

**Hold** (old: Hold)

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

<b>Price:</b>	EUR 26.80	<b>Next result:</b>	Q2 2019 14.08.19
<b>Bloomberg:</b>	SUR@GR	<b>Market cap:</b>	EUR 415.6 m
<b>Reuters:</b>	SURG.DE	<b>Enterprise Value:</b>	EUR 609.9 m

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## Challenges to persist, yet slight improvements in sight

While the ongoing challenging macro environment in key end markets is seen to limit Surteco's top-line growth, **there is some upside potential for the group's profitability.**

Continuously increasing raw material prices throughout FY '18 burdened the company's profitability given its inability to pass these on to their customers (FY gross profit margin -1.1pp yoy). Worth pointing out is the fact that prices were flat in Q1 and we have seen first slight signs of an improvement with regard to current trading in the second quarter. This provides us with confidence that **Surteco should be able to slightly improve its gross profit margin for the FY** (eH&A +0.3pp yoy).

**First time application of new segment reporting.** As part of its "Strategy 2025+", Surteco has now changed its segment reporting (away from Paper and Plastics) in order to highlight the different growth prospects within the group. The reporting is now split in (1) **Decoratives** (71% of sales) with edge bandings, paper foils and decorative printings, (2) **Technicals** (15% of sales) with impregnated products, plastic and hybrid/metal foils (3) **Profiles** (14% of sales) with skirtings and technical extrusions and.

Noteworthy, **Profiles** not only shows resilient high single-digit sales growth during challenging market conditions but is also Surteco's most profitable segment with **EBIT margins in the double-digits** (see page 2).

**FY 2019 guidance looks in reach.** Management expects sales of € 670 to 700m (-4% to flat yoy), considering the ongoing economic slowdown in its key markets and the business' high sensitivity to GDP (eH&A/eCons € 700m). At the same time, EBIT is seen to notably increase between 18% and 24% yoy to € 38 to 40m. In our view, **the upper end should be achievable** (eH&A € 40.8m) thanks (1) slightly decreasing raw material price pressure, (2) some cost benefits from the optimization program and (3) the absence of one-offs related to the build-up of provisions (c. € 6.1m).

**Action:** Changes in estimates due to for first time application of IFRS 16.

**Surteco's valuation remains fair** and we hence reiterate **HOLD with an unchanged € 24.5 PT** based on DCF. *—continued—*

Y/E 31.12 (EUR m)	2015	2016	2017	2018	2019E	2020E	2021E
Sales	638.4	639.8	689.7	699.0	700.4	706.0	714.4
Sales growth	3 %	0 %	8 %	1 %	0 %	1 %	1 %
EBITDA	65.0	74.3	83.1	72.8	86.4	91.4	92.4
EBIT	31.1	40.9	44.7	32.2	41.0	47.3	49.1
Net income	17.7	23.9	26.3	18.9	24.7	30.4	31.9
Net debt	126.6	135.6	189.9	197.5	183.2	163.9	148.5
Net gearing	37.9 %	39.5 %	54.8 %	56.4 %	49.7 %	42.4 %	36.8 %
Net Debt/EBITDA	1.9	1.8	2.3	2.7	2.1	1.8	1.6
EPS pro forma	1.62	1.64	2.08	1.54	1.91	2.27	2.38
CPS	2.74	2.03	3.52	2.62	2.95	3.46	3.47
DPS	0.80	0.80	0.80	0.61	0.80	0.98	1.03
Dividend yield	3.0 %	3.0 %	3.0 %	2.3 %	3.0 %	3.7 %	3.8 %
Gross profit margin	49.8 %	50.0 %	51.6 %	50.5 %	50.8 %	51.3 %	-0.1 %
EBITDA margin	10.2 %	11.6 %	12.0 %	10.4 %	12.3 %	12.9 %	12.9 %
EBIT margin	4.9 %	6.4 %	6.5 %	4.6 %	5.9 %	6.7 %	6.9 %
ROCE	5.7 %	7.4 %	7.2 %	4.6 %	6.1 %	6.9 %	7.3 %
EV/sales	0.9	0.9	0.9	0.9	0.9	0.8	0.8
EV/EBITDA	8.5	7.6	7.4	8.6	7.1	6.5	6.3
EV/EBIT	17.8	13.8	13.8	19.4	14.9	12.5	11.8
PER	16.5	16.3	12.9	17.4	14.0	11.8	11.3
Adjusted FCF yield	6.4 %	7.6 %	9.0 %	7.5 %	9.8 %	10.7 %	11.2 %

