

Italy – Food and Beverage

Strong profitability hike and robust cash generation

23rd September 2024

H1-24 RESULTS RELEASE

RIC: ITWB.MI
BBG: IWB IM

IWB reported robust H1-24 results, showing an outstanding increase in profitability and strong cash generation. The extensive product portfolio, ranging from entry-level to premium products, the widespread international presence and a multichannel approach, allowed IWB to mitigate the risk linked to the slowdown of a specific market segment, maintaining broadly stable sales volumes but improving profitability.

Rating:

Buy

Price Target:

€ 36.50 (€ 33.00)

Upside/(Downside): 69.0%

Last Price: € 21.60

Market Cap.: € 204.3m

1Y High/Low: € 22.80 / € 16.60

Avg. Daily Turn. (3M, 6M): € 64k, € 135k

Free Float: 77.4%

Major shareholders:

Gruppo Pizzolo (Enoitalia) 14.8%
Provinco 7.1%



Stock price performance

| | 1M | 3M | 12M |
|------------------------------|-------------|-------------|--------------|
| Absolute | 0.9% | 2.4% | 13.9% |
| Rel.to FTSE IT Growth | 1.6% | 3.7% | 20.2% |
| Rel.to EU Sector | 3.9% | 2.3% | 19.7% |

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Estimates upgraded: new DCF-based PT of € 36.50/s (€ 33.00). Buy reiterated

IWB's H1-24 results unveiled the goodness of the group's strategy to focus on developing and pushing its top brands, namely premium wines with higher profitability. The outlook for the second part of the year remains cautious as the market foresees a further decline in consumption. Nevertheless, IWB is confident to maintain good momentum, focusing on commercial and marketing activities, product innovation, and strengthening its specialisation in sparkling (mainly Prosecco) and premium wines. Following the H1-24 results release, we have fine-tuned our model by factoring in: 1) slightly lower sales growth; 2) higher profitability mainly thanks to a better product mix; 3) lower net financial charges; 4) lower than previously expected capex. The combined result is an average 2.5% decrease in Sales and 6.7% increase in adj. Net Profit, in 2024-26. Moreover, CFO has updated the DCF valuation criteria, bringing the Risk-Free Rate up to date (3.80% vs prev. 4.18%). The combined result is a new PT of € 36.50/s (€ 33.00), 69.0% upside. Buy.

Consolidated sales slightly lower YoY. Domestic turnover rose double-digit

In H1-24, IWB reported sales of € 191.2m, slightly lower compared to € 196.8m reached in H1-23. Domestic revenues soared by 15.7% YoY thanks to the focus on some key customers and foreign sales declined by 6.1% YoY, with positive trends in the US and Switzerland and a slowdown in the UK and Germany. The Wholesale division totalled € 135.4m, only slightly lower than € 140.1m reported in H1-23 despite the unfavourable macroeconomic context (i.e. high inflation and declining consumption). The Distance Selling segment continued its stabilisation to the pre-pandemic levels, with the online channel growing by 6.6% YoY. The Ho.Re.Ca. grew by 2.4% YoY to € 27.6m, mainly thanks to foreign markets (export +4.5% YoY).

Robust increase in profitability driven by product mix and a few savings

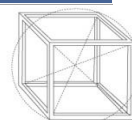
Adj. EBITDA soared by 27.1% YoY to € 21.9m, 11.4% margin (€ 17.3m, 8.7% margin, in H1-23). This excellent performance was due to IWB's ability to increasingly focus on sales of Top Brands, which in H1-24 grew by 9.2%. Furthermore, profitability benefited from 1) the reduction of purchasing cost of some dry goods negotiated by IWB with the main suppliers, including glass, 2) lower energy costs, and 3) a few savings stemming from the group's streamlining process. Adj. Net Profit reached € 10.3m, almost doubled YoY, thanks to the excellent operating result coupled with lower net financial charges because of the better cash management stemming from the new group's organisation.

Outstanding cash generation although dividends payment and buyback

Net Financial Position was € 108.1m, down from € 115.9m at year-end 2023 and € 154.2m at 30-Jun-23, showing a robust cash generation. Furthermore, in H1-24, IWB paid dividends for € 4.7m and purchased treasury shares for € 0.5m.

IWB, key financials and ratios

| € m | 2022 | 2023 | 2024e | 2025e | 2026e |
|----------------------|--------|-------|-------|-------|-------|
| Sales | 390.7 | 429.1 | 420.7 | 428.5 | 434.5 |
| Total Revenues | 396.2 | 433.5 | 424.9 | 432.8 | 438.9 |
| Adjusted EBITDA | 31.1 | 44.3 | 47.9 | 50.8 | 53.2 |
| EBITDA | 29.7 | 41.0 | 45.9 | 48.8 | 51.2 |
| EBIT | 19.2 | 27.4 | 33.0 | 36.0 | 38.4 |
| Net Profit | 11.2 | 16.3 | 22.7 | 23.7 | 25.5 |
| Adjusted Net Profit | 12.0 | 18.9 | 24.3 | 25.2 | 27.0 |
| NFP debt/(cash) | 146.5 | 115.9 | 90.0 | 64.1 | 36.3 |
| EPS adjusted FD | 1.27 | 2.00 | 2.57 | 2.67 | 2.86 |
| EPS adj. FD growth | -28.0% | 57.1% | 28.5% | 3.8% | 7.1% |
| DPS ord. €/s | 0.10 | 0.50 | 0.50 | 0.50 | 0.50 |
| Dividend yield | 0.5% | 2.3% | 2.3% | 2.3% | 2.3% |
| Free Cash Flow Yield | -13.0% | 17.4% | 15.0% | 15.0% | 15.9% |
| PER adj. x | 21.9 | 10.9 | 8.4 | 8.1 | 7.6 |
| PCF x | 10.8 | 4.7 | 5.7 | 5.6 | 5.3 |
| EV/Sales x | 1.05 | 0.75 | 0.70 | 0.63 | 0.55 |
| EV/EBITDA adj. x | 13.2 | 7.3 | 6.1 | 5.3 | 4.5 |
| EV/EBIT x | 21.3 | 11.8 | 8.9 | 7.5 | 6.3 |



