EDISON

Scale research report - IPO

Veganz

Consumer

9 November 2021

Planting growth

Veganz believes it is the largest brand of purely plant-based food in Europe, with a multicategory range of products spanning ambient, chilled and frozen food. It is mainly focused on the DACH region and is looking to expand by growing organically with its existing retail customers as demand for its products increases, but also by bringing more of its production in-house. Veganz's November 2021 IPO (net proceeds to company c €31m) seeks to capitalise on current growth in plant-based products, with plans to build a second manufacturing site, which should help improve company gross margins and catalyse further top-line growth.

Alternative proteins are a long-term trend

Alternative proteins started as a consumer fad but advances in food manufacturing and technology have made plant-based foods more palatable, allowing them to move from a niche offering aimed solely at vegan/vegetarian consumers, to a much wider platform encompassing flexitarians and those who wish to reduce consumption of traditional protein, for health or ethical reasons. Global food manufacturers have taken note and are updating their product lines to include alternative proteins. Veganz believes it is the largest brand for plant-based food in Europe and its broad offering should allow it to build a credible platform.

Sales growth to lead to profitability

Veganz has grown its revenue at a CAGR of 24% in FY18–20, while reducing its adjusted EBITDA losses from -13.4% to -7.7% of sales. The management expects growth of 12% in FY21 as it increasingly penetrates its existing stronghold of the DACH region and continues to expand further afield. As the company expands its customer base and builds another production facility, gross margins are expected to improve, although it may take longer for EBITDA margins to turn positive, depending on how fast capacity can be filled.

Valuation: Strong sales growth expected

Consensus forecasts are not yet available. There are few direct listed peers, but we compare Veganz's valuation to a range of food manufacturers, both within vegan/alternative protein markets and in the European small and mid-cap food space. Veganz's FY21e EV/sales multiple of 2.4x is between the average for both groups, 6.3x and 1.3x, respectively. Veganz had higher revenue growth on average than most of its peers for FY20 and FY21e, although it lagged the newer and more disruptive players. Veganz remains loss making, like its more direct peers.

Historical figures

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/18	17.4	(3.9)	N/A	0.0	N/A	N/A
12/19	23.9	(4.7)	N/A	0.0	N/A	N/A
12/20	26.8	(5.1)	N/A	0.0	N/A	N/A

Source: Veganz

Price	€87
Market cap	€106m

Share details

Code	VEZ
Listing	Deutsche Börse Scale
Shares in issue	1.223m
Reported net debt as at 30 June 2021	€2.069m

Business description

Veganz is a multi-category provider of purely plant-based food products: it develops, produces, markets and distributes plant-based foods under its own brand, Veganz. It currently has a product range of some 100 products, spanning ambient, chilled and frozen food.

Bull

- Vegan and alternative protein segment has strong consumer appeal.
- Multi-category offering allows it to offer a broad selection of products hence leveraging its brand.
- Bringing more production in-house with a second production site should help to expand gross margins.

Bear

- Premium food products are more sensitive to economic growth.
- Veganz brand name is yet to be established across some geographies that are targeted for growth.
- The company is still loss-making and consumes cash.

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Edison profile page

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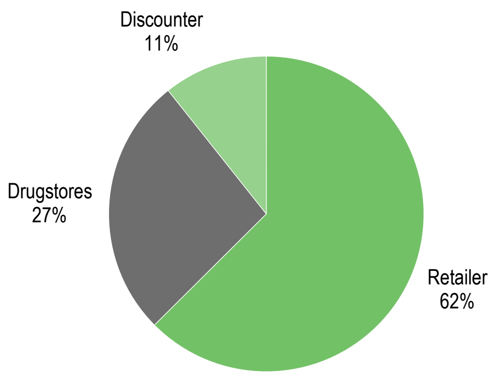
Company description: Plant-based food

Berlin-based Veganz is a multicategory provider of purely plant-based food products: it develops, produces, markets and distributes plant-based foods under its own brand, Veganz. It has a product range of some 120 products, spanning ambient, chilled and frozen food, covering a number of food categories. The top three categories during H121 were pastry, cheese alternatives and pizza, accounting for c 40% of revenues. The company is present in a number of markets, particularly in Europe, but the DACH region represents the vast majority of revenues (93% in FY20). Its products are sold through a wide range of stores (including three of its own) with over 22,000 points of sale (POS).

