

S&T

Germany | IT software & services | MCAP EUR 182.3m

06 May 2015

Buy (Buy)

Target Price EUR 5.60
Current Price EUR 4.2
Up/downside 32.9%
Change in TP none
Change in EPS none 2014E

Posts stronger-than-expected Q1

S&T outperformed our expectations in Q1 with double-digit growth in revenues, but also in operating and net profitability. We reiterate our Buy rating on the stock with a TP of EUR5.60.

Q1: double-digit growth in revenues and profitability

S&T further accelerated its growth in Q1 2015. Sales came to EUR93m (vs. EUR79m a year ago), corresponding to a rise of 17% (+22% expected). Unsurprisingly, growth stemmed from its 2014 entry into the Appliances Smart Energy segment and from the strong improvement in business at the Appliances Security segment. S&T performed better than we expected on the profitability front. EBITDA rose to EUR5.8m (+22%), above our expectations (KECH: EUR5.4m, +15%). This was due to a strong bounce in gross profit, resulting from an improvement in the company's product mix. Gross profit rebounded to 36.1% compared with 32.5% in Q1 2014 and 35.2% expected. Net income is also improving fast, reaching EUR2.7m in Q1 compared with EUR2.4m (EUR2.5m expected).

Well on track in IT security and smart energy

By division, the Appliances Security segment (S&T's cash cow) is the key driver. Sales rose to EUR17m (previous year: EUR12m), with earnings for the quarter keeping pace, rising by 40% to EUR2.8m (PY: EUR2.0m). Appliances Smart Energy accounted for EUR10.7m (EUR0.3m in Q1 2014). The start-up costs caused an initial loss of EUR0.8m (Appliances Smart Energy start operating in the black in 2016). The "Patagonia" family of smart grid products is set to be introduced in Q3, further accelerating the ramp-up of the activity.

Turnaround in Services DACH going well

The turnaround of the Services DACH segment proceeded according to plan, with a strong focus on profitability. An improvement in gross margin to 23.3% compared with 19.8% a year ago indicates efforts are definitely paying off. Its earnings for the period substantially improved to EUR0.2m (PY: -EUR0.1m). The Services EE segment was able to increase its sales by some 5% to EUR45.5m (PY: EUR43.5m), in line with our expectations.

Promising for 2015 and beyond: Buy, TP EUR5.60.

The group reiterated guidance of EUR465m in revenues (+20%) and net profit of EUR15m (+15%) in FY 2015 despite costs associated with the smart energy ramp-up. S&T is a great equity story. Buy, TP EUR5.60.

Baptiste de Leudeville

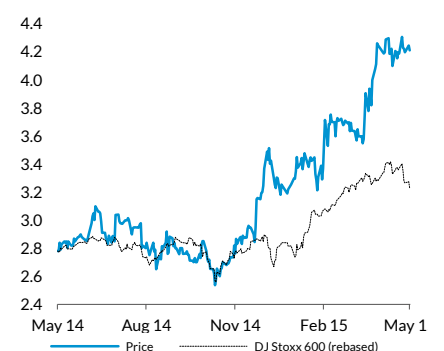
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Market data

Market cap (EURm)	182
Free float	66%
No. of shares outstanding (m)	43
Avg. daily trading volume('000)	46
YTD abs performance	30.8%
52-week high (EUR)	4.31
52-week low (EUR)	2.54

FY to 31/12 (EUR)	2015E	2016E	2017E
Sales (m)	472.4	507.6	543.9
EBITDA adj (m)	26.3	32.8	37.0
EBIT adj (m)	18.8	23.7	27.2
Net profit adj (m)	15.0	19.1	21.9
Net fin. debt (m)	8.9	-6.2	-24.4
FCF (m)	-7.4	15.1	18.2
EPS adj. and fully dil.	0.35	0.44	0.51
Consensus EPS	0.32	0.39	0.38
Net dividend	0.06	0.08	1.08

FY to 31/12 (EUR)	2015E	2016E	2017E
P/E (x) adj and ful. dil.	12.2	9.5	8.3
EV/EBITDA (x)	7.4	5.5	4.3
EV/EBIT (x)	10.3	7.6	5.9
FCF yield	-4.1%	8.3%	10.0%
Dividend yield	1.4%	1.9%	25.6%
Net fin.debt/EBITDA	0.3	-0.2	-0.7
Gearing	8.3%	-4.8%	-15.8%
ROIC	13.7%	14.9%	-5.4%
EV/IC (x)	1.7	1.5	1.2



