***	

Sources: Company data, CFO SIM

With regard to the distribution channels:

- **Wholesale contributed € 136.6m, up by 8.6% YoY**, confirming itself as the main business segment of the group (69% of total). The main growth drivers were 1) the increase in prices arranged with key customers and 2) the acquisition of some new customers. In terms of types of wine, the main drivers were Prosecco (+5%), Ronco dei Sassi (+10%), and Grande Alberone (+2%).
- **Distance Selling totalled € 29.2m, down by 9.0% YoY**, as a consequence of the repositioning of out-of-home consumption to the detriment of at-home consumption. Within the distance selling segment, sales through digital channels remained broadly stable YoY (€ 8.7m vs € 8.9m in H1-22), direct mailing totalled € 14.3m (vs € 16.3m in H1-22), and teleselling declined by 10.9% YoY (€ 6.2m vs € 7.0m in H1-22).
- **Ho.Re.Ca. reached € 30.5m** compared to € 17.9m in H1-22, mainly thanks to the M&A activity, in particular Enovation Brands in the US and Barbanera in APAC. It is worth noting that, the Ho.Re.Ca. segment will be one of the main growth drivers for the group in the next years.

Table 3 – IWB, H1-23 sales breakdown by distribution channel

€ m	H1-23	H1-22	% YoY
Wholesale	136.6	125.8	*8.6*
Distance selling	29.2	32.1	*(9.0)*
Direct Mailing	*14.3*	*16.3*	*(12.2)*
Teleselling	*6.2*	*7.0*	*(10.9)*
Digital/WEB	*8.7*	*8.9*	*(1.9)*
Ho.Re.Ca	30.5	17.9	*n.a.*
Other	0.5	1.5	*(65.1)*
Total sales	**196.8**	**177.3**	***11.0***
% on sales			
Wholesale	*69.4*	*71.0*	
Distance selling	*14.9*	*18.1*	
Ho.Re.Ca	*15.5*	*n.a.*	
Other	*0.3*	*0.8*	
Total sales	***100.0***	***100.0***	

Sources: Company data, CFO SIM

Adjusted EBITDA was € 17.3m, 8.7% margin, **up by +80bps YoY** thanks to: 1) a stable incidence of the costs of raw materials driven by the group's ability to counterbalance the increase in prices with i) the arrangement of selective list prices increases with the main customers and ii) the careful management of the purchasing process, in particular with respect to dry items, with the exception of glass, the price of which is still high; 2) the reduction in energy costs compared to the peak recorded in 2022.

EBIT grew by 21.8% YoY, reaching € 9.9m, 5.0% margin (+50 bps), as a consequence of the aforementioned increase in profitability and despite higher D&A on the back of the enlarged perimeter of the group.

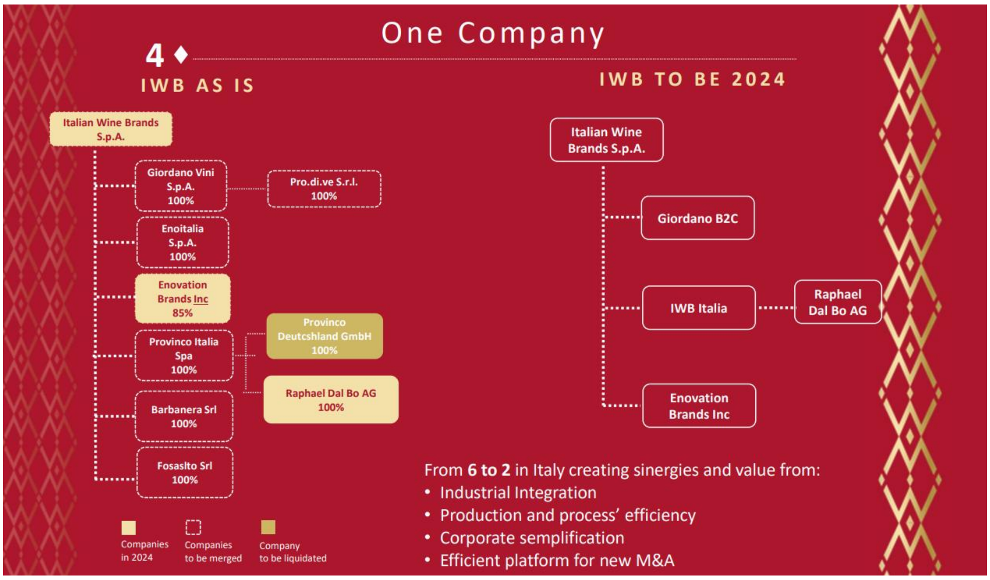
After soaring financial charges due to the rate hike started at the beginning of the year, **adjusted Net Profit was € 5.4m, 2.7% margin**, up by 28.0% YoY.

