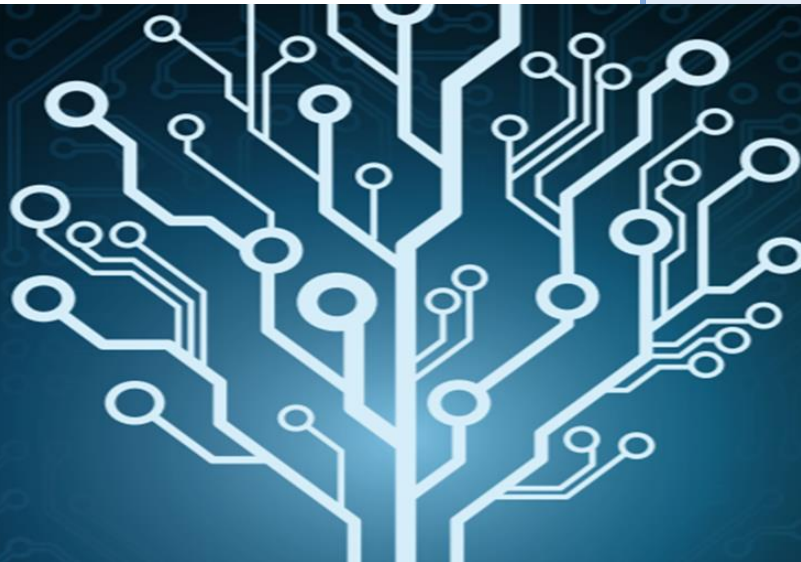


# S&T AG

Austria | Technology | MCap EUR 821m

15 March 2022

UPDATE



## Deloitte: Short selling allegations almost completely inaccurate

### What's it all about?

This morning, S&T AG published the results of the forensic investigation made by the auditing firm Deloitte in response to the allegations raised in a short selling note by Viceroy Research mid Dec. last year. The auditing firm concludes that the allegations made were almost completely inaccurate. Investors have been waiting for the outcome of this report and we view the result as an important pillar to restore S&T's falsely damaged reputation. As such, the positive outcome of the forensic investigation helps making S&T's stock fully investable again. We therefore believe that S&T provides a unique buying opportunity offering both growth (CAGR 20-23E sales growth of c. 9%) and value (P/E 22E of c. 10x). Thus, we reiterate to BUY, PT unchanged of EUR 31.00.

**BUY (BUY)**

<b>Target price</b>	<b>EUR 31.00 (31.00)</b>
Current price	EUR 12.46
Up/downside	148.8%



**MAIN AUTHOR**

**Thomas Wissler**

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IMPORTANT. Please refer to the last page of this report for "Important disclosures" and analyst(s) certifications.

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# S&T AG

Austria | Technology | MCap EUR 821m | EV EUR 887m

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## Deloitte: Short selling allegations almost completely inaccurate

**Allegations almost completely inaccurate** S&T this morning revealed the outcome of the forensic investigation made by auditing firm Deloitte Financial Advisory ("Deloitte"). In this report, Deloitte confirmed that the allegations made by Viceroy Research mid Dec. last year were **"almost completely inaccurate as they concerned matters that do not relate to the S&T Group at all, were misrepresented by Viceroy or are immaterial"**. A summary of the forensic report has been made available on S&T's website [Link](#). In a first reaction this morning, S&T's share price jumped by nearly 17% indicating that investors have been eagerly waiting for the outcome of this report and that the report fully restores S&T's falsely damaged reputation.

**Reminder** Mid December, Viceroy Research published an aggressive short selling note claiming alleged compliance violations at the Austrian IoT specialist. As a result, S&T's share price dropped nearly 30%. At the beginning of this year, S&T has published a detailed statement on these allegations, stating that the claims made were either incorrectly, not related to S&T or refer to incidents which lie more than 10 years in the past or were immaterial. Nonetheless, S&T commissioned the auditing firm Deloitte to conduct an external forensic audit and announced that it will install a Chief Compliance Officer shortly.

**Positive operational momentum but short-term risks prevail** Just recently, S&T published its guidance for 2022 where it expects double-digit organic growth to EUR 1.5bn in sales and stable EBITDA margin of c. 10%. The guidance shows that S&T will resume its strong growth trajectory, both for its top and bottom line (sales growth +12% yoy / EBITDA growth +16% yoy) – a strong indicator that S&T benefits from its favorable positioning in structurally growing markets (i.e. the high-growth/high-margin IoT space). Prevailing chip shortages, supply chain issues, as well as geopolitical jitters however are likely to remain key risks for S&T in the short term, which could soften the short-term outlook in our view. S&T will present its FY 2021 results on March 22, which are likely to reveal more insights to the a.m. risk items.

In any case, S&T shares have lost significantly in the last 4 months, mainly related to the short selling allegations. With the positive findings from the forensic investigations now out, we believe that S&T shares offer significant upside potential and therefore a good buying opportunity. BUY with unchanged PT of EUR 31.00.

