

Schloss Wachenheim AG

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

2017/18 Annual
 Report

RATING
PRICE TARGET
 Return Potential 10.9%
 Risk Rating Medium

ADD
€ 22.30

SOLID 2017/18; STABLE EBIT AND NET PROFIT IN PROSPECT FOR 2018/19

Schloss Wachenheims (SWA's) 2017/18 sales and EBIT were close to our forecasts showing a 9.6% rise in sales to €324.5m (2016/17: €296.1m; FBe €321.2m) and a 7.4% increase in EBIT to €23.8m (2016/17: €22.2m; FBe: €23.3m). The dividend proposal of €0.50 is in line with our projection and equates to a yield of 2.5%. For 2018/19, management is guiding toward a slight increase in volume on a group-wide basis. Sales are expected to outpace volume due to a favourable shift in the product mix entailed by increasing sales of own brands in France and Germany, continued growth in wine sales in Poland, and also because of price rises made necessary by the below average yield of the 2017 grape harvest. EBIT is expected to remain stable as higher results in Germany and France are balanced by lower numbers from the East Central Europe and Other Activities segments. Lower numbers are likely in the two latter segments because of the non-repetition of exceptional items which boosted 2017/18 performance, and also rising costs in Poland/Romania etc. Our EBIT projections for 2019/20 and 2020/21 are reduced by 10.0% and 10.4% respectively and mainly reflect management's cautionary statement that rising costs in East Central Europe are part of the reason for the decline in this segment's expected 2018/19 EBIT. Early indications are that the grape harvest will be better in 2018 than in 2017. This suggests that for the 2019/20 financial year raw wine costs will be lower than during 2018/19 and that competitive forces might prompt SWA to make product price reductions. This is reflected in our 0.9% revenue growth projection for 2019/20. However, the addition of 2018 raw wine to inventory should contribute to higher free cash flow in the current financial year. Following changes to our forecasts, we now see fair value for the SWA share at €22.30 (previously: €22.50). We maintain our Add recommendation.

Sales outpaced volume growth SWA reported a 2.5% increase in bottles sold to 224.4m (2016/17: 219.0m bottles) for the full year 2017/18. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2015/16	2016/17	2017/18	2018/19E	2019/20E	2020/21E
Revenue (€m)	293.18	296.06	324.53	346.65	349.79	363.48
Y-o-y growth	1.6%	1.0%	9.6%	6.8%	0.9%	3.9%
EBIT (€m)	20.33	22.18	23.83	23.65	24.40	25.58
EBIT margin	6.9%	7.5%	7.3%	6.8%	7.0%	7.0%
Net income (€m)	10.19	11.50	11.12	11.46	11.74	12.34
EPS (diluted) (€)	1.29	1.45	1.40	1.45	1.48	1.56
DPS (€)	0.43	0.48	0.50	0.52	0.53	0.56
FCF (€m)	2.46	10.40	8.80	10.53	12.96	12.83
Net gearing	29.5%	25.3%	23.3%	20.5%	17.3%	14.6%
Liquid assets (€m)	3.14	5.70	7.76	3.47	3.50	3.63

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 (34% of 2017/18 group sales) and number one in France with a 40% market share. Some 35% of group sales are generated in East Central Europe through the 61%-owned subsidiary, Ambra.

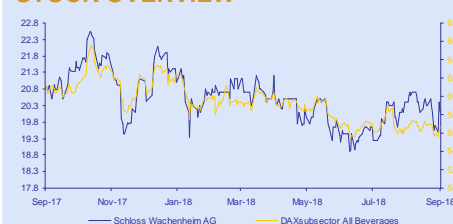
MARKET DATA

As of 26 Sep 2018

Closing Price	€ 20.10
Shares outstanding	7.92m
Market Capitalisation	€ 159.19m
52-week Range	€ 18.90 / 22.55
Avg. Volume (12 Months)	2,747

Multiples	2017/18	2018/19E	2019/20E
P/E	14.3	13.9	13.6
EV/Sales	0.7	0.6	0.6
EV/EBIT	9.0	9.0	8.7
Div. Yield	2.5%	2.6%	2.6%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2018

Liquid Assets	€ 7.76m
Current Assets	€ 172.51m
Intangible Assets	€ 89.15m
Total Assets	€ 337.84m
Current Liabilities	€ 104.65m
Shareholders' Equity	€ 158.57m

