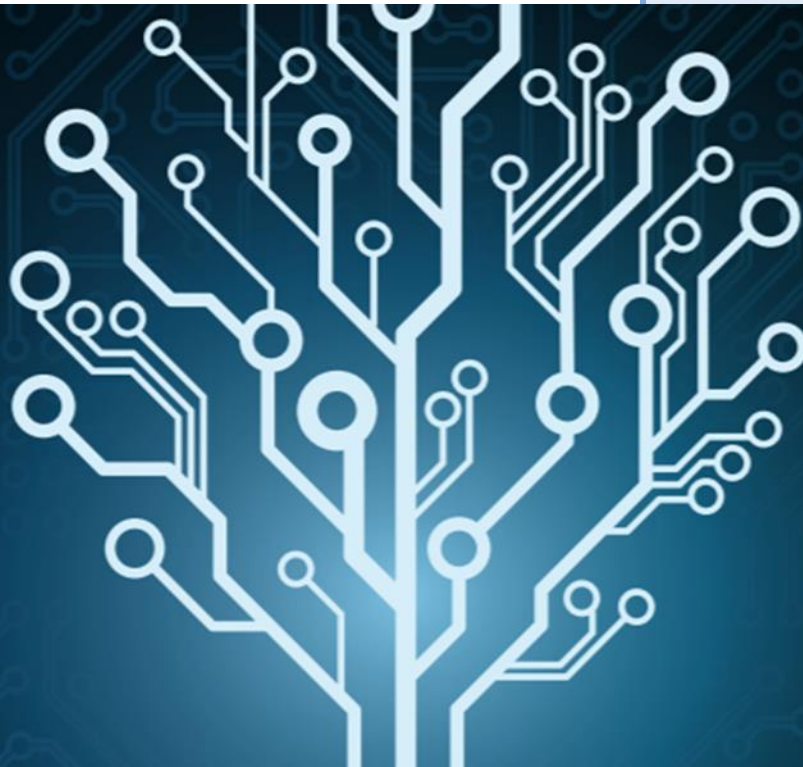


S&T AG

Austria | Technology | MCap EUR 1,354.3m

16 June 2021

UPDATE



S&T strengthens its multi-vendor services business; BUY

What's it all about?

Through a bolt-on acquisition from German peer Bechtle, S&T is strengthening its multi-vendor services business in Germany. Through this acquisition, S&T will add another 70 service technicians to its existing team of 330. With this, S&T is moving closer to its aim to achieve at least EUR 100m in sales in the German IT services business. Despite the small size, we view this transaction as positive as it allows S&T to grow in size and to reap overall synergies. A negative purchase price of c. EUR 1m additionally should be seen as a nice add-on – as well as the fact that Bechtle AG has been won as a new strategic partner allowing for additional revenue potential. We therefore reiterate to BUY, PT unchanged at EUR 31.00, offering an upside of c. 50%

BUY (BUY)

Target price	EUR 31.00 (31.00)
Current price	EUR 20.56
Up/downside	50.8%



MAIN AUTHOR

Thomas Wissler

t.wissler@alsterresearch.com
+49 40 309 293-58

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

[alsterresearch.com](https://www.alsterresearch.com)

This research is the product of AlsterResearch, which is authorized and regulated by the BaFin in Germany.

S&T AG

Austria | Technology | MCap EUR 1,354.3m | EV EUR 1,420.3m

BUY (BUY)

Target price EUR 31.00 (31.00)
Current price EUR 20.56
Up/downside 50.8%

MAIN AUTHOR

Thomas Wissler
t.wissler@alsterresearch.com
+49 40 309 293-58

S&T strengthens its multi-vendor services business; BUY

S&T AG signed an agreement with IT system house Bechtle AG (BC8:GR; BUY, PT 182.00; [Link](#)) to cooperate in the field of multi-vendor services. Multi-Vendor Services contracts eliminate the complexity of dealing with multiple OEMs and external suppliers, by bundling all part and equipment maintenance with a single source.

As part of the cooperation, S&T Group will acquire 100% of Bechtle's subsidiary PSB IT-Service GmbH. As a result, around 70 IT service technicians will be moving to S&T Group, strengthening the current team of around 330 employees. In the course of the cooperation, S&T Group will become the strategic partner for multi-vendor services of Bechtle Managed Services AG. The transaction is to be implemented on July 1, 2021. In the medium term, it is also planned to expand the cooperation to include customer projects in Eastern Europe, where the S&T Group has a strong service network with its own technicians.

Our take: Even though small in size, the cooperation is part of S&T's strategy to grow locally on the German market. S&T previously communicated that they aim to increase the IT services business in Germany to at least EUR 100m. The acquisition of the Bechtle subsidiary will result in high synergies in our view. With 70 technicians Bechtle lacked the critical mass in order to pursue this business profitably. Hence, the purchase price is also expected to be negative and – according to the company – has been approx. EUR -1m. In contrast, S&T will now exceed the 400 employee threshold, allowing them to run this business profitably – even more so with Bechtle AG being a new strategic partner allowing for additional revenue potential.

