

Schloss Wachenheim AG

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

2018/19 Annual Report

RATING
PRICE TARGET
 Return Potential
 Risk Rating

BUY
€ 22.20
 34.1%
 Medium

SALES/PROFITS HOLDING UP WELL DESPITE ECONOMIC HEADWINDS

Schloss Wachenheim's (SWA) 2018/19 sales and EBIT were close to our forecasts showing a 3.9% rise in sales to €337.2m (2017/18: €324.5m; FBe: €342.0m) and a 3.6% decline in EBIT to €23.0m (2017/18: €23.8m; FBe: €23.0m). The dividend proposal of €0.50 is below our projection of €0.52 but still equates to a yield of 3.0%. SWA's 2019/20 guidance for the group as a whole is for a slight increase in volume and sales, and stable EBIT and net profit before minorities. The profit guidance also applies to Germany and East Central Europe despite the expectation of higher volume and sales in both segments. We believe this guidance is based on the likelihood of price pressure due to lower raw wine prices, the cost in Germany of integrating the Pieroth acquisition and rising personnel and freight/materials costs group-wide. In France we expect sales to fall because of the expiry of private label contracts. However, realignment of the cost base and an improved product mix should help move profits ahead. We have reduced our EBIT projections for 2019/20 and 2020/21 by 2.1% and 2.3% respectively mainly to reflect management's caution on margins in East Central Europe. We now see fair value for the SWA share at €22.20 (previously: €22.30). We maintain our Buy recommendation.

Sales outpaced volume growth SWA reported a 1.6% decline in bottles sold to 220.7m bottles (2017/18: 224.4m bottles) as lower volumes in Germany (-6.8%) and France (-5.1%) outweighed a rise of 6.2% in East Central Europe. Volumes fell in Germany and France because of the expiry of private label contracts and price rises which were necessary to compensate for higher raw wine prices. The price rises and a shift in the product mix to own brand products meant that group sales and gross profit outpaced volume, respectively climbing 3.9% to €337.2m (2017/18: €324.5m) and 6.4% to €145.8m (2017/18: €137.0m). However, EBIT fell 3.6% to €23.0m (2017/18: €23.8m) due in large part to lower other operating income. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2015/16	2016/17	2017/18	2018/19	2019/20E	2020/21E
Revenue (€m)	293.18	296.06	324.53	337.16	351.38	365.02
Y-o-y growth	1.6%	1.0%	9.6%	3.9%	4.2%	3.9%
EBIT (€m)	20.33	22.18	23.83	22.98	23.08	24.16
EBIT margin	6.9%	7.5%	7.3%	6.8%	6.6%	6.6%
Net income (€m)	10.19	11.50	11.12	10.89	11.11	11.74
EPS (diluted) (€)	1.29	1.45	1.40	1.38	1.40	1.48
DPS (€)	0.43	0.48	0.50	0.50	0.50	0.52
FCF (€m)	2.46	10.40	8.80	9.27	14.44	12.83
Net gearing	29.5%	25.3%	23.3%	20.9%	16.5%	13.6%
Liquid assets (€m)	3.14	5.70	7.76	9.53	3.51	3.65

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 (33% of 2018/19 group sales) and number one in France with a 40% market share. Some 38% of group sales are generated in East Central Europe through the 61%-owned subsidiary, Ambra.

MARKET DATA

As of 23 Sep 2019

Closing Price	€ 16.55
Shares outstanding	7.92m
Market Capitalisation	€ 131.08m
52-week Range	€ 15.35 / 20.40
Avg. Volume (12 Months)	1,760

Multiples	2018/19	2019/20E	2020/21E
P/E	12.0	11.8	11.1
EV/Sales	0.5	0.5	0.5
EV/EBIT	7.5	7.5	7.2
Div. Yield	3.0%	3.0%	3.1%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2019

Liquid Assets	€ 9.53m
Current Assets	€ 175.36m
Intangible Assets	€ 88.86m
Total Assets	€ 346.11m
Current Liabilities	€ 109.99m
Shareholders' Equity	€ 165.95m

