

**Buy** (old: Buy)

**Price target: EUR 28.50** (old: EUR 28.50)

<b>Price:</b>	EUR 26.10	<b>Next result:</b>	Q3'18: tba
<b>Bloomberg:</b>	SANT@GR	<b>Market cap:</b>	EUR 1,655.8 m
<b>Reuters:</b>	SANT1.DE	<b>Enterprise Value:</b>	EUR 1,572.7 m

07-August-18

**Tim Wunderlich, CFA**  
Analyst

tim.wunderlich@ha-ib.de  
Tel.: +49 40 4143885 81

## Strong Q2 points to FY guidance upside – Reiterate BUY

- Q2 figures largely beat expectations** (see next page). Note that the outstanding net income growth reflects an optimised financing structure (financial result up € 0.6m yoy) and lower minorities (down € 2.1m yoy) due to the acquisition of a majority stake in Kontron. **Both effects will be sustainable**, in our view. Strong Q2 performers on segment level were IoT and IT Services:
  - IoT sales grew by 7% yoy to € 81m while EBITDA almost doubled yoy to € 12.6m** (record 16% margin). Key drivers: Brisk demand from Industrial Automation applications (top-line); higher software content and cost synergies (bottom-line). USD headwinds should have eaten up 1-2pp of top-line growth in Q2 (in H1 the burden was even 5pp yoy).
  - IT Services sales rose by 22% yoy to € 102m and EBITDA by 50% yoy to € 4.1m.** This was especially driven by large projects in Poland (customer: Federal Ministry of Justice) and Romania coupled with strong growth execution in Hungary by the local management.
- H2'18 outlook: Biggest potential lies with Embedded Systems**, H1's underperformer (segment sales -12% yoy to € 74m / segment EBITDA -40% yoy to € 5.4m). The segment looks on track to show 5% yoy sales growth in H2'18 as FX headwinds subside (10pp growth burden in H1), latest customer wins start contributing to growth, demand from two key clients is rebounding and the aviation end-market is showing brisk growth (S&T provides in-flight WiFi with security / eH&A: 50%+ yoy sales growth to € 35-40m in FY'18E).
- Strategic repositioning on track.** Management plans to enhance the product portfolio of Embedded Systems through software – similar to what it has successfully done with the IoT segment in 2017. The announced take-over of Canadian software company Inocybe (USD 3.3m purchase price) is a step to boost local software expertise; we expect management to be able **to move the segment up to a 14% EBITDA margin** by 2020E from currently 7-8%.
- Expect a FY guidance hike in the course of Q3** (eH&A). Management will have sufficient visibility on Q4 at the end of September; that is when we expect S&T to increase the FY EBITDA margin guidance (currently: 8.0% / eH&A: 8.8%). The € 1bn revenue guidance should remain intact and looks well in reach.

### Reiterate BUY with a € 28.50 PT based on DCF.

Y/E 31.12 (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Sales	385.5	468.2	503.7	882.0	1,005.0	1,115.6	1,227.1
Sales growth	14 %	21 %	8 %	75 %	14 %	11 %	10 %
EBITDA	22.9	28.4	34.4	68.1	88.4	107.1	127.0
EBIT	16.6	20.6	24.1	41.7	63.8	83.6	102.5
Net income	13.0	15.8	14.6	22.5	50.7	69.9	87.2
Net debt	1.5	-9.4	-32.0	-101.8	-104.5	-148.3	-204.6
Net gearing	1.7 %	-9.4 %	-20.7 %	-33.4 %	-30.2 %	-36.6 %	-42.6 %
Net Debt/EBITDA	0.1	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	0.30	0.36	0.30	0.51	0.80	1.10	1.37
CPS	0.35	0.50	1.12	0.52	0.73	1.12	1.31
DPS	0.07	0.08	0.10	0.13	0.15	0.17	0.20
Dividend yield	0.3 %	0.3 %	0.4 %	0.5 %	0.6 %	0.7 %	0.8 %
Gross profit margin	33.2 %	34.3 %	33.9 %	36.7 %	37.6 %	38.5 %	39.1 %
EBITDA margin	5.9 %	6.1 %	6.8 %	7.7 %	8.8 %	9.6 %	10.4 %
EBIT margin	4.3 %	4.4 %	4.8 %	4.7 %	6.4 %	7.5 %	8.4 %
ROCE	12.4 %	13.8 %	8.8 %	9.4 %	12.7 %	16.1 %	18.4 %
EV/sales	2.9	2.4	2.5	1.8	1.6	1.4	1.2
EV/EBITDA	49.5	39.6	36.0	23.1	17.8	14.3	11.6
EV/EBIT	68.2	54.4	51.3	37.7	24.6	18.3	14.4
PER	86.9	72.7	86.3	51.2	32.7	23.7	19.0
Adjusted FCF yield	1.4 %	1.8 %	1.7 %	2.8 %	4.4 %	5.5 %	6.7 %

Source: Company data, Hauck & Aufhäuser Close price as of: 02.08.2018



**High/low 52 weeks:** 24.72 / 15.45  
**Price/Book Ratio:** 4.5  
**Relative performance (TecDAX):**  
 3 months 3.6 %  
 6 months 3.5 %  
 12 months 29.7 %

### Changes in estimates

		Sales	EBIT	EPS
2018	old:	1,005.0	63.8	0.80
	Δ	-	-	-
2019	old:	1,115.6	83.6	1.10
	Δ	-	-	-
2020	old:	1,227.1	102.5	1.37
	Δ	-	-	-

### Key share data:

Number of shares: (in m pcs) 63.4  
 Authorised capital: (in € m) 12.1  
 Book value per share: (in €) 5.5  
 Ø trading volume: (12 months) 60,000

### Major shareholders:

Free Float 77.7 %  
 Ennoconn 22.3 %  
 AGI 4.0 %  
 JP Morgan 4.0 %  
 grosso Holding 2.9 %  
 CEO (incl. in Free Float) 2.0 %

### Company description:

S&T combines an IT system house business with a portfolio of security appliances targeting Cloud Computing applications.

