

Italy – Food and Beverage

IWB becomes the largest Italian privately-owned wine group

24<sup>th</sup> June 2021

ENOITALIA ACQUISITION

RIC: ITWB.MI  
BBG: IWB IM

IWB buys Enoitalia, doubling in size and becoming the largest Italian privately-owned wine group. The acquisition, whose price is lower than IWB's multiple, will entail a wider portfolio of products and brands, an expansion of the customer base, greater geographical diversification of sales, penetration into the ho.re.ca. segment and a doubling of volumes with significant potential production and commercial synergies.

Rating:

**Buy**

Price Target:

**€ 53.00 (€ 41.50)**

Upside/(Downside): 43.6%

Last Price: € 36.90

Market Cap.: € 273.1m

1Y High/Low: € 38.80/€ 13.75

Free Float: 66.3%

Major shareholders (post R.I.):

Gruppo Pizzolo (Enoitalia)	15.9%
Otus Capital Management	8.4%
Provinco Srl	7.6%
IPOC Srl	7.3%
Praude Assett Management	5.3%



Stock price performance

	1M	3M	12M
Absolute	12.2%	29.0%	142.8%
Rel.to AIM Italia	13.9%	26.3%	105.4%
Rel.to EU Sector	12.2%	18.3%	124.0%

Analysts:

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

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

**A game-changing acquisition also in terms of valuation: new PT at € 53.00 (€ 41.50)**

The acquisition of Enoitalia brings in a lot of value for IWB's shareholders. Enoitalia suits IWB perfectly in terms of geographical coverage and selling proposition. It creates a domestic champion poised to generate further significant value even considering only a tiny portion of the potential synergies that might arise. We upgrade our estimates by 54% and 35% in terms of EBITDA and Net Profit in 2021-23, respectively. New PT of € 53.00 (€ 41.50): Buy reiterated based on rather long-awaited news which did not disappoint even the highest expectations: paid for fairly cheaply and able to generate sizeable potential synergies, the acquisition has been value accretive from day one. An impeccable move!

**€ 150.5m cash for 100% of Enoitalia: 8.9x EBITDA<sub>20</sub>**

IWB purchases 100% of Enoitalia's share capital for a total consideration of € 150.5m, cash, equity value. The price corresponds to a valuation of Enoitalia of 8.9x EV/EBITDA, based on 2020 numbers. The Pizzolo family will reinvest part of the proceeds in IWB via the subscription of 1.4m newly issued IWB shares, stemming from a reserved capital increase, at a price of € 32.5 each, for a total amount of € 45.5m. As a result, the Pizzolo family will hold 15.9% of IWB's share capital, thus becoming the largest shareholder of IWB. This stake will be subject to a 36-month lock-up period.

**111m bottles sold in 2020 and a business model similar to IWB**

Founded in 1986 by the Pizzolo family, Enoitalia is one of the leading Italian wine producers with 111m bottles sold in 2020. Exports account for over 80% of total production and the company holds a significant competitive positioning in the production and distribution of prosecco (the second Italian producer) and sparkling and still wines. Revenues exceeded € 200m in 2020 with an EBITDA of € 17.1m corresponding to an 8.5% margin and a NFP of € 1.1m (ITA Gaap). Headquartered in Calmasino (Verona), Enoitalia owns state-of-the-art winemaking and bottling plants in Calmasino and Montebello Vicentino (Vicenza). The group does not own any vineyards.

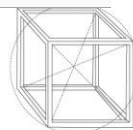
**The acquisition makes a lot of sense: significant potential revenue/cost synergies**

The combined entity will become Italy's leading privately-owned wine group with more than 170m bottles sold, a pro-forma consolidated turnover of € 405.1m and EBITDA of € 42.7m, 10.5% margin. The acquisition of Enoitalia will allow the group to 1) strengthen its positioning on international markets, particularly in the UK and the US where Enoitalia's sales amounts to € 68m and € 17m, respectively; 2) add new names to the client portfolio, enlarging its customer base with key international large-scale retail players; 3) reinforce its production and bottling capacity, in particular as to sparkling and semi-sparkling wines; 4) penetrate the ho.re.ca segment and 5) achieve sizeable revenue/cost synergies.

**IWB, key financials and ratios**

€ m	2019	2020	2021e	2022e	2023e
Sales	157.5	204.3	304.5	442.7	459.9
EBITDA adj.	18.1	25.6	35.5	49.1	52.1
EBITDA	16.3	23.6	35.5	49.1	52.1
EBIT adj.	13.5	20.2	28.8	39.6	42.0
EBIT	11.7	18.2	28.8	39.6	42.0
Net profit adj.	9.2	15.6	17.8	25.2	27.1
Net profit	7.9	14.2	17.8	25.2	27.1
NFP (cash)/debt	10.7	10.3	99.9	71.3	49.4
EPS adjusted FD	1.24	2.11	2.03	2.86	3.08
EPS adj. FD growth	26.9%	70.2%	-4.1%	41.1%	7.6%
DPS ord. €/s	0.50	0.25	0.61	0.86	0.93
Dividend yield	1.4%	0.7%	1.7%	2.3%	2.5%
Free Cash Flow Yield	10.5%	-0.6%	-40.1%	10.4%	9.1%
PER adj. x	8.1	6.1	18.2	12.9	12.0
PCF x	7.0	6.0	10.7	7.7	8.6
EV/Sales x	0.6	0.6	1.4	0.7	0.7
EV/EBITDA adj. x	5.5	4.8	12.0	8.1	7.2
EV/EBIT adj. x	7.4	6.1	14.7	10.0	8.9

*Multiples are calculated taking into consideration the mkt cap including the 1.4m right issue*





## The company at a glance

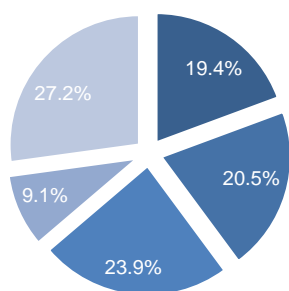
IWB (Italian Wine Brands) is the holding company of a leading producer and distributor in the Italian wine industry. The group operates through two channels: B2C and B2B.

