

Buy (old: Buy)

Price target: EUR 24.00 (old: EUR 24.00)

Price:	EUR 21.62	Next result:	Q2'18: 03.08.18
Bloomberg:	SANT@GR	Market cap:	EUR 1,371.6 m
Reuters:	SANT1.DE	Enterprise Value:	EUR 1,288.5 m

03-July-18

Tim Wunderlich, CFA
Analyst

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

Sensible bolt-on acquisition

S&T has entered into an agreement to buy the electronics business from Exceet Group SE. The business generated € 56m sales at € -0.8m EBITDA in 2017. The purchase price amounts to € 30m or c. 0.5x sales.

The deal looks sensible. Exceet's electronics activity focuses on embedded computer technology for specialised applications (e.g. elevators) hence constituting a nice bolt-on deal for S&T: Basically, S&T will snap up a "small Kontron".

While Exceet's electronics business was **operating sub-scale so far** with sites in Germany (profitable), Switzerland (highly loss-making), and Austria (slightly loss making), **S&T should achieve significant cost and sales synergies** given double admin functions, purchasing clout, distribution network, and lower-cost assembly capacity thanks to Foxconn.

Management is seen to have already **set up a restructuring plan** which should entail consolidating the footprint of the target and trimming admin. As a result, management expects the target to **move up to 10% EBITDA margins by 2019E**. This would imply an EBITDA contribution of almost € 6m by 2019E pointing towards a **value-accretive deal**: We see S&T generating a **15% cash flow return on the target's enterprise value** (assuming € 1.5m maintenance capex).

Investors should feel confident in management's restructuring capabilities in light of former, much bigger and more challenging transactions (S&T, Kontron) which were executed quickly and without hiccups.

Consolidation should happen in Q4'18. We do not yet include the transaction into our estimates as approval from regulatory bodies is still pending.

Expect news flow to remain positive: Q2 results should be strong supporting our view that the FY'18E guidance is too conservative (eH&A: 8.8% EBITDA margin / guidance: 8.0%). Remains a BUY with a € 24.00 PT (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 %	0.4 %	0.5 %	0.6 %	0.7 %	0.8 %	0.9 %
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	2.4	2.0	2.0	1.5	1.3	1.1	1.0
EV/EBITDA	41.0	32.8	29.7	19.0	14.6	11.6	9.4
EV/EBIT	56.5	45.0	42.4	30.9	20.2	14.9	11.6
PER	72.0	60.2	71.5	42.4	27.1	19.6	15.7
Adjusted FCF yield	1.7 %	2.2 %	2.1 %	3.4 %	5.3 %	6.8 %	8.4 %

Source: Company data, Hauck & Aufhäuser Close price as of: 02.07.2018



Source: Company data, Hauck & Aufhäuser

High/low 52 weeks: 23.20 / 13.45

Price/Book Ratio: 4.0

Relative performance (TecDAX):

3 months 2.4 %

6 months 2.5 %

12 months 32.6 %

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.

Financials

Profit and loss (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Net sales	385.5	468.2	503.7	882.0	1,005.0	1,115.6	1,227.1
<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
Total sales	386.8	470.9	506.5	895.3	1,015.1	1,126.7	1,239.4
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
EBITDA	22.9	28.4	34.4	68.1	88.4	107.1	127.0
Depreciation	2.2	7.7	10.3	7.4	9.5	10.5	11.5
EBITA	20.7	20.6	24.1	60.7	78.9	96.6	115.5
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
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	16.6	20.6	24.1	41.7	63.8	83.6	102.5
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
Recurring pretax income from continuing operations	14.8	18.4	20.1	35.4	59.1	80.8	100.2
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	14.8	18.4	20.1	35.4	59.1	80.8	100.2
Taxes	0.8	0.8	-0.3	6.0	5.9	8.1	10.0
Net income from continuing operations	14.0	17.6	20.4	29.4	53.2	72.7	90.2
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	14.0	17.6	20.4	29.4	53.2	72.7	90.2
Minority interest	1.0	1.8	5.8	6.9	2.5	2.8	3.1
Net profit (reported)	13.0	15.8	14.6	22.5	50.7	69.9	87.2
Average number of shares	41.2	43.5	44.2	52.5	63.4	63.4	63.4
EPS reported	0.32	0.36	0.33	0.43	0.80	1.10	1.37

