Compagnia dei Caraibi

Sector: Food & Beverage

VALUETRACK

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The right "spirit" drives growth

Compagnia dei Caraibi is a leading Italian player in the selection, marketing and distribution of both third parties and proprietary premium and super-premium alcoholic brands

Highly articulated business model, not just distribution

Compagnia dei Caraibi (CdC) portfolio includes 240 brands, ranging from spirits to sodas and wine, all distributed via multi-annual exclusive distribution rights. Gin, Rum, Liqueurs account for 39%, 28% and 23% of 2020 revenues respectively, with Gin Mare, Rum Diplomatico, Jefferson Amaro Importante as bestselling products.

CdC differs from competition as it is focused on scouting and selecting the best-in-class high-quality spirits and wine brands from all over the world, and on implementing together with partner / suppliers, intense brand building marketing activity aimed at boosting distributed volumes.

Well positioned to profit from market premiumization

CdC is, in our view, well positioned to profit from the so called "market premiumization", as in the domestic premium and super premium segments it is the leader (29.3% market share 202 in terms of volumes) for the three spirits clusters Gin, Rum, and Flavored Liqueurs.

Strategies: Owned brands, International, Awareness

Strategic guidelines: (i) keep acting as an incubator of both third parties and proprietary super premium brands; (ii) exporting to USA and Spain the Italian taste / Italian "aperitive" concept; (iii) boosting CdC brand awareness also developing some kind of direct access to final consumers.

Financials: growing fast, with improving margins

CdC is used to grow fast (ca. 44% Revenues $CAGR_{13\text{-}20}$) and this brilliant growth pace is continuing in 1H21, with Revenues +91.7% y/y and EBITDA + 131.0% y/y. As far as 2021E-23E is concerned, we expect Sales growing at 33% $CAGR_{20A\text{-}23E}$, EBITDA up more than proportionally (49% $CAGR_{20A\text{-}23E}$, EBITDA at ca. €7.0mn in 2023E in absolute terms). Net Cash position should reach ca. €8.9mn in 2023E.

€5.40 fair Equity Value per share

Running a DCF Model and peers' analysis (focused on 2023E multiples in order to take into account CdC's above sector growth expectations), we calculate €5.40 fully diluted fair Equity Value per share, implying 1.6x-1.2x EV/Sales, 13.9x-10.2x EV/ EBITDA and 26.7x-19.4x P/E 2022E-23E.

Fair Value (€)	**5.40**
Market Price (€)	**4.37**
Market Cap. (€m)	**65.2***

*Fully-diluted

KEY FINANCIALS (€mn)	2020A	2021E	2022E
TOTAL REVENUES	24.9	37.1	46.9
EBITDA	2.1	3.7	5.3
EBIT	1.6	3.2	4.6
NET PROFIT	1.0	2.0	3.0
EQUITY	5.6	18.2	21.2
NET FIN. POS.	-4.0	6.5	7.3
EPS ADJ. (€)	0.16	0.16	0.20
DPS (€)	0.00	0.00	0.00

Source: Compagnia dei Caraibi (historical figures)
Value Track (2021E-22E estimates) based on Fully Diluted Nosh

KEY RATIOS	2020A	2021E	2022E
EBITDA MARGIN (%)	8.5	10.1	11.2
EBIT MARGIN (%)	6.3	8.6	9.8
NET DEBT / EBITDA (x)	1.9	nm	nm
NET DEBT / EQUITY (x)	0.7	0.0	0.0
EV/SALES (x)(*)	2.2	1.6	1.3
EV/EBITDA (x)(*)	25.4	15.7	11.0
EV/EBIT (x).(*)	34.3	18.5	12.6

Source: Compagnia dei Caraibi (historical figures)
Value Track (2021E-22E estimates) (*) based on Fully Diluted Nosh

STOCK DATA	
FAIR VALUE (€)(*)	5.40
MARKET PRICE (€)	4.37
SHS. OUT. (m)(*)	14.9
MARKET CAP. (€m)(*)	65.2
FREE FLOAT (%)	24.02
AVG. -20D VOL. (#)	17,926
RIC / BBG	1TIME.MI / 1TIME IM
52 WK RANGE	3.91-4.85

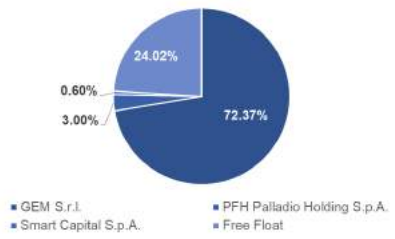
Source: Stock Market Data (*) based on Fully Diluted Nosh

EQUITY RESEARCH PRODUCED ON BEHALF OF MIT SIM ACTING AS SPECIALIST ON COMPAGNIA DEI CARAIBI SHARES

Business Description

Compagnia dei Caraibi (CdC) is a leading Italian player in the selection, marketing and distribution of both third parties and proprietary premium and super-premium alcoholic brands, ranging from spirits to sodas and wine. CdC is focused on scouting and selecting the best-in-class high-quality spirits and wine brands from all over the world, and on implementing together with partner / suppliers, intense brand building marketing activity aimed at boosting distributed volumes.

Shareholders Structure



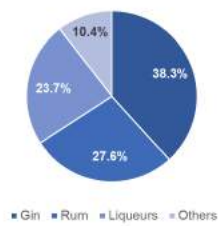
Source: Compagnia dei Caraibi

Key Financials

€mn	2020A	2021E	2022E	2023E
Total Revenues from Sales	**24.9**	**37.1**	**46.9**	**57.8**
Chg. % YoY	1.7%	49.3%	26.3%	23.4%
EBITDA	**2.1**	**3.7**	**5.3**	**7.0**
EBITDA Margin (%)	8.5%	10.1%	11.2%	12.1%
EBIT	**1.6**	**3.2**	**4.6**	**6.3**
EBIT Margin (%)	6.3%	8.6%	9.8%	10.9%
Net Profit	**1.0**	**2.0**	**3.0**	**4.1**
Chg. % YoY	29.5%	nm	48.5%	37.3%
Adjusted Net Profit	**1.0**	**2.0**	**3.0**	**4.1**
Chg. % YoY	29.5%	nm	48.5%	37.3%
Net Fin. Position	**-4.0**	**6.5**	**7.3**	**8.9**
Net Fin. Pos. / EBITDA (x)	1.9	nm	nm	nm
Capex	-0.2	-1.0	-1.2	-1.4
OpFCF b.t.	**0.0**	**1.1**	**2.3**	**3.8**
OpFCF b.t. as % of EBITDA	-1.5%	28.4%	44.2%	53.9%

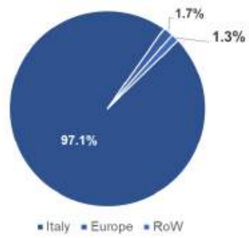
Source: Compagnia dei Caraibi (historical figures), Value Track (estimates)

Sales breakdown by products



Source: Compagnia dei Caraibi, FY20 Data

Sales breakdown by geography



Source: Compagnia dei Caraibi, FY20 Data

Investment case

Strengths / Opportunities

- Leader in the fastest growing premium segment
- Unique business model based on scouting premium brands with high potential and obtaining exclusivity distribution rights
- Extensive portfolio with over 240 brands and 1,100 SKUs
- Well diversified clientele and exposure to both on-trade and off-trade distribution channels

Weaknesses / Risks

- Fairly concentrated market, dominated by huge players in size
- Distribution of third parties' products drives lower profitability

Stock multiples @ €5.40 Fair Value

	2022E	2023E
EV / SALES (x)	1.6	1.2
EV / EBITDA (x)	13.9	10.2
EV / EBIT (x)	16.0	11.4
EV / CAP.EMP. (x)	5.2	4.3
OpFCF Yield (%)	3.2	5.3
P / E (x)	26.7	19.4
P / BV (x)	3.8	3.2
Div. Yield. (%)	0.0	0.0

Source: Value Track (Fully-diluted scenario)

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Executive summary

Compagnia dei Caraibi at a glance

Compagnia dei Caraibi ("CdC", "the Company", "the Group") is **a family-owned leading Italian player in the selection, marketing and distribution of both third parties and proprietary premium and super-premium alcoholic brands.**

Compagnia dei Caraibi brand portfolio includes 240 brands and ca. 1,200 stock-keeping units (SKUs), ranging from spirits (rum, gin, liqueurs, whisky, vodka, agave, distillates) to sodas and wine, clustered in two catalogues, respectively focused on spirits and wines:

- **Compagnia dei Caraibi** historical selection of spirits and complementary products, counting more than 160 brands, 800 SKUs and 90 suppliers, covering all categories of distillates, liqueurs and complementary products for mixology;
- **Elemento Indigeno**, wine selection launched in December 2020 and counting over 80 brands, 300 SKUs and 70 suppliers coming from all over the world.

Leader in premium and super premium Gin, Rum, Bitter liquor segments

Looking at portfolio composition and revenues breakdown, some 90% of 2020 revenues originated from Gin (39%), Rum (28%) and Liqueurs (23%) segments.

Among the best-selling products of CdC's portfolio we underline the following ones:

- **Gin Mare,** whose exclusive distribution rights have been acquired back as of 2013, now accounting for 29% of 2020FY revenues;
- **Diplomatico Rum**, whose exclusive distribution rights have been acquired back as of 2008, now accounting for 21% of 2020FY revenues;
- **Jefferson Amaro Importante,** premium alcoholic bitter, voted as World's Best Liqueur back in 2016 and accounting for ca. 19% of CdC sales in 2020FY. Compagnia dei Caraibi is the exclusive partner for the global distribution.

Highly articulated business model, not just distribution

CdC business model differs from competition as it is based on a highly articulated business model that we can summarize as follows:

1. **Scouting** and selecting the best-in-class high-quality spirits and wine brands from all over the world;
2. **Acquiring multi-annual exclusive distribution right**. Commercial relationship between CdC and suppliers is based on exclusive distribution rights on a national level (Italian territory). In some cases, the exclusivity is extended to European (e.g., Kensei) or Global (e.g., Jefferson) grounds;
3. **Brand building activity**, i.e. defining and implementing, jointly with partners / suppliers, marketing strategies aimed at strengthening the brands and boosting the distributed volumes;
4. **Distributing** the products portfolio across different well diversified clientele / channels (HoReCa, Wholesale, C&C, Wine shops, Large-Scale retailers, e-commerce and premium beverage enthusiasts) thanks to domestic Sales network covering the entire territory, and to logistic partners allowing for an efficient operating expense management.

We note that for its own brands, the Company covers raw materials cost and outsources production and bottling activities to partners.

Well positioned to profit from market premiumization

Changing demographic profiles / consumer habits and rising health awareness are driving the so called "**market premiumization**", that's to say lower per-capita consumption of alcoholic drinks coupled with a preference for higher-quality and more expensive ones, and also for low/no alcohol and organic drinks. CdC is, in our view, well positioned within this market scenario. Indeed, if we look at super premium, ultra premium, prestige and prestige plus domestic segments, Compagnia dei Caraibi is the leader (in terms of 2020 distributed volumes) for the three spirits clusters Gin, Rum, and Flavored Liqueurs, with a 29.3% market share.

More in particular, Compagnia dei Caraibi ranks:

- 2nd with a 24% volume-based domestic share of the high-end Gin market.
- 2nd with a cumulated 21.7% market share of the high-end Rum market, 1st with a 34.8% share if we look at ultra premium, prestige and prestige plus segments only;
- 1st in the super premium categories of flavored liqueurs, with a cumulated 64.8% market share, almost entirely brought by Jefferson Amaro, which holds a 61.4% share.

Strategic drivers: Owned brands Internationalization, Awareness

In order to exploit its competitive advantages, CdC is set to pursue the following strategic guidelines:

- Keep acting as an **incubator** of promising new super premium brands, both third parties and **proprietary ones,** by the way the latter boasting much higher operating profitability.

  We do not rule out that the strengthening of the brands portfolio may involve also the acquisition of some brands or some partnership / joint ventures;
- **Going international**, starting from USA and Spain, where the aim is to export the Italian taste / Italian "aperitive" concept to a wider and highly receptive audience;
- Boosting Compagnia dei Caraibi **brand awareness** by developing some kind of direct access to final consumers.

Financials: growing fast, with higher margins

In the recent years CdC has grown fast (ca. 44% Revenues $CAGR_{13\text{-}20}$), with high single digit EBITDA margins (FY20 at 8.5%) and very limited capex requirement (but high inventories one).

This brilliant growth pace is continuing in 2021. Indeed, in 1H21 Total Revenues were up by 91.7% y/y and EBITDA grew + 131.0% y/y, (EBITDA margin at 8.4% vs. 7.0% of 1H20).

As far as future financials are concerned, we forecast:

- Revenues from Sales to grow at a 33% CAGR in 2020A-23E, fueled by steady business development of existing brands portfolio, coupled with a noteworthy acceleration in the own-brands category and in the new wine selection ("Elemento Indigeno");
- EBITDA margin to further improve up to 12.1% into 2023E, as result of different revenue mix and of operating leverage optimization. In absolute terms, we foresee EBITDA to increase more than threefold to ca. €7.0mn in 2023E, (49% CAGR 2020A-23E);
- Net Financial Position to turn positive already as of 2021E, as a direct effect of ca. €10.6mn worth of IPO net proceeds (finalized in July 2021). More, thanks to an expected steady Free Cash Flow generation, the Group should increase its Net Cash position over the next three years, reaching ca. €8.9mn in 2023E.

€5.40 fair Equity Value per share

Running a DCF Model and peers' analysis (focused on 2023E multiples in order to take into account CdC's above sector growth expectations), we calculate €5.40 fair Equity Value per share, implying 1.6x-1.2x EV/Sales, 13.9x-10.2x EV/ EBITDA and 26.7x-19.4x P/E 2022E-23E multiples.

Valuation

We calculate **€5.40 fair Equity Value per CdC share** averaging the outcome of **peers' analysis and DCF model.**

At fair value CdC would trade at 1.6x-1.2x EV/Sales, 13.9x-10.2x EV/ EBITDA and 26.7x-19.4x P/E multiples 2022-23E, i.e. at material discount vs. international premium spirits producers (approximately. 50%) and nearly in line with Italian food and beverages distributors.

We highlight that the mentioned fair value is calculated on a fully diluted scenario, i.e. assuming the conversion of 1.8mn PAS and 0.4mn stock grant into ordinary shares already as of 2022YE (see Appendix for more details).

Compagnia dei Caraibi: Sensitivity of implicit stock trading multiples between €4.80 and €6.00

Equity Value p/s	EV / Sales (x)		EV / EBITDA (x)		EV / EBIT (x)		P / E (x)	
	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
€ 4.80	1.4	1.1	12.2	8.9	14.0	9.9	23.7	17.3
€ 5.10	1.5	1.2	13.1	9.6	15.0	10.6	25.2	18.3
€ 5.40	**1.6**	**1.2**	**13.9**	**10.2**	**16.0**	**11.4**	**26.7**	**19.4**
€ 5.70	1.7	1.3	14.8	10.8	17.0	12.1	28.1	20.5
€ 6.00	1.8	1.4	15.6	11.5	17.9	12.8	29.6	21.6

Source: Value Track Analysis

Peers' analysis

Peers' analysis leads to **€5.35 fair equity value per share** based on 10.3x EV/EBITDA and 19.0x P/E 2023E "fair" multiples, which would imply ca. 25%-40% discount vs. Premium Spirits median multiples and substantially no discount vs. Italian Distributors ones.

Compagnia dei Caraibi: VT fair valuation implied discount / premium vs peers

Company	EV / Sales (x)		EV / EBITDA (x)		EV / EBIT (x)		P / E (x)	
	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
Premium Spirits Median Multiples	6.2	5.8	19.9	18.3	21.7	20.6	28.2	25.6
Italian Distributors Median Multiples	1.0	0.8	11.5	10.3	16.0	13.2	21.3	19.5
Total Median	**2.2**	**2.0**	**13.3**	**11.4**	**17.1**	**16.0**	**24.4**	**19.8**
CdC Fair Multiples				**10.3**				**19.0**
CdC Implied Fair Value per Share (€)				**5.45**				**5.25**

Source: Value Track Analysis

Choice of comparables

As for the relative multiple valuation, it is worth to point out that is not so easy to identify comparable firms with business model strictly aligned to CdC, so we take into consideration two clusters:

- Leading domestic and international manufacturers / distributors of premium brands spirits;
- Domestic players active in the food and beverage distribution, sharing similar business features and profitability margins with CdC.

Compagnia dei Caraibi: Clusters of peers

Source: Value Track Analysis

- **Premium Spirits** – we select five leading players, both manufacturers and distributors, with a broad market coverage, extensive brands portfolio and 2021E revenues in the €1bn-12bn range: Campari, Diageo, Pernod Ricard, Remy Cointreau, and Constellation Brands.

  For the sake of completeness, we also include Stock Spirits Group, mid size player focused on standard and value spirits, that back in August 2021 has agreed a tender offer by the private equity fund CVC Capital Partners at 40% premium on market price, another strong signal of the great attention the spirits market is receiving.
- **Italian Distributors** – within this cluster we spot five Italian distributors, sharing with CdC similar business model features, even if not directly active in the spirits business.

  First two names are Italian Wine Brands and Masi Agricola, both wine producers and distributors, but with different business model and market positioning.

  IWB relies on a lighter business model and focuses on "value" products, while Masi produces and markets premium wines and – similarly to CdC – shows a working capital inflated by ageing products.

  Then we include Marr and Longino & Cardenal, both food and beverages distributors. While the former specializes in the Ho.Re.Ca channel, the latter shares with CdC four interesting features:

  i) similar size;

  ii) business model focused on scouting and distribution of fine products;

  iii) high exposure to domestic sales, and lastly;

  iv) willingness to start / strengthen an online sales channel and reach final consumers.

  We also take into account Portobello, a company that sells advertising spaces in exchange of unsold branded products, that are later distributed via the retail channel (both online and offline), and via the B2B channel to other distributors.

  Thus, similar to CdC, Portobello also runs marketing activities aimed at increasing brands visibility and awareness.

