

14 January 2022

Veganz Group AG

Rating Buy
Share price (EUR) 94.25
Target price (EUR) 130.00

Bloomberg VEZ GY
Sector Consumer Goods

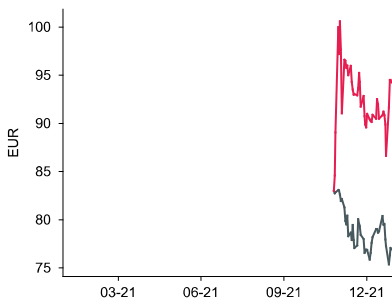
Share data

Shares out (m) 1.2
Daily volume shs (m) 0.3
Free float (%) 0.51
Market cap (EUR m) 116
EV (EUR m) 72
DPS (EUR) 0.00
Dividend yield (%) 0.0
Payout ratio (%) 0.0

Performance

ytd (%) 2.2
12 months (%) n.a.
12 months rel. (%) n.a.
Index SDAX

Share price performance



— Veganz Group AG
— Price rel. to SDAX - Price Index

Source: Bloomberg

Next triggers

May 2022: FY 2021 Report

Analysts

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Initiation of Coverage: Buy, EUR 130 TP

Veganz Group AG (“Veganz”) develops, produces, markets and distributes plant-based foods under its brand “Veganz”. The company sources and markets its products globally but currently with clear focus on the DACH region. The vegan food market is further expected to grow at a CAGR of 11.4% in the forecast period of 2021e-2026e. **Based on its inspiring growth perspectives that we assume to be above the market we calculated a fair value of EUR 130 per share based on peer group approach and DCF model. As a result we initiate coverage with a Buy recommendation.**

Sustainable business model

Veganz is a multi-category provider for purely plant-based food in Europe. Its product range currently includes approximately 120 products for all types of storage (ambient, chilled and frozen) and covers the most relevant food categories. The production of vegan food is characterized by lower carbon emissions and water consumption compared to vegetarian and in particular conventional food. Therefore the company addresses global mega trends such as higher consumer awareness, healthier lifestyles, resource efficiency and product innovations. In addition, its business model is based on ESG guidelines.

Own production site

The company is planning to set up a large production facility for plant-based food. The production site is expected to become a major catalyst for future growth and rising profitability, in particular for the gross profit margin.

Strong H1-21 sales growth

In the six-month period ended June 30, 2021, the company recorded an increase in sales by EUR 2.4m or 18.6%, from EUR 13.1m in H1-20 to EUR 15.6m. Such increase was primarily a result of sales growth in retail in DACH region. However, the EBITDA dropped from EUR -0.8m (H1-20) to EUR -3.0m, mainly a result of the increase of other operating expenses. For FY 2021 Veganz expects sales of EUR 32.0m, an EBITDA in the amount of EUR -5.5m with a net loss after taxes of EUR 8.0m which we regard as reasonable. All figures are based on strict German accounting standards (HGB).

IPO

Veganz went public in November 2021 and set the final offer price at EUR 87.00 per share. Gross proceeds amounted to around EUR 33.8m and will be used for the establishment of the new production site near Berlin as well as investments in the

Key figures		2019	2020	2021e	2022e	2023e
Sales	EUR m	24	27	32	40	53
EBITDA	EUR m	-3	-3	-5	-4	1
EBIT	EUR m	-4	-4	-7	-5	-1
EPS	EUR	-3.75	-4.04	-6.22	-4.49	-1.16
Sales growth	%	n.a.	12.1	21.2	129.7	121.1
EBIT growth	%	n.a.	3.1	52.1	56.3	-87.9
EPS growth	%	n.a.	7.6	54.2	45.5	-69.0
EBITDA margin	%	-13.5	-12.1	-16.9	-9.9	1.0
EBIT margin	%	-17.4	-16.0	-20.0	-12.5	-0.9
Net margin	%	-19.2	-18.4	-23.5	-13.7	-2.7
EV/Sales	ratio	4.99	4.52	2.43	2.24	1.58
EV/EBITDA	ratio	-36.9	-37.4	-14.4	-22.5	163.8
EV/EBIT	ratio	-28.8	-28.3	-12.1	-17.9	-167.2
P/E	ratio	n.a.	n.a.	-14.9	-21.0	-81.3
P/BV	ratio	n.a.	n.a.	3.3	4.0	4.2
Dividend yield	%	n.a.	n.a.	0.0	0.0	0.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

Executive Summary

Multi-category supplier	As a vegan full-range supplier, Veganz offers people a diverse range of tasty, plant-based products. Its product range currently includes approximately 120 products for all types of storage (ambient, chilled and frozen) and covers the most relevant food categories.
Strong growth of vegan food	The vegan food market is further expected to grow at a CAGR of 11.4% in the forecast period of 2021e-2026e (<i>source: IMARC group, 05/2021</i>), which is the fastest growing category in a resilient food market.
Addressing global mega trends	The awareness of consumers regarding the environmental impact of their diet and its consequences for animal welfare, the desire for healthier lifestyles and greater resource efficiency has intensified worldwide. With its steadily growing product portfolio of purely plant-based products, Veganz aims to address this development.
Innovation power	Its products are based on comparatively complex manufacturing processes and not merely on recipes. This enables Veganz to offer a product portfolio that cannot easily be emulated by its competitors. The company has also received awards for its innovative strength. In an exclusive analysis by market research institute YouGov for the German newspaper Handelsblatt, Veganz was voted Germany's most innovative food brand.
Inhouse production with higher margins	Veganz is planning to set up a large production facility for plant-based cheese alternatives as well as for fish alternatives and textured vegetable proteins (TVP). This should result in rising profitability. Furthermore, the new production site should be a catalyst for strong sales growth.
Co-operation with RB Leipzig ...	Veganz has started a co-operation with football club RB Leipzig. This should lead to a rising awareness of its brand as RB Leipzig participates – besides Bundesliga - in the European Champions League. In addition, Veganz sells its products in and around the football arena.
... and Aramark	Veganz entered into a co-operation with Aramark. Aramark is Germany's leading service provider in the catering and service management sector. The exclusive co-operation is set to be rolled out across all Aramark business areas - with a focus on the sports and events sector, and company catering - and will see traditional dishes transformed into vegan delicacies. The new, jointly-developed meals will use several Veganz products such as soya mince or vegan BBQ sausages, some of which have been specially developed by Veganz for the long-term co-operation with Aramark. A large proportion of the products will be made at the new Veganz production facility.
Well-known industry investors	Besides financial investors the company currently counts prominent shareholders from the food sector such as sweet manufacturer Katjes (5.3%) and mustard & delicacies manufacturer Develey (2.4%). Develey-CEO Michael Durach personally holds 2.2% of the shares while Bernd Drosihn – managing director of „Tofutown“ owns 2.0%. The state of Brandenburg is moreover invested with a holding of 2.4%.
Strong commitment of CEO & founder	CEO Jan Bredack controls 17.9% of the shares following the IPO and agreed to a lock-up commitment of 36 months, which underscores his strong commitment and belief in a positive development of Veganz.
Veganz fulfills ESG standards	Its business model is based on ESG guidelines in order to create a positive impact to society through sustainable practices.
IPO proceeds a further catalyst for growth	Gross proceeds of EUR 33.8m shall primarily be used for the establishment of the new production site near Berlin as well as investments in the further organic and inorganic growth, e.g. for research and development, expansion of field force, marketing and further expansion in selected European countries.

