BERENTZEN-GRUPPE AG

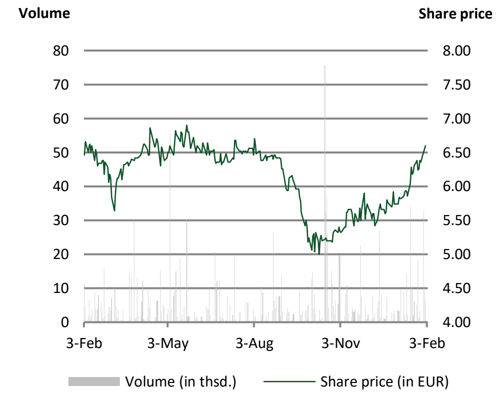
Recommendation:	Buy
Price target:	12.00 EUR
Upside potential:	+84 Percent

Share data

Share price	6.52 Euro (XETRA)
Number of shares (in m)	9.4
Market cap. (in m)	61.2
Enterprise Value (in EUR m)	52.4
Code	BEZ
ISIN	DE0005201602

Performance

52 week high (in EUR)	7.00
52 week low (in EUR)	5.00
3 m relative to CDAX	+4.5%
6 m relative to CDAX	-10.8%



Quelle: Capital IQ

Shareholder

Free float	73,8%
Main First	8,5%
Marchmain Invest	5,5%
Lazard Frères Gestion	5,1%
Aevum Fondation de Prévoyance	5,0%
Eigene Anteile	2,1%

Calendar

Annual report	23. March 2023

Change in estimates

	2022e	2023e	2024e
Revenue (alt)	174,2	188,7	195,2
Δ in %	-	-	-
EBIT (alt)	7,0	7,8	9,4
Δ in %	-	-	-
EPS (alt)	0,41	0,46	0,58
Δ in %	-	-	-

Analysts

Tim Kruse, CFA
+49 40 41111 37 84
t.kruse@montega.de

Nils Scharwächter
+49 40 41111 37 86
n.scharwaechter@montega.de

Publication

Initial	28. Februar 2023

Sustainable percentages for the portfolio

Founded in 1758, Berentzen looks back on a history of over 250 years and is considered **one of the best-known spirits brands in Germany**. Today, the group is an integrated beverage producer with five sites and some 500 employees. The broad product portfolio of branded and private label spirits as well as non-alcoholic beverages is mainly distributed to the German food retail industry. The company focuses on its core brands, Berentzen, Puschkin, Mio Mio, Citrocasa as well as on the premium private label business (revenue share in 2021: 48.3%).

Spirits sales in the German beverage market are expected to grow by an average of 8.2% p.a. to EUR 10.6bn by 2025 and sales of non-alcoholic beverages by 7.7% p.a. to some EUR 50bn. The comparatively strong growth is primarily attributable to **inflation-driven price increases and catch-up effects in the hospitality industry**. That said, consumer trends in individual sub-categories (liquors amongst others) may also result in double-digit growth rates. **We believe that the Berentzen group is strongly positioned in these sub-categories with a couple of focus brands.**

The overall competitive environment can be regarded as competitive and is characterised by a multitude of national and international players. However, Berentzen successfully differentiates itself from comparable suppliers with a **brand portfolio featuring an attractive price-performance ratio** and the ability to anticipate market dynamics and respond very quickly. Additionally, Berentzen has achieved **cost leadership in private label spirits in Germany** and is the partner of choice for the German food retail industry as a **volume market leader** in this area with a rate of 22%. This is complemented by the exemplary CRS strategy for a company of this size, which has received numerous awards. That these strengths are perceived and appreciated by customers is reflected in revenue growth of 19.2% yoy in 2022 (market: c. 8–10% yoy).

After the company has met the 2022 guidance that had been revised upwards twice, we foresee further market share gains in the field of the focus brands driven by the attractive niche strategy. For instance, Mio Mio is expected to reach a CAGR of 20.7% by 2025. We project **growth of 8.3% p.a. by 2025** for the group including the announced sales boost in 2022 (+19.2% yoy) according to preliminary figures. An ever more favourable product mix and economies of scale are seen to result in a **disproportionate increase in earnings** and a surge of the EBIT margin to 5.5%.

Based on our DCF valuation the share is **significantly undervalued** at the current level. Although Berentzen's EBIT margin level is still well below that of the peer group we believe the substantial discount to the peers (EV/EBIT 2023e: 6.7x; peer group: 12.1x) is not justified given that Berentzen generates a **solid double-digit return on capital employed** (ROCE 2022e: 16.3%; 2023e: 15.9%).

Conclusion: The strong competitive position and visible increase in profitability are not sufficiently reflected in the current share price in our view. We take up coverage of the shares with a buy recommendation and a price target of EUR 12.00.

FYend: 31.12.	2020	2021	2022e	2023e	2024e
Sales	154.6	146.1	174.2	188.7	195.2
Growth yoy	-7.7%	-5.5%	19.2%	8.4%	3.4%
EBITDA	14.0	15.4	16.6	17.0	19.0
EBIT	3.7	6.7	7.0	7.8	9.4
Net income	1.2	3.7	3.9	4.3	5.4
Gross profit margin	43.4%	46.9%	43.3%	42.6%	42.9%
EBITDA margin	9.1%	10.5%	9.5%	9.0%	9.7%
EBIT margin	2.4%	4.6%	4.0%	4.1%	4.8%
Net Debt	-7.1	-8.9	-6.8	-4.3	-4.9
Net Debt/EBITDA	-0.5	-0.6	-0.4	-0.3	-0.3
ROCE	8.6%	16.8%	16.3%	15.9%	17.9%
EPS	0.13	0.39	0.41	0.46	0.58
FCF per share	0.88	0.46	-0.28	-0.06	0.29
Dividend	0.13	0.22	0.21	0.23	0.29
Dividend yield	2.0%	3.4%	3.2%	3.5%	4.4%
EV/Sales	0.3	0.4	0.3	0.3	0.3
EV/EBITDA	3.7	3.4	3.2	3.1	2.8
EV/EBIT	14.0	7.8	7.4	6.7	5.6
PER	50.2	16.7	15.9	14.2	11.2
P/B	1.3	1.3	1.1	1.1	1.0

Source: Company data, Montega, Capital IQ   Figures in EUR m, EPS in EUR   Price: 6.52

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INVESTMENT CASE

Berentzen-Gruppe AG, based in Haselünne, Lower Saxony, is one of the oldest spirit producers in Germany. Founded in 1758, Berentzen looks back on a history of over 250 years. While the company's traditions are rooted in the grain distillery, the company achieved an international breakthrough in 1976 with its cult spirit brand *Apfelkorn*. Thanks to the subsequent merger with Pabst & Richarz the Berentzen group rose to become the second-largest company of the spirit industry in Germany. The IPO in 1994 was followed by further acquisitions helping to significantly expand the brand and product portfolio. Based on the strong diversification and decentralisation as well as a dysfunctional ownership structure with over 40 family members, profitability declined considerably in the years thereafter. In 2008, financial investor AURELIUS succeeded in purchasing the shares held by the families, acquiring 75.1% of the ordinary shares. The company returned to profitability thanks to the ensuing restructuring. The acquisition of Austrian TMP GmbH, which was renamed Citrocasa GmbH afterwards, marked the entry into the area of fresh juice systems in 2014. In 2015, all shares were converted into ordinary shares, which was followed by the placement of the complete stake held by AURELIUS in the subsequent year.

In 2017, FMCG-experienced (fast moving consumer goods) CEO Oliver Schwegmann joined Ralf Brühöfner, who had been CFO since 2007. In 2018/19, the company started a product innovation campaign under its new claim "Thirst for life" with the aim to further strengthen the group's sales and earnings quality which builds the foundation for profitable growth in the years to come.

Key Facts

Code	BEZ	Revenue	174.2 EUR m
Industry	Beverage	EBITDA	16.6 EUR m
Employees	approx. 500	EBITDA margin	9.5%
Core competence	Production and distribution of spirits, non-alcoholic beverages and fresh juice systems		
Locations	Haselünne (headquarters), Minden, Grüneberg, Linz (Austria), Istanbul (Turkey)		
Customers	Food and beverage retail (90%), Gastronomy (10%)		

The operating business of the Berentzen group is divided in the following four segments:

- **Spirits (revenue share: 63.4%):** This segment is the company's origin with the traditional Berentzen brand and meanwhile includes both the production and commercialisation of brand spirits (Berentzen, Puschkin, etc.) as well as private label products. The product portfolio of the Berentzen and Puschkin core brands, which is also sold internationally, is complemented by national and regional classic spirits such as Strothmann, Bommerlunder, Doornkaat and Dirty Harry. Subsidiary Pabst & Richarz Vertriebs GmbH, which produces a vast range of gins, whiskeys, and rums of all price levels exclusively for food retailers such as REWE or EDEKA, is responsible for the business activities of the private label spirits.
- **Non-alcoholic Beverages (revenue share: 24.2%):** Mio Mio is the focus brand in this segment and meanwhile has achieved a strong market position in functional beverages (#3 in Germany) since its launch in 2012 with a CAGR of 45.0% thanks to many product variations (caffeine lemonade, mate and cola beverages). It is one of the growth pillars of the Berentzen group. The company also offers various regional mineral water brands and soft drinks (sports and energy drinks and herbal lemonades) and manages the concession business for the Sinalco brand (distribution to hospitality industry). From production to commercialisation, all activities in the field of non-alcoholic beverages are bundled at subsidiary Vivaris Getränke GmbH & Co. KG. German food retailers are the main buyers of the products in this segment as well.
- **Fresh Juice Systems (revenue share: 10.5%):** The group has been active on the market for fresh juice systems since the acquisition of Citrocasa GmbH in 2014.

This is a full-service concept, which comprises the sale of juicers (revenue share: 32%) as well as the trade in oranges (45%) and the sale of bottling systems (23%). The company's sales teams distribute the products to the German and Austrian food retailers, whereas international distributors see to the business abroad.

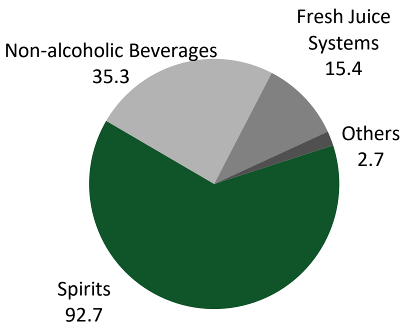
Brand portfolio of the Berentzen-Gruppe AG

Source: Company, Montega

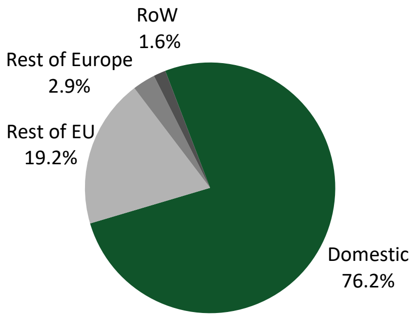
- **Others (revenue share: 1.9%):** This segment includes the activities of the Turkish subsidiary (segment share ca. 75%) and revenues of the *Berentzen Hof* event location at the company's headquarters.

In regional terms, Germany is the dominant sales market with a revenue share of 76.2%. Europe accounts for another 22.1% (2.9% thereof non-EU). The remaining 1.6% of revenues are generated outside of Europe.

Revenue by segments
(in EUR m)



Revenue by regions



Source: Company

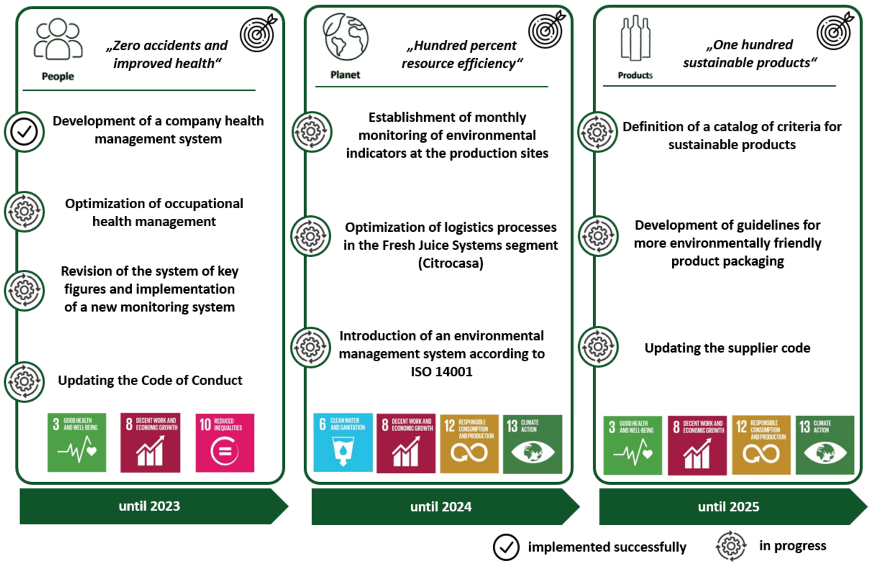
Based on the preliminary figures of FY 2022, the Berentzen group generated revenue of EUR 174.2m, corresponding to growth of 19.2% yoy. EBITDA grew disproportionately low by 8.1% to EUR 16.6m (margin: 9.5%), which is attributable to inflation-related increases in material expenses which were passed on the food retail industry with a delay in time.

In view of the key importance of Corporate Social Responsibility (CSR) in the beverages industry, the chapter below describes the positioning of the Berentzen group in this area, which we consider to be strong. We regard the company's sustainability management as a key component of the investment case.

CSR takes centre stage in the strategy of the Berentzen-Gruppe

In line with the principles of sustainable business management, the Berentzen group pursued the objective to combine economic success with ecological and social responsibility. Accordingly, the company has defined a comprehensive CSR strategy in 2020, which it has consistently pursued since then. It is divided in the three action fields *People*, *Planet* and *Products*, as possible measures for improvement are believed to be the most effective in these areas. The company carried out materiality analyses and comprehensive stakeholder surveys in order to define and formulate its objectives, which were then elaborated in internal workshops. These workshops produced three overriding objectives as well as the "claims" of the three action fields. The field "*People*" with "*Zero accidents and improved health*", for instance, addresses the responsibility and attractiveness of the Berentzen group as an employer. The company also aspires to optimise its use of resources, particularly water consumption ("*Hundred percent resource efficiency*"). With the aim to consistently increase the share of sustainable products ("*One hundred percent sustainable products*"), the management also takes account of the group's responsibility for upstream value chains and sustainability in the field of products and packaging. Based on this, the company has developed a detailed action plan for the individual areas of influence which is planned to be gradually implemented until 2025 (extract shown in the table below).

Illustration of CSR strategy



Source: Company, Montega

One of the biggest challenges of a successful sustainability management is to systematically embed sustainability into the structures and operational processes of the company and to create awareness and understanding about the strategy among employees and external stakeholders. To this end, the Berentzen group has established a sustainability council in FY 2021 to control sustainability issues more efficiently. The steering committee pursues the goal to decentralise sustainability-related responsibilities, integrate them successfully into the specialist departments and corporate processes and to continue to develop the strategy. For instance, the Berentzen codes (Code of Conduct, Marketing Code, Supplier Code), which were introduced in 2017, are currently being updated to include the concept of sustainability into day-to-day business. The management has anticipated the stakeholders' growing interest in commercial sustainability early and addresses this need with comprehensive transparency and a continuing development of the sustainability reporting.

To exemplify the progress made so far, we will take a look at the developments in the field of *Products*. The developments above should underline the success of the CSR strategy which is already clearly visible.