Compagnia dei Caraibi: Peers' market positioning

Company	Core activities		Segment		Alcoholic Category		
	Producer	Distributor	Standard	Premium	Spirits	Wine	Beer
Premium Spirits							
Campari	✔	✔	✔		100%	--	--
Diageo	✔	✔		✔	85%	--	15%
Pernod Ricard	✔	✔		✔	95%	5%	--
Remy Cointreau	✔	✔		✔	100%	--	--
Constellation Brands	✔	✔		✔	4%	26%	70%
Stock Spirits Group	✔	✔	✔		100%	--	--
Italian Distributors							
Italian Wine Brands	✔	✔	✔		--	100%	--
Masi Agricola	✔	✔		✔	--	100%	--
Longino & Cardenal		✔		✔	nm	nm	nm
Marr		✔	✔		nm	nm	nm
Portobello		✔	nm	nm	nm	nm	nm
Compagnia dei Caraibi		✔		✔	**80%**	**20%**	**--**

Source: Value Track Analysis

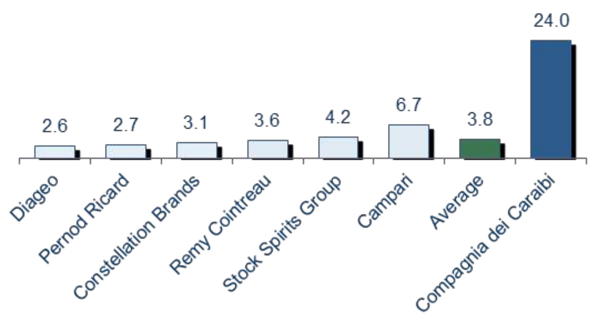
Business model and market positioning lead to different growth profiles

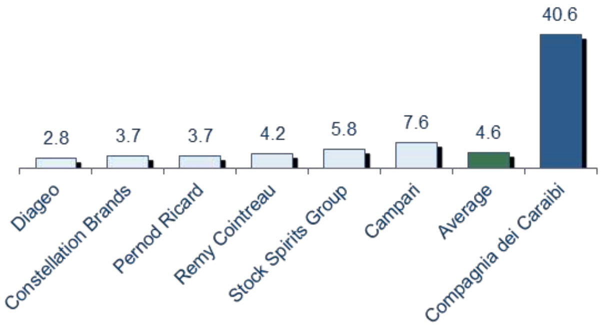
When comparing CdC to premium spirits players and domestic distributors, we note that:

- **Size and business model structure make a huge difference**: premium spirits are currently showing remarkable margins, with EBITDA ranging from the 21% of Stock Spirits Group – the smaller player within this cluster also involved in the commercialization of mass market spirits – to 30+% of Diageo, Pernod Ricard and Constellation Brands, resulting from the key exposure to super premium spirits. On the contrary, small size Italian distributors report (on average) a lower EBITDA margin in the high single- / low double-digit space;
- **NWC on Sales ratio strictly depends on the intrinsic nature of alcoholic beverage:** premium products in the beverage industry might imply ageing inventories. In details, Remy Cointreau ageing spirits lead NWC up to 100% of Sales and Masi vintage wines to over 80%;
- **Producers boast lower return on capital:** premium spirits producers, on average record a lower ROIC b.t., (close to 14%). Conversely, Italian players – excluding the capital-intensive vineyards business of Masi – run a lighter business model, where part or most of turnover is related to third-party products;
- **In terms of growth** expectations, CdC is expected to boast the best-in-class top line and EBITDA annualized growth 2019A-23E (+24.0% and +40.6%) with respect to the more mature, larger and international players in the alcoholic beverage industry (averages of +3.8% and +4.6%, respectively). CdC interesting growth profile should be driven by the different maturity stage of the firm vs. the more established selected peers and the greater focus towards a premium-only offer, allowing for a positive operating leverage effect.

  When compared to Italian distributors, we note that other companies such as Italian Wine Brands, Longino & Cardenal and Portobello boast similar high growth rates, also boosted by M&A deals (for instance, in June 2021, Italian Wine Brands completed the accretive acquisition of Enoitalia, becoming the largest Italian private wine group).

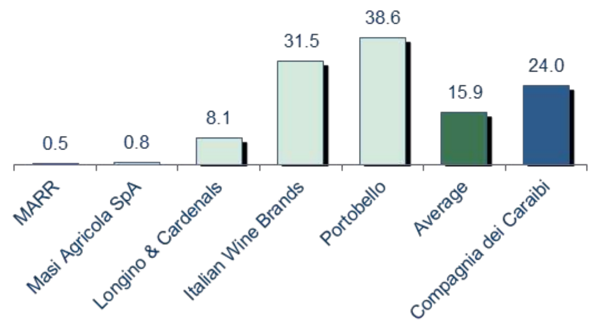
Compagnia dei Caraibi: Industrial performance vs. Spirits Industry

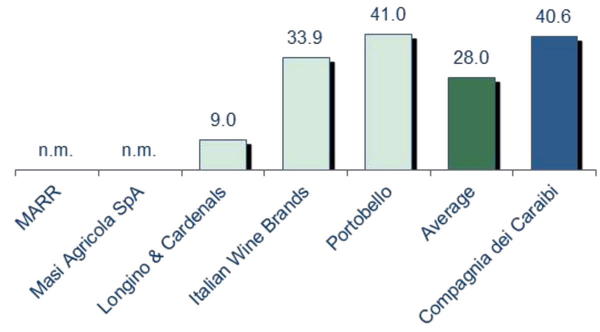




Source: Market Consensus, Value Track Analysis

Compagnia dei Caraibi: Industrial performance vs. Italian Distributors





Source: Market Consensus, Value Track Analysis (*) n.m. - not meaningful growth, i.e. growth rate higher than 100% and/or negative 2020A EBITDA

Compagnia dei Caraibi: Peers' key financial ratios

Company	Sales (mn)		EBITDA Margin (%)		NWC on Sales (%)		ROIC b.t. (%)	
	2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E
Campari	2,097	2,244	27.5	26.2	38.3	30.6	13.8	15.2
Diageo	12,733	13,458	32.9	34.4	29.7	40.3	18.2	18.4
Pernod Ricard	8,757	9,638	30.6	31.1	57.0	55.3	10.6	11.5
Remy Cointreau	1,010	1,202	26.7	25.4	103.2	100.3	12.7	13.0
Constellation Brands	8,615	8,574	36.9	37.6	18.8	13.4	12.1	11.9
Stock Spirits Group	340	354	20.9	21.2	-7.9	-5.0	15.2	15.5
Avg. Premium Spirits	**5,592**	**5,912**	**29.2**	**29.3**	**39.8**	**39.1**	**13.7**	**14.3**
Italian Wine Brands	372	454	10.6	10.9	-0.4	-0.5	11.7	15.3
Masi Agricola	65	67	15.4	14.9	82.4	81.9	4.7	4.6
Longino & Cardenal	29	40	1.5	4.7	15.1	14.6	nm	14.4
Marr	1,354	1,695	6.5	7.2	15.7	13.6	9.8	16.8
Portobello	90	135	15.8	17.2	34.7	30.4	23.0	34.6
Avg. Italian Distributor	**455**	**564**	**8.5**	**9.4**	**28.2**	**27.4**	**8.7**	**12.8**
Compagnia dei Caraibi	**37**	**47**	**10.1**	**11.3**	**21.8**	**21.2**	**27.1**	**32.8**

Source: Market Consensus, Value Track Analysis

… and to material differences in relative valuation

Due to Compagnia dei Caraibi much better than average growth profile in the next couple of years, we view as appropriate to focus on 2023E peers' multiples to calculate the Group fair value. In details:

- Spirits industry leaders are trading at astonishing average multiples: 5.4x EV/Sales, 18.0x EV/EBITDA and 27.2x P/E 2023E, driven by their leadership position and brilliant profitability margins, and by the value of their inventories.

  For instance, Remy Cointreau, which is a French player specialized in the production and distribution of premium cognac (liqueur that gains value with aging time), trades at over 25x EV/EBITDA 2023E;
- On the other hand, Italian distributors outline much lower 2023E average multiples: 0.9x EV/Sales, 8.9x EV/EBITDA and 16.0x P/E, driven by lower size and lower (average) profitability margins. Still, we note some market trends at domestic level as well, where the positive correlation between valuation multiples and high-end market positioning is demonstrated by Longino & Cardenal.

Compagnia dei Caraibi: Peers' market multiples

Company	EV / Sales (x)			EV / EBITDA (x)			EV / EBIT (x)			P / E (x)		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Campari	7.0	6.5	6.0	25.6	24.8	22.3	nm	29.2	26.0	45.2	39.5	35.2
Diageo	7.5	7.1	6.7	22.7	20.7	19.1	25.4	23.1	21.3	31.2	27.8	25.3
Pernod Ricard	6.6	5.9	5.6	21.6	19.1	17.5	24.3	21.7	19.9	35.5	28.6	25.9
Remy Cointreau	8.7	7.4	6.9	32.5	29.2	25.7	nm	nm	29.2	nm	nm	42.8
Constellation Brands	5.9	5.9	5.5	15.9	15.8	14.4	17.5	17.7	16.0	20.3	nm	19.1
Stock Spirits Group (*)	2.3	2.2	2.0	10.9	10.2	9.2	13.5	12.5	11.3	18.1	16.2	15.1
Avg. Premium Spirits	**6.3**	**5.8**	**5.4**	**21.6**	**20.0**	**18.0**	**20.2**	**20.8**	**20.6**	**30.1**	**28.0**	**27.2**
Med. Premium Spirits	**6.8**	**6.2**	**5.8**	**22.2**	**19.9**	**18.3**	**20.9**	**21.7**	**20.6**	**31.2**	**28.2**	**25.6**
Italian Wine Brands	1.3	1.0	0.9	11.9	9.0	8.0	15.1	11.1	9.9	18.9	14.5	13.5
Masi Agricola	1.7	1.7	1.7	11.3	11.5	10.7	16.2	16.5	16.8	24.4	24.4	19.5
Longino & Cardenal	0.8	0.6	0.5	nm	13.3	10.3	nm	21.6	13.2	nm	29.3	19.8
Marr	1.1	0.9	0.8	17.1	12.0	11.4	28.2	16.0	15.2	41.3	21.3	20.4
Portobello	1.6	1.1	0.8	10.4	6.2	4.0	13.5	7.4	4.5	18.8	10.3	7.0
Avg. Italian Distributors	**1.3**	**1.0**	**0.9**	**12.7**	**10.4**	**8.9**	**18.3**	**14.5**	**11.9**	**25.8**	**20.0**	**16.0**
Med. Italian Distributors	**1.3**	**1.0**	**0.8**	**11.6**	**11.5**	**10.3**	**15.6**	**16.0**	**13.2**	**21.6**	**21.3**	**19.5**
Total Median	**2.3**	**2.2**	**2.0**	**16.5**	**13.3**	**11.4**	**16.9**	**17.1**	**16.0**	**24.4**	**24.4**	**19.8**

Source: Market Consensus, Value Track Analysis (*) Recently taken over by CVC Capital Partners

To sum up, CdC inevitably deserve some valuation discount vs. international players due to size, margins, and focus on distribution rather than production, but the high exposure to the premium and super premium part of the spirits market is a positive factor to take into account.

On the other side, domestic peers, in our view, bode well for valuation purposes, that's why we do not envisage possible discounts to relative valuations.

Discounted Cash Flow Model

The outcome of our DCF based on a target capital structure (i.e. Net Debt at 30% of Invested Capital) and on a 9.7% WACC is a **fair Equity value per share at €5.45**.

Here below our DCF model assumptions:

- 2021FY as reference point for valuation and 9 years financial projections, from 2022E to 2030E;
- 2.0% risk free rate in line with medium term target inflation;
- 1.0 Unlevered Beta and 6.23% Equity Risk premium (see Damodaran on line web site);
- 2.0% Small Size Risk Premium, appropriate when dealing with small sized companies;
- 3.8% after-tax cost of debt implicitly calculated taking into account the above-mentioned 2.0% risk free rate to which a 3.0% credit spread is added;
- Terminal value at 2030E obtained applying a 2.0% Perpetuity Growth Rate;
- Fully diluted number of shares assuming the whole conversion of PAS and stock grants.

We highlight how the main source of cash absorption is represented by y/y change in inventories, thus driving a trade-off between growth and cashflow generation.

Compagnia dei Caraibi: DCF model outcome

	€mn
PV of future Cash flow FY 2022E-2030E	25.0
PV of Terminal Value @ 2030E with g=2.0%	49.7
Fair Enterprise Value	**74.7**
Net Fin. Position 2021E (post IPO proceeds)	6.5
Minorities / Adjustments	0.0
Fair Equity Value	**81.2**
Fully diluted number of shares (mn)	14.9
Fair Equity Value p.s. (€)	**5.45**

Source: Value Track Analysis

Compagnia dei Caraibi: DCF Sensitivity Analysis – Fair Value p.s. (€)

Equity value		Perpetuity Growth Rate				
		1.0%	**1.5%**	**2.0%**	**2.5%**	**3.0%**
WACC	**8.7%**	5.85	6.13	6.44	6.80	7.23
	9.2%	5.45	5.68	5.94	6.24	6.59
	9.7%	5.09	5.28	**5.45**	5.68	5.99
	10.2%	4.77	4.94	5.13	5.34	5.58
	10.7%	4.48	4.63	4.79	4.98	5.18

Source: Value Track Analysis

Compagnia dei Caraibi Corporate Profile

Compagnia dei Caraibi is an Italian based leading player in the selection and domestic distribution of premium alcoholic beverage. Thanks to a direct sales network, solid and long-term relationships with suppliers, exclusive distribution rights and an efficient value chain, the Group now boasts a portfolio over 240 brands and 1,200 SKUs, comprising both spirits and wines. In recent years the business model has been expanding the number of imported products and focusing on a direct sales network. Over the last 7 years, Total Revenues increased with a CAGR of 44%, with the Group extending its clientele focus to Large-Scale retailers and e-commerce as well.

Compagnia dei Caraibi: Key highlights

Profile

Compagnia dei Caraibi ("CdC", "the Company", "the Group") is **a leading Italian player in the selection, brand building and distribution of premium alcoholic beverages** across a very broad clientele, with 240 brand and ca. 1,200 stock-keeping units (SKUs) in its portfolio, ranging from spirits (rum, gin, liqueurs, whisky, vodka, agave, distillates) to sodas and wine.

Thanks to unique brand building skills that distinguish CdC value proposition from competitors, the Company is able to ensure trusted and long-term relationships with its suppliers that often converge in acquiring exclusivity rights for products distribution.

Through an efficient value chain, logistics and distribution partners, Compagnia dei Caraibi imports products from over 60 countries and reaches several customer segments, such as Hotels, Restaurants and Bars ("HoReCa"), wine shops, C&C, wholesalers, Large-Scale retailers, e-commerce and premium beverage enthusiasts.

CdC's portfolio includes both third parties (ca. 98% of revenues) and owned brands, with the latter representing a marginal but additional growth opportunity. For this latter category of products, the Company covers raw materials cost and outsource production and bottling activities to partners (Torino Distillati, Moncalieri).

Starting from December 2020 CdC added a new wine selection ("Elemento Indigeno") of the most peculiar and sophisticated wines being produced all over the world.

The Group has also started an internationalization process (initiating business activities in Spain and USA) and a digital transformation plan to unlock additional revenue streams and share the culture of premium beverages across consumers.

Historical milestones in corporate development

- **1995** - The original project of Compagnia dei Caraibi is founded, with the aim of bringing a selection of nobles distillates to the Italian beverage market, a strategy well ahead of time in a period when premium alcohol was not a trend yet;
- **2013** - Dario Baracco (nickname "Tigre", founder of CdC) begins to outline a strategy to ensure the generational turnover in the company he founded, progressively including in the business his two sons Edelberto ("nickname" Iguana) and Memfi.

  Edelberto Baracco redefines the business model (until then only focused on import and identification of third-party partners for distribution), expanding the number of imported SKUs (from 60 to about 270) and starting to create CdC own direct sales network;
- **2014** – New Sales Manager joins the Company and immediately takes care of Sales Network growth to ensure coverage and control of the entire national territory and strategic sales channels;

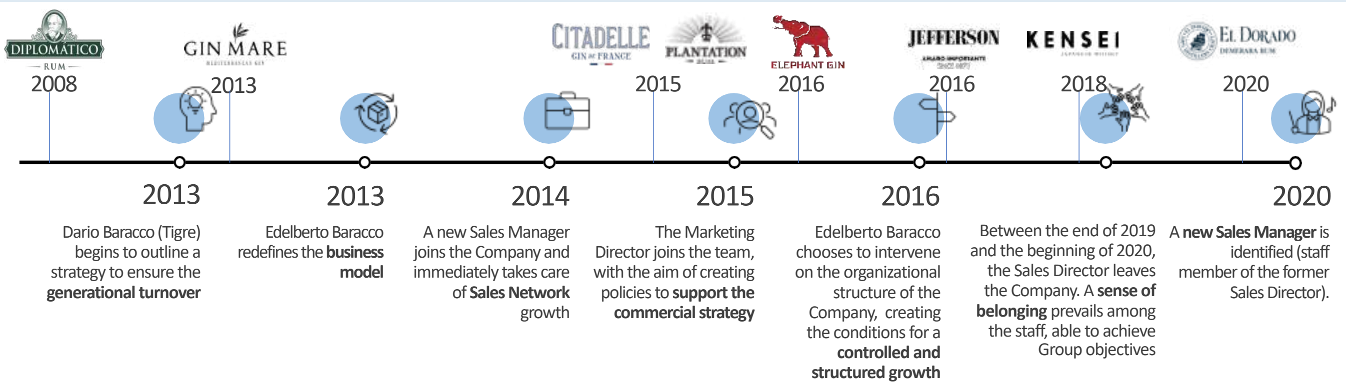
- **2015** - Marketing Director joins the team, with the aim of creating policies to support the commercial strategy and strengthen the awareness of brands distributed as well as of the Company itself;
- **2018** - Edelberto Baracco chooses to intervene on the organizational structure of CdC creating the conditions for a controlled and structured growth: Fabio Torretta becomes the new Managing Director, with the aim of ensuring continuity in the Company philosophy and strategy;
- **2019/20** - Between the end of 2019 and the beginning of 2020, the Sales Director leaves the Company to join a competitor. A new Sales Manager is appointed.

Recent milestones in commercial achievements

- **2008 - Diplomatico Rum**. Compagnia dei Caraibi becomes the first European importer of Rum Diplomatico, becoming in 2020 the second most sold product by the Group (21% of sales);
- **2013 - Gin Mare.** CdC acquires the exclusivity rights for the national distribution of Gin Mare, for the first time on the Italian territory. Gin Mare is now the best seller brand of the Company, accounting for 29% of revenues;
- **2015 - Maison Ferrand.** CdC acquires the national exclusivity rights (previously owned by another player) for the distribution of the French producer Maison Ferrand brands: Plantation, Rum, Citadelle Gin, Ferrand Cognac;
- **2016 - Elephant Gin**. In 2016, Elephant Gin, an emerging German super premium gin, previously distributed by another player, choose to entrust Compagnia dei Caraibi with a new exclusivity contract;
- **2016 – Jefferson Amaro Importante.** Compagnia dei Caraibi becomes the exclusive partner for the global distribution of a new range of brands produced by Vecchio Magazzino Doganale, a new player that is entering the market.

  The first brand to be launched is Jefferson, which now represents the premium alcoholic bitter of reference in Italy, winning the World's Best Liqueur Award in 2018 and accounting for ca. 19% of CdC sales in 2020;
- **2018 – Kensei.** Kensei, a new Japanese whisky brand, is introduced on the global market and CdC becomes its exclusive European distributor;
- **2020 - El Dorado**. CdC acquires the national exclusivity rights for the distribution of El Dorado Rum;
- **2020 - Elemento Indigeno.** From December 2020, Elemento Indigeno is added as a parallel portfolio of brands to the historical Compagnia dei Caraibi selection. The new portfolio already counts over 80 brands, 300 SKUs and 70 suppliers.

Compagnia dei Caraibi: Key milestones and achievements from Diplomatico Rum injection



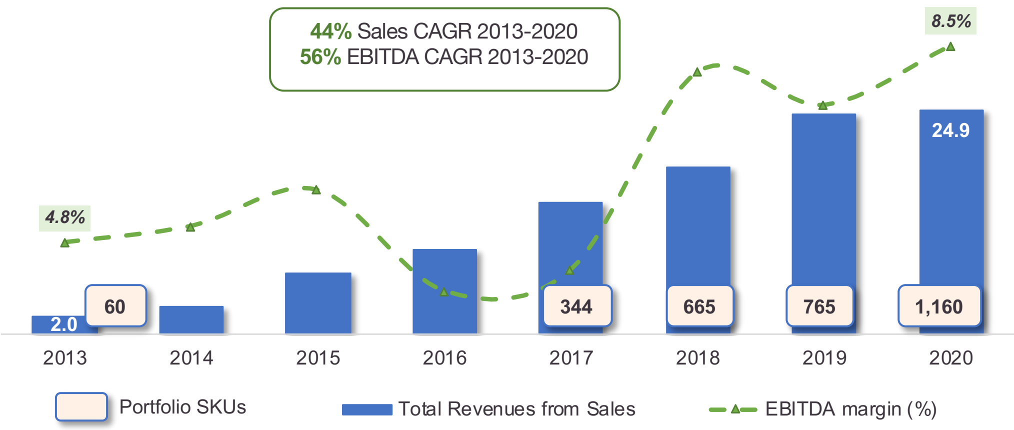
Source: Compagnia dei Caraibi

Historical Financials

In FY20, the Group has recorded **€24.9mn Total Revenues from Sales, with a 44% CAGR$_{FY13-FY20}$**. The top line FY19-FY20 y/y growth (2.0%) was negatively impacted by the pandemic, which took its toll on the beverages market, forced to accelerate towards on-line selling activities to compensate on-trade (HoReCa) lower performances.