The B2C activity deals with the production and distribution of wine through distance selling channels such as mailing, telesales and the internet, addressed to end consumers in Italy, the UK, Germany, Switzerland, Holland, Austria, France and the USA. The B2C division boasts a catalogue of over 140 different wines and *spumanti* as well as 130 traditional Italian food products. Since the group does not own any vineyards, raw materials (grapes, must and bulk wine) are procured from Italian vineyards and wine producers and then processed in the group's two proprietary wineries.

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

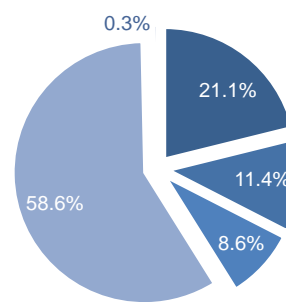
Sales reached € 204.3m in 2020, +29.7% YoY. The figure was characterised by a strong performance in both the B2B and B2C segments: B2B was up by 36.5%, including Raphael Dal Bo, and B2C increased by 21.3%, driven by digital channels. EBITDA adjusted for non-recurring items was € 25.6m, with 12.5% margin.

### 2020 revenues by country and...



■ Italy ■ Germany ■ Switzerland ■ Austria ■ RoW

### ...by channel



■ Mailing ■ Web ■ Teleselling ■ Wholesale ■ Others

### Shareholder structure (post rights issue)

	%	# 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	0.46%	0.04
<b>Free Float, o/w</b>	<b>66.30%</b>	<b>5.84</b>
Otus Capital Management	8.40%	0.74
Praude Asset Management	5.32%	0.47
<b>Total</b>	<b>100.00%</b>	<b>8.80</b>

Source: Company data

### Peer group absolute performance

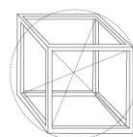
	1D	1W	1M	3M	6M	YTD
Concha y Toro Winery Inc	(0.7)	0.1	(0.3)	16.0	11.1	9.6
Lanson BCC SA	0.4	(0.8)	3.2	22.9	27.7	20.6
Laurent Perrier SA	0.0	(0.4)	9.0	21.0	27.6	25.9
Masi Agricola SpA	2.7	2.4	4.9	20.8	41.7	41.2
Schloss Wachenheim AG	2.1	1.6	8.5	22.4	29.1	26.5
Treasury Wine Estates Ltd	0.2	(1.2)	3.8	9.1	27.8	26.5
Vranken Pommery Mon.	(0.5)	(0.8)	0.0	2.5	24.4	23.1
<b>Wine producers median</b>	<b>0.1</b>	<b>(0.2)</b>	<b>3.5</b>	<b>18.4</b>	<b>27.6</b>	<b>24.5</b>
Hawesko Holding AG	2.9	5.2	8.9	26.2	27.9	27.6
Naked Wines PLC	0.6	4.1	(15.5)	1.3	12.7	7.3
<b>Wine distributors median</b>	<b>0.6</b>	<b>4.1</b>	<b>(15.5)</b>	<b>1.3</b>	<b>12.7</b>	<b>7.3</b>
<b>Italian Wine Brands SpA</b>	<b>(1.3)</b>	<b>16.4</b>	<b>12.2</b>	<b>29.0</b>	<b>86.4</b>	<b>77.4</b>

Source: Thomson Reuters Eikon

### Peer group multiples table

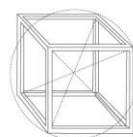
Price & EV multiples x	PER FY1	PER FY2	PER FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Concha y Toro Winery Inc	12.7	11.5	10.7	8.6	8.0	7.4	10.4	9.7	9.1
Lanson BCC SA	18.3	18.3	14.7	27.1	27.3	23.9	38.8	38.4	32.2
Laurent Perrier SA	23.4	19.7	18.1	18.0	15.5	13.6	21.4	18.2	15.8
Masi Agricola SpA	36.8	25.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Schloss Wachenheim AG	14.6	14.1	13.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	28.6	25.9	22.2	14.8	13.9	12.5	19.3	18.1	15.6
Vranken Pommery Monopole	69.3	20.0	15.0	21.3	18.3	17.1	34.9	29.0	26.5
<b>Wine producers median</b>	<b>23.4</b>	<b>19.9</b>	<b>14.7</b>	<b>17.6</b>	<b>14.7</b>	<b>13.0</b>	<b>28.1</b>	<b>22.2</b>	<b>19.5</b>
Hawesko Holding AG	19.0	19.0	18.3	8.9	8.7	8.1	13.6	13.4	12.5
Naked Wines PLC	n.m.	270.1	n.m.	n.m.	59.3	n.m.	n.m.	n.m.	n.m.
<b>Wine distributors median</b>	<b>19.0</b>	<b>144.6</b>	<b>18.3</b>	<b>8.9</b>	<b>34.0</b>	<b>8.1</b>	<b>13.6</b>	<b>13.4</b>	<b>12.5</b>
<b>IWB</b>	<b>18.2</b>	<b>12.9</b>	<b>12.0</b>	<b>12.0</b>	<b>8.1</b>	<b>7.2</b>	<b>14.7</b>	<b>10.0</b>	<b>8.9</b>

