

Schloss Wachenheim AG

Germany / Food & beverages
 Primary exchange: Frankfurt
 Bloomberg: SWA GR
 ISIN: DE0007229007

2016/17 Annual Report

RATING	ADD
PRICE TARGET	€ 23.60
Return Potential	13.5%
Risk Rating	Medium

SOLID OPERATING PERFORMANCE; DIVIDEND RAISED BY 11.6%

Schloss Wachenheim's (SWA) 2016/17 sales and EBIT were close to our forecasts showing a 1.0% rise in sales to €296.1m (2015/16: €293.2m; FBe: €293.8m) and a 9% increase in EBIT to €22.2m (2015/16: €20.3m; FBe: €22.1m). Management's dividend proposal of €0.48 is €0.01 above our projection and equates to a yield of 2.3%. For 2017/18 we expect volume to benefit further from a positive consumer climate on all of SWA's markets. We expect a slight increase in volume on a group-wide and organic basis due to increased sales of own-brand products in Germany and France and further growth in wine volume in Poland. The markets for sparkling wine in Germany and France are likely to remain broadly stable and volume in Germany will again be affected by private label contract expiries, but not to the same extent as in 2016/17. Total volume will also benefit from the acquisition with effect from 1 July 2017 of the annual €20m in sales generated by the wine merchant, Rindchen's Weinkontor. Sales are expected to outpace volume due to the favourable shift in the product mix entailed by the Rindchen acquisition, wine sales growth in Poland and increasing sales of own brands. The 2016/17 grape harvest is not yet over, but it is likely that the yield will not match 2015 or 2016 and that wine prices will rise. The effect of this will not be felt in full until 2018/19, but will also impact the current year. We expect the favourable shift in SWA's product mix to push the EBIT margin higher this year. However net profit growth is likely to be held back by a higher tax charge. We have adjusted our forecasts upward to reflect the Rindchen acquisition and higher margins in East Central Europe than we had previously modelled. Our price target rises from €18.60 to €23.60 and we maintain our Add recommendation.

Sales, EBIT, EPS and dividend all above our forecasts SWA reported a 1.2% decline in bottles sold to 219.0m (2015/16: 221.6m bottles) for the full year 2016/17. France and East Central Europe saw volume increases of 3.2% and 3.5% respectively. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2013/14	2014/15	2015/16	2016/17	2017/18E	2018/19E
Revenue (€m)	308.27	288.68	293.18	296.06	325.02	342.64
Y-o-y growth	0.4%	-6.4%	1.6%	1.0%	9.8%	5.4%
EBIT (€m)	21.46	20.72	20.33	22.18	24.97	26.36
EBIT margin	7.0%	7.2%	6.9%	7.5%	7.7%	7.7%
Net income (€m)	12.55	10.20	10.19	11.50	12.66	13.32
EPS (diluted) (€)	1.58	1.29	1.29	1.45	1.60	1.68
DPS (€)	0.34	0.40	0.43	0.48	0.53	0.55
FCF (€m)	21.50	28.69	2.46	10.40	3.98	12.70
Net gearing	44.7%	28.6%	29.5%	25.3%	25.3%	21.6%
Liquid assets (€m)	2.92	4.00	3.14	5.70	3.25	3.43

RISKS

Risks to our price target include, but are not limited to: intensification of price pressure in Germany; currency volatility on the group's East Central Europe markets.

COMPANY PROFILE

Schloss Wachenheim AG is one of the world's largest producers of sparkling wine. The company is the number three producer in its home market of Germany (31% of 2016/17 group sales) and number one in France with a 40% market share. Some 36% of group sales are generated in Eastern Central Europe through the 61%-owned subsidiary, Ambra.

