

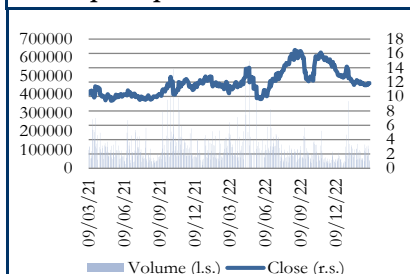
08 March 2023

Price as of 07/03/23: €11.86

Company / Sector	Fair Value	Recommendation
CropEnergies	€24.8	Strong Buy
Energy: Biofuels	(€26.3)	(unchanged)

Good FY23/24 following an exceptional FY22/23

Share price performance



Share data

Reuters	CE2G.DE
No. of shares (m)	87.25
Daily volume (3m)	77,849
Free float	26.0%
Market cap. (m)	1,135.1
EV (m)	806.0
Sales 19-23e	10.3%

Valuation	22/23e	23/24e
EV/Sales	0.5	0.6
EV/EBITDA	2.7	5.3
EV/EBIT	3.2	7.3
PER	5.9	12.6
Div. yield	3.5%	3.8%
RoCE	43.9%	15.5%
RoE	22.7%	9.2%

Analysts

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Investment case

While CropEnergies' share price has suffered recently, we see only a slight impact on earnings from the latest ethanol price developments. We confirm our high estimates for an exceptional FY22/23 and predict that the current year will almost meet the good FY21/22 earnings level. We believe that the current share price underrates CropEnergies' ethanol activities and neglects the company's growth ambitions. With more than 100% upside, we reiterate our Strong Buy rating.

➤ FY22/23 ESTIMATES CONFIRMED

Based on the price development over the past three months, we confirm our EBIT estimate of EUR252m, i.e. the high end of the company's guidance in an exceptional year.

➤ FY21/22 IS THE BENCHMARK FOR FY23/24

While ethanol prices trade around EUR200m³ below the levels observed in October 22, also wheat prices have come down materially since then. Based on the current forward curves, we calculate only a slight reduction in our FY2023/24 earnings estimates, remaining around the level seen in the previous record year FY2021/22, which is our benchmark for this year's earnings.

➤ NEWSFLOW SHOULD REMAIN POSITIVE

We anticipate a solid start into the financial year 2023/24 with a Q1 EBIT of EUR23m. Moreover, Germany holds the door open for combustion engines based on synthetic fuels on EU level. This is an area that could be further exploited by CropEnergies.

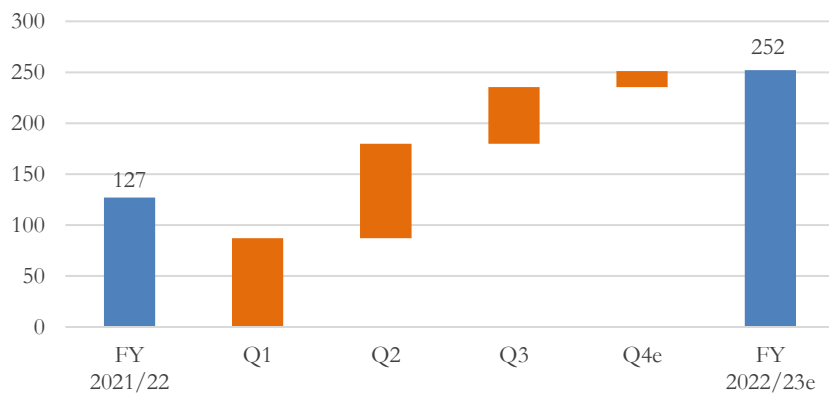
For additional disclosures please refer to the appendix

Forecasts	19/20	20/21	21/22	22/23e	23/24e
Sales (€m)	899.2	833.1	1075.3	1487.1	1332.8
EBITDA (€m)	146.3	149.3	168.8	294.0	154.9
EBIT (€m)	104.1	107.9	127.0	251.6	113.1
Adj. EPS (€)	0.85	0.97	1.02	2.21	0.94
Dividend (€)	0.30	0.35	0.45	0.45	0.45
Oper. CF (€m)	125.1	105.9	147.0	197.1	147.8
Free CF (€m)	95.2	77.0	111.2	167.1	-71.2

