

**Buy** (old: Buy)

**Price target: EUR 24.00** (old: EUR 23.00)

<b>Price:</b>	EUR 18.00	<b>Next result:</b>	Q1 '18: tba
<b>Bloomberg:</b>	SANT@GR	<b>Market cap:</b>	EUR 1,129.3 m
<b>Reuters:</b>	SANT1.DE	<b>Enterprise Value:</b>	EUR 1,048.7 m

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## S&T turns in a beat; C-Level buys shares; chg. est. & PT

Following the release of FY'17 results last Thursday, the shares sold off strongly which was fundamentally unjustified, in our view.

In fact, **S&T turned in a strong beat**: FY'17 sales reached € 882m versus € 860m guidance and € 870m eCons. **FY'17 EBITDA soared past expectations to € 68m** versus € 62m consensus and >€ 60m guidance. Drivers: (1) Stronger than expected cost synergies with Kontron; (2) Excellent demand for IoT Solutions combining embedded solutions (i.e. Kontron's expertise) with software (i.e. S&T's expertise) backed by cost attractive manufacturing (i.e. Foxconn).

While some investors seem to have been dissatisfied with higher-than-expected minorities and interest expenses, also the **reported pro forma EPS of € 0.51 (i.e. adjusted for PPA) beat our expectations of € 0.47**. In this regard, note that both minorities and interest expenses **should decline substantially** in 2018 as:

- M&A bridge financing for Kontron will no longer be needed AND S&T will redeem its expensive 7.25% bond (€ 15m volume) in May 2018.
- S&T by now owns almost 95% of Kontron whereas it gradually built up its stake last year largely explaining lofty minorities in 2017.

As a sign of confidence, **the CEO and CFO bought shares worth € 220k and € 200k, respectively** on Thursday at prices of € 20.10 per share and € 18.40 per share.

In light of the better-than-expected FY'17 results, S&T's FY '18E guidance (€ 1bn sales / >€ 80m EBITDA) **looks rather conservative** on the bottom-line (eH&A: € 88m EBITDA). We continue to see strong growth and margin expansion in segments IoT Solutions (€ 320m sales / 11% EBITDA margin) and Embedded Systems (€ 175m sales / 11% EBITDA margin) driven by the rapidly advancing inter-connection of machines and the Foxconn co-operation (i.e. *new markets / more cost attractive hardware assembly*).

**This is underpinned by S&T's initial mid-term outlook** targeting € 2bn sales by 2023E which implies 15% growth CAGR and should thus be **significantly above the market's expectations** of 8-10% p.a.

**Action:** Estimates are raised to account for better-than-expected results. 2020E is introduced. **Remains a BUY with a new € 24.00 PT** (prior: € 23.00) based on DCF.

Y/E 31.12 (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Sales	385.5	468.2	503.7	882.0	1,005.0	1,115.6	1,227.1
Sales growth	14 %	21 %	8 %	75 %	14 %	11 %	10 %
EBITDA	22.9	28.4	34.4	68.1	88.4	107.1	127.0
EBIT	16.6	20.6	24.1	41.7	63.8	83.6	102.5
Net income	13.0	15.8	14.6	22.5	50.7	69.9	87.2
Net debt	1.5	-9.4	-32.0	-101.8	-104.5	-148.3	-204.6
Net gearing	1.7 %	-9.4 %	-20.7 %	-33.4 %	-32.1 %	-38.5 %	-44.5 %
Net Debt/EBITDA	0.1	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	0.30	0.36	0.30	0.51	0.80	1.10	1.37
CPS	0.35	0.50	1.12	0.52	0.73	1.12	1.31
DPS	0.07	0.08	0.10	0.13	0.15	0.17	0.20
Dividend yield	0.4 %	0.4 %	0.6 %	0.7 %	0.8 %	1.0 %	1.1 %
Gross profit margin	33.2 %	34.3 %	33.9 %	36.7 %	37.6 %	38.5 %	39.1 %
EBITDA margin	5.9 %	6.1 %	6.8 %	7.7 %	8.8 %	9.6 %	10.4 %
EBIT margin	4.3 %	4.4 %	4.8 %	4.7 %	6.4 %	7.5 %	8.4 %
ROCE	12.4 %	13.8 %	8.8 %	9.4 %	13.0 %	16.7 %	19.1 %
EV/sales	2.0	1.6	1.7	1.2	1.0	0.9	0.8
EV/EBITDA	33.8	26.9	24.4	15.4	11.8	9.4	7.5
EV/EBIT	46.6	37.0	34.7	25.1	16.4	12.0	9.2
PER	59.3	49.6	58.9	34.9	22.3	16.2	13.0
Adjusted FCF yield	2.0 %	2.7 %	2.6 %	4.2 %	6.6 %	8.5 %	10.6 %

