

**Buy** (old: Buy)

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

<b>Price:</b>	EUR 19.39	<b>Next result:</b>	TBA
<b>Bloomberg:</b>	SANT@GR	<b>Market cap:</b>	EUR 1,281.5 m
<b>Reuters:</b>	SANT1.DE	<b>Enterprise Value:</b>	EUR 1,208.8 m

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## Hold your horses – DD's have innocent explanations

**Topic:** Share price pressure resulting from director dealings looks unjustified and presents an opportunity to buy the dip as (i) insider transactions have **straightforward and innocent explanations** and (ii) **the FY'19E guidance is more than intact** (compare corporate news from June 17) amidst strong current trading.

**What has happened:** Directors of S&T sold a total of 1.06m shares (€ 22m) at the end of last week. In detail, CEO Niederhauser sold 250k shares, CFO Neuwirth 150k shares, and Mr Grossnigg 660k shares. Mr Grossnigg, an Austrian entrepreneur, serves as head of S&T's supervisory board.

**Our take:** director dealings have innocent explanations and do **not** raise any 'red flags':

- CEO Niederhauser considers the sale of shares as his 'normal' compensation given he does not receive an adequate fixed salary (eH&A: € 7k p.a. due to social insurance reasons) in his role as CEO. As such, he will divest part of his shareholding every year, and **has been open and transparent about this strategy** for years. In any case, the CEO only decided to sell shares when it became clear during bookbuilding that the issue was oversubscribed by a factor of 2.5x. Having spoken to him, we do not expect any additional DD's within the next 12 months.
- CFO Neuwirth had a **substantial income tax liability** (eH&A: € 2m) due to the exercising of stock options and was thus in need to raise cash (note: in Austria, stock options are taxable at income tax rate (up to 55%).
- Mr Grossnigg joined forces with Quanmax AG (run by founder Mr Niederhauser, today's CEO of S&T) in 2011 to acquire ailing S&T AG, a turnaround case. He thus snapped up 6.5m shares in S&T. By 2016, the turnaround completed, Mr Grossnigg sold almost his entire stake to Ennoconn/Foxconn at € 10-11 (talk about timing...). The latest divestment was a 'clean-up trade' (i.e. he sold his entire remaining stake) as the position had become immaterial for him while his actual focus lies on turnaround/restructuring cases (S&T no longer qualifies).

Importantly, both CEO and CFO remain **highly committed to S&T and their interests well-aligned with that of investors** considering their substantial remaining shareholdings even after the transaction (CEO: 1.2m shares and options / CFO: 180k shares and options).

**News flow is set to remain very positive.** (i) Organic growth is seen to accelerate to above 10% yoy from H2'19 (eH&A / vs. 7% yoy in Q1'19) thanks to a flurry of design wins (e.g. USD 50m p.a. from US live streaming portal); (ii) Visibility on 2020E is already high, 5 of next year's 10 largest customers should be new clients, reflecting outstanding design win activity; (iii) New, innovative technologies like SUSiEtec (data communication) could provide substantial upside to growth not yet accounted for in our estimates (eH&A: best case € 500m sales at 25% EBITDA p.a. from SUSiEtec). **All of this has the potential to positively surprise the capital market.**

**BUY the dip:** the € 28.5 PT is based on DCF and does not yet include the value-accretive impact (c. € 1.50 per share) from the pending take-over of Kapsch KCC / KPTC.