MARKET DATA

As of 27 Sep 2017

Closing Price	€ 20.79
Shares outstanding	7.92m
Market Capitalisation	€ 164.66m
52-week Range	€ 14.88 / 21.09
Avg. Volume (12 Months)	2,937

Multiples	2016/17	2017/18E	2018/19E
P/E	14.3	13.0	12.4
EV/Sales	0.7	0.6	0.6
EV/EBIT	9.5	8.5	8.0
Div. Yield	2.3%	2.5%	2.6%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2017

Liquid Assets	€ 5.70m
Current Assets	€ 155.09m
Intangible Assets	€ 78.56m
Total Assets	€ 313.91m
Current Liabilities	€ 97.78m
Shareholders' Equity	€ 183.68m

SHAREHOLDERS

Günther Reh AG	70.1%
Free float	29.9%



The 7.2% fall in volume in Germany was expected and was attributable to private label contract expiries. Group sales climbed by 1.0% to €296.1m (2015/16: €293.2m). Sales outpaced volume growth because of a shift in the product mix from sparkling wine to still wine and other products. Sales of still wine grew by 10.5% to €52.6m (2015/16: €47.6m) due mainly to stronger business in Poland. Sales of sparkling wine fell 2.8% to €161.3m (2015/16: €166.0m) while sales of other products such as alcohol-free sparkling wines and the children's party drink Robby Bubble, climbed 3.8% to €87.2m (2015/16: €84.0m). Germany and France are SWA's most important sparkling wine markets while Poland is the most important market for still wine.

As figure 1 below shows, sales, EBIT, net income and the dividend were all above our forecasts.

Figure 1: Full year 2016/17 results versus our forecasts

€m	FY 16/17A	FY 16/17E	Δ vs. FY 16/17E	FY 15/16A	Δ vs. FY 15/16A
Sales	296.06	293.76	0.8%	293.18	1.0%
by region					
Germany	94.27	95.58	-1.4%	100.82	-6.5%
France	100.20	97.75	2.5%	98.03	2.2%
East Central Europe	106.68	105.02	1.6%	98.75	8.0%
Eliminations/other	-5.08	-4.60	n.m.	-4.42	
EBIT	22.18	22.05	0.6%	20.33	9.1%
<i>margin (%)</i>	<i>7.5%</i>	<i>7.5%</i>	<i>-</i>	<i>6.9%</i>	<i>-</i>
by region					
Germany	3.46	3.78	-8.5%	2.28	51.8%
<i>margin (%)</i>	<i>3.7%</i>	<i>4.0%</i>	<i>-</i>	<i>2.3%</i>	<i>-</i>
France	8.92	8.44	5.7%	9.73	-8.3%
<i>margin (%)</i>	<i>8.9%</i>	<i>8.6%</i>	<i>-</i>	<i>9.9%</i>	<i>-</i>
East Central Europe	9.22	9.62	-4.1%	8.09	14.0%
<i>margin (%)</i>	<i>8.6%</i>	<i>9.2%</i>	<i>-</i>	<i>8.2%</i>	<i>-</i>
Eliminations/other	0.58	0.22	163.6%	0.23	152.2%
Net profit	11.50	11.02	4.4%	10.19	12.9%
EPS (€)	1.45	1.39	4.4%	1.29	12.4%
DPS (€)	0.48	0.47	2.1%	0.43	11.6%

Source: SWA; First Berlin Equity Research estimates

Better product mix boosted gross margin Improvements in the product mix were also responsible for the 3.4% increase in the gross profit to €126.5m (2015/16: €122.4m) equivalent to a margin of 42.7% (2015/16: 41.7%). The gross margin widened in percentage terms in all three regions. In absolute terms, increases of €1.3m in France and €4.1m in East Central Europe outweighed a decline of €1.2m in Germany. Group EBIT rose by €1.9m or 9.1% to €22.2m (2015/16: €20.3m) equivalent to a margin of 7.5% (2015/16: 6.9%). EBIT climbed €1.2m in Germany due to lower exceptional costs, rose €1.2m in East Central Europe because of the strong overall business development, but fell €0.8m in France due to a €1.4m increase in advertising expenditure.

Management to propose €0.48 dividend (+11.6%) to 23 November AGM Net financial expense rose to €1.1m (2015/16: €0.9m). However, the prior year figure benefited from gains on derivatives of €0.8m. Interest costs were lower due to a reduced debt burden and lower interest rates. The tax rate fell to 25.4% (2015/16: 30.3%) due to the generation of a higher proportion of profits in lower tax jurisdictions in East Central Europe and also deferred tax effects in France. EPS came in at €1.45 (2015/16: €1.29). Management will propose a dividend of €0.48 (2015/16: €0.43) to the AGM on 23 November.

German EBIT up despite volume decline In Germany volume fell by 7.2% to 82.8m bottles (2015/16: 89.2m bottles) due almost entirely to expected private label contract expiries. A significant increase in exports from Germany (export destinations include Austria, China, Scandinavia, the UK and Switzerland) could not compensate for this development.



