

Italy – Food and Beverage

A strategic deal confirming IWB as a solid international wine group

11th January 2022

ENOVATION BRANDS ACQUISITION

RIC: ITWB.MI
BBG: IWB IM

IWB buys 85% of Enovation Brands, a long-standing importer of Italian wines in North America, for \$ 22.0m, corresponding to 8.1x EV/EBITDA. This is unquestionably an excellent strategic move in order to further penetrate the appealing US market, in addition to exploiting interesting cross-selling and upselling opportunities.

Rating:

Buy

Price Target:

€ 61.00 (€ 58.00)

Upside/(Downside): 50.6%

Last Price: € 40.50

Market Cap.: € 357.6m

1Y High/Low: € 49.30 / € 21.80

Avg. Daily Turn. (3M, 6M): € 546k, € 576k

Free Float: 66.7%

Major shareholders:

Gruppo Pizzolo (Enoitalia)	15.9%
Provinco Srl	7.6%
IPOC Srl	7.3%
Otus Capital Management	6.1%
Praude Assett Management	5.3%



Stock price performance

	1M	3M	12M
Absolute	-2.4%	-4.9%	77.6%
Rel.to FTSE IT Growth	-1.8%	-1.7%	78.4%
Rel.to EU Sector	-3.8%	-11.4%	67.8%

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Estimates updated, new PT at € 61.00 (€ 58.00), 50.6% upside. Buy reiterated

We believe that IWB was able to negotiate a very appealing transaction multiple, also considering the potential revenue synergies the group may exploit quite easily in the short term. Following the acquisition of Enovation Brands we have updated our model in order to consolidate the company starting from Apr-22. Moreover, we have fine-tuned our organic estimates for the 2022-23 period in order to factor in an increase in the purchase price of certain raw materials (grapes, wine and bottles) and in energy costs. The combined result is an average 2.6% increase in consolidated sales and 3.8% reduction in EBITDA in 2022-23. Moreover, we have updated the DCF valuation criteria, bringing the Free Risk Rate up to date, resulting in a new PT of € 61.00/s (€ 58.00), 50.6% upside to current price levels.

A long-standing US-based importer of Italian wines with several proprietary brands

Enovation Brands, based in Miami, is an importer of Italian wines in North America owning several proprietary brands, well known in the US market, such as Voga®, Luna di Luna® and Gemma di Luna®. It has a capillary distribution network in North America and Canada managed by local managers and agents, covering both supermarkets and the Ho.Re.Ca. segment. The trailing twelve months ranging from Jun-20 to Jun-21 showed revenues of \$ 32.2m (82% of which generated in US and 18% in Canada), with an adjusted EBITDA of \$ 3.2m (10% margin) and a reported net profit of \$ 3.4m. NFP as of 30-Jun-21 was \$ 0.1m.

IWB buys 85% of Enovation Brands for \$ 22.0m, 8.1x adjusted EV/EBITDA

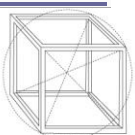
IWB signed an agreement for the acquisition of 85% of Enovation Brands for \$ 22.0m, entirely financed by cash. The price agreed entails a transaction multiple of 8.1x adjusted EV/EBITDA. The firm is currently 45% owned by Giovanni and Alberto Pecora, co-founders and managers of the company, and 55% by Norima, a holding company attributable to the Pizzolo family (previous Enoitalia owner). In addition, 20% of the price is subject to the achievement of an EBITDA higher than \$ 3.2m in the 2022-23 period. Finally, an earn-out mechanism has been set in favour of the managers upon reaching strongly positive results by the end of FY-24.

The deal increases IWB's presence in US. Significant potential revenue synergies

The integration of Enovation Brands within the group will definitely allow IWB to penetrate the US market, which is by far the main market for Italian wines abroad. IWB expects immediate revenue synergies as Enovation will unquestionably benefit from upselling opportunities by also distributing to its existing customers red wines produced in the group's wineries in Apulia and Piedmont. Furthermore, IWB will also be able to offer Enovation Brands' products at a global level by leveraging the group's strong commercial network. In terms of cost management, possible cost synergies may arise from increasing purchased volumes at a group level, somewhat reducing the procurement price of raw materials.

