Compagnia dei Caraibi

Sector: Food & Beverage

VALUETRACK

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2Q affected by weather, rebound expected in 2H

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

2Q-1H23 Revenues and Net Financial Position

CDC announced 1H23 Revenues ranging from €28.3mn to €28.8mn (+1.2% to +3.0% vs. 1H22), with 2Q23 Revenues at €15.3mn to €15.8mn that have faced some challenges: i) market conditions, ii) adverse weather, and iii) distribution strategy changes. Net Cash Position at the end of June 2023 is €2.0mn to €2.3mn (compared to €0.6mn in Dec 2022 and €1.0mn in Mar 2023). Cash available stands at ca. €12.6mn, thus providing room for potential M&A and internationalization plans.

Update on Recent Developments

In recent months, CDC has been pursuing the objectives set during the IPO: i) Expanding Internationally; ii) Strengthening Brand Building; iii) Incubating Super-Premium Brands; iv) Developing Direct Consumer Access. To adhere to these guidelines, several weighty deals have been executed, with the latest one being venturing into viniculture by acquiring farmland for wine production.

For the time being, unchanged Forecasts 2023E-25E

Despite the unfavourable KPIs witnessed in 2Q23, we retain our 2023E-25E forecasts without changes for the time being, as 2H revenues usually account for ca. 60% of full year ones (4Q ca. 36% of FY). Better wait for more clues after end of august to draw some conclusion.

The only exception is the NFP, which has been downwardly adjusted by €500k due to the cash-out for the above-mentioned acquisition of ~8 hectares of prime land in the Langhe region.

Fair Value unchanged at €4.87 p/s (fully-diluted)

We confirm our current fair value at €4.87 p/s (fully-diluted) adhering to the April 2023 update. Though, it is imperative to recognise the following points: a) a widening valuation spread between Tier 1 and Italian Peers; b) an increase in fully diluted shares from 16.11mn to 16.23mn and a slight reduction in available cash due to Elephant Gin operation. We'll address all these points into the post-1H23 update.

Fair Value (€)(*)	**4.87**
Market Price (€)	**3.87**
Market Cap. (€m)(*)	**62.4**

KEY FINANCIALS (€mn)	2022A	2023E	2024E
VALUE OF PRODUCTION	56.1	75.3	87.5
EBITDA	4.7	5.1	6.8
EBITA	3.8	4.1	5.8
ADJ. NET PROFIT	2.5	3.1	4.2
EQUITY	18.3	22.5	29.1
NET FIN. POS.	-1.9	-5.5	-7.5
EPS ADJ. (€)(*)	0.18	0.19	0.26
DPS (€)	0.00	0.00	0.00

Source: Compagnia dei Caraibi (historical figures), Value Track (2023E-24E estimates, (*) based on Fully Diluted Nosh

KEY RATIOS	2022A	2023E	2024E
EBITDA MARGIN (%)	8.3	6.7	7.8
EBITA MARGIN (%)	6.8	5.5	6.6
NET DEBT / EBITDA (x)	0.4	1.0	1.0
NET DEBT / EQUITY (x)	0.1	0.2	0.2
EV/SALES (x)(*)	1.1	0.9	0.8
EV/EBITDA (x)(*)	12.9	13.7	10.0
EV/EBIT (x)(*)	18.6	21.3	15.8
P/E ADJ. (x)(*)	21.4	20.1	14.9

Source: Compagnia dei Caraibi (historical figures), Value Track (2023E-24E estimates), (*) based on Fully Diluted Nosh

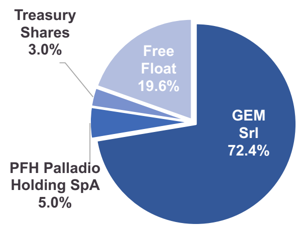
STOCK DATA	
FAIR VALUE (€)	4.87 (*)
MARKET PRICE (€)	3.87
SHS. OUT. (m)(*)	16.1 (*)
MARKET CAP. (€m)	62.4 (*)
FREE FLOAT (%)	19.6
AVG. -20D VOL. (#)	13,187
RIC / BBG	TIME.MI / TIME IM
52 WK RANGE	3.50 – 5.12

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

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.