Conclusion: We view the latest announcement as a positive news flow and reassuring message that S&T is a trustworthy and reliable partner. With unchanged estimates we reiterate our BUY recommendation, PT EUR 31.00



Source: Company data, AlsterResearch

High/low 52 weeks 25.72 / 15.10
Price/Book Ratio 3.4x

Ticker / Symbols

ISIN AT0000A0E9W5
WKN AOX9EJ
Bloomberg SANT:GR

Changes in estimates

		Sales	EBIT	EPS
2021	old	00.0	00.0	00.0
	Δ	-	-	-
2022	old	00.0	00.0	00.0
	Δ	-	-	-
2023	old	00.0	00.0	00.0
	Δ	-	-	-

Key share data

Number of shares: (in m pcs) 65.9
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.

S&T AG	2018	2019	2020	2021E	2022E	2023E
Sales	990.9	1,122.9	1,254.8	1,443.0	1,600.6	1,702.1
<i>Growth yoy</i>	12.3%	13.3%	11.7%	15.0%	10.9%	6.3%
EBITDA	90.5	111.7	130.0	142.9	158.5	168.5
EBIT	61.5	61.8	68.6	89.5	107.6	118.6
Net profit	45.0	49.1	55.6	70.3	86.9	96.5
Net debt (net cash)	-52.7	31.6	44.2	-41.4	-119.3	-193.9
Net debt/EBITDA	-0.6x	0.3x	0.3x	-0.3x	-0.8x	-1.2x
EPS recurring	0.70	0.75	0.84	1.07	1.32	1.47
DPS	0.16	0.00	0.30	0.38	0.47	0.52
<i>Dividend yield</i>	0.8%	0.0%	1.5%	1.8%	2.3%	2.5%
Gross profit margin	36.5%	37.7%	37.7%	38.0%	38.0%	38.0%
EBITDA margin	9.1%	9.9%	10.4%	9.9%	9.9%	9.9%
EBIT margin	6.2%	5.5%	5.5%	6.2%	6.7%	7.0%
ROCE	11.7%	7.8%	8.3%	10.5%	12.9%	13.6%
EV/EBITDA	14.4x	12.6x	10.9x	9.4x	8.0x	7.1x
EV/EBIT	21.3x	22.8x	20.7x	14.9x	11.7x	10.0x
PER	29.4x	27.6x	24.4x	19.3x	15.6x	14.0x
FCF yield	2.1%	2.5%	8.1%	8.2%	8.2%	8.4%

Source: Company data, AlsterResearch

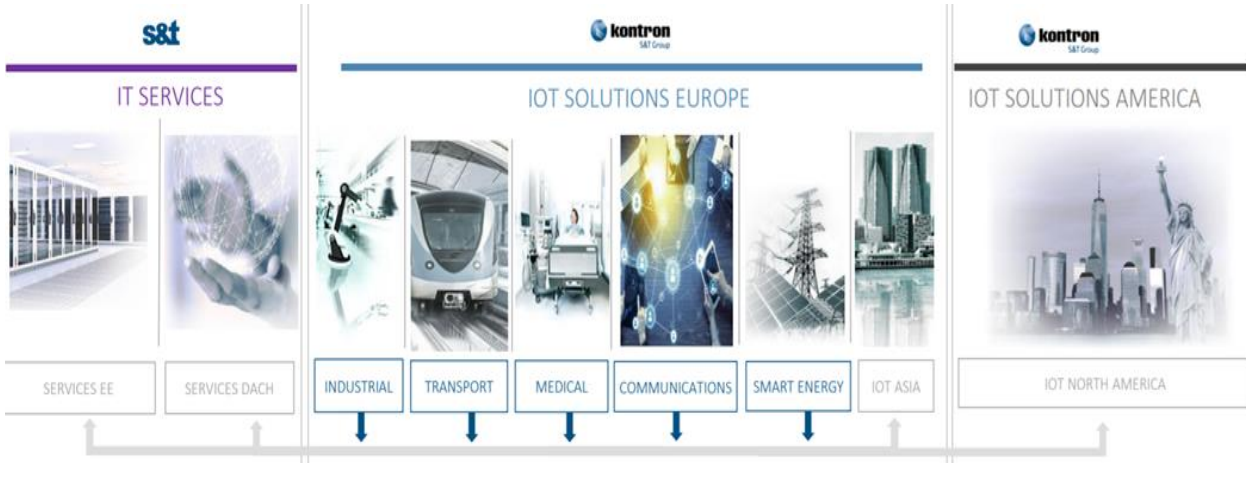
Quarterly table

P&L data	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Sales	248.7	279.4	369.7	270.1	268.6	297.7	418.4	294.1
yoy growth in %	13.5%	17.7%	11.7%	20.0%	8.0%	6.6%	13.2%	8.9%
Gross profit	92.9	109.6	131.9	111.6	107.2	110.8	143.8	120.3
Gross margin in %	37.3%	39.2%	35.7%	41.3%	39.9%	37.2%	34.4%	40.9%
EBITDA	23.2	27.4	40.0	23.2	27.0	31.7	46.4	28.2
EBITDA margin in %	9.3%	9.8%	10.8%	8.6%	10.0%	10.7%	11.1%	9.6%
EBIT	11.7	14.5	24.9	9.4	13.1	17.2	27.1	12.7
EBIT margin in %	4.7%	5.2%	6.7%	3.5%	4.9%	5.8%	6.5%	4.3%
EBT	10.2	12.2	22.1	9.1	11.9	15.3	24.4	10.8
taxes paid	1.4	1.5	0.6	0.6	1.9	3.3	0.2	1.1
tax rate in %	14.2%	12.6%	2.7%	6.7%	16.1%	21.6%	0.9%	10.4%
net profit	8.8	10.8	20.1	9.5	10.1	11.8	24.2	10.1
yoy growth in %	-0.6%	16.0%	3.5%	1.8%	14.4%	8.9%	20.4%	5.8%
EPS	0.13	0.16	0.31	0.15	0.16	0.18	0.37	0.16

