

## A year of change ahead for S&T

**S&T re-iterated its guidance for 2022, i.e., revenues of at least EUR 1,500m and an EBITDA margin of 10% (including IT Service). Project "Focus", i.e. the disposal of the IT Service business, shall go on as planned and the vendor due diligence is expected to close in April. S&T was curbing price expectations, saying that the upper limit of the indicated EUR 500-700m will be hard to achieve due to the rise in interest rates. We keep our price target at EUR 30 per share and re-iterate our "buy" recommendation. We see further re-rating potential beyond the current fair value in case of successful redirection of S&T on the IoT business segment.**

### Results should be catch up in 2022

Although S&T posted full year 2021 numbers that were a little bit below that what had been guided before, the company stuck to its guidance for 2022, i.e., revenues of at least EUR 1,500m and an EBITDA margin of 10% (including IT Service). This projection comes against the backdrop of a well-filled order book of more than EUR 1,300m (book to bill at 1.3x) and postponed shipments worth EUR 77m. The chip crisis shall be largely resolved after H1 2023, according to S&T's expectations.

### Project Focus remains on track

Project "Focus", i.e. the disposal of the IT Service business, shall go on as planned and the vendor due diligence is expected to close in April. There are ~50 potential buyers from PE plus strategic buyers. IT Service did well in 2021 and the pipeline for 2022 looks ok, too. Accordingly, the EBITDA margin should go up to 10% (before HQ fees) from 9.2% in 2021. The entities that are for sale have neither exposure to Russia nor to the Ukraine, but S&T was curbing price expectations, saying that the upper limit of the indicated EUR 500-700m will be hard to achieve due to the rise in interest rates.

### Plenty of upside

We keep our price target at EUR 30 per share and re-iterate our "buy" recommendation. In case S&T is able to sell the IT Service business at the stated target multiple of 10x trailing EBITDA and investors are willing to attribute a similar multiple for S&T's IoT activities as for the other (few) listed IoT companies, there is further re-rating potential beyond the current fair value of EUR 30.

EURm	2020	2021	2022e	2023e	2024e
Revenues	1,255	1,342	1,653	1,902	2,116
EBITDA	130	126	162	190	222
EBIT	68	63	92	105	124
EPS	0.85	0.75	1.04	1.20	1.40
EPS adj	0.85	0.75	1.04	1.20	1.40
DPS	0.30	0.35	0.48	0.56	0.65
EV/EBITDA	9.5	7.5	7.5	6.6	5.7
EV/EBIT	18.0	15.2	13.1	11.9	10.1
P/E adj	22.6	19.4	17.0	14.8	12.7
P/B	3.09	2.23	2.44	2.22	2.01
ROE (%)	14.3	11.7	15.0	15.7	16.7
Div yield (%)	1.6	2.4	2.7	3.1	3.7
Net debt	(20)	14	72	117	121

Source: Pareto Securities

Target price (EUR)	30	▲	BUY
Share price (EUR)	18	—	HOLD
		▼	SELL

### Forecast changes

%	2022e	2023e	2024e
Revenues	0	0	NM
EBITDA	(6)	(9)	NM
EBIT adj	(15)	(17)	NM
EPS reported	(18)	(20)	NM
EPS adj	(18)	(20)	NM

Source: Pareto Securities

Ticker	SANT1.DE, SANT GY
Sector	Hardware & Equipment
Shares fully diluted (m)	63.6
Market cap (EURm)	1,130
Net debt (EURm)	72
Minority interests (EURm)	5
Enterprise value 22e (EURm)	1,208
Free float (%)	68

### Performance



Source: FactSet

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## Wrap up Q4 and full 2021

Exhibit 1: Q4 results

S&T AG		Q4 2020	Actual Q4 2021	yoy (%)
<b>Revenues</b>	EURm	<b>419</b>	<b>423</b>	<b>1</b>
IT Services	"	188	171	-9
IoT Solutions Europe	"	217	276	27
IoT Solutions America	"	38	34	-9
<b>Gross profit</b>	"	<b>138.1</b>	<b>142.6</b>	<b>3</b>
margin		33.0%	33.7%	74 bps
<b>EBITDA</b>	"	<b>46.2</b>	<b>40.6</b>	<b>-12</b>
margin		11.0%	9.6%	-144 bps
IT Services	"	14.3	22.5	57
IoT Solutions Europe	"	21.7	20.8	-4
IoT Solutions America	"	4.5	-2.7	nm
<b>EBIT</b>	EURm	<b>27.0</b>	<b>24.3</b>	<b>-10</b>
margin	%	6.4%	5.7%	-69 bps

Source: Company, Pareto Securities

Exhibit 2: Results 2021

S&T AG		2020	Actual 2021	yoy (%)
<b>Revenues</b>	EURm	<b>1,255</b>	<b>1,342</b>	<b>7</b>
IT Services	"	577	577	0
IoT Solutions Europe	"	683	814	19
IoT Solutions America	"	152	115	-24
<b>Gross profit</b>	"	<b>455.8</b>	<b>490.3</b>	<b>8</b>
margin		36.3%	36.5%	21 bps
<b>EBITDA</b>	"	<b>130.0</b>	<b>126.2</b>	<b>-3</b>
margin		10.4%	9.4%	-96 bps
IT Services	"	49.6	60.2	21
IoT Solutions Europe	"	66.4	67.4	2
IoT Solutions America	"	14.1	-1.4	nm
<b>EBIT</b>	EURm	<b>68.6</b>	<b>62.7</b>	<b>-9</b>
margin	%	5.5%	4.7%	-79 bps

Source: Company, Pareto Securities

S&T posted full year 2021 numbers that were a little bit below that had been guided before. EBITDA was at EUR 126m, while it has been projected to come in at around EUR 133m before. Main reason was the chip crisis that still leads to limited availability of required hardware, which only affected IoT, though. As the CEO explained in the call, the effect was twofold. Revenues that could not be realized and price increases that could not be fully passed through to customers. In detail, S&T incurred prices that were EUR 21m higher than last year, of which only EUR 17m could be passed on. However, higher chip prices can actually be passed through in the meantime, as the marketplace has turned to a seller's market.

