S&T AG

(TecDAX, Software/IT)

WARBURG RESEARCH

Hold			
EUR 18.70	(EUR 18.00)		
Price	EUR 17.97		
Upside	4.1 %		

Value Indicators:	EUR
DCF:	18.70
FCF-Value Potential 2019e:	15.00

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:	1,140.1
No. of shares (m):	63.4
EV:	1,055.2
Freefloat MC:	869.9
Ø Trad. Vol. (30d):	7.28 m

Shareholders:	
Freefloat	76.3 %
Niederhauser (CEO)	2.6 %
Ennoconn	23.7 %
JP Morgan	*4.9 %*
Allianz Global	*4.0 %*

Risk Profile (WRe):	2017e
Beta:	1.3
Price / Book:	2.4 x
Equity Ratio:	41 %

2017 slightly better than expected; 2018 guidance confirmed

Stated Figures Q4/2017:

FY End: 31.12. in EUR m	Q4 17	Q4 17e	Q4 16	yoy	17	17e	16	yoy
Sales	**294.6**	276.1	202.3	46 %	**882.0**	863.4	503.7	75 %
EBITDA	**25.1**	19.6	15.0	67 %	**68.1**	62.6	34.4	98 %
Margin	*8.5 %*	*7.1 %*	*7.4 %*		*7.7 %*	*7.3 %*	*6.8 %*	
EPS	**0.22**	0.23	0.15	47 %	**0.43**	0.45	0.33	30 %

Comment on Figures:

- Q4 sales exceed estimates thanks to strong IT services (EUR 145m +30% yoy)
- Strong Q4 EBITDA
- EPS falls marginally short of expectations owing to a higher tax rate and minority interests (EUR 6.9m = 23% of net income). The latter reflects the strength of the Canadian communications business, where profitability is expected to decline in coming years (largely offset by increasing profitability at Kontron America).

S&T released sound 2017 results. The **EBITDA of EUR 68m** benefited from somewhat better profitability in IoT and embedded systems and the high base in IT services. The EBITDA included (WRe) a positive one-off of EUR ~5m, the EBIT is still burdened by PPA effects (EUR 6m). The free cash flow reached EUR 16m (WRe definition after interests + tax payments), which is better than assumed (WRe balanced) as a result of more favourable working capital development. The yoy decrease is also a result of restructuring-related pay-outs and higher capex.

The **outlook for 2018 has been confirmed**. S&T expects EBITDA of EUR 80m (WRe EUR 83m) on sales of roughly EUR 1bn. Acquisitions made in 2017 will contribute an additional approx. EUR 25m to full-year 2018 sales. An organic growth rate of ~8.5% (WRe) is thus expected. The main driver will be further growth in the IoT solutions business (WRe +17.5%). This business will also drive margin expansion thanks to a rising software share. Margins in the embedded systems area should show flat development as a decrease in the unusually high profitability of the Canadian unit will be compensated for by somewhat better earnings in the US operations. The free cash flow should increase yoy (after another restructuring related pay-out of EUR 7m).

The **2023 mid-term guidance** (sales to double to ~ EUR 2bn) includes approx. 50% inorganic growth (EUR 500m), which corresponds with an organic growth rate of ~8.5%. The implicit organic guidance for EUR 1.5bn sales by 2023 is slightly above our expectations (WRe EUR 1.4bn) at the current stage.

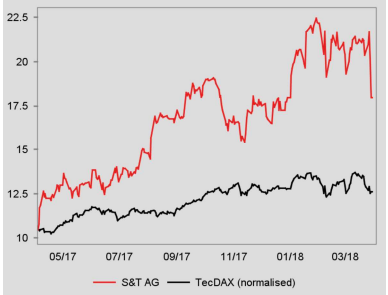
The **PT increases to EUR 18.70** (was EUR 18) is a result of the slight rise in estimates and model roll-over effects. Owing to the limited valuation upside, the **Hold rating remains unchanged**.

Changes in Estimates:

FY End: 31.12. in EUR m	2018e (old)	+ / -	2019e (old)	+ / -
Sales	959.9	2.5 %	1,034.1	2.5 %
EBITDA	83.0	1.1 %	94.8	4.3 %

Comment on Changes:

- We are slightly raising our estimates as a result of the higher 2017 base and owing to marginally stronger consolidation effects
- S&T is expected to reach an EBITDA margin of 8.5% in 2018 and >9% by 2019



Rel. Performance vs TecDAX:

1 month:	-7.5 %
6 months:	-6.3 %
Year to date:	1.3 %
Trailing 12 months:	51.8 %

Company events:

04.05.18	Q1
04.06.18	AGM
03.08.18	Q2
09.11.18	Q3

FY End: 31.12. in EUR m	CAGR (17-19e)	2013	2014	2015	2016	2017	2018e	2019e
Sales	9.6 %	337.9	385.5	468.2	503.7	882.0	983.8	1,059.6
Change Sales yoy		-0.5 %	14.1 %	21.4 %	7.6 %	75.1 %	11.5 %	7.7 %
Gross profit margin		*33.2 %*	*33.3 %*	*34.5 %*	*34.1 %*	*37.2 %*	*38.2 %*	*38.7 %*
EBITDA	20.5 %	20.1	22.9	28.4	34.4	68.1	83.8	98.8
Margin		*5.9 %*	*5.9 %*	*6.1 %*	*6.8 %*	*7.7 %*	*8.5 %*	*9.3 %*
EBIT	34.5 %	14.3	16.6	20.6	24.1	41.7	59.2	75.5
Margin		*4.2 %*	*4.3 %*	*4.4 %*	*4.8 %*	*4.7 %*	*6.0 %*	*7.1 %*
Net income	61.4 %	11.7	13.0	15.8	14.6	22.5	43.1	58.7
EPS	46.3 %	0.30	0.32	0.36	0.33	0.43	0.68	0.92
EPS adj.	46.3 %	0.30	0.32	0.36	0.33	0.43	0.68	0.92
DPS	10.9 %	0.06	0.07	0.08	0.10	0.13	0.14	0.16
Dividend Yield		2.5 %	2.4 %	1.8 %	1.3 %	0.9 %	0.8 %	0.9 %
FCFPS		0.16	0.38	0.55	1.09	0.31	0.33	0.72
FCF / Market cap		6.5 %	13.3 %	12.3 %	14.5 %	1.4 %	1.8 %	4.0 %
EV / Sales		n.a.	0.3 x	0.4 x	0.6 x	0.7 x	1.1 x	1.0 x
EV / EBITDA		n.a.	5.3 x	6.6 x	9.1 x	9.3 x	12.6 x	10.3 x
EV / EBIT		n.a.	7.3 x	9.1 x	12.9 x	15.1 x	17.8 x	13.5 x
P / E		8.0 x	8.9 x	12.4 x	22.9 x	32.4 x	26.4 x	19.5 x
P / E adj.		8.0 x	8.9 x	12.4 x	22.9 x	32.4 x	26.4 x	19.5 x
FCF Potential Yield		n.a.	15.0 %	12.4 %	9.6 %	6.9 %	5.2 %	6.4 %
Net Debt		12.2	3.8	-6.9	-20.3	-100.0	-109.9	-143.4
ROCE (NOPAT)		17.1 %	17.8 %	20.9 %	15.5 %	15.3 %	20.9 %	24.2 %
Guidance:		2018: Sales "nearly" EUR 1bn, EBITDA EUR 80m						

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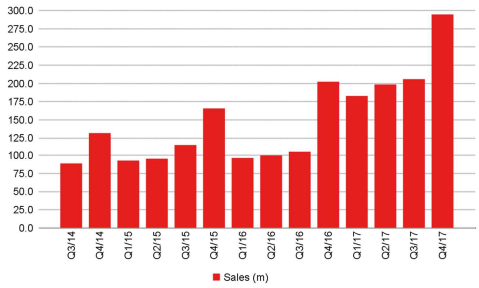
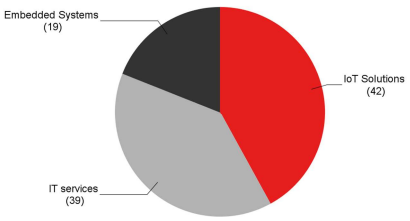
Sales development
in EUR m



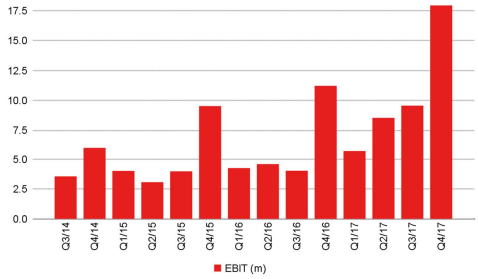
Source: Warburg Research

Sales by segments
2017e



Source: Warburg Research

EBIT development
in EUR m



Source: Warburg Research

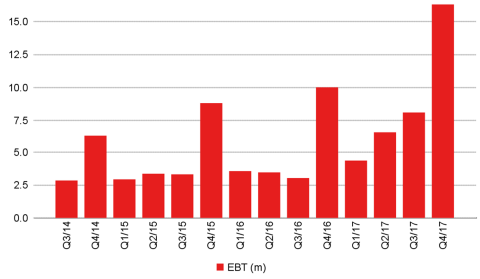
Company Background

- 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

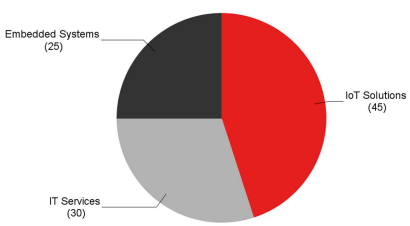
- The combination of S&T's software- and security-competence with Kontron's hardware expertise adds cross-selling-opportunities in the growing IoT-market, especially as security becomes an increasingly relevant feature
- Kontron's #2 positioning in the embedded computer area secures access to leading customers and provides the foundation for one of the strongest R&D pools in the embedded market in combination with S&Ts software expertise
- The cooperation with Foxconn provides access to 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