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:

- **AAK AB (Sweden):** AAK is one of the world's leading manufacturers of plant-based specialty vegetable fats. AAK organizes its business into three units: Chocolate & Confectionary Fats, which produces trans-fat-free fillings (also included cosmetics); Food Ingredients, including bakery, dairy, ice cream, infant formula, and other food service applications; and Technical Products & Feed, covering fatty acids, glycerines, biolubricants for machinery, and animal feed. Headquartered in Sweden, AAK obtains raw ingredients from Asia and West Africa and refines them at facilities in Denmark, Mexico, the US, the Netherlands, Sweden, Uruguay, and the UK.
- **Beyond Meat, Inc. (US):** Beyond Meat develops plant based protein food products. The company offers burgers, sausage, crumbles, strips, and other related products. Beyond Meat serves customers in the United States.
- **Orior AG (Switzerland):** Orior provides fresh convenience food for the retail and food service sector. The company's products include ready-to-eat meals, vegetarian and vegan specialties, fresh pasta products, refined meat, pates and terrines and seafood. Orior operates in Switzerland.
- **Tattooed Chef, Inc. (US):** Tattooed Chef is a leading plant-based food company offering a broad portfolio of innovative plant-based food products that taste great and are sustainably sourced. Tattooed Chef's signature products include ready-to-cook bowls, zucchini spirals, riced cauliflower, acai and smoothie bowls, and cauliflower pizza crusts, which are available in the frozen food sections of leading national retail food stores across the United States.

The peer group multiples only contain EV/sales multiples as Veganz first reaches break-even on EBITDA level in FY 2023e according to our estimates. The multiples are as follows:

Peer Group Overview	EV/Sales		
	2021e	2022e	2023e
AAK AB	1.5	1.4	1.3
BEYOND MEAT INC	9.6	6.9	5.8
ORIOR AG	1.2	1.2	1.1
TATTOOED CHEF INC	4.8	3.6	2.9
Median	3.2	2.5	2.1

Source: Bloomberg, Quirin Privatbank

Based on our estimates for EV/Sales (FY 2021e to FY 2023e) we derive a fair value of EUR 109.27 per share for Veganz:

Peer Group Results in EUR m	Sales 2021e	Sales 2022e	Sales 2023e
Estimates for Veganz	32.5	40.0	52.8
Multiple	3.2x	2.5x	2.1x
Enterprise value	102.7	100.5	112.7
Pension provisions		0.0	
Net Cash (inclusive IPO proceeds)		28.4	
Fair value of equity	131.1	128.9	141.1
Average		133.7	
Number of shares (m)		1.2	
Fair value per share (in EUR)		109.27	

Source: Bloomberg, Quirin Privatbank

DCF valuation

Our DCF model indicates a fair value of EUR 148.79 m per share for Veganz and reflects the long-term perspectives of the company. Our assumptions are as follows:

Phase 1 (2021e-23e):

We estimated the free cash flows (FCF) of phase 1 according to our detailed financial forecasts for this period stated in the financials section.

Phase 2 (2024e-30e):

For Phase 2, we assumed an initial sales growth of 35% which in particular reflects the increased inhouse production. The growth fades out to 4.1% in 2030e. We assumed EBIT margin to rises from 4.0% to 11.9% in FY 2030e.

Phase 3:

For the calculation of the terminal value, we applied a long-term FCF growth rate of 2.0% to reflect Veganz' growth perspectives.

Based on these assumptions, we calculated a fair value of the Veganz' operating business of EUR 154m. We added Veganz's net cash position (cash as of 31 December 2020 plus IPO proceeds minus financial debt). The resulting fair value per share amounts to EUR 148.79.

Veganz Group AG: Discounted Cash Flow Model

EURm	PHASE 1			PHASE 2							PHASE 3
	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	∞
Sales	32.5	40.0	52.8	71.3	88.7	103.9	116.4	126.2	133.6	139.1	
YoY growth	21.2%	23.3%	32.0%	35.0%	24.5%	17.2%	12.0%	8.4%	5.9%	4.1%	
EBIT	-6.5	-5.0	-0.5	2.9	4.3	6.0	8.0	10.5	13.3	16.6	
EBIT margin	-20.0%	-12.5%	-0.9%	4.0%	4.8%	5.8%	6.9%	8.3%	10.0%	11.9%	
Income tax on EBIT (cash tax rate)	0.0	0.0	0.0	-0.9	-1.3	-1.8	-2.4	-3.1	-4.0	-5.0	
Depreciation and amortisation	1.0	1.0	1.0	1.1	1.3	1.6	1.7	1.9	2.0	2.1	
Change in long-term provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other non-cash items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in net working capital	0.5	0.7	1.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	
Net capital expenditure	-0.5	-10.6	-0.8	-1.1	-1.4	-1.7	-1.9	-2.0	-2.1	-2.1	
Free cash flow	-5.4	-13.9	0.9	1.7	2.7	3.9	5.4	7.1	9.1	11.6	
Present values	-5.4	-12.3	0.7	1.4	2.0	2.7	3.5	4.3	5.2	6.2	145.4
Present value Phase 1	-16.9										
Present value Phase 2	25.1										
Present value Phase 3	145.4										
Total present value	153.6										
+ Excess cash/Non-operating assets	33.9										
- Financial debt	-5.5										
- Pension provisions	0.0										
Fair value of equity	182.0										
Number of shares (m)	1.2										
Fair value per share (EUR)	148.79										

Risk free rate	3.00%	Target equity ratio	30.0%
Equity risk premium	6.00%	Beta (fundamental)	1.4
Debt risk premium	2.75%	WACC	6.32%
Tax shield	30.0%	Terminal growth	2.0%

Sensitivity analysis						
		Terminal growth (Phase 3)				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	5.3%	161.66	179.39	202.46	233.70	278.37
	5.8%	141.77	155.21	172.16	194.21	224.07
	6.3%	125.76	136.19	148.79	165.24	186.31
	6.8%	112.62	120.88	130.85	143.13	158.62
	7.3%	101.68	108.32	116.22	125.75	137.48

Source: Quirin Privatbank

Average of peer group and DCF

We decided to value Veganz by peer group multiples and DCF model. The average results in a fair value of EUR 129.03m per share for Veganz.

Fair value calculation**Fair value per share Veganz Group AG**

(in EUR)

based on peer group:	109.27
based on DCF:	148.79
Average	129.03

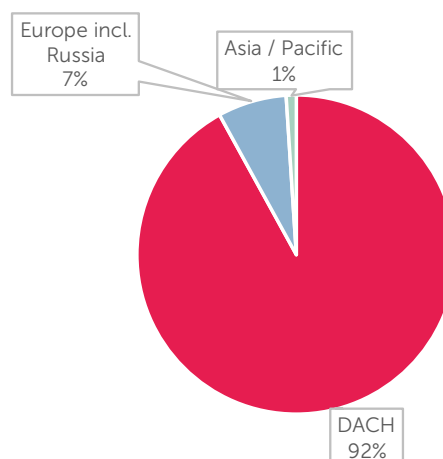
Source: Quirin Privatbank

Comprehensive portfolio of vegan food ...

Business model

The company offers its customers access to a comprehensive portfolio of approximately 120 plant-based food products in all relevant categories under its own brand "Veganz". This broad product range is a distinguishing feature to other vegan food producers that often only offer one food category. Veganz sells its food in more than 28 European countries with a focus on Germany, Austria and Switzerland (DACH region) in over 22,264 POS globally (30 June 2021). In H1-21 92% of revenues were generated from DACH region.

