

Compagnia dei Caraibi

Sector: Food & Beverage



9M21 KPIs drive 2021E-23E forecasts up

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 with a portfolio of over 240 brands, all distributed via multi-annual exclusive distribution rights

Brilliant 9M21 KPIs: Top line +60% y/y, Net Cash €8.2mn

Compagnia dei Caraibi (CdC) has released excellent (unaudited) 9M21 Top line and Net Financial Position figures. Indeed:

- 9M21 Revenues stood at €28.7mn, up ca. 60% y/y (9M20 at €17.9mn). All distribution channels reported y/y growth over 45%, with *off-trade* channels (i.e., retails, large-scale retails, e-commerce) up more than 70% y/y, increasing their share on total revenues from 23.6% to 25.5%. In 3Q21 alone, Revenues stood at €13.7mn, +36% y/y.
- Net Financial Position at the end of September 2021 recorded Net Cash at €8.2mn vs. Net Debt at €3.5mn as of end of June 2021. This €11.7mn improvement was driven by IPO proceeds (€10.6mn accounted in 3Q21) and by lower level of inventories.

2021E-22E-23E Estimates revised upwards

As a result of CdC's current very strong commercial traction and of the recently approved "Super Green Pass" regulation that do not entail forthcoming closures in the HoReCa sector, we are revising upwards our 2021E-22E-23E estimates as follows:

- Revenues up by ca. 6.5% on average, leading to 35% CAGR_{20A-23E}, driven by *off-trade* channels faster growth and by *on-trade* streams consolidation;
- EBITDA, EBIT, Net Profit up a more than proportional 8.4%, 9.7%, 10.0% respectively, leading EBITDA at €4.1mn as of 2021E (10.4% EBITDA margin) and at €7.5mn in 2023E (12.3%). Positive operating leverage effect and more efficient costs handling practices (especially on the logistics side) are the drivers of such profitability improvement;
- Net Cash at €9.0mn by 2021E and at €10.5mn by 2023E, with FCF generation coming from better margins and inventory management.

Updated Fair Value per Share at €5.90 (from €5.40)

As a result of our new estimates and peers multiples rerating over the last 2 months, we update our fully diluted fair value per share at €5.90, up ca. 9% compared to our previous €5.40 per share valuation.

At €5.90 per share, CdC would trade at 1.6x-1.3x EV/Sales, 13.6x-10.4x EV/EBITDA and 26.1x-19.8x P/E 2022-23E.

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Fair Value (€) **5.90**

Market Price (€) **4.12**

Market Cap. (€m) **61.4***

*Fully-diluted

| KEY FINANCIALS (€mn) | 2020A | 2021E | 2022E |
|----------------------|-------|-------|-------|
| TOTAL REVENUES | 24.9 | 39.3 | 50.4 |
| EBITDA | 2.1 | 4.1 | 5.8 |
| EBIT | 1.6 | 3.5 | 5.1 |
| NET PROFIT | 1.0 | 2.3 | 3.4 |
| EQUITY | 5.6 | 18.4 | 21.8 |
| NET FIN. POS. | -4.0 | 9.0 | 9.3 |
| EPS ADJ. (€) | 0.16 | 0.17 | 0.23 |
| 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 | 10.4 | 11.4 |
| EBIT MARGIN (%) | 6.3 | 9.0 | 10.1 |
| NET DEBT / EBITDA (x) | 1.9 | nm | nm |
| NET DEBT / EQUITY (x) | 0.7 | 0.0 | 0.0 |
| EV/SALES (x)(*) | 2.0 | 1.3 | 1.0 |
| EV/EBITDA (x)(*) | 23.4 | 12.8 | 9.0 |
| EV/EBIT (x)(*) | 31.7 | 14.9 | 10.2 |

Source: Compagnia dei Caraibi (historical figures)

Value Track (2021E-22E estimates)(*) based on Fully Diluted Nosh

| STOCK DATA | |
|---------------------|---------------------|
| FAIR VALUE (€) | 5.90 |
| MARKET PRICE (€) | 4.12 |
| SHS. OUT. (m)(*) | 14.9 |
| MARKET CAP. (€m)(*) | 61.4 |
| FREE FLOAT (%) | 24.02 |
| AVG. -20D VOL. (#) | 15,302 |
| 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.