Record result for 2022/23 confirmed

CropEnergies’ financial year 2022/23 has ended on February, 28th. Looking at the development of ethanol and wheat prices over the past three months, we confirm our estimate for the fourth quarter as well as the full year that we had adjusted following the release of results for the third quarter. There has still been some volatility on the price side, in particular as a result of ethanol imports from Brazil. This should, however, be widely compensated by lower wheat prices and the hedging positions. Moreover, we have been assuming an EBIT of only EUR15m for the fourth quarter, which already reflects the largest part of the import price pressure. As a result, the company should roughly double the already strong performance of the previous year to reach an outstanding EBIT of EUR252m in FY 2022/23. This is at the high end of the company’s guidance of EUR225-255m. CropEnergies will report on the full year on May, 24th.

EBIT development by quarter

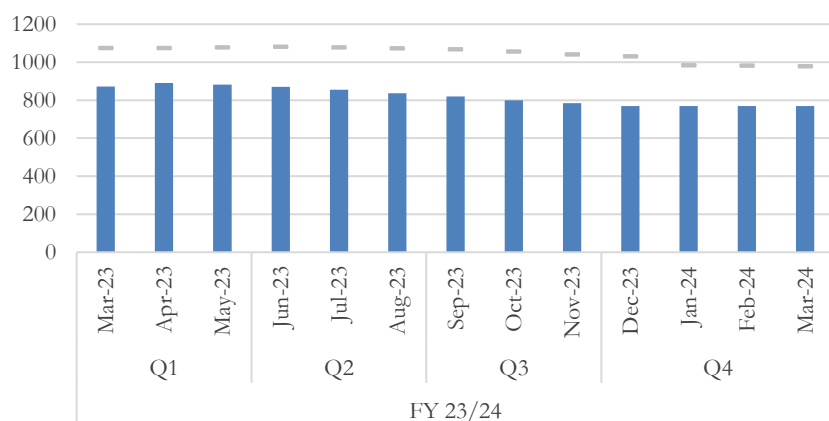


Source: Matelan Research, EBIT in EURm

Ethanol prices have come down

In view of the recent price developments we also review our 2023/24 estimates. The following chart illustrates current forward prices for the period. The forward curve suggests prices of around EUR890/m³ in Q1 and a reduction to EUR770/m³ in Q4 2023/24. The graph also shows that this is around EUR200/m³ below the levels that we had seen at the time of our large CropEnergies report in October 2022.

Ethanol forward curve



Source: Platts, Ethanol T2 FOB Rotterdam, in EUR/m³, current forward prices in blue, forward prices from October 2022 in grey

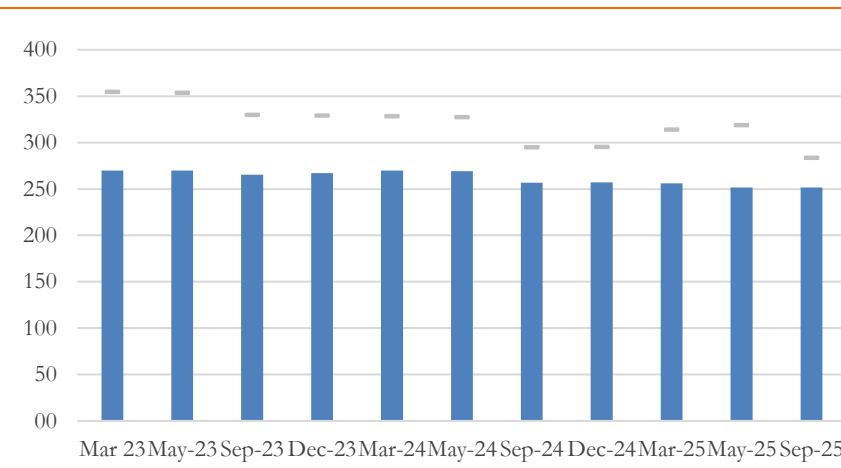
Pressure from imports eases

Quite importantly, the fact that the forward curve suggests lower pricing going forward already appears to have a positive impact on imports, which seem to come back to more normalised levels. This leaves the hope that actual ethanol prices in the second half of the year might reach higher levels than the curve currently suggests.