Sales in Germany fell by 6.5% to €94.3m (2015/16: €100.8m). Sales did not fall by as much as volume because of the shift in the product mix away from private label products. The improved product mix also restricted the decline in the gross profit to €1.2m to €39.2m (2015/16: €40.3m) - equivalent to a gross margin of 41.5% (2015/16: 40.0%). EBIT in Germany, on the other hand, improved to €3.5m (2015/16: €2.3m) helped by the absence of unplanned personnel costs of €1.2m in connection with the departure of a member of the management board and the restructuring of the sales department which impacted 2015/16. EBIT in Germany was also helped in 2016/17 by a volume-related decline in freight costs of €0.7m and a €0.6m reduction in building renovation costs.

Sparkling wine accounts for around 60% of bottles sold by SWA in Germany. SWA's share of a slightly shrinking German sparkling wine market declined somewhat in 2016/17 due to the above mentioned private label contract expiries.

SWA embraces new marketing techniques to promote Light Live and Robby Bubble

SWA maintained its position as market leader in the alcohol-free sparkling segment in 2016/17. Light Live is SWA's most important product in this area. In recent years SWA has augmented its product offering with flavours such as Light Live hūgo and Light Live sprizz. A tropical flavour, Light Live Mango, was introduced in Spring 2016 and pomegranate and raspberry flavours were added to the range in during 2016/17. Management continues to see great potential in this product area and expects that it will remain a focal point of its marketing strategy. From April 2017 SWA expanded its staple TV marketing to encompass new formats such as online advertising, social media activities and blogger co-operations.

Meanwhile, Robby Bubble maintained its dominant position in the German children's party drink segment. Prior to Christmas 2016, SWA again marketed a seasonal Robby Bubble children's punch designed to be drunk hot or cold. Robby Bubble volume was stable in 2016/17. SWA also supported the Robby Bubble product range with TV advertising in 2016/17.

No. 1 French sparkling wine brand, Charles Volner, extends market lead The France segment's volume rose 3.2% to 70.7m bottles (2015/16: 68.5m bottles). Own-brand product volumes climbed while private label volumes declined. 2016/17 also saw a revival in exports to Russia. In volume terms this business regained the level seen before the sharp decline in 2014/15. Segment sales climbed 2.2% to €100.2m (2015/16: €98.0m) while gross profit was 3.2% ahead at €41.1m (2015/16: €39.8m). EBIT declined to €8.9m (2015/16: €9.7m) due mainly to a €1.4m increase in advertising spending as SWA stepped up promotion of its own brands such as the sparkling wine, Charles Volner. Charles Volner extended its lead in its market segment and exceeded the volume record set in 2015/16 by 3%.

New Muscador variants introduced SWA's two other most important French sparkling wine brands are Opéra and Muscador. Opéra maintained its no.4 position on the local sparkling wine market and also contributed to Russian export business. 15% of Muscador volume is exported. Overall Muscador volume was 4% above the 2015/16 level. In 2015/16 and 2016/17 SWA extended the Muscador product range through the addition of the aromatic variants Muscador Shake and Muscador Fresh to the classic Muscador white and rosé products.

Still wine business drove 9% sales growth in East Central Europe Volume in East Central Europe climbed 3.6% to 70.6m bottles (2015/16: 68.2m bottles), driven mainly by growth in the still wine business. Sales climbed 8% to €106.7m (2015/16: €98.8m). Still wine volume grew by 9% in 2016/17, accounting for 35% of East Central Europe segment volume and 46% of its sales. Gross profit rose 9.6% to €46.3m (2015/16: €42.3m). EBIT was up 13.9% at €9.2m (2015/16: €8.1m) but would have been higher still without costs of €0.9m in connection with the theft of €0.9m from the subsidiary, Soare Sekt a.s. in the Czech Republic.



Third parties used false identities to transfer this sum to a foreign bank account. Internal and external investigations of this incident were initiated as soon as it became known and legal inquiries as well as examination of the potential for redress are ongoing. The most important market for SWA in the East Central Europe segment - generating about 80% of sales - is Poland. Per head wine consumption in Poland is still low relative to the rest of Europe and has substantial growth potential. Also in Poland, the children's party drinks business area showed good volume growth. However, sales of Cydr Lubelski fell against the background of a shrinking cider market. The decline in sales was cushioned, though, by the successful introductions of perry and naturally cloudy variants. Sales in Poland rose 6.6% in local currency.

