

Berentzen-Gruppe (BEZ GY) | Consumer Goods

October 18, 2023

We keep our positive view on the stock despite demand headwinds

Due to the transfer of coverage as well as Berentzen's reduction of its revenue and EBIT guidance for the current year, we have cut our 2023e/2024e/2025e sales forecasts by 4%/6%/7% and our 2023e/2024e/2025e EBIT estimates by 4%/21%/25%. Despite a more challenging business environment, we like Berentzen's investment case. We believe that the company can successfully increase its EBIT and margins in the next few years driven by price increases, volume growth, self-help measures and market shares gains in core spirits and non-alcoholic beverages, all of which is not adequately reflected in the share price, in our view.

Review of 9M/23 preliminary results: Berentzen reported preliminary results for the first three quarters of 2023. Sales grew by 5.9% y-o-y to EUR 134.6 m mainly thanks to the implemented price hikes across the product portfolio. Moreover, it should be noted that the non-alcoholic Mio Mio brand continued its success story this year with double-digit increases in volume and revenues, and that the strategic spirits brands Berentzen and Puschkin also gained further market shares. However, as price increases could only offset higher material costs and given that other operating expenses, especially personnel costs, increased visibly, the EBIT declined from EUR 6.8 m in 9M/22 to EUR 5.0 m in 9M/23. With respect to Q3/23, sales decreased by 5% (to EUR 45.6 m) compared to the rather extraordinary high level of Q3/22, which had benefited from catch-up effects after the pandemic. Due to lower fixed cost absorption coupled with cost inflation, EBIT fell from EUR 3.1 m in Q3/22 to EUR 1.7 m in Q3/23, translating into a reduction of the EBIT margin by 260 bps y-o-y to 3.8%.

Fundamentals (in EUR m) ¹	2020	2021	2022	2023e	2024e	2025e
Sales	155	146	174	186	192	198
EBITDA	14	15	17	16	17	19
EBIT	5	7	8	8	9	10
EPS adj. (EUR)	0.13	0.39	0.22	0.37	0.48	0.58
DPS (EUR)	0.13	0.22	0.22	0.19	0.25	0.30
BVPS (EUR)	5.05	5.20	5.34	5.50	5.77	6.10
Net Debt incl. Provisions	-7	-9	-3	2	3	4
Ratios ¹	2020	2021	2022	2023e	2024e	2025e
EV/EBITDA	3.2	3.3	3.1	3.7	3.5	3.2
EV/EBIT	8.8	7.6	6.2	7.7	6.8	6.1
P/E adj.	42.0	16.3	25.6	16.3	12.7	10.5
Dividend yield (%)	2.3	3.5	3.8	3.2	4.1	4.9
EBITDA margin (%)	9.1	10.5	9.6	8.5	9.1	9.6
EBIT margin (%)	3.3	4.6	4.8	4.1	4.6	5.0
Net debt/EBITDA	-0.5	-0.6	-0.2	0.1	0.2	0.2
PBV	1.1	1.2	1.1	1.1	1.1	1.0

¹Sources: Bloomberg, Metzler Research

Buy  **unchanged**

Price* **EUR 6.10**

Price target **EUR 8.00 (8.30)**

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

Market Cap (EUR m) ¹	57
Enterprise Value (EUR m) ¹	59
Free Float (%) ¹	79.4

Price (in EUR)¹



Performance (in %) ¹	1m	3m	12m
Share	-1.6	2.5	16.4
Rel. to Prime All Share	1.9	9.2	-1.1

Changes in estimates (in %) ¹	2023e	2024e	2025e
Sales	-3.7	-6.0	-6.5
EBIT	-4.3	-20.5	-24.8
EPS	-9.1	-28.1	-29.6

