BERENTZEN-GRUPPE

Thirst for life

Berentzen-Gruppe Aktiengesellschaft

# Interim Report Q1 2020

# Content



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# Berentzen Group: Overview Q1/2020

Consolidated revenues down 1.9% from Q1/2019. Positive adjusted consolidated EBIT, consolidated EBITDA and operating cash flow, but also below the level of Q1/2019.

Concrete consolidated revenue and earnings forecasts for the 2020 financial year are not possible at this time due to the coronavirus pandemic.

**Q1/2020 Group**

- Revenues: EUR 36.2 million (EUR 36.9 million).
- Adjusted EBIT: EUR 1.1 million (EUR 1.7 million).
- EBITDA: EUR 3.2 million (EUR 3.7 million).
- Exceptional earnings effects from the impairment test for the *Non-Alcoholic Beverages* segment: EUR 1.4 million (EUR 0.0 million).
- Operating cash flow: EUR 0.8 million (EUR 1.9 million).
- Cash and cash equivalents: EUR 6.6 million (EUR 4.6 million).
- Dynamic gearing ratio: 0.15 (0.25).
- Equity ratio: 36.0% (36.9%).

**Outlook for the Group:**

- The original earnings forecasts for the 2020 financial year have been withdrawn due to the coronavirus pandemic. Current estimates made on the basis of simulation scenarios point to a still positive adjusted consolidated EBIT, although below the year-ago comparison figure (EUR 9.8 million).

# (1) Business performance and financial position

## (1.1) Significant events in the reporting period

The coronavirus pandemic represents a significant event in the reporting period. The coronavirus initially emerged in China in December 2019 and spread across the world in 2020. The first case in Germany was detected in late January 2020.

To curb the spread of the coronavirus, the German federal government and states adopted measures in March 2020 that are having an adverse impact on the German economy. These measures include the closing of hospitality establishments, extensive social contact restrictions, and the prohibition of events.

The coronavirus pandemic will have adverse effects on the Berentzen Group in the 2020 financial year, although the individual segments are or will be affected to varying degrees. In consideration of this fact, each segment or cash-generating unit (CGU) has been examined to determine whether an ad-hoc impairment test according IAS 36 should be conducted and whether impairments should be recognised. In the *Fresh Juice Systems* segment, the pandemic will lead to a temporary decrease in sales of fruit presses because it is still to be expected that hospitality sector investments will be temporarily suspended. This trend has already been observed in the first quarter of 2020. However, an impairment test did not find it necessary to recognise impairments of the assets attributed to this segment. Sales of non-alcoholic beverages and spirits are being adversely affected by the almost complete closure of hospitality establishments and the suspension of significant marketing activities in the food retailing sector. Sales volumes of some brands and product segments registered their first declines already in the last weeks of the first quarter of 2020. However, based on the insights gained from the scenario analysis currently being performed, the initial review of the assets and CGUs attributed to the *Spirits* segment have not yet found it necessary to conduct an impairment test. An impairment test was conducted for the *Non-Alcoholic Beverages* segment due to the considerably greater revenue and earnings dependence on the hospitality sales channel compared to the *Spirits* segment and due to the comparatively high capital and investment intensity of this segment. This impairment test led to an impairment expense of EUR 1.4 million, which was recognised as an exceptional earnings effect in the first quarter of 2020. This assessment was conducted on the basis of currently available information. It could change in the further course of the year depending on the development of total capital costs and cash flows.

### Activities of the Berentzen Group related to the coronavirus pandemic

The Berentzen Group has taken numerous coronavirus prevention measures and converted its operating procedures for this purpose. These measures include extensive hygiene measures throughout the Group, a shift and physical presence concept for all workplaces, the more intensive use of home offices, and travel and meeting restrictions. These measures have helped protect the staff while maintaining production and delivery capabilities. These measures also support the operational performance of the Berentzen Group.