Declining wheat price has a compensating effect

Moreover, we had already pointed out in our latest update in January that also wheat prices are declining, which has a compensatory effect. The following chart illustrates the current forward curve as well as the forward curve from October 2022.

Wheat forward curve

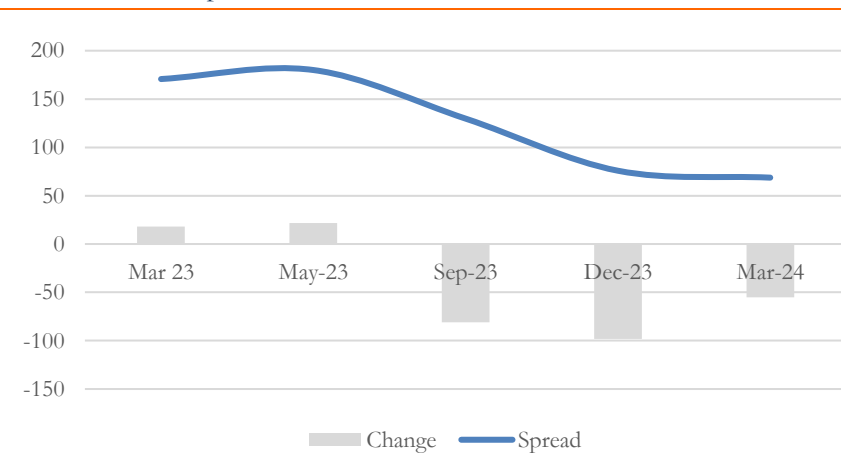


Source: Matif, Milling Wheat, in EUR/t, current forward prices in blue, forward prices from October 2022 in grey

Spread comes down ...

The spread that results from the production of ethanol from wheat – excluding the gain from by-products – is illustrated in the following graph. We are looking at a strong EUR180/m³ at the beginning of the financial year and a still decent level of around EUR70/m³ at the end. The chart also shows the change in the spread compared to our estimates in October 2022. In fact, the short-term situation is even better than it was back then, while the second half looks somewhat worse.

Ethanol-Wheat Spread



Source: Matelan Research, in EUR/m³, change compared to the spread in October 2022 in grey

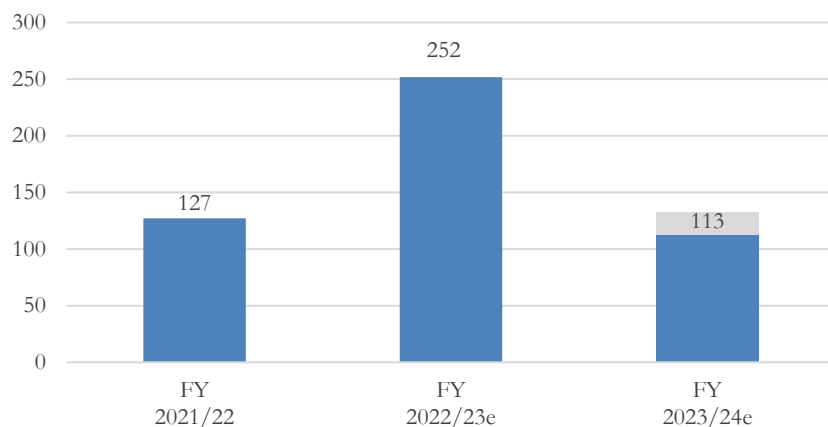
... but earnings are likely to increase throughout the year

However, when translating this into earnings for CropEnergies it should not be forgotten that the company still has a number of hedges in particular on the wheat side. On the other hand, we had already pointed out that there is a good chance that we will see once again a parallel shift in the ethanol forward curve which would yield higher prices than the curve now predicts for the far end of the financial year. Against this background, it is likely that CropEnergies' earnings development should not see a decline throughout the year but rather an increase.

