



16 December 2015

# Picanol Group + Tessenderlo Group

- In 2013 Picanol Group acquired a 27.52% controlling interest in Tessenderlo Group from the French company SNPE SA.
- Picanol Group's investment in Tessenderlo Group aimed first and foremost at industrial as well as financial reinforcement, through further diversification and geographic spread.
- In becoming the controlling shareholder, Picanol Group sought to ensure stable shareholdership for Tessenderlo Group and enhance long-term growth.
- In 2014 and 2015, the participation in Tessenderlo Group had already been increased to 31.5% via a combination of capital increase and purchases on the stock market.

## Tessenderlo Group and Picanol Group have today:

- Industrial activities with a long history;
- The same values with respect to client service and sustainable results;
- Complementary geographic markets;
- Talented employees;
- The long-term engagement of a stable shareholder.



**A FURTHER INTEGRATION OF OUR FORCES OFFERS PLENTY OF OPPORTUNITIES FOR CREATING AN EVEN STRONGER INDUSTRIAL GROUP.**



**BOTH BOARDS OF DIRECTORS UNANIMOUSLY SUPPORT THE PICANOL TESSENDERLO GROUP PROJECT.**

## The new Picanol Tessenderlo Group will be a Belgian, industrial group with:

- Activities in more than 100 countries;
- A turnover of approximately 2 billion euros;
- A REBITDA of approximately 200 million euros;
- Approximately 7,000 employees;
- Four segments under one roof:
  - ❖ Agro
  - ❖ Bio-valorization
  - ❖ Industrial Solutions
  - ❖ Machines & Technologies

# Picanol Tessenderlo Group

## Agro



## Bio-valorization



## Industrial Solutions



## Machines & Technologies



Industrial Solutions

# Segment Agro



## POTASSIUM SULPHATES

High quality soluble fertilizers to increase efficiency, yield and quality of specialty crops, such as flowers, fruits, vegetables



**+65**  
TERMINALS  
in USA

**13** PRODUCTION PLANTS  
in USA (10), Belgium (1),  
Turkey (1), France (1)

2 plants under construction:  
East Dubuque (USA), Rouen (France)

## CROP VITALITY / TESSENDERLO KERLEY INTERNATIONAL

Leading producer of sulfur based liquid fertilizers for broad acre crops, fruit and vegetable crop cultivation

## NOVASOURCE

Speciality crop protection solutions

# Segment Bio-valorization

## AKIOLIS

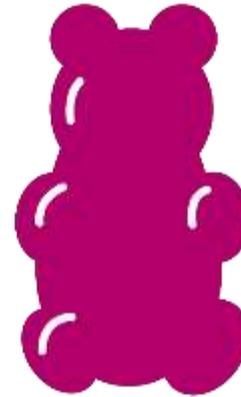
Processing of bio-residuals into ingredients for use in various applications from bio-fuels and pet food to fertilizers

**11**

**PRODUCTION  
PLANTS**  
France

**39**

**COLLECTION  
CENTERS**  
France



**8**

**PRODUCTION  
PLANTS**

Argentina (1), Belgium (1)  
Brazil (1), Germany (1), UK (1),  
USA (1) and China (2)

## GELATIN

Valorization of by-products from the meat industry into high value gelatin, used in food, pharma and other applications

# Segment Industrial Solutions

## WATER TREATMENT

- Recuperation of by-products from the steel industry to produce coagulants for water treatment
- Nr 3 European supplier of coagulants



## MINING AND WATER TREATMENT SERVICES

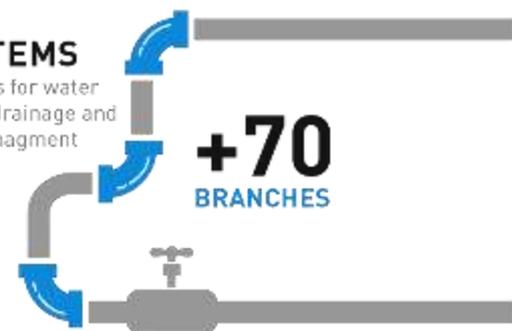
**3**  
PLANTS  
US

## PLASTIC PIPE SYSTEMS

Pipes and fittings for water supplies, water drainage and storm water management

**7**  
PRODUCTION  
PLANTS

The Netherlands (2),  
Germany (1), Belgium (1),  
France (1), Poland (1) and Hungary (1)



# Segment Machines & Technologies

## WEAVING MACHINES



Picanol develops, produces and markets high-tech weaving machines. Today, about 2,600 weaving mills around the world use Picanol machinery, totaling more than 175,000 weaving machines.

**8** **PRODUCTION PLANTS**  
Belgium (5), France,  
PR China and Romania

**9** **SALES OFFICES**  
in other countries

## INDUSTRIES



Proferro supplies cast iron parts to original equipment manufacturers in various market segments worldwide such as agricultural machinery, compressors, textile machinery and general engineering.



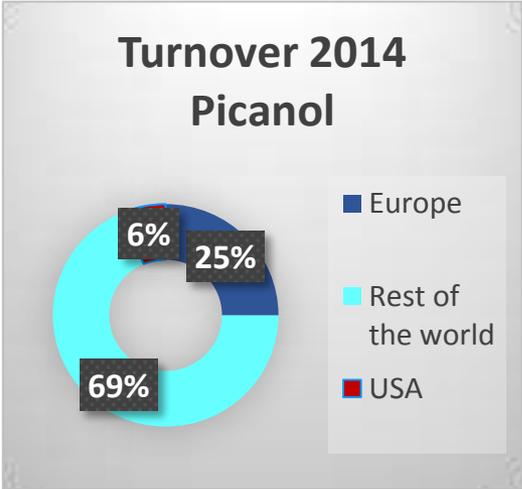
PsiControl offers custom solutions engineered around real-time controllers, power electronics and electronically-controlled motors.

