March 23, 2015

Europe | Germany | Crops

DR. KALLIWODA RESEARCH GmbH

UPDATE

**BUY**

Target price: € 47.39

| | |
|---|---|
| **Industry:** | Wholesale |
| **Country:** | Germany |
| **ISIN:** | DE0005194062 |
| **Bloomberg:** | BYW6 GR |
| **Reuters:** | BYWGnx.DE |
| **Website:** | www.baywa.de |

| | | |
|---|---|---|
| **Last Price:** | | 37.45 |
| | **High** | **Low** |
| **Price 52 W.** | 41.82 | 27.28 |
| **Market Cap. (EURm)** | | 1255.63 |
| **No. of Shares (in m)** | | 33.53 |

**Shareholders**

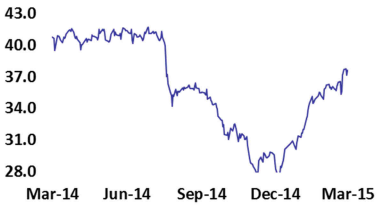
| | |
|---|---|
| **Bay. Raiffeisen-Beteiligungs** | 35.34% |
| **Raiffeisen Agrar Invest** | 25.18% |
| **Free float** | 39.48% |

**Performance**

| | |
|---|---|
| **4 Weeks** | 5.84% |
| **13 Weeks** | 33.82% |
| **26 Weeks** | 8.79% |
| **52 Weeks** | -7.10% |
| **YTD** | 23.76% |

**Dividend**

| | **in EUR** | **in %** |
|---|---|---|
| **2010** | 0.50 | 1.34% |
| **2011** | 0.60 | 1.60% |
| **2012** | 0.65 | 1.74% |
| **2013** | 0.75 | 2.00% |

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# BayWa AG

## Recovery in Q4/14 preliminary results; positive outlook

- With its activities in agriculture, energy and building materials, BayWa is today a global trading and service group. At the beginning of March 2015, BayWa published some preliminary results (sales and EBIT). Given trend in prices for agricultural produce and heating oil, the company recorded for the year 2014 consolidated revenues of €15.2bn (vs. FY 2013: €16bn). The figure shows a significant recovery in Q4/14, which primary stem from the agriculture segment.

- During the first nine months of 2014 the agriculture trading business was a challenge. As consequence of the large harvest recorded and drastic drop in prices, farmers were not willing to sell their products. Thus, company earning in the agriculture segment were negatively affected. However in Q4/14 BayWa was able to recover, given also a good performance in agriculture equipment, operating resources and renewable energies. Thus, according preliminary figures 2014, operating EBIT for the segments agriculture, energy and building materials recorded a slight decrease to €186.4m (vs. FY 2013: €195.6m).

- We have revised our estimates and keep stable our target price of 47.39€. At the current level this implies an upside of 27%. We hold a BUY rating. We considered in our estimates macroeconomics risks, such as the difficulties in the Russian market and unforeseeable risks in the price of agriculture products. However, we see many upsides potential for the business coming from the energy and building material segments. We like also the intention of the company to increase the dividend per share from 0.75€ and 0.80€ for 2014.

**Key Figures**

| EURm | 2009 | 2010 | 2011 | 2012 | 2013 | 2014E | 2015E |
|---|---|---|---|---|---|---|---|
| Net sales | 7,260 | 7,903 | 9,586 | 10,531 | 15,958 | 15,201 | 15,658 |
| EBITDA | 210 | 228 | 251 | 306 | 360 | 287 | 330 |
| EBIT | 115 | 129 | 149 | 187 | 222 | 147 | 188 |
| Net income | 45 | 51 | 52 | 96 | 98 | 72 | 97 |
| EPS | 1.36 | 1.51 | 1.56 | 2.88 | 2.93 | 2.15 | 2.90 |
| BVPS | 23.95 | 25.01 | 25.82 | 25.70 | 27.27 | 28.62 | 30.87 |
| RoE | 5.76% | 6.16% | 6.13% | 11.16% | 11.06% | 7.70% | 9.75% |
| EBIT margin | 1.59% | 1.63% | 1.56% | 1.77% | 1.39% | 0.97% | 1.20% |
| P/E | 27.60 | 24.85 | 24.03 | 13.03 | 12.79 | 17.41 | 12.91 |
| P/BVPS | 1.56 | 1.50 | 1.45 | 1.46 | 1.37 | 1.31 | 1.21 |
| EV/EBITDA | 15.53 | 14.28 | 12.96 | 10.65 | 9.04 | 11.34 | 9.86 |

Source: company, Dr. Kalliwoda International Research GmbH © 2015

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# 1 Company profile

BayWa AG is a trading and services Group composed of three core business segments: Agriculture, Energy, and Building Materials. The company founded in 1923, headquartered in Munich, is active on every continent in the world. The Company is engaged in the wholesale and retail of industrial and agricultural goods, and in the provision of related services. Its business activities are structured into the core segments of Agriculture, Building Materials and Energy, along with Other Activities. The Agriculture segment offers products such as grain and fruits, crop protection products, fertilizers, feedstuff and seeds, as well as agricultural equipment such as tractors, forestry machinery and spare parts. The Building Materials segment provides construction materials and building components, as well as operating garden centers and pet departments and providing services for heating and sanitary installations on a regional basis. The Energy segment offers mineral oils, biodiesel and lubricants and operates a network of around 244 fuel stations in Germany. In addition, BayWa has established itself in the renewable energies market as a major, internationally oriented project developer and trader in the fields of wind power, solar power and bioenergy.

