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Research update

SMC Research
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Platz 1 Europe Industrials
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Mehrfacher Gewinner renommierter Analyst Awards

STS Group AG

Steady performance in a persistently difficult market

Rating: Hold (unchanged) | **Price:** 3.02 € | **Price target:** 11.60 € (unchanged)

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Current development

Basic data

Based in:	Hagen
Sector:	Automotive supplier
Headcount:	approx.1,400
Accounting:	IFRS
Ticker:	SF3:GR
ISIN:	DE000A1TNU68
Price:	3.02 Euro
Market segment:	General Standard
Number of shares:	6.5 m
Market Cap:	19.6 m Euro
Enterprise Value:	63.2 m Euro
Free Float:	25.6 %
Price high/low (12 M):	5.40 / 2.82 Euro
Øturnover (12 M Xetra):	4,400 Euro

Market weakness continues

The commercial vehicle market remains in difficult waters in the most important economic regions. In an environment shaped by uncertainty, in which the erratic and protectionist US policy is dampening the propensity to invest, sales of heavy trucks in the USA fell by 6 percent in the first half of the year and new registrations in the EU fell by as much as 14.5 percent (data source: ycharts/ACEA). In contrast, the Chinese market grew by 6 percent in terms of the number of units (data source: cvworld.cn/Steel-Orbis), although the general conditions have also had a clear impact here, as investments have tended to focus on more affordable products, while the premium segment has declined.

Heterogeneous segment development

However, as STS addresses especially the latter segment, the group's revenue in China fell sharply by 37 percent to EUR 15.4 m in the first half of the year. In Europe, however, the company was largely able to defy the difficult environment, thanks in part to successful new product launches. This, in combination with the start of series production at the new US plant, was reflected in a 2 percent increase in sales in the

FY ends: 31.12.	2022	2023	2024	2025e	2026e	2027e
Sales (m Euro)	235.1	277.9	311.1	295.0	302.7	317.1
EBITDA (m Euro)	9.6	20.5	23.0	21.8	23.0	26.0
Net profit	-9.9	-1.2	-0.6	-2.2	-1.2	2.9
EpS	-1.53	-0.18	-0.09	-0.35	-0.19	0.45
Dividend per share	0.00	0.04	0.04	0.04	0.04	0.04
Sales growth	-2.9%	18.2%	11.9%	-5.2%	2.6%	4.8%
Profit growth	-	-	-	-	-	-
PSR	0.08	0.07	0.06	0.07	0.06	0.06
PER	-	-	-	-	-	6.7
PCR	3.0	0.6	2.8	1.5	1.1	1.0
EV / EBITDA	6.6	3.1	2.7	2.9	2.7	2.4
Dividend yield	0.0%	1.3%	1.3%	1.3%	1.3%	1.3%

Plastics Division to EUR 119.6 m. The weak overall market had a greater impact on demand for primary materials, with the result that revenue in the third segment Materials fell by 15 percent to EUR 15.8 m. As a result, STS's revenue fell by 7 percent to EUR 143.4 m in the first half of the year. However, it should be noted that the previous year's revenue still included significant one-off income from tool sales, particularly in connection with the construction of the new US plant. These – and the weak business in China – were largely, but not yet fully, replaced in the current period by the ramp-up process in the USA and the good European business with recurring revenue from the series business. In contrast, total output (excluding other operating income) actually increased by 6 percent to EUR 148 m in the first six months, to which the EUR 4.6 m increase in inventories made a significant contribution (in the previous year there had been a reduction in inventories of EUR -14.2 m).

Business figures	6M 24	6M 25	*Change*
Sales	153.5	143.4	*-7%*
- Plastics	*117.6*	*119.6*	*+2%*
- China	*24.3*	*15.4*	*-37%*
- Materials	*18.6*	*15.8*	*-15%*
- consolidation	*-7.0*	*-7.4*	*-*
EBITDA	11.8	11.0	*-7%*
- Plastics	*8.0*	*9.3*	*+16%*
- China	*3.9*	*1.1*	*-72%*
- Materials	*1.2*	*0.8*	*-33%*
- consolidation	*-1.3*	*-0.2*	*-85%*
EBITDA margin	*7.7%*	*7.7%*	*-*
EBIT	4.5	2.8	*-38%*
EBIT margin	*2.9%*	*2.0%*	*-0.9Pp.*
Period result	-0.7	-0.7	*0%*

In m Euro and percent; source: Company

EBITDA margin stable

The reduced tool business was also reflected in the cost items, which, together with the calming of the market on the procurement side, led to a 5 percent decrease in the cost of materials to EUR 84.3 m. In relation to the – increased – total output, the cost of materials ratio fell from 63.7 to 57.0 percent. On the other hand, however, there was a sharp increase in personnel costs of 22 percent to EUR 37.2 m (ratio from 21.9 to 25.1 percent), which is partly due to the increase in personnel for the new US plant, but also to the unexpectedly strong European business, which required short-term increases in capacity. With only a slight change in the cost/income ratio of other operating expenses (from 11.8 to 11.6 percent), this resulted in a slight decrease in EBITDA of 7 percent to EUR 11.0 m, meaning that the EBITDA margin remained stable at 7.7 percent.

