METZLER
Capital Markets

company report

Berentzen-Gruppe (BEZ GY) | Consumer Goods

August 29, 2019

Much more than just a spirits producer

We initiate coverage of Berentzen with a Buy recommendation: Berentzen is a leading beverage producer in Germany with a history of more than 250 years. While the company still generates ~50% of its revenue with spirits, the company has successfully diversified its operations and has also become an established player in the market for non-alcoholic beverages as well as fresh juice systems. Over the next years, we expect that Berentzen should be able to accelerate growth momentum, driven in particular by the product offensive in its spirit segment, but also by the continuous success story of Mio Mio. Mio Mio is a brand of refreshing soft drinks and with annual growth of above 50% over the last 4 years clearly the highlight of the product portfolio. In addition, we also see room for a margin expansion in all segments. Finally, Berentzen has a very solid balance sheet and is thus able to pay out attractive dividends. Our FY 2019 dividend estimate corresponds to a dividend yield of ~5% - this makes the shares appealing for long-term oriented value investors in our view.

Valuation: We derive our target price from our DCF valuation. A peer group consisting of international spirits and beverage producers confirms our view that room for multiple expansion exists. Finally, we believe Berentzen's highlight brand Mio Mio is already worth EUR 4.3/share. Hence, investors get the complete spirits and fresh juice system segment for only ~0.1x FY 2018 sales which seems attractive in our view.

Fundamentals (in EUR m)	2016	2017	2018	2019e	2020e	2021e
Sales	170	160	162	167	172	178
EBITDA	18	16	17	18	19	20
EBIT	11	9	10	10	11	12
EPS adj. (EUR)	0.47	0.27	0.55	0.55	0.60	0.69
DPS (EUR)	0.25	0.22	0.28	0.28	0.30	0.35
BVPS (EUR)	4.80	4.75	5.04	5.31	5.64	6.03
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	3.2	2.9	2.5
EV/EBIT	6.3	8.4	6.2	5.9	5.2	4.4
P/E	16.2	30.2	11.3	11.2	10.2	8.9
Dividend yield (%)	3.3	2.7	4.5	4.5	4.9	5.6
EBITDA margin (%)	10.3	10.2	10.7	10.9	11.2	11.5
EBIT margin (%)	6.2	5.8	6.0	5.8	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	10.6	11.0	11.9
PBV	1.6	1.7	1.2	1.2	1.1	1.0

Sources: Refinitiv, Metzler Research

Buy	**initiation of coverage**
Price*	**EUR 6.10**
Price target	**EUR 8.50**

* XETRA trading price at the close of the previous day

Market Cap (EUR m)	58
Enterprise Value (EUR m)	58
Free Float (%)	71.6

Performance (in %)	1m	3m	12m
Share	-0.3	-7.0	-8.3
Rel. to Prime All Share	5.5	-6.4	-0.9

Sources: Refinitiv, Metzler Research

Sponsored Research

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Content

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

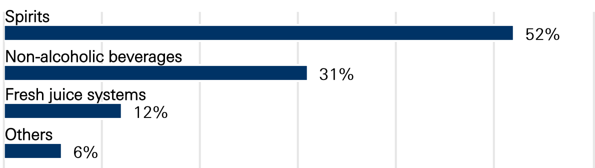
P&L (in EUR m)	2016	%	2017	%	2018	%	2019e	%	2020e	%	2021e	%
Sales	**170**	**7.2**	**160**	**-5.7**	**162**	**1.1**	**167**	**3.0**	**172**	**3.2**	**178**	**3.4**
Gross profit on sales	**81**	**7.3**	**69**	**-14.4**	**72**	**3.4**	**76**	**5.6**	**79**	**4.0**	**82**	**4.2**
Gross margin (%)	47.7	0.0	43.2	-9.3	44.2	2.2	45.3	2.5	45.6	0.7	46.0	0.8
EBITDA	**18**	**11.8**	**16**	**-6.3**	**17**	**5.6**	**18**	**4.7**	**19**	**6.2**	**20**	**6.3**
EBITDA margin (%)	10.3	4.3	10.2	-0.7	10.7	4.4	10.9	1.7	11.2	2.8	11.5	2.8
EBIT	**11**	**38.8**	**9**	**-12.3**	**10**	**6.3**	**10**	**-1.1**	**11**	**9.7**	**12**	**11.1**
EBIT margin (%)	6.2	29.4	5.8	-7.0	6.0	5.1	5.8	-3.9	6.2	6.3	6.6	7.5
Financial result	**-4**	**-0.9**	**-4**	**1.5**	**-2**	**40.4**	**-2**	**5.6**	**-2**	**-7.4**	**-2**	**0.3**
EBT	**6**	**81.5**	**5**	**-19.0**	**7**	**41.9**	**7**	**0.4**	**8**	**10.4**	**9**	**14.5**
Taxes	2	52.6	3	32.2	2	-15.4	2	2.1	3	10.4	3	14.5
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	-0.4	6	10.4	7	14.5
Minority interests	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Net Income after minorities	**4**	**98.6**	**3**	**-42.4**	**5**	**101.6**	**5**	**-0.4**	**6**	**10.4**	**7**	**14.5**
Number of shares outstanding (m)	9	-1.5	9	-0.1	9	0.0	9	0.0	9	0.0	9	0.0
EPS adj. (EUR)	**0.47**	**134.5**	**0.27**	**-42.1**	**0.55**	**101.3**	**0.55**	**-0.3**	**0.60**	**10.4**	**0.69**	**14.5**
DPS (EUR)	**0.25**	**25.0**	**0.22**	**-12.0**	**0.28**	**27.3**	**0.28**	**-0.2**	**0.30**	**8.3**	**0.35**	**14.5**
Dividend yield (%)	3.3	n.a.	2.7	n.a.	4.5	n.a.	4.5	n.a.	4.9	n.a.	5.6	n.a.

Cash Flow (in EUR m)	2016	%	2017	%	2018	%	2019e	%	2020e	%	2021e	%
Gross Cash Flow	**14**	**10.8**	**12**	**-17.8**	**14**	**22.6**	**15**	**5.6**	**16**	**5.5**	**17**	**5.3**
Increase in working capital	**-1**	**n.a.**	**6**	**n.a.**	**8**	**n.a.**	**1**	**n.a.**	**2**	**n.a.**	**2**	**n.a.**
Capital expenditures	**6**	**29.1**	**8**	**25.9**	**7**	**-16.5**	**7**	**13.3**	**8**	**3.2**	**8**	**3.4**
D+A/Capex (%)	113.1	n.a.	92.3	n.a.	115.7	n.a.	114.7	n.a.	113.4	n.a.	110.0	n.a.
Free cash flow (Metzler definition)	**9**	**-70.4**	**-2**	**-123.9**	**-0**	**96.2**	**6**	**n.m.**	**7**	**3.5**	**7**	**7.4**
Free cash flow yield (%)	12.7	n.a.	-2.8	n.a.	-0.1	n.a.	11.2	n.a.	11.6	n.a.	12.4	n.a.
Dividend paid	2	22.4	2	24.9	2	-12.0	3	27.2	3	-0.2	3	8.3
Free cash flow (post dividend)	**7**	**-73.4**	**-5**	**-162.1**	**-2**	**52.6**	**4**	**278.3**	**4**	**6.0**	**4**	**6.8**

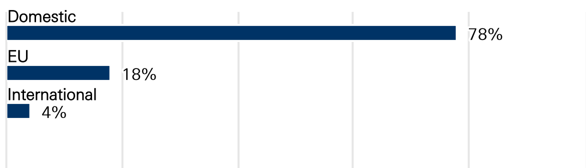
Balance sheet (in EUR m)	2016	%	2017	%	2018	%	2019e	%	2020e	%	2021e	%
Assets	**189**	**4.6**	**143**	**-24.2**	**145**	**1.1**	**149**	**2.7**	**153**	**2.9**	**158**	**3.3**
Goodwill	**6**	**0.0**	**6**	**0.0**	**6**	**0.0**	**6**	**0.0**	**6**	**0.0**	**6**	**0.0**
Shareholders' equity	**45**	**3.3**	**45**	**-1.4**	**47**	**6.3**	**50**	**5.3**	**53**	**6.1**	**57**	**6.9**
Equity/total assets (%)	23.9	n.a.	31.1	n.a.	32.7	n.a.	33.5	n.a.	34.6	n.a.	35.8	n.a.
Net Debt incl. Provisions	**-5**	**-322.4**	**-0**	**97.0**	**2**	**n.m.**	**-0**	**-110.7**	**-3**	**-982.4**	**-6**	**-108.1**
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.	-0.5	n.a.	-5.2	n.a.	-10.1	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

Executive Summary

A leading beverage producer with a history of more than 250 years

Berentzen (headquartered in Haselünne, Germany) has a history of more than 250 years and thus belongs to the oldest spirits producers in Germany. It is also the only German spirits producer that is listed on the stock exchange. While Berentzen still generates ~50% of its revenue with spirits, the company has over the last years significantly diversified its operations and has become an established player in the market for non-alcoholic beverages and fresh juice systems as well. Main sales market of Berentzen is Germany where the company generates almost 80% of its revenue. The Group has around 500 employees at seven locations in three countries and genereted revenues of EUR 162m in FY 2018.

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 3.2% 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.

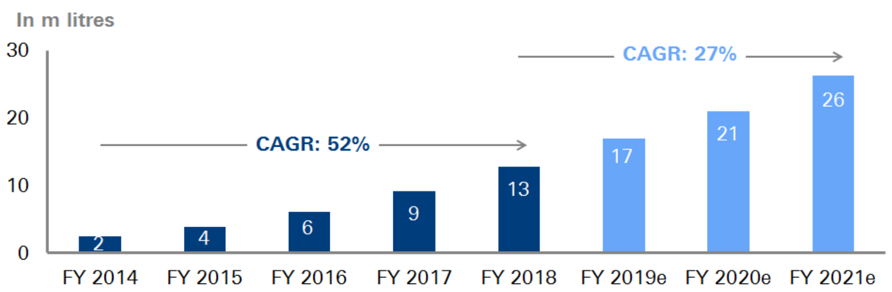
Product offensive in 2018 and 2019 should boost organic growth in spirits segment

Despite stable spirits consumption in Germany, Berentzen should be able to increase organic growth in its spirits segment. The first driver is in our view the product offensive of the brand business which started in FY 2018. Highlight of the newly launched products in FY 2019 is the new Berentzen Signature line - a premium fruit liqueur offered in three flavors (apple, pear and plum). This premium product also addresses a slightly older and less price-sensitive target group. In addition, we still see an ongoing trend towards private labels in the spirits market - food retailers are continuously trying to differentiate themselves from their competitors. Berentzen as the German market leader in private label spirits should be the main beneficiary of this trend in our view.

Non-alcoholic beverage segment should in particular benefit from Mio Mio

Main driver for the growth in the non-alcoholic beverages segment should in our view be the Mio Mio brand. Mio Mio is a brand of refreshing soft drinks offered in seven flavors. 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 - a further expansion of the product range (e.g. two new flavors in FY 2019) as well as further improvements in distribution, especially in Southern Germany, should support growth going forward:

Mio Mio sales volume



Sources: Berentzen, Metzler Research

Fresh-juice system segment - back to positive growth rates again

In FY 2014, Berentzen acquired Citrocasa GmbH (formerly: TMP Technic-Marketing-Products), a specialist for high-quality (orange) juicers marketed under the Citrocasa brand. Between FY 2014 and FY 2016 the company almost doubled revenues from EUR 12m to EUR 22m and hence, quickly became the focus of Berentzen's equity story. However, the company was not able to maintain these growth rates and even recorded revenue declines in the last two years, mainly driven by challenges in the key market in France and problems in the sourcing process of oranges. However, we got the impression that the main problems have been resolved now. A more efficient sourcing process, new innovative juicing machines as well as the ongoing internationalization of the business should result in increasing revenues again. Growth in H1/19 of +6% confirms our view.

We see room for margin improvement 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.

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 ~5% based on current share price levels - this is in our view appealing especially for long-term oriented value investors.

Target price of EUR 8.5

We derive our target price of EUR 8.5 from our DCF valuation with a forecasting period until FY 2026. In addition, we also provide a peer group analysis - this peer group consists of international spirits and beverage producers. These peers trade at a significant premium to Berentzen which is reasonable given their higher margins, higher market cap and stronger growth profile. However, regressing EV/Sales and EV/EBITDA multiples with the expected sales growth over the next two years shows that if Berentzen starts showing its growth potential, there should be enough room for a multiple expansion in our view.

Mio Mio already worth ~EUR 4.3 in our view

Finally, we also determined a fair value of the Mio Mio brand, which is the highlight of Berentzen's product portfolio. The acquisition of Fever-Tree in FY 2012 for ~6x Sales serves 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. Hence, investors get Berentzen's complete spirits and fresh juice system segment for less than EUR 2 (translates into ~ 0.1x FY 2018 sales) - this seems to be an attractive deal in our view.

