

21 September 2020

Price as of 18/09/20: €17.36

Company / Sector	Fair Value	Recommendation
<b>Verbio</b>	<b>€20.3</b>	<b>Buy</b>
Energy: Biofuels	(€19.0)	(unchanged)

## New guidance indicates further growth from record levels

### Share price performance



### Share data

Reuters	VBKG.DE
No. of shares (m)	63.0
Daily volume (3m)	99,729
Free float	28.4%
Market cap. (m)	1,093.7
EV (m)	1,024.1
Sales 16/17-20/21e	9.2%

Valuation	20/21e	21/22e
EV/Sales	1.1	1.0
EV/ EBITDA	7.9	7.0
EV/EBIT	10.0	9.0
PER	15.6	14.9
Div. yield	1.3%	1.4%
RoCE	26.9%	28.8%
RoE	15.7%	14.5%

### Analysts

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

### Investment case

For FY 2020/21, Verbio has issued a guidance of EUR130m in EBITDA. This indicates further growth from the record level of last year. We raise our estimates further to EUR130m for 2020/21 EUR137m for 2021/22. We should see growth from the expansion of capacities and the entry into the European BioLNG market driving EBITDA to EUR200m in subsequent years even when pricing for biofuels normalises. Further positive newsflow is expected to keep the positive momentum in the share. We thus reiterate our BUY rating with a new fair value of EUR20.3.

#### ➤ EBITDA SHOULD RISE FURTHER TO EUR130M

Following the announcement that FY 2019/20 came in better than we had anticipated, Verbio now presented its guidance for FY 2020/21. With EUR130m in EBITDA, management expects to beat last year's earnings record of EUR122m, based on current pricing but excluding burdens from a potential aggravation of the covid-19 situation. In addition, net cash by the end of the financial year is expected to come to EUR50m.

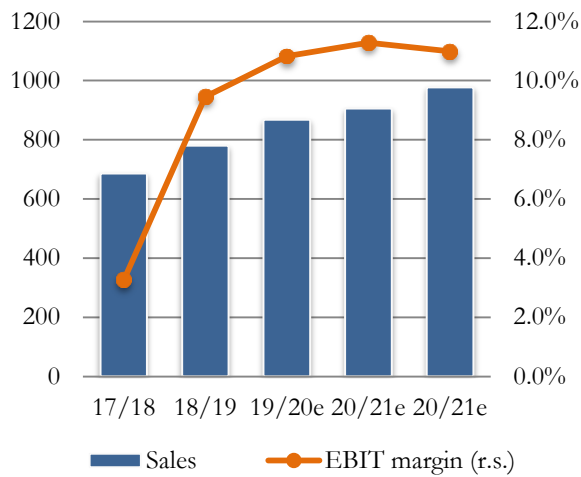
#### ➤ HIGHER PRICE LEVELS DRIVE FAIR VALUE

In our latest note, we had made it clear that the higher base in 2019/20 should give room to raise our estimates for 2020/21 and beyond. In a preliminary calculation we now come to EUR130m and EUR137m for 2020/21 and 2021/22, respectively. This includes the very high price level in particular for bioethanol in the current financial year and some reduction in the coming year. We still calculate with normalised prices for subsequent years. As a result, our fair value increases to EUR20.3. We will revise these figures in more detail with the release of results on September, 23<sup>rd</sup>.

For additional disclosures please refer to the appendix

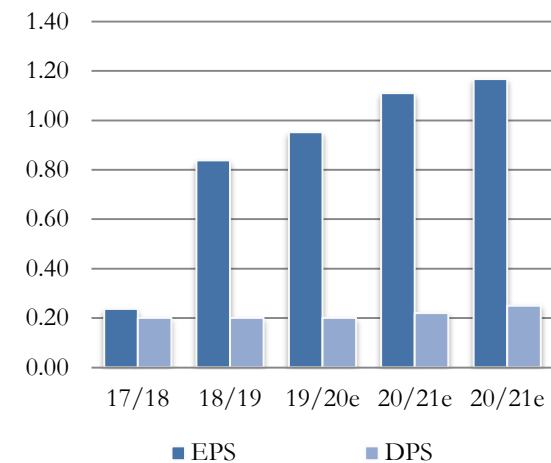
Forecasts	17/18	18/19	19/20	20/21e	21/22e
Sales (€m)	685.9	779.3	867.9	905.1	976.6
EBITDA (€m)	44.8	95.1	121.9	130.1	137.3
EBIT (€m)	22.4	73.7	93.9	102.1	107.3
Adj. EPS (€)	0.24	0.84	0.95	1.11	1.17
Dividend (€)	0.20	0.20	0.20	0.22	0.25
Oper. CF (€m)	11.1	44.3	73.2	96.4	98.6
Free CF (€m)	-14.1	-18.7	3.2	36.4	83.6

