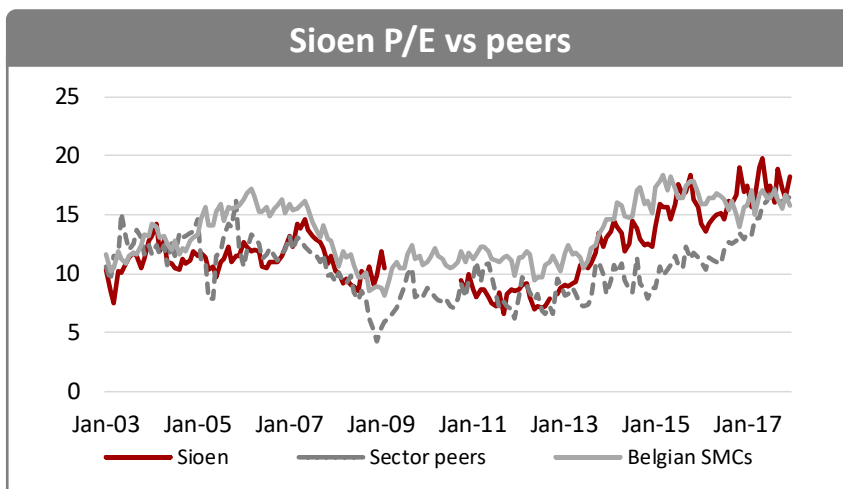




Sioen P/E vs peers



€m	2013	2014	2015	2016	2017e	2018e	2019e
Sales	323.0	326.6	326.4	363.4	474.9	506.4	518.6
EBIT	23.8	27.8	35.8	44.7	44.8	51.0	57.5
Net profit	14.3	16.5	23.1	25.9	26.0	29.3	35.0
EPS (€)	0.72	0.83	1.17	1.31	1.31	1.48	1.77
DPS (€)	0.33	0.37	0.48	0.53	0.55	0.60	0.70
P/E (x)	10.2	12.4	13.1	16.1	23.1	20.5	17.2
Yield (%)	4.5	3.6	3.1	2.5	1.8	2.0	2.3
Adj. EV/EBIT (x)	7.4	7.5	8.1	10.8	16.3	14.0	11.9

Source: Merodis, Factset  
Pricing date: 29/12/2017

## Key quarterly insights: 4Q17

### 2017, a contrasted year with strong organic growth, but also gross margin pressure

2017 started with fears of cyclical headwinds in the European truck market, to which Sioen is exposed through its leadership position in truck tarpaulin (14% of 2017e sales), but which were soon overturned by continued strong truck demand in Europe. 2H16 results reported in February and 1H17 results in August were below expectations driven largely by gross margin pressure from rising raw material prices as well as by adverse currency effects (mainly GBP). Top-line growth, including organic sales growth, remained buoyant throughout the year, particularly in 3Q17 with 7.7% organic growth compared to our FY17 forecast of 5.5%. In terms of acquisitions, in addition to Ursuit and Verseidag (announced in December 2016), Sioen acquired James Dewhurst of the UK in June 2017. All-in-all, we expect 2017 external growth of 25% (€92m top-line contribution), an all-time high by far.

### Focus on price hikes to pass through higher raw material costs

Sioen is attempting to pass through the higher raw material costs to its customers through price hikes implemented from July. These should have a positive impact on gross margins from August. In November, the company hinted that raw material prices remained on the rise and that it will “continue to put emphasis on ... the mitigation of the impact of the further price increases of raw materials”. We continue to expect sequentially flat gross margins in 2H17e and a y-o-y improvement has from 1H18e.

### 2H17 results preview to be published on 28 February 2018

We expect Sioen to report 2H17 net profit up 10% y-o-y (vs. 8% drop in 1H17), driven by ongoing strong top-line momentum (+29.5% y-o-y) and some operating cost control, but despite 150bp gross margin pressure. Sales growth of close to 30% in 2H17 is driven by organic growth of 6.6% (up from 2.3% in 2H16 and by acquisitions which should generate an estimated €42m in 2H17 (62% from James Dewhurst). We expect Sioen to continue to enjoy a strong balance sheet, with ND/EBITDA of 1.7x which includes only 5 months of Dewhurst’s EBITDA. Management is likely to focus on the integration of the recently-acquired companies as well as capacity extension plans in Belgium and Italy, which should continue to fuel future organic growth.

### Premium valuation confirmed

We estimate a fair equity value of €29.1/share (up from €28.2) on a DCF model (with a shift to 2018 and a WACC revised up to 7.4% from 7.0%), reflecting target 2018e P/E and EV/EBITDA multiples of 19.6x and 9.3x, respectively. Based on consensus estimates, the stock is trading at a 10% 12-months forward P/E premium vs. its sector peers from an 18% discount in November and an average premium of 32% since 2013, which highlights the stock’s attractive valuation. As long as the economic cycle is favourable for Sioen, we expect the market to look through the current period of temporary ROCE pressure (raw material prices, recent acquisition and the renewed capex cycle from 2H17e), rewarding the company with a strong relative valuation multiples.

## Dashboard objectives

- ⇒ Follow-up to our coverage of Sioen which was launched in October 2016 (see below)
- ⇒ Tool to keep investors up to date with Sioen's equity story as well as its valuation in a sector context
- ⇒ Update investors on recent company and sector news flow

## Corporate calendar of Sioen's upcoming announcements and events

- ⇒ Wednesday, February 28, 2018: FY17 results
- ⇒ Thursday, April 26, 2018: Trading update 1Q18
- ⇒ Friday, April 27, 2018: AGM
- ⇒ Thursday, August 30, 2018: 1H18 results

## Access our recent research reports on Sioen:

- ⇒ ["The rise of a European champion in technical textile" \(initiation\), 5 October 2016](#)
- ⇒ ["Returns under temporary pressure" \(update\), 13 September 2017](#)
- ⇒ ["3Q17 market review" \(monthly dashboard\), 6 October 2017](#)
- ⇒ ["3Q17 sales review" \(update\), 16 November 2017](#)

A European technical textile champion with best-in-class margins and returns

### Company description

Sioen is a Belgian family-owned businesses (65% family-owned), with a number one or two market position in various European technical textile end markets.

The company is, quite uniquely, an integrated player, involved in the spinning of technical yarn, the manufacturing of technical fibres and felt, and in the weaving, coating, cutting, welding and assembly of technical textiles.

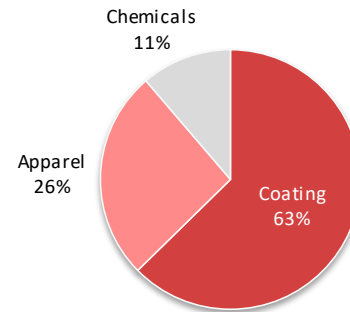
Sioen has a global leadership position in the truck-trailer tarpaulin market (14% of sales) and in the sailcloth market which was recently acquired through Dimension Polyant (9% of sales; 40% global market share).

Sioen's margins are amongst the highest in the industry, with an EBIT margin which is expected to remain above 12% and 11%+ ROCE, well-above its WACC which we estimate at close to 7%.

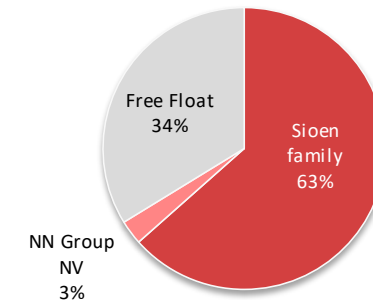
The company operates 21 plants (13 in Europe incl. 7 in Belgium, 4 in Asia, 3 in Africa and 1 in the USA) with a staff of 3,300+ (45% in Europe incl. 30% in Belgium, 40% in Asia and 15% in Africa). Its end markets are mainly in Europe: Benelux (20% of sales in 2015), France (18%), Germany (16%) and East Europe (13%).

Its under-leveraged balance sheet should allow for an acquisitive strategy going forward, which should help to fuel growth above the European sector average of 3%.