# Stronger geographical spread



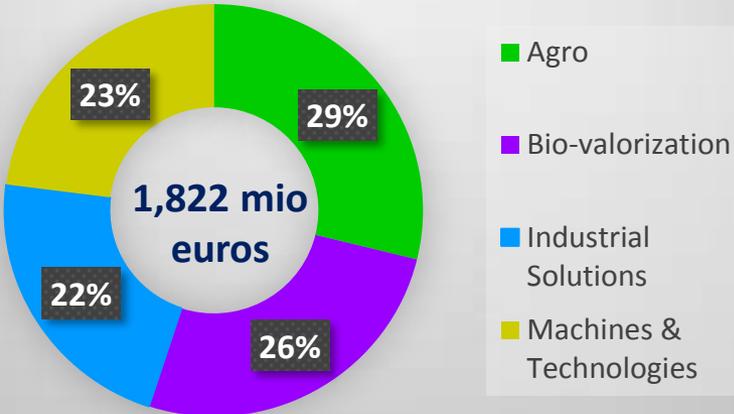
- Agro
- Bio-valorization
- Industrial Solutions
- Machines & Technologies

# Stronger geographical spread

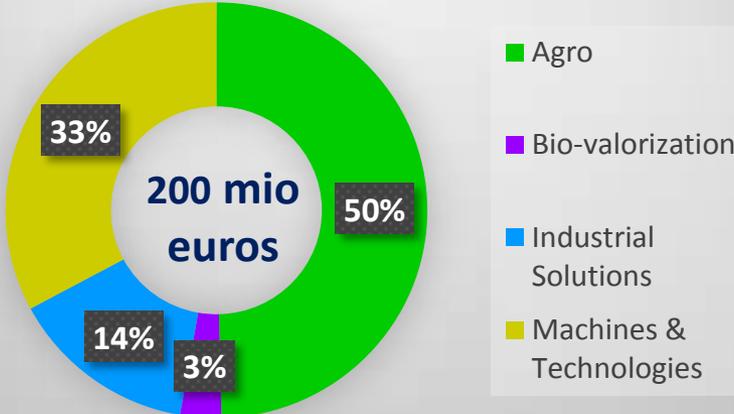


# Stronger financial group

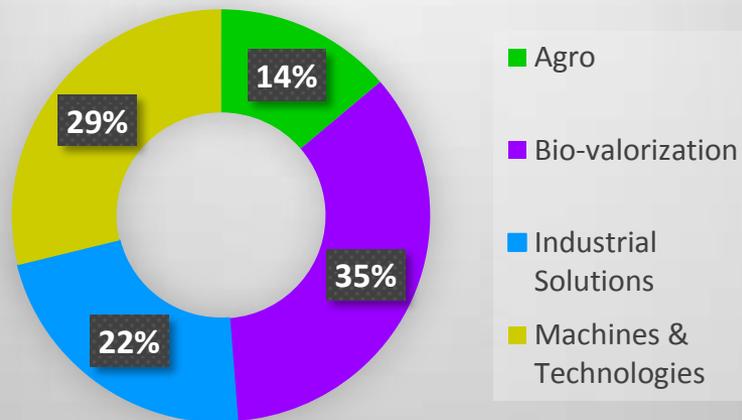
## Turnover 2014 Picanol Tessenderlo Group