Y/E 31.12 (EUR m)	2015	2016	2017	2018	2019E	2020E	2021E
Sales	468.2	503.7	882.0	990.9	1,115.6	1,227.2	1,343.7
Sales growth	21 %	8 %	75 %	12 %	13 %	10 %	10 %
EBITDA	28.4	34.4	68.1	90.5	107.1	127.0	151.2
EBIT	20.6	24.1	41.7	61.5	83.6	102.5	124.7
Net income	15.8	14.6	22.5	45.0	68.9	85.5	106.2
Net debt	-9.4	-32.0	-101.8	-52.7	-87.5	-136.5	-202.8
Net gearing	-9.4 %	-20.7 %	-33.4 %	-14.8 %	-21.1 %	-27.9 %	-34.9 %
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	0.36	0.30	0.51	0.68	1.04	1.29	1.61
CPS	0.50	1.12	0.52	0.35	0.95	1.15	1.48
DPS	0.08	0.10	0.13	0.16	0.17	0.21	0.26
Dividend yield	0.4 %	0.5 %	0.7 %	0.8 %	0.9 %	1.1 %	1.4 %
Gross profit margin	34.3 %	33.9 %	36.7 %	36.0 %	36.5 %	37.1 %	37.8 %
EBITDA margin	6.1 %	6.8 %	7.7 %	9.1 %	9.6 %	10.4 %	11.3 %
EBIT margin	4.4 %	4.8 %	4.7 %	6.2 %	7.5 %	8.4 %	9.3 %
ROCE	13.8 %	8.8 %	9.4 %	11.9 %	14.7 %	16.9 %	18.0 %
EV/sales	1.8	1.8	1.3	1.3	1.1	0.9	0.8
EV/EBITDA	29.4	26.6	16.9	13.7	11.3	9.1	7.2
EV/EBIT	40.3	37.9	27.5	20.2	14.5	11.3	8.8
PER	54.0	64.1	38.0	28.5	18.6	15.0	12.1
Adjusted FCF yield	2.5 %	2.4 %	3.8 %	5.4 %	7.2 %	8.8 %	11.4 %

Source: Company data, Hauck & Aufhäuser Close price as of: 17.06.2019



Source: Company data, Hauck & Aufhäuser

**High/low 52 weeks:** 27.30 / 17.85

**Price/Book Ratio:** 3.3

**Relative performance (TecDAX):**

3 months	-
6 months	-
12 months	-3.6 %

### Changes in estimates

		Sales	EBIT	EPS
2019	old:	1,115.6	83.6	1.04
	Δ	-	-	-
2020	old:	1,227.2	102.5	1.29
	Δ	-	-	-
2021	old:	1,343.7	124.7	1.61
	Δ	-	-	-

### Key share data:

Number of shares: (in m pcs)	66.1
Authorised capital: (in € m)	12.1
Book value per share: (in €)	6.3
Ø trading volume: (12 months)	60,000

### Major shareholders:

Free Float	64.0 %
Ennoconn	26.4 %
AGI	3.9 %
JP Morgan	3.9 %
CEO (incl. in Free Float)	1.9 %