Source: Company data, Hauck & Aufhäuser Close price as of: 05.06.2019



Source: Company data, Hauck & Aufhäuser

**High/low 52 weeks:** 27.50 / 19.88

**Price/Book Ratio:** 1.1

**Relative performance (SDAX):**

3 months	-
6 months	-
12 months	11.9 %

### Changes in estimates

		Sales	EBIT	EPS
2019	old:	700.4	40.8	1.91
	Δ	-	0.5%	-
2020	old:	706.0	47.0	2.27
	Δ	-	0.6%	-
2021	old:			
	Δ			

### Key share data:

Number of shares: (in m pcs)	15.5
Authorised capital: (in € m)	7.7
Book value per share: (in €)	23.9
Ø trading volume: (12 months)	12,917

### Major shareholders:

Founding families	57.1 %
Kaindl Flooring	12.3 %
Rudolf Ostermann	5.7 %
Lazard	5.1 %

### 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 Group SE

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	Q1 '19	Q1 '18	yoy
<b>Sales</b>	<b>181.9</b>	<b>186.7</b>	<b>-2.6%</b>
Decoratives	129.4	133.8	-3.3%
Technicals	27.9	30.4	-8.2%
Profiles	24.6	22.6	8.8%
<b>EBIT</b>	<b>11.6</b>	<b>13.4</b>	<b>-13.4%</b>
	6.4%	7.2%	
Decoratives	9.4	10.9	-13.8%
margin	7.3%	8.1%	
Technicals	1.0	1.8	-44.4%
margin	3.6%	5.9%	
Profiles	2.8	2.6	7.7%
margin	11.4%	11.5%	

