

S&T

Germany | IT software & services | MCAP EUR 210.7m

04 November 2015

Buy (Buy)

Target Price EUR 5.60
Current Price EUR 4.9
Up/downside 15.0%
Change in TP none
Change in EPS none 2014E

Strong momentum maintained in Q3

S&T reported a sharp increase in sales and earnings in Q3, as expected. Guidance for 2015-16 reflects great confidence in good visibility on business outcomes. Our positive view remains intact. Buy, TP EUR5.70.

Strong momentum in sales maintained

S&T reported sales came of EUR114m for the third quarter of the year (+28% vs. EUR89m). After nine months of activity in 2015, revenues account for EUR302m, an increase of 19% compared to EUR254m recorded last year and slightly below our expectations (EUR311m, +22% YOY). Driver of growth in Q3 was the Services Eastern Europe segment (EUR71.5m, +45%). Strong growth was achieved by Appliances Security whose revenues came at EUR15.8m (+23%) and Appliances Smart Energy at EUR10.6m (vs. EUR6.6m in Q3-14). As planned, the Services Germany, Austria and Switzerland (Services DACH) segment experienced a decline in sales as focus in on enhancing margins.

Rise in earnings despite start-up losses in Smart Grid

Despite the start-up losses being recorded by the Smart Energy segment (we expect it to start operating in the black in 2016 as smart grid projects in Eastern Europe gradually start to deliver), 9M EBITDA and net income performed strongly, as we expected. EBITDA increased from EUR15.1m to EUR 16.7m and net income from EUR7.4m to EUR9.1m, translating into jumps of 28.8% and 23.6%.respectively.

2015 guidance confirmed, strong 2016 outlook

S&T's management maintained its forecast for 2015, which is for 20% sales growth (EUR460-465m) and net income of EUR15m. First guidance provided for 2016 ("double-digit sales growth and profits rising even faster than that") reflects great confidence in decent business visibility. The current order backlog amounts to EUR198m while the project pipeline exceeds EUR700m.

Attractive valuation - Buy, TP EUR5.60

Our positive investment view remains intact. S&T represents an investment in a young, dynamic company brimming with opportunity and run with an entrepreneurial approach. Due to smart acquisitions, the company has captured a valuable position in a very promising growth markets. At only 11x 2016E earnings, valuation is attractive considering that if management keeps delivering, upside is huge.

Baptiste de Leudeville

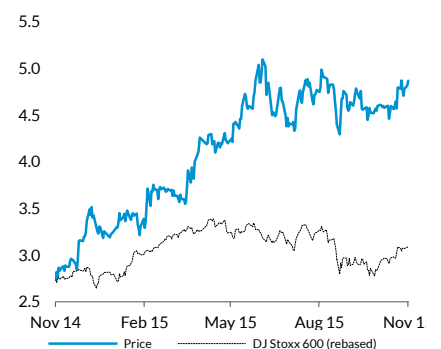
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Market data

Bloomberg: SANT GR	Reuters: SANT1.DE
Market cap (EURm)	211
Free float	66%
No. of shares outstanding (m)	43
Avg. daily volume('000)	85
YTD abs performance	51.2%
52-week high/low (EUR)	5.10/2.76

FY to 31/12 (EUR)	12/15E	12/16E	12/17E
Sales (m)	472.4	507.6	543.9
EBITDA adj (m)	26.3	32.8	37.0
EBIT adj (m)	18.8	23.7	27.2
Net profit adj (m)	15.0	19.1	21.9
Net fin. debt (m)	8.9	-6.2	-24.4
FCF (m)	-7.4	15.1	18.2
EPS adj. and fully dil.	0.35	0.44	0.51
Consensus EPS	0.33	0.41	0.48
Net dividend	0.06	0.08	1.08

FY to 31/12 (EUR)	12/15E	12/16E	12/17E
P/E adj and ful. dil.	14.0	11.0	9.6
EV/EBITDA	8.4	6.3	5.1
EV/EBIT	11.8	8.8	7.0
FCF yield	-3.5%	7.1%	8.6%
Dividend yield	1.2%	1.6%	22.2%
Net fin.debt/EBITDA	0.3	-0.2	-0.7
Gearing	8.3%	-4.8%	-15.8%
ROIC	13.7%	14.9%	-5.4%
EV/IC	1.9	1.7	1.5



KEPLER CHEUVREUX and the issuer have agreed that KEPLER CHEUVREUX will produce and disseminate investment research on the said issuer as a service to the issuer.