Berentzen - SWOT Analysis

Strengths

- More than **250 years of history** and **proven track record** in particular in the German spirits market
- **Well-diversified beverage portfolio** consisting of spirits, non-alcoholic beverages as well as fresh juice systems
- **Strong private label business** (No. 1 in Germany) with key customers and a high degree of innovation
- **Berentzen and Puschkin** are two well-established brands: Berentzen is **the No.1** in the market for **spirits with added ingredients** while Puschkin is the **No.4 Vodka brand** in the German core market
- **Mio Mio is the highlight** in Berentzen's product portfolio: Sales volume of Mio Mio increased annually by **more than 50%** over the last four years
- **Attractive dividend policy and yield**: Berentzen distributes 50% of its net income to its shareholders; based on our FY 2019 dividend estimate, **dividend yield of ~5%**
- Following the repayment of the bond in FY 2017, Berentzen has a very **solid financing structure**

Weaknesses

- Relatively **low market capitalization** and **low liquidity** in the shares
- Strong exposure to the **German core market** where the company generates almost 80% of its revenue
- Relatively high **dependence on key accounts**: Berentzen generates almost 50% of its sales with 4 food retail customers
- **Disappointing development of the fresh juice system segment** in the recent years with negative growth in FY 2017 and FY 2018
- **Low marketing budget** compared to the international competitors

Opportunities

- The newly launched **Berentzen Signature** line could further improve sales momentum in the spirits segment
- **Growth of Mio Mio should further continue** driven by improvements in distribution as well as the expansion of the product range
- The new herbal lemonade **Kräuterbraut** (launched in May 2019) **reflects the current trends** in the consumer behavior and **could become a success story**
- Fresh juice system segment could further **expand its distribution network** which should increase organic growth
- Stronger focus on a **more profitable product portfolio** should support Berentzen's margin profile
- Berentzen might benefit from the ongoing **digital transformation** with its own web-shop as well as its social media activities
- Berentzen could further improve its market position with **smaller add-on acquisitions** (e.g. start-ups)

Threats

- **Unfavorable weather conditions** in particular in the summer time could lead to sales losses for non-alcoholic beverages
- **Crop failures** might again lead to a considerable sales decline in the fresh juice system segment
- **Litigation** between Berentzen and the **US distributor** for the Citrocasa products might further inhibit growth in an attractive market

Source: Metzler Research

Investment Case

Business Model

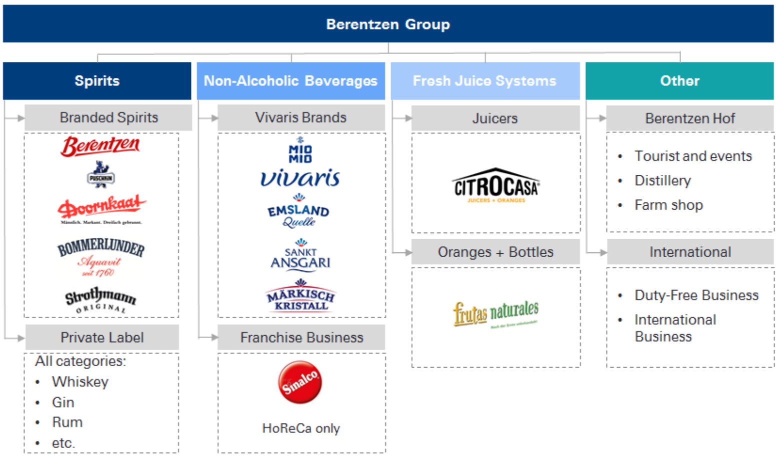
A leading German beverage company

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 Group has around 500 employees at seven locations in three countries and genereted revenues of EUR 162m in FY 2018. Berentzen is also the only German spirits producer that is listed on the stock exchange.

Operating with four segments

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. Accordingly, the business is divided into four different segments: **(1)** Spirits, **(2)** Non-alcoholic beverages, **(3)** Fresh juice systems and **(4)** Others. We provide a brief overview and relevant brands of these segments below:

Segment overview



Sources: Berentzen, Metzler Research

The *Spirits* segment covers the marketing, distribution and trading of branded spirits brands as well as private label products. The brand portfolio of spirits includes not only nationally well-known brands such as Berentzen and Puschkin, but also traditional regional German spirits such as Doornkaat, Bommerlunder and Strothmann. The group's private labels, which are marketed by its subsidiary Pabst & Richarz Vertriebs GmbH, also encompass international spirits specialties such as American bourbon whiskey, gin, Cuban rum and tequila. The segment stands for ~52% of the Groups revenue.

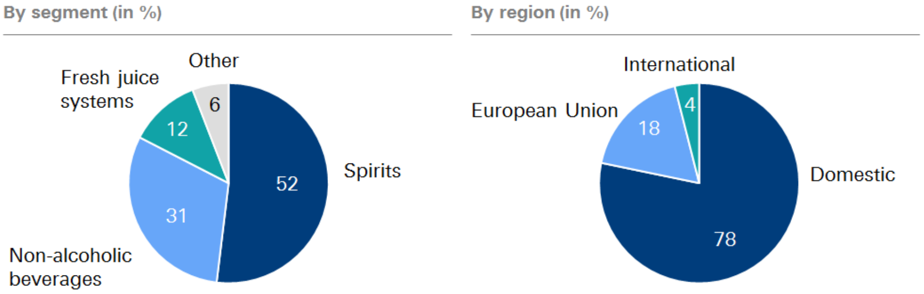
The *Non-Alcoholic Beverages* segment comprises the marketing, distribution and trading of non-alcoholic beverages, which are marketed by the subsidiary Vivaris Getränke GmbH & Co. KG. The assortment includes the Mio Mio brand, the Vivaris soft drinks and the regional brands Emsland Quelle, Sankt Ansgari and Märkisch Kristall from the mineral water segment. In addition, the company operates the concessions business, where non-alcoholic brand and private label products are bottled as part of service agreements with the Sinalco Group and the PepsiCo Group. The segment stands for ~31% of the Groups revenue.

The *Fresh Juice Systems* segment includes the development, marketing, sale and trade of fruit presses, oranges and filling containers. Through its subsidiary Citrocasa GmbH (formerly TMP Technic-Marketing-Products), the group is active as a system provider in the Fresh Juice Systems business, in particular orange juicers which are marketed under the Citrocasa brand. In addition to orange juicers, the Citrocasa brand range also includes untreated oranges (frutas naturales brand) and bottles specially adapted to the machine technology for filling freshly squeezed orange juice. The segment stands for ~12% of the Groups revenue.

The O*ther* segment mainly encompasses the foreign business with branded spirits (e.g. Benelux countries) as well as the tourist and event activities at the Berentzen-Hof. The Hof includes a restaurant and a distillery, a castle cellar and other historic buildings. Furthermore, it houses the farm shop which offers a good overview of the Berentzen product portfolio to over 35,000 visitors every year. The segment stands for ~6% of the Groups revenue.

Revenue split

100% = 162m



Sources: Berentzen, Metzler Research

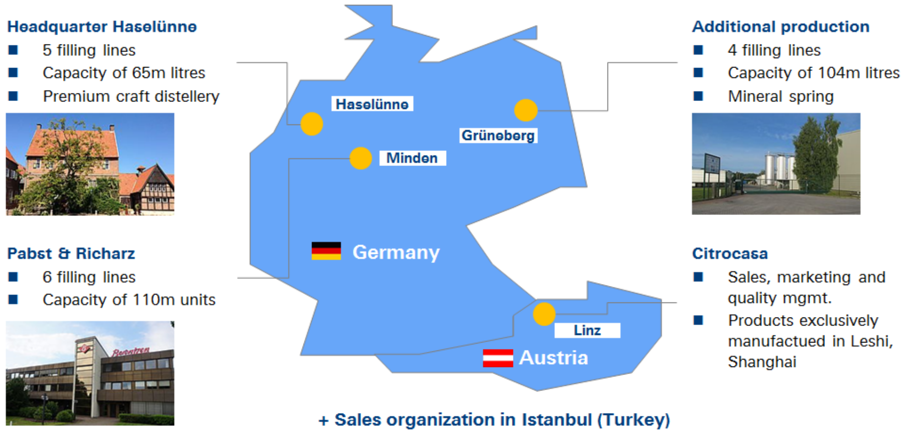
Focus on German market

Traditionally, the main sales market of Berentzen is Germany where the company generates almost 80% of its revenue. However, Berentzen is also active in almost 60 countries and in the duty-free business.

Production at 3 sites in Germany

Berentzen produces its spirits and soft drinks at three locations in Germany: Spirits are produced in Minden and at the Berentzen Hof distillery in Haselünne. Non-alcoholic beverages are produced in Haselünne and in Grüneberg. The company's logistic center for sales and distribution of spirits is located in Stadthagen which is operated by an external service provider. The operating business in the Fresh Juice Systems segment is run and managed from Linz in Austria, right on the border to Germany.

Berentzen facilities



Sources: Berentzen, Metzler Research

History of the Group

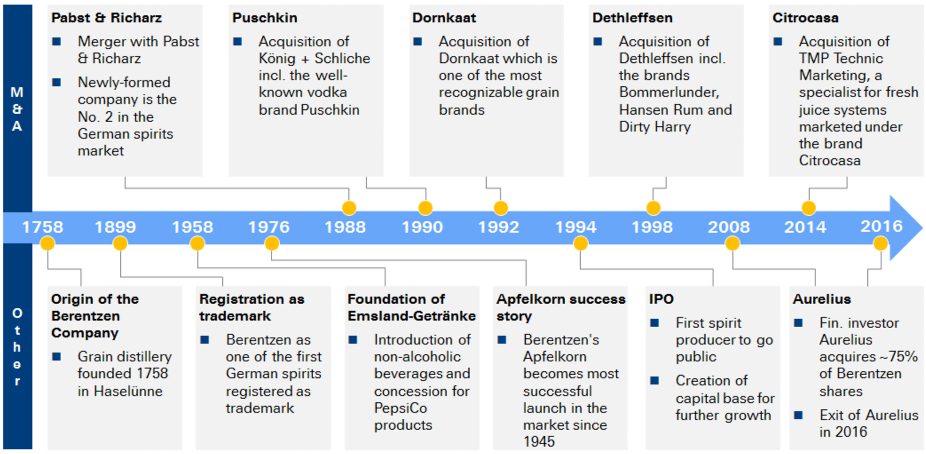
Berentzen can look back over history of more than 250 years

Berentzen has a company history of more than 250 years and thus, belongs to the oldest spirits producers in Germany. The grain distillery was founded in 1758 in Haselünne in the Emsland region of Germany, where the company is still headquartered today. In 1899, Berentzen was one of the first German spirits to be registered as a trademark. Starting as a pure spirits producer, the company expanded its business activities and over the years started to sell non-alcoholic beverages in 1958. Shortly thereafter, the Group acquired a concession for the filling and distribution of PepsiCo products. The great breakthrough came in 1976 with Berentzen's launch of apple corn (Apfelkorn) which became a bestseller throughout Germany. Within just four years, the sales volume of apple corn increased tenfold from 2.5m bottles to almost 25m bottles. In 1988, Berentzen continued on its growth path and merged with Pabst & Richarz, a spirits producer specialised in private labels. The newly-formed company became the No.2 spirits company in the German core market. In the same year, Berentzen acquired the regional manufacturer Ammerländer followed by the acquisition of König+Schlichte including its well-known vodka brand Puschkin. In 1992, Dornkaat, a regional manufacturer of corn was acquired.

IPO in 1994 - first listed spirits producer in Germany

To create the capital base for further external growth, Berentzen went public in 1994 and thus became the first listed spirits producer in Germany. However, despite the strong inorganic growth, Berentzen had to contend severe declines in sales and profits in the following years driven by both, a decreasing spirits consumption in the population and the intensifying international competition. The challenging situation of Berentzen was also resulting in personnel consequences: In 2005, Jan Berentzen resigned from his CEO position - from that moment, the management team no longer consisted of Berentzen family members. Following further operational losses, Aurelius acquired ~75% of Berentzen shares and started a significant restructuring process. Aurelius succeeded and Berentzen reached breakeven again in FY 2010 driven by numerous cost measures. Further actions included the further internationalization of the business such as in Turkey and India. Finally, in order to also serve the trend of more health-conscious customers, Berentzen acquired Citrocasa in 2014, a leading manufacturer of fresh juice systems. In FY 2016, Aurelius sold all its interest in Berentzen following the successful strategic realignment of the business. We provide an overview of the key milestones in Berentzen's history below:

Berentzen milestones



Sources: Berentzen, Metzler Research

Management and Supervisory Board

Experienced management team

Berentzen's management board consists of two member: Oliver Schwegmann (Chief Executive Officer) as well as Ralf Bruehoefner (Chief Financial Officer). Oliver Schwegmann succeeded Frank Schuebel in 2017, who is however, still a member of Berentzen's supervisory board today in addition to his managing board position at Teekanne GmbH:

Berentzen management team

Oliver Schwegmann (CEO)	Ralf Bruehoefner (CFO)
	

Source: Berentzen, Metzler Research

- Oliver Schwegmann (CEO): Oliver Schwegmann has been a member of the Berentzen Group Management Board since June 2017. He is responsible for Marketing, Sales, Production & Logistics, Purchasing and Research & Development. Previously, Mr. Schwegmann was Country Managing Director for Loreal Suisse and held management positions at Hero AG, Mars GmbH and August Storck KG. Mr. Schwegmann studied sports economics at the University of Bayreuth
- Ralf Bruehoefner (CFO): Ralf Bruehoefner has been with Berentzen since 2001 and was appointed CFO in June 2007. He is responsible for Finance, Controlling, Human Resources, Information Technology and Legal Affairs. He previ-

ously held management positions in the glass & plant construction industry (e.g. Hermann Heye KG and Balcke-Dürr AG). He started his career at PricewaterhouseCoopers. Mr. Bruehoefner studied business administration at the Otto-Friedrich-University Bamberg and at the Westfälische-Wilhelms-University Münster

