

Italy – Food and Beverage

IWB showed a certain resiliency against several headwinds

2nd February 2023

FY-22 PRELIMINARY SALES

RIC: ITWB.MI
BBG: IWB IM

FY-22 preliminary sales confirm IWB as the largest Italian privately-owned wine group. In 2022, IWB was able to preserve sales volumes despite a strong inflationary pressure, the shortage of some raw materials and declining demand. In 2023 the main goal will be to recover profitability thanks to an increase in price lists and a streamlining process.

Rating:

Buy

Price Target:

€ 33.00

Upside/(Downside): 20.4%

Last Price: € 27.40

Market Cap.: € 256.2m

1Y High/Low: € 42.50 / € 20.60

Avg. Daily Turn. (3M, 6M): € 140k, € 113k

Free Float: 62.0%

Major shareholders:

Gruppo Pizzolo (Enoitalia)	14.8%
Provinco Srl	7.1%
Barbanera family	7.0%



Stock price performance

	1M	3M	12M
Absolute	-8.2%	13.5%	-34.4%
Rel.to FTSE IT Growth	-11.7%	5.9%	-13.7%
Rel.to EU Sector	-9.6%	1.6%	-25.2%

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2022 preliminary sales at € 430.3m on a pro-forma basis

IWB reported FY-22 preliminary sales on a pro-forma basis at € 430.3m, including Enovation Brands and Barbanera, both acquired in 2022. The figure is not comparable with our estimate of € 405.0m, which does not include Barbanera (consolidated from FY-23). According to our rudimentary calculations, we estimated that organically, i.e. not considering the contribution of the aforementioned acquisitions, IWB's sales declined by approximately 7% YoY and are about 3% lower than our forecast. Complete FY-22 results will be unveiled on 23 March. In the meanwhile, our estimates, rating and PT are unchanged.

€ m	2022PF*	2021PF**	% YoY
Wholesale	303.5	299.4	1.4
Distance selling	68.5	82.7	(17.1)
Ho.Re.Ca.	56.9	25.9	> 100
Other Revenues	1.4	0.9	57.8
Total Revenues	430.3	408.9	5.2

* Including Enovation Brands and Barbanera as from Jan-22

** Including Enoitalia as from Jan-21 (does not include Enovation Brands and Barbanera)

Several headwinds properly faced allowed IWB to preserve sales volumes

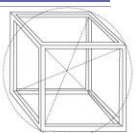
In 2022, IWB had to face rising inflation with regard to raw materials, energy and logistics costs, only partially passed on to customers in order to preserve sales volumes. Furthermore, IWB experienced a prolonged shortage of glass bottles, which has limited the number of deliveries. Organically, Wholesale's sales registered a tiny decrease, two-thirds of which related to the shortage of some inputs, in particular glass, and the remainder as a consequence of the lower demand for wine in large-scale retail trade. Distance selling declined to € 68.5m, broadly in line with the pre-pandemic level (i.e. € 69.2m in 2019). In the 2020-21 period, direct sales to end customers benefited from the strong increase in home consumption, which is gradually declining in favour of out-of-home consumption thanks to the reopening of economic activities. Ho.Re.Ca. demand more than doubled thanks to the positive performance in the UK, US and Canada, and the acquisition of Enovation Brands.

FY-23 will be dedicated to recovering profitability

In 2023, IWB revised upwards price lists and set up a streamlining process aimed at simplifying the group's structure, in order to improve profitability. Thanks to the strategic M&A deals completed in the last few years, IWB is now ready to sustain a medium-term growth thanks to: 1) its comprehensive offer in terms of both wines and sales channels, 2) a widespread presence worldwide and 3) its ability to properly manage the sourcing phase, by leveraging on a strong bargaining power with suppliers thanks to large-scale purchasing.

