

s&t

IT Service

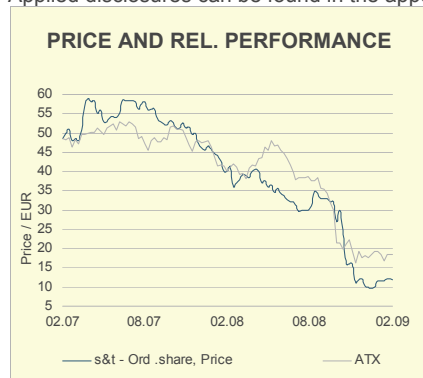
2009-02-11

Applied disclosures can be found in the appendix

Neutral

Fair Value EUR23.00

Price EUR11.74 (Closing price as of 2009-02-10)



EBIT SLUMP IN Q4 – AS EXPECTED

ASSESSMENT

- S&T's sales declined by 12% in Q4 2008 vs. Q4 2007 due to a sharp decrease at Enterprise Systems (-20% y-o-y in Q4). As expected, cost cutting measures at S&T's customers have burdened especially the company's infrastructure business. Anyway, about half of the decrease at Enterprise Systems resulted from currency effects. On the other hand, the trend towards IT outsourcing supported S&T's Managed Services segment also in Q4 and led to a y-o-y growth of 14% in Q4.
- The company achieved a full year EBIT of €9.1m in 2008, implying a slump of 30% compared to 2007. Consequently, S&T failed its own goal of reaching an EBIT of €11-12m significantly.
- Our estimates concerning EBIT in Q4 were 26% below the company's guidance and 31% below Q4 2007. Nevertheless, S&T's EBIT came in slightly below our estimates, as the current economic conditions led to increasing price pressure. Furthermore, the foreign exchange rate movements in Eastern Europe burdened S&T's result.
- S&T intends to achieve a break-even net result in 2008, which is below our current expectation.
- We confirm our cautious outlook for the company (especially H1 2009 is expected to remain weak) and do not see a need to revise our recommendation.

MARKET DATA

Reuters	SNTS.VI
Bloomberg	SNT AV
Market cap EURm	42.0
EV EURm	100.1
Free float %	34.0

KEY DATA

Yr.end 12/31	2007	2008e	2009e
Revenues m	522.24	516.69	503.63
Net profit m	3.66	2.06	2.22
Adj. EPS	1.03	0.58	0.63
PER	50.7	53.9	18.8
EV/EBIT	18.8	17.7	10.6
EBIT mgn. %	2.5	1.9	
EPS CAGR 07-10e: 16 %			

NEXT EVENTS

Full year results	2009-03-31
Quarterly results	2009-04-30

s&t: prel. Q4 2008 results

(EURm)	Q4 08	y-o-y	Q4 07	Q4 08 SOP	Δ %	FY 08	y-o-y	FY 2007	FY 08 SOP	Δ %
Sales	149.7	-12.3%	170.7	154.4	-3%	512.0	-2.0%	522.2	516.7	-1%
Business S.	41.7	-10.3%	46.5	45.1	-7%	157.0	5.3%	149.1	160.3	-2%
Enterprise S.	78.3	-20.3%	98.2	81.3	-4%	252.0	-12.1%	286.6	255.1	-1%
Managed S.	29.7	14.2%	26.0	27.9	6%	103.0	19.0%	86.6	101.3	2%
EBITDA	5.9	-34.8%	9.0	6.9	-15%	16.4	-19.6%	20.4	17.4	-6%
Margin	3.9%		5.3%	4.5%		3.2%		3.9%	3.4%	
EBIT	4.1	-41.5%	7.0	4.8	-15%	9.1	-30.2%	13.0	9.8	-7%
Margin	2.7%		4.1%	3.1%		1.8%		2.5%	1.9%	

CONCLUSION

As we expected in our earnings preview, S&T failed its own EBIT guidance by a wide margin. Consequently, we expect the stock to decline today. As long as it is not clear whether AvW (which recently exceeded the 30% threshold) will have to make a mandatory takeover bid or reduce its share by 8.2%, we would not recommend buying the stock.