Source: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2019	2020	2021e	2022e	2023e
Net Revenues	157.5	204.3	304.5	442.7	459.9
Purchasing	(91.2)	(118.9)	(178.0)	(259.4)	(268.6)
Services	(42.6)	(53.3)	(79.4)	(115.8)	(120.5)
Personnel	(7.7)	(8.7)	(12.6)	(19.4)	(19.8)
Other operating expenses	0.3	0.2	1.0	1.0	1.0
EBITDA adjusted	18.1	25.6	35.5	49.1	52.1
EBITDA	16.3	23.6	35.5	49.1	52.1
D&A	(4.6)	(5.4)	(6.7)	(9.6)	(10.1)
EBIT adjusted	13.5	20.2	28.8	39.6	42.0
EBIT	11.7	18.2	28.8	39.6	42.0
Financials	(1.2)	(1.2)	(5.3)	(5.1)	(4.9)
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	10.5	17.0	23.5	34.5	37.1
Income taxes	(2.6)	(2.8)	(5.6)	(9.3)	(10.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit adjusted	9.2	15.6	17.8	25.2	27.1
Net Profit	7.9	14.2	17.8	25.2	27.1
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	(1.8)	(0.8)	(1.5)	(2.2)	(2.3)
Net Fixed Assets	102.5	117.4	259.6	258.4	256.7
Equity Investments	10.9	9.6	21.3	21.2	21.1
Other M/L Term A/L	(11.6)	(11.5)	(16.4)	(23.2)	(23.6)
Net Invested Capital	99.9	114.9	263.0	254.2	251.8
Net Financial Position	10.7	10.3	99.9	71.3	49.4
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	89.2	104.5	163.0	182.9	202.4
Financial Liabilities & Equity	99.9	114.9	263.0	254.2	251.8
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	7.9	14.2	17.8	25.2	27.1
Depreciation	4.6	5.4	6.7	9.6	10.1
Other non-cash charges	1.1	(2.7)	5.0	6.7	0.4
Cash Flow from Oper. (CFO)	13.6	16.9	29.5	41.4	37.6
Change in NWC	(2.9)	(1.1)	0.8	0.7	0.1
FCF from Operations (FCFO)	10.7	15.8	30.3	42.1	37.6
Net Investments (CFI)	(2.8)	(16.4)	(160.6)	(8.2)	(8.2)
Free CF to the Firm (FCFF)	7.9	(0.6)	(130.3)	33.9	29.4
CF from financials (CFF)	(14.4)	1.4	190.7	(9.2)	(11.3)
Free Cash Flow to Equity (FCFE)	(6.5)	0.8	60.4	24.7	18.1
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	10.4%	11.6%	11.7%	11.1%	11.3%
EBIT margin	7.4%	8.9%	9.5%	8.9%	9.1%
Net profit margin	5.0%	6.9%	5.9%	5.7%	5.9%
Tax rate	24.8%	16.7%	24.0%	27.0%	27.0%
Op NWC/Sales	-1.1%	-0.4%	-0.5%	-0.5%	-0.5%
Interest coverage x	0.12	0.08	0.20	0.14	0.13
Net Debt/Ebitda x	0.66	0.44	2.81	1.45	0.95
Debt-to-Equity x	0.12	0.10	0.61	0.39	0.24
ROIC	8.4%	13.2%	9.4%	9.7%	10.7%
ROCE	8.1%	11.5%	7.7%	10.0%	10.2%
ROACE	8.3%	12.0%	10.8%	10.3%	10.4%
ROE	9.1%	14.7%	13.3%	14.6%	14.1%
Payout ratio	46.9%	13.0%	30.0%	30.0%	30.0%
Per share figures	2019	2020	2021e	2022e	2023e
Final N. of shares # m	7.40	7.40	8.80	8.80	8.80
Average N. of shares # m	7.40	7.40	8.10	8.80	8.80
Final N. of shares (fully diluted) # m	7.40	7.40	8.80	8.80	8.80
EPS reported €	1.07	1.92	2.20	2.86	3.08
EPS reported FD €	1.07	1.92	2.03	2.86	3.08
EPS adjusted FD €	1.24	2.11	2.03	2.86	3.08
EBITDA FD €	2.20	3.19	4.03	5.58	5.91
EBIT FD €	0.03	0.03	0.05	0.07	0.08
FCFO FD €	1.44	2.14	3.44	4.79	4.28
FCFF FD €	1.06	(0.08)	(14.81)	3.85	3.34
FCFE FD €	(0.88)	0.10	6.86	2.81	2.06
Dividend €	0.50	0.25	0.61	0.86	0.93



## A game-changing acquisition

IWB announced the acquisition of Enoitalia, doubling in size and becoming the first Italian private wine group. The acquisition, whose price was lower than IWB's multiple, will entail a wider portfolio of products and brands, an expansion of the customer base, greater geographical diversification of sales, in particular in the large and lucrative US market, penetration into the ho.re.ca. segment and a doubling of volumes with significant production and commercial synergies.

## The target: ENOITALIA

Founded in 1986 by the Pizzolo family, **Enoitalia is the largest domestic privately-owned winery in terms of production with 111m bottles sold in 2020** and has been one of the top ten in terms of revenues for 5 years. Its focus is on production and distribution of branded sparkling wines (mainly Prosecco) and still white, rosé and red wines. **Exports account for over 80% of total production**: 80 countries across 4 continents: Europe, USA, Australia, and Asia. The VOGA Pinot Grigio is the top performing white wine in Canada. **The group has its direct importer in the USA, Enovation Brands**, based in Miami, outside the consolidation perimeter. The company holds a significant **competitive positioning in the production and distribution of prosecco**, as well as of sparkling and still wines. In terms of sales channels some **70% of top line is represented by off-trade** and the remainder by on-trade.

