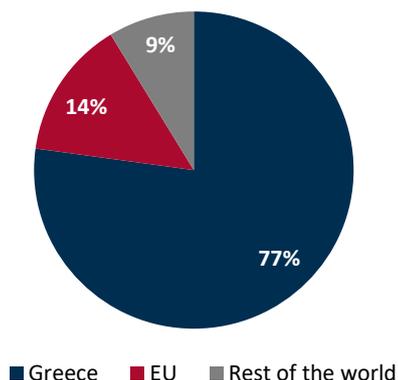


Table 1: Key Figures

Key figures	
Bloomberg Ticker	KTILA:GA
Stock Exchange	ATHEX
Industry	Consumer Staple Products
Sector	Consumer Staples
Share Price (03/06/21)	€ 1,50
Market Capitalization	€ 25,58
52w High	€ 1,69
52w Low	€ 0,97
1-Year change abs.	25,66%
1-Year change rel.	-10,34%
Beta	0,33
Free Float	30%

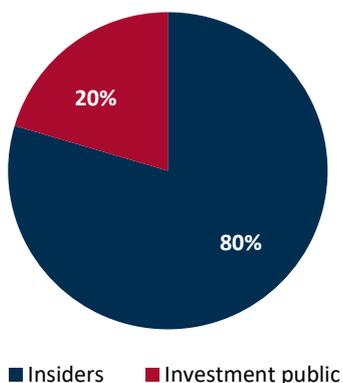
Source: Bloomberg | Finance Club Research

Figure 1: Company Revenues by Area



Source: Company Reports

Figure 2: Ownership



Source: Company Reports

BUSINESS DESCRIPTION

Domaine Costa Lazaridi S.A. is a Greek-based company active in the winemaking industry. It was established in Drama, Northern Greece, in 1992. The company owns 200 hectares of vineyards a 15.000 sq.m. winery with the most modern equipment and cooperates with world known consultants such as Michel Rolland for Red Wines, Florent Dumeau for White Wines, Dr. Klaus Hagemann for Spirits, Giulio Bagnacani for Balsamic Vinegar and Eric Moro as an advisor for Agricultural and Vineyard Projects.

Company production and activities.

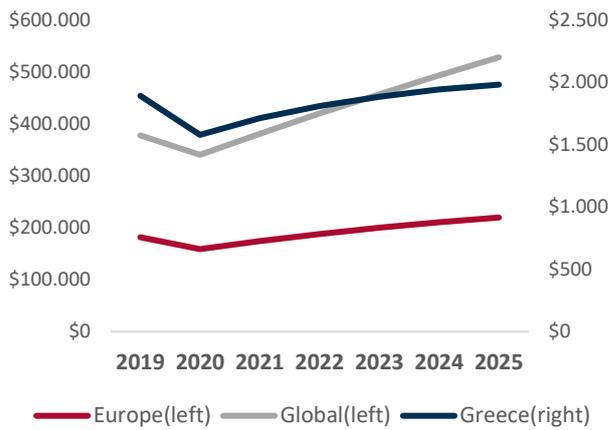
The revenues of the company mainly come from production and selling of wine and vinegar. It also generates income from the lease of premises and the various events it organizes. The company’s facilities include a winery, a distillery, underground aging cellars, wine testing and a conference center. Its products are exported to the United States, Canada, China, Australia, Germany, France, Switzerland, Sweden, Denmark, Holland, Cyprus, and several other countries. In a similar venture, setting out from Drama, they created Oenotria Land estate in Kapandriti and produced wine in the land of Attica. The estate includes a small modern winery, for the vinification of the grapes from their private vineyard. Oenotria Land, however, is a lot more than a winery. In the 10.500 square meter complex they have the Costa Lazaridi Wine Museum, hall for professional and social events, conference rooms and underground cellars for the ageing of wines.

