Italy – Food and Beverage

B2B/B2C integration done: now a lot of useful Free Cash Flow!

26th March 2018

F1-17 RESULTS RELEASE

RIC: ITWB.MI
BBG: IWB IM

Sky-high operating cash flow generation, WC management and the tiny level of capex required by the business model have allowed IWB to reduce NFP significantly. The integration between B2B and B2C is now legitimately finalized.

Rating:
Buy

Price Target:
€ 19.60 (€ 17.00)

Upside/(Downside): 44.6%

Last Price: € 13.55

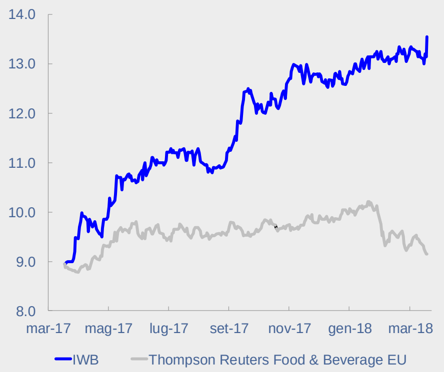
Market Cap.: € 76.9

1Y High/Low: € 13.75/€ 8.85

Free Float: 84.2%

Major shareholders:

Provinco Srl	12.2%
Otus Capital Management	6.2%
Praude Assett Management	5.8%
Axxion SA	5.4%



Stock price performance

	1M	3M	12M
Absolute	**1.5%**	**6.8%**	**50.6%**
Rel.to AIM Italia	**3.8%**	**8.2%**	**39.4%**
Rel.to EU Sector	**5.6%**	**14.0%**	**47.5%**

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

Buy reiterated, new PT of € 19.60/s (€ 17.00), 44.6% upside
Following the release of FY-17 figures, we have updated our model: the result is a 5% average upgrade in 2018-19 Net Profit. According to our new figures, IWB is projected to produce an average € 11.0m Free Cash Flow to Equity per annum in 2018-20. CFO SIM has updated DCF valuation criteria, brought the Free Risk Rate up-to-date and rolled over the first year of estimates to 2018. The combined result is a PT upgraded to € 19.60/share (€ 17.00), with an upside of 44.6% at current prices.

FY-17 turnover up 2.6% YoY, exports 75.1% of total
Revenues increased by 2.6% to € 149.7m as a result of wholesale division sales rising 14.4% and distance selling declining by 6.1% (foreign markets on the rise, repositioning towards more lucrative countries, dropping domestic market). The data was slightly lower than our projection, due to the rationalisation of country portfolio. Export sales account for 75.1% of total top line, vs. 71.9% in FY-16. IWB key markets are the German-speaking markets which accounted for 50.1% of total.

EBITDA +51.9%, almost cash neutral and € 0.40/s dividend proposal
EBITDA increased much more than proportionally to top line, reaching € 14.2m, 9.2% margin, vs. € 9.3m in FY-16, +51.9% YoY, 10.4% better than our forecast. Excluding the non-recurring B2C restructuring costs, EBITDA adjusted was € 16.0m vs € 11.3m in FY-16. After basically unchanged D&A YoY, EBIT amounted to € 10.8m, 7.0% margin (€ 6.1m, 4.1% margin in FY-16). Net profit soared 55.1% to € 6.7m vs. € 4.3m in FY-16. Net financial position was negative for € 2.3m, showing a strong improvement YoY, The BoD will propose the AGM the distribution of an € 0.40/s dividend (34% pay-out, 3.0% yield) doubled YoY: ex-dividend date April 23, 2018, record date on April 24, 2018 and with payment on April 25, 2018.

B2B/B2C integration achieved: now focus on M&A
With the B2C/B2C restructuring and integration done, IWB now acts as a whole cohesive group, with integrated production, purchasing, marketing, logistics and IT with the business units differentiated only by the diverse distributing channels served. M&A appeal is present: IWB is actively on the buy side. Ideal value adding targets show economic and balance sheet solidity, business structure coherent with that of IWB and presence in adjacent channels, to leverage on dimension and reach and to get access to key lucrative markets (namely the US). In addition, we might not exclude the possibility of IWB being a target for a player aimed at exploiting synergies with the IWB logistic platform and clients/products portfolio.

IWB, key financials and ratios

€ m	2016	2017	2018e	2019e	2020e
Sales	145.9	149.7	154.2	158.7	164.3
EBITDA adjusted	11.3	16.0	16.5	20.7	23.0
EBITDA	9.3	14.2	16.5	20.7	23.0
EBIT adjusted	8.1	12.7	13.3	17.6	19.9
EBIT	6.1	10.8	13.3	17.6	19.9
Net profit adjusted	4.7	8.1	9.5	12.7	14.5
Net profit	4.3	6.7	9.5	12.7	14.5
NFP (cash)/debt	10.5	2.3	(8.1)	(19.0)	(31.8)
EPS adjusted FD	0.58	1.09	1.28	1.71	1.95
EPS adj. FD growth	-31.2%	89.3%	17.3%	33.3%	14.4%
DPS ord. €/s	0.20	0.40	0.50	0.66	0.76
Dividend yield	1.5%	3.0%	3.7%	4.9%	5.6%
Free Cash Flow Yield	8.8%	9.6%	12.5%	13.7%	16.4%
PER x	23.5	12.4	10.6	7.9	6.9
PCF x	10.6	9.4	7.4	6.8	5.7
EV/Sales x	0.8	0.7	0.6	0.5	0.4
EV/EBITDA x	12.0	7.3	5.6	4.0	3.0
EV/EBIT x	18.4	9.6	7.0	4.7	3.5

IWB in a nutshell

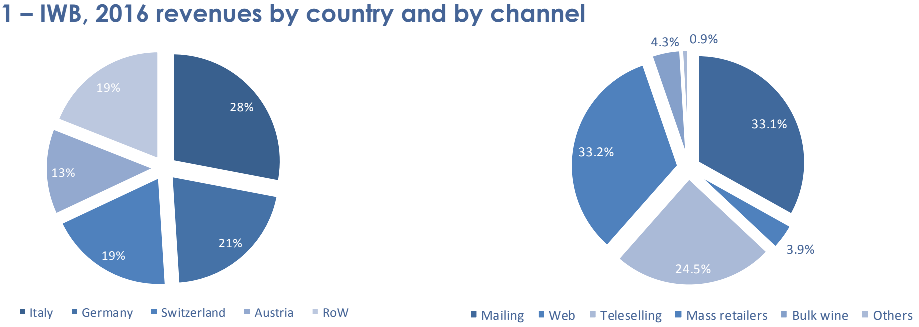
IWB (Italian Wine Brands) is **a leading producer and distributor in the Italian wine industry**. The Group operates through two channels: B2C and B2B.

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 B2C arm does not own any vineyards, it procures raw materials (grapes, must and bulk wine) from Italian vineyards and wine producers, which it works in its own 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. The B2B arm outsources both the bottling and the logistic activity in order to make its supply operations faster, leaner and more efficient.