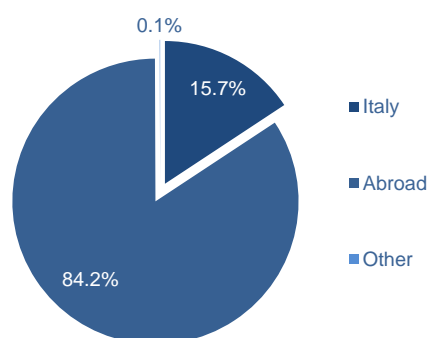
The company at a glance

Italian Wine Brands – IWB is a leading producer and distributor of Italian wines worldwide. IWB is amongst the largest domestic privately-owned wine groups thanks to massive organic growth coupled with several strategic acquisitions since its establishment. The group produces high quality wines in Italy's most prestigious winemaking regions, including Veneto (in particular, the Prosecco area), Tuscany and Piedmont where super-premium wines are produced, as well as Apulia. The group operates through three distribution channels, namely Wholesales, Distance Selling and Ho.Re.Ca., thus covering both the off- and on-trade (B2B) as well as the online (B2C) segments. In detail, IWB distributes both privately labelled and branded products (over 70 owned brands) in more than 90 countries in 5 continents. In 2023, the group sold over 170 million bottles.

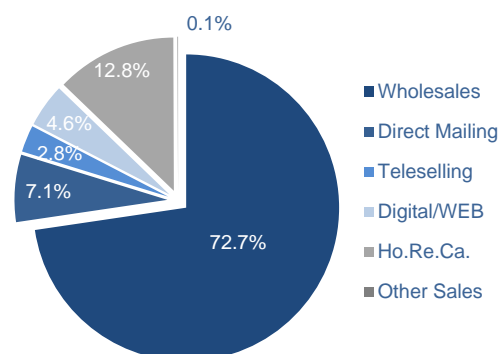
Since the group does not own any vineyards, raw materials (grapes, must and bulk wine) are procured from Italian wine producers and then processed in the group's proprietary wineries. IWB takes care of the key points of the value chain, namely winemaking, ageing, bottling, distribution, and marketing, thus keeping its business model extremely flexible and adaptable to market trends and customer behaviours.

FY-23 sales were € 429.1m, with adjusted EBITDA equal to € 44.3m, 10.3% margin, and adjusted Net Profit of € 18.9m, 4.4% margin. The Wholesale channel accounted for 73% of total turnover, while Distance Selling for 14% and the Ho.Re.Ca. segment for 13%.

2023 revenues by geography and...



...by channel



Shareholder structure

| | % | # m |
|----------------------------|---------------|-------------|
| Gruppo Pizzolo (ENOITALIA) | 14.8% | 1.40 |
| Provinco | 7.1% | 0.67 |
| Treasury Shares | 0.7% | 0.06 |
| Free Float, o/w | 77.4% | 7.32 |
| Otus Capital Management | 5.7% | 0.54 |
| Total | 100.0% | 9.46 |

Source: Company data

Peer group absolute performance

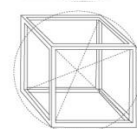
| % | 1D | 1W | 1M | 3M | 6M | YTD |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Concha y Toro Winery Inc | (0.4) | (1.4) | (8.4) | (6.1) | 3.0 | 7.6 |
| Lanson BCC SA | 1.2 | (1.2) | (7.5) | (8.9) | (6.1) | 2.0 |
| Laurent Perrier SA | (0.5) | (2.7) | (6.9) | (7.3) | (8.4) | (10.3) |
| Masi Agricola SpA | (0.9) | (3.8) | (0.7) | (8.5) | (10.0) | (10.0) |
| Schloss Wachenheim AG | 0.6 | 0.6 | 2.0 | 2.6 | 0.6 | (5.5) |
| Treasury Wine Estates Ltd | (0.6) | (2.2) | (7.6) | (13.1) | (10.4) | 1.8 |
| Vranken Pommery SA | 2.0 | 6.3 | 4.8 | 0.0 | (4.4) | (5.0) |
| Wine producers median | (0.4) | (1.4) | (6.9) | (7.3) | (6.1) | (5.0) |
| Hawesko Holding SE | 2.7 | 2.7 | 1.9 | (0.4) | (9.0) | (16.7) |
| Naked Wines PLC | 2.4 | (2.5) | 1.8 | (15.2) | (6.1) | (6.0) |
| Wine distributors median | 2.5 | 0.1 | 1.9 | (7.8) | (7.5) | (11.4) |
| Italian Wine Brands SpA | (0.5) | (3.6) | 0.9 | 2.4 | 11.9 | 13.8 |

Source: Refinitiv Eikon

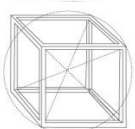
Peer group multiples table

| 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 | 10.7 | 9.7 | 9.0 | 8.2 | 7.8 | 7.3 | 11.5 | 10.7 | 9.4 |
| Lanson BCC SA | 8.8 | 9.1 | 8.6 | 11.6 | 11.8 | 11.1 | 13.1 | 13.4 | 12.8 |
| Laurent Perrier SA | 11.7 | 10.9 | 10.4 | 8.9 | 8.2 | 7.7 | 10.0 | 9.3 | 8.6 |
| Masi Agricola SpA | 144.7 | 57.9 | 40.2 | 22.0 | 17.0 | 14.5 | 50.2 | 31.2 | 24.7 |
| Schloss Wachenheim AG | 11.4 | 9.8 | 9.5 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Treasury Wine Estates Ltd | 17.8 | 15.2 | 13.4 | 11.0 | 9.7 | 8.7 | 13.3 | 11.7 | 10.2 |
| Vranken Pommery Monopole SA | 22.6 | 17.0 | 13.6 | 13.9 | 14.6 | 14.3 | 18.8 | 19.9 | 19.2 |
| Wine producers median | 11.7 | 10.9 | 10.4 | 11.3 | 10.8 | 9.9 | 13.2 | 12.5 | 11.5 |
| Hawesko Holding SE | 14.4 | 12.8 | 11.5 | 6.4 | 6.0 | 5.6 | 11.6 | 10.4 | 9.4 |
| Naked Wines PLC | 9.2 | 12.0 | 5.4 | 1.0 | 0.3 | n.m. | 2.2 | 0.6 | n.m. |
| Wine distributors median | 11.8 | 12.4 | 8.5 | 3.7 | 3.1 | 5.6 | 6.9 | 5.5 | 9.4 |
| Italian Wine Brands SpA | 8.4 | 8.1 | 7.6 | 6.1 | 5.3 | 4.5 | 8.9 | 7.5 | 6.3 |