Six members in Berentzen's supervisory board

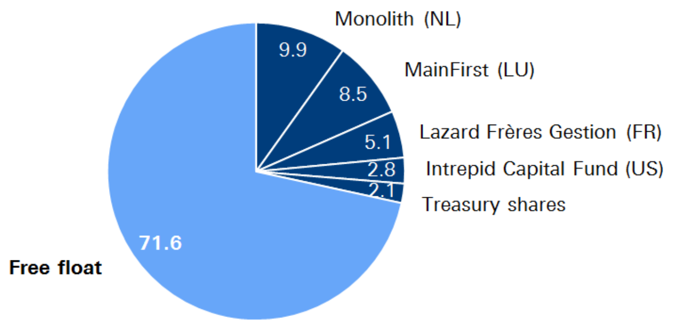
Berentzen's supervisory board consists of six members - four representatives of the shareholders and two representatives of Berentzen employees: **(1) Uwe Bergheim** - Chairman of the supervisory board since 2018 - self-employed business consultant **(2) Frank Schuebel** - Deputy Chairman of the supervisory board - Managing Director of Teekanne GmbH and former CEO of Berentzen **(3) Daniel M. G. van Vlaardingen** - Managing Director of Monolith Investment Management B.V. **(4) Hendrik H. van der Lof** - Managing Director of Via Finis Invest B.V. **(5) Bernhard Düing** - Production Shift Manager at Vivaris Getränke GmbH & Co. KG and finally **(6) Heike Brandt** - Commercial Employee at Berentzen-Gruppe AG

Shareholder Structure

Free float of 72%

The share capital of Berentzen is divided up into 9,600,000 shares of common stock. The nominal value per share is EUR 2.6. The free float amounts to ~72%. Monolith N.V., a specialised investment fund focused on European small caps, is the largest single shareholder with a stake of ~10% and also represented in Berentzen's supervisory board. Further shareholders include MainFirst, Lazard Frères Gestion and Intrepid Capital Fund:

Berentzen's shareholder structure as of August 2019



Sources: Berentzen, Metzler Research

Segment Analysis - Spirits

Spirits market remains most important end market for Berentzen

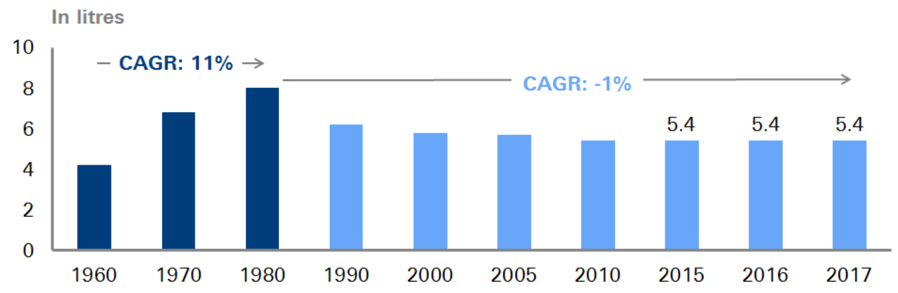
Berentzen in our view has successfully diversified its business model over the last years - founded as a pure spirits producer in 1758, the company has become an established player in the market for non-alcoholic beverages and fresh juice systems as well. Nevertheless, Berentzen still generates more than 50% of its revenue with its branded and private label spirits. Thus, the market for spirits remains the most important end market for the company. Hence, we take a closer look at the spirits market below:

a.) Market environment for spirits - stable per capita consumption over the last years

Stable per capita consumption over last years

In general, the consumption of spirits in the German core market declined significantly over the past decades. Spirits consumption recorded its high in the 1980's also driven by increasing incomes of the population. In the years thereafter, however, spirits consumption continuously declined, in our view mainly driven by **(1)** the growing health awareness in the population and **(2)** the significantly increasing product range of non-alcoholic beverages and thus many alternatives to spirits. Over the last years, consumption of spirits has largely stabilized at around 5.4l - we believe a similar level should persist going forward:

Per capita spirits consumption in Germany

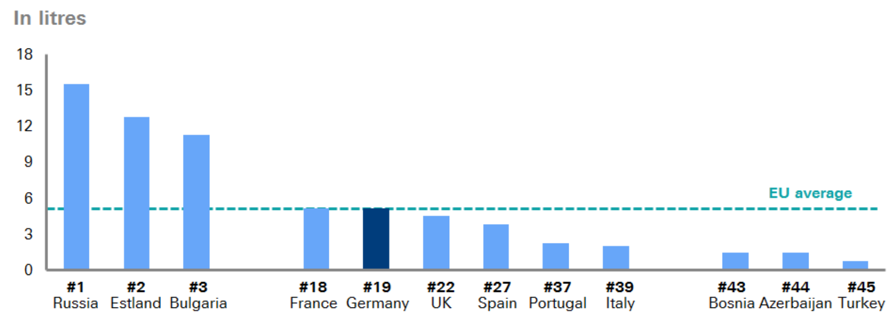


Sources: BSI, Metzler Research

Per capita consumption highest in Eastern Europe

With 5.4l per capita spirits consumption, Germany is only slightly above the European average. Consumption of spirits is in particular high in Eastern European countries, where spirits consumption continues to play an important social role. Per capita consumption in Russia in 2017 was above 15l and thus almost three times as high as in Germany. In contrast, the consumption of spirits in Southern European countries is fairly low - Italy, for example, has a consumption of 2l and thus well below the European average. Spirits consumption is lowest in the predominantly Muslim countries - with consumption in Turkey even below 1l:

Per capita spirits consumption in Europe as of FY 2017

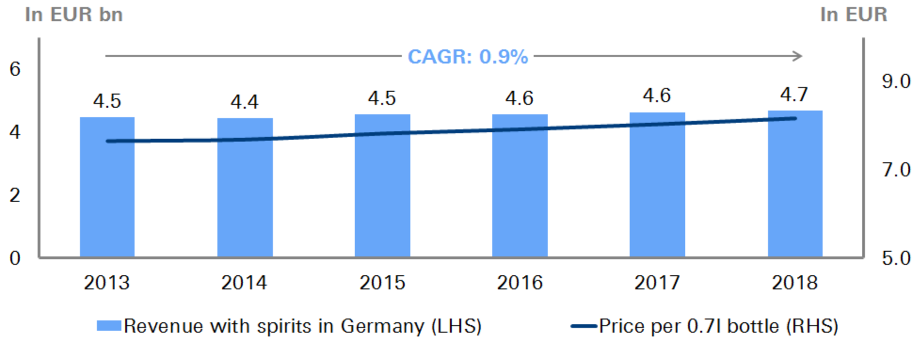


Sources: BSI, Metzler Research

Increasing average price per bottle drives revenue growth

Although spirits consumption has been flattish, spirits sales in Germany increased on average by ~1% over the last five years. The main driver for the higher sales is the increasing average price the customer is paying for a bottle of spirits. The average price per bottle increased from EUR 7.7 in FY 2013 to EUR 8.2 in FY 2018.

Spirits revenues in German core market

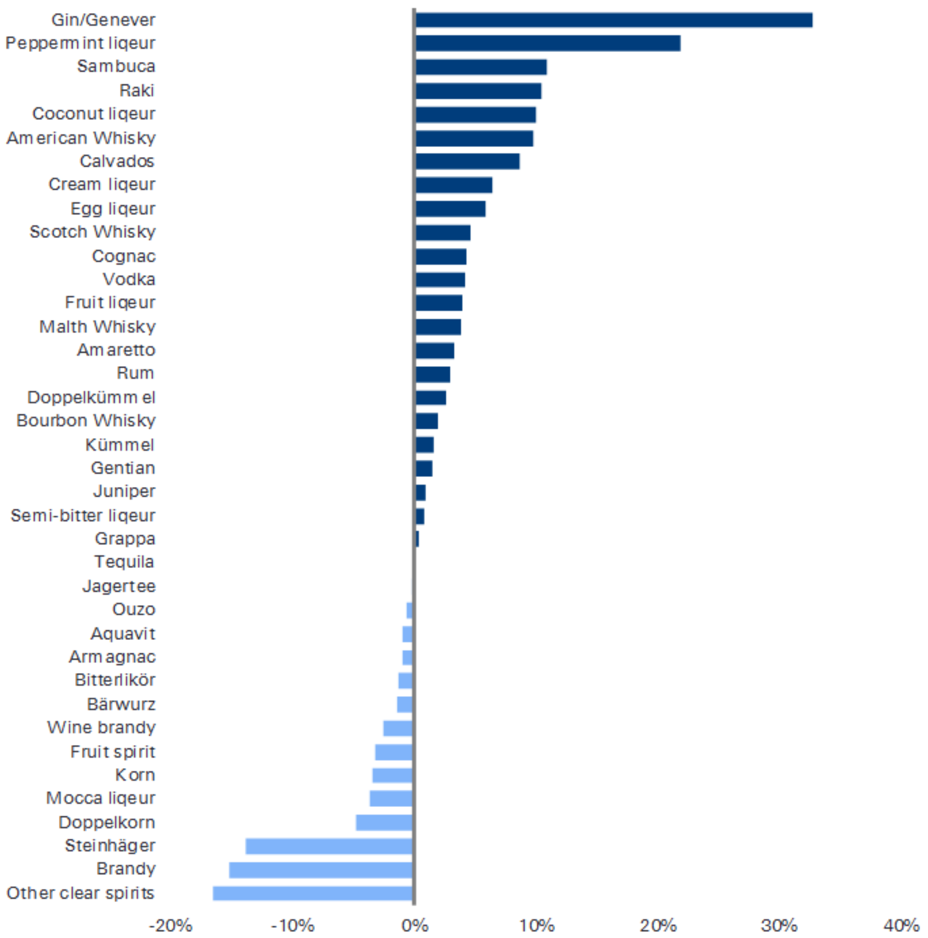


Sources: Nielsen, Company data, Metzler Research

Gin - winner of the past years

Revenues in the German spirits market increased by 1% annually. However, given the large product range within the spirits market, growth rates for the overall market are not meaningful in our view. Significant differences between the different type of spirits exist. The big winner of recent years in the German spirits markets is clearly gin which more than doubled sales over three years from EUR 51m to almost EUR 120m. In addition, whisky has gained popularity again in particular American Whisky with average growth of more than 10%. The market for vodka has also been able to show above-average growth (CAGR: 4%). In addition, with a sales volume of more than EUR 500m, vodka remains by far the most popular spirits in the German market. In contrast, Brandy and Doppelkorn (double grain corn schnaps) lost importance with negative growth rates of -15 and -5% respectively. We believe that the success of a spirits producer depends very much on how quickly it can adapt to rapidly changing trends and offer the right product at the right time:

Sales CAGR FY14-17 of selected spirits in Germany
in %



Source: BSI, Metzler Research

Following our brief overview on the German spirits market, we now look at the growth prospect of the Berentzen spirits portfolio. Despite the stable spirits consumption in Germany, we believe that Berentzen should significantly accelerate growth momentum driven by both, a wide range of new products launched in the brand business and its market-leading position in the private label business.

b.) Berentzen & Puschkin with a product offensive in FY 2019

Berentzen & Puschkin brand should drive ongoing growth in the brand business

Berentzen generates around 40% of its spirits turnover with the sale of branded spirits. On the one hand, the product portfolio includes a number of traditional regional brands. These include brands such as Strothmann, Hansen Rum and Bommerlunder. These brands are focused on very traditional spirits. In northern Germany, for example, Strothmann is one of the best-known manufacturers of grain products. However, these brands serve the Group more as a cash cow rather than as a growth driver. This is also due to the fact that spirits such as corn or traditional rum as Hansen offer little room for innovation.

Growth drivers of the brand spirits portfolio are in our view clearly the national brands Berentzen and Puschkin. Berentzen is specialised on liqueur products with fruit additives while Puschkin is a specialist for vodka. Both brands have a strong position in the German spirits market. According to a study by Nielsen, Berentzen is the clear market leader in spirits with additives, with a market share of more than 20%. Puschkin operates in the much more competitive vodka market, competing with numerous international brands. With a market share of around 4%, Pushkin is in 4th place in the German vodka market, only behind the global brands Gorbatschow, Absolut and ThreeSixty.

In order to defend this market position and generate further growth over the next few years, we believe that new products and innovations are essential. This is due in particular to the fact that, in our opinion, the product life cycle of the individual product categories is significantly shorter, among other things because the spirits consumers always seek new flavors.

Launch of Berentzen Signature line in FY 2019

Both, Berentzen and Puschkin have started a product offensive in 2018 and 2019 that should boost growth in the brand business going forward. Highlight of the newly launched products in FY 2019 is in our view clearly the new Berentzen signature line - a premium fruit liqueur offered in three flavors (apple, pear and plum). This product also addresses a different target group: The usual Berentzen fruit liqueurs (e.g. Apfelkorn) are especially popular with young adults. In contrast, the Berentzen signature line targets slightly older customers, mainly driven by the fact that the premium liqueur is significantly less sweet in taste and is characterised by finer aromas. These customers are also less price sensitive - hence, Berentzen can offer the new Signature line at higher prices (Signature line sells for ~ EUR 13 while a bottle of Apfelkorn sells for EUR 7).

