

Italy – Food and Beverage

Another wine e-commerce platform picked up

4th December 2020

SECTOR NEWS

RIC: ITWB.MI
BBG: IWB IM

The consolidation process in the industry goes on: Italmobiliare buys 60% of Callmewine for € 13m, valuing the prey 1.7x Sales₂₀. The transaction multiple entails a further unexpressed upside potential for IWB and corroborates that the correct strategy has been adopted.

Rating:

Buy

Price Target:

€ 25.00

Upside/(Downside): 43.7%

Last Price: € 17.40

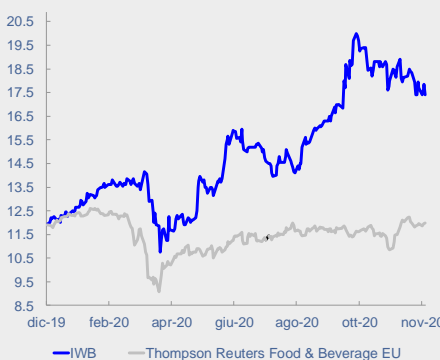
Market Cap.: € 128.5

1Y High/Low: € 20.80/€ 10.70

Free Float: 79.4%

Major shareholders:

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



Stock price performance

	1M	3M	12M
Absolute	-4.1%	6.7%	43.8%
Rel.to AIM Italia	-13.0%	-5.1%	26.3%
Rel.to EU Sector	-8.5%	4.6%	41.8%

Analysts:

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

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

Callmewine, a leading domestic on-line wine seller

Established in 2010, Callmewine is a leading domestic e-commerce platform specialised in the sale of wine, where it ranks as one of the market leaders in Italy. Its website offers an extensive catalogue of wines with around 10,000 labels available from approximately 1,500 houses, ranging from famous, global wine brands to small, niche producers. The catalogue also includes other types of products, such as beer and spirits. By developing the concept of the "personal online sommelier", Callmewine has managed to reach a growing consumer base that uses the online platform not only to buy goods at competitive prices, but also to find suggestions on selecting wines, whether for special occasions or for daily consumption. During the lock-down, the company experienced a massive increase in revenues, with growing average revenues per customer and an average selling price slightly below € 15/bottle.

Italmobiliare pays € 13m for 60% of the share capital, 1.7x Sales_{20e}

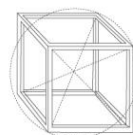
Italmobiliare, the investment holding company of the Pesenti family, the previous major shareholder of Italcementi (the Italian leading cement producer) pays € 13m for 60% (post-money) of Callmewine, including the underwriting of a reserved rights issue. The price consideration corresponds to 1.7x Sales₂₀, assuming the company is debt free. The deal aims at supporting the company's growth strategy for the next few years. Revenues at the end of 2020 are expected to be over € 12.5m (100% domestic), from € 6.5m in 2019, 47.4% CAGR₁₇₋₂₀, with a projected commercial margin in excess of 24%.

Transaction multiple highlights IWB's current undemanding valuation

The B2C online channel is on the spotlight, also because the COVID-19 emergency has magnified the potentialities of online sales in several sectors, included wines & spirits. In 2019, IWB's online revenues reached € 13.4m, o/w 70% outside Italy, 25% CAGR₁₇₋₁₉, representing almost 9% of total sales. In the first half of 2020, as a result of the acceleration caused by the spread of the virus, IWB more than doubled its online sales to € 11.9m, up 113.6% YoY. Furthermore, the 1.7x Sales₂₀ deal multiple underlines that IWB shares continue to trade at unjustified, undemanding multiples: 0.73x and 6.0x Sales₂₀ and EBITDA₂₀ respectively, vs 1.08x and 10.0x of wine distributors and 2.88x and 17.0x of wine producers. After the Tannico acquisition by Campari last June, this deal confirms that IWB's strategy is going in the right direction. Buy reiterated, 43.7% upside.

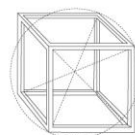
IWB, key financials and ratios

€ m	2018	2019	2020e	2021e	2022e
Sales	149.9	157.5	189.1	190.2	194.6
EBITDA adj.	14.6	18.1	23.1	23.7	25.1
EBITDA	13.4	16.3	23.1	23.7	25.1
EBIT adj.	11.1	13.5	18.2	18.9	20.4
EBIT	9.9	11.7	18.2	18.9	20.4
Net profit adj.	7.2	9.2	12.5	13.0	14.2
Net profit	6.4	7.9	12.5	13.0	14.2
NFP (cash)/debt	3.4	10.7	9.4	(3.1)	(16.0)
EPS adjusted FD	0.98	1.24	1.69	1.76	1.92
EPS adj. FD growth	-11.1%	26.9%	36.0%	4.3%	8.7%
DPS ord. €/s	0.40	0.50	0.52	0.55	0.59
Dividend yield	2.3%	2.9%	3.0%	3.2%	3.4%
Free Cash Flow Yield	3.4%	8.9%	3.9%	12.7%	13.2%
PER x	12.0	9.7	10.3	9.9	9.1
PCF x	12.4	61.5	59.4	46.5	49.8
EV/Sales x	0.6	0.6	0.7	0.7	0.7
EV/EBITDA x	6.2	5.5	6.0	5.3	4.5
EV/EBIT	8.2	7.4	7.6	6.6	5.5





