

## Surteco Group SE

Reuters: SURG.DE

Bloomberg: SUR:DE

### Covers it all

With an average of 3,091 employees and sales of EUR 689.7 mn (2017), Surteco is the world's leading supplier of surface films and edges for the global furniture, flooring, and wood-based industries as well as producer of technical profiles for all industrial sectors. Surteco is the only company on the market to offer a complete range of paper and plastic products with almost infinite variations in quality, design, dimensions, decors, and colours. As one of the few listed companies, Surteco is also the sole active consolidation driver, expanding its global market leadership through a consistent M&A strategy into global growth regions and by consistently broadening its product range. In the past 20 years numerous competitions have been taken over. As a result, sales more than quadrupled in a more or less stagnating market environment in Germany, and Surteco was also able to exploit considerable sourcing and cost synergy effects. For the next four years, which determine our detailed planning period, we expect continued high growth rates in sales (CAGR 2017-21e 3.4%) and earnings (CAGR 2017-21e 14.6%). Our price target of EUR 41.00 is the result of a three-stage standardised DCF model (primary method). Higher price targets can be derived in the long term from a dividend discount model (secondary method). Compared to yesterday's closing price of EUR 23.95, this results in an expected price potential of around 52.4% over the next twelve months. We initiate our research coverage of Surteco Group SE with a buy rating.

#### Significant increase in revenues and profits expected

In the current year we expect an increase in sales of 6.9%. According to our estimates, this increase in sales will be due in part to the economic situation and thus to organic factors, but for the most part driven by consolidation-related reasons. All in all, we expect 2018e revenues and operating profit (EBIT) to increase to EUR 737.5 mn (+6.9% YoY) and EUR 52.5 mn (+17.6% YoY), respectively. This puts our forecasts for sales in the middle and EBIT at the upper end of management's guidance for 2018e. We expect a further significant improvement in revenues and operating earnings in the coming years.

#### Price target EUR 41.00, Initiating research coverage with a buy rating

Our three-tier DCF entity model, which we believe best reflects Surteco's capital-intensive and long-term business deal, results in a value of EUR 41.00 per share (base-case scenario). In a Monte Carlo simulation, we calculate a value of equity of EUR 19.40 per share in a bear case scenario and EUR 52.70 per share in a bull case scenario. Significantly higher price targets can be derived in the medium term from a dividend discount model. In view of a 12-months price performance of 52.4% expected in the base case scenario, we include the shares of Surteco Group SE in our research coverage with a buy rating.

Rating: Buy Risk: Low

Price: EUR 23.95

Price target: EUR 41.00

ISIN/WKN: DE0005176903/517690

Indices: CDAX, Prime All Share

Transparency level: Prime Standard

Weighted number of shares outstanding: 15.5 mn

Market cap: EUR 371.4 mn

Daily trading volume (shares) 10,000 shares

H1/2018: 14 August 2018

EUR mn (31/12)	2016	2017	2018e	2019e
Net revenues	639.8	689.7	737.5	755.9
EBITDA	74.3	83.1	90.6	98.9
EBIT	40.9	44.7	52.5	61.3
EBT	35.0	33.5	42.6	52.3
EAT	23.8	26.3	31.1	37.7

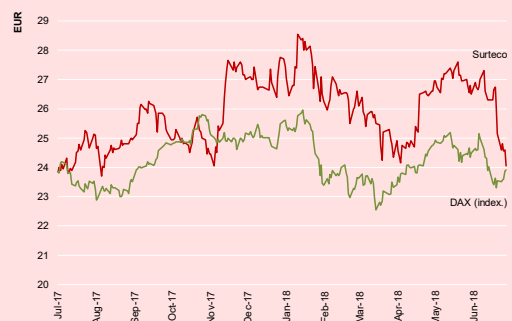
% of sales	2016	2017	2018e	2019e
EBITDA	11.6%	12.0%	12.3%	13.1%
EBIT	6.4%	6.5%	7.1%	8.1%
EBT	5.5%	4.9%	5.8%	6.9%
EAT	3.7%	3.8%	4.2%	5.0%

Per share/EUR	2016	2017	2018e	2019e
EPS	1.54	1.69	1.83	2.20
Dividend	0.80	0.80	0.90	1.10
BVPS	22.16	22.33	23.36	24.66
Cash flow	3.76	5.35	4.96	5.48

%	2016	2017	2018e	2019e
Equity ratio	51.4%	41.4%	45.9%	49.6%
Gearing	39.1%	54.4%	45.7%	35.5%

x	2016	2017	2018e	2019e
P/ER	15.4	15.9	13.1	10.9
EV/sales	0.81	0.90	0.76	0.70
EV/EBIT	12.7	13.9	10.6	8.7
P/BR	1.1	1.2	1.0	1.0

EUR mn	2018e	2019e
Guidance: Revenues	725.0-750.0	-
Guidance: EBIT	49.0-53.0	-



SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

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**Please note that each chapter begins with an extensive executive summary.**

## Executive Summary

### World market leader for surfaces and edges

With European market shares of approximately 60% for paper-based edge bands and approximately 25% for thermoplastic edges and group revenues of EUR 689.7 mn (2017), Surteco is the world's leading manufacturer of paper and plastic-based films and edge bands. The products developed, manufactured, and distributed by Surteco range from films for the large-area coating of chipboard and MDF (Medium-density fibre) boards to edge bands for the lateral finishing of wood materials. Surteco's customers are primarily furniture manufacturers, companies active in interior design as well as the flooring and wood-based industries.

### Expansion of market leadership through external growth

In a competitive environment in which competitors are either medium-sized companies (and thus substantially smaller), do have acute succession problems or are (no longer) part of the core business of larger groups, Surteco is the sole active consolidation driver due to its unique access to the capital market. Since the acquisition of Döllken Group, total sales of around EUR 350 mn have been acquired; more than two thirds of the company, as presented today, have only been included in the group in the past 16 years. Without exception, Surteco has an impeccable track record in acquisition and integration policy.

### Revenues multiplied over the twenty-year period 1998-2017

With an average annual sales growth rate of 7.3% for the 20-year period from 1998 to 2017, Surteco shows growth rates that are reminiscent of previous forecasts of Internet companies and rather unusual in the industrial world. Overall, Surteco more than quadrupled its turnover from EUR 167.2 mn (1998) to EUR 689.7 mn (2017) in a market environment stagnating in Germany (turnover of German furniture manufacturers over a ten years period with CAGR 0.6%). For 2018e, we expect a further increase in sales of 6.9%, which will be made up both of organic growth and, to a larger part, of consolidation-related growth. For 2019e, we expect organic sales growth of 2.5%, primarily from foreign markets.

### High barriers to entry

The paper processing industry is a mature industry and market entry is associated with high initial investments. Because of high operational gearing, large, internationally active companies benefit from economies of scale in operational and development costs. Additional barriers to market entry result from the proprietary rights to the decors: As a result, the coating companies are bound - possibly for decades - to the manufacturer of the coating material for a special decor.

### Possible (re)admission to the SDAX in the medium term

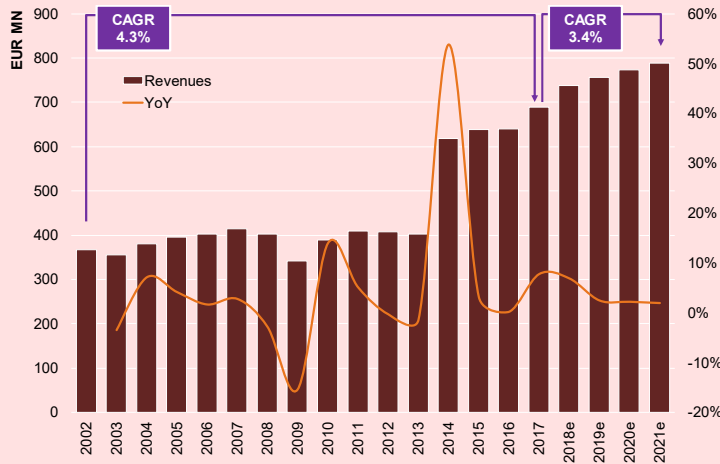
With a free float market capitalization (44.5%) of EUR 165.3 mn and a daily trading volume of around 10,000 shares, the Surteco share is currently still too small to be included in one of the stock market indices operated by Deutsche Börse. However, we assume that the share price and trading volume of the share will improve as a result of the committed investor relations readiness shown, so that a return to the SDAX should be realistic in the medium term.

### Weaknesses and risks

We see the following weaknesses and risks in particular for achieving our price target (details from p. 26ff): **(1)** dependence on raw material prices, **(2)** risks from external growth, **(3)** currency risks from translation effects, **(4)** relatively short-term order backlog, **(5)** delayed passing on of paper price hikes to customers, **(6)** dependence on management, **(7)** digital printing as a potentially more flexible alternative with the replacement of gravure printing at small batch sizes, **(8)** economic dependencies on the global furniture industry, **(9)** high capital intensity and long-term capital commitment.

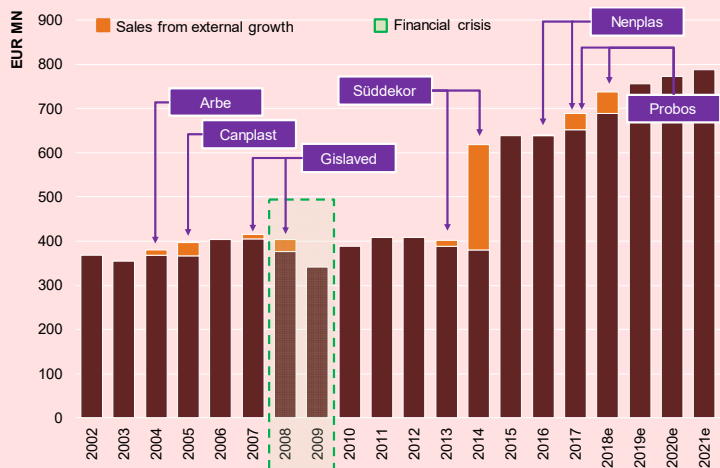
## Surteco in pictures

REVENUES AND REVENUE GROWTH, 2002-21E



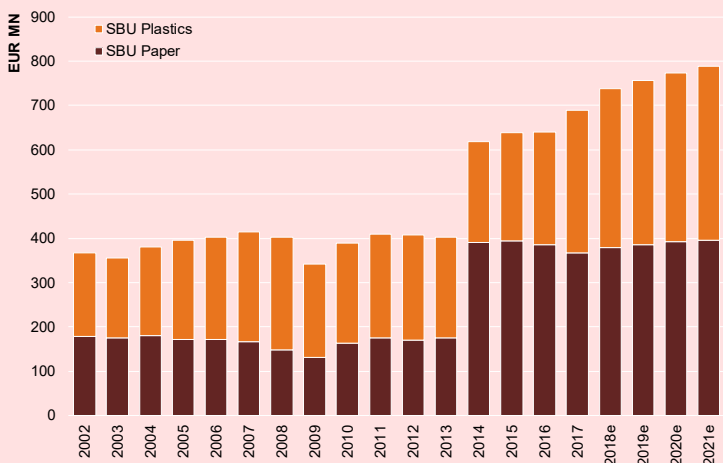
Between 2002 and 2017 Surteco achieved a compound annual growth rate (CAGR) of 4.3%. This growth was driven by numerous acquisitions, which significantly expanded the product range and the regional footprint. For the next four years, which mark our detailed planning period, we expect sales CAGR of 3.4% without including further acquisitions.

REVENUES INTERN VS. EXTERN, 2002-21E



In our estimation, the four largest acquisitions in the past 15 years alone generated total sales of EUR 350 mn in the year prior to their acquisition. More than half of the consolidated sales generated in 2017 have thus only been included in the scope of consolidation in the past 15 years.

REVENUES BY SEGMENTS, 2002-21E

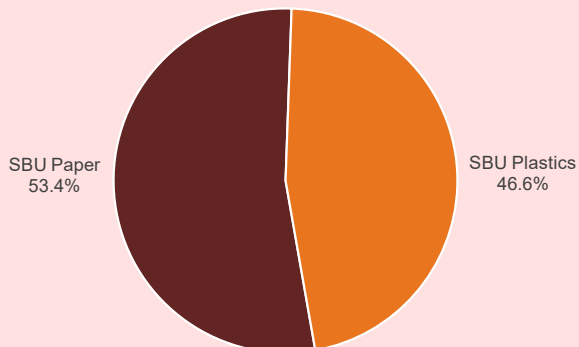


In recent years, both Strategic Business Units (SBU), Paper and Plastics, have been significantly strengthened by acquisitions.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

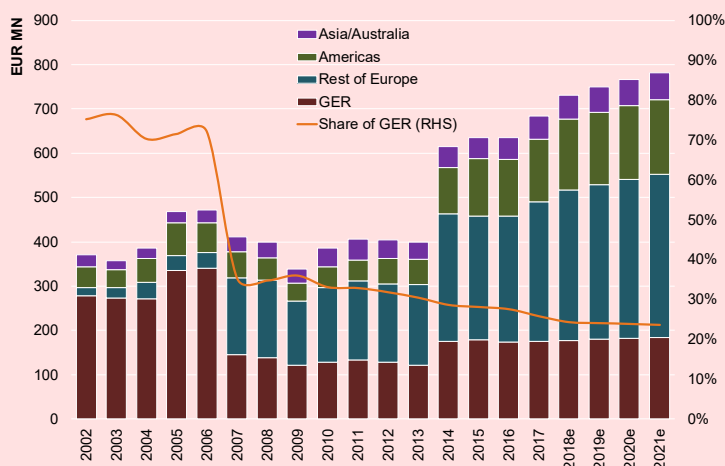
## Surteco in pictures (contd.)

REVENUES BY SEGMENTS, 2017



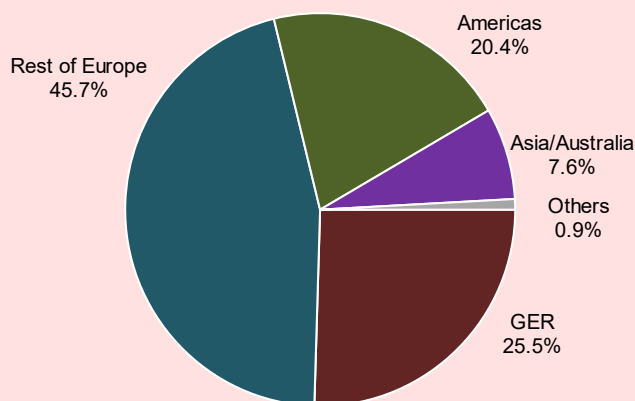
In terms of business volume, the two SBUs are currently roughly equivalent: last year 53.4% of revenues were generated by SBU Paper and 46.6% by SBU Plastics.

REVENUES BY REGION, 2002-21E



Since 2002, the beginning of our financial analysis, the share of international sales has more than tripled from 24.8% to 74.5%.

REVENUES BY REGION, 2017

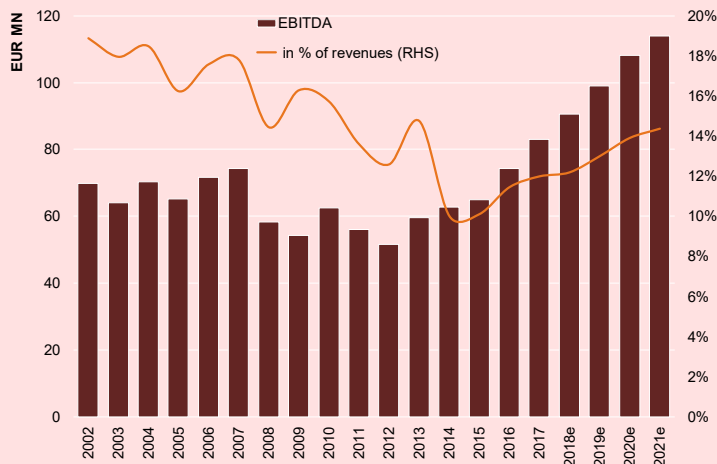


Revenues generated in the rest of Europe increased significantly: 45.7% of gross revenues were generated in the rest of Europe in 2017. With a share of 20.4%, revenues in North and South America were almost as important as revenues in Germany in 2017.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

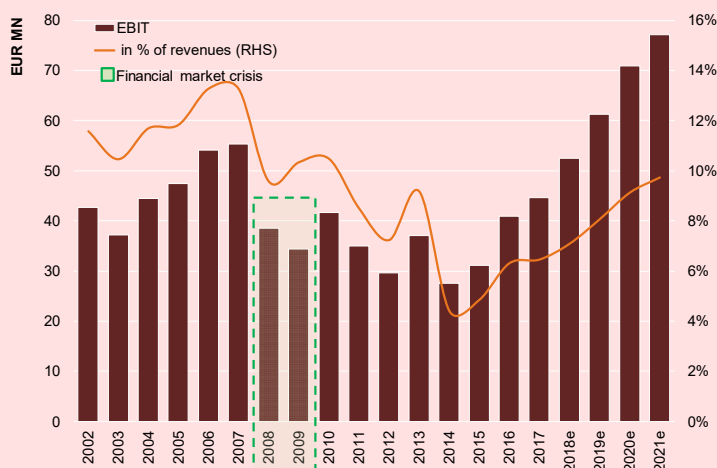
## Surteco in pictures (contd.)

EBITDA AND EBITDA MARGIN, 2002-21E



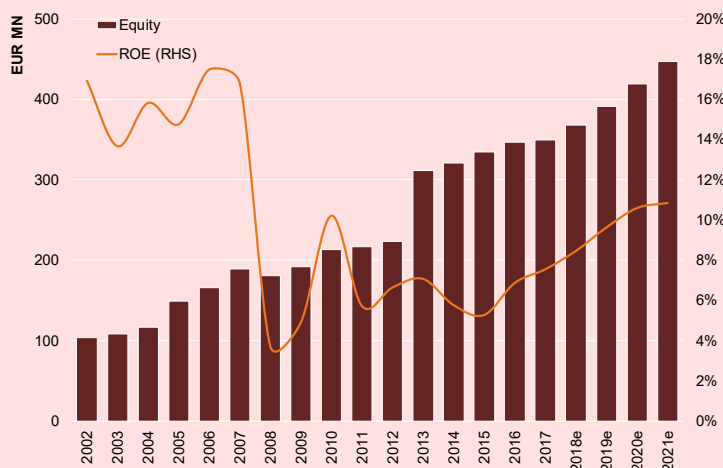
Despite a cyclical business model, Surteco has always been profitable over the past 16 years. The numerous takeovers could thus be carried out without exception in a value-adding manner. In the last six years, there has also been a significant increase in earnings: EBITDA increased from EUR 51.7 mn to EUR 83.1 mn between 2012 and 2017. Margins are still below general market expectations to date: We see scope for a further significant recovery and expect margins to converge to formerly known levels by the year 2021e.

EBIT AND EBIT MARGIN, 2002-21E



The improvement in operating margins (EBIT) has been evident since 2014: EBIT margin increased significantly from 4.5% to 6.5%. For the next four years we expect a further improvement to 9.7% (EUR 77.1 mn) in 2021e. Surteco is thus approaching the double-digit EBIT margins that the company already generated in previous years, according to our estimates. Noteworthy is the stability of the business model: Surteco has achieved operational profits every year since the IPO.

EQUITY AND ROE, 2002-21E

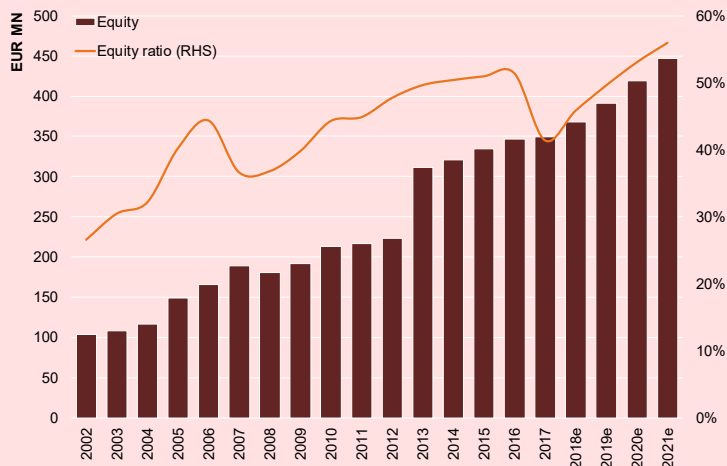


The return on equity has also been positive since 2002. The lowest value in our 16-year period of 3.7% was (not surprisingly) marked during the financial and economic crisis in 2008. Since then, ROE has increased significantly, but the two-section figures for 2002-07 have not yet been reached again. However, Surteco should be able to achieve this by 2021e: We expect an improvement in return on equity to up to 10.8%.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

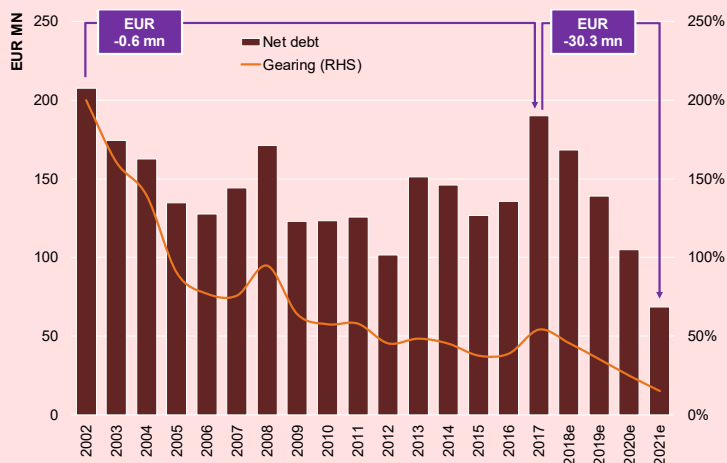
## Surteco in pictures (contd.)

EQUITY AND EQUITY RATIO, 2002-21E



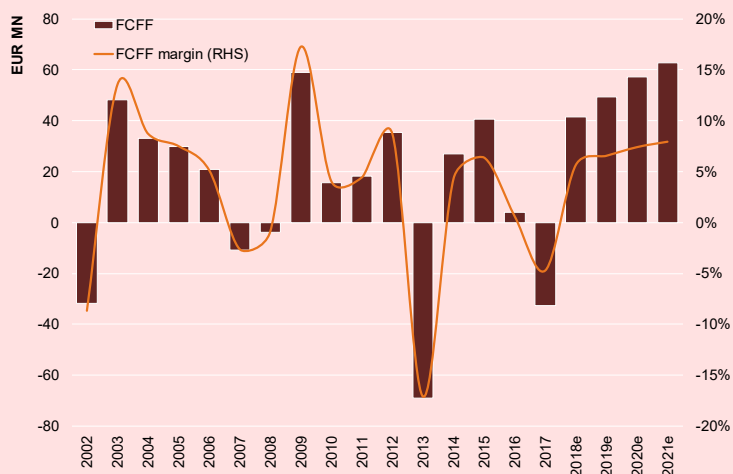
As a result of a steady retention of earnings and several capital increases, equity increased successively in recent years up to EUR 349.24 mn (12/2017). With one exception (2002), the equity ratio in the past 16-year period was always well above the 30% threshold. At the end of 2017, the equity ratio was 41.4% despite the issue of a EUR 200.0 mn promissory note.

NET DEBT AND GEARING, 2002-21E



Surteco's net debt at the end of 2017 was EUR 189.9 mn. In our view, interest expenses of EUR -8.4 mn in 2017 were in a very adequate range for this leverage. Our financial forecast does not assume any acquisitions and a gradual reduction of interest-bearing liabilities from free cash flow.

FREE CASH FLOW AND FCF MARGIN, 2009-18E



While the operating cash flow has not been below EUR 30.0 mn since 2002, free cash flows were repeatedly negative due to high cash outflows for acquisitions. Excluding further acquisitions, we expect free cash flow to increase to EUR 62.6 mn and the FCF margin to 7.9% by 2021e.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

## Price target CHF 41.00 per share – Initiate with Buy

We calculate the value of Surteco Group SE's equity on the basis of a standardised three-stage discounted cash flow (DCF) model (primary method) and a dividend discount model (secondary method). No peer group multiples are used due to the lack of listed competitors.

