

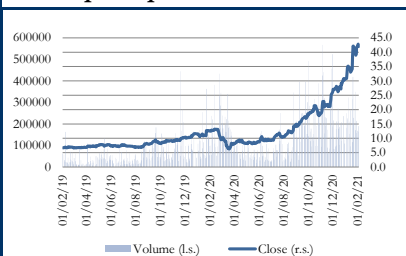
04 February 2021

Price as of 03/02/21: €42.00

Company / Sector	Fair Value	Recommendation
Verbio	€50.0	Buy
Energy: Biofuels	(unchanged)	(unchanged)

Q2 sees profitability and expansion on track

Share price performance



Share data

Reuters	VBKG.DE
No. of shares (m)	63.0
Daily volume (3m)	209,880
Free float	28.1%
Market cap. (m)	2,646.0
EV (m)	2,601.4
Sales 17/18-21/22e	9.5%

Valuation	20/21e	21/22e
EV/Sales	2.8	2.6
EV/ EBITDA	19.6	18.4
EV/EBIT	24.9	23.4
PER	37.0	35.0
Div. yield	0.5%	0.6%
RoCE	24.2%	23.1%
RoE	15.9%	14.8%

Analysts

Hartmut Moers
 Tel.: +49 228 227 99 240
 hartmut.moers@matelan.de

Investment case

Q2 shows that the company is perfectly on track to reach the targeted record high in EBITDA for the current financial year. Against this background, management has confirmed its guidance and we have made only marginal adjustments to our estimates. In addition, management see its expansion on schedule, which is quintessential for the valuation of the stock. Based on our set of assumptions, we calculate a further upside of 20%. Against this background, we reiterate our Buy rating.

➤ Q2 MEETS EXPECTATIONS

Q2 EBITDA and EBIT on group level came in bang in line with our estimates. While biodiesel slightly outperformed our forecast, bioethanol was slightly lagging. Still, the company has reached the hoped for EUR80m in EBITDA at the half-year stage.

➤ GUIDANCE AND ESTIMATES CONFIRMED

While management has repeated its FY guidance of EUR130m in EBITDA, we have made only marginal changes to our full year estimates. Based on current forward prices, the remaining EUR50 in EBITDA are well within reach.

➤ GROWTH SCENARIO ON TRACK

Management has made it clear that the planned expansion, i.e. the new biomethane plants in the US and India, biomethane in Europe, and the biodiesel and bioethanol expansion in the US are all on schedule. Against this background we confirm our valuation of EUR50, which includes these projects and assumes that the company can maintain this speed of growth in subsequent years on the base of a further increasing market potential.

For additional disclosures please refer to the appendix

Forecasts	17/18	18/19	19/20	20/21e	21/22e
Sales (€m)	685.9	779.3	872.4	926.0	985.2
EBITDA (€m)	44.8	95.1	122.1	132.4	140.3
EBIT (€m)	22.4	73.7	91.9	104.4	110.3
Adj. EPS (€)	0.24	0.84	1.01	1.13	1.20
Dividend (€)	0.20	0.20	0.20	0.22	0.25
Oper. CF (€m)	11.1	44.3	71.7	100.1	101.1
Free CF (€m)	-14.1	-18.7	3.7	15.1	36.1

Q2 20/21 review

EURm	Q2 20/21	Q2 20/21e	Q2 19/20	Change	FY 19/20	FY 20/21e	Guidance 20/21
Biodiesel	148.2	158.1	147.8	0.3%	588.2	598.6	
Bioethanol	66.9	68.3	76.7	-12.8%	275.2	317.2	
Other	2.6	4.5	2.0	28.1%	9.0	10.2	
Sales	217.7	230.9	226.5	-3.9%	872.4	926.0	
Gross profit	47.7	47.9	51.9	-8.1%	198.9	215.0	
<i>Margin</i>	<i>21.9%</i>	<i>20.7%</i>	<i>22.9%</i>		<i>22.8%</i>	<i>23.2%</i>	
Biodiesel	13.8	11.3	11.5	20.0%	46.1	50.2	
Bioethanol	12.6	15.2	18.0	-30.0%	74.0	81.3	
Other	0.7	0.7	0.5	36.5%	2.0	0.9	
EBITDA	27.1	27.3	30.0	-9.7%	122.1	132.4	130.0
<i>Margin</i>	<i>12.4%</i>	<i>11.8%</i>	<i>13.2%</i>		<i>14.0%</i>	<i>14.3%</i>	
EBIT	19.5	19.5	22.3	-12.5%	91.9	104.4	
<i>Margin</i>	<i>8.9%</i>	<i>8.4%</i>	<i>9.8%</i>		<i>10.5%</i>	<i>11.3%</i>	
Net Profit a.m.	12.4	13.4	12.2	1.3%	63.4	71.5	