Income statement (€ m)	2018	2019	2020e	2021e	2022e
Net Revenues	149.9	157.5	189.1	190.2	194.6
Purchasing	(87.2)	(91.2)	(108.3)	(108.8)	(110.9)
Services	(42.0)	(42.6)	(50.5)	(50.4)	(51.2)
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	23.1	23.7	25.1
EBITDA	13.4	16.3	23.1	23.7	25.1
D&A	(3.5)	(4.6)	(4.8)	(4.8)	(4.7)
EBIT adjusted	11.1	13.5	18.2	18.9	20.4
EBIT	9.9	11.7	18.2	18.9	20.4
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	17.1	17.9	19.4
Income taxes	(2.4)	(2.6)	(4.6)	(4.8)	(5.2)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit adjusted	7.2	9.2	12.5	13.0	14.2
Net Profit	6.4	7.9	12.5	13.0	14.2
Balance sheet (€ m)	2018	2019	2020e	2021e	2022e
Net Working Capital	(4.7)	(1.8)	1.4	(1.4)	(1.6)
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)	(13.6)	(13.4)	(13.4)
Net Invested Capital	87.7	99.9	107.4	104.0	101.3
Net Financial Position	3.4	10.7	9.4	(3.1)	(16.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	84.3	89.2	98.0	107.2	117.3
Financial Liabilities & Equity	87.7	99.9	107.4	104.0	101.3
Cash Flow statement (€ m)	2018	2019	2020e	2021e	2022e
Total net income	6.4	7.9	12.5	13.0	14.2
Depreciation	3.5	4.6	4.8	4.8	4.7
Other non-cash charges	(3.3)	1.1	1.9	(0.2)	0.0
Cash Flow from Oper. (CFO)	6.6	13.6	19.2	17.6	18.9
Change in NWC	0.4	(2.9)	(3.2)	2.8	0.2
FCF from Operations (FCFO)	7.0	10.7	16.0	20.5	19.1
Net Investments (CFI)	(4.0)	(2.8)	(11.0)	(4.1)	(2.2)
Free CF to the Firm (FCFF)	2.9	7.9	5.0	16.4	16.9
CF from financials (CFF)	5.6	(14.4)	(4.6)	(4.7)	(4.9)
Free Cash Flow to Equity (FCFE)	8.5	(6.5)	0.4	11.7	12.0
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%	9.6%	9.9%	10.5%
Net profit margin	4.2%	5.0%	6.6%	6.9%	7.3%
Tax rate	27.3%	24.8%	27.0%	27.0%	27.0%
Op NWC/Sales	-3.2%	-1.1%	0.7%	-0.7%	-0.8%
Interest coverage x	0.12	0.12	0.07	0.07	0.06
Net Debt/Ebitda x	0.25	0.66	0.41	(0.13)	(0.64)
Debt-to-Equity x	0.04	0.12	0.10	(0.03)	(0.14)
ROIC	7.4%	8.4%	12.1%	12.3%	13.8%
ROCE	7.1%	8.1%	11.8%	11.6%	11.9%
ROACE	7.4%	8.3%	12.2%	11.9%	12.2%
ROE	7.7%	9.1%	13.3%	12.7%	12.6%
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	1.69	1.76	1.92
EPS reported FD €	0.86	1.07	1.69	1.76	1.92
EPS adjusted FD €	0.98	1.24	1.69	1.76	1.92
EBITDA FD €	1.81	2.20	3.12	3.20	3.39
EBIT FD €	0.01	0.03	0.02	0.03	0.04
FCFO FD €	0.94	1.44	2.16	2.77	2.58
FCFF FD €	0.40	1.06	0.67	2.21	2.29
FCFE FD €	1.15	(0.88)	0.06	1.57	1.63
Dividend €	0.40	0.50	0.52	0.55	0.59





The company at a glance

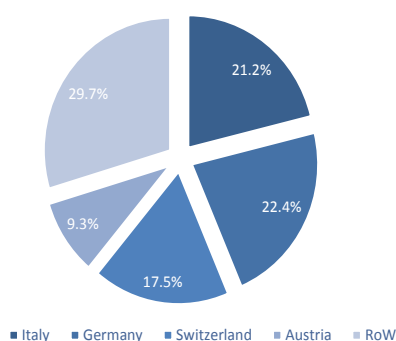
IWB (Italian Wine Brands) is the holding company of a leading producer and distributor in the Italian wine industry. The group operates through two channels: B2C and B2B.

