S&T AG

(CDAX, Software/IT)

WARBURG RESEARCH

Buy

EUR 7.40 (EUR 6.70)

Price	EUR 6.54
Upside	13.1 %

Value Indicators:	EUR
DCF:	7.36

Share data:	
Bloomberg:	SANT GR
Reuters:	SANT1.DE
ISIN:	AT0000A0E9W5

Description:

Supplier of IT products and services in Central and Eastern Europe

Market Snapshot:	EUR m
Market cap:	286.5
No. of shares (m):	43.8
EV:	285.2
Freefloat MC:	231.7
Ø Trad. Vol. (30d):	416.79 th

Shareholders:	
Freefloat	80.9 %
grosso holding	14.1 %
Niederhauser (CEO)	5.0 %

Risk Profile (WRe):	2016e
Beta:	1.7
Price / Book:	2.4 x
Equity Ratio:	33 %

Strong figures driven by technology segments

Stated Figures Q4/2015:

in Mio. EUR	Q4/15	Q4/15e	2015	2015e	2014	yoy
Umsatz	**165,8**	156,4	**468,2**	458,8	385,5	21,4%
EBITDA	**11,6**	10,4	**28,4**	27,1	22,9	23,9%
Marge	*7,0%*	*6,6%*	*6,1%*	*5,9%*	*5,9%*	
EBIT	**9,5**	8,6	**20,6**	19,7	16,6	24,1%
Marge	*5,8%*	*5,5%*	*4,4%*	*4,3%*	*4,3%*	
EPS in EUR	**0,18**	0,17	**0,36**	0,35	0,32	12,5%

Comment on Figures:

- On March 3, S&T AG published figures for FY 2015.
- The figures came in above the expectations. This development was driven by the technological segments (Appliances Smart Energy and Appliances Security)

The 2015 financial results showed decent development overall: Services EE (IT Services Eastern Europe), the strongest segment in terms of sales, generated sales growth of 22% to EUR 264.3m, beating the forecast of EUR 246m. The usually strong, budget-driven Q4 was especially strong in 2015. However in the Services DACH segment, the 21% decline in revenue to EUR 70.5m was stronger than anticipated (WRe 80.7m). Overall, the **Services** area still slightly exceeded expectations in terms of revenues. EBITDA was in line with expectations (EUR 13.8m vs. WRe: EUR 13.8m). The **two technology segments** Appliances Smart Energy (intelligent power meters and adjacent applications) and Appliances Security (security solutions for Internet of Things hardware, IoT) generated combined revenues of EUR 133.4m (+69%, WRe: EUR 132.1m) and showed extremely strong growth, as expected. Particularly security solutions for IoT applications contributed to growth. The technology segments' EBITDA amounted to EUR 15.5m (WRe: 13.3m). Especially against the backdrop of the strong growth in the technology segments, the company is also optimistic for 2016. An increase in sales to more than EUR 500m and a proportionately higher increase in group earnings are expected. The estimates (WRe) are in line with this forecast.

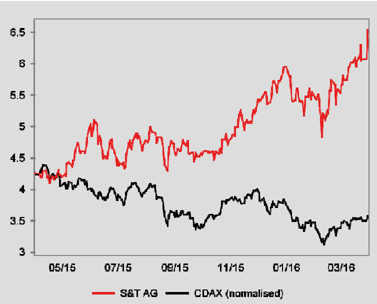
Based on an increased PT of EUR 7.40, the S&T share remains a Buy.

Changes in Estimates:

FY End: 31.12. in EUR m	2016e (old)	+ / -	2017e (old)	+ / -	2018e (old)	+ / -
Sales	495.5	2.0 %	515.3	2.0 %	n.a.	n.m.
EBIT	22.8	4.3 %	25.8	2.0 %	n.a.	n.m.
EPS	0.41	7.3 %	0.48	6.3 %	n.a.	n.m.
DPS	0.08	12.5 %	0.10	0.0 %	n.a.	n.m.

Comment on Changes:

- The strong increase in Q4 sales allows for an increase in sales estimates for 2016 and beyond as there is strong momentum in the IoT market, which should continue. Moreover, black numbers have been achieved by Smart Energy earlier than expected.
- Considering that this sales increase was mainly achieved in the higher-margin technology segments and that the less attractive area Service DACH continued to shrink significantly, allows for a more attractive margin mix for the coming years as well.



Rel. Performance vs CDAX:

1 month:	12.7 %
6 months:	39.3 %
Year to date:	16.1 %
Trailing 12 months:	74.9 %

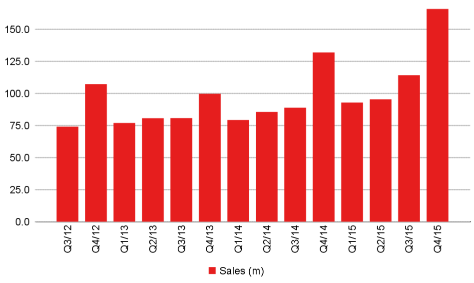
Company events:

04.05.16	Q1
14.06.16	AGM
03.08.16	Q2
03.11.16	Q3

FY End: 31.12. in EUR m	CAGR (15-18e)	2012	2013	2014	2015	2016e	2017e	2018e
Sales	5.3 %	339.5	337.9	385.5	468.2	505.6	525.9	546.9
Change Sales yoy		121.5 %	-0.5 %	14.1 %	21.4 %	8.0 %	4.0 %	4.0 %
Gross profit margin		*34.5 %*	*33.2 %*	*33.3 %*	*34.5 %*	*34.2 %*	*34.6 %*	*34.6 %*
EBITDA	7.8 %	16.6	20.1	22.9	28.4	31.9	34.7	35.5
Margin		*4.9 %*	*5.9 %*	*5.9 %*	*6.1 %*	*6.3 %*	*6.6 %*	*6.5 %*
EBIT	9.1 %	11.1	14.3	16.6	20.6	23.8	26.3	26.8
Margin		*3.3 %*	*4.2 %*	*4.3 %*	*4.4 %*	*4.7 %*	*5.0 %*	*4.9 %*
Net income	14.7 %	7.7	11.7	13.0	15.8	19.5	22.4	23.9
EPS	15.2 %	0.27	0.30	0.32	0.36	0.44	0.51	0.55
EPS adj.	15.2 %	0.27	0.30	0.32	0.36	0.44	0.51	0.55
DPS	11.2 %	0.00	0.06	0.07	0.08	0.09	0.10	0.11
Dividend Yield		n.a.	2.5 %	2.4 %	1.8 %	1.4 %	1.5 %	1.8 %
FCFPS		0.20	0.16	0.38	0.55	-0.05	0.46	0.51
FCF / Market cap		8.6 %	6.5 %	13.3 %	12.3 %	-0.8 %	7.1 %	8.3 %
EV / Sales		0.2 x	0.3 x	0.3 x	0.4 x	0.6 x	0.5 x	0.4 x
EV / EBITDA		5.0 x	5.3 x	5.3 x	6.6 x	9.0 x	7.7 x	6.5 x
EV / EBIT		7.4 x	7.4 x	7.3 x	9.1 x	12.0 x	10.2 x	8.6 x
P / E		8.5 x	8.0 x	8.9 x	12.4 x	14.9 x	12.8 x	11.1 x
P / E adj.		8.5 x	8.0 x	8.9 x	12.4 x	14.9 x	12.8 x	11.1 x
FCF Yield Potential		11.6 %	12.0 %	11.7 %	10.2 %	7.6 %	8.9 %	10.5 %
Net Debt		17.9	12.2	3.8	-6.9	-1.2	-17.8	-35.8
ROCE (NOPAT)		13.0 %	17.1 %	17.8 %	20.9 %	20.9 %	20.7 %	20.7 %
Guidance:	2016: over EUR 500m revenue and a proportionaly higher earnings growth							

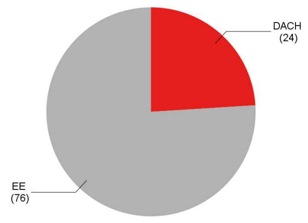
Analyst
Felix Ellmann
fellmann@warburg-research.com
+49 40 309537-120

Sales development
in EUR m



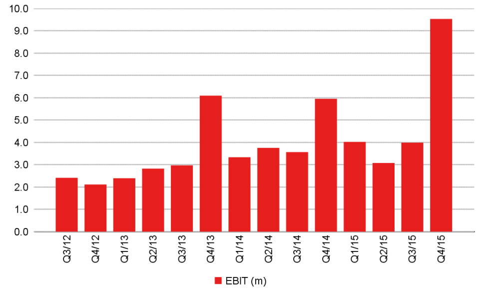
Source: Warburg Research

Sales by regions
2015



Source: Warburg Research

EBIT development
in EUR m



Source: Warburg Research

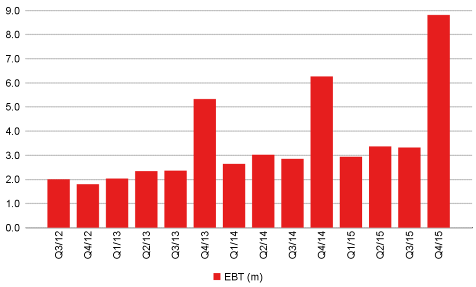
Company Background

- The S&T AG is historically a supplier of IT services with a focus on Eastern Europe
- In recent years, the company has strongly reorientated towards the area of software and hardware solutions for the Internet of Things (IoT)
- In particular, the company offers products and services for the area of smart grids/smart meter and security solutions (software and embedded) for the IoT niche markets.

Competitive Quality

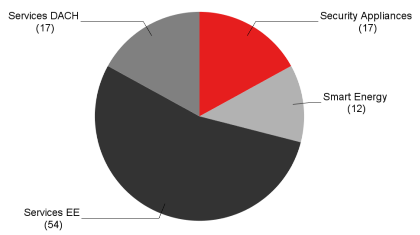
- Specialisation in the markets for smart meter/grids and IoT security solutions result in high-margin niches in which competitive pressure is low in comparison to the former business.
- About one-third of S&T's employees are specialised development engineers with a high level of expertise in the area of IoT niche products and embedded systems.
- The focus on Eastern Europe forms another important point of differentiation.
- S&T has been present in Eastern Europe for decades. Generally, the competitive pressure is lower in this region than in the more developed countries.

