BERENTZEN-GRUPPE AKTIENGESELLSCHAFT

INTERIM REPORT Q3/2019

BERENTZEN-GRUPPE
Durst auf Leben

Content

Overview Q3/2019

Berentzen Group: Consolidated revenues and consolidated EBIT slightly higher, earnings forecasts for the Group confirmed.

Q3/2019

- Consolidated revenues: EUR 120.6 million (EUR 117.6 million).
- Consolidated EBIT: EUR 6.1 million (EUR 6.0 million).
- Consolidated EBITDA: EUR 12.3 million (EUR 11.6 million).
- Operating cash flow: EUR 7.6 million (EUR 9.4 million).
- Equity ratio: 34.8 % (32.9 %).

Outlook

- Group: Earnings forecasts for the 2019 financial year confirmed.

(1) Business performance and financial position

(1.1) Significant events during the reporting period

There were no events of significance for the business performance or the financial performance, cash flows and financial position of the Berentzen Group during the reporting period.

(1.2) Financial performance

Since the beginning of the 2019 financial year, the Berentzen Group has been applying the financial reporting standard IFRS 16 (Leases). The comparative information for the 2018 financial year was not adjusted pursuant to the modified retrospective approach.

		Q3/2019	Q3/2018	Change
Consolidated revenues excl. spirits tax	**EUR'000**	**120,624**	**117,633**	**+ 2.5 %**
Spirits segment	EUR'000	59,668	58,625	+ 1.8 %
Non-alcoholic Beverages segment	EUR'000	40,189	38,685	+ 3.9 %
Fresh Juice Systems segment	EUR'000	14,747	13,921	+ 5.9 %
Other segments	EUR'000	6,020	6,402	- 6.0 %
Consolidated EBITDA	**EUR'000**	**12,271**	**11,580**	**+ 6.0 %**
Consolidated EBITDA margin	**%**	**10.2**	**9.8**	**+ 0.4 PP [1)]**
Consolidated EBIT	**EUR'000**	**6,102**	**6,032**	**+ 1.2 %**
Consolidated EBIT margin (operating margin)	**%**	**5.1**	**5.1**	**- 0.0 PP [1)]**

1) PP = percentage points.

The Berentzen Group generated consolidated revenues of EUR 120.6 million (EUR 117.6 million) in the first nine months of the 2019 financial year. This is equivalent to a rise in revenue of 2.5 %.

In the *Spirits* segment, revenues rose by 1.8 % in comparison to the interim reporting period of the previous year. In this context, however, the sales quantities of the *Berentzen* and *Puschkin* core brands in Germany were down 6.7 % on the level of the equivalent period last year. The other branded business with spirits in Germany, especially with classical spirits, proved to be stable overall. Revenues in the business with branded dealer and private-label products saw positive developments with growth being attributable in particular to growth in the business with premium product concepts. In contrast, the revenues of the *Other Segments* that notably include the international business with branded spirits saw a decline of 6.0 %. All in all, there were positive developments with regard to revenues in the *Non-alcoholic Beverages* segment, with an increase of 3.9 %. This was mainly due to the sales performance of the own brands, which saw faster revenue growth. Once again, the increase of 35.6 % on the equivalent period last year with regard to the sales volume of the beverages distributed under the *Mio Mio* brand played an especially important role in this development. The contract bottling business with carbonated soft drinks and other non-alcoholic beverages and the franchise business remained in decline, however. It should be noted in this context that the sales performance in the franchise business is primarily attributable to a change in the way sales are settled with the franchise partner, which does not affect the development of the earnings situation to the same extent. Over the first nine months of the 2019 financial year, the *fresh juice systems* segment recorded revenue growth of 5.9 %. In this respect, sales of fruit presses proved to be stable to a great extent in comparison to the level of the equivalent period last year. The decisive factor in this development was the clear increase in sales in what is known as the German-speaking area, whereas the French and US markets continued to be characterised by a lower sales volume. The trade with oranges reported a positive sales performance with gross profit rising at a faster rate. The sales business with bottling systems similarly saw a clearly positive development.

