



15-November-19

**Hold** (old: Hold)

**Price target: EUR 22.50** (old: EUR 24.50)

<b>Price:</b>	EUR 20.20	<b>Next result:</b>	Q4 2019 tbd
<b>Bloomberg:</b>	SUR GR	<b>Market cap:</b>	EUR 315.5 m
<b>Reuters:</b>	SURG.DE	<b>Enterprise Value:</b>	EUR 491.6 m

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### Q3 with first improvements // macro challenges prevail; chg PT

**Group sales decreased by 1.4% yoy to € 167m.** While Decoratives and Profiles grew (3% yoy and 9% yoy respectively), Technicals reported a 30% yoy decrease. Yet, this seems largely driven by the divestment of Surteco's US-based impregnating business at the beginning of the quarter (c. € 33m sales p.a.). Adjusted for the deconsolidation, Technicals' sales decreased by only 7% yoy and group sales in fact grew by 2% yoy, which is an improvement compared to the first half of the year (H1 -3.4% yoy).

**The group's EBIT improved disproportionately by 36% yoy to € 11.4m** as the company benefitted from slightly decreasing raw material prices (mainly paper) as well as from a positive impact from the divestment of the material-intensive US subsidiary.

Surteco SE	Q3 2019	Q3 2019 est	Q3 2018	yoy	Q2 2019	qoq	9M 2019	9M 2019 est	9M 2018	yoy
<b>Sales</b>	<b>166.6</b>	<b>168.0</b>	<b>169.0</b>	-1.4%	<b>170.8</b>	-2.5%	<b>519.3</b>	<b>520.7</b>	<b>534.2</b>	-2.8%
Decoratives	125.0	123.0	121.8	2.6%	124.3	0.6%	378.7	376.7	384.4	-1.5%
Technicals	17.8	21.0	25.3	-29.6%	23.9	-25.5%	69.6	72.8	83.3	-16.4%
Profiles	23.8	24.0	21.9	8.7%	22.6	5.3%	71.0	71.2	66.0	7.6%
<b>EBIT</b>	<b>11.4</b>	<b>10.0</b>	<b>8.4</b>	35.7%	<b>8.7</b>	31.0%	<b>31.6</b>	<b>30.2</b>	<b>31.9</b>	-0.9%
<b>EBIT margin</b>	<b>6.8%</b>	<b>6.0%</b>	<b>5.0%</b>	+ 1.9 pp	<b>5.1%</b>	+ 1.7 pp	<b>6.1%</b>	<b>5.8%</b>	<b>6.0%</b>	+ 0.1 pp
Decoratives	9.6	8.1	6.7	43.3%	7.9	21.5%	26.9	25.4	25.9	3.9%
Technicals	0.6	0.5	0.6	0.0%	0.1	500.0%	1.7	1.6	3.7	-54.1%
Profiles	2.9	2.0	2.4	20.8%	2.2	31.8%	7.9	7.0	7.1	11.3%
<b>EPS</b>	<b>0.44</b>	<b>0.38</b>	<b>0.27</b>	63.0%	<b>0.32</b>	37.5%	<b>1.26</b>	<b>1.20</b>	<b>1.25</b>	0.8%

Source: Company data, Hauck & Aufhäuser

**The sale of a US subsidiary boosted cash flow.** At the beginning of Q3, Surteco sold its low-margin US impregnating business for € 16.7m (0.5x FY19 sales). As a result of the capital intense nature of that business and reduced capex spending (€ 8m vs € 13m in Q3'18), Q3 FCF significantly improved yoy to € 15m (€ -11m in Q3 '18).

**FY guidance specified towards the upper end** (sales € 655 to 685m, EBIT € 38 to 40m given the solid performance during 9M. While this is clearly a positive sign, it was already broadly expected (sales: eH&A/eCons € 681m; EBIT: eH&A/eCons € 40m).

**Action:** We trim our mid- and long-term EBIT margin expectations as the current price and cost pressure are seen to prevail.

Surteco's valuation remains fair and we hence **reiterate HOLD with a decreased € 22.5 PT based on DCF** (LT growth: 1.5%, LT EBIT: margin 7.5%, WACC: 7.9%).