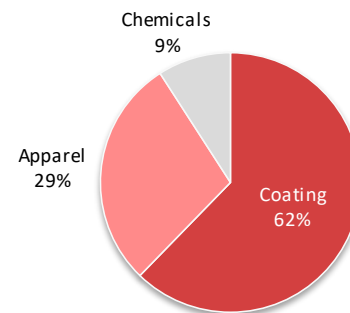
### Sales breakdown (2016)



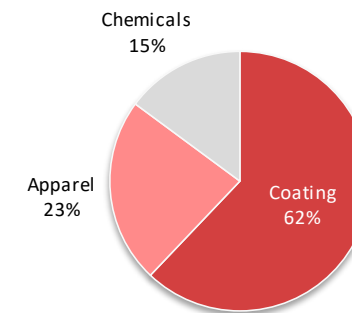
### Shareholders



### Sales breakdown (2017e)



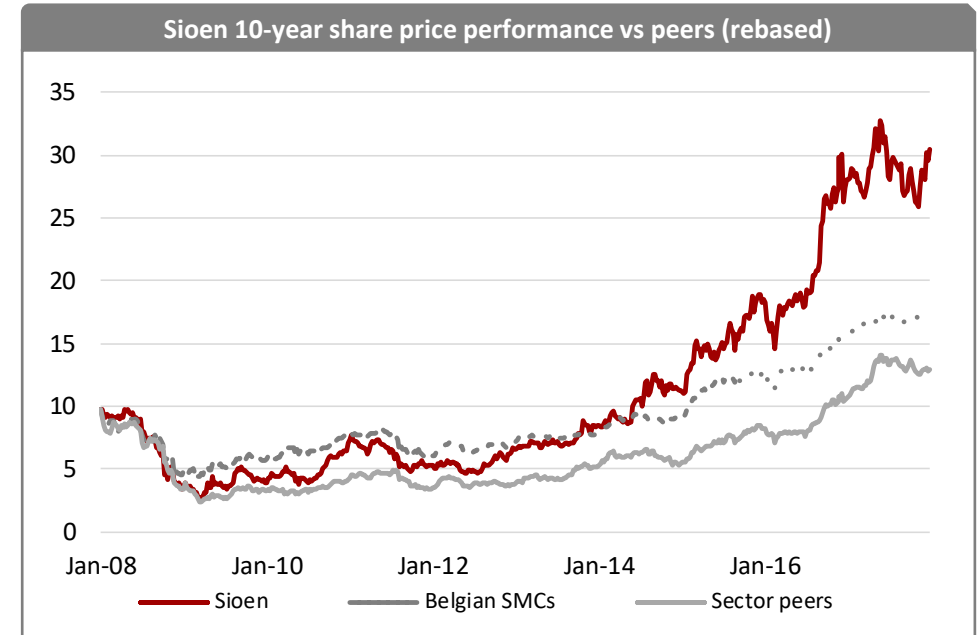
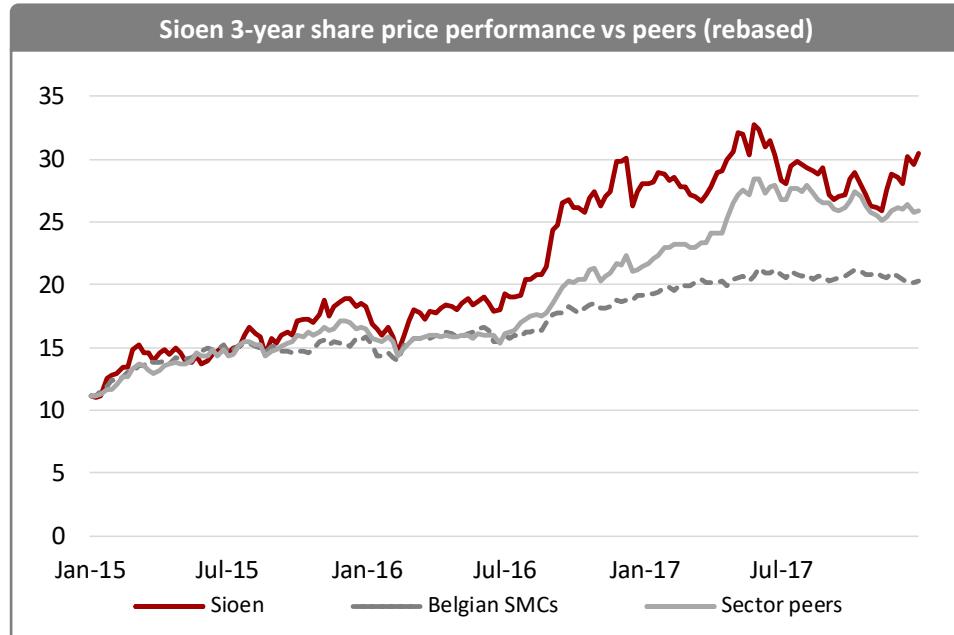
### EBIT breakdown (2017e)



Source: Merodis, Factset

# Share price performance

Outperformance maintained and backed by strong fundamentals



Source: Merodis, Factset

# Analyst Recommendations, Earnings Expectations

Consensus is moving up, but analysts have become

### Consensus view

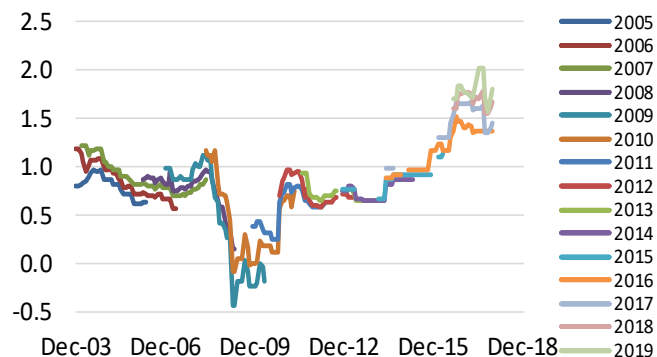
During 4Q17, consensus EPS estimates for Sioen are up for 2017e (+8%) and for 2018e (+7%), reflecting the strong 3Q17 sales trends as reported on 15 November (32.2% sales growth y-o-y, 9% above our forecasts). The recent upgrades erase part of the downgrades following the weak 1H17 results which due to gross margin pressure from higher raw material prices.

Consensus currently expects a 2017e EPS of €1.45, reflecting 6% growth y-o-y (positive impact of acquisitions and organic sales growth offsetting gross margin pressure), while 2018e earnings are at €1.67, implying 15% growth y-o-y (impact of acquisitions with easing gross margin pressure from impact of price hikes). The market expects 2019e EPS at €1.81, with 8% y-o-y growth. We are below consensus for each year.

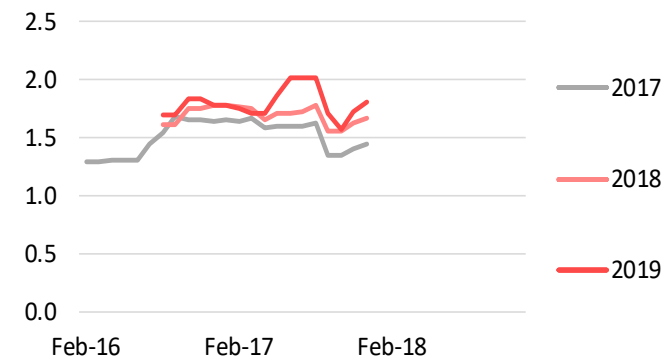
Sioen's share price is up 7% during 4Q17, compared to a market which is flat (Euro STOXX 600: +0.3%), although local mid caps and sector peers were both down 3% q-o-q.

KBC Securities upgraded its recommendation on the stock to Buy and €30.50 target price, while Berenberg and Degroof Petercam, the two other brokers covering the stock, have unchanged recommendations at Neutral/Hold and a target price of respectively €33.50 and €28.50 according to Factset. This compares to a sector median analyst rating which is also slightly improving, remaining in Buy territory.

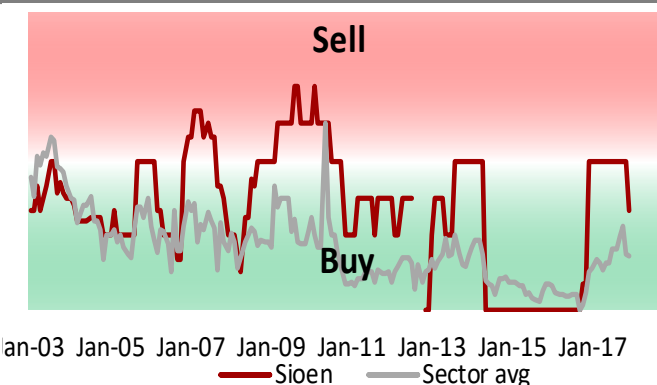
### EPS Worms (€/share)



### Consensus EPS 2016-18 (€/share)



### Analyst recommendations vs. peer average



### Merodis Equity Research estimates vs. consensus (%)

	<b>2017e</b>	<b>2018e</b>	<b>2019e</b>
Sales	0.7	-0.7	-1.3
EBITDA	-2.6	-4.6	-1.2
Depreciation	6.0	7.8	6.1
EBIT	-4.6	-7.1	-3.0
EPS (€)	-6.2	-8.0	-0.9
DPS (€)	-9.9	-14.8	-8.6
Net debt	-8.3	-6.1	-9.7