## REBITDA 2014 Picanol Tessenderlo Group

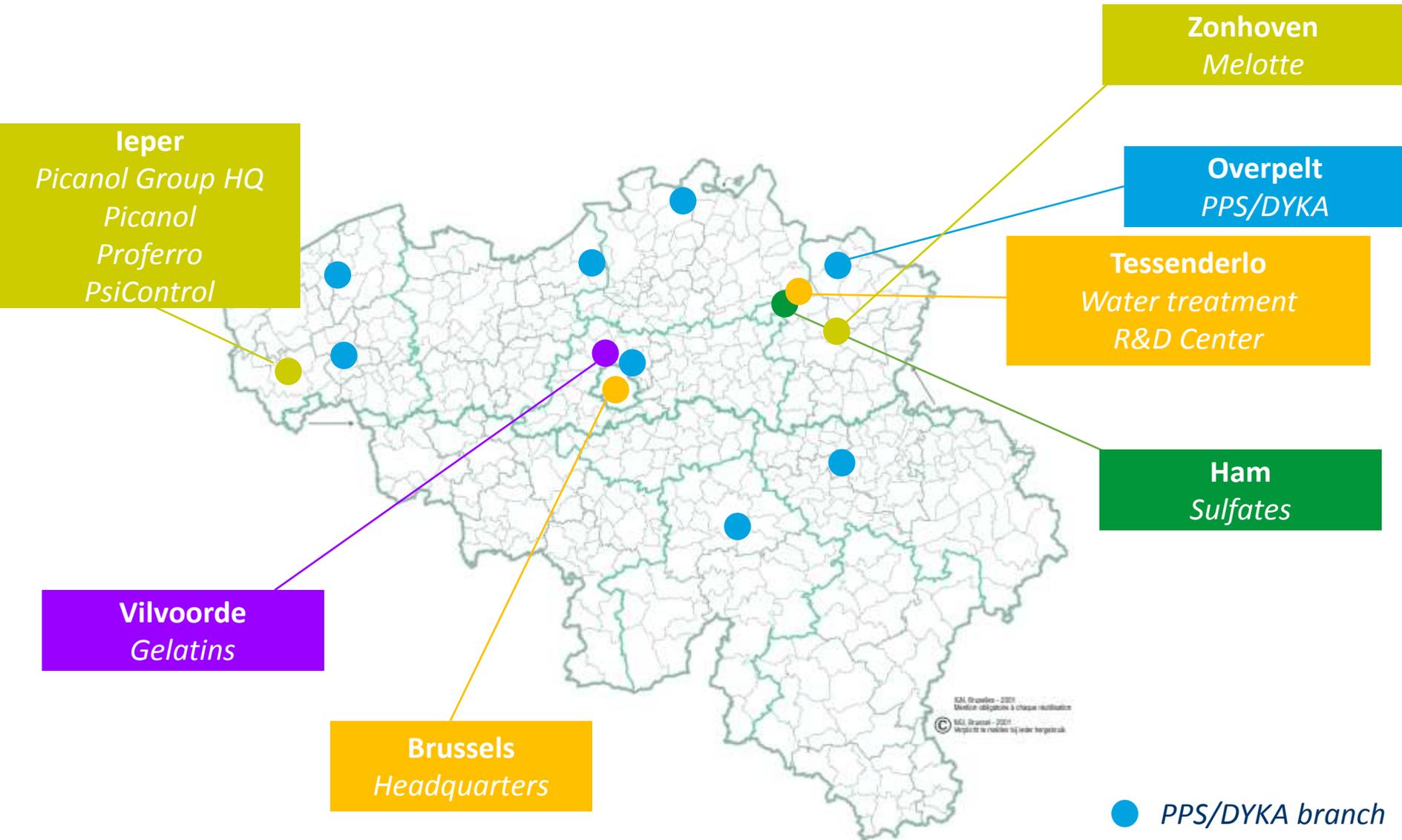


## Per segment Picanol Tessengerlo Group



**Belgium: >2,200  
employees**

# In Belgium



# Industrial benefits

- Ambition to strengthen our prominent market position in each of the segments and to ensure a sustainable profitability:
  - *The expertise and the presence of Picanol in emerging markets is a trump card for Tessenderlo;*
  - *Commercial and operational experience in the different continents will be an important supportive factor for further growth.*
- Sustainable development will remain a high global priority, relying on successfully identifying opportunities and gradually improving operational performance.
- The effective R&D approach and the innovative culture of Picanol as well as a common sourcing policy can contribute to the combined profitability of the new industrial group.
- A good insight in the existing various segments to allocate resources in a more efficient way and to develop the present synergies.

