

Italy – Food and Beverage

Online wine seller valued 2.2x sales

8<sup>th</sup> June 2020

SECTOR NEWS

RIC: ITWB.MI  
BBG: IWB IM

The consolidation process in the industry goes on: Campari buys 49% of Tannico for € 23m, valuing the prey 2.2x Sales<sub>19</sub>. The transaction multiple entails a further unexpressed upside potential for IWB and corroborates it is following the correct strategy.

Rating:

**Buy**

Price Target:

**€ 20.00**

Upside/(Downside): 28.6%

Last Price: € 15.55

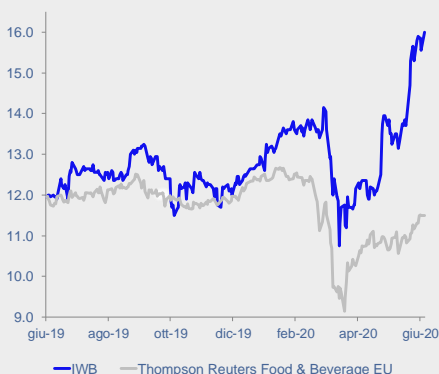
Market Cap.: € 115.6

1Y High/Low: € 16.25/€ 10.70

Free Float: 78.0%

Major shareholders:

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



Stock price performance

	1M	3M	12M
<b>Absolute</b>	<b>17.4%</b>	<b>14.3%</b>	<b>31.8%</b>
<b>Rel.to AIM Italia</b>	<b>6.5%</b>	<b>8.1%</b>	<b>35.2%</b>
<b>Rel.to EU Sector</b>	<b>12.2%</b>	<b>14.5%</b>	<b>34.3%</b>

Analysts:

Luca Arena  
+39 02 30343 395  
luca.arena@cfosim.com

Gianluca Mozzali  
+39 02 30343 396  
gianluca.mozzali@cfosim.com

**Campari pays € 23m for Tannico, 2.2x Sales<sub>19</sub>**

Established in 2013, Tannico is the domestic market leader in online sales of wines and premium spirits, with a market share in excess of 30%. With more than 7m unique visitors in the last 12 months, its selling proposition comprises of 14,000 wines from over 2,500 domestic and international wineries. In addition to wines, it sells high-end spirits. Originally operating as a pure B2C player, Tannico has progressively expanded into B2B, offering professional operators value-added services such as assortment and warehouse management as well as tailored delivery solutions, selling over 1.5m bottles last year to more than 100k customers within 24h in Italy and 2 weeks in the USA. 2019 revenues reached € 20.6m, 50% CAGR<sub>16-19</sub> with a strong acceleration in Q1-20, sustained by the COVID19 emergency, approximately reaching break-even at EBITDA. Since 2017, Tannico has expanded its footprint to more than 20 markets, including USA, Germany, UK, and France. Tannico had € 1.6m net cash as of Dec-19. The consideration for the 49% stake is € 23.4m, 2.2x Sales<sub>19</sub>.

**IWB € 13.4m online sales represent a possible further boost for B2B**

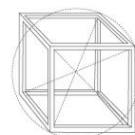
In 2019 IWB online revenues reached € 13.4m, o/w 70% outside Italy, 25% CAGR<sub>17-19</sub>, representing almost 9% of total sales. In the recent months, due to the acceleration driven by the plague spread, online revenues increased double digit, paving the way of a further consolidation in this trend. The additional expansion of IWB internet channel could pass via the penetration into the B2B, namely restaurants and hotels. This possible segmentation entails really tiny investments on a platform fully operational and already with a positive profitability. This move would go in the direction of the disintermediation of traditional wine distributors, to the advantage of large and bold producers. All for almost zero execution risk and significant upside.

