



MEDIOBANCA

WINE INDUSTRY SURVEY

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Introduction

This survey consists of two sections. The first involves 140 of the leading Italian companies operating in the wine industry, which in 2015 generated turnover of over €25m, whose financial statements have been aggregated for the 2011-15 period.¹ The aggregate consists of 43 co-operatives (including six limited companies owned by one or more co-operatives), and 90 Italian-owned and seven non-Italian-owned limited companies. The aggregate of these companies in 2015 generated sales totalling €6.6bn, representing an estimated 51% of the total production (which in 2015 was estimated at around €12.9bn) and 63.6% of the exports (worth €5.4bn). The earnings and financial information has been supplemented by interviews carried out with the companies with a view to assessing the pre-closing results for 2016, the expected sales for 2017, and certain aspects of the firms' commercial structures.

The second section is made up of two parts. The first analyses the 2006-15 aggregate of the fourteen largest listed international companies with turnover of above €150m, which in 2015 posted revenues of €10.8bn. The second illustrates the trend between January 2001 and mid-March 2017 in the global listed wine-makers' index. This index comprises 42 issuers with 47 stocks traded on twenty different stock markets worldwide, with an aggregate market capitalization as at the end-date of €49.9bn. The index also includes two Italian companies, IWB and Masi Agricola, with a combined market capitalization of €202m.

¹ These are specialist companies, often operating in more than one region. Companies which are major wine producers at national level but generate the majority of their turnover through other activities have not been included. Priority has been given to consolidated data where available.

Highlights

Leading Italian companies: pre-closing data for 2016 and 2017 estimates

- **2016 sales:** up 6% on 2015, driven by exports, which were up 6.6%, but also by the domestic market which reported a 5.3% increase. This result, while below the 9.3% growth reported by Italian manufacturing industry as a whole, is still higher than the 2.9% posted by the food industry. Even though 2016 for the wine sector was not one of the best years for growth since 2011, sales for the sector are still 27.3% higher than they were then, exports 37.7% higher, and domestic sales 17.6% higher, reflecting an uninterrupted if uneven growing trend;
- **2015 by segments:** limited companies showed sales up by 6.4% on 2015 (exports up 5.8%), whereas the co-operatives' sales were up 5.9% (exports up 7.5%); the highest growth was reported by the *spumante* manufacturers, of 13.6%, driven by exports (up 13%) but more so the domestic market (up 14.1%), whereas the non-*spumante* wines were flatter, with sales up 4.4%, and exports up 5.6%;
- **Investments in fixed assets in 2016:** these remain buoyant and were up 6.6% on 2015; this time the limited companies led the way (up 16.8%), followed by the non-*spumante* manufacturers (up 10.7%); by contrast the co-operatives were more subdued (up 1.1%); while the *spumante* manufacturers cut their investments (by 9.5%);
- **Employment in 2016:** 0.4% higher than in 2015; here too the highest increase was reported by the *spumante* manufacturers (up 2.3%), followed by the co-operatives (up 1.6%), while the growth posted by the non-*spumante* wine-makers was weak (up just 0.2%), and the limited companies trimmed their workforce by 0.3%;
- **Investments in advertising in 2016:** these rose by 3.8%, in line with the national advertising spending (which was up 3.6%, or 1.7% if the web advertising channel is excluded);
- **Non-domestic markets in 2016:** South America is the most dynamic geographical area (sales up 13.1% on 2015), but still represents just 1.3% of the Italian wine-makers' exports; growth was also healthy in the EU countries (up 7.1%), which account for 52.1% of exports, and in Asia (4% of the total, up 7.9% on 2015); the overall performance by Italian wine exports (up 6.6% on 2015) is due to these three regions, as North America (34.2% of the total) grew by 6.3% and the rest of the world (Africa, Middle East and the other European countries) by 1.9%, giving it an 8.4% share;
- **Top sellers and top earners in 2016:** Cantine Riunite-GIV again ranked first by sales (€566m, up 3.6% on 2015), followed by Cavit (up 1.1% to €304m) and da Antinori which gained 4.5% to reach €218m, the best performance among the non-co-operatives; Zonin was stable in fourth position (sales up 5.1% to €193m); while Cavit reported strong growth of 6.7%, and with sales totalling €178m rose from seventh to fifth position; Fratelli Martini, with sales of €174m (up 9%), climbed from eighth to six; and the Campari wine division came in seventh, with €169m; eighth was Botter with €165m (up 6.6%); in ninth position was Santa Margherita, with €157m (up 32.9%); and in tenth position Enoitalia, with sales of €148m (up 9.7%). The highest growth in 2016 was recorded by co-operative La Marca, whose sales rose by 33.9%, from €75m to €101m, helping it to climb from twenty-third to seventeenth position, followed by Santa Margherita, which climbed from twelfth to ninth; another five companies saw their sales increase by more than 10%; Botter is the most export-oriented of the companies, generating 96.9% of its sales outside Italy, followed by Ruffino (93.5%), Fratelli Martini (89.7%), and Zonin (85.8%); another fifteen of the leading companies generate more than 50% of their sales on non-domestic markets; the top performers in earnings terms for 2016 were Frescobaldi (with net profit accounting for 22.5% of its sales), Santa Margherita (21.3%), Antinori (21%), Ruffino (16.7%) and Masi (9.3%);
- **Sales estimates for 2017:** 90.1% of those interviewed did not expect their sales to decline this year, but only 17.3% were optimists (i.e. seeing sales growth of above 10%); but just 9.9% said they expected revenues to fall. Overall the sentiment remains positive but cautious, and most do not expect a repeat of the exploits seen in 2011 and 2012: of those interviewed, 46.9% do not expect sales to increase in 2017 by more than 5%. Expectations for exports reflect the same trend but are slightly more optimistic: 92.3% of those interviewed saw sales growing or at least stable in 2017 (compared with 88% in 2016) and 24% see growth of more than 10%. The pessimists (i.e. those who see volumes reducing) account for just 7.7% of the total. The highest proportion of optimists is found among the non-*spumante* manufacturers: 19.7% expect to see sales grow by more than 10% in 2017, a percentage which rises to 25% for exports.

Leading Italian companies: earnings/financial profile 2011-15 and commercial structure

- The summary indicator of the earnings and financial performances (z-score) based on the 2015 financial statements assigns the highest scores to Botter, Ruffino of Tuscany, and Contri, Mionetto and Villa Sandi (all of the Veneto region), followed by Frescobaldi, Santa Margherita, Masi, Antinori and Vinicola Serena; Vivo ranked first among the co-operatives (eleventh overall); the top ten positions feature seven companies from the Veneto and three from Tuscany; while those with most difficulties are the co-operatives La Vis, Mezzacorona and la F.lli Gancia;
- Profitability: despite the uneven trend in turnover, the return on capital invested (ROI) has reflected an upward trend since 2011 reaching 6.7% in 2015, the highest level recorded in the five years. The trend in net profitability, as measured by return on equity (ROE), was not dissimilar, at 6.6% in 2015, here too the highest result for the five-year period. The ROI for the wine industry as a whole in 2015, at 6.7%, continued to underperform versus Italian manufacturing industry generally (ROI 7.9%), the food and drink industry (8.2%) and the beverages segment (8.8%);
- Asset structure: the net debt/equity ratio for 2015 shows a situation of overall solidity (67.8%), the lowest level recorded in the five years under review here;
- Ownership structure: the book value of investments held by individuals based on net equity at end-2015 amounted to approx. €3.11bn, €0.86bn of which is held by the co-operatives and the other €2.25bn is family-controlled; the portfolio owned by international investors is estimated at around €0.4bn, and that owned by financial investors (insurances and funds) at around €0.48bn; the free float of the two listed companies has a book value of €66m; based on the market multiples of the companies listed on international markets, the net equity of the ninety limited companies (€2.75bn) could have an estimated market value of €4.4bn, reflecting a premium over book value of some 60%;
- Distribution channels: the most significant here is large-scale distribution, which accounts for 39.2% of the production, followed by wholesalers and intermediaries with 16.3%, hotels/restaurants/catering with 15.2%, and the direct channel with 13.5% (the other 15.8% is distributed through wine bars and other channels); for exports, importing agencies are the most significant figures (79%), with direct commercial coverage a potential weak point.

Leading Italian companies: regional trends

- The Veneto-based firms performed the best, especially in terms of earnings (ROI 9.2%, vs 6.7% at national level; ROE 9.9%, vs 6.6% nationally), but the Tuscan companies also fared well (ROI 8.7%, ROE 7.9%) che being particularly solid in capital terms (net debt/equity ratio 39.1%, vs 67.8%), efficient (labour cost per unit produced 44.7%, vs 58.9%), and strongly export-oriented (65.3%, vs 52%).

Leading listed international groups and stock market index

- The aggregate of the fourteen largest international wine producers saw sales increase by 12% from 2014 to 2015, with industrial margins increasing as a percentage of turnover. Ebitda stood at 25.3%, and Ebit at 22.1%. It should be noted that the Italian non-co-operative companies reported sales increases in 2015 of 5.5%, and margins of 13.1% (Ebitda) and 9.5% (Ebit) turnover. The return on equity delivered by the international groups was 15.9%, compared with 7.9% by the Italian non-co-operative companies;
- The financial structure showed a debt/equity ratio of 98.2% in 2015, worse than the figure for the Italian non-co-operatives (51.4%);
- Employment was up 7.5% on 2014 (3.2% for the Italian companies);
- The aggregate includes the accounts of New Zealand-based Delegat's Group for the first time, on the back of 14% growth in sales in 2015; the company shows high profitability levels, with Ebitda at 34.7% of turnover, Ebit at 30% and net profit at 223%, second only to the figures of Chinese group Yantai Changyu;
- Yantai Changyu Pioneer Wine itself, after three consecutive years of reductions in sales and net profit, due to the slowdown on the domestic market, increased competitive pressure, and the launch of new government anti-corruption and austerity policies, reversed this trend in 2015, posting increases at both the top- and bottom-line levels;

- Constellation Brands and Delegat's Group impressed in 2015 by the percentage of investments made relative to the initial stock of tangible assets, which came in at 23.9% and 22.6% respectively; indeed the New Zealand group's 2015 investments accounted for approx. 50% of its annual turnover;
- The most recent interim statements for 2016 reflect sales up 9%, with strong growth by Treasury Wine Estates (19.9%, in part due to acquisitions) and Constellation Brands (9.7% on a like-for-like basis), the sole exceptions being French groups Advini (sales down 0.4%) and Laurent Perrier (down 3.9%);
- The sector giants completed some major acquisitions during the twelve months under review: in January 2016 Treasury Wine Estates acquired Diageo's US and UK wine division for \$600m; while in December 2015 Constellation Brands had bought a 100% stake in beer brewer Ballast Point, for an outlay of some \$1bn, before selling its own Canadian wine activities the following month (January 2016); meanwhile Yantai Changyu's European shopping spree continued with acquisitions of assets in Spain and France;
- The market value of the 47 stocks comprising the global wine industry index grew by 16.6% between March 2016 and March 2017, with 59% of the market capitalization now represented by the North American wine-makers (up 15% in the last year), 12% by the Chinese groups (up 14.1%), and 13% by the Australian companies (up 37.3%); Constellation Brands has the highest market value (€29.3bn), followed by Australian group Treasury Wine Estates (€6.4bn), Chinese-based Yantai (€2.8bn) and Distell of South Africa (€2.3bn). Chinese group Citic Guoan Wine and Viña Concha y Toro of Chile also have a market value above the €1bn mark;
- There are two Italian wine industry companies listed on the stock market: IWB - Italian Wine Brands (Italian Wine Brands, the parent company of Giordano Vini and Provinco), and Masi Agricola. IWB shares at 14 March 2017 were trading at €8.95 per share, 10% below the opening price, giving a market capitalization of approx. €57m; while at the same date the Masi Agricola stock closed at €4.52 per share, 1.7% below the offering price, for a market capitalization of €145m;
- The market multiples for an aggregate of around forty stocks reflect a price/book value ratio of 1.6x, and market capitalization of 22.4x Ebit and 24.7x net profit;
- Since January 2001 the global wine sector market index (total return version, i.e. including dividends distributed) has grown by 522%, comfortably outperforming the global stock markets which have increased by 121%; the best performance by wine stocks in relative terms (i.e. net of national stock market trends) was reported by the companies based in North America (up 566%), Australia (up 88%) and France (up 84.8%), while other countries saw underperformances: Chile (by 38.2%) and China (by 66.2%);
- Since January 2009 (i.e. post-crisis), the wine sector market index has grown by 288% in absolute terms and by 50% in relative terms, with the national stock markets outperforming the wine stocks in three cases (France, China and Chile).

I - Leading Italian Wine-Makers

I.1 - Scenario

Global wine production in 2015 has been estimated by the OIV² at 274.4 million hectolitres, up slightly (by 1.3%) on 2014. The estimate for 2016 is 259.4 million hectolitres, representing a sharp, 5.5% contraction versus the previous year. Italy was the leading wine producer in 2015, with 18.2% of the world total, winning back the first place which it lost to France in 2014 (France in 2015 accounted for 17.3% of total global production). Estimates for 2016 suggest that Italy will remain in first place as the world's leading wine producer, with an estimated output of 48.8 million hectolitres, compared with 41.9 million hectolitres for France and 37.8 million hectolitres for Spain.

Global wine production (2011-2016E)

	Italy	France	Spain	U.S.	Australia	China	South Africa	Chile	Argentina	Germany	Portugal	ROW
2011	42.8	50.8	33.4	19.1	11.2	13.2	9.7	10.5	15.5	9.1	5.6	267.7
2012	45.6	41.5	31.1	21.7	12.3	13.8	10.6	12.6	11.8	9.0	6.3	258.1
2013	54.0	42.1	45.3	23.6	12.3	11.1	11.0	12.8	15.0	8.4	6.2	288.9
2014	44.2	46.5	39.5	23.7	11.9	11.1	11.5	10.5	15.2	9.2	6.2	270.8
2015	50.0	47.4	37.3	22.1	11.9	11.5	11.2	12.9	13.4	8.8	7.0	274.4
2016E	48.8	41.9	37.8	22.5	12.5	n.d.	10.5	10.1	8.8	8.4	5.6	259.4
<i>Chg. 15-16</i>	<i>-2.4</i>	<i>-11.6</i>	<i>1.3</i>	<i>1.8</i>	<i>5.0</i>	<i>n.c.</i>	<i>-6.2</i>	<i>-21.7</i>	<i>-34.3</i>	<i>-4.5</i>	<i>-20.0</i>	<i>-5.5</i>

Source: Our estimates on OIV, Note de conjoncture mondiale, October 2016.

In 2015, the value of Italian wine production may be estimated at €12.9bn. The ISTAT estimates for 2015 suggest the share of production accounted for by DOC and DOCG wines³ will be equal to 39% of the total, up 15.4% on 2014; a further 31.7% of production is accounted for by IGP wines,⁴ up 14.7% on 2014, with common wines making up the remainder (29.3%). A significant share of the wine produced by Italian manufacturers is exported, with the surplus rising from €760m in 1990 to €5.1bn in 2015 (6.7x), a year in which volumes fell by 1.2% while the value increased by 5.4% (with the average price of wine exported up 6.7%, from €2.49 to €2.66 per litre). Provisional ISTAT data for 2016 suggest an increase of 4.3% compared to 2015 in terms of value (up 2.9% by volumes), with the average price of wine exported set to increase by 1.4% to €2.7 per litre. The provisional trade surplus figure at December 2016 had risen to €5.3bn, 4.9% higher than in 2015.

I.2 – Sales trends: 2011-16 and estimates for 2017

The aggregate sales of the 140 Italian wine-making companies rose by 5.1% in 2015, representing the average of the growth in exports (6.9%) and in domestic sales (up 3.2%), making it the second least impressive year in terms of sales since 2011, but a sharp improvement nonetheless on the stagnation experienced in 2014 (growth of just 0.3%) (Table 1). Pre-closing figures for 2016 suggest that growth will speed up, with increases forecast of 6% in total sales, 5.3% in Italy, and 6.6% elsewhere, driven primarily by the *spumante* sector, with growth of 13.6% (14.1% on the domestic market and 13% elsewhere).

² International Organization of Vine and Wine (*Organisation Internationale de la Vigne et du Vin*).

³ DOC: denominazione di origine controllata"; DOCG: "denominazione di origine controllata and garantita". These two denominations have also been grouped together in the EU category DOP: "denominazione di origine protetta".

⁴ IGP: "indicazione geografica protetta".

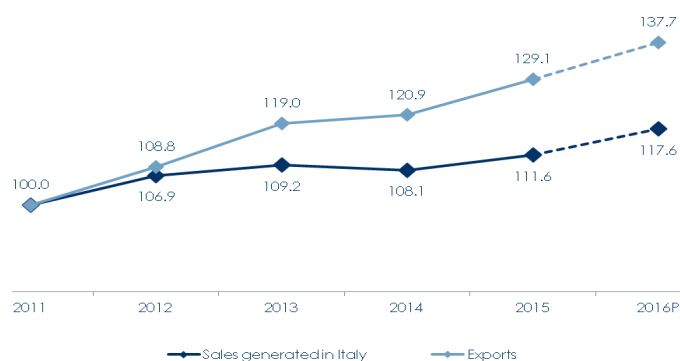
Table 1 – % change in sales year-on-year (2011-2016E)

	2011	2012	2013	2014	2015	2016E
<u>All companies</u>						
Total sales	9.5	7.8	5.7	0.3	5.1	6.0
Sales in Italy	5.7	6.9	2.2	-1.0	3.2	5.3
Sales outside Italy	13.9	8.8	9.3	1.6	6.9	6.6
<u>of which: limited companies</u>						
Total sales	9.7	7.9	5.6	0.8	5.5	6.4
Sales in Italy	4.8	3.0	2.6	-0.9	5.3	7.2
Sales outside Italy	14.8	12.4	8.2	2.2	5.8	5.8
<u>of which: co-operatives</u>						
Total sales	9.1	7.9	6.9	-1.1	4.4	5.9
Sales in Italy	7.3	10.5	3.5	-1.0	1.8	4.6
Sales outside Italy	11.8	4.2	11.9	-1.3	8.0	7.5
<u>of which: spumante manufacturers</u>						
Total sales	12.3	3.6	5.8	3.2	8.9	13.6
Sales in Italy	6.8	0.7	1.8	1.1	4.3	14.1
Sales outside Italy	23.5	8.6	12.2	6.3	15.4	13.0
<u>of which: wine-makers other than spumante manufacturers</u>						
Total sales	8.8	8.8	5.7	-0.3	4.3	4.4
Sales in Italy	5.4	8.6	2.3	-1.6	2.9	3.0
Sales outside Italy	12.4	8.9	8.9	0.8	5.4	5.6

Source: compiled by Mediobanca Research Department.

Nonetheless, in 2016 the sales reported by the wine industry extended their increase versus 2011 levels (27.3% higher), comfortably in the case of exports (37.7%), less so domestically (17.6%). Between 2011 and 2016 exports grew by an annual average of 7.8%, and domestic sales by 3.7% (Diagram 1).

Diagram 1 – Index numbers of sales (2011-2016E, 2011=100)



Overall, the growth in turnover reported by wine-makers since 2011 has clearly outstripped the figure posted by manufacturing industry in general (11.7%) (Diagram 2).

The closing 2015 data show a significant reduction in the percentage of companies reporting strong growth, i.e. those set to post year-on-year increases above 10% on 2014 (up from 14.4% in 2014 to 34.8%), with those looking at reductions in turnover falling from 41% to 21% (Diagram 3). The share of companies with intermediate growth (i.e. below 10%) remained virtually unchanged at 44.2% (44.6%).

As for the 2016 pre-closing figures and expectations regarding 2017, the top and bottom brackets are likely to contract further, with those firms expecting an increase of more than 10% in their turnover declining from 22.9% in 2016 to 17.3% in 2017, and those expecting a reduction declining from 15.4% to 9.9%; while those which see growth but below 10% rise from 61.7% to 72.8% in 2017. These figures indicate a positive stance but at the same time suggest a degree of caution in prediction-making, in a scenario which continues

to reflect considerable uncertainty, thus leading to a widespread positioning in the intermediate performance range (Table 2).

