

Summary :

Equity Value	7,500 kEUR	Symbol	Private
Enterprise Value	14,502 kEUR	Credit Rating	NA

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sales	13,893	14,554	16,107	17,588	18,398	19,769	20,166	20,973	21,602	22,034
Growth	7.9%	4.8%	10.7%	9.2%	4.6%	7.4%	2%	4.0%	3.0%	2.0%
EBITDA	1,893	2,123	1,921	1,793	1,716	2,624	2,281	2,256	2,297	2,333
Margin	13.6%	14.6%	11.9%	10.2%	9.3%	13.3%	11.3%	10.8%	10.6%	10.6%
EPS	0.07	0.09	0.05	0.00	0.02	-0.11	0.27	0.51	0.61	0.71
P/E	105.6	81.6	151.1	NA	367.3	-67.2	28.2	14.6	12.3	10.5
EV/EBITDA	9.5	8.7	9.8	10.4	9.7	6.2	6.7	6.4	5.9	5.5
Dividend	0.04	0.03	0.03	0.01	0.02	0.00	0.00	0.00	0.00	0.00
Dividend Yield	0.5%	0.5%	0.4%	0.2%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%



Analyst
Wim Lewi, CFA
Valuescan.be
Wim.Lewi@Valuescan.be

I. Company Description

Activities

Water coolers

Sip-well produces four different types of water cooler for 2 segments :

Consumers : Two types of water coolers are primarily intended for the small consumer. The Sipwell sublimo sparkle and the sipwell sublimo are both for the small consumer. The difference between the two devices is that **the sublimo sparkle can produce sparkling water** as well as flat water, the ordinary sublimo can only pour flat water. Both appliances can produce both hot and cold water and are **only accessible for 10l bottles**.

Corporates : The two water coolers that are made for the companies are the sipwell classic and the sipwell prestige. Both devices can handle both 10l bottles and 18.5l bottles. There is little difference between the two devices. Only the color and type of pushbuttons (to make the water flow) differ.



Sip-Well also includes a line of tap water coolers in their presentations (not emphasized)

Water

Sip-well also offers the water outside the water coolers. Water has been the core business of Sip-well since its start in 1993. The water sources are 40 meters deep and are purified in a natural way. According to Sip-well, they have around 23,000 customers and 700,000 people drink their water. **Sip-well purifies 18,900 liters of water per hour**. The water sources are located at the offices in Londerzeel. The water source of Sip-well is not natural but has been dug. Digging a deep well in your own company ground, pumping out water and selling it. That is in short what Sip-Well did in Puurs in 1993. "I actually did what exists in America for a hundred years," says Rubinstein, himself of American origin. The water, which is continuously being researched, is bottled on site in the typical light blue reusable containers. From Puurs, Rubinstein started selling his Sip-Well water and the associated coolers to companies everywhere. Sip-Well has also introduced the water from Puurs to the German market. Sip-Well drilled a second well in 2006 from a layer between 60 and 120 meters deep. They work together with the University of Ghent to monitor the quality.



- The very low nitrate contents are an indication of the quality of the Sip-Well springs: it takes up to 100 years before rainwater trickles through tens of meters of filtering layers of clay, limestone and sand.. Due to mechanical sifting en filtering, all possible sediments are removed and the stable composition of Sip-Well is ensured. This results in perfectly balanced, slightly mineralized Sip-Well Cristal water with oligo-elements and precious nutritional elements, perfectly suitable for baby-food and various diets.

Extras

Outside the water and the water coolers you can also buy all sorts of extras at Sip-well. For example, extra cup holders, cups, drinking bottles, bottle covers, bottle racks and **CO2 fillings can be purchased.**



Belmoca and Belmia Coffee marketing , cross links with other HK based companies

You can also buy the Belmoca and Belmia products at the site of Sip-well. Both Sip-well, Belmoca and Belmia belong to the same owner (David Rubinstein). Belmia produces coffee while Belmoca produces coffee capsules and machines. Belmoca capsules are compatible with Nespresso. **Recently, 16m EUR was invested** in this business after a difficult start. (Tijd2016).

Rubinstein is very ambitious in the coffee market : expects 150m sales by 2018.

Miko partnership

Sip-Well has also been working with the stock-listed coffee group Miko since last year. The two companies bring each other to customers. Where a coffee machine from Miko stands, is in many cases also a water cooler from Sip-Well, and vice versa.

Nestle business in Belgium integrated in 2006

Swiss Nestlé, the largest European player in the water cooler market, sold the few hundred water coolers it operated in Belgium to Sip-Well. 'They withdrew from Belgium and refer their customers to us', says Rubinstein.

Management

Rubinstein : Born in Germany, spent youth in Israel and moved to the US in his twenties. Kicked it as CEO of an American jewelry company and later won his spurs as a diamond trader in Antwerp, Tel Aviv and Los Angeles. Founder and main shareholder of Sip-Well.

Competition overview

Culligan Water Coolers, worldwide market leader

Founded in 1936, the Culligan Zeolite Corporation started as a water treatment company. The company has used a franchise-based model from its early days, and to this day maintains a strong dealer network from coast to coast US. In addition to office water coolers, Culligan's product line covers commercial installations for food service, hospitality, educational facilities, healthcare, manufacturing, and even heavy industry. The company's office and small business water coolers come in two types, one of which uses delivered bottled water, and the other of which uses a reverse osmosis system.

In Belgium, Culligan's Core business is divided over water softeners and water coolers / water fountains and employs about 100 employees. The Belgian head office can be found in Groot-Bijgaarden. The Culligan water coolers can be connected to the water mains as well as working with bottles. Like Sip-well, Culligan targets the ordinary individual as well as the big companies. Culligan has 5 water coolers that work with bottles. Culligan also offers the spring water itself. Culligan therefore offers water purification systems outside the regular bottle system so that the water cooler can be connected to pipes. The water is then immediately purified. This is a feature Sip-well does not have, Sip-well works on bottles only. Culligan Belgium runs on a total balance sheet assets of € 20,000,000. The turnover of Culligan Belgium is however a lot lower with € 12,500,000 vs. the € 19,500,000 from Sip-well.

