

Whitestone Group

Model Update: Portfolio Progress + Multifin Deal Justifies Higher TP

Diversified Financials | Belgium

Whitestone reported its full year results on 29th April 2024 which showed that NAV had grown by a healthy 10.3% (to €14.3ps) which was mainly driven by growth of portfolio companies and the deal with Multifin SA. The deal brought in new assets into the portfolio and as a result, Whitestone Group reshuffled its portfolio and now reports under 3 main platforms namely "Specific Materials", "SMEs" and "Energy Transition". Added to this, the group also bought a 10.0% stake in Tilman Laboratory (herbal medicines) for €5.0m of which €2.5m will be funded as a subordinated loan and €2.5m through equity raise. We updated our model and placed a valuation on each and every investment – after this, we arrived at a Target Equity Value (TEVps) of €15.8ps to which we applied a 10.0% discount to arrive at our new TP of €14.2. BUY rating maintained.

Highlights – FY23 and YTD FY24:

- NAVps rose by 10.3% from €13.0 to €14.3 (€52.1m).
- 77.0% of the portfolio represented investments in cashflow positive businesses.
- Portfolio is now reported under 3 categories namely 'Specific Materials' (40.0%), 'Energy Transition' (29.0%) and 'SMEs' (26.0%).
- The deal with Multifin SA involved the creation of 1.37m shares in exchange for €17.8m in ownership interests in Energy Solutions Group, Clay Capital, Sibelco and Above.

Investments:

- €1.0m investment in Battri, a battery recycling company.
- €5.0m in Tilman Laboratory, the Belgian leader in phytotherapy (herbal medicine) – the funds will help Tilman o continue investing in pharmaceutical-standard production capacity and in the construction of a logistics centre at its site in Baillonville (Namur Province).

Valuation: We put a value on each and every investment in the portfolio to arrive at a TEVps of €15.8ps to which applied a 10.0% group-level discount to arrive at our new TP of €14.2.

Investment Case: Whitestone is a long-term and active investor with a bias towards investing in small and medium sized businesses across select European countries – by doing so, we think that Whitestone has created a niche in the market. The investment in GFI should provide a hedge against unexpected/significant volatility in public markets while investments in fast growing SMEs will provide much needed growth and may result in exits that lead to outsized capital gains. Whitestone's portfolio offers 2 layers of diversification as the portfolio is invested across 4 countries (BE, FR, LU, and CH) and 3 thematic platforms. While current market capitalisation is in the €40.0m to €70.0m range, potential capital raises in the future followed by expansion/rotation of the portfolio will create long-term shareholder value. Currently, 77.0% of value of Whitestone's portfolio is comprised of companies with positive FCF and this % is expected to increase with multiple companies expected to break-even in the next couple of years. We believe that a combination of these factors will help Whitestone achieve consistent NAV increases

Share Price: €13.5
Target Price: **€14.2**
Upside/Downside: 5.2%

Recommendation: Buy
Previous Recommendation: Buy

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Key Data

Bloomberg: ROCK BB
Reuters: ROCKW.BR
URL: <https://www.whitestone.eu/>

Market Cap. (m): €49.2
Shares Out. (m): 3.6
Volume (Daily): 225
Free Float: 21.0%
Price 12m Hi/Lo: 9.0 / 14.0

Performance	1m	3m	12m
Absolute (%)	7.1	29.8	32.4
Rel. BEL20	4.6	21.4	29.0

Next Corporate Event

H1 FY24 Results: 30/10/2024

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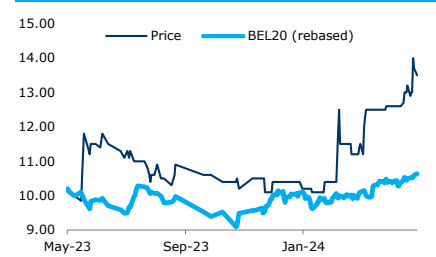
Year To:	2020A	2021A	2022A	2023A
Sales & operating income	--	83.9	234.5	211.5
Profit/loss from operating activities	--	(0.5)	0.8	1.5
Net Profit (group share)	--	(1.1)	(0.8)	(0.4)
Diluted EPS	--	(0.53)	(0.48)	(0.16)
Dividend per share (€)	--	0.00	0.00	0.00
Dividend yield (%)	--	0.0	0.0	0.0
Net asset value per share (NAV)	--	10.53	12.96	14.30
P / NAV (x)	--	0.31	(0.28)	(0.27)
Cash & cash equivalents	--	6.3	6.5	4.4

