

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

March 28, 2023

### Sales dynamics to continue in FY 2023

We confirm our Buy recommendation following the release of FY 2022 results and the FY 2023 guidance. Berentzen can look back on a successful 2022 with strong sales growth of 19% y-o-y, driven not only by the cancellation of Covid-19 restrictions but also the ongoing focus on the strategic growth areas and a down-trading on the consumer side. We expect the strong sales dynamic to continue in 2023. The guidance implies y-o-y growth between 6% and 12%. In view of further growth initiatives and additional price increases, we consider the lower end of the guidance to be rather conservative. The only drop of bitterness is the current margin development - due to further rising (input) prices and the fact that Berentzen can only pass them on to the retail trade with a time delay, the company expects flat profits, which in turn implies lower margins. However, we note two aspects: First, based on a continuous easing of the situation in the procurement markets, we expect a return to more positive earnings momentum in the course of the year. Second, we see the margin dip as merely a temporary effect - in the medium term, margins should at least return to previous levels. The focus on the strategic growth (and more profitable) areas, should be advantageous in this context. The shares are trading at 3x FY 2023 EBITDA which is attractive - also in view of the proposed FY 2022 dividend of EUR 0.22, which corresponds to a dividend yield of 4%.

**Changes in estimates:** Given the strong growth momentum, we raise our sales estimates. However, our short-term margin estimates slightly decline, reflecting cost increases. We continue to value the shares based on our DCF valuation and derive a new PT of EUR 8.30.

Fundamentals (in EUR m) <sup>1</sup>	2020	2021	2022	2023e	2024e	2025e
Sales	155	146	174	191	200	206
EBITDA	14	15	17	17	20	22
EBIT	5	7	8	8	11	13
EPS adj. (EUR)	0.13	0.39	0.22	0.47	0.68	0.82
DPS (EUR)	0.13	0.22	0.22	0.23	0.34	0.41
BVPS (EUR)	5.05	5.20	5.34	5.58	6.03	6.51
Net Debt incl. Provisions	-7	-9	-3	-3	-6	-8
Ratios <sup>1</sup>	2020	2021	2022	2023e	2024e	2025e
EV/EBITDA	3.2	3.3	3.1	3.4	2.7	2.4
EV/EBIT	8.8	7.6	6.2	7.2	5.1	4.1
P/E adj.	42.0	16.3	25.6	13.7	9.5	7.8
Dividend yield (%)	2.3	3.5	3.8	3.6	5.3	6.4
EBITDA margin (%)	9.1	10.5	9.6	8.7	10.0	10.8
EBIT margin (%)	3.3	4.6	4.8	4.1	5.4	6.2
Net debt/EBITDA	-0.5	-0.6	-0.2	-0.2	-0.3	-0.4
PBV	1.1	1.2	1.1	1.2	1.1	1.0

<sup>1</sup>Sources: Bloomberg, Metzler Research

**Buy**



**unchanged**

**Price\***

**EUR 6.42**

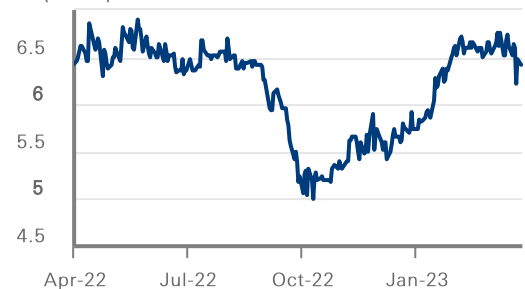
**Price target**

**EUR 8.30 (8.00)**

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

Market Cap (EUR m) <sup>1</sup>	60
Enterprise Value (EUR m) <sup>1</sup>	57
Free Float (%) <sup>1</sup>	79.4

Price (in EUR)<sup>1</sup>



Performance (in %) <sup>1</sup>	1m	3m	12m
Share	-3.6	11.8	0.6
Rel. to Prime All Share	-1.4	3.4	-1.5

