

Hold EUR 15.00 (EUR 14.80) Price EUR 15.70 Downside -4.5 %	Value Indicators: EUR DCF: 15.00 FCF-Value Potential 2019e: 11.80	Share data: Bloomberg: SANT GR Reuters: SANT1.DE ISIN: AT0000A0E9W5	Description: Focused on industrial IoT and IT- Services mostly in Central and Eastern Europe
	Market Snapshot: EUR m Market cap: 925.1 No. of shares (m): 58.9 EV: 952.7 Freefloat MC: 705.9 Ø Trad. Vol. (30d): 3.96 m	Shareholders: Freefloat: 76.3 % Niederhauser (CEO): 2.6 % Ennoconn: 23.7 % <i>Allianz Global</i> : 3.7 % <i>Dorval AM</i> : 3.3 %	Risk Profile (WRe): 2017e Beta: 1.3 Price / Book: 4.0 x Equity Ratio: 38 % Net Debt / EBITDA: 0.0 x

Sound Q2

Stated Figures Q2/2017:										Comment on Figures:			
FY End: 31.12. in EUR m	Q2 17	Q2 17e	Q2 16	yoy	6M 17	6M 17e	6M 16	yoy			<ul style="list-style-type: none"> Sales increased by 8.6% qoq and met the expectations EBITDA margin improved to a high level of 7.5% Net income clearly below the estimate due an unfavourable tax rate and a high earnings share of minorities The order backlog increased strongly qoq to EUR 460m, which was probably the result of the gain of long-term contracts. 		
Sales	198.6	201.2	100.0	99 %	381.4	384.0	196.4	94 %					
EBITDA	15.0	14.2	6.8	120 %	27.2	26.4	13.1	107 %					
Margin	7.5 %	7.1 %	6.8 %		7.1 %	6.9 %	6.7 %						
Net income	1.9	3.2	3.1	-40 %	4.3	5.7	5.8	-26 %					

Broadly, S&T's Q2 results **marginally exceeded expectations** at operating level. Sales increased sequentially, as expected, by 8.6%. S&T registered strong qoq growth in the IT services segment of +19%, including a positive consolidation effect (organic qoq growth ~10%). The IoT business increased by 9%, whereas sales decreased by 8% in the embedded systems segment (ex Kontron aviation, defence, transport).

While the **EBITDA margin of 7.5% surpassed the expectation only slightly, divergent trends were to be seen at segment level**. The margin in the IT services business was at a low level of only 3.2% (-1.2pp yoy; -2.6pp qoq), which can mostly be attributed to typical quarterly fluctuation. In contrast, the embedded systems business achieved an outstanding quarterly EBITDA margin of 14%. This segment includes Kontron's most profitable unit Kontron Canada (where Ennoconn holds a 49% stake). We deem this to be largely a positive outlier and to include some kind of a positive one-off. The **net income was below expectations** as a result of a high earnings share of minorities.

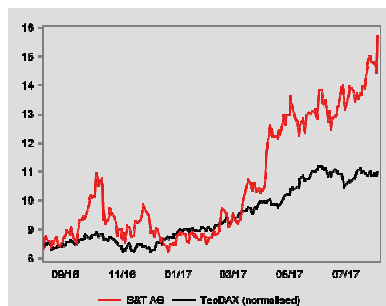
In general, S&T should be well on track to achieve the expected turnaround for Kontron in 2017. Revenue development should accelerate in H2 (as H1 represents only 44% of the FY sales forecast), but we expect the EBITDA margin to be at a lower level than in Q2 (WRe 5.7%).

M&A: In addition to the conclusion of the Raiffeisen deal (6m sales contribution in Q2), S&T acquired further Eastern European operations from Kapsch (Polish business acquired in Q3 '16). We expect these to contribute > EUR 10m (annualised) in sales from Q3 onwards.

The **PT** is marginally increased to **EUR 15** after a model update (slightly stronger Q2 profitability, Kapsch). The first part of the Kontron-transaction (registration of merger) will be concluded in August. The implied valuation discount of Kontron's shares still amounts to 10%. Conclusion of the complete deal (delivery of S&T shares) is expected in mid-October. The **rating remains Hold**, for valuation reasons.

Changes in Estimates:							Comment on Changes:		
FY End: 31.12. in EUR m	2017e (old)	+ / -	2018e (old)	+ / -	2019e (old)	+ / -			
Sales	866.4	0.6 %	951.8	1.3 %	1,028.5	1.2 %			
EBITDA	53.6	3.0 %	69.1	2.8 %	80.1	2.3 %			
EPS	0.29	0.0 %	0.57	3.5 %	0.73	2.7 %			

- Increase in sales estimates due to acquisition of Kapsch business in Eastern Europe
- Increase in EBITDA forecast on stronger Q2 profitability
- Unchanged EPS in 2017 as a result of higher earnings share of minorities

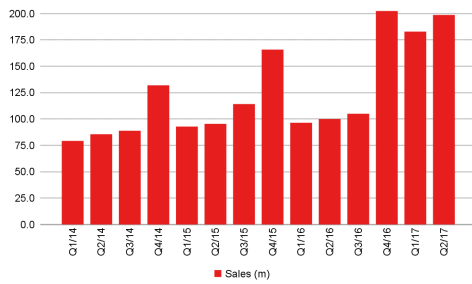


Rel. Performance vs TecDAX:	
1 month:	10.0 %
6 months:	55.1 %
Year to date:	56.2 %
Trailing 12 months:	54.5 %

