



ITALIAN AND INTERNATIONAL WINE INDUSTRY SURVEY

63.5% OF COMPANIES INTERVIEWED EXPECT TO SEE SALES FALL IN 2020

€1BN OF EXPORTS AND €1BN I DOMESTIC CONSUMPTION

AT RISK DUE TO RESTAURANT SECTOR CRISIS

*Wine sector impacted negatively by crisis in tourism and travel retail
Expectations less negative for co-operatives and spumante manufacturers*

Milan, 26 May 2020

The **Mediobanca Research Area** has today published its **Italian and International Wine Industry Survey**. The survey covers **215 leading Italian limited companies** with 2018 turnover of above €20m and aggregate sales of €9.1bn, plus **14 international listed wine makers** with turnover of above €150m posting aggregate revenues of €5.7bn.

The presentation is available for download from www.mbres.it

The Italian wine industry post-COVID-19

Of the companies interviewed, 63.5% expect sales to fall in 2020, while 41.2% of the sample expects to see a reduction of more than 10%. The lockdown has taken its toll on the hotels/restaurants/catering sector, and the World Trade Organization has estimated that the contraction in global demand for wine will be between 15% and 30%.

For exports only, 60% of the companies interviewed expect to see sales fall in 2020; and 37.5% see a reduction of more than 10%.

The scenario is worse than even 2009, when 60.6% of Italian wine makers reported a reduction in sales, with aggregate revenues declining by 3.7% overall, and with 24.2% of the companies reporting a fall in sales of over 10%.

Of the co-operatives, which are more closely tied to the mass market and the large-scale distribution channel (rather than hotels, restaurants and catering), 53.4% were less pessimistic in their 2020 sales estimates than the limited companies, 68% of which expect their top lines to decrease this year (only 26.7% of co-operatives expect sales to fall by more than 10%, as compared with 50% for the others). Different products also generate different expectations. Here it is the **spumante manufacturers who are less pessimistic than the non-spumante wine-makers**. Of the former, 55.5% expect sales to decrease, with exports in particular estimated to fall by 41.2%; this climbs to over 65% for the latter (lost sales and exports). These estimates reflect the higher seasonality affecting *spumante*, sales of which tend to increase significantly with the end-of-year celebrations, and clearly there is some optimism that by the year-end the worst of the COVID-19 crisis will be over.

In general terms, if it is assumed that Italian wine exports will fall in line with the reduction in world trade estimated by the WTO, we may set **the contraction in wine exports for the largest Italian producers in 2020 at between €0.7bn and €1.4bn**.

Regarding the domestic Italian market, given that something like 65% of national sales is generated via channels other than large-scale distribution, a loss of over €0.5bn is estimated



up to mid-May 2020. Assuming that in the following months the other channels reopen at less than 30% of last year's levels, there would be an additional €0.5bn reduction in sales.

This picture leads us to estimate that **the overall contraction in 2020 revenues will be in the region of €2bn, as a result of lower domestic sales and exports, the year-on-year reduction for the sector therefore being somewhere between 20% and 25%.**

The Italian wine industry pre-COVID-19

The pre-closing data for **2019** show that the leading Italian wine manufacturers posted **1.1% growth in total sales** for the twelve months, a fairly modest performance compared to the preceding four-year period (2014-18), when the growth rate for sales varied between 6.7% in 2018 and 4.7% in 2015. The slowdown in 2019 is attributable to the negative trend on the domestic Italian market (down 2.1%), unlike for exports were 4.4% higher than in 2018, albeit far off the more than 7% annual growth rates recorded during the 2015-17 three-year period. Total sales posted by the limited companies grew by 3.2% (with exports up 5.1%), while the co-operatives posted a 1.9% decrease vs 2018, due to the contraction of the domestic Italian market (down 4.4%) partly offset by the growth in exports (up 1.8%). Sales of *spumante* wines also slowed in 2019 (down 0.2%), whereas non-*spumante* wines grew by 1.5%; the contribution of exports was material for both segments (up 3.2% for the former, up 4.6% for the latter), while domestic sales were retreating, again for both (down 2.4% for the *spumante* wines, and down 1.9% for the non-*spumante* ones).

Investments in fixed assets in 2019 reduced by 15.9% versus 2018, after four years' strong growth. The most substantial reduction was reported by the *spumante* manufacturers (down 23.9%), followed by the limited companies (down 16.7%). Employment levels were resilient, increasing by 2.6% on 2018.

The pre-closing sales figures for 2019 show the same top three Italian players as in 2018: **Gruppo Cantine Riunite & Civ** with sales of €630m (up 2.9% on 2018), of which **GIV** generated €406m (up 4.7%), followed by **Caviro** with €329m (down 0.4%) and **Palazzo Antinori** with €246m (up 5.3%). After the top three came **Casa Vinicola Botter** with €217m (up 10.9%), **Fratelli Martini** with €210m (down 2%), **Casa Vinicola Zonin** with €205m (up 1.4%), **Enoitalia** with €199m (up 9.7%), **Cavit** with €191m (up 0.5%), **Santa Margherita** with €189m (up 6.8%), and in tenth position, **Mezzacorona** with €187m (down 0.8%).

Casa Vinicola Botter ranked **first by exports** in 2019, with 93.7% of its sales generated outside of Italy, followed by Farnese with 92.0%, Ruffino with 91.4%, F.lli Martini with 86.1%, Mondodelvino with 83.3% and La Marca with 82.8%.

Wine sector stock market index

From January 2001 to 3 April 2020, the **global wine sector stock market index**, total return version (i.e. including dividends distributed), **grew by 222.5%**, outperforming the global stock market (up 129% during the same period); the aggregate market capitalization of the 52 companies that make up the index improved by 8% between March and December 2019, after which it suffered a sharp, **30% drop in 1Q 2020** as a result of the COVID-19 pandemic; by end-March 2020 the aggregate stock market value of the listed companies had decreased to €35.8bn (compared with €47.4bn in March 2019), meaning almost the entire growth of the last five years had been lost in the space of three months.



Sustainability: only 30% of the leading companies prepare full sustainability reports, while as many as 25% do not even mention the issue

Out of a total of 39 companies with turnover of over €60m (aggregate sales of €5.2bn), **seven firms** (with total sales of €1.6bn, representing 31% of the total) **prepare sustainability documents**, in six cases full sustainability reports and in one case merely an environmental declaration. With reference to sustainability certification, **five companies have signed up to the Italian ministerial sustainable wine project "VIVA"**, while one company has obtained Equalitas certification. Another **20 firms** (with total sales of €2.3bn, 44% of the total) **publish sustainability information on their websites**, mainly on environmental issues and quality certifications, in half of the cases in separate sections. **No reference to this issue, however, is found on the websites of the other twelve companies** (aggregate sales of €1.3bn, 25% of the total), approx. 60% of which are family-owned.

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