

Berentzen-Gruppe AG

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Q3/20 report – Valid 2020 guidance, rising business risks

Q3/20 report show signs of stabilization on a low level: Today the Berentzen Group released its Q3 financial report. 9M/20 revenues (EUR 112.9m) came in -6.4% lower yoy (Q3/20: EUR 39.4m; -4.8%). 9M/20 EBITDA and EBIT also deteriorated by -17.1% and -41.4% to EUR 10.2m and EUR 3.6m respectively. However, Q3/20 EBITDA and EBIT improved yoy by +13.9% and +34.2% due to timely reduction of marketing, personnel and distribution spending.

Peer group indicates upside of +70%: 2020 is going to mark a turning point in the execution and organization of private celebrities, concerts and cultural events with major effects on producers of alcoholic and non-alcoholic beverages. This also refers to our peer group companies used to derive a market based valuation for the Berentzen Group. Although valuations and consensus estimates for the peer group constituents have significantly reduced since the pandemic outbreak, our peer group still backs (based on 2021e-multiples a fair value of EUR 9.28 per Berentzen share is calculated; see next page) a price target of EUR 9.00 per share that implies a tremendous upside of +70% for the Berentzen stock.

Current market cap signals undervaluation: Based on our estimates for 2021e, a price target of EUR 9.00 implies an EV/EBITDA multiple of 5.2x and an EV/EBIT multiple of 10.3x. This is roughly in line with the respective multiples derived via our peer group and used for calculating the fair market value (average of multiples for Altia Oyj & Schloss Wachenheim = EV/Sales: 0.7x; EV/EBITDA: 6.1x; EV/EBIT: 10.0x; P/E: 10.3x). With regard to EAT the price target implies a P/E ratio of 16.6x. The stock is currently trading at a P/E ratio (10.3x) that equals the 2021e-EV/EBIT multiple. **This in turn implies an 2021e-EV/EBIT multiple of 5.1x, an 2021e-EV/EBITDA multiple of 2.6x, an EV/Sales multiple of 0.28x** which we think is far below the value that should be reflected in Berentzen's market capitalization.

The management confirmed its 2020 guidance but pointed to rising risks. We confirm our BUY recommendation, unchanged price target 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	14.8	17.6	17.9
margin		10.2%	10.7%	11.0%	9.3%	10.7%	10.7%
Adj. EBIT	-0.4%	9.1	9.8	9.8	5.8	8.8	8.9
margin		5.7%	6.0%	5.9%	3.7%	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	0.36	0.34	0.31
EV/EBITDA		4.59	3.49	3.32	3.88	3.17	2.94
P/E		20.49	9.64	10.11	27.07	9.80	9.74
Net debt/EBITDA		-0.01	0.11	-0.18	0.45	0.27	0.10

Source: Berentzen, FMR

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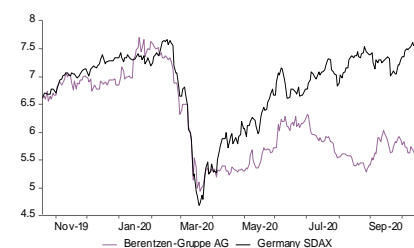
BUY

Before: BUY

Price target EUR 9.00 (9.00)
Share price EUR 5.30 (+70%)

*last XETRA closing price

Change	2020e	2021e	2022e
Revenue	-	-	-
Adj. EBIT	+0.2	-	-
EPS	-	-	-



Source: Factset

Basic share data

Number of shares (million)	9.39
Free float and others (in %)	79.40%
Market cap (EURm)	49.8
Trading volume (Ø)	8,489
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