SHAREHOLDERS

Günther Reh AG	70.1%
Free float	29.9%



The increase was driven by the consolidation of the German wine merchant Rindchen's Weinkontor and growth in still and sparkling wine volumes in Poland. Sales outpaced volume growth because of a shift in the product mix from sparkling wine to still wine and other products such as alcohol-free sparkling wines. Sales of sparkling wine fell 0.1% to €161.2m (2016/17: €161.3m) as growth in Poland could not compensate for declines in both Germany and France. Sales of still wine grew by 42.2% to €74.8m (2016/17: €52.6m) due to the Rindchen acquisition and increased business in Poland. Sales of other products climbed 9.2% to €95.2m (2015/16: €87.2m) with strong contributions from the German alcohol-free sparkling wine, Light Live and the Polish brandy, Pliska.

Figure 1: Full year 2017/18 results versus our forecasts

€m	FY 17/18A	FY 17/18E	Δ	FY 16/17A	Δ
Sales	324.5	321.2	1.0%	296.1	9.6%
by region					
Germany	112.6	110.4	2.0%	94.3	19.4%
France	101.5	99.1	2.4%	100.2	1.3%
East Central Europe	117.2	117.8	-0.5%	106.7	9.8%
Eliminations	-6.6	-6.0	n.m.	-5.1	n.m.
EBIT	23.8	23.3	2.2%	22.2	7.4%
margin (%)	7.3%	7.3%		7.5%	
by region					
Germany	2.1	2.3	-9.6%	3.5	-40.2%
margin (%)	1.8%	2.1%		3.7%	
France	7.4	7.0	5.0%	8.9	-17.2%
margin (%)	7.3%	7.1%		1.9%	
East Central Europe	13.4	13.5	-0.9%	9.2	45.5%
margin (%)	11.4%	11.5%		8.6%	
Other/eliminations	1.0	0.5	113.3%	0.6	65.5%
Net profit	11.1	10.8	2.7%	11.5	-3.4%
EPS (€)	1.40	1.37	2.2%	1.45	-3.4%
DPS (€)	0.50	0.50	0.0%	0.48	4.2%

Source: SWA; First Berlin Equity Research estimates

Gross margin would have been up y-o-y without Robby Bubble production line defect

Gross profit climbed 8.2% to €136.9m (2016/17: €126.5m) equivalent to a margin of 42.2% (2016/17: 42.7%). Gross profit lagged sales mainly because of a defect in one of the lines producing the children's party drink Robby Bubble in Germany but also because of higher raw wine prices. The production line defect has since been rectified but the affected production had to be destroyed. The gross margin declined slightly in France to 40.6% (2016/17: 41.0%) due to changes in the product mix and higher raw wine costs. In East Central Europe the gross margin widened to 43.6% (2016/17: 43.4%) due to a shift in the product mix towards wine.

Management to propose €0.50 dividend (2016/17: €0.4) to AGM on 29.11 Group EBIT rose 7.4% to €23.8m (2016/17: €22.2m) and also lagged sales because of higher personnel costs (+15.3%) and depreciation expense (+16.9%). The first full year of operation of the new production line at Tournan-en-Brie in France was mainly responsible for the increase in depreciation. Despite the shift in the profit mix towards East Central Europe, where corporate tax rates are appreciably lower than in Germany and France, the group tax rate climbed to 26.5% (2016/17: 25.4%). The increase was attributable to a negative deferred tax effect of €0.8m in Poland following a change in local tax law. The 2016/17 tax charge benefited from a positive deferred tax effect of €0.4m in France also due to a change in local legislation. Minorities climbed 24.9% to €5.3m (2016/17: €4.2m) due to the higher proportion of profits generated in East Central Europe through the 61%-owned subsidiary Ambra. Net profit after minorities declined 3.4% to €11.1m (2016/17: €11.5m) and EPS came in at €1.40 (2016/17: €1.45). Management will propose a dividend of €0.50 (2016/17: €0.48) to the AGM on 29 November.