Small net loss

After deducting increased depreciation and amortisation (from EUR 7.3 m to EUR 8.2 m), this results in EBIT of EUR 2.8 m, compared to EUR 4.5 m in the first half of 2024. Taking into account a slight improvement in the financial result (from EUR -3.2 m to EUR -2.7 m) and a small tax expense (EUR -0.7 m, previous year EUR -2.0 m), the bottom line for the first half of the year is a small net loss of EUR -0.7 m, which is on a par with the previous year.

Operating cash flow significantly improved

Despite this, STS was able to report a significantly improved operating cash flow of EUR 9.8 m. The change compared to the previous year (EUR 5.2 m) reflects the one-off effects from the tools business; after they ceased to apply, the cash flow has now assumed the regular figure to be expected from ongoing business. At the same time, cash outflows from investing activities fell from EUR -7.3 m to EUR -3.1 m following the completion of the construction of the US plant, resulting in a free cash flow of EUR +6.7 m in the first six months (previous year: EUR -2.1 m). This was used for a net repayment of liabilities, which is reflected in the financing cash flow of EUR -4.7 m. At the same time, it ensured a small increase in liquidity from EUR 25.6 m to EUR 26.3 m, despite the negative effects of exchange rate changes.

Net financial debt reduced

This also enabled STS to reduce its net financial debt from EUR 48.8 m on the last balance sheet date to EUR 40.1 m at the end of June. The arithmetical multiple to EBITDA for the last twelve months (07/24 to 06/25) is therefore 1.8, which represents a sound figure. However, due to the half-year loss and the negative impact of currency conversion, equity fell somewhat more sharply (-5 percent) than debt (-4 percent), which is why the equity ratio fell slightly from 19.5 to 19.4 percent.

Forecast reaffirmed

The company sees itself on target with its figures for the first six months. Although call-offs in the USA are rising somewhat more slowly than expected and business in China is unexpectedly weak, this is compensated for by the good performance in Europe. The annual forecast, which envisages annual sales close to the previous year's figure adjusted for one-off effects (around EUR 300 m), EBITDA at the level of 2024 and, as a result, an EBITDA margin in the high single-digit percentage range, was therefore confirmed. However, the management sees potential negative effects of US tariff policy as a factor of uncertainty.

Estimates updated

We had previously assumed that sales would reach EUR 295 m in the current year. Anticipating rising call-offs in the USA and higher sales in China, we still believe this is achievable. In detail, however, we have increased our estimate for the Plastics segment (from EUR 230.9 m to EUR 241.7 m) and at the same time lowered our estimate for the China segment (from EUR 46.3 m to EUR 35.9 m) and for the Materials segment (from EUR 33.5 m to EUR 33.1 m). We have also adjusted our cost estimates, with the changes in personnel expenses (higher) and cost of materials (lower) cancelling each other out, meaning that we are still expecting EBITDA of EUR 21.8 m.

Good growth opportunities

For the coming year, we expect sales growth of 2.6 percent, which we believe will be driven primarily by a recovery in China and higher call-offs in the USA. We also see good growth opportunities beyond this, which we express in an assumed CAGR of 3.5 percent for the period 2026 to 2032. We see the new plant in the USA that will improve STS's chances of acquiring further major orders there and the realisation of a new production facility in China (together with Adler Pelzer) next year, which should also provide positive impetus, as potential growth drivers. On the other hand, we have not factored any major market upturn into this projection. Should this materialise – at least in phases – STS is likely to grow significantly faster, at least temporarily. Our margin projection is similarly conservative, with an EBITDA margin of 7.6 percent in 2026 and 8.3 percent at the end of the detailed forecast period. Compared to our previous estimate, we have made it even more cautious (due to higher personnel costs, which were only partially offset by lower material costs), with a target margin of 8.3 percent (previously: 8.5 percent). The table below shows our revenue estimates, and the table on the next page shows the development of the key cash flow figures up to 2032 based on our assumptions. Further details of the estimates can be found in the Annex.

