

Schloss Wachenheim AG

Germany / Food & beverages
 Primary exchange: Frankfurt
 Bloomberg: SWA GR
 ISIN: DE0007229007

Q2 2024/25 results

RATING
BUY

PRICE TARGET
€ 22.00

Return Potential 54.9%
 Risk Rating Medium

HIGHER VOLUME IN ALL SEGMENTS; EBIT UP 31.5% IN Q2

After a volume decline in all segments in Q1 24/25, volume rose in all segments during the crucial Christmas quarter. The overall number of bottles sold grew 3.8%. Group sales, which rose 4.0% to €154.0m (FBe €159.4m; Q2 23/24: €148.1m), were 3.4% below our forecast. But EBIT of €21.6m (FBe €18.2m Q2 23/24: €16.4m) jumped 31.5%, and was 18.5% above our forecast. EBIT was helped by lower energy costs and the dissolution of restructuring provisions in the France segment, and in the East Central Europe segment by changes in procurement costs as well as the appreciation of the Polish currency. Management now expects sales growth to come in at the lower end of the 5-7% guidance range given in the 2023/24 annual report, but guidance for EBIT and net profit before non-controlling interests stays at €31m-€33m and €20m-€22m respectively. We have made only small changes to our forecasts following the Q2 24/25 results, and we maintain our Buy recommendation and €22 price target.

Germany segment EBIT margin widened to 9.1% (Q2 23/24: 7.7%) Volume in Germany rose 2.9% to 24.7m bottles (Q2 23/24: 24.0m bottles). The volume increase was concentrated on Schloss Wachenheim AG (the non-retail part of the Germany segment) and was driven by a further significant increase in dealcoholised drinks. However, volumes of childrens' party drinks and wine-containing cocktails declined. Overall, volume in the wine retail activities - Rindchen's Weinkontor GmbH & Co. KG, Vino Weinhandels GmbH and the eCommerce-Plattform www.geileweine.de - rose slightly. Changes in the product mix and price rises implemented to compensate for higher wine and raw material costs meant that sales outpaced volume, climbing 6.3% to €48.1m (Q2 23/24: €45.3m). Segment gross profit climbed 9.0% to €20.6m (Q2 23/24: €18.8m), while EBIT rose 26.2% to €4.4m (Q2 23/24: €3.5m).

France segment sales increase in the domestic market France segment volume rose 8.4% to 15.0m bottles (Q2 23/24: 13.8m bottles). (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2020/21	2021/22	2022/23	2023/24E	2024/25E	2025/26E
Revenue (€m)	354.6	384.0	425.8	441.5	463.4	493.6
Y-o-y growth	4.8%	8.3%	10.9%	3.7%	5.0%	6.5%
EBIT (€m)	24.4	29.2	27.4	28.2	33.0	37.7
EBIT margin	6.9%	7.6%	6.4%	6.4%	7.1%	7.6%
Net income (€m)	10.4	13.7	10.9	9.5	11.6	14.3
EPS (diluted) (€)	1.32	1.73	1.38	1.20	1.47	1.80
DPS (€)	0.50	0.60	0.60	0.60	0.70	0.80
FCF (€m)	27.4	4.0	12.6	-2.6	15.8	10.9
Net gearing	26.8%	29.2%	29.4%	36.5%	31.9%	30.2%
Liquid assets (€m)	7.7	7.1	7.5	7.7	9.3	9.9

RISKS

Risks to our price target include, but are not limited to: intensification of price pressure in Germany; currency volatility on the group's East Central Europe markets.

COMPANY PROFILE

Schloss Wachenheim AG is one of the world's largest producers of sparkling wine. The company is the number three producer in its home market of Germany (32% of 2023/24 group sales) and number one in France with a 40% market share. Some 47% of group sales are generated in East Central Europe through the 61%-owned subsidiary, Ambra.

