

Italy – Food and Beverage

IBW acquires organic prosecco and sparkling wines

3rd March 2020

RDB acquisition

RIC: ITWB.MI
BBG: IWB IM

IBW acquires the Swiss Raphael Dal Bo (RDB), specialised in Organic Prosecco & Sparkling wines. We welcome this strategic move in a growing and profitable niche in a geographical market characterized by generous returns. Sales/costs synergies are anticipated to bring in additional value for shareholders.

Rating:

Buy

Price Target:

U.R. (€ 19.20)

Upside/(Downside): -

Last Price: € 13.60

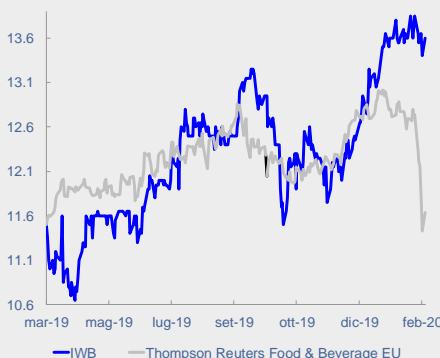
Market Cap.: € 99.7

1Y High/Low: € 13.90/€ 10.50

Free Float: 78.8%

Major shareholders:

Otus Capital Management	10.2%
Provinco Srl	9.1%
IPOC Srl	8.7%
Praude Asset Management	6.3%



Stock price performance

	1M	3M	12M
Absolute	-1.4%	11.0%	17.2%
Rel.to AIM Italia	8.0%	16.5%	23.2%
Rel.to EU Sector	7.1%	15.3%	15.6%

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A leading Swiss bio-prosecco & sparkling wine producer

IBW acquires 100% of Raphael Dal Bo for a total Enterprise Value consideration of CHF 13.4m (€ 12.6m), corresponding to a multiple slightly higher than the current trading multiple of IWB. CHF 12.4m (86% of the total consideration) has already been transferred and max CHF 2.0m will be paid by 31-Mar-21. The remainder is linked to RDB results consistency in 2020. RDB generated revenues to the tune of CHF 10.7m in 2019, up 10.4% YoY, with an EBITDA margin estimated significantly higher than that of IWB on the back of RDB positioning in the organic niche and the Swiss market. Net Cash was CHF 1.0m. Mr. Raphael Dal Bo will remain CEO of RDB and will reinvest part of the cash in IWB shares: he bought 210k IWB shares (€ 2.9m) and will reinvest 30% of the earn-out cash consideration in IWB shares with a 36 month lock-up.

Switzerland: a strategic and lucrative market for Italian wines

With this acquisition IBW reinforces its leading positioning in the Swiss market, the fourth largest market for Italian wines in the world, valued at the sum of € 350m. IBW generated € 26.8m revenues in the Swiss market in 2018, corresponding to 18% of consolidated revenues. Headquartered in Riedikon (Zurich), RDB has a solid positioning in Switzerland in the organic prosecco & sparkling wines niche with its own brands 'Raphael Dal Bo', 'La vita è bella' and 'Raffaello'. Its products stand in the affordable premium segment and are sold to large-scale retailers and specialty shops.

Sales and cost synergies bring in additional value

RDB will distribute new organic still wines to its customers, produced in IWB's wine cellars in Puglia and Piedmont. Moreover, IBW will offer organic RDB products in its international reference markets. Costs side, the greater amount of raw material purchases arising from the consolidation of the newly acquired company, enlarges IBW purchasing power and is anticipated to benefit group profitability.

A value accretive move including synergies, already in 2020

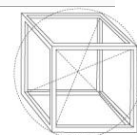
Following RDB acquisition, we put estimates and PT under revision. According to a conservative rudimentary exercise considering 1) 2020 stand-alone estimates for IWB, 2) 2020 RDB sales increase similar to 2019 and flat EBITDA margin, 3) sales synergies of 0.50% of the consolidated turnover and 4) cost synergies of 0.50% of the consolidated EBITDA, RDB acquisition lowers the combined entity multiple to 4.9x from 5.0x of IWB stand-alone already in 2020. Unquestionably, in the medium-long term the effect is even more tangible.