Shareholders Structure



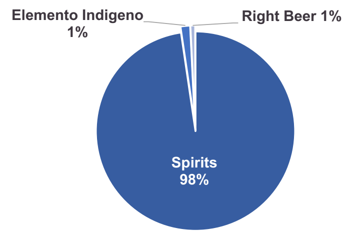
Source: Compagnia dei Caraibi

Key Financials

€mn	2022A	2023E	2024E	2025E
Value of Production	**56.1**	**75.3**	**87.5**	**97.1**
Chg. % YoY	32.1%	34.2%	16.1%	11.0%
EBITDA	**4.7**	**5.1**	**6.8**	**8.3**
EBITDA Margin (%)	8.3%	6.7%	7.8%	8.5%
EBITA	**3.2**	**4.1**	**5.8**	**7.1**
EBITA Margin (%)	5.8%	5.5%	6.6%	7.3%
EBIT	**3.2**	**3.3**	**4.3**	**5.6**
Net Profit	**2.1**	**2.1**	**2.8**	**3.6**
Chg. % YoY	-12.0%	1.4%	31.4%	30.1%
Adjusted Net Profit	**2.5**	**3.1**	**4.2**	**4.6**
Chg. % YoY	1.5%	22.0%	34.9%	10.3%
Net Fin. Position	**-1.9**	**-5.5**	**-7.5**	**-4.7**
Net Fin. Pos. / EBITDA (x)	0.4	1.1	1.1	0.6
OpFCF b.t.	**-3.0**	**2.6**	**3.3**	**4.7**
OpFCF b.t. as % of EBITDA	-64.4%	51.6%	47.9%	56.7%

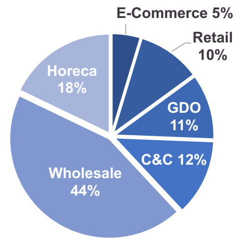
Source: Compagnia dei Caraibi (historical figures), Value Track (estimates)

Revenues (Italy) by Product Type



Source: Compagnia dei Caraibi, FY22

Revenues (Italy) by Channel



Source: Compagnia dei Caraibi, FY22

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.

Stock multiples @ €4.87 Fair Value

	2023E	2024E
EV / SALES (x)	1.1	1.0
EV / EBITDA (x)	16.8	12.3
EV / EBIT (x)	26.1	19.4
EV / CE. (x)	3.1	2.3
OpFCF Yield (%)	4.4	5.0
P / E Adj. (x)	25.3	18.8
P / BV (x)	3.5	2.7
Div. Yield. (%)	0.0	0.0

Source: Value Track (Fully-diluted scenario)

2Q-1H23 notably challenging

CdC has announced 2Q-1H KPIs that are quite lower than our current full year estimates. This dip can be attributed to notable trials faced within the context of a market that is in the process of stabilising and finding its equilibrium. The past two years, post-Covid, have been characterized by irregular revenue patterns due to seasonal fluctuations and a noteworthy resurgence in consumption during the summer of 2022. However, as we progress into 2023, we are witnessing a shift towards a more stable scenario, with consumption gradually balancing and moving towards a steady-state situation.

Top line

1H23 Revenues stand in the €28.3mn-€28.8mn range (up + 1.2% / 3.0% vs. 1H22 equal to €28.0mn), leading to a 1Q23 Revenues of €15.3mn-€15.8mn.

Although up ~19% vs. 1Q23, the concluded quarter was notably challenging, due to:

- The prevailing general market conditions;
- Adverse weather conditions hindered out-of-home consumption;
- Certain contingent factors necessitated a re-evaluation of the distribution strategy for some portfolio brands.

Amidst this backdrop, the forecasting of consumption trends remains uncertain. However, upon analysing historical data, both ordinary and pre-Covid revenue trends, we discern promising indications of a gradual return to normalization in 2023.

Compagnia dei Caraibi: Revenues from Sales by Quarter

(IT GAAP)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	2H21	1H22	2H22	1H23
Revenues from Sales (€ mn)	~11.0	~16.0	~12.5	~14.9	~13.0	~15.5	15.0	27.0	27.4	~28.5
Δ (%)	*139%*	*45%*	*-22%*	*20%*	*-13%*	*+19%*	*92%*	*80%*	*1%*	*+4%*

Source: Compagnia dei Caraibi, Value Track Analysis

Net Cash

Net Cash Position in the €2.0mn-€2.3mn range at the end of June 2023 vs. Net Cash of €0.6mn as of end of December 2022 and Net Cash of €1.0mn as of end of March 2023. **Cash available stands at ca. €12.6mn** (vs. €9.6mn as of end of December 2022), leaving wide room for potential M&A activity and/or internationalization plans.

