

Berentzen-Gruppe (BEZ GY) | Consumer Goods

June 14, 2022

Feedback from our (virtual) management roadshow

We confirm our Buy recommendation: Yesterday, we hosted a roadshow with Oliver Schwegmann (CEO), Ralf Brühöfner (CFO) and the IR team of Berentzen. The focus of yesterday's discussions was on the challenges regarding current supply chain issues and increased commodity costs. On the positive side: Berentzen is still able to source all the raw materials needed for the production process in sufficient quantities and can therefore meet product demand. In addition, the company has no direct exposure to the Russian & Ukrainian market. Nevertheless, input costs have risen significantly - for instance for neutral alcohols and glass. According to the management, the biggest task for Berentzen remains to pass on these increased costs to the food retail trade - not an easy task, especially for medium-sized companies. However, the company is in constant talks with the food retailers (renegotiations of contracts, etc.) and remains optimistic that it will be able to cushion a large part of the increased costs in this way. We also discussed Berentzen's growth initiatives. According to the management, Berentzen should clearly remain on its growth path, mainly based on a clear focus on its core products. The highlight brand Mio Mio is also expected to considerably contribute to this with double-digit growth rates - due among other things to new flavours, the entry into the gastronomy sector and targeted marketing measures. Overall, a confident presentation of the company. The shares are trading at 3x FY 2023 EBITDA which is attractive in our view.

Valuation: We keep our estimates unchanged. Our (unchanged) PT of EUR 7.80 is derived from our DCF valuation.

Fundamentals (in EUR m) ¹	2019	2020	2021	2022e	2023e	2024e
Sales	167	155	146	157	163	168
EBITDA	18	14	15	15	18	20
EBIT	10	5	7	6	9	10
EPS adj. (EUR)	0.52	0.13	0.39	0.33	0.53	0.63
DPS (EUR)	0.28	0.13	0.22	0.18	0.30	0.36
BVPS (EUR)	5.24	5.05	5.20	5.31	5.65	5.99
Net Debt incl. Provisions	-3	-7	-9	-5	-9	-14
Ratios ¹	2019	2020	2021	2022e	2023e	2024e
EV/EBITDA	3.4	3.2	3.3	3.7	2.9	2.4
EV/EBIT	6.3	8.8	7.6	9.3	5.8	4.5
P/E adj.	13.0	42.0	16.3	19.9	12.2	10.2
Dividend yield (%)	4.1	2.3	3.5	2.8	4.6	5.5
EBITDA margin (%)	11.0	9.1	10.5	9.5	10.9	11.6
EBIT margin (%)	5.9	3.3	4.6	3.8	5.4	6.1
Net debt/EBITDA	-0.1	-0.5	-0.6	-0.4	-0.5	-0.7
PBV	1.3	1.1	1.2	1.2	1.1	1.1

¹Sources: Bloomberg, Metzler Research

Buy



unchanged

Price*

EUR 6.46

Price target

EUR 7.80 (unchanged)

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

Market Cap (EUR m) ¹	61
Enterprise Value (EUR m) ¹	55
Free Float (%) ¹	79.4

Price (in EUR)¹



Performance (in %) ¹	1m	3m	12m
Share	-4.2	3.2	-0.3
Rel. to Prime All Share	0.0	8.0	17.0
Changes in estimates (in %) ¹	2022e	2023e	2024e
Sales	0.0	0.0	0.0
EBIT	0.0	0.0	0.0
EPS	0.0	0.0	0.0

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Highlights from our virtual management roadshow

During our management roadshow, we discussed the following topics:

