

Italy – Food and Beverage

Amazing FY-20 performance prompts further stock re-rating

22nd January 2021

FY-20 REVENUES RELEASE

RIC: ITWB.MI
BBG: IWB IM

IWB reported tremendous top line growth in FY-20, driven by double digit organic progression in addition to the recent acquisition of Raphael Dal Bo. The group visibly benefited from its positioning on retail chains and directly on consumers in these troubled times. The e-commerce segment literally exploded. This achievement places IWB's turnover figures more than two years ahead of CFO Sim forecasts.

Rating:

Buy

Price Target:

€ 30.00 (€ 25.00)

Upside/(Downside): 20.5%

Last Price: € 24.90

Market Cap.: € 183.4m

1Y High/Low: € 24.90/€ 10.70

Free Float: 78.8%

Major shareholders:

Otus Capital Management	9.9%
Provinco Srl	9.1%
IPOC Srl	8.7%
Praude Assett Management	6.3%



Stock price performance

	1M	3M	12M
Absolute	25.8%	33.2%	85.1%
Rel.to AIM Italia	19.5%	9.5%	61.4%
Rel.to EU Sector	26.0%	26.2%	88.0%

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Buy reiterated: new PT € 30.00/s (€ 25.00/s) offers 20.5% upside

Following the delivery of 2020 full year revenues, CFO SIM has updated its model: our new estimates show unchanged top line growth assumptions in 2021-22 as well as EBITDA margin assumptions. We believe the 2020 shift from out-of-home to home consumption is not really something permanent and to a certain extent we expect a gradual recovery of the status quo. The result is an average 2020-22 increase of 7.7% in the top-line and EBITDA. Moreover, CFO has updated the DCF valuation criteria. The combined result is a new PT of € 30.00/s (€ 25.00), with 20.5% upside. We reiterate our positive stance on the stock: wine consumption via retail chains and distance selling is anti-cyclical and recession-resistant to a certain extent. The company 1) was able to guarantee production and logistic continuity during a critical moment, 2) is focusing towards visible lucrative proprietary brands and making efforts on the on-line channel whose growing trend is inexorably consolidating. Also, IWB is a dividend-paying stock with a strong balance sheet and healthy cash flow generation.

FY-20 revenues soared by 29.7% driven by foreign countries

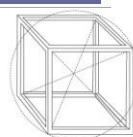
IWB reported FY-20 total revenues up 29.7% to € 204.3m, vs. € 189.1m CFO SIM estimate. The figure is even better than our FY-22 € 194.6m estimate. The implied increase in H2-20 is broadly comparable to that achieved in the first half of the year. Excluding the acquisition of Raphael Dal Bo, we estimate revenues increased more than 23%. This amazing performance is the result of growing sales in foreign countries (€ 164.1m, +32.8% YoY, 80% of total sales), driven by IWB own brands sold through the wholesale channel, which grew by 36.5% to € 119.6m (24.5% CAGR18-20). After struggling for a few years, Italy also grew by 18.6%. Distance selling was up by 21.3% to € 84.0m, as a result of an increase in orders and Web sales which jumped by 74.1% to € 23.3m. In particular, management has continued the implementation of a commercial strategy aimed at increasing conversion on digital channels instead of the traditional teleselling channel.

Broader and broader proprietary brand portfolio inevitably will sustain margins.

This strong performance was driven by 1) a broader proprietary brand portfolio, 2) the acquisition of new clients, and 3) an increase in the share of wallet of existing customers. It was undoubtedly sustained by the pandemic as well: out-of-home consumption (horeca: hotel, restaurant and café) declined dramatically during and after the lockdown to the benefit of home consumption. The revenue increase was also driven by a further strengthening of proprietary brands, namely Grande Alberone, Ronco di Sassi, Giordano Vini, Oroperla, Aimone, and Elettra.

