

Italy – Food and Beverage

Resilient profitability in a negative year for the sector

2<sup>nd</sup> April 2019

FY-18 RESULTS RELEASE

RIC: ITWB.MI  
BBG: IWB IM

IBW reported FY-18 results slightly lower than our estimates. Top line was basically unchanged in a declining reference market, but with a different geographical mix: double digit growth in foreign countries, driven by the B2B channel. Profitability was impacted by higher raw material costs stemming from 2017 poor harvest.

Rating:

**Buy**

Price Target:

**€ 18.60**

Upside/(Downside): **61.0%**

Last Price: € 11.55

Market Cap.: € 85.5

1Y High/Low: € 14.10/€ 10.00

Free Float: 79.8%

Major shareholders:

Provinco Srl	9.1%
IPOC Srl	8.7%
Praude Assett Management	5.2%



Stock price performance

	1M	3M	12M
<b>Absolute</b>	<b>6.5%</b>	<b>-2.5%</b>	<b>-16.3%</b>
<b>Rel.to AIM Italia</b>	<b>6.2%</b>	<b>-9.4%</b>	<b>-6.7%</b>
<b>Rel.to EU Sector</b>	<b>3.0%</b>	<b>-18.3%</b>	<b>-19.5%</b>

Analysts:

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

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

**PT confirmed at € 18.60/s, 61.0% upside potential: BUY reiterated**

The 2018 harvest was more generous than 2017, with soaring volumes and high quality grapes: this should produce a favourable effect on purchase costs for grapes, must and bulk wine visible as of the beginning of 2019. Following the publication of 2018 results, we have updated our model. CFO estimates display organic growth assumptions and do not take into consideration any acquisitions. We have left basically unchanged top line projections and only trimmed profitability on the back of the lower than anticipated operating performance in 2018. We have introduced 2021 projections and updated DCF valuation criteria. The PT is confirmed at € 18.60/s. We reiterate our BUY rating on IWB.

**FY-18 turnover € 149.9m, exports 77.4% of total**

Revenues increased by 0.1% to € 149.9m as a result of growing sales in foreign countries (+3.4% with CAGR<sub>16-18</sub> of +5.2%), driven by IWB own brands sold through wholesale channel, grew by 11.8% to € 77.2m (CAGR<sub>16-18</sub> of +13.1%), mainly in Switzerland, Germany and UK. Export sales accounted for € 115.4m, 77.4% of total. Italy declined 9.3% to € 33.8m as a result of the change in sales method in the distance selling: lower telephone sales and massive increase in the web channel. The decline of the domestic market was partially counterbalanced by IWB's entry into Italian Organized Distribution with own brands (i.e. SELLARONDA®), with € 2.5m sales in 2018, the first year of activity.

**EBITDA adj. € 14.6m and € 0.40/s dividend proposal**

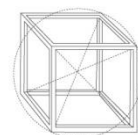
EBITDA was € 13.4m, 8.9% margin, vs. € 14.2m in FY-17, -50 bps YoY because of higher raw materials costs, partially counterbalanced by the cut of fixed structural and commercial variable costs. Excluding € 1.2m non-recurring items, mainly related to the restructuring of logistic hub, EBITDA adjusted was € 14.6m vs € 16.0m in FY-17. Net Financial Position came in at € 3.4m debt (€ 2.3m at the end of 2017), after consistent cash flow generation partially absorbed by capex, higher dividends payment and treasury share purchasing. The BoD will propose the distribution of an € 0.40/s dividend (45% pay-out, 3.7% yield): ex-dividend date 23-Apr, record date on 24-Apr, 2019 and payment on 25-Apr.

**Investment in distribution, creating new brands and strengthening the production**

During 2018 the group also boosted sales throughout its digital platforms giordanovini.it (dedicated to Giordano products) and svinando.it (dedicated to the group's other brands), reaching about € 12m sales via this channel (+40.2% YoY, CAGR<sub>16-18</sub> of +27.2%). In addition IWB invested in order to update its production capacity, mainly in Puglia and Piedmont, launched its first craft beer brand, Optimacraft, and started to produce in Tuscany (a super-premium project will be launched in 2020).

**IWB, key financials and ratios**

€ m	2017	2018	2019e	2020e	2021e
Sales	149.7	149.9	153.0	158.1	163.0
EBITDA adjusted	16.0	14.6	17.4	18.9	20.0
EBITDA	14.2	13.4	17.4	18.9	20.0
EBIT adjusted	12.7	11.1	13.7	15.2	16.4
EBIT	10.8	9.9	13.7	15.2	16.4
Net profit adjusted	8.1	7.2	9.5	10.5	11.3
Net profit	6.7	6.4	9.5	10.5	11.3
NFP (cash)/debt	2.3	3.4	(3.9)	(12.6)	(21.5)
EPS adjusted FD	1.10	0.98	1.28	1.41	1.53
EPS adj. FD growth	90.6%	-11.1%	31.1%	10.3%	7.8%
DPS ord. €/s	0.40	0.40	0.49	0.54	0.59
Dividend yield	3.5%	3.5%	4.2%	4.7%	5.1%
Free Cash Flow Yield	11.4%	3.4%	12.0%	13.6%	14.1%
PER x	10.5	11.8	9.0	8.2	7.6
PCF x	8.0	12.2	6.2	6.2	6.0
EV/Sales x	0.6	0.6	0.5	0.5	0.4
EV/EBITDA x	5.5	6.1	4.7	3.9	3.2
EV/EBIT x	6.9	8.0	6.0	4.8	3.9



## 1. IWB in a nutshell

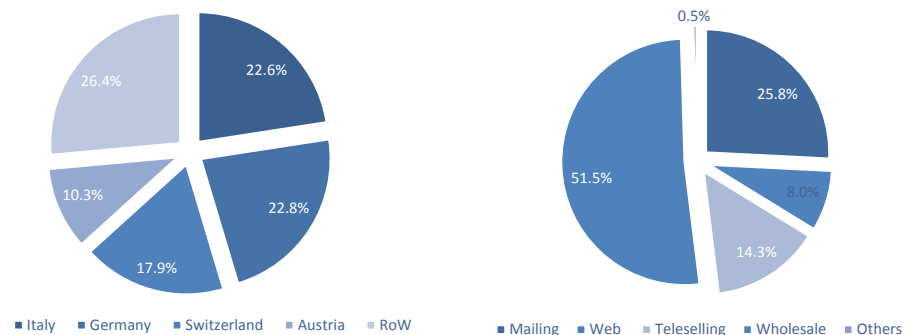
IWB (Italian Wine Brands) is **a leading producer and distributor in the Italian wine industry**. The Group operates through two channels: B2C and B2B.