IWB, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Sales	157.5	204.3	304.5	455.4	471.0
EBITDA adj.	18.1	25.6	35.5	45.0	55.0
EBITDA	16.3	23.6	35.5	45.0	55.0
EBIT adj.	13.5	20.2	28.8	34.8	44.4
EBIT	11.7	18.2	28.8	34.8	44.4
Net profit adj.	9.2	15.6	17.8	23.4	30.3
Net profit	7.9	14.2	17.8	23.4	30.3
NFP (cash)/debt	10.7	10.3	99.9	91.3	65.1
EPS adjusted FD	1.24	2.11	2.03	2.65	3.45
EPS adj. FD growth	26.9%	70.2%	-4.1%	31.0%	29.9%
DPS ord. €/s	0.50	0.25	0.61	0.80	1.04
Dividend yield	1.2%	0.6%	1.5%	2.0%	2.6%
Free Cash Flow Yield	10.5%	-0.6%	-36.6%	3.9%	9.3%
PER adj. x	8.1	6.1	20.0	15.3	11.7
PCF x	7.0	6.0	11.8	8.6	8.6
EV/Sales x	0.6	0.6	1.5	0.8	0.8
EV/EBITDA adj. x	5.5	4.8	12.9	10.0	7.7
EV/EBIT adj. x	7.4	6.1	15.9	12.9	9.5



The company at a glance

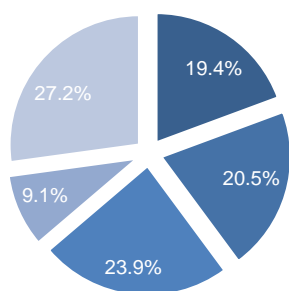
IWB (Italian Wine Brands) is the holding company of a leading producer and distributor in the Italian wine industry. The group operates through two channels: B2C and B2B.

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.

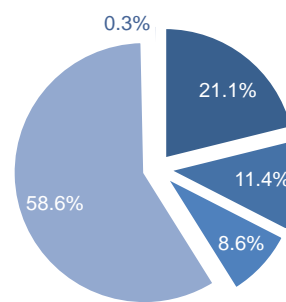
Sales reached € 204.3m in 2020, +29.7% YoY. The figure was characterised by a strong performance in both the B2B and B2C segments: B2B was up by 36.5%, including Raphael Dal Bo, and B2C increased by 21.3%, driven by digital channels. EBITDA adjusted for non-recurring items was € 25.6m, with 12.5% margin.

2020 revenues by country and...



■ Italy ■ Germany ■ Switzerland ■ Austria ■ RoW

...by channel



■ Mailing ■ Web ■ Teleselling ■ Wholesale ■ Others

Shareholder structure

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

Source: Company data

Peer group absolute performance

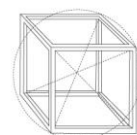
	1D	1W	1M	3M	6M	YTD
Concha y Toro Winery Inc	1.1	3.8	7.6	11.9	9.7	3.4
Lanson BCC SA	(0.4)	(0.7)	1.4	6.0	12.7	(0.4)
Laurent Perrier SA	(0.5)	(1.0)	3.0	5.5	(3.7)	(0.5)
Masi Agricola SpA	0.8	1.0	19.8	33.8	20.9	1.8
Schloss Wachenheim AG	(0.5)	(0.5)	0.5	2.6	4.2	0.5
Treasury Wine Estates Ltd	(2.6)	(3.4)	(1.1)	(0.6)	1.9	(2.4)
Vranken Pomm. Monop.	0.0	(1.9)	6.8	5.2	2.5	0.8
Wine producers median	(0.4)	(0.7)	3.0	5.5	4.2	0.5
Hawesko Holding AG	(1.5)	(1.5)	3.5	(7.3)	(16.9)	0.0
Naked Wines PLC	(3.7)	(13.2)	(16.9)	(15.5)	(31.1)	(13.2)
Wine distributors median	(3.7)	(13.2)	(16.9)	(15.5)	(31.1)	(13.2)
IWB	(3.1)	(4.9)	(2.4)	(4.9)	(1.0)	(2.4)