IBW unveils FY-19 results next 18-Mar.

IBW, key financials and ratios

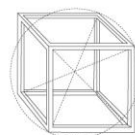
€ m	2017	2018	2019e	2020e	2021e
Sales	149.7	149.9	153.0	158.1	163.0
EBITDA adj.	16.0	14.6	17.4	18.9	20.0
EBITDA	14.2	13.4	16.8	18.9	20.0
EBIT adj.	12.7	11.1	13.7	15.2	16.4
EBIT	10.8	9.9	13.1	15.2	16.4
Net profit adj.	8.1	7.2	9.6	10.5	11.3
Net profit	6.7	6.4	9.1	10.5	11.3
NFP (cash)/debt	2.3	3.4	(3.4)	(12.3)	(21.1)
EPS adjusted FD	1.10	0.98	1.30	1.41	1.53
EPS adj. FD growth	90.6%	-11.1%	32.9%	8.9%	7.8%
DPS ord. €/s	0.40	0.40	0.41	0.45	0.49
Dividend yield	2.9%	2.9%	3.0%	3.3%	3.6%
Free Cash Flow Yield	15.8%	3.4%	11.0%	11.8%	12.1%
PER adj. x *	7.6	12.0	9.7	10.0	9.2
PCF x *	5.7	12.4	50.0	52.8	51.8
EV/Sales x *	0.4	0.6	0.6	0.6	0.6
EV/EBITDA adj. x *	4.0	6.2	5.2	5.0	4.3
EV/EBIT adj. x *	5.0	8.2	7.5	6.5	5.5