**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 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 € 149.9m in 2018**, +0.1 YoY. The figure was characterised once again by a strong performance in B2B and mixed results in B2C: B2B division up by some 11.8% and B2C down by circa 8.9%. **EBITDA, which includes € 1.2m of non-recurring items, was € 13.4m**, with 8.9% margin.

Chart 1 – IWB, 2018 revenues by country and by channel



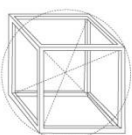
Source: IWB

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.

Table 1 - IWB, Shareholders structure details

	%	# m
Provinco srl	9.1%	0.672
IPOC srl	8.7%	0.643
Treasury Shares	2.4%	0.181
<b>Free Float, o/w</b>	<b>79.8%</b>	<b>5.906</b>
Praude Asset Management	5.2%	0.385
<b>Total</b>	<b>100.0%</b>	<b>7.402</b>

Source: IWB, Consob,

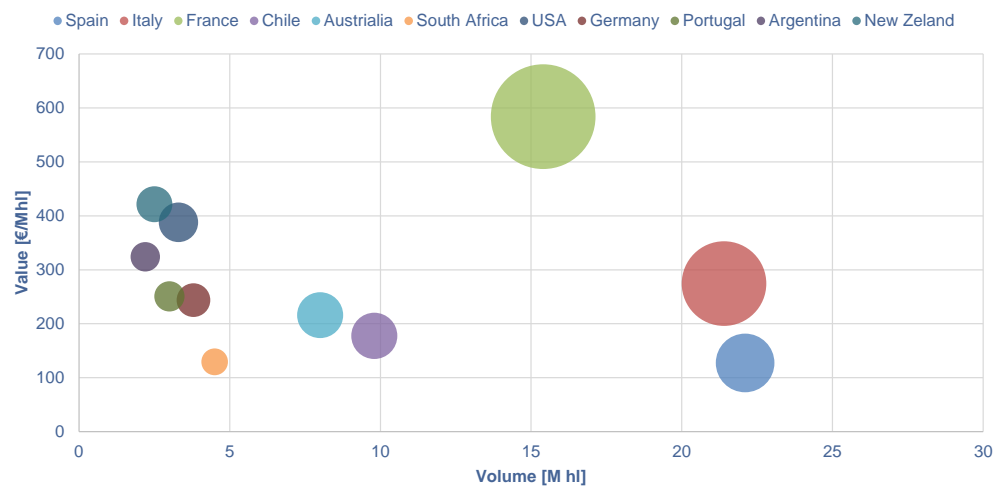


## 2. The reference market

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 8%.

**World wine consumption is estimated at 243m hectolitres in 2017**, an increase of 1.8 mhl compared to previous years but **still quite far from the 250m hectolitres in 2008**. **The USA, with consumption to the tune of 32.6m hectolitres, is the largest domestic market** characterised by continuous growth in volume with a CAGR<sub>13-17</sub> of 1.4%. On the contrary, in Europe consumption remains basically unchanged.

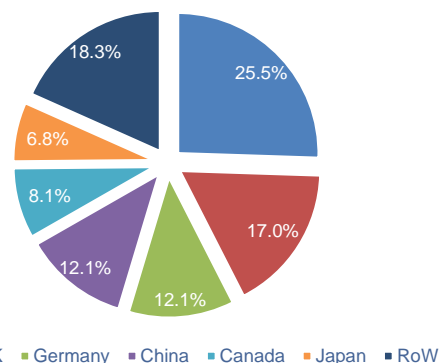
Chart 2 – IWB, global export market



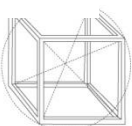
Source: OIV, State of the Vitiviniculture World Market

**The key growth driver** for producers, in particular for France, Italy and Spain, **is export**, which reached a value of € 30.4bn in 2017 and which is growing (+4.8% 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 30% and 19% respectively. The **largest target markets for producers are the USA, the UK, Germany, China, Canada and Japan**.

Chart 3 – Main wine importers



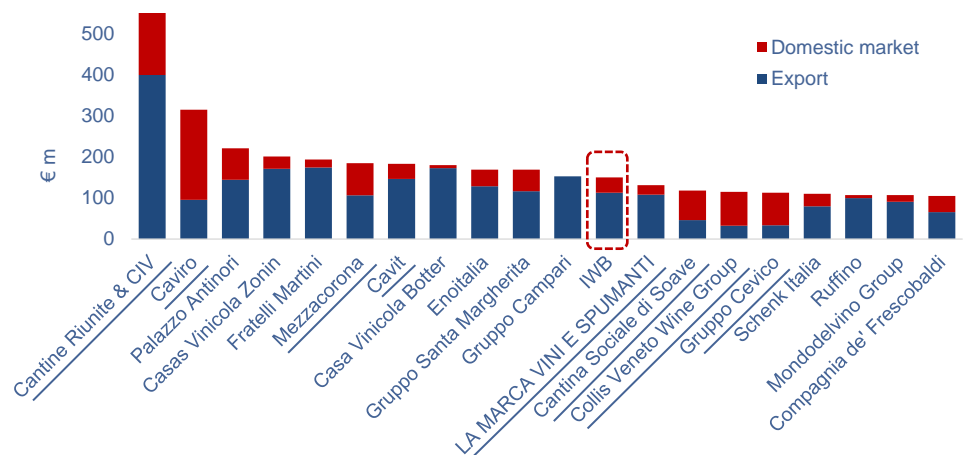
Source: OIV, State of the Vitiviniculture World Market



### 3. Competitive arena

The Italian wine market is the largest in terms of production with 42.5m hl in 2017, and is very fragmented with hundreds of players operating throughout the country. There are 155 companies with revenues in excess of € 25m for a total market value of € 7.2bn, of which 33% 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<sub>12-17</sub> of 6.6% and by Italian producer expectations for 2018.

