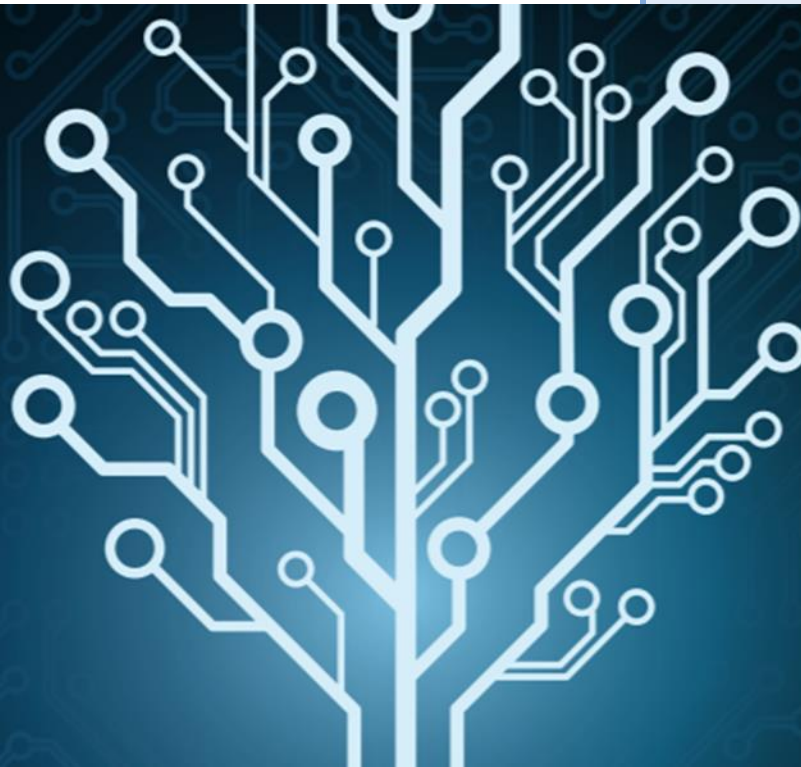


S&T AG

Austria | Technology | MCap EUR 1,324.0m

8 November 2021

UPDATE



Solid order momentum provides good revenue visibility, despite chip crisis

What's it all about?

S&T's Q3 2021 order intake remained impressive but was somewhat offset by slower sales growth. Despite a robust order backlog, delay in deliveries induced management to downwardly tweak its 2021 guidance during its CMD, and targets revenues of EUR 1.33-1.40bn (vs. at least EUR 1.4bn earlier) and EBITDA of EUR 133-140m, implying a margin of 10%. We reiterate our BUY rating and price target at EUR 31.00 as we believe that S&T remains an interesting growth story with plenty of secular growth potential ahead.

BUY (BUY)

Target price	EUR 31.00 (31.00)
Current price	EUR 20.10
Up/downside	54.2%



MAIN AUTHOR

Thomas Wissler

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

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

alsterresearch.com

This research is the product of AlsterResearch, which is registered with the BaFin in Germany.

S&T AG

Austria | Technology | MCap EUR 1,324.0m | EV EUR 1,390.0m

BUY (BUY)

Target price EUR 31.00 (31.00)
Current price EUR 20.10
Up/downside 54.2%

MAIN AUTHOR

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

Solid orders provide good visibility, despite chip crisis

Solid order momentum S&T's strong order momentum in the first two quarters of 2021 prevailed in Q3 2021 and kept the order backlog impressive. Nonetheless, the global chip shortage weighed on the company's operation with a shift of EUR 80m in sales to 2022. On a positive note, the company's ability to raise prices somewhat cushions the effect on the bottom line. In its Capital Market Day (CMD) update in October 2021, S&T highlighted its intention to divest its IT Services unit and solely focus on its fast-growing/higher-margin internet-of-things (IoT) business, which should help improve the overall EBITDA margin to its targeted 15% by 2030. As a result, company now targets revenues of EUR 2.0bn by 2025 and assumes a substantial rise in profitability (vs by 2023 previously).

Revenue growth slowed but order intake was resilient Q3 2021 revenue growth moderated 5% yoy to EUR 313.2m (+14% yoy in Q2 2021), coming below its own expectations as well as the consensus estimate of c. EUR 318m. Strong demand for its products, particularly intelligent IoT solutions, was marred by the chip shortage in Q3. Thus, the group's 9M revenues were held back, as it witnessed a EUR 80m headwind from the chip crisis. Nevertheless, Q3 2021 reported yet another record order intake of EUR 410m (Q2 2021: EUR 406m), demonstrating a healthy 33% rise in order backlog to EUR 1.23bn since the beginning of 2021, thus reflecting strong revenue visibility. The project pipeline rose 22% vs end-2020 to EUR 3.3bn.

IoT Solutions America continued to suffer In 9M 2021, IoT Solutions Europe revenues moved up 13% yoy to EUR 449.7m, aided by the consolidation of Iskratel Group. IT Services revenues rose 12% yoy to EUR 391.8m, due to operational improvements in Germany/Eastern Europe and consolidation effects. However, IoT Solutions America remained weak, with revenues declining 15% yoy to EUR 72.4m on lower contribution from North America.



Source: Company data, AlsterResearch

High/low 52 weeks 24.20 / 17.61
Price/Book Ratio 3.3x

Ticker / Symbols

ISIN AT0000A0E9W5
WKN AOX9EJ
Bloomberg SANT:GR

Changes in estimates

		Sales	EBIT	EPS
2021E	old	1.393	82	0.97
	Δ	0,0%	0,0%	0,0%
2022E	old	1.570	103	1,26
	Δ	0,0%	0,0%	0,0%
2023E	old	1.696	117	1,44
	Δ	0,0%	0,0%	0,0%

Key share data

Number of shares: (in m pcs) 65.87
Book value per share: (in EUR) 6.13
Ø trading volume: (12 months) 48,500

Major shareholders

Ennoconn Corporation 26.6%
Allianz Global Investors 5.0%
Free Float 68.4%

Company description

S&T is an Austria-based technology company. It provides end-to-end IT services, including consulting, integration and support services. In the IoT segment, it provides products and solutions such as industrial PCs and embedded boards installed with proprietary software. Germany, Austria, Switzerland, France, Eastern Europe and North America are its core markets.

