

S&T

Germany | IT software & services | MCAP EUR 308.9m

04 May 2016

Buy

 (Buy)

Target Price EUR 8.40
Current Price EUR 7.10
Up/downside 18.3%
Change in TP none
Change in EPS none 2015E

Timid Q1 but FY outlook remains intact

Commercial performance in Q1 came below our estimates but the group showed resilience in earnings. Shiny outlook for 2016 is not jeopardized as momentum will likely accelerate from next quarter.

Timid start of the year in technology segments

S&T reported 4% sales growth in Q1 at EUR96m with EBITDA increase of 8% at EUR6.3m and net profit up 18% at EUR3.2. The commercial performance is below our expectations (+10 YoY expected) as a result of a weaker-than-expected start of the year in the technology segments (Smart grids and IT Security appliances) where revenues experienced a decline of 5% (vs. 18% expected) and were only partially offset by a solid performance in the services segment (+7% vs +1% expected). Despite a unfavourable evolution of product-mix, we notice a stronger growth in bottom line and once again increase in operating and net efficiency.

Sales growth to accelerate in from Q2, outlook remains shiny

Management confirmed its objective to achieve sales of above EUR500m in 2016 corresponding to a 7% growth rate, with net profit set to rise more strongly. Management expects strong performance in Q2 (above EUR100m) in the light of healthy orders backlog and pipeline projects (up 11% and 23% YoY respectively), especially in the high margin segments. S&T shows particular confidence in the security in the Internet of Things where it sees strong underlying growth allowing for the dedicated segment to grow of more than 20% in 2016 in and "in the years following that". In the light of Q1 results and guidance precision, we slightly adjust our sales forecasts for 2016 to the downside but upgrade 2017, thus having no consequence on our valuation.

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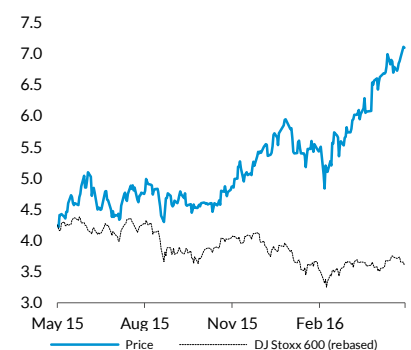
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Market data

	Bloomberg: SANT GR	Reuters: SANT1.DE
Market cap (EURm)		309
Free float		66%
No. of shares outstanding (m)		44
Avg. daily volume('000)		120
YTD abs performance		19.3%
52-week high/low (EUR)		7.11/4.21

FY to 31/12 (EUR)	12/16E	12/17E	12/18E
Sales (m)	509.6	552.3	593.0
EBITDA adj (m)	35.1	40.3	45.9
EBIT adj (m)	26.7	31.2	36.1
Net profit adj (m)	20.8	25.7	31.4
Net fin. debt (m)	-23.6	-41.7	-65.4
FCF (m)	18.9	23.8	32.2
EPS adj. and fully dil.	0.47	0.58	0.74
Consensus EPS	0.44	0.51	0.57
Net dividend	0.11	0.13	0.15

FY to 31/12 (EUR)	12/16E	12/17E	12/18E
P/E adj and ful. dil.	15.0	12.2	9.6
EV/EBITDA	8.2	6.7	5.4
EV/EBIT	10.8	8.6	6.8
FCF yield	6.1%	7.7%	10.4%
Dividend yield	1.5%	1.8%	2.1%
Net fin.debt/EBITDA	-0.7	-1.0	-1.4
Gearing	-19.4%	-28.7%	-37.7%
ROIC	21.7%	24.1%	26.3%
EV/IC	3.0	2.7	2.3



KEPLER CHEUVREUX and the issuer have agreed that KEPLER CHEUVREUX will produce and disseminate investment research on the said issuer as a service to the issuer.