### 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)	2015	2016	2017	2018	2019E	2020E	2021E
<b>Net sales</b>	<b>468.2</b>	<b>503.7</b>	<b>882.0</b>	<b>990.9</b>	<b>1,115.6</b>	<b>1,227.2</b>	<b>1,343.7</b>
<i>Sales growth</i>	21.4 %	7.6 %	75.1 %	12.3 %	12.6 %	10.0 %	9.5 %
Increase/decrease in finished goods and work-in-process	2.7	2.8	13.4	15.1	11.2	12.3	13.4
<b>Total sales</b>	<b>470.9</b>	<b>506.5</b>	<b>895.3</b>	<b>1,006.0</b>	<b>1,126.8</b>	<b>1,239.4</b>	<b>1,357.2</b>
Other operating income	6.3	6.1	8.5	7.5	4.5	4.3	4.7
Material expenses	309.3	334.8	567.0	644.3	715.1	779.2	843.9
Personnel expenses	89.5	93.5	179.4	194.6	215.3	235.6	256.7
Other operating expenses	50.0	50.0	89.4	84.0	93.7	101.9	110.2
Total operating expenses	442.6	472.1	827.3	915.4	1,019.7	1,112.4	1,206.0
<b>EBITDA</b>	<b>28.4</b>	<b>34.4</b>	<b>68.1</b>	<b>90.5</b>	<b>107.1</b>	<b>127.0</b>	<b>151.2</b>
Depreciation	7.7	10.3	7.4	29.0	10.5	11.5	13.0
<b>EBITA</b>	<b>20.6</b>	<b>24.1</b>	<b>60.7</b>	<b>61.5</b>	<b>96.6</b>	<b>115.5</b>	<b>138.2</b>
Amortisation of goodwill	0.0	0.0	0.0	n/a	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	18.9	n/a	13.0	13.0	13.5
Impairment charges	0.0	0.0	0.0	n/a	0.0	0.0	0.0
<b>EBIT (inc revaluation net)</b>	<b>20.6</b>	<b>24.1</b>	<b>41.7</b>	<b>61.5</b>	<b>83.6</b>	<b>102.5</b>	<b>124.7</b>
Interest income	0.3	0.3	0.6	1.0	0.6	0.8	1.5
Interest expenses	3.0	4.4	6.9	6.2	7.6	8.2	8.2
Other financial result	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-2.2	-4.0	-6.4	-5.2	-7.0	-7.5	-6.7
<b>Recurring pretax income from continuing operations</b>	<b>18.4</b>	<b>20.1</b>	<b>35.4</b>	<b>56.3</b>	<b>76.6</b>	<b>95.0</b>	<b>118.0</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>18.4</b>	<b>20.1</b>	<b>35.4</b>	<b>56.3</b>	<b>76.6</b>	<b>95.0</b>	<b>118.0</b>
Taxes	0.8	-0.3	6.0	7.9	7.7	9.5	11.8
<b>Net income from continuing operations</b>	<b>17.6</b>	<b>20.4</b>	<b>29.4</b>	<b>48.5</b>	<b>68.9</b>	<b>85.5</b>	<b>106.2</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>17.6</b>	<b>20.4</b>	<b>29.4</b>	<b>48.5</b>	<b>68.9</b>	<b>85.5</b>	<b>106.2</b>
Minority interest	1.8	5.8	6.9	3.5	0.0	0.0	0.0
<b>Net profit (reported)</b>	<b>15.8</b>	<b>14.6</b>	<b>22.5</b>	<b>45.0</b>	<b>68.9</b>	<b>85.5</b>	<b>106.2</b>
Average number of shares	43.5	44.2	52.5	66.1	66.1	66.1	66.1
<b>EPS reported</b>	<b>0.36</b>	<b>0.33</b>	<b>0.43</b>	<b>0.68</b>	<b>1.04</b>	<b>1.29</b>	<b>1.61</b>