EBT development
in EUR m



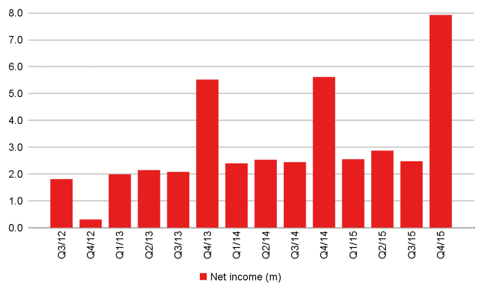
Source: Warburg Research

Sales by segments
2015e



Source: Warburg Research

Net income development
in EUR m



Source: Warburg Research

DCF model

	Detailed forecast period			Transitional period										Term. Value
Figures in EUR m	**2016e**	**2017e**	**2018e**	**2019e**	**2020e**	**2021e**	**2022e**	**2023e**	**2024e**	**2025e**	**2026e**	**2027e**	**2028e**	
Sales	505.6	525.9	546.9	568.8	591.5	615.2	639.8	665.4	692.0	719.7	748.5	778.4	797.9	
Sales change	*8.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*2.5 %*	*2.5 %*
EBIT	23.8	26.3	26.8	28.4	29.6	36.9	38.4	39.9	41.5	43.2	44.9	46.7	47.9	
EBIT-margin	*4.7 %*	*5.0 %*	*4.9 %*	*5.0 %*	*5.0 %*	*6.0 %*	*6.0 %*	*6.0 %*	*6.0 %*	*6.0 %*	*6.0 %*	*6.0 %*	*6.0 %*	
Tax rate (EBT)	*6.0 %*	*6.0 %*	*5.7 %*	*8.0 %*	*11.0 %*	*14.0 %*	*17.0 %*	*20.0 %*	*23.0 %*	*25.0 %*	*25.0 %*	*25.0 %*	*25.0 %*	
NOPAT	22.3	24.7	25.3	26.2	26.3	31.7	31.9	31.9	32.0	32.4	33.7	35.0	35.9	
Depreciation	8.1	8.4	8.8	8.5	8.9	9.2	9.6	10.0	10.4	10.8	11.2	11.7	12.0	
in % of Sales	*1.6 %*	*1.6 %*	*1.6 %*	*1.5 %*	*1.5 %*	*1.5 %*	*1.5 %*	*1.5 %*	*1.5 %*	*1.5 %*	*1.5 %*	*1.5 %*	*1.5 %*	
Changes in provisions	-0.2	-0.2	-0.2	-0.1	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	0.0	0.0	0.0	
Change in Liquidity from														
- Working Capital	22.6	2.8	2.8	3.5	6.0	3.3	3.4	3.6	3.7	3.9	4.0	4.2	2.7	
- Capex	8.0	8.5	8.5	8.5	8.9	9.2	9.6	10.0	10.4	10.8	11.2	11.7	12.0	
Capex in % of Sales	*1.6 %*	*1.6 %*	*1.6 %*	*1.5 %*	*1.5 %*	*1.5 %*	*1.5 %*	*1.5 %*	*1.5 %*	*1.5 %*	*1.5 %*	*1.5 %*	*1.5 %*	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC Model)	-0.5	21.6	22.5	22.6	20.1	28.2	28.1	28.1	27.9	28.2	29.7	30.8	33.2	34
PV of FCF	-0.4	18.6	17.7	16.2	13.2	16.9	15.4	14.1	12.8	11.8	11.3	10.8	10.6	156
share of PVs	**11.05 %**			**40.95 %**										**48.00 %**

Model parameter			
Derivation of WACC:		Derivation of Beta:	
Debt ratio	15.00 %	Financial Strength	2.00
Cost of debt (after tax)	2.8 %	Liquidity (share)	1.30
Market return	7.00 %	Cyclicality	1.50
Risk free rate	1.50 %	Transparency	2.00
		Others	1.50
WACC	**9.46 %**	**Beta**	**1.66**

Valuation (m)			
Present values 2028e	169		
Terminal Value	156		
Financial liabilities	51		
Pension liabilities	2		
Hybrid capital	0		
Minority interest	9		
Market val. of investments	0		
Liquidity	60	No. of shares (m)	43.8
Equity Value	**323**	**Value per share (EUR)**	**7.36**

Sensitivity Value per Share (EUR)

		Terminal Growth						
Beta	WACC	1.75 %	2.00 %	2.25 %	**2.50 %**	2.75 %	3.00 %	3.25 %
1.87	10.5 %	6.12	6.19	6.27	6.36	6.45	6.54	6.65
1.77	10.0 %	6.54	6.63	6.72	6.83	6.94	7.05	7.18
1.71	9.7 %	6.77	6.87	6.97	7.09	7.21	7.33	7.47
1.66	9.5 %	7.02	7.13	7.24	**7.36**	7.50	7.64	7.79
1.61	9.2 %	7.28	7.40	7.53	7.66	7.81	7.97	8.14
1.55	9.0 %	7.56	7.69	7.84	7.99	8.15	8.33	8.52
1.45	8.5 %	8.19	8.35	8.53	8.72	8.92	9.14	9.39

