

Press Release

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11th Deloitte Fiduciaire SME Compass shows:

SMEs generate additional shareholder value for the first time in 4 years

*Liquidation reserve is bearing fruit
Turnover growth: Gap between growth companies and other SMEs on the increase
Productivity and return reviving*

Brussels, 19 November 2015 – Deloitte Fiduciaire, the market leader in accountancy, tax, legal and financial advice to family-owned businesses and SMEs, today announced the remarkable results of its SME Compass 2015 survey. This survey outlines a historic picture of the way Belgian SMEs have performed financially over the past four years. It also highlights the fiscal pressure on Belgian SMEs.

Some key conclusions:

- **Liquidation reserve is bearing fruit;** record number of SMEs increases capital.
- **Turnover growth: gap between growth companies and other SMEs is widening;** turnover growth highest among service companies.
- **Productivity and return reviving;** construction sector remains sluggish.
- **Recovery in employment;** additional employment particularly in the service sector.
- **Average SME pays 28% company tax on accounting profits;** the exploitation company pays on average €5.7 in taxes and employer's social security contributions per €100 in turnover to the government.
- **SMEs generate additional shareholder value for the first time in 4 years;** only the construction sector is still unable to recover loss of value in the last 2 years.

This survey is unique because Deloitte Fiduciaire has since 2003 been the first to compile the most recent financial data – in the case at hand those for financial year 2014 – on more than 2600 companies. In addition to 'public' but also 'non-public' data, the survey is also based on details such as turnover, current accounts and detailed operating expenses. **Furthermore, the survey does not work with averages but with median and quartile values, so SMEs can benchmark themselves with far greater precision.**

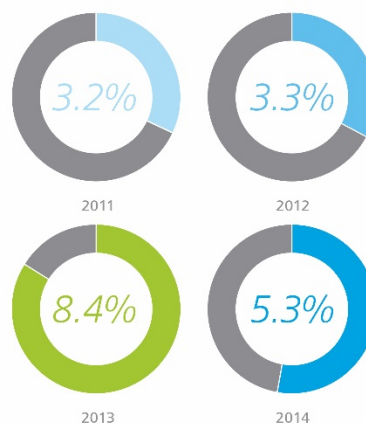
Liquidation reserve is beginning to bear fruit

The ‘capital’ component has in recent years systematically gained in importance within the real equity capital structure of the family owned SME. Deloitte calculates the real solvency by expanding the capital equity with the quasi-capital equity, namely by including the subordinated loans and current accounts of shareholders, partners, directors and managers in the ‘equity capital’. Family shareholders often finance their business in large measure with current accounts, which must be considered just as much as risk capital and as financial buffer for third parties. The real equity capital is consequently composed of three important components: capital, reserved profits (which may but need not be in the form of reserves) and current accounts.

Whereas in 2011 real capital equity consisted on average of 26.7% of capital, at the end of 2014 this component represented on average 30.2% of the real equity capital.

Nikolaas Tahon explains: *“The introduction of the liquidation reserve explains certain things. The number of companies that increased their capital in 2013 rose substantially by comparison with previous years – no fewer than 8.4% of the SMEs included in our SME Compass, in fact. In 2014, another 5.4% of SMEs increased their capital.”*

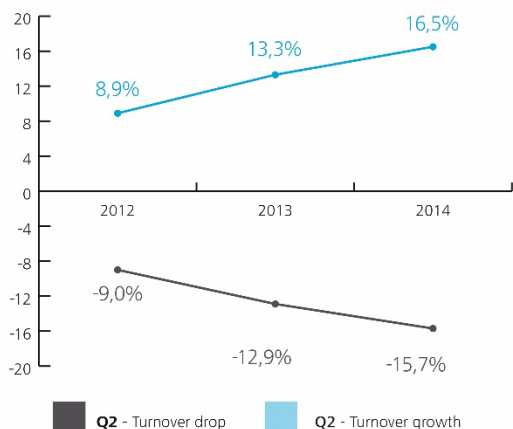
% of SMEs with increase of capital



Turnover growth: gap between growth companies and other SMEs is widening

In 2014, 47.9% of the operating SMEs registered real turnover growth compared with 2011. In real turnover growth, growth exceeds inflation. Consumer prices rose on average by 3.17% in 2014 compared with 2011. 6.2% of the companies have generated turnover growth in the last 3 years, but smaller than the average inflation rate. So we can speak only of a nominal turnover growth for this group. In 2014, the median company registered turnover growth of 16.5%.

Turnover in 2014 compared with 2011



In 2014, 45.9% of SMEs were still faced with a drop in turnover, which amounted 15.7% for the average SME. In 2012, this average loss in turnover was still limited to 9%. In other words, the gap between growth companies and other SMEs has increased sharply in the last 3 years.