IWB, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Sales	204.3	313.2	405.0	459.0	469.2
EBITDA adj.	25.6	34.0	34.5	49.6	52.5
EBITDA	23.6	31.0	34.5	49.6	52.5
EBIT adj.	20.2	25.9	22.9	37.3	40.1
EBIT	18.2	22.9	22.9	37.3	40.1
Net profit adj.	15.6	16.7	14.0	24.1	26.6
Net profit	14.2	14.5	14.0	24.1	26.6
NFP (cash)/debt	10.3	121.3	130.0	114.0	88.6
EPS adjusted FD	2.11	1.77	1.48	2.54	2.81
EPS adj. FD growth	70.2%	-16.3%	-16.4%	72.2%	10.3%
DPS ord. €/s	0.25	0.10	0.30	0.51	0.56
Dividend yield	0.9%	0.4%	1.1%	1.9%	2.0%
Free Cash Flow Yield	-0.7%	-49.4%	-3.2%	-3.0%	11.6%
PER adj. x	5.7	20.1	18.3	10.6	9.6
PCF x	5.6	34.0	17.2	6.1	6.8
EV/Sales x	0.6	1.3	0.6	0.6	0.5
EV/EBITDA adj. x	4.8	12.1	11.2	7.5	6.6
EV/EBIT adj. x	6.1	15.9	16.8	9.9	8.6



The company at a glance

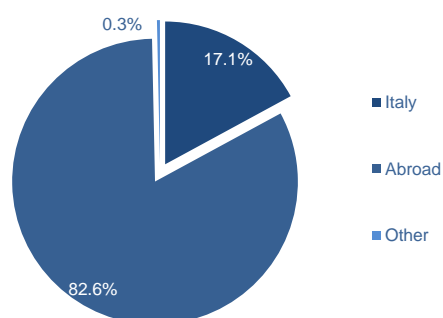
IWB (Italian Wine Brands) is a leading producer and distributor in the Italian wine industry. IWB became the largest domestic privately-owned wine group following the acquisition of Enoitalia. The group operates through two channels: B2C and B2B.

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.

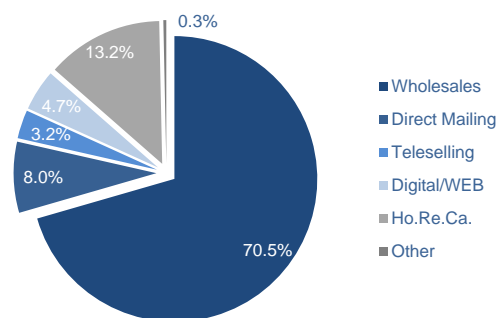
B2B is focused on sale and distribution in international markets to mass retailers where both privately labelled and branded products are distributed. Both the bottling and the logistics activities are outsourced in order to make the supply operations faster, leaner and more efficient.

FY-22 preliminary sales reached € 430.3m, on a pro-forma basis. The Wholesale channel accounted for 70.5% of total turnover, while Distance Selling for 15.9% and the Ho.Re.Ca segment for 13.2%. Foreign revenues accounted for 82.6% of total.

2022PF revenues by geography and...



...by channel



Shareholder structure

	%	# m
Gruppo Pizzolo (ENOITALIA)	14.80%	1.40
Provinco	7.10%	0.67
Barbanera Family	6.95%	0.66
IPOC (promoters)	4.15%	0.39
SIP of Italy (promoters)	2.65%	0.25
Raphael Dal Bo	2.22%	0.21
Treasury Shares	0.11%	0.01
Free Float, o/w	62.01%	5.87
Otus Capital Management	5.71%	0.54
Präude Asset Management	4.95%	0.47
Total	100.00%	9.46

Source: Company data

Peer group absolute performance

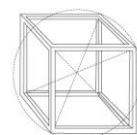
	1D	1W	1M	3M	6M	YTD
Concha y Toro Winery Inc	(0.1)	(0.4)	(3.7)	(3.1)	(13.7)	(5.1)
Lanson BCC SA	(0.6)	(1.5)	(1.2)	(1.2)	10.3	0.6
Laurent Perrier SA	0.8	(0.8)	(3.1)	25.3	24.5	(7.5)
Masi Agricola SpA	(1.7)	(4.0)	2.0	(3.0)	(5.9)	4.3
Schloss Wachenheim AG	0.0	0.0	(1.3)	(6.6)	(8.3)	(1.3)
Treasury Wine Estates Ltd	(0.4)	3.1	8.9	13.9	17.0	6.7
Vranken Pomm. Monop.	0.0	(0.9)	0.0	2.1	(3.7)	(0.3)
Wine producers median	(0.1)	(0.8)	(1.2)	(1.2)	(3.7)	(0.3)
Hawesko Holding AG	(1.2)	(2.8)	1.7	3.3	(1.2)	4.6
Naked Wines PLC	(3.1)	(0.8)	(5.2)	23.2	(12.3)	1.7
Wine distributors median	(3.1)	(0.8)	(5.2)	23.2	(12.3)	1.7
IWB	(2.7)	(8.4)	(8.2)	13.5	(4.9)	(0.2)

