

Buy (old: Buy)

Price target: EUR 33.00 (old: EUR 33.00)

Price:	EUR 21.85	Next result:	14-November-18
Bloomberg:	SUR@GR	Market cap:	EUR 338.8 m
Reuters:	SURG.DE	Enterprise Value:	EUR 551.0 m

15-August-18

Gunnar Cohrs, CFA
Analyst

gunnar.cohrs@ha-ib.de
Tel.: +49 40 414388 586

Profit warning ahead of Q2; lowered estimates

The company published preliminary results and an adjusted guidance for FY2018 last Friday ahead of Q2 results which as scheduled were published on 14 August.

The profit warning was triggered by a weakening demand which the company experienced across all customer industries, ie kitchen producers, furniture industry and flooring. While this had only a minor sales impact in Q2, sales are expected to slow down in the following quarters. Last Friday, **management lowered the sales target of € 725-750m (H&Ae old: € 731m) to uncertain and the EBIT guidance was revised downwards to be in the range of slightly to significantly below € 49m (H&Ae old: € 51.2m)**, in particular due to high raw material prices but also FX headwinds (20% of sales are generated in the US but only translational effect). Generally, Surteco's visibility on the order book is low as customers tend to order short-term. The general economic development serves as a good indicator of Surteco's sales as it affects the end-consumers' decision to buy major-value assets like furniture.

On 14 August, Surteco published Q2 results (see table next page). Q2 sales grew 9% to €178.5m, adj for FX and the Probos acquisition sales were flat yoy. EBIT grew by 18% yoy to € 10.1m but predominantly due to the highly profitable Probos acquisition. The **paper unit declined organically yoy reflecting the product mix of lower margin products** (in particular foils) **and the sustained trend towards solid-colour decors** where value creation of Surteco is less. This also negatively impacted segment EBIT margins which fell from 6.0% to 4.3%. Plastics posted a slight organic growth and margins were stable. Generally, weakening demand should ease pressure from material costs with a time lag (as fewer material is needed), in particular in paper where suppliers need to operate at high capacity utilization, ie they accept lower prices to maintain high volumes.

We adjusted our estimates to reflect the new guidance but leave our long-term estimates and EBITDA margin of 15% unchanged which leads to an unchanged PT of € 33 based on DCF. Admittedly, we do not see any short-term trigger for the stock apart from the low valuation and attractive dividend yield. Buy.

Y/E 31.12 (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Sales	618.5	638.4	639.8	689.7	705.0	719.1	729.9
Sales growth	54 %	3 %	0 %	8 %	2 %	2 %	1 %
EBITDA	62.8	65.0	74.3	83.1	87.0	93.5	102.2
EBIT	27.6	31.1	40.9	44.7	45.0	49.4	60.1
Net income	18.4	17.7	23.9	26.3	27.1	31.0	40.1
Net debt	145.8	126.6	135.6	189.9	199.1	173.4	142.7
Net gearing	45.5 %	37.9 %	39.5 %	54.8 %	55.1 %	45.8 %	35.4 %
Net Debt/EBITDA	2.3	1.9	1.8	2.3	2.3	1.9	1.4
EPS pro forma	1.73	1.62	1.64	2.08	2.06	2.32	2.90
CPS	1.70	2.74	2.03	3.52	1.23	3.39	3.88
DPS	0.70	0.80	0.80	0.80	0.87	1.00	1.29
Dividend yield	3.2 %	3.7 %	3.7 %	3.7 %	4.0 %	4.6 %	5.9 %
Gross profit margin	49.4 %	49.8 %	50.0 %	51.6 %	51.2 %	51.8 %	51.8 %
EBITDA margin	10.2 %	10.2 %	11.6 %	12.0 %	12.3 %	13.0 %	14.0 %
EBIT margin	4.5 %	4.9 %	6.4 %	6.5 %	6.4 %	6.9 %	8.2 %
ROCE	5.2 %	5.7 %	7.4 %	7.2 %	6.5 %	7.2 %	8.6 %
EV/sales	0.8	0.7	0.8	0.8	0.8	0.7	0.7
EV/EBITDA	7.9	7.4	6.6	6.5	6.3	5.6	4.8
EV/EBIT	18.0	15.4	11.9	12.1	12.2	10.6	8.2
PER	12.6	13.5	13.3	10.5	10.6	9.4	7.5
Adjusted FCF yield	7.9 %	7.5 %	8.8 %	10.2 %	10.6 %	12.2 %	14.1 %

