AREA STUDI MEDIOBANCA

THE ITALIAN WINE-MAKING INDUSTRY AND ITS LINKS WITH ITS LOCAL TERRITORY

Estimates for 2024: total sales up 2.4%,
driven by international success of sparkling wines (total revenues up 3.7%, exports up 6.8%)

Margins stable in 2023 (Ebit margin up 1.4%, net profit/total sales up 4.2%)

Less wine being drunk (total sales down 4.5% in terms of quantity) but better quality (total sales of very fine wines up 12.7%)

Wine tourism also growing: total revenues up 15% in 2023

Sustainability reports presented by just 35% of the companies

Milan, 11 June 2024

The **Mediobanca Research Area** has published its report on the **Italian wine industry.** The survey covers **253 leading Italian limited wine companies** with total sales of over €20m and aggregate revenues of €11.8bn, representing 88.4% of the national sector total. The analysis contains a focus on DOP and IGP wines, on the largest M&A deals in the sector, and on sustainability.
The full survey is available for download from www.areastudimediobanca.com.

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The global scenario at-a-glance

Global wine production in 2023 has been estimated at 237 million hectolitres, a strong decrease on 2022 (down 9.6%). Global consumption has been estimated at 221 million hectolitres (down 2.6%). Changes in demand, produced by generational turnover, healthier lifestyles and climate change, **have driven a reduction in the consumption of red wine**, which has declined from an average share of 51.3% in the 2000-04 period, to 48.3% in the 2017-21 period. By contrast, the consumption of white wines has reflected the opposite trend, rising from 40% to 42.2%, an increase of 2.2 percentage points, as has the consumption of rosé wines (up from 8.7% to 9.5%, an increase of 0.8 percentage points). **Italy has followed the trends seen at world level,** reporting a **23.2% decrease in production compared to 2022, and a 1.6% decrease in consumption,** with 37.4 litres of wine consumed per annum). **The balance of payments reflects a surplus in Italy**: in 20 years the surplus has grown at an annual average rate of 5.5%, rising from €2.5bn in 2003 to 7.2% in 2023. **Italy is the world's leading exporter of wine in terms of quantity** (21.4 million hectolitres in 2023) and ranks **second in terms of value** (€7.7bn, behind only France with €11.9bn).[1]

2023 and beyond for the Italian wine-making industry

The **leading Italian wine makers** see growth of 2.6% in total sales for **2024**, and of 3% for exports. Optimism continues in the area of **sparkling wine**, where total revenues are expected to increase by 3.7%, exports especially (up 6.8%), whereas sales of non-sparkling wines are expected to increase by 2.3% (exports up 2.2%).

In **2023**, the leading Italian wine markets reported **very little change compared to the previous year** (total sales down 0.2% vs 2022), with the domestic market (total sales down 0.7%) slightly underperforming the international market (total sales up 0.3%). **Exports of sparkling wines in particular posted an impressive performance, up 2.5%.** The **Ebit margin** reported a 1.4% increase vs 2022, while net profit accounted for 4.2% of total sales. **Quantities of wine sold were**

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[1] *Source: OIV- International Organization of Vine and Wine*

down 4.5% in 2023 across all channels. Inflation eroded households' purchasing power, penalizing sales of wine in the intermediate bracket (which decreased by 10.1% relative to 2022), confirming the increased polarization of the market. Low quality wines also reported a slight decrease in sales (down 1.7%), with a market share of 44.2%. **The wine market is increasingly premium in nature** (sales of very fine wines were up 12.7% on 2022, for a market share of 18.6%) **and is also more sustainable** (sales of organic wines were up 1.4%, for a market share of 5.4%; vegan wines up 9.6%, for a market share of 2.7%, and natural wines up 1.8%, for a market share of 1%).