Discount rate unchanged

We continue to calculate the terminal value with a 25-percent discount to the target margin of 2032 and a “perpetual” cash flow growth of 1 percent p.a. The discount rate (WACC) is also unchanged and is based on a CAPM cost of equity of 10.9 percent (with: safe

Revenue model (m Euro)	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Plastics	241.7	243.6	255.0	263.4	270.9	278.7	286.7	295.0
- of which US plant	26.0	31.2	36.0	37.8	39.7	41.7	43.8	45.9
China	35.9	41.2	43.7	46.3	48.6	51.1	53.6	56.3
Materials	33.1	33.9	35.0	36.0	36.9	37.8	38.8	39.8
Consolidated	-15.7	-16.1	-16.6	-17.1	-17.6	-18.1	-18.7	-19.3
Total revenue	**295.0**	**302.7**	**317.1**	**328.6**	**338.9**	**349.5**	**360.4**	**371.8**

Estimates SMC-Research

m Euro	12 2025	12 2026	12 2027	12 2028	12 2029	12 2030	12 2031	12 2032
Sales	295.0	302.7	317.1	328.6	338.9	349.5	360.4	371.8
Sales growth		2.6%	4.8%	3.6%	3.1%	3.1%	3.1%	3.1%
EBITDA	**21.8**	**23.0**	**26.0**	**27.3**	**28.1**	**29.0**	**29.9**	**30.9**
EBIT	5.3	7.3	10.5	12.2	13.5	14.6	15.7	16.7
Tax rate	40.0%	32.0%	31.0%	30.0%	29.0%	29.0%	29.0%	29.0%
Adjusted tax payments	2.1	2.3	3.2	3.7	3.9	4.2	4.5	4.8
NOPAT	**3.2**	**5.0**	**7.2**	**8.6**	**9.6**	**10.4**	**11.1**	**11.9**
+ Depreciation & Amortisation	16.5	15.7	15.5	15.0	14.7	14.4	14.2	14.2
+ Increase long-term accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating cash flows	19.6	20.7	22.8	23.6	24.2	24.8	25.4	26.0
- Increase Net Working Capital	-7.4	-4.3	-4.5	-3.4	-3.5	-3.6	-3.7	-3.8
- Investments in fixed assets	-8.8	-12.0	-12.4	-12.8	-13.1	-13.4	-13.7	-14.1
Free Cashflow	**3.4**	**4.4**	**5.8**	**7.5**	**7.7**	**7.8**	**8.0**	**8.2**

SMC estimation model

interest rate of 2.5 percent, market risk premium of 5.6 percent and beta factor of 1.5) as well as an interest rate on borrowed capital of 6.7 percent, a target capital structure with 70 percent debt and a tax rate for the tax shield of 29 percent. This results in an average cost of capital of 6.6 percent.

Target price remains EUR 11.60

After the model adjustments, the fair value we have calculated is now EUR 75.7 m or EUR 11.65 per share. On this basis, we leave the price target at EUR 11.60 (a sensitivity analysis for determining the price target can be found in the Annex). On a scale of 1 (low) to 6 (high), we continue to classify the forecast risk as slightly above average at 4 points, which is primarily due to the influence of the pronounced cyclical nature of the truck market.

Conclusion

Developments in the commercial vehicle market in the first half of 2025 were shaped by declining sales figures: In the USA, the number of heavy truck registrations fell by 6 percent and in the EU even by a double-digit percentage. The market has only grown in China, but the premium segment, which is important for STS, has shrunk there as well.

Against this backdrop, it is remarkable that STS was able to limit the decline in sales in the first half of the year to just 6.6 percent (to EUR 143.4 m), especially as the previous year's figure also included high one-off proceeds from tool sales in the course of the construction of the US plant. Series production at this plant and a robust European business have provided important support in the first half of the year to compensate for this. As a result, EBITDA fell only slightly from EUR 11.8 m to EUR 11.0 m.

For the full year, the management continues to target sales close to the previous year's level adjusted for one-off income (approx. EUR 300 m) and an EBITDA comparable to 2024 (EUR 23 m).

Our estimates for 2025 are also close to the previous year's figures. Subsequently, we see good growth opportunities – through the potential acquisition of further major orders for the US plant and through the expansion of the market position in China with another plant (together with Adler Pelzer), which is to go into operation in 2026.

In our estimates, however, we have only factored in moderate growth (CAGR 26/32 of 3.5 percent) and a modest improvement in the EBITDA margin (from 7.4 to 8.3 percent). If the commercial vehicle market picks up significantly, at least in phases, the results are likely to be significantly better, which we see as additional upside potential.