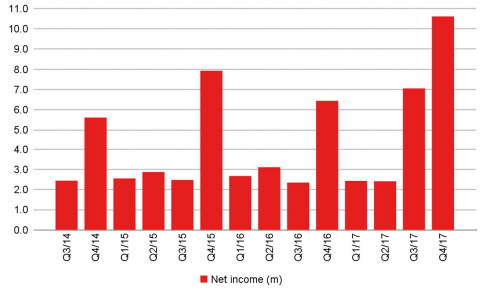
Source: Warburg Research

EBITDA by segments
2017



Source: Warburg Research

Net income development
in EUR m



Source: Warburg Research

DCF model

	Detailed forecast period			Transitional period										Term. Value
Figures in EUR m	2017	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	
Sales	882.0	983.8	1,059.6	1,142.4	1,222.4	1,308.0	1,386.5	1,469.6	1,543.1	1,620.3	1,685.1	1,752.5	1,805.1	
Sales change	*75.1 %*	*11.5 %*	*7.7 %*	*7.8 %*	*7.0 %*	*7.0 %*	*6.0 %*	*6.0 %*	*5.0 %*	*5.0 %*	*4.0 %*	*4.0 %*	*3.0 %*	*2.0 %*
EBIT	41.7	59.2	75.5	89.5	95.3	103.3	110.9	117.6	123.5	129.6	134.8	140.2	144.4	
EBIT-margin	*4.7 %*	*6.0 %*	*7.1 %*	*7.8 %*	*7.8 %*	*7.9 %*	*8.0 %*	*8.0 %*	*8.0 %*	*8.0 %*	*8.0 %*	*8.0 %*	*8.0 %*	
Tax rate (EBT)	*17.0 %*	*13.0 %*	*13.0 %*	*13.0 %*	*18.0 %*	*24.1 %*	*26.0 %*	*26.0 %*	*26.0 %*	*26.0 %*	*26.0 %*	*26.0 %*	*26.0 %*	
NOPAT	34.6	51.5	65.7	77.9	78.2	78.4	82.1	87.0	91.4	95.9	99.8	103.7	106.9	
Depreciation	26.3	24.6	23.3	21.1	22.0	23.5	25.0	26.5	27.8	29.2	30.3	31.5	32.5	
in % of Sales	*3.0 %*	*2.5 %*	*2.2 %*	*1.9 %*	*1.8 %*	*1.8 %*	*1.8 %*	*1.8 %*	*1.8 %*	*1.8 %*	*1.8 %*	*1.8 %*	*1.8 %*	
Changes in provisions	-9.8	-0.1	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	2.3	20.5	16.6	21.9	12.8	12.8	11.8	12.5	11.0	11.6	9.7	10.1	7.9	
- Capex	23.0	24.0	24.0	24.0	24.4	26.2	27.7	29.4	30.9	32.4	33.7	35.0	36.1	
Capex in % of Sales	*2.6 %*	*2.4 %*	*2.3 %*	*2.1 %*	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*	
Other	0.0	5.0	4.0	2.5	2.7	2.9	3.0	3.2	3.4	3.5	3.7	3.8	4.0	
Free Cash Flow (WACC Model)	25.9	26.5	44.4	50.6	60.3	60.1	64.5	68.4	73.9	77.6	83.0	86.3	91.4	100
PV of FCF	0.0	25.5	39.5	41.7	45.9	42.3	42.1	41.3	41.2	40.1	39.7	38.2	37.4	620
share of PVs	9.43 %			35.78 %										54.79 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	10.00 %	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	**8.08 %**	**Beta**	**1.30**

Valuation (m)

Present values 2029e	512		
Terminal Value	620		
Financial liabilities	115		
Pension liabilities	2		
Hybrid capital	0		
Minority interest	27		
Market val. of investments	0		
Liquidity	200	No. of shares (m)	63.4
Equity Value	**1,189**	**Value per share (EUR)**	**18.73**

Sensitivity Value per Share (EUR)