Source: Company data, Hauck & Aufhäuser Close price as of: 29.03.2018



Source: Company data, Hauck & Aufhäuser

<b>High/low 52 weeks:</b>	22.46 / 10.41
<b>Price/Book Ratio:</b>	4.2
<b>Relative performance (TecDAX):</b>	
3 months	7.4 %
6 months	5.3 %
12 months	73.7 %

### Changes in estimates

		Sales	EBIT	EPS
2018	old:	971.9	60.6	0.78
	Δ	3.4%	5.4%	2.1%
2019	old:	1,069.1	78.9	1.06
	Δ	4.3%	5.9%	3.8%

### Key share data:

Number of shares: (in m pcs)	52.5
Authorised capital: (in € m)	12.1
Book value per share: (in €)	4.8
Ø trading volume: (12 months)	60,000

### Major shareholders:

Free Float	77.7 %
Ennoconn	22.3 %
AGI	4.0 %
JP Morgan	4.0 %
grosso Holding	2.9 %
CEO (incl. in Free Float)	2.0 %

### Company description:

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

Financials

Profit and loss (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
<b>Net sales</b>	<b>385.5</b>	<b>468.2</b>	<b>503.7</b>	<b>882.0</b>	<b>1,005.0</b>	<b>1,115.6</b>	<b>1,227.1</b>
<i>Sales growth</i>	14.1 %	21.4 %	7.6 %	75.1 %	13.9 %	11.0 %	10.0 %
Increase/decrease in finished goods and work-in-process	1.2	2.7	2.8	13.4	10.1	11.2	12.3
<b>Total sales</b>	<b>386.8</b>	<b>470.9</b>	<b>506.5</b>	<b>895.3</b>	<b>1,015.1</b>	<b>1,126.7</b>	<b>1,239.4</b>
Other operating income	5.0	6.3	6.1	8.5	5.0	4.5	4.3
Material expenses	258.3	309.3	334.8	567.0	633.2	692.8	754.7
Personnel expenses	72.4	89.5	93.5	179.4	199.0	220.9	240.5
Other operating expenses	38.2	50.0	50.0	89.4	99.5	110.4	121.5
Total operating expenses	363.9	442.6	472.1	827.3	926.6	1,019.6	1,112.4
<b>EBITDA</b>	<b>22.9</b>	<b>28.4</b>	<b>34.4</b>	<b>68.1</b>	<b>88.4</b>	<b>107.1</b>	<b>127.0</b>
Depreciation	2.2	7.7	10.3	7.4	9.5	10.5	11.5
<b>EBITA</b>	<b>20.7</b>	<b>20.6</b>	<b>24.1</b>	<b>60.7</b>	<b>78.9</b>	<b>96.6</b>	<b>115.5</b>
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	4.1	0.0	0.0	18.9	15.1	13.0	13.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>16.6</b>	<b>20.6</b>	<b>24.1</b>	<b>41.7</b>	<b>63.8</b>	<b>83.6</b>	<b>102.5</b>
Interest income	1.6	0.3	0.3	0.6	0.6	0.6	0.7
Interest expenses	3.2	3.0	4.4	6.9	5.3	3.4	3.0
Other financial result	-0.3	0.5	0.0	0.0	0.0	0.0	0.0
Financial result	-1.8	-2.2	-4.0	-6.4	-4.7	-2.8	-2.3
<b>Recurring pretax income from continuing operations</b>	<b>14.8</b>	<b>18.4</b>	<b>20.1</b>	<b>35.4</b>	<b>59.1</b>	<b>80.8</b>	<b>100.2</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>14.8</b>	<b>18.4</b>	<b>20.1</b>	<b>35.4</b>	<b>59.1</b>	<b>80.8</b>	<b>100.2</b>
Taxes	0.8	0.8	-0.3	6.0	5.9	8.1	10.0
<b>Net income from continuing operations</b>	<b>14.0</b>	<b>17.6</b>	<b>20.4</b>	<b>29.4</b>	<b>53.2</b>	<b>72.7</b>	<b>90.2</b>
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>14.0</b>	<b>17.6</b>	<b>20.4</b>	<b>29.4</b>	<b>53.2</b>	<b>72.7</b>	<b>90.2</b>
Minority interest	1.0	1.8	5.8	6.9	2.5	2.8	3.1
<b>Net income (net of minority interest)</b>	<b>13.0</b>	<b>15.8</b>	<b>14.6</b>	<b>22.5</b>	<b>50.7</b>	<b>69.9</b>	<b>87.2</b>
Average number of shares	41.2	43.5	44.2	52.5	63.4	63.4	63.4
<b>EPS reported</b>	<b>0.32</b>	<b>0.36</b>	<b>0.33</b>	<b>0.43</b>	<b>0.80</b>	<b>1.10</b>	<b>1.37</b>

