

Italy – Food and Beverage

Ready, steady, go!

24th March 2017

FY-16 RESULTS RELEASE

RIC: IWB.MI
BBG: IWB IM

IWB announced a strong improvement in FY-16 net financial position, the distribution of a € 0.20/s dividend, the move to the MTA by year-end and the cancellation of the remaining redeemable shares. 2017 is set to be the first year with B2C and B2B integration completed. The first three months of 2017 corroborate top line and profitability evolution expectations.

Rating:

Buy

Price Target:

€ 12.70 (€ 13.30)

Upside/(Downside): 41.1%

Last Price: € 9.00

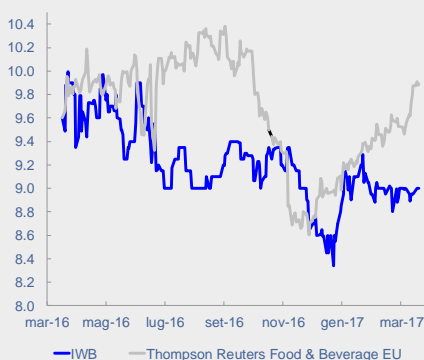
Market Cap.: € 51.1*

1Y High/Low: € 10.40/€ 8.25

Free Float: 70.9%

Major shareholders:

OGV Srl	13.5%
Provinco Srl	14.1%
IPOC	1.4%



Stock price performance

	1M	3M	12M
Absolute	0.0%	4.7%	-8.9%
Rel.to AIM Italia	-0.9%	-5.8%	-38.1%
Rel.to EU Sector	-2.8%	-5.7%	-10.6%

Analyst:

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

Buy reiterated, PT of € 12.70/s (€ 13.30), 41.1% upside potential

Following the publication of FY-16 results, we have revised our model, primarily factoring in the continued sluggish state of the Italian market, more favourable taxation thanks to the decline in IRES tax rate in Italy and introduced 2019 projections. The result is a 2% downgrade in 2017-18 EPS, on average. In addition, we have updated DCF valuation criteria: brought the free risk rate up-to-date and shifted the first estimated year to 2017. The combined result is a PT of € 12.70/s (€ 13.30). We stick to our BUY recommendation on IWB.

FY-16 turnover up 0.8% YoY

Figures were characterised once again by a strong performance in B2B and mixed results in B2C. Revenues increased by 0.8% to € 145.9m as a result of B2B division rising some 11.0% and B2C declining by circa 6.0% (weak domestic market, foreign markets on the rise). Export sales account for more than 72% of the total, 68% in 2015.

EBITDA at € 9.3m, down 13.5% YoY impacted by B2C reorganisation costs

EBITDA totalled € 9.3m, 6.3% margin, vs. € 10.8m in FY-15. Excluding the € 2.2m non-recurring costs related to the restructuring and relaunch process of the B2C business, EBITDA adj. totalled € 11.3m, down 15.3% YoY. EBIT was € 6.1m, 4.1% margin (€ 7.2m, 5.1% margin in 2015). Net profit was € 4.3m vs. € 3.6m in 2015, thanks to the one-off effect linked to the release of the deferred tax fund related to the decline in IRES tax rate in Italy. NFP was negative for € 10.5m, showing a strong improvement from € 20.1m, thanks to operating CF generation and WC streamlining, specifically payables. The BoD will propose the distribution of a € 0.20/s dividend, 2.2% yield, record date 30-May, ex-dividend date 29-May and payment date 31-May.

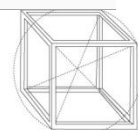
Move to the MTA by end-2017, shares cancellation and M&A appeal still here

2016 was a transitional year, impacted by B2C reorganisation costs, the integration process between B2C-B2B and weak domestic performance in a tense market. On stream, the business model of the company allows profitability to grow more than proportionately to top line. H1-17 will be a crucial step to take stock of the situation of the group performance evolution. The move to the MTA by year-end and the 10.8% increase in value per share stemming from the cancellation of 0.6m redeemable shares, are still not priced at the current level, in addition to the M&A appeal (buy & sell side – wide free float), still here.