Source: Company data, Hauck & Aufhäuser Close price as of: 14.08.2018



Source: Company data, Hauck & Aufhäuser

High/low 52 weeks: 28.55 / 21.30

Price/Book Ratio: 0.9

Relative performance (SDAX):

3 months -15.9 %

6 months -19.8 %

12 months -15.7 %

Changes in estimates

		Sales	EBIT	EPS
2018	old:	731.4	51.2	2.36
	Δ	-3.6%	-12.1%	-12.4%
2019	old:	746.0	60.1	2.82
	Δ	-3.6%	-17.7%	-17.8%
2020	old:	757.2	71.4	3.43
	Δ	-3.6%	-15.8%	-15.5%

Key share data:

Number of shares: (in m pcs) 15.5

Authorised capital: (in € m) 7.7

Book value per share: (in €) 23.3

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.

SURTECO AG (mill. EUR)	Q1-17	Q2-17	H1-17	2017	Q1-18	Q2-18	H1-18
Paper	97.0	91.2	188.2	368.0	95.8	88.8	184.6
yoy	-9.2%	-10.8%	-10.0%	-4.5%	-1.2%	-2.6%	-1.9%
qoq		-6.0%			9.4%	-7.3%	
Plastics	72.8	73.1	145.9	321.7	90.9	89.7	180.6
yoy	14.7%	12.1%	13.4%	26.5%	24.9%	22.6%	23.8%
qoq		0.5%			6.1%	-1.4%	
Sales	169.7	164.3	334.1	689.7	186.7	178.5	365.2
yoy	-0.3%	-1.9%	-1.1%	7.8%	10.1%	8.6%	9.3%
qoq	14.0%	-3.2%			7.8%	-4.4%	
Gross profit*	88.0	85.7	173.7	357.9	96.1	91.3	187.4
Gross profit margin	52.2%	52.3%	52.3%	51.6%	51.2%	50.5%	50.9%
EBITDA	19.6	17.4	37.1	83.1	23.5	20.3	43.8
EBITDA margin	11.5%	10.6%	11.1%	12.0%	12.6%	11.4%	12.0%
EBIT Paper	7.6	5.4	13.0	26.9	7.1	3.8	10.9
EBIT margin	7.8%	6.0%	6.9%	7.3%	7.4%	4.3%	5.9%
EBIT Plastics	5.4	5.7	11.2	24.6	8.2	7.9	16.1
EBIT margin	7.5%	7.9%	7.7%	7.6%	9.0%	8.8%	8.9%
Consolidation	-2.3	-2.6	-4.9	-6.8	-1.9	-1.6	-3.5
EBIT	10.7	8.6	19.3	44.7	13.4	10.1	23.5
EBIT margin	6.3%	5.2%	5.8%	6.5%	7.2%	5.7%	6.4%
Net profit	6.2	3.8	10.0	26.3	8.0	7.2	15.1
Net profit margin	3.6%	2.3%	3.0%	3.8%	4.3%	4.0%	4.1%
EPS reported (in EUR)	0.40	0.24	0.64	1.70	0.51	0.46	0.97

Source: Company data; Hauck & Aufhäuser

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

Financials

Profit and loss (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Net sales	618.5	638.4	639.8	689.7	705.0	719.1	729.9
<i>Sales growth</i>	53.8 %	3.2 %	0.2 %	7.8 %	2.2 %	2.0 %	1.5 %
Increase/decrease in finished goods and work-in-process	9.0	4.0	9.3	3.2	3.9	4.0	4.0
Total sales	627.5	642.4	649.1	692.9	708.9	723.1	733.9
Other operating income	5.3	7.5	6.5	4.5	4.6	4.7	4.8
Material expenses	317.2	322.7	324.6	335.0	346.2	348.8	354.0
Personnel expenses	159.8	161.9	158.0	174.5	176.3	179.1	179.6
Other operating expenses	92.9	100.2	98.7	104.8	104.1	106.4	102.9
Total operating expenses	564.6	577.4	574.8	609.8	621.9	629.5	631.7
EBITDA	62.8	65.0	74.3	83.1	87.0	93.5	102.2
Depreciation	28.6	28.1	27.5	29.8	29.9	32.5	32.5
EBITA	34.2	36.8	46.8	53.3	57.1	61.0	69.7
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 (inc revaluation net)	27.6	31.1	40.9	44.7	45.0	49.4	60.1
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	37.1	42.5	54.9
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	37.1	42.5	54.9
Taxes	3.8	9.2	11.3	7.2	10.0	11.5	14.8
Net income from continuing operations	18.4	17.6	23.7	26.3	27.1	31.0	40.1
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	27.1	31.0	40.1
Minority interest	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
Net profit (reported)	18.4	17.7	23.9	26.3	27.1	31.0	40.1
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	1.75	2.00	2.58