FY20 EBITDA stood at €2.1mn, corresponding to a margin on Sales of 8.5%, i.e. boasting a more than proportional 56% CAGR$_{FY13-FY20}$.

Compagnia dei Caraibi: Number of portfolio SKUs (#), Sales (€mn) and EBITDA Margin (%) since FY13



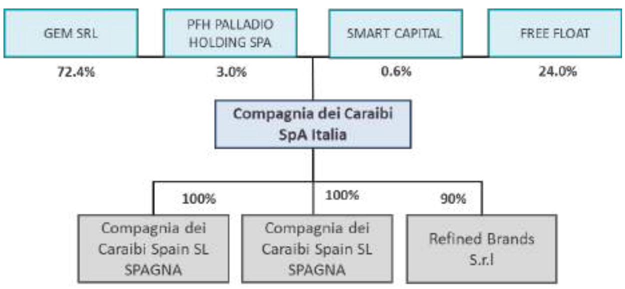
Source: Compagnia dei Caraibi, Value Track Analysis

Shareholders / Management / Group structure

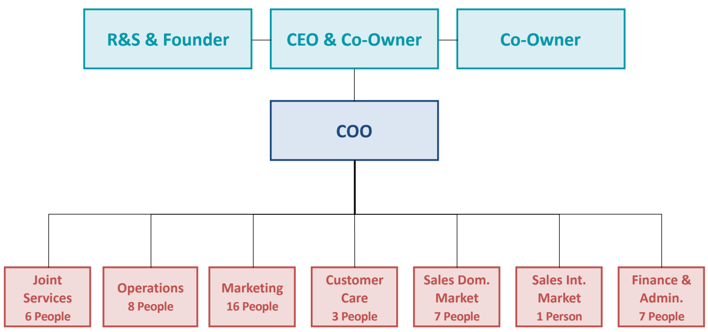
Compagnia dei Caraibi initial project originated back in 1995 with Dario Baracco. As of today, GEM Srl is the holding of Compagnia dei Caraibi SpA and is still fully controlled (100%) by the Baracco family. The Italian company is also the controlling firm for the two newly set organizations in Spain and in the USA.

Compagnia dei Caraibi: Shareholding structure and Organizational structure

Shareholding Structure



Organizational Structure



Source: Value Track Analysis

Business Profile

Over the years, Compagnia dei Caraibi has been able to shape a unique business model based on the talent to recognize and select premium spirits and wine brands with strong growth potential, and ensure exclusivity distribution rights with suppliers thanks to joint brand building activities. Rum Diplomatico, Gin Mare and Amaro Jefferson ever-increasing penetration represent the most significant tangible proofs of the strong market know-how of the Group.

Starting as of 2021, through the ongoing digitalization process and the development of online platforms dedicated to suppliers, clients and consumers, new growth opportunities have opened up, with the Group adding in-app advertising and monthly subscriptions as potential new revenue streams.

Focusing on the premium alcoholic beverage market

CdC business model is structured around a unique value chain, starting from an unparalleled talent scout able to recognize and select the best-in-class high-quality spirits and wine brands from all over the world, ensuring exclusive rights with suppliers thanks to joint brand building activities, and finishing with the distribution of the wide products portfolio across different clientele end-sectors.

More in details, Compagnia dei Caraibi has developed a competitive advantage based upon four key features:

1. **Strategic suppliers and exclusivity distribution rights**;
2. **Extensive high-end brand portfolio;**
3. **Sales network covering the entire national territory;**
4. **Well diversified clientele across on-trade and off-trade sales channels.**

1. Strategic Suppliers and exclusivity distribution rights

Brands suppliers undoubtedly represent the strategic differentiator for the Company business model. Compagna dei Caraibi boasts ca. **160 suppliers**, of which 90 for spirits and 70 for wines.

Commercial relationship between CdC and suppliers is mostly based on **exclusive distribution rights** on a national level (Italian territory). In some cases, the exclusivity is extended to European (e.g., Kensei) or Global (e.g., Jefferson) grounds.

Over the latest three years, on a cumulated basis, the first 10 brands owners account for ca. 86%-89% of total purchases. Hence, there is a potential concentration risk depending on suppliers bargaining power and by the possibility of unilateral contract termination. However, CdC was able to convert this threat into a strong competitive advantage, differentiating its value proposition trough:

- Definition and implementation of **brand building and strengthening strategies**, i.e. marketing investments to achieve the affirmation of brands and distributed products on the market.

  With joint brand building strategies, CdC differentiates itself from simple importers and distributors and provides an additional opportunity for the supplier, enabling a strong brand awareness development while maintaining a premium positioning and a flat retail price over time.

  Online and offline activities contributing to brand building strategies are

  1) traditional advertising;
  2) infiltration;
  3) public relations;

4) B2B events;
5) B2C events;
6) digital communication (social, blog presence);
7) trade advocacy
8) wine tasting and master-class
9) sponsorship;
10) in-store visibility.

Brand building investments create additional value for CdC growth as they increase the chances to sell more volumes of distributed brands. As such, this activity has also brought value to the benefit of brand owners, with CdC building successful case-histories and asserting the credibility of the Company on the market;

- Creation and consolidation of a **human and personal relationship** with brand owners, with whom the Group shares a vision of solidarity, adherence to ethical projects and shared values;
- A&P (advertising and promotions) investments;
- Negotiation of **multi-annual contracts** (3-years or 5-years deals) with a termination fee for the supplier who decide to break the agreement previous to its deadline;
- Transform and **adapt relationship agreements to suppliers' new requirements** (e.g., internationalization, partnerships, joint ventures);

In addition, thanks to an extensive and differentiated brands portfolio, Compagnia dei Caraibi mitigates the risk of losing a brand by providing for each spirit and wine category the presence of emerging but promising SKUs. For instance, in the Gin category, apart from the "big name" Gin Mare, some niches products such as Whitley Neill and 400 Conigli are rapidly consolidating their volumes and their ability to generate revenues.

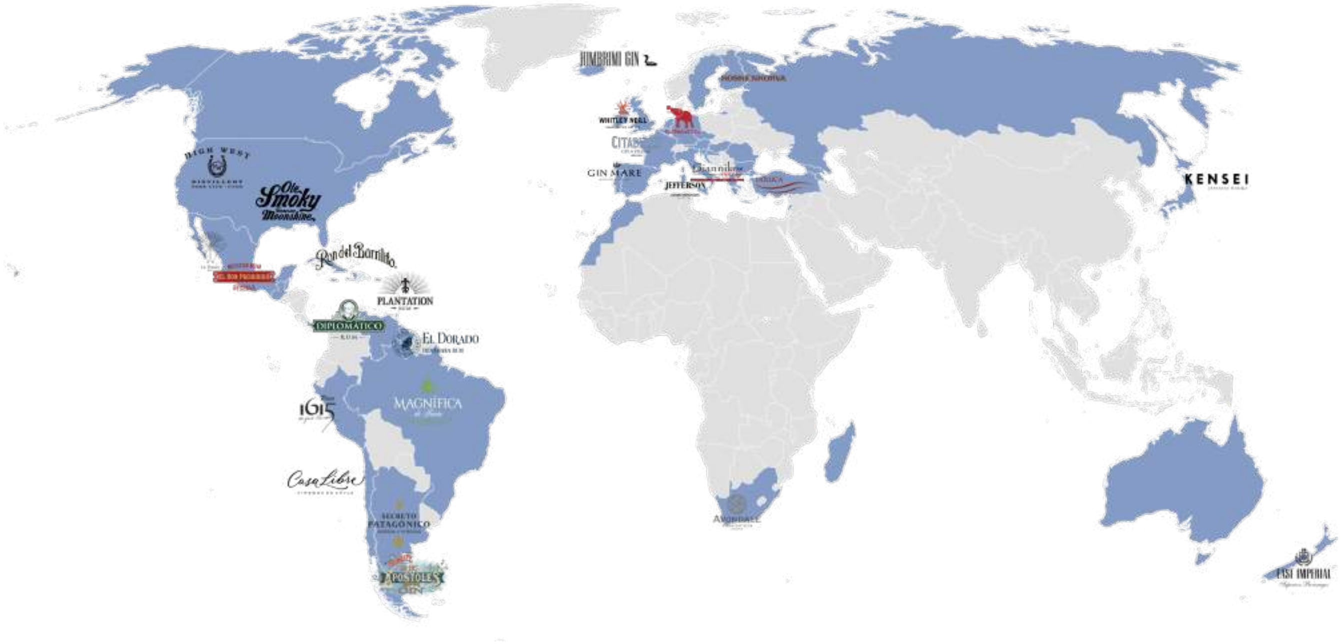
2. Extensive high-end brand portfolio

Compagnia dei Caraibi brand portfolio includes spirits and wines imported from ca. 60 countries in the world, and it is divided between two catalogues:

- **Compagnia dei Caraibi** historical selection of **spirits and complementary products**, allowing the Company to grow and consolidate its presence over the years and counting more than 160 brands, 800 SKUs and 90 suppliers;
- **Elemento Indigeno**, the most recent **wine selection** coming from all the continents of the world, presented in December 2020 and counting over 80 brands, 300 SKUs and 70 suppliers.

Therefore, the Group provides ca. 240 brands, 1200 SKUs, and 160 suppliers.

Compagnia dei Caraibi: Portfolio coverage



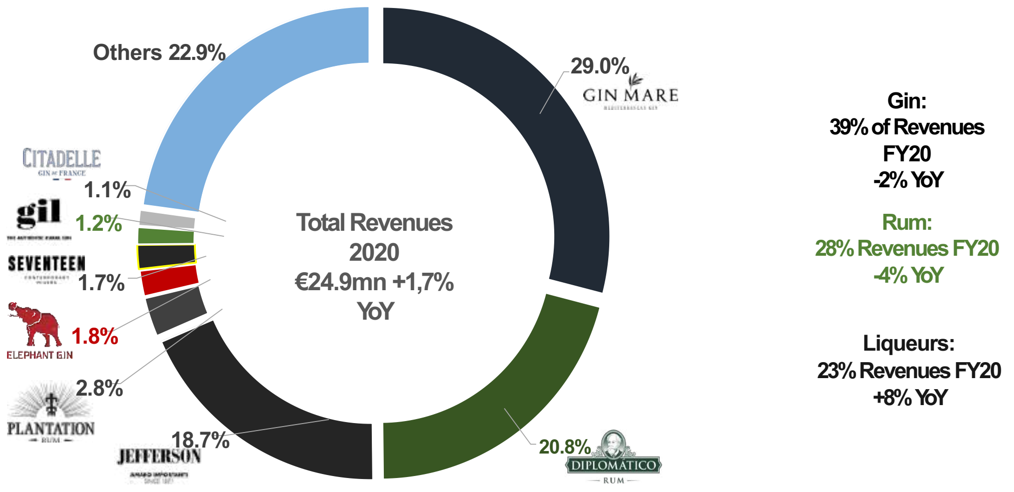
Source: Compagnia dei Caraibi

With over 800 references, the spirits portfolio is Compagnia dei Caraibi flagship and presents a complete and articulated offer of premium and super premium products covering all categories of distillates, liqueurs and complementary products for mixology.

A unique feature of Compagnia dei Caraibi catalogue is one of the largest and most comprehensive European selection of Agave distillates (almost 70 SKUs).

Looking at portfolio composition and revenues concentration, just with Gin (39%), Rum (28%) and Liqueurs (23%), Compagnia dei Caraibi covered 90% of 2020 revenues, by far the most prominent categories of the portfolio.

Compagnia dei Caraibi: FY20 Sales breakdown by product category



Source: Compagnia dei Caraibi

The spirits selection features outstanding case studies on CdC best-selling products, such as:

- **Diplomatico Rum** – was introduced in Europe by CdC in 2008, the Group was able to double the brand selling volumes from 2015 to 2020, with a CAGR of 13% (2016-2020, *Source*: IWSR). In the off-trade channel, Diplomatico has strong growth opportunities, thanks to a broad variety of SKUs allowing for a high-end offer (Premium, Super Premium, Ultra Premium, Prestige, Prestige Plus).

  In 2020, Diplomatico accounted for 21% of total revenues, and in 1Q21 it showed a remarkable growth, signaling additional potential brand expansion;

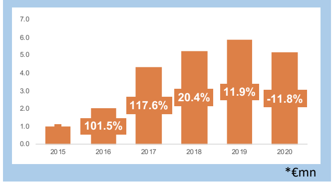
Compagnia dei Caraibi: Dilpomatico Rum key features

DIPLOMÁTICO RUM

- Introduced in Europe by CdC in 2008
- Volumes sold 2X from 2015 to 2020
- Volumes CAGR 2016-2020 +13% (*Source*: IWSR)
- Strong growth opportunities in the off-trade channel
- Wide range of offer in the highest-end categories: Premium, Super Premium, Ultra Premium, Prestige e Prestige-Plus

21%
of FY20 Total Revenues

-11,8%
FY20 y/y organic growth



Source: Compagnia dei Caraibi

- **Gin Mare** – was launched in Italy by CdC in 2013, and now boasts the strongest revenues share among the whole portfolio (29% of 2020 total revenues). Gin Mare is now the Italian premium gin of reference, with a solid awareness that allows CdC to record an increase of 2.8% y/y despite Covid-19 challenges. Volumes sold have doubled between 2017 and 2020, with $\text{CAGR}_{2016\text{-}2020}$ at 37%;

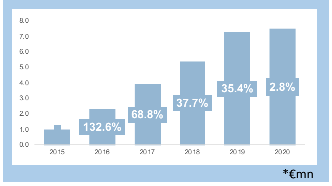
Compagnia dei Caraibi: Gin Mare key features

GIN MARE MEDITERRANEAN GIN

- Introduced in Italy by CdC in 2013
- Volumes sold 2X from 2017 to 2020
- Volumes CAGR 2016-2020 +37% (*Source*: IWSR)
- Italian Premium Gin of reference
- High brand awareness allowing to record a y/y growth in 2020 despite Covid-19

29%
of FY20 Total Revenues

+2.8%
FY20 y/y organic growth



Source: Compagnia dei Caraibi

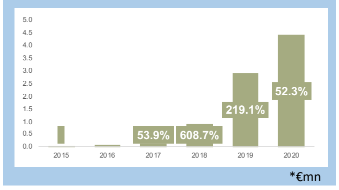
- **Jefferson** – was introduced in 2016 by CdC, with global exclusivity distribution rights. The liqueur, that won the World's Best Liqueur Award in 2018, experienced an astonishing volume $CAGR_{2016\text{-}2020}$ of 158%, featuring an exceptional positioning in the on-trade sales channel that could enable solid growth opportunities at a global level, especially in Europe and USA.

Compagnia dei Caraibi: Jefferson key features

- Introduced in 2016
- Volumes CAGR 2016-2020 +158% (*Source*: IWSR)
- CdC holding global exclusivity distribution rights
- Strong potential growth opportunity at global level, especially in EU and USA
- Premium Italian Liqueur of reference
- Solid positioning in the on-trade channel as well

19%
of FY20 Total Revenues

+52.3%
FY20 y/y organic growth



Source: Compagnia dei Caraibi

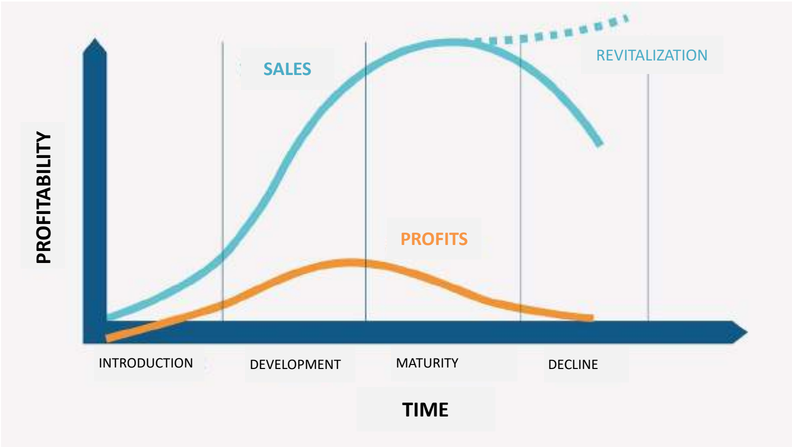
Spirits portfolio comprehends both **third parties brands** (the great majority, generating over €23mn of revenues) and **proprietary products** (ca. €400k in 2020), representing a marginal but additional growth opportunity for CdC. Currently, brands owned by CdC are Carlo Alberto (vermouth, winner of World Drinks Award for the vermouth category in 2020), Salvia e Limone (digestive), Bitter Rouge (liqueur), Amaro Mandragola (liqueur) and some wine labels under a new trademark (not yet registered). For these references, the Company covers raw materials cost and outsource production and bottling activities to partners (Torino Distillati, Moncalieri). In addition, brand building activities and investments are stronger with respect to third parties brands that CdC only distributes.

Compagnia dei Caraibi: Compagnia dei Caraibi Spirits Portfolio

Source: Compagnia dei Caraibi

In the world of spirits, characterized by trends and fashions, each product has its own (more or less) **long life cycle**. Historically, the time required to bring a product to commercial maturity from introduction varies between 4 to 7 years. Life extension is possible by pushing on some additional sales channels (e.g., Large-Scale Retail) to increase volumes sold and revitalize sales, however at the expense of marginality. According to CdC sales evolution, in our opinion, none of the brands in the Group portfolio has yet reached its declining phase. The Company ability consists in knowing how to dilate and extend the life phases of its products, thanks to the mentioned brand building activities and by using the right mix of sales channels during all the various lifecycle phases.

Spirits maturity life-cycle



Source: Value Track analysis

From December 2020, **Elemento Indigeno** was added as a new, wine-dedicated catalogue to CdC broad portfolio. The selection includes the most recent and articulated brands from all over the world, with a diversification also based on biological and biodynamics characteristics.

The creation of Elemento Indigeno set the objective for a stronger market penetration of the HoReCa and wine-shops (retail) sales channels.

Compagnia dei Caraibi: Elemento Indigeno Wine Portfolio

Source: Compagnia dei Caraibi

3. Sales network covering the entire national territory and beyond

The main operational Italian headquarter of the Group is situated in **Colleretto Giacosa** (Turin), boasting 640m² of office spaces and 820m² as a secondary warehouse, while the registered office is located in Vidracco (Turin). From February 2021, CdC also has an office in Turin city center, in order to ensure adequate space to support the growth of the Company. The main warehouse is located in **Bentivoglio** (Bologna) at Schenker Group seat, the specialized logistics partner of CdC.

On the international level, Compagnia dei Caraibi Incorporated should be operative from 4Q21 and is located in the New York State (operational HQ) and in New Jersey (logistics HQ).

Compagnia dei Caraibi Spain SL has a logistic HQ located in Barcelona, while the operational activity is split between the Italian company and outsourced to local partners in Madrid.

