

12 December 2018

Price as of 11/12/18: €7.69

Company / Sector	Fair Value	Recommendation
Verbio	€8.5	Buy
Energy: Biofuels	(€7.2)	(Strong Buy)

Massive increase in guidance ahead of strong Q2 results

Share price performance



Share data

Reuters	VBKG.DE
No. of shares (m)	63.0
Daily volume (3m)	38,938
Free float	28.4%
Market cap. (m)	484.5
EV (m)	394.8
Sales 15-19e	0.6%

Valuation	17/18e	18/19e
EV/Sales	0.6	0.6
EV/ EBITDA	4.8	7.6
EV/EBIT	6.7	13.9
PER	11.7	24.6
Div. yield	2.6%	2.6%
RoCE	23.1%	11.1%
RoE	12.7%	5.9%

Analysts

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Investment case

Ahead of extraordinarily strong Q2 results, Verbio has almost doubled its FY guidance. The quarter is likely to top even the high expectations discussed in our last note so that we now raise our EBITDA estimate to a still conservative EUR81.6m. This leaves us with a new fair value of EUR8.5. Following a 40% share price rise since our upgrade to strong buy, we lower our rating to BUY. A remaining upside of 10% plus additional potential coming from the good chances for a further outperformance as well as the expansion in the US keeps the story alive.

➤ STRONG INCREASE IN FY GUIDANCE

In view of very strong biodiesel margins in the second quarter management raised its full year 2018/19 EBITDA guidance from EUR45m to EUR80. Net cash is expected to increase to EUR90m despite the acquisition of the DuPont site in Nevada.

➤ Q2 SEEMS TO TOP HIGH EXPECTATIONS

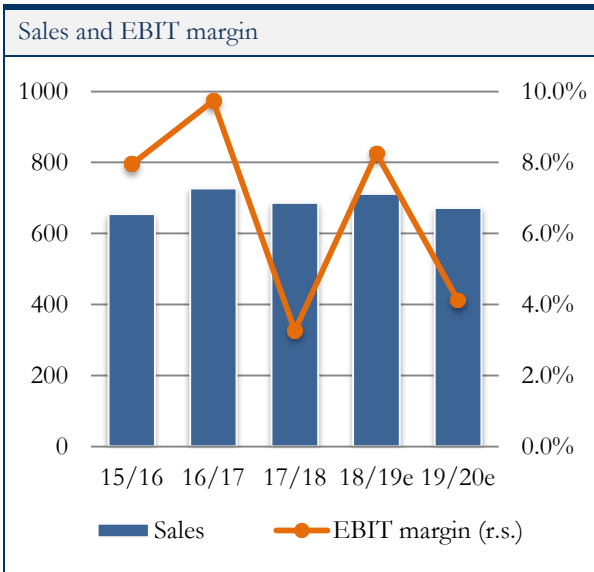
In our last note we had pointed out that we expect Q2 to come in extremely strong and that the full year guidance of EUR45m could already be reached at the half year stage, even when becoming more prudent for the month of December. Given that biodiesel margins in December have stayed high so far, we now expect that our expectation could even be topped by roughly EUR10m.

➤ NEW GUIDANCE STILL CONSERVATIVE

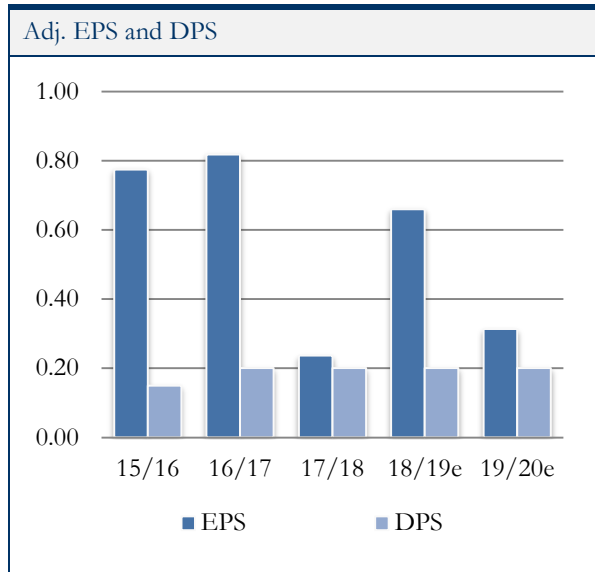
With roughly EUR55m in EBITDA, which we now expect for the first half of the year, the new full year guidance of EUR80m implies on average EUR12.5m for each of the remaining two quarters. This assumes a normalisation of biodiesel margins as well as a continuation of the low margin level in bioethanol which in our view is still prudent planning and might be topped again.

