

Buy (old: Buy)

Price target: EUR 33.00 (old: EUR 33.00)

Price:	EUR 26.95	Next result:	Q2: 14-Aug-18
Bloomberg:	SUR@GR	Market cap:	EUR 417.9 m
Reuters:	SURG.DE	Enterprise Value:	EUR 631.8 m

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Margin increase despite USD/input costs

Yesterday, **Surteco reported strong Q1 results** (see table next page) **supporting our investment case**. After the integration of Süddekor which took longer and was more expensive, Surteco is back on the growth path – top and bottom line. Two acquisitions were successfully executed thereafter and margins are continuously rising. We think EBITDA margins can reach 15% in 2020 and do not rule out further acquisitions (not included in model).

Strong organic growth - Q1 sales increased by 10% yoy. The acquisition Probos contributed estimated €17m which points to flat organic growth. However, **adjusted for FX effects** (USD accounts for 20% of sales; mostly translation effect) **Surteco posted organic growth of 3%**.

Much improved profitability despite rising material costs thanks to higher profitability of consolidated Probos and company strategy to give up low margin business (eg. Impregnates). The gross profit margin fell 100 bps yoy due to higher prices for cellulose and titanium dioxide (used for technical raw paper production) and the prices for virtually all chemical additives also increased significantly. Nevertheless, **Q1 EBITDA margin increased 100 bps benefitting** from disproportionately rising other costs and higher profitability of consolidated Probos.

The **operating cash flow declined** from €16.8m to - €3.7m due to rising trade accounts receivable **which however is exclusively attributable to much reduced factoring given the strong cash position of the company**. Factoring still accounted for some € 20m at the end of December 2017.

The 2018 guidance for €725-750m sales and € 49-53m EBIT assuming low organic growth in paper and consolidation effects from Probos (H&Ae: €34m) was confirmed.

Cheap stock: Surteco is trading at a 2019 P/E of 9x for an EPS CAGR2017-20E of 18% with a solid outlook and well-defended market position. The company is to change the organisational structure from product orientation to industry solutions to exploit cross-product selling by industry (matrix organisation) and to implement a one-stop-shop concept by consolidating subsidiaries. Strategy 2025+ targets additional sales and EBITDA of € 50-100m and € 7.5-15m, respectively, at low costs. - *continued* -



Source: Company data, Hauck & Aufhäuser

High/low 52 weeks: 28.55 / 23.00
Price/Book Ratio: 1.2
Relative performance (SDAX):
3 months -4.5 %
6 months 1.9 %
12 months 0.4 %

Changes in estimates

		Sales	EBIT	EPS
2018	old:	731.4	52.8	2.35
	Δ	-	-3.0%	0.3%
2019	old:	746.0	61.3	2.83
	Δ	-	-1.9%	-0.4%
2020	old:	-	-	-
	Δ	-	-	-

Key share data:

Number of shares: (in m pcs) 15.5
Authorised capital: (in € m) 7.7
Book value per share: (in €) 23.4
Ø trading volume: (12 months) 12,917

Major shareholders:

Founding families 55.5 %
Free float 44.5 %

Company description:

Leading global manufacturer of decorative surface coatings (i.e. edgebandings, finish foils) processed mainly by the flooring, wood-based and furniture industry.