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)	2010	2011	2012	2013	2014E	2015E	2016E	2017E
Per share data								
EPS adjusted	0.21	0.30	0.23	0.30	0.31	0.35	0.44	0.51
EPS adj and fully diluted	0.21	0.30	0.23	0.30	0.31	0.35	0.44	0.51
EPS reported	0.21	0.30	0.23	0.30	0.31	0.35	0.44	0.51
Cash flow per share	-0.17	0.06	0.39	0.28	0.50	0.10	0.64	0.73
Book value per share	1.82	2.12	1.92	1.76	2.10	2.41	2.92	3.51
Dividend per share	0.00	0.00	0.00	0.06	0.06	0.06	0.08	1.08
Number of shares, YE (m)	22.2	24.1	39.3	39.3	43.3	43.3	43.3	43.3
Valuation								
P/E adjusted	10.4	8.0	10.0	8.0	13.4	12.2	9.5	8.3
P/E adjusted and fully diluted	10.4	8.0	10.0	8.0	13.4	12.2	9.5	8.3
P/BV	1.2	1.1	1.2	1.4	2.0	1.8	1.4	1.2
P/CF	na	38.9	6.0	8.4	8.4	41.7	6.6	5.7
Dividend yield (%)	0.0%	0.0%	0.0%	2.5%	1.4%	1.4%	1.9%	25.6%
FCF yield (%)	-8.6%	-2.4%	10.1%	5.7%	8.1%	-4.1%	8.3%	10.0%
EV/Sales	0.5	0.6	0.3	0.3	0.5	0.4	0.4	0.3
EV/EBITDA	9.5	7.1	6.5	5.2	8.2	7.4	5.5	4.3
EV/EBIT	13.3	9.1	9.6	7.3	11.2	10.3	7.6	5.9
Income Statement (EURm)								
Sales	80.7	153.2	339.5	338.0	385.6	472.4	507.6	543.9
EBITDA adjusted	4.5	12.2	16.6	20.1	22.9	26.3	32.8	37.0
EBIT adjusted	3.2	9.5	11.1	14.4	16.6	18.8	23.7	27.2
Net financial items & associates	-0.4	-1.0	-1.4	-2.2	-1.8	-1.6	-1.6	-1.6
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	1.2	-0.3	-0.3	-0.1	-0.8	-1.7	-2.2	-2.6
Net profit from continuing operations	4.0	8.1	9.4	12.0	14.0	15.5	19.9	23.1
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	4.0	8.1	9.4	12.0	14.0	15.5	19.9	23.1
Net profit reported	3.7	6.9	7.3	11.8	13.0	15.0	19.1	21.9
Net profit adjusted	3.7	6.9	7.3	11.8	13.0	15.0	19.1	21.9
Cash Flow Statement (EURm)								
Cash flow from operating activities	-3.1	1.4	12.3	11.2	20.6	4.4	27.7	31.8
Capex	-1.0	-2.8	-3.2	-5.8	-5.8	-11.8	-12.7	-13.6
Free cash flow	-4.1	-1.4	9.1	5.4	14.8	-7.4	15.1	18.2
Acquisitions & Divestments	-1.2	-11.6	0.4	5.5	-2.9	0.0	0.0	0.0
Dividend paid	0.0	-0.1	-0.3	-0.3	-3.8	0.0	0.0	0.0
Others	3.7	1.4	0.0	-4.5	7.7	0.0	0.0	0.0
Change in net financial debt	-1.6	-11.6	9.3	6.1	15.8	-7.4	15.1	18.2
Balance Sheet (EURm)								
Intangible assets	20.6	40.9	38.8	44.8	57.1	59.6	61.8	64.1
Tangible assets	2.7	11.1	9.9	9.0	11.4	13.1	14.6	16.1
Financial & other non-current assets	3.0	13.6	13.7	13.9	16.1	16.1	16.1	16.1
Total shareholders' equity	33.4	54.6	63.1	71.2	89.7	107.0	129.1	154.7
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	31.5	172.5	150.0	148.9	183.3	275.3	291.2	307.6
Net debt	-5.7	23.6	14.9	9.3	1.4	8.9	-6.2	-24.4
Working capital requirement	6.1	23.2	24.3	23.9	22.3	42.7	46.2	49.8
Invested Capital	29.4	75.2	73.1	77.6	90.8	115.5	122.5	130.0
Ratios								
ROE (%)	14.4%	15.6%	12.4%	17.6%	16.1%	15.3%	16.2%	15.4%
ROIC (%)	12.8%	13.6%	11.3%	14.3%	14.8%	13.7%	14.9%	-5.4%
Net fin. debt / EBITDA (x)	-1.3	1.9	0.9	0.5	0.1	0.3	-0.2	-0.7
Gearing (%)	-17.0%	43.2%	23.6%	13.0%	1.6%	8.3%	-4.8%	-15.8%