IWB, key financials and ratios

€ m	2015	2016	2017e	2018e	2019e
Sales	144.8	145.9	152.2	158.8	166.7
EBITDA adjusted	13.4	11.3	12.7	14.4	16.0
EBITDA	10.8	9.3	12.7	14.4	16.0
EBIT adjusted	9.8	8.1	9.6	11.3	12.9
EBIT	7.2	6.1	9.6	11.3	12.9
Net profit adjusted	5.5	4.7	6.7	8.0	9.3
Net profit	3.6	4.3	6.7	8.0	9.3
NFP (cash)/debt	20.1	10.5	0.8	(11.7)	(25.8)
EPS adjusted FD	0.84	0.58	0.90	1.08	1.25
EPS adj. FD growth	7.1%	-31.2%	55.8%	19.7%	16.0%
DPS ord. €/s	0.00	0.20	0.25	0.30	0.35
Dividend yield	0.0%	2.2%	2.8%	3.3%	3.9%
Free Cash Flow Yield	-35.0%	13.3%	12.7%	16.5%	18.5%
PER x	16.5	16.9	10.0	8.4	7.2
PCF x	4.3	7.0	7.2	5.7	5.1
EV/Sales x	0.5	0.5	0.4	0.3	0.2
EV/EBITDA x	6.6	6.6	4.1	2.7	1.6
EV/EBIT x	9.9	10.2	5.4	3.5	2.0

* Market capitalisation excluding redeemable shares. Cancellation subject to EGM approval



FY-16: solid NFP amelioration and € 0.20/s dividend

IWB reported FY-16 results on the 22-Mar, characterised once again by **strong performance in B2B and mixed results in B2C** (weak domestic market, foreign markets on the rise). Operating cash flow generation, WC management and the tiny level of capex required by the business model, allowed IWB to **diminish NFP dramatically**. On the back of the first three months of 2017, the group is confident to continue on its growth path and to increase profitability also thanks to the anticipated better performance at B2C.

Table 1 – IWB, FY-16 results summary

€ m	FY-16	FY-15	% YoY	FY-16e	% Diff.
Revenues	145.9	144.8	0.8	145.6	0.2
Inventories	0.8	(6.0)		0.0	
Other	1.9	1.8		0.4	
Net revenues	148.7	140.6	5.7	146.0	1.8
Purchasing	(79.0)	(71.0)		(75.8)	
Services	(47.8)	(40.9)		(40.6)	
Personnel	(12.0)	(16.9)		(17.3)	
Other op. expenses	(0.5)	(1.1)		(0.4)	
EBITDA adjusted	11.3	13.4	(15.3)	13.0	(13.2)
% margin	7.6	9.5		8.9	
EBITDA	9.3	10.8	(13.5)	11.9	(22.0)
% margin	6.3	7.7		8.2	
EBIT adjusted	8.1	9.8	(17.8)	10.0	(19.4)
% margin	5.4	7.0		6.8	
EBIT	6.1	7.2	(15.9)	8.9	(31.9)
% margin	4.1	5.1		6.1	
Financials	(1.6)	(1.8)		(0.6)	
Pre-Tax profit	4.4	5.4	(17.6)	8.3	(46.9)
% margin	3.0	3.8		5.7	
Income taxes	(0.1)	(1.8)		(2.9)	
Net Profit	4.3	3.6	20.9	5.4	(19.8)
% margin	2.9	2.6		3.7	
Net Profit Adjusted	4.7	5.5	(14.9)	5.4	(13.4)
% margin	3.2	3.9		3.7	

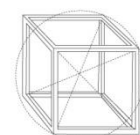
Source: Company data, CFO Sim

Revenues increased by 0.8% to € 145.9m as a result of B2B division rising some 11.0% and B2C declining by circa 6.0% (weak domestic market, foreign markets on the rise). Export sales account for more than 72% of total top line, vs. 68% in 2015.

EBITDA totalled € 9.3m, 6.3% margin, vs. € 10.8m in FY-15. Figures show the planned migration of costs from fixed personnel to external service providers with the number of employees almost halved to 212 units. Excluding the € 2.2m non-recurring costs related to the restructuring and relaunch process of B2C business (consultant and legal expenses, lay-off expenses, the write off of inventory and some other items, new client acquisition costs and some advertising) **EBITDA adjusted totalled € 11.3m**, down 15.3% YoY.

After moderately lower D&A YoY, **EBIT amounted to € 6.1m, 4.1% margin** (€ 7.2m, 5.1% margin in 2015). EBIT adjusted totalled € 8.1m vs. € 9.8m in FY-15. **Net profit was € 4.3m** vs. € 3.6m in 2015, thanks to the one-off effect linked to the release of the deferred tax fund related to the decline in the IRES tax rate in Italy. Net profit adjusted reached € 4.7m, also thanks to the benefits of the first year of fiscal consolidation.

Net financial position was negative for € 10.5m, showing a strong improvement from € 20.1m in 2015, thanks to operating cash flow generation and to WC streamlining, specifically payables, benefitting from the outsourcing of logistics (some € 6.0m effect on WC), the tiny level of capex required by the business and the typical seasonality of the business, with greater cash flow generation in the second half of the year.