Key financials

FY to 31/12 (EUR)	2010	2011	2012	2013	2014E	2015E	2016E	2017E
Per share data								
EPS adjusted	0.21	0.30	0.23	0.30	0.31	0.35	0.44	0.51
EPS adj and fully diluted	0.21	0.30	0.23	0.30	0.31	0.35	0.44	0.51
EPS reported	0.21	0.30	0.23	0.30	0.31	0.35	0.44	0.51
Cash flow per share	-0.17	0.06	0.39	0.28	0.50	0.10	0.64	0.73
Book value per share	1.82	2.12	1.92	1.76	2.10	2.41	2.92	3.51
Dividend per share	0.00	0.00	0.00	0.06	0.06	0.06	0.08	1.08
Number of shares, YE (m)	22.20	24.13	39.34	39.34	43.27	43.27	43.27	43.27
Valuation								
P/E adjusted	10.4	8.0	10.0	8.0	15.5	14.0	11.0	9.6
P/E adjusted and fully diluted	10.4	8.0	10.0	8.0	15.5	14.0	11.0	9.6
P/BV	1.2	1.1	1.2	1.4	2.3	2.0	1.7	1.4
P/CF	na	38.9	6.0	8.4	9.8	48.2	7.6	6.6
Dividend yield (%)	0.0%	0.0%	0.0%	2.5%	1.2%	1.2%	1.6%	22.2%
FCF yield (%)	-8.6%	-2.4%	10.1%	5.7%	7.0%	-3.5%	7.1%	8.6%
EV/Sales	0.5	0.6	0.3	0.3	0.6	0.5	0.4	0.3
EV/EBITDA	9.5	7.1	6.5	5.2	9.4	8.4	6.3	5.1
EV/EBIT	13.3	9.1	9.6	7.3	12.9	11.8	8.8	7.0
Income Statement (EURm)								
Sales	80.7	153.2	339.5	338.0	385.6	472.4	507.6	543.9
EBITDA adjusted	4.5	12.2	16.6	20.1	22.9	26.3	32.8	37.0
EBIT adjusted	3.2	9.5	11.1	14.4	16.6	18.8	23.7	27.2
Net financial items & associates	-0.4	-1.0	-1.4	-2.2	-1.8	-1.6	-1.6	-1.6
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	1.2	-0.3	-0.3	-0.1	-0.8	-1.7	-2.2	-2.6
Net profit from continuing operations	4.0	8.1	9.4	12.0	14.0	15.5	19.9	23.1
Net profit from discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	4.0	8.1	9.4	12.0	14.0	15.5	19.9	23.1
Net profit reported	3.7	6.9	7.3	11.8	13.0	15.0	19.1	21.9
Net profit adjusted	3.7	6.9	7.3	11.8	13.0	15.0	19.1	21.9
Cash Flow Statement (EURm)								
Cash flow from operating activities	-3.1	1.4	12.3	11.2	20.6	4.4	27.7	31.8
Capex	-1.0	-2.8	-3.2	-5.8	-5.8	-11.8	-12.7	-13.6
Free cash flow	-4.1	-1.4	9.1	5.4	14.8	-7.4	15.1	18.2
Acquisitions & Divestments	-1.2	-11.6	0.4	5.5	-2.9	0.0	0.0	0.0
Dividend paid	0.0	-0.1	-0.3	-0.3	-3.8	0.0	0.0	0.0
Others	3.7	1.4	0.0	-4.5	7.7	0.0	0.0	0.0
Change in net financial debt	-1.6	-11.6	9.3	6.1	15.8	-7.4	15.1	18.2
Balance Sheet (EURm)								
Intangible assets	20.6	40.9	38.8	44.8	57.1	59.6	61.8	64.1
Tangible assets	2.7	11.1	9.9	9.0	11.4	13.1	14.6	16.1
Financial & other non-current assets	3.0	13.6	13.7	13.9	16.1	16.1	16.1	16.1
Total shareholders' equity	33.4	54.6	63.1	71.2	89.7	107.0	129.1	154.7
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	31.5	172.5	150.0	148.9	183.3	275.3	291.2	307.6
Net debt	-5.7	23.6	14.9	9.3	1.4	8.9	-6.2	-24.4
Working capital requirement	6.1	23.2	24.3	23.9	22.3	42.7	46.2	49.8
Invested Capital	29.4	75.2	73.1	77.6	90.8	115.5	122.5	130.0
Ratios								
ROE (%)	14.5%	16.7%	13.2%	18.1%	16.6%	15.7%	16.6%	15.7%
ROIC (%)	12.8%	13.6%	11.3%	14.3%	14.8%	13.7%	14.9%	-5.4%
Net fin. debt / EBITDA (x)	-1.3	1.9	0.9	0.5	0.1	0.3	-0.2	-0.7
Gearing (%)	-17.0%	43.2%	23.6%	13.0%	1.6%	8.3%	-4.8%	-15.8%