Net Financial Position was € 154.2m debt, slightly lower than € 156.4m at the end of Jun-22 and slightly higher than € 146.5m at year-end 2022. The increase compared to the year-end figure is mainly ascribable to inventory seasonality, which was offset by careful working capital management. Excluding IFRS16-related liabilities, NFP was € 138.5m debt compared to € 144.1m at the end of Jun-22 and € 129.5m debt at year-end 2022.

Corporate Reorganisation

As already mentioned during the release of the FY-22 results, IWB plans to implement a **streamlining process** aimed at simplifying the group's structure and, consequently, delivering significant savings. The goal is to aggregate the Italian activities into two companies, as opposed to the six companies existing today.

Chart 1 – IWB, corporate reorganisation



Sources: Company presentation

In detail, the reorganisation process requires: 1) a partial demerger of Giordano Vini SpA in favour of Enoitalia SpA and 2) the merger by incorporation of Provinco Italia SpA, Barbanera Srl and Fossalto Srl in Enoitalia SpA. The company resulting from the mergers will be renamed **IWB Italia SpA** and **its mission will be to provide all the production activities to all the group's companies and to serve the B2B channel**, namely the Wholesale and Ho.Re.Ca. segments.

As a consequence, **Giordano Vini SpA will focus only on selling directly to end customers** through a multi-channel approach (web, mailing, teleselling).

When fully operational, the new group structure could generate **savings to the tune of € 1.0m per year.**

Outlook, Estimates, Valuation & Risks

Despite the challenging macroeconomic scenario, marked by raising inflation and declining consumption, in the first half of 2023, IWB was able to record **organic growth in terms of revenues coupled with a more than proportional margin progression.**

The Italian wine industry is expected to experience a decline in demand in the short-term, partially counterbalanced by higher prices. In the medium-term, however, the wine consumption is anticipated to increase, reaching € 40.3bn in 2025 compared to € 31.3bn in 2018 (source ISMEA), mainly driven by North American and emerging countries as well as by the '*premiumisation*' trend. In terms of production, Coldiretti forecasts a drop of 14% YoY in 2023 because of an expected poorer harvest compared to 2022, with differences between Northern and Southern Italy, namely stable production in the North and more pronounced declines in the South. Nevertheless, an increase in the prices of bulk wine is not expected as the Italian wineries have significant amounts of stock as a result of the generous harvest of previous years and declining sale volumes. Furthermore, lower sell-out prices are expected in 2024, thus giving boost to sales volumes.

In this context, IWB enters the second part of the year with 1) prices revised upwards as arranged with all key large customers, 2) new commercial activities aimed at expanding the customer base, 3) a significant stock of raw materials, 4) a cross-sectional presence in all sales channels and 5) better purchasing conditions compared to H2-22, mainly with regard to energy costs and dry goods. As a combined result**, IWB's outlook for FY-23 envisages EBITDA between € 40-44m and Net Profit in the range of € 15-18m.** Furthermore, the group expects to improve cash-flow generation in H2, reducing net debt by € 20-25m.

Following the H1-23 results release and the guidance provided to the market, **we have updated our model** by factoring in: 1) a fine-tuning of top line growth by incorporating a different revenue mix, namely by increasing sales stemming from the Ho.Re.Ca. segment and slightly reducing Wholesale's and Distance Selling's total sales; 2) almost unchanged assumption with respect to profitability; 3) an increase in financial charges on the back of the recent rate hike. The combined result is an **average 3.5%, 4.2% and 18.2% decline in revenues, EBITDA, and Net Profit, respectively, in 2023-25.**

Table 4 – IWB, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	**441.6**	**457.2**	*(3.4)*	**(15.6)**
EBITDA	**42.4**	**44.7**	*(5.1)*	**(2.3)**
% margin	*9.6*	*9.8*		
EBIT	**30.0**	**32.3**	*(7.1)*	**(2.3)**
% margin	*6.8*	*7.1*		
Net Profit	**15.9**	**20.5**	*(22.8)*	**(4.7)**
% margin	*3.6*	*4.5*		
Y/E net debt (net cash)	**126.8**	**122.7**	*3.3*	**4.1**