IWB, key financials and ratios

€ m	2018	2019	2020e	2021e	2022e
Sales	149.9	157.5	203.6	204.9	209.7
EBITDA adj.	14.6	18.1	24.8	25.7	26.9
EBITDA	13.4	16.3	24.8	25.7	26.9
EBIT adj.	11.1	13.5	19.9	20.9	22.2
EBIT	9.9	11.7	19.9	20.9	22.2
Net profit adj.	7.2	9.2	13.8	14.5	15.6
Net profit	6.4	7.9	13.8	14.5	15.6
NFP (cash)/debt	3.4	10.7	8.1	(5.2)	(19.8)
EPS adjusted FD	0.98	1.24	1.86	1.96	2.10
EPS adj. FD growth	-11.1%	26.9%	49.7%	5.3%	7.4%
DPS ord. €/s	0.40	0.50	0.58	0.61	0.66
Dividend yield	1.6%	2.0%	2.3%	2.4%	2.7%
Free Cash Flow Yield	3.4%	8.9%	3.4%	9.6%	10.4%
PER adj. x	12.0	9.7	13.3	12.7	11.8
PCF x	12.4	8.3	10.6	8.5	8.6
EV/Sales x	0.6	0.6	0.9	0.9	0.9
EV/EBITDA adj. x	6.2	5.5	7.7	6.9	6.1
EV/EBIT adj. x	8.2	7.4	9.6	8.5	7.4





The company at a glance

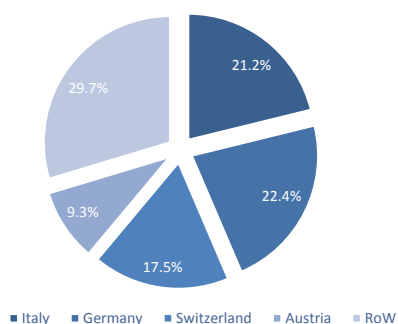
IWB (Italian Wine Brands) is the holding company of a leading producer and distributor in the Italian wine industry. The group operates through two channels: B2C and B2B.

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

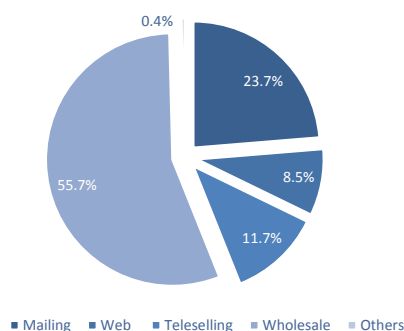
B2B is focused on sale and distribution in international markets to mass retailers where both privately labelled and branded products are distributed. Both the bottling and the logistic activities are outsourced in order to make the supply operations faster, leaner and more efficient.

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

2019 revenues by country and...



...by channel



Shareholder structure

	%	# m
Provinco	9.08%	0.67
IPOC	8.69%	0.64
Raphael Dal Bo	2.84%	0.21
Treasury Shares	0.55%	0.04
Free Float, o/w	78.8%	5.84
Otus Capital Management	9.93%	0.73
Praude Asset Management	6.33%	0.47
Total	100.0%	7.40

Source: Company data

Peer group absolute performance

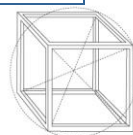
	1D	1W	1M	3M	6M	YTD
Baron de Ley SA	0.0	0.0	(2.7)	(0.9)	1.9	(1.8)
Concha y Toro Winery Inc	(0.1)	(2.9)	0.7	(7.1)	(3.3)	(0.8)
Lanson BCC SA	(1.0)	(2.9)	1.0	17.2	15.9	(4.7)
Laurent Perrier SA	(0.8)	(1.3)	3.0	7.6	0.3	1.6
Masi Agricola SpA	0.4	(1.1)	12.0	18.3	22.6	11.5
Schloss Wachenheim AG	0.0	(0.7)	2.0	(3.8)	2.0	0.0
Treasury Wine Estates Ltd	0.2	1.2	(1.1)	3.8	(16.3)	(0.9)
Vranken Pommery Mon.	(1.0)	(1.4)	(1.7)	7.5	6.7	(3.1)
Wine producers median	(0.0)	(1.2)	0.9	5.7	1.9	(0.8)
Hawesko Holding AG	0.2	0.2	4.3	14.4	24.0	4.1
Naked Wines PLC	0.7	9.3	13.9	52.1	76.5	6.9
Wine distributors median	0.7	9.3	13.9	52.1	76.5	6.9
Italian Wine Brands SpA	8.3	9.2	25.8	33.2	66.0	19.7