Source: Merodis, Factset

# Sector benchmarking analysis

Benchmarking against two sets of peers

Company	Freefloat (%) 2017e	Depr/ EBITDA	Capex/ Sales	ND/EBITDA			EBITDA margin (%)			EBIT margin (%)			Net margin (%)			ROE (%)			2017-19e CAGR (%)				
				2017e	2018e	2019e	2017e	2018e	2019e	2017e	2018e	2019e	2017e	2018e	2019e	2017e	2018e	2019e	2017e	2018e	2019e	EPS	EBITDA
<b>PEERS</b>																							
Low & Bonar	79	49%	9%	2.3	2.1	1.8	12.6	13.5	13.6	8.3	9.3	9.4	2.6	5.1	5.4	12.2	13.0	13.0	11.2	6.2	2.0		
Serge Ferrari	13	51%	5%	-0.9	-0.7	-0.7	7.9	9.1	10.4	3.0	4.6	6.1	1.8	2.9	4.1	3.2	5.7	8.5	71.1	25.1	8.8		
Chargeurs	72	21%	2%	-0.1	-0.1	-0.2	10.0	10.4	10.9	8.0	8.3	8.6	5.0	5.7	5.9	11.6	13.0	13.5	13.8	8.8	4.0		
Lakeland	93	15%	0%				11.4	12.7	12.1	10.3	11.3	11.1	7.4	7.4	7.3				1.1	6.4	3.1		
Delta Plus	25	6%	1%							12.7	13.0	12.9	8.0	8.6	8.6				7.7		3.8		
<b>PEER AVERAGE</b>	<b>56</b>	<b>28%</b>	<b>4%</b>	<b>0.4</b>	<b>0.4</b>	<b>0.3</b>	<b>10.4</b>	<b>11.4</b>	<b>11.8</b>	<b>8.5</b>	<b>9.3</b>	<b>9.6</b>	<b>4.9</b>	<b>5.9</b>	<b>6.3</b>	<b>9.0</b>	<b>10.6</b>	<b>11.7</b>	<b>21.0</b>	<b>11.6</b>	<b>4.3</b>		
<b>PEER MEDIAN</b>	<b>72</b>	<b>21%</b>	<b>2%</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.2</b>	<b>10.7</b>	<b>11.6</b>	<b>11.5</b>	<b>8.3</b>	<b>9.3</b>	<b>9.4</b>	<b>5.0</b>	<b>5.7</b>	<b>5.9</b>	<b>11.6</b>	<b>13.0</b>	<b>13.0</b>	<b>11.2</b>	<b>7.6</b>	<b>3.8</b>		
<b>Sioen</b>	<b>35</b>	<b>28%</b>	<b>2%</b>	<b>1.7</b>	<b>1.3</b>	<b>0.8</b>	<b>14.0</b>	<b>14.6</b>	<b>15.7</b>	<b>9.4</b>	<b>10.0</b>	<b>11.0</b>	<b>5.5</b>	<b>5.7</b>	<b>6.7</b>	<b>13.2</b>	<b>13.7</b>	<b>14.9</b>	<b>15.9</b>	<b>10.9</b>	<b>4.5</b>		
<b>% prem./(disc.) vs median</b>	<b>-51.9</b>	<b>32.1</b>	<b>9.2</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>31.4</b>	<b>26.3</b>	<b>36.1</b>	<b>13.3</b>	<b>7.5</b>	<b>17.4</b>	<b>9.8</b>	<b>1.1</b>	<b>13.0</b>	<b>14.2</b>	<b>5.4</b>	<b>14.7</b>	<b>42.0</b>	<b>42.6</b>	<b>17.4</b>		
<b>Belgian SMCs</b>																							
Deceuninck	45	45%	12%	1.5	1.3	1.5	10.0	10.8	10.8	5.6	6.1	6.0	2.9	3.6	2.9		8.9	7.0	4.4	7.1	3.2		
Greenyard	28	53%	1%	2.2	1.7	1.4	3.6	3.9	3.9	2.1	2.3	2.4	0.9	1.1	1.2	4.9	6.1	7.1	27.6	5.7	1.4		
Jensen Group	46	13%	2%				10.0	10.4					5.9	6.1									
Kinepolis	51	30%	18%	1.9	1.2	0.8	29.8	27.0	28.2	21.3	19.2	20.5	12.9	12.4	13.4	28.6	30.1	28.5	17.8	12.3	15.5		
Lotus Bakeries	35	15%	8%	0.8	0.5	0.3	19.9	20.5	21.1	16.8	16.9	17.8	12.0	12.4	12.5	23.4	21.7	19.3	7.0	8.1	5.0		
Picanol	11	7%	1%				20.6	20.6					19.0	19.1		20.3	18.3	14.8	-2.6				
Roularta	19	54%	3%	-5.9	-7.1	-7.0	4.2	4.3	5.0	-1.7	-2.1	-0.7	2.3	1.6	4.4	3.3	1.9	4.6	26.0	4.9	-3.8		
Sipef	53	38%	15%	1.0	0.7	0.4	37.3	38.8	46.9	34.7	27.0	27.9	34.4	17.8	18.7	10.8	9.7	10.2	2.4	19.8	6.8		
Tessengerlo	60	37%	6%	0.2	-0.3	-0.8	12.1	12.9	13.7	7.4	8.4	9.1	3.4	6.0	6.8	12.3	15.1	15.3	28.4	12.7	6.1		
Van de Velde	44		5%	0.1	0.1		26.3	26.5		21.0	19.8		14.5	14.6		13.9	13.7						
<b>BELGIAN SMC AVG</b>	<b>39</b>	<b>32%</b>	<b>7%</b>	<b>0.2</b>	<b>-0.2</b>	<b>-0.5</b>	<b>17.4</b>	<b>17.6</b>	<b>18.5</b>	<b>13.4</b>	<b>12.2</b>	<b>11.9</b>	<b>10.8</b>	<b>9.5</b>	<b>8.6</b>	<b>14.7</b>	<b>13.9</b>	<b>13.4</b>	<b>13.9</b>	<b>10.1</b>	<b>4.9</b>		
<b>BELGIAN SMC MED</b>	<b>44</b>	<b>37%</b>	<b>6%</b>	<b>0.9</b>	<b>0.6</b>	<b>0.4</b>	<b>16.0</b>	<b>16.7</b>	<b>13.7</b>	<b>12.1</b>	<b>12.7</b>	<b>9.1</b>	<b>8.9</b>	<b>9.2</b>	<b>6.8</b>	<b>13.1</b>	<b>13.7</b>	<b>12.5</b>	<b>12.4</b>	<b>8.1</b>	<b>5.0</b>		
<b>Sioen</b>	<b>35</b>	<b>28%</b>	<b>2%</b>	<b>1.7</b>	<b>1.3</b>	<b>0.8</b>	<b>14.0</b>	<b>14.6</b>	<b>15.7</b>	<b>9.4</b>	<b>10.0</b>	<b>11.0</b>	<b>5.5</b>	<b>5.7</b>	<b>6.7</b>	<b>13.2</b>	<b>13.7</b>	<b>14.9</b>	<b>15.9</b>	<b>10.9</b>	<b>4.5</b>		
<b>% prem./(disc.) vs median</b>	<b>-21.4</b>	<b>-24.3</b>	<b>-57.7</b>	<b>96.4</b>	<b>112.1</b>	<b>123.8</b>	<b>-12.6</b>	<b>-12.6</b>	<b>14.7</b>	<b>-22.3</b>	<b>-21.2</b>	<b>20.4</b>	<b>-38.8</b>	<b>-37.6</b>	<b>-1.3</b>	<b>0.9</b>	<b>0.3</b>	<b>19.2</b>	<b>28.6</b>	<b>35.1</b>	<b>-10.5</b>		