		Delta EBIT-margin						
Beta	WACC	-1.5 pp	-1.0 pp	-0.5 pp	**+0.0 pp**	+0.5 pp	+1.0 pp	+1.5 pp
1.87	10.5 %	4.32	5.00	5.68	6.36	7.04	7.72	8.40
1.77	10.0 %	4.66	5.38	6.10	6.83	7.55	8.27	9.00
1.71	9.7 %	4.84	5.59	6.34	7.09	7.83	8.58	9.33
1.66	9.5 %	5.04	5.82	6.59	**7.36**	8.14	8.91	9.68
1.61	9.2 %	5.26	6.06	6.86	7.66	8.46	9.27	10.07
1.55	9.0 %	5.50	6.33	7.16	7.99	8.82	9.65	10.48
1.45	8.5 %	6.02	6.92	7.82	8.72	9.61	10.51	11.41

- For the coming years, moderate growth is expected.
- Owing to the higher share of products, the company's margin is rising.
- Based on the higher tax-loss carry-forwards, the tax burden remains low.
- As the company's margin drivers are nascent business fields, we calculate with high risk discounts.

Valuation

	2012	2013	2014	2015	2016e	2017e	2018e
Price / Book	1.1 x	1.4 x	1.3 x	1.9 x	2.4 x	2.1 x	1.7 x
Book value per share ex intangibles	0.78	0.62	0.73	0.62	1.00	1.45	1.93
EV / Sales	0.2 x	0.3 x	0.3 x	0.4 x	0.6 x	0.5 x	0.4 x
EV / EBITDA	5.0 x	5.3 x	5.3 x	6.6 x	9.0 x	7.7 x	6.5 x
EV / EBIT	7.4 x	7.4 x	7.3 x	9.1 x	12.0 x	10.2 x	8.6 x
EV / EBIT adj.*	7.4 x	7.4 x	7.3 x	9.1 x	12.0 x	10.2 x	8.6 x
P / FCF	11.6 x	15.4 x	7.5 x	8.1 x	n.a.	14.1 x	12.0 x
P / E	8.5 x	8.0 x	8.9 x	12.4 x	14.9 x	12.8 x	11.1 x
P / E adj.*	8.5 x	8.0 x	8.9 x	12.4 x	14.9 x	12.8 x	11.1 x
Dividend Yield	n.a.	2.5 %	2.4 %	1.8 %	1.4 %	1.5 %	1.8 %
Free Cash Flow Yield Potential	11.6 %	12.0 %	11.7 %	10.2 %	7.6 %	8.9 %	10.5 %

*Adjustments made for: -

Consolidated profit & loss

In EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Sales	**339.5**	**337.9**	**385.5**	**468.2**	**505.6**	**525.9**	**546.9**
Change Sales yoy	121.5 %	-0.5 %	14.1 %	21.4 %	8.0 %	4.0 %	4.0 %
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	0.3	0.9	1.2	2.7	2.0	2.1	2.2
Total Sales	**339.8**	**338.8**	**386.8**	**470.9**	**507.7**	**528.0**	**549.1**
Material Expenses	222.9	226.7	258.3	309.3	334.7	346.0	359.9
Gross profit	**117.0**	**112.1**	**128.4**	**161.6**	**172.9**	**182.0**	**189.2**
Gross profit margin	*34.5 %*	*33.2 %*	*33.3 %*	*34.5 %*	*34.2 %*	*34.6 %*	*34.6 %*
Personnel expenses	71.9	66.2	72.4	89.5	96.1	99.9	103.9
Other operating income	6.4	6.7	5.0	6.3	5.6	5.3	4.9
Other operating expenses	34.9	32.5	38.2	50.0	50.6	52.6	54.7
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	**16.6**	**20.1**	**22.9**	**28.4**	**31.9**	**34.7**	**35.5**
Margin	*4.9 %*	*5.9 %*	*5.9 %*	*6.1 %*	*6.3 %*	*6.6 %*	*6.5 %*
Depreciation of fixed assets	2.7	2.9	3.1	2.8	4.0	4.2	4.4
EBITA	**13.9**	**17.2**	**19.7**	**25.6**	**27.8**	**30.5**	**31.2**
Amortisation of intangible assets	2.7	2.9	3.1	4.9	4.0	4.2	4.4
Goodwill amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**11.1**	**14.3**	**16.6**	**20.6**	**23.8**	**26.3**	**26.8**
Margin	*3.3 %*	*4.2 %*	*4.3 %*	*4.4 %*	*4.7 %*	*5.0 %*	*4.9 %*
EBIT adj.	**11.1**	**14.3**	**16.6**	**20.6**	**23.8**	**26.3**	**26.8**
Interest income	0.6	0.5	1.6	0.3	1.6	1.6	1.6
Interest expenses	2.0	2.7	3.2	3.0	3.6	3.0	2.0
Other financial income (loss)	0.0	0.0	-0.3	0.5	0.0	0.0	0.0
EBT	**9.8**	**12.1**	**14.8**	**18.4**	**21.8**	**24.9**	**26.4**
Margin	*2.9 %*	*3.6 %*	*3.8 %*	*3.9 %*	*4.3 %*	*4.7 %*	*4.8 %*
Total taxes	0.3	0.1	0.8	0.8	1.3	1.5	1.5
Net income from continuing operations	**9.4**	**11.9**	**14.0**	**17.6**	**20.5**	**23.4**	**24.9**
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income before minorities	**9.4**	**11.9**	**14.0**	**17.6**	**20.5**	**23.4**	**24.9**
Minority interest	1.7	0.2	1.0	1.8	1.0	1.0	1.0
Net income	**7.7**	**11.7**	**13.0**	**15.8**	**19.5**	**22.4**	**23.9**
Margin	*2.3 %*	*3.5 %*	*3.4 %*	*3.4 %*	*3.8 %*	*4.3 %*	*4.4 %*
Number of shares, average	28.3	39.2	41.0	43.5	43.8	43.8	43.8
EPS	**0.27**	**0.30**	**0.32**	**0.36**	**0.44**	**0.51**	**0.55**
EPS adj.	0.27	0.30	0.32	0.36	0.44	0.51	0.55