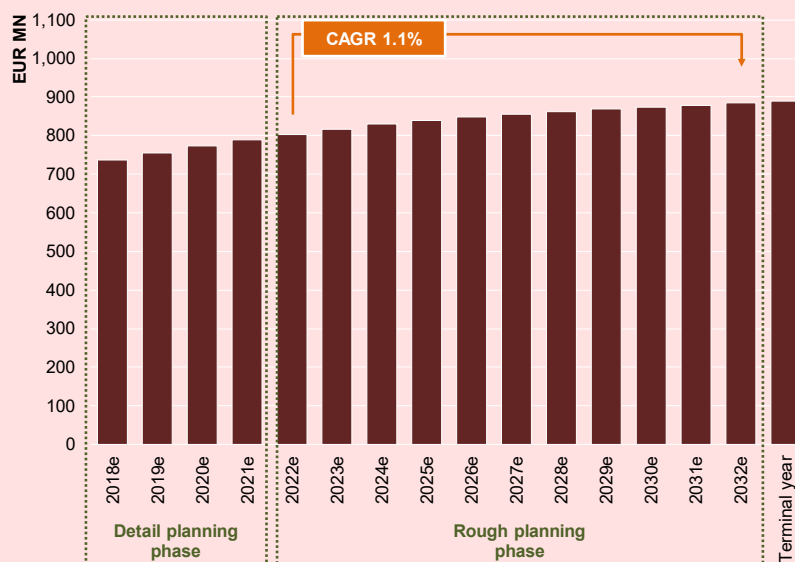
Despite its status as an "old economy company", we consider Surteco to be a growth company: Over the past 15 years (2002-17), Surteco has achieved an average annual sales growth rate of 4.3% and significantly increased its sales to EUR 689.7 mn. The main reasons for this high growth were various takeovers, which lifted Surteco into a global pure play company. At the same time, Surteco has always been profitable and, according to our estimates, should improve its after-tax result before minority interests to EUR 31.1 mn in the current year. We expect the positive sales and earnings trend to continue over the next three years. In the following eleven-year period, which marks the transition phase for our three-stage DCF model and ends with the phase of terminal value after the end of fiscal year 2032e, we have set an average annual sales growth rate of 1.1%. In Terminal Value, we model annual growth of 0.6%, which corresponds to the quasi-risk-free interest rate in the form of long-term German government bonds (Bundesanleihen). In a Monte Carlo analysis, we used alternative sales and earnings scenarios in our base-case scenario. This results in a value of equity in the base-case scenario of EUR 41.00 per share. From the Monte Carlo analysis we determine a value of equity between EUR 19.40 and 52.70 per share.

We have reviewed the intrinsic value of the DCF model using a dividend discount model. Based on our earnings estimates, we determine an equity value of EUR 44.60 per share.

### Our main evaluation procedure for Surteco is a standardized three-stage DCF model

Surteco's business model is capital-intensive: growth is achieved mainly through acquisitions and an increasing globalisation of business activities. In connection with the growth scenario we assume, a long-term standardized three-phase DCF model is the appropriate valuation method for the shares of Surteco Group SE (primary method), in our view.

EXHIBIT 1: REVENUE AND REVENUE GROWTH, 2018E-32E



Until 2021e, the model is based on our detailed income statement, balance sheet and cash flow projections. These are followed by a second rough planning phase, which ends in 2032e. After that we model the terminal value phase.

The average annual sales growth rates during the detailed and rough planning phases are 3.4% and 1.1%, respectively.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

### Growth assumptions of our DCF model

We apply the following growth assumptions for our three-stage DCF model:

- Phase 1 of the DCF model (so called "detailed planning phase") is based on our detailed sales, earnings, cash flow and balance sheet projections up to 2021e where we expect compound annual growth rates of sales 2017-21e of



3.4%.

- ⑤ In the subsequent **phase 2** (eleven-year “rough planning phase”), which ends in 2032e, we estimated a CAGR of sales of 1.1%. Furthermore, during the rough planning phase, we assumed that the key performance indicators would approach a normalized level that can be sustained in the long term.
- ⑤ During the final **phase 3** of terminal value, in which growth is by definition only possible without incurring operating risks, we apply the quasi-risk-free interest rate of currently 0.6% on ten-year German federal bonds.

For our standardized three-stage DCF model we assume in detail,

- ⑤ that the **EBIT margins** will gradually improve further from 9.8% in 2021e to 10.1% in 2032e (peak margins) as a result of declining expansion investments;
- ⑤ that the operating margins in the subsequent phase of terminal value should be 10.0% too;
- ⑤ A **fundamental beta** of 0.9, which is well above Deutsche Börse's observable 250-day beta of 0.5 and is derived from the following macroeconomic and company-specific factors:

## EXHIBIT 2: DERIVATION OF FUNDAMENTAL BETA

Degree of diversification	0.00
Competitive intensity	0.00
Business model maturity	0.10
Regulatory risks	0.00
Financial risks	-0.10
Earnings forecast risks	-0.10
Market beta	1.00
<b>Fundamental beta</b>	<b>0.90</b>

SOURCE: SPHENE CAPITAL

- ⑤ declining **investment ratios** to net sales over time, which can be justified by a further maturity of the business model and the fact that we do not include any external growth into account; on balance, we expect only maintenance and low expansion investments at existing locations from 2021e onwards;
- ⑤ that during the rough planning period the **marginal tax rate** will approach the 30.0% mark, which we consider to be a realistic average;
- ⑤ a **terminal value insolvency probability** of 2.0% per year, based on a synthetic rating of A for Surteco which we derived on the basis of an EBIT interest coverage ratio of 5.3x (2017) and an estimated recovery rate of 25.0%;
- ⑤ the cash flows generated by Surteco between 2018e and 2021e are discounted at a **weighted average cost of capital (WACC)** of 3.7%. In addition to the fundamental beta of 0.9 derived above, this comprises a quasi-risk-free interest rate of 0.6%, calculated from the yield on long-term (ten-year) German government bonds, and an implicitly calculated risk premium for the overall market (assumption of the geometric mean) of currently 3.8%. In addition, we have applied a small caps premium of 1.0%, which is made up of the dependence on management (1.0%). With a synthetic company rating of A calculated in view of an EBIT interest coverage ratio 2017 of 5.3x, we consider a risk premium for debt of currently around 1.0% to be appropriate, which is also confirmed by the interest on the promissory note loan. Finally, we assume that Surteco is aiming for an industry-standard target capital structure for the market values of equity and debt of 66.6/33.3;

## EXHIBIT 3: WACC (2018E-21E)

<b>Cost of Equity</b>		<b>4.0%</b>
Risk free rate 10-years Bundesanleihen	%	0.6%
Fundamental beta		0.90
Equity risk premium	%	3.8%
<b>Small caps premium</b>	<b>%</b>	<b>1.0%</b>
Management premium	%	1.0%
Liquidity premium	%	0.0%
Private company premium	%	0.0%
Target equity structure	%	66.6%
<b>Weighted costs of equity</b>	<b>%</b>	<b>3.3%</b>
<b>Cost of debt</b>		<b>1.1%</b>
Risk free rate 10-years Bundesanleihen	%	0.6%
Risk premium liabilities	%	1.0%
Tax rate	%	30.0%
Cost of debt after tax	%	33.4%
<b>Weighted costs of debt</b>	<b>%</b>	<b>0.4%</b>
<b>WACC based on target values</b>	<b>%</b>	<b>3.7%</b>

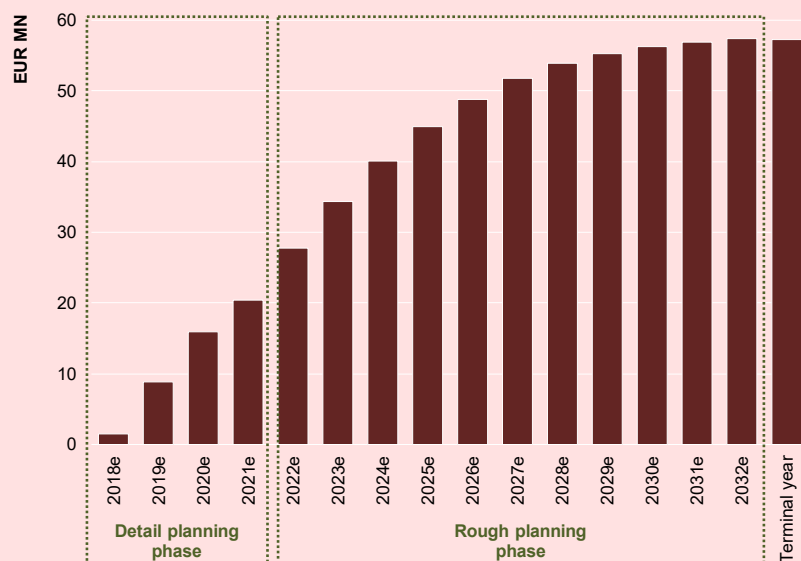
SOURCE: SPHENE CAPITAL FORECASTS

- Ⓢ that **negative free cash flows** are discounted with negative weighted average costs of capital (axiom of investors' risk aversion); this could particularly affect the early years of the detailed planning phase, in which negative free cash flows cannot be ruled out.
- Ⓢ that Surteco will have **capital costs in the terminal value** phase that are not different from those of other mature companies; consequently, we assume an increase in WACC from 3.7% (2018e-21e) to 5.6% (which would correspond to a market risk premium of 5.0% based on the current yield curve).

### Dynamic development of free cash flows

The following (see exhibit 4) development of free cash flows for the years 2018e to 2032e is based on these assumptions. It is evident how Surteco will significantly increase profitability on the purely organic growth path we assume. During the subsequent rough planning phase, we only modelled maintenance and minor expansion investments. Finally, in Terminal Value, we apply a slight increase in free cash flow due to the assumed decrease in the reinvestment ratio, which in turn is the basis for a perpetual annuity calculation of the model value.

## EXHIBIT 4: FREE CASHFLOWS TO THE FIRM (FCFF), 2018E-32E



During the detailed planning phase from 2018e to 2021e, we modelled declining investments; during the subsequent rough planning phase from 2022e to 2032e, essentially only maintenance investments. In the terminal value, free cash flows increase due to the systemic decline in expansion investments.

SOURCE: SPHENE CAPITAL FORECASTS

### In the medium term, our base case scenario gives an equity value of EUR 41.00 per share.

Surteco's enterprise value in our model is EUR 826.2 mn. From this, approximately 51.7% is derived via the terminal value, 5.2% or 43.1% from the cash flows generated in the detailed and rough planning phases. Less net debt of EUR 189.9 mn (as at the end of 2017), shareholders' equity amounts to EUR 636.2 mn. With 15.5 mn shares, this corresponds to a value of EUR 41.00 per share.

The DCF model produces a price target of EUR 41.00 per share.

## EXHIBIT 5: DCF MODEL – SUMMARY OF OUR FINDINGS

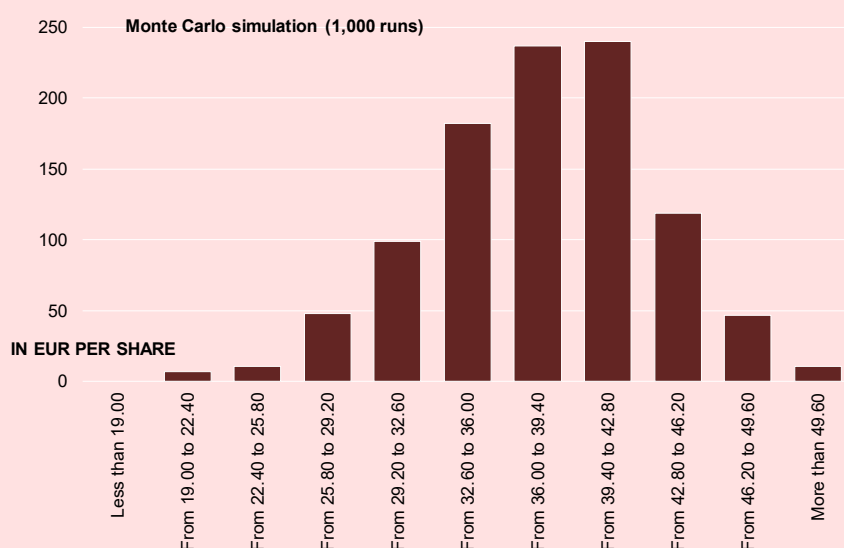
TV insolvency rate	%	2.0%
Terminal cost of capital	%	5.6%
PV (Terminal value)	EUR mn	427.1
Share in EV	%	51.7%
PV (CF 2017/18e-20/21e)	EUR mn	43.1
Share in EV	%	5.2%
PV (CF 2021/22e-31/32e)	EUR mn	356.0
Share in EV	%	43.1%
<b>Enterprise value</b>	<b>EUR mn</b>	<b>826.2</b>
Financial debt	EUR mn	-323.3
Excess cash	EUR mn	133.4
Value of equity	<b>EUR mn</b>	<b>636.2</b>
Number of shares	mn	15.5
<b>Value per share</b>	<b>EUR</b>	<b>41.00</b>

SOURCE: SPHENE CAPITAL FORECASTS

## Extended scenario analysis of a Monte Carlo simulation

In the following exhibit 6, the limits for the growth rate and EBIT margin in terminal value were further extended and a total of 1,000 combinations of the two parameters were tested and evaluated. It is evident that enterprise values of less than EUR 300.8 mn and over EUR 817.2 mn or less than EUR 19.40 and over EUR 52.70 per share can hardly be achieved by combinations of the two variables growth rate and EBIT margin in the terminal value.

### EXHIBIT 6: EXTENDED SCENARIO ANALYSIS



A left-skewed histogram can be seen, with a mode between EUR 39.40 and 42.80 per share.

SOURCE: SPHENE CAPITAL FORECASTS

We cross-check the findings of our three-phase DCF entity model using a dividend discount model. We continue to expect purely organic growth with the goal of a debt-free company. From this point on, the free cash flows generated by the company are used as dividends. From the dividend distributed at that time, we calculate the eternal value, the present value of which according to our model is EUR 44.60 per share.

### Assuming a full distribution of free cash flows to the firm

The basis of our dividend discount model is the assumption that Surteco will sooner or later become a debt free company once the current strategy of external growth would be abandoned. From this date, FCFFs can be fully distributed to shareholders without affecting further growth. Exhibit 7 below illustrates our forecasts based on the results of the DCF model:

### EXHIBIT 7: REDUCTION OF NET DEBT

		2018e	2019e	2020e	2021e	2022e	2023e	2024e
FCFF	EUR mn	1.5	8.9	15.9	20.4	21.9	25.1	29.6
Net debt	EUR mn	168.1	138.9	104.9	68.6	46.7	21.6	-8.0

SOURCE: SPHENE CAPITAL FORECASTS

### Value per share EUR 44.60

According to this, Surteco would be completely debt-free in the course of 2024e. If we calculate a perpetual value from the free cash flows to the firm generated in 2024e and discount it to the current year, this results in a value of EUR 44.40 per share:

## EXHIBIT 8: CALCULATION OF PRICE TARGET

		2018e	2024e
Eternal rent	EUR mn		808.8
<b>Present value</b>	<b>EUR mn</b>	<b>691.3</b>	
Number of shares	mn	15.5	
<b>Value per share</b>	<b>EUR</b>	<b>44.60</b>	

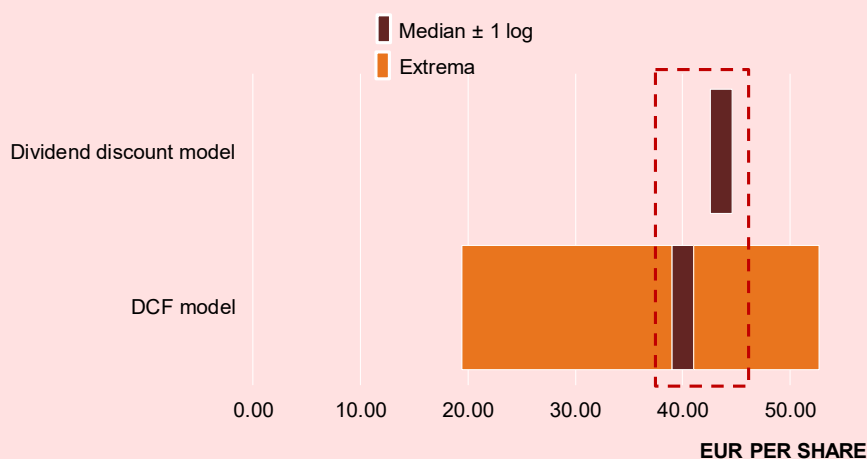
SOURCE: SPHENE CAPITAL FORECASTS

### Summary of the results

In the following exhibit 9 we have summarised the results of the different valuation approaches presented, whereby we have included the results of the Monte Carlo simulation as the lower and the upper end of the DCF valuation. Based on Surteco's operating earnings performance, we see the superior valuation methodology in a long-term DCF model.

The summary of the evaluation results shows a great homogeneity of the valuation results.

## EXHIBIT 9: SUMMARY OF OUR VALUATION FINDINGS



Due to the long-term growth potential of the business model, we see the DCF model as the relevant medium-term valuation measure.

SOURCE: SPHENE CAPITAL FORECASTS

### Multiples at our price target

Based on our financial forecasts and assuming that the shares were trading at our price target (base-case scenario) of EUR 41.00 per share, Surteco would be trading with the following multiples:

## EXHIBIT 10: VALUATION MULTIPLES

X	Valuation at price target of EUR 41.00			Valuation at current share price		
	2018e	2019e	2020e	2018e	2019e	2020e
P/E	15.9x	22.4x	18.7x	15.9x	13.1x	10.9x
EV/Sales	0.9x	1.1x	1.1x	0.9x	0.8x	0.7x
EV/EBIT	13.9x	15.6x	13.0x	13.9x	10.6x	8.7x
P/BV	1.2x	1.8x	1.7x	1.2x	1.0x	1.0x

SOURCE: SPHENE CAPITAL FORECASTS

## Initiating research coverage with a buy rating

With a medium-term price performance of 52.4%, we are initiating research coverage of the shares of Surteco Group SE with a buy rating.

## Downside risks for the achievement of our company value

We see the following downside risks in particular (see also pages 26ff) for the achievement of our estimated equity value **(1)** dependence on commodity prices, **(2)** risk of external growth, **(3)** currency risks in the translation of foreign earnings, **(4)** short-term order backlog, **(5)** delayed passing on of paper price increases, **(6)** dependencies on management, **(7)** digital printing as a flexible alternative, **(8)** cyclicalities of the business model and **(9)** high capital intensity and long capital commitment.

## Catalysts for share price development

In our view, the most important catalysts for the development of Surteco's share price in the coming months are **(1)** reports of a sustained improvement in earnings compared to previous years, **(2)** a continuing decline in the company's net debt, **(3)** further strategic acquisition activities in the target markets.

Catalysts for achieving our estimated company value

## One edge length ahead

With an average of 3,091 employees and sales of EUR 689.7 mn (2017) - 74.5% of which abroad - Surteco is the world's leading supplier of surface films and edges for the global furniture industry as well as producer of technical profiles for all industrial sectors. Surteco is the only company on the market to offer a complete range of films and edge bands made of paper or plastic with an almost infinite number of variations in quality, design, dimensions, decoration, and colours. As the only broadly diversified listed company in the industry, Surteco is also the sole active consolidation driver, expanding its global market leadership through international expansion in growth regions and a consistent expansion of its product range.

### The world's leading surface specialist for the global furniture industry

"Everyone has it, nobody knows it!" This slogan is probably the best way to describe Surteco's product range. Surteco is the world's leading manufacturer of surface films, which can be found, for example, on kitchen countertops or office tables, and of edge strips used to coat furniture products such as wardrobes or kitchen furniture.

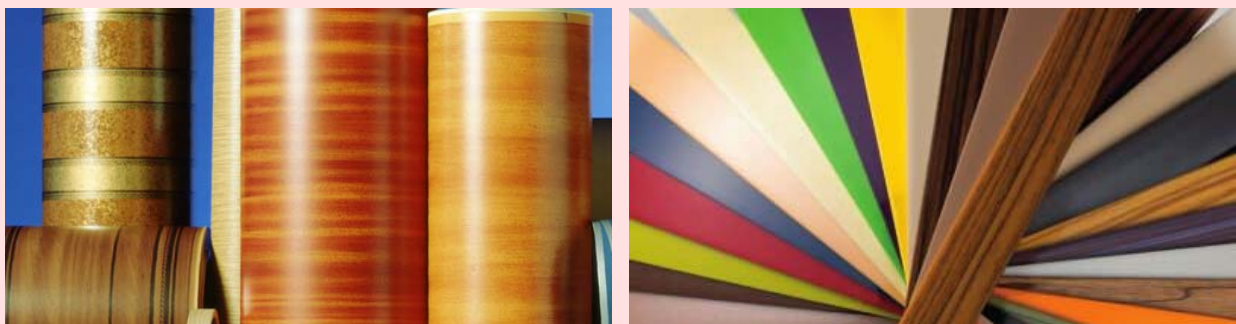
Surteco is a real German "hidden champion".

The products developed, manufactured, and distributed by Surteco are primarily used for decorative coating of chipboard or wood-based products. Almost every chipboard or MDF panel intended for interior design (interior fittings, furniture, doors, wall, and ceiling cladding) is coated with plastic or partially pre-printed and impregnated paper materials. It can be distinguished between

- ⊖ films for large-area coating and
  - ⊖ edge bands for the side closure of the wood materials,
- each of which can be applied on
- ⊖ on paper or
  - ⊖ plastic base.

The products produced by Surteco are presented in detail below.

### EXHIBIT 11: PRODUCTS OF SURTECO: SURFACE FOIL (LHS) AND EDGE BANDS (RHS)



SOURCE: COMPANY DATA

### Decor papers

Decor papers are the basic product of Surteco. Decor papers are special papers printed with decorative structures for industrial surface refinement. They are produced by rotogravure printing and form the basis for furniture surfaces or laminate floors, to which they are subsequently further processed. In order to ensure better printability, high demands are placed on the paper in terms of formation, smoothness, and dimensional stability; for example, the synthetic resin impregnation needed during processing requires the paper to be penetrated by the resin uniformly.

Decor papers are used for the internal production of finish foils and impregnates or supplied directly to customers in the furniture, flooring, or wood-based industries.

There are in fact no restrictions in the choice of motif. Surteco primarily offers wood reproductions; in addition, there is also a wide range of fantasy decors and plain colours, imprints of gravel, geometric shapes, or artistic products. Apart

from the motifs, films can also have specific properties, for example haptic or optical characteristics, anti-fingerprint effects or a particularly high resistance; there are films in various degrees of gloss and finishes, chemical and mechanical embossing in relation to the coatings.

The creative development of wood, stone or fantasy decors is carried out in the group's own design department Surteco art (formerly Süddekor Art Design + Engraving GmbH). This company, founded in 1998, develops wood, marble, tile and fantasy decors for the furniture and flooring industry in Willich-Neersen (North Rhine-Westphalia), which are engraved in cylinders using laser technology.

The decor papers are produced in Buttenwiesen (Germany) and Agawam (USA).

### Finish foils

Finish foils are decorative papers impregnated with thermosetting resins and made resistant with lacquers. They are usually delivered as roll goods to the processor and glued with a separate adhesive layer to a carrier material (generally a wood-based material) to form an end product. The paper-based films are used in particular in the furniture and door industry, in caravan production and for interior finishing, such as panels and mouldings.

Paper-based finish films are produced in Buttenwiesen, Sassenberg, Laichingen and Hüllhorst (all Germany) and Myrtle Beach (USA). Plastic films are produced by the Swedish company Gislaved.

## EXHIBIT 12: PRODUCTS OF SURTECO: SKIRTINGS (LHS) AND ROLLER SHUTTERS (RHS)



SOURCE: COMPANY DATA

### Edge bands

With edges there is a large variety of variations too. In this way, edge bands are produced in different

- ⑤ **Product variants:** unicolor, bicolour, with decor or grained through and as 3D edge;
- ⑤ **Decor variants:** single or multi-coloured, in wood decor, multiplex, in metallic, stone, or three-dimensional decor as well as in so-called fantasy decors;
- ⑤ **Embossing variants** and embossed structures, which give the edges a haptic appearance;
- ⑤ **Gloss grades:** from supermatt to high-gloss;
- ⑤ **Dimensions and thicknesses:** In addition to the familiar standard and special widths 23, 28, 33, 45 and 54 mm, any width, length, and thickness are also available on request;



- and, depending on the area of application, made of different **materials**: paper (also called melamine edge tapes), ABS (acrylonitrile-butadiene-styrene), PVC (polyvinylchloride), PP (polypropylene) or PMMA (polymethyl methacrylate, also better known as acrylic).

In Germany, Surteco produces paper-based edge bandings at its sites in Sassenberg and Hüllhorst and plastic-based edge bandings in Gladbeck. Abroad, production takes place in Greensboro (USA), Brampton (CDN) Sydney (AUS), Batam (INO), Mindelo (POR) and Sao Jose dos Pinhais (BRZ).

### Skirting boards

As one of the leading suppliers of flooring decors, it is obvious that Surteco also offers the matching skirtings. Here, too, a broad product spectrum is available, ranging from the core skirting board to special profiles, from a purely plastic-based product to a core skirting board with HDF (High Density Fiberboard) core in currently more than 3,000 different decors. In addition, tools and adhesives as well as special profiles are offered as trade assortments for system solutions.

### Roller shutters

Surteco also offers complete roller shutter systems for the furniture industry. These are offered in all design variations, i.e. conventional, digital, or foil-laminated.