Diagram 2 – Index numbers of sales in the wine sector and manufacturing industry (2011-2016E, 2011=100)

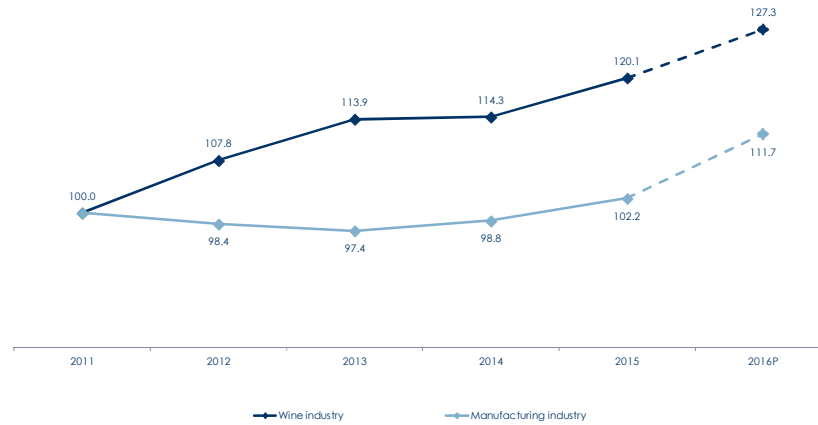


Diagram 3 – Classes of change in total sales (2011-2017E)

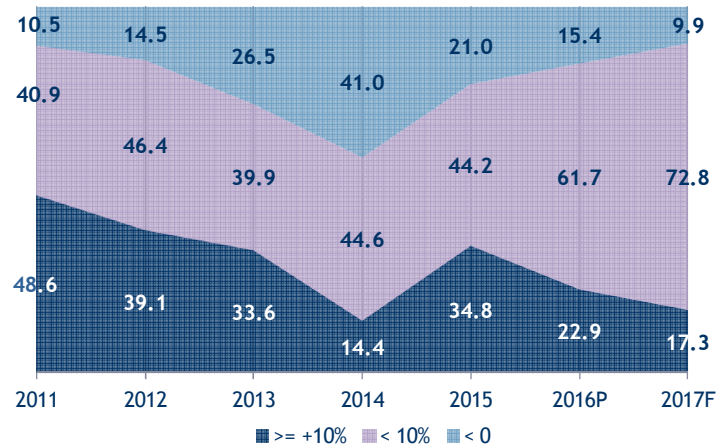


Table 2 – Classes of change in total sales (2011-2017E)

Class of change	2011	2012	2013	2014	2015	2016E	2017E
	<i>% of companies (values weighted for sales)</i>						
Equal to or higher than 10%	48.6	39.1	33.6	14.4	34.8	22.9	17.3
From 5 to 9.99%	17.1	25.0	15.4	18.7	7.8	31.6	25.9
From 0 to 4.99%	23.8	21.4	24.5	25.9	36.4	30.1	46.9
Total > 0	89.5	85.5	73.5	59.0	79.0	84.6	90.1
From -0.01 to -4.99%	8.9	6.1	15.3	25.8	11.6	9.1	7.4
From -5 to -9.99%	1.0	5.6	7.8	8.2	6.6	3.4	-
Equal to or less than -10%	0.6	2.8	3.4	7.0	2.8	2.9	2.5
Total < 0	10.5	14.5	26.5	41.0	21.0	15.4	9.9
% change in sales for the 140 companies	9.5	7.8	5.7	0.3	5.1	6.0	-

Diagram 4 – Classes of changes in exports (2011-2017E)

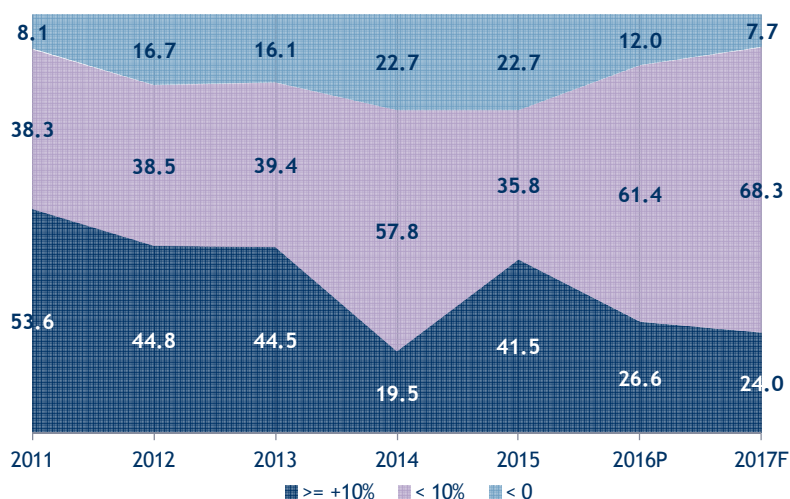


Table 3 – Classes of changes in exports (2011-2017E)

Class of change	2011	2012	2013	2014	2015	2016P	2017F
	% of companies (values weighted for sales)						
Equal to or higher than 10%	53.6	44.8	44.5	19.5	41.5	26.6	24.0
From 5 to 9.99%	26.8	19.2	10.9	19.8	21.2	35.5	24.0
From 0 to 4.99%	11.5	19.3	28.5	38.0	14.6	25.9	44.3
Total > 0	91.9	83.3	83.9	77.3	77.3	88.0	92.3
From -0.01 to -4.99%	5.0	8.6	7.5	9.1	10.0	5.1	5.1
From -5 to -9.99%	2.7	2.4	5.3	5.7	8.4	3.3	1.3
Equal to or less than -10%	0.4	5.7	3.3	7.9	4.3	3.6	1.3
Total < 0	8.1	16.7	16.1	22.7	22.7	12.0	7.7
% change in sales for the 140 companies	13.9	8.8	9.3	1.6	6.9	6.6	-

The expectations for 2017 should in any case be treated with caution, given the stage at which they are formulated (i.e. in March). In this connection it is worth noting that in 2016 the pre-closing figures were slightly different from the expectations expressed earlier on in the year, while confirming the extremely positive scenario: the increase in sales was 84.6% compared to the 91.9% estimated in March 2016, and the reductions 15.4%, compared with 8.1%.

The projections for 2017 appear to be slightly more optimistic where they refer to international markets only (Diagram 4). In particular, the prospect of realizing double-digit increases in 2017 exports is contemplated by 24% of those interviewed (17.3% for total sales), while the bearish estimates remain at 7.7% of the companies (9.9%).

Table 4 – Export sales by geographical area (2015-2016E)

	EU Countries	Rest of the World	North America	Central and South America	Asia and Australia
% share in 2015	51.8	8.8	34.2	1.3	3.9
% share in 2016E	52.1	8.4	34.2	1.3	4.0
% change in sales (2015/2016E)	7.1	1.9	6.3	13.1	7.9

The areas to which the wine is exported see the closest markets geographically in first place, with the EU countries accounting for 52.1% of the non-domestic revenues in 2016, up 7.1% on 2015 (when they accounted for 51.8%). North America is the second reference area, with 34.2% of the total, up 6.3% on 2015. Africa and the Middle East together account for 8.4%, up 1.9%, while the Asian and Far Eastern markets, despite a substantial increases in sales, of 7.9% and 13.1% respectively, are still marginal, accounting for 4% and 1.3% of the total (Table 4).

The three leading wine producers by sales volumes in 2016 were the Cantine Riunite-GIV group (sales of €566m, up 3.6% on 2015), Caviro (€304m, up 1.1%) and Antinori (€218m, up 4.5% on 2015). These were followed by Zonin, which in 2016 posted sales up 5.1% to reach €193m, and the co-operative Cavit, with revenues up 6.7% to €178m. The wine-makers occupying the last five places in the top thirty were La Vis, Mionetto, Banfi, Masi and Gancia.

Seven companies saw increases in their sales of more than 10% in 2016: La Marca (up 33.9%), Santa Margherita (up 32.9%), Vivo (up 25.4%), Villa Sandi (up 20.7%), Lunelli (up 13.4%), Mionetto (up 11.3%), and Cantina Cooperativa di Soave (up 10.3%). Other increases worthy of note include Enoitalia (up 9.7%) and Fratelli Martini (up 9%, to €174m). Some companies generate virtually all their revenues outside Italy, such as Botter with 96.9%, Ruffino with 93.5%, Zonin with 85.8%, Masi Agricola with 84.4%, Mondodelvino with 84.1%, and the co-operative Cavit with 80.7%. Only nine groups generate less than 50% of their revenues from exports. In 2016 as well, the Tuscan and Veneto-based companies led the way in terms of profitability (measured by net profit as a percentage of sales), headed by Frescobaldi with 22.5%, Santa Margherita with 21.3% and Antinori with 21%, followed by Ruffino (16.7%), Masi (9.3%), Botter (8.8%) and Villa Sandi (8%) (Table 5).

Table 5 – Top 30 Italian wine companies by total sales (2015-2016E)

Registered office	Total sales					Exports			Net profit (loss) as a % of 2015 sales	Net profit (loss) as a % of 2016 sales	No. of bottles produced in 2016	Ownership structure	
	2015	2016	% change	Rank		2016	as a % of	% change					
	2016-2015			2015	2016	2016 sales	2016-2015						
€ million													
CANTINE RIUNITE & CIV (*)	Campegine (Re)	546	566	3.6	1	1	377	66.5	2.5	1.3	2.0	200,629,998	Co-operative
<i>of which: GIV - GRUPPO ITALIANO VINI (*)</i>	<i>Bardolino (Vr)</i>	<i>358</i>	<i>365</i>	<i>1.9</i>			<i>278</i>	<i>76.2</i>	<i>1.8</i>	<i>1.7</i>	<i>2.2</i>	<i>81,170,000</i>	
<i>of which: CANTINE RIUNITE & CIV (*)</i>	<i>Campegine (Re)</i>	<i>201</i>	<i>213</i>	<i>5.7</i>			<i>99</i>	<i>46.3</i>	<i>13.5</i>	<i>2.7</i>	<i>1.7</i>	<i>119,459,998</i>	
CAVIRO (*)	Faenza (Ra)	300	304	1.1	2	2	92	30.5	7.8	2.9	0.4	50,957,345	(*) Co-operative
PALAZZO ANTINORI (*)	Florence	209	218	4.5	3	3	140	64.0	0.2	21.5	21.0	25,000,000	Family-owned
CASA VINICOLA ZONIN (*)	Gambellara (Vi)	183	193	5.1	4	4	165	85.8	7.5	0.5	2.7	50,200,000	Family-owned
MEZZACORONA (*) (*) (+)	Mezzocorona (Tn)	175	163	n.a.	5	n.a.	97	59.1	n.a.	0.9	1.1	44,930,000	Co-operative
<i>CAMPARI Group (wine division) (§)</i>	<i>Milan</i>	<i>171</i>	<i>169</i>	<i>-1.2</i>	<i>6</i>	<i>7</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>Family-owned</i>
CAVIT CANTINA VITICOLTORI (*) (*)	Ravina (Tn)	167	178	6.7	7	5	144	80.7	7.6	3.1	3.0	n.a.	Co-operative
FRATELLI MARTINI SECONDO LUIGI	Cossano Belbo (Cn)	160	174	9.0	8	6	156	89.7	9.0	1.7	2.5	78,000,000	Family-owned
CASA VINICOLA BOTTER CARLO & C.	Fossalta di Piave (Ve)	154	165	6.6	9	8	160	96.9	9.6	9.2	8.8	77,626,000	Family-owned
IWB - ITALIAN WINE BRANDS (*) (-)	Milan	145	146	0.8	10	11	105	72.1	10.7	3.8	3.2	45,000,000	Mixed
ENOITALIA	Calmasino di Bardolino (Vr)	134	148	9.7	11	10	110	74.3	4.3	2.6	n.d.	88,318,528	Family-owned
SANT'A MARGHERITA Group (*)	Fossalta di Portogruaro (Ve)	118	157	32.9	12	9	108	68.7	47.6	12.1	21.3	18,830,036	Family-owned
GRUPPO CEVICO (*) (*)	Lugo (Ra)	113	111	-1.7	13	13	31	27.9	-1.1	0.6	1.2	71,323,229	Co-operative
CANTINA SOCIALE COOPERATIVA DI SOAVE (*) (*)	Soave (Vr)	106	117	10.3	14	12	45	38.3	-1.2	1.6	1.7	35,000,000	Co-operative
COLLIS VENETO WINE GROUP (*) (*)	Monteforte D'Alpone (Vr)	104	106	2.2	15	15	32	30.2	40.0	1.0	1.5	23,000,000	Co-operative
SCHENK ITALIA (*)	Ora (Bz)	101	108	7.7	16	14	80	73.9	9.3	0.5	0.4	57,300,000	non-Italian-owned
COMPAGNIA DE' FRESCOBALDI (*)	Florence	97	101	4.7	17	16	63	62.3	1.9	21.7	22.5	11,267,721	Family-owned
MONDODELVINO (*)	Forlì	95	100	5.3	18	18	84	84.1	8.8	0.3	3.2	60,458,366	Mixed
RUFFINO (*) (*)	Pontassieve (Fi)	93	99	6.1	19	19	92	93.5	5.5	11.8	16.7	17,091,878	non-Italian-owned
LUNELLI (*)	Ravina (Tn)	84	95	13.4	20	20	25	26.5	6.8	7.6	n.a.	n.a.	Family-owned
LA VIS (*) (*) (=)	Lavis (Tn)	83	76	-8.6	21	24	56	73.8	-10.0	-3.1	5.3	n.a.	Co-operative
CONTRI SPUMANTI	Cazzano Di Tramigna (Vr)	78	77	-0.9	22	23	30	38.8	-10.9	5.1	3.1	71,067,000	Mixed
LA MARCA VINI E SPUMANTI	Oderzo (Tv)	75	101	33.9	23	17	80	79.3	39.4	0.0	0.0	35,000,000	Co-operative
VILLA SANDI	Crocetta Del Montello (Tv)	73	88	20.7	24	21	40	45.1	5.4	3.2	8.0	32,200,000	Family-owned
BANFI Group (*)	Montalcino (Si)	70	67	-3.9	25	27	38	56.7	-5.7	2.8	5.2	13,818,000	non-Italian-owned
QUARGENTAN	Roncà (Vr)	68	n.a.	n.a.	26	n.a.	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	Family-owned
MIONETTO	Valdobbiadene (Tv)	65	72	11.3	27	26	41	57.2	26.7	4.7	4.4	n.a.	non-Italian-owned
VIVO CANTINE (*) (*)	Silgareda (Tv)	65	81	25.4	28	22	38	47.3	39.8	0.7	0.6	26,787,250	Co-operative
F.LLI GANCIA & C.	Canelli (At)	62	62	-0.9	29	29	30	48.8	13.6	-6.2	-4.9	20,055,439	non-Italian-owned
MASI AGRICOLA (*) (*)	S. Ambrogio Di Valpolicella (Vr)	61	64	4.9	30	28	54	84.4	0.3	10.2	9.3	n.a.	Family-owned
VS - VINICOLA SERENA	Conegliano (Tv)	56	n.a.	n.a.	31	n.a.	n.a.	n.a.	n.a.	2.4	n.a.	n.a.	Family-owned
TERRA MORETTI Group (§)	Erbusco (Bs)	47	73	n.a.	n.a.	25	n.a.	n.a.	n.a.	9.7	9.9	9,000,000	Family-owned

(*) Consolidated financial data.

(*) The financial year ends on 31 July for Cantine Riunite & Civ, Mezzacorona, Gruppo Cevico, Collis Veneto Wine Group and Cantine Brusa, on 31 May for Cavit, on 30 June for Cantina Sociale Cooperativa di Soave and La Vis, on 28 February for Ruffino, on 31 August for Vivo Cantine.

(*) Excluding wine sold in cartons, boxes and barrels.

(+) 2016 data refer to 11 months of operation (financial years ended on 31 August 2015 and on 31 July 2016).

(§) Only part of the wine division's data are included in the aggregate. The Group produces and sells «Riccadonna», «Cinzano» (vermouth and spumanti), «Liebfraumilch» as well as spumanti under the «Mondoro» brand name.

(-) Set up on 27 November 2014 and listed on the stock market (AIM) since 29 January 2015, with a free float of approx. 60%. The group comprises the companies Giordano Vini and Provinco Italia.

(=) Under compulsory administration from 8 June 2015 al 16 April 2016.

(*) Listed on the stock market (AIM) since 30 June 2015.

(§) Data taken from the aggregate sales of the group's wine-making companies. Including the companies acquired from the Campari group at year-end 2016 would lead to combined turnover as at end-2015 of more than €60m, ranking the Moretti group among the top thirty sector operators.

Source: financial statements and individual companies.

I.3 – Earnings/financial profiles of largest producers

Table 6 shows the results for a summary indicator which, by means of consistent metrics, is able to take into account the earnings, financial and efficiency profiles examined by means of a set of eleven indicators recorded in 2015.⁵ This is known as the z-score, which, by reducing the various indicators to a mean score which neutralizes the different numeric scales, allows them to be added, weighted equally and then normalized. The result is a score with values of equal or near to one for the more “virtuous” companies, and equal or near to zero for those under greatest stress. The five best-positioned firms measured by this score are (in order): Botter, Ruffino, Contri, Mionetto and Villa Sandi; with Mezzacorona, Gancia and La Vis (again in order) bringing up the rear (Table 6).

Table 6 – Earnings/financial and efficiency indicators for largest producers (2015)

	Ownership structure	Region	Z-score, normalized (^)
CASA VINICOLA BOTTER CARLO & C.	Family-owned	Veneto	1.0
RUFFINO (°) (*)	non-Italian-owned	Tuscany	0.8
CONTRI SPUMANTI	Mixed	Veneto	0.8
MIONETTO	non-Italian-owned	Veneto	0.8
VILLA SANDI	Family-owned	Veneto	0.8
COMPAGNIA DE' FRESCOBALDI (°)	Family-owned	Tuscany	0.7
SANTA MARGHERITA Group (°)	Family-owned	Veneto/Lombardia	0.7
MASI AGRICOLA (°) (')	Family-owned	Veneto	0.6
PALAZZO ANTINORI (°)	Family-owned	Tuscany	0.6
VS - VINICOLA SERENA	Family-owned	Veneto	0.6
VIVO CANTINE (°) (*)	Co-operative	Veneto	0.6
FRATELLI MARTINI SECONDO LUIGI	Family-owned	Piedmont	0.6
BANFI Group (°)	non-Italian-owned	Tuscany	0.6
GRUPPO CEVICO (°) (*)	Co-operative	Emilia Romagna	0.5
CASA VINICOLA ZONIN (°)	Family-owned	Veneto	0.5
LUNELLI (°)	Family-owned	Trentino A.A.	0.5
ENOITALIA	Family-owned	Veneto	0.5
COLLIS VENETO WINE GROUP (°) (*)	Co-operative	Veneto	0.5
CAVIRO (°)	Co-operative	Emilia Romagna	0.5
LA MARCA VINI E SPUMANTI	Co-operative	Veneto	0.5
CAVIT CANTINA VITICOLTORI (°) (*)	Co-operative	Trentino A.A.	0.5
CANTINA SOCIALE COOPERATIVA DI SOAVE (°) (*)	Co-operative	Veneto	0.5
QUARGENTAN	Family-owned	Veneto	0.5
IWB - ITALIAN WINE BRANDS (°) (-)	Mixed	Piedmont	0.4
CANTINE RIUNITE & CIV (°)	Co-operative	Emilia-Romagna/Veneto	0.4
SCHENK ITALIA (°)	non-Italian-owned	Trentino A.A.	0.4
MONDODELVINO (°)	Mixed	Emilia Romagna	0.4
MEZZACORONA (°) (*)	Co-operative	Trentino A.A.	0.3
F.LLI GANCIA & C.	non-Italian-owned	Piedmont	0.2
LA VIS (°) (*) (+)	Co-operative	Trentino A.A.	0.0

(^) Sort key.

(°) Consolidated financial data.

(*) Esercizio chiuso al 28 febbraio per Ruffino, al 31 agosto per Vivo Cantine, al 31 luglio per Cantine Riunite & Civ, Mezzacorona, Gruppo

(') Listed on the stock market (AIM) since 30 June 2015.

(-) Listed on the stock market (AIM) since 29 January 2015.

(+) Under compulsory administration from 8 June 2015 al 16 April 2016.

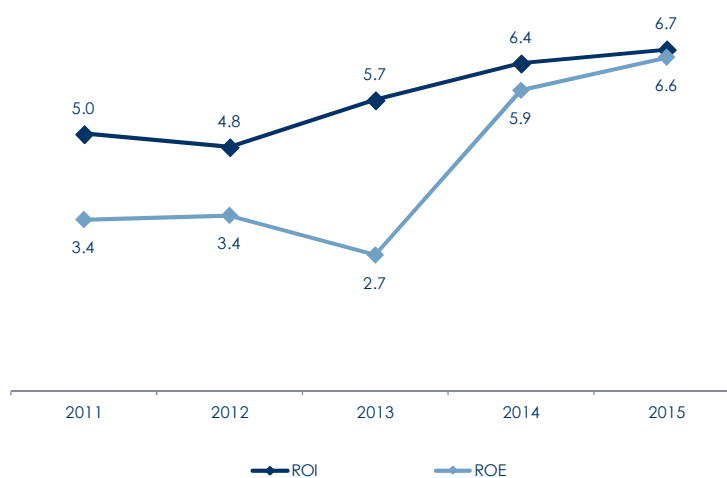
Source: compiled by Mediobanca Research Department.

⁵ The indicators are as follows: changes in sales, 2011-15, Ebit/value added, Ebitda/interest expense, ROE, ROI, debt/equity, debt/cash and liquid assets, debt/Ebitda, debt/turnover, capex/sales, labour cost per unit produced.

I.4 - Margins and financial structure (2011-2015)

The aggregate of 140 companies saw its ROI increase from 6.4% in 2014 to 6.7% in 2015, much higher than the 5% recorded in 2011. ROE increased to 6.6% in 2015, from 5.9% in 2014, 2.7% in 2013, and 3.4% in 2012-11. This result reflects the growth in net profits in 2015, of 19.4%, helped by the absence of the reduction in taxes versus 2014 (3.7% lower). Taken as whole, operating profitability appears to have recovered in the five years (Diagram 5), Net profitability showed a sharp upturn in 2015, with ROE at 5.9%, thus reversing the downward trend recorded from 2011 to 2013. Stripping out the data for the companies generating the higher one-off items, the performance in terms of ROE would look like this: 3.5% and 3.6% (2011 and 2012); 6.1% (2014); and 6.7% (2015). The percentage of loss-making companies remains low, at 14%.

Diagram 5 – Margins of the wine-makers’ aggregate (2011-15)



The financial structure appears to be solid overall, with financial debt equal to 67.8% of net equity in 2015 (the lowest ratio reading recorded in the five years). The capital strengthening continued uninterrupted in 2011 (76.5%), 2013 (73.8%), and 2014 (71.9%), and was interrupted only in 2012.

The developments in terms of the labour force were also positive, with headcounts rising by 5.1% versus 2011 and up 3.1% on 2014. During the period under review the productivity of labour (measured by value added per staff member) increased by 21.7%, outstripping the 9.5% increase in the per capita cost of labour; in 2015, too, the former grew by 3.2%, and the latter by 1.4%.

Investments show a 9.8% recovery, following the 7.1% reduction in 2014 which in turn came on the back of 9.6% growth in 2013 (calculated excluding the effect of the anomalous, 39.8% growth reported in 2012 due a major commitment by one leading operator in particular, which developed a new production site), thus returning to above 2011 levels.

I.5 – Ownership structure

Family control accounts for 55.9% of the total net equity for the aggregate. This share is divided between control exercised directly by individuals (34.1%) and by companies (21.8%). If the co-operatives too are included within this ownership category, given that they combine some 34,100 shareholders, the total would rise by a further 21.3% to bring family ownership of the total net equity aggregate up to 77.2%. The other 22.8% of the net equity is divided between financial investors (and other residual types) as to 13.5% and as to 9.3% to non-Italian companies. In absolute terms, families strictly defined control equity worth €2.25bn (€1.37bn owned by individuals and €0.88bn by companies), while the co-operatives control net

equity worth some €0.86bn. International investors own a portfolio with a book value of €0.4bn. International investors own a portfolio with a book value of €369m, funds with €31m, foundations and trusts with €67m, fiduciary companies with €9m, and the other €66m representing the free market float of the two listed companies.

A breakdown of capital invested into four separate classes (see Tables 7 and 8) shows the following:

- The share of the net equity controlled by individuals (including the co-operatives) decreases the larger the company becomes, ranging from 73.7% of the class of firms with the highest capital invested (over €50m) to 90.1% of the smallest class (under €15m);
- In the largest category, families own shares of the companies with a book value (2015 net equity) of €1.6bn, roughly €14.5m per shareholder; the family-owned portfolio in the second category is worth €379m (roughly €4.3m per shareholder) and €157m and €105m respectively in the third and fourth categories (€2.5m and €0.3m per shareholder respectively);
- The financial investors are concentrated in the two largest size categories: in the largest they control some 14.2% of the net equity (worth approx. €410m), and 8.8% in the second (€65m), after which they are virtually absent; banks and insurances hold the largest portfolios (€369m), followed by foundations and trusts (€67m);
- The international portfolio is substantial in the first class (€282m) and the second (€79m), where the concentration of non-Italian ownership is substantial (9.8% of net equity in the first case and 10.8% in the second).

