

# Bit Market Services

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PRESS RELEASE

**MASI AGRICOLA: CONSOLIDATED RESULTS FOR THE FIRST HALF OF 2016**

**REVENUE (+9%) AND PROFITS UP**

- Net revenue 29.9 million euros (27.5 mln euros in H1-2015, +9%)
- EBITDA 8.0 million euros (7.5 mln euros in H1-2015)
- EBIT 5.7 million euros (5.2 mln euros in H1-2015)
- Profit for the period 3.9 million euros (3.1 mln euros in H1-2015)
- Net debt 0.7 million euros (NFP positive at 3.1 mln euros at 31 December 2015) also due to increased stocks of Amarone

*Sant’Ambrogio di Valpolicella, 10 August 2016.* The Board of Directors of Masi Agricola S.p.A., listed on AIM Italia and an Italian leader in premium wines, met today and approved the consolidated half-year financial report at 30 June 2016.

Sandro Boscaini, Chairman of Masi Agricola, stated: «*We are satisfied with having closed the half positively, in terms both of growth and profits: moreover, we are working with a long-term perspective, as it is necessary to maintain the high-standing of a quality wines brand*».

**THE GROUP'S FINANCIAL PERFORMANCE**

*Revenue analysis*

Geographical breakdown of sales:

<i>(in thousands of euro)</i>	<b>H1-2016</b>	<b>%</b>	<b>H1-2015</b>	<b>%</b>	<b>Year 2015</b>	<b>%</b>
Italy	3,803	12.7%	2,807	10.2%	7,078	11.6%
Europe	13,441	45.0%	12,872	46.8%	27,895	45.8%
The Americas	11,814	39.5%	10,946	39.8%	24,378	40.0%
Other	844	2.8%	850	3.1%	1,522	2.5%
<b>Total</b>	<b>29,902</b>	<b>100.0%</b>	<b>27,475</b>	<b>100.0%</b>	<b>60,873</b>	<b>100.0%</b>

Overall, revenue was up nearly 9%, with good results in all three macro areas where the Group operates: Italy (+996 thousand euros, approximately +35%), The Americas (+868 thousand euros, approximately +8%), Europe (+569 thousand euros, approximately +4%).

Revenue reclassified according to the product's positioning (in millions of euro)<sup>1</sup>:

	H1-2016	%	H1-2015	%	Year 2015	%
Top Wines	6.38	21.3%	6.14	22.4%	15.42	25.3%
Premium Wines	14.73	49.3%	13.63	49.6%	29.06	47.7%
Classic Wines	7.99	26.7%	7.28	26.5%	15.56	25.6%
Other products	0.80	2.7%	0.42	1.5%	0.83	1.4%
<b>Total</b>	<b>29.90</b>	<b>100.0%</b>	<b>27.47</b>	<b>100.0%</b>	<b>60.87</b>	<b>100.0%</b>

In the first half of 2016, Premium Wines (approximately +8%) and Classic Wines (approximately +10%) were the fastest-growing segments.

As for revenue per unit, overall growth was higher than the growth in value terms.

There were no particular problems concerning customers' solvency and debt collection operations, which were in line with the previous years.

As for seasonality, in the last few years the Group has constantly generated over half of its annual revenue in the second halves.

#### *Analysis of net and consolidated operating results*

**EBITDA** improved totalling 8,023 thousand euros compared to 7,522 thousand euros in the first half of 2015, with an *EBITDA margin* largely in line (approximately 27%). In particular:

- a) the *revenue from sales and services less costs for raw materials and consumables, net* (so-called "Gross margin") also was, in percentage terms, largely in line with the previous year's figure (approximately 69%), while in value terms, it rose by 1,612 thousand euros due to the higher volumes sold;
- b) *costs for services and leases* rose by 597 thousand euros (going from 8,658 thousand euros to 9,255 thousand euros), mainly due to the greater marketing support in terms of advertising and promotional services;
- c) *other revenue and income* fell from 996 thousand euros to 616 thousand euros, down by 380 thousand euros.