### Release papers

The release papers offered are used in the wood-based industry for the production of melamine surfaces. Release papers give a surface its final look and feel, but can also be used to structure other materials such as artificial leather.

### Technical profiles

Technical profiles are plastic products that are used, for example, as frame profiles for cover plates, as busbars for power distributors or as fin profiles for fans and shutters.

## EXHIBIT 13: PRODUCTS OF SURTECO: RELEASE PAPERS (LHS), TECHNICAL EXTRUSIONS (RHS)



SOURCE: COMPANY DATA

### Manufacturing operations

The production processes for paper and plastic surfaces are completely different. The paper edge is printed on paper, then varnished and impregnated and finally embossed if required, which gives the product a haptic feeling. Finally, a hot melt adhesive is cut and, if necessary, applied on the back.

In the plastics sector, however, granulates are used, which are extruded and eventually printed.

## EXHIBIT 14: VIEW INTO THE MANUFACTURING SITE



SOURCE: COMPANY DATA, SPHENE CAPITAL

**Surteco's customers are mainly from the wood-based materials and the furniture industry, but also distributors, companies from the interior design or construction supply sectors. In this respect, Surteco is a real hidden champion, whose products are critical to success in view of their functionality and design.**

### Success-critical components for the furniture industry

Although surface coatings play a critical role in the success of furniture sales, they usually cause only a small part of the costs for the entire product. For example, we estimate that the share of paper foils and edges is only a few tenths of a percent of the total price of a medium-priced kitchen. Against this background we see Surteco in a good position in price negotiations with customers.

Surteco's products play a critical role in success although their cost contribution is low at the same time.

### Surteco customers

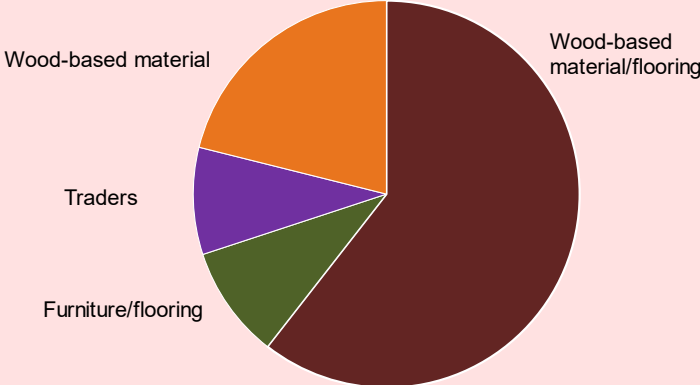
Customers are mainly from the wood-based and the furniture industry, but also distributors, companies from the interior design or construction supply sectors. The furniture producers either purchase the already coated boards or coat them themselves. Since the production of the coating material only marginally increases the added value, this is almost without exception not perceived by the furniture manufacturers themselves. As B or even C suppliers, suppliers of surface coatings are thus only exposed to comparatively lower-price pressure from customers, in our view.

### Long-term customer relationships

In addition, the customer relationships are very long-term, according to the company. Once a décor is established in the market, there is a high level of customer loyalty, as an equivalent replacement décor is generally not available, and the printing cylinders are owned by Surteco. Therefore, printing cylinders represent a major barrier to market entry for potential newcomers: The coating companies are thus bound to the manufacturer of the coating material with regard to a specific décor. The duration of this binding depends on the sustainability and the success of a décor and can range from several months up to several years.

From our point of view, no dependencies can be identified with respect to Surteco's customers. The ten largest customers account for approx. 15% of Group sales.

EXHIBIT 15: TEN LARGEST CUSTOMERS OF SURTECO\*



\* Some customers are assigned to several industry classifications

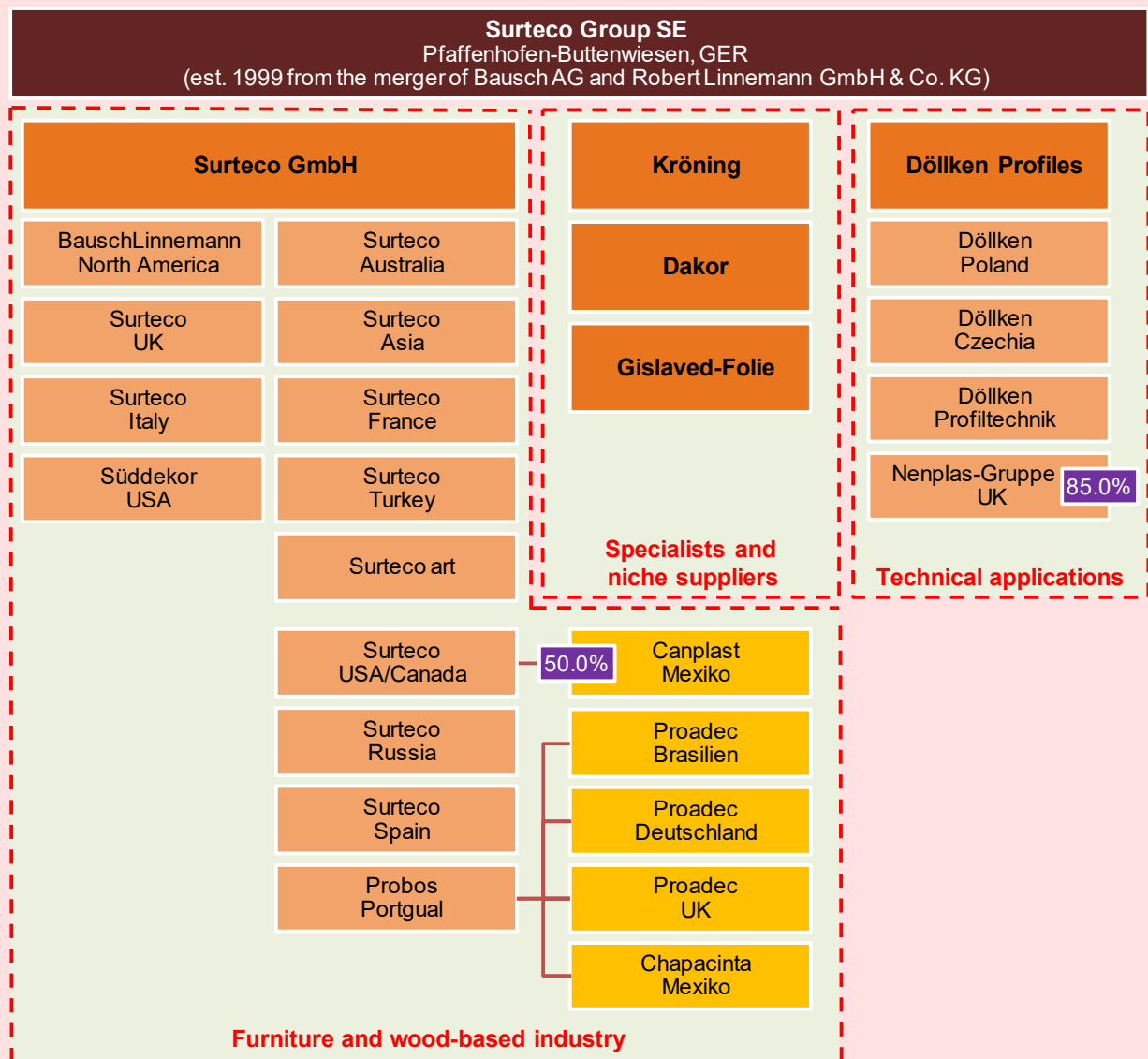
SOURCE: COMPANY DATA, SPHENE CAPITAL

**New organizational structure**

According to company statements, Surteco will report into two strategic business units (SBU) at least until the publication of the half-year report 2018: SBU Paper and SBU Plastics. However, the companies BauschLinnemann, Döllken-Kunststoffverarbeitung and Surteco Decor, which were previously managed separately, are merged into a new unit under the name Surteco GmbH as part of a realignment, away from the previous product orientation towards an industry orientation. The long-term aim of the restructuring is to eventually offer customers cross-segment know-how with simplified ordering options and shorter development times.

The subsidiaries, which will be merged into Surteco GmbH, will employ a total of around 2,000 people (approx. 60% of the group's headcount) and generate annual sales of around EUR 500 mn (approx. 72.5% of group sales in 2017).

EXHIBIT 16: ORGANIZATION CHART AND CLIENTS (AS OF AUGUST 2018)\*



SOURCE: COMPANY DATA, SPHENE CAPITAL

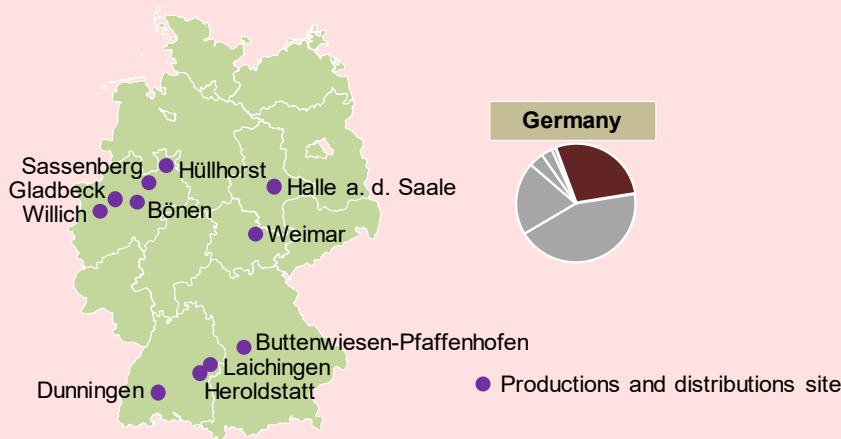
\*unless otherwise stated all shareholdings 100%

### Mix of direct and indirect sales

Surteco sells its products directly through its own sales offices and indirectly through a network of dealers and trade representatives. Sales via the Internet play an increasingly important role.

Surteco currently has twelve locations in Germany and an additional 28 production and sales locations abroad. Last year, 25.5% of revenues were generated with German customers. 45.7% of sales came from the rest of Europe, 20.4% from North and South America. Sales from Asia, Australia, and the rest of the world played only a minor role with a total of 8.4% of group sales.

**EXHIBIT 17: SITES IN GERMANY INCLUDING REVENUE SHARE 2017**

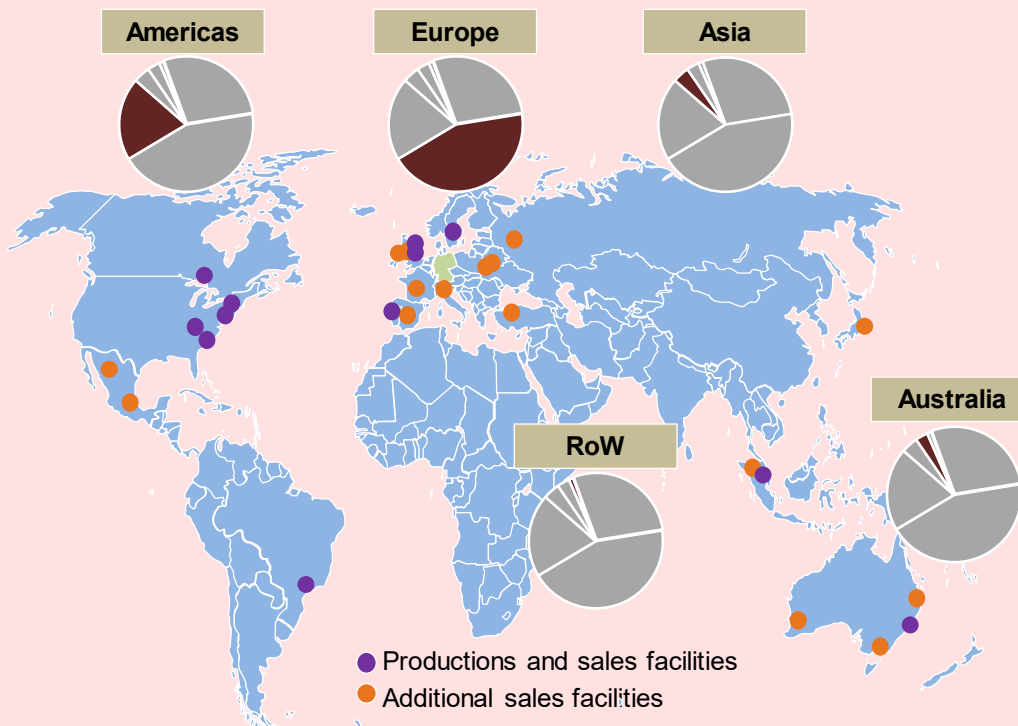


In Germany, Surteco currently has eleven production and sales locations. Last year, 25.5% of consolidated revenues were generated in Germany.

SOURCE: COMPANY DATA, SPHENE CAPITAL

To avoid long transportation times and high costs, the increasing international orientation also requires an internationally oriented production structure; in addition, local design and decor trends can be quickly responded to with locations in the respective target markets. Surteco now has a total of 23 production sites and 16 additional sales offices. In addition to the German locations, there are twelve in other European countries and eight each in North America and Asia/Australia. Until a few years ago, Surteco had a production site in China, but has closed it since.

**EXHIBIT 18: INTERNATIONAL LOCATIONS OF SURTECO INCLUDING REVENUE SHARES, 2017\***



SOURCE: COMPANY DATA, SPHENE CAPITAL

\* Europe without Germany

Surteco's corporate strategy is based on a buy-and-build strategy by acquiring competitors to expand its horizontal and vertical value creation and to gain market shares in new regions in order to exploit long-term synergies.

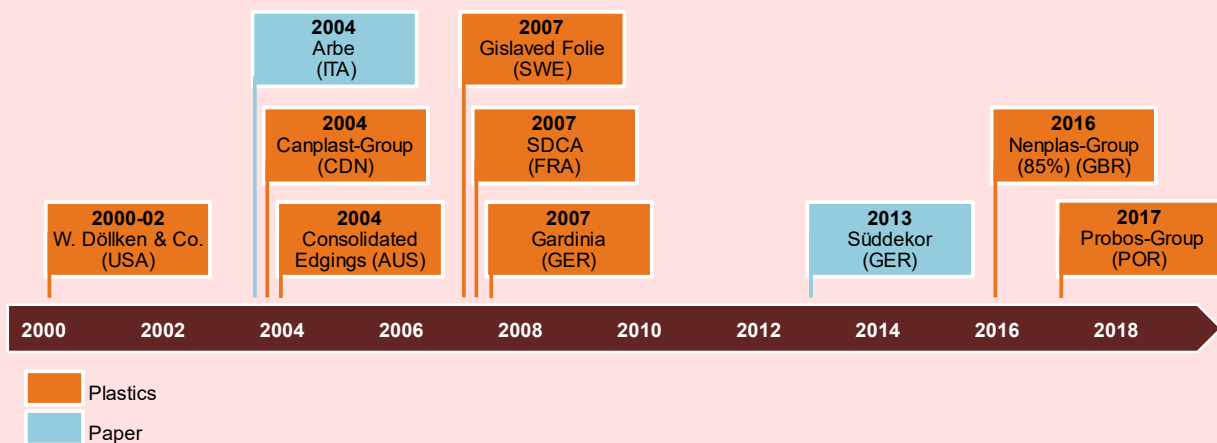
### The only driver of market consolidation

Since the mid-1990s, Surteco has become the undisputed market leader with a complete range of paper and plastic products through numerous acquisitions. The decisive milestones in the company's history were the merger of Bausch and Linememann (1999) and the subsequent takeovers of

In addition to high organic growth rates, mergers and acquisitions have been central to Surteco's corporate policy from the very beginning, whereby, in addition to growth, the maintenance of profitability has always played a major role.

- € W. Döllken & Co. (2000-02): Revenues EUR 102.5 mn
- € Gislaved Folie AB (2007): Revenues EUR 35.2 mn
- € Süddekor-Group (2013): Revenues EUR 227.9 mn
- € Nenplas Group (2016): Revenues EUR 21.4 mn
- € Probos Group (2017): Revenues EUR 66.5 mn

EXHIBIT 19: M&A ACTIVITIES SINCE 2000 (SELECTION)



SOURCE: COMPANY DATA, SPHENE CAPITAL

### Market leader in surface technology

Many competitors are either companies that are medium-sized and have an acute succession problem, or that are no longer part of the core business of larger groups. As a result of its access to the capital market, which is a clear unique selling point in this environment, Surteco is now the sole active consolidation driver.

Because of its market position, we believe that Surteco has the critical mass needed to drive international expansion into other growth regions and to establish itself as a serious local partner. In addition, Surteco's size enables it to transfer its state-of-the-art technology and quality leadership in many products to other customer markets through ongoing investments.

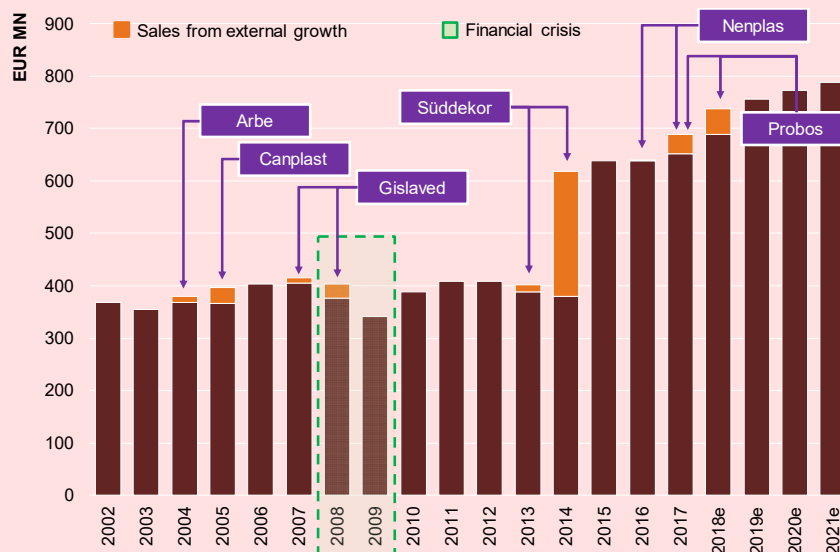
### Acquisitions with a significant impact on the success of the company

Mergers and acquisitions have had a significant impact on Surteco's business development. According to our estimates, the major acquisitions (excluding Döllken) generated total sales of approximately EUR 350 mn in the year prior to their acquisition. In other words, more than half of the company as it is today has only joined the Group in the past 15 years.

Most of the sales growth was due to external growth: Surteco has a 1a track record in terms of acquisition and integration of subsidiaries.

Without exception, we believe Surteco has a flawless track record in its acquisition and integration policy. This ensured that despite the tripling of sales since 2001, there has been no sustained dilution of operating returns.

**EXHIBIT 20: ORGANIC AND EXTERNAL REVENUE GROWTH, 2002-21E**



In our estimation, the four largest acquisitions in the past 15 years alone generated total sales of EUR 350 mn in the year prior to their acquisition by Surteco. More than half of the group sales generated last year have thus only been included in the consolidated group in the past 15 years.

SOURCE: COMPANY DATA, SPHENE CAPITAL

### Acquisition criteria

Despite more than 20 years of sustained and steady growth and the fact that Surteco now has market shares of up to 60% in Europe, depending on the segment, we continue to see interesting growth potential for the company, as there is a large number of mostly profitable, medium-sized succession companies which are active in the markets addressed by Surteco and which have succession problems despite their favourable market positions.

When selecting potential acquisition targets, Surteco's management follows the following criteria:

- ⑤ **Expansion of the product range:** Surteco is the only company worldwide that can offer a product range based on paper and plastic in the field of edge strips. This position makes Surteco the only supplier able to meet the various regional trends (such as the substitution of paper by plastics in more mature markets while at the same time increasing demand for paper surfaces in growth markets). Nevertheless, we see several areas in which Surteco could position itself through acquisitions.
- ⑤ **Increase of regional market share:** In Europe, where Surteco has a market share of 60% for paper-based edge strips and 25% for plastic edges, growth through acquisitions is only possible to a limited extent. We therefore expect further acquisitions in North and South America.
- ⑤ **No restructuring cases:** Each of the companies acquired since 2000 had a clearly positive operating result at the time of its acquisition. In this respect, Surteco does not see itself as a restructuring company, but as a consolidator pursuing a buy-and-build strategy. Irrespective of this, semi-critical cases can also be taken over, which is demonstrated by the acquisition of the Süddekor Group, which at the time of the takeover was EBITDA positive, but overindebted.
- ⑤ **Expansion of added value.** With the acquisition of Süddekor, Surteco has succeeded in integrating an important competitor in paper products. Additional acquisition targets for further value creation are conceivable for resins and adhesives, in our view.
- ⑤ **Possible synergy effects,** on the other hand, do not play a significant role in the selection of takeover candidates or the determination of the purchase price, according to the company.

## Company history, management and shareholder structure

Surteco emerged in 2001, two years after the merger of Robert Linnemann GmbH & Co. with Bausch AG, which had been listed on the stock exchange since 1989.

### Overview of the company's history

While Linnemann was "only" founded in 1965, the roots of Bausch and Döllken go back to the 19th century. In 1989 the then Bausch AG went public. The merger with the Linnemann Group in 1999 created one of the world's leading specialists in paper-based surface technologies. With the gradual takeover of Döllken, Bausch+Linnemann AG was renamed Surteco AG (Surface Technology Corporation), not at least in order to reflect the stronger international claim also in the company name.

The following exhibit 21 gives an overview of the company history of Surteco and its predecessor companies:

#### EXHIBIT 21: COMPANY HISTORY OVERVIEW

<b>Corporate</b>	<b>1989</b> IPO Bausch AG	<b>1999</b> Merger of Bausch AG and Robert Linnemann GmbH & Co. to Bausch+Linnemann AG	<b>02.11.1999</b> IPO Prime Standard of Frankfurt Stock Exchange	<b>2001</b> Renaming into Surteco AG	<b>2007</b> Conversion to Surteco SE	<b>2018</b> Renaming into Surteco Group SE
<b>SGE Paper</b>		<b>2004</b> Takeover of Arbe (ITA)			<b>2013</b> Takeover of Süddekor-Gruppe (GER)	
<b>SGE Plastics</b>	<b>2000-02</b> Takeover of W. Döllken & Co. (USA)	<b>2004</b> Takeover of Canplast-Gruppe (CDN)	<b>2004</b> Takeover of Consolidated Edgings (AUS)	<b>2007</b> Takeover of Gislaved (SWE) SDCA (FRA) Gardinia (GER)	<b>2016</b> Takeover of 85% of shares in Nenplas-Gruppe (GBR)	<b>2017</b> Takeover of Probos-Gruppe (POR)
<b>Financial</b>	<b>1999</b> Revenues EUR 170.5 mn		<b>2004</b> Revenues EUR 380.4 mn	<b>2009</b> Revenues EUR 341.1 mn	<b>2014</b> Revenues EUR 618.5 mn	<b>2017</b> Revenues EUR 689.7 mn

SOURCE: COMPANY DATA, SPHENE CAPITAL

Since the predecessor companies Bausch and Linnemann were founded and later merged, Surteco is a company in which the founding families of the acquired companies are represented on the Supervisory Board. At present, the company's administration is formed by two members of the Management Board and a nine-member Supervisory Board.

### Most employees work in production-related areas

Last year Surteco employed an average of 3,091 people - counted on a per capita basis. Of these, 1,846 employees worked in Germany, 552 in other European countries, 511 in America and 182 in the rest of the world. 1,792 (58.0%) of employees worked in production, 414 (13.3%) in sales and 187 (6.0%) in R&D.

The company's share capital currently amounts to EUR 15.5 mn, divided into 15.5 mn shares.

### CEO and CFO with many years of experience and readiness for IR work

In our view, the management demonstrates a high capital market affinity, as evidenced by intensive investor relations activities, participation in various banking and stock exchange events and a prompt and efficient information policy.

The Executive Board currently consists of two members:



- ⑤ **Dr Herbert Müller** is CEO of Surteco Group SE. He is a mechanical engineer and has been with the Surteco Group since 1988.
- ⑤ **Andreas Riedl** is CFO of Surteco; since 2006 he heads the finance and controlling department of Surteco Group SE.

### Supervisory board

The co-determined Supervisory Board consists of nine members. Since 2002, the Supervisory Board is headed by Dr Jürgen Großmann, the former CEO of RWE AG. Experienced business representatives are also among the other members of the Supervisory Board, including the personally liable managing director of Schüco International KG, one of the Managing Directors of Miele & Cie KG, the CEO of Simona AG, a former member of the Executive Board of KWS Saat AG and a former partner of the auditing and tax consulting company PWC.

Representatives of the major shareholders, such as the pool and family shareholders, who hold 55.5% of the voting majority, are not represented on the Management Board.