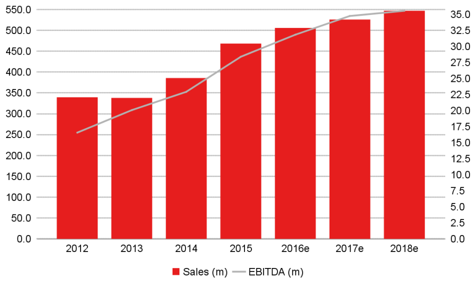
*Adjustments made for:

Guidance: 2016: over EUR 500m revenue and a proportionaly higher earnings growth

Financial Ratios

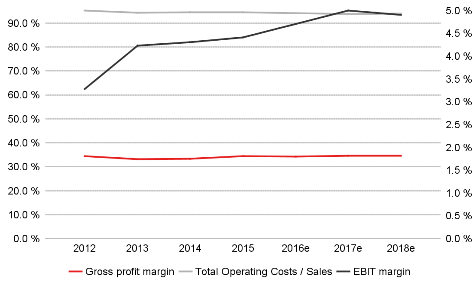
	2012	2013	2014	2015	2016e	2017e	2018e
Total Operating Costs / Sales	95.2 %	94.3 %	94.4 %	94.5 %	94.1 %	93.8 %	93.9 %
Operating Leverage	0.1 x	-61.1 x	1.2 x	1.1 x	1.9 x	2.7 x	0.5 x
EBITDA / Interest expenses	8.4 x	7.4 x	7.2 x	9.5 x	8.8 x	11.6 x	17.8 x
Tax rate (EBT)	3.4 %	1.1 %	5.2 %	4.3 %	6.0 %	6.0 %	5.7 %
Dividend Payout Ratio	0.0 %	19.7 %	20.5 %	19.7 %	19.3 %	18.7 %	19.4 %
Sales per Employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sales, EBITDA
in EUR m