		Terminal Growth						
Beta	WACC	1.25 %	1.50 %	1.75 %	**2.00 %**	2.25 %	2.50 %	2.75 %
1.50	9.1 %	15.26	15.48	15.72	15.97	16.25	16.54	16.86
1.40	8.6 %	16.37	16.64	16.93	17.25	17.58	17.95	18.34
1.35	8.3 %	16.99	17.29	17.61	17.96	18.34	18.74	19.19
1.30	8.1 %	17.66	17.99	18.35	**18.73**	19.15	19.61	20.11
1.25	7.8 %	18.38	18.75	19.15	19.58	20.05	20.56	21.13
1.20	7.6 %	19.16	19.57	20.01	20.50	21.03	21.61	22.25
1.10	7.1 %	20.92	21.43	22.00	22.61	23.29	24.05	24.89

		Delta EBIT-margin						
Beta	WACC	-1.5 pp	-1.0 pp	-0.5 pp	**+0.0 pp**	+0.5 pp	+1.0 pp	+1.5 pp
1.50	9.1 %	12.45	13.62	14.80	15.97	17.15	18.32	19.50
1.40	8.6 %	13.45	14.72	15.98	17.25	18.51	19.78	21.04
1.35	8.3 %	14.01	15.33	16.64	17.96	19.28	20.59	21.91
1.30	8.1 %	14.62	15.99	17.36	**18.73**	20.11	21.48	22.85
1.25	7.8 %	15.29	16.72	18.15	19.58	21.01	22.44	23.87
1.20	7.6 %	16.01	17.51	19.00	20.50	21.99	23.49	24.98
1.10	7.1 %	17.68	19.32	20.97	22.61	24.26	25.90	27.55

- 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	2017	2018e	2019e
Net Income before minorities	n.a.	14.0	17.6	20.4	29.4	48.1	62.7
+ Depreciation + Amortisation	n.a.	6.3	7.7	10.3	26.3	24.6	23.3
- Net Interest Income	n.a.	-1.8	-2.2	-4.0	-6.4	-4.0	-3.5
- Maintenance Capex	n.a.	4.0	4.4	4.8	15.0	15.0	15.0
+ Other	n.a.	0.0	0.0	0.0	-3.2	-7.2	-9.4
= Free Cash Flow Potential	**n.a.**	**18.1**	**23.2**	**29.9**	**43.9**	**54.5**	**65.1**
FCF Potential Yield (on market EV)	n/a	15.0 %	12.4 %	9.6 %	6.9 %	5.2 %	6.4 %
WACC	8.08 %	8.08 %	8.08 %	8.08 %	8.08 %	8.08 %	8.08 %
= Enterprise Value (EV)	**n.a.**	**121.0**	**187.5**	**311.6**	**631.6**	**1,055.2**	**1,021.7**
= Fair Enterprise Value	**n.a.**	**224.3**	**286.6**	**369.7**	**542.7**	**674.1**	**805.7**
- Net Debt (Cash)	n.a.	-101.8	-101.8	-101.8	-101.8	-111.6	-145.1
- Pension Liabilities	n.a.	1.8	1.8	1.8	1.8	1.7	1.7
- Other	n.a.	0.0	0.0	0.0	0.0	0.0	0.0
- Market value of minorities	n.a.	0.0	0.0	0.0	0.0	25.0	25.0
+ Market value of investments	n.a.	0.0	0.0	0.0	0.0	22.0	25.0
= Fair Market Capitalisation	**n.a.**	**324.2**	**386.6**	**469.7**	**642.7**	**781.0**	**949.1**
Aktienanzahl (Mio.)	39.2	41.0	43.5	44.0	52.5	63.4	63.4
= Fair value per share (EUR)	**n.a.**	**7.91**	**8.88**	**10.68**	**12.23**	**12.31**	**14.96**
premium (-) / discount (+) in %						-31.5 %	-16.8 %
Sensitivity Fair value per Share (EUR)							
11.08 %	n.a.	4.15	4.87	5.83	7.81	9.43	11.52
10.08 %	n.a.	4.41	5.20	6.25	8.43	10.20	12.44
9.08 %	n.a.	4.72	5.60	6.76	9.19	11.14	13.56
WACC **8.08 %**	**n.a.**	**5.11**	**6.09**	**7.40**	**10.13**	**12.31**	**14.96**
7.08 %	n.a.	5.61	6.73	8.23	11.34	13.81	16.75
6.08 %	n.a.	6.27	7.58	9.32	12.94	15.80	19.14
5.08 %	n.a.	7.20	8.76	10.85	15.18	18.58	22.46