Source: Company data; AlsterResearch

Investment case in six charts

Business units and end markets



Growth projection until 2023E

› Organic growth in line with market growth per segment
 › Additional organic growth potential from the ITP programs
 › More inorganic acquisitions based on reduced Corona prices

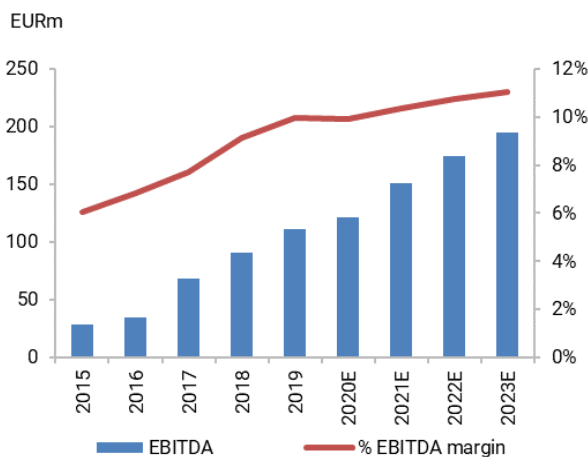
2018
EUR 1 Bn.

- IOT TECHNOLOGIES: Potential up to EUR 300 Mio.
- EDGE SERVER: Potential up to EUR 200 Mio.
- SMART METER: Potential up to EUR 100 Mio.
- EMBEDDED ODM SERVICES: Potential up to EUR 100 Mio.
- GROWTH IN ASIA: Potential up to EUR 200 Mio.
- ACQUISITIONS: Potential up to EUR 400 Mio.

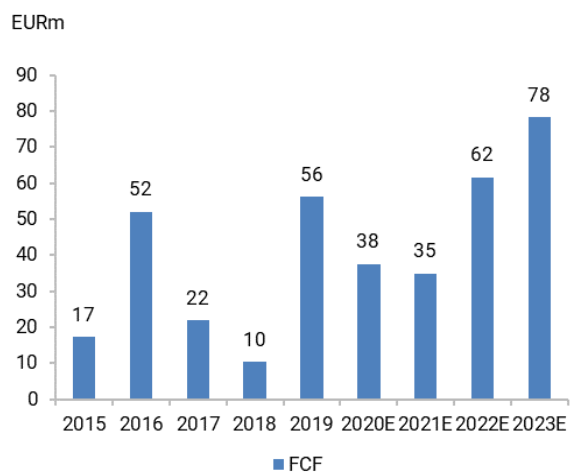
2023
EUR 2 Bn.

5 years plan	2018	2023p	Growth
Revenues	990 Mio.	2,000 Mio.	+102%
EBITDA	90.5 Mio.	220 Mio.	+143%
EPS	70 cent	175 cent	+150%

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

The DCF model results in a price target of **EUR 32.00** per share. Key model assumptions:

- 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 8% 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. We model a weighted average cost of capital of 8.7% to reflect the mature stage of the business model, consisting of a 6.0% risk premium beta of 1.0x and 2.0% risk free rate.

DCF (EUR m) (except per share data and beta)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Terminal value
NOPAT	76.1	93.6	103.1	112.1	119.6	127.0	134.6	142.4	
Depreciation & Amort.	53.3	50.9	49.9	49.7	50.1	50.9	52.0	53.5	
Change in working capital	7.2	-2.1	-1.4	-1.4	-1.2	-1.3	-1.3	-1.4	
Chg. in long-term provisions	14.3	11.4	7.3	7.4	6.5	6.9	7.2	7.6	
Capex	-39.0	-43.3	-46.0	-48.8	-51.2	-53.8	-56.5	-59.3	
Cash flow	111.9	110.5	113.1	119.1	123.8	129.7	136.1	142.7	2,188.8
Present value	106.9	97.0	91.3	88.6	84.7	81.7	78.8	76.0	1,170.7
WACC	8.8%	8.8%	8.8%	8.7%	8.7%	8.7%	8.7%	8.7%	8.6%

DCF per share derived from		DCF avg. growth and earnings assumptions	
Total present value	1,875.7	Planning horizon avg. revenue growth (2021E - 2028E)	6.2%
Mid-year adj. total present value	1,955.9	Terminal value growth (2028E - infinity)	2.0%
Net debt / cash at start of year	44.2	Terminal year ROCE	13.9%
Financial assets	68.6	Terminal year WACC	8.6%
Provisions and off b/s debt	21.8		
Equity value	1,958.5	Terminal WACC derived from	
No. of shares outstanding	65.9	Cost of borrowing (before taxes)	5.0%
		Long-term tax rate	25.0%
		Equity beta	0.97
		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%
Discounted cash flow / share upside/(downside)	29.73 / 44.6%		
Share price	20.56		

