

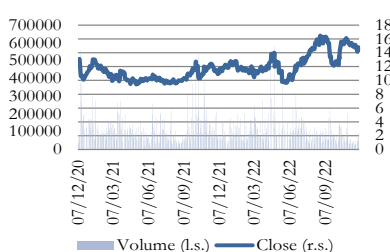
07 December 2022

Price as of 06/12/22: €14.16

Company / Sector	Fair Value	Recommendation
<b>CropEnergies</b>	<b>€26.0</b>	<b>Strong Buy</b>
Energy: Biofuels	(unchanged)	(unchanged)

## First expansion step: Renewable Ethyl Acetate

### Share price performance



### Share data

Reuters	CE2G.DE
No. of shares (m)	87,25
Daily volume (3m)	73.762
Free float	26,0%
Market cap. (m)	1.235,5
EV (m)	906,4
Sales 19-23e	15,4%

Valuation	22/23e	23/24e
EV/Sales	0,6	0,6
EV/EBITDA	3,1	5,9
EV/EBIT	3,7	7,7
PER	6,7	12,8
Div. yield	3,2%	3,2%
RoCE	43,0%	17,6%
RoE	22,0%	10,7%

### Analysts

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### Investment case

CropEnergies has decided to invest in a renewable ethyl acetate plant, which could add EUR91m in sales and EUR10m in EBIT by FY2027/28. This is the first investment decision in a row of projects that deliver on the company's "Innovation from biomass" strategy and which should drive the company to EUR1.8bn in sales and EUR325m in EBIT. This expansion should lead to a revaluation of the share to EUR26. With more news ahead, we reiterate our Strong Buy rating on the stock.

#### ➤ GREEN LIGHT FOR RENEWABLE ETAC, ...

CropEnergies' supervisory board has approved investments of EUR120-130m to build a renewable ethyl acetate plant near the Zeitz facility. This is the first step in the company's multifaceted expansion strategy which could bring the company to EUR1.8bn in sales and EUR325m in EBIT.

#### ➤ ... SUPPORTING OUR ESTIMATES ...

Indicated investments and the break-even point for the project appear to be on the conservative side. On the other hand, reaching the company's target ROCE would leave our EBIT estimate at the far end somewhat too low. We still stick to our estimates until we see the project progressing and pricing of the new product becoming more tangible.

#### ➤ ... AND OUR VALUATION

Although the indicated profitability of the ethyl acetate project might in sum be somewhat higher than we have anticipated, this has only a little impact on our valuation. We thus confirm our fair value of EUR26. The key to the revaluation of the company is the execution of the expansion strategy, which is now well under way.

For additional disclosures please refer to the appendix

Forecasts	19/20	20/21	21/22	22/23e	23/24e
Sales (€m)	899,2	833,1	1075,3	1574,7	1597,1
EBITDA (€m)	146,3	149,3	168,8	288,4	174,5
EBIT (€m)	104,1	107,9	127,0	246,4	132,7
Adj. EPS (€)	0,85	0,97	1,02	2,12	1,11
Dividend (€)	0,30	0,35	0,45	0,45	0,45
Oper. CF (€m)	125,1	105,9	147,0	189,0	137,5
Free CF (€m)	95,2	77,0	111,2	159,0	-81,5

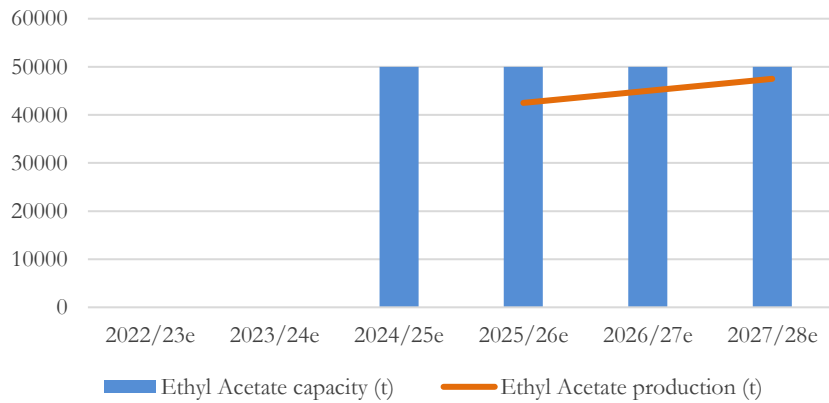
Supervisory board gives go ahead for renewable ethyl acetate production

Following the decision for an ongoing ethanol production at its UK site in Wilton, CropEnergies’ supervisory board has now approved the company’s first major expansion investment decision. The company will build a 50.000 t renewable ethyl acetate facility close to its existing site in Zeitz, thereby making use of the company’s local ethanol production to create plastic materials from a renewable source.

