

30 September 2022

Veganz Group AG

Rating Buy (Buy)
Share price (EUR) 16.40
Target price (EUR) 30.00 (50.00)

Bloomberg VEZ GY
 Sector Consumer Goods

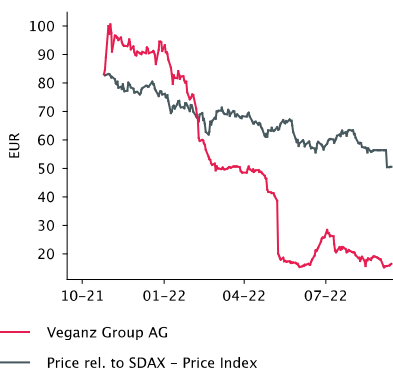
Share data

Shares out (m) 1.2
 Daily volume shs (m) 0.0
 Free float (%) 0.51
 Market cap (EUR m) 20
 EV (EUR m) 18
 DPS (EUR) 0.00
 Dividend yield (%) 0.0
 Payout ratio (%) 0.0

Performance

ytd (%) -81.8
 12 months (%) n.a.
 12 months rel. (%) n.a.
 Index SDAX

Share price performance



Source: Bloomberg

Next triggers

15 November 2022: Q3 statement

Analysts

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FY 2022 sales expectation reduced

Veganz – like other premium brands – suffers from an unfavorable macroeconomic environment and showed a 26% sales decline in H1-22. The company therefore expects a significant yoy sales decrease in FY 2022. We therefore reduced our estimates and derive a new TP of EUR 30.00 (EUR 50.00). Based on current share price the recommendation remains Buy.

H1-22

Due in particular to the loss of promotional business and a general reluctance to buy high-priced goods, sales of Veganz Group AG decreased to EUR 11.5m (prior year: EUR 15.6m). In the first six months of FY 2022, food retail continued to account for the largest share of sales at 68% (H1-21: 62%), with drugstores in second place at 24% (H1-21: 24%). With a sales share of 8% (H1-21: 0%), the new food service distribution channel achieved encouraging growth. In H1-22, the discount business, in which Veganz does not yet have any fixed listings, suffered disproportionately from the Ukraine war compared to the same period last year, when it had exceptionally strong promotional activities. As a result Veganz was unable to generate any sales in this sector (H1-21: 14%).

The EBITDA fell to EUR -5.8m (H1-21: EUR -3.0m). The net loss for the period was EUR 6.8m (H1-21: EUR - 4.0m). The liquidity stood at EUR 19.2m as of 30 June 2022. In Q2-22 the decline of liquidity was reduced to EUR 3.4m while in Q1-22 it was EUR ~6m.

Veganz adjusted its FY 2022 outlook: The company now expects a significant (previously: slight) decrease in sales (FY 2021: EUR 30.4m), but continues to assume a slightly lower EBITDA compared to the previous year (FY 2021: EUR -9.8m).

Buy recommendation confirmed, TP down to EUR 30.00 (EUR 50.00)

We have reduced our estimates for sales clearly but left expectations for earnings figures (page 2) nearly unchanged. The company suffers from strong macroeconomic headwind therefore measurements to secure liquidity are an absolute necessity. We estimate a EUR ~12m cash position at the end of FY 2022.

Based on new estimates we derive a new TP of EUR 30.00 from a peer group approach. However, the crisis year 2022 must not be repeated.

Key figures		2020	2021	2022e	2023e	2024e
Sales	EUR m	27	30	24	27	33
EBITDA	EUR m	-3	-10	-12	-6	-2
EBIT	EUR m	-4	-11	-13	-8	-3
EPS	EUR	-4.04	-10.88	-10.52	-7.21	-3.80
Sales growth	%	12.1	13.6	-20.9	12.0	22.6
EBIT growth	%	n.m.	n.m.	n.m.	n.m.	n.m.
EPS growth	%	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA margin	%	-12.1	-32.2	-49.0	-24.1	-6.0
EBIT margin	%	-16.0	-35.5	-53.2	-27.8	-9.1
Net margin	%	-18.4	-43.8	-53.4	-32.7	-14.1
EV/Sales	ratio	0.95	0.05	0.74	1.33	1.19
EV/EBITDA	ratio	-7.9	-0.1	-1.5	-5.5	-19.7
EV/EBIT	ratio	-6.0	-0.1	-1.4	-4.8	-13.1
P/E	ratio	n.a.	-8.5	-1.6	-2.3	-4.3
P/BV	ratio	n.a.	4.2	1.4	3.8	29.0
Dividend yield	%	n.a.	0.0	0.0	0.0	0.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

Measurements initiated to reduce cost structure

In our view Veganz top priority lies in securing liquidity and therefore has initiated three major measures: i) Veganz has stopped the investments for the construction of the planned Veganz Food Factory in Werder (Havel) and will implement the completed planning at another location in the federal state of Brandenburg. Meanwhile, Veganz is continuing to invest in smaller, temporary production facilities (Austria, Neubrandenburg) for the in-house production of meat, fish, cheese and egg alternatives. ii) the company has already reduced the sales force from 50 to 30 as of 31 July 2022 and will gradually reduce it further to approximately 20 employees by April 2023. In case of a recovery, capacities can be increased again. iii) Veganz has significantly reduced its planned marketing activities and costs and to concentrate on defined core and focus categories as well as products from in-house production. Following Veganz, these measures are a first important step towards strengthening the group's operational performance already in FY 2022. In addition, the company has identified further areas where it needs to take action and is continuously working on improvements to its structures and processes as well as on improving its earnings power and competitiveness.