Source: Verbio, Matelan Research estimates

Delivering results

The publication of Q2 results shows that the company delivers results perfectly in line with our expectations. In our latest note we had highlighted that we anticipate an EBITDA of EUR27m for the second quarter to reach EUR80m at the half-year stage. This is what the company has now produced.

Biodiesel ahead of expectations ...

On the biodiesel side, we find that sales lag our estimate by EUR10m. However, production is not falling too short of our expectation and EBITDA is even higher than anticipated. This indicates that trading volumes were lower than expected, which is neutral, and that the spread was a bit higher than we had anticipated, which is positive.

... but bioethanol lagging

In bioethanol, the company showed the expected decline in revenues – not only compared to the previous quarter but also compared to last year's period - due to lower ethanol prices. Still, profitability does not full live up to our expectations, thereby eliminating the outperformance of the biodiesel division.

Group meets expectations

While EBITDA and also EBIT are perfectly in line with our estimates, margins are slightly higher due to the lower sales base. Net profit is slightly lower than anticipated as a result of a higher tax booking in the quarter. This should even out until the end of the year.

Perfectly on track to reach full year target

There is no need to make substantial changes to our full year estimates. We obviously reflect the lower trading volumes in biodiesel but apart from this we do not make any changes. The company has reiterated its full year EBITDA guidance of EUR130m and has now reached the expected EUR80m at the half year stage. This leaves EUR50m for the second half of the year. Given current forward pricing on the product and feedstock side, we would expect this to be perfectly feasible, with Q3 probably coming in a bit below and Q4 a bit above the average, according to our calculations.

Still EUR79m in net cash

On the balance sheet there are no major deviations from the first quarter. An additional EUR20m has been spend over the quarter on property, plant and equipment, supporting the company's expansion. While EUR7m have been added from operating cash flow, this leaves free cash flow at EUR-13m over the quarter. Net cash still stood at EUR79.2. Capex is expected to accelerate

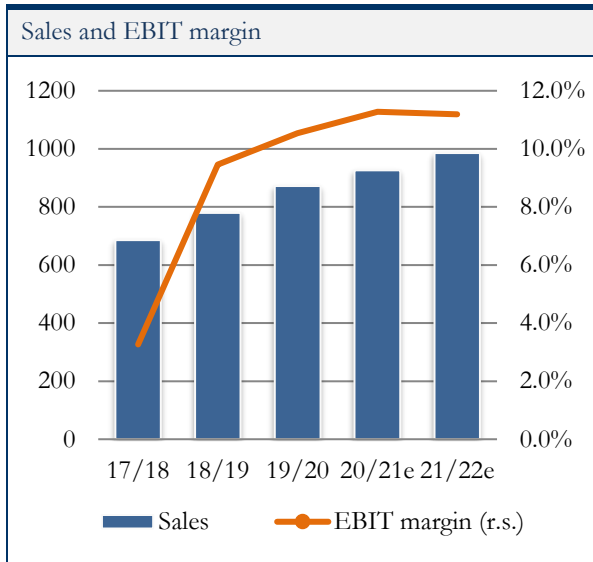
further in H2 so that the guidance of EUR50m in net cash at the end of the financial year has been repeated.

