

27 September 2022

Price as of 26/09/22: €54.30

Company / Sector	Fair Value	Recommendation
Verbio	€75.0	Buy
Energy: Biofuels	(€93.1)	(Strong Buy)

Aiming for EUR300m in EBITDA in FY22/23

Share price performance



Share data

Reuters	VBKG.DE
No. of shares (m)	63.0
Daily volume (3m)	157,305
Free float	28.8%
Market cap. (m)	3,442.5
EV (m)	3,242.2
Sales CAGR 18-22e	17.0%

Valuation	21/22	22/23e
EV/Sales	1.8	2.2
EV/ EBITDA	6.3	10.7
EV/EBIT	6.9	12.1
PER	10.9	18.5
Div. yield	0.4%	0.4%
RoCE	70.4%	34.1%
RoE	38.6%	18.8%

Analysts

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Investment case

Record earnings for FY21/22 were in line with expectations. The guidance for FY22/23 fits with current forward pricing. Current expansion is progressing and there is ample room for more. We have upped our earnings estimates but our fair value still comes down as the effect of higher interest rates is even stronger. Still, our new fair value of EUR75 leaves an upside of 38% from yesterday's closing price.

➤ RECORD YEAR 21/22

With EUR503m in EBITDA, Verbio reached a new record, meeting its guidance as well as our expectations. Both divisions showed higher sales than expected but gross profit and EBITDA came in bang in line. EBIT and net profit were marginally lower. Net cash came to EUR325m but this will come down next year.

➤ EXPANSION UNDER WAY

The company continues to execute its current global expansion plan and aims to spend more than EUR300m. Management has also highlighted a number of opportunities for further investments such as synthetic fuels or a potential additional expansion in Schwedt, which could be part of a solution for the PCK refinery.

➤ EARNINGS UP – FAIR VALUE DOWN

Management's guidance of EUR300m in EBITDA FY 22/23 is in line with current forward pricing. We have thus raised our estimates to this level and continue to price in the current investment phase. However, also reflecting the higher interest rate environment still brings our fair value down to EUR75.

For additional disclosures please refer to the appendix

Forecasts	18/19	19/20	20/21	21/22	22/23e
Sales (€m)	779,3	872,4	1026,4	1812,5	1459,3
EBITDA (€m)	95,1	122,1	166,3	503,3	303,9
EBIT (€m)	73,7	91,9	136,6	462,0	267,9
Adj. EPS (€)	0,84	1,01	1,48	4,98	2,94
Dividend (€)	0,20	0,20	0,20	0,20	0,20
Oper. CF (€m)	44,3	71,7	117,2	325,0	130,0
Free CF (€m)	-18,7	3,7	50,1	210,6	-55,0

Q4 21/22 review and changes in 22/23 estimates

EURm	Q4 21/22	Q4 21/22e	Q4 20/21	Change	FY 21/22	FY 22/23e old	FY 22/23 new
Biodiesel	392,0	318,1	231,4	69,4%	1269,7	1147,9	966,8
Bioethanol	179,9	156,7	75,3	138,9%	531,3	424,4	488,7
Other	3,1	4,8	2,8	9,1%	-83,9	3,8	3,8
Sales	575,0	479,6	309,5	85,8%	1717,1	1576,1	1459,3
Gross profit	207,2	207,2	91,8	125,7%	626,6	344,3	395,9
<i>Margin</i>	<i>36,0%</i>	<i>43,2%</i>	<i>29,7%</i>		<i>36,5%</i>	<i>21,8%</i>	<i>27,1%</i>
Biodiesel	104,7	101,3	37,6	178,6%	298,3	156,8	167,6
Bioethanol	83,0	84,7	15,2	446,3%	202,3	103,0	133,7
Other	0,6	-0,1	0,7	-14,6%	2,6	0,5	2,6
EBITDA	188,4	185,9	53,5	252,1%	503,3	260,3	303,9
<i>Margin</i>	<i>32,8%</i>	<i>38,8%</i>	<i>17,3%</i>		<i>29,3%</i>	<i>16,5%</i>	<i>20,8%</i>
EBIT	170,5	177,4	46,2	269,0%	462,0	226,3	267,9
<i>Margin</i>	<i>29,7%</i>	<i>37,0%</i>	<i>14,9%</i>		<i>26,9%</i>	<i>14,4%</i>	<i>18,4%</i>
Net Profit a.m.	115,9	127,6	31,7	265,5%	315,6	157,0	186,2