Culligan take-over battle raged in 1998 and realised crazy valuations.

United States Filter Corp bought Culligan in a deal valued at \$1.5 billion. Culligan's annual revenues were about \$760 million at that time implying a 2x sales multiple. Culligan was bought and sold many time between 1975 and its stock market introduction in 1996. USFC paid 150% premium over the stock price. In 2007 another spike in water treatment companies arose with many Water Theme funds and ETF's that were launched as a speculation on massive water shortages in the world. Many funds collapsed in the 2009 crisis, but the water theme has survived, but valuations have come down to earth.

Elkay Water Coolers

Father and son team Leopold and Louis Katz founded the Elkay Manufacturing Company in 1920. Over the course of nearly a century, the company has branched out from their stainless steel sinks to faucets, drinking fountains, and water coolers. Elkay dispensers can be found in offices, restaurants, bars, and schools. Multiple mounting options are available for many of their products. These include bottle filling stations, drinking fountains, water coolers, and chillers. In addition to deploying innovative filtration technologies (like UV purification), select coolers can dispense hot, cool, ambient-temperature, or sparkling water.

Oasis Water Coolers

Founded in 1910, Oasis has notched several "firsts" during its century in business. They invented the water cooler and dehumidifier and they're not done yet. From environmentally-friendly bottle-free coolers to antimicrobial copper pressure coolers, Oasis' tradition of innovation continues to this day.

Oasis offers a diverse product mix with both bottle **and bottle-free coolers are available**. So too are water coolers, drinking fountains, bottle fillers, and combination fountain/filler units. Some units are built for hazardous duty, or with corrosion-preventing housings. With additional countertop and modular options, it's easy to find the perfect fit for your office, warehouse, or other facility.

Oasis focuses on both private individuals and larger companies. Oasis has 8 different water coolers and places as much emphasis on the coolers with bottles and those that are connected to a pipe. Oasis also uses other brand names: aqua point (Great Britain), Freshfield, Versacooler and Green filter.

The major disadvantage of Oasis in Belgium is that they do not have an after sales service here. Oasis has one sales manager for 16 European countries, including Belgium. However brands like aqua cooler and mister aqua use the water coolers from Oasis but with their own spring water. Oasis sells water coolers in Belgium and the Netherlands and also offer the service Sip-well offers via an external party.

Quench Water Coolers

Quench is a division of AquaVenture Holdings. The parent company's experience with high-volume water purification and desalination pays off for its US subsidiary, which offers a wide range of filtration Technologies deployed to meet the unique contaminant profile of your local water system.

The filtration-based model eliminates delivery and streamlines service. In addition to water coolers and ice machines, Quench also provides dispensers for high-traffic areas, and specialized medical-grade filtration and dispensing equipment. A brace of other products for office and hospitality use — ice makers, coffee machines, and space saving commercial-grade food service systems — gives Quench a leg up on many of its competitors.

Waterlogic Water Coolers

Founded in 1992, WaterLogic is a recent arrival on the scene. They've made up for lost time with a diverse product mix, dual-stage filtration, and a full commitment to bottle-free cooler systems for a variety of settings. WaterLogic services offices, warehouses, hospitality, and healthcare. Among their products: hot and cold dispensers, countertop cooling systems, ice and water dispensers, sparkling water dispensers, and reverse osmosis systems. The company works mainly on a rental basis, sending technicians out not only for the initial installation but also for frequent service thereafter to ensure optimal operation.

Aqua vital, small local competitor

Aqua vital is a company located in Walloon Brabant Haver. The company offers water coolers and spring water just like Sip-well. Aqua also offers vital coffee machines. The coffee machines and the water coolers at aqua vital are only aimed at companies. Aqua vital has 3 different water coolers and also water fountains to connect to pipes. The core business of Aqua vital is **more focused on the water fountains** than with the water coolers. Aqua vital supplies all over the Benelux and for northern France. They employ 60 employees and around 9,000 clients. The total assets amount to € 3.300.000. On the golden guide there are 2 reviews about Aqua vital. However, both are extremely negative about Aqua vital.

II. Market Overview

Types of water coolers

Bottle standalone systems (Sip-Well)

To install the bottle, the bottle is tipped upside down and set onto the dispenser; a probe punctures the cap of the bottle and allows the water to flow into the machine's internal reservoir. These gravity-powered systems have a device to dispense water in a controlled manner.

These machines come in different sizes and vary from table units, intended for occasional use to floor-mounted units intended for heavier use. Bottled water normally is delivered to the household or business on a regular basis, where empty bottles are exchanged for full ones. The bottle size varies with the size of the unit, with the larger versions in the US using 5-US-gallon (19 L) bottles. This is also the most common size elsewhere, labelled as 18.9 litres in countries that use the metric system. These units usually do not have a place to dump excess water, only offering a small basin to catch minor spills. On the front, a lever or pushbutton dispenses the water into a cup held beneath the spigot.

When the water container is empty, it is lifted off the top of the dispenser, and automatically seals to prevent any excess water still in the bottle from leaking.



Wall-mounted and plumbed to water mains

Plumbed water coolers use tap water and therefore do not need bottles due to their use of the main water supply. Usually some method of purification is used. Filtration methods include reverse osmosis, ion exchange and activated carbon.



Articles on the quality of Belgian tap water vs. bottled water as driver for bottled water demand

Article 1 from Belgian Federal Healthcare Agency

Tap water is firstly much cheaper: bottled water is 150 to 500 times as expensive as tap water.

Tap water is secondly better for the environment. Cleaning, transporting and producing the bottles take a lot of energy. Especially the disposable bottles are a burden on the environment.