Source: Thomson Reuters Eikon

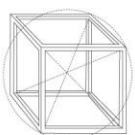
Peer group multiples table

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	12.4	11.1	11.0	8.2	7.5	7.4	10.2	9.1	9.1
Lanson BCC SA	15.5	13.5	11.5	23.6	20.7	18.9	32.8	27.1	24.3
Laurent Perrier SA	14.5	15.6	14.3	11.9	12.4	11.3	13.6	14.2	13.0
Masi Agricola SpA	26.6	26.6	26.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Schloss Wachenheim AG	10.3	10.0	8.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	26.5	21.8	19.0	14.5	12.5	11.3	18.5	15.4	13.7
Vranken Pommery Monopole	34.9	15.2	13.5	19.0	16.5	15.5	29.6	24.8	23.1
Wine producers median	15.5	15.2	13.5	14.5	12.5	11.3	18.5	15.4	13.7
Hawesko Holding AG	14.2	15.7	15.1	7.4	7.6	7.1	10.4	11.1	10.3
Naked Wines PLC	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Wine distributors median	14.2	15.7	15.1	7.4	7.6	7.1	10.4	11.1	10.3
IWB	20.0	15.3	11.8	12.9	10.0	7.7	15.9	12.9	9.5

Sources: CFO Sim, Thomson Reuters Eikon



Income statement (€ m)	2019	2020	2021e	2022e	2023e
Net Revenues	157.5	204.3	304.5	455.4	471.0
Purchasing	(91.2)	(118.9)	(178.0)	(271.3)	(274.8)
Services	(42.6)	(53.3)	(79.4)	(120.7)	(122.5)
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	45.0	55.0
EBITDA	16.3	23.6	35.5	45.0	55.0
D&A	(4.6)	(5.4)	(6.7)	(10.2)	(10.6)
EBIT adjusted	13.5	20.2	28.8	34.8	44.4
EBIT	11.7	18.2	28.8	34.8	44.4
Financials	(1.2)	(1.2)	(5.3)	(5.2)	(5.0)
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	10.5	17.0	23.5	29.6	39.4
Income taxes	(2.6)	(2.8)	(5.6)	(5.9)	(8.7)
Minorities	0.0	0.0	0.0	(0.3)	(0.4)
Net Profit adjusted	9.2	15.6	17.8	23.4	30.3
Net Profit	7.9	14.2	17.8	23.4	30.3
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	(1.8)	(0.8)	(1.5)	(2.3)	(2.4)
Net Fixed Assets	102.5	117.4	259.6	275.8	273.6
Equity Investments	10.9	9.6	21.3	22.6	22.5
Other M/L Term A/L	(11.6)	(11.5)	(16.4)	(23.8)	(24.2)
Net Invested Capital	99.9	114.9	263.0	272.3	269.5
Net Financial Position	10.7	10.3	99.9	91.3	65.1
Minorities	0.0	0.0	0.0	0.3	0.7
Group's Shareholders Equity	89.2	104.5	163.0	180.8	203.7
Financial Liabilities & Equity	99.9	114.9	263.0	272.3	269.5
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	7.9	14.2	17.8	23.4	30.3
Depreciation	4.6	5.4	6.7	10.2	10.6
Other non-cash charges	1.1	(2.7)	5.0	7.3	0.3
Cash Flow from Oper. (CFO)	13.6	16.9	29.5	40.9	41.3
Change in NWC	(2.9)	(1.1)	0.8	0.8	0.1
FCF from Operations (FCFO)	10.7	15.8	30.3	41.7	41.3
Net Investments (CFI)	(2.8)	(16.4)	(160.6)	(27.7)	(8.2)
Free CF to the Firm (FCFF)	7.9	(0.6)	(130.3)	14.0	33.1
CF from financials (CFF)	(14.4)	1.4	190.7	(9.2)	(10.8)
Free Cash Flow to Equity (FCFE)	(6.5)	0.8	60.4	4.8	22.3
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	10.4%	11.6%	11.7%	9.9%	11.7%
EBIT margin	7.4%	8.9%	9.5%	7.6%	9.4%
Net profit margin	5.0%	6.9%	5.9%	5.1%	6.4%
Tax rate	24.8%	16.7%	24.0%	20.0%	22.0%
Op NWC/Sales	-1.1%	-0.4%	-0.5%	-0.5%	-0.5%
Interest coverage x	0.12	0.08	0.20	0.16	0.13
Net Debt/Ebitda x	0.66	0.44	2.81	2.03	1.18
Debt-to-Equity x	0.12	0.10	0.61	0.50	0.32
ROIC	8.4%	13.2%	9.4%	8.7%	11.2%
ROCE	8.1%	11.5%	7.7%	8.8%	10.8%
ROACE	8.3%	12.0%	10.8%	9.1%	11.0%
ROE	9.1%	14.7%	13.3%	13.6%	15.8%
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	2.65	3.45
EPS reported FD €	1.07	1.92	2.03	2.65	3.45
EPS adjusted FD €	1.24	2.11	2.03	2.65	3.45
EBITDA FD €	2.20	3.19	4.03	5.11	6.25
EBIT FD €	0.03	0.03	0.05	0.06	0.07
FCFO FD €	1.44	2.14	3.44	4.73	4.70
FCFF FD €	1.06	(0.08)	(14.81)	1.59	3.76
FCFE FD €	(0.88)	0.10	6.86	0.54	2.54
Dividend €	0.50	0.25	0.61	0.80	1.04