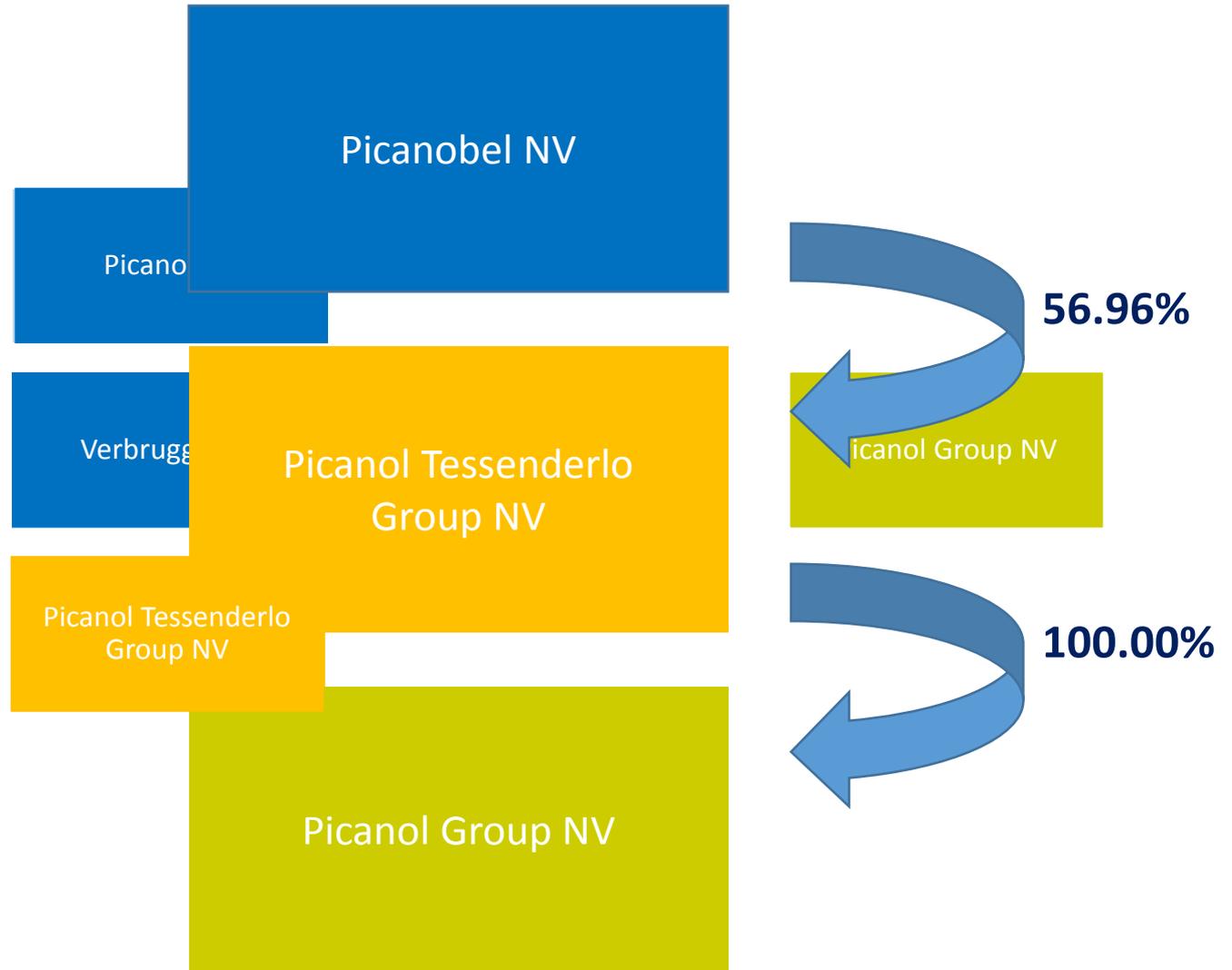
# Financial benefits

- Bigger total market capitalization and attractive liquidity of the shares in the market: access to a wider range of financial investors.
- Better terms when entering into new financing.
- The cash flow will become more stable and increase over time so that the dependence on a volatile credit market will decrease:
  - *To realize projects;*
  - *To keep investing in talent, growth and innovation, even in difficult market circumstances.*
- Expected profitability and future cash flow of the group will provide the opportunity to propose a dividend policy to the shareholders.
- A strong embedment in Belgium will benefit the creation of shareholder value through the realization of an industrial long-term strategy.

## Details of the proposed transaction:

- The first step is the creation of a new incorporated company “Picanol Group NV” that will comprise all operational activities of the current Picanol Group.
- The next step is the contribution of the shares of Picanol Group NV in Tessenderlo Chemie NV.
- As a result of this transaction, Picanol NV (becoming a listed holding with a strongly established family shareholder base) will acquire additional shares of Tessenderlo.
- The transaction is expected to close at the latest by the end of February 2016, upon completion of a number of conditions (of which the most important are the approval of shareholders of Tessenderlo and the obtaining of a ruling of the Office for Rulings in Fiscal Matters concerning certain aspects of the transaction).

# Proposed transaction



# Employment

- Wider growth and future opportunities for employees in a diversified worldwide industrial group.
- No operational changes:
  - *No impact on current employment, the organization of the work (incl. place of work) or the employment policies in general;*
  - *No impact on working conditions (incl. pensions) or collective bargaining agreements;*
  - *All employment contracts of Picanol NV/Verbrugge NV will be entirely transferred to the new company Picanol Group NV;*
  - *No impact for the various works councils/'technical operating unit'.*
- The daily management will still be led by Luc Tack, in close cooperation with the current management teams.
- The head office of the Picanol Tessenderlo Group NV will be located in Brussels, while the head office of Picanol Group NV remains in Ieper.

## Details of the proposed transaction:

- At the Tessengerlo EGM of 29 January 2016, a quorum of at least 50% of the outstanding shares must be represented by shareholders present at the meeting or by proxy for deliberation and valid voting on the planned transfer.
- If the quorum is not reached, a second EGM will be convened on 23 February 2016. The quorum requirement does not apply to this second EGM. The proposed resolutions concerning the capital increase through transfer will be passed if they are adopted by at least 75% of the votes cast at the EGM.