Source: Verbio, Matelan Research estimates

Results in line with expectations

With a new record of EUR503m in EBITDA, Q4 results matched company guidance and our estimates. Looking at developments in Q4, we see biodiesel clearly exceeding our estimates on the sales side but matching our expectations in terms of EBITDA. Trading might have been one factor behind this. The bioethanol activities show a similar effect but to a lesser extent. EBIT and net profit come slightly be lower compared to our expectations with depreciation and taxes being slightly higher than forecasted.

Net cash comes to EUR284,1m

Operating cash flow comes in at EUR325m, EUR30m higher than we had anticipated. However, the company has quiet high deferred taxes, which will reduce cash in the coming year. Net cash including segregated accounts in FY 21/22 amounted to EUR284.1m.

Globalisation progressing

Looking forward, management has highlighted its strategic decision to expand globally, in particular Canada, the US and India, which in view of the difficult economic environment it perceives as the right decision. According to management, biodiesel in Canada has managed to become profitable, biomethane in India is still difficult and biomethane in the US is producing a better output than comparable sites in Germany. Moreover, construction of the planned bioethanol capacity in the US is well under way. The company also intends to use its US site for the production of synthetic fuels.

Capex of more than EUR300m

In Germany, the company is currently selling biomethane as renewable natural gas, which is rather profitable at current gas price levels. Start of the construction of a liquefaction plant is now planned to start in H2 22/23. Once finished, this should then allow the company to gain traction in the LNG market. In total, Verbio plans to spent more than EUR300m in capex, EUR140m for the expansion of the sites in Germany, the US and India, and EUR160m for the liquefaction plant, and further moves such as LNG/CNG filling stations, ethenolysis, and the development of chemical products, proteins and synthetic fuels. Management has also made it clear that is considering a further expansion in Schwedt, where the PCK refinery is looking for alternatives to processing Russian oil.

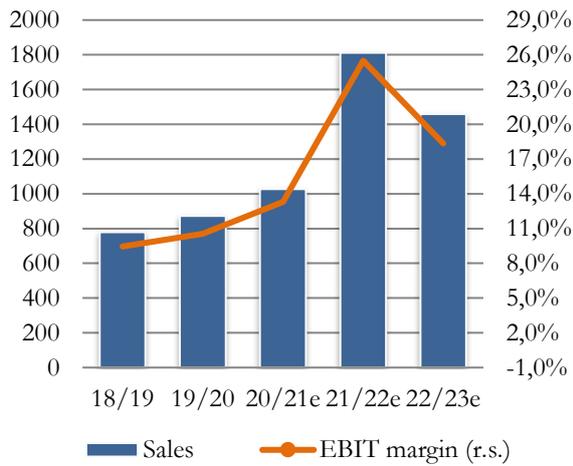
Guidance of
EUR300m in EBITDA
for FY 22/23

For FY 22/23, management has given a guidance of EUR300m in EBITDA. Reviewing our numbers, we feel that this adequately reflects the recent development of the forward prices in biodiesel as well as bioethanol, including their respective feedstock markets. Compared to our previous estimate of EUR260m, this is even an increase. Moreover, the company has demonstrated in the past that it can act quite flexibly on the market, which has been allowing it to make some additional profit.

Fair value comes to
EUR75

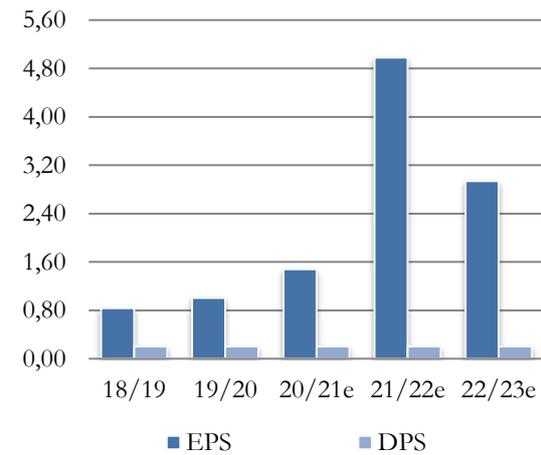
We have adjusted our FY 22/23 scenario and continue to add the expansion that is currently under construction. This leads to a slight increase in our fair value. However, the higher interest rate environment increased the cost of capital, which over-compensates for the positive effect from the higher earnings. As a result, our fair value comes down to EUR75. This still leaves the share with an upside of 38% from yesterday's share price.