EUR	Q2 18	Q2 18 est	Q2 18 cons.	Q2 17	yoy	Q1 18	qoq	H1 18	H1 17	yoy
<b>Sales</b>	<b>219</b>	<b>215</b>	<b>218</b>	<b>199</b>	10%	<b>204</b>	8%	<b>423</b>	<b>381</b>	11%
<b>EBITDA</b>	<b>19.6</b>	<b>19.1</b>	<b>19.2</b>	<b>15.0</b>	31%	<b>17.1</b>	15%	<b>36.7</b>	<b>27.2</b>	35%
EBITDA margin	8.9%	8.9%	8.8%	7.5%	+14 pp	8.4%	+0.6 pp	8.7%	7.1%	+16 pp
<b>Net after minorities</b>	<b>9.7</b>	<b>9.1</b>	<b>9.5</b>	<b>2.4</b>	302%	<b>7.4</b>	31%	<b>17.2</b>	<b>4.8</b>	255%
Net margin	4.4%	4.2%	4.4%	1.2%	+3.2 pp	3.6%	+0.8 pp	4.1%	1.3%	+2.8 pp
<b>EPS</b>	<b>0.14</b>	<b>0.14</b>	<b>0.15</b>	<b>0.05</b>	188%	<b>0.12</b>	17%	<b>0.26</b>	<b>0.10</b>	166%

Source: Company data, Hauck & Aufhäuser

Financials

Profit and loss (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
<b>Net sales</b>	<b>385.5</b>	<b>468.2</b>	<b>503.7</b>	<b>882.0</b>	<b>1,005.0</b>	<b>1,115.6</b>	<b>1,227.1</b>
<i>Sales growth</i>	14.1 %	21.4 %	7.6 %	75.1 %	13.9 %	11.0 %	10.0 %
Increase/decrease in finished goods and work-in-process	1.2	2.7	2.8	13.4	10.1	11.2	12.3
<b>Total sales</b>	<b>386.8</b>	<b>470.9</b>	<b>506.5</b>	<b>895.3</b>	<b>1,015.1</b>	<b>1,126.7</b>	<b>1,239.4</b>
Other operating income	5.0	6.3	6.1	8.5	5.0	4.5	4.3
Material expenses	258.3	309.3	334.8	567.0	633.2	692.8	754.7
Personnel expenses	72.4	89.5	93.5	179.4	199.0	220.9	240.5
Other operating expenses	38.2	50.0	50.0	89.4	99.5	110.4	121.5
Total operating expenses	363.9	442.6	472.1	827.3	926.6	1,019.6	1,112.4
<b>EBITDA</b>	<b>22.9</b>	<b>28.4</b>	<b>34.4</b>	<b>68.1</b>	<b>88.4</b>	<b>107.1</b>	<b>127.0</b>
Depreciation	2.2	7.7	10.3	7.4	9.5	10.5	11.5
<b>EBITA</b>	<b>20.7</b>	<b>20.6</b>	<b>24.1</b>	<b>60.7</b>	<b>78.9</b>	<b>96.6</b>	<b>115.5</b>
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	4.1	0.0	0.0	18.9	15.1	13.0	13.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT (inc revaluation net)</b>	<b>16.6</b>	<b>20.6</b>	<b>24.1</b>	<b>41.7</b>	<b>63.8</b>	<b>83.6</b>	<b>102.5</b>
Interest income	1.6	0.3	0.3	0.6	0.6	0.6	0.7
Interest expenses	3.2	3.0	4.4	6.9	5.3	3.4	3.0
Other financial result	-0.3	0.5	0.0	0.0	0.0	0.0	0.0
Financial result	-1.8	-2.2	-4.0	-6.4	-4.7	-2.8	-2.3
<b>Recurring pretax income from continuing operations</b>	<b>14.8</b>	<b>18.4</b>	<b>20.1</b>	<b>35.4</b>	<b>59.1</b>	<b>80.8</b>	<b>100.2</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>14.8</b>	<b>18.4</b>	<b>20.1</b>	<b>35.4</b>	<b>59.1</b>	<b>80.8</b>	<b>100.2</b>
Taxes	0.8	0.8	-0.3	6.0	5.9	8.1	10.0
<b>Net income from continuing operations</b>	<b>14.0</b>	<b>17.6</b>	<b>20.4</b>	<b>29.4</b>	<b>53.2</b>	<b>72.7</b>	<b>90.2</b>
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>14.0</b>	<b>17.6</b>	<b>20.4</b>	<b>29.4</b>	<b>53.2</b>	<b>72.7</b>	<b>90.2</b>
Minority interest	1.0	1.8	5.8	6.9	2.5	2.8	3.1
<b>Net profit (reported)</b>	<b>13.0</b>	<b>15.8</b>	<b>14.6</b>	<b>22.5</b>	<b>50.7</b>	<b>69.9</b>	<b>87.2</b>
Average number of shares	41.2	43.5	44.2	52.5	63.4	63.4	63.4
<b>EPS reported</b>	<b>0.32</b>	<b>0.36</b>	<b>0.33</b>	<b>0.43</b>	<b>0.80</b>	<b>1.10</b>	<b>1.37</b>