IWB is continuing to seek possible acquisition targets: the improved balance sheet profile allows the company to **start distributing a modest dividend to shareholders**: BoD will propose the distribution of a **€ 0.20/s ordinary dividend, 2.2% yield** to the AGM, record date 30-May, ex-dividend date 29-May and payment date 31-May.

10.8% of total shares to be cancelled

IWB decided to start the procedure for the redemption of all 685,000 redeemable shares remaining. This operation will lead to the reduction in the number of issued shares without reducing the amount of share capital, resulting in an **increase in EPS of approximately 12.0%**.

This redemption is in fact the implementation of the economic restoration mechanism in favour of the company and the market (in the hypothesis that FY-16 IWB consolidated net profit is lower than € 6.6m), as per article 6.3, letter e (II) of IWB bylaws, and (subsequent to shareholder approval) will conclude definitively, bringing **IWB capital to a total of 5,674,374 outstanding ordinary shares**.

Table 2 - IWB, shareholders structure post redeemable shares cancellation

	%	# m
OGV srl	13.5%	0.77
Provinco srl	14.1%	0.80
IPOC	1.4%	0.08
Free Float	70.9%	4.02
Total	100.0%	5.67

Source: company data

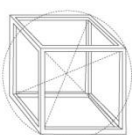
Move to the MTA by end-2017

IWB has nominated the legal consultant and is in the process of selecting and nominating the Sponsor for **the transition from the MTF AIM Italia Alternative Investment Market to the 'Mercato Telematico Azionario' (MTA)** organised and managed by Borsa Italiana.

This step is entirely consistent with the asset structure, defined ownership subsequent to the value for share operation, free float and pan-European commercial operations of IWB, which will gain access to increased international financial visibility.

The company will therefore proceed with the internal and corporate governance procedures necessary, as well as the organisation of the documentation necessary for the presentation of the request for admission to Borsa Italiana, and of the documentation relative to the admission to communicate to CONSOB.

IWB plans to **progress to the MTA by year-end**. The move, in our view, is set to produce **tangible benefits in terms of liquidity and visibility**, thus **zeroing the AIM Italia discount** investors need to apply before evaluating the investment in IWB.



Estimates, valuation and risks

Following the publication of FY-16 results, we have revised our model, primarily factoring in the continued sluggish state of the Italian market, the more favourable taxation thanks to the decline in IRES tax rate in Italy and introduced 2019 projections. The result is a **2% downgrade in 2017-18 EPS**, on average, vs. prior estimates. In addition, we have **updated DCF valuation criteria**: brought the free risk rate up-to-date, as well as shifted the first estimated year to FY-17e. **The combined result is a PT at € 12.70/share (€ 13.30). We stick to our BUY recommendation on IWB.**

2016 was a transitional year for IWB, characterized by 1) the impact on margins of the reorganisation costs, 2) B2C and B2B integration process and 3) domestic market disorder. On the back of the first three months of 2017, the company is confident to continue on its growth path and to increase profitability also thanks to the anticipated better performance of B2C.

The announced move to the MTA by end-2017, the main market of the Italian Stock Exchange, is set to benefit **liquidity and visibility**, thus presumably **zeroing the AIM Italia discount** investors need to apply to an IWB appraisal. The cancellation of all 685,000 redeemable shares remaining will lead to the reduction in the number of outstanding shares without reducing the amount of share capital, resulting in an **increase in value per share of approximately 10.8%**.

M&A appeal is still present: the company is actively on **the buy side** looking at some targets, ideally with the same business structure in adjacent channels, to leverage on dimension and reach. In addition, we might not exclude, also considering shareholder structure, the possibility of **IWB being a target** for a player aimed at exploiting synergies with the IWB logistic platform.

DCF

In the valuation via the DCF method explicit estimates until 2021 and a long term growth of 1.0% were used. Cash flows were discounted back at an weighted average cost of capital calculated according to the following parameters:

Table 3 - WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	27.0%
Int. costs, after taxes	1.8%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 2W average)	2.30%
Beta levered (x)	1.00
Required ROE	11.3%

Source: CFO Sim

Table 4 - IWB, DCF model

€ m	2017e	2018e	2019e	2020e	2021e	Term. Val.
EBIT	9.6	11.3	12.9	13.3	13.7	
Tax rate	27.0%	27.0%	27.0%	27.0%	27.0%	
Operating profit (NOPAT)	7.0	8.2	9.4	9.7	10.0	
Change working capital	(0.7)	0.5	0.6	0.6	0.6	
Depreciation	3.1	3.2	3.1	2.0	0.8	
Investments	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	
Free Cash Flows	8.7	11.1	12.3	11.4	10.5	104.5
Present value	8.0	9.2	9.1	7.7	6.3	63.0
WACC	11.2%	11.2%	11.2%	11.2%	11.2%	
Long-term growth rate	1.0%					