Profit and loss (common size)	2015	2016	2017	2018	2019E	2020E	2021E
<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	0.6 %	0.6 %	1.5 %	1.5 %	1.0 %	1.0 %	1.0 %
<b>Total sales</b>	<b>100.6 %</b>	<b>100.6 %</b>	<b>101.5 %</b>	<b>101.5 %</b>	<b>101.0 %</b>	<b>101.0 %</b>	<b>101.0 %</b>
Other operating income	1.3 %	1.2 %	1.0 %	0.8 %	0.4 %	0.4 %	0.4 %
Material expenses	66.1 %	66.5 %	64.3 %	65.0 %	64.1 %	63.5 %	62.8 %
Personnel expenses	19.1 %	18.6 %	20.3 %	19.6 %	19.3 %	19.2 %	19.1 %
Other operating expenses	10.7 %	9.9 %	10.1 %	8.5 %	8.4 %	8.3 %	8.2 %
Total operating expenses	94.5 %	93.7 %	93.8 %	92.4 %	91.4 %	90.7 %	89.8 %
<b>EBITDA</b>	<b>6.1 %</b>	<b>6.8 %</b>	<b>7.7 %</b>	<b>9.1 %</b>	<b>9.6 %</b>	<b>10.4 %</b>	<b>11.3 %</b>
Depreciation	1.7 %	2.0 %	0.8 %	2.9 %	0.9 %	0.9 %	1.0 %
<b>EBITA</b>	<b>4.4 %</b>	<b>4.8 %</b>	<b>6.9 %</b>	<b>6.2 %</b>	<b>8.7 %</b>	<b>9.4 %</b>	<b>10.3 %</b>
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	n/a	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	0.0 %	0.0 %	2.1 %	n/a	1.2 %	1.1 %	1.0 %
Impairment charges	0.0 %	0.0 %	0.0 %	n/a	0.0 %	0.0 %	0.0 %
<b>EBIT (inc revaluation net)</b>	<b>4.4 %</b>	<b>4.8 %</b>	<b>4.7 %</b>	<b>6.2 %</b>	<b>7.5 %</b>	<b>8.4 %</b>	<b>9.3 %</b>
Interest income	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %
Interest expenses	0.6 %	0.9 %	0.8 %	0.6 %	0.7 %	0.7 %	0.6 %
Other financial result	0.1 %	0.0 %	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>3.9 %</b>	<b>4.0 %</b>	<b>4.0 %</b>	<b>5.7 %</b>	<b>6.9 %</b>	<b>7.7 %</b>	<b>8.8 %</b>
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Earnings before taxes</b>	<b>3.9 %</b>	<b>4.0 %</b>	<b>4.0 %</b>	<b>5.7 %</b>	<b>6.9 %</b>	<b>7.7 %</b>	<b>8.8 %</b>
Tax rate	4.3 %	-1.6 %	17.0 %	14.0 %	10.0 %	10.0 %	10.0 %
<b>Net income from continuing operations</b>	<b>3.8 %</b>	<b>4.1 %</b>	<b>3.3 %</b>	<b>4.9 %</b>	<b>6.2 %</b>	<b>7.0 %</b>	<b>7.9 %</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>3.8 %</b>	<b>4.1 %</b>	<b>3.3 %</b>	<b>4.9 %</b>	<b>6.2 %</b>	<b>7.0 %</b>	<b>7.9 %</b>
Minority interest	0.4 %	1.2 %	0.8 %	0.4 %	0.0 %	0.0 %	0.0 %