Profit and loss (common size)	2014	2015	2016	2017	2018E	2019E	2020E
<b>Net sales</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
Increase/decrease in finished goods and work-in-process	0.3 %	0.6 %	0.6 %	1.5 %	1.0 %	1.0 %	1.0 %
<b>Total sales</b>	<b>100.3 %</b>	<b>100.6 %</b>	<b>100.6 %</b>	<b>101.5 %</b>	<b>101.0 %</b>	<b>101.0 %</b>	<b>101.0 %</b>
Other operating income	1.3 %	1.3 %	1.2 %	1.0 %	0.5 %	0.4 %	0.4 %
Material expenses	67.0 %	66.1 %	66.5 %	64.3 %	63.0 %	62.1 %	61.5 %
Personnel expenses	18.8 %	19.1 %	18.6 %	20.3 %	19.8 %	19.8 %	19.6 %
Other operating expenses	9.9 %	10.7 %	9.9 %	10.1 %	9.9 %	9.9 %	9.9 %
Total operating expenses	94.4 %	94.5 %	93.7 %	93.8 %	92.2 %	91.4 %	90.7 %
<b>EBITDA</b>	<b>5.9 %</b>	<b>6.1 %</b>	<b>6.8 %</b>	<b>7.7 %</b>	<b>8.8 %</b>	<b>9.6 %</b>	<b>10.4 %</b>
Depreciation	0.6 %	1.7 %	2.0 %	0.8 %	0.9 %	0.9 %	0.9 %
<b>EBITA</b>	<b>5.4 %</b>	<b>4.4 %</b>	<b>4.8 %</b>	<b>6.9 %</b>	<b>7.9 %</b>	<b>8.7 %</b>	<b>9.4 %</b>
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	1.1 %	0.0 %	0.0 %	2.1 %	1.5 %	1.2 %	1.1 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>EBIT (inc revaluation net)</b>	<b>4.3 %</b>	<b>4.4 %</b>	<b>4.8 %</b>	<b>4.7 %</b>	<b>6.4 %</b>	<b>7.5 %</b>	<b>8.4 %</b>
Interest income	0.4 %	0.1 %	0.1 %	0.1 %	0.1 %	0.0 %	0.1 %
Interest expenses	0.8 %	0.6 %	0.9 %	0.8 %	0.5 %	0.3 %	0.2 %
Other financial result	-0.1 %	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	neg.	neg.	neg.	neg.	neg.	neg.	neg.
<b>Recurring pretax income from continuing operations</b>	<b>3.8 %</b>	<b>3.9 %</b>	<b>4.0 %</b>	<b>4.0 %</b>	<b>5.9 %</b>	<b>7.2 %</b>	<b>8.2 %</b>
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Earnings before taxes</b>	<b>3.8 %</b>	<b>3.9 %</b>	<b>4.0 %</b>	<b>4.0 %</b>	<b>5.9 %</b>	<b>7.2 %</b>	<b>8.2 %</b>
Tax rate	5.2 %	4.3 %	-1.6 %	17.0 %	10.0 %	10.0 %	10.0 %
<b>Net income from continuing operations</b>	<b>3.6 %</b>	<b>3.8 %</b>	<b>4.1 %</b>	<b>3.3 %</b>	<b>5.3 %</b>	<b>6.5 %</b>	<b>7.4 %</b>
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Net income</b>	<b>3.6 %</b>	<b>3.8 %</b>	<b>4.1 %</b>	<b>3.3 %</b>	<b>5.3 %</b>	<b>6.5 %</b>	<b>7.4 %</b>
Minority interest	0.3 %	0.4 %	1.2 %	0.8 %	0.2 %	0.3 %	0.2 %
<b>Net profit (reported)</b>	<b>3.4 %</b>	<b>3.4 %</b>	<b>2.9 %</b>	<b>2.6 %</b>	<b>5.0 %</b>	<b>6.3 %</b>	<b>7.1 %</b>

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
<b>Intangible assets</b>	<b>57.1</b>	<b>72.8</b>	<b>183.2</b>	<b>189.9</b>	<b>206.9</b>	<b>207.3</b>	<b>208.4</b>
Property, plant and equipment	11.4	15.2	27.5	31.9	38.5	45.2	52.1
Financial assets	3.8	3.1	12.1	17.6	17.6	17.6	17.6
<b>FIXED ASSETS</b>	<b>72.3</b>	<b>91.0</b>	<b>222.8</b>	<b>239.4</b>	<b>262.9</b>	<b>270.1</b>	<b>278.1</b>
Inventories	30.0	28.7	84.9	104.0	96.6	104.3	114.7
Accounts receivable	95.7	86.4	168.6	172.4	220.3	244.5	269.0
Other current assets	22.0	36.7	41.5	43.5	44.6	45.7	46.9
Liquid assets	39.5	60.3	125.6	216.9	169.5	198.3	254.6
Deferred taxes	13.6	15.9	25.4	28.6	28.6	28.6	28.6
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>200.8</b>	<b>228.0</b>	<b>445.9</b>	<b>565.5</b>	<b>559.7</b>	<b>621.4</b>	<b>713.8</b>
<b>TOTAL ASSETS</b>	<b>273.1</b>	<b>319.1</b>	<b>668.7</b>	<b>804.9</b>	<b>822.6</b>	<b>891.5</b>	<b>991.9</b>
<b>SHAREHOLDERS EQUITY</b>	<b>86.9</b>	<b>99.8</b>	<b>154.0</b>	<b>305.1</b>	<b>346.0</b>	<b>404.9</b>	<b>480.0</b>
MINORITY INTEREST	2.8	2.4	87.0	26.7	26.7	26.7	26.7
Long-term debt	26.1	28.1	74.2	68.7	50.0	35.0	35.0
Provisions for pensions and similar obligations	2.3	2.5	11.6	21.2	21.4	21.6	21.9
Other provisions	4.6	6.0	39.1	36.7	37.8	38.9	40.1
<b>Non-current liabilities</b>	<b>33.0</b>	<b>36.5</b>	<b>124.8</b>	<b>126.6</b>	<b>109.2</b>	<b>95.6</b>	<b>96.9</b>
short-term liabilities to banks	14.8	22.9	19.5	46.4	15.0	15.0	15.0
Accounts payable	74.2	70.1	134.3	154.9	176.5	195.9	215.5
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	59.9	85.9	143.7	135.6	139.7	143.9	148.2
Deferred taxes	1.5	1.4	5.4	9.5	9.5	9.5	9.5
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>150.3</b>	<b>180.3</b>	<b>302.8</b>	<b>346.4</b>	<b>340.7</b>	<b>364.3</b>	<b>388.2</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>273.1</b>	<b>319.1</b>	<b>668.7</b>	<b>804.9</b>	<b>822.6</b>	<b>891.5</b>	<b>991.9</b>