H1-21: Revenues by regions



Source: Veganz, Quirin Privatbank

Furthermore the products can be bought on Amazon and vekoop, a vegan online shop. The company operates three own stores in Berlin which we expect to be consolidated in the future. So far most of the production of food is outsourced to selected and certified contract producers. However, Veganz is planning to set up its own production site for plant-based cheese alternatives as well as for fish alternatives and textures vegetable proteins. In our view this measurement should increase profitability and independence.

Product portfolio

Its assortment has evolved from simple mono items to complex recipes such as Protein Choc Bars, Cashewbert and vegan honey (Ohnig). Veganz pays attention to certain criteria ensuring climate and environmental protection. These criteria include: no usage of genetically modified organisms, no white industrial sugar, ingredients that do not endanger the rainforest and packaging material that is as sustainable as possible for the product category. Currently the portfolio consists of the following 20 product categories:











- Baked Goods
- Canned Fish
- Chocolate
- Dressing
- Fish Specialties
- Grated Cheese
- Hard and Semi-Hard Cheese
- Meat Preparation
- Other Frozen Food
- Pastries
- Pizza
- Salty Pastries
- Sausages
- Soft Cheese
- Spreads
- Staple Food
- Sweets
- Saisonal products

... with 20 product categories

- Bratwurst/fried sausage
- Staple food

The following graph shows its top sellers in the first half of FY 2021:

Top Sellers H1-21

	Product group		Revenue Jan – June 2021 (in EURm)	Revenue Jan – June 2021 (in % of total sales)	Gross Margin Jan – June 2021 (in EUR)
1	Pastry 		2,4	15%	29%
2	Cheese 		2,2	14%	37%
3	Pizza 		2,1	13%	38%
4	Protein bar 		1,8	11%	50%
5	Chocolate 		1,3	8%	35%
6	Chocolate bar 		1,1	7%	37%
7	Meat substitute 		0,9	6%	24%
8	TVP 		0,8	5%	27%
9	Fish substitute 		0,3	2%	33%
10	Spread 		0,3	2%	32%
	Others		2,7	17%	39%

Source: Veganz, Quirin Privatbank

Sales Channels

Veganz reaches its customers through different sales channels.

Retailers:











Its most important sales channel is the branded goods business in retail distribution, which comprises the development and distribution of products under the "Veganz" brand. The products are sold through three categories of Retailers in Europe:

- food retail chains like COOP, EDEKA, Rewe, tegut, real and SPAR
- discounters like ALDI, Lidl, Netto, Penny and
- drugstore chains like Budnikowsky, dm, Müller and Rossmann

Some retailers such as ALDI, Budnikowsky, dm, Lidl, Müller Drogeriemärkte, Netto, Rossmann, Spar, tegut and real organize their groups centrally. In this case, the headquarter decides which products for the whole store network of the group are offered. In this case Veganz products are automatically listed in all of the stores of these groups, as soon as a contract with the group's headquarter is concluded. This means that all stores of a Retailer can be reached directly with a single decision. In contrast, some of the retailers that cooperate with Veganz have a decentralized organization. Here too, the company has contracts with the respective head office. However, each store of these supermarket chains decides locally which products to offer to its customers.

Retail distribution the most important sales channel

Top-performing customers

	Revenues H1 2021a (in kEUR)	Revenues H1 2020a (in kEUR)	No. of PoS H1 2021	Rev. growth H12021 vs. H12020 (in %)
 DE	2.303	1.564	1.934	47
 DE	1.900	1.928	3.200	-1
 DE	1.865	1.652	2.022	13
 DE	1.501	913	2.196	65
 AT	1.429	1.489	1.100	-4
 CH	1.212	1.259	450	-4
 DE	1.200	1.192	2.221	1
 DE	1.076	603	697	78
 CH	312	26	148	121
 DE	306	286	351	7
Other	2.357	2.126	7.950	11
SUM	15.555	13.108	22.269	19

Source: Veganz, Quirin Privatbank

Stores:**Veganz runs three own stores**

The store channel is the second sales channel and comprises sales through own supermarkets at three locations in Berlin. In addition to own products, the supermarkets also sell exclusively purely plant-based products from third-party suppliers. In FY 2020 the stores generated sales of EUR 3.3m. Please keep in mind that they are currently not consolidated in the Veganz Group AG.

Online:

The Veganz products are sold to customers via the online store of vekoop as a cooperation partner, as well as online sales platforms like amazon.com, rohlik.cz and snacky.ch. However, sales accounted for ~2% of group sales.

Services & Cooperations:

The new sales channel services consists of a current cooperation with Bakerman, a specialist in high-quality frozen bakery products. This is a pure licensing business. Bakerman develops certain pure plant-based baked goods. Veganz approves these developments and determines the product line. From October 2021 onwards, the company expects to be represented with ten products at various Bake-off stations of Bakerman.

Furthermore, Veganz has initiated negotiations and test runs with a catering company. It is planned, that Veganz develops purely plant-based menus with its products and trains the kitchen staff of the catering companies regarding their preparation. In addition, the supply of the caterers' canteens is planned. In addition, Veganz supplies RB Leipzig with its vegan products.

Marketing

In order to increase awareness Veganz strongly invests in its marketing efforts such as

- online and email marketing (e.g. content marketing, newsletters)
- search engine advertising and optimization (e.g. Google and Bing)
- TV campaigns on the private television stations Pro7, Sat1 and Kabel 1
- highlighted exhibition of its goods at POS
- cooperations with caterers
- paid and non-paid social media (e.g. Tik Tok, Facebook, Youtube and Instagram) and
- influencer on social media platforms and cooperations (e.g. with the football club RB Leipzig) as well as public relations





Its marketing is entirely run by an in-house team of 10 people.

Focus on sustainability

Before a supplier is allowed to supply Veganz, the individual suppliers and their certifications and capabilities are checked. Thereby Veganz assigns highest priority to sustainability and transparency along the supply chain of its products and has been the first food company introducing the "Eaternity" score to all of its products.

Only certified suppliers

"Eaternity" score

				
☆☆☆	No animal-based products	Improves the climate balance above average	More than 50% of water savings	Products are free of palm oil and soya
☆☆	Contains certified animal products	Overall improves the climate balance	50% of water savings compared to normal products	Contains certified and critical products
☆	Contains animal products without certification	Deteriorates the climate balance	30% worse water usage than average products	Contains critical products which destroy the rainforest

Source: Veganz, Quirin Privatbank

Furthermore, the company uses the first compostable packaging in the refrigerated segment. The CO₂ footprint amounts to 473g per pack vs. 1,942g CO₂ for the animal counterpart.

Majority of production outsourced at the moment ...

Production (status quo) ...

Currently most production is outsourced to third parties (37 businesses) acting as co-manufacturers. Veganz provides the recipe and packaging know-how in each case, enabling these co-manufacturers to produce the desired products. In FY 2020 Veganz established a first own small-scale production site. Since the end of September 2020, the company has been producing "Cashewbert," a purely plant-based camembert consisting mainly of cashew kernels. However, its contribution to FY 2020 group sales (EUR 26.8m) was just ~EUR 20k.

... but big own production site planned

... and new own production site

In-house production secures product knowledge and is important in differentiating from competitors. Furthermore, in-house production leads to higher margins compared to products that have been manufactured by third parties. While external production allows for a gross profit margin of 32%, Veganz assumes that in-house production leads to a gross profit margin potential of 58%. As a result, the company plans to establish an additional larger production site near Berlin on 9,000 square meters.

