

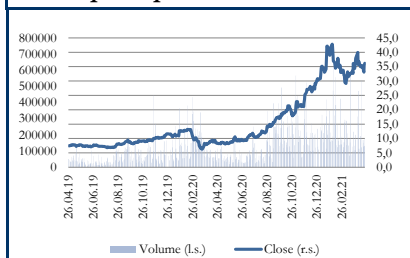
26 April 2021

Price as of 25/04/21: €36.20

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

## Strong increase in full year guidance

### Share price performance



### Share data

Reuters	VBKG.DE
No. of shares (m)	63.0
Daily volume (3m)	218,969
Free float	28.1%
Market cap. (m)	2,280.6
EV (m)	2,224.0
Sales 17/18-21/22e	9.5%

Valuation	20/21e	21/22e
EV/Sales	2.4	2.2
EV/ EBITDA	14.7	15.7
EV/EBIT	18.1	20.0
PER	27.0	30.2
Div. yield	0.6%	0.7%
RoCE	28.3%	23.2%
RoE	18.3%	14.4%

### Analysts

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### Investment case

An improved margin situation has led to an increase in FY EBITDA guidance to EUR150m. Based on current forwards, we feel that this is well achievable and have adjusted our estimates accordingly. So far, we do not yet change our estimates for 2021/22. Here, the further expansion of the company will be quintessential and we would expect a further update on this side with the release of full Q3 results on March, 6<sup>th</sup>. With an upside of almost 40% we stick to our Buy recommendation.

#### ➤ FY GUIDANCE RAISED TO EUR150M

Ahead of the publication of Q3 results, management has raised its FY guidance from EUR130m to EUR150m in EBITDA and EUR65m in net cash. While the company has already produced EUR80m in EBITDA in the first half of the year, the second half has started with rather moderate sales prices. However, pricing has recently picked up in both divisions and improved margin levels so that H2 might come in not too far from H1.

#### ➤ HIGHER MARGINS EXPECTED FOR Q3 AND Q4

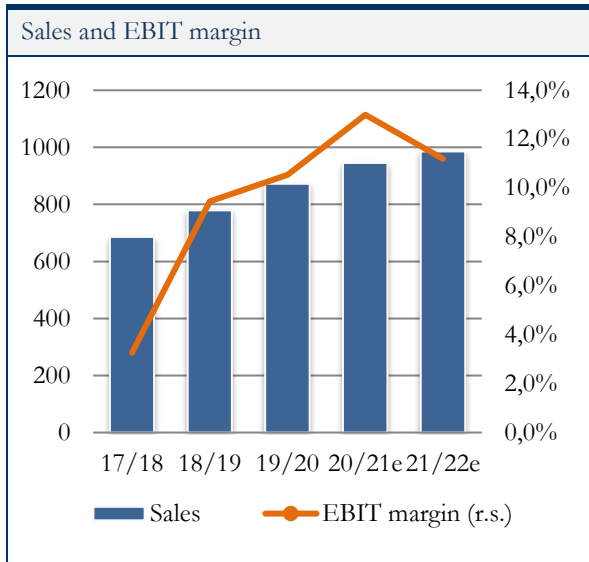
We thus feel that reaching EUR150m is not unrealistic. We believe that in particular the biodiesel activities could have performed better than so far anticipated for Q3. Here, prospects for Q4 remain favourable. Improved pricing in bioethanol should add to this in Q4. We would thus expect an EBITDA level of slightly below EUR35m in Q3 and slightly above EUR35m in Q4.

#### ➤ FAIR VALUE STILL SHOWS HIGH UPSIDE

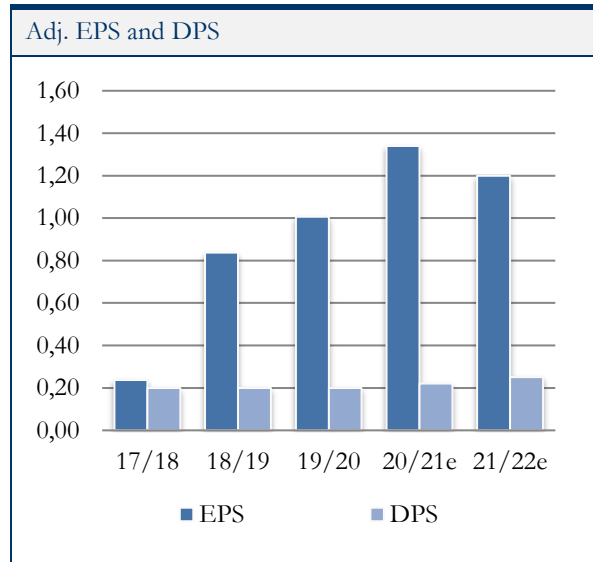
We thus raise our FY 2020/21 EBITDA estimate to EUR150m. The impact on our fair value is only marginal. The release of Q3 full accounts on May, 6<sup>th</sup>, will allow for more detailed adjustments.