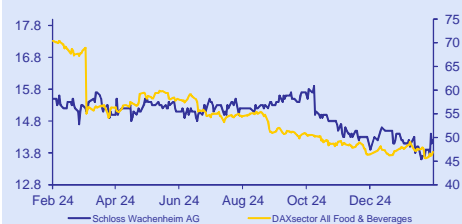
MARKET DATA

As of 21 Feb 2025

Closing Price	€ 14.20
Shares outstanding	7.92m
Market Capitalisation	€ 112.46m
52-week Range	€ 13.60 / 15.90
Avg. Volume (12 Months)	1,150

Multiples	2022/23	2023/24E	2024/25E
P/E	10.3	11.9	9.7
EV/Sales	0.5	0.5	0.5
EV/EBIT	7.9	7.7	6.6
Div. Yield	4.2%	4.2%	4.9%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2024

Liquid Assets	€ 7.73m
Current Assets	€ 270.70m
Intangible Assets	€ 100.96m
Total Assets	€ 506.96m
Current Liabilities	€ 187.04m
Shareholders' Equity	€ 261.50m

SHAREHOLDERS

Günther Reh AG	70.1%
Free float	29.9%



The increase was driven by the domestic market. Sales rose 4.8% to €27.7m (Q2 23/24: €26.4m). Changes in the product mix and higher raw material costs meant that gross profit did not keep pace with sales, rising 1.4% to €10.3m (Q2 23/24: €10.2m). However, segment EBIT jumped to €2.7m (Q2 23/24: €1.0m) helped by lower energy costs and a €0.7m swing in exceptional items in connection with the transfer of production facilities from Wissembourg to Tournan-en-Brie. In Q2 23/24 SWA booked a restructuring provision of €265k, but in Q2 24/25 the partial dissolution of provisions taken during 2023/24 boosted EBIT by €454k.

Figure 1: Q1 24/25 results versus our forecasts

€m	Q2 24/25A	Q2 24/25E	Δ	Q2 23/24A	Δ
Sales	154.01	159.37	-3.4%	148.13	4.0%
by region:					
Germany	48.10	48.88	-1.6%	45.26	6.3%
France	27.71	27.50	0.8%	26.44	4.8%
East Central Europe	82.11	85.40	-3.8%	79.07	3.8%
Eliminations	-3.92	-2.40	n.a.	-2.64	n.a.
EBIT	21.58	18.21	18.5%	16.41	31.5%
margin (%)	14.0%	11.4%	-	11.1%	-
by region					
Germany	4.37	4.40	-0.6%	3.47	26.1%
margin (%)	9.1%	9.0%	-	7.7%	-
France	2.66	1.10	142.2%	0.99	169.1%
margin (%)	9.6%	4.0%	-	3.7%	-
East Central Europe	14.78	12.81	15.4%	12.04	22.7%
margin (%)	18.0%	15.0%	-	15.2%	-
Other/eliminations	-0.24	-0.10	n.a.	-0.09	n.a.
Net profit before non-controlling interests	15.41	12.21	26.2%	11.57	33.2%
Net profit after non-controlling interests	9.58	6.71	42.8%	6.45	48.5%
EPS (€)	1.21	0.85	42.8%	0.81	48.5%

Source: SWA; First Berlin Equity Research estimates

East Central Europe EBIT rose 22.7% helped by currency strength and product mix changes

Volume in East Central Europe climbed 4.8% to 39.4m bottles (Q2 23/24: 37.6m bottles). Poland was responsible for most of the volume increase, with growth stemming particularly from the sparkling, dealcoholised sparkling, and childrens' party drink categories. Volume also grew in Romania, driven by still wine and wine-containing cocktails. Volume was down in the Czech Republic and Slovakia however, due mainly to lower business in sparkling and childrens' party drinks. Despite support from positive currency effects, sales did not quite keep pace with volume, climbing 3.8% to €82.1m (Q2 23/24: €79.1m). A shift in the product mix had a negative impact on sales, but together with the impact of the strong Polish currency (PLNEUR up 2.5% y-o-y) and changes in procurement costs, pushed gross profit 13.4% ahead to €34.5m (Q2 23/24: €30.4m). Despite higher advertising, freight, IT and personnel costs, segment EBIT jumped 22.7% to €14.8m (Q2 23/24: €12.0m).



End December 2024 net gearing at 40.1% (December 2023: 35.9%) Net profit before non-controlling interests climbed 33.2% to €15.4m in Q2 24/25 (Q2 23/24: €11.6m). However, cashflow before changes in working capital rose only 3.1% to €19.7m (Q2 23/24: €19.0m) due mainly to a €-2.6m swing in other non-cash items. Operating cashflow fell 18.0% to €6.6m (Q2 23/24: €8.0m) as working capital cash consumption climbed 18.4% to €13.1m (Q2 23/24: €11.0m). Cash outflow from investing climbed 12.5% to €5.1m (Q2 23/24: €4.6m). As in the prior year period, investment in Q2 24/25 was concentrated on the transfer of production capacity within France from Wissembourg to Tournan-en-Brie, and the modernisation and expansion of production capacity at Bilgoraj in Poland. SWA also invested in new software in Germany and East Central Europe. Free cashflow came in at €1.4m (Q2 23/24: €3.4m). Dividend payments to SWA shareholders and minority shareholders in the Polish subsidiaries amounted to €4.8m and €4.5m respectively (Q2 23/24: €4.8m and €4.0m respectively). Net debt including leasing and pension liabilities rose during the quarter by €10.1m to €104.8m, equivalent to net gearing of 40.1% (Q2 23/24: net debt including pension liabilities of €89.5m and net gearing of 35.9%).