Domaine Costa Lazaridi employs a total of 65 people as of 2019 company reports. As far as products are concerned, the company product portfolio includes a wide selection of wines such as: Amethystos, Château Julia, Domaine Costa Lazaridi, Oenotria Land and Oenodea, distillates (Idoniko Family and Methexis Family), balsamic vinegars and some collectibles.

Chronology of Domaine Costa Lazaridi

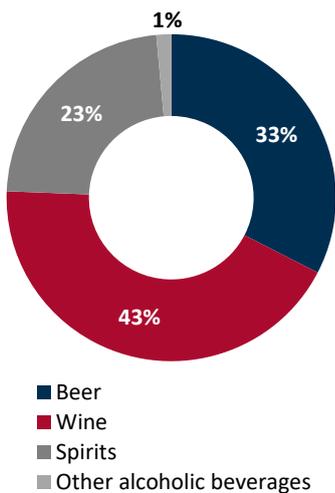
In 1986, the first winery was under construction, open to visitors in Adriani, Drama and the first bottles of Amethystos wine were introduced. After 14 years, in 2000, Domaine Costa Lazaridi S.A. entered the Athens Stock Exchange. Three years later, the construction of the Oenotria Land complex was initiated, while in 2011 the Costa Lazaridi Wine Museum opened its doors to the public, in the same premises. More recently, in September of 2013, the company established a new 100% owned subsidiary, namely “Amalagos Monoporosopi IKE” with the same objective.

Figure 3: Wine Market Revenues Projection (in millions)



Source: Statista

Figure 4: Alcohol Consumption per Capita in Greece, 2018



Source: W.H.O.

Figure 5: Wine Consumption per Capita in Greece

Litres	Alcohol
2.63	2018
2.88	2017
2.84	2016
3.08	2015
3.37	2014

Source: W.H.O.

MARKET OVERVIEW

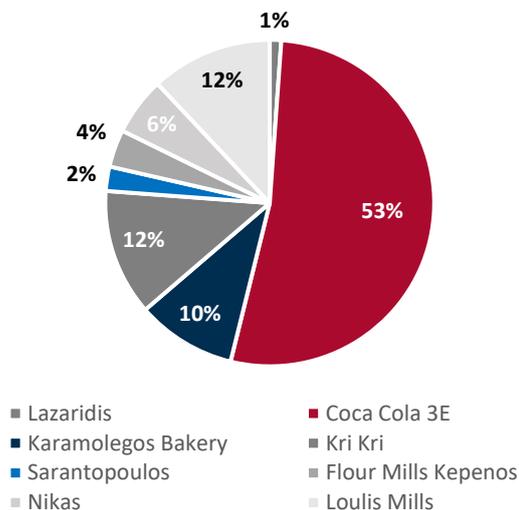
The Wine market contains alcoholic beverages derived from fermented grapes and its global revenue is projected to reach \$530bn in 2025, with a forecasted 9.2% CAGR. Europe remains the world's consumption center, at 58% of volume and 50% of the total value. The largest wine markets are the USA, China, and France and the countries that import the most are Germany, the USA, and the United Kingdom, where production is significantly lower than consumption. There are interesting regional and segmental dynamics at play, affected by wider economic trends of increasing population growth and increases in disposable income, particularly in Asia. Sub-categories such as rosé and organic wines have been demonstrating remarkable growth, while other segments have lagged behind.

Global wine sales have dropped by almost 10% due to the COVID-19 pandemic and they are expected to take longer to recover than other alcoholic drinks categories. Wine went through COVID-19 with a 1.1% volume decline around the world with eCommerce sales not making up for the loss. The recovery for wine is likely to be a lot longer than beers and spirits and is not guaranteed to reach the previously forecasted 2024 levels for a while since all the underlying issues that affect it, such as climate change, tariff wars, and Brexit, will continue to exist even after people are vaccinated for COVID-19.

