

Italy – Food and Beverage

FY-21 sales confirm IWB as a solid Italian wine champion

28th January 2022

FY-21 REVENUES RELEASE

RIC: ITWB.MI
BBG: IWB IM

Thanks to the acquisition of Enoitalia, IWB doubled in size in 2021, becoming the largest privately-owned wine group in Italy. FY-21 pro-forma revenues rose by 100%, reported sales grew more than 40%, in a year characterised by an extremely unfavourable YoY comparison. Organically, IWB confirmed its positioning: the group is ready for another round of M&A.

Rating:

Buy

Price Target:

€ 61.00

Upside/(Downside):50.6%

Last Price: € 40.50

Market Cap.: € 359.5m

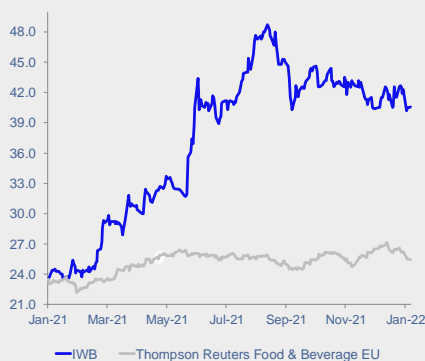
1Y High/Low: € 49.30 / € 22.60

Avg. Daily Turn. (3M, 6M): € 388k, € 505k

Free Float: 66.7%

Major shareholders:

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



Stock price performance

	1M	3M	12M
Absolute	-2.4%	-4.9%	75.3%
Rel.to FTSE IT Growth	7.8%	6.3%	82.9%
Rel.to EU Sector	2.4%	-2.7%	67.0%

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Unfavourable YoY comparison makes FY-21 top-line performance reasonable

The size reached in 2021 highlights the group successful strategy that combines organic brands development and external growth. 2021 pro-forma revenues rose by 100%, reported sales grew more than 40%, in a year characterised by an extremely unfavourable YoY comparison. Organically, IWB confirmed its positioning: the group is ready for another round of M&A. IWB will unveil FY-21 results next 22-Mar. Estimates, rating and PT confirmed.

Pro-forma revenues doubled YoY, reported sales up some 41%

IWB reported FY-21 pro-forma revenues of € 409m vs. € 204m in FY-20. The pro-forma figure includes the consolidation of Enoitalia for 12 months, contributing € 208m. It has to be noted that 2021 compares with an exceptional 2020, characterised by a boost in wine consumption driven by the lockdowns, that makes the association unfavourable. According to our estimation, IWB organic sales remained basically unchanged YoY.

Export accounted for more than 81%, wholesale made 73% of total

Considering the pro-forma figure, export accounted for more than 80% of total revenues. Wholesale totalled some € 300m revenues, i.e. 73% of total, distance selling generated € 83m sales, 20% of total and the ho.re.ca. channel totalled € 26m turnover, 6% on total.

€ m	FY-21 PF	FY-20	% YoY	% on tot 21	% on tot 20
Wholesale	299.4	119.6	150.3	73.2	58.6
Distance selling	82.7	84.0	(1.5)	20.2	41.1
Direct Mailing	43.7	43.2	1.2	10.7	21.1
Teleselling	16.8	17.5	(4.0)	4.1	8.6
Digital/Web	22.2	23.3	(4.8)	5.4	11.4
ho.re.ca	25.9	-	-	6.3	-
Other Revenues	0.9	0.7	31.5	0.2	0.3
Total Revenues	408.9	204.3	100.2	100.0	100.0

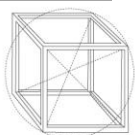
Source: Company data

The largest domestic privately-owned wine group with further growth ambitions

In 2021 IWB became the first private wine group by turnover in Italy following the acquisition of Enoitalia. Subsequently, IWB announced the acquisition of Enovation Brands, entering the lucrative North American market. M&A scouting continues, potential targets are characterised by the same asset-light business model of IWB. The size reached and further external growth desires, allow the group to consider an up-listing to the main market.

IWB, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Sales	157.5	204.3	304.5	455.4	471.0
EBITDA adj.	18.1	25.6	35.5	45.0	55.0
EBITDA	16.3	23.6	35.5	45.0	55.0
EBIT adj.	13.5	20.2	28.8	34.8	44.4
EBIT	11.7	18.2	28.8	34.8	44.4
Net profit adj.	9.2	15.6	17.8	23.4	30.3
Net profit	7.9	14.2	17.8	23.4	30.3
NFP (cash)/debt	10.7	10.3	99.9	91.3	65.1
EPS adjusted FD	1.24	2.11	2.03	2.65	3.45
EPS adj. FD growth	26.9%	70.2%	-4.1%	31.0%	29.9%
DPS ord. €/s	0.50	0.25	0.61	0.80	1.04
Dividend yield	1.2%	0.6%	1.5%	2.0%	2.6%
Free Cash Flow Yield	10.5%	-0.6%	-36.6%	3.9%	9.3%
PER adj. x	8.1	6.1	20.2	15.4	11.8
PCF x	7.0	6.0	11.8	8.6	8.6
EV/Sales x	0.6	0.6	1.5	0.8	0.8
EV/EBITDA adj. x	5.5	4.8	12.9	10.0	7.7
EV/EBIT adj. x	7.4	6.1	15.9	13.0	9.6