Development in the field of *Products*

	2021	2020	2019
Amount of sustainable products	42	34	0
Share of reusable Container (Non-alc.)	86.7%	69.3%	69.1%
Share of Glas-Container (Non-alc.)	58.1%	46.8%	39.3%

Source: Company

The Berentzen group has taken a pioneering role in this respect in our view. The group is one of the first companies in our coverage universe which already quantifies scope 3 emissions, i.e. those emissions produced in the upstream and downstream value chains. This impression is confirmed by the Gold medal which the company has received from EcoVadis for the second time. Only 5% of roughly 100,000 companies in the sustainability rating are awarded with this medal. The award of EcoVadis is based on recognised sustainability standards of the Global Reporting Initiative and the Global Compact of the United Nations and is considered one of the leading CSR labels. At the same time, Berentzen is among the best 2% of the evaluated spirit producers.

According to its own reports, Berentzen has purchased over 95% of its electricity from renewable energies for a couple of years already. The company recently reported that the installation of two photovoltaic systems at the sites in Minden and Haselünne with a performance of c. 550 kWp and 570 kWp respectively has been completed and will contribute to strengthen the energy independence. In view of an energy-intensive beverages production, this is unlikely to make the purchase of additional external electricity obsolete, but it should cover some 12% of the company's own electricity needs, according to Berentzen, which we view as extremely positive from an economic point of view given the current price level. In addition to an optimised heat supply and more efficient facilities for steam generation, which are mainly needed to clean the bottles, Berentzen announced further investments in the six-digit area to improve building energy efficiency.

Selected CSR awards

Source: Company

Being ranked as top company in 2023 on employer valuation platform kununu, which applies to only some 5% of the employer profiles, is evidence of Berentzen's top position in the field of social sustainability. The company received 4.2 of 5 possible stars, which is well above the minimum requirements of this label. The employer branding, which is of key importance in these times of skills shortage and which is successfully pursued by Berentzen in our view, is reflected in a recommendation rate of over 90%.

We view the CSR performance as a strong distinguishing feature and expect it to result in further competitive advantages and positive news flow.

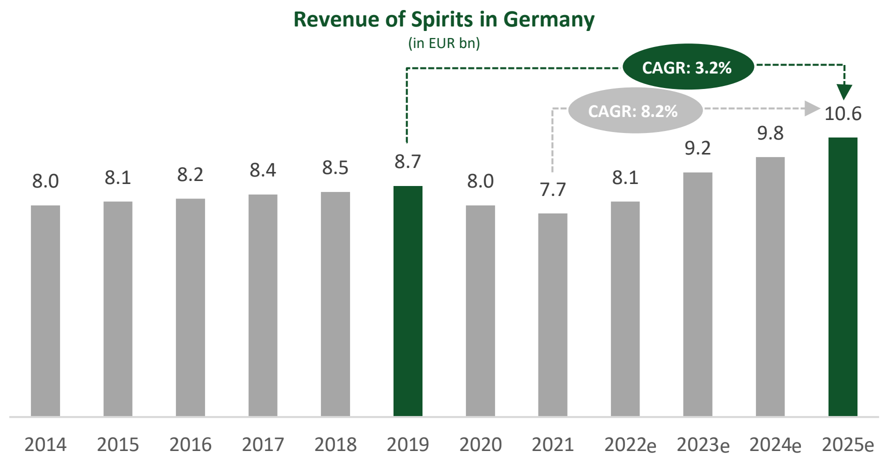
Market growth driven by various consumer trends

Market and competition are analysed on the basis of the different characteristics of the individual business segments in those areas in which the Berentzen group is active (spirits, non-alcoholic beverages, and fresh juice systems).

The market analysis of the three sub-segments focuses on the German sales market, as it is the most important region for Berentzen with a revenue share of 76.3%. Furthermore, the strategic initiatives defined by the company are mainly geared to the German market, which makes it all the more important.

Spirits market shows stable upward trend

Consumer behaviour in the German spirits market has trended sideways for years (CAGR 2010-2021: -0.34%) and stood at 5.2 litres per capita in 2021 according to the Bundesverband der Deutschen Spirituosenindustrie (Association of German Spirits Industry). Per-capita consumption was comparatively resilient during the financial crisis in 2008 and during the Covid-19 pandemic, which makes us conclude that demand for spirits is rather resistant to crisis. Germany is in the upper third in a comparison of European countries, between leading country Belarus with an annual consumption of 15.0 litres per capita and Turkey coming in last with 0.8 litres per capita.



Source: Statista

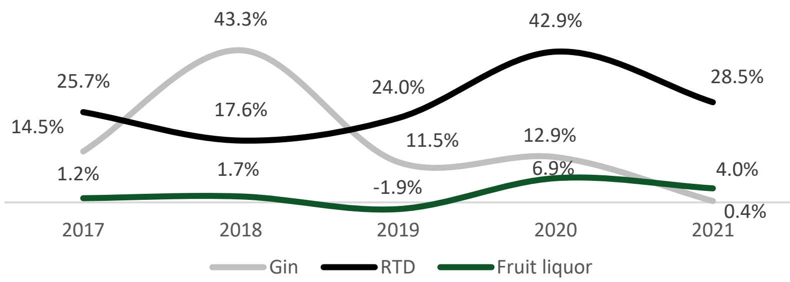
As shown in the chart above, spirit sales had initially increased in comparison to the sales volume of the past years but declined quite sharply during the Covid-19 crisis to EUR 7.7bn in 2021. The reason for the strong decline is the collapse of higher-priced sales in the hospitality industry in consequence of the Covid-19 containment measures. Recovery effects in the hospitality industry and inflation-driven price increases are the major reasons for the expected growth of 8.2% p.a. on average in the spirits market to EUR 10.6bn by 2025. In our view, the average growth rate of 3.2% compared to the pre-Covid-19 year 2019 is of more relevance as it provides a better impression of the organic growth rate of the market.

In addition to the catch-up effects above, the individual sub-segments of the market are expected to develop more dynamically than the overall market. This is mainly due to consumer trends in individual sub-categories such as liquors or gins as well as a general tendency towards premium and special brands, which we will address below.

- **Trends:** The chart below shows a comparison of the quantitative growth rates of the spirits categories gin, fruit liquors, and ready-to-drink (RTD). Choosing gin as an example, we can see that the described consumer trends may lead to above-average growth rates in individual categories, but they can also slow down again over time (growth of 43.3% in 2018 vs. 0.4% in 2021). Conversely, fruit liquors – a category which Berentzen has strongly expanded over the last few years – enjoy increasing popularity and are likely to increase at above-average rates of 8.9% p.a.

by 2025. The RTD category, namely ready-to-drink alcoholic mix drinks with carbon dioxide, has also grown at above-average rates in the past and is expected to increase further at annual rates of 12.1% by 2025 according to Technavio Research. To participate in the short-term trend successful companies must be able to respond quickly with new products and/or have a broad product portfolio which covers these categories.

Volume growth of selected spirit categories



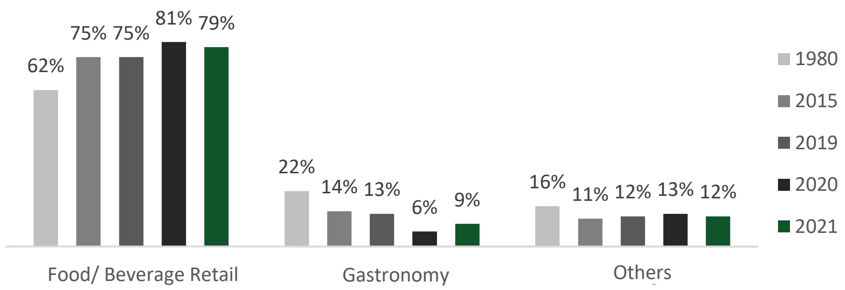
Source: Bundesverband der deutschen Spirituosen-Industrie und -Importeure e.V.

- **"Premiumisation"** has become a development across all categories of the alcohol industry. Millennials have made up a large proportion of the alcohol consumers in the past years – a development which is seen to continue. This generation has a significant purchasing power and therefore drives the demand for diverse, innovative, authentic and high-quality alcoholic drinks. According to market researcher WeMarket Research, the market for premium spirits will grow at an average rate of 10.3% p.a. by 2030, which is disproportionately strong.

Based on the developments above we project that the spirits market which is relevant for Berentzen will grow by c. 3% p.a. by 2023. As explained before, however, a couple of product categories are likely to grow much stronger or weaker than the overall market.

German spirits market by sales channel

(Share in %)



Source: Bundesverband der deutschen Spirituosen-Industrie und -Importeure e.V.

With a view to the sales structure, the chart above shows that the German spirits market is dominated by the food retail industry with a share of just under 80%. This sales channel has gained in importance over the last decades to the detriment of the hospitality industry – an effect that has been intensified by the Covid-19 pandemic. This means we can expect a recovery with the sales share of the food retail industry likely to return to the pre Covid-19 level of c. 75%.

Market for non-alcoholic Beverages develops positively

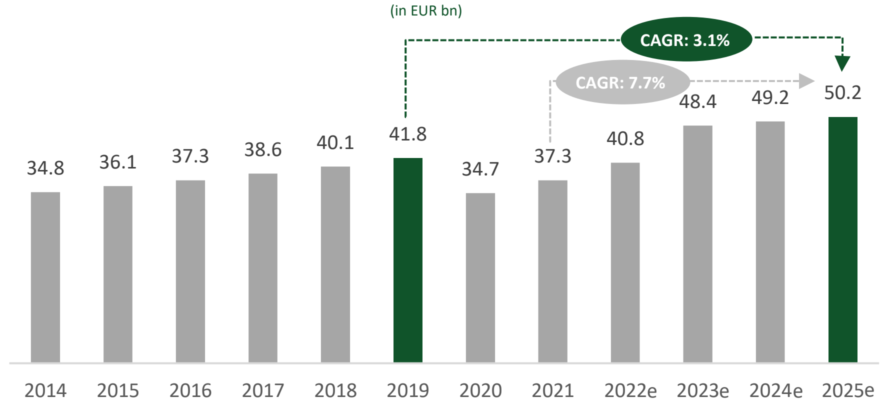
The per-capita consumption of non-alcoholic beverages has slightly grown in the last years (CAGR 2014-2021: 0.5%) and reached a level of 308 litres in 2021. Germany is slightly above the average in a European comparison. Mineral water is the beverage category with the highest per-capita consumption by far (2021: 187 litres; 61%), followed by soft drinks (93 litres; 30%) and juices (23 litres; 8%).

As displayed in the chart below, the sales development of non-alcoholic beverages has a similar pattern than that of spirits. Whilst the sales figures grew consistently from 2014 to 2019, they declined significantly in 2020 driven by the restrictions in the hospitality industry in the context of Covid-19.

The expected growth rate of 7.7% p.a. to a market volume of EUR 50.2bn by 2025 therefore is primarily attributable to these recovery effects. The comparison with the pre-Covid-19 year 2019 is expected to be of more relevance here as well and would lead to "organic" market growth of 3.1% over the next few years.

Revenue of non-alcoholic beverages in Germany

(in EUR bn)

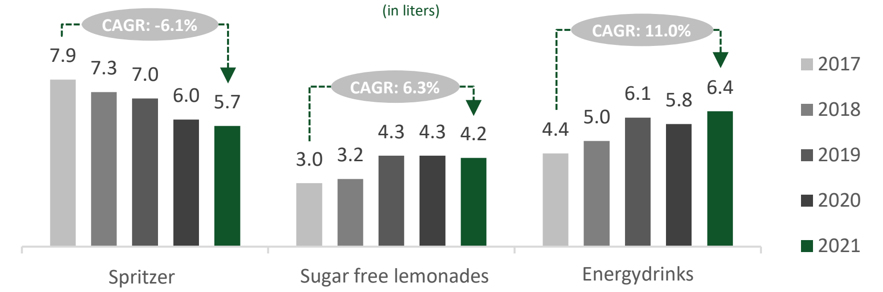


Source: Statista

In addition to the recovery effects described above, the market for non-alcoholic drinks is also driven by trends which result in growth rates that are either well above or below the market average. The chart below confirms this observation on the basis of the development of three beverage categories. Accordingly, sugar-free lemonades and energy drinks grew at an average rate of 6.3% and 11.0% p.a. respectively, whilst demand for spritzers – a mixture of water and juice – declined by -6.1% p.a. over the same period.

Per capita consumption of non-alcoholic beverage categories

(in liters)



Source: Statista

Going forward, the following trends are expected to have a significant impact on the market for non-alcoholic beverages and enable above-average growth rates for companies with the corresponding focus.

- **Sugar-free and reduced-sugar on the rise:** A rising nutritional awareness can be observed in the demand pattern of end customers. Producers have already responded to this trend by changing their product portfolio. Particularly reduced-sugar or sugar-free soft drinks enjoy increasing popularity. For instance, the proportion of "light" products at Coca-Cola grew by an average of 27% p.a. from 2010 to 2020 and most recently accounted for 22% of total production. A study by market researcher K&A revealed that 73% of more than 1,000 participants wanted to consume sugar-free or reduced-sugar beverages.
- **Functional and enriched:** Having additives such as vitamins, minerals, caffeine or other functional ingredients, these beverages are not only stimulants and thirst-

quenchers, but also contribute to a healthier nutrition or fulfil other purposes. After this trend has intensified in the food industry for a couple of years, we also observe high growth rates in beverage categories such as energy drinks (see chart above), mate and isotonic sports drinks. It also becomes clear that Gen Z (born after 1995) is the major customer group of these beverages. A forecast done by Mordor Intelligence reveals that an average market growth of c. 6.5% can be expected by 2026.

- **Ecological and social sustainability:** Consumers also increasingly consider aspects of sustainability and responsibility of producers and brands in their buying decision. Many producers have already responded to this, so that the number of non-alcoholic beverages with bio labels has substantially increased in Germany (2010: 2,653; 2021: 4,284). The 2022 Mintel report found that 33% of the respondents in the age group between 16 and 24 consider sustainability an essential criterion for their buying decision. According to a 2021 report by Statista on sustainable consumption, one third of the study participants of the age group between 16 and 24 said they would be willing to change the beverage brand on sustainability aspects (vs. only 13% of the persons > 50 years).

In summary, the developments presented under the topic of "*mindful consumption*" can be subsumed and should enable average market growth of roughly 7% p.a. of this beverage categories by 2026, which is likely to mainly benefit the Mio Mio brand. That said, we believe that these trends will also have an impact on the Fresh Juice Systems segment, whose market will be described below.

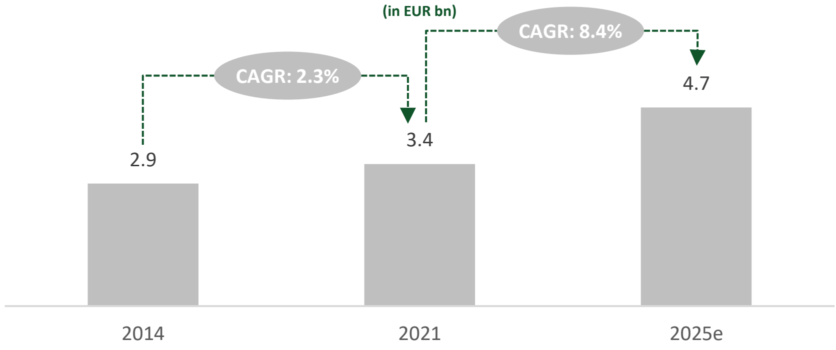
Attractive growth prospects for the fresh juice market

The market development for the specific segment of fresh juice systems is approximated below by the German market for smoothies and fresh juices, which can be regarded as representative in our view.

Sales with smoothies and fresh juices have grown by 2.3% p.a. to EUR 3.4bn in the period since 2014. Based on the trends below, the market is expected to grow at a CAGR of 8.4% until 2025, which would be stronger than expected so far.

- **Purity of the ingredients:** Alongside a higher interest in reduced-sugar products, the ongoing trend of a more conscious nutrition has changed the significance of the ingredients. According to the results of the Consumer Trend Report by K&A mentioned above, 80% of the respondents – thus taking first place – see the use of fresh fruits as a key factor of success for non-alcoholic beverages.
- **Fast good trend:** The demand pattern of the customers also reveals a tendency towards fast, convenient and healthy consumption. As stated in the market analysis on non-alcoholic beverages above, the growing nutritional awareness looks set to also increase the demand for fresh juices and smoothies in the long term.

