

Compagnia dei Caraibi

Sector: Food & Beverage



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One step forward to Omnichannel presence

Compagnia dei Caraibi is a leading player in the selection, marketing and distribution of third parties and proprietary premium and super-premium alcoholic brands, distributed via multi-annual exclusive distribution rights

Acquisition of We r-eticsoul Srl

Back as of March 10th CDC has finalized the acquisition of the whole capital of We r-eticsoul Srl, a company active in both online and offline beverages distribution, and owned at 90% by CDC Chairman, Mr Baracco, with the remaining 10% owned by CDC Managing Director, Mr Torretta.

In FY22 the acquired company, founded in 2020, achieved €0.24mn turnover, €-0.3mn EBITDA (€0.52mn Net Debt position) by managing an e-shop platform with a catalogue featuring more than 1,000 labels, and a store in Turin. Furthermore, it has majority stakes in a small independent communication agency, that in FY22 generated €1.5mn revenues, €3k EBITDA and had a €0.17mn Net Debt position.

We r-eticsoul was paid €1.03mn, out of which some €673k in cash and the remaining €362k in shares (72.1k CDC treasury shares valued € 5.02 each).

Deal rationale: Going omnichannel

We appreciate the deal rationale as it is in line with CDC strategies, announced at IPO, to evolve its business model by developing an omnichannel presence, in order to leverage its brand building skills with B2B and B2C clients, both online and offline. We reckon that the deal is only an initial step to successfully execute such strategy, and that additional upfront investments are needed to rollout a retail network with decent critical mass.

2023E-24E estimates to account for the deal

Too early to have a more detailed view, but we expect the capex needed to rollout the B2C retail network and the investment on the online platform to be front-end loaded. As a consequence, in 2023E-24E we are adding only some €2.0mn-€3.0mn revenues respectively, while EBITDA might be impacted by some €0.5mn each year and Net Financial Position by some €2.5mn in 2023E (out of which €1mn for the deal) and €3.1mn in 2024E.

Fair Value p/s (fully-diluted) stable at €6.30

We've updated the Peers' Analysis by stripping out We r-eticsoul financials from those of the whole CDC group, and valued the acquired company at deal price. Updated DCF, on the contrary, takes into account all the short and medium term financials of the acquired target. Averaging DCF and Peers returns a fully diluted fair Equity Value p.s. unchanged at €6.30.

Fair Value (€) 6.30
Market Price (€) 4.60
Market Cap. (€m)(*) 76.1

KEY FINANCIALS (€mn)	2021A	2022E	2023E
TOTAL REVENUES	42.5	54.3	74.1
EBITDA	4.9	6.1	8.3
EBITA	3.8	4.9	7.0
ADJ. NET PROFIT	2.5	3.4	5.1
EQUITY	19.5	21.6	27.7
NET FIN. POS.	7.2	0.5	-0.9
EPS ADJ. (€)(*)	0.19	0.21	0.31
DPS (€)	0.07	0.00	0.00

Source: Compagnia dei Caraibi (historical figures), Value Track (2022E-23E estimates, *) based on Fully Diluted Nosh

KEY RATIOS	2021A	2022E	2023E
EBITDA MARGIN (%)	11.5	11.2	11.2
EBITA MARGIN (%)	9.0	9.0	9.5
NET DEBT / EBITDA (x)	nm	nm	0.1
NET DEBT / EQUITY (x)	0.0	0.0	0.0
EV/SALES (x)(*)	1.4	1.4	1.1
EV/EBITDA (x)(*)	12.6	12.1	9.9
EV/EBITA (x)(*)	16.0	15.0	11.7

Source: Compagnia dei Caraibi (historical figures), Value Track (2022E-23E estimates, *) based on Fully Diluted Nosh

STOCK DATA

FAIR VALUE (€)	6.30
MARKET PRICE (€)	4.60
SHS. OUT. (m)(*)	16.5
MARKET CAP. (€m)(*)	76.1
FREE FLOAT (%)	24.0
AVG. -20D VOL. (#)	3,103.3
RIC / BBG	1TIME.MI / 1TIME.IM
52 WK RANGE	3.80-5.12

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, sodas, beers and wine. CdC is focused on scouting and selecting the best-in-class high-quality alcohol 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	2021A	2022E	2023E	2024E
Total Revenues	42.5	54.3	74.1	86.0
Chg. % YoY	71.0%	27.7%	36.4%	16.2%
EBITDA	4.9	6.1	8.3	9.9
EBITDA Margin (%)	11.5%	11.2%	11.2%	11.6%
EBITA	3.8	4.9	7.0	8.5
EBITA Margin (%)	9.0%	9.0%	9.5%	9.8%
EBIT	3.8	4.9	6.1	7.0
Net Profit	2.4	3.0	4.1	4.6
Chg. % YoY	nm	27.9%	34.0%	13.7%
Adjusted Net Profit	2.5	3.4	5.1	6.0
Chg. % YoY	nm	37.1%	47.3%	19.3%
Net Fin. Position	7.2	0.5	-0.9	-2.1
Net Fin. Pos. / EBITDA (x)	nm	nm	0.1	0.2
OpFCF b.t.	0.7	2.3	6.2	6.4
OpFCF b.t. as % of EBITDA	14.7%	38.4%	74.5%	64.4%

