

Q1 better than our and consensus estimates

S&T (SANT) reported excellent Q1 results but after a ~50% YTD share price performance, we believe that investors might take profits but view the longer-term prospects for SANT as unabatedly positive. Especially the IoT and Industry 4.0 wave as well as ongoing progress in SANT's restructuring efforts of its embedded solutions segment should propel further revenue growth with increased margin progress. SANT is fully in-line to match our FY19 revenue and EBITDA estimates of EUR 1.1bn and EUR 100m respectively. SANT's continued good business in IT Services increased revenue by +8% yoy (Q4:10%; Q3: 20%; Q2: 22%) while IoT jumped +24% (Q4 19%; Q3: 17%; Q2: +8%) and Embedded decreased by -11% yoy. EBITDA is moving into the right direction as SANT is going up in the value chain, offering high margin services and applications especially in the IoT/Industry 4.0 segment. EBITDA contribution in IoT was at EUR 12m (1Q18: EUR 9m) or +32% yoy. Embedded Systems needs more streamlining of the acquired Kontron (Embedded Segment) business, cost cutting and better sales efficiency in the quarter as current efforts are not sufficient for a positive development in this segment with EBITDA at EUR 1.3m down 50% yoy. Guidance is reiterated with EUR 1.1bn in sales for FY19 and an EBITDA target at least hitting EUR 100m, fully in-line with our FY19 estimates. We remain positive on the name with a BUY recommendation and TP of EUR 27.00.

Pipeline well filled

Operating cash flow was negative in the quarter with EUR -13m (Q4: EUR 55m; Q3: EUR -4m; Q2: EUR 10m) due to WC build-up (mainly inventory). Cash stands at EUR 145m (Q4: EUR 172m) with additional expected EUR 160m from proceeds of their latest promissory note. Order backlog at the end of Q1 stands at EUR 629m (Q4: EUR 607m; Q3 EUR 592m; Q2: EUR 516m; Q1: EUR 502m) or up +4% qoq with a project pipeline growing by EUR 140m to a total of EUR 1.77bn (Q4: EUR 1.63bn; Q3: EUR 1.54bn; Q2: EUR 1.43bn) giving an excellent visibility into FY19.

S&T AG - Review Q1 2019

EUR m	Q1 2019	Q1 2018	% YoY	PAS	ΔPAS	Cons.	Δ Cons.
Revenues	225	204	11%	224	0%	226	0%
<i>of which: IT Services</i>	98,5	91	8%	95	3,7%		
<i>of which: IoT Solutions</i>	93,1	75	24%	89	4,6%		
<i>of which: Embedded Systems</i>	33,5	38	-11%	40	-16,3%		
EBITDA	21	17	23%	20	6%	20	7%
<i>EBITDA Margin</i>	9,4%	8,4%	97 BP	8,9%	49 BP	8,8%	59 BP
EBIT	11	10	4%	14	-21%	12	-12%
<i>EBIT Margin</i>	4,8%	5,7%	-30 BP	6,0%	-127 BP	5,4%	-66 BP
Net income	9	8	25%	10	-6%	9	8%
<i>Net margin</i>	4,2%	3,7%	47 BP	4,5%	-30 BP	3,9%	31BP

Source: S&T AG, Factset, Pareto Securities

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