Key Financials

| €mn | 2020A | 2021E | 2022E | 2023E |
|----------------------------------|-------------|-------------|-------------|-------------|
| Total Revenues from Sales | 24.9 | 39.3 | 50.4 | 60.9 |
| Chg. % YoY | 1.7% | 58.3% | 28.2% | 20.8% |
| EBITDA | 2.1 | 4.1 | 5.8 | 7.5 |
| EBITDA Margin (%) | 8.5% | 10.4% | 11.4% | 12.3% |
| EBIT | 1.6 | 3.5 | 5.1 | 6.8 |
| EBIT Margin (%) | 6.3% | 9.0% | 10.1% | 11.1% |
| Net Profit | 1.0 | 2.3 | 3.4 | 4.4 |
| Chg. % YoY | 29.5% | nm | 49.2% | 32.1% |
| Adjusted Net Profit | 1.0 | 2.3 | 3.4 | 4.4 |
| Chg. % YoY | 29.5% | nm | 49.2% | 32.1% |
| Net Fin. Position | -4.0 | 9.0 | 9.3 | 10.5 |
| Net Fin. Pos. / EBITDA (x) | 1.9 | nm | nm | nm |
| Capex | -0.2 | -1.0 | -1.2 | -1.4 |
| OpFCF b.t. | 0.0 | 3.7 | 2.0 | 3.5 |
| OpFCF b.t. as % of EBITDA | -1.5% | 90.3% | 35.0% | 46.9% |

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

Investment case

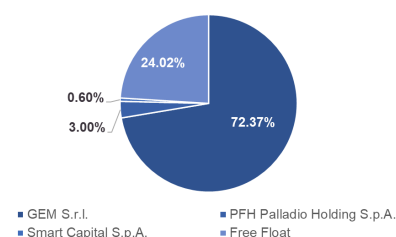
Strengths / Opportunities

- ◆ 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

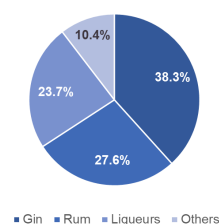
- ◆ Fairly concentrated market, dominated by huge players in size
- ◆ Distribution of third parties' products drives lower profitability

Shareholders Structure



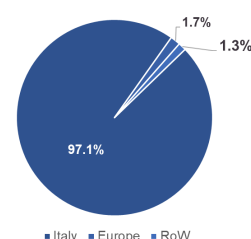
Source: Compagnia dei Caraibi

Sales breakdown by products



Source: Compagnia dei Caraibi, FY20 Data

Sales breakdown by geography



Source: Compagnia dei Caraibi, FY20 Data

Stock multiples @ €5.90 Fair Value

| | 2022E | 2023E |
|-------------------|-------|-------|
| EV / SALES (x) | 1.6 | 1.3 |
| EV / EBITDA (x) | 13.6 | 10.4 |
| EV / EBIT (x) | 15.4 | 11.5 |
| EV / CAP.EMP. (x) | 6.3 | 4.9 |
| OpFCF Yield (%) | 2.6 | 4.5 |
| P / E (x) | 26.1 | 19.8 |
| P / BV (x) | 4.0 | 3.4 |
| Div. Yield. (%) | 0.0 | 0.0 |

Source: Value Track (Fully-diluted scenario)

Financials

9M21 Results

CdC: Key financial items 9M21 vs 9M20

| (€mn) | 9M20 | 9M21 | y/y (%) |
|---|-----------------|-------------|--------------|
| On-Trade (Italy) | 12.8 | 19.7 | 54.1% |
| o/w Wholesale | 8.1 | 12.1 | 49.2% |
| o/w HoReCa | 2.5 | 4.1 | 66.9% |
| o/w C&C | 2.2 | 3.5 | 57.7% |
| Off-Trade (Italy) | 4.0 | 6.8 | 70.4% |
| o/w Retails | 1.7 | 2.8 | 63.8% |
| o/w Large-Scale Retails (GDO) | 1.3 | 2.0 | 57.3% |
| o/w E-Commerce | 1.0 | 2.0 | 98.8% |
| Other Revenues | 1.1 | 2.2 | 96.0% |
| Total Revenues | 17.9 | 28.7 | 60.3% |
| Net Financial Position [i.e. Net Debt (-), Cash (+)] | -3.5 (*) | 8.2 | n.m. |

