

HAIB FIRST TAKE

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15-March-22

Back to Fundamentals

Released this morning, **Deloitte's independent forensic report clears S&T of the main allegations made by Viceroy.**

Most importantly, Deloitte **confirms** our independent findings that **neither** IMG China **nor** SandT Holding (SNT Ukraine) are or were hidden off-balance sheet entities. Viceroy's accusation that S&T operates a structure of off-balance sheet entities to hide corporate fraud **hence is entirely incorrect.**

Worse yet, the false accusation either reflects **gross negligence or malicious intent** on the part of Viceroy, in our view, considering the abundance of easily accessible, publicly available information that disprove the claim (*please refer back to our updates released in late December / early January to learn more*).

Viceroy either did not find this information, which would **reflect poorly on its research process**, or did find but decided to not disclose this information, which would **reflect poorly on its integrity.**

While selected allegations were correct, **these look immaterial.**

* **Funworld was a related party transaction.** S&T subscribed to a € 0.28m capital increase in funworld GmbH in 2017 at a time when CEO Niederhauser owned a controlling 56% stake in the business. S&T disclosed the transaction in its 2017 annual report but failed to report the related party.

* **There is an anti-trust investigation involving S&T Romania**, which started in April 2021. S&T Romania was part of a consortium led by PORR Construct S.R.L, which is being investigated for a possible coordination with other companies in a € 15m construction project. In a worst case scenario, **S&T could be fined c. € 5m**, which is 10% of the revenue it generates in the country. Cooperation with the authorities can substantially reduce the fine. (see: <http://www.consiliulconcurrentei.ro/wp-content/uploads/2021/05/Inspectii-mai-2021-002-ENGLISH.pdf>)

With this, we expect **E&Y to issue an unqualified audit opinion** and the audited accounts to be released without any delay on March 21. Further, the road should be clear for S&T to divest its IT Service business for proceeds of € 500-600m by mid-2022, in our view.

Assuming € 500m proceeds, S&T would trade on 5x EBITDA 2022E taking the current share price of € 14.30, which **highlights the value opportunity.**

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Buy

Price target: EUR 30.00

Price: EUR 12.58

Close price as of: 14.03.2022

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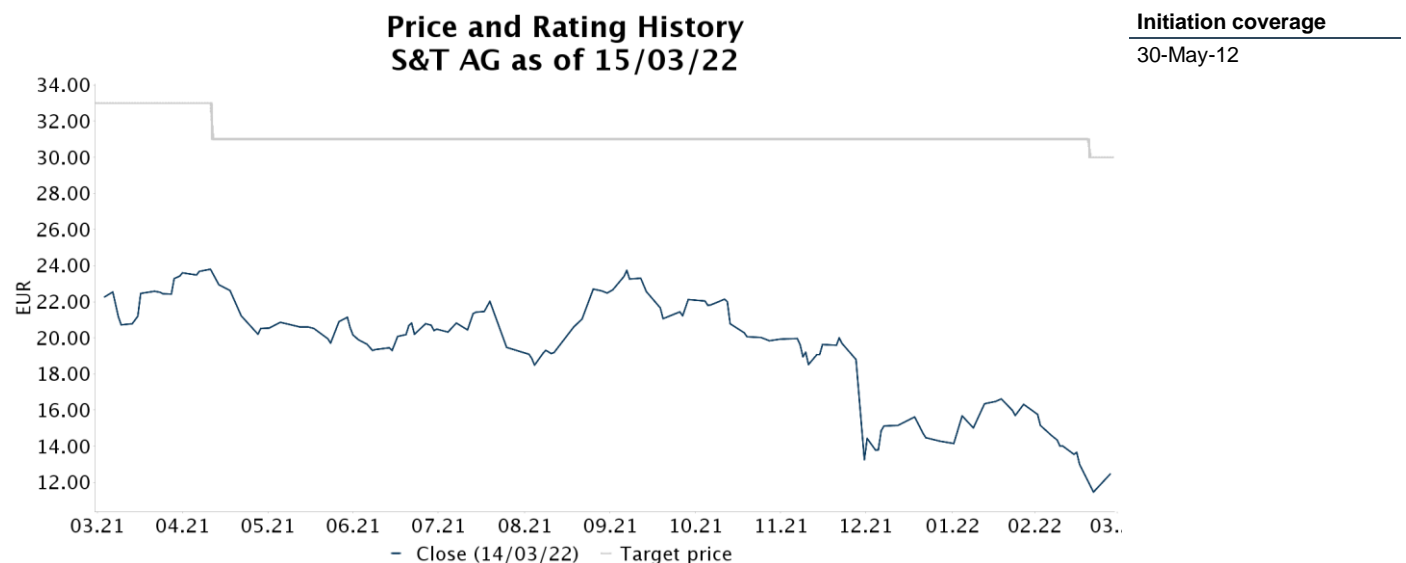
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Company	Disclosure
S&T AG	

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



Company	Date	Analyst	Rating	Target price	Close
S&T AG	09.03.2022	Wunderlich, CFA, Tim	Buy	EUR 30.00	EUR 11.46
	15.02.2022	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 16.32
	01.02.2022	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 16.48
	26.01.2022	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 15.01
	18.01.2022	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 14.66
	11.01.2022	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 14.47

10.01.2022	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 14.47
03.01.2022	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 15.62
24.12.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 15.12
23.12.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 15.12
22.12.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 14.85
20.12.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 13.78
17.12.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 14.43
10.11.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 20.02
26.10.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 21.82
12.10.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 21.22
10.09.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 22.70
07.09.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 21.04
07.09.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 21.04
07.09.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 21.04
07.09.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 21.04
07.09.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 21.04
07.09.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 21.04
07.09.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 21.04
07.09.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 21.04
07.09.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 21.04
07.09.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 21.04
07.09.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 21.04
06.08.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 22.02
03.08.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 21.46
11.05.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 21.22
11.05.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 21.22
07.05.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 21.22
28.04.2021	Wunderlich, CFA, Tim	Buy	EUR 31.00	EUR 23.80

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Buy	81.88 %	96.43 %
Sell	3.75 %	0.00 %
Hold	14.38 %	3.57 %

Date of publication creation: 15/03/2022 11:51 AM

Date of publication dissemination: 15/03/2022 11:52 AM

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