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

Investment case

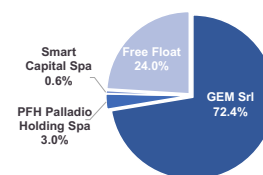
Strengths / Opportunities

- ◆ Leader in the fastest growing spirits premium segment;
- ◆ Unique business model based on scouting premium brands with high potential and obtaining exclusivity distribution rights;
- ◆ Extensive portfolio with over 270 brands and 1,600 SKUs;
- ◆ Well diversified clientele and exposure to both on-trade and off-trade distribution channels.

Weaknesses / Risks

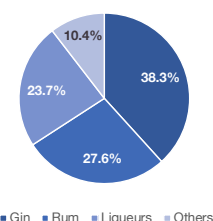
- ◆ Fairly concentrated market, dominated by huge players in size;
- ◆ Distribution of third parties' products drives lower profitability.

Shareholders Structure



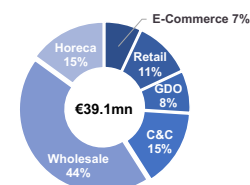
Source: Compagnia dei Caraibi

Sales by Products



Source: Compagnia dei Caraibi, FY20 Data

Sales by Distribution Channel



Source: Compagnia dei Caraibi, FY21 Data

Stock multiples @ €6.30 Fair Value

	2023E	2024E
EV / SALES (x)	1.4	1.2
EV / EBITDA (x)	13.0	10.2
EV / EBITA (x)	15.3	11.9
EV / CE. (x)	3.8	2.6
OpFCF Yield (%)	6.6	7.6
P / E Adj. (x)	20.2	16.9
P / BV (x)	3.7	2.8
Div. Yield. (%)	0.0	0.0

Source: Value Track (Fully-diluted scenario)

Change in 2023E-2024E forecasts

We r-eticsoul: 2022A-2024E Key Financials

(€mn, IT GAAP)	2022A	2023E	2024E
Revenues	1.7	2.0	3.0
Chg. % YoY		12.9%	50.9%
EBITDA	-0.3	-0.5	-0.5
EBIT	-0.4	-0.8	-0.9
Net Profit	-0.4	-0.78	-0.96
Net Fin Position (*)	-0.7	-1.5	-3.1

Source: Compagnia dei Caraibi, Value Track Analysis

(*) It doesn't include CDC €1mn cash out for the acquisition

CdC: New vs. Old 2023E-24E estimates

(€mn)	2023E			2024E		
	Old	New	Change	Old	New	Change
Total Revenues / Value of Production	72.1	74.1	2.7%	83.1	86.0	3.6%
EBITDA	8.8	8.3	-5.9%	10.5	9.9	-5.5%
<i>EBITDA Margin (%)</i>	12.2%	11.2%	-103bps	12.7%	11.6%	-111bps
EBITA	7.5	7.0	-7.0%	9.0	8.5	-6.4%
<i>EBITA Margin (%)</i>	10.4%	9.5%	-98bps	10.9%	9.8%	-105bps
EBIT	6.8	6.1	-9.3%	7.7	7.0	-8.8%
<i>EBIT Margin (%)</i>	9.4%	8.3%	-110bps	9.2%	8.1%	-110bps
Net Profit	4.5	4.1	-9.3%	5.1	4.6	-9.2%
<i>Net Margin (%)</i>	6.2%	5.5%	-73bps	6.1%	5.4%	-76bps
Adj. Net Profit	5.4	5.1	-6.5%	6.4	6.0	-6.3%
Net Financial Position	1.6	-0.9	-2.5	1.0	-2.1	-3.1

Source: Value Track Analysis

CdC: 2021A-2024E P&L

(€mn, IT GAAP)	2021A	2022E	2023E	2024E	CAGR _{21A-24E}
Total Revenues / Value of Production	42.5	54.3	74.1	86.0	26.5%
Costs of Goods Sold	-20.8	-26.6	-37.6	-43.5	
Gross Profit	21.7	27.7	36.4	42.6	25.2%
<i>Gross Margin (%)</i>	<i>51.0%</i>	<i>51.1%</i>	<i>49.2%</i>	<i>49.5%</i>	
Operating Expenses	-16.8	-21.7	-28.2	-32.6	
EBITDA	4.9	6.1	8.3	9.9	26.8%
<i>EBITDA Margin (%)</i>	<i>11.5%</i>	<i>11.2%</i>	<i>11.2%</i>	<i>11.6%</i>	
D&A (excl. Goodwill Amortization)	-1.0	-1.2	-1.4	-1.6	
EBITA	3.8	4.9	6.9	8.4	29.7%
Goodwill Amortization	0.0	0.0	-0.8	-1.4	
EBIT	3.8	4.9	6.1	7.0	22.1%
Net Financial Charges & Exceptional Items	-0.3	-0.1	-0.1	-0.1	
Taxes	-1.1	-1.8	-2.0	-2.3	
Net Profit	2.4	3.0	4.1	4.6	24.9%
Adjusted Net Profit	2.5	3.4	5.1	6.0	34.0%