Source: Compagnia dei Caraibi (*) June 30th, i.e. 1H21

FY21E-23E Estimates Revision

CdC: New vs. Old estimates

| (€mn) | 2021E | | | 2022E | | | 2023E | | |
|-------------------------------|-------------|-------------|--------------|-------------|-------------|--------------|-------------|-------------|-------------|
| | Old | New | Change | Old | New | Change | Old | New | Change |
| Total Revenues | 37.1 | 39.3 | 6.0% | 46.9 | 50.4 | 7.6% | 57.8 | 60.9 | 5.3% |
| Gross Profit | 20.2 | 21.4 | 6.1% | 25.6 | 27.6 | 7.7% | 31.7 | 33.4 | 5.3% |
| Gross Margin (%) | 54.3% | 54.4% | nm | 54.6% | 54.7% | nm | 54.8% | 54.8% | nm |
| EBITDA | 3.7 | 4.1 | 9.2% | 5.3 | 5.8 | 9.7% | 7.0 | 7.5 | 6.4% |
| EBITDA Margin (%) | 10.1% | 10.4% | 31bps | 11.2% | 11.4% | 22bps | 12.1% | 12.3% | 12bps |
| EBIT | 3.2 | 3.5 | 10.9% | 4.6 | 5.1 | 11.2% | 6.3 | 6.8 | 7.1% |
| EBIT Margin (%) | 8.6% | 9.0% | 39bps | 9.8% | 10.1% | 32bps | 10.9% | 11.1% | 19bps |
| Net profit | 2.0 | 2.3 | 11.1% | 3.0 | 3.4 | 11.5% | 4.1 | 4.4 | 7.3% |
| Net Margin (%) | 5.5% | 5.7% | 26bps | 6.4% | 6.7% | 23bps | 7.2% | 7.3% | 14bps |
| Net financial Position | 6.5 | 9.0 | 2.5 | 7.3 | 9.3 | 2.0 | 8.9 | 10.5 | 1.6 |
| Group Net Equity | 18.2 | 18.4 | 0.2 | 21.2 | 21.8 | 0.6 | 25.4 | 26.3 | 0.9 |
| OpFCF b.t. | 1.1 | 3.7 | nm | 2.3 | 2.0 | nm | 3.8 | 3.5 | nm |
| OpFCF a.t. | 0.0 | 2.5 | nm | 0.7 | 0.2 | nm | 1.6 | 1.1 | nm |

Source: Value Track Analysis

Valuation

We calculate **€5.90 fair Equity Value per CdC share** (fully diluted), averaging the outcome of **peers' analysis and DCF model**.

At fair value CdC would trade at 1.6x-1.3x EV/Sales, 13.6x-10.4x EV/ EBITDA and 26.1x-19.8x P/E multiples 2022-23E, i.e. at material discount vs. international premium spirits producers (25-50%) and nearly in line with Italian food and beverages distributors.

Compagnia dei Caraibi: Sensitivity of implicit stock trading multiples between €5.30 and €6.50

| Equity Value p/s | EV / Sales (x) | | EV / EBITDA (x) | | EV / EBIT (x) | | P / E (x) | |
|------------------|----------------|------------|-----------------|-------------|---------------|-------------|-------------|-------------|
| | 2022E | 2023E | 2022E | 2023E | 2022E | 2023E | 2022E | 2023E |
| € 5.30 | 1.4 | 1.1 | 12.1 | 9.2 | 13.7 | 10.1 | 23.5 | 17.8 |
| € 5.60 | 1.5 | 1.2 | 12.9 | 9.8 | 14.6 | 10.8 | 24.8 | 18.8 |
| € 5.90 | 1.6 | 1.3 | 13.6 | 10.4 | 15.4 | 11.5 | 26.1 | 19.8 |
| € 6.20 | 1.7 | 1.4 | 14.4 | 11.0 | 16.3 | 12.1 | 27.4 | 20.8 |
| € 6.50 | 1.7 | 1.4 | 15.2 | 11.6 | 17.2 | 12.8 | 28.8 | 21.8 |

Source: Value Track Analysis

Peers' analysis

Given CdC above sector growth expectations we focused on 2023E multiples.

