

Preview Q2 – exposure to the “right” customer sectors should help

S&T will report Q2 numbers on August 6th. We suppose that positive developments in sectors such as medtech will compensate for adverse effects resulting from the pandemic to a large extent. All in, we expect a yoy increase of quarterly revenues and earnings, helped by a portfolio effect of ~ EUR 30m. Buy, TP EUR 29.

S&T has the “right” customers at present

Some customer sectors such as aviation will be hit by the pandemic, affecting the IoT Solutions America segment. In contrast, other sectors like communications and online trading are holding up very well. Also, the medical and healthcare market, for which S&T delivers smart medical control systems, is doing extremely fine.

Only a mild impact of corona on Q2 profits expected

We suppose that these positive developments compensate adverse effects resulting from the pandemic to a large extent. On top of that, we expect a portfolio effect of EUR 30m in Q2. All in, we expect revenues of EUR 261m in the quarter, which translates into organic growth of ~ minus 6%, according to our calculations. The EBITDA margin is expected to be at similar levels as in Q1.

Still upside potential after a strong performance

The S&T share has outperformed the TecDAX by ~25 percentage points since the index reached its bottom in the middle of March. Though it does not trade in supercheap territory anymore, there is still upside for the share, in our view. Our price target is EUR 29, the recommendation remains “buy”.

EURm	2018	2019	2020e	2021e	2022e
Revenues	991	1,123	1,150	1,415	1,657
EBITDA	91	112	112	143	174
EBIT	62	62	60	71	90
EPS	0.70	0.74	0.64	0.78	1.02
EPS adj	0.70	0.74	0.64	0.78	1.02
DPS	0.16	-	0.19	0.23	0.30
EV/EBITDA	11.0	12.4	13.6	10.7	8.8
EV/EBIT	16.2	22.4	25.5	21.6	17.0
P/E adj	22.6	28.6	36.3	29.9	22.8
P/B	2.94	3.76	3.71	3.39	3.04
ROE (%)	13.6	13.5	10.7	11.9	14.0
Div yield (%)	1.0	-	0.8	1.0	1.3
Net debt	(58)	(30)	(18)	(10)	(10)

Source: Pareto



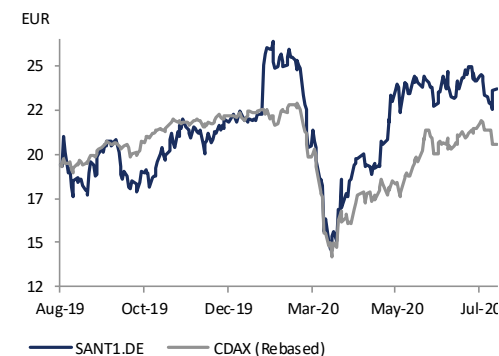
Target price (EUR)	29
Share price (EUR)	23

Forecast changes	2020e	2021e	2022e
%			
Revenues	-	-	-
EBITDA	-	-	-
EPS reported	-	-	-
EPS adj	-	-	-

Source: Pareto

Ticker	SANT1.DE, SANT GY
Sector	Hardware & Equipment
Shares fully diluted (m)	65.9
Market cap (EURm)	1,528
Net debt (EURm)	-18
Minority interests (EURm)	12
Enterprise value 20e (EURm)	1,518
Free float (%)	59

Performance



Source: Factset

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Preview Q2

In Q1, it turned out that some customer sectors such as aviation will be hit by the pandemic, affecting the IoT Solutions America segment. Another burden for the segment is the shrinking business with two network companies in the US (Nokia and Juniper). On the other hand, S&T was positive on the prospects to increase business with Twitch, a live streaming platform for gamers.

In contrast, other sectors like communications and online trading are holding up very well. Especially the medical and healthcare market for which S&T delivers smart medical control systems is doing extremely fine. Particularly the business with Dräger Ventilator Systems is said to literally “explode” at present. Another area, which is largely unaffected by the crisis, are train control systems which are expected to have entered a period of secular growth due the increased role of railways in times of climate change.

We suppose that these positive developments compensate adverse effects resulting from the pandemic to a large extent. On top of that, we expect a portfolio effect of EUR 30m in Q2. All in, we expect revenues of EUR 261m in the quarter, which translates into organic growth of ~ minus 6%, according to our calculations. The EBITDA margin is expected to be at similar levels as in Q1.