Source: CFO Sim

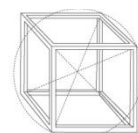


Table 5 – IWB, DCF per share derived from:

€ m	
Total EV present value € m	103.4
<i>thereof terminal value %</i>	61.0%
NFP last reported FY-16	(10.5)
Pension provision FY-16	(1.0)
Equity value € m	91.9
#m shares fully diluted (warrant conversion @ € 12.70/s)	7.24
Equity value €/s	12.70
<i>% upside/(downside)</i>	41.1%

Source: CFO Sim

The application of the model produces an equity value of € 91.9m, which corresponds to **€ 12.70/s, with a potential upside of 41.1%**. The number of shares used to get the PT is fully diluted, considering the whole warrants conversion at a share price of € 12.70, with an implied warrant value of € 3.20.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 11.80 – 13.70 (perpetuity range of between 0.00% and 2.00%), while 2) compared to changes in the free risk rate produces an equity value/s of € 14.20–11.50 (free risk range of between 1.30% and 3.30%) and 3) compared to changes in the risk premium, including small size premium results into an equity value/s of € 16.00-10.40 (risk premium range of between 7.00% and 11.00%).

Table 6 – 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	40.3	40.3	40.3	40.3	40.3	40.3	40.3	40.3	40.3
PV of terminal value	56.8	58.3	59.8	61.4	63.0	64.8	66.6	68.6	70.6
Total value	97.1	98.6	100.1	101.7	103.4	105.1	106.9	108.9	110.9
NFP last reported FY-16	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)
Pension provision FY-16	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Equity value	85.7	87.1	88.6	90.2	91.9	93.6	95.5	97.4	99.5
Equity value/share €	11.80	12.00	12.20	12.50	12.70	12.90	13.20	13.50	13.70

Source: CFO Sim

Table 7 – IWB, equity value sensitivity to changes in free risk rate

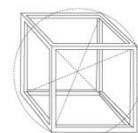
€ m	1.30%	1.55%	1.80%	2.05%	2.30%	2.55%	2.80%	3.05%	3.30%
Present value of CF	41.3	41.0	40.8	40.6	40.3	40.1	39.8	39.6	39.4
PV of terminal value	72.8	70.2	67.7	65.3	63.0	60.9	58.9	56.9	55.1
Total value	114.1	111.2	108.5	105.9	103.4	101.0	98.7	96.6	94.5
NFP last reported FY-16	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)
Pension provision FY-16	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Equity value	102.7	99.8	97.0	94.4	91.9	89.5	87.2	85.1	83.0
Equity value/share €	14.20	13.80	13.40	13.00	12.70	12.40	12.10	11.80	11.50

Source: CFO Sim

Table 8 – 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	42.3	41.8	41.3	40.8	40.3	39.8	39.4	38.9	38.5
PV of terminal value	85.2	78.6	72.8	67.7	63.0	58.9	55.1	51.7	48.6
Total value	127.5	120.4	114.1	108.5	103.4	98.7	94.5	90.6	87.0
NFP last reported FY-16	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)
Pension provision FY-16	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Equity value	116.0	109.0	102.7	97.0	91.9	87.2	83.0	79.1	75.6
Equity value/share €	16.00	15.10	14.20	13.40	12.70	12.10	11.50	10.90	10.40

Source: CFO Sim



Market multiples

We have included 10 peers in the sample, operating in the wine producing and distribution arena. What characterises our sample is almost total turnover stemming from wine sales: from the 91.2% of Treasury Wine Estates to the 100% of Lanson, Laurent Perrier, Masi and Schloss. Our sample for wine producers comprises: **Baron de Ley (ES)**, **Lanson (FR)**, **Laurent Perrier (FR)**, **Masi Agricola (IT, listed on the Milan AIM)**, **Schloss Wachenheim (D)**, **Treasury Wine Estates (AU)**, **Vina Concha (ES)** and **Vranken Pommery Monopole (FR)**. In addition we have included two players involved purely in distribution of wine: **Majestic Wine (UK)** and **Hawesko (D)**.

Looking at these figures, it emerges that growth on offer on the market is limited, to the tune of 3.7% for producers and 4.3% for distributors. IWB is the smallest in terms of market capitalization and amongst the smallest in terms of turnover. However, thanks to B2C & B2B integration benefits, it offers much higher projected profitability growth than the median for wine producers in 2016-19.