Production scheduled for 2025 at the latest

The facility will be based on a process design by Johnson Matthey, which has already conducted the basic engineering. Detailed construction planning will be undertaken in the coming year so that construction can start in 2024. Production shall start in summer 2025 at the latest. This schedule is widely in line with the estimates that we have laid out in our detailed company report on October, 14<sup>th</sup>.

Estimated development of ethyl acetate capacity and production

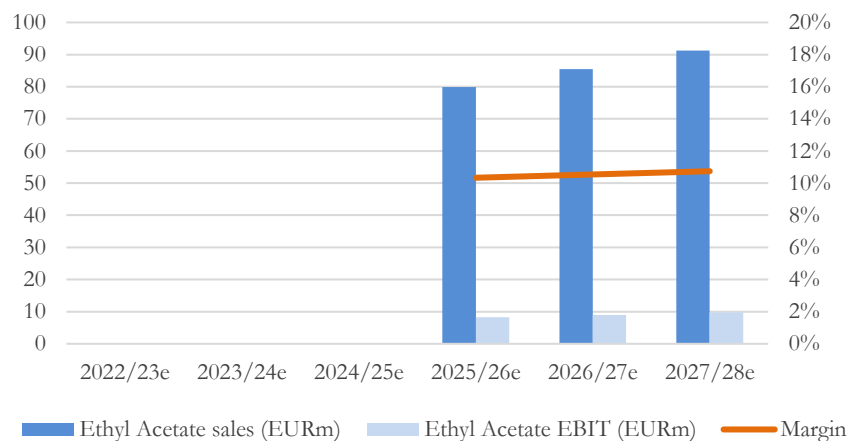


Source: Matelan Research, capacity at year end

ROCE target of 15% clearly exceeds our estimate

While we had anticipated that investments for the project could amount to EUR100m, CropEnergies calculates with a total of EUR120-130m, which shall be fully financed from the existing cash. Moreover, the company expects the project to be profitable after two-three years of operation, which we believe to be the period needed to reach the full capacity utilisation. We would judge both statements to be on the conservative side, leaving some room for outperformance. Most importantly, the company expects the project to reach a ROCE of 15%. Reaching this level would yield almost twice the EBIT level that we have so far in our model. The following chart illustrates our estimates, which yield EUR91m in sales and EUR10m in EBIT in 2027/28. We do not yet alter these estimates at this point in time, keeping in mind that the company is indicating that we might see a little less at the near end but materially more once production is in full swing. This will, however, depend on how the process is managed and what pricing can be agreed with future customers for the new product.

