

Berentzen-Gruppe AG

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H1/20 financial figures: It could have been worse

H1/20 figures: Today, the Berentzen Group published its H1/20 report that complied with preliminary figures released 22nd of July. H1/20 revenues dropped by -7.2% yoy to EUR 73.5m. H1/20 adj. EBITDA reduced disproportionately by -28.8% yoy to EUR 6.4m causing H1/20 adj. EBITDA margin to shrink from 11.4% to 8.8%. H1/20 adj. EBIT (EUR 2.1m) cut down by more than half compared to H1/19 (EUR 5.0m) with adj. EBIT margin down from 6.3% to 2.8%.

Segmental revenue development: The hospitality industry, an important distribution channel (on-trade business) for the company's spirits and non-alcoholic beverages (NAB), collapsed in H1/20. According to the German Federal Statistical Office, German hospitality sales fell yoy by 45.4% in March, 75.8% in April and 64% in May. Comparing these figures with Berentzen's segmental revenues, it becomes obvious that the company succeeded partly in compensating for related adverse sales effects. Revenues in the spirits segment increased slightly by 0.5% to EUR 42.8m driven by the strong demand for private label products (Gin, Rum, Whiskey) distributed via the off-trade business (e.g. Retailers). Also sale of NAB performed comparatively good, especially with regard to the sale own brands (Mio Mio: +16%; own lemonade brands: +11.2%; own water brands: -3.1%). However, with the concessionaire business highly dependent on the still paralyzed on-trade business, total revenues in the NAB segment declined by -10.1% yoy to EUR 22.7m. The same was true for the Fresh Juice Systems (FJS) segment that experienced the steepest decline (H1/20: EUR 7.4; -25.1% yoy).

Contribution margins and countermeasures: Segmental contribution margins in the spirit and NAB segment proofed resilient but contribution margin in the FJS segment dropped from EUR 4.05m in H1/19 to EUR 2.33m in H1/20. In order to counter margin pressure, the company cut marketing expenses and personnel cost by EUR 1.5m.

We confirm our BUY recommendation. The price target remains at EUR 9.00 per share.

FY End: 31.12.; in EURm	CAGR (17-22e)	2017	2018	2019	2020e	2021e	2022e
Revenue	0.9%	160.4	162.2	167.4	159.0	164.9	167.8
Adj. EBITDA	1.8%	16.4	17.3	18.4	14.6	17.6	17.9
margin		10.2%	10.7%	11.0%	9.2%	10.7%	10.7%
Adj. EBIT	-0.4%	9.1	9.8	9.8	5.6	8.8	8.9
margin		5.7%	6.0%	5.9%	3.5%	5.4%	5.3%
Net result	16.0%	2.4	5.2	4.9	1.8	5.1	5.1
EPS	16.0%	0.26	0.55	0.52	0.20	0.54	0.54
Dividend per share		0.22	0.28	0.28	0.10	0.27	0.27
EV/Sales		0.48	0.37	0.36	0.38	0.35	0.33
EV/EBITDA		4.59	3.49	3.32	4.12	3.32	3.09
P/E		21.57	10.15	10.64	28.50	10.32	10.25
Net debt/EBITDA		-0.01	0.11	-0.18	0.45	0.27	0.10

Source: Berentzen, FMR

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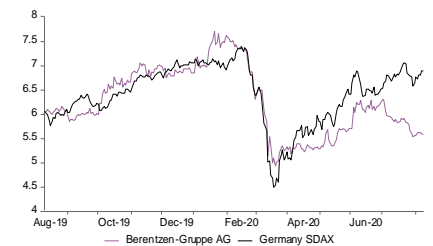
BUY

Before: BUY

Price target EUR 9.00 (9.00)
Share price EUR 5.58 (+61%)

*last XETRA closing price

Change	2020e	2021e	2022e
Revenue	-	-	-
Adj. EBIT	-	-	-
EPS	-	-	-



Source: Factset

Basic share data

Number of shares (million)	9.39
Free float and others (in %)	79.40%
Market cap (EURm)	52.4
Trading volume (Ø)	2,302
High (EUR, 52 weeks)	7.8
Low (EUR, 52 weeks)	4.8

Shareholder structure

Monolith (NL)	4.90%
MainFirst (LU)	8.50%
Lazard Gestion (FR)	5.10%
Treasury shares	2.10%
Free float and others	79.40%