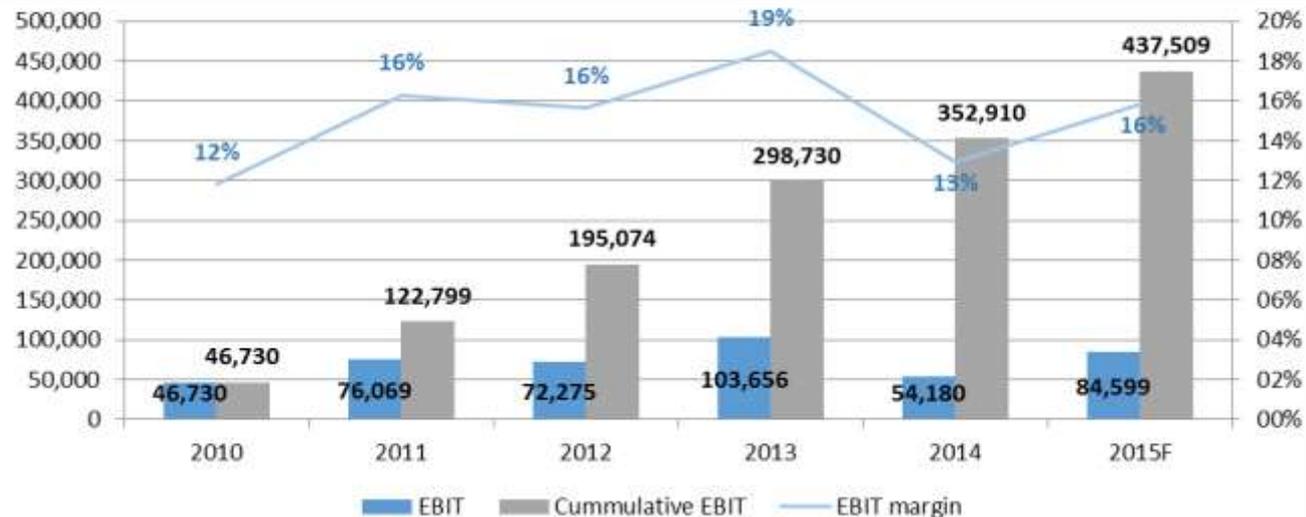
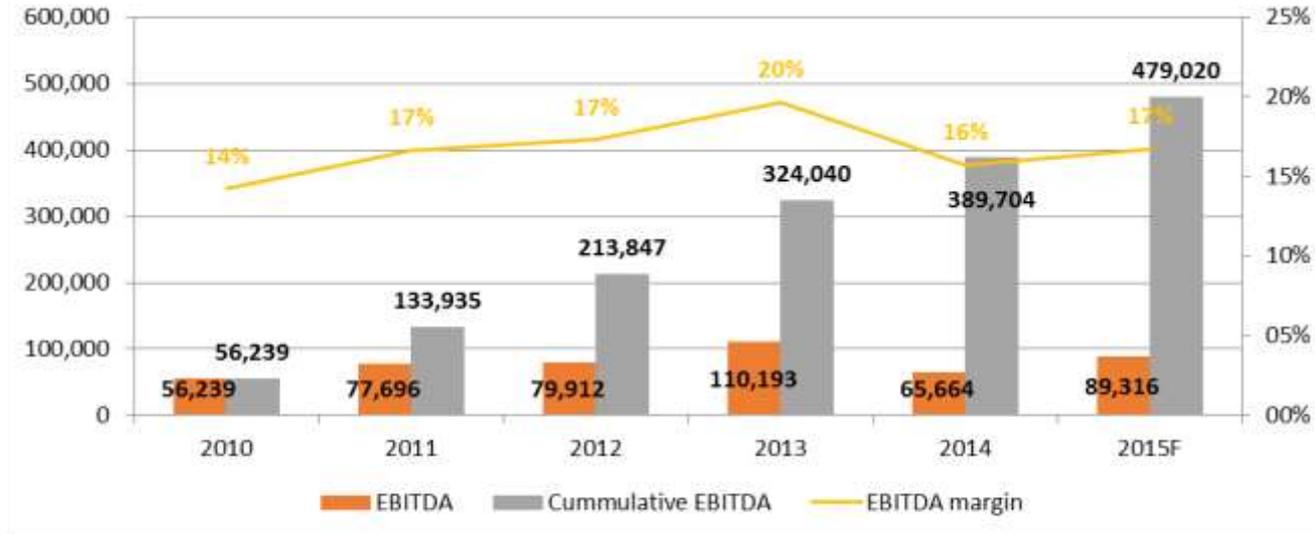
### **Through the transaction, Picanol will become a listed holding with a strongly established family shareholder base.**

- Picanol NV becomes Picanobel NV.
- Once the planned transaction is finalized, Picanobel NV will hold 56.96% of the shares in Picanol Tessenderlo Group NV.
- 49.8 million euros remains as a financial buffer within Picanobel NV.
- The reference shareholders have expressed their support to the industrial project of Picanol Tessenderlo Group.
- Picanobel NV considers to propose a yearly dividend to its shareholders.
- Picanobel NV is convinced that the transaction will lead to more shareholder value for both listed groups.

## A financial and industrial reinforcement:

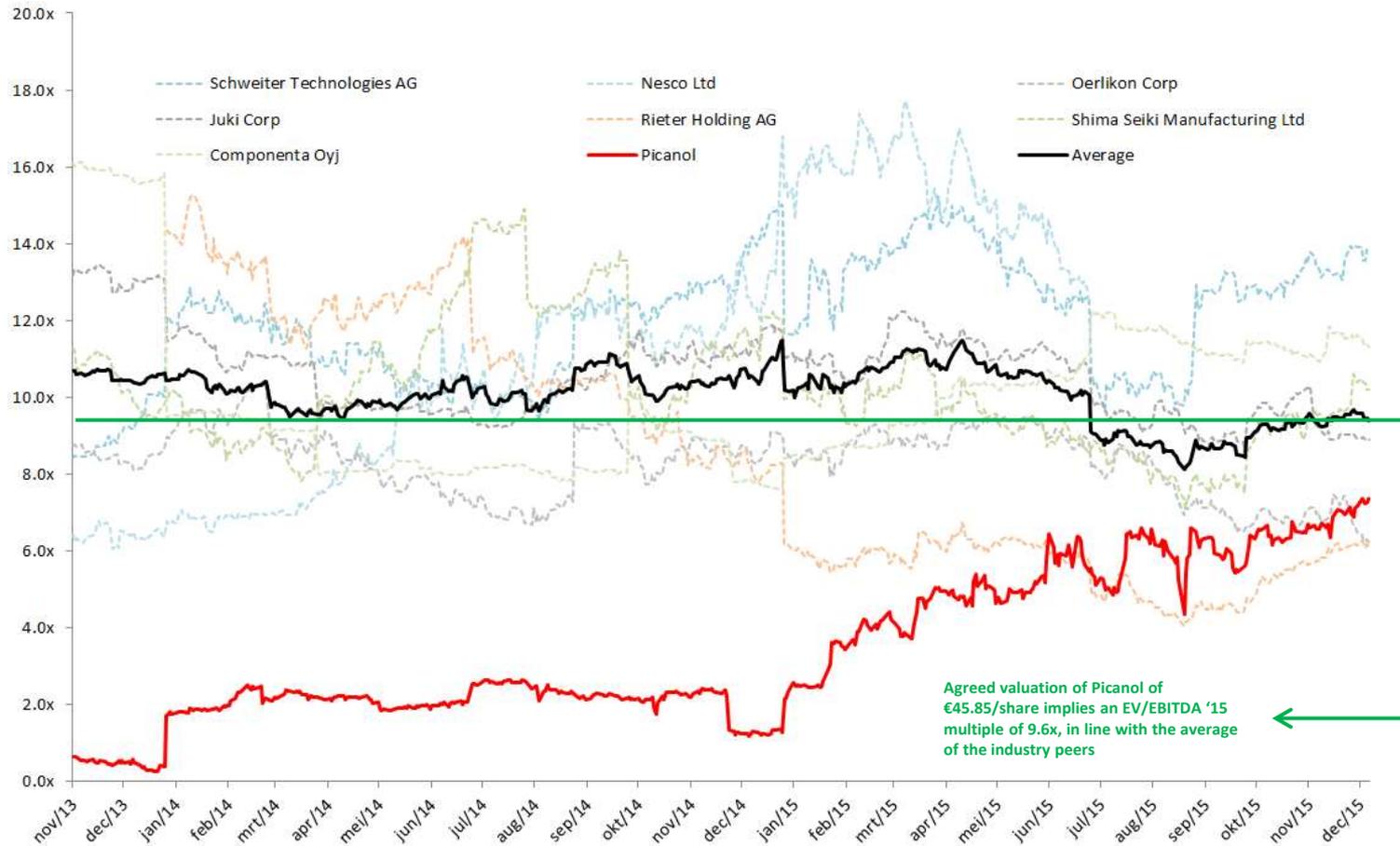
- Better opportunities for Tessengerlo Group;
- Better opportunities for Picanol Group;
- We remain committed to driving further growth in our 4 segments;
- Investment programs will continue in:
  - *Employees;*
  - *Renovation & modernization of our plants;*
  - *Innovation, R&D and product innovation.*

