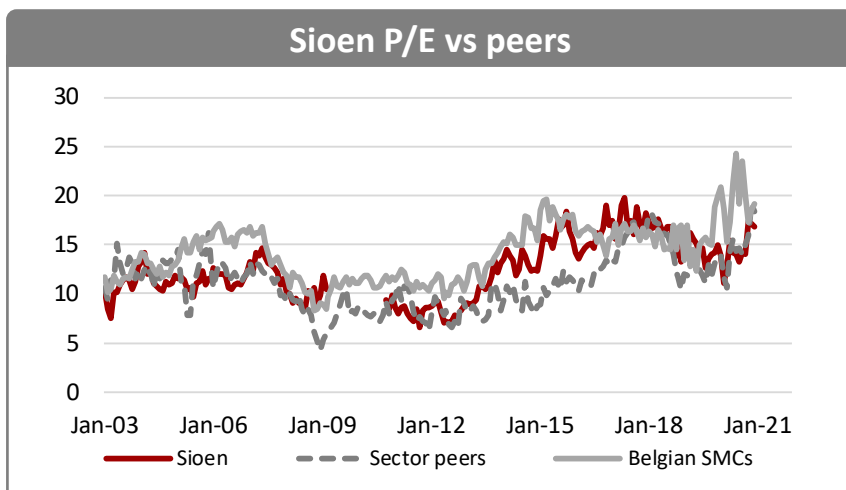




Sioen P/E vs peers



€m	2016	2017	2018	2019	2020e	2021e	2022e
Sales	363.4	473.1	506.2	509.6	498.3	543.4	551.7
EBIT	44.7	41.5	47.7	39.6	38.2	37.4	46.4
Net profit	26.0	21.9	33.8	27.4	24.6	24.6	31.2
EPS (€)	1.31	1.11	1.71	1.39	1.24	1.24	1.58
DPS (€)	0.53	0.56	0.62	0.00	0.65	0.70	0.75
P/E (x)	16.1	26.0	15.9	18.4	15.4	17.8	14.0
Yield (%)	2.5	1.9	2.3	0.0	3.4	3.2	3.4
Adj. EV/EBIT (x)	10.8	16.2	13.5	15.7	11.8	13.2	10.2

Source: Merodis, Factset
Pricing date: 31/12/2020

Market review and peer benchmarking

19 January 2021

Key quarterly insights: 4Q20

Family owners are seeking a delisting

Sioen announced on 29 October 2020 that its majority shareholder, the Sioen family represented by Sihold, their holding company with 65.25% of the share as of 30/6/2020, was considering a delisting of Sioen through a conditional public offering (effectively launched on 19 November 2020) to acquire shares not owned at a price of EUR 23/share. The offer is conditional to (1) owning a minimum of 95% of the outstanding shares following the bid and (2) the BEL20 index not falling 10% below the level of the day prior to the launch. Excluding treasury shares (0.96%), the offer concerns 6.7m shares (33.8%) for a total consideration of EUR 154m. The offer, which is slightly above our estimated fair value of EUR 22.8/share (dated 30/9/2020), implies a valuation multiple of 8.3x EV/EBITDA 2021e, a 5% premium to the sector peer average at the time. This compares to a historical valuation range for Sioen of 5-10x NTM EV/EBITDA since 2003, with an average of 6.3x. Financing the offer should not be an issue in our view given the current environment of ultra-low interest rates and Sioen's potential to reward its shareholders with a dividend yield of 3% on average over the next 3 years based on our forecasts (including a 50% payout ratio, slightly above its 2011-18 average of 45%).

Listed on Euronext Brussels with performance and temper since 1996

Sioen was listed on the Brussels stock exchange in 1996 at a price of EUR 3.8 (EUR 76m market cap), delivering a 7.5% return (CAGR) over time considering a potential exit price of EUR 23 in 2021. The company's share price flew up to EUR 45 (EUR 890m market cap) in 1999 during the Belgian take-over speculation bubble and fell as low as EUR 2.7 in 2009 in the fall out of the financial crisis. Sales grew by 7.7% CAGR over the listing period, with external growth averaging 4% pa from an estimated 23 acquisitions (at an estimated price of EUR 181m) financed with Sioen's own funds and only one capital increase of EUR 39m in 1998. We estimate an average annual post-tax ROCE of 7.9% since 1996 and an average ROE of 12%.

3Q20 sales reveals ongoing Covid-19 linked pressure in Coating and Apparel

Sioen reported 3Q20 sales on 13 November, showing a 4% drop in organic sales with weakness mainly in Coating (-4.3% organic) and Apparel (-5.9% organic) during the quarter. The contribution of Dickson Saint Clair (acquired in January 2020) allows the company to show 2.2% growth in reported sales. In Coating (61% of group sales), some sectors are still not showing signs of recovery in 3Q20, including heavy-weight exposure such as construction and sailing (together c25% of group activity). Over 9M, the company reported sales growth of -3% including -9.8% organic, mainly due to the negative impact of the first Covid-19 lockdown in Europe (Sioen's target market) from March to May 2020. We have revised down our 2020e sales forecast by 0.6%. The company refrained from providing any quantified guidance.

Valuation assessment

We estimate a fair equity value of EUR 22.7/share (from EUR 22.8) on a DCF model (unchanged 8.3% WACC, unchanged 2% LT growth, and unchanged LT target EBIT margin of 9% from 7.6% achieved in 2019), reflecting target 2021e P/E and EV/EBITDA multiples of 18.3x and 8.4x respectively. Based on consensus estimates, the stock is trading at a 8% 12-months forward P/E discount vs. its sector peers, from a 2% discount in Jun-20 (below the 24% average premium since 2013, justified by higher growth and returns).

Dashboard objectives

- ⇒ Follow-up to our coverage of Sioen which was launched in October 2016
- ⇒ 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, 3 March, 2021: FY20 results
- ⇒ Thursday, 29 April, 2021: 1Q21 trading update
- ⇒ Friday, 30 April, 2021: AGM

Access our recent research reports on Sioen:

- ⇒ ["1Q20 market review" \(monthly dashboard\), 10 April 2020](#)
- ⇒ ["2Q20 market review" \(monthly dashboard\), 14 July 2020](#)
- ⇒ ["3Q20 market review" \(monthly dashboard\), 19 October 2020](#)

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.

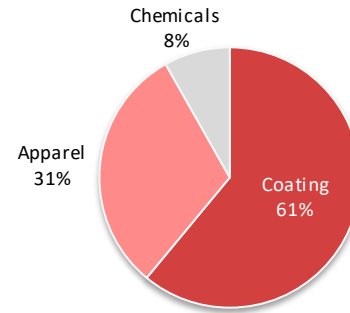
Sioen has a global leadership position in the truck-trailer tarpaulin market (c. 14% of sales) and in the sailcloth market which was acquired through Dimension Polyant (c. 8% of sales; 40% global market share).

Sioen's margins are amongst the highest in the industry, with an EBIT margin and ROCE which are expected to remain above 8%.

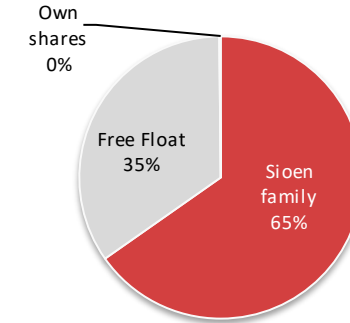
The company operates 21 plants (13 in Europe incl. 7 in Belgium, 4 in Asia, 3 in Africa and 1 in the USA) with a staff of 4,800+. Its end markets are mainly in Europe: France (18%), Benelux (15% of sales in 2018), Germany (15%) and East Europe (9%).