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 %	49.1 %	48.5 %	48.5 %
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 %	14.8 %	14.8 %	14.1 %
Total operating expenses	91.3 %	90.4 %	89.8 %	88.4 %	88.2 %	87.5 %	86.5 %
EBITDA	10.2 %	10.2 %	11.6 %	12.0 %	12.3 %	13.0 %	14.0 %
Depreciation	4.6 %	4.4 %	4.3 %	4.3 %	4.2 %	4.5 %	4.5 %
EBITA	5.5 %	5.8 %	7.3 %	7.7 %	8.1 %	8.5 %	9.5 %
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 %	1.6 %	1.3 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT (inc revaluation net)	4.5 %	4.9 %	6.4 %	6.5 %	6.4 %	6.9 %	8.2 %
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 %	1.1 %	0.8 %
Other financial result	0.7 %	0.6 %	0.4 %	-0.5 %	0.0 %	0.0 %	0.0 %
Financial result	neg.	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	3.6 %	4.2 %	5.5 %	4.9 %	5.3 %	5.9 %	7.5 %
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 %	5.3 %	5.9 %	7.5 %
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 %	3.8 %	4.3 %	5.5 %
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 %	3.8 %	4.3 %	5.5 %
Minority interest	0.0 %	neg.	neg.	0.0 %	0.0 %	0.0 %	0.0 %
Net profit (reported)	3.0 %	2.8 %	3.7 %	3.8 %	3.8 %	4.3 %	5.5 %

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	219.8	210.2	202.7
Property, plant and equipment	237.2	244.9	245.6	258.2	263.6	263.4	263.7
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	486.2	476.5	469.2
Inventories	110.6	113.3	119.6	119.7	122.4	124.8	126.7
Accounts receivable	61.7	56.4	52.1	57.8	86.9	88.7	90.0
Other current assets	35.5	30.4	35.0	21.6	22.1	22.6	22.9
Liquid assets	43.1	65.7	60.4	133.4	124.2	89.9	120.6
Deferred taxes	8.0	8.2	6.5	19.0	19.5	19.8	20.1
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	375.1	345.8	380.3
TOTAL ASSETS	636.7	655.7	673.9	842.6	861.3	822.3	849.6
SHAREHOLDERS EQUITY	320.8	334.2	343.6	346.3	361.1	378.6	403.2
MINORITY INTEREST	0.3	0.2	3.0	2.9	3.0	3.0	3.1
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	13.1	13.4	13.6
Other provisions	12.1	8.2	3.6	4.0	4.1	4.1	4.2
Non-current liabilities	208.1	208.2	140.2	334.4	334.8	275.2	275.4
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	64.6	65.9	66.9
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	38.9	39.7	40.3
Deferred taxes	27.9	28.8	34.6	52.0	53.2	54.3	55.1
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	162.3	165.5	167.9
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	636.7	655.7	673.9	842.6	861.3	822.3	849.6