-continued-

S&T AG	2018	2019	2020	2021E	2022E	2023E
Sales	990.9	1,122.9	1,254.8	1,392.8	1,569.9	1,695.5
<i>Growth yoy</i>	12.3%	13.3%	11.7%	11.0%	12.7%	8.0%
EBITDA	90.5	111.7	130.0	135.1	153.9	166.2
EBIT	61.5	61.8	68.6	81.8	103.3	116.7
Net profit	45.0	49.1	55.6	63.6	83.1	94.9
Net debt (net cash)	-52.7	31.6	44.2	-33.4	-111.6	-187.0
Net debt/EBITDA	-0.6x	0.3x	0.3x	-0.2x	-0.7x	-1.1x
EPS recurring	0.70	0.75	0.84	0.97	1.26	1.44
DPS	0.16	0.00	0.30	0.34	0.45	0.51
<i>Dividend yield</i>	0.8%	0.0%	1.5%	1.7%	2.2%	2.5%
Gross profit margin	36.5%	37.7%	37.7%	37.8%	37.9%	37.9%
EBITDA margin	9.1%	9.9%	10.4%	9.7%	9.8%	9.8%
EBIT margin	6.2%	5.5%	5.5%	5.9%	6.6%	6.9%
ROCE	11.4%	7.7%	8.3%	9.7%	12.5%	13.4%
EV/EBITDA	14.1x	12.3x	10.7x	9.7x	8.1x	7.0x
EV/EBIT	20.8x	22.3x	20.3x	16.1x	12.0x	10.0x
PER	28.7x	27.0x	23.8x	20.8x	15.9x	14.0x
FCF yield	2.1%	2.5%	8.3%	7.7%	8.2%	8.6%

Source: Company data, AlsterResearch

EBITDA impacted by chip shortage and higher procurement and redesigning costs

The EBITDA trend reversed, decreasing 14% yoy to EUR 27.3m in Q3 2021 (vs +12% yoy in Q2 2021, below consensus of EUR 30.5m). The EBITDA margin narrowed 2ppt yoy to 8.7%, impacted by chip shortage-led delayed shipments and additional costs for procurement and redesigning of products. Before charging headquarter fees, the EBITDA margin widened 60bps yoy in IT Services to 7.8%, likely on a higher top line. Nevertheless, the chip crisis dragged the IoT Solutions Europe margin down by 2.7ppt yoy to 9.7%. The EBITDA margin in IoT Solutions America contracted a sharp 8.7ppt yoy to 7.4% on soft revenues, despite the ongoing cost-savings measures. Lacklustre EBITDA was further weighed down by higher depreciation and amortisation as well as net finance costs, resulting in a 14% yoy drop in net profits to EUR 10.2m.

Cash flow temporarily stressed by chip crisis Net operating cash flow in 9M turned negative to EUR 14.6m (9M 2020: EUR 50.0m), owing to a rise in inventories on additional procurement of components and a rise in storage of unshipped products. Together with capital expenditure of EUR 32.3m, FCF also suffered and came in at -EUR 46.8m (vs +EUR 27.9m in 9M 2020).

Conclusion S&T's Q3 2021 order intake remained impressive but was somewhat offset by slower sales growth. Despite a robust order backlog, delay in deliveries induced management to downwardly tweak its 2021 guidance during its CMD, and targets revenues of EUR 1.33-1.40bn (vs. at least EUR 1.4bn earlier) and EBITDA of EUR 133-140m, implying a margin of 10%. We reiterate our BUY rating and price target at EUR 31.00 as we believe that S&T remains an interesting growth story with plenty of secular growth potential ahead.

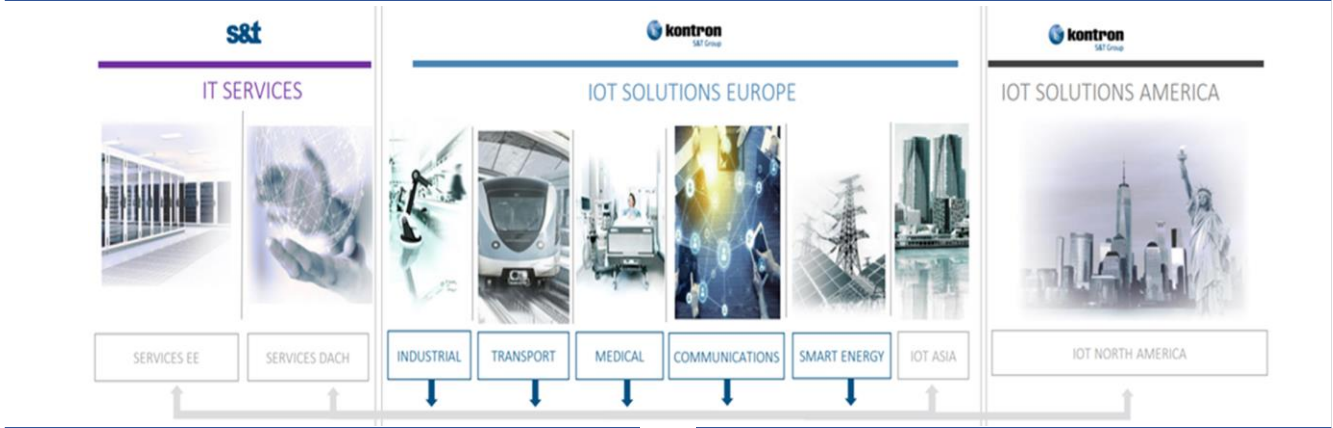
Quarterly table

P&L data	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Sales	369.7	270.1	268.6	297.7	418.4	294.1	306.5	313.2
yoy growth in %	11.7%	20.0%	8.0%	6.6%	13.2%	8.9%	14.1%	5.2%
Gross profit	131.9	111.6	107.2	110.8	143.8	120.3	121.0	121.6
Gross margin in %	35.7%	41.3%	39.9%	37.2%	34.4%	40.9%	39.5%	38.8%
EBITDA	40.0	23.2	27.0	31.7	46.4	28.2	30.1	27.3
EBITDA margin in %	10.8%	8.6%	10.0%	10.7%	11.1%	9.6%	9.8%	8.7%
EBIT	24.9	9.4	13.1	17.2	27.1	12.7	13.9	11.7
EBIT margin in %	6.7%	3.5%	4.9%	5.8%	6.5%	4.3%	4.5%	3.7%
EBT	22.1	9.1	11.9	15.3	24.4	10.8	11.5	9.3
taxes paid	0.6	0.6	1.9	3.3	0.2	1.1	1.1	-1.2
tax rate in %	2.7%	6.7%	16.1%	21.6%	0.9%	10.4%	9.2%	-12.8%
net profit	20.1	9.5	10.1	11.8	24.2	10.1	10.4	10.2
yoy growth in %	3.5%	1.8%	14.4%	8.9%	20.4%	5.8%	2.9%	-13.8%
EPS	0.31	0.15	0.16	0.18	0.37	0.16	0.16	0.16