S&T AG	2018	2019	2020	2021E	2022E	2023E
Sales	991	1,123	1,255	1,339	1,506	1,642
<i>Growth yoy</i>	12.3%	13.3%	11.7%	6.7%	12.5%	9.0%
EBITDA	91	112	130	131	151	166
EBIT	62	62	69	78	100	117
Net profit	45	49	56	60	81	95
Net debt (net cash)	-53	32	44	-28	-106	-184
Net debt/EBITDA	-0.6x	0.3x	0.3x	-0.2x	-0.7x	-1.1x
EPS recurring	0.70	0.75	0.84	0.91	1.22	1.45
DPS	0.16	0.00	0.30	0.33	0.43	0.51
<i>Dividend yield</i>	1.3%	0.0%	2.4%	2.6%	3.5%	4.1%
Gross profit margin	36.5%	37.7%	37.7%	37.8%	37.9%	37.9%
EBITDA margin	9.1%	9.9%	10.4%	9.8%	10.0%	10.1%
EBIT margin	6.2%	5.5%	5.5%	5.8%	6.7%	7.1%
ROCE	11.4%	7.7%	8.3%	9.3%	12.3%	13.6%
EV/EBITDA	8.5x	7.8x	6.8x	6.2x	4.9x	4.0x
EV/EBIT	12.6x	14.1x	12.9x	10.5x	7.4x	5.7x
PER	17.8x	16.7x	14.8x	13.6x	10.2x	8.6x
FCF yield	3.4%	4.1%	13.4%	11.5%	12.8%	14.0%

Source: Company data, AlsterResearch



Source: Company data, AlsterResearch

**High/low 52 weeks** 24.20 / 11.22  
**Price/Book Ratio** 2.0x

### Ticker / Symbols

ISIN AT0000A0E9W5  
WKN AOX9EJ  
Bloomberg SANT:GR

### Changes in estimates

		Sales	EBIT	EPS
2021E	old	1.339	78	0,91
	Δ	0,0%	0,0%	0,0%
2022E	old	1.506	100	1,22
	Δ	0,0%	0,0%	0,0%
2023E	old	1.642	117	1,45
	Δ	0,0%	0,0%	0,0%

### Key share data

Number of shares: (in m pcs) 65.87  
Book value per share: (in EUR) 6.13  
Ø trading volume: (12 months) 48,500

### Major shareholders

Ennoconn Corporation 26.6%  
Allianz Global Investors 5.0%  
Free Float 68.4%

### Company description

S&T is an Austria-based technology company. It provides end-to-end IT services, including consulting, integration and support services. In the IoT segment, it provides products and solutions such as industrial PCs and embedded boards installed with proprietary software. Germany, Austria, Switzerland, France, Eastern Europe and North America are its core markets.

With regard to a single aspect of the allegations raised by Viceroy ("funworld" topic), the Deloitte report concludes that a notes disclosure made by S&T AG in the past was incomplete: the capital increase at funworld gmbh subscribed by S&T AG on August 22, 2017 represents, in the view of Deloitte, a related party transaction from the perspective of S&T due to the participation of Hannes Niederhauser, CEO of S&T AG, in funworld gmbh at that time and the - as now determined - required attribution of the shares of European Angels Funds S.C.A. in funworld gmbh held by him in trust. Therefore, the following additional disclosure would have been required in the 2017 consolidated financial statements on page 83: "funworld is a related party of S&T AG and therefore the capital increase of TEUR 280 also represents a related party transaction." This finding has no impact on previous stand-alone or consolidated financial statements of S&T AG.