- **Impact of inflation:** The main focus of yesterday's discussion was clearly on the challenges regarding the current supply chain issues and increased commodity costs. Whereas recent demand has picked up strongly (no lockdowns in Germany, more celebrations etc.), fragile supply chains and inflation issues are now particularly relevant. For example, prices for neutral alcohols have almost doubled in the last 7 months. Electricity costs or the cost for Euro pallets also lead to significantly increased costs. The biggest task for Berentzen is now to pass on these increased costs to the food retail trade - which is not easy, especially for medium-sized companies, due to the market power of the big players (Rewe, etc.). However, the company is in constant talks with retailers (renegotiations of contracts, etc.) and remains optimistic that it will be able to cushion a large part of the increased costs in this way - however, full coverage is hardly possible due to the time lag. The great uncertainties with regard to input prices explain the wide guidance range for the EBIT(DA) in the current 2022 year.
- **Exposure to Russia & Ukraine:** In the context of the current conflicts, we also discussed Berentzen's exposure to these markets. Management confirmed that there were only small sales in Russia - but these were discontinued. Both countries together accounted for less than 0.5% of sales and are therefore completely negligible for Berentzen. A small positive effect even resulted from the export stop of Russian products. Berentzen's vodka brand Puschkin was able to slightly gain market share because Russian competitor products are no longer sold by some (German) food retailers.
- **Private label business:** The private label business of Berentzen in particular received a lot of interest from investors - among other things from a margin perspective. While no concrete margins were disclosed, management confirmed that the private label segment is a very profitable part of the business. In addition, given that retailers can individualize their offering with (premiumized) private labels, this market segment should even become more relevant in the future.
- **Mio Mio:** Mio Mio clearly remains the highlight brand in the Berentzen product portfolio. Management is confident that Mio Mio will remain on its growth path and achieve double digit growth rates over the next years. In this context, targeted marketing campaigns were also emphasised. In addition to offline campaigns (billboards, etc.), online marketing (via Instagram, influencer marketing, cooperation's with YouTubers) are also important to further strengthen the brand image and thus, boost sales.
- **Growth strategy:** Berentzen's management again highlighted its plans for future growth. In line with the previous communication, Berentzen's growth strategy is based on four pillars: **(1)** Liqueur offensive - attractive underlying market which still offers room for new products and innovations, **(2)** Private label premiumization - driving this trend / potential to introduce further products (e.g. Tequila) and extend the client base, **(3)** Mio Mio - further grow Mio Mio with improved distribution, the entry into gastronomy with new bottles and the expansion into further European markets and finally **(4)** Fresh juice systems - focusing on core markets and further innovations.
- **M&A:** We also discussed the company's M&A strategy. In theory, Berentzen's

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broad segment coverage would result in numerous M&A opportunities. However, according to management, transaction multiples in the past have been extraordinarily high (between 7x-10x EBITDA). Hence, the purchase price of a target with considerable earnings contribution would in many cases quickly exceed the current market capitalization of Berentzen Group - a risk that seems too high. However, management does not rule out potential M&A activities in the future - but under the assumption that prices are at reasonable levels (again).

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

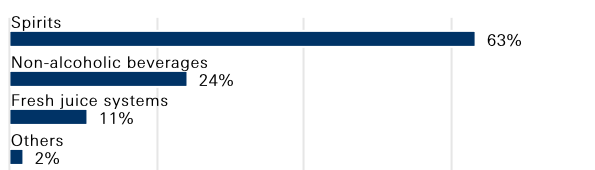
Monolith Investment Management BV (5.2%), MainFirst Bank AG (8.5%), Lazard Frères Gestion SAS (5.1%)