Compagnia dei Caraibi: Net Financial Position by Quarter

(IT GAAP)	1Q22	2Q22 / 1H22	3Q22	4Q22	1Q23	2Q23 / 1H23
NFP (€ mn)	9.8	~6.2	8.2	0.6	1.0	~2.2
Δ (€mn)	*nm*	*-3.6*	*+2.0*	*-7.6*	*+0.4*	*+1.2*
Cash Available	17.0	13.2	16.3	9.6	16.7	12.6
Δ (€mn)	*nm*	*-3.8*	*+3.1*	*-6.7*	*+7.1*	*-4.1*

Source: Compagnia dei Caraibi, Value Track Analysis

Update on Recent Developments

Over the latest months, Compagnia dei Caraibi continued to pursue what was targeted during the IPO, i.e., the evolution of the Group business model along the following strategic directions:

- **Growing abroad**, starting from USA, Spain and Germany, where the aim is to export the Italian taste / Italian "aperitive" concept to a wider and highly receptive audience;
- Strengthening **brand building activities for proprietary brands**, to benefit from their much higher operating profitability compared to licensed labels;
- Keep acting as an **incubator of promising new super-premium brands**, also involving direct acquisitions or some partnerships / joint ventures agreements both third parties and proprietary ones, by the way, the latter boasting much higher operating profitability;
- Developing some kind of direct access to final consumers through physical stores and banking on already existing and under development **digital platforms**.

In order to fulfil the above-mentioned strategic guidelines, several deals have been put in place, and the company had also to face the sudden change in the client scenario as Brown Forman acquired two out of three top brands distributed by CDC, i.e., Gin Mare and Rum Diplomatico.

We can summarise the main business development events and corporate ones, as follows:

1. Elephant Gin acquisition;
2. We r-eticsoul acquisition;
3. Venturing into viniculture by acquiring farmland for wine production;
4. Price Adjustment Shares (PAS) and Performance Shares Plan;
5. Brown-Forman Corporation acquiring Gin Mare and Rum Diplomatico brands.

Elephant Gin GmbH

Back in December, CDC signed a €15.6mn agreement to acquire Elephant Gin GmbH (EG), a German company producing the well-known super premium artisan gin already marketed in 35 countries worldwide.

CDC acquired both the brand and the under construction proprietary production site by paying partly cash and partly with newly issued shares in three steps (two already completed, i.e. December 2022 and June 2023 and one to be finalized in the next months, i.e. June 2024).

Going more in detail, in the initial phase, CDC successfully acquired a 25.29% shareholding for approx. €3.9mn. Subsequently, during the second phase, it further increased its ownership to 51.57% by investing an additional €4.1mn, a portion of which was financed through the utilization of treasury stock, equivalent to ca. €1.7mn. As a result of these transactions, CDC now holds a controlling interest in the target company, with the remaining stake of 48.43%, valued at ~€7.6 million, enabling CDC to attain full ownership of the target's share capital.

Thus, CDC is acquiring EG at ca. 6.0x EV/Sales'22E (4.5x EV/Sales if we adjust for the distillery asset worth itself ca. €4mn), a pretty "fat" multiple, but in line / lower than those paid by leading market players in similar deals (e.g. Brown Forman on Gin Mare and Rum Diplomatico).

At the time of the deal, we appreciated its rationale, aimed at pursuing some of IPO goals:

1. Evolve the business model from pure distribution of 3rd parties' brands to more profitable (even if riskier) direct ownership of brands;
2. Strengthen CDC domestic positioning in the fast-growing Gin segment;
3. Integrate the supply chain and make CDC entry into direct production;
4. Speed up CDC internationalization process.

As far as the latest point is concerned, we remind that over the course of 2022, CDC started an internationalization process in the very high-potential German market, (the third foreign market where

CDC starts operating, after Spain and USA), with the goal to export the Italian taste / Italian "aperitive" concept to a wider and highly receptive audience.