Table 7 – Ownership structures and net equity owned by shareholders (% values, 2015)

Classes of capital					Family-owned			Co-operatives	Total individuals	Non-italian	Fiduciary companies	Banks and insurances	Funds	Foundations	Trusts	Total
No. of compani	of which: Co-operatives	No. of shareholders	of which: Co-operatives	Companies	Individuals	Total										
1st	43	10	11,021	10,910	23.2	32.4	55.6	18.1	73.7	9.8	-	11.7	0.2	2.3	2.3	100.0
2nd	39	13	8,211	8,122	15.7	36.2	51.9	28.5	80.4	10.8	1.1	4.3	3.4	-	-	100.0
3rd	30	11	10,271	10,208	23.5	40.8	64.3	35.7	100.0	-	-	-	-	-	-	100.0
4th	28	9	5,241	4,871	20.4	45.1	65.5	24.6	90.1	9.1	0.8	-	-	-	-	100.0
	140	43	34,744	34,111	21.8	34.1	55.9	21.3	77.2	9.3	0.2	9.2	0.8	1.7	1.6	100.0
Net equity (€m)					875	1,372	2,247	859	3,106	375	9	369	31	67	66	4,023

Classes of capital invested: 1st equal to or higher than €50m, 2nd from €25m to €49.9m, 3rd from €15m to €24.9m, 4th less than €15m.

Table 8 – Ownership structures and net equity owned by shareholders (absolute values, 2015)

Classes of capital					Family-owned			Co-operatives	Total individuals	Non-italian	Fiduciary companies	Banks and insurances	Funds	Foundations	Trusts	Total
No. of compani	of which: Co-operatives	No. of shareholders	of which: Co-operatives	Companies	Individuals	Total										
1st	43	10	11,021	10,910	670	936	1,606	524	2,130	282	-	337	6	67	66	2,888
2nd	39	13	8,211	8,122	115	264	379	209	588	79	8	32	25	-	-	732
3rd	30	11	10,271	10,208	57	100	157	87	244	-	-	-	-	-	-	244
4th	28	9	5,241	4,871	33	72	105	39	144	14	1	-	-	-	-	159
	140	43	34,744	34,111	875	1,372	2,247	859	3,106	375	9	369	31	67	66	4,023

Classes of capital invested: 1st equal to or higher than €50m, 2nd from €25m to €49.9m, 3rd from €15m to €24.9m, 4th less than €15m.

Relations with the financial markets have historically been negligible in Italy, although recently two companies have been listed (Masi Agricola, which has been listed in the AIM segment since 30 June 2015, and IWB, in the same segment, since 29 January 2015). Another three of the companies considered here are involved in the stock market but indirectly, through the listed status of their parent companies which in all cases assumes the status of financial investor (insurance groups Allianz, Assicurazioni Generali and UnipolSai).

I.6 – Analysis by type of company

The breakdown by type of company shows certain differences in terms of earnings and financial structure between the co-operatives and the other Italian companies (Table 9). This reflects the fact that the co-operatives lack many of the upstream production phases represented in the *filière*, because the shareholders transfer the grapes (first-level co-operatives) and wine (second-level co-operatives) for processing and sale (a symptom of this is the fact that in limited companies the capital invested per staff member is 27.6% higher than that for the co-operatives). Given that the net equity chiefly consists of the fixed assets (land and productive assets), which are typical of the upstream phases of the wine-making *filière*, the co-operatives emerge as being relatively under-capitalized, with debt representing 126% of net equity, compared with 51.4% for the other companies. This greater recourse to debt is also due to other factors: the possibility of accessing relatively less expensive forms of financing which are specific to their legal status, such as shareholders' loans (the cost of borrowing for the co-operatives is 2.5%, compared with 3.1% for the non-co-operatives), and the fact that the co-operatives' capital varies chiefly on the basis of new additions and withdrawals but rarely for capital increases, which would be difficult to realize given an ownership structure which is inherently fragmented as a result of statutory provisions. As for earnings, these are affected by the fact that among the co-operatives, the shareholders' return is paid implicitly, through the prices at which they transfer the grapes and the products. It should also be noted that the co-operatives operate in immature and mass market production segments (working capital 21.1% of sales, as opposed to 34.1% for the non-co-operatives; but see also the data on labels shown in Table 17), where the margins are impacted by the predominance of large-scale distribution out of the various distribution channels (Table 18). The co-operatives also reflect a smaller footprint outside of Italy, where in 2015 they generated 44% of their turnover, compared with 56.2% by the limited companies. From this viewpoint 2015 was a year of recovery for the co-operatives, after the stagnancy of 2014 (Diagram 6): consequently the percentage of sales accounted for by exports for the co-operatives increased from 42.5% in 2014 to 44% in 2015.

Diagram 6 – Index numbers for exports (2011-15, 2011=100)



Table 9 – Earnings and financial structure by type of company (2015)

	Italian-owned companies		All companies
	Joint stock and limited liability	Co-operatives	
EBIT as a % of value added (a)	42.4	16.0	33.3
Interest income as a % of value added (b)	1.7	1.7	1.8
Value added as a % of capital invested (c)	18.9	18.7	19.1
ROI % [d=(a+b)*(c/100)]	8.3	3.3	6.7
ROE %	7.9	3.3	6.6
Borrowings as a % of capital invested	34.0	55.8	40.4
Non-domestic sales %	56.2	44.0	52.0

EBIT = Earnings Before Interest; ROI = Return On Investment (EBIT + interest income as a % of capital invested); ROE = Return On Equity (net profit/net equity, excluding profit for the period).

The ROI posted by the co-operatives is slightly above one-third of that of the non-co-operatives, at 3.3% (compared with 8.3%) (Diagram 7), and their ROE is less than half (3.3%, vs 7.9%). It is precisely the ability to extract margins from value added that marks the structural difference between the two production models, with the Ebit/value added ratio remaining at 16% for the co-operatives and rising to 42.4% for the other companies (Table 9).

Tables a5 ff. in the Annex show a segmentation of the aggregated data, separating out the 90 Italian-owned limited companies from the 43 co-operatives for the 2011-15 five-year period.

Diagram 7 – ROI (as %, 2011-15)



As for the more recent data, the limited companies show an increase in sales in 2016 of 6.4% (exports up 5.8%), only slightly outperforming the co-operatives, whose turnover was also up 5.9% on 2015 (with the non-domestic component increasing by 7.5%).

As for end-markets, the co-operatives are less dependent on those markets closest to them geographically (i.e. the EU), where they generate 48.8% of their non-domestic sales, as opposed to 54.5% for the non-co-operatives. This geographical area indeed reflected differing trends in 2016: the limited companies saw growth of 4.2% compared with 11.6% by the co-operatives. The North American market is slightly more than half as important for the limited companies as the Eurozone is (30.5%), and shows growth (5.6%) which is faster for the co-operatives (7%) for which the share accounted for by this area is substantial, at 39.1%. The footprint in the other geographical areas is extensive, in particular in the non-EU countries of Europe, Africa and the Middle East, whereas it remains marginal in Central and South America (Table 10). Again in 2016, the co-operatives show an increase in investments (the *società per azioni* up 16.8% and the *società a responsabilità limitata* up 1.1%), with employment levels recovering for the co-operatives (up 1.6%) and declining slightly (by 0.3%) for the others.

Table 10 – Exports by end-markets (2015-16E)

	EU Countries	Rest of the World	North America	Central and South America	Asia and Australia
Joint stock and limited liability companies					
% share in 2015	54.8	9.7	30.3	1.0	4.2
% share in 2016E	54.5	9.9	30.5	0.9	4.2
% change in sales (2015/2016E)	4.2	6.8	5.6	1.3	5.0
Co-operative					
% share in 2015	47.4	7.6	39.7	1.7	3.6
% share in 2016E	48.8	6.5	39.1	1.9	3.7
% change in sales (2015/2016E)	11.6	-6.9	7.0	22.2	12.7

Expectations for 2016 also differ. Some 97.3% of the limited companies expect to see their sales increase, or at least not decrease, compared with 84.2% of the co-operatives. The share of more optimistic ones among the non-co-operatives is 18.9%, compared with 15.8% among the co-operatives more than double those who are moderately optimistic (sales growth of between 5% and 10%), whereas for the co-operatives the majority see modest growth of below 5% (52.6% of those interviewed). Similar tendencies are noted for expectations regarding exports (Table 11) where, however, the share of optimists among the co-operatives is half that of the other companies.

Table 11 - Categories of changes in total sales (2017F)

	Equal to or higher than +10%	From +9.99% to +5%	From +4.99% to 0	From -0.01% to -4.99%	From -5% to -9.99%	Equal to or less than -10%
Joint stock and limited liability companies						
Total sales %	18.9	35.1	43.3	-	-	2.7
Exports %	32.5	29.7	35.1	-	-	2.7
Co-operative						
Total sales %	15.8	15.8	52.6	13.2	-	2.6
Exports %	16.7	16.7	55.5	8.3	2.8	-

I.7 - Analysis by type of product

Comparison between the aggregate of the 31 *spumanti*⁶ producers and that of the other 109 wine-makers shows some significant differences (Table 12). Over the five years under review, the return on capital invested (ROI) proves to be systematically the same or lower for the *spumanti* producers, but in 2015 was 2.4 points higher, at 8.8% (compared with 6.4%; see Diagram 9). ROE too has shown an inferior trend for the *spumanti* makers, but since 2013 has exceeded the other manufacturers' levels, reaching 9.4% (compared with 6% in 2015). The *spumanti* makers borrow less, with a debt/equity ratio which is almost 16 points less than that of the other producers (54.5%, versus 70.2%). Conversely, they also have a reduced international dimension, with only 44% of sales destined for export, compared with 53.8% for the other producers, but increasing penetration of non-domestic markets has nonetheless been a distinctive feature of the years since 2013 in particular: exports of Italian sparkling wines rose from 36.2% in 2011 to 44% in 2015, representing growth of 49.5% in absolute terms and of 21.4% in relative terms. The other wine manufacturers were unable to match this performance, posting growth of 25.9% and 5.5% respectively (Diagram 8). It should also be noted that the per capita value added by *spumanti* manufacturers in 2015 was over €98,000, 25.6% higher than that for the other companies (€79,000), compared with a per capita labour cost (€52,000) which was 9.5% higher. Consequently, the cost of labour per unit produced was better for the *spumanti* manufacturers, at 52.5%, compared with 60.1% for the other companies.

Tables a17 ff. of the Annex show a segmentation of the aggregated data, stripping out the 31 *spumanti* producers from the 109 companies which make other types of wine.

2016 looks to have a relatively successful year for *spumanti* wines, with producers declaring growth of 13.6% in sales, due to the contribution from exports (up 13%) and also domestic growth (14.1%); while the results anticipated by the other wine-makers are less exceptional, showing an increase of 4.4%, with

⁶ Italian *spumanti* cover considerable variation in terms of both labels and provenance (Asti, Prosecco, "Trentodoc", Franciacorta, etc.), which differ also in terms of production methods (e.g. "Charmat" method used for Prosecco and Asti, traditional method used for "Trentodoc" and Franciacorta). By contrast, champagne is a standard product in terms of both provenance (the vineyards which are allowed to use the designation "champagne" cover some 34,000 hectares, i.e. just 3.6% of all French vineyards) and production methods (traditional or *champenoise*).

exports again rising (by 5.6%). The data for 2016 sales were consistent with investments and employment, both of which increased for other wines (up 10.7% and 0.2% respectively), but reflect a mixed trend for the *spumanti* makers (spending down 9.5%, employment up 2.3%). The reduced international dimension of the *spumanti* producers' operations goes hand-in-hand with the increased focus on the nearer geographical markets (the EU market accounted for 55.6% in 2016), which, however, show higher growth rates (up 8.7%) than those posted by the other wine manufacturers (for which the EU market accounted for 51.3% of total sales, at a growth rate in 2016 of 6.7%). 2017 looks like it will be more satisfactory for the *spumanti* manufacturers, only 5% of which expect to see a decline in sales, compared with approx. 11% for the other manufacturers (Tables 13 and 14).

Table 12 – Earnings and financial structure by product type (2015)

	Wine-makers	<i>of which:</i> spumanti manufacturers	<i>of which:</i> wine-makers (excluding spumanti manufacturers)
EBIT as a % of value added (a)	33.3	40.0	32.0
Interest income as a % of value added (b)	1.8	1.1	2.0
Value added as a % of capital invested (c)	19.1	21.4	18.7
ROI % [d=(a+b)•(c/100)]	6.7	8.8	6.4
ROE %	6.6	9.4	6.0
Borrowings as a % of capital invested	40.4	35.3	41.3
Non-domestic sales %	52.0	44.0	53.8

EBIT = Earnings Before Interest; ROI = Return On Investment (EBIT + interest income as a % of capital invested); ROE = Return On Equity (net profit/net equity, excluding profit for the period).

Diagram 8 – Index numbers for exports (2011-2015, 2011=100)

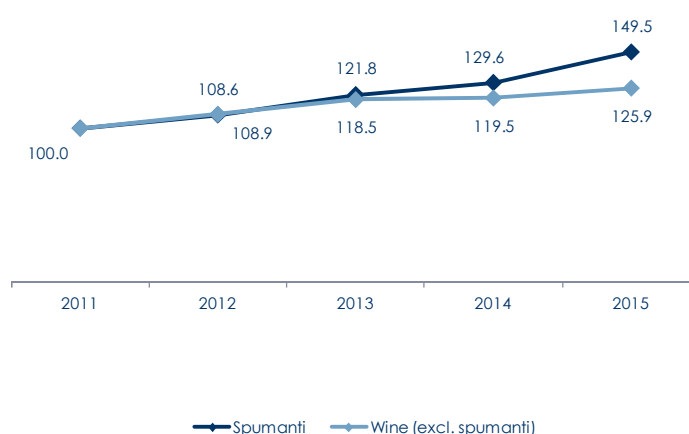


Diagram 9 – ROI (as %, 2011-2015)

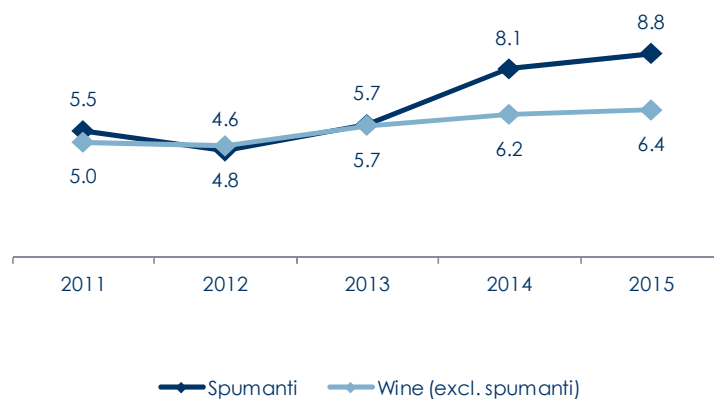


Table 13 – Exports by end-market (2015-16E)

	EU Countries	Rest of the World	North America	Central and South America	Asia and Australia
Spumanti					
% share in 2015	57.2	10.9	27.2	0.7	4.0
% share in 2016E	55.6	10.5	29.6	0.6	3.7
% change in sales (2015/2016E)	8.7	7.0	21.9	-3.5	4.7
Wine (excl. spumanti)					
% share in 2015	50.7	8.4	35.6	1.4	3.9
% share in 2016E	51.3	8.0	35.1	1.5	4.1
% change in sales (2015/2016E)	6.7	0.6	3.9	14.7	8.6

Table 14 – Categories of changes in total sales (2017E)

	Equal to or higher than +10%	From +9.99% to +5%	From +4.99% to 0	From -0.01% to -4.99%	From -5% to -9.99%	Equal to or less than -10%
Spumanti						
Total sales %	10.0	40.0	45.0	-	-	5.0
Exports %	21.1	36.8	36.8	-	-	5.3
Wine (excl. spumanti)						
Total sales %	19.7	21.3	47.6	9.8	-	1.6
Exports %	25.0	20.0	46.7	6.7	1.6	-

I.8 – Comparison between the wine sector and the food and drink/beverage industries

In 2015 the performance by wine-makers was less satisfactory than those posted by the companies operating in both the beverages sector and the food and drink industry as a whole (Table 15).

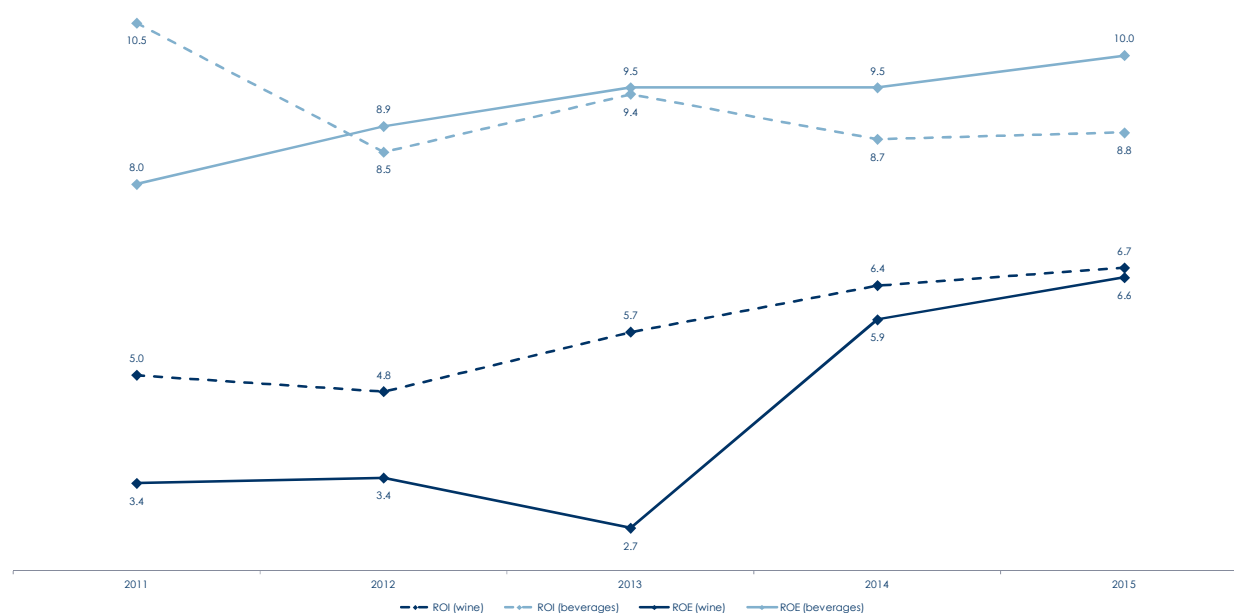
Table 15 – Earnings and financial structure (2015)

	Wine-makers	Leading drinks companies	Leading food companies	Leading Italian industrial companies	Fourth Capitalism companies
EBIT as a % of value added (a)	33.3	40.1	32.3	22.1	26.6
Interest income as a % of value added (b)	1.8	6.7	5.4	9.0	9.1
Value added as a % of capital invested (c)	19.1	18.7	21.7	24.8	23.4
ROI % [d=(a+b)*(c/100)]	6.7	8.8	8.2	7.9	8.8
ROE %	6.6	10.0	10.7	5.8	9.5
Borrowings as a % of capital invested	40.4	43.7	33.9	38.8	41.4
Non-domestic sales %	52.0	37.8	24.5	50.0	45.8

EBIT = Earnings before Interest; ROI = Return On Investment (EBIT + interest income as a % of capital invested); ROE = Return On Equity (net profit/net equity, excluding profit for the period). The indicators for the main companies have been compiled from data taken from the Mediobanca Research Department publication *Financial Aggregates for 2060 Italian Companies* (2016 edition).

In terms of industrial margins the gap is marked versus the beverage sector (EBIT 33.3% of value added, compared with 40.1%), while there is a slight advantage compared to the food and drinks industry generally (32.3%). It still, however, represents a substantial outperformance compared to manufacturing industry generally (EBIT 22.1% of value added in 2015). The difference in margins, along with the lower contribution from financial income, justifies the gap in terms of ROI which for the wine segment is far below that for the beverage sector (6.7%, as against 8.8%), the food and drinks industry (8.2%) and even manufacturing industry as a whole (7.9%), boosted by financial income (9% of value added) and a better turnover ratio for capital invested (24.8% of value added). There is also a clear gap in terms of ROE, where the beverage sector (10%) and the food and drinks industry (10.7%) reflect levels which on average are higher than those of the wine-makers (6.6%). Diagram 10 confirms that the ROI and ROE profiles of the beverages sector have been consistently better than those of the wine-making industry since 2011.

Diagram 10 – Earnings for wine and beverages (2011-15)



I.9 – Geographical issues

The 140 companies covered by this survey show a concentration in certain regions of the Italian peninsula. Despite the issue of multi-regional ownership, it is possible to compile sub-aggregates for which we can calculate meaningful earnings and financial indicators (Table 16).

Table 16 – Earnings and financial structure by region (2015)

	EBIT as a % of net sales %	Turnover %	ROI %	Total borrowings as a % of capital invested %	ROE %	Total borrowings / EBIT (times)	Exports as a % of net sales %	Per capita net value added 000 € ⁷	Per capita cost of labour 000 €	Cost of labour as a % of value added %
Emilia-Romagna	16.3	17.4	3.5	49.7	4.1	17.5	36.3	62.7	49.0	78.0
Friuli V.G.	8.6	7.4	0.8	15.9	-0.8	24.9	17.4	70.3	61.8	87.9
Lombardy	37.2	12.8	5.0	26.6	5.3	5.6	13.9	88.9	47.0	52.9
Piedmont	32.8	21.0	7.1	52.3	7.0	7.6	61.5	75.4	46.1	61.0
Sicily	8.7	15.1	1.7	34.1	0.7	26.0	19.7	65.8	56.7	86.2
Tuscany	45.7	18.0	8.7	28.1	7.9	3.4	65.3	84.6	37.8	44.7
Trentino-AA	30.6	18.5	5.8	52.7	7.8	9.3	65.1	81.6	50.3	61.7
Veneto	37.3	23.7	9.2	41.8	9.9	4.7	59.2	103.9	58.6	56.4
Total	33.3	19.1	6.7	40.4	6.6	6.4	52.0	81.4	47.9	58.9

EBIT = Earnings Before Interest; VA = Value Added; Turnover = Value added / Capital invested; ROI = Return On Investment (EBIT + interest income as a % of capital invested); ROE = Return On Equity (net profit/net equity, excluding profit for the period).

In certain regions,⁷ the earnings performance is more impressive than the national average: this was the case, for example, with Tuscany, where the firms delivered very high industrial margins (EBIT equal to 45.7% of value added), which enabled a very respectable return on investment (ROI 8.7%, higher than 6.7% of the general aggregate), despite a relatively low turnover ratio (18%) due to the strong integration of the companies along the entire filière (harvesting/wine-making/ageing). Despite the latter, the financial structure appears sound, with borrowings accounting for 28.1% of the capital invested (compared with 40.4% for the aggregate). The Tuscan firms also reflect a strong international dimension to their operations, with exports at 65.3%, higher than the average figure of 52%. The ratio between cost of labour and value added is also particularly impressive (44.7%). However, the best regional performance in terms of ROI was delivered by companies located in the Veneto (9.2%), which were helped by an exceptionally high turnover rate of capital invested (23.7%). Veneto, Tuscany and Trentino also occupy the top positions in terms of ROE, with 9.9%, 7.9% and 7.8% respectively. Friuli, the region with the highest labour costs per employee, made a loss, while Sicily nearly broke even. The performances posted by the companies in Emilia-Romagna were unimpressive, where the co-operative model is predominant, which, as we have said, leads to higher debt levels (55.8% for the co-operatives, 34% for the non-co-operatives) and lower industrial margins (EBIT equal to 16% of value added for the co-operatives, 42.4% for the non-co-operatives). The Lombard-based companies did not excel either, with low profitability (ROI 5%, ROE 5.3%), and a low propensity to export (13.9%).

