

Berentzen-Gruppe (BEZ GY) | Consumer Goods

December 11, 2020

Covid-19 should also burden the operating performance in FY 2021

We confirm our Buy recommendation with a reduced PT of EUR 7. Up to now, we have assumed in our model a significant recovery in FY 2021 driven by an expected easing of Covid-19. However, due to the recent increase in the number of new infections and the high probability of further tightened lock-down measures in Germany from January of next year, we no longer expect this to happen. In the first half of the year in particular, many celebrations are expected to be cancelled which hence, should burden the operating performance (mainly of the spirits segment). We also expect the environment for fresh juice systems to remain weak due to the low propensity to invest in the restaurant and hotel industry. However, despite this challenging situation, we believe Berentzen is still well positioned. This was also recently confirmed by the Q3 figures - e.g. sales declined by only 5% which is fairly moderate, especially in comparison to other beverage companies. This is also due to the fact that Berentzen only generates ~15% of its sales with on-trade business. In addition, we also believe that Berentzen should still be able to pay a dividend for the 2020 financial year, which we believe well reflects the company's healthy financial position (equity ratio of ~35% as of Q2/20).

Changes in estimates: We no longer expect a recovery in FY 2021 and correspondingly reduce our topline and margin estimates.

Valuation: We continue to value BEZ shares based on our DCF valuation and derive a new PT of EUR 7.

Fundamentals (in EUR m)	2017	2018	2019	2020e	2021e	2022e
Sales	160	162	167	157	153	160
EBITDA	16	17	18	15	15	17
EBIT	9	10	10	6	6	9
EPS adj. (EUR)	0.27	0.55	0.52	0.20	0.33	0.50
DPS (EUR)	0.22	0.28	0.28	0.10	0.16	0.25
BVPS (EUR)	4.75	5.04	5.24	5.18	5.38	5.72
Net Debt incl. Provisions	-0	2	-3	-4	-9	-13
Ratios	2017	2018	2019	2020e	2021e	2022e
EV/EBITDA	4.7	3.5	3.4	3.2	2.8	2.2
EV/EBIT	8.4	6.2	6.3	8.4	6.6	4.4
P/E adj.	30.2	11.3	13.0	27.7	16.6	10.9
Dividend yield (%)	2.7	4.5	4.1	1.8	3.0	4.6
EBITDA margin (%)	10.2	10.7	11.0	9.2	9.9	10.7
EBIT margin (%)	5.8	6.0	5.9	3.6	4.2	5.5
Net debt/EBITDA	-0.0	0.1	-0.1	-0.3	-0.6	-0.7
ROE (%)	5.7	11.2	10.2	3.8	6.2	9.0
PBV	1.7	1.2	1.3	1.1	1.0	1.0

Sources: Refinitiv, Metzler Research

Buy  **unchanged**

Price* **EUR 5.46**

Price target **EUR 7.00 (7.3)**

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

Market Cap (EUR m)	51
Enterprise Value (EUR m)	47
Free Float (%)	79.4

Price (in EUR)



Performance (in %)	1m	3m	12m
Share	1.1	-7.8	-19.5
Rel. to Prime All Share	-0.8	-10.1	-20.9

Sources: Refinitiv, Metzler Research

Changes in estimates (in %)	2020e	2021e	2022e
Sales	-0.5	-1.1	-1.1
EBIT	1.3	-23.7	-10.2
EPS	5.4	-17.8	-0.1

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Our investment case in a nutshell