Sources: CFO SIM, Refinitiv Eikon



| Income statement (€ m) | 2022 | 2023 | 2024e | 2025e | 2026e |
|--|---------|---------|---------|---------|---------|
| Sales | 390.7 | 429.1 | 420.7 | 428.5 | 434.5 |
| Total Revenues | 396.2 | 433.5 | 424.9 | 432.8 | 438.9 |
| Purchasing | (271.2) | (291.6) | (279.1) | (282.9) | (286.4) |
| Services | (71.4) | (73.7) | (69.5) | (69.3) | (69.3) |
| Personnel | (21.8) | (25.7) | (29.0) | (30.6) | (30.6) |
| Other income / (expenses) | (2.1) | (1.6) | (1.4) | (1.3) | (1.3) |
| EBITDA | 29.7 | 41.0 | 45.9 | 48.8 | 51.2 |
| D&A | (10.5) | (13.6) | (12.9) | (12.8) | (12.8) |
| EBIT | 19.2 | 27.4 | 33.0 | 36.0 | 38.4 |
| Financials | (5.5) | (7.8) | (4.4) | (4.1) | (4.1) |
| Extraordinary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pre-Tax profit | 13.7 | 19.6 | 28.6 | 31.9 | 34.3 |
| Income taxes | (2.7) | (3.1) | (5.7) | (8.0) | (8.6) |
| Minorities | 0.2 | (0.2) | (0.2) | (0.2) | (0.2) |
| Net Profit | 11.2 | 16.3 | 22.7 | 23.7 | 25.5 |
| Adjusted EBITDA | 31.1 | 44.3 | 47.9 | 50.8 | 53.2 |
| Adjusted EBIT | 20.5 | 30.7 | 35.0 | 38.0 | 40.4 |
| Adjusted Net Profit | 12.0 | 18.9 | 24.3 | 25.2 | 27.0 |
| Balance sheet (€ m) | 2022 | 2023 | 2024e | 2025e | 2026e |
| Net Working Capital | 26.1 | 16.9 | 16.7 | 17.0 | 17.3 |
| Net Fixed Assets | 324.8 | 322.0 | 314.1 | 307.3 | 300.5 |
| Equity Investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other M/L Term A/L | (11.1) | (13.5) | (13.2) | (13.5) | (13.7) |
| Net Invested Capital | 339.9 | 325.4 | 317.6 | 310.9 | 304.1 |
| Net Financial Position | 146.5 | 115.9 | 90.0 | 64.1 | 36.3 |
| Minorities | (0.4) | (0.2) | (0.1) | 0.1 | 0.3 |
| Group's Shareholders Equity | 193.7 | 209.7 | 227.7 | 246.7 | 267.5 |
| Financial Liabilities & Equity | 339.9 | 325.4 | 317.6 | 310.9 | 304.1 |
| Cash Flow statement (€ m) | 2022 | 2023 | 2024e | 2025e | 2026e |
| Total net income | 11.0 | 16.5 | 22.9 | 23.9 | 25.7 |
| Depreciation | 10.5 | 13.6 | 12.9 | 12.8 | 12.8 |
| Other non-cash charges | 20.3 | 4.3 | (0.3) | 0.2 | 0.2 |
| Cash Flow from Oper. (CFO) | 41.8 | 34.3 | 35.5 | 36.9 | 38.7 |
| Change in NWC | (17.4) | 9.2 | 0.2 | (0.3) | (0.2) |
| FCF from Operations (FCFO) | 24.4 | 43.5 | 35.7 | 36.6 | 38.5 |
| Net Investments (CFI) | (58.8) | (7.6) | (5.0) | (6.0) | (6.0) |
| Free CF to the Firm (FCFF) | (34.3) | 35.9 | 30.7 | 30.6 | 32.5 |
| CF from financials (CFF) | 36.3 | (26.1) | (14.1) | (13.6) | (13.2) |
| Free Cash Flow to Equity (FCFE) | 1.9 | 9.9 | 16.6 | 17.0 | 19.3 |
| Financial ratios | 2022 | 2023 | 2024e | 2025e | 2026e |
| Adj. EBITDA margin | 7.8% | 10.2% | 11.3% | 11.7% | 12.1% |
| EBIT margin | 4.8% | 6.3% | 7.8% | 8.3% | 8.7% |
| Adj. Net profit margin | 3.0% | 4.4% | 5.7% | 5.8% | 6.2% |
| Tax rate | 19.4% | 15.9% | 20.0% | 25.0% | 25.0% |
| Op NWC/Sales | 6.7% | 3.9% | 4.0% | 4.0% | 4.0% |
| Interest coverage x | 0.37 | 0.34 | 0.20 | 0.16 | 0.15 |
| Net Debt/EBITDA x | 4.93 | 2.83 | 1.96 | 1.31 | 0.71 |
| Debt-to-Equity x | 0.76 | 0.55 | 0.40 | 0.26 | 0.14 |
| ROIC | 3.6% | 4.9% | 7.1% | 7.6% | 8.3% |
| ROCE | 4.7% | 6.7% | 7.9% | 8.4% | 8.7% |
| ROACE | 5.0% | 6.7% | 8.0% | 8.5% | 8.9% |
| ROE | 6.4% | 8.1% | 10.4% | 10.0% | 9.9% |
| Payout ratio | 8.4% | 29.0% | 20.8% | 19.9% | 18.5% |
| Per share figures | 2022 | 2023 | 2024e | 2025e | 2026e |
| Final N. of shares # m | 9.46 | 9.46 | 9.46 | 9.46 | 9.46 |
| Average N. of shares # m | 9.46 | 9.46 | 9.46 | 9.46 | 9.46 |
| Final N. of shares (fully diluted) # m | 9.46 | 9.46 | 9.46 | 9.46 | 9.46 |
| EPS reported € | 1.19 | 1.72 | 2.40 | 2.51 | 2.70 |
| EPS reported FD € | 1.19 | 1.72 | 2.40 | 2.51 | 2.70 |
| EPS adjusted FD € | 1.27 | 2.00 | 2.57 | 2.67 | 2.86 |
| EBITDA FD € | 3.14 | 4.33 | 4.85 | 5.16 | 5.42 |
| EBIT FD € | 0.16 | 0.16 | 0.23 | 0.19 | 0.16 |
| FCFO FD € | 2.58 | 4.60 | 3.77 | 3.87 | 4.07 |
| FCFF FD € | (3.63) | 3.80 | 3.25 | 3.24 | 3.43 |
| FCFE FD € | 0.21 | 1.04 | 1.76 | 1.80 | 2.04 |
| Dividend € | 0.10 | 0.50 | 0.50 | 0.50 | 0.50 |



