

# S&T

Germany | IT software & services | MCAP EUR 178.0m

01 April 2015

**Buy** (Buy)

**Target Price** EUR 5.60  
**Current Price** EUR 4.1  
**Up/downside** 36.1%  
**Change in TP** none  
**Change in EPS** none 2014E

## Guidance achieved in 2014

S&T has released its results for the 2014 financial year. The company did slightly better than we expected on the revenues (EUR385 vs EUR380m expected) and EPS front (EUR0.32 vs. EUR0.28 expected). Visibility on 2015 is good. Valuation remains attractive.

### FY 2014 sales guidance slightly exceeded

Thanks to a strong Q4, S&T's revenues rose by more than 14% in 2014, going from EUR337.9m to EUR385.5m, thus slightly exceeding the target of EUR375m set for the year and our expectations (EUR380m). By division, the two Appliances segments, Smart Grid and IT Security, unsurprisingly drove sales up. The newly created "Appliances Smart Energy" already generated revenues of EUR29m, higher than we anticipated (EUR25m).

### Operating profitability improves despite smart grid scale-up

Despite the costs associated with the development of the "smart energy" business segment, S&T managed to increase EBITDA to EUR23m versus EUR20m in the previous year and EUR19.5 expected. As a result, the EBITDA margin stands at 5.9%, above our forecast (5.1%), and largely offset a slower-than-expected enhancement of the gross margin to 33.0% versus 34.2% expected. Net profit increased by 17% to EUR14m versus EUR12.3m expected and EPS rose to EUR0.32 per share (EUR0.28 expected).

### Good visibility on 2015

S&T guides for net profit of EUR15m in 2015, which corresponds exactly to our current forecasts. Sales guidance remains unchanged (EUR465m, +20% YOY), which we are confident can be achieved, given the current increasing backlog (EUR157m vs. EUR97m a year ago) and impressive pipeline of projects (EUR644m vs. EUR308 m last year). Our view on the stock remains very positive.

### Baptiste de Leudeville

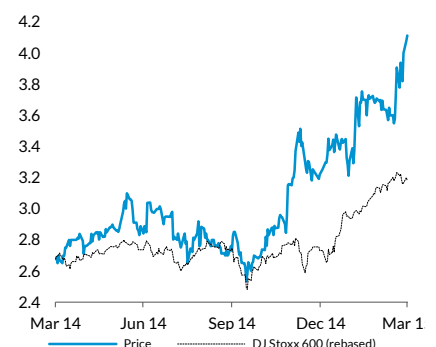
bdeleudeville@keplercheuvreux.com  
 +41 22 994 1573

#### Market data

Market cap (EURm)	178
Free float	66%
No. of shares outstanding (m)	43
Avg. daily trading volume('000)	46
YTD abs performance	27.8%
52-week high (EUR)	4.11
52-week low (EUR)	2.54

FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	380.0	467.7	503.3
EBITDA adj (m)	19.5	26.4	32.8
EBIT adj (m)	14.2	18.9	23.7
Net profit adj (m)	12.3	15.0	19.1
Net fin. debt (m)	11.3	5.5	-9.2
FCF (m)	-2.7	6.1	15.0
EPS adj. and fully dil.	0.30	0.35	0.44
Consensus EPS	0.29	0.31	0.40
Net dividend	0.06	0.06	0.08

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	13.8	11.9	9.3
EV/EBITDA (x)	9.9	7.1	5.2
EV/EBIT (x)	13.5	9.9	7.2
FCF yield	-1.5%	3.4%	8.4%
Dividend yield	1.5%	1.5%	1.9%
Net fin.debt/EBITDA	0.6	0.2	-0.3
Gearing	11.9%	4.9%	-6.8%
ROIC	11.7%	13.0%	15.0%
EV/IC (x)	1.9	1.6	1.4