Berentzen's product offensive

Sources: Berentzen, Metzler Research

Puschkin with new vodka drinks in highly attractive ready-to-drink market

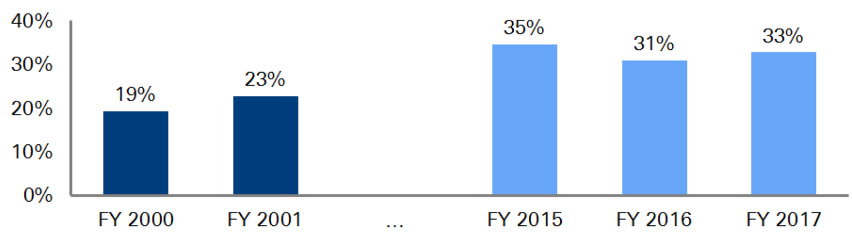
Not only Berentzen, but also Puschkin started with new innovative products into 2019. Following the great success of the vodka specialty "Nuts & Nougat", the new flavor "White Choco Coco" has been added to the vodka portfolio in March this year. Of particular interest is in our view also the newly added ready-to-drink product range - Berentzen offers these vodka mix drinks in three favors: Lemon, Mate-Ginger and watermelon. We believe that entering this market segment makes a lot of sense given the sales dynamic in the overall market: The ready-to-drink market (RTD) for mixed spirits in Germany increased between 2014 and 2017 at a CAGR of 19.3%. As a result, these spirits mixed products are considered as “hidden champions” in terms of earnings and are also expected to show strong growth in the coming years. Main drivers of this growth are not only the introduction of new flavors, but also the changing lifestyle and consumption habits, especially from the “millennials” generation, who want a convenience product.

c.) Berentzen - the No.1 player in German private label market

Private label spirits market remains on the rise

Private labels play an important role in the German retail market. This does not only hold true for the fashion or food market, but also increasingly for the spirits market. Over the last years, the share of private label sprits sales increased from 19% in FY 2000 to 33% in FY 2017. The strong private label trend is in our view mainly driven by the fact that - given the intense competition - more and more food retailers are trying to differentiate from others by offering its own private labels in order to strengthen the relationship to its customers. We expect that the trend towards private labels persists going forward.

% of private labels in the German spirits market



Sources: Berentzen, Metzler Research

Premiumization of private labels

In addition, the focus no longer only lies on the price, but also on the quality and design. As a result, premium retail brands are moving away from pure pricing strategies and are placed as products that promise customers high quality or added value ("premiumization of private labels"). These premium private label products usually have a lower price point than those of leading branded products, but a higher price point than those of classic private labels.

Berentzen should be the main beneficiary given its No.1 market position

Berentzen should be the main beneficiary of the promising private label market given its strong market position. Berentzen is the No. 1 spirits producer in the German private label market and sells more than 58m bottles per year (No.2 Rola with 50m bottles and Bimmerle with 35m bottles). In addition, Berentzen maintains very strong & long-term relationships with food retailers since many years and is thus able to position itself strongly in the classic and premium private label segment. Their customers in Germany include food and beverage retailers such as REWE, Edeka and Lidl, but the company also cultivates its contacts abroad and supplies foreign retailers such as the multinational company Carrefour in France. In addition, we got the impression that Berentzen's private label business is even more innovative than its brand business, making it possible to try new recipes and products in the market without running the risk of losing the reputation of a brand. Due to the fast reactivity in the private label segment, Berentzen can also react very quickly to new trends - for example in the gin segment. The Berentzen private label "Ruby of Rangoon" is one of the sixth best-selling gin brands in Germany with a sales market share of around 2% - this is also very impressive in our view against the background of very strong competition.

d.) Our revenue model for the segment

We forecast accelerated growth over the next three years

We model our revenue estimates for the spirits segment based on the sales volumes for the brand business and the private label business (Note: Berentzen does only publish sales volumes and not revenue figures for these two subsegments). In a next step, we multiply our estimated total sales volume (measured in 0.7l bottles) with our estimated revenue per sold bottle in order to derive the segments revenue:

Revenue estimates for the segment Spirits

	FY 2017	FY 2018	FY 2019e	FY 2020e	FY 2021e
Private label 0.7l (in m)	57.2	58.0	59.0	60.3	61.8
Growth yoy (in %)	-1.5	1.4	1.7	2.2	2.5
+ Brands Germany 0.7l (in m)	20.5	20.1	20.3	20.7	21.1
Growth yoy (in %)	-1.4	-2.0	1.0	2.0	2.0
= No. of sold 0.7l bottles (in m)	**77.7**	**78.1**	**79.3**	**81.0**	**82.9**
Growth yoy (in %)	-1.5	0.5	1.5	2.1	2.4
x Revenue per bottle (EUR)	1.08	1.08	1.09	1.10	1.11
= Revenue (in EUR m)	**84.0**	**84.5**	**86.4**	**89.1**	**91.9**
Growth yoy (in %)	-8.7	0.6	2.2	3.2	3.1

Source: Berentzen, Metzler Research

We believe that Berentzen should be able to accelerate growth momentum in the spirits segment - following declining revenues in FY 2017 and flattish revenues in FY 2018, we now forecast annual growth of ~3% over the next years. Our growth forecast is based on the following assumptions:

- Brands Germany: Growth in the brand business should be driven in particular by the Berentzen and Puschkin brand. Both brands again started a product offensive that should in our view boost growth going forward. Highlight for us is clearly the Beretzen Signature line which in our view has the potential to become a bestseller. Given the high degree of new innovative launches, we forecast annual volume growth of ~2% over the next years

- Private labels: We believe the strong private label business of Berentzen is a huge advantage - especially as traditional food retailers are increasingly focusing on their private label business. Berentzen, as the No. 1 in private labels in the German core market should be the main beneficiary of this underlying trend. We forecast an acceleration of sales volume growth over the next three years (CAGR FY 2018-FY2021: 2.1%)

- Revenue per bottle: The average price per 0.7l bottle in the overall German spirits market increased over the last years from EUR 7.6 to EUR 8.2 - this corresponds to annual growth of slightly below 1.5% which seems in our view like a fair assumption going forward. With regard to Berentzen's revenue per bottle, we would usually use a much lower growth also driven by the fact that Berentzen's spirits address a younger target group which are more price sensitive. However, given the premiumization in the private label business as well as Berentzen's expansion of premium products (e.g. Berentzen Signature line), we are also expecting constant growth of Berentzen's revenue per bottle over the next three years (~1% growth annually)

Segment Analysis - Non-Alcoholic Beverages

Next, we take a look at Berentzen's non-alcoholic beverages segment which stands for ~30% of the groups revenue. Berentzen's portfolio within this segment covers a wide range of products - through its subsidiary Vivaris, Berentzen offers mineral waters, soft drinks, energy drinks and Mate drinks (Mio Mio). In addition, Berentzen is also active as a franchisee for Sinalco, a leading German lemonade & cola producer. In this role, Berentzen manufactures a large number of Sinalco products and distributes these products in particular within the catering industry. Finally, Berentzen is active in the contract bottling business with lemonades and other non-alcoholic beverages (e.g. for Sinalco and Pepsi).

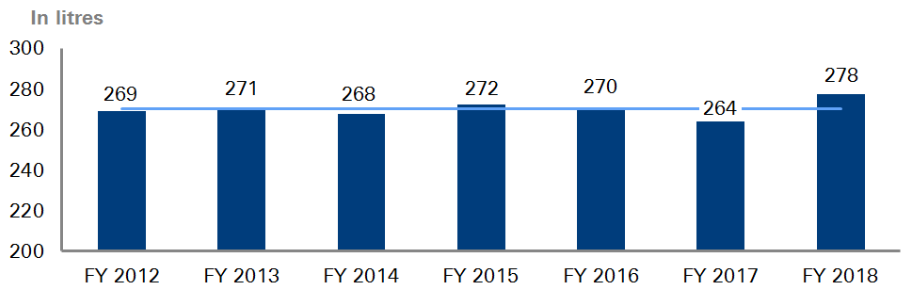
In a first step, we again provide a brief overview of the general market environment in Germany.

a.) Market environment for non-alcoholic beverages - FY 2018 impacted by long & hot summer period

We expect stable consumption over next years

The per capita consumption of soft drinks in the German market has been relatively stable over the last years. In 2018, per capita consumption came in at around 280l. In our opinion, minor fluctuations are mainly dependent on the summer months. This also applied in particular to the past year and the long and hot summer period. As a result, consumption rose by more than 5% in 2018. This is however no underlying market trend. We expect a stable level over the next few years, averaging around 270l in recent years.

Per capita consumption of soft drinks and water in Germany

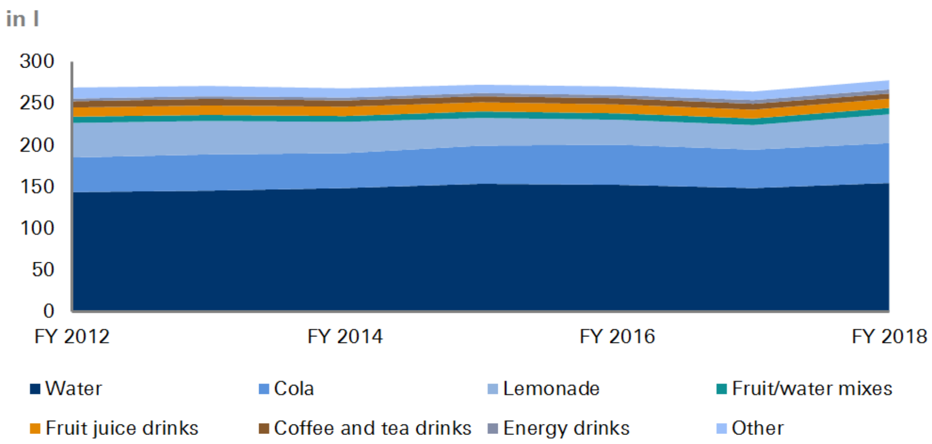


Sources: wafg, Metzler Research

Cola remains the favorite soft drink in Germany

(Mineral) water remains the most commonly consumed non-alcoholic drink in Germany. In 2018, around 155 litres of water were consumed per capita. This corresponds to a total share of around 56% of total consumption. In 2018, consumption increased by around 4% - as already described, however, this increase is due to the hot summer last year. Over the last few years, water consumption has only risen by around 1%. Despite the numerous beverage alternatives and new innovations, Cola (incl. Cola Light products) remains the favorite soft drink in Germany. On average about 48l are consumed per capita. Over the last years the Cola consumption rose on the average by 3%. Also the classical lemonade is still consumed, however consumption is declining for several years now. Consumption dropped from 41l in 2012 to around 35l in 2018. The biggest winner over time are energy drinks with an average growth rate of around 7%:

Per capita consumption by product category



Sources: wafg, Metzler Research

Key trends in the market

Per capita consumption as well as consumption by product category have been relatively stable. Nevertheless, we believe the market for non-alcoholic beverages is extremely dynamic and strongly impacted by temporary market trends. We highlight the following trends:

- Products with additional benefits: Closely linked to the increased awareness of health and nutrition, an increasing demand for products with additional benefits (addition of vitamins, isotonic effect etc.) can be observed. This also explains the general shift in consumption towards calorie- and sugar-reduced drinks, which have become increasingly important in recent years. The trend towards less sweetened drinks is already politically supported in many countries
- Micro brands: Established brands face new challenges since micro brands are taking away market share. As a result, large companies such as Coca-Cola and PepsiCo are faced with declining and stagnating revenues respectively. According to a study by Oliver Wyman, the micro brand market is projected to grow from ~5% to approximately 25% by 2025. Part of this success is explained by the fact that smaller companies are not only more agile when launching a new product but also more innovative in finding new ways to build a brand (e.g. through social media, influencers, etc.)
- New flavors: Closely related with the trend towards micro brands is the desire of the population to be surprised with new tastes and flavors again and again. Years ago, the beverage market was clearly dominated by the large beverage companies and their core products (i.e. Coca Cola). This rapidly changed: Supermarket shelves today contain countless different brands with even more different beverages. Larger beverage companies must therefore become increasingly innovative and establish new drinks in order to remain competitive going forward

b.) Vivaris well positioned in the market - Mio Mio the clear highlight of Vivaris' product portfolio

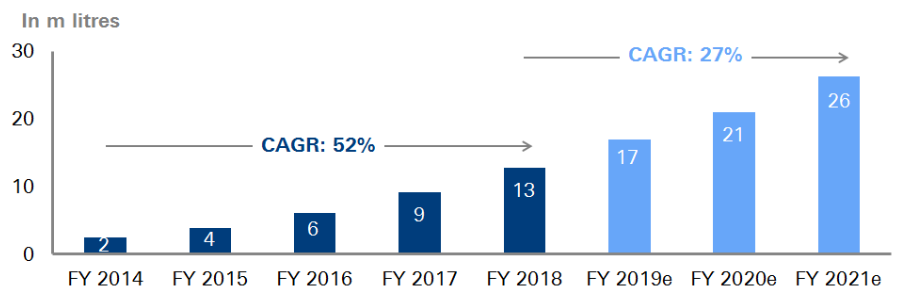
Vivaris - strong presence in sports drinks and mineral water

Due to the origin of the company, Vivaris' market position is particularly strong in Northern Germany. In our opinion, the strong market presence in the field of sports drinks is worth mentioning. Vivaris offers its customers a broad range of isotonic sports drinks in various flavours. In our opinion, these sports drinks meet in particular the trend towards products with a low sugar content and special additional benefits. According to market data from Nielsen, the bestseller lemon-grapefruit is among the top 10 sports drinks in Germany. In North-west of Germany, Vivaris Sport is even the market leader and is thus ahead of global power brands such as Powerade. Vivaris has also become an established player in the mineral water market with mainly regional brands such as Emsland Quelle (focus on North of Germany) and Märkisch Kristall (focus on North-east of Germany). According to market data from Nielsen, Vivaris is among the top 15 mineral water brands in Northern Germany.