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- **Slight reduction of 2023 targets:** In consequence of weakening demand related to consumer restraint, Berentzen has cut the midpoint of its revenue and EBIT target for 2023 by approximately 2% and by around 6%, respectively, and now expects sales of EUR 182-190 m (vs. Metzler estimate: EUR 186 m) and an EBIT of EUR 7.0-8.0 m (vs. Metzler estimate: EUR 7.6 m). Furthermore, at the beginning of next year, the company will introduce updated strategic guidelines to "align and focus the company, the structures and processes as well as the product portfolio even more consistently on the further growth of" its strategic core topics. We would appreciate divestments of non-core assets as this should unlock their hidden value, lead to fairer valuation of the core brands, increase the financial flexibility for the regional expansion of the core brands and thus, create shareholder value.
- **Confirmation of BUY rating with a new PT of EUR 8.00:** Against the background of lower estimates for 2023e-2025e, we have reduced our DCF-based price target from EUR 8.30 to EUR 8.00, while we confirm our BUY recommendation. Trading on 6.9x 2024e EV/EBIT and 12.8x 2024e P/E, we view the stock as undervalued.
- We believe that concerns about a significant reduction in consumer spending for spirits and non-alcoholic beverages are overdone. The company's well diversified product portfolio - consisting of spirits, non-alcoholic beverages, fresh juice systems and private label concepts -, its strong positioning in the mid-price segment, a high level of recognition of the focus spirits brands Berentzen and Puschkin among German consumers and its strong track record in product innovation should cushion a (potential further) deterioration of consumer sentiment.
- As Berentzen can only pass on higher costs to the retail trade with a time delay, increased costs for raw materials will take a toll on profitability in 2023e. However, with the margin trends in the past few quarters pointing in the right direction, we are confident that by 2025e the company will improve its EBIT margin by 90 bps to 5.0% and the EBIT by 31% based mainly on 1) additional price actions, which should more than compensate for cost dynamics 2) volume growth in particular of the Mio Mio brand driven by increasing regional penetration of the German market and the expansion of the catering trade business, 3) operating leverage and 4) positive mix effects, i.e. a higher revenue share of the more profitable Berentzen, Puschkin and Mio Mio brands.

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Key Data

Company profile

CEO: Oliver Schwegmann

CFO: Ralf Bruehoefner

Haselünne, Germany

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

Major shareholders

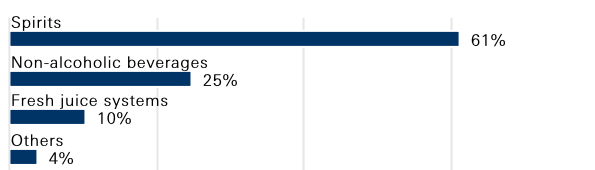
Marchmain Invest NV (5.5%), MainFirst Bank AG (8.5%), Lazard Frères Gestion SAS (5.1%)

