

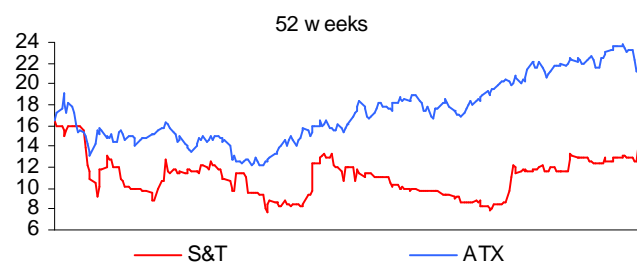
Company Report – IT Services – Austria – November 3, 2009

S&T

from Hold to Buy

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EUR mn	2008	2009e	2010e	2011e
Net sales	513.4	421.0	421.8	429.9
EBITDA	16.4	10.0	18.3	19.8
EBIT	9.1	4.0	11.5	13.2
Net result after min.	-0.2	0.2	5.0	6.4
EPS (EUR)	-0.05	0.06	1.40	1.78
CEPS (EUR)	1.97	1.54	3.26	3.71
BVPS (EUR)	13.06	13.11	14.52	16.29
Div./share (EUR)	0.00	0.00	0.00	0.00
EV/EBITDA (x)	5.6	10.5	5.5	4.7
P/E (x)	nm	nm	10.0	7.9
P/CE (x)	4.5	9.1	4.3	3.8
Dividend Yield	0.0%	0.0%	0.0%	0.0%



Performance	12M	6M	3M	1 M
in EUR	-15.2%	16.6%	73.6%	11.5%

Share price (EUR)	13.99	Reuters	SNTS.VI	Free float	34.6%
Number of shares (mn)	3.6	Bloomberg	SNT AV	Shareholders	T. Streimelweger (28.0%)
Market capitalization (EUR mn)	49.7	Div. Ex-date			AvW Group (29%)
Enterprise value (EUR mn)	105.1	Target price	20.2	Homepage:	www.snt-world.com

Nice surprise from FY09 guidance

- Based on the company's FY09 guidance and the positive effect of the already achieved cost savings on the 2010 results, we have increased our target price to EUR 20.2 (from EUR 12.9) and lifted our recommendation to Buy (Hold). We have included a liquidity discount of 15% to reflect the low trading volume of the stock. The performance of S&T stock lags substantially behind that of the overall market.
- Together with its 3Q09 results, which indicated the first signs of improvement, S&T's management has positively surprised with FY09 guidance of EUR 415-425mn in terms of revenues and EUR 4mn in terms of EBIT. The 4Q09 EBIT margin should be the best such quarterly figure in the company's history.
- We have adjusted our estimates for 2009 and beyond by lowering our top line estimates, as well as the cost base, given the company's cost savings / restructuring efforts. Extrapolating these savings to 2010e, S&T's EBIT margin should improve to 2.7%, from 1.0% for 2009e.
- For 2011e and beyond, we expect a gradual improvement of the EBIT margin, following an ongoing shift of the sales mix towards services. Still, our estimates are well below the company's 2012 EBIT margin target of 5% (mid-term), which would require a stronger improvement of economies of scale. Before increasing our estimates to match S&T's mid-term target, we would first like to see sustainably improved results.
- Potential upside in the short/mid term could arise from the release of Windows 7 as many companies have skipped to upgrade their IT to the predecessor Windows Vista.
- Our new EPS estimates for 2009-2011e are EUR 0.06 (previously EUR -0.07), EUR 1.40 (EUR 0.81) and EUR 1.78 (EUR 1.97), respectively.

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3Q09p result indicates improvement

While the quarterly revenue trend is still slightly negative, S&T posted its first positive EBIT result on a quarterly basis this year. The revenue split shows a very stable y/y development of the Managed Services business (Outsourcing), while both the Business Solutions and the Enterprise Systems segments declined by 35% and 31%, respectively. The positive operating performance was achieved via cost cutting measures, such as closing down the unprofitable Turkish entity, selling the majority stake in its Russian entity and staff reductions. Overall, staff has been reduced by about 14% y/y. Personnel costs have declined by almost 23% y/y.

