Company Report – IT Services – Austria – February 17, 2010

S&T

Hold

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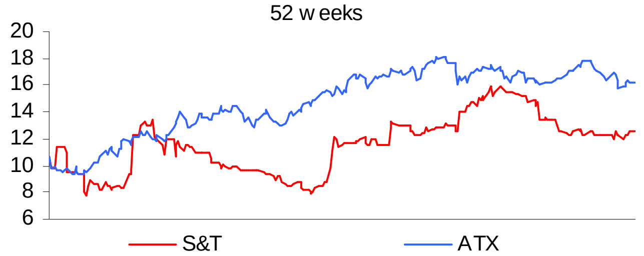
EUR mn	2008	2009e	2010e	2011e
Net sales	513.4	412.4	411.0	418.5
EBITDA	16.4	6.3	14.1	15.6
EBIT	9.1	0.3	7.3	8.9
Net result after min.	-0.2	-6.7	2.0	3.1
EPS (EUR)	-0.05	-1.86	0.55	0.88
CEPS (EUR)	1.97	-0.08	2.39	2.81
BVPS (EUR)	13.06	11.20	11.75	12.63
Div./share (EUR)	0.00	0.00	0.00	0.00
EV/EBITDA (x)	5.6	16.5	7.3	6.3
P/E (x)	nm	nm	22.6	14.2
P/CE (x)	4.5	-155.5	5.2	4.4
Dividend Yield	0.0%	0.0%	0.0%	0.0%



Performance	12M	6M	3M	1M
in EUR	15.6%	9.8%	-16.2%	1.5%

Share price (EUR)	12.49	Reuters	SNTS.VI	Free float	34.0%
Number of shares (mn)	3.6	Bloomberg	SNT AV	Shareholders	T. Streimelweger (28.0%)
Market capitalization (EUR mn)	44.4	Div. Ex-date			AvW Group (29%)
Enterprise value (EUR mn)	104.2	**Target price**	**13.6**	Homepage:	www.snt-world.com

Preliminaries confirm our stance

- **The released 4Q09p figures (revenues, EBIT) fell short of expectations on the EBIT level, due to higher than expected provisions. Still, as the outlook has not really changed, we feel very comfortable with our Hold recommendation. Our new target price of EUR 13.6 also reflects the fact that we do not see a stock price trigger for the immediate future.**

- **The 4Q09 top line came in slightly above our estimate (EUR 124.1mn) at EUR 129mn (-13.4% y/y), but EBIT fell short at EUR 1.6mn (our estimate: EUR 2.3mn). The reason for this deviation can be found in the higher than expected provisions for project risks (EUR 3mn vs. EUR 2.4mn).**

- **Our estimates for 2010 and 2011 have only been adjusted to a minor extent compared to our last update in mid-December. For 2009, we have incorporated the posted preliminary figures.**

- **Our new EPS estimates for 2009 to 2011e are: EUR -1.86 (from EUR -1.72), EUR 0.55 (EUR 0.57) and EUR 0.88 (EUR 0.87).**

4Q09p - weaker than expected operating performance

S&T delivered revenues in line with the company's guidance and slightly ahead of our estimates. As the market environment in 2009 was not easy, S&T's management pointed out that the company has focused on creditworthy clients to limit their counterparty risk. The drop in revenues y/y was also influenced by depreciating currencies (UAH, PLN, RON). The posted figures do not incorporate the losses from deconsolidated entities in Russia, Turkey (2Q09) and China (3Q), which will be shown as a result from discontinued operations. The impact of these entities on net profit was around EUR -3mn after 1-3Q09 and should not have changed too much in 4Q09, as Turkey and Russia were closed/sold by 3Q09; hence, only China remained available for sale as of YE09.

Provisions for project risk

The reason for the lower than expected EBIT figures was the higher provisions related to project risks, especially in Switzerland and Germany, but also in Poland. The figure for 4Q09 was said to be EUR 3mn; we had incorporated EUR 2.4mn into our estimates.