# Picanol – strong EBIT(DA) performance driving consistent FCF generation



# Picanol – however, historical trading of Picanol vs industry peers reveals significant discount

## Last twelve months EV/EBITDA multiple of Picanol and industry peers

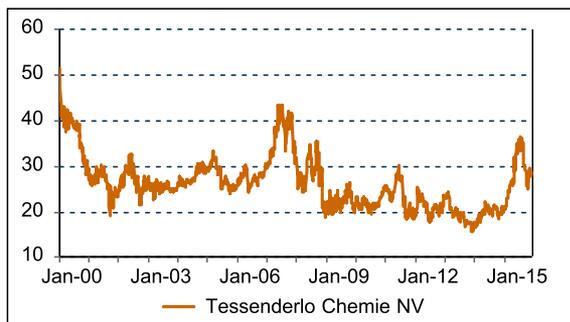
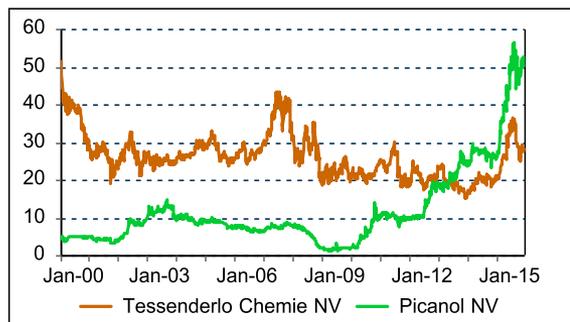


### Note:

Factset (11 December 2015); The enterprise value of Picanol is based on historical market cap excluding the market value of Tessenderlo stake and €49.8m excess cash

# Picanol – 90% of free float has changed hands in the last 2 years, gradually closing the valuation gap

## Share price evolution 2000-2015



## Free float rotations

Tessenderlo		Free-float rotation	
Total outstanding	42,859,100		
Free-float	68.22%		
FF shares	29,239,386		
Cumulated Volume 3 Months	4,305,525	14.7%	
Cumulated Volume 1 Year	21,077,588	72.1%	
Cumulated Volume 2 Years	36,338,732	124.3%	
Cumulated Volume 3 Years	50,541,088	172.9%	

Picanol		Free-float rotation	
Total outstanding	17,700,000		
Free-float	10.51%		
FF shares	1,860,270		
Cumulated Volume 3 Months	136,430	7.3%	
Cumulated Volume 1 Year	924,982	49.7%	
Cumulated Volume 2 Years	1,675,194	90.1%	
Cumulated Volume 3 Years	2,839,921	152.7%	

