

s&t

IT Service

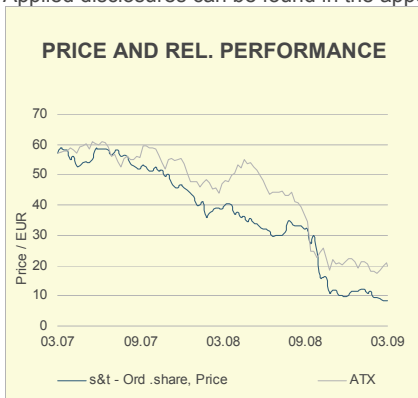
2009-03-31

Applied disclosures can be found in the appendix

Neutral

Fair Value EUR23.00

Price EUR8.53 (Closing price as of 2009-03-30)



## FY RESULTS WEAK - IN LINE WITH PRELIMINARIES

### ASSESSMENT

- As the preliminary figures had been reported in February, S&T's top line and EBIT were already known.
- S&T's Enterprise Systems division suffered most under the economic downturn and sales decreased by 12% y-o-y in 2008. About 50% of the decline resulted from the weakness of Eastern European currencies. On the other hand, the trend towards IT outsourcing supported S&T's Managed Services segment (+21% y-o-y). Whereas the share of group sales in the manufacturing industry increased from 26% in '07 to 33% in '08, the share of the financial services industry dropped to 19% (from 21% in '07).
- After the preliminary reporting, we knew that EBIT in 2008 would come in slightly below our expectations (€9.1m vs. €9.8m estimated). Furthermore, S&T mentioned that the net profit achieved in 2008 will be close to nil. Consequently, the net loss generated in '08 (€-0.3m) was not surprising anymore.
- The company already abandoned its previous guidance (€750m sales, EBIT margin of 5-6%) for 2010 when it reported preliminaries.

### MARKET DATA

Reuters	SNTS.VI
Bloomberg	SNT AV
Market cap EURm	30.5
EV EURm	88.1
Free float %	34.0

KEY DATA			
Yr.end 12/31	2007	2008e	2009e
Revenues m	522.24	516.69	503.63
Net profit m	3.66	2.06	2.22
Adj. EPS	1.03	0.58	0.63
PER	50.7	53.9	13.6
EV/EBIT	18.8	17.7	9.3
EBIT mgn. %	2.5	1.9	1.9
EPS CAGR 07-10e: 16 %			

### VALUATION

- As we have already considered a declining top line and EBIT for 2009 we only have to update our estimates slightly. After the recent drop of the share price, we would expect the downside risk to be limited, despite challenging conditions, especially in H1.

### NEXT EVENTS

Quarterly results	2009-04-30
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s&t: FY 2008 results										
(EURm)	Q4 08	y-o-y	Q4 07	Q4 08 SOP	Δ %	FY 08	y-o-y	FY 2007	FY 08 SOP	Δ %
Sales	151.1	-11.5%	170.7	154.4	-2.1%	513.4	-1.7%	522.2	516.7	-0.6%
Business S.	40.9	-12.0%	46.5	45.1	-9.2%	156.2	4.8%	149.1	160.3	-2.6%
Enterprise S.	78.6	-20.0%	98.2	81.3	-3.4%	252.3	-12.0%	286.6	255.1	-1.1%
Managed S.	31.6	21.6%	26.0	27.9	13.0%	104.9	21.2%	86.6	101.3	3.6%
EBITDA	5.9	-34.8%	9.0	6.9	-14.9%	16.4	-19.6%	20.4	17.4	-5.9%
Margin	3.9%		5.3%	4.5%		3.2%		3.9%	3.4%	
EBIT	4.1	-41.5%	7.0	4.8	-15.1%	9.1	-30.2%	13.0	9.8	-7.4%
Margin	2.7%		4.1%	3.1%		1.8%		2.5%	1.9%	
Net Profit	0.4	-88.3%	3.4	2.8	-85.4%	-0.3	n.m.	3.7	2.1	n.m.

### CONCLUSION

After the recent share price drop, S&T's multiples have come down to a more attractive level (e.g. PER 5.3x 2010e). Despite the uncertainties concerning the 38% share holder AvW (which exceeded the 30% threshold by the end of 2008) and the challenging conditions in H1 2009, we believe that the share may bottom out in the near future.