Market for smoothies and fresh juices in Germany
(in EUR bn)



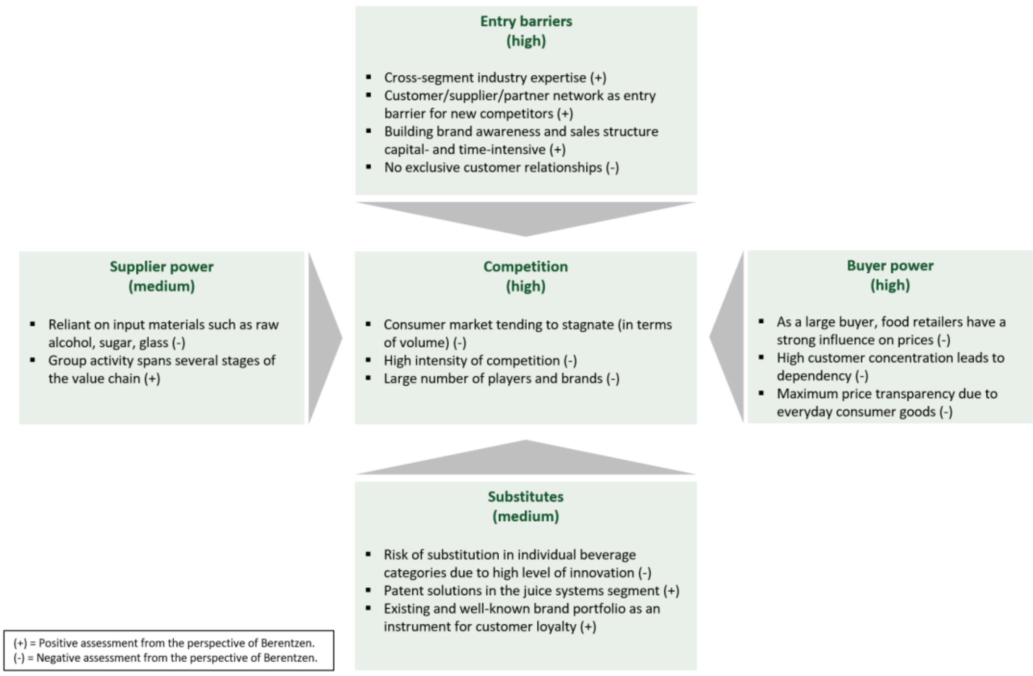
Source: Statista

This leads to the conclusion that the growth prospects for Berentzen in the respective segments are attractive. Although growth is driven by a change in consumer trends in the individual sub-categories, Berentzen is seen to have a promising position as a broad-based beverage group with a diversified product portfolio in all segments presented above.

Strong brands, cost leadership and agility as a recipe for success

As is usual in the food/FMCG industry, the market for beverages is dominated by multi-national groups (e.g. Coca-Cola, Diageo or Heineken). In addition, there is a large number of local players such as Fritz-Kola, Underberg or Dithmarscher, which are often specialised in one beverage category and/or focused on one region. As such, they can stand up to larger multi-national groups and are able to meet the high requirements of the dominant retail chains. We believe the Berentzen group has a high competitive quality given the company's many years of experience in development, production, and distribution of spirits and non-alcoholic beverages and its attractive (brand) product portfolio in both segments at an appealing price-performance ratio.

Competitive position of Berentzen-Gruppe AG



Source: Montega

Because of the different competitive environments and distinguishing features in the segments, the analysis below is again made along the company's segments.

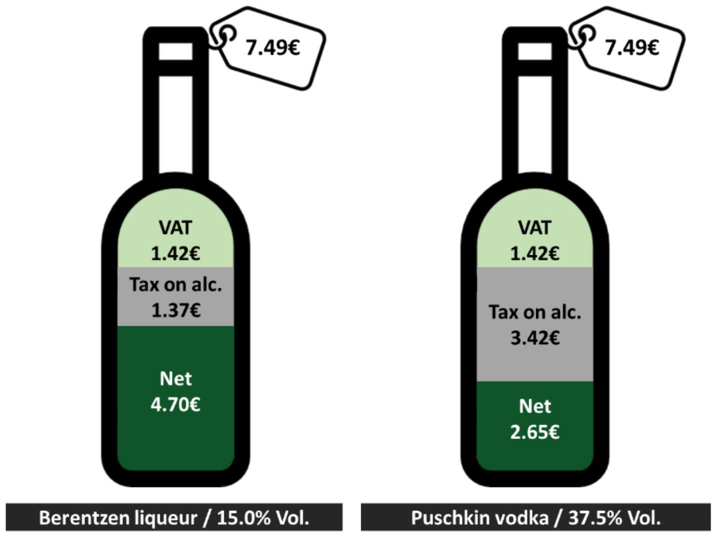
Spirits: Traditional brands and agility in private label business are the keys to success

As described above, the spirits market is dominated by international brands such as Aperol (Campari group), Johnnie Walker and Baileys (both Diageo). In addition, there is a vast number of regional suppliers, which successfully stand their ground against these multi-national groups. This also includes the Berentzen group, which has implemented a successful niche strategy in spirits over the last years based on the following components:

- **Traditional brands at attractive price-performance ratio:** The Berentzen and Puschkin focus brands have been established in the market for decades, they stand for high spirits and time spent in the company of others, and therefore can be considered a standard brand for festivities. Having a shelf price of EUR 7.49 each, these products are entry-level brands and are well below the spirits brands of competitors such as Absolut Vodka (EUR 14.99) or Three Sixty (EUR 12.99) but also above standard brands with price points of around EUR 5-6. The products of the core brands therefore have a special price-performance ratio and, as a consequence, a more attractive turnover rate for retailers (shelf rotation).

- **Successful liquor campaign for focus brands:** The Berentzen group anticipated the growing demand for liquors at an early stage and has shaped this market itself with the liquor campaign started in 2018/19. The huge advantage of liquors is their endless possibility of variations – the company itself speaks of a "confectionery shelf of spirits" in this context. This is also evident from the most recent product variations, which feature exotic flavours such as popcorn or caramel. As can be taken from the chart below, the lower percentage of alcohol (ceteris paribus) also has a positive effect on the contribution margin and therefore is an essential component of the positive sales and earnings development in the Spirits segment.

Sample calculation: liqueur vs. vodka



Source: Montega

- **Cost leadership in private label – strong partner of the retail industry:** Thanks to the high-quality products, consistent investments in automation and a continuing optimisation of processes, the company achieved cost leadership in private label spirits in Germany. Berentzen is volume market leader in this segment with a market share of ca. 22%. Private label products are extremely attractive for the food retail industry for several reasons. On the one hand, this is an opportunity for retail chains to escape the massive promotional pressure of standard brands such as Bacardi or Aperol and generate correspondingly better contribution margins. On the other hand, brands are exclusively developed for food retail partners and offer distinguishing features and an instrument for these chains to retain customers based on the trend to more individuality in alcohol consumption.

Product samples for private label spirits

Source: Company

- **Knowledge transfer of private label concepts for own brands:** The private label business provides Berentzen with the possibility to quickly test new concepts while the market risk is low. While product innovations for mono brands such as Aperol usually have a long time-to-market and higher merchandising risks, private label spirits are tested by food retailers in “in-and-out” campaigns. In many cases, the goods are not permanently listed until after a successful promotion campaign.
- **Organisational structure enables high reaction speed:** Organisational structure and size are other key competitive advantages. Whilst the launch of brand products extends over a period of roughly nine months, private label spirits only need six to eight weeks from recipe to shelf placement. This means that Berentzen can respond much quicker to market changes than brand producers.

Non-alcoholic Beverages: On the pulse of time with growth brand Mio Mio

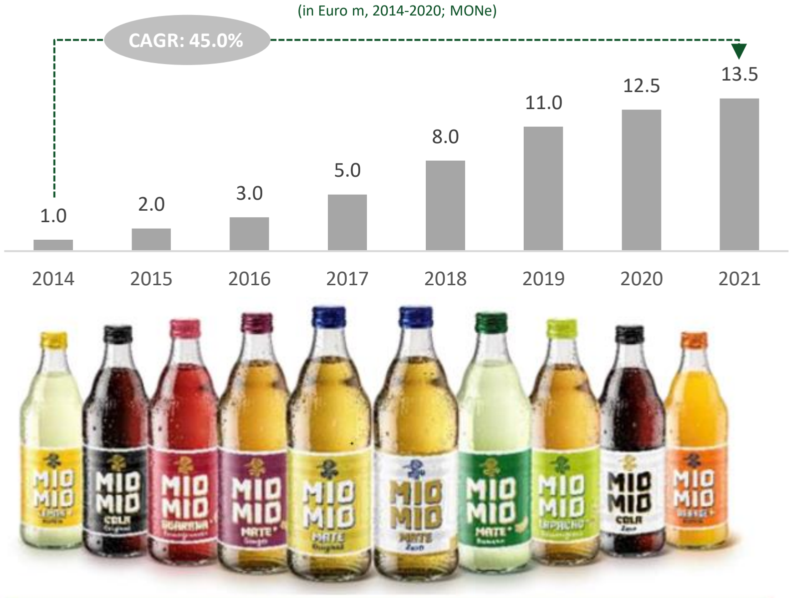
With its numerous brands in the Non-alcoholic Beverages segment the Group has a diversified product portfolio and is in intense competition with national and international peers (e.g. Fritz-Kola, Coca-Cola) as in the Spirits segment. This segment is strategically focused on the Mio Mio brand (segment share: 38.4%), which has achieved a strong market position in the fields of lemonades, mate and Cola drinks over the last years.

The obvious success of Mio Mio shows that the competitive advantages below are perceived and appreciated by the customers.

- **Strong brand at attractive prices:** Berentzen succeeded in creating an urban brand with Mio Mio, which enjoys increasing popularity particularly in the target group of young adults. In combination with the aspects below, which meet the target group’s spirit of the times, the key to success is the attractive price-performance ratio of the brand. As a product for “on-the-go” consumption at prices of EUR 0.89 per 0.5 litres, the drinks of Mio Mio have a price level which is well below that of competitive products such as Fritz-Kola (from EUR 1.20 per 0.5 litres).

Sales development and product overview of Mio Mio

(in Euro m, 2014-2020; MONe)



Source: Company, Montega

- **Sustainability firmly anchored in the brand:** Berentzen’s Mio Mio is a brand in the Non-alcoholic Beverages segment, which is strongly geared to sustainability aspects, a component of the company’s general CSR strategy (cf. page 5-6). Mio Mio’s product portfolio is climate neutral thanks to compensation projects, is exclusively offered in reusable glass bottles, and is produced using 100% green electricity. Consequently, sustainability is a key element of the Mio Mio brand strategy and does not only capture the spirit of the times in terms of its flavour but also takes account of the major criteria of the consumers' buying decision.

- **Diversified product portfolio and high level of innovation:** Berentzen pursues the goal of offering a broad variety of soft drinks to customers under a strong brand helped by different flavours and additional ingredients. Unlike other specialised suppliers such as Club-Mate (mate drinks) and Bionade (herbal lemonade), Mio Mio covers virtually the entire range of soft drinks with lemonades enriched with caffeine, sugar-free alternatives, and mate soft drinks in different flavours. Since its launch in 2012, the product portfolio has been extended to 10 different flavours.
- **Attractive partner of the food retail industry:** Shelf rotation is a key figure in the food retail industry. It is calculated using the average sale in litres per store per week. Mio Mio scores top marks in this category with a turnover of 34.6 according to the company. As a result, the product is very popular in the food retail industry, has pushed Club-Mate (27.9) off the third spot, continues to be on the rise in comparison to Bionade (33.3), and is catching up with its strongest competitor Fritz-Kola (53.9).

Contrary to the extremely positive development in the fields of soft and functional drinks, mineral water, which is still more important in terms of sales volume (segment share: 45.4%) is facing structural challenges. The Berentzen group has well-known regional brands (Märkisch Kristall, Emsland Quelle and Sankt Ansgari). It is true that there is a certain territorial protection in the market for mineral water as transport costs are relatively high in comparison to the selling price. However, the market for mineral water has heavily suffered from tap water substitutes such as Sodastream. What is more, the food retail industry increasingly draws on its own sources to serve the market independently and without any boundaries. For these reasons, the mineral water market is seen to remain a challenge for the Berentzen group and may also be held for disposal if there is a suitable buyer.

Citrocasa: The only 360-degree supplier in the core markets of GER and AUT

The niche market for fresh juice systems in Europe has an oligopolistic structure in the sales channels that are relevant for Berentzen. Citrocasa, which Berentzen acquired in 2014, ranks third here with sales of EUR 15.4m in 2021, behind the Spanish suppliers Zumex and Zummo (the latter has been part of the SEB Groupe since 2022). Both products should have generated sales of c. EUR 25m and have a strong presence in Southern Europe because of their origin. There is an intense competition between these suppliers despite the oligopolistic market structure, so that Citrocasa has turned its focus to the food retail industry in Germany and Austria again following only limited international success. Nonetheless, international sale through distributors is still very attractive for Citrocasa. The two Spanish suppliers mainly address the hospitality industry in Western and Southern Europe. In addition to the regional focus and the sales channel, Citrocasa differentiates itself from the competitors above with the following characteristics.

- **One-stop shop:** Citrocasa is the only supplier with a one-stop solution for the retail industry in Germany and Austria. As well as the juicers (revenue share 2021: 32.1%) this solution includes a 365-day delivery (45.2%) and the supply of the suitable bottles (22.7%). Retailers benefit from a full-service support provided by Citrocasa as a one-stop shop and therefore do not have to build up other partnerships to offer fresh juices.
- **Patented technology ensures that products can be enjoyed without contamination, and downtimes are as low as possible:** The patented cutting technology of the Citrocasa system ensures that no ingredients of the peel, which often is very contaminated, are released into the juice. Other patents refer to the further transportation of the pulp, which can be subject to blockages, and to the machine's cleaning function. The machines of the newest generation can also be connected to the cloud, allowing for remote maintenance and/or troubleshooting, which reduces the downtimes for the food retail industry.

- **Enhancement opportunity and attractive amortisation period for the food retail industry:** The food retail industry faces the challenge of having to stand its ground in an extremely competitive market environment and to improve the customers' buying experience. Citrocasa offers an attractive opportunity to enhance the appearance of the retail shop and to offer an additional service to the customers. Furthermore, the average amortisation period is only 8–10 months, which is why a purchase is also extremely attractive for the retailers from a financial point of view.

To conclude, Berentzen is active in very diverse sub-markets with all of its subsidiaries and products. Over the last few years, the company has established an attractive niche strategy in the relevant focus areas. The operating strategy goes hand in hand with a detailed CSR strategy, which recently has been awarded with the Gold medal from EcoVadis. Consequently, Berentzen is among the top 5% of roughly 100,000 companies rated by EcoVadis and should be a role model in this respect for both its customers and suppliers. The success of the strategies is reflected in a significant improvement in sales and earnings and builds the foundation for the future growth of the group.

Expansion and product innovation make top line growth visible

Before giving a detailed overview of the growth areas of the individual segments, we present the unit economics to contribute to a better understanding. Output in litres and the number of fillings (mainly bottles) are determining factors in the spirits and non-alcoholic beverages sectors. Derived from segment revenues, we can calculate the average sales per bottle and litre. The Fresh Juices segments sells both juicers as well as fruits and bottling systems. The average selling prices and the respective sales result in the presented sales volume.