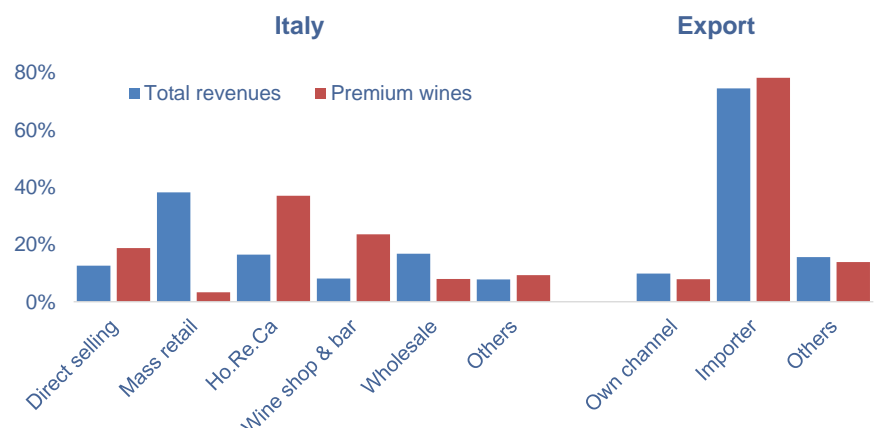
Chart 4 – IWB, the 8<sup>th</sup> largest player (ex. cooperatives, underlined in the chart)



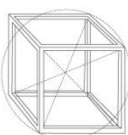
Source: IWB, Paper on wine sector, Mediobanca Apr-18

Regarding sales channels, about 40% of Italian wines are distributed locally through mass market retailers whereas premium wine sales use mainly hotels, restaurants and catering and wine shops & 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-18



## 4. Business model - strategy

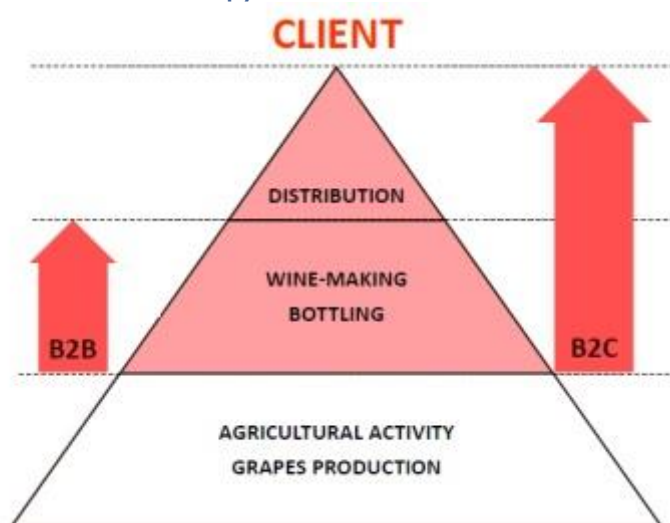
The IWB business model is plain: **IWB purchases wine** (B2C + B2B), **must and grapes** from local producers (B2C). Then **the B2C arm produces wine and bottles the liquid**. Afterwards IWB **markets and distributes the bottles**. IWB does not own vineyards, the asset characterised by the highest capital 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 integration allowed the company to obtain an annual saving stemming from **combined wine purchase up to € 1.5m, € 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.

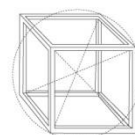
IWB strategy can be defined as follow:

- **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 8<sup>th</sup> 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 6 – IWB, wine business value pyramid



Source: Italian Wine Brands



## 5. 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.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60's/70's using Fortune 500 data.

### 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

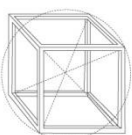
- Low brand recognition**
- Mature arena, **poor market growth rates**
- B2B segment: relevant customers' **bargaining power**

#### 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 about 80%**, technically subject to takeover

#### THREATS

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





## 6. FY-18 Results

IWB reported FY-18 results slightly lower than our estimates. Top line was basically unchanged in a declining reference market, but with double digit growth in foreign countries, driven by the B2B channel. Profitability was impacted by higher raw material costs stemming from 2017 poor harvest, almost entirely counterbalanced by further efficiencies, a better mix and a few price increases. Excluding this impact, profitability improved YoY.

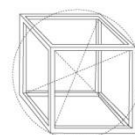
**Table 2 – IWB, FY-18 results summary**

€ m	2018	2017	% YoY	2018e	% Diff.
<b>Net revenues</b>	<b>149.9</b>	<b>149.7</b>	<b>0.1</b>	<b>150.1</b>	<b>(0.2)</b>
Purchasing	(87.2)	(80.8)		(88.8)	
Services	(42.0)	(45.9)		(39.3)	
Personnel	(8.3)	(9.8)		(8.6)	
Other operating expenses	1.1	1.0		0.8	
<b>EBITDA</b>	<b>13.4</b>	<b>14.2</b>	<b>(5.2)</b>	<b>14.2</b>	<b>(5.5)</b>
% margin	9.0	9.5		9.5	
D&A	(3.5)	(3.4)		(3.6)	
<b>EBIT</b>	<b>9.9</b>	<b>10.8</b>	<b>(8.5)</b>	<b>10.6</b>	<b>(6.8)</b>
% margin	6.6	7.2		7.1	
Financial income	0.1	0.2		0.3	
Financial charges	(1.2)	(1.7)		(1.5)	
Extraordinary	0.0	0.0		0.0	
<b>Pre-Tax profit</b>	<b>8.7</b>	<b>9.2</b>	<b>(5.3)</b>	<b>9.4</b>	<b>(7.4)</b>
% margin	5.8	6.2		6.3	
Income taxes	(2.4)	(2.5)		(2.5)	
Tax rate	27.3%	27.1%		27.0%	
Minorities	0.0	0.0		0.0	
<b>Net Profit</b>	<b>6.4</b>	<b>6.7</b>	<b>(5.7)</b>	<b>6.9</b>	<b>(7.8)</b>
% margin	4.2	4.5		4.6	
<b>EBITDA adj.</b>	<b>14.6</b>	<b>16.0</b>	<b>(8.9)</b>	<b>15.2</b>	<b>(4.0)</b>
<b>Net Profit adj.</b>	<b>7.2</b>	<b>8.1</b>	<b>(11.0)</b>	<b>7.5</b>	<b>(3.4)</b>