Key figures

P&L (in EUR m)	2020	%	2021	%	2022	%	2023e	%	2024e	%	2025e	%
Sales	155	-7.7	146	-5.5	174	19.2	186	6.9	192	3.2	198	3.0
Gross profit on sales	68	-8.4	68	0.0	79	15.8	80	1.2	83	4.0	87	3.9
Gross margin (%)	43.4	-2.7	46.9	7.9	45.5	-2.9	43.0	-5.4	43.4	0.8	43.8	0.9
EBITDA	14	-23.6	15	9.5	17	8.4	16	-4.5	17	9.6	19	8.9
EBITDA margin (%)	9.1	-17.3	10.5	15.9	9.6	-9.1	8.5	-10.7	9.1	6.2	9.6	5.7
EBIT	5	-48.0	7	31.4	8	24.2	8	-8.8	9	16.2	10	13.0
EBIT margin (%)	3.3	-43.6	4.6	39.0	4.8	4.2	4.1	-14.7	4.6	12.6	5.0	9.7
Financial result	-3	-9.2	-1	50.5	-4	-195.4	-3	37.6	-2	7.7	-2	8.3
EBT	2	-68.7	5	135.0	4	-21.3	5	19.9	6	28.6	8	21.0
Taxes	1	-55.1	2	60.2	2	26.3	2	-27.5	2	28.6	2	21.0
Tax rate (%)	45.3	n.a.	30.9	n.a.	49.6	n.a.	30.0	n.a.	30.0	n.a.	30.0	n.a.
Net income	1	-75.0	4	197.0	2	-42.6	4	66.6	5	28.6	5	21.0
Minority interests	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Net Income after minorities	1	-75.0	4	197.0	2	-42.6	4	66.6	5	28.6	5	21.0
Number of shares outstanding (m)	9	0.0	9	0.0	9	0.0	9	0.0	9	0.0	9	0.0
EPS adj. (EUR)	0.13	-74.9	0.39	195.5	0.22	-42.5	0.37	66.9	0.48	28.3	0.58	21.0
DPS (EUR)	0.13	-53.6	0.22	69.2	0.22	0.0	0.19	-11.7	0.25	28.3	0.30	21.0
Dividend yield (%)	2.3	n.a.	3.5	n.a.	3.8	n.a.	3.2	n.a.	4.1	n.a.	4.9	n.a.
Cash Flow (in EUR m)	2020	%	2021	%	2022	%	2023e	%	2024e	%	2025e	%
Gross Cash Flow	12	-23.3	13	13.4	13	-5.8	11	-13.7	12	12.1	13	11.1
Increase in working capital	-5	n.a.	-0	n.a.	8	n.a.	3	n.a.	2	n.a.	1	n.a.
Capital expenditures	5	-27.0	7	44.4	9	24.0	10	8.7	10	1.9	11	6.1
D+A/Capex (%)	177.2	n.a.	119.0	n.a.	92.3	n.a.	84.7	n.a.	86.1	n.a.	84.9	n.a.
Free cash flow (Metzler definition)	12	-9.5	6	-49.3	-5	-174.4	-2	53.3	1	123.8	2	202.3
Free cash flow yield (%)	23.2	n.a.	10.2	n.a.	-8.4	n.a.	-3.7	n.a.	0.9	n.a.	2.7	n.a.
Dividend paid	3	0.0	1	-53.6	2	69.3	2	0.0	2	-11.7	2	28.3
Free cash flow (post dividend)	9	-11.9	5	-48.0	-7	-235.3	-4	36.6	-1	68.5	-1	38.4
Balance sheet (in EUR m)	2020	%	2021	%	2022	%	2023e	%	2024e	%	2025e	%
Assets	145	-4.3	142	-2.1	146	2.9	163	11.3	168	3.2	173	2.9
Goodwill	6	0.0	6	0.0	6	0.0	6	0.0	6	0.0	6	0.0
Shareholders' equity	47	-4.0	49	3.4	50	2.6	52	2.9	54	5.2	57	5.7
Equity/total assets (%)	32.5	n.a.	34.4	n.a.	34.2	n.a.	31.7	n.a.	32.3	n.a.	33.1	n.a.
Net Debt incl. Provisions	-7	-169.0	-9	-24.4	-3	71.4	2	165.3	3	79.7	4	27.3
thereof pension provisions	9	-9.8	9	-2.7	7	-17.8	7	0.0	7	0.0	7	0.0
Gearing (%)	-15.1	n.a.	-18.1	n.a.	-5.1	n.a.	3.2	n.a.	5.5	n.a.	6.6	n.a.
Net debt/EBITDA	-0.5	n.a.	-0.6	n.a.	-0.2	n.a.	0.1	n.a.	0.2	n.a.	0.2	n.a.

Structure

Revenue by segment 2022



Sources: Bloomberg, Metzler Research

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

Date of dissemination	Metzler recommendation *		Current price **	Price target *	Author ***
	Previous	Current			
Issuer/Financial Instrument (ISIN): Berentzen-Gruppe (DE0005201602)					
11.08.2023	Buy	Buy	6.00 EUR	8.30 EUR	Diedrich, Tom
05.05.2023	Buy	Buy	6.50 EUR	8.30 EUR	Diedrich, Tom
28.03.2023	Buy	Buy	6.42 EUR	8.30 EUR	Diedrich, Tom
03.02.2023	Buy	Buy	6.62 EUR	8.00 EUR	Diedrich, Tom
30.11.2022	Buy	Buy	5.52 EUR	8.00 EUR	Diedrich, Tom
18.10.2022	Buy	Buy	5.22 EUR	8.00 EUR	Diedrich, Tom

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

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Berentzen-Gruppe

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