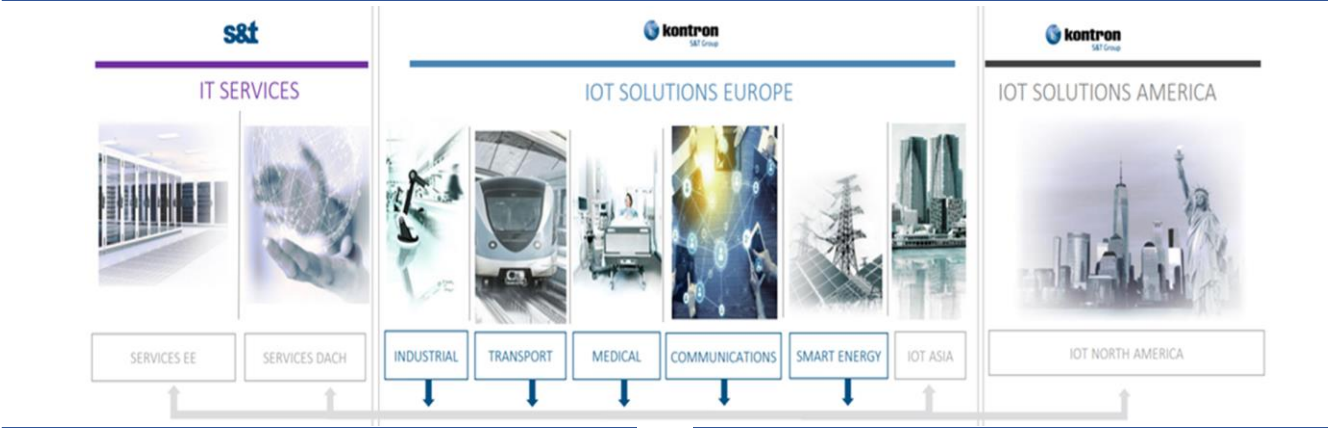
### Quarterly table

P&L data	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Sales	369.7	270.1	268.6	297.7	418.4	294.1	306.5	313.2
yoy growth in %	11.7%	20.0%	8.0%	6.6%	13.2%	8.9%	14.1%	5.2%
Gross profit	131.9	111.6	107.2	110.8	143.8	120.3	121.0	121.6
Gross margin in %	35.7%	41.3%	39.9%	37.2%	34.4%	40.9%	39.5%	38.8%
EBITDA	40.0	23.2	27.0	31.7	46.4	28.2	30.1	27.3
EBITDA margin in %	10.8%	8.6%	10.0%	10.7%	11.1%	9.6%	9.8%	8.7%
EBIT	24.9	9.4	13.1	17.2	27.1	12.7	13.9	11.7
EBIT margin in %	6.7%	3.5%	4.9%	5.8%	6.5%	4.3%	4.5%	3.7%
EBT	22.1	9.1	11.9	15.3	24.4	10.8	11.5	9.3
taxes paid	0.6	0.6	1.9	3.3	0.2	1.1	1.1	-1.2
tax rate in %	2.7%	6.7%	16.1%	21.6%	0.9%	10.4%	9.2%	-12.8%
net profit	20.1	9.5	10.1	11.8	24.2	10.1	10.4	10.2
yoy growth in %	3.5%	1.8%	14.4%	8.9%	20.4%	5.8%	2.9%	-13.8%
<b>EPS</b>	<b>0.31</b>	<b>0.15</b>	<b>0.16</b>	<b>0.18</b>	<b>0.37</b>	<b>0.16</b>	<b>0.16</b>	<b>0.16</b>

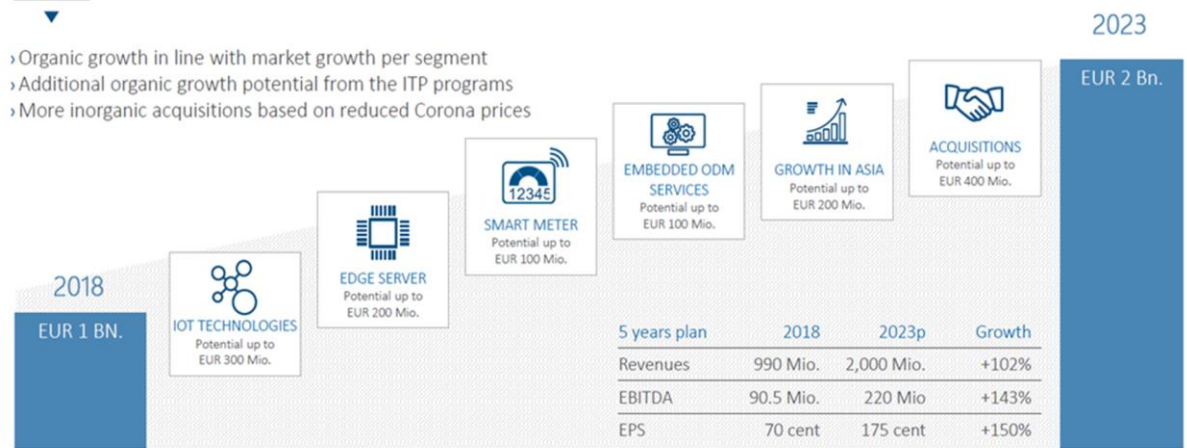
Source: Company data; AlsterResearch

# Investment case in six charts

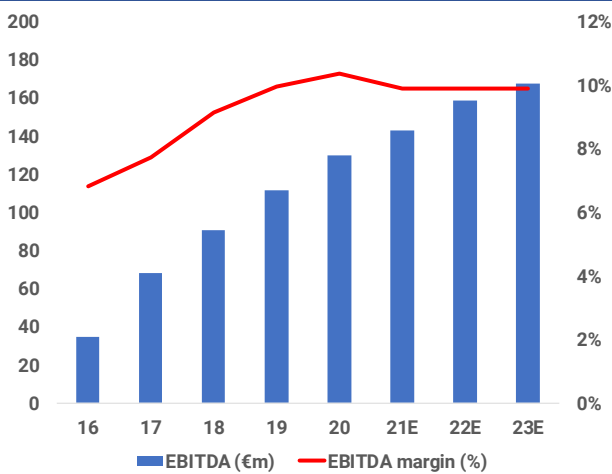
## Business units and end markets



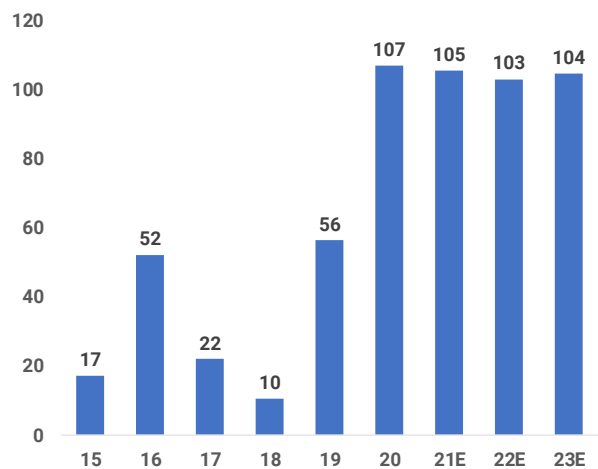
## Growth projection until 2023E



## EBITDA and margins on an upwards trend



## FCF to strengthen going forward



Source: Company data; AlsterResearch

# SWOT-Analysis

## **Strengths**

- Strong and strategic partnership with Foxconn
- Offers comprehensive suite of solutions in IT Service business
- Strong presence in DACH and EE countries
- Has diversified clients and is present in multiple geographies, minimising concentration risk

## **Weaknesses**

- A large part of revenue accrues from IT Services segment, which is a low-margin business and has low pricing power
- Lacks a scalable platform
- Avionics, one of its target IoT markets, is witnessing a rough phase due to travel restrictions

## **Opportunities**

- Has a strong presence in medical and transport segments of IoT market, which are expected to grow well
- Has sufficient liquidity and balance sheet strength to undertake acquisitions in current market where valuations are attractive
- Margin expansion, as focus shifts to higher margin IoT segment and proprietary products
- Expanding presence in China, one of the fastest-growing IoT markets

## **Threats**

- A relatively small player in the IoT market and could be hard pressed to defend its turf if a larger player enters its segment
- Dependent on Asia for hardware manufacturing and China for raw material. Geopolitical tension in the area could impair its supply chain
- Aggressive acquisitions could drag company's prospects if not properly synergized

# Valuation

## DCF Model

The DCF model results in a **fair value of EUR 30.87 per share**:

**Top-line growth:** We expect S&T AG to continue benefitting from structural growth. Hence our growth estimates for 2021-28E is in the range of 6.5% p.a. The long-term growth rate is set at 2.0%.

