



## Acquisition of Fratelli Averna S.p.A.

Investor presentation

15 April 2014



Strategic Rationale

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# Campari acquires Averna Group

**AVERNA**

- > Gruppo Campari has reached an agreement to acquire **100% of the share capital of Fratelli Averna S.p.A ('Averna Group')**, an **independently owned** business based in Caltanissetta (Sicily, Italy)
- > With a history of around **150 years**, Averna Group is a **leading player in the Italian spirits market**, **owner of a portfolio of distinctive, premium and high margin spirit brands with leadership positions in key categories such as bitters, grappa and limoncello**
- > In particular, it is the owner of **Averna, the second largest brand in the Italian bitter liqueurs market with a market share of 15% and a key player in Germany**
- > Moreover, its **core brands** include:
  - **Braulio**: the second best-selling bitter liqueur in Northern Italy
  - **Grappa Frattina**: the leader in the single-vine grappa segment
  - **Limoncetta di Sorrento**: the third best-selling lemon liqueur in Italy
- > Averna Group achieved total net sales of **€ 61.8 million in 2013**, a 3.1% increase compared with 2012
- > Geographically, **c.35% of net sales is outside of Italy**. **Germany** and **Austria** are the largest international markets **accounting for approx. 60% of Averna Group's international sales**
- > This transaction further **strengthens Gruppo Campari's position as a leading, unique supplier of premium Italian spirits, in both Italy and international markets**

**AVERNA**

**BRAULIO**  
BORMIO

LIMONCETTA  
DI SORRENTO

FRATTINA

FRATTINA

GRUPPO

**CAMPARI**

Slide 3

Averna acquisition

# Averna Group acquisition rationale

## Strategic Rationale

- > **Leverage Campari's existing international route-to-market to accelerate a profitable growth internationally, particularly in the Americas, for Averna and Braulio in line with its acquisition strategy**
- > **Further strengthen Campari's leadership position in the bitter category via two leading brands, Averna and Braulio, which have:**
  - **Leading positions in the Italian spirits market and with high potential for international expansion**
  - **Strong brand image & premium positioning**
  - **High margins & strong cash generation capability**
- > **Increase Gruppo Campari's critical mass in Central Europe, particularly in Germany, beyond its home market**
- > **Exploit the growth potential in the US, where mixologists and local consumers are showing growing interest in Italian bitter and liqueur specialties in the on-premise channel**
- > **Reinforce the presence in the liqueurs category and enter the grappa category**

Averna Group is a **valuable and complementary addition to Campari's existing premium spirits offering**. It offers Gruppo Campari **strong potential to achieve profitable international growth, further premiumise its brand portfolio**, driving richer product mix, and **capitalize on the revival of Italian specialties, particularly in the US**



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GRUPPO  
**CAMPARI**

## AVERNA

### Brand Profile



- > **Core of the acquired brand portfolio**, with annual sales of c.4 million liters
- > **The 2<sup>nd</sup> largest brand** in the Italian bitter liqueurs market with a **market share of 15%** <sup>(1)</sup>
- > Accounted for c.**40% of the sales of the acquired business** <sup>(1)</sup>
- > An overall **brand awareness of 95%** in Italy <sup>(1)</sup>
- > Made only with **natural ingredients with a secret recipe unchanged for 150 years**
- > Alcohol content of 29%, with a perfectly balanced bitter-sweet taste
- > **International presence: 36% of the brand revenues is achieved internationally, in more than 65 countries.** Core markets outside of Italy are **Germany, Austria, Switzerland**, accounting for c.80% of the international sales <sup>(1)</sup>

### Positioning & Value

- > Fully part of the **Italian culture, unique and complex taste**, 100% natural ingredients, Sicilian origin, **traditional and authentic bitter**
- > **Premium positioning**