Key financials

FY to 31/12 (EUR)	2011	2012	2013	2014	2015E	2016E	2017E	2018E
Per share data								
EPS adjusted	0.29	0.26	0.30	0.32	0.41	0.48	0.59	0.72
EPS adj and fully diluted	0.29	0.26	0.30	0.31	0.40	0.47	0.58	0.74
% Change	54.6%	-11.8%	17.0%	4.4%	27.7%	18.1%	23.3%	26.3%
EPS reported	0.29	0.26	0.30	0.32	0.36	0.48	0.59	0.72
Cash flow per share	0.06	0.43	0.28	0.50	0.61	0.67	0.79	0.98
Book value per share	2.09	2.16	1.76	2.12	2.29	2.74	3.28	3.94
Dividend per share	0.00	0.00	0.06	0.07	0.08	0.11	0.13	0.15
Number of shares, YE (m)	23.54	28.28	39.20	41.00	43.51	43.51	43.51	43.51
Valuation								
P/E adjusted	8.2	8.9	7.9	9.0	17.5	14.8	12.0	9.8
P/E adjusted and fully diluted	8.2	8.9	7.9	9.1	17.7	15.0	12.2	9.6
P/BV	1.1	1.1	1.4	1.3	3.1	2.6	2.2	1.8
P/CF	39.5	5.3	8.4	5.7	11.6	10.6	9.0	7.2
Dividend yield (%)	0.0%	0.0%	2.5%	2.5%	1.1%	1.5%	1.8%	2.1%
FCF yield (%)	-2.5%	14.0%	5.7%	12.6%	5.6%	6.1%	7.7%	10.4%
EV/Sales	0.6	0.2	0.3	0.3	0.6	0.6	0.5	0.4
EV/EBITDA	7.0	5.0	5.2	5.3	10.7	8.2	6.7	5.4
EV/EBIT	9.0	7.4	7.3	7.3	14.6	10.8	8.6	6.8
Income Statement (EURm)								
Sales	153.2	339.5	338.0	385.5	468.2	509.6	552.3	593.0
% Change	89.8%	121.6%	-0.4%	14.1%	21.5%	8.8%	8.4%	7.4%
EBITDA adjusted	12.2	16.6	20.1	22.8	28.4	35.1	40.3	45.9
EBITDA margin (%)	8.0%	4.9%	6.0%	5.9%	6.1%	6.9%	7.3%	7.7%
EBIT adjusted	9.5	11.1	14.4	16.6	20.6	26.7	31.2	36.1
EBIT margin (%)	6.2%	3.3%	4.2%	4.3%	4.4%	5.2%	5.7%	6.1%
Net financial items & associates	-1.0	-1.4	-2.2	-1.8	-2.2	-2.6	-2.0	-1.2
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Tax	-0.3	-0.3	-0.1	-0.8	-0.8	-1.7	-2.0	-3.5
Net profit from continuing operations	8.1	9.4	12.0	14.0	17.6	22.3	27.2	32.4
Net profit from discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Net profit before minorities	8.1	9.4	12.0	14.0	17.6	22.3	27.2	33.4
Net profit reported	6.9	7.3	11.8	12.9	15.8	20.8	25.7	31.4
Net profit adjusted	6.9	7.3	11.8	12.9	17.6	20.8	25.7	31.4
Cash Flow Statement (EURm)								
Cash flow from operating activities	1.4	12.3	11.2	20.5	26.7	29.1	34.3	42.8
Capex	-2.8	-3.2	-5.8	-5.8	-9.5	-10.2	-10.5	-10.7
Free cash flow	-1.4	9.1	5.4	14.8	17.2	18.9	23.8	32.2
Acquisitions & Divestments	-11.6	0.4	5.5	-2.9	-0.2	0.0	0.0	0.0
Dividend paid	-0.1	-0.3	-0.3	-3.8	-4.1	-4.6	-5.6	-6.5
Others	1.4	0.0	-3.1	7.7	-2.7	0.0	0.0	0.0
Change in net financial debt	-11.6	9.3	7.4	15.8	10.1	14.3	18.1	25.7
Balance Sheet (EURm)								
Intangible assets	40.9	38.8	44.8	57.1	72.8	73.7	74.4	74.8
Tangible assets	11.1	9.9	9.0	11.4	15.2	16.0	16.7	17.2
Financial & other non-current assets	13.6	13.7	13.9	17.4	19.0	19.0	19.0	19.0
Total shareholders' equity	54.6	63.1	71.2	89.7	102.2	121.7	145.3	173.7
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	172.5	150.0	148.9	183.3	208.9	214.1	220.4	226.4
Net debt	23.6	14.9	9.3	1.6	-9.3	-23.6	-41.7	-65.4
Working capital requirement	23.2	24.3	23.9	22.3	1.6	4.9	9.0	12.8
Invested Capital	75.2	73.1	77.6	90.8	89.5	94.6	100.0	105.8
Ratios								
ROE (%)	16.7%	13.2%	18.1%	16.6%	18.9%	19.0%	19.6%	20.0%
ROIC (%)	13.6%	11.3%	14.3%	14.8%	17.2%	21.7%	24.1%	26.3%
Net fin. debt / EBITDA (x)	1.9	0.9	0.5	0.1	-0.3	-0.7	-1.0	-1.4
Gearing (%)	43.2%	23.6%	13.1%	1.7%	-9.1%	-19.4%	-28.7%	-37.7%