Table 9 - IWB, peers group summary table

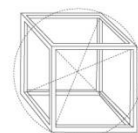
€ m	Mkt Cap	Wine % of Sales	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₁₆₋₁₉	EBITDA CAGR ₁₆₋₁₉	EBIT CAGR ₁₆₋₁₉	EPS CAGR ₁₇₋₁₉	NFP	NFP/EBITDA
Baron de Ley SA	495	99.0%	99	33	33.6%	3.5%	5.8%	8.1%	6.2%	(119)	(3.6)
Lanson BCC SA	219	100.0%	268	33	12.4%	2.6%	8.2%	n.a.	0.4%	493	14.8
Laurent Perrier SA	411	100.0%	242	49	20.1%	1.8%	4.2%	4.0%	9.5%	260	5.4
Masi Agricola SpA	158	100.0%	64	16	24.4%	5.5%	4.6%	7.4%	10.8%	5	0.3
Schloss Wachenheim	130	91.2%	293	29	9.7%	1.5%	1.7%	2.3%	n.a.	n.a.	n.a.
Treasury Wine Estates	6,365	91.7%	1,895	414	21.8%	10.7%	22.5%	26.5%	16.8%	217	0.5
Vina Concha y Toro SA	1,162	97.6%	953	137	14.4%	9.6%	8.4%	10.6%	10.1%	229	1.7
Vranken Pommery	199	97.6%	301	37	12.5%	1.6%	n.a.	n.a.	22.3%	621	16.6
Wine producers median	315	98.3%	281	35	17.3%	3.1%	5.8%	7.8%	10.1%	229	1.7
Majestic Wine PLC	266		520	24	4.6%	6.2%	13.6%	40.1%	31.2%	23	1.0
Hawesko Holding AG	423		480	37	7.7%	2.3%	n.a.	n.a.	4.1%	(6)	(0.2)
Wine distr. median	345		500	30	6.1%	4.3%	13.6%	40.1%	17.6%	8	0.4
IWB	51	100%	152	12.7	8.3%	4.5%	19.7%	28.6%	17.8%	1	0.1

Source: CFO Sim, Thomson Reuters Eikon

Table 10 - IWB, 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	18.7	17.9	16.6	11.3	10.0	8.6	14.4	12.6	10.5
Lanson BCC SA	17.0	18.2	16.8	21.3	19.5	18.0	26.2	24.2	22.0
Laurent Perrier SA	16.6	15.2	13.8	13.8	12.8	11.6	15.5	14.4	12.9
Masi Agricola SpA	19.2	17.5	15.6	10.5	9.2	8.5	14.1	12.4	11.5
Schloss Wachenheim	11.8	10.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates	29.5	24.4	21.6	15.9	13.5	12.2	20.0	16.6	14.4
Vina Concha y Toro SA	16.2	15.3	13.4	10.1	9.5	8.4	13.2	12.4	10.8
Vranken Pommery	23.2	19.1	15.5	21.9	21.0	19.6	29.6	28.4	26.0
Wine producers median	17.8	17.7	15.6	13.8	12.8	11.6	15.5	14.4	12.9
Majestic Wine PLC	24.2	16.4	14.1	12.2	9.4	n.a.	18.5	13.1	n.a.
Hawesko Holding AG	21.5	21.3	19.9	11.3	10.8	10.0	13.9	13.4	12.5
Wine distr. median	22.9	18.8	17.0	11.8	10.1	10.0	16.2	13.2	12.5
IWB	10.0	8.4	7.2	4.1	2.7	1.6	5.4	3.5	2.0
% prem.(disc.)to prod.	-43.8%	-52.7%	-53.8%	-70.4%	-78.6%	-86.4%	-65.0%	-75.7%	-84.8%
% prem.(disc.)to distr.	-56.2%	-55.5%	-57.5%	-65.3%	-73.0%	-84.2%	-66.5%	-73.5%	-84.3%

Source: CFO Sim, Thomson Reuters Eikon



IWB trades at a huge discount vs. peer medians – producers and distributors - at all levels considering EV multiples and PER. This can be partially explained by lower size, trading volumes and listing on the AIM Italia. Even if comparing IWB with Masi Agricola, also listed on the Milan AIM, and which offers higher margins but lower projected growth, it trades at a discount. We believe this is not justified and the stock has to fill somewhat the valuation gap compared to its peers.

Stock performance

IWB was listed on the **Milan AIM** (Alternative Investment Market) on **29-Jan-15** at € 10/share, corresponding to a market capitalization post money of € 65.7m, through the innovate pre-booking company **IPO Challenger**, whose investors/ex-bondholders were reimbursed in kind with the listed shares and warrants of IWB, becoming direct shareholders and free float of the company. IWB also issued 6.16m warrants, 33% owned by the sponsors of the transaction and 67% owned by public investors. The stock now continues to trade **below the IPO price**, and reached the historical maximum of € 10.72/s on 20-May-15 and the minimum of € 8.25 on 22-Dec-16. IWB consistently underperformed peers and performed broadly in line as of the last week.