For additional disclosures please refer to the appendix

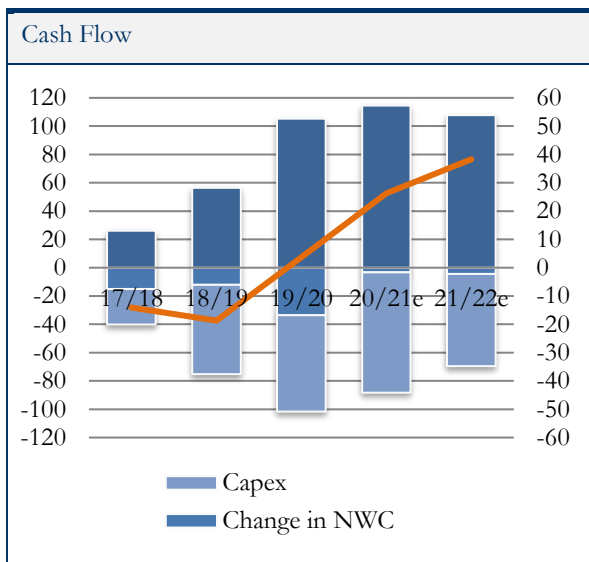
Forecasts	17/18	18/19	19/20	20/21e	21/22e
Sales (€m)	685.9	779.3	872.4	945.1	985.2
EBITDA (€m)	44.8	95.1	122.1	150.9	140.3
EBIT (€m)	22.4	73.7	91.9	122.9	110.3
Adj. EPS (€)	0.24	0.84	1.01	1.34	1.20
Dividend (€)	0.20	0.20	0.20	0.22	0.25
Oper. CF (€m)	11.1	44.3	71.7	111.3	103.3
Free CF (€m)	-14.1	-18.7	3.7	26.3	38.3