Sources: CFO SIM

Table 5 – IWB, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	**450.7**	**467.1**	*(3.5)*	**(16.4)**
EBITDA	**48.3**	**50.6**	*(4.7)*	**(2.4)**
% margin	*10.7*	*10.8*		
EBIT	**35.8**	**38.2**	*(6.2)*	**(2.4)**
% margin	*7.9*	*8.2*		
Net Profit	**20.8**	**25.4**	*(18.1)*	**(4.6)**
% margin	*4.6*	*5.4*		
Y/E net debt (net cash)	**104.3**	**96.3**	*8.3*	**8.0**

Sources: CFO SIM

Table 6 – IWB, 2025e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	**460.0**	**477.2**	*(3.6)*	**(17.2)**
EBITDA	**53.0**	**54.4**	*(2.6)*	**(1.4)**
% margin	*11.5*	*11.4*		
EBIT	**40.3**	**41.7**	*(3.4)*	**(1.4)**
% margin	*8.8*	*8.7*		
Net Profit	**25.0**	**29.0**	*(13.8)*	**(4.0)**
% margin	*5.4*	*6.1*		
Y/E net debt (net cash)	**78.3**	**65.7**	*19.2*	**12.6**

Sources: CFO SIM

Moreover, CFO has updated the DCF valuation criteria, bringing the Free Risk Rate up to date. The combined result is an unchanged **PT of € 33.00/s, with an upside of 73.7%** at current prices. **Buy rating is reiterated**.

Thanks to its massive organic growth coupled with several strategic acquisitions since it was set up, **IWB is among the largest privately-owned wine groups in Italy.** IWB can now boast: 1) a comprehensive offer in terms of both wines and sales channels, 2) a deep and well-diversified portfolio of brands, 3) a widespread presence worldwide, and 4) the 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 over, where IWB preserved its customer base at the expense of margins, the group is ready to consolidate its positioning, confirming its cash flow generation capacity.

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 7 – WACC derived from:

Interest costs, pre-tax	3.0%
Tax rate	25.0%
Int. costs, after taxes	**2.3%**
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200d moving average)	4.20%
Beta levered (x)	1.00
Required ROE	**13.2%**

Source: CFO SIM

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

Table 8 – IWB, DCF model

€ m	2023e	2024e	2025e	2026e	2027e	Term. Val.
EBIT	30.0	35.8	40.3	43.3	46.4	
Tax rate	25.0%	25.0%	25.0%	25.0%	21.0%	
Operating profit (NOPAT)	**22.5**	**26.9**	**30.2**	**32.5**	**36.6**	
Change working capital	(0.3)	(0.6)	(0.6)	(0.3)	(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	**26.5**	**30.5**	**34.1**	**34.4**	**36.6**	**473.6**
Present value	25.9	27.4	28.1	26.1	25.5	**330.1**
WACC	8.8%	8.8%	8.8%	8.8%	8.8%	
Long-term growth rate	**1.0%**					

Source: CFO SIM

Table 9 – IWB, DCF per share derived from:

€ m	
Total EV present value € m	463.1
thereof terminal value	*71.3%*
NFP last reported (debt)/cash	(146.5)
Pension provision last reported	(1.4)
Minorities (valued at 7.6x PER)	(3.0)
Equity value € m	**312.1**
#m shares (excl. treasury shares)	9.45
Equity value €/s	**33.00**
% upside/(downside)	*73.7%*

Source: CFO SIM

The outcome of our DCF model generated an equity value of € 312.1m for IWB, which corresponds **to € 33.00/s, with a potential upside of 73.7%.**

The following tables illustrate that sensitivity, 1) compared to changes in the terminal growth rate produces an equity value per share of € 28.70 – 38.60 (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 € 30.20 – 36.20 (free risk range of between 5.00% and 3.40%) and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value/s of € 26.70 – 41.70 (risk premium range of between 11.00% and 7.00%).

Table 10 – 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	133.0	133.0	133.0	133.0	133.0	133.0	133.0	133.0	133.0
PV of terminal value	289.7	298.9	308.7	319.1	330.1	341.9	354.5	367.9	382.4
Total value	**422.6**	**431.9**	**441.6**	**452.0**	**463.1**	**474.8**	**487.4**	**500.9**	**515.4**
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	**271.6**	**280.9**	**290.6**	**301.0**	**312.1**	**323.8**	**336.4**	**349.9**	**364.4**
Equity value/share €	**28.70**	**29.70**	**30.80**	**31.90**	**33.00**	**34.30**	**35.60**	**37.00**	**38.60**