Estimated development of ethyl acetate sales and margin

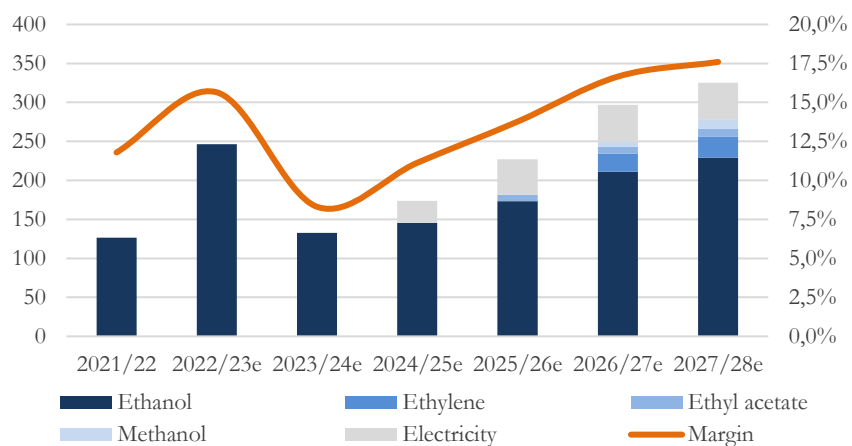


Source: Matelan Research, margin right scale

Further expansion investments to follow

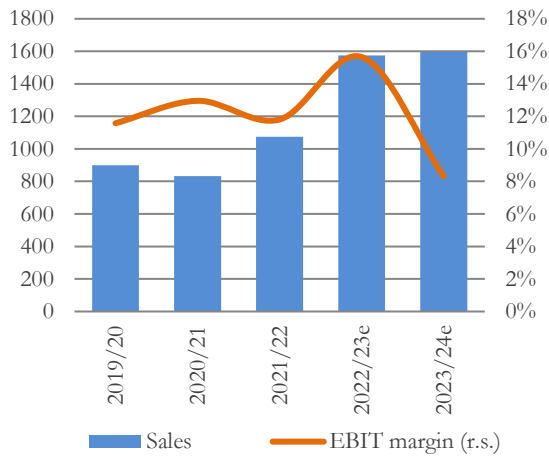
It should also be kept in mind that the move is just the first major step in executing the company’s “Innovation from biomass” strategy, which aims at expanding into adjacent markets on the base of its existing ethanol production, in particular renewable chemicals and efuels. In the course of 2022, the company had thus already taken a number of participations, securing critical know-how for the envisaged expansion that should take the company to a sales level of EUR1.8bn and an EBIT of EUR325m by 2027/28. Taking this first investment decision now shows that the project has successfully passed the basic engineering stage and that the planned expansion is fully backed by the major shareholder, Südzucker. This gives us increasing confidence that the other projects, in particular the production of renewable ethylene and renewable methanol well equally be realised. Positive newsflow from this side is thus likely to continue und should trigger a revaluation of the share.

Estimated development of group EBIT and EBIT margin



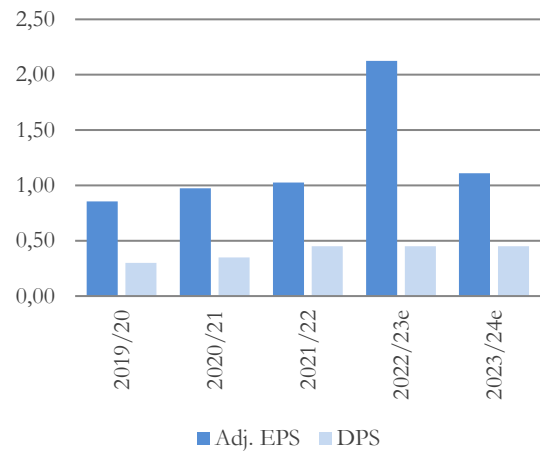
Source: Matelan Research, in EURm, EBIT margin right scale

