

## Berentzen-Gruppe (BEZ GY) | Consumer Goods

February 04, 2020

### Making further progress in the strategic transformation

We confirm our Buy recommendation: This morning, Berentzen published strong preliminary financials for FY 2019. Sales in Q4/19 increased by ~5% to EUR 46.8m and were hence in line with our expectations (M'e: EUR 46.9m). According to the company, as in the previous quarter all segments positively contributed to the accelerated growth momentum. Berentzen thus comfortably reached its sales guidance for FY 2019. Positive in our view was the margin development in the fourth quarter. The EBIT margin increased to 7.9% (M'e: 7.1%) and ongoing investments into personnel, equipment and marketing were offset by ongoing gross margin improvements. This confirms our view that Berentzen is making progress with regard to its strategic transformation including its focus on higher margin products. For FY 2020, the company expects a positive development in revenue and earnings. The full set of numbers including the FY 2020 guidance will be published on March 26. In the meantime, the sentiment towards the shares should remain positive in our view.

**Changes in estimates:** We keep our estimates virtually unchanged

**Valuation:** We continue to value Berentzen shares based on our DCF valuation and derive a new target price of EUR 8.8 as we have now included FY 2027 estimates in our model. Given the attractive valuation level (~4x EBITDA), we continue to see room for multiple expansion

Fundamentals (in EUR m)	2016	2017	2018	2019e	2020e	2021e
Sales	170	160	162	167	173	179
EBITDA	18	16	17	18	20	21
EBIT	11	9	10	10	11	12
EPS adj. (EUR)	0.47	0.27	0.55	0.56	0.63	0.70
DPS (EUR)	0.25	0.22	0.28	0.28	0.31	0.35
BVPS (EUR)	4.80	4.75	5.04	5.33	5.67	6.06
Net Debt incl. Provisions	-5	-0	2	-1	-3	-7
Ratios	2016	2017	2018	2019e	2020e	2021e
EV/EBITDA	3.8	4.7	3.5	3.5	3.4	3.1
EV/EBIT	6.3	8.4	6.2	6.5	6.2	5.5
P/E	16.2	30.2	11.3	12.2	12.1	10.8
Dividend yield (%)	3.3	2.7	4.5	4.2	4.1	4.6
EBITDA margin (%)	10.3	10.2	10.7	11.0	11.4	11.7
EBIT margin (%)	6.2	5.8	6.0	5.9	6.3	6.6
Net debt/EBITDA	-0.3	-0.0	0.1	-0.0	-0.2	-0.3
ROE (%)	10.0	5.7	11.2	10.8	11.4	12.0
PBV	1.6	1.7	1.2	1.3	1.3	1.3

Sources: Refinitiv, Metzler Research

**Buy**

**unchanged**
**Price\***
**EUR 7.60**
**Price target**
**EUR 8.80 (8.5)**

\* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

Market Cap (EUR m)	71
Enterprise Value (EUR m)	68
Free Float (%)	71.6

Price (in EUR)



Performance (in %)	1m	3m	12m
Share	5.8	10.5	15.9
Rel. to Prime All Share	7.2	9.9	-1.1

Sources: Refinitiv, Metzler Research

Changes in estimates (in %)	2019e	2020e	2021e
Sales	-0.1	-0.1	-0.1
EBIT	4.5	2.2	0.2
EPS	5.9	3.6	0.9