H1-24 Results

IWB reported robust H1-24 results, showing an outstanding increase in profitability coupled with strong cash generation. The group's extensive product portfolio, ranging from entry-level to premium products, coupled with its strong international presence and multichannel approach, allowed IWB to mitigate the risk linked to the slowdown of a specific market segment, maintaining broadly stable sales volumes and strongly improving profitability. These features are unquestionably IWB's key success factors in the medium term.

Table 1 – IWB, H1-24 results summary

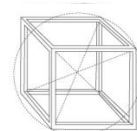
| € m | H1-24 | H1-23 | % YoY |
|----------------------------|--------------|--------------|---------------|
| Sales | 191.2 | 196.8 | (2.8) |
| Other Revenues | 1.7 | 1.6 | |
| Total Revenues | 192.9 | 198.4 | (2.8) |
| Purchasing | (125.4) | (133.5) | |
| Services | (32.0) | (35.5) | |
| Personnel | (14.7) | (12.7) | |
| Other operating expenses | (0.6) | (0.5) | |
| EBITDA | 20.3 | 16.2 | 25.2 |
| % margin | 10.5 | 8.2 | |
| D&A | (6.3) | (6.3) | |
| EBIT | 14.0 | 9.9 | 41.7 |
| % margin | 7.3 | 5.0 | |
| Financial income | 1.5 | 0.7 | |
| Financial charges | (3.2) | (4.3) | |
| Pre-Tax profit | 12.3 | 6.2 | 96.7 |
| % margin | 6.4 | 3.1 | |
| Income taxes | (3.2) | (1.6) | |
| Tax rate | 25.8% | 26.2% | |
| Minorities | (0.1) | (0.0) | |
| Net Profit | 9.0 | 4.6 | 96.1 |
| % margin | 4.7 | 2.3 | |
| One-off adjustments | (1.6) | (1.0) | |
| Adjusted EBITDA | 21.9 | 17.3 | 27.1 |
| % margin | 11.4 | 8.7 | |
| Adjusted Net Profit | 10.3 | 5.4 | 92.0 |
| % margin | 5.3 | 2.7 | |
| NFP debt/(cash) | 108.1 | 154.2 | (29.9) |

Sources: Company data, CFO SIM

In H1-24, IWB reported sales of € 191.2m, slightly lower compared to € 196.8m reached in H1-23, and characterised by **domestic revenues soared by 15.7% YoY** thanks to the focus on some key customers and foreign sales declined by 6.1% YoY, with **positive trends in the US and Switzerland** and a **slowdown in the UK and Germany**. The US is the first market for the consumption of Italian wine abroad and Switzerland is characterised by high selling prices, thus confirming themselves as geographical markets highly strategic.

Adjusted EBITDA soared by 27.1% YoY to € 21.9m, 11.4% margin, compared to € 17.3m, 8.7% margin, in H1-23. This excellent performance was due to the ability of the group to **increasingly focus on Top brands**, which in H1-24 grew by 9.6% in terms of volumes and 9.2% in terms of value. Furthermore, profitability benefitted from 1) the reduction of purchasing cost of some dry goods negotiated by IWB with the main suppliers, including glass, 2) lower energy costs, and 3) savings stemming from the group's streamlining process.

Adjusted Net Profit reached € 10.3m, almost doubled YoY, thanks to the excellent operating result coupled with lower net financial charges because of the better cash management stemming from the new group's organisation.



Net Financial Position was € 108.1m, down from € 115.9m at year-end 2023 and € 154.2m at 30-Jun-23, showing a robust cash generation. Furthermore, in H1-24, IWB paid dividends for € 4.7m and purchased treasury shares for € 0.5m.

Table 2 – IWB, H1-24 sales breakdown by distribution channel

| € m | H1-24 | H1-23 | % YoY |
|--------------------|--------------|--------------|--------------|
| Wholesale | 135.4 | 140.1 | (3.4) |
| Distance selling | 28.1 | 29.2 | (3.8) |
| Direct Mailing | 13.2 | 14.3 | (7.4) |
| Teleselling | 5.6 | 6.2 | (9.8) |
| Digital/WEB | 9.3 | 8.7 | 6.6 |
| Ho.Re.Ca. | 27.6 | 27.0 | 2.4 |
| Other | 0.1 | 0.5 | (82.7) |
| Total sales | 191.2 | 196.8 | (2.8) |
| % on sales | | | |
| Wholesale | 70.8 | 71.2 | |
| Distance selling | 14.7 | 14.9 | |
| Ho.Re.Ca. | 14.4 | 13.7 | |
| Other | 0.0 | 0.3 | |
| Total sales | 100.0 | 100.0 | |

Sources: Company data, CFO SIM

The Wholesale division totalled € 135.4m, only slightly lower compared to € 140.1m in H1-23 despite the unfavourable macroeconomic context characterised by high inflation and declining consumption. In terms of geography, Italy soared by 29%, followed by the US (+13%) and Switzerland (+7%), whilst Germany and the UK declined by 19% and 18%, respectively.