Y/E 31.12 (EUR m)	2015	2016	2017	2018	2019E	2020E	2021E
Sales	638.4	639.8	689.7	699.0	681.5	687.0	695.2
Sales growth	3 %	0 %	8 %	1 %	-3 %	1 %	1 %
EBITDA	65.0	74.3	83.1	72.8	85.8	88.8	89.7
EBIT	31.1	40.9	44.7	32.2	40.4	46.7	48.3
Net income	17.7	23.9	26.3	18.9	24.4	30.1	31.4
Net debt	126.6	135.6	189.9	197.5	163.4	146.2	131.1
Net gearing	37.9 %	39.5 %	54.8 %	56.4 %	44.4 %	37.8 %	32.5 %
Net Debt/EBITDA	1.9	1.8	2.3	2.7	1.9	1.6	1.5
EPS pro forma	1.62	1.64	2.08	1.54	1.89	2.25	2.34
CPS	1.85	1.15	2.33	1.30	1.42	1.82	1.88
DPS	0.80	0.80	0.80	0.61	0.79	0.97	1.01
Dividend yield	3.9 %	3.9 %	3.9 %	3.0 %	3.9 %	4.8 %	5.0 %
Gross profit margin	49.8 %	50.0 %	51.6 %	50.5 %	50.9 %	51.3 %	-0.1 %
EBITDA margin	10.2 %	11.6 %	12.0 %	10.4 %	12.6 %	12.9 %	12.9 %
EBIT margin	4.9 %	6.4 %	6.5 %	4.6 %	5.9 %	6.8 %	6.9 %
ROCE	5.7 %	7.4 %	7.2 %	4.6 %	6.0 %	6.8 %	7.2 %
EV/sales	0.7	0.7	0.8	0.8	0.7	0.7	0.7
EV/EBITDA	7.0	6.2	6.2	7.2	5.7	5.3	5.1
EV/EBIT	14.6	11.4	11.6	16.3	12.2	10.2	9.5
PER	12.6	12.4	9.8	13.2	10.8	9.0	8.7
Adjusted FCF yield	4.8 %	6.4 %	7.2 %	4.9 %	6.8 %	8.0 %	8.6 %

Source: Company data, Hauck & Aufhäuser Close price as of: 14.11.2019



Source: Company data, Hauck & Aufhäuser

**High/low 52 weeks:** 27.50 / 19.60

**Price/Book Ratio:** 0.8

**Relative performance (SDAX):**

3 months -29.7 %

6 months -36.8 %

12 months -

#### Changes in estimates

		Sales	EBIT	EPS
2019	<b>old:</b>	681.5	40.4	1.86
	Δ	-	-	-
2020	<b>old:</b>	687.0	46.7	2.20
	Δ	-	-	-
2021	<b>old:</b>	695.2	48.3	2.30
	Δ	-	-	-

#### Key share data:

Number of shares: (in m pcs)	15.5
Authorised capital: (in € m)	7.7
Book value per share: (in €)	23.8
Ø trading volume: (12 months)	12,917

#### Major shareholders:

Founding families	57.1 %
Kaindl Flooring	12.3 %
Rudolf Ostermann	5.7 %
Lazard	4.7 %
Axxion	2.9 %