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

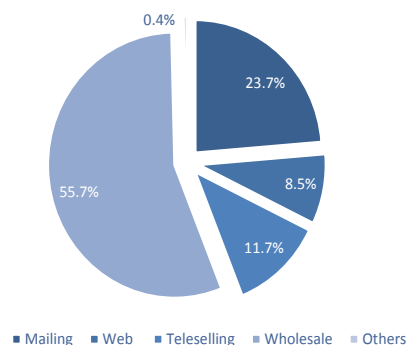
B2B is focused on sale and distribution in the international markets to mass retailers where it distributes both privately labelled and branded products. Both the bottling and the logistic activity are outsourced in order to make the supply operations faster, leaner and more efficient.

Sales reached € 157.5m in 2019, +5.1% YoY. The figure was characterised once again by a strong performance in B2B and mixed results in B2C: B2B division up by 13.6% and B2C 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	0.04%	0.00
Free Float, o/w	79.4%	5.87
Otus Capital Management	9.93%	0.73
Praude Asset Management	6.33%	0.47
Axxion SA	4.27%	0.32
Total	100.0%	7.40

Source: company data

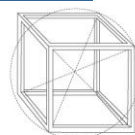
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Baron de Ley SA	0.0	(0.9)	1.8	3.6	16.3	4.6
Concha y Toro Winery Inc	(2.7)	1.6	0.8	(3.4)	4.2	(11.3)
Lanson BCC SA	0.0	(1.9)	21.2	28.8	1.0	(22.0)
Laurent Perrier SA	1.3	3.0	7.6	4.1	(8.6)	(12.8)
Masi Agricola SpA	(0.8)	1.3	3.9	4.8	0.4	(24.2)
Schloss Wachenheim AG	0.0	(2.0)	(4.5)	0.7	2.1	(9.0)
Treasury Wine Estates Ltd	3.7	(1.6)	3.8	0.7	(15.0)	(44.1)
Vranken Pommery Mon	(0.7)	4.1	13.0	7.8	9.4	(23.6)
Wine producers median	0.0	0.2	3.9	3.9	1.5	(17.4)
Hawesko Holding AG	(0.4)	2.3	7.8	14.4	52.1	25.8
Naked Wines PLC	1.6	14.8	30.7	36.4	55.6	174.3
Wine distributors median	1.6	14.8	30.7	36.4	55.6	174.3
IWB	(2.5)	(2.0)	(4.1)	6.7	9.8	36.5

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	15.7	n.a.	n.a.	8.3	n.a.	n.a.	10.8	n.a.	n.a.
Concha y Toro Winery Inc	13.0	11.7	11.1	9.1	8.5	7.6	11.4	10.7	9.8
Lanson BCC SA	17.2	13.9	11.7	31.0	26.9	24.1	44.9	38.5	31.6
Laurent Perrier SA	32.0	23.5	22.0	19.3	16.2	15.6	23.2	19.3	18.3
Masi Agricola SpA	n.s.	19.1	16.4	17.0	9.0	7.6	74.5	14.5	11.8
Schloss Wachenheim AG	13.8	11.6	12.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	23.3	20.3	17.7	12.8	11.2	10.3	16.9	15.2	12.5
Vranken Pommery Mon. SA	38.2	33.9	25.7	29.1	25.4	22.8	48.3	39.5	33.7
Wine producers median	17.2	19.1	16.4	17.0	13.7	13.0	23.2	17.2	15.4
Hawesko Holding AG	20.2	19.0	17.0	10.0	8.9	7.9	15.6	14.3	12.7
Naked Wines PLC	n.s.	n.s.	n.s.	n.s.	n.s.	68.9	n.a.	n.s.	n.s.
Wine distributors median	20.2	19.0	17.0	10.0	8.9	38.4	15.6	14.3	12.7
IWB	10.3	9.9	9.1	6.0	5.3	4.5	7.6	6.6	5.5

Source: CFO Sim, Thomson Reuters Eikon



ANALYST CERTIFICATION

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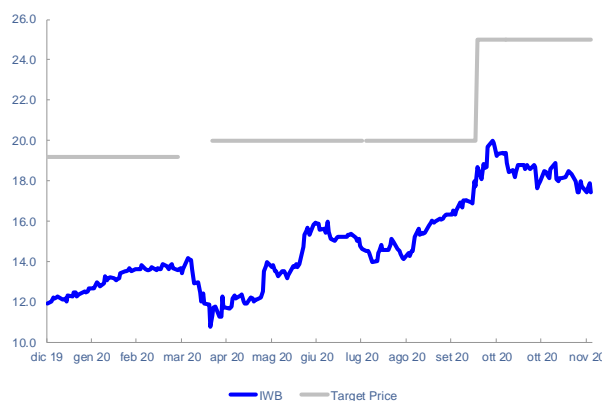
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DATE	TARGET PRICE	RATING
04/12/2020	€25.00	BUY
18/09/2020	€25.00	BUY
08/06/2020	€20.00	BUY
25/03/2020	€20.00	BUY
03/03/2020	U.R.	BUY
08/01/2020	€19.20	BUY

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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% bands identified using the preceding criteria.

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