### Sponsored Research


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# company note

## Our investment case in a nutshell

### Investment case remains unchanged

- **(1) Acceleration of growth momentum over the next years:** We believe that Berentzen should be able to accelerate growth momentum over the next years. We forecast annual topline growth of >3% over the next three years which is significantly above the run-rate of the previous years (FY 2018: ~1%). This growth should, in our view, be driven by all segments. One main driver for the growth should in our view be the Mio Mio brand. Mio Mio is a brand of refreshing soft drinks offered in seven flavours. The most popular is Mio Mio Mate, which is a caffeinated mate-extracted beverage. With annual sales volume growth of above 50% over the last four years, the brand is clearly the highlight of the Berentzen product portfolio in our view. We believe that Mio Mio is still at the beginning of its success story
- **(2) Room for margin improvements in all segments:** We not only expect an acceleration of growth, but also a slight margin improvement over the next years (~60bps over the next three years). We see in particular room for margin improvement in the fresh-juice system segment. In the past, the company faced problems with regard to the harvesting of oranges which the company sells its customers in addition to the juicers. Crop failures in FY 2018 lead to significantly higher prices for the juice oranges which Berentzen did not want to pass on to its customers - this resulted in falling gross margins. In the meantime, the company has optimized and also broadened its supplier network for oranges and should in our view now be able to better absorb possible (future) crop failures
- **(3) Solid balance sheet and attractive dividends:** In our view, Berentzen has a very solid balance sheet, especially following the repayment of the bond in October FY 2017 leading to annual interest savings of more than EUR 2m. Based on the solid balance sheet structure, the company is able to pay attractive dividend streams to its shareholders. At the last annual general meeting the company announced to pay out at least 50% of its net income in the future. Our dividend estimate for FY 2019 would correspond to a dividend yield of ~4% based on current share price levels - this is in our view appealing especially for long-term oriented value investors
- **(4) Mio Mio already worth ~EUR 4.3:** We determined a fair value of the Mio Mio brand, which is a clear highlight of Berentzen's product portfolio. The acquisition of Fever-Tree in FY 2012 for ~6x Sales served as a starting point of our analysis. Fever-Tree is a popular producer of drink mixers in particular Tonic Water. While both, Mio Mio and Fever-Tree have a similar growth profile, we value Mio Mio based on a 10% discount given its stronger regional focus. Adjusting the transaction multiple for this discount, we value Mio Mio based on an EV/Sales multiple of ~5x and derive at a value per share of ~EUR 4.3.

# company note

## Preliminary financials for Q4/19

### Strong preliminary financials

This morning, Berentzen published its **preliminary financials for Q4/19**. The full set of numbers including the new guidance for FY 2020 will be released on March 26. Key highlights were the following:

- Sales in Q4/19 increased by 5.0% to EUR 46.8m and were hence in line with our expectations (M'e: EUR 46.9m)
- According to Berentzen, all segments contributed to the accelerated growth momentum in the last quarter. In our view, also the numerous product launches (e.g. Signature line) should have positively impacted Q4 growth
- Based on the Q4/19 sales figures, Berentzen comfortably achieved its FY 2019 guidance which however, came at no surprise for us
- Positive in our view was the margin development in Q4/19. The EBIT margin increased to 7.9% in Q4/19 (M'e: 7.1%) and was according to Berentzen also driven by gross margin improvements. This shows in our view that the company is making progress with regard to its strategic transformation and the focus on products that generate higher gross margins
- Berentzen expects "a positive development in revenue and earnings" for FY 2020 - the full guidance will be published with the 2019 annual report on March 26. For FY 2020, we continue to expect similar growth as in FY 2019 in combination with an even stronger profitability

### Strong finish to 2019

EUR m

	<u>Reported</u>							FY 2019 Guidance	Metzler Q4/19e	Metzler FY 2019e
	Q4 2018	FY 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019			
<b>Sales</b>	<b>44.5</b>	<b>162.2</b>	<b>36.9</b>	<b>42.3</b>	<b>41.4</b>	<b>46.8</b>	<b>167.4</b>	<b>164.7 - 173.4</b>	<b>46.9</b>	<b>167.6</b>
Growth y-o-y (in %)	31.1	1.1	1.0	1.2	5.4	5.0	3.2	1.5 - 6.9	5.4	3.3
<b>EBITDA</b>	<b>5.7</b>	<b>17.3</b>	<b>3.7</b>	<b>5.4</b>	<b>3.2</b>	<b>6.1</b>	<b>18.4</b>	<b>17.0 - 18.8</b>	<b>5.7</b>	<b>18.0</b>
Margin (in %)	12.9	10.7	10.0	12.7	7.8	13.1	11.0	9.8 - 11.4	12.2	10.7
<b>EBIT</b>	<b>3.8</b>	<b>9.8</b>	<b>1.7</b>	<b>3.3</b>	<b>1.1</b>	<b>3.7</b>	<b>9.8</b>	<b>9.0 - 10.0</b>	<b>3.3</b>	<b>9.4</b>
Margin (in %)	8.5	6.0	4.7	7.8	2.6	7.9	5.9	5.2 - 6.1	7.1	5.6

Source: Metzler Research, company data

## Valuation - DCF Analysis

### New target price of EUR 8.8

We continue to value Berentzen shares based on our DCF analysis - now with an ex-

tended forecasting period until FY 2027. We derive a new target price of EUR 8.8.