**The company's share capital currently consists of 15.5, mn shares. The pool and family shareholders hold the majority of the company with 55.5% of the shares. Including institutional investors who hold an 18.5% stake in Surteco, the free float as defined by Deutsche Börse AG is 44.5%.**

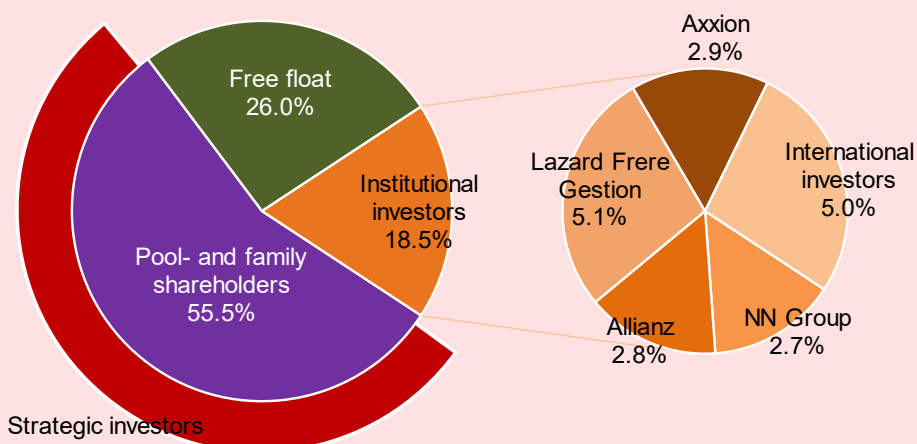
### The majority of shares are held by the founding families

Since the last capital increase in 2013, the company's share capital is composed of 15.5 mn shares. At a current price of EUR 23.95, Surteco's market capitalisation is EUR 371.4 mn.

The company's shareholder structure currently shows a free float of 44.5%. The market capitalization of the free float is thus currently EUR 165.3 mn

The founders of Surteco and the acquired companies hold 55.5% of the shares in Surteco and thus the majority of the voting rights. The largest single shareholder is Klöpfer & Königer Verwaltungs-GmbH, a member of the shareholder pool with approximately 15%. Among the institutional investors, the largest shareholder is the French investment house Lazard Frere Gestion, which owns 5.1% of the shares. Performance-oriented institutional investors currently hold 18.5% of the shares.

**EXHIBIT 22: SHAREHOLDER STRUCTURE (AS OF MAY 2018)**



SOURCE: COMPANY DATA

## Strengths and weaknesses, opportunities, and threats

We see the following company-specific **strengths** of Surteco:

### Strengths

- ⑤ **By far the market and innovation leader:** The world market for surface coatings is a niche that is dominated by only a few companies. Surteco is the single dominant player in this oligopolistic market structure and is well to excellently positioned in the relevant sub-segments: Surteco is by far the number 1 in Europe for paper-based edge strips with a market share of around 60%, as well as for thermoplastic edges with a European market share of around 25%. With a product range of currently about 4,500 different printing cylinders (including approximately 1,500 active decors), Surteco is also a clear innovation leader in our view.
- ⑤ **Broad target customer structure without dependencies:** Surteco's customers are primarily furniture manufacturers, companies active in interior design as well as the flooring and wood-based industries. According to the company, there's no customer with a sales volume that would put Surteco in an excessive dependence relationship.
- ⑤ **Long-term customer loyalty:** Printing cylinders are a major barrier to potential new entrants to the market for paper-based surface coatings. They stand for a certain decor structure that cannot be copied. Consequently, coating companies are bound to the manufacturer of the coating material for a specific decor. The duration of the binding depends on the sustainability and the success of the décor and can range from several months to decades. According to Surteco estimates, the average life of a décor is three to four years.
- ⑤ **High investment requirements from printing cylinders:** In addition to the establishment of production and sales structures, further entry barriers result from the production of printing cylinders. Since a separate printing cylinder set is required for each decor, the initial investment is relatively high. Any newcomer would need high capital investments to build up a comparable pool of cylinders. In our view, it makes no sense to purchase printed paper from third parties either, as a new entrant would initially have to work with smaller batch sizes; in this case, however, it can be assumed that printing companies would demand a share in the costs of producing new cylinders.
- ⑤ **High technological know-how in the field of plastics:** For coating materials made of plastics, technological know-how is the highest barrier to market entry. The production of plastic surfaces requires huge knowledge of chemical processes, formulations, and process engineering. The production of the tools required for the production processes, which need to work with high precision, requires specialized know-how. According to Surteco's experience, it takes on average four times as long for externally procured tools to work precisely. This results in production downtimes and associated costs.
- ⑤ **Expansion of market leadership through external growth:** A central element of the company's DNA is its willingness to take over competitors, who tend to be medium-sized companies. A consistent buy and build strategy has made Surteco to become the largest supplier of surfaces and edges worldwide. Being the only player to offer a complete product range of paper and plastic products, Surteco benefits from economies of scale and synergy effects. Because of its strong market position, we believe that Surteco has the critical mass to drive expansion into growth regions and to establish itself as an important local partner.
- ⑤ **Good predictability of the earnings situation:** In our view, risks regarding the achievement of our sales and earnings estimates arise primarily from economic factors, but not from the structure of the company. We currently see no indication that our earnings forecasts for the current year will not be achieved.
- ⑤ **Solid balance sheet structure:** With an equity ratio of 41.4%, net debt of EUR 189.9 mn and an EBIT-interest coverage ratio of 5.3x (as of year-end 2017), Surteco shows a strong balance sheet, in our view. This gives the company the necessary scope to acquire additional markets and to make selective acquisitions.

- ⑤ **Stable shareholder structure:** In our view, Surteco has a stable majority ownership structure. The founding families of the companies acquired over the past 20 years continue to hold 55.5% of Surteco's share capital and have pooled their shares in a long-term pool agreement.
- ⑤ **Access to the capital market:** In an environment characterised by medium-sized structures, we believe that adequate capital resources are the key to gaining additional market share. Against this background, capital market access secures considerable competitive advantages in terms of potential capital increases and debt market activities.
- ⑤ **Possible (re-)admission to the SDAX:** Surteco's current market capitalisation amounts to EUR 371.4 mn. The market capitalisation of the free float (44.5%) is therefore EUR 165.3 mn and, in conjunction with a daily trading volume of around 10,000 shares, is currently not sufficient to be included in one of the index of Deutsche Börse. However, we assume that the stock exchange turnover of the share will continue to improve in the medium term as a result of continued willingness to engage in investor relations.

We see the following company-specific **weaknesses** von Surteco:

## Weaknesses

- ⑤ **Dependencies on commodity prices:** The production of foils requires the procurement of technical base papers, for which the paper manufacturers have to fall back on special cellulose grades and titanium dioxide, a colorant. The basic plastics ABS (acrylonitrile-butadiene-styrene), PVC, PMMA (polymethyl methacrylate) and polypropylene are used in particular for the production of plastic edges, where they account for up to 60% of the cost of materials. Like all raw materials, these input costs are subject to cyclical fluctuations, which are passed on from the raw material producers to Surteco and from Surteco to the customers; which generally takes three to four months. The effects for Surteco are thus relatively manageable. In the plastics sector, materials are traded like commodities on spot markets and are therefore dependent on the global economy.
- ⑤ **Risk of external growth:** Surteco's corporate strategy focuses on acquisitions and mergers that tie up management resources and high integration efforts, but which account for a significant portion of revenue growth. Even though Surteco was ultimately able to successfully integrate all acquisitions, a negative impact on day-to-day business in the case of new takeovers cannot be ruled out. For example, the integration of Süddekor in 2013 took longer than originally expected by management and led to unforeseen capacity bottlenecks and sales losses.
- ⑤ **Currency risks in translation:** Surteco is exposed to currency risks: Due to the foreign subsidiaries, currency translation risks mainly arise from the USD. In the past fiscal year, 18% of sales were generated in the USD region. The acquisition of Probos, which generates around one-third of its sales in Brazil, also entails translation risks in relation to the Brazilian real.
- ⑤ **Short-term order backlog:** Surteco's average order backlog is between two and five weeks. At first glance, this could affect the visibility of corporate planning, however this is offset by the long-term customer loyalty due to the printing cylinders, which is why we expect the earnings situation to be well predictable.
- ⑤ **Delayed passing on of paper price increases:** Typically, Surteco is only able to pass on price increases in the purchase of goods, especially paper, to customers with a time delay of three to four months. Ongoing price increases in the paper sector, such as those observed between 2009 and 2011, can therefore have a negative impact on margins.
- ⑤ **Dependencies on management:** In our view, Surteco depends on retaining key employees, not only from the management of the acquired companies.
- ⑤ **Low trading volume on the stock exchange:** With an average trading volume of 10,000 shares per day, Surteco shows a below-average trading liquidity.

The **opportunities** described below apply to all companies active in the same industries as Surteco:

## Opportunities

- Ⓢ **High barriers to market entry:** The paper processing industry is a comparatively mature industry and market entry is associated with prohibitive initial investments. Operational gearing is comparatively high for surface system providers, so that large, internationally active companies could benefit from economies of scale and could leverage development costs. If a single "08/15" paper edge with commodity character could still be produced with relatively little effort, a wide range of plastic edges (grained or plain, in a variety of colours, with 2D or with 3D edges) requires extensive know-how, including tools (mostly complex CNC-driven machines) and precision parts that may have to be produced in-house. However, not only the high initial investments prevent rapid market penetration, but also the rather rigid market structures. In view of the lack of technical progress and the long-term customer relationships, a racy success in terms of market penetration is rather the exception.
- Ⓢ **Lack of substitution options:** In principle, Surteco customers have no alternative options. At best, a sustained trend towards solid wood could jeopardize the success of coatings in the long term. An insourcing of surface coatings by customers is not observable due to the comparatively small market size (in kitchens, edges and surfaces are responsible for less than 0.5% of the sales price) and due to the critical success characteristics of the product quality.
- Ⓢ **Low price sensitivity:** In our opinion, Surteco's customers are not very price-sensitive against the background of a small proportion of value but a high proportion of design, that surfaces and edges have on the end product, the furniture. However, the company is in a substitution competition with solid wood furniture manufacturers.

The **threats** described below apply to all companies active in the same industries as:

## Threats

- Ⓢ **Digital printing as a flexible alternative:** Digital printing is occasionally used as a flexible alternative to gravure as practised by Surteco. Indeed, digital printing has flexibility advantages when it comes to small batch sizes and rapid design changes, especially since nowadays digitally printed papers can hardly be distinguished from gravure papers in terms of paper quality and colour fidelity. For larger quantities, however, digital printing is unsuitable due to the significantly slower printing speed and higher ink costs.
- Ⓢ **Cyclicality of the business model:** The global furniture industry as a discrete industry is characterized by a high cyclicity. In economic downturns, order postponements can have considerable effects on the sales and earnings situation of the company.
- Ⓢ **High capital intensity and long capital commitment:** Surteco's business model is characterized by a high capital intensity, that in our estimation limits the growth prospects. However, this can also be seen as an opportunity for Surteco that, as a listed company, can play the full range of refinancing opportunities which are not available to the otherwise medium-sized competition.

## The global furniture industry

In recent years, the global furniture industry has been one of the winners of rising populations and growing real estate markets worldwide. In addition to urbanisation, rising incomes and a trend towards single households, booming office and retail space is boosting demand for office furniture and furniture in general, especially in the Asian growth regions. With an export ratio of 32.3%, Germany holds a leading position worldwide in the production and export of furniture. After good growth figures and a CAGR 2014-16 of 3.9%, sales by German furniture manufacturers fell last year to EUR 17.8 billion (-0.7% YoY). The different sectors showed a mixed picture in 2017. This picture was also evident in the first months of the current year. Nevertheless, market research institutes expect German furniture production to grow by an annual average of 2.0% by 2020e.

### Furniture industry benefits from population and income trends

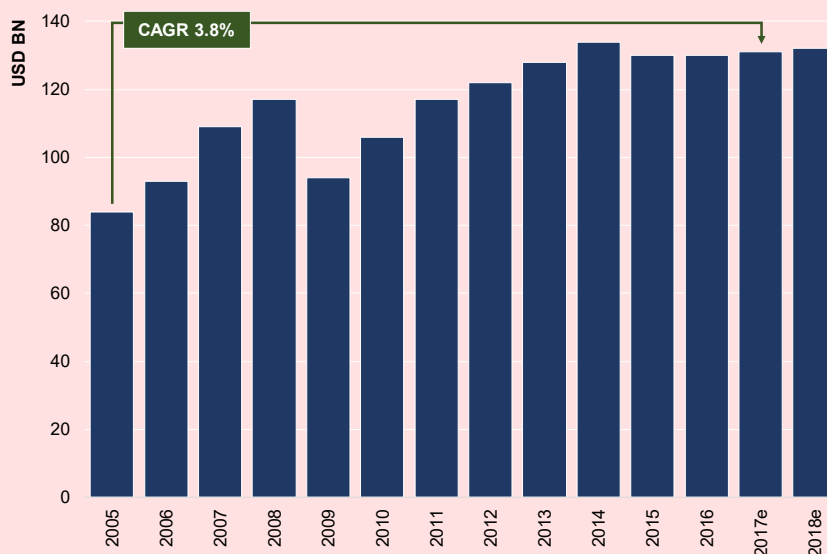
In recent years, the international furniture industry has been one of the winners of growing populations and growing real estate markets worldwide. According to the UN, around 54% of the world's population now lives in urban agglomerations. In addition to increasing urbanisation, rising incomes and the associated trend towards more and more single households, booming office, and business space in countries such as China and India are fostering demand for new furniture. The furniture industry has developed into a designer of residential and office landscapes, with increasing demands on optical design, functionality, and quality. In addition to the most frequently used materials wood and metal, other materials such as glass and plastic are increasingly also intended to improve the properties of furniture and furnishings - longevity and perception.

According to the UN, more than half of the world's population lives in urban agglomerations. Urbanization and rising incomes are driving the growth of the global furniture industry.

### International market volume and growth

After various sources, the furniture industry reached a worldwide volume of USD 400 to 460 billion (based on production prices) last year. Over the next four to seven years, market research institutes such as CSIL (Center for Industrial Studies), Technavio and Goldstein expect average annual growth rates in furniture production of 3.5% to 4.3%. The global furniture trade is also benefitting from this development; according to CSIL, it reached an estimated volume of around USD 131 billion in 2017, and the institute expects growth of +4.0% in the current year.

EXHIBIT 23: GLOBAL FURNITURE TRADING, 2005-18E



The international furniture trade reached an estimated USD 131 bn in 2017 (Source: CSIL).

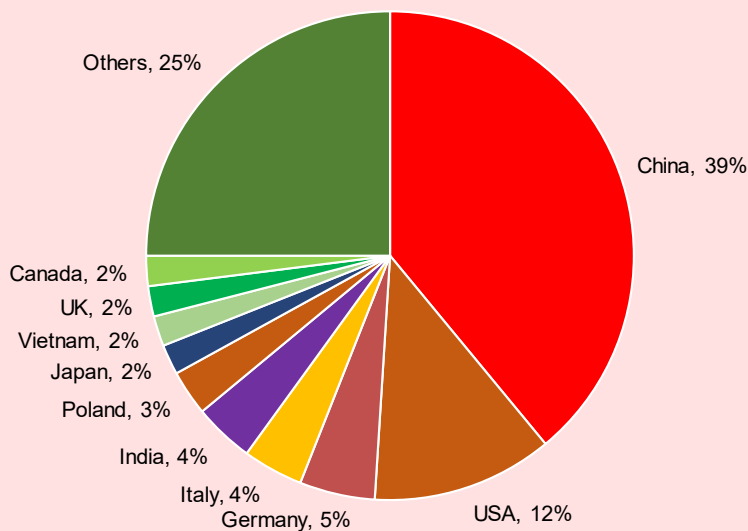
SOURCE: CSIL, SPHENE CAPITAL

**China leads in furniture production, export, and consumption**

According to CSIL, around half of the furniture produced worldwide comes from the Asia-Pacific region, led by China. At the same time, the region accounts for around 40% of the global furniture trade. The importance of this is also evident in export statistics. China in particular is the most important furniture exporters worldwide with a share of 35% (almost a third of Chinese exports go to the USA), while domestic demand is also almost completely covered by domestic manufacturers.

China accounts for 29% of global furniture consumption (Source CSIL), followed by the USA with 20%, Germany with 8%, India with 5%, Japan, UK, and France with 3% each and Canada and Italy with 2% each. Against this background, many large foreign furniture manufacturers have established production facilities in China, where they also benefit from a large supply of labour and lower labour costs.

**EXHIBIT 24: FURNITURE MARKET SHARES, 2016**



With a 39% share of global furniture production, China is by far the number one, followed by Germany, Italy, India, and Poland.

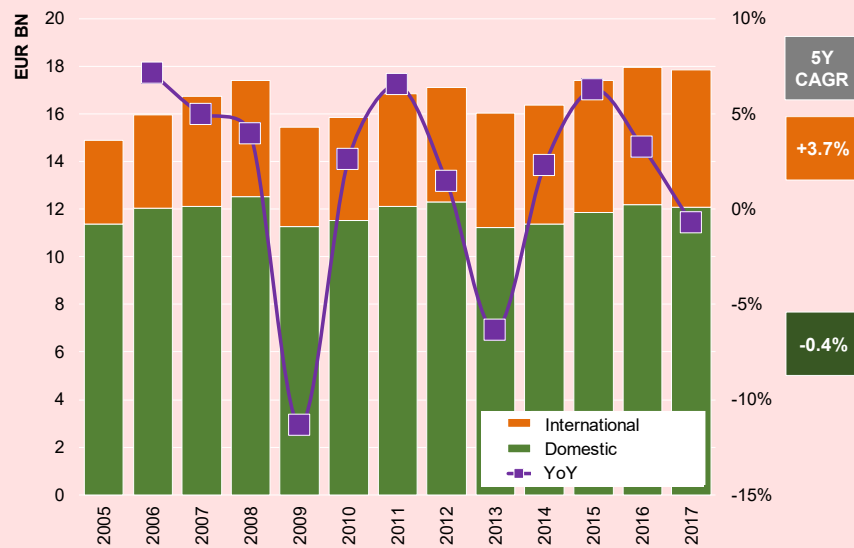
However, from our point of view, the data of the Chinese furniture manufacturers have not been determined by independent sources and are therefore not comprehensible and questioned by various parties.

SOURCE: CSIL, SPHENE CAPITAL

**German furniture manufacturers are among the world's largest exporters**

With an export quota of 32.3%, Germany also occupies a leading position worldwide in the production and export of furniture, just behind China. The share of sales generated abroad by German furniture manufacturers has risen by around 460 basis points over the past ten years from 27.2%. With a share of around 5% of global furniture production, the German manufacturers are also the furniture manufacturers with the highest sales in Europe, followed by their Italian and Polish competitors.

EXHIBIT 25: REVENUES OF GERMAN FURNITURE MANUFACTURERS, 2005-17



After German furniture manufacturers recorded significant sales increases between 2014 and 2016 (CAGR 3.9%), sales declined slightly for the first time last year. In the long term, sales by German furniture manufacturers stagnated (5Y and 10Y CAGR 0.8% and 0.6% respectively).

SOURCE: DESTATIS, SPHENE CAPITAL

**Profiteer of the strong economic development**

Low interest rates and rising consumer spending caused German furniture manufacturers' sales to rise by 3.9% p.a. between 2014 and 2016. By contrast, sales in the past year were slightly below the previous year's level for the first time in four years. With EUR 17.833 billion in 2017 after EUR 17.966 billion in 2016, German furniture manufacturers registered a slight minus according to figures from the Federal Statistical Office. Stable foreign sales were offset by a -1.1% decline in domestic sales, resulting in a net decrease of -0.7%.

EXHIBIT 26: INTERNATIONAL REVENUES GERMAN FURNITURE MANUFACTURERS, 2005-17



Last year, German furniture manufacturers generated 32.3% of their sales abroad, 18.9% in the euro zone and 13.4% in the rest of the world. Overall, foreign sales have risen by an average of 3.7% (CAGR) over the past five years.

SOURCE: DESTATIS, SPHENE CAPITAL

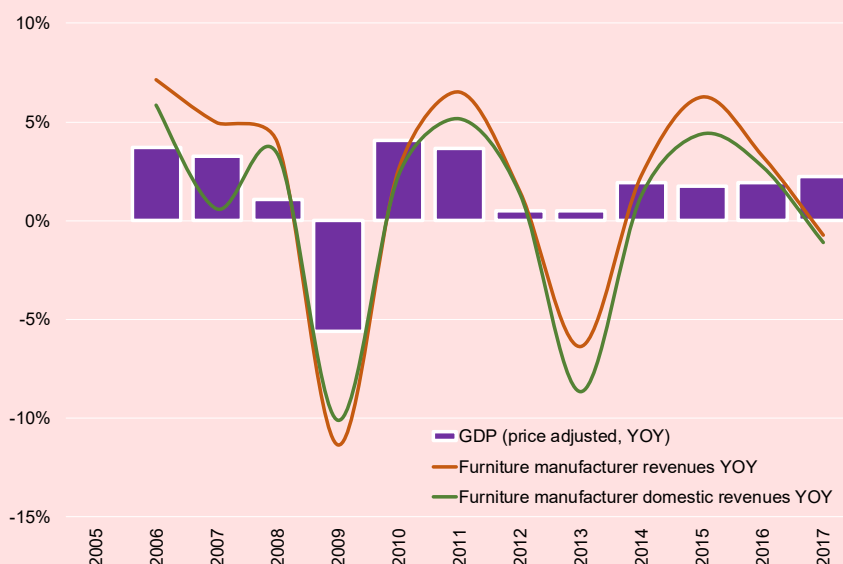
**German furniture manufacturers are among the largest exporters world-wide...**

For the first time after several years of high growth and three- and five-year average annual growth rates of 7.5% and 5.5% respectively, sales outside the

France is the most important market for German furniture exports.

Eurozone fell by -1.2% in 2017 compared to the previous year. Their share of total sales of German furniture manufacturers thus fell slightly to 13.4% (2016: 13.5%). By contrast, sales within the euro zone improved slightly by +0.8% to 18.9% (2016: 18.6%). Overall, exports to five of the six most important destinations were down: exports to France fell by -1.4% in 2017, to Switzerland by -2.6%, to Austria by -2.4%, Great Britain by -6.7% and Belgium by -4.3%. Exports to the USA (+14%) and China (+19%) recorded significant growth in 2017.

**EXHIBIT 27: GERMAN FURNITURE MANUFACTURERS AND GDP, 2005-17**



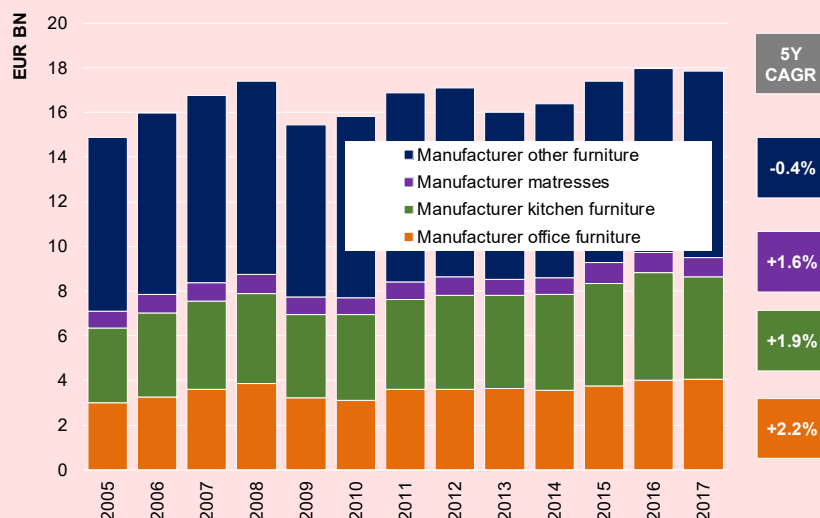
German furniture production is heavily dependent on the economic development.

SOURCE: DESTATIS, SPHENE CAPITAL

**... nevertheless, the German foreign trade balance for furniture is negative**

In Germany, German furniture manufacturers are clearly feeling the competition from foreign manufacturers from low-wage countries. According to VDM (Verband der Deutschen Möbelindustrie, i.e. association of the German furniture industry), almost two thirds of the furniture traded in Germany now comes from abroad.

**EXHIBIT 28: GERMAN FURNITURE MANUFACTURERS BY SEGMENTS, 2005-17**



Last year, kitchen furniture accounted for 26% of furniture production in Germany, office and shop furniture for 23%, mattresses for 5% and other furniture for 47%, which includes living room, dining room, bedroom and small furniture, non-upholstered seating, and furniture components.

