UNIVERSITY OF PADUA

Department of Economics and Management “Marco Fanno”

Graduate Degree in Business Administration

STRATEGIC PLAN FOR A NOT LISTED COMPANY: A PRACTICAL EXAMPLE

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Introduction

In recent years, both small and medium sized enterprises as well as large size companies, have been facing an overall economic situation, that forces companies to a revaluation of perspectives and a more rational and careful management of the business.
It is always more unavoidable for the majority of enterprises to ask for an external intervention to sustain and guarantee the on-going of the business.
This has led companies to deepen the relationship with banks in particular, that nowadays, are a relevant and crucial presence in the daily administration of a business.
Indeed, the increasing financial support banks provide to organizations, has forced companies to allow an higher level of information exchange with financial institutions, that, beside the mere financial disbursement, demand also to be provided with the highest possible amount of information on the on-going of the business.
To this purpose, an appreciated tool able to satisfy financial institutions' requests on the future development of a company's activities as well as to better understand the logic and the infrastructure behind an organization, is the strategic plan.
Considering both endogenous and exogenous factors, the strategic plan allows an organization to provide financial institutions with an overview of the actual and future company's situation, also permitting management to undertake an internal evaluation process, extremely useful when assessing positive and negative aspects within the organization.
Therefore, the strategic plan can be seen, at the same time, as a useful document for corporate management, capable of guiding the organization's executives in their daily activity helping them in not losing sight on the vision and mission of the company; as well as an official paper, banks can study and work on to make their evaluations and considerations.

Within this paper, I deal with an Italian company located in Padua, Interbrau S.p.A, by whom I had and I'm still having the opportunity to work as an intern concurrently with a really delicate situation, the company is facing.
Despite an exponential growth that has characterized the company's activity since its foundation at the beginning of the 80's, nowadays, Interbrau S.p.A. has to deal with a consistent reduction in terms of revenues and relative margins that are critically threatening its actual leading position in the industry.

Indeed, this situation has encouraged management to prepare a strategic plan for the next three years to be submitted to banks or other potential investors, on whom the organization relies to obtain the requested financing.

In the following paragraphs, the drafting of the company's strategic plan is anticipated by a general framework on the preparation of a well-conceived plan; thus focusing on the critical parts that cannot be missed when drafting such a document.
So, starting from the reasons that lead a company to write such a document, until a brief explanation of all the relevant sections, I tried to emphasize the importance of involving the whole organization in the drafting and the need of presenting reliable and consistent data that can be supported by evidence.

Concerning the development of the strategic plan, all aspects have been carefully analyzed in order to obtain the most accurate conclusions.
Constantly assisted and supported by the CFO, the analysis begins with an overall introduction of the Group and its history, to move on with the description of the business model, the external environment and its peculiarities, until reaching the last section devoted to the financial projections where each single item of the financial statements has been illustrated and described.

The last chapter, instead, focuses on the ways companies can anticipate liquidity's crises, analyzing the possible measures and instruments to be adopted, in order to be able to meet short-term obligations.
Beside a general introduction on the practical methods related to risk management procedures, a business can adopt to face the risk of insolvency, the final pages of the thesis are devoted to the presentation of other future possible scenarios, that might affect Interbrau's actual condition.

Chapter1. Strategic Planning

In a broad sense, strategic planning could be identified as the practice of anticipating the future figuring out trends and issues on whom converging the priorities of the company and its business units; thus understanding which are its main customers' needs and determining the most effective and efficient possible way to achieve the goals.

More specifically, it is an activity whose aim is to enhance employees' commitment toward common and shared goals, assessing and adapting the company's structure with respect to a dynamic and ever changing environment.

It can be considered as a procedure that builds up those activities required to the guidance of an organization towards its vision and mission.

Many people believe there's only one way to do strategic planning, but this is a wrong conviction: there are several different ways to plan, depending on the purposes of planning, the culture of people in the organization, types of issues the organization is currently facing, and the rate of change in the external environment of the organization.

For instance, a company may decide to adopt a vision-based or goal-based planning, where the results to be achieved in the future are first clarified, and then the company figures out which actions to implement to reach them; instead of endorsing an issues-based approach, where the focus is on current issues that the organization must soon address to later switch to a long term plan.

In fact, in most of the companies, strategic planning begins with the desired-end and works backward to current status.

The purpose of strategic planning

Planning is a critical component of good management and governance.

It ensures that a company keeps being updated on the requirements of its customers, providing a useful guide on the maintenance of stability and favouring growth; a well-drafted strategic plan can indeed serve as a roadmap to align the firm’s functional activities to achieve set goals.

It provides a basis to monitor progress, and to assess results and impacts, enabling a company to adopt a proactive behaviour instead of a mere reactive one.

From an administrative point of view, it assures management with a tool capable of guiding the organization with principles and polices to be followed and respected by workers.

A company, preparing a strategic plan, delivers also a clear message about its stability to the external environment: strategic planning requires, indeed, some level of organizational stability. It is very difficult to plan in a crisis, and unrealistic to look three years ahead unless an organization has some confidence that it will exist next years, and that most of its crucial staff and executives will continue to be part of the group.

Moreover, the written transcription in a document of strategic undertakings, that will be implemented within the next three to five years, provide the company with a useful learning tool that can be improved day by day verifying the quality of past managerial intuitions reducing relative risks.

Beside all these internal factors, other crucial elements are related to external circumstances.

A strategic plan is one of the tools most requested and appreciated to obtain funding from banks, rather than venture capitalists or new shareholders, etc., because, as mentioned before, it provides a clear representation of the company’s vision and related activities in all its aspects.

Moreover, if a company wants to be listed on a stock exchange market and requires an IPO (Initial Public Offer), that is a type of public offering in which shares of a company are sold to institutional investors, it has to present a detailed strategic plan to introduce the organization and its actual and future scope of activities, otherwise it wouldn’t be accepted.

The strategic plan

The strategic plan is the document that summarizes all the concepts expressed above.
It describes the business opportunities the company will pursue and how it will do so, displaying the decisions made by management in three areas:

- Strategic objectives: thus the financial and non-financial targets and expected results for the coming years;
- Strategic scope: the portfolio of products/services the company will offer, the targeted customers and areas;
- Key success factors and competitive advantages the company is endowed with to reach desired goals.

There are several ways in which a company can decide to undertake the process of writing down a strategic plan, but there are some fundamental sections that cannot be missed in order to obtain a well prepared and universally accepted work.

In the following paragraphs the abstract will try to briefly highlight these aspects and present them in a practical example concerning an Italian medium-sized enterprise.
The list of sections presented below are ordered in a way, that is commonly seen in well established company, but it’s not mandatory to exactly follow this order; however it is advisable to include all the sections.

Key aspects of the plan

First of all, a company has to understand that, to write an effective strategic plan, there are some required features that should be followed while proceeding in the drafting of the document.

The list presented below is not related to the mere contents of the plan, but rather on the way it is presented.

- It must be purpose-driven. A plan based on a mission and a real, true competitive advantage is key.
- It must be integrated and consistent, so all phases must be interconnected and addressed to the same vision.
- It shouldn't be static, but dynamic. A periodical review is necessary not just in case of exceptional circumstances, but at least twice a year, to figure out if the plan is following the right direction.
- It must be holistic. All areas of the organization are included. The plan should think about the organization as a whole entity first, and then diversifying department by department.
- It must bring together the right people within the company. Leadership's involvement form the beginning is a key element to a successful plan and the strategic planner, a figure in most of the cases associated with the CFO, has to be able to align thoughts from the leadership team to develop a process the organization can use to execute on their strategy.
- It must be understandable, both from an internal and external perspective.
- It must be realistic and well-conceived: all assumptions should be plausible. A plan that shows values that largely differs from past ones must be carefully documented in order to not be considered unrealistic. While, for instance, a plan that shows values in line with historical results, based on assumptions that rely on data of the current accounting period is more plausible.
- It must be financially sustainable. Even if it is the last mentioned, this is the first aspect potential lenders will look at. It is therefore necessary that the sources of funding, needed to the implementation of the plan, must be in line with the borrowing capacity and the potential risk profile of the company.

The structure of the plan

The Executive Summary

The executive summary is the most relevant section of the plan.

It should be written once the plan is completed in all its parts and usually, it is presented as a summary of each of the other sections of the plan and as comprehensive statement of the overall proposal.

In most of the cases it is the first part of plan that potential investors will read and it must be interesting and concise.

It might be tailored to several different individual readers, but in any circumstances, it has to capture the initial attention, boosting the lectors to know more about the organization and its present and future activities. It also has to contain enough information to display the potentiality of the company without the need to read the whole plan.

To make it effective, this section should be written in an interesting way, and not as an outline, a list of elements or as a table of contents to the business plan.

Thus, the executive summary should be able to stand alone as an introduction to the plan, stimulating readers' interest.

In its few pages, that should be no more than two, it has to incorporate at least one concept for each chapter of the plan; thus the mission and vision, the business model, the targeted customers and market, and its overall financial structure.

So, at last, it is really important to write an executive summary in the best possible way to get a positive feedback from possible future investors.

Company overview

An overview of the most important features of the company, a brief description of the business.

For effectiveness' purposes, it should be thought as addressed to someone who knows nothing about the entity.

It has to include, at least, the following sections:

- "The elevator pitch"[1]: short and impactful speech about what the business does, who are the customers, and a summary of key achievements.
- Company history: key events that led the company to its actual situation, trying to emphasize successful accomplishments.
- Legal structure and ownership: how the company is structured, and who owns what percentage of it.
- Locations and facilities: details on workspaces or plans to acquire them.
- Vision and Mission statement: concise statements of the guiding principles of the company. A vision is an inspirational statement of where the company wants to be in the future, where "future" is usually defined as the next three to five years, but it could be more; while the mission describes the fundamental reasons for the company's existence now.

  They both guide decision-making process aligning employees toward a unique goal and they might also, at the same time, inspire third parties, thus influencing their choices.
- Goals and Objectives: series of key goals in line with the company's vision presented in the form of status statement describing the organization.

  The main difference between goals and objectives is that the latter are more specific and easier to measure and serve as the basis for creating policy and evaluating performance.
- Corporate Values: the core ideology of an organization. They are independent of the current industry environment and are meant to last permanently.

[1] Term used to indicate a short description of an idea, product or oneself that explains the concept in a way such that any listener can understand it in a short period of time.

Focus on the Business

Business model and Critical Success Factors

In this section, the company is requested to present in an exhaustive and comprehensible way its business model.

A business model figures out the overall business structure that supports the company's activity and comprises also the company's purpose and goals along with the ways in which it wants to achieve them.

Thus a business model is a description of the rationale of how a company creates, delivers and captures value for itself as well as for its customer.

As Peter Drucker[2] wrote in its essay entitled "*The Practice of Management*" in 1954, a business model is "supposed to answer who your customer is, what value you can create/add for the customer and how you can do that at reasonable costs".

Or more briefly, as Micheal Lewis[3] figured out in a chapter of its work "*The New New Thing*" about Silicon Valley during the internet boom, it can be thought as *"a description on how you make money"*.

Every business model intrinsically has two parts:

- the first relates to the development of the product, thus the procurement of raw materials, its design and manufacturing;
- the second concerns with everything related to selling the final product/service, thus figuring out who are the targeted customers, in which targeted areas and through which distribution channel the company intends to reach them.

Obviously each business has its own peculiarities and characteristics that differentiate itself from other ones, and, at the same time, there are several different ways to present a business model.

Among them, one of the most used worldwide and also displayed later in the practical example, is the model developed in the late 2000s by Alex Osterwalder, a Swiss business theorist, author, consultant, entrepreneur, and Yves Pigneur, Professor of Management Information Systems at the university of Lausanne, known as "*Business Model Canvas*".

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[2] Peter Drucker was an Austrian-born American management consultant, educator, and author, whose writings contributed to the philosophical and practical foundations of the modern business corporation.

[3] Michael Monroe Lewis (born October 15, 1960) is an American non-fiction author and financial journalist.

It is essentially a structured way to depict the organization displaying its key resources and key activities of the value chain, as well as its value proposition, customer relationships, channels, customer segments, cost structures, and revenue streams, to see if all relevant parts of the business have been considered.
The Business Model Canvas provides a holistic view of the business as a whole, so it is particularly useful since it allows management to think on the entire organization as a unique mechanism.
While developing the aforementioned area of the strategic plan, a company has to deepen the knowledge of its business to understand which are the critical success factors (CSF), that can lead the company to success. Once identified, they can reveal whether or not an entity is capable of creating value for customers and benefits for itself and its partners.
A CSF can be seen as a high-level goal, that must be reached by the company.
Usually, they are made up of a limited number of particular features, or variables that have an immediate impact on the effectiveness, efficiency, and growth of an enterprise. So, for the achievement of determined goals, it is essential that actions correlated with critical success factors must be performed in the best possible way.
In order to be effective, a critical success factor must:

- be measurable;
- associated with a target goal;
- be critical to the organization's success;
- benefit the company or department as a whole.

Moreover, CSFs can be completely different when considering an industry or another; indeed, they are tailored to a firm's particular situation as different conditions (e.g. industry, division, individual) lead to different critical success factors. This doesn't mean that companies belonging to the same industry will present the same factors, but that there might be some common standards within entities of the same sector.
Concerning this issue, Christine V. Bullen and John F. Rockart[4] presented five key sources of critical success factors: the industry; competitive strategy and industry position; environmental factors; temporal factors; managerial position.
Regarding temporal factors, are those resulting from exceptional events, usually short-lived, but critical at that time; while for those attached to managerial position, they stress the relevance of a specific area in the success of an enterprise.

[4]C.V.Bullen was a Professor at Stevens Institute of Technology, while J.F.Rockart was an American organizational theorist. Together, they wrote "A premier on critical success factors", a manuscript on the "critical success factors" method.

Sources of Competitive Advantage

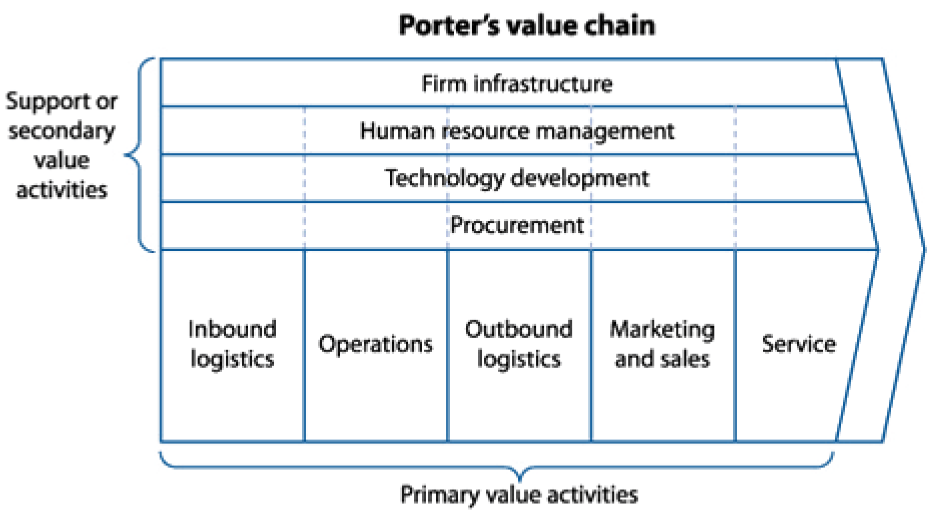
Beside the Canvas, that is among the most appreciated tool to depict a company, because of its clearness, simplicity and conciseness; a company should always have clear in mind the work made by Michael Porter[5] in 1985, entitled “The Competitive Advantage: creating and sustaining superior performance”.

According to Porter, the key to superior performance within an industry is a “sustainable competitive advantage”, that can derive from cost leadership or differentiation.

The former is obtained when a firm is capable of producing that specific item/service at the lowest cost in its sector; while differentiation might be reached when a company manages to be unique within some aspects that are widely valued by customers.

In order for a company to understand which of the two main guiding lines should be followed, it is necessary to identify those activities of the value chain, that can lead to superior performance.

As shown in the figure below, company’s activities might be divided into two broad categories: primary and supporting activities.



The first mentioned are involved in the physical movement of raw materials and finished products, in the production of goods and services, and in the marketing, sales, and subsequent services of the outputs of the business.

Secondary activities, instead, set up the organizational infrastructure of the firm that supports the primary activities: they include the processes and systems installed to coordinate decisions and transactions among the various activities.

[5] Michael Porter, American academic, considered the founder of the modern strategy field and one of the world’s most influential thinkers on management and competitiveness.

To be effective in this analysis, a firm needs to examine each of these activities to determine whether or not it has a real competitive advantage in that specific activity, thus focusing on the marginality that every activity brings into the company.

This proceeding is within the framework of firm's identification of, and concentration on, "core competencies".

The term, introduced in 1990 by C.K.Prahalad and Gary Hamel[6], was coined to indicate those competencies that represent "the collective learning of the organization, especially how to coordinate diverse production skills and integrate multiple streams of technology".

They are usually defined as "*the central things that organization do well*"[7], hardly imitable by competitors and that drastically contribute to the delivery of additional value to the customer.

An organization should focus its interest and resources on these activities outsourcing those considered as "non-core" activities, that usually take up time, money and energy, making management lose sight of what is really important within the company.

At last, to recap, as clearly pointed out by the economist M.F. Greaver in its work "*Strategic Outsourcing: A Structured Approach to Outsourcing Decisions and Initiatives*", a firm has to identify those activities within the chain that lead to a sustainable competitive advantage, decide whether to outsource to third parties or carrying internally the other non-core activities and finally manage the whole process in an holistic and integrated manner.

The Business's Environment

Beside a deep internal analysis that a company has to perform to develop a well prepared and appropriate strategic plan, it's also required to pay great emphasis and attention on the analysis of exogenous factors affecting its operations.

A valuable plan is considered so, only if it effectively identifies factors in the business environment that impact the company's ability to generate sales and a positive cash flow.

[6] C.K.Prahalad was University Professor of Corporate Strategy at University of Michigan.
Dr.Gary P.Hamel is an American management expert, founder of "*Strategos*", an international management consulting firm.
In 1990 they wrote an article entitled "The Core Competence of the Corporation" published in "Harvard Business Review", to deepen the concept of core competency.

[7] Wallace E. Oates, Professor of Economics at the University of Maryland, in its work "Outsourcing and Virtual Organisation – The Incredible Shrinking Company", 1998, London: Century Business.

The internal environment, comprehending policies and procedures, is under the control of company's management, whereas variables in the external environment are not under the control of the company, but, in any case, they deeply affect the business' performance.

This analysis could be broadly divided into two macro-areas, that are interconnected with each other: the industry analysis and the market analysis.
The first consists of the investigation and description of long-term trends and economic forces that affect the overall industry.
The seconds considers the "market" the company operates in, so it is related to an identifiable group of costumers.
While the industry analysis, describing the economic, legal, cultural, and political issues affecting its performance, confirms the existence of a strategic opportunity, a market analysis verifies the existence of a profitable market for a company's products or services.