The Target: Enovation Brands

Enovation Brands Inc., based in Miami, is an **importer of Italian wines in North America** owning several **proprietary brands**, well known in the US market, such as Voga®, Luna di Luna® and Gemma di Luna®. It has a **capillary distribution network in North America and Canada** managed by **local managers and agents**, covering both supermarkets and the Ho.Re.Ca. segment.

The trailing twelve months ranging from Jun-20 to Jun-21 showed **revenues of \$ 32.2m** (82% of which generated in US and 18% in Canada), with an **adjusted EBITDA of \$ 3.2m (10% margin)** and a reported net profit of \$ 3.4m. Net Financial Position as of 30-Jun-21 was \$ 0.1m.

The deal: IWB buys Enovation Brands for 8.1x EV/EBITDA

IWB signed an agreement for the **acquisition of 85% of Enovation Brands Inc. for \$ 22.0m**, which will be entirely financed by cash, without resorting to new financial debt. The price agreed entails an Enterprise Value for the company of \$ 26.0m, corresponding to **8.1x adjusted EV/EBITDA**.

Enovation Brands is currently 45% owned by Giovanni and Alberto Pecora, co-founders and managers of the company, and 55% by Norima Srl, a holding company attributable to the Pizzolo family (IWB's main shareholder after the recent acquisition of Enoitalia). IWB signed two separate agreements in order to acquire 1) 55% of Enovation Brands's share capital from Norima and 2) 30% from Giovanni and Alberto Pecora. Following the closing of the transaction, IWB will hold 85% of Enovation Brands's share capital, while Giovanni and Alberto Pecora will hold a 10% and 5% stake, respectively.

Table 1 – Enovation Brands, pre- and post-deal shareholder structure

Pre-deal shareholder structure	% stake	Post-deal shareholder structure	% stake
Norima Srl (Pizzolo family)	55.0%	IWB SpA	85.0%
Giovanni & Alberto Pecora	45.0%	Giovanni & Alberto Pecora	15.0%
Total	100.0%	Total	100.0%

Source: Company data

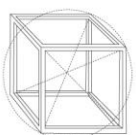
It is worth noting that 20% of the price agreed with the sellers (i.e. \$ 4.4m) is subject to EBITDA exceeding \$ 3.2m both in FY-22 and FY-23. Furthermore, an earn-out mechanism has been set in favour of Giovanni and Alberto Pecora upon reaching strongly positive results by the end of FY-24.

