

26 January 2016

Price as of 25/01/16: €5.09

|                  |             |                |
|------------------|-------------|----------------|
| Company / Sector | Fair Value  | Recommendation |
| <b>Verbio</b>    | <b>€6.1</b> | <b>Buy</b>     |
| Energy: Biofuels | (€5.9)      | (unchanged)    |

## Strong Q2 triggers material rise in FY guidance

### Share price performance



### Share data

|                   |         |
|-------------------|---------|
| Reuters           | VBKG.DE |
| No. of shares (m) | 63.00   |
| Daily volume (3m) | 87,412  |
| Free float        | 28.4%   |
| Market cap. (m)   | 320.7   |
| EV (m)            | 281.4   |
| Sales 13-17e      | -2.6%   |

| Valuation  | 2015e | 2016e |
|------------|-------|-------|
| EV/Sales   | 0.4   | 0.4   |
| EV/ EBITDA | 4.0   | 4.1   |
| EV/EBIT    | 6.1   | 6.6   |
| PER        | 8.2   | 10.1  |
| Div. yield | 2.4%  | 2.9%  |
| RoCE       | 23.2% | 20.4% |
| RoE        | 16.2% | 11.9% |

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### Investment case

Key figures for Q2 were better than we would have assumed and the FY guidance was raised even above our estimates. We now increase our FY estimates to just above the new guidance but see potential for more after the release of full Q2 accounts. With 2015/16 being extraordinarily strong, we remain cautious for subsequent years. Our fair value increases to EUR6.1, which leaves a strong upside from the current share price level. We thus clearly reiterate our Buy recommendation on the stock.

#### ➤ GUIDANCE LIFT AFTER STRONG Q2

Ahead of Q2 reporting (Feb, 4<sup>th</sup>), Verbio released very strong key figures. EBITDA for the half year came to EU39.1m and EBIT reached EUR28.7m, which implies an EBITDA of EUR24.5m and an EBIT of EUR19.3m for the second quarter. This is not only a material increase compared to last year's quarter but also a further improvement compared to the already good first quarter. Based on the strong second quarter, management increases its EBITDA guidance for the full year from EUR50m to EUR70m. Net cash should now reach EUR58m by year end (from EUR38m).

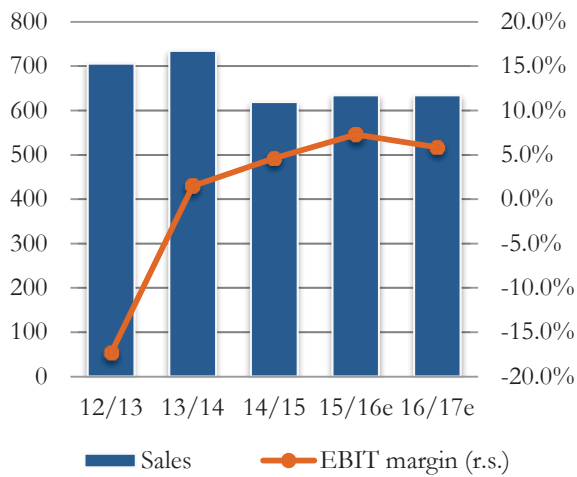
#### ➤ WE NEED TO RAISE OUR ESTIMATES FURTHER

We had already expected a further improvement in Q2 as Q1 was affected by maintenance and hedges. Still, results were even better than we would have assumed and the new guidance now tops our old FY EBITDA estimate (which stood already at EUR60.2m). In view of the earnings potential demonstrated in Q2, even the EUR70m appear prudent. Until we can analyse full Q2 accounts, we raise our estimates just above the new guidance. However, we stick to our estimates for the coming years, as margins might not last at this elevated level. Our fair value comes to EUR6.1.