Company events:
10.11.17 Q3

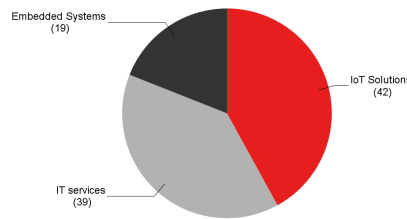
FY End: 31.12. in EUR m	CAGR (16-19e)	2013	2014	2015	2016	2017e	2018e	2019e
Sales	27.4 %	337.9	385.5	468.2	503.7	871.4	963.8	1,041.1
Change Sales yoy		-0.5 %	14.1 %	21.4 %	7.6 %	73.0 %	10.6 %	8.0 %
Gross profit margin		33.2 %	33.3 %	34.5 %	34.1 %	36.7 %	37.0 %	37.1 %
EBITDA	33.6 %	20.1	22.9	28.4	34.4	55.2	71.1	82.0
Margin		5.9 %	5.9 %	6.1 %	6.8 %	6.3 %	7.4 %	7.9 %
EBIT	34.0 %	14.3	16.6	20.6	24.1	29.1	47.4	58.1
Margin		4.2 %	4.3 %	4.4 %	4.8 %	3.3 %	4.9 %	5.6 %
Net income	44.6 %	11.7	13.0	15.8	14.6	14.9	34.9	44.1
EPS	31.5 %	0.30	0.32	0.36	0.33	0.29	0.59	0.75
EPS adj.	31.5 %	0.30	0.32	0.36	0.33	0.29	0.59	0.75
DPS	11.9 %	0.06	0.07	0.08	0.10	0.10	0.12	0.14
Dividend Yield		2.5 %	2.4 %	1.8 %	1.3 %	0.6 %	0.8 %	0.9 %
FCFPS		0.16	0.38	0.55	1.09	-0.15	0.38	0.57
FCF / Market cap		6.5 %	13.3 %	12.3 %	14.5 %	-0.8 %	2.4 %	3.6 %
EV / Sales		0.3 x	0.3 x	0.4 x	0.6 x	1.1 x	1.0 x	0.9 x
EV / EBITDA		5.3 x	5.3 x	6.6 x	9.1 x	17.3 x	13.2 x	11.2 x
EV / EBIT		7.4 x	7.3 x	9.1 x	12.9 x	32.8 x	19.8 x	15.8 x
P / E		8.0 x	8.9 x	12.4 x	22.9 x	54.1 x	26.6 x	20.9 x
P / E adj.		8.0 x	8.9 x	12.4 x	22.9 x	54.1 x	26.6 x	20.9 x
FCF Potential Yield		15.4 %	15.0 %	12.4 %	9.6 %	3.6 %	4.8 %	5.8 %
Net Debt		12.2	3.8	-6.9	-20.3	2.6	-10.8	-34.4
ROCE (NOPAT)		17.1 %	17.8 %	20.9 %	15.5 %	11.1 %	15.8 %	18.1 %
Guidance:		2017: Sales EUR 860 - 890m, EBITDA > EUR 50m						

Sales development
in EUR m



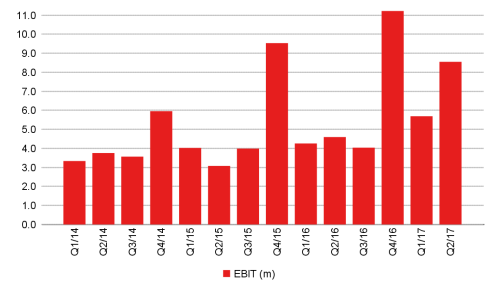
Source: Warburg Research

Sales by segments
2017e



Source: Warburg Research

EBIT development
in EUR m



Source: Warburg Research

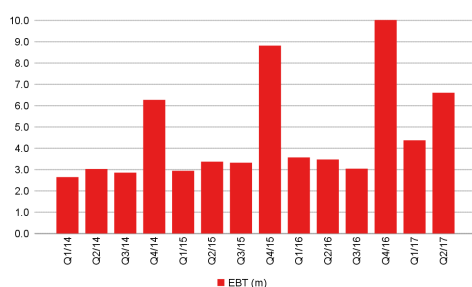
Company Background

- The S&T AG is a supplier of IT services with a focus on Eastern Europe and Germany, Austria, Switzerland
- In recent years, S&T was refocused on soft- and hardware solutions aiming at the IoT-market
- The acquisition of Kontron strengthens the embedded hardware competence and provides access to industrial, medical or communication customers

Competitive Quality

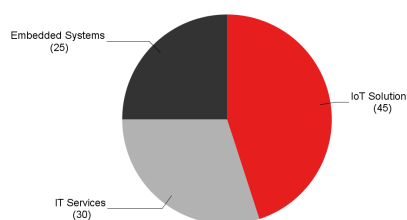
- The combination of S&T's software- and security-competence with Kontron's hardware expertise adds cross-selling-opportunities in the growing IoT-market, especially as security becomes an increasingly relevant feature
- Kontron's #2 positioning in the embedded computer area secures access to leading customers and provides the foundation for one of the strongest R&D pools in the embedded market in combination with S&T's software expertise
- The cooperation with Foxconn provides access to low cost production capabilities and can provide the foundation for additional future business areas (e.g. embedded server)
- About one-third of S&T's employees are specialised development engineers with a high level of expertise in the area of IoT niche products and embedded systems.
- S&T has been present in Eastern Europe for decades. Generally, the competitive pressure is lower in this region than in the more developed countries.