Veganz plans a sustainable production which is as CO₂ neutral as possible and the energy supply should stem from renewable energy sources. The new production site is supposed to produce purely plant-based fish alternatives (smoked salmon, shrimp, tuna) and textured protein used to make unrefrigerated meat substitutes as well as cheese alternatives (cashewbert, bluebert, goat, brie). Additionally, the production conditions are planned to meet certification as organic by IFS Food Standards.

According to Veganz, the share of sales of self-produced goods is 1.9%. In the medium term, the company expects to raise this to 30%.

The investment costs for the facility amount to EUR ~12.6m, while Veganz assumes to receive subsidies totalling max. 30% of the total investment amount. The production capacities are as follows:

Capacity of new production site

Assumed Production Capacities (volumes in tons)	2022	2023	2024	2025	2026
Cheese: cashewbert, blubert, goat, brie	60	150	250	400	500
Fish: smoked salmon, pawns, tuna steaks	20	100	300	450	600
TVP: Various kinds (pea based)	500	1,000	1,300	1,800	2,000

Source: Quirin Privatbank, Veganz

Strategy

Focus on growth & market share

The company seeks to achieve continued growth and to become the leading player within the European purely plant-based food market. To achieve its goals, Veganz has identified the following targets:

- Increase of the POS**
 The most important sales channel is via retailers. However, not all products are yet represented in their entire store networks. Therefore the company plans to further expand its portfolio in their stores. Furthermore, there is potential to increase the number of POS abroad.
- Higher brand awareness**
 Its brand strategy that targets both light and non-consumers and activates vegans, flexitarians and vegetarians. The company wants to further increase the brand awareness by - among others - sponsorships in sports, marketing on the radio/TV and on digital channels and platforms.
- Innovative technology**
 Veganz is focusing on innovations in production area, which is currently being established. This may include vertical farming (plants grow one above the other on several floors), which is superior to conventional farming methods. Furthermore, the company is planning to use home-grown crops for the production of meat.

Management and shareholder structure

Management board



Jan Bredack: Founder & CEO

- Founded Veganz in 02/2011
- >20 years of experience in sales and customer service (automotive & plant-based food)
- Strong track record in developing new business areas
- Person of the year in 2014 (PETA Germany)
- Sankt Galler Management Institut

Key responsibilities:

- Sales and Distribution
- Retail



Alexandra Vázquez Bea: CFO

- Joined Veganz in 07/2021
- >14 years of management experience in the field of finance and start-ups
- Extensive experience in corporate finance, restructuring and refinancing projects across Europe
- Master in Law & Bachelor in Business Administration

Key responsibilities:

- Accounting & Controlling
- IT & Data Management
- HR
- Legal



Anja Brachmüller: COO

- Joined Veganz in 02/2017

Key responsibilities:

- Operations
- Buying
- Production



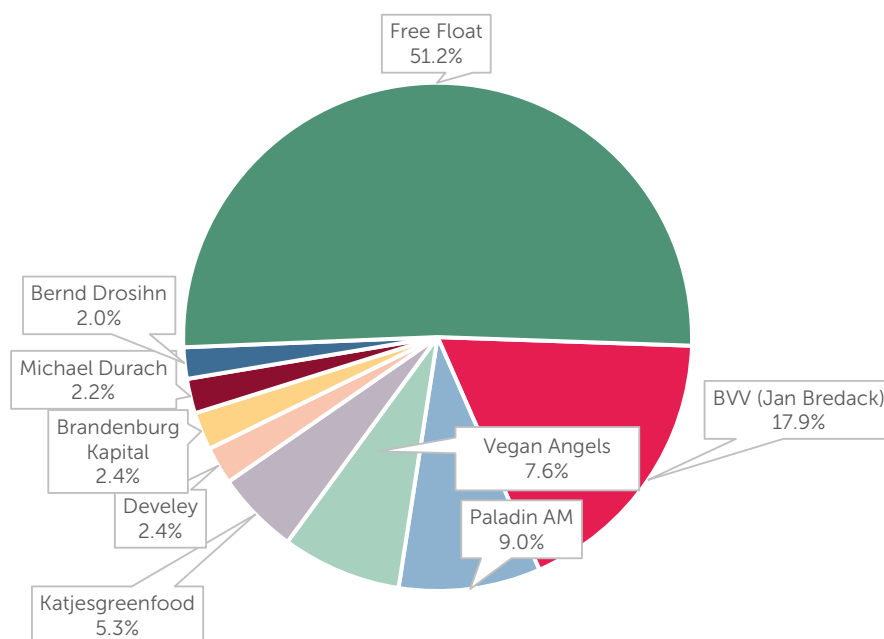
Moritz Möller: CMO

- Joined Veganz in 04/2018
- >20 years of experience in marketing spread across several industries such as culture events & entertainment, travel and technology
- Awarded with "Apps4Berlin Award 2011" and the "Marketing4Future Award" in 2011 and 2021

Key responsibilities:

- Market Research & Data
- Produkt Management
- Brand Management
- PR & Communication

Veganz: Current Shareholder Structure (post-IPO)



Source: Quirin Privatbank, Veganz

History

- **2011:** Foundation of Veganz GmbH, which was merged onto the company in 2019 and opening of the first supermarket in Berlin, Germany
- **2013:** Start of operations as a retailer through distribution of branded vegan products
- **2013 to 2017:** Exclusive distributor in Germany for 15 leading international brands
- **2014:** Jan Bredack is voted person of the year by the charitable foundation Peta Germany (Source:Peta: Person of the Year)
- **2015:** Veganz received the PETA Progress Award for Sustainable Management (Source: Peta Awards)
- **2017:** Launch of own Veganz branded products and their distribution by leading grocery store chains across Europe
- **2020:** Marketing for Future Award by Bündnis für Klimapositives Verhalten e.V. (Source: Vegconomist – June 23, 2020)
- **2021:** Awarded as Germany 's most innovative food brand by Handelsblatt together with YouGov, Marketing for Future Award by Bündnis für Klimapositives Verhalten e.V. (Source: Vegconomist – May 6, 2021)
- **2021:** IPO in November

Market for vegan food & nutritional behavior

Double-digit 2021e-2026e CAGR of global vegan food market

The growth of vegan food market

According to the latest report by IMARC Group (17 May 2021), titled "Vegan Food Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2021-2026," the global vegan food market size reached USD 17bn in FY 2020. Looking forward, the market is expected to grow at a CAGR of 11.4% during the forecast period (2021e-2026e).