Table 11 - IWB, peers group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Baron de Ley SA	(0.2)	(2.1)	2.2	0.4	10.8	(3.8)	16.7
Lanson BCC SA	(0.8)	0.8	(6.2)	(7.4)	(9.3)	(9.0)	(0.5)
Laurent Perrier SA	0.3	(0.4)	(2.1)	(2.1)	(5.8)	(4.2)	(13.5)
Masi Agricola SpA	7.7	8.9	10.1	15.1	17.4	11.9	16.2
Schloss Wachenheim AG	0.2	0.1	(0.9)	6.3	4.9	6.8	17.3
Treasury Wine Estates Ltd	1.0	0.2	(0.5)	16.9	11.2	14.1	29.0
Vina Concha y Toro SA	1.1	1.6	1.7	3.8	(5.1)	3.1	(1.2)
Vranken Pommery Monopole SA	1.0	0.2	(1.0)	(2.2)	(0.7)	(1.1)	(10.0)
Wine producers median	0.6	0.2	(0.7)	2.1	2.1	1.0	7.9
Majestic Wine PLC	0.0	(4.0)	(4.2)	7.4	(3.0)	3.2	(23.7)
Hawesko Holding AG	(0.0)	(0.5)	(1.5)	10.9	17.2	8.5	18.8
Wine distributors median	(0.0)	(2.3)	(2.8)	9.2	7.1	5.8	(2.4)
IWB	0.1	0.6	0.0	4.7	(2.7)	3.4	(8.9)

Source: Thomson Reuters Eikon

Table 12 – IWB, reference sector index and Italian Market performances

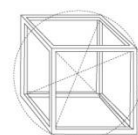
	1D	1W	1M	3M	6M	YTD	1Y
FTSE AIM All Share	0.4	(0.8)	0.9	10.4	12.7	8.7	29.2
Thomson Reuters Food & Beverage	0.1	0.9	2.8	10.4	(3.6)	8.8	1.7
IWB	0.1	0.6	0.0	4.7	(2.7)	3.4	(8.9)

Source: Thomson Reuters Eikon

Risks

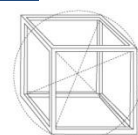
The principal investment **risks** in IWB may include:

- impact on economics and balance sheet profile triggered by a **deep decline in local and global economic growth**,
- **Competition** by similar initiatives
- **Changing in consumers habits**, slowing demand.