Scaling it down, the Greek wine market revenue is projected to reach \$2mn in 2025 and is forecasted to grow at 4.6% CAGR. Greece ranks seventh in the EU in terms of production volume (approximately 2% of total production), while Greece's annual per capita wine consumption stands at 25.2 liters, with Greeks consuming less and opting for more cost-efficient solutions. The Greek wine industry is a traditional industry that carries a long heritage and, to this day, contributes significantly to the country's economic growth, not only by augmenting exports but also by raising awareness about other Greek traditional goods such as olives, dairy products, honey, etc. The wine industry in Greece includes a few large wineries, many medium-sized and small local wineries, and associations of agricultural cooperatives. The large wineries control a significant share of the domestic market of bottled wine, offering their products through large-scale distribution networks. Wine imports are a very small part of the domestic market. The largest share of exports belongs to Germany and France. Unlike other south European Union countries with tradition in wine production, Greece has not yet fully exploited the industry's export potential.

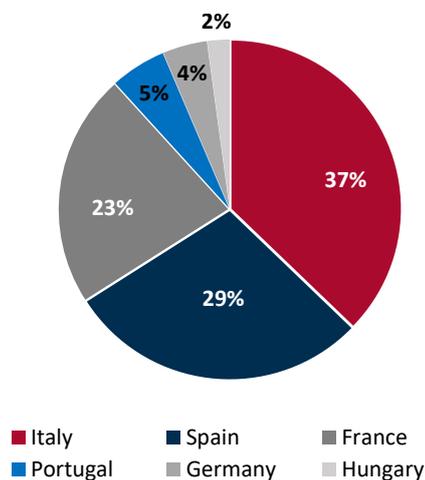
COVID-19 had a severe impact on Greek wine sales in 2020 with an average decrease in revenue of around 25% mostly due to the decreased tourist arrivals. Wine exports were also impacted by the pandemic and seem to have decreased by 15% because Greek wineries do not have established distribution networks in the retail market abroad and are mostly reliant on the hospitality industry.

Figure 6: Greek Food & Beverages Firms



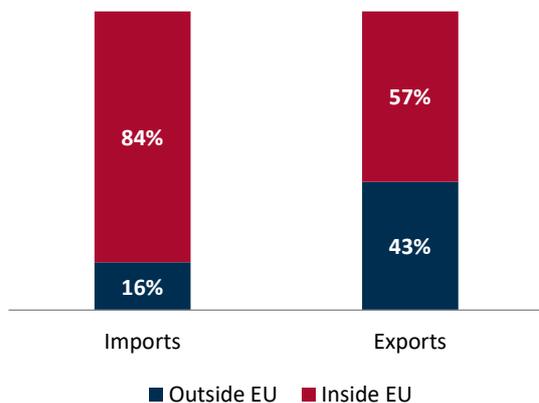
Source: Company Reports

Figure 7: Top Wine Producers in the EU, 2019



Source: Eurostat

Figure 8: EU Members' Wine Imports/Exports, 2019



Source: Eurostat

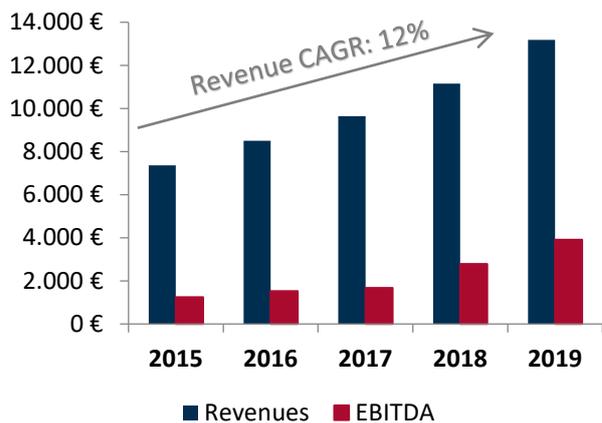
The interaction of supply and demand in the wine industry. The market forces that shape the consumers demand for winemaking products, vary. A key factor in wine demand is seasonality, as the period with the highest wine consumption starts from October to May. This is due to the increasing demand that exists during the holiday season, as many choose to offer it as a gift. In the summer months, due to the heat, consumers are pushed to other substitute alcoholic beverages, such as beer. Although not considered a necessity, wine is consumed by all walks of life. This is shown by the fact that despite the economic conditions, especially in the era when the COVID-19 pandemic prevails, the amount of wine consumption does not change much, they simply turn to the bulk. Therefore, it is generally observed that increases in price and or decreases in disposable income influence demand negatively and make consumers purchase cheaper bottled products or boxed wine products.