I.10 – Supply and commercial structure

Several aspects of operations in the wine industry have been analysed in greater depth through interviews carried out with the companies covered in the survey. The results refer to answers received from firms representing 79% of the aggregate.

⁷The selection has been made on the basis of regions with at least four companies included in the survey.

Regarding labels, the results are shown in the following table.

Table 17 – Labels

	2016	1996
	<i>as %</i>	<i>as %</i>
	Total	
Fine wines*	5.1	2.6
DOCG wines	12.8	6.3
DOC wines	36.4	36.5
IGT wines	35.4	40.8
Common wines	10.3	13.8
Total labels	100.0	100.0
	Joint stock and limited liability companies	
Fine wines*	8.2	5.4
DOCG wines	11.4	8.0
DOC wines	32.8	40.8
IGT wines	35.8	34.2
Common wines	11.8	11.6
Total labels	100.0	100.0
	Co-operatives	
Fine wines*	2.9	0.9
DOCG wines	12.8	5.1
DOC wines	38.9	35.3
IGT wines	36.6	44.9
Common wines	8.8	13.8
Total labels	100.0	100.0

* Average retail price (to public) above €25 per bottle.

N.B.: Data for a closed sample (period 1996-2017) of companies representing 58% of aggregate sales.

Between 1996 and 2017 almost 4,400 labels were added, an increase of 140.8%, and the average number of labels per firm was around 141; 10.3% of these were labels for ordinary wines (compared with 13.8% in 1996), while the most significant change was in respect of quality wines (i.e. fine wines, DOCG and DOC), whose share increased from 45.4% in 1996 to 54.3% in 2017. These changes bear out the trend of prioritizing qualitative growth against a market strongly influenced by large-scale distribution. This phenomenon is particularly marked among the co-operatives, which increased their higher-quality production (fine wines, DOCG and DOC) from 41.3% in 1996 to 54.6% in 2017 (the non-co-operatives were stable at 52-53%).

Turning now to distribution channels (Table 18), in 2016 large-scale distribution accounted for 39.2% of the domestic sales of the leading wine-makers; this figure represents an average between 49.4% of the co-operatives and 32% for the other companies. The second most important channel (with a share of 16.3%) is the wholesale/intermediary channel, followed by the hotels/restaurants/catering aggregate, this too the result of different percentages for the co-operatives and the other companies, in this case 7.4% and 20.3% respectively; wine-cellars and wine-bars represent 7.3% (2.8% for the co-operatives), while direct sales account for just over 13%, one point higher than last year. As far as fine wines are concerned, the highest percentage is accounted for by the hotels/restaurants/catering channel (37.4%), followed by wine-cellars and wine bars with 27.4%; direct sales here rise to 16%, with large-scale distribution having a share of 3.5%.

With reference to exports, sales via importing agencies are the most significant (eight-tenths of the total), with proprietary networks still limited to 8.2%.

Table 18 – Sales channels (2016)

	Total sales			<i>of which: fine wines*</i>		
	Total	Joint stock and limited liability	Co- operatives	Total	Joint stock and limited liability	Co- operatives
	<i>as %</i>			<i>as %</i>		
Italy						
Direct sale	13.5	16.0	11.9	16.0	22.5	9.0
Large-scale distribution	39.2	32.0	49.4	3.5	3.9	2.2
Hotels/restaurants/catering	15.2	20.3	7.4	37.4	40.1	38.4
Wine-cellar and wine-bars	7.3	10.4	2.8	27.4	26.0	22.8
Wholesalers/intermediaries	16.3	15.2	18.4	8.7	5.4	14.8
Other channels	8.5	6.1	10.1	7.0	2.1	12.8
Total	100.0	100.0	100.0	100.0	100.0	100.0
Outside Italy						
Own network	8.2	5.7	12.2	12.2	5.8	32.1
Importer intermediary	78.9	81.5	72.8	78.2	87.9	46.2
Other channels	12.9	12.8	15.0	9.6	6.3	21.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

*Average retail price (to public) above €25 per bottle.

N.B.: Data for sample of companies representing 63% of aggregate sales.

A n n e x

Tab. a1 – Aggregate balance sheets of 140 companies

€'000	2011	2012	2013	2014	2015	Chg. 14-15	Chg.11-15
						%	%
Net tangible fixed assets	3,104,271	3,230,026	3,236,286	3,270,305	3,375,826	3.2	8.7
Other fixed assets	850,575	858,763	851,314	858,995	856,520	-0.3	0.7
Financial assets	411,833	461,357	563,873	645,448	823,119	27.5	99.9
Working capital	1,729,662	1,813,668	1,791,703	1,884,279	1,918,221	1.8	10.9
Staff and other provisions	-293,031	-290,466	-304,671	-302,898	-307,657	1.6	5.0
Capital invested	5,803,310	6,073,348	6,138,505	6,356,129	6,666,029	4.9	14.9
Net equity	3,287,179	3,408,507	3,531,021	3,696,729	3,972,124	7.4	20.8
Total borrowings	2,516,131	2,664,841	2,607,484	2,659,400	2,693,905	1.3	7.1
Total	5,803,310	6,073,348	6,138,505	6,356,129	6,666,029	4.9	14.9

Source : compiled by Mediobanca Research Department.

Tab. a2 – Aggregate profit and loss accounts of 140 companies

€'000	2011	2012	2013	2014	2015	Chg. 14-15	Chg.11-15
						%	%
Net sales	5,492,282	5,921,268	6,257,674	6,276,172	6,595,536	5.1	20.1
Consumables	4,461,270	4,877,016	5,131,983	5,067,182	5,322,250	5.0	19.3
Value added	1,031,012	1,044,252	1,125,691	1,208,990	1,273,286	5.3	23.5
Cost of labour	526,910	538,733	560,849	579,855	606,217	4.5	15.1
EBITDA	504,102	505,519	564,842	629,135	667,069	6.0	32.3
Ordinary depreciation and amortization	225,817	232,764	235,639	241,093	243,400	1.0	7.8
EBIT	278,285	272,755	329,203	388,042	423,669	9.2	52.2
Interest expense	86,266	101,072	93,308	88,435	86,361	-2.3	0.1
Interest income	17,488	14,245	17,215	23,365	21,814	-6.6	24.7
Profit before tax	209,507	185,928	253,110	322,972	359,122	11.2	71.4
Balance of other costs and income	-16,851	6,849	-60,861	-1,829	-1,769	<i>n.c.</i>	<i>n.c.</i>
Taxation	-83,268	-77,148	-96,766	-113,416	-109,262	-3.7	31.2
Net profit (loss) incl. minorities	109,388	115,629	95,483	207,727	248,091	19.4	126.8
Non-domestic sales	2,656,148	2,890,423	3,159,798	3,209,970	3,430,370	6.9	29.1
<i>as a % of total sales</i>	<i>48.4</i>	<i>48.8</i>	<i>50.5</i>	<i>51.1</i>	<i>52.0</i>	<i>1.7</i>	<i>7.5</i>
No. of staff	12,046	12,141	12,167	12,279	12,657	3.1	5.1
Capital expenditure	250,529	350,172	271,591	256,616	281,690	9.8	12.4
Per capita values (€'000)							
Net sales	455.9	487.7	514.3	511.1	521.1	2.0	14.3
Value added	66.8	66.8	73.2	78.8	81.4	3.2	21.7
Cost of labour	43.7	44.4	46.1	47.2	47.9	1.4	9.5
Capital invested	481.8	500.2	504.5	517.6	526.7	1.7	9.3

Source : compiled by Mediobanca Research Department.

Tab. a3 – Profit and loss account structure of 140 companies (as a % of sales)

	2011	2012	2013	2014	2015
Value added	18.8	17.6	18.0	19.3	19.3
Cost of labour	9.6	9.1	9.0	9.2	9.2
EBITDA	9.2	8.5	9.0	10.0	10.1
Ordinary depreciation and amortization	4.1	3.9	3.8	3.8	3.7
EBIT	5.1	4.6	5.3	6.2	6.4
Interest expense and income	-1.3	-1.5	-1.2	-1.0	-1.0
Current profit (loss)	3.8	3.1	4.0	5.1	5.4

Source : compiled by Mediobanca Research Department.

Tab. a4 – Financial indicators for 140 companies

	2011	2012	2013	2014	2015
EBIT as a % of value added	27.0	26.1	29.2	32.1	33.3
Interest income as a % of value added*	1.4	1.7	1.9	1.7	1.8
Value added as a % of net equity	17.8	17.2	18.3	19.0	19.1
ROI %	5.0	4.8	5.7	6.4	6.7
Total borrowings as a % of net equity	43.4	43.9	42.5	41.8	40.4
Cost of borrowing % ^o	3.4	3.8	3.6	3.3	3.2
Extraordinary items as a % of current profit (loss)	-8.0	3.7	-24.0	-0.6	-0.5
Average tax rate as a % of pre-tax profit [^]	34.1	33.1	32.9	32.1	27.8
ROE %	3.4	3.4	2.7	5.9	6.6
% change in sales	9.5	7.8	5.7	0.3	5.1
% change in no. of staff	1.8	0.8	0.2	0.9	3.1
Capital expenditure as a % of sales	4.6	5.9	4.3	4.1	4.3
Working capital/sales	31.5	30.6	28.6	30.0	29.1
Total borrowings/net equity	76.5	78.2	73.8	71.9	67.8

ROI = return on investment = (EBIT + interest income)/capital invested

ROE = return on equity = net profit/net equity

* Excluding gains on exchange rates.

^o Excluding losses on exchange rates.

[^] Excluding loss-making companies.

Source : compiled by Mediobanca Research Department.

Tab. a5 – Aggregate balance-sheets of 90 Italian non-co-operative companies

€'000	2011	2012	2013	2014	2015	Chg. 14-15	Chg.11-15
						%	%
Net tangible fixed assets	1,831,868	1,973,953	1,957,353	1,971,335	2,036,456	3.3	11.2
Other fixed assets	625,848	660,899	653,682	656,207	647,253	-1.4	3.4
Financial assets	218,591	240,771	301,968	350,606	466,843	33.2	113.6
Working capital	1,044,517	1,071,321	1,084,879	1,141,674	1,199,445	5.1	14.8
Staff and other provisions	-181,660	-186,353	-192,795	-189,687	-184,828	-2.6	1.7
Capital invested	3,539,164	3,760,591	3,805,087	3,930,135	4,165,169	6.0	17.7
Net equity	2,267,644	2,343,963	2,432,299	2,546,474	2,750,725	8.0	21.3
Total borrowings	1,271,520	1,416,628	1,372,788	1,383,661	1,414,444	2.2	11.2
Total	3,539,164	3,760,591	3,805,087	3,930,135	4,165,169	6.0	17.7

Source : compiled by Mediobanca Research Department.

Tab. a6 – Aggregate profit and loss accounts of 90 Italian non-co-operative companies

€'000	2011	2012	2013	2014	2015	Chg. 14-15	Chg.11-15
						%	%
Net sales	2,903,552	3,131,889	3,307,993	3,336,099	3,520,848	5.5	21.3
Consumables	2,284,423	2,508,587	2,623,841	2,590,169	2,734,509	5.6	19.7
Value added	619,129	623,302	684,152	745,930	786,339	5.4	27.0
Cost of labour	280,112	286,618	299,361	308,801	325,530	5.4	16.2
EBITDA	339,017	336,684	384,791	437,129	460,809	5.4	35.9
Ordinary depreciation and amortization	120,041	125,691	128,175	128,147	127,062	-0.8	5.8
EBIT	218,976	210,993	256,616	308,982	333,747	8.0	52.4
Interest expense	48,535	55,571	50,377	46,606	43,922	-5.8	-9.5
Interest income	9,751	6,434	6,777	13,675	12,465	-8.8	27.8
Profit before tax	180,192	161,856	213,016	276,051	302,290	9.5	67.8
Balance of other costs and income	-3,672	-880	-50,150	-749	-9,169	<i>n.c.</i>	<i>n.c.</i>
Taxation	-68,409	-62,390	-77,216	-95,547	-88,316	-7.6	29.1
Net profit (loss) incl. minorities	108,111	98,586	85,650	179,755	204,805	13.9	89.4
Non-domestic sales	1,504,929	1,691,060	1,829,457	1,870,181	1,977,873	5.8	31.4
<i>as a % of total sales</i>	<i>51.8</i>	<i>54.0</i>	<i>55.3</i>	<i>56.1</i>	<i>56.2</i>	<i>0.2</i>	<i>8.4</i>
No. of staff	6,817	6,785	6,844	6,957	7,182	3.2	5.4
Capital expenditure	129,060	234,769	116,786	134,966	145,525	7.8	12.8
Per capita values (€'000)							
Net sales	425.9	461.6	483.3	479.5	490.2	2.2	15.1
Value added	73.2	73.3	81.2	88.8	91.8	3.4	25.4
Cost of labour	41.1	42.2	43.7	44.4	45.3	2.1	10.3
Capital invested	519.2	554.3	556.0	564.9	579.9	2.7	11.7

Source : compiled by Mediobanca Research Department.

Tab. a7 – Profit and loss account structure of 90 non-co-operative companies (as a % of sales)

	2011	2012	2013	2014	2015
Value added	21.3	19.9	20.7	22.4	22.3
Cost of labour	9.6	9.2	9.0	9.3	9.2
EBITDA	11.7	10.8	11.6	13.1	13.1
Ordinary depreciation and amortization	4.1	4.0	3.9	3.8	3.6
EBIT	7.5	6.7	7.8	9.3	9.5
Interest expense and income	-1.3	-1.6	-1.3	-1.0	-0.9
Current profit (loss)	6.2	5.2	6.4	8.3	8.6

Source : compiled by Mediobanca Research Department.

Tab. a8 – Financial indicators for 90 Italian non-co-operative companies

	2011	2012	2013	2014	2015
EBIT as a % of value added	35.4	33.9	37.5	41.4	42.4
Interest income as a % of value added*	1.4	1.6	1.7	1.5	1.7
Value added as a % of net equity	17.5	16.6	18.0	19.0	18.9
ROI %	6.4	5.9	7.0	8.1	8.3
Total borrowings as a % of net equity	35.9	37.7	36.1	35.2	34.0
Cost of borrowing % ^o	3.8	3.9	3.7	3.4	3.1
Extraordinary items as a % of current profit (loss)	-2.0	-0.5	-23.5	-0.3	-3.0
Average tax rate as a % of pre-tax profit [^]	34.3	34.1	33.4	32.9	28.5
ROE %	4.9	4.3	3.5	7.5	7.9
% change in sales	9.7	7.9	5.6	0.8	5.5
% change in no. of staff	4.2	-0.5	0.9	1.7	3.2
Capital expenditure as a % of sales	4.4	7.5	3.5	4.0	4.1
Working capital/sales	36.0	34.2	32.8	34.2	34.1
Total borrowings/net equity	56.1	60.4	56.4	54.3	51.4

ROI = return on investment = (EBIT + interest income)/capital invested

ROE = return on equity = net profit/net equity

* Excluding gains on exchange rates.

^o Excluding losses on exchange rates.

[^] Excluding loss-making companies.

Source : compiled by Mediobanca Research Department.

Tab. a9 – Aggregate balance-sheets for 43 co-operative companies

€'000	2011	2012	2013	2014	2015	Chg. 14-15	Chg.11-15
						%	%
Net tangible fixed assets	1,115,214	1,103,680	1,125,339	1,139,973	1,171,467	2.8	5.0
Other fixed assets	145,103	130,843	137,811	144,288	151,692	5.1	4.5
Financial assets	169,063	194,228	243,070	272,034	331,634	21.9	96.2
Working capital	544,480	597,115	552,336	585,003	560,616	-4.2	3.0
Staff and other provisions	-94,044	-86,888	-92,425	-94,847	-106,084	11.8	12.8
Capital invested	1,879,816	1,938,978	1,966,131	2,046,451	2,109,325	3.1	12.2
Net equity	794,503	828,256	839,834	884,960	933,281	5.5	17.5
Total borrowings	1,085,313	1,110,722	1,126,297	1,161,491	1,176,044	1.3	8.4
Total	1,879,816	1,938,978	1,966,131	2,046,451	2,109,325	3.1	12.2

Source : compiled by Mediobanca Research Department.

Tab. a10 – Aggregate profit and loss accounts for 43 co-operative companies

€'000	2011	2012	2013	2014	2015	Chg. 14-15	Chg.11-15
						%	%
Net sales	2,232,775	2,408,615	2,575,292	2,546,177	2,658,435	4.4	19.1
Consumables	1,889,096	2,061,783	2,212,438	2,166,400	2,263,074	4.5	19.8
Value added	343,679	346,832	362,854	379,777	395,361	4.1	15.0
Cost of labour	206,980	211,009	217,319	225,309	233,791	3.8	13.0
EBITDA	136,699	135,823	145,535	154,468	161,570	4.6	18.2
Ordinary depreciation and amortization	85,754	88,181	89,767	95,106	98,386	3.4	14.7
EBIT	50,945	47,642	55,768	59,362	63,184	6.4	24.0
Interest expense	30,445	35,670	35,467	34,317	29,815	-13.1	-2.1
Interest income	6,834	4,981	7,873	8,686	5,513	-36.5	-19.3
Profit before tax	27,334	16,953	28,174	33,731	38,882	15.3	42.2
Balance of other costs and income	2,699	8,334	-8,234	7,657	7,515	n.c.	n.c.
Taxation	-10,841	-10,349	-12,445	-11,422	-14,127	23.7	30.3
Net profit (loss) incl. minorities	19,192	14,938	7,495	29,966	32,270	7.7	68.1
Non-domestic sales	940,850	980,636	1,097,713	1,083,310	1,169,871	8.0	24.3
<i>as a % of total sales</i>	<i>42.1</i>	<i>40.7</i>	<i>42.6</i>	<i>42.5</i>	<i>44.0</i>	<i>3.4</i>	<i>4.4</i>
No. of staff	4,482	4,553	4,502	4,508	4,641	3.0	3.5
Capital expenditure	106,869	106,119	138,106	103,719	115,604	11.5	8.2
Per capita values (€'000)							
Net sales	498.2	529.0	572.0	564.8	572.8	1.4	15.0
Value added	57.5	56.8	60.7	63.1	64.0	1.3	11.2
Cost of labour	46.2	46.3	48.3	50.0	50.4	0.8	9.1
Capital invested	419.4	425.9	436.7	454.0	454.5	0.1	8.4

Source : compiled by Mediobanca Research Department.

Tab. a11 – Profit and loss account structure of 43 co-operative companies (as a % of sales)

	2011	2012	2013	2014	2015
Value added	15.4	14.4	14.1	14.9	14.9
Cost of labour	9.3	8.8	8.4	8.8	8.8
EBITDA	6.1	5.6	5.7	6.1	6.1
Ordinary depreciation and amortization	3.8	3.7	3.5	3.7	3.7
EBIT	2.3	2.0	2.2	2.3	2.4
Interest expense and income	-1.1	-1.3	-1.1	-1.0	-0.9
Current profit (loss)	1.2	0.7	1.1	1.3	1.5

Source : compiled by Mediobanca Research Department.

Tab. a12 – Financial indicators for 43 co-operatives

	2011	2012	2013	2014	2015
EBIT as a % of value added	14.8	13.7	15.4	15.6	16.0
Interest income as a % of value added*	1.5	1.9	2.3	1.9	1.7
Value added as a % of net equity	18.3	17.9	18.5	18.6	18.7
ROI %	3.0	2.8	3.3	3.3	3.3
Total borrowings as a % of net equity	57.7	57.3	57.3	56.8	55.8
Cost of borrowing % °	2.8	3.2	3.1	3.0	2.5
Extraordinary items as a % of current profit (loss)	9.9	49.2	-29.2	22.7	19.3
Average tax rate as a % of pre-tax profit^	27.8	25.8	25.5	23.7	21.4
ROE %	2.5	1.8	0.8	3.4	3.3
% change in sales	9.1	7.9	6.9	-1.1	4.4
% change in no. of staff	0.6	1.6	-1.1	0.1	3.0
Capital expenditure as a % of sales	4.8	4.4	5.4	4.1	4.3
Working capital/sales	24.4	24.8	21.4	23.0	21.1
Total borrowings/net equity	136.6	134.1	134.1	131.2	126.0

ROI = return on investment = (EBIT + interest income)/capital invested

ROE = return on equity = net profit/net equity

* Excluding gains on exchange rates.

° Excluding losses on exchange rates.

^ Excluding loss-making companies.

Source : compiled by Mediobanca Research Department.

Tab. a13 – Aggregate balance-sheets of 7 non-Italian-owned companies

€'000	2011	2012	2013	2014	2015	Chg. 14-15	Chg.11-15
						%	%
Net tangible fixed assets	157,189	152,393	153,594	158,997	167,903	5.6	6.8
Other fixed assets	79,624	67,021	59,821	58,500	57,575	-1.6	-27.7
Financial assets	24,179	26,358	18,835	22,808	24,642	8.0	1.9
Working capital	140,665	145,232	154,488	157,602	158,160	0.4	12.4
Staff and other provisions	-17,327	-17,225	-19,451	-18,364	-16,745	-8.8	-3.4
Capital invested	384,330	373,779	367,287	379,543	391,535	3.2	1.9
Net equity	225,032	236,288	258,888	265,295	288,118	8.6	28.0
Total borrowings	159,298	137,491	108,399	114,248	103,417	-9.5	-35.1
Total	384,330	373,779	367,287	379,543	391,535	3.2	1.9

Source : compiled by Mediobanca Research Department.

Tab. a14 – Aggregate profit and loss accounts of 7 non-Italian-owned companies

€'000	2011	2012	2013	2014	2015	Chg. 14-15	Chg.11-15
						%	%
Net sales	355,955	380,764	374,389	393,896	416,253	5.7	16.9
Consumables	287,751	306,646	295,704	310,613	324,667	4.5	12.8
Value added	68,204	74,118	78,685	83,283	91,586	10.0	34.3
Cost of labour	39,818	41,106	44,169	45,745	46,896	2.5	17.8
EBITDA	28,386	33,012	34,516	37,538	44,690	19.1	57.4
Ordinary depreciation and amortization	20,022	18,892	17,697	17,840	17,952	0.6	-10.3
EBIT	8,364	14,120	16,819	19,698	26,738	35.7	219.7
Interest expense	7,286	9,831	7,464	7,512	12,624	68.1	73.3
Interest income	903	2,830	2,565	1,004	3,836	282.1	324.8
Profit before tax	1,981	7,119	11,920	13,190	17,950	36.1	806.1
Balance of other costs and income	-15,878	-605	-2,477	-8,737	-115	n.c.	n.c.
Taxation	-4,018	-4,409	-7,105	-6,447	-6,819	5.8	69.7
Net profit (loss) incl. minorities	-17,915	2,105	2,338	-1,994	11,016	n.c.	n.c.
Non-domestic sales	210,369	218,727	232,628	256,479	282,626	10.2	34.3
<i>as a % of total sales</i>	<i>59.1</i>	<i>57.4</i>	<i>62.1</i>	<i>65.1</i>	<i>67.9</i>	<i>4.3</i>	<i>14.9</i>
No. of staff	747	803	821	814	834	2.5	11.6
Capital expenditure	14,600	9,284	16,699	17,931	20,561	14.7	40.8
Per capita values (€'000)							
Net sales	476.5	474.2	456.0	483.9	499.1	3.1	4.7
Value added	64.5	68.8	74.3	80.4	88.3	9.8	36.9
Cost of labour	53.3	51.2	53.8	56.2	56.2	0.1	5.5
Capital invested	514.5	465.5	447.4	466.3	469.5	0.7	-8.8

Source : compiled by Mediobanca Research Department.