For additional disclosures please refer to the appendix

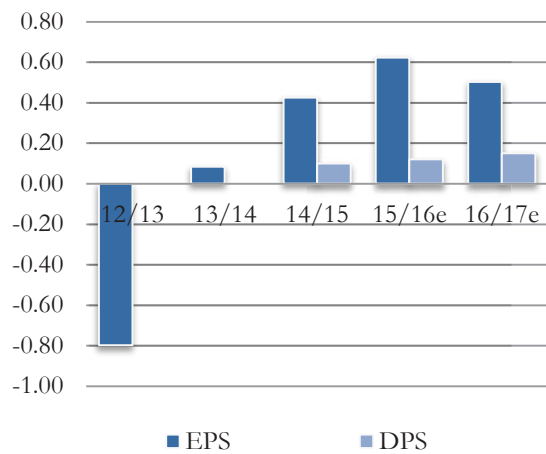
| Forecasts     | 12/13  | 13/14 | 14/15 | 15/16e | 16/17e |
|---------------|--------|-------|-------|--------|--------|
| Sales (€m)    | 705.2  | 733.8 | 618.5 | 634.0  | 633.7  |
| EBITDA (€m)   | 3.6    | 36.2  | 50.7  | 70.2   | 59.2   |
| EBIT (€m)     | -122.3 | 10.9  | 28.5  | 46.2   | 37.2   |
| Adj. EPS (€)  | -0.80  | 0.08  | 0.43  | 0.62   | 0.50   |
| Dividend (€)  | 0.00   | 0.00  | 0.10  | 0.12   | 0.15   |
| Oper. CF (€m) | -19.5  | 76.4  | 46.6  | 61.0   | 52.9   |
| Free CF (€m)  | -55.9  | 68.9  | 33.1  | 51.5   | 47.9   |

