

## English transcription

### **#strohklug (#strawclever) podcast No. 8 (original audio in German) From zero to “SDAX” in 15 years: VERBIO celebrates the fifteenth anniversary of its stock exchange listing**

VERBIO's history began in September 2001 with the commissioning of the first biodiesel plant at the Bitterfeld location. Within five years VERBIO already had three production locations in Germany and a holding company was formed, which was subsequently listed on the stock exchange on October 16, 2006 under the name VERBIO Vereinigte BioEnergie AG. Today, 15 years later, VERBIO is a member of the SDAX. On the anniversary of the initial public offering (IPO) I welcome Claus Sauter to the studio. Claus Sauter is the founder of VERBIO and currently its Chief Executive Officer.

**Mr Sauter, 15 years have passed since you took VERBIO to the stock market. Are you in the mood to celebrate?**

**Claus Sauter:** Yes, a little, yes. We have gone through hard times to get here, a continuous up and down. Back then I could not have dreamed that we would come so far, and for this reason I feel really good about it, even though I would not describe it as a “party” mood.

**If we could go back to revisit the year 2006, Mr Sauter, what motivated you back then to list the Company on the stock exchange?**

**Claus Sauter:** 2006 – at that time we still had a Red-Green coalition [between the Social Democratic Party and the Greens], it was towards the end of their period of government. At that time there was an enormous hype for renewable energies, which was especially driven by the Greens. Wind power, solar power. When you think back, back then Q-Cells was the biggest solar company in the world with a stock market value of EUR 9 billion. There was a huge amount of change in the entire segment, and we already had big expansion plans. That requires capital. That was the real driver, to follow the trend, to obtain capital from the capital market and to become a public company.

**Would you have made exactly the same decision if you had had the knowledge and the experience that you have now?**

**Claus Sauter:** I would make the same decision, but there are some details that I would do differently. I remember the bankers that accompanied us to the stock exchange back then, what a hype was made about the issue. I was such a greenhorn back then. Now I would be much more calm and approach things in a more relaxed way, and do some details differently. But to go to the stock market – that was the right decision, and also the right route to take.

**You have described it very well. It was probably a very stressful time. You were in Frankfurt yourself on October 16, 2006. What was the atmosphere like? Can you remember it? Is that an event that one cannot forget, that stays in your head, something that you will always remember – perhaps something similar to the birth of a child?**

**Claus Sauter:** No. Having children of your own is something very different. I am not the type of person for big emotional outbursts, like jumping up and down with excitement or feeling deeply sad. I have something like an emotional base line. Obviously, it was a good feeling, that we had achieved

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it. However, it was a tough route getting there. Not everything went well in the roadshows. I already mentioned the issue with the banks, and some of the advice they gave us was wrong, when it came to fixing the offer price. And I didn't get much sleep in the days before. During the daytime hours I had to visit investors, and the nights were spent on the telephone with the banks. That was really hard, a very hard time. I felt a sense of relief as the IPO was completed on 16 October, combined with a positive mood, but I was just too tired to celebrate properly. That was all very challenging.

**You have just described how hard it was being on the road, travelling between London, Paris and Berlin with the roadshow. If we now widen the perspective somewhat, over the past 15 years on the stock market, what highs and lows have you experienced?**

**Claus Sauter:** After Red-Green the next Federal Government was a Red-Black coalition, and under them renewable energies as a whole were forgotten and neglected. Mrs Merkel stepped up in order to be the Climate Chancellor, but in my view, she didn't achieve that. We then ended up, just like the other renewable sectors (solar, wind), in a negative spiral. There is not much left from 2006. Billions were wasted. Now I'd like to say we have had a Conservative-led government for the last 16 years. Define 'Conservative'! Conservative means "do nothing". And they were really good at doing THAT! But if things are not pushed forward, especially in our segment, there is no progress. We live from an obligation, an obligation that CO<sub>2</sub> emissions need to be reduced. If this market isn't expanded, if stricter obligations to reduce CO<sub>2</sub> emissions are not introduced so that more CO<sub>2</sub> savings are made compulsory, then our market will not grow, which would mean that we would not be able to roll out and put into practice the technologies that we have developed. In 2006 we expected things to be different. Then, we were much more optimistic that things would move forward. We have done well over the past 15 years, I think. We have done our homework. When no progress was being made in Germany, we expanded into new markets. That was a great performance by the entire team. You know, one individual cannot do everything. I have a wonderful team. My Board colleagues Oliver Lütke, Theo Niesmann, my brother Bernd Sauter and Stefan Schreiber, who is now responsible for North America. We have hard times behind us. Sometimes we had loud disagreements in the Management Board, but always directed towards achieving results, and I think that we have mastered it all very well.

