



Brenntag: Moving Forward with "Project Brenntag"!

Brenntag AG is the parent company of a chemical distribution firm, providing distribution solutions for industrial and specialty chemicals worldwide. It serves various end-market sectors, including adhesives, paints, oil and gas, food, water treatment, personal care, and pharmaceuticals. The company is headquartered in Mülheim an der Ruhr and is probably one of the least-known German market leaders.

Competition: After a multi-year consolidation process, there is now only one significant competitor in the world. This rival, named Ashland, operates primarily in North America. Our capital is well and defensively invested in Brenntag because we now speak of a practically insurmountable moat that Brenntag has built against competitors. "Chemical distribution" may not sound particularly "sexy," but it is practically impossible today to penetrate this market with reasonable effort. We can only hope that Brenntag never falls victim to a private equity takeover. However, this scenario cannot be ruled out, and unfortunately, it becomes more likely with each passing year. High and relatively secure cash flow, a crisis-resistant industry, and still relatively cheap financing attract the KKR's and Blackrocks of this world.

"Project Brenntag": A far-reaching transformation program named "Project Brenntag" is expected to make a sustainable additional contribution to operating profit (EBITDA) of a total of €220 million per year. This contribution will increase from year to year, with the full annual potential expected to be achieved by the beginning of 2023. The program aims to strengthen Brenntag's leading position in the global chemical distribution market by focusing more strongly, reducing complexity, and intensifying partnerships with customers and suppliers. CEO Christian Kohlpaintner explains: "With our transformation program Project Brenntag, we are taking decisive actions to create a strong foundation for sustainable, organic earnings growth in the coming years. The introduction of our new operational business structure was an important first milestone in meeting future requirements and staying at the forefront of our industry. To fully realize our potential, we need to become leaner and more efficient. In implementing the various measures of Project Brenntag, we also plan to adjust our global workforce."

Analysts are Optimistic: French investment bank Société Générale initiated coverage on Brenntag with a "Buy" rating and a price target of €96. Analyst Julien Fouché cited the attractive valuation of the chemical distributor's stock. Stifel investment bank raised its price target for Brenntag from €90 to €97 and maintained a "Buy" rating. Analyst Isha Sharma raised her estimates for the chemical distributor, noting that the favorable environment for price development could persist longer than expected. Particularly in an inflationary environment, the company is promising due to its ability to quickly pass on price increases. Goldman Sachs raised its price target for Brenntag from €106 to €108 and maintained a "Buy" rating. The chemical distributor likely ended the year solidly, wrote analyst Suhasini Varanasi in a study before the new balance sheet figures were released. As is well known, these figures showed a record profit, so Mrs. Varanasi was correct.

Long-Term Portfolio: Brenntag

Brenntag In Our Stock Check:

Profit Growth:	Accelerating Thanks to "Project Brenntag"!	+
Debt:	Healthy Balance Sheet	+
P/E Ratio Evaluation:	No Longer Cheap, But Not Too Expensive Either	+ -
Industry Outlook:	Above Average	+
Technical Analysis:	Solid, Long-Term Uptrend	+ -
Market Leader:	Yes, in Some Areas	+ -
Management Quality:	Visionary and Good	+
Dividend Yield:	Average	+ -
Business Model:	Defensive and Forward-Looking	+
Insider Buys/Sells:	Management Regularly Makes Purchases	+

Brenntag in EUR (10 years)



Brenntag

<https://corporate.brenntag.com/de/investor-relations/>

ISIN	DE000A1DAHH0
Current Price	73.02 EUR
Market Capitalization	11.28 billion €
Profit Growth 2021 - 2023e	+75.2%
Dividend 2022e	1.57 EUR
Dividend Yield 2022e	2.2%
Earnings Per Share 2022e	4.64 EUR
P/E Ratio 2022e	15.7

Buy-Order

ISIN	DE000A1DAHH0
Transaction	Buy
Exchange	Xetra
Quantity	13
Current Price	73.02 €
Buy-Limit	74.00 €

Our conclusion: We are still convinced by the Brenntag stock. There are not many undisputed world market leaders with good prospects and a decent dividend in a defensive and relatively crisis-resistant sector. Brenntag is one of them, and therefore, we would like to increase our stake in the Long-Term Portfolio.