SHAREHOLDERS

Günther Reh AG	70.1%
Free float	29.9%

**Figure 1: Full year 2018/19 results versus our forecasts**

€m	FY 18/19A	FY 18/19E	Δ	FY 17/18A	Δ
Sales	337.2	342.0	-1.4%	324.5	3.9%
by region					
Germany	113.6	117.8	-3.6%	112.6	0.9%
France	101.4	104.7	-3.1%	101.5	-0.1%
East Central Europe	128.4	126.2	1.7%	117.2	9.5%
Eliminations	-6.3	-6.7	n.m.	-6.6	n.m.
EBIT	23.0	23.0	-0.3%	23.8	-3.6%
margin (%)	6.8%	6.7%		7.3%	
by region					
Germany	3.4	3.2	5.6%	2.1	59.9%
margin (%)	3.0%	2.7%		n.m.	
France	6.7	7.0	-4.2%	7.4	-9.8%
margin (%)	6.6%	6.7%		7.3%	
East Central Europe	13.0	13.0	0.3%	13.4	-3.0%
margin (%)	10.1%	10.3%		11.4%	
Other/eliminations	-0.1	-0.1	n.m.	1.0	n.m.
Net profit	10.9	10.9	-0.2%	11.1	-1.9%
EPS (€)	1.38	1.38	-0.2%	1.40	-1.9%
DPS (€)	0.50	0.52	-3.8%	0.50	0.0%

Source: SWA; First Berlin Equity Research estimates

Management to propose unchanged €0.50 dividend to AGM on 21 November The financial result improved by €0.2m mainly because of the reduction in minorities in Rindchen's Weinkontor following SWA's acquisition of the 30% it did not already own in the company with effect from 1 January 2019. The tax charge also fell by €0.2m to €5.7m (2017/18: €5.9m) equivalent to 26.1% (2017/18: 26.5%) of pretax profit because of the deferred tax effect of a change in Polish tax law on the prior year number. Profit before minorities came in at €16.0m (2017/18: €16.4m) and profit after minorities at €10.9m (2017/18: €11.1m). EPS were €1.38 (2017/18: €1.40). Management will propose an unchanged dividend of €0.50 to the AGM on 21 November.

Volume in Germany down 6.8% due to price rises and private label contract expiries

Volume in Germany declined 6.8% to 79.1m bottles (2017/18: 84.8m bottles). The decline affected almost all product categories and stemmed from the expiry of private label contracts as well as from price rises which were necessary to compensate for higher raw wine prices following the below average yield of the 2017 harvest. The volume decline was restricted to the domestic market. Export sales continued to rise.

Sparkling and semi-sparkling wines account for more than half of SWA's volume in Germany. The German sparkling wine market was stable in 2018/19 but SWA's market share fell slightly because of the expiry of private label contracts.

De-alcoholised drinks volume was slightly below the 2017/18 level. SWA's leading product in this area is Light Live which is available in both sparkling and still variants. SWA's de-alcoholised drinks business has grown briskly in recent years but growth of the category is now slowing.

Robby Bubble volume down due to rising input costs, recipe change The children's party drink Robby Bubble retains a dominant position in its category. However, volume fell 16% in 2018/19 due mainly to price rises to cover higher input prices as well as a change in the recipe from fruit nectar (i.e. at least 50% fruit content) to 100% fruit juice without added sugar or artificial colouring and preservatives.



Results in Germany up despite volume decline Price rises as well as a favourable shift in the product mix meant that SWA's sales in Germany edged ahead by 0.9% to €113.6m (2017/18: €112.6m). Gross profit climbed 6.1% to €47.4m (2017/18: €44.7m) equivalent to a margin of 41.8% (2017/18: 39.7%). The gross margin widened because of the above mentioned product mix shift and also because of the absence of costs in connection with a technical defect at one of the production lines in Q2 17/18 which reduced output and led to writedowns of unsaleable product. EBIT climbed to €3.4m (2017/18: €2.1m). Only about half the improvement in gross profit fed through to EBIT mainly because in 2017/18 net other operating income included insurance compensation for the production line problem.