Compagnia dei Caraibi: National and International presence

Source: Compagnia dei Caraibi

CdC sales network is organized upon the Italian administration and the International one (Spain and USA):

- **Italian Sales Network** – includes the Sale Manager, 3 Sales Leads, who are responsible for the coordination of the unit. In the two strategic areas of North East and Southern Italy, there are 2 Field Specialists supporting the sales network, overseeing key customers and ensuring the expansion and growth of the local markets of reference. Agents (61 agencies, for a total of 120 agents with multiple mandates) deal with new client acquisition and customer management. All the agents have multiple mandates, generally from active companies in the wine and spirits industries, however not CdC competitors. Such a feature represents an added value for the Group, allowing the sales network to offer a wide proposal to customers, also using brands of other mandates as input levers. In addition, the Italian network includes a Large-Scale Retail business provider as well, searching for potential opportunities in the related sales channel;
- **International Sales Network** – counts 1 Sales Manager, 1 External Collaborator for APAC market development, 10 multiple mandates agents in Spain an 8 in the US. If necessary, 1 of the Italian Sales Leads supports the international division.

CdC has different partners that cover **inbound, outbound distribution and warehouse management**, allowing for an efficient operating expense management.

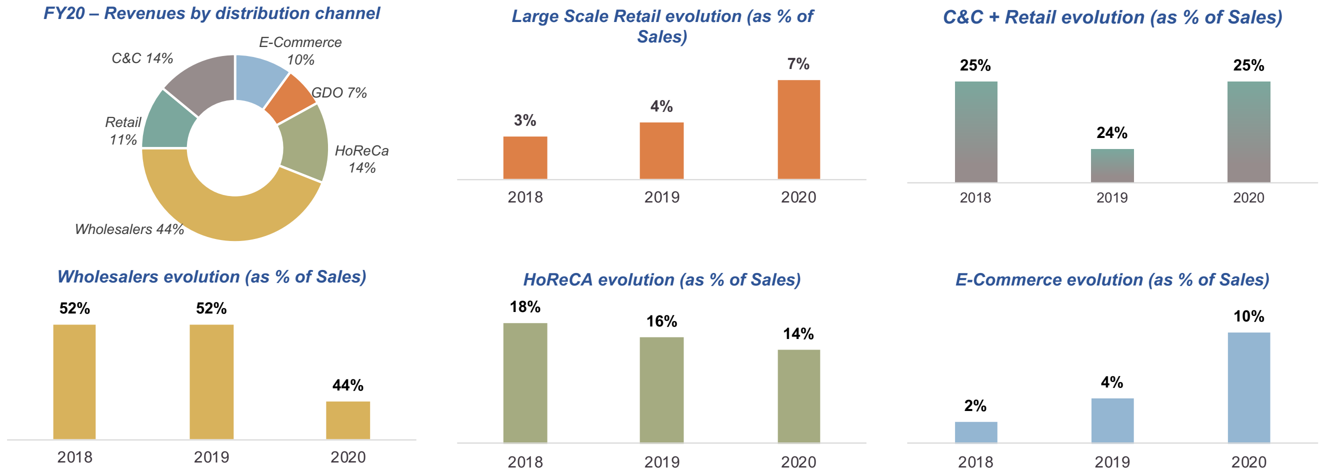
While the Group works with 8/10 in-bound conveyors (e.g., Embassy Freight Services, Hillebrand, Italmondo), the outbound distribution is entirely entrusted to Arcese, able to cover the entire national territory. Since February 2020, the logistics and warehouse management partner is Schenker, contributing to an improved time to market thanks to the geographical strategic positioning in Bologna.

4. Well diversified clientele across on-trade and off-trade sales channels

CdC premium brands are offered to a well-diversified clientele, divided in on-trade and off-trade customers. In detail:

- **HoReCa** - Hotels, Restaurants and Cafes, characterized by a high turnover (3 out of 4 bars do not reach 5 years of operations), weighting for 14% of 2020 Italian revenues;
- **Wine-shops** – Retail channel, weighting for 11% of Italian revenues in 2020. Elemento Indigeno, the newly established wine-focused portfolio has been created with the intent of increasing the market penetration in this sector (and in HoReCa);
- **E-commerce** – Boosted by pandemic, now represent 10% of Italian revenues from 4% in 2019. Amazon is the 2nd client of the Group, with Vino.com, Tannico and Bernabei being the other main e-commerce web sites for alcoholic beverages where CdC products are present;
- **C&C** (“Cash & Carry”) – has a share of 14% on revenues and is another direct sales channel;
- **Wholesalers** – Being the bulk of CdC sales, are however seeing their share decreasing over the last years (44% in 2020 vs. 52% in 2018 and 2019), with the Group aiming at an even stronger diversification and a more significant shift towards direct sales channels;
- **Large-Scale Retail** – representing 7% of Italian sales, increasing from 4% in 2019, and 3% in 2018. Indeed, CdC is progressively heightening its focus on a direct relationship with Large-Scale Retailers (not intermediated by distributors), with the aim of controlling the market through the right SKUs shelf positioning and taking advantage of available opportunities for portfolio extension that could be present in this channel. As of 1Q21, the Group has signed contracts with some of the most relevant Italian large-scale distribution chains such as Coop, Conad, Esselunga, Eataly and many others.

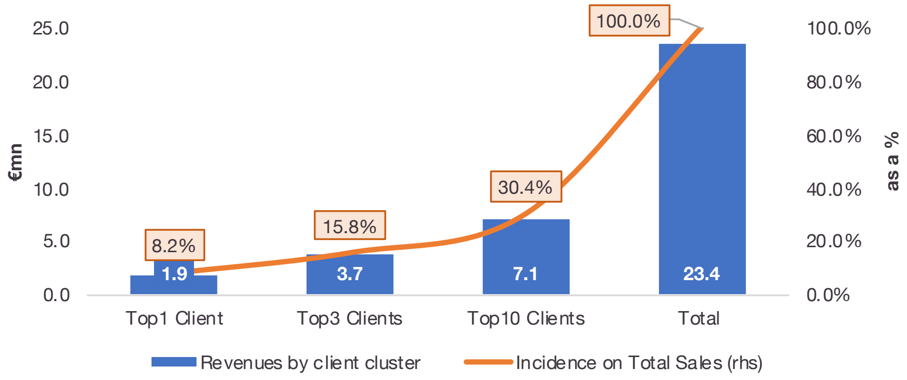
Compagnia dei Caraibi: Revenues from Sales breakdown by sales channel



Source: Compagnia dei Caraibi

Overall, the top 10 clients represent 30% of total sales, hence suggesting a **low concentration and a wide-ranging clientele**, thus lowering the risk of dependency by a restricted number of customers and their solvency.

Compagnia dei Caraibi: Low client concentration



Source: Compagnia dei Caraibi

The Company has decided to focus more on direct sales channels, therefore reducing the share on revenues from wholesalers in favor of HoReCa, Retail and E-commerce. During 2020, Covid-19 did not allow for HoReCa share to consolidate, however, starting from 2021, CdC is expected to revive this strategy, also thanks to the newly introduced Elemento Indigeno wine selection.

Generally, in terms of **average brand prices per channel**, both spirits and wines are sold at more expensive conditions to E-commerce and large-scale retailers (representing a direct sales channel with no intermediaries), HoReCa and retail stores (due to the lower amount of bottles that are generally purchased by these clients). On the other hand, wholesalers and C&C usually place higher volumes orders, hence benefitting from lower unitary prices.

Digital evolution: an additional competitive differentiator

In 2018 Compagnia dei Caraibi started an intense digital evolution process to unlock additional revenue streams and contribute to share the culture of premium beverages across consumers.

After implementing **SAP** as internal ERP in 2015, beginning from 2018 the Company has developed **MIDA**, a proprietary platform with the goal of providing a simple and intuitive online interface and communication channel to both the sales network and clients.

Covid-19 has furtherly accelerated the process towards a more digitalized offer of additional services. Indeed, despite continuing to maintain full operation, CdC was forced to focus its strategies on the strengthening of its presence in the off-trade and E-commerce sales and on the introduction of training and informative webinars for the Group sales network and customers.

As a consequence, in 2020, CdC completed the development of **Orion**, a platform aimed at the construction of products price lists and relative margins.

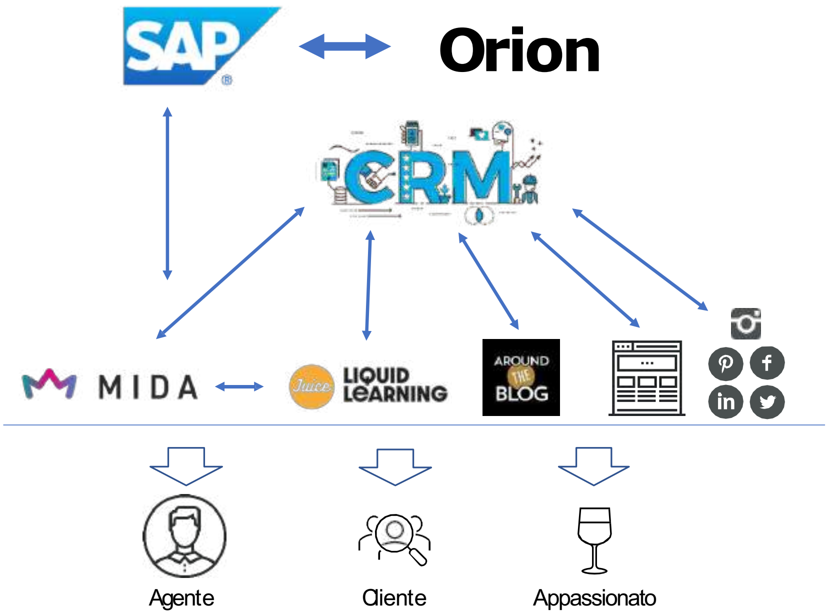
More, the **Juice Liquid Learning** formative platform is expected to be implemented by 4Q21, a key tool for an improved customer experience, allowing consumers to learn more about the premium beverage industry and values on the one hand, and serving as a fidelization opportunity for CdC on the other. As a mobile application, and thanks to the integration with MIDA, digitalization could soon become a marginal but additional stream of revenues through:

1. **Monthly subscriptions** from final consumers, as they would access learning opportunities and special promotions;
2. **In-app advertising**.

Juice realization follows the objective to boost CdC brand awareness across the premium spirits market, initiated in 2020 with **Around the Blog**, the Company official blog.

Finally, in the first half of 2022, a **CRM system** is expected to be implemented.

Compagnia dei Caraibi: Digital evolution



Source: Compagnia dei Caraibi

Reference Market

Compagnia dei Caraibi brand portfolio mostly includes spirits and wines, therefore the main reference market broadly relates to the alcoholic drinks one, expected to come back on 2019 level by 2021 (USD1.6tn), then to steadily increase at high single digit up to 2025. Anyway, CdC strategic positioning in high-quality premium spirits, its low penetration in the wine segment and the high concentration of domestic sales to consolidated figures, inevitably suggest a ~USD2bn addressable market.

Market demand for high-premium spirits instead appears more attractive, with revenues expected to increase doubled-digit by 2025E, as a healthy consumer market would trigger a clear trend towards higher-priced specialty products that offer new sensory profiles or very special ingredients.

Compagnia dei Caraibi brand portfolio mostly refers to high-quality premium spirits and wines, selected from 60 countries across the globe. As already seen, with over 800 references, the spirits portfolio spreads across a multitude of distillates, from whisky to rum, from gin to vodka, and embeds both third parties and licensed/co—owned products.

At first sight, CdC reference market appears really wide, as includes many products, different segments and distribution channels. However, given the Group strategic positioning, it follows a deep analysis on CdC reference market in terms of size, key growth drivers and expected trends along two main dimensions:

1. Alcoholic Drink market;
2. High-end premium spirits.

The Alcoholic Drinks market

US$1.6 trillion revenues in 2019…

The global Alcoholic drinks industry reached around USD1,638bn total revenue in 2019, that means 298 billion liters of alcoholic drinks sold (*Source*: Statista Consumer Market Outlook, 2020).

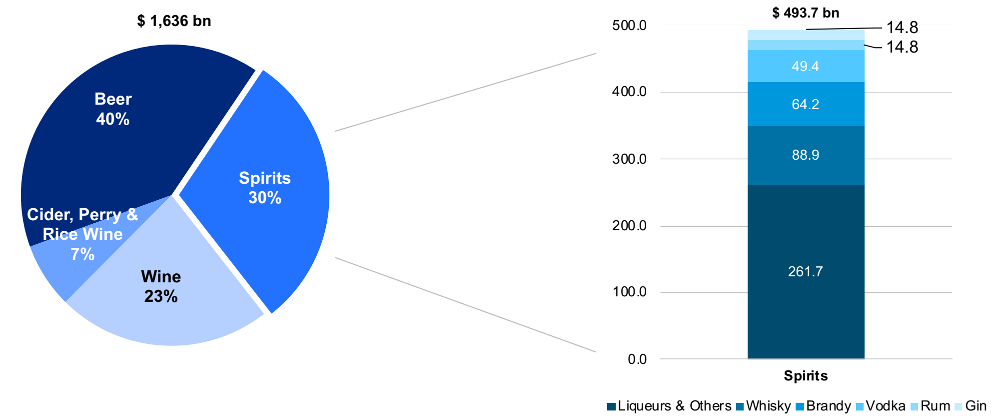
The alcoholic drinks market can be divided into four main segments: Beer, Spirits, Wine and Cider, Perry & Rice Wine. Spirits in turn include whisky, vodka, rum, gin, brandy, liqueurs and other spirits, while wines can be classified as still wine, sparkling wine and fortified wine.

The Alcoholic Drinks market by segment

Source: Statista Consumer Market Outlook, 2020

As of 2019, beer constitutes the largest segment with a USD651bn turnover (40% revenue share), followed by spirits (USD494bn,), wine (USD378bn) and lastly Cider, Perry & Rice Wine (USD116bn) relatively smaller in comparison.

The Alcoholic Drinks market by segment



Source: Statista Consumer Market Outlook, 2020 – Value Track data elaboration

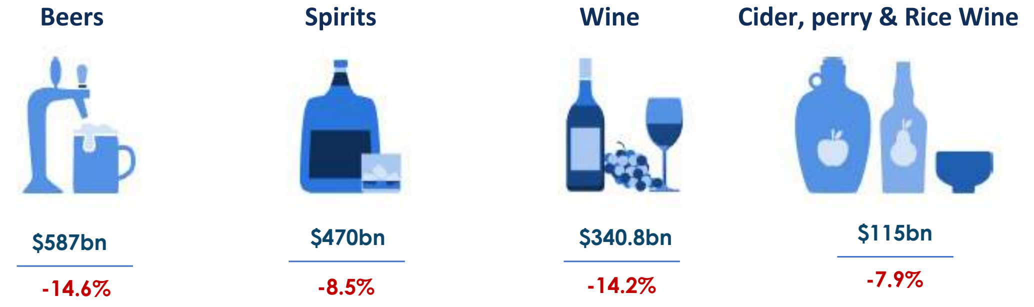
As far as alcoholic market historical growth rates and drivers are concerned, we can assess that:

- Historical CAGR can be estimated to stand in the mid-single digit rate, and a similar growth pace is assumed for domestic sales;
- A fall to flattish trend can be observed in per-capita alcoholic consumption, with Western Europe countries recording the longer-term decline. In Italy, alcohol consumed per capita almost halved over the last 40-years;
- There was some correlation with per capita income. High-income households report slightly higher alcohol consumption.

… witnessing a revenue decline in 2020…

Covid-19 pandemic obviously had material negative impact on the out-of-home segment (also called on-trade market, including restaurants, hotels and pubs) due to the closing of stores and travel restrictions. According to the latest available market research provided by Statista (November '20), revenues for alcoholic market should have drop to USD1,514bn in 2020, -7.5% y/y. Similar results are expected from a recent market research provided by the credit agency Moody's on the global beverage industry. On the other side, pandemic has also triggered some shifts in consumer behaviours across key markets: as a matter of facts, the trend towards industry premiumization was very pronounced in spirits, which are gaining market share from wine and beer, as also highlighted in the box below.

2020E Revenues by market segment and post Covid cut in growth expectations



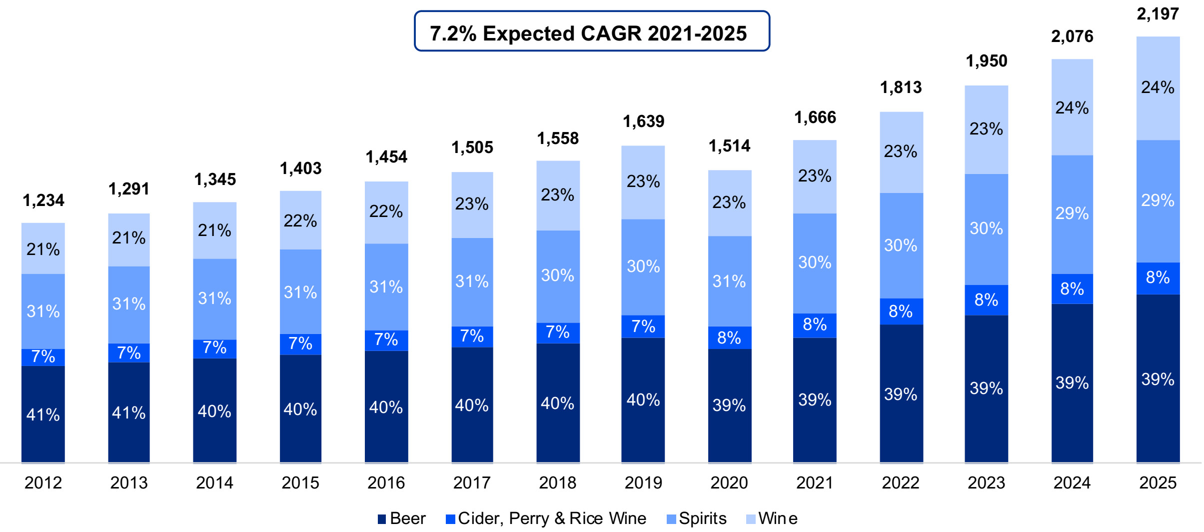
Source: Statista Consumer Market Outlook, 2020 – Value Track data elaboration

… followed by a V-shape recovery, then to steadily increase high-single digit

Given positive trends in vaccination rates, particularly in US and Europe, industry experts now predict a faster than previously expected recovery. In details, worldwide alcoholic drinks revenues are likely to come back to 2019A by 2021E, then to steadily increase at high single digit CAGR (7.2%) up to 2025E, hence, to reach USD2.2tn at the end of projection period.

As specific market segments are concerned, we hint that wine is expected to post the higher annual growth rates ahead, followed by cider, perry and rice wine (i.e. fermented alcoholic beverages constituted by fruit wines like cider and perry and rice), forecasted to grow at 8.2% CAGR.