Sensitivity analysis DCF							
Change in WACC (%-points)	Long term growth					Share of present value	
	0.0%	1.0%	2.0%	3.0%	4.0%		
2.0%	20.5	21.7	23.1	24.9	27.2	2021E - 2024E	20.5%
1.0%	22.6	24.1	26.0	28.4	31.7	2025E - 2028E	17.1%
0.0%	25.2	27.1	29.7	33.2	38.1	terminal value	62.4%
-1.0%	28.4	31.1	34.8	40.1	48.3		
-2.0%	32.7	36.5	42.1	50.8	66.0		

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 25.90 per share based on 2021E and EUR 40.44 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
EBITDA	142.9	158.5	168.5	178.6	187.5
- Maintenance capex	33.8	35.1	37.1	39.4	41.7
- Minorities	0.7	0.9	1.0	1.1	1.2
- tax expenses	12.3	12.8	14.3	16.1	17.3
= Adjusted FCF	96.1	109.7	116.1	122.0	127.4
Actual Market Cap	1,354.3	1,354.3	1,354.3	1,354.3	1,354.3
+ Net debt (cash)	-41.4	-119.3	-193.9	-274.6	-355.6
+ Pension provisions	25.0	27.8	29.5	31.3	32.9
+ Off B/S financing	0.0	0.0	0.0	0.0	0.0
- Financial assets	68.6	68.6	68.6	68.6	68.6
- Acc. dividend payments	19.8	44.7	75.6	109.9	148.7
<i>EV Reconciliations</i>	-104.6	-204.8	-308.6	-421.8	-539.9
= Actual EV'	1,249.7	1,149.5	1,045.7	932.5	814.4
Adjusted RW_FCF yield	7.7%	9.5%	11.1%	13.1%	15.6%
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%
Fair EV	1,601.8	1,827.7	1,935.7	2,033.9	2,123.7
- <i>EV Reconciliations</i>	-104.6	-204.8	-308.6	-421.8	-539.9
Fair Market Cap	1,706.4	2,032.6	2,244.2	2,455.7	2,663.6
No. of shares (million)	65.9	65.9	65.9	65.9	65.9
FV per share in EUR	25.91	30.86	34.07	37.28	40.44
Premium (-) / discount (+)	26.0%	50.1%	65.7%	81.3%	96.7%

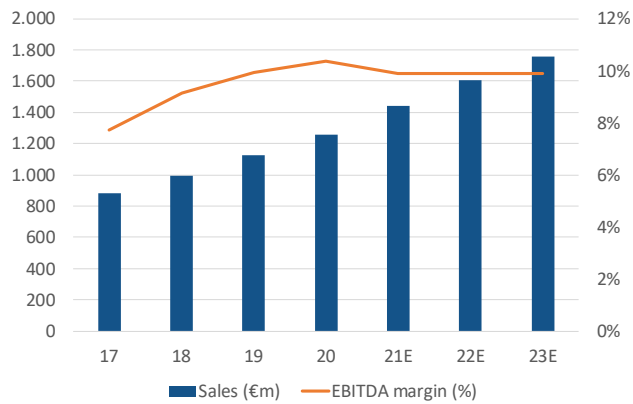
Sensitivity analysis FV						
Adjusted hurdle rate	4.0%	38.1	44.7	48.8	52.7	56.6
	5.0%	30.8	36.4	39.9	43.5	46.9
	6.0%	25.9	30.9	34.1	37.3	40.4
	7.0%	22.4	26.9	29.9	32.9	35.8
	8.0%	19.8	23.9	26.7	29.6	32.4

Source: AlsterResearch

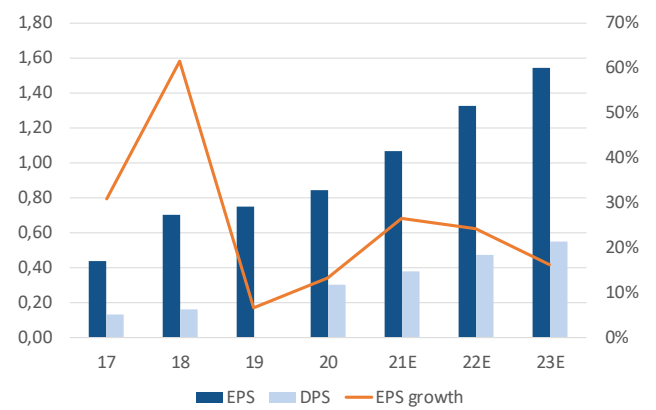
Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 6%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments 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