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s&t - P&L (Total Costs)					
EURm (Yr. end: 12/31)	2006	2007	2008e	2009e	2010e
<b>Sales</b>	<b>461.3</b>	<b>522.2</b>	<b>516.7</b>	<b>503.6</b>	<b>515.6</b>
Cost of material	-331.0	-342.4	-314.4	-306.3	-310.9
Personnel costs	-81.7	-119.6	-139.0	-135.4	-137.4
Other operating income/expenses (net)	-30.7	-39.8	-45.9	-45.0	-45.8
<b>EBITDA</b>	<b>18.0</b>	<b>20.4</b>	<b>17.4</b>	<b>16.9</b>	<b>21.5</b>
thereof: Depreciation	-5.9	-7.4	-7.6	-7.4	-7.5
<b>EBIT</b>	<b>12.1</b>	<b>13.0</b>	<b>9.8</b>	<b>9.5</b>	<b>14.0</b>
Interest result	-1.6	-5.2	-6.3	-5.9	-5.0
<b>Profit or loss on ordinary activities</b>	<b>10.5</b>	<b>7.9</b>	<b>3.5</b>	<b>3.6</b>	<b>9.0</b>
<b>EBT</b>	<b>10.5</b>	<b>7.9</b>	<b>3.5</b>	<b>3.6</b>	<b>9.0</b>
Taxes	-3.7	-4.1	-1.4	-1.3	-3.2
<b>Profit / loss for the year (cont. operations)</b>	<b>6.8</b>	<b>3.7</b>	<b>2.1</b>	<b>2.3</b>	<b>5.9</b>
Discontinuing operations (net)	0.0	0.0	0.0	0.0	0.0
Minority interest	-0.0	-0.1	-0.1	-0.1	-0.1
<b>Net profit</b>	<b>6.8</b>	<b>3.7</b>	<b>2.1</b>	<b>2.2</b>	<b>5.8</b>
<b>Adjusted net profit</b>	<b>6.8</b>	<b>3.7</b>	<b>2.1</b>	<b>2.2</b>	<b>5.8</b>
Key ratios and figures					
EURm (Yr. end: 12/31)	2006	2007	2008e	2009e	2010e
<b>Valuation</b>					
PER	15.5	50.7	53.9	13.6	5.3
P/BV	2.3	3.8	2.2	0.6	0.5
EV/Sales	0.3	0.5	0.3	0.2	0.1
EV/EBITDA	7.3	12.0	10.0	5.2	3.4
Sustainable FCF yield %	7.8	1.8	-1.4	7.6	26.6
<b>Data per share</b>					
Weighted avg. number of shares	3.55	3.56	3.56	3.56	3.56
EPS (reported)	1.91	1.03	0.58	0.63	1.62
Adj. EPS	1.91	1.03	0.58	0.63	1.62
Book value per share	13.09	13.77	14.32	14.94	16.55
Sustainable FCFPS	2.9	1.2	-0.7	1.9	5.4
<b>Growth rates %</b>					
Sales	29.7	13.2	-1.1	-2.5	2.4
EBITDA	24.1	13.3	-14.6	-3.1	27.6
EBIT	42.6	7.9	-24.6	-3.6	48.0
Net profit	37.9	-46.0	-43.8	8.2	159.2
adj. EPS	36.2	-46.1	-43.8	8.2	159.2
<b>Margins %</b>					
Gross	28.3	34.4	39.1	39.2	39.7
EBITDA	3.9	3.9	3.4	3.4	4.2
EBIT	2.6	2.5	1.9	1.9	2.7
<b>Net profit</b>	<b>1.5</b>	<b>0.7</b>	<b>0.4</b>	<b>0.4</b>	<b>1.1</b>
<b>Expense ratios %</b>					
Personnel cost to sales	17.7	22.9	26.9	26.9	26.6
Cost of material to sales	71.7	65.6	60.9	60.8	60.3
Depreciation to sales (Total Cost)	1.3	1.4	1.5	1.5	1.5
Tax rate	35.3	52.5	40.0	35.0	35.0
<b>Other ratios</b>					
Interest cover	-6.6	-3.3	-2.4	-2.6	-3.9

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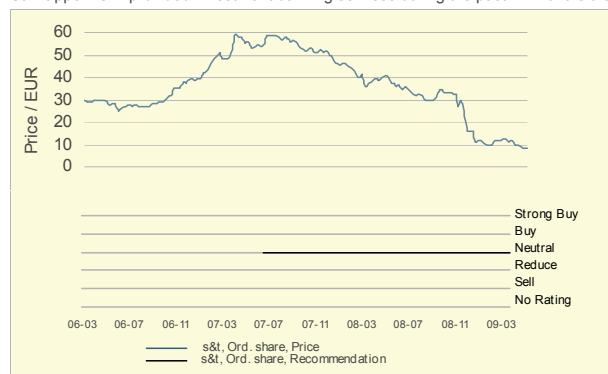
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