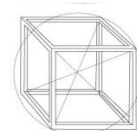
The **Distance Selling segment** continued its stabilisation to the pre-pandemic levels, with the **online channel growing by 6.6% YoY** thanks to the sales through the Svinando platform, which partially compensated the **decline in sales through direct mailing and teleselling channels**. In particular, the share of revenues stemming from **the digital/web channel has constantly grown since 2017**, now accounting for approximately one-third of the Distance Selling division, and always reporting a positive EBITDA margin despite a highly competitive market.

The Ho.Re.Ca. segment grew by 2.4% YoY to € 27.6m, mainly thanks to foreign markets with exports increased by 4.5%.

Table 3 – IWB, H1-24 sales breakdown by geography

| € m | H1-24 | H1-23 | % YoY |
|--------------------|--------------|--------------|--------------|
| Domestic Sales | 36.2 | 31.3 | 15.7 |
| Foreign Sales | 154.9 | 165.0 | (6.1) |
| Other Sales | 0.1 | 0.5 | (82.7) |
| Total Sales | 191.2 | 196.8 | (2.8) |
| % on sales | | | |
| Domestic Sales | 19.0 | 15.9 | |
| Foreign Sales | 81.0 | 83.8 | |
| Other Sales | 0.0 | 0.3 | |
| Total Sales | 100.0 | 100.0 | |

Sources: Company data, CFO SIM



Estimates, Valuation & Risks

IWB's H1-24 results unveiled the goodness of **the group's strategy to focus on developing and pushing its top brands**, namely premium wines with higher profitability, which grew by 9.6% in terms of volumes and 9.2% in terms of value. Together with Sparkling wines, premium wines are among the categories which are expected to grow the most in the next years, as consumers are shifting to a "drink better" approach. In particular, sparkling wines (including Prosecco) are expected to rise with a CAGR of 5.0% until 2025 and premium wines with a CAGR of 2.9%, compared to a CAGR of 0.8% concerning commercial wine.

However, **the outlook for the second part of the year remains cautious** as the market foresees a further decline in consumption. Nevertheless, IWB is confident to maintain good momentum, focusing on commercial and marketing activities, product innovation, and strengthening its specialisation in sparkling wines (IWB is the second largest producer of Prosecco worldwide, with 60 million bottles sold per year), "soft" white wines, and premium wines like Super Tuscans and wines from Piedmont.

Furthermore, **in May, IWB completed the streamlining process** concerning the production activity by disposing of 2 plants, one in Piedmont and the other in Southern Italy, and concentrating the production in Veneto and Tuscany. This reorganisation brought in significant industrial synergies, enhancing the operating efficiency, and generating **approximately € 2m in cost savings annually**.

Following the H1-24 results release, we **have fine-tuned our model by factoring in:** 1) slightly lower sales growth to incorporate a slower recovery in consumption; 2) higher profitability thanks to a better product mix and a further decline in some costs (i.e. dry products, glass and energy); 3) lower net financial charges thanks to decreasing indebtedness and the better cash management stemming from the simplified group's structure; 4) lower than previously expected capex. **The combined result is an average 2.5% decrease in Sales and 6.7% increase in adj. Net Profit, in 2024-26.**

Table 4 – IWB, 2024e new/old estimates

| € m | New | Old | % Diff. | € m Diff. |
|----------------------------|--------------|--------------|---------|---------------|
| Total Revenues | 424.9 | 438.7 | (3.2) | (13.9) |
| Adjusted EBITDA | 47.9 | 47.9 | 0.1 | 0.0 |
| % margin | 11.3 | 10.9 | | |
| Adjusted EBIT | 35.0 | 34.8 | 0.4 | 0.1 |
| % margin | 8.2 | 7.9 | | |
| Adjusted Net Profit | 24.3 | 22.2 | 9.3 | 2.1 |
| % margin | 5.7 | 5.1 | | |
| NFP debt/(cash) | 90.0 | 94.6 | (4.9) | (4.6) |

Source: CFO SIM

Table 5 – IWB, 2025e new/old estimates

| € m | New | Old | % Diff. | € m Diff. |
|----------------------------|--------------|--------------|---------|---------------|
| Total Revenues | 432.8 | 443.3 | (2.4) | (10.5) |
| Adjusted EBITDA | 50.8 | 50.8 | (0.0) | (0.0) |
| % margin | 11.7 | 11.5 | | |
| Adjusted EBIT | 38.0 | 37.9 | 0.4 | 0.1 |
| % margin | 8.8 | 8.5 | | |
| Adjusted Net Profit | 25.2 | 23.7 | 6.5 | 1.5 |
| % margin | 5.8 | 5.3 | | |
| NFP debt/(cash) | 64.1 | 71.5 | (10.4) | (7.5) |

Source: CFO SIM

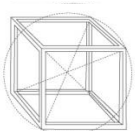


Table 6 – IWB, 2026e new/old estimates

| € m | New | Old | % Diff. | € m Diff. |
|----------------------------|--------------|--------------|---------|---------------|
| Total Revenues | 438.9 | 447.7 | (2.0) | (8.8) |
| Adjusted EBITDA | 53.2 | 53.2 | 0.0 | 0.0 |
| % margin | 12.1 | 11.9 | | |
| Adjusted EBIT | 40.4 | 40.3 | 0.3 | 0.1 |
| % margin | 9.2 | 9.0 | | |
| Adjusted Net Profit | 27.0 | 25.9 | 4.4 | 1.1 |
| % margin | 6.2 | 5.8 | | |
| NFP debt/(cash) | 36.3 | 46.3 | (21.5) | (10.0) |

Source: CFO SIM

Moreover, CFO has updated the DCF valuation criteria, bringing the Risk-Free Rate up to date, which now points to 3.80% (prev. 4.18%). The combined result is a new **Price Target of € 36.50/s (€ 33.00), with an upside of 69.0%** to current price levels.

