

Company Update – IT Services – Austria – December 18, 2009

S&T

from Buy to Hold

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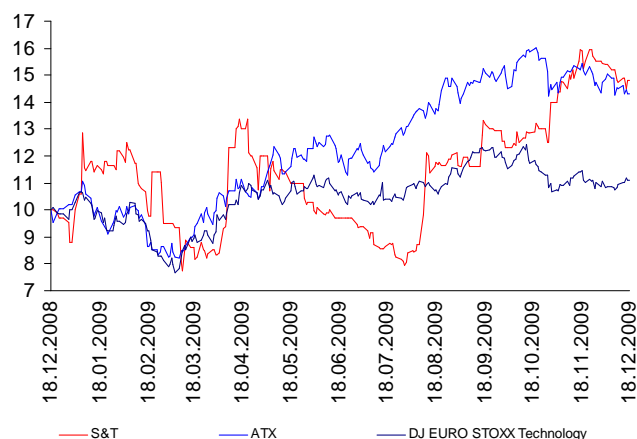
Share price (EUR)	14.80	Reuters	SNTS.VI	Free float	34.0%
Number of shares (mn)	3.6	Bloomberg	SNT AV	Shareholders	T. Streimelweger (28.0%)
Market capitalization (EUR mn)	52.6	Div. Ex-date			AvW Group (29%)
Enterprise value (EUR mn)	112.3	Target price	15.2	Homepage:	www.snt-world.com

Key figures Overview

EUR mn	2008	2009e	2010e	2011e
Net sales	513.39	407.61	408.36	416.04
EBITDA	16.38	7.06	14.17	15.54
EBIT	9.11	1.03	7.43	8.87
EBT	1.68	-6.17	3.15	4.80
Net profit	-0.19	-6.17	2.05	3.12
EPS (EUR)	-0.05	-1.72	0.57	0.87
CEPS (EUR)	1.97	0.04	2.43	2.80
BVPS (EUR)	13.06	11.33	11.91	12.78
Dividend/Share (EUR)	0.00	0.00	0.00	0.00
EV/EBITDA (x)	5.63	15.90	7.77	6.85
P/E (x)	nm	nm	25.88	17.01
P/CE (x)	4.48	346.82	6.10	5.28
Dividend yield (%)	0.00	0.00	0.00	0.00
EBITDA margin (%)	3.19	1.73	3.47	3.73
Operating margin (%)	1.77	0.25	1.82	2.13
Net profit margin (%)	-0.06	-1.51	0.50	0.75

Trading data & Statistics

Daily averages	5 days	30 days	last year
Volume	571	948	2,133
Trading value (EUR mn)	0.0	0.0	0.0



Price performance:	1M	3M	6M	12M	Ytd
in EUR	-6.9%	12.3%	52.6%	48.0%	68.2%

Financial Strength

	2008	2009e	2010e	2011e
ROE (%)	-0.40	-14.11	4.92	7.05
ROCE (%)	-1.03	-1.22	4.83	5.78
Equity ratio (%)	18.31	18.41	19.40	20.74
Net debt (EUR mn)	60.63	59.27	57.04	53.39
Gearing (%)	129.59	145.92	133.68	116.60

Profit warning – guidance revision

- **New recommendation & target price:** S&T's guidance following the 3Q09 result survived only 2 months. We adapted our estimates for the new 2009 guidance issued yesterday evening; the base effect reduced our estimates for years to come. Consequently, we arrive at a new target price of EUR 15.2 and cut our recommendation to Hold.
- **New guidance for 2009:** S&T has reduced its top line target from between EUR 415-425mn to EUR 408mn. In terms of EBIT, the new guidance is now at EUR 1-1.4mn, down from EUR 4mn.
- **Delayed & cancelled projects:** The infrastructure (ES) and business solution segment (BS) are said to suffer from delayed & cancelled projects in DACH as well as some CEE countries like Romania, Serbia, Croatia and Slovakia.
- **TV adjustments:** As we kept growth rates stable, lower economies of scale reduce our EBIT margin estimates in the years to come. Consequently, we have also reduced our terminal value EBIT margin to 2.9% from 3.3%.
- **Positive EBIT in 1Q10:** Together with the new guidance for 2009, management expects a stable development in 1Q10 y/y, but with a positive EBIT. This sounds realistic, following the improved cost base (mainly staff costs).
- **New EPS for 2009-11e:** EUR -1.72 (from EUR 0.06), EUR 0.57 (EUR 1.40) and EUR 0.87 (EUR 1.78).

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Target price composition

	DCF	Multiple	Weight	Liquidity discount	12-month target price	act. shareprice	upside to target price	Recommendation
S&T	17.9	19.6	100/0	-15%	15.2	14.8	2.8%	Hold

Source: Erste Group estimates, FactSet

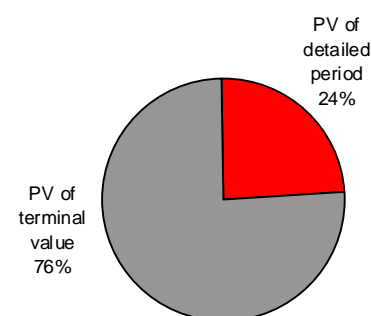
WACC calculation

	2010e	2011e	2012e	2013e	2014e	2015e (TV)
Cost of equity	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
After-tax cost of debt	4.9%	4.9%	4.9%	4.9%	4.9%	5.3%
Equity weight	50%	50%	50%	50%	50%	80%
WACC	7.7%	7.7%	7.7%	7.7%	7.7%	9.4%