Investment case remains unchanged

- **(1) 2020 affected by Covid-19 but general growth story intact:** Following a strong FY 2019, FY 2020 will clearly be characterized by declining sales driven by the impact of Covid-19. Covid-19 should in our view in particular affect the fresh juice systems segment given that restaurants and hotels are closed and food retailers not willing to invest in fruit juicers at the moment. Driven by a recent increase in infection rates and expected further lock-down measures beginning in Jan 2021, we also believe that FY 2021 will be impacted by Covid-19. However, the sales situation should improve again after a stabilization with regard to Covid-19. One main driver for the growth should in our view be the Mio Mio brand. Mio Mio is a brand of refreshing soft drinks offered in seven flavours. The most popular is Mio Mio Mate, which is a caffeinated mate-extracted beverage. With annual sales volume growth of above 50% over the last four years (YTD 2020: +12% yoy), the brand is clearly the highlight of the Berentzen product portfolio in our view. We believe that Mio Mio is still at the beginning of its success story.
- **(2) Room for margin improvements in all segments:** As the topline, also the profitability will suffer from the impact of Covid-19, mainly lower gross margins. However, in the mid- to long term, 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 led 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. Margins in the non-alcoholic beverages segment should also increase following the discontinuation of the contract bottling business.
- **(3) Solid balance sheet and attractive dividends:** In our view, Berentzen has a very solid balance sheet, especially following the repayment of the bond in October FY 2017 leading to annual interest savings of more than EUR 2m - e.g. the equity ratio in H1/20 amounted to more than 35% & a net cash position of EUR 13m. Based on the solid balance sheet structure, the company is able to pay attractive dividend streams to its shareholders even in challenging times with uncertainties around Covid-19. The company's dividend policy is to pay out at least 50% of its net income. Given the healthy financial position, we even expect a dividend for the 2020 financial year despite the challenging situation around Covid-19.
- **(4) Mio Mio already worth >EUR 4 per share:** We determined a fair value of the Mio Mio brand, which is a clear highlight of Berentzen's product portfolio. The acquisition of Fever-Tree in FY 2012 for ~6x Sales served as a starting point of our analysis. Fever-Tree is a popular producer of drink mixers in particular Tonic Water. While both, Mio Mio and Fever-Tree have a similar growth profile, we value Mio Mio based on a 10% discount given its stronger regional focus. Adjusting the transaction multiple for this discount, we value Mio Mio based on an EV/Sales multiple of ~5x.

company note

Key Data

Company profile

CEO: Oliver Schwegmann

CFO: Ralf Bruehoefner

Haselünne, Germany

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

Major shareholders

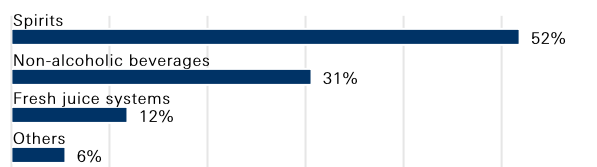
Monolith Investment Management BV (4.9%), MainFirst Bank AG (8.5%), Lazard Frères Gestion SAS (5.1%)