Sales reached € 149.7m in 2017, +2.6% YoY. The figure was characterised once again by a strong performance in B2B and mixed results in B2C: B2B division up by some 14.0% and B2C down by circa 6.0%. **EBITDA, which includes € 1.9m of non-recurring items, was € 14.2m**, with 9.5% margin.

Chart 1 – IWB, 2016 revenues by country and by channel



Source: IWB

IWB was listed on the **Milan AIM** (Alternative Investment Market) **on 29-Jan-15** at € 10/share, corresponding to a market capitalization post money of € 65.7m, through the innovate pre-booking company **IPO Challenger,** whose investors/ex-bondholders were reimbursed in kind with the listed shares and warrant of IWB, becoming direct shareholders and free float of the company. IWB also issued 6.16m warrants, 33% owned by the sponsors of the transaction and 67% owned by public investors.

Table 1 - IWB, Shareholders structure details

	%	# m	€ m
Provinco srl	12.1%	0.688	9.32
IPOC srl	1.4%	0.082	1.11
Treasury Shares	2.2%	0.127	1.72
Free Float, o/w	**84.2%**	**4.777**	**64.73**
Otus Capital Management	6.2%	0.352	4.77
Praude Asset Management	5.8%	0.329	4.46
Axxion S.A.	5.4%	0.306	4.15
Total	**100.0%**	**5.674**	**76.89**

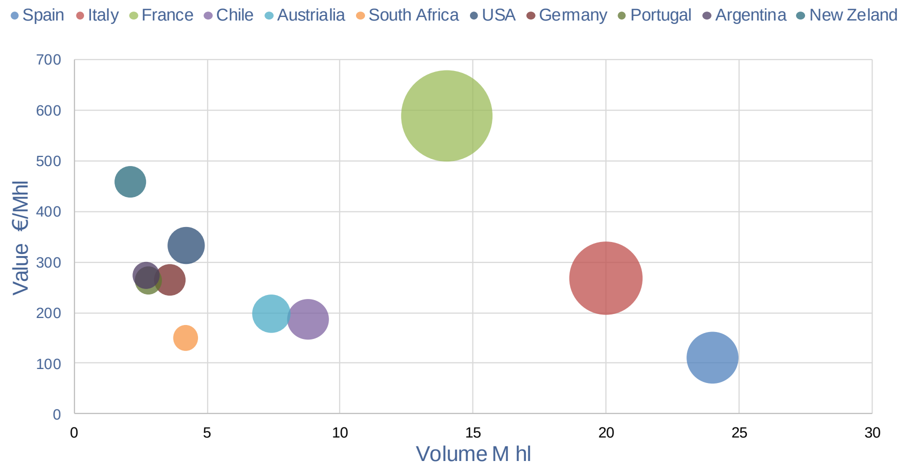
Source: IWB, Consob,

The reference market

IWB operates in the wine industry, a worldwide arena. Since winemaking is a traditional activity and it needs particular terrain, its **production is quite concentrated** (82% produced by the principal 10 countries). Even though terrain dedicated to grape production worldwide is gradually decreasing, production remains roughly stable around 270m hl, although this is obviously affected by weather trends: for instance in 2013 total production rose by almost 12% and in 2017 dropped by 27%.

World wine consumption is estimated at 242m hectoliters in 2016, a modest increase of 0.9 mhl compared to previous years but **still quite far from the 250m hectoliters in 2008**. **The USA, with consumption to the tune of 31.8m hectoliters, is the largest domestic market** characterized by continuous growth in volume with a $CAGR_{11\text{-}16}$ of 2.2%. On the contrary, in Europe consumption remains basically unchanged.

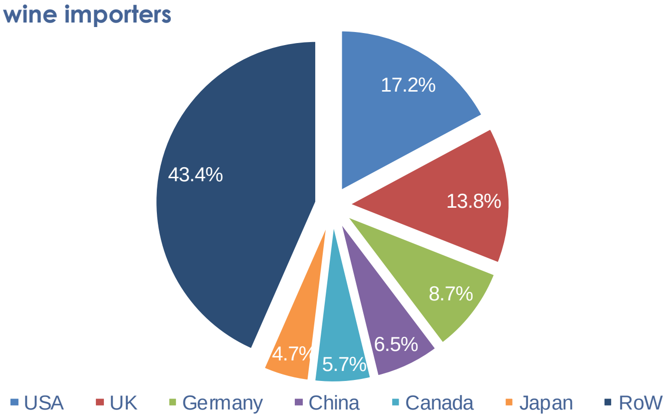
Chart 2 – IWB, global export market



Source: OIV, State of the Vitiviniculture World Market

The key growth driver for producers, in particular for France, Italy and Spain, **is export,** which reached a value of € 28.9bn in 2016 and which is growing (+2.0% YoY). As shown in Chart 2, **Spain is the larger exporter in terms of volumes, although in terms of value France and Italy** lead the competitive arena with market shares of 19% and 29% respectively. The **largest target markets for producers are the USA, the UK, Germany, China, Canada and Japan**.

Chart 3 – Main wine importers

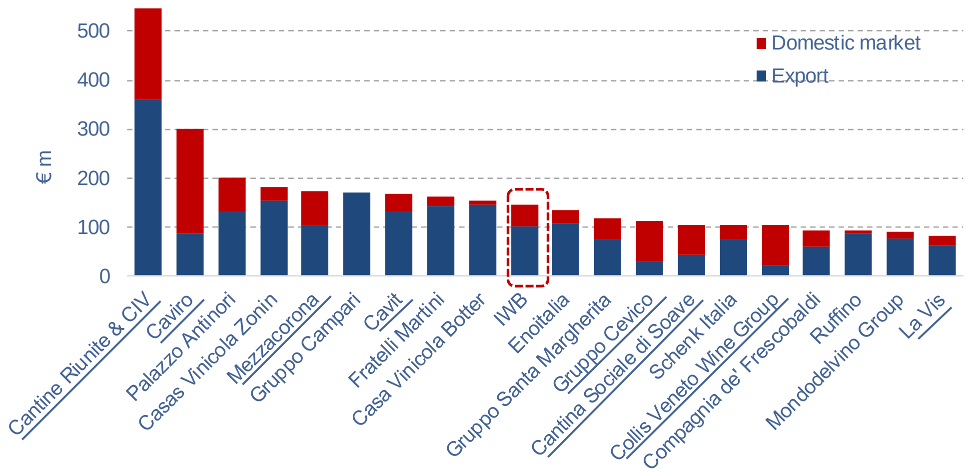


Source: : OIV, State of the Vitiviniculture World Market

Competitive arena

The Italian wine market is the largest in terms of production with 50.9m hl in 2016, and is **very fragmented** with hundreds of players operating throughout the country. There are 136 companies with revenues in excess of € 25m for a total market value of € 6.2bn, of which 35% is generated by the principal 10 companies. **The market in the last years has been characterised by constant growth** with the exception of 2014, driven by an increasing interest in sparkling wine and a focus on foreign market sales. **Export seems to be the most strategic driver for Italian market growth**, in particular for premium wine (price over € 25 per bottle), as shown by $CAGR_{10-15}$ of 8% and by Italian producer expectations for 2017. As regards product type, 72% of market value derives from bottles, 18% from sparkling wine and 10% from bulk wine.