There are several methods and theories, that have been developed, also in recent years, to study the abovementioned aspects and get a fair representation of what it's outside the company.
Nowadays, the procedure most used by enterprises is, without any doubt, the model presented by Porter in his book "Competitive Strategy: Techniques for Analyzing Industries and Competitors" in 1980, where he introduced the concept of the "*five forces*" affecting the environment. This well known model considers the following subjects as the leading forces influencing the profitability within the industry a company is operating:

- *Intensity of industry rivalry,* so the number of participants in the industry and their respective market shares as a direct representation of the competitiveness of the industry;
- *Threat of potential entrants*, so the ease through which a new company can enter the market;
- *Bargaining power of suppliers,* so the strength and influence that suppliers have;
- *Bargaining power of buyers,* in this case the power lies on the side of customers;
- *Threat of substitute goods/services,* so the risk of having to face the competition of other industries' products that might be perceived as substitute.

Another method that might be pursued to describe the framework of macro environmental factors affecting the company is the "PEST" (political, economic, socio-cultural and technological) analysis.

The model was firstly introduced by Professor Francis J.Aguliar in its critical novel "*Scanning the Business Environment*" in 1964, then there had been many other acronyms[8] introduced by other scholars to illustrate quite similar procedures. It's an analysis of the external macro-environment that affects all firms and that are beyond the firm's control.
Many macro-environmental factors are country-specific and a PEST analysis will need to be performed for all countries of interest.

To be valuable both models cited before should be used in conjunction with the SWOT analysis[9], that should accurately describe the key internal (Strengths and Weaknesses) and external (Opportunities and Threats) factors affecting an organization.
It's necessary to present an analysis that is realistic and specific, with a clear distinction on where the firm is today and where it could be in the future, avoiding "grey" area. The evaluation should be carried out in competitive terms; it doesn't make any sense to present strengths or weaknesses that are available also to competitors.

So, these analyses are the starting point for a more or less accurate understanding of the market conditions. They are useful to estimate future potential demand and supply, while at the same time they give a way to a firm to figure out the level of competitiveness surrounding its activities and the stage in which the industry currently is: whether the industry's lifecycle curve is still increasing or it has reached its maturity and saturation point.

At last, it's really important to keep in mind, that these sections, concerning environmental scanning, are made up of subjective considerations, and any misinterpretation might lead firms to conduct wrong actions potentially arming future performances. Hence, it becomes essential to collect all possible data spending several times to analyze them, to formulate reasonable assumptions.

[8] "PESTEL" that added legal and environmental factors; "STEPE", adding ecological factors; "STEEPLED", adding ethics and demographic factors; "SPELIT", adding legal and intercultural factors.
[9] The origins of the SWOT analysis technique dated back Albert Humphrey, who led a research project at Stanford University in the 1960s and 1970s using data from many top companies. The goal was to identify why corporate planning failed. The resulting research identified a number of key areas and the tool used to explore each of the critical areas was called SOFT analysis, where "S" and "F" stood for "satisfactory" and "Fault" instead of "Strength" and "Weakness"

Market segments and targeted costumers

Once studied and understood the principles and dynamics governing the external environment, the strategic plan has to identify the wants and needs of each of the company's targeted customers groups.

The process allows an entity to divide a market into segments focusing on those segments where customers' requirements perfectly match with the company's proposal.

The effectiveness of the procedure closely depends on the effort used to define the market segments.

A market segment should indeed be:

- measurable in terms of sales volume;
- accessible;
- homogenous, so classified according to the characteristics of potential customer;
- substantial, it should be large enough to attract firm's attention;
- responsive, each segment should respond better to a marketing mix, rather than a generic offer.

The Action Plan

Once the company has developed its vision and stated out what are its objectives and strategies, it is necessary to make a further step: the Action Plan.

The Action Plan helps in making concrete the organization's vision and mission.

It describes in a detailed way the actions the company will undertake to meet its objectives, thus it consists of a document that lists the primary guidelines to achieve a specific goal.

Its intention is to delineate the necessary resources and the timeline requested to attain specific goals. So each action step has to comprise information on: what operations should be realized, who will carry out these activities, when and what resources are required.

The role of the Action Plan is therefore to "provide the strategic objectives with practicability and credibility"[10]. It shows both internal and external members that the organization is well ordered and that management has already cleared in mind the entire process to be followed to reach determined goals.

The plan should be review periodically: an action plan is a working document, and as such needs frequent adjustments during implementation.

[10] "Strategc Plan guide", Borsa Italiana, July 2003

The Marketing Plan

Beside the strategic plan, while drafting the document, the company should also build up an appropriate marketing plan, that identifies everything from the targeted customers to the ways to reach them, until the retention methods used to convince them to buy again.

A useful concept on which to base this section is the one developed by E.J.McCharty[11] in 1960: the four Ps of marketing: price, promotion, product and place (distribution), which constitute the most common variables used in constructing a marketing mix.

These four Ps, analyzing both internal and external factors within the overall business environment and also interacting significantly with each other, can support a well designed marketing plan.

Financial Projections

The final section of the Strategic Plan is composed of the financial projections, so it is made of the estimates of the future financial performance of the business.

It is basically composed by the following financial statements:

- Balance sheet: reporting company's assets, liabilities and shareholder equity
- Income statement: highlighting revenues and expenses generating profit/loss
- Cash flow statement: projecting cash inflows and outflows

There are three good reasons to project the financials: they allow translating company's goals into specific targets, they provide the company with a performance control tool and help to anticipate problems; a CF statement can, indeed, predict a liquidity shortage due to high cost investments made to sustain growth, for example.

[11] He was an American marketing professor and author, known worldwide for its book "*Basic Marketing: a Managerial Approach*", where he introduced the concept of the 4P's marketing mix.

Final Considerations

To conclude, a company should develop a complete strategic plan each year, and then update it monthly as actual results come in and gain more clarity and intelligence.

Once prepared, to keep it effective management should revise it at least once every six months to see if the company is moving in the right direction.

However not all companies, especially smaller ones, have the possibility to review the plan monthly and prepare a completely new strategic plan each year.

Moreover, it is also quite uncommon to see SME preparing a three to five years strategic plan; they usually do not move over a well designed budget for the next year.

Chapter 2. A Practical Example: Interbrau S.p.A.

The practical example illustrated below is about an Italian company "Interbrau S.p.A", founded in the province of Padua more than thirty years ago.

The company, considered among the best within its industry, has been subject to an exponential growth in terms of revenues in the last decade.

To sustain this relevant growth, the company has relied on significant interventions from external financial institutions that, for this reason, have always played a central role in Interbrau's business activity.

Nowadays, that the business has been suffering a slowing down in terms of revenues because of several exogenous factors, the company has to deal with a delicate situation in terms of financial sustainability.

Indeed, this situation has required the drafting of a strategic plan for the company within a three-years horizon, both to provide financial institution with a document capable of illustrating the actual and future situation and also to clearly display the essential financial requirements the company needs for the on-going of the business.

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Section 1. Business Overview

Executive Summary

Interbrau S.p.A is an Italian company located in Veneto region, responsible for the purchase and sale of a wide variety of beers coming from all over Europe and U.S.A.
Its activity is mainly characterized by B2B relationships with wholesalers oriented towards both the on-trade and off-trade sector, thus covering all market segments with high quality products meant to satisfy all kind of customers' tastes.
The vertical integration of key processes, such as the logistic and marketing department, together with an internal sales force and graphics, allows the company to reach an extremely high level of flexibility, that favours the adaptability to changes in the external environment.
Moreover thanks to its professionalism and superior customer service, the company has been able, over the years, to establish itself as a trendsetter in a really dynamic competitive environment.

However, in these last few years, because of some relevant unfavourable events, Interbrau S.p.A has been suffering a slowing down of its business activity, that forced management to rethink the entire commercial and financial structure.
Thus, through an important restructuring of the transportation system, coordinated with a new commercial and marketing strategy conceived to emphasize the right marketing-mix, the company expects to revitalize its current economic situation.

Company Profile

Interbrau S.p.A. is the reference Italian company in the sector of high quality beers' specialties, considered among the best in Europe for its dimension and professionalism.

The company, located in Villafranca Padovana (PD), was founded in the 80s by Sandro and Michele Vecchiato, that carried forward the experience accumulated by their father Luigi Vecchiato soon after the post-war period, and has been able, over the years, to guarantee a widespread distribution of imported Special Beer brands, as well as Niche ones.

Nowadays it represents a leading character in the high-quality beer industry with a marked presence in the whole Italian territory and a remarkable customer loyalty, setting itself as a trendsetter and innovative reality in the continuous proposal of new brands, styles and projects.

The company is a part of a Group, made up of five companies, whose activities, despite being related to the distribution of beers, differs drastically when considering the relative market that each company serves.

As clearly displayed in the organizational charts below, in recent years, in terms of structure, the Group has been subject to a simplification process to let the process being more flexible and responsive.

Figure: 2017 Organizational Chart

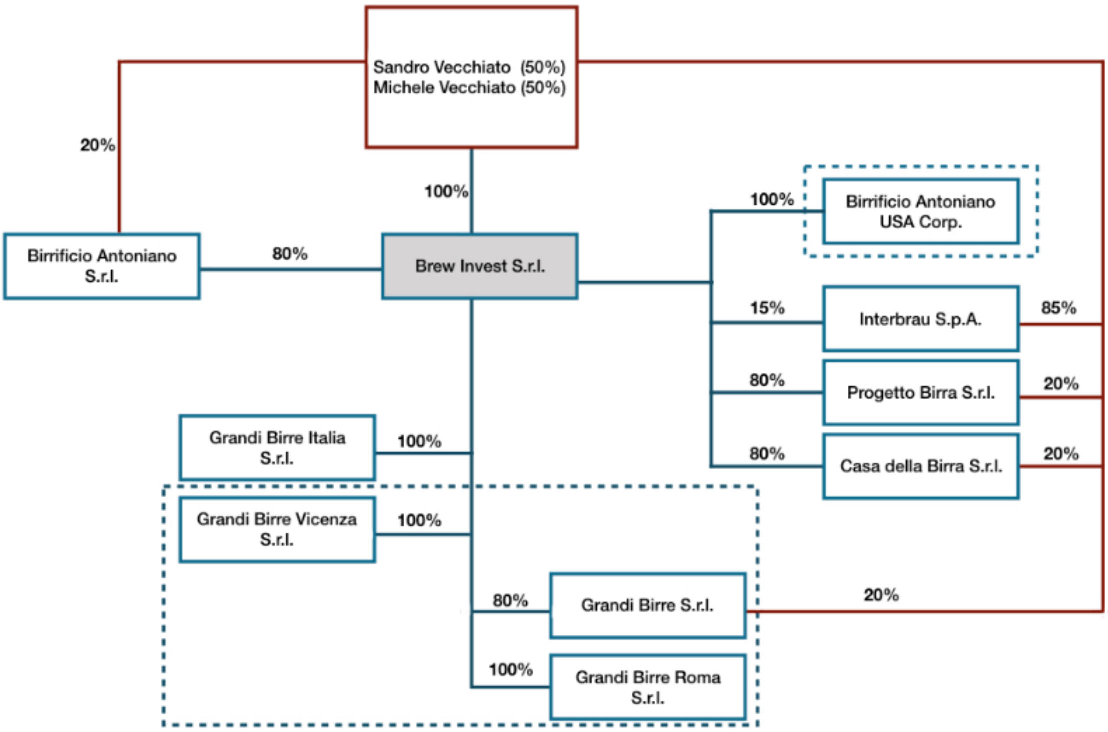
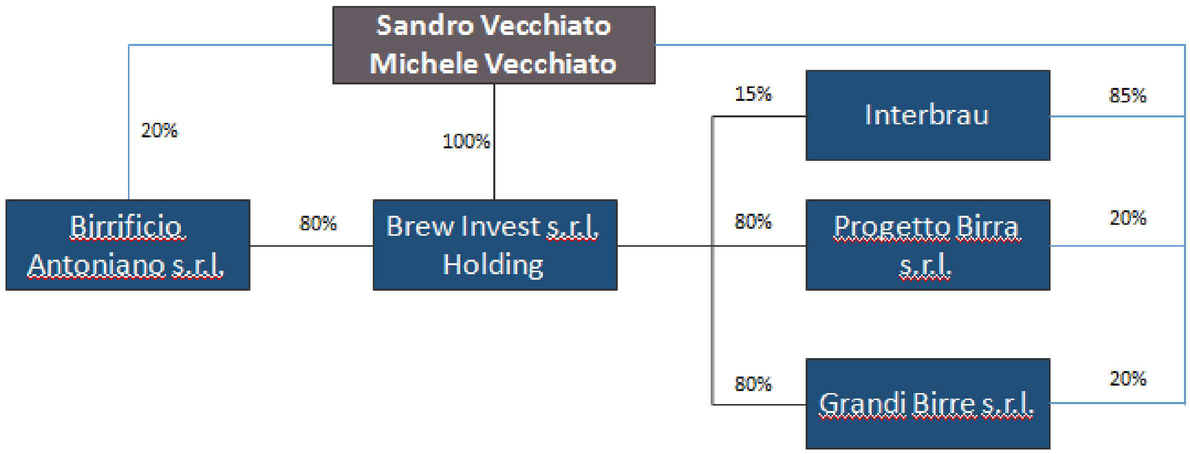


Figure: 2018 Organizational Chart



The Group

The group is composed as follows:

- Brew Invest S.r.l., that represents the parent company held by Michele and Sandro Vecchiato, that owns several different amounts of shares in Interbrau S.p.A., Progetto Birra S.r.l, Grandi Birre S.r.l. and Birrificio Antoniano Soc. Agr. S.r.l..

  A network of companies highly specialized in the distribution, but also production (see Birrificio Antoniano), of Special Beers, both in Italy and abroad.
- Progetto Birra S.r.l., that exploiting Interbrau's know-how, is the reference company in the off-trade mass distribution channel of Special Beers.

  Acquired by Brew Invest in 2010 with the name "Turatello" (then changed in 2013), the company allowed the beers imported by Interbrau to be spread in the off-trade market: the most relevant Italian retail/supermarket chains, where Turatello was already present, have, indeed, been provided with new high quality beers with the aim to improve consumer experience.

  In 2017 a new business unit was created, "Di.be", whose aim is to distribute the range of special bottled beers, not niche beers, within the channel of non specialized distributors, allowing the company to enter in a new market with a potential of more than 1000 new distributors all over Italy, assisted by a dedicated Sales Unit coordinated by the Sales Manager of Progetto Birra.
- Grandi Birre S.r.l. that is responsible for the direct sale of the whole range of products imported by Interbrau to public pubs in Veneto region.

It is considered by the Group as the Business Unit devoted to the experimentation of new products and projects, to the maintenance of close relations and direct contact with customers, necessary to guarantee the proximity of the company to the region and market.

Veneto region, indeed, from the point of view of the beer industry, represents an important benchmark in the analysis of the national market. Thus the direct presence in the region by the Group is a key strategic decision.

- Birrificio Antoniano Soc. Agr. S.r.l, that was established in 2012 by Michele and Sandro Vecchiato, who decided to build a new production plant in Villafranca Padovana.

  Its distinguishing product “Birra Antoniana”, strongly enhanced to its region, had been subject to an important development that led the distribution network to cover the whole national territory.

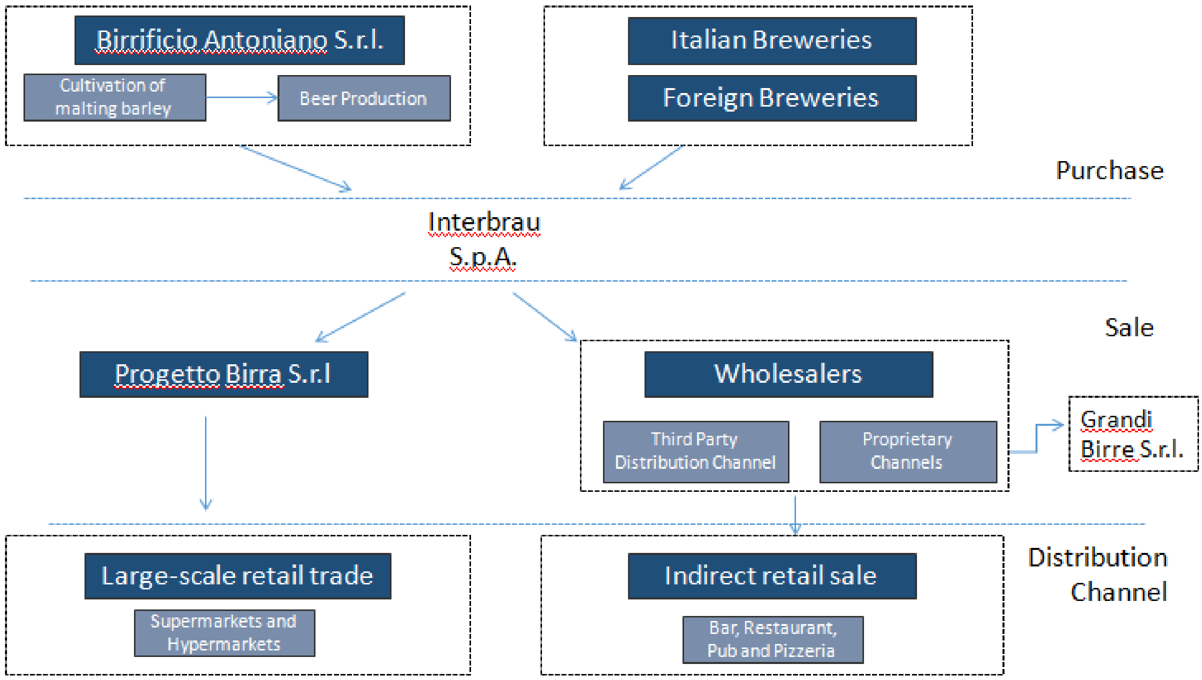
  Since 2017 Birrificio Antoniano, to satisfy the requests of some of the most important foreign importers, has started to export “Birra Antoniana” in many European countries, U.S.A., Japan and China.

  A qualitative investment in human resource associated with a state-of-the-art technology and a laboratory for microbiologic analyses ensure the excellence of Birrificio Antoniano’s products, that are internationally recognized, also through several awards (more than 90) that have been won in national and international contests.

  All of these aspects and the constant technological development implemented by the company, coordinated with the growing distribution network, will allow “Birra Antoniana” to dramatically increase its volumes in the next five years.

Production Chain and Relative Markets

The following graph is intended to let the reader understand better the dynamics of the group and the relative market associated to each company.



Interbrau S.p.A is the only company of the group that acquires beers directly from Birrificio Antoniano or other national and foreign breweries.