Source: Company data, CFO Sim

**Top line was basically unchanged YoY, with revenues increased by 0.1% to € 149.9m**, as a result of growing sales in foreign countries (+3.4% with CAGR<sub>16-18</sub> of +5.2%), driven by IWB own brands sold through wholesale channel, grew by 11.8% to € 77.2m (CAGR<sub>16-18</sub> of +13.1%), mainly in Switzerland, Germany and UK. Export sales accounted for € 115.4m, 77.4% of total. Italy declined 9.3% to € 33.8m as a result of the change in sales method in distance selling: lower telephone sales and a massive increase in the web channel. The decline of the domestic market was partially counterbalanced by the IWB's entry into Italian Organized Distribution with own brands, with € 2.5m sales in 2018, the first year of activity.

**Purchasing costs increased as a percentage of sales to 57.3% from 54.2%** as a result 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 therefore exerted 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 almost entirely counterbalanced by further efficiencies, a better mix and a few price increases. Excluding this impact, profitability improved YoY.**



**EBITDA was € 13.4m, 8.9% margin**, vs. € 14.2m in FY-17, -50 bps YoY because of higher raw material costs, partially counterbalanced by the cut of fixed structural and commercial variable costs. **EBITDA adjusted was € 14.6m** (€ 16.0m in FY-17), which excluded **€ 1.2m of non-recurring items** (€ 0.7m of logistic hub restructuring, of which € 0.2m of tax, legal and notary fees, € 0.1m of charges related to the Svinando acquisition, € 0.1m of other non-recurring charges and € 0.3m for the 2017-19 top management stock grant plan, arising from the full achievement of the performance targets for FY-18).

**EBIT amounted to € 9.9m, 6.6% margin** (€ 10.8m, 7.2% margin in FY-17). After Financial charges lower than FY-17 and unchanged tax rate (27%), **net profit was € 6.4m** vs. € 6.7m in FY-17.

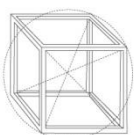
**Net Financial Position came in at € 3.4m debt** (€ 2.3m at the end of 2017), after consistent cash flow generation partially absorbed by capex, higher dividends payment and treasury share purchasing.

The BoD will propose the AGM the distribution of an **€ 0.40/s dividend (45% pay-out, 3.7% yield)** as the past year: ex-dividend date April 23, 2019, record date on April 24, 2019 and with payment on April 25, 2019.

**During 2018 the Group has also boosted sales throughout its digital platforms** giordanovini.it (dedicate to Giordano's products) and svinando.it (dedicated to the others Group's brands), reaching about € 12m revenues through this channel (+40.2% YoY, with CAGR<sub>16-18</sub> of +27.2%).

In addition IWB invested in order to increase its production capacity, mainly in Puglia and Piedmont, launched its first craft beer brand, OPTIMACRAFTBEER, which performed well immediately in B2C channel and started to produce in Tuscany (a super-premium project will be launched in 2020).

According to Assoenologi, the Italian oenologists association, **2018 wine production was 52.5m hl in Italy, up 23.5% YoY**, with a favourable effect on purchase costs for grapes, musts and bulk wine visible as of the beginning of 2019.





## 7. Estimates, valuation and risks

Following the publication of 2018 results, we have updated our model. **CFO estimates display organic growth assumptions** and do not take into consideration any acquisitions. We have left basically unchanged top line projections and trimmed profitability on the back of the lower than anticipated operating performance in 2018. The result is a 10% average downgrade in 2019-20 EBITDA. According to our new figures, **IWB is projected to produce an average € 11.9m Free Cash Flow to Equity per annum in 2019-21**. In addition we increased capex for the renewal of some production lines and the automation of the end of production lines. Moreover, CFO has **updated DCF valuation criteria**, brought the Free Risk Rate up-to-date and rolled over the first year of estimates to 2019. We have also introduced 2021 projections. The combined result is a **PT unchanged to € 18.60/s**, with an upside of 61.0% at current prices, reiterating our Buy rating on the stock.

**In a year with a substantial raw material cost increase, IWB FY-18 results showed the ability to maintain margins**, reached thanks to the Distance Selling restructuring and integration with Wholesale completion: **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. **With a few further cost savings, the IWB extremely lean cost structure and scale, should bring hefty cash flow and operating margin improvement in the coming years.**

**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.

### 7.1 DCF

In the valuation via the DCF method explicit estimates until 2023 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:**

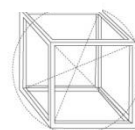
Interest costs, pre-tax	2.5%
Tax rate	27.0%
<b>Int. costs, after taxes</b>	<b>1.8%</b>
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 2W average)	2.50%
Beta levered (x)	1.00
<b>Required ROE</b>	<b>11.5%</b>

Source: CFO Sim

**Table 4 - IWB, DCF model**

€ m	2019e	2020e	2021e	2022e	2023e	Term. Val.
EBIT	13.7	15.2	16.4	16.6	16.7	
Tax rate	27.0%	27.0%	27.0%	27.0%	27.0%	
<b>Operating profit (NOPAT)</b>	<b>10.0</b>	<b>11.1</b>	<b>12.0</b>	<b>12.1</b>	<b>12.2</b>	
Change working capital	0.5	(0.4)	(0.7)	(0.2)	(0.2)	
Depreciation	3.7	3.7	3.6	1.5	1.0	
Investments	(3.4)	(2.2)	(2.2)	(2.0)	(1.0)	
<b>Free Cash Flows</b>	<b>10.9</b>	<b>12.2</b>	<b>12.7</b>	<b>11.4</b>	<b>12.0</b>	<b>141.5</b>
Present value	10.2	10.4	9.9	8.1	7.8	<b>91.7</b>
WACC	9.6%	9.6%	9.6%	9.6%	9.6%	
<b>Long-term growth rate</b>	<b>1.0%</b>					