Half-yearly **EBIT** improved from 5,182 thousand euros to 5,660 thousand euros (EBIT margin largely in line at approximately 19%) after expensing depreciation, amortisation and write-downs for an almost equal amount.

**Finance income and expenses** were positive to the tune of 463 thousand euros, compared to the

<sup>1</sup> Product positioning in terms of "off-the-shelf" retail price bands in Italy is understood as follows: *Top Wines*: wines with a price per bottle in excess of € 25; *Premium Wines*: wines with a price per bottle between € 10 and 25; *Classic Wines*: wines with a price per bottle between € 5 and 10.



(negative) 151 thousand euros for the first half of 2015. The change was mainly due to exchange rate differences.

**Income tax expense** increased from 1,905 thousand euros to 2,210 thousand euros.

The consolidated **profit** for the period improved from 3,119 thousand euros to 3,915 thousand euros.

## FINANCIAL POSITION

The consolidated net financial position at 30 June 2016 was negative at 748 thousand euros compared to (positive) 3,091 thousand euros at 31 December 2015.

It should be noted that at 30 June 2016 the Company adopted a procurement policy for products under construction and semi-finished goods with the aim of “securing” future stocks, in particular of Amarone: this was both to mitigate the risk of the possible reduction of the 2016 harvest (see the section “*Subsequent events*”) and because of the limited quantities of produce provided by the 2014 crop year.

## SIGNIFICANT EVENTS

The production of wines from raisined grapes in early 2016 was particularly significant, in terms of quantity and quality, thanks to an excellent 2015 crop year and an autumn-winter period characterised by outstanding weather.

In January 2016 the Company introduced the new “Modello” concept: it derives from the historic “Modello delle Venezie”, which is already part of Masi's portfolio. The project involved, besides the logo, also a restyling of the label and the definition of the elements that underpin the brand equity of the new brand.

On 18 March 2016, the wine shop at Tenuta Canova in Lazise (province of Verona) was enriched with a “Vino & Cucina” space, allowing customers to taste the Group's wines with food pairings that are simple, authentic, and local. The Group also offers guided tours of this production site, which consists of a vineyard, a drying house, and a cellar, as part of the *Masi Wine Experience* strategic project. The goal is establishing an increasingly direct relationship with end consumers. The Masi Group directly operates Tenuta Canova through the subsidiary Terre e Vigne S.r.l.

## SUBSEQUENT EVENTS

As previously announced by the Company, the *Masi Investor Club* has been set up, with invitations to join sent to eligible shareholders. It is an initiative dedicated to those who, by investing in Masi, do not simply believe in a company with precious and tangible assets and a universally appreciated brand, but wish to get to know it better in terms of creating an experience. The Masi Investor Club is open to all those who have purchased at least one thousand Masi shares. Soon a reserved area will be created on [www.masi.it](http://www.masi.it) with a summary of forthcoming activities.

As already stated in previous months, one element which will have a negative impact on profits for the current year are the CMO contributions for the promotion of wine outside Europe, contributions which have been drastically reduced for the *Istituto Italiano del Vino di Qualità Grandi Marchi*, through which the Company presents its promotional projects to obtain CMO contributions. The Company recently learnt that the new call for applications, which refers to a two-year period as from mid-October, may once again draw on these contributions at a level largely in line with previous years.