Balance sheet (common size)	2014	2015	2016	2017	2018E	2019E	2020E
Intangible assets	21.5 %	20.4 %	22.7 %	27.3 %	25.5 %	25.6 %	23.9 %
Property, plant and equipment	37.3 %	37.4 %	36.4 %	30.6 %	30.6 %	32.0 %	31.0 %
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 %	56.5 %	57.9 %	55.2 %
Inventories	17.4 %	17.3 %	17.7 %	14.2 %	14.2 %	15.2 %	14.9 %
Accounts receivable	9.7 %	8.6 %	7.7 %	6.9 %	10.1 %	10.8 %	10.6 %
Other current assets	5.6 %	4.6 %	5.2 %	2.6 %	2.6 %	2.7 %	2.7 %
Liquid assets	6.8 %	10.0 %	9.0 %	15.8 %	14.4 %	10.9 %	14.2 %
Deferred taxes	1.2 %	1.3 %	1.0 %	2.3 %	2.3 %	2.4 %	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 %	43.5 %	42.1 %	44.8 %
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 %	41.9 %	46.0 %	47.5 %
MINORITY INTEREST	0.1 %	0.0 %	0.4 %	0.3 %	0.3 %	0.4 %	0.4 %
Long-term debt	28.8 %	28.6 %	18.3 %	37.7 %	36.9 %	31.3 %	30.3 %
Provisions for pensions and similar obligations	2.0 %	1.9 %	1.9 %	1.5 %	1.5 %	1.6 %	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 %	38.9 %	33.5 %	32.4 %
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 %	7.5 %	8.0 %	7.9 %
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 %	4.5 %	4.8 %	4.7 %
Deferred taxes	4.4 %	4.4 %	5.1 %	6.2 %	6.2 %	6.6 %	6.5 %
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 %	18.8 %	20.1 %	19.8 %
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	27.1	31.0	40.1
Depreciation of fixed assets (incl. leases)	28.6	28.1	27.5	29.8	29.9	32.5	32.5
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	0.3	0.3	0.2
Cash flow from operations before changes in w/c	45.5	48.9	66.1	52.8	69.4	75.4	82.4
Increase/decrease in inventory	-5.2	-5.4	-5.1	-0.1	-2.7	-2.4	-1.9
Increase/decrease in accounts receivable	-5.5	3.6	7.7	-5.9	-29.1	-1.7	-1.3
Increase/decrease in accounts payable	6.1	6.9	-1.2	14.3	1.4	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	-30.4	-2.9	-2.2
Cash flow from operating activities	46.4	62.5	51.4	74.6	39.0	72.5	80.2
CAPEX	29.2	31.6	34.5	42.7	37.2	34.3	34.9
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	-37.2	-34.3	-34.9
Cash flow before financing	19.0	34.0	-3.0	-40.9	1.8	38.1	45.3
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	13.5	15.5
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	-73.5	-15.5
Increase/decrease in liquid assets	-8.0	22.5	-5.4	73.0	-10.6	-35.4	29.8
Liquid assets at end of period	43.1	65.7	60.4	133.4	122.8	87.4	117.1

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	179.6	183.2	185.9
yoy change	47.3 %	2.9 %	-0.1 %	-4.0 %	2.2 %	2.0 %	1.5 %
Rest of Europe	289.4	299.4	300.7	315.2	322.2	328.7	333.6
yoy change	59.5 %	3.4 %	0.4 %	4.8 %	2.2 %	2.0 %	1.5 %
NAFTA	102.0	105.3	106.2	140.7	143.9	146.7	148.9
yoy change	67.8 %	3.2 %	0.8 %	32.5 %	2.2 %	2.0 %	1.5 %
Asia Pacific	43.9	47.9	48.6	52.2	53.3	54.4	55.2
yoy change	17.5 %	9.0 %	1.6 %	7.3 %	2.2 %	2.0 %	1.5 %
Rest of world	4.9	2.6	1.3	5.9	6.0	6.2	6.3
yoy change	43.7 %	-48.4 %	-49.9 %	361.6 %	2.2 %	2.0 %	1.5 %
TTL	618.5	638.4	639.8	689.7	705.0	719.1	729.9
yoy change	53.1 %	3.2 %	0.2 %	7.8 %	2.2 %	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 %	2.2 %	2.0 %	1.5 %
EBITDA growth	5.3 %	3.4 %	14.4 %	11.8 %	4.7 %	7.5 %	17.5 %
EBIT growth	-25.4 %	12.7 %	31.4 %	9.3 %	0.7 %	9.9 %	33.6 %
EPS growth	-35.9 %	-3.9 %	35.1 %	10.2 %	2.9 %	14.6 %	47.9 %
Efficiency							
Total operating costs / sales	91.3 %	90.4 %	89.8 %	88.4 %	88.2 %	87.5 %	86.5 %
Sales per employee	235.3	234.1	233.8	223.1	224.7	225.8	225.8
EBITDA per employee	23.9	23.8	27.2	26.9	27.7	29.4	31.6
Balance sheet analysis							
Avg. working capital / sales	20.0 %	19.4 %	19.0 %	17.2 %	18.4 %	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	106.0	106.7	106.7
Cash flow analysis							
Free cash flow	17.2	30.9	16.9	31.8	1.8	38.1	45.3
Free cash flow/sales	2.8 %	4.8 %	2.6 %	4.6 %	0.3 %	5.3 %	6.2 %
FCF / net profit	93.4 %	174.5 %	70.7 %	121.0 %	6.7 %	122.9 %	113.1 %
Capex / depre	82.9 %	93.4 %	103.0 %	111.0 %	88.6 %	77.9 %	82.8 %
Capex / maintenance capex	133.7 %	148.4 %	157.5 %	204.0 %	176.3 %	161.8 %	164.2 %
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	199.1	173.4	142.7
Net Debt/EBITDA	2.3	1.9	1.8	2.3	2.3	1.9	1.4
Net debt / equity	0.5	0.4	0.4	0.5	0.6	0.5	0.4
Interest cover	2.7	3.4	4.6	5.3	5.2	6.5	10.1
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	1.7	1.7	1.8
Plant turnover	2.6	2.6	2.6	2.7	2.7	2.7	2.8
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 %	6.5 %	7.2 %	8.6 %
ROE	5.7 %	5.3 %	7.0 %	7.6 %	7.5 %	8.2 %	9.9 %
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	0.9	1.0	1.3
EPS reported	1.19	1.14	1.54	1.70	1.75	2.00	2.58
Valuation ratios							
P/BV	1.1	1.0	1.0	1.0	0.9	0.9	0.8
EV/sales	0.8	0.7	0.8	0.8	0.8	0.7	0.7
EV/EBITDA	7.9	7.4	6.6	6.5	6.3	5.6	4.8
EV/EBITA	14.5	13.0	10.4	10.2	9.6	8.6	7.1
EV/EBIT	18.0	15.4	11.9	12.1	12.2	10.6	8.2
EV/FCF	28.9	15.5	28.8	17.0	304.2	13.8	10.9
Adjusted FCF yield	7.9 %	7.5 %	8.8 %	10.2 %	10.6 %	12.2 %	14.1 %
Dividend yield	3.2 %	3.7 %	3.7 %	3.7 %	4.0 %	4.6 %	5.9 %