Volume in France down 5.1% due to private label contract expiries In France volume declined by 5.1% to 66.4m bottles (2017/18: 70.0m bottles) due to the expiry of private label contracts at the end of calendar 2018. Sales of own brand products continued to grow. The reduction in volume was concentrated on the French domestic market. Exports, which account for around 25% of segment volume, nearly reached the prior year level.

Charles Volner further extended its lead on French sparkling wine market SWA's most important French own brand product, Charles Volner, grew by 7.1% to reach a new volume record and widened its lead over the second placed product in its category. SWA's two other most important French sparkling wine brands are Opéra and Muscador. Opéra's volume grew 8.3% and the product retained its no. 3 ranking. In volume terms Muscador remains one of the leading sparkling wines in France, but the number of bottles sold declined 4.1% in 2017/18, mainly as a result of new French legislation to restrict promotion activities by retailers. Exports, which account for around 15% of Muscador volume, were little changed on 2017/18.

French sales stable despite volume decline, but EBIT lower Despite the decline in volume, sales in France were stable at €101.4m (2017/18: €101.5m) due to the shift in the product mix to own brand products as well as to price rises to cover higher raw wine costs. Gross profit came in at €41.9m (2017/18: €41.2m) but EBIT fell back to €6.7m (2017/18: €7.4m) due to higher marketing and personnel costs as well as the absence of last year's €0.2m profit on disposal of fixed assets.

East Central Europe volume and sales up 6.2% and 9.6% respectively Volume in East Central Europe climbed 6.2% to 80.9m bottles (2017/18: 76.2m bottles) driven by the growth of the still and sparkling wine businesses in Poland, which accounts for ca. 70% of segment sales. 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 2018/19 and SWA saw a clear increase in volume. Brandy sales in Poland developed positively too, as did the children's party drinks business area which continues to benefit from child support payments first introduced in 2016. SWA retained its no. 1 position in Polish cider against the background of a shrinking market. The company's cider volume fell by around 10%, but a shift in sales towards higher priced variants meant that the decline in sales was less pronounced.

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 7% in local currency, led by the sparkling wine brand, Zarea. Sale of brandy and Robby Bubble also increased. Gross profit climbed 10% in local currency due to a favourable shift in the product mix. In the Czech Republic volume and sales both increased by around 20% in local currency, while gross profit rose 17%. In Slovakia sales jumped 27%.

**East Central Europe EBIT down slightly due to higher net operating expenses**

East Central Europe sales climbed 9.6% to €128.4m (2017/18: €117.2m). On a constant exchange rate basis, growth would have been 11.2%. A favourable shift in the product mix meant that gross profit climbed 10.6% to €56.4m (2017/18: €51.0m). However, EBIT fell back to €13.0m (2017/18: €13.4m) because of a decline in other operating income and higher other operating expenses. In 2017/18 other operating income included payments on previously written off receivables and insurance compensation for a theft from a Czech subsidiary in 2016/17. Other operating expenses rose 18% in 2018/19 mainly due to higher advertising and freight costs.

The Other Activities segment generated EBIT of €-0.1m in 2018/19 (2017/18: €1.0m): Last year's figure was boosted by a profit on the sales of a property at Edenkoben in Germany.

Net gearing declined to 20.9% (2017/18: 23.3%)