On 25 July 2016, the *Consorzio per la Tutela dei Vini Valpolicella* presented a request to the Veneto Region, to reduce, for the 2016 harvest, the quantity of grapes certifiable by hectare to be destined to the production of the DOCG wines “Amarone della Valpolicella” and “Recioto della Valpolicella”. The request is to reduce by 20% the so-called “harvest choice” compared to the limit allowed up to the 2015 harvest. The Consorzio justified the request on the grounds of the need to maintain adequate profitability along the whole production chain for the Valpolicella segment, thus proposing a production containment measure given the past and expected increase in production potential (i.e. authorised vineyards). Masi Agricola SpA believes that the request made by the Consorzio – though provided for by the legislation in exceptional cases – today is ill-timed, based on assumptions which are methodologically suspect and harmful to the interests of quality wine producers as well as to the market. We wish that this approach, which is a mere tactical move against a structural impasse, will not be accepted by the Regional Government. The issue should be addressed at the time of the harvest. The Company has, in any case, safeguarded its business through coherent management of purchases and stocks.

## **PUBLICATION OF THE CONSOLIDATED HALF-YEAR FINANCIAL REPORT AND THE REPORT OF THE AUDIT FIRM**

The consolidated half-year financial report at 30 June 2016 and the limited audit report issued by EY S.p.A. are available to the public at the company’s registered office, on the website [www.masi.it](http://www.masi.it) (in the Investors/Financial Statements section), on the website of Borsa Italiana S.p.A. [www.borsaitaliana.it](http://www.borsaitaliana.it) and through the “NIS-Storage” authorised storage mechanism, at [www.emarketstorage.com](http://www.emarketstorage.com).

Masi Agricola S.p.A. states that the abovementioned report of the audit firm, shown below, gives an unqualified opinion.

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### **MASI AGRICOLA**

Masi Agricola is a wine producing company rooted in Valpolicella Classica, producing and distributing quality wines that are firmly anchored to the values of the Triveneto region. Thanks to the use of indigenous grape varieties and methods, and ongoing experimentation and research activities, Masi is today one of the best-known Italian producers of quality wines in the world. Its wines, in particular its Amarone, have received numerous honours from international critics. The entrepreneurial model of the Group marries high quality and efficiency with bringing up to date the values and traditions of its local territory. All this forms part of a vision that leads Masi to stand out not only for its core business, but also for its research and experimentation projects in the fields of agriculture and wine production, for the upgrading and promotion of the local territory and the cultural heritage of the Triveneto region. The Group can rely on a strong and growing international calling: it has a presence in over 100 countries, with exports representing around 90% of overall turnover. The Masi Group had sales of approximately 61 million euros in 2015, with an EBITDA margin of around 28%. Masi has a precise growth strategy, based on three pillars: broadening the offer of wines linked to the territory

MASI AGRICOLA S.P.A.

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and techniques of the Triveneto region, including through acquisitions; the structural growth through the strengthening of its position in the numerous markets where it is a key player; achieving increasing direct contact with the final consumer (including through the *Masi Wine Experience* project), thus attaining higher standing for its internationally well-known brand.

The alphanumeric code for the shares is "MASI" and the ISIN code is IT0004125677. The minimum tradable amount is 250 shares.

The Nomad and Specialist for the company is Equita Sim S.p.A.

#### **ANNEXES**

- Reclassified consolidated profit and loss account
- Reclassified consolidated balance sheet
- Reclassified consolidated cash flow statement

*Note: the information relating to 2016 and 2015 has been prepared according to the accounting principles set out by the Consiglio nazionale dei Dottori Commercialisti ed Esperti Contabili (the Italian association of chartered accounts), revised, updated and supplemented by the OIC (Italian Accounting Board) and, where these are lacking, the accounting principles recommended by the IASB as recalled by Consob. The data relating to the 2015 financial year has been subject to a full audit, whereas the information relating to the first half of 2016 and the first half of 2015 has been subject to a limited audit. The profit and loss account, the balance sheet and the cash flow statement herewith attached have been reclassified according to a format that is normally used by management and investors to evaluate the results of the Group. These reclassified financial statements are not aligned with the reporting standards required by the reference accounting principles, and must not therefore be seen as substitutes for the latter. Nevertheless, since the content they show is the same, these can easily be reconciled to the financial statements shown in the formats provided for by the reference accounting principles.*

