

H&A FIRST TAKE

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09-November-18

## Q3 in-line; FY guidance raised as expected

**Q3 results largely in-line.** Sales rose by 15% yoy to € 237m while EBITDA increased by almost 30% yoy to € 20.5m especially reflecting scale and cost savings in other operating expenses (-3pp yoy to 8% of sales in Q3) while the mix was slightly less favourable (34% GM / -2pp yoy). Both the sales and EBITDA performance are in-line with consensus expectations of € 235m sales / € 20.6m EBITDA as well as with our estimates (€ 227m sales / € 20.5m EBITDA). Q3 net income of € 9.4m (+34% yoy) came in a tad below expectations of c. € 10m as the tax rate was higher than expected (19% vs. 12% expected).

**A look at the segments: IoT and IT Services the strong performers.** Key growth drivers were IoT (+54% yoy / +40% qoq to € 115m) and the rather non-core IT Services (+13% yoy to € 100m). Growth in the former should reflect customer wins due to S&T's differentiated product and software offering (e.g. embedded computers with IoT capability and data analytics). The Embedded Systems segment returned to slight growth in Q3 (+4% yoy to € 45m) as FX headwinds faded and new customers contributed to the top-line. EBITDA on segment level was mainly driven by IT Services (€ 5.2m vs. € 1.4m a year ago) while Embedded Systems yet underperforms (segment EBITDA down 46% yoy to € 2.5m). We expect profitability to improve gradually as the business is shifting to higher-margin software-supported solutions and as efficiency measures kick in (e.g. merging the US and Canada).

**FY EBITDA guidance raised by 10%.** As expected, given the strong performance after 9m'18, S&T increases its FY'18 guidance: it now expects to achieve € 88m EBITDA vs. ">€ 80m" previously. The new guidance is fully in-line with our expectations (€ 88.4m) and even slightly ahead of consensus (€ 87m).

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**Buy**

**Price target:** EUR 28.50

**Price:** EUR 22.18

*Close price as of: 08.11.2018*

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Company	Disclosure
S&T AG	3

**Historical target price and rating changes for S&T AG in the last 12 months**

**Price and Rating History  
S&T AG as of 09/11/18**

Initiation coverage  
30-May-12



Company	Date	Analyst	Rating	Target price	Close
S&T AG	17.09.2018	Wunderlich, CFA, Tim	Buy	EUR 28,50	EUR 26,92
	03.09.2018	Wunderlich, CFA, Tim	Buy	EUR 28,50	EUR 25,16
	28.08.2018	Wunderlich, CFA, Tim	Buy	EUR 28,50	EUR 25,16
	07.08.2018	Wunderlich, CFA, Tim	Buy	EUR 28,50	EUR 25,84
	31.07.2018	Wunderlich, CFA, Tim	Buy	EUR 28,50	EUR 24,30
	10.07.2018	Wunderlich, CFA, Tim	Buy	EUR 24,00	EUR 23,28

03.07.2018	Wunderlich, CFA, Tim	Buy	EUR 24,00	EUR 21,62
07.06.2018	Wunderlich, CFA, Tim	Buy	EUR 24,00	EUR 20,10
07.05.2018	Wunderlich, CFA, Tim	Buy	EUR 24,00	EUR 23,20
02.05.2018	Wunderlich, CFA, Tim	Buy	EUR 24,00	EUR 22,14
11.04.2018	Wunderlich, CFA, Tim	Buy	EUR 24,00	EUR 19,45
03.04.2018	Wunderlich, CFA, Tim	Buy	EUR 24,00	EUR 18,66
18.01.2018	Wunderlich, CFA, Tim	Buy	EUR 23,00	EUR 21,68
22.11.2017	Wunderlich, CFA, Tim	Buy	EUR 23,00	EUR 18,05

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<b>Buy</b>	66.67 %	95.00 %
<b>Sell</b>	10.53 %	0.00 %
<b>Hold</b>	22.81 %	5.00 %

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