Balance sheet (common size)	2014	2015	2016	2017	2018E	2019E	2020E
<b>Intangible assets</b>	<b>20.9 %</b>	<b>22.8 %</b>	<b>27.4 %</b>	<b>23.6 %</b>	<b>25.2 %</b>	<b>23.3 %</b>	<b>21.0 %</b>
Property, plant and equipment	4.2 %	4.7 %	4.1 %	4.0 %	4.7 %	5.1 %	5.3 %
Financial assets	1.4 %	1.0 %	1.8 %	2.2 %	2.1 %	2.0 %	1.8 %
<b>FIXED ASSETS</b>	<b>26.5 %</b>	<b>28.5 %</b>	<b>33.3 %</b>	<b>29.7 %</b>	<b>32.0 %</b>	<b>30.3 %</b>	<b>28.0 %</b>
Inventories	11.0 %	9.0 %	12.7 %	12.9 %	11.7 %	11.7 %	11.6 %
Accounts receivable	35.0 %	27.1 %	25.2 %	21.4 %	26.8 %	27.4 %	27.1 %
Other current assets	8.1 %	11.5 %	6.2 %	5.4 %	5.4 %	5.1 %	4.7 %
Liquid assets	14.5 %	18.9 %	18.8 %	27.0 %	20.6 %	22.2 %	25.7 %
Deferred taxes	5.0 %	5.0 %	3.8 %	3.6 %	3.5 %	3.2 %	2.9 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>CURRENT ASSETS</b>	<b>73.5 %</b>	<b>71.5 %</b>	<b>66.7 %</b>	<b>70.3 %</b>	<b>68.0 %</b>	<b>69.7 %</b>	<b>72.0 %</b>
<b>TOTAL ASSETS</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
<b>SHAREHOLDERS EQUITY</b>	<b>31.8 %</b>	<b>31.3 %</b>	<b>23.0 %</b>	<b>37.9 %</b>	<b>42.1 %</b>	<b>45.4 %</b>	<b>48.4 %</b>
MINORITY INTEREST	1.0 %	0.8 %	13.0 %	3.3 %	3.3 %	3.0 %	2.7 %
Long-term debt	9.6 %	8.8 %	11.1 %	8.5 %	6.1 %	3.9 %	3.5 %
Provisions for pensions and similar obligations	0.8 %	0.8 %	1.7 %	2.6 %	2.6 %	2.4 %	2.2 %
Other provisions	1.7 %	1.9 %	5.8 %	4.6 %	4.6 %	4.4 %	4.0 %
<b>Non-current liabilities</b>	<b>12.1 %</b>	<b>11.5 %</b>	<b>18.7 %</b>	<b>15.7 %</b>	<b>13.3 %</b>	<b>10.7 %</b>	<b>9.8 %</b>
short-term liabilities to banks	5.4 %	7.2 %	2.9 %	5.8 %	1.8 %	1.7 %	1.5 %
Accounts payable	27.2 %	22.0 %	20.1 %	19.2 %	21.5 %	22.0 %	21.7 %
Advance payments received on orders	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other liabilities (incl. from lease and rental contracts)	21.9 %	26.9 %	21.5 %	16.9 %	17.0 %	16.1 %	14.9 %
Deferred taxes	0.5 %	0.5 %	0.8 %	1.2 %	1.2 %	1.1 %	1.0 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Current liabilities</b>	<b>55.1 %</b>	<b>56.5 %</b>	<b>45.3 %</b>	<b>43.0 %</b>	<b>41.4 %</b>	<b>40.9 %</b>	<b>39.1 %</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Net profit/loss	14.0	17.6	20.4	29.4	53.2	72.7	90.2
Depreciation of fixed assets (incl. leases)	2.2	7.7	10.3	7.4	9.5	10.5	11.5
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	4.1	0.0	0.0	18.9	15.1	13.0	13.0
Others	4.1	-5.2	-1.9	-13.6	0.2	0.2	0.2
Cash flow from operations before changes in w/c	24.4	20.2	28.9	42.1	78.0	96.4	114.9
Increase/decrease in inventory	-7.4	1.3	9.3	-17.9	7.4	-7.6	-10.4
Increase/decrease in accounts receivable	-24.0	9.2	-1.5	5.5	-47.9	-24.2	-24.5
Increase/decrease in accounts payable	27.6	-4.1	20.3	15.2	21.6	19.4	19.6
Increase/decrease in other working capital positions	0.0	0.0	4.4	0.0	0.0	0.0	0.0
Increase/decrease in working capital	-3.8	6.5	32.5	2.8	-18.9	-12.4	-15.3
<b>Cash flow from operating activities</b>	<b>20.6</b>	<b>26.7</b>	<b>61.4</b>	<b>44.9</b>	<b>59.1</b>	<b>84.0</b>	<b>99.6</b>
CAPEX	5.8	9.5	9.3	23.0	28.1	30.7	32.5
Payments for acquisitions	5.5	0.4	59.2	11.5	20.0	0.0	0.0
Financial investments	1.7	0.6	4.3	5.7	0.0	0.0	0.0
Income from asset disposals	0.4	0.9	-0.9	1.2	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-12.6</b>	<b>-9.6</b>	<b>-73.6</b>	<b>-39.1</b>	<b>-48.1</b>	<b>-30.7</b>	<b>-32.5</b>
Cash flow before financing	8.0	17.1	-12.2	5.8	11.0	53.3	67.1
Increase/decrease in debt position	3.1	6.1	39.8	28.8	-50.1	-15.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	10.5	0.0	44.0	86.9	0.0	0.0	0.0
Dividends paid	2.4	3.1	3.5	4.9	8.2	9.5	10.8
Others	1.3	-3.8	-8.5	-17.7	0.0	0.0	0.0
Effects of exchange rate changes on cash	-1.1	0.5	0.0	-2.0	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>12.5</b>	<b>-0.7</b>	<b>71.8</b>	<b>93.1</b>	<b>-58.4</b>	<b>-24.5</b>	<b>-10.8</b>
Increase/decrease in liquid assets	19.5	16.8	59.5	97.0	-47.4	28.8	56.3
<b>Liquid assets at end of period</b>	<b>39.5</b>	<b>60.3</b>	<b>125.6</b>	<b>216.9</b>	<b>169.5</b>	<b>198.3</b>	<b>254.6</b>