Although net profit before minorities declined by €0.4m to €16.0m (2017/18: €16.4m), cashflow before changes in working capital climbed 8.0% to €25.8m (2017/18: €23.9m) due mainly to a €3.3m swing in other non-cash items. Working capital released €1.2m in 2018/19 whereas in 2017/18 it consumed €3.1m and so operating cash flow climbed 30.2% to €27.0m (2017/18: €20.8m). Cashflow from investing of €-17.8m (2017/18: €-12.0m) was comprised of investment in fixed assets of €14.3m (2017/18: €7.0m), investment in acquisitions of €-3.8m (2017/18: €-8.0m) and proceeds from asset disposals of €0.3m (2017/18: €3.1m). Highlights of the fixed asset investment programme in 2018/19 were the construction of a new pallet centre at SWA's German headquarters in Trier and the modernisation of production equipment in France and Poland. In 2018/19 SWA paid €3.8m for the 30% in the German wine merchant Rindchen's Weinkontor it did not already own. It acquired the initial 70% in Rindchen for €8.0m in 2017/18. Proceeds from asset disposals in 2017/18 stemmed from the sale of property at Edenkoben in Germany and of equipment at the Tournan-en-Brie production site in France. Free cash flow rose 5.3% to €9.3m (2018/19: €8.8m). Dividends to Schloss Wachenheim shareholders and minority shareholders in SWA's group companies in East Central Europe consumed €6.6m of cash (2017/18: €6.7m) and net debt including pension liabilities fell by €2.5m to €42.2m (2017/18: €44.7m) equivalent to netgearing of 20.9% (2017/18: 23.3%).

Consumer spending looks set to remain firm in the current financial year

International trade conflicts, the possibility of a no-deal Brexit and slowing global economic growth have assailed consumer confidence in Germany in recent months. However, consumer spending is likely to remain firm in 2019/20 due to support from rising real incomes and a strong employment market. In France consumer sentiment has even improved as a result of tax cuts and higher spending on social programmes.

In France and Germany sparkling wine volume has been stable to slightly lower in recent years and management expects this trend to continue in 2019/20. However, management expects German non-alcoholic drinks volume to pick up and further growth in wine and brandy in Poland and in spirits in Romania. The recent acquisitions, especially of the wine merchant, Pieroth Retail GmbH in Germany (consolidated from 1 August 2019), will add annual sales of ca. €14m. In August, SWA acquired the Romanian wine brand "Sange de Taur" (bull's blood) with annual sales of 2 million bottles. In Germany, SWA also expect positive contributions from own brand sparkling wines and also from the launch of new, innovative products. Volume and sales are expected to rise in Germany (both organically and through the Pieroth acquisition) and East Central Europe, but in Germany sales look set to rise less far than volume because a good 2018 harvest lowered raw wine prices. Sales in Germany will however be supported by a new in-house sales force which began operations in July. SWA had previously worked with an external service provider in Germany. This relationship has been ended.



The move follows the pattern set by a switch from an external service provider to in-house sales in France at the end of 2015. Management expects volume and sales to fall in France in 2019/20 as the expiry of private label contracts outweighs expected further increases in own brand product volume.

2019/20 guidance: volume/sales slightly up, stable EBIT and net profit before minorities Management is guiding towards stable EBIT and net profit before minorities in Germany and East Central Europe despite the expectation of higher volume and sales in both segments. We believe this guidance is based on the likelihood of price pressure due to lower raw wine prices, the cost of integrating the Pieroth acquisition and starting the new sales force in Germany as well as rising personnel and freight/materials costs in East Central Europe. In France management is expecting profits to rise as the product mix improves and the cost base is realigned to take account of reduced private label business. For the group as a whole, SWA's guidance for the 2019/20 financial year is for a slight increase in group volume and sales, and stable EBIT and net profit before minorities.

Buy recommendation maintained but price target lowered to €22.20 from €22.30 We have adjusted our forecasts (see figure 2) to reflect management's 2019/20 guidance and the acquisition of Pieroth. Our EBIT projections for 2019/20 and 2020/21 are reduced by 2.1% and 2.3% respectively and mainly reflect management's caution on margins in East Central Europe. We now see fair value for the SWA share at €22.20 (previously: €22.30). We maintain our Buy recommendation.