Profit and loss (common size)	2014	2015	2016	2017	2018E	2019E	2020E
<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	0.3 %	0.6 %	0.6 %	1.5 %	1.0 %	1.0 %	1.0 %
<b>Total sales</b>	<b>100.3 %</b>	<b>100.6 %</b>	<b>100.6 %</b>	<b>101.5 %</b>	<b>101.0 %</b>	<b>101.0 %</b>	<b>101.0 %</b>
Other operating income	1.3 %	1.3 %	1.2 %	1.0 %	0.5 %	0.4 %	0.4 %
Material expenses	67.0 %	66.1 %	66.5 %	64.3 %	63.0 %	62.1 %	61.5 %
Personnel expenses	18.8 %	19.1 %	18.6 %	20.3 %	19.8 %	19.8 %	19.6 %
Other operating expenses	9.9 %	10.7 %	9.9 %	10.1 %	9.9 %	9.9 %	9.9 %
Total operating expenses	94.4 %	94.5 %	93.7 %	93.8 %	92.2 %	91.4 %	90.7 %
<b>EBITDA</b>	<b>5.9 %</b>	<b>6.1 %</b>	<b>6.8 %</b>	<b>7.7 %</b>	<b>8.8 %</b>	<b>9.6 %</b>	<b>10.4 %</b>
Depreciation	0.6 %	1.7 %	2.0 %	0.8 %	0.9 %	0.9 %	0.9 %
<b>EBITA</b>	<b>5.4 %</b>	<b>4.4 %</b>	<b>4.8 %</b>	<b>6.9 %</b>	<b>7.9 %</b>	<b>8.7 %</b>	<b>9.4 %</b>
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	1.1 %	0.0 %	0.0 %	2.1 %	1.5 %	1.2 %	1.1 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>EBIT</b>	<b>4.3 %</b>	<b>4.4 %</b>	<b>4.8 %</b>	<b>4.7 %</b>	<b>6.4 %</b>	<b>7.5 %</b>	<b>8.4 %</b>
Interest income	0.4 %	0.1 %	0.1 %	0.1 %	0.1 %	0.0 %	0.1 %
Interest expenses	0.8 %	0.6 %	0.9 %	0.8 %	0.5 %	0.3 %	0.2 %
Other financial result	-0.1 %	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	-0.5 %	-0.5 %	-0.8 %	-0.7 %	-0.5 %	-0.3 %	-0.2 %
<b>Recurring pretax income from continuing operations</b>	<b>3.8 %</b>	<b>3.9 %</b>	<b>4.0 %</b>	<b>4.0 %</b>	<b>5.9 %</b>	<b>7.2 %</b>	<b>8.2 %</b>
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Earnings before taxes</b>	<b>3.8 %</b>	<b>3.9 %</b>	<b>4.0 %</b>	<b>4.0 %</b>	<b>5.9 %</b>	<b>7.2 %</b>	<b>8.2 %</b>
Tax rate	5.2 %	4.3 %	-1.6 %	17.0 %	10.0 %	10.0 %	10.0 %
<b>Net income from continuing operations</b>	<b>3.6 %</b>	<b>3.8 %</b>	<b>4.1 %</b>	<b>3.3 %</b>	<b>5.3 %</b>	<b>6.5 %</b>	<b>7.4 %</b>
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Net income</b>	<b>3.6 %</b>	<b>3.8 %</b>	<b>4.1 %</b>	<b>3.3 %</b>	<b>5.3 %</b>	<b>6.5 %</b>	<b>7.4 %</b>
Minority interest	0.3 %	0.4 %	1.2 %	0.8 %	0.2 %	0.3 %	0.2 %
<b>Net income (net of minority interest)</b>	<b>3.4 %</b>	<b>3.4 %</b>	<b>2.9 %</b>	<b>2.6 %</b>	<b>5.0 %</b>	<b>6.3 %</b>	<b>7.1 %</b>