Source: Merodis, Factset

# Sector valuation summary

## Multiple-based valuation

	Company	Country	Price (local)	MCap (local m)	P/E			EV/Sales			EV/EBITDA			EV/EBIT			P/B			DYield		
					2017e	2018e	2019e	2017e	2018e	2019e	2017e	2018e	2019e	2017e	2018e	2019e	2017e	2018e	2019e	2017e	2018e	2019e
<b>PEERS</b>	Low & Bonar	UNITED KINGDOM	0.55	181	8.1	7.1	6.6	0.7	0.7	0.6	5.6	5.1	4.8	8.5	7.4	6.9	0.9	0.9	0.8	5.9	6.3	7.0
	Serge Ferrari	FRANCE	10.35	126	42.4	23.2	14.5	0.7	0.6	0.6	8.5	6.7	5.3	22.6	13.2	9.1	1.3	1.3	1.2	0.9	1.3	2.0
	Chargeurs	FRANCE	25.31	590	21.5	18.0	16.6	1.1	1.0	1.0	11.0	10.0	9.1	13.7	12.5	11.6	2.4	2.3	2.2	2.4	2.8	3.0
	Lakeland	UNITED STATES	14.55	118	16.2	16.0	15.8															
	Delta Plus	FRANCE	44.50	321	18.4	16.5	15.9	1.7	1.6	1.5				13.6	12.6	11.9				1.3	1.5	1.6
	<b>PEER AVERAGE</b>				<b>21.3</b>	<b>16.2</b>	<b>13.9</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>8.4</b>	<b>7.3</b>	<b>6.4</b>	<b>14.6</b>	<b>11.4</b>	<b>9.9</b>	<b>1.6</b>	<b>1.5</b>	<b>1.4</b>	<b>2.7</b>	<b>3.0</b>	<b>3.4</b>
<b>PEER MEDIAN</b>				<b>18.4</b>	<b>16.5</b>	<b>15.8</b>	<b>0.9</b>	<b>0.9</b>	<b>0.8</b>	<b>8.5</b>	<b>6.7</b>	<b>5.3</b>	<b>13.7</b>	<b>12.5</b>	<b>10.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.2</b>	<b>1.9</b>	<b>2.1</b>	<b>2.5</b>	
	<b>Sioen</b>	<b>BELGIUM</b>	<b>30.42</b>	<b>603</b>	<b>23.1</b>	<b>20.5</b>	<b>17.2</b>	<b>1.5</b>	<b>1.4</b>	<b>1.3</b>	<b>11.0</b>	<b>9.6</b>	<b>8.3</b>	<b>16.3</b>	<b>14.0</b>	<b>11.9</b>	<b>2.9</b>	<b>2.7</b>	<b>2.4</b>	<b>1.8</b>	<b>2.0</b>	<b>2.3</b>
	<b>% prem./(disc.) vs median</b>			<b>25.6</b>	<b>24.0</b>	<b>8.8</b>	<b>70.7</b>	<b>62.6</b>	<b>60.2</b>	<b>28.2</b>	<b>42.8</b>	<b>57.0</b>	<b>19.3</b>	<b>11.7</b>	<b>15.0</b>	<b>118.2</b>	<b>110.8</b>	<b>105.4</b>	<b>-2.9</b>	<b>-8.0</b>	<b>-6.7</b>	
<b>Belgian SMCs</b>	Deceuninck	BELGIUM	3.01	410	20.8	15.7	19.1	0.7	0.7	0.7	7.4	6.6	6.7	13.2	11.7	12.0	1.4	1.3	1.3	1.2	1.2	1.3
	Greenyard	BELGIUM	20.11	857	25.2	19.0	15	0.3	0.3	0.3	8.0	6.9	6.6	13.9	11.7	11.0	1.2	1.1	1.1	1.1	1.1	1.1
	Jensen Group	BELGIUM	39.90	312	15.8	14.9																
	Kinepolis	BELGIUM	55.66	1,510	32.9	26.6	24	4.8	3.6	3.4	16.1	13.3	12.1	22.6	18.7	16.6	8.8	7.3	6.3	1.5	1.9	2.1
	Lotus Bakeries	BELGIUM	2,116.95	1,695	27.0	24.5	24	3.4	3.2	3.0	17.1	15.4	14.3	20.2	18.6	16.9	5.8	4.9	4.2	0.8	1.0	1.2
	Picanol	BELGIUM	92.70	1,641	14.1	13.6	15										2.7	2.3	2.1	0.1	0.1	0.1
	Roularta	BELGIUM	21.95	274	33.2	49.4	21	0.9	0.8	0.9	20.6	19.5	17.1				1.0	0.9	1.0	1.0	1.1	1.9
	Sipef	BELGIUM	62.80	570	12.4	13.3	12	3.0	2.7	2.4	7.9	6.9	5.2	8.5	9.9	8.7	1.3	1.2	1.2	1.9	2.1	2.3
	Tessengerlo	BELGIUM	38.89	1,678	21.2	15.1	13	1.0	0.9	0.8	8.6	7.2	5.9	14.1	11.1	8.7	2.5	2.1	1.8	0.0	0.0	0.0
	Van de Velde	BELGIUM	44.45	592	19.7	18.9		2.9	2.8		11.0	10.6		13.8	14.2		2.7	2.5		4.8	4.8	
	<b>BELGIAN SMC AVERAGE</b>				<b>22.2</b>	<b>21.1</b>	<b>17.8</b>	<b>2.1</b>	<b>1.9</b>	<b>1.6</b>	<b>12.1</b>	<b>10.8</b>	<b>9.7</b>	<b>15.2</b>	<b>13.7</b>	<b>12.3</b>	<b>3.0</b>	<b>2.7</b>	<b>2.4</b>	<b>1.4</b>	<b>1.5</b>	<b>1.3</b>
<b>BELGIAN SMC MEDIAN</b>				<b>21.0</b>	<b>17.3</b>	<b>17.3</b>	<b>2.0</b>	<b>1.8</b>	<b>0.9</b>	<b>9.8</b>	<b>8.9</b>	<b>6.7</b>	<b>13.9</b>	<b>11.7</b>	<b>11.5</b>	<b>2.5</b>	<b>2.1</b>	<b>1.6</b>	<b>1.1</b>	<b>1.1</b>	<b>1.3</b>	
	<b>Sioen</b>	<b>BELGIUM</b>	<b>30.42</b>	<b>603</b>	<b>23.1</b>	<b>20.5</b>	<b>17.2</b>	<b>1.5</b>	<b>1.4</b>	<b>1.3</b>	<b>11.0</b>	<b>9.6</b>	<b>8.3</b>	<b>16.3</b>	<b>14.0</b>	<b>11.9</b>	<b>2.9</b>	<b>2.7</b>	<b>2.4</b>	<b>1.8</b>	<b>2.0</b>	<b>2.3</b>
	<b>% prem./(disc.) vs median</b>			<b>10.2</b>	<b>18.5</b>	<b>-0.5</b>	<b>-21.8</b>	<b>-21.9</b>	<b>54.4</b>	<b>11.8</b>	<b>7.6</b>	<b>24.9</b>	<b>17.4</b>	<b>19.8</b>	<b>3.5</b>	<b>19.3</b>	<b>27.1</b>	<b>55.0</b>	<b>67.8</b>	<b>73.2</b>	<b>82.3</b>	

Source: Merodis, Factset

# P/E valuation relative to the sector

Back to a premium valuation

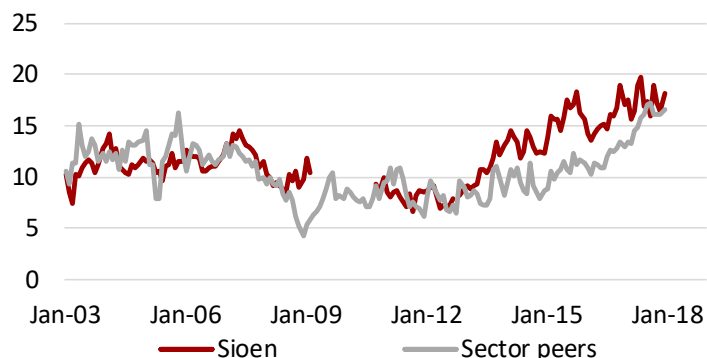
## Valuation

Sioen continues to trade at a premium to the sector following a discount in August and in the first half of September. On 2018e consensus EPS estimates, Sioen shares trade at a 10% premium versus the sector in Europe (from 18% in September 2017) and at a 16% premium versus the Belgian SMCs (unchanged), which highlights Sioen's re-rating since mid-September. Sioen's premium versus the sector has, however, averaged 32% since 2013.

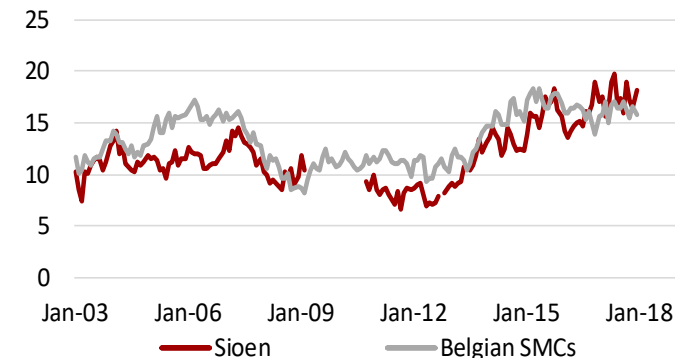
The stock's premium rating is justified, in our view, by the company's strong growth outlook as well as superior margin profile compared to the sector peers. Indeed, our peer analysis highlights Sioen's robust business model, with superior margins compared to its sector peers (EBIT margins averaging 10.1% in 2017-19e vs. peers at 9.1%). Expected growth at Sioen is almost unchanged at 16% EPS CAGR 17-19e (from 17% previously expected), compared to a peer median of 11% (unchanged) and a Belgian SMC median at 12% (from 18%).

Our ROCE/WACC valuation analysis, which we carried out as a cross-check, indicates that the market is looking beyond Sioen's period of margin pressure from higher raw material prices (ie. beyond 2018e), which could be seen as a risk factor for the share price. We expect, however, ROCE measurements to be negatively impacted by the James Dewhurst acquisition (acquired in mid-2017, ie. with a P&L impact over 6-months while the balance sheet at 31 December reflects a full-year impact) as well as the dilutive nature, over the MT, of Sioen's renewed capex plan as from 2H17e.