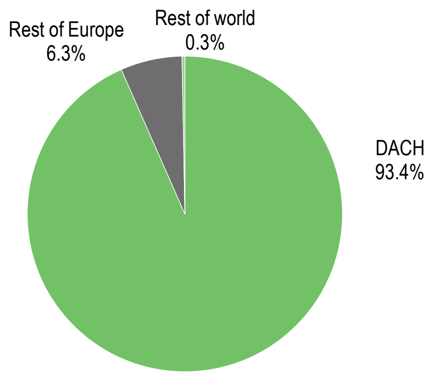
Revenues by segment and geography

Exhibit 1: Revenues by segment (FY20)



Source: Veganz

Exhibit 2: Revenues by geography (FY20)



Source: Veganz

History: Early mover focusing purely on plant-based food

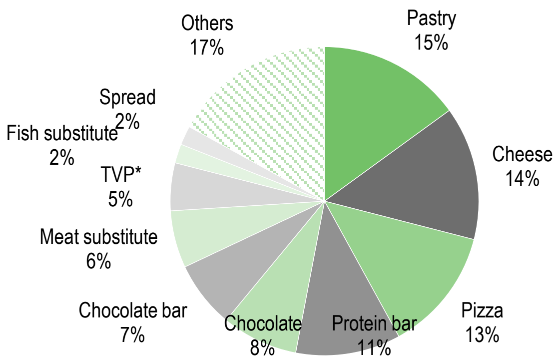
Veganz was founded in 2011 by Jan Bredack, a few years after he adopted a vegan lifestyle. The initial goal was to build a leading chain of supermarkets throughout Europe that would sell only plant-based food. The first supermarkets opened in Berlin and other major German cities and allowed the company to forge business relationships with the 15 leading international manufacturers in the plant-based space. Veganz was thus able to establish a strong supplier and retail network, which is still growing. In 2015, Veganz started selling its own Veganz-branded products in the stores of leading German retailers. As this strategy gained traction, having its own stores lost relevance and hence the company reduced its number of stores considerably, with only three own stores still open today, all in Berlin.

Veganz listed on the Scale segment of the Deutsche Börse on 10 November 2021. In total 547,120 shares were placed at a price of €87/share, versus the offered price range of €85–110, representing gross proceeds of €47.6m and gross primary proceeds to the company of €33.8m (net around €31m). With 1,223,399 shares in issue after the initial public offering (IPO), the free float is 67.9% and Veganz's market value is €106.4m. Assuming the greenshoe option is used (up to 15%), Jan Bredack will control 17.95% of the total outstanding shares. The funds raised will be applied to building a new production site, c 35%; organic growth (including R&D, marketing etc), c 40%; other investments, such as IP rights, new products, c 15%; and general corporate purposes such as refinancing working capital requirements and general operating expenses, c 10%.

A multi-category brand

Veganz's aim is to be a full-range supplier of vegan foods, across multiple categories. As a full-range supplier, management believes its breadth and distribution will support expansion of the brand's recognition and consumers will increasingly choose Veganz over the competition, as they get to know and recognise the brand. We note Veganz already has an unsupported brand awareness in Germany of 25% (according to Civey brand monitoring May 2021). Presence across categories enables the company to better service the retailers and have a more complete offering, and also helps to insulate performance from fluctuations in single product categories. At present, Veganz has around 100 active products across seven broad categories, which makes it the only vegan food brand that spans multiple categories in the DACH region. The portfolio is reshaped and adjusted at regular intervals to ensure the offering does not exceed c 120 products, such that all products on offer remain relevant to the consumer. Veganz's offering was historically in the ambient channel, given its historical strong position in drugstores. More recently, the offering has been widened to include the chilled and frozen channels. This has enabled Veganz to expand its customer base to a wider retail audience, including the discounters. In addition, its broad product offering enables it to more easily identify the latest food trends, hence improving its agility in terms of new product development. Its three owned stores still act as brand-builders for the Veganz brand, and as testing grounds for new products and for picking up new consumer trends and interests. We illustrate Veganz's main categories below and note that snacking still accounts for a relatively large portion of its offering.

Exhibit 3: Veganz sales by category (FY20)



Source: Veganz. Note: *TVP = textured vegetable protein.

Sustainable credentials

Veganz believes it has a pioneering position in sustainability and climate transparency in the food segment. It helped to develop the 'Eaternity' score (a sustainability score displayed on each product, including the sustainability of its packaging, which is awarded by an independent Swiss company), and was the first company to display it on its packaging. Veganz believes in reducing the overall carbon footprint of its products and hence it is an early adopter of compostable packaging in the refrigerated segment that looks and feels like plastic. The company tracks its entire production value chain based on its carbon footprint. This also allows Veganz to fully showcase its credentials and become a distinctive brand, thus tempting more occasional consumers into its categories, as the 'Eaternity' score is displayed on all its products.

Strategy: Market, product and manufacturing expansion

Veganz's aim is to expand its business organically, but also to accelerate further expansion, geographically, across product categories, and increase its offering with existing customers.

- **Organic growth**: management believes the business can benefit from structural consumer trends, including an increasing awareness of the role of plant-based food as part of a vegetarian or flexitarian diet, and a rising focus on sustainability.