Like-for-like volume in Germany down due to private label contract expiries Germany volume rose 2.4% to 84.8m bottles (2016/17: 82.8m bottles) due to the consolidation of Rindchen's Weinkontor. Stripping out the contribution of Rindchen, volume was slightly lower due to expected private label contract expiries. A further increase in exports from Germany (export destinations from Germany include Austria, China, Scandinavia, Switzerland and the UK) could not compensate for this development. Sales in the Germany segment climbed 19.4% to €112.6m (2016/17: €94.3m). Rindchen's contribution was €20.2m and so sales fell by 2% on a like-for-like basis. The gross margin in Germany declined to 39.7% (2016/17: 41.5%) due to the problems with the Robby Bubble production line described above, partly offset by insurance compensation for the cost of the damage. The consolidation of Rindchen's Weinkontor also affected the cost structures of the Germany segment. Segment EBIT fell to €2.1m (2016/17: €3.5m).

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

Further investments to keep Light Live product range and marketing effort fresh SWA maintained its position as market leader in the alcohol-free sparkling segment. Light Live is SWA's most important product in this area. In the Spring of 2018 the classic white and rosé Light Live products were augmented by limited edition bottles in sleeves with varying motifs. Meanwhile Light Live hūgo and Light Live sprizz continued to establish themselves on the market helped by the recently established new mango, pomegranate and raspberry flavours. Management continues to see great potential in this product area and expects that it will remain a focal point of its marketing strategy. The TV and online marketing concept "Light Live Ladies" established in 2017 was expanded in 2018 to include product placement and topic sponsoring as well as diverse activities on online platforms and on social networks. These measures are supported by attention-catching POS campaigns as well as extensive PR and press work.

H2 2017/18 suggests no lasting damage to Robby Bubble market position Temporary production problems notwithstanding, Robby Bubble maintained its dominant position in the children's party drink segment. During the final quarter of 2017 SWA introduced a seasonal autumnal/Halloween variant of the product to add to the existing Christmas product. Volume was down 14.4% in 2017/18 compared with 2016/17 with the decline concentrated in the first quarter of the financial year. However, during the second half of the financial year volume was noticeably above the prior year period. SWA continued to support the Robby Bubble product range with TV advertising in 2017/18.

Charles Volner extended its lead on French sparkling wine market The France segment's volume declined 1.1% to 70.0m bottles (2016/17: 70.7m bottles). As in 2016/17 own-brand product volumes climbed while private label volumes declined. 2017/18 also saw a further revival in exports from France. The most important export markets are Russia, Japan and the USA. Exports accounted for around 25% of France segment sales in 2018. Changes in the product mix as well as price rises to cover higher raw wine costs meant that overall segment sales climbed 1.3% to €101.5m (2016/17: €100.2m). Gross profit was almost flat at €41.2m (2016/17: €41.1m). EBIT declined to €7.4m (2016/17: €8.9m) due to higher personnel costs and a higher depreciation charge in connection with the new production line at Tournan-en-Brie mentioned above. Advertising spending also increased by €0.4m as SWA stepped up promotion of its own brands such as the sparkling wine, Charles Volner. Charles Volner again extended its lead in its market segment and exceeded the volume record set in 2016/17 by 7%.



SWA's two other most important French sparkling wine brands are Opéra and Muscador. The dominance of the Charles Volner brand resulted in market share losses for most other sparkling wine brands in France in 2017/18. However Opéra moved up one place in the rankings to no. 3 despite suffering a volume decline of 7.3% on its domestic market. Opéra also contributed to the French segment's export business, but here too its volume declined. Around 15% of Muscador volume is exported. Overall Muscador volume was 2.7% above the 2016/17 level.

Per head wine consumption low in Poland and has high growth potential Volume in East Central Europe climbed 7.9% to 76.2m bottles (2016/17: 70.6m bottles), driven by the growth of the still and sparkling wine businesses in Poland, which accounts for ca. 70% of segment sales. Still wine accounted for 34% and 46% of segment volume and sales respectively in 2017/18. Volume was 6% up on 2016/17. The Polish still wine market has ample growth potential as per head wine consumption is still low relative to the rest of Europe. The Polish sparkling wine market also grew in 2017/18 and SWA saw a significant increase in volume. Brandy sales in Poland developed positively too as did the children's party drinks business area which is benefiting from the 2016 introduction of child support payments. SWA retained its no. 1 position in Polish cider against the background of a shrinking market. The company's cider volume fell by nearly 7% but a shift in sales towards higher priced variants meant that the decline in cider sales was less pronounced.

East Central Europe sales climbed 9.8% to €117.2m (2016/17: €106.7m) while gross profit rose 10.2% to €51.0m (2016/17: €46.3m). EBIT jumped 45.4% to €13.4m (2016/17: €9.2m) helped by the absence of €0.9m in costs in connection with a theft from the subsidiary, Soare Sekt a.s., Brno/Czech Republic which burdened 2016/17 and associated insurance compensation in 2017/18.