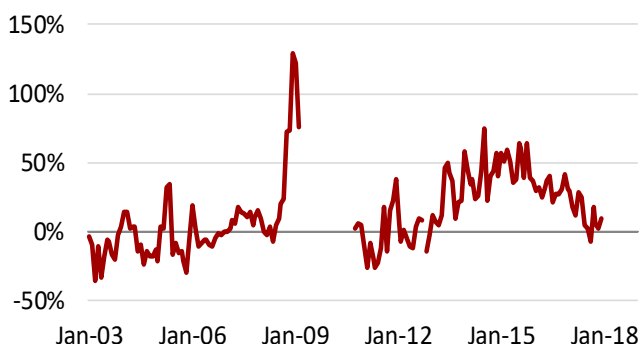
P/E ratio of Sioen vs. Sector



P/E ratio of Sioen vs. Belgian SMCs



Premium/(Discount) of Sioen vs. Sector



Premium/(Discount) of Sioen vs. Belgian SMCs

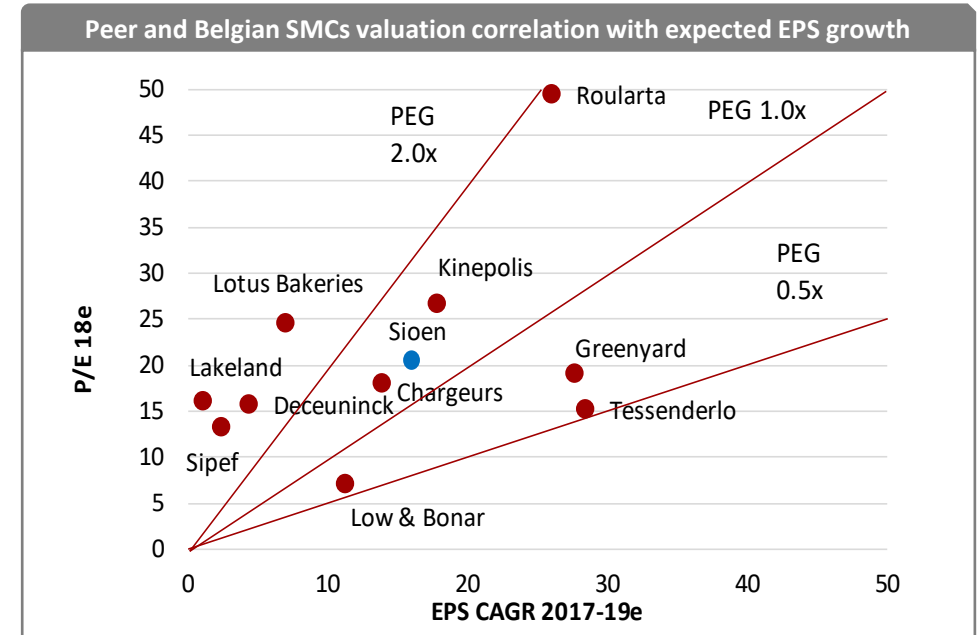
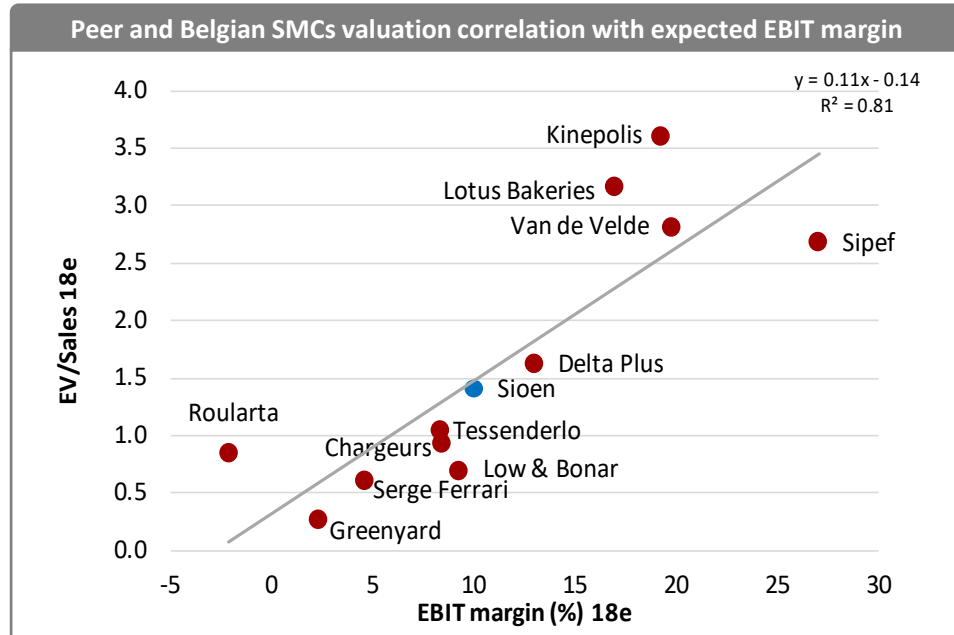


Source: Merodis, Factset



Sioen updated DCF							
Eur m	2017e	2018e	2019e	2020e	2021e	2022e	2022e
Sales	475.7	510.4	522.6	533.0	543.7	554.6	565.7
% growth	25.6%	7.3%	2.4%	2.0%	2.0%	2.0%	2.0%
<b>EBIT</b>	<b>44.8</b>	<b>51.0</b>	<b>57.5</b>	<b>57.7</b>	<b>57.9</b>	<b>58.1</b>	<b>58.3</b>
% sales	9.4%	10.0%	11.0%	10.8%	10.7%	10.5%	10.3%
Tax	-11.2	-12.7	-15.1	-17.3	-17.4	-17.4	-17.5
Tax rate	-25.1%	-24.8%	-26.2%	-30.0%	-30.0%	-30.0%	-30.0%
Operating profit after tax	33.6	38.3	42.5	40.4	40.5	40.7	40.8
+ Tang. depreciation	19.1	20.4	21.1	19.5	17.7	15.9	16.2
% capex	-95.3	-78.3	-140.8	-127.2	-113.6	-100.0	-100.0
- Capex	-20.0	-26.0	-15.0	-15.3	-15.6	-15.9	-16.2
% sales	-4.2	-5.1	-2.9	-2.9	-2.9	-2.9	-2.9
Total net investments in fixed assets	-0.9	-5.6	6.1	4.2	2.1	0.0	0.0
- Investments in working capital	-30.4	1.2	-0.7	-2.7	-2.7	-2.8	-2.8
% sales	-6.4	0.2	-0.1	-0.5	-0.5	-0.5	-0.5
<b>Operating cash flow</b>	<b>2.2</b>	<b>33.8</b>	<b>47.8</b>	<b>41.9</b>	<b>39.9</b>	<b>37.9</b>	<b>38.0</b>
% growth	-92%	1415%	41%	-12%	-5%	-5%	0%
WACC	7.4	7.4	7.4	7.4	7.4	7.4	7.4
Discount factor		1.00	0.93	0.87	0.81	0.75	0.70
Present value of free cash flow		33.8	44.6	36.3	32.3	28.5	26.6
Cumulative present value of free cash flow		202.1					
+ Present value of terminal value		503.5					
<b>= Enterprise value</b>		<b>705.5</b>					
- Net Financial Debt/(cash) (2016)		114.0					
- Other liabilities (book)		24.2					
- Equity stakes & investments (book)		10.0					
<b>= Estimated market value of equity</b>		<b>577.4</b>					
<b>Fair value per share (EUR)</b>		<b>29.1</b>					

Source: Merodis, Factset



Source: Merodis, Factset

# Sales growth expectations

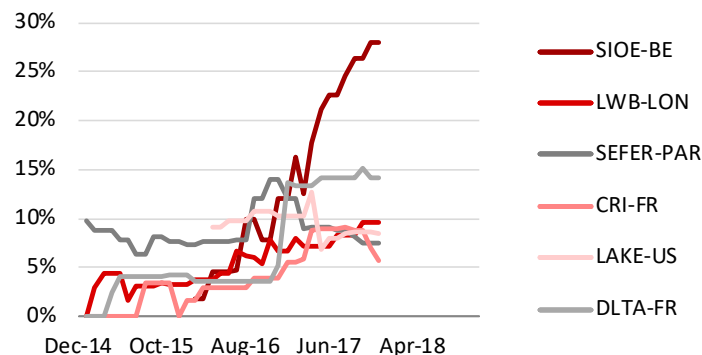
Mixed picture in the sector, but Sioen's growth is boosted by acquisitions

## Expected Sales Growth

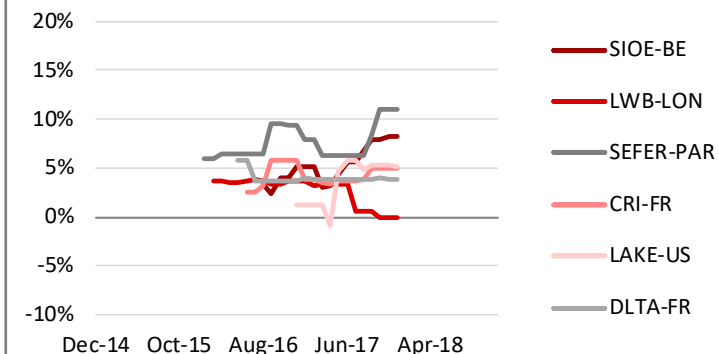
At the end of December, consensus expected 9.1% sales growth for the European Technical Textile peers in 2017 (from 9.6% previously expected), reflecting M&A action, not only at Sioen, but also at Serge Ferrari Group (Giofex in September 2016) and at Delta Plus Group (string of acquisitions at the end of 2016 and early 2017). These acquisitions have led consensus to remain near 10% over 2017. With respect to 2018 sales growth expectations, consensus remained stable at around close to 5% compared to consensus growth of 8% for Sioen (albeit also not entirely organic).