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## RECLASSIFIED CONSOLIDATED PROFIT AND LOSS ACCOUNT

<i>(in thousands of euro)</i>	<b>H1-2016</b>	<b>H1-2015</b>	<b>Year 2015</b>
<b>Revenue from sales and services</b>	<b>29,903</b>	<b>27,476</b>	<b>60,873</b>
<i>Costs for raw materials and consumables</i>	<i>(14,010)</i>	<i>(10,887)</i>	<i>(18,595)</i>
<i>Change in inventory of semi-finished and finished goods and products under construction</i>	<i>4,518</i>	<i>1,719</i>	<i>(2,936)</i>
<i>Change in inventory of raw materials and consumables</i>	<i>151</i>	<i>642</i>	<i>386</i>
<b>Costs for raw materials and consumables, net</b>	<b>(9,341)</b>	<b>(8,526)</b>	<b>(21,145)</b>
<b>Gross margin</b>	<b>20,562</b>	<b>18,950</b>	<b>39,728</b>
<i>Gross Margin %</i>	<i>69%</i>	<i>69%</i>	<i>65%</i>
<i>Costs for services and leases</i>	<i>(9,255)</i>	<i>(8,658)</i>	<i>(18,775)</i>
<i>Staff costs</i>	<i>(3,740)</i>	<i>(3,605)</i>	<i>(6,547)</i>
<i>Other operating costs</i>	<i>(160)</i>	<i>(161)</i>	<i>(441)</i>
<i>Other revenue and income</i>	<i>616</i>	<i>996</i>	<i>2,868</i>
<b>EBITDA (*)</b>	<b>8,023</b>	<b>7,522</b>	<b>16,833</b>
<i>EBITDA Margin (**)</i>	<i>27%</i>	<i>27%</i>	<i>28%</i>
<i>Depreciation, amortisation and write-downs</i>	<i>(2,363)</i>	<i>(2,340)</i>	<i>(5,370)</i>
<b>EBIT (***)</b>	<b>5,660</b>	<b>5,182</b>	<b>11,463</b>
<i>EBIT Margin (****)</i>	<i>19%</i>	<i>19%</i>	<i>19%</i>
<i>Total financial income and expenses</i>	<i>463</i>	<i>(151)</i>	<i>(1,256)</i>
<i>Total extraordinary items</i>	<i>2</i>	<i>(7)</i>	<i>(645)</i>
<b>Profit before tax</b>	<b>6,125</b>	<b>5,024</b>	<b>9,562</b>
<i>Income tax for the period, current and deferred</i>	<i>(2,210)</i>	<i>(1,905)</i>	<i>(3,383)</i>
<b>Profit for the period</b>	<b>3,915</b>	<b>3,119</b>	<b>6,179</b>
<i>Attributable to third parties</i>	<i>(30)</i>	<i>(25)</i>	<i>(16)</i>
<i>Attributable to the Group</i>	<i>3,945</i>	<i>3,144</i>	<i>6,195</i>
<i>% Profit for the period / Revenue</i>	<i>13%</i>	<i>11%</i>	<i>10%</i>

(\*) EBITDA indicates the result before financial expenses, taxes, amortisation/depreciation of fixed assets, write-down of receivables, allocations to the provisions for risks and charges and extraordinary items. EBITDA is therefore the result from operations before policy choices regarding amortisation/depreciation and the assessment of the collectability of trade receivables. EBITDA thus defined is the indicator used by the Company's directors to monitor and assess the Company's operating performance. EBITDA is not identified as an accounting measure under Italian accounting principles and so must not be considered an alternative measure to assess the trend in the Company's operating results. Since the composition of EBITDA is not regulated by the reference accounting principles, the criterion applied by the Company for its measurement may not be the same as that adopted by other companies and therefore may not be comparable with them.