The deal is subject to the fulfilment of certain conditions precedent and due diligence activities that IWB will carry out by the end of Apr-22, in particular with regard to Enovation Brands's authorisations and licenses in addition to obtaining authorisation to change the company's shareholding structure from the relevant US authorities.

The Strategic Rationale

The integration of Enovation Brands will definitely allow IWB to **penetrate the US market**, which is by far **the main market for Italian wines abroad**, with an estimated value of € 1.8bn in 2021. This is the second foreign acquisition for IWB, following the acquisition of Raphael Dal Bo in 2020, focused on the distribution of sparkling wine in Switzerland.

IWB expects **immediate revenue synergies** stemming from the acquisition as Enovation Brands will unquestionably benefit from upselling opportunities by also distributing to its existing customers red wines produced in the group's wineries in Apulia and Piedmont. Furthermore, IWB will also be able to offer Enovation Brands's products at a global level by leveraging the group's strong commercial network. In terms of cost management, **possible cost synergies** may arise from increasing purchase volumes at the group level, reducing the purchase price of raw materials.



Our view, estimates, valuation and risks

The acquisition of Enovation Brands is unquestionably **an excellent strategic move in order to further penetrate the appealing US market**: the firm is a long-standing importer of Italian wines in North America managed by a local management team and with a widespread distribution network, covering supermarkets and the Ho.Re.Ca. segment.

We believe that IWB was able to negotiate a very appealing transaction multiple equal to 8.1x EV/EBITDA, also considering the potential revenue synergies the group may exploit quite easily in the short term, namely cross-selling and upselling opportunities in their respective client bases. Furthermore, 20% of the price agreed with the sellers is subject to the achievement of higher EBITDA in the 2022-23 period, thus ensuring a strong commitment by the Enovation Brands's managers.

Following the acquisition of Enovation Brands, we have updated our model in order to include the **consolidation of the company starting from 1-Apr-22** coupled with the total cash out for the acquisition, equal to \$ 22.0m (€ 19.5m at current EUR-USD exchange rate). It is worthy of note that, as almost 40% of Enovation Brands's sales are generated by Enotalia, we anticipate intercompany sales to the tune of 40% of Enovation Brands's turnover every year. EBITDA margin is expected stable at 10.0% per year.

Moreover, we **left our assumptions for FY-21 unchanged**, while we have **fine-tuned our organic estimates for the 2022-23 period** in order to factor in: 1) the increase in the purchase price of certain raw materials in FY-22, including grapes, must, bulk wine and bottles, partially counterbalanced by the use of stocks providently stockpiled by the group during 2021; 2) the increase in energy costs anticipated for FY-22, and 3) a fine tuning of the expected growth rate for FY-23.

The combined result is an **average 2.6% increase in consolidated sales and 3.8% reduction in EBITDA in 2022-23**.

Table 2 – IWB, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Sales	455.4	442.7	2.8	12.6
EBITDA	45.0	49.8	(9.7)	(4.8)
% margin	9.9	11.2		
EBIT	34.8	40.2	(13.6)	(5.5)
% margin	7.6	9.1		
Net Profit	23.4	25.7	(8.9)	(2.3)
% margin	5.1	5.8		
Y/E net debt (net cash)	91.3	70.8	28.8	20.4

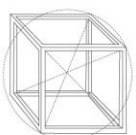
Sources: Company data, CFO Sim

Table 3 – IWB, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Sales	471.0	459.9	2.4	11.1
EBITDA	55.0	53.9	2.0	1.1
% margin	11.7	11.7		
EBIT	44.4	43.8	1.3	0.6
% margin	9.4	9.5		
Net Profit	30.3	28.4	6.8	1.9
% margin	6.4	6.2		
Y/E net debt (net cash)	65.1	47.7	36.4	17.4

Sources: Company data, CFO Sim

Moreover, CFO has updated the DCF valuation criteria, bringing the Free Risk Rate up to date. The combined result is a **new PT of € 61.00/s (€ 58.00)**, with an upside of 50.6% at current prices. **Buy rating is reiterated**.