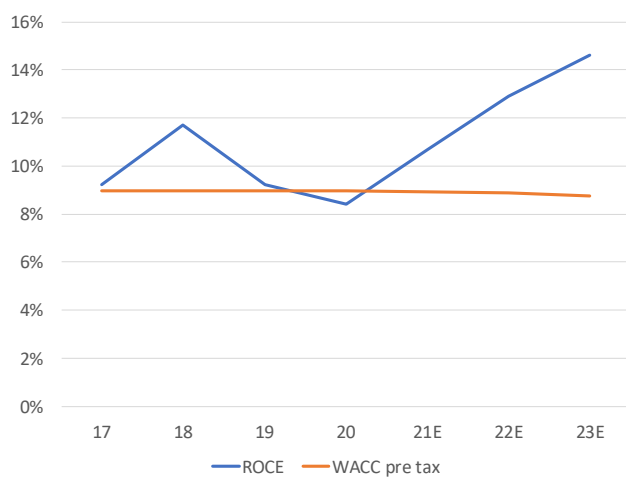
Sales vs. EBITDA margin development



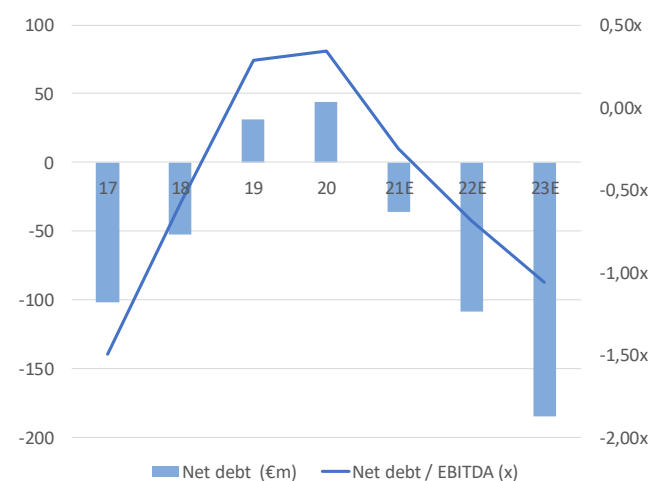
EPS, DPS in EUR & yoy EPS growth



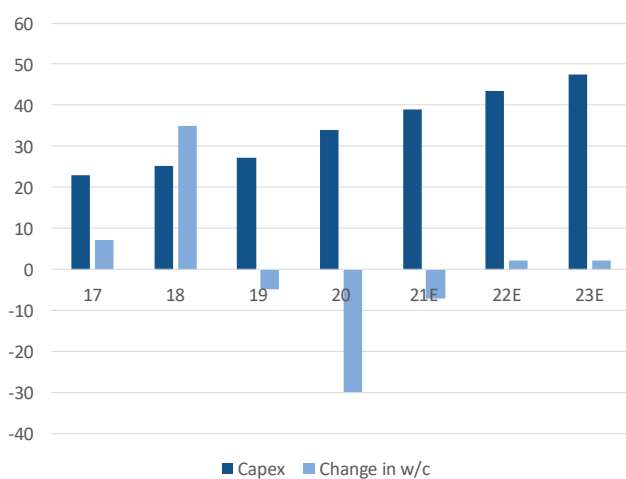
ROCE vs. WACC (pre tax)



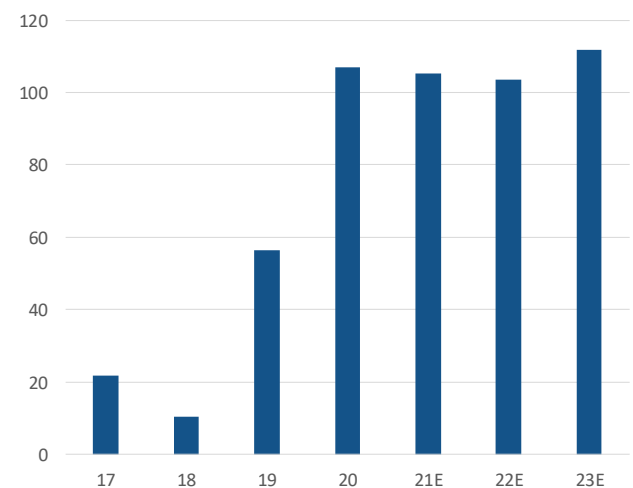
Net debt and net debt/EBITDA



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
Net sales	990.9	1,122.9	1,254.8	1,443.0	1,600.6	1,702.1
Sales growth	12.3%	13.3%	11.7%	15.0%	10.9%	6.3%
Change in finished goods and work-in-process	15.1	15.5	17.6	0.0	0.0	0.0
Total sales	1,006.0	1,138.4	1,272.4	1,443.0	1,600.6	1,702.1
Material expenses	644.3	715.4	799.0	894.7	992.4	1,055.3
Gross profit	361.7	423.0	473.4	548.3	608.2	646.8
Other operating income	7.5	8.0	8.8	7.2	8.0	8.5
Personnel expenses	194.6	245.2	273.3	314.6	348.9	371.1
Other operating expenses	84.0	74.2	78.8	98.1	108.8	115.7
EBITDA	90.5	111.7	130.0	142.9	158.5	168.5
Depreciation	8.2	49.9	30.9	33.8	35.1	37.1
EBITA	82.3	61.8	99.1	109.1	123.4	131.4
Amortisation of goodwill and intangible assets	20.8	0.0	30.5	19.5	15.8	12.8
EBIT	61.5	61.8	68.6	89.5	107.6	118.6
Financial result	-5.2	-7.7	-7.9	-7.7	-8.7	-8.7
Recurring pretax income from continuing operations	56.3	54.1	60.7	81.8	98.8	109.9
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	56.3	54.1	60.7	81.8	98.8	109.9
Taxes	7.9	4.6	6.1	12.3	12.8	14.3
Net income from continuing operations	48.5	49.5	54.6	69.6	86.0	95.6
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	48.5	49.5	54.6	69.6	86.0	95.6
Minority interest	-3.5	-0.4	1.0	0.7	0.9	1.0
Net profit (reported)	45.0	49.1	55.6	70.3	86.9	96.5
Average number of shares	64.33	65.87	65.87	65.87	65.87	65.87
EPS reported	0.70	0.75	0.84	1.07	1.32	1.47

