

**Buy** (old: Buy)

**Price target: EUR 11.40** (old: EUR 11.00)

<b>Price:</b>	EUR 8.89	<b>Next result:</b>	Q4 '16: tba
<b>Bloomberg:</b>	SANT GR	<b>Market cap:</b>	EUR 428.7 m
<b>Reuters:</b>	SANT1.DE	<b>Enterprise Value:</b>	EUR 433.8 m

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## Kontron: a transformational deal; adj. est. and PT

At its recent CMD, management presented key measures to return Kontron to growth and profitability by H2 '17 **strengthening our confidence that the transaction will be EPS- and value-accretive by 2018E**. It also provided a roadmap on how the transaction will proceed over the next twelve months (see *next page Graph A*). In sum, the take-over is seen to be a **transformational deal** for S&T boosting sales to almost € 1bn and EBITDA to € 75m by 2018E, in our view.

- **Strong visibility on cost savings (€ 17m in total): S&T is confident to return Kontron to profitability by H2 '17.** S&T will immediately reap the low hanging fruits at Kontron by laying off external consultants (two weeks' notice period) thus saving € 9m costs p.a. An additional € 6m should be saved by trimming bloated admin (300 jobs) – a restructuring roadmap has been worked out. What's more, the delisting of Kontron (eH&A: June '16) should save € 2m p.a. **We model break-even EBIT for Kontron in 2017E** when adjusting for an expected € 10 restructuring one-off (see *next page Graph B*). Further, enjoying lower production costs and scale, partner Ennoconn should take care of product engineering and manufacturing for both embedded computers and smart energy hardware. We expect S&T / Kontron to see a **first material margin impact from this by 2018E** (S&T expects a 7pp gross margin boost for Kontron / we model 4pp).
- **Attractive growth synergies: Seizing the IoT opportunity.** S&T's management plans to offer software upgrades to make Kontron's installed base IoT-ready: The software will offer security, remote maintenance and data collection for quality control. The total revenue opportunity from upgrades would amount to **€ 350m p.a. which would be recurring** (assumptions: clients pay an annual recurring fee of € 350 per software upgrade / 1m embedded computers could be upgraded). In H2 '17, S&T will then launch new, IoT-ready embedded computers which would have a higher ASP (eH&A: € 2,000 vs € 1,000 previously) including a recurring part (eH&A: 30% of selling price). In consequence, **Kontron's product portfolio will become more differentiated, more profitable and yield a recurring maintenance fee**. Note that we conservatively include only a portion of this potential in our estimates (eH&A: € 310m sales for Kontron in 2017E; € 370m sales in 2018E).

**With the PT raised to € 11.40** (FCFY '18E) reflecting the value-accretion from the Kontron take-over by 2018E, **we reiterate to BUY** as the transformational nature of the Kontron deal is not adequately reflected in the current share price. *chg. on next page*



Source: Company data, Hauck & Aufhäuser

<b>High/low 52 weeks:</b>	10.96 / 4.84
<b>Price/Book Ratio:</b>	2.9
<b>Relative performance (TecDAX):</b>	
3 months	15.9 %
6 months	38.4 %
12 months	90.3 %

### Changes in estimates

		Sales	EBIT	EPS
2016	old:	475.0	23.7	0.40
	Δ	-	-	-8.6%
2017	old:	560.0	27.4	0.50
	Δ	55.4%	-36.9%	-40.1%
2018	old:	602.0	32.2	0.60
	Δ	61.4%	42.9%	5.2%

### Key share data:

Number of shares: (in m pcs)	48.22
Authorised capital: (in € m)	12.1
Book value per share: (in €)	3.4
Ø trading volume: (12 months)	60,000