Wine consumption is also affected by eating habits and other consumption patterns of each person, that vary demographically and socially. Many consumers follow a healthy diet in general, with wine in moderation being a healthy alcohol alternative or following around the spectrum of the Mediterranean diet, that is known for including wine. Furthermore, in recent years, there has been an increase in research proving the very positive effects that wine has on health. This fact positively predisposes the consumer towards the consumption of wine. At the same time, advertising is the most important means of promoting winemaking products and it does influence the demand for wine. Finally, it is worth mentioning that various social and demographic factors, such as age, educational level, profession / occupation, also play a role in wine demand. However, although European and Greek wines are considered high quality, the low price of wines produced outside the EU makes it difficult and limited the demand for European wines.

Government supports wine producers to tackle COVID-19 effects. Although in October 2019 new 25% tariffs were applied on European products by the USA, Greek agricultural products have been exempted, for the second time. However, in the last 15 years, Greece marks a reduction of cultivated areas by 15%, which is exclusively due to the low crops yield. To help with that, the Greek Government imposed measures along the lines of the Rural Development Program, titled “Emergency temporary support to farmers in the sectors particularly affected by the effects of the COVID-19 pandemic”, hoping to support domestic agriculture and boost production. At the same time, the signing of a trade agreement between the British government and the European Commission on 24 December 2020 is a relief for the wine industry, as it will also cover “free trade”, that is free of tariffs or quotas.

Digitalization of wine tasting marks a new path into the future. In-winery testing showed a terrible drop this year, due to the limitations of COVID-19. Producers quickly turned these tests into digital ones, with many companies offering them to their employees. A few bottles are sent to those who take part, and the tests are done live from home. With the involvement of technology, a new platform is due to be released in the following year under the name “Vivant”. The platform aims to help its subscribers buy and understand better their wine. “Vivant” subscribers will be able to scan any bottle with a microchip to receive a full wine rating, access to a live personal wine consultant and live wine experiences from around the world. Consequently, the wine industry is expected to grow, as the consumer will have faster access to way of processing the wine and he will be able to see comments and observations of experts

Figure 9: Revenues, EBITDA & Revenue CAGR

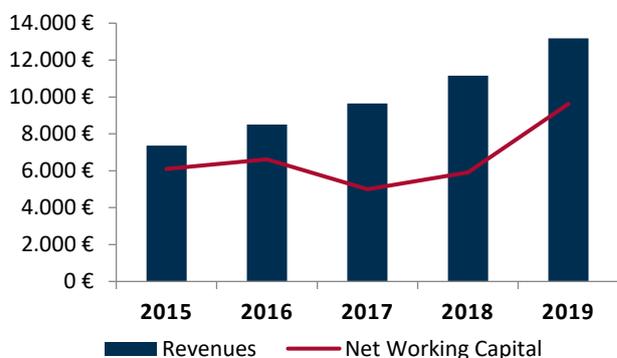


Source: Company's Reports

FINANCIAL ANALYSIS

A healthy growth of both revenue and net profit margins, throughout last 5-year period, is what characterizes most the Domaine Costa Lazaridi company. Annual revenues went up from €6.4mn in 2014 to €13.1mn in 2020, with a compound annual growth of 12%. In 2019 specifically, the company reported an increase of circa €2mn in revenue and €1mn in gross profit, a 15% and 16% rise relative to 2018, respectively. The EBITDA figure marked a 29% increase in 2019, double of that of revenues, mainly because the company managed to maintain operating expenses, such as sales and administration expenses, at the same levels. Net income went up 7% from 2018 to 2019. The annual net profit margin rose from -16% in 2014 to 15% in 2019. According to the company's annual financial report for 2019, this augmentation was solely based on the increasing number of wine & distillates sales, the majority of which is sold domestically.