BayWa AG is a strong corporate structure listed on Frankfurt Stock Exchange with Approximately 17,000 employees and nearly 3,000 locations in 30 countries.

Source: company

## 2 SWOT Analysis

### Strengths

- Leader in Crop protection product distribution (Germany) and Top 10 world agricultural traders
- Strong position in Heating Oil trade: Largest in Southern Germany and Top Five in Austria
- Economies of Scope: Nearly complete coverage of the agricultural value chain
- Diversification in the segments agriculture, energy and building materials reduces the dependence on the agrarian segment and the commodity fluctuation
- Solid shareholder structure: the main shareholders are Bayerische Raffeisen-Beteiligungs AG (35%), Raiffeisen Agrar Invest GmbH (25%)
- Geographic stronghold in Germany and Austria with worldwide expansion starting in 2013
- Core competency in full-service supplement for the agricultural industry generates a large and loyal customer foundation
- Loyal customers relations since they are buyers of agrarian products and supplier of crops at the same time

### Weaknesses

- Still, large dependency on the German and Austrian market (Share of Revenue: ca. 80%)
- Agriculture exposure is almost 70% of FY13 revenues against half in FY12m, which plays down in importance Energy and Building businesses
- M&A Intensive activity complicated decision-making process and strategy execution
- Large inventories are usual in Q3 (after harvest) and 1Q ahead (sowing season) sometimes may create inventory overhang and margin pressure

### Opportunities

- Global grain production including rice is up by 176 million tonnes year on year and is set to reach a new all-time high of around 2.43 billion tonnes.
- By 2050, the world's population will grow by another 2 billion, reaching 9 billion people and increasing prosperity in EM is leading to changes in eating habits and increasing demand for food
- Internationalization of business: Chile, USA, China, Australia, Fiji and New Zealand
- Number of building permits continues to rise steadily
- Cefetra B.V. business should benefit form above than expected improvement in Polish economy

### Threats

- Germany and Austria are still important so economic weakness in Core Europe is to be felt by BayWa AG
- Volatile commodity markets
- High fuel prices
- Agricultural demand elasticity is to be rather low, yet the Energy business is seasonal while building cyclical bias is evident
- Oversupply in grain commodities, wheat especially, is to play an significant role in 2014 if volumes gains cannot offset a decline in grain prices.

Source: Dr. Kalliwoda International Research GmbH © 2015

# 3 Valuation

**Discounted Cash Flow Model (Basis 03/2015)**

| in EURm | 2014E | 2015E | 2016E | 2017E | 2018E | 2019E | 2020E |
|---|---|---|---|---|---|---|---|
| **Total revenues** | **15,200.87** | **15,657.79** | **16,255.10** | **16,902.63** | **17,576.04** | **18,276.35** | **19,004.65** |
| (y-o-y change) | -4.7% | 3.0% | 3.8% | 4.0% | 4.0% | 4.0% | 4.0% |
| **EBIT** | **147.00** | **188.20** | **233.59** | **305.37** | **391.99** | **452.50** | **475.31** |
| (operating margin) | 1.0% | 1.2% | 1.4% | 1.8% | 2.2% | 2.5% | 2.5% |
| **NOPLAT** | **110.25** | **141.15** | **175.19** | **229.03** | **293.99** | **339.37** | **356.48** |
| + Depreciation & amortisation | 140.36 | 142.26 | 144.16 | 146.06 | 147.96 | 149.86 | 151.76 |
| = Net operating cash flow | 250.61 | 283.41 | 319.35 | 375.09 | 441.95 | 489.23 | 508.24 |
| - Total investments (Capex and WC) | -202.95 | -228.72 | -256.72 | -266.50 | -272.00 | -277.64 | -283.43 |
| Capital expenditure | -149.08 | -178.93 | -173.80 | -199.47 | -202.29 | -205.14 | -208.03 |
| Working capital | -53.87 | -49.79 | -82.92 | -67.03 | -69.71 | -72.49 | -75.39 |
| = Free cash flow (FCF) | 47.66 | 54.68 | 62.63 | 108.59 | 169.96 | 211.60 | 224.82 |
| **PV of FCF's** | **44.18** | **46.99** | **49.90** | **80.19** | **116.36** | **134.29** | **132.27** |

| | |
|---|---|
| PV of FCFs in explicit period | 604.18 |
| PV of FCFs in terminal period | 3,125.08 |
| **Enterprise value (EV)** | **3,729.26** |
| + Net cash / - net debt | -2,033.09 |
| + Investments / - minorities | -223.29 |
| **Shareholder value** | **1,472.89** |
| | |
| Number of shares outstanding (m) | **33.53** |
| | |
| WACC | 7.87% |
| Cost of equity | 11.7% |
| Pre-tax cost of debt | 7.8% |
| Normal tax rate | 30.0% |
| After-tax cost of debt | 5.4% |
| Share of equity | 39.0% |
| Share of debt | 61.0% |
| **Fair value per share in EUR (today)** | **43.93** |
| **Fair value per share in EUR (in 12 months)** | **47.39** |

Source: Dr. Kalliwoda International Research GmbH © 2015

# 4 9M/14 financial results and outlook

Preliminary figures reported a recovery in Q4/14. Group revenues came at €15.2bm, -5% y-o-y primarily because the change in prices for agriculture produce and heating oil recorded. In Q4/14, main growth drivers were the agriculture equipment, agriculture trading and renewable energies segments. Group EBIT came to €147m, lower of €75m y-o-y. BayWa recorded difficulties in summer and autumn 2014, because the large harvests and low prices in agriculture products.