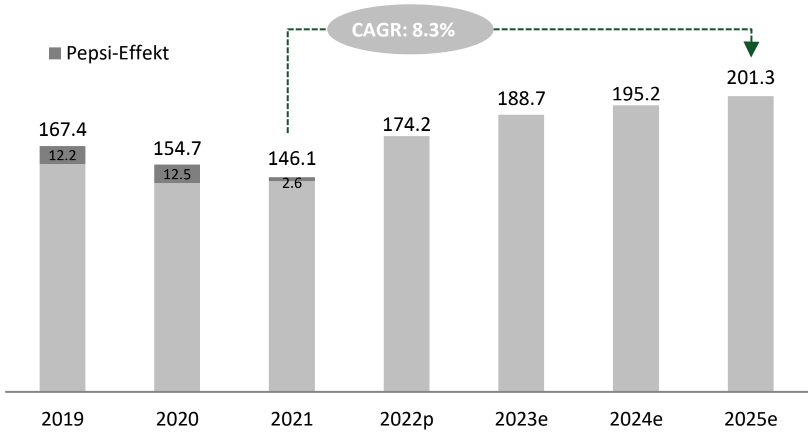
Unit economics overview by segment for FY 2022

	Spirits	Non-alcoholic	Fresh Fruit Systems		
Revenue (in EUR m)	92.7	35.3	5.0	6.8	3.6
Amount of bottles (in m)	127.7	161.1	Juicers (in pcs.) 1,650	Fruits (in tons) 5,900	Containers (in m pcs.) 14
Amount of liters (in m)	51.2	123.4			
Ø EUR/ bottle	0.73	0.22	Ø EUR/juicer 3,000	Ø EUR/kg 1.18	Ø EUR/bottle 0.25
Ø EUR/ liter	1.81	0.29			

Source: Company, Montega

After Berentzen recorded a decline in revenue across the segments in the past years driven by the challenging market environment in the hospitality industry and the discontinuation of contract filling with Pepsi (cf. chart), the preliminary figures show a significant recovery in 2022. The company has raised its sales and earnings guidance two times during the year and, at EUR 174.2m, is set to exceed the pre-Covid level (EUR 167.4m) despite the missing revenues with Pepsi.

Revenue development of Berentzen-Gruppe AG
(in EUR m)



Source: Company, Montega

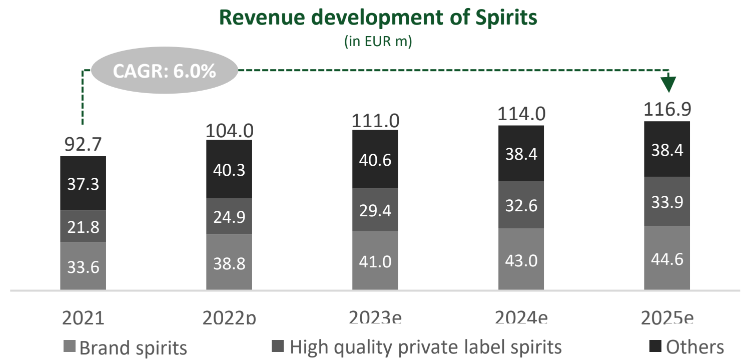
We expect the positive sales development to continue in the next few years and assume a CAGR 2021-2025e of 8.3%, which after the significant jump in earnings in 2022p (+19.2% yoy) would then be attributable to the market development in general and specific aspects in Berentzen's product portfolio.

When looking at the general market development, the following aspects are seen to have a positive impact on the development of the Berentzen group:

- **Inflation-driven price increases:** As most of the supply agreements still had fixed prices in 2022 and price increases in the food retail industry are only reflected later on, we anticipate another general price increase in the medium to upper single-digit percentage range in the market in 2023.
- **Catch-up effects in the event sector:** Although there were no more lockdown measures in 2022, social events were still adversely affected by Covid-19 and by the outbreak of the war in Ukraine at the beginning of the year. We anticipate further recovery effects in 2023.
- **Increasing price sensitivity:** As a result of the strong inflation, we expect many consumers to change from products in the mid-price segment (e.g. Absolut Vodka) to lower-priced brand spirits or higher-quality brands.
- **Willingness to experiment is rising:** Whilst a well-stocked home bar had to include the known brands in the past, consumers nowadays enjoy discovering new "brands" and products that appear to be exclusive. This should mainly be of advantage for the premium/medium private label segment.
- **"Mindful consumption" is an ongoing trend:** The trend towards sustainable, healthy products is expected to continue with the main beneficiaries of the Berentzen group being Mio Mio (functional enriched beverages) and the Fresh Juice Systems segment.

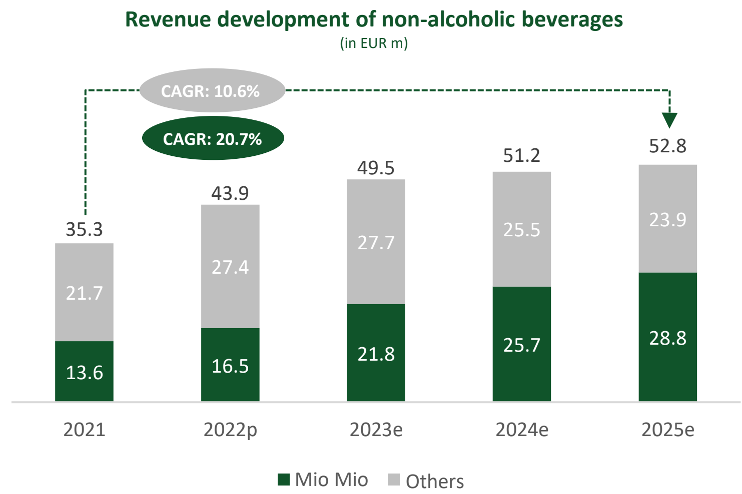
In addition to these general trends, there are certain aspects in the business segments of Berentzen which are seen to drive the expected growth in the next few years

- **Expansion of high-quality private label spirits:** Berentzen is already the partner of choice for the major German retail chains when the development of new retail brands in the field of spirits is concerned. As described above, we see the trend towards higher-quality retail brands as unbroken and even strengthened in the current market environment due to a trading down of the brand products to these categories. As a cost leader in this area, we regard Berentzen as excellently positioned and expect sales in this product category to grow to EUR 33.9m by 2025 (CAGR: 11.7%).



Quelle: Unternehmen, Montega

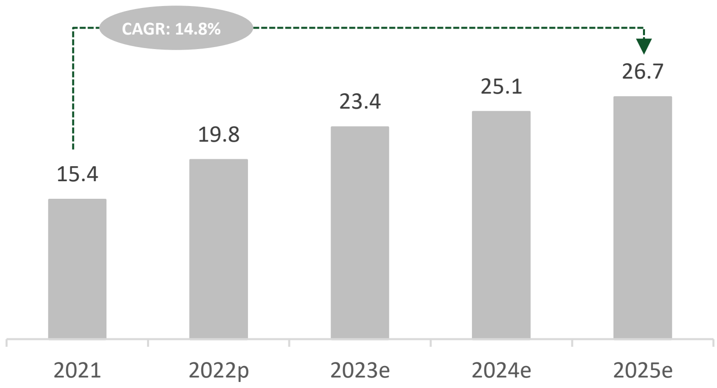
- **Other innovations regarding brand spirits:** As presented in the market section, liquors are a strong trend at present. The group has made a major contribution to this trend by expanding the portfolio of Berentzen and Puschkin in this sector. The company plans to maintain this pace of innovation, launch further product developments in brand spirits in the next few years and to also respond to newly emerging trends quickly with its focus brands. Accordingly, we expect the brand spirits sector to increase sales at an above-average rate of 7.3% p.a. to EUR 44.6m by 2025. As shown in the chart above, the Spirits segment is seen to grow at a CAGR of 6.0% to total revenues of EUR 116.9m by 2025.
- Annual growth rate of Mio Mio of some 20% by 2025 visible:
  1) **Regional expansion:** Mio Mio currently generates the majority of its revenues in Northern Germany. Since its foundation in 2020, Berentzen-Vivaris-Vertriebs GmbH has been responsible for the sales activities of spirits and non-alcoholic beverages. The sales structures for spirits that are already available in Southern Germany will now also be used for Mio Mio to significantly expand the footprint in this region.
  2) **Expansion of distribution in hospitality industry:** Based on the group's focus on the food retail industry, Mio Mio is hardly presented in the hospitality industry. Customers increasingly expect this product to also be available in food and drink establishments due to its great popularity. Berentzen therefore plans to expand this channel for Mio Mio to a stronger extent going forward.
  3) **Product innovations:** A core brand in the Non-alcoholic Beverages segment and flagship of sustainability, Mio Mio is likely to remain a focus area of future product innovations in the field of non-alcoholic beverages.



Source: Company, Montega

- **Decline in mineral water and absence of proceeds from contract filling:** As for the other non-alcoholic beverages, we anticipate a declining trend from 2023 onwards following the price increase and catch-up effects, in view of the challenges for mineral water described above. Consequently, the non-alcoholic beverages segment should grow by 10.6% p.a. to revenues of EUR 52.8m by 2025.
- **Development of the GER/AUT markets with fresh juice systems:** According to the company, there is still significant sales potential for Citrocasa in the German and Austrian focus markets as a major part of the shops does not have the corresponding juice systems yet. At some 1,400 locations, Citrocasa currently has developed roughly 15% of the ca. 10,500 potential locations in this region according to the company. Based on the focused expansion strategy and the described competitive advantages we assume an expansion to 25–30% and roughly 2,600-3,200 locations by 2025.

Revenue development of fresh fruit systems
(in EUR m)



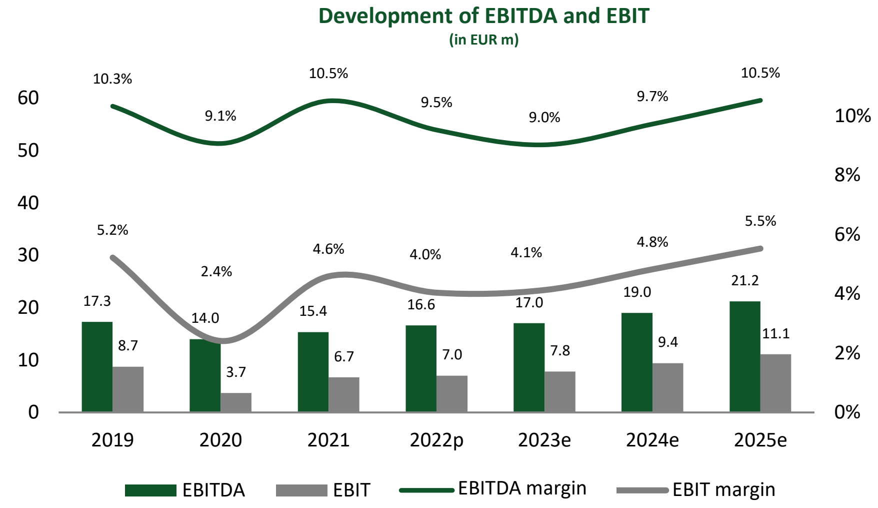
Source: Company, Montega

- **Product expansions:** In addition to further developments of the established orange juicers, the company is currently testing machines for the processing of pomegranates in a pilot phase. They are seen to increase the sales potential of the established brand and provide opportunities to develop new locations. As the test phase has been successful so far, the company is currently in negotiations about larger listings. The Fresh Juice Systems segment is expected to grow at an average rate of 14.8% p.a. to revenues of EUR 26.7m by 2025 and thus make the strongest contribution to the group's growth.

This leads to the conclusion that Berentzen has promising growth opportunities in all segments on the basis of the focus areas and that the high competitive quality should be reflected in a correspondingly positive sales development. The earnings quality is also expected to gradually improve. We will discuss this in more detail in the following chapter.

Earnings increase visible thanks to improved product mix

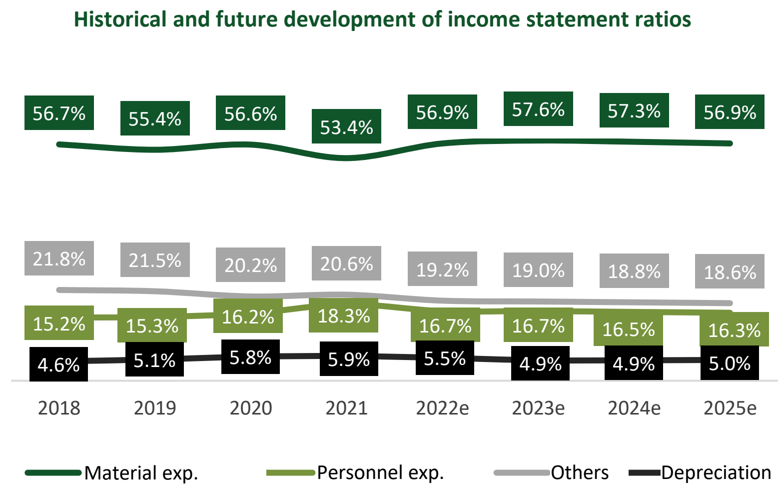
Based on the positive sales development in 2022 und the increases expected for the current financial year, EBITDA looks set to grow again although the earnings margin should initially lag behind the levels of 2021 and pre-Covid-19. Afterwards, however, the EBITDA margin and the EBIT margin are expected to gradually grow to 10.5% and 5.5% respectively by 2025 driven by product mix and economies of scale.



Source: Company, Montega

The major cost items should be subject to the determining factors below and develop as follows:

- **Purchased goods and services (EUR 78.0m or 53.4% of revenue in 2021):** As can be expected for a beverages producer, purchased goods and services are the dominant cost item. The major input factors are alcohol (e.g. grain and other rectified spirits, whiskeys) as well as other additives such as sugar, cream, fruit juices and flavourings. Glass and cardboard packaging as well as transport and logistics costs for incoming goods and products add to this. In the past financial year, costs for alcohol and glass increased substantially, in particular by the outbreak of the war in Ukraine and the associated shortages on the grain market as well as a significant increase in energy prices. Given that prices in retail can often only be increased with a delay of c. 3–6 months and further increases had been expected towards the end of 2022 for some input factors which had not been contractually fixed yet, we anticipate a noticeable increase in the ratio of purchased goods and services for 2022 and 2023 in comparison to 2021. We expect this ratio to improve by c. 35bp p.a. for 2024 and thereafter, which is attributable to fully implemented price increases and improvements in the product mix (rising share of brand and premium private label spirits and Mio Mio).



Source: Company, Montega

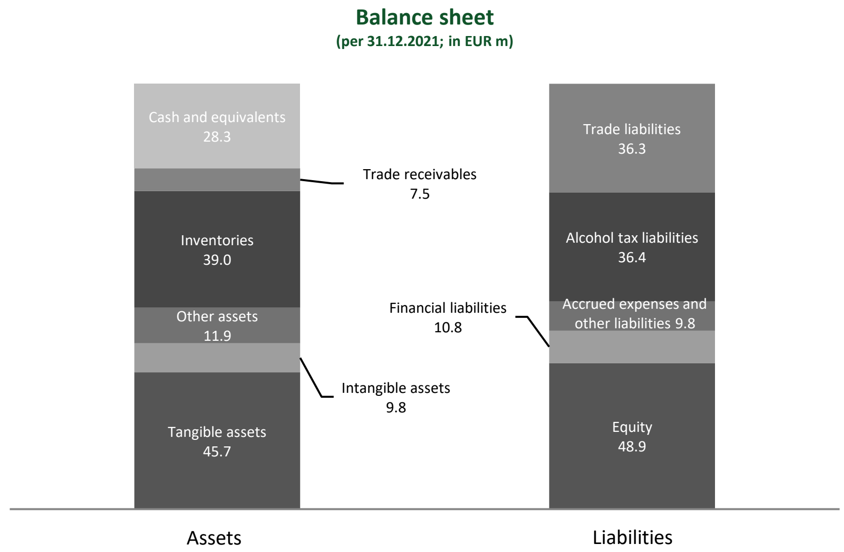
- **Personnel expenses** amounted to EUR 26.8m in FY 2021 (rate: 18.3%; +2.2pp yoy). The relative increase is due to the strong decline in revenues in 2021 which mainly results from the strong decline of contract filling for Pepsi. Based on the significant boost in revenue in 2022 we expect personnel expenses to grow disproportionately low (roughly +9% yoy) and a corresponding decline of the ratio to 16.7%. Personnel expenses are usually also subject to economies of scale but this should be offset in 2023 by rising wage costs driven by the inflationary environment. We expect this cost ratio to decline further by c. 20bp p.a. from 2024.