**Revenues exceeded € 200m in 2020 with an EBITDA of Euro € 17.1m corresponding to an 8.5% margin** and a NFP of € 1.1m (ITA Gaap). Headquartered in Calmasino (Verona), Enoitalia owns six state-of-the-art winemaking and bottling plants in Calmasino and Montebello Vicentino (Vicenza). In particular, in Calmasino the group owns vinification and bottling plants close to Verona, in the heart of the Veneto region, with a 24,000 sqm (8,000 of which covered) facility. In Montebello Vicentino, Enoitalia owns vinification plants (fully-renewed in 2017-18), autoclaves and bottling facilities, for a total area of 51,000 sqm, 25,000 of which are covered.

70% of revenues come from the UK, Italy, Germany and the USA, accounting respectively for 34% 19% 10% and 8% of consolidated turnover.

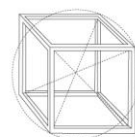
**Enoitalia's business model is similar to that of IWB**: an asset-light group, with no vineyards owned.

**Enoitalia is Italy's second largest producer of Prosecco, with over 40m bottles** produced, some of which are made from organic raw materials. Its consumption has constantly been growing over the last ten years, with production increasing from 142m to 500m bottles in ten years between 2010 and 2020. Consumption of Prosecco as well as of other sparkling white and rosé wines is anticipated to grow further in the next years.

**Table 1 – Enoitalia, pre-deal shareholder structure**

	% stake
Gruppo Pizzolo (family holding)	86.83%
Historical Shareholders:	13.17%
Giorgio Pizzolo	3.29%
Giuliano Pizzolo	3.29%
Floriano Pizzolo	3.29%
Rosalba Sinigaglia	3.29%
Chiara Pizzolo	3.29%
Laura Pizzolo	3.29%
<b>Total</b>	<b>100.00%</b>

Source: Company data



## The deal

**IWB purchases 100% of Enoitalia's share capital for a total consideration of € 150.5m**, cash, equity value, to be paid at the time of the closing, expected by the end of July-21. **The price corresponds to a valuation of the company of 8.9x EV/EBITDA, based on 2020 numbers**, lower than the valuation of 9.7x for IWB for the same year at the time of the deal announcement.

The Pizzolo family, through its holding, **Gruppo Pizzolo, will reinvest part of the proceeds in IWB** via the subscription of 1.4m newly issued IWB shares, stemming from a reserved capital increase, at a price of € 32.5 each, **for a total amount of € 45.5m**. This consideration represents more than 30% of the price paid to the Pizzolo family. As a result, the **Pizzolo family will hold 15.9% of IWB's share capital**, thus becoming the largest shareholder of IWB.

**Mr. Mutinelli will lead IWB as Chairman and CEO** and Mr. Giorgio Pizzolo will become Executive Vice President of IWB. Mr. Strocchi will remain as Vice President of the group and Mr. Quaranta will maintain his role as Managing Director.

At the closing, Gruppo Pizzolo and Provinco (Mr. Mutinelli's company and key group shareholder) will sign a shareholders' agreement according to which 1) the stake shall be subject to a 36-month lock-up period; 2) Gruppo Pizzolo and any family member shall not be allowed to buy IWB's shares on the market for the following 36 months; 3) Gruppo Pizzolo will appoint two IWB directors, one of whom shall be an executive director; 4) IWB shall be entitled to appoint the majority of Enoitalia's BoD and 5) Enoitalia will be managed by Mr. Giorgio Pizzolo as Chairman and CEO.

**Table 2 – IWB, old shareholder structure**

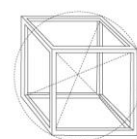
	% stake	# m shares
Provinco	9.08%	0.67
IPOC	8.69%	0.64
Raphael Dal Bo	2.84%	0.21
Treasury Shares	0.55%	0.04
<b>Free Float, o/w</b>	<b>78.84%</b>	<b>5.84</b>
Otus Capital Management	9.99%	0.74
Praude Asset Management	6.33%	0.47
<b>Total</b>	<b>100.00%</b>	<b>7.40</b>

Source: Company data

**Table 3 – IWB, new shareholder structure after capital increase**

	% stake	# m shares
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	0.46%	0.04
<b>Free Float, o/w</b>	<b>66.30%</b>	<b>5.84</b>
Otus Capital Management	8.40%	0.74
Praude Asset Management	5.32%	0.47
<b>Total</b>	<b>100.00%</b>	<b>8.80</b>

Source: Company data





## The combined entity

This acquisition allows IWB to become the first privately-owned wine group in Italy, excluding cooperatives. The move will entail a wider portfolio of products and brands, an expansion of the customer base, greater geographical diversification of sales, in particular in the large and lucrative US market, the penetration into the ho.re.ca. segment and a doubling of volumes with significant production and commercial synergies.

In terms of products, IWB has a strong expertise and competitive positioning in the red wine segment, whereas Enoitalia is leader in sparkling and white wines, with potential revenue synergies. Considering the geographical penetration, there is no overlap stemming from the integration. In particular, Enoitalia boasts its direct importer in the USA, Enovation Brands, based in Miami: this will allow IWB to directly penetrate this market, deeply interested in Italian wines, which translates into high margins. The combination will enrich the customer base with new large retail names and new ho.re.ca. customers.

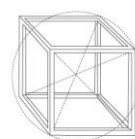
Table 4 – IWB, Enoitalia, IWB and combined entity 2020 revenues breakdown