Key figures

P&L (in EUR m)	2019	%	2020	%	2021	%	2022e	%	2023e	%	2024e	%
Sales	167	3.2	155	-7.7	146	-5.5	157	7.2	163	4.0	168	3.3
Gross profit on sales	75	4.2	68	-8.6	68	0.3	73	6.5	77	5.3	80	4.5
Gross margin (%)	44.6	1.0	43.4	-2.7	46.9	7.9	46.6	-0.6	47.2	1.2	47.7	1.2
EBITDA	18	6.0	14	-23.6	15	9.5	15	-2.7	18	18.4	20	10.3
EBITDA margin (%)	11.0	2.6	9.1	-17.3	10.5	15.9	9.5	-9.2	10.9	13.9	11.6	6.7
EBIT	10	0.1	5	-48.0	7	31.4	6	-11.1	9	47.2	10	16.5
EBIT margin (%)	5.9	-3.0	3.3	-43.6	4.6	39.0	3.8	-17.0	5.4	41.6	6.1	12.8
Financial result	-3	-10.0	-3	-9.2	-1	50.5	-1	-4.4	-1	-0.5	-1	0.6
EBT	7	-3.1	2	-68.7	5	135.0	4	-15.2	7	62.6	9	20.0
Taxes	2	0.5	1	-55.1	2	60.2	1	-12.3	2	62.6	3	20.0
Tax rate (%)	31.6	n.a.	45.3	n.a.	30.9	n.a.	32.0	n.a.	32.0	n.a.	32.0	n.a.
Net income	5	-4.6	1	-75.0	4	197.0	3	-16.5	5	62.6	6	20.0
Minority interests	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Net Income after minorities	5	-4.6	1	-75.0	4	197.0	3	-16.5	5	62.6	6	20.0
Number of shares outstanding (m)	9	0.0	9	0.0	9	0.0	9	0.0	9	0.0	9	0.0
EPS adj. (EUR)	0.52	-4.6	0.13	-74.9	0.39	195.5	0.33	-16.5	0.53	62.6	0.63	20.0
DPS (EUR)	0.28	0.0	0.13	-53.6	0.22	69.2	0.18	-16.5	0.30	62.6	0.36	20.0
Dividend yield (%)	4.1	n.a.	2.3	n.a.	3.5	n.a.	2.8	n.a.	4.6	n.a.	5.5	n.a.
Cash Flow (in EUR m)	2019	%	2020	%	2021	%	2022e	%	2023e	%	2024e	%
Gross Cash Flow	15	6.4	12	-23.3	13	13.4	13	-1.9	15	14.2	16	9.1
Increase in working capital	-5	n.a.	-5	n.a.	-0	n.a.	2	n.a.	2	n.a.	1	n.a.
Capital expenditures	7	6.0	5	-27.0	7	44.4	6	-13.8	7	4.0	7	3.3
D+A/Capex (%)	124.1	n.a.	177.2	n.a.	119.0	n.a.	143.3	n.a.	136.8	n.a.	137.8	n.a.
Free cash flow (Metzler definition)	13	n.m.	12	-9.5	6	-49.3	5	-25.6	7	48.7	9	28.0
Free cash flow yield (%)	20.7	n.a.	23.2	n.a.	10.2	n.a.	7.5	n.a.	11.1	n.a.	14.2	n.a.
Dividend paid	3	27.2	3	0.0	1	-53.6	2	69.3	2	-16.5	3	62.6
Free cash flow (post dividend)	11	596.6	9	-11.9	5	-48.0	2	-49.3	5	103.0	6	16.2
Balance sheet (in EUR m)	2019	%	2020	%	2021	%	2022e	%	2023e	%	2024e	%
Assets	152	4.6	145	-4.3	142	-2.1	143	0.5	148	3.9	154	3.4
Goodwill	6	0.0	6	0.0	6	0.0	6	0.0	6	0.0	6	0.0
Shareholders' equity	49	3.8	47	-4.0	49	3.4	50	2.0	53	6.5	56	5.9
Equity/total assets (%)	32.4	n.a.	32.5	n.a.	34.4	n.a.	34.9	n.a.	35.8	n.a.	36.6	n.a.
Net Debt incl. Provisions	-3	-211.6	-7	-169.0	-9	-24.4	-5	40.7	-9	-80.6	-14	-52.5
thereof pension provisions	10	-0.9	9	-9.8	9	-2.7	9	0.0	9	0.0	9	0.0
Gearing (%)	-5.4	n.a.	-15.1	n.a.	-18.1	n.a.	-10.5	n.a.	-17.9	n.a.	-25.7	n.a.
Net debt/EBITDA	-0.1	n.a.	-0.5	n.a.	-0.6	n.a.	-0.4	n.a.	-0.5	n.a.	-0.7	n.a.

Structure

Revenue by segment 2021



Sources: Bloomberg, Metzler Research

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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			
Issuer/Financial Instrument (ISIN): Berentzen-Gruppe (DE0005201602)					
03.05.2022	Buy	Buy	6.42 EUR	7.80 EUR	Diedrich, Tom
28.03.2022	Buy	Buy	6.40 EUR	7.80 EUR	Diedrich, Tom
04.02.2022	Buy	Buy	6.46 EUR	7.80 EUR	Diedrich, Tom
11.10.2021	Buy	Buy	6.28 EUR	7.80 EUR	Diedrich, Tom
12.08.2021	Buy	Buy	6.44 EUR	7.50 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

*** All authors are financial analysts

Berentzen-Gruppe

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