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

Source: Company data; AlsterResearch

Balance sheet (EUR m)	2018	2019	2020	2021E	2022E	2023E
Intangible assets (excl. Goodwill)	87.6	100.5	102.8	83.3	67.4	54.6
Goodwill	120.0	194.4	199.5	199.5	199.5	199.5
Property, plant and equipment	37.1	99.8	135.1	140.3	148.5	157.4
Financial assets	47.8	62.5	68.6	68.6	68.6	68.6
FIXED ASSETS	292.5	457.2	506.0	491.7	484.0	480.1
Inventories	130.8	146.8	159.9	174.0	193.0	205.3
Accounts receivable	207.0	239.4	228.0	276.7	307.0	326.4
Other current assets	18.5	21.1	24.6	24.6	24.6	24.6
Liquid assets	171.8	322.0	285.6	331.4	319.3	363.9
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	27.5	39.4	42.6	49.0	54.3	57.8
CURRENT ASSETS	555.5	768.5	740.7	855.7	898.2	978.0
TOTAL ASSETS	847.9	1,225.7	1,246.6	1,347.4	1,382.3	1,458.1
SHAREHOLDERS EQUITY	356.0	372.7	404.0	453.8	514.9	579.6
MINORITY INTEREST	11.3	12.4	5.4	5.4	5.4	5.4
Long-term debt	79.4	267.1	263.7	250.0	200.0	100.0
Provisions for pensions and similar obligations	5.6	19.9	21.8	25.0	27.8	29.5
Other provisions	46.8	44.8	68.3	79.4	88.0	93.6
Non-current liabilities	131.9	331.8	353.8	354.4	315.8	223.2
short-term liabilities to banks	39.6	86.5	66.1	40.0	0.0	70.0
Accounts payable	177.0	205.0	210.0	257.4	285.5	303.6
Advance payments received on orders	38.1	61.1	71.6	82.4	91.3	97.1
Other liabilities (incl. from lease and rental contracts)	55.6	109.0	85.7	98.5	109.3	116.2
Deferred taxes	12.6	13.4	13.3	13.3	13.3	13.3
Deferred income	25.9	33.8	36.7	42.2	46.8	49.7
Current liabilities	348.8	508.8	483.4	533.7	546.2	650.0
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	847.9	1,225.7	1,246.6	1,347.4	1,382.3	1,458.1

Balance sheet (common size)	2018	2019	2020	2021E	2022E	2023E
Intangible assets (excl. Goodwill)	10%	8%	8%	6%	5%	4%
Goodwill	14%	16%	16%	15%	14%	14%
Property, plant and equipment	4%	8%	11%	10%	11%	11%
Financial assets	6%	5%	5%	5%	5%	5%
FIXED ASSETS	34%	37%	41%	36%	35%	33%
Inventories	15%	12%	13%	13%	14%	14%
Accounts receivable	24%	20%	18%	21%	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%
CURRENT ASSETS	66%	63%	59%	64%	65%	67%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	42%	30%	32%	34%	37%	40%
MINORITY INTEREST	1%	1%	0%	0%	0%	0%
Long-term debt	9%	22%	21%	19%	14%	7%
Provisions for pensions and similar obligations	1%	2%	2%	2%	2%	2%
Other provisions	6%	4%	5%	6%	6%	6%
Non-current liabilities	16%	27%	28%	26%	23%	15%
short-term liabilities to banks	5%	7%	5%	3%	0%	5%
Accounts payable	21%	17%	17%	19%	21%	21%
Advance payments received on orders	4%	5%	6%	6%	7%	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%
Current liabilities	41%	42%	39%	40%	40%	45%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	100%	100%	100%	100%	100%