CDC established **CDC Deutschland GmbH**, participated at 75% by CDC directly and at 25% by a trusted local distributor with deep knowledge of the German premium alcoholic beverage market.

It's still to be decided if / how the EG deal will change the mission of CDC Deutschland GmbH.

We r-eticsoul

Back as of March 10th 2023, CDC 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 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).

The deal is aimed at making a first step in the evolution of CDC business model by developing an omnichannel presence, in order to leverage its brand building skills with B2B and B2C clients, both online and offline.

Venturing into viniculture by acquiring farmland for wine production

On 1st June 2023, CDC took a decisive step into the wine production sector by acquiring about **8 hectares of prime land in the Langhe region** (a UNESCO heritage site), located in the municipality of Montelupo Albese (CN), Italy.

The purchase orchestrated through Have Fun s.a.r.l, a newly established company in 2023 and 75% owned by CDC (through its investee Refined Brands S.r.l.) and 25% by Mr. Alessandro Salvano, a profound connoisseur of the wine market and current owner of the wine brand dwnl®, already distributed by CDC within its Indigenous Element catalog.

The consideration paid by Have Fun s.a.r.l. for the purchase of the farmland amounts to **€670k, fully settled in cash**.

The purchase of the land paves the way for CDC to chart a strategic path of affirmation in the wine segment, as well as solidify its portfolio of proprietary brands for the long term. Indeed, by diversifying into the world of wine, both domestically and internationally, CDC aims to expand its collection of proprietary brands, with a particular focus on advancing the dwnl® label (an acronym representing "drink wine not labels") through further development and enhancement.

Price Adjustment Shares (PAS) and Performance Shares Plan

At the end of May 2023, due to the achievement of the FY22 EBITDA target of €4.5mn, the BoD approved the **conversion of 400k Price Adjustment Shares** (PAS) of the company – currently held by the shareholder GEM S.r.l. – into ordinary shares. This conversion will be conducted at a ratio of 1:1, i.e., one ordinary share for each PAS held, resulting in a total of 14.5mn ordinary shares.

Additionally, the BoD has taken the following noteworthy actions:

- **Approval of granting rights to employees:** ~47.8k rights have been authorized for distribution to employees, that in relation to the successful attainment of specific performance targets may receive approximately 47.8k ordinary shares of the company free of charge;
- **Verification of 2022 performance goals:** The BoD has confirmed the vesting of 6,034 rights within the first cycle of the plan, leading to the allotment of a corresponding number of treasury shares currently held in the company's portfolio to the deserving beneficiaries.

Brown-Forman acquisition of Gin Mare and Diplomatico Rum

Back on September and October 2022 respectively, Brown-Forman Corporation, one of the largest American producers and distributors of premium spirits and wines, reached an agreement to purchase the Gin Mare brands from Vantguard and MG Destilerìas (assets valued US$524mn), and the Diplomatico Rum brand from Destillers United Group SL (assets valued US$727mn),

Gin Mare and Diplomatico Rum, two of the top three CDC's best-selling products

We remind that both Gin Mare and Diplomatico Rum are among the best-selling products of CDC's portfolio. Indeed, based on the data released at the IPO time:

- **Gin Mare,** with exclusive distribution rights acquired back as of 2013, was accounting for 29% of 2020FY revenues;
- **Diplomatico Rum**, with exclusive distribution rights acquired back as of 2008, was accounting for 21% of 2020FY revenues.

Despite our feeling that in the latest couple of years the combined weight of the two brands might have slightly reduced, possible negative decisions on Italian distribution strategies coming from Brown-Forman must be taken into account.

New distribution agreement recently announced, valid up to December 2024

That said, we remind that on 13th April 2023, CDC and Brown-Forman have signed an agreement that entrusts CDC, until 31 December 2024, with the exclusive distribution for the Italian and San Marino markets of Gin Mare and Diplomatico Rum, also adding to the "bundle" a brand new premium gin to the Italian market, named Fords Gin.

To better support the brand-building distribution activities on the three brands, a team was defined within CDC that includes key members from the marketing, communication, and sales teams.

Medium term scenario

The recently signed new exclusive distribution agreements expires at the end of December 2024, and we see it as a trial from Brown-Forman of CDC's skills and capabilities.