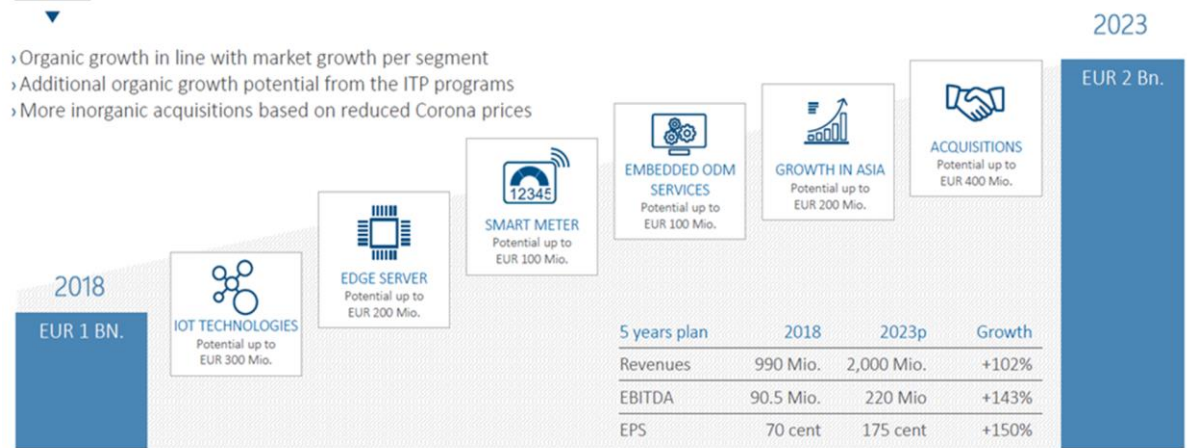
Source: Company data; AlsterResearch

Investment case in six charts

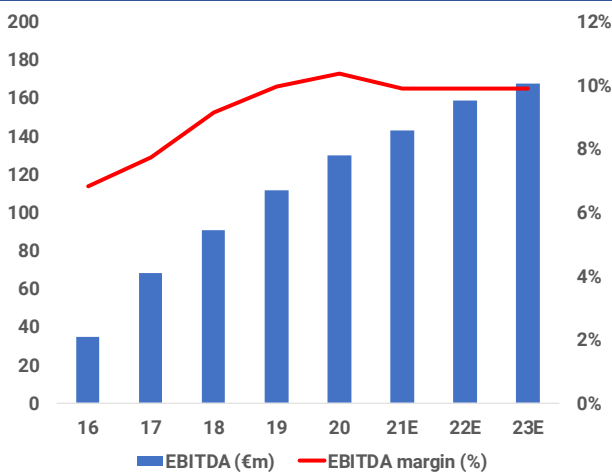
Business units and end markets



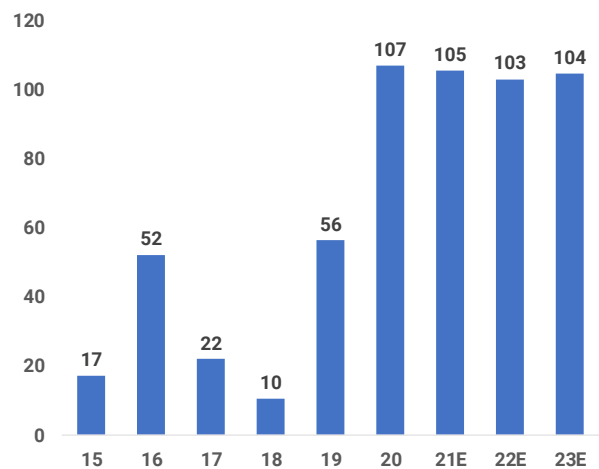
Growth projection until 2023E



EBITDA and margins on an upwards trend



FCF to strengthen going forward



Source: Company data; AlsterResearch

SWOT-Analysis

Strengths

- Strong and strategic partnership with Foxconn
- Offers comprehensive suite of solutions in IT Service business
- Strong presence in DACH and EE countries
- Has diversified clients and is present in multiple geographies, minimising concentration risk

Weaknesses

- A large part of revenue accrues from IT Services segment, which is a low-margin business and has low pricing power
- Lacks a scalable platform
- Avionics, one of its target IoT markets, is witnessing a rough phase due to travel restrictions

Opportunities

- Has a strong presence in medical and transport segments of IoT market, which are expected to grow well
- Has sufficient liquidity and balance sheet strength to undertake acquisitions in current market where valuations are attractive
- Margin expansion, as focus shifts to higher margin IoT segment and proprietary products
- Expanding presence in China, one of the fastest-growing IoT markets

Threats

- A relatively small player in the IoT market and could be hard pressed to defend its turf if a larger player enters its segment
- Dependent on Asia for hardware manufacturing and China for raw material. Geopolitical tension in the area could impair its supply chain
- Aggressive acquisitions could drag company's prospects if not properly synergized

Valuation

DCF Model

The DCF model results in a **fair value of EUR 32.43 per share**:

Top-line growth: We expect S&T AG to continue benefitting from structural growth. Hence our growth estimates for 2021-28E is in the range of 7.8% p.a. The long-term growth rate is set at 2.0%.

EBIT margins. The scalable business model should allow for EBIT margins of 7% by 2023E, which look defensible given high competitive quality based on scale geography and expertise. Accordingly, we model approx. 7% EBIT margins in the long-term.

WACC. The averaged 1-, 3- and 5-year historical equity beta is calculated as 0.91. Unlevering and correcting for mean reversion yields an asset beta of 1.10. Combined with a risk free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 13.6%. With pre-tax cost of borrowing at 5.0%, a tax rate of 25.0% and target debt/equity of 1.0 this results in a long-term WACC of 8.6%.