Source: Company data; Hauck & Aufhäuser

## 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>700.4</b>	<b>706.0</b>	<b>714.4</b>
<i>Sales growth</i>	3.2 %	0.2 %	7.8 %	1.4 %	0.2 %	0.8 %	1.2 %
Increase/decrease in finished goods and work-in-process	4.0	9.3	3.2	7.5	3.9	3.9	3.9
<b>Total sales</b>	<b>642.4</b>	<b>649.1</b>	<b>692.9</b>	<b>706.5</b>	<b>704.2</b>	<b>709.9</b>	<b>718.4</b>
Other operating income	7.5	6.5	4.5	4.3	4.6	4.6	4.7
Material expenses	322.7	324.6	335.0	349.6	346.7	345.9	350.1
Personnel expenses	161.9	158.0	174.5	185.3	174.4	175.1	177.2
Other operating expenses	100.2	98.7	104.8	103.0	101.4	102.1	103.4
Total operating expenses	577.4	574.8	609.8	633.7	617.9	618.5	626.0
<b>EBITDA</b>	<b>65.0</b>	<b>74.3</b>	<b>83.1</b>	<b>72.8</b>	<b>86.4</b>	<b>91.4</b>	<b>92.4</b>
Depreciation	28.1	27.5	29.8	29.9	33.5	34.2	34.9
<b>EBITA</b>	<b>36.8</b>	<b>46.8</b>	<b>53.3</b>	<b>42.9</b>	<b>52.9</b>	<b>57.2</b>	<b>57.4</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>41.0</b>	<b>47.3</b>	<b>49.1</b>
Interest income	0.9	0.7	0.6	1.4	0.7	0.6	0.7
Interest expenses	9.2	8.8	8.4	7.5	7.8	6.2	6.1
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	-7.1	-5.6	-5.4
<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>33.9</b>	<b>41.7</b>	<b>43.8</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>33.9</b>	<b>41.7</b>	<b>43.8</b>
Taxes	9.2	11.3	7.2	8.2	9.2	11.3	11.8
<b>Net income from continuing operations</b>	<b>17.6</b>	<b>23.7</b>	<b>26.3</b>	<b>18.9</b>	<b>24.7</b>	<b>30.4</b>	<b>31.9</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>24.7</b>	<b>30.4</b>	<b>31.9</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>24.7</b>	<b>30.4</b>	<b>31.9</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>1.60</b>	<b>1.96</b>	<b>2.06</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 %	49.5 %	49.0 %	49.0 %
Personnel expenses	25.4 %	24.7 %	25.3 %	26.5 %	24.9 %	24.8 %	24.8 %
Other operating expenses	15.7 %	15.4 %	15.2 %	14.7 %	14.5 %	14.5 %	14.5 %
Total operating expenses	90.4 %	89.8 %	88.4 %	90.7 %	88.2 %	87.6 %	87.6 %
<b>EBITDA</b>	<b>10.2 %</b>	<b>11.6 %</b>	<b>12.0 %</b>	<b>10.4 %</b>	<b>12.3 %</b>	<b>12.9 %</b>	<b>12.9 %</b>
Depreciation	4.4 %	4.3 %	4.3 %	4.3 %	4.8 %	4.8 %	4.9 %
<b>EBITA</b>	<b>5.8 %</b>	<b>7.3 %</b>	<b>7.7 %</b>	<b>6.1 %</b>	<b>7.6 %</b>	<b>8.1 %</b>	<b>8.0 %</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>6.7 %</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>4.8 %</b>	<b>5.9 %</b>	<b>6.1 %</b>
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Earnings before taxes</b>	<b>4.2 %</b>	<b>5.5 %</b>	<b>4.9 %</b>	<b>3.9 %</b>	<b>4.8 %</b>	<b>5.9 %</b>	<b>6.1 %</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>3.5 %</b>	<b>4.3 %</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>3.5 %</b>	<b>4.3 %</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>3.5 %</b>	<b>4.3 %</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>212.3</b>	<b>204.3</b>	<b>198.0</b>
Property, plant and equipment	244.9	245.6	258.2	255.8	262.3	268.1	274.4
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>494.1</b>	<b>491.9</b>	<b>491.9</b>
Inventories	113.3	119.6	119.7	127.0	129.7	130.7	132.3
Accounts receivable	56.4	52.1	57.8	57.5	59.5	60.0	60.7
Other current assets	30.4	35.0	21.6	23.3	22.0	22.1	22.4