**EBIT margins.** The scalable business model should allow for EBIT margins of 7% by 2023E, which look defensible given high competitive quality based on scale geography and expertise. Accordingly, we model approx. 7% EBIT margins in the long-term.

**WACC.** The averaged 1-, 3- and 5-year historical equity beta is calculated as 0.95. Unlevering and correcting for mean reversion yields an asset beta of 1.10. Combined with a risk free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 13.6%. With pre-tax cost of borrowing at 5.0%, a tax rate of 25% and target debt/equity of 1.0 this results in a long-term WACC of 8.6%.

DCF (EUR m) (except per share data and beta)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Terminal value
NOPAT	67	88	103	115	121	127	132	139	
Depreciation & Amort.	53	50	49	48	49	50	51	52	
Change in working capital	9	-2	-2	-2	-1	-1	-1	-1	
Chg. in long-term provisions	7	12	10	10	5	5	6	6	
Capex	-36	-41	-44	-48	-50	-52	-54	-56	
Cash flow	100	107	115	123	124	129	134	139	2,132
Present value	101	100	99	97	90	86	82	78	1,213
WACC	8.9%	8.9%	8.9%	8.8%	8.8%	8.8%	8.8%	8.8%	8.6%

DCF per share derived from	
Total present value	1,947
Mid-year adj. total present value	2,031
Net debt / cash at start of year	44
Financial assets	69
Provisions and off b/s debt	22
Equity value	2,034
No. of shares outstanding	65.9
<b>Discounted cash flow / share upside/(downside)</b>	<b>30.87</b> <b>147.8%</b>

<b>Share price</b>	<b>12.46</b>
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DCF avg. growth and earnings assumptions	
Planning horizon avg. revenue growth (2021E - 2028E)	6.5%
Terminal value growth (2028E - infinity)	2.0%
Terminal year ROCE	13.7%
Terminal year WACC	8.6%

Terminal WACC derived from	
Cost of borrowing (before taxes)	5.0%
Long-term tax rate	25%
Equity beta	0.95
Unlevered beta (industry or company)	1.10
Target debt / equity	1.0
Relevered beta	1.93
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	13.6%

Sensitivity analysis DCF								
Change in WACC (%-points)		Long term growth					Share of present value	
		0.0%	1.0%	2.0%	3.0%	4.0%	2021E - 2024E	2025E - 2028E
2.0%		21.6	22.8	24.3	26.2	28.6	20.4%	
1.0%		23.7	25.2	27.2	29.7	33.2	17.3%	
0.0%		26.1	28.2	<b>30.8</b>	34.4	39.6		62.3%
-1.0%		29.3	32.1	35.9	41.4	49.8		
-2.0%		33.5	37.4	43.1	52.0	67.5		

## FCF Yield Model

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and in order to adjust for the pitfalls of weak long-term visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

The adjusted Free Cash Flow Yield results in a fair value between EUR 23.56 per share based on 2021E and EUR 40.80 per share on 2025E estimates. **We value S&T AG on 2022E, which derive at price target of EUR 31.00.** It thus supports the DCF based fair value calculations.

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

FCF yield in EURm	2021E	2022E	2023E	2024E	2025E
<b>EBITDA</b>	<b>131</b>	<b>151</b>	<b>166</b>	<b>179</b>	<b>186</b>
- Maintenance capex	34	34	36	38	41
- Minorities	-1	-1	-1	-1	-1
- tax expenses	11	12	14	16	17
<b>= Adjusted FCF</b>	<b>87</b>	<b>105</b>	<b>117</b>	<b>126</b>	<b>130</b>
<b>Actual Market Cap</b>	<b>821</b>	<b>821</b>	<b>821</b>	<b>821</b>	<b>821</b>
+ Net debt (cash)	-28	-106	-184	-268	-347
+ Pension provisions	23	26	28	31	32
+ Off B/S financing	0	0	0	0	0
- Financial assets	69	69	69	69	69
- Acc. dividend payments	20	41	70	104	143
<i>EV Reconciliations</i>	-93	-190	-294	-409	-527
<b>= Actual EV'</b>	<b>727</b>	<b>631</b>	<b>527</b>	<b>411</b>	<b>294</b>
<b>Adjusted RW_FCF yield</b>	<b>12.0%</b>	<b>16.7%</b>	<b>22.2%</b>	<b>30.6%</b>	<b>44.1%</b>
base hurdle rate	6.0%	6.0%	6.0%	6.0%	6.0%
ESG adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
adjusted hurdle rate	6.0%	6.0%	6.0%	6.0%	6.0%
<b>Fair EV</b>	<b>1,458</b>	<b>1,752</b>	<b>1,945</b>	<b>2,096</b>	<b>2,161</b>
- <i>EV Reconciliations</i>	-93	-190	-294	-409	-527
<b>Fair Market Cap</b>	<b>1,552</b>	<b>1,942</b>	<b>2,239</b>	<b>2,505</b>	<b>2,687</b>
No. of shares (million)	66	66	66	66	66
<b>FV per share in EUR</b>	<b>23.56</b>	<b>29.47</b>	<b>33.99</b>	<b>38.03</b>	<b>40.80</b>
<b>Premium (-) / discount (+)</b>	<b>89.1%</b>	<b>136.6%</b>	<b>172.8%</b>	<b>205.2%</b>	<b>227.4%</b>