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

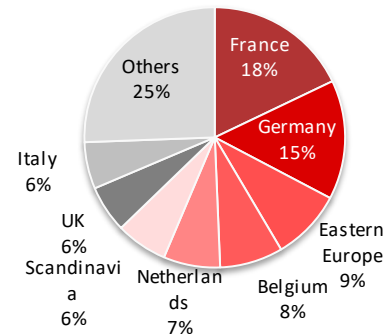
Sales breakdown (2019)



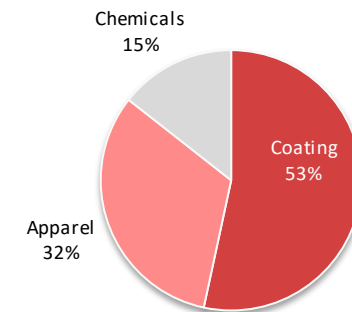
Shareholders



Sales breakdown (2019)



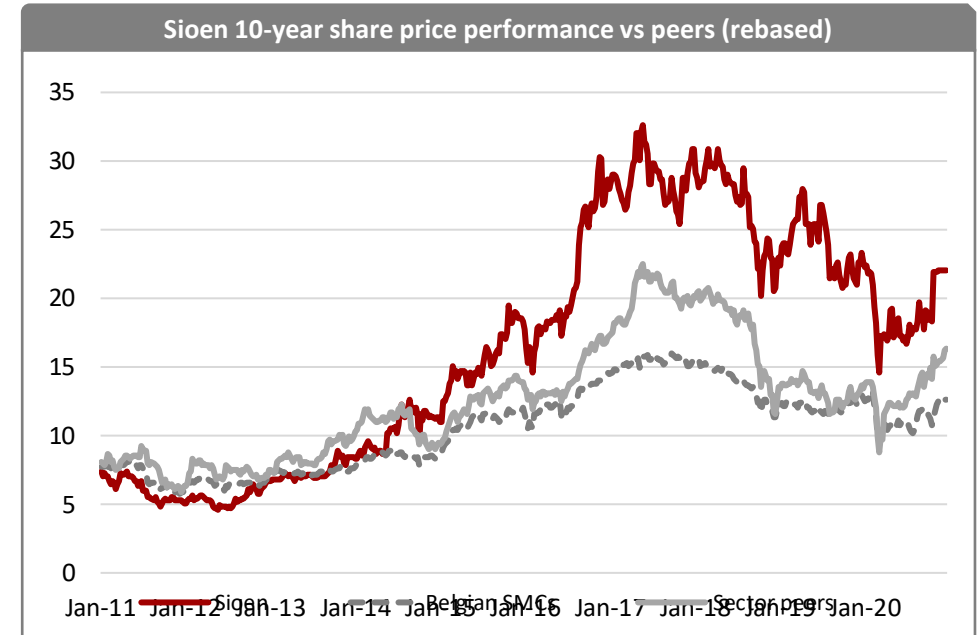
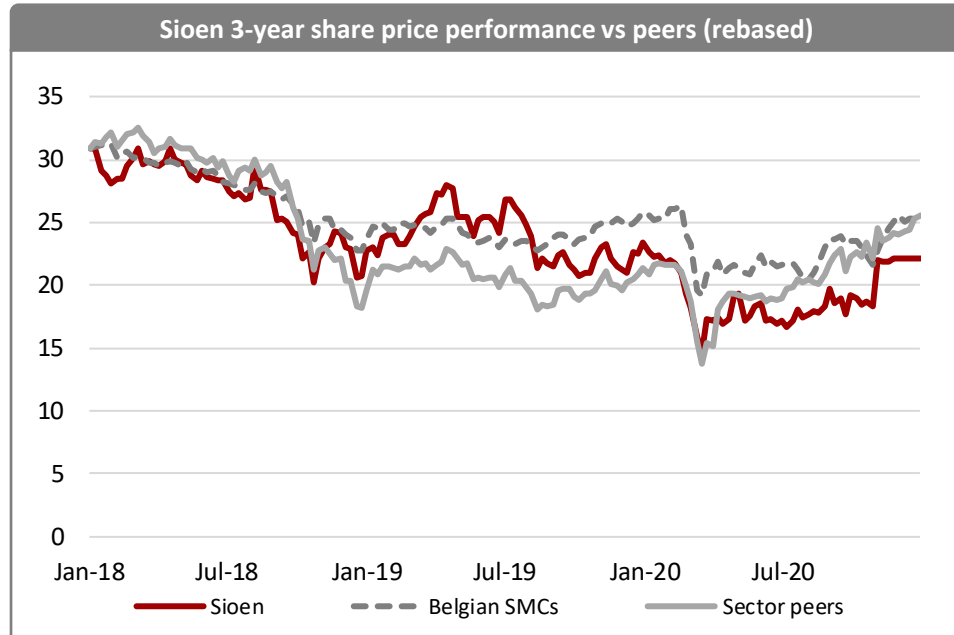
EBIT breakdown (2019)



Source: Merodis, Factset

Share price performance

Performing roughly in line with sector peers



Source: Merodis, Factset

Analyst Recommendations, Earnings Expectations

Consensus revising downwards amidst Covid-19 impact

Consensus view

Consensus EPS estimates for 2020e have been revised down (-6% q-o-q), continuing the downward trend over the previous two quarters, as well as for 2021e (-10% q-o-q), both reflecting expectation of a second Covid-19 related lockdown as well as a weak 3Q20 trading update.

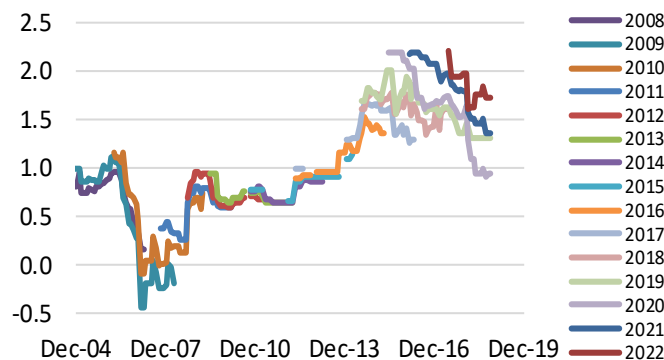
Consensus currently expects a 2020e EPS of €0.95, reflecting a 28% decline y-o-y, while 2021e earnings are at €1.36, implying a 43% increase y-o-y.

We are 31% above consensus for 2020e and 9% below for 2021e, with our forecasts reflecting a slow recovery over 2H20 (-6% organic growth) and into 2021 (organic growth +9%). Our 2020 forecasts also include the P&L impact of the Glen Raven acquisition which was already booked on the balance sheet in December 2019 and in the P&L from January 2020.

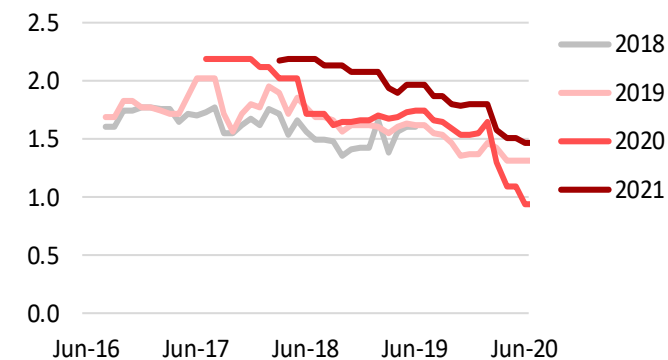
Sioen's share price was up 17% during 4Q20, performing better than the broader market (Euro STOXX 600: +10.5%) and local mid caps (+7.7%), while performing broadly in line with peers again (+16.4%). The stock's high over the past 12 months was reached on January 2, 2020 at EUR 23.4, while its low was reached on March 18, 2020 at EUR 14.10.

Two brokers cover the stock according to Factset: Berenberg (Hold, TP EUR 23 up from EUR 21.5), and ING (Buy, TP €24). KBC Securities covered the stock previously with a Hold recommendation and EUR 19 target price. This compares to a sector median analyst rating which remains in Buy territory.