Management sees expansion on schedule

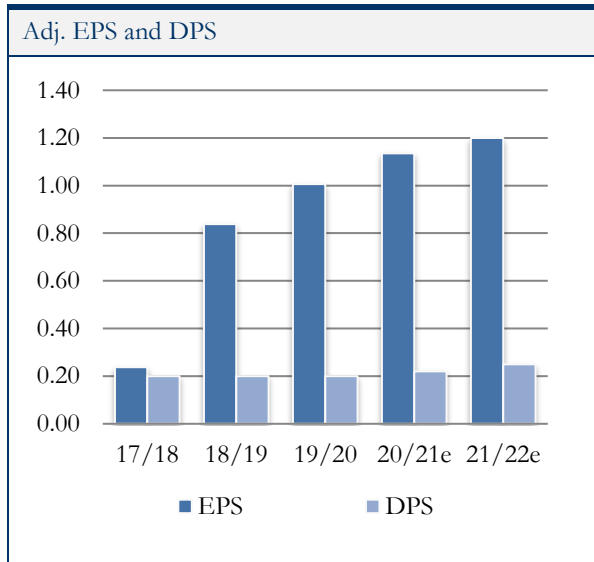
In a call to investors, management has highlighted the growth opportunities arising from the implementation of RED II in national law, in particular with regard to biomethane. Against this background the company is currently looking for potential new sites in particular in Eastern European countries such as Poland. The Ukraine is also a potential market. In Germany, the doubling of biomethane capacity in Pinnow is progressing. With regard to the global expansion, management has stated that construction of the new biomethane facilities in the US and India will be finished in June and ramp-up will take place in Autumn. Moreover, the company has repeated that the capacity expansions in biodiesel and bioethanol in the US shall be undertaken until the end of the year 2022.

Valuation confirmed

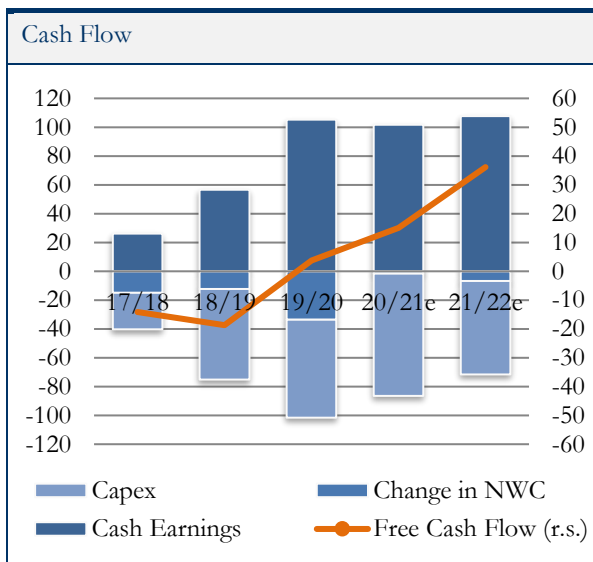
In our last note we have described in detail that valuing these growth prospects and assuming the company to maintain the speed of growth that it currently envisages for subsequent years (but not the terminal value) yields a valuation of EUR50. On the one hand, it should be clear that the successful execution of the currently defined projects is a precondition for maintaining these assumptions. On the other hand, we have also made it clear, that is an upside to this year's earnings already and, given the further increasing market size, it cannot be excluded that scaling takes an even stronger pace than currently projected. In any case, positive newsflow is likely to continue with the upcoming amendment of RED II and further steps taken by the Biden administration in the US to protect the climate.