Mio Mio - the clear highlight of Berentzen's portfolio

As described, Vivaris has a strong market presence in sport drinks and mineral water. With annual growth rates in sales volume of above 50%, Mio Mio is however by far the highlight of the Vivaris product portfolio. Mio Mio is a brand of refreshing soft drinks and generated revenue of around EUR 8m in FY 2018 according to our estimates (~16% of segment revenue). Mio Mio is currently offered in seven flavors. The most popular flavor is Mio Mio Mate, which is a refreshing caffeinated mate-extracted beverage and is currently the No. 2 in the German mate market. Other Mio Mio drinks include Mio Mio Cola and the new drinks Lapacho Lemongrass and Guarana Pomegranate. In 2012, Berentzen started to sell the first drinks in Grüneberg, a city close to Berlin. Since then, the company rolled out the products throughout Germany. To support the expansion of distribution, Berentzen used social media marketing and launched authentic out-of-home campaigns. This marketing strategy fits their target group of students, young trend-oriented individuals, and health-conscious city dwellers.

Mio Mio sales volume



Sources: Berentzen, Metzler Research

Mio Mio should remain on its growth path

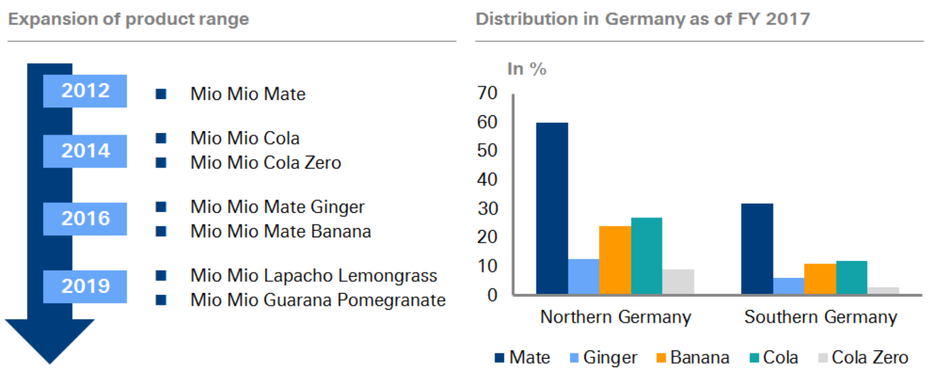
We believe that Mio Mio is still at the beginning of its growth path - we are assuming continuous strong growth with regard to sales volumes over the next three years (CAGR: 27%). This growth should be mainly driven by two factors:

- Expansion of the product range: As described, new innovative flavors are very important for customers in the market. Starting with Mio Mio Mate in 2012, the company has over the last years significantly expanded the Mio Mio product range. Recently, the two new flavors Lapacho Lemongrass as well as

Guarana Pomegranate were launched and expanded the mate and Cola platform of the Mio Mio product range

- **Improvements in distribution**: Mio Mio started its success story in Berlin with an advanced marketing campaign. In addition, given the heritage of Berentzen, the company also has a very strong footprint with regard to distribution in Northern Germany. However, distribution in Southern Germany is still lacking behind. Hence, according to the Berentzen management, the further distribution in Southern Germany (in particular in cities/ towns with universities and younger population) is one of the main areas of focus in the course of FY 2019

Main drivers for the ongoing growth of Mio Mio



Sources: Berentzen, Metzler Research

Kräuterbraut - the next big thing?

Building on the great success of the Mio Mio brand, Berentzen launched "Kräuterbraut" in May 2019. Kräuterbraut is a new herbal lemonade initially available in three flavors: (1) mint & nettle, (2) sage & tonka bean and (3) coca & cardamom. In our opinion, the new herbal lemonade corresponds in particular to the trend towards low sugar consumption and new exotic flavors. On the one hand, the lemonade is significantly reduced in sugar and thus meets the desire for a health-conscious diet. Kräuerbraut contains less than 5 grams of sugar per 100ml (vs. Coca Cola ~11 grams). On the other hand it corresponds also to the desire of the consumers to experience new and also exotic tastes. It is still too early for market assessments and we do not yet expect any noticeable impact on sales in FY 2019. Nevertheless, we see clear potential in the brand and think that Kräuerbraut could become one of the surprises in FY 2020.

c.) Our revenue model for the segment

Slight revenue growth driven by ongoing strong growth of Mio Mio brand

We model our revenue estimates for the non-alcoholic beverages segment based on the sales volumes for the subsegments soft drinks, mineral water, Mio Mio and franchise brands (Note: Berentzen does also only publish sales volumes and not revenue figures for the subsegments). In a next step, we multiply our estimated total sales volume (measured in liters) with our estimated revenue per liter in order to derive the segments revenue:

Revenue estimates for the segment Non-alcoholic beverages

in EUR m	FY 2017	FY 2018	FY 2019e	FY 2020e	FY 2021e
Soft drinks	77.1	71.3	71.7	72.4	73.1
Growth yoy (in %)	0.0	-7.5	0.5	1.0	1.0
+ Mineral water	75.9	82.9	82.9	80.8	80.0
Growth yoy (in %)	-0.5	9.2	0.0	-2.5	-1.0
+ Mio Mio	9.2	12.7	16.8	21.3	26.2
Growth yoy (in %)	50.8	38.0	32.0	27.0	23.0
+ Franchise brands	9.6	9.6	6.6	6.4	6.2
Growth yoy (in %)	0.0	0.0	-31.0	-3.0	-3.0
= Total sales volume	**171.8**	**176.5**	**177.9**	**180.9**	**185.5**
Growth yoy (in %)	1.6	2.7	0.8	1.7	2.6
x Revenue per liter	0.27	0.28	0.29	0.29	0.29
= Revenue	**46.3**	**49.7**	**51.5**	**52.9**	**54.6**
Growth yoy (in %)	-1.1	7.5	3.6	2.7	3.1

Source: Berentzen, Metzler Research

We forecast annual growth over the next three years of ~3%. This growth should in our view clearly be driven by the continuous growth of the Mio Mio brand. Our growth forecast is based on the following assumptions:

- Soft drinks: The comparable base for Vivaris soft drinks is fairly low - in FY 2018 sales volume of soft drinks declined by almost 8%. This was in our view however, mainly driven by the hot summer in Germany and a corresponding shift from soft drinks to mineral water. We expect a stabilization in FY 2019. For the years thereafter, we see slight growth driven by the solid market position of Vivaris (especially in the market for sports drinks) and also the continuous launch of new products (e.g. Kräuterbraut in FY 2019)

- Mineral water: In FY 2018, sales volume of mineral waters reached a new record with ~83m liter (+9% y-o-y) - this strong growth was mainly driven by the very hot summer months in Germany. Given the strong comparable base, we believe that the sales volume of mineral waters should remain flattish in FY 2019. For the years thereafter, we are also assuming a decreasing sales volume (CAGR: -1.7% for FY2019-2021). According to Berentzen, mineral water is not the most attractive product category with regard to profitability. Hence, Berentzen might use its capacities more efficiently and focus on the production of more profitable product categories - for instance Mio Mio or the newly launched Kräuterbraut

- Franchise brands: As described, Berentzen is active as franchisee for Sinalco, thus responsible for distribution, but also filling and bottling of the products. For FY 2019, we are forecasting a significant decline in the sales volume of ~30%. This is however only an (one-time) accounting effect: While Berentzen still supplies many Sinalco customers, Sinalco now takes over the invoicing for many of these customers (previously handled directly by Berentzen). Due to these technical changes, the sales volumes are correspondingly also allocated to Sinalco. Berentzen's sales, however, remain largely unchanged. For the years thereafter, we believe that Berentzen's own brands should grow significantly faster and that Berentzen should hence further reduce dependency on the Sinalco business going forward. We are forecasting a continuous decline in volumes over the next years (CAGR FY 2019-FY 2021: -2%)

- **Mio Mio:** As described, we expect that Mio Mio will be able to remain on its growth path, in particular driven by the newly launched products and the further improvements with regard to the distribution especially in Southern Germany. We expect Mio Mio to remain the main growth driver of the segment and assume annual growth of ~27% over the next three years

- **Revenue per liter:** The revenue per liter estimate is a function of the product mix in the segment. We are assuming a higher share of higher-priced products such as Mio Mio, while the share of lower-priced items such as mineral waters should decline. In addition, as in the spirits market, general prices of beverages should slightly increase. We are hence assuming a slight increase in the revenue per liter from EUR 0.28 to EUR 0.29 in FY 2019

Segment Analysis - Fresh Juice Systems

Lean business model

The segment Fresh Juice Systems contains the activities of Citrocasa GmbH (formerly TMP Technic-Marketing-Products) which Berentzen acquired in the course of 2014 for EUR 17m. Citrocasa provides its customers with high-quality (orange) juicers marketed under the Citrocasa brand. The business model with juicers is in general very lean: The juice machines are partly produced by an external partner and then globally distributed via independent third-party distributors. Customers are mainly food retailers but also hotels, bars and restaurants. In addition to the juicers, the company also sells untreated oranges (frutas naturales) which increase the "juicing experience" by having a higher juice ratio compared to conventional oranges. These oranges are sourced from Southern Europe and South Africa. Finally, the offering for customers is complemented with own PET-bottles which provide higher freshness and longer juice shelf life. Hence, in contrast to other market players, Citrocasa can offer its customers a one-stop shopping experience.

As in the previous two segments, we first take a look at the general market environment:

a.) Market environment - Strong underlying trends

Smoothie market a good proxy for fresh juice system market

Unfortunately, no general market data exist with regard to fresh juice systems. However, we believe the smoothie market might serve as a good proxy to indicate the attractiveness of the overall market - both, the smoothie market and the fresh juice systems market have one underlying trend - the increasing health awareness of the population. The smoothie market in general remains on the rise. For instance, the market in Germany grew annually by almost 40% between FY 2014 and FY 2017 according to Nielsen. According to a study by the Association of the Industry of Juices and Nectars from Fruits and Vegetables of the European Union (AIJN), the market in France grew by 36% in FY 2017 while the Austrian market grew by ~16%.

We see strong underlying trends in fresh juice system market

We believe the general demand and market environment for fresh juice systems should remain attractive going forward. In our view, the main drivers are:

- **Ongoing health awareness**: Healthy nutrition has become an increasingly important part of daily life. This applies to both food and drinks. This is also confirmed by numerous surveys. For example, a study conducted by the Techniker Krankenkasse in 2016 found that healthiness became the main criteria for the choice of food / beverages. We expect that the trend toward health awareness persists going forward

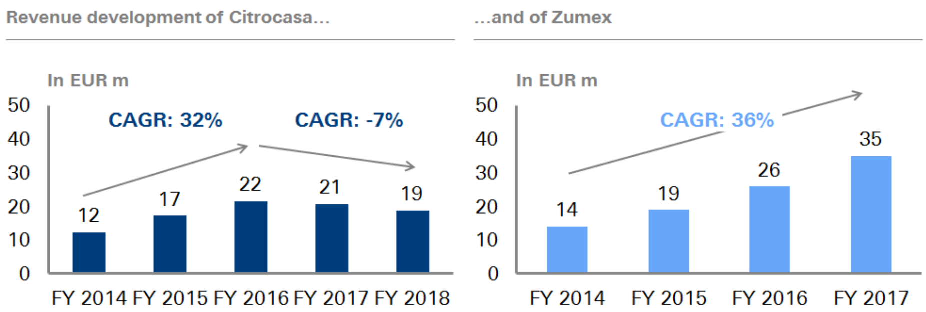
- **Increasing online competition in food retail**: A further growth driver for the fresh juice system market is in our view the increasing online competition in the food retail market. Although online penetration rates are still significantly below 5% in many countries, the online market for food retail is one of the fastest growing markets. Due to the increasing online competition, food retailers are increasingly looking for ways to differentiate themselves from online players through targeted point of sales measures, thus sustainably increasing the customer's shopping experience. In our view, these measures also include juice machines: Juice systems actively involve the customer in the purchasing process and at the same time emphasize the fresh product assortment

b.) Citrocasa - Starting to recover again following disappointing FY 2017 and FY 2018

Once the highlight of the equity story

Following the acquisition in FY 2014, the Citrocasa business quickly became the highlight of Berentzen's equity story. Between FY 2014 and FY 2016, the company almost doubled revenues from EUR 12m to EUR 22m. However, the company was not able to maintain these growth rates and even recorded revenue declines in FY 2017 and FY 2018 despite the attractive market environment. This development was extremely disappointing also because Zumex, the main competitor of Citrocasa and a Spanish producer of fresh juice systems, continued to record very high growth rates:

Citrocasa vs. Zumex



Sources: Berentzen, Company data, Metzler Research

Problems in France main reason for revenue decline

This weak performance over the last two years was mainly driven by:

- **Challenges in key market in France:** The market in France is already very advanced in terms of fresh juice systems. For example, there are orange juicers in many Carrefour stores. In our opinion, the general health awareness and interest in freshly squeezed juices is also very pronounced in France. Due to the already high level of penetration, Citrocasa faced strong difficulties to sell new machines and acquire new customers. This was reflected in significant declines in sales in a market that accounted for considerably more than 10% of Citocasa's sales

- **Harvest problems:** Citrocasa also offers "frutas naturales" oranges with a high juice content. Depending on the season and harvest cycle, the fruits are harvested from Southern European (in particular Spain) as well as non-European regions (South Africa). In particular in FY 2017, Citrocasa (and other players) has had some problems with the procurement of oranges, particularly due to crop failures. This was reflected in a shortage of supply and significantly higher prices for these oranges. Citrocasa was therefore unable to offer the usual quantity of oranges, which was also reflected negatively in sales

Main problems should be resolved now

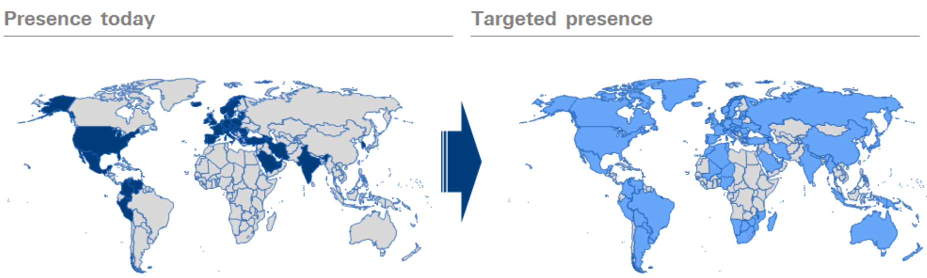
We have gained the impression that Berentzen has developed the right solutions to accelerate growth momentum in the segment again. With regard to the declining machine sales in France, Berentzen realized that it requires a higher degree of innovation to sell new machines. Hence, the company developed a series of new innovative juicers - market launches are also planned for 2019. The focus of these new machines is on a simplified cleaning processes - this simplified process leads to significant time savings in service and maintenance and offers (food retail) customer a high incentive to replace their older fresh juice machines.