Source: Thomson Reuters Eikon

Peers group multiples table

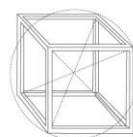
Price & EV multiples x	PER FY1	PER FY2	PER FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Baron de Ley SA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Concha y Toro Winery Inc	12.9	12.1	11.2	9.0	8.8	7.7	11.8	11.0	10.1
Lanson BCC SA	36.1	15.2	13.1	43.4	29.7	25.6	77.2	40.6	33.6
Laurent Perrier SA	29.2	23.0	22.0	19.3	16.2	15.6	23.2	19.1	18.3
Masi Agricola SpA	n.s.	21.7	18.6	19.0	10.1	8.5	83.1	16.3	13.2
Schloss Wachenheim AG	14.1	11.9	12.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	27.2	22.5	19.8	13.7	12.0	11.2	18.6	16.0	13.6
Vranken Pommery Monopole	66.7	50.7	55.1	26.2	24.8	24.6	110.2	71.3	40.5
Wine producers median	28.2	21.7	18.6	19.1	14.1	13.4	50.2	17.7	15.9
Hawesko Holding AG	18.3	19.7	17.7	8.6	9.0	8.3	14.3	14.8	13.3
Naked Wines PLC	n.s.	n.s.	n.s.	n.s.	n.s.	81.4	n.a.	n.s.	n.s.
Wine distributors median	18.3	19.7	17.7	8.6	9.0	44.8	14.3	14.8	13.3
IWB	13.3	12.7	11.8	7.7	6.9	6.1	9.6	8.5	7.4

Source: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2018	2019	2020e	2021e	2022e
Net Revenues	149.9	157.5	203.6	204.9	209.7
Purchasing	(87.2)	(91.2)	(117.1)	(117.6)	(119.7)
Services	(42.0)	(42.6)	(54.6)	(54.3)	(55.6)
Personnel	(8.3)	(7.7)	(8.2)	(8.3)	(8.4)
Other operating expenses	1.1	0.3	1.0	1.0	1.0
EBITDA adjusted	14.6	18.1	24.8	25.7	26.9
EBITDA	13.4	16.3	24.8	25.7	26.9
D&A	(3.5)	(4.6)	(4.8)	(4.8)	(4.7)
EBIT adjusted	11.1	13.5	19.9	20.9	22.2
EBIT	9.9	11.7	19.9	20.9	22.2
Financials	(1.1)	(1.2)	(1.1)	(1.0)	(0.9)
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	8.7	10.5	18.8	19.8	21.3
Income taxes	(2.4)	(2.6)	(5.1)	(5.4)	(5.8)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit adjusted	7.2	9.2	13.8	14.5	15.6
Net Profit	6.4	7.9	13.8	14.5	15.6
Balance sheet (€ m)	2018	2019	2020e	2021e	2022e
Net Working Capital	(4.7)	(1.8)	2.3	(0.2)	(1.1)
Net Fixed Assets	101.8	102.5	108.1	107.4	105.2
Equity Investments	0.0	10.9	11.5	11.4	11.1
Other M/L Term A/L	(9.4)	(11.6)	(14.5)	(14.3)	(14.4)
Net Invested Capital	87.7	99.9	107.3	104.3	100.8
Net Financial Position	3.4	10.7	8.1	(5.2)	(19.8)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	84.3	89.2	99.3	109.5	120.6
Financial Liabilities & Equity	87.7	99.9	107.3	104.3	100.8
Cash Flow statement (€ m)	2018	2019	2020e	2021e	2022e
Total net income	6.4	7.9	13.8	14.5	15.6
Depreciation	3.5	4.6	4.8	4.8	4.7
Other non-cash charges	(3.3)	1.1	2.9	(0.2)	0.0
Cash Flow from Oper. (CFO)	6.6	13.6	21.5	19.1	20.3
Change in NWC	0.4	(2.9)	(4.2)	2.5	0.9
FCF from Operations (FCFO)	7.0	10.7	17.3	21.6	21.2
Net Investments (CFI)	(4.0)	(2.8)	(11.0)	(4.1)	(2.2)
Free CF to the Firm (FCFF)	2.9	7.9	6.3	17.5	19.0
CF from financials (FCF)	5.6	(14.4)	(4.6)	(5.1)	(5.3)
Free Cash Flow to Equity (FCFE)	8.5	(6.5)	1.7	12.4	13.7
Financial ratios	2018	2019	2020e	2021e	2022e
EBITDA margin	9.0%	10.4%	12.2%	12.5%	12.9%
EBIT margin	6.6%	7.4%	9.8%	10.2%	10.6%
Net profit margin	4.2%	5.0%	6.8%	7.1%	7.4%
Tax rate	27.3%	24.8%	27.0%	27.0%	27.0%
Op NWC/Sales	-3.2%	-1.1%	1.1%	-0.1%	-0.5%
Interest coverage x	0.12	0.12	0.06	0.06	0.06
Net Debt/Ebitda x	0.25	0.66	0.33	(0.20)	(0.73)
Debt-to-Equity x	0.04	0.12	0.08	(0.05)	(0.16)
ROIC	7.4%	8.4%	13.3%	13.7%	15.2%
ROCE	7.1%	8.1%	12.8%	12.6%	12.6%
ROACE	7.4%	8.3%	13.3%	13.0%	13.0%
ROE	7.7%	9.1%	14.6%	13.9%	13.5%
Payout ratio	46.6%	46.9%	31.0%	31.0%	31.0%
Per share figures	2018	2019	2020e	2021e	2022e
Final N. of shares # m	7.40	7.40	7.40	7.40	7.40
Average N. of shares # m	7.40	7.40	7.40	7.40	7.40
Final N. of shares (fully diluted) # m	7.40	7.40	7.40	7.40	7.40
EPS reported €	0.86	1.07	1.86	1.96	2.10
EPS reported FD €	0.86	1.07	1.86	1.96	2.10
EPS adjusted FD €	0.98	1.24	1.86	1.96	2.10
EBITDA FD €	1.81	2.20	3.35	3.47	3.64
EBIT FD €	0.01	0.03	0.02	0.03	0.04
FCFO FD €	0.94	1.44	2.34	2.92	2.87
FCFF FD €	0.40	1.06	0.85	2.37	2.57
FCFE FD €	1.15	(0.88)	0.23	1.68	1.85
Dividend €	0.40	0.50	0.58	0.61	0.66