(\*\*) EBITDA Margin is calculated by the Group as the ratio of EBITDA to Revenue from sales and services.

(\*\*\*) EBIT indicates the result before financial expenses, extraordinary items and taxes for the period. EBIT is therefore the result of operations before the remuneration of both own and third-party sources of financing. EBIT thus defined is the indicator used by the Company's directors to monitor and assess the Company's operating performance. EBIT is not identified as an accounting measure under Italian accounting principles and so must not be considered an alternative measure to assess the trend in the Company's operating results. Since the composition of EBIT is not regulated by the reference accounting principles, the criterion applied by the Company for its measurement may not be the same as that adopted by other companies and therefore may not be comparable with them.

(\*\*\*\*) EBIT Margin is calculated by the Group as the ratio of EBIT to Revenue from sales and services.

**RECLASSIFIED CONSOLIDATED BALANCE SHEET**

<i>(in thousands of euro)</i>	<b>30.06.2016</b>	<b>31.12.2015</b>	<b>Change</b>	<b>30.06.2015</b>
Intangible fixed assets	17,298	18,495	(1,197)	17,411
Tangible fixed assets	45,759	44,812	947	44,278
Financial fixed assets	908	810	98	816
<b>Net fixed assets</b>	<b>63,965</b>	<b>64,117</b>	<b>(152)</b>	<b>62,505</b>
Trade receivables	12,162	13,517	(1,355)	12,027
Inventory	36,671	31,199	5,472	35,268
Trade payables	(6,489)	(8,899)	2,410	(7,173)
<b>Net operating working capital</b>	<b>42,344</b>	<b>35,817</b>	<b>6,527</b>	<b>40,122</b>
Other assets	4,479	6,354	(1,875)	3,469
Other liabilities	(2,544)	(2,435)	(109)	(3,859)
<b>Net working capital</b>	<b>44,279</b>	<b>39,736</b>	<b>4,543</b>	<b>39,732</b>
Provisions for risks and charges	(748)	(1,055)	307	(1,245)
Provision for employee severance indemnities	(767)	(764)	(3)	(824)
Deferred/(prepaid) taxes	(129)	30	(159)	(75)
<b>Net invested capital</b>	<b>106,600</b>	<b>102,064</b>	<b>4,536</b>	<b>100,093</b>
Net financial position	748	(3,091)	3,839	(2,762)
Consolidated net equity	105,852	105,155	697	102,855
<b>Total sources of financing</b>	<b>106,600</b>	<b>102,064</b>	<b>4,536</b>	<b>100,093</b>



**RECLASSIFIED CONSOLIDATED CASH FLOW STATEMENT**

<i>(in thousands of euro)</i>	<b>H1-2016</b>	<b>H1-2015</b>	<b>Year 2015</b>
<b>Net profit</b>	<b>3,915</b>	<b>3,119</b>	<b>6,179</b>
Depreciation, amortisation and write-downs of non-current assets	2,363	2,162	4,911
Net gains on sale from disposal of fixed assets	0	(7)	0
Other adjustments (taxes, interest expense, dividends received, provisions made, other non-monetary adjustments, etc.)	(504)	374	(1,076)
	<b>5,774</b>	<b>5,648</b>	<b>10,014</b>
Change in net working capital	(4,543)	(331)	1,208
<b>Cash flow from operating activities</b>	<b>1,231</b>	<b>5,317</b>	<b>11,222</b>
<b>Net investments</b>	<b>(2,176)</b>	<b>(3,937)</b>	<b>(8,262)</b>
<b>Free cash flow</b>	<b>(945)</b>	<b>1,380</b>	<b>2,960</b>
Share capital increases		19,996	19,996
Dividends	(2,894)		(1,251)
<b>Change in net financial position</b>	<b>(3,839)</b>	<b>21,376</b>	<b>21,705</b>
Opening net financial position	3,091	(18,614)	(18,614)
Closing net financial position	(748)	2,762	3,091

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