Global Alcoholic Drinks market: Historical and forecasted evolution (USDbn)



Source: Statista Consumer Market Outlook, 2020

Features and key drivers of alcoholic beverages market

According to current market sentiment, the key trends driving global alcoholic market over the next years, can be summarized as follows:

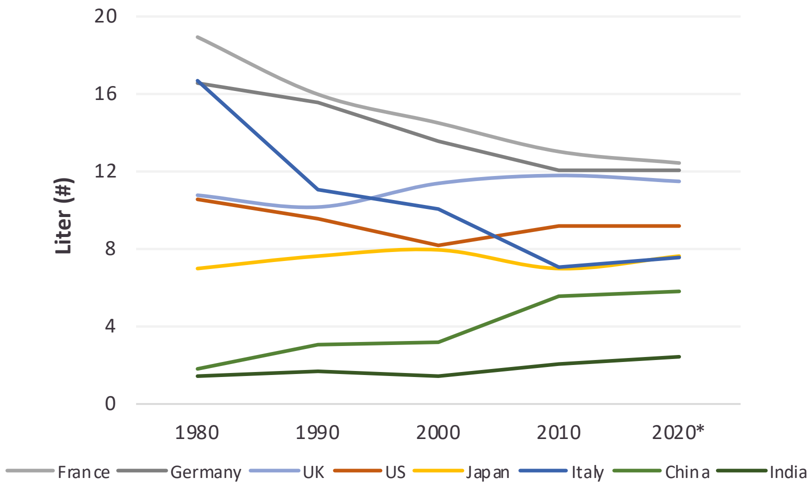
1. Changing demographic and rising health awareness;
2. Premiumization leading to "Less but better" consumption;
3. Increasing consumption of low/no alcohol and organic drinks;
4. eCommerce market rapidly growing.

1. Changing demographics and rising health awareness

As already seen before, per-capita consumption of alcoholic drinks, experienced a fall to flattish trend over the last decades. People are living longer, while births are declining, meaning world population is getting older. Thus, over 55 years old people represent the fastest-growing demographic, which will translate into different consumption patterns for alcoholic drinks. The strong desire among women and men to retain healthier lifestyles has triggered a market decline especially across Western Europe, while a stable trend was in general recorded in UK and US. Conversely, emerging countries such as China and India experienced a gradual increase over the last decades, reaching a certain level of saturation by 2020.

Summing up, changing demographics and the rising health awareness represents the key driver underlying the alcoholic industry outlook. The changed age structure, as well as the higher awareness about health and wellness across "millennials" (if compared to previous generations), are likely to act as brake on market demand, and sales volume over the forecasted period.

Per-capita (15+ years) consumption of alcohol



Source: Statista Consumer Market Outlook, 2020

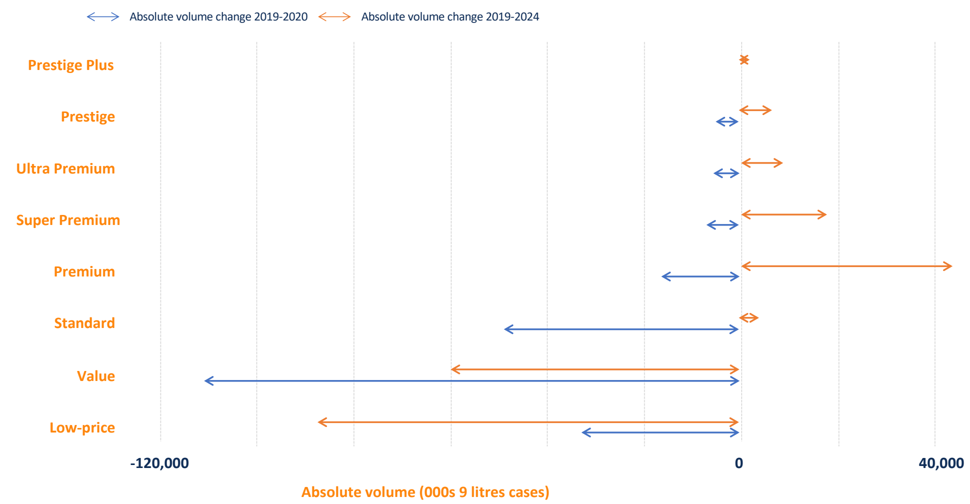
2. Premiumization leading "Less but better" consumption

Despite a material fall in out-of-home segment due to lockdown restrictions, Covid-19 pandemic has had an impact on consumer behaviors and preferences, and as result, a tendency towards a "less but better" consumption has emerged also in the alcoholic industry.

According to IWSR, a premiumization trend will continue also in the post-pandemic, with consumers expected to favor high-quality alcoholic drinks.

As spirits are concerned, premium and ultra-premium should gain further market shares at the expense of low-price and value products.

Total spirits volume by prance band, 2019-2024 (19 focus countries)



Source: IWSR ebook "5 key trends that will shape the global beverage alcohol market …"

3. Increasing consumption of low/no alcohol and organic drinks

Health-conscious consumers are driving demand for more innovative non-alcoholic options, as well as for organic beverages, and in particular wines.

The low- and no-alcohol market has kept growing at sound pace in the recent years, with an increasing number of consumers willing to pay premium prices for these products. "No/low" beer holds a 92% share of total market, while on the contrary the "no/low" spirits category has only a 0.6% share, albeit a 34% y/y increase in 2020 (*Source:* IWSR), with many traditionally alcoholic distilleries starting to introduce non-alcoholic products. Indeed, the outlook seems extremely positive, with low- and no-alcohol market expected to grow at high-double digit CAGR (31%) by 2024E

The organic beverages market is also facing a strong market demand, as consumers are preferring beverages that are free from flavoring agents, preservatives ad synthetic pesticide-free.

The rising sentiment for sustainability is driving the organic wines market growth (currently a small subset of the global still wine industry), particularly at European level.

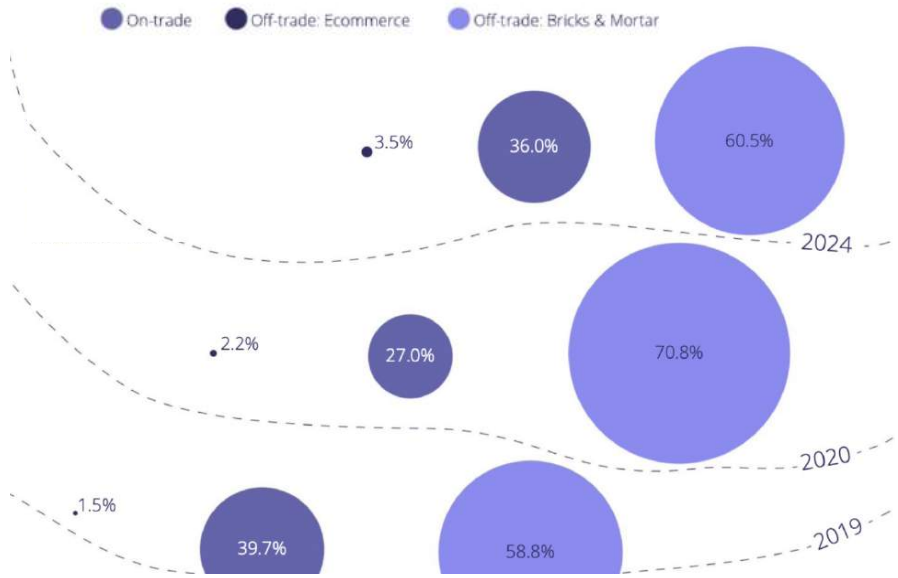
4. eCommerce market has impressive development potential

The continuing trend towards premiumization, offers opportunities for growing eCommerce sales, and in particular for smaller brands. The rise of at-home drinking prompted many brands to shift their strategies on the online channel, therefore pushing the e-Commerce market value up 40% y/y in 2020 (according to IWSR).

Having said that, we highlight that the online sales channels are still relatively underdeveloped if compared to non-food consumer goods. More, based on data elaborated by IWSR on 10 core countries, volumes generated by e-Commerce still cover an extremely small market share at 2.2%.

Market experts believe that eCommerce for alcoholic beverages has enormous development potential ahead, and the already started shift would continue in the foreseeable future. Volumes from online sales are likely to gain some market share by 2024E from the on-trade channel (HoReCA).

Total Alcohol Volume by Channel (10 core markets) 2019-2024



Source: IWSR ebook "5 key trends that will shape the global beverage alcohol market …"

Focus on premium spirits

Italian alcoholic drinks market – wine dominating the scene

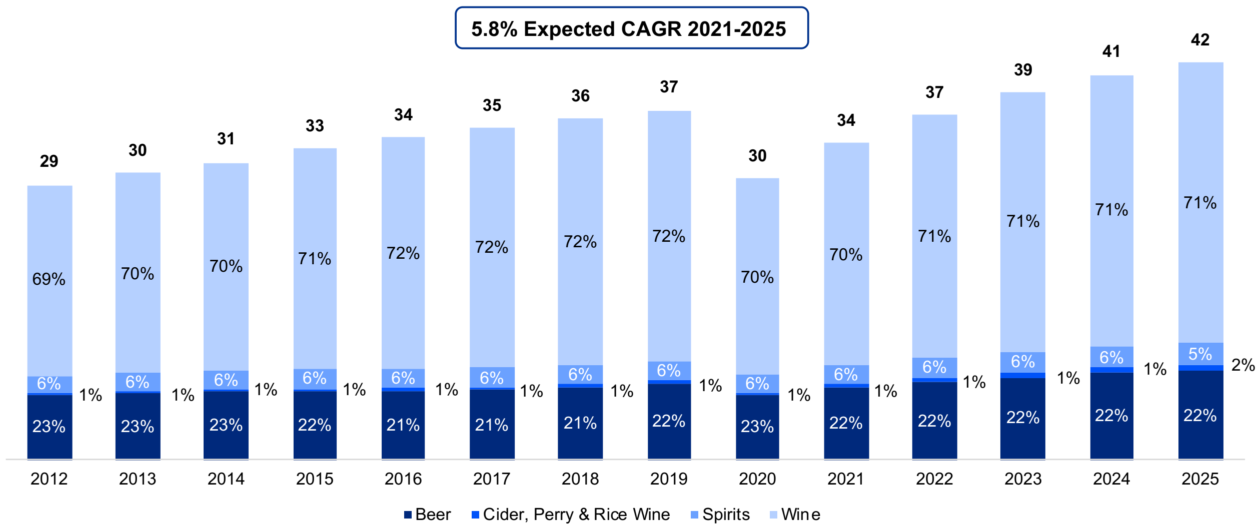
In 2019, the Italian Drinks market accounted for ca. 2.3% of the global one, i.e. approximately USD 37bn (*Source*: Statista Consumer Market Outlook 2020, Value Track elaboration).

While beer and spirits boast the higher market share at global level (combined 70% in 2019), on the contrary the Italian market is dominated by wine, accounting for ca 72% of 2019 total value, or ca. USD 26.6bn.

Italian alcoholic beverages revenues are expected to return at pre-Covid levels at a slightly slower pace than the global market, coming back at USD 37bn in 2022 only. Overall, the expected CAGR for the 2021-2025 period should be around 5.8%, lower than the global 7.2%.

In terms of specific segments, cider, perry & rice wine should post the highest growth rates, followed by the remaining categories.

The Italian Drinks market expected to reach USD42bn (data in USDbn)



Source: Statista Consumer Market Outlook, 2020

Italian spirits market

Spirits is the main reference market for Compagnia dei Caraibi. Indeed, up to 2020 CdC's focus was almost entirely on premium spirits (but from a small selection of champagnes and sparkling wines), and it was only in 2021 that took place the launch of Elemento Indigeno selection, aimed at allowing CdC to attract additional customers in the wine segment.

On a volume basis, spirits account for a small 2.6% share of total domestic alcohol consumptions, (129mn liters compared to ca. 5.3bn liters of total alcoholic beverages in 2019, ca. 106mn liters vs 4.9bn in 2020), but the weight is obviously higher in terms of turnover, as spirits generate ca. USD 2.1bn revenue figure (data as of 2019) i.e. 6% of total.

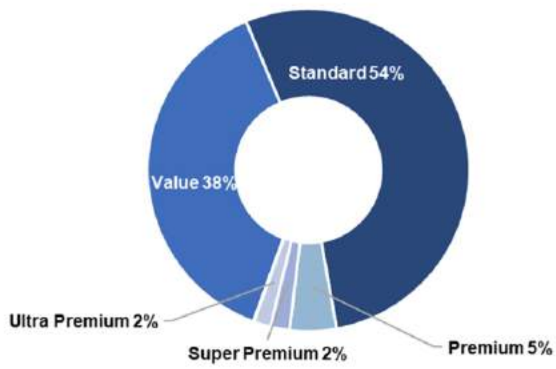
The spirits market can be analyzed along the following dimensions: 1) price range, 2) players' size, 3) players' role in the value chain.

1. **Product price ranges**. IWSR provides eight price clusters in order of brand perceived quality, being low-price, value, standard, premium, super-premium, ultra-premium, prestige, and prestige-plus.

   The spirits market is deeply concentrated on the low-end side, with value and standard products accounting for over 90% of total volume consumed in 2020. On the other hand, more premium products share the remaining part of the market, with prestige and prestige plus categories contributing for less than 1% to total volumes.

Italian Spirits market – 2020 consumption data by price band

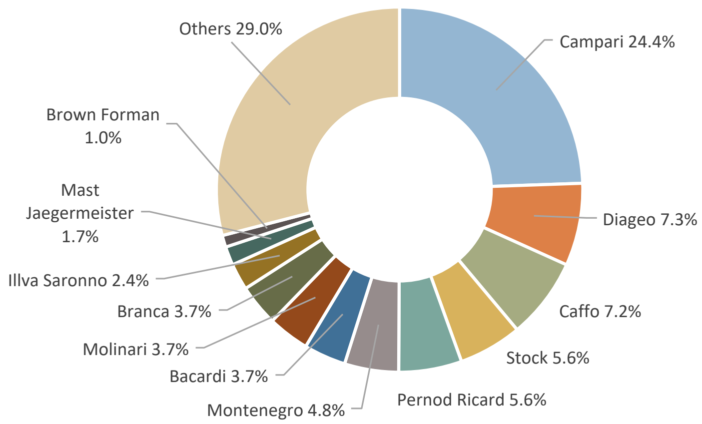
2020 Spirits Consumption Data		
Price Band	**mn lts**	**% on Tot.**
Low-Price	0	0%
Value	40	38%
Standard	57	54%
Premium	5	5%
Super Premium	2	2%
Ultra Premium	2	2%
Prestige	0.06	0.06%
Prestige-Plus	0.006	0.01%
Total	**106**	**100%**



Source: IWSR Domestic Volume Report 2020– Value Track data elaboration

2. **Player's size**. As of 2020 the Italian Spirits market totalled approximately 280-300 major active players, be them owners (producers) or distributors. The industry is fairly concentrated as the top 12 players account for 71% market share. Campari is the undisputable leader, (24% market share) followed by Diageo (7%), Caffo (7%), Stock (6%) and Pernod Ricard (6%).

The Italian Spirits market – 2020 volumes market share by brand owner



Source: IWSR Domestic Volume Report 2019 – Value Track data elaboration

- **Player's role in the value chain**. The top 10 companies in terms of domestic market share are, with different features, both owners/producers and distributor of brands. In general, these big players have a slightly higher market share on the distribution market than in the production one, as they also distribute third parties' brands.

On the other hand, we have smaller specialized companies that focus on either production or distribution. For instance, Mast Jaegermeister, Brown Forman and Beam Suntory are spirits producers-only, while Velier, Gancia, Meregalli, and Rinaldi are more similar to Compagnia dei Caraibi business model, hence dedicating the great majority of their effort towards the distribution activity.

We underline an inverse correlation between size and price/quality positioning. Indeed, while largest players provide a more standard offer, the majority of smaller companies tend to focus more on quality as key element of differentiation.

The Italian Spirits market – Compagnia dei Caraibi positioning

Source: IWSR Domestic Volume Report 2020– Value Track data elaboration

NB: Caffo, Amaro Montenegro, Bacardi, Branca, MoetHennessy and Illva Saronno are key players both in terms of distribution and production, however, they more skewed to the distributors quadrants for graphic reasons

Compagnia dei Caraibi competitive positioning

Compagnia dei Caraibi core business is based on the selection and distribution of the best-in-class high-quality spirits brands from all over the world.

As such, if we take as a reference the above mentioned chart, and we stick to premium and ultra-premium segments, we note how CdC competitive environment is represented by players such as Velier, Ghilardi, Meregalli, and Rinaldi. For instance, in the ultra-premium segment, Compagnia dei Caraibi, Velier, and Meregalli hold the 22%, 10%, and 6% of exchanged volumes, respectively.

Italian Spirits market – 2020 consumption data and market share by Group in selected price bands

Ultra-Premium		
Group	**000 lts**	**% on Tot**
Compagnia dei Caraibi	394	22%
Diageo	357	20%
Velier	179	10%
Moet Hennessy	158	9%
Meregalli	114	6%
Campari	101	6%
Rinaldi	67	4%
Others	433	24%
Total	**1,802**	**100%**

Prestige-Plus		
Group	**000 lts**	**% on Tot**
Velier	2.4	44%
Diageo	0.8	15%
Compagnia dei Caraibi	0.3	5%
Pernod Ricard	0.3	5%
Others	1.8	32%
Total	**5.6**	**100%**

Source: IWSR Domestic Volume Report 2020 – Value Track data elaboration

A more in-depth analysis of CdC's direct competitors reveals revenues concentration on some key products, with the related company signing exclusive distribution rights agreements with the brand owner, not differently from Compagnia dei Caraibi activity. Therefore, the real competitive advantage of this niche market stand in the extension and the variety of the Group portfolio and in the ability to recognize high-quality products before other distributors, consequently signing exclusive rights with the brand owner.

From this point of view, a deeper analysis of Gin, Rum and Flavored Liqueurs segments is deserved as these are the categories that drove CdC growth in the latest years.

Italian Spirits market - Compagnia dei Caraibi Direct Competitors

Compagnia dei Caraibi Direct Competitors (Data for 2020)

Group	2019 Revenues (€mn)	# Distributed Brands (Spirits in Italy)	Volumes Distrib	Volumes Market Share (%)	Relevant Brands	Volumes 19-20 y/y Change (%)
Velier	83	78	2,125	2.00%	Hendricks Gin, Moskovskaya Vodka, Brugal Rum	-21.5%
Ghilardi	3.5	13	90	0.09%	Quaglia (Liqueurs), Briottet Liqueur, Sabatini Gin	-1.0%
Meregalli	40	26	720	0.68%	Poli Grappa, Clement Rum, Francois Peyrot	2.9%
Rinaldi	15	50	355	0.33%	Don Papa Rum, Cardenal Mendoza Brandy	3.4%
Compagnia dei Caraibi	**24.6**	**51***	**701**	**0.66%**	**Gin Mare, Diplomatico Rum, Jefferson Amaro**	**7.3%**

Source: IWSR Domestic Volume Report 2020 – Value Track data elaboration *(*) it includes only the most relevant brands*

Gin and Genever

Compagnia dei Caraibi is second in terms of volume-based domestic market share if we include only super premium, ultra premium, prestige and prestige plus distributed brands, i.e. the high-end offer. Indeed, CdC holds a 24% share, following Velier, which boasts a cumulated 31%. Gin Mare is the second most-distributed brand in this category, after Hendricks Gin. Citadelle Gin, Elephant Gin, Gil Gin, are the others brands distributed by CdC in the top 22 of this category. Overall, CdC is the only distributor with 18 brands in this premium segment.

The Italian Gin market –2020 volumes market share for premium brands

Super Premium, Ultra Premium, Prestige, Prestige Plus

Gin	Distributor	Volumes Distributed ('000)	Volumes Mkt Share (%)	#
Hendricks Gin	Velier	336.2	30.9%	1
Gin Mare	CdC	211.5	19.5%	2
Malfy Gin	Pernot Ricard	65.7	6.0%	3
Tanqueray	Diageo	48.2	4.4%	4
Bulldog Gin	Campari	40.5	3.7%	5
Monkey 47 Gin	Pernot Ricard	34.2	3.2%	6
Bombay Gin	Bacardi Martini	26.6	2.4%	7
…	…	…	…	…
Citadelle Gin	CdC	11.1	1.0%	14
…	…	…	…	…
Elephant Gin	CdC	9.9	0.9%	17
…	…	…	…	…
Gil Gin	CdC	8.4	0.8%	22
…	…	…	…	…
Total		**1,087.4**	**100.0%**	**~70**

Source: IWSR Domestic Volume Report 2020 – Value Track data elaboration

CdC is the market leader in the ultra premium, prestige and prestige plus sectors, with a cumulated share of 51.4% and Gin Mare contributing to 45.7% of total volumes distributed in 2020.