Sales and EBIT margin



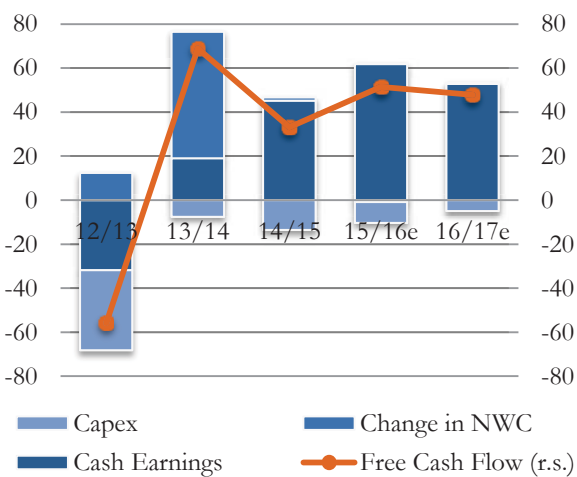
In EURm

Adj. EPS and DPS



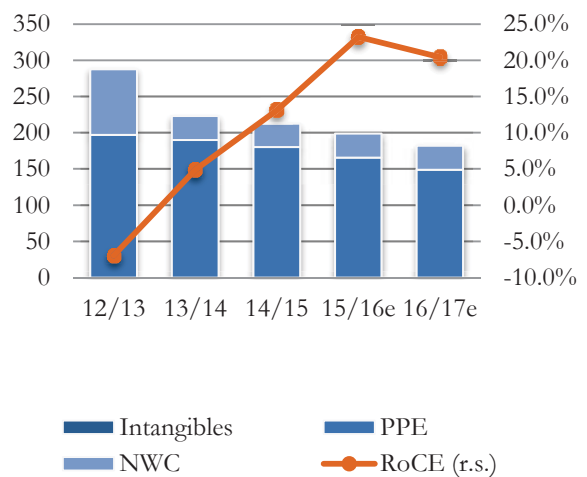
In EUR

Cash Flow



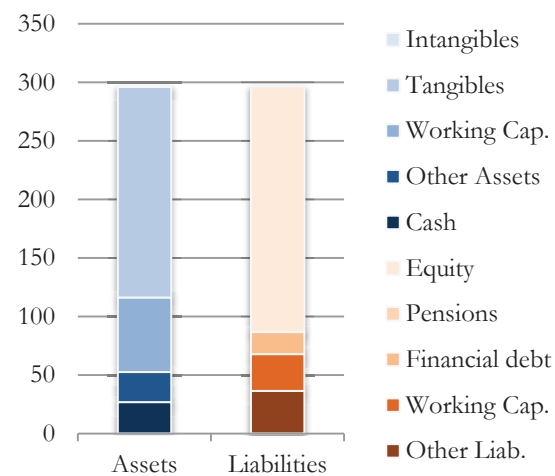
In EURm

RoCE



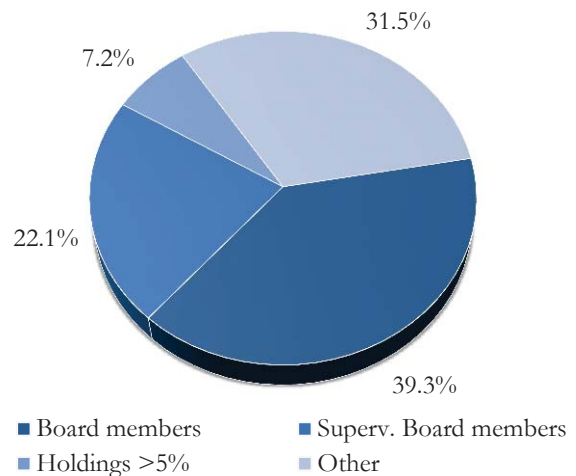
In EURm

Balance Sheet



In EURm

Shareholder structure



**P & L**

| EURm                     | 2012/13       | 2013/14      | 2014/15       | 2015/16e     | 2016/17e     |
|--------------------------|---------------|--------------|---------------|--------------|--------------|
| <b>Sales</b>             | <b>705.2</b>  | <b>733.8</b> | <b>618.5</b>  | <b>634.0</b> | <b>633.7</b> |
| <i>Growth</i>            | <i>n.m.</i>   | <i>4.0%</i>  | <i>-15.7%</i> | <i>2.5%</i>  | <i>-0.1%</i> |
| Material costs           | -653.7        | -661.2       | -528.7        | -523.9       | -533.5       |
| <b>Gross profit</b>      | <b>51.6</b>   | <b>72.6</b>  | <b>89.8</b>   | <b>110.2</b> | <b>100.2</b> |
| <i>Gross margin</i>      | <i>7.3%</i>   | <i>9.9%</i>  | <i>14.5%</i>  | <i>17.4%</i> | <i>15.8%</i> |
| Other operating costs    | -24.6         | -13.4        | -14.0         | -14.5        | -15.0        |
| <b>EBITDA</b>            | <b>3.6</b>    | <b>36.2</b>  | <b>50.7</b>   | <b>70.2</b>  | <b>59.2</b>  |
| <i>Margin</i>            | <i>0.5%</i>   | <i>4.9%</i>  | <i>8.2%</i>   | <i>11.1%</i> | <i>9.3%</i>  |
| Depreciation             | -125.8        | -25.3        | -22.2         | -24.0        | -22.0        |
| <b>EBIT</b>              | <b>-122.3</b> | <b>10.9</b>  | <b>28.5</b>   | <b>46.2</b>  | <b>37.2</b>  |
| <i>Margin</i>            | <i>n.m.</i>   | <i>1.5%</i>  | <i>4.6%</i>   | <i>7.3%</i>  | <i>5.9%</i>  |
| Financial result         | -4.2          | -4.0         | -3.8          | -1.4         | -0.8         |
| <b>EBT</b>               | <b>-126.5</b> | <b>6.9</b>   | <b>24.7</b>   | <b>44.7</b>  | <b>36.0</b>  |
| Taxes                    | 0.6           | -1.4         | 2.1           | -5.4         | -4.3         |
| Net profit               | -125.9        | 5.4          | 26.9          | 39.3         | 31.7         |
| Minorities / Discon. Op. | -26.6         | -0.2         | -0.1          | -0.1         | -0.1         |
| <b>Net profit a.m.</b>   | <b>-152.5</b> | <b>5.3</b>   | <b>26.8</b>   | <b>39.2</b>  | <b>31.6</b>  |
| <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          | 0.62         | 0.50         |
| <b>Adj. EPS</b>          | <b>-0.80</b>  | <b>0.08</b>  | <b>0.43</b>   | <b>0.62</b>  | <b>0.50</b>  |
| <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          | 0.12         | 0.15         |