Strong sales growth also in H2-20

IWB reported tremendous top line growth in FY-20, driven by double digit organic progression in addition to the recent acquisition of Raphael Dal Bo. The group visibly benefited from its positioning on retail chains and directly on consumers in these troubled times. The e-commerce segment literally exploded.

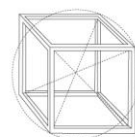
Table 1 – IWB, H1-18/FY-20 Revenues

€ m	H1-18	H2-18	FY-18	H1-19	H2-19	FY-19	H1-20	H2-20	FY-20
Revenues	69.9	79.9	149.9	70.1	87.4	157.5	92.2	112.2	204.3
Wholesale	35.2	42.0	77.2	37.3	50.3	87.7	50.6	69.0	119.6
Distance selling	34.4	37.6	72.0	32.5	36.7	69.2	41.4	42.6	84.0
Other	0.4	0.3	0.7	0.3	0.3	0.6	0.2	0.5	0.7
Italy	15.8	18.1	33.8	15.4	17.9	33.3	19.3	20.2	39.5
Abroad	53.8	61.5	115.3	54.4	72.1	126.5	72.6	91.5	164.1
Other	0.4	0.3	0.7	0.3	0.3	0.6	0.2	0.5	0.7
Revenues % on FY figures	47%	53%		44%	56%		45%	55%	
Wholesale %	46%	54%		43%	57%		42%	58%	
Distance selling %	48%	52%		47%	53%		49%	51%	
Other %	50%	50%		43%	57%		31%	69%	
Italy %	47%	53%		46%	54%		49%	51%	
Abroad %	47%	53%		43%	57%		44%	56%	
Other %	50%	50%		43%	57%		31%	69%	
% YoY									
Revenues				0.2	9.4	5.1	31.5	28.3	29.7
Wholesale				6.0	20.0	13.6	35.5	37.2	36.5
Distance selling				(5.5)	(2.3)	(3.9)	27.3	16.0	21.3
Other				(23.7)	0.6	(11.6)	(20.2)	36.9	12.2
Italy				(2.3)	(0.7)	(1.4)	25.6	12.6	18.6
Abroad				1.1	17.3	9.7	33.4	26.8	29.7
Other				(23.7)	0.6	(11.6)	(20.2)	36.9	12.2