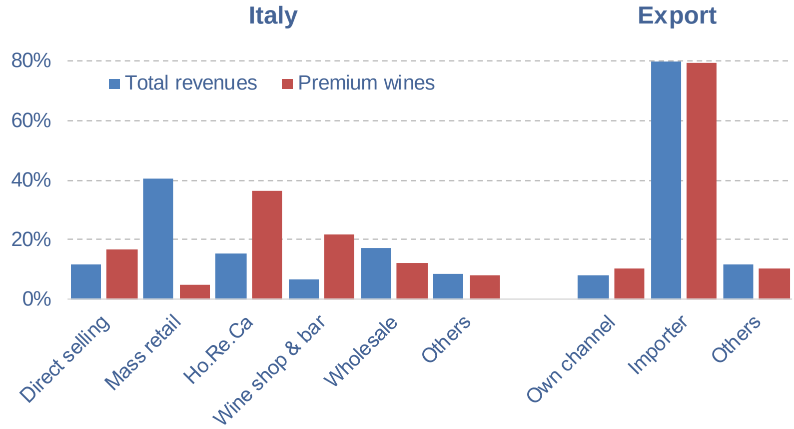
Chart 4 – IWB, the 6th largest player (ex. cooperatives, underlined in the chart)



Source: IWB, Paper on wine sector, Mediobanca Apr-17

Regarding sales channels, **more than 40% of Italian wines are distributed locally through mass market retailers** whereas premium wine sales use mainly hotel, restaurant and catering and wine shop & bar channels. In foreign markets, distribution is usually assigned to importers.

Chart 5 – Sector turnover breakdown by sales channel (Italy/export)



Source: IWB, Paper on wine sector, Mediobanca Apr-17

Porter's 5 Forces

According to Michael Porter the competitive structure and the degree of attractiveness of an industry are a function of the **simultaneous interaction of the five forces**. Their analysis allows the evaluation of the competitive position of a company within a given industry.

- **Competitors**, intensity of competition.
- **Suppliers**, bargaining power.
- **Customers**, bargaining power.
- Potential new **competitors**.
- **Substitute** products.

Wine production and distribution, the market in which IWB operates, is a business that can be labelled as **moderately attractive** and characterized by:

- **Quite high intensity level of rivalry**, **a monopolistic competition market,** characterised by fragmentation of demand (in the B2B segment the demand is somewhat more concentrated), offer and mobility of production factors.
- **The absence of weighty suppliers**, the most noteworthy costs are purchasing (mainly wine and to a lesser extent add-ons, food, coffee) and services (transports, mailing, advertising) representing some 80% of IWB turnover. Procurements are ruled through yearly contracts, with long term relationship with suppliers.
- **Huge client base**, **with no bargaining power (B2C), few clients with quite relevant bargaining power (B2B)**. The end consumer for the B2C channel has no power in company pricing policies, the customer base is widely fragmented. Conversely, B2B clients are rather concentrated, represented by modern distribution players: the main ten clients accounted for some 85% of B2B FY-16 turnover, i.e. some 23% of IWB sales.
- **A business characterized by low barriers to entry:** size, financing, relationship with distributors, locational constraints, do not represent overwhelming limits. To a certain extent, the brand represents a key strength as well as the client database for the B2C segment.
- **Some alternatives to wine,** the threat of substitution is low in static terms (low cross-elasticity of goods) but variable in dynamic terms (increase of beer consumption in EMEA, increase in wine consumption in other countries).

Chart 6 – Porter's 5 forces industry summary

Rivalry amongst competitors	High	A monopolistic competition market, offer is vast Demand is fragmented, in B2B it is somewhat more concentrated but competition is fiercer IWB does not own vineyards, lower amount of invested capital vs. some comps	- - +	-
Bargaining power of suppliers	Low	Procurements are ruled by yearly contracts, based on long term relationship with suppliers Providers do not detain key technology assets/expertise Suppliers ideally can vertically integrate	+ + -	+
Bargaining power of customers	Medium	Vast client base with no bargaining power (B2C) Few clients with quite relevant bargaining power (B2B)	+ -	+/-
Threats of new entrants	High	Size, financing, relationship with distributors, locational constraints… No overwelming limits Expected retaliation: low, massive number of players on the market with small individual market shares	- -	-
Threats of potential substitutes	Medium	Low threat of substitution in static terms, low cross-elasticity of goods Moderate in dynamic terms, i.e. increase of beer consumption in EMEA, increase of wine consumption in other countries	+ -	+/-

Source: CFO Sim

Business model - strategy

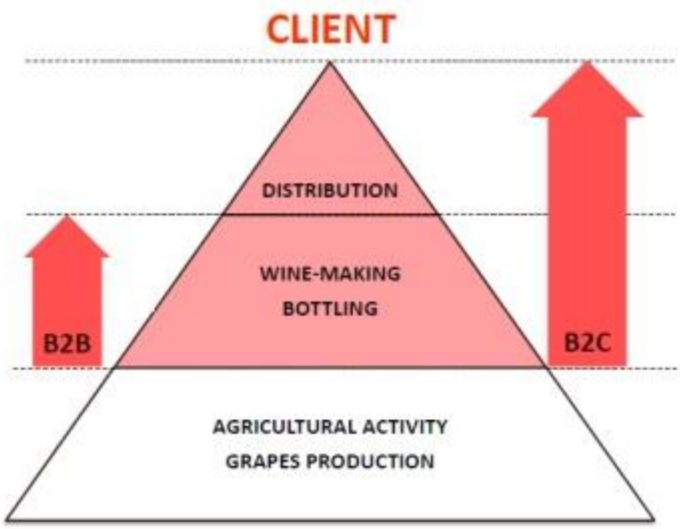
IWB business model is plain: **IWB purchases wine** (B2C + B2B), **must and grapes** from local producers (B2C). Then **the B2C arm produces wine and bottles the liquid**. Afterwards IWB **markets and distributes the bottle**s. IWB does not own vineyards, the asset characterised by the highest capital intensity in the business, granting flexibility, elasticity to short-term trends and thus relatively low capital is employed.

The integration of the B2C & B2B arms is set to bring in **notable synergies**, predominantly **arising from scale and rationalisation** in the course of being **visible in IWB numbers**. Purchasing quotations of bottles, labels, corks, grape must and wines are seen to benefit from the B2C and B2B combined entity. Specifically, the company estimates annual saving stemming from **combined wine purchase up to € 1.0m**, **€ 1.25m from glass and labels procurement** and **€ 0.25m on general structure costs**. In addition, logistics, production and bottling capacity can be exploited more efficiently by the two arms as a whole.