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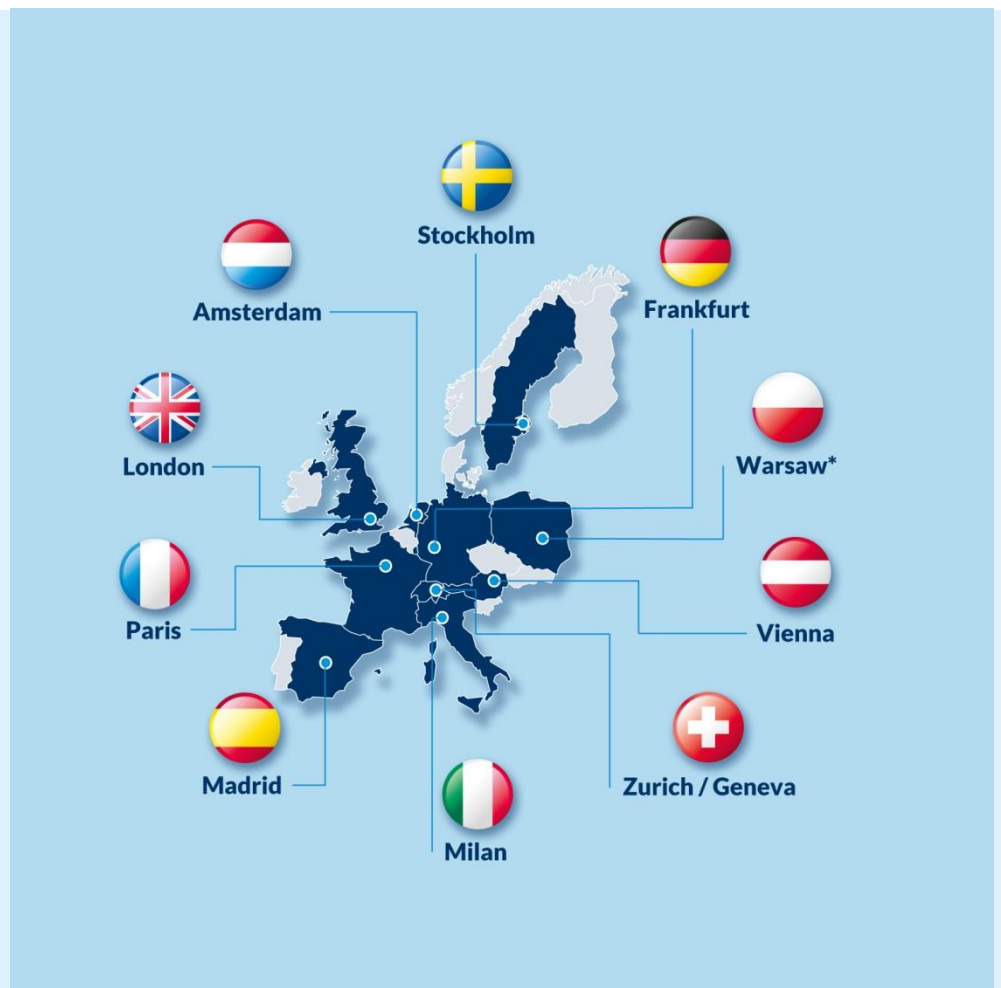
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