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s&t - P&L (Total Costs)					
EURm (Yr. end: 12/31)	2006	2007	2008e	2009e	2010e
Sales	461.3	522.2	516.7	503.6	515.6
Cost of material	-331.0	-342.4	-314.4	-306.3	-310.9
Personnel costs	-81.7	-119.6	-139.0	-135.4	-137.4
Other operating income/expenses (net)	-30.7	-39.8	-45.9	-45.0	-45.8
EBITDA	18.0	20.4	17.4	16.9	21.5
thereof: Depreciation	-5.9	-7.4	-7.6	-7.4	-7.5
EBIT	12.1	13.0	9.8	9.5	14.0
Interest result	-1.6	-5.2	-6.3	-5.9	-5.0
Profit or loss on ordinary activities	10.5	7.9	3.5	3.6	9.0
EBT	10.5	7.9	3.5	3.6	9.0
Taxes	-3.7	-4.1	-1.4	-1.3	-3.2
Profit / loss for the year (cont. operations)	6.8	3.7	2.1	2.3	5.9
Discontinuing operations (net)	0.0	0.0	0.0	0.0	0.0
Minority interest	-0.0	-0.1	-0.1	-0.1	-0.1
Net profit	6.8	3.7	2.1	2.2	5.8
Adjusted net profit	6.8	3.7	2.1	2.2	5.8
Key ratios and figures					
EURm (Yr. end: 12/31)	2006	2007	2008e	2009e	2010e
Valuation					
PER	15.5	50.7	53.9	18.8	7.2
P/BV	2.3	3.8	2.2	0.8	0.7
EV/Sales	0.3	0.5	0.3	0.2	0.2
EV/EBITDA	7.3	12.0	10.0	5.9	3.9
Sustainable FCF yield %	7.8	1.8	-1.4	6.7	22.9
Data per share					
Weighted avg. number of shares	3.55	3.56	3.56	3.56	3.56
EPS (reported)	1.91	1.03	0.58	0.63	1.62
adj. EPS	1.91	1.03	0.58	0.63	1.62
Book value per share	13.09	13.77	14.32	14.94	16.55
Sustainable FCFPS	2.9	1.2	-0.7	1.9	5.4
Growth rates %					
Sales	29.7	13.2	-1.1	-2.5	2.4
EBITDA	24.1	13.3	-14.6	-3.1	27.6
EBIT	42.6	7.9	-24.6	-3.6	48.0
Net profit	37.9	-46.0	-43.8	8.2	159.2
adj. EPS	36.2	-46.1	-43.8	8.2	159.2
Margins %					
Gross	28.3	34.4	39.1	39.2	39.7
EBITDA	3.9	3.9	3.4	3.4	4.2
EBIT	2.6	2.5	1.9	1.9	2.7
Net profit	1.5	0.7	0.4	0.4	1.1
Expense ratios %					
Personnel cost to sales	17.7	22.9	26.9	26.9	26.6
Cost of material to sales	71.7	65.6	60.9	60.8	60.3
Depreciation to sales (Total Cost)	1.3	1.4	1.5	1.5	1.5
Tax rate	35.3	52.5	40.0	35.0	35.0
Other ratios					
Interest cover	-6.6	-3.3	-2.4	-2.6	-3.9

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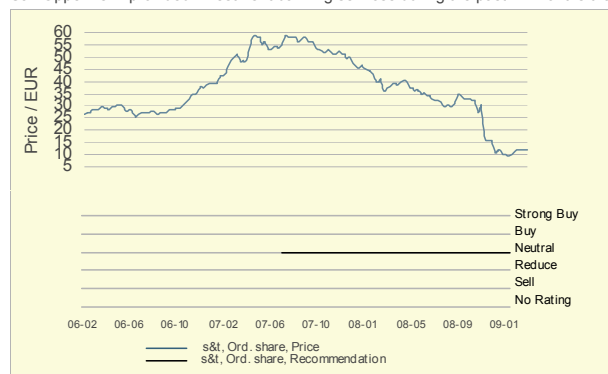
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Buy	123	33.4	16	52
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Sell	3	0.8	0	0
No rating	20	5.4	0	0

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