#### Company description:

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

## Financials

Profit and loss (EUR m)	2015	2016	2017	2018	2019E	2020E	2021E
<b>Net sales</b>	<b>638.4</b>	<b>639.8</b>	<b>689.7</b>	<b>699.0</b>	<b>681.5</b>	<b>687.0</b>	<b>695.2</b>
<i>Sales growth</i>	3.2 %	0.2 %	7.8 %	1.4 %	-2.5 %	0.8 %	1.2 %
Increase/decrease in finished goods and work-in-process	4.0	9.3	3.2	7.5	3.7	3.8	3.8
<b>Total sales</b>	<b>642.4</b>	<b>649.1</b>	<b>692.9</b>	<b>706.5</b>	<b>685.3</b>	<b>690.7</b>	<b>699.0</b>
Other operating income	7.5	6.5	4.5	4.3	4.5	4.5	4.6
Material expenses	322.7	324.6	335.0	349.6	336.7	336.6	340.6
Personnel expenses	161.9	158.0	174.5	185.3	170.4	170.4	172.4
Other operating expenses	100.2	98.7	104.8	103.0	96.9	99.5	100.8
Total operating expenses	577.4	574.8	609.8	633.7	599.5	602.0	609.3
<b>EBITDA</b>	<b>65.0</b>	<b>74.3</b>	<b>83.1</b>	<b>72.8</b>	<b>85.8</b>	<b>88.8</b>	<b>89.7</b>
Depreciation	28.1	27.5	29.8	29.9	33.5	32.2	33.2
<b>EBITA</b>	<b>36.8</b>	<b>46.8</b>	<b>53.3</b>	<b>42.9</b>	<b>52.3</b>	<b>56.6</b>	<b>56.5</b>
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	5.7	6.0	8.7	10.7	11.9	9.9	8.3
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT (inc revaluation net)</b>	<b>31.1</b>	<b>40.9</b>	<b>44.7</b>	<b>32.2</b>	<b>40.4</b>	<b>46.7</b>	<b>48.3</b>
Interest income	0.9	0.7	0.6	1.4	0.7	0.7	0.8
Interest expenses	9.2	8.8	8.4	7.5	7.8	6.1	6.0
Other financial result	4.0	2.3	-3.4	1.0	0.0	0.0	0.0
Financial result	-4.3	-5.8	-11.2	-5.1	-7.0	-5.4	-5.2
<b>Recurring pretax income from continuing operations</b>	<b>26.8</b>	<b>35.0</b>	<b>33.5</b>	<b>27.1</b>	<b>33.4</b>	<b>41.3</b>	<b>43.1</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>26.8</b>	<b>35.0</b>	<b>33.5</b>	<b>27.1</b>	<b>33.4</b>	<b>41.3</b>	<b>43.1</b>
Taxes	9.2	11.3	7.2	8.2	9.0	11.1	11.6
<b>Net income from continuing operations</b>	<b>17.6</b>	<b>23.7</b>	<b>26.3</b>	<b>18.9</b>	<b>24.4</b>	<b>30.1</b>	<b>31.4</b>
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>17.6</b>	<b>23.8</b>	<b>26.3</b>	<b>18.9</b>	<b>24.4</b>	<b>30.1</b>	<b>31.4</b>
Minority interest	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
<b>Net profit (reported)</b>	<b>17.7</b>	<b>23.9</b>	<b>26.3</b>	<b>18.9</b>	<b>24.4</b>	<b>30.1</b>	<b>31.4</b>
Average number of shares	15.5	15.5	15.5	15.5	15.5	15.5	15.5
<b>EPS reported</b>	<b>1.14</b>	<b>1.54</b>	<b>1.70</b>	<b>1.22</b>	<b>1.57</b>	<b>1.94</b>	<b>2.03</b>