€ m	ENO	€ m	IWB	€ m	IWB+ENO	% on Tot
UK	68.1	Switzerland	48.8	UK	92.4	23%
Italy	38.3	Germany	42.0	Italy	77.8	19%
Germany	19.3	Italy	39.5	Germany	61.3	15%
USA	16.9	UK	24.3	Switzerland	50.8	13%
Poland	7.8	Austria	18.5	Austria	19.3	5%
France	7.7	Belgium	6.6	USA	18.5	5%
Netherlands	5.7	France	5.8	France	13.5	3%
Canada	4.6	Denmark	5.0	Poland	8.9	2%
Ireland	3.7	Netherlands	1.7	Belgium	7.8	2%
Czech	3.1	USA	1.6	Netherlands	7.4	2%
Switzerland	2.0	Sweden	1.6	Denmark	6.5	2%
Denmark	1.5	Ireland	1.5	Canada	5.5	1%
Sweden	1.4	Poland	1.1	Ireland	5.2	1%
Belgium	1.2	Canada	0.9	Czech	3.1	1%
Slovakia	1.0	Czech	0.0	Sweden	3.0	1%
Austria	0.8	Slovakia	0.0	Slovakia	1.0	0%
Finland	0.8	Finland	0.0	Finland	0.8	0%
Others	16.9	Others	5.4	Others	22.3	6%
<b>Net Sales</b>	<b>200.8</b>	<b>Total</b>	<b>204.3</b>	<b>Total</b>	<b>405.1</b>	<b>100%</b>

Source: Company data

The move will strengthen internal vinification and bottling activities with sizeable potential synergies. Enoitalia produces internally 100% of its 111m bottles sold in 2020. IWB's internal production accounts for 33% of its 65m bottles sold last year. Moreover, additional available vinification and bottling capacity at Enoitalia amounts to 35/40m bottles, without significant expansion capex. The internalisation of production capacity is expected to allow better quality and logistic control, since production dedicated to the wholesale channel will be concentrated in Calmasino (Verona), whose logistics connections with Northern Europe are well deep-rooted and developed.

Overall cost savings might reach € 0.02/bottle, i.e. some € 3.0m on stream, as of 2023. On the other hand, sales synergies may be higher.



## Our view, estimates, valuation and risks

**The acquisition of Enoitalia brings in a lot of value for IWB's shareholders:** it is value accretive in terms of Net Profit already in year one. It creates a **domestic champion poised to generate further significant value** even considering only a tiny portion of the potential synergies that might arise from the combined entity. In our new estimates, we assumed the consolidation of Enoitalia for five months in 2021, as from 1-Aug, with the full impact on P&L in 2022. The price consideration paid and the impact of the € 45.5m reserved capital increase on the Pizzolo family will have their effects in 2021. The following table highlights our forecasts for Enoitalia. In 2021, we expect a partial € 10m recovery of the € 20m sales drop of the ho.re.ca. segment experienced in 2020. **Margins and top line assumptions are conservatively fair.**

**Table 5 – Enoitalia assumptions**

P&L € m	2020	2021e	2022e	2023e	CAGR <sub>20-23</sub>
<b>Revenues</b>	<b>200.8</b>	<b>210.8</b>	<b>215.1</b>	<b>221.5</b>	<b>3.3</b>
<b>EBITDA</b>	<b>17.1</b>	<b>18.1</b>	<b>18.7</b>	<b>19.3</b>	<b>4.1</b>
% margin	8.5	8.6	8.7	8.7	
D&A	(3.5)	(3.5)	(3.5)	(3.5)	
<b>EBIT</b>	<b>13.6</b>	<b>14.6</b>	<b>15.2</b>	<b>15.8</b>	<b>5.1</b>
% margin	6.8	6.9	7.1	7.1	
<b>Net Profit</b>	<b>8.7</b>	<b>9.5</b>	<b>10.0</b>	<b>10.4</b>	
% margin	4.3	4.5	4.6	4.7	

Source: Company data, CFO Sim

The result of the purchase of Enoitalia is an **upgrade of 54% and 35% in terms of EBITDA and Net Profit** in 2021-23, respectively.

**Table 6 – IWB, 2021e new/old estimates**

€ m	New*	Old	% Diff.	€ m Diff.
<b>Net Sales</b>	<b>304.5</b>	<b>216.7</b>	40.5	<b>87.9</b>
<b>EBITDA</b>	<b>35.5</b>	<b>27.9</b>	27.1	<b>7.6</b>
% margin	11.7	12.9		
<b>EBIT</b>	<b>28.8</b>	<b>22.7</b>	26.8	<b>6.1</b>
% margin	9.5	10.5		
<b>Net Profit</b>	<b>17.8</b>	<b>16.5</b>	8.3	<b>1.4</b>
% margin	5.9	7.6		
<b>Y/E net debt (net cash)</b>	<b>99.9</b>	<b>(3.2)</b>	n.m.	<b>103.1</b>

Source: Company data, CFO Sim, \* Enoitalia consolidated for 5 months

**Table 7 – IWB, 2022e new/old estimates**

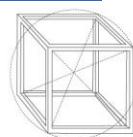
€ m	New	Old	% Diff.	€ m Diff.
<b>Net Sales</b>	<b>442.7</b>	<b>226.8</b>	95.2	<b>216.0</b>
<b>EBITDA</b>	<b>49.1</b>	<b>29.5</b>	66.8	<b>19.7</b>
% margin	11.1	13.0		
<b>EBIT</b>	<b>39.6</b>	<b>24.3</b>	62.8	<b>15.3</b>
% margin	8.9	10.7		
<b>Net Profit</b>	<b>25.2</b>	<b>17.1</b>	47.6	<b>8.1</b>
% margin	5.7	7.5		
<b>Y/E net debt (net cash)</b>	<b>71.5</b>	<b>(18.4)</b>	n.m.	<b>89.9</b>

Source: Company data, CFO Sim

**Table 8 – IWB, 2023e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Net Sales</b>	<b>459.9</b>	<b>236.5</b>	94.4	<b>223.4</b>
<b>EBITDA</b>	<b>52.1</b>	<b>30.9</b>	68.2	<b>21.1</b>
% margin	11.3	13.1		
<b>EBIT</b>	<b>42.0</b>	<b>25.9</b>	61.9	<b>16.1</b>
% margin	9.1	11.0		
<b>Net Profit</b>	<b>27.1</b>	<b>18.3</b>	47.9	<b>8.8</b>
% margin	5.9	7.7		
<b>Y/E net debt (net cash)</b>	<b>49.9</b>	<b>(34.6)</b>	n.m.	<b>84.4</b>

Source: Company data, CFO Sim



In our new estimates, we take into consideration **revenue and cost synergies to the tune of € 0.5cents/bottle for 2022 and of € 1cent/bottle for 2023**, when the majority of IWB's outsourcing contracts will be cancelled and the bulk of production will be carried out internally.