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
<b>Intangible assets</b>	<b>57.1</b>	<b>72.8</b>	<b>183.2</b>	<b>189.9</b>	<b>186.9</b>	<b>187.3</b>	<b>188.4</b>
Property, plant and equipment	11.4	15.2	27.5	31.9	38.5	45.2	52.1
Financial assets	3.8	3.1	12.1	17.6	17.6	17.6	17.6
<b>FIXED ASSETS</b>	<b>72.3</b>	<b>91.0</b>	<b>222.8</b>	<b>239.4</b>	<b>242.9</b>	<b>250.1</b>	<b>258.1</b>
Inventories	30.0	28.7	84.9	104.0	96.6	104.3	114.7
Accounts receivable	95.7	86.4	168.6	172.4	220.3	244.5	269.0
Other current assets	22.0	36.7	41.5	43.5	44.6	45.7	46.9
Liquid assets	39.5	60.3	125.6	216.9	169.5	198.3	254.6
Deferred taxes	13.6	15.9	25.4	28.6	28.6	28.6	28.6
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>200.8</b>	<b>228.0</b>	<b>445.9</b>	<b>565.5</b>	<b>559.7</b>	<b>621.4</b>	<b>713.8</b>
<b>TOTAL ASSETS</b>	<b>273.1</b>	<b>319.1</b>	<b>668.7</b>	<b>804.9</b>	<b>802.6</b>	<b>871.5</b>	<b>971.9</b>
SHAREHOLDERS EQUITY	86.9	99.8	154.0	305.1	326.0	384.9	460.0
MINORITY INTEREST	2.8	2.4	87.0	26.7	26.7	26.7	26.7
Long-term debt	26.1	28.1	74.2	68.7	50.0	35.0	35.0
Provisions for pensions and similar obligations	2.3	2.5	11.6	21.2	21.4	21.6	21.9
Other provisions	4.6	6.0	39.1	36.7	37.8	38.9	40.1
<b>Non-current liabilities</b>	<b>33.0</b>	<b>36.5</b>	<b>124.8</b>	<b>126.6</b>	<b>109.2</b>	<b>95.6</b>	<b>96.9</b>
short-term liabilities to banks	14.8	22.9	19.5	46.4	15.0	15.0	15.0
Accounts payable	74.2	70.1	134.3	154.9	176.5	195.9	215.5
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	59.9	85.9	143.7	135.6	139.7	143.9	148.2
Deferred taxes	1.5	1.4	5.4	9.5	9.5	9.5	9.5
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>150.3</b>	<b>180.3</b>	<b>302.8</b>	<b>346.4</b>	<b>340.7</b>	<b>364.3</b>	<b>388.2</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>273.1</b>	<b>319.1</b>	<b>668.7</b>	<b>804.9</b>	<b>802.6</b>	<b>871.5</b>	<b>971.9</b>