Profit and loss (common size)	2015	2016	2017	2018	2019E	2020E	2021E
<b>Net sales</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>
Increase/decrease in finished goods and work-in-process	0.6 %	1.5 %	0.5 %	1.1 %	0.6 %	0.6 %	0.6 %
<b>Total sales</b>	<b>100.6 %</b>	<b>101.5 %</b>	<b>100.5 %</b>	<b>101.1 %</b>	<b>100.6 %</b>	<b>100.6 %</b>	<b>100.6 %</b>
Other operating income	1.2 %	1.0 %	0.7 %	0.6 %	0.7 %	0.7 %	0.7 %
Material expenses	50.5 %	50.7 %	48.6 %	50.0 %	49.4 %	49.0 %	49.0 %
Personnel expenses	25.4 %	24.7 %	25.3 %	26.5 %	25.0 %	24.8 %	24.8 %
Other operating expenses	15.7 %	15.4 %	15.2 %	14.7 %	14.2 %	14.5 %	14.5 %
Total operating expenses	90.4 %	89.8 %	88.4 %	90.7 %	88.0 %	87.6 %	87.6 %
<b>EBITDA</b>	<b>10.2 %</b>	<b>11.6 %</b>	<b>12.0 %</b>	<b>10.4 %</b>	<b>12.6 %</b>	<b>12.9 %</b>	<b>12.9 %</b>
Depreciation	4.4 %	4.3 %	4.3 %	4.3 %	4.9 %	4.7 %	4.8 %
<b>EBITA</b>	<b>5.8 %</b>	<b>7.3 %</b>	<b>7.7 %</b>	<b>6.1 %</b>	<b>7.7 %</b>	<b>8.2 %</b>	<b>8.1 %</b>
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	0.9 %	0.9 %	1.3 %	1.5 %	1.7 %	1.4 %	1.2 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>EBIT (inc revaluation net)</b>	<b>4.9 %</b>	<b>6.4 %</b>	<b>6.5 %</b>	<b>4.6 %</b>	<b>5.9 %</b>	<b>6.8 %</b>	<b>6.9 %</b>
Interest income	0.1 %	0.1 %	0.1 %	0.2 %	0.1 %	0.1 %	0.1 %
Interest expenses	1.4 %	1.4 %	1.2 %	1.1 %	1.1 %	0.9 %	0.9 %
Other financial result	0.6 %	0.4 %	-0.5 %	0.1 %	0.0 %	0.0 %	0.0 %
Financial result	neg.	neg.	neg.	neg.	neg.	neg.	neg.
<b>Recurring pretax income from continuing operations</b>	<b>4.2 %</b>	<b>5.5 %</b>	<b>4.9 %</b>	<b>3.9 %</b>	<b>4.9 %</b>	<b>6.0 %</b>	<b>6.2 %</b>
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Earnings before taxes</b>	<b>4.2 %</b>	<b>5.5 %</b>	<b>4.9 %</b>	<b>3.9 %</b>	<b>4.9 %</b>	<b>6.0 %</b>	<b>6.2 %</b>
Tax rate	34.5 %	32.3 %	21.4 %	27.0 %	27.0 %	27.0 %	27.0 %
<b>Net income from continuing operations</b>	<b>2.8 %</b>	<b>3.7 %</b>	<b>3.8 %</b>	<b>2.7 %</b>	<b>3.6 %</b>	<b>4.4 %</b>	<b>4.5 %</b>
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Net income</b>	<b>2.8 %</b>	<b>3.7 %</b>	<b>3.8 %</b>	<b>2.7 %</b>	<b>3.6 %</b>	<b>4.4 %</b>	<b>4.5 %</b>
Minority interest	neg.	neg.	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Net profit (reported)</b>	<b>2.8 %</b>	<b>3.7 %</b>	<b>3.8 %</b>	<b>2.7 %</b>	<b>3.6 %</b>	<b>4.4 %</b>	<b>4.5 %</b>

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2015	2016	2017	2018	2019E	2020E	2021E
<b>Intangible assets</b>	<b>133.6</b>	<b>152.9</b>	<b>230.0</b>	<b>222.2</b>	<b>212.2</b>	<b>204.2</b>	<b>197.9</b>
Property, plant and equipment	244.9	245.6	258.2	255.8	245.3	253.1	259.4
Financial assets	3.3	1.7	2.8	19.5	19.5	19.5	19.5
<b>FIXED ASSETS</b>	<b>381.8</b>	<b>400.3</b>	<b>491.0</b>	<b>497.5</b>	<b>477.0</b>	<b>476.8</b>	<b>476.8</b>
Inventories	113.3	119.6	119.7	127.0	126.2	127.2	128.7
Accounts receivable	56.4	52.1	57.8	57.5	57.9	58.3	59.0
Other current assets	30.4	35.0	21.6	23.3	21.4	21.5	21.8
Liquid assets	65.7	60.4	133.4	121.0	100.6	117.9	132.9
Deferred taxes	8.2	6.5	19.0	18.3	18.8	19.0	19.2
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>273.9</b>	<b>273.6</b>	<b>351.6</b>	<b>347.1</b>	<b>324.9</b>	<b>343.9</b>	<b>361.7</b>
<b>TOTAL ASSETS</b>	<b>655.7</b>	<b>673.9</b>	<b>842.6</b>	<b>844.5</b>	<b>801.9</b>	<b>820.8</b>	<b>838.6</b>
<b>SHAREHOLDERS EQUITY</b>	<b>334.2</b>	<b>343.6</b>	<b>346.3</b>	<b>350.0</b>	<b>368.3</b>	<b>386.6</b>	<b>402.9</b>
MINORITY INTEREST	0.2	3.0	2.9	3.2	3.3	2.9	2.9
Long-term debt	187.3	123.6	317.7	252.6	258.1	258.1	258.1
Provisions for pensions and similar obligations	12.8	13.0	12.8	12.8	12.7	12.8	12.9
Other provisions	8.2	3.6	4.0	11.6	3.9	4.0	4.0
<b>Non-current liabilities</b>	<b>208.2</b>	<b>140.2</b>	<b>334.4</b>	<b>277.0</b>	<b>274.7</b>	<b>274.9</b>	<b>275.1</b>
short-term liabilities to banks	5.0	72.4	5.7	65.9	5.9	5.9	5.9
Accounts payable	48.7	48.9	63.2	65.1	63.5	64.0	64.7
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)	30.6	31.2	38.0	35.3	37.6	37.9	38.4
Deferred taxes	28.8	34.6	52.0	48.0	48.7	48.7	48.7
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>113.1</b>	<b>187.1</b>	<b>158.9</b>	<b>214.3</b>	<b>155.6</b>	<b>156.4</b>	<b>157.6</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>655.7</b>	<b>673.9</b>	<b>842.6</b>	<b>844.5</b>	<b>801.9</b>	<b>820.8</b>	<b>838.6</b>