DCF

In our DCF-based valuation, we assess explicit estimates until 2025 and assume a long-term growth rate of 1.0%. Cash flows are discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 4 – WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	27.0%
Inf. costs, after taxes	1.8%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200d moving average)	0.84%
Beta levered (x)	1.00
Required ROE	9.8%

Source: CFO Sim

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

Table 5 – IWB, DCF model

€ m	2021e	2022e	2023e	2024e	2025e	Term. Val.
EBIT	28.8	34.8	44.4	48.4	52.5	
Tax rate	24.0%	20.0%	22.0%	22.5%	27.0%	
Operating profit (NOPAT)	21.9	27.8	34.6	37.5	38.3	
Change working capital	0.8	0.8	0.1	0.0	(0.1)	
Depreciation	6.7	10.2	10.6	7.3	4.0	
Investments	(8.2)	(8.2)	(8.2)	(6.1)	(4.0)	
Free Cash Flows	21.2	30.6	37.1	38.7	38.3	686.5
Present value	21.2	28.7	32.7	32.0	29.7	532.0
WACC	6.6%	6.6%	6.6%	6.6%	6.6%	
Long-term growth rate	1.0%					

Source: CFO Sim

Table 6 – IWB, DCF per share derived from:

€ m	
Total EV present value € m	676.3
<i>thereof terminal value</i>	78.7%
Adj. NFP last reported (debt)/cash	(135.9)
Pension provision last reported	(0.6)
Minorities (valued at 7.6x PER)	(3.0)
Equity value € m	536.8
#m shares (excl. treasury shares)	8.79
Equity value €/s	61.00
<i>% upside/(downside)</i>	50.6%

Source: CFO Sim

The last reported Net Financial Position (i.e. FY-20) was adjusted for the cash out for the acquisition of Enoitalia (net of the proceeds reinvested in IWB by the Pizzolo family through a reserved capital increase) and Enovation Brands.

The outcome of our DCF model generated an equity value of € 536.8m for IWB, which corresponds to € 61.00/s (€ 58.00), with a potential upside of 50.6%.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of € 51.40 - 74.80 (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 € 55.20 - 68.00 (free risk range of between 1.64% and 0.04%) and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value/s of € 47.90 - 81.30 (risk premium range of between 11.00% and 7.00%).

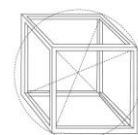


Table 7 – IWB, equity value sensitivity to changes in terminal growth rate

€ m	0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
Present value of CF	144.3	144.3	144.3	144.3	144.3	144.3	144.3	144.3	144.3
PV of terminal value	447.3	466.0	486.2	508.1	532.0	558.1	586.7	618.3	653.2
Total value	591.6	610.3	630.5	652.4	676.3	702.4	731.0	762.6	797.5
Adj. NFP last reported	(135.9)	(135.9)	(135.9)	(135.9)	(135.9)	(135.9)	(135.9)	(135.9)	(135.9)
Pension provision last reported	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
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	452.1	470.8	491.0	512.9	536.8	562.9	591.5	623.1	658.0
Equity value/share €	51.40	53.50	55.80	58.30	61.00	64.00	67.30	70.80	74.80

Source: CFO Sim

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

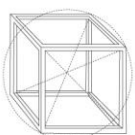
€ m	0.04%	0.24%	0.44%	0.64%	0.84%	1.04%	1.24%	1.44%	1.64%
Present value of CF	145.7	145.3	145.0	144.6	144.3	144.0	143.6	143.3	142.9
PV of terminal value	592.1	576.0	560.7	546.0	532.0	518.6	505.7	493.4	481.6
Total value	737.8	721.3	705.7	690.7	676.3	662.6	649.4	636.7	624.5
Adj. NFP last reported	(135.9)	(135.9)	(135.9)	(135.9)	(135.9)	(135.9)	(135.9)	(135.9)	(135.9)
Pension provision last reported	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
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	598.2	581.8	566.1	551.1	536.8	523.0	509.8	497.2	485.0
Equity value/share €	68.00	66.20	64.40	62.70	61.00	59.50	58.00	56.50	55.20

