

26 April 2016

Price as of 25/04/16: €8.38

Company / Sector

Verbio

Energy: Biofuels

Fair Value

€6.4

(unchanged)

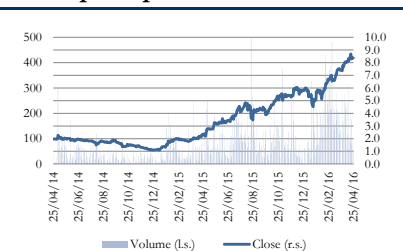
Recommendation

Neutral

(unchanged)

Q3 should be solid – but not as strong as Q2

Share price performance



Share data

Reuters	VBKG.DE
No. of shares (m)	63.0
Daily volume (3m)	180,102
Free float	31.5%
Market cap. (m)	527.9
EV (m)	470.9
Sales 13-17e	-2.3%

Valuation	15/16e	16/17e
EV/Sales	0.7	0.7
EV/ EBITDA	6.6	6.5
EV/EBIT	9.6	10.0
PER	13.1	14.9
Div. yield	1.8%	1.8%
RoCE	23.7%	22.6%
RoE	16.5%	13.1%

Analysts

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

Investment case

The release of Q3 figures next week should make it clear that Verbio is likely to finish the year somewhere close to its guidance. As margins are currently widening up a bit, we remain marginally more optimistic for the full year. However, the increase in spreads still needs to accelerate in order to justify the recent run in share price. Against this background, we continue to stay Neutral on the stock until the operational development is back in line with the share price.

➤ Q3 RESULTS SHOULD LEAVE VERBIO ...

In our latest note, we had highlighted that the recent development of biodiesel and even more so bioethanol spreads did no longer support our initial expectation of a clear over-achievement on Verbio's 2015/16 guidance. This should soon become more visible with the release of Q3 figures on May, 4th.

➤ ... JUST ON TRACK TO MEET FY GUIDANCE

Though we expect Q3 results to continue looking good on a year-on-year comparison, repeating the strong Q2 results does not appear to be realistic. In fact, we would be looking for an EBITDA just north of the EUR15m mark (after EUR24.5m in Q2). Another EUR15m in Q4 would then allow the company to meet its full year guidance of EUR70m.

➤ FY ESTIMATES REITERATED

We currently see spreads widening a bit again and thus stick to our full year estimate, which is a bit more optimistic than guidance (EUR71.4m in EBITDA). However, we would wait for some further operational improvements before building up further positions in the share.

For additional disclosures please refer to the appendix

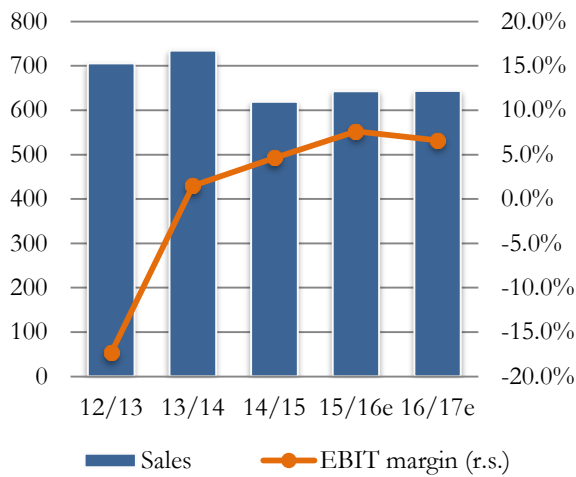
Forecasts	12/13	13/14	14/15	15/16e	16/17e
Sales (€m)	705.2	733.8	618.5	642.7	642.9
EBITDA (€m)	3.6	36.2	50.7	71.4	65.4
EBIT (€m)	-122.3	10.9	28.5	48.9	42.4
Adj. EPS (€)	-0.80	0.08	0.43	0.64	0.56
Dividend (€)	0.00	0.00	0.10	0.15	0.15
Oper. CF (€m)	-19.5	76.4	46.6	60.0	57.2
Free CF (€m)	-55.9	68.9	33.1	50.5	52.2