New estimates

Based on Veganz new guidance we adjusted our estimates

Change of estimates (in EURm)	2022e			2023e			2024e		
	old	new	Δ	old	new	Δ	old	new	Δ
Sales	29.3	24.1	-18%	38.4	27.0	-30%	55.5	33.0	-40%
EBITDA	-11.5	-11.8	n.m.	-4.0	-6.5	n.m.	1.5	-2.0	n.m.
EBIT	-12.5	-12.8	n.m.	-5.0	-7.5	n.m.	0.5	-3.0	n.m.

Source: Quirin Privatbank

Valuation

Peer group

In order to find a fair equity value for Veganz we use a peer group approach. The peers are active in the field of vegan/vegetarian food production:

The peer group multiples only contain EV/sales multiples. The multiples are as follows:

Peer Group Overview	EV/Sales		
	2022e	2023e	2024e
AAKAB	0.9	0.8	0.8
BEYOND MEAT INC	3.5	2.9	2.4
ORIOR AG	0.9	0.9	0.9
TATTOOED CHEF INC	1.5	1.3	1.2
Median	1.2	1.1	1.0

Source: Bloomberg, Quirin Privatbank

Based on our estimates for EV/Sales (FY 2022e to FY 2024e) we derive a fair value of EUR 29.74 per share for Veganz:

Peer Group Results	Sales 2022e	Sales 2023e	Sales 2024e
in EUR m			
Estimates for Veganz	24.1	27.0	33.0
Multiple	1.2x	1.1x	1.0x
Enterprise value	29.5	28.9	33.2
Pension provisions		0.0	
Net Cash		7.2	
Fair value of equity	36.7	36.1	40.4
Average		36.4	
Number of shares (m)		1.2	
Fair value per share (in EUR)		29.74	

Source: Bloomberg, Quirin Privatbank

Profit & loss statement

Profit & loss statement (EUR m)	2020	YOY	2021	YOY	2022e	YOY	2023e	YOY	2024e	YOY
Sales	26.8	12.1 %	30.4	13.6 %	24.1	-20.9 %	27.0	12.0 %	33.0	22.6 %
Unfinished Goods	0.0		0.0		0.0		0.0		0.0	
Other own work capitalized	0.0		0.0		0.6		0.6		0.6	
Other operating earnings	0.5		0.2		0.3		0.2		0.2	
Cost of goods	18.8		21.1		16.3		17.8		20.9	
Gross profit	8.5		9.6		8.6		9.9		12.9	
Personnel expenses	2.9		3.4		2.7		3.0		3.7	
Depreciation	1.0		1.0		1.0		1.0		1.0	
Other operating expenses	8.8		15.9		17.7		13.3		11.2	
EBITDA	-3.2	n.m.	-9.8	n.m.	-11.8	n.m.	-6.5	n.m.	-2.0	n.m.
EBITDA margin (%)	-12.08		-32.19		-48.96		-24.08		-6.04	
EBIT	-4.3	n.m.	-10.8	n.m.	-12.8	n.m.	-7.5	n.m.	-3.0	n.m.
EBIT margin (%)	-15.96		-35.53		-53.17		-27.82		-9.08	
Net interest	-0.9		-2.8		-2.8		-3.0		-3.0	
Income from Participations	0.0		0.0		0.0		0.0		0.0	
Net financial result	-0.9		-2.8		-2.8		-3.0		-3.0	
Exceptional items	0.0		0.0		0.0		0.0		0.0	
Pretax profit	-5.1	n.m.	-13.6	n.m.	-14.1	n.m.	-10.5	n.m.	-6.0	n.m.
Pretax margin (%)	-19.19		-44.63		-58.69		-38.91		-18.28	
Taxes	-0.2		-0.3		-1.3		-1.7		-1.4	
Tax rate (%)	3.86		1.92		8.94		15.96		22.98	
Earnings after taxes	-4.9		-13.3		-12.9		-8.8		-4.7	
Minorities	0.0		0.0		0.0		0.0		0.0	
Group attributable income	-4.9	n.m.	-13.3	n.m.	-12.9	n.m.	-8.8	n.m.	-4.7	n.m.
No. of shares (m)	1.2		1.2		1.2		1.2		1.2	
Earnings per share (EUR)	-4.04	n.m.	-10.88	n.m.	-10.52	n.m.	-7.21	n.m.	-3.80	n.m.