Balance sheet (common size)	2015	2016	2017	2018	2019E	2020E	2021E
<b>Intangible assets</b>	<b>20.4 %</b>	<b>22.7 %</b>	<b>27.3 %</b>	<b>26.3 %</b>	<b>26.5 %</b>	<b>24.9 %</b>	<b>23.6 %</b>
Property, plant and equipment	37.4 %	36.4 %	30.6 %	30.3 %	30.6 %	30.8 %	30.9 %
Financial assets	0.5 %	0.3 %	0.3 %	2.3 %	2.4 %	2.4 %	2.3 %
<b>FIXED ASSETS</b>	<b>58.2 %</b>	<b>59.4 %</b>	<b>58.3 %</b>	<b>58.9 %</b>	<b>59.5 %</b>	<b>58.1 %</b>	<b>56.9 %</b>
Inventories	17.3 %	17.7 %	14.2 %	15.0 %	15.7 %	15.5 %	15.4 %
Accounts receivable	8.6 %	7.7 %	6.9 %	6.8 %	7.2 %	7.1 %	7.0 %
Other current assets	4.6 %	5.2 %	2.6 %	2.8 %	2.7 %	2.6 %	2.6 %
Liquid assets	10.0 %	9.0 %	15.8 %	14.3 %	12.5 %	14.4 %	15.9 %
Deferred taxes	1.3 %	1.0 %	2.3 %	2.2 %	2.3 %	2.3 %	2.3 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>CURRENT ASSETS</b>	<b>41.8 %</b>	<b>40.6 %</b>	<b>41.7 %</b>	<b>41.1 %</b>	<b>40.5 %</b>	<b>41.9 %</b>	<b>43.1 %</b>
<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>
<b>SHAREHOLDERS EQUITY</b>	<b>51.0 %</b>	<b>51.0 %</b>	<b>41.1 %</b>	<b>41.4 %</b>	<b>45.9 %</b>	<b>47.1 %</b>	<b>48.0 %</b>
MINORITY INTEREST	0.0 %	0.4 %	0.3 %	0.4 %	0.4 %	0.4 %	0.4 %
Long-term debt	28.6 %	18.3 %	37.7 %	29.9 %	32.2 %	31.5 %	30.8 %
Provisions for pensions and similar obligations	1.9 %	1.9 %	1.5 %	1.5 %	1.6 %	1.6 %	1.5 %
Other provisions	1.3 %	0.5 %	0.5 %	1.4 %	0.5 %	0.5 %	0.5 %
<b>Non-current liabilities</b>	<b>31.8 %</b>	<b>20.8 %</b>	<b>39.7 %</b>	<b>32.8 %</b>	<b>34.3 %</b>	<b>33.5 %</b>	<b>32.8 %</b>
short-term liabilities to banks	0.8 %	10.7 %	0.7 %	7.8 %	0.7 %	0.7 %	0.7 %
Accounts payable	7.4 %	7.3 %	7.5 %	7.7 %	7.9 %	7.8 %	7.7 %
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)	4.7 %	4.6 %	4.5 %	4.2 %	4.7 %	4.6 %	4.6 %
Deferred taxes	4.4 %	5.1 %	6.2 %	5.7 %	6.1 %	5.9 %	5.8 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Current liabilities</b>	<b>17.2 %</b>	<b>27.8 %</b>	<b>18.9 %</b>	<b>25.4 %</b>	<b>19.4 %</b>	<b>19.1 %</b>	<b>18.8 %</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS 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, Hauck & Aufhäuser