Berentzen also worked on solutions regarding the orange harvesting: The company now more than tripled the number of sources and suppliers of oranges in Southern Europe and South Africa in order to ensure a reliable supply of oranges in a high quality throughout the year.

Expansion into additional countries as further growth driver

In our opinion, a strong growth driver for the segment is the ongoing internationalization of the business model. As of today, Citrocasa products are still mainly sold in Europe - the segment generates around 80% of its sales in Germany, France and Austria. According to the management, the expansion into other countries will be a major focus during the next years. For instance, the company highlighted Asia and Africa as very attractive end markets. Such an internationalization takes time, but is possible in our view even for a small company like Berentzen - the reason for this is the fact that the distribution is not taken over by Berentzen but by independent distributors - the only exceptions are Germany and Austria. Hence, it requires significantly less manpower and expertise to enter new markets.

Global presence of Citrocasa



Sources: Berentzen, Metzler Research

c.) Our revenue model for the segment

We forecast annual growth of 6.5% over the next years

In contrast to the former two segments, we use a simple model approach for the fresh juice system segment and only forecast growth rates. In our view, the segment should - against the trend of the last two years - be able to show solid growth again driven by a more efficient orange sourcing, new innovative products as well as the ongoing internationalization of the business model. The growth in H1/19 (>6%) confirms our view. Over the next three years, we are assuming annual growth of ~6.5%.

Revenue estimates for the segment Fresh-juice systems

in EUR m	FY 2017	FY 2018	FY 2019e	FY 2020e	FY 2021e
= Revenue	20.7	18.8	19.9	21.2	22.7
Growth yoy (in %)	-4.1	-9.5	6.0	6.5	7.0

Source: Berentzen, Metzler Research

Segment Analysis - Others

We assume stable revenues in the "Other" segment

Finally, we take a very brief look at the segment "Others" which is the smallest segment and stands for only ~6% of Berentzen's revenue. The segment encompasses the international sales of branded spirits (i.e. in Benelux countries & Turkey), the duty-free distribution as well as the activities at the Berentzen-Hof in Haselünne. Revenues in the segment have been relatively stable over the last years between EUR 9-10m. We also got the impression that a further internationalization of the business is no relevant topic - this also seems reasonable in our view given the intense competition in the sprits market and the relatively low level of brand awareness outside of Germany. We do not see further growth drivers. Hence, we are assuming stable revenues over the next years:

Revenue estimates for the segment Others

in EUR m	FY 2017	FY 2018	FY 2019e	FY 2020e	FY 2021e
= Revenue	9.9	9.5	9.5	9.5	9.5
Growth yoy (in %)	-2.1	-3.8	0.0	0.0	0.0

Source: Berentzen, Metzler Research

Financials

We expect accelerated growth momentum over the next years

For FY 2019, we expect an acceleration of growth (M'e: 3.0%) - this growth should be driven by all segments: Spirits (M'e: ~2%), non-alcoholic beverages (M'e: ~4%) and the fresh juice systems (M'e: ~6%). Our sales estimate is in line with the company guidance for FY 2019. For the years thereafter, we assume that this growth momentum persists. Our Sales CAGR from FY 2018-FY 2021 amounts to ~3.2% and hence considerably above the run-rate of the previous years.

Financial summary

in EUR m	FY2018	H12019	Guidance FY 2019	FY2019e	FY2020e	FY2021e
Spirits	84.5	39.9	n/a	86.4	89.1	91.9
Non-alcoholic beverages	49.7	25.3	n/a	51.5	52.9	54.6
Fresh juice systems	18.8	9.9	n/a	19.9	21.2	22.7
Others	9.5	4.3	n/a	9.5	9.5	9.5
Sales	**162.2**	**79.2**	**164.7-173.4**	**167.0**	**172.4**	**178.3**
Growth yoy (in %)	1.1	1.1	1.5 - 6.9	3.0	3.2	3.4
Gross profit	**71.7**	**37.4**	**n/a**	**75.7**	**78.7**	**82.0**
Gross margin (in %)	44.2	47.3	n/a	45.3	45.6	46.0
EBITDA	**17.3**	**9.0**	**17.0 - 18.8**	**18.1**	**19.3**	**20.5**
Margin (in %)	10.7	11.4	9.8 - 11.4	10.9	11.2	11.5
EBIT	**9.8**	**5.0**	**9.0 - 10.0**	**9.7**	**10.6**	**11.8**
Margin (in %)	6.0	6.3	5.2 - 6.1	5.8	6.2	6.6
EPS	**0.55**	**0.30**	**n/a**	**0.55**	**0.60**	**0.69**

Sources: Berentzen, Metzler Research

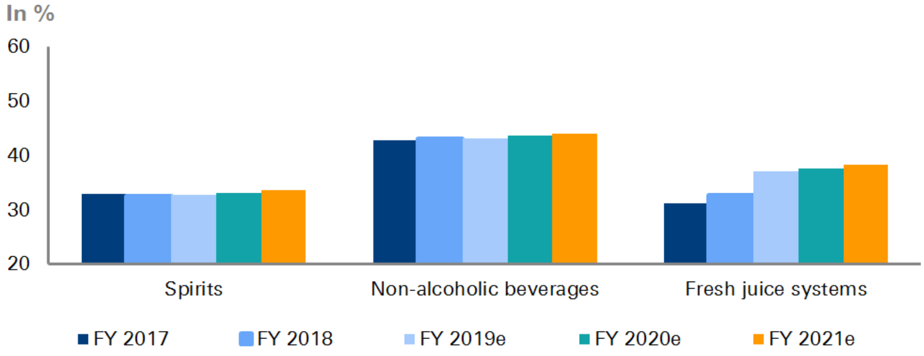
- With growth of 1.1% in H1/19, Berentzen started more slowly into FY 2019 - this was in particular driven by lower sales in the spirits segment: Reason for this were price promotions of competition and delays in the sale of whiskey
- For H2/19 we expect an acceleration of sales growth momentum resulting from Berentzen's new product launches (e.g. new Berentzen Signature), improved whiskey sales and ongoing growth momentum in the non-alcoholic beverages and fresh juice systems segment
- Berentzen is also well on track to reach its margin guidance for FY 2019 - the company reported a strong improvement in margins in H1/19 driven in particular by higher gross margins through better sourcing of oranges and a more favorable product mix - for H2/19 we expect a slightly lower margin as we assume higher marketing and personnel expenses

All segments with room for margin improvement over the next years

We not only expect an acceleration of growth momentum but also see room for margin improvements over the next years. This margin improvement should in our view be driven by all segments:

Note: Berentzen does not publish EBIT(DA) margins by segment but contribution margins after marketing instead - this contribution margin mainly accounts for cost of sales as well marketing expenses for each segment. To derive at our Group EBITDA forecast, we deduct personnel expenses, other operating income as well as miscellaneous other operating expenses.

Contribution margins after marketing by segment



Source: Berentzen, Metzler Research

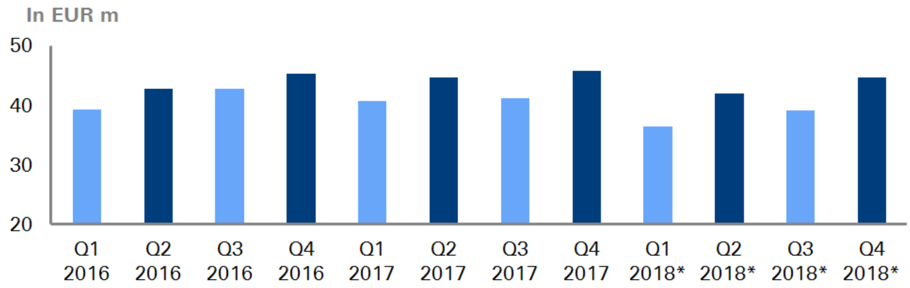
Our key assumptions behind the margin improvement are:

- Spirits: In our view, margins in the spirits segment should be positively impacted by the new premium products of Berentzen (e.g. Signature line launched this year). We also got the impression that the launch of further premium products is likely over the next years. These products sell at significantly higher prices (~2x the price) and thus generate higher gross margins compared to the rest of the product portfolio
- Non-alcoholic beverages: Going forward Berentzen should benefit from the ongoing shift away from lower margin products (e.g. mineral water, Sinalco concession) towards more profitable products such as Mio Mio and other Vivaris soft drinks
- Fresh juice systems: We expect the fresh juice system segment to be a main driver for the Group's margin improvement over the next years. During the last years, the company faced in particular problems with regard to the harvesting of oranges. 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 hence be able to better absorb possible (future) crop failures

Q2 & Q4 are seasonally the strongest quarters

Berentzen's business model is also subject to seasonal effects and patterns. Typically, revenues of the Group are highest in the second and in the fourth quarter:

Revenue by quarter



* First time application of IFRS 15, previous years not adjusted
Sources: Berentzen, Metzler Research

This seasonality is in our view purely impacted by the spirits and non-alcoholic beverages segment. The segment fresh juice system is not subject to seasonal effects. The strong second and fourth quarter can be explained by the following factors:

- **Effect in the second quarter:** Q2 is affected by two reasons. First, a large number of public holidays falls in Q2 (e.g. Easter and May holidays). As Berentzen spirits are classic celebration spirits, revenues sigificantly increase as a result of these holidays. In addition, with the beginning of the summer season, revenues in the non-alcholic beverage segment are increasing, in particular when the weather is as warm as it was in FY 2018
- **Effect in the fourth quarter:** As in Q2, Berentzen in particular benefits from the (christmas) holiday season. During that time, revenues with spirits siginficantly increase

Very solid balance sheet

In our view, Berentzen has a very solid financing structure as also indicated by our (debt) ratios shown below in the table. In October 2017, Berentzen repaid its bond with an issue volume of EUR 50m (interest rate: 6.5%) leading to annual interest savings of ~EUR 2m. For the repayment, Berentzen concluded a syndicated loan agreement for a financing volume of EUR 26m and a maturity until FY 2022. Berentzen also has the option to increase the financing volume in the amount of EUR 10m for the financing of potential acquisitions:

Balance sheet ratios ratios

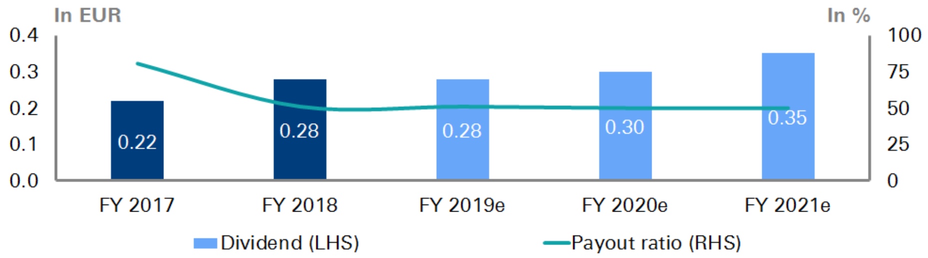
In %	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019e
Equity ratio	24	24	31	33	34
Interest coverage	1.9	2.6	2.6	6.3	6.8
Current ratio	1.6	1.0	1.1	1.1	1.1

Source: Berentzen, Metzler Research

Appealing dividend yield

At the last Annual General Meeting (AGM), Berentzen presented its new dividend policy: According to the company, at least 50% of consolidated net income is to be distributed to shareholders as a dividend going forward. For FY 2019, we expect a dividend of EUR 0.28 - this dividend would correspond to a dividend yield based on the current share price level of ~5%. In our view, this yield is appealing and makes the shares in particular attractive for long-term oriented value investors.