After all, bottled water is not cleaner or healthier than the tap water in the industrialized countries. Tap water is continuously monitored for the presence of 61 chemicals and heavy metals - and for its biological purity. Because mineral water claims therapeutic properties, it does not have to meet the same requirements before it comes onto the market (except for the bottled waters that the Superior Health Council has found to be suitable for baby food). A recent Test Aankoop test even showed that one in four brands of bottled water is not suitable for daily consumption because of the high fluorine, sulphate and / or sodium content. In addition, there is a risk that bottled water once opened will contain too many bacteria if it is kept too hot or too long. Opened bottles would be stored at 4 ° C and should not be kept for longer than 24 hours.

A minimal amount of chlorine (maximum 0.25 mg / l) is added to tap water to prevent germs from spreading through the water. This is very little and not harmful to health.

Source: gezondheid.be, http://www.gezondheid.be/index.cfm?art_id=5798&fuseaction=art

Article 2 : 'Tap water safe to drink and sometimes healthier than bottled water' (26 February 2016)

The Belgian consumer organization "Test Aankoop" examined tap water on 44 plates in our country. She searched for nitrates, pesticides, lead and hormones.

Test-Aankoop points out that bottled water is preferably 200 times more expensive than tap water and not always healthier. "For example, the water in some bottles contains too many minerals, but pregnant women are advised against drinking tap water because of the possible presence of nitrates", according to the consumer organization, which also points out that bottling water is a heavy burden requires for the environment. After all, the bottles from glass and PET require a lot of raw materials and energy to manufacture and reuse them.

The results

For the test, Test-Aankoop looked for 18 traditional pollutants (nitrates and pesticides), but also newer pollutants, such as antibiotic residues (6), hormones (10) and drug residues (26). "All 40 samples were in order," says Test-Aankoop. "In eight samples the concentration of nitrates was slightly higher than 25 mg / l, but that is still below the legal limit of 50 mg / l. There is therefore no cause for concern. "

Although nitrates were found in the tap water, they remained below the risk threshold for public health. In one case there was a little too much nitrite present. Pesticides also remained below the risk level. Traces of herbicide and insecticide were found in the same sample, but they did not come close to the limit. In another sample too much lead was found coming from a pipe in the house. Hormones were found in two samples, but in barely measurable quantities that do not involve any risk.

A family of 3 people pays an average of 380 euros per year for the average annual consumption of 100 m3, or 1.05 euros per day.

Source: <http://weekend.knack.be/lifestyle/culinair/test-copper-water-safe-to-drink-and-soms-without-different-water/article-normal-670979.html>

III. Business Model

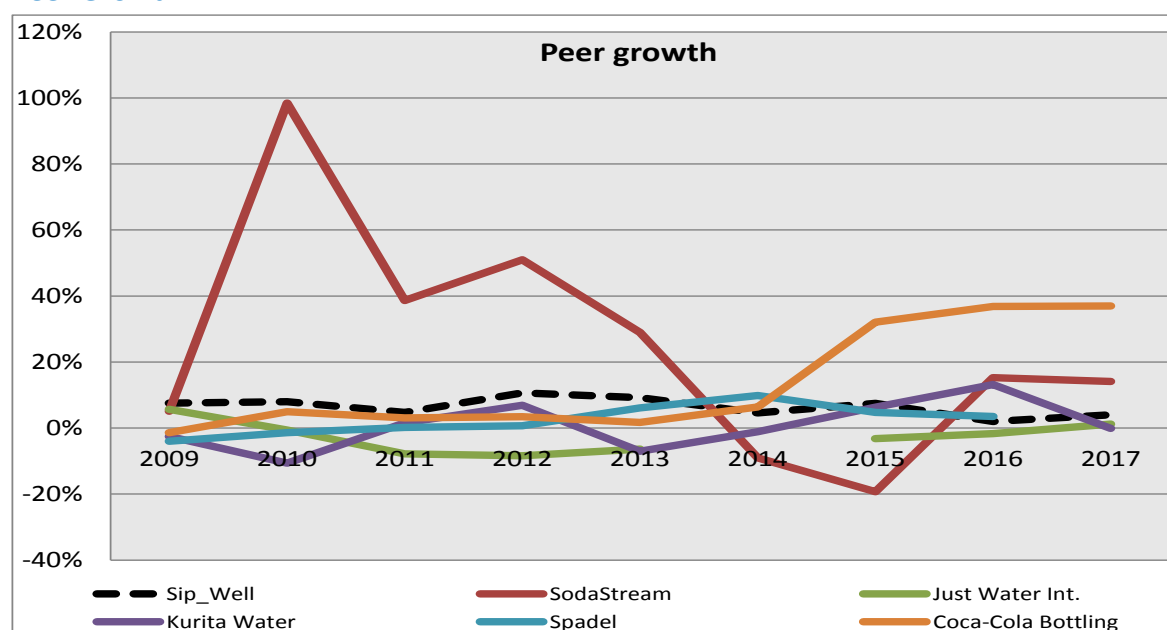
A. Growth Expectations



Growth Drivers

Sip-Well realized steady growth of CAGR 7-8% over the last 10 years. Since 2008, the consumer market has been the main growth driver. Growth might be limited to the capacity of the owned source. The quality and potential of their water source is a risk for future growth potential as it might need new capex.