Sales and EBIT margin



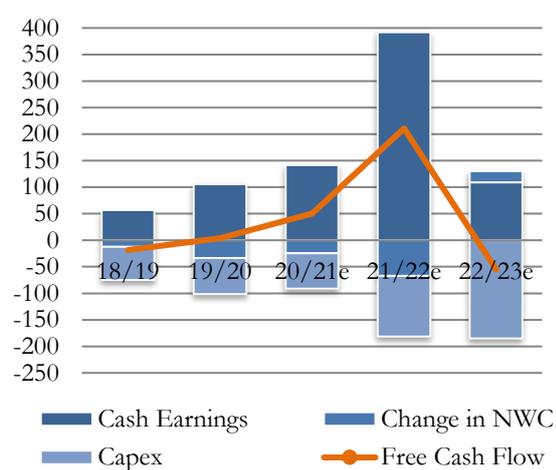
In EURm

Adj. EPS and DPS



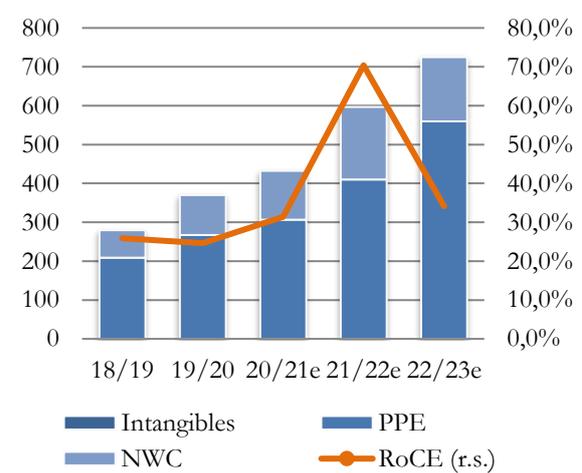
In EUR

Cash Flow



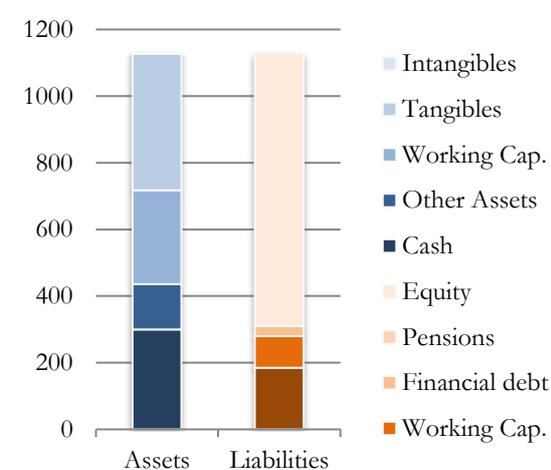
In EURm

RoCE



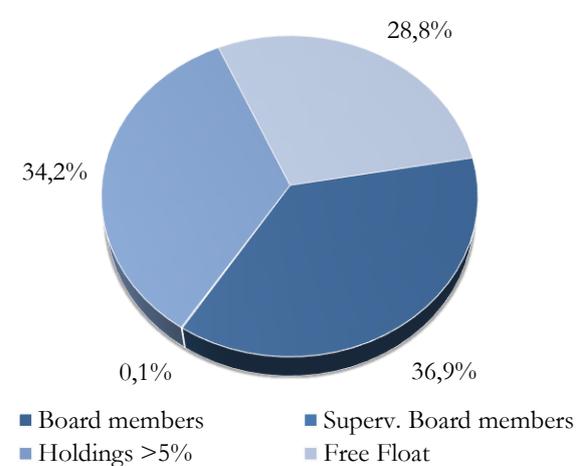
In EURm

Balance Sheet



In EURm

Shareholder structure



P & L

EURm	2018/19	2019/20	2020/21	2021/22	2022/23e
Sales	779,3	872,4	1.026,4	1.812,5	1.459,3
<i>Growth</i>		11,9%	17,6%	76,6%	-19,5%
Material costs	-618,4	-673,5	-754,4	-1.185,8	-1.063,4
Gross profit	160,9	198,9	272,0	626,7	395,9
<i>Gross margin</i>	20,7%	22,8%	26,5%	34,6%	27,1%
Other operating costs	-28,6	-31,9	-51,2	-58,4	-24,0
EBITDA	95,1	122,1	166,3	503,3	303,9
<i>Margin</i>	12,2%	14,0%	16,2%	27,8%	20,8%
Depreciation	-21,4	-30,2	-29,7	-41,3	-36,0
EBIT	73,7	91,9	136,6	462,0	267,9
<i>Margin</i>	9,5%	10,5%	13,3%	25,5%	18,4%
Financial result	-0,6	-0,9	-1,3	-3,0	-1,7
EBT	73,1	91,0	135,4	459,0	266,2
Taxes	-21,4	-27,2	-41,8	-143,2	-79,9
Net profit	51,7	63,8	93,5	315,8	186,4
Minorities / Discon. Op.	1,1	-0,4	-0,3	-0,2	-0,2
Net profit a.m.	52,8	63,4	93,2	315,6	186,2
<i>Growth</i>	n.m.	n.m.	n.m.	n.m.	n.m.
No of shares	63,0	63,0	63,0	63,4	63,4
EPS	0,84	1,01	1,48	4,98	2,94
Adj. EPS	0,84	1,01	1,48	4,98	2,94
<i>Growth</i>	n.m.	n.m.	n.m.	n.m.	n.m.
Dividend	0,20	0,20	0,20	0,20	0,20