Income statement (€ m)	2015	2016	2017e	2018e	2019e
Revenues	144.8	145.9	152.2	158.8	166.7
Purchasing	(71.0)	(79.0)	(78.1)	(80.7)	(84.3)
Services	(40.9)	(47.8)	(49.1)	(51.2)	(53.8)
Personnel	(16.9)	(12.0)	(12.2)	(12.4)	(12.6)
Other operating expenses	(5.3)	2.2	(0.1)	(0.1)	(0.2)
EBITDA adjusted	13.4	11.3	12.7	14.4	16.0
EBITDA	10.8	9.3	12.7	14.4	16.0
D&A	(3.6)	(3.3)	(3.1)	(3.2)	(3.1)
EBIT adjusted	9.8	8.1	9.6	11.3	12.9
EBIT	7.2	6.1	9.6	11.3	12.9
Financials	(1.8)	(1.6)	(0.4)	(0.3)	(0.2)
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	5.4	4.4	9.2	11.0	12.7
Income taxes	(1.8)	(0.1)	(2.5)	(3.0)	(3.4)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit adjusted	5.5	4.7	6.7	8.0	9.3
Net Profit	3.6	4.3	6.7	8.0	9.3
Balance sheet (€ m)	2015	2016	2017e	2018e	2019e
Net Working Capital	4.5	(2.2)	(1.5)	(2.0)	(2.6)
Net Fixed Assets	102.0	100.4	98.1	95.7	93.4
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(14.4)	(11.6)	(11.8)	(12.0)	(12.3)
Net Invested Capital	92.0	86.6	84.8	81.7	78.6
Net Financial Position	20.1	10.5	0.8	(11.7)	(25.8)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	72.0	76.2	84.0	93.4	104.4
Financial Liabilities & Equity	92.0	86.6	84.8	81.7	78.6
Cash Flow statement (€ m)	2015	2016	2017e	2018e	2019e
Total net income	3.6	4.3	6.7	8.0	9.3
Depreciation	3.6	3.3	3.1	3.2	3.1
Other non-cash charges	(2.8)	(3.9)	0.2	0.2	0.3
Cash Flow from Oper. (CFO)	4.3	3.7	10.0	11.4	12.7
Change in NWC	9.5	6.6	(0.7)	0.5	0.6
FCF from Operations (FCFO)	13.8	10.4	9.3	11.9	13.2
Net Investments (CFI)	(34.5)	(0.7)	(0.8)	(0.8)	(0.8)
Free CF to the Firm (FCFF)	(20.7)	9.7	8.5	11.1	12.4
CF from financials (CFF)	43.5	(4.9)	2.5	1.7	2.8
Free Cash Flow to Equity (FCFE)	22.8	4.8	11.1	12.7	15.3
Financial ratios	2015	2016	2017e	2018e	2019e
EBITDA margin	7.4%	6.4%	8.3%	9.1%	9.6%
EBIT margin	5.0%	4.1%	6.3%	7.1%	7.7%
Net profit margin	2.5%	3.0%	4.4%	5.0%	5.6%
Tax rate	33.1%	1.8%	27.0%	27.0%	27.0%
Interest coverage x	0.35	0.28	0.08	0.07	0.06
Net Debt/Ebitda x	1.86	1.12	0.06	(0.81)	(1.61)
Debt-to-Equity x	0.28	0.14	0.01	(0.13)	(0.25)
ROIC	3.7%	4.9%	7.8%	9.6%	11.6%
ROCE	5.5%	4.7%	7.0%	7.6%	8.1%
ROACE	5.4%	4.7%	7.2%	7.9%	8.4%
ROE	5.1%	5.9%	8.4%	9.0%	9.4%
Payout ratio	0.0%	26.1%	21.2%	21.3%	21.4%
Per share figures	2015	2016	2017e	2018e	2019e
Final N. of shares # m	6.58	6.36	5.67	5.67	5.67
Average N. of shares # m	6.58	6.47	6.02	5.67	5.67
Final N. of shares (fully diluted) # m	6.58	8.13	7.45	7.45	7.45
EPS reported €	0.55	0.67	1.11	1.41	1.64
EPS reported FD €	0.55	0.53	0.90	1.08	1.25
EPS adjusted FD €	0.55	0.53	0.90	1.08	1.25
EBITDA FD €	1.64	1.15	1.71	1.94	2.15
EBIT FD €	0.11	0.01	0.05	0.07	0.09
FCFO FD €	2.10	1.28	1.25	1.59	1.78
FCFF FD €	(3.15)	1.19	1.15	1.49	1.67
FCFE FD €	3.46	0.59	1.48	1.71	2.05
Dividend €	0.00	0.20	0.25	0.30	0.35





The company at a glance

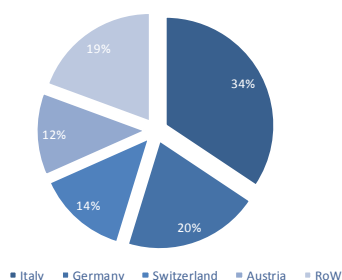
IWB (Italian Wine Brands) is the holding company of a leading producer and distributor in the Italian wine industry. The Group operates through two business segments: B2C and B2B.

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.

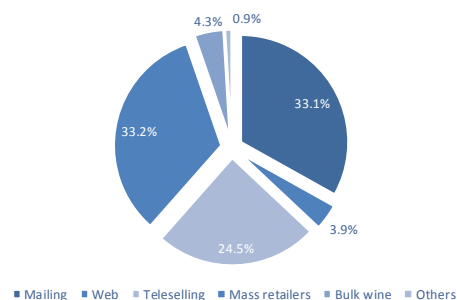
B2B is focused on sale and distribution in the international markets to mass retailers where it distributes both privately labelled and branded products. The B2B arm outsources both the bottling and the logistic activity in order to make its supply operations faster, leaner and more efficient.

Sales reached € 140.6m in 2015, +3% YoY. The growth was driven by export, especially in Austria (+32% YoY) and in the UK (+44% YoY) whereas sales in Italy are stable. EBITDA, which includes € 1.8m of non-recurring items, was € 10.8m, with 7.7% margin.

2015 revenues by country and...



...by channel



Shareholder structure

	%	# m
OGV srl	22.9%	1.45
Provinco srl	12.6%	0.80
IPOC	1.3%	0.08
Free Float	63.3%	4.02
Total	100.0%	6.36*