Romanian sales up over 25% in local currency The other markets which make significant contributions to the East Central Europe business are Romania which accounts for almost 15% of sales and the Czech and Slovakian Republics which generate the balance. Sales in Romania were up over 25% in local currency (following +20% growth in 2015/16), led by the sparkling wine brand, Zarea. SWA also launched a cider drink on this market in 2016/17. In the Czech Republic sales rose by 16% in local currency following rationalisation of the product range, while in Slovakia sales were up over 10% in local currency.

Strong cashflow aided decline in net gearing to a very manageable 25.3% Gross operating cash flow (before expenditure on working capital) at €25.3m (2015/16: €20.9m) was 21.2% above last year's figure. In 2015/16 working capital consumed cash of €5.3m. In 2016/17 this figure fell to €0.7m and so net operating cash flow (after expenditure on working capital) rose 58% to €24.7m (2014/15: €15.6m). Cash outflow from investing rose 8.6% to €14.3m (2014/15: €13.1m). The focus of investment activity in 2016/17 was new bottling equipment at the Tournan-en-Brie site, a grape press building at Reichsgraf von Kesselstatt GmbH, and replacement investments at the Trier site. Free cashflow was €10.4m (2014/15: €2.5m). Dividends consumed €6.1m of cash (2015/16: €5.9m) and net debt including pension liabilities fell by €4.3m to €46.5m (2015/16: €50.8m) equivalent to net gearing of 25.3% (2015/16: 29.5%).

SWA continues to benefit from positive consumer climate We expect SWA's business to continue to benefit from a positive consumer climate in all three geographic segments during the 2017/18 financial year. The markets for sparkling wine in Germany and France are likely to remain broadly stable. SWA's volume in Germany will again be affected by private label contract expiries, but not to the same extent as in 2016/17.

Own brands and Polish wine business to drive organic sales growth Management is guiding towards a slight increase in volume on a group-wide and organic basis. This increase is expected to derive in part from increased sales of own-brand products. SWA plans to keep marketing expenditure on a high level this year to support local brands. In Germany advertising spend will be focused on Light Live and Robby Bubble and in France SWA will again run a nationwide placard campaign towards the end of the year to support Charles Volner. Meanwhile 2017/18 looks set to be another strong year for wine sales in Poland.

Rindchen acquisition will add ca. €20m to sales Total volume will also benefit from the acquisition of a majority stake in Rindchen's Weinkontor with effect from 1 July 2017. Rindchen's Weinkontor is one of the leading wine merchants in Germany. Its product range comprises over 800 wines by more than 250 German and international producers. It operates 13 own outlets and 8 partner outlets in the Hamburg and Munich areas in Germany as well as an online shop. Sales are approximately €20m.

Sales to outpace volume growth Sales are expected to outpace volume due to the favourable shift in the product mix entailed by the Rindchen acquisition, increasing sales of own brands and continued growth in wine sales in Poland.



2016/17 harvest likely to spark raw wine price rises The 2016/17 grape harvest has not yet been completed but early indications are that yields will not be as good as in 2015 or 2016 and that wine prices will rise. The time lag between harvest and wine production means that the full effect of this will not be felt until the 2018/19 financial year. We expect the favourable shift in the product mix to result in a slight increase in the EBIT margin this year. However net profit growth before and after minorities is likely to be constrained by a higher tax charge due to the absence of positive deferred tax effects in France in 2016/17.

We raise the price target from €18.60 to €23.60 and maintain our Add recommendation

We have adjusted our forecasts as shown in figure 2. Our price target rises from €18.60 to €23.60 to reflect not only the increase in our forecasts but also a reduction in our WACC estimate for the company from 8.4% to 7.8%. This reduction is comprised of a change in our cost of debt estimate for SWA from 4.5% to a more realistic 3.0% and a reduction in the cost of equity estimate from 10.2% to 9.7%. We maintain our Add recommendation.