We expect a renewal of such an agreement after 2024 to be driven by the distribution results obtained by CDC in the next quarters.

Two points in favour of a renewal are the outstanding results that CDC obtained in the latest few years with the brands and Brown-Forman current lack of an Italian distribution network.

Unchanged Forecasts 2023E-25E

Despite the weak 1H results, we're leaving unchanged our 2023E-25E forecasts for the time being, expect for the net financial position, which has been adjusted downwards by €500k (attributed to the cash-out for the acquisition of ~8 hectares of prime land in the Langhe region).

We feel to have some room to confirm our full-year 2023 forecasts due to the projected upward trajectory of revenue and EBITDA performance in 2H23E compared to the results in 1H23A. However, if necessary, our inclination is to defer downwards revenues by 2 / 3 million adjustment until after the full 1H release, as doing so would provide us with an additional couple months of visibility for the 2023.

Keep in mind that our projections came from CDC guidance, based upon the following hypothesis:

- Consolidation of own brands focusing on Elephant Gin development on international markets;
- International expansion with focus on direct control markets (USA, Spain, Germany);
- Omnichannel offer widening of the business model with the new B2C channel;
- Strengthening of the portfolio in the premium and over premium segments;
- Commercial and operational integration of recently acquired companies.

That said, for 2023E-25E we currently continue to forecast:

- **Value of Production at €97.1mn in 2025E**, i.e. 20% $CAGR_{22A-25E}$ driven by direct international markets growth thanks to Elephant Gin development and leveraging on Brown Forman marketing investments for the further expansion of Gin Mare and Rum Diplomatico;
- **EBITDA at €8.3mn in 2025E**, with EBITDA Margin at 8.5% (+20 bps vs. 2022A) and 2023E-24E suffering from the negative contribution of USA, Spain and We r-eticsoul subsidiaries;
- **EBIT** and **Net Profit** to be impacted by D&A mainly related to goodwill amortization. Our estimates point at **€5.6mn** and **3.6mn**, respectively, **in 2025E**;
- **OpFCF being positive in 2023E already**;
- **Net Debt revised downward by ca. €500k** at €5.5mn-€7.5mn-€4.7mn in 2023E-24E-25E, respectively.

Compagnia dei Caraibi: P&L 2022A-2025E

(IT GAAP, €mn)	2022A	2023E	2024E	2025E	$CAGR_{22A-25E}$
Revenues from Sales	**54.9**	**75.3**	**87.4**	**97.1**	*21%*
Other Revenues	1.3	0.1	0.0	0.0	
Value of Production	**56.1**	**75.3**	**87.5**	**97.1**	*20%*
Costs of Goods Sold	-27.8	-38.8	-44.6	-49.0	
Operating Expenses	-23.7	-31.5	-36.0	-39.8	
EBITDA	**4.7**	**5.1**	**6.8**	**8.3**	*21%*
EBITDA Margin (%)	*8.3%*	*6.7%*	*7.8%*	*8.5%*	
D&A	-1.1	-1.8	-2.5	-2.7	
EBIT	**3.2**	**3.3**	**4.3**	**5.6**	*20%*
EBIT Margin (%)	*5.8%*	*4.3%*	*4.9%*	*5.8%*	
Net Financial Charges & Exceptional Items	-0.1	-0.1	-0.1	-0.1	
Pre-Tax Profit	**3.1**	**3.1**	**4.2**	**5.5**	*21%*
Taxes	-1.1	-1.0	-1.4	-1.8	
Minorities	0.1	0.0	0.0	-0.1	
Net Profit	**2.1**	**2.1**	**2.8**	**3.6**	*20%*

Source: Compagnia dei Caraibi, Value Track Analysis

Compagnia dei Caraibi: Balance Sheet 2022A-2025E

(IT GAAP, €mn)	2022A	2023E	2024E	2025E
Net Fixed Assets	8.7	16.5	23.5	22.9
Net Working Capital	12.1	12.2	13.8	15.5
Provisions	0.6	0.7	0.8	0.9
Total Capital Employed	**20.2**	**28.0**	**36.6**	**37.5**
Group Net Equity	**18.3**	**22.5**	**29.1**	**32.8**
Net Fin. Position [Net debt (-) / Cash (+)]	**-1.9**	**-5.5**	**-7.5**	**-4.7**