Figure 2: Changes to our forecasts

All figures in €m	2024/25E			2025/26E		
	old	new	Δ	old	new	Δ
Sales	470.87	463.40	-1.6%	498.43	493.61	-1.0%
by region:						
Germany	153.10	154.80	1.1%	157.69	164.09	4.1%
France	97.86	96.90	-1.0%	100.79	100.77	0.0%
East Central Europe	227.42	219.08	-3.7%	247.88	236.60	-4.6%
Eliminations	-7.50	-7.38	-	-7.94	-7.86	-
EBIT	32.06	32.96	2.8%	36.32	37.72	3.8%
Margin	6.8%	7.1%	-	7.3%	7.6%	-
by region:						
Germany	4.59	5.35	16.5%	3.94	5.74	45.7%
margin (%)	3.0%	3.5%	-	2.5%	3.5%	-
France	3.52	2.90	-17.6%	5.04	5.04	0.0%
margin (%)	3.6%	3.0%	-	5.0%	5.0%	-
East Central Europe	23.88	24.95	4.5%	27.27	27.21	-0.2%
margin (%)	10.5%	11.4%	-	11.0%	11.5%	-
Eliminations	0.07	-0.24	n.a.	0.07	-0.27	n.a.
Net profit before non-controlling interests	21.16	21.15	0.0%	24.81	24.62	-0.8%
Net profit after non-controlling interests	12.03	11.65	-3.1%	14.38	14.26	-0.9%
EPS €	1.52	1.47	-3.1%	1.82	1.80	-0.9%

Source: First Berlin Equity Research estimates

Buy recommendation maintained at unchanged price target of €22 We have made only small changes to our group forecasts following the Q2 23/24 results. In addition to the downward trend in inflation rates, consumers' loss of purchasing power is increasingly being offset by wage and salary increases. We expect this to feed through to a further improvement in consumer sentiment. We maintain our Buy recommendation and price target of €22.



DCF MODEL

All figures in EUR 000s	2024/25E	2025/26E	2026/27E	2027/28E	2028/29E	2029/30E	2030/31E	2031/32E	2032/33E	2033/34E	2034/35E
Net sales	463,400	493,610	520,063	546,577	574,860	605,044	637,273	671,700	704,797	735,931	768,673
NOPLAT	25,521	29,098	31,009	33,014	34,030	35,024	35,988	36,910	39,056	41,049	42,982
+ depreciation & amortisation	-16,963	-17,945	-18,777	-19,598	-20,468	-21,392	-22,372	-23,412	-24,390	-25,283	-26,216
Net operating cash flow	42,484	47,043	49,786	52,612	54,498	56,416	58,360	60,322	63,446	66,333	69,198
- total investments (CAPEX and WC)	-22,055	-31,480	-29,082	-29,988	-28,930	-33,013	-34,428	-35,910	-36,080	-35,243	-37,102
Capital expenditures	-21,042	-22,590	-21,713	-22,206	-20,629	-24,154	-24,970	-25,807	-26,014	-26,090	-27,476
Working capital	-1,013	-8,890	-7,368	-7,781	-8,300	-8,858	-9,458	-10,104	-10,066	-9,153	-9,625
Free cash flows (FCF)	20,429	15,563	20,704	22,624	25,569	23,403	23,932	24,412	27,366	31,090	32,096
PV of FCFs	19,730	13,600	16,369	16,184	16,549	13,705	12,680	11,703	11,870	12,201	11,396

All figures in EUR 000s	
PV of FCFs in explicit period (2023/24-2034/35)	155,985
PV of FCFs in terminal period	165,148
Enterprise value (EV)	321,133
Average net debt (most recent four quarters)	-93,970
Investments / minority interests	-52,909
Shareholder value	174,254
Fair value per share in EUR	22.00