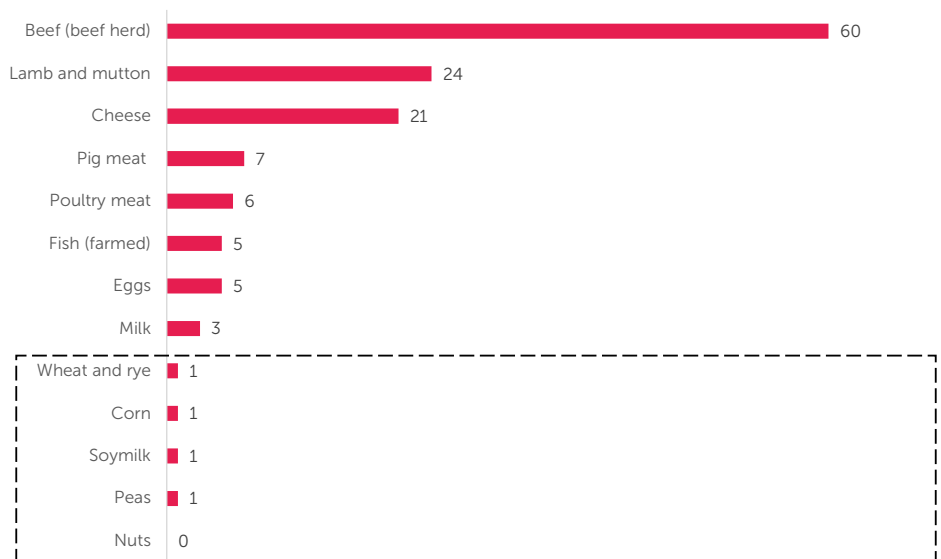
According to IMARC, the recent coronavirus pandemic has boosted the demand for vegan and plant-based foods. This trend can be attributed to concerns among consumers regarding the link between meat consumption and the spread of the disease, as well as the growing awareness regarding the numerous health benefits of a plant-based diet. The research institute explains that vegan food helps lower body weight and body mass index (BMI), lose weight, and reduce the risk of type 2 diabetes, cancer, Alzheimer's and heart diseases. Additionally, many non-government organizations (NGOs) are working towards promoting farm animal welfare and spreading awareness regarding the nutritional benefits of an animal-free diet. This has resulted in a growing awareness among consumers regarding animal health and prevention of cruelty against animals and encouraged them to shift toward plant-based food products, providing a positive impact on the market.

Focus on health and sustainability drives the market

An increasing focus on health and sustainability is one of the main triggers of the high-growth ratings. Macro trends in the food industry are currently a higher consumer awareness, healthier lifestyles, resource efficiency, and product innovations. All of the above-mentioned trends define the characteristics of a vegan diet. As the conventional production of animal protein consumes significant resources, a shift towards plant-based nutrition is the only solution to sustainably feed the world.

Plant-based products linked with less Greenhouse Gas (GHG) emission

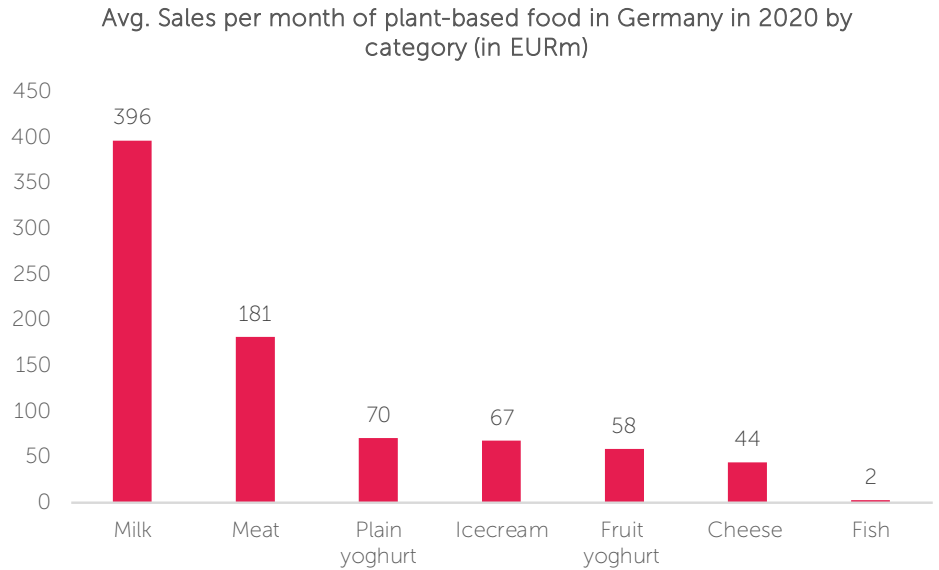
GHG emissions per kilogram of food product



Source: Water Footprint Network, Eaternity, Umweltbundesamt, The Plantrician Project, blitzrechner.de, McKinsey, Visual Capitalist, J. Poore & T. Nemecek

Accordingly, the market for vegan food in Germany is also growing. While according to statistics published by Statista in April 2019, vegetarian and vegan products generated sales of EUR 736m in FY 2017, this rose to EUR 978m in FY 2018; in the rolling year FY 2019 (up to calendar week 09), sales of vegetarian and vegan foods were around EUR 1.22 bn. The graphic below shows the average sales per month of plant based food in Germany in FY 2020 per category:

Overview on plant-based food consumption



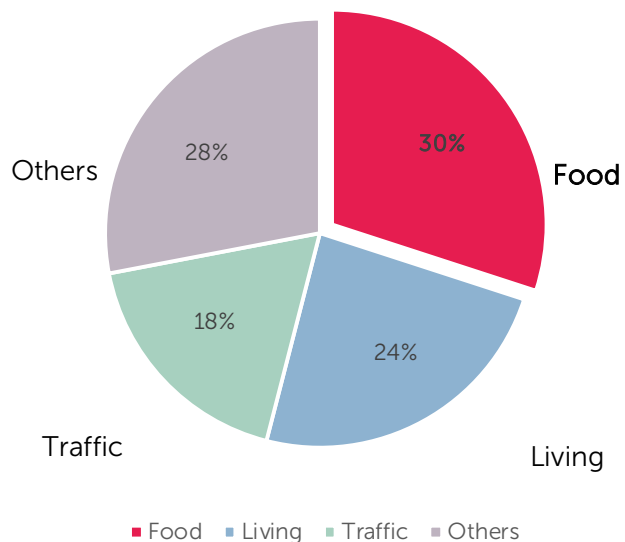
Source: Nielsen data for the German market of plant-based food sold over all retailers (incl. discount) and drugstores in 2020

According to a study by market research firm Mintel, the number of vegan product launches more than tripled between July 2013 and June 2018. In FY 2018, 13% of all new products launched in Germany were labeled vegan. The most important market for vegan products in a global country comparison was Germany: around 15% of new vegan food launches worldwide premiered in the German market in FY 2018 (U.K.: 14%; U.S.: 12%).

Positive impact on climate and water balance

According to calculations by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), a vegan diet has a particularly positive effect on the climate and water balance. Thus, a vegan diet leads to a CO2 consumption of 940 kilograms (incl. equivalents). In contrast, a vegetarian diet results in a value of 1,160 kilograms and a meat-eater diet in a value of 1,760 kilograms (in each case incl. equivalents). The following graph also shows that vegan food is essential for sustainability:

CO2 emissions per category



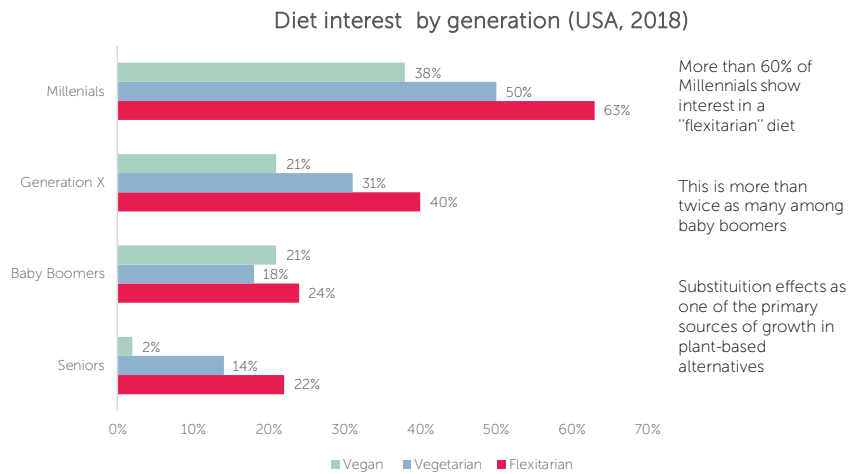
Source: Water Footprint Network, Eaternity, Umweltbundesamt, The Plantrician Project, blitzrechner.de, McKinsey, Visual Capitalist, J. Poore & T. Nemecek

Trend towards health-conscious nutrition

The food market, and thus also the market for vegan foods, is subject to constant change, and the consumer behavior of customers is also changing continuously. One factor influencing Veganz' business is the ongoing trend towards health-conscious nutrition or the pursuit of more sustainable production conditions across the entire value chain, which has led to increased demand for "clean label" products such as plant-based proteins like tofu and seitan.