The Berentzen Group is providing many different kinds of assistance to help meet the heightened need for disinfectants. Firstly, the Group is manually producing a WHO-conformant disinfectant and donating it to hospitals in the region. Secondly, the Group is producing ethanol, the most important raw ingredient for disinfectant production, or alternatively drawing it from available reserves in order to either process it as part of a cooperation effort among regional companies or shipping it directly to pharmacies and healthcare institutions.

To ensure adequate liquidity and counteract the already noticeable earnings effects of the coronavirus crisis, as well as those that could arise in the future, the Management has made the following decisions, among others: reduction of capital expenditures, reduced utilisation of external services, the limitation of travel activities, and the reduction of marketing communication activities. In addition, short-time work has been introduced in particularly hard-hit areas of the Group. In addition, planned positions and vacancies are not being filled until further notice. Moreover, the Management is continually assessing any further necessary measures.

## (1.2) Financial performance

| | | Q1/2020 | Q1/2019 | Change |
|---|---|---|---|---|
| **Consolidated revenues excl. alcohol tax** | **EUR'000** | **36,214** | **36,914** | **- 1.9 %** |
| Spirits segment | EUR'000 | 20,040 | 20,212 [1)] | - 0.9 % |
| Non-Alcoholic Beverages segment | EUR'000 | 11,346 | 11,137 | + 1.9 % |
| Fresh Juice Systems segment | EUR'000 | 4,549 | 5,094 | - 10.7 % |
| Other segments | EUR'000 | 279 | 471 [1)] | - 40.8 % |
| **Consolidated EBITDA** | **EUR'000** | **3,192** | **3,684** | **- 13.4 %** |
| **Consolidated EBITDA margin** | **%** | **8.8** | **10.0** | **- 1.2 PP [2)]** |
| **Consolidated EBIT** | **EUR'000** | **1,082** | **1,732** | **- 37.5 %** |
| **Consolidated EBIT margin (return on sales)** | **%** | **3.0** | **4.7** | **- 1.7 PP [2)]** |

1) The year-ago comparison figure has been adjusted to account for the changed composition of the *Spirits* and *Other segments* due to the new organisational structure.

2) PP = percentage points.

The Berentzen Group generated consolidated revenues of EUR 36.2 million (EUR 36.9 million) in the first three months of the 2020 financial year. This corresponds to a 1.9% decline in revenues.

In the *Spirits* segment, revenues declined by an only slightly lower percentage of 0.9%. However, the combined sales of the umbrella brands *Berentzen* and *Puschkin* exhibited a substantial decline of 17.0%. This decline can be attributed particularly to a multi-week suspension of deliveries to a major customer in the food retailing sector due to the non-completion of price negotiations, as well as deferred marketing campaigns compared to Q1/2019. By contrast, sales of exports and private-label brands exhibited a clearly positive development, with the greatest increases occurring in sales of premium product concepts.

In the *Non-alcoholic Beverages* segment, revenues increased by 1.9%. Sales of proprietary brands, which are mainly generated in the food retailing sector, were especially good: Sales of the beverages distributed under the proprietary brand *Mio Mio* rose by 28.2% and sales of the Group's proprietary mineral water brands increased as well. However, the "on-trade business" registered lower sales, particularly due to the coronavirus pandemic. Sales to the hospitality sector were generally lower. In particular, sales of beverages under the *Sinalco* franchise brand were substantially lower.

Revenues generated in the *Fresh Juice Systems* segment were substantially lower, by 10.7%, in the first quarter of 2020. Sales of all system components – fruit presses, fruit, and filling containers – declined. Of all the segments of the Berentzen Group, this segment was most adversely affected by the effects of the coronavirus pandemic in the first quarter of the 2020 financial year.

Consolidated EBIT adjusted for exceptional earnings effects amounted to EUR 1.1 million in the first quarter of 2020, below the level of the year-ago comparison period (EUR 1.7 million). The basis for this decrease was the lower volume of sales and the lower gross profit margin resulting from a less advantageous segment mix compared to Q1 2019. On the other hand, the level of operating expenses was largely unchanged. The effects of the countermeasures initiated in the context of the coronavirus pandemic have been minor thus far. Consolidated EBITDA based on the above-mentioned adjusted consolidated EBIT came to EUR 3.2 million (EUR 3.7 million). The smaller decline in consolidated EBITDA compared to that of adjusted consolidated EBIT resulted from higher amortisation and depreciation, which rose to EUR 0.2 million.