Source: Company data, CFO Sim

IWB reported **FY-20 total revenues up 29.7% to € 204.3m**, vs. € 189.1m CFO SIM estimate. The figure is even better than our FY-22 € 194.6m estimate. The implied increase in H2-20 is broadly comparable to that achieved in the first half of the year. Excluding the acquisition of Raphael Dal Bo, we estimate revenues increased more than 23%. This amazing performance is the result of growing sales in foreign countries (€ 164.1m, +32.8% YoY, 80% of total sales), driven by IWB own brands sold through the wholesale channel, which grew by 36.5% to € 119.6m (24.5% CAGR18-20). After struggling for a few years, Italy also grew by 18.6%. Distance selling was up by 21.3% to € 84.0m, as a result of an increase in orders and Web sales which jumped by 74.1% to € 23.3m. In particular, management has continued the implementation of a commercial strategy aimed at increasing conversion on digital channels instead of the traditional teleselling channel.

As occurred in the first half of the year, this strong performance was undoubtedly **sustained by the pandemic: out-of-home consumption** (horeca: hotel, restaurant and café) **declined dramatically** during and after the lockdown to the **benefit of home consumption**. IWB is not present in the horeca segment, therefore the group's numbers were boosted by this shift in consumption, allowing the group to outperform significantly the wine market as a whole. IWB's main clients are 1) large retail chains, which are and were fully operational, served by the wholesale division, and 2) end-consumers, directly reached through the distance selling channel. This trend led to a 23% organic sales progression in the Wholesale division and a doubling of on-line sales within the Distance Selling segment.



Estimates, valuation and risks

In H2-20 IWB confirmed the growth reported in the first part of the year. This performance was driven by 1) **a broader proprietary brand portfolio**, 2) the acquisition of **new clients** and 3) an **increase in the share of wallet** of existing customers. It was undoubtedly **also sustained by a shift from out-of-home to home consumption caused by the pandemic**. Since IWB is not present in the *horeca* segment, the group performance was boosted by this change in consumption habit. Following the delivery of 2020 full year revenues, CFO SIM has updated its model: **our new estimates show unchanged top line growth assumptions in 2021-22 as well as EBITDA margin assumptions**. We believe the 2020 shift from out-of-home to home consumption is not really something permanent and to a certain extent we expect a gradual recovery of the status quo. **The result is an average 2020-22 increase of 7.7% in the top-line and EBITDA.**

Table 2 – IWB, 2020e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Sales	203.6	189.1	7.7	14.6
EBITDA	24.8	23.1	7.5	1.7
% margin	12.2	12.2		
EBIT	19.9	18.2	9.4	1.7
% margin	9.8	9.6		
Net Profit	13.8	12.5	10.1	1.3
% margin	6.8	6.6		
Y/E net debt (net cash)	8.1	9.4	(14.0)	(1.3)

Source: Company data, CFO Sim

Table 3 – IWB, 2021e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Sales	204.9	190.2	7.7	14.7
EBITDA	25.7	23.7	8.4	2.0
% margin	12.5	12.5		
EBIT	20.9	18.9	10.5	2.0
% margin	10.2	9.9		
Net Profit	14.5	13.0	11.1	1.5
% margin	7.1	6.9		
Y/E net debt (net cash)	(5.2)	(3.1)	66.0	(2.1)

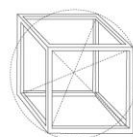
Source: Company data, CFO Sim

Table 4 – IWB, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Sales	209.7	194.6	7.7	15.0
EBITDA	26.9	25.1	7.5	1.9
% margin	12.9	12.9		
EBIT	22.2	20.4	9.2	1.9
% margin	10.6	10.5		
Net Profit	15.6	14.2	9.8	1.4
% margin	7.4	7.3		
Y/E net debt (net cash)	(19.8)	(16.0)	23.4	(3.7)