<b>Net profit (reported)</b>	<b>3.4 %</b>	<b>2.9 %</b>	<b>2.6 %</b>	<b>4.5 %</b>	<b>6.2 %</b>	<b>7.0 %</b>	<b>7.9 %</b>

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2015	2016	2017	2018	2019E	2020E	2021E
<b>Intangible assets</b>	<b>72.8</b>	<b>183.2</b>	<b>189.9</b>	<b>207.6</b>	<b>208.0</b>	<b>209.1</b>	<b>210.4</b>
Property, plant and equipment	15.2	27.5	31.9	37.1	43.9	50.8	57.2
Financial assets	3.1	12.1	17.6	0.3	0.3	0.3	0.3
<b>FIXED ASSETS</b>	<b>91.0</b>	<b>222.8</b>	<b>239.4</b>	<b>244.9</b>	<b>252.1</b>	<b>260.1</b>	<b>267.9</b>
Inventories	28.7	84.9	104.0	130.8	146.8	161.5	176.8
Accounts receivable	86.4	168.6	172.4	202.7	228.2	251.0	274.8
Other current assets	36.7	41.5	43.5	68.0	69.7	71.5	73.3
Liquid assets	60.3	125.6	216.9	171.8	227.1	276.1	342.4
Deferred taxes	15.9	25.4	28.6	29.8	29.8	29.8	29.8
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>228.0</b>	<b>445.9</b>	<b>565.5</b>	<b>603.0</b>	<b>701.6</b>	<b>789.8</b>	<b>897.1</b>
<b>TOTAL ASSETS</b>	<b>319.1</b>	<b>668.7</b>	<b>804.9</b>	<b>847.9</b>	<b>953.7</b>	<b>1,050.0</b>	<b>1,165.0</b>
<b>SHAREHOLDERS EQUITY</b>	<b>99.8</b>	<b>154.0</b>	<b>305.1</b>	<b>356.0</b>	<b>414.3</b>	<b>488.6</b>	<b>580.8</b>
MINORITY INTEREST	2.4	87.0	26.7	11.3	11.3	11.3	11.3
Long-term debt	28.1	74.2	68.7	79.4	100.0	100.0	100.0
Provisions for pensions and similar obligations	2.5	11.6	21.2	14.6	14.8	14.9	15.0
Other provisions	6.0	39.1	36.7	28.0	28.8	29.7	30.6
<b>Non-current liabilities</b>	<b>36.5</b>	<b>124.8</b>	<b>126.6</b>	<b>122.0</b>	<b>143.6</b>	<b>144.6</b>	<b>145.7</b>
short-term liabilities to banks	22.9	19.5	46.4	39.6	39.6	39.6	39.6
Accounts payable	70.1	134.3	154.9	177.0	199.2	219.2	240.0
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)	85.9	143.7	135.6	129.4	133.3	133.3	133.3
Deferred taxes	1.4	5.4	9.5	12.6	12.4	13.4	14.3
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>180.3</b>	<b>302.8</b>	<b>346.4</b>	<b>358.6</b>	<b>384.6</b>	<b>405.5</b>	<b>427.2</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>319.1</b>	<b>668.7</b>	<b>804.9</b>	<b>847.9</b>	<b>953.7</b>	<b>1,050.0</b>	<b>1,165.0</b>