**Balance Sheet**

| EURm                           | 2012/13      | 2013/14      | 2014/15      | 2015/16e     | 2016/17e     |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| Intangible assets              | 0.3          | 0.2          | 0.1          | 0.1          | 0.1          |
| Tangible assets                | 196.7        | 189.6        | 180.0        | 165.5        | 148.5        |
| 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          |
| <b>Non-current assets</b>      | <b>197.1</b> | <b>190.0</b> | <b>184.7</b> | <b>165.8</b> | <b>148.8</b> |
| Inventories                    | 64.1         | 30.2         | 22.2         | 22.7         | 22.7         |
| Receivables                    | 66.2         | 33.9         | 41.4         | 42.5         | 42.4         |
| Cash                           | 17.7         | 24.3         | 26.7         | 59.0         | 96.0         |
| Other current assets           | 65.4         | 24.3         | 21.3         | 24.9         | 24.9         |
| <b>Current Assets</b>          | <b>213.3</b> | <b>112.7</b> | <b>111.6</b> | <b>149.1</b> | <b>186.1</b> |
| <b>Total assets</b>            | <b>410.4</b> | <b>302.7</b> | <b>296.3</b> | <b>315.0</b> | <b>334.9</b> |
| Equity                         | 177.6        | 183.1        | 209.1        | 242.1        | 266.3        |
| Minorities                     | 0.7          | 0.5          | 0.5          | 0.7          | 0.7          |
| <b>Total equity</b>            | <b>178.3</b> | <b>183.5</b> | <b>209.7</b> | <b>242.8</b> | <b>267.0</b> |
| LT financial liabilities       | 31.1         | 22.3         | 11.6         | 11.6         | 11.6         |
| 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         |
| <b>Non-current liabilities</b> | <b>43.9</b>  | <b>35.4</b>  | <b>24.6</b>  | <b>23.8</b>  | <b>24.3</b>  |
| ST financial liabilities       | 113.2        | 30.0         | 7.3          | 7.3          | 7.3          |
| Payables                       | 39.6         | 30.7         | 31.3         | 32.0         | 32.0         |
| Other ST liabilities           | 35.4         | 23.0         | 23.5         | 9.0          | 4.4          |
| <b>Current liabilities</b>     | <b>188.2</b> | <b>83.7</b>  | <b>62.0</b>  | <b>48.4</b>  | <b>43.7</b>  |
| <b>Total liabilities</b>       | <b>410.4</b> | <b>302.7</b> | <b>296.3</b> | <b>315.0</b> | <b>334.9</b> |

**Cash Flow**

| EURm                          | 2012/13       | 2013/14      | 2014/15      | 2015/16e     | 2016/17e     |
|-------------------------------|---------------|--------------|--------------|--------------|--------------|
| <b>EBIT</b>                   | <b>-122.3</b> | <b>10.9</b>  | <b>28.5</b>  | <b>46.2</b>  | <b>37.2</b>  |
| Depreciation                  | 125.8         | 25.3         | 22.2         | 24.0         | 22.0         |
| Other non-cash items          | -34.7         | -19.3        | -3.3         | -3.0         | -2.0         |
| Cash taxes                    | -0.7          | 2.1          | -2.1         | -5.4         | -4.3         |
| Cash earnings                 | -31.9         | 19.1         | 45.3         | 61.8         | 52.8         |
| Change in NWC                 | 12.4          | 57.3         | 1.3          | -0.8         | 0.0          |
| <b>CF from operations</b>     | <b>-19.5</b>  | <b>76.4</b>  | <b>46.6</b>  | <b>61.0</b>  | <b>52.9</b>  |
| Capex                         | -36.4         | -7.5         | -13.5        | -9.5         | -5.0         |
| Other investm./divestm.       | 7.4           | 28.7         | 2.8          | 0.0          | 0.0          |
| <b>CF from investing</b>      | <b>-29.0</b>  | <b>21.2</b>  | <b>-10.7</b> | <b>-9.5</b>  | <b>-5.0</b>  |
| <b>CF from fin. and other</b> | <b>25.4</b>   | <b>-91.0</b> | <b>-33.6</b> | <b>-19.2</b> | <b>-10.9</b> |
| <b>Change in cash</b>         | <b>-23.0</b>  | <b>6.6</b>   | <b>2.4</b>   | <b>32.3</b>  | <b>37.0</b>  |