The chip crisis shall be largely resolved after H1 2023, according to S&T's expectations. The scarcity continues to relate mainly to "cheap" chips. Complex chips should be fully available from the beginning of 2022 onwards. S&T had EUR 77m of not delivered orders at the end of Q4. The chip crisis also affected the operating cash flow as S&T increased their inventory by EUR 27m.

Moreover, S&T said it turned more conservative accounting-wise, which also weighed on EBITDA.

Revenue was in-line with projections that have been given before. Importantly, S&T stuck to its guidance for 2022, i.e., revenues of at least EUR 1,500m and an EBITDA margin of 10% (including IT Service). This projection comes against the backdrop of a well-filled order book of more than EUR 1,300m (book to bill at 1.3x) and postponed shipments worth EUR 77m. According to S&T, there are hardly double orders. However, customers tend to order for more than the usually 3 months in advance as they try to build up some cushion into their inventory, though.

S&T also commented on its East European exposure. Russia, Belarus and Moldova were said to make up for 6.5% of revenues in and 3.6% of EBITDA. Russia is said to make up for 5% of revenues and assets. S&T believes that expected revenue losses can be compensated by additional business in the areas of cybersecurity and defence. This makes up for EUR 50-60m (cybersecurity EUR 30m) in 2021 and is expected to double in 2022. On top of that, S&T can think of additional demand from customers that might turn their back on Russia.

Importantly, project "Focus", i.e. the disposal of the IT Service business, shall go on as planned and the vendor due diligence is expected to close in April. There are ~50 potential buyers from PE plus strategic buyers. IT Service did well in 2021 and also the pipeline for 2022 looks ok. Accordingly, the EBITDA margin should go up to 10% (before HQ fees) from 9.2% in 2021. The entities that are for sale have neither exposure to Russia nor to the Ukraine, but S&T was curbing price expectations, saying that the upper limit of the indicated EUR 500-700m will be hard to achieve due to the rise in interest rates. Assuming that IT

Service can earn a 10% margin on 2022e revenues of round about EUR 600m (+4% yoy), this would result in EBITDA of EUR 60m. Accordingly, the mid-point of the aspired price range would imply an EBITDA multiple of 10x, which looks achievable.

Regarding potential acquisitions in IoT, S&T wants to complete the disposal of IT Service first. Here, S&T is looking for larger targets outside the US as US targets are too expensive. Accordingly, the current bleak situation of the IoT America segment, that earned only a 1.1% EBITDA margin (before HQ fees) will be addressed by self-help measures. Costs have already been cut down from USD 44m down to USD 36m. For 2022, S&T expects a recovery of the EBITDA margins back to 7%. We assume that requires that avionics must quit the current "hibernation" mode. In general, IoT Solutions America has a margin disadvantage against Europe as there is less software content.

On the same day as the Q4 reporting, the grosso tec AG published its intention to submit a partial offer for the purchase of up to 5.5m S&T shares for a price of EUR 15.30 per share cum dividend in cash. 5.5m bearer shares represent 8.3% of the share capital of S&T AG. The CEO Mr Niederhauser holds 47.5% of grosso tec AG. In addition, another 47.5% are controlled the grosso holding GmbH. Mrs Badstöber, chairwoman of the supervisory board of S&T AG, is also managing director of the grosso holding GmbH but does not hold any direct or indirect participation in the grosso tec AG or GmbH, we understand. The offer expired on the 5<sup>th</sup> of April, and we don't expect that many shares have been tendered, given that the share trade at around EUR 18 in the meantime. However, the bid conveys a strong sign of confidence of the CEO Mr Niederhauser into the future of S&T.

## Estimates update

We continue to value the company in the current shape, i.e., we do not yet take the intended sale of the IT Service business into consideration and consequently neither the reinvestment of the respective proceeds into IoT business.

In line with S&T's respective announcements, we continue to expect the company to make up for the lost revenues in 2022 (EUR 77m) and therefore expect organic growth of 12% yoy in the fiscal year 2022. Also, we continue to assume that S&T will acquire revenues of EUR 150m during the year, although we are fully aware that actual deal(s) might look completely different, as S&T is contemplating larger tickets at present. As acquisition multiple, we expect 0.6x sales.

For 2023 and 2024, we still expect S&T to realize organic growth of 6% p.a. and to acquire revenues as high as EUR 150m and EUR 100m at the same multiple as in 2022, respectively. Due to the acquisitions, we think the upside potential for the margin is limited and we expect the EBITDA margin to approach "only" 11% in the foreseeable future.

In total, we arrive at the P&L depicted below. Revenues of EUR 1,653 and 10% EBITDA margin compare with a guidance for 2022 of EUR 1,500m (+11% yoy) at 10% EBITDA margin (excluding acquisitions). For 2025, we are above the guided EUR 2bn but below the EBITDA guidance of EUR 260m (again including IT Service).