IWB strategy can be defined as follow:

- **Foreign markets**: IWB aims to grow and consolidate its positioning abroad, in already known countries and in brand new markets, namely the US and Canada, where the perception of Italian Wine leaves room for further growth.
- **Web sale channel**: currently IWB sells some 20% totally on the web. An enlargement of this channel is set to produce tangible positive impact in term of WC optimization (the client pays by credit card at the order, virtually no credit risk) and simplification of order management.
- **Acquisitions**: IWB is currently the 6th domestic player in the arena, excluding cooperatives, in a business where scale and volumes matter. The group is looking at some targets, ideally with the same business structure, to leverage on dimension and reach.
- **Integration B2C-B2B**: proceed to the complete integration process between the two channels, producing significant synergies and developing growth.

Chart 7 – IWB, wine business value pyramid



Source: Italian Wine Brands

SWOT Analysis

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

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

S.W.O.T. ANALYSIS

STRENGTHS

- Lean structured and well-proven **logistic platform**
- B2C **huge clients database**
- Amongst the **highest quality/price ratio** in the market
- Skilled and motivated **top management**

WEAKNESSES

- **Low brand recognition**
- Mature arena, **poor** market **growth rates**
- B2B segment: relevant customers' **bargaining power**

OPPORTUNITIES

- **Web sale channel** expansion
- Penetration in **new foreign markets**
- Move to **MTA main market** of Italian Stock Exchange
- **Acquisitions** and/or **development agreements**
- **Free float of 82.2%,** technically subject to takeover

THREATS

- Changing in the domestic consumption habits, **slowing demand**
- Competition by **similar initiatives**

FY-17 sees profitability soaring, integration done!

IWB reported solid FY-17 results, characterised by **strong performance in B2B and a refocusing in B2C**. Lower than expected personnel and service costs prompted to an operating performance better than expected. Soaring operating cash flow generation, WC management and the tiny level of capex required by the business model, allowed IWB to **reduce NFP significantly YoY**.

Table 1 – IWB, FY-17 results summary

€ m	2017	2016	% YoY	2017	% Diff.
Revenues	**149.7**	**145.9**	**2.6**	**154.4**	***(3.0)***
Inventories	2.4	0.8		0.0	
Other	1.3	1.9		0.4	
Net revenues	**153.4**	**148.7**	**3.2**	**154.8**	***(0.9)***
Purchasing	(83.2)	(79.0)		(78.6)	
Services	(45.9)	(47.8)		(49.8)	
Personnel	(9.8)	(12.0)		(11.6)	
Other operating expenses	(0.3)	(0.5)		(2.0)	
EBITDA	**14.2**	**9.3**	***51.9***	**12.8**	***10.4***
% margin	9.2	6.3		8.3	
D&A	(3.4)	(3.3)		(3.1)	
EBIT	**10.8**	**6.1**	***78.3***	**9.7**	***11.2***
% margin	*7.0*	*4.1*		*6.3*	
Financial income	0.2	0.1		0.4	
Financial charges	(1.7)	(1.7)		(0.8)	
Extraordinary	0.0	0.0		0.0	
Pre-Tax profit	**9.2**	**4.4**	***108.7***	**9.3**	***(0.8)***
% margin	*6.0*	*3.0*		*6.0*	
Income taxes	(2.5)	(0.1)		**(2.5)**	
Tax rate	*27.1%*	*1.8%*		*27.0%*	
Minorities	0.0	0.0		0.0	
Net Profit	**6.7**	**4.3**	***55.1***	**6.8**	***(0.9)***
% margin	*4.4*	*2.9*		*4.4*	
EBITDA adjusted	**16.0**	**11.3**	***41.6***	**14.3**	***12.0***
Net Profit adjusted	**8.1**	**4.7**	***73.3***	**6.8**	***19.7***

Source: Company data, CFO Sim

Revenues increased by 2.6% to € 149.7m as a result of wholesale division sales rising 14.4% and distance selling declining by 6.1% (foreign markets on the rise, repositioning towards more lucrative countries, dropping domestic market). The data was slightly lower than our projection, due to the rationalisation of country portfolio. Export sales account for 75.1% of total top line, vs. 71.9% in FY-16. IWB key markets are the German-speaking ones, i.e. Germany, Austria and Switzerland, which accounted for 50.1% of total. In greater detail:

- **B2B** reached € 69.0m, 46.1% of group turnover, up 14.4% YoY. The strong growth was achieved thanks to **the enlargement of product portfolio and the acquisition of new customers**. Geographically, the bulk of top line improvement comes from the UK (contrarily to B2C, in B2B UK is a profitable country), Switzerland, Germany and Denmark.
- **B2C** totalled € 79.8m (down 6.1%), i.e. 53.3% of total revenues, vs. € 85.0m in FY-16. The channel was characterised by the **focus towards division's margin mainly by rationalising the country portfolio**. In details the group 1) increased volumes on strategic markets, namely Germany (+0.1%), France (+3.9%) and Austria (+20.0%), 2) retrenched in UK (-28.8%) and Italy (-9.0%) and 3) downsized in Sweden and North America where the market is too onerous and under pressure.

Service costs declined in absolute terms and as a percentage of sales (from 2101% to 29.9%) as a result of the rationalisation of outsourcing, mainly of logistics. **Personnel costs**

declined by 18.3% to € 9.8m from € 12.0m in 2016, from 8.1% to 6.4% of sales, as a result of the further reduction in the number of employees, currently at some 102 units.

Purchasing costs increased somewhat as a percentage of sales to 54.2% from 53.1% as a result of first tangible signs of the **poor 2017 harvest**: it was poor in France, in Italy and in Spain, due to the extreme climatic conditions caused by frost, hail, gusts of wind, heat peaks and droughts. This has contributed to significantly lowering production: -18% France, -25 % in Spain, over -26% in Italy. The decline in available wine is therefore exerting pressure on supplies with a consequent weighty increase in prices on the bulk wine market and a shortage to a certain extent in some types of grape. **This was partially offset** by 1) the development of **proprietary brands** (exceeding 85% of total revenues), 2) B2C **volume reduction in less profitable countries** (namely the UK, the US and Sweden) and 2) the **completion of production integration** and the centralisation of R&D and wine purchasing in addition to the move of the most profitable production to the two proprietary wineries.

As a result, **EBITDA increased much more than proportionally to top line, reaching € 14.2m, 9.2% margin**, vs. € 9.3m in FY-1**6, +51.9% YoY, 10.4% better than our forecast**. Excluding the non-recurring costs related to the B2C restructuring process, **EBITDA adjusted was € 16.0m** vs € 11.3m in FY-16, which excluded **€ 1.9m non-recurring items** (€ 1.5m restructuring charges for personnel reduction, other extraordinary costs for € 0.1m and the € 0.3m cost for the 2017-19 top management stock grant plan, arising from the full achievement of the performance targets for FY-17.

After basically unchanged D&A YoY, **EBIT amounted to € 10.8m, 7.0% margin** (€ 6.1m, 4.1% margin in FY-16). After Financial charges unchanged YoY and a much higher tax rate (27.1% from 1.8% in FY-16), **net profit soared 55.1% to € 6.7m** vs. € 4.3m in FY-16.