Balance sheet (common size)	2015	2016	2017	2018	2019E	2020E	2021E
<b>Intangible assets</b>	<b>22.8 %</b>	<b>27.4 %</b>	<b>23.6 %</b>	<b>24.5 %</b>	<b>21.8 %</b>	<b>19.9 %</b>	<b>18.1 %</b>
Property, plant and equipment	4.7 %	4.1 %	4.0 %	4.4 %	4.6 %	4.8 %	4.9 %
Financial assets	1.0 %	1.8 %	2.2 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>FIXED ASSETS</b>	<b>28.5 %</b>	<b>33.3 %</b>	<b>29.7 %</b>	<b>28.9 %</b>	<b>26.4 %</b>	<b>24.8 %</b>	<b>23.0 %</b>
Inventories	9.0 %	12.7 %	12.9 %	15.4 %	15.4 %	15.4 %	15.2 %
Accounts receivable	27.1 %	25.2 %	21.4 %	23.9 %	23.9 %	23.9 %	23.6 %
Other current assets	11.5 %	6.2 %	5.4 %	8.0 %	7.3 %	6.8 %	6.3 %
Liquid assets	18.9 %	18.8 %	27.0 %	20.3 %	23.8 %	26.3 %	29.4 %
Deferred taxes	5.0 %	3.8 %	3.6 %	3.5 %	3.1 %	2.8 %	2.6 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>CURRENT ASSETS</b>	<b>71.5 %</b>	<b>66.7 %</b>	<b>70.3 %</b>	<b>71.1 %</b>	<b>73.6 %</b>	<b>75.2 %</b>	<b>77.0 %</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>31.3 %</b>	<b>23.0 %</b>	<b>37.9 %</b>	<b>42.0 %</b>	<b>43.4 %</b>	<b>46.5 %</b>	<b>49.9 %</b>
MINORITY INTEREST	0.8 %	13.0 %	3.3 %	1.3 %	1.2 %	1.1 %	1.0 %
Long-term debt	8.8 %	11.1 %	8.5 %	9.4 %	10.5 %	9.5 %	8.6 %
Provisions for pensions and similar obligations	0.8 %	1.7 %	2.6 %	1.7 %	1.5 %	1.4 %	1.3 %
Other provisions	1.9 %	5.8 %	4.6 %	3.3 %	3.0 %	2.8 %	2.6 %
<b>Non-current liabilities</b>	<b>11.5 %</b>	<b>18.7 %</b>	<b>15.7 %</b>	<b>14.4 %</b>	<b>15.1 %</b>	<b>13.8 %</b>	<b>12.5 %</b>
short-term liabilities to banks	7.2 %	2.9 %	5.8 %	4.7 %	4.2 %	3.8 %	3.4 %
Accounts payable	22.0 %	20.1 %	19.2 %	20.9 %	20.9 %	20.9 %	20.6 %
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)	26.9 %	21.5 %	16.9 %	15.3 %	14.0 %	12.7 %	11.4 %
Deferred taxes	0.5 %	0.8 %	1.2 %	1.5 %	1.3 %	1.3 %	1.2 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Current liabilities</b>	<b>56.5 %</b>	<b>45.3 %</b>	<b>43.0 %</b>	<b>42.3 %</b>	<b>40.3 %</b>	<b>38.6 %</b>	<b>36.7 %</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)	2015	2016	2017	2018	2019E	2020E	2021E
Net profit/loss	17.6	20.4	29.4	48.5	68.9	85.5	106.2
Depreciation of fixed assets (incl. leases)	7.7	10.3	7.4	29.9	10.5	11.5	13.0
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	18.9	0.0	13.0	13.0	13.5
Others	-5.2	-1.9	-13.6	-17.7	2.8	0.3	0.1
Cash flow from operations before changes in w/c	20.2	28.9	42.1	60.7	95.3	110.4	132.8
Increase/decrease in inventory	1.3	9.3	-17.9	-4.1	-16.0	-14.7	-15.3
Increase/decrease in accounts receivable	9.2	-1.5	5.5	-23.1	-25.5	-22.8	-23.8
Increase/decrease in accounts payable	-4.1	20.3	15.2	2.1	22.3	19.9	20.8
Increase/decrease in other working capital positions	0.0	4.4	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	6.5	32.5	2.8	-25.1	-19.3	-17.6	-18.4
<b>Cash flow from operating activities</b>	<b>26.7</b>	<b>61.4</b>	<b>44.9</b>	<b>35.5</b>	<b>76.0</b>	<b>92.8</b>	<b>114.5</b>
CAPEX	9.5	9.3	23.0	25.1	30.7	32.5	34.3
Payments for acquisitions	0.4	59.2	11.5	39.6	0.0	0.0	0.0
Financial investments	0.6	4.3	5.7	-0.5	0.0	0.0	0.0
Income from asset disposals	0.9	-0.9	1.2	1.1	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-9.6</b>	<b>-73.6</b>	<b>-39.1</b>	<b>-63.1</b>	<b>-30.7</b>	<b>-32.5</b>	<b>-34.3</b>
Cash flow before financing	17.1	-12.2	5.8	-27.6	45.3	60.3	80.2
Increase/decrease in debt position	6.1	39.8	28.8	1.2	20.6	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	44.0	86.9	2.2	0.0	0.0	0.0
Dividends paid	3.1	3.5	4.9	8.3	10.6	11.2	13.9
Others	-3.8	-8.5	-17.7	-15.9	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.5	0.0	-2.0	0.3	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>-0.7</b>	<b>71.8</b>	<b>93.1</b>	<b>-20.9</b>	<b>10.0</b>	<b>-11.2</b>	<b>-13.9</b>
Increase/decrease in liquid assets	16.8	59.5	97.0	-48.2	55.3	49.0	66.3
<b>Liquid assets at end of period</b>	<b>60.3</b>	<b>125.6</b>	<b>216.9</b>	<b>171.8</b>	<b>227.1</b>	<b>276.1</b>	<b>342.4</b>