### Major shareholders:

Free Float	86.0 %
Grosso	14.0 %
CEO (incl. in Free Float)	5.0 %

### Company description:

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

Y/E 31.12 (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
Sales	339.5	337.9	385.5	468.2	475.0	870.0	971.9
Sales growth	122 %	0 %	14 %	21 %	1 %	83 %	12 %
EBITDA	16.6	20.1	22.9	28.4	32.5	46.3	75.4
EBIT	11.1	14.3	16.6	20.6	23.7	17.3	46.0
Net income	7.7	11.7	13.0	15.8	17.8	10.8	37.7
Net debt	19.4	9.3	1.5	-9.4	2.6	-7.4	-27.3
Net gearing	31.4 %	13.5 %	1.7 %	-9.4 %	1.6 %	-2.8 %	-9.1 %
Net Debt/EBITDA	1.2	0.5	0.1	0.0	0.1	0.0	0.0
EPS pro forma	0.20	0.30	0.30	0.36	0.37	0.30	0.63
CPS	0.16	0.15	0.35	0.50	0.45	0.30	0.49
DPS	0.00	0.06	0.07	0.08	0.09	0.10	0.12
Dividend yield	0.0 %	0.7 %	0.8 %	0.9 %	1.0 %	1.1 %	1.3 %
Gross profit margin	34.4 %	33.1 %	33.2 %	34.3 %	34.9 %	32.2 %	34.4 %
EBITDA margin	4.9 %	5.9 %	5.9 %	6.1 %	6.8 %	5.3 %	7.8 %
EBIT margin	3.3 %	4.2 %	4.3 %	4.4 %	5.0 %	2.0 %	4.7 %
ROCE	8.3 %	10.8 %	12.4 %	13.8 %	11.8 %	5.8 %	12.8 %
EV/sales	1.1	1.1	1.0	0.8	0.9	0.6	0.5
EV/EBITDA	22.5	18.0	17.0	13.3	13.3	11.4	6.7
EV/EBIT	33.4	25.3	23.4	18.3	18.3	30.6	11.1
PER	45.1	29.8	29.6	24.8	24.0	30.0	14.2
Adjusted FCF yield	2.7 %	4.1 %	4.1 %	5.5 %	6.6 %	4.3 %	9.8 %

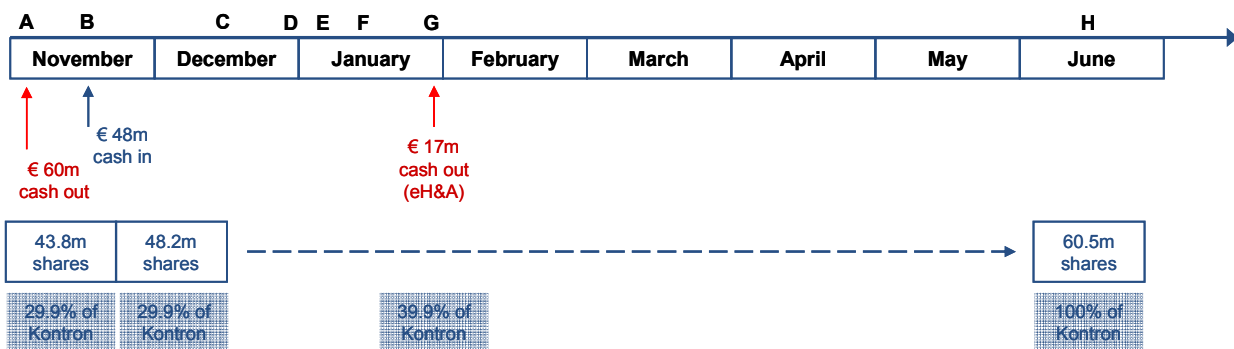
Source: Company data, Hauck & Aufhäuser Close price as of: 02.12.2016

**Action:** Estimates are adjusted by 55% / 61% for sales 2017E / 2018E and by -40% / +5% for EPS for 2017E / 2018E. We expect S&T to fully consolidate Kontron from January 2017 onwards and a merger of the two companies by June 2016. **Reality check:** S&T will need a 75% approval from Kontron shareholders for the merger. Given that only 50-60% of shareholders typically attend the AGM – there will be no proxy vote – S&T will need to control up to 45% of Kontron to secure the deal. **This seems likely.**

Our estimates reflect € 10m restructuring expenses in 2017E, € 17m OPEX savings by 2018E, growth synergies from new IoT products as well as efficiency gains from the co-operation with Ennoconn. **We expect S&T to have 60m shares outstanding following the merger** (i.e. dilution from capital increase and merger with Kontron). Implicitly, **this assumes a fair value of € 3.00 for Kontron in the merger.** The rising share count explains why EPS for 2016E are lowered by 9%. Importantly, the EPS of the combined company is seen to rise by 5% in 2018E compared to S&T standalone.