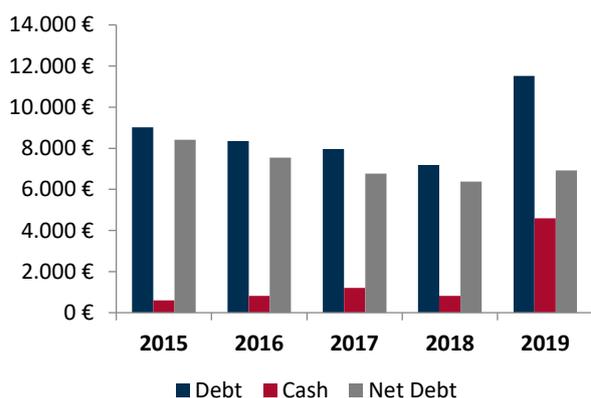
Figure 10: Revenues & Working Capital



Source: Company's Reports

Domaine Costa Lazaridi focuses to investments of better production technology and to the development of their vineries. In 2019 the company proceeded to significant investments of more than €4mn in tangible assets, most of which refer to the creation of new vineries, purchases of machinery, company vehicles and furniture, with about €3.4mn coming from generated operating cash flows, while a sum of €600 thousand was drawn from banks in the form of short-term and long-term loans. In November of 2019, Domaine Costa Lazaridi concluded a €8.1mn loan with National Bank of Greece, €7mn of which were used for the sole purpose of repaying other financial obligations and the remaining €1.1mn were invested in the know-how regarding vineyard utilization methods.

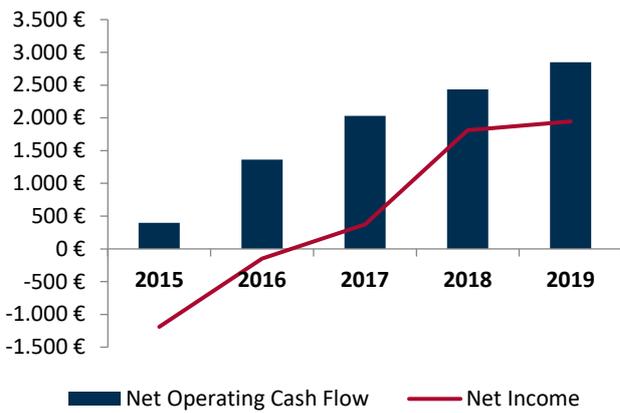
Figure 11: Debt, Cash & Net Debt



Source: Company's Reports

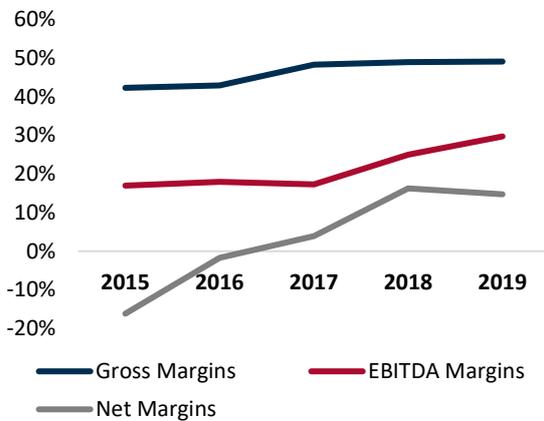
Liquidity-wise, risk is on very low levels, balanced by cash availability and a credit line. Domaine Costa Lazaridi noted a sharp rise of 465% in cash & equivalents in 2019, big part of which was attributed to the €8.1mn loan issuance by NBG. The current ratio for 2019 is 1.3, which is more than three times that of 2018, while quick ratio for 2019 is up 35% from 2018. The company seems to have a 44% increase in overall debt going from 2018 to 2019. Particularly, in 2019 long-term liabilities showed an increase of 54% while the short-term ones marked a higher percentage raise of 101% from last year, mainly because of previously mentioned financial transaction. However, net debt went up by only 8%, signaling a healthy debt growth considering the company's both total debt and liquidity dramatic increase in 2019.