Liquid assets	65.7	60.4	133.4	121.0	83.9	103.2	118.6
Deferred taxes	8.2	6.5	19.0	18.3	19.3	19.5	19.7
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>314.4</b>	<b>335.5</b>	<b>353.7</b>
<b>TOTAL ASSETS</b>	<b>655.7</b>	<b>673.9</b>	<b>842.6</b>	<b>844.5</b>	<b>808.4</b>	<b>827.5</b>	<b>845.6</b>
<b>SHAREHOLDERS EQUITY</b>	<b>334.2</b>	<b>343.6</b>	<b>346.3</b>	<b>350.0</b>	<b>368.5</b>	<b>386.8</b>	<b>403.5</b>
<b>MINORITY INTEREST</b>	<b>0.2</b>	<b>3.0</b>	<b>2.9</b>	<b>3.2</b>	<b>3.3</b>	<b>3.0</b>	<b>3.0</b>
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	13.0	13.1	13.3
Other provisions	8.2	3.6	4.0	11.6	4.0	4.1	4.1
<b>Non-current liabilities</b>	<b>208.2</b>	<b>140.2</b>	<b>334.4</b>	<b>277.0</b>	<b>275.2</b>	<b>275.3</b>	<b>275.5</b>
short-term liabilities to banks	5.0	72.4	5.7	65.9	9.0	9.0	9.0
Accounts payable	48.7	48.9	63.2	65.1	65.2	65.7	66.5
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	38.6	38.9	39.4
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>161.5</b>	<b>162.3</b>	<b>163.6</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>808.4</b>	<b>827.5</b>	<b>845.6</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>26.3 %</b>	<b>24.7 %</b>	<b>23.4 %</b>
Property, plant and equipment	37.4 %	36.4 %	30.6 %	30.3 %	32.4 %	32.4 %	32.4 %
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>61.1 %</b>	<b>59.4 %</b>	<b>58.2 %</b>
Inventories	17.3 %	17.7 %	14.2 %	15.0 %	16.0 %	15.8 %	15.6 %
Accounts receivable	8.6 %	7.7 %	6.9 %	6.8 %	7.4 %	7.2 %	7.2 %
Other current assets	4.6 %	5.2 %	2.6 %	2.8 %	2.7 %	2.7 %	2.7 %
Liquid assets	10.0 %	9.0 %	15.8 %	14.3 %	10.4 %	12.5 %	14.0 %
Deferred taxes	1.3 %	1.0 %	2.3 %	2.2 %	2.4 %	2.4 %	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>38.9 %</b>	<b>40.6 %</b>	<b>41.8 %</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>45.6 %</b>	<b>46.7 %</b>	<b>47.7 %</b>
<b>MINORITY INTEREST</b>	<b>0.0 %</b>	<b>0.4 %</b>	<b>0.3 %</b>	<b>0.4 %</b>	<b>0.4 %</b>	<b>0.4 %</b>	<b>0.4 %</b>
Long-term debt	28.6 %	18.3 %	37.7 %	29.9 %	31.9 %	31.2 %	30.5 %
Provisions for pensions and similar obligations	1.9 %	1.9 %	1.5 %	1.5 %	1.6 %	1.6 %	1.6 %
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>34.0 %</b>	<b>33.3 %</b>	<b>32.6 %</b>
short-term liabilities to banks	0.8 %	10.7 %	0.7 %	7.8 %	1.1 %	1.1 %	1.1 %
Accounts payable	7.4 %	7.3 %	7.5 %	7.7 %	8.1 %	7.9 %	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)	4.7 %	4.6 %	4.5 %	4.2 %	4.8 %	4.7 %	4.7 %
Deferred taxes	4.4 %	5.1 %	6.2 %	5.7 %	6.0 %	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>20.0 %</b>	<b>19.6 %</b>	<b>19.3 %</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	24.7	30.4	31.9
Depreciation of fixed assets (incl. leases)	28.1	27.5	29.8	29.9	33.5	34.2	34.9
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	70.3	74.6	75.3
Increase/decrease in inventory	-5.4	-5.1	-0.1	-7.2	-2.7	-1.0	-1.6
Increase/decrease in accounts receivable	3.6	7.7	-5.9	0.3	-2.0	-0.5	-0.7
Increase/decrease in accounts payable	6.9	-1.2	14.3	1.9	0.1	0.5	0.8
Increase/decrease in other working capital positions	8.5	-16.1	13.4	7.9	0.0	0.0	0.0
Increase/decrease in working capital	13.6	-14.7	21.7	2.9	-4.6	-1.0	-1.5
<b>Cash flow from operating activities</b>	<b>62.5</b>	<b>51.4</b>	<b>74.6</b>	<b>60.7</b>	<b>65.7</b>	<b>73.6</b>	<b>73.8</b>
CAPEX	31.6	34.5	42.7	47.5	41.9	41.9	43.2