- 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	2017	2018e	2019e
Price / Book	1.4 x	1.3 x	1.9 x	2.2 x	2.4 x	3.3 x	2.9 x
Book value per share ex intangibles	0.62	0.72	0.61	-0.60	1.82	2.45	3.28
EV / Sales	n.a.	0.3 x	0.4 x	0.6 x	0.7 x	1.1 x	1.0 x
EV / EBITDA	n.a.	5.3 x	6.6 x	9.1 x	9.3 x	12.6 x	10.3 x
EV / EBIT	n.a.	7.3 x	9.1 x	12.9 x	15.1 x	17.8 x	13.5 x
EV / EBIT adj.*	n.a.	7.3 x	9.1 x	12.9 x	13.2 x	16.5 x	12.9 x
P / FCF	15.4 x	7.5 x	8.1 x	6.9 x	73.6 x	54.2 x	25.1 x
P / E	8.0 x	8.9 x	12.4 x	22.9 x	32.4 x	26.4 x	19.5 x
P / E adj.*	8.0 x	8.9 x	12.4 x	22.9 x	32.4 x	26.4 x	19.5 x
Dividend Yield	2.5 %	2.4 %	1.8 %	1.3 %	0.9 %	0.8 %	0.9 %
FCF Potential Yield (on market EV)	n.a.	15.0 %	12.4 %	9.6 %	6.9 %	5.2 %	6.4 %

*Adjustments made for: -

Consolidated profit & loss

In EUR m	2013	2014	2015	2016	2017	2018e	2019e
Sales	**337.9**	**385.5**	**468.2**	**503.7**	**882.0**	**983.8**	**1,059.6**
Change Sales yoy	-0.5 %	14.1 %	21.4 %	7.6 %	75.1 %	11.5 %	7.7 %
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	13.4	13.0	13.0
Total Sales	**338.8**	**386.8**	**470.9**	**506.5**	**895.3**	**996.8**	**1,072.6**
Material expenses	226.7	258.3	309.3	334.8	567.0	620.8	662.3
Gross profit	**112.1**	**128.4**	**161.6**	**171.7**	**328.3**	**376.0**	**410.4**
Gross profit margin	*33.2 %*	*33.3 %*	*34.5 %*	*34.1 %*	*37.2 %*	*38.2 %*	*38.7 %*
Personnel expenses	66.2	72.4	89.5	93.5	179.4	198.7	211.9
Other operating income	6.7	5.0	6.3	6.1	8.5	4.9	5.3
Other operating expenses	32.5	38.2	50.0	50.0	89.4	98.4	104.9
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**	**68.1**	**83.8**	**98.8**
Margin	*5.9 %*	*5.9 %*	*6.1 %*	*6.8 %*	*7.7 %*	*8.5 %*	*9.3 %*
Depreciation of fixed assets	2.9	3.1	2.8	3.5	7.4	7.4	7.4
EBITA	**17.2**	**19.7**	**25.6**	**30.9**	**60.7**	**76.5**	**91.4**
Amortisation of intangible assets	2.9	3.1	4.9	6.7	18.9	17.2	15.9
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**	**41.7**	**59.2**	**75.5**
Margin	*4.2 %*	*4.3 %*	*4.4 %*	*4.8 %*	*4.7 %*	*6.0 %*	*7.1 %*
EBIT adj.	**14.3**	**16.6**	**20.6**	**24.1**	**47.9**	**63.8**	**79.0**
Interest income	0.5	1.6	0.3	0.3	0.6	0.5	0.5
Interest expenses	2.7	3.2	3.0	4.4	6.9	4.5	4.0
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**	**35.4**	**55.2**	**72.0**
Margin	*3.6 %*	*3.8 %*	*3.9 %*	*4.0 %*	*4.0 %*	*5.6 %*	*6.8 %*
Total taxes	0.1	0.8	0.8	-0.3	6.0	7.2	9.4
Net income from continuing operations	**11.9**	**14.0**	**17.6**	**20.4**	**29.4**	**48.1**	**62.7**
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**	**29.4**	**48.1**	**62.7**
Minority interest	0.2	1.0	1.8	5.8	6.9	5.0	4.0
Net income	**11.7**	**13.0**	**15.8**	**14.6**	**22.5**	**43.1**	**58.7**
Margin	*3.5 %*	*3.4 %*	*3.4 %*	*2.9 %*	*2.6 %*	*4.4 %*	*5.5 %*
Number of shares, average	39.2	41.0	43.5	44.0	52.5	63.4	63.4
EPS	**0.30**	**0.32**	**0.36**	**0.33**	**0.43**	**0.68**	**0.92**
EPS adj.	0.30	0.32	0.36	0.33	0.43	0.68	0.92

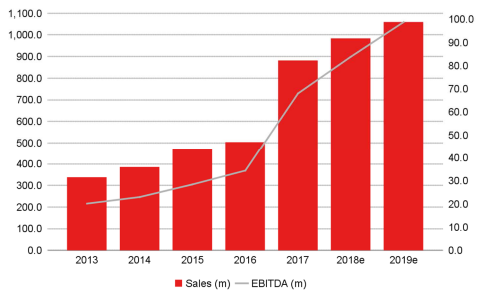
*Adjustments made for:

Guidance: 2018: Sales "nearly" EUR 1bn, EBITDA EUR 80m

Financial Ratios

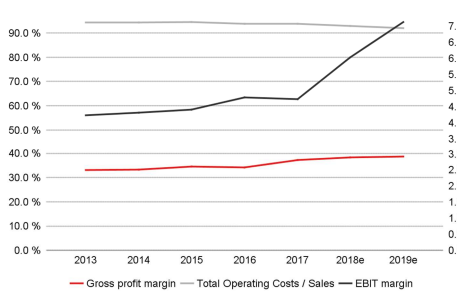
	2013	2014	2015	2016	2017	2018e	2019e
Total Operating Costs / Sales	94.3 %	94.4 %	94.5 %	93.7 %	93.8 %	92.8 %	91.9 %
Operating Leverage	-61.1 x	1.2 x	1.1 x	2.2 x	1.0 x	3.6 x	3.6 x
EBITDA / Interest expenses	7.4 x	7.2 x	9.5 x	7.9 x	9.8 x	18.6 x	24.7 x
Tax rate (EBT)	1.1 %	5.2 %	4.3 %	-1.6 %	17.0 %	13.0 %	13.0 %
Dividend Payout Ratio	19.7 %	20.5 %	19.7 %	21.5 %	23.3 %	18.5 %	16.2 %
Sales per Employee	215,246	173,748	195,078	215,250	358,964	381,349	391,177

Sales, EBITDA
in EUR m



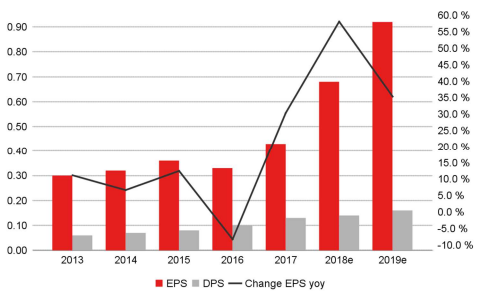
Source: Warburg Research

Operating Performance
in %



Source: Warburg Research

Performance per Share



Source: Warburg Research

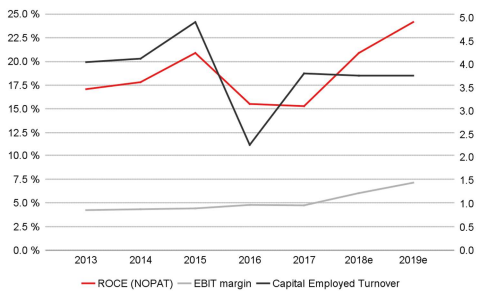
Consolidated balance sheet

In EUR m	2013	2014	2015	2016	2017	2018e	2019e
Assets							
Goodwill and other intangible assets	44.8	57.1	72.8	183.2	189.9	189.7	190.8
thereof other intangible assets	44.8	57.1	72.8	183.2	189.9	189.7	190.8
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	31.9	31.5	31.1
Financial assets	2.8	2.5	3.1	12.1	17.5	17.5	17.5
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**	**239.3**	**238.7**	**239.4**
Inventories	22.7	30.0	28.7	84.9	104.0	115.1	123.9
Accounts receivable	71.6	95.7	86.4	168.6	172.4	188.7	203.2
Liquid assets	42.9	39.5	60.3	125.6	216.9	205.3	238.8
Other short-term assets	26.3	35.6	52.6	66.9	72.1	72.1	72.1
Current assets	**163.6**	**200.8**	**228.0**	**445.9**	**565.5**	**581.2**	**638.0**
Total Assets	**220.1**	**273.1**	**319.1**	**668.7**	**804.8**	**820.0**	**877.4**
Liabilities and shareholders' equity							
Subscribed capital	39.3	43.3	43.8	48.9	63.4	63.4	63.4
Capital reserve	2.6	8.2	8.1	44.9	167.8	167.8	167.8
Retained earnings	27.7	38.3	51.0	61.9	79.5	114.3	164.1
Other equity components	-0.5	-2.9	-3.1	-1.8	-5.7	-0.7	3.3
Shareholders' equity	69.2	86.9	99.8	154.0	305.1	344.9	398.7
Minority interest	2.1	2.8	2.4	87.0	26.7	26.7	26.7
Total equity	**71.2**	**89.7**	**102.2**	**241.1**	**331.9**	**371.7**	**425.4**
Provisions	6.8	6.9	8.4	50.7	57.9	50.8	50.8
thereof provisions for pensions and similar obligations	2.9	2.3	2.5	11.6	1.8	1.7	1.7
Financial liabilities (total)	52.3	41.0	51.0	93.6	115.1	93.7	93.7
thereof short-term financial liabilities	28.4	14.8	22.9	19.5	46.4	25.0	25.0
Accounts payable	46.6	74.2	70.1	134.3	154.9	161.7	168.4
Other liabilities	43.2	61.4	87.3	149.1	145.1	142.1	139.1
Liabilities	**148.9**	**183.3**	**216.8**	**427.7**	**473.0**	**448.3**	**452.0**
Total liabilities and shareholders' equity	**220.1**	**273.1**	**319.1**	**668.7**	**804.8**	**820.0**	**877.4**