Tab. a15 – Profit and loss account structure of 7 non-Italian-owned companies (as a % of sales)

	2011	2012	2013	2014	2015
Value added	19.2	19.5	21.0	21.1	22.0
Cost of labour	11.2	10.8	11.8	11.6	11.3
EBITDA	8.0	8.7	9.2	9.5	10.7
Ordinary depreciation and amortization	5.6	5.0	4.7	4.5	4.3
EBIT	2.3	3.7	4.5	5.0	6.4
Interest expense and income	-1.8	-1.8	-1.3	-1.7	-2.1
Current profit (loss)	0.6	1.9	3.2	3.3	4.3

Source : compiled by Mediobanca Research Department.

Tab. a16 – Financial indicators for 7 non-Italian-owned companies

	2011	2012	2013	2014	2015
EBIT as a % of value added	12.3	19.1	21.4	23.7	29.2
Interest income as a % of value added*	0.9	2.0	1.7	2.5	3.9
Value added as a % of net equity	17.7	19.8	21.4	21.9	23.4
ROI %	2.3	4.2	4.9	5.7	7.7
Total borrowings as a % of net equity	41.4	36.8	29.5	30.1	26.4
Cost of borrowing % °	4.6	7.2	6.9	6.6	12.2
Extraordinary items as a % of current profit (loss)	-801.5	-8.5	-20.8	-66.2	-0.6
Average tax rate as a % of pre-tax profit^	47.6	30.9	36.5	34.2	29.1
ROE %	-7.4	0.9	0.9	-0.7	4.0
% change in sales	9.8	7.0	-1.7	5.2	5.7
% change in no. of staff	-11.4	7.5	2.2	-0.9	2.5
Capital expenditure as a % of sales	4.1	2.4	4.5	4.6	4.9
Working capital/sales	39.5	38.1	41.3	40.0	38.0
Total borrowings/net equity	70.8	58.2	41.9	43.1	35.9

ROI = return on investment = (EBIT + interest income)/capital invested

ROE = return on equity = net profit/net equity

* Excluding gains on exchange rates.

° Excluding losses on exchange rates.

^ Excluding loss-making companies.

Source : compiled by Mediobanca Research Department.

Tab. a17 – Aggregate balance-sheets of 31 spumanti manufacturers companies

€'000	2011	2012	2013	2014	2015	Chg. 14-15	Chg.11-15
						%	%
Net tangible fixed assets	365,083	373,713	370,802	380,392	408,781	7.5	12.0
Other fixed assets	97,629	91,623	91,460	82,937	108,418	30.7	11.1
Financial assets	63,971	76,316	106,221	99,358	155,319	56.3	142.8
Working capital	318,246	339,094	337,520	333,712	327,078	-2.0	2.8
Staff and other provisions	-53,564	-55,190	-56,230	-58,913	-55,072	-6.5	2.8
Capital invested	791,365	825,556	849,773	837,486	944,524	12.8	19.4
Net equity	507,715	529,395	541,266	540,634	611,177	13.0	20.4
Total borrowings	283,650	296,161	308,507	296,852	333,347	12.3	17.5
Total	791,365	825,556	849,773	837,486	944,524	12.8	19.4

Source : compiled by Mediobanca Research Department.

Tab. a18 – Aggregate profit and loss accounts of 31 spumanti manufacturers companies

€'000	2011	2012	2013	2014	2015	Chg. 14-15	Chg.11-15
						%	%
Net sales	998,446	1,034,086	1,093,869	1,129,098	1,229,648	8.9	23.2
Consumables	844,821	883,469	930,612	942,019	1,027,400	9.1	21.6
Value added	153,625	150,617	163,257	187,079	202,248	8.1	31.7
Cost of labour	76,302	78,128	80,434	85,289	89,499	4.9	17.3
EBITDA	77,323	72,489	82,823	101,790	112,749	10.8	45.8
Ordinary depreciation and amortization	35,217	35,992	35,897	36,072	31,769	-11.9	-9.8
EBIT	42,106	36,497	46,926	65,718	80,980	23.2	92.3
Interest expense	8,729	10,184	9,375	9,207	8,050	-12.6	-7.8
Interest income	1,306	1,307	2,062	3,224	2,310	-28.3	76.9
Profit before tax	34,683	27,620	39,613	59,735	75,240	26.0	116.9
Balance of other costs and income	-454	-1,563	-5,405	-9,553	221	n.c.	n.c.
Taxation	-15,313	-12,663	-15,399	-21,967	-22,882	4.2	49.4
Net profit (loss) incl. minorities	18,916	13,394	18,809	28,215	52,579	86.4	178.0
Non-domestic sales	361,861	392,850	440,849	468,796	540,976	15.4	49.5
<i>as a % of total sales</i>	<i>36.2</i>	<i>38.0</i>	<i>40.3</i>	<i>41.5</i>	<i>44.0</i>	<i>6.0</i>	<i>21.4</i>
No. of staff	1,526	1,557	1,578	1,635	1,727	5.6	13.2
Capital expenditure	36,224	36,962	29,207	44,480	58,539	31.6	61.6
Per capita values (€'000)							
Net sales	654.3	664.2	693.2	690.6	712.0	3.1	8.8
Value added	77.6	73.6	80.7	92.4	98.7	6.9	27.2
Cost of labour	50.0	50.2	51.0	52.2	51.8	-0.7	3.6
Capital invested	518.6	530.2	538.5	512.2	546.9	6.8	5.5

Source : compiled by Mediobanca Research Department.

Tab. a19 – Profit and loss account structure of 31 spumanti manufacturers companies (as a % of sales)

	2011	2012	2013	2014	2015
Value added	15.4	14.6	14.9	16.6	16.4
Cost of labour	7.6	7.6	7.4	7.6	7.3
EBITDA	7.7	7.0	7.6	9.0	9.2
Ordinary depreciation and amortization	3.5	3.5	3.3	3.2	2.6
EBIT	4.2	3.5	4.3	5.8	6.6
Interest expense and income	-0.7	-0.9	-0.7	-0.5	-0.5
Current profit (loss)	3.5	2.7	3.6	5.3	6.1

Source : compiled by Mediobanca Research Department.

Tab. a20 – Financial indicators for 31 spumanti manufacturers companies

	2011	2012	2013	2014	2015
EBIT as a % of value added	27.4	24.2	28.7	35.1	40.0
Interest income as a % of value added*	0.7	1.0	1.1	1.3	1.1
Value added as a % of net equity	19.4	18.2	19.2	22.3	21.4
ROI %	5.5	4.6	5.7	8.1	8.8
Total borrowings as a % of net equity	35.8	35.9	36.3	35.4	35.3
Cost of borrowing % °	3.1	3.4	3.0	3.1	2.4
Extraordinary items as a % of current profit (loss)	-1.3	-5.7	-13.6	-16.0	0.3
Average tax rate as a % of pre-tax profit^	34.6	34.1	33.1	31.5	27.6
ROE %	3.9	2.6	3.6	5.5	9.4
% change in sales	12.3	3.6	5.8	3.2	8.9
% change in no. of staff	3.8	2.0	1.3	3.6	5.6
Capital expenditure as a % of sales	3.6	3.6	2.7	3.9	4.8
Working capital/sales	31.9	32.8	30.9	29.6	26.6
Total borrowings/net equity	55.9	55.9	57.0	54.9	54.5

ROI = return on investment = (EBIT + interest income)/capital invested

ROE = return on equity = net profit/net equity

* Excluding gains on exchange rates.

° Excluding losses on exchange rates.

^ Excluding loss-making companies.

Source : compiled by Mediobanca Research Department.

Tab. a21 – Aggregate balance-sheets of 109 wine-makers companies (excluding spumanti manufacturers)

€'000	2011	2012	2013	2014	2015	Chg. 14-15	
						%	%
Net tangible fixed assets	2,739,188	2,856,313	2,865,484	2,889,913	2,967,045	2.7	8.3
Other fixed assets	752,946	767,140	759,854	776,058	748,102	-3.6	-0.6
Financial assets	347,862	385,041	457,652	546,090	667,800	22.3	92.0
Working capital	1,411,416	1,474,574	1,454,183	1,550,567	1,591,143	2.6	12.7
Staff and other provisions	-239,467	-235,276	-248,441	-243,985	-252,585	3.5	5.5
Capital invested	5,011,945	5,247,792	5,288,732	5,518,643	5,721,505	3.7	14.2
Net equity	2,779,464	2,879,112	2,989,755	3,156,095	3,360,947	6.5	20.9
Total borrowings	2,232,481	2,368,680	2,298,977	2,362,548	2,360,558	-0.1	5.7
Total	5,011,945	5,247,792	5,288,732	5,518,643	5,721,505	3.7	14.2

Source : compiled by Mediobanca Research Department.

Tab. a22 – Aggregate profit and loss account structure of 109 wine-makers companies (excluding spumanti manufacturers)

€'000	2011	2012	2013	2014	2015	Chg. 14-15	
						%	%
Net sales	4,493,836	4,887,182	5,163,805	5,147,074	5,365,888	4.3	19.4
Consumables	3,616,449	3,993,547	4,201,371	4,125,163	4,294,850	4.1	18.8
Value added	877,387	893,635	962,434	1,021,911	1,071,038	4.8	22.1
Cost of labour	450,608	460,605	480,415	494,566	516,718	4.5	14.7
EBITDA	426,779	433,030	482,019	527,345	554,320	5.1	29.9
Ordinary depreciation and amortization	190,600	196,772	199,742	205,021	211,631	3.2	11.0
EBIT	236,179	236,258	282,277	322,324	342,689	6.3	45.1
Interest expense	77,537	90,888	83,933	79,228	78,311	-1.2	1.0
Interest income	16,182	12,938	15,153	20,141	19,504	-3.2	20.5
Profit before tax	174,824	158,308	213,497	263,237	283,882	7.8	62.4
Balance of other costs and income	-16,397	8,412	-55,456	7,724	-1,990	<i>n.c.</i>	<i>n.c.</i>
Taxation	-67,955	-64,485	-81,367	-91,449	-86,380	-5.5	27.1
Net profit (loss) incl. minorities	90,472	102,235	76,674	179,512	195,512	8.9	116.1
Non-domestic sales	2,294,287	2,497,573	2,718,949	2,741,174	2,889,394	5.4	25.9
<i>as a % of total sales</i>	<i>51.1</i>	<i>51.1</i>	<i>52.7</i>	<i>53.3</i>	<i>53.8</i>	<i>1.1</i>	<i>5.5</i>
No. of staff	10,520	10,584	10,589	10,644	10,930	2.7	3.9
Capital expenditure	214,305	313,210	242,384	212,136	223,151	5.2	4.1
Per capita values (€'000)							
Net sales	427.2	461.8	487.7	483.6	490.9	1.5	14.9
Value added	65.3	65.8	72.0	76.7	78.6	2.5	20.4
Cost of labour	42.8	43.5	45.4	46.5	47.3	1.7	10.4
Capital invested	476.4	495.8	499.5	518.5	523.5	1.0	9.9

Source : compiled by Mediobanca Research Department.

Tab. a23 – Profit and loss account structure of 109 wine-makers companies (excluding spumanti manufacturers) (as a % of sales)

	2011	2012	2013	2014	2015
Value added	19.5	18.3	18.6	19.9	20.0
Cost of labour	10.0	9.4	9.3	9.6	9.6
EBITDA	9.5	8.9	9.3	10.2	10.3
Ordinary depreciation and amortization	4.2	4.0	3.9	4.0	3.9
EBIT	5.3	4.8	5.5	6.3	6.4
Interest expense and income	-1.4	-1.6	-1.3	-1.1	-1.1
Current profit (loss)	3.9	3.2	4.1	5.1	5.3

Source : compiled by Mediobanca Research Department.

Tab. a24 – Financial indicators for 109 wine-makers companies (excluding spumanti manufacturers)

	2011	2012	2013	2014	2015
EBIT as a % of value added	26.9	26.4	29.3	31.5	32.0
Interest income as a % of value added*	1.5	1.8	2.0	1.8	2.0
Value added as a % of net equity	17.5	17.0	18.2	18.5	18.7
ROI %	5.0	4.8	5.7	6.2	6.4
Total borrowings as a % of net equity	44.5	45.1	43.5	42.8	41.3
Cost of borrowing % °	3.5	3.8	3.7	3.4	3.3
Extraordinary items as a % of current profit (loss)	-9.4	5.3	-26.0	2.9	-0.7
Average tax rate as a % of pre-tax profit^	34.0	32.9	32.8	32.2	27.9
ROE %	3.3	3.6	2.5	6.0	6.0
% change in sales	8.8	8.8	5.7	-0.3	4.3
% change in no. of staff	1.5	0.6	0.0	0.5	2.7
Capital expenditure as a % of sales	4.8	6.4	4.7	4.1	4.2
Working capital/sales	31.4	30.2	28.2	30.1	29.7
Total borrowings/net equity	80.3	82.3	76.9	74.9	70.2

ROI = return on investment = (EBIT + interest income)/capital invested

ROE = return on equity = net profit/net equity

* Excluding gains on exchange rates.

° Excluding losses on exchange rates.

^ Excluding loss-making companies.

Source : compiled by Mediobanca Research Department.

II – International listed wine-makers

II.1 – Definition and characteristics of the panel

This section contains analysis of the annual aggregate accounts of the listed international groups which make and/or sell wine.¹

The aggregate is made up as follows:

Company	Country	Most recent financial statement	Sales (1) (in €'000)	Wine as % of sales	Export as a % of sales	Annual % change in sales (2)	Employees 2015
Constellation Brands	USA	28 February 2016	6,014.9	36.3	9.0	7.0	9,000
Treasury Wine Estates	Australia	30 June 2016	1,573.0	95.3	70.6	13.0	3,500
Distell Group	South Africa	30 June 2016	983.0	29.4	28.4	8.1	5,476
Vina Concha y Toro	Chile	31 December 2015	823.3	91.3	81.2	9.1	3,450
Yantai Changyu Pioneer Wine	China	31 December 2015	622.0	83.3	<2%	13.0	5,000
Vranken-Pommery	France	31 December 2015	296.6	97.4	42.6	-8.1	798
Sektellerei Schloss	Germany	30 June 2016	293.2	100.0	65.9	1.6	1,209
Lanson-BCC	France	31 December 2015	266.5	100.0	40.4	-3.5	467
Vina San Pedro Tarapaca	Chile	31 December 2015	245.3	100.0	64.1	10.0	1,250
Laurent Perrier	France	31 Mars 2015	244.8	100.0	68.9	5.6	437
AdVini	France	31 December 2015	240.7	98.8	37.3	5.7	638
Andrew Peller	Canada	31 Mars 2015	221.1	100.0	4.2	5.9	1,134
Vina Santa Rita	Chile	31 December 2015	200.1	100.0	46.0	14.6	1,934
Australian Vintage	Australia	30 June 2016	162.9	97.2	53.5	5.1	425
Delegat Group	New Zeland	30 June 2016	152.4	100.0	na	14.5	400
TOTAL			12,340	1,329	612	102	35,118

¹ Exchange rates shown in Euros as at the year-end.

² Changes in local currency calculated on a like-for-like basis.

In addition to being listed, the criteria for inclusion are: revenues of over €150m reported in 2015,² a prevalence of wine-making activity, and, in the case of groups which also produce other alcoholic beverages (notably beer and spirits), a substantial proportion of turnover coming from wine-making. The aggregate covers the 2006-15 ten-year period, and companies: four French, three Chilean, two North American, one Chinese, one Australian, one South African, one German and one from New Zealand. Indeed, New Zealand-based Delegat's Group has been included in the aggregate for the first time.

In January 2016, Treasury Wine acquired Diageo's wine-making activities in the U.K. and the U.S. for around \$600m. This important deal marked a reversal of the industrial diversification trend implemented by the leading wine-makers in recent years. In June 2013 Constellation Brands completed the acquisition of some important brands in the beer sector, thus becoming the third largest producer and distributor in the United States with 2015 turnover of approx. \$3.6bn. The company's wine segment share of consolidated turnover therefore declined to 36.3%, and is destined to fall further following the sale of the Canadian wines' division for a billion Canadian dollars. Constellation Brands, however, is still one of the leading market operators. Following its recent acquisition of Burn Stewart Distillers, Distell Group of South Africa too, which already generated a significant proportion of its revenues from spirits, saw the percentage of its

¹ For each year the financial statements closing at the end of the calendar year (31 December) have been used, along with the interim statements as at the following 30 June. The financial statements have been converted to Euros on the basis of exchange rates prevailing at year-end 2015.

² Immediately below the minimum threshold come Argentinian group Bodegas Esmeralda (€126m) and Italian Wine Brands (€145m) which was listed on the AIM segment of the Italian stock market in January 2015. The 2012-15 financial statements for the Dynasty Fine Wines Group of China were unavailable at the time of going to press (the company's shares were suspended from listing on the Hong Kong stock market at end-March 2013, with sales of €145m reported in 2011). Some leading international sector players continue to be excluded from the survey, such as French group LVMH (which operates in this sector via its subsidiary Moët-Hennessy), and US-based E. & J. Gallo Winery, as they are not listed companies. LVMH's Wine and Spirits – Champagne and Cognac division reported sales of €4,603m in 2015 (12.9% of the Group's entire turnover), €2,221m of which from champagne (with 61.4 million bottles sold). Italian group Davide Campari is not included for the same reason, despite its wine division reporting sales totalling €171m in 2015 (out of total revenues amounting to approx. €1.7bn). German group Hawesko Holding and UK-based Majestic Wine (with 2015 sales of €477m and €548m respectively) are also excluded, despite being listed, on the grounds that they operate only in distribution.

turnover represented by wine fall below 50% despite continuing to be the leading wine-maker in Africa. Among the other transactions which have altered the scope of the wine-making industry, we may mention the South African group SABMiller's acquisition of Australian conglomerate Foster's Group in December 2011, which at the time was the second largest wine-maker in the world, and which now produces and distributes beer only. The Australian group spun off its wine-making activities in July 2010 (which included Beringer Wine Estates, Rosemount Estates Wines and Southcorp) to the newly-established company Treasury Wine Estates, which was then deconsolidated and demerged in May 2011 and admitted to listing on the Australian stock market. To maintain consistency, the 2005-16 aggregate therefore excludes the Australian companies' accounts, but given the importance of Treasury Wine, a second aggregate for the 2010-15 period only has been compiled including its figures as well.³

The ownership structure overall is concentrated, and of the companies included in the panel, only Treasury Wine Estates and Australian Vintage of Australia are publicly-owned companies (Table 8). The four French groups, Delegat's Group of New Zealand and German-based Sektkellerei Schloss Wachenheim are family-owned (for the most part by families descended from the founders), with stakes of above 70% in the cases of Lanson-BCC and Vranken Pommery Monopole and Delegat's Group. Albeit with lower percentages, the reference shareholders of Viña Concha y Toro, US-based Constellation Brands and Canadian group Andrew Peller are also families and individuals, holding 47.5%, 57% and 66.6% of the voting rights respectively. Over 85% of Chilean group Viña Santa Rita is controlled by a listed conglomerate, Compañía Electro Metalúrgica, which operates in the iron and steel industry and produces glass containers for beverages. The other Chilean company, Viña San Pedro Tarapacá, is owned by a joint venture between Heineken and the Luksic family, via a chain of companies. One multinational is also represented in the ownership of the South African Distell Group, namely SABMiller, with a 26.5% stake, alongside the majority, 52.9% interest owned by holding company Remgro-Capevin Investment.

The Reina family, which owns Illva Saronno, also holds 33% of Yantai Changyu Group, a company which was entirely state-owned until 2005 and which in turn controls 50.4% of the operating company and leading Chinese producer Yantai Changyu Pioneer Wine. The other stakes owned in Yantai Changyu Group include 45% belonging to a holding company owned by staff and management, 12% held by the municipality of Yantai, and the other 10% by a holding company owned by the World Bank focused on investing in developing countries.

II.2 – Aggregate trends (2006-15)

The aggregate financial data for the fourteen largest groups in the ten years from 2006 to 2015 (not including Treasury Wine Estates) are shown in Table 1, and for 2015 reflect:

- A 12% increase in sales compared to 2014, to reach €10.8bn (€12.3 including Treasury Wine);

³ Other recent deals in which companies included in the panel have been involved included, during 2009, the acquisitions of Tarapacá by Viña San Pedro (now Viña San Pedro Tarapacá), both of Chile, and of French group Domaines Listel by Vranken Pommery, also of France, and in January 2010, the acquisition of Laroche by AdVini (formerly Jeanjean). In March 2011 Viña Concha y Toro acquired Californian operator Fetzer Vineyards from the Brown-Forman group, for an outlay of \$238m. (Fetzer Vineyards is one of the largest players operating on the US market, with 429 hectares of vineyards in California.) Constellation Brands has completed a significant number of M&A deals. In 2007 the US-based company spun off its non-wine activities (which in 2006 had turned over \$1.9bn) to two joint ventures: The businesses concerned were the sale of imported beer in the United States (a joint venture with Mexican group Modelo, itself 50%-owned by AB Inbev) and the wholesale distribution of alcoholic drinks in the United Kingdom. The US company's brand portfolio rationalization continued in 2008, with the sale of 60 local brands, in March 2009, with the disposal of forty spirits brands to US-based Sazerac Company for approx. \$330m, and then in November, of UK group Gaymer Cider to C&C for \$75m. These deals, along with the acquisition of Beam Wine Estate (sold by Fortune Brands in 2007 for around \$900m, explain the increasing percentage of Constellation Brands' turnover accounted for by wine activities, which has virtually trebled (90% in 2012 compared with 36% in 2001), despite the selling its 80% stake in Accolade Wine, the subsidiary responsible for managing the group's activities in Australia and the United Kingdom to Champ Private Equity for approx. \$267m at end-January 2011. Constellation Brands continues to occupy first position worldwide in terms of volumes produced, despite the fact that wine-making has reduced considerably as a percentage of total revenues as a result of the buyback completed in 2013 of 50% of Crown Imports from the Modelo group (all of which in turn was acquired in June 2013 by AB Inbev). In June 2013 Constellation Brands also entered into an agreement with AB Inbev to acquire Compañía Cervecería de Coahuila (owner of a brewery in Mexico) and permanent distribution rights for the "Corona" and "Modelo" brands on the US market, entailing a total outlay of \$5.2bn.