Exhibit 3: P&L

Profit & Loss	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
<b>Revenue</b>	468	504	882	991	1,123	1,255	1,342	1,653	1,902	2,116	2,243
% yoy	21.4%	7.6%	75.1%	12.3%	13.3%	11.7%	6.9%	23.2%	15.1%	11.3%	6.0%
<b>EBITDA</b>	28	34	68	91	112	130	126	162	190	222	247
% of sales	6.1%	6.8%	7.7%	9.1%	9.9%	9.6%	9.8%	9.8%	10.0%	10.5%	11.0%
<b>EBIT</b>	21	24	42	62	62	69	63	92	105	124	142
% of sales	4.4%	4.8%	4.7%	6.2%	5.5%	5.5%	4.7%	5.6%	5.5%	5.9%	6.3%
<b>Pretax Profit</b>	18	20	35	56	54	61	54	81	94	112	130
% of sales	3.9%	4.0%	4.0%	5.7%	4.8%	4.8%	4.0%	4.9%	4.9%	5.3%	5.8%
<b>Net Profit</b>	16	15	23	45	49	56	48	66	76	89	103
% of sales	3.4%	2.9%	2.6%	4.5%	4.4%	4.4%	3.6%	4.0%	4.0%	4.2%	4.6%
<b>EPS</b>	0.36	0.33	0.43	0.70	0.74	0.85	0.75	1.04	1.20	1.40	1.63
% yoy	14.8%	-8.9%	30.8%	61.3%	6.4%	14.8%	-11.8%	38.2%	15.0%	17.1%	15.9%
<b>DPS</b>	0.08	0.10	0.13	0.16	0.00	0.30	0.35	0.48	0.56	0.65	0.75
Payout ratio	22%	30%	30%	23%	0%	35%	46%	46%	46%	46%	46%

Source: S&T, Pareto Securities

Please find below the (minor) changes to our estimates and the comparison of our numbers with the consensus in the table below.

Exhibit 4: Changes to our estimates

S&T AG		2022e			2023e			2024e		
		Old	New	Delta	Old	New	Delta	Old	New	Delta
<b>Revenues</b>	EURm	1,647	1,653	0%	1,896	1,902	0%	2,109	2,116	0%
<b>EBITDA</b>	"	173	162	-6%	209	190	-9%	232	222	-4%
<b>EBIT</b>	"	107	92	-14%	127	105	-17%	137	124	-9%
<b>Net result</b>	"	81	66	-18%	96	76	-21%	102	89	-12%
<b>EPS</b>	EUR	1.25	1.04	-17%	1.49	1.20	-20%	1.58	1.40	-11%

Source: S&T, Pareto Securities

Consensus does not yet factor in project Focus, and neither we do. However, if the IT Service business was not disposed in 2022, there would most likely be some bolt-on acquisitions, in our view. Because of that, our estimates look as if we are significantly more optimistic than consensus, which we are not.

## Exhibit 5: Pareto vs. Factset consensus

	2022e			2023e			2024e		
	Pareto	Cons.	Delta	Pareto	Cons.	Delta	Pareto	Cons.	Delta
<b>Revenues</b>	1,653.0	1,531.0	8.0%	1,902.2	1,628.6	16.8%	2,116.4	1,762.6	20.1%
<b>EBITDA</b>	162.0	154.7	4.7%	190.2	175.6	8.4%	222.2	196.5	13.1%

Source: Pareto Securities

Regarding Q1 due on May 5th, we believe that S&T will not lose further volume due to the chip scarcity but will not either to make up for lost business already. The top line will see some tailwind from the strong USD, in our view (+2-3%).

## Exhibit 6: Outlook Q1

S&T AG		Actual Q1 2021	Pareto Q1 2022e	yoy (%)
<b>Revenues</b>	EURm	294	322	9.4
<b>Gross profit</b>	"	116.1	127.0	9.4
<i>margin</i>		39.5%	39.5%	0 bps
<b>EBITDA</b>	"	28.2	31.5	11.8
<i>margin</i>		9.6%	9.8%	21 bps

Source: S&T, Pareto Securities

## Valuation update

Exhibit 7: DCF

EUR m	Phase I					Phase II					Phase III
	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	
<b>Revenues</b>	<b>1,653</b>	<b>1,902</b>	<b>2,116</b>	<b>2,243</b>	<b>2,378</b>	<b>2,509</b>	<b>2,634</b>	<b>2,753</b>	<b>2,863</b>	<b>2,963</b>	
<i>growth rate</i>	23%	15%	11%	6%	6%	6%	5%	5%	4%	4%	
<b>EBITDA</b>	<b>162</b>	<b>190</b>	<b>222</b>	<b>247</b>	<b>262</b>	<b>276</b>	<b>290</b>	<b>303</b>	<b>315</b>	<b>326</b>	
<i>EBITDA margin</i>	9.8%	10.0%	10.5%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	
<b>Depr. &amp; Amort. (FA)</b>	<b>45</b>	<b>56</b>	<b>66</b>	<b>71</b>	<b>67</b>	<b>83</b>	<b>82</b>	<b>80</b>	<b>76</b>	<b>71</b>	
<i>% of sales</i>	2.7%	2.9%	3.1%	3.1%	2.8%	3.3%	3.1%	2.9%	2.6%	2.4%	
<b>Depr. &amp; Amort. (RoU)</b>	<b>25</b>	<b>29</b>	<b>32</b>	<b>34</b>	<b>36</b>	<b>38</b>	<b>40</b>	<b>42</b>	<b>44</b>	<b>45</b>	
<i>% of sales</i>	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	
<b>EBIT</b>	<b>92</b>	<b>105</b>	<b>124</b>	<b>142</b>	<b>158</b>	<b>155</b>	<b>168</b>	<b>181</b>	<b>196</b>	<b>210</b>	
<i>EBIT margin</i>	5.6%	5.5%	5.9%	6.3%	6.7%	6.2%	6.4%	6.6%	6.8%	7.1%	
<b>Tax</b>	<b>(16)</b>	<b>(19)</b>	<b>(25)</b>	<b>(28)</b>	<b>(32)</b>	<b>(31)</b>	<b>(34)</b>	<b>(36)</b>	<b>(39)</b>	<b>(42)</b>	
<i>Tax rate</i>	17%	18%	20%	20%	20%	20%	20%	20%	20%	20%	
<b>Capex</b>	<b>(41)</b>	<b>(48)</b>	<b>(53)</b>	<b>(56)</b>	<b>(59)</b>	<b>(63)</b>	<b>(66)</b>	<b>(69)</b>	<b>(72)</b>	<b>(74)</b>	
<i>% of sales</i>	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	
<b>Acquisitions (ex NWC)</b>	<b>(72)</b>	<b>(72)</b>	<b>(48)</b>	<b>0</b>							
<i>% of sales</i>	4.3%	3.8%	2.3%	0.0%	0.0%	1.3%	1.9%	2.2%	2.3%	8.5%	
<b>Change in WC &amp; P</b>	<b>(35)</b>	<b>(28)</b>	<b>(24)</b>	<b>(14)</b>	<b>(15)</b>	<b>(16)</b>	<b>(17)</b>	<b>(17)</b>	<b>(18)</b>	<b>(19)</b>	
<i>% of sales</i>	2.1%	1.5%	1.1%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	
<b>Free Cash Flow</b>	<b>(26)</b>	<b>(5)</b>	<b>41</b>	<b>114</b>	<b>119</b>	<b>128</b>	<b>134</b>	<b>138</b>	<b>142</b>	<b>146</b>	<b>3,024</b>
<i>growth rate</i>	nm	(82)%	nm	nm	5%	8%	4%	4%	3%	2%	3%
<b>Present Value FCF</b>	<b>(25)</b>	<b>(4)</b>	<b>33</b>	<b>86</b>	<b>83</b>	<b>83</b>	<b>80</b>	<b>76</b>	<b>73</b>	<b>69</b>	<b>1,433</b>