SOURCE: DESTATIS, SPHENE CAPITAL

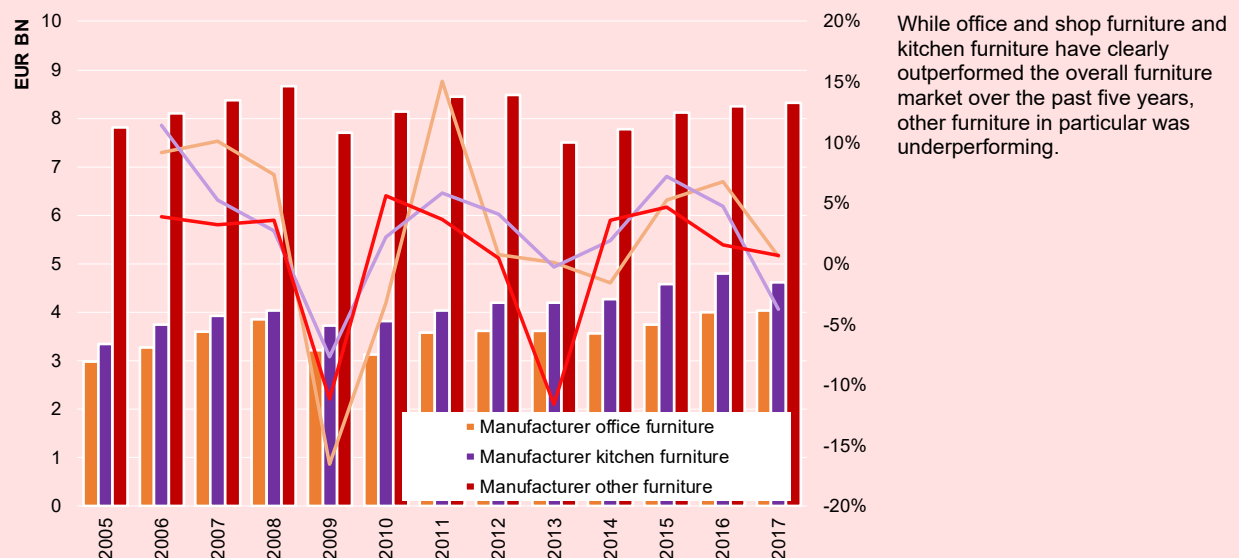


In the foreign trade statistics, furniture imports exceeded exports by 18.9% last year, the foreign trade deficit was around EUR 2.0 billion. More than half of furniture imports came from Poland, China, and the Czech Republic. The biggest foreign trade deficit is in upholstered furniture, followed by living room, dining room and bedroom furniture, while Germany has a clear export surplus for kitchen furniture.

### Mixed development of the individual sub-segments in 2017

At segment level, manufacturers of kitchen furniture closed 2017 with -3.8%, while mattresses fell by -4.0%, while office and shop furniture and other furniture recorded slight increases of 0.6% and 0.7% respectively. The development of the sub-segments in Germany and abroad was mixed: while almost all segments were able to increase revenues in recent years, the negative signs predominated in Germany and abroad in 2017. A stronger decline was only prevented by an increase of +3.4% for office and shop furniture in Germany and an increase of +3.6% for other furniture abroad. Nevertheless, against the background of the strong growth of previous years, the Association of the German Furniture Industry (VDM) was satisfied that the sales remained almost stable.

**EXHIBIT 29: GERMAN FURNITURE MANUFACTURERS BY SEGMENTS (YOY RHS), 2005-17**



SOURCE: DESTATIS, SPHENE CAPITAL

### Outlook for the German furniture industry

After the mixed course of 2017, the German furniture industry started the months of January and February 2018 with +4.3% and +3.4%, but in March sales were down -6.6% on the previous year. While in January 2017 there was a year-on-year increase of +9.4% as a basis for comparison, February 2017 provided a weak (-7.4%) and March 2017 another strong basis for comparison (+9.1%).

Office and shop furniture as well as kitchen furniture have increased significantly so far in 2018, both in Germany and abroad.

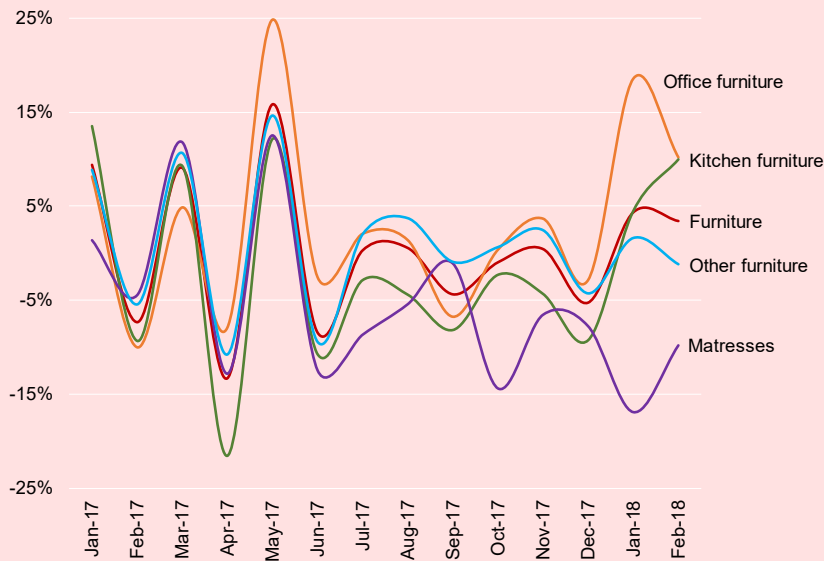
- Ⓢ According to figures from the Federal Statistical Office, the increase in the first two months of 2018 is primarily attributable to the office and retail furniture (January +18.4%, February +10.2%) and kitchen furniture (January +4.5%, February +10.0%) segments. While office and shop furniture rose again in March (+2.1%), sales of kitchen furniture declined by -6.6% in March.
- Ⓢ In contrast, other furniture fell by -1.2% in February and -9.0% in March, down from +1.6% in January.
- Ⓢ The start of the year was again bad for mattress manufacturers with -16.9%, -9.8% in February and -18.1% in March.

The ifo business climate for the furniture industry is also mixed. The business climate for furniture fell from 16 to 12 points between February and March 2018;

however, the business climate for kitchen furniture rose by 6 points to 31 points, while the business climate for upholstered furniture and home furniture fell by -9 and -11 points respectively to values of -9 and -1 points.

Nevertheless, market research institutes expect positive growth in the coming years. The market research institute PwC expects annual sales growth of +2.0% for German furniture manufacturers by 2020e. Due to their export strength and rising quality standards worldwide, we also regard the international furniture market environment as positive.

**EXHIBIT 30: GERMAN FURNITURE MANUFACTURERS BY SEGMENTS, 2017-18**



In January and February 2018, office and shop furniture and kitchen furniture in particular showed strong growth both at home and abroad. While office and shop furniture continued to grow in March, sales of kitchen furniture declined.

SOURCE: DESTATIS, SPHENE CAPITAL

### The world market for surface coatings

The global market for surface coatings has a total volume of approximately EUR 1.4 billion. Depending on the material, the estimated annual growth is between 3% and 5% per year and thus up to 200 basis points above the estimated growth of the world gross domestic product. Market drivers include

- ⑤ shorter fashionable half-lives,
- ⑤ the development of residential construction and
- ⑤ social and demographic developments.

Above-average growth potential is particularly evident in the regions of Eastern Europe, North and South America and Asia.

## Financial forecast

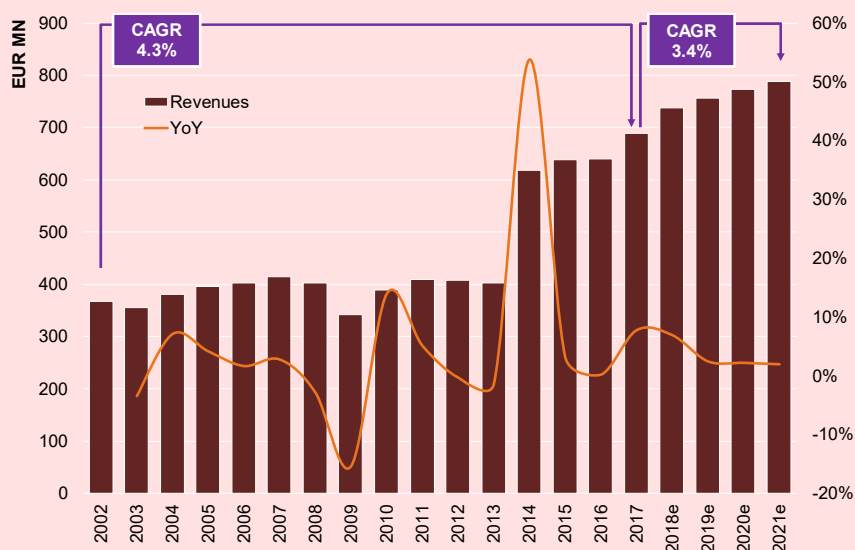
Over the past 20 years Surteco has achieved average annual sales growth of 7.3%. Thus, revenues more than quadrupled from EUR 167.2 mn to EUR 689.7 mn. Due to considerable integration expenses, the operating result could not keep up with sales: In the same period, "only" an increase of 63.6% was recorded. Driven by the full-year consolidation of the Portuguese Probos Group, we expect sales to increase to EUR 737.5 mn (+6.9% YoY) in the current year, earnings before interest and taxes (EBIT)s should improve to EUR 52.5 mn. In 2019e we expect a further improvement in sales and operating earnings to EUR 755.9 mn (+2.5% YoY, purely organic growth) and EUR 61.8 mn (+16.6% YoY) respectively.

### Overview of revenues

In terms of corporate growth, Surteco shows growth rates that are reminiscent of previous forecasts for Internet companies. In the twenty-year period from 1998 to 2017, Surteco more than quadrupled its turnover from EUR 167.2 mn to EUR 689.7 mn in a market environment stagnating in Germany (turnover of German furniture manufacturers 10Y CAGR 0.6%); this corresponds to an average annual growth rate of 7.3%.

In the current year, we expect Surteco to achieve a further significant increase in sales of 6.9%: This increase in sales will be due in part to cyclical factors, but for the most part to consolidation-related factors. The Portuguese Probos Group was included in the consolidated financial statements for the first time in the first half of 2017; the full consolidation effect will therefore only become apparent in the current fiscal year. Due to the first-time full-year consolidation, sales should increase by approximately EUR 37.0 mn in 2018e. For the coming year we expect organic sales growth of 2.5%, which will be generated primarily from abroad.

EXHIBIT 31: REVENUES AND REVENUE GROWTH (RHS), 2002-21E



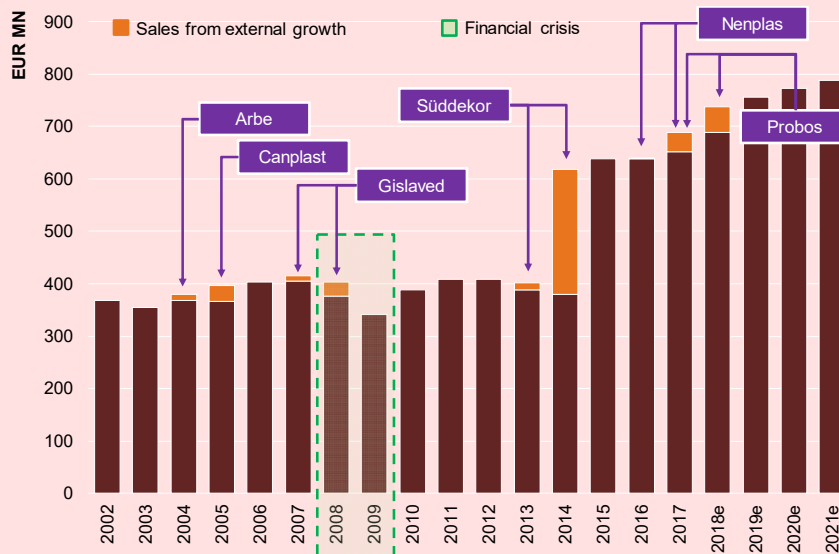
In the next four years, which are our detailed planning period, we anticipate an increase in revenues to EUR 788.4 mn. This corresponds to an average annual sales growth rate of 3.4% - an amount that has been significantly exceeded in the past 16 years (period 2002-17).

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

### Internal and external sales growth

In a furniture market environment that has only stagnated in the past ten years (Germany CAGR 2007-2017 +0.6%), growth rates of this magnitude cannot be achieved organically, but only through external growth. Starting with the takeover of Döllken in 2002, companies with an annual sales volume of EUR 23.3 mn were acquired on average over the past 15 years.

EXHIBIT 32: INTERNAL AND EXTERNAL REVENUE GROWTH, 2002-21E



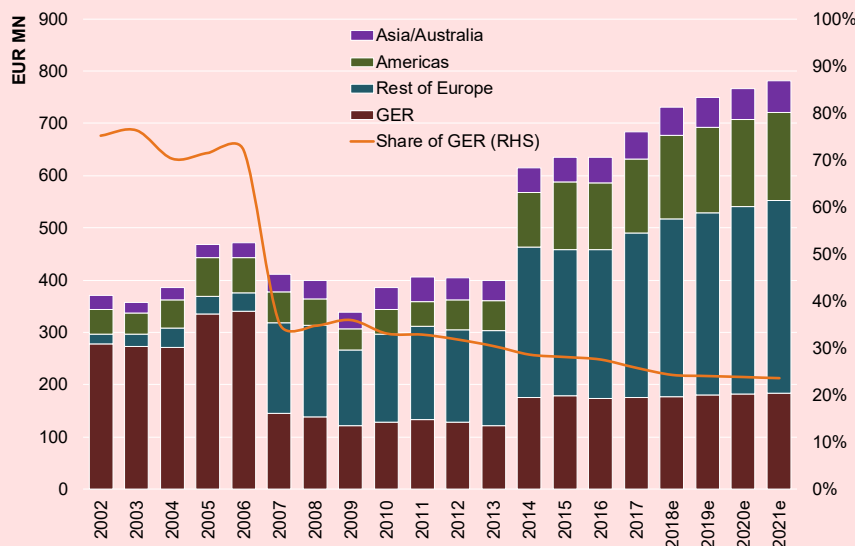
According to our estimates, the four largest acquisitions in the past 15 years alone generated total sales of EUR 350 mn in the year prior to their acquisition by Surteco. More than half of the consolidated sales generated in 2017 have thus only been included in the scope of consolidation in the past 15 years.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

Revenues by region

Since the takeover of Döllken in 2002, the foreign share of group sales has gradually increased: While in 2002 75.6% of sales were generated in Germany, last year it was only 25.5%. We expect this trend, which is also supported by recent acquisitions (Probos, Nenplas), to continue in the coming years.

EXHIBIT 33: REVENUES BY REGIONS, 2002-21E



Since 2002, the beginning of our analysis period, the foreign share of sales has more than tripled from 24.4% to 74.5%. Revenues generated in the rest of Europe in particular increased significantly: 45.7% of gross revenues were generated there in 2017. With a share of 20.4%, revenues from North and South America were almost as important as revenues generated in Germany last year.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

Cost of materials ratio of great importance

Material costs arise from the purchase of raw materials, consumables, and supplies. In the paper sector, pulp and titanium dioxide are important price-determining precursors for the raw papers purchased; in the plastics sector, material expenses are incurred from the purchase of ABS (acrylonitrile butadiene styrene), PVC (polyvinyl chloride), PP (polypropylene) and PMMA (polymethyl meth-

As a production company, the purchase of raw materials plays a decisive role in Surteco's business success. Especially in the plastics sector there is a dependency on the

acrylate). According to the company, these dependencies cannot be hedged.

oil price.

The preliminary products acrylonitrile, butadiene, styrene, ethylene, and propylene also have an influence on purchase prices. Spot market prices exist for all purchased materials; accordingly, there are no dependencies on specific suppliers, in our view.

With the acquisition of Süddekor, the cost of materials ratio rose significantly. While the cost of materials ratio from 2002 to 2013 ranged between 40.7% (2002) and 46.6% (2011), an increase to 50.6% was observed in 2014 following the Süddekor takeover. The cost of materials ratio tends to be higher for paper products than for plastics. As a result of the increased paper division following the Süddekor takeover, the cost of materials ratio in the group also increased. In addition, the moving of presses and the training of new employees in the wake of the relocation of decor printing activities led to a significant increase in the waste rate; after all, rising raw material prices could not be passed on to customers in the view of longer delivery times due to the relocation. After the cost of materials ratio was reduced by 160 basis points to 48.4% in 2017, we expect a further decline in the cost of materials ratio to 47.9% in the next four years.

### Personnel expenses and ...

With an average of 3,091 employees, personnel expenses amounted to EUR 174.5 mn last year. This corresponds to a personnel expense ratio (in relation to total output) of 25.2%. In contrast to the strongly fluctuating cost of materials ratio due to price factors, the personnel cost ratio has remained largely constant between 24.3% (2016) and 27.5% (2009) over the past 16 years.

With 1,792 employees, more than half of the workforce is employed in production, about one sixth (519 employees) in administration and 414 in sales, while about 11.8% of the workforce is employed in research and development and technology. The most personnel-intensive location is Pfaffenhofen-Buttenwiesen (470 employees), as the company's headquarters is also located in Pfaffenhofen-Buttenwiesen in addition to paper production.

For the next four years, we have modelled a slightly declining personnel cost ratio in relation to sales, which should approach the 24% mark in the years 2018e-21e.

### ... other operating expenses of rather minor importance

Other operating expenses, which have fluctuated between 14.8% (2014) and 18.0% (2008) over the past 16 years, are of comparatively minor significance. They include operating, selling and administrative expenses.

In the past financial year, other operating expenses amounted to EUR 104.8 mn, or 15.1% of total output. We expect them to grow in line with sales in the coming years; by 2021e we expect expenses to increase accordingly to EUR 115.7 mn or 14.6% of total output.

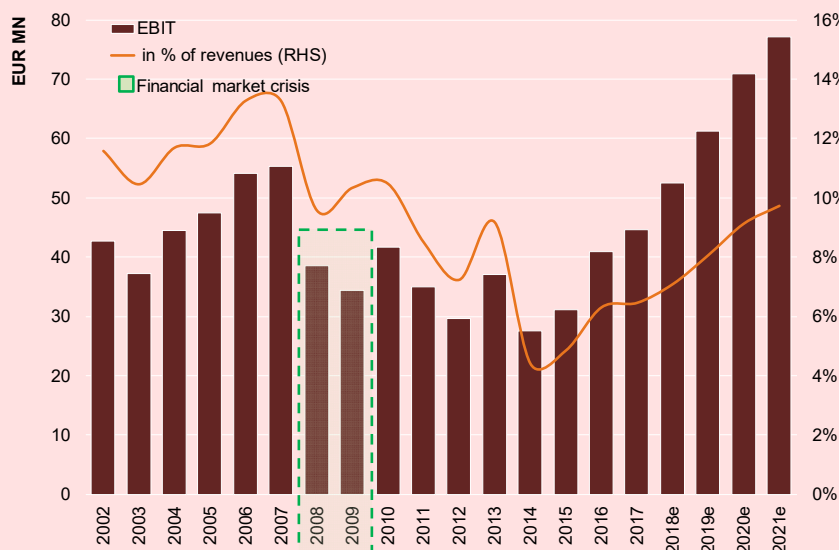
### Continued improvement in EBITDA and EBIT expected

Following the acquisition of Süddekor in 2013, there was a significant decline in operating margins, from which Surteco has not yet fully recovered. EBIT margins as percentage of total output fell by 280 basis points to 6.4% between 2013 and 2017. Even though the low point was reached in 2014 with an EBIT margin of 4.4% and margins have improved significantly since then, Surteco's profitability remains well below the levels of 2002-07, when EBIT margins were in the double-digit percentage range.

The long-term goal of the Management Board is to achieve an EBIT margin of 10%, as Surteco had already achieved by 2010.

Due to a further decline in the relevant expense ratios and the use of synergy effects from the integration of Probos and Nenplas, we expect a further increase in EBIT to EUR 52.5 mn (+17.6% YoY) for the current financial year. For the next three years, we expect EBIT to finally rise to EUR 77.1 mn (2021e). As a percentage of total output, this corresponds to an expected increase in the EBIT margin to 9.7% (2021e) from 6.4% in 2017.

EXHIBIT 34: EBIT AND EBIT MARGIN (RS), 2002-21E



Last year EBIT improved to around EUR 44.7 mn (2016 EUR 40.9 mn). Accordingly, the EBIT margin as percentage of total output was 6.4% compared to 6.3% in 2016. The increase in earnings we expect in the following years is mainly attributable to the expansion in sales and the associated economies of scale.

Noteworthy is the stability of the business model, even during an economic downturn: Surteco has generated operating profits and distributed dividends every year since the IPO.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

**Always profitable at all earnings levels in the past**

In conjunction with a decline in net debt, we expect earnings before taxes to grow disproportionately compared with operating earnings. In addition, there is a significantly more favourable refinancing of the company: Last year Surteco issued a promissory note loan with a volume of EUR 200 mn, whose interest rate of 1.4% for four tranches with terms of five, seven and ten years was significantly below the former lending rates. Accordingly, we expect a significant improvement in the financial result from 2019e onwards.

As a result of our expected reduction in net debt, there are only minor deductions between EBIT and earnings before taxes.

For the current year we expect an increase in pre-tax profit to EUR 42.6 mn (2017: EUR 33.5 mn, +27.1% YoY). Profit before tax should improve to up to EUR 68.3 mn by 2021e, according to our estimates. This corresponds to an expected pre-tax return of 8.6%, a figure that had already been achieved or even significantly exceeded in the years 2004 to 2007 (however Surteco was much smaller and less internationally oriented at the time).

**Declining tax rate due to foreign investment income**

As the company has always been profitable in the past, no tax loss carry forwards have accrued. At the same time, there were high fluctuations in the tax rate, which fluctuated between 16.9% (2014) and 57.3% (2008) between 2002 and 2017. A tax rate of less than 30% was forecasted for 2018e at this year's analysts' meeting for the 2017 financial statement.

**Net income and earnings per share**

Surteco has been profitable without exception since the takeover of Döllken in 2002. In this period, profit before tax fluctuated between EUR 6.7 mn (2008) and EUR 31.8 mn (2007). Since the lows during the financial and economic crisis, after-tax profit after minority interests has risen significantly to EUR 26.2 mn (2017).

Over the next four years, net income after minority interests should improve to up to EUR 43.7 mn (2021e).

For the following years, we expect a continuous increase in after-tax earnings after minority interests to up to EUR 43.7 mn (2021e). Based on 15.5 mn shares, this corresponds to an increase in EPS to EUR 2.82 in 2021e from EUR 1.69 in 2017.

**Capex of high importance, especially for acquisitions**

Surteco operates a capital-intensive business model. In the past 16 years, a cumulative cash flow of EUR 215.5 mn has been invested into the financing of acquisitions; investments in property, plant, and equipment, especially maintenance investments, were responsible for a total of EUR 487.1 mn in this period.

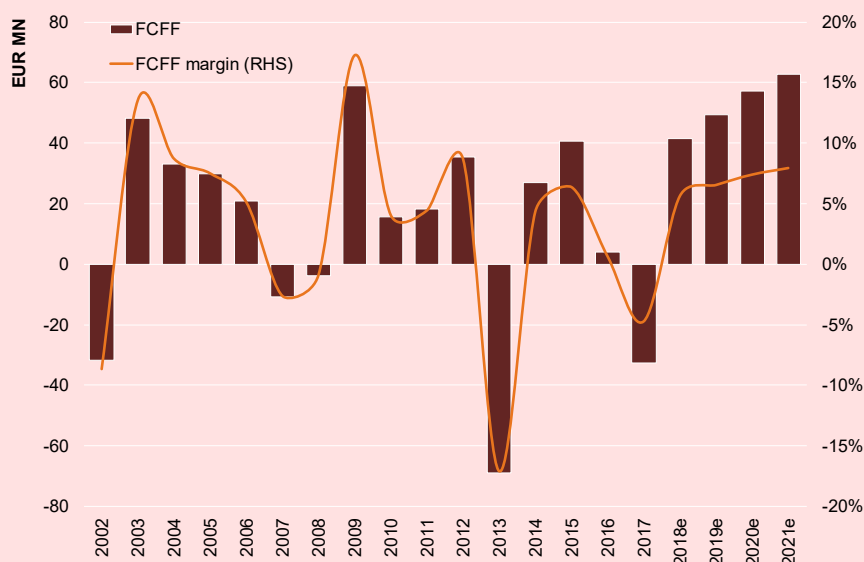
In the next four years of our detailed planning period, we have not modelled any further acquisitions. Cash flow from investments will therefore consist almost ex-

clusively of maintenance investments.

### Free cash flow is initially used for debt repayment

With operating cash flows rising and investment cash flows tending to decline, there is a dynamic development of free cash flows, which we estimate Surteco will initially use to reduce interest-bearing debt. We estimate that Surteco will generate free cash flows totalling EUR 211.0 mn over the next four years.