The same phenomenon can be observed in different sectors. For instance, a record number of service companies (57.3%) generated real turnover growth in 2014. The average turnover growth was up 21.2% compared with 2011. However, 36.9% of service companies saw their turnover drop and this with 16.4% on average. This drop was still limited to 10.5% in 2012.

Nikolaas Tahon: *“Companies which registered the strongest rise in turnover in recent years are SMEs that focus on innovation, SMEs that are prepared to ride the momentum fuelled by globalisation and digitisation, and SMEs that are prepared to pool their expertise with that of other companies to provide a joint response to the ever faster unfolding expectations of the market.”*

Productivity and return reviving

In 2014, operating return (EBITDA/turnover) rose for the fourth year in a row. In 2011, the average manufacturing company saw the EBITDA on turnover drop to 8.1%. In 2014 the average SME was able to post an operating return of 8.8% again. This trend applies to all sectors, with the exception of construction, where the EBITDA on turnover sank further in the previous year to 7.9%.

In the previous year the operating return rose also in relation to the workforce by 4% on average, from €18,232 to €18,980. This increase is in the first instance due to a thorough cost containment and more efficient use of available resources. The average SME in the service sector and commerce moreover registered an EBITDA per FTE of more than €21,000. Conversely within the construction sector the operating return per FTE has dropped in the last four years from €16,745 in 2011 to €12,451 in 2014.

The return on capital employed, or ROCE for short, indicates the profitability for shareholders and other providers of funds (i.e. banks and leasing companies). Every €100 invested in a Belgian SME last year yielded a gross return of 6.2% on average. On average, the service company even performed better with a ROCE of 8.1%. The average trading and industrial company also managed to generate nice figures of 5.7% and 6.2% respectively in 2014. The construction sector, on the other hand, saw the ROCE drop systematically in the last four years, from 6.6% on average in 2011 to 4.3% in 2014. Nikolaas Tahon adds: *“Taking account of the historically low interest rates that today’s market offers, investments in family SMEs are more than an attractive alternative at this time.”*

Recovery in employment

On balance, employment in the Deloitte Fiduciaire reference group has gone up by 8.3% in the last 3 years. This increase is attributable primarily to service companies, where employment went up by 18.8%. Conversely, employment in the wholesale sector and in industry dropped by 1.8% and 0.9% respectively.

Furthermore, temporary employment costs rose in relation to the overall staffing overheads. In 2011, temporary employment costs accounted for 4.3% of the overall staffing overheads. In 2014, the average SME resorted increasingly temporary employees, and the related costs rose to 4.6% of the overall staffing overheads. This increase can be explained by the single employment status and the consequences thereof for the trial period and period of notice, whilst the cautious recovery of the economy has also played a role.

The construction sector in particular has resorted to extra personnel through temporary employment. The share of temporary employment costs has thus risen from 3.4% to 4.9% in the last 3 years.

Average SME pays 28% company tax on accounting profits

Half of profit-making Belgian SMEs paid at least 27% company tax in 2014, compared to 28.1% for exploitation companies. The tax burden on the average service SME amounted to as much as 31.5%. Management companies too paid 31.7% company tax on average in 2014.

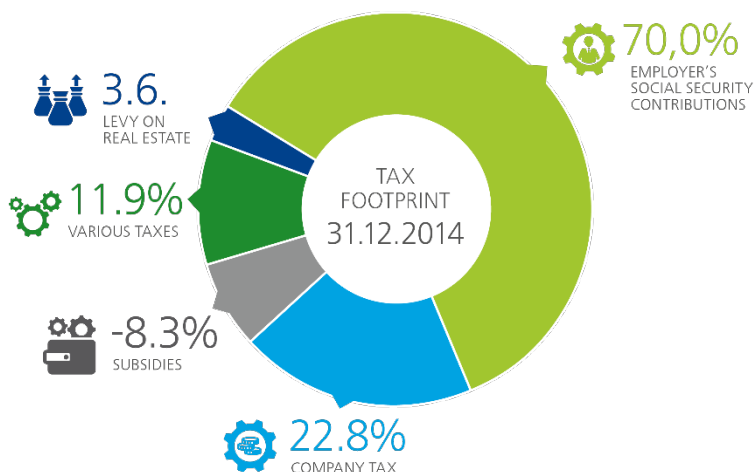
The tax footprint comprises all fiscal and parafiscal burden and thus measures the total amount a company remits to the government.

The scope of the employer's contributions in the tax footprint – namely 70% – is impressive. The second largest component is company tax, which represents 22.8%.

The average Belgian exploitation company pays €5.7 in tax and employer's social security contributions for every €100 in turnover it generates. A quarter of

the companies even pay at least €9.9 per €100 in turnover to the government. A small SME, which employs 10 people maximum, pays €5.6 in taxes and social security contributions on average per €100 in turnover. This amount runs up to €7 in companies that employ more than 50 people. One quarter of the companies in this category pays even €10 or more per €100 in turnover to the government.