<sup>(1)</sup> Source: Averna Group







## Braulio

- > **Number 1 bitter brand in the Italian Alps**, with annual sales of c. **650 thousand liters**<sup>(1)</sup>
- > **c.2.8% market share** in volume terms in the Italian bitters segment <sup>(1)</sup>
- > Created in **1875** in Bormio, in the region of the Alps in Northern Italy
- > Accounted for **c.7% of the sales of the acquired business** <sup>(1)</sup>
- > Alcohol content of 21%
- > A limited edition of **Braulio Special reserve** was recently launched



## Limoncetta Di Sorrento

- > **c.4.3% market share** in the **on-trade channel** and **c.3.0%** in the **off-trade channel** <sup>(1)</sup>
- > **Completely natural liqueur**, obtained from the peel of P.G.I. (Protected Geographic Indications) Lemon of Sorrento, according to the traditional Sorrento recipe
- > Accounted for **c.4% of the sales of the acquired business** <sup>(1)</sup>
- > Alcohol content of 31%



## Frattina

- > **Leader in the single-vine grappa segment (25% of the total grappa category)** in Italy with a market share of **c.13.3%** in the **on-trade** and **c.6.0%** in the **off-trade channel** <sup>(1)</sup>
- > Accounted for **c.4% of the sales of the acquired business** <sup>(1)</sup>
- > Alcohol content of 40%
- > Pure single-vine grappa product to guarantee high level of quality continuity and a standard taste consistency. Positioned both for sipping and mixability