Source: CFO Sim



**Table 5 – IWB, DCF per share derived from:**

€ m	
Total EV present value € m	138.1
	<i>thereof terminal value</i>
	66.4%
NFP FY-18	(3.4)
Pension provision FY-18	(0.7)
<b>Equity value € m</b>	<b>134.0</b>
#m shares (ex. treasury shares)	7.22
<b>Equity value €/s</b>	<b>18.60</b>
<i>% upside/(downside)</i>	<i>61.0%</i>

Source: CFO Sim

The application of the model produces an equity value of € 134.0m, which corresponds to **€ 18.60/s, with a potential upside of 61.0%**. The number of shares used to get the PT is excluding treasury shares.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 17.10 – 20.40 (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 € 17.00–20.50 (free risk range of between 1.50% and 3.50%) and 3) compared to changes in the risk premium, including small size premium results into an equity value/s of € 15.60-22.90 (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	46.3	46.3	46.3	46.3	46.3	46.3	46.3	46.3	46.3
PV of terminal value	81.3	83.7	86.3	88.9	91.7	94.7	97.9	101.3	104.9
<b>Total value</b>	<b>127.7</b>	<b>130.1</b>	<b>132.6</b>	<b>135.3</b>	<b>138.1</b>	<b>141.1</b>	<b>144.2</b>	<b>147.6</b>	<b>151.2</b>
NFP last reported FY-18	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)
Pension provision FY-18	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
<b>Equity value</b>	<b>123.6</b>	<b>126.0</b>	<b>128.6</b>	<b>131.2</b>	<b>134.0</b>	<b>137.0</b>	<b>140.2</b>	<b>143.6</b>	<b>147.2</b>
<b>Equity value/share €</b>	<b>17.10</b>	<b>17.50</b>	<b>17.80</b>	<b>18.20</b>	<b>18.60</b>	<b>19.00</b>	<b>19.40</b>	<b>19.90</b>	<b>20.40</b>

Source: CFO Sim

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

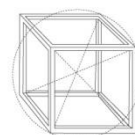
€ m	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%
Present value of CF	47.2	47.0	46.8	46.6	46.3	46.1	45.9	45.7	45.5
PV of terminal value	104.8	101.3	97.9	94.8	91.7	88.9	86.1	83.5	81.1
<b>Total value</b>	<b>152.0</b>	<b>148.3</b>	<b>144.7</b>	<b>141.3</b>	<b>138.1</b>	<b>135.0</b>	<b>132.0</b>	<b>129.2</b>	<b>126.5</b>
NFP last reported FY-18	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)
Pension provision FY-18	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
<b>Equity value</b>	<b>148.0</b>	<b>144.2</b>	<b>140.7</b>	<b>137.3</b>	<b>134.0</b>	<b>131.0</b>	<b>128.0</b>	<b>125.2</b>	<b>122.5</b>
<b>Equity value/share €</b>	<b>20.50</b>	<b>20.00</b>	<b>19.50</b>	<b>19.00</b>	<b>18.60</b>	<b>18.10</b>	<b>17.70</b>	<b>17.30</b>	<b>17.00</b>

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	48.1	47.7	47.2	46.8	46.3	45.9	45.5	45.0	44.6
PV of terminal value	121.0	112.4	104.8	97.9	91.7	86.1	81.1	76.4	72.2
<b>Total value</b>	<b>169.1</b>	<b>160.1</b>	<b>152.0</b>	<b>144.7</b>	<b>138.1</b>	<b>132.0</b>	<b>126.5</b>	<b>121.5</b>	<b>116.8</b>
NFP last reported FY-18	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)
Pension provision FY-18	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
<b>Equity value</b>	<b>165.1</b>	<b>156.1</b>	<b>148.0</b>	<b>140.7</b>	<b>134.0</b>	<b>128.0</b>	<b>122.5</b>	<b>117.4</b>	<b>112.8</b>
<b>Equity value/share €</b>	<b>22.90</b>	<b>21.60</b>	<b>20.50</b>	<b>19.50</b>	<b>18.60</b>	<b>17.70</b>	<b>17.00</b>	<b>16.30</b>	<b>15.60</b>

Source: CFO Sim



## 7.2 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, Laurent 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 4.0% for producers and 5.7% 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 2018-21.

Table 9 - IWB, peers group summary table

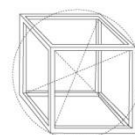
€ m	Mkt Cap	Wine % of Sales	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR <sub>18-21</sub>	EBITDA CAGR <sub>18-21</sub>	EBIT CAGR <sub>18-21</sub>	EPS CAGR <sub>19-21</sub>	NFP	NFP/EBITDA
Baron de Ley SA	432	99.0%	101	34	33.8%	n.a.	n.a.	n.a.	n.a.	(170)	(5.0)
Lanson BCC SA	208	100.0%	285	29	10.2%	n.a.	n.a.	n.a.	n.a.	511	17.6
Laurent Perrier SA	553	100.0%	234	50	21.2%	4.0%	3.5%	8.2%	9.3%	260	5.2
Masi Agricola SpA	123	100.0%	66	13	18.9%	3.3%	9.6%	9.2%	6.9%	10	0.8
Schloss Wachenheim	139	91.2%	342	33	9.7%	3.3%	3.7%	4.2%	5.1%	n.a.	n.a.
Treasury Wine Estates	7,024	91.7%	1,804	484	26.8%	11.6%	18.9%	21.7%	19.1%	565	1.2
Vina Concha y Toro SA	1,395	97.6%	896	145	16.2%	9.3%	21.5%	29.8%	20.1%	335	2.3
Vranken Pommery	209	97.6%	307	39	12.7%	n.a.	n.a.	n.a.	n.a.	601	15.4
<b>Wine producers median</b>	<b>321</b>	<b>98.3%</b>	<b>296</b>	<b>36</b>	<b>17.6%</b>	<b>4.0%</b>	<b>9.6%</b>	<b>9.2%</b>	<b>9.3%</b>	<b>335</b>	<b>2.3</b>
Majestic Wine PLC	185		592	21	3.6%	7.3%	10.2%	22.0%	20.3%	16	0.8
Hawesko Holding AG	318		526	37	6.9%	4.2%	5.7%	5.0%	15.6%	16	0.4
<b>Wine distr. median</b>	<b>252</b>		<b>559</b>	<b>29</b>	<b>5.2%</b>	<b>5.7%</b>	<b>7.9%</b>	<b>13.5%</b>	<b>17.9%</b>	<b>16</b>	<b>0.6</b>
<b>IWB</b>	<b>86</b>	<b>100%</b>	<b>153</b>	<b>17.4</b>	<b>11.4%</b>	<b>2.8%</b>	<b>11.1%</b>	<b>18.4%</b>	<b>9.1%</b>	<b>(4)</b>	<b>(0.2)</b>