The desire for a climate and environmentally friendly, sustainable diet is clearly being pushed by the younger generation in particular (see graph below). Health-promoting recipes with less sugar and fat also play a major role here. Due to the ever increasing transparency, manufacturers are challenged to develop products that address these trends. Veganz' plant-based products have many advantages over products with animal ingredients in terms of CO2 emissions, water consumption and protection of the environment.

Trend towards plant-based nutrition driven by younger generations



Source: Statista, A.T. Kearney, Welt.de, Acosta, Winsight Grocery Business, Veganz

Veganz financials

H1-21: strong sales increase

H1-21

Veganz was able to increase sales from EUR 13.1m (H1-20) to EUR 15.6m in the first half of FY 2021, a plus of 18.7% yoy. However, EBITDA dropped from EUR -0.8m to EUR -3.0m in H1-21. This decline is mainly a result of the "other operating expenses" position that increased from EUR -3.8m last year to EUR -6.3m in the current business year. This position includes costs for marketing, rent, IT and legal & consulting costs.

	H1-21	H1-20	change
in EURm			
Sales	15.6	13.1	19%
Other operating income	0.1	0.3	n.m.
Cost of materials	-10.7	-9.1	n.m.
Personnel expenses	-1.7	-1.3	n.m.
Other operating expenses	-6.3	-3.8	n.m.
EBITDA	-3.0	-0.8	n.m.
Amortization & depreciation	-0.5	-0.5	n.m.
EBIT	-3.5	-1.3	n.m.
Financial result	-0.7	-0.5	n.m.
EBT	-4.1	-1.8	n.m.
Taxes	0.1	0.1	n.m.
Net profit	-4.0	-1.7	n.m.

Source: Quirin Privatbank, Veganz

IPO in November 2021

Veganz has set the final offer price for its IPO at EUR 87.00 per share. All 547,120 offered shares of the company were placed with investors in the IPO. It comprised 388,733 new shares from a capital increase. The total volume amounted to EUR 47.6m, while gross proceeds from the sale of the new shares were EUR 33.8m.

Veganz intends to use the net proceeds primarily for the establishment of the new production site near Berlin as well as investments in the further organic and inorganic growth, e.g. for research and development, expansion of field force, marketing and further expansion in selected European countries.

Sales potential new production site

in EURm	2022e	2023e	2024e	2025e	2026e
Sales Potential	2.5	13.8	25.8	36.3	43.3

Source: Quirin Privatbank

Own production site a major catalyst for growth

We calculated the sales potential for the new site based on Veganz' assumed production capacities (see page 11) and estimated retail price (minus trade margin) for the FY 2022e –FY 2026e period. We believe that Veganz will experience strong tailwind when capacity utilization takes up further momentum, in particular in FY 2024e (sales potential \geq EUR 25m) and beyond.

Currently, the share of sales of self-produced goods is below 1%. In the medium term, the company expects to raise it to 30%. According to Veganz external production allows for a gross profit margin of 32% while in-house production enables the company to achieve a gross profit margin of 58%.

We estimate total capex for the site in the amount of EUR 12.6m. The company could receive promotional loans at 3% interest rate in the amount of EUR 1.5m and further subsidies totalling 30% of the overall investment amount.

How we calculate future Sales

Veganz Sales development

Veganz Sales breakdown (in EURm)	FY 2020	FY 2021e	growth	FY 2022e	growth	FY 2022e	reduction	FY 2023e	growth	FY 2023e	reduction
traditional business	26.8	32.0		36.8	15.0%	35.0	5.0%	42.3	15.0%	38.1	10.0%
own production	0.0	0.0				2.0				11.0	
RB Leipzig	0.0	0.5				1.0				1.2	
Aramark	0.0	0.0	growth yoy			2.0	growth yoy			2.5	growth yoy
Sum	26.8	32.5	21.2%			40.0	23.3%			52.8	32.0%

Source: Quirin Privatbank

The graph shows that we have identified different sales sources: traditional business (mainly outsourced production of vegan food), vegan food from own new production site and co-operations with football club RB Leipzig and the caterer Aramark. For the current business year we assume a full year sales growth of ~20% yoy (H1-21: +18.7% yoy) in the traditional business while the co-operation with RB Leipzig should lead to a sales contribution of approximately EUR 0.5m. Therefore sales for Veganz should rise by 21.2% yoy to EUR 32.5m in total which is slightly ahead of guidance (EUR 32.0m).

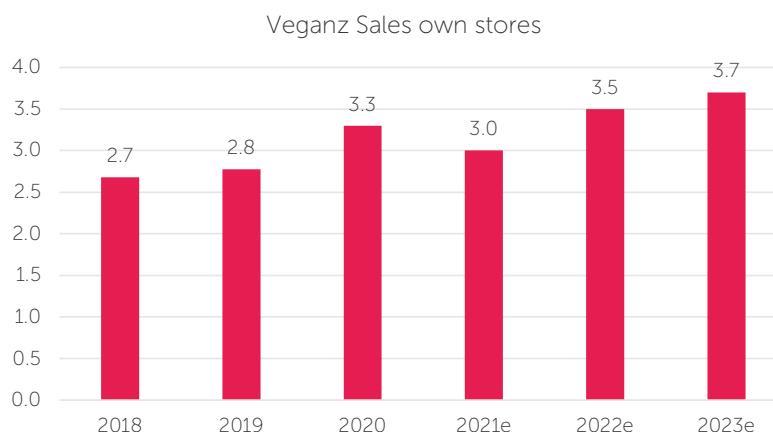
For FY 2022e we initially assumed a sales growth of 15% yoy for the traditional business (i.e. sales of EUR 36.8m). However, Veganz starts its own production in FY 2022 and is assumed to replace a part of three food categories (cheese, fish and Textured Vegetable Protein (TVP)) from the traditional (outsourced) business to increase profit margin. We estimate that Veganz therefore gives up 5% sales potential in favor of the own production. We finally assume sales in the amount of EUR 35m for the traditional business. The contribution from own production should amount to conservative EUR 2.0m (80% of sales potential, see page above), the co-operation with RB Leipzig and the Aramark should amount to EUR 1.0m and EUR 2.0m, respectively. As a result we estimate group sales of EUR 40.0m, + 23.3% yoy.

For FY 2023e we assume again a 15% yoy sales growth to EUR 42.3m in the traditional business. We decided for a 10% reduction as the capacity has increased in its own site. We finally derive a sales volume of EUR 38.1m. Together with sales from its own production facility (EUR 11.0m) RB Leipzig (EUR 1.2m) and Aramark (EUR 2.5m) we calculate sales of EUR 52.8m for the group, + 32.0% yoy.

Veganz still operates three own stores in Berlin, which offer consumers a significant number of purely plant-based products, including all of its approximately 120 vegan products. The advantage is that the company can immediately get an impression of their also changing consumption habits and react accordingly.