**EXHIBIT 35: FREE CASH FLOW, 2002-21E**



Surteco managed an average operating cash flow of EUR 55.8 mn per year over the past 16 years. Cash outflows from investing activities during this period averaged EUR 44.3 mn per year. The financing surplus was primarily used to repay bank liabilities. We expect average free cash flows of EUR 52.8 mn per year over the next four years.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

### Significant reduction in net debt expected

At the end of 2017 Surteco's net debt stood at EUR 189.9 mn, consisting of liabilities to banks of EUR 323.3 mn and a liquidity position of just under EUR 133.4 mn. The fact that interest-bearing liabilities and freely available liquidity are to be found simultaneously in the balance sheet is due to the fact that Surteco took out an interest-attractive promissory note loan 2017, which is also to be used to repay the last tranche of a high-interest US private placement amounting to EUR 60 mn, which matures in August 2019.

**EXHIBIT 36: NET DEBT 2017**

		2017
<b>Net debt</b>	<b>EUR mn</b>	<b>189.9</b>
Liquidity	EUR mn	133.4
<b>Interest-bearing debt</b>	<b>EUR mn</b>	<b>323.3</b>
thereof short-term	EUR mn	5.7
thereof long-term	EUR mn	317.7

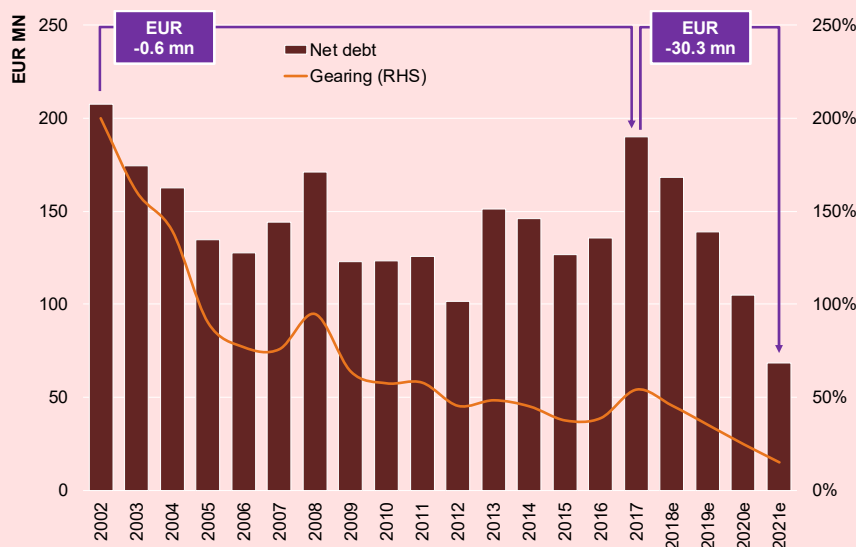
QUELLE: COMPANY DATA

Last year's interest expenses were around EUR -8.4 mn. According to statements by the Management, no takeovers are currently pending. Our estimates do not include any acquisitions in the coming years either, so that we model a significant decline in net debt to EUR 68.6 mn (2021e) in the forecast period. Our expectation of a significant reduction in debt is based on free cash flow, which we expect to average EUR 52.8 mn over the forecast period.

Due to this sustained improvement in gearing, net interest income should also

improve significantly. We expect interest expense of EUR -5.7 mn in 2021e. The EBIT-interest coverage ratio will more than double to 13.6x (2017: 5.3x) according to our forecasts, from which we derive a synthetic A rating.

**EXHIBIT 37: NET DEBT AND GEARING (RS), 2002-21E**



At the end of 2017, net debt stood at EUR 189.9 mn. Our estimates do not include any further acquisitions. The free cash flows are thus available for debt repayment. We therefore anticipate a reduction in net debt to EUR 68.6 mn by the end of 2021e.

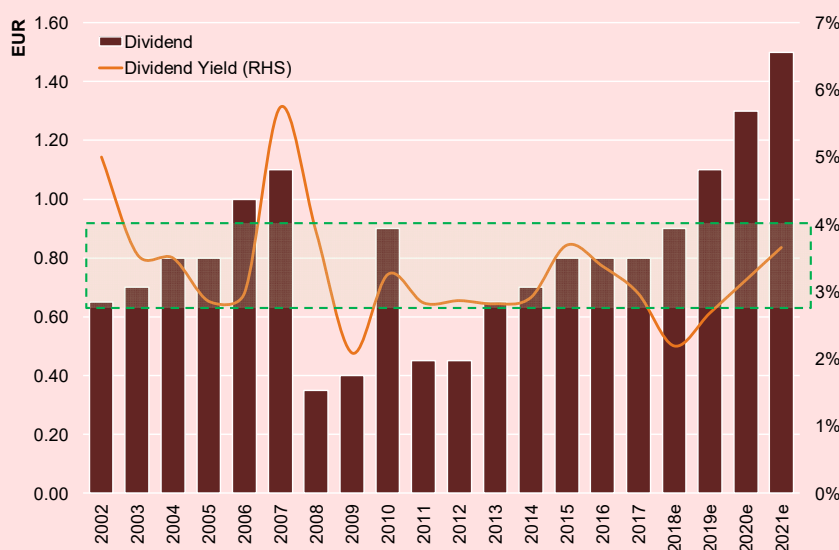
SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

**We expect a significant increase in dividend payments until 2021e**

Over the past 16 years Surteco has consistently paid dividends - i.e. also during the financial market crisis 2008/09. The average pay-out ratio was 46.1% of after-tax earnings. The company has set a target pay-out ratio of around 50%. If we continue this, our estimates indicate a dividend increase to up to EUR 1.50. Based on the current share price of EUR 23.95, this corresponds to a dividend yield of up to 6.3% by 2021e.

Surteco should increase its dividend significantly by 2021e, according to our estimates.

**EXHIBIT 38: DIVIDEND AND DIVIDEND YIELD (RS), 2002-21E**



The dividend yield over the past 16 years has mostly ranged between 2.5% and 4.0%. We forecast an increase in the dividend to EUR 1.50 by 2021e.

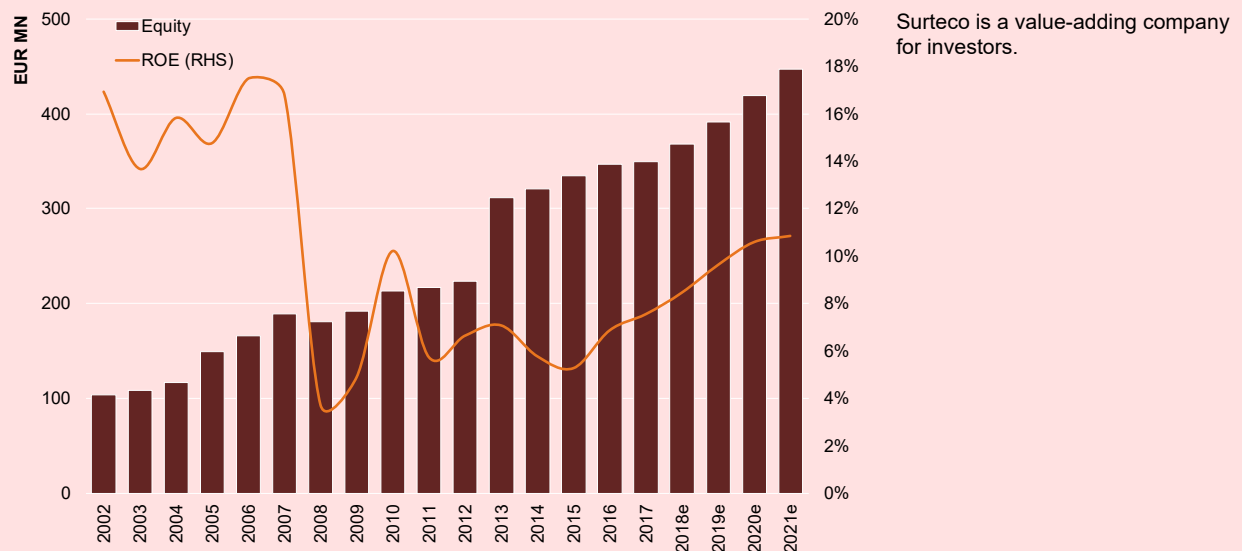
SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS



## Improvement in return on equity

The return on equity in the period under review 2002-17 was consistently in the positive range, in the years 2002 to 2007 even in the double-digit range. From our point of view, this shows that Surteco operates a sustainable value-adding business model. The following exhibit 39 shows that we expect the return on equity to rise to 10.8% over the next four years despite falling leverage:

**EXHIBIT 39: EQUITY AND ROE (RHS), 2002-21E**



SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

## Management guidance

The management issued guidance for the current financial year on the publication of the 2017 annual financial statements at the end of April.

**EXHIBIT 40: MANAGEMENT GUIDANCE**

		2017	2018e lower end	2018e upper end
Revenues	EUR mn	689.7	725.0	750.0
EBIT	EUR mn	44.7	49.0	53.0
EBIT margin	%	6.4	6.8%	7.1%

SOURCE: COMPANY DATA

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## Profit and loss statement, 2008-14

IFRS (31.12.)		2008	2009	2010	2011	2012	2013	2014
<b>Gross revenues</b>	<b>EUR mn</b>	<b>403.0</b>	<b>341.1</b>	<b>388.8</b>	<b>408.8</b>	<b>407.7</b>	<b>402.1</b>	<b>618.5</b>
YoY	%	-2.8%	-15.3%	14.0%	5.1%	-0.3%	-1.4%	53.8%
YoY	EUR mn	-11.5	-61.8	47.6	20.0	-1.1	-5.6	216.4
Change in inventory	EUR mn	-0.3	-8.6	8.0	2.5	0.5	-1.6	3.8
Own work capitalized	EUR mn	1.1	0.9	0.9	1.4	2.4	3.8	5.2
<b>Total output</b>	<b>EUR mn</b>	<b>403.8</b>	<b>333.4</b>	<b>397.7</b>	<b>412.7</b>	<b>410.6</b>	<b>404.4</b>	<b>627.5</b>
YoY	%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Material costs	EUR mn	-175.5	-138.4	-175.3	-192.4	-190.2	-184.3	-317.2
In % of total output	%	-43.5%	-41.5%	-44.1%	-46.6%	-46.3%	-45.6%	-50.6%
<b>Gross profit</b>	<b>EUR mn</b>	<b>228.3</b>	<b>195.0</b>	<b>222.4</b>	<b>220.3</b>	<b>220.4</b>	<b>220.1</b>	<b>310.3</b>
YoY	%	-4.8%	-14.6%	14.0%	-0.9%	0.0%	-0.1%	41.0%
YoY	EUR mn	-11.6	-33.3	27.4	-2.1	0.1	-0.3	90.2
In % of total output	%	56.5%	58.5%	55.9%	53.4%	53.7%	54.4%	49.4%
Personnel costs	EUR mn	-104.2	-91.7	-100.1	-102.8	-107.7	-108.1	-159.8
In % of gross profit	%	-25.8%	-27.5%	-25.2%	-24.9%	-26.2%	-26.7%	-25.5%
Other operating expenses	EUR mn	-72.6	-55.1	-63.5	-65.9	-65.5	-69.4	-92.9
In % of gross profit	%	-18.0%	-16.5%	-16.0%	-16.0%	-15.9%	-17.2%	-14.8%
Other operating income	EUR mn	6.9	6.1	3.7	4.4	4.5	17.0	5.3
In % of gross profit	%	1.7%	1.8%	0.9%	1.1%	1.1%	4.2%	0.8%
<b>EBITDA</b>	<b>EUR mn</b>	<b>58.3</b>	<b>54.3</b>	<b>62.5</b>	<b>56.1</b>	<b>51.7</b>	<b>59.7</b>	<b>62.8</b>
YoY	%	-21.6%	-6.9%	15.2%	-10.3%	-7.9%	15.4%	5.3%
In % of gross profit	%	14.4%	16.3%	15.7%	13.6%	12.6%	14.8%	10.0%
Depreciation	EUR mn	-19.7	-19.9	-20.9	-21.1	-22.0	-22.6	-35.2
Amortisation	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>EUR mn</b>	<b>38.6</b>	<b>34.4</b>	<b>41.6</b>	<b>35.0</b>	<b>29.7</b>	<b>37.0</b>	<b>27.6</b>
YoY	%	-30.2%	-10.8%	20.9%	-15.9%	-15.3%	24.9%	-25.5%
In % of gross profit	%	9.6%	10.3%	10.5%	8.5%	7.2%	9.2%	4.4%
Net financial result	EUR mn	-10.9	-8.6	-9.5	-8.9	-8.4	-8.6	-9.7
Other financial result	EUR mn	-12.4	-6.1	-0.3	-3.6	-0.2	-0.1	0.0
<b>EBT</b>	<b>EUR mn</b>	<b>15.8</b>	<b>17.6</b>	<b>32.0</b>	<b>22.9</b>	<b>21.2</b>	<b>28.0</b>	<b>22.3</b>
In % of gross profit	%	3.9%	5.3%	8.1%	5.6%	5.2%	6.9%	3.5%
Taxes	EUR mn	-9.0	-8.2	-10.2	-10.5	-6.4	-6.0	-3.8
In % of EBT (implied tax rate)	%	-57.3%	-46.7%	-32.0%	-46.0%	-30.1%	-21.5%	-16.9%
<b>Net income</b>	<b>EUR mn</b>	<b>6.7</b>	<b>9.4</b>	<b>21.8</b>	<b>12.4</b>	<b>14.8</b>	<b>22.0</b>	<b>18.5</b>
In % of gross profit	%	1.7%	2.8%	5.5%	3.0%	3.6%	5.4%	2.9%
Minorities	EUR mn	0.0	-0.1	-0.1	0.1	0.2	-0.1	0.0
Nr of shares	Mio.	11.1	11.1	11.1	11.1	11.1	11.8	15.5
<b>EPS</b>	<b>EUR</b>	<b>0.61</b>	<b>0.83</b>	<b>1.96</b>	<b>1.13</b>	<b>1.36</b>	<b>1.86</b>	<b>1.19</b>

SOURCE: COMPANY DATA, SPHENE CAPITAL

## Profit and loss statement, 2015-21e

IFRS (31.12.)		2015	2016	2017	2018e	2019e	2020e	2021e
<b>Gross revenues</b>	<b>EUR mn</b>	<b>638.4</b>	<b>639.8</b>	<b>689.7</b>	<b>737.5</b>	<b>755.9</b>	<b>772.9</b>	<b>788.4</b>
YoY	%	3.2%	0.2%	7.8%	6.9%	2.5%	2.2%	2.0%
YoY	EUR mn	19.9	1.4	49.8	47.8	18.4	17.0	15.5
Change in inventory	EUR mn	-1.0	5.4	-1.9	0.0	0.0	0.0	0.0
Own work capitalized	EUR mn	5.0	3.9	5.1	5.1	5.0	5.0	4.9
<b>Total output</b>	<b>EUR mn</b>	<b>642.4</b>	<b>649.1</b>	<b>692.9</b>	<b>742.6</b>	<b>760.9</b>	<b>777.9</b>	<b>793.3</b>
YoY	%	n/a	1.1%	6.7%	7.2%	2.5%	2.2%	2.0%
Material costs	EUR mn	-322.7	-324.6	-335.0	-362.5	-368.6	-373.1	-380.1
In % of total output	%	-50.2%	-50.0%	-48.4%	-48.8%	-48.4%	-48.0%	-47.9%
<b>Gross profit</b>	<b>EUR mn</b>	<b>319.7</b>	<b>324.6</b>	<b>357.9</b>	<b>380.1</b>	<b>392.3</b>	<b>404.8</b>	<b>413.2</b>
YoY	%	3.0%	1.5%	10.3%	6.2%	3.2%	3.2%	2.1%
YoY	EUR mn	9.4	4.9	33.3	22.2	12.2	12.5	8.4
In % of total output	%	49.8%	50.0%	51.6%	51.2%	51.6%	52.0%	52.1%
Personnel costs	EUR mn	-161.9	-158.0	-174.5	-182.4	-185.1	-187.0	-188.6
In % of gross profit	%	-25.2%	-24.3%	-25.2%	-24.6%	-24.3%	-24.0%	-23.8%
Other operating expenses	EUR mn	-100.2	-98.7	-104.8	-112.0	-113.2	-114.6	-115.7
In % of gross profit	%	-15.6%	-15.2%	-15.1%	-15.1%	-14.9%	-14.7%	-14.6%
Other operating income	EUR mn	7.5	6.5	4.5	4.8	4.9	5.1	5.2
In % of gross profit	%	1.2%	1.0%	0.7%	0.6%	0.6%	0.6%	0.6%
<b>EBITDA</b>	<b>EUR mn</b>	<b>65.0</b>	<b>74.3</b>	<b>83.1</b>	<b>90.6</b>	<b>98.9</b>	<b>108.2</b>	<b>114.0</b>
YoY	%	3.4%	14.4%	11.8%	9.0%	9.2%	9.4%	5.4%
In % of gross profit	%	10.1%	11.5%	12.0%	12.2%	13.0%	13.9%	14.4%
Depreciation	EUR mn	-33.8	-33.5	-38.4	-38.0	-37.7	-37.3	-36.9
Amortisation	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>EUR mn</b>	<b>31.1</b>	<b>40.9</b>	<b>44.7</b>	<b>52.5</b>	<b>61.3</b>	<b>70.9</b>	<b>77.1</b>
YoY	%	12.7%	31.4%	9.3%	17.6%	16.6%	15.7%	8.7%
In % of gross profit	%	4.8%	6.3%	6.4%	7.1%	8.1%	9.1%	9.7%
Net financial result	EUR mn	-8.3	-8.1	-7.7	-6.1	-5.2	-5.1	-5.1
Other financial result	EUR mn	0.0	0.1	-0.9	-0.9	-0.9	-0.9	-0.9
<b>EBT</b>	<b>EUR mn</b>	<b>26.8</b>	<b>35.0</b>	<b>33.5</b>	<b>42.6</b>	<b>52.3</b>	<b>62.0</b>	<b>68.3</b>
In % of gross profit	%	4.2%	5.4%	4.8%	5.7%	6.9%	8.0%	8.6%
Taxes	EUR mn	-9.2	-11.3	-7.2	-11.5	-14.6	-17.7	-19.8
In % of EBT (implied tax rate)	%	-34.5%	-32.1%	-21.4%	-27.0%	-28.0%	-28.5%	-29.0%
<b>Net income</b>	<b>EUR mn</b>	<b>17.6</b>	<b>23.8</b>	<b>26.3</b>	<b>31.1</b>	<b>37.7</b>	<b>44.3</b>	<b>48.5</b>
In % of gross profit	%	2.7%	3.7%	3.8%	4.2%	5.0%	5.7%	6.1%
Minorities	EUR mn	0.1	0.1	-0.1	-2.8	-3.6	-4.3	-4.8
Nr of shares	Mio.	15.5	15.5	15.5	15.5	15.5	15.5	15.5
<b>EPS</b>	<b>EUR</b>	<b>1.14</b>	<b>1.54</b>	<b>1.69</b>	<b>1.83</b>	<b>2.20</b>	<b>2.58</b>	<b>2.82</b>

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

## Balance sheet (assets), 2008-14

IFRS (31.12.)		2008	2009	2010	2011	2012	2013	2014
<b>ASSETS</b>								
<b>Non-current assets</b>	<b>EUR mn</b>	<b>318.4</b>	<b>303.8</b>	<b>305.3</b>	<b>295.0</b>	<b>291.9</b>	<b>398.1</b>	<b>394.3</b>
Intangible assets	EUR mn	175.8	167.2	164.1	160.2	158.5	244.8	237.2
Property, plant & equipment	EUR mn	8.5	8.6	14.2	12.1	12.7	29.7	26.3
Goodwill	EUR mn	108.2	109.7	112.0	112.4	112.7	110.7	110.8
Shares in affiliated companies	EUR mn	1.7	1.6	1.8	1.8	1.7	3.3	3.5
Financial assets	EUR mn	10.8	10.1	4.1	0.6	0.6	0.0	0.0
Long-term tax assets	EUR mn	1.2	2.0	2.0	1.0	0.9	0.4	0.3
Other long-term financial assets	EUR mn	6.8	0.0	1.9	3.9	2.2	1.5	8.2
Deferred taxes	EUR mn	5.4	4.5	5.2	2.9	2.8	7.6	8.0
<b>Current assets</b>	<b>EUR mn</b>	<b>170.3</b>	<b>176.8</b>	<b>175.3</b>	<b>185.9</b>	<b>174.3</b>	<b>226.3</b>	<b>240.9</b>
Inventory	EUR mn	59.8	43.7	58.9	61.3	61.1	102.9	110.6
DIO	d	123	114	121	115	116	201	126
Trade receivables	EUR mn	34.5	35.0	41.3	40.8	41.7	54.8	61.7
DSO	d	31	37	38	36	37	49	36
Receivables from affiliated companies	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term tax receivables	EUR mn	6.9	6.3	4.5	5.6	2.7	6.5	8.0
Other current non-financial assets	EUR mn	6.9	6.7	7.7	10.8	7.1	8.5	7.7
Other current financial assets	EUR mn	1.9	0.3	0.5	0.6	0.3	2.5	9.9
Cash & cash equivalents	EUR mn	60.5	84.8	62.4	66.7	61.4	51.1	43.1
Deferred items	EUR mn	1.3	1.1	1.0	1.2	1.1	1.8	1.5
<b>Total assets</b>	<b>EUR mn</b>	<b>490.1</b>	<b>481.7</b>	<b>481.5</b>	<b>482.1</b>	<b>467.3</b>	<b>626.1</b>	<b>636.7</b>
SOURCE: COMPANY DATA, SPHENE CAPITAL								

## Balance sheet (liabilities), 2008-14

IFRS (31.12.)		2008	2009	2010	2011	2012	2013	2014
<b>LIABILITIES AND EQUITY</b>								
<b>Total shareholder's equity</b>	<b>EUR mn</b>	<b>180.5</b>	<b>191.8</b>	<b>213.4</b>	<b>216.5</b>	<b>223.2</b>	<b>311.0</b>	<b>321.1</b>
Equity ratio	%	36.8%	39.8%	44.3%	44.9%	47.8%	49.7%	50.4%
Issued capital	EUR mn	11.1	11.1	11.1	11.1	11.1	15.5	15.5
Capital reserves	EUR mn	50.4	50.4	50.4	50.4	50.4	122.8	122.8
Profit reserves	EUR mn	112.3	120.7	129.6	141.9	146.4	150.5	164.1
Profit	EUR mn	6.8	9.2	21.7	12.5	15.0	21.9	18.5
Profit/Loss of period	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own shares	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	EUR mn	0.0	0.4	0.7	0.6	0.3	0.3	0.3
Pension reserves	EUR mn	9.6	10.4	10.4	9.9	11.1	11.0	12.7
Other provisions	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>EUR mn</b>	<b>80.0</b>	<b>74.1</b>	<b>63.5</b>	<b>71.1</b>	<b>51.8</b>	<b>127.3</b>	<b>91.5</b>
Short-term bank debt	EUR mn	35.2	26.2	12.7	29.6	2.0	55.6	5.6
Trade payables	EUR mn	18.3	26.4	22.9	20.1	26.5	37.3	45.4
DPO	d	16	28	21	18	23	33	26
Tax debt	EUR mn	3.1	3.8	4.0	2.9	1.3	1.2	3.0
Short-term provisions	EUR mn	8.9	3.4	1.7	2.2	2.3	3.3	12.1
Other short-term non-financial debt	EUR mn	12.6	12.4	18.5	10.8	13.0	4.4	3.2
Other short-term financial debt	EUR mn	1.9	1.9	3.7	5.5	6.8	25.5	22.4
<b>Non-current liabilities</b>	<b>EUR mn</b>	<b>219.9</b>	<b>205.3</b>	<b>194.2</b>	<b>184.6</b>	<b>181.1</b>	<b>176.8</b>	<b>211.3</b>
Bank debt	EUR mn	196.5	181.4	172.9	162.9	161.2	146.7	183.3
Other long-term non-financial debt	EUR mn	0.0	2.8	0.0	0.0	0.0	0.6	0.0
Other long-term financial debt	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred taxes	EUR mn	23.4	21.1	21.3	21.7	19.9	29.5	27.9
Deferred items	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total liabilities and shareholders's equity</b>	<b>EUR mn</b>	<b>490.1</b>	<b>481.7</b>	<b>481.5</b>	<b>482.1</b>	<b>467.3</b>	<b>626.1</b>	<b>636.7</b>
SOURCE: COMPANY DATA, SPHENE CAPITAL								