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2015	2016	2017	2018	2019E	2020E	2021E
Domestic	52.4	60.1	108.3	98.4	101.5	104.3	107.5
yoy change	-19.5 %	14.8 %	80.1 %	-9.1 %	3.1 %	2.7 %	3.1 %
Rest of Europe	184.3	166.3	242.7	300.0	334.7	365.7	393.7
yoy change	-42.5 %	-9.8 %	46.0 %	23.6 %	11.6 %	9.3 %	7.7 %
NAFTA	n/a	n/a	132.1	133.2	151.7	174.3	197.5
yoy change	n/a	n/a	n/a	0.8 %	13.9 %	14.9 %	13.4 %
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	231.5	277.3	398.9	459.4	527.7	582.9	645.0
yoy change	n/a	19.8 %	43.8 %	15.2 %	14.9 %	10.5 %	10.7 %
<b>TTL</b>	<b>468.2</b>	<b>503.7</b>	<b>882.0</b>	<b>990.9</b>	<b>1,115.6</b>	<b>1,227.2</b>	<b>1,343.7</b>
yoy change	21.4 %	7.6 %	75.1 %	12.3 %	12.6 %	10.0 %	9.5 %

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2015	2016	2017	2018	2019E	2020E	2021E
<b>P&amp;L growth analysis</b>							
Sales growth	21.4 %	7.6 %	75.1 %	12.3 %	12.6 %	10.0 %	9.5 %
EBITDA growth	23.9 %	21.3 %	97.9 %	33.0 %	18.3 %	40.3 %	41.2 %
EBIT growth	24.1 %	16.9 %	73.1 %	47.3 %	35.9 %	66.7 %	49.1 %
EPS growth	15.3 %	-9.3 %	29.9 %	58.9 %	53.2 %	90.1 %	54.1 %
<b>Efficiency</b>							
Total operating costs / sales	94.5 %	93.7 %	93.8 %	92.4 %	91.4 %	90.7 %	89.8 %
Sales per employee	209.9	223.6	306.0	254.1	258.2	282.5	306.3
EBITDA per employee	12.7	15.3	23.6	23.2	24.8	29.2	34.5
<b>Balance sheet analysis</b>							
Avg. working capital / sales	10.3 %	16.3 %	13.6 %	14.0 %	14.9 %	14.2 %	14.4 %
Inventory turnover (sales/inventory)	16.3	5.9	8.5	7.6	7.6	7.6	7.6
Trade debtors in days of sales	67.4	122.2	71.3	74.6	74.6	74.6	74.6
A/P turnover [(A/P*365)/sales]	54.6	97.3	64.1	65.2	65.2	65.2	65.2
Cash conversion cycle (days)	18.6	68.3	38.6	48.5	47.9	47.6	47.3
<b>Cash flow analysis</b>							
Free cash flow	17.2	52.1	21.9	10.4	45.3	60.3	80.2
Free cash flow/sales	3.7 %	10.3 %	2.5 %	1.1 %	4.1 %	4.9 %	6.0 %
FCF / net profit	108.6 %	357.3 %	97.3 %	23.2 %	65.7 %	70.5 %	75.5 %
Capex / depre	130.9 %	131.5 %	109.2 %	82.3 %	130.5 %	132.7 %	129.3 %
Capex / maintenance capex	n/a	0.0 %	145.7 %	n/a	133.0 %	110.9 %	117.4 %
Capex / sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Security</b>							
Net debt	-9.4	-32.0	-101.8	-52.7	-87.5	-136.5	-202.8
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt / equity	neg.	neg.	neg.	neg.	neg.	neg.	neg.
Interest cover	6.9	5.5	6.0	10.0	11.0	12.4	15.1
Dividend payout ratio	21.9 %	33.1 %	36.6 %	23.5 %	16.3 %	16.3 %	16.3 %
<b>Asset utilisation</b>							
Capital employed turnover	2.9	1.3	1.7	1.9	1.8	1.8	1.7
Operating assets turnover	7.8	3.4	5.7	5.1	5.1	5.0	5.0
Plant turnover	30.9	18.3	27.7	26.7	25.4	24.2	23.5
Inventory turnover (sales/inventory)	16.3	5.9	8.5	7.6	7.6	7.6	7.6
<b>Returns</b>							
ROCE	13.8 %	8.8 %	9.4 %	11.9 %	14.7 %	16.9 %	18.0 %
ROE	15.9 %	9.5 %	7.4 %	12.6 %	16.6 %	17.5 %	18.3 %
<b>Other</b>							
Interest paid / avg. debt	6.5 %	6.0 %	6.6 %	5.3 %	5.9 %	6.4 %	5.9 %
No. employees (average)	2230	2252	2882	3900	4322	4343	4387
Number of shares	43.5	44.2	52.5	66.1	66.1	66.1	66.1
DPS	0.1	0.1	0.1	0.2	0.2	0.2	0.3
EPS reported	0.36	0.33	0.43	0.68	1.04	1.29	1.61
<b>Valuation ratios</b>							
P/BV	8.6	6.1	4.0	3.6	3.1	2.6	2.2
EV/sales	1.8	1.8	1.3	1.3	1.1	0.9	0.8
EV/EBITDA	29.4	26.6	16.9	13.7	11.3	9.1	7.2
EV/EBITA	40.3	37.9	18.9	20.2	12.5	10.0	7.9
EV/EBIT	40.3	37.9	27.5	20.2	14.5	11.3	8.8
EV/FCF	48.4	17.6	52.5	119.1	26.7	19.2	13.6
Adjusted FCF yield	2.5 %	2.4 %	3.8 %	5.4 %	7.2 %	8.8 %	11.4 %
Dividend yield	0.4 %	0.5 %	0.7 %	0.8 %	0.9 %	1.1 %	1.4 %