**Once again, transaction multiple highlights IWB current undemanding valuation**

The purchase of Tannico by Campari, a sector player not a PE or VC, confirms IWB strategy is going in the right direction. In addition, it underlines shares continue to trade at unjustified, undemanding multiples: 6.6x and 5.6x EBITDA<sub>20-21</sub> vs. 7.5x and 7.1x of Hawesko and 15.5x and 13.9x of wine producers. IWB stays focused on cost control and external growth opportunities: IWB is still actively on the buy side, searching targets that display economic and balance sheet solidity, business structure coherence similar to IWB and presence in adjacent channels, to leverage on dimension and reach. In addition, on the back of the sector resiliency and renewed M&A excitement, the possibility of IWB being a target for a player aimed at exploiting synergies with the online and logistic platforms and client/product portfolio. Buy reiterated, 28.6% upside.

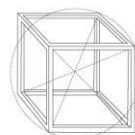
**IWB, key financials and ratios**

€ m	2018	2019	2020e	2021e	2022e
Sales	149.9	157.5	165.1	168.1	171.8
EBITDA adj.	14.6	18.1	19.3	20.9	22.2
EBITDA	13.4	16.3	19.3	20.9	22.2
EBIT adj.	11.1	13.5	14.5	16.1	17.5
EBIT	9.9	11.7	14.5	16.1	17.5
Net profit adj.	7.2	9.2	9.7	11.0	12.1
Net profit	6.4	7.9	9.7	11.0	12.1
NFP (cash)/debt	3.4	10.7	11.3	2.4	(9.0)
EPS adjusted FD	0.98	1.24	1.32	1.49	1.63
EPS adj. FD growth	-11.1%	26.9%	6.1%	12.8%	9.6%
DPS ord. €/s	0.40	0.50	0.41	0.47	0.51
Dividend yield	2.6%	3.2%	2.6%	3.0%	3.3%
Free Cash Flow Yield	3.4%	8.9%	2.7%	10.3%	12.8%
PER x	12.0	9.7	11.9	10.5	9.6
PCF x	12.4	61.5	60.7	53.4	50.4
EV/Sales x	0.6	0.6	0.7	0.7	0.7
EV/EBITDA x	6.2	5.5	6.6	5.6	4.8
EV/EBIT	8.2	7.4	8.8	7.3	6.1





