



# SARTORIUS AG PREF

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## OUTPERFORM

Price Target: EUR 110

### Strong Q4, order intake & guidance

Strong Q4 results: 7% beat of consensus on underlying EBITDA

Strong Outlook: 9-12% revenue growth in c.c., 50bps underlying EBITDA margin expansion

Strong order intake

#### STRONG Q4 DRIVEN BY BOTH SEGMENTS

After a mixed 9M-17, Sartorius posted convincing Q4 results. Group revenues were in line with cons. (-1.3%), but below our estimate (-2.6%). However, profitability was strong with a beat of consensus on the underlying EBITDA by 7.3% and 4.8% of our estimate. Both segments contributed equally to the strong results. BPS sales were in line with cons. (-0.8% vs. cons., -2.8% vs. MFe), but at a stronger profitability. The EBITDA was a 4.0% beat of our estimate. Also in LPS sales were in line (-0.3% vs. cons, -1.6% vs. MFe), but significantly ahead of our estimate on EBITDA (+8.1%).

#### REASSURING OUTLOOK AND LOWER TAX RATE

Sartorius provided a very confident outlook into 2018 and expects 9-12% revenue growth in constant currency (c.c.) and an expansion of the underlying EBITDA margin by 50bps. We assume an acquisition effect of c. 1% in 2018 on group level. Both divisions are anticipated to grow strongly. In BPS Sartorius guides for 8-11% growth in l.c. which is fully organic. The EBITDA margin will increase by c. 50bps. In LPS management looks for 12-15% sales growth in c.c., thereof c. 3% growth from acquisitions according to our estimate. The EBITDA margin is expected to expand by 100bps which is also driven by a positive mix effect from the new bioanalytics business unit. The tax rate of Sartorius is expected to decrease by c. 2 ppt to 27% from 2018 onwards, due to the changes in American tax legislation.

#### STRONG ORDER INTAKE

Order intake was strong in Q4-17 with 16.9% growth y/y vs. 11.0% in 9M-17. The strong improvement came from BPS, which is in line with our investment thesis that the company will benefit from increased orders in this segment. In BPS order intake reached 13.9% in Q4-17 vs. 9M-17 of 6.6%. In the LPS division order intake reached 25.1%, in line with 25.0% in 9M-17 which is mainly driven by the new bioanalytics business.

LAST CLOSE (EUR)	90.0
MKTCAP (EUR m)	3,074
UPSIDE (%)	22.3
DAILY T/O (EUR m)	5.66

#### CHANGES TO ESTIMATES

YEAR TO DEC (EUR M)	2016	2017E	2018E	2019E
Group revenue	1,300	1,414	1,556	1,772
EBITDA (adj.)	325	349	390	453
EBIT (adj.)	271	279	298	362
EPS (adj.) (EUR)	1.94	1.91	2.06	2.53
EPS (Cons.) (EUR)		1.92	2.18	2.54
DPS (EUR)	0.46	0.48	0.54	0.69
P/E (adj.)	19.2	47.1	43.6	35.6
EPS y/y (%)	23.1	-1.8	8.0	22.6
EV/EBITDA (adj.)	5.62	11.2	9.77	7.93
Dividend yield (%)	1.2	0.5	0.6	0.8
Free CF yield (%)	0.7	0.9	2.3	5.4
EV/IC	1.36	2.16	1.86	1.54
RoIC (%)	20.1	15.4	14.6	15.5
Net debt (cash)	486	776	658	433
Other EV items	64	68	75	86
EV (EUR m)	1,828	3,918	3,808	3,593

Next event: Q4/FY Results (31 Jan 2018)

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## Q4 result and outlook table

### Q4 results table

<i>in EUR m</i>			Q4-17		
	Reported	MF	Cons	Δ to MF	Δ to cons
Revenues	360.3	369.8	364.9	-2.6%	-1.3%
t/o Bioprocess solutions	257.4	264.8	259.5	-2.8%	-0.8%
t/o Lab Products & Services	103.4	105.1	103.7	-1.6%	-0.3%
<b>Underlying EBITDA</b>	<b>94.3</b>	<b>90.0</b>	<b>87.9</b>	<b>4.8%</b>	<b>7.3%</b>
t/o Bioprocess solutions	75.4	72.5		4.0%	
t/o Lab Products & Services	18.9	17.5		8.1%	

Source: MainFirst Research, FactSet consensus

### Outlook table

	Guidance	MFe <sup>1</sup>	Cons <sup>2</sup>
<b>Revenue growth in c.c.</b>			
Group	9-12%	13.5%	9.4%
Bioprocess Solutions	8-11%	13.9%	9.4%
Lab Products & Services	12-15%	12.3%	10.0%
<b>Underlying EBITDA margin in c.c.</b>			
Group	25.6%	25.8%	25.4%
Bioprocess Solutions	28.5%	28.4%	n.a.
Lab Products & Services	19%	18.7%	n.a.
Capex/sales	15%	13.0%	10.3%
net debt/EBITDA		1.7	2.0

<sup>1</sup> Sales estimate assumes contribution from equipment orders in the BPS division

<sup>2</sup> FactSet consensus, revenue growth and underlying EBITDA margin based on reported figures

Source: MainFirst Research, FactSet consensus



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Sartorius AG PREF

Source: MainFirst

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