Changes in estimates (in %) <sup>1</sup>	2023e	2024e	2025e
Sales	3.0	3.6	0.0
EBIT	-0.7	-1.9	0.0
EPS	-0.3	-1.9	0.0

#### Sponsored Research



**Author: Tom Diedrich**

Financial Analyst Equities

+49 69 2104-239

tom.diedrich@metzler.com

## FY 2022 results and FY 2023 guidance

Recently, Berentzen released its FY 2022 results and its guidance for FY 2023. Key highlights were the following:

- The final FY 2022 results came in in line with the prelims, which were already released in February this year. Overall, sales momentum in FY 2022 was extraordinary strong, driven not only by the cancellation of all Covid-19 restrictions but also the clear focus on the strategic growth areas (e.g. liqueur offensive, private labels, Mio Mio and fresh juice systems). In addition, in our view, Berentzen even benefited from the declining consumer confidence, as many consumers consequently switch(ed) to less expensive brands and private labels. As a result of these factors, FY 2022 sales increased by 19% y-o-y to EUR 174m.
- All segments contributed to this growth - particularly the strategic growth areas, e.g. the core brands Berentzen & Puschkin grew by 16% y-o-y, premiumised dealer brands by 9% y-o-y, Mio Mio by 24% y-o-y and fresh juice systems by 23% y-o-y.
- The EBITDA margin declined by 90bps y-o-y - driven by higher costs related to energy, purchased goods and raw materials. In this context, please note that Berentzen can only pass on these costs to the retail trade with a time delay.
- The company's free cash flow came in at EUR -4m (vs. FY 2021: EUR 4m). This decline was purely driven by higher working capital movements (e.g. higher inventory levels resulting from increased prices, excl. price effects, inventories remained relatively stable). FY 2022 capex amounted to EUR 9m, a slight increase of EUR 1m vs. the previous year level.
- The balance sheet remains healthy in our view - cash & equivalents amount to EUR 14m; based on (short- and long-term) financial debt of EUR 4m, Berentzen operates with a net cash position (excl. pensions) of EUR 10m. The equity ratio amounts to 34%.

### Positive sales momentum to continue in FY 2023

EUR m

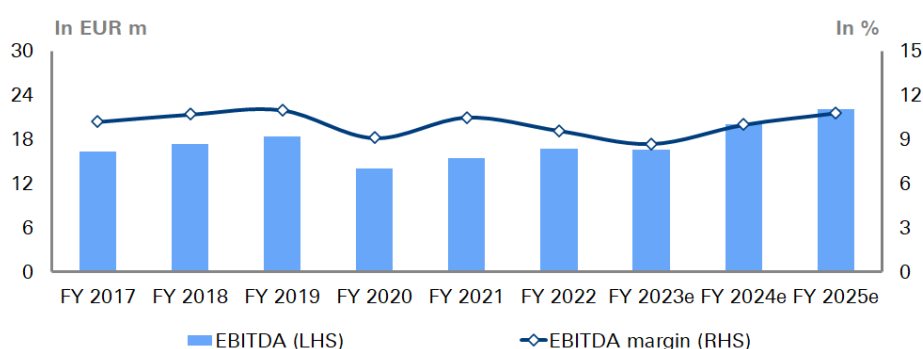
	FY 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022	FY 2022 Guidance	FY 2023 Guidance	Metzler FY 2023e
Sales	154.6	31.4	36.3	38.1	40.3	146.1	36.1	42.9	48.1	47.1	174.2	172-177	185-195	191.1
Growth y-o-y (in %)	-7.6	-13.2	-2.8	-3.5	-3.1	-5.5	14.7	18.4	26.2	16.9	19.2	17.7-21.1	6.2-11.9	9.7
EBITDA	14.1	2.7	4.4	4.8	3.5	15.4	3.2	4.7	5.2	3.6	16.7	16.1-17.1	15.6-17.6	16.6
Margin (in %)	9.1	8.5	12.2	12.6	8.7	10.5	9.0	10.9	10.8	7.6	9.6	9.4-9.7	8.4-9.0	8.7
EBIT	5.2	0.5	2.1	2.5	1.6	6.7	1.2	2.5	3.1	1.5	8.3	7.8-8.8	7.0-9.0	7.9
Margin (in %)	3.4	1.5	5.9	6.6	4.0	4.6	3.3	5.8	6.4	3.2	4.8	4.5-5.0	3.8-4.6	4.1