Source: Refinitiv Eikon

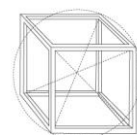
Peer group multiples table

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	8.1	7.6	6.9	7.0	6.2	5.7	9.0	7.9	7.6
Lanson BCC SA	9.5	9.7	9.1	15.6	15.2	14.2	18.3	18.7	16.8
Laurent Perrier SA	13.5	13.8	13.0	10.1	10.3	10.0	11.7	11.7	11.1
Masi Agricola SpA	27.1	23.2	20.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Schloss Wachenheim AG	12.4	11.6	8.4	2.9	1.5	0.8	5.0	2.4	1.3
Treasury Wine Estates Ltd	26.1	22.6	20.4	14.5	13.0	12.0	18.1	15.9	14.4
Vranken Pommery Monopole	12.9	11.0	9.5	15.9	15.2	14.4	23.6	22.2	21.1
Wine producers median	12.9	11.6	9.5	12.3	11.7	11.0	14.9	13.8	12.7
Hawesko Holding AG	14.5	14.5	13.5	7.9	7.5	6.9	12.4	11.3	10.5
Naked Wines PLC	10.8	10.1	7.3	5.6	2.7	1.3	7.8	3.8	1.7
Wine distributors median	12.6	12.3	10.4	6.8	5.1	4.1	10.1	7.6	6.1
IWB	18.3	10.6	9.6	11.2	7.5	6.6	16.8	9.9	8.6