Q2 Preview

S&T AG		Actual	Pareto		Consensus	
		Q2 2019	Q2 2020e	yoy (%)	Q2 2020e	delta (%)
Revenues	EURm	249	261	5.1	258	1.2
EBITDA	"	23.1	24.3	5.2	23.6	2.9
margin	%	9.3%	9.3%	1 bps	9.1%	15 bps

Source: Pareto

The 2020 guidance (revenues and EBITDA of EUR 1,150m and EUR 115m, respectively) has been re-iterated after Q1. We expect acquisitions to contribute revenues of ~EUR 118m in 2020 (~11% of 2019 revenues). Therefore, our reading is that S&T expects negative organic growth of minus c. 8% in 2020, provided there will be no further deals in 2020.

PROFIT & LOSS (fiscal year) (EURm)	2015	2016	2017	2018	2019	2020e	2021e	2022e
Revenues	468	504	882	991	1,123	1,150	1,415	1,657
EBITDA	28	34	68	91	112	112	143	174
Depreciation & amortisation	(8)	(10)	(26)	(29)	(50)	(52)	(72)	(84)
EBIT	21	24	42	62	62	60	71	90
Net interest	(3)	(4)	(6)	(5)	(8)	(10)	(10)	(10)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	18	20	35	56	54	49	61	80
Taxes	(1)	0	(6)	(8)	(5)	(7)	(10)	(14)
Minority interest	(2)	(6)	(7)	(3)	(0)	-	-	-
Net profit	16	15	23	45	49	42	51	67
EPS reported	0.36	0.33	0.43	0.70	0.74	0.64	0.78	1.02
EPS adjusted	0.36	0.31	0.43	0.70	0.74	0.64	0.78	1.02
DPS	0.08	0.10	0.13	0.16	-	0.19	0.23	0.30
BALANCE SHEET (EURm)	2015	2016	2017	2018	2019	2020e	2021e	2022e
Tangible non current assets	15	28	32	37	38	86	110	133
Other non-current assets	76	184	195	273	392	444	452	460
Other current assets	168	331	361	366	483	446	486	542
Cash & equivalents	60	126	217	172	312	291	270	270
Total assets	319	669	805	848	1,226	1,267	1,319	1,406
Total equity	102	241	332	367	385	423	461	513
Interest-bearing non-current debt	51	94	115	113	283	273	260	260
Interest-bearing current debt	-	-	-	-	-	-	-	-
Other Debt	166	332	356	366	549	562	587	623
Total liabilities & equity	319	669	805	848	1,226	1,267	1,319	1,406
CASH FLOW (EURm)	2015	2016	2017	2018	2019	2020e	2021e	2022e
Cash earnings	23	131	46	48	82	76	102	126
Change in working capital	3	(70)	(1)	(12)	2	16	(14)	(20)
Cash flow from investments	(10)	(74)	(39)	(63)	(56)	(100)	(83)	(89)
Cash flow from financing	(1)	72	93	(21)	84	(14)	(25)	(15)
Net cash flow	21	65	91	(45)	111	(21)	(21)	1
CAPITALIZATION & VALUATION (EURm)	2015	2016	2017	2018	2019	2020e	2021e	2022e
Share price (EUR end)	6.0	8.7	18.0	15.8	21.3	23.2	23.2	23.2
Number of shares end period	44	49	63	66	66	66	66	66
Net interest bearing debt	(9)	(32)	(102)	(58)	(30)	(18)	(10)	(10)
Enterprise value	254	481	1,066	998	1,385	1,518	1,526	1,526
EV/Sales	0.5	1.0	1.2	1.0	1.2	1.3	1.1	0.9
EV/EBITDA	9.0	14.0	15.7	11.0	12.4	13.6	10.7	8.8
EV/EBIT	12.0	19.9	25.5	16.2	22.4	25.5	21.6	17.0
P/E reported	16.4	26.3	41.5	22.6	28.6	36.3	29.9	22.8
P/E adjusted	16.4	28.4	41.5	22.6	28.6	36.3	29.9	22.8
P/B	2.6	2.8	3.7	2.9	3.8	3.7	3.4	3.0
FINANCIAL ANALYSIS & CREDIT METRICS	2015	2016	2017	2018	2019	2020e	2021e	2022e
ROE adjusted (%)	16.5	7.9	7.9	12.9	13.1	10.4	11.5	13.7
Dividend yield (%)	1.3	1.1	0.7	1.0	-	0.8	1.0	1.3
EBITDA margin (%)	6.1	6.8	7.7	9.1	9.9	9.7	10.1	10.5
EBIT margin (%)	4.5	4.8	4.7	6.2	5.5	5.2	5.0	5.4
NIBD/EBITDA	(0.33)	(0.93)	(1.50)	(0.64)	(0.26)	(0.16)	(0.07)	(0.06)
EBITDA/Net interest	10.73	8.28	10.72	17.56	14.54	10.89	14.38	18.24