Figure 12: Operating Cash Flows & Net Income



Source: Company's Reports

Figure 13: Gross, EBITDA & Net Margin



Source: Company's Reports

Income tax for the year 2019 was at €600 thousand, while the deferred income tax for the same year resulted in €1,427.438 million, almost double that of 2018 which marked €875 thousand. This increase is due to the reduction of deferred tax assets by half. The differed tax percentage for the group, as of 31/12/19, was calculated at 24%. That change in calculation of tax coefficients resulted in the increase of income taxes by €33,365.20. The company's biological assets, such as vineyards, are considered and treated as tangible assets until harvest and are then valued as inventories, while plots do not depreciate. On 31/12/2019 the accumulated depreciation for buildings amounted to €542 thousand, while the depreciation for year 2019 was calculated at €45 thousand. Domaine Costa-Lazaridi has estimated that the useful life of buildings ranges from 17 to 50 years, and that of mechanical equipment from 7 to 20 years. In addition, the useful life of intangible assets is estimated between 3 and 4 years.

Local lockdown measures due to the COVID-19 pandemic take a toll on the hospitality and dining industry, which Domaine Lazaridi mostly caters to. This is effectively causing a considerable plunge in domestic demand of all related activities, including total alcoholic beverage consumption and - mostly wholesale- supply for restaurants, bars and hotels. Despite the holistic drop of demand, the in-house consumption phenomenon is increasing. That, however, does not account for the massive change of pre-covid consumption, having little effect to the counterbalance of the falling demand. The company will attempt to tackle those effects by a reviewed investment planning and budget constraints, a strategy that had been proven successful during the past financial uncertainties of the Greek crisis.

Figure 13: Historical Share Price & Volume – 2 years



Source: Bloomberg

Volume(left) Price(right)

Table 2: Key Financials

Key Financials											
	2015	2016	2017	2018	2019		2015	2016	2017	2018	2019
Margins						Solvency					
Gross margin	42%	43%	48%	49%	49%	Leverage Ratio	0,60	0,58	0,56	0,48	0,64
EBITDA margin	17%	18%	17%	25%	30%	Net Debt / Equity	38%	34%	30%	26%	27%
EBIT margin	4%	7%	8%	17%	22%	Net Debt / EBITDA	1015%	788%	678%	390%	310%
Net margin	-16%	-2%	4%	16%	15%	Efficiency					
Growth rates						Assets turnover	21%	24%	28%	31%	31%
Sales growth	14%	16%	13%	16%	18%	WC turnover	121%	129%	193%	189%	137%
Equity growth	-5%	-1%	1%	8%	8%	FCF yield	-4%	24%	8%	-1%	-2%
Assets growth	-3%	-2%	0%	3%	20%	Cash Realization	-33%	-922%	542%	134%	146%
Performance						Liquidity					
ROE	-5%	-1%	2%	8%	7%	DSO	146	146	123	92	86
ROA	-126%	-16%	42%	196%	189%	DIO	268	352	405	485	522
ROCE	1%	2%	3%	6%	7%	DPO	112	109	126	123	115
"Multipliers"						Cash Conv. Cycle	302	389	403	454	494
P / E	-3,1x	-24,4x	24,0x	7,5x	13,3x	Current Ratio	2,9	3,5	2,3	3,3	3,7
EV / EBITDA	9,7x	7,3x	9,4x	7,2x	8,4x	Quick Ratio	2,0	2,2	1,4	1,9	2,6
P / BV	0,2x	0,2x	0,4x	0,6x	1,0x	Cash Ratio	0,2	0,3	0,3	0,3	1,3

Source: Company's Reports | Finance Club Research

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