**GRAPH A**

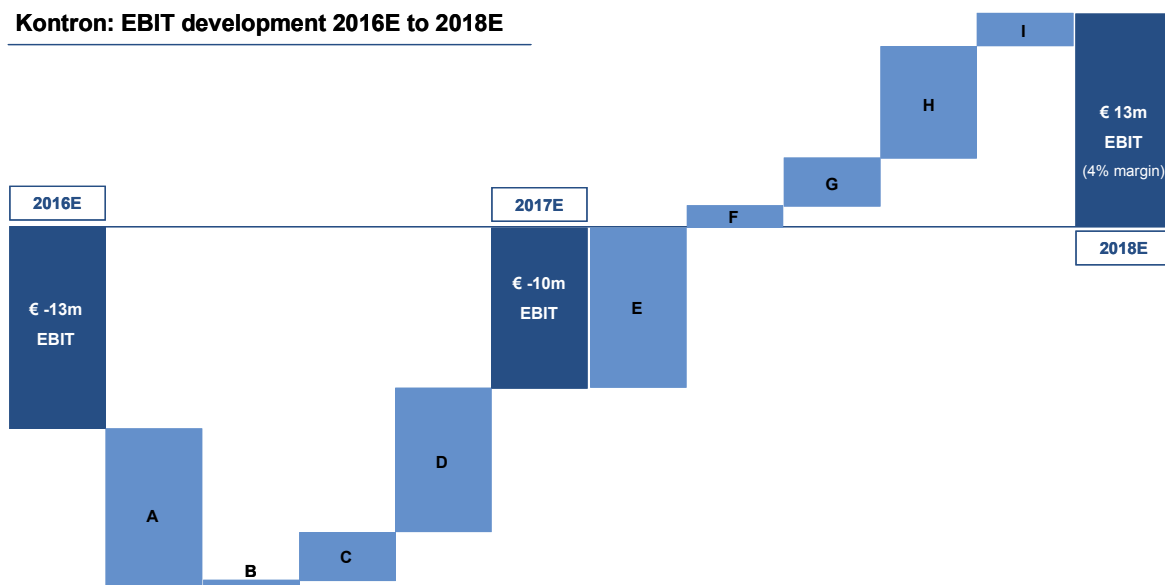
**Roadmap S&T – Kontron transaction**



- A S&T acquired 29.9% in Kontron
- B Ennoconn subscribes to a 10% capital increase in S&T
- C S&T will take control of Kontron (supervisory and management board)
- D Likely start of full consolidation of Kontron
- E Ennoconn to acquire 19.3% in S&T from shareholder Grosso
- F Ennoconn supports S&T / Kontron in operations
- G S&T may support Kontron with a 10% capital raise
- H Potential full merger of S&T with Kontron

**GRAPH B**

**Kontron: EBIT development 2016E to 2018E**



- A € 10m restructuring expenses in 2017E
- B € 0.5m cost savings due to delisting of Kontron (eH&A: in mid 2017)
- C € 3m savings due to headcount reduction (admin etc.)
- D € 9m savings as contracts of external consultants will be terminated
- E Restructuring expenses will not recur
- F Additional € 1.5m cost savings from Kontron delisting
- G Further € 3m savings from headcount cut (admin etc.)
- H € 7m savings from efficiency gains (e.g. Ennoconn to take care of engineering & production)
- I € 2m EBIT gain due to growth initiatives with S&T and Ennoconn (e.g. new IoT products)