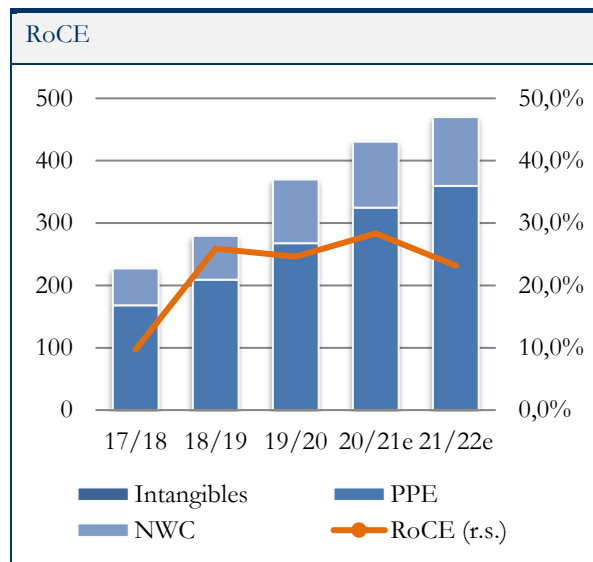
In EURm



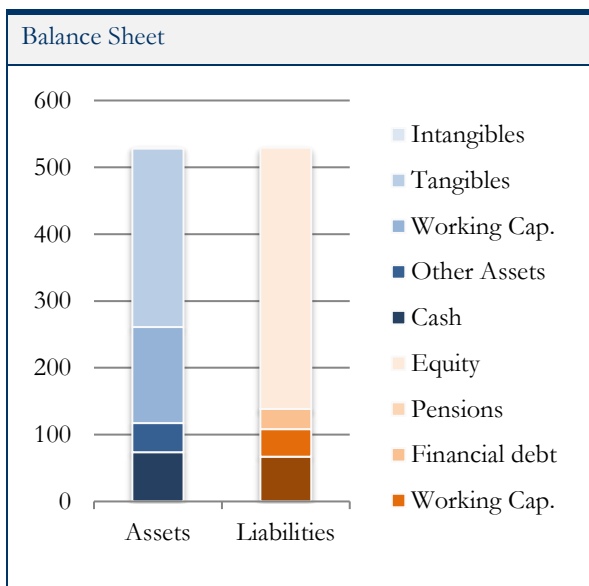
In EUR



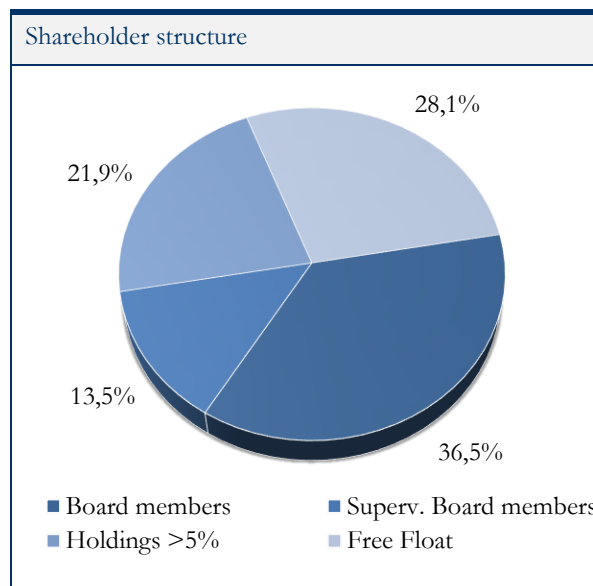
In EURm



In EURm



In EURm



**P & L**

EURm	2017/18	2018/19	2019/20	2020/21e	2021/22e
<b>Sales</b>	<b>685.9</b>	<b>779.3</b>	<b>872.4</b>	<b>945.1</b>	<b>985.2</b>
<i>Growth</i>		13.6%	11.9%	8.3%	4.2%
Material costs	-591.0	-618.4	-673.5	-712.2	-765.1
<b>Gross profit</b>	<b>94.9</b>	<b>160.9</b>	<b>198.9</b>	<b>232.9</b>	<b>220.1</b>
<i>Gross margin</i>	13.8%	20.7%	22.8%	24.6%	22.3%
Other operating costs	-23.4	-28.6	-31.9	-37.0	-35.8
<b>EBITDA</b>	<b>44.8</b>	<b>95.1</b>	<b>122.1</b>	<b>150.9</b>	<b>140.3</b>
<i>Margin</i>	6.5%	12.2%	14.0%	16.0%	14.2%
Depreciation	-22.4	-21.4	-30.2	-28.0	-30.0
<b>EBIT</b>	<b>22.4</b>	<b>73.7</b>	<b>91.9</b>	<b>122.9</b>	<b>110.3</b>
<i>Margin</i>	3.3%	9.5%	10.5%	13.0%	11.2%
Financial result	-0.2	-0.6	-0.9	-2.0	-2.0
<b>EBT</b>	<b>22.2</b>	<b>73.1</b>	<b>91.0</b>	<b>120.9</b>	<b>108.3</b>
Taxes	-7.1	-21.4	-27.2	-36.3	-32.5
Net profit	15.1	51.7	63.8	84.6	75.8
Minorities / Discon. Op.	-0.2	1.1	-0.4	-0.2	-0.2
<b>Net profit a.m.</b>	<b>14.9</b>	<b>52.8</b>	<b>63.4</b>	<b>84.4</b>	<b>75.6</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	1.01	1.34	1.20
<b>Adj. EPS</b>	<b>0.24</b>	<b>0.84</b>	<b>1.01</b>	<b>1.34</b>	<b>1.20</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

**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
<b>Non-current assets</b>	<b>171.7</b>	<b>214.2</b>	<b>273.8</b>	<b>330.8</b>	<b>368.8</b>
Inventories	45.2	63.1	78.8	93.4	97.3
Receivables	45.2	48.5	64.7	45.8	47.7
Cash	88.6	63.1	73.9	85.9	107.9
Other current assets	15.3	36.1	38.1	40.0	42.0
<b>Current Assets</b>	<b>194.2</b>	<b>210.8</b>	<b>255.4</b>	<b>265.1</b>	<b>295.0</b>
<b>Total assets</b>	<b>366.0</b>	<b>424.9</b>	<b>529.2</b>	<b>595.9</b>	<b>663.8</b>
Equity	299.0	339.2	389.1	461.1	523.1
Minorities	1.2	-0.3	1.7	1.8	1.9
<b>Total equity</b>	<b>300.2</b>	<b>338.9</b>	<b>390.8</b>	<b>462.9</b>	<b>525.0</b>
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
<b>Non-current liabilities</b>	<b>7.7</b>	<b>7.1</b>	<b>49.3</b>	<b>48.7</b>	<b>49.2</b>
ST financial liabilities	0.4	10.0	0.1	0.1	0.1
Payables	31.2	41.3	41.1	33.5	34.9
Other ST liabilities	26.5	27.6	47.8	50.6	54.5
<b>Current liabilities</b>	<b>58.1</b>	<b>78.9</b>	<b>89.1</b>	<b>84.2</b>	<b>89.6</b>
<b>Total liabilities</b>	<b>366.0</b>	<b>424.9</b>	<b>529.2</b>	<b>595.9</b>	<b>663.8</b>