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Appendix

Peer group valuation

Company name	P/E			EV/EBITDA			EV/EBIT			EV/Sales		
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
Davide Campari-Milano N.V.	55.0x	38.4x	34.2x	29.5x	23.8x	21.8x	36.0x	27.9x	25.3x	6.6x	6.0x	5.7x
Altia Oyj	14.9x	11.2x	9.5x	8.0x	5.5x	7.9x	12.8x	8.3x	12.4x	1.2x	0.8x	1.1x
Arcus ASA	12.9x	14.9x	15.0x	9.4x	9.5x	9.4x	12.2x	13.0x	12.8x	1.5x	1.5x	1.4x
A.G. BARR p.l.c.	24.7x	19.4x	18.3x	11.1x	10.5x	10.0x	15.4x	14.6x	13.8x	2.2x	2.2x	2.1x
Olvi Oyj Class A	21.0x	18.6x	17.6x	10.9x	10.3x	9.7x	15.8x	14.7x	13.9x	2.1x	2.0x	1.9x
Remy Cointreau SA	64.5x	49.5x	42.9x	34.3x	28.5x	25.8x	39.9x	32.4x	28.9x	8.2x	7.4x	7.0x
Schloss Wachenheim AG	11.8x	10.4x	9.2x	7.0x	6.6x	6.7x	12.5x	11.2x	11.7x	0.7x	0.7x	0.7x
Stock Spirits Group Plc	14.1x	12.6x	11.9x	8.2x	8.0x	7.7x	10.1x	9.7x	9.4x	1.6x	1.6x	1.6x
Diageo plc	23.3x	20.5x	19.1x	19.2x	17.2x	16.1x	21.5x	19.2x	17.9x	6.5x	6.0x	5.8x
Average	26.9x	21.7x	19.7x	15.3x	13.3x	12.8x	19.6x	16.8x	16.2x	3.4x	3.1x	3.0x
Median	21.0x	18.6x	17.6x	10.9x	10.3x	9.7x	15.4x	14.6x	13.8x	2.1x	2.0x	1.9x

in Mo. EUR, außer EPS (in EUR)	Net income			EBITDA			EBIT			Sales		
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
Berentzen-Gruppe AG (FMRe)	1.84	5.08	5.11	14.8	17.6	17.9	5.8	8.8	8.9	159.0	164.9	167.8
Applied multiples: mean Altia Oyj & Schloss Wachenheim AG	13.4	10.8	9.3	7.5	6.1	7.3	12.6	9.8	12.0	0.9	0.7	0.9
Enterprise value (derived)	24.6	55.0	47.8	111.6	106.2	130.8	73.8	86.6	107.0	146.9	120.7	146.7
- Financial net debt & minority interests	-6.6											
	-	55.0	-	-	99.7	-	-	80.0	-	-	114.1	-
Market capitalisation (derived)	87.2											
Premium (discount) vs. Peer Group	0%											
Fair market capitalisation	87.2											
Number of shares (m)	9.4											
Fair value per share (EUR)	9.28											

Source: FMR, FactSet

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	1.6	0.0	0.0
Adj. EBITDA		16.4	17.3	18.4	14.8	17.6	17.9
as % of revenues		10.2%	10.7%	11.0%	9.3%	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	5.8	8.8	8.9
as % of revenues		5.7%	6.0%	5.9%	3.7%	5.4%	5.3%
Exceptional effects		-0.4	-0.8	-1.1	-1.6	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
Lease liability repayments		0.0	0.0	-0.7	0.0	0.0	0.0
Cash flow from financing activities		-45.0	-2.1	-3.2	-2.6	-0.9	-2.5
Total change in cash and cash equivalents		-48.7	-3.0	6.6	-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	22.0	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	22.7	12.8	14.1	16.4

Source: Berentzen-Gruppe AG; FMR

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- 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.
- e) The analysis was made available to the issuer, to the extent that is legally permissible, before publication and was not amended thereafter.
- f) All prices and price developments listed in the analysis are based on closing prices insofar as no contradictory details were provided about prices and price developments.

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 - (iii.) managed financial instruments of the issuer on a market by means of concluding purchase or sale agreements;
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Company Disclosure(s)

Berentzen-Gruppe AG

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(ii.) was involved in the management of a syndicate within the past five months that issued financial instruments of the issuer in the context of a public tender;

(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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(vi.) has concluded an agreement regarding the preparation of investment recommendations with the issuer.

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

Company Disclosure(s)

Berentzen Group AG

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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
22.10.2020	BUY	5.30 EUR	9.00 EUR

4. Creation and distribution

a) Responsibility for creation and distribution

FMR Frankfurt Main Research AG

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

Employees of FMR Frankfurt Main Research AG who are involved with the compilation and/or presentation of financial analyses are subject to the internal compliance regulations. The internal compliance regulations correspond to the provisions of the directive for the substantiation of the organisational obligations of investment service companies pursuant to Section 80 Securities Trading Act and EU/ESMA legislation on the basis of the Market Abuse Regulation.

The analysts of FMR Frankfurt Main Research AG do not receive any direct or indirect remuneration from the investment banking business of FMR Frankfurt Main Research AG.

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