With respect to Sioen, consensus expects 2017 sales to grow by 28% (from 26% expected in September, with upside from the Dewhurst acquisition over 6 months in 2017), driven also by the impact of acquisitions (Manifattura Fontana in April 2016, Dimension-Polyant in July 2016, Ursuit and Verseidag Ballistic Protection, both consolidated as from January 2017 and Dewhurst from July 2017). In 2017, the two acquisitions in Scandinavia (Ursuit and Verseidag) are expected to add an estimated €33m of sales to Sioen (9% of 2016 net sales) with Dewhurst expected by us to add €31m (from July 2017). In 2018, we expect external sales of €28.5m, entirely from the Dewhurst acquisition.

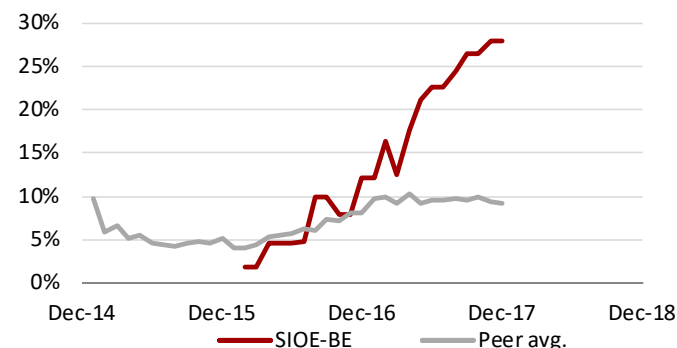
2017 expected sales growth (%)



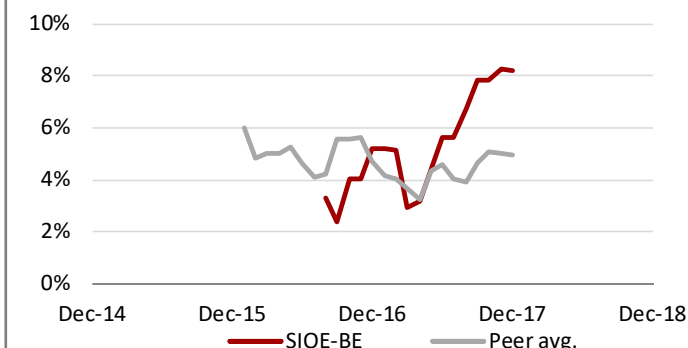
2018 expected sales growth (%)



2017 expected sales growth, Sioen vs. peers



2018 expected sales growth, Sioen vs. peers



Source: Merodis, Factset

# EBITDA growth and margin expectations

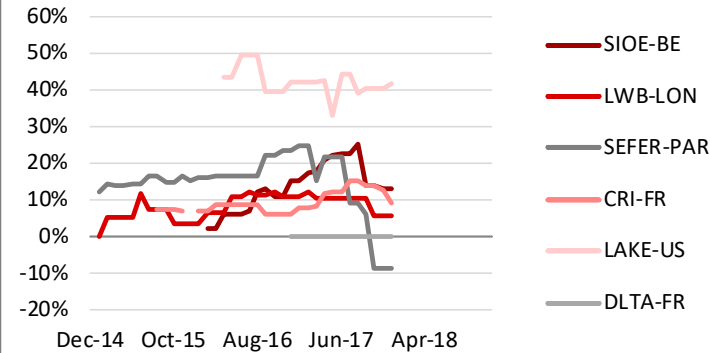
Underlying improvement enhanced by acquisitions

## EBITDA expectations

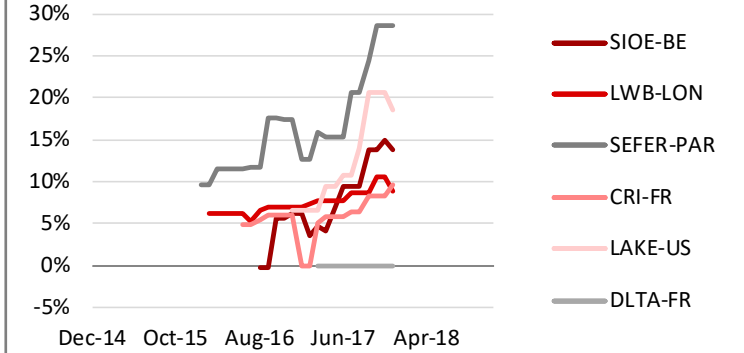
During 4Q17, expected annual EBITDA growth in 2017e for Sioen remained double-digit, at 12% by the analyst community (versus 14% growth expected in September 2017 and back above the sector average of 12% growth), while consensus expects an EBITDA growth of 14% for 2018e (unchanged from September) and a sector average of 16% growth, also unchanged.

This translates into an EBITDA margin forecast by consensus of 14.2% and 15.2% for Sioen in 2017e and 2018e respectively (vs. MERe 14.0% and 14.6% respectively), compared to a peer average of 10.5% and 11.5% for each year respectively.

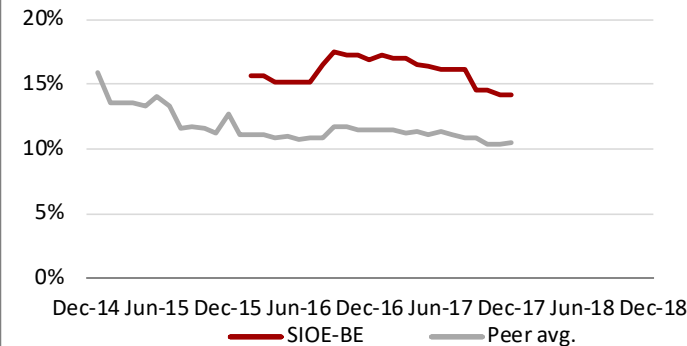
## 2017 expected EBITDA growth (%)



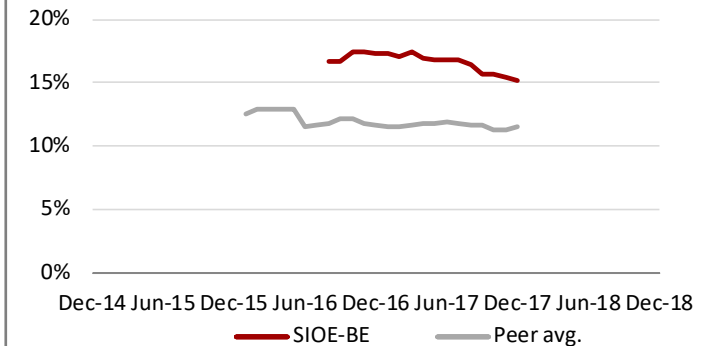
## 2018 expected EBITDA growth (%)



## 2017 expected EBITDA margin, Sioen vs. peers



## 2018 expected EBITDA margin, Sioen vs. peers



Source: Merodis, Factset

# Consensus payout expectations

Payout remains superior despite M&A strategy

## Dividend payout

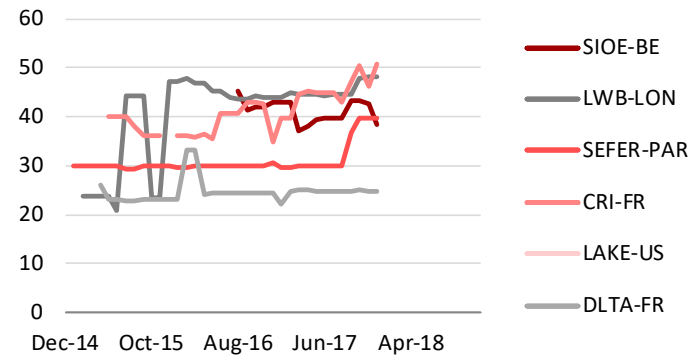
Sioen paid a dividend of €0.53 per share in 2017 on 2016 results, which represents an all-time record high for the second consecutive year and close to 10% growth y-o-y. The cash outlay reached €10.5m with a payout ratio of 40% on the reported 2016 EPS. Sioen's payout is expected to fall slightly below the sector average in 2017 and in line with the peer average for 2018.

Sioen has paid a dividend every single year without interruption since 1996, offering 12.5% compound growth (1996-2016). We expect double digit growth going forward, at 13% (2017-19e CAGR).

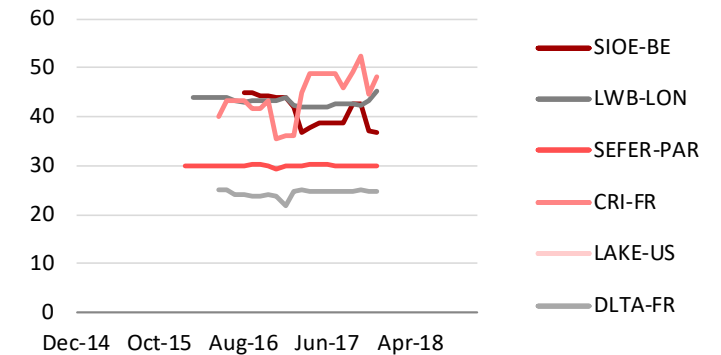
The company's stated dividend policy, as published in the 2015 annual report, is backed by two targets: (1) a minimum pay-out of 15% (vs. a historical average of 34% since 1996, an average of 45% since 2011 and 41% reported in 2015) and (2) an "increase the dividend year after year". Since 1996, the dividend has been cut only once, in 2008, and remained flat y-o-y only once as well, in 2009.