In FY 2020 the three stores generated sales of EUR 3.3m. We estimate further growth over beyond 2021. Please keep in mind that the stores are not consolidated in the Veganz Group AG so far.

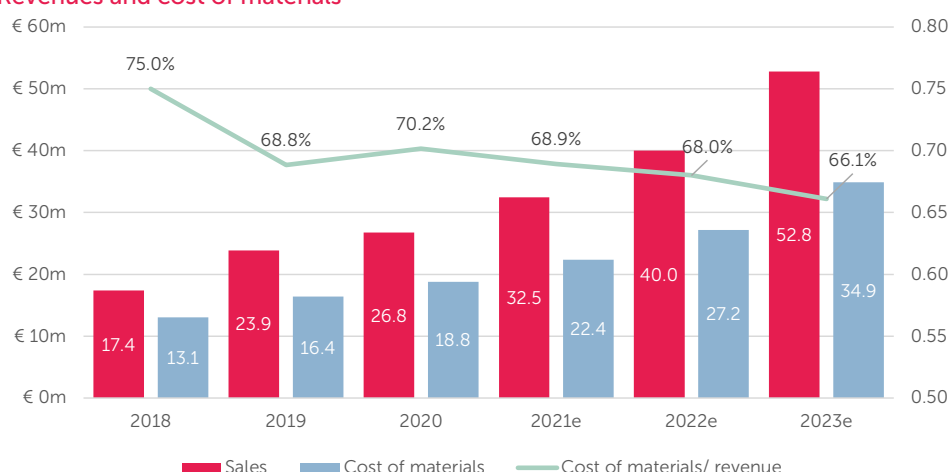
Sales of three own stores in EUR m



Source: Veganz (until FY 2020), Quirin Privatbank

Three own stores that are currently not consolidated

Revenues and cost of materials

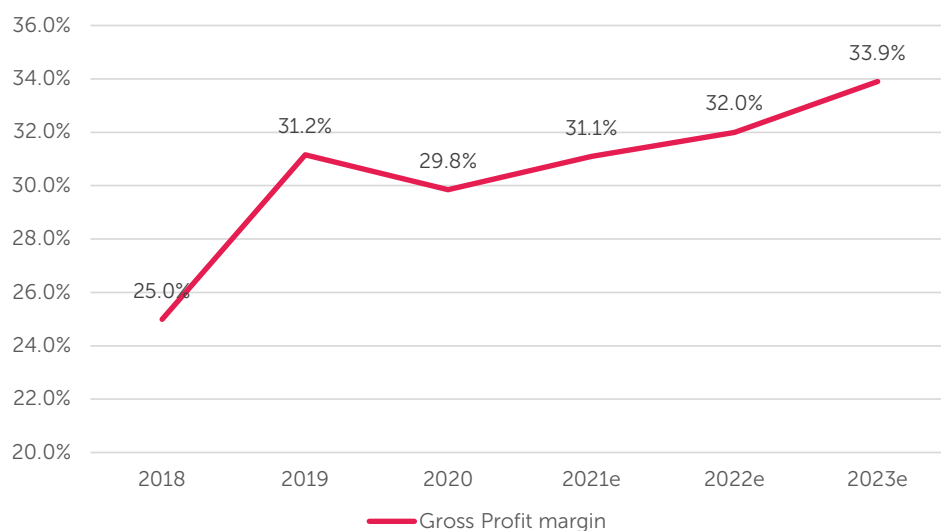


Source: Veganz (until FY 2020), Quirin Privatbank

Inhouse production & rising purchasing power to drive gross profit margin

The cost of materials include the procurement of raw materials and packaging materials as well as goods sourced from third party manufacturers. Cost of materials represents a major share of Veganz' cost base and comprise the purchase price the company pays suppliers for ingredients, inbound shipping charges, the cost of primary packaging and the cost of accessories, such as displays. In FY 2018 the cost of materials/revenue ratio was quite high and reached 75.0%. Over the next two years Veganz was able to improve this figure to 68.8% and 70.2%, respectively. We assume further improvements due to i) an increased purchasing power and ii) a rising share of food sale from inhouse production. In reverse, gross profit margin is going to rise:

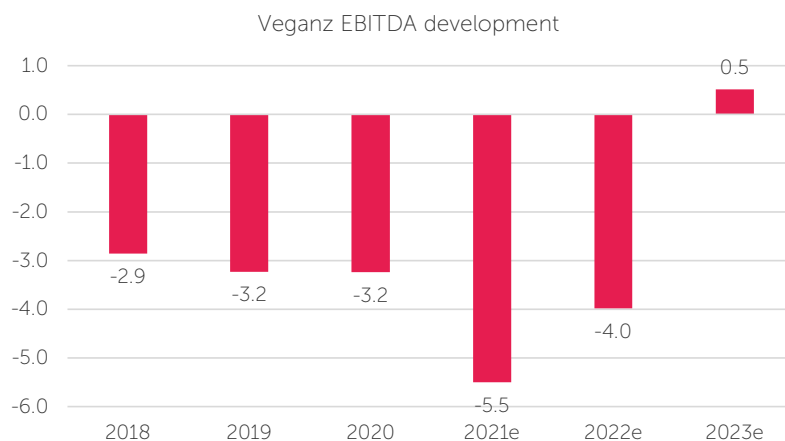
Gross profit margin in %



Source: Veganz (until FY 2020), Quirin Privatbank

EBITDA increases ahead

Over the last years, Veganz was loss-making even on EBITDA level. For the current business year the company expects an EBITDA of EUR -5.5m which we regard as reasonable. Over the next years we expect an improvement in particular driven by rising gross profits. We assume break-even to be reached in FY 2023. We expect the full positive effects to be seen in FY 2024 and beyond.

Improvement of EBITDA in EUR m

Source: Veganz (until FY 2020), Quirin Privatbank

Brand was capitalized

Subsequent to the merger of the company with Veganz GmbH in FY 2019, own brand was capitalized and is amortized over a period of 15 years. In FY 2020 amortization amounted to EUR 0.95m.

In H1-21 this balance sheet position stood at EUR 12.1m (~40% of total assets).

SWOT

Strengths

- The market for vegan food enjoys rising demand as consumers more and more prefer food that is produced with lower carbon emissions and water consumption compared to vegetarian or traditional food. Pure plant-based products are the fastest growing food category in an otherwise resilient food market
- Its business model is based on ESG guidelines in order to create a positive impact to society through sustainable practices
- The company addresses global mega trends such as higher consumer awareness, healthier lifestyles, resource efficiency and product innovations.