Financials

Profit and loss (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
<b>Net sales</b>	<b>339.5</b>	<b>337.9</b>	<b>385.5</b>	<b>468.2</b>	<b>475.0</b>	<b>870.0</b>	<b>971.9</b>
<i>Sales growth</i>	121.5 %	-0.5 %	14.1 %	21.4 %	1.5 %	83.2 %	11.7 %
Increase/decrease in finished goods and work-in-process	0.3	0.9	1.2	2.7	0.9	5.0	5.0
<b>Total sales</b>	<b>339.8</b>	<b>338.8</b>	<b>386.8</b>	<b>470.9</b>	<b>475.9</b>	<b>875.0</b>	<b>976.9</b>
Other operating income	6.4	6.7	5.0	6.3	4.0	8.5	9.0
Material expenses	222.9	226.7	258.3	309.3	310.0	593.0	641.0
Personnel expenses	71.9	66.2	72.4	89.5	92.9	170.1	187.0
Other operating expenses	34.9	32.5	38.2	50.0	44.5	74.1	82.5
Total operating expenses	323.3	318.7	363.9	442.6	443.4	828.7	901.5
<b>EBITDA</b>	<b>16.6</b>	<b>20.1</b>	<b>22.9</b>	<b>28.4</b>	<b>32.5</b>	<b>46.3</b>	<b>75.4</b>
Depreciation	2.7	2.3	2.2	7.7	4.3	8.3	8.5
<b>EBITA</b>	<b>13.8</b>	<b>17.8</b>	<b>20.7</b>	<b>20.6</b>	<b>28.2</b>	<b>38.0</b>	<b>66.9</b>
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	2.7	3.5	4.1	0.0	4.5	20.7	20.9
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>11.1</b>	<b>14.3</b>	<b>16.6</b>	<b>20.6</b>	<b>23.7</b>	<b>17.3</b>	<b>46.0</b>
Interest income	0.6	0.5	1.6	0.3	0.3	0.4	0.4
Interest expenses	2.0	2.7	3.2	3.0	2.6	3.8	3.5
Other financial result	0.0	0.0	-0.3	0.5	-0.2	-0.1	0.0
Financial result	-1.4	-2.2	-1.8	-2.2	-2.5	-3.5	-3.1
<b>Recurring pretax income from continuing operations</b>	<b>9.8</b>	<b>12.1</b>	<b>14.8</b>	<b>18.4</b>	<b>21.2</b>	<b>13.8</b>	<b>42.9</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>9.8</b>	<b>12.1</b>	<b>14.8</b>	<b>18.4</b>	<b>21.2</b>	<b>13.8</b>	<b>42.9</b>
Taxes	0.3	0.1	0.8	0.8	1.6	1.0	3.0
<b>Net income from continuing operations</b>	<b>9.4</b>	<b>11.9</b>	<b>14.0</b>	<b>17.6</b>	<b>19.6</b>	<b>12.8</b>	<b>39.9</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>9.4</b>	<b>11.9</b>	<b>14.0</b>	<b>17.6</b>	<b>19.6</b>	<b>12.8</b>	<b>39.9</b>
Minority interest	1.7	0.2	1.0	1.8	1.8	2.0	2.2
<b>Net income (net of minority interest)</b>	<b>7.7</b>	<b>11.7</b>	<b>13.0</b>	<b>15.8</b>	<b>17.8</b>	<b>10.8</b>	<b>37.7</b>
Average number of shares	28.3	39.2	41.2	43.5	44.2	54.1	60.0
<b>EPS reported</b>	<b>0.27</b>	<b>0.30</b>	<b>0.32</b>	<b>0.36</b>	<b>0.40</b>	<b>0.20</b>	<b>0.63</b>

Profit and loss (common size)	2012	2013	2014	2015	2016E	2017E	2018E
<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	0.1 %	0.3 %	0.3 %	0.6 %	0.2 %	0.6 %	0.5 %
<b>Total sales</b>	<b>100.1 %</b>	<b>100.3 %</b>	<b>100.3 %</b>	<b>100.6 %</b>	<b>100.2 %</b>	<b>100.6 %</b>	<b>100.5 %</b>
Other operating income	1.9 %	2.0 %	1.3 %	1.3 %	0.8 %	1.0 %	0.9 %
Material expenses	65.6 %	67.1 %	67.0 %	66.1 %	65.3 %	68.2 %	66.0 %
Personnel expenses	21.2 %	19.6 %	18.8 %	19.1 %	19.6 %	19.6 %	19.2 %
Other operating expenses	10.3 %	9.6 %	9.9 %	10.7 %	9.4 %	8.5 %	8.5 %
Total operating expenses	95.2 %	94.3 %	94.4 %	94.5 %	93.3 %	95.3 %	92.8 %
<b>EBITDA</b>	<b>4.9 %</b>	<b>5.9 %</b>	<b>5.9 %</b>	<b>6.1 %</b>	<b>6.8 %</b>	<b>5.3 %</b>	<b>7.8 %</b>
Depreciation	0.8 %	0.7 %	0.6 %	1.7 %	0.9 %	1.0 %	0.9 %
<b>EBITA</b>	<b>4.1 %</b>	<b>5.3 %</b>	<b>5.4 %</b>	<b>4.4 %</b>	<b>5.9 %</b>	<b>4.4 %</b>	<b>6.9 %</b>
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	0.8 %	1.0 %	1.1 %	0.0 %	0.9 %	2.4 %	2.2 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>EBIT</b>	<b>3.3 %</b>	<b>4.2 %</b>	<b>4.3 %</b>	<b>4.4 %</b>	<b>5.0 %</b>	<b>2.0 %</b>	<b>4.7 %</b>
Interest income	0.2 %	0.1 %	0.4 %	0.1 %	0.1 %	0.0 %	0.0 %
Interest expenses	0.6 %	0.8 %	0.8 %	0.6 %	0.5 %	0.4 %	0.4 %
Other financial result	0.0 %	0.0 %	-0.1 %	0.1 %	0.0 %	0.0 %	0.0 %
Financial result	-0.4 %	-0.7 %	-0.5 %	-0.5 %	-0.5 %	-0.4 %	-0.3 %
<b>Recurring pretax income from continuing operations</b>	<b>2.9 %</b>	<b>3.6 %</b>	<b>3.8 %</b>	<b>3.9 %</b>	<b>4.5 %</b>	<b>1.6 %</b>	<b>4.4 %</b>
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Earnings before taxes</b>	<b>2.9 %</b>	<b>3.6 %</b>	<b>3.8 %</b>	<b>3.9 %</b>	<b>4.5 %</b>	<b>1.6 %</b>	<b>4.4 %</b>
Tax rate	3.4 %	1.1 %	5.2 %	4.3 %	7.4 %	7.0 %	7.0 %
<b>Net income from continuing operations</b>	<b>2.8 %</b>	<b>3.5 %</b>	<b>3.6 %</b>	<b>3.8 %</b>	<b>4.1 %</b>	<b>1.5 %</b>	<b>4.1 %</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>2.8 %</b>	<b>3.5 %</b>	<b>3.6 %</b>	<b>3.8 %</b>	<b>4.1 %</b>	<b>1.5 %</b>	<b>4.1 %</b>
Minority interest	0.5 %	0.1 %	0.3 %	0.4 %	0.4 %	0.2 %	0.2 %
<b>Net income (net of minority interest)</b>	<b>2.3 %</b>	<b>3.5 %</b>	<b>3.4 %</b>	<b>3.4 %</b>	<b>3.8 %</b>	<b>1.2 %</b>	<b>3.9 %</b>