EBT development
in EUR m



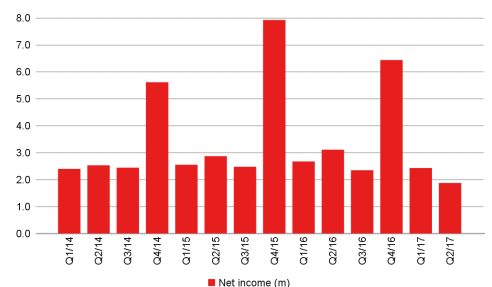
Source: Warburg Research

EBITDA by segments
2017



Source: Warburg Research

Net income development
in EUR m



Source: Warburg Research

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	
Sales	871.4	963.8	1,041.1	1,113.9	1,191.9	1,263.4	1,339.2	1,406.2	1,476.5	1,535.6	1,597.0	1,644.9	1,677.8	
Sales change	73.0 %	10.6 %	8.0 %	7.0 %	7.0 %	6.0 %	6.0 %	5.0 %	5.0 %	4.0 %	4.0 %	3.0 %	2.0 %	2.0 %
EBIT	29.1	47.4	58.1	66.8	75.1	84.7	93.7	101.2	106.3	110.6	115.0	118.4	120.8	
EBIT-margin	3.3 %	4.9 %	5.6 %	6.0 %	6.3 %	6.7 %	7.0 %	7.2 %	7.2 %	7.2 %	7.2 %	7.2 %	7.2 %	
Tax rate (EBT)	10.0 %	13.0 %	13.0 %	17.9 %	17.9 %	18.0 %	23.5 %	26.0 %	26.0 %	26.0 %	26.0 %	26.0 %	26.0 %	
NOPAT	26.2	41.3	50.5	54.9	61.6	69.4	71.7	74.9	78.7	81.8	85.1	87.6	89.4	
Depreciation	26.1	23.6	23.9	20.1	21.5	22.7	24.1	25.3	26.6	27.6	28.7	29.6	30.2	
in % of Sales	3.0 %	2.5 %	2.3 %	1.8 %	1.8 %	1.8 %	1.8 %	1.8 %	1.8 %	1.8 %	1.8 %	1.8 %	1.8 %	
Changes in provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in Liquidity from														
- Working Capital	13.4	16.7	14.9	12.7	11.7	10.7	11.4	10.0	10.5	8.9	9.2	7.2	4.9	
- Capex	22.0	22.0	22.0	22.3	23.8	25.3	26.8	28.1	29.5	30.7	31.9	32.9	31.9	
Capex in % of Sales	2.5 %	2.3 %	2.1 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	1.9 %	
Other	5.5	2.5	2.5	2.7	2.9	3.0	3.2	3.4	3.5	3.7	3.8	4.0	4.0	
Free Cash Flow (WACC Model)	11.4	23.7	35.1	37.2	44.7	53.2	54.4	58.7	61.6	66.2	68.8	73.2	78.8	80
PV of FCF	11.2	21.5	29.5	29.0	32.2	35.4	33.6	33.5	32.6	32.4	31.2	30.7	30.6	518
share of PVs	6.89 %			35.64 %										57.46 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	11.00 %	Financial Strength	1.20
Cost of debt (after tax)	3.0 %	Liquidity (share)	1.20
Market return	7.00 %	Cyclicality	1.25
Risk free rate	1.50 %	Transparency	1.60
		Others	1.25
WACC	8.02 %	Beta	1.30

Valuation (m)

Present values 2029e	383		
Terminal Value	518		
Financial liabilities	94		
Pension liabilities	12		
Hybrid capital	0		
Minority interest	5		
Market val. of investments	0		
Liquidity	89	No. of shares (m)	58.9
Equity Value	880	Value per share (EUR)	14.94

Sensitivity Value per Share (EUR)

Beta	WACC	Terminal Growth							Beta	WACC	Delta EBIT-margin						
		1.25 %	1.50 %	1.75 %	2.00 %	2.25 %	2.50 %	2.75 %			-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.50	9.0 %	11.85	12.05	12.26	12.50	12.74	13.01	13.30	1.50	9.0 %	8.90	10.10	11.30	12.50	13.69	14.89	16.09
1.40	8.5 %	12.83	13.07	13.34	13.62	13.93	14.26	14.62	1.40	8.5 %	9.75	11.04	12.33	13.62	14.91	16.20	17.49
1.35	8.3 %	13.38	13.65	13.94	14.25	14.59	14.96	15.37	1.35	8.3 %	10.23	11.57	12.91	14.25	15.59	16.94	18.28
1.30	8.0 %	13.97	14.27	14.59	14.94	15.32	15.73	16.19	1.30	8.0 %	10.75	12.15	13.54	14.94	16.34	17.73	19.13
1.25	7.8 %	14.60	14.93	15.29	15.69	16.11	16.58	17.09	1.25	7.8 %	11.32	12.77	14.23	15.69	17.14	18.60	20.06
1.20	7.5 %	15.29	15.66	16.06	16.50	16.98	17.51	18.10	1.20	7.5 %	11.94	13.46	14.98	16.50	18.02	19.55	21.07
1.10	7.0 %	16.85	17.31	17.82	18.38	19.00	19.69	20.46	1.10	7.0 %	13.36	15.04	16.71	18.38	20.06	21.73	23.40