Source: Company data; AlsterResearch

Cash flow statement (EUR m)	2018	2019	2020	2021E	2022E	2023E
Net profit/loss	56.3	54.1	60.7	69.6	86.0	95.6
Depreciation of fixed assets (incl. leases)	29.0	49.9	61.5	33.8	35.1	37.1
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	19.5	15.8	12.8
Others	-14.8	-25.5	-11.1	14.3	11.4	7.3
Cash flow from operations before changes in w/c	70.5	78.5	111.0	137.2	148.3	152.9
Increase/decrease in inventory	-4.1	-1.4	8.6	-14.2	-19.0	-12.2
Increase/decrease in accounts receivable	-22.2	42.7	47.4	-48.7	-30.2	-19.5
Increase/decrease in accounts payable	2.1	-30.0	-2.5	47.4	28.1	18.1
Increase/decrease in other w/c positions	-10.8	-6.4	-23.7	22.7	19.0	12.2
Increase/decrease in working capital	-35.0	4.9	29.8	7.2	-2.1	-1.4
Cash flow from operating activities	35.5	83.4	140.8	144.4	146.2	151.5
CAPEX	-25.1	-27.1	-33.9	-39.0	-43.3	-46.0
Payments for acquisitions	-39.6	-27.2	-41.0	0.0	0.0	0.0
Financial investments	0.5	-3.7	-3.1	0.0	0.0	0.0
Income from asset disposals	1.1	2.2	0.8	0.0	0.0	0.0
Cash flow from investing activities	-63.1	-55.8	-77.2	-39.0	-43.3	-46.0
Cash flow before financing	-27.6	27.6	63.6	105.4	102.9	105.5
Increase/decrease in debt position	1.2	128.1	-40.9	-39.8	-90.0	-30.0
Purchase of own shares	0.0	-14.6	-12.2	0.0	0.0	0.0
Capital measures	0.0	0.0	1.4	0.0	0.0	0.0
Dividends paid	-8.3	-10.6	0.0	-19.8	-25.0	-30.9
Others	-15.9	-19.1	-14.1	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.3	1.1	-8.1	0.0	0.0	0.0
Cash flow from financing activities	-22.7	84.9	-73.8	-59.6	-115.0	-60.9
Increase/decrease in liquid assets	-50.3	112.5	-10.2	45.8	-12.0	44.6
Liquid assets at end of period	152.6	265.2	255.0	300.7	288.7	333.3

Source: Company data; AlsterResearch

Regional sales split (EURm)	2018	2019	2020	2021E	2022E	2023E
Domestic	98.4	102.9	115.0	132.2	146.7	156.0
Europe (ex domestic)	540.0	600.6	671.2	771.9	856.2	910.5
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	352.4	419.3	468.6	538.9	597.7	635.6
Total sales	990.9	1,122.9	1,254.8	1,443.0	1,600.6	1,702.1

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%
Total sales	100%	100%	100%	100%	100%	100%

Source: Company data; AlsterResearch

Ratios	2018	2019	2020	2021E	2022E	2023E
Per share data						
Earnings per share reported	0.70	0.75	0.84	1.07	1.32	1.47
Cash flow per share	0.42	0.51	1.67	1.68	1.69	1.74
Book value per share	5.53	5.66	6.13	6.89	7.82	8.80
Dividend per share	0.16	0.00	0.30	0.38	0.47	0.52
Valuation						
P/E	29.4x	27.6x	24.4x	19.3x	15.6x	14.0x
P/CF	48.4x	40.5x	12.3x	12.2x	12.2x	11.8x
P/BV	3.7x	3.6x	3.4x	3.0x	2.6x	2.3x
Dividend yield (%)	0.8%	0.0%	1.5%	1.8%	2.3%	2.5%
FCF yield (%)	2.1%	2.5%	8.1%	8.2%	8.2%	8.4%
EV/Sales	1.3x	1.3x	1.1x	0.9x	0.8x	0.7x
EV/EBITDA	14.4x	12.6x	10.9x	9.4x	8.0x	7.1x
EV/EBIT	21.3x	22.8x	20.7x	14.9x	11.7x	10.0x
Income statement (EURm)						
Sales	990.9	1,122.9	1,254.8	1,443.0	1,600.6	1,702.1
yoy chg in %	12.3%	13.3%	11.7%	15.0%	10.9%	6.3%
Gross profit	361.7	423.0	473.4	548.3	608.2	646.8
Gross margin in %	36.5%	37.7%	37.7%	38.0%	38.0%	38.0%
EBITDA	90.5	111.7	130.0	142.9	158.5	168.5
EBITDA margin in %	9.1%	9.9%	10.4%	9.9%	9.9%	9.9%
EBIT	61.5	61.8	68.6	89.5	107.6	118.6
EBIT margin in %	6.2%	5.5%	5.5%	6.2%	6.7%	7.0%
Net profit	45.0	49.1	55.6	70.3	86.9	96.5
Cash flow statement (EURm)						
CF from operations	35.5	83.4	140.8	144.4	146.2	151.5
Capex	-25.1	-27.1	-33.9	-39.0	-43.3	-46.0
Maintenance Capex	8.2	49.9	30.9	33.8	35.1	37.1
Free cash flow	10.4	56.3	106.9	105.4	102.9	105.5
Balance sheet (EURm)						
Intangible assets	207.6	294.9	302.3	282.7	266.9	254.1
Tangible assets	37.1	99.8	135.1	140.3	148.5	157.4
Shareholders' equity	356.0	372.7	404.0	453.8	514.9	579.6
Pension provisions	5.6	19.9	21.8	25.0	27.8	29.5
Liabilities and provisions	171.5	418.3	419.9	394.4	315.8	293.2
Net financial debt	-52.7	31.6	44.2	-41.4	-119.3	-193.9
w/c requirements	122.7	119.9	106.3	111.0	123.2	131.0
Ratios						
ROE	13.6%	13.3%	13.5%	15.3%	16.7%	16.5%
ROCE	11.7%	7.8%	8.3%	10.5%	12.9%	13.6%
Net gearing	-14.8%	8.5%	10.9%	-9.1%	-23.2%	-33.5%
Net debt / EBITDA	-0.6x	0.3x	0.3x	-0.3x	-0.8x	-1.2x