The other markets which make significant contributions to the East Central Europe business are Romania which accounts for ca. 20% of sales and the Czech and Slovakian Republics which generate the balance. Sales in Romania were up 6% in local currency, led by the sparkling wine brand, Zarea. However increasing raw wine and other costs meant that the gross profit on this market was only slightly above the 2016/17 level. In the Czech Republic sales rose by around 8% in local currency while in Slovakia sales were up 20%.

Other Activities again generated significant profit The Other Activities segment generated EBIT of €1.0m in 2017/18 (2016/17: €0.6m) due mainly to a profit on the sale of property at Edenkoben in Germany. 2016/17 EBIT was also mainly attributable to a gain on a property disposal.

Net gearing declined to 23.3% (2016/17: 25.3%) Despite a 4.2% rise in net profit before minorities to €16.4m (2016/17: €15.7m) and a 16.9% increase in depreciation to €9.2m (2016/17: €7.8m) operating cashflow before changes in working capital was 5.7% lower at €23.9m (2016/17: €25.3m). The decline was mainly attributable to a €3.6m swing in other non-cash items. Working capital consumed cash of €3.1m in 2017/18 (2016/17: €0.7m). The increase was partly due to the increase in raw wine prices caused by the relatively low yield of the 2017 grape harvest. Operating cashflow was 15.9% lower at €20.8m (2016/17: €24.7m). The largest capital investments were €7.8m for the acquisition of a 70% stake in Rindchen's Weinkontor and €6.9m in other fixed and immaterial assets. But proceeds from the sale of the Edenkoben property as well as production equipment at Tournan-en-Brie in France restricted the cash outflow from investing to €12.0m (2016/17: €14.3m). Investments in 2016/17 included 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.



2017/18 free cashflow fell 15.3% to €8.8m (2015/16: €10.4m). Dividends consumed €6.7m of cash (2016/17: €6.1m) and net debt including pension liabilities fell by €1.8m to €44.7m (2016/17: €46.5m) equivalent to net gearing of 23.3% (2016/17: 25.3%).

Consumer climate positive for 2018/19 except in France We expect SWA's business to continue to benefit from a positive consumer climate in both Germany and East Central Europe in 2018/19. However deteriorating confidence among consumers in France may negatively effect SWA's business on that market. Management expects a continued stable to gently declining sparkling wine market in Germany and France. In France, expiry of private label contracts is expected to contribute to an overall decline in segment volume. In Germany non-alcoholic drinks are expected to be the main driver of volume growth. As for East Central Europe, management expects the continued growth of the Polish wine and brandy markets as well as increased business in sparkling wine and spirits in Romania to push volume ahead.

Management expects sales to outpace rising volume in 2018/19; stable EBIT

Management is guiding towards a slight increase in volume on a group-wide basis. Sales are expected to outpace volume due to the favourable shift in the product mix entailed by increasing sales of own brands in France and Germany, continued growth in wine sales in Poland and also because of price rises made necessary by the below average yield of the 2017 grape harvest. EBIT is expected to remain stable as higher results in Germany and France are balanced by lower numbers from East Central Europe and Other Activities. In the East Central Europe segment, the expected decline in EBIT relates to the non-repetition of 2017/18 exceptional items such as the payments received for previously written-off receivables and the insurance compensation on the theft in the Czech Republic, as well as expected costs increases. Meanwhile, the gains on property sales booked under Other Activities in both 2016/17 and 2017/18 are unlikely to be repeated this year.

Add recommendation maintained but price target lowered to €22.30 from €22.50

We have adjusted our forecasts (see figure 2) to reflect management's 2018/19 guidance. Our EBIT projections for 2019/20 and 2020/21 are reduced by 10.0% and 10.4% respectively and mainly reflect management's cautionary statement that rising costs in East Central Europe are part of the reason for the expected decline in expected 2018/19 segment EBIT. Early indications are that the grape harvest will be better in 2018 than in 2017. This suggests that for the 2019/20 financial year, raw wine costs will be lower than during 2018/19 and that competitive forces might prompt SWA to make product price reductions. This is reflected in our 0.9% revenue growth projection for that year. Following changes to our forecasts, we now see fair value for the SWA share at €22.30 (previously: €22.50). We maintain our Add recommendation.