Source: KBC Securities

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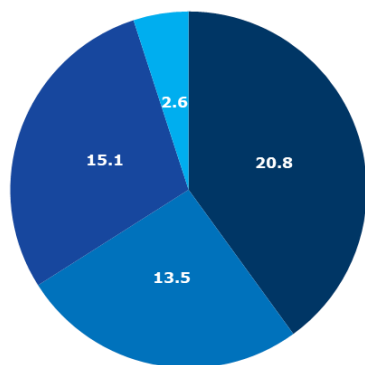
Price Chart



Source: Refinitiv Datastream

WHITESTONE GROUP IN GRAPHS

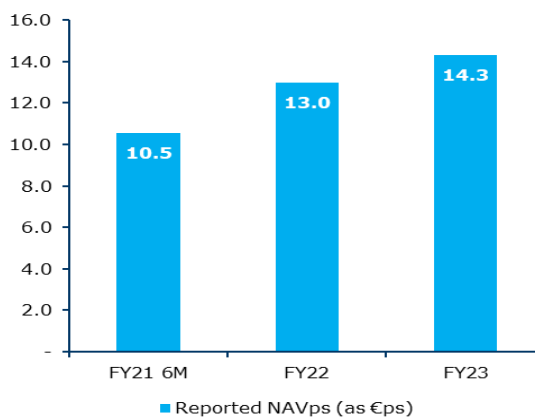
NAV Split (By Platform) – FY23



■ Specific Materials ■ SMEs ■ Energy Transition ■ Net Cash and Other

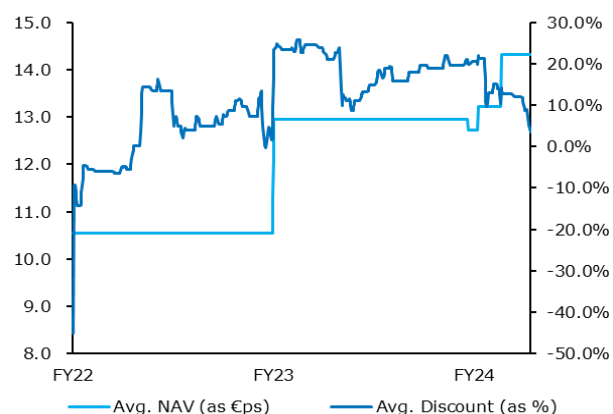
Source: Whitestone Group

NAV Evolution – FY21 to FY23



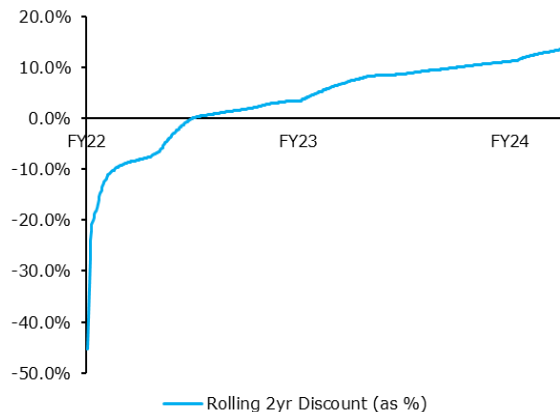
Source: Whitestone Group

NAVps and Discount Evolution



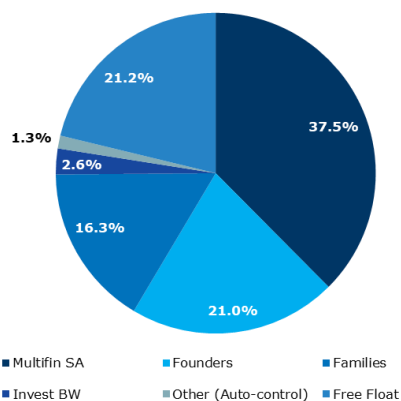
Source: Whitestone Group, KBC Securities

2yr Rolling Discount



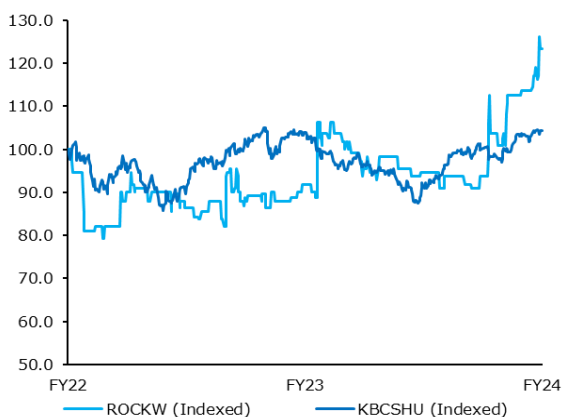
Source: Whitestone Group, KBC Securities