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)	2009	2010	2011	2012	2013	2014E	2015E	2016E
<b>Per share data</b>								
EPS adjusted	high	0.21	0.30	0.23	0.30	0.30	0.35	0.44
EPS adj and fully diluted	high	0.21	0.30	0.23	0.30	0.30	0.35	0.44
EPS reported	high	0.21	0.30	0.23	0.30	0.30	0.35	0.44
Cash flow per share	high	-0.17	0.06	0.39	0.28	0.17	0.41	0.64
Book value per share	high	1.82	2.12	1.92	1.76	2.24	2.53	3.03
Dividend per share	0.00	0.00	0.00	0.00	0.06	0.06	0.06	0.08
Number of shares, YE (m)	13.7	22.2	24.1	39.3	39.3	43.3	43.3	43.3
<b>Valuation</b>								
P/E adjusted	0.0	10.4	8.0	10.0	8.0	13.8	11.9	9.3
P/E adjusted and fully diluted	0.0	10.4	8.0	10.0	8.0	13.8	11.9	9.3
P/BV	0.0	1.2	1.1	1.2	1.4	1.8	1.6	1.4
P/CF	0.0	na	38.9	6.0	8.5	24.9	10.0	6.5
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	2.5%	1.5%	1.5%	1.9%
FCF yield (%)	5.0%	-8.6%	-2.4%	10.1%	5.6%	-1.5%	3.4%	8.4%
EV/Sales	0.1	0.5	0.6	0.3	0.3	0.5	0.4	0.3
EV/EBITDA	2.4	9.5	7.1	6.5	5.3	9.9	7.1	5.2
EV/EBIT	3.4	13.3	9.1	9.6	7.4	13.5	9.9	7.2
<b>Income Statement (EURm)</b>								
Sales	59.9	80.7	153.2	339.5	337.9	380.0	467.7	503.3
EBITDA adjusted	2.6	4.5	12.2	16.6	20.1	19.5	26.4	32.8
EBIT adjusted	1.8	3.2	9.5	11.1	14.3	14.2	18.9	23.7
Net financial items & associates	-0.4	-0.4	-1.0	-1.4	-2.2	-1.7	-1.7	-1.7
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	1.9	1.2	-0.3	-0.3	-0.1	0.0	-1.7	-2.2
Net profit from continuing operations	3.3	4.0	8.1	9.4	11.9	12.5	15.5	19.9
Net profit from discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	3.3	4.0	8.1	9.4	11.9	12.5	15.5	19.9
Net profit reported	3.3	3.7	6.9	7.3	11.7	12.3	15.0	19.1
Net profit adjusted	3.3	3.7	6.9	7.3	11.7	12.3	15.0	19.1
<b>Cash Flow Statement (EURm)</b>								
Cash flow from operating activities	1.6	-3.1	1.4	12.3	11.1	6.8	17.8	27.6
Capex	-0.8	-1.0	-2.8	-3.2	-5.8	-9.5	-11.7	-12.6
Free cash flow	0.8	-4.1	-1.4	9.1	5.3	-2.7	6.1	15.0
Acquisitions & Divestments	1.0	-1.2	-11.6	0.4	5.5	-10.0	0.0	0.0
Dividend paid	0.0	0.0	-0.1	-0.3	-0.3	-0.3	-0.3	-0.3
Others	-0.3	3.7	1.4	0.0	-4.5	11.0	0.0	0.0
Change in net financial debt	1.5	-1.6	-11.6	9.3	6.0	-2.0	5.8	14.7
<b>Balance Sheet (EURm)</b>								
Intangible assets	10.1	20.6	40.9	38.8	44.8	56.2	58.7	60.8
Tangible assets	2.2	2.7	11.1	9.9	9.0	11.8	13.4	14.8
Financial & other non-current assets	1.7	3.0	13.6	13.7	13.9	13.9	13.9	13.9
Total shareholders' equity	18.1	33.4	54.6	63.1	71.2	95.5	112.4	134.1
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	21.0	31.5	172.5	150.0	148.9	171.8	191.9	202.4
Net debt	-9.3	-5.7	23.6	14.9	9.3	11.3	5.5	-9.2
Working capital requirement	-4.2	6.1	23.2	24.3	23.9	36.0	42.8	46.4
Invested Capital	8.1	29.4	75.2	73.1	77.6	103.9	115.0	122.0
<b>Ratios</b>								
ROE (%)	na	14.4%	15.6%	12.4%	17.5%	14.8%	14.4%	15.5%
ROIC (%)	na	12.8%	13.6%	11.3%	14.2%	11.7%	13.0%	15.0%
Net fin. debt / EBITDA (x)	-3.6	-1.3	1.9	0.9	0.5	0.6	0.2	-0.3
Gearing (%)	-51.0%	-17.0%	43.2%	23.6%	13.1%	11.9%	4.9%	-6.8%



**Amsterdam**

Kepler Cheuvreux Benelux  
Johannes Vermeerstraat 9  
1071 DK Amsterdam  
+31 20 573 06 66

**Frankfurt**

Kepler Cheuvreux Germany  
Taunusanlage 18  
60325 Frankfurt  
+49 69 756960

**Geneva**

Kepler Cheuvreux SA  
Route de Crassier 11  
1262 - Eysins  
Switzerland  
+41 22361 5151

**London**

Kepler Cheuvreux UK  
12th Floor, Moorhouse  
120 London Wall  
London EC2Y 5ET  
+44 20 7621 5100