Y/E 31.12 (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Sales	618.5	638.4	639.8	689.7	731.4	746.0	757.2
Sales growth	54 %	3 %	0 %	8 %	6 %	2 %	2 %
EBITDA	62.8	65.0	74.3	83.1	95.2	104.1	113.6
EBIT	27.6	31.1	40.9	44.7	51.2	60.1	71.4
Net income	18.4	17.7	23.9	26.3	31.6	38.8	48.3
Net debt	145.8	126.6	135.6	189.9	200.3	171.7	138.8
Net gearing	45.5 %	37.9 %	39.5 %	54.8 %	55.3 %	44.7 %	33.7 %
Net Debt/EBITDA	2.3	1.9	1.8	2.3	2.1	1.6	1.2
EPS pro forma*	1.73	1.62	1.64	2.08	2.36	2.82	3.43
CPS	1.70	2.74	2.03	3.52	1.33	3.88	4.41
DPS	0.70	0.80	0.80	0.80	1.02	1.25	1.56
Dividend yield	2.6 %	3.0 %	3.0 %	3.0 %	3.8 %	4.6 %	5.8 %
Gross profit margin	49.4 %	49.8 %	50.0 %	51.6 %	52.2 %	52.4 %	52.3 %
EBITDA margin	10.2 %	10.2 %	11.6 %	12.0 %	13.0 %	14.0 %	15.0 %
EBIT margin	4.5 %	4.9 %	6.4 %	6.5 %	7.0 %	8.1 %	9.4 %
ROCE	5.2 %	5.7 %	7.4 %	7.2 %	7.3 %	8.7 %	10.2 %
EV/sales	0.9	0.9	0.9	0.9	0.9	0.8	0.8
EV/EBITDA	9.2	8.6	7.6	7.5	6.6	5.8	5.0
EV/EBIT	20.9	17.9	13.9	13.9	12.3	10.0	8.0
PER	15.6	16.6	16.4	12.9	11.4	9.6	7.8
Adjusted FCF yield	6.8 %	6.4 %	7.6 %	8.9 %	10.3 %	11.9 %	13.8 %

Source: Company data, Hauck & Aufhäuser Close price as of: 15.05.2018; adjusted for PPA

Q4 Table

SURTECO AG (mill. EUR)	Q1-17	2017	Q1-18	2018E	Q1-18E
Paper	97.0	368.0	95.8	375.4	97.9
yoy	-9.2%	-4.5%	-1.2%	2.0%	1.0%
Plastics	72.8	321.7	90.9	356.0	89.0
yoy	14.7%	26.5%	24.9%	10.7%	22.3%
Sales	169.7	689.7	186.7	731.4	186.9
yoy	-0.3%	7.8%	10.1%	6.1%	10.2%
qoq	14.0%		7.8%		7.8%
Gross profit*	88.0	357.9	96.1	383.6	95.3
Gross profit margin	52.2%	51.6%	51.2%	52.2%	50.7%
EBITDA	19.6	83.1	23.5	95.2	23.3
EBITDA margin	11.5%	12.0%	12.6%	13.0%	12.5%
EBIT	10.7	44.7	13.4	51.2	12.3
EBIT margin	6.3%	6.5%	7.2%	7.0%	6.6%
Net profit	6.2	26.3	8.0	31.6	7.2
Net profit margin	3.6%	3.8%	4.3%	4.3%	3.8%
EPS reported (in EUR)	0.40	1.70	0.51	2.04	0.46

Source: Company data; Hauck & Aufhäuser

*due to total cost accounting gross margin is based on cost of materials less changes in inventories.

No consensus available.

We have slightly changed our estimates factoring in the publication of the annual report 2017 in April and the disclosed PPA for Probos which lowers EBIT but increases adj EPS (adj for PPA) in 2018.

Why do we like the company?

Well-defended market position: Surteco is the leading supplier of coating materials for the furniture and woodworking industry. The group's product range includes edgebandings and foils, as well as plastic components for interior decoration. Due to the high replacement value of its design portfolio and its market power as a supplier of very high value add at low cost, Surteco has a well-defended market position.

Highest level of synergies: The acquisition of Süddekor in 2013 manifested Surteco's position as the only one-stop shop globally for products ranging from decor prints to edgebandings and foils made of paper and plastics, further enhancing economies of scale and raising barriers to market entry yet higher. The current set-up should enable Surteco to exploit the highest level of synergies (ie using the same machines, and selling to the same customers in the above-mentioned end-markets), boosting EBITDA margins to 15% in 2020.

Back on the growth path: After the successful integration of Süddekor in the paper division, the largest acquisition in company history, Surteco showed yoy organic growth of 2% in the paper unit in H2 for the first time in more than a year due to normalized capacity utilization after the relocation of Süddekor's decor printing activities to Surteco's site. The company also turned to acquisition mode again adding two companies to the plastics unit in 2016/2017 or additional sales close to € 90m: British Nenplas and Portuguese Probos Group. Overall, Surteco has a spotless 20-year track record of consolidating the industry.