DCF valuation

(EUR mn)	2010e	2011e	2012e	2013e	2014e	2015e (TV)
Sales growth	0.2%	1.9%	2.6%	2.7%	2.2%	2.0%
EBIT	7.4	8.9	9.4	10.9	12.3	13.3
EBIT margin	1.8%	2.1%	2.2%	2.5%	2.7%	2.9%
Tax rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Taxes on EBIT	-1.9	-2.2	-2.3	-2.7	-3.1	-3.3
NOPLAT	5.6	6.7	7.0	8.2	9.2	9.9
+ Depreciation	6.7	6.7	6.7	6.6	6.8	6.8
Capital expenditures / Depreciation	92.0%	97.0%	100.8%	103.8%	105.9%	103.0%
+/- Change in working capital	-0.4	0.3	-0.7	-0.8	-0.8	-0.5
Chg. working capital / chg. Sales	-48.0%	4.3%	-6.6%	-7.1%	-8.3%	-6.0%
- Capital expenditures	-6.2	-6.5	-6.8	-6.9	-7.2	-7.0
Free cash flow to the firm	5.8	7.2	6.3	7.1	8.0	9.2
Terminal value growth						2.0%
Terminal value						126.2
Discounted free cash flow - Dez 31 2009	5.3	6.2	5.0	5.3	5.5	85.4
Enterprise value - Dez 31 2009	112.7					
Minorities	0.0					
Non-operating assets	4.1					
Net debt	59.3					
Other adjustments	0.0					
Equity value - Dez 31 2009	57.6					
Number of shares outstanding (mn)	3.6					
Cost of equity	10.5%					
12M target value per share (EUR)	17.9					
Current share price (EUR)	14.8					
Up/Downside	21.0%					

Enterprise value breakdown



Sensitivity (per share)

		Terminal value EBIT margin				
		1.9%	2.4%	2.9%	3.4%	3.9%
WACC	8.4%	10.4	16.1	21.7	27.4	33.1
	8.9%	9.1	14.4	19.7	25.0	30.2
	9.4%	8.0	13.0	17.9	22.9	27.8
	9.9%	7.0	11.7	16.3	21.0	25.7
	10.4%	6.2	10.6	15.0	19.4	23.8
		Terminal value growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	8.4%	17.7	19.6	21.7	24.3	27.3
	8.9%	16.1	17.8	19.7	21.9	24.5
	9.4%	14.8	16.2	17.9	19.8	22.0
	9.9%	13.5	14.9	16.3	18.0	19.9
	10.4%	12.5	13.6	15.0	16.5	18.1

Source: Erste Group estimates, FactSet

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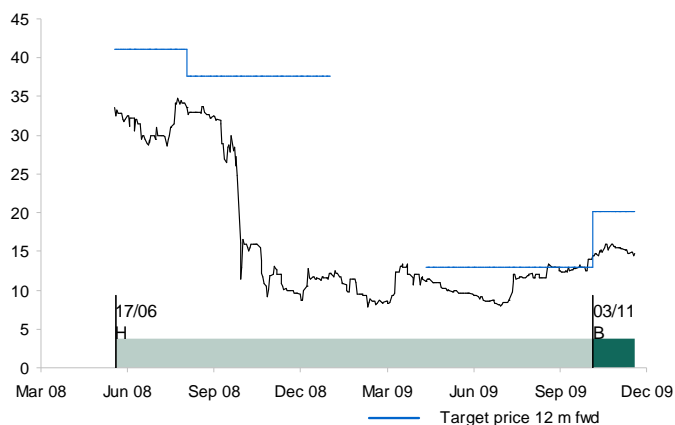
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Rating history

Date	Rating	Price	Target Price
03. Nov 09	Buy	14.39	20.17
06. Aug 07	Hold	56.78	60.00
10. Apr 07	Accumulate	58.89	66.00
03. Feb 06	Buy	26.25	35.00
24. Oct 05	Hold	24.00	25.00
11. Jan 05	Accumulate	20.50	23.00
28. Jan 04	Buy	9.86	14.00

Company

Disclosure

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Erste Group rating definitions

Buy	> +20% to target price
Accumulate	+10% < target price < +20%
Hold	0% < target price < +10%
Reduce	-10% < target price < 0%
Sell	< -10% to target price

Our target prices are established by determining the fair value of stocks, taking into account additional fundamental factors and news of relevance for the stock price (such as M&A activities, major forthcoming share deals, positive/negative share/sector sentiment, news) and refer to 12 months from now. All recommendations are to be understood relative to our current fundamental valuation of the stock. The recommendation does not indicate any relative performance of the stock vs. a regional or sector benchmark.

Distribution of ratings

Recommendation	Coverage universe		Inv. banking-relationship	
	No.	in %	No.	in %
Buy	24	18.5	7	58.3
Accumulate	32	24.6	1	8.3
Hold	36	27.7	2	16.7
Reduce	19	14.6	2	16.7
Sell	11	8.5	0	0.0
N.R./UND.REV./RESTR.	8	6.2	0	0.0
Total	130	100.0	12	100.0

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