

Compagnia dei Caraibi

Sector: Food & Beverage



Marco Greco

marco.greco@value-track.com

Filippo Mazzoleni

filippo.mazzoleni@value-track.com

Tommaso Martinacci

tommaso.martinacci@value-track.com

Definitively not a lucky year

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

Weak 1H23 figures, clone phishing attack adds bad taste

CDC 1H23 figures were disappointing, with growth (Top Line +5.6% y/y), negatively impacted by: i) sluggish market demand (high inflation, unfavourable y/y statistical comparison), ii) adverse weather, and iii) distribution strategy changes. As the company had structured to face a higher growth, fixed costs severely impacted on profitability: EBITDA stood at break-even, EBIT at €-0.7mn and Net Profit at €-1.6mn (vs. €2.2mn in 1H22). Net Debt stood at €3.7mn (€1.9mn as of 2022 year-end).

Furthermore, back in June and July the company has suffered a clone phishing attack that caused some €0.88mn cash damage. This is obviously bad news either for the cash impact and for the image of the company.

Challenging short-term outlook

The company has stated that current trading conditions are weaker than expected and has withdrawn the guidance on 2023E figures.

Within this scenario, and assuming a renewal of the distribution agreement with Brown Forman beyond 2024E (current expiry set at 2024 year-end), we are lowering our 2023E-25E Top Line forecasts by average 16%, with a more than proportional impact on EBITDA-EBIT-Net Profit. We now forecast:

- ◆ Value of Production at €79mn in 2025E, i.e. 17% CAGR22A-25E;
- ◆ EBITDA at €6.2mn in 2025E, with EBITDA Margin at 7.8% (-160 bps vs. 2022A);
- ◆ Net Debt at €8.6mn-€13.5mn-€13.8mn in 2023E-24E-25E.

As the company is pursuing an aggressive M&A and organic development investment plan, the revision of P&L estimates drove a harsh worsening of Net Debt forecasts that may suggest appropriate strengthening actions.

Fair Value at €3.86 p/s (fully-diluted, from €4.87)

We adjust CDC Fair Equity Value at €3.86 p/s on the back of the downwards estimates revision. Our valuation is driven by a DCF model that assumes a successful take up of the various new projects that the company is managing (Owned brands, D2C, Internationalization), and the renewal of Brown Forman agreement beyond 2024E

Fair Value (€)(*)	3.86
Market Price (€)	3.92
Market Cap. (€m)(*)	61.8

KEY FINANCIALS (€mn)	2022A	2023E	2024E
VALUE OF PRODUCTION	49.7	54.4	64.9
EBITDA	4.7	0.3	2.7
EBITA	3.8	-0.3	2.6
ADJ. NET PROFIT	2.5	-0.8	-1.0
EQUITY	18.3	17.6	21.0
NET FIN. POS.	-1.9	-8.6	-13.5
EPS ADJ. (€)(*)	0.18	-0.05	-0.06
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 (%)	9.4	0.6	4.1
EBITA MARGIN (%)	7.6	-0.5	4.0
NET DEBT / EBITDA (x)	0.4	>10	5.1
NET DEBT / EQUITY (x)	0.1	0.5	0.6
EV/SALES (x)(*)	1.1	1.3	1.1
EV/EBITDA (x)(*)	12.3	nm	27.9
EV/EBITA (x)(*)	15.1	nm	28.5
P/E ADJ. (x)(*)	21.7	nm	nm

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

STOCK DATA	
FAIR VALUE (€)	3.86 (*)
MARKET PRICE (€)	3.92
SHS. OUT. (m)(*)	16.0 (*)
MARKET CAP. (€m)	61.8 (*)
FREE FLOAT (%)	27.4
AVG. -20D VOL. (#)	26,499
RIC / BBG	TIME.MI / TIME.IM
52 WK RANGE	2.91 – 4.97

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	2022A	2023E	2024E	2025E
Value of Production	49.7	54.4	64.9	79.0
Chg. % YoY	32.1%	9.3%	19.5%	21.7%
EBITDA	4.7	0.3	2.7	6.2
EBITDA Margin (%)	9.4%	0.6%	4.1%	7.8%
EBITA	3.2	-0.3	2.6	5.9
EBITA Margin (%)	6.5%	-0.5%	4.0%	7.5%
EBIT	3.2	-1.1	1.1	4.4
Net Profit	2.1	-2.5	-0.4	2.5
Chg. % YoY	-12.0%	-219.1%	-83.1%	-704.7%
Adjusted Net Profit	2.5	-0.8	-1.0	3.5
Chg. % YoY	1.5%	-132.5%	21.2%	-452.8%
Net Fin. Position	-1.9	-8.6	-13.5	-13.8
Net Fin. Pos. / EBITDA (x)	0.4	>10	5.1	2.2
OpFCF b.t.	-3.0	0.5	0.4	1.5
OpFCF b.t. as % of EBITDA	-64.8%	139.2%	14.4%	25.0%

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

Investment case

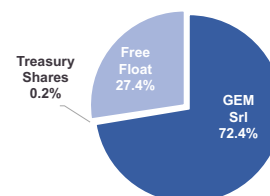
Strengths / Opportunities

- ◆ 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

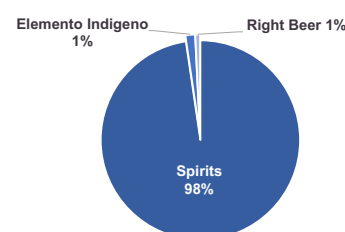
- ◆ Fairly concentrated market, dominated by huge players in size;
- ◆ Distribution of third parties' products drives lower profitability.