Income statement (€ m)	2018	2019	2020e	2021e	2022e
Net Revenues	149.9	157.5	165.1	168.1	171.8
Purchasing	(87.2)	(91.2)	(94.5)	(95.5)	(97.1)
Services	(42.0)	(42.6)	(44.1)	(44.4)	(45.0)
Personnel	(8.3)	(7.7)	(8.2)	(8.3)	(8.4)
Other operating expenses	1.1	0.3	1.0	1.0	1.0
EBITDA adjusted	14.6	18.1	19.3	20.9	22.2
EBITDA	13.4	16.3	19.3	20.9	22.2
D&A	(3.5)	(4.6)	(4.8)	(4.8)	(4.7)
EBIT adjusted	11.1	13.5	14.5	16.1	17.5
EBIT	9.9	11.7	14.5	16.1	17.5
Financials	(1.1)	(1.2)	(1.1)	(1.1)	(1.0)
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	8.7	10.5	13.4	15.1	16.5
Income taxes	(2.4)	(2.6)	(3.6)	(4.1)	(4.5)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit adjusted	7.2	9.2	9.7	11.0	12.1
Net Profit	6.4	7.9	9.7	11.0	12.1
Balance sheet (€ m)	2018	2019	2020e	2021e	2022e
Net Working Capital	(4.7)	(1.8)	(1.1)	(1.3)	(1.5)
Net Fixed Assets	101.8	102.5	108.1	107.4	105.2
Equity Investments	0.0	10.9	11.5	11.4	11.1
Other M/L Term A/L	(9.4)	(11.6)	(11.9)	(11.9)	(11.9)
Net Invested Capital	87.7	99.9	106.6	105.6	102.9
Net Financial Position	3.4	10.7	11.3	2.4	(9.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	84.3	89.2	95.3	103.2	111.9
Financial Liabilities & Equity	87.7	99.9	106.6	105.6	102.9
Cash Flow statement (€ m)	2018	2019	2020e	2021e	2022e
Total net income	6.4	7.9	9.7	11.0	12.1
Depreciation	3.5	4.6	4.8	4.8	4.7
Other non-cash charges	(3.3)	1.1	0.3	(0.0)	0.0
Cash Flow from Oper. (CFO)	6.6	13.6	14.9	15.8	16.8
Change in NWC	0.4	(2.9)	(0.8)	0.2	0.2
FCF from Operations (FCFO)	7.0	10.7	14.1	16.0	17.0
Net Investments (CFI)	(4.0)	(2.8)	(11.0)	(4.1)	(2.2)
Free CF to the Firm (FCFF)	2.9	7.9	3.1	11.9	14.8
CF from financials (CFF)	5.6	(14.4)	(4.6)	(3.9)	(4.2)
Free Cash Flow to Equity (FCFE)	8.5	(6.5)	(1.5)	8.1	10.6
Financial ratios	2018	2019	2020e	2021e	2022e
EBITDA margin	9.0%	10.4%	11.7%	12.4%	12.9%
EBIT margin	6.6%	7.4%	8.8%	9.6%	10.2%
Net profit margin	4.2%	5.0%	5.9%	6.5%	7.0%
Tax rate	27.3%	24.8%	27.0%	27.0%	27.0%
Op NWC/Sales	-3.2%	-1.1%	-0.6%	-0.8%	-0.9%
Interest coverage x	0.12	0.12	0.09	0.08	0.07
Net Debt/Ebitda x	0.25	0.66	0.59	0.11	(0.40)
Debt-to-Equity x	0.04	0.12	0.12	0.02	(0.08)
ROIC	7.4%	8.4%	9.4%	10.4%	11.6%
ROCE	7.1%	8.1%	9.7%	10.3%	10.6%
ROACE	7.4%	8.3%	9.8%	10.5%	10.9%
ROE	7.7%	9.1%	10.6%	11.1%	11.2%
Payout ratio	46.6%	46.9%	31.0%	31.0%	31.0%
Per share figures	2018	2019	2020e	2021e	2022e
Final N. of shares # m	7.40	7.40	7.40	7.40	7.40
Average N. of shares # m	7.40	7.40	7.40	7.40	7.40
Final N. of shares (fully diluted) # m	7.40	7.40	7.40	7.40	7.40
EPS reported €	0.86	1.07	1.32	1.49	1.63
EPS reported FD €	0.86	1.07	1.32	1.49	1.63
EPS adjusted FD €	0.98	1.24	1.32	1.49	1.63
EBITDA FD €	1.81	2.20	2.61	2.83	3.00
EBIT FD €	0.01	0.03	0.02	0.03	0.03
FCFO FD €	0.94	1.44	1.91	2.16	2.30
FCFF FD €	0.40	1.06	0.41	1.61	2.00
FCFE FD €	1.15	(0.88)	(0.20)	1.09	1.43
Dividend €	0.40	0.50	0.41	0.47	0.51





## The company at a glance

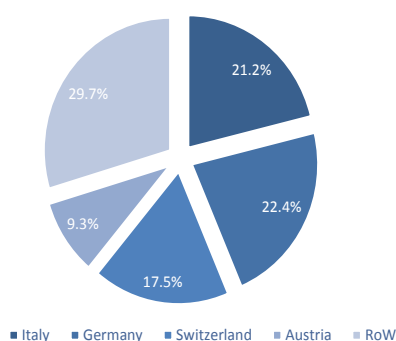
IWB (Italian Wine Brands) is the holding company of a leading producer and distributor in the Italian wine industry. The group operates through two channels: B2C and B2B.

B2C's activity deals with the production and distribution of wine through distance selling channels such as mailing, telesales or internet, addressed to end consumers in Italy, the UK, Germany, Switzerland, Holland, Austria, France and the USA. 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.