S&T: 4Q09p results

EURmn	4Q 2009	4Q 2008*	y/y	2009	2008*	y/y	EB est. FY 2009	act.2009 vs. Erste Bank	EB est. 4Q 2009	act. Q4 2009 vs. EB
Sales	129.0	149.0	-13.4%	412.5	502.0	-17.8%	407.6	1.2%	124.1	4.0%
EBIT	1.6	4.1	-60.8%	0.3	9.8	-97.4%	1.0	-73.4%	2.3	-30.4%
EBIT margin %	1.2%	2.7%		0.1%	1.9%		0.2%		1.9%	

* restated for discontinued operations

Source: Company data, Erste Group estimates

2009 – dedicated to restructuring

S&T has used the phase of weaker market demand for streamlining its group operations, implementing a group-wide ERP system and finally closing down or selling unprofitable subsidiaries in Turkey and Russia. China is still about to be sold as negotiations are still ongoing. S&T has maintained a minority stake in Russia and plans the same for the Chinese entity in order to still be able to offer these markets to its clients. Furthermore, the number of employees has been reduced from 3,135 to 2,581 in the course of 2009; about a third is attributable to deconsolidated entities.

Outlook for 2010

Cost base significantly improved

The market environment for S&T has not changed too much so far and we do not expect considerable improvements in 1H10. It is necessary to keep an eye on the development of the currencies S&T has to deal with, as hedging is not an issue for the company. As the personnel cost base was reduced by some 570 employees in 2009, the staff cost base should be down to some EUR 110mn in 2010 (-6%; EUR -7mn). On the other hand, S&T could face further pressure on the gross margin – mainly in the Business Solutions segment – due to price pressure on the market.

Change in estimates

Minor adjustments for 2010 & 2011

We have adjusted 2009e to reflect the communicated figures and only slightly adapted our estimates for 2010 & 2011e compared to our last report in mid-December. The situation for S&T has not changed so far. S&T brought down its cost base considerably in 2009, which should help it to realize economies of scale in an improving market environment. For the moment, we remain on the safe side with our estimates, waiting for the company to deliver improved results in the coming quarters.

Change in estimates

Consolidated, IFRS (EUR, mn)	2009e Now	2009e Before	2009e *Change*	2010e Now	2010e Before	2010e *Change*	2011e Now	2011e Before	2011e *Change*
Sales	412.4	407.6	1.2%	411.0	408.4	0.6%	418.5	416.0	0.6%
EBITDA	6.3	7.1	-10.5%	14.1	14.2	-0.6%	15.6	15.5	0.5%
EBITDA margin	*1.5%*	*1.7%*		*3.4%*	*3.5%*		*3.7%*	*3.7%*	
EBIT	0.3	1.0	-72.0%	7.3	7.4	-1.2%	8.9	8.9	0.8%
EBIT margin	*0.1%*	*0.3%*		*1.8%*	*1.8%*		*2.1%*	*2.1%*	
Net profit	-6.7	-6.2	7.8%	2.0	2.1	-3.4%	3.1	3.1	0.9%
Net profit margin	*-1.6%*	*-1.5%*		*0.5%*	*0.5%*		*0.8%*	*0.7%*	
EPS	-1.86	-1.72	7.8%	0.55	0.57	-3.4%	0.88	0.87	0.9%
EPS adjusted	-1.02	-1.02	-0.4%	0.55	0.57	-3.4%	0.88	0.87	0.9%

Source: Erste Group Research

Valuation assumptions and target price

We have slightly adapted our valuation assumptions and confirm our Hold recommendation for S&T. Although our estimates and DCF / Multiple Valuation assumptions might appear conservative, we do not see the need to set a higher target price, due to the lack of potential stock price triggers in the near term. As a matter of fact, we have increased the equity ratio for the WACC calculation to 70% (from 50%). Furthermore, we have left out the EV/Sales multiple in deriving the implied equity value per share, as this multiple does not reflect the company's key failure compared to its peers – a reasonable EBIT margin.