But even so, our model results in a fair value of EUR 11.60, which is well above the current share price and thus indicates great upside potential for the share. This reflects the currently very favourable valuation of the STS share, which is evident, among other things, in an estimated enterprise value/EBITDA multiple of just 2.9.

However, we continue to assume that this high share price potential will only be realised when STS can show sales and earnings growth as well as positive net results and therefore maintain our “Hold” rating.

Annex I: SWOT analysis

Strengths

- STS has established itself as a global tier-one truck supplier for plastic parts.
- The company has expertise and flexibility in the application of a wide range of manufacturing techniques (SMC, thermocompression and injection moulding), materials and batch sizes, and is increasingly becoming a system supplier.
- Successful international expansion with a strong market position in China and the acquisition of a major order from the USA.
- Proved competence in acquisition and integration of companies as well as in the implementation of efficiency enhancement measures.
- With Adler Pelzer, the company has a strong parent company.

Weaknesses

- Despite the recent improvement, the EBITDA margin is still low at 7.7 percent. The net result is still negative, and further progress is needed to achieve a profit.
- The balance sheet debt is high (equity ratio 19.4 percent), but this is somewhat relativised by the moderate relative debt (net financial debt to EBITDA is 1.8).
- Due to the long lead time from order placement to revenue generation, sales initiatives only show up in group revenue with a significant delay.
- Structural growth dynamics in the still important European commercial vehicle market are low.
- In the wake of the takeover by Adler Pelzer, the liquidity of the share has decreased.

Opportunities

- The new US plant is now providing important growth impetus; one-off revenues from 2024 will be replaced by increasing contributions from series production in 2025.
- With the further ramp-up process of the US plant, the EBITDA margin could increase further across the group in the future.
- Together with Adler Pelzer, there are good opportunities for order acquisition in the USA and further market share gains in China.
- Electromobility and new emission regulations act as growth drivers.
- The STS share is very low-priced and offers very high upside potential as soon as investors gain confidence in STS's sustainable growth prospects.

Threats

- The management is aiming for stable sales and EBITDA figures. However, due to the continued weakness of the addressed markets, a decline in sales and earnings in 2025 cannot be ruled out.
- China is struggling with structural problems that could have a lasting negative impact on the commercial vehicle market.
- Persistently weak economic conditions could delay the leap into the profit zone in terms of net income.
- International (trade) conflicts could slow down development.
- Adler Pelzer could decide to delist the share.

Annex II: Balance sheet and P&L estimation

Balance sheet estimation

m Euro	2024 act.	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e
ASSETS									
I. Total non-current	116.2	108.5	104.8	101.7	99.4	97.8	96.8	96.2	96.1
1. Intangible assets	18.6	18.5	18.5	18.4	18.4	18.3	18.3	18.3	18.2
2. Tangible assets	89.9	82.3	78.6	75.6	73.3	71.8	70.8	70.3	70.2
II. Total current assets	114.6	116.3	107.9	115.3	124.2	133.7	143.6	154.0	164.8
LIABILITIES									
I. Equity	45.0	42.5	41.0	43.7	48.0	53.5	59.9	67.2	75.3
II. Accruals	10.2	10.1	10.1	10.0	9.9	9.9	9.8	9.7	9.6
III. Liabilities									
1. Long-term liabilities	52.5	46.8	45.9	45.0	44.5	44.0	43.4	42.9	42.3
2. Short-term liabilities	123.1	125.4	115.8	118.3	121.2	124.2	127.3	130.4	133.7
TOTAL	**230.8**	**224.8**	**212.7**	**217.0**	**223.6**	**231.5**	**240.4**	**250.2**	**261.0**

P&L estimation

m Euro	2024 act.	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e
Sales (current)	311.1	295.0	302.7	317.1	328.6	338.9	349.5	360.4	371.8
Total output	295.7	297.0	302.7	317.1	328.6	338.9	349.5	360.4	371.8
Gross profit	114.3	128.0	129.9	137.0	142.3	146.7	151.3	156.1	161.0
EBITDA	23.0	21.8	23.0	26.0	27.3	28.1	29.0	29.9	30.9
EBIT	7.5	5.3	7.3	10.5	12.2	13.5	14.6	15.7	16.7
EBT	0.4	-0.7	0.3	4.9	6.8	8.2	9.4	10.6	11.8
EAT (before minorities)	-0.6	-2.2	-1.2	2.9	4.6	5.8	6.7	7.5	8.4
EAT	-0.6	-2.2	-1.2	2.9	4.6	5.8	6.7	7.5	8.4
EPS	-0.09	-0.35	-0.19	0.45	0.70	0.89	1.03	1.16	1.29