* Multiples calculated including the IFRS 16 effect





Income statement (€ m)	2017	2018	2019e	2020e	2021e
Net Revenues	149.7	149.9	153.0	158.1	163.0
Purchasing	(80.8)	(87.2)	(87.0)	(89.8)	(92.1)
Services	(45.9)	(42.0)	(42.0)	(42.5)	(43.8)
Personnel	(9.8)	(8.3)	(7.6)	(7.9)	(8.1)
Other operating expenses	1.0	1.1	0.4	1.1	1.1
EBITDA adjusted	16.0	14.6	17.4	18.9	20.0
EBITDA	14.2	13.4	16.8	18.9	20.0
D&A	(3.4)	(3.5)	(3.7)	(3.7)	(3.6)
EBIT adjusted	12.7	11.1	13.7	15.2	16.4
EBIT	10.8	9.9	13.1	15.2	16.4
Financials	(1.6)	(1.1)	(0.7)	(0.9)	(0.9)
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	9.2	8.7	12.4	14.3	15.5
Income taxes	(2.5)	(2.4)	(3.3)	(3.9)	(4.2)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit adjusted	8.1	7.2	9.5	10.5	11.3
Net Profit	6.7	6.4	9.0	10.5	11.3
EBITDA adj. Incl. IFRS 16	-	-	18.5	20.0	21.1
EBIT adj. Incl. IFRS 16	-	-	13.0	15.1	16.3
Net Profit adj. Incl. IFRS 16	-	-	9.1	10.0	10.8
Balance sheet (€ m)	2017	2018	2019e	2020e	2021e
Net Working Capital	(4.4)	(4.7)	(5.3)	(4.9)	(4.2)
Net Fixed Assets	99.7	101.8	101.5	100.0	98.6
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(11.4)	(9.4)	(9.4)	(9.4)	(9.4)
Net Invested Capital	83.9	87.7	86.8	85.7	84.9
Net Financial Position	2.3	3.4	(3.4)	(12.3)	(21.2)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	81.6	84.3	90.3	98.0	106.2
Financial Liabilities & Equity	83.9	87.7	86.8	85.7	84.9
Net Financial Position Incl. IFRS 16	-	-	8.3	(0.6)	(9.5)
Cash Flow statement (€ m)	2017	2018	2019e	2020e	2021e
Total net income	6.7	6.4	9.0	10.5	11.3
Depreciation	3.4	3.5	3.7	3.7	3.6
Other non-cash charges	(1.6)	(3.3)	(0.1)	0.0	0.0
Cash Flow from Oper. (CFO)	8.5	6.6	12.7	14.2	14.9
Change in NWC	2.2	0.4	0.5	(0.4)	(0.7)
FCF from Operations (FCFO)	10.7	7.0	13.3	13.8	14.3
Net Investments (CFI)	(1.0)	(4.0)	(3.4)	(2.2)	(2.2)
Free CF to the Firm (FCFF)	9.7	2.9	9.9	11.6	12.1
CF from financials (CFF)	(6.6)	5.6	(3.0)	(3.6)	(4.0)
Free Cash Flow to Equity (FCFE)	3.1	8.5	6.8	8.0	8.1
Financial ratios	2017	2018	2019e	2020e	2021e
EBITDA margin	9.5%	9.0%	11.0%	12.0%	12.3%
EBIT margin	7.2%	6.6%	8.6%	9.6%	10.1%
Net profit margin	4.5%	4.2%	5.9%	6.6%	6.9%
Tax rate	27.1%	27.3%	27.0%	27.0%	27.0%
Op NWC/Sales	-2.9%	-3.2%	-3.5%	-3.1%	-2.6%
Interest coverage x	0.16	0.12	0.07	0.08	0.08
Net Debt/Ebitda x	0.16	0.25	(0.20)	(0.65)	(1.06)
Debt-to-Equity x	0.03	0.04	(0.04)	(0.13)	(0.20)
ROIC	7.9%	7.4%	10.4%	12.1%	13.2%
ROCE	8.5%	7.1%	9.0%	10.0%	10.3%
ROACE	8.5%	7.4%	9.2%	10.3%	10.5%
ROE	8.5%	7.7%	10.4%	11.1%	11.1%
Payout ratio	38.5%	48.3%	30.0%	30.0%	30.0%
Per share figures	2017	2018	2019e	2020e	2021e
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 €	0.91	0.86	1.22	1.41	1.53
EPS reported FD €	0.91	0.86	1.22	1.41	1.53
EPS adjusted FD €	1.10	0.98	1.29	1.41	1.53
EBITDA FD €	1.91	1.81	2.28	2.56	2.70
EBIT FD €	0.03	0.01	0.02	0.04	0.04
FCFO FD €	1.45	0.94	1.79	1.86	1.93
FCFF FD €	1.31	0.40	1.33	1.57	1.63
FCFE FD €	0.41	1.15	0.92	1.08	1.09
Dividend €	0.40	0.40	0.47	0.54	0.59





The company at a glance

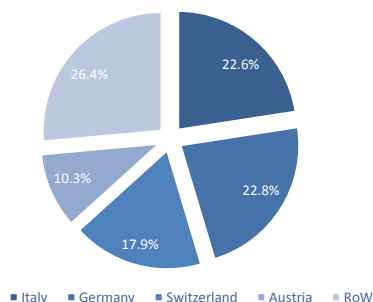
IWB (Italian Wine Brands) is the holding company of a leading producer and distributor in the Italian wine industry. The Group operates through two channels: B2C and B2B.

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 B2C arm does not own any vineyards, it procures raw materials (grapes, must and bulk wine) from Italian vineyards and wine producers, which it works in its own two proprietary wineries.

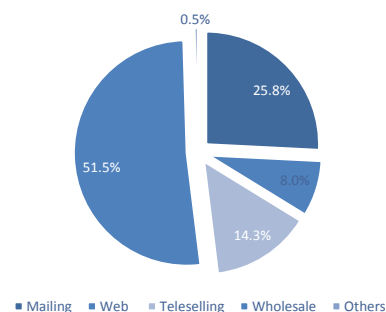
B2B is focused on sale and distribution in the international markets to mass retailers where it distributes both privately labelled and branded products. The B2B arm outsources both the bottling and the logistic activity in order to make its supply operations faster, leaner and more efficient.