- For the coming years, high single digit growth is expected.
- The turnaround of Kontron and rising software sales should result in increasing margins at group level
- Model reflects payments for restructuring measures and liabilities from past acquisitions (total EUR 35m)
- Existing tax-losses should decrease the tax-rate until 2022

Free Cash Flow Value Potential

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived via the perpetuity of a given year's "FCF potential" with consideration of the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

in EUR m	2013	2014	2015	2016	2017e	2018e	2019e	
Net Income before minorities	11.9	14.0	17.6	20.4	21.2	37.4	46.6	
+ Depreciation + Amortisation	5.8	6.3	7.7	10.3	26.1	23.6	23.9	
- Net Interest Income	-2.2	-1.8	-2.2	-4.0	-5.5	-4.5	-4.5	
- Maintenance Capex	3.6	4.0	4.4	4.8	15.0	15.0	15.0	
+ Other	0.0	0.0	0.0	0.0	-3.8	-5.6	-7.0	
= Free Cash Flow Potential	16.3	18.1	23.2	29.9	34.1	44.9	53.1	
FCF Potential Yield (on market EV)	15.4 %	15.0 %	12.4 %	9.6 %	3.6 %	4.8 %	5.8 %	
WACC	8.02 %	8.02 %	8.02 %	8.02 %	8.02 %	8.02 %	8.02 %	
= Enterprise Value (EV)	106.0	121.0	187.5	311.6	952.7	939.4	915.8	
= Fair Enterprise Value	203.3	225.8	288.6	372.4	424.8	559.5	661.4	
- Net Debt (Cash)	-32.0	-32.0	-32.0	-32.0	-9.0	-22.4	-46.0	
- Pension Liabilities	11.6	11.6	11.6	11.6	11.6	11.6	11.6	
- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Market value of minorities	0.0	0.0	0.0	0.0	25.0	25.0	25.0	
+ Market value of investments	0.0	0.0	0.0	0.0	22.0	25.0	22.0	
= Fair Market Capitalisation	223.6	246.2	309.0	392.7	419.2	570.3	692.8	
Aktienanzahl (Mio.)	39.2	41.0	43.5	44.0	51.4	58.9	58.9	
= Fair value per share (EUR)	5.70	6.01	7.10	8.93	8.15	9.68	11.76	
premium (-) / discount (+) in %					-48.1 %	-38.4 %	-25.1 %	
Sensitivity Fair value per Share (EUR)								
	11.02 %	2.86	3.13	3.91	4.94	5.15	7.09	8.70
	10.02 %	3.11	3.41	4.27	5.40	5.68	7.78	9.52
	9.02 %	3.41	3.75	4.70	5.96	6.31	8.63	10.51
WACC	8.02 %	3.80	4.18	5.24	6.66	7.11	9.68	11.76
	7.02 %	4.29	4.72	5.94	7.56	8.14	11.03	13.35
	6.02 %	4.94	5.45	6.87	8.76	9.51	12.83	15.48
	5.02 %	5.86	6.47	8.17	10.44	11.42	15.35	18.46

- The net income is being adjusted for the normalised tax rate (26%)
- The PV of existing tax losses (EUR 22m) is being included as an asset
- Maintenance CAPEX include capitalised development expenses
- The value indication increases along with the positive margin development

Valuation							
	2013	2014	2015	2016	2017e	2018e	2019e
Price / Book	1.4 x	1.3 x	1.9 x	2.2 x	4.0 x	3.5 x	3.1 x
Book value per share ex intangibles	0.62	0.72	0.61	-0.60	0.88	1.44	2.14
EV / Sales	0.3 x	0.3 x	0.4 x	0.6 x	1.1 x	1.0 x	0.9 x
EV / EBITDA	5.3 x	5.3 x	6.6 x	9.1 x	17.3 x	13.2 x	11.2 x
EV / EBIT	7.4 x	7.3 x	9.1 x	12.9 x	32.8 x	19.8 x	15.8 x
EV / EBIT adj.*	7.4 x	7.3 x	9.1 x	12.9 x	26.6 x	18.0 x	14.6 x
P / FCF	15.4 x	7.5 x	8.1 x	6.9 x	n.a.	41.5 x	27.5 x
P / E	8.0 x	8.9 x	12.4 x	22.9 x	54.1 x	26.6 x	20.9 x
P / E adj.*	8.0 x	8.9 x	12.4 x	22.9 x	54.1 x	26.6 x	20.9 x
Dividend Yield	2.5 %	2.4 %	1.8 %	1.3 %	0.6 %	0.8 %	0.9 %
FCF Potential Yield (on market EV)	15.4 %	15.0 %	12.4 %	9.6 %	3.6 %	4.8 %	5.8 %

*Adjustments made for: -

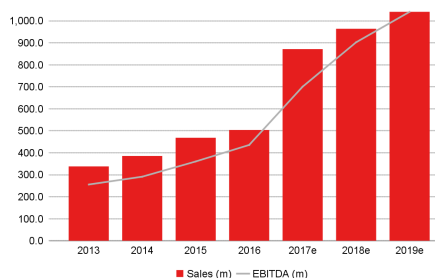
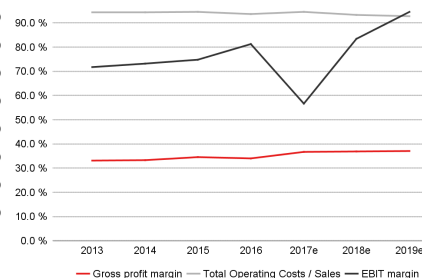
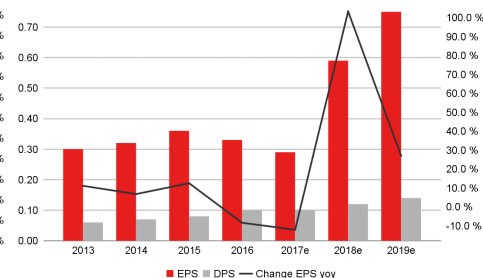
Consolidated profit & loss