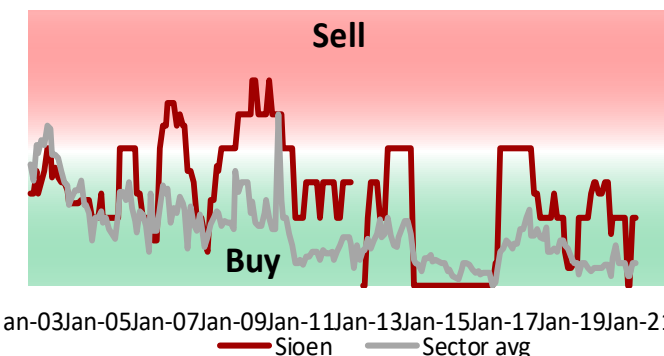
EPS Worms (€/share)



Consensus EPS 2017-20e (€/share)



Analyst recommendations vs. peer average



Merodis Equity Research estimates vs. consensus (%)

	<u>2019</u>	<u>2020e</u>	<u>2021e</u>
Sales	0.0	9.6	5.5
EBITDA	-1.0	12.8	-5.6
Depreciation	33.9	36.2	na
EBIT	-3.7	38.0	-6.0
EPS (€)	5.6	30.7	-8.8
DPS (€)	-100.0	31.3	8.8

Source: Merodis, Factset

Sector benchmarking analysis

Benchmarking against two sets of peers

	Company	2020e	EBITDA	Sales	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	EPS	EBITDA	Sales	
PEERS	Serge Ferrari	14	64%	4%	2.4	2.5	1.9	9.6	10.4	11.4	2.2	3.3	4.4	0.9	1.4	2.3	1.8	3.5	5.9	87.2	26.2	15.5	
	Chargeurs	66	40%	4%	1.8	2.5	1.7	11.6	9.4	10.6	9.6	7.3	9.0	4.4	2.3	4.2	14.9	5.7	10.5	-10.4	-8.1	-3.7	
	Lakeland	96	31%	1%				28.8	17.2		27.1	15.6		20.8	10.5								
	Delta Plus	28	18%	2%	2.0	1.6	1.0	17.0	16.2	16.7	14.7	14.2	14.6	10.3	10.1	10.5	17.5	16.6	15.5				
	PEER AVERAGE	51	38%	3%	2.0	2.2	1.6	16.7	13.3	12.9	13.4	10.1	9.4	9.1	6.1	5.7	11.4	8.6	10.6	38.4	9.1	5.9	
	PEER MEDIAN	47	36%	3%	2.0	2.5	1.7	14.3	13.3	11.4	12.2	10.8	9.0	7.3	6.2	4.2	14.9	5.7	10.5	38.4	9.1	5.9	
	Sioen	34	40%	3%	1.2	1.0	0.6	12.7	11.5	12.9	7.6	6.9	8.4	4.9	4.5	5.7	9.7	9.1	11.0	13.1	6.4	5.2	
% prem./(disc.) vs median	-28.2	11.6	-12.1	-36.8	-59.8	-63.5	-11.6	-13.6	13.5	-37.3	-36.2	-6.8	-33.3	-27.1	33.9	-35.0	58.5	4.3	-65.8	-29.3	-12.0		
Belgian SMCs	Deceuninck	44	93%	6%	1.8	1.5	1.1	10.5	10.9	11.5	3.9	4.8	5.5	0.7	2.2	3.2	2.1	6.1	8.8				
	Greenyard	39	114%	1%	4.1	3.6	3.2	3.1	3.3	3.5	1.1	1.3	1.5	0.1	0.3	0.5	1.2	3.6	5.2	112.1	8.9	2.8	
	Jensen Group	45	23%	3%	-1.3	-0.5	-0.3	5.5	8.3	10.2				1.3	3.3	4.8							
	Kinepolis	45	41%	12%	50.8	8.7	3.2	7.6	20.5	28.3	-31.6	-1.3	15.5	-33.7	-5.6	8.9	-43.4	-22.0	51.6		229.6	70.5	
	Lotus Bakeries	38	15%	8%	0.9	0.6	0.2	19.6	20.0	19.6	16.1	17.3	17.5	11.9	12.9	12.5	18.8	19.3	17.4				
	Picanol	11	67%	5%													5.6	6.1	6.3				
	Roularta	20	62%	3%	-6.6	-5.8	-5.4	4.9	6.2	7.1	-0.5	1.4	3.2	0.9	2.1	3.2	1.6	2.7	3.9	55.0	21.7	1.3	
	Sipef	51	87%	27%	2.3	1.7	1.1	24.7	27.7	30.5	9.3	16.2	20.4	4.8	10.3	13.9	1.8	5.8	8.7				
	Tessenderlo	39	50%	6%	0.7	0.2	-0.4	17.4	17.3	18.1	10.7	11.1	11.5	6.9	7.0	7.9	14.3	13.2	13.0	8.3	5.7	3.6	
	Van de Velde	43	32%	3%	-1.7	-1.6	-1.9	19.7	26.2	27.5	11.7			8.7	13.1	14.4	11.2						
	BELGIAN SMC AVG	38	59%	7%	5.7	0.9	0.1	12.6	15.6	17.4	2.6	7.3	10.7	0.2	5.1	7.7	1.5	4.4	14.3	58.5	66.5	19.6	
	BELGIAN SMC MED	41	56%	5%	0.9	0.6	0.2	10.5	17.3	18.1	6.6	4.8	11.5	1.3	3.3	7.9	2.1	6.0	8.7	55.0	15.3	3.2	
	Sioen	34	40%	3%	1.2	1.0	0.6	12.7	11.5	12.9	7.6	6.9	8.4	4.9	4.5	5.7	9.7	9.1	11.0	13.1	6.4	5.2	
% prem./(disc.) vs median	-17.8	-29.6	-52.8	31.8	70.5	161.9	20.3	-33.6	-28.4	15.5	44.1	-26.9	276.8	38.9	-28.1	357.2	52.7	25.3	-76.1	-58.2	63.3		

Source: Merodis, Factset

2019

2018

2018

2020

2020

2020

Sector valuation summary

Multiple-based valuation

	Company	Country	Price (local)	MCAp (local m)	P/E			EV/Sales			EV/EBITDA			EV/EBIT			P/B			DYield		
					2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
PEERS	Serge Ferrari	FRANCE	5.94	70	42.4	20.9	12.1	0.6	0.6	0.5	6.3	5.3	4.4	27.1	16.7	11.3	0.7	0.7	0.7	0.4	1.5	2.4
	Chargeurs	FRANCE	17.60	402	10.8	26.0	13.4	0.7	0.9	0.7	6.2	9.5	7.0	7.5	12.2	8.2	1.5	1.5	1.4	4.5	2.4	4.3
	Lakeland	UNITED STATES	27.25	218	6.8	15.8																
	Delta Plus	FRANCE	70.80	493	17.3	15.8	14.9	2.1	1.9	1.8	12.6	11.7	10.5	14.6	13.4	12.0	2.8	2.5	2.2	1.3	1.4	1.5
	PEER AVERAGE				19.3	19.6	13.5	1.2	1.1	1.0	8.4	8.9	7.3	16.4	14.1	10.5	1.7	1.6	1.4	2.0	1.7	2.7
PEER MEDIAN				14.0	18.3	13.4	0.7	0.9	0.7	6.3	9.5	7.0	14.6	13.4	11.3	1.5	1.5	1.4	1.3	1.5	2.4	
	Sioen	BELGIUM	22.10	436	17.8	17.7	13.9	1.0	0.9	0.9	8.0	7.9	6.6	13.3	13.1	10.2	1.6	1.6	1.5	2.9	3.2	3.4
	% prem./(disc.) vs median				27.0	-3.7	3.7	40.5	0.6	16.2	27.8	-17.8	-5.3	-8.4	-1.9	-9.9	9.4	6.6	9.6	134.9	117.8	38.5
Belgian SMCs	Deceuninck	BELGIUM	1.93	264	53.1	18.4	12.1	0.6	0.6	0.5	6.0	5.2	4.5	16.2	11.9	9.5	1.1	1.1	1.0	0.8	1.6	1.6
	Greenyard	BELGIUM	5.98	257	49.8	16.6	11	0.2	0.2	0.2	6.1	5.4	4.8	16.6	13.3	11.0	0.6	0.6	0.6	0.0	0.0	3.1
	Jensen Group	BELGIUM	24.20	189	57.6	20.2	12	0.7	0.6	0.6	12.3	7.5	5.6							1.0	3.1	4.1
	Kinopolis	BELGIUM	34.75	934			18	8.6	4.3	2.5	114.2	20.8	9.0			16.4	8.3	11.3	8.2	0.1	0.3	2.1
	Lotus Bakeries	BELGIUM	3,680.00	2,982	37.7	33.1	32	4.9	4.4	4.1	25.0	22.1	21.1	30.3	25.6	23.5	6.8	6.0	5.3	0.9	1.0	1.0
	Picanol	BELGIUM	60.40	1,069	23.7	19.2	16										1.3	1.1	1.0	0.3	0.3	0.3
	Roularta	BELGIUM	14.15	178	50.7	30.4	21	0.4	0.3	0.3	7.3	4.8	3.9		21.2	8.7	0.8	0.8	0.8	2.4	3.7	3.7
	Sipef	BELGIUM	43.20	450	44.0	14.2	9	2.6	1.9	1.6	10.4	7.0	5.2	27.7	12.0	7.7	0.8	0.8	0.8	1.1	2.2	3.3
	Tessengerlo	BELGIUM	32.65	1,409	11.2	10.7	10	0.9	0.8	0.7	5.4	4.7	3.8	8.7	7.3	6.0	1.5	1.3	1.2	0.0	0.0	0.0
	Van de Velde	BELGIUM	22.90	305	20.7	11.9	11	1.5	1.2	1.0	7.4	4.4	3.6	12.5			2.3			3.9	4.5	5.1
		BELGIAN SMC AVERAGE			38.7	19.4	15.3	2.3	1.6	1.3	21.6	9.1	6.8	18.6	15.2	11.8	2.6	2.9	2.4	1.0	1.7	2.4
		BELGIAN SMC MEDIAN			44.0	18.4	12.3	0.9	0.8	0.7	7.4	5.4	4.8	16.4	12.7	9.5	1.3	1.1	1.0	0.8	1.3	2.6
	Sioen	BELGIUM	22.10	436	17.8	17.7	13.9	1.0	0.9	0.9	8.0	7.9	6.6	13.3	13.1	10.2	1.6	1.6	1.5	2.9	3.2	3.4
	% prem./(disc.) vs median				-59.6	-3.9	13.4	9.4	11.5	24.3	8.7	46.3	37.7	-18.4	3.5	7.3	29.9	42.8	48.9	252.3	151.7	30.9