Financials

Profit and loss (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Net sales	618.5	638.4	639.8	689.7	731.4	746.0	757.2
<i>Sales growth</i>	53.8 %	3.2 %	0.2 %	7.8 %	6.1 %	2.0 %	1.5 %
Increase/decrease in finished goods and work-in-process	9.0	4.0	9.3	3.2	4.0	4.1	4.2
Total sales	627.5	642.4	649.1	692.9	735.4	750.1	761.4
Other operating income	5.3	7.5	6.5	4.5	4.8	4.9	5.0
Material expenses	317.2	322.7	324.6	335.0	351.8	357.3	363.5
Personnel expenses	159.8	161.9	158.0	174.5	182.9	185.8	186.3
Other operating expenses	92.9	100.2	98.7	104.8	110.4	107.8	103.0
Total operating expenses	564.6	577.4	574.8	609.8	640.2	646.0	647.8
EBITDA	62.8	65.0	74.3	83.1	95.2	104.1	113.6
Depreciation	28.6	28.1	27.5	29.8	31.9	32.5	32.6
EBITA	34.2	36.8	46.8	53.3	63.3	71.7	81.0
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	6.6	5.7	6.0	8.7	12.1	11.5	9.6
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	27.6	31.1	40.9	44.7	51.2	60.1	71.4
Interest income	0.7	0.9	0.7	0.6	0.9	0.7	0.7
Interest expenses	10.4	9.2	8.8	8.4	8.7	7.6	5.9
Other financial result	4.3	4.0	2.3	-3.4	0.0	0.0	0.0
Financial result	-5.4	-4.3	-5.8	-11.2	-7.9	-6.9	-5.2
Recurring pretax income from continuing operations	22.2	26.8	35.0	33.5	43.3	53.2	66.2
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	22.2	26.8	35.0	33.5	43.3	53.2	66.2
Taxes	3.8	9.2	11.3	7.2	11.7	14.4	17.9
Net income from continuing operations	18.4	17.6	23.7	26.3	31.6	38.8	48.3
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	18.4	17.6	23.8	26.3	31.6	38.8	48.3
Minority interest	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
Net income (net of minority interest)	18.4	17.7	23.9	26.3	31.6	38.8	48.3
Average number of shares	15.5	15.5	15.5	15.5	15.5	15.5	15.5
EPS reported	1.19	1.14	1.54	1.70	2.04	2.50	3.12

Profit and loss (common size)	2014	2015	2016	2017	2018E	2019E	2020E
Net sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Increase/decrease in finished goods and work-in-process	1.5 %	0.6 %	1.5 %	0.5 %	0.6 %	0.6 %	0.6 %
Total sales	101.5 %	100.6 %	101.5 %	100.5 %	100.6 %	100.6 %	100.6 %
Other operating income	0.9 %	1.2 %	1.0 %	0.7 %	0.7 %	0.7 %	0.7 %
Material expenses	51.3 %	50.5 %	50.7 %	48.6 %	48.1 %	47.9 %	48.0 %
Personnel expenses	25.8 %	25.4 %	24.7 %	25.3 %	25.0 %	24.9 %	24.6 %
Other operating expenses	15.0 %	15.7 %	15.4 %	15.2 %	15.1 %	14.5 %	13.6 %
Total operating expenses	91.3 %	90.4 %	89.8 %	88.4 %	87.5 %	86.6 %	85.5 %
EBITDA	10.2 %	10.2 %	11.6 %	12.0 %	13.0 %	14.0 %	15.0 %
Depreciation	4.6 %	4.4 %	4.3 %	4.3 %	4.4 %	4.4 %	4.3 %
EBITA	5.5 %	5.8 %	7.3 %	7.7 %	8.7 %	9.6 %	10.7 %
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	1.1 %	0.9 %	0.9 %	1.3 %	1.7 %	1.5 %	1.3 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT	4.5 %	4.9 %	6.4 %	6.5 %	7.0 %	8.1 %	9.4 %
Interest income	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %
Interest expenses	1.7 %	1.4 %	1.4 %	1.2 %	1.2 %	1.0 %	0.8 %
Other financial result	0.7 %	0.6 %	0.4 %	-0.5 %	0.0 %	0.0 %	0.0 %
Financial result	-0.9 %	-0.7 %	-0.9 %	-1.6 %	-1.1 %	-0.9 %	-0.7 %
Recurring pretax income from continuing operations	3.6 %	4.2 %	5.5 %	4.9 %	5.9 %	7.1 %	8.7 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	3.6 %	4.2 %	5.5 %	4.9 %	5.9 %	7.1 %	8.7 %
Tax rate	16.9 %	34.5 %	32.3 %	21.4 %	27.0 %	27.0 %	27.0 %
Net income from continuing operations	3.0 %	2.8 %	3.7 %	3.8 %	4.3 %	5.2 %	6.4 %
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	3.0 %	2.8 %	3.7 %	3.8 %	4.3 %	5.2 %	6.4 %
Minority interest	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income (net of minority interest)	3.0 %	2.8 %	3.7 %	3.8 %	4.3 %	5.2 %	6.4 %