Source: CFO Sim, Thomson Reuters Eikon

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	17.1	15.8	n.a.	7.7	6.6	n.a.	9.7	8.2	n.a.
Lanson BCC SA	15.4	14.3	2.1	24.8	23.5	n.a.	31.2	29.3	n.a.
Laurent Perrier SA	24.1	21.3	20.1	16.4	15.1	14.1	19.5	17.8	16.5
Masi Agricola SpA	17.6	15.4	15.4	10.6	10.3	8.4	12.5	11.8	11.2
Schloss Wachenheim	12.1	11.3	11.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates	25.2	21.0	17.8	15.7	13.5	11.7	18.2	15.4	13.0
Vina Concha y Toro SA	17.1	14.2	11.8	11.9	10.1	9.2	15.1	13.1	11.4
Vranken Pommery	27.8	24.5	n.a.	20.8	19.7	n.a.	30.1	27.6	n.a.
<b>Wine producers median</b>	<b>17.3</b>	<b>15.6</b>	<b>13.6</b>	<b>15.7</b>	<b>13.5</b>	<b>10.4</b>	<b>18.2</b>	<b>15.4</b>	<b>12.2</b>
Majestic Wine PLC	16.8	14.1	11.6	9.5	7.8	6.8	14.7	12.4	10.1
Hawesko Holding AG	19.1	15.3	14.3	9.1	7.9	7.4	13.3	10.3	9.4
<b>Wine distr. median</b>	<b>18.0</b>	<b>14.7</b>	<b>13.0</b>	<b>9.3</b>	<b>7.9</b>	<b>7.1</b>	<b>14.0</b>	<b>11.3</b>	<b>9.7</b>
<b>IWB</b>	<b>9.0</b>	<b>8.2</b>	<b>7.6</b>	<b>4.7</b>	<b>3.9</b>	<b>3.2</b>	<b>6.0</b>	<b>4.8</b>	<b>3.9</b>
% prem.(disc.)to prod.	-48.1%	-47.5%	-44.3%	-70.2%	-71.4%	-69.3%	-67.3%	-68.9%	-67.9%
% prem.(disc.)to distr.	-49.9%	-44.5%	-41.7%	-49.9%	-51.1%	-54.9%	-57.6%	-57.7%	-59.9%

Source: CFO Sim, Thomson Reuters Eikon



**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.

### 7.3 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 annual maximum of € 14.10/s on 03-Apr-18 and the minimum of € 10.00/s on 11-Dec-18. **IWB consistently outperformed peers, sector and indexes in the last 1M.**

**Table 11 - IWB, peers group absolute performance**

	1D	1W	1M	3M	6M	YTD	1Y
Baron de Ley SA	0.0	(2.3)	(3.2)	(4.1)	(7.5)	(4.1)	(0.9)
Lanson BCC SA	0.0	(0.7)	6.6	(2.0)	(8.8)	(2.0)	(5.8)
Laurent Perrier SA	(0.2)	1.3	0.4	(2.1)	(11.8)	(2.1)	(1.9)
Masi Agricola SpA	(1.3)	0.5	(0.8)	3.5	(9.7)	3.5	(10.7)
Schloss Wachenheim AG	(0.3)	(0.3)	1.4	5.1	(11.6)	5.1	(15.2)
Treasury Wine Estates Ltd	0.2	3.2	0.8	4.1	(12.5)	4.1	(8.6)
Vina Concha y Toro SA	0.5	4.0	(0.6)	5.1	6.6	5.1	9.1
Vranken Pommery Monopole SA	1.7	1.7	(0.8)	(1.3)	(3.3)	(1.3)	3.1
<b>Wine producers median</b>	<b>0.0</b>	<b>0.9</b>	<b>(0.1)</b>	<b>1.1</b>	<b>(9.2)</b>	<b>1.1</b>	<b>(3.9)</b>
Majestic Wine PLC	(0.9)	(7.1)	(22.9)	(10.5)	(44.0)	(10.5)	(44.5)
Hawesko Holding AG	1.1	(5.3)	(9.2)	(13.7)	(25.0)	(13.7)	(30.6)
<b>Wine distributors median</b>	<b>0.1</b>	<b>(6.2)</b>	<b>(16.0)</b>	<b>(12.1)</b>	<b>(34.5)</b>	<b>(12.1)</b>	<b>(37.5)</b>
<b>IWB</b>	<b>0.4</b>	<b>2.7</b>	<b>6.5</b>	<b>(2.5)</b>	<b>(13.5)</b>	<b>(2.5)</b>	<b>(16.3)</b>

Source: Thomson Reuters Eikon

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

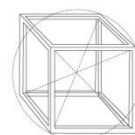
	1D	1W	1M	3M	6M	YTD	1Y
FTSE AIM All Share	0.1	2.1	0.2	6.8	(16.7)	6.8	(9.6)
Thomson Reuters Food & Beverage	(0.4)	0.5	3.5	15.8	5.2	15.8	3.2
<b>IWB</b>	<b>0.4</b>	<b>2.7</b>	<b>6.5</b>	<b>(2.5)</b>	<b>(13.5)</b>	<b>(2.5)</b>	<b>(16.3)</b>