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2020	YOY	2021	YOY	2022e	YOY	2023e	YOY	2024e	YOY
Assets										
Cash and cash equivalents	0.1		28.7		12.2		0.3		0.3	
Accounts receivables	2.1		3.5		3.8		4.2		5.2	
Inventories	2.1		2.8		3.2		3.6		4.4	
Other current assets	2.0		2.5		2.5		2.5		2.5	
Tax claims	0.0		0.0		0.0		0.0		0.0	
Total current assets	6.4	2.1 %	37.6	485.7 %	21.8	-41.9 %	10.7	-50.9 %	12.5	17.1 %
Fixed assets	0.4		0.8		0.8		11.4		12.1	
Goodwill	0.0		0.0		0.0		0.0		0.0	
Other intangible assets	12.6		11.6		11.6		10.6		9.6	
Financial assets	0.8		0.8		0.8		0.8		0.8	
Deferred taxes	0.0		0.0		0.0		0.0		0.0	
Other fixed assets	4.7		0.0		0.0		0.0		0.0	
Total fixed assets	18.5	27.3 %	13.1	-28.9 %	13.1	-0.1 %	22.7	73.0 %	22.5	-0.9 %
Total assets	24.9	19.7 %	50.7	103.7 %	35.0	-31.1 %	33.4	-4.3 %	35.1	4.9 %
Equity & Liabilities										
Subscribed capital	0.7		1.2		1.2		1.2		1.2	
Reserves & other	3.8		48.3		48.3		48.3		48.3	
Revenue reserves	-4.4		-22.5		-35.4		-44.2		-48.8	
Accumulated other comprehensive	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity	0.0	n.m.	27.0	-	14.2	-47.6 %	5.3	-62.3 %	0.7	-87.1 %
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	0.0	n.m.	27.0	-	14.2	-47.6 %	5.3	-62.3 %	0.7	-87.1 %
Long-term liabilities										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	3.4		10.0		10.0		10.0		10.0	
Tax liabilities	3.5		3.3		2.6		2.9		3.5	
Other liabilities	3.9		2.7		2.1		2.4		2.9	
Total long-term debt	10.8	39.5 %	15.9	47.4 %	14.7	-7.8 %	15.3	3.8 %	16.5	7.8 %
Short-term debt										
Other provisions	1.3		2.8		2.3		2.5		3.1	
Trade payables	6.7		4.7		3.7		4.2		5.1	
Financial debt	2.1		0.0		0.0		6.0		9.6	
Other liabilities	4.0		0.1		0.1		0.1		0.1	
Total short-term debt	14.1	9.6 %	7.8	-45.0 %	6.1	-21.3 %	12.8	110.5 %	17.9	39.7 %
Total equity & liabilities	24.9	19.7 %	50.7	103.7 %	35.0	-31.1 %	33.4	-4.3 %	35.1	4.9 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2020	2021	2022e	2023e	2024e
Per share data (EUR)					
EPS	-4.04	-10.88	-10.52	-7.21	-3.80
Book value per share	0.0	22.1	11.6	4.4	0.6
Free cash flow per share	-2.4	-10.8	-10.6	-5.1	-2.0
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	0.95	0.05	0.74	1.33	1.19
EV/EBITDA	-7.9	-0.1	-1.5	-5.5	-19.7
EV/EBIT	-6.0	-0.1	-1.4	-4.8	-13.1
P/E	n.a.	-8.5	-1.6	-2.3	-4.3
P/B	n.a.	4.2	1.4	3.8	29.0
Dividend yield (%)	n.a.	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	12.1	13.6	-20.9	12.0	22.6
Profitability ratios					
EBITDA margin (%)	-12.1	-32.2	-49.0	-24.1	-6.0
EBIT margin (%)	-16.0	-35.5	-53.2	-27.8	-9.1
Net margin (%)	-18.4	-43.8	-53.4	-32.7	-14.1
ROCE (%)	-39.5	-25.2	-44.3	-36.4	-17.5
Financial ratios					
Total equity (EUR m)	0.0	27.0	14.2	5.3	0.7
Equity ratio (%)	0.0	53.3	40.5	16.0	2.0
Net financial debt (EUR m)	5.4	-18.6	-2.2	15.7	19.2
Net debt/Equity	0.0	0.5	0.4	0.2	0.0
Interest cover	-4.9	-3.6	-8.5	-2.5	-1.0
Net debt/EBITDA	-1.7	1.9	0.2	-2.4	-9.6
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	-7.7	29.8	15.7	-2.1	-5.4
Working capital/Sales	-0.29	0.98	0.65	-0.08	-0.16

Source: Company data, Quirin Privatbank estimates

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HOLD <=-10% and < = +10%

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Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
30.09.2022	30.00	Buy	
09.06.2022	50.00	Buy	
01.03.2022	117.00	Buy	
14.01.2022	130.00	Buy	14.01.2022

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