Sources: CFO SIM, Refinitiv Eikon



Income statement (€ m)	2020	2021	2022e	2023e	2024e
Net Revenues	204.3	313.2	405.0	459.0	469.2
Purchasing	(118.9)	(204.4)	(269.0)	(296.1)	(301.4)
Services	(53.3)	(64.2)	(81.7)	(92.6)	(94.7)
Personnel	(8.7)	(15.3)	(20.6)	(21.5)	(21.5)
Other income / (expenses)	0.2	1.6	0.8	0.9	0.9
EBITDA adjusted	25.6	34.0	34.5	49.6	52.5
EBITDA	23.6	31.0	34.5	49.6	52.5
D&A	(5.4)	(8.1)	(11.5)	(12.4)	(12.4)
EBIT adjusted	20.2	25.9	22.9	37.3	40.1
EBIT	18.2	22.9	22.9	37.3	40.1
Financials	(1.2)	(3.9)	(5.1)	(5.9)	(5.5)
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	17.0	19.0	17.8	31.4	34.6
Income taxes	(2.8)	(4.4)	(3.6)	(6.9)	(7.6)
Minorities	0.0	0.0	(0.3)	(0.4)	(0.4)
Net Profit adjusted	15.6	16.7	14.0	24.1	26.6
Net Profit	14.2	14.5	14.0	24.1	26.6
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	(0.8)	8.7	20.7	15.5	16.0
Net Fixed Assets	117.4	267.2	278.3	314.1	310.1
Equity Investments	9.6	14.0	14.6	16.5	16.3
Other M/L Term A/L	(11.5)	(8.7)	(10.6)	(11.5)	(11.4)
Net Invested Capital	114.9	281.2	303.0	334.6	330.9
Net Financial Position	10.3	121.3	130.0	114.0	88.6
Minorities	0.0	0.0	0.3	0.7	1.1
Group's Shareholders Equity	104.5	160.0	172.7	219.9	241.2
Financial Liabilities & Equity	114.9	281.2	303.0	334.6	330.9
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	14.2	14.5	14.0	24.1	26.6
Depreciation	5.4	8.1	11.5	12.4	12.4
Other non-cash charges	(2.7)	(4.6)	1.6	0.7	(0.1)
Cash Flow from Oper. (CFO)	16.9	18.0	27.1	37.2	38.8
Change in NWC	(1.1)	(9.4)	(12.0)	5.2	(0.5)
FCF from Operations (FCFO)	15.8	8.6	15.1	42.3	38.4
Net Investments (CFI)	(16.4)	(152.7)	(23.3)	(50.0)	(8.2)
Free CF to the Firm (FCFF)	(0.6)	(144.1)	(8.2)	(7.7)	30.2
CF from financials (CFF)	1.4	169.8	(4.6)	59.1	(15.5)
Free Cash Flow to Equity (FCFE)	0.8	25.7	(12.7)	51.4	14.7
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA margin	11.6%	9.9%	8.5%	10.8%	11.2%
EBIT margin	8.9%	7.3%	5.7%	8.1%	8.5%
Net profit margin	6.9%	4.6%	3.5%	5.2%	5.7%
Tax rate	16.7%	23.4%	20.0%	22.0%	22.0%
Op NWC/Sales	-0.4%	2.8%	5.1%	3.4%	3.4%
Interest coverage x	0.08	0.20	0.23	0.17	0.15
Net Debt/Ebitda x	0.44	3.91	3.77	2.30	1.69
Debt-to-Equity x	0.10	0.76	0.75	0.52	0.37
ROIC	13.2%	7.3%	4.8%	7.5%	8.0%
ROCE	11.5%	6.5%	6.3%	8.3%	8.7%
ROACE	12.0%	8.9%	6.4%	9.2%	8.8%
ROE	14.7%	11.0%	8.4%	12.3%	11.5%
Payout ratio	13.0%	6.5%	20.0%	20.0%	20.0%
Per share figures	2020	2021	2022e	2023e	2024e
Final N. of shares # m	7.40	9.46	9.46	9.46	9.46
Average N. of shares # m	7.40	8.43	9.46	9.46	9.46
Final N. of shares (fully diluted) # m	7.40	9.46	9.46	9.46	9.46
EPS reported €	1.92	1.72	1.48	2.54	2.81
EPS reported FD €	1.92	1.53	1.48	2.54	2.81
EPS adjusted FD €	2.11	1.77	1.48	2.54	2.81
EBITDA FD €	3.19	3.28	3.64	5.25	5.55
EBIT FD €	0.03	0.06	0.02	0.05	0.06
FCFO FD €	2.14	0.91	1.59	4.47	4.05
FCFF FD €	(0.08)	(15.23)	(0.86)	(0.81)	3.19
FCFE FD €	0.10	2.72	(1.35)	5.44	1.55
Dividend €	0.25	0.10	0.30	0.51	0.56



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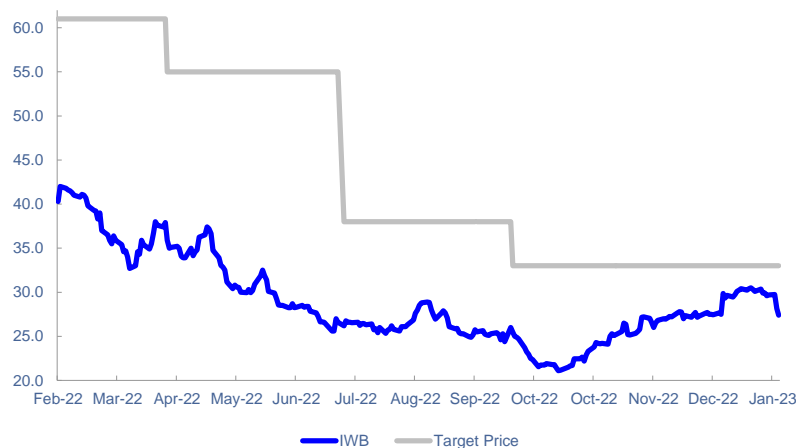
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DATE	TARGET PRICE	RATING
02/02/2023	€33.00	BUY
25/11/2022	€33.00	BUY
20/09/2022	€33.00	BUY
27/06/2022	€38.00	BUY
30/03/2022	€55.00	BUY
28/01/2022	€61.00	BUY
11/01/2022	€61.00	BUY

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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.