Shareholders Structure



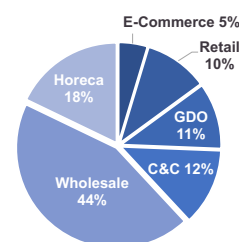
Source: Compagnia dei Caraibi

Revenues (Italy) by Product Type



Source: Compagnia dei Caraibi, FY22

Revenues (Italy) by Channel



Source: Compagnia dei Caraibi, FY22

Stock multiples @ €3.86 Fair Value

	2023E	2024E
EV / SALES (x)	1.3	1.1
EV / EBITDA (x)	nm	27.5
EV / EBITA (x)	nm	28.2
EV / CE. (x)	2.8	2.1
OpFCF Yield (%)	0.6	0.5
P / E Adj. (x)	nm	nm
P / BV (x)	3.5	2.9
Div. Yield. (%)	0.0	0.0

Source: Value Track (Fully-diluted scenario)

1H23 figures

CDC had already announced at the end of July some KPI on 2Q-1H KPIs (Revenues and Net Financial Position) that we found lower than our full year estimates.

Back at the end of September, full 1H23 figures have been released: 1) confirming the sluggishness of top line evolution, 2) unveiling a sharp decrease in profitability, 3) prompting the withdrawal of 2023 guidance. Furthermore, CDC announced that back in June and July it has suffered a clone phishing attack that caused some €0.88mn cash damage.

Getting back to 1H23 financials, as far as the top line is concerned, Total Revenues net of excise duties stood at €26.2mn (+5.6% y/y), a not so satisfactory single digit increase, driven by:

1. Unfavourable statistical comparison vs 1H22, which was characterized by the post-Covid resurgence in consumption patterns;
2. Adverse weather in Spring, as negatively impacting on outdoor consumptions;
3. Changes in the European distribution strategy of the main partner Brown-Forman Corporation that led to some parallel import phenomenon in Italy.

As the company had structured to face a higher growth, fixed costs severely impacted on profitability. Indeed, EBITDA stood at break-even, EBIT at €-0.7mn and Net Profit at €-1.6mn (vs. €2.2mn in 1H22).

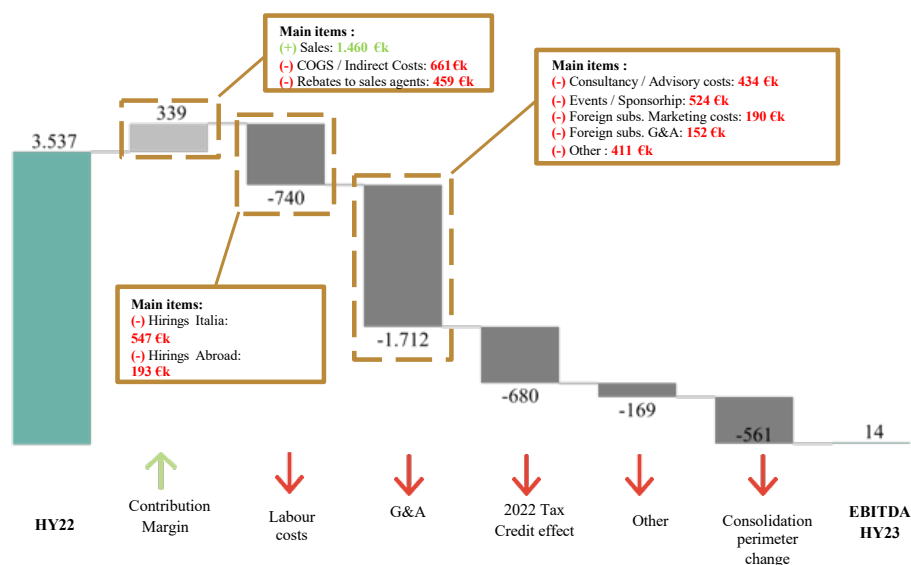
Last but not least, Net Debt stood at €3.7mn (€1.9mn as of 2022 year-end).