Figure 2: Changes to our forecasts

All figures in €m	2019/20E			2020/21E		
	old	new	Δ	old	new	Δ
Sales	344.98	351.38	1.9%	358.38	365.02	1.9%
by region:						
Germany	116.63	126.75	8.7%	118.96	129.29	8.7%
France	102.56	96.36	-6.0%	104.61	98.28	-6.0%
East Central Europe	132.51	134.80	1.7%	141.78	144.23	1.7%
Eliminations	-6.72	-6.53		-6.98	-6.78	
EBIT	23.57	23.08	-2.1%	24.72	24.16	-2.3%
Margin	6.8%	6.6%		6.9%	6.6%	
by region:						
Germany	3.15	3.30	4.6%	3.21	3.49	8.7%
margin (%)	2.7%	2.6%		2.7%	2.7%	
France	6.83	7.03	3.0%	6.96	7.17	3.1%
margin (%)	6.7%	7.3%		14.6%	7.3%	
East Central Europe	13.65	12.81	-6.2%	14.60	13.56	-7.1%
margin (%)	10.3%	9.5%		10.3%	9.4%	
Eliminations	-0.05	-0.06		-0.06	-0.06	
Net profit after minorities	11.12	11.11	-0.1%	11.72	11.74	0.2%
EPS €	1.40	1.40	-0.1%	1.48	1.48	0.2%

Source: First Berlin Equity Research estimates



DCF MODEL

All figures in EUR 000s	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	FY 28/29E	FY 29/30E
Net sales	351,378	365,023	379,403	392,294	405,735	419,752	434,374	449,631	465,554	482,177	499,535
NOPLAT	17,076	17,879	19,029	19,785	20,069	20,869	21,708	22,587	23,507	24,472	25,484
+ depreciation & amortisation	-9,895	-10,279	-10,684	-11,047	-11,426	-11,821	-12,232	-12,662	-13,110	-13,579	-14,067
Net operating cash flow	26,971	28,159	29,714	30,832	31,494	32,690	33,940	35,249	36,618	38,051	39,551
- total investments (CAPEX and WC)	-11,879	-14,814	-19,204	-19,831	-17,190	-16,746	-17,827	-18,435	-19,070	-19,734	-20,479
Capital expenditures	-8,151	-11,279	-11,684	-12,047	-13,426	-12,821	-13,732	-14,162	-14,610	-15,079	-15,567
Working capital	-3,728	-3,535	-7,519	-7,784	-3,764	-3,926	-4,095	-4,273	-4,459	-4,655	-4,911
Free cash flows (FCF)	15,093	13,345	10,510	11,001	14,304	15,944	16,113	16,814	17,548	18,317	19,073
PV of FCF's	14,232	11,671	8,526	8,277	9,982	10,319	9,673	9,362	9,062	8,773	8,473

All figures in EUR 000s	
PV of FCFs in explicit period (2019/20-2029/30)	108,350
PV of FCFs in terminal period	148,584
Enterprise value (EV)	256,934
Average net debt (most recent four quarters)	-48,040
Investments / minority interests	-33,421
Shareholder value	175,474

Fair value per share in EUR	22.20
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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	22.20
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	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
5.8%	33.17	34.94	37.12	39.87	43.45	48.31	55.25
6.3%	29.07	30.37	31.95	33.89	36.35	39.54	43.86
6.8%	25.62	26.60	27.76	29.16	30.89	33.07	35.90
7.3%	22.70	23.44	24.30	25.33	26.56	28.09	30.01
7.8%	20.19	20.75	21.40	22.20	23.06	24.14	25.49
8.3%	18.01	18.44	18.93	19.49	20.15	20.94	21.89
8.8%	16.11	16.43	16.80	17.22	17.71	18.29	18.97
9.3%	14.43	14.67	14.95	15.27	15.63	16.05	16.54