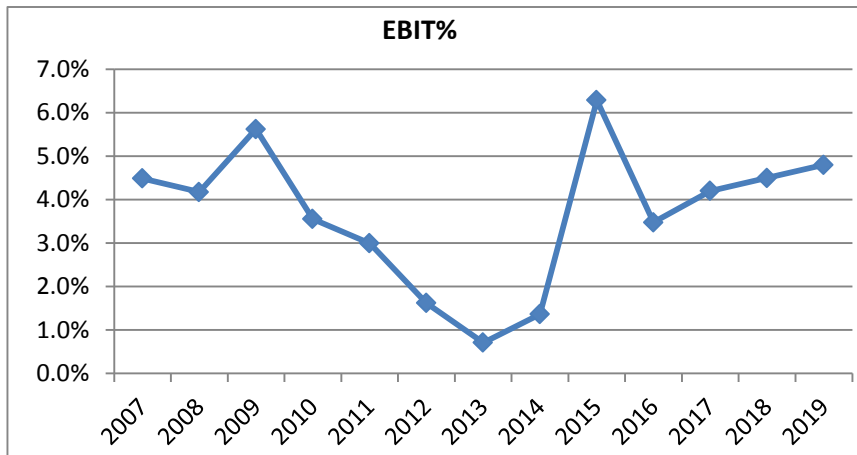
Peer Growth



Growth Conclusion

Sip-Well was not impacted by the 2009 financial crisis and recession and has been able to grow consistently through the cycle. We expect growth to decline to a 2% rate without new Capex or M&A deals to enhance growth. There is no risk for growth in a recession scenario or abrupt interest rate shocks to the economy. Hot summers tend to give an extra stimulus to sales, similar to Spadel results.

B. Profitability



Profitability drivers



Own work force for delivery, but production is highly automated :



Gross costs (Products) = +- 10%, stable over time

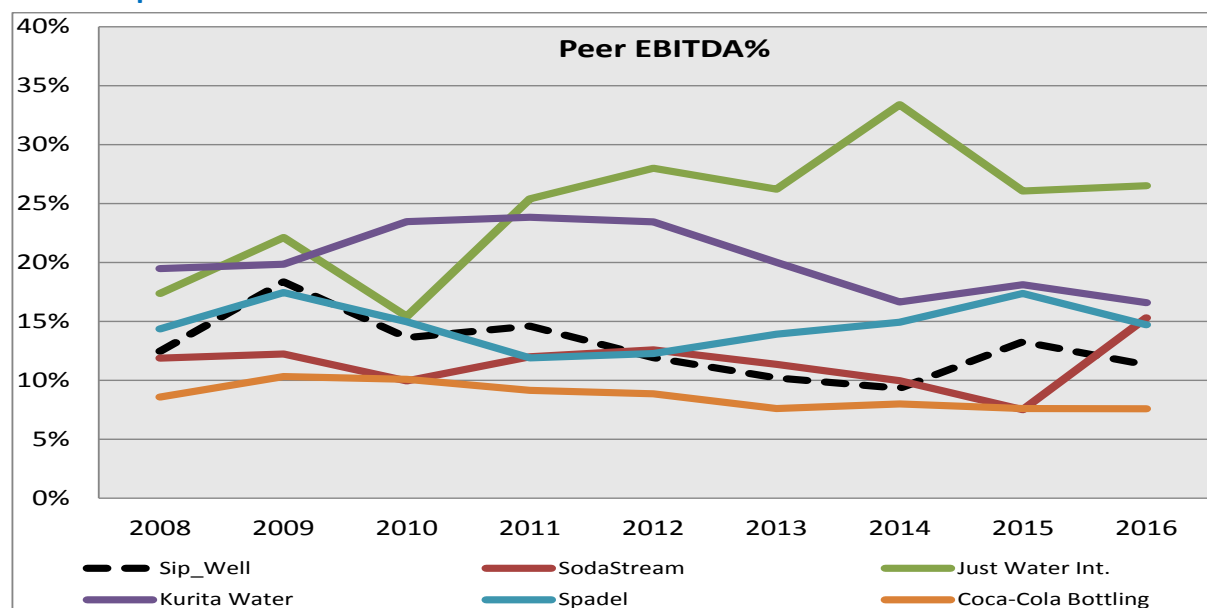
Services to third parties (Source operation) = +- 45%, most scalable and potential for upside