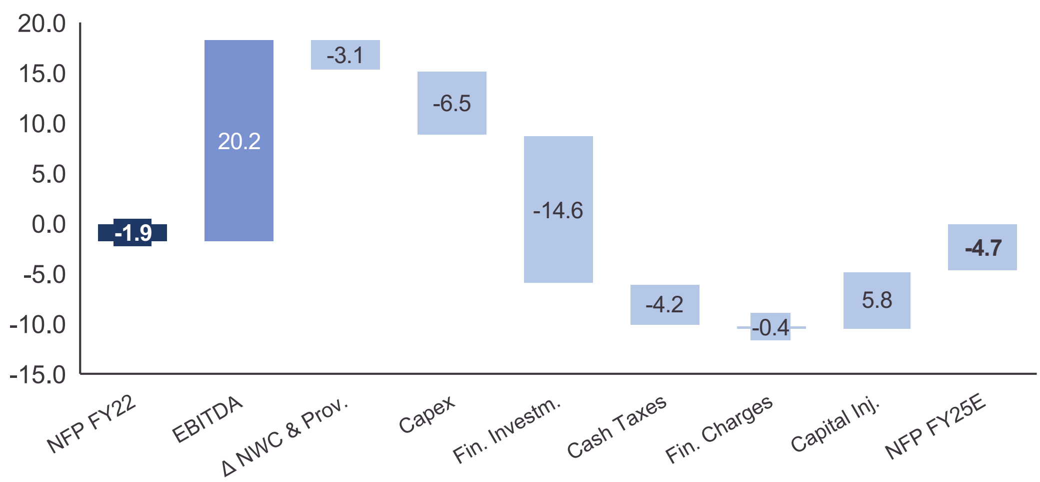
Source: Compagnia dei Caraibi, Value Track Analysis

Compagnia dei Caraibi: Cash Flow Statement 2022A-2025E

(IT GAAP, €mn)	2022A	2023E	2024E	2025E
EBITDA	4.7	5.1	6.8	8.3
Δ Net Working Capital	-4.3	-0.1	-1.7	-1.7
Capex	-3.8	-2.5	-2.0	-2.0
Δ Provisions	0.5	0.1	0.1	0.1
OpFCF b.t.	**-3.0**	**2.6**	**3.3**	**4.7**
As a % of EBITDA	*-64.4%*	*51.6%*	*47.9%*	*56.7%*
Cash Taxes	-1.1	-1.0	-1.4	-1.8
Capital Injections / Reimbursement	-2.5	2.0	3.8	0.0
Others (incl. Financial Investments)	-1.5	-7.1	-7.6	0.0
Net Financial Charges	-0.1	-0.1	-0.1	-0.1
Dividends paid	-0.9	0.0	0.0	0.0
Δ Net Financial Position	**-9.1**	**-3.6**	**-2.0**	**2.8**

Source: Compagnia dei Caraibi, Value Track Analysis

Compagnia dei Caraibi: Net Financial Position bridge FY22 – FY25E



Source: Value Track Analysis

Valuation

In accordance with the April 2023 update, we uphold our current rating at an unaltered **Fair Equity Value equal to €4.87 p/s** (fully diluted), focusing on a short-term horizon sum of the parts valuation analysis given:

1. **Lower profitability guidance and forecasts**, with EBITDA, EBIT and Net Profit usually taken as key financials for TIME relative valuation;
2. **Renewal uncertainty** of distribution agreement with Brown Forman after 2024E, making longer-term valuation methods (such as DCF) unfit to assess TIME fair value;
3. **Stripping new projects**, subsidiaries and start-up businesses because of their negative contribution to the Group margins and assessing them at deals price or on multiples based on sales.

However, it is of utmost importance to acknowledge the following key points:

- The estimates remain unchanged;
- A widening valuation spread between Tier 1 and Italian Peers (EV/EBITDA 23E stands at 17.5x and 10.8x, respectively, vs. 17.1x and 11.0 of the previous update);
- About 41.8% of Elephant Gin's tranche 2 was paid in shares valued at €4.26 p/s, while we formerly assumed 50% in shares at a prior market price of €4.60 p/s. Therefore, we may consider **i)** an increase in fully diluted shares from 16.11mn to 16.23mn and **ii)** a reduction in available cash.