Referring to the most recent interim report of the BayWa group (from 1 January until 30 September 2014), the company reported in the agricultural trade sector revenues of €6.3bn, declined by 8.7%. This performance was the consequence of the drop in grain and soy prices and included the decrease of €17.3m in the fruit business. Revenues in the agriculture equipment business unit slightly declined of 1% to €971.9m. However, these results were compensated by the sales in used machinery, agricultural milking and animal equipment, quite constant compared to the previous year. However, in 9M/14 was not included the new acquisition Apollo Apples (New Zealand company), because a lack in the final approval from the local authorities.

Revenues in the energy segment, recorded in 9M/14 a slight decline of 1.6% to €2.5b. As consequence of the change in price of heating oil, revenues in conventional energy business fell by €215.5m, but recording a steady level in diesel and Otto fuel sales volumes, and an increase in lubricant sales volumes. On the other hand, sales in the renewable energies area grew of 60.4% to €463.8m. Main reason was the international expansion of the solar and wind park project business. Sale of wind and solar parks and a steady domestic solar trading produced positive effect in this segment. Additionally, BayWa was able to sell for the first time a fulfil wind park in USA.

In the building material segment, BayWa recorded an interesting increase in the request for civil engineering products, road construction and landscaping products. However, the disposal of the building material locations in Rhineland-Palatinate and Noth Rhine-Westphalia generated a decrease in revenues of 9.6% to €1.16bn. Effects of these operations were accounted in the other activities revenues, which came at €81.0m.

**12M/13 results vs. previous year**

| in EURm | 9M 2014 | 9M 2013 | % change |
|---|---|---|---|
| **Net sales** | **11,442** | **12,157** | **-5.9%** |
| **EBITDA** | **75** | **178** | **-58.1%** |
| *EBITDA margin* | *0.7%* | *1.5%* | |
| **EBIT** | **75** | **178** | **-58.1%** |
| *EBIT margin* | *0.7%* | *1.5%* | |
| **Net income** | **23** | **102** | **-77.7%** |
| *Net margin* | *0.2%* | *0.8%* | |

**Sales and EBIT margins according to segments 12M/13 vs. 12M/12**

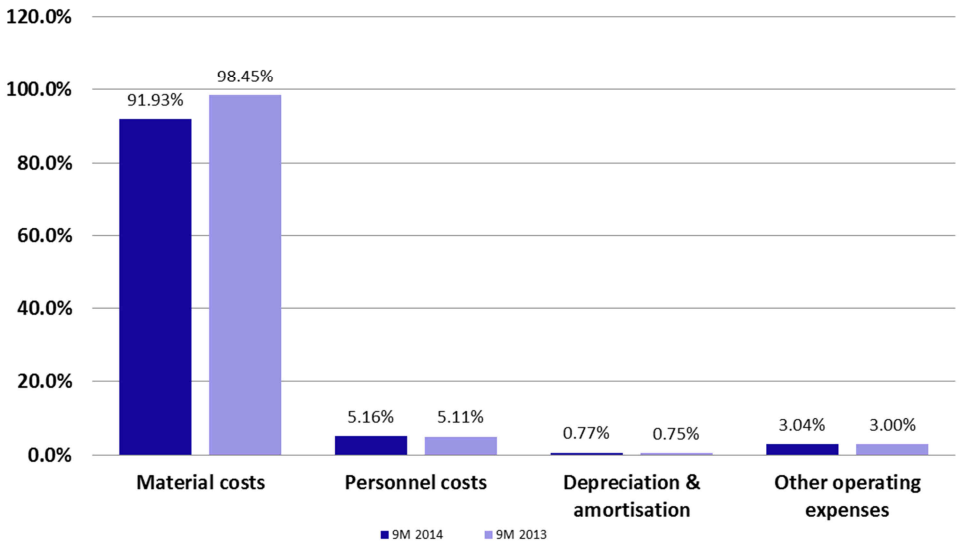
| | 9M2014 | 9M2013 | | 9M2014 | 9M2013 |
|---|---|---|---|---|---|
| **Agriculture** | | | **Building materials** | | |
| Sales EURm | **7,704.2** | **8,329.3** | Sales EURm | **1,160.9** | **1,284.1** |
| *share in total sales* | *67.3%* | *68.5%* | *share in total sales* | *10.1%* | *10.6%* |
| EBIT margin | 0.91% | 1.24% | EBIT margin | 1.48% | 1.00% |
| | | | | | |
| **Energy** | | | **Group** | | |
| Sales EURm | **2,496.3** | **2,537.1** | Total sales EURm | **11,442.0** | **12,157.0** |
| share in total sales | *21.8%* | *20.9%* | change y-o-y | -5.88% | |
| EBIT margin | 0.98% | 0.70% | | | |

Source: Dr. Kalliwoda International Research GmbH © 2015

In term of profitability, operating income came at €74.5m (vs. 9M/13: €177.6m) for the nine months of 2014. The main reason was the effect of the disposal of BayWa AG real estate inventories in the previous year. The drop of 6.6% in the cost of materials produced a fell in gross profit by €80.6m to €1.1bn. As consequence of the expansion in the renewable energies business, with the acquisition of the Würth group solar trading business, BayWa recorded an increase in number of employees. Thus, cost of personnel raise of 0.9%. During the same period, net interest was 3.3m down y-o-y and tax expenses amounted to €7.8m. Net income came to €22.7m, a decline of €79.1m y-o-y.