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Pareto Bank ASA	14,901,908	21.33%	Sparebanken Vest	6,370,851	5.94%

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Selvaag Bolig ASA	2,177,497	2.32%	Sparebanken Sør	433,444	2.77%
SpareBank 1BV	1,655,220	2.62%	Sparebanken Vest	6,370,851	5.94%
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Adevinta	0	574	Golden Ocean Group	0	1,744	Quantafuel	0	2,540
AF Gruppen	0	19,185	Grieg Seafood	0	6,258	REC Silicon	0	32,708
Aker	0	791	Hafnia Limited	0	30,000	SailMar	0	385
Aker BP	0	23,126	Helgeland Sparebank	0	2,777	Sandnes Sparebank	0	25,782
American Shipping Compar	0	3,500	Ice Group	0	104,391	Sbanken	0	4,520
Atlantic Sapphire	0	1,105	Jæren Sparebank	0	500	Scatec Solar	0	35,000
Austevoll Seafood	0	635	Komplett Bank	0	94,300	Schibsted ASA A Aksjer	0	232
Avance Gas	0	4,456	Kongsberg Gruppen	0	34,274	Schibsted ASA B Aksjer	0	607
Axactor	0	11,376	KWS	75	75	Selvaag Bolig	0	2,350
Bakkafrost	0	204	Lerøy Seafood	0	3,814	SpareBank 1BV	0	22,000
BASF	270	270	Mowi	0	3,779	SpareBank 1Nord-Norge	0	26,050
Bonheur	0	37,076	NORBIT	0	8,155	SpareBank 1SMN	0	18,740
BRABank	0	137,100	Nordic Semiconductor	0	6,765	SpareBank 1SR-Bank	0	42,601
BWEnergy Limited	0	43,075	Norsk Hydro	0	102,321	SpareBank 1Østlandet	0	7,921
BWOffshore	0	8,326	Norske Skog	0	3,550	Sparebanken Sør	0	16,135
DNB	0	31,464	Norwegian Air Shuttle	0	40,028	Sparebanken Vest	0	14,924
DNO	0	499,263	Norwegian Finans Holding	0	3,310	Sparebanken Øst	0	1,500
Elkem	0	5,218	NTS	0	2,172	Stolt-Nielsen	0	41,317
Entra	0	10,537	Ocean Yield	0	46,005	Storebrand	0	7,552
Equinor	0	5,002	Okeanis Eco Tankers	0	2,000	Subsea 7	0	3,198
Europris	0	13,469	Orkla	0	18,699	Telenor	0	2,076
Fjord1	0	50,000	Panoro Energy	0	9,285	TGS-NOPEC	0	2,000
Fjordkraft Holding	0	12,000	Pareto Bank	0	1278,298	VOWASA	0	6,281
Frontline	0	28,710	Pexip Holding	0	7,000	XXL	0	12,573
Gjensidige Forsikring	0	7,280	Protector Forsikring	0	14,000	Yara International	0	14,175

This overview is updated monthly (last updated 10.07.2020).

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Overview over issuers of financial instruments where Pareto Securities AS have prepared or distributed investment recommendation, where Pareto Securities AS have been lead manager/co-lead manager or have rendered publicly known not immaterial investment banking services over the previous 12 months:

24SevenOffice Scandinavia AB	Hafnia Limited	Pexip Holding ASA	
Acconer AB	Helgeland Sparebank	Pinewood Laboratories	
Avanzia Bank	HKN Energy Ltd	Pioneer Property Group	
Africa Energy	Ice Group	Pioneer Property Group ASA	
African Petroleum Corporation	ICWHolding	Providences Inv. Mngmt Pty	
Aker ASA	Kingfish Zeeland	Salmon Evolution AS	
American Tanker, Inc.	Klaveness Combination Carriers ASA	Sandnes Sparebank	
Aprila Bank ASA	Komplett Bank ASA	Scorpio Bulkers Inc.	
Belships	Kongsberg Automotive	Seadrill	
Boreal Holding AS	LifeFit	Sparebanken Vest	
Borr Drilling Ltd.	Luxaviation Holding	Stolt Nilsen	
BRABank	Mercell Holding AS	TEMPTON Dienstleistungen	
BRABank ASA	Monobank ASA	United Camping AB	
BWEnergy	Mutares SE & Co. KGaA		-
Cabonline Group Holding AB	Navigator Holdings		-
Cibus Nordic Real Estate AB	Next Biometrics Group ASA ("NEXT")		-
Digiplex	Northern Ocean		-
DOFASA	Norwegian Air Shuttle		-
DOF Subsea AS	Nouveau Monde Graphite		-
Erwe Immobilien	Ocean Yield		-
Euromicron AG	Odfjell SE		-
Filo Mining Corp	Pareto Bank		-
Floatel	Petroleum Geo-Services		-

This overview is updated monthly (this overview is for the period 30.06.2019 – 30.06.2020).