Cash flow statement (EUR m)	2015	2016	2017	2018	2019E	2020E	2021E
Net profit/loss	22.2	32.4	24.3	18.9	24.4	30.1	31.4
Depreciation of fixed assets (incl. leases)	28.1	27.5	29.8	29.9	33.5	32.2	33.2
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	5.7	6.0	8.7	10.7	11.9	9.9	8.3
Others	-7.2	0.3	-10.0	-1.7	-0.2	0.1	0.2
Cash flow from operations before changes in w/c	48.9	66.1	52.8	57.8	69.6	72.3	73.0
Increase/decrease in inventory	-5.4	-5.1	-0.1	-7.2	0.8	-1.0	-1.5
Increase/decrease in accounts receivable	3.6	7.7	-5.9	0.3	-0.4	-0.5	-0.7
Increase/decrease in accounts payable	6.9	-1.2	14.3	1.9	-1.6	0.5	0.8
Increase/decrease in other working capital positions	8.5	-16.1	13.4	7.9	-1.0	-1.0	-1.0
Increase/decrease in working capital	13.6	-14.7	21.7	2.9	-2.2	-2.0	-2.5
<b>Cash flow from operating activities</b>	<b>62.5</b>	<b>51.4</b>	<b>74.6</b>	<b>60.7</b>	<b>67.3</b>	<b>70.3</b>	<b>70.6</b>
CAPEX	31.6	34.5	42.7	47.5	41.9	41.9	41.4
Payments for acquisitions	0.0	21.4	74.1	2.5	-17.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	3.2	1.5	1.4	0.5	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-28.5</b>	<b>-54.3</b>	<b>-115.5</b>	<b>-49.5</b>	<b>-24.9</b>	<b>-41.9</b>	<b>-41.4</b>
Cash flow before financing	34.0	-3.0	-40.9	11.2	42.5	28.4	29.1
Increase/decrease in debt position	-0.2	10.7	127.3	-4.8	-54.4	0.0	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	10.9	12.4	12.4	12.4	9.5	12.2	15.1
Others	0.0	0.0	0.0	-7.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	-0.5	-0.7	-1.0	0.5	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>-11.1</b>	<b>-1.7</b>	<b>114.9</b>	<b>-24.2</b>	<b>-63.9</b>	<b>-12.2</b>	<b>-15.1</b>
Increase/decrease in liquid assets	22.5	-5.4	73.0	-12.4	-21.4	16.3	14.1
<b>Liquid assets at end of period</b>	<b>65.7</b>	<b>60.4</b>	<b>133.4</b>	<b>120.9</b>	<b>99.5</b>	<b>115.7</b>	<b>129.8</b>

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2015	2016	2017	2018	2019E	2020E	2021E
Domestic	183.2	183.0	175.7	178.0	173.6	175.0	177.1
yoy change	2.9 %	-0.1 %	-4.0 %	1.4 %	-2.5 %	0.8 %	1.2 %
Rest of Europe	299.4	300.7	315.2	319.5	311.5	314.0	317.8
yoy change	3.4 %	0.4 %	4.8 %	1.4 %	-2.5 %	0.8 %	1.2 %
NAFTA	105.3	106.2	140.7	142.6	139.1	140.2	141.9
yoy change	3.2 %	0.8 %	32.5 %	1.4 %	-2.5 %	0.8 %	1.2 %
Asia Pacific	47.9	48.6	52.2	52.9	51.5	51.9	52.6
yoy change	9.0 %	1.6 %	7.3 %	1.4 %	-2.5 %	0.8 %	1.2 %
Rest of world	2.6	1.3	5.9	6.0	5.8	5.9	6.0
yoy change	-48.4 %	-49.9 %	361.6 %	1.4 %	-2.5 %	0.8 %	1.2 %
<b>TTL</b>	<b>638.4</b>	<b>639.8</b>	<b>689.7</b>	<b>699.0</b>	<b>681.5</b>	<b>687.0</b>	<b>695.2</b>
yoy change	3.2 %	0.2 %	7.8 %	1.4 %	-2.5 %	0.8 %	1.2 %