Source: Company data; AlsterResearch

Conflict of interests

Disclosures regarding research publications of SRH AlsterResearch 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 analyzed 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 SRH AlsterResearch 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 analyzed company,
- (2) has entered into an agreement on the production of the research report with the analyzed 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 analyzed 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 analyzed company, or b) the analyzed company holds 5% or more of the share capital of SRH AlsterResearch 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 analyzed 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 analyzed company such as, for example, exercising mandates in the interest of the analyzed 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	2

Important disclosures

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 SRH AlsterResearch 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 SRH AlsterResearch AG. Reproduction of this document, in whole or in part, is not permitted without prior permission SRH AlsterResearch AG. All rights reserved. Under no circumstances shall SRH AlsterResearch 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 analyzed 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. Organizational Requirements SRH AlsterResearch AG took internal organizational 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 AlsterResearch 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. Detailed information on the valuation principles and methods used and the underlying assumptions can be found at <https://www.alsterresearch.com>.

SRH AlsterResearch AG uses the following three-step rating system for the analyzed 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 SRH AlsterResearch 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 analyzed in this document was solely made by SRH AlsterResearch AG. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of SRH AlsterResearch 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. Date and time of first publication of the financial analysis
27.11.2020

6. Risk information

- Stock exchange investments and investments in companies (shares) are always speculative and involve the risk of total loss.
- This is particularly true in respect of investments in companies which are not established and/or small and have no established business or corporate assets.
- Share prices may fluctuate significantly. This is particularly true for shares with low liquidity (market breadth). Even small orders can have a significant impact on the share price.
- In the case of shares in narrow markets, it may also happen that there is no or very little actual trading there and that published prices are not based on actual trading but have only been provided by a stockbroker.
- In such markets a shareholder cannot expect to find a buyer for his shares at all and/or at reasonable prices. In such narrow markets there is a very high possibility of manipulating prices and in such markets there are often considerable price fluctuations.
- An investment in shares with low liquidity and low market capitalization is therefore highly speculative and represents a very high risk.
- There is no regulated market for unlisted shares and securities and a sale is not possible or only possible on an individual basis.

7. 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, VW-Trader and the relevant daily press) believed to be reliable. SRH AlsterResearch AG has checked the information for plausibility but not for accuracy or completeness.

8. Competent Supervisory Authority SRH AlsterResearch 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.

9. 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.

10. 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 free of charge under <https://www.alsterresearch.com>.

Contacts

SRH AlsterResearch AG
Himmelstr. 9
22299 Hamburg

Tel: +49 40 309 293-52
Fax: +49 40 556 330-54
E-Mail: info@alsterresearch.com

mwb fairtrade Wertpapierhandelsbank AG
Rottenbacher Straße 28
82166 Gräfelfing

Tel: +49 89 85852-0
Fax: +49 89 85852-505
E-Mail: info@mwbfairtrade.com

Our research can be found under

Research

OLIVER DREBING
Senior Analyst
Tel: +49 40 309 293-57
E-Mail: o.drebing@alsterresearch.com

KARSTEN RAHLF, CFA
Senior Analyst
Tel: +49 40 309 293-54
E-Mail: k.rahlf@alsterresearch.com

KATHARINA SCHLÖTER
Analyst
Tel: +49 40 309 293-52
E-Mail: k.schloeter@alsterresearch.com

THOMAS WISSLER
Senior Analyst
Tel: +49 40 309 293-58
E-Mail: t.wissler@alsterresearch.com

DR. OLIVER WOJAHN, CFA
Senior Analyst
Tel: +49 40 309 293-58
E-Mail: o.wojahn@alsterresearch.com

ALEXANDER ZIENKOWICZ
Senior Analyst
Tel: +49 40 309 293-56
E-Mail: a.zienkowicz@alsterresearch.com

Sales

MARKUS KÖNIG-WEISS
Head of Sales
Tel: +49 40 309 293-52
E-Mail: mkw@alsterresearch.com

Equity Capital Markets / Trading

KAI JORDAN
Member of the Board
Tel: +49 40 36 0995-22
E-Mail: kjordan@mwbfairtrade.com

ALEXANDER DEUSS
Head of Institutional Sales
Tel: +49 40 36 0995- 22
E-Mail: adeuss@mwbfairtrade.com

SASCHA GUENON
Head of Designated Sponsoring
Tel: +49 40 360 995 - 23
E-Mail: sguenon@mwbfairtrade.com

RESEARCH HUB	www.research-hub.de
BLOOMBERG	www.bloomberg.com
FACTSET	www.factset.com
THOMSON REUTERS / REFINITIV	www.refinitiv.com
CAPITALIQ	www.capitaliq.com