Balance sheet (common size)	2014	2015	2016	2017	2018E	2019E	2020E
<b>Intangible assets</b>	<b>20.9 %</b>	<b>22.8 %</b>	<b>27.4 %</b>	<b>23.6 %</b>	<b>23.3 %</b>	<b>21.5 %</b>	<b>19.4 %</b>
Property, plant and equipment	4.2 %	4.7 %	4.1 %	4.0 %	4.8 %	5.2 %	5.4 %
Financial assets	1.4 %	1.0 %	1.8 %	2.2 %	2.2 %	2.0 %	1.8 %
<b>FIXED ASSETS</b>	<b>26.5 %</b>	<b>28.5 %</b>	<b>33.3 %</b>	<b>29.7 %</b>	<b>30.3 %</b>	<b>28.7 %</b>	<b>26.6 %</b>
Inventories	11.0 %	9.0 %	12.7 %	12.9 %	12.0 %	12.0 %	11.8 %
Accounts receivable	35.0 %	27.1 %	25.2 %	21.4 %	27.4 %	28.1 %	27.7 %
Other current assets	8.1 %	11.5 %	6.2 %	5.4 %	5.6 %	5.2 %	4.8 %
Liquid assets	14.5 %	18.9 %	18.8 %	27.0 %	21.1 %	22.8 %	26.2 %
Deferred taxes	5.0 %	5.0 %	3.8 %	3.6 %	3.6 %	3.3 %	2.9 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>CURRENT ASSETS</b>	<b>73.5 %</b>	<b>71.5 %</b>	<b>66.7 %</b>	<b>70.3 %</b>	<b>69.7 %</b>	<b>71.3 %</b>	<b>73.4 %</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	31.8 %	31.3 %	23.0 %	37.9 %	40.6 %	44.2 %	47.3 %
MINORITY INTEREST	1.0 %	0.8 %	13.0 %	3.3 %	3.3 %	3.1 %	2.8 %
Long-term debt	9.6 %	8.8 %	11.1 %	8.5 %	6.2 %	4.0 %	3.6 %
Provisions for pensions and similar obligations	0.8 %	0.8 %	1.7 %	2.6 %	2.7 %	2.5 %	2.2 %
Other provisions	1.7 %	1.9 %	5.8 %	4.6 %	4.7 %	4.5 %	4.1 %
<b>Non-current liabilities</b>	<b>12.1 %</b>	<b>11.5 %</b>	<b>18.7 %</b>	<b>15.7 %</b>	<b>13.6 %</b>	<b>11.0 %</b>	<b>10.0 %</b>
short-term liabilities to banks	5.4 %	7.2 %	2.9 %	5.8 %	1.9 %	1.7 %	1.5 %
Accounts payable	27.2 %	22.0 %	20.1 %	19.2 %	22.0 %	22.5 %	22.2 %
Advance payments received on orders	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other liabilities (incl. from lease and rental contracts)	21.9 %	26.9 %	21.5 %	16.9 %	17.4 %	16.5 %	15.3 %
Deferred taxes	0.5 %	0.5 %	0.8 %	1.2 %	1.2 %	1.1 %	1.0 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Current liabilities</b>	<b>55.1 %</b>	<b>56.5 %</b>	<b>45.3 %</b>	<b>43.0 %</b>	<b>42.4 %</b>	<b>41.8 %</b>	<b>39.9 %</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)	2014	2015	2016	2017	2018E	2019E	2020E
Net profit/loss	14.0	17.6	20.4	29.4	53.2	72.7	90.2
Depreciation of fixed assets (incl. leases)	2.2	7.7	10.3	7.4	9.5	10.5	11.5
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	4.1	0.0	0.0	18.9	15.1	13.0	13.0
Others	4.1	-5.2	-1.9	-13.6	0.2	0.2	0.2
Cash flow from operations before changes in w/c	24.4	20.2	28.9	42.1	78.0	96.4	114.9
Increase/decrease in inventory	-7.4	1.3	9.3	-17.9	7.4	-7.6	-10.4
Increase/decrease in accounts receivable	-24.0	9.2	-1.5	5.5	-47.9	-24.2	-24.5
Increase/decrease in accounts payable	27.6	-4.1	20.3	15.2	21.6	19.4	19.6
Increase/decrease in other working capital positions	0.0	0.0	4.4	0.0	0.0	0.0	0.0
Increase/decrease in working capital	-3.8	6.5	32.5	2.8	-18.9	-12.4	-15.3
<b>Cash flow from operating activities</b>	<b>20.6</b>	<b>26.7</b>	<b>61.4</b>	<b>44.9</b>	<b>59.1</b>	<b>84.0</b>	<b>99.6</b>
CAPEX	5.8	9.5	9.3	23.0	28.1	30.7	32.5
Payments for acquisitions	5.5	0.4	59.2	11.5	20.0	0.0	0.0
Financial investments	1.7	0.6	4.3	5.7	0.0	0.0	0.0
Income from asset disposals	0.4	0.9	-0.9	1.2	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-12.6</b>	<b>-9.6</b>	<b>-73.6</b>	<b>-39.1</b>	<b>-48.1</b>	<b>-30.7</b>	<b>-32.5</b>
Cash flow before financing	8.0	17.1	-12.2	5.8	11.0	53.3	67.1
Increase/decrease in debt position	3.1	6.1	39.8	28.8	-50.1	-15.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	10.5	0.0	44.0	86.9	0.0	0.0	0.0
Dividends paid	2.4	3.1	3.5	4.9	8.2	9.5	10.8
Others	1.3	-3.8	-8.5	-17.7	0.0	0.0	0.0
Effects of exchange rate changes on cash	-1.1	0.5	0.0	-2.0	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>12.5</b>	<b>-0.7</b>	<b>71.8</b>	<b>93.1</b>	<b>-58.4</b>	<b>-24.5</b>	<b>-10.8</b>
Increase/decrease in liquid assets	19.5	16.8	59.5	97.0	-47.4	28.8	56.3
<b>Liquid assets at end of period</b>	<b>39.5</b>	<b>60.3</b>	<b>125.6</b>	<b>216.9</b>	<b>169.5</b>	<b>198.3</b>	<b>254.6</b>