INCOME STATEMENT

All figures in €000s	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20E	FY 20/21E
Revenues	288,684	293,175	296,062	324,527	337,159	351,378	365,023
Change in inventories	1,320	-3,678	257	3,341	107	0	0
Cost of materials	-167,567	-167,105	-169,778	-190,920	-191,505	-199,583	-206,968
Gross Profit	122,437	122,392	126,541	136,948	145,761	151,795	158,055
Other operating income	6,260	4,872	4,582	7,994	3,981	4,149	4,310
Personnel expenses	-41,363	-43,326	-43,593	-50,249	-53,303	-56,221	-58,404
Depreciation	-7,857	-7,665	-7,844	-9,171	-9,447	-9,895	-10,279
Other operating expenses	-58,760	-55,944	-57,505	-61,694	-64,016	-66,753	-69,521
Operating Income (EBIT)	20,717	20,329	22,181	23,828	22,976	23,076	24,161
Associates	451	78	-6	-1	-27	0	0
Net interest income	-1,994	-964	-1,102	-1,554	-1,291	-1,112	-933
Pretax profit (EBT)	19,174	19,443	21,073	22,273	21,658	21,964	23,229
Taxes	-5,332	-5,897	-5,361	-5,900	-5,657	-5,711	-6,039
Net profit before minorities	13,842	13,546	15,712	16,373	16,001	16,253	17,189
Minorities	-3,646	-3,361	-4,211	-5,258	-5,111	-5,142	-5,445
Net attributable profit	10,196	10,185	11,501	11,115	10,890	11,111	11,745
EPS (€)	1.29	1.29	1.45	1.40	1.38	1.40	1.48
EBITDA	28,574	27,994	30,025	32,999	32,423	32,971	34,441
Ratios							
Gross margin	42.4%	41.7%	42.7%	42.2%	43.2%	43.2%	43.3%
EBIT margin on revenues	7.2%	6.9%	7.5%	7.3%	6.8%	6.6%	6.6%
EBITDA margin on revenues	9.9%	9.5%	10.1%	10.2%	9.6%	9.4%	9.4%
Net margin on revenues	4.8%	4.6%	5.3%	5.0%	4.7%	4.6%	4.7%
Tax rate	27.8%	30.3%	25.4%	26.5%	26.1%	26.0%	26.0%
Expenses as % of revenues							
Personnel costs	-14.3%	-14.8%	-14.7%	-15.5%	-15.8%	-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%	-19.0%	-19.0%	-19.0%
Y-Y Growth							
Revenues	-6.4%	1.6%	1.0%	9.6%	3.9%	4.2%	3.9%
Operating income	-3.5%	-1.9%	9.1%	7.4%	-3.6%	0.4%	4.7%
Net profit before minorities	-15.6%	-2.1%	16.0%	-100.0%	-2.3%	1.6%	5.8%



BALANCE SHEET

All figures in €000s	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20E	FY 20/21E
Assets							
Current assets, total	153,779	150,179	155,088	172,510	175,357	174,862	181,652
Cash and cash equivalents	3,995	3,142	5,700	7,760	9,531	3,514	3,650
Other receivables and short-term assets	5,277	5,973	5,508	7,349	7,861	7,957	8,266
Trade accounts and notes receivables	54,379	54,784	56,362	58,697	53,563	63,248	65,704
Inventories	90,128	86,280	87,518	98,704	104,402	100,143	104,032
Non-Current Assets, total	146,963	151,237	157,123	165,328	170,751	168,967	170,008
Property, plant and equipment	59,148	64,447	72,431	70,292	75,744	74,000	75,000
Goodwill + intangible assets	79,041	78,508	78,557	89,145	88,862	88,862	88,862
<i>of which:</i>							
Goodwill	5,690	5,541	5,711	12,328	12,426	12,426	12,426
Rights on brands, licenses	73,351	72,967	72,846	76,817	76,436	76,436	76,436
Other financial assets	8,186	7,733	5,654	5,403	5,051	5,051	5,051
Deferred taxes + prepaid expenses	588	549	481	488	1,094	1,054	1,095
Total Assets	300,742	301,416	313,906	337,838	346,108	343,829	351,660
Shareholders' equity & debt							
Current Liabilities, total	108,708	95,236	97,782	104,645	109,987	103,495	103,807
Current provisions	3,219	3,415	3,020	3,846	4,425	3,567	3,669
Short-term financial debt	33,164	27,198	28,221	25,265	28,099	20,662	17,795
Trade payables	37,173	35,248	37,434	41,423	44,185	42,165	43,803
Prepayments, deferred charges & other liabilities	35,152	29,375	29,107	34,111	33,278	37,101	38,542
Long term liabilities, total	25,841	34,159	32,443	41,626	34,197	26,189	24,398
Long-term financial debt	15,253	23,607	20,982	24,470	20,886	15,358	13,227
Pension accruals and similar liabilities	3,077	3,155	2,970	2,750	2,763	2,929	3,105
Other long-term debt	2,177	557	804	4,919	1,063	1,054	1,095
Deferred taxes	5,334	6,840	7,687	9,487	9,485	6,848	6,971
Shareholders' equity	137,525	143,173	152,431	158,571	165,950	173,028	176,894
Minority interests	28,668	28,848	31,250	32,996	35,974	41,116	46,561
Total shareholders' equity & debt	300,742	301,416	313,906	337,838	346,108	343,829	351,660
Ratios							
Current ratio (x)	1.41	1.58	1.59	1.65	1.59	1.69	1.75
Quick ratio (x)	0.59	0.67	0.69	0.71	0.65	0.72	0.75
Financial leverage (including pension liabilities)	28.6%	29.5%	25.3%	23.3%	20.9%	16.5%	13.6%
Book value per share (€)	17.36	18.08	19.25	20.02	20.95	21.85	22.34
Net debt (including pension liabilities)	47,499	50,818	46,473	44,725	42,217	35,435	30,476
Return on equity (ROE)	6.3%	6.0%	6.5%	5.9%	5.5%	5.3%	5.4%