<b>PV Phase I</b>	<b>172</b>	<b>Risk free rate</b>	3.5%	<b>Targ. equity ratio</b>	90%
<b>PV Phase II</b>	<b>381</b>	<b>Premium Equity</b>	5.0%	<b>Beta</b>	1.0
<b>PV Phase III</b>	<b>1,433</b>	<b>Premium Debt</b>	0.5%	<b>WACC</b>	8.0%

Enterprise value	1,986	Sensitivity	Growth in phase III				
			2.0%	2.5%	3.0%	3.5%	4.0%
- Net debt (cash)	14	7.2%	30.7	33.3	36.6	40.6	46.0
- Pension provisions	10	7.6%	28.1	30.3	32.9	36.1	40.3
- Minorities & Peripherals	5	8.0%	30.7	27.6	29.8	32.4	35.7
- Leasing liabilities	62	8.4%	23.9	25.4	27.2	29.4	32.0
- Paid-out dividends for last FY	0	8.8%	22.1	23.4	24.9	26.7	28.9
+/- Other EV items	0						

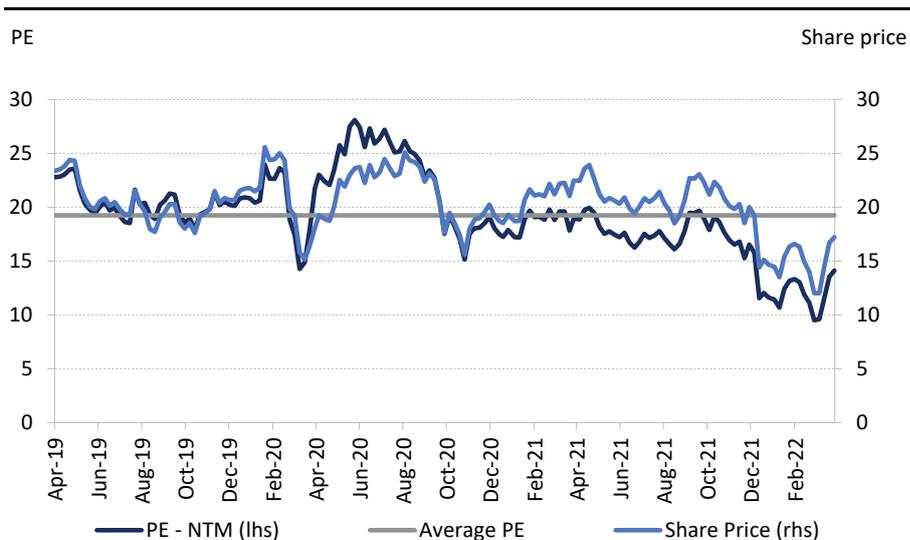
<b>Equity value</b>	<b>1,895</b>
<b>Number of shares (m)</b>	<b>63.6</b>
<b>Value per share (€)</b>	<b>30.0</b>
<b>Current Price (€)</b>	<b>17.8</b>
<b>Upside</b>	<b>68%</b>

Source: Pareto Securities

NWC has turned out to be much less of a concern after Q4 than feared. It has been at high levels at more than EUR 200m at the end of Q3 due to the chip crisis. This would have been around 15% of sales in 2021. However, NWC was only slightly above 11% of sales at the end of the year. This mitigates the related expected cash outflows for the next couple of years.