Sales reached € 149.9m in 2018, +0.1% YoY. The figure was characterised once again by a strong performance in B2B and mixed results in B2C: B2B division up by some 11.8% and B2C down by circa 8.9%. EBITDA, which includes € 1.2m of non-recurring items, was € 13.4m, with 8.9% margin.

2018 revenues by country and...



...by channel



Shareholder structure

	%	# m
Provinco	9.08%	0.67
IPOC	8.69%	0.64
Treasury Shares	3.40%	0.25
Free Float, o/w	78.8%	5.84
Praude Asset Management	6.33%	0.47
Otus Capital Management	10.20%	0.76
Total	100.0%	7.40

Source: company data

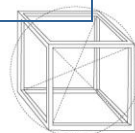
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Baron de Ley SA	3.4	0.9	(0.9)	(1.4)	2.9	(1.4)
Concha y Toro Winery Inc	(1.2)	(0.1)	(4.7)	(3.9)	(4.8)	(5.5)
Lanson BCC SA	0.9	(8.8)	(8.8)	(8.1)	(18.0)	(13.6)
Laurent Perrier SA	(1.2)	(4.7)	(1.2)	(3.3)	(8.2)	(7.3)
Masi Agricola SpA	(0.7)	1.5	(12.4)	(15.7)	(29.1)	(14.6)
Schloss Wachenheim AG	(1.4)	(13.3)	(14.4)	(16.0)	(13.1)	(15.5)
Treasury Wine Estates Ltd	1.6	(0.4)	(10.2)	(38.2)	(41.2)	(31.5)
Vranken Pommery Mon	(1.6)	(1.4)	(1.9)	(13.1)	(16.3)	(8.3)
Wine producers median	(1.0)	(0.9)	(6.8)	(10.6)	(14.7)	(11.0)
Hawesko Holding AG	(0.3)	(7.6)	(12.3)	(16.8)	(14.6)	(17.0)
Naked Wines PLC	1.0	(3.9)	(0.5)	(2.3)	(15.9)	(7.1)
Wine distributors median	1.0	(3.9)	(0.5)	(2.3)	(15.9)	(7.1)
IWB	1.5	(0.4)	(1.4)	11.0	3.8	6.7

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	17.2	19.3	n.a.	7.4	6.4	n.a.	9.7	8.5	n.a.
Concha y Toro Winery Inc	18.3	15.8	14.6	11.9	10.4	9.6	16.6	14.1	12.5
Lanson BCC SA	17.8	16.1	14.0	29.9	28.2	24.6	41.2	36.0	31.1
Laurent Perrier SA	18.8	17.4	15.8	14.0	13.1	12.5	16.2	15.3	14.5
Masi Agricola SpA	15.2	14.0	14.2	8.8	8.2	7.6	13.8	12.3	10.9
Schloss Wachenheim AG	12.0	10.5	10.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates Ltd	18.8	15.8	13.6	11.1	9.8	8.6	13.5	11.7	10.0
Vranken Pommery Mon. SA	24.9	19.6	20.3	24.0	22.4	20.3	36.8	33.2	29.4
Wine producers median	18.1	15.9	14.2	11.9	10.4	11.0	16.2	14.1	13.5
Hawesko Holding AG	15.1	14.2	13.2	7.4	6.9	6.3	12.1	11.1	10.1
Naked Wines PLC	n.s.	n.s.	n.s.	23.7	14.9	11.9	n.s.	n.s.	19.1
Wine distributors median	15.1	14.2	13.2	15.5	10.9	9.1	12.1	11.1	14.6
IWB	9.7	10.0	9.2	5.2	5.0	4.3	7.5	6.5	5.5

Source: CFO Sim, Thomson Reuters Eikon



ANALYST CERTIFICATION

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DATE	TARGET PRICE	RATING
03/03/2020	U.R.	BUY
08/01/2020	€19.20	BUY
17/09/2019	€19.20	BUY
02/04/2019	€18.60	BUY
18/09/2018	€18.60	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.

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.

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