Q3 Preview

EURm	Q3 15/16e	Q3 14/15	Change	FY 15/16e	Guidance 15/16
Biodiesel	96.4	93.7	2.9%	403.5	
Bioethanol	59.5	43.4	37.1%	230.2	
Other	1.0	2.5	-60.0%	9.0	
Sales	156.9	139.6	12.4%	642.7	
EBITDA	15.3	12.2	25.4%	71.4	70.0
<i>Margin</i>	<i>9.8%</i>	<i>8.7%</i>		<i>11.1%</i>	
Biodiesel	5.5	5.5	0.0%	24.3	
<i>Margin</i>	<i>5.7%</i>	<i>5.9%</i>		<i>6.0%</i>	
Bioethanol	3.8	1.0	280.0%	23.9	
<i>Margin</i>	<i>6.4%</i>	<i>2.3%</i>		<i>10.4%</i>	
Other	0.0	0.3	n.m.	0.6	
EBIT	9.3	6.8	36.8%	48.9	
<i>Margin</i>	<i>5.9%</i>	<i>4.9%</i>		<i>7.6%</i>	
Net Profit	7.9	4.7	68.7%	40.2	

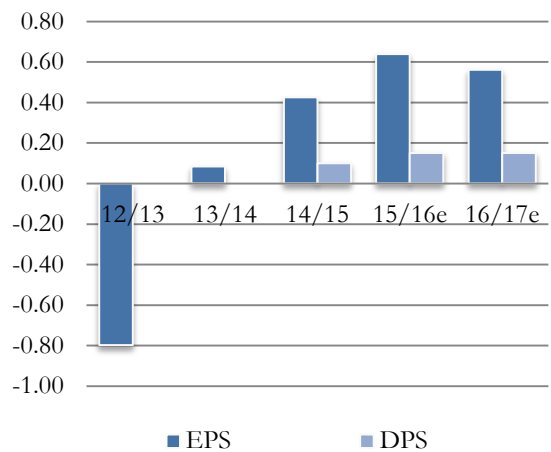
Source: Verbio, Matelan Research estimates