Over the first nine months of the 2019 financial year, consolidated EBIT adjusted for non-recurring items was slightly up on the previous-year level at EUR 6.1 million (EUR 6.0 million). This development arose from a significantly higher gross profit (up EUR 2.8 million) as a consequence of price increases for individual products and further optimisation of the product and segment mix and, at the same time, lower operating income (down EUR 0.7 million) and an increase in the level of overheads (up EUR 2.0 million) following on from higher shipping and logistics costs, and personnel expenses.

The adjusted consolidated EBITDA based on the aforementioned adjusted consolidated EBIT amounted to EUR 12.3 million (EUR 11.6 million). The main reason for this significant rise in consolidated EBITDA with consolidated EBIT remaining stable arises from the first-time application of IFRS 16 in combination with a higher level of amortisation of rights of use.

In connection with two sets of civil proceedings filed with a view to claiming damages, expenses totalling EUR 0.9 million were recorded as non-recurring items for anticipated consulting fees and litigation costs and those already incurred over this interim reporting period. The proceedings were instituted by a US distributor acting on behalf of the subsidiary Citrocasa GmbH (formerly T M P Technic-Marketing-Products GMBH; its registered office remaining in Linz, Austria) and were filed in the US in August 2018 and February 2019, respectively. In the first of the two sets of proceedings mentioned above a ruling was passed at the beginning of October 2019. According to this judgment, the claimant was awarded a causal damages claim of a mere EUR 0.1 million. These expenses and the costs of legal defence arising or already incurred in relation to the second set of proceedings were correspondingly taken into account in the aforementioned non-recurring items.

(1.3) Cash flows and financial position

Cash flows

		Q3/2019	Q3/2018	Change
Operating cash flow	**EUR'000**	**7,619**	**9,402**	**- 1,783**
Cash flow from operating activities	**EUR'000**	**522**	**- 2,108**	**+ 2,630**
Cash flow from investing activities	**EUR'000**	**- 3,856**	**- 4,995**	**+ 1,139**
Cash flow from financing activities	**EUR'000**	**- 2,830**	**- 2,067**	**- 763**
Cash and cash equivalents at the beginning of the period	**EUR'000**	**15,459**	**18,435**	**- 2,976**
Cash and cash equivalents at the end of the period	**EUR'000**	**9,295**	**9,265**	**+ 30**

The total funding of Berentzen Group presented in the Annual Report for the 2018 financial year remains essentially unchanged at the end of the interim reporting period.

The operating cash flow, which excludes changes in working capital and hence documents the impact of operating profitability on the change in cash, decreased to EUR 7.6 million (EUR 9.4 million) essentially on account of higher cash outflows in connection with income taxes.

The cash flow from operating activities also encompasses changes in working capital. In the first nine months of the 2019 financial year, this resulted in a net cash inflow of EUR 0.5 million in contrast to the cash outflow of EUR 2.1 million seen in the previous year. This positive development is essentially attributable to a lower level of capital commitment in the form of what is known as “trade working capital”, i.e. the balance from movements in inventories, receivables including factoring arrangements, liabilities arising from alcohol tax and trade payables.

The Group’s investing activities – notably including payments for investments in property, plant and equipment – led to a net cash outflow of EUR 3.9 million (EUR 5.0 million). In this context, the cash outflow was once again essentially attributable to investments in empty bottle containers and crates in the *Non-alcoholic Beverages* segment. Extensive investments in the refurbishment of a glass recycling facility were made in the equivalent period last year.

Financing activities gave rise to a net cash outflow of EUR 2.8 million (EUR 2.1 million), resulting essentially from the dividend payment of EUR 2.6 million. The taking out of an annuity loan brought about a cash inflow of EUR 0.2 million, whereas the repayment of lease liabilities pursuant to IFRS 16 led to a cash outflow of EUR 0.4 million. As application of IFRS 16 did not become mandatory until the beginning of the 2019 financial year, there was no comparative net cash outflow to be disclosed in the same item.