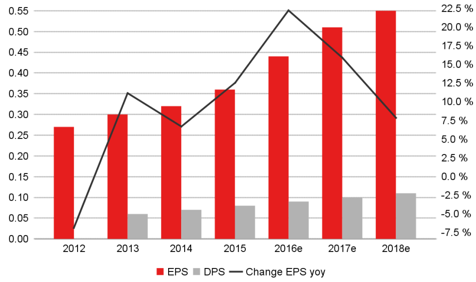
Source: Warburg Research

Operating Performance
in %



Source: Warburg Research

Performance per Share



Source: Warburg Research

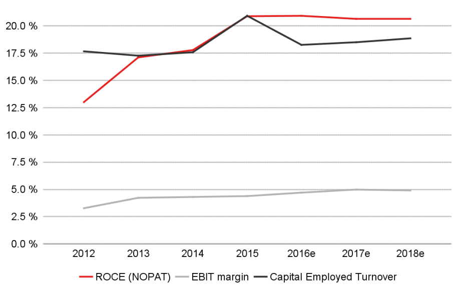
Consolidated balance sheet

In EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Assets							
Goodwill and other intangible assets	39.7	44.8	57.1	72.8	73.0	72.8	72.4
thereof other intangible assets	39.7	44.8	57.1	0.0	73.0	72.8	72.4
thereof Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	9.9	9.0	11.4	15.2	15.1	15.4	15.5
Financial assets	3.8	2.8	2.5	3.1	3.1	3.1	3.1
Other long-term assets	0.0	0.0	1.3	0.0	0.0	0.0	0.0
Fixed assets	**53.4**	**56.5**	**72.3**	**91.0**	**91.2**	**91.3**	**91.1**
Inventories	23.4	22.7	30.0	28.7	38.9	40.5	42.1
Accounts receivable	81.9	71.6	95.7	86.4	126.1	131.1	136.4
Liquid assets	29.9	42.9	39.5	60.3	54.4	70.8	88.6
Other short-term assets	25.3	26.3	35.6	52.6	52.6	52.6	52.6
Current assets	**160.5**	**163.6**	**200.8**	**228.0**	**272.0**	**294.9**	**319.6**
Total Assets	**214.0**	**220.1**	**273.1**	**319.1**	**363.2**	**386.3**	**410.7**
Liabilities and shareholders' equity							
Subscribed capital	39.3	39.3	43.3	43.8	43.8	43.8	43.8
Capital reserve	4.8	2.6	8.2	8.1	8.1	8.1	8.1
Retained earnings	17.8	27.7	38.3	51.0	66.9	85.3	104.9
Other equity components	-0.1	-0.5	-2.9	-3.1	-1.9	-0.8	0.2
Shareholders' equity	61.8	69.2	86.9	99.8	116.9	136.5	157.0
Minority interest	2.2	2.1	2.8	2.4	2.4	2.4	2.4
Total equity	**64.0**	**71.2**	**89.7**	**102.2**	**119.4**	**138.9**	**159.4**
Provisions	20.2	6.8	6.9	8.4	8.2	8.0	7.8
thereof provisions for pensions and similar obligations	3.0	2.9	2.3	2.5	2.2	2.0	1.8
Financial liabilities (total)	44.8	52.3	41.0	51.0	51.0	51.0	51.0
thereof short-term financial liabilities	37.8	28.4	14.8	22.9	22.9	22.9	22.9
Accounts payable	53.7	46.6	74.2	70.1	97.3	101.1	105.2
Other liabilities	31.3	43.2	61.4	87.3	87.3	87.3	87.3
Liabilities	**150.0**	**148.9**	**183.3**	**216.8**	**243.8**	**247.4**	**251.2**
Total liabilities and shareholders' equity	**214.0**	**220.1**	**273.1**	**319.1**	**363.2**	**386.3**	**410.7**

Financial Ratios

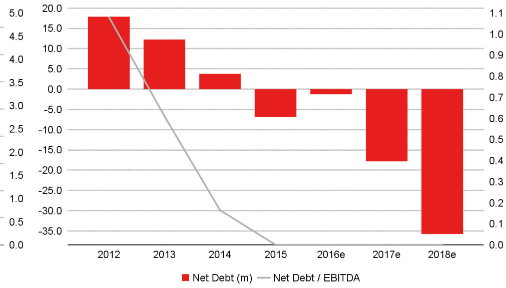
	2012	2013	2014	2015	2016e	2017e	2018e
Efficiency of Capital Employment							
Operating Assets Turnover	5.5 x	6.0 x	6.1 x	7.8 x	6.1 x	6.1 x	6.2 x
Capital Employed Turnover	4.1 x	4.0 x	4.1 x	4.9 x	4.3 x	4.3 x	4.4 x
ROA	14.5 %	20.8 %	18.0 %	17.4 %	21.3 %	24.5 %	26.2 %
Return on Capital							
ROCE (NOPAT)	13.0 %	17.1 %	17.8 %	20.9 %	20.9 %	20.7 %	20.7 %
ROE	14.0 %	17.9 %	16.6 %	17.0 %	18.0 %	17.7 %	16.3 %
Adj. ROE	14.0 %	17.9 %	16.6 %	17.0 %	18.0 %	17.7 %	16.3 %
Balance sheet quality							
Net Debt	17.9	12.2	3.8	-6.9	-1.2	-17.8	-35.8
Net Financial Debt	14.9	9.3	1.5	-9.4	-3.5	-19.8	-37.6
Net Gearing	27.9 %	17.2 %	4.2 %	-6.7 %	-1.0 %	-12.8 %	-22.4 %
Net Fin. Debt / EBITDA	89.9 %	46.5 %	6.4 %	n.a.	n.a.	n.a.	n.a.
Book Value / Share	2.2	1.8	2.1	2.3	2.7	3.1	3.6
Book value per share ex intangibles	0.8	0.6	0.7	0.6	1.0	1.5	1.9