**We keep our price target at EUR 30 per share and re-iterate our “buy” recommendation. S&T’s share price performance in 2022 will be determined by (1) S&T’s ability to catch up on postponed business (2) the terms of the likely IT Service business disposal and (3) the subsequent potential large IoT deal, financed by the proceeds of the sale.**

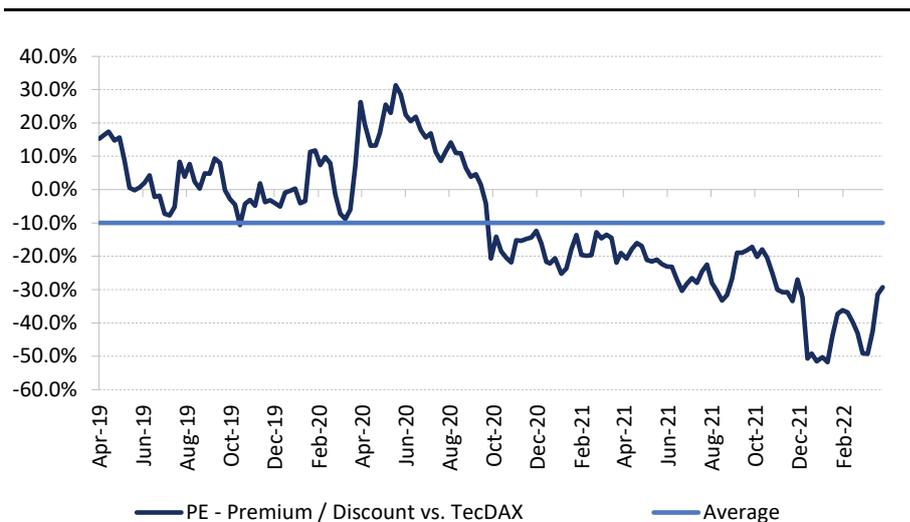
**Exhibit 8: Historical PE (consensus-based)**



Source: Factset, Pareto Securities

Our “buy” case is supported by the significant discount of the S&T share to (1) past levels and (2) the TecDAX.

**Exhibit 9: Premium vs. TecDAX**



Source: Factset, Pareto Securities

## SOTP

### Exhibit 10: Significant re-rating potential

Division	EBITDA 2021 (mEUR)	Peers	EV/ EBITDA x	EV (m EUR)
IT Service	60	Target multiple	10.0	602
IoT Europe	67	Advantech, Seco Spa	29.5	1,986
IoT Americas	-1	Advantech, Seco Spa	29.5	-42
<b>Enterprise value</b>				<b>2,547</b>
- Net debt (cash)				14
- Pension provisions				10
- Minorities & Peripherals				5
- Leasing liabilities				62
- Paid-out dividends for last FY				0
+/- Other EV items				0
<b>Equity value</b>				<b>2,456</b>
<b>Number of shares (m)</b>				<b>64</b>
<b>Value per share (EUR)</b>				<b>39</b>
<b>Current Price (EUR)</b>				<b>18</b>
<b>Upside</b>				<b>117%</b>

Source: Factset, Pareto Securities

In case S&T is able to sell the IT Service business at the stated target multiple of 10x trailing EBITDA and investors are willing to attribute a similar multiple for S&T's IoT activities as for the other (few) listed IoT companies, there is strong re-rating potential beyond the current fair value of EUR 30.

Exhibit 11: At a glance

Business Units	IT Services	IoT Solutions Europe	IoT Solutions America												
Products/ applications	IT services to a broad range of enterprises. Managed services. Operates according to the Plan - Build - Run Principle. Plans to reduce share of hardware business.	Solutions in the areas of IoT and Industry 4.0, combining hardware, middleware and services. Markets served are in Europe and Asia.	Embedded hardware and software solutions focussing on aviation, transport and communication.												
Customers	Small and mid-sized enterprises in DACH and Eastern European region	Industrial applications such as industrial automation, medical technologies, infotainment, energy industry, and public transportation. Core is the former Kontron business.	Communications and aviation customers												
Market share/ positioning	Below 1% in S&T's footprint	Below 1% in S&T's footprint	Only reasonable data from S&T's prospectus reveals market share for Advantech of 8%, Siemens 6% and ADLINK of 3% in the European Economic Area (EWR)												
Drivers	Outsourcing and cost cutting main drivers for GDP-like growth for S&T in IT Services.	Connectivity of devices and increased need for secure platforms in M2M, smart metering and other applications drive market growth and innovation in IoT.	System-on-a-chip, enhanced software solutions and niche but customized solutions in the automation, infotainment, medical and transportation segments.												
Main competitors	Bechtle, Cancom, HPE, IBM, Accenture, Adesso, Captero, Atos and other IT services companies	Check Point Software, Intel, FireEye, Imperva, Secunet, Compugroup, Vitec Software AB Smart Energy: Landis & Gyr, Schneider Electric, Siemens, Itron, IBM, Cisco, ABB	Advantech, ADLINK, Siemens, Beckhoff and Radisys												
Entry barriers/ competitive advantage	High personnel and R&D intensive business, especially in IT Services (personnel) and Embedded Systems (R&D/pre-financing). S&T has high economies of scale/scope once embedded products are developed and software products included. S&T has a low cost base (c. 50% of workforce is located in low cost Eastern European countries), highly outsourced production to Foxconn and Ennoconn in China and Canada respectively, a strong customer retention effort (e.g. trying to become single source supplier for automotive, industrial, aerospace and energy sector), only embedded and smart metering supplier and services provider with a strong Eastern European production footprint, strong IP portfolio.														
Strategy & Guidance	<b>Strategy:</b> (I) Support growth by frequent acquisitions, esp. turnarounds at low multiples. (II) Benefit from megatrends (increased device and machine connectivity, security/firewall requirements, outsourcing) (III) Increase the share of proprietary software in IoT solutions. (IV) Cross-selling. (V) Concentrate on embedded solutions (i.e. combine hard- and software.)		<table border="1"> <thead> <tr> <th></th> <th>Guidance (03/2022)</th> <th>PASe</th> <th>Consensus</th> </tr> </thead> <tbody> <tr> <td>Revenues: y/y</td> <td>EUR 1,500m 4.3%</td> <td>EUR 1653m 4.4%</td> <td>EUR 1531m 14.1%</td> </tr> <tr> <td>EBITDA margin</td> <td>EUR 150m 10.0%</td> <td>EUR 162m 9.8%</td> <td>EUR 155m 10.1%</td> </tr> </tbody> </table>		Guidance (03/2022)	PASe	Consensus	Revenues: y/y	EUR 1,500m 4.3%	EUR 1653m 4.4%	EUR 1531m 14.1%	EBITDA margin	EUR 150m 10.0%	EUR 162m 9.8%	EUR 155m 10.1%
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2021	<b>Sales (EURm)</b> 1342 y/y <b>EBITDA (EURm)</b> 126 Margin 9.4% <b>EBIT adj. (EURm)</b> 63 Margin 4.7%	<table border="1"> <thead> <tr> <th>Sales 5Y hist. CAGR</th> <th>22%</th> </tr> </thead> </table>			Sales 5Y hist. CAGR	22%									
Sales 5Y hist. CAGR	22%														
Sales & EBIT Split	<div style="display: flex; justify-content: space-around;"> <div> <p><b>Sales split by region</b></p> </div> <div> <p><b>Sales split by division</b></p> </div> <div> <p><b>EBITDA split by division</b></p> </div> <div> <p><b>Group financial</b></p> </div> </div>														
Shareholder structure & management	<p><b>CEO Hannes Niederhauser</b> CEO (since 2011)</p> <p>Hannes Niederhauser joined the company in 2011 as CEO. Following his studies in electrical engineering at the Graz University of Technology, the Austrian-born manager worked as a developer of microchips and in the embedded computer segment. Prior he has been the main shareholder and CEO of Kontron AG from 1999 to 2007, which became the world's largest provider in the field of embedded computing.</p>	<p><b>CFO Richard Neuirth</b> CFO (since 2013)</p> <p>Richard Neuirth has degrees in jurisprudence and business administration. He began his career as a lawyer working for a Vienna-based firm. He joined S&amp;T in 2006, and has held a variety of management positions at it, with these including managing director of S&amp;T Bulgaria and country manager and sales director of S&amp;T Austria. As of July 2013, Neuirth became the company's CFO.</p>	<p><b>Shareholder structure</b></p>												
# of employees FY 2021	6,206														