Quarterly snapshot

Consolidated, IFRS (PLN, mn)	Reported			EB 3Q09 estimates	S&T vs. EB estimates	Reported		
	3Q 09	3Q 08	y/y			3Q 09 YTD	3Q 08 YTD	y/y
Revenues	92.122	124.939	-26.3%	92.496	-0.4%	283.533	362.339	-21.7%
Gross profit	36.727	50.606	-27.4%			117.255	145.647	-19.5%
EBITDA	1.612	3.275	-50.8%	1.736	-7.1%	2.921	10.550	-72.3%
EBIT	0.143	1.356	-89.5%	0.221	-35.2%	-1.546	5.020	-130.8%
Pretax-profit	n.a.	-0.568	n.a.			n.a.	0.451	n.a.
Net profit	n.a.	-0.864	n.a.			n.a.	-0.703	n.a.
EPS	n.a.	-0.243	n.a.			n.a.	-0.198	n.a.
Gross margin	39.9%	40.5%	-1.6%	n.a.	n.a.	41.4%	40.2%	1.16pp
EBITDA margin	1.7%	2.6%	-33.2%	1.9%	-0.13pp	1.0%	2.9%	-1.88pp
EBIT margin	0.2%	1.1%	-85.7%	0.2%	-0.08pp	-0.5%	1.4%	-1.93pp
Net margin	n.a.	-0.7%	n.a.	n.a.	n.a.	n.a.	-0.2%	n.a.

Source: Company Data, Erste Group Research

FY09 EBIT guidance of EUR 4mn

S&T stated its plan to reach revenues of EUR 415-425mn and EBIT of about EUR 4mn in FY09. This definitely comes as a positive surprise, as the FY09 EBIT target just a few weeks ago was around break-even. Included in the EBIT target of EUR 4mn are restructuring costs of EUR 2.5-3mn, with EUR 0.2-0.25mn still attributed to 4Q09 for restructuring efforts in Japan. Furthermore, a letter of intent (LOI) was signed for the sale of a majority stake in its Chinese entity. Consequently, the targeted staff level is about 2,650 at the end of 2009. The FY09 guidance translates into 4Q09 revenues of some EUR 130-140mn, with EBIT of around EUR 6.0mn. This implies the highest EBIT margin (up to 4.6%) on a quarterly basis in the company's history.

1Q10 should be positive as well

As the restructuring measures are to come to an end towards the end of 2009, S&T even expects 1Q10 to contribute positively on the operating level. The focus of S&T's workforce is to be intensified with regards to sales activities, helping the company get closer to its clients.

Change in estimates

2010 EBIT margin increased, due to cost savings

Although we were comfortable regarding our FY09 EBIT estimate, in light of the company's guidance, we still had to adapt the revenue/cost structure, which we have used for the coming years as well. S&T has considerably reduced its staff costs and closed down unprofitable foreign entities. As we stuck to S&T's guidance for the current year, we have incorporated flat revenue development for 2010e. The significant jump on the EBIT level is solely attributable to already achieved cost savings and their impact on the FY basis (EBIT impact: EUR +5mn), as well as the restructuring costs (EBIT impact: EUR 2.5-3mn), arriving exactly at our estimated EBIT. The adjusted EPS for 2009 reflect restructuring costs of EUR 2.5mn.

Gradual improvement beyond 2010

As we believe that market conditions for S&T should gradually improve alongside the sales mix moving towards an increasing weight of services, we expect margins to slightly improve over the years to come. Management also intends to keep a strict eye on the cost base. Still, our EBIT margin estimate for 2012 is far below the company's target of 5%. Although we believe that S&T could live up to its 2012 EBIT margin target, we would like to see gradual improvement before incorporating further economies of scale.