## Balance sheet (assets), 2015-21e

IFRS (31.12.)		2015	2016	2017	2018e	2019e	2020e	2021e
<b>ASSETS</b>								
<b>Non-current assets</b>	<b>EUR mn</b>	<b>404.5</b>	<b>412.6</b>	<b>516.4</b>	<b>514.7</b>	<b>513.5</b>	<b>512.7</b>	<b>512.0</b>
Intangible assets	EUR mn	244.9	245.6	258.2	253.1	248.1	243.1	238.3
Property, plant & equipment	EUR mn	22.2	34.1	66.7	69.4	72.2	75.1	78.2
Goodwill	EUR mn	111.4	118.8	163.3	163.0	163.0	163.0	163.0
Shares in affiliated companies	EUR mn	3.3	1.7	2.0	2.0	2.0	2.0	2.0
Financial assets	EUR mn	0.0	0.0	0.8	0.8	0.8	0.8	0.8
Long-term tax assets	EUR mn	0.2	0.0	0.1	0.0	0.0	0.0	0.0
Other long-term financial assets	EUR mn	14.3	5.8	6.3	6.6	6.9	7.1	7.4
Deferred taxes	EUR mn	8.2	6.5	19.0	19.8	20.6	21.4	22.3
<b>Current assets</b>	<b>EUR mn</b>	<b>249.8</b>	<b>259.6</b>	<b>326.2</b>	<b>287.7</b>	<b>275.8</b>	<b>276.8</b>	<b>286.9</b>
Inventory	EUR mn	113.3	119.6	119.7	124.9	128.0	130.9	133.5
DIO	d	126	133	129	124	125	126	126
Trade receivables	EUR mn	56.4	52.1	57.8	60.3	61.8	63.2	64.5
DSO	d	32	29	30	29	29	29	29
Receivables from affiliated companies	EUR mn	0.5	0.6	0.7	0.8	0.8	0.8	0.9
Short-term tax receivables	EUR mn	6.2	2.3	1.4	1.4	1.5	1.6	1.6
Other current non-financial assets	EUR mn	4.2	4.9	9.5	9.8	10.2	10.7	11.1
Other current financial assets	EUR mn	3.6	19.7	3.7	3.8	4.0	4.1	4.3
Cash & cash equivalents	EUR mn	65.7	60.4	133.4	86.7	69.5	65.6	71.0
Deferred items	EUR mn	1.4	1.7	0.0	0.0	0.0	0.0	0.0
<b>Total assets</b>	<b>EUR mn</b>	<b>655.7</b>	<b>673.9</b>	<b>842.6</b>	<b>802.4</b>	<b>789.3</b>	<b>789.5</b>	<b>798.9</b>
SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS								

## Balance sheet (liabilities), 2015-21e

IFRS (31.12.)		2015	2016	2017	2018e	2019e	2020e	2021e
<b>LIABILITIES AND EQUITY</b>								
<b>Total shareholder's equity</b>	<b>EUR mn</b>	<b>334.4</b>	<b>346.6</b>	<b>349.2</b>	<b>367.9</b>	<b>391.6</b>	<b>418.9</b>	<b>447.2</b>
Equity ratio	%	51.0%	51.4%	41.4%	45.9%	49.6%	53.1%	56.0%
Issued capital	EUR mn	15.5	15.5	15.5	15.5	15.5	15.5	15.5
Capital reserves	EUR mn	122.8	122.8	122.8	122.8	122.8	122.8	122.8
Profit reserves	EUR mn	178.2	181.4	181.9	195.6	210.0	227.0	246.9
Profit	EUR mn	17.7	23.9	26.2	28.3	34.1	40.0	43.7
Profit/Loss of period	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own shares	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	EUR mn	0.2	3.0	2.9	5.7	9.3	13.6	18.4
Pension reserves	EUR mn	12.8	13.0	12.8	12.3	11.8	11.4	10.9
Other provisions	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>EUR mn</b>	<b>92.5</b>	<b>151.8</b>	<b>106.4</b>	<b>110.0</b>	<b>112.7</b>	<b>115.6</b>	<b>118.7</b>
Short-term bank debt	EUR mn	5.0	72.4	5.7	5.4	5.2	5.0	4.8
Trade payables	EUR mn	48.7	48.9	63.2	66.5	68.9	71.1	73.3
DPO	d	27	28	33	32	33	33	33
Tax debt	EUR mn	3.5	2.6	3.2	3.5	4.0	4.5	5.1
Short-term provisions	EUR mn	8.2	3.6	4.0	4.5	5.0	5.7	6.4
Other short-term non-financial debt	EUR mn	2.5	2.7	4.2	4.8	5.4	6.1	6.8
Other short-term financial debt	EUR mn	24.6	21.7	26.2	25.2	24.2	23.3	22.3
<b>Non-current liabilities</b>	<b>EUR mn</b>	<b>216.1</b>	<b>162.5</b>	<b>374.1</b>	<b>312.2</b>	<b>273.2</b>	<b>243.6</b>	<b>222.0</b>
Bank debt	EUR mn	187.3	123.6	317.7	249.4	203.2	165.5	134.8
Other long-term non-financial debt	EUR mn	0.0	4.3	4.4	4.2	4.0	3.9	3.7
Other long-term financial debt	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred taxes	EUR mn	28.8	34.6	52.0	58.6	65.9	74.2	83.5
Deferred items	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total liabilities and shareholders's equity</b>	<b>EUR mn</b>	<b>655.7</b>	<b>673.9</b>	<b>842.6</b>	<b>802.4</b>	<b>789.3</b>	<b>789.5</b>	<b>798.9</b>
SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS								



## Balance sheet (normalized, assets), 2008-14

IFRS (31.12.)		2008	2009	2010	2011	2012	2013	2014
<b>ASSETS</b>								
<b>Non-current assets</b>	%	<b>65.0%</b>	<b>63.1%</b>	<b>63.4%</b>	<b>61.2%</b>	<b>62.5%</b>	<b>63.6%</b>	<b>61.9%</b>
Intangible assets	%	35.9%	34.7%	34.1%	33.2%	33.9%	39.1%	37.3%
Property, plant & equipment	%	1.7%	1.8%	2.9%	2.5%	2.7%	4.7%	4.1%
Goodwill	%	22.1%	22.8%	23.3%	23.3%	24.1%	17.7%	17.4%
Shares in affiliated companies	%	0.3%	0.3%	0.4%	0.4%	0.4%	0.5%	0.6%
Financial assets	%	2.2%	2.1%	0.9%	0.1%	0.1%	0.0%	0.0%
Long-term tax assets	%	0.3%	0.4%	0.4%	0.2%	0.2%	0.1%	0.0%
Other long-term financial assets	%	1.4%	0.0%	0.4%	0.8%	0.5%	0.2%	1.3%
Deferred taxes	%	1.1%	0.9%	1.1%	0.6%	0.6%	1.2%	1.2%
<b>Current assets</b>	%	<b>34.8%</b>	<b>36.7%</b>	<b>36.4%</b>	<b>38.6%</b>	<b>37.3%</b>	<b>36.1%</b>	<b>37.8%</b>
Inventory	%	12.2%	9.1%	12.2%	12.7%	13.1%	16.4%	17.4%
Trade receivables	%	7.0%	7.3%	8.6%	8.5%	8.9%	8.7%	9.7%
Receivables from affiliated companies	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Short-term tax receivables	%	1.4%	1.3%	0.9%	1.2%	0.6%	1.0%	1.3%
Other current non-financial assets	%	1.4%	1.4%	1.6%	2.2%	1.5%	1.4%	1.2%
Other current financial assets	%	0.4%	0.1%	0.1%	0.1%	0.1%	0.4%	1.5%
Cash & cash equivalents	%	12.3%	17.6%	13.0%	13.8%	13.1%	8.2%	6.8%
Deferred items	%	0.3%	0.2%	0.2%	0.3%	0.2%	0.3%	0.2%
<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>
SOURCE: COMPANY DATA, SPHENE CAPITAL								

## Balance sheet (normalized, liabilities), 2008-14

IFRS (31.12.)		2008	2009	2010	2011	2012	2013	2014
<b>LIABILITIES AND EQUITY</b>								
<b>Total shareholder's equity</b>	%	<b>36.8%</b>	<b>39.8%</b>	<b>44.3%</b>	<b>44.9%</b>	<b>47.8%</b>	<b>49.7%</b>	<b>50.4%</b>
Issued capital	%	2.3%	2.3%	2.3%	2.3%	2.4%	2.5%	2.4%
Capital reserves	%	10.3%	10.5%	10.5%	10.5%	10.8%	19.6%	19.3%
Profit reserves	%	22.9%	25.1%	26.9%	29.4%	31.3%	24.0%	25.8%
Profit	%	1.4%	1.9%	4.5%	2.6%	3.2%	3.5%	2.9%
Profit/Loss of period	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Own shares	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Minorities	%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Pension reserves	%	2.0%	2.2%	2.2%	2.0%	2.4%	1.8%	2.0%
Other provisions	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Current liabilities</b>	%	<b>16.3%</b>	<b>15.4%</b>	<b>13.2%</b>	<b>14.8%</b>	<b>11.1%</b>	<b>20.3%</b>	<b>14.4%</b>
Short-term bank debt	%	7.2%	5.4%	2.6%	6.1%	0.4%	8.9%	0.9%
Trade payables	%	3.7%	5.5%	4.8%	4.2%	5.7%	6.0%	7.1%
Tax debt	%	0.6%	0.8%	0.8%	0.6%	0.3%	0.2%	0.5%
Short-term provisions	%	1.8%	0.7%	0.4%	0.5%	0.5%	0.5%	1.9%
Other short-term non-financial debt	%	2.6%	2.6%	3.8%	2.3%	2.8%	0.7%	0.5%
Other short-term financial debt	%	0.4%	0.4%	0.8%	1.1%	1.4%	4.1%	3.5%
<b>Non-current liabilities</b>	%	<b>44.9%</b>	<b>42.6%</b>	<b>40.3%</b>	<b>38.3%</b>	<b>38.8%</b>	<b>28.2%</b>	<b>33.2%</b>
Bank debt	%	40.1%	37.7%	35.9%	33.8%	34.5%	23.4%	28.8%
Other long-term non-financial debt	%	0.0%	0.6%	0.0%	0.0%	0.0%	0.1%	0.0%
Other long-term financial debt	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred taxes	%	4.8%	4.4%	4.4%	4.5%	4.3%	4.7%	4.4%
Deferred items	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total liabilities and shareholders's 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, SPHENE CAPITAL								

## Balance sheet (normalized, assets), 2015-21e

IFRS (31.12.)		2015	2016	2017	2018e	2019e	2020e	2021e
<b>ASSETS</b>								
<b>Non-current assets</b>	%	<b>61.7%</b>	<b>61.2%</b>	<b>61.3%</b>	<b>64.1%</b>	<b>65.1%</b>	<b>64.9%</b>	<b>64.1%</b>
Intangible assets	%	37.4%	36.5%	30.6%	31.5%	31.4%	30.8%	29.8%
Property, plant & equipment	%	3.4%	5.1%	7.9%	8.6%	9.1%	9.5%	9.8%
Goodwill	%	17.0%	17.6%	19.4%	20.3%	20.7%	20.6%	20.4%
Shares in affiliated companies	%	0.5%	0.3%	0.2%	0.2%	0.3%	0.3%	0.2%
Financial assets	%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%
Long-term tax assets	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other long-term financial assets	%	2.2%	0.9%	0.8%	0.8%	0.9%	0.9%	0.9%
Deferred taxes	%	1.3%	1.0%	2.3%	2.5%	2.6%	2.7%	2.8%
<b>Current assets</b>	%	<b>38.1%</b>	<b>38.5%</b>	<b>38.7%</b>	<b>35.9%</b>	<b>34.9%</b>	<b>35.1%</b>	<b>35.9%</b>
Inventory	%	17.3%	17.7%	14.2%	15.6%	16.2%	16.6%	16.7%
Trade receivables	%	8.6%	7.7%	6.9%	7.5%	7.8%	8.0%	8.1%
Receivables from affiliated companies	%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Short-term tax receivables	%	1.0%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%
Other current non-financial assets	%	0.6%	0.7%	1.1%	1.2%	1.3%	1.3%	1.4%
Other current financial assets	%	0.6%	2.9%	0.4%	0.5%	0.5%	0.5%	0.5%
Cash & cash equivalents	%	10.0%	9.0%	15.8%	10.8%	8.8%	8.3%	8.9%
Deferred items	%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
<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>
SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS								

## Balance sheet (normalized, liabilities), 2015-21e

IFRS (31.12.)		2015	2016	2017	2018e	2019e	2020e	2021e
<b>LIABILITIES AND EQUITY</b>								
<b>Total shareholder's equity</b>	%	<b>51.0%</b>	<b>51.4%</b>	<b>41.4%</b>	<b>45.9%</b>	<b>49.6%</b>	<b>53.1%</b>	<b>56.0%</b>
Issued capital	%	2.4%	2.3%	1.8%	1.9%	2.0%	2.0%	1.9%
Capital reserves	%	18.7%	18.2%	14.6%	15.3%	15.6%	15.5%	15.4%
Profit reserves	%	27.2%	26.9%	21.6%	24.4%	26.6%	28.8%	30.9%
Profit	%	2.7%	3.5%	3.1%	3.5%	4.3%	5.1%	5.5%
Profit/Loss of period	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Own shares	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Minorities	%	0.0%	0.4%	0.3%	0.7%	1.2%	1.7%	2.3%
Pension reserves	%	1.9%	1.9%	1.5%	1.5%	1.5%	1.4%	1.4%
Other provisions	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Current liabilities</b>	%	<b>14.1%</b>	<b>22.5%</b>	<b>12.6%</b>	<b>13.7%</b>	<b>14.3%</b>	<b>14.6%</b>	<b>14.9%</b>
Short-term bank debt	%	0.8%	10.7%	0.7%	0.7%	0.7%	0.6%	0.6%
Trade payables	%	7.4%	7.3%	7.5%	8.3%	8.7%	9.0%	9.2%
Tax debt	%	0.5%	0.4%	0.4%	0.4%	0.5%	0.6%	0.6%
Short-term provisions	%	1.3%	0.5%	0.5%	0.6%	0.6%	0.7%	0.8%
Other short-term non-financial debt	%	0.4%	0.4%	0.5%	0.6%	0.7%	0.8%	0.9%
Other short-term financial debt	%	3.8%	3.2%	3.1%	3.1%	3.1%	2.9%	2.8%
<b>Non-current liabilities</b>	%	<b>32.9%</b>	<b>24.1%</b>	<b>44.4%</b>	<b>38.9%</b>	<b>34.6%</b>	<b>30.9%</b>	<b>27.8%</b>
Bank debt	%	28.6%	18.3%	37.7%	31.1%	25.7%	21.0%	16.9%
Other long-term non-financial debt	%	0.0%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%
Other long-term financial debt	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred taxes	%	4.4%	5.1%	6.2%	7.3%	8.4%	9.4%	10.5%
Deferred items	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total liabilities and shareholders's 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, SPHENE CAPITAL FORECASTS								

## Cash flow statement, 2008-14

IFRS (31.12.)		2008	2009	2010	2011	2012	2013	2014
Net income	EUR mn	6.7	9.4	21.8	12.4	14.8	22.0	18.5
Depreciation & Amortisation	EUR mn	29.9	19.9	20.9	21.1	22.0	22.6	35.2
Income from sale of assets	EUR mn	10.9	8.6	9.5	8.9	8.4	8.6	9.7
Profit/loss from sale of assets	EUR mn	-0.2	-0.1	-0.2	-1.1	-0.2	-0.1	-0.6
Δ inventory	EUR mn	7.9	16.1	-15.3	-2.3	0.7	3.1	-7.7
Δ trade receivables	EUR mn	-2.8	-0.6	-6.3	0.5	-0.4	11.3	-6.9
Δ other receivables	EUR mn	-7.8	8.4	-1.3	-5.4	8.9	-6.3	-14.6
Δ deferred tax assets	EUR mn	-1.4	1.1	-0.5	2.0	0.3	-5.5	-0.1
Δ provisions	EUR mn	5.8	-4.7	-1.7	0.0	1.4	0.8	10.5
Δ trade payables	EUR mn	-4.3	8.1	-3.5	-2.8	6.2	3.6	8.1
Δ other liabilities	EUR mn	-8.2	0.5	6.4	-1.8	0.5	-8.6	0.6
Δ deferred liabilities	EUR mn	0.8	-2.3	0.2	0.4	-1.9	9.6	-1.5
Currency adjustments	EUR mn	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other operational adjustments	EUR mn	0.8	5.6	0.2	5.7	-5.5	-6.3	3.2
<b>Operating cash flow</b>	<b>EUR mn</b>	<b>38.2</b>	<b>70.0</b>	<b>30.2</b>	<b>37.6</b>	<b>55.3</b>	<b>54.8</b>	<b>54.3</b>
Investments in financial assets	EUR mn	-10.5	0.8	5.8	3.5	0.2	-1.1	-0.2
Investments in intangible assets	EUR mn	2.5	-1.7	-7.9	1.7	-0.9	-15.1	3.4
Investments in tangible assets	EUR mn	-18.3	-11.3	-17.8	-17.2	-20.4	-108.9	-27.7
Other operational adjustments	EUR mn	-15.6	1.0	5.4	-7.4	1.1	1.4	-2.9
<b>Cash flow from investing</b>	<b>EUR mn</b>	<b>-41.9</b>	<b>-11.1</b>	<b>-14.5</b>	<b>-19.5</b>	<b>-20.0</b>	<b>-123.6</b>	<b>-27.4</b>
<b>Free cash flow</b>	<b>EUR mn</b>	<b>-3.7</b>	<b>58.9</b>	<b>15.8</b>	<b>18.2</b>	<b>35.4</b>	<b>-68.8</b>	<b>26.9</b>
Δ Capital stock	EUR mn	0.0	0.0	0.0	0.0	0.0	4.4	0.0
Δ Capital reserves	EUR mn	0.0	0.0	0.0	0.0	0.0	72.4	0.0
Δ Bank debt	EUR mn	-10.0	-24.1	-22.1	7.0	-29.3	39.1	-13.4
Δ other interest-bearing liabilities	EUR mn	-1.8	2.8	-1.0	1.8	1.3	19.3	-3.7
Interest expenses	EUR mn	-10.9	-8.6	-9.5	-8.9	-8.4	-8.6	-9.7
Dividend of previous year	EUR mn	-12.2	-3.9	-4.4	-10.0	-5.0	-5.0	-10.1
Other operational adjustments	EUR mn	1.5	-1.1	-2.8	-3.9	0.6	-61.0	1.4
<b>Financing cash flow</b>	<b>EUR mn</b>	<b>-33.5</b>	<b>-34.8</b>	<b>-39.9</b>	<b>-14.1</b>	<b>-40.8</b>	<b>60.7</b>	<b>-35.5</b>
Net cash inflow	EUR mn	-37.2	24.1	-24.2	4.1	-5.4	-8.2	-8.7
Currency adjustments	EUR mn	-0.1	0.3	1.7	0.3	0.1	-1.3	0.6
Purchase of cash ad cash equivalents	EUR mn	0.0	0.0	0.0	0.0	0.0	-0.8	0.0
Net cash opening balance	EUR mn	97.8	60.5	84.8	62.4	66.7	61.4	51.1
<b>Net cash closing balance</b>	<b>EUR mn</b>	<b>60.5</b>	<b>84.8</b>	<b>62.4</b>	<b>66.7</b>	<b>61.4</b>	<b>51.1</b>	<b>43.1</b>

SOURCE: COMPANY DATA, SPHENE CAPITAL

## Cash flow statement, 2015-21e

IFRS (31.12.)		2015	2016	2017	2018e	2019e	2020e	2021e
Net income	EUR mn	17.6	23.8	26.3	31.1	37.7	44.3	48.5
Depreciation & Amortisation	EUR mn	33.8	33.5	38.4	38.0	37.7	37.3	36.9
Income from sale of assets	EUR mn	8.3	8.1	7.7	6.1	5.2	5.1	5.1
Profit/loss from sale of assets	EUR mn	-3.0	-0.2	-4.5	0.0	0.0	0.0	0.0
Δ inventory	EUR mn	-5.4	-5.1	-0.1	-5.1	-3.1	-2.9	-2.6
Δ trade receivables	EUR mn	3.6	7.7	-5.8	-2.5	-1.5	-1.4	-1.3
Δ other receivables	EUR mn	10.6	-4.3	11.7	-0.8	-0.9	-0.9	-1.0
Δ deferred tax assets	EUR mn	-0.2	1.5	-10.8	-0.8	-0.8	-0.8	-0.9
Δ provisions	EUR mn	-3.8	-4.3	0.2	0.0	0.1	0.2	0.3
Δ trade payables	EUR mn	6.9	-1.2	14.3	3.4	2.3	2.3	2.2
Δ other liabilities	EUR mn	-0.2	-0.7	2.1	0.9	1.0	1.2	1.3
Δ deferred liabilities	EUR mn	0.8	5.8	17.5	6.5	7.4	8.3	9.3
Currency adjustments	EUR mn	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other operational adjustments	EUR mn	0.0	-6.0	-14.0	0.0	0.0	0.0	0.0
<b>Operating cash flow</b>	<b>EUR mn</b>	<b>69.2</b>	<b>58.4</b>	<b>82.9</b>	<b>76.9</b>	<b>85.0</b>	<b>92.6</b>	<b>97.8</b>
Investments in financial assets	EUR mn	0.3	1.6	-1.1	0.0	0.0	0.0	0.0
Investments in intangible assets	EUR mn	3.5	-19.4	-77.0	-2.4	-2.8	-2.9	-3.1
Investments in tangible assets	EUR mn	-41.6	-34.2	-51.0	-32.9	-32.6	-32.4	-32.1
Other operational adjustments	EUR mn	9.4	-2.4	13.7	0.0	0.0	0.0	0.0
<b>Cash flow from investing</b>	<b>EUR mn</b>	<b>-28.5</b>	<b>-54.3</b>	<b>-115.5</b>	<b>-35.3</b>	<b>-35.5</b>	<b>-35.3</b>	<b>-35.1</b>
<b>Free cash flow</b>	<b>EUR mn</b>	<b>40.7</b>	<b>4.0</b>	<b>-32.6</b>	<b>41.6</b>	<b>49.5</b>	<b>57.3</b>	<b>62.6</b>
Δ Capital stock	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Capital reserves	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Bank debt	EUR mn	3.3	10.7	127.3	-68.5	-46.5	-37.9	-30.9
Δ other interest-bearing liabilities	EUR mn	2.2	1.3	4.7	-1.2	-1.2	-1.1	-1.1
Interest expenses	EUR mn	-8.3	-6.9	-7.7	-6.1	-5.2	-5.1	-5.1
Dividend of previous year	EUR mn	-10.9	-12.4	-12.4	-12.4	-14.0	-17.1	-20.2
Other operational adjustments	EUR mn	-4.1	-1.3	-5.4	0.0	0.0	0.0	0.0
<b>Financing cash flow</b>	<b>EUR mn</b>	<b>-17.7</b>	<b>-8.6</b>	<b>106.5</b>	<b>-88.2</b>	<b>-66.8</b>	<b>-61.2</b>	<b>-57.2</b>
Net cash inflow	EUR mn	23.0	-4.6	73.9	-46.6	-17.3	-3.9	5.4
Currency adjustments	EUR mn	-0.5	-0.7	-1.0	0.0	0.0	0.0	0.0
Purchase of cash ad cash equivalents	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash opening balance	EUR mn	43.1	65.7	60.4	133.4	86.7	69.5	65.6
<b>Net cash closing balance</b>	<b>EUR mn</b>	<b>65.7</b>	<b>60.4</b>	<b>133.4</b>	<b>86.7</b>	<b>69.5</b>	<b>65.6</b>	<b>71.0</b>

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

## Segments, 2008-14

IFRS (31.12.)		2008	2009	2010	2011	2012	2013	2014
<b>Gross revenues</b>	<b>EUR mn</b>	<b>403.0</b>	<b>341.1</b>	<b>388.8</b>	<b>408.8</b>	<b>407.7</b>	<b>402.1</b>	<b>618.5</b>
SBU Paper	EUR mn	148.3	131.2	162.9	174.3	170.1	174.7	391.2
SBU Plastics	EUR mn	254.6	210.0	225.9	234.5	237.6	227.4	227.2
Consolidation	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>YoY</b>	<b>%</b>	<b>-2.8%</b>	<b>-15.3%</b>	<b>14.0%</b>	<b>5.1%</b>	<b>-0.3%</b>	<b>-1.4%</b>	<b>53.8%</b>
SBU Paper	%	-10.8%	-11.6%	24.2%	7.0%	-2.4%	2.7%	124.0%
SBU Plastics	%	2.6%	-17.5%	7.6%	3.8%	1.3%	-4.3%	-0.1%
Consolidation	%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Shares</b>	<b>%</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>
SBU Paper	%	36.8%	38.5%	41.9%	42.6%	41.7%	43.4%	63.3%
SBU Plastics	%	63.2%	61.5%	58.1%	57.4%	58.3%	56.6%	36.7%
Consolidation	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBT (until 2014)</b>	<b>EUR mn</b>	<b>15.8</b>	<b>17.6</b>	<b>32.0</b>	<b>22.9</b>	<b>21.2</b>	<b>28.0</b>	<b>22.3</b>
SBU Paper	EUR mn	6.1	11.0	22.2	18.2	14.3	25.1	15.8
SBU Plastics	EUR mn	28.0	22.4	21.9	19.5	17.2	14.9	15.1
Consolidation	EUR mn	-18.3	-15.8	-12.1	-14.8	-10.3	-12.0	-8.6
<b>EBT margin</b>	<b>%</b>	<b>3.9%</b>	<b>5.1%</b>	<b>8.2%</b>	<b>5.6%</b>	<b>5.2%</b>	<b>7.0%</b>	<b>3.6%</b>
SBU Paper	%	4.1%	8.4%	13.6%	10.4%	8.4%	14.4%	4.0%
SBU Plastics	%	11.0%	10.7%	9.7%	8.3%	7.2%	6.6%	6.6%
<b>Employees</b>		<b>2,194</b>	<b>1,678</b>	<b>1,990</b>	<b>2,050</b>	<b>1,994</b>	<b>2,114</b>	<b>2,682</b>
SBU Paper		768	358	657	678	684	851	1,425
SBU Plastics		1,411	1,305	1,317	1,354	1,293	1,247	1,244
Consolidation		15	15	16	18	17	16	13