Buy rating is reiterated.

DCF

In our DCF-based valuation, we assess explicit estimates until 2028 and assume a long-term growth rate of 1.0%. Cash flows are discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 7 – WACC derived from:

| | |
|---|--------------|
| Interest costs, pre-tax | 3.0% |
| Tax rate | 25.0% |
| Int. costs, after taxes | 2.3% |
| Risk premium, incl. small size premium | 9.0% |
| Risk-free (10Y Gov. Bond 200d moving average) | 3.80% |
| Beta levered (x) | 1.00 |
| Required ROE | 12.8% |

Source: CFO SIM

The WACC is calculated by using a 60:40 equity/debt balance-sheet structure.

Table 8 – IWB, DCF model

| € m | 2024e | 2025e | 2026e | 2027e | 2028e | TV |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| EBIT | 35.0 | 38.0 | 40.4 | 42.8 | 44.6 | |
| Tax rate | 20.0% | 25.0% | 25.0% | 25.0% | 25.0% | |
| Operating profit (NOPAT) | 28.0 | 28.5 | 30.3 | 32.1 | 33.4 | |
| Change working capital | 0.2 | (0.3) | (0.2) | (0.2) | (0.1) | |
| Depreciation | 12.9 | 12.8 | 12.8 | 9.4 | 6.0 | |
| Investments | (5.0) | (6.0) | (6.0) | (6.0) | (6.0) | |
| Free Cash Flows | 36.1 | 35.0 | 36.9 | 35.3 | 33.3 | 445.5 |
| Present value | 35.3 | 31.5 | 30.6 | 27.0 | 23.5 | 313.8 |
| WACC | 8.6% | 8.6% | 8.6% | 8.6% | 8.6% | |
| Long-term growth rate | 1.0% | | | | | |

Source: CFO SIM

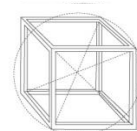


Table 9 – IWB, DCF per share derived from:

| € m | | |
|-----------------------------------|-------------------------------|--------------|
| Total EV present value | | 461.7 |
| | <i>thereof terminal value</i> | 68.0% |
| NFP last reported | | (115.9) |
| Pension provision last reported | | (1.7) |
| Minorities (valued at 8.4x PER) | | (1.3) |
| Equity value € m | | 342.8 |
| #m shares (excl. treasury shares) | | 9.40 |
| Equity value € /s | | 36.50 |
| <i>% upside/(downside)</i> | | 69.0% |

Source: CFO SIM

The outcome of our DCF model generated an equity value of € 342.8m for IWB, which corresponds to **€ 36.50/s (€ 33.00), with a potential upside of 69.0%**.

The following tables illustrate that **sensitivity 1)** compared to changes in the **terminal growth rate** produces an equity value per share of **€ 32.30 – 42.00** (perpetuity range of 0.00% and 2.00%), while, **2)** if compared to changes in the **risk-free rate**, it produces an equity value per share of **€ 33.80 – 39.60** (risk-free range of 4.60% and 3.00%) and, **3)** if compared to changes in the **risk premium**, including small size premiums, it results in an equity value per share of **€ 30.30 – 45.00** (risk premium range of 11.00% and 7.00%).

Table 10 – 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 | 147.9 | 147.9 | 147.9 | 147.9 | 147.9 | 147.9 | 147.9 | 147.9 | 147.9 |
| PV of terminal value | 274.4 | 283.3 | 292.8 | 303.0 | 313.8 | 325.3 | 337.6 | 350.9 | 365.2 |
| Total value | 422.3 | 431.2 | 440.8 | 450.9 | 461.7 | 473.2 | 485.6 | 498.8 | 513.1 |
| NFP last reported | (115.9) | (115.9) | (115.9) | (115.9) | (115.9) | (115.9) | (115.9) | (115.9) | (115.9) |
| Pension provision last reported | (1.7) | (1.7) | (1.7) | (1.7) | (1.7) | (1.7) | (1.7) | (1.7) | (1.7) |
| Minorities (valued at 8.4x PER) | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) |
| Equity value | 303.4 | 312.4 | 321.9 | 332.0 | 342.8 | 354.3 | 366.7 | 379.9 | 394.2 |
| Equity value/share € | 32.30 | 33.20 | 34.30 | 35.30 | 36.50 | 37.70 | 39.00 | 40.40 | 42.00 |

Source: CFO SIM

Table 11 – IWB, equity value sensitivity to changes in free risk rate

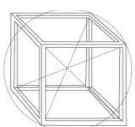
| € m | 3.00% | 3.20% | 3.40% | 3.60% | 3.80% | 4.00% | 4.20% | 4.40% | 4.60% |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Present value of CF | 149.3 | 149.0 | 148.6 | 148.3 | 147.9 | 147.6 | 147.2 | 146.9 | 146.6 |
| PV of terminal value | 341.4 | 334.2 | 327.1 | 320.3 | 313.8 | 307.4 | 301.2 | 295.3 | 289.5 |
| Total value | 490.7 | 483.1 | 475.7 | 468.6 | 461.7 | 455.0 | 448.5 | 442.2 | 436.1 |
| NFP last reported | (115.9) | (115.9) | (115.9) | (115.9) | (115.9) | (115.9) | (115.9) | (115.9) | (115.9) |
| Pension provision last reported | (1.7) | (1.7) | (1.7) | (1.7) | (1.7) | (1.7) | (1.7) | (1.7) | (1.7) |
| Minorities (valued at 8.4x PER) | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) |
| Equity value | 371.8 | 364.2 | 356.8 | 349.7 | 342.8 | 336.1 | 329.6 | 323.3 | 317.2 |
| Equity value/share € | 39.60 | 38.80 | 38.00 | 37.20 | 36.50 | 35.80 | 35.10 | 34.40 | 33.80 |