Source: Company data, CFO Sim

Moreover, CFO has updated the DCF valuation criteria, bringing the Free Risk Rate up-to-date. The combined result is a **new PT of € 30.00/s (€25.00), with an upside of 20.5%** at current prices. **We reiterate our positive stance on the stock:** wine consumption via retail chains and distance selling is anti-cyclical and recession-resistant to a certain extent. The company 1) was **able to guarantee production and logistic continuity** during a critical moment, 2) is **focusing towards visible lucrative proprietary brands** and is making **efforts on the on-line channel** whose growing trend is inexorably consolidating. Also, IWB is a dividend-paying stock with a strong balance sheet and healthy cash flow generation.



DCF

In the valuation via the DCF method, explicit estimates until 2024 and long-term growth of 1.0% were used. Cash flows were discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 5 – 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 200d moving average)	1.05%
Beta levered (x)	1.00
Required ROE	10.1%

Source: CFO Sim

Table 6 – IWB, DCF model

€ m	2020e	2021e	2022e	2023e	2024e	Term. Val.
EBIT	19.9	20.9	22.2	22.4	22.5	
Tax rate	27.0%	27.0%	27.0%	27.0%	27.0%	
Operating profit (NOPAT)	14.6	15.2	16.2	16.3	16.4	
Change working capital	(4.2)	2.5	0.9	(0.9)	(0.5)	
Depreciation	4.8	4.8	4.7	4.0	2.0	
Investments	(2.2)	(2.2)	(2.2)	(2.0)	(2.0)	
Free Cash Flows	13.0	20.4	19.7	17.4	15.9	217.1
Present value	13.1	18.9	16.8	13.8	11.6	158.0
WACC	8.4%	8.4%	8.4%	8.4%	8.4%	
Long-term growth rate	1.0%					

Source: CFO Sim

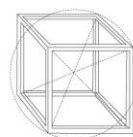
The balance-sheet structure adopted for the WACC calculation is an extremely conservative 80-20 equity-debt balance.

Table 7 – IWB, DCF per share derived from:

€ m	
Total EV present value € m	232.2
<i>thereof terminal value</i>	68.1%
NFP last reported	(10.7)
Pension provision last reported	(0.7)
Equity value € m	220.8
#m shares (ex. treasury shares)	7.36
Equity value €/s	30.00
<i>% upside/(downside)</i>	20.5%

Source: CFO Sim

The application of the model produces an equity value of € 185.2m, which corresponds to **€ 30.00/s, with a potential upside of 20.5%**.



The following tables illustrate that sensitivity, 1) if compared to changes in the terminal growth rate, produces an equity value per share of € 27.30 – 33.60 (perpetuity range of between 0.00% and 2.00%), while, 2) if compared to changes in the free risk rate, it produces an equity value/s of € 27.20 – 33.40 (free risk range of between 2.05% and 0.05%) and, 3) if compared to changes in the risk premium, including small size premium, it produces an equity value/s of € 24.90 – 37.80 (risk premium range of between 11.00% and 7.00%).

Table 8 – 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	74.2	74.2	74.2	74.2	74.2	74.2	74.2	74.2	74.2
PV of terminal value	137.8	142.4	147.3	152.5	158.0	163.9	170.3	177.1	184.5
Total value	212.0	216.6	221.4	226.6	232.2	238.1	244.4	251.3	258.6
NFP last reported	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)
Pension provision last reported	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Equity value	200.7	205.2	210.1	215.3	220.8	226.8	233.1	239.9	247.3
Equity value/share €	27.30	27.90	28.50	29.20	30.00	30.80	31.70	32.60	33.60

Source: CFO Sim

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

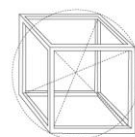
€ m	0.05%	0.30%	0.55%	0.80%	1.05%	1.30%	1.55%	1.80%	2.05%
Present value of CF	75.2	74.9	74.7	74.4	74.2	73.9	73.7	73.4	73.2
PV of terminal value	182.4	175.7	169.5	163.6	158.0	152.7	147.7	143.0	138.5
Total value	257.6	250.6	244.1	238.0	232.2	226.7	221.4	216.4	211.7
NFP last reported	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)
Pension provision last reported	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Equity value	246.2	239.3	232.8	226.7	220.8	215.3	210.1	205.1	200.4
Equity value/share €	33.40	32.50	31.60	30.80	30.00	29.20	28.50	27.90	27.20