Sales and EBIT margin



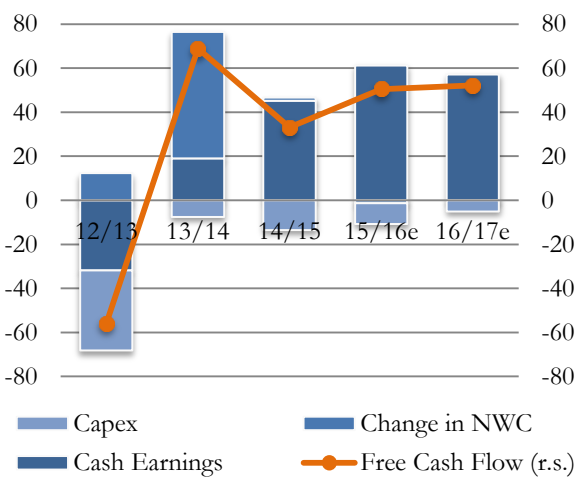
In EURm

Adj. EPS and DPS



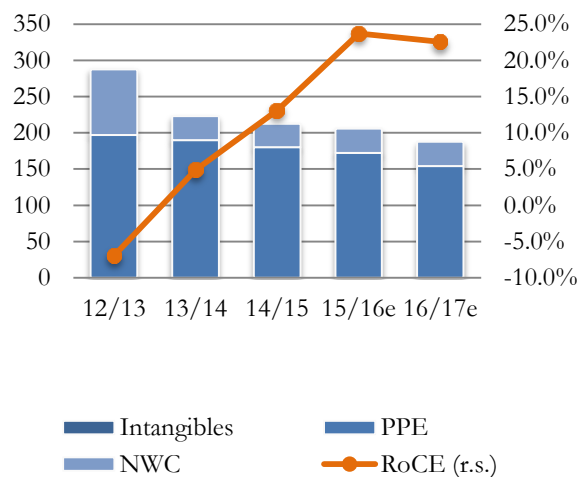
In EUR

Cash Flow



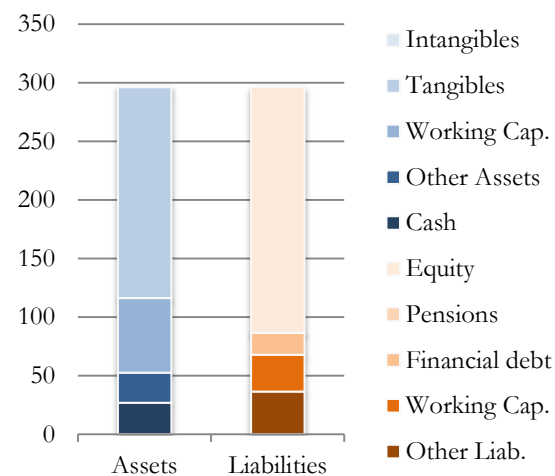
In EURm

RoCE



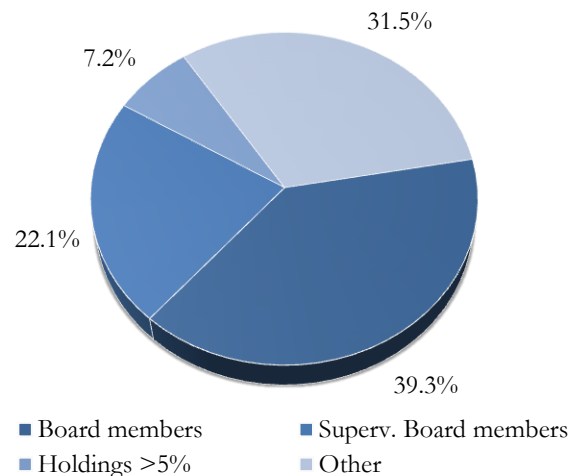
In EURm

Balance Sheet



In EURm

Shareholder structure



P & L

EURm	2012/13	2013/14	2014/15	2015/16e	2016/17e
Sales	705.2	733.8	618.5	642.7	642.9
<i>Growth</i>	<i>n.m.</i>	<i>4.0%</i>	<i>-15.7%</i>	<i>3.9%</i>	<i>0.0%</i>
Material costs	-653.7	-661.2	-528.7	-528.3	-532.5
Gross profit	51.6	72.6	89.8	114.4	110.4
<i>Gross margin</i>	<i>7.3%</i>	<i>9.9%</i>	<i>14.5%</i>	<i>17.8%</i>	<i>17.2%</i>
Other operating costs	-24.6	-13.4	-14.0	-16.0	-17.0
EBITDA	3.6	36.2	50.7	71.4	65.4
<i>Margin</i>	<i>0.5%</i>	<i>4.9%</i>	<i>8.2%</i>	<i>11.1%</i>	<i>10.2%</i>
Depreciation	-125.8	-25.3	-22.2	-22.5	-23.0
EBIT	-122.3	10.9	28.5	48.9	42.4
<i>Margin</i>	<i>n.m.</i>	<i>1.5%</i>	<i>4.6%</i>	<i>7.6%</i>	<i>6.6%</i>
Financial result	-4.2	-4.0	-3.8	-1.4	-0.8
EBT	-126.5	6.9	24.7	47.5	41.7
Taxes	0.6	-1.4	2.1	-7.1	-6.2
Net profit	-125.9	5.4	26.9	40.3	35.4
Minorities / Discon. Op.	-26.6	-0.2	-0.1	-0.1	-0.1
Net profit a.m.	-152.5	5.3	26.8	40.2	35.3
<i>Growth</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>
No of shares	63.0	63.0	63.0	63.0	63.0
EPS	-2.42	0.08	0.43	0.64	0.56
Adj. EPS	-0.80	0.08	0.43	0.64	0.56
<i>Growth</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>
Dividend	0.00	0.00	0.10	0.15	0.15

Balance Sheet

EURm	2012/13	2013/14	2014/15	2015/16e	2016/17e
Intangible assets	0.3	0.2	0.1	0.2	0.2
Tangible assets	196.7	189.6	180.0	172.0	154.0
Participations	0.1	0.1	0.1	0.1	0.1
Other non-current assets	0.1	0.1	4.5	0.1	0.1
Non-current assets	197.1	190.0	184.7	172.4	154.4
Inventories	64.1	30.2	22.2	23.1	23.1
Receivables	66.2	33.9	41.4	43.0	43.1
Cash	17.7	24.3	26.7	73.5	120.0
Other current assets	65.4	24.3	21.3	24.9	24.9
Current Assets	213.3	112.7	111.6	164.5	211.0
Total assets	410.4	302.7	296.3	336.9	365.4
Equity	177.6	183.1	209.1	243.2	269.1
Minorities	0.7	0.5	0.5	0.7	0.7
Total equity	178.3	183.5	209.7	243.9	269.8
LT financial liabilities	31.1	22.3	11.6	11.0	11.0
Pension provisions	0.2	0.2	0.2	0.2	0.2
Other LT liabilities	12.7	12.9	12.9	12.0	12.5
Non-current liabilities	43.9	35.4	24.6	23.2	23.7
ST financial liabilities	113.2	30.0	7.3	4.6	4.6
Payables	39.6	30.7	31.3	32.5	32.5
Other ST liabilities	35.4	23.0	23.5	32.8	34.8
Current liabilities	188.2	83.7	62.0	69.8	71.9
Total liabilities	410.4	302.7	296.3	336.9	365.4