Dividend and dividend payout ratio



Sources: Berentzen, Metzler Research

Large M&A deals unlikely in our view

In the company history, Berentzen has been very active with regard to M&A. However, the last M&A activity now goes back to FY 2014 when Berentzen acquired the Austrian fresh juice system maker Citrocasa for ~EUR 17m. According to the Berentzen management, acquisitions are possible in the future - both, market-driven acquisitions as well as synergy-driven acquisitions:

- Market-driven acquisitions: Mainly includes the acquisition of start-ups that grow strongly or have a strong future growth potential
- Synergy-driven acquisitions: Includes the acquisition of producers for spirits or non-alcolic beverages with an existing infrastructure and revenues between EUR 25m and EUR 100m

We consider smaller acquisitions (such as the acquisition of start-ups) to be much more likely going forward. For larger M&A activities, Berentzen simply lacks the financial power in our view. Acquisitions of small start-ups that grow dynamically are also extremely valuable from our point of view. Especially in the beverage sector, which is characterized by a dynamic environment and constantly changing market trends, the insights of smaller companies (also with regard to marketing and digitization) might be extremely helpful for a very traditional company like Berentzen.

Valuation

DCF Analysis

We derive a target price of EUR 8.5

We initiate coverage of Berentzen with a Buy recommendation and a target price of EUR 8.5. Our target price is derived from our DCF model with a forecasting period until FY 2026.

Our DCF model is based on the following assumptions:

- 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
- We are assuming a terminal EBIT margin of 7.2% - find more information on Berentzen's margin profile in the chapter "Financials"
- 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
Revenue	**167**	**172**	**178**	**184**	**189**	**192**	**194**	**194**	
Y-o-y (in %)	3.0	3.2	3.4	3.2	2.6	1.5	1.0	0.5	
EBIT	**10**	**11**	**12**	**13**	**14**	**14**	**14**	**14**	
Margin (in %)	5.8	6.2	6.6	7.1	7.2	7.2	7.2	7.2	
Taxes	3	3	4	4	4	4	4	4	
D&A	8	9	9	9	9	9	9	9	
Gross cash flow	**15**	**16**	**17**	**18**	**18**	**19**	**19**	**19**	
Capex	7	8	8	8	8	9	9	9	
Change in NWC	-1	-2	-2	-2	-2	-2	-3	-3	
Free cash flow	**6**	**7**	**7**	**8**	**8**	**8**	**8**	**8**	**86**
Present value FCF	6	6	5	6	5	5	4	4	42

Implied equity value and fair value per share	
Enterprise value	**82**
Net debt FY 2018 (incl. pensions)	**2**
Equity value	**80**
Fair value share price	**8.5**

Assumptions	
Beta	**1.4**
Risk-free rate (%)	**1.0**
Risk premium (%)	**6.5**
WACC (%)	**9.5**

Source: Metzler Research

Our DCF model is very sensitive to our selected input factors. We hence provide a sensititivity 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

TV EBIT margin (in %) \ WACC (in %)	8.6	8.9	9.2	9.5	9.8	10.1	10.4
5.7	8.0	7.7	7.4	7.2	7.0	6.8	6.6
6.2	8.5	8.2	7.9	7.6	7.4	7.2	6.9
6.7	8.9	8.6	8.3	8.0	7.8	7.5	7.3
7.2	9.4	9.1	8.8	**8.5**	8.2	7.9	7.7
7.7	9.9	9.6	9.2	8.9	8.6	8.3	8.0
8.2	10.4	10.0	9.7	9.3	9.0	8.7	8.4
8.7	10.9	10.5	10.1	9.7	9.4	9.1	8.8

Source: Metzler Research

Peer Group Analysis

Peer group includes international spirits & beverage companies

We also provide a peer group analysis in addition to our DCF valuation. This peer group analysis confirms our view that the current share price of Berentzen still has upside potential. Finding a relevant peer group for Berentzen is challenging: Berentzen is a smaller and mainly regional spirits and beverage producer - similar companies that are also listed hardly exist. Hence, we included the large international players in our peer group. We include five international spirits producers as well as three international beverage producers and provide an overview of our selected peer group below:

Overview of Berentzen peer group

Spirits	Brown-Forman	Davide Campari	Diageo	Pernod Ricard	Remy Cointreau
Headquarter	Louisville (USA)	Milano (Italy)	London (UK)	Paris (France)	Paris (France)
Brands (Selected Brands)	Jack Daniels Early Times Old Forester Finlandia	Aperol Campari Grand Manier SKYY Wild Turkey	Baileys Capain Morgan Johnnie Walker Smirnoff Tanqueray	Absolut Club Malibu Havana Jameson The Glenlivet	Cointreau Metaxa Mount Gay Remy Martin
Sales (FY 2018)	USD 3,248m (+8% y-o-y)	EUR 1,712m (-2.4% y-o-y)	EUR 12,163m (+0.9% y-o-y)	EUR 8,987m (-0.3% y-o-y)	EUR 1,1277m (+2.9% y-o-y)
Organic growth	n/a	5.3% y-o-y	+5.0%	6.0%	7.2%
Sales by region	USA 47% Europe 27% Australia 5% Other 21%	Americas 44% SEMEA 28% NCEE 21% APAC 7%	North America 30% Europe 25% Africa 15% Other 30%	Americas 28% Asia 41% Europe 31%	Americas 40% Europe 26% APAC 34%

Non-alcoholic drinks	Coca-Cola	Fever-Tree	Monster
Headquarter	Atlanta (USA)	London (UK)	Corona (USA)
Brands (Selected Brands)	Coca-Cola Fanta Sprite Powerade innocent	Fever-Tree	Monster Energy Burn Full Throttle Relentless Predator
Sales (FY 2018)	USD 31,857m (-10% y-o-y)	EUR 237m (+40% y-o-y)	EUR 3,807m (+13% y-o-y)
Organic growth	+5.0%	n/a	n/a
Sales by region	North America 37% EMEA 23% Pacific 15% Other 25%	UK 57% Europe 23% USA 15% Other 5%	North America 74% EMEA 15% APAC 7% Other 4%

Source: Company data, Metzler Research

Berentzen trades at significant discount vs. peers

All these seleced companies have one thing in common - they trade at a significant premium vs. Berentzen. For instance, on average our peer group is trading at 6.4x 12m sales while Berentzen shares are at the moment trading at 0.4x 12m forward sales. EV/EBITDA multiples show a similar picture:

Peer group analysis

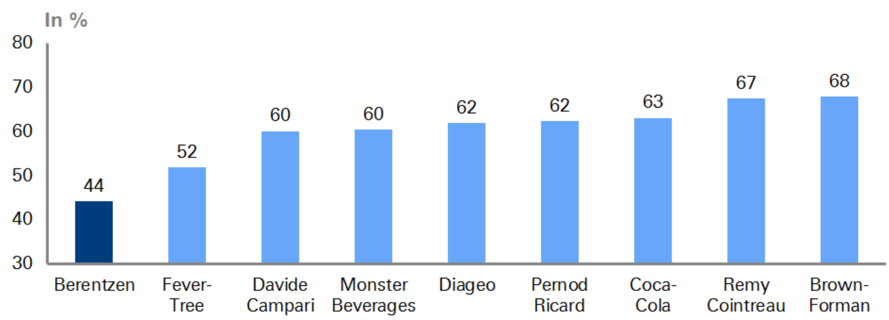
Company	Bloom-berg	Rating	FX	Price 28/08/19	M' Cap (in m)	Sales CAGR 18'-20'	EBIT margin 12m	EBIT margin 24m	EV/Sales 12m	EV/Sales 24m	EV/EBITDA 12m	EV/EBITDA 24m	EV/EBIT 12m	EV/EBIT 24m	P/E 12m	P/E 24m
Brown-Forman	BF/B US	Not rated	USD	58.7	25,133	6.3%	33.3%	34.1%	8.4x	8.0x	23.9x	22.3x	25.0x	23.1x	31.9x	29.4x
Davide Campari	CPR IM	Not rated	EUR	8.4	9,781	6.6%	23.2%	23.9%	5.4x	5.1x	20.4x	18.8x	23.3x	20.9x	32.5x	29.4x
Diageo	DGE LN	Not rated	GBp	34.5	90,083	6.8%	32.3%	32.7%	6.8x	6.5x	19.1x	18.1x	21.1x	19.9x	24.0x	22.2x
Pernod Ricard	RI FP	Not rated	EUR	166.5	44,193	6.9%	28.9%	29.4%	5.2x	5.0x	16.6x	15.5x	17.6x	16.3x	23.3x	21.3x
Remy Cointreau	RCO FP	Not rated	EUR	132.6	6,650	7.9%	25.4%	26.2%	5.7x	5.3x	20.5x	18.6x	22.6x	20.2x	33.1x	29.4x
Coca-Cola	KO US	Not rated	USD	54.5	210,116	7.1%	28.8%	29.4%	7.0x	6.6x	21.8x	20.3x	24.1x	22.4x	24.5x	22.6x
Fever-Tree	FEVR LN	Not rated	GBp	23.0	2,951	18.7%	29.9%	29.5%	8.4x	7.3x	27.3x	23.9x	27.6x	23.7x	36.6x	32.0x
Monster	MNST US	Not rated	USD	57.5	28,252	9.7%	34.1%	34.5%	6.8x	6.3x	19.0x	17.4x	19.9x	18.0x	26.2x	23.8x
Mean	-	-	-	-	64,326	6.9%	28.7%	29.3%	6.4x	6.1x	20.4x	18.9x	22.3x	20.5x	28.2x	25.7x
Median	-	-	-	-	34,663	6.8%	28.8%	29.4%	6.3x	5.9x	20.5x	18.7x	22.9x	20.6x	28.2x	26.0x
Berentzen	**BEZ GY**	**BUY**	**EUR**	**6.0**	**58**	**3.1%**	**5.8%**	**6.2%**	**0.4x**	**0.3x**	**3.3x**	**3.1x**	**6.1x**	**5.6x**	**11.0x**	**10.0x**

Source: Bloomberg, Metzler Research

A discount to peers is reasonable...

We believe the strong gap can be mainly explained by three factors: **(1)** Berentzen is significantly smaller in terms of size compared to our peer group - Berentzen has a market cap of ~EUR 60m while the average market cap of our peer group amounts to more than EUR 30,000m, **(2)** Berentzen is growing with lower rates and this trend is expected to continue. While we estimate a sales CAGR of ~3% between FY 2018 and FY 2020, consensus expects an average growth of ~7% annually for the peer group during the same time period and finally **(3)** Berentzen's margins are significantly below margins our peer group generates. The difference in margins is a function of lower gross margins. Berentzen's (spirit) products target more price-sensitive customers while most of our peer companies are focused on premium spirits or beverages resulting in higher gross margins:

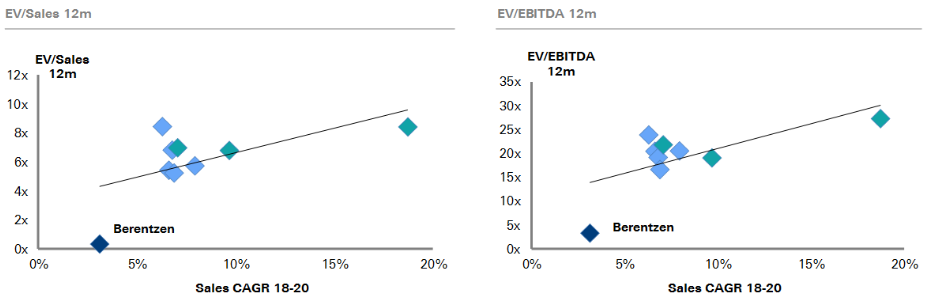
Comparison of FY 2018 gross margins



Sources: Company data, Metzler Research

...but we see room for multiple expansion Given these arguments, a discount to our peer group seems very reasonable. However, regressing EV/Sales and EV/EBITDA multiples with the expected sales growth over the next two years provides an interesting picture in our view: It shows that if Berentzen starts showing its growth potential, there should be enough room for a multiple expansion in our view:

Peer group analysis



Source: Bloomberg, Metzler Research

What's the value of Mio Mio?

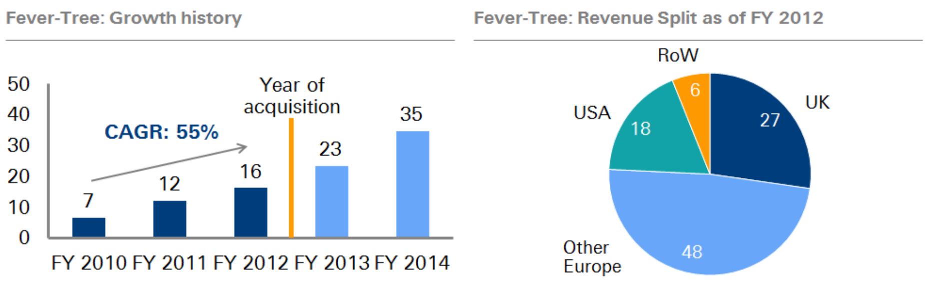
Mio Mio already worth EUR 4.3 in our view

Mio Mio is clearly the highlight in Berentzen's product portfolio. We have therefore tried to determine the fair value of the Mio Mio brand, also in order to draw a further conclusion about the current valuation level of the group. Based on our analysis - provided below - we believe Mio Mio is already worth ~EUR 4.3 per share. Hence, investors get Berentzen's complete spirits and fresh juice system segment for less than EUR 2 (translates into ~0.1x Sales FY 2018) - this seems like an attractive deal in our view.