Source: Metzler Research, Company data

# company note

- Based on the healthy balance sheet, Berentzen will propose a dividend of EUR 0.22 per share (payout ratio of 98%) - which corresponds to a dividend yield of 3.5%. The Annual General Meeting will take place on May, 10th.
- The company also released its guidance for FY 2023: Berentzen expects sales between EUR 185m and 195m in combination with an EBITDA between EUR 15.6m and 17.6m and an EBIT between EUR 7m and 9m.
- The company's topline guidance implies y-o-y growth between 6% and 12%, which in our view again highlights the ongoing growth ambitions. The lower end of the topline guidance is rather cautious in our view, taking into account ongoing growth initiatives and continuous price increases. Our updated FY 2023 sales estimate of EUR 191m is slightly above the midpoint of the company guidance.
- In addition, the guidance foresees relatively stable earnings and hence, a (further) margin decline in FY 2023. This, however, came at no surprise to us, given further rising (input) costs which can only be passed on to the retail trade with a time delay. Q1 should be the most negatively affected quarter. However, based on an expected easing of the situation in the procurement markets, we expect a return to more positive earnings momentum in the course of the year. Our updated FY 2023 earnings estimates are at the midpoint of the company guidance.
- In addition, we see the margin dip as merely a temporary effect - e.g. in the medium term, margins should at least return to their old levels. The focus on the strategic growth areas, which also generate higher margins, should be advantageous in this respect.

## Expected earnings development



Sources: Company data, Metzler Research

## Valuation - new PT of EUR 8.30

We continue to value Berentzen shares based on our DCF approach - which we now rolled over to the FY 2023 to FY 2030 period. In general, our DCF approach includes 3 stages. Phase I includes our detailed estimates starting from FY 2023 to FY 2027. Phase II is the transition phase (FY2028e to FY 2030e). Our terminal value calculation is finally based on our FY 2030 estimates.

Mainly based on on higher sales expectations (in combination with unchanged

mid-term margin estimates), our PT increases to EUR 8.30.

## DCF valuation derives a PT of EUR 8.30

Company	FY23e	FY24e	FY25e	FY26e	FY27e	FY28e	FY29e	FY30e	TV-year
<b>Revenue</b>	<b>191</b>	<b>200</b>	<b>206</b>	<b>212</b>	<b>216</b>	<b>220</b>	<b>222</b>	<b>223</b>	
Y-o-y (in %)	9.7	4.5	3.2	2.7	2.2	1.5	1.0	0.5	
<b>EBIT</b>	<b>8</b>	<b>11</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>16</b>	<b>16</b>	
Margin (in %)	4.1	5.4	6.2	6.8	7.1	7.1	7.2	7.2	
<b>Taxes</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>	
Tax rate (in %)	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	
<b>D&amp;A</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	
in % of sales	4.6	4.6	4.5	4.5	4.4	4.3	4.2	4.1	
<b>Gross cash flow</b>	<b>14</b>	<b>17</b>	<b>19</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	
<b>Capex</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>9</b>	
in % of sales	5.0	5.0	5.0	4.9	4.8	4.5	4.3	4.1	
<b>Change in NWC</b>	<b>-2</b>	<b>-1</b>	<b>-2</b>	<b>-2</b>	<b>-1</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	
in % of sales	-0.9	-0.5	-0.8	-1.0	-0.7	-0.9	-0.9	-0.9	
<b>Free cash flow</b>	<b>3</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>87</b>
<b>Present value FCF</b>	<b>3</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>39</b>