Source: Merodis, Factset

P/E valuation relative to the sector

At a valuation slightly above the sector peers but below Belgian SMCs

Valuation

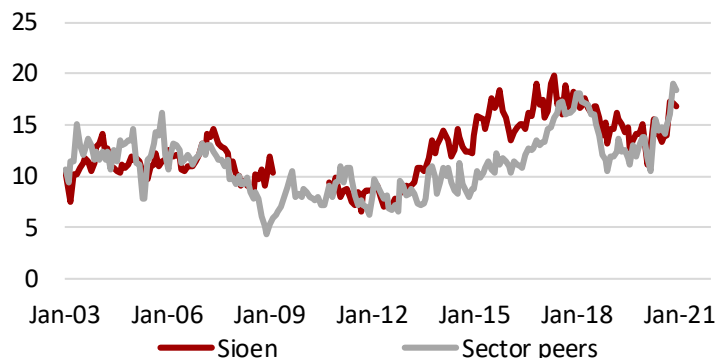
Sioen's premium valuation to the sector has faded somewhat over time, with the stock now trading at a discount with both sector peers and Belgian SMCs.

On 12-months forward consensus EPS estimates, Sioen shares trade at a 8% discount versus the sector in Europe (from a 22% premium in March) and at a 12% discount compared to Belgian SMCs (from 16% in March). Sioen's premium versus the sector averaged, however, 25% since 2013.

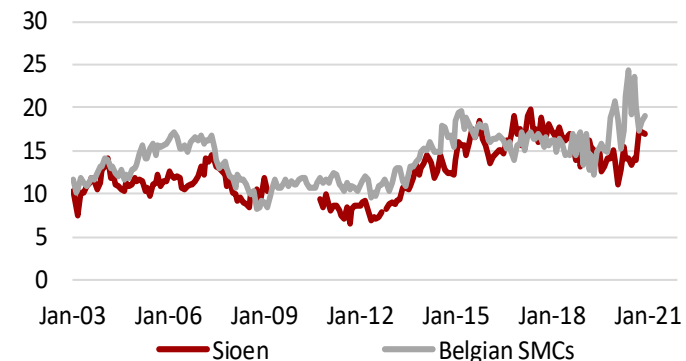
The stock's historical premium seems no longer fully justified, in our view, as the company's relative growth outlook is comparable while the superior margin profile is fading versus the sector peers. Our peer analysis highlights Sioen's robust business model, with slightly-above-median margins compared to its sector peers (EBITDA margins averaging 12.4% in '20-22e vs. peers at 13%). Expected growth at Sioen is 13% EPS CAGR '20-22e, compared to a higher peer median of 31%.

Our ROCE/WACC valuation analysis, which we carried out as a cross-check, indicates that the market is looking beyond Covid-19 and the subsequent economic slowdown, which could be seen as a risk factor for the share price. The renewed capex plan since 2018 has been reversed by management in light of the Covid-19 crisis and all attention on cashflow. The impact of the recent acquisitions remains slightly dilutive as they have yet to express their full synergy potential.

