

## S&T gives strong FY19 EBITDA guidance

*S&T AG (SANT GY, BUY, TP EUR 27.00), a leading IT services company operating especially in the CEE region and offering via its Kontron acquisition embedded computers and solutions used in the fields of appliances, cloud security, software and smart energy, Industry 4.0 and IoT (Internet of Things) technologies, confirmed its FY18 guidance with EUR 1bn in sales (Pareto: EUR 1bn) and above EUR 88m in EBITDA (Pareto: EUR 85m). More importantly, SANT is fully in-line with Pareto estimates, and sees FY19 revenues of EUR 1.1bn excluding M&A (Pareto: EUR 1.1bn) and an EBITDA of at least EUR 100m (Pareto: EUR 100m). This is very encouraging, as SANT normally guides cautiously and has a good visibility due to its Kontron embedded business (lead-time 9-12m) and high-margin "IoT Solutions" segment, with an order backlog of nearly EUR 600m and project pipeline at EUR 1.5bn (12m projection). TSMC last week already stated that it sees some weakness in the memory part of its business and inventory build-up in its chipset segment. This should have positive implications for SANT, as it relies on memory chipsets from US suppliers, where prices are currently falling for DRAM/NAND chips. A further increase in its dividend by +20% (Pareto: +15%, EUR 0.15) to 16 EUR cents, is a positive sign for investors. We believe that the current share price offers a good entry point as the stock de-rated to levels of 8-10x FY19/20 EV/EBITDA and a solid positioning in embedded and IoT solutions growing double-digit. We are on roadshow with the CFO in Copenhagen and Helsinki on 6<sup>th</sup>/7<sup>th</sup> February.*

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