Profit and loss (common size)	2014	2015	2016	2017	2018E	2019E	2020E
Net sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Increase/decrease in finished goods and work-in-process	0.3 %	0.6 %	0.6 %	1.5 %	1.0 %	1.0 %	1.0 %
Total sales	100.3 %	100.6 %	100.6 %	101.5 %	101.0 %	101.0 %	101.0 %
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 %
EBITDA	5.9 %	6.1 %	6.8 %	7.7 %	8.8 %	9.6 %	10.4 %
Depreciation	0.6 %	1.7 %	2.0 %	0.8 %	0.9 %	0.9 %	0.9 %
EBITA	5.4 %	4.4 %	4.8 %	6.9 %	7.9 %	8.7 %	9.4 %
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 %
EBIT (inc revaluation net)	4.3 %	4.4 %	4.8 %	4.7 %	6.4 %	7.5 %	8.4 %
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	-0.5 %	-0.5 %	-0.8 %	-0.7 %	-0.5 %	-0.3 %	-0.2 %
Recurring pretax income from continuing operations	3.8 %	3.9 %	4.0 %	4.0 %	5.9 %	7.2 %	8.2 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	3.8 %	3.9 %	4.0 %	4.0 %	5.9 %	7.2 %	8.2 %
Tax rate	5.2 %	4.3 %	-1.6 %	17.0 %	10.0 %	10.0 %	10.0 %
Net income from continuing operations	3.6 %	3.8 %	4.1 %	3.3 %	5.3 %	6.5 %	7.4 %
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	3.6 %	3.8 %	4.1 %	3.3 %	5.3 %	6.5 %	7.4 %
Minority interest	0.3 %	0.4 %	1.2 %	0.8 %	0.2 %	0.3 %	0.2 %
Net profit (reported)	3.4 %	3.4 %	2.9 %	2.6 %	5.0 %	6.3 %	7.1 %

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Intangible assets	57.1	72.8	183.2	189.9	206.9	207.3	208.4
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
FIXED ASSETS	72.3	91.0	222.8	239.4	262.9	270.1	278.1
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
CURRENT ASSETS	200.8	228.0	445.9	565.5	559.7	621.4	713.8
TOTAL ASSETS	273.1	319.1	668.7	804.9	822.6	891.5	991.9
SHAREHOLDERS EQUITY	86.9	99.8	154.0	305.1	346.0	404.9	480.0
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
Non-current liabilities	33.0	36.5	124.8	126.6	109.2	95.6	96.9
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
Current liabilities	150.3	180.3	302.8	346.4	340.7	364.3	388.2
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	273.1	319.1	668.7	804.9	822.6	891.5	991.9

Balance sheet (common size)	2014	2015	2016	2017	2018E	2019E	2020E
Intangible assets	20.9 %	22.8 %	27.4 %	23.6 %	25.2 %	23.3 %	21.0 %
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 %
FIXED ASSETS	26.5 %	28.5 %	33.3 %	29.7 %	32.0 %	30.3 %	28.0 %
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 %
CURRENT ASSETS	73.5 %	71.5 %	66.7 %	70.3 %	68.0 %	69.7 %	72.0 %
TOTAL ASSETS	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
SHAREHOLDERS EQUITY	31.8 %	31.3 %	23.0 %	37.9 %	42.1 %	45.4 %	48.4 %
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 %
Non-current liabilities	12.1 %	11.5 %	18.7 %	15.7 %	13.3 %	10.7 %	9.8 %
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 %
Current liabilities	55.1 %	56.5 %	45.3 %	43.0 %	41.4 %	40.9 %	39.1 %
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

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
Cash flow from operating activities	20.6	26.7	61.4	44.9	59.1	84.0	99.6
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
Cash flow from investing activities	-12.6	-9.6	-73.6	-39.1	-48.1	-30.7	-32.5
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
Cash flow from financing activities	12.5	-0.7	71.8	93.1	-58.4	-24.5	-10.8
Increase/decrease in liquid assets	19.5	16.8	59.5	97.0	-47.4	28.8	56.3
Liquid assets at end of period	39.5	60.3	125.6	216.9	169.5	198.3	254.6