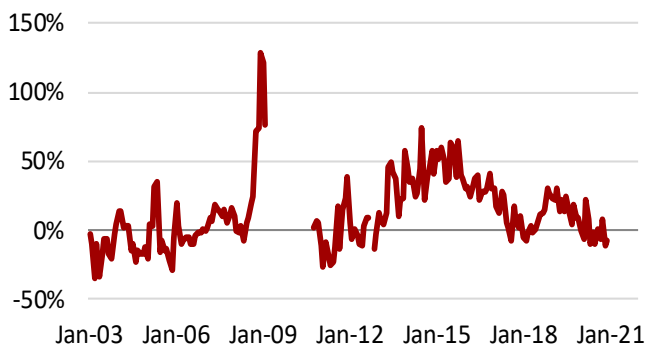
P/E ratio of Sioen vs. Sector



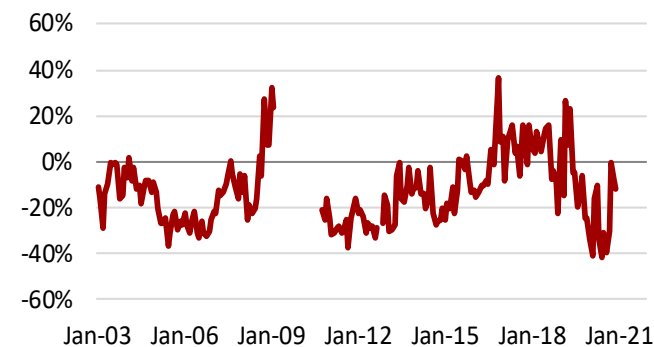
P/E ratio of Sioen vs. Belgian SMCs



Premium/(Discount) of Sioen vs. Sector



Premium/(Discount) of Sioen vs. Belgian SMCs

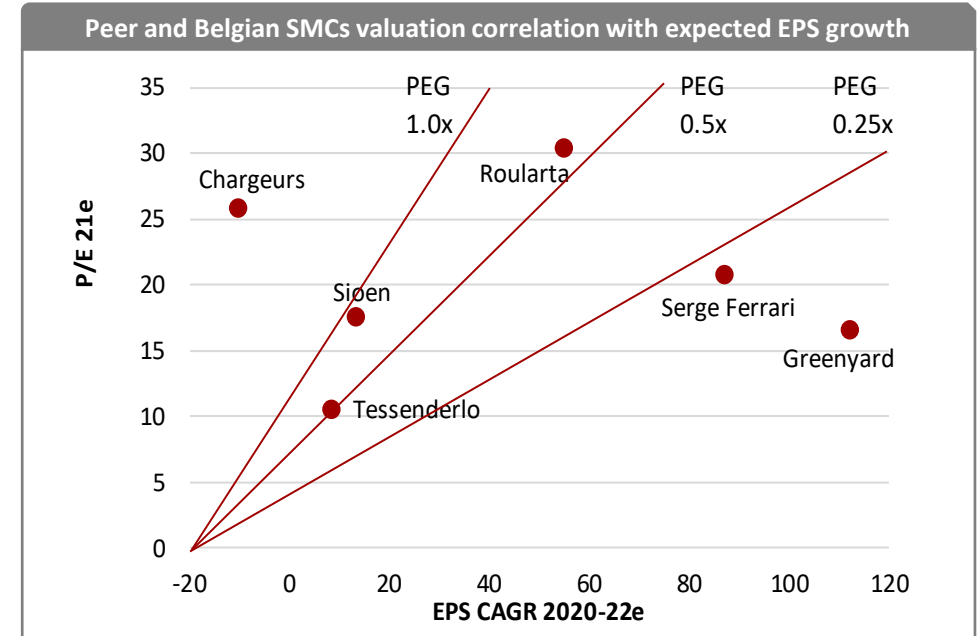
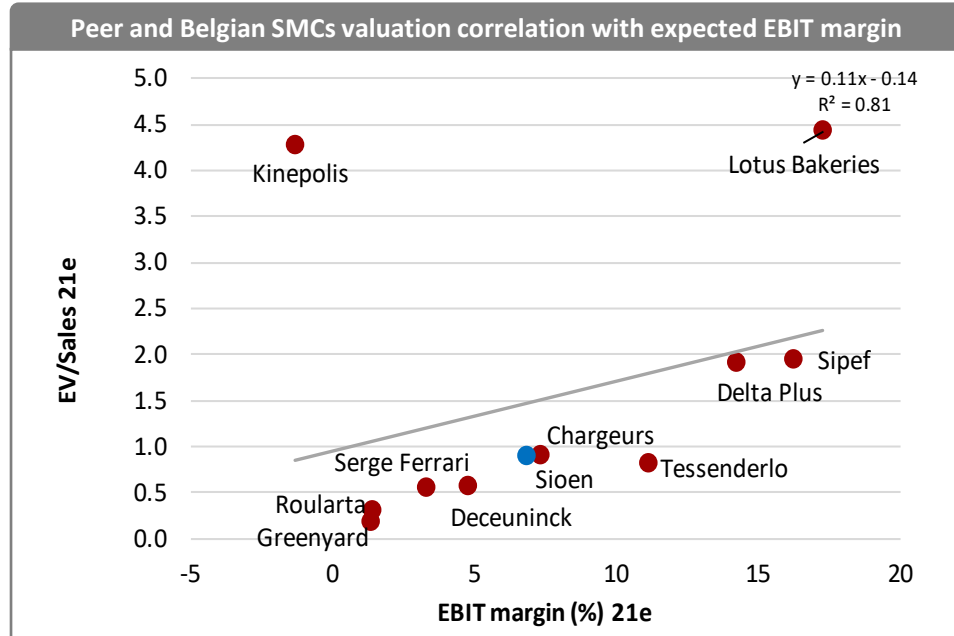


Source: Merodis, Factset

Sioen updated DCF						
Eur m	2019	2020e	2021e	2022e	2023e	2024e
Sales	522.2	505.4	547.4	555.7	558.4	569.6
% growth	-0.1%	-3.2%	8.3%	1.5%	2.0%	2.0%
EBIT	39.6	38.2	37.4	46.4	48.4	51.3
% sales	7.6%	7.6%	6.8%	8.4%	8.7%	9.0%
Tax	-10.1	-10.5	-10.5	-13.4	-14.5	-15.4
Tax rate	-25.6%	-27.6%	-28.2%	-28.8%	-30.0%	-30.0%
Operating profit after tax	29.4	27.6	26.9	33.0	33.9	35.9
+ Tang. depreciation	19.1	19.5	19.2	19.1	21.8	22.8
% capex	-91.3	-162.1	-128.0	-95.4	-97.7	-100.0
- Capex	-21.0	-12.0	-15.0	-20.0	-22.3	-22.8
% sales	-4.0	-2.4	-2.7	-3.6	-4.0	-4.0
Total net investments in fixed assets	-1.8	7.5	4.2	-0.9	-0.5	0.0
- Investments in working capital	-12.8	8.8	-4.4	-3.6	-2.8	-2.8
% sales	-2.5	1.7	-0.8	-0.6	-0.5	-0.5
Operating cash flow	14.8	43.9	26.6	28.5	30.6	33.0
% growth	68%	197%	-39%	7%	15%	8%
WACC	8.3	8.3	8.3	8.3	8.3	8.3
Discount factor		1.00	0.92	0.85	0.85	0.79
Present value of free cash flow		43.9	24.6	24.4	26.1	26.0
Cumulative present value of free cash flow		145.0				
+ Present value of terminal value		424.2				
= Enterprise value		569.2				
- Net Financial Debt/(cash) (2016)		123.7				
- Other liabilities (book)		1.7				
- Equity stakes & investments (book)		6.8				
= Estimated market value of equity		450.6				
Fair value per share (EUR)		22.7				

Source: Merodis, Factset

Valuation in line based on EBIT margin correlations



Source: Merodis, Factset

Sales growth expectations

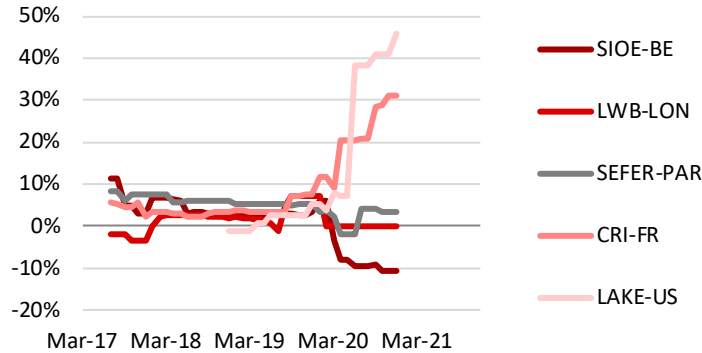
Continued mixed picture in the sector

Expected Sales Growth

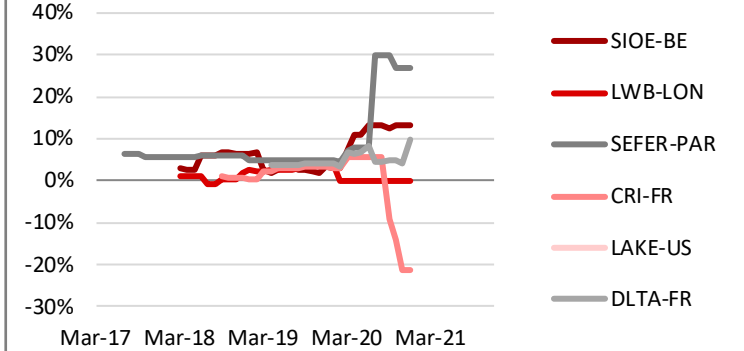
At the end of December, consensus expected 22% sales growth for the European Technical Textile peers in 2020e (from 20% previously expected), not yet reflecting a Covid-19 impact in our view. For 2021e, analysts expect sector sales growth to slow down to 5.2%, from 8.7% previously expected.

With respect to Sioen, consensus expects 2020e sales to drop by 10.8% (from 9.3% previously expected). Consensus seems to reflect a clear Covid-19 impact. For 2021e, analysts expect sales to grow by 13.3% from 12.4% as expected in September. The company acquired Techma in May '19 (adding circa EUR 4.5m in annual sales) and the PVC coating activities of the Glen Raven group in December 2019 (adding EUR 35m in annual sales based on our forecasts).