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Intangible assets	137.1	133.6	152.9	230.0	219.9	210.4	202.9
Property, plant and equipment	237.2	244.9	245.6	258.2	262.9	264.0	265.5
Financial assets	3.6	3.3	1.7	2.8	2.8	2.8	2.8
FIXED ASSETS	377.8	381.8	400.3	491.0	485.6	477.2	471.2
Inventories	110.6	113.3	119.6	119.7	127.0	129.5	131.5
Accounts receivable	61.7	56.4	52.1	57.8	90.2	92.0	93.4
Other current assets	35.5	30.4	35.0	21.6	22.9	23.4	23.8
Liquid assets	43.1	65.7	60.4	133.4	123.0	91.7	124.5
Deferred taxes	8.0	8.2	6.5	19.0	20.2	20.6	20.9
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	258.8	273.9	273.6	351.6	383.3	357.1	394.0
TOTAL ASSETS	636.7	655.7	673.9	842.6	868.9	834.3	865.2
SHAREHOLDERS EQUITY	320.8	334.2	343.6	346.3	362.1	383.9	411.9
MINORITY INTEREST	0.3	0.2	3.0	2.9	3.1	3.2	3.2
Long-term debt	183.3	187.3	123.6	317.7	317.7	257.7	257.7
Provisions for pensions and similar obligations	12.7	12.8	13.0	12.8	13.6	13.9	14.1
Other provisions	12.1	8.2	3.6	4.0	4.2	4.3	4.4
Non-current liabilities	208.1	208.2	140.2	334.4	335.5	275.8	276.1
short-term liabilities to banks	5.6	5.0	72.4	5.7	5.7	5.7	5.7
Accounts payable	45.4	48.7	48.9	63.2	67.0	68.3	69.4
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	28.6	30.6	31.2	38.0	40.3	41.2	41.8
Deferred taxes	27.9	28.8	34.6	52.0	55.2	56.3	57.1
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	107.4	113.1	187.1	158.9	168.2	171.4	173.9
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	636.7	655.7	673.9	842.6	868.9	834.3	865.2