The company then sells its purchases to Progetto Birra S.r.l, that is responsible for the large-scale retail trade, or directly to wholesalers, that might be third party distributors or Grandi Birre S.r.l., to cover the indirect retail trade channel, composed of bars, restaurant, pubs or pizzerias.

Thus Interbrau, through this network of companies and its market relationship with other wholesalers all over the country is able to cover all the relevant market sectors.

Vision, mission, corporate values and corporate strategy

Since its foundation in 1980, Interbrau S.p.A. has distinguished itself for its innovation capacity, its ability to forecast market conditions, its attention and monitoring of the external environment both within and outside national borders; without ever forgetting its origins, the importance of its history and the ones of its partners.

The company's owners have always believed in the spread of excellent beers all over the country and abroad, and they intend to persist with this activity enlarging year by year the range of action, enhancing the culture of beer in Italy and elsewhere.
Thus the vision of the company is to provide customers with exceptional beers by means of an extremely high customer service.
Its mission instead is to continue developing a very specialized distribution network to reach an even more complete and more capillary vision of the Italian market, both on and off trade.

The corporate values, that characterize the company since its creation and that have been an unfailing presence all over the years are the following:

- the discovery, enhancement and distribution of excellent beers;
- the personal and professional development of its employees;
- the respect for the environment;
- the consideration and support to the local community;
- the fact of always favouring quality over quantity.

Imported products had to satisfy the highest quality standards, and consequently the corporate strategy aims at bringing and growing only the excellence of Special Beers in Italy.

Contemporary background information (2015-2017)

During these last three years Interbrau had been subject to consistent changes, with the final aim of simplifying the organizational structure responding to the needs of the market.
In 2015, there was a restructuring of the commercial system, with a downsizing of the relationships with external agents in favour of internal personnel, emphasizing the skills acquired inside the organization.
In 2016, Interbrau focused on the renewal and the opening of new collaborations with the most important breweries recognized at international level in the production of Premium Beers. It also persisted in the process of internalization of the Sales Force, facing high costs of allowances for the closure of some agents' mandates.
In the same year, the company was endowed with the widely diffused software "SAP" to facilitate the management of the business and to sustain its growth.
In 2017, the company has started relevant strategic initiatives to switch the focus of attention towards the increase in marginality instead of the increase in sales volumes.

Moreover, Interbrau had to sustain the interruption of relationships with few relevant suppliers, that had been promptly replaced by long-term contract agreements with other valuable breweries to avoid unexpected discontinuances in market relationships, that caused a slowdown in revenues in recent years.

Section 2: Market analysis

The Global Market Scenario

Globally, beer is considered the leading alcoholic drink, which accounts for over 74.58% of the alcoholic drink market share.

Countries, like India, China, the United States, Brazil, Russia, Germany, and Mexico, are among the leading markets in the world.

Beer's sales have been following an upward trend, worldwide, with many brands exploiting niche segments, like malt liquors, ice beers, and non-alcoholic beers, due to the increasing health consciousness among drinkers.

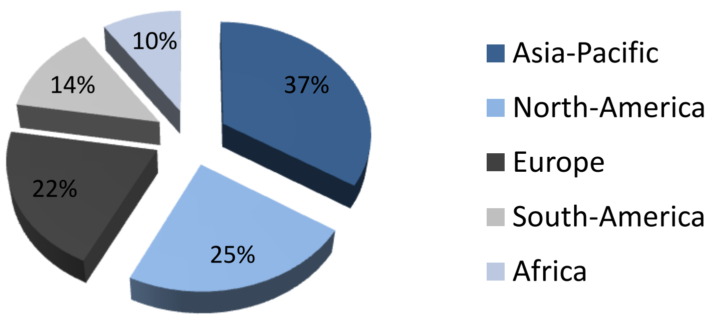
Asia-Pacific is the largest and the fastest-growing market for beer consumption, which accounts for about 36.8% of the global market share. The regional beer market growth can be attributed to the growing young population, and increasing number of middle class and their rising disposable income.

Europe is the third-largest consumer of beer, which accounts for a steady growth rate; it is home to an estimated 80 beer styles and 50.000 beer brands. There are up to 8.500 breweries producing more than 40 billion litres of beer a year supporting 2.3 million jobs.

North America, the second-largest consumer, has been recording a drop in the overall beer consumption rate, annually.

South America and Africa are the other developing regions witnessing significant growth rates of beer consumption.

In 2015, the global beer market was valued at 520 billion USD and is expected to reach 758 billion USD by 2023, registering a "CAGR"[12] of about 6.2% during the forecast period 2018-2023.



Beer Consumption per region in 2017

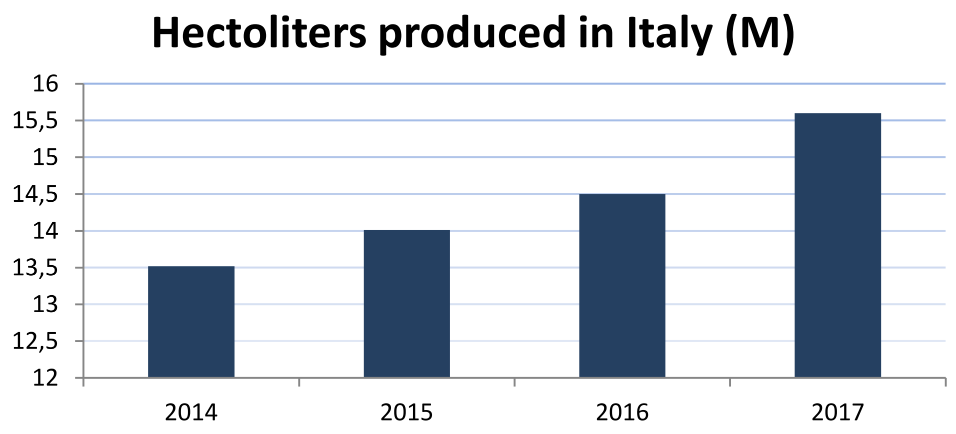
[12] Compound Annual Growth Rate

The Italian Market

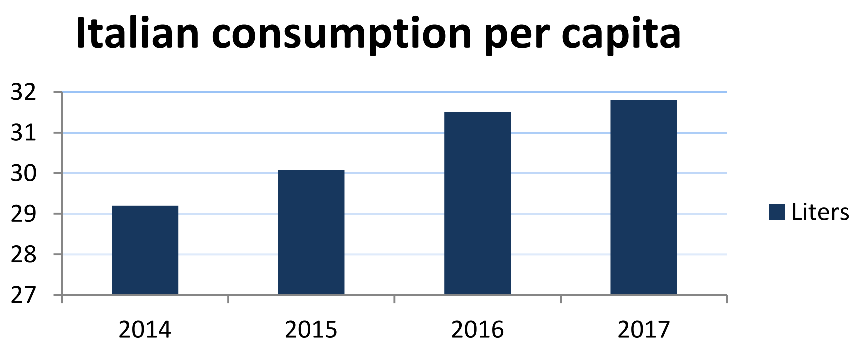
Nowadays, Italian beer is going through an extraordinary moment in time.

As stated by the national association "AssoBirra"[13], export, production and consumption are soaring, with a positive impact on the whole chain, from the agricultural sector to the distribution network.

In 2017, production has reached its highest absolute value (15.6 million hectolitres), with a 7.5% increase compared to 2016, while exports touched an all-time high (2.7 million hectolitres), with a growth rate of 7.9% compared to 2016.

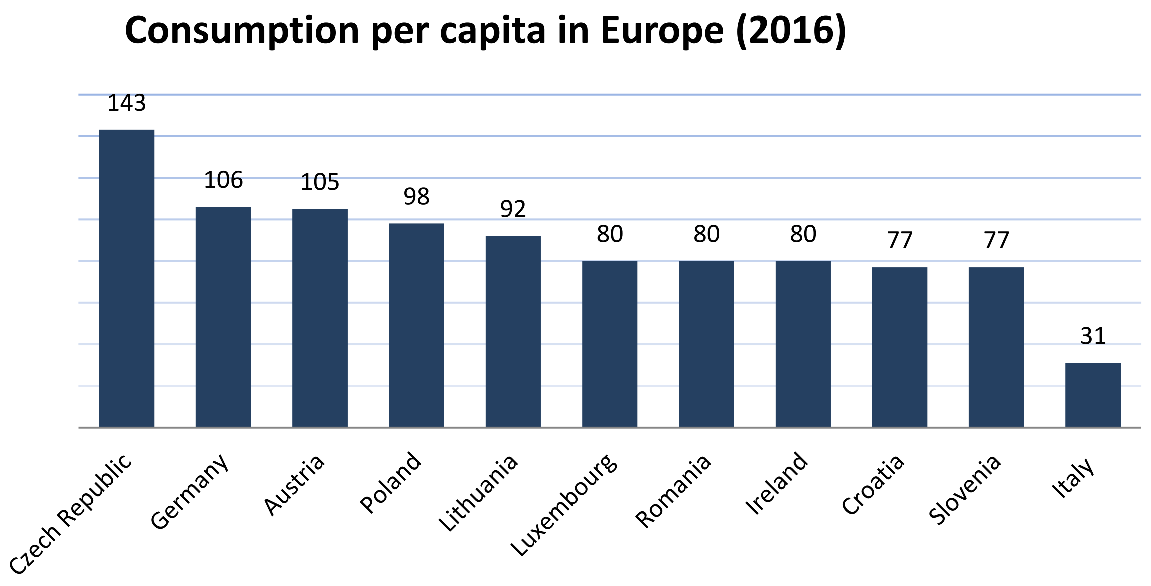


The exceptional moment the beer industry is going through is not attributable only to the increase in export. Domestically as well, in fact, Italian beer is appreciated, with per-capita consumption attaining for the first time 31.8 litres with an increase of 0.4 litres compared to the previous year.



[13] The noun "AssoBirra" stands for "Brewers and Maltsters Association" and brings together the companies producing and selling beers in Italy.
Since 1907, it conducts institutional, technological and promotional activities to spread beer's culture within the country.

However, compared to other European countries, Italy still has high margins of growth.



At last, a remarkable increase accompanied the Craft Beer’s sector throughout the whole year: after the birth, all over the country, of new entrepreneurial businesses, today microbreweries are over 850.

These microbreweries are divided into craft breweries and brew pubs[14], holding a market share of 3.2% for an overall production of 483.000 hectolitres.

[14] A pub that incorporates a brewery on its premises.

The consumption pattern

Despite taxations and high excise duties[15], consumption of beer has increased in recent years due to a rise in consumer preferences for beer over other alcoholic beverages.

Among the different choices a consumer can undertake when deciding what type of beer to taste, this is what resulted analyzing the consumption pattern between 2016 and 2017.

Alcohol free and light beer remain a residual category in the consumption habits of Italian people (less than 2% of volumes), but registered a +5% in relation to 2016. Great part of consumption is related to the classic blonde beers “lager” at low fermentation and low alcoholic content.

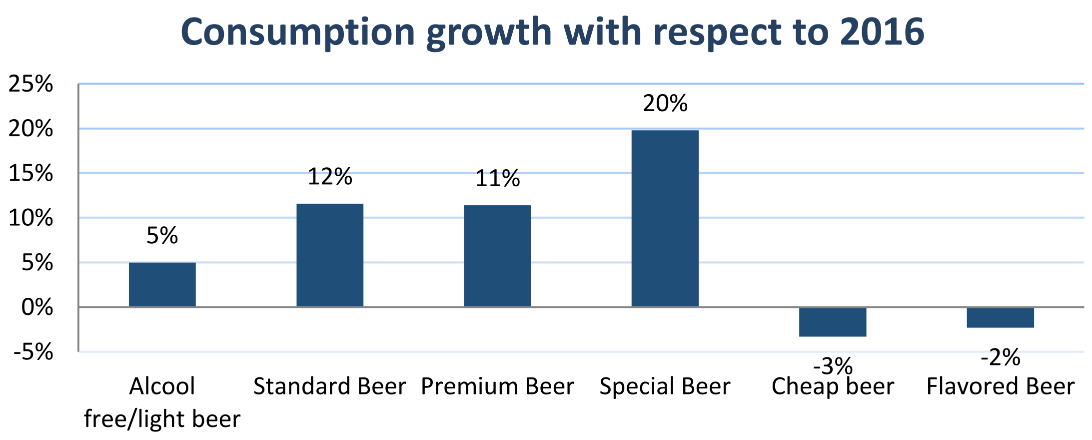
Data provided by panel IRI[16] also show a uniform increase among Standard Beers (+11.6%) and Premium Beers (+11.4%), that confirm the transversal growth pattern over all type of consumers.

Year by year, Special Beers are improving their overall position and nowadays they represent almost 10% of total volumes for an economic value that is two times higher with respect to classic beers, due to higher average selling prices.

From 2010 to 2017 this category, that is associated to a class of more sophisticated consumers that are looking for more variation, different tastes and specific aromas, increased of 49.5% in terms of volumes and of 70% in terms of economic value, while the “lager” registered a 15% and 21.5% increase, respectively.

Consumption of Flavoured Beers and Cheap Beers continue diminishing: -2.3% and -3.3%.

At last, results confirmed how the beer is playing an always more central role as refreshing drink during summer, but also as beverage for consumers more curious and of sophisticated taste, that are looking for value inside products.



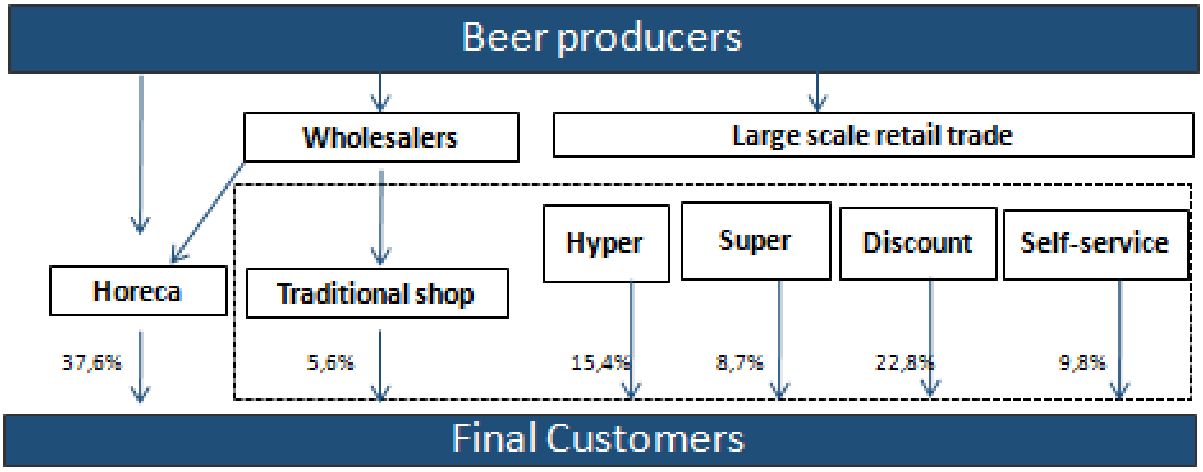
[15] Like other consumption goods, also beer is subject to the payment of a tax to the government.

[16] “Information Resources, Incorporated” (IRI), formed in 1979 in Chicago, is a market research company which provides clients with consumer, shopper, and retail market intelligence.

The distribution chain

Inside beer industry, the distribution chain is characterized by two main segments: the off-trade and the on-trade sector.

As shown in the graph below, beer producers can distribute their products through large scale retail trade rather than wholesalers.



The off-trade sector, that leads to in-house consumption, is related to large scale retail, where supermarkets have the greatest influence, followed by hypermarkets and discounts, that, in recent years, have led to an increasing number of sales.

In Italy, the large scale retail sector, through its intensive promotional activities concerning Standard Beers, is able to make consumers switch from one brand to another, undermining the brand's value and reducing producers' margin.

Under these circumstances, it's important for a company to develop both Special and Craft beers, since they are not affected by those commercial strategies and can also lead to higher margins.

In 2017, the off-trade sector registered 1.6M of revenues, with the sale of more than 60% of total beer consumption for a total amount of 9.2M of hectolitres produced.

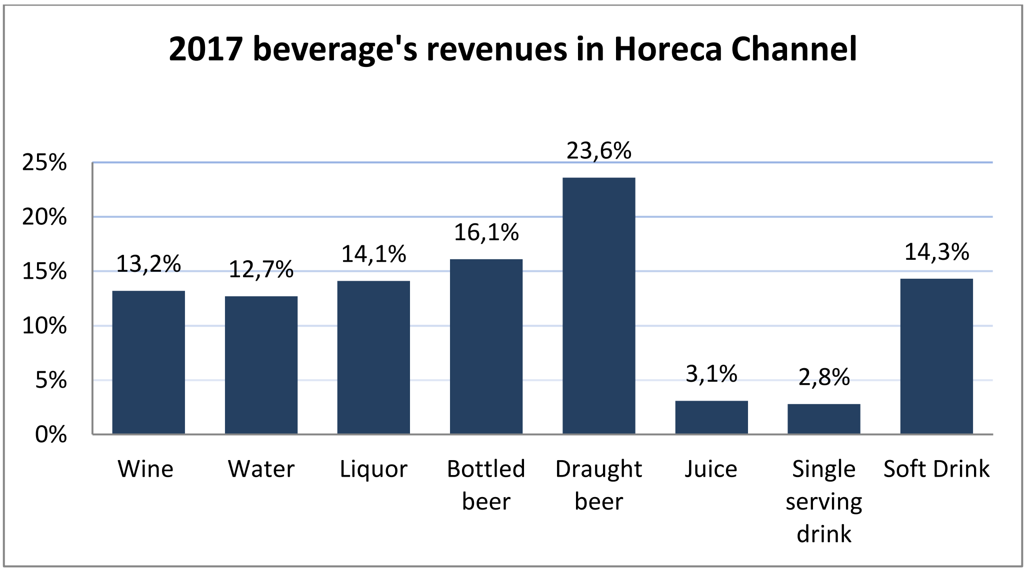
Between 2010 and 2017 it was affected by a 32% increase in terms of sale with a relative 20% of new beer brands exposed in the shelves in the last four years.

The on-trade sector, that represents Interbrau's primary source of revenues, remains strictly related to Horeca's[17] channel.

This area is directly served by wholesalers and last year registered sales for 37.6% of total beer consumption, with a decrease of 1.8% compared to 2016.

Despite the lower amount in terms of hectolitres consumed, the sector is responsible for 75% of total revenues in the Italian beer industry, because it's affected by higher marginality than what a company might obtain by selling to large scale retailer.

As reported below, beer represented 39,7% of total revenues in 2017, followed by soft drink and liquor.



Moreover, in the first six months of 2018, as reported by CFI group[18] in its "*Osservatorio Canale Ingrosso Bevande*", the channel is reporting an overall -0,3% in revenues with respect to 2017.