In EUR m	2013	2014	2015	2016	2017e	2018e	2019e
Sales	337.9	385.5	468.2	503.7	871.4	963.8	1,041.1
Change Sales yoy	-0.5 %	14.1 %	21.4 %	7.6 %	73.0 %	10.6 %	8.0 %
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	0.9	1.2	2.7	2.8	8.0	6.0	6.0
Total Sales	338.8	386.8	470.9	506.5	879.4	969.8	1,047.1
Material expenses	226.7	258.3	309.3	334.8	559.9	613.5	660.6
Gross profit	112.1	128.4	161.6	171.7	319.5	356.4	386.5
Gross profit margin	33.2 %	33.3 %	34.5 %	34.1 %	36.7 %	37.0 %	37.1 %
Personnel expenses	66.2	72.4	89.5	93.5	176.3	190.8	204.0
Other operating income	6.7	5.0	6.3	6.1	6.1	6.7	7.3
Other operating expenses	32.5	38.2	50.0	50.0	94.1	101.2	107.8
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	20.1	22.9	28.4	34.4	55.2	71.1	82.0
Margin	5.9 %	5.9 %	6.1 %	6.8 %	6.3 %	7.4 %	7.9 %
Depreciation of fixed assets	2.9	3.1	2.8	3.5	7.0	7.2	7.3
EBITA	17.2	19.7	25.6	30.9	48.2	63.8	74.7
Amortisation of intangible assets	2.9	3.1	4.9	6.7	19.2	16.4	16.7
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	14.3	16.6	20.6	24.1	29.1	47.4	58.1
Margin	4.2 %	4.3 %	4.4 %	4.8 %	3.3 %	4.9 %	5.6 %
EBIT adj.	14.3	16.6	20.6	24.1	35.9	52.0	62.7
Interest income	0.5	1.6	0.3	0.3	0.5	0.5	0.5
Interest expenses	2.7	3.2	3.0	4.4	6.0	5.0	5.0
Other financial income (loss)	0.0	-0.3	0.5	0.0	0.0	0.0	0.0
EBT	12.1	14.8	18.4	20.1	23.6	42.9	53.6
Margin	3.6 %	3.8 %	3.9 %	4.0 %	2.7 %	4.5 %	5.1 %
Total taxes	0.1	0.8	0.8	-0.3	2.4	5.6	7.0
Net income from continuing operations	11.9	14.0	17.6	20.4	21.2	37.4	46.6
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income before minorities	11.9	14.0	17.6	20.4	21.2	37.4	46.6
Minority interest	0.2	1.0	1.8	5.8	6.3	2.5	2.5
Net income	11.7	13.0	15.8	14.6	14.9	34.9	44.1
Margin	3.5 %	3.4 %	3.4 %	2.9 %	1.7 %	3.6 %	4.2 %
Number of shares, average	39.2	41.0	43.5	44.0	51.4	58.9	58.9
EPS	0.30	0.32	0.36	0.33	0.29	0.59	0.75
EPS adj.	0.30	0.32	0.36	0.33	0.29	0.59	0.75

*Adjustments made for:

Guidance: 2017: Sales EUR 860 - 890m, EBITDA > EUR 50m
Financial Ratios

	2013	2014	2015	2016	2017e	2018e	2019e
Total Operating Costs / Sales	94.3 %	94.4 %	94.5 %	93.7 %	94.6 %	93.3 %	92.7 %
Operating Leverage	-61.1 x	1.2 x	1.1 x	2.2 x	0.3 x	6.0 x	2.8 x
EBITDA / Interest expenses	7.4 x	7.2 x	9.5 x	7.9 x	9.2 x	14.2 x	16.4 x
Tax rate (EBT)	1.1 %	5.2 %	4.3 %	-1.6 %	10.0 %	13.0 %	13.0 %
Dividend Payout Ratio	19.7 %	20.5 %	19.7 %	21.5 %	24.2 %	18.9 %	17.7 %
Sales per Employee	215,246	173,748	195,078	215,250	354,658	373,602	384,322

Sales, EBITDA
in EUR m

Operating Performance
in %

Performance per Share


Source: Warburg Research

Source: Warburg Research

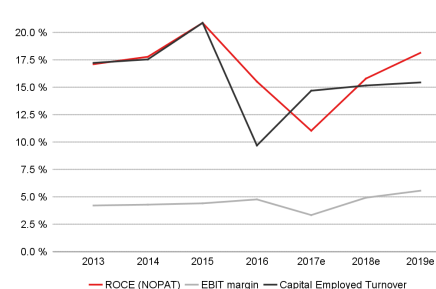
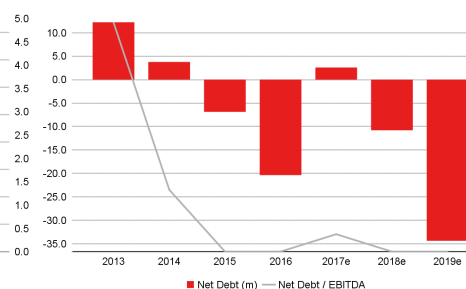
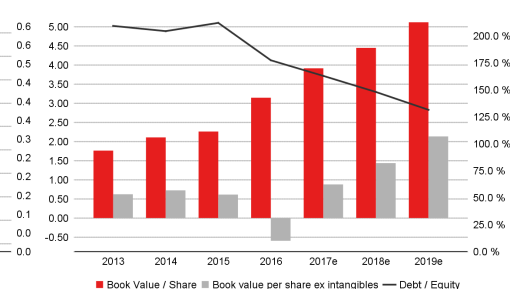
Source: Warburg Research