Compagnia dei Caraibi: Value of Production breakdown 1H22-1H23

(IT GAAP, €mn)	1H22	1H23	y/y
Revenues from Sales (Net of Marketing Rebates)	23.0	24.0	4.6%
(+) Marketing Rebates	0.5	1.1	
(+/-) Other Adjustments	0.3	0.6	
Revenues from Sales	23.8	25.8	8.4%
Other Revenues	0.9	0.4	nm
Value of Production	24.7	26.2	5.6%

Source: Compagnia dei Caraibi, Value Track Analysis

Compagnia dei Caraibi: EBITDA bridge 1H22-1H23



Source: Compagnia dei Caraibi, Value Track Analysis

Compagnia dei Caraibi: P&L 1H22-1H23

(IT GAAP, €mn)	1H22	1H23	y/y
Value of Production	24.7	26.2	6%
Raw Materials, Δ Inventory (Finished Goods)	-13.8	-14.1	2%
Gross Profit	10.9	12.1	10%
Gross Margin (%)	44.3%	46.1%	185bps
Costs of Services	-4.9	-7.6	56%
Costs of Rent	-0.5	-0.9	62%
G&A	-0.2	-0.7	210%
Labour Costs	-1.8	-2.9	64%
EBITDA	3.5	0.0	nm
EBITDA Margin (%)	14.3%	0.1%	nm
D&A	-0.5	-0.6	23%
Provisions	0.0	-0.1	1313%
EBIT	3.0	-0.7	nm
EBIT Margin (%)	12.2%	-2.7%	nm
Interest Expenses	0.0	-0.2	353%
Other Non-Operating Income/Expenses (including FX)	0.0	-0.1	141%
Taxes	-0.8	-0.6	-18%
Minorities	0.0	0.0	-100%
Net Profit	2.2	-1.6	nm

Source: Compagnia dei Caraibi, Value Track Analysis

Compagnia dei Caraibi: Value of Production breakdown 1H22-1H23

Cash Flow Statement (€mn)	1H22	2H22	1H23
EBITDA	3.5	1.1	0.0
Δ Provisions	0.1	0.4	0.5
Δ Net Working Capital	-2.1	-2.2	1.7
Capex (excl. Financial Investments)	-0.7	-3.1	-0.8
OpFCF b.t.	0.8	-3.8	1.4
Cash Taxes	-0.8	-0.3	-0.6
OpFCF a.t.	0.0	-4.1	0.8
Capital Injections / PTO / Buyback	0.0	-2.5	0.4
Other (incl. Financial Investments)	-1.0	-0.4	-2.7
Net Financial Charges	0.0	0.0	-0.2
Dividends Paid	0.0	-0.9	0.0
Δ Net Financial Position	-1.1	-8.0	-1.8
Net Financial Position [Net debt (-) / Cash (+)]	6.1	-1.9	-3.7

Source: Compagnia dei Caraibi, Value Track Analysis

Update on Brown-Forman relationship

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 Destilerias (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

The two deals finalized by Brown-Forman have suddenly changed the underlying competitive position of CDC as 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.

New distribution agreement recently announced, valid up to December 2024

As a matter of fact, a big part of CDC current revenues is now dependent on Brown-Forman distribution strategies.

As far as this point is concerned, we remind that back 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.

At the same time, we believe that the terms of the new agreement are responsible for part of the erosion of CDC profitability in 1H23.

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 eventually 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.

Pivoting towards “owned brands”

We believe that the deals finalized by Brown-Forman Corporation on Gin Mare and Diplomatico Rum are somehow behind the acceleration of Compagnia dei Caraibi’s business model pivoting, 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**.

Compagnia dei Caraibi: Growth strategies



Source: Compagnia dei Caraibi

More in particular, as far as the development of a portfolio of owned brands, we remind that CDC has signed many deal in the latest twelve months:

1. Elephant Gin acquisition;
2. We r-eticsoul acquisition;
3. Venturing into viticulture by acquiring farmland for wine production;
4. Amari & Affini Srl acquisition.

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).

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 viticulture 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, 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.

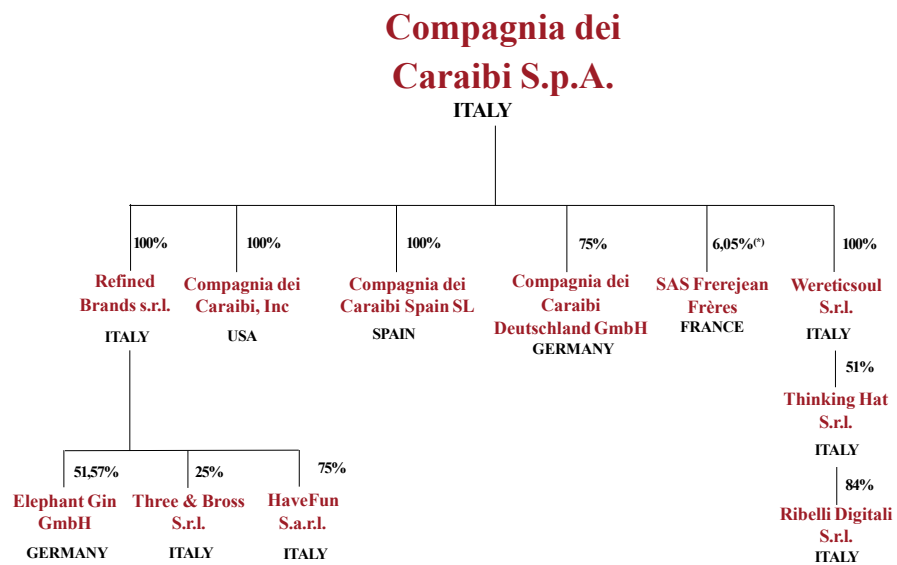
The purchase of the land paves the way for CDC to chart a strategic path of affirmation in the wine segment, as well as solidify its portfolio of proprietary brands for the long term. Indeed, by diversifying into the world of wine, both domestically and internationally, CDC aims to expand its collection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