FY2023/24 should come in around the FY2021/22 level

We had perfectly made it clear that 2022/23 was an extraordinary financial year, which was particularly driven by exorbitant prices in the first half and so far, we had assumed the financial year 2023/24 to generate earnings just above the level of the previous record year 2021/22. While the decline in ethanol price (and probably also the share price) development suggests that CropEnergies might not fulfil these expectations, we conclude that based on the current forward curves, the company's 2023/24 results should still come close to those in 2021/22. In fact, we now arrive at an EBIT of EUR113m for 2023/24 which compares to EUR127m in 2021/22 and our previous estimate of EUR132m.

EBIT development and change in estimate

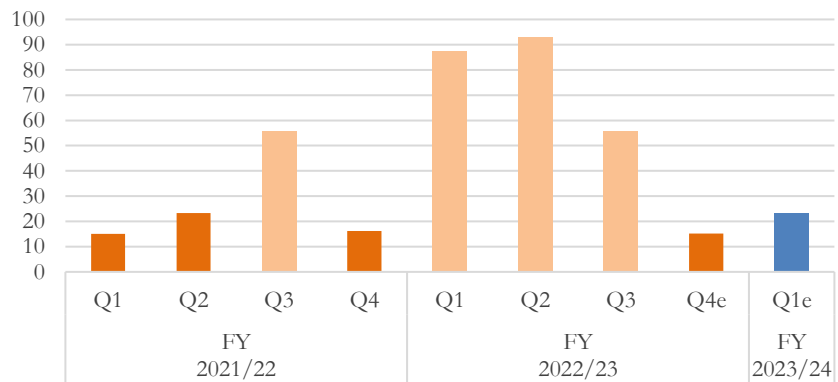


Source: Matelan Research, in EURm, previous FY2023/24 estimate in grey

Solid start of the year expected

Looking at the quarterly development, makes this even more evident. It shows the extraordinary earnings situation in particular in Q1 and Q2 2022/23. It also becomes clear that following the release of the exceptionally strong FY2022/23 results we should also see a solid start into 2023/24. Based on current pricing we would expect the company to reach an EBIT of EUR23m in Q1 23/24, which is obviously a significant decline from the outstanding Q1 22/23 but an improvement from what we expect for Q4 22/23 and from the performance in Q1 21/22, which we would consider as the real benchmark year. Most importantly, this improvement should be achieved despite the above described burden from the wheat hedges and we expect to see further improvements in subsequent quarters.

Quarterly EBIT development



Source: Matelan Research, in EURm, previous FY2023/24 estimate in grey

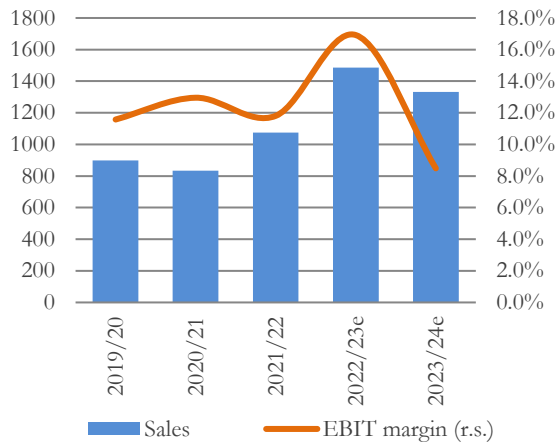
Share price offers tremendous upside

Based on the slight reduction of our FY2023/24 earnings estimates we also arrive at a slight reduction of our fair value to EUR24.8 (from EUR26.3) while the share price has come back to EUR11.86, a level that not only underrates the earning potential of the company’s ethanol activities but also neglects the earnings potential arising from the company’s expansion plans in renewable chemical and e-fuels. With an upside of more than 100% we thus clearly reiterate our Strong Buy recommendation.