Figure 2: Changes to our forecasts

All figures in €m	2018/19E			2019/20E			2020/21E		
	old	new	Δ	old	new	Δ	old	new	Δ
Sales	334.55	346.65	3.6%	349.72	349.79	0.0%	364.48	363.48	-0.3%
by region:									
Germany	112.60	118.19	5.0%	114.86	117.01	1.9%	117.15	119.35	1.9%
France	101.04	105.52	4.4%	104.07	103.41	-0.6%	107.19	105.48	-1.6%
East Central Europe	127.19	130.04	2.2%	137.37	136.54	-0.6%	146.99	146.10	-0.6%
Eliminations	-6.28	-7.10		-6.57	-7.17		-6.85	-7.45	
EBIT	25.58	23.65	-7.5%	27.10	24.40	-10.0%	28.57	25.58	-10.4%
Margin	7.6%	6.8%		7.8%	7.0%		7.8%	7.0%	
by region:									
Germany	2.25	2.60	15.6%	2.30	2.57	12.1%	2.34	2.63	12.1%
margin (%)	2.0%	2.2%		2.0%	2.2%		2.0%	2.2%	
France	7.58	7.81	3.0%	7.81	7.65	-2.0%	8.04	7.81	-2.9%
margin (%)	7.5%	7.4%		7.5%	7.4%		7.5%	7.4%	
East Central Europe	15.26	12.74	-16.5%	16.48	13.65	-17.2%	17.64	14.61	-17.2%
margin (%)	12.0%	9.8%		12.0%	10.0%		12.0%	10.0%	
Eliminations	0.49	0.50		0.52	0.52		0.55	0.54	
Net profit after minorities	12.00	11.46	-4.4%	12.78	11.74	-8.2%	13.55	12.34	-9.0%
EPS €	1.51	1.45	-4.4%	1.61	1.48	-8.2%	1.71	1.56	-9.0%

Source: First Berlin Equity Research estimates

DCF MODEL *

All figures in EUR 000s	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	FY 27/28E
Net sales	346,647	349,792	363,478	377,906	390,826	404,299	418,352	433,015	448,318	464,291
NOPLAT	17,503	18,053	18,930	19,861	20,672	20,207	21,025	21,883	22,782	23,724
+ depreciation & amortisation	-9,762	-9,850	-10,236	-10,642	-11,006	-11,385	-11,781	-12,194	-12,625	-13,075
Net operating cash flow	27,265	27,904	29,166	30,504	31,678	31,592	32,806	34,077	35,407	36,799
- total investments (CAPEX and WC)	-15,975	-14,289	-15,793	-18,036	-18,879	-19,167	-18,865	-20,098	-20,866	-21,673
Capital expenditures	-10,470	-10,850	-11,236	-12,642	-13,006	-13,385	-12,781	-13,694	-14,125	-14,575
Working capital	-5,505	-3,438	-4,557	-5,394	-5,873	-5,781	-6,084	-6,403	-6,741	-7,099
Free cash flows (FCF)	11,290	13,615	13,374	12,468	12,799	12,425	13,941	13,979	14,540	15,125
PV of FCF's	10,665	11,929	10,868	9,397	8,948	8,057	8,384	7,797	7,522	7,258

All figures in EUR 000s	
PV of FCFs in explicit period (2018/19-2029/30)	104,587
PV of FCFs in terminal period	138,679
Enterprise value (EV)	243,266
+ Net cash / - net debt	-44,725
+ Investments / minority interests	-22,069
Shareholder value	176,472

Fair value per share in EUR 22.28

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	22.28

WACC	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
5.8%	34.62	35.92	37.52	39.53	42.16	45.71	50.81
6.3%	30.39	31.28	32.36	33.70	35.38	37.56	40.53
6.8%	26.85	27.47	28.20	29.09	30.18	31.55	33.34
7.3%	23.86	24.28	24.77	25.36	26.06	26.93	28.03
7.8%	21.30	21.58	21.90	22.28	22.73	23.28	23.95
8.3%	19.08	19.26	19.47	19.70	19.98	20.31	20.71
8.8%	17.15	17.25	17.37	17.51	17.67	17.85	18.08
9.3%	15.45	15.50	15.56	15.63	15.70	15.79	15.89

* the explicit period of our model runs until 2029/30E but for reasons of space we only show forecasts out to 2027/28E