Amari & Affini Srl

Some weeks ago CDC announced the purchase of a stake of up to 30% of the share capital of Amari & Affini Srl, an artisanal liqueur company specialized in the production of premium and super premium Italian products (for example Amaro Manfredi), with the aim to further grow the portfolio of proprietary brands and to strengthen the relationship with Vecchio Magazzino Doganale Srl (owner of Jefferson Amaro Importante) that is the current majority shareholder of Amari & Affini.

We note that in 2022 Amari & Affini recorded revenues of approximately €91k, EBITDA close to zero and Net Debt at €115k. The maximum cash out for CDC (in case it increases the owned stake up to 30%) stands at €250k.

Compagnia dei Caraibi: Group structure as of July 2023



Source: Compagnia dei Caraibi, (*) Total direct and indirect stake held through the holding company FJF Partecipazione II

Compagnia dei Caraibi: Owned brands portfolio



Source: Compagnia dei Caraibi

Estimates Revision 2023E-25E

We are revising our 2023E-24E-25E forecasts by taking into account:

- ◆ A renewal of the distribution agreement with Brown Forman beyond 2024E (current expiry set at 2024 year-end);
- ◆ An average ca. 16% reduction of Top Line growth on the whole period due to the previously mentioned negative drivers.
- ◆ A much more than proportional decrease of operating profitability forecasts as the company had structured its fixed costs to face a higher growth, and the start-up costs of the many companies acquired (Elephant Gin, Right Beer, We r-eticsoul, Amari & Affini) should negatively contribute to the Group margins in 2023E-24E but gradually improve later on thanks to more costs efficiencies;
- ◆ Higher Net Debt because of the lower OpFCF generation forecasted.

Compagnia dei Caraibi: Old vs. New Estimates

(IT GAAP, €mn)	2023E			2024E			2025E		
	Old	New	Δ	Old	New	Δ	Old	New	Δ
Value of Production	68.7	54.4	-20.9%	79.6	64.9	-18.5%	87.6	79.0	-9.8%
EBITDA	5.1	0.3	-93.6%	6.8	2.7	-60.9%	8.3	6.2	-25.4%
EBITDA Margin (%)	7.4%	0.6%	-678bps	8.6%	4.1%	-445bps	9.5%	7.8%	-164bps
EBIT	3.3	-1.1	-134.4%	4.3	1.1	-73.7%	5.6	4.4	-21.8%
EBIT Margin (%)	4.3%	-2.1%	-640bps	4.9%	1.7%	-318bps	5.8%	5.6%	-23bps
Net Profit	2.1	-2.5	-217.4%	2.8	-0.4	-115.1%	3.6	2.5	-30.0%
Net Margin (%)	2.8%	-4.6%	-739bps	3.2%	-0.6%	-383bps	3.7%	3.2%	-53bps
Net Financial Position	-5.5	-8.6	-3.1	-7.5	-13.5	-6.0	-4.7	-13.8	-9.1

Source: Value Track Analysis

We now expect:

- ◆ **Value of Production at €79mn in 2025E**, i.e. 17% CAGR_{22A-25E} driven by direct international markets growth thanks to Elephant Gin development;
- ◆ **EBITDA at €6.2mn in 2025E**, with EBITDA Margin at 7.8% (-160 bps vs. 2022A) and 2023E-24E suffering from the Top Line reduction and from negative contribution of USA, Spain and We r-eticsoul subsidiaries;
- ◆ **EBIT and Net Profit** to be impacted by high D&A, mainly related to goodwill amortization. Our new estimates point at **€4.4mn** and **2.5mn**, respectively, **in 2025E**;
- ◆ **OpFCF after tax being positive in 2025E**, affected by the investments for the rollout of the retail network;
- ◆ **Net Debt at €8.6mn-€13.5mn-€13.8mn in 2023E-24E-25E**, respectively, negatively burdened by the payment for the minorities of Elephant Gin (50% counterbalanced with new shares issue) and the cash-out for We r-eticsoul acquisition (including the Net Financial Position).