**Segments and adjusted earnings**

| EURm               | 2012/13       | 2013/14      | 2014/15       | 2015/16e     | 2016/17e     |
|--------------------|---------------|--------------|---------------|--------------|--------------|
| Biodiesel          | 421.7         | 458.2        | 397.0         | 403.1        | 405.7        |
| Bioethanol/-methan | 258.3         | 257.8        | 212.9         | 227.9        | 225.1        |
| Other              | 33.5          | 48.4         | 15.8          | 10.0         | 10.3         |
| Consolidation      | -8.3          | -30.6        | -7.1          | -7.0         | -7.5         |
| <b>Sales</b>       | <b>705.2</b>  | <b>733.8</b> | <b>618.5</b>  | <b>634.0</b> | <b>633.7</b> |
| <i>Growth</i>      | <i>n.m.</i>   | <i>4.0%</i>  | <i>-15.7%</i> | <i>2.5%</i>  | <i>-0.1%</i> |
| Biodiesel          | -87.0         | 17.3         | 21.7          | 22.6         | 23.1         |
| Bioethanol/-methan | -33.9         | -1.2         | 6.3           | 22.9         | 13.4         |
| Other              | -1.4          | -0.6         | 0.5           | 0.6          | 0.7          |
| Consolidation      | 0.0           | -4.7         | 0.0           | 0.0          | 0.0          |
| <b>EBIT</b>        | <b>-122.3</b> | <b>10.9</b>  | <b>28.5</b>   | <b>46.2</b>  | <b>37.2</b>  |
| <i>Margin</i>      | <i>n.m.</i>   | <i>1.5%</i>  | <i>4.6%</i>   | <i>7.3%</i>  | <i>5.9%</i>  |

**Valuation multiples**

|                              | 2012/13      | 2013/14      | 2014/15      | 2015/16e     | 2016/17e     |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Share price                  | 1.48         | 1.53         | 1.90         | 5.09         | 5.09         |
| x No of shares               | 63.0         | 63.0         | 63.0         | 63.0         | 63.0         |
| <b>Market Capitalisation</b> | <b>93.2</b>  | <b>96.4</b>  | <b>119.7</b> | <b>320.7</b> | <b>320.7</b> |
| + Net financial debt         | 126.6        | 28.1         | -7.8         | -40.2        | -77.2        |
| + 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         |
| <b>Enterprise Value</b>      | <b>220.6</b> | <b>125.0</b> | <b>112.5</b> | <b>281.4</b> | <b>244.4</b> |
| Sales                        | 705.2        | 733.8        | 618.5        | 634.0        | 633.7        |
| Adj. EBITDA                  | 3.6          | 36.2         | 50.7         | 70.2         | 59.2         |
| Adj. EBIT                    | -20.0        | 10.9         | 28.5         | 46.2         | 37.2         |
| Adj. Net profit a.m.         | -50.2        | 5.3          | 26.8         | 39.2         | 31.6         |
| EV / Sales                   | 0.3          | 0.2          | 0.2          | 0.4          | 0.4          |
| EV / EBITDA                  | 62.0         | 3.5          | 2.2          | 4.0          | 4.1          |
| EV / EBIT                    | n.m.         | 11.5         | 3.9          | 6.1          | 6.6          |
| PE                           | n.m.         | 18.3         | 4.5          | 8.2          | 10.1         |

**Key operational indicators**

|                        | 2012/13 | 2013/14 | 2014/15 | 2015/16e | 2016/17e |
|------------------------|---------|---------|---------|----------|----------|
| Equity ratio           | 43.4%   | 60.6%   | 70.8%   | 77.1%    | 79.7%    |
| Gearing                | 0.8     | 0.3     | 0.1     | 0.1      | 0.1      |
| Asset turnover         | 3.6     | 3.9     | 3.3     | 3.8      | 4.3      |
| 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   | 165.8    | 148.8    |
| NWC                    | 90.7    | 33.4    | 32.4    | 33.2     | 33.2     |
| Capital employed       | 287.7   | 223.3   | 217.0   | 199.0    | 182.0    |
| RoE                    | -70.6%  | 3.0%    | 12.8%   | 16.2%    | 11.9%    |
| RoA                    | -4.9%   | 3.6%    | 9.6%    | 14.7%    | 11.1%    |
| RoCE                   | -7.0%   | 4.9%    | 13.1%   | 23.2%    | 20.4%    |
| Gross margin           | 7.3%    | 9.9%    | 14.5%   | 17.4%    | 15.8%    |
| EBITDA margin          | 0.5%    | 4.9%    | 8.2%    | 11.1%    | 9.3%     |
| EBIT margin            | -17.3%  | 1.5%    | 4.6%    | 7.3%     | 5.9%     |
| Net profit margin      | -21.6%  | 0.7%    | 4.3%    | 6.2%     | 5.0%     |

Source: Verbio, Matelan Research

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|             |   |
|-------------|---|
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| 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. |

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|             |       |
|-------------|-------|
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| 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 |

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