INCOME STATEMENT

All figures in T€	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19E	FY 19/20E	FY 20/21E
Revenues	288,684	293,175	296,062	324,527	346,647	349,792	363,478
Change in inventories	1,320	-3,678	257	3,341	0	0	0
Cost of materials	-167,567	-167,105	-169,778	-190,920	-199,322	-200,431	-207,546
Gross Profit	122,437	122,392	126,541	136,948	147,325	149,361	155,932
Other operating income	6,260	4,872	4,582	7,994	6,500	6,559	6,816
Personnel expenses	-41,363	-43,326	-43,593	-50,249	-55,464	-55,967	-58,157
Depreciation	-7,857	-7,665	-7,844	-9,171	-9,762	-9,850	-10,236
Other operating expenses	-58,760	-55,944	-57,505	-61,694	-64,947	-65,707	-68,774
Operating Income (EBIT)	20,717	20,329	22,181	23,828	23,652	24,396	25,582
Associates	451	78	-6	-1	0	0	0
Net interest income	-1,994	-964	-1,102	-1,554	-1,246	-1,125	-981
Pretax profit (EBT)	19,174	19,443	21,073	22,273	22,407	23,271	24,601
Taxes	-5,332	-5,897	-5,361	-5,900	-5,826	-6,051	-6,396
Net profit before minorities	13,842	13,546	15,712	16,373	16,581	17,221	18,205
Minorities	-3,646	-3,361	-4,211	-5,258	-5,118	-5,483	-5,867
Net attributable profit	10,196	10,185	11,501	11,115	11,463	11,738	12,337
EPS (€)	1.29	1.29	1.45	1.40	1.45	1.48	1.56
EBITDA	28,574	27,994	30,025	32,999	33,414	34,247	35,818
Ratios							
Gross margin	42.4%	41.7%	42.7%	42.2%	42.5%	42.7%	42.9%
EBIT margin on revenues	7.2%	6.9%	7.5%	7.3%	6.8%	7.0%	7.0%
EBITDA margin on revenues	9.9%	9.5%	10.1%	10.2%	9.6%	9.8%	9.9%
Net margin on revenues	4.8%	4.6%	5.3%	5.0%	4.8%	4.9%	5.0%
Tax rate	27.8%	30.3%	25.4%	26.5%	26.0%	26.0%	26.0%
Expenses as % of revenues							
Personnel costs	-14.3%	-14.8%	-14.7%	-15.5%	-16.0%	-16.0%	-16.0%
Depreciation	-2.7%	-2.6%	-2.6%	-2.8%	-2.8%	-2.8%	-2.8%
Other operating expenses	-20.4%	-19.1%	-19.4%	-19.0%	-18.7%	-18.8%	-18.9%
Y-Y Growth							
Revenues	-6.4%	1.6%	1.0%	9.6%	6.8%	0.9%	3.9%
Operating income	-3.5%	-1.9%	9.1%	7.4%	-0.7%	3.1%	4.9%
Net profit before minorities	-15.6%	-2.1%	16.0%	-100.0%	1.3%	3.9%	5.7%