Appendix C

Disclosure requirements pursuant to the Norwegian Securities Trading Regulation § 3-11(4)

Distribution of recommendations

Recommendation	% distribution
Buy	64%
Hold	31%
Sell	4%

Distribution of recommendations (transactions*)

Recommendation	% distribution
Buy	75%
Hold	25%
Sell	0%

* Companies under coverage with which Pareto Securities Group has on-going or completed public investment banking services in the previous 12 months

This overview is updated monthly (last updated 10.07.2020).

Appendix D

This section applies to research reports prepared by Pareto Securities AB.

Disclosure of positions in financial instruments

The beneficial holding of the Pareto Group is 1 % or more of the total share capital of the following companies included in Pareto Securities AB's research coverage universe: None

The Pareto Group has material holdings of other financial instruments than shares issued by the following companies included in Pareto Securities AB's research coverage universe: None

Disclosure of assignments and mandates

Overview over issuers of financial instruments where Pareto Securities AB has prepared or distributed investment recommendation, where Pareto Securities AB has been lead manager or co-lead manager or has rendered publicly known not immaterial investment banking services over the previous twelve months:

Azelio	Jetpak Top Holding AB	Pexip Holding	Sedana Medical
Bionvent	Mentice AB	Pledpharma AB	ShaM aran Petroleum
IRRAS AB	Minesto	QleanAir Holding	

Members of the Pareto Group provide market making or other liquidity providing services to the following companies included in Pareto Securities AB's research coverage universe:

ByggPartner i Dalarna Holding	Magnolia Bostad	SciBase Holding	Surgical Science
Cibus Nordic Real Estate	Minesto	Sedana Medical	Tethys Oil
Isofol Medical	Saltängen Property Invest	ShaM aran Petroleum	Vostok Emerging Finance

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None

Member of the Pareto Group is providing Business Management services to the following companies:

Bosjö Fastigheter AB	Bråviken Logistik	Halmslätten	M ålaråsen
Bonåsudden	Delarka	Logistri	Sydsvenska Hem

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None
This overview is updated monthly (last updated 15.07.2020).

Appendix E

Disclosure requirements pursuant to the Norwegian Securities Trading Regulation § 3-11, letter d, ref the Securities Trading Act Section 3-10

Designated Sponsor

Pareto Securities acts as a designated sponsor for the following companies, including the provision of bid and ask offers. Therefore, we regularly possess shares of the company in our proprietary trading books. Pareto Securities receives a commission from the company for the provision of the designated sponsor services.

2G Energy *	Gigaset *	MLP *	Siemens Healthineers AG
Baywa	Heidelberg Pharma *	MOBOTIX AG	SMT Scharf AG *
Biotest *	Hypoport AG	mutares	Surteco Group *
Brenntag	Intershop Communications AG	OVH Holding AG	Syzygy AG *
CORESTATE Capital Holding S.A.	ISRA Vision	Procredit Holding *	TAKKT AG
Daldrup & Söhne	Leifheit	PSI SOFTWARE AG *	Vapiano
Demire	Logwin *	PWO *	va-Q-tec *
Epigenomics AG*	Manz AG *	RIB Software *	Viscom *
Gesco *	MAX Automation SE	S&T AG *	
GFT Technologies *	Merkur Bank	SCOUT24	

* The designated sponsor services include a contractually agreed provision of research services.

Appendix F

Disclosure requirements pursuant to the Norwegian Securities Trading Regulation § 3-11, letter g, ref the Securities Trading Act Section 3-10

Sponsored Research

Pareto Securities has entered into an agreement with these companies about the preparation of research reports and—in return - receives compensation.

Adler Modemaerkte	Daldrup & Söhne	Intershop Communications AG	mutares
Baywa	Dermapharm Holding SE	Leifheit	OHB SE
BB Biotech	First Sensor	MAX Automation SE	OVH Holding AG
B.R.A.I.N.	Godewind Immobilien AG	Merkur Bank	Siegfried Holding AG
comdirect	Hypoport AG	MOBOTIX AG	

This overview is updated monthly (last updated 15.07.2020).