- **Manufacturing expansion:** as the business has grown, there is scope to bring production in-house. The first company-owned (small-scale) production facility began operating in September 2020, and a second production facility is now planned for soft cheese alternatives, which should help to improve gross profit margins. The second production facility will be much larger (10,000 sq m) than the first and will produce plant-based fish, textured protein and cheese alternatives. The facility is expected to start production during 2022 and be operating at full capacity by 2026, although capacity can be expanded if required, for example by adding more production shifts. We note that at present the building complex has been rented, but planning permission is being sought to turn the building into a production site. A legal planning opinion (Planungsrechtliche Stellungnahme) has been obtained, which is an important pre-approval, with which the production installation can start.
- **Point of sale expansion:** currently not all retail customers stock Veganz's entire range across their store portfolio, thus providing an obvious opportunity for growth. Veganz sells its products in three key channels: (1) B2B retailers, which span the full range from traditional food retail such as Coop and Edeka, to discounters such as Lidl and Aldi, and drugstore chains such as dm, REWE, Budnikowsky and Rossman. Veganz also sells to online platforms such as Amazon.com and vekoop.de, and quick online commerce providers such as Gorillas, flink and weezy; (2) Veganz's own stores, of which there are three, all in Berlin, which serve as brand-builders; and (3) foodservice, which is a new channel for Veganz and which the management sees as an exciting new channel that could have significant sales and profit potential in Germany and potentially elsewhere in Europe.

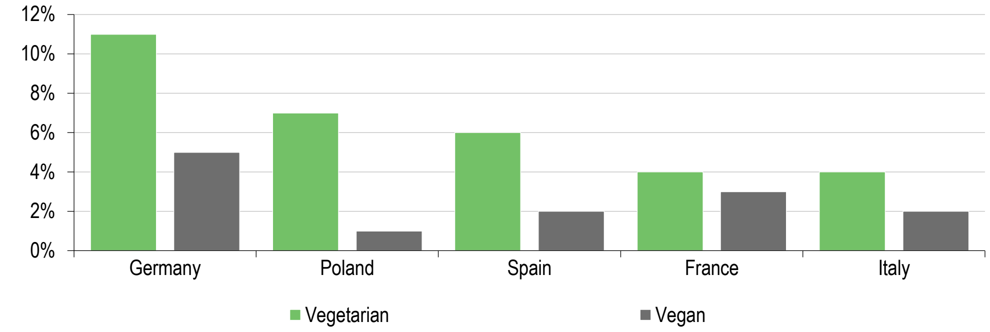
Veganz has already expanded successfully in a number of key markets. Its largest markets are currently in the DACH region, but it is also present in over half of the EU's member states.

Market overview

Veganz operates in the European plant-based foods segment. In H121, 92% of sales were generated in the DACH region, where consumers attach particular importance to regional origin when eating fresh produce, with the origin being perceived as more important than whether the food is organic. Organic foods are popular in Germany, making it the largest market for organic food in Europe and the second largest market in the world behind the United States.

The global vegan food market was worth $15.4bn in 2020 and is expected to grow at a CAGR of 9% during the period 2021–26, to $26.1bn by 2026 (source: Expert Market Research 2020). In Europe, demand for plant-based products is increasing as consumer adoption of flexitarianism grows. European sales of vegetarian and vegan food amounted to €3.6bn in 2020 (source: Veganz). Looking at the meat substitutes segment specifically, the global market was estimated to be worth $4.6bn in 2018 and reach $6.3bn by 2023 (source: Meat Substitutes Forecast 2023). Growing consumer demand for plant-based products has also led to new product development: according to Mintel, the number of launches of plant-based products more than tripled between July 2013 and June 2018. In 2020, 20% of all food and drink products launched in Germany featured a vegan claim on their packaging, up from 14% in 2016 (source Mintel GNPD). Veganz's prospectus, based on Statista data, states that Germany is the most important market for purely plant-based products, with 15% of new plant-based food products launched worldwide being premiered in the German market in 2018, versus 14% in the UK and 12% in the United States (source: Statista – Launches 2017, 2018).

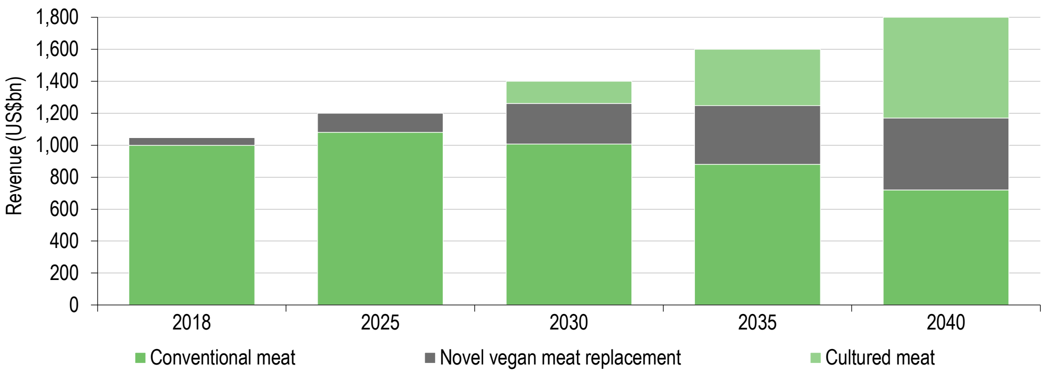
Exhibit 4: Share of young adults who are vegetarian or vegan in selected European countries in 2021



Source: Statista. Note: Young adults defined as individuals aged 18–29 years; survey taken between April 2021 and June 2021.