- **Other operating expenses** (EUR 30.1m; ratio: 20.6%): Major items under operating expenses are transport and external selling costs (share: 50.2%), marketing expenses (11.3% of OOE or 2.3% of sales), maintenance (10.3%) and other expenses (28.6%). Most of these costs are seen to develop disproportionately low to sales, so that we assume a continuing decline of these cost ratios over the coming years.
- **Depreciation and amortisation** of EUR 8.6m in 2021 are mainly attributable to technical equipment and machinery at the group's production sites (share: 74.2%). Other D&A of EUR 1.1m are related to intangible assets. Of this sum, c. EUR 0.8m (9.3%) are due to a purchase price allocation from the acquisition of Citrocasa. In addition to planned depreciation and amortisation, the company recognised an impairment of EUR 1.4m on assets in the Non-alcoholic Beverages segment in 2020. In 2022, Berentzen initially recognised effects from IAS 29 in connection with the hyperinflation in Turkey (MONe: EUR 1.2m).

Solid balance sheet structure dominated by property, plant and equipment and inventories

As is normal for a company in the production industry, the assets side of the balance sheet is dominated by **property, plant and equipment** and **inventories**. The major items under property, plant and equipment are technical equipment, machinery as well as other equipment, operational and office equipment (2021: EUR 22.8m or 16% of the balance sheet total), land, buildings, rights of use and advances to suppliers (EUR 22.9m or 16.1%). Another EUR 9.8m which make up roughly 7% of the balance sheet total are related to intangible assets, which are mainly composed of the **goodwill** of acquired companies (EUR 6.1m) and **trademarks** (EUR 2.1m).

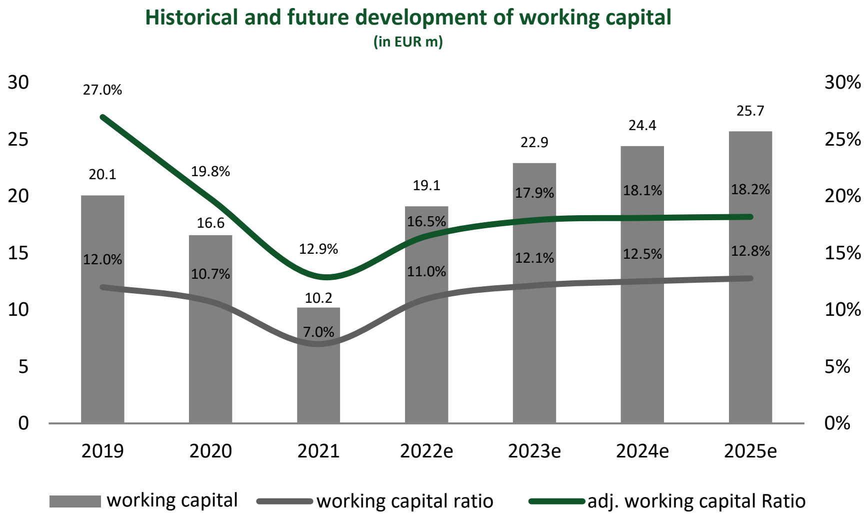
Current assets are dominated by **inventories** of EUR 39.0m (27.4% of the balance sheet total). These are composed of raw materials and supplies (EUR 6.6m), work in progress (EUR 18.3m) and finished products (EUR 14.1m). **Trade receivables** were EUR 7.5m on 31 December 2021 (5.3% of the balance sheet total). The company signed several factoring agreements as part of its short-term funding. Whilst the total available volume of the first factoring line is limited to EUR 60.0m, the second agreement has an unlimited amount. The volume of gross receivables sold amounted to EUR 48.6m at the end of 2021. The security retainers of the receivables sold stood at EUR 7.3m and thus are the dominant item under other assets. Cash and cash equivalents amounted to EUR 28.2m at the end of 2021 (19.9% of the balance sheet total).



Source: Company

The liabilities side of the balance sheet can be regarded as solid with an **equity ratio** of 34.4%. **Trade payables** and **alcohol tax liabilities**, which are received and passed on by the producers, are the other relevant positions of the liabilities with some 25.5% of the balance sheet total each. Alcohol tax liabilities are due until the fifth day of the second month after the month in which the tax liability arose. Consequently, the provisions at year-end include the taxes for the seasonally strong months of November and December, meaning that liabilities are comparatively high at that time in comparison to the annual average (EUR 36.4m; as at 30.06.2022: EUR 30.8m).

Financial liabilities of EUR 10.8m mainly result from the credit lines used as part of the syndicated loan agreement, which has a total volume of EUR 33.0m and a term until 31 December 2026. **Provisions** are dominated by pension provisions of EUR 8.0m, which are expected to be some EUR 2m lower at the end of 2022 based on actuarial mathematics because of the higher interest level.



Source: Company, Montega

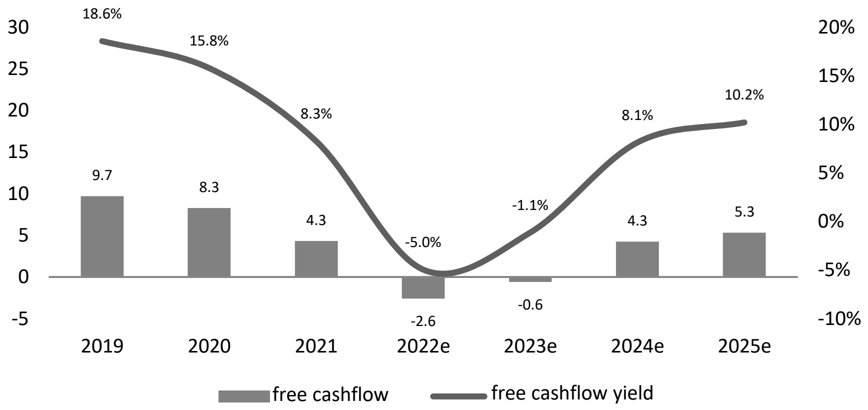
The working capital decline in 2020 and 2021 was in line with the revenue declines in these years. After the working capital ratio in 2021 had been well below the prior years, mainly driven by reporting date factors, the ratios are set to return to a pre-Covid level of some 12.5% in 2022 and thereafter. In comparison to the working capital ratio on the balance sheet, we have also calculated an adjusted ratio for illustration purposes, which takes account of the receivables including factoring (increasing) and alcohol tax liabilities (reducing) in the working capital. The determined ratio is slightly higher but there is no deviation from the basic statement.

Cash flow temporarily burdened by working capital and investments

In the previous years, the company has already proven its ability to achieve cash flow returns in the high double-digits. As a result of the depressed earnings situation driven by the negative impact of the Covid-19 pandemic and the absolute and relative increase of the working capital in 2022 in consequence of the tense supply chains, the free cash flow has deteriorated in line with this. On top of this, there is a certain investment backlog of the last two years which is expected to gradually decline in the coming years. This is why we do not expect the company to return to the strong margins of the past in the short term but assume double-digit figures from 2025.

Historical and future development of free cashflow

(in EUR m)



Source: Company, Montega

Positive news flow expected to continue

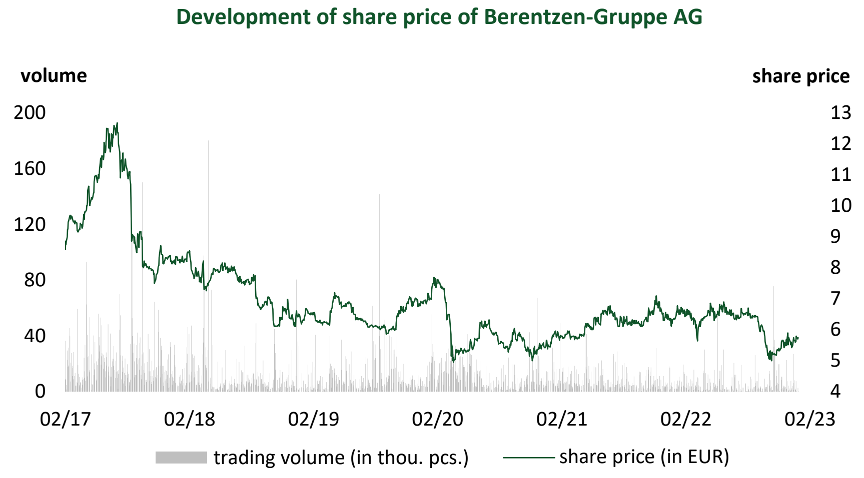
The operating development of the last quarters impressively shows that Berentzen has set the right strategic course in the last years. Consequently, the company has adjusted it guidance upwards two times in the last year and generated revenue growth of 19.2% yoy to EUR 174.2m and consolidated EBIT (adjusted for one-offs) of EUR 8.2m (+22.2% yoy) based on preliminary figures.

Guidance FY 2022	03/22	06/22	10/22	2022p
Revenue	154.0-162.0	158.0-165.0	172.0-177.0	174.2
EBIT	5.0-8.0	6.0-8.0	7.8-8.8	8.2

Source: Company, Montega — Figures in EUR m

Even though the significant price increases in procurement should continue to have an impact in the current year we expect the outlook for 2023 to also be positive which is likely to support the investment case. Furthermore, we anticipate more company announcements related to successes and milestones in the context of the CSR measures and the product portfolio.

The strategic changes and positive sales and earnings development are not sufficiently reflected in the recent share price development in our view. We believe that many investors have not fully perceived the company's changes in the last few years based on the long stock market history of Berentzen. Thanks to an improved capital market communication and a rising importance of CSR criteria in the selection of investments we therefore see the potential of a re-rating for the shares in the coming quarters.

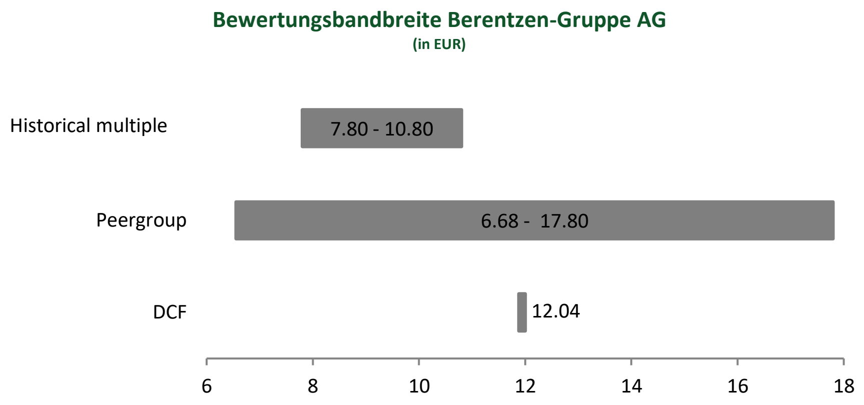


Source: Capital IQ

All valuation models indicate a significant undervaluation

We have valued the Berentzen group on the basis of a DCF model and put this result into perspective using a peer group analysis and a comparison of the historical multiples. All valuation methods suggest that the shares are significantly undervalued at the current price level.

The improved profitability in combination with a normalisation of the working capital should lead to a positive development of the free cash flows. When assuming a beta of 1.3 and a WACC of 8.0%, the DCF model leads to a fair value per share of c. EUR 12.00. This implies an upside of 84% on the basis of the latest closing price.



Source: Montega

The historical multiples comparison is based on our forecast for 2023e and derived from the average multiples for PER and EV/EBIT of the past three years. This results in a fair value per share of EUR 7.80 (PER) and EUR 10.80 (EV/EBIT).

In the context of the peer group, we believe that the discount to German competitor Schloss Wachenheim AG (EV/EBIT 2023e: 11.0x), which should be the closest comparable, is not justified in view of a comparable profitability but much stronger growth.

Conclusion

The strategic focus of the Berentzen group today is much stronger than a couple of years ago. Having positioned its popular brand products in attractive niches, the company is growing profitably in a competitive market with big international conglomerates and a strong dominance of the retail chains. A further aspect is the awarded CSR strategy, which makes Berentzen attractive not only as an employer but also for customers and suppliers. This combination should enable the group to continue to gain further market share in the years to come. In our view, this successful strategy has not been sufficiently perceived by the market yet because of the company's long history in the capital market, which leads to a significant undervaluation on the current price level. We therefore take up coverage of the Berentzen group with a buy recommendation and a price target of EUR 12.00 (upside: 84%).

SWOT

Berentzen-Gruppe AG is active in a competitive market environment in all sub-markets. In the past years, however, the company has established an attractive niche strategy in the respective areas so that opportunities and strengths are seen to outweigh weaknesses and risks.

Strengths

- High brand awareness thanks to company history of over 250 years
- High level of innovation
- Time-to-market in private label area
- Lean and agile company structure
- High shelf rotation of the products
- Cost and market leadership in private label spirits in GER
- Diversified product portfolio
- Mio Mio is a strong brand (particularly in sustainability)
- Attractive position in the market for fresh juice systems

Weaknesses

- Comparatively low operating margins in relation to peer group
- Low market penetration in Southern Germany, particularly in non-alcoholic beverages
- Comparatively high sales share in structurally challenging mineral water market (c. 50% of the Non-alcoholic Beverages segment)

Opportunities

- Increase in profitability by focusing on high-margin products
- Sales potential in Southern Germany
- Sales potential through product innovations
- Mutual knowledge transfer from the areas of private label and brand spirits
- Energy and procurement markets starting to ease
- Recovery and expansion of fresh juice systems segment
- Growing relevance of sustainability and ESG aspects for the customer's buying decision

Risks

- Strong bundling and bargaining power of major food retail chains (top 3 customers: 48% sales share in 2021)
- Massive price pressure in volume-oriented German food retail industry
- Regulatory changes (customers, import tariffs, increase in tax rates)
- Product-related dependence on crop yield (e.g. grain, oranges)
- Growing energy and input costs
- Dependence on trends
- It is relatively easy to substitute the products
- Growing proportion of article 8 and 9 funds, meaning funds which include CSR criteria in the selection of investments

VALUATION

We have valued Berentzen with the help of a DCF model and have also conducted a peer group analysis to verify the plausibility. The assumptions of the DCF model and the peer group are shown below.

DCF model

The assumptions of our DCF model reflect the company's promising medium to long-term growth prospects which are based on a focused niche strategy, an attractive brand portfolio and the resultant anticipated market share gains. In combination with the catch-up effects in the hospitality industry and the expected price increases in 2023, the focus areas look set to significantly overcompensate the structurally less attractive areas of Berentzen's product portfolio and allow for two-digit growth rates (MONe CAGR 2021-2025e: 8.3%). In the long term, we have assumed a gradual decline in growth rates to reflect the competitive market environment. To determine the terminal value we have used a long-term growth rate of 2.0%.

Our planning only takes account of Berentzen's organic growth potential. Although the company has been quite active in M&A in the past, we rather anticipate the disposal of brands that do not belong to the core area than the acquisition of additional companies in view of the focused company strategy.

On the bottom line, we believe that the improved product mix thanks to the increasing share of the more profitable focus areas and the growth-related economies in scale in production, sales and administration will have a positive impact on the profitability. We assume an EBITDA margin of 11.0% and an EBIT margin of 6.0% in 2026. Thereafter, we expect the margins to decline and assume an EBIT margin of 5.5% for the calculation of the terminal value.

The beta of 1.3 reflects the mostly non-cyclical crisis-resilient business model and the company's solid balance sheet structure, but also reflects the highly competitive price environment in the German food retail industry, the emergence of new competitors and the dynamically changing consumer trends.