The Italian Gin market – 2020 volumes market share for premium brands

Ultra Premium, Prestige, Prestige Plus				
Gin	Distributor	Volumes Distributed ('000)	Volumes Mkt Share (%)	#
Gin Mare	CdC	211.5	45.7%	1
Bulldog Gin	Campari	40.5	8.8%	2
Monket 47 Gin	Pernot Ricard	34.2	7.4%	3
G'Vine Gin	Dilmoor	16.2	3.5%	4
Hendricks Gin	Velier	12.2	2.6%	5
Brockmans Gin	Francoli	10.4	2.2%	6
Elephant Gin	CdC	9.9	2.1%	7
Roby Marton Gin	Eleven Trade	9.9	2.1%	8
The Botanist Gin	Molinari	9.5	2.0%	9
…	…	…	…	…
Gil Gin	CdC	8.4	1.8%	12
…	…	…	…	…
Caroun Gin	CdC	3.2	1.8%	21
…	…	…	…	…
No. 209 Gin	CdC	2.7	0.6%	23
…	…	…	…	…
Total		**462.7**	**100.0%**	**~40**

Source: IWSR Domestic Volume Report 2020 – Value Track data elaboration

Rum

Analyzing the same clusters for rum distributed brands, Compagnia dei Caraibi ranks second with a cumulated 21.7% market share, after Rinaldi with 22.8%.

Diplomatico, Plantation and Prohibido take part of CdC premium rum selection, standing at 2nd, 10th and 17th places respectively out of ca. 55 distributed brands (55th category includes all other brands with not available data for the distributor).

The Italian Rum market – 2020 volumes market share for premium brands

Super Premium, Ultra Premium, Prestige, Prestige Plus				
Rum	Distributor	Volumes Distributed ('000)	Volumes Mkt Share (%)	#
Don Papa Rum	Rinaldi	161.6	20.9%	1
Diplomatico Rum	CdC	148.8	19.2%	2
Zacapa Rum	Diageo	130.1	16.8%	3
Matusalem Rum	Montenegro	62.1	8.0%	4
Appleton Rum	Campari	53.6	6.9%	5
Clement Rum	Meregalli	27.9	3.6%	6
Brugal Rum	Velier	19.8	2.6%	7
Bally Rum	Velier	16.00	2.1%	8
Chairman's Reserve Rum	Meregalli	14.4	1.9%	9
Plantation Rum	CdC	12.1	1.6%	10
…	…	…	…	…
Prohibido Rum	CdC	7.2	0.9%	17
…	…	…	…	…
Total		**774.0**	**100.0%**	**~55**

Source: IWSR Domestic Volume Report 2020 – Value Track data elaboration

In the ultra premium, prestige and prestige plus segments, CdC cumulated market share increases to 34.8%, becoming the market leader. Diplomatico Rum is at 30.8%.

The Italian Rum market – 2020 volumes market share for premium brands

Ultra Premium, Prestige, Prestige Plus				
Rum	**Distributor**	**Volumes Distributed ('000)**	**Volumes Mkt Share (%)**	**#**
Zacapa Rum	Diageo	130.1	31.2%	1
Diplomatico Rum	CdC	128.5	30.8%	2
Appleton Rum	Campari	53.6	12.8%	3
Botran Rum	Bonaventura	10.0	2.4%	4
Plantation Rum	CdC	9.6	2.3%	5
Dos Maderas Rum	Meregalli	9.5	2.3%	6
Barcelo Rum	Illva Saronno	9.1	2.2%	7
Santa Teresa Rum	Bacardi	8.6	2.0%	8
Clairin Rum	Velier	8.1	1.9%	9
Prohibido Rum	CdC	7.20	1.7%	10
…	…	…	…	…
Total		**417.2**	**100.0%**	**~40**

Source: IWSR Domestic Volume Report 2020 – Value Track data elaboration

Flavored Spirits (Liqueurs)

In the premium categories of flavored liqueurs, Compagnia dei Caraibi is the undisputable leader, with a cumulated 64.8% market share, almost entirely brought by Jefferson Amaro, which holds a 61.4% share.

Out of a total of ca. 25 brands, Salvia Limone, Frack Bitters, Fee Brothers Bitters and the Elephant Sloe Liqueur are the other flavored spirits relying on CdC as exclusive Italian distributor.

Only Velier, with seven brands, distributes more labels, however holding a lower share (13.4%).

The Italian Liqueur market – 2019 volumes market share for premium brands

Super Premium, Ultra Premium, Prestige, Prestige Plus				
Liqueurs	**Distributor**	**Volumes Distributed ('000)**	**Volumes Mkt Share (%)**	**#**
Jefferson Amaro	CdC	200.3	61.4%	1
Francois Peyrot	Meregalli	33.3	10.2%	2
Chartreuse Liqueur	Velier	31.5	9.7%	3
Underberg Bitters	Onesti Group	11.3	3.4%	4
Benedictine Liqueur	Bacardi	6.9	2.1%	5
Salvia Limone	CdC	4.5	1.4%	6
Chat. du Breuil Calvados	Meregalli	4.2	1.3%	7
Capovilla Fruit EDV	Velier	3.1	0.9%	8
The Bitter Truth Bitters	Velier	2.7	0.8%	9
Mandragola Bitter	CdC	2.7	0.8%	10
…	…	…	…	…
Frack Bitters	CdC	1.8	0.6%	14
…	…	…	…	…
Fee Bros. Bitters	CdC	1.3	0.4%	19
	…	…	…	…
Elephant Sloe Liqueur	CdC	0.9	0.3%	21
…	…	…	…	…
Total		**326.2**	**100.0%**	**~25**

Source: IWSR Domestic Volume Report 2020 – Value Track data elaboration

As Amaro Jefferson is a super premium brand, by eliminating such cluster CdC market share shrinks to 6.4%, with Meregalli leading this narrow market with a 53.5% share (entirely brought by Francois Peyrot cognac).

The Italian Liqueur market – 2019 volumes market share for premium brands

Ultra Premium, Prestige, Prestige Plus				
Liqueurs	**Distributor**	**Volumes Distributed ('000)**	**Volumes Mkt Share (%)**	**#**
Francois Peyrot	Meregalli	33.3	53.5%	1
Underberg Bitters	Onesti Group	11.3	18.1%	2
Capovilla Fruit EDV	Velier	3.1	4.9%	3
Angostura Bitters	N/A	2.4	3.9%	4
China Clementi Amari	Velier	2.2	3.5%	5
La Fee Absinthe	Velier	1.8	2.9%	6
Frack Bitters	CdC	1.8	2.9%	7
Fee Bros. Bitters	CdC	1.3	2.0%	8
Ancho Reyes Liqueur	Campari	1.1	1.7%	9
Elephant Sloe Liqueur	CdC	0.9	1.4%	10
Citronge Liqueur	Bacardi	0.0	0.0%	11
Disaronno Amaretto	Illva Saronno	0.0	0.0%	12
Others	N/A	3.2	5.2%	13
Total		**62.3**	**100.0%**	**~15**

Source: IWSR Domestic Volume Report 2020 – Value Track data elaboration

Overall, if we combine the three spirits clusters (Gin, Rum, and Liqueurs) for the super premium, ultra premium, prestige and prestige plus segments, Compagnia dei Caraibi is the leader in terms of 2020 volumes distributed in Italy, with a 29.3% market share, followed by Velier (20.8%) and Rinaldi (9.2%).

By removing the super premium segment, CdC share grows to 41.1%, with Diageo at 14.9% and Campari at 10.1%. Hence, CdC boasts a sound position in the high-end alcoholic beverages market.

The acquisition of El Dorado Rum exclusivity rights in 2020 (previously held by a CdC competitor) is expected to furtherly strengthen the Group market penetration in the spirits segment.

Historical Financials

As far as CdC financial profile is concerned, in our view, four are the main points to be stressed i.e.: 1) Covid-19 obviously took its toll, with topline basically flattish in FY20 following the high organic growth rate historically recorded (37% Revenues CAGR16-19), 2) Operating profitability in the high single digit space (EBITDA Margin at 8.5%) as a result of positive operating leverage effect, 3) Inventory requirements contributing to Net Debt increase, 4) High returns on equity and total capital employed facilitated by low CapEx requirements.

Introduction

CdC consolidated financials for 2019-2020 fiscal years are built in accordance with **Italian OIC accounting principles** (IT GAAP) and on a like for like basis, as no change in the consolidation perimeter took place in the period.

Key 2019-20 financials at a glance

CdC has so far demonstrated to be able to grow at a double-digit pace thanks to its skills in brands talent scouting and marketing. More in details, as far as CdC 2019-20FY financial profile is concerned, in our view, the key points to be stressed are:

- The high organic growth rate historically recorded, at least in the pre-covid era. Indeed, we calculate a ca. 37% Revenues CAGR16-19;
- Operating profitability in the high single digit space, best in class if we consider the fact that most of revenues have been recorded thanks to a distribution of third parties' products, and not of proprietary ones;
- Very limited capex requirement but high inventories one, driving a trade-off between growth and cash flow generation;
- "Light" balance sheet structure coupled with high returns on equity and on total capital employed.

CdC: Key financial items 2019FY-20FY

(€mn, IT GAAP)	2019FY	2020FY
Total Revenues	24.4	24.9
EBITDA	1.8	2.1
EBITDA Margin (%)	**7.4%**	**8.5%**
EBIT	1.3	1.6
EBIT Margin (%)	5.5%	6.3%
Net Profit	**0.8**	**1.0**
OpFCF before Tax	0.6	-0.2
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**-3.4**	**-4.0**

Source: Compagnia dei Caraibi, Value Track Analysis

Profit & Loss analysis

Double digit revenues growth and high single digit operating profit margins are the key features of CdC Profit & Loss profile in FY18-19. In FY20 Covid-19 obviously took its toll, but we note that the company was able to maintain a small positive growth rate and an improvement in operating profitability. As far as FY20 financials only are concerned, we highlight:

- **Total Revenues from Sales and Services at €24.9mn,** up +1.7% y/y, to be compared with 2019-18 y/y growth rate that stood at 30.6%;
- **EBITDA at €2.1mn**, up +17.1% y/y, (Reported EBITDA margin at 8.5% vs. 7.4% in 2019FY), more than proportionally with respect to the top line thanks to both higher gross margin and lower incidence of SG&A costs;
- **Net Profit at €981k, up +29.5% y/y**.

€24.9mn Total Revenues from Sales and Services as of 2020FY

CdC's Total Revenues from Sales and Services grew at ca. 37% CAGR in 2016-19 fiscal years up to €24.9mn in 2020FY, out of which €20.3mn related to Revenues from Sales, €1.3mn related to Rebate to clients of marketing costs, and €2.8mn related to Income from Excise duties.

CdC: Revenues from Sales and Services evolution 2019FY-20FY

(€mn, IT GAAP)	2019FY	2020FY	Change y/y
Revenues from Sales	20.4	20.3	*-0.6%*
Income from Excise duties	2.8	2.8	*1.6%*
Other Revenues	0.1	0.3	*nm*
Total Revenues (ex. Marketing)	**23.3**	**23.4**	***0.5%***
Rebate to clients of marketing costs	1.1	1.3	*14.7%*
Other Income	0.1	0.2	
Total Revenues	**24.4**	**24.9**	**1.7%**

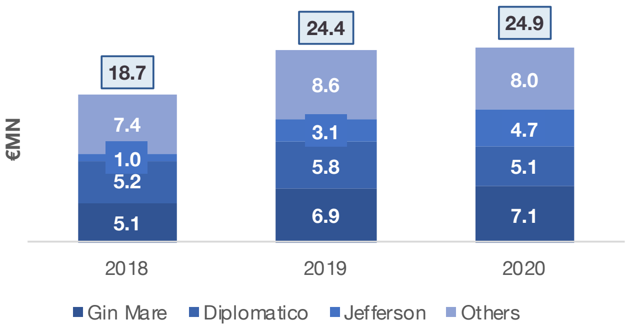
Source: Compagnia dei Caraibi, Value Track Analysis

As far as 2019FY-20FY performance of "core" Revenues from Sales is concerned, we note that growth has been driven by:

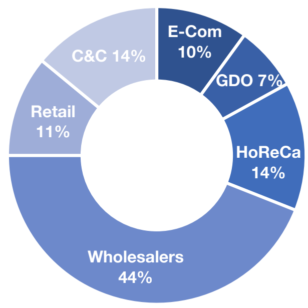
- Jefferson and Gin Mare, in terms of brands, worth €3.5mn and €2.0mn additional revenues respectively;
- e-Commerce, Wholesale and Large-Scale distribution in terms of channels, worth €1.7mn, €1.4mn and €1.0mn additional revenues respectively. Wholesalers represent the main distribution channel, with an incidence on Sales at 44% as of FY20, down if compared to 52% recorded in FY19.

CdC: Revenues from Sales evolution and breakdown

Sales evolution by brand – FY18-FY20



Sales breakdown by distribution channel – FY20 (*)



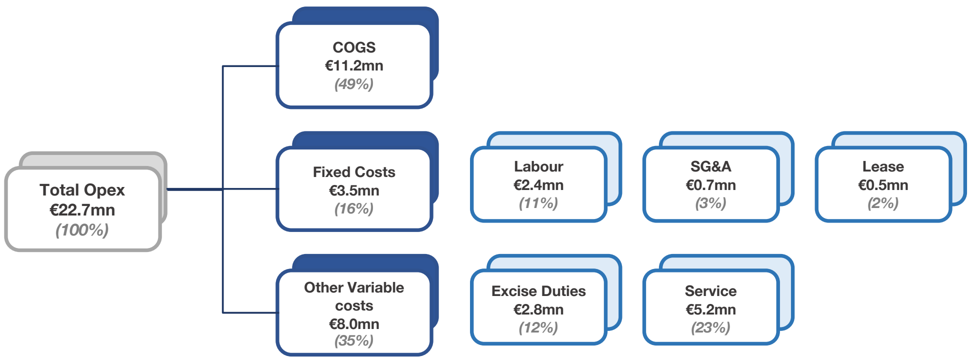
Source: Compagnia dei Caraibi, Value Track Analysis (*) Total Sales net of marketing rebates and excise duties

CdC's FY19-20 costs structure at a glance

CdC total operating costs base (ex D&A) stood at roughly €22.7mn (+1% y/y) as of FY20, and split across three main items:

- Cost of goods sold at €11.2mn (-1.5%y/y) and substantially in line with Revenues from Sales y/y change, hence leading to a Gross Profit Margin at 54.8% in 2020;
- Other Variable Costs at €8.0mn, with incidence on Sales at 32.1% (almost stable y/y), mainly referring to excise duties (€2.8mn) and cost of services (€5.2mn), inflated by marketing costs due to brand building activities;
- Structural costs up roughly 10% y/y at €3.5mn, embedding a further increase in labour costs (€2.4mn, +14% y/y) as well as in SG&A (€0.7mn, +7.5% y/y). The low incidence of fixed costs on total Costs (16%), allows CdC business model to remain very flexible.

CdC Operating Costs Structure FY20: Variable, Fixed and One-Off Costs impact



Source: Compagnia dei Caraibi, Value Track Analysis

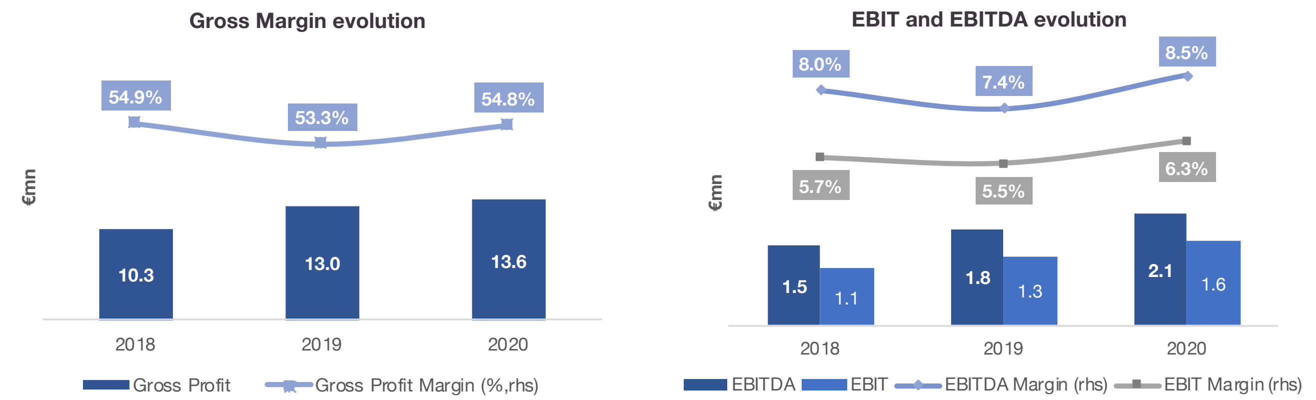
Profitability margins in the high single digit space

Compagnia dei Caraibi experiences a gradual enhancement in profitability over the last few years, with Gross Profit achieving €13.6mn (+4.5% y/y), while EBITDA stood at €2.1mn, growing more than proportionally, positively benefitting from higher gross margin and lower incidence of SG&A costs. As a result, EBITDA Margin is in the high single digit space (8.5% on Total Sales), that is +110 bps y/y, a sound ratio if we consider the fact that most of revenues derive from distribution of third parties' products, and not of proprietary ones.

Below the EBITDA line, we note:

- **D&A&Impairments** for approximately €550k, almost flat y/y thanks to low capital expenditures recorded over the past years;
- **EBIT** consequently increasing more than proportionally with respect to the top line, by 16.4% to €1.6mn with a margin on sales recording an expansion of ca. 80 bps, up to 6.3%.

CdC: Profitability evolution FY18-20



Source: Compagnia dei Caraibi, Value Track Analysis

CdC FY19-20: From Revenues down to EBIT

(€mn, IT GAAP)	2019FY	2020FY
Total Total Revenues	**24.4**	**24.9**
COGS	-11.4	-11.2
Cost of Services	-5.3	-5.2
Leasing Costs	-0.5	-0.5
Cost for Excise duties	-2.8	-2.8
Labour Costs	-2.1	-2.4
SG&A	-0.6	-0.7
EBITDA	**1.8**	**2.1**
D&A	-0.5	-0.5
EBIT	**1.3**	**1.6**

Source: Compagnia dei Caraibi, Value Track Analysis

Net Profit FY2020 almost reaching the € 1mn threshold

Thanks to substantially zero financial charges and average 35% tax rate, Net Profit has almost reached the €1mn threshold (€981k). Net Profit grew by 29.5% y/y, with Net Margin increasing by ca. 90 bps to 4.0%.

CdC FY19-20: From EBIT to Net Profit

(€mn, IT GAAP)	2019FY	2020FY
EBIT	**1.3**	**1.6**
Interest expenses	-0.1	0.0
FX profit (+) / FX loss (-)	0.0	0.0
Pre tax profit	**1.2**	**1.5**
Taxes	-0.5	-0.5
Net Profit	**0.8**	**1.0**

Source: Compagnia dei Caraibi, Value Track Analysis

Balance Sheet analysis

At FY20 Balance Sheet level, we consider worthy to note the following factors:

- Low Net Fixed Assets at ca. €3.6mn, or 14.6% on Total Revenues;
- Net Working Capital at roughly €6.3mn, that is 25.4% of Total Revenues, recording a worsening y/y trend, exclusively due to an increase in inventories linked to Covid-19 restrictions, in details:
  - i. Inventories, up by €2.1mn primarily related to portfolio expansion;
  - ii. Trade Receivables growing by €0.7mn;
  - iii. Trade Payables standing at €5.0mn, i.e. up by only €1.1mn, with an overall effect of increasing the cash conversion cycle of the company.
- Net Debt position at ca. 4.0mn, i.e. ca. 76% of Equity and ca. 2.0x EBITDA.