Peers' analysis leads to **€5.80 fair equity value per share** based on 10.0x EV/EBITDA and 20.0x P/E 2023E "fair" multiples, which would imply ca. 25%-50% discount vs. Premium Spirits median multiples and nearly in line 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 | 6.8 | 6.3 | 21.6 | 19.8 | 22.4 | 21.4 | 30.3 | 26.9 |
| Italian Distributors Median Multiples | 1.0 | 0.9 | 11.0 | 8.6 | 16.0 | 11.0 | 20.6 | 18.2 |
| Total Median | 4.0 | 3.8 | 14.8 | 13.6 | 16.9 | 15.6 | 24.2 | 20.6 |
| CdC Fair Multiples | | | | 10.0 | | | | 20.0 |
| CdC Implied Fair Value per Share (€) | | | | 5.70 | | | | 5.90 |

Source: Value Track Analysis

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 €6.00**.

Compagnia dei Caraibi: DCF model outcome

| | €mn |
|---|-------------|
| PV of future Cash flow FY 2022E-2030E | 24.1 |
| PV of Terminal Value @ 2030E with g=2.0% | 56.4 |
| Fair Enterprise Value | 80.5 |
| Net Fin. Position 2021E (post IPO proceeds) | 9.0 |
| Minorities / Adjustments | 0.0 |
| Fair Equity Value | 89.5 |
| Fully diluted number of shares (mn) | 14.9 |
| Fair Equity Value p.s. (€) | 6.00 |

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% | 6.40 | 6.70 | 7.04 | 7.44 | 7.91 |
| | 9.2% | 5.94 | 6.20 | 6.48 | 6.82 | 7.21 |
| | 9.7% | 5.55 | 5.77 | 6.00 | 6.29 | 6.61 |
| | 10.2% | 5.19 | 5.38 | 5.59 | 5.82 | 6.10 |
| | 10.7% | 4.88 | 5.04 | 5.22 | 5.42 | 5.65 |

Source: Value Track Analysis

Appendix

Financial Statements 2020A-2023E

CdC: 2020A-2023E P&L

| (€mn, IT GAAP) | 2020A | 2021E | 2022E | 2023E | CAGR _{20A-23E} |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------------------|
| Total Revenues | 24.9 | 39.3 | 50.4 | 60.9 | 34.8% |
| Purchases and Changes in Inventories | -11.2 | -18.0 | -22.9 | -27.5 | |
| Gross Profit | 13.6 | 21.4 | 27.6 | 33.4 | 34.8% |
| Gross Margin (%) | 54.8% | 54.4% | 54.7% | 54.8% | |
| Operating Expenses | -11.5 | -17.3 | -21.8 | -25.9 | |
| EBITDA | 2.1 | 4.1 | 5.8 | 7.5 | 52.5% |
| EBITDA Margin (%) | 8.5% | 10.4% | 11.4% | 12.3% | |
| D&A | -0.5 | -0.6 | -0.7 | -0.7 | |
| EBIT | 1.6 | 3.5 | 5.1 | 6.8 | 63.0% |
| EBIT Margin (%) | 6.3% | 9.0% | 10.1% | 11.1% | |
| Net Financial Charges | 0.0 | 0.0 | 0.1 | 0.1 | |
| Pre-tax Profit | 1.5 | 3.5 | 5.2 | 6.8 | 65.5% |
| Taxes | -0.5 | -1.2 | -1.8 | -2.4 | |
| Net Profit | 1.0 | 2.3 | 3.4 | 4.4 | 65.5% |