In detail:

- Bottled Beer -2,0%
- Juice -8,4%
- Drinks -3,8%
- Liquor +3,5%
- Wine +4,8%
- Draught Beer +0,6%

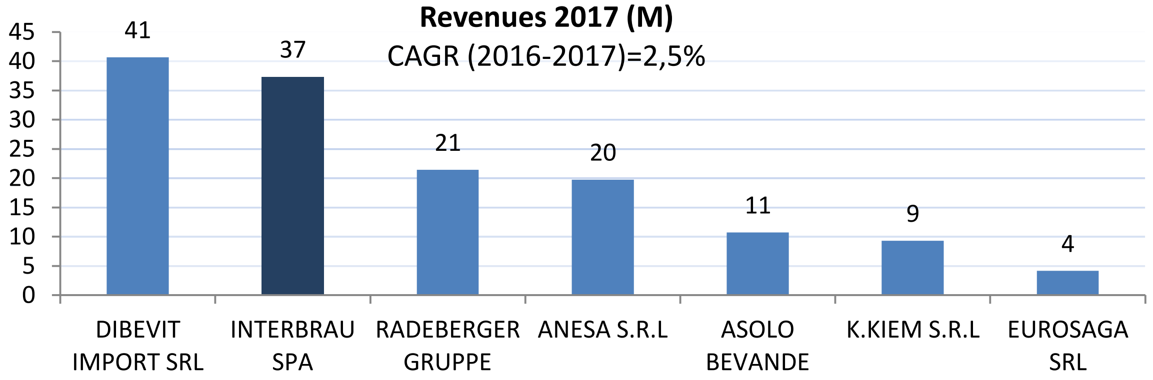
[17] Horeca is the sector of the food service industry that consists of establishments which prepare and serve food and beverages. The term is a syllabic abbreviation of the words Hotel/Restaurant/Catering.

[18] The CFI group is a global leader in citizen, employee and customer satisfaction measurements. Among its expanded set of activities it also provides monthly information on the status of the Horeca channel.

The competitive environment

Interbrau's range of action is focused on the distribution of high-quality Special Beers.

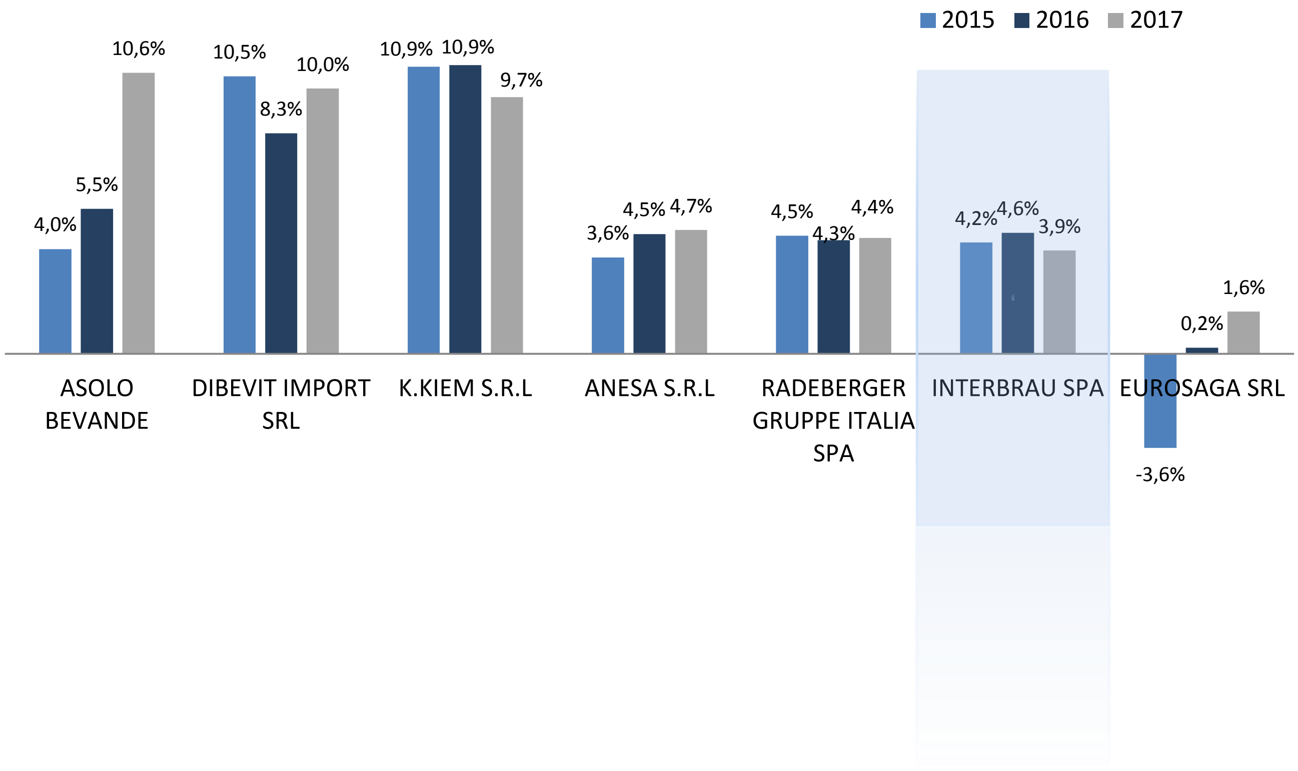
The below displayed companies represent the main competitors in this field, even though Interbrau is unique in its sector: it's the only company operating in all markets, characterized by high flexibility and a strong commitment towards high-level customer service.



Dibevit Import S.r.l., that registered the highest amount, is part of the Heineken group.

Thus, it can count on its incredible Know-How, financial availability and a "brand-management", that put the company in a preferential position, difficult to be reached by competitors.

Beside revenues, another key aspect to be considered is the EBITDA evolution as percentage of sales.



As clearly displayed, Asolo Bevande S.r.l has strongly increased its EBITDA ratio in recent years (almost doubled from 2016 to 2017), while it remained nearly constant among the others.

However, despite this trend, Asolo Bevande S.r.l. merely focuses on the sole purchase and resell of products without any other activity related to brand-management and development, that create value in a long-term perspective.

On the other hand, Interbrau has to improve its actual position with respect to competitors, that nowadays report better EBITDA performances.

Section 3: Company Results and Overall Positioning

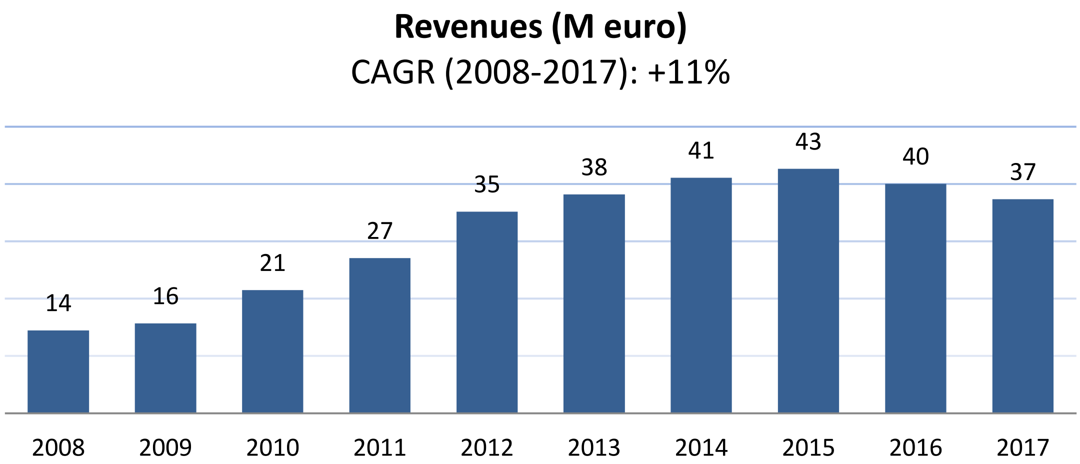
Company Results

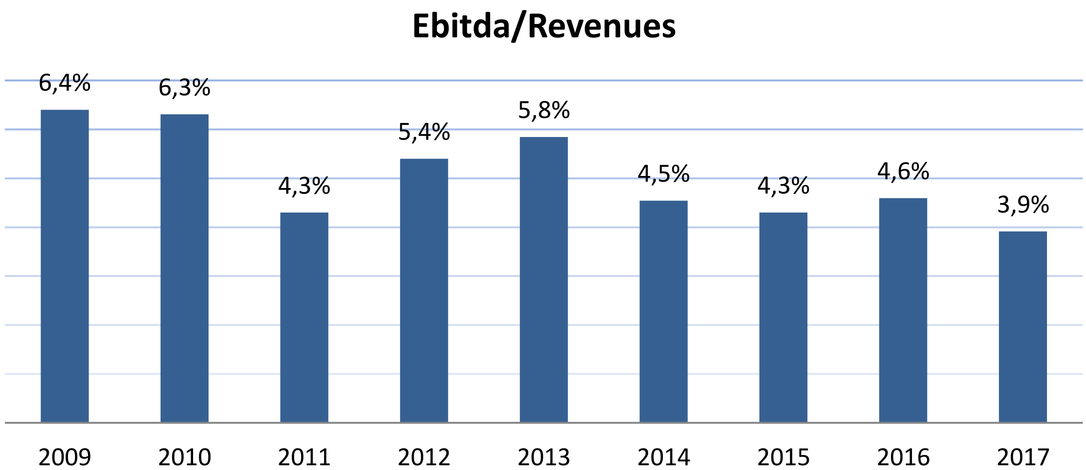
From 2008 to 2017 the company has registered a compound annual growth rate of 11% with revenues that passed from 14M in 2008 to 37M of 2017.

The slightly slowing down of the business of the last two years, was mainly due to the unexpected cease of relationship with few important partners.

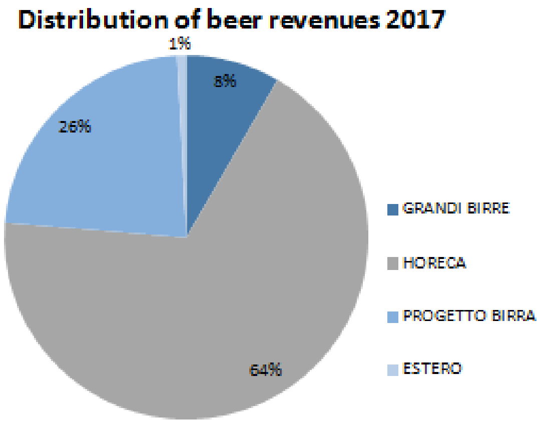
To avoid the repetition of these events, the company has decided to stipulate long-term contracts with other new relevant brands.

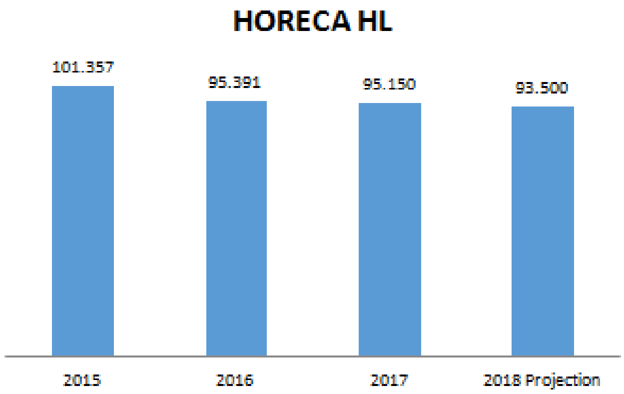
This has implied necessary investments to launch and advertise these new lines, costing in terms of EBITDA.

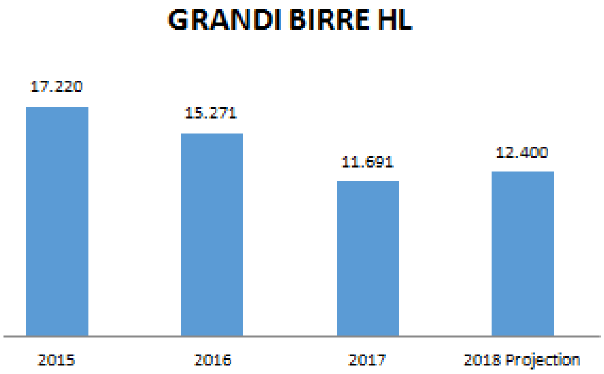


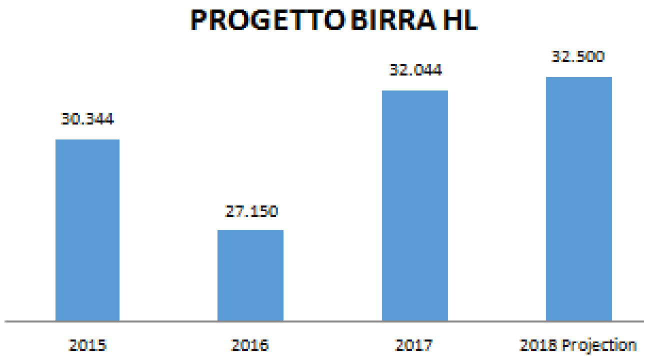


As shown in the graphs below, representing the evolution of the stream of revenues in hectolitres (HL) in the beer sector, the largest part is targeted to the on-trade sector, followed by Progetto Birra S.r.l., that covers the large retail trade industry and Grandi Birre S.r.l., devoted to direct sale in the region.
Moreover, despite its marginal position with respect to the other areas, the company's export sector has solid basis in the East-Europe, in particular Czech Republic and Croatia.
This area of interest is indeed managed directly by Birrificio Antoniano S.r.l, that sells its products without Interbrau's intermediation.







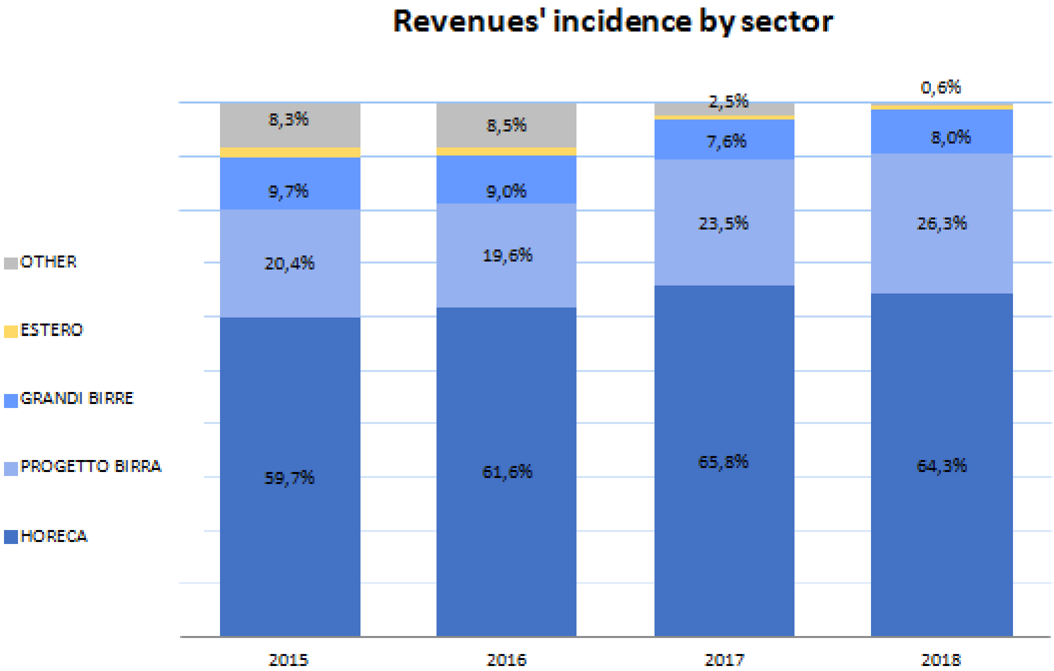


The quite remarkable reduction in terms of hectolitres sold to Grandi Birre S.r.l between 2015 and 2017, was mainly due to:

- the closure at the end of 2015 of Grandi Birre Roma S.r.l, a department of Grandi Birre S.r.l, whose clients were transferred to an historical client of Lazio region. Through this operation, Interbrau was able to maintain its final clients (pub, restaurants, café etc.).
- the assignment of its clients located in the area of Venice to a local client responsible for that area at the end of 2016.

Whereas, between last year and the current year, when the company wasn't affected by relevant changes, the hectolitres sold are expected to slightly increase.

Beside the acquisition and distribution of beers, the company is also engaged in the sale of other beverages and liquors, that represent a quite marginal part in the overall revenues of the company.



Here is presented a more detailed graph on the distribution in terms of revenues among the major sectors over the last three years.

A remarkable increase can be seen in the off-trade sector: Progetto Birra S.r.l, nowadays, cover more than 25% of the company's revenues.

In any case, Horeca's channel remains the core business with around 65% of incidence.

The core activity of this area, which guarantees high marginality, is related to the sale of draught beers to wholesalers, that consequently sell directly to pubs, restaurants, café etc..

Interbrau S.p.A., to exploit even more the high level of marginality of the channel, will try, starting from 2019, to devote a larger percentage of sales to bottled beers, that due to lower costs associated to their sale and the avoidance of maintenance costs, that instead affect kegs, will allow Interbrau to improve its margins.

Until 2018, the percentage of bottled beers with respect to kegs had been around 20%, while the company aims at improving this percentage up to a 25% in 2021.

The Business Model

In order to depict in the most practical and at the same time exhaustive way all the aspects affecting the company, the Business Model Canvas is the more adequate process.
The nine key elements applied to Interbrau are as follow:

Key Element		Description
	Key partners	o Interbrau has established long-term relationships with high-quality suppliers, that allow the company to maintain a diversified portfolio in all relevant distribution channels o Major suppliers are: • Augustiner-Bräu Wagner KG • Birrificio Antoniano s.r.l • Duvel Moortgat NV • Brasserie du Bocq S.A. • Privatebrauerei M.C. Wieninger • G.Schneider & Sohn GMBH • Brasserie Bosteels o Key partners are: • Birrificio Antoniano s.r.l., that is directly controlled by the group. • Augustiner-Bräu Wagner KG, with whom the company has a contractual agreement up to 2023.
	Key activities	o The company is engaged in the distribution of high-quality beers, both imported from abroad and produced domestically through Birrificio Antoniano Soc. Agr. S.r.l.. o It also sells other beverages and liquors.