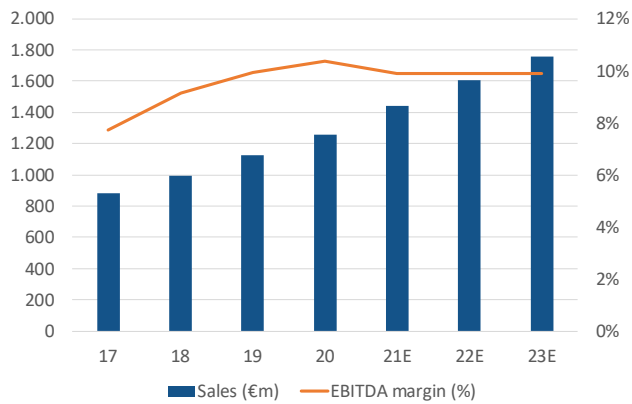
Sensitivity analysis FV						
Adjusted hurdle rate	4.0%	35	43	49	54	57
	5.0%	28	35	40	44	47
	<b>6.0%</b>	<b>24</b>	<b>29</b>	<b>34</b>	<b>38</b>	<b>41</b>
	7.0%	20	26	30	33	36
	8.0%	18	23	27	30	33

Source: AlsterResearch

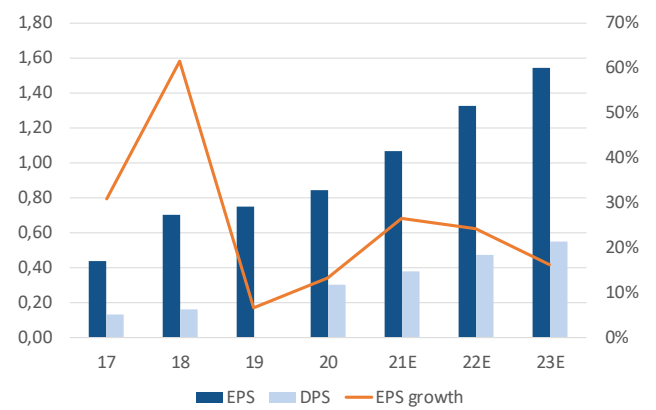
Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 6%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable, based on the overall Leeway ESG Score. A high score indicates high awareness for environmental, social or governance issues and thus might lower the overall risk an investment in the company might carry. A low score on the contrary might increase the risk of an investment and might therefore trigger a higher required hurdle rate.**

