

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

October 25, 2019

### Rocksolid Q3/19 results confirm our positive stance

We confirm our Buy recommendation for Berentzen shares following yesterday's release of Q3/19 figures: Sales grew by 5.4% to EUR 41.4m and hence above our expectations (M'e: EUR 40.9m). All segments contributed to this growth but the spirits segment was in our view particularly convincing with 11.0% growth (vs. M'e: 7.0%) and a strong performance of the private label business. However, highlight of the portfolio clearly remains Mio Mio with ~36% growth in sales volumes in 9M/19. The EBIT margin was with ~3% below our expectations but was temporarily impacted by higher personnel and marketing costs related to the launch of new products (e.g. Signature line). Overall, Berentzen remains fully on track to reach its FY 2019 guidance especially as Q4 is seasonally the strongest quarter. We continue to perceive Berentzen shares as a good investment opportunity especially in light of the (still) challenging current macroeconomic environment. The attractive dividends (our FY 2019 dividend estimate corresponds to dividend yield of 4%) make the shares also appealing for long-term oriented value investors in our view.

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

**Valuation:** We continue to value Berentzen shares based on our DCF valuation. Our target price remains unchanged at EUR 8.5. We also believe that Mio Mio is already worth EUR 4.3/share - this means that investors get the complete spirits and fresh juice system segment for less than 0.2x FY 2018 sales which is attractive in our view

Fundamentals (in EUR m)	2016	2017	2018	2019e	2020e	2021e
Sales	170	160	162	168	173	179
EBITDA	18	16	17	18	19	20
EBIT	11	9	10	9	11	12
EPS adj. (EUR)	0.47	0.27	0.55	0.53	0.61	0.70
DPS (EUR)	0.25	0.22	0.28	0.27	0.30	0.35
BVPS (EUR)	4.80	4.75	5.04	5.29	5.63	6.02
Net Debt incl. Provisions	-5	-0	2	-0	-3	-6
Ratios	2016	2017	2018	2019e	2020e	2021e
EV/EBITDA	3.8	4.7	3.5	3.4	3.0	2.8
EV/EBIT	6.3	8.4	6.2	6.5	5.5	4.9
P/E	16.2	30.2	11.3	12.4	10.8	9.7
Dividend yield (%)	3.3	2.7	4.5	4.1	4.6	5.2
EBITDA margin (%)	10.3	10.2	10.7	10.7	11.1	11.5
EBIT margin (%)	6.2	5.8	6.0	5.6	6.2	6.6
Net debt/EBITDA	-0.3	-0.0	0.1	-0.0	-0.1	-0.3
ROE (%)	10.0	5.7	11.2	10.2	11.1	11.9
PBV	1.6	1.7	1.2	1.2	1.2	1.1

Sources: Refinitiv, Metzler Research

**Buy**

 **unchanged**

**Price\***

**EUR 6.56**

**Price target**

**EUR 8.50 (unchanged)**

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

Market Cap (EUR m)	62
Enterprise Value (EUR m)	61
Free Float (%)	71.6

Price (in EUR)



Performance (in %)	1m	3m	12m
Share	8.6	7.2	2.5
Rel. to Prime All Share	3.8	4.1	-9.4

Sources: Refinitiv, Metzler Research

Changes in estimates (in %)	2019e	2020e	2021e
Sales	0.3	0.3	0.3
EBIT	-2.8	0.3	0.2
EPS	-3.7	0.5	0.4

### 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. Based on that calculation, Berentzen's complete spirits and fresh juice system segment trades for ~EUR 2 per share or ~0.2x FY 2018 sales respectively - very attractive in our view

## Review of Q3/19 figures

Berentzen yesterday published its **Q3/19 figures**. Key highlights were the following:

- Sales in Q3/19 grew by 5.4% to EUR 41.4m and were hence slightly above our expectations (vs. M'e: EUR 40.9 / +4.2%)
- The growth was driven by all segments - Sales in the spirits segment were in particular strong with sales growth of 11.0% (vs. M'e: 7.0%). This growth was in our view mainly driven by a continuous strong performance of the private label business and the launch of new products (e.g. Signature line)
- The non-alcoholic beverages segment grew by 2.3% (vs. M'e: 2.5%) - the highlight of the segment clearly remains the Mio Mio brand which reported sales volume growth of almost 36% in 9M/19
- Ongoing recovery in the fresh juice systems segment with growth of 5.6% (vs. M'e: 6.0%)
- The EBITDA margin was 150bps below our expectations (7.8% vs. M'e: 9.3%) and also below the run rate of the previous two quarters (H1/19: 11.4%). This was mainly driven by higher marketing and personnel costs related to the recent product launches. In addition, the third quarter is generally weaker in terms of profitability - in our view also due to the fact that oranges are sourced from Africa and thus more expensive
- Berentzen confirmed its guidance for FY 2019