**Profitability**

**Share in sales 9M/14 vs. 9M/13**




Source: Dr. Kalliwoda International Research GmbH © 2015

For the nine months of 2014, total assets of the BayWa group amounted to €5.67bn. Non-current assets accounted for 1.97bn. The company has reported €118m expenses for investments in modernization and expansion in the agriculture trade and energy businesses units. Part of this figure was offset by depreciation and amortization of €72.2m, and a disposal of €11.9m. Current asset amounted to €3.68bn (compared to 31 December 2013). The reason was (1) an increase in inventories (€178.9m) because developments in renewable energies projects and the increase in the harvests, and (2) an increase in trade receivable because the agriculture and building materials segments in Q2 and Q3 and recovery in the energy business in Q3. Current debt reported came at €3.06bn, increased by €661.7m because a rise in commodities futures and new obligations from the harvests, and a growth of project financing in the renewable energies business.

At the end of September 2014, cash earnings of the BayWa Group amounted to €89.6m (including: net income, non-cash depreciation and amortization and non-current provisions change) down €101.1m y-o-y. As effects of replacement investments at BayWa AG and in other group companies, cash outflows from investing activities totaled €128.8m for the same period. Positive performance in the financing activities, for €1.1m (vs 9M14: €-236.9m), because the incoming payments for loan repayment balanced the dividend distributions of €33.9m. Thus, cash and cash equivalents equaled to €95.7m, increased by €3.7m from 31 December 2013.

## *Outlook*

After the bottom reached in mid-2014, BayWa recorded a positive end of 2014. Commodity prices are expected to recover slowly during the next months and this should have benefit in the market demand and consequent sales volume of BayWa.

Since April 2014, margins for the agriculture segment have suffered the falling wheat prices and the seasonality of the business. Additionally, the import ban of the Russia´s government, have affected the fruit business. Thus, this effected also the competition in the EU market, which became more intensive. However, this large amount of wheat might provide marketing opportunities in Q4.

The good performance recorded in term order intake for new machines in the agricultural equipment segment, it seems to mean that BayWa will continues to benefit and grow in this segments. Furthermore after the acquisition of the New Zealand based company Apollo, we expect more efficiency in the global distribution network, with a better management in the high volume of European fruit stocks worldwide.

Low prices recorded in traditional energy sectors, is likely to mean an increase in the demand for the upcoming mouths in fuels and lubricants. On the other hand, with the acquisition of the business activities of Martifer Solar USA, BayWa made an important step into the US solar project business market.

During the year 2014, the Russian import restrictions on some agriculture goods from Europe produced an oversupply. To this, it has to be added that the growing German apple harvest has decreased prices and made reluctance amongst farmer to sell. Because that, results in the 9M/14 didn´t meet our expectation. Nevertheless, we believe in a better Q4/14 performance thanks to the steady order-intake situation. Assuming a favourable market development, we forecasted that revenues in 2015 will be boosted from the segments energy and building materials. The high inventories accumulated might be traded at more favourable market conditions during the first months of 2015.

It is estimated that the world´s population will reach the number of 9 billion of people in 2050 and increase prosperity in newly industrializing countries. Thus, that implies an increase in demand for food. In this context, the global arable land per person will decrease from 0.3 to 0.2 hectares between 2000 and 2050. With new and modern cultivation methods, BayWa is well prepared to meet new demands and trends.

| Our forecasts 2014E-16E | | | |
|---|---|---|---|
| in EURm | 2014E | 2015E | 2016E |
| **Net sales** | **15,201** | **15,658** | **16,255** |
| **EBITDA** | **287** | **330** | **378** |
| *EBITDA margin* | *1.9%* | *2.1%* | *2.3%* |
| **EBIT** | **147** | **188** | **234** |
| *EBIT margin* | *1.0%* | *1.2%* | *1.4%* |
| **Net income** | **72** | **97** | **111** |
| *Net margin* | *0.47%* | *0.62%* | *0.68%* |

Source: Dr. Kalliwoda International Research GmbH © 2015

| Sales estimates according to segments 2014E-16E | | | |
|---|---|---|---|
| in EURm | 2014E | 2015E | 2016E |
| **Agrar** | **9,994** | **10,316** | **10,734** |
| (% of net sales) | 595% | 602% | 606% |
| **Energy** | **3,440** | **3,540** | **3,660** |
| (% of net sales) | 205% | 207% | 207% |
| **Biuld Materials** | **1,679** | **1,714** | **1,772** |
| (% of net sales) | 11% | 11% | 11% |
| **Others** | **87** | **88** | **89** |
| (% of net sales) | 0.6% | 0.6% | 0.5% |
| **Total net sales** | **15,201** | **15,658** | **16,255** |