Source: Company data, Hauck & Aufhäuser

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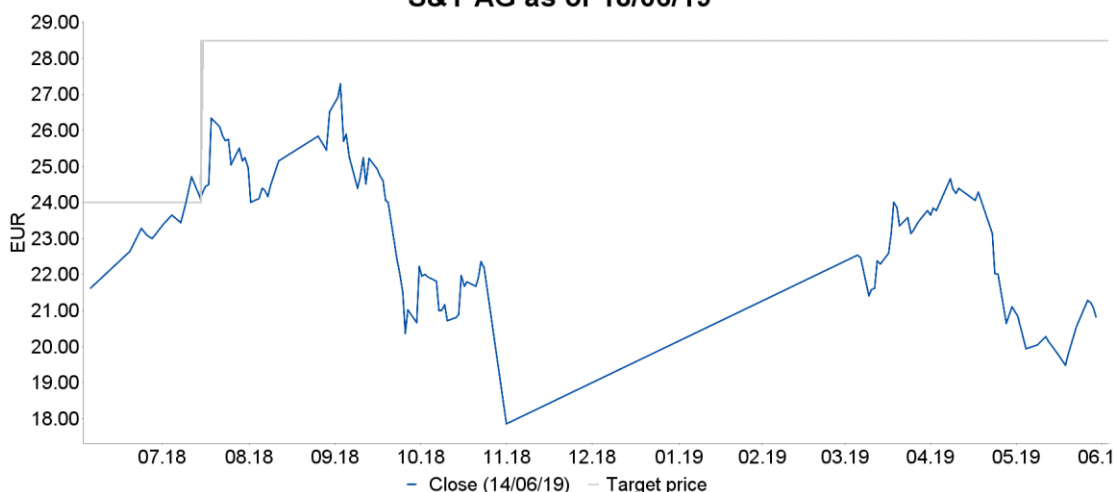
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Company	Disclosure
S&T AG	3, 8

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

**Price and Rating History  
S&T AG as of 18/06/19**

Initiation coverage  
30-May-12



Company	Date	Analyst	Rating	Target price	Close
S&T AG	01.04.2019	Wunderlich, CFA, Tim	Buy	EUR 28,50	EUR 22,60
	10.01.2019	Wunderlich, CFA, Tim	Buy	EUR 28,50	EUR 17,85
	17.09.2018	Wunderlich, CFA, Tim	Buy	EUR 28,50	EUR 26,92
	03.09.2018	Wunderlich, CFA, Tim	Buy	EUR 28,50	EUR 25,16
	28.08.2018	Wunderlich, CFA, Tim	Buy	EUR 28,50	EUR 25,16
	07.08.2018	Wunderlich, CFA, Tim	Buy	EUR 28,50	EUR 25,84

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

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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.

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