DCF (EUR m) (except per share data and beta)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Terminal value
NOPAT	70.2	90.7	102.4	123.3	130.4	137.8	145.4	153.3	
Depreciation & Amort.	53.3	50.6	49.5	49.3	50.7	52.3	54.0	56.0	
Change in working capital	8.1	-2.5	-1.7	-3.2	-1.3	-1.4	-1.4	-1.5	
Chg. in long-term provisions	10.7	12.8	9.1	17.3	7.0	7.4	7.7	8.1	
Capex	-37.7	-42.4	-45.8	-52.3	-54.9	-57.7	-60.6	-63.6	
Cash flow	104.6	109.1	113.5	134.4	131.9	138.4	145.2	152.3	2,336.7
Present value	103.3	99.1	94.7	103.4	93.3	90.0	86.9	83.9	1,291.7
WACC	8.8%	8.8%	8.8%	8.7%	8.7%	8.7%	8.7%	8.7%	8.6%

DCF per share derived from	
Total present value	2,046.2
Mid-year adj. total present value	2,133.8
Net debt / cash at start of year	44.2
Financial assets	68.6
Provisions and off b/s debt	21.8
Equity value	2,136.3
No. of shares outstanding	65.9
Discounted cash flow / share upside/(downside)	32.43 / 61.4%

DCF avg. growth and earnings assumptions	
Planning horizon avg. revenue growth (2021E - 2028E)	7.8%
Terminal value growth (2028E - infinity)	2.0%
Terminal year ROCE	14.4%
Terminal year WACC	8.6%

Terminal WACC derived from	
Cost of borrowing (before taxes)	5.0%
Long-term tax rate	25.0%
Equity beta	0.91
Unlevered beta (industry or company)	1.10
Target debt / equity	1.0
Relevered beta	1.93
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	13.6%

Share price	20.10
--------------------	--------------

Sensitivity analysis DCF								
Change in WACC (%-points)		Long term growth					Share of present value	
		0.0%	1.0%	2.0%	3.0%	4.0%	2021E - 2024E	2025E - 2028E terminal value
2.0%		22.5	23.7	25.3	27.3	29.8	19.6%	
1.0%		24.7	26.3	28.4	31.1	34.8	17.3%	
0.0%		27.4	29.5	32.4	36.2	41.7		63.1%
-1.0%		30.9	33.9	37.9	43.7	52.7		
-2.0%		35.4	39.6	45.8	55.2	71.9		

FCF Yield Model

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and in order to adjust for the pitfalls of weak long-term visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

The adjusted Free Cash Flow Yield results in a fair value between EUR 24.47 per share based on 2021E and EUR 43.59 per share on 2025E estimates. **We value S&T AG on 2022E, which derive at price target of EUR 31.00.** It thus supports the DCF based fair value calculations.

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

FCF yield in EURm	2021E	2022E	2023E	2024E	2025E
EBITDA	135.1	153.9	166.2	189.7	199.1
- Maintenance capex	33.8	34.7	36.7	39.0	42.3
- Minorities	-0.6	-0.8	-0.9	-1.2	-1.3
- tax expenses	11.1	12.3	14.0	17.6	18.7
= Adjusted FCF	90.8	107.6	116.4	134.2	139.4
Actual Market Cap	1,324.0	1,324.0	1,324.0	1,324.0	1,324.0
+ Net debt (cash)	-33.4	-111.6	-187.0	-282.5	-366.7
+ Pension provisions	24.2	27.2	29.4	33.6	35.3
+ Off B/S financing	0.0	0.0	0.0	0.0	0.0
- Financial assets	68.6	68.6	68.6	68.6	68.6
- Acc. dividend payments	19.8	42.4	71.9	105.6	147.9
<i>EV Reconciliations</i>	-97.6	-195.2	-298.1	-423.1	-547.9
= Actual EV'	1,226.4	1,128.8	1,025.9	901.0	776.1
Adjusted RW_FCF yield	7.4%	9.5%	11.3%	14.9%	18.0%
base hurdle rate	6.0%	6.0%	6.0%	6.0%	6.0%
ESG adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
adjusted hurdle rate	6.0%	6.0%	6.0%	6.0%	6.0%
Fair EV	1,514.0	1,793.9	1,939.9	2,237.4	2,323.4
- <i>EV Reconciliations</i>	-97.6	-195.2	-298.1	-423.1	-547.9
Fair Market Cap	1,611.6	1,989.1	2,238.0	2,660.5	2,871.3
No. of shares (million)	65.9	65.9	65.9	65.9	65.9
FV per share in EUR	24.47	30.20	33.97	40.39	43.59
Premium (-) / discount (+)	21.7%	50.2%	69.0%	100.9%	116.9%

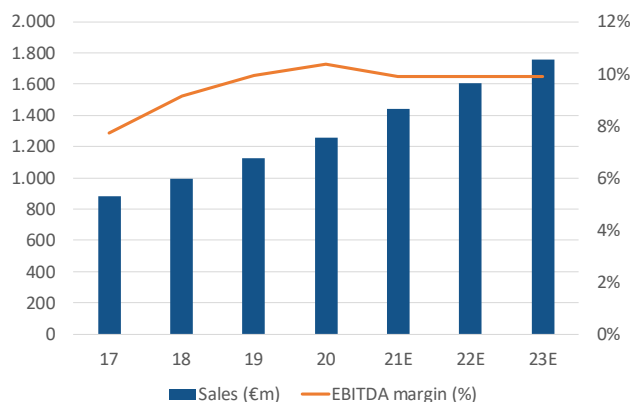
Sensitivity analysis FV						
Adjusted hurdle rate	4.0%	36.0	43.8	48.7	57.4	61.2
	5.0%	29.1	35.6	39.9	47.2	50.6
	6.0%	24.5	30.2	34.0	40.4	43.6
	7.0%	21.2	26.3	29.8	35.5	38.6
	8.0%	18.7	23.4	26.6	31.9	34.8

Source: AlsterResearch

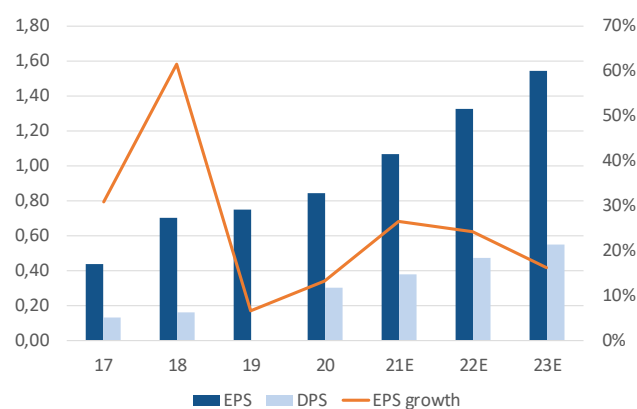
Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 6%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable, based on the overall Leeway ESG Score. A high score indicates high awareness for environmental, social or governance issues and thus might lower the overall risk an investment in the company might carry. A low score on the contrary might increase the risk of an investment and might therefore trigger a higher required hurdle rate.**