**Madrid**

Kepler Cheuvreux Espana  
Alcala 95  
28009 Madrid  
+3491 4365100

**Milan**

Kepler Cheuvreux Italia  
Via C. Cornaggia 10  
20123 Milano  
+39 02 855 07 1

**Paris**

Kepler Cheuvreux France  
112 Avenue Kleber  
75016 Paris  
+33 1 53653500

**Stockholm**

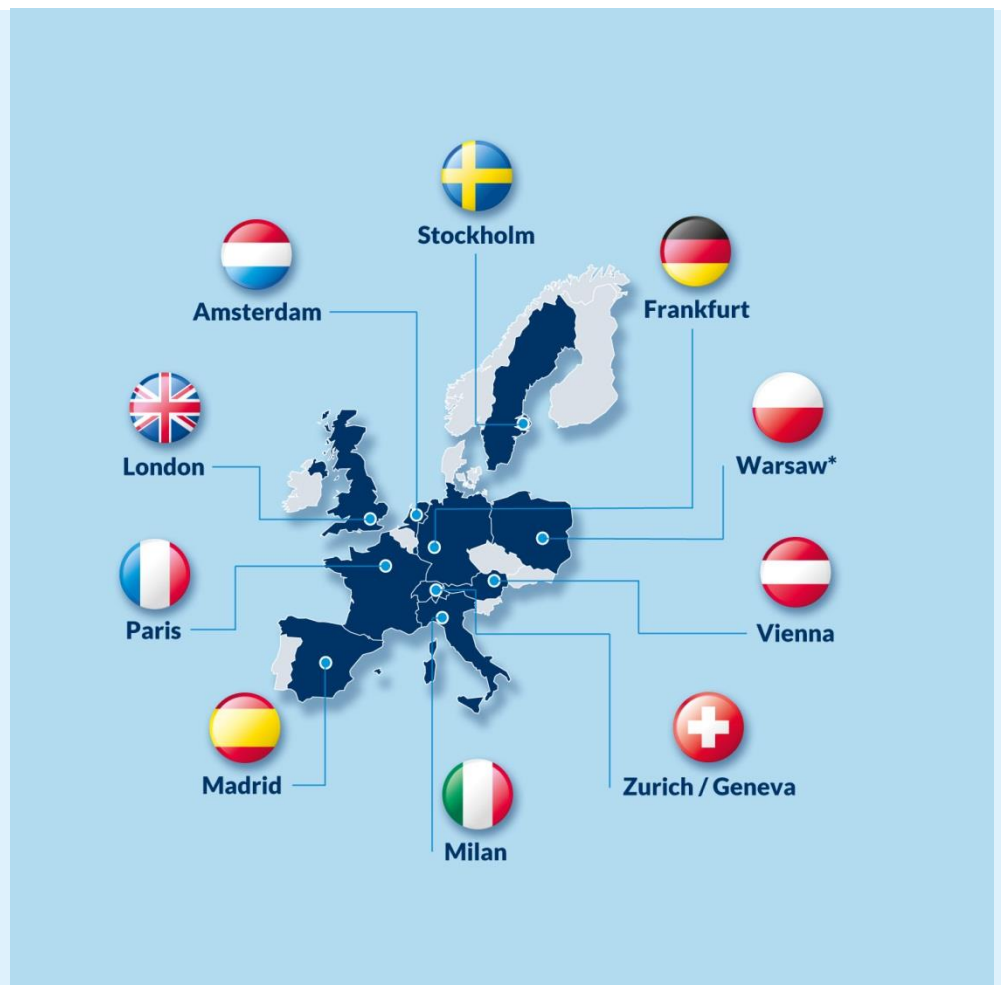
Kepler Cheuvreux Nordic  
Regeringsgatan 38  
10393 Stockholm  
+468 723 5100

**Vienna**

Kepler Cheuvreux Vienna  
Schottenring 16/2  
Vienna 1010  
+43 1 537 124 147

**Zurich**

Kepler Cheuvreux Switzerland  
Stadelhoferstrasse 22  
Postfach  
8024 Zurich  
+41 433336666



Kepler Cheuvreux has exclusive international distribution rights for UniCredit's CEE product.

## North America

**Boston**

Kepler Capital Markets, Inc  
225 Franklin Street, Floor 26  
Boston, MA 02110  
+1 617-217-2615

**San Francisco**

Kepler Capital Markets, Inc  
50 California Street, Suite 1500  
San Francisco, CA 94111  
+1 415- 439-5253

**New York**

Kepler Capital Markets, Inc.  
600 Lexington Avenue, Floor 28  
10022 New York, NY USA  
+1 212-710-7600