# Financials in six charts

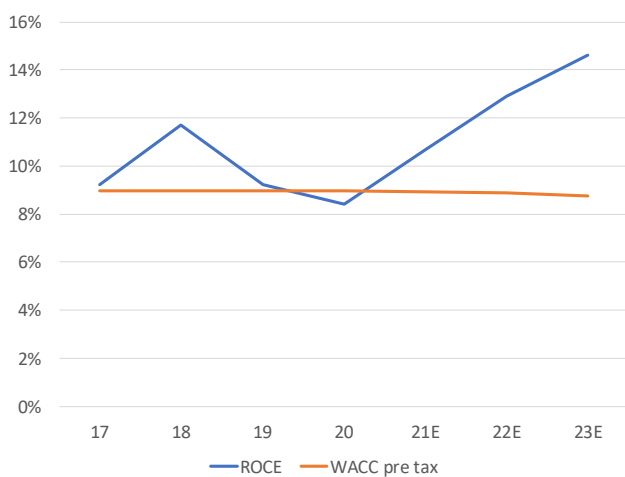
**Sales vs. EBITDA margin development**



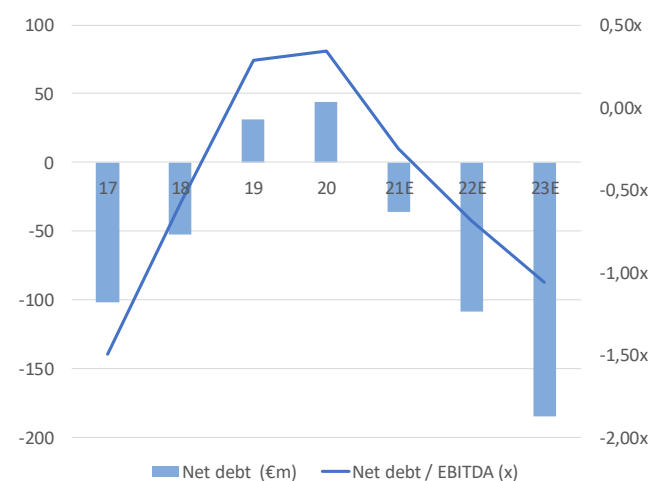
**EPS, DPS in EUR & yoy EPS growth**



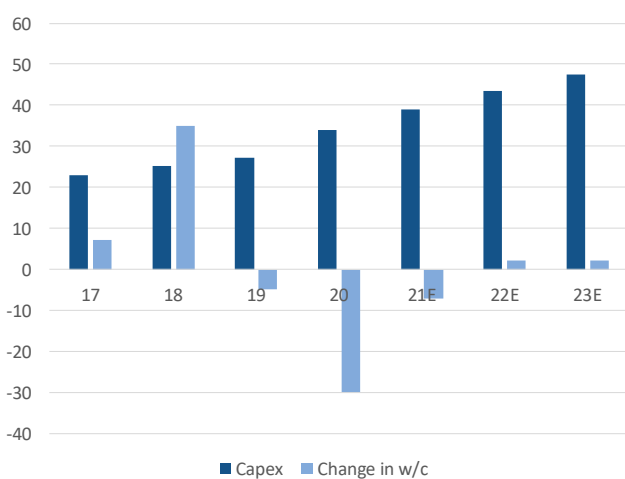
**ROCE vs. WACC (pre tax)**



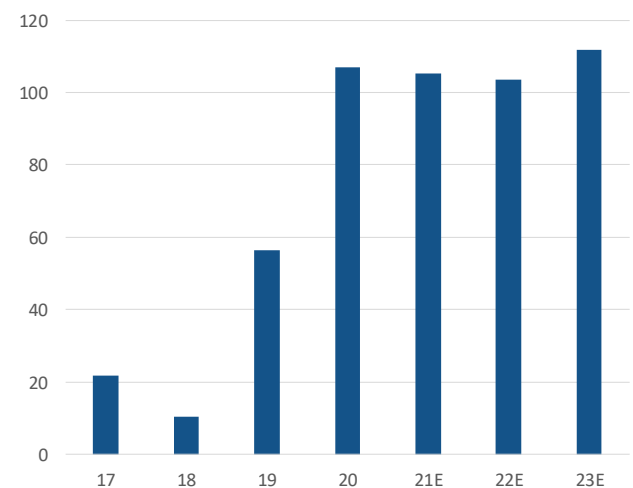
**Net debt and net debt/EBITDA**



**Capex & chg in w/c requirements in EURm**



**Free Cash Flow in EURm**





## Financials

Profit and loss (EUR m)	2018	2019	2020	2021E	2022E	2023E
<b>Net sales</b>	<b>991</b>	<b>1,123</b>	<b>1,255</b>	<b>1,339</b>	<b>1,506</b>	<b>1,642</b>
Sales growth	12.3%	13.3%	11.7%	6.7%	12.5%	9.0%
Change in finished goods and work-in-process	15	16	18	0	0	0
<b>Total sales</b>	<b>1,006</b>	<b>1,138</b>	<b>1,272</b>	<b>1,339</b>	<b>1,506</b>	<b>1,642</b>
Material expenses	644	715	799	833	935	1,020
<b>Gross profit</b>	<b>362</b>	<b>423</b>	<b>473</b>	<b>506</b>	<b>571</b>	<b>622</b>
Other operating income	8	8	9	7	8	8
Personnel expenses	195	245	273	291	325	353
Other operating expenses	84	74	79	91	102	112
<b>EBITDA</b>	<b>91</b>	<b>112</b>	<b>130</b>	<b>131</b>	<b>151</b>	<b>166</b>
Depreciation	8	50	31	34	34	36
EBITA	82	62	99	97	116	130
Amortisation of goodwill and intangible assets	21	0	31	20	16	13
<b>EBIT</b>	<b>62</b>	<b>62</b>	<b>69</b>	<b>78</b>	<b>100</b>	<b>117</b>
Financial result	-5	-8	-8	-8	-9	-9
Recurring pretax income from continuing operations	56	54	61	70	92	108
Extraordinary income/loss	0	0	0	0	0	0
Earnings before taxes	56	54	61	70	92	108
Taxes	8	5	6	11	12	14
Net income from continuing operations	48	50	55	60	80	94
Result from discontinued operations (net of tax)	0	0	0	0	0	0
<b>Net income</b>	<b>48</b>	<b>50</b>	<b>55</b>	<b>60</b>	<b>80</b>	<b>94</b>
Minority interest	-3	-0	1	1	1	1
Net profit (reported)	45	49	56	60	81	95
Average number of shares	64.33	65.87	65.87	65.87	65.87	65.87
<b>EPS reported</b>	<b>0.70</b>	<b>0.75</b>	<b>0.84</b>	<b>0.91</b>	<b>1.22</b>	<b>1.45</b>

Profit and loss (common size)	2018	2019	2020	2021E	2022E	2023E
<b>Net sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Change in finished goods and work-in-process	2%	1%	1%	0%	0%	0%
<b>Total sales</b>	<b>102%</b>	<b>101%</b>	<b>101%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Material expenses	65%	64%	64%	62%	62%	62%
<b>Gross profit</b>	<b>36%</b>	<b>38%</b>	<b>38%</b>	<b>38%</b>	<b>38%</b>	<b>38%</b>
Other operating income	1%	1%	1%	1%	1%	1%
Personnel expenses	20%	22%	22%	22%	22%	22%
Other operating expenses	8%	7%	6%	7%	7%	7%
<b>EBITDA</b>	<b>9%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>
Depreciation	1%	4%	2%	3%	2%	2%
EBITA	8%	6%	8%	7%	8%	8%
Amortisation of goodwill and intangible assets	2%	0%	2%	1%	1%	1%
<b>EBIT</b>	<b>6%</b>	<b>6%</b>	<b>5%</b>	<b>6%</b>	<b>7%</b>	<b>7%</b>
Financial result	-1%	-1%	-1%	-1%	-1%	-1%
Recurring pretax income from continuing operations	6%	5%	5%	5%	6%	7%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	6%	5%	5%	5%	6%	7%
Taxes	1%	0%	0%	1%	1%	1%
Net income from continuing operations	5%	4%	4%	4%	5%	6%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
<b>Net income</b>	<b>5%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>5%</b>	<b>6%</b>
Minority interest	-0%	-0%	0%	0%	0%	0%
<b>Net profit (reported)</b>	<b>5%</b>	<b>4%</b>	<b>4%</b>	<b>5%</b>	<b>5%</b>	<b>6%</b>