Moreover, CFO has updated the DCF valuation criteria, bringing the Free Risk Rate up-to-date. The combined result is a **new PT of € 53.00/s (€ 41.50), with an upside of 43.6%** at current prices.

**The buy rating is reiterated** based on rather long-awaited news which did not disappoint even the highest expectations: **paid for fairly cheaply and able to generate, sizeable potential synergies, the acquisition has been value accretive from day one**. Really an impeccable move!

## DCF

In the valuation via the DCF method, explicit estimates until 2025 and long-term growth of 1.0% were used. Cash flows were discounted back at a weighted average cost of capital calculated according to the following parameters:

**Table 9 – WACC derived from:**

Interest costs, pre-tax	2.5%
Tax rate	27.0%
<b>Int. costs, after taxes</b>	<b>1.8%</b>
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200d moving average)	0.86%
Beta levered (x)	1.00
<b>Required ROE</b>	<b>9.9%</b>

Source: CFO Sim

**Table 10 – IWB, DCF model**

€ m	2021e	2022e	2023e	2024e	2025e	Term. Val.
EBIT	28.8	39.6	42.0	44.5	46.5	
Tax rate	24.0%	27.0%	27.0%	27.0%	27.0%	
<b>Operating profit (NOPAT)</b>	<b>21.9</b>	<b>28.9</b>	<b>30.7</b>	<b>32.5</b>	<b>34.0</b>	
Change working capital	0.8	0.7	0.1	0.0	(0.1)	
Depreciation	6.7	9.6	10.1	7.0	4.0	
Investments	(8.2)	(8.2)	(8.2)	(6.1)	(4.0)	
<b>Free Cash Flows</b>	<b>21.2</b>	<b>30.9</b>	<b>32.6</b>	<b>33.4</b>	<b>33.9</b>	<b>605.7</b>
Present value	20.5	28.1	27.7	26.6	25.3	<b>452.8</b>
WACC	6.6%	6.6%	6.6%	6.6%	6.6%	
<b>Long-term growth rate</b>	<b>1.0%</b>					

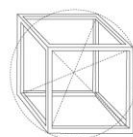
Source: CFO Sim

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

**Table 11 – IWB, DCF per share derived from:**

€ m	
Total EV present value € m	581.0
<i>thereof terminal value</i>	77.9%
Adj. NFP last reported (debt)/cash	(116.4)
Pension provision last reported	(0.6)
<b>Equity value € m</b>	<b>464.0</b>
#m shares (excl. treasury shares)	8.76
<b>Equity value €/s</b>	<b>53.00</b>
<i>% upside/(downside)</i>	43.6%

Source: CFO Sim





The application of the model produces an equity value of € 464.0m, which corresponds to € 53.00/s, with a potential upside of 43.6%.

The following tables illustrate that sensitivity, 1) if compared to changes in the terminal growth rate, produces an equity value per share of € 44.70 - 64.70 (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 € 46.60 - 59.60 (free risk range of between 1.86% and 0.00%) and, 3) if compared to changes in the risk premium, including small size premiums, it produces an equity value/s of € 41.40 - 70.80 (risk premium range of between 11.00% and 7.00%).

**Table 12 – 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	128.2	128.2	128.2	128.2	128.2	128.2	128.2	128.2	128.2
PV of terminal value	380.9	396.7	413.9	432.5	452.8	475.0	499.3	526.1	555.7
<b>Total value</b>	<b>509.1</b>	<b>525.0</b>	<b>542.1</b>	<b>560.8</b>	<b>581.0</b>	<b>603.2</b>	<b>627.5</b>	<b>654.3</b>	<b>683.9</b>
Adj. NFP last reported	(116.4)	(116.4)	(116.4)	(116.4)	(116.4)	(116.4)	(116.4)	(116.4)	(116.4)
Pension provision last reported	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
<b>Equity value</b>	<b>392.0</b>	<b>407.9</b>	<b>425.1</b>	<b>443.7</b>	<b>464.0</b>	<b>486.1</b>	<b>510.4</b>	<b>537.2</b>	<b>566.9</b>
<b>Equity value/share €</b>	<b>44.70</b>	<b>46.60</b>	<b>48.50</b>	<b>50.60</b>	<b>53.00</b>	<b>55.50</b>	<b>58.30</b>	<b>61.30</b>	<b>64.70</b>

Source: CFO Sim

**Table 13 – IWB, equity value sensitivity to changes in free risk rate**

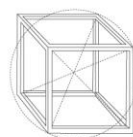
€ m	0.00%	0.11%	0.36%	0.61%	0.86%	1.11%	1.36%	1.61%	1.86%
Present value of CF	129.8	129.6	129.2	128.7	128.2	127.8	127.3	126.8	126.4
PV of terminal value	509.4	501.5	484.3	468.1	452.8	438.3	424.5	411.5	399.1
<b>Total value</b>	<b>639.2</b>	<b>631.2</b>	<b>613.5</b>	<b>596.8</b>	<b>581.0</b>	<b>566.1</b>	<b>551.8</b>	<b>538.3</b>	<b>525.4</b>
Adj. NFP last reported	(116.4)	(116.4)	(116.4)	(116.4)	(116.4)	(116.4)	(116.4)	(116.4)	(116.4)
Pension provision last reported	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
<b>Equity value</b>	<b>522.2</b>	<b>514.1</b>	<b>496.5</b>	<b>479.8</b>	<b>464.0</b>	<b>449.0</b>	<b>434.8</b>	<b>421.3</b>	<b>408.4</b>
<b>Equity value/share €</b>	<b>59.60</b>	<b>58.70</b>	<b>56.70</b>	<b>54.80</b>	<b>53.00</b>	<b>51.20</b>	<b>49.60</b>	<b>48.10</b>	<b>46.60</b>