Labour costs = +-30%, slightly scalable as routes of drivers are optimized

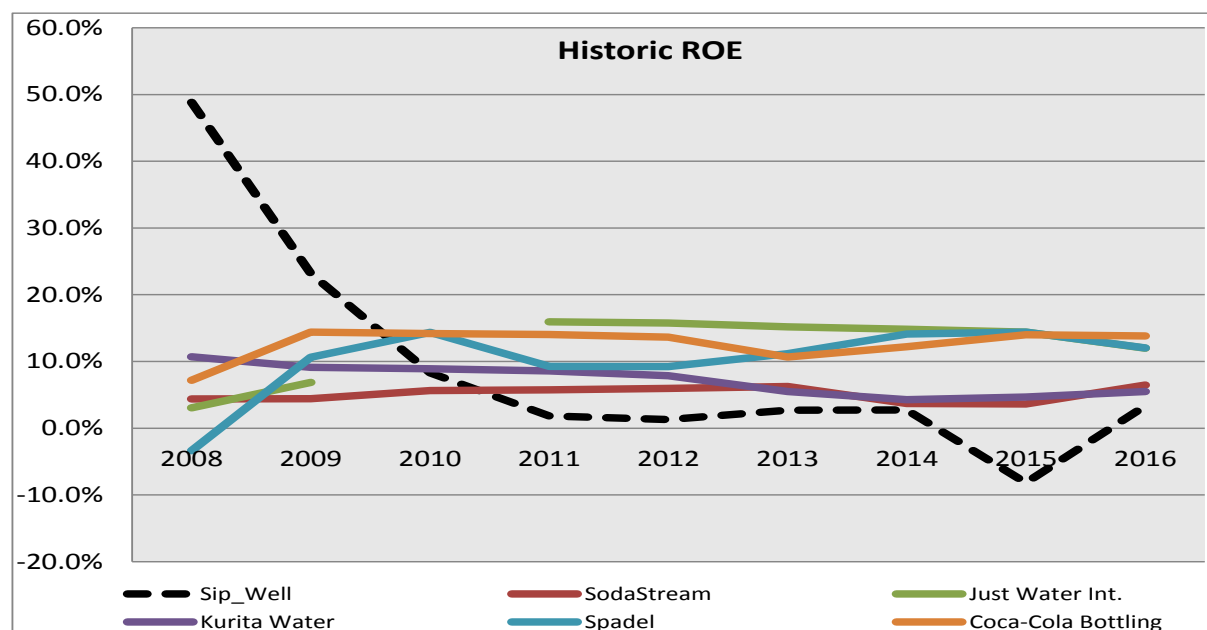
Depreciation = +- 8%

Other costs = +- 2%

Peer comparison



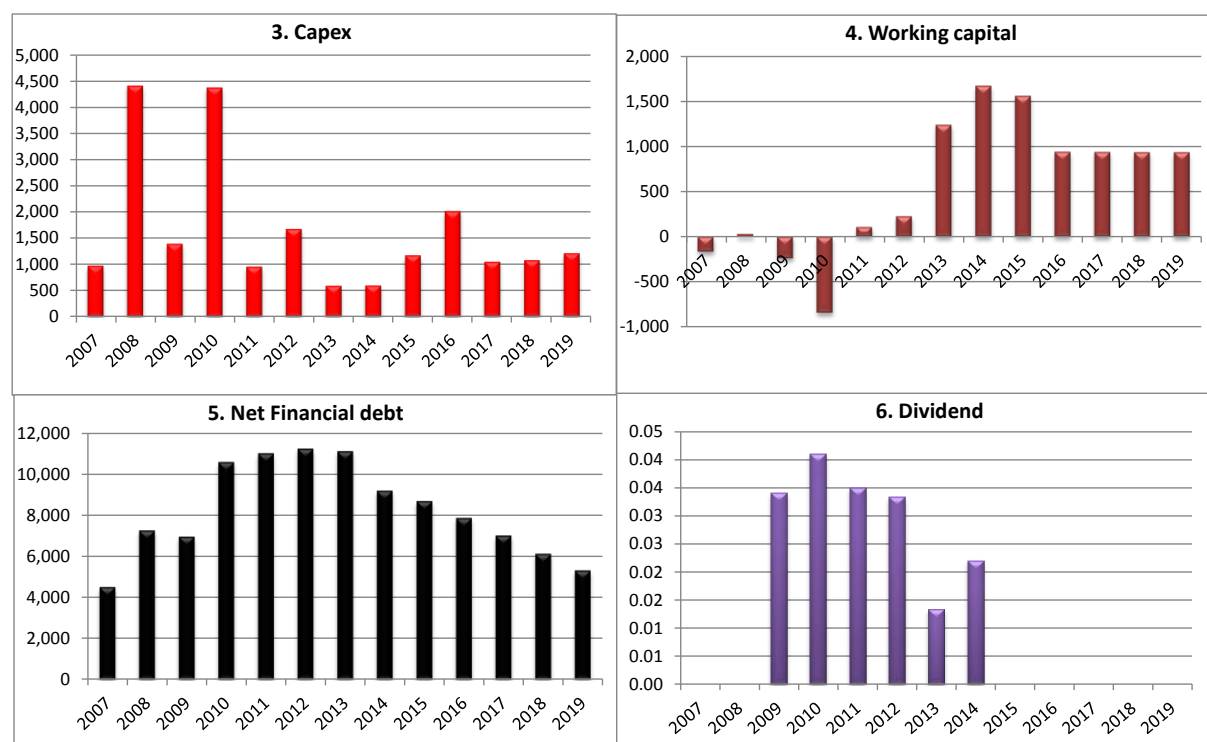
Sip-Well margin is relatively low compared to most peers. This is size-related and also limited by its source production capacity.



Profitability conclusion

Sip-Well profitability has been recovering since 2013. We expect the margin to increase to 5% over time based on economies of scale. Still, the company remains well below peer margin based on its relatively small size.

C. Capital Needs



(Source: Company data, Valuescan.be estimates)

Capex

The operation of its own source weighs heavy on the Capex demand. Maintenance Capex amounts to more than 5% on sales. There is also a risk that every 10 years a new investment has to be made to maintain or increase the water production level. A joint venture with an existing water company could be a solution.

Working Capital

The WC declined over 2016 as payables increased. The company has a relatively low credit risk on its receivables.

Debt

We made some correction to account for the 2.5m loan to Mr Rubinstein (interest rate of 2.1%). The Financial debt origins from the 2008 investment in a new building (building as collateral). This loan has been refinanced in 2015 => exceptional cost. There are also other debts that carry a low interest rate. The financial cost amounts to only 1.2% on net Debt. The net debt/Ebitda is acceptable.

Solvency

	2014	2015	2016	2017	2018	2019
NetDebt/EBITDA	5.3	3.3	3.4	3.1	2.7	2.3
ONCLiab/ONCAAssets	12.3	24.5	54.8	54.8	54.8	54.8
EBIT/Fin.Costs	2.3	1.0	6.6	9.6	12.5	16.3
Tangible IC/NetDebt	1.2	1.2	1.3	1.4	1.6	1.8
NetDebt/Equity	96.2	6.4	4.8	3.3	2.2	1.6
Fin.Costs/Net Debt	1.2%	14.4%	1.4%	1.3%	1.3%	1.2%

Liquidity

	2014	2015	2016	2017	2018	2019
CurrentA/CurrentL	2.2	2.4	2.2	2.4	2.6	2.7
Receivables/Payables	1.5	1.1	0.7	0.7	0.7	0.7

Financial assets for 1.3m on the balance sheet = 24x earnings => book value accepted

NAAM, volledig adres van de ZETEL en, zo het een onderneming naar Belgisch recht betreft, het ONDERNEMINGSNUMMER	Aangehouden maatschappelijke rechten				Gegevens geput uit de laatst beschikbare jaarrekening			
	Aard	rechtstreeks		dochteren	Jaarrekening per	Muntcode	Eigen vermogen	Nettoresultaat
		Aantal	%	%			(+/-) of (-) (in eenheden)	
FAIRVIEW HK LTD. Besloten vennootschap met beperkte aansprakelijkheid Harbour Road, Convention Plaza 1, Office tower 3105 Wan Chai HONGKONG	Kapitaals aandelen	662	100		31-12-2016	USD	217.529	54.623

Capital Needs conclusion

The group is financially healthy, despite some intercompany relations and conflicts of interest with Mr. Rubinstein who is head of the board. These conflicts are well documented in the annual reports. Most likely to inform the banks about these developments and avoid potential litigation.