Financial Ratios

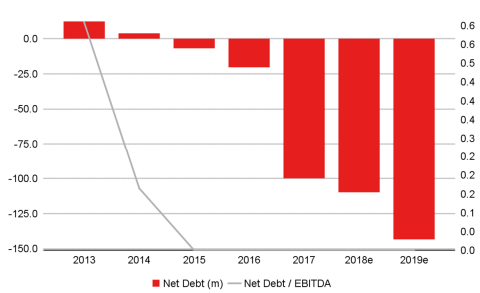
	2013	2014	2015	2016	2017	2018e	2019e
Efficiency of Capital Employment							
Operating Assets Turnover	6.0 x	6.1 x	8.5 x	3.7 x	6.1 x	6.0 x	5.9 x
Capital Employed Turnover	4.0 x	4.1 x	4.9 x	2.3 x	3.8 x	3.8 x	3.8 x
ROA	20.8 %	18.0 %	17.4 %	6.5 %	9.4 %	18.0 %	24.5 %
Return on Capital							
ROCE (NOPAT)	17.1 %	17.8 %	20.9 %	15.5 %	15.3 %	20.9 %	24.2 %
ROE	17.9 %	16.6 %	17.0 %	11.5 %	9.8 %	13.2 %	15.8 %
Adj. ROE	17.9 %	16.6 %	17.0 %	11.5 %	9.8 %	13.2 %	15.8 %
Balance sheet quality							
Net Debt	12.2	3.8	-6.9	-20.3	-100.0	-109.9	-143.4
Net Financial Debt	9.3	1.5	-9.4	-32.0	-101.8	-111.6	-145.1
Net Gearing	17.2 %	4.2 %	-6.7 %	-8.4 %	-30.1 %	-29.6 %	-33.7 %
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	4.8	5.4	6.3
Book value per share ex intangibles	0.6	0.7	0.6	-0.6	1.8	2.4	3.3