**You have just mentioned the Red-Green and the Red-Black coalitions. Do you see the potential (current) "traffic light" coalition [Red, Yellow, Green: a coalition between the Social Democratic Party, the Free Democratic Party, and the Green Party] in Germany as something positive, with the same euphoric feeling you had as when you described Red-Green?**

**Claus Sauter:** The times have changed in a big way. Politics is now being driven by industry. After 2006 the brakes were put on by a lot of voices in the oil industry, in energy utility companies, in all of industry. That has now changed. Now, even the oil industry is demanding clear and higher CO<sub>2</sub> reduction demands. Just like all other industries, too. And that is the big difference to 15 years ago: industry is now driving politics forward, and it is almost irrelevant how Berlin reacts. In the end, in Germany we are not some "island of the blessed". I have just come back from the USA, and I have spent a week in America. What is going on there to address CO<sub>2</sub> reductions, we can learn a lot from that, we could really use them as guiding lights. The Americans are marching on in a very pragmatic way. The Joe Biden administration has an unbelievably large number of subsidy programmes, and it wants to spend EUR 3,500 billion in various sectors for climate protection purposes in the coming years. Compared to this, the amounts that will be spent here in Europe are

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just peanuts. This will be the task of the new Federal Government: to set clear targets, and then – very importantly – let industry get on with it. Define goals, set guidelines (framework conditions) – then I am very optimistic that something can be achieved in fighting climate change.

### **Mr Sauter, how does it feel, to be profitable with green technology?**

**Claus Sauter:** It feels good. But it is also very necessary, to enable us to invest further, to improve our technologies further and to build new plants. We have to be profitable. That is not self-serving, but when a company doesn't earn money, it can't grow. That makes it very necessary that we are profitable. If we were not, then we would disappear from the market, or someone would take the opportunity to buy us out. That means that profitability is the decisive issue. We have to make sure that it stays that way.

**In December 2020 VERBIO was promoted to the SDAX, and within the space of one year the value of VERBIO AG has increased five-fold. At its peak the share price was almost 60 euros. How does it feel to be EUR 2 billion richer within the space of ten months? The question is a bit of an exaggeration, but is that the necessity that you just described? So that you then have the capital in order to look forward into the future?**

**Claus Sauter:** If you look back over a period of 18 months, the value of our business has increased almost tenfold. And that is important. The VERBIO share is nothing more than a financing instrument. If an investor was prepared to give us 6 euros for one share 18 months ago and today he is prepared to give us 50, almost 60 euros – yes there is quite some volatility there. That is exactly the reason why we went to the stock market 15 years ago. When we are attractive for investors, when we are able to convince people with our story and from the capacity that we have and from the objective that we are following, then they are prepared to give us capital to make new investments. It is a very good feeling that the capital market and the investors take the time to understand our story, as our story is “really cool”. It makes me really happy to see what we have achieved, to convince investors, and that then these investors support us by buying shares, so that we can continue to grow. But at the same time, this is also premature praise. For my team and I, it means that we now have to deliver. Now there are ambitious goals through to 2030, the capital market trusts us, and we have to deliver! That means we will be facing new challenges. Finally, we can roll out the things that we have been developing for decades, we can invest in new plants, continue to grow, and with it we can achieve millions more tonnes of CO<sub>2</sub> savings.

**So VERBIO has become a success story. But not everyone has believed in you and your idea, is that right? Back then, at the beginning?**

**Claus Sauter:** No. Definitely not. For many we were just ecology freaks. As I like to say: actually, nobody needs what we produce. Petrol is available at the filling station, and electricity is available from the wall socket. But that is all fossil. We have achieved a very high standard in our society; now we need to complete the last part of the puzzle and make it all sustainable. Not like people 20,000 years ago, who took raw materials from the ground and burned them; we now need to establish a circular economy. Recycling needs to be profitable. Our contribution to this is more important than ever: to produce a renewable fuel that contributes to ensuring that the concentration of CO<sub>2</sub> in the atmosphere does not increase further. We are even able to extract CO<sub>2</sub> and take it out of the atmosphere – our biomethane from straw is CO<sub>2</sub> negative. Very true, at the beginning we were just a few freaks who no one believed. In the top boards of the oil companies there were

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a few grey-haired types who didn't want to change anything. Now, 15 years later, leadership positions are held by a different generation of managers, and there is a very different atmosphere. Everyone has recognised that we cannot continue as before, and for that reason the atmosphere is positive.