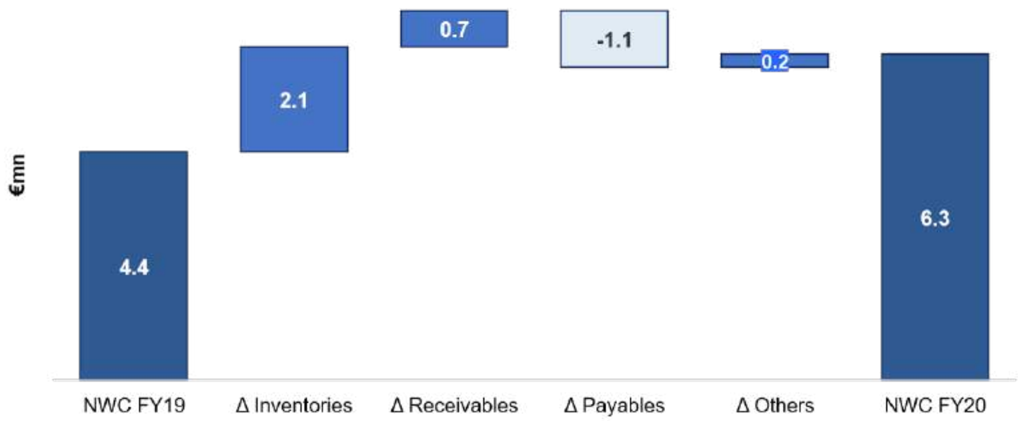
As we can see, CdC business model is not capital intensive and the main source of cash absorption is represented by Inventories, necessary to support growth, thus driving a trade-off between growth and cash flow generation.

CdC: Balance Sheet Structure FY19-20

(€mn, IT GAAP)	2019FY	2020FY
Working Capital	4.4	6.3
Net Fixed Assets	4.0	3.6
Provisions	0.3	0.3
Total Capital Employed	**8.1**	**9.6**
As % of Total Revenues	*33.1%*	*38.6%*
Group Net Equity	4.7	5.6
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**-3.4**	**-4.0**

Source: Compagnia dei Caraibi, Value Track Analysis

CdC: Net Working Capital bridge FY19-20



Source: Compagnia dei Caraibi, Value Track Analysis

CdC 2019-20FY: Net Working Capital Structure

(€mn, IT GAAP)	2019FY	2020FY
Inventories	4.2	6.2
Trade Receivables	4.9	5.6
Other Current Assets	0.2	0.3
Current Assets	**9.3**	**12.1**
Trade Payables	3.9	5.0
Other Payables	0.9	0.8
Current Liabilities	**4.9**	**5.8**
Net Working Capital	**4.4**	**6.3**
as % of Total Revenues	***18.1%***	***25.4%***

Source: Compagnia dei Caraibi, Value Track Analysis

Cash Flow Statement

Higher level of Inventories takes its toll in terms of cash flow generation. In 2020FY, CdC was unable to convert its EBITDA in OpFCF before taxes and generated negative Free Cash Flow by ca. €0.8mn mainly driven by:

- €1.9mn Working Capital need, as described above;
- €0.5mn of Cash Tax impact;
- Net Investments for ca €150k.

As an effect of the negative free cash flow generation, 2020 year-end Net Debt Position stood at ca. €4.0mn, i.e. ca. 72% of Equity and ca. 1.9x Net Debt/EBITDA plain vanilla.

More, assuming the €6.2mn inventories as a cash equivalent (it mostly refers to aging spirits), the Group will rely on a solid balance structure.

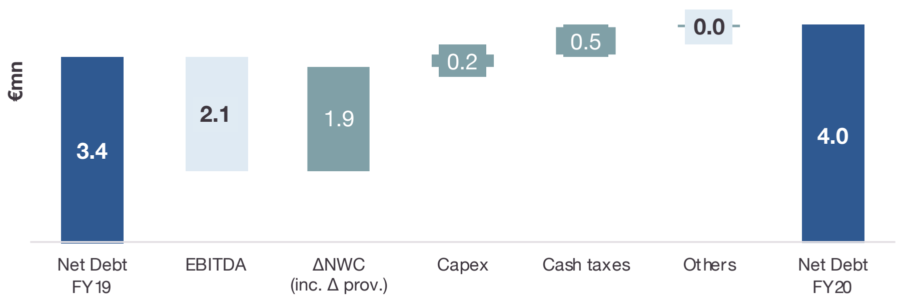
Hence, stripping the same amount from Invested Capital computation, we get a sound return on capital at 43%, gradually growing over the last few years.

CdC 2019-20FY: Cash Flow Statement

(€mn, IT GAAP)	2019FY	2020FY
EBITDA	1.8	2.1
Working Capital Needs	-0.9	-1.9
Capex	-0.4	-0.2
Change in Provisions	0.0	0.0
OpFCF b.t.	**0.6**	**-0.0**
As a % of EBITDA	*31.1%*	*-1.5%*
Cash Taxes	-0.5	-0.5
OpFCF a.t.	**0.1**	**-0.6**
Net Financial Charges	-0.1	0.0
Dividends paid	-0.1	-0.1
Others	0.0	0.1
Net Cash generated	**-0.1**	**-0.6**

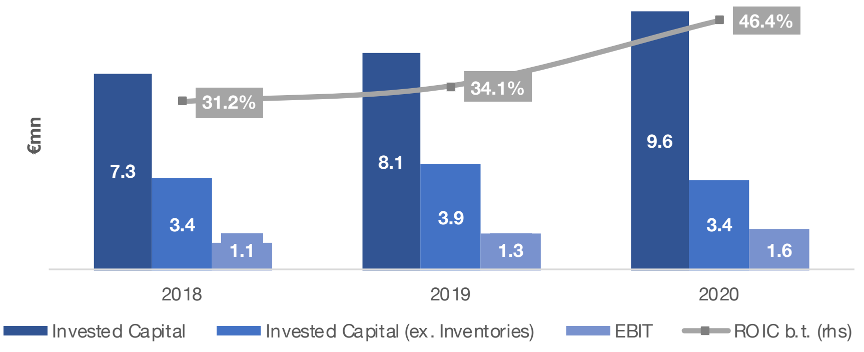
Source: Compagnia dei Caraibi, Value Track Analysis

Compagnia dei Caraibi: 2019-20FY Net Financial position evolution



Source: Compagnia dei Caraibi, Value Track Analysis

Compagnia dei Caraibi: 2018-20FY Return on Capital adjusted for Inventories



Source: Compagnia dei Caraibi, Value Track Analysis

Growth strategies

In order to exploit its competitive advantages, CdC is set to pursue the following strategic guidelines: 1) keep acting as an incubator of promising new super premium brands, both third parties and proprietary ones, by the way the latter boasting much higher operating profitability; 2) going international, starting from USA and Spain, where the aim is to export the Italian taste / Italian "aperitive" concept to a wider and highly receptive audience; 3) boosting Compagnia dei Caraibi brand awareness by developing some kind of direct access to final consumers banking on already existing and under development online platforms.

Growth strategy # 1 - Internationalization

We saw before that the Group has already started an internationalization process with business activities recently rolled out in US and Spain and aimed at exploiting the trend of premium Italian taste and Italian "Aperitivo" on a wider and highly receptive audience.

The Company has set different execution strategies based on the diverse characteristics, regulations and consumers habits of the two selected countries.

United States

In the US beverage market, international companies cannot act as both importers and distributors.

As a consequence, the Group has decided to enter the market by outsourcing distribution while focusing on import of premium alcoholic beverage with brand building and marketing responsibilities.

CdC would concentrate its strengths on the diffusion of the "Italian Aperitive" concept in six states (New York, New Jersey, Massachussets, Pennsylvania, Florida, California) of the US soil, benefitting from partnerships with already identified local distribution players (e.g., Eataly) and from the early success that the selected brands have already gained in Italy.

Indeed, CdC is determined to export and develop the five proprietary brands of the Group together with the globally renowned Amaro Jefferson and an Italian and foreign wine selection to replicate Elemento Indigeno offer, other than some low-alcohol and ready-to-drink ("RTD") products.

For such brands, CdC has outlined specific brand building strategies to raise their awareness on international grounds, involving PR, traditional and digital advertising, in-store promotion and events infiltration.

Spain

Spain represents a potential strategic market for CdC, as it could enable the Group to develop and consolidate a significant share in the European continent.

Being very similar to the Italian arena, CdC is expected to enter the market and exploit the relative opportunities with a mixed model, i.e. both as importer and distributor of premium brands, thanks to ca. 10 sales agents and 1 sales manager based in Madrid.

In the same way as in the US, CdC's goal is to establish a relevant position to oversee the very much dispersive Spanish market (see picture below) by building direct relationships and contractual agreements with both on-trade (HoReCa) and off-trade (Retail, Large-Scale Retail) B2B clients.

Meanwhile, as the Company develops its digital platforms in Italy, the same model should be exported in Spain, aiming at a rapid customer acquisition process.

Together with the "Italian Aperitive" focus and the same brands identified for the US market, CdC focus would be also placed upon Mexican premium brands and other distillates coming from foreign islands such as a selection of Japanese whiskies.

More, given the remarkable market positioning that CdC holds in Italy, some brands already distributed by the Company on a national level could be interested in giving exclusivity rights in Spain as well, thus enlarging the potential international reference portfolio of Compagnia.

Growth strategy # 2 – Increasing the incidence of proprietary brands

CdC aims at the development of brand building activities for its own proprietary brands, thus repeating the successful experience gained in recent years with third-parties products, with the goal of generating additional value while maintaining a premium positioning. Indeed, a higher focus on proprietary references should pave the way to improved marginality, driven by the vertical integration of importing, production and distribution activities. Currently, CdC's proprietary brands are:

- **Carlo Alberto** (vermouth, winner of World Drinks Award for the vermouth category in 2020);
- **Salvia e Limone** (digestive);
- **Bitter Rouge** (liqueur);
- **Amaro Mandragola** (liqueur);
- **Wine labels** (e.g., Sciù Sciù) under a new trademark (not yet registred).

Production of such brands is outsourced to Torino Distillati, a third party managing the entire process but following recipes and protocols provided by CdC, which also takes care of the necessary raw materials, bottles, corks and labels.

Compagnia dei Caraibi: Proprietary brands

Source: Compagnia dei Caraibi

Growth strategy # 3 - "Hidden flavors" incubator

CdC's ability in scouting and identifying promising premium brands is a solid competitive advantage that the Group will try to strengthen even more by acting as a sort of brand incubator for "hidden flavors" of spirits and wines.

The most recent concrete proof of CdC scouting ability is **Elemento Indigeno**, as it comprehends over 300 SKUs from 27 countries all over the world related to niche markets linked to the new trends of sustainable, natural, organic and biodynamic wine.

Through a detailed and extensive selection of premium references, this portfolio has already started to generate revenues and is expected to expand the Group customer base, facilitate the access and relationships with HoReCas and retails as well as acting as a bridgehead to convey the more traditional spirits portfolio to the on-trade channel.

After this initial phase, Elemento Indigeno wines should contribute to a significant share of volumes and turnover, becoming one of the top 5 brands (on a cumulative basis) in the Company's total portfolio.

In addition, Compagnia dei Caraibi aims to acquire exclusivity distribution rights of the most promising brands in the market by acquiring small shares of the related parent companies. For instance, in 2019, CdC directly invested ca €40k on the convertible bond (total of €3mn) issued by the premium French house **Champagne Frerejean Freres**, converted in the first half of 2021 to intensify the strategic partnership with the supplier and benefit from the equity value created by joint brand building activities.

Direct investments in promising brand houses should allow CdC to increase profitability, differentiate revenue streams, enrich proprietary brands portfolio, and generating a knock-on effect on the spirits portfolio.

M&A activities represent an alternative route to organic growth and direct investments. Given CdC appetite to expansion, we do not exclude potential strategies in such sense.

Growth strategy # 4 – Reaching final consumers through online platforms

Over the next three years, we also expect Compagnia dei Caraibi to evolve its business model by developing some kind of direct access to final consumers banking on already existing and under development online platforms.

Indeed, the digital platforms already in place (Mida, Orion, Juice) represents another pillar of CdC competitive advantage and should be furtherly developed, enriched and adapted to provide a B2Digital offer. In detail:

- **Mida**. The objective is to disintermediate the commercial structure, manage an ever-increasing number of orders while simplifying their flow and significantly cut the time-to-deliver without additional staff needed. Customer targeting processes should be simplified as well, allowing a better personalization of the offer with tailored characteristics for each client;
- **Orion**. Expected to become fundamental as an internal analytical tool for the efficient strategic cost management of the Group and to consequently build commercial proposals able to maintain average SKUs prices in a premium band and improve the overall marginality;
- **Juice**. E-learning, fidelization and incentive-based platform dedicated to businesses but also final consumers. In-app advertising and subscriptions should represent minor but additional revenue streams for CdC in the coming years.

Financial Forecasts

We expect Group Total Revenues to grow at 32.5% CAGR in 2020A-23E and EBITDA to increase more than threefold to ca. €7.0mn in 2023, with EBITDA margin further improving at 12.1%. Overall, we expect the company to reach a Net Cash Position of €8.9mn in 2023E, as an effect of ca. €10.6mn net IPO proceeds and a steady positive Free Cash Flow generation.

Introduction

Our financial estimates on Compagnia dei Caraibi for 2021E-23E periods are built in accordance with IT GAAP principles and are based on current consolidation perimeter, thus our model does not factor in any potential future M&A deal.

P&L 2021E-23E

1H21 Results

CdC reported brilliant results for the first half of 2021FY, with respect to both 1H20 and pre-pandemic 1H19. Indeed, as of the end of June 2021:

- **Total Revenues up by 91.7% y/y at €15.0mn**, driven by a further enhancement of the off-trade channel, with e-Commerce continuing to grow at an accelerated pace (+98% y/y), Wholesale and C&C sales decreasing their incidence on total, despite a significant y/y increase (+89% and + 81% respectively), and on the opposite, Ho.Re.Ca. slightly increasing its incidence as a consequence of Covid-19 restrictions loosening up;
- **EBITDA at €1.3mn**, i.e. + 131.0% y/y, EBITDA margin at 8.4% vs. 7.0% of 1H20. Labour costs and other operating costs were better absorbed by CdC top line;
- **Net Profit** increasing less than proportionally (+116.2% y/y) **to €0.5mn**, mainly due to a higher implicit tax rate.
- **Net Debt at €3.5mn**, therefore improved from €4.0mn of 2020FY. We remind that IPO proceeds have been gained in 2H, so will be accounted only in 2021E full year figures.

1H21 results, together with unaudited July and August figures bode well for CdC full-year financials. Indeed, July, August and Christmas period (4Q) represent the most relevant months for the Group in terms of revenue generation and profitability.

CdC: Key financial items 1H21

(€mn, IT GAAP)	1H20	2020A	1H21
Total Revenues	7.8	24.9	15.0
EBITDA	**0.5**	**2.1**	**1.3**
EBITDA Margin (%)	*7.0%*	*8.5%*	*8.4%*
EBIT	0.3	1.6	1.0
EBIT Margin (%)	*4.1%*	*6.3%*	*6.5%*
Net Profit	**0.2**	**1.0**	**0.5**
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**n.m.**	**-4.0**	**-3.5**

Source: Compagnia dei Caraibi

E-Commerce, internationalization and own brands to drive topline up at 33% CAGR by 2023E

Our top-line forecasts are built bottom up i.e. driven by the expected evolution of CdC's brands portfolio, taking into account 1H21 results, the already started internationalization process, and the recent market dynamics faced across distribution channels.

For the sake of simplicity, we split CdC brands portfolio in five main clusters:

1. top-3 brands (Gin Mare, Rum Diplomatico and Amaro Jefferson);
2. own-brands division;
3. new wine selection ("Elemento Indigeno");
4. "other existing brands" category (roughly #240 brands);
5. new third-party brands likely to be scouted over the next three years.

Basically, from our revenues model summary (table below) the key emerging trends are the following:

- Top-3 brands are expected to keep growing at double-digit speed (21% $CAGR_{20A-23E}$), almost in line with historical trend, driven by a further increase in market demand from Amaro Jefferson, expected to be launched in the US and Spanish market. Overall, we assume some dilution as % of total sales, with total weight on Sales expected at 54% at the end of projection period;
- Proprietary brands selection is seen strongly up, as short-term strategy includes the development of brand building activities, both at domestic side and abroad, with the final aim of replicating previous successful case studies. Overall, we expect owned brands to reach ca. 5% of Sales by 2023E, that is €2.7mn on absolute scale;
- A similar trend is expected for the new wine selection ("Elemento Indigeno"), launched in December 2020. We estimate €1mn in 2021E, then €1mn additional revenues per year, with market demand likely to benefit from organic and biological trends, as healthy consumers are preferring beverages that are free from flavoring agents, preservatives ad synthetic pesticide-free;
- "Other existing brands" category is expected to grow at sound 41% $CAGR_{20A-23E}$, with revenues expected to move from €6.1mn in 2020 to €17.1mn as of 2023E.

  Indeed, CdC should benefit from the experience collected in recent years with third-party products, and from further investment in marketing activities (then rebated to brand-owners);
- As also seen in the strategy section, we expect the Group to keep strengthening even more its scouting activities, thus acquiring exclusive distribution rights and exploiting "hidden flavors" spirits and wines. To this point, we include in our model – starting from 2022E onwards– a new revenue stream linked to new brands, expected to contribute with €1mn and €2.5mn in 2022E and 2023E respectively.

As a result, we **expect Revenues from Sales** (excl. Marketing Activities) **to grow at 33% $CAGR_{20A-23E}$ by 2023E,** thus reaching €54.8mn on absolute value.

CdC: 2020A-2023E Revenues from Sales

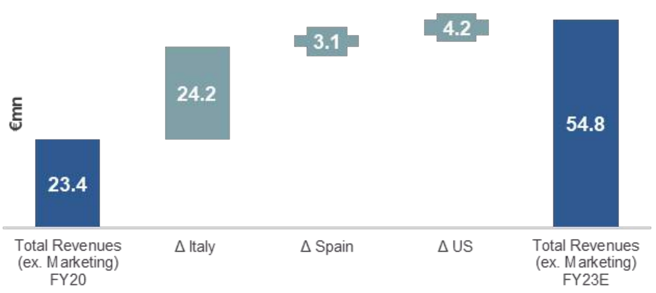
(€mn, IT GAAP)	2020A	2021E	2022E	2023E	CAGR 20A-23E
Gin Mare	7.1	9.6	10.4	11.2	16.3%
As a % of Sales	*31%*	27%	23%	20%	
Rum Diplomatico	5.1	6.1	6.4	6.9	10.6%
As a % of Sales	*22%*	17%	15%	13%	
Amaro Jefferson	4.7	6.9	8.8	11.4	34.8%
As a % of Sales	*20%*	19%	20%	21%	
Top-3 brands	**16.9**	**22.5**	**25.6**	**29.6**	**20.5%**
As a % of Sales	*72%*	64%	58%	54%	
Own brands	**0.4**	**1.1**	**1.5**	**2.7**	**87.2%**
As a % of Sales	2%	3%	3%	5%	
Elemento Indigeno	**0.0**	**1.0**	**2.0**	**3.0**	**nm**
As a % of Sales	0%	3%	5%	5%	
Other existing brands	**6.1**	**10.6**	**14.2**	**17.1**	**41.3%**
As a % of Sales	26%	30%	32%	31%	
New Brands	**0.0**	**0.0**	**1.0**	**2.5**	**nm**
As a % of Sales	0%	0%	2%	5%	
Revenues excl. Marketing Activities	**23.4**	**35.2**	**44.4**	**54.8**	**32.9%**

Source: Compagnia dei Caraibi (Historical), Value Track Analysis (Forecasts)

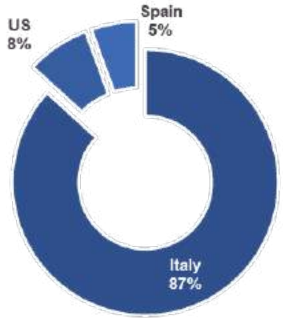
As far as the geographical breakdown of top line is concerned, CdC's efforts on the diffusion of the "Italian Aperitive" concept on US soil, as well as on promotion of Mexican premium brands and other distillates in the Spanish market, should lead to foreign revenues at €7.3mn in 2023E (€4.2mn in US and €3.1mn in Spain), ca. 13% of total.