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
<b>Intangible assets</b>	<b>39.7</b>	<b>44.8</b>	<b>57.1</b>	<b>72.8</b>	<b>74.2</b>	<b>249.7</b>	<b>248.2</b>
Property, plant and equipment	9.9	9.0	11.4	15.2	13.2	10.1	7.0
Financial assets	3.8	2.8	3.8	3.1	80.1	3.1	3.1
<b>FIXED ASSETS</b>	<b>53.4</b>	<b>56.5</b>	<b>72.3</b>	<b>91.0</b>	<b>167.5</b>	<b>262.9</b>	<b>258.3</b>
Inventories	23.4	22.7	30.0	28.7	29.1	50.0	64.8
Accounts receivable	81.9	71.6	95.7	86.4	87.7	106.1	125.1
Other current assets	15.4	15.2	22.0	36.7	37.6	38.5	39.5
Liquid assets	29.9	42.9	39.5	60.3	64.4	78.4	82.3
Deferred taxes	9.9	11.1	13.6	15.9	15.9	15.9	15.9
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>160.5</b>	<b>163.6</b>	<b>200.8</b>	<b>228.0</b>	<b>234.7</b>	<b>288.9</b>	<b>327.7</b>
<b>TOTAL ASSETS</b>	<b>214.0</b>	<b>220.1</b>	<b>273.1</b>	<b>319.1</b>	<b>402.2</b>	<b>551.8</b>	<b>585.9</b>
SHAREHOLDERS EQUITY	61.8	69.2	86.9	99.8	163.1	269.7	301.7
MINORITY INTEREST	2.2	2.1	2.8	2.4	2.4	2.4	2.4
Long-term debt	11.5	23.9	26.1	28.1	52.0	52.0	40.0
Provisions for pensions and similar obligations	3.0	2.9	2.3	2.5	2.5	2.5	2.6
Other provisions	17.2	3.9	4.6	6.0	6.1	6.3	6.5
<b>Non-current liabilities</b>	<b>31.7</b>	<b>30.7</b>	<b>33.0</b>	<b>36.5</b>	<b>60.7</b>	<b>60.9</b>	<b>49.1</b>
short-term liabilities to banks	37.8	28.4	14.8	22.9	15.0	19.0	15.0
Accounts payable	53.7	46.6	74.2	70.1	71.1	107.3	122.5
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)	25.6	41.8	59.9	85.9	88.5	91.1	93.8
Deferred taxes	1.2	1.4	1.5	1.4	1.4	1.4	1.4
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>118.3</b>	<b>118.1</b>	<b>150.3</b>	<b>180.3</b>	<b>176.0</b>	<b>218.8</b>	<b>232.8</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>214.0</b>	<b>220.1</b>	<b>273.1</b>	<b>319.1</b>	<b>402.2</b>	<b>551.8</b>	<b>585.9</b>