Cash Flow

EURm	2018/19	2019/20	2020/21	2021/22	2022/23e
EBIT	73,7	91,9	136,6	462,0	267,9
Depreciation	21,4	30,2	29,7	41,3	36,0
Other non-cash items	-13,4	-3,2	19,5	-48,4	-25,0
Cash taxes	-25,2	-13,5	-44,5	-63,0	-169,9
Cash earnings	56,5	105,3	141,4	391,9	109,1
Change in NWC	-12,2	-33,7	-24,2	-66,9	20,9
CF from operations	44,3	71,7	117,2	325,0	130,0
Capex	-63,0	-68,0	-67,1	-114,4	-185,0
Other investm./divestm.	2,0	0,3	0,1	0,8	0,0
CF from investing	-61,0	-67,7	-66,9	-113,6	-185,0
CF from fin. and other	-8,8	6,8	-19,1	-16,8	-14,6
Change in cash	-25,5	10,8	31,1	194,6	-69,6

Valuation multiples

	2018/19	2019/20	2020/21	2021/22	2022/23e
Share price	6,56	9,35	27,57	54,30	54,30
x No of shares	63,0	63,0	63,0	63,4	63,4
Market Capitalisation	413,3	589,1	1.736,9	3.442,5	3.442,5
+ Net financial debt	-53,0	-43,6	-75,0	-269,6	-200,0
+ Pension provision	0,2	0,1	0,1	0,1	0,1
+ Minorities	-0,3	1,7	2,0	2,2	2,0
- Participations	-0,1	-2,8	-2,8	-2,4	-2,4
Enterprise Value	360,0	544,4	1.661,2	3.172,9	3.242,2
Sales	779,3	872,4	1.026,4	1.812,5	1.459,3
Adj. EBITDA	95,1	122,1	166,3	503,3	303,9
Adj. EBIT	73,7	91,9	136,6	462,0	267,9
Adj. Net profit a.m.	52,8	63,4	93,2	315,6	186,2
EV / Sales	0,5	0,6	1,6	1,8	2,2
EV / EBITDA	3,8	4,5	10,0	6,3	10,7
EV / EBIT	4,9	5,9	12,2	6,9	12,1
PE	7,8	9,3	18,6	10,9	18,5