Consolidated balance sheet

In EUR m	2013	2014	2015	2016	2017e	2018e	2019e
Assets							
Goodwill and other intangible assets	44.8	57.1	72.8	183.2	179.1	177.7	176.0
thereof other intangible assets	44.8	57.1	72.8	183.2	179.1	177.7	176.0
thereof Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	9.0	11.4	15.2	27.5	27.5	27.3	27.0
Financial assets	2.8	2.5	3.1	12.1	12.1	12.1	12.1
Other long-term assets	0.0	1.3	0.0	0.0	0.0	0.0	0.0
Fixed assets	56.5	72.3	91.0	222.8	218.7	217.1	215.1
Inventories	22.7	30.0	28.7	84.9	96.8	107.1	115.7
Accounts receivable	71.6	95.7	86.4	168.6	171.9	190.1	205.4
Liquid assets	42.9	39.5	60.3	125.6	102.6	116.0	139.6
Other short-term assets	26.3	35.6	52.6	66.9	66.9	66.9	66.9
Current assets	163.6	200.8	228.0	445.9	438.2	480.1	527.5
Total Assets	220.1	273.1	319.1	668.7	656.8	697.1	742.6
Liabilities and shareholders' equity							
Subscribed capital	39.3	43.3	43.8	48.9	58.9	58.9	58.9
Capital reserve	2.6	8.2	8.1	44.9	44.9	44.9	44.9
Retained earnings	27.7	38.3	51.0	61.9	71.9	100.9	137.9
Other equity components	-0.5	-2.9	-3.1	-1.8	55.0	57.5	60.0
Shareholders' equity	69.2	86.9	99.8	154.0	230.9	262.3	301.8
Minority interest	2.1	2.8	2.4	87.0	19.0	19.0	19.0
Total equity	71.2	89.7	102.2	241.1	249.9	281.3	320.8
Provisions	6.8	6.9	8.4	50.7	31.2	31.2	31.2
thereof provisions for pensions and similar obligations	2.9	2.3	2.5	11.6	11.6	11.6	11.6
Financial liabilities (total)	52.3	41.0	51.0	93.6	93.6	93.6	93.6
thereof short-term financial liabilities	28.4	14.8	22.9	19.5	19.5	19.5	19.5
Accounts payable	46.6	74.2	70.1	134.3	136.1	147.9	156.9
Other liabilities	43.2	61.4	87.3	149.1	146.1	143.1	140.1
Liabilities	148.9	183.3	216.8	427.7	407.0	415.8	421.8
Total liabilities and shareholders' equity	220.1	273.1	319.1	668.7	656.8	697.1	742.6

Financial Ratios

	2013	2014	2015	2016	2017e	2018e	2019e
Efficiency of Capital Employment							
Operating Assets Turnover	6.0 x	6.1 x	8.5 x	3.7 x	5.8 x	5.8 x	5.7 x
Capital Employed Turnover	4.0 x	4.1 x	4.9 x	2.3 x	3.5 x	3.6 x	3.6 x
ROA	20.8 %	18.0 %	17.4 %	6.5 %	6.8 %	16.1 %	20.5 %
Return on Capital							
ROCE (NOPAT)	17.1 %	17.8 %	20.9 %	15.5 %	11.1 %	15.8 %	18.1 %
ROE	17.9 %	16.6 %	17.0 %	11.5 %	7.7 %	14.1 %	15.6 %
Adj. ROE	17.9 %	16.6 %	17.0 %	11.5 %	7.7 %	14.1 %	15.6 %
Balance sheet quality							
Net Debt	12.2	3.8	-6.9	-20.3	2.6	-10.8	-34.4
Net Financial Debt	9.3	1.5	-9.4	-32.0	-9.0	-22.4	-46.0
Net Gearing	17.2 %	4.2 %	-6.7 %	-8.4 %	1.0 %	-3.8 %	-10.7 %
Net Fin. Debt / EBITDA	46.5 %	6.4 %	n.a.	n.a.	n.a.	n.a.	n.a.
Book Value / Share	1.8	2.1	2.3	3.1	3.9	4.5	5.1
Book value per share ex intangibles	0.6	0.7	0.6	-0.6	0.9	1.4	2.1