Balance sheet (common size)	2014	2015	2016	2017	2018E	2019E	2020E
Intangible assets	21.5 %	20.4 %	22.7 %	27.3 %	25.3 %	25.2 %	23.4 %
Property, plant and equipment	37.3 %	37.4 %	36.4 %	30.6 %	30.3 %	31.6 %	30.7 %
Financial assets	0.6 %	0.5 %	0.3 %	0.3 %	0.3 %	0.3 %	0.3 %
FIXED ASSETS	59.3 %	58.2 %	59.4 %	58.3 %	55.9 %	57.2 %	54.5 %
Inventories	17.4 %	17.3 %	17.7 %	14.2 %	14.6 %	15.5 %	15.2 %
Accounts receivable	9.7 %	8.6 %	7.7 %	6.9 %	10.4 %	11.0 %	10.8 %
Other current assets	5.6 %	4.6 %	5.2 %	2.6 %	2.6 %	2.8 %	2.7 %
Liquid assets	6.8 %	10.0 %	9.0 %	15.8 %	14.2 %	11.0 %	14.4 %
Deferred taxes	1.2 %	1.3 %	1.0 %	2.3 %	2.3 %	2.5 %	2.4 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
CURRENT ASSETS	40.7 %	41.8 %	40.6 %	41.7 %	44.1 %	42.8 %	45.5 %
TOTAL ASSETS	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
SHAREHOLDERS EQUITY	50.4 %	51.0 %	51.0 %	41.1 %	41.7 %	46.0 %	47.6 %
MINORITY INTEREST	0.1 %	0.0 %	0.4 %	0.3 %	0.4 %	0.4 %	0.4 %
Long-term debt	28.8 %	28.6 %	18.3 %	37.7 %	36.6 %	30.9 %	29.8 %
Provisions for pensions and similar obligations	2.0 %	1.9 %	1.9 %	1.5 %	1.6 %	1.7 %	1.6 %
Other provisions	1.9 %	1.3 %	0.5 %	0.5 %	0.5 %	0.5 %	0.5 %
Non-current liabilities	32.7 %	31.8 %	20.8 %	39.7 %	38.6 %	33.1 %	31.9 %
short-term liabilities to banks	0.9 %	0.8 %	10.7 %	0.7 %	0.7 %	0.7 %	0.7 %
Accounts payable	7.1 %	7.4 %	7.3 %	7.5 %	7.7 %	8.2 %	8.0 %
Advance payments received on orders	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other liabilities (incl. from lease and rental contracts)	4.5 %	4.7 %	4.6 %	4.5 %	4.6 %	4.9 %	4.8 %
Deferred taxes	4.4 %	4.4 %	5.1 %	6.2 %	6.4 %	6.7 %	6.6 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Current liabilities	16.9 %	17.2 %	27.8 %	18.9 %	19.4 %	20.5 %	20.1 %
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Net profit/loss	12.5	22.2	32.4	24.3	31.6	38.8	48.3
Depreciation of fixed assets (incl. leases)	28.6	28.1	27.5	29.8	31.9	32.5	32.6
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	6.6	5.7	6.0	8.7	12.1	11.5	9.6
Others	-2.2	-7.2	0.3	-10.0	0.8	0.3	0.2
Cash flow from operations before changes in w/c	45.5	48.9	66.1	52.8	76.4	83.1	90.7
Increase/decrease in inventory	-5.2	-5.4	-5.1	-0.1	-7.2	-2.5	-1.9
Increase/decrease in accounts receivable	-5.5	3.6	7.7	-5.9	-32.3	-1.8	-1.4
Increase/decrease in accounts payable	6.1	6.9	-1.2	14.3	3.8	1.3	1.0
Increase/decrease in other working capital positions	5.4	8.5	-16.1	13.4	0.0	0.0	0.0
Increase/decrease in working capital	0.9	13.6	-14.7	21.7	-35.8	-3.0	-2.3
Cash flow from operating activities	46.4	62.5	51.4	74.6	40.6	80.1	88.4
CAPEX	29.2	31.6	34.5	42.7	38.6	35.6	36.2
Payments for acquisitions	0.0	0.0	21.4	74.1	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	1.8	3.2	1.5	1.4	0.0	0.0	0.0
Cash flow from investing activities	-27.4	-28.5	-54.3	-115.5	-38.6	-35.6	-36.2
Cash flow before financing	19.0	34.0	-3.0	-40.9	2.0	44.5	52.3
Increase/decrease in debt position	-17.5	-0.2	10.7	127.3	0.0	-60.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	10.1	10.9	12.4	12.4	12.4	15.8	19.4
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.6	-0.5	-0.7	-1.0	0.0	0.0	0.0
Cash flow from financing activities	-27.6	-11.1	-1.7	114.9	-12.4	-75.8	-19.4
Increase/decrease in liquid assets	-8.0	22.5	-5.4	73.0	-10.4	-31.3	32.9
Liquid assets at end of period	43.1	65.7	60.4	133.4	123.0	91.7	124.5