SOURCE: COMPANY DATA, SPHENE CAPITAL

## Segments, 2015-21e

IFRS (31.12.)		2015	2016	2017	2018e	2019e	2020e	2021e
<b>Gross revenues</b>	<b>EUR mn</b>	<b>638.4</b>	<b>639.8</b>	<b>689.7</b>	<b>737.5</b>	<b>755.9</b>	<b>772.9</b>	<b>788.4</b>
SBU Paper	EUR mn	394.7	385.4	368.0	378.5	386.2	392.1	396.1
SBU Plastics	EUR mn	243.7	254.4	321.7	359.0	369.7	380.8	392.3
Consolidation	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>YoY</b>	<b>%</b>	<b>3.2%</b>	<b>0.2%</b>	<b>7.8%</b>	<b>6.9%</b>	<b>2.5%</b>	<b>2.2%</b>	<b>2.0%</b>
SBU Paper	%	0.9%	-2.3%	-4.5%	2.9%	2.0%	1.5%	1.0%
SBU Plastics	%	7.2%	4.4%	26.5%	11.6%	3.0%	3.0%	3.0%
Consolidation	%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Shares</b>	<b>%</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>
SBU Paper	%	61.8%	60.2%	53.4%	51.3%	51.1%	50.7%	50.2%
SBU Plastics	%	38.2%	39.8%	46.6%	48.7%	48.9%	49.3%	49.8%
Consolidation	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBIT</b>	<b>EUR mn</b>	<b>31.1</b>	<b>40.9</b>	<b>44.7</b>	<b>52.5</b>	<b>61.3</b>	<b>70.9</b>	<b>77.1</b>
SBU Paper	EUR mn	17.1	25.3	26.9	31.2	35.6	42.5	45.9
SBU Plastics	EUR mn	18.5	22.1	24.6	28.4	33.0	36.0	38.9
Consolidation	EUR mn	-4.5	-6.4	-6.8	-7.1	-7.3	-7.6	-7.8
<b>EBIT margin</b>	<b>%</b>	<b>4.9%</b>	<b>6.4%</b>	<b>6.5%</b>	<b>7.1%</b>	<b>8.1%</b>	<b>9.2%</b>	<b>9.8%</b>
SBU Paper	%	4.3%	6.6%	7.3%	8.2%	9.2%	10.8%	11.6%
SBU Plastics	%	7.6%	8.7%	7.6%	7.9%	8.9%	9.5%	9.9%
<b>Employees</b>		<b>2,727</b>	<b>2,736</b>	<b>3,091</b>	<b>3,495</b>	<b>3,587</b>	<b>3,679</b>	<b>3,771</b>
SBU Paper		1,412	1,366	1,347	1,525	1,559	1,590	1,620
SBU Plastics		1,299	1,353	1,724	1,950	2,009	2,069	2,131
Consolidation		16	17	20	20	20	20	20

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS



## One view I, 2008-14

IFRS (31.12.)		2008	2009	2010	2011	2012	2013	2014
<b>Key data</b>								
Sales	EUR mn	403.0	341.1	388.8	408.8	407.7	402.1	618.5
Gross profit	EUR mn	228.3	195.0	222.4	220.3	220.4	220.1	310.3
EBITDA	EUR mn	58.3	54.3	62.5	56.1	51.7	59.7	62.8
EBIT	EUR mn	38.6	34.4	41.6	35.0	29.7	37.0	27.6
EBT	EUR mn	15.8	17.6	32.0	22.9	21.2	28.0	22.3
Net income	EUR mn	6.7	9.4	21.8	12.4	14.8	22.0	18.5
Nr. of employees		2,194	1,678	1,990	2,050	1,994	2,114	2,682
<b>Per share data</b>								
Price high	EUR	27.87	20.93	27.63	29.70	22.43	24.00	31.45
Price low	EUR	8.04	5.89	14.53	15.27	15.23	15.32	22.27
Price average/last	EUR	18.06	11.71	17.77	22.83	18.07	17.77	26.69
Price average/last	EUR	9.00	19.13	27.63	15.88	15.69	23.05	24.00
EPS	EUR	0.61	0.83	1.96	1.13	1.36	1.86	1.19
BVPS	EUR	16.30	17.28	19.21	19.49	20.12	26.40	20.69
CFPS	EUR	3.45	6.32	2.73	3.40	5.00	4.66	3.50
Dividend	EUR	0.35	0.40	0.90	0.45	0.45	0.65	0.70
Price target	EUR							
Performance to price target	%							
<b>Profitability ratios (based on revenues)</b>								
EBITDA margin	%	14.5%	15.9%	16.1%	13.7%	12.7%	14.8%	10.2%
EBIT margin	%	9.6%	10.1%	10.7%	8.6%	7.3%	9.2%	4.5%
Pretax margin	%	3.9%	5.1%	8.2%	5.6%	5.2%	7.0%	3.6%
Net margin	%	1.7%	2.7%	5.6%	3.0%	3.6%	5.5%	3.0%
FCF margin	%	-0.9%	17.3%	4.1%	4.4%	8.7%	-17.1%	4.3%
ROE	%	3.7%	4.9%	10.2%	5.7%	6.6%	7.1%	5.8%
NWC/Sales	%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Revenues per head	EURk	184	203	195	199	204	190	231
EBIT per head	EURk	17.6	20.5	20.9	17.1	14.9	17.5	10.3
Capex/Sales	%	4.5%	3.3%	4.6%	4.2%	5.0%	27.1%	4.5%
<b>Growth ratios</b>								
Sales	%	-2.8%	-15.3%	14.0%	5.1%	-0.3%	-1.4%	53.8%
Gross profit	%	-4.8%	-14.6%	14.0%	-0.9%	0.0%	-0.1%	41.0%
EBITDA	%	-21.6%	-6.9%	15.2%	-10.3%	-7.9%	15.4%	5.3%
EBIT	%	-30.2%	-10.8%	20.9%	-15.9%	-15.3%	24.9%	-25.5%
EBT	%	-66.4%	11.3%	82.3%	-28.4%	-7.6%	32.1%	-20.5%
Net income	%	-78.9%	39.1%	132.7%	-43.1%	19.5%	48.5%	-15.8%
EPS	%	-78.8%	36.8%	134.9%	-42.5%	20.4%	37.0%	-35.9%
CFPS	%	-18.7%	83.1%	-56.8%	24.5%	47.2%	-6.8%	-24.8%
SOURCE: COMPANY DATA, SPHENE CAPITAL								

## One view I, 2015-21e

IFRS (31.12.)		2015	2016	2017	2018e	2019e	2020e	2021e
<b>Key data</b>								
Sales	EUR mn	638.4	639.8	689.7	737.5	755.9	772.9	788.4
Gross profit	EUR mn	319.7	324.6	357.9	380.1	392.3	404.8	413.2
EBITDA	EUR mn	65.0	74.3	83.1	90.6	98.9	108.2	114.0
EBIT	EUR mn	31.1	40.9	44.7	52.5	61.3	70.9	77.1
EBT	EUR mn	26.8	35.0	33.5	42.6	52.3	62.0	68.3
Net income	EUR mn	17.6	23.8	26.3	31.1	37.7	44.3	48.5
Nr. of employees		2,727	2,736	3,091	3,495	3,587	3,679	3,771
<b>Per share data</b>								
Price high	EUR	27.77	24.29	27.75	28.55			
Price low	EUR	17.04	17.60	22.40	24.25			
Price average/last	EUR	22.58	21.59	24.55	26.42			
Price average/last	EUR	21.67	23.67	26.90	23.95	23.95	23.95	23.95
EPS	EUR	1.14	1.54	1.69	1.83	2.20	2.58	2.82
BVPS	EUR	21.55	22.16	22.33	23.36	24.66	26.14	27.66
CFPS	EUR	4.46	3.76	5.35	4.96	5.48	5.97	6.31
Dividend	EUR	0.80	0.80	0.80	0.90	1.10	1.30	1.50
Price target	EUR							41.00
Performance to price target	%							52.4%
<b>Profitability ratios (based on revenues)</b>								
EBITDA margin	%	10.2%	11.6%	12.0%	12.3%	13.1%	14.0%	14.5%
EBIT margin	%	4.9%	6.4%	6.5%	7.1%	8.1%	9.2%	9.8%
Pretax margin	%	4.2%	5.5%	4.9%	5.8%	6.9%	8.0%	8.7%
Net margin	%	2.8%	3.7%	3.8%	4.2%	5.0%	5.7%	6.1%
FCF margin	%	6.4%	0.6%	-4.7%	5.6%	6.6%	7.4%	7.9%
ROE	%	5.3%	6.9%	7.5%	8.4%	9.6%	10.6%	10.8%
NWC/Sales	%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Revenues per head	EURk	234	234	223	211	211	210	209
EBIT per head	EURk	11.4	14.9	14.5	15.0	17.1	19.3	20.4
Capex/Sales	%	6.5%	5.3%	7.4%	4.5%	4.3%	4.2%	4.1%
<b>Growth ratios</b>								
Sales	%	3.2%	0.2%	7.8%	6.9%	2.5%	2.2%	2.0%
Gross profit	%	3.0%	1.5%	10.3%	6.2%	3.2%	3.2%	2.1%
EBITDA	%	3.4%	14.4%	11.8%	9.0%	9.2%	9.4%	5.4%
EBIT	%	12.7%	31.4%	9.3%	17.6%	16.6%	15.7%	8.7%
EBT	%	20.6%	30.5%	-4.3%	27.1%	22.8%	18.6%	10.1%
Net income	%	-4.9%	35.1%	10.7%	18.1%	21.2%	17.7%	9.3%
EPS	%	-4.0%	34.7%	9.7%	8.1%	20.3%	17.5%	9.2%
CFPS	%	27.5%	-15.6%	42.0%	-7.2%	10.5%	8.9%	5.6%
SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS								

## One view II, 2008-14

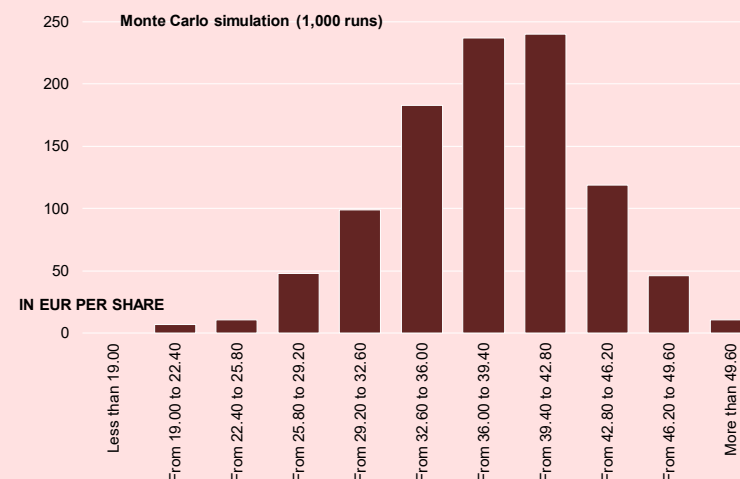
IFRS (31.12.)		2008	2009	2010	2011	2012	2013	2014
<b>Balance sheet ratios</b>								
Fixed assets	EUR mn	318.4	303.8	305.3	295.0	291.9	398.1	394.3
Current assets	EUR mn	171.7	177.9	176.3	187.1	175.3	228.0	242.4
Equity	EUR mn	180.5	191.8	213.4	216.5	223.2	311.0	321.1
Liabilities	EUR mn	309.6	289.9	268.1	265.6	244.1	315.1	315.6
Equity ratio	%	36.8%	39.8%	44.3%	44.9%	47.8%	49.7%	50.4%
Gearing	%	94.9%	64.0%	57.7%	58.1%	45.6%	48.6%	45.4%
Working Capital	EUR mn	75.9	52.3	77.3	82.0	76.3	120.4	126.9
<b>Enterprise Value</b>								
Nr. of shares	1,000	11,076	11,076	11,076	11,076	11,076	11,767	15,506
Market cap.	EUR mn	308.7	231.8	306.0	328.9	248.4	282.4	487.7
Market cap.	EUR mn	89.0	65.2	160.9	169.1	168.7	180.3	345.3
Market cap.	EUR mn	200.0	129.7	196.8	252.9	200.1	209.1	413.8
Market cap.	EUR mn	99.7	211.9	306.0	175.9	173.8	271.2	372.1
Net debt	EUR mn	171.3	122.8	123.2	125.8	101.8	151.2	145.8
Pension reserves	EUR mn	9.6	10.4	10.4	9.9	11.1	11.0	12.7
Minorities	EUR mn	0.0	0.4	0.7	0.6	0.3	0.3	0.3
Excess Cash	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EV high	EUR mn	489.5	365.5	440.3	465.2	361.7	444.9	646.6
EV low	EUR mn	269.9	198.9	295.2	305.4	282.0	342.8	504.2
EV average	EUR mn	380.9	263.3	331.1	389.1	313.4	371.6	572.8
Enterprise Value	EUR mn	280.5	345.5	440.3	312.1	287.0	433.8	531.0
<b>Valuation ratios</b>								
EV/sales high	x	1.21	1.07	1.13	1.14	0.89	1.11	1.05
EV/sales low	x	0.67	0.58	0.76	0.75	0.69	0.85	0.82
EV/sales average	x	0.95	0.77	0.85	0.95	0.77	0.92	0.93
EV/sales	x	0.70	1.01	1.13	0.76	0.70	1.08	0.86
EV/EBITDA high	x	8.4	6.7	7.0	8.3	7.0	7.5	10.3
EV/EBITDA low	x	4.6	3.7	4.7	5.4	5.5	5.7	8.0
EV/EBITDA average	x	6.5	4.8	5.3	6.9	6.1	6.2	9.1
EV/EBITDA	x	4.8	6.4	7.0	5.6	5.6	7.3	8.5
EV/EBIT last	x	7.3	10.0	10.6	8.9	9.7	11.7	19.2
P/E high	x	45.7	25.1	14.1	26.3	16.5	12.9	26.4
P/E low	x	13.2	7.1	7.4	13.5	11.2	8.2	18.7
P/E average	x	29.6	14.0	9.1	20.3	13.3	9.6	22.4
P/E last	x	14.8	22.9	14.1	14.1	11.6	12.4	20.2
P/BV last	x	0.6	1.1	1.4	0.8	0.8	0.9	1.2
P/CF last	x	5.2	1.9	6.5	6.7	3.6	3.8	7.6
FCF yield	%	-3.7%	27.8%	5.2%	10.3%	20.4%	-25.4%	7.2%
Dividend-yield	%	3.9%	2.1%	3.3%	2.8%	2.9%	2.8%	2.9%
<b>Cash flow</b>								
Cash flow from Operations	EUR mn	38.2	70.0	30.2	37.6	55.3	54.8	54.3
Cash flow from Investments	EUR mn	-41.9	-11.1	-14.5	-19.5	-20.0	-123.6	-27.4
Free Cash flow	EUR mn	-3.7	58.9	15.8	18.2	35.4	-68.8	26.9
Cash flow from Financing	EUR mn	-33.5	-34.8	-39.9	-14.1	-40.8	60.7	-35.5
SOURCE: COMPANY DATA, SPHENE CAPITAL								

## One view II, 2015-21e

IFRS (31.12.)		2015	2016	2017	2018e	2019e	2020e	2021e
<b>Balance sheet ratios</b>								
Fixed assets	EUR mn	404.5	412.6	516.4	514.7	513.5	512.7	512.0
Current assets	EUR mn	251.2	261.3	326.2	287.7	275.8	276.8	286.9
Equity	EUR mn	334.4	346.6	349.2	367.9	391.6	418.9	447.2
Liabilities	EUR mn	321.3	327.3	493.4	434.5	397.7	370.6	351.7
Equity ratio	%	51.0%	51.4%	41.4%	45.9%	49.6%	53.1%	56.0%
Gearing	%	37.9%	39.1%	54.4%	45.7%	35.5%	25.0%	15.3%
Working Capital	EUR mn	120.9	122.8	114.4	118.6	120.9	122.9	124.7
<b>Enterprise Value</b>								
Nr. of shares	1,000	15,506	15,506	15,506	15,506	15,506	15,506	15,506
Market cap.	EUR mn	430.6	376.6	430.3	442.7			
Market cap.	EUR mn	264.2	272.9	347.3	376.0			
Market cap.	EUR mn	350.1	334.8	380.7	409.7			
Market cap.	EUR mn	336.0	367.0	417.1	371.4	371.4	371.4	371.4
Net debt	EUR mn	126.6	135.6	189.9	168.1	138.9	104.9	68.6
Pension reserves	EUR mn	12.8	13.0	12.8	12.3	11.8	11.4	10.9
Minorities	EUR mn	0.2	3.0	2.9	5.7	9.3	13.6	18.4
Excess Cash	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EV high	EUR mn	570.2	528.2	636.0	628.8			
EV low	EUR mn	403.8	424.5	553.0	562.1			
EV average	EUR mn	489.7	486.4	586.3	595.8			
Enterprise Value	EUR mn	475.6	518.6	622.8	557.5	531.3	501.2	469.3
<b>Valuation ratios</b>								
EV/sales high	x	0.89	0.83	0.92	0.85	n/a	n/a	n/a
EV/sales low	x	0.63	0.66	0.80	0.76	n/a	n/a	n/a
EV/sales average	x	0.77	0.76	0.85	0.81	n/a	n/a	n/a
EV/sales	x	0.74	0.81	0.90	0.76	0.70	0.65	0.60
EV/EBITDA high	x	8.8	7.1	7.7	6.9	n/a	n/a	n/a
EV/EBITDA low	x	6.2	5.7	6.7	6.2	n/a	n/a	n/a
EV/EBITDA average	x	7.5	6.5	7.1	6.6	n/a	n/a	n/a
EV/EBITDA	x	7.3	7.0	7.5	6.2	5.4	4.6	4.1
EV/EBIT last	x	15.3	12.7	13.9	10.6	8.7	7.1	6.1
P/E high	x	24.3	15.8	16.4	15.6	n/a	n/a	n/a
P/E low	x	14.9	11.4	13.3	13.3	n/a	n/a	n/a
P/E average	x	19.8	14.0	14.5	14.5	n/a	n/a	n/a
P/E last	x	19.0	15.4	15.9	13.1	10.9	9.3	8.5
P/BV last	x	1.0	1.1	1.2	1.0	1.0	0.9	0.9
P/CF last	x	5.1	5.7	4.6	5.3	n/a	n/a	n/a
FCF yield	%	12.1%	1.1%	-7.8%	11.2%	13.3%	15.4%	16.9%
Dividend-yield	%	3.7%	3.4%	3.0%	3.8%	4.6%	5.4%	6.3%
<b>Cash flow</b>								
Cash flow from Operations	EUR mn	69.2	58.4	82.9	76.9	85.0	92.6	97.8
Cash flow from Investments	EUR mn	-28.5	-54.3	-115.5	-35.3	-35.5	-35.3	-35.1
Free Cash flow	EUR mn	40.7	4.0	-32.6	41.6	49.5	57.3	62.6
Cash flow from Financing	EUR mn	-17.7	-8.6	106.5	-88.2	-66.8	-61.2	-57.2
SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS								

## DCF model

		2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TV
<b>Revenues</b>	<b>EUR mn</b>	<b>737.5</b>	<b>755.9</b>	<b>772.9</b>	<b>788.4</b>	<b>803.4</b>	<b>817.3</b>	<b>829.6</b>	<b>840.1</b>	<b>848.9</b>	<b>856.2</b>	<b>862.6</b>	<b>868.3</b>	<b>873.8</b>	<b>879.1</b>	<b>884.4</b>	<b>889.7</b>
YoY	%	6.9%	2.5%	2.2%	2.0%	1.9%	1.7%	1.5%	1.3%	1.0%	0.9%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%
<b>EBIT</b>	<b>EUR mn</b>	<b>52.5</b>	<b>61.3</b>	<b>70.9</b>	<b>77.1</b>	<b>78.8</b>	<b>80.4</b>	<b>81.9</b>	<b>83.2</b>	<b>84.3</b>	<b>85.3</b>	<b>86.2</b>	<b>87.0</b>	<b>87.8</b>	<b>88.6</b>	<b>89.4</b>	<b>89.0</b>
EBIT margin	%	7.1%	8.1%	9.2%	9.8%	9.8%	9.8%	9.9%	9.9%	9.9%	10.0%	10.0%	10.0%	10.0%	10.1%	10.1%	10.0%
Taxes	EUR mn	-11.5	-14.6	-17.7	-19.8	-20.3	-20.9	-21.3	-21.8	-22.2	-22.6	-22.9	-23.3	-23.6	-23.9	-24.3	-24.9
<b>Tax rate (τ)</b>	<b>%</b>	<b>21.9%</b>	<b>23.9%</b>	<b>24.9%</b>	<b>25.7%</b>	<b>25.8%</b>	<b>25.9%</b>	<b>26.1%</b>	<b>26.2%</b>	<b>26.3%</b>	<b>26.5%</b>	<b>26.6%</b>	<b>26.7%</b>	<b>26.9%</b>	<b>27.0%</b>	<b>27.1%</b>	<b>28.0%</b>
Adjusted EBIT(1-τ)	<b>EUR mn</b>	<b>41.0</b>	<b>46.6</b>	<b>53.2</b>	<b>57.3</b>	<b>58.5</b>	<b>59.5</b>	<b>60.5</b>	<b>61.4</b>	<b>62.1</b>	<b>62.7</b>	<b>63.2</b>	<b>63.7</b>	<b>64.2</b>	<b>64.7</b>	<b>65.1</b>	<b>64.1</b>
Reinvestments	EUR mn	-39.5	-37.7	-37.3	-36.9	-30.8	-25.2	-20.4	-16.4	-13.3	-10.9	-9.4	-8.5	-8.0	-7.8	-7.8	-6.9
<b>FCFF</b>	<b>EUR mn</b>	<b>1.5</b>	<b>8.9</b>	<b>15.9</b>	<b>20.4</b>	<b>27.7</b>	<b>34.4</b>	<b>40.1</b>	<b>45.0</b>	<b>48.8</b>	<b>51.8</b>	<b>53.9</b>	<b>55.3</b>	<b>56.2</b>	<b>56.9</b>	<b>57.4</b>	<b>57.2</b>
WACC	%	3.7%	3.7%	3.7%	3.7%	3.9%	4.1%	4.3%	4.5%	4.7%	4.8%	5.0%	5.2%	5.4%	5.6%	5.6%	
Discount factor	%	100.0%	96.4%	93.0%	89.6%	86.2%	82.8%	79.4%	76.0%	72.7%	69.3%	66.0%	62.7%	59.5%	56.3%	53.3%	
<b>Present value of free cash flows</b>	<b>EUR mn</b>	<b>1.5</b>	<b>8.6</b>	<b>14.8</b>	<b>18.3</b>	<b>23.9</b>	<b>28.5</b>	<b>31.9</b>	<b>34.2</b>	<b>35.5</b>	<b>35.9</b>	<b>35.5</b>	<b>34.7</b>	<b>33.4</b>	<b>32.0</b>	<b>30.6</b>	
TV insolvency rate	%	2.0%															
Terminal Cost of capital	EUR mn	5.6%															
Present terminal Value	EUR mn	427.1															
in % of enterprise value	%	51.7%															
Present value detailed planning phase	EUR mn	43.1															
in % of enterprise value	%	5.2%															
Present value rough planning phase	EUR mn	356.0															
in % of enterprise value	%	43.1%															
<b>Enterprise value</b>	<b>EUR mn</b>	<b>826.2</b>															
Financial debt	EUR mn	-323.3															
Excess cash	EUR mn	133.4															
<b>Value of equity</b>	<b>EUR mn</b>	<b>636.2</b>															
Number of shares outstanding	mn	15.5															
<b>Value of equity per share</b>	<b>EUR</b>	<b>41.00</b>															



SOURCE: SPHENE CAPITAL FORECASTS

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10 07 2018/13:00 h	EUR 41.00/EUR 23.85	Buy, 12 months	1; 2; 8

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This report has been finalized on 10 July 2018 at 12:50 h. Last price at the time of completion EUR 23.85.