The market for plant-based foods continues to have considerable growth potential, especially as consumers and policymakers are increasingly trying to mitigate the effects of climate change. A purely plant-based diet results in CO_2 emissions of 940 kilograms/year (including equivalents). In contrast, a vegetarian diet results in a value of 1,160 kilograms/year and a standard diet that includes meat accounts for 1,760 kilograms/year (in each case including equivalents) (source: Federal Environment Agency, Greenhouse Gas Equivalencies Calculator). The water consumption caused by a vegan diet is estimated to be c 710 cubic metres per year, while a vegetarian diet consumes c 1,060 cubic metres of water annually and a diet including meat results in water consumption of c 1,580 cubic metres (source: Vanham, The water footprint, Water & Science Technology, 2013).

Exhibit 5: Growth of the total global meat market by type



Source: Kearney

The revenue growth CAGR for alternative proteins is expected to increase by 14% between 2020 and 2035. By 2035 plant-based proteins and proteins based on microorganisms could account for 69% and 22% of the protein market respectively (source: BCG, Food for Thought: The Protein Transformation). In comparison, the CAGR for conventional meat is forecast to fall by 2.7% until 2040 (source: Kearney – Disruption of the Food Industry). This global trend is also evident in the United States, where the plant-based meat market is worth US$1.4bn, according to the Good Food Institute. Plant-based cheese is also one of the fastest growing non animal alternative categories. In Germany, average monthly sales of plant-based cheese grew by 74% in 2020 compared to the prior year. The continuation of this trend can also be seen in the average sales per month of plant-based milk in Germany in 2020, which amounted to €396m (source: EU Smart Protein project). In addition, milk alternatives and other dairy product alternatives are expected to continue to account for the largest share of the alternative protein products market through 2035 (source: BCG, The Protein Transformation).

There are a number of trends supporting the growth of plant-based food products:

- **The importance of food sustainability and health consciousness**: globally, 66% of consumers choose products based on their environmental friendliness (source: Capgemini Research 2020) and 54% of consumers made more sustainable purchasing choices in general (source: Accenture Consumer Research 2020). In Germany these trends are even more stark, with 71% of participants attaching importance to sustainability in their diet and food purchases (source: DGQ Survey). Also supporting the trend for plant-based diets is the established long-term consumer trend for 'clean labels', with consumers demanding healthier products (eg lower fat or with less sugar), but without compromising on taste or with the use of artificial additives and flavours.
- **The importance of animal welfare:** in a survey in Germany that investigated the reasons why consumers purchased alternative vegan and vegetarian products, 59% of respondents cited animal welfare as the decisive factor (source: Forsa Survey Nutrition Report 2021).
- **Younger generations coming of age:** favourable demographic developments should accelerate the growth of the plant-based food market. The number of vegetarians and vegans is particularly high in the younger generation and amounts to approximately 8% in Germany, France, Italy and Poland (source: EU Agricultural Outlook 2019–2030). A full sense of this trend can be seen in 2018 figures in the United States. While only 2% of seniors eat purely plant-based diets, 21% of baby boomers and Generation X already consume plant-based food, and 38% of millennials showed an interest in a purely plant-based diet (source: Statista – Alternative Diets US).

November 2021 IPO raises €47.6m

Veganz's product slate and broad distribution puts it in a good position to benefit from the strong market growth underway in plant-based food. The company is still loss-making, but its fund-raise should facilitate future growth, and enable it to add a second manufacturing site. This should lead to improved gross margins and enable the company to expand production, focused on enhancing its plant-based fish and alternative cheese products.

In the November 2021 IPO, a total 547,120 shares were placed at a price of €87/share versus the offered price range of €85–110, representing gross proceeds of c €47.6m, and gross primary proceeds to the company of €33.8m. The source of the IPO shares was as follows:

Exhibit 6: Source of IPO shares

	Shares	Price	Gross proceeds (€m)
Primary capital increase	388,733	87	33.8
Secondary capital increase	87,024	87	7.6
Greenshoe option	71,363	87	6.2
Total	547,120	87	47.6

Source: Veganz, Edison Investment Research

With 1,223,399 shares in issue post IPO, the free float is 67.9% and Veganz's market value is €106.4m. Assuming the greenshoe option is used (up to 15%), Jan Bredack will control 17.95% of the total outstanding shares.

Before the IPO, management indicated the expected primary proceeds would be invested as follows: the new production site, c 35%; invest in organic growth, such as R&D, marketing, expansion into new markets, c 40%; other investments, such as IP rights, new products, c 15%; and general corporate purposes such as refinancing, working capital requirements and general operating expenses, c 10%.

Financials

We note that Veganz reports under German GAAP rather than IFRS and include summary financial statements without forecasts below.