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Domestic	178.1	183.2	183.0	175.7	186.3	190.0	192.9
yoy change	47.3 %	2.9 %	-0.1 %	-4.0 %	6.1 %	2.0 %	1.5 %
Rest of Europe	289.4	299.4	300.7	315.2	334.3	341.0	346.1
yoy change	59.5 %	3.4 %	0.4 %	4.8 %	6.1 %	2.0 %	1.5 %
NAFTA	102.0	105.3	106.2	140.7	149.2	152.2	154.5
yoy change	67.8 %	3.2 %	0.8 %	32.5 %	6.1 %	2.0 %	1.5 %
Asia Pacific	43.9	47.9	48.6	52.2	55.3	56.4	57.3
yoy change	17.5 %	9.0 %	1.6 %	7.3 %	6.1 %	2.0 %	1.5 %
Rest of world	4.9	2.6	1.3	5.9	6.3	6.4	6.5
yoy change	43.7 %	-48.4 %	-49.9 %	361.6 %	6.1 %	2.0 %	1.5 %
TTL	618.5	638.4	639.8	689.7	731.4	746.0	757.2
yoy change	53.1 %	3.2 %	0.2 %	7.8 %	6.1 %	2.0 %	1.5 %

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
P&L growth analysis							
Sales growth	53.8 %	3.2 %	0.2 %	7.8 %	6.1 %	2.0 %	1.5 %
EBITDA growth	5.3 %	3.4 %	14.4 %	11.8 %	14.6 %	9.4 %	19.4 %
EBIT growth	-25.4 %	12.7 %	31.4 %	9.3 %	14.6 %	17.4 %	39.5 %
EPS growth	-35.9 %	-3.9 %	35.1 %	10.2 %	20.1 %	22.8 %	52.9 %
Efficiency							
Total operating costs / sales	91.3 %	90.4 %	89.8 %	88.4 %	87.5 %	86.6 %	85.5 %
Sales per employee	235.3	234.1	233.8	223.1	233.1	234.3	234.3
EBITDA per employee	23.9	23.8	27.2	26.9	30.3	32.7	35.2
Balance sheet analysis							
Avg. working capital / sales	20.0 %	19.4 %	19.0 %	17.2 %	18.1 %	20.3 %	20.2 %
Inventory turnover (sales/inventory)	5.6	5.6	5.3	5.8	5.8	5.8	5.8
Trade debtors in days of sales	36.4	32.2	29.7	30.6	45.0	45.0	45.0
A/P turnover [(A/P*365)/sales]	26.8	27.9	27.9	33.4	33.4	33.4	33.4
Cash conversion cycle (days)	111.5	105.2	109.2	92.2	107.2	107.5	107.4
Cash flow analysis							
Free cash flow	17.2	30.9	16.9	31.8	2.0	44.5	52.3
Free cash flow/sales	2.8 %	4.8 %	2.6 %	4.6 %	0.3 %	6.0 %	6.9 %
FCF / net profit	93.4 %	174.5 %	70.7 %	121.0 %	6.5 %	114.5 %	108.2 %
Capex / deprec	82.9 %	93.4 %	103.0 %	111.0 %	87.7 %	81.0 %	85.7 %
Capex / maintenance capex	133.7 %	148.4 %	157.5 %	204.0 %	182.9 %	167.9 %	170.4 %
Capex / sales	4.7 %	5.0 %	5.4 %	6.2 %	5.3 %	4.8 %	4.8 %
Security							
Net debt	145.8	126.6	135.6	189.9	200.3	171.7	138.8
Net Debt/EBITDA	2.3	1.9	1.8	2.3	2.1	1.6	1.2
Net debt / equity	0.5	0.4	0.4	0.5	0.6	0.4	0.3
Interest cover	2.7	3.4	4.6	5.3	5.9	7.9	12.1
Dividend payout ratio	58.9 %	70.1 %	51.9 %	47.1 %	50.0 %	50.0 %	50.0 %
Asset utilisation							
Capital employed turnover	1.2	1.2	1.1	1.0	1.0	1.1	1.1
Operating assets turnover	1.7	1.7	1.7	1.9	1.8	1.8	1.8
Plant turnover	2.6	2.6	2.6	2.7	2.8	2.8	2.9
Inventory turnover (sales/inventory)	5.6	5.6	5.3	5.8	5.8	5.8	5.8
Returns							
ROCE	5.2 %	5.7 %	7.4 %	7.2 %	7.3 %	8.7 %	10.2 %
ROE	5.7 %	5.3 %	7.0 %	7.6 %	8.7 %	10.1 %	11.7 %
Other							
Interest paid / avg. debt	5.3 %	4.8 %	4.5 %	3.2 %	2.7 %	2.6 %	2.0 %
No. employees (average)	2628	2727	2736	3091	3137	3184	3232
Number of shares	15.5	15.5	15.5	15.5	15.5	15.5	15.5
DPS	0.7	0.8	0.8	0.8	1.0	1.3	1.6
EPS reported	1.19	1.14	1.54	1.70	2.04	2.50	3.12
Valuation ratios							
P/BV	1.3	1.3	1.2	1.2	1.2	1.1	1.0
EV/sales	0.9	0.9	0.9	0.9	0.9	0.8	0.8
EV/EBITDA	9.2	8.6	7.6	7.5	6.6	5.8	5.0
EV/EBITA	16.8	15.1	12.1	11.6	10.0	8.4	7.0
EV/EBIT	20.9	17.9	13.9	13.9	12.3	10.0	8.0
EV/FCF	33.5	18.0	33.5	19.5	309.5	13.6	10.9
Adjusted FCF yield	6.8 %	6.4 %	7.6 %	8.9 %	10.3 %	11.9 %	13.8 %
Dividend yield	2.6 %	3.0 %	3.0 %	3.0 %	3.8 %	4.6 %	5.8 %