- We are using a terminal growth rate of 0.5% which reflects the relatively limited long-term growth potential of the Group
- Our WACC amounts to 9.5% and is based on the following input factors: Risk-free rate of 1.0%, market risk premium of 6.5% and a Beta of 1.4
- Our Beta reflects the small size of the company and the low liquidity of the shares

## DCF valuation derives a new target price of EUR 8.8

Company	FY19e	FY20e	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e	FY27e	TV-year	
<b>Revenue</b>	<b>167</b>	<b>173</b>	<b>179</b>	<b>184</b>	<b>189</b>	<b>194</b>	<b>197</b>	<b>199</b>	<b>199</b>		
Y-o-y (in %)	3.2	3.2	3.4	3.2	2.6	2.3	1.5	1.0	0.5		
<b>EBIT</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>15</b>		
Margin (in %)	5.9	6.3	6.6	7.0	7.3	7.3	7.3	7.3	7.3		
Taxes	3	3	4	4	4	4	4	4	5		
D&A	9	9	9	9	9	9	9	10	9		
<b>Gross cash flow</b>	<b>15</b>	<b>16</b>	<b>17</b>	<b>18</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>20</b>	<b>19</b>		
Capex	7	8	8	8	8	9	9	9	9		
Change in NWC	-1	-2	-2	-2	-2	-2	-3	-3	-3		
<b>Free cash flow</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>89</b>	
Present value FCF	-	6	6	6	6	5	5	4	4	43	
<b>Implied equity value and fair value per share</b>											
Enterprise value (beg. FY 2020)				<b>85</b>							
Net debt (incl. pensions)				<b>2</b>							
Equity value				<b>82</b>							
<b>Fair value share price</b>				<b>8.8</b>							
<b>Assumptions</b>											
Beta										<b>1.4</b>	
Risk-free rate (%)										<b>1.0</b>	
Risk premium (%)										<b>6.5</b>	
<b>WACC (%)</b>										<b>9.5</b>	

Source: Metzler Research

Our DCF model is very sensitive to our selected input factors. We hence provide a sensitivity analysis of our estimated fair value vs. the terminal growth rate and our terminal EBIT margin:

## Sensitivity analysis of the estimated fair value versus terminal growth rate and terminal EBIT margin

In EUR

		WACC (in %)						
		8.6	8.9	9.2	9.5	9.8	10.1	10.4
TV EBIT margin (in %)	5.8	8.4	8.1	7.8	7.6	7.3	7.1	6.9
	6.3	8.8	8.5	8.2	8.0	7.7	7.5	7.3
	6.8	9.3	9.0	8.7	8.4	8.1	7.8	7.6
	7.3	9.8	9.4	9.1	<b>8.8</b>	8.5	8.2	7.9
	7.8	10.3	9.9	9.5	9.2	8.8	8.6	8.3
	8.3	10.7	10.3	9.9	9.6	9.2	8.9	8.6
	8.8	11.2	10.8	10.3	10.0	9.6	9.3	9.0

Source: Metzler Research

# company note

## Key Data

### Company profile

CEO: Oliver Schwegmann

CFO: Ralf Bruehoefner

Haselünne, Germany

Berentzen, headquartered in Haselünne (Germany) is a leading beverage company in Germany and one of the oldest producers of spirits with a history going back to 1758. The business activities of the company include the production and distribution of spirits, non-alcoholic beverages, fresh juice systems as well as tourist and event activities at the Berentzen-Hof in Haselünne

### Major shareholders

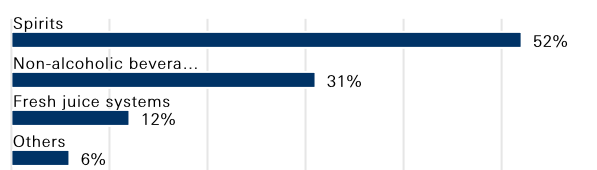
Monolith Investment Management BV (9.9%), MainFirst Bank AG (8.5%), Lazard Frères Gestion SAS (5.1%), Intrepid Capital Management, Inc. (2.8%)