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Change in estimates

Consolidated, IFRS (EUR, mn)	2009e			2010e			2011e		
	Now	Before	Change	Now	Before	Change	Now	Before	Change
Sales	421.0	475.2	-11.4%	421.8	478.0	-11.8%	429.9	489.1	-12.1%
EBITDA	10.0	11.2	-10.1%	18.3	15.2	20.1%	19.8	21.3	-6.9%
EBITDA margin	2.4%	2.4%		4.3%	3.2%		4.6%	4.4%	
EBIT	4.0	4.3	-6.5%	11.5	8.5	36.0%	13.2	14.6	-10.0%
EBIT margin	1.0%	0.9%		2.7%	1.8%		3.1%	3.0%	
Net profit	0.2	-0.2	n.m.	5.0	2.9	72.5%	6.4	7.1	-9.7%
Net profit margin	0.0%	-0.1%		1.2%	0.6%		1.5%	1.4%	
EPS	0.06	-0.07	n.m.	1.40	0.81	72.5%	1.78	1.97	-9.7%
EPS adjusted	0.76	-0.07	n.m.	1.40	0.81	72.5%	1.78	1.97	-9.7%

Source: Erste Group Research

Valuation and target price

To derive our target price, we have incorporated current market rates and reflected S&T's leverage (equity ratio of 20% for the detailed period). We have stuck with the liquidity discount of 15%, in order to reflect the low trading volume of the stock.

Target price composition

	DCF	Multiple	Weight	Liquidity discount	12-month target price	act. shareprice	upside to target price	Recommendation
S&T	26.4	21.0	50/50	-15%	20.2	14.0	44.1%	Buy

Source: FactSet, Erste Group research

Shareholder structure

The shareholder structure remains one of the company's critical issues, as we would not classify the troubled AvW (29.0%) and Capital Bank (8.4%) as long-term strategic investors. Although we would not be surprised to see both shareholders sell their stakes gradually, we would not expect them to sell their stakes over the market, but rather to institutionals or other strategic investors.

Windows 7 as trigger?

Further upside potential

Further upside potential to both top-line and EBIT in absolute terms is the introduction of Microsoft's new operating system Windows 7. Many companies have decided against upgrading their IT to Windows Vista, the predecessor of recently published Windows 7. Windows 7 has been receiving positive feedback from market participants so far, as many bugs from Windows Vista seem to be solved. Consequently, our revenue estimates could be too conservative in this respect.

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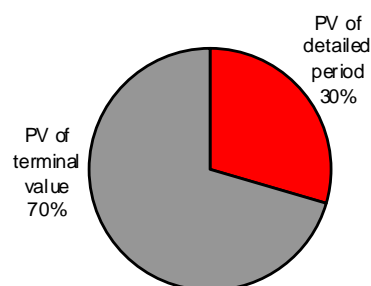
WACC calculation

	2010e	2011e	2012e	2013e	2014e	2015e (TV)
Risk free rate	3.6%	3.6%	3.6%	3.6%	3.6%	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	6.6%	6.6%	6.6%	6.6%	6.6%	7.0%
Effective tax rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
After-tax cost of debt	5.0%	5.0%	5.0%	5.0%	5.0%	5.3%
Equity weight	50%	50%	50%	50%	50%	80%
WACC	7.7%	7.7%	7.7%	7.7%	7.7%	9.4%

DCF valuation

(EUR mn)	2010e	2011e	2012e	2013e	2014e	2015e (TV)
<i>Sales growth</i>	0.2%	1.9%	2.7%	2.8%	2.2%	2.0%
EBIT	11.5	13.2	13.9	15.6	17.2	15.4
<i>EBIT margin</i>	2.7%	3.1%	3.1%	3.4%	3.7%	3.3%
<i>Tax rate</i>	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Taxes on EBIT	-2.9	-3.3	-3.5	-3.9	-4.3	-3.8
NOPLAT	8.7	9.9	10.4	11.7	12.9	11.5
+ Depreciation	6.7	6.7	6.7	6.6	6.8	6.8
<i>Capital expenditures / Depreciation</i>	92.0%	97.0%	100.8%	103.8%	105.9%	103.0%
+/- Change in working capital	-0.4	0.3	-0.8	-0.9	-0.8	-0.9
<i>Chg. working capital / chg. Sales</i>	-49.6%	4.1%	-6.6%	-7.1%	-8.3%	-10.0%
- Capital expenditures	-6.2	-6.5	-6.8	-6.9	-7.2	-7.0
Free cash flow to the firm	8.8	10.4	9.6	10.6	11.7	10.4
<i>Terminal value growth</i>						2.0%
Terminal value						142.5
Discounted free cash flow - Dez 31 2009	8.2	9.0	7.7	7.8	8.0	96.2
Enterprise value - Dez 31 2009	136.9					
Minorities	0.0					
Non-operating assets	4.3					
Net debt	54.9					
Other adjustments	0.0					
Equity value - Dez 31 2009	86.3					
Number of shares outstanding (mn)	3.6					
Cost of equity	10.5%					
12M target price per share (EUR)	26.4					
Current share price (EUR)	14.0					
<i>Up/Downside</i>	88.7%					