- Yet another improvement in margins, at both the EBIT and EBITDA levels (25.3% and 22.1% of sales respectively) further increasing the previous highest levels for the period (23.8% and 20.6% in 2014 respectively);
- A 22.7% increase at the current profit level, with an improvement from 16.7% of total sales in 2014 to 18.9% in 2015;
- Net profit is now 13.2% of sales, compared with 11.7% in 2014, but far lower than the 25.2% reported in 2013, a year when the results were boosted by extraordinary income booked chiefly by Constellation Brands in respect of its beer sector acquisition; in 2015 ROE nearly reached 16%, 150 bps higher than in 2014;
- The 11.2% increase in net equity versus 2014, largely due to an AUD 457m capital increase implemented by Treasury Wine Estates to finance the acquisition of the Diageo wines division in the United Kingdom and United States. The increase in borrowing was less steep, up 8.3%, with the debt/equity ratio again below 100% and far lower than the 152% recorded in 2008;
- Goodwill booked to the accounts reached almost €6.9bn in 2015 (approx. €4.2bn of which in respect of the Constellation Brands acquisitions in the beer sector); its importance remains considerable, even if the aggregate, at 64.9% of net equity in 2015, is lower than the 70.2% reported in 2013 (the highest figure in ten years), due to the approx. €1bn increase in aggregate net equity in 2015, and despite the rationalization programmes and the writedowns which chiefly regarded the 2007-08 period;
- The employment level rose 7.5% compared to 2014 (up 23% on 2006), with a per capita labour cost of €33,000 and a wide range of different readings among the companies analysed;
- The large champagne *maisons* included in our panel show margins which on average are below those for the aggregate, with a ROE in 2015 of 4.4% (compared to 13.5% for the aggregate including Treasury Wine Estates), barely half the 7.3% reported in 2014. Their financial structure too is more fragile: the debt/equity ratio reached 150%, representing continuous improvement for the ten-year period, but still virtually double the 83% for the aggregate as a whole.⁴

With reference to the individual groups, in 2015 Yantai Changyu saw its sales climb by 13%, following three consecutive years of reductions (down 4.8% in 2014, 23.3% in 2013, and 6% in 2012), which were also passed down to the net profit level (which fell by 6.7%, 38.4% and 10.8% respectively). However, the Chinese company's results were still 22.4% below the levels posted in 2011. The reductions were due to the slowdown in the Chinese economy, pressure on margins from keen competition by national and international producers, and the effects of the new anti-corruption laws which slowed wine consumption by the Chinese middle classes, with direct repercussions for the wine industry especially in the premium bracket, to the extent that Yantai Changyu has targeted vigorous expansion in the low-quality wine segment and is making its first acquisitions of international assets. The same combination of factors also affected the results of the other five Chinese listed companies (not included in the aggregate), which since 2012 have reported reductions of over 90% in the case of China Ouhua Winery and of 50% for China Tontine Wines. Three of them, indeed, reported a loss for the 2013-15 period (Table 6).

Five groups saw double-digit increases in year-on-year sales for 2015: Viña Santa Rita (up 14.6%), Delegat's Group (up 14.5%), Treasury Wine Estates and Yantai Changyu, both up 13% (for the Australian company, however, the change was driven by the consolidation of the Diageo wines division for the second half-year), and Viña San Pedro (up 10%). The two French champagne *maisons* Vranken Pommery and Lanson-BCC bucked this trend, reporting 8.1% and 3.5% reductions respectively.

The following trends should also be noted (Table 5):

- The best industrial margin continues to be recorded by Yantai Changyu (EBIT 30.9%, down from 32.2% in 2014 and 32.9% in 2013), followed by Delegat's Group of New Zealand (30%) and US group Constellation Brands (27.7%, where the beer division is more profitable than the wine-making division, recording performances of 34.9% and 24.8% respectively), French company Laurent-Perrier (18.2%), and Chilean wine-maker Viña San Pedro (17.2%); the worst performances were recorded by AdVini with 3.8% and by German-based operator Sektkellerei Schloss with 6.9%;

⁴ Vranken-Pommery, Laurent-Perrier, Lanson-BCC, and until the year prior to its acquisition, Domaines Listel.

- At the level of current profit, too, Yantai Changyu posted by far the best result, with current profit in 2015 amounting to 30.6% of total sales, down from the 32.7% in 2014); the best of the rest were Deleat's Group (26.3%) and Constellation Brands (23.4%);
- All companies recorded profits in 2015, with the exception of Australian Vintage, which was impacted by taking one-off charges in connection with early termination of grape purchase agreements and vineyard leases felt to be too expensive. Yantai Changyu's net profits were up 5.4% in 2015, and despite the reduction in the 2012-14 period, the company still shows the best net result, at 23.5% of turnover, closely followed here again by Deleat's Group (22.3%), and further behind, by Constellation Brands (16.1%);⁵
- The French champagne *maison* Laurent Perrier show the highest per capita values in the sample in terms of net added value per employee value, as we have already seen with the Italian *spumanti* producers, at €187,000 per capita, followed by Deleat's Group with €175,000, with Treasury Wine Estates of Australia and Lanson-BCC the only ones of the other companies to create value of more than €100,000. In terms of cost of labour per unit produced, the best performer was Deleat's Group with 34.9%;
- The most solid financial structures are those of Yantai Changyu, which even though its borrowings rose by 47.5% year-on-year in 2015, still showed tangible net equity of approx. 9x its net debt, well below the 24x reported in 2013, Chilean company Viña San Pedro Tarapacá (6.5x) and Treasury Wine Estates of Australia (6x); Constellation Brands again showed negative tangible net equity in 2015;
- Deleat's Group and Constellation Brands showed the highest levels in terms of investments as a percentage of fixed assets in 2015, at 23.9% and 22.6% respectively, in the case of the US company in order to expand production capacity in the beer sector, and in the case of the New Zealand wine-maker to expand facilities and vineyards; capex by the latter reached 46.5% of its turnover.

As for the most recent trends to emerge in 2016 as shown from the interim statements (Table 7), aggregate turnover was up 10%, with increases among all companies except for the French groups Laurent Perrier (down 3.9%) and Advini (down 0.4%); the best performances were by Treasury Wine Estates (up 19.9%), due to the contribution from its recent acquisitions, and by Constellation Brands (up 14%, or 9.7% like-for-like), with the Chilean companies also showing attractive growth rates (Santa Rita up 7.5%, Concha y Toro up 7%, and San Pedro up 6.3%); the overall increase by Constellation Brands chiefly from the healthy performance of its beer division for which sales were up 18.5% (as against 8% for the wine division). EBIT was 20.8% higher, while net profit was up 27.4%, on the back of outstanding performances by Treasury Wine Estates (up 132.4%, or 50.7% at constant exchange rates) and Constellation Brands (up 33.5%); the latter was also boosted by its acquisition in December 2015 of 100% of Ballast Point (beer), but the result does not reflect the sale of its Canadian wine assets completed in December 2016.

II.3 - International dimension: vineyards and sales

The 15 companies which make up the panel had over 78,000 of hectares available at end-2015, 25.6% of which located in China, 20.6% in Chile, 14.9% in Australia, 12.6% in the United States, 10.1% in Europe, and 5.2% in New Zealand (Table 9). Yantai Changyu owns the greatest expanse, with some 20,000 hectares, concentrated almost entirely in China (in the provinces of Yantai, Xinjiang, Ningxia, Shaanxi and Liaoning), and a minor presence in New Zealand, but an international footprint which is growing if we consider the acquisitions made by the company in 2015 (Chateau Miraflores, with 55 hectares of vineyards in France, and Marques del Altria in Spain). Another four companies, meanwhile, have more than 5,000 hectares. Australian group Treasury Wine Estates and Constellation Brands (the only companies to have vineyards in Italy, the former through Castello di Gabbiano, and the latter through the Ruffino estates) showing the greatest geographical diversification, with a footprint in four different countries. They are followed by Chilean company Viña Concha y Toro, which since its acquisition of US-based Fezter Vineyards in April 2011 has production activities in three different countries, and French group Advini with vineyards in France, Chile and South Africa, even though its non-French properties are residual and in part

⁵ Yantai is the company which pays most tax compared to its sales (8.1%), being taxed at 25% of its taxable profits. Other duties and taxes to which it is subject (deducted from revenues) are: value added tax (17% of revenues), consumption tax (since October 2011, 10% of gross revenues for sparkling wines, and between 10% and 20% for other wines), business tax (5% of taxable profits), and urban development tax (7% of the amount paid as business tax).

were sold during 2011.⁶ Constellation Brands and Treasury Wine Estates are also the companies with the most extensive non-domestic structures, with over one-third of their vineyards located beyond their own national borders, mostly in New Zealand for the former and in the United States for the latter. French wine-makers Laurent-Perrier and Lanson-BCC, German company Sektkellerei Schloss, and Andrew Peller of Canada have very strong local roots, with no non-domestic vineyards. Vranken Pommery owns some 190 hectares of vineyards in Portugal to produce *Porto* wine, whereas in France it owns 2,000 hectares for the production of rosé wine, making it one of the world's leading producers in this segment, and a further 1,800 hectares for the production of champagne (250 hectares of which owned by it). German group Sektkellerei Schloss too buys large quantities of grapes from different suppliers, chiefly in France, Spain and Italy, as it owns just 36 hectares of vineyards, with an annual production of approx. 300,000 bottles (compared with the 212 million bottles of sparkling wine sold by the group last year). French company Laurent-Perrier which has executed supply contracts, can count on supplies of grapes from 1,500 hectares of vineyards, only 10% of which is generated from its own property (compared with an average of 20% for the champagne *maisons*).

The importance of exports for the largest wine companies is confirmed by the geographical breakdown of their turnover (Table 10). The picture, however, differs widely between the various operators: of the total aggregate revenues 29.4% is generated on non-domestic markets (31.2% in 2014), which for six companies (Viña Concha y Toro, Sektkellerei Schloss, Laurent-Perrier, Treasury Wine Estates, Viña San Pedro and Australian Vintage) represent over 50% of their total sales, with the highest figure of 81.2% recorded by Chilean group Viña Concha y Toro, responsible for 33.3% (in volume terms) of all Chilean wine exported. Although some 65.9% of Sektkellerei's turnover depends on exports, the German company's products are sold only in Europe, being the third-ranking player in Germany in the sparkling wines segment and market leader in France (with annual sales of 70 million bottles in the latter case). Yantai Changyu is the only company to concentrate almost entirely on its domestic territory (including via the distribution of imported wines and brandy, the share of which has now risen to around 20% of total sales), with exports accounting for just 2% of total sales (almost entirely attributable to the acquisitions of European assets made during 2015 and referred to above). The Canadian group Andrew Peller's exports are also marginal, concentrated in the United States predominantly, and involve only iced wine.

In terms of the macro-areas, 58.6% of the aggregate sales are generated in North America, an effect of the strong presence of Constellation Brands which has recently become the third operator in the beer sector in the United States, followed by Europe and Asia/Australia with 16.4% and 13.1% of the total respectively. The domestic sales of South African group Distell account for close to 72% of its total sales, which rises to nearly 90% if the other countries of the African continent are considered as well.

⁶ Some of the companies not included in this survey either because they are not listed or because they are spirits sector specialists also have very extensive vineyards. E. & J. Gallo Winery, Argentinian group Peñaflor and Pernod Ricard of France all have over 5,500 hectares available, with 9,308, 6,104 and 5,611 hectares respectively (Diagram 1). The geographical diversification of French group Pernod Ricard is significant: New Zealand (44%), Australia (18%), Argentina (14%), France (13%), Spain (6%), the United States (2%), and China (2%).

Table 1 - Aggregate of fourteen leading international listed groups (2006-15)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Aggregate profit and loss accounts	<i>€ million</i>										<i>as a % of net sales</i>									
Net sales	7,559	6,580	6,871	6,850	6,860	6,480	6,798	8,702	9,996	10,784	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>Index number</i>	<i>100.0</i>	<i>87.1</i>	<i>90.9</i>	<i>90.6</i>	<i>90.8</i>	<i>85.7</i>	<i>89.9</i>	<i>115.1</i>	<i>132.2</i>	<i>142.7</i>										
Purchases and sundry operating expenses	-6,288	-5,365	-5,617	-5,485	-5,465	-5,082	-5,391	-6,779	-7,617	-8,052	-83.2	-81.5	-81.8	-80.1	-79.7	-78.4	-79.3	-77.9	-76.2	-74.7
Gross operating margin	1,271	1,215	1,254	1,365	1,395	1,398	1,406	1,923	2,379	2,732	16.8	18.5	18.2	19.9	20.3	21.6	20.7	22.1	23.8	25.3
Depreciation	-222	-255	-252	-250	-237	-217	-227	-269	-318	-349	-2.9	-3.9	-3.7	-3.7	-3.5	-3.4	-3.3	-3.1	-3.2	-3.2
Net operating margin	1,049	960	1,002	1,114	1,158	1,181	1,179	1,654	2,061	2,383	13.9	14.6	14.6	16.3	16.9	18.2	17.3	19.0	20.6	22.1
Interest and financing charges	-332	-403	-384	-365	-292	-254	-309	-402	-401	-381	-4.4	-6.1	-5.6	-5.3	-4.3	-3.9	-4.5	-4.6	-4.0	-3.5
Interest received	100	249	168	238	254	240	250	127	5	39	1.3	3.8	2.4	3.5	3.7	3.7	3.7	1.5	0.1	0.4
Current pre-tax profit	817	806	786	987	1,119	1,166	1,120	1,379	1,665	2,042	10.8	12.3	11.4	14.4	16.3	18.0	16.5	15.8	16.7	18.9
Balance of other costs and income	-64	-825	-538	-215	-11	2	1	1,206	-16	-31	-0.8	-12.5	-7.8	-3.1	-0.2	0.0	0.0	13.9	-0.2	-0.3
Taxation	-266	-283	-276	-287	-150	-254	-294	-389	-474	-574	-3.5	-4.3	-4.0	-4.2	-2.2	-3.9	-4.3	-4.5	-4.7	-5.3
Net profit (loss) incl. minorities	487	-301	-29	485	958	914	826	2,195	1,175	1,437	6.4	-4.6	-0.4	7.1	14.0	14.1	12.2	25.2	11.8	13.3
Profit attributable to parent company	-4	-5	-5	4	-5	-3	-4	-3	-1	-10	-0.1	-0.1	-0.1	0.1	-0.1	0.0	-0.1	0.0	0.0	-0.1
Net profit attributable to parent company	484	-307	-34	489	952	911	822	2,193	1,174	1,427	6.4	-4.7	-0.5	7.1	13.9	14.1	12.1	25.2	11.7	13.2
<i>ROE</i>	<i>10.6</i>	<i>-6.1</i>	<i>-0.8</i>	<i>10.9</i>	<i>22.3</i>	<i>19.5</i>	<i>15.4</i>	<i>13.7</i>	<i>14.4</i>	<i>15.9</i>										
Employees	25,386	25,441	25,259	25,304	24,985	25,863	26,443	28,384	29,046	31,218										
Aggregate balance sheets																				
Net tangible fixed assets	2,865	3,287	3,010	3,085	2,904	3,137	3,442	4,343	5,228	6,104										
Intangibles	4,253	4,350	3,821	3,723	3,745	3,807	3,974	9,316	9,397	10,486										
of which goodwill	2,925	2,965	2,561	2,525	2,572	2,612	2,737	5,899	5,991	6,862										
Financial assets	542	616	485	601	549	531	584	428	486	463										
Working capital	3,899	4,207	3,972	4,167	4,095	4,240	4,756	4,381	5,085	5,212										
Staff and other provisions	-706	-785	-754	-805	-772	-800	-848	-1,017	-1,109	-1,316										
Capital invested	10,852	11,676	10,535	10,771	10,521	10,915	11,908	17,452	19,087	20,949										
Net equity	5,079	4,746	4,185	5,037	5,287	5,653	6,223	8,406	9,507	10,571										
Total borrowings	5,773	6,930	6,349	5,734	5,234	5,262	5,684	9,045	9,579	10,378										
Total	10,852	11,676	10,535	10,771	10,521	10,915	11,908	17,452	19,087	20,949										
Total borrowings as a % of net equity	113.7	146.0	151.7	113.9	99.0	93.1	91.3	107.6	100.8	98.2										
Total borrowings as a % of tangible net equity	698.6	1750.3	1743.6	436.6	339.4	285.0	252.7	-994.5	8688.2	12171.8										

N.B.: Figures converted into Euros on the basis of fixed exchange rates at year-end 2015.

Table 2 - Aggregate of fifteen largest international groups (2010-15)

	2010	2011	2012	2013	2014	2015	Var. 2015/2014	2010	2011	2012	2013	2014	2015
	<i>€million</i>							<i>as a % of net sales</i>					
Aggregate profit and loss accounts													
Net sales	7,891	7,761	7,971	9,891	11,311	12,340	9.1	100.0	100.0	100.0	100.0	100.0	101.0
Purchases and sundry operating expenses	-6,451	-6,139	-6,370	-7,801	-8,746	-9,339	6.8	-81.7	-79.1	-79.9	-78.9	-77.3	-75.7
Gross operating margin	1,441	1,622	1,601	2,090	2,565	3,000	17.0	18.3	20.9	20.1	21.1	22.7	24.3
Depreciation	-282	-263	-278	-328	-376	-415	10.5	-3.6	-3.4	-3.5	-3.3	-3.3	-3.4
Net operating margin	1,159	1,360	1,322	1,762	2,189	2,585	18.1	14.7	17.5	16.6	17.8	19.4	21.0
Interest and financing charges	-328	-263	-317	-408	-415	-397	-4.3	-4.2	-3.4	-4.0	-4.1	-3.7	-3.2
Interest received	354	251	246	123	9	55	531.4	4.5	3.2	3.1	1.2	0.1	0.4
Current pre-tax profit	1,185	1,347	1,251	1,477	1,783	2,243	25.8	15.0	17.4	15.7	14.9	15.8	18.2
Balance of other costs and income	-21	-63	-111	938	-36	-63	76.0	-0.3	-0.8	-1.4	9.5	-0.3	-0.5
Taxation	-160	-302	-298	-288	-494	-629	27.4	-2.0	-3.9	-3.7	-2.9	-4.4	-5.1
Net profit (loss) incl. minorities	1,004	983	842	2,127	1,253	1,551	23.8	12.7	12.7	10.6	21.5	11.1	12.6
Profit attributable to parent company	-8	-2	-3	-4	-4	-10	146.4	-0.1	0.0	0.0	0.0	0.0	-0.1
Net profit attributable to parent company	996	981	840	2,123	1,249	1,542	23.4	12.6	12.6	10.5	21.5	11.0	12.5
<i>ROE</i>	<i>15.8</i>	<i>14.5</i>	<i>11.3</i>	<i>9.9</i>	<i>12.2</i>	<i>13.5</i>							
Employees	28,504	29,192	30,143	32,084	32,246	35,118							
Aggregate balance sheets													
Net tangible fixed assets	3,823	4,082	4,355	5,210	6,126	7,166							
Intangibles	4,377	4,442	4,689	9,848	9,927	11,205							
of which goodwill	2,574	2,616	2,796	5,949	6,011	6,922							
Financial assets	812	912	1,044	892	1,007	1,149							
Working capital	4,631	4,709	5,307	5,011	5,687	5,980							
Staff and other provisions	-999	-1,058	-1,092	-1,151	-1,255	-1,509							
Capital invested	12,644	13,087	14,304	19,811	21,491	23,991							
Net equity	7,360	7,812	8,354	10,469	11,706	13,117							
Total borrowings	5,284	5,275	5,949	9,341	9,785	10,875							
Total	12,644	13,087	14,304	19,811	21,491	23,991							
Total borrowings as a % of net equity	71.8	67.5	71.2	89.2	83.6	82.9							
Total borrowings as a % of tangible net equity	177.2	156.5	162.3	1504.1	549.9	568.9							

N.B.: Includes Treasury Wine Estates. Figures converted into Euros on the basis of fixed exchange rates at year-end 2015.

Table 3 – Aggregate of champagne *maisons* (2006-15)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Conti economici aggregati	<i>in % del fatturato</i>									
Fatturato netto	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>Numero indice</i>										
Acquisti e costo del lavoro	-82.3	-79.9	-79.0	-84.0	-84.3	-83.3	-83.7	-83.5	-84.9	-84.9
Margine operativo lordo	17.7	20.1	21.0	16.0	15.7	16.7	16.3	16.5	15.1	15.1
Ammortamenti	-2.6	-2.5	-3.2	-2.9	-2.6	-2.5	-2.5	-2.7	-2.6	-2.8
Margine operativo netto	15.1	17.6	17.7	13.1	13.1	14.2	13.8	13.8	12.4	12.2
Oneri finanziari	-5.0	-6.0	-7.6	-5.0	-4.2	-4.7	-4.2	-4.2	-3.9	-3.6
Proventi finanziari e diversi	0.1	0.4	0.7	-1.1	-0.6	0.0	-0.7	-0.6	-0.1	0.1
Risultato corrente prima delle imposte	10.2	12.0	10.9	7.0	8.3	9.5	8.9	9.0	8.5	8.7
Saldo altri costi e ricavi	0.2	0.3	0.0	1.6	0.1	0.1	-0.2	-0.1	2.4	-0.9
Imposte	-3.5	-4.2	-3.6	-2.4	-2.8	-3.7	-3.3	-3.2	-2.9	-2.7
Risultato netto (inclusi i terzi)	6.8	8.1	7.2	6.1	5.6	5.9	5.4	5.7	7.9	5.1
Interessi di terzi	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.0
Risultato netto di competenza del Gruppo	6.8	8.0	7.1	6.1	5.6	5.9	5.4	5.6	7.8	5.1
ROE	13.1	14.3	10.3	8.3	7.1	7.2	5.7	5.5	7.3	4.4
Dipendenti	1,644	1,582	1,582	1,547	1,829	1,766	1,754	1,759	1,738	1,702
Situazione finanziaria										
Capitale netto	550,361	630,531	654,279	638,781	747,036	779,425	843,257	906,134	966,571	989,279
Debiti finanziari	1,265,143	1,269,230	1,407,631	1,401,777	1,358,289	1,327,343	1,439,840	1,460,620	1,454,365	1,486,575
Totale	1,815,504	1,899,761	2,061,910	2,040,558	2,105,325	2,106,768	2,283,097	2,366,754	2,420,936	2,475,854
Debiti finanziari in % del capitale netto	229.9	201.3	215.1	219.4	181.8	170.3	170.7	161.2	150.5	150.3
Debiti finanziari in % del capitale netto tangibile	416.3	330.7	346.1	357.6	269.9	248.5	256.2	231.6	210.8	208.9

Table 4- The champagne market (2007-15)

Main companies	Net sales										Champagne: number of bottles sold									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2007	2008	2009	2010	2011	2012	2013	2014	2015		
	<i>€ million</i>										<i>bottles (millions)</i>									
Moët - Hennessy (Gruppo LVMH)	1,802	1,689	1,383	1,664	1,782	1,980	1,937	1,985	2,221	62.2	57.6	48.4	55.2	55.5	56.8	57.4	59.6	61.4		
Lanson-BCC	359	301	276	305	310	275	287	276	266	21.7	19.8	21.0	22.3	20.6	19.2	19.6	...	...
Vranken Pommery	287	286	270	309	282	269	254	239	234	20.6	19.9	19.8	20.5	20.3	...	...	...	...
Laurent Perrier	249	181	172	198	219	223	221	221	220	14.2	9.6	10.3	12.6	13.2	13.1	12.9	13.0	13.3		
Centre Vinicole De la Champagne	185	193	174	174	208	193	210	214	215	10.0	8.3	7.0	8.0	9.6	9.5	10.4	11.1	11.4		
Pernod Ricard	...	138	...	...	165	171	174	197	197	11.6	10.8	9.6	9.6	10.3	9.6	10.8	12.0	12.0
Roederer	116	114	114	119	127	135	135	152	152	...	...	3.5	...	...	3.3	3.2	...	...
Taittinger	96	108	87	104	113	120	122	119	119	4.9	...	...	...	...	...	...	...	...
G.H. Martel & Co	...	148	88	97	100	90	...	85	85	8	...	...	...	...	...	...	...	...
Thiénot	...	97	88	75	93	77	...	80	80	...	...	...	...	6.2	...	...	...	...
Remy Cointreau (1)	142	126	97	103	...	...	...	72	72	10.9	9.3	8.5	8.5	...	...	...	...	...
N. Gueusquin	...	...	...	...	...	...	...	66	66	...	...	...	...	...	...	...	...	...
Alliance Champagne	85	76	72	81	...	62	...	63	58	7.8	...	8.0	...	...	...	...	...	...
Total champagne market	4,560	4,440	3,700	4,100	4,400	4,390	4,360	4,500	4,730	338.8	322.6	293.3	319.6	323.0	308.8	305.0	307.1	312.5		
Yo.Y chg.		-2.6	-16.7	10.8	7.3	-0.2	-0.7	3.2	5.1		-4.8	-9.1	9.0	1.0	-4.4	-1.2	0.7	1.8		

(1) In July 2011 it has sold its champagne business to EPI Group (owned by Christopher Descours) for about 410 € m.