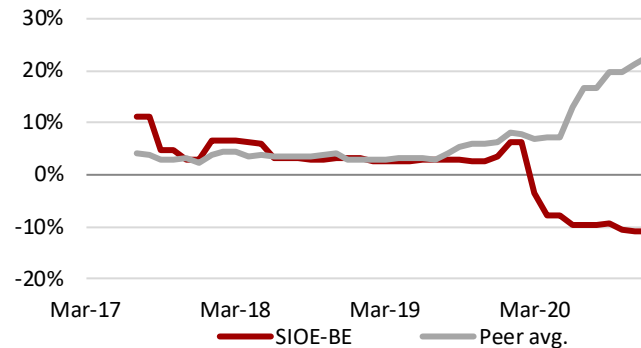
2020 expected sales growth (%)



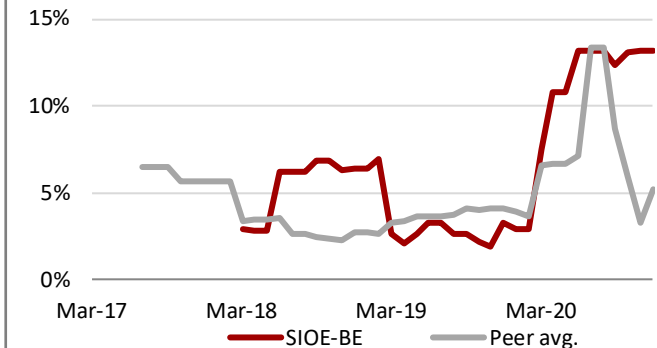
2021 expected sales growth (%)



2020 expected sales growth, Sioen vs. peers



2021 expected sales growth, Sioen vs. peers



Source: Merodis, Factset

EBITDA growth and margin expectations

Under pressure in the wake of Covid-19

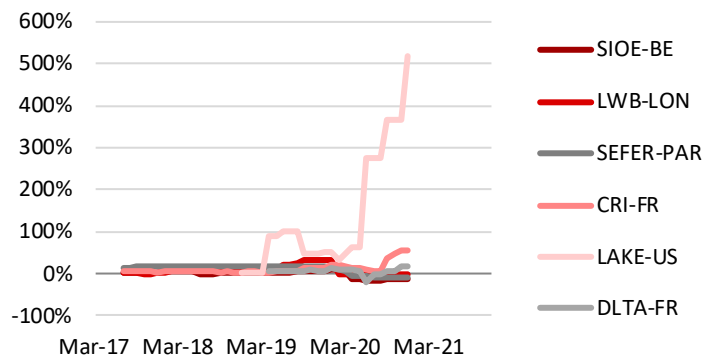
EBITDA expectations

During 4Q20, expected annual EBITDA evolution in 2020e for Sioen continued at a 12% contraction by the analyst community (flat q-o-q) compared to a sector median growth of 146% (from 101% previously expected), driven mainly by strong growth expected at Lakeland in the US.

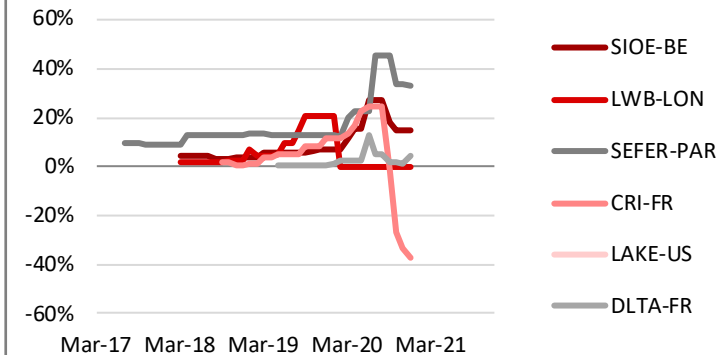
This translates into an EBITDA margin forecast by consensus of 12.4% for Sioen in 2020e, compared to a peer average of 16.9%.

Sioen's EBITDA growth in 2021e is expected by consensus at +15% compared to a sector average growth of +1%, driven by an expected after-Covid recovery, with margins estimated to be back above the sector average (12.9% vs. 11.8%).

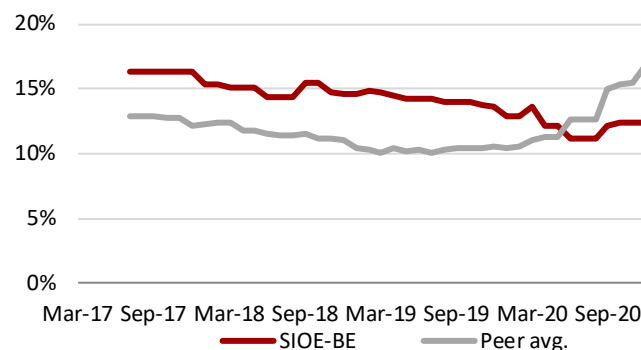
2020 expected EBITDA growth (%)



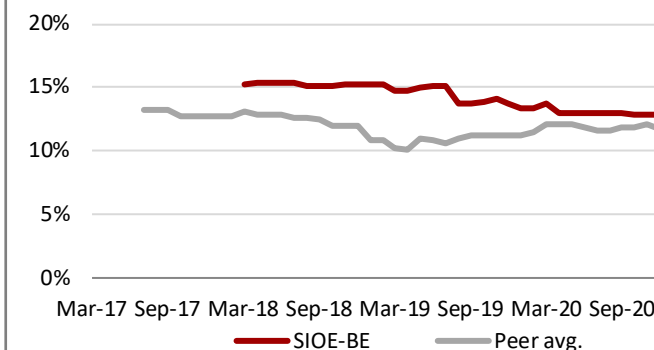
2021 expected EBITDA growth (%)



2020 expected EBITDA margin, Sioen vs. peers



2021 expected EBITDA margin, Sioen vs. peers



Source: Merodis, Factset

Consensus payout expectations

Payout back above peers

Dividend payout

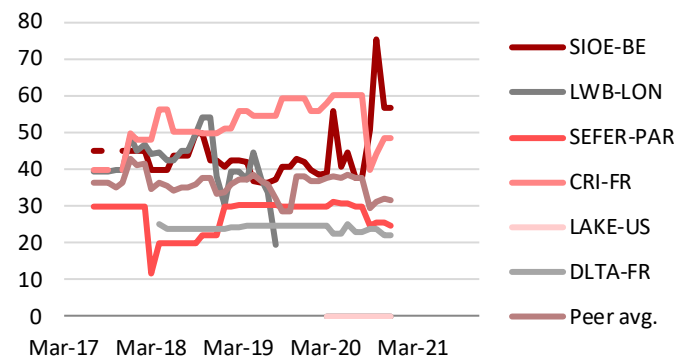
Sioen paid a dividend of €0.62 per share in 2019 on 2018 results, which represents an all-time record high for the fourth consecutive year and close to 11% growth y-o-y. The cash outlay was €12m with a payout ratio of 36% on the reported 2018 EPS. The company announced that it will waive the 2020 dividend on 2019 results due to the Covid-19 pandemic and its expected effect on business and cash flow.

Sioen has paid a dividend every single year without interruption since 1996, offering 12.1% compound growth (1996-2018). We had expected 6.3% DPS CAGR (2019-21e CAGR), with a flat dividend for 2019 (EUR 0.62).

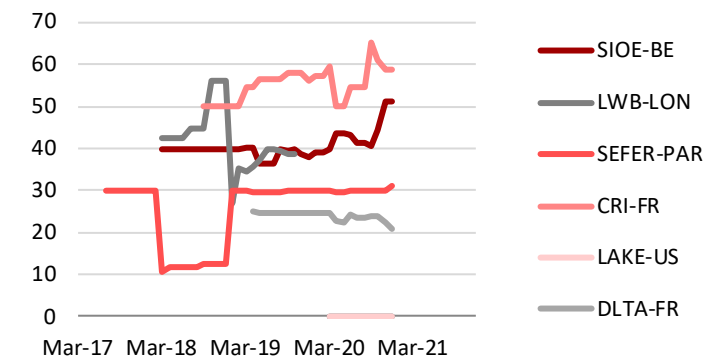
The company's stated dividend policy, as published in the 2015 annual report, is backed by two targets: (1) a minimum pay-out of 15% (vs. a historical average of 34% since 1996, an average of 45% since 2011 and 41% reported in 2015) and (2) an "increase the dividend year after year". Since 1996, the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

We expect the company to resume the payment of a dividend from 2021 onwards, with €0.70 per share expected in 2021 (on 2020 results) reflecting the strong balance sheet and expectations of an economic revival in 2021.