Source: CFO SIM

Table 11 – IWB, equity value sensitivity to changes in free risk rate

€ m	3.40%	3.60%	3.80%	4.00%	4.20%	4.40%	4.60%	4.80%	5.00%
Present value of CF	134.3	134.0	133.6	133.3	133.0	132.6	132.3	132.0	131.6
PV of terminal value	358.5	351.0	343.8	336.8	330.1	323.6	317.2	311.1	305.2
Total value	**492.8**	**485.0**	**477.4**	**470.1**	**463.1**	**456.2**	**449.5**	**443.1**	**436.8**
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	**341.8**	**334.0**	**326.4**	**319.1**	**312.1**	**305.2**	**298.5**	**292.1**	**285.8**
Equity value/share €	**36.20**	**35.30**	**34.50**	**33.80**	**33.00**	**32.30**	**31.60**	**30.90**	**30.20**

Source: CFO SIM

Table 12 – 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	136.3	135.5	134.6	133.8	133.0	132.1	131.3	130.5	129.7
PV of terminal value	408.7	386.4	366.0	347.3	330.1	314.2	299.5	285.8	273.1
Total value	**545.1**	**521.9**	**500.7**	**481.1**	**463.1**	**446.3**	**430.8**	**416.4**	**402.9**
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	**394.1**	**370.9**	**349.7**	**330.1**	**312.1**	**295.3**	**279.8**	**265.4**	**251.9**
Equity value/share €	**41.70**	**39.30**	**37.00**	**34.90**	**33.00**	**31.30**	**29.60**	**28.10**	**26.70**

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% 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 3% for both producers and 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 2023-25.**

Table 13 – 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	824	98%	990	141	14.3%	4.1%	5.5%	6.5%	16.6%	423	3.0
Lanson BCC SA	255	100%	294	62	21.1%	2.6%	3.8%	3.8%	5.9%	478	7.7
Laurent Perrier SA	744	100%	348	101	28.9%	3.3%	2.5%	2.2%	1.5%	246	2.4
Masi Agricola SpA	147	100%	74	12	15.5%	2.4%	9.5%	13.0%	17.1%	14	1.2
Schloss Wachenheim AG	131	91%	423	44	10.4%	1.3%	n.a.	n.a.	29.6%	n.a.	n.m.
Treasury Wine Estates Ltd	5,005	92%	1,532	463	30.2%	4.0%	7.3%	10.0%	11.1%	695	1.5
Vranken Pommery Monopole	147	98%	339	52	15.2%	3.9%	7.3%	7.7%	16.8%	639	12.4
Wine producers median	**255**	**98%**	**348**	**62**	**15.5%**	**3.3%**	**6.4%**	**7.1%**	**16.6%**	**451**	**2.7**
Hawesko Holding AG	309		673	61	9.0%	3.1%	5.1%	7.6%	15.4%	61	1.0
Naked Wines PLC	60		366	20	5.5%	n.a.	n.a.	n.a.	n.a.	(33)	n.m.
Wine distributors median	**184**		**520**	**41**	**7.3%**	**3.1%**	**5.1%**	**7.6%**	**15.4%**	**14**	**1.0**
Italian Wine Brands SpA	**179**	**100%**	**435**	**42**	**9.7%**	**5.1%**	**21.2%**	**28.0%**	**25.5%**	**127**	**3.0**

Sources: CFO SIM, Refinitiv Eikon

Table 14 – 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	11.1	8.7	8.2	8.8	7.3	6.9	11.6	9.4	9.0
Lanson BCC SA	7.7	7.4	6.9	11.8	11.1	10.6	13.7	12.6	12.1
Laurent Perrier SA	12.5	12.2	12.2	9.8	9.8	9.2	10.9	10.8	10.0
Masi Agricola SpA	34.3	27.3	25.0	14.1	11.9	n.a.	21.0	17.4	n.a.
Schloss Wachenheim AG	12.1	8.4	7.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	21.5	19.1	17.4	12.3	11.3	10.4	15.4	13.8	12.4
Vranken Pommery Monopole	13.4	11.3	9.8	15.3	14.5	14.3	21.5	20.4	20.0
Wine producers median	**12.5**	**11.3**	**9.8**	**12.1**	**11.2**	**10.4**	**14.5**	**13.2**	**12.1**
Hawesko Holding AG	14.2	12.1	10.7	6.1	5.4	4.9	9.9	8.4	7.3
Naked Wines PLC	5.7	5.1	n.a.	1.4	0.0	n.a.	2.4	0.0	n.a.
Wine distributors median	**10.0**	**8.6**	**10.7**	**3.7**	**2.7**	**4.9**	**6.1**	**4.2**	**7.3**
Italian Wine Brands SpA	**11.3**	**8.6**	**7.2**	**7.2**	**5.9**	**4.9**	**10.2**	**7.9**	**6.4**
% prem.(disc.)to prod.	*-10.0%*	*-24.0%*	*-26.8%*	*-40.3%*	*-47.4%*	*-53.2%*	*-30.0%*	*-40.1%*	*-47.3%*
% prem.(disc.)to distr.	*13.3%*	*-0.1%*	*-32.9%*	*93.8%*	*115.2%*	*-1.7%*	*66.3%*	*87.5%*	*-13.0%*

