Milan, 15 December 2023

Italian Equity Research – Company Update

CAMPARI

OUTPERFORM

Sector: Consumers

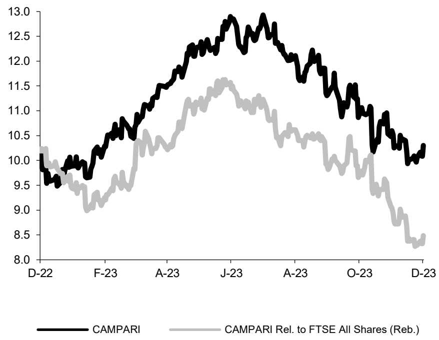
Price: Eu10.31 - **Target: Eu12.20**

Commitment To Acquire Courvoisier Cognac for Eu1.22bn

Francesco Brilli +39-02-77115.439
francesco.brilli@intermonte.it
Andrea Randone: +39-02-77115.364
andrea.randone@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.0%	0.0%	0.0%

CAMPARI - 12M Performance



Stock Data			
Reuters code:			CPRI.MI
Bloomberg code:			CPR IM
Performance	**1M**	**3M**	**12M**
Absolute	-2.8%	-9.1%	1.1%
Relative	-6.3%	-14.3%	-20.5%
12M (H/L)			12.93/9.48
3M Average Volume (th):			2,224.59

Shareholder Data	
No. of Ord shares (mn):	1,162
Total no. of shares (mn):	1,162
Mkt Cap Ord (Eu mn):	11,970
Total Mkt Cap (Eu mn):	11,970
Mkt Float - Ord (Eu mn):	4,689
Mkt Float (in %):	39.2%
Main Shareholder:	
Alicros (Garavoglia Fam.)	51.0%

Balance Sheet Data	
Book Value (Eu mn):	2,951
BVPS (Eu):	2.54
P/BV:	4.1
Net Financial Position (Eu mn):	-1,630
Enterprise Value (Eu mn):	13,600

- **A bold step into the cognac category.** Yesterday evening Campari announced it has committed to acquire Courvoisier cognac from Beam Suntory, a premium top four historical cognac house with a strong US and growing APAC footprint. The move represents a unique opportunity to join the top table in the super premium cognac category. Following Campari's largest acquisition yet, the cognac category will become the group's fourth major branch, along with aperitifs, bourbon and tequila.
- **Transaction highlights.** A fixed purchase price has been agreed at USD1.2bn (Eu1.11bn) on a cash-free/debt-free basis, with an additional earn-out of USD120mn linked to 2028 sales targets. The corresponding **EV is USD1.32bn (Eu1.22bn) equivalent to a multiple of c.17x 2022 CAAP,** or according to our estimates c.18x EV/EBITDA and c.25x P/E on 2022 figures. These multiples seem slightly below the 2022 valuations of Remy Cointreau, which we consider fair in light of the scarcity value of the asset and the potential for development. Funding is fully committed via a bridge loan (5 banks in the consortium) in Euro for Eu1.2bn, with up to 24 months duration from closing. The company will continue to evaluate various alternatives to potentially fund the transaction with a mix of debt, cash and equity or equity-like instruments. According to Campari, net debt/EBITDA will go up at closing to c.4x on a pro-forma basis from 2.6x as at end-Sep 2023. Sustained de-leverage is expected thereafter. Closing is expected in 2024 after green lights are received from all relevant institutions and the French unions, with a full business contribution expected as of 2025.
- **Courvoisier highlights.** Founded in Jarnac (France) in 1828, Courvoisier is the youngest and most prestigious of the historical big four cognac houses. In FY22 the business (which includes the Salignac brand) achieved net sales of USD249mn (c.Eu236mn) with a Contribution after A&P (CAAP) of USD78mn (c.Eu74mn). Sales to the end of October 2023 amounted to USD148mn, down -33% YoY, with CAAP at Eu37mn reflecting recent market-driven trends, such as normalising consumption in the US after the peak Covid period and wholesaler de-stocking. US is the largest region, accounting for c.60% of FY22 net sales, followed by UK and China, which together account for c.25% of sales, while Global Travel Retail accounted for just over 3%. The acquired business includes inventory of ageing liquids valued at USD365mn as at end-Oct 2023, as well as trademarks, production facilities, vineyards, cellars and an automated bottling plant, and finally the flagship chateau and a visitor centre.
- **Our view in a nutshell.** We welcome this major news as we are confident on Campari's long-standing track record of revamping brands and categories with strong potential, values Courvoisier embodies. Management commented that the acquisition should already be c.2% EPS-accretive on a pro-forma basis (on FY22 numbers) while we think that once the business normalises and has been revitalised (most likely in 2025) the contribution will be materially higher. The opportunity of entering the cognac market directly through a leading player is highly valuable, as are the prospects of boosting Campari's exposure to the US and APAC, two long term pillars of the group's strategy.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	2,173	2,698	2,932	3,284	3,613
EBITDA Adj (Eu mn)	481	602	646	806	961
Net Profit Adj (Eu mn)	308	388	362	465	567
EPS New Adj (Eu)	0.265	0.334	0.312	0.401	0.488
EPS Old Adj (Eu)	0.265	0.334	0.312	0.401	0.488
DPS (Eu)	0.060	0.060	0.070	0.080	0.090
EV/EBITDA Adj	28.6	22.0	21.1	16.7	13.7
EV/EBIT Adj	34.2	25.9	25.2	19.6	16.0
P/E Adj	38.9	30.9	33.1	25.7	21.1
Div. Yield	0.6%	0.6%	0.7%	0.8%	0.9%
Net Debt/EBITDA Adj	1.7	2.6	2.5	1.8	1.2