

Swiss convictions

Recommended since 10.04.2019

20.03.2024



Country CH	Market capitalization (bn) CHF 7.2	Perf. since reco. (%)
Sector Industrial Goods & Services	Free float 75.2%	SIG Group AG 88.4
Factset SIGN-CH	Closing price CHF 18.92	Market 15.9
ISIN CH0435377954	ESG Risk score* 13.9 Low risk	



Profile

SIG is the world's second largest supplier of systems and solutions for aseptic carton packaging for liquid foods, with a 21% market share, behind Tetra Pak. Its offer consists of the manufacture of filling machines, packaging sleeves and closures. SIG's business sector is not very cyclical, being non-discretionary consumer goods (milk, non-carbonated beverages, soups, yoghurts, etc.). The company was founded in 1853 and is headquartered in Neuhausen, Switzerland.

Strengths/opportunities

- ⊕ The "razor-razorblade" business model offers long-term relationships with customers.
- ⊕ Growing appeal of sustainable solutions (recyclability) by consumers and customers.

Weaknesses/threats

- ⊖ Exposure to commodity prices.
- ⊖ Facing an above-average exchange rate risk in emerging countries.
- ⊖ Margin-dilutive acquisitions.

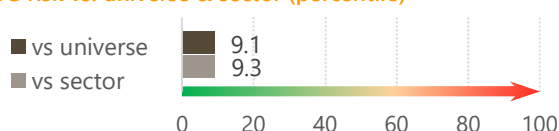
Investment case

- ⊕ The product range is particularly diversified, with a rather captive customer relationship. They supply the filling machines as well as the cardboard needed for the packaging. Now, cardboard takes precedence over plastic because it is more ecological and durable (70-80% recyclable). SIG is therefore well positioned in terms of ESG to gain market share at the expense of plastic packaging.
- ⊕ SIG's business sector is not very cyclical, being non-discretionary consumer goods (milk, non-carbonated beverages, soups, yoghurts, etc.). For example, in the Covid-19 impacted year 2020, volumes increased by 5.5% year-on-year and EBITDA by 2%.
- ⊕ The stock had suffered at the beginning of the year, as the acquisitions of Evergreen Asia and Scholle IPN had caught the market off guard and increased the group's leverage. But its defensive growth virtues remain intact in a longer-term perspective.
- ⊕ The volume growth target for 2024 corresponds to a range of +4-6% (organic), which remains robust, with an EBITDA margin target of 25-26%.

Valuation

SIG is currently trading at a slight discount to medium-sized Swiss industrial companies. But the superior resilience of its business model and more robust cash generation than the segment seems to us to deserve rather a valuation premium.

ESG risk vs. universe & sector (percentile)*



EUR	12/2023	2024e	2025e
Sales revenue (mio)	3'230	3'361	3'532
Sales growth	16.2%	4.1%	5.1%
EBIT adjusted (mio)	340	491	555
% of sales	10.5%	14.6%	15.7%
Net income (mio)	243	338	380
Net income growth	543.4%	39.2%	12.3%
FCF/Sales	8.1%	10.3%	10.5%
Net debt/Ebitda	2.8x	2.5x	2.2x
Dividend yield	2.5%	2.5%	2.7%
PE	31.3x	22.7x	20.2x
P/BV	2.6x	2.4x	2.3x

Factset estimates

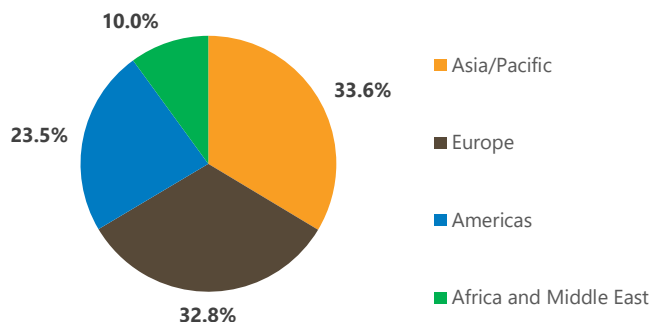
ESG - risks and key points

- ⊕ SIG has a low risk of economic impact due to ESG factors.
- ⊕ The main risks (product sustainability, supply chain and health and safety) are well managed.
- ⊕ Disclosure in the area is strong, signalling a high degree of accountability to investors and the public.

5-year performance vs SPI



Sales breakdown - 12/2023



*: see overleaf

Source: Factset, Sustainalytics

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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