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2015	2016	2017	2018	2019E	2020E	2021E
<b>P&amp;L growth analysis</b>							
Sales growth	3.2 %	0.2 %	7.8 %	1.4 %	-2.5 %	0.8 %	1.2 %
EBITDA growth	3.4 %	14.4 %	11.8 %	-12.4 %	17.9 %	21.9 %	4.6 %
EBIT growth	12.7 %	31.4 %	9.3 %	-27.9 %	25.5 %	45.0 %	19.4 %
EPS growth	-3.9 %	35.1 %	10.2 %	-28.1 %	28.8 %	59.2 %	29.0 %
<b>Efficiency</b>							
Total operating costs / sales	90.4 %	89.8 %	88.4 %	90.7 %	88.0 %	87.6 %	87.6 %
Sales per employee	234.1	233.8	223.1	222.8	214.0	212.5	211.9
EBITDA per employee	23.8	27.2	26.9	23.2	26.9	27.5	27.3
<b>Balance sheet analysis</b>							
Avg. working capital / sales	19.4 %	19.0 %	17.2 %	16.7 %	17.6 %	17.5 %	17.5 %
Inventory turnover (sales/inventory)	5.6	5.3	5.8	5.5	5.4	5.4	5.4
Trade debtors in days of sales	32.2	29.7	30.6	30.0	31.0	31.0	31.0
A/P turnover [(A/P*365)/sales]	27.9	27.9	33.4	34.0	34.0	34.0	34.0
Cash conversion cycle (days)	105.2	109.2	92.2	94.6	99.0	99.6	99.6
<b>Cash flow analysis</b>							
Free cash flow	30.9	16.9	31.8	13.2	25.5	28.4	29.1
Free cash flow/sales	4.8 %	2.6 %	4.6 %	1.9 %	3.7 %	4.1 %	4.2 %
FCF / net profit	174.5 %	70.7 %	121.0 %	69.5 %	104.5 %	94.4 %	92.7 %
Capex / depre	93.4 %	103.0 %	111.0 %	117.2 %	92.3 %	99.6 %	100.0 %
Capex / maintenance capex	87.7 %	94.0 %	106.1 %	110.9 %	88.2 %	95.1 %	95.4 %
Capex / sales	5.0 %	5.4 %	6.2 %	6.8 %	6.1 %	6.1 %	6.0 %
<b>Security</b>							
Net debt	126.6	135.6	189.9	197.5	163.4	146.2	131.1
Net Debt/EBITDA	1.9	1.8	2.3	2.7	1.9	1.6	1.5
Net debt / equity	0.4	0.4	0.5	0.6	0.4	0.4	0.3
Interest cover	3.4	4.6	5.3	4.3	5.2	7.6	8.0
Dividend payout ratio	70.1 %	51.9 %	47.1 %	50.0 %	50.0 %	50.0 %	50.0 %
<b>Asset utilisation</b>							
Capital employed turnover	1.2	1.1	1.0	1.0	1.0	1.0	1.0
Operating assets turnover	1.7	1.7	1.9	1.9	1.9	1.8	1.8
Plant turnover	2.6	2.6	2.7	2.7	2.8	2.7	2.7
Inventory turnover (sales/inventory)	5.6	5.3	5.8	5.5	5.4	5.4	5.4
<b>Returns</b>							
ROCE	5.7 %	7.4 %	7.2 %	4.6 %	6.0 %	6.8 %	7.2 %
ROE	5.3 %	7.0 %	7.6 %	5.4 %	6.6 %	7.8 %	7.8 %
<b>Other</b>							
Interest paid / avg. debt	4.8 %	4.5 %	3.2 %	2.3 %	2.7 %	2.1 %	2.3 %
No. employees (average)	2727	2736	3091	3137	3184	3232	3281
Number of shares	15.5	15.5	15.5	15.5	15.5	15.5	15.5
DPS	0.8	0.8	0.8	0.6	0.8	1.0	1.0
EPS reported	1.14	1.54	1.70	1.22	1.57	1.94	2.03
<b>Valuation ratios</b>							
P/BV	0.9	0.9	0.9	0.9	0.9	0.8	0.8
EV/sales	0.7	0.7	0.8	0.8	0.7	0.7	0.7
EV/EBITDA	7.0	6.2	6.2	7.2	5.7	5.3	5.1
EV/EBITA	12.4	9.9	9.7	12.3	9.4	8.4	8.1
EV/EBIT	14.6	11.4	11.6	16.3	12.2	10.2	9.5
EV/FCF	14.7	27.5	16.3	40.0	19.3	16.7	15.8
Adjusted FCF yield	4.8 %	6.4 %	7.2 %	4.9 %	6.8 %	8.0 %	8.6 %
Dividend yield	3.9 %	3.9 %	3.9 %	3.0 %	3.9 %	4.8 %	5.0 %