We assume a risk-free yield of 2.5% on the basis of long-term fixed-rate securities. We apply a market yield of 9.0%, which results in a risk premium of 6.5%. The debt ratio of 40% which we have modelled takes account of the current factoring with a volume of roughly EUR 40m, which is not included in the debt ratio on the balance sheet. These parameters lead to a WACC of 8.0%.

The DCF model results in a **fair value per share of EUR 12.00** for Berentzen-Gruppe AG.

DCF Modell

Figures in m	2022e	2023e	2024e	2025e	2026e	2027e	2028e	Terminal Value
Sales	**174.2**	**188.7**	**195.2**	**201.3**	**207.3**	**212.9**	**218.1**	**222.5**
Change yoy	*19.2%*	*8.4%*	*3.4%*	*3.1%*	*3.0%*	*2.7%*	*2.4%*	*2.0%*
EBIT	**7.0**	**7.8**	**9.4**	**11.1**	**12.4**	**12.5**	**12.6**	**12.2**
EBIT margin	*4.0%*	*4.1%*	*4.8%*	*5.5%*	*6.0%*	*5.9%*	*5.8%*	*5.5%*
NOPAT	**4.9**	**5.5**	**6.6**	**7.8**	**8.7**	**8.8**	**8.8**	**8.6**
Depreciation	**9.6**	**9.2**	**9.6**	**10.1**	**10.4**	**10.6**	**10.9**	**11.1**
in % of Sales	*5.5%*	*4.9%*	*4.9%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*
Change in Liquidity from								
- Working Capital	-8.9	-3.8	-1.5	-1.3	-0.8	-0.7	-0.7	-0.6
- Capex	-7.1	-10.4	-10.7	-11.1	-10.8	-10.6	-10.9	-11.1
Capex in % of Sales	*4.1%*	*5.5%*	*5.5%*	*5.5%*	*5.2%*	*5.0%*	*5.0%*	*5.0%*
Other	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.1
Free Cash Flow (WACC model)	**-1.5**	**0.5**	**3.9**	**5.5**	**7.7**	**8.2**	**8.3**	**8.1**
WACC	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Present value	-1.6	0.5	3.4	4.4	5.7	5.7	5.3	80.7
Total present value	**-1.6**	**-1.1**	**2.3**	**6.7**	**12.5**	**18.2**	**23.5**	**104.2**

Valuation

Total present value (Tpv)	104.2
Terminal Value	80.7
Share of TV on Tpv	77%
Liabilities	19.4
Liquidity	28.3
Equity value	**113.0**
Number of shares (mln)	9.39
Value per share (EUR)	**12.04**
+Upside / -Downside	**85%**
Share price	6.52

Model parameter

Debt ratio	40.0%
Costs of Debt	5.0%
Market return	9.0%
Risk free rate	2.50%
Beta	1.30
WACC	8.0%
Terminal Growth	2.0%

Growth: sales and margin

Short term: Sales growth	2022-2025	4.9%
Mid term: Sales growth	2022-2028	3.8%
Long term: Sales growth	from 2029	2.0%
EBIT margin	2022-2025	4.6%
EBIT margin	2022-2028	5.2%
Long term EBIT margin	from 2029	5.5%

Sensitivity Value per Share (EUR) — Terminal Growth

WACC	1.25%	1.75%	**2.00%**	2.25%	2.75%
8.47%	10.28	10.79	11.08	11.39	12.09
8.22%	10.66	11.22	11.54	11.88	12.65
7.97%	11.08	11.69	**12.04**	12.41	13.27
7.72%	11.52	12.20	12.58	13.00	13.96
7.47%	12.01	12.75	13.18	13.64	14.71

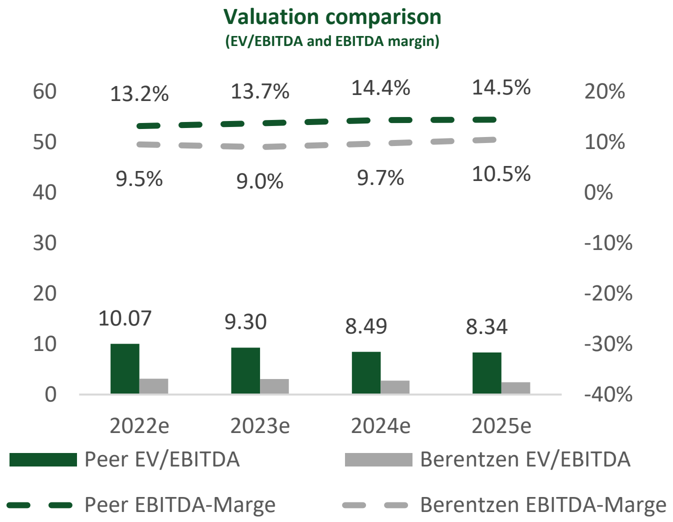
Sensitivity Value per Share (EUR) — EBIT margin from 2029e

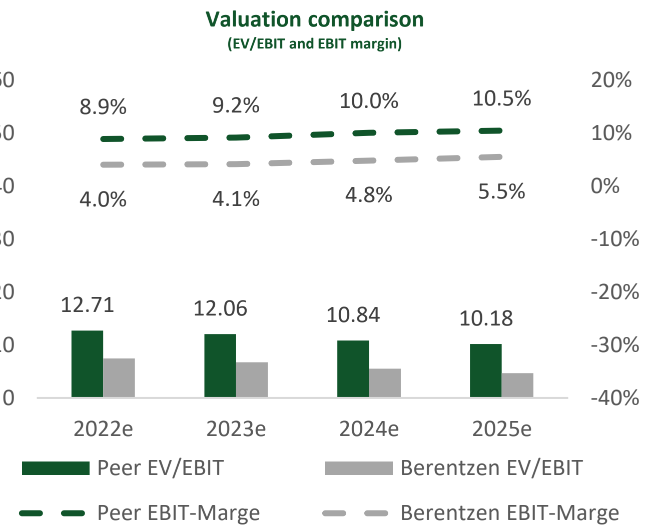
WACC	5.00%	5.25%	**5.50%**	5.75%	6.00%
8.47%	10.34	10.71	11.08	11.45	11.81
8.22%	10.76	11.15	11.54	11.93	12.32
7.97%	11.22	11.63	**12.04**	12.45	12.86
7.72%	11.71	12.15	12.58	13.02	13.45
7.47%	12.25	12.71	13.18	13.64	14.10

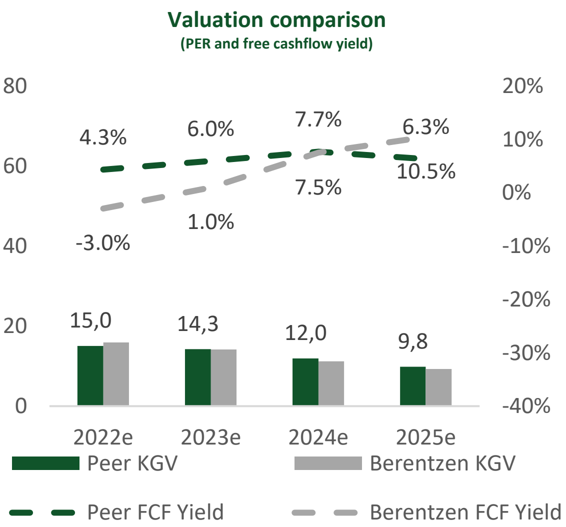
Source: Montega

Peer group comparison

A comprehensive assessment of the industry is made more difficult by several aspects. For instance, many of the direct competitors of the Berentzen group are not listed, or listed in only one other country, or are much larger in terms of business volume and market capitalisation as multi-national groups. Moreover, the multitude of product categories in the beverages industry only allow for a limited comparability of the companies within the peer group. Whilst the three segments of Berentzen cover most of the possible areas as a broadly positioned beverage group, many competitors are specialised in one sector arm, e.g. spirits (i.e. Schloss Wachenheim). To address the challenge of the diverging company sizes we have only included companies with an enterprise value of below EUR 1bn for the sake of better comparability. Schloss Wachenheim AG should be the closest comparable peer in terms of scale and regional presence, but there is no overlap with the Berentzen group in the product portfolio.







Source: Capital IQ, Company, Montega

We believe that the peer group analysis confirms the undervaluation of Berentzen-Gruppe AG with the valuation range being very broad (fair value per share on the basis of the PER 2023e: EUR 6.68; EV/EBITDA 2023e: EUR 17.80). At an **EV/EBIT** multiple of 6.7x on the basis of 2023e, the shares trade significantly below the average multiples of the peer group of 12.1x. Although the expected EBIT margin of the group is lower (2023e: 4.1%; -5.1pp to the peer group) which would render a certain discount plausible, we do not regard this extent as justified – especially when taking into account that Berentzen already achieves returns on capital employed in the high double-digits (ROCE 2022e: 16.3%; 2023e: 15.9%) at the current margin level. Importantly, we believe the discount to Schloss Wachenberg AG (EV/EBIT 2023e: 11.0x), which appears to be the closest comparable peer, is not justified in view of a comparable profitability but much stronger growth.

Overview of the peer group:

Schloss Wachenheim AG (formerly Sektkellerei Schloß Wachenheim AG) from the Palatinate region produces and distributes alcoholic and non-alcoholic sparkling and semi-sparkling wine products and is considered one of the world's largest producers of sparkling wine. Germany, France, East and Central Europe make up the major sales regions. In the last financial year (01.07.2021-30.06.2022) the company generated total revenues of EUR 384.0m and EBITDA of EUR 44.7m, corresponding to an EBITDA margin of 11.6%.

The Dutch producer of spirits and cocktails, **Lucas Bols N.V.**, which is headquartered in Amsterdam, has a broad product portfolio of different spirits (gin, jenever, rum, vodka, etc.). The company sells the alcoholic drinks to over 110 countries worldwide, with Western Europe (esp. the Netherlands) and the United States being the largest sales regions. Most recently (01.04.2021-31.03.2022), the company generated revenues of EUR 92.0m and EBITDA of EUR 21.7m (EBITDA margin: 23.5%).

Marie Brizard Wine & Spirits SA is a producer of wines and spirits which is based in Charenton-le-Pont (France). The company is a global distributor of a comprehensive product portfolio which is composed of fruit spirits, whiskey, vodka and the like. Between 1 July 2021 and 30 June 2022, the company generated revenues of EUR 166.7m and EBITDA of EUR 12.3m, which leads to an EBITDA margin of 7.4%.

The Cumbernauld-based (UK) British **A.G. BARR p.l.c.** has a diversified product portfolio of non-alcoholic drinks such as soft drinks, juices and energy drinks. The company also offers plant-based products such as milk and porridge. The home market is the dominant sales region and accounts for >90% of total revenue of GBP 268.6m (01.02.2021-31.01.2022). The company's EBITDA stood at GBP 50.6m, leading to a margin of 18.8%.

Finish brewery company **Olvi Oyj**, which is headquartered in Lisalmi, produces beers, various soft drinks as well as mineral water and distributes these products under various brands, mainly in Finland and in the Baltic states. The company reported a sales volume of EUR 462.2m and EBITDA of EUR 85.3m in 2021 (margin: 18.5%).

Helsinki-based (Finland) **Anora Group Oyj** emerged from the merger between the Norwegian Arcus and the Finish Altia groups in 2021. In addition to the sale of spirits, wines and other beverages, the group is also active in the production, filling and transportation of ethanol – a pure alcohol. Scandinavia and the Baltic states are the main sales regions. In 2021, revenues amounted to EUR 481.6m whilst EBITDA stood at EUR 51.0m and the EBITDA margin at 10.6%.

Peergroup Berentzen-Gruppe AG

Company	EV (local currency; in m)	EV/EBITDA 2022e	2023e	2024e	2025e	EBITDA margin 2022e	2023e	2024e	2025e
Lucas Bols N.V.	224.2	9.98	9.66	8.66	8.30	24.4%	23.7%	25.4%	25.7%
Marie Brizard Wine & Spirits SA	205.1	15.30	15.19	14.05	n.a.	7.3%	7.3%	7.7%	n.a.
Schloss Wachenheim AG	241.9	5.38	6.30	5.14	4.86	11.7%	9.5%	11.3%	11.5%
A.G. BARR p.l.c.	555.9	10.45	10.01	9.44	8.98	19.8%	17.6%	15.7%	16.0%
Olvi Oyj	641.4	8.48	7.97	6.35	n.a.	14.7%	15.0%	16.5%	n.a.
Anora Group Oyj	823.3	10.15	8.94	8.33	8.38	11.5%	12.4%	13.0%	13.0%
Median		10.07	9.30	8.49	8.34	13.2%	13.7%	14.4%	14.5%
Berentzen-Gruppe AG	**52.4**	**3.15**	**3.07**	**2.76**	**2.47**	**9.5%**	**9.0%**	**9.7%**	**10.5%**
Upside/difference		219%	203%	208%	238%	-3.7PP	-4.7PP	-4.7PP	-4.0PP
Fair Value per share (in EUR)		**18.70**	**17.80**	**18.10**	**19.80**				

Company	EV (local currency; in m)	EV/EBIT 2022e	2023e	2024e	2025e	EBIT margin 2022e	2023e	2024e	2025e
Lucas Bols N.V.	224.2	10.88	10.48	9.34	8.93	22.4%	21.8%	23.5%	23.9%
Marie Brizard Wine & Spirits SA	205.1	25.96	25.64	23.04	n.a.	4.3%	4.3%	4.7%	n.a.
Schloss Wachenheim AG	241.9	8.29	10.95	8.02	7.24	7.6%	5.5%	7.2%	7.7%
A.G. BARR p.l.c.	555.9	13.24	12.86	12.34	11.44	15.6%	13.7%	12.0%	12.5%
Olvi Oyj	641.4	12.19	11.26	9.03	n.a.	10.2%	10.6%	11.6%	n.a.
Anora Group Oyj	823.3	18.01	14.34	12.76	12.88	6.5%	7.7%	8.5%	8.4%
Median		12.71	12.06	10.84	10.18	8.9%	9.2%	10.0%	10.5%
Berentzen-Gruppe AG	**52.4**	**7.44**	**6.72**	**5.56**	**4.70**	**4.0%**	**4.1%**	**4.8%**	**5.5%**
Upside/difference		71%	80%	95%	116%	-4.9PP	-5.1PP	-5.2PP	-5.0PP
Fair Value per share (in EUR)		**10.50**	**11.00**	**11.80**	**13.00**				

Company	EV (local currency; in m)	PER 2022e	2023e	2024e	2025e	Free cashflow yield 2022e	2023e	2024e	2025e
Lucas Bols N.V.	224.2	9.55	9.64	8.28	7.79	7.0%	6.0%	7.2%	7.7%
Marie Brizard Wine & Spirits SA	205.1	44.80	37.33	32.00	n.a.	-1.9%	4.8%	3.6%	0.0%
Schloss Wachenheim AG	241.9	9.65	13.74	9.60	8.39	1.8%	6.0%	9.5%	9.3%
A.G. BARR p.l.c.	555.9	22.49	17.44	17.58	16.55	6.9%	4.0%	4.5%	5.5%
Olvi Oyj	641.4	16.51	15.30	12.34	n.a.	7.2%	10.9%	9.5%	0.0%
Anora Group Oyj	823.3	13.73	12.50	11.75	11.66	-8.9%	10.7%	8.2%	7.2%
Median		15.12	14.52	12.04	10.02	4.3%	6.0%	7.7%	6.3%
Berentzen-Gruppe AG	**52.4**	**15.90**	**14.17**	**11.24**	**9.31**	**-3.0%**	**1.0%**	**7.5%**	**10.5%**
Upside/difference		-5%	2%	7%	8%	-7.3PP	-5.0PP	-0.2PP	4.2PP
Fair Value per share (in EUR)		**6.20**	**6.68**	**6.99**	**7.02**				

Source: Company, Montega, Capital IQ

COMPANY BACKGROUND

Founded in 1758, Berentzen looks back on a history of over 250 years and is seen as one of the best-known spirits brands in Germany. Alongside production and sale of spirits, the company has expanded its business activities to non-alcoholic beverages and fresh juice systems through numerous acquisitions over the years. Today, Berentzen can be regarded as an integrated beverages group, which has an attractive brand profile with a very good price-performance ratio.