### Well on track to reach FY 2019 guidance

EUR m

	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019	Q3 2019	Metzler Q3/19e	FY 2019 Guidance	Implied Q4 lower end	Implied Q4 higher end	Metzler FY 2019e
<b>Sales</b>	39.3	44.5	162.2	36.9	42.3	41.4	40.9	164.7 - 173.4	44.1	52.8	167.6
Growth y-o-y (in %)	-15.4	31.1	1.1	1.0	1.2	5.4	4.2	1.5 - 6.9	-1.0	18.5	3.3
<b>EBITDA</b>	3.4	5.7	17.3	3.7	5.4	3.2	3.8	17.0 - 18.8	4.7	6.5	18.0
Margin (in %)	8.7	12.9	10.7	10.0	12.7	7.8	9.3	9.8 - 11.4	10.7	12.4	10.7
<b>EBIT</b>	1.5	3.8	9.8	1.7	3.3	1.1	1.6	9.0 - 10.0	2.9	3.9	9.4
Margin (in %)	3.8	8.5	6.0	4.7	7.8	2.6	3.9	5.2 - 6.1	6.6	7.4	5.6

Source: Metzler Research, company data

- In our view, based on Q3/19 figures, Berentzen is well on track to reach its FY 2019 guidance. The lower end of the sales guidance even implies negative

growth. This seems very unlikely as we expect ongoing momentum in the private label business and further tailwinds from the new product launches (Signature line). Q4 is also seasonally the strongest quarters given the (Christmas) holiday season

- The EBITDA / EBIT guidance requires an improvement vs. the third quarter - this also seems well achievable as Q4 is a relatively high-margin quarter among others driven by the high sales volumes in the spirits segment

## DCF Analysis

### Unchanged target price of EUR 8.5

We continue to value Berentzen shares based on our DCF analysis with a forecasting period until FY 2026. Our target price remains unchanged at EUR 8.5.

- We are using a terminal growth rate of 0.5% which reflects in our view 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 target price of EUR 8.5

Company	FY19e	FY20e	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e	TV-year
<b>Revenue</b>	<b>168</b>	<b>173</b>	<b>179</b>	<b>185</b>	<b>189</b>	<b>192</b>	<b>194</b>	<b>195</b>	
Y-o-y (in %)	3.3	3.2	3.4	3.2	2.6	1.5	1.0	0.5	
<b>EBIT</b>	<b>9</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>	
Margin (in %)	5.6	6.2	6.6	7.0	7.2	7.2	7.2	7.2	
Taxes	3	3	4	4	4	4	4	4	
D&A	9	9	9	9	9	9	9	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>19</b>	
Capex	7	8	8	8	8	9	9	9	
Change in NWC	-1	-2	-2	-2	-2	-2	-3	-3	
<b>Free cash flow</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>87</b>
Present value FCF	6	6	5	5	5	5	4	4	42
<b>Implied equity value and fair value per share</b>					<b>Assumptions</b>				
Enterprise value					<b>82</b>	Beta	<b>1.4</b>		
Net debt FY 2018 (incl. pensions)					<b>2</b>	Risk-free rate (%)	<b>1.0</b>		
Equity value					<b>80</b>	Risk premium (%)	<b>6.5</b>		
<b>Fair value share price</b>					<b>8.5</b>	<b>WACC (%)</b>	<b>9.5</b>		

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

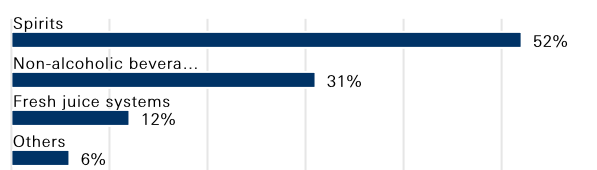
Monolith Investment Management BV (9.9%), MainFirst Bank AG (8.5%), Lazard Frères Gestion SAS (5.1%), Intrepid Capital Management, Inc. (2.8%)