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

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 | 5.8 | 8.4 | 11.1 |
| Severance pay and other funds | 0.3 | 0.4 | 0.5 | 0.5 |
| Total Capital Employed | 9.6 | 9.4 | 12.5 | 15.7 |
| Group Net Equity | 5.6 | 18.4 | 21.8 | 26.3 |
| Net Fin. Position [Net debt (-) / Cash (+)] | -4.0 | 9.0 | 9.3 | 10.5 |

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 | 4.1 | 5.8 | 7.5 |
| Op. WC requirements | -1.9 | 0.6 | -2.7 | -2.7 |
| Capex (not incl. Fin. Inv.) | -0.2 | -1.0 | -1.2 | -1.4 |
| Change in provisions | 0.0 | 0.1 | 0.1 | 0.1 |
| OpFCF b.t. | 0.0 | 3.7 | 2.0 | 3.5 |
| Cash Taxes | -0.5 | -1.2 | -1.8 | -2.4 |
| Other (incl. Capital Injections and Fin. Inv.) | 0.1 | 10.6 | 0.0 | 0.0 |
| 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 | 13.0 | 0.3 | 1.2 |

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

Peers Multiples

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 | 7.4 | 6.8 | 6.3 | 30.0 | 26.4 | 23.6 | >30 | >30 | 27.6 | 48.7 | 42.1 | 37.6 |
| Diageo | 8.1 | 7.4 | 6.9 | 24.6 | 21.6 | 19.8 | 27.5 | 24.2 | 22.1 | 34.2 | 29.3 | 26.6 |
| Pernod Ricard | 7.1 | 6.3 | 5.9 | 22.6 | 20.1 | 18.4 | 26.0 | 22.4 | 20.7 | 42.6 | 30.3 | 27.2 |
| Remy Cointreau | 10.9 | 9.2 | 8.0 | >40 | 34.6 | 30.2 | >30 | >30 | >30 | >50 | >50 | >50 |
| Constellation Brands | 6.4 | 6.4 | 6.0 | 17.3 | 17.2 | 15.6 | 19.0 | 19.4 | 17.4 | 22.5 | >50 | 21.2 |
| Avg. Premium Spirits | 8.0 | 7.2 | 6.6 | 23.6 | 24.0 | 21.5 | 24.2 | 22.0 | 21.9 | 37.0 | 33.9 | 28.1 |
| Med. Premium Spirits | 7.4 | 6.8 | 6.3 | 23.6 | 21.6 | 19.8 | 26.0 | 22.4 | 21.4 | 38.4 | 30.3 | 26.9 |
| Italian Wine Brands | 1.5 | 1.0 | 0.9 | 13.2 | 8.8 | 7.7 | 16.2 | 10.9 | 9.5 | 20.7 | 14.3 | 13.0 |
| Masi Agricola | 1.8 | 1.8 | 1.8 | 10.8 | 11.0 | 10.3 | 17.0 | 17.3 | 15.4 | 20.6 | 20.6 | 20.6 |
| Longino & Cardenal | 0.9 | 0.6 | 0.5 | nm | 12.3 | 8.6 | nm | 16.4 | 11.0 | nm | 27.8 | 18.2 |
| Marr | 1.1 | 0.9 | 0.9 | 16.5 | 12.0 | 11.7 | 27.2 | 16.0 | 15.6 | 39.6 | 20.6 | 20.0 |
| Portobello | 1.6 | 1.0 | 0.7 | 8.9 | 5.3 | 3.6 | 11.5 | 6.3 | 4.0 | 15.3 | 8.6 | 6.1 |
| Avg. Italian Distributors | 1.4 | 1.0 | 0.9 | 12.4 | 9.9 | 8.4 | 18.0 | 13.4 | 11.1 | 24.0 | 18.4 | 15.6 |
| Med. Italian Distributors | 1.5 | 1.0 | 0.9 | 12.0 | 11.0 | 8.6 | 16.6 | 16.0 | 11.0 | 20.6 | 20.6 | 18.2 |
| Total Median | 4.1 | 4.0 | 3.8 | 16.9 | 14.8 | 13.6 | 19.0 | 16.9 | 15.6 | 28.4 | 24.2 | 20.6 |

Source: Market Consensus, Value Track Analysis

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