Source: Thomson Reuters Eikon

### 7.4 Risks

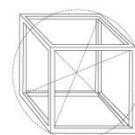
The principal investment **risks** in IWB may include:

- 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)	2017	2018	2019e	2020e	2021e
Net Revenues	149.7	149.9	153.0	158.1	163.0
Purchasing	(80.8)	(87.2)	(87.0)	(89.8)	(92.1)
Services	(45.9)	(42.0)	(42.0)	(42.5)	(43.8)
Personnel	(9.8)	(8.3)	(7.6)	(7.9)	(8.1)
Other operating expenses	1.0	1.1	1.0	1.0	1.0
EBITDA adjusted	16.0	14.6	17.4	18.9	20.0
EBITDA	14.2	13.4	17.4	18.9	20.0
D&A	(3.4)	(3.5)	(3.7)	(3.7)	(3.6)
EBIT adjusted	12.7	11.1	13.7	15.2	16.4
EBIT	10.8	9.9	13.7	15.2	16.4
Financials	(1.6)	(1.1)	(0.7)	(0.9)	(0.9)
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	9.2	8.7	13.0	14.3	15.5
Income taxes	(2.5)	(2.4)	(3.5)	(3.9)	(4.2)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit adjusted	8.1	7.2	9.5	10.5	11.3
Net Profit	6.7	6.4	9.5	10.5	11.3
Balance sheet (€ m)	2017	2018	2019e	2020e	2021e
Net Working Capital	(4.4)	(4.7)	(5.3)	(4.9)	(4.2)
Net Fixed Assets	99.7	101.8	101.5	100.0	98.6
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(11.4)	(9.4)	(9.4)	(9.4)	(9.4)
Net Invested Capital	83.9	87.7	86.8	85.7	84.9
Net Financial Position	2.3	3.4	(3.9)	(12.6)	(21.5)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	81.6	84.3	90.7	98.3	106.5
Financial Liabilities & Equity	83.9	87.7	86.8	85.7	84.9
Cash Flow statement (€ m)	2017	2018	2019e	2020e	2021e
Total net income	6.7	6.4	9.5	10.5	11.3
Depreciation	3.4	3.5	3.7	3.7	3.6
Other non-cash charges	(1.6)	(3.3)	(0.1)	0.0	0.0
Cash Flow from Oper. (CFO)	8.5	6.6	13.2	14.2	14.9
Change in NWC	2.2	0.4	0.5	(0.4)	(0.7)
FCF from Operations (FCFO)	10.7	7.0	13.7	13.8	14.3
Net Investments (CFI)	(1.0)	(4.0)	(3.4)	(2.2)	(2.2)
Free CF to the Firm (FCFF)	9.7	2.9	10.3	11.6	12.1
CF from financials (CFF)	(6.6)	5.6	(3.0)	(3.7)	(4.0)
Free Cash Flow to Equity (FCFE)	3.1	8.5	7.3	7.9	8.1
Financial ratios	2017	2018	2019e	2020e	2021e
EBITDA margin	9.5%	9.0%	11.4%	12.0%	12.3%
EBIT margin	7.2%	6.6%	9.0%	9.6%	10.1%
Net profit margin	4.5%	4.2%	6.2%	6.6%	6.9%
Tax rate	27.1%	27.3%	27.0%	27.0%	27.0%
Op NWC/Sales	-2.9%	-3.2%	-3.5%	-3.1%	-2.6%
Interest coverage x	0.16	0.12	0.06	0.08	0.08
Net Debt/Ebitda x	0.16	0.25	(0.22)	(0.67)	(1.08)
Debt-to-Equity x	0.03	0.04	(0.04)	(0.13)	(0.20)
ROIC	7.9%	7.4%	10.9%	12.1%	13.2%
ROCE	8.5%	7.1%	9.4%	10.0%	10.3%
ROACE	8.5%	7.4%	9.6%	10.2%	10.5%
ROE	8.5%	7.7%	10.8%	11.1%	11.0%
Payout ratio	38.5%	48.3%	30.0%	30.0%	30.0%
Per share figures	2017	2018	2019e	2020e	2021e
Final N. of shares # m	7.40	7.40	7.40	7.40	7.40
Average N. of shares # m	7.40	7.40	7.40	7.40	7.40
Final N. of shares (fully diluted) # m	7.40	7.40	7.40	7.40	7.40
EPS reported €	0.91	0.86	1.28	1.41	1.53
EPS reported FD €	0.91	0.86	1.28	1.41	1.53
EPS adjusted FD €	0.91	0.86	1.28	1.41	1.53
EBITDA FD €	1.91	1.81	2.36	2.56	2.70
EBIT FD €	0.03	0.01	0.02	0.04	0.04
FCFO FD €	1.45	0.94	1.85	1.86	1.93
FCFF FD €	1.31	0.40	1.39	1.57	1.63
FCFE FD €	0.41	1.15	0.98	1.07	1.09
Dividend €	0.40	0.40	0.49	0.54	0.59



## The company at a glance

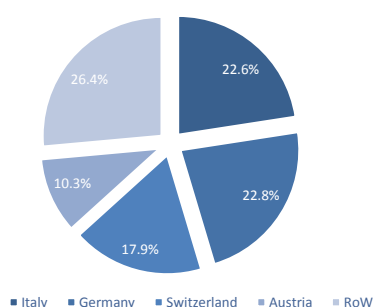
IWB (Italian Wine Brands) is the holding company of a leading producer and distributor in the Italian wine industry. The Group operates through two channels: B2C and B2B.

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.

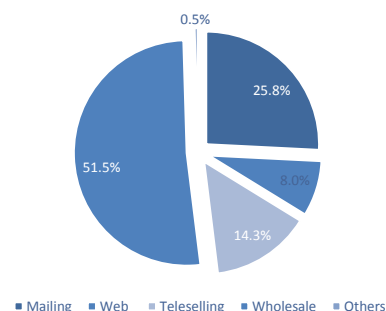
B2B is focused on sale and distribution in the international markets to mass retailers where it distributes both privately labelled and branded products. The B2B arm outsources both the bottling and the logistic activity in order to make its supply operations faster, leaner and more efficient.