### Key figures

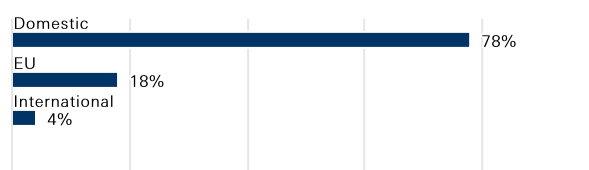
P&L (in EUR m)	2016	%	2017	%	2018	%	2019e	%	2020e	%	2021e	%
<b>Sales</b>	<b>170</b>	<b>7.2</b>	<b>160</b>	<b>-5.7</b>	<b>162</b>	<b>1.1</b>	<b>167</b>	<b>3.2</b>	<b>173</b>	<b>3.2</b>	<b>179</b>	<b>3.4</b>
<b>Gross profit on sales</b>	<b>81</b>	<b>7.3</b>	<b>69</b>	<b>-14.4</b>	<b>72</b>	<b>3.4</b>	<b>76</b>	<b>5.8</b>	<b>79</b>	<b>4.0</b>	<b>82</b>	<b>4.0</b>
Gross margin (%)	47.7	0.0	43.2	-9.3	44.2	2.2	45.3	2.5	45.6	0.7	45.9	0.6
<b>EBITDA</b>	<b>18</b>	<b>11.8</b>	<b>16</b>	<b>-6.3</b>	<b>17</b>	<b>5.6</b>	<b>18</b>	<b>6.2</b>	<b>20</b>	<b>7.2</b>	<b>21</b>	<b>5.6</b>
EBITDA margin (%)	10.3	4.3	10.2	-0.7	10.7	4.4	11.0	2.8	11.4	3.8	11.7	2.2
<b>EBIT</b>	<b>11</b>	<b>38.8</b>	<b>9</b>	<b>-12.3</b>	<b>10</b>	<b>6.3</b>	<b>10</b>	<b>0.5</b>	<b>11</b>	<b>10.8</b>	<b>12</b>	<b>8.9</b>
EBIT margin (%)	6.2	29.4	5.8	-7.0	6.0	5.1	5.9	-2.7	6.3	7.3	6.6	5.3
<b>Financial result</b>	<b>-4</b>	<b>-0.9</b>	<b>-4</b>	<b>1.5</b>	<b>-2</b>	<b>40.4</b>	<b>-2</b>	<b>5.6</b>	<b>-2</b>	<b>-4.4</b>	<b>-2</b>	<b>0.4</b>
<b>EBT</b>	<b>6</b>	<b>81.5</b>	<b>5</b>	<b>-19.0</b>	<b>7</b>	<b>41.9</b>	<b>8</b>	<b>2.4</b>	<b>9</b>	<b>12.6</b>	<b>10</b>	<b>11.4</b>
Taxes	2	52.6	3	32.2	2	-15.4	2	4.2	3	12.6	3	11.4
Tax rate (%)	31.3	n.a.	51.1	n.a.	30.5	n.a.	31.0	n.a.	31.0	n.a.	31.0	n.a.
Net income	4	98.6	3	-42.4	5	101.6	5	1.6	6	12.6	7	11.4
Minority interests	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
<b>Net Income after minorities</b>	<b>4</b>	<b>98.6</b>	<b>3</b>	<b>-42.4</b>	<b>5</b>	<b>101.6</b>	<b>5</b>	<b>1.6</b>	<b>6</b>	<b>12.6</b>	<b>7</b>	<b>11.4</b>
Number of shares outstanding (m)	9	-1.5	9	-0.1	9	0.0	9	0.0	9	0.0	9	0.0
<b>EPS adj. (EUR)</b>	<b>0.47</b>	<b>134.5</b>	<b>0.27</b>	<b>-42.1</b>	<b>0.55</b>	<b>101.3</b>	<b>0.56</b>	<b>1.7</b>	<b>0.63</b>	<b>12.6</b>	<b>0.70</b>	<b>11.4</b>
<b>DPS (EUR)</b>	<b>0.25</b>	<b>25.0</b>	<b>0.22</b>	<b>-12.0</b>	<b>0.28</b>	<b>27.3</b>	<b>0.28</b>	<b>1.8</b>	<b>0.31</b>	<b>10.4</b>	<b>0.35</b>	<b>11.4</b>
Dividend yield (%)	3.3	n.a.	2.7	n.a.	4.5	n.a.	4.2	n.a.	4.1	n.a.	4.6	n.a.
<b>Cash Flow (in EUR m)</b>	<b>2016</b>	<b>%</b>	<b>2017</b>	<b>%</b>	<b>2018</b>	<b>%</b>	<b>2019e</b>	<b>%</b>	<b>2020e</b>	<b>%</b>	<b>2021e</b>	<b>%</b>
<b>Gross Cash Flow</b>	<b>14</b>	<b>10.8</b>	<b>12</b>	<b>-17.8</b>	<b>14</b>	<b>22.6</b>	<b>15</b>	<b>7.0</b>	<b>16</b>	<b>6.5</b>	<b>17</b>	<b>4.9</b>
Increase in working capital	-1	n.a.	6	n.a.	8	n.a.	1	n.a.	2	n.a.	2	n.a.
<b>Capital expenditures</b>	<b>6</b>	<b>29.1</b>	<b>8</b>	<b>25.9</b>	<b>7</b>	<b>-16.5</b>	<b>7</b>	<b>13.6</b>	<b>8</b>	<b>3.2</b>	<b>8</b>	<b>3.4</b>
D+A/Capex (%)	113.1	n.a.	92.3	n.a.	115.7	n.a.	115.8	n.a.	115.6	n.a.	113.6	n.a.
<b>Free cash flow (Metzler definition)</b>	<b>9</b>	<b>-70.4</b>	<b>-2</b>	<b>-123.9</b>	<b>-0</b>	<b>96.2</b>	<b>7</b>	<b>n.m.</b>	<b>7</b>	<b>3.6</b>	<b>7</b>	<b>5.9</b>
Free cash flow yield (%)	12.7	n.a.	-2.8	n.a.	-0.1	n.a.	10.6	n.a.	9.9	n.a.	10.4	n.a.
Dividend paid	2	22.4	2	24.9	2	-12.0	3	27.2	3	1.8	3	10.4
<b>Free cash flow (post dividend)</b>	<b>7</b>	<b>-73.4</b>	<b>-5</b>	<b>-162.1</b>	<b>-2</b>	<b>52.6</b>	<b>4</b>	<b>293.5</b>	<b>4</b>	<b>4.8</b>	<b>4</b>	<b>3.1</b>
<b>Balance sheet (in EUR m)</b>	<b>2016</b>	<b>%</b>	<b>2017</b>	<b>%</b>	<b>2018</b>	<b>%</b>	<b>2019e</b>	<b>%</b>	<b>2020e</b>	<b>%</b>	<b>2021e</b>	<b>%</b>
<b>Assets</b>	<b>189</b>	<b>4.6</b>	<b>143</b>	<b>-24.2</b>	<b>145</b>	<b>1.1</b>	<b>149</b>	<b>2.8</b>	<b>153</b>	<b>3.0</b>	<b>159</b>	<b>3.3</b>
Goodwill	6	0.0	6	0.0	6	0.0	6	0.0	6	0.0	6	0.0
Shareholders' equity	45	3.3	45	-1.4	47	6.3	50	5.5	53	6.5	57	6.8
Equity/total assets (%)	23.9	n.a.	31.1	n.a.	32.7	n.a.	33.6	n.a.	34.7	n.a.	35.9	n.a.
<b>Net Debt incl. Provisions</b>	<b>-5</b>	<b>-322.4</b>	<b>-0</b>	<b>97.0</b>	<b>2</b>	<b>n.m.</b>	<b>-1</b>	<b>-126.3</b>	<b>-3</b>	<b>-455.5</b>	<b>-7</b>	<b>-92.6</b>
thereof pension provisions	11	-2.6	10	-6.3	10	-5.3	10	0.0	10	0.0	10	0.0
Gearing (%)	-11.9	n.a.	-0.4	n.a.	5.0	n.a.	-1.2	n.a.	-6.5	n.a.	-11.7	n.a.
Net debt/EBITDA	-0.3	n.a.	-0.0	n.a.	0.1	n.a.	-0.0	n.a.	-0.2	n.a.	-0.3	n.a.