Target price composition

	DCF	Multiple	Weight	Liquidity discount	12-month target price	act. shareprice	upside to target price	Recommendation
S&T	17.2	11.2	80/20	-15%	13.6	12.5	8.9%	Hold

Source: FactSet, Erste Group estimates

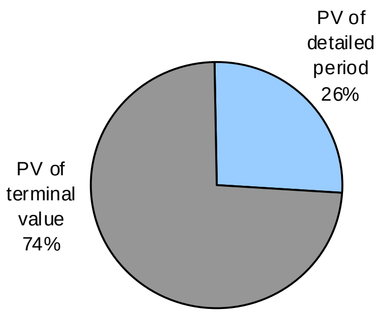
WACC calculation

	2010e	2011e	2012e	2013e	2014e	2015e (TV)
Risk free rate	3.5%	3.5%	3.5%	3.5%	3.5%	5.0%
Equity risk premium	5.8%	5.8%	5.8%	5.8%	5.8%	5.5%
Beta	1.2	1.2	1.2	1.2	1.2	1.0
Cost of equity	**10.5%**	**10.5%**	**10.5%**	**10.5%**	**10.5%**	**10.5%**
Cost of debt	6.5%	6.5%	6.5%	6.5%	6.5%	7.0%
Effective tax rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
After-tax cost of debt	**4.9%**	**4.9%**	**4.9%**	**4.9%**	**4.9%**	**5.3%**
Equity weight	70%	70%	70%	70%	70%	80%
WACC	**8.8%**	**8.8%**	**8.8%**	**8.8%**	**8.8%**	**9.4%**

DCF valuation

(EUR mn)	2010e	2011e	2012e	2013e	2014e	2015e (TV)
Sales growth	*-0.4%*	*1.8%*	*2.6%*	*2.7%*	*2.1%*	*2.0%*
EBIT	7.3	8.9	11.0	12.5	14.0	13.3
EBIT margin	*1.8%*	*2.1%*	*2.6%*	*2.8%*	*3.1%*	*2.9%*
Tax rate	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*
Taxes on EBIT	-1.8	-2.2	-2.8	-3.1	-3.5	-3.3
NOPLAT	**5.5**	**6.7**	**8.3**	**9.4**	**10.5**	**10.0**
+ Depreciation	6.7	6.7	6.7	6.6	6.8	6.8
Capital expenditures / Depreciation	*92.0%*	*97.0%*	*100.8%*	*103.8%*	*105.9%*	*102.5%*
+/- Change in working capital	-0.5	0.3	-1.1	-0.8	-0.8	-0.5
Chg. working capital / chg. Sales	*33.8%*	*4.1%*	*-9.9%*	*-7.1%*	*-8.3%*	*-6.0%*
- Capital expenditures	-6.2	-6.5	-6.8	-6.9	-7.2	-6.9
Free cash flow to the firm	**5.6**	**7.2**	**7.1**	**8.3**	**9.3**	**9.3**
Terminal value growth						*2.0%*
Terminal value						127.3
Discounted free cash flow - Dez 31 2009	5.1	6.1	5.5	5.9	6.1	81.8
Enterprise value - Dez 31 2009	**110.6**					
Minorities	0.0					
Non-operating assets	4.1					
Net debt	59.4					
Other adjustments	0.0					
Equity value - Dez 31 2009	**55.3**					
Number of shares outstanding (mn)	3.6					
Cost of equity	10.5%					
12M target value per share (EUR)	**17.2**					
Current share price (EUR)	12.5					
Up/Downside	*37.6%*					

Enterprise value breakdown



Sensitivity (per share)

	Terminal value EBIT margin				
WACC	**1.9%**	**2.4%**	**2.9%**	**3.4%**	**3.9%**
8.4%	10.1	15.5	20.9	26.3	31.7
8.9%	8.8	13.9	18.9	23.9	29.0
9.4%	7.7	12.5	**17.2**	21.9	26.6
9.9%	6.8	11.2	15.7	20.1	24.6
10.4%	6.0	10.2	14.4	18.6	22.8