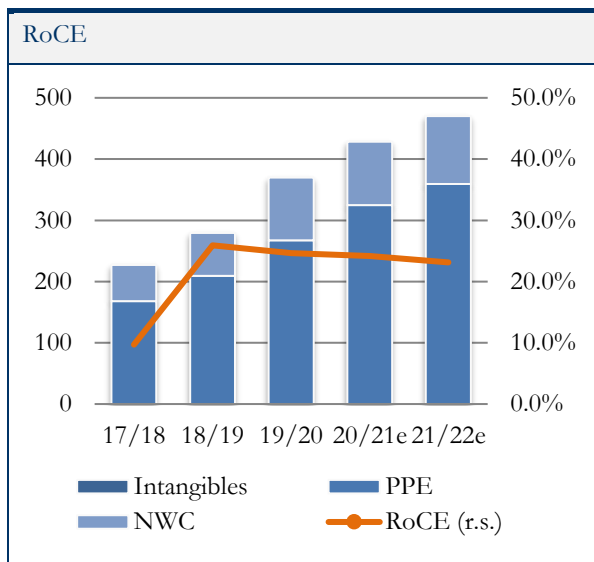
In EURm



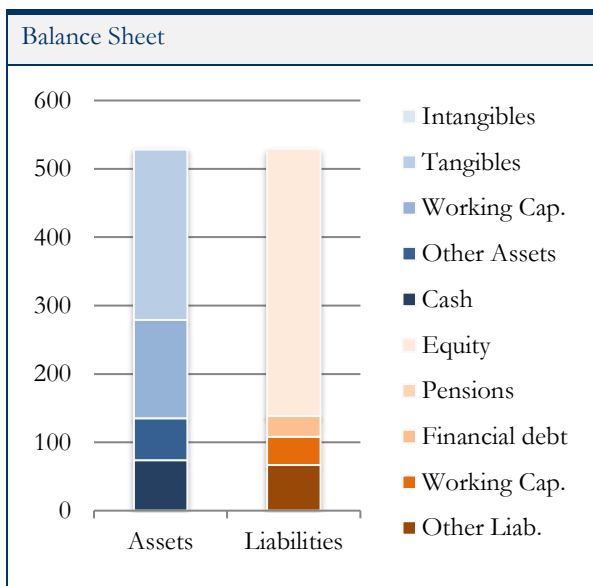
In EUR



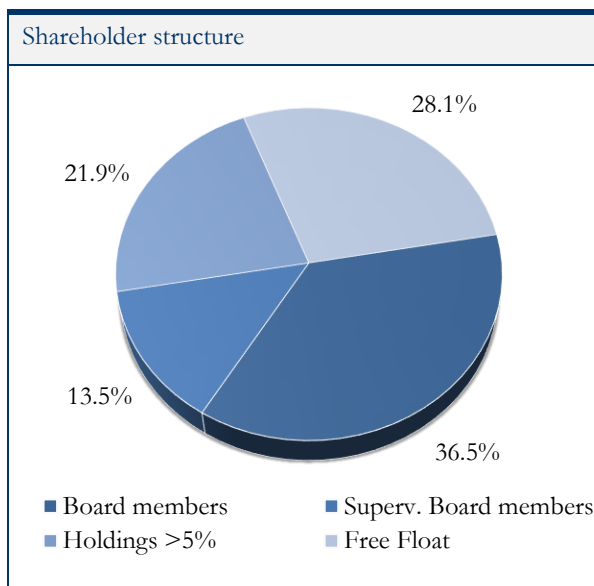
In EURm



In EURm



In EURm



P & L

EURm	2017/18	2018/19	2019/20	2020/21e	2021/22e
Sales	685.9	779.3	872.4	926.0	985.2
<i>Growth</i>		13.6%	11.9%	6.1%	6.4%
Material costs	-591.0	-618.4	-673.5	-711.5	-765.1
Gross profit	94.9	160.9	198.9	214.4	220.1
<i>Gross margin</i>	13.8%	20.7%	22.8%	23.2%	22.3%
Other operating costs	-23.4	-28.6	-31.9	-37.0	-35.8
EBITDA	44.8	95.1	122.1	132.4	140.3
<i>Margin</i>	6.5%	12.2%	14.0%	14.3%	14.2%
Depreciation	-22.4	-21.4	-30.2	-28.0	-30.0
EBIT	22.4	73.7	91.9	104.4	110.3
<i>Margin</i>	3.3%	9.5%	10.5%	11.3%	11.2%
Financial result	-0.2	-0.6	-0.9	-2.0	-2.0
EBT	22.2	73.1	91.0	102.4	108.3
Taxes	-7.1	-21.4	-27.2	-30.7	-32.5
Net profit	15.1	51.7	63.8	71.7	75.8
Minorities / Discon. Op.	-0.2	1.1	-0.4	-0.2	-0.2
Net profit a.m.	14.9	52.8	63.4	71.5	75.6
<i>Growth</i>	n.m.	n.m.	n.m.	n.m.	n.m.
No of shares	63.0	63.0	63.0	63.0	63.0
EPS	0.24	0.84	1.01	1.13	1.20
Adj. EPS	0.24	0.84	1.01	1.13	1.20
<i>Growth</i>	n.m.	n.m.	n.m.	n.m.	n.m.
Dividend	0.20	0.20	0.20	0.22	0.25