Source: Dr. Kalliwoda International Research GmbH © 2015

# 5 Profit and loss statements

| Profit and loss statement - BayWa | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Fiscal year | | | | | | | |
| Figures in EURm | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014E | 2015E |
| **Revenue split** | | | | | | | | |
| *Agriculture* | 4,049 | 3,270 | 3,505 | 4,259 | 5,052 | 10,749 | 9,994 | 10,316 |
| *Energy* | 2,463 | 1,837 | 2,359 | 3,112 | 3,677 | 3,496 | 3,440 | 3,540 |
| *Building Materials* | 1,786 | 1,776 | 1,903 | 2,066 | 1,740 | 1,703 | 1,679 | 1,714 |
| *Others* | 497 | 377 | 136 | 149 | 62 | 10 | 87 | 88 |
| ***Total reveues*** | **8,795** | **7,260** | **7,903** | **9,586** | **10,531** | **15,958** | **15,201** | **15,658** |
| *Change of inventories* | -49 | -14 | 75 | 89 | 39 | 27 | 52 | 73 |
| *Capitalised items* | 0 | 0 | 2 | 2 | 5 | 2 | 5 | 5 |
| ***Total output*** | **8,858** | **7,376** | **8,107** | **9,806** | **10,780** | **16,247** | **15,522** | **16,005** |
| *Cost of goods sold* | -7,666 | -6,244 | -6,937 | -8,503 | -9,355 | -14,668 | -13,935 | -14,283 |
| ***Gross profit*** | **1,129** | **1,016** | **966** | **1,083** | **1,176** | **1,290** | **1,266** | **1,375** |
| *Other operating income* | 113 | 130 | 127 | 129 | 205 | 260 | 265 | 270 |
| *Personnel costs* | -607 | -619 | -633 | -679 | -718 | -781 | -797 | -813 |
| *Depreciation & amortisation* | -96 | -94 | -99 | -102 | -119 | -138 | -140 | -142 |
| *Other operating expenses* | -338 | -318 | -329 | -381 | -419 | -469 | -503 | -579 |
| ***Operating income*** | **151** | **115** | **129** | **149** | **187** | **222** | **147** | **188** |
| *Net financial result* | -47 | -27 | -22 | -42 | -46 | -54 | -35 | -36 |
| ***EBT*** | **104** | **89** | **107** | **108** | **141** | **168** | **112** | **152** |
| *Income taxes* | -27 | -16 | -20 | -28 | -5 | -47 | -28 | -38 |
| *Minorities* | -18 | -12 | -16 | -19 | -21 | -23 | -12 | -17 |
| ***Net income / loss*** | **59** | **60** | **71** | **61** | **116** | **98** | **72** | **97** |
| *EPS* | 1.76 | 1.36 | 1.51 | 1.56 | 2.88 | 2.93 | 2.15 | 2.90 |
| *DPS* | 0.06 | 0.50 | 0.60 | 0.65 | 1.15 | 1.17 | 0.86 | 1.16 |
| ***Change y-o-y*** | | | | | | | | |
| *Revenue split* | | | | | | | | |
| *Agriculture* | n.a | -19.24% | 7.20% | 21.51% | 18.62% | 112.76% | -7.02% | 3.22% |
| *Energy* | n.a | -25.38% | 28.36% | 31.94% | 18.16% | -4.91% | -1.60% | 2.90% |
| *Building Materials* | n.a | -0.55% | 7.15% | 8.54% | -15.74% | -2.14% | -1.40% | 2.05% |
| *Others* | n.a | -24.22% | -63.85% | 9.63% | -58.49% | -84.35% | 800.00% | 1.00% |
| *Total reveues* | n.a | -17.45% | 8.85% | 21.29% | 9.86% | 51.53% | -4.74% | 3.01% |
| *Change of inventories* | n.a | -70.56% | -618.17% | 18.46% | -56.10% | -29.60% | 88.65% | 40.51% |
| *Total output* | n.a | -16.74% | 9.91% | 20.95% | 9.94% | 50.71% | -4.46% | 3.11% |
| *Cost of goods sold* | n.a | -18.55% | 11.10% | 22.57% | 10.02% | 56.79% | -5.00% | 2.50% |
| *Gross profit* | n.a | -9.95% | -4.95% | 12.08% | 8.63% | 9.65% | -1.81% | 8.57% |
| *Other operating income* | n.a | 15.04% | -2.31% | 1.57% | 58.91% | 26.67% | 1.93% | 1.89% |
| *Personnel costs* | n.a | 1.98% | 2.26% | 7.27% | 5.74% | 8.83% | 2.00% | 2.00% |
| *Depreciation & amortisation* | n.a | -1.90% | 5.26% | 2.87% | 16.47% | 16.35% | 1.37% | 1.35% |
| *Other operating expenses* | n.a | -5.92% | 3.46% | 15.81% | 9.84% | 12.13% | 7.26% | 15.00% |
| *Operating income* | n.a | -23.68% | 11.70% | 15.75% | 25.20% | 18.76% | -33.74% | 28.03% |
| *Net financial result* | n.a | -42.73% | -19.31% | 92.09% | 9.40% | 17.54% | -35.00% | 3.00% |
| *EBT* | n.a | -15.10% | 21.12% | 0.30% | 31.33% | 19.16% | -33.34% | 35.80% |
| *Income taxes* | n.a | -41.45% | 27.75% | 39.15% | -83.50% | 920.98% | -40.30% | 35.66% |
| *Minorities* | n.a | -32.89% | 32.88% | 12.97% | 13.32% | 9.99% | -48.05% | 41.67% |
| *Net income / loss* | n.a | 2.40% | 17.00% | -13.64% | 89.15% | -15.06% | -26.55% | 34.88% |
| *EPS* | n.a | -22.99% | 11.09% | 3.43% | 84.45% | 1.85% | -26.55% | 34.88% |
| *DPS* | n.a | 733.33% | 20.00% | 8.33% | 76.94% | 1.85% | -26.55% | 34.88% |
| ***Share in total revenues*** | | | | | | | | |
| *Agriculture* | 46.04 % | 45.04 % | 44.35 % | 44.43 % | 47.97 % | 67.36 % | 65.75 % | 65.88 % |
| *Energy* | 28.00 % | 25.31 % | 29.84 % | 32.46 % | 34.91 % | 21.91 % | 22.63 % | 22.61 % |
| *Building Materials* | 20.31 % | 24.46 % | 24.08 % | 21.55 % | 16.53 % | 10.67 % | 11.05 % | 10.94 % |
| *Others* | 5.65 % | 5.19 % | 1.72 % | 1.56 % | 0.59 % | 0.06 % | 0.57 % | 0.56 % |
| *Total reveues* | 100.00 % | 100.00 % | 100.00 % | 100.00 % | 100.00 % | 100.00 % | 100.00 % | 100.00 % |
| *Change of inventories* | -0.56 % | -0.20 % | 0.95 % | 0.93 % | 0.37 % | 0.17 % | 0.34 % | 0.46 % |
| *Capitalised items* | 0.00 % | 0.00 % | 0.03 % | 0.02 % | 0.05 % | 0.01 % | 0.03 % | 0.03 % |
| *Total output* | 100.73 % | 101.59 % | 102.58 % | 102.29 % | 102.36 % | 101.81 % | 102.11 % | 102.22 % |
| *Cost of goods sold* | -87.17 % | -86.00 % | -87.78 % | -88.71 % | -88.83 % | -91.92 % | -91.67 % | -91.22 % |
| *Gross profit* | 12.83 % | 14.00 % | 12.22 % | 11.29 % | 11.17 % | 8.08 % | 8.33 % | 8.78 % |
| *Other operating income* | 1.28 % | 1.79 % | 1.61 % | 1.35 % | 1.95 % | 1.63 % | 1.74 % | 1.72 % |
| *Personnel costs* | -6.90 % | -8.53 % | -8.01 % | -7.08 % | -6.82 % | -4.90 % | -5.24 % | -5.19 % |
| *Depreciation & amortisation* | -1.09 % | -1.30 % | -1.26 % | -1.07 % | -1.13 % | -0.87 % | -0.92 % | -0.91 % |
| *Other operating expenses* | -3.84 % | -4.38 % | -4.16 % | -3.97 % | -3.97 % | -2.94 % | -3.31 % | -3.70 % |
| *Operating income* | 1.72 % | 1.59 % | 1.63 % | 1.56 % | 1.77 % | 1.39 % | 0.97 % | 1.20 % |
| *Net financial result* | -0.53 % | -0.37 % | -0.27 % | -0.43 % | -0.43 % | -0.34 % | -0.23 % | -0.23 % |
| *EBT* | 1.19 % | 1.22 % | 1.36 % | 1.12 % | 1.34 % | 1.05 % | 0.74 % | 0.97 % |
| *Income taxes* | -0.30 % | -0.22 % | -0.25 % | -0.29 % | -0.04 % | -0.29 % | -0.18 % | -0.24 % |
| *Minorities* | -0.21 % | -0.17 % | -0.21 % | -0.19 % | -0.20 % | -0.14 % | -0.08 % | -0.11 % |
| *Net income / loss* | 0.67 % | 0.83 % | 0.90 % | 0.64 % | 1.10 % | 0.62 % | 0.47 % | 0.62 % |