Financials in six charts

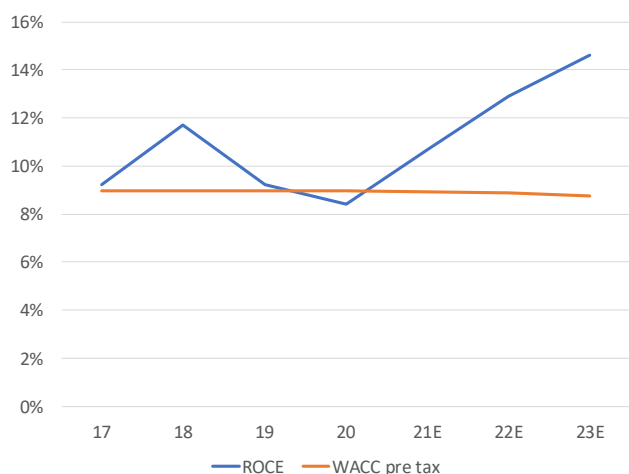
Sales vs. EBITDA margin development



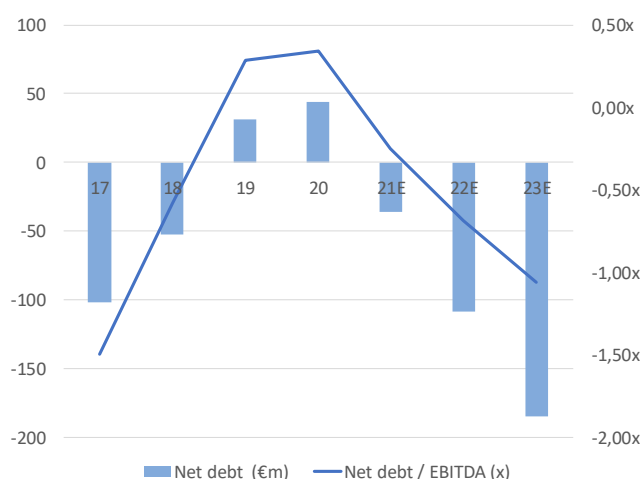
EPS, DPS in EUR & yoy EPS growth



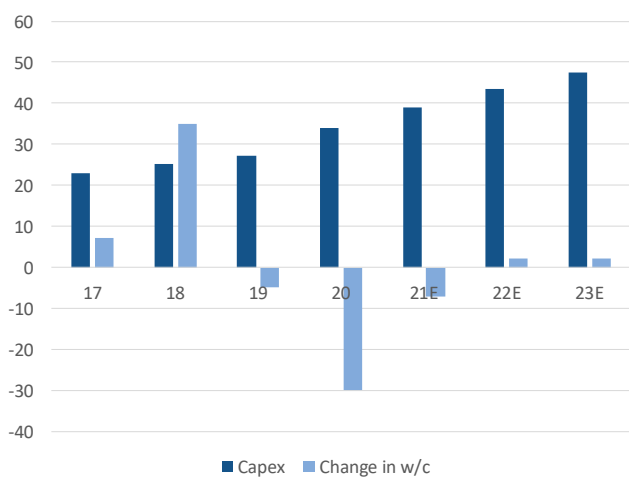
ROCE vs. WACC (pre tax)



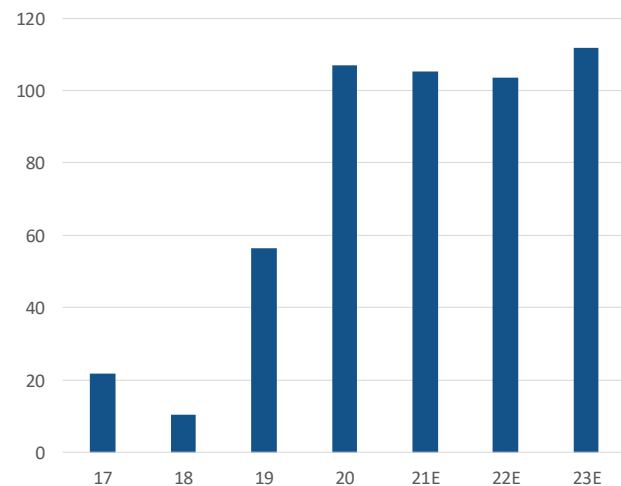
Net debt and net debt/EBITDA



Capex & chg in w/c requirements in EURm



Free Cash Flow in EURm



Financials

Profit and loss (EUR m)	2018	2019	2020	2021E	2022E	2023E
Net sales	990.9	1,122.9	1,254.8	1,392.8	1,569.9	1,695.5
Sales growth	12.3%	13.3%	11.7%	11.0%	12.7%	8.0%
Change in finished goods and work-in-process	15.1	15.5	17.6	0.0	0.0	0.0
Total sales	1,006.0	1,138.4	1,272.4	1,392.8	1,569.9	1,695.5
Material expenses	644.3	715.4	799.0	866.3	974.9	1,052.9
Gross profit	361.7	423.0	473.4	526.5	595.0	642.6
Other operating income	7.5	8.0	8.8	7.0	7.8	8.5
Personnel expenses	194.6	245.2	273.3	303.6	342.2	369.6
Other operating expenses	84.0	74.2	78.8	94.7	106.8	115.3
EBITDA	90.5	111.7	130.0	135.1	153.9	166.2
Depreciation	8.2	49.9	30.9	33.8	34.7	36.7
EBITA	82.3	61.8	99.1	101.3	119.1	129.5
Amortisation of goodwill and intangible assets	20.8	0.0	30.5	19.5	15.8	12.8
EBIT	61.5	61.8	68.6	81.8	103.3	116.7
Financial result	-5.2	-7.7	-7.9	-7.7	-8.7	-8.7
Recurring pretax income from continuing operations	56.3	54.1	60.7	74.1	94.6	108.0
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	56.3	54.1	60.7	74.1	94.6	108.0
Taxes	7.9	4.6	6.1	11.1	12.3	14.0
Net income from continuing operations	48.5	49.5	54.6	63.0	82.3	93.9
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	48.5	49.5	54.6	63.0	82.3	93.9
Minority interest	-3.5	-0.4	1.0	0.6	0.8	0.9
Net profit (reported)	45.0	49.1	55.6	63.6	83.1	94.9
Average number of shares	64.33	65.87	65.87	65.87	65.87	65.87
EPS reported	0.70	0.75	0.84	0.97	1.26	1.44