Payments for acquisitions	0.0	21.4	74.1	2.5	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	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>-41.9</b>	<b>-41.9</b>	<b>-43.2</b>
Cash flow before financing	34.0	-3.0	-40.9	11.2	23.8	31.7	30.6
Increase/decrease in debt position	-0.2	10.7	127.3	-4.8	-51.3	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	12.4	15.2
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>-60.8</b>	<b>-12.4</b>	<b>-15.2</b>
Increase/decrease in liquid assets	22.5	-5.4	73.0	-12.4	-37.0	19.3	15.4
<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>83.9</b>	<b>103.2</b>	<b>118.6</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	178.4	179.8	182.0
yoy change	2.9 %	-0.1 %	-4.0 %	1.4 %	0.2 %	0.8 %	1.2 %
Rest of Europe	299.4	300.7	315.2	319.5	320.1	322.7	326.6
yoy change	3.4 %	0.4 %	4.8 %	1.4 %	0.2 %	0.8 %	1.2 %
NAFTA	105.3	106.2	140.7	142.6	142.9	144.1	145.8
yoy change	3.2 %	0.8 %	32.5 %	1.4 %	0.2 %	0.8 %	1.2 %
Asia Pacific	47.9	48.6	52.2	52.9	53.0	53.4	54.0
yoy change	9.0 %	1.6 %	7.3 %	1.4 %	0.2 %	0.8 %	1.2 %
Rest of world	2.6	1.3	5.9	6.0	6.0	6.0	6.1
yoy change	-48.4 %	-49.9 %	361.6 %	1.4 %	0.2 %	0.8 %	1.2 %
<b>TTL</b>	<b>638.4</b>	<b>639.8</b>	<b>689.7</b>	<b>699.0</b>	<b>700.4</b>	<b>706.0</b>	<b>714.4</b>
yoy change	3.2 %	0.2 %	7.8 %	1.4 %	0.2 %	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 %	0.2 %	0.8 %	1.2 %
EBITDA growth	3.4 %	14.4 %	11.8 %	-12.4 %	18.7 %	25.5 %	6.9 %
EBIT growth	12.7 %	31.4 %	9.3 %	-27.9 %	27.4 %	46.8 %	19.8 %
EPS growth	-3.9 %	35.1 %	10.2 %	-28.1 %	30.7 %	60.8 %	29.1 %
<b>Efficiency</b>							
Total operating costs / sales	90.4 %	89.8 %	88.4 %	90.7 %	88.2 %	87.6 %	87.6 %
Sales per employee	234.1	233.8	223.1	222.8	219.9	218.4	217.8
EBITDA per employee	23.8	27.2	26.9	23.2	27.1	28.3	28.2
<b>Balance sheet analysis</b>							
Avg. working capital / sales	19.4 %	19.0 %	17.2 %	16.7 %	17.4 %	17.3 %	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	98.9	99.6	99.6
<b>Cash flow analysis</b>							
Free cash flow	30.9	16.9	31.8	13.2	23.8	31.7	30.6
Free cash flow/sales	4.8 %	2.6 %	4.6 %	1.9 %	3.4 %	4.5 %	4.3 %
FCF / net profit	174.5 %	70.7 %	121.0 %	69.5 %	96.1 %	104.1 %	95.8 %
Capex / depre	93.4 %	103.0 %	111.0 %	117.2 %	92.4 %	95.2 %	100.0 %
Capex / maintenance capex	148.4 %	157.5 %	204.0 %	225.1 %	200.0 %	200.0 %	206.3 %
Capex / sales	5.0 %	5.4 %	6.2 %	6.8 %	6.0 %	5.9 %	6.1 %
<b>Security</b>							
Net debt	126.6	135.6	189.9	197.5	183.2	163.9	148.5
Net Debt/EBITDA	1.9	1.8	2.3	2.7	2.1	1.8	1.6
Net debt / equity	0.4	0.4	0.5	0.6	0.5	0.4	0.4
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	1.1	1.0	1.0
Operating assets turnover	1.7	1.7	1.9	1.9	1.8	1.8	1.8
Plant turnover	2.6	2.6	2.7	2.7	2.7	2.6	2.6
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 %	6.1 %	6.9 %	7.3 %
ROE	5.3 %	7.0 %	7.6 %	5.4 %	6.7 %	7.9 %	7.9 %
<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	1.60	1.96	2.06
<b>Valuation ratios</b>							
P/BV	1.2	1.2	1.2	1.2	1.1	1.1	1.0
EV/sales	0.9	0.9	0.9	0.9	0.9	0.8	0.8
EV/EBITDA	8.5	7.6	7.4	8.6	7.1	6.5	6.3
EV/EBITA	15.1	12.1	11.6	14.6	11.6	10.4	10.1
EV/EBIT	17.8	13.8	13.8	19.4	14.9	12.5	11.8
EV/FCF	18.0	33.4	19.4	47.6	25.7	18.7	18.9
Adjusted FCF yield	6.4 %	7.6 %	9.0 %	7.5 %	9.8 %	10.7 %	11.2 %
Dividend yield	3.0 %	3.0 %	3.0 %	2.3 %	3.0 %	3.7 %	3.8 %