Key figures

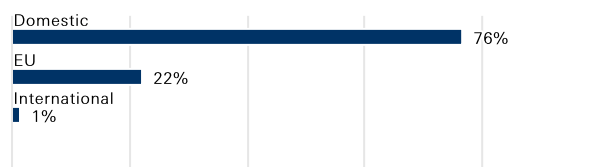
P&L (in EUR m)	2017	%	2018	%	2019	%	2020e	%	2021e	%	2022e	%
Sales	160	-5.7	162	1.1	167	3.2	157	-5.9	153	-2.6	160	4.6
Gross profit on sales	69	-14.4	72	3.4	75	4.2	69	-7.7	68	-1.6	73	7.9
Gross margin (%)	43.2	-9.3	44.2	2.2	44.6	1.0	43.8	-1.9	44.2	1.0	45.6	3.2
EBITDA	16	-6.3	17	5.6	18	6.0	15	-20.7	15	3.8	17	14.0
EBITDA margin (%)	10.2	-0.7	10.7	4.4	11.0	2.6	9.2	-15.7	9.9	6.6	10.7	9.0
EBIT	9	-12.3	10	6.3	10	0.1	6	-43.0	6	14.8	9	36.5
EBIT margin (%)	5.8	-7.0	6.0	5.1	5.9	-3.0	3.6	-39.4	4.2	17.9	5.5	30.6
Financial result	-4	1.5	-2	40.4	-3	-10.0	-3	-11.0	-2	34.8	-2	1.7
EBT	5	-19.0	7	41.9	7	-3.1	3	-62.6	5	68.2	7	52.4
Taxes	3	32.2	2	-15.4	2	0.5	1	-62.6	1	70.3	2	52.4
Tax rate (%)	51.1	n.a.	30.5	n.a.	31.6	n.a.	31.6	n.a.	32.0	n.a.	32.0	n.a.
Net income	3	-42.4	5	101.6	5	-4.6	2	-62.6	3	67.3	5	52.4
Minority interests	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Net Income after minorities	3	-42.4	5	101.6	5	-4.6	2	-62.6	3	67.3	5	52.4
Number of shares outstanding (m)	9	-0.1	9	0.0	9	0.0	9	0.0	9	0.0	9	0.0
EPS adj. (EUR)	0.27	-42.1	0.55	101.3	0.52	-4.6	0.20	-62.4	0.33	66.6	0.50	52.4
DPS (EUR)	0.22	-12.0	0.28	27.3	0.28	0.0	0.10	-64.8	0.16	66.6	0.25	52.4
Dividend yield (%)	2.7	n.a.	4.5	n.a.	4.1	n.a.	1.8	n.a.	3.0	n.a.	4.6	n.a.
Cash Flow (in EUR m)	2017	%	2018	%	2019	%	2020e	%	2021e	%	2022e	%
Gross Cash Flow	12	-17.8	14	22.6	15	6.4	13	-16.2	13	2.1	14	10.4
Increase in working capital	6	n.a.	8	n.a.	-5	n.a.	0	n.a.	-1	n.a.	1	n.a.
Capital expenditures	8	25.9	7	-16.5	7	6.0	6	-8.6	6	-2.6	6	4.6
D+A/Capex (%)	92.3	n.a.	115.7	n.a.	124.1	n.a.	142.3	n.a.	141.6	n.a.	131.9	n.a.
Free cash flow (Metzler definition)	-2	-123.9	-0	96.2	13	n.m.	6	-53.6	7	20.9	7	-8.4
Free cash flow yield (%)	-2.8	n.a.	-0.1	n.a.	20.7	n.a.	12.1	n.a.	14.6	n.a.	13.3	n.a.
Dividend paid	2	24.9	2	-12.0	3	27.2	3	0.0	1	-64.8	2	66.6
Free cash flow (post dividend)	-5	-162.1	-2	52.6	11	596.6	4	-66.8	7	84.5	5	-19.0
Balance sheet (in EUR m)	2017	%	2018	%	2019	%	2020e	%	2021e	%	2022e	%
Assets	143	-24.2	145	1.1	152	4.6	151	-0.5	152	1.0	156	2.6
Goodwill	6	0.0	6	0.0	6	0.0	6	0.0	6	0.0	6	0.0
Shareholders' equity	45	-1.4	47	6.3	49	3.8	48	-1.6	51	4.5	54	6.2
Equity/total assets (%)	31.1	n.a.	32.7	n.a.	32.4	n.a.	32.1	n.a.	33.2	n.a.	34.3	n.a.
Net Debt incl. Provisions	-0	97.0	2	n.m.	-3	-211.6	-4	-52.6	-9	-117.6	-13	-45.3
thereof pension provisions	10	-6.3	10	-5.3	10	-0.9	10	0.0	10	0.0	10	0.0
Gearing (%)	-0.4	n.a.	5.0	n.a.	-5.4	n.a.	-8.3	n.a.	-17.4	n.a.	-23.8	n.a.
Net debt/EBITDA	-0.0	n.a.	0.1	n.a.	-0.1	n.a.	-0.3	n.a.	-0.6	n.a.	-0.7	n.a.

Structure

Revenue by segment 2019



Revenue by region 2019



Sources: Refinitiv, 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)					
26.10.2020	Buy	Buy	5.44 EUR	7.30 EUR	Diedrich, Tom
21.08.2020	Buy	Buy	5.42 EUR	7.30 EUR	Diedrich, Tom
23.07.2020	Buy	Buy	5.92 EUR	7.30 EUR	Diedrich, Tom
25.06.2020	Buy	Buy	6.08 EUR	7.30 EUR	Diedrich, Tom
19.05.2020	Buy	Buy	5.48 EUR	7.40 EUR	Diedrich, Tom
07.05.2020	Buy	Buy	5.44 EUR	7.40 EUR	Diedrich, Tom
27.03.2020	Buy	Buy	5.36 EUR	7.40 EUR	Diedrich, Tom
04.02.2020	Buy	Buy	7.60 EUR	8.80 EUR	Diedrich, Tom

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

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

*** All authors are financial analysts

Berentzen-Gruppe

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