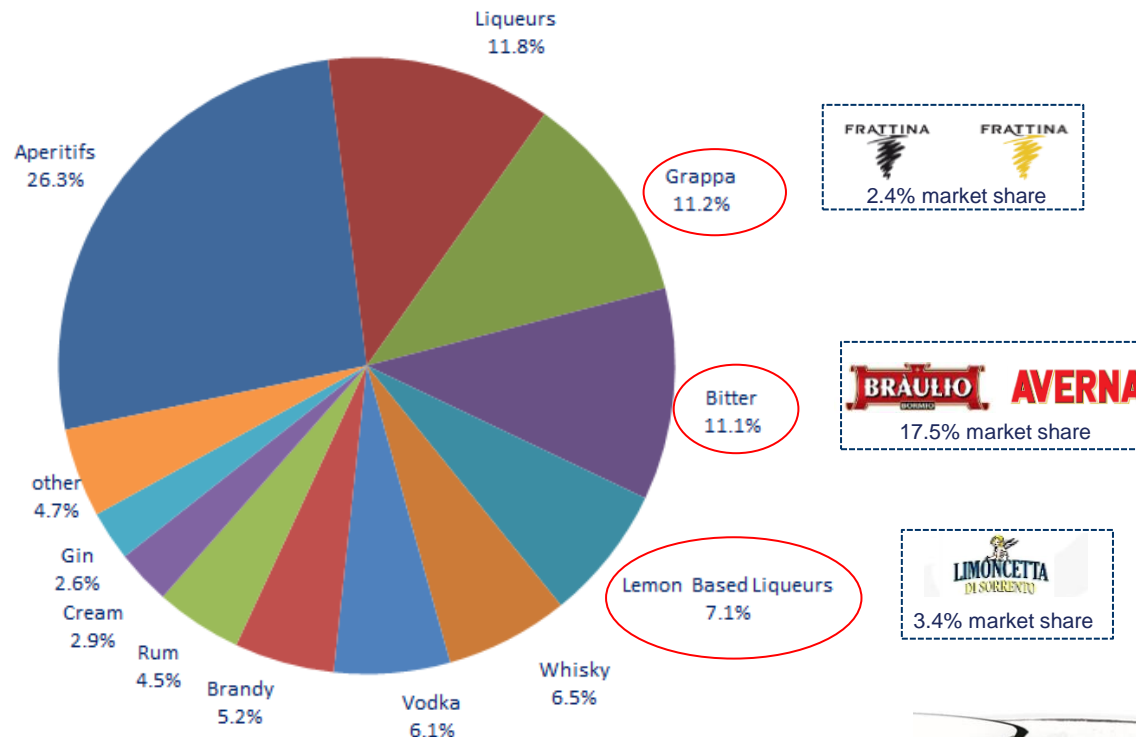
<sup>(1)</sup> Source: Averna Group



# Strengthening in the key spirits categories in Italy

- > In the Italian market, **bitters** represent, together with **grappa**, the third largest category (**11%** each) after aperitifs (26.3%) and liqueurs (11.8%), followed by lemon liqueurs (7.1%)
- > Within the bitter category, **Averna is the second largest brand with a market share of 15%**, whilst **Braulio has c.2.8% market share**. Within the lemon liqueurs category, Limoncetta Di Sorrento has c.3.4% market share, and Frattina has c.2.4% market share within the grappa category<sup>(1)</sup>

Italian spirits market volumes by category <sup>(1)</sup>



<sup>(1)</sup> Source: Averna Group



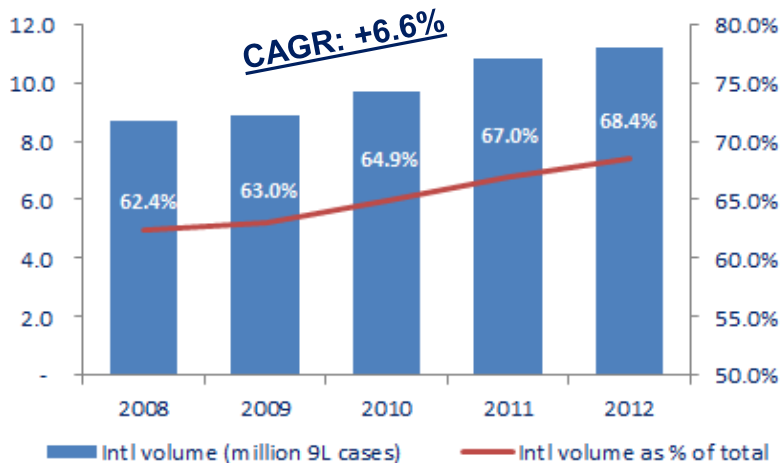


# Exploiting the international opportunity for Italian specialties

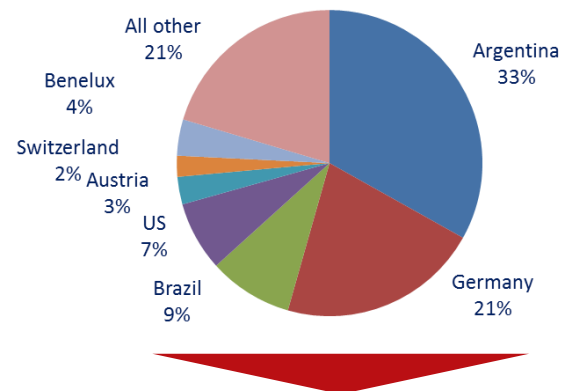


- > Italian bitters / liqueurs are **gaining more popularity globally**. Overall, **c.70% of the Italian bitters / liqueurs are sold outside of Italy**
- > **Argentina, Germany, Brazil, USA and Austria** are the top 5 export destinations for the Italian bitters / liqueurs category (source: IWSR 2012)
- > **From 2008 to 2012, the Italian bitters / liqueurs consumption outside of Italy grew overall by c.29% (CAGR: +6.6%)**
  - **Germany**, being the second largest international market for Italian bitters / liqueurs, **grew volume overall by c.14% (CAGR +3.4%)**
  - **Argentina more than doubled (CAGR +22.4%)**

Italian bitters / liqueurs volume trend outside of Italy (2008-2012)



2012 volume by geography (outside of Italy)