To maintain its ground in the highly competitive beverages market in the long term, the company has established a promising niche strategy over the last years which is based on the Berentzen, Puschkin, Mio Mio and Citrocasa core brands. In addition to this business, the company has a market-leading position in private label spirits which makes the Berentzen group an appreciated partner for customers such as EDEKA and REWE.

Key Facts

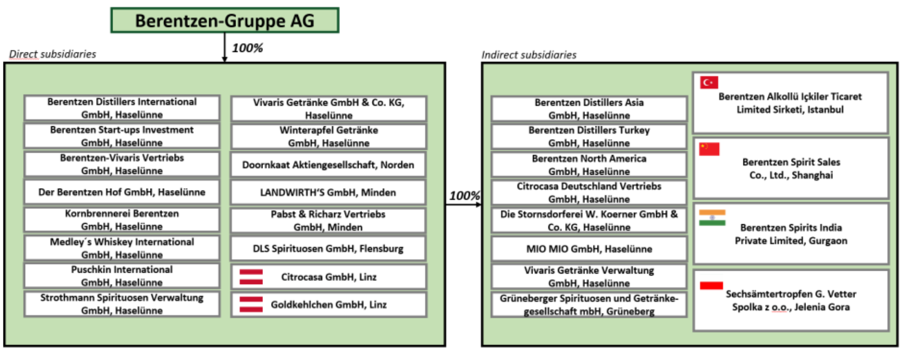
Code	BEZ	Revenue	174.2 EUR m
Industry	Beverage	EBITDA	16.6 EUR m
Employees	approx. 500	EBITDA margin	9.5%
Core competence	Production and distribution of spirits, non-alcoholic beverages and fresh juice systems		
Locations	Haselünne (headquarters), Minden, Grüneberg, Linz (Austria), Istanbul (Turkey)		
Customers	Food and beverage retail (90%), Gastronomy (10%)		

Source: Company FY 2022p

Organisational structure and locations

Berentzen-Gruppe Aktiengesellschaft, the holding company of the group, is located in Haselünne. Based on the long history and the vast range of activities, the company has many different direct and indirect subsidiaries which are all fully owned by the group. The table below shows the scope of consolidation divided by direct and indirect subsidiaries.

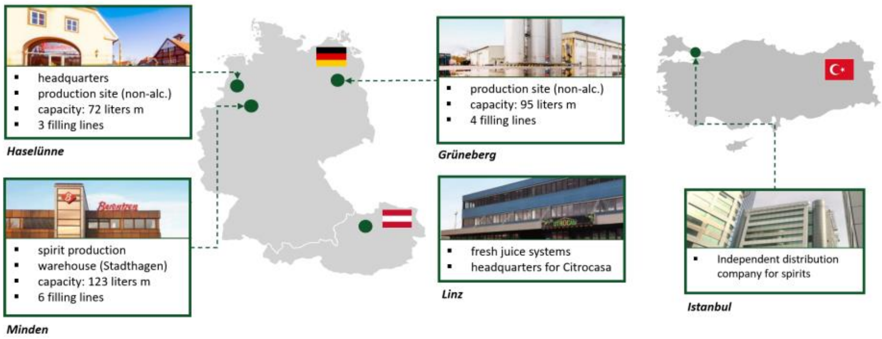
Corporate structure of Berentzen-Gruppe AG



Source: Montega

The chart below shows the group's operating locations for production, administration and sale of the goods.

Locations of Berentzen-Gruppe AG



Source: Unternehmen

Major events in the company's history

1758 Company is founded by Johann Bernhard Berentzen

1899 Berentzen is entered as a brand as one of the first German spirits

1958 Entry into the non-alcoholic beverages segment (Emsland Getränke)

1960 Start of the concession business with the PepsiCo group

1976 Successful launch of *Berentzen Apfelkorn* as the group's flagship

1979 Expansion of the export business

1988 Merger with Pabst & Richarz to Berentzen-Gruppe

1990 Acquisition of the Puschkin brand which was later expanded as an umbrella brand

1992 Acquisition of Doornkaat, the well-known grain spirits brand

1993 Conversion into a Aktiengesellschaft

1994 IPO at the Frankfurt stock exchange

1996 Acquisition of Mineralbrunnen in Grüneberg

1998 Acquisition of rival Dethleffsen and thus expansion of product assortment

2008 AURELIUS acquires 75.1% of the ordinary shares

2014 Acquisition of today's Citrocasa GmbH (formerly: TMP Technic-Marketing-Products GmbH; AT) which marks the entry into the fresh juice system segment

2015 Vivaris Getränke GmbH & Co. KG acquires concession from Sinalco

Conversion of non-voting preference shares into shares with voting rights

2016 AURELIUS sells the complete investment

2018 "Thirst for live" is the new slogan of the Berentzen group

2019 Innovation campaign in the product portfolio

2020 Foundation of Berentzen-Vivaris-Vertriebs GmbH (own sales team) to sell spirits and non-alcoholic beverages

Acquisition of Austrian premium cider brand *Goldkehlchen*

Brand portfolio and segments

The chart below shows the brand portfolio of the Berentzen group in the individual segments (Spirits, Non-alcoholic Beverages, Fresh Juice Systems). The right column displays all those brands which are in the focus of the company's strategy and which therefore play a decisive role in the equity story.

Brand portfolio of the Berentzen-Gruppe AG

Source: Company, Montega

The four segments below are the basis of reporting pursuant to IFRS 8.

Spirits segment (revenue share: 63.4%)

This segment with its traditional Berentzen brand is the origin of the company. In addition to the Berentzen and Puschkin core brands, the company offers other regional and national spirits brands such as Strothmann, Bommerlunder, Doornkaat or Dirty Harry. In the last years, the company has started a broad innovation campaign for its focus brands and launched various product variations which address different target groups. For instance, the seasonal Berentzen *Creamers* product line addresses the target group of younger consumers because of the available flavours and the product presentation. The high-quality product design and lower sweetness of *Landlikör* addresses persons aged 35+. The **domestic brand spirits account for roughly one third of revenues in this segment**. Subsidiary Pabst & Richarz Vertriebs GmbH is responsible for the business activities of the private label business and bundles the commissioned products of all kinds of spirits for customers such as REWE, EDEKA, or the Schwarz group. Together with the export of the brand spirits, the revenue share of these activities accounts for the remaining two thirds of this segment.

Sample product overview in the spirits segment

Source: Company

Non-alcoholic Beverages (revenue share: 24.2%)

The non-alcoholic beverages segment is exclusively managed by subsidiary Vivaris Getränke GmbH & Co. KG. Mio Mio is the declared focus brand, which is characterised by a sustainable focus (fully climate-neutral) and additive ingredients such as caffeine, guarana, or mate. At an average growth rate of over 30% p.a., **Mio Mio** has been the growth driver of this segment in the past few years and meanwhile accounts for a **segment share of more than one third**. Regional mineral waters of the brands Emsland, Märkisch Kristall and Sankt

Ansgari (revenue shares: almost 50%) make up the largest share in the Non-alcoholic Beverages segment in terms of volume. The remaining revenues in this segment are generated with other lemonades and soft drinks, energy drinks and with the concession business for Sinalco. Contract filling for PepsiCo was discontinued at the end of Q1/21.

Sample product overview in the non-alcoholic beverage segment

Source: Company

Fresh Juice Systems (revenue share: 10.5%)

The acquisition of TMP Technic-Marketing-Products GmbH in 2014, which changed its name to Citrocasa GmbH in July 2019, marked the entry into the market for fresh juice systems. The company's range of services include the distribution of juicers but also the supply of oranges and the corresponding bottling systems. This one-stop solution of Citrocasa addresses the retail in Germany and Austria, whilst juicers are sold by distributors on a global scale. The distribution of juicers accounted for roughly 32% of revenues in FY 2021, trade in oranges for roughly 45% and the sale of bottling systems for roughly 23%..

Sample product overview in the fresh juice systems segment

Source: Company

Others (revenue share: 1.9%)

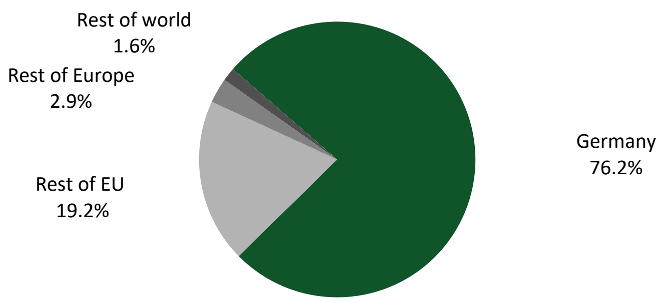
This segment includes the activities of the Turkish subsidiary (segment share c. 75%) and revenues of the *Berentzen Hof* event location at the company's headquarters in Haselünne. In the years prior to Covid-19, *Berentzen Hof* had been a popular destination with more than 35,000 visitors per year.

Sales breakdown by regions and channels

Germany is the group's regional sales focus with revenues of EUR 111.4m in 2021 and a share of 76.2%. The company generated a top line contribution of EUR 28.1m (19.2%) in other countries of the European Union. Revenue streams from the international business also comprise the rest of Europe with EUR 4.3m (2.9%) and revenues outside Europe of EUR 2.3m (1.6%).

In terms of sales channels, Berentzen follows the general market distribution and, at a sales share of c. 90% (MONe), addresses almost exclusively the food retail industry. Accordingly, revenues generated with the food and drink establishments account for some 10%.

Revenues by region

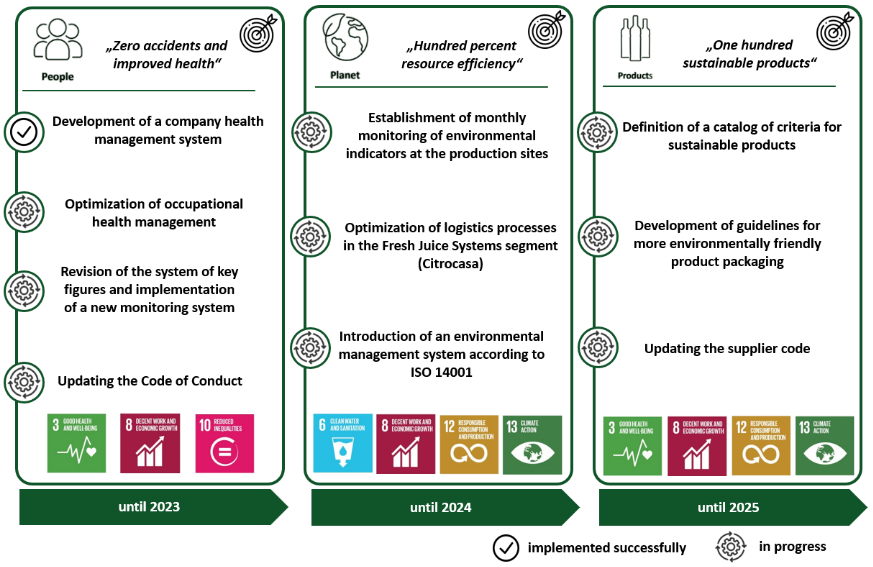


Source: Company

CSR strategy

Corporate Social Responsibility is a key priority for the Berentzen group and can be regarded as exemplary for a company of this size regarding the scope of reporting. That the efforts in this area are paying off has been demonstrated by the Gold Medal which the company has been awarded by EcoVadis most recently. Only 5% of the over 100,000 rated company receive this medal. The strategic key aspects and the corresponding measures of the CSR strategy can be seen in the chart below.

Illustration of CSR strategy



Source: Company, Montega

Management

The current Management Board consists of CEO Oliver Schwegmann and CFO Ralf Brühöfner.

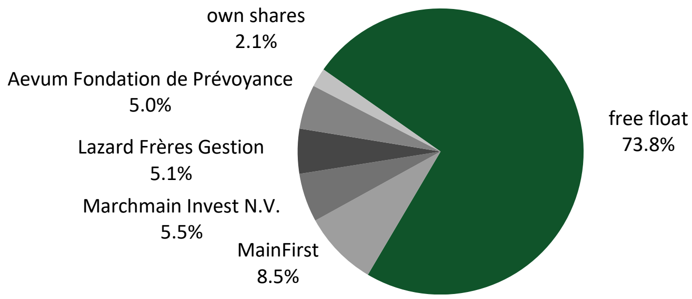
Oliver Schwegmann (CEO) assumed this position in June 2017 and is responsible for marketing, distribution, production & logistics, procurement as well as research & development. The graduate sports economist had held several management positions at prestigious companies prior to this. Most recently, Mr. Schwegmann was Country Managing Director at L'Oréal Suisse SA in Switzerland. Hero AG, Mars GmbH and August Stock KG were other renowned companies, where he held management positions.

Ralf Brühöfner (CFO), a business graduate, started his career at PwC, where he gained experience in investment controlling over several years. In 2001, Mr. Brühöfner joined the Berentzen group as commercial manager and was appointed to the Management Board as CFO in 2007. He has been responsible for finances, controlling, human resources, IT, legal, corporate communications, investor relations and corporate social responsibility since then.

Shareholder Structure

Berentzen-Gruppe AG went public in June 1994 at the Frankfurt stock exchange. 9.6m shares are currently outstanding. The free float is relatively high at a rate of 74%. MainFirst is the largest shareholder with a stake of 8.5%. Marchmain Invest N.V. recently acquired a stake of 5.5%. This is followed by Lazard Frères Gestion (France) and Aevum Fondation de Prévoyance (Switzerland) which are both holding a stake of some 5%. Berentzen-Gruppe AG holds 2.1% of its own shares.