ROCE Development



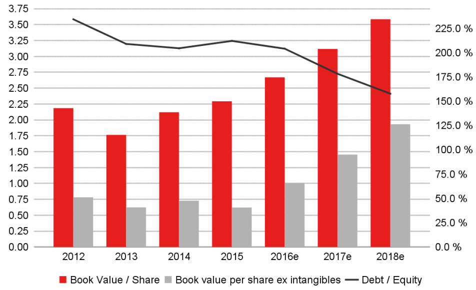
Source: Warburg Research

Net debt
in EUR m



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

Consolidated cash flow statement

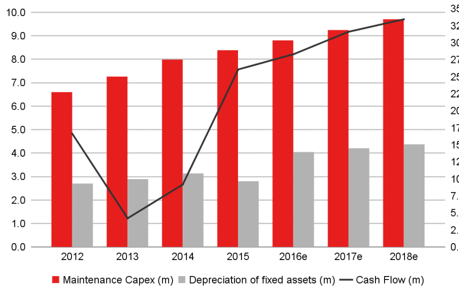
In EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Net income	9.4	11.9	14.0	17.6	20.5	23.4	24.9
Depreciation of fixed assets	2.7	2.9	3.1	2.8	4.0	4.2	4.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	2.7	2.9	3.1	4.9	4.0	4.2	4.4
Increase/decrease in long-term provisions	-3.5	-4.1	-2.2	-2.2	-0.2	-0.2	-0.2
Other non-cash income and expenses	5.3	-9.5	-9.0	2.9	0.0	0.0	0.0
Cash Flow	**16.7**	**4.2**	**9.2**	**26.0**	**28.3**	**31.6**	**33.4**
Increase / decrease in inventory	-2.8	1.5	-1.9	1.4	-10.2	-1.6	-1.6
Increase / decrease in accounts receivable	3.8	12.1	-7.2	13.4	-39.7	-5.0	-5.3
Increase / decrease in accounts payable	-7.1	-6.8	20.6	-8.8	27.2	3.8	4.1
Increase / decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase / decrease in working capital (total)	-6.1	6.9	11.5	6.0	-22.6	-2.8	-2.8
Net cash provided by operating activities	**10.6**	**11.1**	**20.6**	**32.0**	**5.7**	**28.8**	**30.6**
Investments in intangible assets	-2.0	-2.0	-2.0	-4.0	-4.0	-4.0	-4.0
Investments in property, plant and equipment	-3.0	-3.0	-3.0	-4.0	-4.0	-4.5	-4.5
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	-2.2	0.0	-12.6	-10.8	0.0	0.0	0.0
Net cash provided by investing activities	**-7.2**	**-5.0**	**-17.6**	**-18.8**	**-8.0**	**-8.5**	**-8.5**
Change in financial liabilities	-13.2	1.9	3.1	6.1	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	-2.9	-3.5	-3.9	-4.4
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	1.7	-0.1	10.5	0.0	0.0	0.0	0.0
Other	-0.3	-3.4	-9.2	-6.9	0.0	0.0	0.0
Net cash provided by financing activities	**-11.8**	**-1.6**	**4.4**	**-3.6**	**-3.5**	**-3.9**	**-4.4**
Change in liquid funds	-8.4	4.5	7.4	9.6	-5.9	16.3	17.8
Effects of exchange-rate changes on cash	0.5	-0.5	-1.1	0.5	0.0	0.0	0.0
Cash and cash equivalent at end of period	**22.0**	**34.0**	**49.3**	**49.5**	**54.4**	**70.8**	**88.6**

Financial Ratios

	2012	2013	2014	2015	2016e	2017e	2018e
Cash Flow							
FCF	5.6	6.1	15.6	24.0	-2.3	20.3	22.1
Free Cash Flow / Sales	1.7 %	1.8 %	4.0 %	5.1 %	-0.5 %	3.9 %	4.0 %
Free Cash Flow Potential	9.6	12.7	14.1	19.2	21.8	24.0	24.3
Free Cash Flow / Net Profit	72.5 %	51.9 %	120.2 %	151.5 %	-12.0 %	90.6 %	92.7 %
Interest Received / Avg. Cash	2.0 %	1.4 %	3.9 %	0.7 %	2.8 %	2.6 %	2.0 %
Interest Paid / Avg. Debt	4.0 %	5.6 %	6.8 %	6.5 %	7.1 %	5.9 %	3.9 %
Management of Funds							
Investment ratio	1.5 %	1.5 %	1.3 %	1.7 %	1.6 %	1.6 %	1.6 %
Maint. Capex / Sales	1.9 %	2.1 %	2.1 %	1.8 %	1.7 %	1.8 %	1.8 %
Capex / Dep	92.5 %	86.5 %	79.7 %	103.5 %	98.9 %	101.0 %	97.1 %
Avg. Working Capital / Sales	14.2 %	14.7 %	12.9 %	10.3 %	11.1 %	13.1 %	13.1 %
Trade Debtors / Trade Creditors	152.6 %	153.8 %	129.0 %	123.3 %	129.6 %	129.7 %	129.7 %
Inventory Turnover	9.5 x	10.0 x	8.6 x	10.8 x	8.6 x	8.5 x	8.5 x
Receivables collection period (days)	88	77	91	67	91	91	91
Payables payment period (days)	88	75	105	83	106	107	107
Cash conversion cycle (Days)	-40	-31	-52	-43	-53	-53	-53

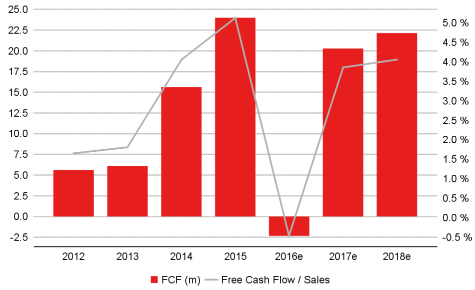
CAPEX and Cash Flow

in EUR m



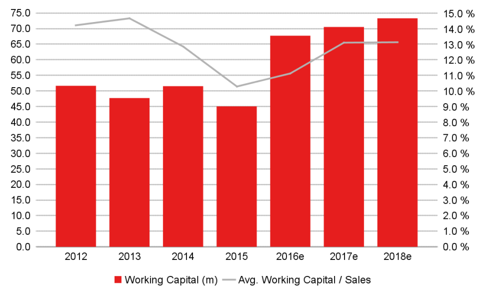
Source: Warburg Research

Free Cash Flow Generation



Source: Warburg Research

Working Capital



Source: Warburg Research

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-B-	**Buy:**	The price of the analysed financial instrument is expected to rise over the next 12 months.
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Rating	Number of stocks	% of Universe
Buy	121	64
Hold	60	32
Sell	5	3
Rating suspended	4	2
Total	**190**	**100**

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING …

… taking into account only those companies which were provided with major investment banking services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	23	77
Hold	6	20
Sell	0	0
Rating suspended	1	3
Total	**30**	**100**

PRICE AND RATING HISTORY S&T AG AS OF 31.03.2016

The chart has markings if Warburg Research GmbH changed its rating in the last 12 months. Every marking represents the date and closing price on the day of the rating change.