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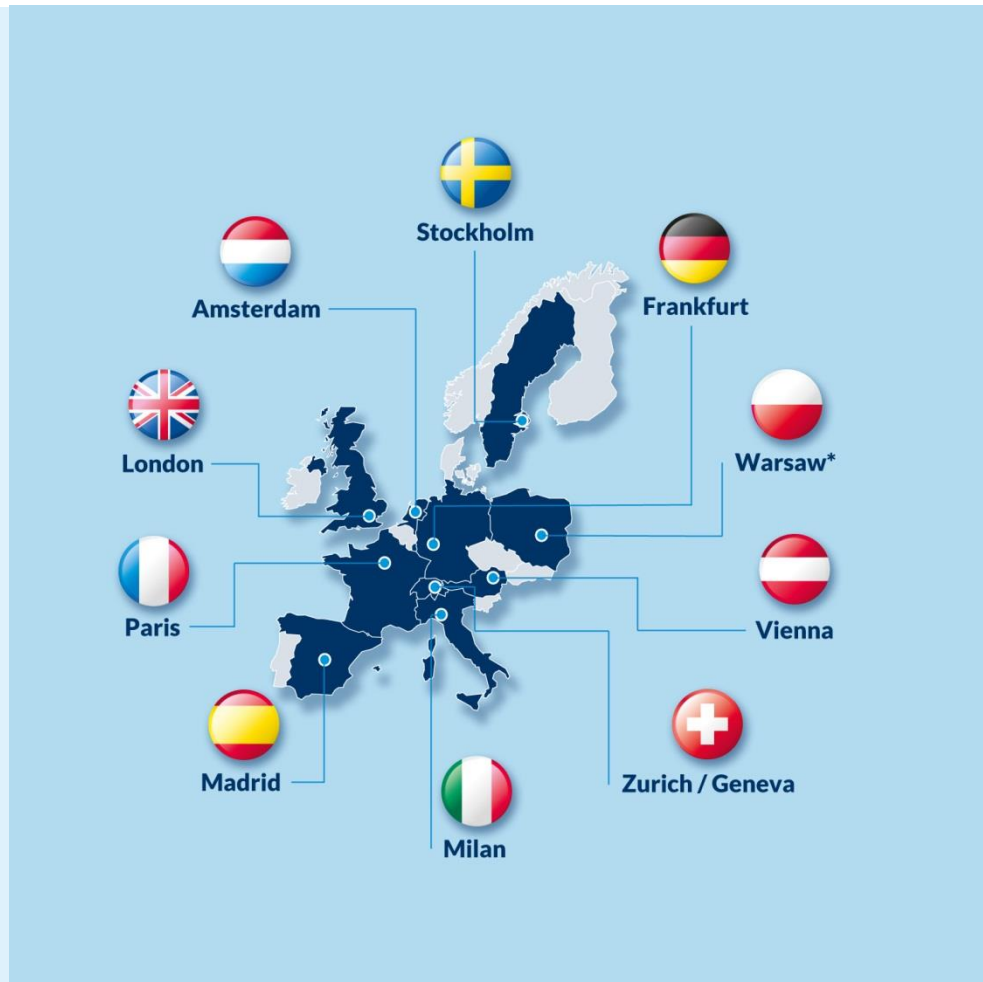
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