Both factors will be thoroughly taken into consideration during the post-1H23 update.

Compagnia dei Caraibi: Multiples Sensitivity at Various Stock Price Levels

Fair Equity Value p/s (€)	EV/Sales		EV/EBITDA		EV/EBIT		P/E Adj.	
	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
€ 3.70	0.9	0.7	13.3	9.6	20.6	15.2	19.4	14.4
€ 4.10	1.0	0.8	14.6	10.6	22.6	16.7	21.5	15.9
€ 4.50	1.1	0.9	15.8	11.5	24.6	18.3	23.6	17.5
€ 4.87	**1.1**	**1.0**	**17.0**	**12.4**	**26.4**	**19.6**	**25.5**	**18.9**
€ 5.30	1.2	1.0	18.4	13.4	28.5	21.3	27.7	20.6
€ 5.70	1.3	1.1	19.7	14.4	30.5	22.8	29.8	22.1
€ 6.10	1.4	1.2	21.0	15.3	32.5	24.3	31.9	23.7

Source: Value Track Analysis

For our Sum of the Parts valuation, we maintain 2023E as reference year and the following assumptions:

- **Compagnia dei Caraibi SpA**, taking EV/EBITDA as fair multiple, in line with our previous coverage and to assess the positive contribution of the Group holding, not impacted by the negative EBITDA of the subsidiaries;
- **Elephant Gin, Right Beer, We retic-soul** at cost, i.e. 15.6mn, €0.5mn, €1.0mn, respectively,
- **USA and Spain**, i.e. the Group more advanced direct international markets subsidiaries, valued accordingly to their Revenues prospects for 2023E.

The result is a **Fair Equity Value of €4.87 p/s** (fully diluted), after adding our estimate for 2023E Net Debt of €5.5mn, subtracting ca. €3.8mn adjustments related to 50% Elephant Gin minorities to be paid in 2024E (the other 50% through a new shares issue, already included in our fully diluted NOSH) and ca. €2.3mn peripheral assets.

Compagnia dei Caraibi: Sum of the Parts Valuation

Fair Equity Value p/s (€)	CDC SpA	Elephant Gin	Right Beer	We r-eticsoul	Have Fun	USA	Spain	CDC Group
Fair EV/Sales 2023E						2.0	2.0	
Fair EV/EBITDA 2023E	11.0							
Enterprise Value (€mn)	**63.8**	**15.6**	**0.5**	**1.0**	**0.5**	**2.0**	**2.0**	**85.4**
Net Financial Position								-5.5
Adjustments								-1.4
Fair Equity Value (€mn)								**78.5**
Fully Diluted NOSH								16.1 (*)
Fair Equity Value p/s (€)								**4.87**

Source: Value Track Analysis, (*) Fully Diluted Nosh as of 28th April 2023

Compagnia dei Caraibi: Outstanding vs. Fully Diluted NOSH

NOSH (mn)	Outstanding NOSH	Fully Diluted NOSH
Ordinary Shares	14.48	14.48
PAS	0.0	0.00
Performance Shares Fabio Torretta	0.0	0.29
Performance Shares Employees	0.0	0.08
Elephant Gin (New Shares Issue for 50% of Minorities)	0.0	1.38 (*)
NOSH	**14.48**	**16.23**

Source: Value Track Analysis, (*) €7.6mn to be paid within 1H24E, o/w ~50% with new shares (hp: current mkt price)

Appendix – Peers Analysis

Herein, we present the revised Peers Analysis in comparison to the post-FY22 results, conducted in April 2023.

Updated Peers Analysis

We hereby wish to highlight the addition of two companies to our Peers Analysis:

- **Brown-Forman Corporation**, categorized under the Premium Brand Owners cluster, is an esteemed US-based leading producer of a diverse range of liquors, including whiskey, vodka, tequila, bourbon, gin, and wines. Notably, their flagship product, Jack Daniel's, commands a significant market presence;
- **High Quality Food**, a member of the Italian Brand Owners/Distributors cluster, specializes in the meticulous production and strategic marketing of food products, primarily catering to the discerning needs of the hotel and restaurant sectors.