### Implied equity value and fair value per share

Enterprise value	75
Net debt (incl. pensions) FY 2023	-3
Equity value	78
<b>Fair value share price</b>	<b>8.3</b>

### Assumptions

Beta	1.5
Risk-free rate (%)	2.0
Risk premium (%)	6.5
<b>WACC (%)</b>	<b>10.8</b>

Source: Metzler Research

## Sensitivity analysis

In EUR

		Terminal sales growth (in %)				
		0.1	0.3	0.5	0.7	0.9
Terminal EBIT margin (in %)	6.4	7.5	7.6	7.7	7.8	7.8
	6.8	7.8	7.9	8.0	8.1	8.2
	7.2	8.1	8.2	8.3	8.4	8.5
	7.6	8.4	8.5	8.6	8.7	8.8
	8.0	8.7	8.8	8.9	9.0	9.2

Sources: 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

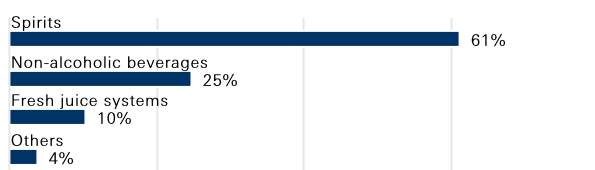
Marchmain Invest NV (5.5%), MainFirst Bank AG (8.5%), Lazard Frères Gestion SAS (5.1%)

