

Berentzen-Gruppe AG

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Annual report 2019: Targets reached, cash position strengthened

Comparison of FMR estimates with reported figures: Today, Berentzen published its annual report for 2019. Revenues increased by +3.2% to EUR 167.4m (FMR: EUR 169.0m) and thus fell into the guided range of EUR 164.7 and 173.4m. The unadjusted EBIT came in at EUR 8.7m compared to EUR 9.0m the year before. Exceptional effects related to legal disputes between Berentzen and the US distributor for Citrocasa GmbH (Fresh Juice Systems segment) were concluded and led to non-recurring expenses of EUR -1.07m (2018: EUR -0.6m). Adjusted for these non-recurring items, EBIT reached EUR 9.8m (FMR: EUR 9.8m). During the analyst call held today the Berentzen management confirmed that no further exceptional effects from legal disputes are expected for 2020e.

Strong increase in cash position and solid financing structure: As at the end of 2019, cash and cash equivalents climbed from EUR 15.8m in 2018 to EUR 22.7m. Whereas CAPEX increased slightly from EUR 6.5m in 2018 to EUR 6.9m in 2019, cash flow from operations roughly tripled to EUR 16.6m in 2019 (2018: EUR 5.6m). Free cash flow (2019: EUR 9.7m) reached positive territory for the first time since 2016. Total net debt (pension provisions not included) improves from EUR -7.6 to -12.5m.

Dividend 2019 confirmed: The management confirmed a dividend of EUR 0.28 per share (based on current share price: 5.3%) for 2019 and given the strong cash position we don't see financial pressure urging dividend suspension.

COVID-19 and guidance 2020: The company expects adverse effects from COVID-19 for all segments. However, as the duration and the extent of the pandemic is currently unpredictable the severity of the consequences for the Berentzen business are hardly assessable for the time being. Nevertheless, Berentzen still expects solid and profitable results in 2020e.

Against this background, we wait for more reliable data before we update our estimates. We confirm our BUY recommendation with an unchanged price target of EUR 10.00 per share.

FY End: 31.12.; in EURm	CAGR (17-22e)	2017	2018	2019	2020e	2021e	2022e
Revenues	3.2%	160.4	162.2	167.4	175.4	181.5	187.4
Adj. EBITDA	3.1%	16.4	17.3	18.4	18.0	18.7	19.1
margin		10.2%	10.7%	11.0%	10.3%	10.3%	10.2%
Adj. EBIT	2.1%	9.1	9.8	9.8	9.8	10.0	10.1
margin		5.7%	6.0%	5.9%	5.6%	5.5%	5.4%
Net result	19.6%	2.4	5.2	4.9	5.8	5.9	6.0
EPS	19.6%	0.26	0.55	0.52	0.62	0.63	0.63
Dividend per share		0.22	0.28	0.28	0.31	0.31	0.32
EV/Sales		0.48	0.37	0.36	0.29	0.27	0.25
EV/EBITDA		4.59	3.49	3.32	2.86	2.62	2.43
P/E		20.57	9.68	10.15	8.64	8.51	8.39
Net debt/EBITDA		-0.01	0.11	-0.18	0.03	-0.11	-0.24

Source: Berentzen, FMR

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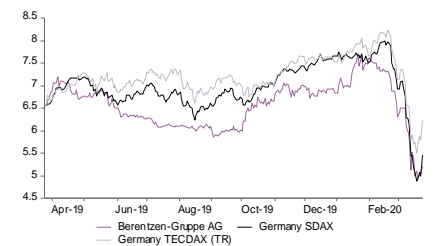
BUY

Before: BUY

Price target EUR 10.00 (10.00)
Share price EUR 5.32 (+88%)

*last XETRA closing price

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



Source: Factset

Basic share data

Number of shares (million)	9.39
Free float and others (in %)	76.50%
Market cap (EURm)	50.0
Trading volume (Ø)	18,343
High (EUR, 52 weeks)	7.8
Low (EUR, 52 weeks)	4.8

Shareholder structure

Monolith (NL)	9.90%
MainFirst (LU)	8.50%
Lazard Gestion (FR)	5.10%
Treasury shares	2.10%
Free float and others	74.40%

Corporate calendar

Interim Report Q1/2020	06.05.2020
Half-Year Report H1/2020	11.08.2020

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Appendix

Q1/20e guidance in comparison to historical development of Q1 business

	Q1/16	Contribution 2016	Q1/17	Contribution 2017	Q1/18	Contribution 2018	Q1/19	Contribution 2018	Q1/20e (in EURm)
Revenues	39.3	24.5%	38.9	24.0%	36.5	21.8%	36.9	30.6%	between 35.4 and 36.2
YoY in %	8.0%	0.0%	-0.9%	0.0%	-6.2%	0.0%	1.0%		
Adj. EBITDA	2.9	17.7%	3.2	18.7%	3.5	19.0%	3.7	20.1%	between 3.1 and 3.3
as % of revenues	7.4%	0.0%	8.3%	0.0%	9.5%	0.0%	10.0%		
Adj. EBIT	1.3	14.3%	1.6	15.9%	1.7	17.5%	1.7	17.7%	between 1.0 and 1.2
as % of revenues	3.3%	0.0%	4.0%	0.0%	4.7%	0.0%	4.7%		