Balance Sheet

EURm	2017/18	2018/19	2019/20	2020/21e	2021/22e
Intangible assets	0.3	0.9	0.7	0.6	0.6
Tangible assets	168.0	209.3	267.6	324.6	359.6
Participations	0.1	0.1	2.8	2.8	2.8
Other non-current assets	3.4	3.9	2.7	2.8	5.8
Non-current assets	171.7	214.2	273.8	330.8	368.8
Inventories	45.2	63.1	78.8	91.6	97.5
Receivables	45.2	48.5	64.7	45.8	48.7
Cash	88.6	63.1	73.9	73.9	95.9
Other current assets	15.3	36.1	38.1	40.0	42.0
Current Assets	194.2	210.8	255.4	251.3	284.1
Total assets	366.0	424.9	529.2	582.1	652.9
Equity	299.0	339.2	389.1	448.2	510.2
Minorities	1.2	-0.3	1.7	1.8	1.9
Total equity	300.2	338.9	390.8	450.0	512.1
LT financial liabilities	0.0	0.1	30.1	30.1	30.1
Pension provisions	0.2	0.2	0.1	0.1	0.1
Other LT liabilities	7.5	6.9	19.1	18.5	19.0
Non-current liabilities	7.7	7.1	49.3	48.7	49.2
ST financial liabilities	0.4	10.0	0.1	0.1	0.1
Payables	31.2	41.3	41.1	33.5	35.6
Other ST liabilities	26.5	27.6	47.8	49.8	55.9
Current liabilities	58.1	78.9	89.1	83.4	91.6
Total liabilities	366.0	424.9	529.2	582.1	652.9

Cash Flow

EURm	2017/18	2018/19	2019/20	2020/21e	2021/22e
EBIT	22.4	73.7	91.9	104.4	110.3
Depreciation	22.4	21.4	30.2	28.0	30.0
Other non-cash items	-5.1	-13.4	-3.2	0.0	0.0
Cash taxes	-13.6	-25.2	-13.5	-30.7	-32.5
Cash earnings	26.1	56.5	105.3	101.7	107.8
Change in NWC	-15.0	-12.2	-33.7	-1.6	-6.7
CF from operations	11.1	44.3	71.7	100.1	101.1
Capex	-25.2	-63.0	-68.0	-85.0	-65.0
Other investm./divestm.	2.1	2.0	0.3	0.0	0.0
CF from investing	-23.1	-61.0	-67.7	-85.0	-65.0
CF from fin. and other	-14.2	-8.8	6.8	-15.1	-14.1
Change in cash	-26.2	-25.5	10.8	0.0	22.0

Segments and adjusted earnings

EURm	2017/18	2018/19	2019/20	2020/21e	2021/22e
Biodiesel	456.8	514.5	588.2	598.6	665.9
Bioethanol/-methan	219.1	254.7	275.2	317.2	308.1
Other	15.7	16.7	16.2	16.2	17.2
Consolidation	-5.7	-6.6	-7.2	-6.0	-6.0
Sales	685.9	779.3	872.4	926.0	985.2
<i>Growth</i>		13.6%	11.9%	6.1%	6.4%
Biodiesel	24.5	70.7	46.1	50.2	63.0
Bioethanol/-methan	19.9	23.8	74.0	81.3	77.2
Other	0.4	0.6	2.0	0.9	0.1
Consolidation	0.0	0.0	0.0	0.0	0.0
EBITDA	44.8	95.1	122.1	132.4	140.3
<i>Margin</i>	6.5%	12.2%	14.0%	14.3%	14.2%