Corporate calendar

Interim Report Q3/2020	22.10.2020
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Appendix

Discounted Cash Flow Modell

in EURm	PHASE 1			PHASE 2							PHASE 3
	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	∞
Sales	159.0	164.9	167.8	172.8	177.6	182.0	186.1	189.8	193.1	196.0	
Sales growth YoY in %	-5.0%	3.7%	1.8%	3.0%	2.8%	2.5%	2.3%	2.0%	1.8%	1.5%	
EBIT	4.2	8.8	8.9	9.2	9.6	10.0	10.4	10.8	11.2	11.6	
EBIT margin in %	2.7%	5.4%	5.3%	5.3%	5.4%	5.5%	5.6%	5.7%	5.8%	5.9%	
Income tax on EBIT	-1.3	-2.7	-2.7	-2.7	-2.9	-3.0	-3.1	-3.2	-3.4	-3.5	
Depreciation and amortisation	9.0	8.7	9.1	9.3	8.9	8.1	8.3	8.4	8.6	9.0	
Change in net working capital	0.3	-4.1	0.0	-1.4	-1.3	-1.2	-1.1	-1.0	-0.9	-0.8	
Net capital expenditure	-7.0	-8.3	-8.6	-9.0	-8.9	-8.4	-8.6	-8.7	-8.9	-9.0	
Free cash flow	5.3	2.6	6.8	5.2	5.4	5.5	5.9	6.3	6.7	7.3	
Present values	5.1	2.3	5.5	3.9	3.7	3.4	3.4	3.3	3.2	3.2	46.8
Present value Phase 1	12.8	27%									
Present value Phase 2	23.9	29%									
Present value Phase 3	46.8	56%									
Total present value	83.5	100%									
- Net cash	3.2										
- Minority interest (est. market value)	0.0										
Fair value of equity	86.8										
Number of shares (m)	9.4										
Fair value per share (EUR)	9.24										

Risk free rate	2.0%	Target equity ratio	76.6%
Equity risk premium	6.0%	Tax shield	30.0%
Debt risk premium	3.0%	Beta (fundamental)	1.40
CAGR Sales Phase 2	2.1%	WACC	8.90%
Ø EBIT-margin Phase 2	5.6%	Terminal growth	2.0%

Sensitivity analysis						
		Terminal growth (Phase 3)				
		1.0%	1.5%	2.0%	2.5%	3.0%
EBIT margin	3.6%	5.62	5.79	6.00	6.23	6.51
	4.6%	6.98	7.21	7.49	7.80	8.17
	5.6%	8.34	8.63	9.24	9.36	9.82
	6.6%	9.70	10.05	10.46	10.93	11.48
	7.6%	11.06	11.47	11.95	12.50	13.14