Source: CFO Sim

**Table 14 – 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	132.0	131.1	130.1	129.2	128.2	127.3	126.4	125.5	124.6
PV of terminal value	605.2	559.7	519.7	484.3	452.8	424.5	399.1	376.0	355.0
<b>Total value</b>	<b>737.3</b>	<b>690.8</b>	<b>649.9</b>	<b>613.5</b>	<b>581.0</b>	<b>551.8</b>	<b>525.4</b>	<b>501.5</b>	<b>479.6</b>
Adj. NFP last reported	(116.4)	(116.4)	(116.4)	(116.4)	(116.4)	(116.4)	(116.4)	(116.4)	(116.4)
Pension provision last reported	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
<b>Equity value</b>	<b>620.2</b>	<b>573.7</b>	<b>532.8</b>	<b>496.5</b>	<b>464.0</b>	<b>434.8</b>	<b>408.4</b>	<b>384.4</b>	<b>362.5</b>
<b>Equity value/share €</b>	<b>70.80</b>	<b>65.50</b>	<b>60.80</b>	<b>56.70</b>	<b>53.00</b>	<b>49.60</b>	<b>46.60</b>	<b>43.90</b>	<b>41.40</b>

Source: CFO Sim



## Market multiples

In the sample, we have included 9 peers operating in wine production and distribution. What characterises our sample is almost total turnover stemming from wine sales: from 91.2% of Schloss Wachenheim to 100% of Lanson, Laurent Perrier and Masi. It comprises of: **Concha y Toro Winery (ES)**, **Lanson (FR)**, **Laurent Perrier (FR)**, **Masi Agricola (IT, listed on the Milan AIM)**, **Schloss Wachenheim (D)**, **Treasury Wine Estates (AU)**, and **Vranken Pommery Monopole (FR)**. In addition, we have included two players involved purely in wine distribution: **Hawesko (D)** and **Naked Wine (UK)**.

As one can see from these figures, growth on offer for the market is limited, to the tune of 4.5% for producers, and 7.9% for distributors. IWB is amongst the smallest in terms of market capitalization and turnover. However, it offers much higher projected profitability growth than the median for wine producers in 2021-23.

Table 15 – IWB, peers group summary table

€ m	Mkt Cap	Wine % of Sales	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR <sub>20-23</sub>	EBITDA CAGR <sub>20-23</sub>	EBIT CAGR <sub>20-23</sub>	EPS CAGR <sub>21-23</sub>	NFP	NFP/EBITDA
Concha y Toro Winery Inc	1,112	97.6%	858	166	19.3%	3.2%	2.1%	3.1%	9.2%	312	1.9
Lanson BCC SA	183	100.0%	255	27	10.4%	6.6%	11.8%	17.3%	11.8%	534	20.2
Laurent Perrier SA	561	100.0%	225	48	21.3%	10.8%	n.a.	n.a.	13.7%	301	6.3
Masi Agricola SpA	110	100.0%	60	9	15.0%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Schloss Wachenheim AG	151	91.2%	343	37	10.9%	2.9%	4.6%	6.5%	3.5%	n.a.	n.a.
Treasury Wine Estates Ltd	5,430	91.7%	1,585	418	26.4%	-0.7%	7.3%	10.6%	13.5%	731	1.7
Vranken Pommery Monopole	162	97.6%	260	39	14.9%	5.8%	9.0%	14.7%	114.8%	664	17.1
<b>Wine producers median</b>	<b>183</b>	<b>97.6%</b>	<b>260</b>	<b>39</b>	<b>15.0%</b>	<b>4.5%</b>	<b>7.3%</b>	<b>10.6%</b>	<b>12.7%</b>	<b>534</b>	<b>6.3</b>
Hawesko Holding AG	507		647	67	10.4%	3.5%	2.1%	1.6%	2.1%	93	1.4
Naked Wines PLC	614		429	(3)	-0.6%	12.3%	n.m.	n.m.	n.a.	(68)	27.1
<b>Wine distributors median</b>	<b>560</b>		<b>538</b>	<b>32</b>	<b>4.9%</b>	<b>7.9%</b>	<b>2.1%</b>	<b>1.6%</b>	<b>2.1%</b>	<b>13</b>	<b>14.2</b>
<b>Italian Wine Brands SpA</b>	<b>273</b>	<b>100%</b>	<b>305</b>	<b>36</b>	<b>11.7%</b>	<b>31.1%</b>	<b>30.2%</b>	<b>32.1%</b>	<b>23.2%</b>	<b>100</b>	<b>2.8</b>