Sources: CFO SIM, Refinitiv Eikon

IWB trades at a discount vs. the wine producers' median considering the EV/EBITDA and EV/EBIT multiples in the 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 must 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 € 30.50/s on 23-Jan-23 and a minimum price of € 17.64/s on 13-Sep-23.

Table 15 – IWB, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Concha y Toro Winery Inc	(2.0)	1.4	(5.8)	12.2	10.1	2.2	0.2
Lanson BCC SA	0.3	3.3	1.1	(9.8)	8.3	19.2	16.3
Laurent Perrier SA	1.6	(0.8)	2.9	(2.7)	8.7	(6.3)	21.3
Masi Agricola SpA	0.0	(1.3)	2.2	2.4	(2.3)	4.3	(3.0)
Schloss Wachenheim AG	(0.6)	1.9	0.6	0.0	9.3	5.1	(4.6)
Treasury Wine Estates Ltd	(1.5)	(0.3)	(3.4)	(0.1)	(9.6)	(15.4)	(11.2)
Vranken Pommery Monopole SA	0.0	(3.5)	(5.4)	(12.2)	(2.7)	(1.8)	(2.4)
Wine producers median	**0.0**	**(0.3)**	**0.6**	**(0.1)**	**8.3**	**2.2**	**(2.4)**
Naked Wines PLC	0.3	(3.9)	(3.6)	(14.4)	(22.5)	(12.0)	(6.2)
Hawesko Holding AG	1.4	0.7	(0.7)	(35.1)	(21.3)	(44.8)	(29.9)
Wine distributors median	**1.4**	**0.7**	**(0.7)**	**(35.1)**	**(21.3)**	**(44.8)**	**(29.9)**
Italian Wine Brands SpA	**2.7**	**2.2**	**(4.5)**	**(14.4)**	**(14.6)**	**(30.8)**	**(26.9)**

Source: Refinitiv Eikon

Table 16 – IWB, reference sector index and Italian Market performances

	1D	1W	1M	3M	6M	YTD	1Y
FTSE Italia Growth	0.0	(1.7)	(2.5)	(5.5)	(6.2)	(6.7)	(7.1)
Refinitiv Food & Beverage	(0.1)	(1.2)	(2.0)	(4.4)	(3.8)	(2.1)	3.0
Italian Wine Brands SpA	**2.7**	**2.2**	**(4.5)**	**(14.4)**	**(14.6)**	**(30.8)**	**(26.9)**

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 consolidation process of recent acquisitions,
- changing consumer habits, slowing demand.

ANALYST CERTIFICATION

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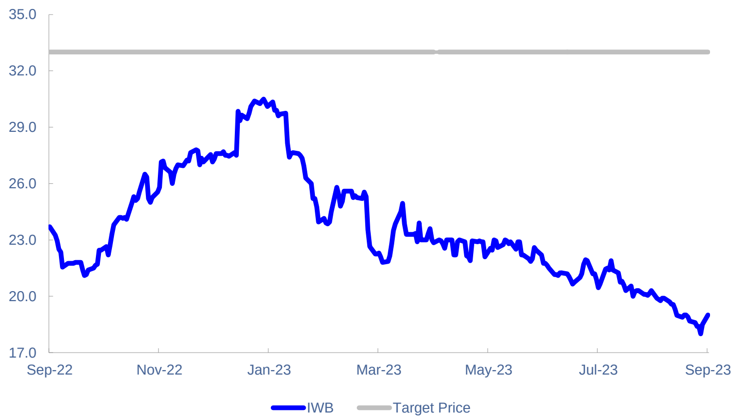

DATE	TARGET PRICE	RATING
19/09/2023	€33.00	BUY
30/05/2023	€33.00	BUY
29/03/2023	€33.00	BUY
02/03/2023	€33.00	BUY
02/02/2023	€33.00	BUY
25/11/2022	€33.00	BUY
20/09/2022	€33.00	BUY

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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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Iscrizione all'Albo delle Società
di Intermediazione Mobiliare n. 197
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Iscrizione al Registro Unico Intermediari
assicurativi n. D000627190

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