Source: Berentzen-Gruppe AG; FMR

Discounted Cash Flow Modell

in EURm	PHASE 1			PHASE 2						PHASE 3	
	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	∞
Sales	175.4	181.5	187.4	193.0	198.3	204.3	210.4	215.7	220.0	224.4	
Sales growth YoY in %	4.8%	3.5%	3.3%	3.0%	2.8%	3.0%	3.0%	2.5%	2.0%	2.0%	
EBIT	9.8	10.0	10.1	10.6	11.1	11.6	12.2	12.7	13.2	13.7	
EBIT margin in %	5.6%	5.5%	5.4%	5.5%	5.6%	5.7%	5.8%	5.9%	6.0%	6.1%	
Income tax on EBIT	-3.0	-3.0	-3.0	-3.2	-3.3	-3.5	-3.7	-3.8	-4.0	-4.1	
Depreciation and amortisation	8.2	8.7	9.1	9.3	8.9	9.0	9.4	9.6	9.8	10.3	
Change in net working capital	-2.9	-2.3	-1.9	-2.0	-1.8	-1.7	-1.6	-1.5	-1.4	-1.3	
Net capital expenditure	-7.9	-8.3	-8.6	-9.0	-8.9	-9.4	-9.7	-9.9	-10.1	-10.3	
Free cash flow	4.3	5.2	5.7	5.7	6.0	6.1	6.7	7.1	7.5	8.3	
Present values	4.3	4.7	4.7	4.4	4.2	3.9	3.9	3.8	3.7	3.7	53.9
Present value Phase 1	13.7	25%									
Present value Phase 2	27.5	29%									
Present value Phase 3	53.9	57%									
Total present value	95.1	100%									
- Net cash	3.2										
- Minority interest (est. market value)	0.0										
Fair value of equity	98.4										
Number of shares (m)	9.4										
Fair value per share (EUR)	10.47										

Risk free rate	2.0%	Target equity ratio	80.0%
Equity risk premium	6.0%	Tax shield	30.0%
Debt risk premium	3.0%	Beta (fundamental)	1.40
CAGR Sales Phase 2	2.5%	WACC	9.00%
∅ EBIT-margin Phase 2	5.8%	Terminal growth	2.0%

Sensitivity analysis						
Terminal growth (Phase 3)						
	1.0%	1.5%	2.0%	2.5%	3.0%	
EBIT margin	3.8%	6.28	6.48	6.71	6.98	7.29
	4.8%	7.86	8.13	8.44	8.79	9.21
	5.8%	9.44	9.78	10.47	10.61	11.13
	6.8%	11.02	11.43	11.89	12.43	13.05
	7.8%	12.60	13.08	13.62	14.24	14.97