Balance sheet (common size)	2012	2013	2014	2015	2016E	2017E	2018E
<b>Intangible assets</b>	<b>18.6 %</b>	<b>20.3 %</b>	<b>20.9 %</b>	<b>22.8 %</b>	<b>18.4 %</b>	<b>45.2 %</b>	<b>42.4 %</b>
Property, plant and equipment	4.6 %	4.1 %	4.2 %	4.7 %	3.3 %	1.8 %	1.2 %
Financial assets	1.8 %	1.3 %	1.4 %	1.0 %	19.9 %	0.6 %	0.5 %
<b>FIXED ASSETS</b>	<b>25.0 %</b>	<b>25.7 %</b>	<b>26.5 %</b>	<b>28.5 %</b>	<b>41.7 %</b>	<b>47.6 %</b>	<b>44.1 %</b>
Inventories	10.9 %	10.3 %	11.0 %	9.0 %	7.2 %	9.1 %	11.1 %
Accounts receivable	38.3 %	32.6 %	35.0 %	27.1 %	21.8 %	19.2 %	21.4 %
Other current assets	7.2 %	6.9 %	8.1 %	11.5 %	9.3 %	7.0 %	6.7 %
Liquid assets	14.0 %	19.5 %	14.5 %	18.9 %	16.0 %	14.2 %	14.1 %
Deferred taxes	4.6 %	5.1 %	5.0 %	5.0 %	4.0 %	2.9 %	2.7 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>CURRENT ASSETS</b>	<b>75.0 %</b>	<b>74.3 %</b>	<b>73.5 %</b>	<b>71.5 %</b>	<b>58.3 %</b>	<b>52.4 %</b>	<b>55.9 %</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>
SHAREHOLDERS EQUITY	28.9 %	31.4 %	31.8 %	31.3 %	40.6 %	48.9 %	51.5 %
MINORITY INTEREST	1.0 %	0.9 %	1.0 %	0.8 %	0.6 %	0.4 %	0.4 %
Long-term debt	5.4 %	10.9 %	9.6 %	8.8 %	12.9 %	9.4 %	6.8 %
Provisions for pensions and similar obligations	1.4 %	1.3 %	0.8 %	0.8 %	0.6 %	0.5 %	0.4 %
Other provisions	8.0 %	1.8 %	1.7 %	1.9 %	1.5 %	1.1 %	1.1 %
<b>Non-current liabilities</b>	<b>14.8 %</b>	<b>14.0 %</b>	<b>12.1 %</b>	<b>11.5 %</b>	<b>15.1 %</b>	<b>11.0 %</b>	<b>8.4 %</b>
short-term liabilities to banks	17.7 %	12.9 %	5.4 %	7.2 %	3.7 %	3.4 %	2.6 %
Accounts payable	25.1 %	21.2 %	27.2 %	22.0 %	17.7 %	19.4 %	20.9 %
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)	11.9 %	19.0 %	21.9 %	26.9 %	22.0 %	16.5 %	16.0 %
Deferred taxes	0.6 %	0.6 %	0.5 %	0.5 %	0.4 %	0.3 %	0.2 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Current liabilities</b>	<b>55.3 %</b>	<b>53.7 %</b>	<b>55.1 %</b>	<b>56.5 %</b>	<b>43.8 %</b>	<b>39.7 %</b>	<b>39.7 %</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)	2012	2013	2014	2015	2016E	2017E	2018E
Net profit/loss	9.4	11.9	14.0	17.6	19.6	12.8	39.9
Depreciation of fixed assets (incl. leases)	2.7	2.3	2.2	7.7	4.3	8.3	8.5
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	2.7	3.5	4.1	0.0	4.5	20.7	20.9
Others	2.3	-10.6	4.1	-5.2	0.0	0.0	0.0
Cash flow from operations before changes in w/c	17.2	7.2	24.4	20.2	28.5	41.8	69.4
Increase/decrease in inventory	-2.8	0.7	-7.4	1.3	-0.4	-20.9	-14.8
Increase/decrease in accounts receivable	3.1	10.3	-24.0	9.2	-1.3	-18.4	-19.1
Increase/decrease in accounts payable	-6.9	-7.1	27.6	-4.1	1.0	36.1	15.2
Increase/decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	-6.6	3.9	-3.8	6.5	-0.7	-3.1	-18.6
<b>Cash flow from operating activities</b>	<b>10.6</b>	<b>11.1</b>	<b>20.6</b>	<b>26.7</b>	<b>27.8</b>	<b>38.7</b>	<b>50.7</b>
CAPEX	3.2	5.8	5.8	9.5	8.3	24.4	24.8
Payments for acquisitions	0.2	-4.6	5.5	0.4	0.0	0.0	0.0
Financial investments	-0.6	0.2	1.7	0.6	77.0	0.0	0.0
Income from asset disposals	0.5	1.4	0.4	0.9	1.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-2.2</b>	<b>0.0</b>	<b>-12.6</b>	<b>-9.6</b>	<b>-84.3</b>	<b>-24.4</b>	<b>-24.8</b>
Cash flow before financing	8.4	11.1	8.0	17.1	-56.5	14.4	25.9
Increase/decrease in debt position	-13.2	1.9	3.1	6.1	16.0	4.0	-16.0
Purchase of own shares	0.0	1.3	0.0	0.0	0.0	0.0	0.0
Capital measures	1.7	-0.1	10.5	0.0	48.0	0.0	0.0
Dividends paid	0.0	0.0	2.4	3.1	3.5	4.3	6.0
Others	-0.3	-2.1	1.3	-3.8	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.5	-0.5	-1.1	0.5	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>-11.8</b>	<b>-1.6</b>	<b>12.5</b>	<b>-0.7</b>	<b>60.6</b>	<b>-0.3</b>	<b>-22.0</b>
Increase/decrease in liquid assets	-2.9	9.1	19.5	16.8	4.1	14.0	3.9
<b>Liquid assets at end of period</b>	<b>29.9</b>	<b>42.9</b>	<b>39.5</b>	<b>60.3</b>	<b>64.4</b>	<b>78.4</b>	<b>82.3</b>