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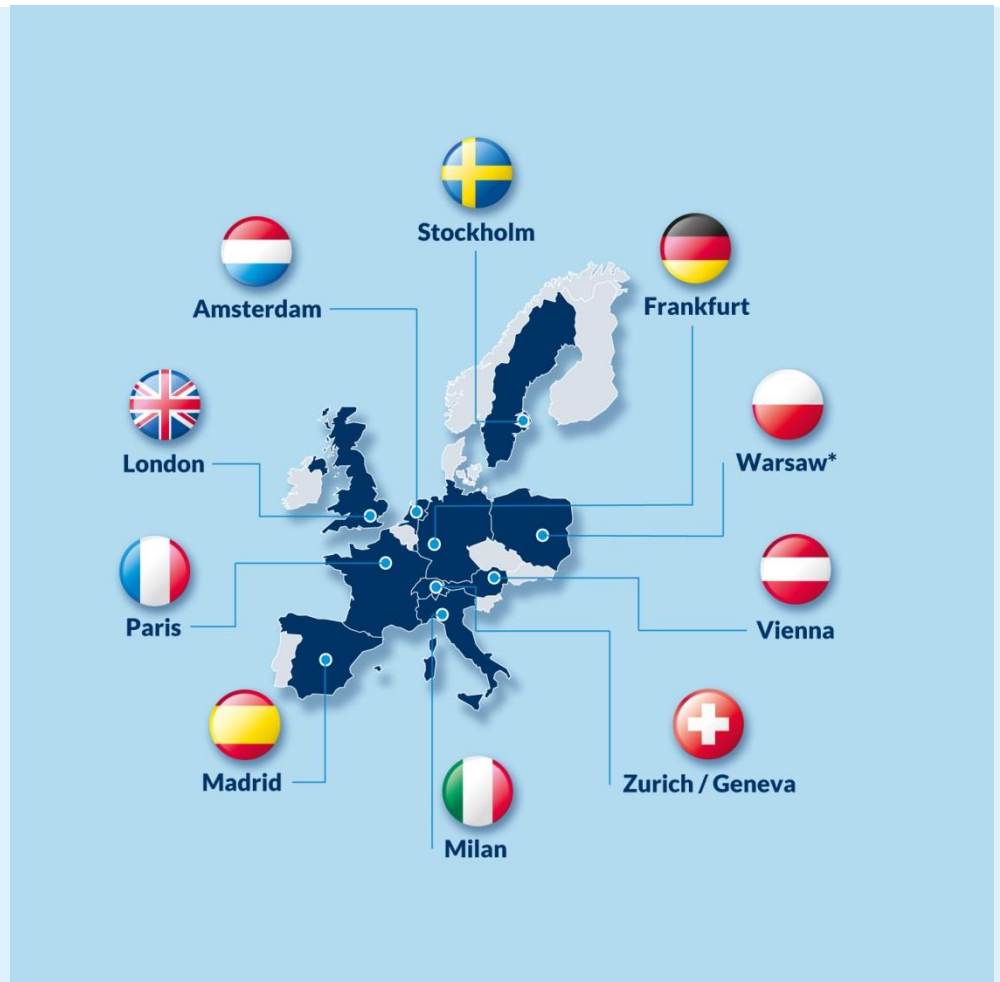
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