Fever-Tree and Mio Mio with similar growth profile

The acquisition of Fever Tree serves as a starting point of our analysis. Fever-Tree is a popular producer of drink mixers in particular Tonic Water. In FY 2013, Lloyds Development Capital, a UK based Private Equity firm, acquired a 49% stake in Fever-Tree for an EV/Sales multiple (based on FY 2012 sales) of 5.6x. We believe a similar multiple can be applied in order to value Mio Mio as we note that the general growth profile of both brands is well comparable. For instance, during FY 2010 and FY 2012, Fever-Tree grew annually by ~55% - Mio Mio in contrast over the last two years grew on average by ~50% according to our estimates:

Fever-Tree profile



Sources: Company data, Metzler Research

We apply an EV/Sales multiple of 5.0x

We only noted that Fever-Tree at the time of the acquisition has been one step ahead with regard to the regional footprint. While Mio Mio generates most of its revenue in the German core market, Fever-Tree in FY 2012 was already well-diversified and generated more than 70% of its revenue outside its home market UK. Hence, while we do not deduct a control premium from the transaction multiple - as Lloyds only acquired a 49% stake while 51% remained in the hands of the Fever-Tree management - we account for Mio Mio's lower degree of diversification with a 10% discount. Adjusting the transaction multiple for this discount, we value Mio Mio based on an EV/Sales multiple of ~5.0x. Based on our FY 2018 revenue estimate for Mio Mio of EUR 8m and assuming a pro rata net debt position of EUR 0.1m, we derive at a value per share of ~EUR 4.3.

Valuation of Mio Mio - our base case

EV/Sales multiple Fever Tree	5.6x
Discount to Fever Tree	10%
Fair multiple for Mio Mio	5.0x
Mio Mio Sales FY 2018	EUR 8m
Mio Mio Enterprise Value	**EUR 40m**
Pro rata net debt (cash)	EUR 0.1m
Mio Mio Equity Value	**EUR 40m**
Outstanding shares	9.4m
Mio Mio value per share	**EUR 4.3**

Source: Company data, Metzler Research

Sensitivity analysis of value versus assumed discount vs. Fever Tree

Discount vs. Fever Tree	0%	5%	10%	15%	20%
Value of Mio Mio (EUR)	4.8	4.5	4.3	4.0	3.8

Source: Berentzen, Metzler Research

Assuming an Enterprise Value of EUR 40m for Mio Mio would leave an Enterprise Value of ~EUR 20m for the Berentzen Group excl. Mio Mio. Dividing this EV excl. Mio Mio by the sales excl. Mio Mio results in an implied EV/Sales multiple excl. Mio Mio - investors in our view get 95% of Berentzen's sales for~0.1x FY 2018 which is very attractive in our view:

Valuation of Berentzen excl. Mio Mio

Market capitalisation Berentzen	EUR 58m
Net debt as of FY 2018	EUR 2m
Enterprise value	EUR 60m
Enterprise value Mio Mio	EUR 40m
Enterprise value excl. Mio Mio	**EUR 20m**
Sales excl. Mio Mio FY 2018	EUR 154m
Implied EV/Sales FY 2018 excl. Mio Mio	**0.13x**

Source: Company data, Metzler Research

Balance sheet

(in EUR m)	2016	%	2017	%	2018	%	2019e	%	2020e	%	2021e	%
Assets	189	4.6	143	-24.2	145	1.1	149	2.7	153	2.9	158	3.3
Fixed assets	**60**	**-1.2**	**60**	**0.0**	**59**	**-1.5**	**58**	**-1.8**	**57**	**-1.7**	**57**	**-1.4**
Intangible fixed assets	13	-6.4	13	-5.6	12	-4.7	13	5.7	13	5.6	14	5.4
Goodwill	6	0.0	6	0.0	6	0.0	6	0.0	6	0.0	6	0.0
Other intangible assets	7	-11.1	7	-10.1	6	-9.0	7	11.4	7	10.6	8	9.9
Tangible assets	45	-1.6	46	2.1	46	-0.9	44	-3.9	42	-3.9	41	-3.6
Technical plant and equipment	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Financial assets	2	132.3	1	-10.7	2	8.2	2	0.0	2	0.0	2	0.0
Other financial assets	2	132.3	1	-10.7	2	8.2	2	0.0	2	0.0	2	0.0
Current assets	**129**	**7.5**	**83**	**-35.5**	**86**	**2.9**	**91**	**5.9**	**96**	**5.9**	**102**	**6.1**
Inventories	36	10.3	37	3.9	40	7.9	41	2.9	43	4.5	45	4.3
Receivables and other assets	26	6.7	27	4.2	30	11.6	30	0.8	31	3.2	32	3.4
Cash and cash items	68	7.2	19	-71.3	16	-18.6	19	22.8	22	12.9	25	13.6
Deferred taxes	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shareholders' equity and liabilities	189	4.6	143	-24.2	145	1.1	149	2.7	153	2.9	158	3.3
Shareholders' equity	**45**	**3.3**	**45**	**-1.4**	**47**	**6.3**	**50**	**5.3**	**53**	**6.1**	**57**	**6.9**
Subscribed capital	31	-0.4	31	0.0	31	0.0	31	0.0	31	0.0	31	0.0
Reserves	14	12.6	13	-4.6	16	21.1	19	15.6	22	16.4	25	16.9
Minority interests	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Outside capital	**144**	**5.0**	**99**	**-31.3**	**98**	**-1.3**	**99**	**1.4**	**100**	**1.2**	**102**	**1.4**
Liabilities	132	5.7	88	-33.6	88	-0.3	89	1.6	90	1.4	92	1.6
Financial debt	51	1.4	9	-82.9	8	-5.9	9	11.9	9	0.0	9	0.0
Accounts payable, trade	11	57.2	10	-9.6	9	-4.7	9	0.9	10	2.6	10	2.7
Other liabilities	70	3.6	69	-1.5	70	1.1	70	0.5	71	1.4	73	1.6
Deferred taxes liabilities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Balance sheet total	189	4.6	143	-24.2	145	1.1	149	2.7	153	2.9	158	3.3

Sources: Refinitiv, Metzler Research

Profit & loss account

(in EUR m)	2016	%	2017	%	2018	%	2019e	%	2020e	%	2021e	%
Sales	170	7.2	160	-5.7	162	1.1	167	3.0	172	3.2	178	3.4
Cost of sales	89	7.2	91	2.3	90	-0.6	91	0.9	94	2.6	96	2.7
Gross profit on sales	**81**	**7.3**	**69**	**-14.4**	**72**	**3.4**	**76**	**5.6**	**79**	**4.0**	**82**	**4.2**
Other operating income	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Selling expenses	7	-13.4	7	2.7	8	4.7	8	12.2	9	2.1	9	0.3
General administrative expenses	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other operating expenses	64	6.1	53	-16.7	54	2.7	58	5.9	59	3.3	62	3.5
EBIT	11	38.8	9	-12.3	10	6.3	10	-1.1	11	9.7	12	11.1
Financial result	-4	-0.9	-4	1.5	-2	40.4	-2	5.6	-2	-7.4	-2	0.3
Income from investments	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Interest income (net)	-4	-2.5	-4	12.6	-2	56.0	-1	8.5	-2	-11.5	-2	0.5
Other financial result	0	159.0	-0	n.m.	-1	-89.2	-1	0.0	-1	0.0	-1	0.0
Result of ordinary activities	**6**	**81.5**	**5**	**-19.0**	**7**	**41.9**	**7**	**0.4**	**8**	**10.4**	**9**	**14.5**
EBT	6	81.5	5	-19.0	7	41.9	7	0.4	8	10.4	9	14.5
Taxes on income	2	52.6	3	32.2	2	-15.4	2	2.1	3	10.4	3	14.5
Tax rate (%)	31.3	-15.9	51.1	63.3	30.5	-40.3	31.0	1.7	31.0	0.0	31.0	0.0
Net income	4	98.6	3	-42.4	5	101.6	5	-0.4	6	10.4	7	14.5
Minority interests	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Minority rate (%)	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.
Net Income after minorities	4	98.6	3	-42.4	5	101.6	5	-0.4	6	10.4	7	14.5
Transfers to retained earnings (reserves)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Unappropriated consolidated net income	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Adjustment calculation												
Net Income after minorities	4	98.6	3	-42.4	5	101.6	5	-0.4	6	10.4	7	14.5
Adjustments of net income	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Adjustment rate (%)	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.
Adj. net income after minorities	4	98.6	3	-42.4	5	101.6	5	-0.4	6	10.4	7	14.5
Number of shares outstanding	9	-1.5	9	-0.1	9	0.0	9	0.0	9	0.0	9	0.0
EPS (EUR)	0.47	134.5	0.27	-42.1	0.55	101.3	0.55	-0.3	0.60	10.4	0.69	14.5
EPS adj. (EUR)	0.47	134.5	0.27	-42.1	0.55	101.3	0.55	-0.3	0.60	10.4	0.69	14.5

Sources: Refinitiv, Metzler Research

Cash flow/ratios/valuation

	2016	%	2017	%	2018	%	2019e	%	2020e	%	2021e	%
Cash Flow/ Net Debt (in EUR m)												
Gross Cash Flow	14	10.8	12	-17.8	14	22.6	15	5.6	16	5.5	17	5.3
Increase in working capital	-1	95.0	6	631.3	8	29.8	1	-83.5	2	28.0	2	5.4
Capital expenditures	6	n.a.	8	n.a.	7	n.a.	7	n.a.	8	n.a.	8	n.a.
D+A/Capex (%)	113.1	n.a.	92.3	n.a.	115.7	n.a.	114.7	n.a.	113.4	n.a.	110.0	n.a.
Free cash flow (Metzler definition)	9	-70.4	-2	-123.9	-0	96.2	6	n.m.	7	3.5	7	7.4
Free cash flow yield (%)	12.7	n.a.	-2.8	n.a.	-0.1	n.a.	11.2	n.a.	11.6	n.a.	12.4	n.a.
Dividend paid	2	22.4	2	24.9	2	-12.0	3	27.2	3	-0.2	3	8.3
Free cash flow (post dividend)	7	-73.4	-5	-162.1	-2	52.6	4	278.3	4	6.0	4	6.8
Net Debt incl. Provisions	-5	-322.4	-0	97.0	2	n.m.	-0	-110.7	-3	-982.4	-6	-108.1
Gearing (%)	-11.9	n.a.	-0.4	n.a.	5.0	n.a.	-0.5	n.a.	-5.2	n.a.	-10.1	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.
Ratios (in %)												
Liquidity												
Quick ratio	78.1	n.a.	66.8	n.a.	66.0	n.a.	71.2	n.a.	75.1	n.a.	79.5	n.a.
Current ratio	107.9	n.a.	120.4	n.a.	123.7	n.a.	130.3	n.a.	136.0	n.a.	142.0	n.a.
Pay-out ratio	53.0	n.a.	80.6	n.a.	51.0	n.a.	51.0	n.a.	50.0	n.a.	50.0	n.a.
Balance sheet structure												
Equity/total assets	23.9	n.a.	31.1	n.a.	32.7	n.a.	33.5	n.a.	34.6	n.a.	35.8	n.a.
Equity to fixed assets	75.0	n.a.	73.9	n.a.	79.8	n.a.	85.5	n.a.	92.4	n.a.	100.2	n.a.
Long-term capital to total assets	23.9	n.a.	36.0	n.a.	37.6	n.a.	39.0	n.a.	39.9	n.a.	40.9	n.a.
Long-term capital to fixed assets and inventories	47.2	n.a.	53.1	n.a.	54.9	n.a.	58.4	n.a.	60.9	n.a.	63.9	n.a.
Liabilities to equity (leverage)	292.5	n.a.	197.1	n.a.	184.8	n.a.	178.3	n.a.	170.4	n.a.	161.8	n.a.
Profitability/efficiency												
Working capital to sales	23.3	n.a.	25.5	n.a.	29.0	n.a.	28.9	n.a.	29.3	n.a.	29.5	n.a.
EBIT margin	6.2	n.a.	5.8	n.a.	6.0	n.a.	5.8	n.a.	6.2	n.a.	6.6	n.a.
EBITDA margin	10.3	n.a.	10.2	n.a.	10.7	n.a.	10.9	n.a.	11.2	n.a.	11.5	n.a.
Net ROS	2.6	n.a.	1.6	n.a.	3.2	n.a.	3.1	n.a.	3.3	n.a.	3.6	n.a.
Cash flow margin	8.4	n.a.	7.3	n.a.	8.8	n.a.	9.1	n.a.	9.3	n.a.	9.4	n.a.
ROE (after Tax/Min.)	10.0	n.a.	5.7	n.a.	11.2	n.a.	10.6	n.a.	11.0	n.a.	11.9	n.a.
Productivity												
Average number of employees ('000)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sales per employee (EUR '000)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBIT per employee (EUR '000)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Valuation												
PER	16.2	n.a.	30.2	n.a.	11.3	n.a.	11.2	n.a.	10.2	n.a.	8.9	n.a.
PBV	1.6	n.a.	1.7	n.a.	1.2	n.a.	1.2	n.a.	1.1	n.a.	1.0	n.a.
EV/EBITDA	3.8	n.a.	4.7	n.a.	3.5	n.a.	3.2	n.a.	2.9	n.a.	2.5	n.a.
EV/EBIT	6.3	n.a.	8.4	n.a.	6.2	n.a.	5.9	n.a.	5.2	n.a.	4.4	n.a.
Dividend yield (%)	3.3	n.a.	2.7	n.a.	4.5	n.a.	4.5	n.a.	4.9	n.a.	5.6	n.a.

Sources: Refinitiv, Metzler Research

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Date of dissemination	Metzler recommendation * Previous	Current	Current price **	Price target *	Author ***

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