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Masi Agricola's Q1 Profits Slide as Wine Consumption Dips

Revenues Drop 15.7% Amidst Market Downturn

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Masi Agricola, a renowned name in the Italian premium wine industry and listed on Euronext Growth Milan, recently disclosed its consolidated results for the first quarter of 2024. The figures present a mixed bag, reflecting both the inherent challenges and strategic shifts the company is navigating amid a turbulent economic landscape.

The company's revenues for Q1 2024 stood at €14.6 million, marking a 15.7% decrease from €17.4 million in the same period of 2023. EBITDA also saw a decline, dropping from €3 million to €1.8 million, with the EBITDA margin shrinking from 17.3% to 12.6%. While these figures might initially seem disheartening, a deeper dive into the

underlying factors reveals a more nuanced picture.

Masi Agricola's gross industrial margin, although lower in absolute terms due to reduced sales volumes, actually showed improvement percentage-wise. This improvement is largely attributed to a strategic pivot in their product mix, shifting focus from their top-tier wines to their classic wine offerings. This adjustment, coupled with some production cost optimizations, has helped cushion the blow of lower overall sales.

One point of concern is the increase in net financial debt, which rose to €27.3 million from €16 million at the end of 2023. This uptick highlights the financial pressures the company is under, a common theme across many industries grappling with the current economic environment.

The decline in revenues aligns with broader trends observed over the past six months, as noted by Masi's leadership. The Boscaini brothers, who steer the company, have pointed to a general downturn in wine consumption across various markets. This reduction is mainly driven by decreased consumer spending power, a direct consequence of inflation's impact on real incomes.

Adding to the complexity is the ongoing de-stocking phenomenon within the distribution network, a trend that began at the tail end of 2022 and continued through the first quarter of 2024. Distributors, wary of falling consumption and geopolitical uncertainties, are actively reducing their inventories. Factors such as high interest rates, increased caution in bank lending, and geopolitical risks are contributing to this cautious stance.

Among the hardest hit within Masi's portfolio are the Venetian wines. Bottling data for Q1 2024 from the Consortia, a reliable indicator of commercial performance, paints a stark picture: Ripasso saw a 19% decline, Amarone dropped by 20%, and Valdobbiadene also fell by 20%. Notably, premium and ultra-premium wines are experiencing more significant drops in demand compared to entry-level segments.

Masi Agricola's Q1 2024 results underscore the multifaceted challenges facing the wine industry today. The company's strategic response—shifting their product mix and optimizing production costs—demonstrates resilience and adaptability. However, the

rising net financial debt and broader market downturn signal that the path ahead will require careful navigation.

The company will need to continue adapting to changing consumer behaviors, economic pressures, and global uncertainties. While the current landscape is challenging, Masi Agricola's rich heritage and commitment to quality position it well to weather the storm and emerge stronger in the long run.

Masi Agricola's recent performance is a testament to the complexity of the global wine market. The company is facing significant headwinds but is actively making strategic adjustments to maintain its standing in the premium wine sector. As the economic landscape evolves, Masi's ability to adapt will be crucial in sustaining its legacy and achieving future growth.