Source: Company data; AlsterResearch

Balance sheet (EUR m)	2018	2019	2020	2021E	2022E	2023E
<b>Intangible assets (exl. Goodwill)</b>	<b>88</b>	<b>100</b>	<b>103</b>	<b>83</b>	<b>67</b>	<b>55</b>
Goodwill	120	194	199	199	199	199
Property, plant and equipment	37	100	135	138	144	152
Financial assets	48	62	69	69	69	69
<b>FIXED ASSETS</b>	<b>292</b>	<b>457</b>	<b>506</b>	<b>489</b>	<b>479</b>	<b>475</b>
Inventories	131	147	160	162	182	198
Accounts receivable	207	239	228	257	289	315
Other current assets	18	21	25	25	25	25
Liquid assets	172	322	286	318	306	354
Deferred taxes	0	0	0	0	0	0
Deferred charges and prepaid expenses	27	39	43	45	51	56
<b>CURRENT ASSETS</b>	<b>555</b>	<b>769</b>	<b>741</b>	<b>807</b>	<b>853</b>	<b>948</b>
<b>TOTAL ASSETS</b>	<b>848</b>	<b>1,226</b>	<b>1,247</b>	<b>1,296</b>	<b>1,332</b>	<b>1,422</b>
<b>SHAREHOLDERS EQUITY</b>	<b>356</b>	<b>373</b>	<b>404</b>	<b>444</b>	<b>502</b>	<b>568</b>
MINORITY INTEREST	11	12	5	5	5	5
Long-term debt	79	267	264	250	200	100
Provisions for pensions and similar obligations	6	20	22	23	26	28
Other provisions	47	45	68	74	83	90
<b>Non-current liabilities</b>	<b>132</b>	<b>332</b>	<b>354</b>	<b>347</b>	<b>309</b>	<b>219</b>
short-term liabilities to banks	40	86	66	40	0	70
Accounts payable	177	205	210	240	269	293
Advance payments received on orders	38	61	72	76	86	94
Other liabilities (incl. from lease and rental contracts)	56	109	86	91	103	112
Deferred taxes	13	13	13	13	13	13
Deferred income	26	34	37	39	44	48
<b>Current liabilities</b>	<b>349</b>	<b>509</b>	<b>483</b>	<b>500</b>	<b>515</b>	<b>630</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>848</b>	<b>1,226</b>	<b>1,247</b>	<b>1,296</b>	<b>1,332</b>	<b>1,422</b>

Balance sheet (common size)	2018	2019	2020	2021E	2022E	2023E
<b>Intangible assets (excl. Goodwill)</b>	<b>10%</b>	<b>8%</b>	<b>8%</b>	<b>6%</b>	<b>5%</b>	<b>4%</b>
Goodwill	14%	16%	16%	15%	15%	14%
Property, plant and equipment	4%	8%	11%	11%	11%	11%
Financial assets	6%	5%	5%	5%	5%	5%
<b>FIXED ASSETS</b>	<b>34%</b>	<b>37%</b>	<b>41%</b>	<b>38%</b>	<b>36%</b>	<b>33%</b>
Inventories	15%	12%	13%	12%	14%	14%
Accounts receivable	24%	20%	18%	20%	22%	22%
Other current assets	2%	2%	2%	2%	2%	2%
Liquid assets	20%	26%	23%	25%	23%	25%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	3%	3%	3%	4%	4%	4%
<b>CURRENT ASSETS</b>	<b>66%</b>	<b>63%</b>	<b>59%</b>	<b>62%</b>	<b>64%</b>	<b>67%</b>
<b>TOTAL ASSETS</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>SHAREHOLDERS EQUITY</b>	<b>42%</b>	<b>30%</b>	<b>32%</b>	<b>34%</b>	<b>38%</b>	<b>40%</b>
MINORITY INTEREST	1%	1%	0%	0%	0%	0%
Long-term debt	9%	22%	21%	19%	15%	7%
Provisions for pensions and similar obligations	1%	2%	2%	2%	2%	2%
Other provisions	6%	4%	5%	6%	6%	6%
<b>Non-current liabilities</b>	<b>16%</b>	<b>27%</b>	<b>28%</b>	<b>27%</b>	<b>23%</b>	<b>15%</b>
short-term liabilities to banks	5%	7%	5%	3%	0%	5%
Accounts payable	21%	17%	17%	18%	20%	21%
Advance payments received on orders	4%	5%	6%	6%	6%	7%
Other liabilities (incl. from lease and rental contracts)	7%	9%	7%	7%	8%	8%
Deferred taxes	1%	1%	1%	1%	1%	1%
Deferred income	3%	3%	3%	3%	3%	3%
<b>Current liabilities</b>	<b>41%</b>	<b>42%</b>	<b>39%</b>	<b>39%</b>	<b>39%</b>	<b>44%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Company data; AlsterResearch