For additional disclosures please refer to the appendix

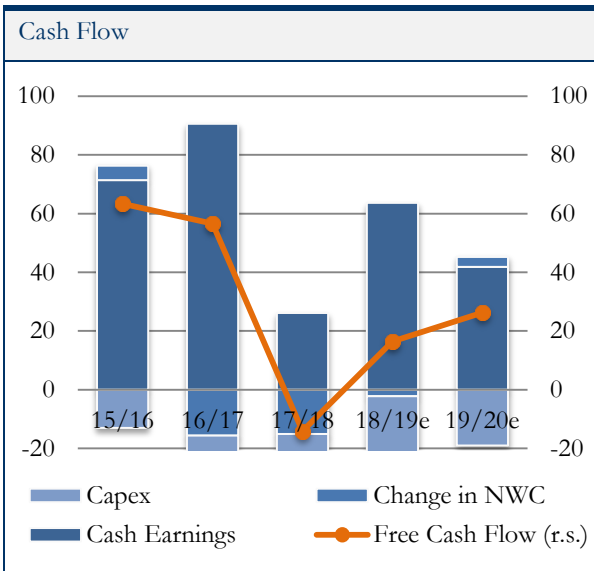
Forecasts	15/16	16/17	17/18	18/19e	19/20e
Sales (€m)	654.3	726.4	685.9	711.3	671.4
EBITDA (€m)	73.1	92.4	44.8	81.6	50.4
EBIT (€m)	52.0	70.7	22.4	58.8	27.6
Adj. EPS (€)	0.77	0.82	0.24	0.66	0.31
Dividend (€)	0.15	0.20	0.20	0.20	0.20
Oper. CF (€m)	76.3	75.0	11.1	61.4	45.3
Free CF (€m)	63.3	56.6	-14.1	16.4	26.3