ROCE Development

Net debt in EUR m

Book Value per Share in EUR


Source: Warburg Research

Source: Warburg Research

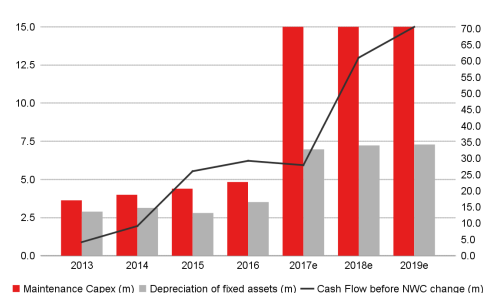
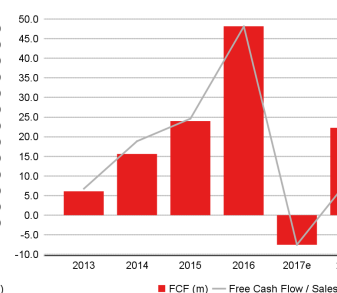
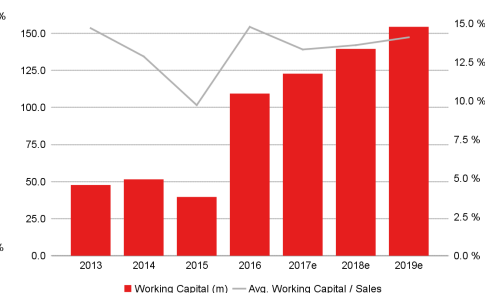
Source: Warburg Research

Consolidated cash flow statement

In EUR m	2013	2014	2015	2016	2017e	2018e	2019e
Net income	11.9	14.0	17.6	20.4	21.2	37.4	46.6
Depreciation of fixed assets	2.9	3.1	2.8	3.5	7.0	7.2	7.3
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	2.9	3.1	4.9	6.7	19.2	16.4	16.7
Increase/decrease in long-term provisions	-4.1	-2.2	-2.2	0.0	0.0	0.0	0.0
Other non-cash income and expenses	-9.5	-9.0	2.9	-1.4	-19.5	0.0	0.0
Cash Flow before NWC change	4.2	9.2	26.0	29.3	27.9	61.0	70.5
Increase / decrease in inventory	1.5	-1.9	1.4	9.3	-11.9	-10.3	-8.6
Increase / decrease in accounts receivable	12.1	-7.2	13.4	-1.5	-3.3	-18.2	-15.3
Increase / decrease in accounts payable	-6.8	20.6	-8.8	20.3	1.8	11.8	9.0
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 (total)	6.9	11.5	6.0	28.2	-13.4	-16.7	-14.9
Net cash provided by operating activities [1]	11.1	20.6	32.0	57.5	14.4	44.3	55.6
Investments in intangible assets	-2.0	-2.0	-4.0	-6.0	-15.0	-15.0	-15.0
Investments in property, plant and equipment	-3.0	-3.0	-4.0	-3.5	-7.0	-7.0	-7.0
Payments for acquisitions	0.0	0.0	0.0	59.2	-6.5	-3.0	-3.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	-12.6	-10.8	3.2	0.0	0.0	0.0
Net cash provided by investing activities [2]	-5.0	-17.6	-18.8	53.1	-28.5	-25.0	-25.0
Change in financial liabilities	1.9	3.1	6.1	39.8	0.0	0.0	0.0
Dividends paid	0.0	0.0	-2.9	-3.5	-4.9	-5.9	-7.1
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	-0.1	10.5	0.0	44.0	0.0	0.0	0.0
Other	-3.4	-9.2	-6.9	-4.3	-4.0	0.0	0.0
Net cash provided by financing activities [3]	-1.6	4.4	-3.6	75.9	-8.9	-5.9	-7.1
Change in liquid funds [1]+[2]+[3]	4.5	7.4	9.6	186.5	-22.9	13.4	23.6
Effects of exchange-rate changes on cash	-0.5	-1.1	0.5	0.0	0.0	0.0	0.0
Cash and cash equivalent at end of period	34.0	49.3	49.5	246.8	102.6	116.0	139.6

Financial Ratios

	2013	2014	2015	2016	2017e	2018e	2019e
Cash Flow							
FCF	6.1	15.6	24.0	48.2	-7.6	22.3	33.6
Free Cash Flow / Sales	1.8 %	4.0 %	5.1 %	9.5 %	-0.9 %	2.3 %	3.2 %
Free Cash Flow Potential	16.3	18.1	23.2	29.9	34.1	44.9	53.1
Free Cash Flow / Net Profit	51.9 %	120.2 %	151.5 %	329.0 %	-50.6 %	63.9 %	76.3 %
Interest Received / Avg. Cash	1.4 %	3.9 %	0.7 %	0.4 %	0.4 %	0.5 %	0.4 %
Interest Paid / Avg. Debt	5.6 %	6.8 %	6.5 %	6.0 %	6.4 %	5.3 %	5.3 %
Management of Funds							
Investment ratio	1.5 %	1.3 %	1.7 %	1.9 %	2.5 %	2.3 %	2.1 %
Maint. Capex / Sales	1.1 %	1.0 %	0.9 %	1.0 %	1.7 %	1.6 %	1.4 %
Capex / Dep	86.5 %	79.7 %	103.5 %	92.4 %	84.2 %	93.2 %	91.9 %
Avg. Working Capital / Sales	14.7 %	12.9 %	9.7 %	14.8 %	13.3 %	13.6 %	14.1 %
Trade Debtors / Trade Creditors	153.8 %	129.0 %	123.3 %	125.5 %	126.3 %	128.5 %	130.9 %
Inventory Turnover	10.0 x	8.6 x	10.8 x	3.9 x	5.8 x	5.7 x	5.7 x
Receivables collection period (days)	77	91	67	122	72	72	72
Payables payment period (days)	75	105	83	146	89	88	87
Cash conversion cycle (Days)	-31	-52	-49	-34	-20	-18	-16