Sales and EBIT margin



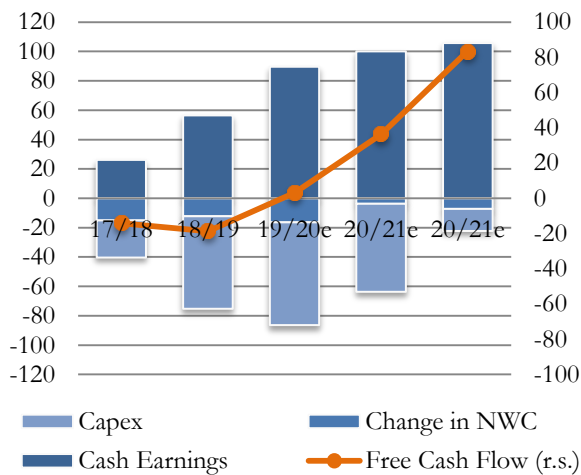
In EURm

Adj. EPS and DPS



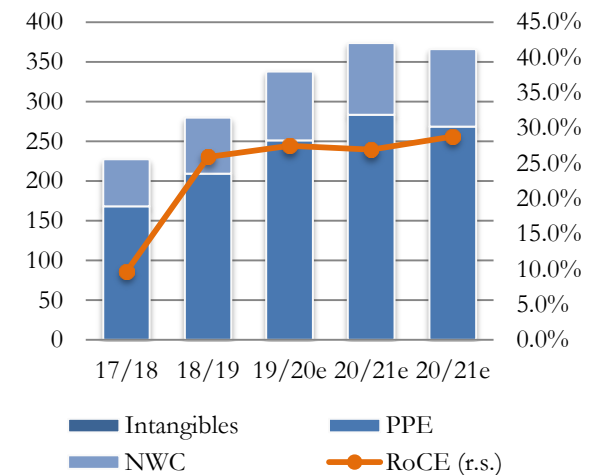
In EUR

Cash Flow



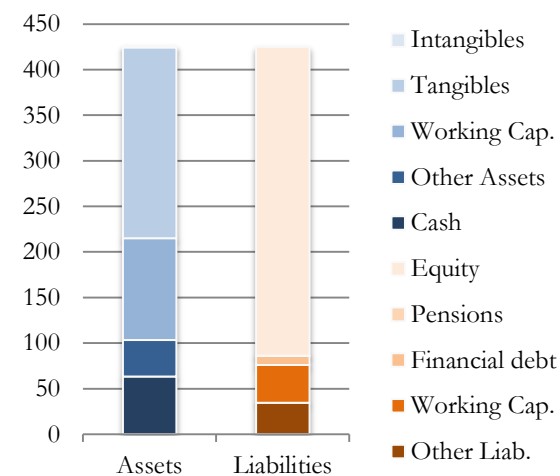
In EURm

RoCE



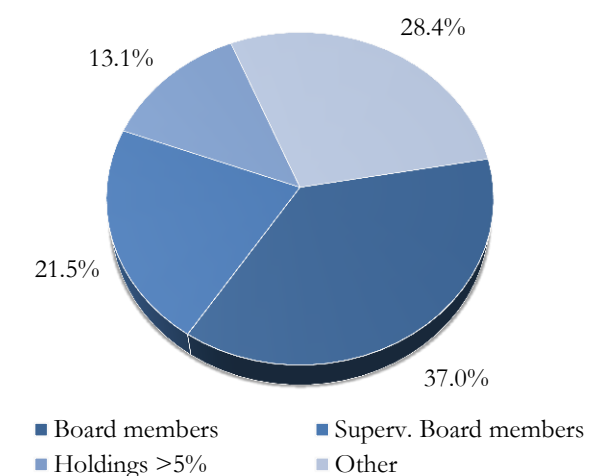
In EURm

Balance Sheet



In EURm

Shareholder structure



**P & L**

EURm	2017/18	2018/19	2019/20e	2020/21e	2021/22e
<b>Sales</b>	<b>685.9</b>	<b>779.3</b>	<b>867.9</b>	<b>905.1</b>	<b>976.6</b>
<i>Growth</i>		13.6%	11.4%	4.3%	7.9%
Material costs	-591.0	-618.4	-668.0	-681.0	-746.3
<b>Gross profit</b>	<b>94.9</b>	<b>160.9</b>	<b>199.9</b>	<b>224.1</b>	<b>230.3</b>
<i>Gross margin</i>	13.8%	20.7%	23.0%	24.8%	23.6%
Other operating costs	-23.4	-28.6	-35.0	-49.0	-49.0
<b>EBITDA</b>	<b>44.8</b>	<b>95.1</b>	<b>121.9</b>	<b>130.1</b>	<b>137.3</b>
<i>Margin</i>	6.5%	12.2%	14.0%	14.4%	14.1%
Depreciation	-22.4	-21.4	-28.0	-28.0	-30.0
<b>EBIT</b>	<b>22.4</b>	<b>73.7</b>	<b>93.9</b>	<b>102.1</b>	<b>107.3</b>
<i>Margin</i>	3.3%	9.5%	10.8%	11.3%	11.0%
Financial result	-0.2	-0.6	-1.4	-2.0	-2.0
<b>EBT</b>	<b>22.2</b>	<b>73.1</b>	<b>92.5</b>	<b>100.1</b>	<b>105.3</b>
Taxes	-7.1	-21.4	-32.4	-30.0	-31.6
Net profit	15.1	51.7	60.1	70.1	73.7
Minorities / Discon. Op.	-0.2	1.1	-0.2	-0.2	-0.2
<b>Net profit a.m.</b>	<b>14.9</b>	<b>52.8</b>	<b>59.9</b>	<b>69.9</b>	<b>73.5</b>
<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	0.95	1.11	1.17
<b>Adj. EPS</b>	<b>0.24</b>	<b>0.84</b>	<b>0.95</b>	<b>1.11</b>	<b>1.17</b>
<i>Growth</i>	n.m.	n.m.	n.m.	n.m.	n.m.
Dividend	0.20	0.20	0.20	0.22	0.25