Figure 2: Changes to our forecasts

All figures in €m	2017/18E			2018/19E		
	old	new	% change	old	new	% change
Sales	306.69	325.02	6.0%	313.10	342.64	9.4%
by region:						
Germany	102.34	112.18	9.6%	97.50	117.78	20.8%
France	103.20	103.20	0.0%	104.72	106.30	1.5%
East Central Europe	105.79	115.22	8.9%	115.78	124.43	7.5%
Eliminations	-4.63	-5.58		-4.90	-5.88	
EBIT	21.48	24.97	16.3%	24.51	26.36	7.5%
Margin	7.0%	7.7%		7.8%	7.7%	
by region:						
Germany	2.56	4.49	75.4%	3.90	4.71	20.8%
margin (%)	2.5%	4.0%		4.0%	4.0%	
France	10.22	9.29	-9.1%	9.95	9.57	-3.8%
margin (%)	9.9%	9.0%		9.5%	9.0%	
East Central Europe	8.46	10.95	29.3%	10.42	11.82	13.4%
margin (%)	8.0%	9.5%		9.0%	9.5%	
Eliminations	0.24	0.25		0.24	0.26	
Net profit after minorities	11.32	12.66	11.8%	12.71	13.32	4.8%
EPS €	1.43	1.60	11.8%	1.60	1.68	4.8%

Source: First Berlin Equity Research estimates



DCF MODEL *

All figures in T EUR	FY 17/18E	FY 18/19E	FY 19/20E	FY 20/21E	FY 21/22E	FY 22/23E	FY 23/24E	FY 24/25E	FY 25/26E	FY 26/27E
Net sales	325,016	342,635	357,873	371,532	384,533	396,085	404,364	412,842	421,527	430,423
NOPLAT	17,977	18,979	19,944	19,962	20,806	20,967	21,464	21,357	21,861	22,379
+ depreciation & amortisation	-8,840	-9,320	-9,376	-9,363	-9,690	-9,981	-10,190	-10,404	-10,622	-10,847
Net operating cash flow	26,817	28,299	29,321	29,324	30,496	30,948	31,654	31,760	32,484	33,225
- total investments (CAPEX and WC)	-22,249	-15,041	-14,895	-9,583	-14,377	-16,841	-14,570	-13,842	-14,620	-14,905
Capital expenditures	-7,913	-9,816	-10,376	-10,363	-10,690	-11,981	-12,190	-11,404	-12,122	-12,347
Working capital	-14,337	-5,225	-4,519	780	-3,686	-4,860	-2,380	-2,438	-2,497	-2,558
Free cash flows (FCF)	4,568	13,258	14,426	19,741	16,119	14,107	17,084	17,919	17,864	18,321
PV of FCF's	4,316	11,619	11,726	14,883	11,271	9,149	10,276	9,997	9,244	8,793
All figures in thousands										
PV of FCFs in explicit period (2016/17-2029/30)	126,211									
PV of FCFs in terminal period	127,589									
Enterprise value (EV)	253,800									
+ Net cash / - net debt	-46,473									
+ Investments / minority interests	-20,670									
Shareholder value	186,657									
Fair value per share in EUR	23.57									
WACC										
WACC	7.8%									
Cost of equity	9.7%									
Pre-tax cost of debt	3.0%									
Tax rate	30.0%									
After-tax cost of debt	2.1%									
Share of equity capital	70.0%									
Share of debt capital	30.0%									
Fair value per share in EUR	23.57									
Terminal growth rate										
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%		
5.8%		34.61	36.23	38.22	40.74	44.01	48.45	54.80		
6.3%		30.56	31.75	33.19	34.96	37.19	40.10	44.03		
6.8%		27.16	28.05	29.10	30.37	31.94	33.92	36.49		
7.3%		24.28	24.94	25.72	26.65	27.77	29.15	30.89		
7.8%		21.79	22.30	22.88	23.57	24.38	25.37	26.58		
8.3%		19.64	20.02	20.46	20.97	21.57	22.28	23.14		
8.8%		17.74	18.04	18.37	18.75	19.20	19.72	20.33		
9.3%		16.08	16.30	16.55	16.84	17.17	17.55	18.00		

* the explicit period of our model runs until 2029/30E but for reasons of space we only show forecasts out to 2026/27E