**Sales and EBIT margin**



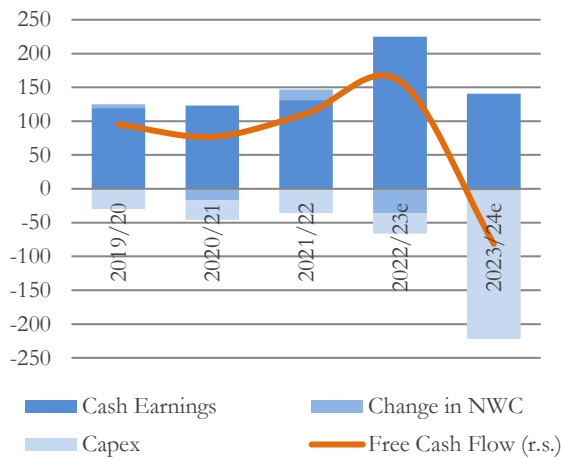
In EURm

**Adj. EPS and DPS**



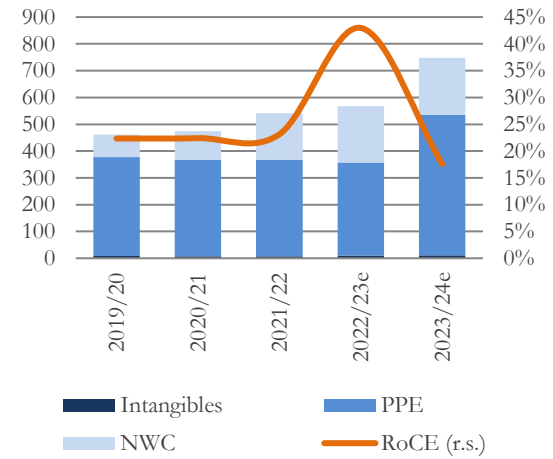
In EUR

**Cash Flow**



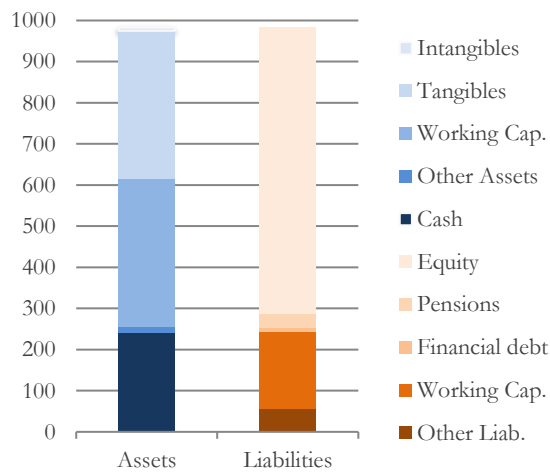
In EURm

**RoCE**



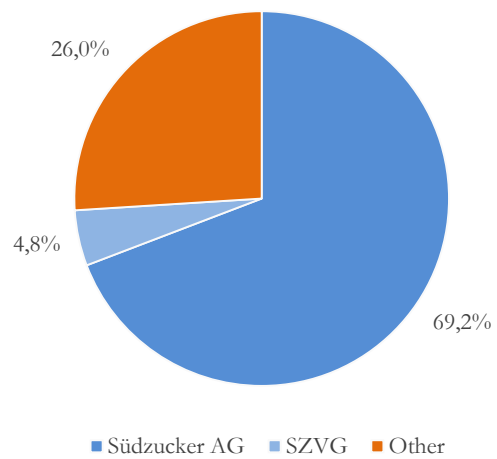
In EURm

**Balance Sheet**



EURm

**Shareholder structure**



## P & L

EURm	2019/20	2020/21	2021/22	2022/23e	2023/24e
<b>Sales</b>	<b>899.2</b>	<b>833.1</b>	<b>1,075.3</b>	<b>1,574.7</b>	<b>1,597.1</b>
<i>Growth</i>		-7.3%	29.1%	46.4%	1.4%
Material costs	-660.5	-594.2	-816.2	-1,181.1	-1,312.6
<b>Gross profit</b>	<b>238.7</b>	<b>238.9</b>	<b>259.2</b>	<b>393.6</b>	<b>284.5</b>
<i>Gross margin</i>	26.5%	28.7%	24.1%	25.0%	17.8%
Other operating costs	-92.3	-89.6	-90.4	-105.2	-110.0
<b>EBITDA</b>	<b>146.3</b>	<b>149.3</b>	<b>168.8</b>	<b>288.4</b>	<b>174.5</b>
<i>Margin</i>	16.3%	17.9%	15.7%	18.3%	10.9%
Depreciation	-42.2	-41.4	-41.8	-42.0	-41.8
<b>EBIT</b>	<b>104.1</b>	<b>107.9</b>	<b>127.0</b>	<b>246.4</b>	<b>132.7</b>
<i>Margin</i>	11.6%	13.0%	11.8%	15.6%	8.3%
Financial result	-3.3	-0.5	-2.7	2.3	-2.0
<b>EBT</b>	<b>100.7</b>	<b>107.4</b>	<b>124.2</b>	<b>248.7</b>	<b>130.7</b>
Taxes	-26.2	-22.5	-34.8	-63.3	-34.0
Net profit	74.6	84.9	89.4	185.4	96.7
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Net profit a.m.</b>	<b>74.6</b>	<b>84.9</b>	<b>89.4</b>	<b>185.4</b>	<b>96.7</b>
<i>Growth</i>		13.9%	5.3%	107.3%	-47.8%
No of shares	87.3	87.3	87.3	87.3	87.3
EPS	0.85	0.97	1.02	2.12	1.11
<b>Adj. EPS</b>	<b>0.85</b>	<b>0.97</b>	<b>1.02</b>	<b>2.12</b>	<b>1.11</b>
<i>Growth</i>		13.9%	5.3%	107.3%	-47.8%
Dividend	0.30	0.35	0.45	0.45	0.45