Source: FMR

Berentzen Group AG - Income Statement

in EURm	IFRS	2017	2018	2019	2020e	2021e	2022e
Revenues		160.4	162.2	167.4	159.0	164.9	167.8
YoY growth		-5.7%	1.1%	3.2%	-5.0%	3.7%	1.8%
Increase or decrease in inventory of finished goods and work in progress		2.1	1.4	0.0	0.0	0.8	0.8
as % of revenues		1.3%	0.9%	0.0%	0.0%	0.5%	0.5%
Total operating income		162.4	163.6	167.4	159.0	165.7	168.6
YoY growth		-5.6%	0.7%	1.9%	-7.3%	6.8%	1.7%
Cost of materials		-93.1	-91.9	-92.7	-87.6	-91.2	-92.6
as % of revenues		-58.0%	-56.7%	-55.4%	-55.1%	-55.3%	-55.2%
Gross profit		69.3	71.7	74.7	71.4	74.6	76.0
as % of revenues		43.2%	44.2%	44.6%	44.9%	45.2%	45.3%
Other operating income		4.7	4.7	4.1	0.0	4.1	4.1
as % of revenues		2.9%	2.9%	2.5%	0.0%	2.5%	2.4%
Personnel expenses		-24.0	-24.6	-25.6	-24.3	-24.8	-25.1
as % of revenues		-15.0%	-15.2%	-15.3%	-15.3%	-15.0%	-15.0%
Other operating expenses		-33.6	-35.3	-35.9	-33.9	-36.3	-37.0
as % of revenues		-21.0%	-21.8%	-21.5%	-21.3%	-22.0%	-22.1%
Exceptional effects		0.4	0.8	1.1	1.4	0.0	0.0
Adj. EBITDA		16.4	17.3	18.4	14.6	17.6	17.9
as % of revenues		10.2%	10.7%	11.0%	9.2%	10.7%	10.7%
Depreciation of property, plant and equipment, and amortisation of intangible assets		-7.3	-7.5	-8.5	-9.0	-8.7	-9.1
as % of revenues		-4.6%	-4.6%	-5.1%	-5.6%	-5.3%	-5.4%
Adj. EBIT		9.1	9.8	9.8	5.6	8.8	8.9
as % of revenues		5.7%	6.0%	5.9%	3.5%	5.4%	5.3%
Exceptional effects		-0.4	-0.8	-1.1	-1.4	0.0	0.0
Financial result		-3.6	-1.6	-1.5	-1.6	-1.6	-1.6
EBT (Earnings before income taxes)		5.1	7.4	7.2	2.6	7.3	7.3
as % of revenues		3.2%	4.6%	4.3%	1.7%	4.4%	4.4%
Income taxes		-2.7	-2.3	-2.3	-0.8	-2.2	-2.2
as % of EBT		52.4%	30.5%	-31.6%	-30.0%	-30.0%	-30.0%
Net income		2.4	5.2	4.9	1.8	5.1	5.1
as % of revenues		1.5%	3.2%	2.9%	1.2%	3.1%	3.0%
Other comprehensive income		-0.9	-0.3	-0.5	0.0	0.0	0.0
Consolidated comprehensive income		1.6	4.9	4.4	1.8	5.1	5.1
as % of revenues		1.0%	3.0%	2.6%	1.2%	3.1%	3.0%
Shares outstanding (in m)		9.4	9.4	9.4	9.4	9.4	9.4
Basic earnings per share (EUR)		0.26	0.55	0.52	0.20	0.54	0.54
Dividends per share (EUR)		0.22	0.28	0.28	0.10	0.27	0.27
Payout ratio in %		85%	51%	53%	50%	50%	50%

Source: Berentzen-Gruppe AG; FMR

Berentzen-Gruppe AG - Balance Sheet

in EURm	IFRS	2017	2018	2019	2020e	2021e	2022e
Assets							
Non-current assets		60.3	59.4	59.7	57.7	57.2	56.7
as % of total assets		42.1%	41.0%	39.4%	41.5%	39.6%	38.8%
Intangible assets		12.7	12.1	11.6	11.1	10.9	10.5
Property, plant and equipment		46.2	45.8	45.4	43.9	43.6	43.5
Investment property		0.8	0.7	0.7	0.7	0.7	0.7
Right-of-use assets		0.0	0.0	1.3	1.3	1.3	1.3
Other financial assets		0.7	0.8	0.7	0.7	0.7	0.7
Current assets		83.1	85.5	91.9	81.5	87.2	89.4
as % of total assets		57.9%	59.0%	60.6%	58.5%	60.4%	61.2%
Inventories		37.0	39.9	40.6	42.0	42.5	42.1
Trade receivables		13.8	16.4	14.8	13.1	16.7	17.0
Income tax assets		0.6	0.3	0.1	0.1	0.1	0.1
Cash and cash equivalents		19.4	15.8	22.7	12.8	14.1	16.4
Other current financial and non-financial assets		12.3	13.1	13.8	13.5	13.8	13.8
Total assets		143.4	145.0	151.6	139.2	144.4	146.1
Shareholders' equity and liabilities							
Shareholders' equity		44.6	47.4	49.2	48.4	52.6	55.1
as % of total equity and liabilities		31.1%	32.7%	32.4%	34.8%	36.4%	37.7%
Subscribed capital		24.4	24.4	24.4	24.4	24.4	24.4
Additional paid-in capital		6.8	6.8	6.8	6.8	6.8	6.8
Retained earning		13.3	16.2	18.0	17.2	21.3	23.9
Non-current provisions and liabilities		20.0	19.0	19.5	18.9	18.3	17.7
as % of total equity and liabilities		13.9%	13.1%	12.9%	13.6%	12.7%	12.1%
Non-current provisions		11.0	9.9	9.9	9.3	8.7	8.1
Non-current financial liabilities		7.1	7.1	7.9	7.9	7.9	7.9
Deferred income tax liabilities		1.9	2.0	1.8	1.8	1.8	1.8
Current liabilities and provisions		78.9	78.5	82.9	71.9	73.5	73.3
as % of total equity and liabilities		55.0%	54.2%	54.7%	51.6%	50.9%	50.2%
Alcohol tax liabilities		43.3	42.3	43.6	38.8	39.8	39.5
Current provisions		0.1	0.7	0.3	0.3	0.3	0.3
Income tax liabilities		2.1	2.8	1.5	1.5	1.5	1.5
Current financial liabilities		1.7	1.1	2.3	2.3	2.3	2.3
Trade payables and other liabilities		31.7	31.6	35.3	29.0	29.7	29.7
Total equity and liabilities		143.4	145.0	151.6	139.2	144.4	146.1