Valuation indicates twice the current share price

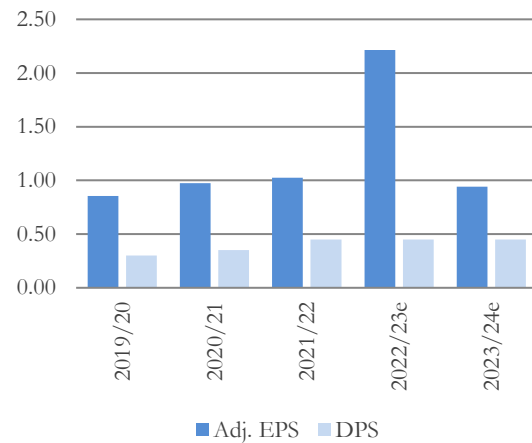
In addition to the earnings trend we would highlight that the EU could not take the decision to ban new cars with combustion engines from 2035 onwards. In particular Germany could not agree to the ban as one of governing parties, FDP, insisted on allowing combustion engines based on synthetic fuels. This is obviously good news for CropEnergies as the development of synthetic fuels is an option for the company, in particular against the background of the steps already taken with regard to the production of e-fuels (methanol) for the shipping and aviation industries.

Sales and EBIT margin



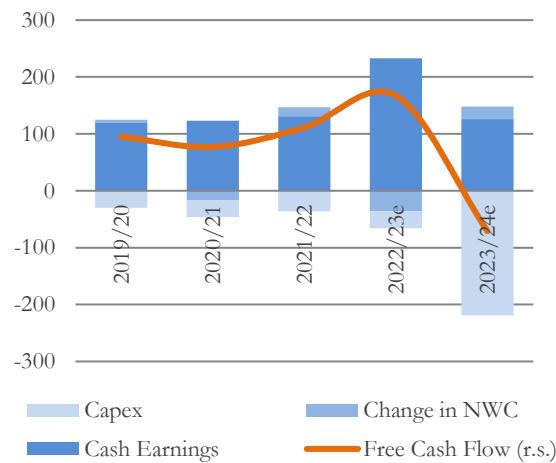
In EURm

Adj. EPS and DPS



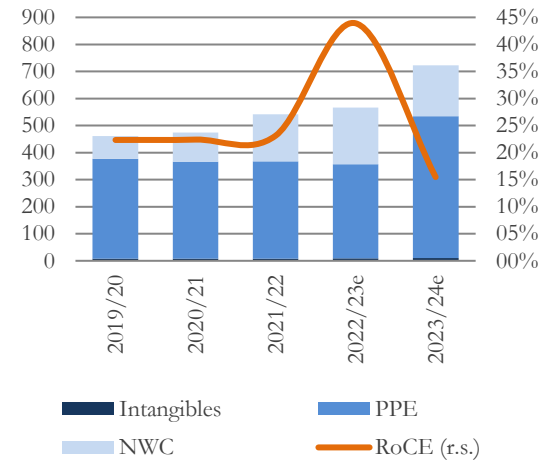
In EUR

Cash Flow



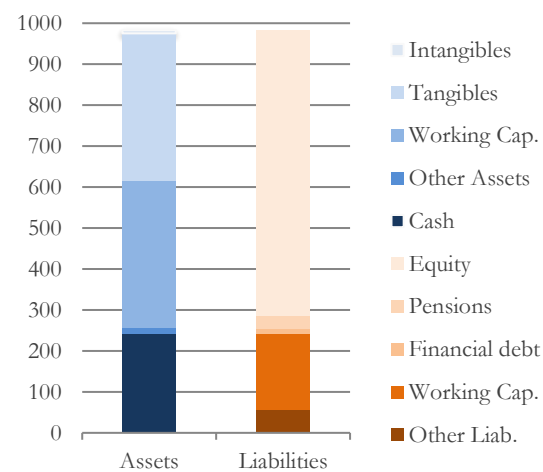
In EURm

RoCE



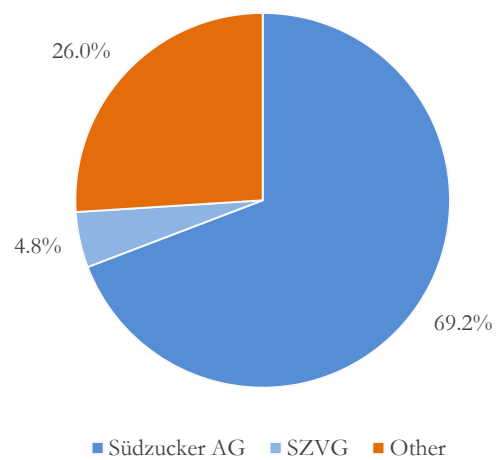
In EURm

Balance Sheet



EURm

Shareholder structure



P & L

EURm	2019/20	2020/21	2021/22	2022/23e	2023/24e
Sales	899.2	833.1	1,075.3	1,487.1	1,332.8
<i>Growth</i>		-7.3%	29.1%	38.3%	-10.4%
Material costs	-660.5	-594.2	-816.2	-1,105.7	-1,067.9
Gross profit	238.7	238.9	259.2	381.4	264.9
<i>Gross margin</i>	26.5%	28.7%	24.1%	25.6%	19.9%
Other operating costs	-92.3	-89.6	-90.4	-87.4	-110.0
EBITDA	146.3	149.3	168.8	294.0	154.9
<i>Margin</i>	16.3%	17.9%	15.7%	19.8%	11.6%
Depreciation	-42.2	-41.4	-41.8	-42.4	-41.8
EBIT	104.1	107.9	127.0	251.6	113.1
<i>Margin</i>	11.6%	13.0%	11.8%	16.9%	8.5%
Financial result	-3.3	-0.5	-2.7	2.4	-2.0