Source: Company data, Hauck & Aufhäuser

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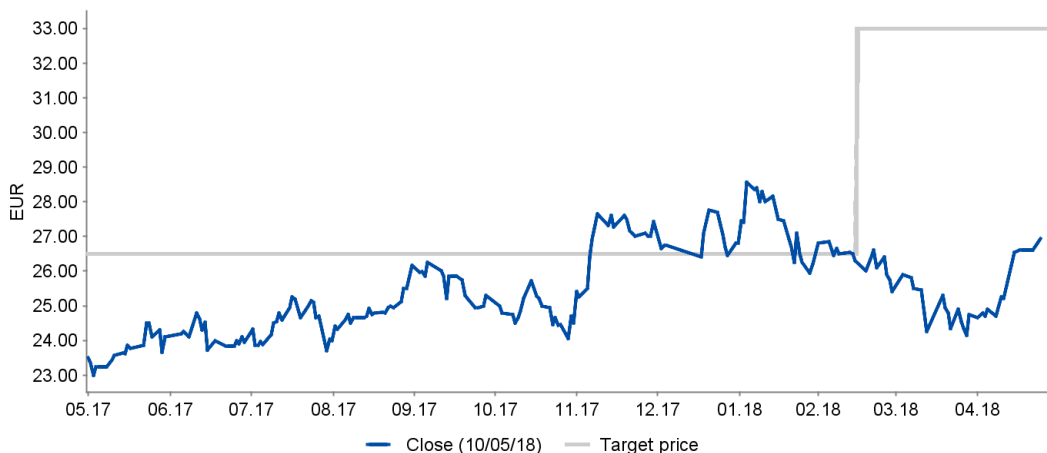
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Company	Disclosure
Surteco SE	

Historical target price and rating changes for Surteco SE in the last 12 months

**Price and Rating History
Surteco SE as of 15/05/18**

Initiation coverage
02-March-15



Company	Date	Analyst	Rating	Target price	Close
Surteco SE	02.03.2018	Cohrs, CFA, Gunnar	Buy	EUR 33,00	EUR 26,30

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