At the current share price, Sioen offers an attractive return proposition, particularly relative to the quite active domestic retail investors. Although Sioen's consensus dividend yield, at 1.8%, is below the sector peer average (2.7%), it remains above the Belgian family-owned SMCs peers (average of 1.4%).

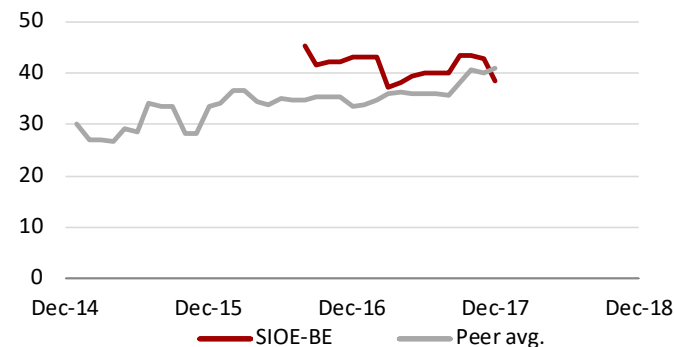
2017 expected Payout, Sector



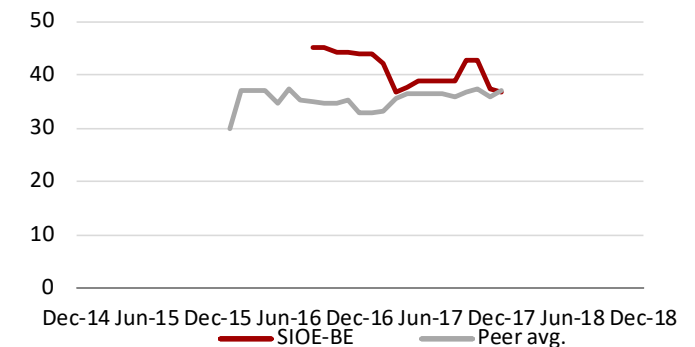
2018 expected Payout, Sector



2017 expected payout, Sioen vs. Peers



2018 expected payout, Sioen vs. Peers



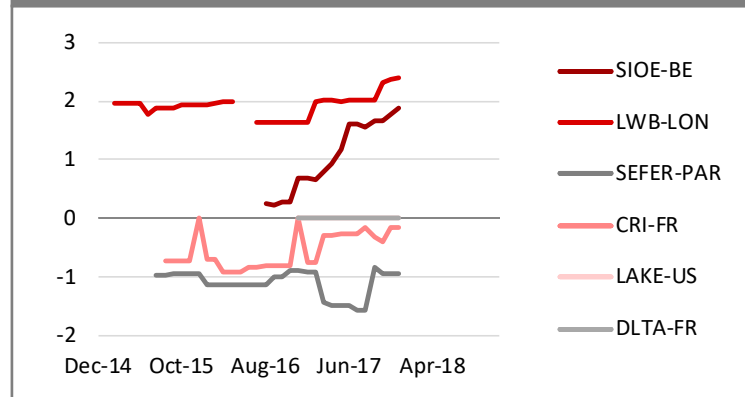
Source: Merodis, Factset

## Net-debt-to-EBITDA

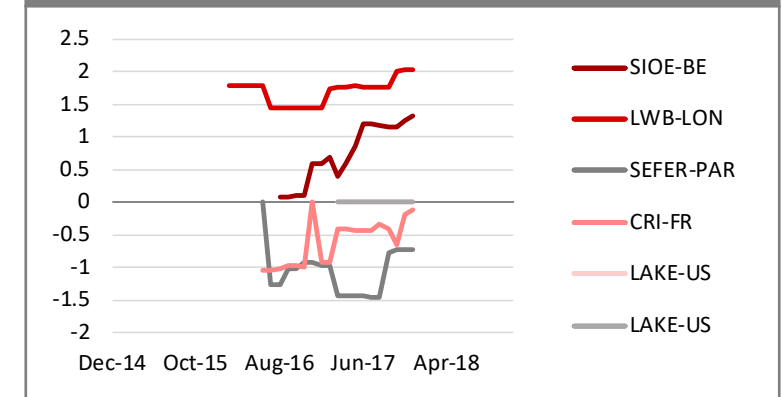
Although Sioen's leverage is above the sector average, it remains under control, with consensus forecasting a NFD/EBITDA for Sioen of 1.9x (was 1.7x) and 1.3x (was 1.2x) in 2017e and 2018e respectively. We continue to expect 1.7x and 1.3x for each year respectively, including the impact on both sides of the equation of the two recent Scandinavian acquisitions as well as the Dewhurst acquisition.

We expect turnover at Sioen above €500m as from 2018e to be generated organically, albeit including the full-year impact of the Dewhurst acquisition. We estimate, however, that Sioen could leverage its balance sheet up to 3x NFD/EBITDA from currently 1.7x, implying additional M&A firepower of at least €85m based on our 2017 forecasts. We expect, however, management to focus its attention on capex investments and acquisition integration rather than further large-scale M&A transactions.