Source: CFO SIM

Table 12 – 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 | 151.4 | 150.5 | 149.6 | 148.8 | 147.9 | 147.1 | 146.3 | 145.4 | 144.6 |
| PV of terminal value | 390.7 | 368.8 | 348.8 | 330.5 | 313.8 | 298.3 | 284.0 | 270.8 | 258.5 |
| Total value | 542.1 | 519.3 | 498.5 | 479.3 | 461.7 | 445.4 | 430.3 | 416.2 | 403.2 |
| NFP last reported | (115.9) | (115.9) | (115.9) | (115.9) | (115.9) | (115.9) | (115.9) | (115.9) | (115.9) |
| Pension provision last reported | (1.7) | (1.7) | (1.7) | (1.7) | (1.7) | (1.7) | (1.7) | (1.7) | (1.7) |
| Minorities (valued at 8.4x PER) | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) |
| Equity value | 423.2 | 400.4 | 379.6 | 360.4 | 342.8 | 326.5 | 311.4 | 297.4 | 284.3 |
| Equity value/share € | 45.00 | 42.60 | 40.40 | 38.40 | 36.50 | 34.70 | 33.10 | 31.60 | 30.30 |

Source: CFO SIM



Market multiples

In the sample, we have included 9 peers operating in wine production and distribution. What characterises our sample is that turnover almost entirely stems from wine sales. It comprises: **Concha y Toro Winery, Lanson, Laurent Perrier, Masi Agricola (listed on Euronext Growth Milan), Schloss Wachenheim, Treasury Wine Estates, and Vranken Pommery Monopole**. In addition, we have included two players involved purely in wine distribution: **Hawesko and Naked Wine**.

As one can see from these figures, market growth is limited, to the tune of 3.4% for producers, and negative for distributors. IWB is broadly in line with the median in terms of market capitalisation and turnover.

Table 13 – IWB, peer group summary table

| € m | Country | Market Cap | Sales FY1 | EBITDA FY1 | EBITDA % | Sales CAGR ₂₃₋₂₆ | EBITDA CAGR ₂₃₋₂₆ | EBIT CAGR ₂₃₋₂₆ | EPS CAGR ₂₃₋₂₆ | NFP FY1 | NFP/EBITDA |
|---------------------------------|--------------|------------|------------|------------|--------------|-----------------------------|------------------------------|----------------------------|---------------------------|------------|------------|
| Concha y Toro Winery Inc | Chile | 786 | 921 | 145 | 15.8% | 3.4% | 16.3% | 24.3% | 24.6% | 409 | 2.8 |
| Lanson BCC SA | France | 282 | 275 | 66 | 24.0% | 1.1% | 0.3% | 0.1% | -3.0% | 482 | 7.3 |
| Laurent Perrier SA | France | 645 | 292 | 94 | 32.2% | 0.0% | 0.1% | -1.3% | -1.1% | 195 | 2.1 |
| Masi Agricola SpA | Italy | 145 | 68 | 8 | 11.8% | 4.3% | 19.6% | 34.1% | 76.9% | 31 | 3.9 |
| Schloss Wachenheim AG | Germany | 123 | 448 | 48 | 10.6% | 3.6% | 2.7% | 0.8% | -12.1% | n.a. | n.m. |
| Treasury Wine Estates Ltd | Australia | 5,428 | 1,881 | 587 | 31.2% | 7.4% | 20.6% | 25.4% | 87.6% | 1,000 | 1.7 |
| Vranken Pommery Monopole SA | France | 136 | 334 | 56 | 16.8% | 1.1% | n.a. | n.a. | n.a. | 644 | 11.5 |
| Wine producers median | | 282 | 334 | 66 | 16.8% | 3.4% | 9.5% | 12.5% | 11.8% | 446 | 3.3 |
| Hawesko Holding SE | Germany | 237 | 646 | 56 | 8.7% | 1.1% | 4.2% | 5.3% | 33.1% | 124 | 2.2 |
| Naked Wines PLC | UK | 46 | 306 | 9 | 2.8% | -4.9% | 27.7% | 49.3% | n.m. | (37) | n.m. |
| Wine distributors median | | 141 | 476 | 32 | 5.8% | -1.9% | 16.0% | 27.3% | 33.1% | 43 | 2.2 |
| Italian Wine Brands SpA | Italy | 204 | 421 | 48 | 11.4% | 0.4% | 6.3% | 11.9% | 12.7% | 90 | 1.9 |

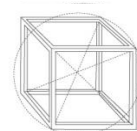
Sources: CFO SIM, Refinitiv Eikon

Table 14 – IWB, 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 | 10.7 | 9.7 | 9.0 | 8.2 | 7.8 | 7.3 | 11.5 | 10.7 | 9.4 |
| Lanson BCC SA | 8.8 | 9.1 | 8.6 | 11.6 | 11.8 | 11.1 | 13.1 | 13.4 | 12.8 |
| Laurent Perrier SA | 11.7 | 10.9 | 10.4 | 8.9 | 8.2 | 7.7 | 10.0 | 9.3 | 8.6 |
| Masi Agricola SpA | 144.7 | 57.9 | 40.2 | 22.0 | 17.0 | 14.5 | 50.2 | 31.2 | 24.7 |
| Schloss Wachenheim AG | 11.4 | 9.8 | 9.5 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Treasury Wine Estates Ltd | 17.8 | 15.2 | 13.4 | 11.0 | 9.7 | 8.7 | 13.3 | 11.7 | 10.2 |
| Vranken Pommery Monopole | 22.6 | 17.0 | 13.6 | 13.9 | 14.6 | 14.3 | 18.8 | 19.9 | 19.2 |
| Wine producers median | 11.7 | 10.9 | 10.4 | 11.3 | 10.8 | 9.9 | 13.2 | 12.5 | 11.5 |
| Hawesko Holding AG | 14.4 | 12.8 | 11.5 | 6.4 | 6.0 | 5.6 | 11.6 | 10.4 | 9.4 |
| Naked Wines PLC | 9.2 | 12.0 | 5.4 | 1.0 | 0.3 | n.m. | 2.2 | 0.6 | n.m. |
| Wine distributors median | 11.8 | 12.4 | 8.5 | 3.7 | 3.1 | 5.6 | 6.9 | 5.5 | 9.4 |
| Italian Wine Brands SpA | 8.4 | 8.1 | 7.6 | 6.1 | 5.3 | 4.5 | 8.9 | 7.5 | 6.3 |
| % prem.(disc.) to prod. | -28.3% | -26.0% | -27.4% | -45.5% | -50.9% | -54.4% | -32.4% | -40.6% | -45.4% |
| % prem.(disc.) to distr. | -28.8% | -34.9% | -10.6% | 65.5% | 68.1% | -19.1% | 30.1% | 35.5% | -33.6% |