INCOME STATEMENT

All figures in T€	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18E	FY 18/19E
Revenues	306,962	308,275	288,684	293,175	296,062	325,016	342,635
Change in inventories	9,165	-8,503	1,320	-3,678	0	0	0
Cost of materials	-196,501	-177,338	-167,567	-167,105	-169,778	-184,934	-193,589
Gross Profit	119,626	122,434	122,437	122,392	126,541	140,082	149,046
Other operating income	6,322	5,176	6,260	4,872	4,582	5,030	5,303
Personnel expenses	-39,568	-39,988	-41,363	-43,326	-43,593	-45,150	-45,600
Depreciation	-7,983	-7,646	-7,857	-7,665	-7,844	-8,840	-9,320
Other operating expenses	-57,484	-58,517	-58,760	-55,944	-57,505	-66,154	-73,069
Operating Income (EBIT)	20,913	21,459	20,717	20,329	22,181	24,968	26,360
Associates	-480	131	451	78	-6	0	0
Net interest income	-3,366	-3,559	-1,994	-964	-1,102	-1,069	-1,043
Pretax profit (EBT)	17,067	18,031	19,174	19,443	21,073	23,899	25,317
Taxes	-5,056	-1,638	-5,332	-5,897	-5,361	-6,692	-7,089
Net profit before minorities	12,011	16,393	13,842	13,546	15,712	17,207	18,229
Minorities	-2,302	-3,842	-3,646	-3,361	-4,211	-4,546	-4,910
Net attributable profit	9,709	12,551	10,196	10,185	11,501	12,661	13,319
EPS (€)	1.23	1.58	1.29	1.29	1.45	1.60	1.68
EBITDA	28,896	29,105	28,574	27,994	30,025	33,808	35,680
Ratios							
Gross margin	39.0%	39.7%	42.4%	41.7%	42.7%	43.1%	43.5%
EBIT margin on revenues	6.8%	7.0%	7.2%	6.9%	7.5%	7.7%	7.7%
EBITDA margin on revenues	9.4%	9.4%	9.9%	9.5%	10.1%	10.4%	10.4%
Net margin on revenues	3.9%	5.3%	4.8%	4.6%	5.3%	5.3%	5.3%
Tax rate	29.6%	9.1%	27.8%	30.3%	25.4%	28.0%	28.0%
Expenses as % of revenues							
Personnel costs	-12.9%	-13.0%	-14.3%	-14.8%	-14.7%	-13.9%	-13.3%
Depreciation	-2.6%	-2.5%	-2.7%	-2.6%	-2.6%	-2.7%	-2.7%
Other operating expenses	-18.7%	-19.0%	-20.4%	-19.1%	-19.4%	-20.4%	-21.3%
Y-Y Growth							
Revenues	4.6%	0.4%	-6.4%	1.6%	1.0%	9.8%	5.4%
Operating income	5.0%	2.6%	-3.5%	-1.9%	9.1%	12.6%	5.6%
Net profit before minorities	12.3%	36.5%	-15.6%	-2.1%	16.0%	-100.0%	5.9%