### Key figures

P&L (in EUR m)	2020	%	2021	%	2022	%	2023e	%	2024e	%	2025e	%
<b>Sales</b>	<b>155</b>	<b>-7.7</b>	<b>146</b>	<b>-5.5</b>	<b>174</b>	<b>19.2</b>	<b>191</b>	<b>9.7</b>	<b>200</b>	<b>4.5</b>	<b>206</b>	<b>3.2</b>
<b>Gross profit on sales</b>	<b>68</b>	<b>-8.6</b>	<b>68</b>	<b>0.3</b>	<b>79</b>	<b>15.8</b>	<b>85</b>	<b>7.3</b>	<b>92</b>	<b>8.0</b>	<b>96</b>	<b>4.3</b>
Gross margin (%)	43.4	-2.7	46.9	7.9	45.5	-2.9	44.5	-2.2	46.0	3.4	46.5	1.1
<b>EBITDA</b>	<b>14</b>	<b>-23.6</b>	<b>15</b>	<b>9.5</b>	<b>17</b>	<b>8.4</b>	<b>17</b>	<b>-0.1</b>	<b>20</b>	<b>20.5</b>	<b>22</b>	<b>10.4</b>
EBITDA margin (%)	9.1	-17.3	10.5	15.9	9.6	-9.1	8.7	-8.9	10.0	15.4	10.8	7.0
<b>EBIT</b>	<b>5</b>	<b>-48.0</b>	<b>7</b>	<b>31.4</b>	<b>8</b>	<b>24.2</b>	<b>8</b>	<b>-5.1</b>	<b>11</b>	<b>36.9</b>	<b>13</b>	<b>18.0</b>
EBIT margin (%)	3.3	-43.6	4.6	39.0	4.8	4.2	4.1	-13.5	5.4	31.1	6.2	14.3
<b>Financial result</b>	<b>-3</b>	<b>-9.2</b>	<b>-1</b>	<b>50.5</b>	<b>-4</b>	<b>-195.4</b>	<b>-1</b>	<b>65.1</b>	<b>-1</b>	<b>0.1</b>	<b>-1</b>	<b>0.3</b>
<b>EBT</b>	<b>2</b>	<b>-68.7</b>	<b>5</b>	<b>135.0</b>	<b>4</b>	<b>-21.3</b>	<b>6</b>	<b>54.9</b>	<b>9</b>	<b>45.2</b>	<b>11</b>	<b>20.8</b>
Taxes	1	-55.1	2	60.2	2	26.3	2	-0.1	3	45.2	4	20.8
Tax rate (%)	45.3	n.a.	30.9	n.a.	49.6	n.a.	32.0	n.a.	32.0	n.a.	32.0	n.a.
Net income	1	-75.0	4	197.0	2	-42.6	4	109.1	6	45.2	8	20.8
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>1</b>	<b>-75.0</b>	<b>4</b>	<b>197.0</b>	<b>2</b>	<b>-42.6</b>	<b>4</b>	<b>109.1</b>	<b>6</b>	<b>45.2</b>	<b>8</b>	<b>20.8</b>
Number of shares outstanding (m)	9	0.0	9	0.0	9	0.0	9	0.0	9	0.0	9	0.0
<b>EPS adj. (EUR)</b>	<b>0.13</b>	<b>-74.9</b>	<b>0.39</b>	<b>195.5</b>	<b>0.22</b>	<b>-42.5</b>	<b>0.47</b>	<b>108.9</b>	<b>0.68</b>	<b>45.2</b>	<b>0.82</b>	<b>20.8</b>
<b>DPS (EUR)</b>	<b>0.13</b>	<b>-53.6</b>	<b>0.22</b>	<b>69.2</b>	<b>0.22</b>	<b>0.0</b>	<b>0.23</b>	<b>6.3</b>	<b>0.34</b>	<b>45.2</b>	<b>0.41</b>	<b>20.8</b>
Dividend yield (%)	2.3	n.a.	3.5	n.a.	3.8	n.a.	3.6	n.a.	5.3	n.a.	6.4	n.a.
<b>Cash Flow (in EUR m)</b>	<b>2020</b>	<b>%</b>	<b>2021</b>	<b>%</b>	<b>2022</b>	<b>%</b>	<b>2023e</b>	<b>%</b>	<b>2024e</b>	<b>%</b>	<b>2025e</b>	<b>%</b>
<b>Gross Cash Flow</b>	<b>12</b>	<b>-23.3</b>	<b>13</b>	<b>13.4</b>	<b>13</b>	<b>-5.8</b>	<b>14</b>	<b>12.7</b>	<b>17</b>	<b>17.6</b>	<b>18</b>	<b>8.9</b>
<b>Increase in working capital</b>	<b>-5</b>	<b>n.a.</b>	<b>-0</b>	<b>n.a.</b>	<b>8</b>	<b>n.a.</b>	<b>2</b>	<b>n.a.</b>	<b>1</b>	<b>n.a.</b>	<b>2</b>	<b>n.a.</b>
<b>Capital expenditures</b>	<b>5</b>	<b>-27.0</b>	<b>7</b>	<b>44.4</b>	<b>9</b>	<b>24.0</b>	<b>10</b>	<b>6.2</b>	<b>10</b>	<b>4.5</b>	<b>10</b>	<b>3.2</b>