<b>PROFIT &amp; LOSS (fiscal year) (EURm)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
<b>Revenues</b>	<b>882</b>	<b>991</b>	<b>1,123</b>	<b>1,255</b>	<b>1,342</b>	<b>1,653</b>	<b>1,902</b>	<b>2,116</b>
<b>EBITDA</b>	<b>68</b>	<b>91</b>	<b>112</b>	<b>130</b>	<b>126</b>	<b>162</b>	<b>190</b>	<b>222</b>
Depreciation & amortisation	(26)	(29)	(50)	(62)	(64)	(70)	(85)	(98)
<b>EBIT</b>	<b>42</b>	<b>62</b>	<b>62</b>	<b>68</b>	<b>63</b>	<b>92</b>	<b>105</b>	<b>124</b>
Net interest	(6)	(5)	(8)	(8)	(8)	(11)	(11)	(12)
Other financial items	-	-	-	-	-	-	-	-
<b>Profit before taxes</b>	<b>35</b>	<b>56</b>	<b>54</b>	<b>61</b>	<b>54</b>	<b>81</b>	<b>94</b>	<b>112</b>
Taxes	(6)	(8)	(5)	(6)	(5)	(14)	(17)	(22)
Minority interest	(7)	(3)	(0)	1	(1)	(1)	(1)	(1)
<b>Net profit</b>	<b>23</b>	<b>45</b>	<b>49</b>	<b>56</b>	<b>48</b>	<b>66</b>	<b>76</b>	<b>89</b>
EPS reported	0.43	0.70	0.74	0.85	0.75	1.04	1.20	1.40
<b>EPS adjusted</b>	<b>0.43</b>	<b>0.70</b>	<b>0.74</b>	<b>0.85</b>	<b>0.75</b>	<b>1.04</b>	<b>1.20</b>	<b>1.40</b>
DPS	0.13	0.16	-	0.30	0.35	0.48	0.56	0.65
<b>BALANCE SHEET (EURm)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
Tangible non current assets	32	37	38	80	86	117	144	156
Other non-current assets	195	273	392	403	424	475	511	534
Other current assets	361	366	483	481	545	643	721	788
Cash & equivalents	217	172	312	282	297	239	194	189
<b>Total assets</b>	<b>805</b>	<b>848</b>	<b>1,226</b>	<b>1,247</b>	<b>1,352</b>	<b>1,473</b>	<b>1,569</b>	<b>1,667</b>
Total equity	332	367	385	409	423	468	514	569
Interest-bearing non-current debt	115	113	283	262	311	311	311	311
Interest-bearing current debt	-	-	-	-	-	-	-	-
Other Debt	356	366	549	565	608	684	734	778
<b>Total liabilities &amp; equity</b>	<b>805</b>	<b>848</b>	<b>1,226</b>	<b>1,247</b>	<b>1,352</b>	<b>1,473</b>	<b>1,569</b>	<b>1,667</b>
<b>CASH FLOW (EURm)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
Cash earnings	46	48	82	112	84	112	133	156
Change in working capital	(1)	(12)	2	29	12	(35)	(28)	(24)
Cash flow from investments	(39)	(63)	(56)	(77)	(66)	(113)	(119)	(101)
Cash flow from financing	93	(21)	84	(66)	(20)	(22)	(31)	(35)
Net cash flow	91	(45)	141	(30)	15	(58)	(45)	(4)
<b>VALUATION (EURm)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
<b>Share price (EUR end)</b>	<b>18.0</b>	<b>15.8</b>	<b>21.3</b>	<b>19.3</b>	<b>14.7</b>	<b>17.8</b>	<b>17.8</b>	<b>17.8</b>
Number of shares end period	63	66	66	65	64	64	64	64
Net interest bearing debt	(102)	(58)	(30)	(20)	14	72	117	121
<b>Enterprise value</b>	<b>1,066</b>	<b>998</b>	<b>1,385</b>	<b>1,232</b>	<b>951</b>	<b>1,208</b>	<b>1,253</b>	<b>1,258</b>
EV/Sales	1.2	1.0	1.2	1.0	0.7	0.7	0.7	0.6
<b>EV/EBITDA</b>	<b>15.7</b>	<b>11.0</b>	<b>12.4</b>	<b>9.5</b>	<b>7.5</b>	<b>7.5</b>	<b>6.6</b>	<b>5.7</b>
EV/EBIT	25.5	16.2	22.4	18.0	15.2	13.1	11.9	10.1
P/E reported	41.5	22.6	28.6	22.6	19.4	17.0	14.8	12.7
<b>P/E adjusted</b>	<b>41.5</b>	<b>22.6</b>	<b>28.6</b>	<b>22.6</b>	<b>19.4</b>	<b>17.0</b>	<b>14.8</b>	<b>12.7</b>
P/B	3.7	2.9	3.8	3.1	2.2	2.4	2.2	2.0
<b>FINANCIAL ANALYSIS</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
ROE adjusted (%)	7.9	12.9	13.1	14.0	11.6	14.9	15.5	16.5
Dividend yield (%)	0.7	1.0	-	1.6	2.4	2.7	3.1	3.7
EBITDA margin (%)	7.7	9.1	9.9	10.4	9.4	9.8	10.0	10.5
EBIT margin (%)	4.7	6.2	5.5	5.4	4.7	5.6	5.5	5.9
NIBD/EBITDA	(1.50)	(0.64)	(0.26)	(0.16)	0.11	0.45	0.62	0.55
EBITDA/Net interest	10.72	17.56	14.54	16.89	15.03	14.54	16.58	18.95