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Domestic	65.1	52.4	60.1	57.3	60.3	61.4	67.5
yoy change	-4.8 %	-19.5 %	14.8 %	-4.6 %	5.2 %	1.8 %	10.0 %
Rest of Europe	320.5	184.3	166.3	247.0	281.4	312.4	331.3
yoy change	18.9 %	-42.5 %	-9.8 %	48.5 %	13.9 %	11.0 %	6.1 %
NAFTA	n/a	n/a	n/a	n/a	n/a	n/a	n/a
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Asia Pacific	n/a	n/a	n/a	n/a	n/a	n/a	n/a
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rest of world	n/a	231.5	277.3	577.7	663.3	741.8	828.3
yoy change	n/a	n/a	19.8 %	108.3 %	14.8 %	11.8 %	11.7 %
<b>TTL</b>	<b>385.5</b>	<b>468.2</b>	<b>503.7</b>	<b>882.0</b>	<b>1,005.0</b>	<b>1,115.6</b>	<b>1,227.1</b>
yoy change	14.1 %	21.4 %	7.6 %	75.1 %	13.9 %	11.0 %	10.0 %

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
<b>P&amp;L growth analysis</b>							
Sales growth	14.1 %	21.4 %	7.6 %	75.1 %	13.9 %	11.0 %	10.0 %
EBITDA growth	14.0 %	23.9 %	21.3 %	97.9 %	29.9 %	21.1 %	43.6 %
EBIT growth	16.2 %	24.1 %	16.9 %	73.1 %	52.9 %	30.9 %	60.6 %
EPS growth	5.4 %	15.3 %	-9.3 %	29.9 %	86.5 %	37.8 %	71.9 %
<b>Efficiency</b>							
Total operating costs / sales	94.4 %	94.5 %	93.7 %	93.8 %	92.2 %	91.4 %	90.7 %
Sales per employee	203.5	209.9	223.6	306.0	285.7	314.0	343.7
EBITDA per employee	12.1	12.7	15.3	23.6	25.1	30.1	35.6
<b>Balance sheet analysis</b>							
Avg. working capital / sales	12.9 %	10.3 %	16.3 %	13.6 %	13.0 %	13.1 %	12.6 %
Inventory turnover (sales/inventory)	12.8	16.3	5.9	8.5	10.4	10.7	10.7
Trade debtors in days of sales	90.6	67.4	122.2	71.3	80.0	80.0	80.0
A/P turnover [(A/P*365)/sales]	70.2	54.6	97.3	64.1	64.1	64.1	64.1
Cash conversion cycle (days)	28.2	18.6	68.3	38.6	34.0	31.7	31.2
<b>Cash flow analysis</b>							
Free cash flow	14.8	17.2	52.1	21.9	31.0	53.3	67.1
Free cash flow/sales	3.8 %	3.7 %	10.3 %	2.5 %	3.1 %	4.8 %	5.5 %
FCF / net profit	114.1 %	108.6 %	357.3 %	97.3 %	61.1 %	76.2 %	77.0 %
Capex / depre	119.1 %	130.9 %	131.5 %	109.2 %	114.4 %	130.5 %	132.7 %
Capex / maintenance capex	37.3 %	46.8 %	34.8 %	145.7 %	128.6 %	133.0 %	110.9 %
Capex / sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Security</b>							
Net debt	1.5	-9.4	-32.0	-101.8	-104.5	-148.3	-204.6
Net Debt/EBITDA	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net debt / equity	0.0	-0.1	-0.2	-0.3	-0.3	-0.4	-0.4
Interest cover	5.2	6.9	5.5	6.0	12.0	24.6	34.7
Dividend payout ratio	23.3 %	21.9 %	33.1 %	36.6 %	18.8 %	15.4 %	14.8 %
<b>Asset utilisation</b>							
Capital employed turnover	2.8	2.9	1.3	1.7	2.1	2.1	2.0
Operating assets turnover	6.1	7.8	3.4	5.7	5.6	5.6	5.6
Plant turnover	33.7	30.9	18.3	27.7	26.1	24.7	23.5
Inventory turnover (sales/inventory)	12.8	16.3	5.9	8.5	10.4	10.7	10.7
<b>Returns</b>							
ROCE	12.4 %	13.8 %	8.8 %	9.4 %	13.0 %	16.7 %	19.1 %
ROE	14.9 %	15.9 %	9.5 %	7.4 %	15.6 %	18.2 %	18.9 %
<b>Other</b>							
Interest paid / avg. debt	6.8 %	6.5 %	6.0 %	6.6 %	5.9 %	5.9 %	5.1 %
No. employees (average)	1895	2230	2252	2882	3518	3553	3571
Number of shares	41.2	43.5	44.2	52.5	63.4	63.4	63.4
DPS	0.1	0.1	0.1	0.1	0.2	0.2	0.2
EPS reported	0.32	0.36	0.33	0.43	0.80	1.10	1.37
<b>Valuation ratios</b>							
P/BV	8.9	7.9	5.6	3.7	3.5	2.9	2.5
EV/sales	2.0	1.6	1.7	1.2	1.0	0.9	0.8
EV/EBITDA	33.8	26.9	24.4	15.4	11.8	9.4	7.5
EV/EBITA	37.5	37.0	34.7	17.3	13.3	10.4	8.2
EV/EBIT	46.6	37.0	34.7	25.1	16.4	12.0	9.2
EV/FCF	52.2	44.4	16.1	47.9	33.8	18.8	14.1
Adjusted FCF yield	2.0 %	2.7 %	2.6 %	4.2 %	6.6 %	8.5 %	10.6 %
Dividend yield	0.4 %	0.4 %	0.6 %	0.7 %	0.8 %	1.0 %	1.1 %