	Value proposition	○ The sale of high quality beers in all market segments. ○ Disposal of a very diversified and innovative portfolio of products, oriented to satisfy all kind of tastes. ○ Strong engagement with customers to spread beer culture.
	Customer relationship	○ Interbrau aims at developing stable relationships with clients, since the company is able to offer a superior customer service, thanks to its first class logistic department and the provision of kegs to clients, guaranteed through cautions.
	Customer segments	○ Interbrau is characterized by B2B activities: customers are represented by wholesalers located all over the country. ○ Is major clients are: • Progetto Birra S.r.l. • Grandi Birre S.r.l. • Partesa S.r.l. • Abruzzo Distribuzione S.r.l. • Birrificio Antoniano S.r.l. • Aliprandi S.r.l. • Doreca S.p.A.
	Distribution channels	○ The company can count on an in-house logistic department with an outsourced distribution network that allows a high degree of flexibility, capable of drastically reducing the lead time

		from the receiving of an order and the shipment of the product.
	Key resources	o Vertical integration of all key activities: in-house logistic, marketing department, sales force and graphics. This allows a high flexibility to market changes.
	Cost structure	o Great part of costs is related to volumes sold. In recent years, Interbrau has been under an internal restructuring process to reduce fixed costs. o Cost advantages through economies of scope, due to a larger scope of operations: for instance, both marketing activities and distribution channels may support multiple products. o Economies of scale due to business' dimension.
	Revenue stream	o Revenues derive almost entirely from the sale of bottled beers and beer kegs. o A marginal part comes also from other beverages, such as liquors and drinks

SWOT Analysis

Thanks to its uniqueness in the industry, Interbrau S.p.A has at its disposal several strengths to face the challenges proposed by the industry.

A remarkable increase in the power of multinational company with always more competing prices in all market segments might arm Interbrau's actual position; the company has, in any case, the capabilities, in particular, thanks to its know-how and long-term relationships with suppliers and clients, to overcome these possible increasing difficulties.

Here is presented the well-known SWOT analysis:

STRENGHTS	WEAKNESSES
• Strong beer culture • Longstanding existence of the company • Long term relationships with suppliers • In-house logistics, graphical, sales and marketing department • Big dimension that allows both economies of scale and scope • Coverage of all the relevant market sectors • Owned brewery (Birrificio Antoniano) • Experienced sales department	• High level of external financing • Unstructured trade marketing • Dependence towards external suppliers
OPPORTUNIIES	THREATS
• Development of new important brands • Empowerment of Birrificio Antoniano	• Concentration of distribution • High level of competition

Sources of Competitive Advantage

Having considered the internal and external situation, Interbrau’s sources of competitive advantage derive from four main aspects.
First of all from its ability to establish relationships with suppliers and customers that goes beyond the mere purchase and sale of products. It sets itself as a trendsetter and innovative reality in the continuous proposal of new brands, styles and projects; providing its constant assistance to customers’ needs.
Then from the vertical integration of the processes: all departments are internal to the company and allow reaching a high level of flexibility towards both exogenous and endogenous factor.
The company can also count on its image and communication. Indeed, it has always contradistinguished itself for its culture and search for innovation; aspects widely recognized also by competitors.
At last, it can rely on a superior technical know-how and a highly trained staff.
Interbrau has indeed at its disposal experts and professionals for each market segment.

Portfolio of products and targeted customers

The company has at its disposal a wide range of products, capable of covering all kind of customers’ taste in all market segments.
These products are made of a huge number of high quality brands coming from all over Europe and also from U.S.A..
The most relevant brands, with whom the company has established long-term collaboration, are located in particular in Germany and Belgium. Indeed, great parts of the hectolitres sold by the company are generated by Augustiner’s and Wieninger’s brewery in Germany, with whom the company is related with contractual agreements expiring in 2023 and 2025, respectively. While in Belgium, the most significant could be identified in “Brasserie d’Achouffe” and Bosteels’ brewery.
Moreover, the entire portfolio could be divided among proprietary brands and third-party brands.
The ones mentioned above are part of the “third-party category”, with whom the company has established long-term relationships to ensure stability and the proper business continuity, avoiding unexpected events, like the cease of relationship whit a relevant supplier, that took place in 2016 and 2017, causing huge negative economic impacts.

On the other hand, proprietary brands are composed of: Birra Antoniana, directly produced by Birrificio Antoniano S.r.l, Morrells and Thomas Hardy's.
These last two brands have been acquired in 2017 to replace the exit of an important brand; on these brands, the company intends to focus the commercial strategy, converging clients' choices towards them, adopting a well-structured marketing-mix.

Each product of the portfolio is always under strict monitoring by the company, that constantly performs positioning analyses, from which to define the most effective marketing strategy.

Despite the intention of the company to switch customers' attention toward proprietary brands, great part of revenues still derive from external suppliers, that depending on the type of relationship, might be divided within three macro-categories:

- "Top suppliers": this category is made of suppliers that, at least form 10 years, have always delegated to Interbrau the overall commercial strategy without any compliance towards the company's marketing or operative strategy developed.
- "Partner suppliers": these are suppliers with whom the company has established long-term relationship of at least 5 years and that, usually, renew the agreement on the 4th year. They take an active part on the commercial activity of Interbrau within a collaborative framework, jointly financing the operations required to reach common goals and objectives.
- "Not Partner Suppliers": they could be considered as "casual partners", that perceive the relationship as strictly market-related. They are usually composed of multinational corporations, that heavily influence the company's strategy, imposing their decisions on the brand.

At last, these products are intended for customers who care about the quality of the product itself, who appreciate the wide range offered by the company's portfolio, able to cover all kind of different tastes.
Customers that are interested in tasting and experiencing top-quality beers coming from the most renowned breweries all over Europe and produced internally under strict quality requirements.
Requirements, that, in recent years, have provided Birrificio Antoniano S.r.l. with several important awards.

Section 4: Financial Projections

Guideline's framework of the strategic plan

The strategic plan of the company finds its basis on four key aspects, belonging to four different dimensions of the business, on whom Interbrau is working to improve its overall situation:

- The business strategy: this dimension concerns the strategic activities the company will have to undertake in order to exploit in the best possible way all its resources. So it covers a deep analysis of actual and future customers, a reorganization of the transportation system and a new commercial strategy.

- Cash-flow efficiency: here the company will have to improve the actual turnovers to ensure itself with a better short-term position.

- Break-even: Interbrau has to rationalize the operative costs and find out the most well-conceived organizational structure to sustain the business.

- Financial Restructuring: the company, as depicted in the section below, is subject to a quite relevant financial burden, that is becoming unbearable now that revenues have been suffering a slowing down. Thus it's crucial to undertake a process of financial restructuring.

The Income Statement

In euro	FY2017 Actual	FY2018 Projection	FY2019 Projection	FY2020 Projection	FY2021 Projection
Revenues	37.351.420	34.117.541	37.931.696	40.903.940	43.847.927
Other Revenues	1.526.000	1.799.504	894.909	949.244	1.004.529
NET SALES	38.877.420	35.917.046	38.826.605	41.853.184	44.852.456
Raw Materials	*-28.756.619*	*-24.917.344*	*-30.316.165*	-32.489.004	*-35.094.177*
Inventory Variation	*428.905*	*-2.101.242*	*486.966*	193.804	*-14.539*
Cost of Sales	**-28.327.713**	**-27.018.586**	**-29.829.198**	**-32.295.199**	**-35.108.716**
GROSS PROFIT	10.549.707	8.898.460	8.997.407	9.557.985	9.743.740
Services	-5.675.946	-4.315.147	-4.237.218	-4.629.927	-4.854.176
Leasing	-1.271.057	-999.841	-1.037.666	-939.678	-739.502
Salaries and wages	-1.919.306	-2.083.319	-1.724.760	-1.813.864	-1.830.190
Other Operating Expenses	-222.871	-196.643	-173.500	-173.500	-173.500
Total Overhead	**-9.089.179**	**-7.594.950**	**-7.173.143**	**-7.556.969**	**-7.597.368**
EBITDA	1.460.527	1.303.510	1.824.263	2.001.016	2.146.372
Depreciation	-664.463	-649.197	-626.475	-515.329	-451.086
Bad debt provision	-40.000	-80.000	-80.000	-80.000	-80.000
EBIT (Earnings before interest and taxes)	756.064	574.313	1.117.789	1.405.687	1.615.286
Net Financial Income/Expenses	-578.725	-547.000	-600.486	-621.390	-647.493
EBT (Earnings before taxes)	177.339	27.313	517.303	784.297	967.792
Income taxes	-102.588	-21.850	-217.267	-321.562	-358.083
Profit/Loss	74.751	5.463	300.035	462.735	609.709

Revenues Development

As stated in previous sections, Interbrau's core business is represented by the on-trade sector, that accounts for more than 60% of the total volumes of hectolitres sold and for more than 80% of the overall gross profit obtained.

Within this industry sector, between 2017 and 2018, the company suffered a reduction in volumes, that was quite entirely due to the unexpected cease of relationship with one important supplier, on whom the company invested a lot and was expected to provide a huge amount of revenues.

Nevertheless, the company was able to recover from this event, thanks to the extraordinary actions undertaken by both the owners, who decided to relaunch a worldwide known selection of English beers directly held by the company (e.g. Morrells) to replace that brand, and the in-house graphic and marketing/communication department, that had been capable to introduce these new products in the market within just few months.

Moreover, the company is going through a process of repositioning of proprietary brands, trying to emphasize these types of products over third parties' brands, to reduce the concentration risk on few external suppliers.

Despite this reduction, after a deep analysis of the actual situation, both in terms of portfolio of products and of clients, the company expects to considerably improve the amount of hectolitres sold in future years, through the following main activities:

- *Clients' analysis*: The head of the Sales Department has identified those areas where the company is not sufficiently present, developing new targeted penetration strategies.
  Clients have been divided considering their peculiarities, classifying specialized and not specialized wholesalers in order to offer them the more adequate portfolio of products.

- *New products*: as explained before, the company has recently introduced in its portfolio new brands, that already have shown great potential of growth.
  However, as proved by years of experience, with whom Interbrau is well endowed with, the expected volume of sales, in particular for what concern draught beers, a brand is capable to achieve is not immediate. Indeed, in the draught beer sector, this process takes several time.
  So, having started this "renewal" process by the beginning of 2018, soon from next year, the company will enjoy a complete recovery in terms of revenues.

- *Increase in list prices*: for the first time, since two years, the company intends to increase its list prices. This action is quite common in the beer industry, where prices are increased annually. This choice will therefore have no impact within Interbrau's business relationship.

- *Marketing mix*: the entire commercial strategy aims at converging clients' choices towards products Interbrau wants to prioritize.

- *Reorganization of the transportation system*: to improve the delivery experience, Interbrau intends to reduce the time required to collect back kegs provided to clients and the amount spent on transports; thus diminishing the overall cost of sales, that directly affects the Gross Profit of the company.

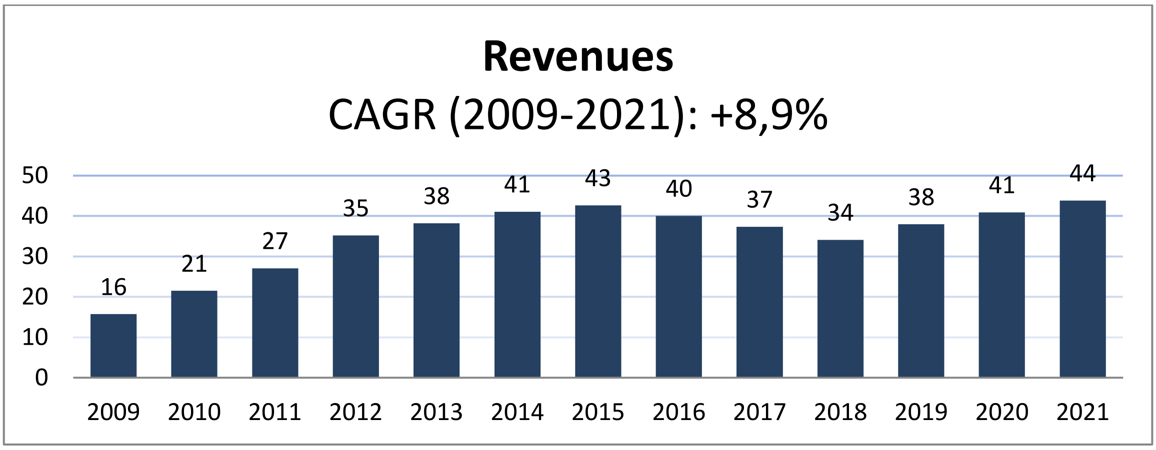
- *Cash Flow improvement*: These interventions will also benefit the company in terms of cash flow, reducing inventories and receivable turnover, from mid 2019.
  Moreover for each client, the terms of payment will be reconsidered to better Interbrau's conditions.

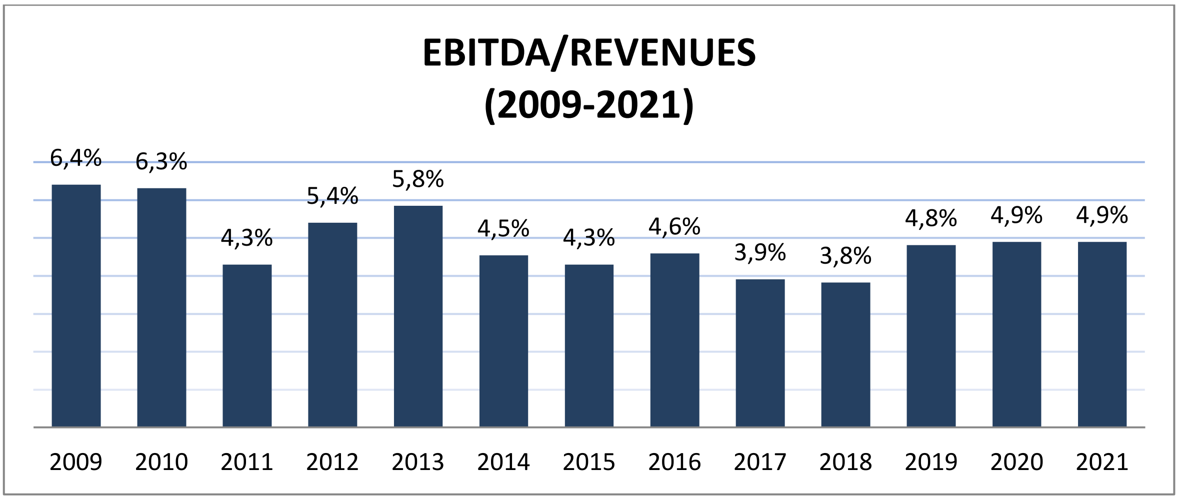
- *Introduction of new sales agencies*: already opened in 2018 all over the country, they'll guarantee an higher level of national coverage.
  Like beers' brands, also these agencies, that will be directly ruled by Interbrau's area managers, require some time to gain complete effectiveness, and will allow the organization to reach new clients, enlarging its range of activities.

Concerning other industry's sectors with whom Interbrau is engaged with, both exports and sales to Grandi Birre S.r.l. are going to maintain their actual volumes with a slight increase over the years, due to the higher volumes that will be managed by Interbrau.
The off-trade sector, covered by Progetto Birra S.r.l., will instead increase at faster rate, with the intention to reach more than forty thousand hectolitres by the end of 2021, with respect to the thirty thousand actually managed.
Beside the introduction of the new products cited above, these projections also reflect the positive trends that are affecting the off-trade sector in recent years.
At last, the percentages of profit margin these sections will guarantee to the company are expected to respect current trends.

Other revenues instead, mainly comprehend "performance incentives" paid by suppliers when a determined amount of hectolitres have been purchased, for example.
These payments are defined in relation to the hectolitres projected.

Considering all the assumptions made in previous slides, the company is expecting to register a Compound Annual Growth Rate of 6.5% between 2018 and 2021, improving its EBITDA performances up to 4.9%.





Interbrau's cost structure

Services

This item of the income statement mainly refers to:

- *shipping and handling costs*: provided by an external cooperative, that is paid on the basis of the packages managed. Thus it is a variable cost, strictly correlated to the volumes sold.

  Within 2018, the amount spent on tariffs paid to the cooperative has been drastically reduced, leading to an average saving of 6 thousands euro per month and a 30% costs' decrease with respect to 2017. Moreover, as described in the previous section analyzing revenues, it is expected an improvement within the logistic system, that will contribute to: a better merging of deliveries, a reduction in delivery lead time and a better customer service.

These actions will reduce the overall costs, providing the company with a service that can guarantee a competitive advantage within the reference market.

- *Utilities:* composed of gas, energy, wastes and telephony costs. From 2019, consistent savings on both fixed and mobile telephony for an amount over 43K euro per year are expected.
- *Marketing costs*: all marketing activities, communication costs and exhibitions of Interbrau's brands. From 2019 these costs will be revised to get a better focus on the amount to be spent. There will be only marketing strategic activities to empower brands, improve visibility and useful to reach the overall sales' targets.
- *Commissions on sale*: provisions devoted to Horeca's B2B wholesalers. Following the restructuring process affecting 2016/2017, no changes are expected for the following years, even if there might be new recruitment to get an higher Italian territorial coverage .
- *Consultancy:* composed of consultancy costs due to professional firms/consultants.
- *Other Services*: insurances and maintenance costs.

To reduce these type of costs, Interbrau will focus on obtaining a superior efficiency concerning transportation costs; undertaking targeted marketing strategies to avoid any waste of resources for not valuable projects; defining a Sales Force with whom establishing long-term synergies and retaining only those services that are perceived as value adding.

Leasing

Interbrau has to bear the costs of more than 20 leasing.
In any case, the company has no intention of opening new ones, but one in 2019.

Salaries

Interbrau aims at implementing both efficiency and enhancement activities that will lead to an overall saving from 2018 to 2021 of 250K.

Here is presented an analysis of actual and future situation, divided by cost centre:

- *Customer Service*: reduction of labour force through part-time option following several maternities that have taken place between 2017 and 2018.
  Moreover, recently, the company has invested a lot in the IT sector providing the sales force with hardware and software instrument, to speed up their tasks.

- *Sales Force*: actually composed by three area managers with a potential new recruitment by 2020.

- *Sales Director*: thanks to his know-how and professional skills, acquired by years of experience in this sector, the company's Sales Director has been providing the company with satisfactory performances in the Horeca sector, since 2016.

- *Logistic/Procurement department*: it's made up of two people completely devoted to the procurement activity. The organization and administration of transports is entrusted to the Logistics' Officer, who is an expert in the logistics field able to guarantee continuous efficiency improvements.

- *Administration Department*: Within 2018 one person retired and two people moved to part-time.

- *Marketing/ Design/ and General Office Department*: these departments are and will be subject to efficiency procedures to reduce the workforce.

Other Operating Expenses

These type of expenses refer to valuation losses, taxes, membership fees and exceptional cost.

Depreciation

It has been calculated following the depreciation plan.