Source: CFO Sim

Table 9 – IWB, equity value sensitivity to changes in risk premium

€ m	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%
Present value of CF	147.8	146.9	146.0	145.2	144.3	143.4	142.6	141.8	141.0
PV of terminal value	707.1	654.8	608.9	568.3	532.0	499.5	470.2	443.7	419.5
Total value	854.9	801.7	754.9	713.4	676.3	643.0	612.8	585.5	560.5
Adj. NFP last reported	(135.9)	(135.9)	(135.9)	(135.9)	(135.9)	(135.9)	(135.9)	(135.9)	(135.9)
Pension provision last reported	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
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	715.3	662.2	615.4	573.9	536.8	503.4	473.3	445.9	421.0
Equity value/share €	81.30	75.30	70.00	65.30	61.00	57.20	53.80	50.70	47.90

Source: CFO Sim



Market multiples

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

As one can see from these figures, growth on offer to the market is limited, to the tune of 7.0% for producers, and 7.7% for distributors. IWB is broadly in line with the median in terms of market capitalisation and turnover. However, it offers much higher projected sales and profitability growth than the median in 2021-23.

Table 10 – IWB, peer group summary table

€ m	Mkt Cap	Wine % of Sales	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₀₋₂₃	EBITDA CAGR ₂₀₋₂₃	EBIT CAGR ₂₀₋₂₃	EPS CAGR ₂₁₋₂₃	NFP	NFP/EBITDA
Concha y Toro Winery Inc	1,076	97.6%	829	154	18.6%	0.1%	-0.6%	0.2%	6.0%	187	1.2
Lanson BCC SA	202	100.0%	261	31	11.7%	10.7%	22.3%	30.4%	16.0%	519	17.0
Laurent Perrier SA	614	100.0%	288	74	25.8%	14.6%	16.0%	16.6%	0.9%	266	3.6
Masi Agricola SpA	125	100.0%	66	11	16.1%	10.9%	30.2%	85.3%	1.1%	n.a.	n.a.
Schloss Wachenheim AG	158	91.2%	372	41	11.0%	3.1%	3.0%	2.2%	12.9%	n.a.	n.a.
Treasury Wine Estates Ltd	5,520	91.7%	1,581	435	27.5%	2.3%	6.1%	11.9%	17.9%	772	1.8
Vranken Pommery Monopole	163	97.6%	271	43	15.8%	7.0%	10.9%	18.2%	60.7%	648	15.2
Wine producers median	202	97.6%	288	43	16.1%	7.0%	10.9%	16.6%	12.9%	519	3.6
Hawesko Holding AG	478		666	78	11.7%	4.0%	4.6%	6.0%	-2.9%	95	1.2
Naked Wines PLC	498		419	0.4	0.1%	11.4%	n.m.	n.m.	n.a.	(71)	n.m.
Wine distributors median	488		543	39	5.9%	7.7%	4.6%	6.0%	-2.9%	12	1.2
Italian Wine Brands SpA	358	100%	305	36	11.7%	32.1%	32.6%	34.6%	30.4%	100	2.8