Net financial position was negative for € 2.3m, showing a strong improvement from € 13.6m in H1-17 and vs € 10.5m of Dec-16, thanks to operating cash flow generation and to WC streamlining, specifically payables, benefitting from the outsourcing of logistics, the tiny level of capex required by the business in addition to the typical seasonality of the business, with greater cash flow generation in the second half of the year.

The BoD will propose the AGM the distribution of an **€ 0.40/s dividend (34% pay-out, 3.0% yield)** doubled YoY: ex-dividend date April 23, 2018, record date on April 24, 2018 and with payment on April 25, 2018.

Move to the STAR by Q1-19

IWB nominated its legal consultant and is in the process of nominating the sponsors for **the transition from the AIM Italia Alternative Investment Market to the 'Mercato Telematico Azionario' (MTA), STAR segment,** organised and managed by Borsa Italiana.

This step is entirely consistent with the asset structure, defined ownership subsequent to the value for share operation, free float and pan-European commercial operations of IWB, which will gain access to increased international financial visibility.

IWB plans to **progress to the STAR segment of the MTA by Q1-19** (by H1-18 previously)**.** The timetable suffered to a certain extent due to the focus of the management on the business: the financial structure leaves room to evaluate potential targets allowing IWB the access to new markets. The move, in our view, is set to produce **tangible benefits in terms of liquidity and visibility**, thus **zeroing the AIM Italia discount** investors need to apply before evaluating the investment in IWB.

Estimates, valuation and risks

Following the publication of 2017 results, we have updated our model. **CFO estimates display organic growth assumptions** and do not take into consideration any acquisitions. We have 1) **slightly revised downwards top line projections in 2018-19**, on the back of the effective geographical and channel refocusing in particular in B2C segment. The weight of foreign countries is seen further on the rise; 2) **improved the projected profitability**, with services and personnel further reducing and a percentage of sales and 3) **introduced 2020 estimates**. The result is a 5% average upgrade in 2018-19 Net Profit. According to our new figures, **IWB is projected to produce an average € 11.0m Free Cash Flow to Equity per annum in 2018-20.** Moreover, CFO has **updated DCF valuation criteria,** brought the Free Risk Rate up-to-date and rolled over the first year of estimates to 2018. The combined result is a **PT upgraded to € 19.60/share** (€ 17.00), with an upside of 44.6% at current prices, reiterating our Buy rating on the stock.

The move to the STAR segment likely by Q1-19 is set to benefit **liquidity and visibility,** thus presumably **zeroing the AIM Italia discount** investors need to apply to an IWB appraisal.

With the B2C restructuring and integration with B2B definitely completed, **IWB now acts as a whole cohesive group**, with integrated production, purchasing, marketing, logistics and IT with the business units differentiated only by the diverse distributing channels served. **M&A appeal is still present:** IWB is actively on **the buy side.** Ideal value adding targets show **economic and balance sheet solidity**, **business structure coherent** with that of IWB and **presence in adjacent channels**, to leverage on dimension and reach and to get access to key lucrative markets (namely the US). In addition, we might not exclude, also considering shareholder structure, the possibility of **IWB being a target** for a player aimed at exploiting synergies with the IWB logistic platform and clients/products portfolio.

DCF

In the valuation via the DCF method explicit estimates until 2022 and a long term growth of 1.0% were used. Cash flows were discounted back at an weighted average cost of capital calculated according to the following parameters:

Table 3 - WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	27.0%
Int. costs, after taxes	**1.8%**
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 2W average)	2.00%
Beta levered (x)	1.00
Required ROE	**11.0%**

Source: CFO Sim

Table 4 - IWB, DCF model

€ m	**2018e**	**2019e**	**2020e**	**2021e**	**2022e**	**Term. Val.**
EBIT	13.3	17.6	19.9	19.9	19.9	
Tax rate	27.0%	27.0%	27.0%	27.0%	27.0%	
Operating profit (NOPAT)	**9.7**	**12.8**	**14.6**	**14.6**	**14.6**	
Change working capital	0.8	(1.1)	(0.1)	(0.1)	(0.1)	
Depreciation	3.2	3.1	3.1	1.5	1.0	
Investments	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	
Free Cash Flows	**12.8**	**13.9**	**16.5**	**14.9**	**14.4**	**152.1**
Present value	11.8	11.6	12.5	10.2	8.9	**94.3**
WACC	10.6%	10.6%	10.6%	10.6%	10.6%	
Long-term growth rate	**1.0%**					

Source: CFO Sim

Table 5 – IWB, DCF per share derived from:

€ m	
Total EV present value € m	149.3
thereof terminal value %	*63.1%*
NFP last reported FY-17	(2.3)
Pension provision FY-17	(0.8)
Equity value € m	**146.2**
#m shares fully diluted (warrant conversion @ € 13.30/s)	7.45
Equity value €/s	**19.60**
% upside/(downside)	*44.6%*

Source: CFO Sim

The application of the model produces an equity value of € 146.2m, which corresponds **to € 19.60/s, with a potential upside of 44.6%.** The number of shares used to get the PT is fully diluted, considering the whole warrant conversion at a share price of € 13.30.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 18.30 – 21.30 (perpetuity range of between 0.00% and 2.00%), while 2) compared to changes in the free risk rate produces an equity value/s of € 17.90–21.80 (free risk range of between 1.00% and 3.00%) and 3) compared to changes in the risk premium, including small size premium results into an equity value/s of € € 16.40-24.50 (risk premium range of between 11.0%% and 7.0%).

Table 6 – 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	55.1	55.1	55.1	55.1	55.1	55.1	55.1	55.1	55.1
PV of terminal value	84.5	86.8	89.1	91.6	94.3	97.0	100.0	103.0	106.3
Total value	**139.6**	**141.8**	**144.2**	**146.7**	**149.3**	**152.1**	**155.0**	**158.1**	**161.4**
NFP last reported FY-17	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Pension provision FY-17	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Equity value	**136.4**	**138.7**	**141.1**	**143.6**	**146.2**	**149.0**	**151.9**	**155.0**	**158.3**
Equity value/share €	**18.30**	**18.60**	**18.90**	**19.30**	**19.60**	**20.00**	**20.40**	**20.80**	**21.30**

Source: CFO Sim

Table 7 – IWB, equity value sensitivity to changes in free risk rate

€ m	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%
Present value of CF	56.3	56.0	55.7	55.4	55.1	54.7	54.4	54.1	53.8
PV of terminal value	109.1	105.1	101.3	97.7	94.3	91.0	88.0	85.1	82.3
Total value	**165.4**	**161.1**	**157.0**	**153.0**	**149.3**	**145.8**	**142.4**	**139.2**	**136.1**
NFP last reported FY-17	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Pension provision FY-17	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Equity value	**162.3**	**158.0**	**153.8**	**149.9**	**146.2**	**142.7**	**139.3**	**136.1**	**133.0**
Equity value/share €	**21.80**	**21.20**	**20.70**	**20.10**	**19.60**	**19.20**	**18.70**	**18.30**	**17.90**