Source: FMR

Berentzen Group AG - Income Statement

in EURm	IFRS	2017	2018	2019	2020e	2021e	2022e
Revenues		160.4	162.2	167.4	175.4	181.5	187.4
YoY growth		-5.7%	1.1%	3.2%	4.8%	3.5%	3.3%
Increase or decrease in inventory of finished goods and work in progress as % of revenues		2.1	1.4	0.0	0.9	0.9	0.9
		1.3%	0.9%	0.0%	0.5%	0.5%	0.5%
Total operating income		162.4	163.6	167.4	176.2	182.4	188.3
YoY growth		-5.6%	0.7%	1.9%	5.4%	3.4%	3.2%
Cost of materials as % of revenues		-93.1	-91.9	-92.7	-97.7	-100.7	-103.8
		-58.0%	-56.7%	-55.4%	-55.7%	-55.5%	-55.4%
Gross profit		69.3	71.7	74.7	78.6	81.7	84.6
as % of revenues		43.2%	44.2%	44.6%	44.8%	45.0%	45.1%
Other operating income as % of revenues		4.7	4.7	4.1	4.5	4.5	4.5
		2.9%	2.9%	2.5%	2.6%	2.5%	2.4%
Personnel expenses as % of revenues		-24.0	-24.6	-25.6	-26.5	-27.6	-28.6
		-15.0%	-15.2%	-15.3%	-15.1%	-15.2%	-15.2%
Other operating expenses as % of revenues		-33.6	-35.3	-35.9	-38.5	-40.0	-41.3
		-21.0%	-21.8%	-21.5%	-22.0%	-22.0%	-22.1%
Exceptional effects		0.4	0.8	1.1	0.0	0.0	0.0
Adj. EBITDA		16.4	17.3	18.4	18.0	18.7	19.1
as % of revenues		10.2%	10.7%	11.0%	10.3%	10.3%	10.2%
Depreciation of property, plant and equipment, and amortisation of intangible assets as % of revenues		-7.3	-7.5	-8.5	-8.2	-8.7	-9.1
		-4.6%	-4.6%	-5.1%	-4.7%	-4.8%	-4.8%
Adj. EBIT		9.1	9.8	9.8	9.8	10.0	10.1
as % of revenues		5.7%	6.0%	5.9%	5.6%	5.5%	5.4%
Exceptional effects		-0.4	-0.8	-1.1	0.0	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	8.3	8.4	8.5
as % of revenues		3.2%	4.6%	4.3%	4.7%	4.6%	4.5%
Income taxes as % of EBT		-2.7	-2.3	-2.3	-2.5	-2.5	-2.6
		52.4%	30.5%	-31.6%	-30.0%	-30.0%	-30.0%
Net income		2.4	5.2	4.9	5.8	5.9	6.0
as % of revenues		1.5%	3.2%	2.9%	3.3%	3.2%	3.2%
Other comprehensive income		-0.9	-0.3	-0.5	0.0	0.0	0.0
Consolidated comprehensive income		1.6	4.9	4.4	5.8	5.9	6.0
as % of revenues		1.0%	3.0%	2.6%	3.3%	3.2%	3.2%
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	0.62	0.63	0.63
Dividends per share (EUR)		0.22	0.28	0.28	0.31	0.31	0.32
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	59.4	58.9	58.4
as % of total assets		42.1%	41.0%	39.4%	39.5%	38.2%	37.1%
Intangible assets		12.7	12.1	11.6	11.4	11.1	10.8
Property, plant and equipment		46.2	45.8	45.4	45.3	45.1	44.9
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	91.1	95.4	99.1
as % of total assets		57.9%	59.0%	60.6%	60.5%	61.8%	62.9%
Inventories		37.0	39.9	40.6	41.5	42.2	43.5
Trade receivables		13.8	16.4	14.8	16.8	18.4	19.0
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	18.9	20.9	22.8
Other current financial and non-financial assets		12.3	13.1	13.8	13.8	13.8	13.8
Total assets		143.4	145.0	151.6	150.4	154.3	157.5
Shareholders' equity and liabilities							
Shareholders' equity		44.6	47.4	49.2	52.4	55.3	58.4
as % of total equity and liabilities		31.1%	32.7%	32.4%	34.8%	35.9%	37.0%
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	21.1	24.1	27.1
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%	12.6%	11.9%	11.2%
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	79.2	80.6	81.5
as % of total equity and liabilities		55.0%	54.2%	54.7%	52.6%	52.3%	51.7%
Alcohol tax liabilities		43.3	42.3	43.6	42.8	43.8	44.2
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	32.4	32.8	33.3
Total equity and liabilities		143.4	145.0	151.6	150.4	154.3	157.5

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	5.8	5.9	6.0
Income tax expenses		2.7	2.3	2.3	2.5	2.5	2.6
Interest income		-0.1	-0.1	-0.1	-0.1	-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	8.2	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	-2.0	-1.6	-0.6
Decrease/increase in other assets		-5.0	-5.5	-8.1	-0.9	-0.7	-1.3
Increase/decrease in alcohol tax liabilities		-1.1	-1.0	1.3	-0.8	1.0	0.4
Increase/decrease in other liabilities		-2.3	0.0	3.7	-2.9	0.4	0.4
Cash and cash equivalents generated from operating activities		9.4	8.1	21.4	10.7	17.3	17.5
Income taxes paid		-1.9	-1.2	-3.4	-2.5	-2.5	-2.6
Interest received		0.0	0.1	0.1	0.1	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	6.7	13.2	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	-1.1	-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	-6.8	-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	-7.9	-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	-2.9	-2.9
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	-2.9	-2.9
Total change in cash and cash equivalents		-48.7	-3.0	7.3	-3.8	2.0	1.9
Cash and cash equivalents at the start of the period		67.1	18.4	15.5	22.0	18.2	20.2
Cash and cash equivalents at year's end		18.4	15.5	22.7	18.2	20.2	22.1
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	18.9	20.9	22.8

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.
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- 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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Berentzen-Gruppe AG -

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(i.) has an involvement in the share capital of the issuer of at least 5 per cent;

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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;

(v.) is in possession of a net sales or purchase position which exceeds the threshold of 0.5% of the total issued share capital of the issuer;

(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 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

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.

On acceptance of the financial analysis, the recipient accepts that the above restrictions are binding.