Cash Flow

EURm	2012/13	2013/14	2014/15	2015/16e	2016/17e
EBIT	-122.3	10.9	28.5	48.9	42.4
Depreciation	125.8	25.3	22.2	22.5	23.0
Other non-cash items	-34.7	-19.3	-3.3	-3.0	-2.0
Cash taxes	-0.7	2.1	-2.1	-7.1	-6.2
Cash earnings	-31.9	19.1	45.3	61.2	57.2
Change in NWC	12.4	57.3	1.3	-1.3	0.0
CF from operations	-19.5	76.4	46.6	60.0	57.2
Capex	-36.4	-7.5	-13.5	-9.5	-5.0
Other investm./divestm.	7.4	28.7	2.8	0.0	0.0
CF from investing	-29.0	21.2	-10.7	-9.5	-5.0
CF from fin. and other	25.4	-91.0	-33.6	-3.6	-5.7
Change in cash	-23.0	6.6	2.4	46.8	46.5

Segments and adjusted earnings

EURm	2012/13	2013/14	2014/15	2015/16e	2016/17e
Biodiesel	421.7	458.2	397.0	403.5	408.1
Bioethanol/-methan	258.3	257.8	212.9	230.2	225.9
Other	33.5	48.4	15.8	16.0	16.5
Consolidation	-8.3	-30.6	-7.1	-7.0	-7.5
Sales	705.2	733.8	618.5	642.7	642.9
<i>Growth</i>	<i>n.m.</i>	<i>4.0%</i>	<i>-15.7%</i>	<i>3.9%</i>	<i>0.0%</i>
Biodiesel	-87.0	17.3	21.7	24.3	24.5
Bioethanol/-methan	-33.9	-1.2	6.3	23.9	17.3
Other	-1.4	-0.6	0.5	0.6	0.7
Consolidation	0.0	-4.7	0.0	0.0	0.0
EBIT	-122.3	10.9	28.5	48.9	42.4
<i>Margin</i>	<i>n.m.</i>	<i>1.5%</i>	<i>4.6%</i>	<i>7.6%</i>	<i>6.6%</i>

Valuation multiples

	2012/13	2013/14	2014/15	2015/16e	2016/17e
Share price	1.48	1.53	1.90	8.38	8.38
x No of shares	63.0	63.0	63.0	63.0	63.0
Market Capitalisation	93.2	96.4	119.7	527.9	527.9
+ Net financial debt	126.6	28.1	-7.8	-57.9	-104.4
+ Pension provision	0.2	0.2	0.2	0.2	0.2
+ Minorities	0.7	0.5	0.5	0.7	0.7
- Participations	-0.1	-0.1	-0.1	-0.1	-0.1
Enterprise Value	220.6	125.0	112.5	470.9	424.4
Sales	705.2	733.8	618.5	642.7	642.9
Adj. EBITDA	3.6	36.2	50.7	71.4	65.4
Adj. EBIT	-20.0	10.9	28.5	48.9	42.4
Adj. Net profit a.m.	-50.2	5.3	26.8	40.2	35.3
EV / Sales	0.3	0.2	0.2	0.7	0.7
EV / EBITDA	62.0	3.5	2.2	6.6	6.5
EV / EBIT	n.m.	11.5	3.9	9.6	10.0
PE	n.m.	18.3	4.5	13.1	14.9

Key operational indicators

	2012/13	2013/14	2014/15	2015/16e	2016/17e
Equity ratio	43.4%	60.6%	70.8%	72.4%	73.8%
Gearing	0.8	0.3	0.1	0.1	0.1
Asset turnover	3.6	3.9	3.3	3.7	4.2
NWC / sales	12.9%	4.6%	5.2%	5.2%	5.2%
Payable days outst.	20.5	15.3	18.4	18.4	18.4
Receivable days outst.	34.3	16.9	24.4	24.4	24.4
Fix operating assets	197.0	189.9	184.7	172.3	154.3
NWC	90.7	33.4	32.4	33.6	33.6
Capital employed	287.7	223.3	217.0	206.0	188.0
RoE	-70.6%	3.0%	12.8%	16.5%	13.1%
RoA	-4.9%	3.6%	9.6%	14.5%	11.6%
RoCE	-7.0%	4.9%	13.1%	23.7%	22.6%
Gross margin	7.3%	9.9%	14.5%	17.8%	17.2%
EBITDA margin	0.5%	4.9%	8.2%	11.1%	10.2%
EBIT margin	-17.3%	1.5%	4.6%	7.6%	6.6%
Net profit margin	-21.6%	0.7%	4.3%	6.3%	5.5%

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:	9.1%
Buy:	45.5%
Neutral:	45.5%
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
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
--	---