Shareholding Structure – FY23



Source: Whitestone Group

Total Return – Whitestone vs. KBCSHU*



Source: KBC Securities, *KBCS Holdings Universe

NEW ASSETS IN WHITESTONE'S PORTFOLIO ABOVE (WEALTH PLANNING PLATFORM)



Business Description: Above develops a collaborative wealth planning platform for financial advisors that want to serve their clients with a structured and holistic approach to their wealth. To that end, the solution supports advisors' wealth management activities on three levels to completely understand their clients' (wealth) situation by providing detailed inventories to store and organise wealth data, to serve their clients with the right advice at the right time with the help of planning and simulation tools (such as a financial planning simulator, inheritance tax calculator and reporting tool) connected to the clients' latest wealth data and to offer their clients continuous support and a unique experience through an intuitive interface that's accessible 24/7 to both advisors, their clients and other trusted third parties.

Above offers Wealth Management Solutions To A Diverse Client-base

A solution for every financial advisor

Private bank

Family office

Accounting firm

Asset manager

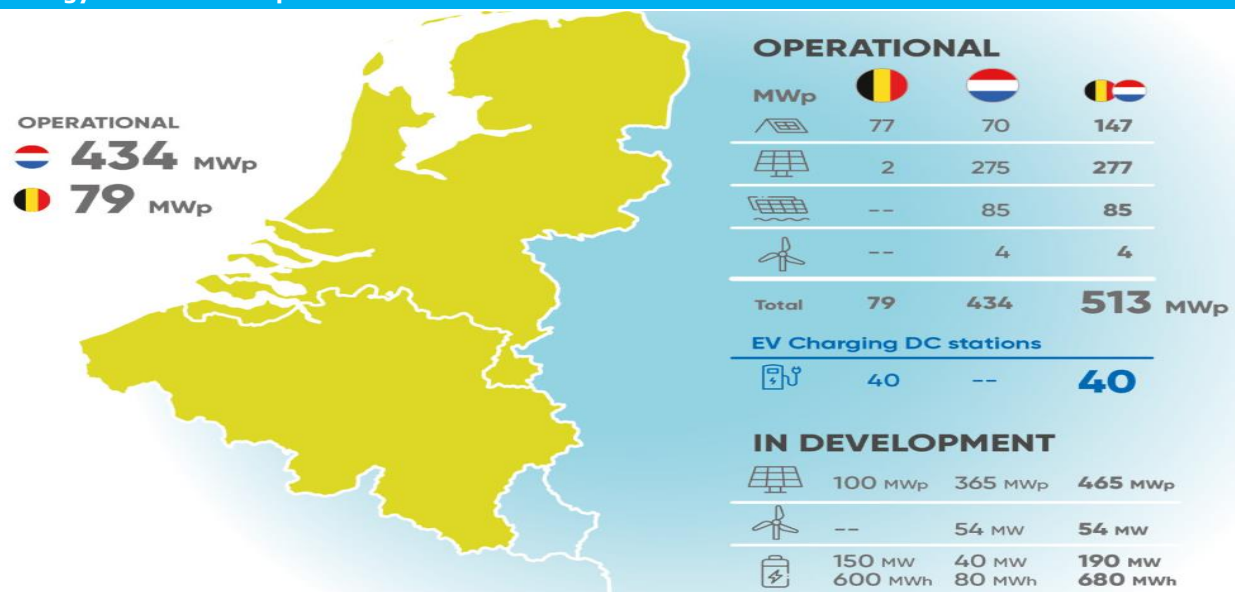
Source: Above

ENERGY SOLUTIONS GROUP (ENERGY TRANSITION)



Business Description: Energy Solutions Group is an independent energy producer that distinguishes itself by combining operations and maintenance which helps the group position itself as both a financial and industrial player. The group has its own technical team that performs maintenance on the site(s). The group acquires and operates large-scale solar parks, invests in and manages turbines, is implementing a fast charging network and is investing in creating a battery storage ecosystem.