Exhibit 7: Summary P&L

Year end December (€000)	2018	2019	2020	H121
Sales	17,411.8	23,872.3	26,765.3	15,555.4
Other operating income	975.1	146.2	474.2	121.4
Cost of raw materials	13,060.0	16,435.0	18,775.1	10,653.6
Gross Profit	4,351.8	7,437.3	7,990.2	4,901.9
Gross Profit margin (%)	25.0	31.2	29.9	31.5
- Personnel expenses	3,034.4	2,765.5	2,924.3	1,699.1
- Other operating expenses	5,148.5	8,045.9	8,772.9	6,277.9
EBITDA	(2,856.0)	(3,228.0)	(3,232.8)	(2,953.7)
EBITDA margin (%)	(16.4)	(13.5)	(12.1)	(19.0)
Adjusted EBITDA	(2,340.7)	(2,595.1)	(2,060.9)	(2,100.6)
Adjusted EBITDA margin (%)	(13.4)	(10.9)	(7.7)	(13.5)
Depreciation and amortisation	(344.5)	(918.8)	(1,041.8)	(510.9)
Interest and other	(673.4)	(569.1)	(862.5)	(648.8)
Tax on income	93.7	125.5	198.6	127.3
Other tax	3.0	1.2	1.0	0.1
Net result	(3,783.4)	(4,591.5)	(4,939.5)	(3,986.2)

Source: Veganz. Note adjusted EBITDA is as adjusted for certain one-off operating expenses such as (i) expenses for the Notes, (ii) equity expenses, (iii) costs of the merger, (iv) costs for Production Site I and (v) other non-operating expenses.

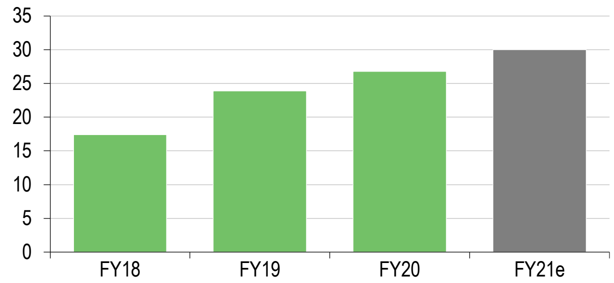
Veganz has generated strong organic growth, as revenue increased from €17.4m in FY18 to €26.8m in FY20, with year-on-year growth rates of 37% in FY19 and 12% in FY20. We note that FY20 growth was adversely affected by the COVID-19 pandemic, as lockdown restrictions caused consumers to concentrate their shopping habits into larger, less frequent shopping trips. This in turn had the effect of reducing sales of Veganz's products at one particular customer, dm, one of its largest customers in the drugstore channel, with sales down 39% during FY20. Sales with dm remain below pre-pandemic levels, though they are recovering. Veganz sales during H121 showed strong growth, up 18.6% over the comparative period. Growth was driven primarily by the DACH region and the discount channel.

In its prospectus, Veganz presented financial data for the three years from FY18 and for H121. Revenues have seen strong growth over this period, increasing from €17.4m in FY18 to €26.8m in FY20 and were €15.6m in H121. The company remains loss-making at the adjusted EBITDA level, albeit reducing from FY19's loss of €2.6m, to a loss of €2.1m in FY20. Veganz's adjusted EBITDA reduced from a loss of €2.3m in FY18 to a loss of €2.1m in FY20. For H1, the adjusted EBITDA loss was €2.1m. Veganz estimates that, excluding the costs of the IPO and other one-offs, the full year adjusted EBITDA loss will be €2.2m, implying that H221 will be close to breakeven at this level. Gross margins have fluctuated between 25% and 31.5% over the three-and-a-half-year period (see Exhibit 10), with a decline in FY20 reflecting the impact of higher promotional costs before recovering to 31.5% in H121. On the surface, this level of gross margin is relatively low in the context of branded food manufacturing, which typically has gross margins of around 50. We believe Veganz's lower gross profitability may be caused by the fact that most production is currently outsourced. We note management's statement that there could be room for margin expansion here as the second production facility becomes operational, and more production is brought in-house.

As detailed above, Veganz sells its products in three key channels: B2B/Retail, its own stores and foodservice. Sales in both of the first two channels grew between FY18 and FY20 on an organic basis and foodservice sales only started in FY21, so will be incremental. Management believes the foodservice segment presents attractive growth prospects and significantly higher margins, but it will also help with capacity utilisation of its production facilities.

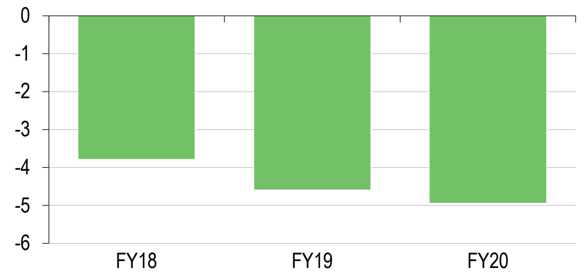
We illustrate revenue and profit trends in Exhibits 8–11 below.