	Terminal value growth				
WACC	**1.0%**	**1.5%**	**2.0%**	**2.5%**	**3.0%**
8.4%	17.0	18.8	20.9	23.3	26.2
8.9%	15.5	17.1	18.9	21.0	23.5
9.4%	14.2	15.6	**17.2**	19.0	21.1
9.9%	13.0	14.3	15.7	17.3	19.1
10.4%	12.0	13.1	14.4	15.8	17.4

Source: Erste Group estimates, FactSet

Peer group comparison

	EV/sales		EV/EBITDA		EV/EBIT		P/E		P/CE		P/BV	
	2010e	2011e	2010e	2011e	2010e	2011e	2010e	2011e	2010e	2011e	2010e	2011e
Sygnity	0.2	0.2	5.4	4.8	34.4	19.1	121.2	27.9	4.4	4.4	0.5	0.5
Ericsson Nikola Tesla	0.8	0.7	6.1	5.4	8.3	7.2	10.0	8.3	7.6	6.6	1.3	1.2
Atos Origin SA	0.5	0.4	4.5	3.8	7.8	6.4	11.3	9.7	6.5	5.3	1.2	1.1
Indra Sistemas SA	1.0	0.9	7.4	6.7	8.5	7.7	11.8	10.8	10.3	9.4	2.4	2.2
TietoEnator Oyj	0.7	0.6	6.0	5.2	8.8	7.4	12.0	10.8	7.2	6.3	2.0	1.8
Logica	0.6	0.5	6.5	5.9	8.5	7.6	9.5	8.6	8.4	7.6	0.9	0.8
Accenture Ltd.	1.4	1.3	8.9	8.6	10.4	9.5	15.0	13.5	12.1	12.7	9.1	6.0
Cap Gemini SA	0.4	0.4	5.0	4.0	6.8	5.3	14.0	11.8	10.4	8.3	1.1	1.0
IDS Scheer AG	1.3	1.1	12.6	10.5	15.7	12.6	29.8	29.4	23.8	22.0	2.3	2.2
Sopra Group	0.6	0.6	7.2	6.2	8.5	7.2	12.2	10.4	9.8	8.5	1.8	1.6
Groupe Steria	0.5	0.4	5.1	4.2	6.8	5.6	9.9	8.5	7.0	5.9	0.9	0.8
All for one midmarket AG	0.1	0.1	0.9	1.1	2.5	2.9	3.8	6.2	1.4	1.5	0.3	0.3
Median total	**0.6**	**0.6**	**6.0**	**5.2**	**8.5**	**7.2**	**11.8**	**10.4**	**7.9**	**7.6**	**1.2**	**1.1**
S&T	**0.2**	**0.2**	**7.3**	**6.3**	**22.6**	**11.0**	**22.6**	**14.2**	**5.2**	**4.4**	**1.1**	**1.0**
Premium / (discount)	*-61%*	*-60%*	*21%*	*21%*	*167%*	*54%*	*91%*	*37%*	*-34%*	*-41%*	*-14%*	*-12%*
Implied equity value per share	**57.9**	**54.4**	**7.7**	**7.7**	**1.3**	**2.9**	**6.5**	**9.1**	**18.8**	**21.3**	**14.6**	**14.3**
Per S&T share (EUR) 2010	**9.8**											
Per S&T share (EUR) 2011		**11.1**										
Period weight	70%	30%										
Per S&T share (EUR)	**56.8**		**7.7**		**1.8**		**7.3**		**19.6**		**14.5**	
Net present value as of Feb 2010	**10.2**											
Cost of Equity	10.5%											
Net present value as of Feb 2011	**11.2**											