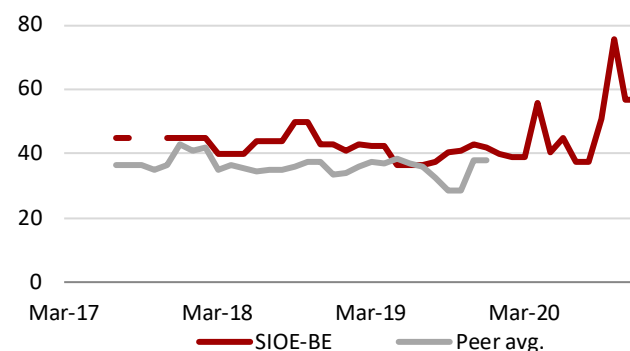
2020 expected Payout, Sector



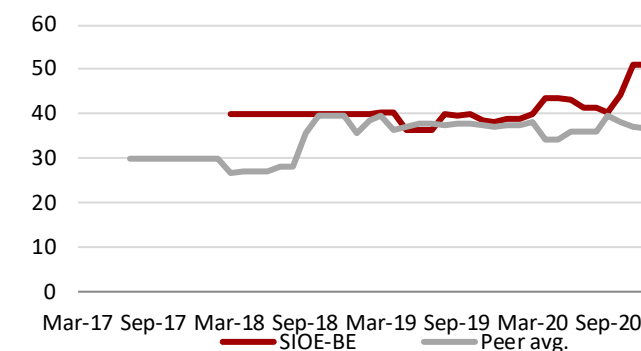
2021 expected Payout, Sector



2020 expected payout, Sioen vs. Peers



2021 expected payout, Sioen vs. Peers



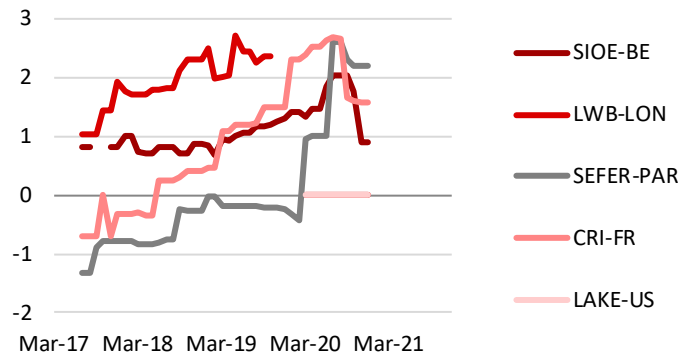
Source: Merodis, Factset

Net-debt-to-EBITDA

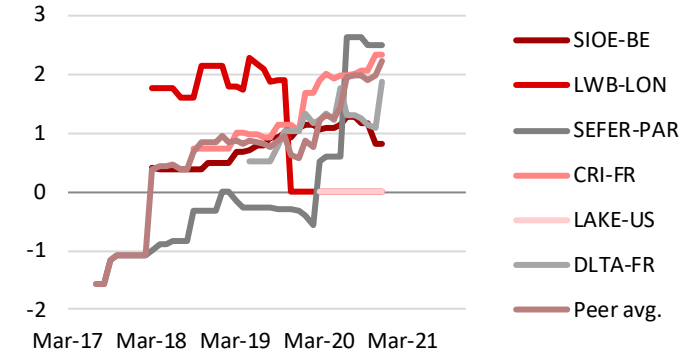
Although Sioen's leverage is in line with the sector average, it remains under control, with consensus forecasting a NFD/EBITDA for Sioen of 0.9x in 2020e (from 1.3x expected in March) vs. the sector at 2x. We expect 1.2x for Sioen in 2020e, falling to 0.6x in 2022e.

As expected, Sioen's turnover exceeded €500m again in 2019 driven by both organic and external growth. Nevertheless, we expect a contracted turnover (-2.2%) for 2020, just below the EUR 500m mark. We estimate, however, that Sioen could still leverage its balance sheet up to 3x NFD/EBITDA from currently 1.6x (1H20), implying additional M&A firepower of at least €67m based on 2020e results (down from EUR 80m pre-Covid-19). We expect, nevertheless, management to focus its attention on cash preservation measures rather than M&A in the short to medium term.