Profit and loss (common size)	2018	2019	2020	2021E	2022E	2023E
Net sales	100%	100%	100%	100%	100%	100%
Change in finished goods and work-in-process	2%	1%	1%	0%	0%	0%
Total sales	102%	101%	101%	100%	100%	100%
Material expenses	65%	64%	64%	62%	62%	62%
Gross profit	36%	38%	38%	38%	38%	38%
Other operating income	1%	1%	1%	1%	1%	0%
Personnel expenses	20%	22%	22%	22%	22%	22%
Other operating expenses	8%	7%	6%	7%	7%	7%
EBITDA	9%	10%	10%	10%	10%	10%
Depreciation	1%	4%	2%	2%	2%	2%
EBITA	8%	6%	8%	7%	8%	8%
Amortisation of goodwill and intangible assets	2%	0%	2%	1%	1%	1%
EBIT	6%	6%	5%	6%	7%	7%
Financial result	-1%	-1%	-1%	-1%	-1%	-1%
Recurring pretax income from continuing operations	6%	5%	5%	5%	6%	6%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	6%	5%	5%	5%	6%	6%
Taxes	1%	0%	0%	1%	1%	1%
Net income from continuing operations	5%	4%	4%	5%	5%	6%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	5%	4%	4%	5%	5%	6%
Minority interest	-0%	-0%	0%	0%	0%	0%
Net profit (reported)	5%	4%	4%	5%	5%	6%

Source: Company data; AlsterResearch

Balance sheet (EUR m)	2018	2019	2020	2021E	2022E	2023E
Intangible assets (excl. Goodwill)	87.6	100.5	102.8	83.3	67.4	54.6
Goodwill	120.0	194.4	199.5	199.5	199.5	199.5
Property, plant and equipment	37.1	99.8	135.1	139.0	146.7	155.8
Financial assets	47.8	62.5	68.6	68.6	68.6	68.6
FIXED ASSETS	292.5	457.2	506.0	490.3	482.2	478.5
Inventories	130.8	146.8	159.9	168.5	189.6	204.8
Accounts receivable	207.0	239.4	228.0	267.1	301.1	325.2
Other current assets	18.5	21.1	24.6	24.6	24.6	24.6
Liquid assets	171.8	322.0	285.6	323.4	311.6	357.0
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	27.5	39.4	42.6	47.3	53.3	57.5
CURRENT ASSETS	555.5	768.5	740.7	830.9	880.2	969.2
TOTAL ASSETS	847.9	1,225.7	1,246.6	1,321.2	1,362.3	1,447.7
SHAREHOLDERS EQUITY	356.0	372.7	404.0	447.2	506.9	571.3
MINORITY INTEREST	11.3	12.4	5.4	5.4	5.4	5.4
Long-term debt	79.4	267.1	263.7	250.0	200.0	100.0
Provisions for pensions and similar obligations	5.6	19.9	21.8	24.2	27.2	29.4
Other provisions	46.8	44.8	68.3	76.6	86.3	93.3
Non-current liabilities	131.9	331.8	353.8	350.8	313.6	222.7
short-term liabilities to banks	39.6	86.5	66.1	40.0	0.0	70.0
Accounts payable	177.0	205.0	210.0	249.2	280.5	302.9
Advance payments received on orders	38.1	61.1	71.6	79.5	89.6	96.8
Other liabilities (incl. from lease and rental contracts)	55.6	109.0	85.7	95.1	107.2	115.8
Deferred taxes	12.6	13.4	13.3	13.3	13.3	13.3
Deferred income	25.9	33.8	36.7	40.7	45.9	49.5
Current liabilities	348.8	508.8	483.4	517.8	536.4	648.2
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	847.9	1,225.7	1,246.6	1,321.2	1,362.3	1,447.7

Balance sheet (common size)	2018	2019	2020	2021E	2022E	2023E
Intangible assets (excl. Goodwill)	10%	8%	8%	6%	5%	4%
Goodwill	14%	16%	16%	15%	15%	14%
Property, plant and equipment	4%	8%	11%	11%	11%	11%
Financial assets	6%	5%	5%	5%	5%	5%
FIXED ASSETS	34%	37%	41%	37%	35%	33%
Inventories	15%	12%	13%	13%	14%	14%
Accounts receivable	24%	20%	18%	20%	22%	22%
Other current assets	2%	2%	2%	2%	2%	2%
Liquid assets	20%	26%	23%	24%	23%	25%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	3%	3%	3%	4%	4%	4%
CURRENT ASSETS	66%	63%	59%	63%	65%	67%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	42%	30%	32%	34%	37%	39%
MINORITY INTEREST	1%	1%	0%	0%	0%	0%
Long-term debt	9%	22%	21%	19%	15%	7%
Provisions for pensions and similar obligations	1%	2%	2%	2%	2%	2%
Other provisions	6%	4%	5%	6%	6%	6%
Non-current liabilities	16%	27%	28%	27%	23%	15%
short-term liabilities to banks	5%	7%	5%	3%	0%	5%
Accounts payable	21%	17%	17%	19%	21%	21%
Advance payments received on orders	4%	5%	6%	6%	7%	7%
Other liabilities (incl. from lease and rental contracts)	7%	9%	7%	7%	8%	8%
Deferred taxes	1%	1%	1%	1%	1%	1%
Deferred income	3%	3%	3%	3%	3%	3%
Current liabilities	41%	42%	39%	39%	39%	45%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	100%	100%	100%	100%	100%