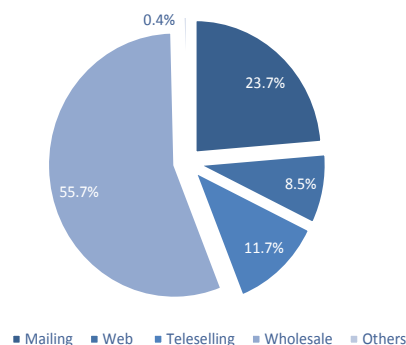
B2B is focused on sale and distribution in the international markets to mass retailers where it distributes both privately labelled and branded products. Both the bottling and the logistic activity are outsourced in order to make the supply operations faster, leaner and more efficient.

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

### 2019 revenues by country and...



### ...by channel



### Shareholder structure

	%	# m
Provinco	9.08%	0.67
IPOC	8.69%	0.64
Raphael Dal Bo	2.84%	0.21
Treasury Shares	1.36%	0.10
<b>Free Float, o/w</b>	<b>78.0%</b>	<b>5.78</b>
Otus Capital Management	10.20%	0.76
Praude Asset Management	6.33%	0.47
Axxion SA	4.27%	0.32
<b>Total</b>	<b>100.0%</b>	<b>7.40</b>

Source: company data

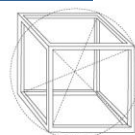
### Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Baron de Ley SA	5.1	5.1	4.0	(3.7)	(5.1)	(5.5)
Concha y Toro Winery Inc	0.5	4.3	(5.4)	(3.1)	(13.5)	(14.5)
Lanson BCC SA	2.0	0.0	(4.6)	(11.9)	(16.1)	(21.2)
Laurent Perrier SA	0.5	4.2	9.7	2.9	(1.2)	(4.1)
Masi Agricola SpA	0.4	(0.4)	3.0	(1.7)	(26.5)	(24.2)
Schloss Wachenheim AG	2.1	0.7	16.7	8.5	(8.7)	(9.0)
Treasury Wine Estates Ltd	0.8	10.6	8.5	6.8	(37.9)	(34.2)
Vranken Pommery Mon	0.4	5.3	(1.8)	(24.4)	(32.0)	(29.9)
<b>Wine producers median</b>	<b>0.6</b>	<b>4.3</b>	<b>3.5</b>	<b>(2.4)</b>	<b>(14.8)</b>	<b>(17.8)</b>
Hawesko Holding AG	4.1	(9.0)	(7.0)	7.4	(17.2)	(13.9)
Naked Wines PLC	(0.1)	(6.8)	10.6	77.7	89.4	76.1
<b>Wine distributors median</b>	<b>(0.1)</b>	<b>(6.8)</b>	<b>10.6</b>	<b>77.7</b>	<b>89.4</b>	<b>76.1</b>
<b>IWB</b>	<b>(1.9)</b>	<b>1.6</b>	<b>17.4</b>	<b>14.3</b>	<b>29.6</b>	<b>22.0</b>

### Peers group multiples table

Price & EV multiples x	PER FY1	PER FY2	PER FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Baron de Ley SA	16.7	18.8	n.a.	7.0	6.1	n.a.	9.3	8.0	n.a.
Concha y Toro Winery Inc	16.0	13.9	14.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Lanson BCC SA	14.9	16.5	14.1	27.7	30.0	26.6	38.5	43.1	36.9
Laurent Perrier SA	20.3	23.4	23.7	15.0	16.7	17.1	17.4	19.6	20.3
Masi Agricola SpA	n.s.	19.2	n.a.	16.3	8.7	n.a.	89.9	12.4	n.a.
Schloss Wachenheim AG	15.4	14.7	11.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	21.7	19.0	16.3	11.9	11.1	9.8	15.1	13.6	11.5
Vranken Pommery Mon. SA	22.8	62.6	35.8	25.0	26.6	23.8	45.2	41.5	35.9
<b>Wine producers median</b>	<b>16.7</b>	<b>18.9</b>	<b>15.2</b>	<b>15.7</b>	<b>13.9</b>	<b>20.5</b>	<b>27.9</b>	<b>16.6</b>	<b>28.1</b>
Hawesko Holding AG	15.5	14.3	13.0	7.5	7.1	5.9	12.2	11.4	10.2
Naked Wines PLC	n.s.	n.s.	n.s.	n.s.	44.0	26.6	n.s.	n.s.	43.6
<b>Wine distributors median</b>	<b>15.5</b>	<b>14.3</b>	<b>13.0</b>	<b>7.5</b>	<b>25.6</b>	<b>16.3</b>	<b>12.2</b>	<b>11.4</b>	<b>26.9</b>
<b>IWB</b>	<b>11.9</b>	<b>10.5</b>	<b>9.6</b>	<b>6.6</b>	<b>5.6</b>	<b>4.8</b>	<b>8.8</b>	<b>7.3</b>	<b>6.1</b>