EBT	100.7	107.4	124.2	254.0	111.1
Taxes	-26.2	-22.5	-34.8	-60.8	-28.9
Net profit	74.6	84.9	89.4	193.2	82.2
Minorities	0.0	0.0	0.0	0.0	0.0
Net profit a.m.	74.6	84.9	89.4	193.2	82.2
<i>Growth</i>		13.9%	5.3%	116.1%	-57.5%
No of shares	87.3	87.3	87.3	87.3	87.3
EPS	0.85	0.97	1.02	2.21	0.94
Adj. EPS	0.85	0.97	1.02	2.21	0.94
<i>Growth</i>		13.9%	5.3%	116.1%	-57.5%
Dividend	0.30	0.35	0.45	0.45	0.45

Cash Flow

EURm	2019/20	2020/21	2021/22	2022/23e	2023/24e
EBIT	104.1	107.9	127.0	251.6	113.1
Depreciation	42.2	41.4	41.8	42.4	41.8
Other non-cash items	-0.8	-3.8	-2.8	0.0	0.0
Cash taxes	-26.2	-22.5	-34.8	-60.8	-28.9
Cash earnings	119.4	123.0	131.2	233.2	126.0
Change in NWC	5.7	-17.1	15.8	-36.0	21.8
CF from operations	125.1	105.9	147.0	197.1	147.8
Capex	-29.9	-28.8	-35.8	-30.0	-219.0
Other investm./divestm.	0.1	1.3	0.8	0.0	0.0
CF from investing	-29.8	-27.5	-34.9	-30.0	-219.0
CF from fin. and other	-15.3	-30.5	-35.3	-48.6	51.2
Change in cash	80.0	47.9	76.8	118.5	-20.0

Valuation multiples

	2019/20	2020/21	2021/22	2022/23e	2023/24e
Share price	7.04	10.82	11.18	13.01	11.86
x No of shares	87.3	87.3	87.3	87.3	87.3
Market Capitalisation	614.2	944.0	975.5	1,135.1	1,034.8
+ 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
Enterprise Value	539.7	817.6	775.1	806.0	827.7
Sales	899.2	833.1	1,075.3	1,487.1	1,332.8
Adj. EBITDA	146.3	149.3	168.8	294.0	154.9
Adj. EBIT	104.1	107.9	127.0	251.6	113.1
Adj. Net profit a.m.	74.6	84.9	89.4	193.2	82.2
EV / Sales	0.6	1.0	0.7	0.5	0.6
EV / EBITDA	3.7	5.5	4.6	2.7	5.3
EV / EBIT	5.2	7.6	6.1	3.2	7.3
PE	8.2	11.1	10.9	5.9	12.6