Sales reached € 149.9m in 2018, +0.1% YoY. The figure was characterised once again by a strong performance in B2B and mixed results in B2C: B2B division up by some 11.8% and B2C down by circa 8.9%. EBITDA, which includes € 1.2m of non-recurring items, was € 13.4m, with 8.9% margin.

## 2018 revenues by country and...



## ...by channel



## Shareholder structure

	%	# m
Provinco srl	9.1%	0.672
IPOC srl	8.7%	0.643
Treasury Shares	2.4%	0.180
<b>Free Float, o/w</b>	<b>79.8%</b>	<b>5.907</b>
Praude Asset Management	5.2%	0.385
<b>Total</b>	<b>100.0%</b>	<b>7.402</b>

Total issued number of share

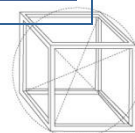
## Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Baron de Ley SA	0.0	(2.3)	(3.2)	(4.1)	(7.5)	(4.1)
Lanson BCC SA	0.0	(0.7)	6.6	(2.0)	(8.8)	(2.0)
Laurent Perrier SA	(0.2)	1.3	0.4	(2.1)	(11.8)	(2.1)
Masi Agricola SpA	(1.3)	0.5	(0.8)	3.5	(9.7)	3.5
Schloss AG	(0.3)	(0.3)	1.4	5.1	(11.6)	5.1
Treasury Wine Est.	0.2	3.2	0.8	4.1	(12.5)	4.1
Vina ConchaYToro	0.5	4.0	(0.6)	5.1	6.6	5.1
Vranken Pommery M.	1.7	1.7	(0.8)	(1.3)	(3.3)	(1.3)
<b>Wine producers median</b>	<b>0.0</b>	<b>0.9</b>	<b>(0.1)</b>	<b>1.1</b>	<b>(9.2)</b>	<b>1.1</b>
Majestic Wine PLC	(0.9)	(7.1)	(22.9)	(10.5)	(44.0)	(10.5)
Hawesko Holding AG	1.1	(5.3)	(9.2)	(13.7)	(25.0)	(13.7)
<b>Wine distributors median</b>	<b>0.1</b>	<b>(6.2)</b>	<b>(16.0)</b>	<b>(12.1)</b>	<b>(34.5)</b>	<b>(12.1)</b>
<b>IWB</b>	<b>0.4</b>	<b>2.7</b>	<b>6.5</b>	<b>(2.5)</b>	<b>(13.5)</b>	<b>(2.5)</b>

## Peers group multiples table

Price & EV multiples x	PER FY1	PER FY2	PER FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Baron de Ley SA	17.1	15.8	n.a.	7.7	6.6	n.a.	9.7	8.2	n.a.
Lanson BCC SA	15.4	14.3	2.1	24.8	23.5	n.a.	31.2	29.3	n.a.
Laurent Perrier SA	24.1	21.3	20.1	16.4	15.1	14.1	19.5	17.8	16.5
Masi Agricola SpA	17.6	15.4	15.4	10.6	10.3	8.4	12.5	11.8	11.2
Schloss Wachenheim	12.1	11.3	11.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates	25.2	21.0	17.8	15.7	13.5	11.7	18.2	15.4	13.0
Vina Concha y Toro SA	17.1	14.2	11.8	11.9	10.1	9.2	15.1	13.1	11.4
Vranken Pommery	27.8	24.5	n.a.	20.8	19.7	n.a.	30.1	27.6	n.a.
<b>Wine producers median</b>	<b>17.3</b>	<b>15.6</b>	<b>13.6</b>	<b>15.7</b>	<b>13.5</b>	<b>10.4</b>	<b>18.2</b>	<b>15.4</b>	<b>12.2</b>
Majestic Wine PLC	16.8	14.1	11.6	9.5	7.8	6.8	14.7	12.4	10.1
Hawesko Holding AG	19.1	15.3	14.3	9.1	7.9	7.4	13.3	10.3	9.4
<b>Wine distr. median</b>	<b>18.0</b>	<b>14.7</b>	<b>13.0</b>	<b>9.3</b>	<b>7.9</b>	<b>7.1</b>	<b>14.0</b>	<b>11.3</b>	<b>9.7</b>
<b>IWB</b>	<b>9.0</b>	<b>8.2</b>	<b>7.6</b>	<b>4.7</b>	<b>3.9</b>	<b>3.2</b>	<b>6.0</b>	<b>4.8</b>	<b>3.9</b>

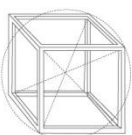
Source: CFO Sim, Thomson Reuters Eikon







This page has been intentionally left blank



## ANALYST CERTIFICATION

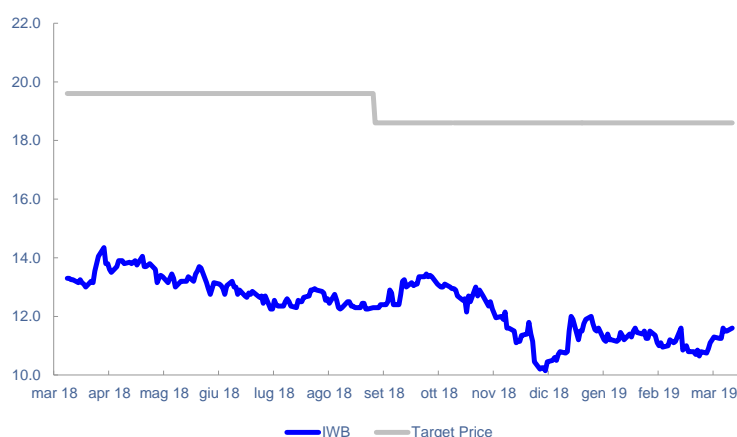
This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' 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. 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 and 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
02/04/2019	€18.60	BUY
18/09/2018	€18.60	BUY
17/07/2018	€19.60	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.