Source: Compagnia dei Caraibi, Value Track Analysis

CdC: 2021A-2024E Balance Sheet

(€mn, IT GAAP)	2021A	2022E	2023E	2024E
Net Fixed Assets	5.0	11.4	18.1	25.9
Net Working Capital	7.8	10.3	11.1	13.0
Provisions	0.4	0.5	0.6	0.7
Total Capital Employed	12.3	21.2	28.6	38.2
<i>As a % of Value of Production</i>	<i>29.0%</i>	<i>39.0%</i>	<i>38.6%</i>	<i>44.4%</i>
Group Net Equity	19.5	21.6	27.7	36.1
Net Fin. Position [Net debt (-) / Cash (+)]	7.2	0.5	-0.9	-2.1

Source: Compagnia dei Caraibi, Value Track Analysis

CdC: 2021A-2024E Cash Flow Statement

(€mn, IT GAAP)	2021A	2022E	2023E	2024E
EBITDA	4.9	6.1	8.3	9.9
Δ Net Working Capital	-1.4	-2.5	-0.8	-1.9
Capex	-2.4	-1.3	-1.4	-1.7
Δ Provisions	-0.3	0.1	0.1	0.1
OpFCF b.t.	0.7	2.3	6.2	6.4
<i>As a % of EBITDA</i>	<i>14.7%</i>	<i>38.4%</i>	<i>74.5%</i>	<i>64.4%</i>
Cash Taxes	-0.3	-1.8	-2.0	-2.3
Capital Injections	12.0	0.0	2.0	3.8
Other (incl. Financial Investments)	-0.7	-6.3	-7.4	-9.0
Net Financial Charges	-0.1	0.0	-0.1	-0.1
Dividends paid	-0.5	-0.9	0.0	0.0
Δ Net Financial Position	11.2	-6.7	-1.3	-1.2

Source: Compagnia dei Caraibi, Value Track Analysis

Valuation

Compagnia dei Caraibi: Sensitivity of implicit stock trading multiples in €4.50 - €8.10 range

Equity Value p/s	EV / Sales (x)		EV / EBITDA (x)		EV / EBITA (x)		P / E Adj. (x)	
	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
€ 4.50	1.1	0.8	9.4	7.2	11.2	8.5	14.4	12.1
€ 5.10	1.2	0.9	10.6	8.2	12.5	9.6	16.4	13.7
€ 5.70	1.3	1.1	11.8	9.2	13.9	10.8	18.3	15.3
€ 6.30	1.4	1.2	13.0	10.2	15.3	11.9	20.2	16.9
€ 6.90	1.6	1.3	14.1	11.1	16.7	13.1	22.1	18.6
€ 7.50	1.7	1.4	15.3	12.1	18.1	14.2	24.1	20.2
€ 8.10	1.8	1.5	16.5	13.1	19.5	15.4	26.0	21.8

Source: Value Track Analysis

Compagnia dei Caraibi (ex We r-eticsoul): Peers' Analysis outcome

Company	EV / Sales (x)		EV / EBITDA (x)		EV / EBIT (x)		Adj. P / E (x)	
	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
Premium Spirits Median Multiples	5.5	5.1	15.9	14.9	17.8	16.7	25.1	21.0
Italian Distributors Median Multiples	0.6	0.7	8.7	7.6	11.5	9.6	13.8	14.5
Total Median	4.5	4.5	15.7	14.3	17.3	16.0	20.2	18.8
CdC Fair Multiples (*)			10.0		14.0		19.5	
CdC Implied Fair Value p.s. (€)(*)			5.09		6.18		6.89	
			-----			€6.05 average		

Source: Market Consensus, Value Track Analysis

(*) We r-eticsoul stripped out from CDC financials and valued at acquisition cost

Compagnia dei Caraibi: DCF Model outcome

	€mn
PV of Future Cash Flows FY 2023E-2030E (12% WACC)	28.7
PV of Terminal Value @ 2030E with TV/EBITDA = 9.0x	85.6
Fair Enterprise Value	114.4
Net Fin. Position 2022E	0.5
Minorities / Peripheral assets	2.3
2023E-24E Cash Out for already finalized M&A deals	-8.3
Fair Equity Value	108.8
Fully Diluted NOSH (mn)	16.5
Fair Equity Value p.s. (€)	6.58

Source: Value Track Analysis

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