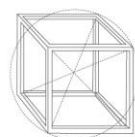
Source: CFO Sim, Thomson Reuters Eikon

Table 16 – IWB, 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
Concha y Toro Winery Inc	12.7	11.5	10.7	8.6	8.0	7.4	10.4	9.7	9.1
Lanson BCC SA	18.3	18.3	14.7	27.1	27.3	23.9	38.8	38.4	32.2
Laurent Perrier SA	23.4	19.7	18.1	18.0	15.5	13.6	21.4	18.2	15.8
Masi Agricola SpA	36.8	25.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Schloss Wachenheim AG	14.6	14.1	13.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	28.6	25.9	22.2	14.8	13.9	12.5	19.3	18.1	15.6
Vranken Pommery Monopole	69.3	20.0	15.0	21.3	18.3	17.1	34.9	29.0	26.5
<b>Wine producers median</b>	<b>23.4</b>	<b>19.7</b>	<b>14.8</b>	<b>18.0</b>	<b>15.5</b>	<b>13.6</b>	<b>21.4</b>	<b>18.2</b>	<b>15.8</b>
Hawesko Holding AG	19.0	19.0	18.3	8.9	8.7	8.1	13.6	13.4	12.5
Naked Wines PLC	n.m.	270.1	n.m.	n.m.	59.3	n.m.	n.m.	n.m.	n.m.
<b>Wine distributors median</b>	<b>19.0</b>	<b>144.6</b>	<b>18.3</b>	<b>8.9</b>	<b>34.0</b>	<b>8.1</b>	<b>13.6</b>	<b>13.4</b>	<b>12.5</b>
<b>IWB</b>	<b>18.2</b>	<b>12.9</b>	<b>12.0</b>	<b>12.0</b>	<b>8.1</b>	<b>7.2</b>	<b>14.7</b>	<b>10.0</b>	<b>8.9</b>
% prem.(disc.)to prod.	-22.1%	-34.5%	-19.2%	-33.6%	-48.1%	-47.0%	-31.0%	-45.1%	-43.7%
% prem.(disc.)to distr.	-4.4%	-91.1%	-34.3%	34.2%	-76.3%	-11.7%	8.4%	-25.2%	-28.6%

Source: CFO Sim, Thomson Reuters Eikon, multiples take into consideration the mkt cap including the 1.4m right issue

**IWB trades at a unjustified discount** vs. peer medians – producers and distributors – considering the PER and both EV/EBITDA and EV/EBIT multiples in 2022/23. This can be partially explained by its lower size, its trading volumes and its listing on AIM Italia. 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 the **Milan Alternative Investment Market (AIM)** on **29-Jan-15** at € 10/share, corresponding to a post-money market capitalization of € 65.7m, through the innovative pre-booking company **IPO Challenger**, whose investors/ex-bondholders were reimbursed in kind with IWB's listed shares and warrants, thus becoming direct shareholders (i.e. the company's free float). The stock reached a 1Y maximum level of € 38.80/s on 23-Jun-21 and a minimum price of € 13.75/s on 10-Jul-20.

**Table 17 – IWB, peers group absolute performance**

	1D	1W	1M	3M	6M	YTD	1Y
Concha y Toro Winery Inc	(0.7)	0.1	(0.3)	16.0	11.1	9.6	7.2
Lanson BCC SA	0.4	(0.8)	3.2	22.9	27.7	20.6	35.8
Laurent Perrier SA	0.0	(0.4)	9.0	21.0	27.6	25.9	15.1
Masi Agricola SpA	2.7	2.4	4.9	20.8	41.7	41.2	45.3
Schloss Wachenheim AG	2.1	1.6	8.5	22.4	29.1	26.5	28.2
Treasury Wine Estates Ltd	0.2	(1.2)	3.8	9.1	27.8	26.5	14.9
Vranken Pommery Monopole SA	(0.5)	(0.8)	0.0	2.5	24.4	23.1	37.6
<b>Wine producers median</b>	<b>0.2</b>	<b>(0.4)</b>	<b>3.8</b>	<b>20.8</b>	<b>27.7</b>	<b>25.9</b>	<b>28.2</b>
Naked Wines PLC	2.9	5.2	8.9	26.2	27.9	27.6	61.1
Hawesko Holding AG	0.6	4.1	(15.5)	1.3	12.7	7.3	95.1
<b>Wine distributors median</b>	<b>0.6</b>	<b>4.1</b>	<b>(15.5)</b>	<b>1.3</b>	<b>12.7</b>	<b>7.3</b>	<b>95.1</b>
<b>IWB</b>	<b>(1.3)</b>	<b>16.4</b>	<b>12.2</b>	<b>29.0</b>	<b>86.4</b>	<b>77.4</b>	<b>142.8</b>

Source: Thomson Reuters Eikon

**Table 18 – IWB, reference sector index and Italian Market performances**

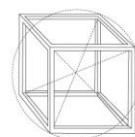
	1D	1W	1M	3M	6M	YTD	1Y
FTSE AIM All Share	0.7	(1.1)	(1.7)	2.7	10.5	6.4	37.3
Thomson Reuters Food & Beverage	0.3	(1.3)	(0.0)	10.8	11.4	9.3	18.8
<b>IWB</b>	<b>(1.3)</b>	<b>16.4</b>	<b>12.2</b>	<b>29.0</b>	<b>86.4</b>	<b>77.4</b>	<b>142.8</b>

Source: Thomson Reuters Eikon

## Risks

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

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



## 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.

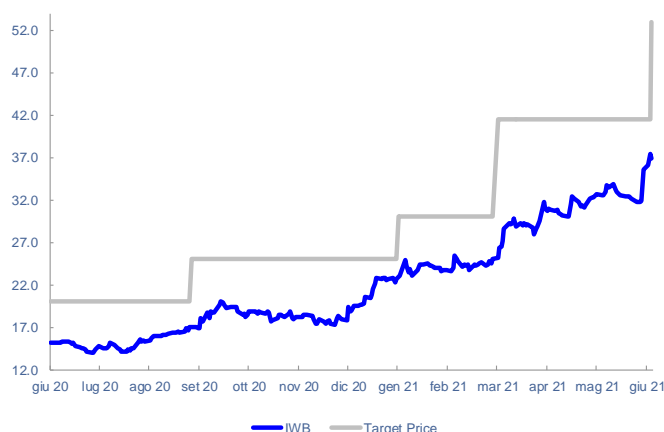
## DISCLAIMER

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
24/06/2021	€53.00	BUY
22/03/2021	€41.50	BUY
22/01/2021	€30.00	BUY
04/12/2020	€25.00	BUY
18/09/2020	€25.00	BUY
08/06/2020	€20.00	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.