Source: Factset, Erste Group Research

Income Statement	2006	2007	2008	2009e	2010e	2011e
(IAS, EUR mn, 31/12)	31/12/2006	31/12/2007	31/12/2008	31/12/2009	31/12/2010	31/12/2011
Net sales	**461.30**	**522.24**	**513.39**	**412.41**	**410.95**	**418.46**
Invent. changes + capitalized costs	0.00	0.00	0.73	0.70	0.00	0.00
Total revenues	**461.30**	**522.24**	**514.12**	**413.11**	**410.95**	**418.46**
Other operating revenues	4.33	7.16	5.66	2.48	2.47	2.51
Material costs	-330.98	-342.45	-313.47	-250.22	-249.65	-252.00
Personnel costs	-81.66	-119.59	-136.81	-116.82	-109.94	-112.98
Other operating expenses	-34.99	-46.97	-53.11	-42.22	-39.74	-40.38
EBITDA	**18.00**	**20.40**	**16.38**	**6.32**	**14.08**	**15.61**
Depreciation/amortization	-5.92	-7.36	-7.27	-6.04	-6.74	-6.67
EBIT	**12.08**	**13.03**	**9.11**	**0.29**	**7.34**	**8.94**
Financial result	-1.60	-5.16	-7.43	-3.91	-4.30	-4.10
Extraordinary result	0.00	0.02	0.00	-3.30	0.00	0.00
EBT	**10.48**	**7.89**	**1.68**	**-6.92**	**3.05**	**4.84**
Income taxes	-3.70	-4.13	-1.98	0.27	-1.07	-1.69
Result from discontinued operations	0.00	0.00	0.00	0.00	0.00	0.00
Minorities and cost of hybrid capital	-0.00	-0.10	0.12	0.00	0.00	0.00
Net result after minorities	**6.78**	**3.66**	**-0.19**	**-6.65**	**1.98**	**3.15**

Balance Sheet	2006	2007	2008	2009e	2010e	2011e
(IAS, EUR mn, 31/12)						
Intangible assets	25.50	44.01	44.29	44.38	44.19	44.10
Tangible assets	15.20	16.21	13.18	13.00	12.65	12.55
Financial assets	3.84	4.32	4.09	4.09	4.09	4.09
Total fixed assets	**44.53**	**64.54**	**61.55**	**61.46**	**60.93**	**60.73**
Inventories	21.49	17.32	18.67	13.42	13.12	12.98
Receivables and other current assets	121.25	147.49	138.07	110.92	110.53	111.57
Other assets	3.85	6.75	6.70	5.70	5.70	5.70
Cash and cash equivalents	43.90	29.95	30.53	30.53	30.53	30.53
Total current assets	**190.49**	**201.51**	**193.96**	**160.55**	**159.87**	**160.77**
TOTAL ASSETS	**235.02**	**266.05**	**255.52**	**222.02**	**220.79**	**221.49**
Shareholders'equity	**46.73**	**49.37**	**46.80**	**40.15**	**42.13**	**45.28**
Minorities	**0.00**	**-0.00**	**-0.02**	**-0.02**	**-0.02**	**-0.02**
Hybrid capital and other reserves	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Pension and other LT personnel accruals	2.74	5.04	5.44	4.82	4.65	4.91
LT provisions	0.00	0.00	0.00	0.00	0.00	0.00
Interest-bearing LT debts	57.21	62.24	59.80	59.80	59.80	59.80
Other LT liabilities	0.95	1.40	1.03	0.21	0.21	0.22
Total long-term liabilities	**58.16**	**63.63**	**60.83**	**60.01**	**60.01**	**60.02**
Interest-bearing ST debts	12.98	19.10	25.92	25.33	23.47	19.55
Other ST liabilities	114.41	128.90	116.54	91.72	90.54	91.75
Total short-term liabilities	**127.38**	**148.01**	**142.46**	**117.05**	**114.01**	**111.30**
TOTAL LIAB. , EQUITY	**235.02**	**266.05**	**255.52**	**222.02**	**220.79**	**221.49**