Weaknesses

- So far Veganz is not profitable. Its net loss amounted to EUR 4.9m in FY 2020
- Veganz generates the majority of its sales with retailers. All these retailers are large chains with significant purchasing power. This increased dependence on retailers might reduce its economic flexibility
- Despite running own production facilities, the company is dependent on contract manufacturers and the delivery of goods/products in a qualitatively perfect condition

Opportunities

- Due to the new production site, Veganz is able to accelerate growth and to improve margins
- Its most important sales region is currently DACH. As a result there is much sales potential in other European countries and worldwide
- Veganz could be a take-over candidate after listing, too
- Veganz may pay dividends in the future, so far profits were retained
- Veganz may change its accounting standard from German HGB to IFRS. This may have a positive impact on earnings figures
- The sponsorship with RB Leipzig could increase Veganz' awareness as the football club is a Champions League participant in the current season

Threats

- Veganz may be exposed to intense competition as the market for vegan food production is characterized by high growth rates. There is a risk that the company might not be able to compete successfully
- If sales of vegan food are lower than expected, marketing costs incurred may not be compensated in part or in full
- Its intangible asset "brands" (EUR 12.1m) forms a major position of Veganz' total assets (EUR 29.7m) as of 30 June 2021. This position is exposed to impairment if Veganz' operating business strongly underperforms

Profit & loss statement

Profit & loss statement (EUR m)	2019	YOY	2020	YOY	2021e	YOY	2022e	YOY	2023e	YOY
Sales	23.9	n.a.	26.8	12.1 %	32.5	21.2 %	40.0	129.7 %	52.8	121.1 %
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	0.1		0.5		0.7		0.7		0.7	
Cost of goods	16.4		18.8		22.4		27.2		34.9	
Gross profit	7.6		8.5		11.4		14.1		19.2	
Personnel expenses	2.8		2.9		3.5		4.4		5.8	
Depreciation	0.9		1.0		1.0		1.0		1.0	
Other operating expenses	8.0		8.8		13.3		13.7		12.9	
EBITDA	-3.2	n.a.	-3.2	n.a.	-5.5	n.a.	-4.0	n.a.	0.5	n.a.
EBITDA margin (%)	-13.51		-12.08		-16.85		-9.95		0.97	
EBIT	-4.1	n.a.	-4.3	n.a.	-6.5	n.a.	-5.0	n.a.	-0.5	n.a.
EBIT margin (%)	-17.36		-15.96		-20.03		-12.50		-0.95	
Net interest	-0.6		-0.9		-1.3		-1.1		-1.1	
Income from Participations	0.0		0.0		0.0		0.0		0.0	
Net financial result	-0.6		-0.9		-1.3		-1.1		-1.1	
Exceptional items	0.0		0.0		0.0		0.0		0.0	
Pretax profit	-4.7	n.a.	-5.1	n.a.	-7.8	n.a.	-6.1	n.a.	-1.6	n.a.
Pretax margin (%)	-19.74		-19.19		-23.94		-15.26		-2.99	
Taxes	-0.1		-0.2		-0.2		-0.6		-0.2	
Tax rate (%)	2.65		3.86		2.00		10.00		10.00	
Earnings after taxes	-4.6		-4.9		-7.6		-5.5		-1.4	
Minorities	0.0		0.0		0.0		0.0		0.0	
Group attributable income	-4.6	n.a.	-4.9	n.a.	-7.6	n.a.	-5.5	n.a.	-1.4	n.a.
No. of shares (m)	0.8		0.8		1.2		1.2		1.2	
Earnings per share (EUR)	-3.75	n.a.	-4.04	n.a.	-6.22	n.a.	-4.49	n.a.	-1.16	n.a.

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2019	YOY	2020	YOY	2021e	YOY	2022e	YOY	2023e	YOY
Assets										
Cash and cash equivalents	0.2		0.1		45.8		29.3		35.4	
Accounts receivables	2.5		2.1		2.5		3.1		4.1	
Inventories	1.9		2.1		2.5		3.1		4.1	
Other current assets	1.6		2.0		2.0		2.0		2.0	
Tax claims	0.0		0.0		0.0		0.0		0.0	
Total current assets	6.3	n.a.	6.4	2.1 %	53.0	725.8 %	37.7	-28.8 %	45.8	21.3 %
Fixed assets	0.1		0.4		1.4		12.0		12.8	
Goodwill	0.0		0.0		0.0		0.0		0.0	
Other intangible assets	13.6		12.6		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	0.0		4.7		0.0		0.0		0.0	
Total fixed assets	14.5	n.a.	18.5	27.3 %	13.8	-25.5 %	23.4	69.9 %	23.2	-0.8 %
Total assets	20.8	n.a.	24.9	19.7 %	66.7	168.0 %	61.1	-8.4 %	69.0	12.8 %
Equity & Liabilities										
Subscribed capital	0.7		0.7		1.2		1.2		1.2	
Reserves & other	3.8		3.8		45.1		45.1		45.1	
Revenue reserves	-4.2		-4.4		-12.0		-17.5		-19.0	
Accumulated other comprehensive	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity	0.2	n.a.	0.0	n.a.	34.2	n.a.	28.8	-16.0 %	27.3	-4.9 %
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	0.2	n.a.	0.0	n.a.	34.2	n.a.	28.8	-16.0 %	27.3	-4.9 %
Long-term liabilities										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	0.0		0.0		0.0		0.0		0.0	
Tax liabilities	3.8		3.5		4.3		5.3		6.9	
Other liabilities	4.0		3.9		4.8		5.9		7.8	
Total long-term debt	7.8	n.a.	10.8	39.5 %	12.4	14.6 %	14.5	17.0 %	18.1	24.6 %
Short-term debt										
Other provisions	1.5		1.3		1.6		2.0		2.6	
Trade payables	5.8		6.7		8.1		9.9		13.1	
Financial debt	3.7		2.1		5.6		0.0		0.0	
Other liabilities	1.8		4.0		4.8		5.9		7.8	
Total short-term debt	12.9	n.a.	14.1	9.6 %	20.1	42.6 %	17.9	-11.1 %	23.6	32.0 %
Total equity & liabilities	20.8	n.a.	24.9	19.7 %	66.7	168.0 %	61.1	-8.4 %	69.0	12.8 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2019	2020	2021e	2022e	2023e
Per share data (EUR)					
EPS	-3.75	-4.04	-6.22	-4.49	-1.16
Book value per share	0.2	0.0	28.0	23.5	22.3
Free cash flow per share	-4.3	-2.4	-4.2	-1.8	2.1
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	4.99	4.52	2.43	2.24	1.58
EV/EBITDA	-36.9	-37.4	-14.4	-22.5	163.8
EV/EBIT	-28.7	-28.3	-12.1	-17.9	-167.1
P/E	n.a.	n.a.	-14.9	-21.0	-81.3
P/B	n.a.	n.a.	3.3	4.0	4.2
Dividend yield (%)	n.a.	n.a.	0.0	0.0	0.0
Growth					
Sales growth (%)	n.a.	12.1	21.2	129.7	121.1
Profitability ratios					
EBITDA margin (%)	-13.5	-12.1	-16.9	-9.9	1.0
EBIT margin (%)	-17.4	-16.0	-20.0	-12.5	-0.9
Net margin (%)	-19.2	-18.4	-23.5	-13.7	-2.7
ROCE (%)	-52.2	-39.5	-13.9	-11.6	-1.1
Financial ratios					
Total equity (EUR m)	0.2	0.0	34.2	28.8	27.3
Equity ratio (%)	0.9	0.0	51.3	47.1	39.6
Net financial debt (EUR m)	3.6	5.4	-36.8	-26.0	-32.0
Net debt/Equity	0.0	0.0	0.5	0.5	0.4
Interest cover	-7.3	-4.9	-5.1	-4.4	-0.5
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	-6.6	-7.7	32.9	19.9	22.2
Working capital/Sales	-0.28	-0.29	1.01	0.50	0.42

Source: Company data, Quirin Privatbank estimates

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The levels of change expressed in each rating categories are:

BUY > +10%

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

SELL > -10%.

Analyst certification

Sebastian Droste, financial analyst, hereby certifies that all of the views expressed in this report accurately reflect my personal views about any and all of the subject securities or issuers discussed herein. In addition, I hereby certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this research report, nor is it tied to any specific investment banking transaction performed by the Bank or its affiliates.

Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
14.01.2022	130.00	Buy	14.01.2022

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