Source: CFO Sim

Table 8 – 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	57.7	57.0	56.3	55.7	55.1	54.4	53.8	53.2	52.7
PV of terminal value	127.9	117.9	109.1	101.3	94.3	88.0	82.3	77.1	72.5
Total value	**185.5**	**174.9**	**165.4**	**157.0**	**149.3**	**142.4**	**136.1**	**130.4**	**125.1**
NFP last reported FY-17	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Pension provision FY-17	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Equity value	**182.4**	**171.8**	**162.3**	**153.8**	**146.2**	**139.3**	**133.0**	**127.3**	**122.0**
Equity value/share €	**24.50**	**23.10**	**21.80**	**20.70**	**19.60**	**18.70**	**17.90**	**17.10**	**16.40**

Source: CFO Sim

Market multiples

We have included 10 peers in the sample, operating in the wine producing and distribution arena. What characterises our sample is almost total turnover stemming from wine sales: from the 91.2% of Treasury Wine Estates to the 100% of Lanson, Lauent Perrier, Masi and Schloss. Our sample for wine producers comprises: **Baron de Ley (ES), Lanson (FR), Laurent Perrier (FR), Masi Agricola (IT, listed on the Milan AIM), Schloss Wachenheim (D), Treasury Wine Estates (AU), Vina Concha (ES)** and **Vranken Pommery Monopole (FR)**. In addition we have included two players involved purely in distribution of wine: **Majestic Wine (UK)** and **Hawesko (D)**.

Looking at these figures, it emerges that growth on offer on the market is limited, to the tune of 3.0% for producers and 5.3% for distributors. IWB is the smallest in terms of market capitalization and amongst the smallest in terms of turnover. However, thanks to B2C & B2B integration benefits, it offers much higher projected profitability growth than the median for wine producers in 2016-19.

Table 9 - IWB, peers group summary table

€ m	Mkt Cap	Wine % of Sales	Sales FY1	EBITDA FY1	EBITDA %	Sales $CAGR_{16-19}$	EBITDA $CAGR_{16-19}$	EBIT $CAGR_{16-19}$	EPS $CAGR_{17-19}$	NFP	NFP/ EBITDA
Baron de Ley SA	449	99.0%	101	34	33.8%	n.a	n.a.	n.a.	n.a.	(209)	(6.1)
Lanson BCC SA	231	100.0%	257	26	10.3%	1.0%	n.a.	n.a.	187.7%	491	18.6
Laurent Perrier SA	545	100.0%	231	44	19.0%	2.2%	2.3%	3.4%	10.9%	282	6.4
Masi Agricola SpA	135	100.0%	64	13	20.3%	2.2%	-0.1%	3.0%	22.5%	8	0.6
Schloss Wachenheim	166	91.2%	323	33	10.2%	4.0%	3.2%	3.4%	1.7%	n.a.	n.a.
Treasury Wine Estates	7,684	91.7%	1,611	401	24.9%	4.0%	15.7%	19.7%	22.4%	330	0.8
Vina Concha y Toro SA	1,220	97.6%	861	111	12.9%	-0.6%	4.2%	8.1%	15.7%	272	2.5
Vranken Pommery	205	97.6%	305	36	11.9%	2.6%	n.a.	n.a	20.2%	628	17.3
Wine producers median	**340**	**98.3%**	**281**	**35**	**15.9%**	**2.2%**	**3.2%**	**3.4%**	**20.2%**	**282**	**2.5**
Majestic Wine PLC	326		549	28	5.2%	4.7%	35.6%	n.a.	18.2%	13	0.5
Hawesko Holding AG	454		507	39	7.6%	2.9%	n.a.	n.a.	9.4%	(3)	(0.1)
Wine distr. median	**390**		**528**	**34**	**6.4%**	**3.8%**	**35.6%**	**n.a.**	**13.8%**	**5**	**0.2**
IWB*	**101**	**100%**	**154**	**16.5**	**10.7%**	**3.1%**	**17.6%**	**22.7%**	**23.5%**	**(8)**	**(0.5)**

*Source: CFO Sim, Thomson Reuters Eikon   * market cap fully diluted*

Table 10 - 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
Baron de Ley SA	15.8	15.4	n.a.	7.0	6.3	n.a.	8.8	8.0	n.a.
Lanson BCC SA	25.6	21.0	3.1	27.3	25.6	28.2	37.7	34.0	40.2
Laurent Perrier SA	24.7	21.0	20.1	18.8	17.0	16.3	21.3	19.0	18.1
Masi Agricola SpA	30.0	22.5	20.0	11.0	10.3	9.6	15.8	14.2	13.2
Schloss Wachenheim	13.5	13.0	13.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates	33.7	26.9	22.5	20.0	16.4	14.2	24.0	19.1	16.0
Vina Concha y Toro SA	20.9	18.1	15.6	13.5	12.1	10.2	19.4	14.5	12.8
Vranken Pommery	25.3	19.3	17.5	22.9	21.5	21.2	31.6	29.1	28.4
Wine producers median	**25.0**	**20.1**	**17.5**	**18.8**	**16.4**	**15.2**	**21.3**	**19.0**	**17.0**
Majestic Wine PLC	22.0	18.5	15.8	11.9	10.5	9.5	16.4	14.1	12.4
Hawesko Holding AG	23.1	21.0	19.3	11.6	10.6	9.6	14.8	13.3	11.9
Wine distr. median	**22.6**	**19.7**	**17.5**	**11.8**	**10.5**	**9.5**	**15.6**	**13.7**	**12.1**
IWB*	**10.6**	**7.9**	**6.9**	**5.6**	**4.0**	**3.0**	**7.0**	**4.7**	**3.5**
% prem.(disc.)to prod.	*-57.6%*	*-60.6%*	*-60.3%*	*-70.1%*	*-75.8%*	*-80.3%*	*-67.2%*	*-75.5%*	*-79.6%*
% prem.(disc.)to distr.	*-53.1%*	*-59.7%*	*-60.4%*	*-52.3%*	*-62.4%*	*-68.5%*	*-55.3%*	*-66.0%*	*-71.5%*

*Source: CFO Sim, Thomson Reuters Eikon - * Fully diluted multiples*

IWB trades at an massive unjustified discount vs. peer medians – producers and distributors - at all levels considering EV multiples and PER. This can be partially explained by lower size, trading volumes and listing on the AIM Italia. Even if comparing IWB with Masi Agricola, also listed on the Milan AIM, and which offers higher margins but lower projected growth, it trades at a discount. We believe this is not justified and the stock has to fill somewhat the valuation gap compared to its peers.

Stock performance

IWB was listed on the **Milan AIM** (Alternative Investment Market) **on 29-Jan-15** at € 10/share, corresponding to a market capitalization post money of € 65.7m, through the innovate pre-booking company **IPO Challenger,** whose investors/ex-bondholders were reimbursed in kind with the listed shares and warrants of IWB, becoming direct shareholders and free float of the company. IWB also issued 6.16m warrants, 33% owned by the sponsors of the transaction and 67% owned by public investors. The stock reached the historical maximum of € 13.50/s on 7-Mar-18 and the minimum of € 8.85 on 27-Mar-17. **IWB consistently outperformed peers, sector and indexes**.