Energy Solutions Group's Portfolio



Source: Energy Solutions Group

SIBELCO

Business Description: Sibelco NV is a Belgium-based company that is mainly engaged in the extraction and refining of various types of sand and non-metallic industrial minerals. The Company offers products including silica, clays, kaolins, feldspars, olivine, hydrated limes, nepheline syenite, calcium carbonate, titanium minerals and other specialty minerals. Its minerals are used for applications such as glass, ceramics, foundry, water filtration, steel, electronics, fillers, paints, plastics, ceramics and pigments protective coatings, among others. The Company has around 230 operational sites in over 40 countries, including the United States, Germany, the Netherlands, Russia, India, China, Singapore and Australia.

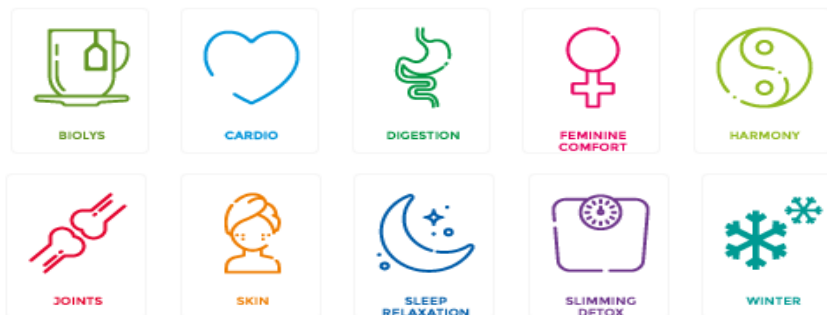


TILMAN SA

Business Description: Tilman SA manufactures plant based pharmaceutical products. The Company, based in Belgium, conducts laboratory research and manufactures natural pharmaceuticals. Phytotherapy is herbal medicine and is the oldest of all therapies. Contemporary medicine, chemical medicine, was developed by isolating and concentrating active ingredients from medicinal plants. Tilman is a pharmaceutical company that is subject to the same obligations as the chemical players in the pharmaceutical industry but Tilman has chosen to develop only plant-based products.



Tilman Offers Health Products For 10 Causes & Tilman's Current Medicine Offerings (Below)



Source: Tilman SA

VALUATION – GROUP LEVEL

We updated our model for the Multifin SA deal and the acquisition of a 10.0% stake in Tilman SA. Also, we put a value on each and every investment within Whitestone Group's portfolio after which we arrive at a Target Equity Value (TEVps) of €15.8, to which we applied a 10.0% group-level discount and arrived at our new target price of €14.2 which implies an upside of 5.2%.

NAV Table as of 6th May 2024

Calculation - Net Asset Value (NAV) & Target Equity Value (TEV)	Description	Stake (%)	NAV (as €m)	% of NAV	TEV (as €m) ⁽¹⁾	% of TEV
Specific Materials	Varied	Varied	20.8	39.9%	24.6	42.7%
SMEs	Varied	Varied	18.5	35.5%	19.7	34.2%
Energy Transition	Varied	Varied	15.1	28.9%	15.6	27.0%
Real Estate (Own Use)	Real Estate (Own Use)	NA	0.5	0.9%	0.5	0.8%
Whitestone Group Own Shares	Treasury Shares	1.3%	0.6	1.2%	0.7	1.1%
Gross Asset Value (GAV)			55.6	106.5%	61.0	105.9%
Net cash/(net debt) at holding level			(3.4)	-6.5%	(3.4)	-5.9%
Net Asset Value (NAV) & Target Equity Value (TEV)			52.2	100.0%	57.7	100.0%
No. of shares outstanding (as m)			3.6		3.6	
No. of treasury shares (for remuneration, resale, collateral, etc.; as m)			0.0		0.0	
No. of treasury shares (available for cancellation; as m)			-		-	
No. of shares outstanding (net of treasury shares; as m)			3.6		3.6	
Net Asset Value (NAV) & Target Equity Value (TEV) - Per Share			14.3		15.8	
Last close price (as €ps)			13.5		13.5	
Implied discount or (premium) - NAVps or TEVps (vs) last close price			5.7%		14.6%	
2-year average discount or (premium)			13.8%		13.8%	
1-year average discount or (premium)			16.6%		16.6%	
Target Price					14.2	
Recommendation					Buy	
Implied premium or (discount) - target price (vs) NAVps & TEVps			(0.9%)		(11.3%)	
Implied upside or (downside) potential - last close price (vs) target price			5.2%		5.2%	
Listed portion of total portfolio (as %)			4.1%		3.7%	