Source: Berentzen-Gruppe AG; FMR

Berentzen-Gruppe AG - Cash Flow Statement

in EURm	IFRS	2017	2018	2019	2020e	2021e	2022e
Consolidated profit		2.6	5.2	4.9	1.8	5.1	5.1
Income tax expenses		2.7	2.3	2.3	0.8	2.2	2.2
Interest income		-0.1	-0.1	-0.1	0.0	-0.1	-0.1
Interest expenses		3.6	1.6	1.6	1.7	1.7	1.7
Amortisation and depreciation of assets		7.2	7.5	8.5	9.0	8.7	9.1
Impairments / write-ups of assets		0.4	0.0	0.0	0.0	0.0	0.0
Other non-cash effects		-0.9	-0.5	-0.9	0.0	0.0	0.0
Increase/decrease in provisions		-0.7	-0.4	-0.6	-0.6	-0.6	-0.6
Gains/losses on disposals of property, plant and equipment		0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in receivables assigned under factoring agreements		3.0	-1.0	8.6	1.7	-3.6	-0.3
Decrease/increase in other assets		-5.0	-5.5	-8.1	-1.2	-0.7	0.3
Increase/decrease in alcohol tax liabilities		-1.1	-1.0	1.3	-4.8	1.0	-0.2
Increase/decrease in other liabilities		-2.3	0.0	3.7	-6.2	0.7	0.0
Cash and cash equivalents generated from operating activities		9.4	8.1	21.4	2.1	14.2	17.1
Income taxes paid		-1.9	-1.2	-3.4	-0.8	-2.2	-2.2
Interest received		0.0	0.1	0.1	0.0	0.1	0.1
Interest paid		-3.5	-1.4	-1.4	-1.7	-1.7	-1.7
Cash flow from operating activities		4.1	5.6	16.6	-0.3	10.5	13.4
Proceeds from disposals of intangible assets		0.0	0.1	0.1	0.0	0.0	0.0
Payments for investments in intangible assets		-0.6	-0.8	-1.0	-0.8	-1.3	-1.3
Proceeds from disposals of property, plant and equipment		0.3	0.2	0.1	0.0	0.0	0.0
Payments for investments in property, plant and equipment		-7.6	-6.0	-6.2	-6.2	-7.0	-7.3
Proceeds from disposals of financial assets		0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from government grants		0.0	0.0	0.0	0.0	0.0	0.0
Payments for additions to the consolidated group		0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities		-7.8	-6.5	-6.9	-7.0	-8.3	-8.6
Cash inflows from the utilization of loan agreements		7.5	0.0	0.3	0.0	0.0	0.0
Repayment of Bonds		-0.2	0.0	-0.1	0.0	0.0	0.0
Payments related to the issuance of bonds		-50.0	0.0	0.0	0.0	0.0	0.0
Dividend payments		-2.3	-2.1	-2.6	-2.6	-0.9	-2.5
Payments for the purchase of treasury shares		0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities		-45.0	-2.1	-2.4	-2.6	-0.9	-2.5
Total change in cash and cash equivalents		-48.7	-3.0	7.3	-9.9	1.3	2.3
Cash and cash equivalents at the start of the period		67.1	18.4	15.5	22.0	12.1	13.4
Cash and cash equivalents at year's end		18.4	15.5	22.7	12.1	13.4	15.7
Overdraft facilities with banks		1.0	0.3	0.7	0.7	0.7	0.7
Cash and cash equivalents		19.4	15.8	23.4	12.8	14.1	16.4