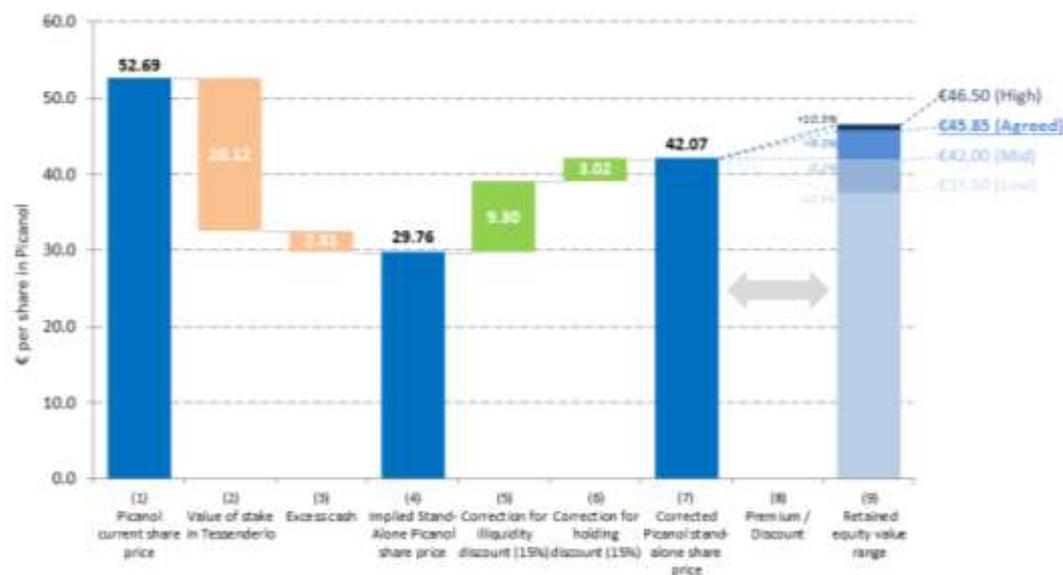


# Picanol – bridge between current share price, corrected valued stand-alone Picanol share price and agreed valuation

In order to compare Picanol's **current share price of €52.69<sup>[1]</sup>** with the **retained equity value per share range**, the following adjustments have been made to arrive to a **corrected valued stand-alone Picanol share price**:

- Deduction of the market value of the stake (31.5%) owned by Picanol in Tessenderlo
- Deduction of the excess cash (€49.8m) that is not part of the Transaction
- Upward correction for illiquidity discount of 15% observed in Picanol's share price due to the limited free float and trading activity (see a.o. research by Shannon P. Pratt)
- Upward correction for holding discount of 15% applied to the market value of Picanol's stake in Tessenderlo. The holding discount is based on historical observed discounts for non-mono holdings in the Benelux (observed non-mono holdings include: Ackermans & van Haaren, Bois Sauvage, Brederode, GBL, Gimv, HAL Trust, Sofina and Quest for Growth)

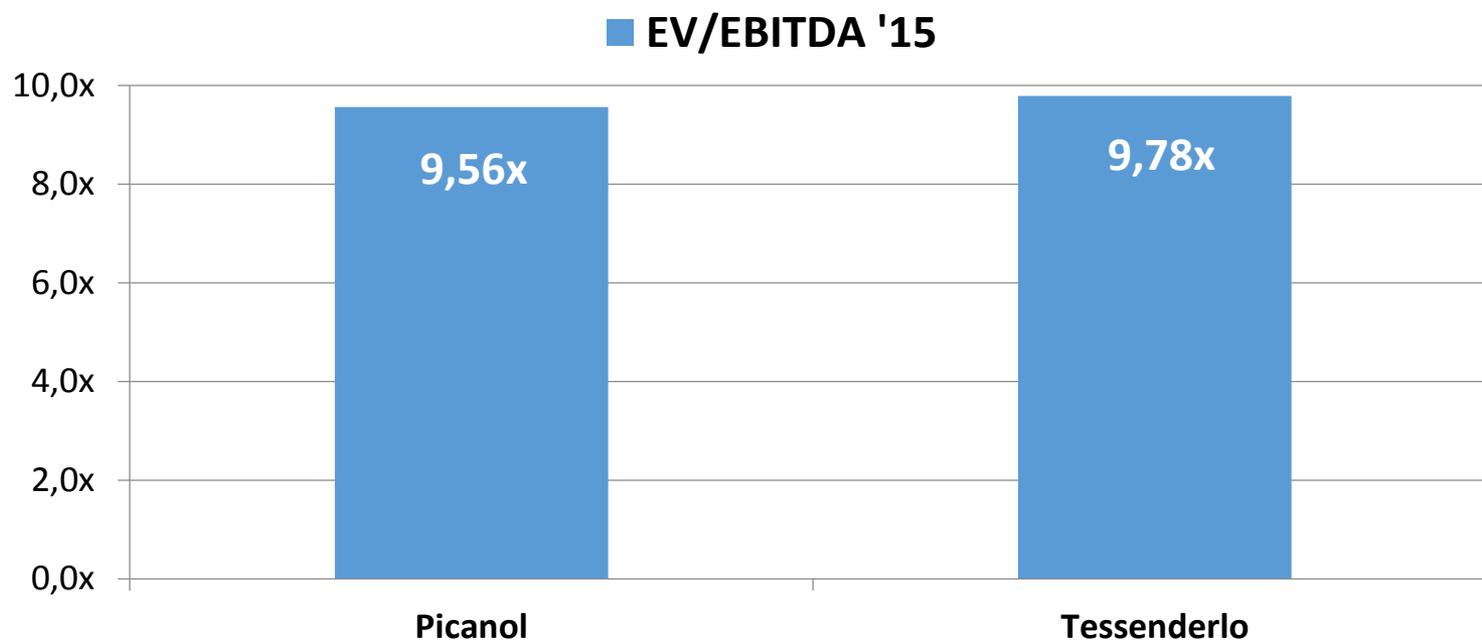
The graph below illustrates the above adjustments to Picanol's current share price and the resulting **corrected valued stand-alone share price of Picanol** compared to the **retained equity value per share range (€37.5 – €46.5)**, which includes the **agreed equity value per share of €45.85**. The low value, midpoint value, agreed value and high value of the retained equity value range presents a premium/(discount) to the corrected stand-alone share price €42.07 of (10.9%), (0.2%), 9.0% and 10.5%, respectively. It should be noted in this respect that a premium was equally taken over the price per share of Tessenderlo in determining the exchange ratio (the new shares in Tessenderlo are issued at a price of €31.5 whereas the shares in Tessenderlo traded at €26.41 on 11 December 2015 which represents a premium of 19.3%.