Compagnia dei Caraibi: Peers' Stock Trading Multiples

Company	EV/Sales		EV/EBITDA		EV/EBIT		P/E Adj.	
	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
Premium Brand Owners								
Davide Campari	5.2	4.8	20.6	18.3	24.0	21.2	32.7	28.5
Diageo	5.3	5.3	15.7	15.2	17.4	16.8	20.6	20.1
Pernod Ricard	5.1	4.8	15.7	14.9	17.6	16.7	21.1	20.8
Remy Cointreau	5.3	5.6	17.4	17.9	18.9	20.1	25.9	27.7
Constellation Brands	6.6	6.1	18.2	16.7	20.5	19.0	nm	28.6
Brown-Forman Corporation	8.5	7.8	29.7	23.8	nm	25.7	42.5	33.6
Average	**6.0**	**5.7**	**19.6**	**17.8**	**19.7**	**19.9**	**28.6**	**26.5**
Average (excl. Brown-Forman Corp.)	5.5	5.3	17.5	16.6	19.7	18.8	25.1	25.1
Italian Brand Owners/Distributors								
Italian Wine Brands	0.7	0.7	7.3	5.9	10.1	7.9	10.0	8.0
Masi Agricola	2.0	1.9	10.5	9.5	15.3	13.7	25.3	22.0
Longino & Cardenal	0.5	0.4	16.1	7.4	nm	11.2	nm	13.6
Marr	0.6	0.5	9.2	8.2	13.3	11.8	17.5	15.1
High Quality Food	0.6	0.4	10.1	3.6	15.4	4.6	18.3	4.9
Average	**0.9**	**0.8**	**10.6**	**6.9**	**13.5**	**9.8**	**17.8**	**12.7**
Average (excl. High Quality Food)	0.9	0.9	10.8	7.8	12.9	11.1	17.6	14.7
Total Average	**3.7**	**3.5**	**15.5**	**12.9**	**16.9**	**15.3**	**23.8**	**20.3**
Total Average (excl. BF.B and HQF)	3.5	3.3	14.5	12.7	17.1	15.4	21.9	20.5
Compagnia dei Caraibi	**1.0**	**0.8**	**13.7**	**9.9**	**21.2**	**15.7**	**20.3**	**15.0**
Discount vs. Total Average (%)	*-74%*	*-77%*	*-12%*	*-23%*	*25%*	*2%*	*-15%*	*-26%*

Source: Market Consensus, Value Track Analysis

Peer Analysis as of 28th April 2023

Compagnia dei Caraibi: Peers' Stock Trading Multiples

Company	EV/Sales		EV/EBITDA		EV/EBIT		P/E Adj.	
	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
Premium Brand Owners								
Davide Campari	5.0	4.6	19.9	17.7	23.2	20.5	30.8	27.2
Diageo	5.7	5.5	16.5	15.6	18.3	17.4	21.9	21.0
Pernod Ricard	5.3	5.0	16.4	15.5	18.3	17.2	22.5	21.7
Remy Cointreau	5.8	5.3	18.0	16.3	20.0	18.0	28.0	25.1
Constellation Brands	5.4	5.0	14.7	13.5	16.8	15.1	19.9	17.7
Average	**5.4**	**5.1**	**17.1**	**15.7**	**19.3**	**17.6**	**24.6**	**22.5**
Italian Brand Owners/Distributors								
Italian Wine Brands	0.7	0.7	7.5	6.1	10.4	8.1	10.4	8.4
Masi Agricola	1.9	1.8	10.0	9.0	14.6	13.0	23.8	20.7
Longino & Cardenal	0.5	0.4	16.9	7.8	nm	11.8	nm	14.5
Marr	0.6	0.6	9.7	8.7	14.2	12.7	18.9	16.4
Average	**0.9**	**0.9**	**11.0**	**7.9**	**13.1**	**11.4**	**17.7**	**15.0**
Total Average	**3.4**	**3.2**	**14.4**	**12.2**	**17.0**	**14.9**	**22.0**	**19.2**
Compagnia dei Caraibi	**1.1**	**0.9**	**15.9**	**11.6**	**24.6**	**18.3**	**23.9**	**17.7**
Discount vs. Total Average (%)	*-67%*	*-71%*	*10%*	*-6%*	*45%*	*23%*	*8%*	*-8%*

Source: Market Consensus, Value Track Analysis

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