* Total number of share incl. redeemable

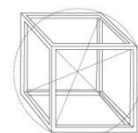
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Baron de Ley SA	(0.2)	(2.1)	2.2	0.4	10.8	(3.8)
Lanson BCC SA	(0.8)	0.8	(6.2)	(7.4)	(9.3)	(9.0)
Laurent Perrier SA	0.3	(0.4)	(2.1)	(2.1)	(5.8)	(4.2)
Masi Agricola SpA	7.7	8.9	10.1	15.1	17.4	11.9
Schloss AG	0.2	0.1	(0.9)	6.3	4.9	6.8
Treasury Wine Est.	1.0	0.2	(0.5)	16.9	11.2	14.1
Vina ConchaYToro	1.1	1.6	1.7	3.8	(5.1)	3.1
Vranken Pommery M.	1.0	0.2	(1.0)	(2.2)	(0.7)	(1.1)
Wine producers median	0.6	0.2	(0.7)	2.1	2.1	1.0
Majestic Wine PLC	0.0	(4.0)	(4.2)	7.4	(3.0)	3.2
Hawesko Holding AG	(0.0)	(0.5)	(1.5)	10.9	17.2	8.5
Wine distributors median	(0.0)	(2.3)	(2.8)	9.2	7.1	5.8
IWB	0.1	0.6	0.0	4.7	(2.7)	3.4

Peers group multiples table

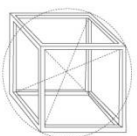
Price & EV multiples x	PER FY1	PER FY2	PER FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Baron de Ley SA	18.7	17.9	16.6	11.3	10.0	8.6	14.4	12.6	10.5
Lanson BCC SA	17.0	18.2	16.8	21.3	19.5	18.0	26.2	24.2	22.0
Laurent Perrier SA	16.6	15.2	13.8	13.8	12.8	11.6	15.5	14.4	12.9
Masi Agricola SpA	19.2	17.5	15.6	10.5	9.2	8.5	14.1	12.4	11.5
Schloss Wachenheim	11.8	10.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Treasury Wine Estates	29.5	24.4	21.6	15.9	13.5	12.2	20.0	16.6	14.4
Vina Concha y Toro SA	16.2	15.3	13.4	10.1	9.5	8.4	13.2	12.4	10.8
Vranken Pommery	23.2	19.1	15.5	21.9	21.0	19.6	29.6	28.4	26.0
Wine producers median	17.8	17.7	15.6	13.8	12.8	11.6	15.5	14.4	12.9
Majestic Wine PLC	24.2	16.4	14.1	12.2	9.4	n.a.	18.5	13.1	n.a.
Hawesko Holding AG	21.5	21.3	19.9	11.3	10.8	10.0	13.9	13.4	12.5
Wine distr. median	22.9	18.8	17.0	11.8	10.1	10.0	16.2	13.2	12.5
IWB	10.0	8.4	7.2	4.1	2.7	1.6	5.4	3.5	2.0

Source: CFO Sim, Thomson Reuters Eikon



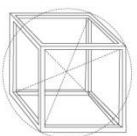


This page has been intentionally left blank





This page has been intentionally left blank



ANALYST CERTIFICATION

This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM").

This is to certify that the views expressed on the companies mentioned in this document reflect the analyst's personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

DISCLAIMER

This document has been drafted by CFO SIM, authorised by the Bank of Italy to provide investment services.

CFO SIM does not have a specific interest in either the issuer, the financial instruments or the transactions covered by the analysis.

The news and data used in this document come from information supplied to the public by the company concerned and/or from other documentation of public domain. CFO SIM is not liable for the accuracy, completeness, exactitude and impartiality of such news and data. This document has been drafted autonomously and independently and without the collaboration of the company analysed or of any company linked to the latter by shareholdings or control. This document has been prepared by the financial analysts of the Equity Research Department of CFO SIM, whose names are indicated therein. The analyst is an ordinary member of the Italian Association of Financial Analysts (AIAF). In no case can the company and the analysts, as authors of this document be held liable (culpably or otherwise) for damage stemming from use of the information or opinions set out therein. The purpose of this document is solely informative. The document cannot be reproduced directly or indirectly and redistributed to third parties, nor can it be published, either totally or in part, for any reason whatsoever. This document is not an invitation to purchase, nor is it intended to solicit the purchase or sale of the securities in question. The recipients of this document are formally bound to observe the constraints indicated above. CFO SIM wishes to provide ongoing coverage of the stocks mentioned in this document, with a frequency depending on circumstances considered to be important (corporate events and changes of recommendation, etc.). CFO SIM acts as a Specialist for IWB stock, listed on the AIM Italia. The next table shows the ratings issued on the stock in the last 12 months.



DATE	TARGET PRICE	RATING
24/03/2017	€12.70	BUY
16/09/2016	€13.30	BUY
24/05/2016	€13.30	BUY

This document is distributed via electronic mail and fax as from the date indicated in the document itself and addressed to some 300 Italian and non-Italian professional investors. The document is available in electronic format at CFO SIM's Internet site, to Italian and non-Italian institutional investors, and/or in Borsa Italiana's Internet site.

RATING SYSTEM

- 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.