Shareholder structure



Source: Company

APPENDIX

P&L (in Euro m) Berentzen-Gruppe AG	2019	2020	2021	2022e	2023e	2024e
Sales	**167.4**	**154.6**	**146.1**	**174.2**	**188.7**	**195.2**
Increase / decrease in inventory	0.0	0.1	0.3	0.4	0.4	0.4
Own work capitalised	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	**167.4**	**154.6**	**146.4**	**174.6**	**189.2**	**195.6**
Material Expenses	92.7	87.5	78.0	99.1	108.7	111.8
Gross profit	**74.7**	**67.1**	**68.5**	**75.5**	**80.5**	**83.8**
Personnel expenses	25.6	25.0	26.8	29.1	31.5	32.2
Other operating expenses	35.9	31.2	30.1	33.4	35.9	36.7
Other operating income	4.1	3.1	3.8	3.7	4.0	4.1
EBITDA	**17.3**	**14.0**	**15.4**	**16.6**	**17.0**	**19.0**
Depreciation on fixed assets	6.5	6.4	6.4	6.4	7.2	7.6
EBITA	**10.8**	**7.6**	**8.9**	**10.2**	**9.9**	**11.4**
Amortisation of intangible assets	2.0	2.5	2.2	1.9	2.1	2.0
Impairment charges and Amortisation of goodwill	0.0	1.4	0.0	1.2	0.0	0.0
EBIT	**8.7**	**3.7**	**6.7**	**7.0**	**7.8**	**9.4**
Financial result	-1.5	-1.5	-1.4	-1.5	-1.6	-1.7
Result from ordinary operations	**7.2**	**2.3**	**5.3**	**5.5**	**6.2**	**7.7**
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
EBT	**7.2**	**2.3**	**5.3**	**5.5**	**6.2**	**7.7**
Taxes	2.3	1.0	1.6	1.7	1.9	2.3
Net Profit of continued operations	4.9	1.2	3.7	3.9	4.3	5.4
Net Profit of discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	**4.9**	**1.2**	**3.7**	**3.9**	**4.3**	**5.4**
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	**4.9**	**1.2**	**3.7**	**3.9**	**4.3**	**5.4**

Source: Company (reported results), Montega (forecast)

P&L (in % of Sales) Berentzen-Gruppe AG	2019	2020	2021	2022e	2023e	2024e
Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Increase / decrease in inventory	0.0%	0.0%	0.2%	0.2%	0.2%	0.2%
Own work capitalised	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	**100.0%**	**100.0%**	**100.2%**	**100.2%**	**100.2%**	**100.2%**
Material Expenses	55.4%	56.6%	53.4%	56.9%	57.6%	57.3%
Gross profit	**44.6%**	**43.4%**	**46.9%**	**43.3%**	**42.6%**	**42.9%**
Personnel expenses	15.3%	16.2%	18.3%	16.7%	16.7%	16.5%
Other operating expenses	21.5%	20.2%	20.6%	19.2%	19.0%	18.8%
Other operating income	2.5%	2.0%	2.6%	2.1%	2.1%	2.1%
EBITDA	**10.3%**	**9.1%**	**10.5%**	**9.5%**	**9.0%**	**9.7%**
Depreciation on fixed assets	3.9%	4.2%	4.4%	3.7%	3.8%	3.9%
EBITA	**6.4%**	**4.9%**	**6.1%**	**5.8%**	**5.2%**	**5.8%**
Amortisation of intangible assets	1.2%	1.6%	1.5%	1.1%	1.1%	1.0%
Impairment charges and Amortisation of goodwill	0.0%	0.9%	0.0%	0.7%	0.0%	0.0%
EBIT	**5.2%**	**2.4%**	**4.6%**	**4.0%**	**4.1%**	**4.8%**
Financial result	-0.9%	-1.0%	-1.0%	-0.9%	-0.8%	-0.9%
Result from ordinary operations	**4.3%**	**1.5%**	**3.6%**	**3.2%**	**3.3%**	**4.0%**
Extraordinary result	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBT	**4.3%**	**1.5%**	**3.6%**	**3.2%**	**3.3%**	**4.0%**
Taxes	1.4%	0.7%	1.1%	1.0%	1.0%	1.2%
Net Profit of continued operations	2.9%	0.8%	2.5%	2.2%	2.3%	2.8%
Net Profit of discontinued operations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit before minorities	**2.9%**	**0.8%**	**2.5%**	**2.2%**	**2.3%**	**2.8%**
Minority interests	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit	**2.9%**	**0.8%**	**2.5%**	**2.2%**	**2.3%**	**2.8%**

Source: Company (reported results), Montega (forecast)

Balance sheet (in Euro m) Berentzen-Gruppe AG	2019	2020	2021	2022e	2023e	2024e
ASSETS						
Intangible assets	11.6	10.8	9.8	7.3	6.2	5.2
Property, plant & equipment	46.7	44.3	45.7	45.7	47.9	50.1
Financial assets	1.4	1.1	1.5	1.5	1.5	1.5
Fixed assets	**59.7**	**56.1**	**56.9**	**54.5**	**55.6**	**56.8**
Inventories	40.6	39.4	39.0	50.6	55.5	59.1
Accounts receivable	14.8	11.8	7.5	9.1	9.8	10.2
Liquid assets	22.7	26.3	28.3	23.6	21.1	21.7
Other assets	13.9	11.6	10.4	10.4	10.4	10.4
Current assets	**91.9**	**89.1**	**85.2**	**93.8**	**96.9**	**101.4**
Total assets	**151.6**	**145.2**	**142.1**	**148.3**	**152.5**	**158.2**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity	**49.2**	**47.2**	**48.9**	**53.4**	**55.8**	**58.9**
Minority Interest	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Provisions	10.1	9.0	8.7	6.1	6.1	6.1
Financial liabilities	10.2	10.3	10.8	10.8	10.8	10.8
Accounts payable	35.3	34.6	36.3	40.6	42.4	44.9
Other liabilities	46.8	44.1	37.5	37.5	37.5	37.5
Liabilities	**102.4**	**97.9**	**93.3**	**94.9**	**96.7**	**99.2**
Total liabilities and shareholders' equity	**151.6**	**145.2**	**142.1**	**148.3**	**152.5**	**158.2**

Source: Company (reported results), Montega (forecast)

Balance sheet (in %) Berentzen-Gruppe AG	2019	2020	2021	2022e	2023e	2024e
ASSETS						
Intangible assets	7.7%	7.4%	6.9%	4.9%	4.1%	3.3%
Property, plant & equipment	30.8%	30.5%	32.1%	30.8%	31.4%	31.7%
Financial assets	0.9%	0.7%	1.0%	1.0%	1.0%	0.9%
Fixed assets	**39.4%**	**38.7%**	**40.0%**	**36.7%**	**36.5%**	**35.9%**
Inventories	26.8%	27.1%	27.4%	34.1%	36.4%	37.4%
Accounts receivable	9.8%	8.1%	5.3%	6.1%	6.4%	6.4%
Liquid assets	15.0%	18.1%	19.9%	15.9%	13.8%	13.7%
Other assets	9.1%	8.0%	7.3%	7.0%	6.8%	6.6%
Current assets	**60.6%**	**61.4%**	**60.0%**	**63.2%**	**63.5%**	**64.1%**
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity	**32.5%**	**32.5%**	**34.4%**	**36.0%**	**36.6%**	**37.2%**
Minority Interest	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Provisions	6.7%	6.2%	6.1%	4.1%	4.0%	3.8%
Financial liabilities	6.7%	7.1%	7.6%	7.3%	7.1%	6.8%
Accounts payable	23.3%	23.8%	25.5%	27.4%	27.8%	28.4%
Other liabilities	30.9%	30.3%	26.4%	25.3%	24.6%	23.7%
Total Liabilities	**67.6%**	**67.5%**	**65.6%**	**64.0%**	**63.4%**	**62.7%**
Total Liabilites and Shareholders' Equity	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Company (reported results), Montega (forecast)

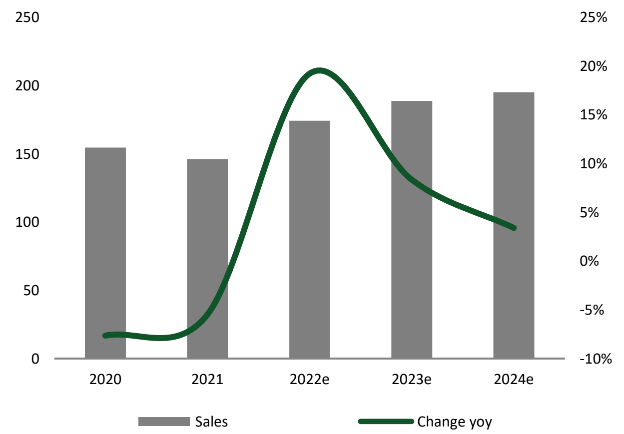
Statement of cash flows (in Euro m) Berentzen-Gruppe AG	2019	2020	2021	2022e	2023e	2024e
Net income	4.9	1.2	3.7	3.9	4.3	5.4
Depreciation of fixed assets	6.5	6.4	6.4	6.4	7.2	7.6
Amortisation of intangible assets	2.0	3.9	2.2	3.1	2.1	2.0
Increase/decrease in long-term provisions	-0.1	-1.0	-0.2	0.0	0.0	0.0
Other non-cash related payments	-6.9	-7.0	-7.5	0.0	0.0	0.0
Cash flow	**6.4**	**3.5**	**4.6**	**13.4**	**13.6**	**15.0**
Increase / decrease in working capital	10.2	10.1	7.0	-8.9	-3.8	-1.5
Cash flow from operating activities	**16.6**	**13.6**	**11.6**	**4.5**	**9.8**	**13.5**
CAPEX	-7.9	-5.2	-8.5	-7.1	-10.4	-10.7
Other	1.0	-0.2	1.2	0.0	0.0	0.0
Cash flow from investing activities	**-6.9**	**-5.4**	**-7.3**	**-7.1**	**-10.4**	**-10.7**
Dividends paid	-2.6	-2.6	-1.2	-2.1	-1.9	-2.2
Change in financial liabilities	2.0	0.1	0.5	0.0	0.0	0.0
Other	-2.5	-1.4	-1.9	0.0	0.0	0.0
Cash flow from financing activities	**-3.2**	**-3.9**	**-2.7**	**-2.1**	**-1.9**	**-2.2**
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0
Change in liquid funds	**6.6**	**4.3**	**1.7**	**-4.7**	**-2.5**	**0.6**
Liquid assets at end of period	**22.3**	**27.0**	**28.0**	**23.6**	**21.1**	**21.7**

Source: Company (reported results), Montega (forecast)

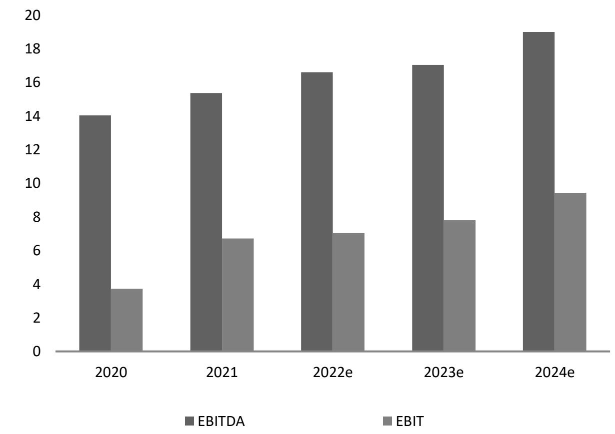
Key figures Berentzen-Gruppe AG	2019	2020	2021	2022e	2023e	2024e
Earnings margins						
Gross margin (%)	44.6%	43.4%	46.9%	43.3%	42.6%	42.9%
EBITDA margin (%)	10.3%	9.1%	10.5%	9.5%	9.0%	9.7%
EBIT margin (%)	5.2%	2.4%	4.6%	4.0%	4.1%	4.8%
EBT margin (%)	4.3%	1.5%	3.6%	3.2%	3.3%	4.0%
Net income margin (%)	2.9%	0.8%	2.5%	2.2%	2.3%	2.8%
Return on capital						
ROCE (%)	18.2%	8.6%	16.8%	16.3%	15.9%	17.9%
ROE (%)	10.4%	2.5%	7.8%	7.9%	8.1%	9.7%
ROA (%)	3.2%	0.8%	2.6%	2.6%	2.8%	3.4%
Solvency						
YE net debt (in EUR)	-2.6	-7.1	-8.9	-6.8	-4.3	-4.9
Net debt / EBITDA	-0.2	-0.5	-0.6	-0.4	-0.3	-0.3
Net gearing (Net debt/equity)	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1
Cash Flow						
Free cash flow (EUR m)	9.7	8.3	4.3	-2.6	-0.6	2.7
Capex / sales (%)	4.7%	3.3%	5.8%	4.1%	5.5%	5.5%
Working capital / sales (%)	13%	12%	9%	8%	11%	12%
Valuation						
EV/Sales	0.3	0.3	0.4	0.3	0.3	0.3
EV/EBITDA	3.0	3.7	3.4	3.2	3.1	2.8
EV/EBIT	6.0	14.0	7.8	7.4	6.7	5.6
EV/FCF	5.4	6.3	12.1	-	-	19.2
PE	12.5	50.2	16.7	15.9	14.2	11.2
P/B	1.2	1.3	1.3	1.1	1.1	1.0
Dividend yield	4.3%	2.0%	3.4%	3.1%	3.5%	4.4%

Source: Company (reported results), Montega (forecast)

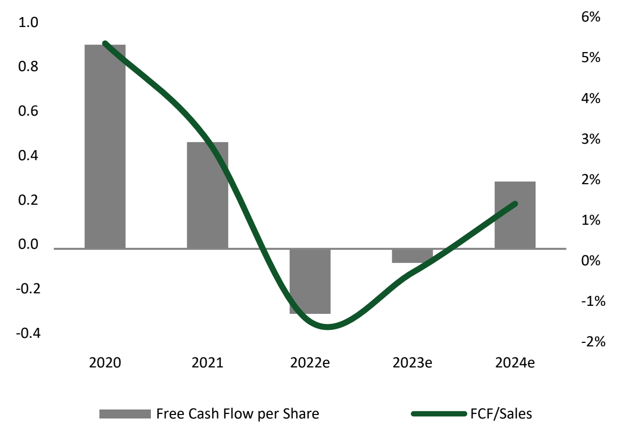
Revenue development



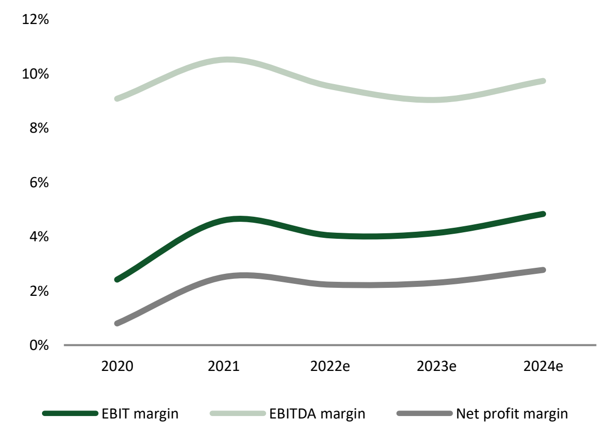
EBITDA and EBIT development



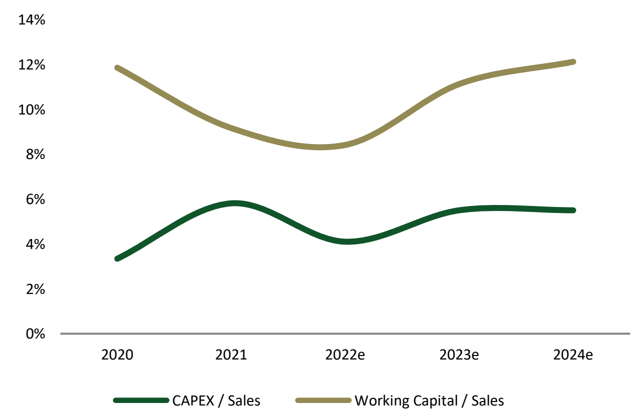
Free Cashflow development



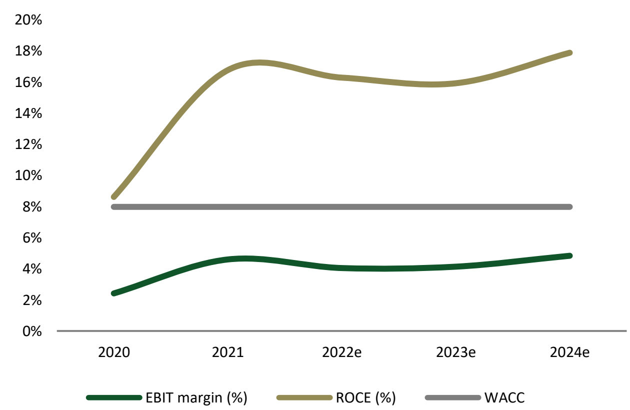
Development of margins



Investments / Working Capital



EBIT yield / ROCE



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Buy: The analysts at Montega AG believe the share price will rise during the next twelve months.
Hold: Upside/downside potential limited. No immediate catalyst visible.
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Authority responsible for supervision:
Bundesanstalt für Finanzdienstleistungsaufsicht
Graurheindorfer Str. 108 and Marie-Curie-Str. 24-28
53117 Bonn 60439 Frankfurt

Contact Montega AG:
Schauenburgerstraße 10
20095 Hamburg
www.montega.de
Tel: +49 40 4 1111 37 80

Share price and recommendation history

Recommendation	Date	Price (EUR)	Price target	Potential
Buy (Initiation)	06.02.2023	6.52	12.00	+84%