

CAMPARI GROUP: Toasting life together (Abridged) ¹

CAMPARI GROUP IN 2023

This is how Campari Group presented itself (see Exhibit 1) in a comment by Bob Kunze-Concewitz, CEO of the company since May 2007 during the Investor Presentation of February 2023:

“Campari Group today is a major player in the global branded spirits industry, with a portfolio of over 50 ‘premium’ and ‘super premium’ brands, marketed and distributed in over 190 markets around the world, with leading positions in Europe and the Americas. Campari groups its brands according to the degree of penetration and geographical extent, into three categories, ‘global priorities’, brands with global extension, ‘regional priorities’, brands with regional extension, ‘local priorities’ brands with local extension. The Group employs around 4,000 people. Shares of the parent company Davide Campari Group - Milano N.V. have been listed on the Italian Stock Exchange since 2001.

Campari Group is today the sixth-largest player worldwide in the premium spirits industry²”.

And he continued explaining the mission and strategy:

¹Case of the Research Division of San Telmo Business School, Spain. Prepared by Professor Antonio García de Castro and Mr. Vincenzo Marino. Copyright © June 2022, Fundación San Telmo. Spain. Updated October 2023 with the collaboration of Professor Rocio Reina Paniagua.

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² Impact’s top 100 Premium Spirits Brands Worldwide by Company, March 2019. 1) Diageo 2) Pernod Ricard 3) Bacardi Ltd. 4) Brown-Forman 5) Beam Suntory 6) Campari Group 7) Constellation Brands 8) E&J Distillers 9) Mart-Jägermeister 10) The Edrington Group

In 2022, the finance indicators of the main competitors were the following:

	REVENUES	EBITDA	NET INCOME	MARKET CAPITALIZATION	NET DEBT
BEAM SUNTORY ¹	18 902	2 889	1 337	11 092	6 667
DIAGEO	17 422	6 430	3 764	90 714	16 392
PERNOD RICARD	10 701	3 405	1 996	45 501	8 657
BROWN FORMAN	3 687	1 129	786	29 489	1 314
CAMPARI GROUP	2 698	660	388	11 017	1 553
REMY COINTREAU	1 313	383	212	9 485	353

EUR in Millions

¹ BEAM SUNTORY HAS A VERY SIGNIFICANT NON-ALCOHOLIC BEVERAGES BUSINESS.

COMPOSITION OF REVENUES:
DRINKS AND FOOD: 10.311 €
ALCOHOLIC BEVERAGES: 6.678 €

COMPOSITION OF OPERATING INCOME BY BUSINESS SEGMENT:
DRINKS AND FOOD: 1.152 €
ALCOHOLIC BEVERAGES: 1.000 €

"The smallest of the big companies in the spirits industry, building iconic brands and superior financial returns alongside inspired and passionate Camparistas³.

Our strategy combines organic growth with mergers and acquisitions. This is critical to enable continued margin expansion and to drive substantial reinvestment in brand development and business infrastructure for growth. At Campari Group we are passionate about our work and deeply committed to building iconic brands."

On July 26th 2023, the board of directors of Davide Campari Group-Milano NV approved the First Half Results ended 30th June 2023 (see Exhibits 4 and 5).

This is how Bob Kunze-Concewitz, Chief Executive Officer, explained the results:

"We had very positive first half results, with strong organic sales growth of +14.2%, thanks to a solid brand momentum, in particular, aperitifs, tequila and premium bourbon, boosted also by pricing. The performance in Q2 reflected the expected reversal of the temporary phasing effects from Q1, very poor weather across core Southern & Central Europe, as well as temporary delistings from selected European retailers due to commercial negotiations in connection with price increases, which were subsequently passed through successfully. We experienced a solid organic EBIT-adj. growth of +15.1%.

Net financial debt of €1,823.2 million as of June 30th 2023, was up €268.0 million vs. December 31st 2022, mainly driven by the strong cash absorption of the inventory build-up. Net debt to rolling EBITDA-adjusted ratio at 2.5 times as of June 30th 2023, compared with 2.4 times on December 31st 2022.

Looking at the remainder of 2023, we remain confident of the positive business momentum across key brand-market combinations, reflecting business seasonality and expected normalization in volume growth, thanks to strong brand equity and continued strength in the on-premise.

Regarding margins, we expect the trends to reflect the sales mix evolution, different comparison bases for pricing effects as well as the initial easing effects on input costs inflation, alongside the phasing of A&P4 and continued sustained investments to strengthen the Group's commercial capabilities.

On a full year basis, we confirm our guidance of a flat organic EBIT-adj. margin in the current volatile macro-environment. In addition, we expect an acceleration in the negative forex trend to reflect the weakening US dollar as well as other key Group currencies whilst perimeter is expected to generate approximately €10- 15 million of EBIT-adj. on a full year basis, reflecting the prioritization of bulk liquid allocation of the Wilderness Trail Distillery to the future development of own brands.

³ Camparistas: Campari employees who work with commitment and passion for the brand.

⁴ Advertising and Promotion

In the medium term, we remain confident of continuing to deliver strong organic topline and margin expansion leveraging mix improvement as well as input cost inflation normalization”.

THE CORE BUSINESS OF CAMPARI GROUP

Campari was born in 1860, the brainchild of Gaspare Campari, in the city of Novara, west of Milan. Its recipe had always been a closely guarded secret, but it was said to contain more than sixty different herbs, fruits and spices, with notes of orange (chinotto or Moorish orange) and a quinine-like bitterness in the foreground.

Campari's portfolio consisted of three priorities (global, regional and local) with three product types each (aperitifs, premium spirits and RTD (ready-to-drink), low-alcohol or non-alcoholic).

From a consumption point of view, we can distinguish between:

- **On-premise:** Consumption that concerns bars and restaurants. In Italy for example, the biggest chunk of consumers belongs to this category. In this segment marketing and distribution is key. It was also fundamental to educate bar tenders on how to make, for example, the perfect Aperol Spritz.
- **Off-premise:** Consumption that concerns retailers that buy the products directly and consume at home. In USA, a big part of the consumption occurs at home. During the pandemic, Campari shipped a big part of its investment in marketing from brand activation on bars, restaurants, and “piazas” to drive consumption at home while educating and entertaining consumers on how to make the perfect ‘serve at home’.

The pandemic accelerated and changed the consumption habits.

The group considered its brand portfolio to be its strategic asset. The group firmly believed that the brand life can exist indefinitely. Intangible assets are a key component of the market value of spirits products, reflecting the power of brands built up over many years. Advertising and promotional investments build, protect, and increase the value of the brands in the long-term. These investments increase the reputation of the brand and the goodwill⁵.

The group had an ongoing commitment to investments in marketing designed to strengthen the recognition and reputation of iconic and distinctive brands in the key markets, as well as launching and developing them in new high-potential geographical regions. Brand image was a critical factor in a consumer’s choice of spirits products. Consumers were willing to pay higher prices for brands they liked and trusted.

⁵ Goodwill is a significant intangible asset in many balance sheets and arises when the company has acquired another company and it measures the difference between the price that was paid for the company and the carrying values of the identifiable assets and liabilities that were acquired. So, goodwill is a sort of intangible that is residual, a balancing figure. Typical is the case linked to the purchase of an important brand whose value in the market has grown over the years through careful marketing investments performed by the company.