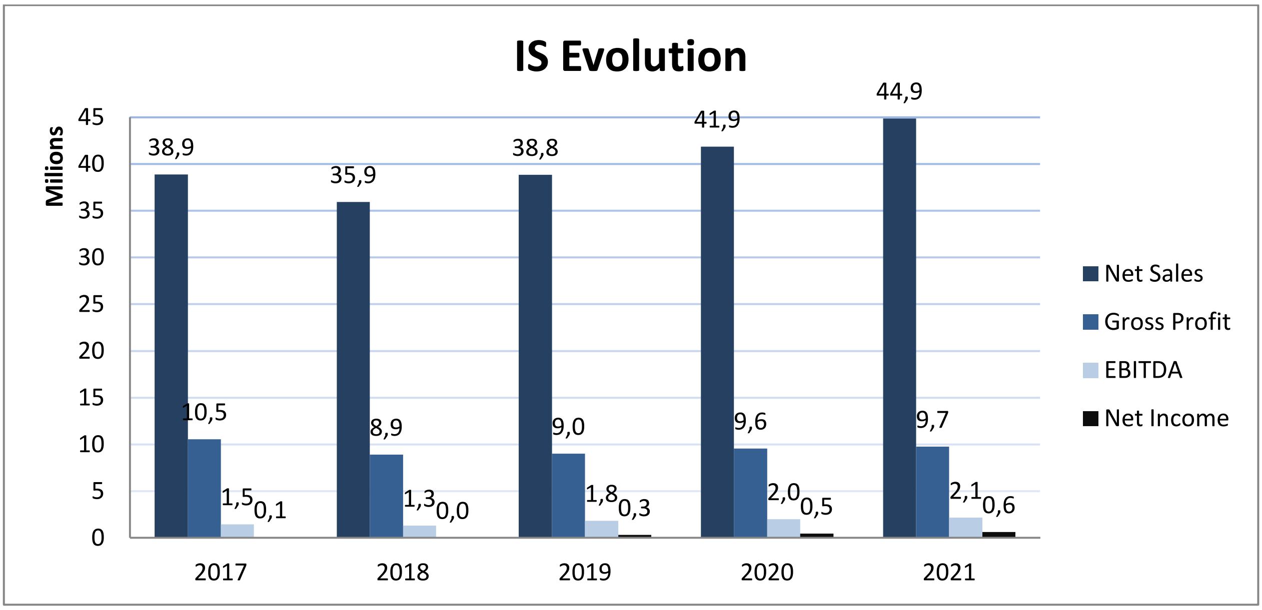
Net Financial Income Expenses

Line composed of interests to be paid on loans, current deposits and import financing.

Income Taxes

Taxes have been calculated as percentage of EBT.
The average tax rate applied is above 37%.

To conclude the overall situation for the period 2017-2021 regarding the Income Statement might be summarized in the following graph:



The Balance Sheet

In euro	31.12.2017 Actual	31.12.2018 projection	31.12.2019 projection	31.12.2020 projection	31.12.2021 projection
Tangible Assets	4.192.962	3.988.791	3.660.504	3.381.064	3.113.194
Intangible Assets	1.954.292	1.760.786	1.600.527	1.492.564	1.412.277
Financial Assets	3.523	3.523	3.523	3.523	3.523
Total Assets	**6.150.777**	**5.753.101**	**5.264.553**	**4.877.152**	**4.528.994**
Inventory	6.694.458	4.593.216	5.080.182	5.273.987	5.259.448
Third party receivables	*5.456.184*	*4.897.201*	*5.616.228*	*5.869.715*	*6.184.092*
Related Party Receivables	*5.948.940*	*6.300.149*	*6.497.037*	*6.616.798*	*6.414.985*
Total Receivables	11.405.125	11.197.350	12.113.265	12.486.513	12.599.078
Third party payables	*-5.662.192*	*-5.019.221*	*-5.170.647*	*-5.268.339*	*-5.635.981*
Related Party payables	*-1.033.652*	*-530.000*	*-600.000*	*-620.000*	*-640.000*
Total Payables	-6.695.844	-5.549.221	-5.770.647	-5.888.339	-6.275.981
Trade Working Capital	**11.403.739**	**10.241.346**	**11.422.801**	**11.872.161**	**11.582.545**
Other Receivables	1.675.413	1.169.269	1.071.365	931.680	799.189
Suppliers' deposits	4.836.704	4.924.437	5.395.844	5.614.580	5.607.024
Income Taxes receivables	212.093	21.001	17.001	13.001	8.000
Other Receivables	**6.724.210**	**6.114.707**	**6.484.210**	**6.559.260**	**6.414.212**
Other Payables	-558.008	-503.720	-502.720	-485.720	-468.720
Clients' deposits	-3.329.637	-3.124.437	-3.574.329	-3.713.065	-3.792.902
Income Taxes Payables	-496	0	0	0	0
Other Payables	**-3.888.141**	**-3.628.157**	**-4.077.049**	**-4.198.785**	**-4.261.621**
Cash and cash equivalents	2.160.064	2.190.098	2.377.385	2.523.065	2.518.822
Net Working Capital	**16.399.871**	**14.917.994**	**16.207.347**	**16.755.702**	**16.253.957**
TFR- severance payment	-378.325	-450.325	-510.325	-570.325	-630.325
Other funds	-13.863	-10.000	-11.000	-12.000	-13.000
INVESTED CAPITAL	**22.158.461**	**20.210.770**	**20.950.576**	**21.050.529**	**20.139.626**
Current bank deposits	1.762.695	2.053.971	2.371.016	2.481.563	2.447.220
Short-term debt	4.692.220	4.121.941	4.756.032	4.977.127	4.908.439
Import Financing	5.343.418	2.487.300	2.766.443	2.865.127	2.911.332
Long Term Debt	5.978.109	4.466.276	2.914.282	1.827.218	835.655
New Loans	0	2.800.000	3.667.685	3.990.741	3.518.519
Net Financial Position	**17.776.441**	**15.929.488**	**16.475.458**	**16.141.776**	**14.621.164**
Shareholders' financing	241.500	135.300	29.100	0	0
Equity	4.140.520	4.145.982	4.446.018	4.908.753	5.518.462
Net Worth	**4.382.020**	**4.281.282**	**4.475.118**	**4.908.753**	**5.518.462**
TOTAL FUNDS	**22.158.461**	**20.210.770**	**20.950.576**	**21.050.529**	**20.139.626**

Total Assets

The amount of total assets follows the depreciation/amortization scheme without consistent changes.

Total investments between 2019-2021, reflected in the “Capex” of the CF statement, are as follow:

Type of investment	2018	2019	2020	2021
Intangible	93.708	127.928	97.928	93.428
Tangible	9.288	10.000	30.000	9.500
Total Investment	**102.995**	**137.928**	**127.928**	**102.928**

As clearly displayed, investments mainly focus on intangible assets, in particular concerning the development of IT sector.

Interbrau has already invested a lot in 2018 to provide the sales force with an highly industry specific software, that allows an extremely quick collection of orders.
Moreover, this software, directly connected to SAP, allows a drastic reduction in the lead time from the receiving of the order to its transmission to the logistic department.

Trade Working Capital

1. *Inventory*

Inventory's value is determined by the DIO (days in inventory outstanding) considering the actual portfolio and the actual distribution. As explained before, the company during 2018, has implemented several activities to enhance the flow of goods from suppliers to clients, thus improving also the inventory turnover.

Inventory	FY2017	FY2018	FY2019	FY2020	FY2021
Inventory	6.694.458	4.593.216	5.080.182	5.273.987	5.259.448
DIO (days in inventory outstanding)	*65*	*49*	*49*	*47*	*44*

"DIO ratio" moved from 65 to 44 thanks to:

- the monthly forecasts made by area managers, who are monthly requested to forecast sales product by product for the next three months;
- the procurement lead time: products' requests to suppliers scheduled in order to always have fresh products without any disservice to customers;
- the stock analysis, so the continuous supervision of available stock by the logistics' Officer.

2. *Third party Receivables and Payables*

The former have been calculated considering the trend of Horeca's revenues with excises and relative credit exposure by the end of the year.
While the latter have been calculated considering purchasing activities' trends towards both Italian and foreign suppliers. To be prudent no increase in payment extension is forecasted, even if the company will try to obtain better conditions to improve its cash

flow situation. Actually the DPO towards Italian suppliers is at 80 days, while with respect to foreign suppliers 43 days.

3. Related Party Payables and Receivables

Payables and receivables towards the companies of the group are as follow:

Related Party Receivables	FY2017	FY2018	FY2019	FY2020	FY2021
Related Party Receivables	5.948.940	6.300.149	6.497.037	6.616.798	6.414.985
Details:					
PROGETTO BIRRA SRL	1.464.886	1.404.812	1.778.580	1.867.509	1.639.567
BREW INVEST SRL	-11.966	-25.000	-15.000	-5.000	0
BIRRIFICIO ANTONIANO SRL SOC. AGRICOLA	39.157	10.000	20.000	20.000	20.000
GRANDI BIRRE SRL	4.456.864	4.910.337	4.713.457	4.734.290	4.755.418

Related Party Payables	FY2017	FY2018	FY2019	FY2020	FY2021
Related Party Payables	-1.033.652	-530.000	-600.000	-620.000	-640.000
Details:					
PROGETTO BIRRA SRL	-321.501	-250.000	-350.000	-400.000	-450.000
BREW INVEST SRL	-67.140	-90.000	-70.000	-50.000	-30.000
BIRRIFICIO ANTONIANO SRL SOC. AGRICOLA	-541.087	-150.000	-150.000	-150.000	-150.000
GRANDI BIRRE SRL	-101.278	-40.000	-30.000	-20.000	-10.000

- Progetto Birra S.r.l: credit exposure has been calculated considering sales from Interbrau to Progetto Birra S.r.l. The actual 50 days of exposure have been maintained also for next years.
  Payables towards Progetto Birra concern the marketing contribution that the company receives by the achievement of predetermined hectolitres' targets or because of any marketing activity devoted to the promotion of a brand.
- Brew Invest S.r.l.: related to business administration activities, legal and HR services in favour of Interbrau.
- Grandi Birre S.r.l.: having analyzed the actual and future trends, the company expects to reduce its exposure towards Grandi Birre S.r.l..
- Birrificio Antoniano S.r.l: in this case, payments are made as soon as the company receives the invoices, so debit exposure is not relevant.

Other Receivables

Other receivables are mainly composed of advances paid to suppliers and leasing prepaid expenses.

The overall reduction of 876.244 euro is related to the progressive closure of 24 leasing and the opening of just two new ones between 2018 and 2021.

Other Payables

This item is made up of payables towards employees in relation to the fourteenth-month salary and vacation accrued but not used.

The company is actually performing a deep analysis on both the processes and work assignments to guarantee its employees with the right balance between private and working life, allowing them to regularly use the expected vacation and permission days.

Suppliers'/Clients' Deposits

These items refer to the cautions paid on the provision of kegs for draught beer.

They have been calculated considering the expected revenues.

The above-reported amount can only be improved and not worsened, thanks to the reduction in delivery lead time and kegs' returns that is going to take place as a result of Logistics' Officer activity.

TFR-severance payment

Management assumes that there won't be exceptional payments, the written amount just consider the accrued TFR.

Net Financial Position

- *Short-Term Debts, Import Financing and Long-term debts*

  The first refer to short-term liabilities to banks associated to the presentation of bank receipts submitted under reserve. The amount displayed follow revenues' trend.

  The amount presented on bank receipts is composed of the net value between sales' invoices and the credit notes for kegs' return provided to clients. This happens only when the sale of kegs is involved, while when considering only bottles, bank receipts present the overall amount.

This peculiarity of Interbrau's business lead the company to present bank receipts only after the reception of kegs, thus drastically reducing the percentage of outstanding payments.

The second, instead, have been calculated considering business' turnover over the years. These type of financing is only used when buying foreign products.

While the third considers the mortgages and their repayment.

- *New Loans*

The following table show the required amount, Interbrau needs to support the business activity.

New Loans	2018	2019	2020	2021
New loan for 2.8M	2.800.000	2.385.185	1.762.963	1.140.741
Loan repayment		-414.815	-622.222	-622.222
Interests	-5.833	-66.975	-52.500	-36.944
New loan for 1.35M		1.282.500	1.012.500	742.500
Loan repayment		-67.500	-270.000	-270.000
Interests		-8.297	-28.969	-22.219
New loan for 1.25M			1.215.278	1.006.944
Loan repayment			-34.722	-208.333
Interests			-5.172	-27.995
New loan for 650K				628.333
Loan repayment				-21.667
Interests				-2.686
New Loans' interests	**-5.833**	**-75.272**	**-86.641**	**-89.844**
Residual at the end of the year	**2.800.000**	**3.667.685**	**3.990.741**	**3.518.519**

Thus, the overall amount of loans requested is equal to 6.05 M in 3 years.

- *Financial Income and Expenses*

Presented in the Income Statement, financial expenses could be summarized in:

- Interest on short-term debt, calculated according to the business' turnover and made up of banks' commissions; commissions on banks' credit (the Italian CDF " Commissione Disponibilità Fondi");

- Interest Expense on SBF ("Salvo Buon Fine", "UUR" in English, that stands for "under usual reserves");
- Interest Expense on current accounts;
- Interest on Import Financing, calculated considering future foreign purchases;
- Interest on long-term debt, determined by taking into account all outstanding long-term debts and also related commissions;
- Interest on new long-term debt: assumed to reflect an annual percentage rate of charge of 2.5%.

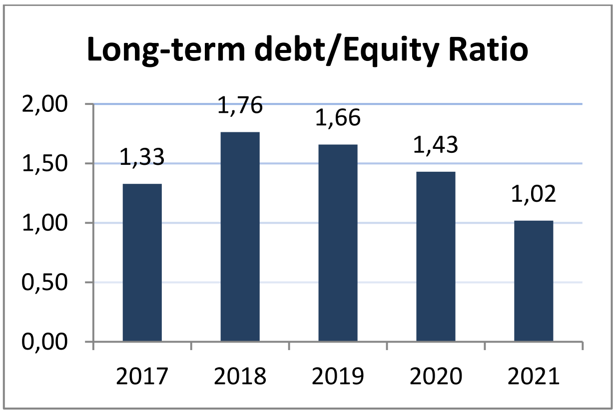
Shareholders' Financing

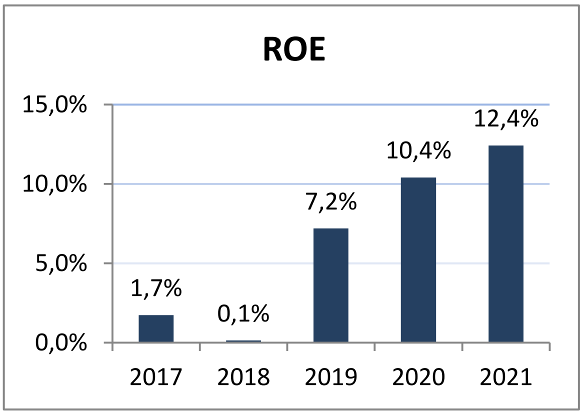
The reduction in shareholders' financing is due to the repayment of Brew Invest S.r.l. financing.

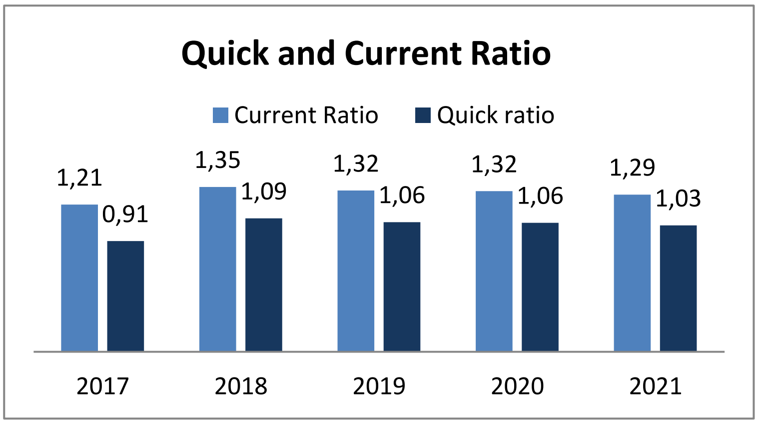
Equity

Changes in equity are only due to the profits made by the company; indeed, no further financing is expected.

At last, the tables below show some relevant KPIs related to the Balance Sheet:







The quick and current ratio will always be above 1, so the company will be able to meet its current obligations as they come due.
However, as we can see Interbrau S.p.A strongly relies on external financing to support its business activity and the peak in 2018 is due to the desirable external intervention of 2.8M.