CASH FLOW STATEMENT

All figures in €000s	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20E	FY 20/21E
Net profit before minorities	13,842	13,546	15,712	16,373	16,001	16,253	17,189
Depreciation and amortisation	7,857	7,665	7,844	9,171	9,447	9,895	10,279
Change in working capital	12,267	-5,295	-662	-3,128	1,230	-3,728	-3,535
Other	-619	-310	1,775	-1,659	345	166	176
Operating cash flow	33,347	15,606	24,669	20,757	27,023	22,587	24,110
CAPEX	-8,849	-14,050	-14,838	-15,049	-18,092	-8,151	-11,279
Fixed asset sales	4,194	904	565	3,095	337	0	0
Investing cash flow	-4,655	-13,146	-14,273	-11,954	-17,755	-8,151	-11,279
Free cash flow	28,692	2,460	10,396	8,803	9,268	14,436	12,830
Change in financial liabilities	-22,741	2,388	-1,602	-479	-750	-12,965	-4,999
Dividends to shareholders	-2,693	-3,168	-3,406	-3,802	-3,960	-3,960	-3,960
Dividends to subsidiaries of minorities	-2,227	-2,753	-2,657	-2,920	-2,601	-3,528	-3,735
Other	0	127	0	209	0	0	0
Financing cash flow	-27,661	-3,406	-7,665	-6,992	-7,311	-20,453	-12,694
Change in cash	1,031	-946	2,731	1,811	1,957	-6,017	136
Consolidation; exchange rate effects	43	93	-173	249	-186	0	0
Liquid funds, start of the year	2,921	3,995	3,142	5,700	7,760	9,531	3,514
Liquid funds, end of the year	3,995	3,142	5,700	7,760	9,531	3,514	3,650
Free cash flow per share (€)	3.62	0.31	1.31	1.11	1.17	1.82	1.62
<hr/>							
Y-Y growth							
Operating cash flow	17.4%	-53.2%	58.1%	-15.9%	30.2%	-16.4%	6.7%
Free cash flow	33.5%	-91.4%	322.6%	-15.3%	5.3%	55.8%	-11.1%
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...40	↓	↓	↓	↓
41	15 November 2018	€18.85	Add	€22.30
42	25 February 2019	€17.25	Add	€22.30
43	21 May 2019	€17.15	Buy	€22.30
44	Today	€16.55	Buy	€22.20

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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.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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Legally required information regarding

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

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