WACC	10.5%
Cost of equity	12.7%
Pre-tax cost of debt	5.0%
Tax rate	23.0%
After-tax cost of debt	3.9%
Share of equity capital	75.0%
Share of debt capital	25.0%
Price target in EUR	22.00

WACC	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
9.0%	28.70	29.57	30.55	31.67	32.97	34.48	36.26
9.5%	25.63	26.33	27.11	28.00	29.02	30.19	31.56
10.0%	22.91	23.47	24.10	24.81	25.61	26.53	27.58
10.5%	20.47	20.93	21.44	22.00	22.64	23.36	24.18
11.0%	18.29	18.66	19.07	19.52	20.03	20.60	21.24
11.5%	16.32	16.62	16.95	17.31	17.72	18.17	18.68
12.0%	14.53	14.78	15.04	15.34	15.66	16.02	16.42



INCOME STATEMENT

All figures in €000s	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25E	FY 25/26E
Revenues	354,584	383,975	425,753	441,505	463,400	493,610
Change in inventories	-1,959	3,307	12,856	-1,241	0	0
Cost of materials	-198,789	-220,798	-259,676	-256,692	-266,455	-283,826
Gross Profit	153,836	166,484	178,933	183,572	196,945	209,784
Other operating income	4,323	4,027	5,065	6,747	5,097	5,430
Personnel expenses	-60,225	-61,505	-64,801	-72,623	-74,144	-78,978
Depreciation	-15,151	-15,841	-17,087	-18,116	-16,963	-17,945
Restructuring France	0	0	-4,446	-837	0	0
Other operating expenses	-58,359	-63,980	-70,288	-70,553	-77,976	-80,572
Operating Income (EBIT)	24,424	29,185	27,376	28,190	32,960	37,719
Associates	77	317	236	329	298	200
Net interest income	-1,509	-1,807	-3,156	-5,371	-5,945	-6,004
Pretax profit (EBT)	22,992	27,695	24,456	23,148	27,313	31,915
Taxes	-5,339	-6,480	-5,432	-4,683	-6,165	-7,295
Net profit before non-controlling interests	17,653	21,215	19,024	18,465	21,148	24,621
Non-controlling interests	-7,227	-7,484	-8,119	-8,992	-9,500	-10,361
Net profit after non-controlling interests	10,426	13,731	10,905	9,473	11,648	14,260
EPS (€)	1.32	1.73	1.38	1.20	1.47	1.80
EBITDA	39,575	45,026	44,463	46,306	49,923	55,664
Ratios						
Gross margin	43.4%	43.4%	42.0%	41.6%	42.5%	42.5%
EBITDA margin on revenues	11.2%	11.7%	10.4%	10.5%	10.8%	11.3%
EBIT margin on revenues	6.9%	7.6%	6.4%	6.4%	7.1%	7.6%
Net margin on revenues	5.0%	5.5%	4.5%	4.2%	4.6%	5.0%
Tax rate	23.2%	23.4%	22.2%	20.2%	22.6%	22.9%
Expenses as % of revenues						
Personnel costs	-17.0%	-16.0%	-15.2%	-16.4%	-16.0%	-16.0%
Depreciation	-4.3%	-4.1%	-4.0%	-4.1%	-3.7%	-3.6%
Other operating expenses	-16.5%	-16.7%	-16.5%	-16.0%	-16.8%	-16.3%
Y-Y Growth						
Revenues	4.8%	8.3%	10.9%	3.7%	5.0%	6.5%
Operating income	28.8%	19.5%	-6.2%	3.0%	16.9%	14.4%
Net profit before non-controlling interests	35.9%	20.2%	-10.3%	-2.9%	14.5%	16.4%