Source: Company data, Hauck & Aufhäuser

Disclosures regarding research publications of Hauck & Aufhäuser Privatbankiers AG pursuant to section 85 of the German Securities Trading Act (WpHG) and distributed in the UK under an EEA branch passport, subject to the FCA requirements on research recommendation disclosures

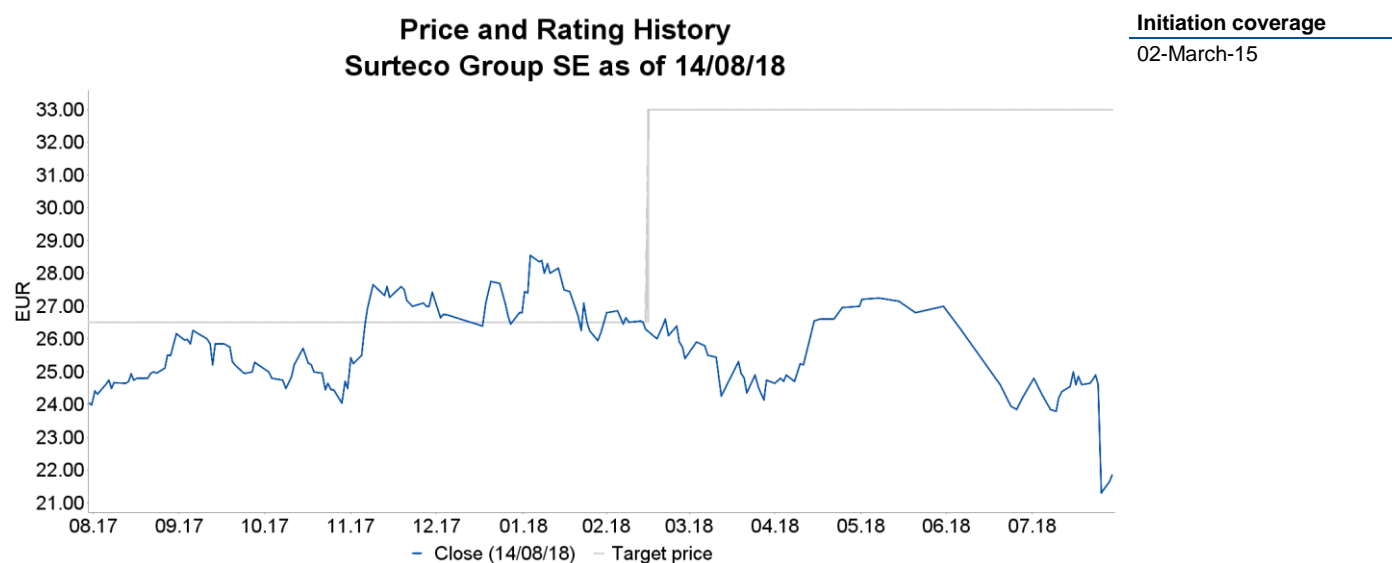
It is essential that any research recommendation is fairly presented and discloses interests of indicates relevant conflicts of interest. Pursuant to section 85 of the German Securities Trading Act (WpHG) a research report has to point out possible conflicts of interest in connection with the analysed company. Further to this, under the FCA's rules on research recommendations, any conflicts of interest in connection with the recommendation must be disclosed. A conflict of interest is presumed to exist in particular if Hauck & Aufhäuser Privatbankiers AG