Source: CFO Sim

Table 10 – 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	76.2	75.7	75.2	74.7	74.2	73.7	73.2	72.7	72.2
PV of terminal value	213.7	197.0	182.4	169.5	158.0	147.7	138.5	130.2	122.7
Total value	289.9	272.7	257.6	244.1	232.2	221.4	211.7	202.9	194.9
NFP last reported	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)	(10.7)
Pension provision last reported	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Equity value	278.6	261.4	246.2	232.8	220.8	210.1	200.4	191.6	183.5
Equity value/share €	37.80	35.50	33.40	31.60	30.00	28.50	27.20	26.00	24.90

Source: CFO Sim



Market multiples

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

As one can see from these figures, growth on offer for the market is limited, to the tune of 0.1% for producers, and 15.4% for distributors. IWB is amongst the smallest in terms of market capitalization and turnover. However, it offers much higher projected profitability growth than the median for wine producers in 2020-22.

Table 11 – IWB, peers group summary table

€ m	Mkt Cap	Wine % of Sales	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₁₉₋₂₂	EBITDA CAGR ₁₉₋₂₂	EBIT CAGR ₁₉₋₂₂	EPS CAGR ₂₀₋₂₂	NFP	NFP/EBITDA
Baron de Ley SA	443	99.0%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Concha y Toro Winery Inc	1,041	97.6%	843	151	18.0%	5.3%	10.2%	12.2%	7.3%	322	2.1
Lanson BCC SA	144	100.0%	211	16	7.6%	-0.6%	-0.1%	2.5%	65.8%	550	34.4
Laurent Perrier SA	451	100.0%	204	38	18.7%	n.a.	-0.6%	-0.7%	15.2%	286	7.5
Masi Agricola SpA	87	100.0%	54	5	9.7%	0.2%	1.5%	0.8%	331.3%	13	2.5
Schloss Wachenheim AG	119	91.2%	338	33	9.8%	1.6%	1.7%	1.8%	7.3%	n.a.	n.a.
Treasury Wine Estates Ltd	4,292	91.7%	1,527	374	24.5%	0.0%	4.1%	8.3%	17.1%	845	2.3
Vranken Pommery Monopole	127	97.6%	235	32	13.4%	-0.8%	-2.5%	-1.0%	10.0%	704	22.2
Wine producers median	294	98.3%	235	33	13.4%	0.1%	1.5%	1.8%	15.2%	436	5.0
Hawesko Holding AG	411		607	63	10.3%	4.9%	9.5%	14.8%	1.7%	126	2.0
Naked Wines PLC	587		368	(3)	-0.8%	26.0%	n.s.	n.s.	n.s.	(56)	19.1
Wine distributors median	499		487	30	4.8%	15.4%	-	-	1.7%	35	10.6
IWB	183	100%	204	25	12.2%	10.0%	18.2%	23.8%	6.4%	8	0.3

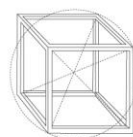
Source: CFO Sim, Thomson Reuters Eikon

Table 12 – 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	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Concha y Toro Winery Inc	12.9	12.1	11.2	9.0	8.8	7.7	11.8	11.0	10.1
Lanson BCC SA	36.1	15.2	13.1	43.4	29.7	25.6	77.2	40.6	33.6
Laurent Perrier SA	29.2	23.0	22.0	19.3	16.2	15.6	23.2	19.1	18.3
Masi Agricola SpA	n.s.	21.7	18.6	19.0	10.1	8.5	83.1	16.3	13.2
Schloss Wachenheim AG	14.1	11.9	12.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	27.2	22.5	19.8	13.7	12.0	11.2	18.6	16.0	13.6
Vranken Pommery Monopole	66.7	50.7	55.1	26.2	24.8	24.6	110.2	71.3	40.5
Wine producers median	28.2	21.7	18.6	19.1	14.1	13.4	50.2	17.7	15.9
Hawesko Holding AG	18.3	19.7	17.7	8.6	9.0	8.3	14.3	14.8	13.3
Naked Wines PLC	n.s.	n.s.	n.s.	n.s.	n.s.	81.4	n.a.	n.s.	n.s.
Wine distributors median	18.3	19.7	17.7	8.6	9.0	44.8	14.3	14.8	13.3
IWB	13.3	12.7	11.8	7.7	6.9	6.1	9.6	8.5	7.4
% prem.(disc.)to prod.	-52.6%	-41.6%	-36.8%	-59.6%	-50.8%	-54.7%	-80.9%	-51.6%	-53.8%
% prem.(disc.)to distr.	-27.2%	-35.7%	-33.5%	-9.8%	-22.8%	-86.5%	-32.7%	-42.3%	-44.6%