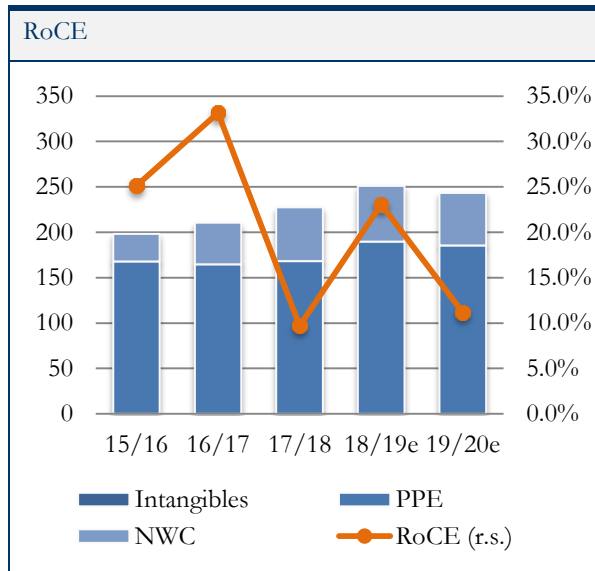
In EURm



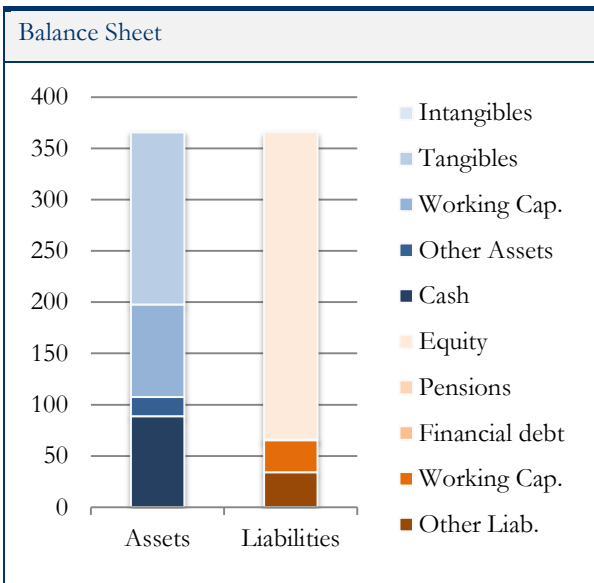
In EUR



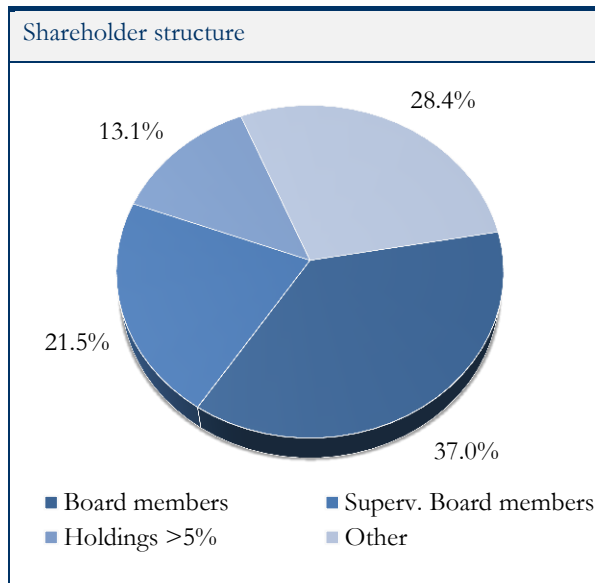
In EURm



In EURm



In EURm



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EURm	2015/16	2016/17	2017/18	2018/19e	2019/20e
Sales	654.3	726.4	685.9	711.3	671.4
<i>Growth</i>		11.0%	-5.6%	3.7%	-5.6%
Material costs	-538.0	-583.9	-591.0	-579.8	-571.0
Gross profit	116.3	142.6	94.9	131.6	100.4
<i>Gross margin</i>	17.8%	19.6%	13.8%	18.5%	15.0%
Other operating costs	-16.8	-21.1	-23.4	-24.0	-25.0
EBITDA	73.1	92.4	44.8	81.6	50.4
<i>Margin</i>	11.2%	12.7%	6.5%	11.5%	7.5%
Depreciation	-21.1	-21.7	-22.4	-22.8	-22.8
EBIT	52.0	70.7	22.4	58.8	27.6
<i>Margin</i>	8.0%	9.7%	3.3%	8.3%	4.1%
Financial result	-1.4	-0.1	-0.2	1.0	1.0
EBT	50.6	70.5	22.2	59.8	28.6
Taxes	-1.7	-18.8	-7.1	-17.9	-8.6
Net profit	48.9	51.8	15.1	41.8	20.0
Minorities / Discon. Op.	-0.2	-0.3	-0.2	-0.3	-0.3
Net profit a.m.	48.7	51.5	14.9	41.5	19.7
<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	0.77	0.82	0.24	0.66	0.31
Adj. EPS	0.77	0.82	0.24	0.66	0.31
<i>Growth</i>	n.m.	n.m.	n.m.	n.m.	n.m.
Dividend	0.15	0.20	0.20	0.20	0.20

Balance Sheet

EURm	2015/16	2016/17	2017/18	2018/19e	2019/20e
Intangible assets	0.2	0.2	0.3	0.5	0.5
Tangible assets	167.9	164.6	168.0	189.7	185.4
Participations	0.1	0.1	0.1	0.1	0.1
Other non-current assets	8.5	2.9	3.4	3.2	3.8
Non-current assets	176.7	167.8	171.7	193.4	189.7
Inventories	26.3	34.3	45.2	46.8	44.2
Receivables	31.6	38.5	45.2	46.9	44.3
Cash	77.5	114.7	88.6	91.5	103.0
Other current assets	10.9	17.7	15.3	15.0	15.0
Current Assets	146.3	205.3	194.2	200.3	206.5
Total assets	323.0	373.1	366.0	393.7	396.2
Equity	253.6	295.4	299.0	328.3	335.7
Minorities	0.7	1.0	1.2	1.3	1.4
Total equity	254.3	296.4	300.2	329.6	337.1
LT financial liabilities	1.5	0.6	0.0	0.0	0.0
Pension provisions	0.2	0.2	0.2	0.2	0.2
Other LT liabilities	11.2	10.3	7.5	7.5	7.5
Non-current liabilities	12.9	11.1	7.7	7.7	7.7
ST financial liabilities	10.4	1.3	0.4	0.4	0.4
Payables	27.5	27.3	31.2	32.3	30.5
Other ST liabilities	17.9	37.0	26.5	23.7	20.5
Current liabilities	55.8	65.6	58.1	56.4	51.4
Total liabilities	323.0	373.1	366.0	393.7	396.2