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
Domestic	70.0	68.4	65.1	65.5	61.8	113.1	126.3
yoy change	62.2 %	-2.4 %	-4.8 %	0.7 %	-5.8 %	83.2 %	11.7 %
Rest of Europe	269.5	269.6	320.5	402.6	413.3	756.9	845.6
yoy change	144.8 %	0.0 %	18.9 %	25.6 %	2.6 %	83.2 %	11.7 %
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	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
<b>TTL</b>	<b>339.5</b>	<b>337.9</b>	<b>385.5</b>	<b>468.2</b>	<b>475.0</b>	<b>870.0</b>	<b>971.9</b>
yoy change	121.5 %	-0.5 %	14.1 %	21.4 %	1.5 %	83.2 %	11.7 %

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
<b>P&amp;L growth analysis</b>							
Sales growth	121.5 %	-0.5 %	14.1 %	21.4 %	1.5 %	83.2 %	11.7 %
EBITDA growth	35.1 %	21.3 %	14.0 %	23.9 %	14.6 %	42.5 %	62.9 %
EBIT growth	17.4 %	28.2 %	16.2 %	24.1 %	14.9 %	-27.0 %	165.9 %
EPS growth	-6.6 %	9.3 %	5.4 %	15.3 %	10.9 %	-50.5 %	214.8 %
<b>Efficiency</b>							
Total operating costs / sales	95.2 %	94.3 %	94.4 %	94.5 %	93.3 %	95.3 %	92.8 %
Sales per employee	203.6	211.9	203.5	209.9	210.9	382.4	423.0
EBITDA per employee	9.9	12.6	12.1	12.7	14.4	20.4	32.8
<b>Balance sheet analysis</b>							
Avg. working capital / sales	14.2 %	14.7 %	12.9 %	10.3 %	9.6 %	5.4 %	6.0 %
Inventory turnover (sales/inventory)	14.5	14.9	12.8	16.3	16.3	17.4	15.0
Trade debtors in days of sales	88.1	77.4	90.6	67.4	67.4	44.5	47.0
A/P turnover [(A/P*365)/sales]	57.7	50.3	70.2	54.6	54.6	45.0	46.0
Cash conversion cycle (days)	38.5	38.9	28.2	18.6	18.0	9.3	14.1
<b>Cash flow analysis</b>							
Free cash flow	7.5	5.3	14.8	17.2	19.5	14.4	25.9
Free cash flow/sales	2.2 %	1.6 %	3.8 %	3.7 %	4.1 %	1.7 %	2.7 %
FCF / net profit	96.4 %	45.3 %	114.1 %	108.6 %	109.3 %	133.0 %	68.8 %
Capex / depre	46.9 %	103.4 %	119.1 %	130.9 %	969.5 %	84.0 %	84.3 %
Capex / maintenance capex	n/a	78.4 %	37.3 %	44.8 %	38.9 %	24.9 %	25.0 %
Capex / sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Security</b>							
Net debt	19.4	9.3	1.5	-9.4	2.6	-7.4	-27.3
Net Debt/EBITDA	1.2	0.5	0.1	0.0	0.1	0.0	0.0
Net debt / equity	0.3	0.1	0.0	-0.1	0.0	0.0	-0.1
Interest cover	5.6	5.3	5.2	6.9	9.1	4.6	13.3
Dividend payout ratio	0.0 %	20.1 %	23.3 %	21.9 %	24.3 %	55.6 %	19.1 %
<b>Asset utilisation</b>							
Capital employed turnover	2.5	2.6	2.8	2.9	2.0	2.5	2.6
Operating assets turnover	5.5	6.0	6.1	7.8	8.1	14.8	13.1
Plant turnover	34.2	37.6	33.7	30.9	35.9	85.7	139.0
Inventory turnover (sales/inventory)	14.5	14.9	12.8	16.3	16.3	17.4	15.0
<b>Returns</b>							
ROCE	8.3 %	10.8 %	12.4 %	13.8 %	11.8 %	5.8 %	12.8 %
ROE	12.5 %	17.0 %	14.9 %	15.9 %	10.9 %	4.0 %	12.5 %
<b>Other</b>							
Interest paid / avg. debt	3.7 %	5.3 %	6.8 %	6.5 %	4.4 %	5.5 %	5.5 %
No. employees (average)	1668	1595	1895	2230	2252	2275	2298
Number of shares	28.3	39.2	41.2	43.5	44.2	54.1	60.0
DPS	0.0	0.1	0.1	0.1	0.1	0.1	0.1
EPS reported	0.27	0.30	0.32	0.36	0.40	0.20	0.63
<b>Valuation ratios</b>							
P/BV	5.7	5.1	4.4	3.9	2.6	2.0	1.8
EV/sales	1.1	1.1	1.0	0.8	0.9	0.6	0.5
EV/EBITDA	22.5	18.0	17.0	13.3	13.3	11.4	6.7
EV/EBITA	26.9	20.4	18.8	18.3	15.4	13.9	7.6
EV/EBIT	33.4	25.3	23.4	18.3	18.3	30.6	11.1
EV/FCF	49.8	68.1	26.2	22.0	22.3	36.8	19.6
Adjusted FCF yield	2.7 %	4.1 %	4.1 %	5.5 %	6.6 %	4.3 %	9.8 %
Dividend yield	0.0 %	0.7 %	0.8 %	0.9 %	1.0 %	1.1 %	1.3 %