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	347.3	524.5
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
Non-current assets	384.7	376.4	377.9	366.7	545.9
Inventories	66.6	73.2	108.0	120.0	107.5
Receivables	94.6	126.5	251.5	300.0	268.9
Cash	116.9	164.7	241.5	360.0	340.0
Other current assets	7.0	1.7	3.9	4.0	4.0
Current Assets	285.0	366.1	604.9	784.0	720.4
Total assets	669.6	742.4	982.7	1,150.7	1,266.3
Equity	502.9	566.1	696.4	850.3	893.3
Minorities	0.0	0.0	0.0	0.0	0.0
Total equity	502.9	566.1	696.4	850.3	893.3
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
Non-current liabilities	65.5	61.4	70.1	65.0	167.0
ST financial liabilities	3.2	4.2	4.6	6.6	7.6
Payables	77.6	91.8	185.5	210.0	188.2
Other ST liabilities	20.4	18.9	26.2	18.8	10.3
Current liabilities	101.3	114.9	216.2	235.4	206.1
Total liabilities	669.6	742.4	982.7	1,150.7	1,266.3

Segments

EURm	2019/20	2020/21	2021/22	2022/23e	2023/24e
Bioethanol	696.5	647.6	836.9	1,206.5	1,026.6
<i>Growth</i>		-7.0%	29.2%	44.2%	-14.9%
Food & Feed	192.5	175.5	223.8	265.8	291.1
<i>Growth</i>		-8.8%	27.5%	18.8%	9.5%
Other	10.2	10.0	14.6	14.8	15.0
<i>Growth</i>		-1.8%	46.0%	1.2%	1.4%
Sales	899.2	833.1	1,075.3	1,487.1	1,332.8
<i>Growth</i>		-7.3%	29.1%	38.3%	-10.4%

Key operational indicators

	2019/20	2020/21	2021/22	2022/23e	2023/24e
Equity ratio	75.1%	76.3%	70.9%	73.9%	70.5%
Gearing	0.0	0.0	0.0	0.0	0.1
Asset turnover	2.4	2.2	2.9	4.1	2.5
NWC / sales	9.3%	12.9%	16.2%	14.1%	14.1%
Payable days outst.	31.5	40.2	63.0	51.5	51.5
Receivable days outst.	38.4	55.4	85.4	73.6	73.6
Fix operating assets	382.4	373.8	375.1	363.0	542.2
NWC	83.5	107.8	174.0	210.0	188.2
Capital employed	465.9	481.6	549.1	573.0	730.4
RoE	14.8%	15.0%	12.8%	22.7%	9.2%
RoA	15.5%	14.5%	12.9%	21.9%	8.9%
RoCE	22.3%	22.4%	23.1%	43.9%	15.5%
Gross margin	26.5%	28.7%	24.1%	25.6%	19.9%
EBITDA margin	16.3%	17.9%	15.7%	19.8%	11.6%
EBIT margin	11.6%	13.0%	11.8%	16.9%	8.5%
Net profit margin	8.3%	10.2%	8.3%	13.0%	6.2%

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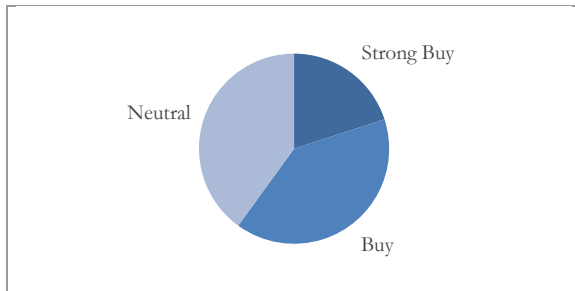
(5) Recommendation history

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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