The company at a glance

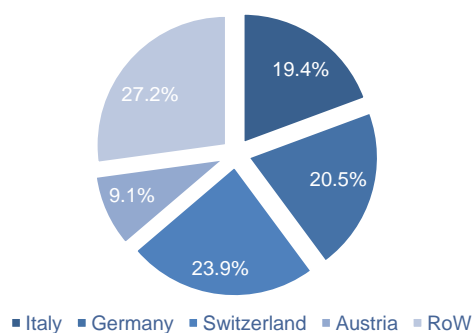
IWB (Italian Wine Brands) is the holding company of a leading producer and distributor in the Italian wine industry. The group operates through two channels: B2C and B2B.

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

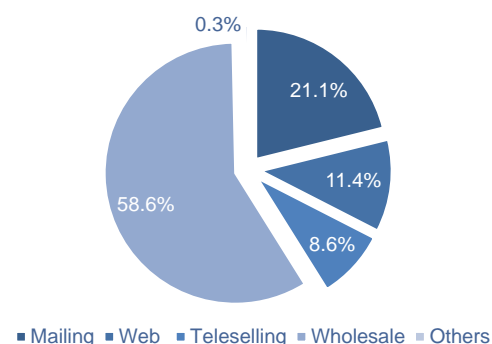
B2B is focused on sale and distribution in international markets to mass retailers where both privately labelled and branded products are distributed. Both the bottling and the logistic activities are outsourced in order to make the supply operations faster, leaner and more efficient.

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

2020 revenues by country and...



...by channel



Shareholder structure

	%	# m
Gruppo Pizzolo (Enoitalia)	15.91%	1.40
Provinco	7.63%	0.67
IPOC	7.31%	0.64
Raphael Dal Bo	2.39%	0.21
Treasury Shares	0.46%	0.04
Free Float, o/w	66.30%	5.84
Otus Capital Management	8.40%	0.74
Praude Asset Management	5.32%	0.47
Total	100.00%	8.80

Source: Company data

Peer group absolute performance

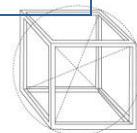
	1D	1W	1M	3M	6M	YTD
Concha y Toro Winery Inc	(1.7)	(3.3)	(1.8)	10.3	0.6	(1.8)
Lanson BCC SA	0.3	0.0	2.8	2.1	10.3	2.1
Laurent Perrier SA	0.4	(2.1)	(3.0)	3.1	(3.5)	(4.0)
Masi Agricola SpA	3.3	3.8	14.4	44.9	41.1	14.4
Schloss Wachenheim AG	0.0	(0.5)	0.5	1.0	7.6	0.5
Treasury Wine Estates Ltd	(1.1)	(8.3)	(14.7)	(8.3)	(11.3)	(14.7)
Vranken Pomm. Monop.	1.4	(0.3)	0.0	2.3	(0.6)	0.3
Wine producers median	0.3	(0.5)	0.0	2.3	0.6	0.3
Hawesko Holding AG	(4.5)	(3.7)	(3.0)	(12.6)	(16.8)	(3.0)
Naked Wines PLC	0.6	(7.8)	(16.4)	(18.4)	(38.8)	(17.8)
Wine distributors median	0.6	(7.8)	(16.4)	(18.4)	(38.8)	(17.8)
Italian Wine Brands S.P.A.	0.0	(3.3)	(2.4)	(4.9)	(1.5)	(2.4)

Source: Thomson Reuters Eikon

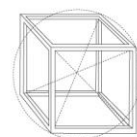
Peer group multiples table

Price & EV multiples x	PER FY1	PER FY2	PER FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Concha y Toro Winery Inc	12.3	11.0	11.0	8.2	7.4	7.3	10.1	9.1	9.0
Lanson BCC SA	16.0	13.9	11.9	23.8	20.9	19.0	33.0	27.3	24.5
Laurent Perrier SA	14.1	15.1	13.9	11.6	12.2	11.2	13.3	14.0	12.8
Masi Agricola SpA	30.1	30.1	29.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Schloss Wachenheim AG	10.3	10.0	8.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	23.0	18.9	16.6	12.8	11.0	10.0	16.4	13.6	12.1
Vranken Pommery Monopole	31.1	15.2	13.5	18.5	16.6	15.6	28.9	25.1	23.3
Wine producers median	16.0	15.1	13.5	12.8	12.2	11.2	16.4	14.0	12.8
Hawesko Holding AG	13.8	15.3	14.7	7.2	7.4	6.9	10.2	10.9	10.1
Naked Wines PLC	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Wine distributors median	13.8	15.3	14.7	7.2	7.4	6.9	10.2	10.9	10.1
IWB	20.2	15.4	11.8	12.9	10.0	7.7	15.9	13.0	9.6