## Cash Flow

EURm	2019/20	2020/21	2021/22	2022/23e	2023/24e
<b>EBIT</b>	<b>104.1</b>	<b>107.9</b>	<b>127.0</b>	<b>246.4</b>	<b>132.7</b>
Depreciation	42.2	41.4	41.8	42.0	41.8
Other non-cash items	-0.8	-3.8	-2.8	0.0	0.0
Cash taxes	-26.2	-22.5	-34.8	-63.3	-34.0
<b>Cash earnings</b>	<b>119.4</b>	<b>123.0</b>	<b>131.2</b>	<b>225.1</b>	<b>140.5</b>
Change in NWC	5.7	-17.1	15.8	-36.0	-3.0
<b>CF from operations</b>	<b>125.1</b>	<b>105.9</b>	<b>147.0</b>	<b>189.0</b>	<b>137.5</b>
Capex	-29.9	-28.8	-35.8	-30.0	-219.0
Other investm./divestm.	0.1	1.3	0.8	0.0	0.0
<b>CF from investing</b>	<b>-29.8</b>	<b>-27.5</b>	<b>-34.9</b>	<b>-30.0</b>	<b>-219.0</b>
<b>CF from fin. and other</b>	<b>-15.3</b>	<b>-30.5</b>	<b>-35.3</b>	<b>-40.5</b>	<b>61.5</b>
<b>Change in cash</b>	<b>80.0</b>	<b>47.9</b>	<b>76.8</b>	<b>118.5</b>	<b>-20.0</b>

## Valuation multiples

	2019/20	2020/21	2021/22	2022/23e	2023/24e
Share price	7,04	10,82	11,18	14,16	14,16
x No of shares	87,3	87,3	87,3	87,3	87,3
<b>Market Capitalisation</b>	<b>614,2</b>	<b>944,0</b>	<b>975,5</b>	<b>1,235,5</b>	<b>1,235,5</b>
+ Net financial debt	-107,3	-154,6	-229,9	-346,4	-225,4
+ Pension provision	35,0	30,7	32,4	21,0	22,0
+ Minorities	0,0	0,0	0,0	0,0	0,0
- Participations	-2,3	-2,5	-2,8	-3,7	-3,7
<b>Enterprise Value</b>	<b>539,7</b>	<b>817,6</b>	<b>775,1</b>	<b>906,4</b>	<b>1,028,4</b>
Sales	899,2	833,1	1,075,3	1,574,7	1,597,1
Adj. EBITDA	146,3	149,3	168,8	288,4	174,5
Adj. EBIT	104,1	107,9	127,0	246,4	132,7
Adj. Net profit a.m.	74,6	84,9	89,4	185,4	96,7
EV / Sales	0,6	1,0	0,7	0,6	0,6
EV / EBITDA	3,7	5,5	4,6	3,1	5,9
EV / EBIT	5,2	7,6	6,1	3,7	7,7
PE	8,2	11,1	10,9	6,7	12,8