### **Has the promotion to the SDAX contributed to VERBIO being looked at in a different way?**

**Claus Sauter:** Yes, that is true. As a member of the SDAX we are one of Germany's 200 largest companies. Of course, that means that we are noticed. In addition, there are certain other mechanisms at work. There are investment companies that match the various indices, they have no choice but to buy VERBIO shares. Yes, it draws attention, and it is also important, because anyone who doesn't know VERBIO also doesn't have an opportunity to get to know the story. In addition, one has a different weighting with the banks when raising borrowed capital. Just like there is a downward spiral, for us there is now a tornado driving us upwards. A lot of things are coming at once, and one is pulled upwards. It was important that we finally received appropriate recognition from the capital market. Despite this, of course, everything goes on.

### **Part of this tornado is surely the fact that you broke through the EUR 1 billion sales revenues barrier for the first time in the financial year just ended. How was that received on the stock market?**

**Claus Sauter:** Well, you know, the sales revenue figure is not so important. The result is important, the amount that is left over below the line. The amount of net cash generated, the receipts generated that can be made available for new investments. We have now reported record results for several years in succession. This one billion sales figure is a nice number, but it is not so interesting. That was naturally the objective, reach the billion barrier, but it doesn't knock me off my feet. It is just an intermediate result, and we have to build on it. I would like to go so far as to say that the VERBIO story has only just begun. The last 15 years were just the "preliminary skirmish". Not everyone will see it that way and agree with it, but they were hard times nonetheless. But when it comes to making a contribution to reducing CO<sub>2</sub>, the next ten years will be decisive.

### **Then let us talk about that, the future of VERBIO. At the balance sheet press conference at the end of September, you announced an investment programme of EUR 300 million by mid-2023. What are you planning exactly?**

**Claus Sauter:** First, please note that the programme is planned until the end of 2023. It is never possible to define these things precisely. We want to expand our capacity, but that is just the first phase. We have thought about what can be done most quickly. The fastest route is simply to expand existing sites. This generates the best payback, because the personnel is on site and the infrastructure is available. One produces, in inverted commas, "simply" more volume. But this additional volume is significant. For example, we aim to increase the bioethanol production of both the existing plants by 50 percent. There will also be expansions for biodiesel and for biomethane. In addition, we are entering a completely new field; in future we will also use biodiesel to produce base chemical materials. This a completely new application, and a very interesting business segment which reflects that the chemical industry has recognised the necessity of replacing fossil carbon dioxide with renewable carbon dioxide. Then the chemical industry cannot decarbonise in the narrow sense of the word; plastics are carbon compounds. But there, too, we are having very interesting ideas and discussions. The market is very interested, and for this reason we will also

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invest almost EUR 100 million in this field. This will develop into a new segment. By implementing these projects we can achieve something in the near future. My technical colleagues in the Management Board, Oliver Lüdtke and Theodor Niesmann, are already working on this. In the background we are already working on initiating other things, and acquisitions. At the moment it is an exciting, and at the same time, a challenging time. But – as I said – we now have to deliver.

**And looking at the market capitalisation: who are your competitors and how do you differentiate yourselves from them, Mr Sauter?**

**Claus Sauter:** There are no competitors that are comparable with VERBIO. Our philosophy is that we want to be in a position to convert anything that agriculture can deliver to energy – from chicken dung to grain straw and grain through to vegetable oils. In doing so we concentrate primarily on high value products. At VERBIO we do not use any frying oils, we use other oils and raw materials, because we don't only produce for the biofuels market but also for the pharmaceutical sector –for example, high value products that are used in toothpaste – or sterols that are used as cholesterol reduction agents in food products. This is our approach, and there are no competitors that are set up in this way. There are manufacturers of biodiesel, manufacturers of ethanol, manufacturers of biogas plants, but taking an approach of being able to convert anything that a farmer can supply to energy, there is no other company on the market that can do that. That is our USP. That was also the message that had to be got out to the capital market: that we are unique. In doing so we have not lost our way in technology; instead it is about using a wide-ranging approach based on renewable raw materials from agriculture.

**Now we have looked back over the past 15 years, and one could exaggerate a little and say: from zero to SDAX. When you look into the future, Mr Sauter, in 15 years' time, are we then more likely to be in the MDAX or in the DAX? Or is that once again something that is not important?**

**Claus Sauter:** From zero to SDAX – well, that took quite some time, 15 years in all. Clearly it is the objective, that it continues to move forward. There is a good saying, “the journey itself is the reward”, and I hope we will never reach a final objective. Now it is decisive that we justify the early praise that the capital market has given us with the high valuation, and that we put the things we have planned into practice. When we do that well and fulfil the trust that has been placed in us, the story will certainly continue. I don't know yet where we will end up. I want to keep doing this job for a few years yet. The conditions have never been so good. And yes, maybe one day we will belong to the 50 largest companies in Germany.

**Thank you, Mr Sauter, for this conversation. Until next time with a new episode of the #strohklug (#strawclever) podcast.**

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