D+A/Capex (%)	177.2	n.a.	119.0	n.a.	92.3	n.a.	91.2	n.a.	92.2	n.a.	90.8	n.a.
<b>Free cash flow (Metzler definition)</b>	<b>12</b>	<b>-9.5</b>	<b>6</b>	<b>-49.3</b>	<b>-5</b>	<b>-174.4</b>	<b>3</b>	<b>161.6</b>	<b>6</b>	<b>102.7</b>	<b>6</b>	<b>8.6</b>
Free cash flow yield (%)	23.2	n.a.	10.2	n.a.	-8.4	n.a.	4.6	n.a.	9.4	n.a.	10.2	n.a.
Dividend paid	3	0.0	1	-53.6	2	69.3	2	0.0	2	6.3	3	45.2
<b>Free cash flow (post dividend)</b>	<b>9</b>	<b>-11.9</b>	<b>5</b>	<b>-48.0</b>	<b>-7</b>	<b>-235.3</b>	<b>1</b>	<b>111.1</b>	<b>3</b>	<b>374.9</b>	<b>3</b>	<b>-14.5</b>
<b>Balance sheet (in EUR m)</b>	<b>2020</b>	<b>%</b>	<b>2021</b>	<b>%</b>	<b>2022</b>	<b>%</b>	<b>2023e</b>	<b>%</b>	<b>2024e</b>	<b>%</b>	<b>2025e</b>	<b>%</b>
<b>Assets</b>	<b>145</b>	<b>-4.3</b>	<b>142</b>	<b>-2.1</b>	<b>146</b>	<b>2.9</b>	<b>154</b>	<b>5.0</b>	<b>160</b>	<b>4.3</b>	<b>167</b>	<b>4.3</b>
<b>Goodwill</b>	<b>6</b>	<b>0.0</b>	<b>6</b>	<b>0.0</b>	<b>6</b>	<b>0.0</b>	<b>6</b>	<b>0.0</b>	<b>6</b>	<b>0.0</b>	<b>6</b>	<b>0.0</b>
<b>Shareholders' equity</b>	<b>47</b>	<b>-4.0</b>	<b>49</b>	<b>3.4</b>	<b>50</b>	<b>2.6</b>	<b>52</b>	<b>4.6</b>	<b>57</b>	<b>8.0</b>	<b>61</b>	<b>8.0</b>
Equity/total assets (%)	32.5	n.a.	34.4	n.a.	34.2	n.a.	34.1	n.a.	35.3	n.a.	36.6	n.a.
<b>Net Debt incl. Provisions</b>	<b>-7</b>	<b>-169.0</b>	<b>-9</b>	<b>-24.4</b>	<b>-3</b>	<b>71.4</b>	<b>-3</b>	<b>-21.5</b>	<b>-6</b>	<b>-80.3</b>	<b>-8</b>	<b>-43.1</b>
<b>thereof pension provisions</b>	<b>9</b>	<b>-9.8</b>	<b>9</b>	<b>-2.7</b>	<b>7</b>	<b>-17.8</b>	<b>7</b>	<b>0.0</b>	<b>7</b>	<b>0.0</b>	<b>7</b>	<b>0.0</b>
Gearing (%)	-15.1	n.a.	-18.1	n.a.	-5.1	n.a.	-5.9	n.a.	-9.8	n.a.	-13.0	n.a.
Net debt/EBITDA	-0.5	n.a.	-0.6	n.a.	-0.2	n.a.	-0.2	n.a.	-0.3	n.a.	-0.4	n.a.

### Structure

#### Revenue by segment 2022



Sources: Bloomberg, 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>					
03.02.2023	Buy	Buy	6.62 EUR	8.00 EUR	Diedrich, Tom
30.11.2022	Buy	Buy	5.52 EUR	8.00 EUR	Diedrich, Tom
18.10.2022	Buy	Buy	5.22 EUR	8.00 EUR	Diedrich, Tom
27.09.2022	Buy	Buy	5.42 EUR	7.60 EUR	Diedrich, Tom
13.07.2022	Buy	Buy	6.40 EUR	8.00 EUR	Diedrich, Tom
14.06.2022	Buy	Buy	6.46 EUR	7.80 EUR	Diedrich, Tom
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

\* 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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## Metzler Capital Markets

B. Metzler seel. Sohn & Co. AG  
Untermainanlage 1  
60329 Frankfurt/Main, Germany  
Phone +49 69 2104-extension  
Fax +49 69 2104-679  
www.metzler.com

Mario Mattera

Head of Capital Markets

Research	Pascal Spano	Head of Research	4365
Fax +49 69 283159			
	Guido Hoymann	Head of Equity Research	398
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