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Domestic	65.1	52.4	60.1	57.3	60.3	61.4	67.5
yoy change	-483.0 %	-	1483.0 %	-463.9 %	518.4 %	175.0 %	1000.0 %
Rest of Europe	320.5	184.3	166.3	247.0	281.4	312.4	331.3
yoy change	1888.6 %	-	-980.9 %	4853.2 %	1394.9 %	1100.0 %	607.1 %
NAFTA	n/a	n/a	n/a	n/a	n/a	n/a	n/a
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Asia Pacific	n/a	n/a	n/a	n/a	n/a	n/a	n/a
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rest of world	n/a	231.5	277.3	577.7	663.3	741.8	828.3
yoy change	n/a	n/a	1979.2 %	10832.3 %	1481.9 %	1184.1 %	1165.4 %
<b>TTL</b>	<b>385.5</b>	<b>468.2</b>	<b>503.7</b>	<b>882.0</b>	<b>1,005.0</b>	<b>1,115.6</b>	<b>1,227.1</b>
yoy change	1408.8 %	2143.5 %	758.2 %	7510.4 %	1394.9 %	1100.0 %	1000.0 %

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
<b>P&amp;L growth analysis</b>							
Sales growth	14.1 %	21.4 %	7.6 %	75.1 %	13.9 %	11.0 %	10.0 %
EBITDA growth	14.0 %	23.9 %	21.3 %	97.9 %	29.9 %	21.1 %	43.6 %
EBIT growth	16.2 %	24.1 %	16.9 %	73.1 %	52.9 %	30.9 %	60.6 %
EPS growth	5.4 %	15.3 %	-9.3 %	29.9 %	86.5 %	37.8 %	71.9 %
<b>Efficiency</b>							
Total operating costs / sales	94.4 %	94.5 %	93.7 %	93.8 %	92.2 %	91.4 %	90.7 %
Sales per employee	203.5	209.9	223.6	306.0	285.7	314.0	343.7
EBITDA per employee	12.1	12.7	15.3	23.6	25.1	30.1	35.6
<b>Balance sheet analysis</b>							
Avg. working capital / sales	12.9 %	10.3 %	16.3 %	13.6 %	13.0 %	13.1 %	12.6 %
Inventory turnover (sales/inventory)	12.8	16.3	5.9	8.5	10.4	10.7	10.7
Trade debtors in days of sales	90.6	67.4	122.2	71.3	80.0	80.0	80.0
A/P turnover [(A/P*365)/sales]	70.2	54.6	97.3	64.1	64.1	64.1	64.1
Cash conversion cycle (days)	28.2	18.6	68.3	38.6	34.0	31.7	31.2
<b>Cash flow analysis</b>							
Free cash flow	14.8	17.2	52.1	21.9	31.0	53.3	67.1
Free cash flow/sales	3.8 %	3.7 %	10.3 %	2.5 %	3.1 %	4.8 %	5.5 %
FCF / net profit	114.1 %	108.6 %	357.3 %	97.3 %	61.1 %	76.2 %	77.0 %
Capex / depn	119.1 %	130.9 %	131.5 %	109.2 %	114.4 %	130.5 %	132.7 %
Capex / maintenance capex	37.3 %	n/a	0.0 %	145.7 %	128.6 %	133.0 %	110.9 %
Capex / sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Security</b>							
Net debt	1.5	-9.4	-32.0	-101.8	-104.5	-148.3	-204.6
Net Debt/EBITDA	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net debt / equity	0.0	neg.	neg.	neg.	neg.	neg.	neg.
Interest cover	5.2	6.9	5.5	6.0	12.0	24.6	34.7
Dividend payout ratio	23.3 %	21.9 %	33.1 %	36.6 %	18.8 %	15.4 %	14.8 %
<b>Asset utilisation</b>							
Capital employed turnover	2.8	2.9	1.3	1.7	2.0	2.1	2.0
Operating assets turnover	6.1	7.8	3.4	5.7	5.6	5.6	5.6
Plant turnover	33.7	30.9	18.3	27.7	26.1	24.7	23.5
Inventory turnover (sales/inventory)	12.8	16.3	5.9	8.5	10.4	10.7	10.7
<b>Returns</b>							
ROCE	12.4 %	13.8 %	8.8 %	9.4 %	12.7 %	16.1 %	18.4 %
ROE	14.9 %	15.9 %	9.5 %	7.4 %	14.7 %	17.3 %	18.2 %
<b>Other</b>							
Interest paid / avg. debt	6.8 %	6.5 %	6.0 %	6.6 %	5.9 %	5.9 %	5.1 %
No. employees (average)	1895	2230	2252	2882	3518	3553	3571
Number of shares	41.2	43.5	44.2	52.5	63.4	63.4	63.4
DPS	0.1	0.1	0.1	0.1	0.2	0.2	0.2
EPS reported	0.32	0.36	0.33	0.43	0.80	1.10	1.37
<b>Valuation ratios</b>							
P/BV	13.0	11.5	8.2	5.4	4.8	4.1	3.4
EV/sales	2.9	2.4	2.5	1.8	1.6	1.4	1.2
EV/EBITDA	49.5	39.6	36.0	23.1	17.8	14.3	11.6
EV/EBITA	54.8	54.4	51.3	26.0	19.9	15.8	12.8
EV/EBIT	68.2	54.4	51.3	37.7	24.6	18.3	14.4
EV/FCF	76.4	65.3	23.8	71.9	50.8	28.7	21.9
Adjusted FCF yield	1.4 %	1.8 %	1.7 %	2.8 %	4.4 %	5.5 %	6.7 %
Dividend yield	0.3 %	0.3 %	0.4 %	0.5 %	0.6 %	0.7 %	0.8 %