Source: CFO Sim, Thomson Reuters Eikon



## ANALYST CERTIFICATION

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

## DISCLAIMER

This document has been drafted by CFO SIM, authorised by the Bank of Italy to provide investment services.

CFO SIM does not have a specific interest in either the issuer, the financial instruments or the transactions covered by the analysis.

The news and data used in this document come from information supplied to the public by the company concerned and/or from other documentation of public domain. CFO SIM is not liable for the accuracy, completeness, exactitude and impartiality of such news and data. This document has been drafted autonomously and independently and without the collaboration of the company analysed or of any company linked to the latter by shareholdings or control. This document has been prepared by the financial analysts of the Equity Research Department of CFO SIM, whose names are indicated therein. Luca Arena is an ordinary member of the Italian Association of Financial Analysts (AIAF). In no case can the company and the analysts, as authors of this document be held liable (culpably or otherwise) for damage stemming from use of the information or opinions set out therein. The purpose of this document is solely informative. The document cannot be reproduced directly or indirectly and redistributed to third parties, nor can it be published, either totally or in part, for any reason whatsoever. This document is not an invitation to purchase, nor is it intended to solicit the purchase or sale of the securities in question. The recipients of this document are formally bound to observe the constraints indicated above.

CFO SIM wishes to provide ongoing coverage of the stocks mentioned in this document, with a frequency depending on circumstances considered to be important (corporate events and changes of recommendation, etc.). CFO SIM acts as a Corporate Broker for IWB stock, listed on the AIM Italia. The next table shows the ratings issued on the stock in the last 12 months.



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

This document is distributed via electronic mail and fax as from the date indicated in the document itself and addressed to some 300 Italian and non-Italian professional investors. The document is available in electronic format at CFO SIM's Internet site, to Italian and non-Italian institutional investors, and/or in Borsa Italiana's Internet site.

## RATING SYSTEM

- 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% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

CORPORATE FAMILY OFFICE SIM S.p.A.  
Società di Intermediazione Mobiliare  
Capitale Sociale Euro 2.500.000,00 i.v.  
www.cfosim.com  
info@cfosim.com  
cfosim@legalmail.it

Aderente al Fondo Nazionale di Garanzia  
Iscrizione all'Albo delle Società  
di Intermediazione Mobiliare n. 197  
Delibera Consob n. 16216 del 13/11/2007  
Iscrizione al Registro Unico Intermediari  
assicurativi n. D000627190

N. Iscrizione al Registro delle imprese di Milano,  
Codice Fiscale e Partita IVA 13256570154  
REA 1633817  
Codice LEI 815600A451B54F577118  
Codice univoco: M5UXCR1

Via dell'Annunciata, 23/4 - 20121 Milano  
Viale della Libertà, 67 - 33170 Pordenone  
Via Angelo Moro, 83 - 20097 San Donato Milanese  
Viale G. Ribotta, 11 - 00144 Roma  
Via della Chimica, 5 - 30175 Venezia P.to Marghera  
Via Cefalonia, 70 - 25124 Brescia

Tel. +39 02 303431  
Tel. +39 0434 546711  
Tel. +39 02 25547300  
Tel. +39 06 45474500  
Tel. +39 041 2515200  
Tel. +39 030.8377311