Cash Flow

EURm	2015/16	2016/17	2017/18	2018/19e	2019/20e
EBIT	52.0	70.7	22.4	58.8	27.6
Depreciation	21.1	21.7	22.4	22.8	22.8
Other non-cash items	1.6	2.5	-5.1	0.0	0.0
Cash taxes	-3.2	-4.3	-13.6	-17.9	-8.6
Cash earnings	71.4	90.6	26.1	63.6	41.8
Change in NWC	4.9	-15.6	-15.0	-2.2	3.4
CF from operations	76.3	75.0	11.1	61.4	45.3
Capex	-13.0	-18.4	-25.2	-45.0	-19.0
Other investm./divestm.	0.8	0.0	2.1	0.5	0.5
CF from investing	-12.2	-18.4	-23.1	-44.5	-18.5
CF from fin. and other	-13.3	-19.4	-14.2	-14.0	-15.3
Change in cash	50.8	37.2	-26.2	2.9	11.5

Segments and adjusted earnings

EURm	2015/16	2016/17	2017/18	2018/19e	2019/20e
Biodiesel	423.2	471.6	456.8	480.0	438.2
Bioethanol/-methan	222.1	245.2	219.1	221.3	223.0
Other	15.8	16.3	15.7	16.0	16.2
Consolidation	-6.8	-6.6	-5.7	-6.0	-6.0
Sales	654.3	726.4	685.9	711.3	671.4
<i>Growth</i>		11.0%	-5.6%	3.7%	-5.6%
Biodiesel	29.7	39.3	24.5	70.1	27.9
Bioethanol/-methan	42.2	52.4	19.9	10.4	21.3
Other	1.1	0.7	0.4	1.0	1.2
Consolidation	0.0	0.0	0.0	0.0	0.0
EBITDA	73.1	92.4	44.8	81.6	50.4
<i>Margin</i>	11.2%	12.7%	6.5%	11.5%	7.5%

Valuation multiples

	2015/16	2016/17	2017/18	2018/19e	2019/20e
Share price	5.63	7.97	7.28	7.69	7.69
x No of shares	63.0	63.0	63.0	63.0	63.0
Market Capitalisation	354.7	502.1	458.6	484.5	484.5
+ Net financial debt	-65.6	-112.8	-88.2	-91.1	-102.6
+ Pension provision	0.2	0.2	0.2	0.2	0.2
+ Minorities	0.7	1.0	1.2	1.3	1.4
- Participations	-0.1	-0.1	-0.1	-0.1	-0.1
Enterprise Value	289.9	390.4	371.8	394.8	383.4
Sales	654.3	726.4	685.9	711.3	671.4
Adj. EBITDA	73.1	92.4	44.8	81.6	50.4
Adj. EBIT	52.0	70.7	22.4	58.8	27.6
Adj. Net profit a.m.	48.7	51.5	14.9	41.5	19.7
EV / Sales	0.4	0.5	0.5	0.6	0.6
EV / EBITDA	4.0	4.2	8.3	4.8	7.6
EV / EBIT	5.6	5.5	16.6	6.7	13.9
PE	7.3	9.7	30.7	11.7	24.6

Key operational indicators

	2015/16	2016/17	2017/18	2018/19e	2019/20e
Equity ratio	78.7%	79.4%	82.0%	83.7%	85.1%
Gearing	0.0	0.0	0.0	0.0	0.0
Asset turnover	3.7	4.3	4.0	3.7	3.5
NWC / sales	4.6%	6.3%	8.6%	8.6%	8.6%
Payable days outst.	15.4	13.7	16.6	16.6	16.6
Receivable days outst.	17.6	19.3	24.1	24.1	24.1
Fix operating assets	176.7	167.8	171.7	193.4	189.7
NWC	30.3	45.5	59.2	61.4	58.0
Capital employed	207.0	213.3	230.9	254.8	247.6
RoE	19.2%	17.5%	5.0%	12.7%	5.9%
RoA	16.1%	18.9%	6.1%	14.9%	7.0%
RoCE	25.1%	33.1%	9.7%	23.1%	11.1%
Gross margin	17.8%	19.6%	13.8%	18.5%	15.0%
EBITDA margin	11.2%	12.7%	6.5%	11.5%	7.5%
EBIT margin	8.0%	9.7%	3.3%	8.3%	4.1%
Net profit margin	7.4%	7.1%	2.2%	5.8%	2.9%

Source: Verbio, Matelan Research

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

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

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