**Cash Flow**

EURm	2017/18	2018/19	2019/20	2020/21e	2021/22e
<b>EBIT</b>	<b>22.4</b>	<b>73.7</b>	<b>91.9</b>	<b>122.9</b>	<b>110.3</b>
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	-36.3	-32.5
Cash earnings	26.1	56.5	105.3	114.6	107.8
Change in NWC	-15.0	-12.2	-33.7	-3.3	-4.5
<b>CF from operations</b>	<b>11.1</b>	<b>44.3</b>	<b>71.7</b>	<b>111.3</b>	<b>103.3</b>
Capex	-25.2	-63.0	-68.0	-85.0	-65.0
Other investm./divestm.	2.1	2.0	0.3	0.0	0.0
<b>CF from investing</b>	<b>-23.1</b>	<b>-61.0</b>	<b>-67.7</b>	<b>-85.0</b>	<b>-65.0</b>
<b>CF from fin. and other</b>	<b>-14.2</b>	<b>-8.8</b>	<b>6.8</b>	<b>-14.3</b>	<b>-16.3</b>
<b>Change in cash</b>	<b>-26.2</b>	<b>-25.5</b>	<b>10.8</b>	<b>12.0</b>	<b>22.0</b>

**Segments and adjusted earnings**

EURm	2017/18	2018/19	2019/20	2020/21e	2021/22e
Biodiesel	456.8	514.5	588.2	617.7	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
<b>Sales</b>	<b>685.9</b>	<b>779.3</b>	<b>872.4</b>	<b>945.1</b>	<b>985.2</b>
<i>Growth</i>		13.6%	11.9%	8.3%	4.2%
Biodiesel	24.5	70.7	46.1	68.7	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
<b>EBITDA</b>	<b>44.8</b>	<b>95.1</b>	<b>122.1</b>	<b>150.9</b>	<b>140.3</b>
<i>Margin</i>	6.5%	12.2%	14.0%	16.0%	14.2%

**Valuation multiples**

	2017/18	2018/19	2019/20	2020/21e	2021/22e
Share price	7.28	6.56	9.35	36.20	36.20
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>2,280.6</b>	<b>2,280.6</b>
+ Net financial debt	-88.2	-53.0	-43.6	-55.6	-77.6
+ 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
<b>Enterprise Value</b>	<b>371.8</b>	<b>360.0</b>	<b>544.4</b>	<b>2,224.0</b>	<b>2,202.1</b>
Sales	685.9	779.3	872.4	945.1	985.2
Adj. EBITDA	44.8	95.1	122.1	150.9	140.3
Adj. EBIT	22.4	73.7	91.9	122.9	110.3
Adj. Net profit a.m.	14.9	52.8	63.4	84.4	75.6
EV / Sales	0.5	0.5	0.6	2.4	2.2
EV / EBITDA	8.3	3.8	4.5	14.7	15.7
EV / EBIT	16.6	4.9	5.9	18.1	20.0
PE	30.7	7.8	9.3	27.0	30.2

**Key operational indicators**

	2017/18	2018/19	2019/20	2020/21e	2021/22e
Equity ratio	82.0%	79.8%	73.9%	77.7%	79.1%
Gearing	0.0	0.0	0.1	0.1	0.1
Asset turnover	4.0	3.6	3.2	2.9	2.7
NWC / sales	8.6%	9.0%	11.7%	11.2%	11.2%
Payable days outst.	16.6	19.4	17.2	12.9	12.9
Receivable days outst.	24.1	22.7	27.1	17.7	17.7
Fix operating assets	171.7	214.1	270.9	328.0	366.0
NWC	59.2	70.3	102.4	105.7	110.2
Capital employed	230.9	284.4	373.3	433.7	476.1
RoE	5.0%	15.3%	16.3%	18.3%	14.4%
RoA	6.1%	17.3%	17.4%	20.6%	16.6%
RoCE	9.7%	25.9%	24.6%	28.3%	23.2%
Gross margin	13.8%	20.7%	22.8%	24.6%	22.3%
EBITDA margin	6.5%	12.2%	14.0%	16.0%	14.2%
EBIT margin	3.3%	9.5%	10.5%	13.0%	11.2%
Net profit margin	2.2%	6.8%	7.3%	8.9%	7.7%

Source: Verbio, Matelan Research

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Buy:	62.5%
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Verbio	
Date	Rating
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09/11/18	Strong Buy
12/02/18	Buy
29/03/16	Neutral
05/02/15	Buy
10/02/12	Neutral

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