P&L and Balance Sheet tables with Cash Flow ratio's

December	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sales	11,132	11,964	12,870	13,893	14,554	16,107	17,588	18,398	19,769	20,166	20,973	21,602	22,034
Salesgrowth		7.5%	7.6%	7.9%	4.8%	10.7%	9.2%	4.6%	7.4%	2.0%	4.0%	3.0%	2.0%
Gross Profit	10,371	10,371	11,134	12,307	13,096	14,635	15,597	16,333	17,674	18,316	19,085	19,658	20,051
Gross Margin	93.2%	86.7%	86.5%	88.6%	90.0%	90.9%	88.7%	88.8%	89.4%	90.8%	91.0%	91.0%	91.0%
R&D													
R&D%													
SG&A	9,872	9,872	10,410	11,813	12,660	14,374	15,472	16,082	16,431	17,615	18,204	18,686	18,993
SG&A%	88.7%	82.5%	80.9%	85.0%	87.0%	89.2%	88.0%	87.4%	83.1%	87.3%	86.8%	86.5%	86.2%
EBITDA	1,491	1,491	2,362	1,893	2,123	1,921	1,793	1,716	2,624	2,281	2,256	2,297	2,333
Margin	13.4%	12.5%	18.4%	13.6%	14.6%	11.9%	10.2%	9.3%	13.3%	11.3%	10.8%	10.6%	10.6%
Depreciation	992	992	1,638	1,399	1,687	1,659	1,668	1,465	1,381	1,580	1,375	1,325	1,275
Amortisation	0	0	0	0	0	0	0	0	0	0	0	0	0
Other operating inc	0	0	0	0	0	0	0	0	0	0	0	0	0
EBIT	500	500	724	494	436	261	125	251	1,243	701	881	972	1,058
Margin	4.5%	4.2%	5.6%	3.6%	3.0%	1.6%	0.7%	1.4%	6.3%	3.5%	4.2%	4.5%	4.8%
Financials	-68	-68	-431	-209	-135	-45	-3	-109	-1,254	-106	-92	-78	-65
Pretax	432	432	293	285	300	217	121	142	-11	595	789	894	993
Tax Rate	-56%	-56%	-95%	-75%	-69%	-77%	-97%	-86%	-882%	-55%	-35%	-32%	-28%
Tax	-240	-240	-278	-214	-209	-167	-117	-121	100	-329	-276	-286	-278
Adjustments													
Net adj.	191	191	15	71	92	50	4	20	-112	266	513	608	715
EPS adj.	0.19	0.19	0.02	0.07	0.09	0.05	0.00	0.02	-0.11	0.27	0.51	0.61	0.71
# Shares	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Dividend			0.03	0.04	0.03	0.03	0.01	0.02					
Valuations													
EV/Sales			1.1	1.3	1.3	1.2	1.1	0.9	0.8	0.8	0.7	0.6	0.6
EV/EBITDA			6.1	9.5	8.7	9.8	10.4	9.7	6.2	6.7	6.4	5.9	5.5
PE			500.0	105.6	81.6	151.1	1908.9	367.3	-67.2	28.2	14.6	12.3	10.5
EBIT Growth		0%	45%	-32%	-12%	-40%	-52%	101%	395%	-44%	26%	10%	9%
NET Growth		0%	-92%	373%	29%	-46%	-92%	420%	-646%		99%	19%	18%
EPS Growth		0%	-92%	373%	29%	-46%	-92%	420%	-646%		99%	19%	18%
Balance Sheet	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Tangibles	5,593	9,005	8,758	11,725	10,991	11,004	9,924	9,055	8,842	9,271	8,945	8,700	8,637
Intangibles									313	243	243	243	243
Other Fixed					0	236	189	141	94	47	47	47	47
Financial Assets	135	144	73	88	114	125	135	142	1,536	1,564	1,564	1,564	1,564
Non-Curr.A.	5,728	9,149	8,831	11,813	11,105	11,365	10,248	9,339	10,785	11,125	10,799	10,554	10,491
Inventory	144	161	176	256	379	1,035	1,159	758	616	601	625	644	657
Receivables	1,860	1,418	1,420	1,578	1,798	1,881	2,390	1,615	1,427	1,280	1,331	1,371	1,399
Cash	1,282	2,874	2,389	1,826	2,825	2,783	2,673	3,301	4,812	5,591	6,433	7,288	8,067
Other Current	1,397	1,901	1,638	365	122	23	94	1,596	2,206	2,531	2,531	2,531	2,531
Curr.Ass.	4,683	6,354	5,623	4,025	5,123	5,721	6,316	7,271	9,061	10,003	10,920	11,833	12,653
Total Assets	10,411	15,503	14,454	15,838	16,228	17,087	16,564	16,610	19,846	21,128	21,718	22,387	23,144
Equity	-342	22	3	33	90	106	97	95	1,364	1,629	2,142	2,750	3,465
LT Debt	5,648	8,799	8,973	11,454	12,843	12,937	12,777	11,455	12,464	12,430	12,430	12,430	12,430
Other NC Liabil.	1,397	1,901	1,638	365	122	259	283	1,738	2,300	2,578	2,578	2,578	2,578
Non-Curr.Liabil.	6,703	10,722	10,614	11,852	13,055	13,302	13,156	13,288	16,128	16,637	17,150	17,758	18,472
ST Debt	140	1,332	366	944	983	1,074	1,004	1,024	1,031	1,020	1,020	1,020	1,020
Payables	1,825	1,561	1,464	860	990	1,425	1,380	1,069	1,244	1,947	2,025	2,086	2,127
Other Curr.Liabil.	1,743	1,888	2,010	2,182	1,201	1,286	1,023	1,228	1,443	1,524	1,524	1,524	1,524
Current Liabilit.	3,708	4,781	3,840	3,986	3,174	3,785	3,408	3,322	3,718	4,491	4,569	4,629	4,671
Total Liabil.	10,411	15,503	14,454	15,838	16,228	17,087	16,564	16,610	19,846	21,128	21,718	22,387	23,144
Net Debt	4,506	7,257	6,950	10,572	11,001	11,228	11,108	9,178	8,683	7,859	7,017	6,163	5,383
Working capital	-167	31	-240	-843	107	228	1,239	1,672	1,562	941	938	936	935
Inv/Sales%	1.3%	1.3%	1.4%	1.8%	2.6%	6.4%	6.6%	4.1%	3.1%	3.0%	3.0%	3.0%	3.0%
Rec/Sales%	16.7%	11.9%	11.0%	11.4%	12.4%	11.7%	13.6%	8.8%	7.2%	6.3%	6.3%	6.3%	6.3%
Pay/Sales%	16.4%	13.0%	11.4%	6.2%	6.8%	8.8%	7.8%	5.8%	6.3%	9.7%	9.7%	9.7%	9.7%
Capex/Sales%	8.7%	36.8%	10.8%	31.4%	6.6%	10.4%	3.3%	3.2%	5.9%	10.0%	5.0%	5.0%	5.5%