The Cash Flow Statement

	FY2017 Actual	FY2018 Projection	FY2019 Projection	FY2020 Projection	FY2021 Projection
EBITDA	**-65.472**	**-495.994**	**929.354**	**1.051.772**	**1.141.844**
Other Revenues	1.526.000	1.799.504	894.909	949.244	1.004.529
EBITDA	**1.460.527**	**1.303.510**	**1.824.263**	**2.001.016**	**2.146.372**
Delta Inventory	*-428.905*	*2.101.242*	*-486.966*	*-193.804*	*14.539*
Delta Third Party Receivable	*-66.422*	*558.983*	*-719.027*	*-253.487*	*-314.378*
Delta Related Party Receivable	*714.690*	*-431.209*	*-276.888*	*-199.761*	*121.813*
Delta Total Receivables	648.268	127.774	-995.915	-453.248	-192.565
Delta Third party Payables	*354.609*	*-642.971*	*151.426*	*97.692*	*367.642*
Delta Related Party Payables	*679.456*	*-503.652*	*70.000*	*20.000*	*20.000*
Delta Total Payables	*1.034.066*	*-1.146.623*	*221.426*	*117.692*	*387.642*
Delta Trade working Capital	**1.253.428**	**1.082.393**	**-1.261.455**	**-529.360**	**209.616**
Delta Other Receivables	*-72.667*	*506.144*	*97.904*	*139.686*	*132.491*
Delta Suppliers' deposits	*-750.650*	*-87.733*	*-471.407*	*-218.736*	*7.556*
Delta Total Other Receivables	*-823.317*	*418.411*	*-373.503*	*-79.050*	*140.047*
Delta Other Payables	*-100.871*	*-54.288*	*-1.000*	*-17.000*	*-17.000*
Delta Clients' deposits	*-58.988*	*-205.200*	*449.892*	*138.736*	*79.837*
Delta Total Other Payables	*-159.859*	*-259.488*	*448.892*	*121.736*	*62.837*
Delta Net Working Capital	**270.252**	**1.241.316**	**-1.186.066**	**-486.674**	**412.500**
CapEx	-134.318	-251.521	-137.927	-127.928	-102.928
Tennet's Kegs		-968.068			
Birrificio Anotniano		819.542			
Other		-102.995			
Operating Cash Flow	**1.596.461**	**2.293.305**	**500.270**	**1.386.414**	**2.455.944**
Delta TFR-Severance payment	*63.563*	*72.000*	*60.000*	*60.000*	*60.000*
Delta Other Funds	*-22.099*	*-3.863*	*1.000*	*1.000*	*1.000*
Total Funds	41.465	68.137	61.000	61.000	61.000
Free Cash Flow (FCF)	**1.637.926**	**2.361.443**	**561.270**	**1.447.414**	**2.516.944**
Delta Income Tax Payment	*-279.552*	*168.745*	*-213.267*	*-317.562*	*-353.082*
Financial Assets	*0*	*0*	*0*	*0*	*0*
Equity	*0*	*0*	*0*	*0*	*0*
Delta Shareholders' financing	*-488.500*	*-106.200*	*-106.200*	*-29.100*	*0*
Tax Payment/ Sharehilders' Fin.	**-768.052**	**62.545**	**-319.467**	**-346.662**	**-353.082**
Financial Income and Expenses	-578.725	-547.000	-600.486	-621.390	-647.493
Cash Flow From Operations	**291.149**	**1.876.988**	**-358.683**	**479.362**	**1.516.369**
New Loans		*2.800.000*	*1.350.000*	*1.250.000*	*650.000*
New Loans repayments			*-482.315*	*-926.944*	*-1.122.222*
Net effect of New Loans		**2.800.000**	**867.685**	**323.056**	**-472.222**
Delta Bank Deposits	*-1.093.490*	*291.276*	*317.046*	*110.547*	*-34.344*
Delta Short-term debt	*193.243*	*-570.278*	*634.091*	*221.095*	*-68.688*
Delta Import Financing	*685.552*	*-2.856.118*	*279.142*	*98.685*	*46.204*
Delta Long Term debt	*-716.018*	*-1.511.834*	*-1.551.993*	*-1.087.064*	*-991.562*
Delta Outstanding Financing	**-930.713**	**-4.646.954**	**-321.715**	**-656.738**	**-1.048.390**
Cash Flow after Loans	**-639.564**	**30.034**	**187.287**	**145.680**	**-4.244**
Beginning Cash and Cash Equivalents	2.799.627	2.160.064	2.190.098	2.377.385	2.523.065
Ending Cash and Cash Equivalents	2.160.064	2.190.098	2.377.385	2.523.065	2.518.822
Delta Total Cash and Cash Equivalents	**-639.564**	**30.034**	**187.287**	**145.680**	**-4.244**

Within 2018, analyzing the CF movements in relation to current assets, the company, adopting several well coordinated and precise operations, has been capable of obtaining an

estimated Free Cash Flow of 2.361.443 euro, complying with the financial duties (financial expenses and principal repayments) towards related financial institutions.
The operations to improve Interbrau's current assets were the following:

- a lower procurement lead time;
- a better inventory turnover;
- a decrease in delivery lead time and faster kegs' return;
- an improvement in payments' condition both from clients and towards suppliers.

Considering, the CAPEX line, it highlights two relevant operations, made within 2018:

- the acquisition of 27 thousands kegs from a past supplier, that has already taken place within 2018 without any present or future financial disbursement;
- the potential sale to Birrificio Antoniano of technical assets. However, this operation will only be available whenever Birrificio Antoniano finds a financial partner for the acquisition.

In this last year, Interbrau has provided financial institutions with various operations, that allowed the company to face the financial difficulties that are still currently affecting its business.
Interbrau's import financing has been reduced from 5.4M on the 31st of December 2017 to 2.1M on the 30th of September 2018, with an expected closure on the 31st of December of 2.5M.
The overall 2.8M reduction derives from:

- 1M reduction within April 2018 thanks to the restructuring of import financing towards Intesa San Paolo through a 5 years funding expiring on March 2023;
- while the remaining part (1.8M) has been reimbursed thanks to Interbrau's CF generation.

Moreover, bank receipts under reserve have moved from 4.7M on the 31st of December 2017 to 4.1M on the 31st of December 2018; a reduction of more than 500K euro.
However the overall exposition might exceed what has been indicated, if sales will exceed expectations.

The long-term debt section, instead, saw the subscription of two new loans: 1M of euro with Intesa San Paolo, as restructuring of import financing; 60K euro and 240K euro with “Banco Popolare di Milano”(BPM).
The first of the two financing from BPM will last 2 years expiring in June 2020, while the second will last 5 years expiring in June 2023.
Both financing have been established in December 2017 and the repayment plan in June 2018.

Interbrau S.p.A. will then repay within 2018, an amount of almost 2.5M euro of principal repayment and 100K euro of interests.
For the purpose of comparison, last year the company has established financing for an overall amount of 4.450M, among them 850K were classified as short-term debt, while the other 3.6M as long-term debt.

To rebalance the actual financial situation, as described in the section devoted to the net financial position, Interbrau S.p.A. has requested new medium-long term financing for an overall amount of 6.050.000 euro within 4 years for the following reasons:

1. *Slowdown in revenues*: as underlined in the revenues’ section, between 2017 and 2018, the company suffered a slowdown due the change in the products’ portfolio thus undermining the related cash flows, forcing the company to demand for an harmonization of the actual position with external financing.
2. *Cash Deficit*: despite a clear improvement of the overall net financial position, the cash flow statement for the period 2019-2021, highlights how, without an external intervention to restructure long-term financing, the company will have to face, soon from 2018, an important cash deficit, that will reach its peak by the fourth quarter of 2018 and by the first quarter of 2019, periods where the company is usually under a stressing cash flow situation because of the seasonality of beer sector, the closure of several wholesalers during Christmas holidays, high end of the year disbursement (e.g. thirteenth month’s salary, VAT and excise deposits) and the payment of “end-of the year premises” to clients by the beginning of 2019, such as to compromise the on-going of the business.

So at last, the company’s request aims at obtaining an higher financial flexibility concerning short-term operations through the restructuring of medium/ long-term loans, to favour a linear reimbursement scheme that can be sustained by the company.

This request is both essential and at the same time functional for the implementation of the strategic plan.

Chapter 3. The importance of Financial Planning and Interbrau's possible future scenarios

Like many other companies, also Interbrau S.p.A., as clearly pointed out in the last paragraph concerning the cash flow statement, is subject to the seasonality of its sector.
Indeed, the beer sector is characterized by high turnover during summer, followed by an important decline throughout the fall months[19], bottoming out in December; to then quickly rebound in January.
This means that the company, during some periods within a year, has to face tough stressing cash flow situation, that without a well conceived financial planning with financial institutions, would compromise the on-going of the business.
As stated before, for instance, despite the fact that in December beers' sales reach its lowest level, the company has, in any case, to bear the high costs of salaries, value-added taxes and the payment of premises to its suppliers, that cannot be covered by revenues alone.

In this sense, the knowledge of working capital seasonality, associated with a well structured investment plans, as well as a deep understanding of cash inflows and outflows in the nearest future, is crucial for the business' survival.

When considering financial planning, a company is entering the framework of corporate financing, thus analyzing the entire range of activities that influence the financing of a business.
Through the right recognition of the more appropriate financing tools, a company can purse several different objectives, among them; the most critical could be identified in: liquidity and profitability.

- Liquidity describes the ability of a company to meet its financial obligations as they come due; in the opposite case the company would become insolvent, threatening its future existence.
  Being liquid allows also to consequently improving profitability thanks to reduced interest expense or increased interest income, together with greater financial flexibility to negotiate enhanced terms with suppliers and financiers or participate in new business opportunities.

[19] the season of the year between summer and winter during which the weather becomes cooler, popularly considered to include the months of September, October, and November.

While a loss within one accounting period doesn't lead to business' closure, a lack of liquidity might suddenly endanger the business' continuity.

- Profitability, instead, should be divided among: return on invested capital and return on equity. The former related to the entire capital invested within the company, while the latter allows owners to understand whether their proper investments have been profitable or not.

Nowadays, Interbrau has, first of all, to deal with liquidity's issues: it has to come up with the payment, within the expiring dates, of invoices, lease's installments, taxes etc., in a situation in which company's revenues are not performing as expected.
Nevertheless, thanks to a well-founded financial planning a company, like Interbrau S.p.A, can improve its actual situation.

The risk of becoming insolvent can arise from several different areas within a business: seasonal fluctuations or unplanned reduction in revenues or profitability, as underlined before, but also from unplanned capital expenditure, an increase in operational costs, the breach of loan covenants, the fact of not matching the maturity profile of debts to the assets which they are funding, or from an inadequate cash flow management.
This last point, cash flow management, is an integral part of everyday operations and it is also the main cause of many businesses' failures due to an inappropriate management of available cash, the lack of available cash resources, or the lack of access to appropriate financing facilities.

Useful methods to measure and manage the risk of insolvency

There exist several different methods, related to risk management procedures, a business can implement to reduce the risk of becoming insolvent, thus the liquidity risk, in particular.

Cash Flow analysis

The most important method, that all companies should implement, is the forecasting of both short-term and long-term cash flows.

The level of monitoring short-term cash flows transactions highly depend on the average sales volume per day. A company conducting a lot of daily CF transactions should monitor short-term liquidity on a daily basis; while companies with a lower amount of per-day transactions should adopt a weekly monitoring, to avoid unexpected pressure on the business resources.

Interbrau S.p.A, for instance, is subject to a quite high level of transactions per day, and thus has at its disposal a person inside the administrative office devoted to this monitoring activity.

Concerning long-term cash flows, these might be useful, as in the case of Interbrau's strategic plan, to support the strategic objectives, providing potential lenders with future financial details. In this case, the long-term cash flow forecast is less about solvency and more focused on longevity of the business.

Moreover, to keep it effective, it is extremely important to involve all business units within the company to identify all types of liquidity risks.

To this monitoring purpose, several well-structured organizations are endowed with software allowing a better representation of present and future cash flow financial position, providing precise reports and accurate forecasts to assist the treasury teams in their performance and strategic role within the overall business.

The modules offered by these IT organizations, which are made up of experts in the field of design, development and implementation of solutions for treasury, finance and financial planning management, provide clients with both databases necessary to determine cash and liquidity management in regard to incomes and expenses, as well as accurate reports related to a certain period in time and cash flow forecasts.

They also help in the determination of risk exposures related to foreign exchange and interest rates.

However unfortunately, this software requires a high economic investment, that small and medium enterprises can't usually afford.

At last, in any case, despite the presence or not of dedicated software, these preventive activities will enable the organisation to anticipate possible future cash flow deficit, allowing management to apply remedial actions before it is too late and therefore prevent a liquidity problem down the line.

Financial Ratios Analysis

Another relevant method, that might be used by companies to prevent liquidity risk, is the financial ratios analysis.
The financial ratios analysis could be generally divided among three main areas:

- indicators of operating cash flows;
- ratios of liquidity;
- financial strength.

The former concern the operating cash flow (OCF) of a company, thus the cash flows that a company generates from operations as related to its current debt.
The OCF is useful when analyzing the liquidity of a company, since it compares current assets with current liabilities.
Examples for these ratios are the following:

- Cash flows from operations as a percentage of current liabilities. If this ratio is below one the company is not generating enough cash to pay off its short-term debt. This leads the company in an extremely critical situation, potentially affecting its future existence.
- The ratio of debt to gross cash flow, so operating profit plus depreciation and deferrals.
  It indicates how many years of cash flows are required to cover all debts, assuming no new financing.
- The interest coverage ratio, so Earnings Before Interests and Tax (EBIT) over interest expense, to find out how a company can pay interest on its outstanding debt.
  When considering businesses with a considerable amount of non-cash expenses (amortisation, depreciation, deferral items, etc.) it may be more appropriate to look at the EBITDA instead of the EBIT.

Ratios of liquidity, similarly to the ratios indicated above, are used to determine a company's ability to pay off current debt obligations without raising external capital.

They are made of:

- the quick ratio, that considers the extent to which current liabilities can be paid immediately out of liquid assets (cash or cash equivalent);
- the current ratio, thus current assets/current liabilities;
- the comparison among the availability of undrawn banking facilities as a percentage of current liabilities, thus indicating whether there is a buffer the company can use in case of unexpected cash outflows.

Like in the case of Interbrau S.p.A, both the first two ratios should be above one to let the company be considered in a healthy position.

The concept of "financial strength", instead, is devoted to the analysis of the level of external financing with respect to total funds, thus equity plus debt.

The right percentage is difficult to be assessed in a comprehensive way for all types of businesses, because it might depend on the type and the operations involved.

In any case, for what concern Interbrau S.p.A., the level of external financing is way too high with respect to the standards of the industry.

Hence, in order to manage the liquidity risk, that, as confirmed by evidence, is the main cause of business' closure, a company should adopt a careful cash flow management enhancing first of all its working capital, and, when possible, maintaining appropriate financing facilities or, even better, liquidity buffers.

As explained before, a regular monitoring of cash flow forecasts compared to what was expected in the budget, will allow management to anticipate cash drains, due to unexpected endogenous rather than exogenous events, applying timely corrective actions.

To be effective, those in charge of CF management, must be provided with all information on timely basis by the rest of the business, so to be able to plan the optimal use of the business' cash flow; a lack of intercompany communication could, indeed, deeply damage the efficient usage of financial resources.

Moreover, it is advisable for company to carry on sensitivity analysis to be prepared with respect to unforeseen cash outflows and to facilitate the development of emergency plans.

Obviously, people in charge of this position must have also cleared in mind the industry's dynamics affecting the company's turnover: they must be well informed on the possible

cyclicality as well as seasonality of the business, that may cause different needs for working capital.
A good cash flow forecast, together with a wise interpretation of financial ratios, will enable a company to recognize those key areas where improvements to working capital can be implemented.
Thus a clear understating of the following indicators, that are the “Days Sales Outstanding” (DSO), the “Days Payment Outstanding” (DPO) and “Days Inventory Outstanding” (DIO), may allow an organization to obtain better payment conditions both from its suppliers and towards its customers, also favouring an internal assessment on the way the company is managing its sock, so figuring out whether it is holding too large stock levels not being utilised, hence tying up cash, that might be used otherwise.
Usually, companies with a lower working capital, have at their disposal a higher level of liquidity and profitability. This is quite intuitive, indeed, a company capable of obtaining profits with a lower level of working capital is also employing a lower amount of resources, thus achieving a higher profitability; moreover, in companies where the working capital is lower, it also decreases the risk of unsalable goods and bad debts.

Liquidity buffers

Liquidity buffers, instead, are a prerogative of large enterprises, engaged with regular sizable cash flow operations.
These buffers would allow the company to face unexpected cash outflows situation, without the need ask for expensive external financing.
The amount of the buffer might be calculated through several different techniques such as:
a percentage of current assets or of current liabilities; a percentage of current committed facilities; or as the overall amount of monthly operational cash flows and so on.

Financing Facilities

Concerning financing facilities, adopted to face liquidity risk, a company can encounter several different conditions and costs, depending on the purpose for which the financing is requested.

For each purpose, the CFO has to identify the duration of the need, the required availability, the conditions and covenants. The choice of the right financing mix has to be carefully evaluated, since it drastically affects the success of an organization.

Here is presented a list of several financing, with relative characteristics a company can receive:

- *Current account credit lines,* useful in the financing of net working capital. They are optimal in situation in which the company's revenues are at least three times higher than the granted credit line and its overall average value used is not higher than 75% of the overall credit.

  It is important to keep under constant monitoring these lines in order to avoid overdrafts that might be reported to the "Central Credit Register" (CCR) of the Bank of Italy, consequently causing a worsening of the company's rating.
- *Loans.* They might be of several types depending on the expiring conditions:
  - Loans with constant instalments: instalments are always equal, with a higher interest at the beginning and a higher principal repayment at the end.
  - Loans with fixed principal repayment: the principal repayments are constant and interests are calculated considering residual loan
  - Loans with principal repayment at the end of the period: during the whole period only interests are paid, while the principal amount is repaid on the expiring date.
  - Unsecured loans: no collaterals are included in the loan, thus the overall cost for these types of loans is much higher than the one incurred when real collaterals are concerned.
  - Commercial mortgage: in this case collateral are included.
- *Bank receipts*. Within a short-term framework, banks finance the commercial activity of the company. They are usually composed of advance payments under reserve, thus banks advances already issued invoices, to guarantee liquidity to the company.
- *Import financing.* Often used when foreign suppliers ask for an advance payment or an instant payment at supply.
- *Export financing*. Similar to "import financing", but in this case the beneficiary is the exporting company, that might receive an advance of up to ninety percent of the overall invoice's value.
- *Banking pool financing*. In some cases, the amount of loan requested cannot be covered by just one bank, so a pool of several banks is involved in the financing

activity. Risks and collaterals are divided among banks respecting the relative degree of involvement.

- *Bank guarantees*. The bank acts as guarantor towards third parties.

Beside this type of financing in which financial institutions are directly involved, there are also other types of financing that do not require banks' intervention.

Suppliers, for instance, may authorize a deferred payment, allowing a company's improvement in terms of liquidity situation; nevertheless, the acceptance of deferred payment leads to higher costs from the buyer's point of view, indeed, despite the absence of interests, it has to waive the right of immediate payment's discount, that is usually higher than the cost associated to liquidity financing.

A company can also ask for a lease instead of a loan.

A lease can be of two types: classical lease or financial lease.

The former comprehends leases with fixed instalments and the return of the asset at the end of the contract; while the latter, instead, widely adopted by Interbrau S.p.A, requires also the payment of an initial and final instalment, so that, at the end of the period, the asset falls under the beneficiary's property.

Possible future scenarios of Interbrau S.p.A

Having deeply analyzed Interbrau's actual situation, the company has reached a critical point in its existence. Indeed, it is forced to take important decisions on the way it wants to react to the financing needed to guarantee business' continuance.
As highlighted by the cash flow statement, the company, to sustain its overall cost structure, requires a huge amount of financing.

The main problem is focused on the company's net working capital (NWC), that, considered Interbrau's turnover, is way too high than what it should be. This is due to the high level of receivables and a too low inventories' rotation, that leads to a high level of overstocking.
In 2018, the net working capital, despite a clear improvement both in the amount of inventories and of receivables between 2017 and 2018, is expected to reach almost thirteen millions; the company, to finance this relevant value, cannot just count on its equity, that is less than one third of the requested amount, and neither on the already available financing, thus it is forced to figure out new possible solutions, both within a short and long term perspective.

Concerning the short-term framework, the company can undertake the following activities to meet its ST financial obligations:

- the use of bank credit lines up to the maximum level allowed of overdrafts, thus avoiding the reporting to the "Central Credit Register" (CCR) of the Bank of Italy, that consequently would cause the worsening of the company's credit rating;
- "self-liquidating credit facilities", where banks immediately finance their clients with advances on receivables not yet collected from third parties;
- "revolving credit", thus the bank provides the company with requested funds, up to a certain maximum amount, that will be repaid over time or all in once whenever the company decides to. The repayment is not scheduled as in an instalment loan, for example, but, in any case, the company would be subject to any minimum payment requirement;
- "factoring" of invoices. The company would basically sell its financial right on receivables in exchange for an instantaneous payment.