As a result of the coronavirus pandemic and particularly due to the severe impact of the crisis on the hospitality sector, an ad-hoc impairment test was conducted for the *Non-alcoholic Beverages* segment. Based on the result, an impairment expense of EUR 1.4 million was recognised as an exceptional earnings effect in the first quarter of the 2020 financial year.

## (1.3) Cash flows and financial position

### Cash flows

| | | Q1/2020 | Q1/2019 | Change |
|---|---|---|---|---|
| Operating cash flow | EUR'000 | 828 | 1,863 [1)] | - 1,035 |
| Cash flow from operating activities | EUR'000 | -13,398 | -9,629 | - 3,769 |
| Cash flow from investing activities | EUR'000 | -1,727 | -1,064 | - 663 |
| Cash flow from financing activities | EUR'000 | -284 | -128 | - 156 |
| Cash and cash equivalents at beginning of period | EUR'000 | 22,010 | 15,459 | + 6,551 |
| Cash and cash equivalents at end of period | EUR'000 | 6,601 | 4,638 | + 1,963 |

[1)] Prior-period comparison figure has been adjusted due to a changed definition of the indicator.

The total funding of the Berentzen Group presented in the Annual Report for the 2019 financial year remains essentially unchanged at the end of the interim reporting period. However, it should also be noted that two already existing factoring agreements were prolonged ahead of time in February 2020 by three years until March 31, 2024. Already in December 2019, the total funding volume available to the Berentzen Group under these funding agreements was increased by EUR 5.0 million, from previously EUR 50.0 million to EUR 55.0 million. In November 2019, moreover, the funding volume of a syndicated loan agreement concluded with a banking syndicate was increased by EUR 7.5 million from previously EUR 25.5 million to EUR 33.0 million.

The operating cash flow, which excludes changes in working capital and hence documents the impact of operating profitability on the change in cash, amounted to EUR 0.8 million (EUR 1.9 million) in the first three months of the 2020 financial year. The lower level of cash inflow was caused by the lower consolidated operating result before amortisation and depreciation.

The cash flow from operating activities also encompasses changes in working capital. With individual asset and liability items moving in opposite directions within the total as of the reporting date, a net cash outflow of EUR 13.4 million (EUR 9.6 million) arose in the first quarter of 2020, mainly on account of a decrease in alcohol tax liabilities.

The Group's investing activities – including but not limited to payments for investments in property, plant and equipment – led to a net cash outflow of EUR 1.7 million (EUR 1.1 million). In this context, the cash outflow was once again essentially attributable to investments in empty filling containers and crates in the *Non-alcoholic Beverages* segment.

In the first quarter of 2020, financing activities gave rise to a cash outflow of EUR 0.3 million (EUR 0.1 million) in connection with the repayment of lease liabilities according to IFRS 16.

In total, cash and cash equivalents totalled EUR 6.6 million (EUR 4.6 million) at the end of the interim reporting period, of which EUR 3.9 million (EUR 2.5 million) relates to receivables from the customer settlement accounts maintained with banks that are used for settlement under two factoring agreements.

In summary, the total funding available to the Berentzen Group within the scope of its funding structure fundamentally enables it to absorb any reduction of the Group's internal funding capacity resulting from a lower operating cash flow, for example. However, possible measures in the areas of equity and debt capital are continually being considered in view of the coronavirus pandemic and the related question of the extent to which internal funding capacities could be affected by it.

**Financial position**

| | | 3/31/2020 | 3/31/2019 | Change |
|---|---|---|---|---|
| **Equity ratio** | **%** | **36.0** | **36.9** | **- 0.9 PP [1)]** |
| **Dynamic gearing ratio** | **Ratio** | **0.15** | **0.25** | **- 0.10** |

[1)] PP = percentage points.