Source: Berentzen-Gruppe AG; FMR

Declaration of liability (disclaimer) and mandatory details pursuant to Section 85 Securities Trading Act (WpHG), EU Market Abuse Regulation (EU Regulation No. 596/2014), Delegated Regulation 2016/958 and Delegated Regulation 2017/565 including details of possible conflicts of interest (disclosures), the author and the responsible supervisory authority

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- a) First publication: 11.08.2020,
- b) Time conditions of expected updates: quarterly
- c) Supervisory authority: Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Lurgiallee 12, 60439 Frankfurt am Main
- d) Previous analyses: No analysis was published in the 12 months before publication of this analysis that contains a recommendation for a specific investment decision which contradicts this analysis.
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 - (iii.) managed financial instruments of the issuer on a market by means of concluding purchase or sale agreements;
 - (iv.) has, within the past twelve months, concluded an agreement regarding services in connection with investment banking business or received a service or performance promise from such agreement, with issuers which either themselves or the financial instruments thereof, are the subject of the financial analysis;

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- (vii.) has other significant interests with regard to the company being analysed, for example clients with the company being analysed.

Company	Disclosure(s)
Berentzen-Gruppe AG	-

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Company	Disclosure(s)
Berentzen Group AG	iii, vi

Recommendation history over last 12 months:

Date	Recommendation	Share price at publication date	Price target
22.08.2019	BUY	6.08 EUR	10.00 EUR
25.10.2019	BUY	6.56 EUR	10.00 EUR
04.02.2020	BUY	7.60 EUR	10.00 EUR
26.03.2020	BUY	5.32 EUR	10.00 EUR
06.05.2020	BUY	5.34 EUR	10.00 EUR
23.06.2020	BUY	6.10 EUR	9.00 EUR
23.07.2020	BUY	5.92 EUR	9.00 EUR
11.08.2020	BUY	5.58 EUR	9.00 EUR

4. Creation and distribution

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Registered office: Frankfurt am Main; Commercial Register No. HRB 113537, Frankfurt am Main district court; Chairman: Marcus Silbe

b) Issuer

Enid Omerovic, Senior Analyst

c) This study may only be used for the internal purposes of the addressee within the EEA or Switzerland.

5. Investment recommendation details

Investment recommendation details - stocks:

BUY: In our opinion, the stock will demonstrate an absolute price gain of at least 10 % in a 12-month period.

HOLD: In our opinion, the stock will not exceed or fall below an absolute price gain or loss of 10% in a 12-month period.

Sell: In our opinion, the stock will demonstrate an absolute price loss of at least 10 % in a 12-month period.

6. Sensitivity of the evaluation parameters

The figures from profit and loss calculations, cash flow statements and balance sheets which form the basis of the company evaluation are date-related estimates and therefore subject to risks. These may change at any time without prior notice. Regardless of the evaluation methods used, there are significant risks that the price goal/trend will not be achieved within the expected time frame. The risks include unforeseeable changes with regard to competition pressure, demand for the products of an issuer and the offer situation with respect to materials required for production as well as non-occurrence of the assumed development. Such deviations may be the result of changes relating to technology and changes relating to the economy, legal situation and exchange rates. No claim is made that this statement of evaluation methods and risk factors is complete.

7. Key sources of information

We have acquired the information upon which this document is based from sources that we consider in principle to be reliable. However, we have not verified all this information. Therefore, we cannot guarantee or ensure the accuracy, completeness or correctness of the information or opinions contained in this document. National and international media and information services (e.g. Factset, Bloomberg etc.), the financial press (e.g. BörsenZeitung, FAZ, Handelsblatt, Wallstreet Journal, etc.), specialist press, published statistics, the internet, as well as publications, details and information of the issuer that is the subject of the analysis.

8. Summary of the basis for evaluation

Individual issuers: Current and recognised evaluation methods (e.g. DCF method and Peer Group Analysis) are used for company analysis purposes. The DCF method calculates the value of the issuer based on the sum of the discounted cash flows, i.e. the cash value of the future cash flows of the issuer. The value is therefore determined on the basis of expected future cash flows and the applied discount rate. In Peer Group Analysis, issuers listed on the stock exchange are evaluated by comparing ratios (e.g. price/profit ratio, Enterprise Value/turnover, Enterprise Value/EBITDA, Enterprise Value/EBIT). The comparability of the ratios is primarily determined with reference to the business activity and economic prospects.

9. Internal organisational and regulatory measures for the prevention or management of conflicts of interest

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