Table 5 – Indicators by company (2015 data)

	LANSON-BCC (FR)	CONSTELLATION BRANDS (US)	LAURENT-PERRIER (FR)	VRANKEN POMMERY MONOPOLE (FR)	VINA CONCHA Y TORO (CL)	DISTELL GROUP (SA)	YANTAI CHANGYU PIONEER WINE (CN)	SEKTKELLEREI SCHLOSS WACHENHEIM (DE)	ANDREW PELLER (CA)	ADVINI (FR)	VINA SAN PEDRO TARAPACA (CL)	AUSTRALIAN VINTAGE (AU)	TREASURY WINES ESTATES (AU)	VINA SANTA RITA (CL)	DELEGAT'S GROUP (NZ)
	(as a % of net sales)														
EBITDA	12.6	31.1	20.9	12.4	14.7	17.6	35.0	9.5	12.4	6.3	21.2	9.9	17.8	12.7	34.7
Depreciation and amortization	-2.4	-3.4	-2.6	-3.4	-3.5	-2.2	-4.1	-2.6	-2.9	-2.5	-4.0	-2.6	-4.2	-2.6	-4.8
EBIT	10.2	27.7	18.2	9.0	11.2	15.3	30.9	6.9	9.5	3.8	17.2	7.3	13.6	10.1	30.0
Interest expense	-2.5	-4.8	-2.6	-5.4	-1.6	-1.7	-0.5	-0.8	-1.1	-0.5	-1.0	-2.4	-1.5	-1.2	-5.6
Interest income and sundry gains (losses)	-0.1	0.5	-0.1	0.3	0.9	-0.2	0.3	0.5	-0.5	-0.1	1.3	-0.6	0.6	1.6	2.0
Current pre-tax profit	7.6	23.4	15.6	4.0	10.5	13.4	30.6	6.6	7.9	3.2	17.5	4.2	12.7	10.4	26.3
Balance of other costs and income	-0.1	-0.5	0.1	-2.3	0.0	-0.5	1.0	0.0	-0.1	-0.1	0.0	-5.4	-1.6	0.1	4.8
Taxation	-3.0	-6.7	-5.3	-0.3	-2.6	-3.7	-8.1	-2.0	-2.1	-1.0	-3.7	0.3	-3.4	-2.4	-8.8
Net profit attributable to parent company	4.6	16.1	10.3	1.3	7.8	9.2	23.5	3.5	5.7	2.1	13.7	-0.8	7.7	8.0	22.3
	€'000														
Total sales per employee	571	668	560	372	239	180	124	242	195	377	196	383	449	103.5	380.9
Value added per employee (1)	128	....	187	87	53	54	....	53	53	66	56	87	132	22.4	175.4
Cost of labour per employee	70	....	84	53	27	27	....	36	34	52	22	60	71	11.9	61.3
CLUP (b/a in %)	54	....	45	61	50	49	....	68	65	78	40	68	54	53.4	34.9
	(1) Net of depreciation and amortization.														
	(in %)														
Net worth as % of total borrowings	50.4	82.8	114.7	55.6	192.3	216.6	>1.000	338.6	192.6	71.5	754.7	271.7	576.5	334.7	109.3
Tangible net worth as % of total borrowings	26.7	neg.	104.9	36.3	162.9	175.9	937.9	184.1	133.4	45.0	583.0	224.2	408.3	325.9	108.0

Table 6 – Leading listed Chinese (grape) wine companies in 2012-15

	Net sales					Net profit			
	2012	2013	2014	2015	Var. % 2015/12	2012	2013	2014	2015
	€'000					€'000			
Citic Guoan Wine	84,041	74,459	70,858	42,933	-48.9	1,409	2,228	1,484	2,197
New Silk Road (ex JLF Investment)	43,402	39,888	30,267	28,589	-34.1	2,767	-9,715	-22,879	-4,188
China Tontine Wines	93,206	24,926	40,551	41,594	-55.4	12,586	-71,360	-93,328	-14,032
Tonghua Grape Wine	11,928	11,025	14,439	67,231	463.7	1,857	1,397	318	67
China Ouhua Winery Holding	22,023	5,169	1,564	1,836	-91.7	-24	-12,634	-25,741	-3,583
	254,600	155,467	157,678	182,184	-28.4	18,596	-90,084	-140,145	-19,539

Table 7 – Most recent trends (2016 interim statements)

	2016			2015			% Change		
	Net sales	EBIT	Net profit	Net sales	EBIT	Net profit	Net sales	EBIT	Net profit
	€'million			€'million					
Constellation Brands (US) (1)	5,239	1,559	995	4,597	1,244	745	14.0	25.4	33.5
Treasury Wines Estates (AU) (2)	869	152	91	725	96	39	19.9	58.8	132.4
Distell (ZA) (2)	738	95	66	721	101	69	2.4	-5.6	-4.0
Vina Concha y Toro (CL) (3)	615	66	44	575	61	41	7.0	9.7	7.4
Yantai Changyu (CN) (3)	533	153	117	522	165	125	2.1	-7.1	-6.6
Vina San Pedro Tarapaca (CL) (5)	261	49	36	245	42	34	6.3	14.4	7.7
Vina Santa Rita (CN) (5)	215	25	19	200	20	16	7.5	21.3	15.9
Andrew Peller (CA) (6)	179	21	16	172	20	14	3.9	6.1	16.7
Vranken Pommery (FR) (4)	95	3	-5	93	2	-5	2.2	50.0	0.0
AdVini (FR) (4)	114	4	3	114	4	2	-0.4	13.2	16.1
Lanson-BCC (FR) (4)	92	5	2	86	3	-1	7.0	66.7	n.c.
Laurent Perrier (FR) (7)	98	19	10	102	21	11	-3.9	-9.5	-9.1
Delegat's Group (2)	85	21	12	84	21	13	1.5	0.0	-9.5
	9,133	2,173	1,406	8,236	1,799	1,103	10.9	20.8	27.4

(1) Nine-month period ended 30/11/2016. On a comparable basis: net sales +9.7%.

(2) Six-month period ended 31/12/2016.

(3) Nine-month period ended 30/09/2016.

(4) Six-month period ended 30/06/2016.

(5) Annual report closed 31/12/2016.

(6) Nine-month period ended 31/12/2016.

(7) Six-month period ended 30/09/2016.

Table 8 – Ownership structure (2015)

Company	Main shareholders (1)	Stocks (%)
Delegat Group (NZ)	Delegat Family	66.1
Australian Vintage (AU)	Public company	-
Treasury Wines Estates (AU)	Public company	-
Constellation Brands (US)	Sands Family (2)	15.00
Distell Group (ZA)	Remgro-Capevin Investments Limited (*)	52.80
	Group SabMiller	26.40
Yantai Changyu Pioneer Wine (CN)	Yantai Changyu Group Co. Ltd (3)	50.40
	Guilisasti Family	27.76
Vina Concha Y Toro (CL)	Alfonso Larrain	7.40
	Marin Estevez	8.90
	de Santiago Concha Family	3.40
Vina Santa Rita (CL)	Compañía Electro Metalúrgica S.A. (**)	86.0
Vranken-Pommery (FR)	Compagnie Pour le Haut Commerce (4)	70.93
Sektkellerei Schloss (DE)	Günther Reh AG (5)	70.10
Laurent Perrier (FR)	Nonancourt Family	60.27
	Paillard Family	42.38
Lanson-BCC (FR)	Baijot Family	20.86
	Roques-Boizel Family	17.14
	Peller Family (6)	24.39
Vina San Pedro Tarapaca (CL)	Compagnia Cervecerias Unidas (**) (7)	64.72
	Compania Chilena de Fosforos	30.00
AdVini (FR)	Jeanjean Family	46.60
	Management	4.00

(1) Including shares controlled indirectly.

(2) Percentage share of entire company share capital (class A and B shares). Family Sands owns 57% of voting rights.

(3) Percentage share of entire company share capital (class A and B shares). Yantai Changyu Group Co. is in turn owned by Yantai Yuhua Investment & Development Ltd (45%), Illva Saronno Investments – Reina family – (33%), Sasac Yantai – Yantai municipality – (12%).

(4) Owned as to 93% by Vranken Family.

(5) Owned by Reh Family.

(6) Percentage share of entire company share capital (class A and B shares). Family Peller owns 66.5% of voting rights.

(7) Owned as to 60% by Inversiones Y Rentas, in turned owned 50:50 by the Heineken Group and Quiñenco S.A; the latter is the Luksic family's holding company.

(*) Company listed in the Johannesburg Stock Exchange.

(**) Company listed in the Santiago de Chile Stock Exchange.

Table 9 – Vineyards (hectares in 2015)

Vineyards: owned and/or leased hectares											
Company	Argentina	Australia	Canada	Chile	China	France and rest of Europe	New Zealand	South Africa	USA	Total	hectares abroad as a % of total
Yantai Changyu Pioneer Wine (CN)	-	-	-	-	20,000	55	...	-	-	20,055	-
Treasury Wine Estates (AU)	-	8,939	-	-	-	145	339	-	4,002	13,425	33.4
Vina Concha Y Toro (CL) (1)	1,142	-	-	9,194	-	-	-	-	468	10,804	14.9
Constellation Brands (US)	-	-	688	-	-	364	2,347	-	5,382	8,781	38.7
Distell Group (ZA) (2)	-	-	-	-	-	-	-	5,172	-	5,172	-
Vina San Pedro Tarapaca (CL)	379	-	-	3,866	-	-	-	-	-	4,245	8.9
Vranken-Pommery (FR) (3)	-	-	-	-	-	4,070	-	-	-	4,070	4.7
Vina Santa Rita (CL)	701	-	-	2,928	-	-	-	-	-	3,629	18.6
Australian Vintage (AU)	-	2,700	-	-	-	-	-	-	-	2,700	-
AdVini (FR) (4)	-	-	-	154	-	1,701	-	70	-	1,925	11.6
Laurent Perrier (FR) (5)	-	-	-	-	-	1,500	-	-	-	1,500	-
Delegat's Group (NZ)	-	55	-	-	-	-	1,381	-	-	1,436	3.8
Andrew Peller (CA)	-	-	382	-	-	-	-	-	-	382	-
Lanson-BCC (FR) (6)	-	-	-	-	-	127	-	-	-	127	-
Sektellerei Schloss (DE)	-	-	-	-	-	36	-	-	-	36	-
TOTALE	2,222	11,694	1,070	16,142	20,000	7,943	4,067	5,242	9,852	78,287	
in % sul totale	2.9	14.9	1.4	20.6	25.6	10.1	5.2	6.7	12.6	100.0	

(1) Of which 1,529 hectares in development.

(2) Our estimates.

(3) Of which 1,800 hectares for champagne (250 hectares owned and 1,550 hectares under supply contracts), 2,080 hectares for the production of rosé wines, and 190 hectares for Porto wines.

(4) Vineyards in Chile in joint-venture with Vina Santa Carolina.

(5) Exclusively vineyards available to the group under supply contracts; the group's own vineyards, the extent of which is unknown, account for some 10% of production

(6) Own vineyards only.

Diagram 1 – Vineyards owned by the leading wine-makers (hectares in 2015)

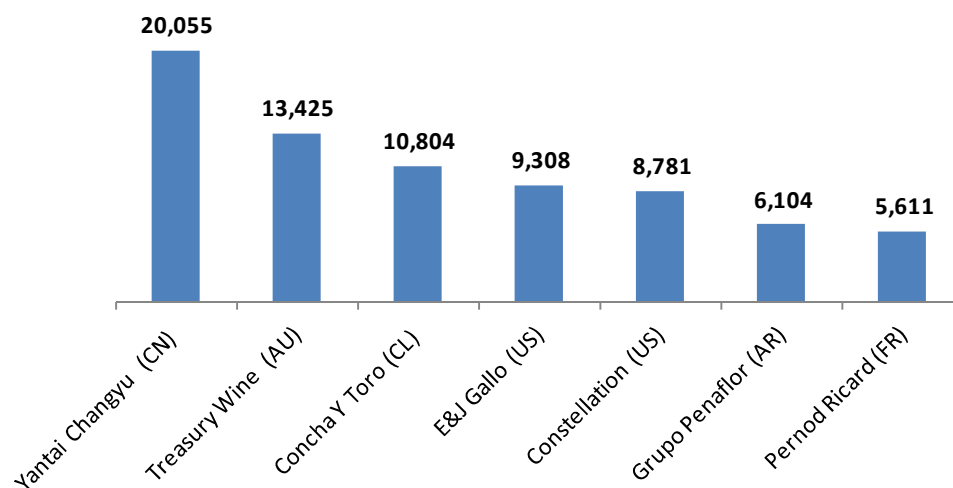


Table 10 – Sales by geographical area (2015)

Company	North America (1)	Central and South America	Europe	Asia, Australia and New Zealand (as a % of net sales)	Rest of World	Total	Domestic sales	Export
Vina Concha Y Toro (CL)	20.0	34.1	35.5	9.7	0.9	100.0	18.8	81.2
Sektellerei Schloss (DE)	-	-	100.0	-	-	100.0	34.1	65.9
Laurent Perrier (FR)	-	-	79.4	-	20.6	100.0	31.1	68.9
Treasury Wine Estates (AU)	42.8	-	15.3	41.9	-	100.0	29.4	70.6
Vina San Pedro Tarapaca (CL)	11.2	49.7	19.0	19.7	0.4	100.0	35.9	64.1
Australian Vintage (AU)	4.5	-	42.2	51.5	1.8	100.0	46.5	53.5
Vina Santa Rita (CL) (2)	15.2	60.9	17.6	6.4	-	100.0	54.0	46.0
Lanson-BCC (FR)	1.5	-	94.7	3.3	0.6	100.0	59.6	40.4
Vranken-Pommery (FR)	-	-	90.2	-	9.8	100.0	57.4	42.6
AdVini (FR)	6.0	-	87.0	6.0	1.0	100.0	62.7	37.3
Distell Group (ZA)	2.4	0.5	7.7	3.8	85.6	100.0	71.6	28.4
Constellation Brands (US)	99.8	-	-	-	0.2	100.0	91.0	9.0
Andrew Peller (CA)	95.8	-	-	-	4.2	100.0	95.6	4.4
Yantai Changyu Pioneer Wine (CN)	-	-	-	100.0	-	100.0	100.0	-
Delegat's Group (2)	35.8	-	31.1	33.1	-	100.0	nd.	nd.
Totale	54.1	4.8	18.1	13.0	10.0	100.0	68.8	31.2

(1) For Lanson-BCC and Vranken Pommery included Central and South America.

(2) Our estimates.

II.4 - Global wine industry share price index (2001-14/3/17)

The Mediobanca global wine industry share price index is comprised of 47 stocks representing 42 issuers listed on the leading stock markets worldwide, bearing in mind that five of them list two different categories of shares.¹ Of these companies, 6 are French, 6 Chinese, 4 Chilean and 4 North American, 3 Spanish, 2 Australian, 2 German, 2 New Zealand, 2 Greek, 2 Bulgarian, 2 Italian (Italian Wine Brands and Masi Agricola), 2 British, and 1 South African, 1 Austrian, 1 Polish, 1 Argentinian and 1 Russian. A further twenty-seven stocks now delisted have previously been included in the index up until the dates of their respective delistings and/or when trading was suspended on them, fifteen of which have been acquired by other groups.² Following the recent listings of China Tontine Wines Group and China Ouhua Winery Holdings (in November 2009 and November 2010 respectively), a total of six Chinese companies are now included in the index, equalling the number of French companies which has recently been reduced by three.³ Various other listed producers have also been identified in eastern European countries, which, however, have not been included in the index because it has not been possible to obtain consistent historical series for their stock market data.⁴

Unlike in the previous years covered by this survey, this year there were no new delistings or listings. The sample also includes 18 stocks (equal to 3% of the overall market capitalization) which, despite being traded on official markets, show insufficient continuity in terms of volumes traded, with days on which no stocks were traded making up more than 30% of the total number of trading days covered.

The market capitalization of US-based Constellation Brands is now over €29bn, 15% higher than in March 2016, and almost 6 times the €5bn reported at end-2012, accounting for approx. 58.7% of the

¹ Data recorded as at 14 March 2017. For a more indepth description of the index and the calculation methodology employed, please see the document *Mediobanca Global Wine Industry Share Price Index*, Mediobanca Research Department, December 2004 (www.mbres.it). Since the 2005 edition, shares subsequently delisted have also been included in the basket.

² These are:

- 8 Australian companies: Cockatoo Ridge Wines (which was suspended from trading in December 2009 and has been in receivership since January 2010), Southcorp (which was merged into Foster's Group, also of Australia, in June 2006), Evans & Tate (acquired in 2007 by McWilliam's Wines Group), Peter Lehmann Wines (acquired in 2004 by the Hess Group of Switzerland), Foster's Group (acquired in December 2011 by British group SABMiller), PHW Consolidated (suspended from trading in March 2012), Brand New Vintage (suspended from trading in February 2015), and Dromana Estate (suspended from trading in October 2015 and subsequently readmitted to listing with new activities under the new name of Fastbrick Robotics);
- 6 US companies: Robert Mondavi (acquired by Constellation Brands, also of the U.S., in 2004), Golden State Vintners (acquired by The Wine Group in 2004), Chalone Vineyard (acquired by Diageo in 2005), Asconi and Scheid Vineyards (no longer included in the index because their shares trade only in an OTC segment, starting from March and May 2006 respectively) and Cosentino Signature Wines (which entered liquidation in January 2011, having previously been listed in London);
- 3 French companies: Laroche (which was merged into Jeanjean – now AdVini – also of France, in January 2010); Cottin Frères, delisted in June 2014 after selling all its operational activities to Henri Maire, also of France, and which in turn was suspended from trading the following December after becoming the subject of a takeover bid;
- 2 Canadian companies: Vincor International (acquired in June 2006 by Constellation Brands), and Magnotta Winery (bought back in full by the family owners in January 2012);
- 2 Spanish companies: Federico Paternina (delisted in January 2010 after a public tender offer was launched by parent company Inversora Mer), and Cia Vinicole Del Norte De Espana (delisted in November 2015 after a public tender offer was launched);
- 1 Chilean company: Undurraga (delisted in 2006);
- 1 Indian company: Indage Vintners (suspended from trading on 24 February 2011);
- New Zealand company: Oyster Bay Wines (acquired in February 2011 by Deleat's Group, also of New Zealand);
- 1 Lithuanian company: Company Group Alita (delisted in October 2015 following a takeover bid launched by MV Group);
- 1 Chinese company: Dynasty Fine Wines Group (suspended from trading at end-March 2013);
- 1 Israeli company: Barkan Wine Cellars (delisted in November 2013, following the launch of a takeover bid).

³ As well as the two companies already mentioned, the Chinese groups included here are: Yantai Changyu Pioneer Wine, Tonghua Grape Wine Co., Citic Guoan Wine and New Silkroad Culturaltainment (formerly Jlf Investment, listed in Hong Kong). The share capital of Yantai Changyu Group is made up of category A shares (66.2%, listed since 21 March 2006 but only freely traded since March 2011) and category B shares, also listed. China Ouhua Winery Holdings has its registered office in Singapore and is listed on the Kuala Lumpur (MY) stock market, but its production activities are based in China.

Chiefly Serbian company Navip Zemun and the Rumanian groups Vinaria Sibiu and Roni Vin Panciu, the latter two both delisted in October 2015; equally, Thang Long Wine of Vietnam, a producer of wine, vodka and other alcoholic drinks (which also produces containers and packaging) has been excluded due to insufficient information.

aggregate market capitalization (Diagram 2). Another five companies have a market capitalization of over €1bn: Australian group Treasury Wine Estates (€6.4bn), Yantai Changyu of China (€2.8bn), South African company Distell Group (€2.3bn), the other Chinese group Citic Guon Wine (€1,818m), and Chilean company Concha y Toro (€1.1bn). The four main countries – the United States, China, Australia and Chile – account for 87.5% of the total market capitalization (Table 16).⁵

In its base = 1 January 2001 version, the Mediobanca wines total return index (i.e. including dividends distributed) increased for five years consecutively from 2003 to 2007, reaching the 230 area, before retreating by 30.5% in 2008 (still less than the 39.2% shed by the global stock market index), returning to 2005 levels. Several consecutive years of recovery, of around 20% in 2009, 2010, 2013 and 2014 and of 40% in 2015, slowing to 7.6% in 2016 and to 3.8% in the first three months of 2017, still took the index to the highest levels for the period, closing on 14 March 2017 at 622. The increase in relative terms (i.e. versus all world stock markets) as 181.6%, compared to 194.5% in March 2016 (Tables 11 and 12).

The most significant changes in price in the entire period were those recorded by the North American companies, which increased their prices more than tenfold, and by the Australian groups (up 596%), the Chilean companies (up 188%) and the French and Spanish groups (up around 185% each). The Chinese companies, which until 2011 had reported the highest growth since 2001 (182%), saw reductions of more than 30% in 2012 and 2013, with weak recoveries in 2014 and 2015, followed by further reductions in 2016 and the first quarter of 2017, taking growth since the start of the period to 95%. The trend for the aggregate of “residual” companies (Argentina, Germany, Greece, South Africa, United Kingdom, Austria, Poland, Bulgaria, Russia, and also, from the first quarter of 2015, Italy) was also very positive, with an index reading in mid-March 2017, which was more than 15 times the value it reported in January 2001. This trend is chiefly due to South African group Distell, net of which the increase for the aggregate more than halves to 613%, a performance which is still far better than that of the other geographical areas, excluding North America.