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Companies	No. of shares	Holdings in %
Bonheur	240,958	0.57%
Pareto Bank	15,311,030	21.92%
Selvaag Bolig	4,314,865	4.60%
Sparebank 1 Nord-Norge	4,287,282	4.27%
SpareBank 1 Ringerike Hadeland	100,000	0.64%
Sparebank 1 SMN	1,970,942	1.52%
Sparebank 1 SR-Bank	1,857,563	0.73%
SpareBank 1 Østfold Akerhus	1,232,229	9.95%
SpareBank 1 Østlandet	3,833,163	3.61%
Sparebanken Møre	254,264	2.58%
Sparebanken Sør	433,744	2.77%
Sparebanken Vest	6,862,344	6.39%
NEXT Biometrics	710,901	0.78%
SpareBank 1 Sør-est-Norge	1,771,308	2.81%

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Aker BP	0	20,969
Aker Carbon Capture	0	5,481
Aker Clean Hydrogen	0	140,540
Aker Horizons	0	125,948
Aker Offshore Wind	0	165,118
Aprila Bank ASA	0	22,675
Archer	0	30,170
ArcticZymes Technologies	0	684
Austevoll Seafood	0	3,600
AutoStore	0	2,085
Awilco LNG	0	10,000
B2Holding AS	0	13,940
Bonheur	0	32,088
Boregarden ASA	0	650
Bouvet	0	2,940
BRABank	0	31,499
BW Energy	0	105,160
BW Offshore	0	16,076
Circa Group	0	16,550
Cloudberry Clean Energy	0	101,750
DNB	0	49,205
DNO	0	151,978
Elkem	0	54,367
ELOP	0	130,000
Equinor	0	2,590
Europris	0	13,208
Fjordkraft Holding	0	15,313
Flex LNG	0	1,317

Company	Analyst holdings*	Total holdings
Frontline	0	12,290
Gaming Innovation Group	0	25,912
Gjensidige Forsikring	0	7,746
GramCar Carriers	0	1,625
Grieg Seafood	0	9,003
Huddly	0	908,173
HydrogenPro	0	39,777
Kalera	0	26,752
Kitron	0	18,386
Komplett Bank	0	209,400
Kongsberg Gruppen	0	34,351
KWS	75	75
Lerøy Seafood Group	0	39,363
Maltwater	0	30,700
Mer cell	0	24,863
Mowi	0	446
MPC Container Ships	0	43,145
NEXT Biometrics	0	710,901
Nordic Semiconductor	0	5,336
Norco	0	790
Norse Atlantic	0	25,000
Norsk Hydro	0	84,189
Norske Skog	0	98,499
Northern Drilling Ltd.	0	67,919
Okeanis Eco Tankers	0	1,420
Orkla	0	23,883
Panoro Energy	0	26,241
Pareto Bank	0	1,340,684
Pexip Holding	0	107,083
Protector Forsikring	0	14,000
Pryme	0	5,000
Quantumel	0	5,797
REC Silicon	0	38,281
Sailor	0	2,799
Sandnes Sparebank	0	4,013
Scatec	0	30,456
Selvaag Bolig	0	3,093
Sparebank 1 Nord-Norge	0	3,350
Sparebank 1 SMN	0	13,240
Sparebank 1 SR-Bank	0	16,054
SpareBank 1 Østfold Akerhus	0	1,252
SpareBank 1 Østlandet	0	9,621
Sparebanken Sør	0	16,435
Sparebanken Vest	0	17,463
Sparebanken Øst	0	1,500
Stolt-Nielsen	0	1,817
Storbrand	0	26,098
Subsea 7	0	12,893
Telenor	0	14,002
TGS	0	600
Vow	0	5,681
Vow Green Metals	0	19,681
Wallenius Wilhelmsen	0	5,800
XXL	0	20,923
Yara	0	16,661
Zaptec	0	15,000

This overview is updated monthly (last updated 15.03.2022).

\*Analyst holdings refer to positions held by the Pareto Securities AS analyst covering the company.