Exhibit 8: Revenue progression (€m)



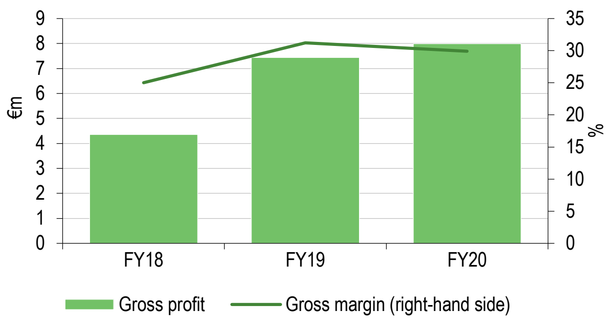
Source: Veganz, FY21e is Veganz management estimate

Exhibit 9: Net profit progression (€m)



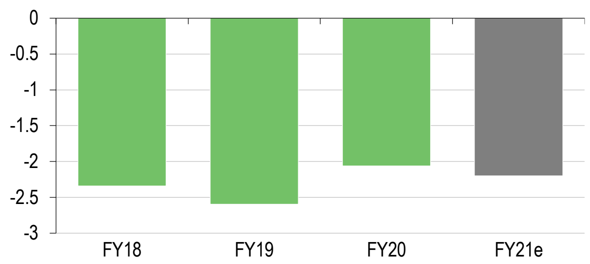
Source: Veganz

Exhibit 10: Gross profit and gross margin progression



Source: Veganz

Exhibit 11: Adjusted EBITDA progression (€m)



Source: Veganz. Note: FY21e is Veganz management estimate.

Gross margins, as discussed, are low in an industry context and the EBITDA loss has narrowed. The operating loss, however, has widened between FY18 and FY20 as depreciation and amortisation costs have increased significantly. As a result, the net loss has also widened during the period, which will come as a concern, especially given guidance for FY21 is for another EBITDA loss (albeit again narrowing, excluding one-off IPO costs). Depreciation costs are likely to increase in future as the new production facility is built, thus it may take considerable time for the company to generate a net profit.

Guidance for FY21

In October, Veganz management provided guidance for FY21 as follows:

- Sales growth similar to that in FY20 (which was 12%). Sales in the Stores channel (which are operated by Veganz Retail, a wholly owned subsidiary of Veganz) are expected to be c €3m, and overall sales including stores are therefore expected to be around €32m.
- An EBITDA loss of c €5.5m, including a c €3.0m cost associated with the IPO, and thus an adjusted EBITDA loss of €2.2m.
- Reported net loss after tax of c €8.0m.

Management has not provided any guidance beyond the end of this year. On the basis of data so far published, we believe it is difficult to assess when the company might move into EBITDA profitability.

Balance sheet and cash flow

Exhibit 12: Summary balance sheet

Year end December (€000)	FY18	FY19	FY20	H121
Non current assets	1,141.6	14,519.7	13,743.1	13,233.9
Intangible assets	125.0	13,560.5	12,555.5	12,079.2
Tangible fixed assets	199.7	142.3	370.7	378.0
Long term financial assets	816.9	816.9	816.9	776.7
Current assets	5,007.8	6,137.5	6,230.5	7,641.9
Inventories	1,859.2	1,883.1	2,101.3	2,123.6
Trade & other receivables	2,671.8	4,095.1	4,028.7	5,444.7
Cash	476.8	159.2	100.4	73.6
Prepaid expenses	86.7	148.5	187.1	118.3
Deficit not covered by equity	5,439.0	0.0	4,746.2	8,732.4
Total assets	11,675.1	20,805.6	24,906.9	29,726.5
Liabilities	11,675.1	20,612.3	24,906.9	29,726.5
Trade payables	3,515.1	5,836.8	6,658.3	7,732.9
Liabilities to banks	3,534.4	3,711.0	2,142.6	2,116.7
Other liabilities	3,524.0	5,814.5	11,253.0	13,884.4
Deferred tax liabilities	0.0	3,786.8	3,521.1	3,388.2
Accruals	1,101.6	1,463.2	1,331.9	2,604.3
Equity	0	193.3	0.0	0.0
Liabilities + Equity	11,675.1	20,805.6	24,906.9	29,726.5

Source: Veganz

Veganz had zero net assets and equity, including the deficit as per Exhibit 12 above. Following the private placement in July Veganz underwent an equity increase, therefore the pro forma equity position as of end H121 was €2.536m. The majority of the non-current asset base is represented by intangible assets. The company has no liabilities with a term longer than five years. With respect to working capital, there have been some fluctuations, but there has been an improvement on the asset side as the business has grown, although trade payable days have also fallen. As the business seeks to grow, the risk is that more cash will be required to fund working capital expansion.