Source: Company data; AlsterResearch

Cash flow statement (EUR m)	2018	2019	2020	2021E	2022E	2023E
Net profit/loss	56.3	54.1	60.7	63.0	82.3	93.9
Depreciation of fixed assets (incl. leases)	29.0	49.9	61.5	33.8	34.7	36.7
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	19.5	15.8	12.8
Others	-14.8	-25.5	-11.1	10.7	12.8	9.1
Cash flow from operations before changes in w/c	70.5	78.5	111.0	127.0	145.7	152.5
Increase/decrease in inventory	-4.1	-1.4	8.6	-8.7	-21.1	-15.2
Increase/decrease in accounts receivable	-22.2	42.7	47.4	-39.1	-34.0	-24.1
Increase/decrease in accounts payable	2.1	-30.0	-2.5	39.2	31.2	22.4
Increase/decrease in other w/c positions	-10.8	-6.4	-23.7	16.7	21.4	15.2
Increase/decrease in working capital	-35.0	4.9	29.8	8.1	-2.5	-1.7
Cash flow from operating activities	35.5	83.4	140.8	135.1	143.2	150.8
CAPEX	-25.1	-27.1	-33.9	-37.7	-42.4	-45.8
Payments for acquisitions	-39.6	-27.2	-41.0	0.0	0.0	0.0
Financial investments	0.5	-3.7	-3.1	0.0	0.0	0.0
Income from asset disposals	1.1	2.2	0.8	0.0	0.0	0.0
Cash flow from investing activities	-63.1	-55.8	-77.2	-37.7	-42.4	-45.8
Cash flow before financing	-27.6	27.6	63.6	97.4	100.7	105.0
Increase/decrease in debt position	1.2	128.1	-40.9	-39.8	-90.0	-30.0
Purchase of own shares	0.0	-14.6	-12.2	0.0	0.0	0.0
Capital measures	0.0	0.0	1.4	0.0	0.0	0.0
Dividends paid	-8.3	-10.6	0.0	-19.8	-22.6	-29.5
Others	-15.9	-19.1	-14.1	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.3	1.1	-8.1	0.0	0.0	0.0
Cash flow from financing activities	-22.7	84.9	-73.8	-59.6	-112.6	-59.5
Increase/decrease in liquid assets	-50.3	112.5	-10.2	37.8	-11.9	45.5
Liquid assets at end of period	152.6	265.2	255.0	292.8	280.9	326.4

Source: Company data; AlsterResearch

Regional sales split (EURm)	2018	2019	2020	2021E	2022E	2023E
Domestic	98.4	102.9	115.0	127.6	143.9	155.4
Europe (ex domestic)	540.0	600.6	671.2	745.0	839.8	907.0
The Americas	0.0	0.0	0.0	0.0	0.0	0.0
Asia	0.0	0.0	0.0	0.0	0.0	0.0
Rest of World	352.4	419.3	468.6	520.1	586.3	633.2
Total sales	990.9	1,122.9	1,254.8	1,392.8	1,569.9	1,695.5

Regional sales split (common size)	2018	2019	2020	2021E	2022E	2023E
Domestic	9.9%	9.2%	9.2%	9.2%	9.2%	9.2%
Europe (ex domestic)	54.5%	53.5%	53.5%	53.5%	53.5%	53.5%
The Americas	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rest of World	35.6%	37.3%	37.3%	37.3%	37.3%	37.3%
Total sales	100%	100%	100%	100%	100%	100%

Source: Company data; AlsterResearch

Ratios	2018	2019	2020	2021E	2022E	2023E
Per share data						
Earnings per share reported	0.70	0.75	0.84	0.97	1.26	1.44
Cash flow per share	0.42	0.51	1.67	1.54	1.65	1.73
Book value per share	5.53	5.66	6.13	6.79	7.70	8.67
Dividend per share	0.16	0.00	0.30	0.34	0.45	0.51
Valuation						
P/E	28.7x	27.0x	23.8x	20.8x	15.9x	14.0x
P/CF	47.3x	39.6x	12.0x	13.1x	12.2x	11.6x
P/BV	3.6x	3.6x	3.3x	3.0x	2.6x	2.3x
Dividend yield (%)	0.8%	0.0%	1.5%	1.7%	2.2%	2.5%
FCF yield (%)	2.1%	2.5%	8.3%	7.7%	8.2%	8.6%
EV/Sales	1.3x	1.2x	1.1x	0.9x	0.8x	0.7x
EV/EBITDA	14.1x	12.3x	10.7x	9.7x	8.1x	7.0x
EV/EBIT	20.8x	22.3x	20.3x	16.1x	12.0x	10.0x
Income statement (EURm)						
Sales	990.9	1,122.9	1,254.8	1,392.8	1,569.9	1,695.5
yoy chg in %	12.3%	13.3%	11.7%	11.0%	12.7%	8.0%
Gross profit	361.7	423.0	473.4	526.5	595.0	642.6
Gross margin in %	36.5%	37.7%	37.7%	37.8%	37.9%	37.9%
EBITDA	90.5	111.7	130.0	135.1	153.9	166.2
EBITDA margin in %	9.1%	9.9%	10.4%	9.7%	9.8%	9.8%
EBIT	61.5	61.8	68.6	81.8	103.3	116.7
EBIT margin in %	6.2%	5.5%	5.5%	5.9%	6.6%	6.9%
Net profit	45.0	49.1	55.6	63.6	83.1	94.9
Cash flow statement (EURm)						
CF from operations	35.5	83.4	140.8	135.1	143.2	150.8
Capex	-25.1	-27.1	-33.9	-37.7	-42.4	-45.8
Maintenance Capex	8.2	49.9	30.9	33.8	34.7	36.7
Free cash flow	10.4	56.3	106.9	97.4	100.7	105.0
Balance sheet (EURm)						
Intangible assets	207.6	294.9	302.3	282.7	266.9	254.1
Tangible assets	37.1	99.8	135.1	139.0	146.7	155.8
Shareholders' equity	356.0	372.7	404.0	447.2	506.9	571.3
Pension provisions	5.6	19.9	21.8	24.2	27.2	29.4
Liabilities and provisions	171.5	418.3	419.9	390.8	313.6	292.7
Net financial debt	-52.7	31.6	44.2	-33.4	-111.6	-187.0
w/c requirements	122.7	119.9	106.3	106.9	120.7	130.3
Ratios						
ROE	13.6%	13.3%	13.5%	14.1%	16.2%	16.4%
ROCE	11.4%	7.7%	8.3%	9.7%	12.5%	13.4%
Net gearing	-14.8%	8.5%	10.9%	-7.5%	-22.0%	-32.7%
Net debt / EBITDA	-0.6x	0.3x	0.3x	-0.2x	-0.7x	-1.1x

Source: Company data; AlsterResearch

Conflict of interests

Disclosures regarding research publications of SRH AlsterResearch AG pursuant to section 85 of the German Securities Trading Act (WpHG) and distributed in the UK under an EEA branch passport, subject to the FCA requirements on research recommendation disclosures. It is essential that any research recommendation is fairly presented and discloses interests of indicates relevant conflicts of interest. Pursuant to section 85 of the German Securities Trading Act (WpHG) a research report has to point out possible conflicts of interest in connection with the analyzed company. Further to this, under the FCA's rules on research recommendations, any conflicts of interest in connection with the recommendation must be disclosed. A conflict of interest is presumed to exist in particular if SRH AlsterResearch AG