Source: Company data, Hauck & Aufhäuser

**Disclosures regarding research publications of Hauck & Aufhäuser Privatbankiers AG pursuant to section 85 of the German Securities Trading Act (WpHG) and distributed in the UK under an EEA branch passport, subject to the FCA requirements on research recommendation disclosures**

It is essential that any research recommendation is fairly presented and discloses interests of indicates relevant conflicts of interest. Pursuant to section 85 of the German Securities Trading Act (WpHG) a research report has to point out possible conflicts of interest in connection with the analysed company. Further to this, under the FCA’s rules on research recommendations, any conflicts of interest in connection with the recommendation must be disclosed. A conflict of interest is presumed to exist in particular if Hauck & Aufhäuser Privatbankiers AG

- (1) or its affiliate(s) (either in its own right or as part of a consortium) within the past twelve months, acquired the financial instruments of the analysed company,
- (2) has entered into an agreement on the production of the research report with the analysed company,
- (3) or its affiliate(s) has, within the past twelve months, been party to an agreement on the provision of investment banking services with the analysed company or have received services or a promise of services under the term of such an agreement,
- (4) or its affiliate(s) holds a) 5% or more of the share capital of the analysed company, or b) the analysed company holds 5% or more of the share capital of Hauck & Aufhäuser Privatbankiers AG or its affiliate(s),
- (5) or its affiliate(s) holds a net long (a) or a net short (b) position of 0.5% of the outstanding share capital of the analysed company or derivatives thereof,
- (6) or its affiliate(s) is a market maker or liquidity provider in the financial instruments of the issuer,
- (7) or the analyst has any other significant financial interests relating to the analysed company such as, for example, exercising mandates in the interest of the analysed company or a significant conflict of interest with respect to the issuer,
- (8) The research report has been made available to the company prior to its publication. Thereafter, only factual changes have been made to the report.

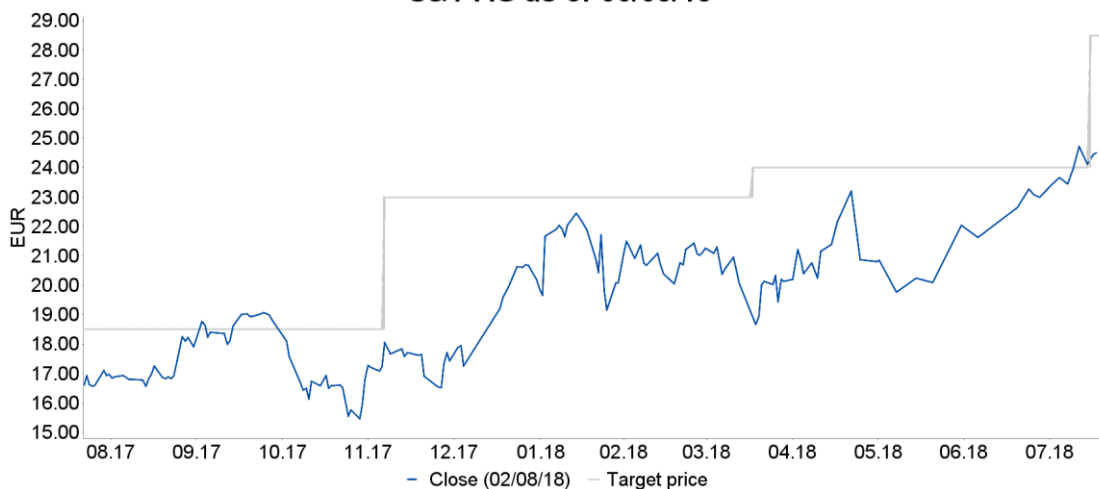
**Conflicts of interest that existed at the time when this research report was published:**