Source: Dr. Kalliwoda International Research GmbH © 2015

# 6 Balance sheets

| Balance sheet - BayWa | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Fiscal year | | | | | | | |
| Figures in EURm | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014E | 2015E |
| **Assets** | | | | | | | | |
| Inventories | 1,101 | 905 | 1,062 | 1,165 | 1,433 | 1,836 | 1,985 | 2,035 |
| Trade receivables | 455 | 363 | 437 | 515 | 621 | 702 | 916 | 944 |
| Tax receivables | 13 | 11 | 21 | 43 | 50 | 65 | 68 | 70 |
| Other receivables | 168 | 207 | 226 | 227 | 254 | 403 | 380 | 391 |
| Securities and other financial assets | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 |
| Cash & cash equivalents | 16 | 20 | 28 | 87 | 85 | 92 | 88 | 124 |
| **Current assets** | **1,755** | **1,507** | **1,777** | **2,040** | **2,445** | **3,100** | **3,441** | **3,567** |
| Property, plant and equipment | 908 | 943 | 917 | 1,110 | 1,068 | 1,074 | 1,110 | 1,130 |
| Assets-for-sale | 5 | 5 | 49 | 259 | 233 | 0 | 0 | 0 |
| At-Equity shareholdings | 11 | 38 | 46 | 17 | 93 | 102 | 103 | 106 |
| Financial assets | 237 | 267 | 284 | 274 | 325 | 408 | 388 | 400 |
| Other assets | 23 | 22 | 24 | 25 | 42 | 46 | 44 | 45 |
| Intangible assets | 35 | 66 | 64 | 119 | 140 | 157 | 150 | 154 |
| Goodwill | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred tax assets | 91 | 91 | 92 | 70 | 113 | 128 | 122 | 126 |
| **Non-current assets** | **1,310** | **1,432** | **1,476** | **1,873** | **2,012** | **1,915** | **1,916** | **1,961** |
| **Total assets** | **3,066** | **2,939** | **3,253** | **3,913** | **4,457** | **5,015** | **5,357** | **5,528** |
| **Liabilities** | | | | | | | | |
| Tax payables | 33 | 30 | 39 | 57 | 53 | 77 | 73 | 75 |
| Pension provisions | 27 | 27 | 28 | 28 | 30 | 29 | 30 | 31 |
| Other provisions | 113 | 98 | 106 | 116 | 136 | 145 | 165 | 205 |
| Short-term financial debt | 735 | 591 | 538 | 584 | 894 | 1,132 | 1,157 | 1,197 |
| Trade payables | 511 | 463 | 549 | 750 | 761 | 767 | 1,096 | 1,115 |
| Other liabilities | 86 | 81 | 73 | 79 | 73 | 265 | 252 | 260 |
| **Current liabilities** | **1,506** | **1,290** | **1,334** | **1,615** | **1,947** | **2,414** | **2,774** | **2,884** |
| Pension provisions | 399 | 398 | 397 | 388 | 520 | 512 | 488 | 502 |
| Other provisions | 64 | 67 | 64 | 76 | 88 | 86 | 82 | 85 |
| Financial and leasing debt | 44 | 76 | 271 | 570 | 649 | 629 | 605 | 585 |
| Long-term trade payables | 41 | 44 | 45 | 0 | 4 | 3 | 3 | 3 |
| Other liabilities | 4 | 4 | 2 | 13 | 11 | 26 | 25 | 26 |
| Deferred tax liabilities | 92 | 104 | 100 | 101 | 126 | 163 | 141 | 112 |
| Liabilities from assets-for-sale | 0 | 0 | 33 | 82 | 27 | 0 | 0 | 0 |
| **Long-term liabilities** | **645** | **692** | **914** | **1,230** | **1,425** | **1,419** | **1,344** | **1,313** |
| **Total liabilities** | **2,151** | **1,982** | **2,248** | **2,845** | **3,372** | **3,833** | **4,118** | **4,197** |
| **Shareholder's equity** | **776** | **803** | **838** | **866** | **862** | **914** | **959** | **1,035** |
| Minority interests | 139 | 155 | 167 | 202 | 223 | 268 | 280 | 297 |
| **Total equity and liabilities** | **3,066** | **2,939** | **3,253** | **3,913** | **4,457** | **5,015** | **5,357** | **5,528** |