### Key figures

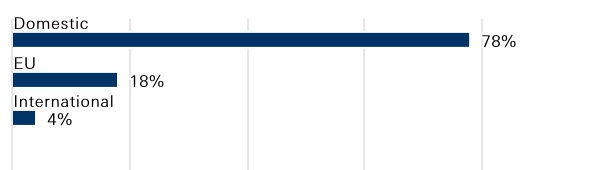
P&L (in EUR m)	2016	%	2017	%	2018	%	2019e	%	2020e	%	2021e	%
<b>Sales</b>	<b>170</b>	<b>7.2</b>	<b>160</b>	<b>-5.7</b>	<b>162</b>	<b>1.1</b>	<b>168</b>	<b>3.3</b>	<b>173</b>	<b>3.2</b>	<b>179</b>	<b>3.4</b>
<b>Gross profit on sales</b>	<b>81</b>	<b>7.3</b>	<b>69</b>	<b>-14.4</b>	<b>72</b>	<b>3.4</b>	<b>76</b>	<b>5.9</b>	<b>79</b>	<b>4.0</b>	<b>82</b>	<b>4.2</b>
Gross margin (%)	47.7	0.0	43.2	-9.3	44.2	2.2	45.3	2.5	45.6	0.7	46.0	0.8
<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>3.7</b>	<b>19</b>	<b>7.3</b>	<b>20</b>	<b>6.3</b>
EBITDA margin (%)	10.3	4.3	10.2	-0.7	10.7	4.4	10.7	0.4	11.1	3.9	11.5	2.8
<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>9</b>	<b>-3.8</b>	<b>11</b>	<b>13.2</b>	<b>12</b>	<b>11.1</b>
EBIT margin (%)	6.2	29.4	5.8	-7.0	6.0	5.1	5.6	-6.9	6.2	9.7	6.6	7.4
<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>-7.0</b>	<b>-2</b>	<b>0.3</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>7</b>	<b>-3.3</b>	<b>8</b>	<b>15.1</b>	<b>9</b>	<b>14.4</b>
Taxes	2	52.6	3	32.2	2	-15.4	2	-1.6	3	15.1	3	14.4
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	-4.0	6	15.1	7	14.4
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>-4.0</b>	<b>6</b>	<b>15.1</b>	<b>7</b>	<b>14.4</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>0.53</b>	<b>-3.9</b>	<b>0.61</b>	<b>15.1</b>	<b>0.70</b>	<b>14.4</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>0.27</b>	<b>-3.9</b>	<b>0.30</b>	<b>12.9</b>	<b>0.35</b>	<b>14.4</b>
Dividend yield (%)	3.3	n.a.	2.7	n.a.	4.5	n.a.	4.1	n.a.	4.6	n.a.	5.2	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>5.0</b>	<b>16</b>	<b>6.1</b>	<b>17</b>	<b>5.3</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>13.7</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.	115.7	n.a.	112.8	n.a.	109.5	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>6</b>	<b>n.m.</b>	<b>7</b>	<b>3.2</b>	<b>7</b>	<b>7.5</b>
Free cash flow yield (%)	12.7	n.a.	-2.8	n.a.	-0.1	n.a.	10.5	n.a.	10.8	n.a.	11.3	n.a.
Dividend paid	2	22.4	2	24.9	2	-12.0	3	27.2	3	-3.9	3	12.9
<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>278.0</b>	<b>4</b>	<b>8.1</b>	<b>4</b>	<b>4.1</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
<b>Shareholders' equity</b>	<b>45</b>	<b>3.3</b>	<b>45</b>	<b>-1.4</b>	<b>47</b>	<b>6.3</b>	<b>50</b>	<b>4.9</b>	<b>53</b>	<b>6.4</b>	<b>57</b>	<b>6.9</b>
Equity/total assets (%)	23.9	n.a.	31.1	n.a.	32.7	n.a.	33.4	n.a.	34.5	n.a.	35.7	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>-0</b>	<b>-112.6</b>	<b>-3</b>	<b>-860.2</b>	<b>-6</b>	<b>-102.5</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.	-0.6	n.a.	-5.4	n.a.	-10.3	n.a.
Net debt/EBITDA	-0.3	n.a.	-0.0	n.a.	0.1	n.a.	-0.0	n.a.	-0.1	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 * Previous	Current	Current price **	Price target *	Author ***
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#### Issuer/Financial Instrument (ISIN): Berentzen-Gruppe (DE0005201602)

29.08.2019	n.a.	Buy	6.10 EUR	8.50 EUR	Diedrich, Tom
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\* 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 here-in: ABO Wind AG: Hamburg Stock Exchange

\*\*\* All authors are financial analysts

#### Berentzen-Gruppe

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# company note

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