(Source: Company data, Valuescan.be estimates)

Comments : The tax rate is relatively high. We expect this to decline over the next couple of years.

IV. Valuation

DCF valuation range:

Saved	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Salesgrowth	2.0%	4.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Sales	20166	20973	21602	22034	22475	22924	23383	23850	24327	24814	25310
Oper. Margin	3.5%	4.2%	4.5%	4.8%	4.8%	5.0%	5.0%	5.0%	5.0%	5.0%	4.8%
Oper. Income	701	881	972	1058	1079	1146	1169	1193	1216	1241	1220
Depreciation	1580	1375	1325	1275	1301	1261	1286	1312	1338	1365	1392
WC changes		3	2	1	-19	-19	-19	-20	-20	-21	-21
Taxes	-329	-284	-297	-289	-270	-264	-269	-274	-280	-285	-281
Capex	-2009	-1049	-1080	-1212	-1236	-1261	-1286	-1312	-1338	-1365	-1392
Free Cash Flow	-57	925	922	833	855	864	881	898	916	935	918
Working Capital	941	938	936	935	954	973	992	1012	1032	1053	1074
Net Debt	7002	6077	5154	4321	3466	2603	1722	824	-93	-1027	-1946
Tax Rate	-47%	-32%	-31%	-27%	-25%	-23%	-23%	-23%	-23%	-23%	-23%
WC/Sales	5%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Capex/Sales	-10%	-5%	-5%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%
Deprec./Capex	79%	131%	123%	105%	105%	100%	100%	100%	100%	100%	100%
Free Cash Flow		925	922	833	855	864	881	898	916	935	918
Discount Factor		1.000	0.926	0.857	0.794	0.735	0.681	0.630	0.583	0.540	0.500
Discounted Flows		925	854	714	679	635	599	566	535	505	459

Horizon Value	5,087
Terminal Value	7,809
- net debt	7,002
Equity Value	5,894
Nr Shares	1,000
HV/TV Ratio	86%
Fin. Assets	1,564