Table 11 - IWB, peers group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Baron de Ley SA	(3.1)	6.4	5.3	(0.2)	3.2	(1.3)	(5.7)
Lanson BCC SA	0.0	(1.2)	(21.3)	(2.0)	(0.6)	(0.8)	6.0
Laurent Perrier SA	(0.2)	(1.7)	(7.1)	10.0	18.7	10.4	33.4
Masi Agricola SpA	(0.5)	(2.1)	(3.2)	(2.8)	(4.3)	(5.0)	(14.1)
Schloss Wachenheim AG	0.0	(0.5)	1.0	(1.4)	0.1	2.7	28.3
Treasury Wine Estates Ltd	(1.4)	(0.8)	(2.3)	6.3	22.5	7.5	40.8
Vina Concha y Toro SA	0.6	(1.8)	(4.0)	6.8	18.1	5.5	10.9
Vranken Pommery Monopole SA	(0.4)	(1.3)	(2.1)	(3.5)	(0.6)	(2.5)	3.4
Wine producers median	**(0.3)**	**(1.2)**	**(2.8)**	**(0.8)**	**1.7**	**1.0**	**8.5**
Majestic Wine PLC	(3.4)	(10.7)	(9.8)	(10.3)	19.6	(10.9)	23.1
Hawesko Holding AG	0.0	0.0	1.4	5.0	(0.5)	(1.0)	7.4
Wine distributors median	**(1.7)**	**(5.4)**	**(4.2)**	**(2.7)**	**9.5**	**(5.9)**	**15.2**
IWB	**3.0**	**3.0**	**1.5**	**6.8**	**9.2**	**7.7**	**50.6**

Source: Thomson Reuters Eikon

Table 12 – IWB, reference sector index and Italian Market performances

	1D	1W	1M	3M	6M	YTD	1Y
FTSE AIM All Share	(0.7)	(3.4)	(2.3)	(1.4)	2.5	(2.8)	11.1
Thomson Reuters Food & Beverage	0.1	(2.5)	(4.1)	(7.2)	(4.1)	(8.9)	3.0
IWB	**3.0**	**3.0**	**1.5**	**6.8**	**9.2**	**7.7**	**50.6**

Source: Thomson Reuters Eikon

Risks

The principal investment **risks** in IWB may include:

- impact on economics and balance sheet profile triggered by a **deep decline in local and global economic growth**,
- **Competition** by similar initiatives
- **Changing in consumers habits,** slowing demand.

Income statement (€ m)	2016	2017	2018e	2019e	2020e
Net Revenues	145.9	149.7	154.2	158.7	164.3
Purchasing	(79.0)	(83.2)	(85.3)	(85.8)	(87.2)
Services	(47.8)	(45.9)	(46.1)	(46.0)	(47.6)
Personnel	(12.0)	(9.8)	(7.0)	(7.1)	(7.3)
Other operating expenses	2.2	3.4	0.8	0.8	0.9
EBITDA adjusted	11.3	16.0	16.5	20.7	23.0
EBITDA	9.3	14.2	16.5	20.7	23.0
D&A	(3.3)	(3.4)	(3.2)	(3.1)	(3.1)
EBIT adjusted	8.1	12.7	13.3	17.6	19.9
EBIT	6.1	10.8	13.3	17.6	19.9
Financials	(1.6)	(1.6)	(0.3)	(0.1)	(0.0)
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	4.4	9.2	13.1	17.4	19.9
Income taxes	(0.1)	(2.5)	(3.5)	(4.7)	(5.4)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit adjusted	4.7	8.1	9.5	12.7	14.5
Net Profit	4.3	6.7	9.5	12.7	14.5

Balance sheet (€ m)	2016	2017	2018e	2019e	2020e
Net Working Capital	(2.2)	(4.4)	(5.2)	(4.1)	(4.0)
Net Fixed Assets	100.4	99.7	97.5	95.4	93.3
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(11.6)	(11.4)	(11.4)	(11.5)	(11.6)
Net Invested Capital	86.6	83.9	80.8	79.7	77.7
Net Financial Position	10.5	2.3	(8.1)	(19.0)	(31.8)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	76.2	81.6	88.9	98.7	109.5
Financial Liabilities & Equity	86.6	83.9	80.8	79.7	77.7

Cash Flow statement (€ m)	2016	2017	2018e	2019e	2020e
Total net income	4.3	6.7	9.5	12.7	14.5
Depreciation	3.3	3.4	3.2	3.1	3.1
Other non-cash charges	(3.9)	(1.6)	0.1	0.1	0.1
Cash Flow from Oper. (CFO)	3.7	8.5	12.8	15.9	17.7
Change in NWC	6.6	2.2	0.8	(1.1)	(0.1)
FCF from Operations (FCFO)	10.4	10.7	13.7	14.8	17.6
Net Investments (CFI)	(0.7)	(1.0)	(1.0)	(1.0)	(1.0)
Free CF to the Firm (FCFF)	9.7	9.7	12.6	13.8	16.6
CF from financials (CFF)	(4.9)	(6.6)	(1.9)	(2.6)	(4.5)
Free Cash Flow to Equity (FCFE)	4.8	3.1	10.7	11.3	12.1

Financial ratios	2016	2017	2018e	2019e	2020e
EBITDA margin	6.4%	9.5%	10.7%	13.0%	14.0%
EBIT margin	4.1%	7.2%	8.6%	11.1%	12.1%
Net profit margin	3.0%	4.5%	6.2%	8.0%	8.9%
Tax rate	1.8%	27.1%	27.0%	27.0%	27.0%
Interest coverage x	0.28	0.16	0.05	0.04	0.03
Net Debt/Ebitda x	1.12	0.16	(0.49)	(0.92)	(1.38)
Debt-to-Equity x	0.14	0.03	(0.09)	(0.19)	(0.29)
ROIC	4.9%	7.9%	11.6%	15.8%	18.5%
ROCE	4.7%	8.5%	9.9%	12.1%	12.8%
ROACE	4.7%	8.5%	10.2%	12.5%	13.3%
ROE	5.9%	8.5%	11.2%	13.6%	14.0%
Payout ratio	26.1%	33.7%	30.0%	30.0%	30.0%

Per share figures	2016	2017	2018e	2019e	2020e
Final N. of shares # m	6.36	5.67	5.74	5.74	5.74
Average N. of shares # m	6.47	6.02	5.71	5.74	5.74
Final N. of shares (fully diluted) # m	8.13	7.45	7.45	7.45	7.45
EPS reported €	0.67	1.12	1.67	2.22	2.53
EPS reported FD €	0.53	0.90	1.28	1.71	1.95
EPS adjusted FD €	0.53	0.90	1.28	1.71	1.95
EBITDA FD €	1.15	1.90	2.22	2.78	3.09
EBIT FD €	0.01	0.02	0.06	0.07	0.09
FCFO FD €	1.28	1.44	1.83	1.99	2.36
FCFF FD €	1.19	1.30	1.70	1.86	2.23
FCFE FD €	0.59	0.41	1.44	1.51	1.62
Dividend €	0.20	0.40	0.50	0.66	0.76

The company at a glance

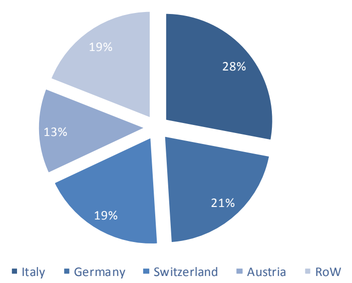
IWB (Italian Wine Brands) is the holding company of a leading producer and distributor in the Italian wine industry. The Group operates through two channels: B2C and B2B.