**Cash Flow**

EURm	2017/18	2018/19	2019/20e	2020/21e	2021/22e
<b>EBIT</b>	<b>22.4</b>	<b>73.7</b>	<b>93.9</b>	<b>102.1</b>	<b>107.3</b>
Depreciation	22.4	21.4	28.0	28.0	30.0
Other non-cash items	-5.1	-13.4	0.0	0.0	0.0
Cash taxes	-13.6	-25.2	-32.4	-30.0	-31.6
Cash earnings	26.1	56.5	89.5	100.1	105.7
Change in NWC	-15.0	-12.2	-16.4	-3.7	-7.1
<b>CF from operations</b>	<b>11.1</b>	<b>44.3</b>	<b>73.2</b>	<b>96.4</b>	<b>98.6</b>
Capex	-25.2	-63.0	-70.0	-60.0	-15.0
Other investm./divestm.	2.1	2.0	0.0	0.0	0.0
<b>CF from investing</b>	<b>-23.1</b>	<b>-61.0</b>	<b>-70.0</b>	<b>-60.0</b>	<b>-15.0</b>
<b>CF from fin. and other</b>	<b>-14.2</b>	<b>-8.8</b>	<b>19.8</b>	<b>-24.4</b>	<b>-23.6</b>
<b>Change in cash</b>	<b>-26.2</b>	<b>-25.5</b>	<b>22.9</b>	<b>12.0</b>	<b>60.0</b>

**Valuation multiples**

	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Share price	7.28	6.56	9.35	17.36	17.36
x No of shares	63.0	63.0	63.0	63.0	63.0
<b>Market Capitalisation</b>	<b>458.6</b>	<b>413.3</b>	<b>589.1</b>	<b>1,093.7</b>	<b>1,093.7</b>
+ Net financial debt	-88.2	-53.0	-56.0	-68.0	-128.0
+ Pension provision	0.2	0.2	0.2	0.2	0.2
+ Minorities	1.2	-0.3	1.4	1.4	2.4
- Participations	-0.1	-0.1	-3.2	-3.2	-3.2
<b>Enterprise Value</b>	<b>371.8</b>	<b>360.0</b>	<b>531.5</b>	<b>1,024.1</b>	<b>965.1</b>
Sales	685.9	779.3	867.9	905.1	976.6
Adj. EBITDA	44.8	95.1	121.9	130.1	137.3
Adj. EBIT	22.4	73.7	93.9	102.1	107.3
Adj. Net profit a.m.	14.9	52.8	59.9	69.9	73.5
EV / Sales	0.5	0.5	0.6	1.1	1.0
EV / EBITDA	8.3	3.8	4.4	7.9	7.0
EV / EBIT	16.6	4.9	5.7	10.0	9.0
PE	30.7	7.8	9.8	15.6	14.9