EQUITIES

Roland Rapelius Head of Equities	+49 40 3282-2673 rrapelius@mmwarburg.com		

RESEARCH

Michael Heider Head of Research	+49 40 309537-280 mheider@warburg-research.com	**Andreas Pläsier** Banks, Financial Services	+49 40 309537-246 aplaesier@warburg-research.com
Henner Rüschmeier Head of Research	+49 40 309537-270 hrueschmeier@warburg-research.com	**Malte Räther** Telco, Internet, Media	+49 40 309537-185 mraether@warburg-research.com
Lucas Boventer Renewables, Internet, Media	+49 40 309537-290 lboventer@warburg-research.com	**Jochen Reichert** Telco, Internet, Media	+49 40 309537-130 jreichert@warburg-research.com
Christian Cohrs Engineering, Logistics	+49 40 309537-175 ccohrs@warburg-research.com	**J. Moritz Rieser** Real Estate	+49 40 309537-260 mrieser@warburg-research.com
Felix Ellmann Software, IT	+49 40 309537-120 fellmann@warburg-research.com	**Arash Roshan Zamir** Cap. Goods, Renewables	+49 40 309537-155 aroshanzamir@warburg-research.com
Jörg Philipp Frey Retail, Consumer Goods	+49 40 309537-258 jfrey@warburg-research.com	**Malte Schaumann** Technology	+49 40 309537-170 mschaumann@warburg-research.com
Harald Hof Medtech	+49 40 309537-125 hhof@warburg-research.com	**Oliver Schwarz** Chemicals, Agriculture	+49 40 309537-250 oschwarz@warburg-research.com
Ulrich Huwald Health Care, Pharma	+49 40 309537-255 uhuwald@warburg-research.com	**Marc-René Tonn** Automobiles, Car Suppliers	+49 40 309537-259 mtonn@warburg-research.com
Thilo Kleibauer Retail, Consumer Goods	+49 40 309537-257 tkleibauer@warburg-research.com	**Björn Voss** Steel, Car Suppliers	+49 40 309537-254 bvoss@warburg-research.com
Eggert Kuls Engineering	+49 40 309537-256 ekuls@warburg-research.com	**Andreas Wolf** Software, IT	+49 40 309537-140 awolf@warburg-research.com

INSTITUTIONAL EQUITY SALES

Holger Nass Head of Equity Sales, USA	+49 40 3282-2669 hnass@mmwarburg.com	**Marie-Therese Grübner** France, Switzerland	+49 40 3282-2630 mgruebner@mmwarburg.com
Klaus Schilling Dep. Head of Equity Sales, GER	+49 40 3282-2664 kschilling@mmwarburg.com	**Michael Kriszun** United Kingdom	+49 40 3282-2695 mkriszun@mmwarburg.com
Tim Beckmann United Kingdom	+49 40 3282-2665 tbeckmann@mmwarburg.com	**Marc Niemann** Germany	+49 40 3282-2660 mniemann@mmwarburg.com
Lyubka Bogdanova United Kingdom, Australia	+49 69 5050-7411 lbogdanova@mmwarburg.com	**Fabian Roggemann** USA	+49 40 3282-2667 froggemann@mmwarburg.com
Jens Buchmüller Scandinavia, Austria	+49 69 5050-7415 jbuchmueller@mmwarburg.com	**Sanjay Oberoi** United Kingdom	+49 69 5050-7410 soberoi@mmwarburg.com
Paul Dontenwill USA	+49 40 3282-2666 pdontenwill@mmwarburg.com	**Juliane Willenbruch** Roadshow/Marketing	+49 40 3282-2694 jwillenbruch@mmwarburg.com
Matthias Fritsch United Kingdom	+49 40 3282-2696 mfritsch@mmwarburg.com		

SALES TRADING

Oliver Merckel Head of Sales Trading	+49 40 3282-2634 omerckel@mmwarburg.com	**Jörg Treptow** Sales Trading	+49 40 3262-2658 jtreptow@mmwarburg.com
Michael Ilgenstein Sales Trading	+49 40 3282-2700 milgenstein@mmwarburg.com	**Jan Walter** Sales Trading	+49 40 3262-2662 jwalter@mmwarburg.com
Bastian Quast Sales Trading	+49 40 3282-2701 bquast@mmwarburg.com		

MACRO RESEARCH

Carsten Klude Macro Research	+49 40 3282-2572 cklude@mmwarburg.com	**Dr. Christian Jasperneite** Investment Strategy	+49 40 3282-2439 cjasperneite@mmwarburg.com
Matthias Thiel Macro Research	+49 40 3282-2401 mthiel@mmwarburg.com		

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For access please contact:

Andrea Schaper Sales Assistance	+49 40 3282-2632 aschaper@mmwarburg.com	**Kerstin Muthig** Sales Assistance	+49 40 3282-2703 kmuthig@mmwarburg.com