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 B2C arm does not own any vineyards, it procures raw materials (grapes, must and bulk wine) from Italian vineyards and wine producers, which it works in its own two proprietary wineries.

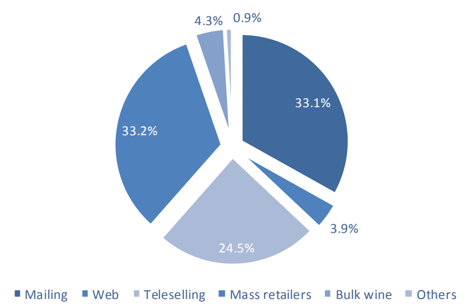
B2B is focused on sale and distribution in the international markets to mass retailers where it distributes both privately labelled and branded products. The B2B arm outsources both the bottling and the logistic activity in order to make its supply operations faster, leaner and more efficient.

Sales reached € 149.7m in 2017, +2.6% YoY. The figure was characterised once again by a strong performance in B2B and mixed results in B2C: B2B division up by some 14.0% and B2C down by circa 6.0%. EBITDA, which includes € 1.9m of non-recurring items, was € 14.2m, with 9.5% margin.

2016 revenues by country and…



…by channel



Shareholder structure

	%	# m
Provinco srl	12.1%	0.688
IPOC srl	1.4%	0.082
Treasury Shares	2.2%	0.127
Free Float, o/w	**84.2%**	**4.777**
Otus Capital Management	6.2%	0.352
Praude Asset Management	5.8%	0.329
Axxion S.A.	5.4%	0.306
Total	**100.0%**	**5.674**

Total issued number of share

Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Baron de Ley SA	(3.1)	6.4	5.3	(0.2)	3.2	(1.3)
Lanson BCC SA	0.0	(1.2)	(21.3)	(2.0)	(0.6)	(0.8)
Laurent Perrier SA	(0.2)	(1.7)	(7.1)	10.0	18.7	10.4
Masi Agricola SpA	(0.5)	(2.1)	(3.2)	(2.8)	(4.3)	(5.0)
Schloss AG	0.0	(0.5)	1.0	(1.4)	0.1	2.7
Treasury Wine Est.	(1.4)	(0.8)	(2.3)	6.3	22.5	7.5
Vina ConchaYToro	0.6	(1.8)	(4.0)	6.8	18.1	5.5
Vranken Pommery M.	(0.4)	(1.3)	(2.1)	(3.5)	(0.6)	(2.5)
Wine producers median	**(0.3)**	**(1.2)**	**(2.8)**	**(0.8)**	**1.7**	**1.0**
Majestic Wine PLC	(3.4)	(10.7)	(9.8)	(10.3)	19.6	(10.9)
Hawesko Holding AG	0.0	0.0	1.4	5.0	(0.5)	(1.0)
Wine distributors median	**(1.7)**	**(5.4)**	**(4.2)**	**(2.7)**	**9.5**	**(5.9)**
IWB	**3.0**	**3.0**	**1.5**	**6.8**	**9.2**	**7.7**

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	15.8	15.4	n.a.	7.0	6.3	n.a.	8.8	8.0	n.a.
Lanson BCC SA	25.6	21.0	3.1	27.3	25.6	28.2	37.7	34.0	40.2
Laurent Perrier SA	24.7	21.0	20.1	18.8	17.0	16.3	21.3	19.0	18.1
Masi Agricola SpA	30.0	22.5	20.0	11.0	10.3	9.6	15.8	14.2	13.2
Schloss Wachenheim	13.5	13.0	13.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates	33.7	26.9	22.5	20.0	16.4	14.2	24.0	19.1	16.0
Vina Concha y Toro SA	20.9	18.1	15.6	13.5	12.1	10.2	19.4	14.5	12.8
Vranken Pommery	25.3	19.3	17.5	22.9	21.5	21.2	31.6	29.1	28.4
Wine producers median	**25.0**	**20.1**	**17.5**	**18.8**	**16.4**	**15.2**	**21.3**	**19.0**	**17.0**
Majestic Wine PLC	22.0	18.5	15.8	11.9	10.5	9.5	16.4	14.1	12.4
Hawesko Holding AG	23.1	21.0	19.3	11.6	10.6	9.6	14.8	13.3	11.9
Wine distr. median	**22.6**	**19.7**	**17.5**	**11.8**	**10.5**	**9.5**	**15.6**	**13.7**	**12.1**
IWB*	**10.6**	**7.9**	**6.9**	**5.6**	**4.0**	**3.0**	**7.0**	**4.7**	**3.5**

*Source: CFO Sim, Thomson Reuters Eikon, *fully diluted multiples*

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").

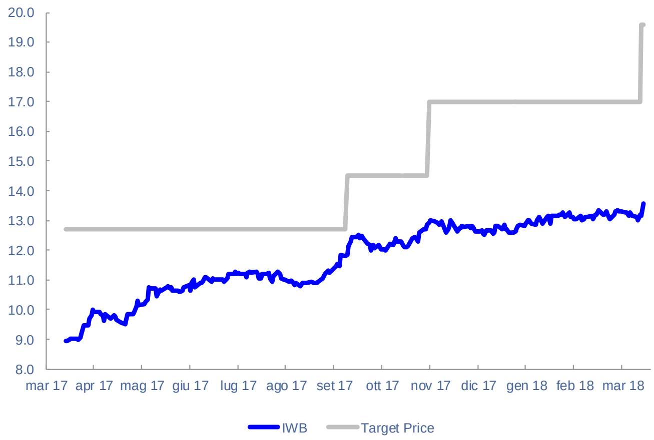
This is to certify that the views expressed on the companies mentioned in this document reflect the analyst's personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

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. The analyst 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 Specialist 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
26/03/2018	€19.60	BUY
08/11/2017	€17.00	BUY
18/09/2017	€14.50	BUY
24/03/2017	€12.70	BUY

This document is distributed via electronic mail and fax as from the date indicated in the document itself and addressed to over 400 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.
Aderente al Fondo Nazionale di Garanzia

Sede:
Via dell'Annunciata, 23/4 ·20121 Milano
Tel. +39 02 30343.1 · Fax. +39 02 30343.243
E-mail: info@cfosim.com

Unità locale:
Viale della Libertà, 67 · 33170 Pordenone
Tel. +39 0434 5467.11· Fax. +39 0434 5467.99
www.cfosim.com