The Group's asset and capital structure remains robust overall. This is underscored by the only slight decline in the equity ratio to 36.0% at the end of the first quarter of 2020 (36.9%). At 0.15 (0.25), the dynamic gearing ratio improved slightly in comparison to the equivalent period of the previous year. This means that the Berentzen Group maintains a good ability to service its debt.

## (2) Report on subsequent events

No events that could have a significant impact on the future business performance and the financial performance, cash flows and financial position of the Berentzen Group occurred after the end of the reporting period.

## (3) Report on opportunities and risks

The primary risks consolidated into categories that could have significant detrimental effects on the Group's business activities and its financial performance, cash flows and financial position are presented in the Berentzen Group Annual Report for the 2019 financial year, together with the greatest opportunities and the structure of the risk management system.

Compared to the description of the risks and opportunities of the Group's expected development in the Annual Report for the 2019 financial year, changes have occurred in the first quarter of the 2020 financial year with respect to the remaining nine months of the 2020 financial year mainly as a result of the coronavirus pandemic. In this context, the short-term probabilities of occurrence of the risks consolidated within the categories of "financial risks" and especially "operating environment risks" have risen. In the medium-term view, the probabilities of occurrence and the extent of individual risks have likewise risen, but this did not lead to changes in the risk categories of the risk matrix presented in the 2019 Annual Report. This includes the overall assessment of opportunities and risks described therein.

## (4) Outlook

On March 26, 2020, the Berentzen Group published an ad-hoc announcement in which it withdrew its forecast for the 2020 financial year that was published in the 2019 Annual Report.

The reason for this withdrawal was the increasingly more dynamic spread of the coronavirus pandemic, the governmental crisis measures initiated to combat the pandemic, and the resulting drastic effects on national and international economies and their sub-markets, which also affect the Berentzen Group. Consequently, it was no longer possible to offer a sufficiently reliable and assured assessment of the business performance of the Berentzen Group in the further course of the 2020 financial year.

A new, valid forecast with sufficiently reliable statements regarding the financial position, cash flows and the financial performance cannot be issued at this time because the further course of the pandemic and the economic consequences still cannot be estimated with sufficient certainty.

However, the Berentzen Group is continually conducting an assessment of conceivable developments of the operating business and their effect on the main indicators of financial position, cash flows and financial performance on the basis of broad-based scenario analyses. In consideration of the countermeasures described in Section (1.1), these simulations continue to show a positive consolidated EBIT adjusted for exceptional effects for the 2020 financial year, although it will probably be less than the previous-year comparison period (2019: EUR 9.8 million).

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Publication date: May 6, 2020

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## 2020 Financial Calendar

| | |
|---|---|
| January 9, 2020 | ODDO BHF Forum, Lyon / France |
| February 4, 2020 | Publication of preliminary business figures 2019 |
| March 26, 2020 | Publication of consolidated and separate financial statements and 2019 Annual Report |
| May 6, 2020 | Publication of the Q1/2020 Interim Report |
| May 18, 2020 | Virtual road show with Metzler Capital Markets |
| August 11, 2020 | Publication of the 2020 Group Half-Yearly Annual Report |
| October 22, 2020 | Publication of the Q3/2020 Interim Report |
| November 17/18, 2020 | German Equity Forum, in Frankfurt/Main, Germany |

As of May 6, 2020. The financial calendar is provided for information purposes and will be regularly updated. It is subject to change.

## Annual general meeting 2020

On March 23, 2020, in view of the coronavirus pandemic, the Executive Board decided, in agreement with the Supervisory Board, to cancel the annual general meeting scheduled for May 13, 2020 and postpone it to a later date in 2020, taking into account the statutory eight-month period to the extent possible. A date and venue for the 2020 annual general meeting are expected to be announced on May 13, 2020.

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For information purposes, this report is also available in English. In the event of deviations, the German version shall be the sole definitive version and take precedence over the English version.

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