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

(IT GAAP, €mn)	2022A	2023E	2024E	2025E	CAGR _{22A-25E}
Revenues from Sales	48.4	53.9	64.4	78.5	17.3%
Other Revenues	1.3	0.5	0.5	0.5	
Value of Production	49.7	54.4	64.9	79.0	16.5%
Costs of Goods Sold	-27.8	-30.7	-36.0	-42.7	
Operating Expenses	-17.3	-23.3	-26.2	-30.2	
EBITDA	4.7	0.3	2.7	6.2	9.9%
EBITDA Margin (%)	9.4%	0.6%	4.1%	7.8%	
D&A	-1.4	-1.2	-1.5	-1.8	
EBIT	3.2	-1.1	1.1	4.4	10.7%
EBIT Margin (%)	6.5%	-2.1%	1.7%	5.6%	
Net Financial Charges & Exceptional Items	-0.1	-0.6	-0.5	-0.5	
Pre-Tax Profit	3.1	-1.7	0.6	3.9	7.4%
Taxes	-1.1	-0.8	-1.0	-1.3	
Minorities	0.1	0.0	0.0	-0.1	
Net Profit	2.1	-2.5	-0.4	2.5	6.6%

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	16.6	25.1	25.8
Net Working Capital	12.1	10.5	10.4	12.6
Provisions	0.6	0.9	1.0	1.1
Total Capital Employed	20.2	26.2	34.5	37.3
Group Net Equity	18.3	17.6	21.0	23.6
Net Fin. Position [Net debt (-) / Cash (+)]	-1.9	-8.6	-13.5	-13.8

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	0.3	2.7	6.2
Δ Net Working Capital	-4.3	1.6	0.1	-2.3
Capex	-3.8	-2.0	-2.5	-2.5
Δ Provisions	0.5	0.5	0.1	0.1
OpFCF b.t.	-3.0	0.5	0.4	1.5
As a % of EBITDA	<i>nm</i>	<i>nm</i>	14.4%	25.0%
Cash Taxes	-1.1	-0.8	-1.0	-1.3
Capital Injections / Reimbursement	-2.5	1.7	3.8	0.0
Other (incl. Financial Investments)	-1.5	-7.6	-7.6	0.0
Net Financial Charges	-0.1	-0.4	-0.5	-0.5
Dividends paid	-0.9	0.0	0.0	0.0
Δ Net Financial Position	-9.1	-6.7	-4.9	-0.2

Source: Compagnia dei Caraibi, Value Track Analysis

Valuation

Compagnia dei Caraibi has many valuable opportunities ahead to exploit (Owned brands, D2C, Internationalization). At the same time, there are some risks that have to be taken into consideration, such as the possibility that the distribution contract with Brown- Forman is terminated in 2024, or that the ramp up of new projects (Elephant Gin, “Dispensa” project etc..) is slower / more expensive than expected thus requiring potential capital markets rounds.

That said, we adjust Compagnia dei Caraibi **Fair Equity Value at €3.86 p/s** (fully diluted, from €4.87 p/s), as result of a “medium term oriented” DCF model that assumes a successful take up of the above-mentioned new projects.

We note that a shorter-term horizon sum of the parts analysis would lead to €2.73 fair equity value p.s.

DCF Model

Our DCF is based on 30% target capital structure (Net Debt/Total Capital Employed), 9.3% WACC and 3.0% perpetuity growth rate implying 8.4x TV/EBITDA 2030E exit multiple.

Our WACC assumptions are:

- ◆ 2.0% Risk-Free Rate, in line with inflation medium-term target;
- ◆ 6.4% Italian Equity Risk Premium (Damodaran data);
- ◆ 0.90 Unlevered Beta, leading to 1.19 Levered Beta;
- ◆ 2.0% Small-Cap / Company Specific Risk Premium;
- ◆ 3.0% Credit Spread and 24% Tax Rate.

Compagnia dei Caraibi: DCF Model @ 30% Target Capital Structure

DCF Model	€mn
Discounted Free Cash Flows 2024E-2030E	13.2
Discounted Terminal Value @ 9x TV/EBITDA 2030E	59.7
Fair Enterprise Value	72.9
Net Fin. Position 2023E	-8.6
Minorities / Adjustments 2023E	-2.7
Fair Equity Value	61.7
NOSH (mn)	16.0
Fair Equity Value p.s. (€)	3.86

Source: Value Track Analysis

Compagnia dei Caraibi: DCF Model Sensitivity Analysis

Equity Value p/s		TV/EBITDA (x)				
		8.0x	8.5x	9.0x	9.5x	10.0x
WACC (%)	8.3%	3.69	3.91	4.13	4.36	4.58
	8.8%	3.56	3.77	3.98	4.20	4.41
	9.3%	3.43	3.63	3.86	4.05	4.26
	9.8%	3.30	3.50	3.70	3.91	4.11
	10.3%	3.18	3.37	3.57	3.77	3.96

Source: Value Track Analysis

Cross Check with Sum-of-the Parts

Our Sum of the Parts valuation returns a €2.73 Fair Equity Value p/s (fully diluted) based on the following assumptions:

- ◆ **2024E** as reference year;
- ◆ **Compagnia dei Caraibi SpA**, taking EV/EBITDA as fair multiple 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, Have Fun** at cost, i.e. 15.6mn, €0.5mn, €1.0mn, €0.5mn, respectively;
- ◆ **USA and Spain**, i.e. the Group more advanced direct international markets subsidiaries, valued accordingly to their Revenues prospects for 2024E;
- ◆ 2024E Net Debt at €13.5mn, €1mn 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 2024E						2.0	2.0	
Fair EV/EBITDA 2024E	12.0							
Enterprise Value (€mn)	34.9	15.6	0.5	1.0	0.5	1.8	1.5	56.0
NFP 2024E								-13.5
Adjustments 2024E								1.0
Fair Equity Value (€mn)								43.5
Fully Diluted NOSH								16.0 (*)
Fair Equity Value p/s (€)								2.73