  However, also this option, like the others mentioned above, has to face the problem of the costs associated to such operations. Indeed, the cost of factoring varies on the base of the creditworthiness of Interbrau's clients, the volume of invoices and the total amount requested;

- the deferred payment for an overall amount of 1M of euro agreed with a strategic supplier of the company.

On the contrary, when adopting a long-term perspective, Interbrau S.p.A. might focus on the following operations:

- new long-term financing scheduled as represented in the dedicated Balance Sheet section on new loans (p.56). This will imply new financing for an overall amount of more than six million euro over three years;
- new financing from actual shareholders/owners or through the admission of new members;
- sale-leaseback transactions. Due to the elevated number of assets, the company might decide to make an agreement with several counterparties to raise capital through the sale of its proper assets immediately followed by the lease-back of the same assets. In this way the company doesn't increase its debt load, but, at the same time, obtains capital from the assets' sale.
  The same reasoning is also valid for leases where Interbrau has already paid more than sixty percent of the entire value, in this case, the company might ask the leasing company to buy back the asset and restart the leasing.
  However, for both procedures an impairment test on the assets' value is mandatory;
- the sale of a business unit of the group, in particular the one where Interbrau's credit exposure is at an extremely high level. This might allow the company to monetize millions of receivables;
- financial reshaping of loans and leases, to make instalments more homogeneous and sustainable. Moreover, by the beginning of 2019, the mortgage on the main owned building will expire and thus could be used for other purposes;
- new loans might be opened directly through Brew Invest S.r.l., that is the holding company and thus could obtain better terms of payment.

So the company can choose to undertake several different plausible operations to improve its actual financial position, counting also on the expected increase in revenues that will characterize the following years diminishing the need for external financing.

Until this section, the strategic plan that has been widely described and whose main features were the subscription of 2.8M loan and the sale of assets to Birrificio Antoniano S.r.l. for an overall amount of almost 1M within 2018, represents the most plausible solution to Interbrau's actual and future financial situation.

In the following pages, other financing solutions, among the ones cited before, have been considered within the initial model, leading to the subsequent results:

- *Scenario A*. The company manages to obtain a deferred payment arrangement from a strategic supplier for an overall amount of 1M of euro, to be repaid within two years.

	FY2017 Actual	FY2018 Projection	FY2019 Projection	FY2020 Projection	FY2021 Projection
EBITDA	-65.472	-495.994	929.354	1.051.772	1.141.844
Other Revenues	1.526.000	1.799.504	894.909	949.244	1.004.529
EBITDA	1.460.527	1.303.510	1.824.263	2.001.016	2.146.372
Delta Trade working Capital	**1.253.428**	**2.082.393**	**-2.561.455**	**-929.360**	**909.616**
Delta Net Working Capital	**270.252**	**2.241.316**	**-2.486.066**	**-886.674**	**1.112.500**
CapEx	-134.318	-251.521	-137.927	-127.928	-102.928
Tennet's Kegs		-968.068			
Birrificio Anotniano		819.542			
Other		-102.995			
Operating Cash Flow	1.596.461	3.293.305	-799.730	986.414	3.155.944
Delta TFR-Severance payment	*63.563*	*72.000*	*60.000*	*60.000*	*60.000*
Delta Other Funds	*-22.099*	*-3.863*	*1.000*	*1.000*	*1.000*
Total Funds	41.465	68.137	61.000	61.000	61.000
Free Cash Flow (FCF)	1.637.926	3.361.443	-738.730	1.047.414	3.216.944
Tax Payment/ Sharehilders' Fin.	**-768.052**	**64.501**	**-330.850**	**-343.110**	**-348.004**
Financial Income and Expenses	-578.725	-549.445	-573.384	-630.053	-661.217
Cash Flow From Operations	291.149	2.876.499	-1.642.964	74.251	2.207.723
New Loans		*1.800.000*	*2.455.000*	*1.650.000*	*100.000*
New Loans repayments			*-307.583*	*-936.833*	*-1.169.333*
Net effect of New Loans		**1.800.000**	**2.147.417**	**713.167**	**-1.069.333**
Delta Bank Deposits	*-1.093.490*	*291.276*	*317.046*	*110.547*	*-34.344*
Delta Short-term debt	*193.243*	*-570.278*	*634.091*	*221.095*	*-68.688*
Delta Import Financing	*685.552*	*-2.856.118*	*279.142*	*98.685*	*46.204*
Delta Long Term debt	*-716.018*	*-1.511.834*	*-1.551.993*	*-1.087.064*	*-991.562*
Delta Outstanding Financing	**-930.713**	**-4.646.954**	**-321.715**	**-656.738**	**-1.048.390**
Cash Flow after Loans	-639.564	29.545	182.738	130.680	90.000
Beginning Cash and Cash Equivalents	2.799.627	2.160.064	2.189.609	2.372.347	2.503.027
Ending Cash and Cash Equivalents	2.160.064	2.189.609	2.372.347	2.503.027	2.593.027
Delta Total Cash and Cash Equivalents	-639.564	29.545	182.738	130.680	90.000

As clearly displayed by the new cash flow statement, this action will provide benefits to the company just within a restricted time horizon.

The company will, in any case, be required to ask for a consistent amount of external financing in 2019; moreover, the choice of postponing the payment towards the supplier will drastically reduce Interbrau's operating cash flow worsening in a relevant way its trade working capital.

- -Scenario B. Sale of a business unit of the group, that might be identified in Grandi Birre S.r.l, where Interbrau's receivable are almost 4.5M (see p. 56 for intercompany exposures details).

  Thanks to this sale, the company will surely improve its financial position and, at the same time, through operations similar to the ones undertaken in 2015 with Grandi Birre Roma (see p.38), it will be able to maintain its revenues by transferring the clients to a wholesaler with whom the organization has a long-term contractual agreement.

  The scenario displayed below assumes Grandi Birre's sale to take place by June 2019 and a restructuring of the 2.8M of banks' financing that instead of lasting 5 years would persist just 9 months.

  It is important to notice that, once guaranteed the sale with the whole requested documentations and have informed banks, the obtaining of financing will be much easier and at a lower cost.

  In case the long-term loan has been already opened with maturity up to five years despite the subsequent sale of the unit, the company can ask for an immediate closure of the financing paying up to 2% of the overall undrawn portion of loan.

	FY2017 Actual	FY2018 Projection	FY2019 Projection	FY2020 Projection	FY2021 Projection
EBITDA	-65.472	-495.994	929.354	1.051.772	1.141.844
Other Revenues	1.526.000	1.799.504	894.909	949.244	1.004.529
EBITDA	1.460.527	1.303.510	1.824.263	2.001.016	2.146.372
Delta Trade working Capital	**1.253.428**	**1.082.393**	**3.422.002**	**-498.528**	**240.745**
Delta Net Working Capital	**270.252**	**1.241.316**	**3.497.391**	**-455.842**	**443.628**
CapEx	-134.318	-251.521	-137.927	-127.928	-102.928
Tennet's Kegs		-968.068			
Birrificio Anotniano		819.542			
Other		-102.995			
Operating Cash Flow	1.596.461	2.293.305	5.183.727	1.417.246	2.487.072
Delta TFR-Severance payment	*63.563*	*72.000*	*60.000*	*60.000*	*60.000*
Delta Other Funds	*-22.099*	*-3.863*	*1.000*	*1.000*	*1.000*
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Free Cash Flow (FCF)	1.637.926	2.361.443	5.244.727	1.478.246	2.548.072
Tax Payment/ Sharehilders' Fin.	**-768.052**	**66.168**	**-328.954**	**-377.245**	**-378.793**
Financial Income and Expenses	-578.725	-551.528	-577.899	-546.797	-578.004
Cash Flow From Operations	291.149	1.876.082	4.337.875	554.205	1.591.276
New Loans		*2.800.000*	*400.000*	*600.000*	*0*
New Loans repayments			*-2.495.556*	*-407.778*	*-180.000*
Net effect of New Loans		**2.800.000**	**-2.095.556**	**192.222**	**-180.000**
Delta Bank Deposits	*-1.093.490*	*291.276*	*-282.954*	*110.547*	*-34.344*
Delta Short-term debt	*193.243*	*-570.278*	*-565.909*	*221.095*	*-68.688*
Delta Import Financing	*685.552*	*-2.856.118*	*279.142*	*98.685*	*46.204*
Delta Long Term debt	*-716.018*	*-1.511.834*	*-1.551.993*	*-1.087.064*	*-991.562*
Delta Outstanding Financing	**-930.713**	**-4.646.954**	**-2.121.715**	**-656.738**	**-1.048.390**
Cash Flow after Loans	-639.564	29.129	120.604	89.689	362.886
Beginning Cash and Cash Equivalents	2.799.627	2.160.064	2.189.192	2.309.797	2.399.486
Ending Cash and Cash Equivalents	2.160.064	2.189.192	2.309.797	2.399.486	2.762.371
Delta Total Cash and Cash Equivalents	-639.564	29.129	120.604	89.689	362.886

Thus, the amount of external financing would be reduced to 3.8 million within four years instead of more than six million and a remarkable increase in the net financial position would be attained:

In euro	**31.12.2017 Actual**	**31.12.2018 projection**	**31.12.2019 projection**	**31.12.2020 projection**	**31.12.2021 projection**
Tangible Assets	4.192.962	3.988.791	3.660.504	3.381.064	3.113.194
Intangible Assets	1.954.292	1.760.786	1.600.527	1.492.564	1.412.277
Financial Assets	3.523	3.523	3.523	3.523	3.523
Total Assets	**6.150.777**	**5.753.101**	**5.264.553**	**4.877.152**	**4.528.994**
Inventory	6.694.458	4.593.216	5.080.182	5.273.987	5.259.448
Third party receivables	*5.456.184*	*4.897.201*	*5.616.228*	*5.869.715*	*6.184.092*
Related Party Receivables	*5.948.940*	*6.300.149*	*1.783.580*	*1.882.509*	*1.659.567*
Total Receivables	11.405.125	11.197.350	7.399.808	7.752.223	7.843.660
Third party payables	*-5.662.192*	*-5.019.221*	*-5.170.647*	*-5.268.339*	*-5.635.981*
Related Party payables	*-1.033.652*	*-530.000*	*-570.000*	*-600.000*	*-630.000*
Total Payables	-6.695.844	-5.549.221	-5.740.647	-5.868.339	-6.265.981
Trade Working Capital	**11.403.739**	**10.241.346**	**6.739.344**	**7.157.871**	**6.837.127**
Other Receivables	1.675.413	1.169.269	1.071.365	931.680	799.189
Suppliers' deposits	4.836.704	4.924.437	5.395.844	5.614.580	5.607.024
Income Taxes receivables	212.093	21.001	17.001	13.001	8.000
Other Receivables	**6.724.210**	**6.114.707**	**6.484.210**	**6.559.260**	**6.414.212**
Other Payables	-558.008	-503.720	-502.720	-485.720	-468.720
Clients' deposits	-3.329.637	-3.124.437	-3.574.329	-3.713.065	-3.792.902
Income Taxes Payables	-496	0	0	0	0
Other Payables	**-3.888.141**	**-3.628.157**	**-4.077.049**	**-4.198.785**	**-4.261.621**
Cash and cash equivalents	2.160.064	2.189.192	2.309.797	2.399.486	2.762.371
Net Working Capital	**16.399.871**	**14.917.088**	**11.456.301**	**11.917.832**	**11.752.089**
TFR- severance payment	-378.325	-450.325	-510.325	-570.325	-630.325
Other funds	-13.863	-10.000	-11.000	-12.000	-13.000
INVESTED CAPITAL	**22.158.461**	**20.209.864**	**16.199.530**	**16.212.659**	**15.637.757**
Current bank deposits	1.762.695	2.053.971	1.771.016	1.881.563	1.847.220
Short-term debt	4.692.220	4.121.941	3.556.032	3.777.127	3.708.439
Import Financing	5.343.418	2.487.300	2.766.443	2.865.127	2.911.332
Long Term Debt	5.978.109	4.466.276	2.914.282	1.827.218	835.655
New Loans		2.800.000	704.444	896.667	716.667
Net Financial Position	**17.776.441**	**15.929.488**	**11.712.217**	**11.247.702**	**10.019.312**
Shareholders' financing	241.500	135.300	29.100	0	0
Equity	4.140.520	4.145.076	4.458.212	4.964.957	5.618.445
Net Worth	**4.382.020**	**4.280.376**	**4.487.312**	**4.964.957**	**5.618.445**
TOTAL FUNDS	**22.158.461**	**20.209.864**	**16.199.530**	**16.212.659**	**15.637.757**

- Scenario C. The company decides to engage in “the sale and lease back” of two real-estate properties located in Villafranca Padovana (PD).
  The first has been used as collateral for the subscription of a long-term loan that will end by the beginning of 2019; the property was valued two millions of euro, but nowadays it might be valued no more than 1.2 M.
  The second, instead, might be sold for an amount around eight-hundred thousand euro.
  The main advantage of this operation is the possibility of obtaining immediate financing at a lower cost with respect to the initial situation without increasing the net financial position; however the transaction will have a huge negative impact on the Earnings Before Interest Tax and Depreciation.

The overall 2M of financing will, indeed, be registered as "leases" thus reducing the EBITDA by the amount of new lease's reimbursement per year:

	FY2017 Actual	FY2018 Projection	FY2019 Projection	FY2020 Projection	FY2021 Projection
EBITDA	-65.472	-495.994	829.354	918.439	1.008.510
Other Revenues	1.526.000	1.799.504	894.909	949.244	1.004.529
EBITDA	1.460.527	1.303.510	1.724.263	1.867.682	2.013.039
Delta Trade working Capital	**1.253.428**	**1.082.393**	**-1.261.455**	**-529.360**	**209.616**
Delta Net Working Capital	**270.252**	**1.241.316**	**-1.186.066**	**-486.674**	**412.500**
CapEx	-134.318	-251.521	1.925.049	-64.951	-39.952
Tennet's Kegs		-968.068			
Birrificio Anotniano		819.542			
Other		-102.995			
Operating Cash Flow	1.596.461	2.293.305	2.463.246	1.316.057	2.385.587
Delta TFR-Severance payment	*63.563*	*72.000*	*60.000*	*60.000*	*60.000*
Delta Other Funds	*-22.099*	*-3.863*	*1.000*	*1.000*	*1.000*
Total Funds	41.465	68.137	61.000	61.000	61.000
Free Cash Flow (FCF)	1.637.926	2.361.443	2.524.246	1.377.057	2.446.587
Tax Payment/ Sharehilders' Fin.	**-768.052**	**66.168**	**-315.581**	**-333.324**	**-331.222**
Financial Income and Expenses	-578.725	-551.528	-572.714	-583.564	-636.219
Cash Flow From Operations	291.149	1.876.082	1.635.951	460.169	1.479.146
New Loans		*2.800.000*	*1.700.000*	*850.000*	*100.000*
New Loans repayments			*-2.828.333*	*-363.611*	*-485.000*
Net effect of New Financing		**2.800.000**	**-1.128.333**	**486.389**	**-385.000**
Delta Bank Deposits	*-1.093.490*	*291.276*	*317.046*	*110.547*	*-34.344*
Delta Short-term debt	*193.243*	*-570.278*	*634.091*	*221.095*	*-68.688*
Delta Import Financing	*685.552*	*-2.856.118*	*279.142*	*98.685*	*46.204*
Delta Long Term debt	*-716.018*	*-1.511.834*	*-1.551.993*	*-1.087.064*	*-991.562*
Delta Outstanding Financing	**-930.713**	**-4.646.954**	**-321.715**	**-656.738**	**-1.048.390**
Cash Flow after Loans	-639.564	29.129	185.903	289.820	45.756
Beginning Cash and Cash Equivalents	2.799.627	2.160.064	2.189.192	2.375.095	2.664.915
Ending Cash and Cash Equivalents	2.160.064	2.189.192	2.375.095	2.664.915	2.710.672
Delta Total Cash and Cash Equivalents	-639.564	29.129	185.903	289.820	45.756

Thanks to the sale of the assets, the company, despite a reduction of more than 100K per year in EBITDA, will manage to reduce the burden of external financing improving its financial position.

Conclusions

Interbrau S.p.A. is a medium-sized enterprise that, like many other companies, has to deal with a financial structure that requires to deeply rely on external financing.
To this purpose, nowadays, it is has become crucial to always maintain a certain level of communication with actual and potential lenders, that in most of the cases are represented by banks, which want to be fully informed on the on-going of the business to be sure that obligations are going to be met and that required financing is available once requested.
The overall stressing financial situation has led banks to provide their clients with always changing credit conditions that require a deep understanding of the financial system and its mechanism; while the increased monitoring activity to which they are obliged has reached the point in that they want to be considered by counterparties as "partner" rather than mere lenders.
The mutual relationship, banks want to establish with their "partners", is made up of companies providing punctual information on the financial statements, collaterals requirements, and banks analyzing data and financial statement to establish a proper credit rating.
In this way they can figure out, on a timely basis, the short-term as well as the long-term needs of related companies and discuss with them over the best solutions.

On the other hand, for a company that never involves financial institutions, and just once that the situation has become critical, asks for immediate financing, it is quite uncommon that its requests will be accomplished, and even if this might happen, banks will be reluctant to trust the company in the future.

Thus, competent CFOs are used to plan financial requirements in accordance with financial institutions to guarantee a certain level of liquidity and of general financial stability within an organization.

Therefore, it is necessary that companies, in particular those relying on an high level of external financing, understand that, without a clear strategic and financial plan, prepared involving all interested parties, both internal and external to the organization, whose aim is to provide the company with a clear and sustainable direction to reach its mission and vision, it might be extremely difficult to maintain their position within the industry.

This is what Interbrau has been trying to do, in particular within this delicate year:
it has tried to involve in the best possible way financial institutions, to let them understand that the company has the capabilities, the know-how, the infrastructure and, most of all, it has the right people to overcome current difficulties and establish itself as a leading character in the Italian territory and abroad.
Beside the frequent personal interaction with banking representatives, this involvement task has been accomplished by the drafting of the above described document, where all relevant information are presented in the most detailed and explicative way possible, so that all people, in particular also those external to the organization, can figure out the key distinctive features of Interbrau S.p.A.

Nevertheless, if, unfortunately, financial institutions decide that the amount of financing requested by the company is too high, and that the risks that might be incurred in case of inability of repayment are not tolerated by the institution, Interbrau, as displayed above, has at its disposal other options, such as the sale of a business unit or the deferred payment, that might be accessible even without the initial support of the institutions, and that would allow the company to drastically improve its actual financial position reducing its dependence towards third parties' financing.

However, in any case, due to the relevant imbalance between internal and external financing characterizing its business, even if not immediately, banks' intervention is crucial to the survival of the organization within a long-term perspective.

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