Italian companies the top performers

The **Cantine Riunite-GIV group continues to lead the way in terms of total sales in 2023**, with total revenues of €670.6m (down 3.4% on 2022). Second place was again taken by the **Argea** wine group (€449.5m, down 1.2%), followed by IWB with €429.1m (down 0.3% on 2022). Romagna-based co-operative **Caviro also posted 2023 revenues of over €400m** (€423.1m), up 1.4% on 2022. **A total of seven companies recorded total sales of between €200 and €300m**: the Trentino-based co-operative Cavit (2023 total sales €267.1m, up 0.9% on 2022), Santa Margherita from the Veneto region (€255.4m, down 2%), Antinori from Tuscany (€250.3m, up 1.9%), La Marca, which specializes in the production of *spumanti*, and delivered 2023 total sales of €225.8m (down 4%), Piedmont-based Fratelli Martini (€219.6m, up 1.1%), Mezzacorona from Trentino (€217.7m, up 2%), and the Collis group which, having expanded its area of consolidation, posted total sales of €209.4m (up 64.8% on 2022). In terms of **profitability** (i.e. net profit as a percentage of total sales), Tuscan wine-maker Frescobaldi led the rankings in 2023 with 29%, followed by Veneto-based Santa Margherita (18.5%). In third place came Antinori, with net profit equal to 17% of total sales, 2.6 percentage points higher than in 2022. Some companies reflect very high percentages of **exports**, which in some cases even account for almost all their groups' total sales: such as the Fantini Group with 96.4%, Ruffino with 91.1%, and Argea with 89.9%.

DOC and DOCG wines: regional excellences

In 2023 some 47.7% of Italian wine qualified as having DOP (protected designation of origin) status (DOC and DOCG), compared with just 38.5% in 2013. IGP wines (protected geographical indication) wines decreased from 35% in 2023 to 27% in 2023, approaching the percentage accounted for by table wine (25.3% in 2023). In regional terms Piedmont accounted for the lion's share, with 19 DOCG and 41 DOC wines, followed by Tuscany (11 DOCG, 41 DOC and 6 IGT) and Veneto (14 DOCG, 29 DOC and 10 IGT). **Some 39.3% of the production of DOP wines is concentrated in Tuscany**; while in Piedmont 94.6% of the regional production is DOP in nature. Overall the value of the bottled DOP and IGT wines is equal to €4.3bn in Veneto, followed by Piedmont with €1.4bn and Tuscany with €1.2bn. **These regional excellences are driving companies' performances**: the Tuscan wine-makers reported the highest Ebit margin (16.5%) and the highest ROI (6.3%), with Veneto and Piedmont equal in second position (both with 6.1%). Tuscany also reflects the highest financial solidity, with net debt accounting for just 18.4% of the capital invested. **The largest exporters are the Piedmontese wine companies, where exports account for 64.5% of their turnover,** followed by the Tuscan firms (60.6%). In 2023 exports drove the growth posted by the firms based in the Friuli region (whose total sales were up 6.1% and exports up 22.3%), and also of the firms based in Lombardy (total sales up 4.4%; exports up 7.4%) and in Emilia-Romagna (up 1.6% and up 8.6% respectively). **Optimism for 2024,** where growth is expected in Emilia-Romagna (up 4.6%), Puglia (up 4.3%), and Piedmont (up 4.2%).

Media Relations
Tel. no.: 02-8829.914/766
media.relations@mediobanca.com

Family-owned companies in difficulty over sustainability issues

Family-controlled companies account for 64.8% of the aggregate net equity, a share which rises to 81.4% if the co-operatives are also considered. Financial investors own 10.9% of the shareholders' equity: banks and insurance companies (5.2%) are not represented among the owners of the smaller companies, **whereas private equity funds (which own 4.1% of the net equity) invest in the share capital of the leading wine-makers regardless of their size.** Non-Italian ownership also decreases with size, and accounts for 7.6% of net equity. **Relations with financial markets are negligible:** only two wine companies have been listed on the AIM since 2015 (Masi Agricola and IWB).

Work to be done in the area of sustainability Only 34.9% of the leading Italian wine makers prepare sustainability reporting (38.6% of the producers with turnover of more than €50m). The main reasons for this are: the complexity of the validation and finalization process (for 26.8% of the companies), the lack of benchmarks or reference best practice (14.3%), the difficulties of involving the relevant company units and the lack of specific competences (10.7%).

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