Source: Verbio, Matelan Research

Balance Sheet

EURm	2018/19	2019/20	2020/21	2021/22	2022/23e
Intangible assets	0,9	0,7	0,6	0,8	0,8
Tangible assets	209,3	267,6	306,8	410,5	559,5
Participations	0,1	2,8	2,8	2,4	2,4
Other non-current assets	3,9	2,7	2,1	58,8	60,0
Non-current assets	214,2	273,8	312,3	472,5	622,7
Inventories	63,1	78,8	101,5	169,3	136,3
Receivables	48,5	64,7	69,6	112,2	90,4
Cash	63,1	73,9	105,0	299,6	230,0
Other current assets	36,1	38,1	90,3	74,9	80,0
Current Assets	210,8	255,4	366,3	656,1	536,7
Total assets	424,9	529,2	678,6	1.128,6	1.159,4
Equity	339,2	389,1	507,8	816,2	989,9
Minorities	-0,3	1,7	2,0	2,2	2,0
Total equity	338,9	390,8	509,9	818,5	991,9
LT financial liabilities	0,1	30,1	30,0	30,0	30,0
Pension provisions	0,2	0,1	0,1	0,1	0,1
Other LT liabilities	6,9	19,1	15,3	27,9	30,0
Non-current liabilities	7,1	49,3	45,5	58,0	60,1
ST financial liabilities	10,0	0,1	0,0	0,0	0,0
Payables	41,3	41,1	45,4	95,4	61,4
Other ST liabilities	27,6	47,8	77,9	156,8	46,0
Current liabilities	78,9	89,1	123,3	252,1	107,4
Total liabilities	424,9	529,2	678,6	1.128,6	1.159,4

Segments and adjusted earnings

EURm	2018/19	2019/20	2020/21	2021/22	2022/23e
Biodiesel	514,5	588,2	729,9	1.269,7	966,8
Bioethanol/-methan	254,7	275,2	286,6	531,3	488,7
Other	16,7	15,8	16,7	21,4	9,8
Consolidation	-6,6	-6,9	-6,8	-9,9	-6,0
Sales	779,3	872,4	1.026,4	1.812,5	1.459,3
<i>Growth</i>		11,9%	17,6%	76,6%	-19,5%
Biodiesel	70,7	46,1	93,2	298,3	167,6
Bioethanol/-methan	23,8	74,0	70,6	202,3	133,7
Other	0,6	2,0	2,5	2,6	2,6
Consolidation	0,0	0,0	0,0	0,0	0,0
EBITDA	95,1	122,1	166,3	503,3	303,9
<i>Margin</i>	12,2%	14,0%	16,2%	27,8%	20,8%

Key operational indicators

	2018/19	2019/20	2020/21	2021/22	2022/23e
Equity ratio	79,8%	73,9%	75,1%	72,5%	85,6%
Gearing	0,0	0,1	0,1	0,0	0,0
Asset turnover	3,6	3,2	3,3	3,9	2,4
NWC / sales	9,0%	11,7%	12,2%	10,3%	11,3%
Payable days outst.	19,4	17,2	16,1	19,2	15,4
Receivable days outst.	22,7	27,1	24,7	22,6	22,6
Fix operating assets	214,1	270,9	309,5	470,1	620,3
NWC	70,3	102,4	125,6	186,2	165,3
Capital employed	284,4	373,3	435,1	656,3	785,6
RoE	15,3%	16,3%	18,3%	38,6%	18,8%
RoA	17,3%	17,4%	20,1%	40,9%	23,1%
RoCE	25,9%	24,6%	31,4%	70,4%	34,1%
Gross margin	20,7%	22,8%	26,5%	34,6%	27,1%
EBITDA margin	12,2%	14,0%	16,2%	27,8%	20,8%
EBIT margin	9,5%	10,5%	13,3%	25,5%	18,4%
Net profit margin	6,8%	7,3%	9,1%	17,4%	12,8%

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Buy:	60.0%
Neutral:	40.0%
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
27/09/22	Buy
12/05/22	Strong Buy
12/12/18	Buy
09/11/18	Strong Buy
12/02/18	Buy
29/03/16	Neutral

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