Source: Value Track Analysis, (*) Fully Diluted Nosh

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	1.11 (*)
NOSH	14.48	15.96

Source: Value Track Analysis, (*) €7.6mn to be paid in 1H24E, o/w ~50% w/shares (hp: current mkt price, and use of 35,781 treasury))

Appendix: Peers Trading Multiples

Compagnia dei Caraibi: Peers' Stock Trading Multiples

Company	EV/Sales		EV/EBITDA		EV/EBIT		P/E Adj.	
	FY1	FY2	FY1	FY2	FY1	FY2	FY1	FY2
Premium Brand Owners								
Daive Campari	4.6	4.2	18.6	16.2	21.7	18.8	25.1	22.1
Diageo	4.9	4.6	14.2	13.2	15.7	14.7	17.0	15.8
Pernod Ricard	4.1	3.8	12.9	12.0	14.6	13.4	15.9	14.7
Remy Cointreau	4.4	4.0	14.1	12.6	15.7	14.0	18.9	16.8
Constellation Brands	5.8	5.4	15.7	14.3	17.9	16.2	19.3	17.9
Brown-Forman Corporation	6.6	6.1	20.1	18.2	21.6	19.6	25.7	23.5
Average	5.0	4.7	15.9	14.4	17.9	16.1	20.3	18.5
Median	4.7	4.4	15.0	13.7	16.8	15.4	19.1	17.4
Italian Brand Owners/Distributors								
Italian Wine Brands	0.7	0.6	7.2	5.9	10.2	7.9	8.7	7.2
Masi Agricola	2.0	1.8	10.4	9.4	15.1	13.5	21.7	19.9
Longino & Cardenal	0.4	0.3	13.6	6.2	nm	9.4	12.1	6.0
Marr	0.5	0.5	8.0	7.2	11.6	10.3	12.7	nm
High Quality Food	0.5	0.3	8.5	3.0	13.1	3.8	3.9	2.8
Average	0.8	0.7	9.6	6.3	12.5	9.0	11.8	9.0
Median	0.5	0.5	8.5	6.2	12.3	9.4	12.1	6.6
Total Average	3.1	2.9	13.0	10.7	15.7	12.9	16.4	14.7
Total Median	4.1	3.8	13.6	12.0	15.4	13.5	17.0	16.3
Compagnia dei Caraibi	1.3	1.1	nm	27.9	nm	nm	nm	nm