CAPEX and Cash Flow
in EUR m

Free Cash Flow Generation

Working Capital


Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
S&T AG	5	http://www.mmwarburg.com/disclaimer/disclaimer_en/AT0000A0E9W5.htm

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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	Hold:	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	Sell:	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

Rating	Number of stocks	% of Universe
Buy	105	52
Hold	88	44
Sell	6	3
Rating suspended	2	1
Total	201	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	28	70
Hold	9	23
Sell	1	3
Rating suspended	2	5
Total	40	100

PRICE AND RATING HISTORY S&T AG AS OF 07.08.2017


Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

EQUITIES

Roland Rapelius +49 40 3282-2673
Head of Equities rrapelius@mmwarburg.com

RESEARCH

Michael Heider +49 40 309537-280
Head of Research mheider@warburg-research.com

Henner Rüschemeyer +49 40 309537-270
Head of Research hrueschmeier@warburg-research.com

Lucas Boventer +49 40 309537-290
Renewables, Internet, Media lboventer@warburg-research.com

Christian Cohrs +49 40 309537-175
Engineering, Logistics ccohrs@warburg-research.com

Felix Ellmann +49 40 309537-120
Software, IT fellmann@warburg-research.com

Jörg Philipp Frey +49 40 309537-258
Retail, Consumer Goods jfrey@warburg-research.com

Marie-Thérèse Grübner +49 40 309537-240
Small Cap Research mgruebner@warburg-research.com

Ulrich Huwald +49 40 309537-255
Health Care, Pharma uhuwald@warburg-research.com

Thilo Kleibauer +49 40 309537-257
Retail, Consumer Goods tkleibauer@warburg-research.com

Eggert Kuls +49 40 309537-256
Engineering ekuls@warburg-research.com

Andreas Pläsier +49 40 309537-246
Banks, Financial Services aplaesier@warburg-research.com

Jochen Reichert +49 40 309537-130
Telco, Internet, Media jreichert@warburg-research.com

J. Moritz Rieser +49 40 309537-260
Real Estate mrieser@warburg-research.com

Arash Roshan Zamir +49 40 309537-155
Cap. Goods, Renewables aroshanzamir@warburg-research.com

Malte Schaumann +49 40 309537-170
Technology mschaumann@warburg-research.com

Patrick Schmidt +49 40 309537-125
Small Cap Research pschmidt@warburg-research.com

Oliver Schwarz +49 40 309537-250
Chemicals, Agriculture oschwarz@warburg-research.com

Marc-René Tonn +49 40 309537-259
Automobiles, Car Suppliers mtonn@warburg-research.com

Björn Voss +49 40 309537-254
Steel, Car Suppliers bvoss@warburg-research.com

Alexander Wahl +49 40 309537-230
Car Suppliers, Construction awahl@warburg-research.com

Andreas Wolf +49 40 309537-140
Software, IT awolf@warburg-research.com

INSTITUTIONAL EQUITY SALES

Holger Nass +49 40 3282-2669
Head of Equity Sales, USA hnass@mmwarburg.com

Klaus Schilling +49 40 3282-2664
Dep. Head of Equity Sales, GER kschilling@mmwarburg.com

Tim Beckmann +49 40 3282-2665
United Kingdom tbeckmann@mmwarburg.com

Lyubka Bogdanova +49 69 5050-7411
United Kingdom, Australia lbogdanova@mmwarburg.com

Jens Buchmüller +49 69 5050-7415
Scandinavia, Austria jbuchmueller@mmwarburg.com

Paul Dontenwill +49 40 3282-2666
USA, Poland, The Netherlands pdontenwill@mmwarburg.com

Matthias Fritsch +49 40 3282-2696
United Kingdom mfritsch@mmwarburg.com

Michael Kriszun +49 40 3282-2695
United Kingdom mkriszun@mmwarburg.com

Marc Niemann +49 40 3282-2660
Germany mniemann@mmwarburg.com

Sanjay Oberoi +49 69 5050-7410
United Kingdom soberoi@mmwarburg.com

Simon Pallhuber +49 69 5050-7414
Switzerland, France spallhuber@mmwarburg.com

Angelika Flegler +49 69 5050-7417
Roadshow/Marketing aflegler@mmwarburg.com

Juliane Willenbruch +49 40 3282-2694
Roadshow/Marketing jwillenbruch@mmwarburg.com

SALES TRADING

Oliver Merkel +49 40 3282-2634
Head of Sales Trading omerckel@mmwarburg.com

Elyaz Dust +49 40 3282-2702
Sales Trading edust@mmwarburg.com

Michael Ilgenstein +49 40 3282-2700
Sales Trading milgenstein@mmwarburg.com

Bastian Quast +49 40 3282-2701
Sales Trading bquast@mmwarburg.com

Jörg Treptow +49 40 3282-2658
Sales Trading jtreptow@mmwarburg.com

Jan Walter +49 40 3282-2662
Sales Trading jwalter@mmwarburg.com

MACRO RESEARCH

Carsten Klude +49 40 3282-2572
Macro Research cklude@mmwarburg.com

Dr. Christian Jasperneite +49 40 3282-2439
Investment Strategy cjasperneite@mmwarburg.com

Our research can be found under:

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For access please contact:

Andrea Schaper +49 40 3282-2632
Sales Assistance aschaper@mmwarburg.com

Kerstin Muthig +49 40 3282-2703
Sales Assistance kmuthig@mmwarburg.com