## Appendix B

Disclosure requirements in accordance with Article 6(1)(c)(iii) of Commission Delegated Regulation (EU) 2016/958

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:

Avanzia Bank S.A.	polLight
Aker ASA	Pronofa AS
Aker Clean Hydrogen	Protector Forsikring
Aprilia Bank ASA	Pyrum Innovations
Arcane Crypto	Quantal uel
Attensi	Saga Robotics
Bar ramundi Group Pte. Ltd.	Salmon Evolution
Belships	Sartorius-Herbst
Biomega Group AS	Seagems Norway
Bonheur	Seajacks
Boreal Holding AS	SFL Corporation Ltd
BW LPG	SGL TransGroup International A/S
BW Offshore	Shamaran Petroleum
Caval AS	Slate European Holdings
Cloudberry Clean Energy	SmartWires Inc.
Dampskibsselskabet NORDEN A/S	Strandline Resources Limited
DLT	Swedencare
DNO	TEMP TON GmbH
Documaster AS	Trander energi AS
EcoOnline	Vegfinans AS
ELOP	Vestby Logistikk Holding
Enapter AG	Viking ACQ 1 AS, SPAC
Energian Israel Finance Ltd.	Vow
Ensurge Micropower	Vår Energi
Envis AS (Books)	Waldorf Production UK Ltd
Esmailzadeh Holding	wheel.me
First Camp Group AB	Xeneta AS
Flex LNG	Ymber AS
FREYR Battery	ZTL Payment Solution AS
Funkwerk AG	Ørn Software
Gjensidige Forsikring	
Global Agrarjes (Fertiberia group)	
Golar LNG	
GramCar Carriers	
Green Transition Holding	
Greenfood	
Grøntvedt AS	
Hagal AS	
Halodi Robotics AS	
Heimdall Power	
HKN Energy Ltd	
HMH Holding	
Immunopharma	
InoBat Auto	
International Petroleum Corporation	
JP/Politikens Forlag	
Kalera	
Kebony	
Kentech Global Plc	
Keppel FELS Limited	
Kistos plc.	
KMC Properties	
Komplett ASA	
Kruse Smith	
Kvitbjørn Varme	
Lakers Holding AS	
Larøy Sealood Group	
Lumina AS	
Maha Energy	
Malorama Holding AS	
Mathesa Bostadsbolaget AB	
Mer cell	
Mime Petroleum	
Modex AS	
Müller Medien GmbH (United Vertical Media GmbH)	
Navios Maritime Acquisitions	
Navios Maritime Holdings	
Nordic Hallbut	
Noreco	
Norlandia Health & Care Group AS	
Norse Atlantic	
Norwegian Block Exchange	
Odjell Oceanwind	
Otellor Corporation	
Panoro Energy	
PetroNor E&P	
PHM Group	
Ping Petroleum UK Limited	

This overview is updated monthly (this overview is for the period 28.02.2021–28.02.2022).

## Appendix C

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

### Distribution of recommendations

Recommendation	% distribution
Buy	71%
Hold	26%
Sell	2%

### Distribution of recommendations (transactions\*)

Recommendation	% distribution
Buy	79%
Hold	21%
Sell	0%

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

This overview is updated monthly (last updated 15.03.2022).

## 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:

Cibus Nordic Real Estate AB	Josemaria Resources	Sedana Medical
Green Landscaping Group AB	Implantica	Studentbostäder i Norden
Hexatonic	Isol of Medical AB	Surgeical Science
Hexicon	Media & Games Invest plc.	VNV Global

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:

Africa Energy Corp.	Media & Games Invest plc.	Shamaran Petroleum
ByggPartner i Dalarna Holding	Mentice AB	Surgeical Science
Cibus Nordic Real Estate	Minesto	Tethys Oil
Isol of Medical	Sällängen Property Invest	Vostok Emerging Finance
Logistri Fastighets AB	SciBase Holding	
Magnolia Bostad	Sedana Medical	

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:

Aarhus Residential Denmark AB	Delarka	Logistri Fastighets AB
Backaheden Fastighets AB	Fleming Properties AB	Mälarsen AB
Bonäsudden Holding AB (publ)	Halmslätten Fastighets AB (publ)	One Publicus Fastighets AB
Borglanda Fastighets AB	Korsängen Fastighets AB (publ)	Origa Care AB (publ)
Bosjö Fastigheter AB	Krona Public Real Estate AB	Præsarium Property AB

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 15.03.2022).

## Appendix E

Disclosure requirements in accordance with Article 6(1)(c)(i) of Commission Delegated Regulation (EU) 2016/958

### 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

2G Energy *	Heidelbergh Pharma *	OVB Holding AG
Biotech *	Intershop Communications AG	Procredit Holding *
CORESTATE Capital Holding S.A.	Leifheit	PSI SOFTWARE AG *
Daldrup & Söhne	Logwin *	PWO *
Demire	Manz AG *	S&T AG *
EpiGenomics AG *	MAX Automation SE	SMT Scharf AG *
Gesco *	Merkur Bank	Surteco Group *
Ger ry Weber	MLP *	Szygy AG *
GFT Technologies *	mutares	TAKKT AG
Gigaset *	Northern Data AG	Viscom *

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

## Appendix F

Disclosure requirements in accordance with Article 6(1)(c)(iv) of Commission Delegated Regulation (EU) 2016/958

### Sponsored Research

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

Baywa	Ger ry Weber	Mynaric
BB Biotech	Hypoport AG	mutares
CLIQ Digital	Intershop Communications AG	Northern Data AG
Daldrup & Söhne	Leifheit	OHB SE
Dermaphar m Holding SE	MAX Automation SE	OVB Holding AG
Enapter	Merkur Bank	Segfried Holding AG
Expr es2ion Biotechnologies		

This overview is updated monthly (last updated 15.03.2022).