Annex III: Cash flows estimation and key figures

Cash flows estimation

m Euro	2024 act.	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e
CF operating	7.1	13.0	17.3	19.7	21.9	22.6	23.1	23.6	24.1
CF from investments	-15.6	-8.8	-12.0	-12.4	-12.8	-13.1	-13.4	-13.7	-14.1
CF financing	-4.6	-12.9	-9.0	-7.5	-6.8	-6.8	-6.8	-6.7	-6.7
Liquidity beginning of year	39.3	25.6	17.0	13.3	13.1	15.4	18.2	21.1	24.2
Liquidity end of year	25.6	17.0	13.3	13.1	15.4	18.2	21.1	24.2	27.7

Key figures

percent	2024 act.	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e
Sales growth	11.9%	-5.2%	2.6%	4.8%	3.6%	3.1%	3.1%	3.1%	3.1%
Gross margin	36.7%	43.4%	42.9%	43.2%	43.3%	43.3%	43.3%	43.3%	43.3%
EBITDA margin	7.4%	7.4%	7.6%	8.2%	8.3%	8.3%	8.3%	8.3%	8.3%
EBIT margin	2.4%	1.8%	2.4%	3.3%	3.7%	4.0%	4.2%	4.3%	4.5%
EBT margin	0.1%	-0.3%	0.1%	1.5%	2.1%	2.4%	2.7%	2.9%	3.2%
Net margin	-0.2%	-0.8%	-0.4%	0.9%	1.4%	1.7%	1.9%	2.1%	2.2%

Annex IV: Sensitivity analysis

	Perpetual cash flow growth				
WACC	**2.0%**	**1.5%**	**1.0%**	**0.5%**	**0.0%**
5.6%	22.06	18.96	16.54	14.60	13.00
6.1%	18.07	15.73	13.86	12.31	11.02
6.6%	14.96	13.14	**11.65**	10.40	9.35
7.1%	12.45	11.01	9.81	8.79	7.91
7.6%	10.40	9.24	8.25	7.40	6.67

Disclaimer

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Charts
The charts were made with Tai-Pan (www.lp-software.de).

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II) Preparation and updating

The present financial analysis was prepared by: Dipl.-Kfm. Holger Steffen

Participants in the preparation of the present financial analysis: -

The present analysis was finished on 11.08.2025 at 6:45 pm and published on 12.08.2025 at 8:15 am.

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Strong Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as below average (1 to 2 points).
Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as average (3 to 4 points).
Speculative Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as above average (5 to 6 points).
Hold	We expect that the price of the analysed financial instrument will remain stable (between -10 and +10 percent). The forecast risk (1 to 6 points) has no further impact on the rating. The rating "hold" is also used in cases where we perceive a price potential of more

	than 10 percent, but explicitly mentioned temporary factors prevent a short-term realisation of the price potential.
Sell	We expect that the price of the analysed financial instrument will drop by at least 10 percent. The forecast risk (1 to 6 points) has no further impact on the rating.

The expected change in price refers to the current share price of the analysed company. This price and any other share prices used in this analysis are XETRA closing prices as of the last trading day before publication. If the share is not traded on XETRA, the closing price of another public stock exchange is used with a separate note to that effect.

The price targets published within the assessment are calculated with common methods of financial mathematics, especially with the DCF (discounted cash flow) method, the sum of the parts valuation and a peer group analysis. The valuation methods are affected by economic framework conditions, especially by the development of the interest rates.

The rating resulting from these methods reflects current expectations and can change anytime subject to company-specific or economic changes.

More detailed explanations of the models used by SMC Research can be found at:
http://www.smc-research.com/impressum/modellerlaeuterungen

An overview of the recommendations prepared and distributed by SMC Research in the last 12 months can be found at: http://www.smc-research.com/publikationsuebersicht

In the past 24 months, sc-consult GmbH has published the following financial analyses for the company:

Date	Investment recomm.	Target price	Conflict of interests
09.04.2025	Hold	11.60 Euro	1), 3), 10)
03.12.2024	Buy	17.00 Euro	1), 3), 10)
14.08.2024	Buy	18.60 Euro	1), 3), 10)
06.06.2024	Buy	20.80 Euro	1), 3), 10)
12.04.2024	Buy	20.30 Euro	1), 3), 10)
15.11.2023	Buy	19.80 Euro	1), 3), 10)
02.10.2023	Buy	19.50 Euro	1), 3), 10)

In the course of the next twelve months, sc-consult GmbH will presumably prepare the following financial analyses for the company: one update and two comments.

The publishing dates for the financial analyses are not yet fixed at the present moment.

Exclusion of liability

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