Source: Dr. Kalliwoda International Research GmbH © 2015

# 7 Cash Flow Statement

| Cash flow statement - BayWa AG | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Fiscal year | | | | | | |
| Figures in EURm | 2009 | 2010 | 2011 | 2012 | 2013 | 2014E | 2015E |
| Net income / loss before minority share deduction | 58 | 67 | 71 | 117 | 121 | 84 | 114 |
| Depreciation & amortisation | 94 | 99 | 102 | 119 | 138 | 140 | 142 |
| Change of working capital | 96 | -131 | -183 | 15 | -32 | -54 | -50 |
| Others | 8 | -29 | 4 | -81 | 29 | 0 | 10 |
| **Net operating cash flow** | **244** | **-9** | **-28** | **150** | **257** | **171** | **216** |
| **CAPEX** | **-128** | **-114** | **-223** | **-194** | **16** | **-149** | **-179** |
| Free cash flow | 116 | -123 | -250 | -44 | 272 | 22 | 37 |
| **Cash flow from financing** | **-113** | **132** | **274** | **37** | **-217** | **-26** | **-1** |
| Change of cash | 4 | 9 | 59 | -2 | 7 | -4 | 36 |
| Cash at the beginning of the period | 16 | 20 | 28 | 87 | 85 | 92 | 88 |
| Cash at the end of the period | 20 | 28 | 87 | 85 | 92 | 88 | 124 |

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# 8 Financial ratios

| Fiscal year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014E | 2015E |
|---|---|---|---|---|---|---|---|
| Gross margin | 15.34% | 14.43% | 13.28% | 13.22% | 9.72% | 10.23% | 10.76% |
| EBITDA margin | 2.89% | 2.89% | 2.62% | 2.90% | 2.26% | 1.89% | 2.11% |
| EBIT margin | 1.59% | 1.63% | 1.56% | 1.77% | 1.39% | 0.97% | 1.20% |
| Net margin | 0.62% | 0.62% | 0.53% | 0.89% | 0.60% | 0.46% | 0.61% |
| Return on equity (ROE) | 5.76% | 6.16% | 6.13% | 11.16% | 11.06% | 7.70% | 9.75% |
| Return on assets (ROA) | 2.46% | 2.22% | 2.40% | 3.19% | 3.03% | 2.00% | 2.41% |
| Return on capital employed (ROCE) | 5.50% | 5.17% | 4.66% | 5.58% | 6.40% | 4.27% | 5.34% |
| Net debt (in EURm) | 1,070.95 | 1,237.45 | 1,564.37 | 2,033.09 | 2,207.11 | 2,189.20 | 2,188.64 |
| Net gearing | 133.39% | 147.59% | 180.73% | 235.93% | 241.44% | 228.17% | 211.48% |
| Equity ratio | 27.32% | 25.77% | 22.12% | 19.33% | 18.23% | 17.91% | 18.72% |
| Current ratio | 1.17 | 1.33 | 1.26 | 1.26 | 1.28 | 1.24 | 1.24 |
| Quick ratio | 0.30 | 0.35 | 0.37 | 0.36 | 0.33 | 0.36 | 0.37 |
| Net interest cover | 4.29 | 5.94 | 3.58 | 4.10 | 4.14 | 4.22 | 5.24 |
| Net debt/EBITDA | 5.11 | 5.42 | 6.22 | 6.65 | 6.13 | 7.62 | 6.62 |
| Book value per share | 23.95 | 25.01 | 25.82 | 25.70 | 27.27 | 28.62 | 30.87 |
| CAPEX/Sales | 1.31% | 1.12% | 3.55% | 1.41% | 1.54% | 0.98% | 1.14% |
| Working capital/Sales | 9.11% | 10.30% | 8.74% | 11.51% | 9.35% | 10.17% | 10.19% |
| | | | | | | | |
| EV/Sales | 0.45 | 0.41 | 0.34 | 0.31 | 0.20 | 0.21 | 0.21 |
| EV/EBITDA | 15.53 | 14.28 | 12.96 | 10.65 | 9.04 | 11.34 | 9.86 |
| EV/EBIT | 28.23 | 25.28 | 21.84 | 17.44 | 14.69 | 22.16 | 17.31 |
| P/BVPS | 1.56 | 1.50 | 1.45 | 1.46 | 1.37 | 1.31 | 1.21 |
| P/E | 27.60 | 24.85 | 24.03 | 13.03 | 12.79 | 17.41 | 12.91 |
| P/FCF | 10.79 | -10.22 | -5.02 | -28.80 | 4.61 | 57.42 | 33.54 |