Source: Market Consensus, Value Track Analysis

DISCLAIMER

THIS DOCUMENT HAS BEEN DRAFTED BY THE FINANCIAL ANALYSTS OF VALUE TRACK S.R.L. RESEARCH TEAM AND IS BEING DISTRIBUTED AS OF JUNE 18, 2021. THE ANALYSTS AND THEIR RELATIVES DO NOT OWN FINANCIAL INSTRUMENTS ISSUED BY THE ISSUER AND THEY DO NOT ACT AS SENIOR MANAGERS, DIRECTORS OR ADVISORS FOR THE ISSUER. THE ANALYSTS MIGHT RECEIVE BONUSES, INCOME OR OTHER REMUNERATION RELATING, DIRECTLY OR INDIRECTLY, TO THE SUCCESS OF THE INVESTMENT BANKING OPERATIONS OF VALUE TRACK S.R.L. THIS DOCUMENT IS BEING FURNISHED TO YOU SOLELY FOR YOUR INFORMATION ON A CONFIDENTIAL BASIS AND MAY NOT BE REPRODUCED, REDISTRIBUTED OR PASSED ON, IN WHOLE OR IN PART, TO ANY OTHER PERSON. IN PARTICULAR, NEITHER THIS DOCUMENT NOR ANY COPY HEREOF MAY BE TAKEN OR TRANSMITTED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, INTO THE UNITED STATES OR TO PERSONS RESIDENT IN, OR CURRENTLY LOCATED IN, THE US, OR ACTING FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN THE U.S. SECURITIES ACT OF 1933, AS AMENDED), AUSTRALIA, CANADA OR JAPAN OR TO ANY RESIDENT THEREOF. THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTION. ANY FAILURE TO COMPLY WITH THESE RESTRICTIONS MAY CONSTITUTE A BREACH OF THE LAWS OF ANY SUCH OTHER JURISDICTION. BY ACCEPTING THIS REPORT, YOU AGREE TO BE BOUND BY THE FOREGOING LIMITATIONS. THIS DOCUMENT DOES NOT CONSTITUTE OR FORM PART OF, AND SHOULD NOT BE CONSTRUED AS, AN OFFER OR INVITATION TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES, AND NEITHER THIS DOCUMENT NOR ANYTHING CONTAINED HEREIN SHALL FORM THE BASIS OF OR BE RELIED ON IN CONNECTION WITH OR ACT AS AN INDUCEMENT TO ENTER INTO ANY CONTRACT OR COMMITMENT WHATSOEVER. **THIS DOCUMENT HAS BEEN PRODUCED ON BEHALF OF MIT SIM THAT IS ACTING AS SPECIALIST ON COMPAGNIA DEI CARAIBI SHARES.** THIS DOCUMENT HAS NOT BEEN PUBLISHED GENERALLY AND HAS ONLY BEEN MADE AVAILABLE TO QUALIFIED INVESTORS. ANY DECISION TO SUBSCRIBE FOR OR PURCHASE SECURITIES IN ANY OFFERING MUST BE MADE SOLELY ON THE BASIS OF THE INFORMATION CONTAINED IN THE ADMISSION DOCUMENT (DOCUMENTO DI AMMISSIONE) IN ITALIAN LANGUAGE ISSUED IN CONNECTION WITH SUCH OFFERING. IN MAKING AN INVESTMENT DECISION, POTENTIAL INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND ITS GROUP INCLUDING THE MERITS AND RISKS INVOLVED. THIS DOCUMENT IS BEING DISTRIBUTED TO AND IS DIRECTED ONLY AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA ("EEA") WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(e) OF THE PROSPECTUS REGULATION (EU) 2017/1129 ("QUALIFIED INVESTORS"). ANY PERSON IN THE EEA WHO RECEIVES THIS DOCUMENT WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT IS A QUALIFIED INVESTOR. ANY SUCH RECIPIENT WILL ALSO BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT HAS NOT RECEIVED THIS DOCUMENT ON BEHALF OF PERSONS IN THE EEA OTHER THAN QUALIFIED INVESTORS OR PERSONS IN THE EEA FOR WHOM THE INVESTOR HAS AUTHORITY TO MAKE DECISIONS ON A WHOLLY DISCRETIONARY BASIS. THE COMPANY, VALUE TRACK S.R.L. AND THEIR AFFILIATES, AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS. ANY PERSON IN THE EEA WHO IS NOT A QUALIFIED INVESTOR SHOULD NOT ACT OR RELY ON THIS DOCUMENT OR ANY OF ITS CONTENTS. THIS DOCUMENT IS FOR DISTRIBUTION IN THE UNITED KINGDOM ONLY TO (A) "QUALIFIED INVESTORS" (WITHIN THE MEANING OF ARTICLE 2(e) OF THE PROSPECTUS REGULATION (EU) 2017/1129 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018) WHO ARE ALSO (I) PERSONS WITH PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND FALLING WITHIN THE DEFINITION OF "INVESTMENT PROFESSIONALS" UNDER ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "ORDER") OR (II) PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) ("HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.") OF THE ORDER OR (B) OTHERWISE, PERSONS TO WHOM THIS DOCUMENT MAY LAWFULLY BE COMMUNICATED (EACH SUCH PERSON IN (A) AND (B) ABOVE, A "UK RELEVANT PERSON"). NO OTHER PERSON IN THE UNITED KINGDOM SHOULD ACT OR RELY ON THIS DOCUMENT AND PERSONS DISTRIBUTING THIS DOCUMENT MUST SATISFY THEMSELVES THAT IT IS LAWFUL TO DO SO. ANY PERSON WHO RECEIVES THIS DOCUMENT WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT IS EITHER (1) OUTSIDE THE UNITED KINGDOM OR (2) A UK RELEVANT PERSON. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS DOCUMENT RELATES IS AVAILABLE ONLY TO THOSE PERSONS AND WILL BE ENGAGED IN ONLY WITH THOSE PERSONS. IN ITALY THIS DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED EXCLUSIVELY AT, QUALIFIED INVESTORS AS DEFINED IN ARTICLE (2), PARAGRAPH 1, LETTER (E) OF THE PROSPECTUS REGULATION NO. 2017/1129 PROVIDED THAT SUCH QUALIFIED INVESTORS WILL ACT IN THEIR CAPACITY AND NOT AS DEPOSITARIES OR NOMINEES FOR OTHER PERSONS, SUCH AS: (I) LEGAL ENTITIES AUTHORISED OR PERMITTED TO OPERATE BY THE SECTOR REGULATIONS ON FINANCIAL MARKETS IN ITALY OR ABROAD, INCLUDING BANKS, INVESTMENT COMPANIES, INSURANCE COMPANIES, COLLECTIVE ASSET INVESTMENT BODIES, ASSET MANAGEMENT COMPANIES, HARMONISED MANAGEMENT COMPANIES, PENSION FUNDS, OTHER INSTITUTIONAL INVESTORS, EXCHANGE AGENTS, OTHER ENTITIES WHOSE EXCLUSIVE ACTIVITY IS THE INVESTMENT, ON THEIR OWN ACCOUNT, ON THE FINANCIAL MARKETS AND THAT ARE INDIRECT MEMBERS OF A CLEARING HOUSE OR A CENTRAL COUNTERPARTY (LOCALS), AS WELL AS INSTITUTIONAL INVESTORS WHOSE PRINCIPAL BUSINESS IS THE INVESTMENT IN FINANCIAL INSTRUMENTS, INCLUDING ENTITIES ENGAGED IN SECURITIZATIONS OR OTHER FINANCIAL TRANSACTIONS; (II) ENTERPRISES OF SIGNIFICANT SIZE WHICH, AT THE LEVEL OF EACH LEGAL ENTITY, SATISFY THE CRITERIA ENVISAGED BY CONSOB REGULATION NO. 20307 OF FEBRUARY 15, 2018 (THE "INTERMEDIARIES' REGULATION"); AND (III) "PUBLIC PROFESSIONAL CLIENTS", AS DEFINED BY DECREE NO. 236 OF NOVEMBER 11, 2011 OF THE MINISTRY OF ECONOMY, IN ACCORDANCE WITH ARTICLE 35 OF INTERMEDIARIES' REGULATION, WHICH INCLUDE THE BANK OF ITALY AND THE ITALIAN GOVERNMENT (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS DOCUMENT OR ANY OF ITS CONTENTS. THIS DOCUMENT IS NOT ADDRESSED TO ANY MEMBER OF THE GENERAL PUBLIC IN ITALY. UNDER NO CIRCUMSTANCES SHOULD THIS DOCUMENT CIRCULATE AMONG, OR BE DISTRIBUTED IN ITALY TO, DISTRIBUTION CHANNEL, THROUGH WHICH INFORMATION IS, OR IS LIKELY TO BECOME, AVAILABLE TO A LARGE NUMBER OF PERSONS, OR TO INDIVIDUALS OR ENTITIES WHO DO NOT FALL WITHIN THE DEFINITION OF QUALIFIED INVESTORS AS PREVIOUSLY SPECIFIED AND ARE NOT THEREFORE A RELEVANT PERSON. THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTION. ANY FAILURE TO COMPLY WITH THESE RESTRICTIONS MAY CONSTITUTE A VIOLATION OF THE LAWS OF ANY SUCH OTHER JURISDICTION. THIS DOCUMENT HAS BEEN PREPARED BY ITS AUTHORS INDEPENDENTLY OF THE COMPANY AND ITS SHAREHOLDERS AND SUBSIDIARIES AND AFFILIATES, AND ANY FORECASTS, FORWARD-LOOKING STATEMENTS, OPINIONS AND EXPECTATIONS CONTAINED HEREIN ARE ENTIRELY THOSE OF THE AUTHORS HEREOF AND ARE GIVEN AS PART OF ITS NORMAL RESEARCH ACTIVITY AND SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORISED OR APPROVED BY ANY OTHER PERSON. VALUE TRACK S.R.L. HAS NO AUTHORITY WHATSOEVER TO MAKE ANY REPRESENTATION OR WARRANTY ON BEHALF OF THE JOINT BOOKRUNNERS, THE GLOBAL COORDINATOR, THE COMPANY, ITS SHAREHOLDERS, ANY OF ITS ADVISERS, ANY OF ITS SUBSIDIARIES, ITS AFFILIATES, OR ANY OTHER PERSON IN CONNECTION THEREWITH. WHILE ALL REASONABLE CARE HAS BEEN TAKEN TO ENSURE THAT THE FACTS STATED HEREIN ARE ACCURATE AND THAT THE FORECASTS, FORWARD-LOOKING STATEMENTS, OPINIONS AND EXPECTATIONS CONTAINED HEREIN ARE FAIR AND REASONABLE, VALUE TRACK S.R.L. HAS NOT VERIFIED THE CONTENTS HEREOF AND ACCORDINGLY NONE OF VALUE TRACK S.R.L., THE COMPANY, ITS SHAREHOLDERS, ANY ADVISERS TO THE COMPANY OR ITS SHAREHOLDERS OR ANY OTHER PERSON IN CONNECTION THEREWITH NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS OR EMPLOYEES, SHALL BE IN ANY WAY RESPONSIBLE FOR THE CONTENTS HEREOF AND NO RELIANCE SHOULD BE PLACED ON THE ACCURACY, FAIRNESS, OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DOCUMENT. NO PERSON ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM THE USE OF THIS DOCUMENT OR OF ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION THEREWITH. THIS REPORT CONTAINS PROJECTIONS, FORECASTS, FORWARD-LOOKING STATEMENTS, OPINIONS AND EXPECTATIONS THAT PRESENT A POSSIBLE OUTCOME ON THE BASIS OF THE ASSUMPTIONS SET OUT HEREIN. THESE REPRESENT ONLY ONE POSSIBLE OUTCOME AND ARE THE INDEPENDENT VIEWS OF THE AUTHORS OF THIS REPORT ONLY. THESE PROJECTIONS ARE SUBJECT TO RISKS, UNCERTAINTIES AND ASSUMPTIONS AND FUTURE ACTUAL RESULTS COULD DIFFER MATERIALLY.