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

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

Company	Disclosure
Surteco Group SE	

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



Company	Date	Analyst	Rating	Target price	Close
Surteco Group SE	16.05.2018	Cohrs, CFA, Gunnar	Buy	EUR 33,00	EUR 27,00
	02.03.2018	Cohrs, CFA, Gunnar	Buy	EUR 33,00	EUR 26,30

Hauck & Aufhäuser distribution of ratings and in proportion to investment banking services

Buy	62.73 %	95.00 %
Sell	12.42 %	0.00 %
Hold	24.84 %	5.00 %

Date of publication creation: #ATTRIBUTE_DOC_RELEASED_DATE#

Date of publication dissemination: #ATTRIBUTE_DOC_DISTRIBUTION_DATE#

1. General Information/Liabilities

This research report has been produced for the information purposes of institutional investors only, and is not in any way a personal recommendation, offer or solicitation to buy or sell the financial instruments mentioned herein. The document is confidential and is made available by Hauck & Aufhäuser Privatbankiers AG, exclusively to selected recipients [in DE, GB, FR, CH, US, UK, Scandinavia, and Benelux or, in individual cases, also in other countries]. A distribution to private investors in the sense of the German Securities Trading Act (WpHG) is excluded. It is not allowed to pass the research report on to persons other than the intended recipient without the permission of Hauck & Aufhäuser Privatbankiers AG. Reproduction of this document, in whole or in part, is not permitted without prior permission Hauck & Aufhäuser Privatbankiers AG. All rights reserved.

Under no circumstances shall Hauck & Aufhäuser Privatbankiers AG, any of its employees involved in the preparation, have any liability for possible errors or incompleteness of the information included in this research report – neither in relation to indirect or direct nor consequential damages. Liability for damages arising either directly or as a consequence of the use of information, opinions and estimates is also excluded. Past performance of a financial instrument is not necessarily indicative of future performance.

2. Responsibilities

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

3. Organisational Requirements

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

4. Information Concerning the Methods of Valuation/Update

The determination of the fair value per share, i.e. the price target, and the resultant rating is done on the basis of the adjusted free cash flow (adj. FCF) method and on the basis of the discounted cash flow – DCF model. Furthermore, a peer group comparison is made.

The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjustment towards the actual capital structure is done by discounting the calculated free cash flows with the weighted average cost of capital (WACC), which takes into account both the cost of equity capital and the cost of debt. After discounting, the calculated total enterprise value is reduced by the interest-bearing debt capital in order to arrive at the equity value.

Hauck & Aufhäuser Privatbankiers AG uses the following three-step rating system for the analysed companies:

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

NB: The ratings of Hauck & Aufhäuser Privatbankiers AG are not based on a performance that is expected to be "relative" to the market.

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

5. Major Sources of Information

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

6. Competent Supervisory Authority

Hauck & Aufhäuser Privatbankiers AG are under supervision of the BaFin – German Federal Financial Supervisory Authority Bundesanstalt für Finanzdienstleistungsaufsicht), Graurheindorfer Straße 108, 53117 Bonn and Marie-Curie-Straße 24 – 28, 60439 Frankfurt a.M.

This document is distributed in the UK under a MiFID EEA branch passport and in compliance with the applicable FCA requirements.