- (1) or its affiliate(s) (either in its own right or as part of a consortium) within the past twelve months, acquired the financial instruments of the analyzed company,
- (2) has entered into an agreement on the production of the research report with the analyzed company,
- (3) or its affiliate(s) has, within the past twelve months, been party to an agreement on the provision of investment banking services with the analyzed company or have received services or a promise of services under the term of such an agreement,
- (4) or its affiliate(s) holds a) 5% or more of the share capital of the analyzed company, or b) the analyzed company holds 5% or more of the share capital of SRH AlsterResearch AG or its affiliate(s),
- (5) or its affiliate(s) holds a net long (a) or a net short (b) position of 0.5% of the outstanding share capital of the analyzed company or derivatives thereof,
- (6) or its affiliate(s) is a market maker or liquidity provider in the financial instruments of the issuer,
- (7) or the analyst has any other significant financial interests relating to the analyzed company such as, for example, exercising mandates in the interest of the analyzed company or a significant conflict of interest with respect to the issuer,
- (8) The research report has been made available to the company prior to its publication. Thereafter, only factual changes have been made to the report.

Conflicts of interest that existed at the time when this research report was published:

Company	Disclosure
S&T AG	2

Important disclosures

1. General Information/Liabilities This research report has been produced for the information purposes of institutional investors only, and is not in any way a personal recommendation, offer or solicitation to buy or sell the financial instruments mentioned herein. The document is confidential and is made available by SRH AlsterResearch AG, exclusively to selected recipients [in DE, GB, FR, CH, US, UK, Scandinavia, and Benelux or, in individual cases, also in other countries]. A distribution to private investors in the sense of the German Securities Trading Act (WpHG) is excluded. It is not allowed to pass the research report on to persons other than the intended recipient without the permission of SRH AlsterResearch AG. Reproduction of this document, in whole or in part, is not permitted without prior permission SRH AlsterResearch AG. All rights reserved. Under no circumstances shall SRH AlsterResearch AG, any of its employees involved in the preparation, have any liability for possible errors or incompleteness of the information included in this research report – neither in relation to indirect or direct nor consequential damages. Liability for damages arising either directly or as a consequence of the use of information, opinions and estimates is also excluded. Past performance of a financial instrument is not necessarily indicative of future performance.

2. Responsibilities This research report was prepared by the research analyst named on the front page (the "Producer"). The Producer is solely responsible for the views and estimates expressed in this report. The report has been prepared independently. The content of the research report was not influenced by the issuer of the analyzed financial instrument at any time. It may be possible that parts of the research report were handed out to the issuer for information purposes prior to the publication without any major amendments being made thereafter.

3. Organizational Requirements SRH AlsterResearch AG took internal organizational and regulative precautions to avoid or accordingly disclose possible conflicts of interest in connection with the preparation and distribution of the research report. All members of AlsterResearch AG involved in the preparation of the research report are subject to internal compliance regulations. No part of the Producer's compensation is directly or indirectly related to the preparation of this financial analysis. In case a research analyst or a closely related person is confronted with a conflict of interest, the research analyst is restricted from covering this company.

4. Information Concerning the Methods of Valuation/Update The determination of the fair value per share, i.e. the price target, and the resultant rating is done on the basis of the adjusted free cash flow (adj. FCF) method and on the basis of the discounted cash flow – DCF model. Furthermore, a peer group comparison is made. The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate. The operating cash flow is calculated as EBITDA less maintenance capex and taxes. Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjustment towards the actual capital structure is done by discounting the calculated free cash flows with the weighted average cost of capital (WACC), which takes into account both the cost of equity capital and the cost of debt. After discounting, the calculated total enterprise value is reduced by the interest-bearing debt capital in order to arrive at the equity value. Detailed information on the valuation principles and methods used and the underlying assumptions can be found at <https://www.alsterresearch.com>.

SRH AlsterResearch AG uses the following three-step rating system for the analyzed companies:

- **Buy:** Sustainable upside potential of more than 10% within 12 months
- **Sell:** Sustainable downside potential of more than 10% within 12 months.
- **Hold:** Upside/downside potential is limited. No immediate catalyst visible.

NB: The ratings of SRH AlsterResearch AG are not based on a performance that is expected to be "relative" to the market.

The decision on the choice of the financial instruments analyzed in this document was solely made by SRH AlsterResearch AG. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of SRH AlsterResearch AG whether and when it publishes an update to this research report, but in general updates are created on a regular basis, after 6 months at the latest. A sensitivity analysis is included and published in company's initial studies.

5. Date and time of first publication of the financial analysis
8-Nov-21 11:30:56

6. Risk information

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

7. Major Sources of Information Part of the information required for this research report was made available by the issuer of the financial instrument. Furthermore, this report is based on publicly available sources (such as, for example, Bloomberg, Reuters, VWD-Trader and the relevant daily press) believed to be reliable. SRH AlsterResearch AG has checked the information for plausibility but not for accuracy or completeness.

8. Competent Supervisory Authority SRH AlsterResearch AG are under supervision of the BaFin – German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Graurheindorfer Straße 108, 53117 Bonn and Marie-Curie-Straße 24 – 28, 60439 Frankfurt a.M. This document is distributed in the UK under a MiFID EEA branch passport and in compliance with the applicable FCA requirements.

9. Specific Comments for Recipients Outside of Germany This research report is subject to the law of the Federal Republic of Germany. The distribution of this information to other states in particular to the USA, Canada, Australia and Japan may be restricted or prohibited by the laws applicable within this state.

10. Miscellaneous According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published free of charge under <https://www.alsterresearch.com>.

Contacts

SRH AlsterResearch AG
Himmelstr. 9
22299 Hamburg

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

mwb fairtrade Wertpapierhandelsbank AG
Rottenbacher Straße 28
82166 Gräfelfing

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

Our research can be found under

Research

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

HARALD HOF
Senior Analyst
Tel: +49 40 309 293-57
E-Mail: h.hof@alsterresearch.com

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

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

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

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

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

Sales

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

Equity Capital Markets / Trading

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

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

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

RESEARCH HUB www.research-hub.de

BLOOMBERG www.bloomberg.com

FACTSET www.factset.com

THOMSON REUTERS / REFINITIV www.refinitiv.com

CAPITALIQ www.capitaliq.com