Perfect fit with Gruppo Campari's route-to-market

Source: IWSR 2012

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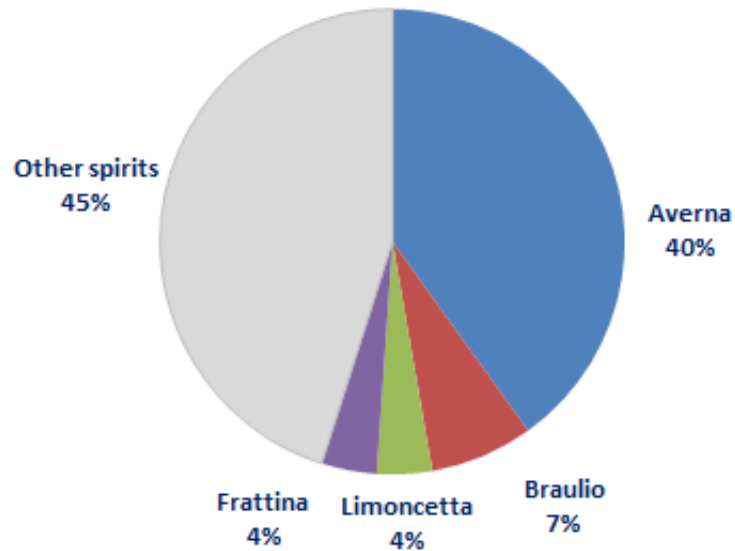
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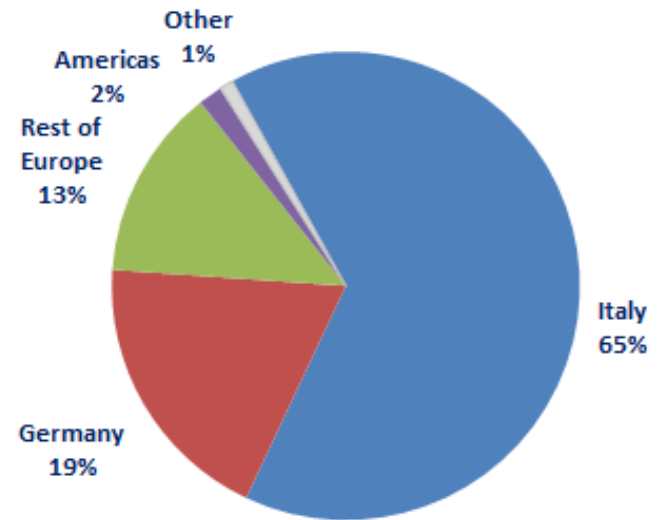
# Averna Group sales analysis

> FY 2013 total net sales: € 61.8 million

Sales value by brand



Sales value by key markets



Source: Averna Group



# Acquisition key metrics

## Key financials

- > 2013 net sales of acquired business of **€ 61.8 million**, up 3.1% compared with 2012

## Deal structure

- > **Total enterprise value for 100% of share capital of Averno Group is € 103.75 million, with equity value of € 98.0 and net financial debt of €5.75 million** as of 31 December 2013
- > Consideration to be paid with **available cash**
- > Completion of acquisition is expected on **June 3, 2014**

## Valuation

- > **2013 Pro-forma EBITDA<sup>(1)</sup>: € 11.3 million**
- > **Multiple based on 2013 Pro-forma EBITDA: 9.2 times**
- > **Expected Pro-forma Net debt / EBITDA of 3.0 times including Forty Creek <sup>(2)</sup> and Averno Group acquisitions**

<sup>(1)</sup> Related to the acquired business

<sup>(2)</sup> Acquisition announced on March 12, 2014. Expected closing on June 2, 2014



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**AVERNA**

Looking into the future, through AVERNA Group acquisition, Gruppo Campari is well positioned to:

## short term potential...

- > Further **strengthen the leadership position of the core brands and achieve growth by brand building mainly in the European markets**

## ...long term potential

- > Further **premiumise Campari's brand portfolio, driving richer sales mix**
- > **Develop the acquired portfolio beyond its core markets by leveraging the international appeal of the Italian specialities with the Group's strengthened distribution capabilities**
- > **In the core US market, with AVERNA, further enrich Gruppo Campari existing offering of Italian specialities, including Campari, Frangelico, Cynar and Aperol**





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