7. Specific Comments for Recipients Outside of Germany

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

8. Miscellaneous

According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under:
https://www.hauck-aufhaeuser.de/page/UVV_InstitutResearch

Contacts: Hauck&Aufhäuser Privatbankiers AG

Hauck & Aufhäuser Research

Hauck & Aufhäuser
Privatbankiers AG
Mittelweg 16/17
20148 Hamburg
Germany

Tel.: +49 (0) 40 414 3885 93
Fax: +49 (0) 40 414 3885 71
Email: research@ha-ib.de
www.ha-research.de

Tim Wunderlich, CFA
Head of Research
Tel.: +49 40 414 3885 81
E-Mail: tim.wunderlich@ha-ib.de

Henning Breiter
Head of Research
Tel.: +49 40 414 3885 73
E-Mail: henning.breiter@ha-ib.de

Carlos Becke
Analyst
Tel.: +49 40 414 3885 74
E-Mail: carlos.becke@ha-ib.de

Simon Bentlage
Analyst
Tel.: +49 40 4506342 3096
E-Mail: simon.bentlage@ha-ib.de

Frederik Bitter
Analyst
Tel.: +44 203 9473 247
E-Mail: frederik.bitter@ha-ib.de

Robin Brass, CFA
Analyst
Tel.: +49 40 414 3885 76
E-Mail: robin.brass@ha-ib.de

Christian Glowa
Analyst
Tel.: +49 40 414 3885 95
E-Mail: christian.glowa@ha-ib.de

Pierre Gröning
Analyst
Tel.: +49 40 450 6342 30 92
E-Mail: pierre.groening@ha-ib.de

Aliaksandr Halitsa
Analyst
Tel.: +49 40 414 3885 83
E-Mail: aliaksandr.halitsa@ha-ib.de

Alina Köhler
Analyst
Tel.: +49 40 4506342 3095
E-Mail: alina.koehler@ha-ib.de

Christian Salis
Analyst
Tel.: +49 40 414 3885 96
E-Mail: christian.salis@ha-ib.de

Christian Sandherr
Analyst
Tel.: +49 40 414 3885 79
E-Mail: christian.sandherr@ha-ib.de

Julius Stinauer
Analyst
Tel.: +49 40 414 3885 84
E-Mail: julius.stinauer@ha-ib.de

Hauck & Aufhäuser Sales

Toby Woods
Sales
Tel.: +44 203 9473 245
E-Mail: toby.woods@ha-ib.de

Christian Alisch
Sales
Tel.: +49 40 414 3885 99
E-Mail: christian.alisch@ha-ib.de

Vincent Bischoff
Sales
Tel.: +49 40 414 3885 88
E-Mail: vincent.bischoff@ha-ib.de

Alexander Lachmann
Sales
Tel.: +41 43 497 30 23
E-Mail: alexander.lachmann@ha-ib.de

Hugues Madelin
Sales
Tel.: +33 1 78 41 40 62
E-Mail: hugues.madelin@ha-ib.de

Jan Neynaber
Sales
Tel.: +49 69 2161 1268
E-Mail: jan.neynaber@hauck-aufhaeuser.com

Marco Schumann
Sales
Tel.: +49 69 2161 1250
E-Mail: marco.schumann@hauck-aufhaeuser.com

Christian Schwenkenbecher
Sales
Tel.: +44 203 9473 246
E-Mail: christian.schwenkenbecher@ha-ib.de

Hauck & Aufhäuser Sales Trading

Hauck & Aufhäuser
Privatbankiers AG
Mittelweg 16/17
20148 Hamburg
Germany

Tel.: +49 40 414 3885 75
Fax: +49 40 414 3885 71
Email: info@hauck-aufhaeuser.com
www.hauck-aufhaeuser.com

Mirko Brueggemann
Trading
Tel.: +49 40 414 3885 75
E-Mail: mirko.brueggemann@hauck-aufhaeuser.com

Christian von Schuler
Trading
Tel.: +49 40 414 3885 77
E-Mail: christian.schuler@hauck-aufhaeuser.com

Fin Schaffer
Trading
Tel.: +49 40 414 3885 98
E-Mail: fin.schaffer@hauck-aufhaeuser.com

Kathleen Jonas
Middle-Office
Tel.: +49 40 414 3885 97
E-Mail: kathleen.jonas@hauck-aufhaeuser.com

Carolin Weber
Middle-Office
Tel.: +49 40 414 3885 87
E-Mail: carolin.weber@hauck-aufhaeuser.com