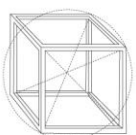
Sources: CFO Sim, Thomson Reuters Eikon

Table 11 – IWB, peer group multiples table

Price & EV multiples x	PER FY1	PER FY2	PER FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Concha y Toro Winery Inc	12.4	11.1	11.0	8.2	7.5	7.4	10.2	9.1	9.1
Lanson BCC SA	15.5	13.5	11.5	23.6	20.7	18.9	32.8	27.1	24.3
Laurent Perrier SA	14.5	15.6	14.3	11.9	12.4	11.3	13.6	14.2	13.0
Masi Agricola SpA	26.6	26.6	26.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Schloss Wachenheim AG	10.3	10.0	8.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	26.5	21.8	19.0	14.5	12.5	11.3	18.5	15.4	13.7
Vranken Pommery Monopole	34.9	15.2	13.5	19.0	16.5	15.5	29.6	24.8	23.1
Wine producers median	15.5	15.2	13.5	14.5	12.5	11.3	18.5	15.4	13.7
Hawesko Holding AG	14.2	15.7	15.1	7.4	7.6	7.1	10.4	11.1	10.3
Naked Wines PLC	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Wine distributors median	14.2	15.7	15.1	7.4	7.6	7.1	10.4	11.1	10.3
IWB	20.0	15.3	11.8	12.9	10.0	7.7	15.9	12.9	9.5
% prem.(disc.)to prod.	29.1%	0.4%	-12.7%	-11.0%	-19.8%	-32.1%	-14.3%	-16.4%	-30.3%
% prem.(disc.)to distr.	41.3%	-2.3%	-21.7%	74.7%	31.5%	8.2%	52.3%	16.2%	-7.8%

Sources: CFO Sim, Thomson Reuters Eikon

IWB trades at discount vs. wine producers median considering the EV/EBITDA and EV/EBIT multiples in 2021/23. This can be partially explained by its lower size, its trading volumes and its listing on Euronext Growth Milan. However, we believe this is not justified and the stock has to somehow fill the valuation gap with its peers.



Stock performance

IWB was listed on **Euronext Growth Milan** on **29-Jan-15** at € 10.00/share, corresponding to a post-money market 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 € 49.30/s on 25-Aug-21 and a minimum price of € 21.80/s on 15-Jan-21.

Table 12 – IWB, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Concha y Toro Winery Inc	1.1	3.8	7.6	11.9	9.7	3.4	17.5
Lanson BCC SA	(0.4)	(0.7)	1.4	6.0	12.7	(0.4)	37.4
Laurent Perrier SA	(0.5)	(1.0)	3.0	5.5	(3.7)	(0.5)	32.4
Masi Agricola SpA	0.8	1.0	19.8	33.8	20.9	1.8	51.0
Schloss Wachenheim AG	(0.5)	(0.5)	0.5	2.6	4.2	0.5	30.1
Treasury Wine Estates Ltd	(2.6)	(3.4)	(1.1)	(0.6)	1.9	(2.4)	30.6
Vranken Pommery Monopole SA	0.0	(1.9)	6.8	5.2	2.5	0.8	23.1
Wine producers median	(0.4)	(0.7)	3.0	5.5	4.2	0.5	30.6
Naked Wines PLC	(1.5)	(1.5)	3.5	(7.3)	(16.9)	0.0	17.8
Hawesko Holding AG	(3.7)	(13.2)	(16.9)	(15.5)	(31.1)	(13.2)	(15.9)
Wine distributors median	(3.7)	(13.2)	(16.9)	(15.5)	(31.1)	(13.2)	(15.9)
IWB	(3.1)	(4.9)	(2.4)	(4.9)	(1.0)	(2.4)	77.6

Source: Thomson Reuters Eikon

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

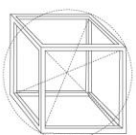
	1D	1W	1M	3M	6M	YTD	1Y
FTSE Italia Growth	(1.4)	(3.8)	(0.6)	(3.2)	(6.3)	(3.8)	(0.8)
Thomson Reuters Food & Beverage	(1.1)	(2.8)	1.3	6.5	0.8	(2.6)	9.8
IWB	(3.1)	(4.9)	(2.4)	(4.9)	(1.0)	(2.4)	77.6

Source: Thomson Reuters Eikon

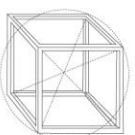
Risks

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

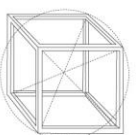
- impact on the profit and loss account and balance sheet profiles triggered by a **deep decline in local and global economic growth**,
- effects of the long, wide spread of **COVID-19** and its possible variants,
- **competition** by similar initiatives,
- slower than anticipated **integration with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



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DATE	TARGET PRICE	RATING
11/01/2022	€61.00	BUY
20/09/2021	€58.00	BUY
24/06/2021	€53.00	BUY
22/03/2021	€41.50	BUY
22/01/2021	€30.00	BUY
04/12/2020	€25.00	BUY

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

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