Cash Flow Statement	2006	2007	2008	2009e	2010e	2011e
(IAS,EUR mn, 31/12)						
Cash flow from operating activities	16.40	11.81	3.45	8.85	9.70	9.77
Cash flow from investing activities	-6.16	-30.09	-0.23	-5.01	-4.61	-4.88
Cash flow from financing activities	14.60	4.21	-3.07	-3.84	-5.09	-4.89
CHANGE IN CASH , CASH EQU.	**24.12**	**-13.96**	**0.58**	**0.00**	**-0.00**	**-0.00**

Margins & Ratios	2006	2007	2008	2009e	2010e	2011e
Sales growth	29.7%	13.2%	-1.7%	-19.7%	-0.4%	1.8%
EBITDA margin	3.9%	3.9%	3.2%	1.5%	3.4%	3.7%
EBIT margin	2.6%	2.5%	1.8%	0.1%	1.8%	2.1%
Net profit margin	1.5%	0.7%	-0.1%	-1.6%	0.5%	0.8%
ROE	16.1%	7.6%	-0.4%	-15.3%	4.8%	7.2%
ROCE	11.2%	6.1%	-1.0%	-1.9%	4.8%	5.8%
Equity ratio	19.9%	18.6%	18.3%	18.1%	19.1%	20.4%
Net debt	29.0	56.4	60.6	59.4	57.4	53.7
Working capital	59.3	46.8	44.8	37.8	40.2	43.8
Capital employed	76.7	107.2	108.4	99.8	99.7	99.2
Inventory turnover	16.1	17.6	17.4	15.6	18.8	19.3

Source: Company data, Erste Group estimates

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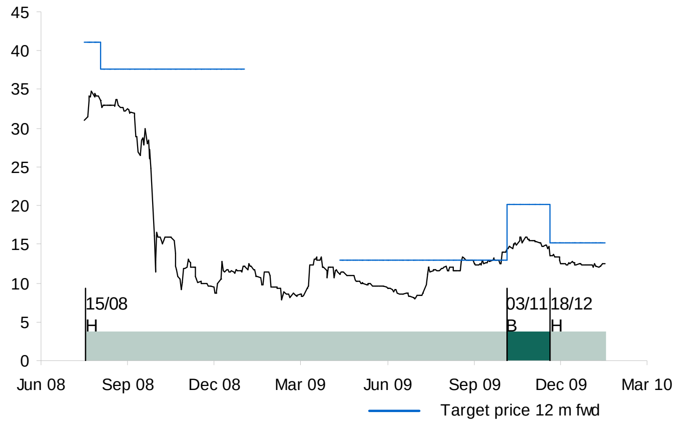

Rating history

Date	Rating	Price	Target Price
18. Dec 09	Hold	13.51	15.22
03. Nov 09	Buy	14.39	20.17
06. Aug 07	Hold	56.78	60.00
10. Apr 07	Accumulate	58.89	66.00
03. Feb 06	Buy	26.25	35.00
24. Oct 05	Hold	24.00	25.00
11. Jan 05	Accumulate	20.50	23.00
28. Jan 04	Buy	9.86	14.00

Company	Disclosure
S&T	2

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Buy	> +20% to target price
Accumulate	+10% < target price < +20%
Hold	0% < target price < +10%
Reduce	-10% < target price < 0%
Sell	< -10% to target price

Our target prices are established by determining the fair value of stocks, taking into account additional fundamental factors and news of relevance for the stock price (such as M&A activities, major forthcoming share deals, positive/negative share/sector sentiment, news) and refer to 12 months from now. All recommendations are to be understood relative to our current fundamental valuation of the stock. The recommendation does not indicate any relative performance of the stock vs. a regional or sector benchmark.

Distribution of ratings

	Coverage universe		Inv. banking-relationship	
Recommendation	**No.**	**in %**	**No.**	**in %**
Buy	23	17.3	6	50.0
Accumulate	32	24.1	2	16.7
Hold	36	27.1	2	16.7
Reduce	19	14.3	2	16.7
Sell	10	7.5	0	0.0
N.R./UND.REV./RESTR.	13	9.8	0	0.0
Total	**133**	**100.0**	**12**	**100.0**

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