Exhibit 13: Summary cash flow statement

Year end December (€000)	FY18	FY19	FY20	H121
Net loss	(3,783.4)	(4,591.6)	(4,939.5)	(3,986.2)
Depreciation & amortisation	447.8	918.8	1,057.9	510.9
Increase/decrease of accruals	566.2	361.6	(131.3)	1,272.4
Working capital	1,329.0	940.2	430.2	1,048.5
Tax paid	30.5	(125.5)	(265.7)	(5.6)
Other	(246.6)	150.3	863.1	561.8
Cash flow from operations	(1,656.4)	(2,346.2)	(2,985.3)	(598.2)
Net capex	55.3	(86.6)	(281.3)	(41.9)
Interest received	6.9	0.0	8.4	8.7
Cash flow from investing	62.2	(86.6)	(273.0)	(33.2)
Free cash flow	(1,601.1)	(2,432.9)	(3,266.6)	(640.1)
Cash and cash equivalents/net debt at end of period	476.8	388.5	(2,042.2)	(2,069.1)

Source: Veganz, Edison Investment Research

Veganz's free cash flow generation is negative, although the negative free cash flow reduced during H121 to €640m. The improvement in H121 was helped by reduced working capital, with the improvement on the inventory and trade receivable side. Given the short span of historical financials presented in the prospectus, and given that this period includes COVID-19 affected FY20, it is not possible to discern a working capital trend. As with any company, we would expect the working capital needs to increase as the business expands.

Veganz had a net debt position of €2.07m at end June 2021. In July the company raised €11.3m via private placing, and at end August, management reported net cash of €2.78m, therefore implying cash burn of €6.45m in the two months between end June and end August. We note debt remained broadly flat between the end of FY20 and the end of H121.

Post IPO, having raised c €31m of net proceeds, the company will have net cash of c €33m, of which €12.6m is earmarked for the new plant, though a significant portion of this (c 30%) will be covered by subsidies. Based on the rate of cash burn in FY20, bolstered by the equity raises of 2021, the company's balance sheet has been significantly strengthened. We note that, in addition to the planned new plant, management also plans to invest in R&D, marketing and a field force, and hence cash burn may accelerate materially in the shorter term.

Valuation

As consensus forecasts are not yet available, we look at valuation metrics based on financial performance in the last reported financial year and compare Veganz to two groups of peers: companies that manufacture vegan food to a greater or lesser extent; and European small and mid-cap food manufacturers.

Exhibit 14: Peer group comparison

	Currency	Price	Market cap (local, m)	EV (local, m)	Sales growth FY0 (%)	Sales growth FY1 (%)	EBITDA margin FY0 (%)	EBITDA margin FY1 (%)	EV/ sales FY0 (x)	EV/ sales FY1 (x)	EV/ EBITDA FY0 (x)	EV/ EBITDA FY1 (x)
Producers of vegan food												
Danone SA	€	56.65	38,890	49,922	-6.6	1.1	20.2	18.1	2.1	2.1	10.5	11.5
Nestle SA	CHF	122.2	344,521	383,242	-8.9	2.9	21.8	21.2	4.5	4.4	20.9	20.9
Unilever PLC	GBp	3880	99,336	141,388	-2.4	2.5	22.4	21.9	2.8	2.7	12.4	12.4
Beyond Meat Inc	US$	98.28	6,217	6,336	36.6	21.7	2.9	-8.3	15.6	12.8	536.9	-154.8
Oatly Group AB	US$	12.67	7,498	6,731	106.4	64.8	-7.8	-18.5	16.0	9.7	-204.2	-52.5
Average producers of vegan food					**25.0**	**18.6**	**11.9**	**6.9**	**8.2**	**6.3**	**75.3**	**-32.5**
Small and mid-cap food producers												
Premier Foods PLC	GBp	107.4	919	1,256	11.8	-5.0	18.0	17.9	1.3	1.4	7.4	7.8
Cranswick PLC	GBp	3436	1,811	1,913	13.9	3.9	10.4	10.1	1.0	1.0	9.7	9.6
Bonduelle SA	€	22.7	739	1,462	-2.7	3.8	7.6	7.5	0.5	0.5	6.9	6.8
Valsoia SpA	€	14	150	131	11.6	10.2	14.3	14.3	1.6	1.4	10.9	9.9
Ebro Foods SA	€	17.06	2,620	3,371	15.1	-14.0	13.4	12.6	1.0	1.2	7.7	9.6
Greencore Group PLC	GBp	132.6	695	1,030	-12.5	4.1	6.7	7.1	0.8	0.8	12.1	11.0
Viscofan SA	€	58.5	2,716	2,688	7.4	4.4	25.7	26.1	2.9	2.8	11.5	10.8
Average small and mid-cap food producers					**6.4**	**1.0**	**13.7**	**13.7**	**1.3**	**1.3**	**9.5**	**9.4**
Veganz AG	**€**	**87**	**106**	**72.6**	**12.1**	**12.0**	**-12.1**	**-8.6**	**2.7**	**2.4**	**-22.5**	**-33.0**
Premium/(discount) to average producers of vegan food					-52%	-35%	-202%	-225%	-67%	-62%	-130%	2%
Premium/(discount) to average small and mid-cap food producers					91%	1047%	-188%	-163%	106%	86%	-337%	-452%

Source: Refinitiv. Note: Prices at 9 November 2021. FY0 = last reported year.