In relative terms, i.e. net of trends on national stock markets, the rankings change partially: the best indicators are still those provided by the North American wine-makers (up 566%) followed by the Australian companies (up 88%), the French groups (up 85%) and the Spanish firms (up 43%); whereas the Chilean and in particular the Chinese companies underperformed their own national stock markets – which improved strongly during the period – by significant margins.

As for more recent trends, wine-makers outperformed international stock markets in the first three months of 2017 (Table 14). In a scenario where global stock markets recorded a 1.8% reduction, the wine-makers’ index improved by almost 4%, on healthy increases in the Australian wine-makers’ index readings (of 15.2%), with divergent performances by the other areas: increases by the Chilean and North American companies’ readings (of 1% and 3.3% respectively), and also by the aggregate of other countries (3.8%), while the Chinese and French groups posted of around 2%.

In order to assess the risk associated with wine companies’ stocks, we have calculated the Beta coefficient for these shares compared with their respective national stock markets.⁶ The Spanish and French companies continue to show the lowest average values. The Beta coefficients were near to par for the North American companies in 2012-14 and the Chinese groups 2015 (reflecting sharp increases for the latter compared to their previous performances). In December 2016 the overall coefficient reached just over 0.5, below the levels reported in 2014 and 2015 (until 2013 it had always been below 0.5). Adding stocks represented in the Mediobanca global wine index to a portfolio would thus have provided investors with protection against the fall on stock markets (Table 15).

As from last year’s survey a second wine-makers’ index has been prepared, with a shorter time horizon and calculated with base date = 1 January 2009 (i.e. post-Lehman Brothers crash). The results of this

⁵ Some 89% is attributable to the 15 companies included in the aggregate of largest wine-making companies still listed in mid-March 2017.

⁶ If the β coefficient is above 1, the stock will move more than the benchmark index, both upwards and downwards. Where β is in a range between 0 and 1, the value of the stock will move less than the benchmark index in both directions. If β is negative, the stock will move in the opposite direction to the index.

second index do not differ much from the trends analysed for the 2001-17 period with reference to the growth of the index as a whole, which in March 2017 stood at 388, an increase of 50% in relative terms. The shorter time horizon benefited the deflated index readings for Australia (up from 188.3 to 225.8), Chile (up from 61.8 to 78.3) and China (up from 43.8 to 76.2), although in the latter two cases the market index is still higher than the wine-makers' index, whereas the results were markedly worse for France and North America (the difference now in favour of the share market in the case of the French) and declining for Spain as well.

Dwelling for a moment, finally, on the stock market multiples reflected by listed wine companies based on their 2015 accounts, the price/book value ratio (P/BV) is equal to 1.6x, with relatively low values recorded on European markets (France and Spain 1.1x, with the two Italian companies at 0.9x for Italian Wine Brands and at 1.4x for Masi Agricola), and in Australia and Chile (both 1.2x), higher values in North America (2.1x, but with Constellation Brands at 4.1x), and the highest of all in China (3.1x). The market cap./Ebitda multiple came in at 16.2x, with France and Chile showing lower values (9.9x and 01.7x respectively), and Australia and Spain at levels just below average (15.1x and 13.8x respectively), whereas China, even with two companies out of the six posting losses at the EBIT level, continued to reflect high levels (29.6x); the price/earnings multiple (P/E) shows 26.1x for the aggregate as a whole, with the lowest levels being recorded by Chile and Spain (13.8x and 16x respectively), and the highest by Australia (39.8x, referring exclusively to Treasury Wines), China (34.3x, due exclusively to Yantai Changyu and China Tontine Wines), and France (30.4x). Finally, the ratio between price and enterprise value (market cap. + debt net of cash and liquid assets) is uneven, ranging from 18.2x for France and 9x for Chile (Table 17).

Table 11 – Mediobanca share price indexes of wine-making companies: comparison with indexes for markets on which they are listed

	Mediobanca TR winse index	TR market index (MSCI)	Mediobanca wine index deflated	Mediobanca TR wines index	TR market index (MSCI)	Mediobanca wine index deflated
	<i>Total return indexes as at 14 march 2017, base 2/1/2001=100</i>			<i>total return indexes as at 14 mach 2017, base 2/1/2009=100</i>		
	(a)	(b)	(a/b*100)	(a)	(b)	(a/b*100)
Australia	696.1	369.6	188.3	506.3	224.2	225.8
Chile	288.1	466.4	61.8	141.1	180.2	78.3
China	194.9	445.2	43.8	154.2	202.3	76.2
Francia	283.7	153.6	184.8	167.0	224.1	74.5
North America	1.644.8	247.0	665.9	1.022.3	304.9	328.7
Spain	285.4	200.2	142.6	214.3	161.2	133.0
Other countries	1.534.3	-	-	385.2	-	-
Mondo (local currency)	622.5	221.0	281.6	388.3	258.9	150.0

Table 12 – Mediobanca share price indexes of wine-making companies (as at 14 March 2017, total return version)

	Dic. 2001	Dic. 2002	Dic. 2003	Dic. 2004	Dic. 2005	Dic. 2006	Dic. 2007	Dic. 2008	Dic. 2009	Dic. 2010	Dic. 2011	Dic. 2012	Dic. 2013	Dic. 2014	Dic. 2015	Dic. 2016	Mar.2017
Australia	120.7	102.3	95.4	130.2	127.9	163.8	159.4	137.5	144.1	156.0	182.5	240.9	253.2	257.3	460.6	604.2	696.1
Chile	129.6	143.0	144.8	191.1	181.9	185.4	225.0	204.2	221.7	237.3	212.6	207.7	218.3	272.6	270.4	285.5	288.1
China	76.7	58.0	57.3	56.8	62.5	149.0	259.7	126.4	246.8	302.1	282.1	187.4	118.9	149.7	211.2	199.1	194.9
France	81.9	97.3	103.0	117.2	155.0	234.6	384.8	169.9	177.3	250.7	229.3	210.4	224.2	232.9	274.2	290.8	283.7
North America	124.8	129.0	173.6	241.2	260.2	299.7	244.7	164.1	166.2	229.0	215.6	363.8	718.9	1,001.2	1,460.8	1,591.8	1,644.8
Spain	102.4	99.3	114.4	116.5	128.1	147.3	161.8	133.1	121.2	145.3	140.3	141.6	169.0	200.9	265.5	285.7	285.4
Other countries	138.6	157.0	191.8	277.5	361.0	472.3	560.2	398.0	531.8	676.7	680.3	950.8	1,291.5	1,251.30	1,515.8	1,477.5	1,534.3
World (1)	117.5	108.2	114.0	153.0	159.1	207.6	230.7	160.3	196.1	233.6	239.1	253.7	320.8	396.7	557.5	599.7	622.5
<i>MSCI All Country (1)</i>	<i>87.0</i>	<i>66.9</i>	<i>84.6</i>	<i>94.8</i>	<i>111.3</i>	<i>130.3</i>	<i>140.3</i>	<i>85.3</i>	<i>110.9</i>	<i>123.2</i>	<i>115.9</i>	<i>135.0</i>	<i>170.3</i>	<i>187.2</i>	<i>190.6</i>	<i>209.0</i>	<i>221.0</i>

(1) Local currency.

Table 13 – Mediobanca share price indexes of wine-makers (total return version, deflated)

	Dic. 2001	Dic. 2002	Dic. 2003	Dic. 2004	Dic. 2005	Dic. 2006	Dic. 2007	Dic. 2008	Dic. 2009	Dic. 2010	Dic. 2011	Dic. 2012	Dic. 2013	Dic. 2014	Dic. 2015	Dic. 2016	Mar.2017
Australia	108.3	101.3	83.5	89.9	70.2	73.0	60.9	83.4	63.8	68.6	90.0	98.3	85.4	82.0	144.7	169.1	188.3
Chile	115.8	146.2	97.6	106.4	90.4	68.5	71.9	78.9	57.6	46.2	46.6	45.6	55.5	68.4	69.9	66.8	61.8
China	101.9	89.6	47.4	46.1	42.5	55.2	57.7	57.4	68.9	80.3	91.8	49.6	30.3	35.2	53.8	50.1	43.8
France	99.7	176.3	159.1	163.6	169.8	212.1	338.4	248.0	200.4	273.8	288.5	218.9	190.9	191.4	200.7	195.0	184.8
North America	142.1	189.2	197.4	247.4	250.0	249.4	191.4	202.6	160.9	192.1	179.4	262.5	395.9	486.9	705.0	685.4	665.9
Spain	109.1	146.6	127.5	108.0	98.2	84.1	82.1	107.2	69.5	98.7	103.8	101.6	95.8	104.5	146.6	153.9	142.6
Other countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
World (1)	135.0	161.7	134.8	161.4	142.9	159.4	164.5	187.8	176.8	189.6	206.4	187.9	188.3	211.9	292.6	286.9	281.6

(1) Local currency.

Table 14 – Mediobanca share price indexes of wine-makers (total return version): % changes vs December of previous year (2001-14 March 2017)

	Dic. 2001	Dic. 2002	Dic. 2003	Dic. 2004	Dic. 2005	Dic. 2006	Dic. 2007	Dic. 2008	Dic. 2009	Dic. 2010	Dic. 2011	Dic. 2012	Dic. 2013	Dic. 2014	Dic. 2015	Dic. 2016	Mar.2017
Australia	20.7	-15.2	-6.7	36.5	-1.8	28.1	-2.7	-13.7	4.8	8.3	17.0	32.0	5.1	1.6	79.0	31.2	15.2
Chile	29.6	10.3	1.3	32.0	-4.8	1.9	21.3	-9.2	8.6	7.0	-10.4	-2.3	5.1	24.9	-0.8	5.6	0.9
China	-23.3	-24.4	-1.1	-1.0	10.1	138.3	74.3	-51.3	95.3	22.4	-6.6	-33.6	-36.6	16.3	11.7	-5.7	-2.1
France	-18.1	18.7	5.9	13.8	32.3	51.3	64.1	-55.8	4.3	41.4	-8.5	-8.2	6.5	3.9	17.7	6.1	-2.3
North America	24.8	3.4	34.6	38.9	7.9	15.2	-18.4	-32.9	1.3	37.8	-5.9	68.8	96.0	39.3	45.9	9.0	3.3
Spain	2.4	-3.0	15.1	1.9	9.9	15.0	9.8	-17.7	-8.9	19.9	-3.5	1.0	19.3	18.9	32.2	7.6	-0.1
Other countries	38.6	13.2	22.2	44.6	30.1	30.8	18.6	-29.0	33.6	27.3	0.5	39.8	35.8	-3.10	21.1	-2.5	3.8
World (1)	17.5	-7.9	5.3	34.2	3.9	30.5	11.1	-30.5	22.3	19.2	2.3	6.1	26.4	23.7	40.5	7.6	3.8
<i>MSCI All Country (1)</i>	<i>-13.0</i>	<i>-23.1</i>	<i>26.4</i>	<i>12.0</i>	<i>17.4</i>	<i>17.0</i>	<i>7.7</i>	<i>-39.2</i>	<i>30.0</i>	<i>11.1</i>	<i>-6.0</i>	<i>16.5</i>	<i>26.2</i>	<i>12.6</i>	<i>1.8</i>	<i>-1.9</i>	<i>-1.8</i>

(1) Local currency.

Table 15 – Beta coefficients

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Average value
Australia	0.512	0.335	0.533	0.542	0.578	0.729	0.684	0.409	0.351	0.327	0.412	0.690	0.595	0.890	0.954	0.741	0.580
Chile	0.435	0.338	0.327	0.395	0.418	0.220	0.680	0.262	0.410	0.595	0.537	0.657	0.450	0.456	0.570	0.163	0.432
China	0.068	0.065	-0.020	0.136	0.411	0.360	0.367	0.304	0.330	0.361	0.242	0.520	0.527	0.387	1.013	0.601	0.354
France	0.121	0.072	0.117	0.034	0.120	0.152	0.372	0.236	0.205	0.272	0.289	0.080	0.124	0.174	0.107	0.142	0.164
North America	0.282	0.383	0.354	0.168	0.712	0.632	0.851	0.724	0.676	0.904	0.983	1.079	0.984	0.960	0.786	0.675	0.697
Spain	0.110	0.003	0.066	0.073	0.129	0.113	0.163	0.119	0.058	-0.009	0.049	0.101	0.022	0.057	0.205	0.186	0.090
Other countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
World (local currency)	0.094	0.153	0.133	0.282	0.431	0.420	0.496	0.298	0.236	0.356	0.314	0.488	0.461	0.715	0.689	0.527	0.381

Table 16 – Companies included in Mediobanca wine-makers' index: market capitalization

€'000	14/03/2017	14/03/2016	Var. %	Weight %	Cumulative weight %
1 CONSTELLATION BRANDS (US)	29,263,375	25,456,782	15.0	58.68	58.68
2 TREASURY WINE ESTATES (AU)	6,414,639	4,649,095	38.0	12.86	71.55
3 YANTAI CHANGYU PION.WINE (CN)	2,813,966	2,761,307	1.9	5.64	77.19
4 DISTELL GROUP (ZA)	2,276,632	1,979,222	15.0	4.57	81.76
5 VINA Y CONCHATORO (CL)	1,148,244	1,128,652	1.7	2.30	84.06
6 CITIC GUOAN WINE (CN)	1,818,296	906,571	100.6	3.65	87.70
7 TONGHUA GRAPE WINE (CN)	623,326	847,231	-26.4	1.25	88.95
8 LAURENT PERRIER (FR)	420,908	459,496	-8.4	0.84	89.80
9 NEW SILKROAD (ex JLF INVESTMENT) (CN)	434,436	452,853	-4.1	0.87	90.67
10 BARON DE LEY (ES)	509,550	419,035	21.6	1.02	91.69
11 MAJESTIC WINE (GB)	269,408	379,452	-29.0	0.54	92.23
12 VINA SAN PEDRO (CL)	373,613	356,974	4.7	0.75	92.98
13 HAWESKO HOLDING (DE)	420,872	355,743	18.3	0.84	93.83
14 DELEGAT'S GROUP (NZ)	421,294	339,733	24.0	0.84	94.67
15 BODEGAS ESMERALDA (AR)	352,823	284,704	23.9	0.71	95.38
16 ANDREW PELLER (CA)	311,193	268,373	16.0	0.62	96.00
17 VRANKEN-POMMERY (FR)	199,118	218,958	-9.1	0.40	96.40
18 LANSON-BCC (FR)	217,136	218,629	-0.7	0.44	96.84
19 VINA SANTA RITA (CL)	188,765	184,252	2.4	0.38	97.21
20 POL ROGER (FR)	286,590	157,441	82.0	0.57	97.79
21 MASI AGRICOLA (IT)	144,680	141,465	2.3	0.29	98.08
22 ADVINI (FR)	136,022	111,411	22.1	0.27	98.35
23 SEKTKELLEREI SCHLOSS (DE)	128,407	109,660	17.1	0.26	98.61
24 ABRAU DYURSO (RU)	192,622	102,808	87.4	0.39	99.00
25 AUSTRALIAN VINTAGE (AU)	78,444	79,336	-1.1	0.16	99.15
26 ITALIAN WINE BRANDS (IT)	56,913	63,126	-9.8	0.11	99.38
27 CHINA TONTINE WINES (CN)	56,720	63,081	-10.1	0.11	99.27
28 SCHLUMBERGER (AT)	48,315	44,175	9.4	0.10	99.48
29 AMBRA (PL) (1)	55,030	42,616	29.1	0.11	99.59
30 FOLEY FAMILY WINES (NZ)	46,253	42,465	8.9	0.09	99.68
31 WILLAMETTE VINEYARDS (US)	36,956	31,077	18.9	0.07	99.76
32 EMILIANA (CL)	35,729	28,546	25.2	0.07	99.83
33 BODEGAS RIOJANAS (ES)	23,932	20,688	15.7	0.05	99.88
34 BODEGAS BILBAINAS (ES)	20,366	17,684	15.2	0.04	99.92
35 GUSBOURNE (GB)	16,483	15,396	7.1	0.03	99.95
36 CHINA OUHUA WINERY HOLDING (CN)	3,526	6,595	-46.5	0.01	99.96
37 TRUETT-HURST (US)	7,972	6,509	22.5	0.02	99.97
38 LOMBARD ET MEDOT (FR)	4,895	6,299	-22.3	0.01	99.98
39 KTIMA KOSTAS LAZARIDIS (GR)	4,741	5,832	-18.7	0.01	99.99
40 VINZA VOD-ASENOVGRAD (BG)	2,253	2,253	0.0	0.00	100.00
41 J BOUTARIS & SON HLDG (GR)	1,310	1,229	6.7	o	100.00
42 TODOROFF (BG)	626	374	67.5	o	100.00
TOTAL	49,866,380	42,767,126	16.6	100.00	100.00
Total North America	29,619,496	25,762,741	15.0		
Total China	5,750,270	5,037,637	14.1		
Total Australia	6,493,082	4,728,431	37.3		
Total Other countries	4,438,663	3,910,252	13.5		
Total Chile	1,746,351	1,698,423	2.8		
Total France	1,264,669	1,172,235	7.9		
Total Spain	553,848	457,407	21.1		
TOTAL	49,866,380	42,767,126	16.6		

(1) German Sektkellerei Schloss holds 61% of Ambra shares.

Table 17 – Stock market multiples (2015)

	EV/Ebitda	P/BV	P/Ebit	P/E
Australian Vintage	10.0	0.5	7.9	neg.
Treasury Wines Estates	18.0	2.0	22.4	39.8
Total Australia	14.0	1.2	15.1	39.8
Willamette Valley Vineyards	8.2	1.3	10.8	19.2
Constellation Brands	17.5	4.1	15.3	26.3
Truett-Hurst	25.0	0.4	neg.	neg.
Andrew Peller	11.6	2.5	12.6	20.8
Total North America	15.6	2.1	12.9	22.1
Lanson-BCC	21.3	0.9	8.0	17.8
Advini	13.8	1.5	12.2	22.2
Laurent Perrier	14.3	1.3	10.4	18.4
Vranken-Pommery Monopole	23.5	0.7	9.0	63.4
Total France	18.2	1.1	9.9	30.4
Baron De Ley	18.7	2.0	24.5	19.2
Bodegas Riojanas	14.2	0.8	11.7	22.1
Bodegas Bilbainas	3.9	0.3	5.2	6.7
Total Spain	12.3	1.1	13.8	16.0
Emiliana	9.8	0.9	14.7	17.8
Vina Santa Rita	9.2	0.9	9.5	11.8
Vina San Pedro Tarapaca	6.3	1.1	7.6	9.5
Vina Concha y Toro	10.7	1.7	11.2	15.9
Total Chile	9.0	1.2	10.7	13.8
Yantai Ghangyu Pioneer Wine	16.5	3.3	19.1	25.1
Tonghua Grape Wine	na	7.8	211.7	2346.4
China Tontine Wines	8.8	0.5	33.3	43.4
China Ouhua Winery Holding	neg.	0.2	neg.	neg.
Citic Guoan Wine	na	3.2	59.9	583.5
New Silkroad (ex JLF Investment)	neg.	3.3	neg.	neg.
Total China	12.7	3.1	37.4	34.3
Distell Group (ZA)	13.2	3.3	13.6	22.7
Sektellerei Schloss (DE)	5.5	0.6	5.3	10.5
Hawesko Holding (DE)	14.1	4.1	18.5	30.5
Ktima Kostas Lazaridis (GR)	na	0.2	neg.	neg.
Foley Family Wines (NZ)	12.2	0.9	14.6	12.6
Delegat's Group (NZ)	10.8	2.0	8.6	11.6
Majestic Wine (UK)	17.7	2.6	45.3	122.5
Schlumberger (AT)	9.8	1.6	8.0	14.8
Ambra (PL)	4.7	0.6	5.1	9.7
Vinzavod-Asenovgrad (BG)	84.5	0.2	neg.	neg.
Bodegas Esmeralda (AR)	8.5	3.5	9.9	10.8
Italian Wine Brands (IT)	9.2	0.9	9.2	18.4
Masi Agricola (IT)	8.2	1.3	12.0	22.4
Total Other countries	10.4	1.7	13.6	26.0
Total Wine companies	13.2	1.6	16.2	26.1

(1) EV= Enterprise value; BV= Book value; Monthly average stock exchange values relative to the fiscal year end month.

Averages calculated excluding negative and not available values.

Diagram 2 – Weightings in Mediobanca global index: 14 March 2017

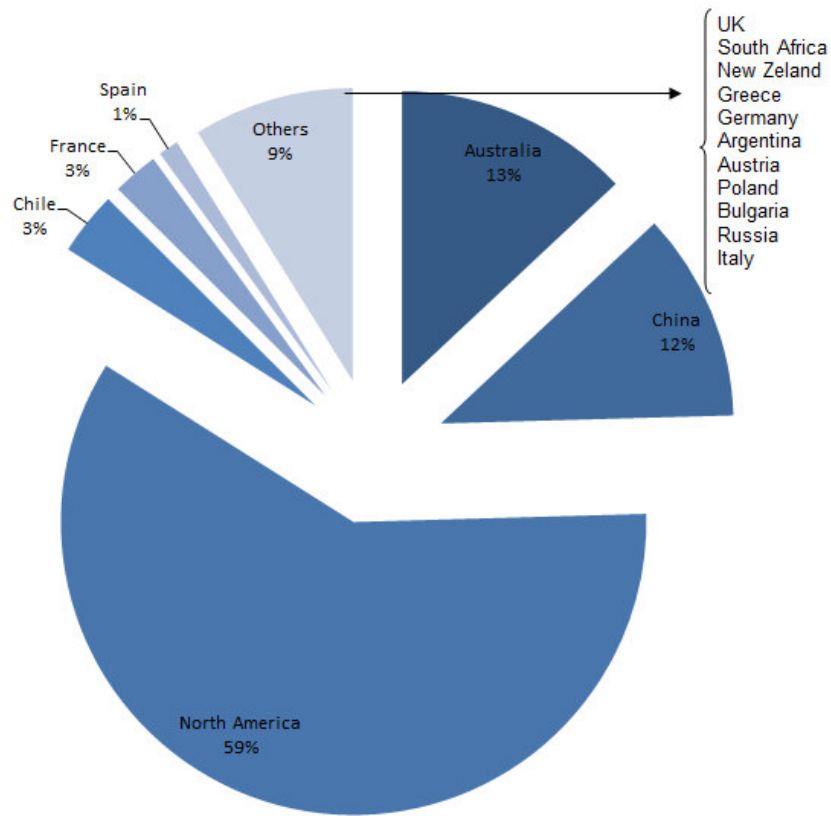


Diagram 3 – Mediobanca global index: 2/1/01 – 14/3/17