Valuation multiples

	2017/18	2018/19	2019/20	2020/21e	2021/22e
Share price	7.28	6.56	9.35	42.00	42.00
x No of shares	63.0	63.0	63.0	63.0	63.0
Market Capitalisation	458.6	413.3	589.1	2,646.0	2,646.0
+ Net financial debt	-88.2	-53.0	-43.6	-43.6	-65.6
+ Pension provision	0.2	0.2	0.1	0.1	0.1
+ Minorities	1.2	-0.3	1.7	1.8	1.9
- Participations	-0.1	-0.1	-2.8	-2.8	-2.8
Enterprise Value	371.8	360.0	544.4	2,601.4	2,579.5
Sales	685.9	779.3	872.4	926.0	985.2
Adj. EBITDA	44.8	95.1	122.1	132.4	140.3
Adj. EBIT	22.4	73.7	91.9	104.4	110.3
Adj. Net profit a.m.	14.9	52.8	63.4	71.5	75.6
EV / Sales	0.5	0.5	0.6	2.8	2.6
EV / EBITDA	8.3	3.8	4.5	19.6	18.4
EV / EBIT	16.6	4.9	5.9	24.9	23.4
PE	30.7	7.8	9.3	37.0	35.0

Key operational indicators

	2017/18	2018/19	2019/20	2020/21e	2021/22e
Equity ratio	82.0%	79.8%	73.9%	77.3%	78.4%
Gearing	0.0	0.0	0.1	0.1	0.1
Asset turnover	4.0	3.6	3.2	2.8	2.7
NWC / sales	8.6%	9.0%	11.7%	11.2%	11.2%
Payable days outst.	16.6	19.4	17.2	13.2	13.2
Receivable days outst.	24.1	22.7	27.1	18.1	18.1
Fix operating assets	171.7	214.1	270.9	328.0	366.0
NWC	59.2	70.3	102.4	103.9	110.6
Capital employed	230.9	284.4	373.3	431.9	476.6
RoE	5.0%	15.3%	16.3%	15.9%	14.8%
RoA	6.1%	17.3%	17.4%	17.9%	16.9%
RoCE	9.7%	25.9%	24.6%	24.2%	23.1%
Gross margin	13.8%	20.7%	22.8%	23.2%	22.3%
EBITDA margin	6.5%	12.2%	14.0%	14.3%	14.2%
EBIT margin	3.3%	9.5%	10.5%	11.3%	11.2%
Net profit margin	2.2%	6.8%	7.3%	7.7%	7.7%

Source: Verbio, Matelan Research

ADDITIONAL DISCLOSURES

This report has been prepared by Matelan Research GmbH, Koblenzer Str. 79, 53177 Bonn. All rights are reserved. Copyrights and database rights protection exists in this publication. It may not be reproduced or redistributed without prior express permission of Matelan.

(1) Analyst certification

The analysts responsible for the content of this research report hereby certify that (1) all views expressed in this report accurately reflect their views about any and all of the subject securities or issuers and (2) no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or view(s) of this report.

Matelan may have sent extracts of this research report to the subject company for the purpose of verifying factual accuracy. The information provided by the latter was taken into consideration in the report. However, this entailed no change of the assessment.

(2) Disclosures about potential conflicts of interest

Matelan Research GmbH has/will receive(d) compensation for advisory services provided in the current calendar year from the company under review.