Source: CFO Sim, Thomson Reuters Eikon

IWB trades at a massive unjustified discount vs. peer medians – producers and distributors – at all levels considering EV multiples and PER. This can be partially explained by its lower size, its trading volumes and its listing on AIM Italia. But even when compared with Masi Agricola, also listed on the Milan AIM and offering lower margins and projected growth, IWB trades at a discount. We believe this is not justified and the stock has to somehow fill the valuation gap with its peers.



Stock performance

IWB was listed on the **Milan** Alternative Investment Market (AIM) on **29-Jan-15** at € 10/share, corresponding to a post-money market capitalization of € 65.7m, through the innovative pre-booking company **IPO Challenger**, whose investors/ex-bondholders were reimbursed in kind with IWB's listed shares and warrants, thus becoming direct shareholders (i.e. company's free float). The stock reached a 1Y maximum level of € 24.40/s on 21-Jan-21 and a minimum price of € 10.70/s on 26-Mar-20.

Table 13 – IWB, peers group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Baron de Ley SA	0.0	0.0	(2.7)	(0.9)	1.9	(1.8)	3.8
Concha y Toro Winery Inc	(0.1)	(2.9)	0.7	(7.1)	(3.3)	(0.8)	(10.1)
Lanson BCC SA	(1.0)	(2.9)	1.0	17.2	15.9	(4.7)	(25.0)
Laurent Perrier SA	(0.8)	(1.3)	3.0	7.6	0.3	1.6	(8.2)
Masi Agricola SpA	0.4	(1.1)	12.0	18.3	22.6	11.5	(15.3)
Schloss Wachenheim AG	0.0	(0.7)	2.0	(3.8)	2.0	0.0	(4.4)
Treasury Wine Estates Ltd	0.2	1.2	(1.1)	3.8	(16.3)	(0.9)	(47.3)
Vranken Pommery Monopole SA	(1.0)	(1.4)	(1.7)	7.5	6.7	(3.1)	(27.1)
Wine producers median	(0.0)	(1.2)	0.9	5.7	1.9	(0.8)	(12.7)
Naked Wines PLC	0.2	0.2	4.3	14.4	24.0	4.1	37.7
Hawesko Holding AG	0.7	9.3	13.9	52.1	76.5	6.9	225.0
Wine distributors median	0.7	9.3	13.9	52.1	76.5	6.9	225.0
IWB	8.3	9.2	25.8	33.2	66.0	19.7	85.1

Source: Thomson Reuters Eikon

Table 14 – IWB, reference sector index and Italian Market performances

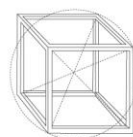
	1D	1W	1M	3M	6M	YTD	1Y
FTSE AIM All Share	0.9	1.2	6.2	23.6	34.5	3.5	23.7
Thomson Reuters Food & Beverage	0.1	(0.2)	(0.2)	7.0	3.6	(1.8)	(2.9)
IWB	8.3	9.2	25.8	33.2	66.0	19.7	85.1

Source: Thomson Reuters Eikon

Risks

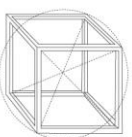
The principal investment **risks** associated with IWB may include:

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



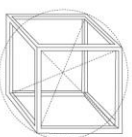


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DATE	TARGET PRICE	RATING
22/01/2021	€30.00	BUY
04/12/2020	€25.00	BUY
18/09/2020	€25.00	BUY
08/06/2020	€20.00	BUY
25/03/2020	€20.00	BUY
03/03/2020	U.R.	BUY

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