## Notes:

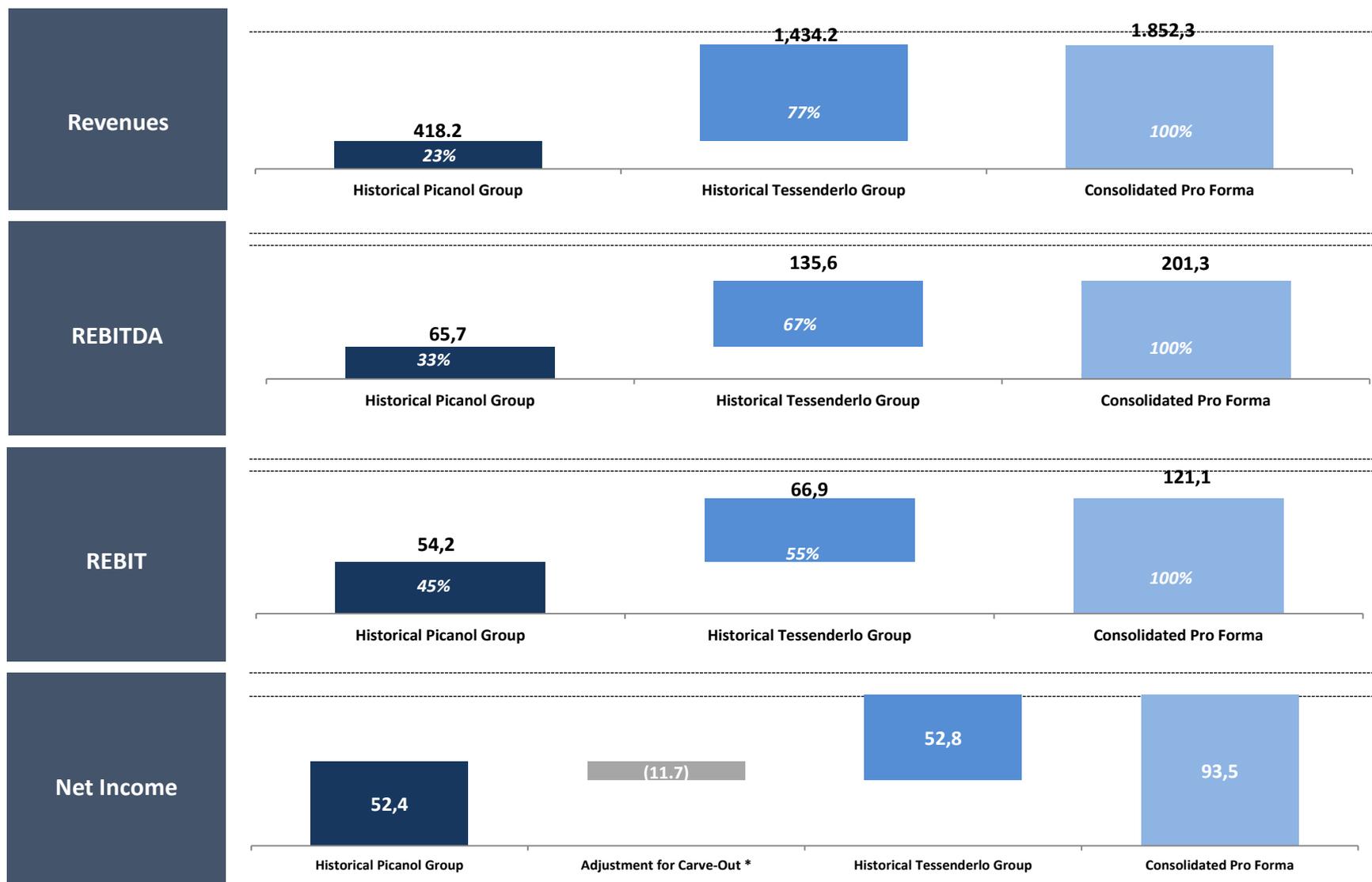
1. Based on closing price at 11 December 2015
2. Value of 31.5% stake in Tessenderlo held by Picanol based on closing price at 11 December 2015, which presents €20.12 in the Picanol share
3. €49.8 million excess cash excluded from the proposed contribution, which presents €2.81 in the Picanol share
4. Implied stand-alone Picanol share price after deduction of the value of stake in Tessenderlo and excess cash
5. Correction for illiquidity discount of 15% applied on the current share price of Picanol (closing price at 11 December 2015), which presents €9.30 in the Picanol share
6. Correction for holding discount of 15% applied on the stake in Tessenderlo based on current share price (closing price at 11 December 2015), which presents €3.02 in the Picanol share
7. Picanol stand-alone share price corrected for illiquidity and holding discounts
8. Premium / (discount) to the retained equity value per share range
9. Retained equity value per share range based on valuation methodology described in [602 report](#)

## Agreed valuation range – implied EV/EBITDA '15 multiple of Tessenderlo and Picanol



<b>Agreed equity value per share (€)</b>	<b>45.85</b>	<b>31.50</b>
# of shares outstanding	17.7	43.19
Equity value (€m)	811.5	1,360.4
Net debt (€m)	42.3	211.9
<b>Enterprise value (€m)</b>	<b>853.8</b>	<b>1,572.4</b>
EBITDA '15 (€m)	89.3	160.7
<b>EV/EBITDA multiple</b>	<b>9.56x</b>	<b>9.78x</b>

# Unaudited Pro Forma Consolidated Income Statement of the Combined Picanol Tessengerlo Group for the year ended 31 December 2014



\* As Picanol Group's shareholding in Tessenderlo Group of 31.5% as per 30 June 2015 will be carved out in the transaction, Picanol Group's share in the result of Tessenderlo Group is eliminated.