Sensitivity

Rg/WACC	8.5%	8.0%	7.5%
1.5%	5.9	6.8	7.9
2.0%	6.5	7.5	8.6
2.5%	7.1	8.2	9.6

Base Case

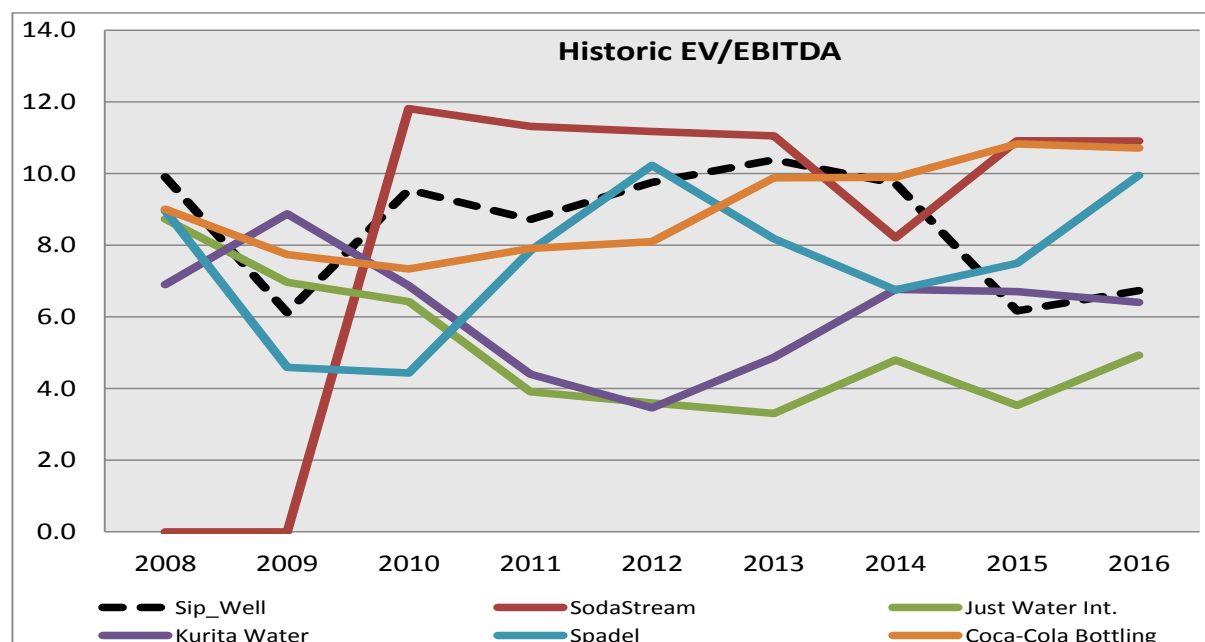
WACC	8.0%
LT Growth	2.0%

Target Price : 7.5

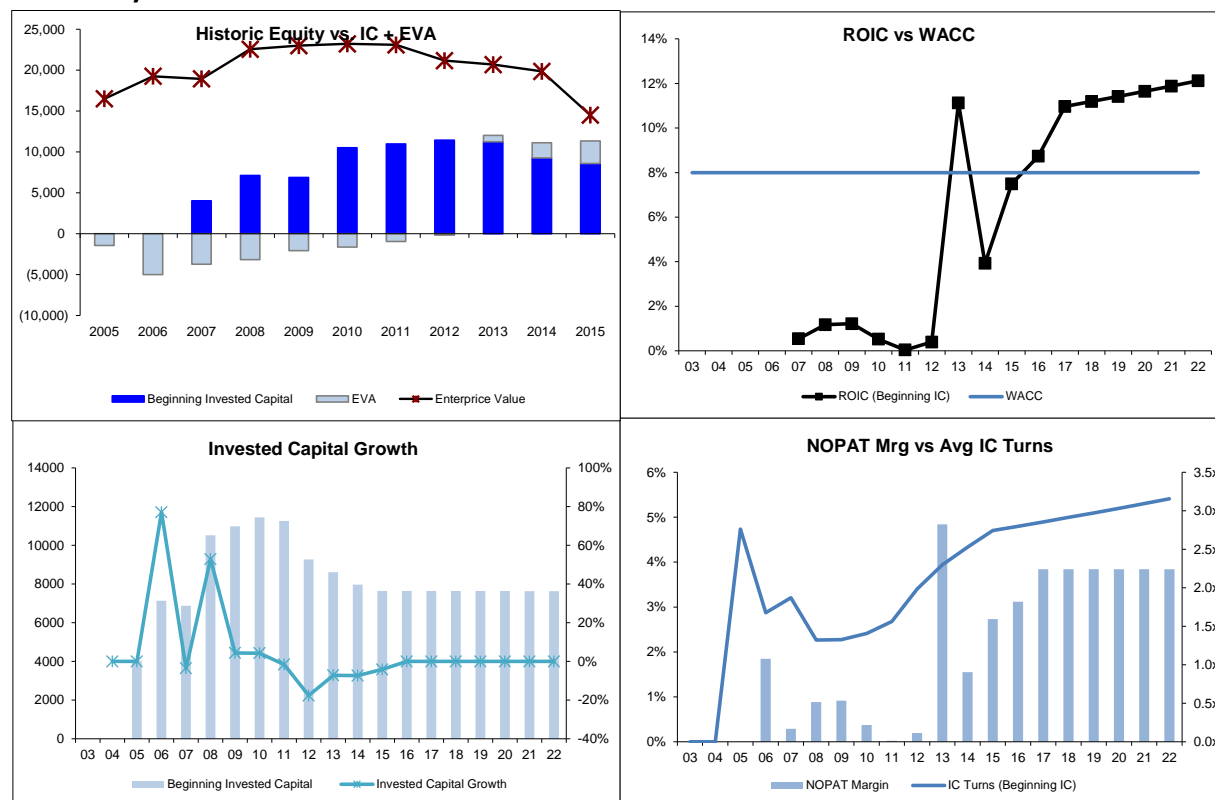
(Source: business plan estimates from previous chapters by Valuescan.be, these can differ from the actual results)

The DCF uses a Wacc of 8% to reflect normal business and financial risk

Peers Valuation



ROIC analysis



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Contents and methodology

I. Company Description

Brief company history to situate the roots and recent material events.

Description of the activities in the reported segments that are used for the business model.

The necessary background for investors to understand what the company does.

II. Sector Overview

Description of the market environments in which the company operates.

Expectations of market growth potential and market share trends.

The necessary sector background for investors to understand the business model.

III. Business Model

$$\text{Value} = \text{Growth} \times \text{Profitability} / \text{Capital needs}$$

A. Growth Expectations

The growth expectations are modelled by reported segment on a 10y history and 3y forward.

The long term drivers by segment are evaluated, **company expectations vs. sector dynamics**.

Recent results are discussed and a growth conclusion is discussed with the segment table.

B. Profitability

The profit margins are modelled by reported segment on a 10y history and 3y forward.

Competitive situation and operating costs are discussed per segment, peer comparison.

Profitability conclusion in a segment EBIT table, including corporate or exceptional costs.

C. Capital Needs

Equity reports often spent too little attention to the capital needs to realise growth and profitability.

Hence, **Capex, Working Capital, Debt and Dividends** are discussed.

The **Capex is modelled towards the maintenance level** at the end of the 3Y forecasting horizon.

IV. Valuation

We use a **DCF** to translate the future free cash flows into a fair value estimate.

The WACC is set at 8% for all companies as our expected return for the Equity investor.

ValueScan.be measures value with the same yardstick, independent of noise or hype.

For companies with higher risk profiles, a higher WACC is possible and will be justified.

A ROIC analysis backtests the valuation with an EVA analysis. The historic Equity value is compared to the historic EVA calculation. This indicates whether the market has been over- or undervaluing the company in the past.