Tax Footprint components (exploitation companies)

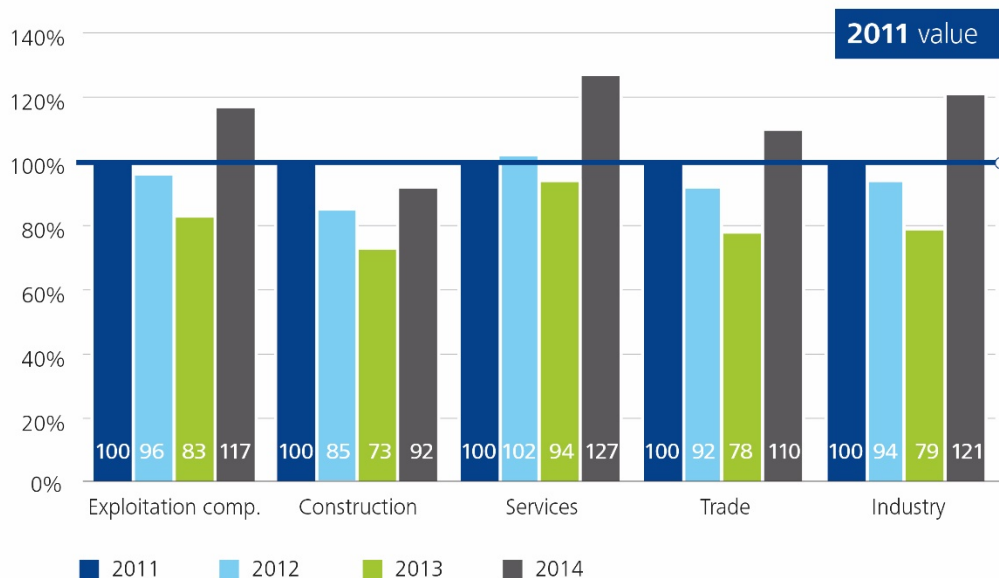


SMEs generate additional shareholder value for the first time in four years

Thanks to a positive trend in the net cash position and a strong increase in the general market valuation, in 2014 the average SME not only matched but amply exceeded the 2011 value. In point of fact, the average SME registered value creation of 17% in 2014 compared with 2011.

The average SME in the service sector actually registered a value increase of as much as 27% in 2014. The average industrial company also saw its value grow by 21% the previous year. Furthermore, the average trading company can look back on fine value growth of 10%. Only the construction sector has not been able to offset completely the loss of value of the last 2 years. The median company in this sector is still confronted with a value loss of 8% compared with 2011.

Evolution shareholder value compared with 2011



Nikolaas Tahon explains: *“The M&A market rebounded strongly in 2014. The increased confidence of business leaders in a recovery of the economy, and the low interest rates and inexpensive financing have given the mergers and acquisitions market a new boost.”*

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About Deloitte Fiduciaire

Deloitte Fiduciaire is part of Deloitte Belgium. Deloitte Fiduciaire is Belgian market leader in serving SMEs and family businesses with accountancy guidance and a range of multidisciplinary services. Deloitte Fiduciaire serves more than 5,000 SMEs in Belgium and has over 80 years of experience in accountancy and tax-legal advice. Backed by a strong regional network, 11 offices in Belgium and more than 530 multidisciplinary accountants, tax and legal consultants, and specialists in M&A, business reporting and IT, Deloitte Fiduciaire develops in-depth SME specialisations going far beyond traditional bookkeeping services. The Deloitte Fiduciaire team covers accountancy, taxation and legal services, as well as business control and IT and financial and M&A advice.

SMEs served by Deloitte Fiduciaire include young professional starters, spin-offs from universities and research centres, growing and innovative companies, management and real estate firms and mature family-owned companies throughout the country with annual revenues below €50 million.

About Deloitte

A leading audit and consulting practice in Belgium, Deloitte offers value added services in audit, accounting, tax and legal, consulting and financial advisory services.

In Belgium, Deloitte has more than 2,900 employees in 10 locations across the country, serving national and international companies, from small and middle-sized enterprises, to public sector and non-profit organisations. The turnover reached 390 million euros in the financial year 2015. The Belgian firm is a member of the international group Deloitte Touche Tohmatsu Limited, an organisation of independent member firms devoted to excellence in providing professional services and advice. We are focused on client service through a global strategy executed locally in more than 150 countries. With access to the deep intellectual capital in the region of 225,000 people worldwide, our member firms (including their affiliates) deliver services in various professional areas covering audit, tax, consulting, and financial advisory services. Our member firms serve over one-half of the world's largest companies, as well as large national enterprises, public institutions, and successful, fast-growing global companies. In 2015, DTTL's turnover reached over \$35.2 billion.

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