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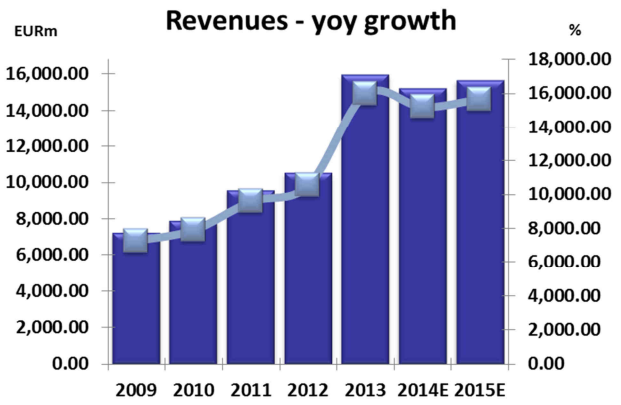


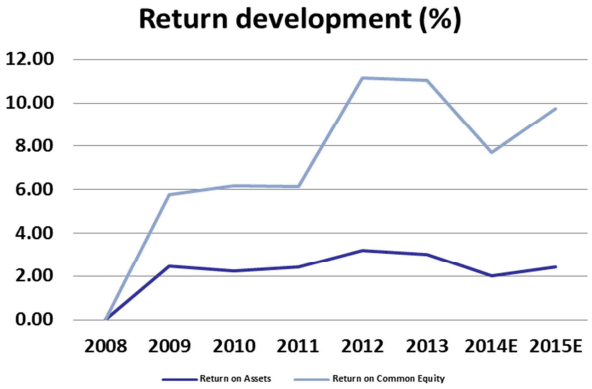


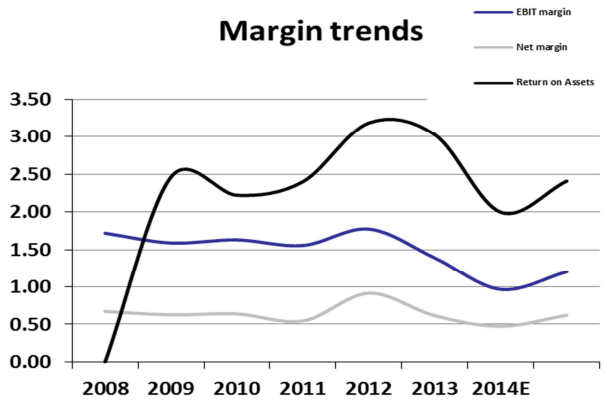


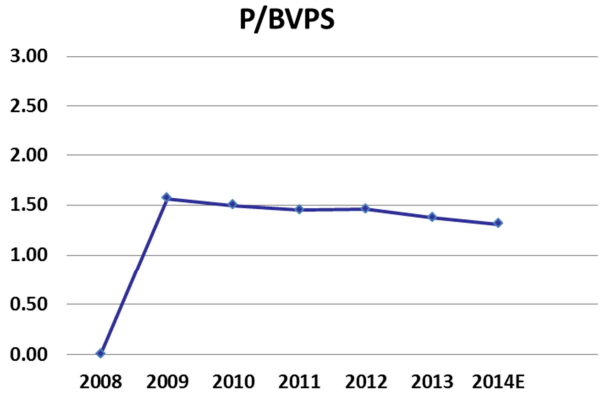


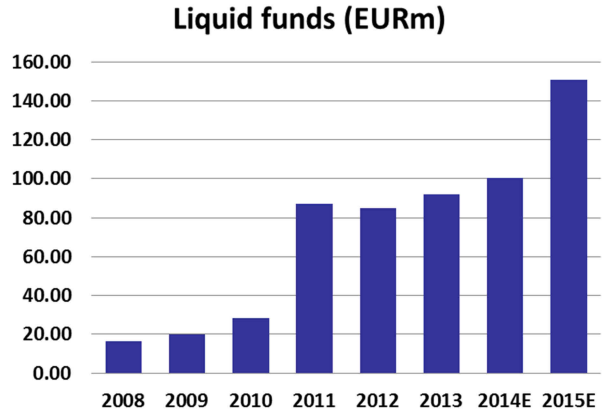


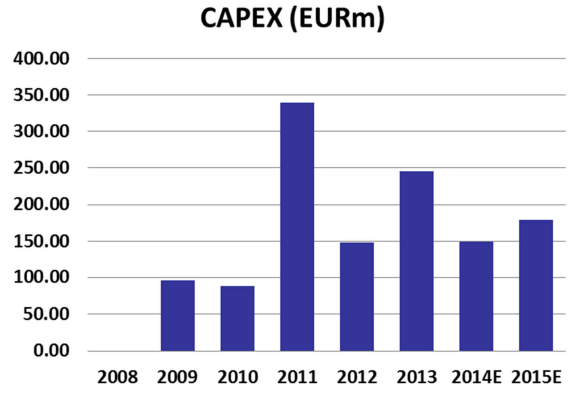


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Company Analysis

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Equity Research

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