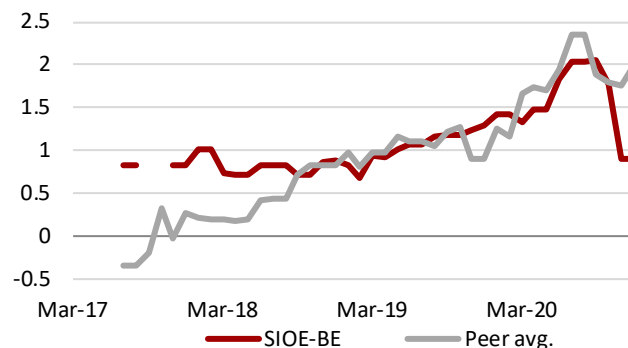
2020 NFD/EBITDA, sector



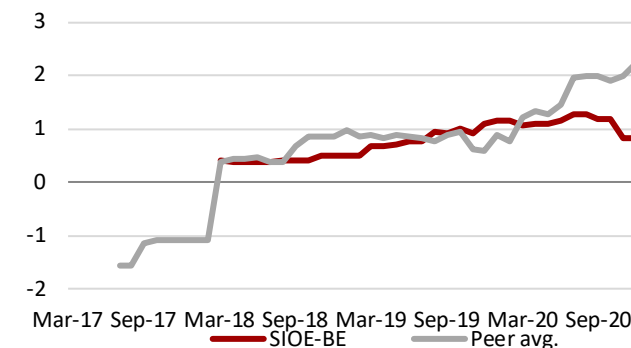
2021 NFD/EBITDA, sector



2020 NFD/EBITDA, Sioen vs. Peers

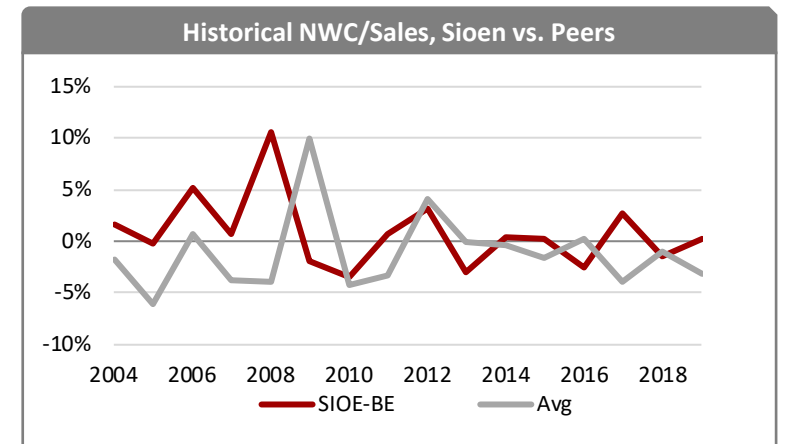
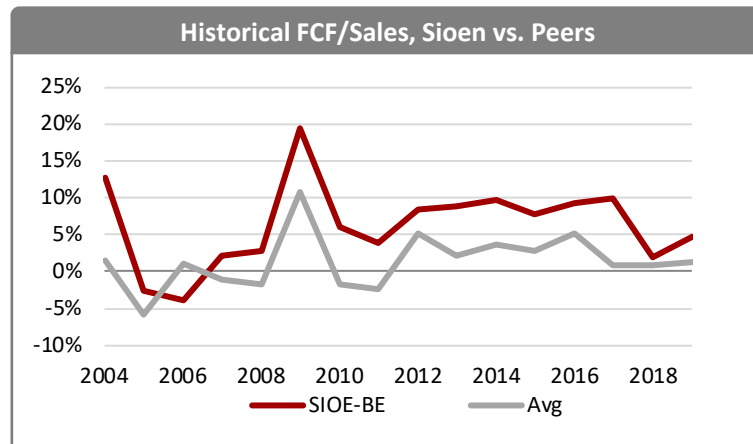
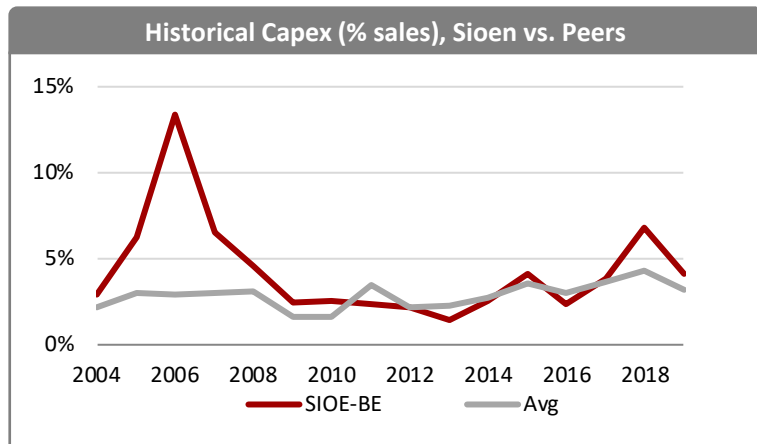
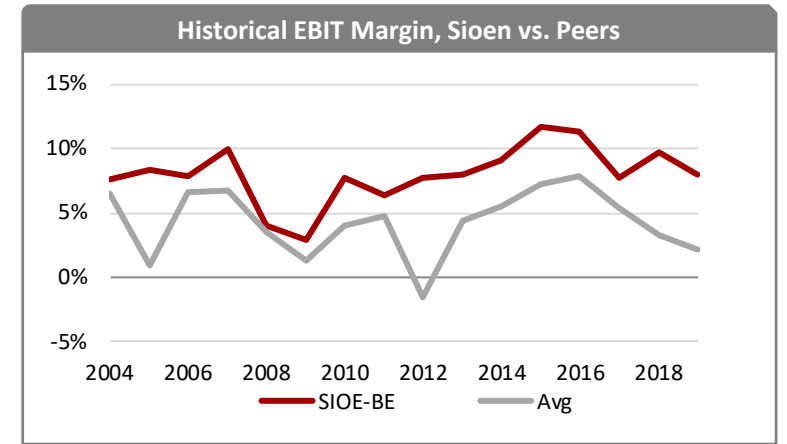
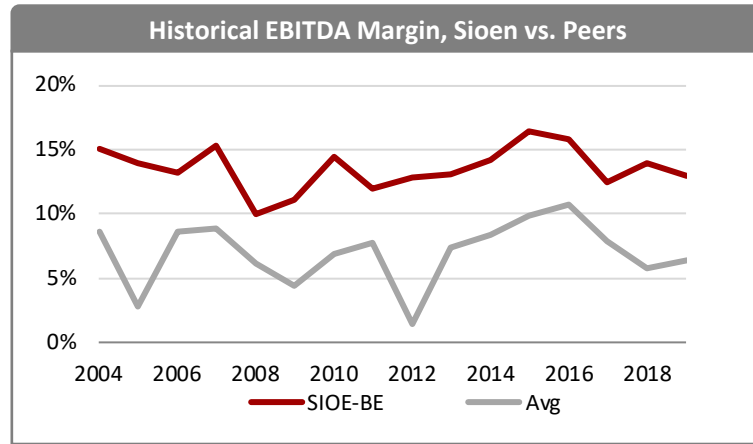
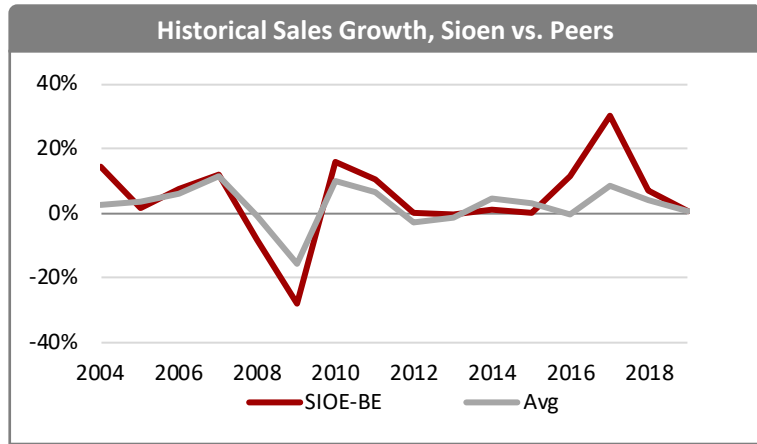


2021 NFD/EBITDA, Sioen vs. Peers



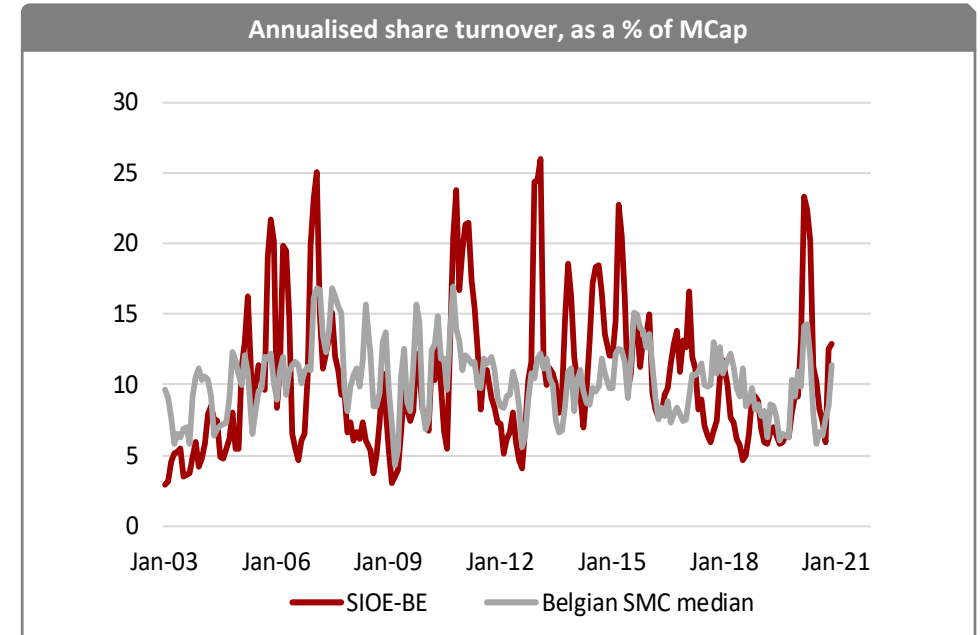
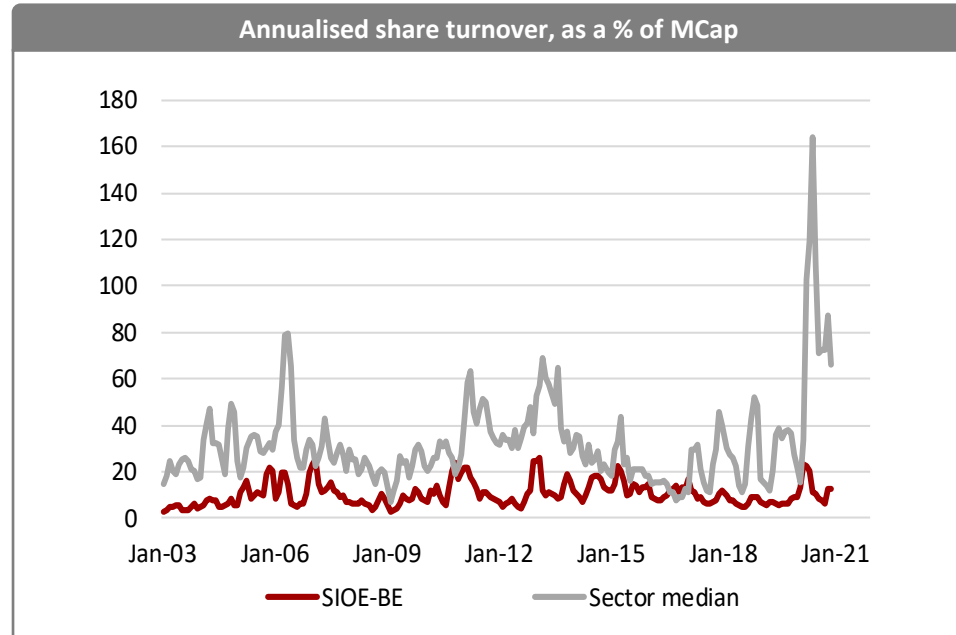
Source: Merodis, Factset

Historical P&L, CF and Balance Sheet Performance



Source: Merodis, Factset

Still quite weak relative to sector peers and in line versus Belgian SMCs



Source: Merodis, Factset

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