BALANCE SHEET

All figures in T€	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19E	FY 19/20E	FY 20/21E
Assets							
Current assets, total	153,779	150,179	155,088	172,510	175,974	178,445	184,518
Cash and cash equivalents	3,995	3,142	5,700	7,760	3,466	3,498	3,635
Other receivables and short-term assets	5,277	5,973	5,508	7,349	7,850	7,921	8,231
Trade accounts and notes receivables	54,379	54,784	56,362	58,697	64,130	65,586	67,243
Inventories	90,128	86,280	87,518	98,704	100,528	101,440	105,409
Non-Current Assets, total	146,963	151,237	157,123	165,328	166,588	167,597	168,638
Property, plant and equipment	59,148	64,447	72,431	70,292	71,000	72,000	73,000
Goodwill + intangible assets	79,041	78,508	78,557	89,145	89,145	89,145	89,145
<i>of which:</i>							
Goodwill	5,690	5,541	5,711	12,328	12,328	12,328	12,328
Rights on brands, licenses	73,351	72,967	72,846	76,817	76,817	76,817	76,817
Other financial assets	8,186	7,733	5,654	5,403	5,403	5,403	5,403
Deferred taxes + prepaid expenses	588	549	481	488	1,040	1,049	1,090
Total Assets	300,742	301,416	313,906	337,838	342,562	346,042	353,156
Shareholders' equity & debt							
Current Liabilities, total	108,708	95,236	97,782	104,645	106,748	103,173	102,341
Current provisions	3,219	3,415	3,020	3,846	3,555	3,551	3,653
Short-term financial debt	33,164	27,198	28,221	25,265	21,528	18,965	16,692
Trade payables	37,173	35,248	37,434	41,423	45,064	43,724	43,617
Prepayments, deferred charges & other liabilities	35,152	29,375	29,107	34,111	36,601	36,933	38,378
Long term liabilities, total	25,841	34,159	32,443	41,626	31,699	29,324	27,475
Long-term financial debt	15,253	23,607	20,982	24,470	20,851	18,368	16,167
Pension accruals and similar liabilities	3,077	3,155	2,970	2,750	2,915	3,090	3,275
Other long-term debt	2,177	557	804	4,919	1,040	1,049	1,090
Deferred taxes	5,334	6,840	7,687	9,487	6,894	6,817	6,942
Shareholders' equity	137,525	143,173	152,431	158,571	166,000	169,948	173,876
Minority interests	28,668	28,848	31,250	32,996	38,114	43,597	49,464
Total shareholders' equity & debt	300,742	301,416	313,906	337,838	342,562	346,042	353,156
Ratios							
Current ratio (x)	1.41	1.58	1.59	1.65	1.65	1.73	1.80
Quick ratio (x)	0.59	0.67	0.69	0.71	0.71	0.75	0.77
Financial leverage (including pension liabilities)	28.6%	29.5%	25.3%	23.3%	20.5%	17.3%	14.6%
Book value per share (€)	17.36	18.08	19.25	20.02	20.96	21.46	21.95
Net debt (including pension liabilities)	47,499	50,818	46,473	44,725	41,828	36,925	32,500
Return on equity (ROE)	6.3%	6.0%	6.5%	5.9%	5.8%	5.6%	5.6%



CASH FLOW STATEMENT

All figures in T€	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19E	FY 19/20E	FY 20/21E
Net profit before minorities	13,842	13,546	15,712	16,373	16,581	17,221	18,205
Depreciation and amortisation	7,857	7,665	7,844	9,171	9,762	9,850	10,236
Change in working capital	12,267	-5,295	-662	-3,128	-5,505	-3,438	-4,557
Other	-619	-310	1,775	-1,659	165	175	185
Operating cash flow	33,347	15,606	24,669	20,757	21,003	23,808	24,069
CAPEX	-8,849	-14,050	-14,838	-15,049	-10,470	-10,850	-11,236
Fixed asset sales	4,194	904	565	3,095	0	0	0
Investing cash flow	-4,655	-13,146	-14,273	-11,954	-10,470	-10,850	-11,236
Free cash flow	28,692	2,460	10,396	8,803	10,533	12,958	12,833
Change in financial liabilities	-22,741	2,388	-1,602	-479	-7,356	-5,046	-4,474
Dividends to shareholders	-2,693	-3,168	-3,406	-3,802	-3,960	-4,118	-4,198
Dividends to subsidiaries of minorities	-2,227	-2,753	-2,657	-2,920	-3,511	-3,762	-4,025
Other	0	127	0	209	0	0	0
Financing cash flow	-27,661	-3,406	-7,665	-6,992	-14,827	-12,926	-12,696
Change in cash	1,031	-946	2,731	1,811	-4,294	31	137
Consolidation; exchange rate effects	43	93	-173	249	0	0	0
Liquid funds, start of the year	2,921	3,995	3,142	5,700	7,760	3,466	3,498
Liquid funds, end of the year	3,995	3,142	5,700	7,760	3,466	3,498	3,635
Free cash flow per share (€)	3.62	0.31	1.31	1.11	1.33	1.64	1.62
<hr/>							
Y-Y growth							
Operating cash flow	17.4%	-53.2%	58.1%	-15.9%	1.2%	13.4%	1.1%
Free cash flow	33.5%	-91.4%	322.6%	-15.3%	19.7%	23.0%	-1.0%
Financial cash flow	n.a.	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...36	↓	↓	↓	↓
37	17 November 2017	€21.50	Add	€23.60
38	28 February 2018	€20.75	Add	€22.50
39	16 May 2018	€20.50	Add	€22.50
40	Today	€20.10	Add	€22.30

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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

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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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