Source: Company data, Hauck & Aufhäuser

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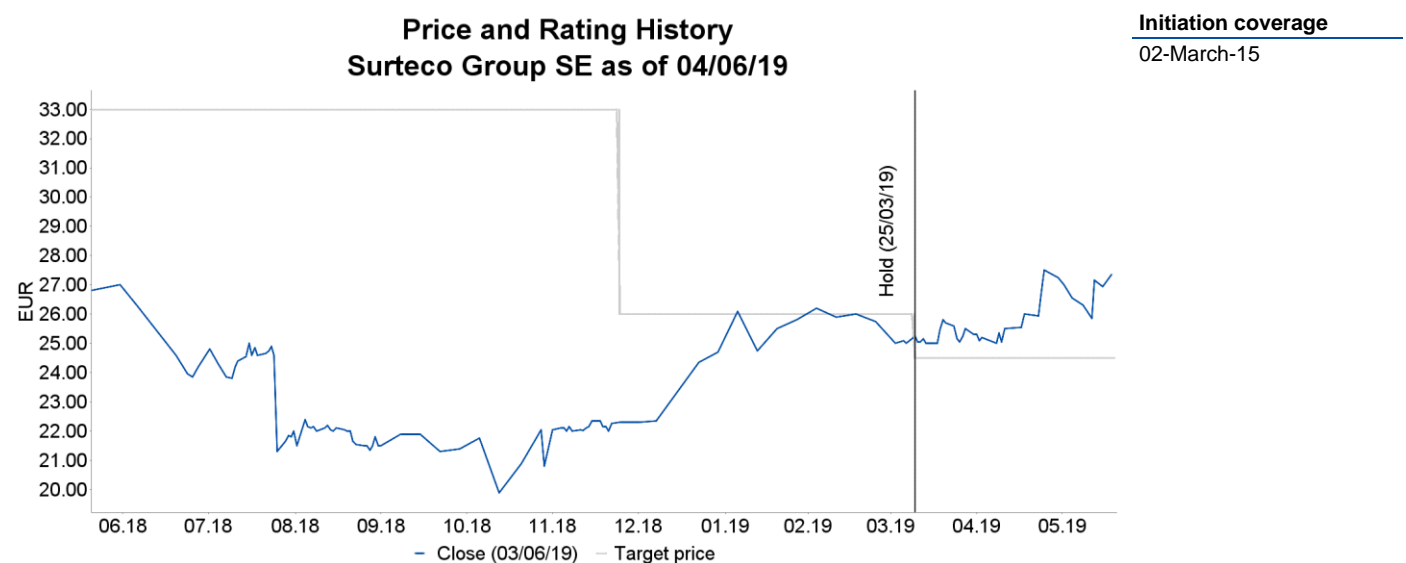
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Company	Disclosure
Surteco Group SE	2, 8

### 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	26.03.2019	Sandherr, Christian	Hold	EUR 24,50	EUR 25,05
	10.12.2018	Sandherr, Christian	Buy	EUR 26,00	EUR 22,30
	19.09.2018	Sandherr, Christian	Buy	EUR 33,00	EUR 21,50
	19.09.2018	Sandherr, Christian	Buy	EUR 33,00	EUR 21,50
	15.08.2018	Cohrs, CFA, Gunnar	Buy	EUR 33,00	EUR 21,80

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