Company	Disclosure
S&T AG	3

**Historical target price and rating changes for S&T AG in the last 12 months**

**Price and Rating History  
S&T AG as of 06/08/18**

**Initiation coverage**  
30-May-12



Company	Date	Analyst	Rating	Target price	Close
S&T AG	31.07.2018	Wunderlich, CFA, Tim	Buy	EUR 28,50	EUR 24,30
	10.07.2018	Wunderlich, CFA, Tim	Buy	EUR 24,00	EUR 23,28
	03.07.2018	Wunderlich, CFA, Tim	Buy	EUR 24,00	EUR 21,62
	07.06.2018	Wunderlich, CFA, Tim	Buy	EUR 24,00	EUR 20,10
	07.05.2018	Wunderlich, CFA, Tim	Buy	EUR 24,00	EUR 23,20
	02.05.2018	Wunderlich, CFA, Tim	Buy	EUR 24,00	EUR 22,14

11.04.2018	Wunderlich, CFA, Tim	Buy	EUR 24,00	EUR 19,45
03.04.2018	Wunderlich, CFA, Tim	Buy	EUR 24,00	EUR 18,66
18.01.2018	Wunderlich, CFA, Tim	Buy	EUR 23,00	EUR 21,68
22.11.2017	Wunderlich, CFA, Tim	Buy	EUR 23,00	EUR 18,05
07.08.2017	Wunderlich, CFA, Tim	Buy	EUR 18,50	EUR 16,60

**Hauck & Aufhäuser distribution of ratings and in proportion to investment banking services**

<b>Buy</b>	62.73 %	95.00 %
<b>Sell</b>	12.42 %	0.00 %
<b>Hold</b>	24.84 %	5.00 %

Date of publication creation: 06/08/2018 05:58 PM

Date of publication dissemination: 07/08/2018 08:03 AM



**1. General Information/Liabilities**

This research report has been produced for the information purposes of institutional investors only, and is not in any way a personal recommendation, offer or solicitation to buy or sell the financial instruments mentioned herein. The document is confidential and is made available by Hauck & Aufhäuser Privatbankiers AG, exclusively to selected recipients [in DE, GB, FR, CH, US, UK, Scandinavia, and Benelux or, in individual cases, also in other countries]. A distribution to private investors in the sense of the German Securities Trading Act (WpHG) is excluded. It is not allowed to pass the research report on to persons other than the intended recipient without the permission of Hauck & Aufhäuser Privatbankiers AG. Reproduction of this document, in whole or in part, is not permitted without prior permission Hauck & Aufhäuser Privatbankiers AG. All rights reserved.

Under no circumstances shall Hauck & Aufhäuser Privatbankiers AG, any of its employees involved in the preparation, have any liability for possible errors or incompleteness of the information included in this research report – neither in relation to indirect or direct nor consequential damages. Liability for damages arising either directly or as a consequence of the use of information, opinions and estimates is also excluded. Past performance of a financial instrument is not necessarily indicative of future performance.

**2. Responsibilities**

This research report was prepared by the research analyst named on the front page (the "Producer"). The Producer is solely responsible for the views and estimates expressed in this report. The report has been prepared independently. The content of the research report was not influenced by the issuer of the analysed financial instrument at any time. It may be possible that parts of the research report were handed out to the issuer for information purposes prior to the publication without any major amendments being made thereafter.

**3. Organisational Requirements**

Hauck & Aufhäuser Privatbankiers AG took internal organisational and regulative precautions to avoid or accordingly disclose possible conflicts of interest in connection with the preparation and distribution of the research report. All members of Hauck & Aufhäuser Privatbankiers AG involved in the preparation of the research report are subject to internal compliance regulations. No part of the Producer's compensation is directly or indirectly related to the preparation of this financial analysis. In case a research analyst or a closely related person is confronted with a conflict of interest, the research analyst is restricted from covering this company.

**4. Information Concerning the Methods of Valuation/Update**

The determination of the fair value per share, i.e. the price target, and the resultant rating is done on the basis of the adjusted free cash flow (adj. FCF) method and on the basis of the discounted cash flow – DCF model. Furthermore, a peer group comparison is made.

The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjustment towards the actual capital structure is done by discounting the calculated free cash flows with the weighted average cost of capital (WACC), which takes into account both the cost of equity capital and the cost of debt. After discounting, the calculated total enterprise value is reduced by the interest-bearing debt capital in order to arrive at the equity value.

Hauck & Aufhäuser Privatbankiers AG uses the following three-step rating system for the analysed companies:

Buy: Sustainable upside potential of more than 10% within 12 months  
Sell: Sustainable downside potential of more than 10% within 12 months.  
Hold: Upside/downside potential is limited. No immediate catalyst visible.

NB: The ratings of Hauck & Aufhäuser Privatbankiers AG are not based on a performance that is expected to be "relative" to the market.

The decision on the choice of the financial instruments analysed in this document was solely made by Hauck & Aufhäuser Privatbankiers AG. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of Hauck & Aufhäuser Privatbankiers AG whether and when it publishes an update to this research report, but in general updates are created on a regular basis, after 6 months at the latest. A sensitivity analysis is included and published in company's initial studies.

**5. Major Sources of Information**

Part of the information required for this research report was made available by the issuer of the financial instrument. Furthermore, this report is based on publicly available sources (such as, for example, Bloomberg, Reuters, VWD-Trader and the relevant daily press) believed to be reliable. Hauck & Aufhäuser Privatbankiers AG has checked the information for plausibility but not for accuracy or completeness.