### Structure

#### Revenue by segment 2018



#### Revenue by region 2018



Sources: Refinitiv, Metzler Research

# company note

## Disclosures

### Recommendation history

Recommendations for each financial instrument or issuer - mentioned in this document - published by Metzler in the past twelve months

Date of dissemination	Metzler recommendation *		Current price **	Price target *	Author ***
	Previous	Current			
<b>Issuer/Financial Instrument (ISIN): Berentzen-Gruppe (DE0005201602)</b>					
25.10.2019	Buy	Buy	6.56 EUR	8.50 EUR	Diedrich, Tom
29.08.2019	n.a.	Buy	6.10 EUR	8.50 EUR	Diedrich, Tom

\* Effective until the price target and/or investment recommendation is updated (FI/FX recommendations are valid solely at the time of publication)

\*\* XETRA trading price at the close of the previous day unless stated otherwise herein: ABO Wind AG: Hamburg Stock Exchange

\*\*\* All authors are financial analysts

### Berentzen-Gruppe

17. Metzler and/or a company affiliated with Metzler had reached an agreement on the compilation of the investment analysis with the analysed company. Prior to publication of the financial analysis, the provider gives the issuer a one-off opportunity to comment (comparison of facts in accordance with the DVFA Code) within the regulatory framework to avoid quality defects.

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# company note

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