Source: Company data, Hauck & Aufhäuser

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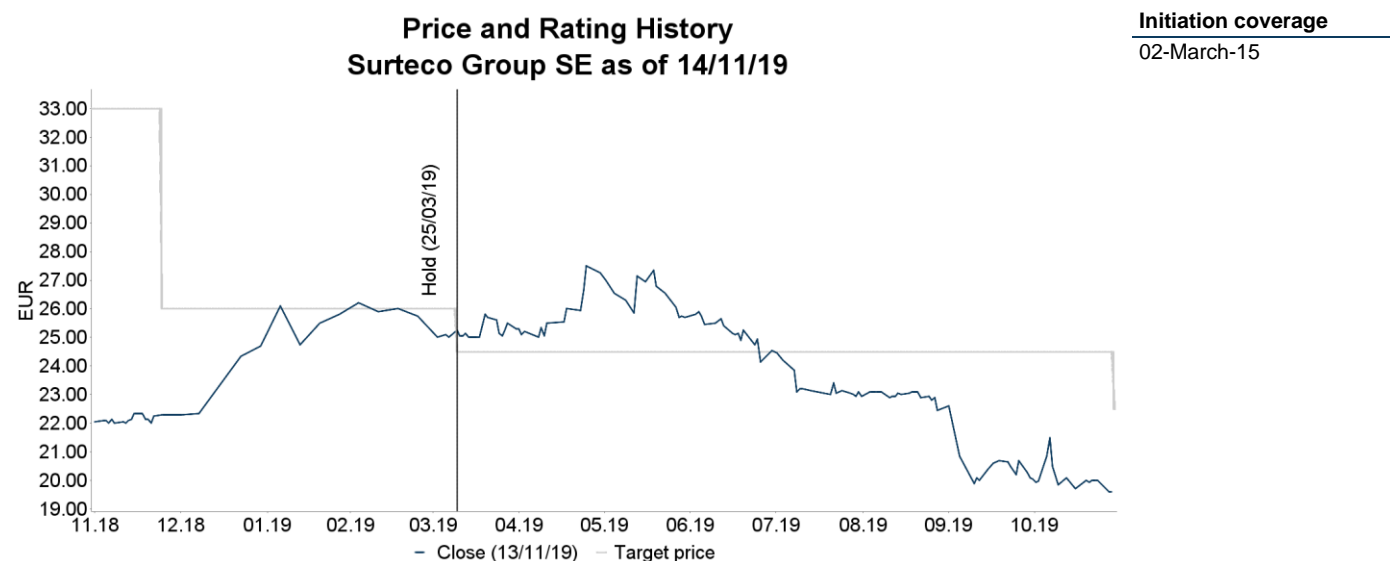
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Company	Disclosure
Surteco Group SE	2, 8

**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	22.08.2019	Sandherr, Christian	Hold	EUR 24,50	EUR 23,10
	22.08.2019	Sandherr, Christian	Hold	EUR 24,50	EUR 23,10
	06.06.2019	Sandherr, Christian	Hold	EUR 24,50	EUR 26,80
	26.03.2019	Sandherr, Christian	Hold	EUR 24,50	EUR 25,05
	10.12.2018	Sandherr, Christian	Buy	EUR 26,00	EUR 22,30

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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.

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