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	-4.8 %	-19.5 %	14.8 %	-4.6 %	5.2 %	1.8 %	10.0 %
Rest of Europe	320.5	184.3	166.3	247.0	281.4	312.4	331.3
yoy change	18.9 %	-42.5 %	-9.8 %	48.5 %	13.9 %	11.0 %	6.1 %
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	19.8 %	108.3 %	14.8 %	11.8 %	11.7 %
TTL	385.5	468.2	503.7	882.0	1,005.0	1,115.6	1,227.1
yoy change	14.1 %	21.4 %	7.6 %	75.1 %	13.9 %	11.0 %	10.0 %

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
P&L growth analysis							
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 %
Efficiency							
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
Balance sheet analysis							
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
Cash flow analysis							
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 / depre	119.1 %	130.9 %	131.5 %	109.2 %	114.4 %	130.5 %	132.7 %
Capex / maintenance capex	37.3 %	46.8 %	34.8 %	145.7 %	128.6 %	133.0 %	110.9 %
Capex / sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Security							
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	-0.1	-0.2	-0.3	-0.3	-0.4	-0.4
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 %
Asset utilisation							
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
Returns							
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 %
Other							
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
Valuation ratios							
P/BV	10.8	9.6	6.8	4.5	4.0	3.4	2.9
EV/sales	2.4	2.0	2.0	1.5	1.3	1.1	1.0
EV/EBITDA	41.0	32.8	29.7	19.0	14.6	11.6	9.4
EV/EBITA	45.4	45.0	42.4	21.3	16.3	12.9	10.3
EV/EBIT	56.5	45.0	42.4	30.9	20.2	14.9	11.6
EV/FCF	63.4	54.0	19.6	58.9	41.6	23.4	17.7
Adjusted FCF yield	1.7 %	2.2 %	2.1 %	3.4 %	5.3 %	6.8 %	8.4 %
Dividend yield	0.3 %	0.4 %	0.5 %	0.6 %	0.7 %	0.8 %	0.9 %

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.

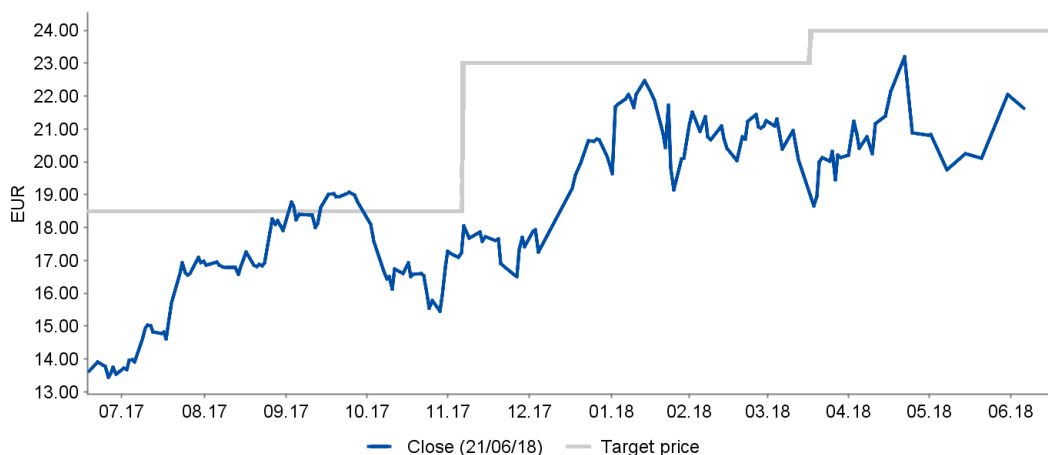
Conflicts of interest that existed at the time when this research report was published:

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 03/07/18**

Initiation coverage
30-May-12



Company	Date	Analyst	Rating	Target price	Close
S&T AG	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

Buy	61.18 %	100.00 %
Sell	13.82 %	0.00 %
Hold	25.00 %	0.00 %

Date of publication creation: 03/07/2018 08:32 AM

Date of publication dissemination: 03/07/2018 09:01 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

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

Gunnar Cohrs
Co-Head of Equities
Tel.: +49 40 414 3885 86
E-Mail: gunnar.cohrs@ha-ib.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

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

Marie-Thérèse Grübner
Head of Corporate Brokerage
Tel.: +49 40 4506342 3097
E-Mail: marie-therese.gruebner@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

Carsten Kinder
Head of Equities
Tel.: +41 43 497 30 24
E-Mail: carsten.kinder@ha-ib.de

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