Source: Company data, Hauck & Aufhäuser

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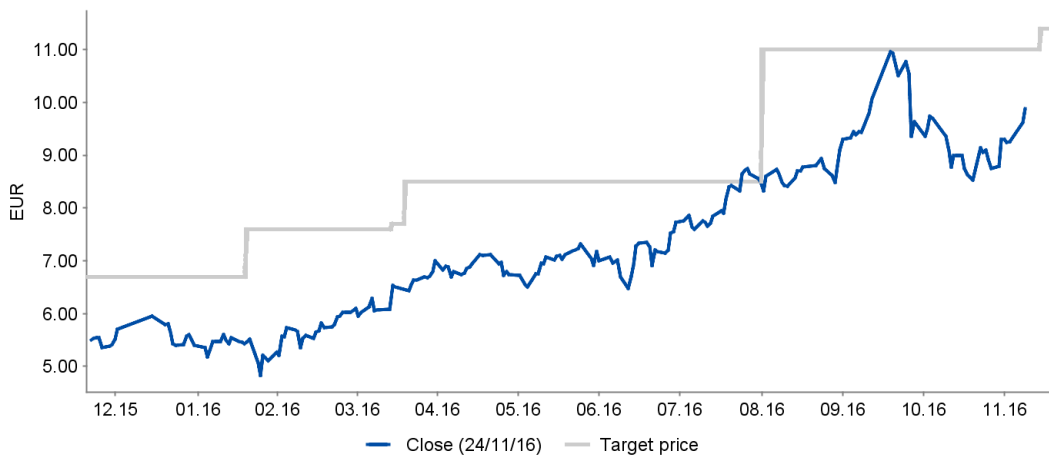
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Company	Disclosure
S&T AG	3

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

**Price and Rating History  
S&T AG as of 05/12/16**

Initiation coverage  
30-May-12



Company	Date	Analyst	Rating	Target price	Close
S&T AG	03.11.2016		Buy	EUR 11.00	-
	02.11.2016		Buy	EUR 11.00	-
	13.10.2016		Buy	EUR 11.00	-
	17.08.2016		Buy	EUR 11.00	-
	03.08.2016		Buy	EUR 8.50	-
	04.05.2016		Buy	EUR 8.50	-

29.04.2016	Buy	EUR 8.50	-
05.04.2016	Buy	EUR 8.50	-
30.03.2016	Buy	EUR 7.70	-
24.03.2016	Buy	EUR 7.60	-
04.02.2016	Buy	EUR 7.60	-
20.01.2016	Buy	EUR 6.70	-

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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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