(3) Rating definitions

Security firms use a variety of rating terms and systems. Investors should carefully read the definitions of the rating system used in each research report. In addition, since the research report contains more complete information concerning analyst's views, investors should carefully read the entire research report and not infer its contents from the ratings alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

MATELAN Research GmbH uses an absolute rating system, which varies considerably from relative rating systems (such as "Overweight", "Equal Weight" or "Underweight"). Stock ratings are defined as follows:

Strong Buy:	In the next 6 to 12 months, we expect a potential absolute change in value of over 20% with high forecast certainty.
Buy:	In the next 6 to 12 months, we expect a potential absolute change in value of more than 10%.
Neutral:	In the next 6 to 12 months, we expect a potential absolute change in value of over 0% up to a maximum of 10%.
Reduce:	In the next 6 to 12 months, we expect a potential absolute negative change in value of up to -10%.
Sell:	In the next 6 to 12 months, we expect a potential absolute negative change in value of over -10 % with high forecast certainty.

The change in stock price results from the difference between the current share price and the analyst's performance expectations, which are generally based on a fair value calculation performed on the basis of a discounted cash flow model and a key comparison analysis but can also consider other effects such as market sentiment.

(4) Rating distribution

Stock ratings within the coverage universe of MATELAN Research GmbH as of the publication date of this report are distributed as follows:

Strong Buy:	0.0%
Buy:	62.5%
Neutral:	37.5%
Reduce:	0.0%
Sell:	0.0%

(5) Recommendation history

Stock ratings for the company covered in this report have developed as follows:

Verbio	
Date	Rating
12/12/18	Buy
09/11/18	Strong Buy
12/02/18	Buy
29/03/16	Neutral
05/02/15	Buy
10/02/12	Neutral

(6) Additional information for clients in Germany and other countries

This research report has been produced in Germany. It was approved and distributed by MATELAN Research GmbH, which is supervised by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). Laws and regulations in other countries may also restrict the distribution of this report. Persons in possession of this document should inform themselves about possible legal restrictions and observe them accordingly. In particular, this document may not be distributed in the United States, Canada, Australia or Japan or to any U.S. person.

DISCLAIMER

This research publication has been prepared by MATELAN analysts based on publicly available data that is believed to be accurate and complete. While reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, MATELAN provides no representation or warranty in relation to its accuracy, completeness or reliability. Possible errors or incompleteness of the information do not constitute grounds for liability, either with regard to indirect or to direct or consequential damages. In particular, MATELAN is not liable for the statements, plans or other details contained in the information concerning the examined companies, strategies, economic situations, market and competitive situations, regulatory environment, etc.

Neither MATELAN nor its employees are liable for the accuracy and completeness of the statements, estimates and conclusions derived from the information contained in this report. To the extent this research report is being transmitted in connection with an existing contractual relationship, e.g. financial advisory or similar services, the liability of MATELAN shall be restricted to gross negligence and wilful misconduct. In any case, the liability of MATELAN is limited to typical, foreseeable damages and liability for any indirect damages is excluded.

This report does not constitute an offer to sell, or a solicitation of an offer to purchase, any security. MATELAN may perform services to other companies mentioned in this report. Directors or employees of MATELAN may serve on the board of directors of companies mentioned in this report. Any opinions contained herein are subject to change without notice.

The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. MATELAN does not accept any liability for any loss or damage out of the use of all or any part of this report. Additional information will be made available upon request.

Past performance is not necessarily indicative of future results. Investors should make their own investment decisions without relying on this publication. Only investors with sufficient knowledge and experience in financial matters to evaluate the merits and risks should consider an investment in any issuers or market discussed herein and other persons should not take any action on the basis of this publication.

Any investments referred to herein may involve significant risk, are not necessarily available in all jurisdictions, may be illiquid and not be suitable for all investors. The price of securities may decrease or increase and as a result investors may lose the amount originally invested. Changes in exchange rates may also cause the value of investments to decrease or increase. Any documents or information we provide is solely for informational purposes and directed only to persons we reasonably believe to be investment professionals.

All such communications and any activity to which they relate are available only to such investment professionals; any activity arising from such communications will only be carried out with investment professionals. Persons who do not have professional experience in matters relating to investments should not rely upon such communications.

CONTACT DATA

For further information please contact:

Matelan Research GmbH Koblenzer Straße 79 53177 Bonn www.matelan.de	Head Analyst: Hartmut Moers Tel: +49 228 227 99 240 e-mail: hartmut.moers@matelan.de
--	---