Source: Company data, Hauck & Aufhäuser

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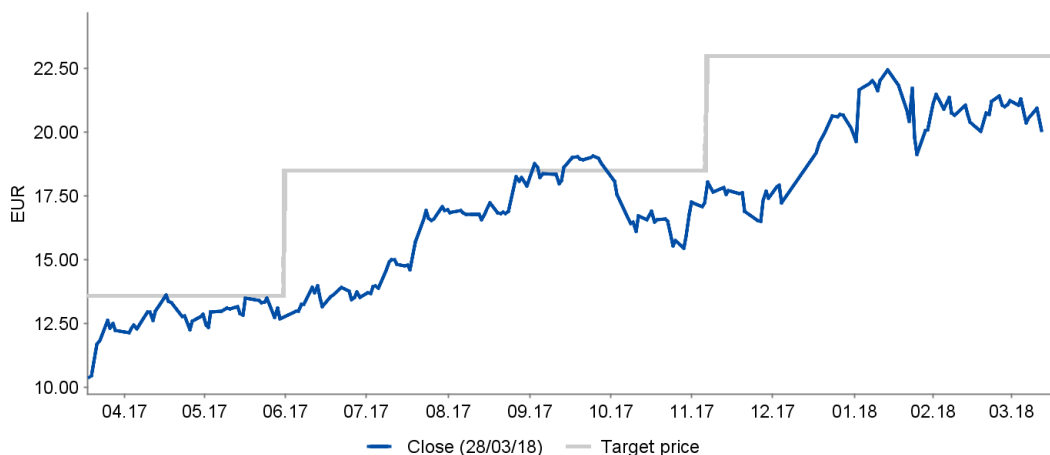
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Company	Disclosure
S&T AG	3

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

**Price and Rating History  
S&T AG as of 02/04/18**

Initiation coverage  
30-May-12



Company	Date	Analyst	Rating	Target price	Close
S&T AG	18.01.2018	Wunderlich, CFA, Tim	Buy	EUR 23.00	EUR 21.68
	22.11.2017	Wunderlich, CFA, Tim	Buy	EUR 23.00	EUR 18.05
	07.08.2017	Wunderlich, CFA, Tim	Buy	EUR 18.50	EUR 16.60
	16.06.2017	Wunderlich, CFA, Tim	Buy	EUR 18.50	EUR 12.70
	27.04.2017	Wunderlich, CFA, Tim	Buy	EUR 13.60	EUR 12.65
	07.04.2017	Wunderlich, CFA, Tim	Buy	EUR 13.60	EUR 11.85

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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.

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