Sources: CFO Sim, Thomson Reuters Eikon



Income statement (€ m)	2019	2020	2021e	2022e	2023e
Net Revenues	157.5	204.3	304.5	455.4	471.0
Purchasing	(91.2)	(118.9)	(178.0)	(271.3)	(274.8)
Services	(42.6)	(53.3)	(79.4)	(120.7)	(122.5)
Personnel	(7.7)	(8.7)	(12.6)	(19.4)	(19.8)
Other operating expenses	0.3	0.2	1.0	1.0	1.0
EBITDA adjusted	18.1	25.6	35.5	45.0	55.0
EBITDA	16.3	23.6	35.5	45.0	55.0
D&A	(4.6)	(5.4)	(6.7)	(10.2)	(10.6)
EBIT adjusted	13.5	20.2	28.8	34.8	44.4
EBIT	11.7	18.2	28.8	34.8	44.4
Financials	(1.2)	(1.2)	(5.3)	(5.2)	(5.0)
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	10.5	17.0	23.5	29.6	39.4
Income taxes	(2.6)	(2.8)	(5.6)	(5.9)	(8.7)
Minorities	0.0	0.0	0.0	(0.3)	(0.4)
Net Profit adjusted	9.2	15.6	17.8	23.4	30.3
Net Profit	7.9	14.2	17.8	23.4	30.3
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	(1.8)	(0.8)	(1.5)	(2.3)	(2.4)
Net Fixed Assets	102.5	117.4	259.6	275.8	273.6
Equity Investments	10.9	9.6	21.3	22.6	22.5
Other M/L Term A/L	(11.6)	(11.5)	(16.4)	(23.8)	(24.2)
Net Invested Capital	99.9	114.9	263.0	272.3	269.5
Net Financial Position	10.7	10.3	99.9	91.3	65.1
Minorities	0.0	0.0	0.0	0.3	0.7
Group's Shareholders Equity	89.2	104.5	163.0	180.8	203.7
Financial Liabilities & Equity	99.9	114.9	263.0	272.3	269.5
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	7.9	14.2	17.8	23.4	30.3
Depreciation	4.6	5.4	6.7	10.2	10.6
Other non-cash charges	1.1	(2.7)	5.0	7.3	0.3
Cash Flow from Oper. (CFO)	13.6	16.9	29.5	40.9	41.3
Change in NWC	(2.9)	(1.1)	0.8	0.8	0.1
FCF from Operations (FCFO)	10.7	15.8	30.3	41.7	41.3
Net Investments (CFI)	(2.8)	(16.4)	(160.6)	(27.7)	(8.2)
Free CF to the Firm (FCFF)	7.9	(0.6)	(130.3)	14.0	33.1
CF from financials (CFF)	(14.4)	1.4	190.7	(9.2)	(10.8)
Free Cash Flow to Equity (FCFE)	(6.5)	0.8	60.4	4.8	22.3
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	10.4%	11.6%	11.7%	9.9%	11.7%
EBIT margin	7.4%	8.9%	9.5%	7.6%	9.4%
Net profit margin	5.0%	6.9%	5.9%	5.1%	6.4%
Tax rate	24.8%	16.7%	24.0%	20.0%	22.0%
Op NWC/Sales	-1.1%	-0.4%	-0.5%	-0.5%	-0.5%
Interest coverage x	0.12	0.08	0.20	0.16	0.13
Net Debt/Ebitda x	0.66	0.44	2.81	2.03	1.18
Debt-to-Equity x	0.12	0.10	0.61	0.50	0.32
ROIC	8.4%	13.2%	9.4%	8.7%	11.2%
ROCE	8.1%	11.5%	7.7%	8.8%	10.8%
ROACE	8.3%	12.0%	10.8%	9.1%	11.0%
ROE	9.1%	14.7%	13.3%	13.6%	15.8%
Payout ratio	46.9%	13.0%	30.0%	30.0%	30.0%
Per share figures	2019	2020	2021e	2022e	2023e
Final N. of shares # m	7.40	7.40	8.80	8.80	8.80
Average N. of shares # m	7.40	7.40	8.10	8.80	8.80
Final N. of shares (fully diluted) # m	7.40	7.40	8.80	8.80	8.80
EPS reported €	1.07	1.92	2.20	2.65	3.45
EPS reported FD €	1.07	1.92	2.03	2.65	3.45
EPS adjusted FD €	1.24	2.11	2.03	2.65	3.45
EBITDA FD €	2.20	3.19	4.03	5.11	6.25
EBIT FD €	0.03	0.03	0.05	0.06	0.07
FCFO FD €	1.44	2.14	3.44	4.73	4.70
FCFF FD €	1.06	(0.08)	(14.81)	1.59	3.76
FCFE FD €	(0.88)	0.10	6.86	0.54	2.54
Dividend €	0.50	0.25	0.61	0.80	1.04



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DATE	TARGET PRICE	RATING
28/01/2022	€61.00	BUY
11/01/2022	€61.00	BUY
20/09/2021	€58.00	BUY
24/06/2021	€53.00	BUY
22/03/2021	€41.50	BUY
22/01/2021	€30.00	BUY

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

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