BALANCE SHEET

All figures in T€	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18E	FY 18/19E
Assets							
Current assets, total	169,940	162,655	153,779	150,179	155,088	175,055	184,545
Cash and cash equivalents	3,647	2,921	3,995	3,142	5,700	3,250	3,426
Other receivables and short-term assets	11,985	8,131	5,277	5,973	5,508	6,047	6,374
Trade accounts and notes receivables	52,224	60,314	54,379	54,784	56,362	68,253	71,953
Inventories	102,084	91,289	90,128	86,280	87,518	97,505	102,791
Non-Current Assets, total	148,852	149,030	146,963	151,237	158,818	158,384	158,934
Property, plant and equipment	58,230	58,911	59,148	64,447	72,431	71,503	72,000
Goodwill + intangible assets	79,073	78,893	79,041	78,508	78,557	78,557	78,557
<i>of which:</i>							
Goodwill	5,339	5,393	5,690	5,541	5,711	5,711	5,711
Rights on brands, licenses	73,734	73,500	73,351	72,967	72,846	72,846	72,846
Other financial assets	10,735	10,528	8,186	7,733	7,349	7,349	7,349
Deferred taxes + prepaid expenses	814	698	588	549	481	975	1,028
Total Assets	318,792	311,685	300,742	301,416	313,906	333,439	343,479
Shareholders' equity & debt							
Current Liabilities, total	128,523	118,631	108,708	95,236	97,782	106,354	107,637
Current provisions	3,619	3,324	3,219	3,415	3,020	3,366	3,513
Short-term financial debt	54,529	46,304	33,164	27,198	28,221	28,445	25,540
Trade payables	39,175	37,115	37,173	35,248	37,434	42,902	45,228
Prepayments, deferred charges & other liabilities	31,200	31,888	35,152	29,375	29,107	31,640	33,356
Long term liabilities, total	45,176	34,318	25,841	34,159	32,443	31,775	30,070
Long-term financial debt	34,254	24,854	15,253	23,607	20,982	21,149	18,989
Pension accruals and similar liabilities	2,556	2,796	3,077	3,155	2,970	3,148	3,337
Other long-term debt	1,529	2,247	2,177	557	804	883	930
Deferred taxes	6,837	4,421	5,334	6,840	7,687	6,595	6,814
Shareholders' equity	119,534	130,589	137,525	143,173	152,431	159,514	165,066
Minority interests	25,559	28,147	28,668	28,848	31,250	35,796	40,706
Total shareholders' equity & debt	318,792	311,685	300,742	301,416	313,906	333,439	343,479
Ratios							
Current ratio (x)	1.32	1.37	1.41	1.58	1.59	1.65	1.71
Quick ratio (x)	0.53	0.60	0.59	0.67	0.69	0.73	0.76
Financial leverage (including pension liabilities)	60.4%	44.7%	28.6%	29.5%	25.3%	25.3%	21.6%
Book value per share (€)	15.09	16.49	17.36	18.08	19.25	20.14	20.84
Net debt (including pension liabilities)	87,692	71,033	47,499	50,818	46,473	49,492	44,439
Return on equity (ROE)	6.9%	8.3%	6.3%	6.0%	6.5%	6.7%	6.6%



CASH FLOW STATEMENT

All figures in T€	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18E	FY 18/19E
Net profit before minorities	12,011	16,393	13,842	13,546	15,712	17,207	18,229
Depreciation and amortisation	7,983	7,646	7,857	7,665	7,844	8,840	9,320
Change in working capital	-18,579	5,991	12,267	-5,295	-662	-14,337	-5,225
Other	1,045	-1,634	-619	-310	1,775	178	189
Operating cash flow	2,460	28,396	33,347	15,606	24,669	11,889	22,512
CAPEX	-5,781	-7,383	-8,849	-14,050	-14,838	-7,913	-9,816
Fixed asset sales	360	484	4,194	904	565	0	0
Investing cash flow	-5,421	-6,899	-4,655	-13,146	-14,273	-7,913	-9,816
Free cash flow	-2,961	21,497	28,692	2,460	10,396	3,976	12,696
Change in financial liabilities	8,735	-17,625	-22,741	2,388	-1,602	391	-5,066
Dividends to shareholders	-1,822	-2,376	-2,693	-3,168	-3,406	-3,802	-4,198
Dividends to subsidiaries of minorities	-1,978	-2,120	-2,227	-2,753	-2,657	-3,015	-3,257
Other	0	0	0	127	0	0	0
Financing cash flow	4,935	-22,121	-27,661	-3,406	-7,665	-6,426	-12,520
Change in cash	1,974	-624	1,031	-946	2,731	-2,450	176
Consolidation; exchange rate effects	102	-102	43	93	-173	0	0
Liquid funds, start of the year	1,571	3,647	2,921	3,995	3,142	5,700	3,250
Liquid funds, end of the year	3,647	2,921	3,995	3,142	5,700	3,250	3,426
Free cash flow per share (€)	-0.37	2.71	3.62	0.31	1.31	0.50	1.60
<hr/>							
Y-Y growth							
Operating cash flow	-66.9%	1054.3%	17.4%	-53.2%	58.1%	-51.8%	89.4%
Free cash flow	n.a.	n.a.	33.5%	-91.4%	322.6%	-61.8%	219.3%
Financial cash flow	58.9%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	19 July 2007	€10.00	Hold	€10.75
2...32	↓	↓	↓	↓
33	15 November 2016	€15.54	Buy	€17.60
34	28 February 2017	€16.36	Add	€18.60
35	17 May 2017	€16.99	Add	€18.60
36	Today	€20.79	Add	€23.60

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- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

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