**6. Competent Supervisory Authority**

Hauck & Aufhäuser Privatbankiers AG are under supervision of the BaFin – German Federal Financial Supervisory Authority Bundesanstalt für Finanzdienstleistungsaufsicht), Graurheindorfer Straße 108, 53117 Bonn and Marie-Curie-Straße 24 – 28, 60439 Frankfurt a.M.

This document is distributed in the UK under a MiFID EEA branch passport and in compliance with the applicable FCA requirements.

**7. Specific Comments for Recipients Outside of Germany**

This research report is subject to the law of the Federal Republic of Germany. The distribution of this information to other states in particular to the USA, Canada, Australia and Japan may be restricted or prohibited by the laws applicable within this state.

**8. Miscellaneous**

According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under:  
[https://www.hauck-aufhaeuser.de/page/UVV\\_InstitutResearch](https://www.hauck-aufhaeuser.de/page/UVV_InstitutResearch)

**Contacts: Hauck&Aufhäuser Privatbankiers AG****Hauck & Aufhäuser Research**

Hauck & Aufhäuser  
Privatbankiers AG  
Mittelweg 16/17  
20148 Hamburg  
Germany

Tel.: +49 (0) 40 414 3885 93  
Fax: +49 (0) 40 414 3885 71  
Email: research@ha-ib.de  
www.ha-research.de

**Tim Wunderlich, CFA**  
Head of Research  
Tel.: +49 40 414 3885 81  
E-Mail: tim.wunderlich@ha-ib.de

**Henning Breiter**  
Head of Research  
Tel.: +49 40 414 3885 73  
E-Mail: henning.breiter@ha-ib.de

**Carlos Becke**  
Analyst  
Tel.: +49 40 414 3885 74  
E-Mail: carlos.becke@ha-ib.de

**Simon Bentlage**  
Analyst  
Tel.: +49 40 4506342 3096  
E-Mail: simon.bentlage@ha-ib.de

**Frederik Bitter**  
Analyst  
Tel.: +44 203 9473 247  
E-Mail: frederik.bitter@ha-ib.de

**Robin Brass, CFA**  
Analyst  
Tel.: +49 40 414 3885 76  
E-Mail: robin.brass@ha-ib.de

**Christian Glowa**  
Analyst  
Tel.: +49 40 414 3885 95  
E-Mail: christian.glowa@ha-ib.de

**Pierre Gröning**  
Analyst  
Tel.: +49 40 450 6342 30 92  
E-Mail: pierre.groening@ha-ib.de

**Aliaksandr Halitsa**  
Analyst  
Tel.: +49 40 414 3885 83  
E-Mail: aliaksandr.halitsa@ha-ib.de

**Alina Köhler**  
Analyst  
Tel.: +49 40 4506342 3095  
E-Mail: alina.koehler@ha-ib.de

**Christian Salis**  
Analyst  
Tel.: +49 40 414 3885 96  
E-Mail: christian.salis@ha-ib.de

**Christian Sandherr**  
Analyst  
Tel.: +49 40 414 3885 79  
E-Mail: christian.sandherr@ha-ib.de

**Julius Stinauer**  
Analyst  
Tel.: +49 40 414 3885 84  
E-Mail: julius.stinauer@ha-ib.de

**Hauck & Aufhäuser Sales**

**Toby Woods**  
Sales  
Tel.: +44 203 9473 245  
E-Mail: toby.woods@ha-ib.de

**Christian Alisch**  
Sales  
Tel.: +49 40 414 3885 99  
E-Mail: christian.alisch@ha-ib.de

**Vincent Bischoff**  
Sales  
Tel.: +49 40 414 3885 88  
E-Mail: vincent.bischoff@ha-ib.de

**Alexander Lachmann**  
Sales  
Tel.: +41 43 497 30 23  
E-Mail: alexander.lachmann@ha-ib.de

**Hugues Madelin**  
Sales  
Tel.: +33 1 78 41 40 62  
E-Mail: hugues.madelin@ha-ib.de

**Jan Neynaber**  
Sales  
Tel.: +49 69 2161 1268  
E-Mail: jan.neynaber@hauck-aufhaeuser.com

**Marco Schumann**  
Sales  
Tel.: +49 69 2161 1250  
E-Mail: marco.schumann@hauck-aufhaeuser.com

**Christian Schwenkenbecher**  
Sales  
Tel.: +44 203 9473 246  
E-Mail: christian.schwenkenbecher@ha-ib.de

**Hauck & Aufhäuser Sales Trading**

Hauck & Aufhäuser  
Privatbankiers AG  
Mittelweg 16/17  
20148 Hamburg  
Germany

Tel.: +49 40 414 3885 75  
Fax: +49 40 414 3885 71  
Email: info@hauck-aufhaeuser.com  
www.hauck-aufhaeuser.com

**Mirko Brueggemann**  
Trading  
Tel.: +49 40 414 3885 75  
E-Mail: mirko.brueggemann@hauck-aufhaeuser.com

**Christian von Schuler**  
Trading  
Tel.: +49 40 414 3885 77  
E-Mail: christian.schuler@hauck-aufhaeuser.com

**Fin Schaffer**  
Trading  
Tel.: +49 40 414 3885 98  
E-Mail: fin.schaffer@hauck-aufhaeuser.com

**Kathleen Jonas**  
Middle-Office  
Tel.: +49 40 414 3885 97  
E-Mail: kathleen.jonas@hauck-aufhaeuser.com

**Carolin Weber**  
Middle-Office  
Tel.: +49 40 414 3885 87  
E-Mail: carolin.weber@hauck-aufhaeuser.com