CdC: Revenues by geography FY20A-23E

FY20-23E Incremental revenues by geography



FY23E: Revenues breakdown by geography

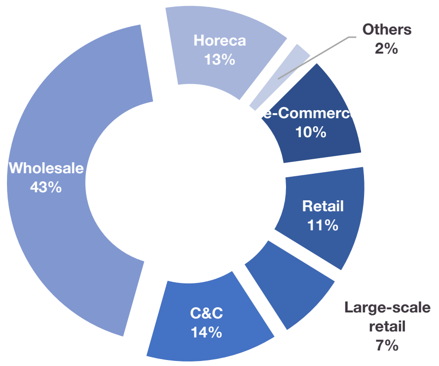


Source: Compagnia dei Caraibi (Historical), Value Track Analysis (Forecasts)

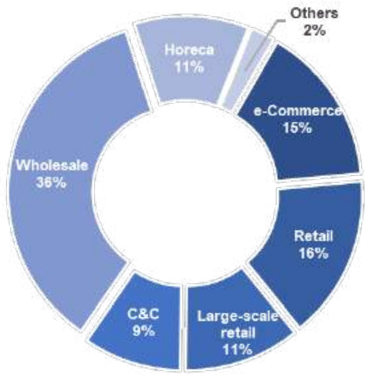
Moving to CdC revenues distribution, we expect e-Commerce and retail to gradually increase their incidence on Sales, at the expense of wholesale, C&C and HoReCA.

CdC: Revenues by distribution channel FY20A-23E

FY20E: Revenues breakdown by distribution channel



FY23E: Revenues breakdown by distribution channel



Source: Compagnia dei Caraibi (Historical), Value Track Analysis (Forecasts)

Last but not least, we expect some dilution (as % of Total Sales) of Income due to excise duties, as in the US business it should be local distributors to face such tax burden.

Moving from *Revenues from Sales* (excl. Marketing Activities) to *Total Revenues* we need to consider the rebates of those marketing activities run on behalf of third-party products, that we expect to be almost in line with historical figures (ca. 5% of Total Sales in coming years).

Indeed, including some €0.3mn of other revenues, we expect **Total Revenues to increase at 32.5% CAGR$_{20A-23E}$, up to €57.8mn by 2023E.**

CdC: 2020A-2023E Total Revenues composition

(€mn, IT GAAP)	2020A	2021E	2022E	2023E	CAGR$_{20A-23E}$
Revenues from Sales	20.3	30.9	39.0	48.3	33.6%
Income from Excise duties	2.8	4.0	4.9	6.1	29.0%
Other Sales	0.3	0.4	0.4	0.5	15.9%
Revenues excl. Marketing Activities	**23.4**	**35.2**	**44.4**	**54.8**	**32.9%**
Rebate to clients of marketing costs	1.3	1.6	2.3	2.8	30.3%
Revenues incl. Marketing Activities	**24.6**	**36.9**	**46.6**	**57.6**	**32.7%**
Other Income	0.2	0.2	0.2	0.3	3.1%
Total Revenues from Sales	**24.9**	**37.1**	**46.9**	**57.8**	**32.5%**

Source: Compagnia dei Caraibi (Historical), Value Track Analysis (Forecasts)

Own brands and e-Commerce to enhance profitability, EBITDA up to €7.0mn in 2023E

The main items included in Gross Margin relate to the purchase of third-party spirits and wines, as well as the costs linked to raw materials used in the production of proprietary products.

To this point, we expect CdC Gross Margin to positively benefit from increasing incidence of own brands category.

As concern the Opex structure, we expect:

- Cost of services to increase its weight on total Opex, consistent with corporate strategy to invest additional resourced in brand building activities for its proprietary products;
- Labour cost to progressively decrease its weight on total Opex, despite new hiring expected to further strength the managerial structure;
- Leasing costs and other operating expenses – which mainly refer to excise duties costs – to substantially remain in line with historical values as % of total Opex.

As a result, we forecast **EBITDA to increase more than threefold to €7.0mn by 2023E,** with **EBITDA Margin up to 12.1%** by the end of the forecast period.

CdC: 2020A-2023E Total Revenues composition

(€mn, IT GAAP)	2020A	2021E	2022E	2023E	$CAGR_{20A-23E}$
Total Revenues from Sales	**24.9**	**37.1**	**46.9**	**57.8**	**32.5%**
Change in Inventories	2.1	1.9	1.7	1.8	
Purchases	-13.3	-16.9	-21.3	-26.1	
Gross Profit	**13.6**	**20.1**	**25.6**	**31.7**	**32.5%**
Gross Profit Margin (%)	*54.8%*	*54.3%*	*54.6%*	*54.8%*	
Cost of services	-5.2	-7.8	-9.8	-12.1	
Cost for leasing	-0.5	-0.7	-0.9	-1.1	
Cost for excise duties	-2.8	-3.9	-4.9	-6.0	
Other Op. costs	-0.7	-1.2	-1.4	-1.8	
Labour Costs	-2.4	-2.7	-3.3	-3.6	
EBITDA	**2.1**	**3.7**	**5.3**	**7.0**	**49.4%**
EBITDA Margin (%)	*8.5%*	*10.1%*	*11.2%*	*12.1%*	

Source: Compagnia dei Caraibi (Historical), Value Track Analysis (Forecasts)

Implied operating profitability even higher, net of excise duties and rebate to clients

In order to give a clear picture of CdC profitability, and its ability to exploit positive operating leverage, we deem useful to split CdC main financials across three business segments:

1. Excise duties;
2. Marketing rebates;
3. Core activities.

Excise duties and marketing rebates are, by definition, close to zero margin businesses, despite their cumulated ~15-16% weight on Total Sales.

This means that implied EBITDA margin from core activities – net of duties and marketing rebates – is much higher than blended consolidated figures. We expect it to increase by 400bps in 2023E (if compared to 2020A).

CdC: 2020A-2023E EBITDA breakdown by business segment

(€mn, IT GAAP)	2020A	2021E	2022E	2023E
Excise duties				
Income from Excise duties	2.8	4.0	4.9	6.1
Costs for Excise duties	-2.8	-3.9	-4.9	-6.0
EBITDA Excise duties	**0.0**	**0.0**	**0.0**	**0.1**
As % of Group EBITDA	1.7%	1.1%	0.9%	0.9%
EBITDA Margin %	*1.3%*	*1.0%*	*1.0%*	*1.0%*
Rebate to clients (i.e. Marketing Activities)				
Income from rebate to clients of marketing costs	1.3	1.6	2.3	2.8
Mktng costs on behalf of clients	-1.2	-1.6	-2.2	-2.7
EBITDA Brand building business	**0.0**	**0.0**	**0.0**	**0.0**
As % of Group EBITDA	0.6%	0.4%	0.4%	0.4%
EBITDA Margin %	*1.0%*	*1.0%*	*1.0%*	*1.0%*
Core business				
Rev. from Sales no Excise duties and Mktng rebate	20.8	31.4	39.6	49.0
COGS	-11.2	-16.9	-21.3	-26.1
Other Opex	-7.5	-10.8	-13.2	-15.9
Other Opex as % of Rev. from Sales	-36.0%	-34.5%	-33.3%	-32.5%
EBITDA from core business	**2.1**	**3.7**	**5.2**	**6.9**
As % of Group EBITDA	97.7%	98.5%	98.6%	98.7%
EBITDA Margin %	*9.9%*	*11.7%*	*13.1%*	*14.2%*

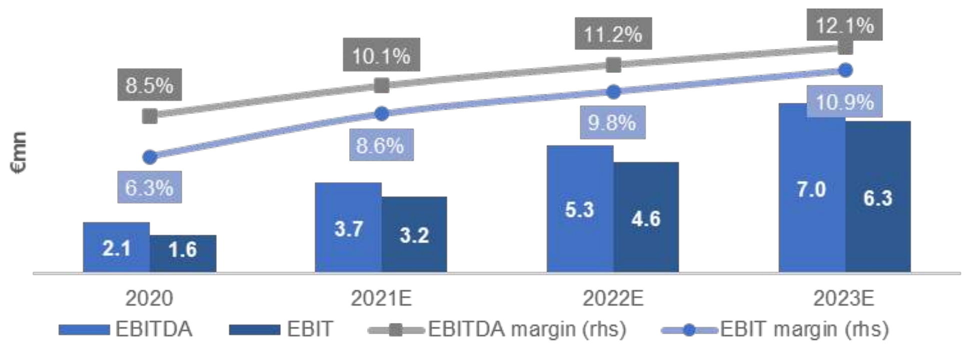
Source: Compagnia dei Caraibi (Historical), Value Track Analysis (Forecasts)

Net Income likely to nearly increase fourfold in the reference period

As far EBIT is concerned, its growth should be slightly higher than EBITDA, as CapEx (and D&A) should basically remain constant and relatively light, albeit from 2021 CdC should start accounting some marketing activities as CapEx (expected to generate multi-years economic benefits), as well as few investments are expected for the development of the CdC digital platforms. Hence, we forecast **EBIT to reach ca. 6.3mn in 2023E,** with **margin up 460bps to 10.9%**.

Below EBIT, zero financial charges and 35% tax rate, should lead Net Profit to grow at similar speed, reaching €4.1mn at the end of the 2023E, vs. €1.0mn recorded in 2020A.

CdC: 2020A-2023E Total Revenues composition



Source: Compagnia dei Caraibi (Historical), Value Track Analysis (Forecasts)

CdC: 2020A-2023E P&L

(€mn, IT GAAP)	2020A	2021E	2022E	2023E	CAGR 20A-23E
Total Revenues from Sales	**24.9**	**37.1**	**46.9**	**57.8**	**32.5%**
Change in Inventories	2.1	1.9	1.7	1.8	
Purchases	-13.3	-16.9	-21.3	-26.1	
Gross Profit	**13.6**	**20.1**	**25.6**	**31.7**	**32.5%**
Gross Profit Margin (%)	*54.8%*	*54.3%*	*54.6%*	*54.8%*	
Cost of services	-5.2	-7.8	-9.8	-12.1	
Cost for leasing	-0.5	-0.7	-0.9	-1.1	
Cost for excise duties	-2.8	-3.9	-4.9	-6.0	
Other Op. costs	-0.7	-1.2	-1.4	-1.8	
Labour Costs	-2.4	-2.7	-3.3	-3.6	
EBITDA	**2.1**	**3.7**	**5.3**	**7.0**	**49.4%**
EBITDA Margin (%)	*8.5%*	*10.1%*	*11.2%*	*12.1%*	
D&A	-0.5	-0.6	-0.7	-0.7	
EBIT	**1.6**	**3.2**	**4.6**	**6.3**	**59.4%**
EBIT Margin (%)	*6.3%*	*8.6%*	*9.8%*	*10.9%*	
Net Financial Charges	-0.1	-0.1	0.1	0.1	
Pre-tax Profit	**1.5**	**3.1**	**4.6**	**6.4**	**61.7%**
Taxes	-0.5	-1.1	-1.6	-2.2	
Net Profit	**1.0**	**2.0**	**3.0**	**4.1**	**61.7%**

Source: Compagnia dei Caraibi (Historical), Value Track Analysis (Forecasts)

A low capital employed business, with aging inventories as main asset

In our opinion, CdC main features as for balance sheet and cash flow statement are:

1. The **extremely low capital employed**, based on restrained net fixed assets, slightly inflated by aging inventories at inventory level, requiring some capital requirements, and;
2. A moderate **cash generation**, i.e. with Operating Cash flows (gross of taxes) at 42% of EBITDA, or ca. €7.2mn cumulated CFs coming from CdC business model.

In more details on the capital employed structure, we expect:

- Net Working Capital on Sales to stand in the 20%-21% region, factoring the rising contribution of new brands, as well as some restocking activity linked to the internationalization (Spain);
- Net Fixed Asset slightly increasing in absolute terms, as an effect of the investments for growth (e.g., digital platforms). In our model, we assume €3.5mn cumulated CapEx (€1.0mn, €1.2mn and €1.4mn in 2021E, 2022E and 2023E respectively), of which ca. €2.5mn cumulated development CapEx and €350k annual maintenance CapEx. Anyway, we do not rule out a different split between Opex and CapEx.

Based on such assumptions, we forecast CdC to average a total **return on capital employed after taxes around 23%**.

As a result of the €10.6mn net IPO proceeds, CdC is expected to achieve a Net Cash Position of €6.5mn already as of 2021E, and ca. €8.9mn at the end of the forecasted period, thanks to €12.9mn of Free Cash Flow generated on a cumulative basis.

CdC: 2020A-2023E Balance Sheet

(€mn, IT GAAP)	2020A	2021E	2022E	2023E
Net Fixed assets	3.6	4.1	4.5	5.2
Net Working Capital	6.3	8.0	9.9	11.9
Severance pay and other funds	0.3	0.4	0.5	0.5
Total Capital Employed	**9.6**	**11.7**	**14.0**	**16.5**
As a % of Total Sales	*38.6%*	*31.5%*	*29.8%*	*28.5%*
Group Net Equity	**5.6**	**18.2**	**21.2**	**25.4**
Net Fin. Position [Net debt (-) / Cash (+)]	**-4.0**	**6.5**	**7.3**	**8.9**

Source: Compagnia dei Caraibi (Historical), Value Track Analysis (Forecasts)

CdC: 2020A-2023E Cash Flow Statement

(€mn, IT GAAP)	2020A	2021E	2022E	2023E
EBITDA	**2.1**	**3.7**	**5.3**	**7.0**
Op. WC requirements	-1.9	-1.7	-1.8	-2.0
Capex (not incl. Fin. Inv.)	-0.2	-1.0	-1.2	-1.4
Capex as a % of Total Sales	*0.9%*	*2.7%*	*2.5%*	*2.3%*
Change in provisions	-0.0	0.1	0.1	0.1
OpFCF b.t.	**-0.0**	**1.1**	**2.3**	**3.8**
As a % of EBITDA	*-1.5%*	*28.4%*	*44.2%*	*53.9%*
Cash Taxes	-0.5	-1.1	-1.6	-2.2
Other (incl. Capital Injections and Fin. Inv.)	0.1	10.6	0.0	0.0
CF available to serve debt / equity investors	**-0.5**	**10.6**	**0.7**	**1.6**
Net Financial Charges	-0.0	-0.1	0.1	0.1
Dividend paid	-0.1	0.0	0.0	0.0
Change in Net Fin Position	**-0.6**	**10.6**	**0.8**	**1.6**

Source: Compagnia dei Caraibi (Historical), Value Track Analysis (Forecasts)

Appendix – Recap on the IPO structure and potential dilution

IPO structure

On July 28th, 2021, Compagnia dei Caraibi finalized its listing on AIM Italia – the multilateral trading platform organized and managed by Borsa Italiana – by issuing 3,999,999 ordinary shares (including 521,739 shares from Greenshoe option) at €3.45 per share.

As a result of the successful IPO (6.5x oversubscription net of the shares reserved to Smart Capital S.p.A. and PFH Palladio Holding S.p.A), CdC outstanding ordinary shares capital now amounts to ca. 12.7mn shares, resulting in a free float of ca. 27.4%. The remaining stake is owned by GEM S.r.l. (68.5%), PFH Palladio Holding S.p.A. (3.4%) and Smart Capital S.p.A. (0.7%), all having signed 12-24 months lock up agreements.

The above-mentioned numbers do not take into account 1,800,000 Price Adjustment Shares ("PAS") issued on the same day but not tradable on the market yet.

Compagnia dei Caraibi: Shareholders' structure post IPO and Greenshoe Option

Shareholder	Outstanding Ord. Shares	Share Capital (%)	PAS	Total Shares	Share Capital (%)
GEM S.r.l.	8,678,261	68.5%	1,800,000	10,478,261	72.4%
PFH Palladio Holding S.p.A.	434,783	3.4%	0	434,783	3.0%
Smart Capital S.p.A.	86,957	0.7%	0	86,957	0.6%
Free Float	3,478,259	27.4%	0	3,478,259	24.0%
Total	**12,678,260**	**100.0%**	**1,800,000**	**14,478,260**	**100.0%**

Source: Compagnia dei Caraibi

Ordinary shares possible evolution

As briefly described, CdC IPO involved additional financial instruments, namely PAS and a Stock Grant Plan dedicated to Group management and employees.

We calculate that the conversion of PAS into ordinary shares and the issue of Stock Grant related shares would entail an increase in total number of ordinary shares up to ca. 17.6%.

More in details, we underline that PAS conversion into ordinary shares (1:1 ratio) might raise GEM S.r.l.'s stake in CdC's Ordinary capital up to 72.4% and is expected to occur in two different tranches, once the Company meets the following financial goals:

(i) EBITDA 2021E equal or over €3.0mn (ca. +50% increase y/y) implies the conversion of 1.4mn PAS into ordinary shares;

(ii) EBITDA 2022E equal or over €4.5mn (ca. +50% increase y/y) implies the conversion into ordinary shares of the remaining 0.4mn PAS.

If Compagnia dei Caraibi is unable to reach said profitability goals, PAS will be cancelled without any change in the amount of the ordinary share capital.

On the other hand, the Stock Grant Plan provides for the issue of new shares at the ratio of maximum 3% of the number of total shares post-IPO (including PAS, therefore a total of 434,347 shares), subject to the achievement of specific financial objectives for FY 2021, 2022 and 2023 identified by the Board of Directors.

The table below outlines the maximum number of Ordinary shares to be issued / converted (shares issue assumed equally distributed over the next three years).

Compagnia dei Caraibi: Maximum number of Ordinary Shares

Financial Instruments	2021E	2022E	2023E
Outstanding Ordinary Shares	12,678,260	12,678,260	12,678,260
Price Adjustment Shares (PAS)	1,400,000	1,800,000	1,800,0000
Stock Grant Plan shares	144,782	289,564	434,347
Maximum number of Ordinary Shares	**14,223,043**	**14,767,825**	**14,912,608**
Increase from PAS (%)	11.0%	14.2%	14.2%
Increase from Stock Grant (%)	1.1%	2.3%	3.4%
Total increase of Ordinary shares (%)	**12.1%**	**16.5%**	**17.6%**

Source: Compagnia dei Caraibi

Since our estimates expect to achieve the financial goals set by CdC Board in order to convert PAS into ordinary shares and to issue the new shares related to the Stock Grant Plan, all our multiples and ratios are based on the fully diluted scenario discussed above.

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