Source: Verbio, Matelan Research

**Balance Sheet**

EURm	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Intangible assets	0.3	0.9	0.7	0.7	0.7
Tangible assets	168.0	209.3	251.3	283.3	268.3
Participations	0.1	0.1	3.2	3.2	3.2
Other non-current assets	3.4	3.9	3.4	4.8	5.8
<b>Non-current assets</b>	<b>171.7</b>	<b>214.2</b>	<b>258.6</b>	<b>292.0</b>	<b>278.0</b>
Inventories	45.2	63.1	86.7	90.4	97.6
Receivables	45.2	48.5	46.0	48.0	51.8
Cash	88.6	63.1	86.0	98.0	158.0
Other current assets	15.3	36.1	42.7	15.0	15.0
<b>Current Assets</b>	<b>194.2</b>	<b>210.8</b>	<b>261.4</b>	<b>251.4</b>	<b>322.3</b>
<b>Total assets</b>	<b>366.0</b>	<b>424.9</b>	<b>520.0</b>	<b>543.4</b>	<b>600.3</b>
Equity	299.0	339.2	386.8	444.2	504.1
Minorities	1.2	-0.3	1.4	1.4	2.4
<b>Total equity</b>	<b>300.2</b>	<b>338.9</b>	<b>388.2</b>	<b>445.6</b>	<b>506.5</b>
LT financial liabilities	0.0	0.1	30.0	30.0	30.0
Pension provisions	0.2	0.2	0.2	0.2	0.2
Other LT liabilities	7.5	6.9	15.0	7.5	7.5
<b>Non-current liabilities</b>	<b>7.7</b>	<b>7.1</b>	<b>45.2</b>	<b>37.7</b>	<b>37.7</b>
ST financial liabilities	0.4	10.0	0.0	0.0	0.0
Payables	31.2	41.3	46.0	48.0	51.8
Other ST liabilities	26.5	27.6	40.6	12.0	4.3
<b>Current liabilities</b>	<b>58.1</b>	<b>78.9</b>	<b>86.6</b>	<b>60.0</b>	<b>56.1</b>
<b>Total liabilities</b>	<b>366.0</b>	<b>424.9</b>	<b>520.0</b>	<b>543.4</b>	<b>600.3</b>

**Segments and adjusted earnings**

EURm	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Biodiesel	456.8	514.5	574.1	588.4	659.7
Bioethanol/-methan	219.1	254.7	283.6	306.5	304.7
Other	15.7	16.7	16.2	16.2	17.2
Consolidation	-5.7	-6.6	-6.0	-6.0	-6.0
<b>Sales</b>	<b>685.9</b>	<b>779.3</b>	<b>867.9</b>	<b>905.1</b>	<b>976.6</b>
<i>Growth</i>		13.6%	11.4%	4.3%	7.9%
Biodiesel	24.5	70.7	49.9	51.9	62.9
Bioethanol/-methan	19.9	23.8	71.5	77.9	74.0
Other	0.4	0.6	0.5	0.4	0.4
Consolidation	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>44.8</b>	<b>95.1</b>	<b>121.9</b>	<b>130.1</b>	<b>137.3</b>
<i>Margin</i>	6.5%	12.2%	14.0%	14.4%	14.1%

**Key operational indicators**

	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Equity ratio	82.0%	79.8%	74.6%	82.0%	84.4%
Gearing	0.0	0.0	0.1	0.1	0.1
Asset turnover	4.0	3.6	3.4	3.1	3.6
NWC / sales	8.6%	9.0%	10.0%	10.0%	10.0%
Payable days outst.	16.6	19.4	19.4	19.4	19.4
Receivable days outst.	24.1	22.7	19.3	19.3	19.3
Fix operating assets	171.7	214.1	255.4	288.8	274.8
NWC	59.2	70.3	86.7	90.4	97.5
Capital employed	230.9	284.4	342.1	379.2	372.3
RoE	5.0%	15.3%	15.5%	15.7%	14.5%
RoA	6.1%	17.3%	18.1%	18.8%	17.9%
RoCE	9.7%	25.9%	27.5%	26.9%	28.8%
Gross margin	13.8%	20.7%	23.0%	24.8%	23.6%
EBITDA margin	6.5%	12.2%	14.0%	14.4%	14.1%
EBIT margin	3.3%	9.5%	10.8%	11.3%	11.0%
Net profit margin	2.2%	6.8%	6.9%	7.7%	7.5%

## 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:	75.0%
Neutral:	25.0%
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
--	---