ROCE Development



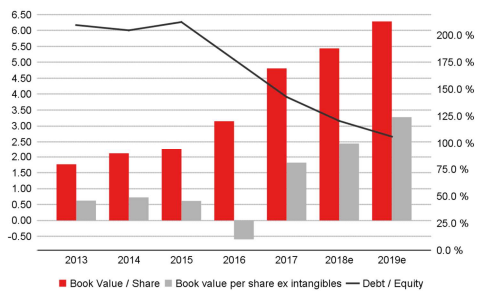
Source: Warburg Research

Net debt
in EUR m



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

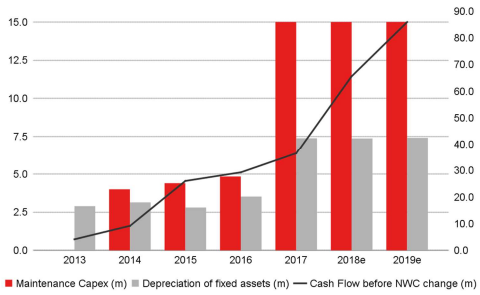
Consolidated cash flow statement

In EUR m	2013	2014	2015	2016	2017	2018e	2019e
Net income	11.9	14.0	17.6	20.4	29.4	48.1	62.7
Depreciation of fixed assets	2.9	3.1	2.8	3.5	7.4	7.4	7.4
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	18.9	17.2	15.9
Increase/decrease in long-term provisions	-4.1	-2.2	-2.2	0.0	0.0	-0.1	0.0
Other non-cash income and expenses	-9.5	-9.0	2.9	-1.4	-19.3	-7.0	0.0
Cash Flow before NWC change	**4.2**	**9.2**	**26.0**	**29.3**	**36.4**	**65.5**	**86.0**
Increase / decrease in inventory	1.5	-1.9	1.4	9.3	-17.9	-11.1	-8.8
Increase / decrease in accounts receivable	12.1	-7.2	13.4	-1.5	5.5	-16.3	-14.5
Increase / decrease in accounts payable	-6.8	20.6	-8.8	20.3	15.2	6.9	6.7
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	2.8	-20.5	-16.6
Net cash provided by operating activities [1]	**11.1**	**20.6**	**32.0**	**57.5**	**39.2**	**45.1**	**69.4**
Investments in intangible assets	-2.0	-2.0	-4.0	-6.0	-17.5	-17.0	-17.0
Investments in property, plant and equipment	-3.0	-3.0	-4.0	-3.5	-11.8	-7.0	-7.0
Payments for acquisitions	0.0	0.0	0.0	59.2	-11.8	-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	1.1	0.0	0.0
Net cash provided by investing activities [2]	**-5.0**	**-17.6**	**-18.8**	**53.1**	**-33.7**	**-27.0**	**-27.0**
Change in financial liabilities	1.9	3.1	6.1	39.8	28.8	-21.4	0.0
Dividends paid	0.0	0.0	-2.9	-3.5	-4.9	-8.2	-8.9
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	86.9	0.0	0.0
Other	-3.4	-9.2	-6.9	-4.3	-11.6	0.0	0.0
Net cash provided by financing activities [3]	**-1.6**	**4.4**	**-3.6**	**75.9**	**99.2**	**-29.7**	**-8.9**
Change in liquid funds [1]+[2]+[3]	**4.5**	**7.4**	**9.6**	**186.5**	**104.7**	**-11.6**	**33.5**
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**	**230.2**	**205.3**	**238.8**

Financial Ratios

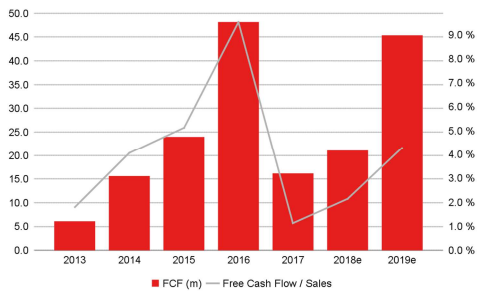
	2013	2014	2015	2016	2017	2018e	2019e
Cash Flow							
FCF	6.1	15.6	24.0	48.2	16.2	21.1	45.4
Free Cash Flow / Sales	1.8 %	4.0 %	5.1 %	9.5 %	1.1 %	2.1 %	4.3 %
Free Cash Flow Potential	n.a.	18.1	23.2	29.9	43.9	54.5	65.1
Free Cash Flow / Net Profit	51.9 %	120.2 %	151.5 %	329.0 %	44.2 %	48.9 %	77.3 %
Interest Received / Avg. Cash	1.4 %	3.9 %	0.7 %	0.4 %	0.3 %	0.2 %	0.2 %
Interest Paid / Avg. Debt	5.6 %	6.8 %	6.5 %	6.0 %	6.6 %	4.3 %	4.3 %
Management of Funds							
Investment ratio	1.5 %	1.3 %	1.7 %	1.9 %	3.3 %	2.4 %	2.3 %
Maint. Capex / Sales	n.a.	1.0 %	0.9 %	1.0 %	1.7 %	1.5 %	1.4 %
Capex / Dep	86.5 %	79.7 %	103.5 %	92.4 %	111.1 %	97.6 %	103.0 %
Avg. Working Capital / Sales	14.7 %	12.9 %	9.7 %	14.8 %	12.5 %	12.4 %	13.2 %
Trade Debtors / Trade Creditors	153.8 %	129.0 %	123.3 %	125.5 %	111.3 %	116.7 %	120.7 %
Inventory Turnover	10.0 x	8.6 x	10.8 x	3.9 x	5.5 x	5.4 x	5.3 x
Receivables collection period (days)	77	91	67	122	71	70	70
Payables payment period (days)	75	105	83	146	100	95	93
Cash conversion cycle (Days)	-31	-52	-49	-34	-26	-20	-17

CAPEX and Cash Flow
in EUR m



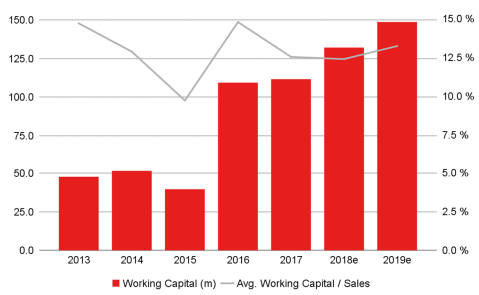
Source: Warburg Research

Free Cash Flow Generation



Source: Warburg Research

Working Capital



Source: Warburg Research

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-7- The company preparing the analysis as well as its affiliated companies and employees have **other important interests** in relation to the analysed company, such as, for example, the exercising of mandates at analysed companies.

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

INVESTMENT RECOMMENDATION

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	111	54
Hold	92	44
Sell	4	2
Rating suspended	0	0
Total	**207**	**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	31	74
Hold	11	26
Sell	0	0
Rating suspended	0	0
Total	**42**	**100**

PRICE AND RATING HISTORY S&T AG AS OF 03.04.2018

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.

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