BALANCE SHEET

All figures in €000s	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25E	FY 25/26E
Assets						
Current assets, total	179,147	203,784	232,287	238,622	242,857	258,689
Cash and cash equivalents	7,680	7,133	7,457	7,673	9,268	9,872
Other receivables and short-term assets	9,093	8,610	6,214	9,747	10,230	10,897
Trade accounts and notes receivables	53,753	59,335	64,370	71,036	70,437	75,029
Inventories	108,621	128,706	154,246	150,166	152,922	162,891
Non-Current Assets, total	198,884	204,833	212,434	231,659	235,348	240,284
Property, plant and equipment	97,513	103,845	110,405	124,673	128,460	130,911
Goodwill + intangible assets	96,082	95,225	95,701	99,780	100,072	102,266
Other financial assets	3,709	3,889	4,230	5,128	5,426	5,626
Deferred taxes + prepaid expenses	1,580	1,874	2,098	2,078	1,390	1,481
Long term assets for sale	0	0	0	0	0	0
Total Assets	378,031	408,617	444,721	470,281	478,206	498,973
Shareholders' equity & debt						
Current Liabilities, total	115,034	132,501	152,177	156,604	154,751	160,687
Current provisions	7,422	6,562	8,333	8,690	9,317	9,826
Short-term financial debt	28,849	36,238	44,543	57,536	53,686	53,134
Trade payables	44,734	55,158	61,953	56,550	59,354	63,224
Prepayments, deferred charges & other liabilities	34,029	34,543	37,348	33,828	32,392	34,504
Long term liabilities, total	48,003	49,715	51,360	60,958	54,987	56,510
Long-term financial debt	34,121	34,849	31,832	40,349	39,247	39,929
Pension accruals and similar liabilities	2,405	2,150	1,936	1,982	2,101	2,227
Other long-term debt	1,095	1,138	5,291	5,217	5,476	5,833
Deferred taxes	10,382	11,578	12,301	13,410	8,163	8,522
Shareholders' equity	174,547	183,479	191,718	197,448	203,697	206,644
Minority interests	40,447	42,922	49,466	55,271	64,771	75,132
Total shareholders' equity & debt	378,031	408,617	444,721	470,281	478,206	498,973
Ratios						
Current ratio (x)	1.56	1.54	1.53	1.52	1.57	1.61
Quick ratio (x)	0.61	0.57	0.51	0.56	0.58	0.60
Financial leverage (including pension liabilities)	26.8%	29.2%	29.4%	36.5%	31.9%	30.3%
Book value per share (€)	22.04	23.16	24.20	24.92	25.71	26.07
Net debt (including pension liabilities)	57,695	66,104	70,854	92,194	85,766	85,417
Return on equity (ROE)	5.0%	6.2%	4.7%	3.8%	4.5%	5.2%



CASH FLOW STATEMENT

All figures in €000s	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25E	FY 25/26E
Net profit before minorities	17,653	21,215	19,024	18,465	21,148	24,625
Depreciation and amortisation	15,151	15,841	17,087	18,116	16,963	17,945
Change in working capital	10,867	-14,422	-16,962	-18,485	-1,013	-8,890
Other	-1,015	-716	7,276	2,016	-298	-200
Operating cash flow	42,656	21,918	26,425	20,112	36,800	33,481
CAPEX	-18,165	-18,389	-14,314	-23,262	-21,042	-22,590
Fixed asset sales	2,862	500	930	545	0	0
Investing cash flow	-15,303	-17,889	-13,834	-22,717	-21,042	-22,590
Free cash flow	27,353	4,029	12,591	-2,605	15,758	10,890
Change in financial liabilities	-19,377	3,603	-4,414	11,636	-4,912	165
Dividends to shareholders	-3,168	-3,960	-4,752	-4,752	-4,752	-5,544
Dividends to subsidiaries of minorities	-3,048	-4,382	-3,152	-4,019	-4,499	-4,907
Other	0	0	0	0	0	0
Financing cash flow	-25,593	-4,739	-12,318	2,865	-14,163	-10,286
Change in cash	1,760	-710	723	260	1,595	604
Consolidation; exchange rate effects	-95	163	-399	-44	0	0
Liquid funds, start of the year	6,015	7,680	7,133	7,457	7,673	9,268
Liquid funds, end of the year	7,680	7,133	7,457	7,673	9,268	9,872
Free cash flow per share (€)	3.45	0.51	1.59	-0.33	1.99	1.38
Y-Y growth						
Operating cash flow	229.2%	-48.6%	20.6%	-23.9%	83.0%	-9.0%
Free cash flow	11589.3%	-85.3%	212.5%	n.a.	n.a.	-30.9%
Financial cash flow	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	19 July 2007	€10.00	Hold	€10.75
2...58	↓	↓	↓	↓
59	27 February 2023	€15.50	Buy	€21.00
60	11 May 2023	€15.80	Buy	€22.00
61	26 September 2023	€16.40	Buy	€22.00
62	13 November 2023	€16.80	Buy	€22.00
63	26 February 2024	€15.50	Buy	€22.00
64	13 May 2024	€15.10	Buy	€22.00
65	30 September 2024	€15.60	Buy	€22.00
66	11 November 2024	€15.00	Buy	€22.00
67	Today	€14.20	Buy	€22.00

INVESTMENT HORIZON

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

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