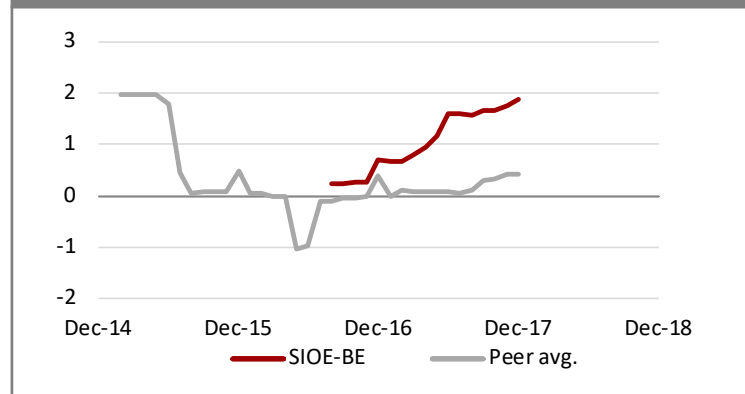
2017 NFD/EBITDA, sector



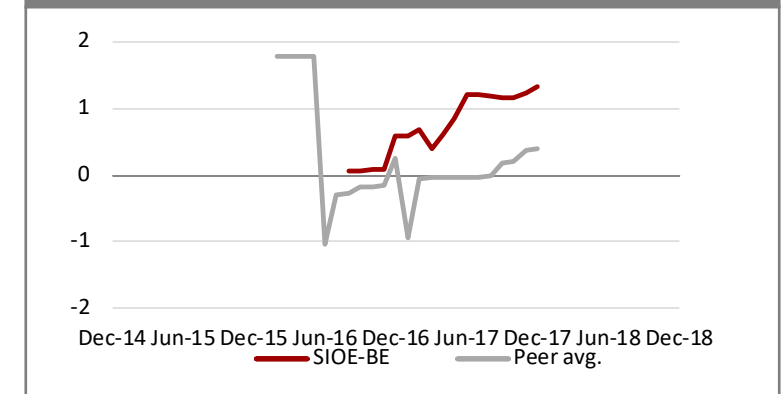
2018 NFD/EBITDA, sector



2017 NFD/EBITDA, Sioen vs. Peers

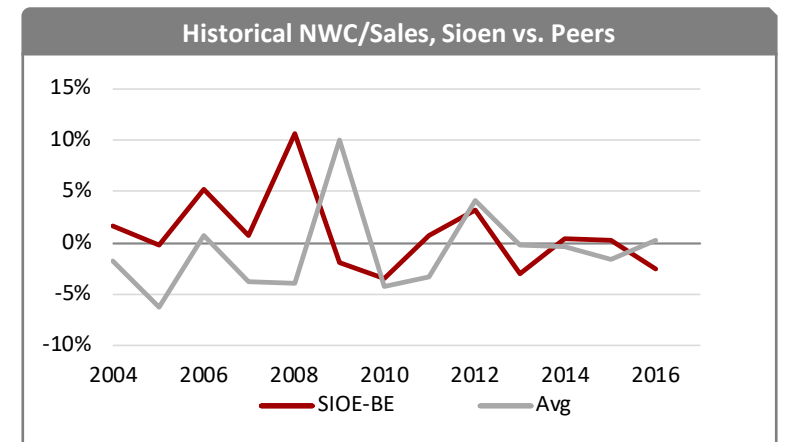
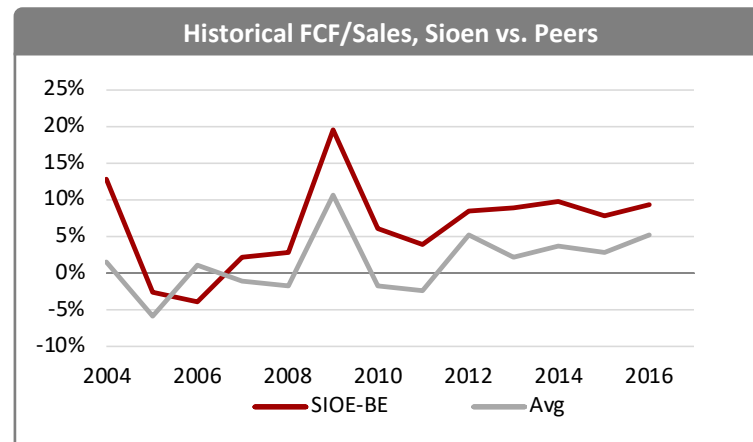
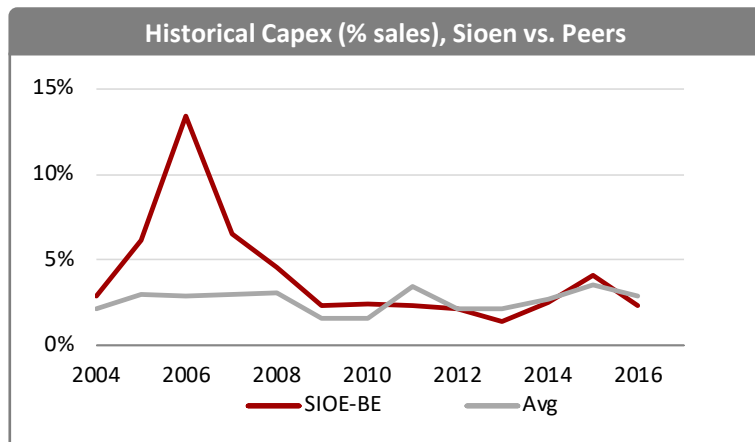
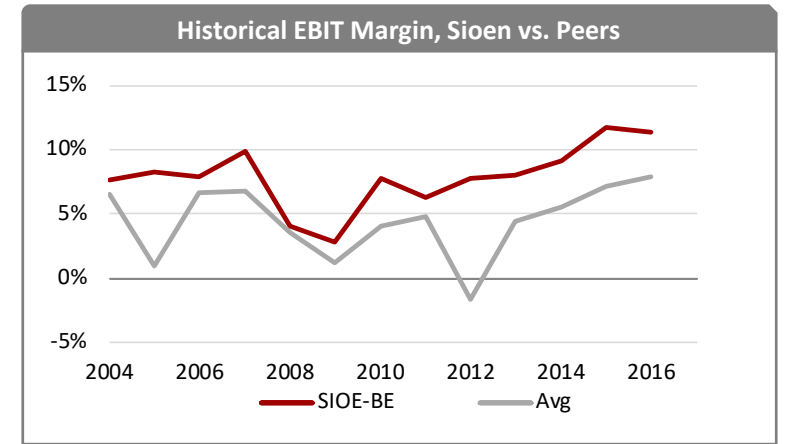
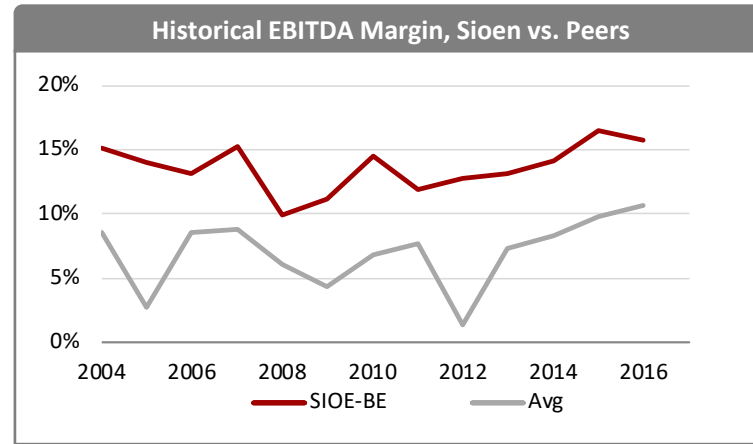
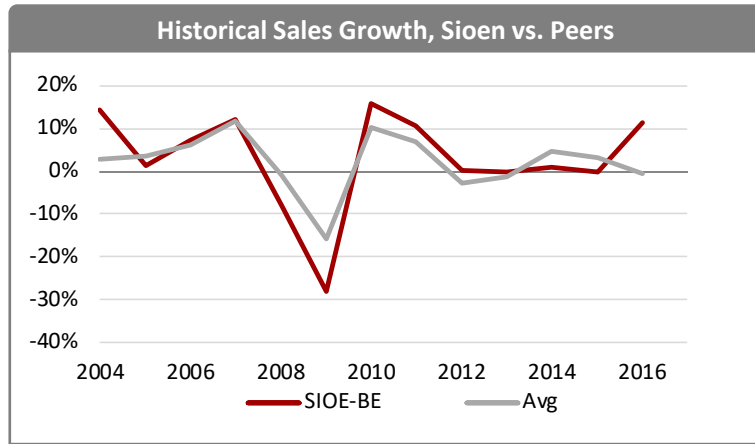


2018 NFD/EBITDA, Sioen vs. Peers



Source: Merodis, Factset

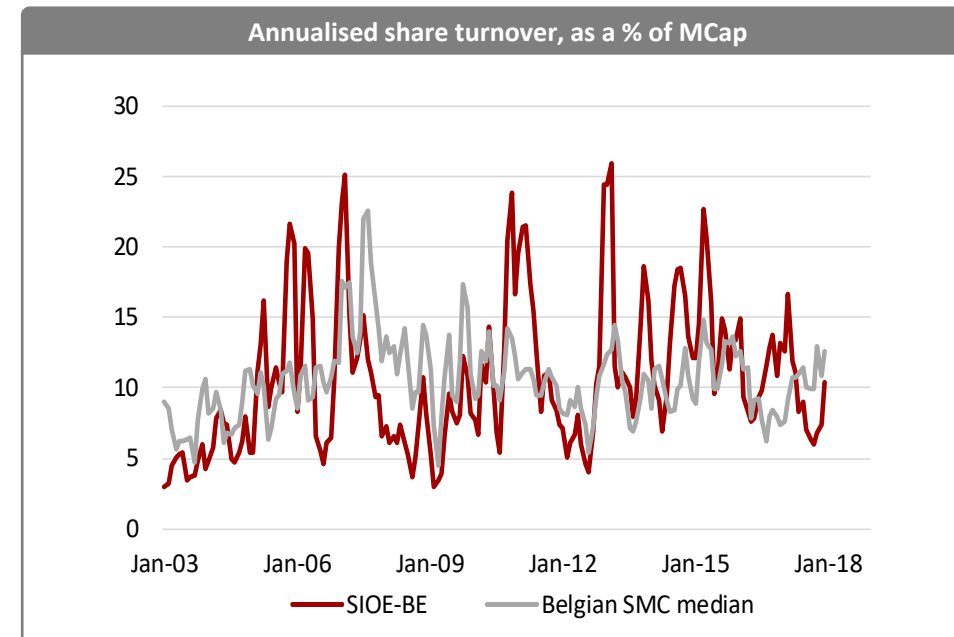
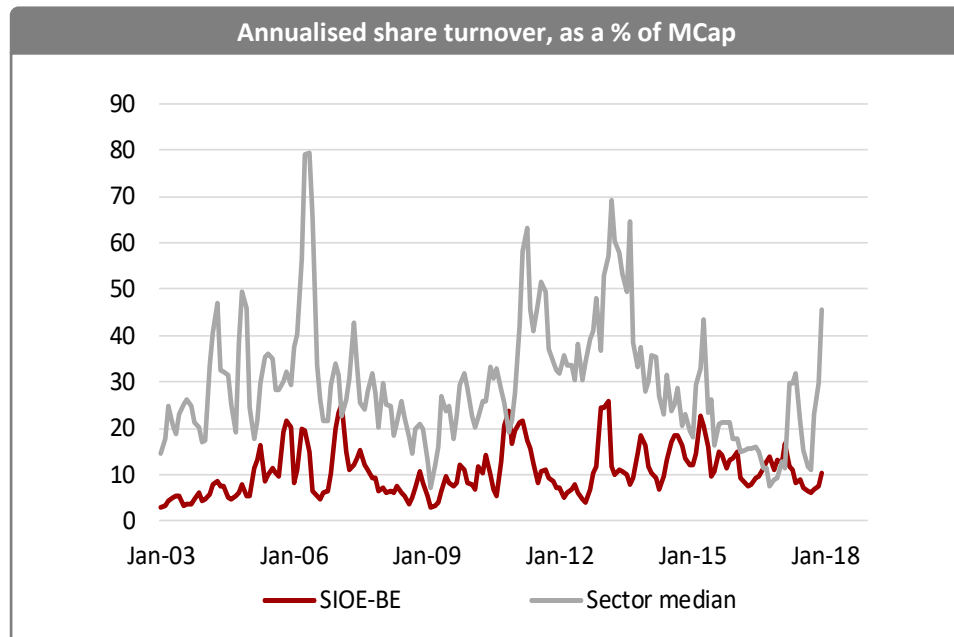
# Historical P&L, CF and Balance Sheet Performance



Source: Merodis, Factset

# Share liquidity

Moving back up since the H1 2016 weakness



Source: Merodis, Factset





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All communication regarding this Report and requests for additional information should be directed to Merodis:

**Arnaud W. Goossens**

Partner

[ago@merodis.com](mailto:ago@merodis.com)

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