Sales growth is faster at companies that are disrupting the market with new products such as meat alternatives (Beyond Meat) or vegan drinks (Oatly), while the more traditional and smaller food producers tended to see slower sales growth. The last reported year has witnessed pandemic-related disruption for all food manufacturers, with the impact mainly depending on when the year-end falls. As a reminder, the early part of 2020 was characterised by widespread panic buying of consumer staples, thus leading to higher than expected sales growth in some parts of the market (albeit temporarily), but sharp declines in sales of products typically consumed outside the home, either on-the-go or in hospitality venues. The change in mix also had margin implications for many consumer companies.

Veganz's sales growth in both FY20 and FY21e is higher than that of most food companies, with the exception of the newer and more disruptive players. This is driven by the fast sector growth for vegan food offerings and alternative proteins. In line with the other newer and more niche companies (eg Beyond Meat and Oatly, which have also listed recently), Veganz is also still loss making at the EBITDA level with low visibility of when it might become EBITDA profitable.

On EV/sales, Veganz is rated between the small/mid-cap food producers and the producers of vegan food. On EV/EBITDA the comparison is difficult given that Veganz is loss-making. We note the disruptive companies such as Beyond Meat and Oatly, which are its closest peers albeit much larger in size, have significantly higher EV/sales multiples than Veganz.

Sensitivities

The company's financial performance and hence its share price will be sensitive to the following factors:

- **Economic outlook:** despite having strong long-term growth drivers from demographic changes and consumer demand for more sustainable food sources, the demand for more premium/alternative food items is vulnerable to changes in the macroeconomic outlook and consumer incomes.
- **Retail performance:** as the vast majority of Veganz's sales are made through the Retail/B2B channel, Veganz's performance could be affected by problems or issues at one of its retail customers.
- **Market concentration among customers:** in FY20, the five largest customers in drugstore and food retailing (the retail channel) accounted for around 56% of sales. Any consolidation among retailers could lead to increased price pressure on their suppliers, that is, the food manufacturers.
- **Competition:** there are a large number of companies operating in the vegan and plant-based space, particularly in the DACH region. Veganz competes with a range of companies in different countries, which may have substantially larger resources and growth aspirations
- **Changing consumer preferences:** Veganz may be exposed to changes in consumer tastes and preferences.
- **Contract manufacturing issues:** Veganz uses contract manufacturers for some of its production and may therefore be vulnerable if the contract manufacturers fail financially or do not deliver products of appropriate quality or quantity.
- **Production site:** Veganz owns one production site and is looking to expand to a second site. These represent fixed costs and there may be capacity utilisation issues if demand does not unfold as predicted.
- **Raw materials costs:** rising raw material costs are affecting most companies in the consumer staples space. As demand for meat-free foods and plant-based alternatives grows, any inflation in raw materials such as soybean and wheat could be exacerbated.
- **Growth assumptions:** given guidance is limited to sales, EBITDA and net loss for FY21, the share price will be sensitive to the market's view of future growth. Cash burn will also be a determinant of share price performance.

Management, organisation and corporate governance

The management team consists of:

Jan Bredack, CEO, founded Veganz in 2011 and initially managing director, but became CEO in 2019, when ownership of Veganz GmbH was transferred to a new company Veganz AG. His background is in the automotive industry, having started his career at Daimler-Benz Group, where he held a variety of positions including sales, customer service and responsibility for setting up new business areas.

Alexandra Vázquez Bea, CFO, chief human resources officer and chief IT officer, joined Veganz in July 2021. She has a background in corporate finance, restructuring and refinancing projects across Europe and management experience in the field of finance and start-ups.

Anja Brachmüller, COO, joined Veganz in February 2017 as head of purchasing and became a member of the management board in August 2019. Her background is in purchasing and also in sustainable and organic food.

Moritz Möller, CMO, joined Veganz in April 2018 as head of marketing and e-commerce, and became a member of the management board in July 2021. His background is in cultural management.

The supervisory board consists of:

Roland Sieker was appointed **chairman** in August 2019. He worked at Unilever for 20 years until 2017 in a variety of roles and geographies, culminating in becoming a member of the global leadership team.

Jens Pippig, deputy chairman, was appointed to the supervisory board in August 2020. He has experience at McKinsey, having worked in its European consumer goods and retail sector, and held a variety of roles at ProSiebenSat.1 Group. He is an executive director at Russell Reynolds Associates and is responsible for the department of digital and consumer practice.

Ronny Gottschlich, member, was appointed to the supervisory board in August 2020. He has more than 15 years' experience in the food retail segment, having started his career at Lidl Group between 2004 and 2016, latterly as CEO of Lidl's UK business. In 2017 he founded Heunadel Retail Advisory, a platform to help retailers improve efficiency and relevance. In 2021 he became managing director of Gorillas Technologies, the on-demand grocery delivery company. He is also a senior adviser for Roland Berger, the management consultancy.

Janina Mütze, member, was appointed to the supervisory board in June 2021. In 2015, she co-founded Civey, a company that specialises in internet surveys and develops various tools for market research and focus group analysis, among other things. She became managing director of Civey in 2018.

Michael Durach, member, was appointed to the supervisory board in June 2021. He is a family entrepreneur and leads the Develey Group, Germany's largest mustard supplier. He has served as managing director since 1999.

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