## Balance Sheet

EURm	2019/20	2020/21	2021/22	2022/23e	2023/24e
Intangible assets	8.3	7.9	7.5	9.5	10.5
Tangible assets	369.3	358.7	359.7	347.7	524.9
Participations	2.3	2.5	2.8	3.7	3.7
Other non-current assets	4.8	7.3	7.9	6.2	7.2
<b>Non-current assets</b>	<b>384.7</b>	<b>376.4</b>	<b>377.9</b>	<b>367.1</b>	<b>546.3</b>
Inventories	66.6	73.2	108.0	120.0	121.7
Receivables	94.6	126.5	251.5	300.0	304.3
Cash	116.9	164.7	241.5	360.0	340.0
Other current assets	7.0	1.7	3.9	4.0	4.0
<b>Current Assets</b>	<b>285.0</b>	<b>366.1</b>	<b>604.9</b>	<b>784.0</b>	<b>770.0</b>
<b>Total assets</b>	<b>669.6</b>	<b>742.4</b>	<b>982.7</b>	<b>1,151.1</b>	<b>1,316.3</b>
Equity	502.9	566.1	696.4	842.5	900.0
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Total equity</b>	<b>502.9</b>	<b>566.1</b>	<b>696.4</b>	<b>842.5</b>	<b>900.0</b>
LT financial liabilities	6.3	5.9	7.0	7.0	107.0
Pension provisions	35.0	30.7	32.4	21.0	22.0
Other LT liabilities	24.2	24.7	30.8	37.0	38.0
<b>Non-current liabilities</b>	<b>65.5</b>	<b>61.4</b>	<b>70.1</b>	<b>65.0</b>	<b>167.0</b>
ST financial liabilities	3.2	4.2	4.6	6.6	7.6
Payables	77.6	91.8	185.5	210.0	213.0
Other ST liabilities	20.4	18.9	26.2	27.0	28.8
<b>Current liabilities</b>	<b>101.3</b>	<b>114.9</b>	<b>216.2</b>	<b>243.6</b>	<b>249.4</b>
<b>Total liabilities</b>	<b>669.6</b>	<b>742.4</b>	<b>982.7</b>	<b>1,151.1</b>	<b>1,316.3</b>

## Segments

EURm	2019/20	2020/21	2021/22	2022/23e	2023/24e
Bioethanol	696.5	647.6	836.9	1,285.1	1,291.0
<i>Growth</i>		-7.0%	29.2%	53.5%	0.5%
Food & Feed	192.5	175.5	223.8	274.8	291.1
<i>Growth</i>		-8.8%	27.5%	22.8%	5.9%
Other	10.2	10.0	14.6	14.8	15.0
<i>Growth</i>		-1.8%	46.0%	1.2%	1.4%
<b>Sales</b>	<b>899.2</b>	<b>833.1</b>	<b>1,075.3</b>	<b>1,574.7</b>	<b>1,597.1</b>
<i>Growth</i>		-7.3%	29.1%	46.4%	1.4%

## Key operational indicators

	2019/20	2020/21	2021/22	2022/23e	2023/24e
Equity ratio	75.1%	76.3%	70.9%	73.2%	68.4%
Gearing	0.0	0.0	0.0	0.0	0.1
Asset turnover	2.4	2.2	2.9	4.3	2.9
NWC / sales	9.3%	12.9%	16.2%	13.3%	13.3%
Payable days outst.	31.5	40.2	63.0	48.7	48.7
Receivable days outst.	38.4	55.4	85.4	69.5	69.5
Fix operating assets	382.4	373.8	375.1	363.4	542.6
NWC	83.5	107.8	174.0	210.0	213.0
Capital employed	465.9	481.6	549.1	573.4	755.6
RoE	14.8%	15.0%	12.8%	22.0%	10.7%
RoA	15.5%	14.5%	12.9%	21.4%	10.1%
RoCE	22.3%	22.4%	23.1%	43.0%	17.6%
Gross margin	26.5%	28.7%	24.1%	25.0%	17.8%
EBITDA margin	16.3%	17.9%	15.7%	18.3%	10.9%
EBIT margin	11.6%	13.0%	11.8%	15.6%	8.3%
Net profit margin	8.3%	10.2%	8.3%	11.8%	6.1%

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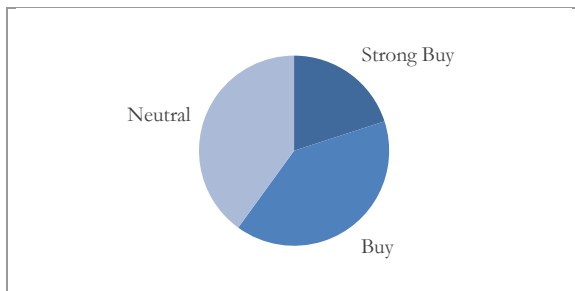
### (5) Recommendation history

Stock ratings for the company covered in this report have developed as follows:

CropEnergies	
Date	Rating
14/10/22	Strong Buy
18/05/22	Neutral
18/06/20	Buy
17/12/19	Neutral
27/04/16	Buy

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