Cash flow statement (EUR m)	2018	2019	2020	2021E	2022E	2023E
Net profit/loss	56	54	61	60	80	94
Depreciation of fixed assets (incl. leases)	29	50	61	34	34	36
Amortisation of goodwill	0	0	0	0	0	0
Amortisation of intangible assets	0	0	0	20	16	13
Others	-15	-26	-11	7	12	10
Cash flow from operations before changes in w/c	71	79	111	120	142	153
Increase/decrease in inventory	-4	-1	9	-2	-20	-16
Increase/decrease in accounts receivable	-22	43	47	-29	-32	-26
Increase/decrease in accounts payable	2	-30	-2	30	30	24
Increase/decrease in other w/c positions	-11	-6	-24	10	20	16
Increase/decrease in working capital	-35	5	30	9	-2	-2
<b>Cash flow from operating activities</b>	<b>36</b>	<b>83</b>	<b>141</b>	<b>129</b>	<b>140</b>	<b>151</b>
CAPEX	-25	-27	-34	-36	-41	-44
Payments for acquisitions	-40	-27	-41	0	0	0
Financial investments	0	-4	-3	0	0	0
Income from asset disposals	1	2	1	0	0	0
<b>Cash flow from investing activities</b>	<b>-63</b>	<b>-56</b>	<b>-77</b>	<b>-36</b>	<b>-41</b>	<b>-44</b>
Cash flow before financing	-28	28	64	92	99	107
Increase/decrease in debt position	1	128	-41	-40	-90	-30
Purchase of own shares	0	-15	-12	0	0	0
Capital measures	0	0	1	0	0	0
Dividends paid	-8	-11	0	-20	-21	-29
Others	-16	-19	-14	0	0	0
Effects of exchange rate changes on cash	0	1	-8	0	0	0
<b>Cash flow from financing activities</b>	<b>-23</b>	<b>85</b>	<b>-74</b>	<b>-60</b>	<b>-111</b>	<b>-59</b>
Increase/decrease in liquid assets	-50	113	-10	33	-12	48
<b>Liquid assets at end of period</b>	<b>153</b>	<b>265</b>	<b>255</b>	<b>288</b>	<b>275</b>	<b>323</b>

Source: Company data; AlsterResearch

Regional sales split (EURm)	2018	2019	2020	2021E	2022E	2023E
Domestic	98	103	115	123	138	150
Europe (ex domestic)	540	601	671	716	806	878
The Americas	0	0	0	0	0	0
Asia	0	0	0	0	0	0
Rest of World	352	419	469	500	562	613
<b>Total sales</b>	<b>991</b>	<b>1,123</b>	<b>1,255</b>	<b>1,339</b>	<b>1,506</b>	<b>1,642</b>

Regional sales split (common size)	2018	2019	2020	2021E	2022E	2023E
Domestic	9.9%	9.2%	9.2%	9.2%	9.2%	9.2%
Europe (ex domestic)	54.5%	53.5%	53.5%	53.5%	53.5%	53.5%
The Americas	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rest of World	35.6%	37.3%	37.3%	37.3%	37.3%	37.3%
<b>Total sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Company data; AlsterResearch

Ratios	2018	2019	2020	2021E	2022E	2023E
<b>Per share data</b>						
Earnings per share reported	0.70	0.75	0.84	0.91	1.22	1.45
Cash flow per share	0.42	0.51	1.67	1.44	1.60	1.75
Book value per share	5.53	5.66	6.13	6.74	7.63	8.62
Dividend per share	0.16	0.00	0.30	0.33	0.43	0.51
<b>Valuation</b>						
P/E	17.8x	16.7x	14.8x	13.6x	10.2x	8.6x
P/CF	29.3x	24.5x	7.5x	8.7x	7.8x	7.1x
P/BV	2.3x	2.2x	2.0x	1.8x	1.6x	1.4x
Dividend yield (%)	1.3%	0.0%	2.4%	2.6%	3.5%	4.1%
FCF yield (%)	3.4%	4.1%	13.4%	11.5%	12.8%	14.0%
EV/Sales	0.8x	0.8x	0.7x	0.6x	0.5x	0.4x
EV/EBITDA	8.5x	7.8x	6.8x	6.2x	4.9x	4.0x
EV/EBIT	12.6x	14.1x	12.9x	10.5x	7.4x	5.7x
<b>Income statement (EURm)</b>						
Sales	991	1,123	1,255	1,339	1,506	1,642
yoy chg in %	12.3%	13.3%	11.7%	6.7%	12.5%	9.0%
Gross profit	362	423	473	506	571	622
Gross margin in %	36.5%	37.7%	37.7%	37.8%	37.9%	37.9%
EBITDA	91	112	130	131	151	166
EBITDA margin in %	9.1%	9.9%	10.4%	9.8%	10.0%	10.1%
EBIT	62	62	69	78	100	117
EBIT margin in %	6.2%	5.5%	5.5%	5.8%	6.7%	7.1%
Net profit	45	49	56	60	81	95
<b>Cash flow statement (EURm)</b>						
CF from operations	36	83	141	129	140	151
Capex	-25	-27	-34	-36	-41	-44
Maintenance Capex	8	50	31	34	34	36
Free cash flow	10	56	107	92	99	107
<b>Balance sheet (EURm)</b>						
Intangible assets	208	295	302	283	267	254
Tangible assets	37	100	135	138	144	152
Shareholders' equity	356	373	404	444	502	568
Pension provisions	6	20	22	23	26	28
Liabilities and provisions	172	418	420	387	309	289
Net financial debt	-53	32	44	-28	-106	-184
w/c requirements	123	120	106	103	116	126
<b>Ratios</b>						
ROE	13.6%	13.3%	13.5%	13.4%	15.9%	16.6%
ROCE	11.4%	7.7%	8.3%	9.3%	12.3%	13.6%
Net gearing	-14.8%	8.5%	10.9%	-6.4%	-21.1%	-32.4%
Net debt / EBITDA	-0.6x	0.3x	0.3x	-0.2x	-0.7x	-1.1x

Source: Company data; AlsterResearch

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