Source: Whitestone Group, KBC Securities

FINANCIAL DATA

Income Statement (€)	2019A	2020A	2021A	2022A	2023A
Sales & operating income	--	--	83.9	234.5	211.5
Profit/loss from operating activities	--	--	(0.5)	0.8	1.5
Profit/loss before tax	--	--	(0.8)	(0.1)	0.8
Net Profit (group share)	--	--	(1.1)	(0.8)	(0.4)

Source: KBC Securities

Balance Sheet (€)	2019A	2020A	2021A	2022A	2023A
Cash & equivalents	--	--	6.3	6.5	4.4
Total assets	--	--	21.0	27.1	22.1
Equity attributable to holders of the parent	--	--	12.9	15.3	14.5
Financial debt	--	--	9.0	12.3	7.7
Total liabilities	--	--	21.0	27.1	22.1

Source: KBC Securities

Cash Flow Statement (€)	2019A	2020A	2021A	2022A	2023A
Cash flow from operating activities	--	--	0.0	0.0	0.0
Cash flow from investments	--	--	0.0	0.0	0.0
Cash flow from financing	--	--	0.0	0.0	0.0
Change in cash & equivalents	--	--	0.0	0.0	0.0

Source: KBC Securities

Per Share Data (€)	2019A	2020A	2021A	2022A	2023A
Outstanding shares	--	--	2.3	2.3	2.3
Outstanding shares - diluted	--	--	2.3	2.3	2.3
Basic EPS	--	--	(0.53)	(0.48)	(0.16)
Diluted EPS	--	--	(0.53)	(0.48)	(0.16)
Dividend per share	--	--	0.00	0.00	0.00

Source: KBC Securities

Valuation Data	2019A	2020A	2021A	2022A	2023A
Market capitalisation (€m)	--	--	31.4	21.2	23.7
Dividend yield (%)	--	--	0.0	0.0	0.0

Source: KBC Securities

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The company disclosures can also be consulted on our website

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This publication has been finalised and published on May 7 2024 before market opening.

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Stock Rating	Definition	% Of Cov Universe	% IB Client in Last Year
Buy	Expected total return (including dividends) of 10% or more over a 6-month period	50.9	29.3
Accumulate	Expected total return (including dividends) between 0% and 15% over a 6-month period	33.3	34.2
Hold	Expected total return (including dividends) between -5% and 5% over a 6-month period	13.2	26.7
Reduce	Expected total return (including dividends) between -15% and 0% over a 6-month period	1.8	0.0
Sell	Expected total return (including dividends) of -10% or worse over a 6-month period	0.9	0.0

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Business Description for: Whitestone Group

Whitestone Group SA is a holding company based out of Lasne, Belgium. Whitestone Group's portfolio is made up of 4 divisions namely 'Industrial', 'Environment', 'Technology', and 'Financial Services'. Whitestone's portfolio consists of various direct stakes in small and medium sized companies across Belgium, Luxembourg, Switzerland, and France.

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- A. KBC Group NV holds more than 0.5% in this company
- B. This company owns more than 5.0% of its own shares
- C. Within the last 12 months, KBC Securities NV has been lead manager or co-lead manager of any publicly disclosed offer of financial instruments of this company

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E. KBC Securities NV makes a market and/or is liquidity provider for this company

Subject Company	Relevant disclosure(s) if any
Whitestone Group	D

The price target for Whitestone Group is based on the following parameters:

Whitestone is a long-term and active investor with a bias towards investing in small and medium sized businesses across select European countries – by doing so, we think that Whitestone has created a niche in the market. The investment in GFI should provide a hedge against unexpected/significant volatility in public markets while investments in fast growing SMEs will provide much needed growth and may result in exits that lead to outsized capital gains. Whitestone's portfolio offers 2 layers of diversification as the portfolio is invested across 4 countries (BE, FR, LU, and CH) and 3 thematic platforms. While current market capitalisation is in the €40.0m to €70.0m range, potential capital raises in the future followed by expansion/rotation of the portfolio will create long-term shareholder value. Currently, 77.0% of value of Whitestone's portfolio is comprised of companies with positive FCF and this % is expected to increase with multiple companies expected to break-even in the next couple of years. We believe that a combination of these factors will help Whitestone achieve consistent NAV increases.

The risks which may impede the achievement of our price target for Whitestone Group are:

- 1) The financial health of small and medium sized businesses come under stress during an economically uncertain environment.
- 2) Larger-than-usual trades can have a significant impact on price due to low average daily traded volume.
- 3) Discount could widen significantly should a decrease in NAV be reported.

Below is an overview of the stock ratings and target price history in the last 12 months for the stock(s) described in this report.

Company	Date	Rating	Target Price
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