All in all, cash and cash equivalents totalled EUR 9.3 million (EUR 9.3 million) at the end of the interim reporting period, of which EUR 6.5 million (EUR 8.3 million) relates to receivables from the customer settlement accounts maintained with banks that are used for settlement under two factoring agreements.

Financial position

		09/30/2019	09/30/2018	Change
Equity ratio	%	**34.8**	**32.9**	**+ 1.9 PP** [1]
Dynamic gearing ratio	Ratio	**0.00**	**- 0.08**	**+ 0.08**

[1] PP = percentage points.

The Group’s asset and capital structure remains robust overall. In this context, the equity ratio improved slightly to 34.8 % (32.9 %) at the end of the third quarter of 2019. The dynamic gearing ratio of 0.00 (- 0.08) at September 30, 2019 is illustrative of an appropriate use of fixed-rate financing funds in relation to the Group’s ability to provide its own funds from operations. This means that the Berentzen Group maintains a good ability to service its debt.

(2) Report on subsequent events

No events that could have a significant impact on the future business performance and the financial performance, cash flows and financial position of the Berentzen Group occurred after the end of the reporting period.

(3) Report on opportunities and risks

The primary risks consolidated into categories that could have significant detrimental effects on the Group’s business activities and its financial performance, cash flows and financial position are presented in the Berentzen Group Annual Report for the 2018 financial year together with the greatest opportunities and the structure of the risk management system.

Compared with the opportunities and risks regarding the anticipated development of the corporate group in the remaining three months of the 2019 financial year as described in the Annual Report for the 2018 financial year, there were no significant changes in the third quarter of the 2019 financial year. This includes the overall assessment of opportunities and risks described therein.

(4) Outlook

		2018	Forecast for the 2019 financial year in the 2018 Forecast Report	Forecast for the 2019 financial year Q3/2019
Consolidated revenues	**EURm**	**162.2**	**164.7 to 173.4**	**unchanged**
Consolidated EBIT	**EURm**	**9.8**	**9.0 to 10.0**	**unchanged**
Consolidated EBITDA	**EURm**	**17.3**	**17.0 to 18.8**	**unchanged**

The Berentzen Group reaffirms the forecasts it made for the 2019 financial year in the Annual Report for the 2018 financial year regarding the adjusted consolidated operating profit (consolidated EBIT), the adjusted consolidated operating profit before depreciation and amortisation (consolidated EBITDA) and consolidated revenues.

All in all, the Berentzen Group does not have any new information suggesting that the main forecasts and other statements regarding the anticipated development of the corporate group made in the 2018 Annual Report for the 2019 financial year have changed in any significant manner. Consequently, the Berentzen Group continues to expect a sound financial performance over the 2019 financial year.

In each case, the forecasts are based on a corporate structure unchanged in comparison to the 2018 financial year and are, furthermore, dependent on the general economic and industry-specific environment. The opportunities and risks described in the Report on opportunities and risk in the Annual Report for the 2018 financial year and also such opportunities and risks which were not identifiable when the present Interim Report was prepared may likewise have an impact on the forecast.

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Financial calendar 2019

January 10/11, 2019	ODDO BHF Forum in Lyon, France
February 5, 2019	Publication of preliminary business figures 2018
March 21, 2019	Publication of consolidated and separate financial statements and 2018 Annual Report
May 7, 2019	Publication of the Q1/2019 Interim Report
May 14/15, 2019	Equity Forum Spring Conference 2019 (DVFA) in Frankfurt/Main, Germany
May 22, 2019	Annual general meeting in Hanover, Germany
August 13, 2019	Publication of the 2019 Group Semiannual Report
September 23-25, 2019	Berenberg and Goldman Sachs Eighth German Corporate Conference in Munich, Germany
October 24, 2019	Publication of the Q3/2019 Interim Report
November 25-27, 2019	Deutsches Eigenkapitalforum in Frankfurt/Main, Germany

Publication: October 24, 2019. The financial calendar is provided for information purposes only and will be regularly updated. It is subject to change.

Disclaimer

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This report is also available in English translation for information purposes. In the event of discrepancies the German version alone is authoritative and takes precedence over the English.

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