Sources: CFO SIM, Refinitiv Eikon

IWB trades at discount vs. wine producers' median in 2024-26 period. This can be partially explained by its smaller size, its trading volumes and its listing on Euronext Growth Milan. However, 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 **Euronext Growth Milan** on **29-Jan-15** at € 10.00/share, corresponding to a post-money market capitalisation 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. the company's free float). The stock reached a 1Y maximum level of € 22.80/s on 13-Sep-24 and a minimum price of € 16.60/s on 30-Oct-23.

Table 15 – IWB, peer group absolute performance

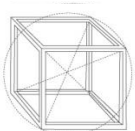
| % | 1D | 1W | 1M | 3M | 6M | YTD | 1Y |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Concha y Toro Winery Inc | (0.4) | (1.4) | (8.4) | (6.1) | 3.0 | 7.6 | 7.3 |
| Lanson BCC SA | 1.2 | (1.2) | (7.5) | (8.9) | (6.1) | 2.0 | 6.4 |
| Laurent Perrier SA | (0.5) | (2.7) | (6.9) | (7.3) | (8.4) | (10.3) | (12.1) |
| Masi Agricola SpA | (0.9) | (3.8) | (0.7) | (8.5) | (10.0) | (10.0) | (1.1) |
| Schloss Wachenheim AG | 0.6 | 0.6 | 2.0 | 2.6 | 0.6 | (5.5) | (6.1) |
| Treasury Wine Estates Ltd | (0.6) | (2.2) | (7.6) | (13.1) | (10.4) | 1.8 | (5.6) |
| Vranken Pommery Monopole SA | 2.0 | 6.3 | 4.8 | 0.0 | (4.4) | (5.0) | (7.3) |
| Wine producers median | (0.4) | (1.4) | (6.9) | (7.3) | (6.1) | (5.0) | (5.6) |
| Hawesko Holding SE | 2.7 | 2.7 | 1.9 | (0.4) | (9.0) | (16.7) | (26.3) |
| Naked Wines PLC | 2.4 | (2.5) | 1.8 | (15.2) | (6.1) | (6.0) | (9.6) |
| Wine distributors median | 2.5 | 0.1 | 1.9 | (7.8) | (7.5) | (11.4) | (17.9) |
| Italian Wine Brands SpA | (0.5) | (3.6) | 0.9 | 2.4 | 11.9 | 13.8 | 13.9 |

Source: Refinitiv Eikon

Table 16 – IWB, reference sector index and Italian Market performances

| % | 1D | 1W | 1M | 3M | 6M | YTD | 1Y |
|--------------------------------|--------------|--------------|------------|------------|-------------|-------------|-------------|
| FTSE Italia Growth | (0.1) | 1.4 | (0.7) | (1.3) | (2.1) | (3.7) | (6.3) |
| Refinitiv Food & Beverage EU | (2.3) | (3.0) | (3.0) | 0.1 | (0.4) | (5.5) | (5.8) |
| Italian Wine Brands SpA | (0.5) | (3.6) | 0.9 | 2.4 | 11.9 | 13.8 | 13.9 |

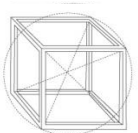
Source: Refinitiv Eikon



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**;
- **competition** by similar initiatives;
- slower than anticipated **integration with recent acquisitions**;
- **changing consumers habits**, slowing demand.



ANALYST CERTIFICATION

This publication was prepared by Corporate Family Office SIM S.p.A. ("CFO SIM"), namely by **GIANLUCA MOZZALI, LUCA SOLARI, and CHIARA FRANCOMACARO** Equity Analysts. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and no direct or indirect remuneration has been, or will be, received by the analysts further to the views expressed herein.

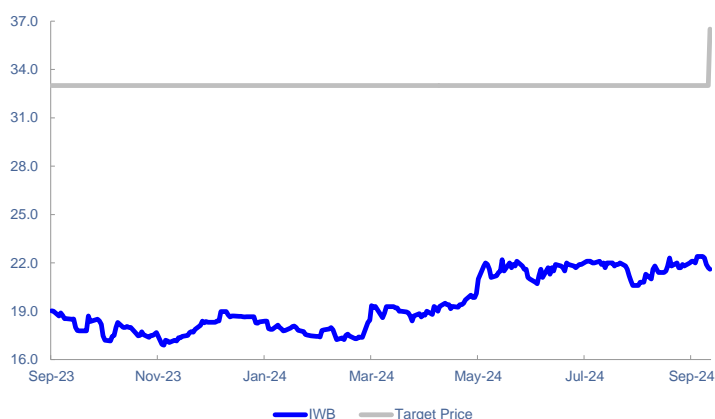
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| DATE | TARGET PRICE | RATING |
|------------|--------------|--------|
| 23/09/2024 | €36.50 | BUY |
| 20/03/2024 | €33.00 | BUY |
| 31/01/2024 | €33.00 | BUY |
| 19/09/2023 | €33.00 | BUY |
| 30/05/2023 | €33.00 | BUY |

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- 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% 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.