Enterprise value breakdown



Sensitivity (per share)

		Terminal value EBIT margin				
		2.3%	2.8%	3.3%	3.8%	4.3%
WACC	8.4%	19.2	24.9	30.7	36.4	42.2
	8.9%	17.7	23.0	28.4	33.7	39.1
	9.4%	16.4	21.4	26.4	31.4	36.4
	9.9%	15.2	19.9	24.7	29.4	34.1
	10.4%	14.2	18.7	23.1	27.6	32.1
		Terminal value growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	8.4%	26.1	28.2	30.7	33.5	36.9
	8.9%	24.4	26.3	28.4	30.8	33.7
	9.4%	22.9	24.5	26.4	28.5	31.0
	9.9%	21.6	23.0	24.7	26.5	28.7
	10.4%	20.4	21.7	23.1	24.8	26.7

Source: Erste Group Research, Reuters

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Peer group comparison

	EV/sales		EV/EBITDA		EV/EBIT		P/E		P/CE		P/BV	
	2009e	2010e	2009e	2010e	2009e	2010e	2009e	2010e	2009e	2010e	2009e	2010e
Asseco Poland	1.5	1.3	7.0	6.2	8.4	7.4	11.1	10.9	8.5	8.4	1.1	1.0
Sygnity	0.2	0.2	-2.0	5.3	-1.4	30.5	nm	87.9	-2.1	4.2	0.5	0.5
Ericsson Nikola Tesla	0.8	0.8	6.7	5.9	9.3	7.9	10.1	9.7	7.5	7.4	1.4	1.3
Atos Origin SA	0.5	0.5	5.5	4.6	11.0	7.9	14.8	11.3	7.6	6.0	1.4	1.3
Indra Sistemas SA	1.1	1.0	8.5	8.0	9.8	9.2	13.4	12.7	12.1	11.2	3.0	2.7
TietoEnator Oyj	0.6	0.6	6.6	5.1	11.0	7.8	13.2	10.9	7.9	5.9	2.0	1.8
Logica	0.6	0.6	7.7	6.8	10.2	9.0	11.0	10.2	10.2	9.4	0.9	0.9
Accenture Ltd.	3.6	3.5	23.6	22.6	27.8	26.2	13.8	13.8	10.0	9.5	8.5	8.6
Cap Gemini SA	0.4	0.4	5.2	4.5	6.3	6.1	14.8	12.5	11.9	9.4	1.1	1.1
IDS Scheer AG	1.1	1.1	12.6	11.2	14.8	13.5	28.6	24.5	20.4	8.2	2.2	2.1
Sopra Group	0.7	0.6	8.0	7.3	9.7	8.6	13.1	11.7	9.5	9.4	1.9	1.7
Groupe Steria	0.5	0.5	5.5	4.8	7.8	6.5	11.6	9.8	8.0	6.9	1.0	0.9
All for one midmarket AG	0.1	0.1	2.0	0.9	8.6	2.5	11.1	3.8	1.6	1.4	0.4	0.3
Median total	0.6	0.6	6.7	5.9	9.7	7.9	13.1	11.3	8.5	8.2	1.4	1.3
S&T	0.2	0.2	10.5	5.5	26.2	8.7	nm	10.0	9.1	4.3	1.1	1.0
<i>Premium / (discount)</i>	-60%	-59%	56%	-7%	172%	9%	nm	-12%	6%	-47%	-23%	-23%
Implied equity value per share	58.0	54.9	3.5	16.2	-4.6	11.8	0.8	15.8	13.2	26.6	18.1	18.1
Per S&T share (EUR) 2009	14.2											
Per S&T share (EUR) 2010		23.9										
Period weight	50%	50%										
Per S&T share (EUR)	56.4		9.9		3.6		8.3		19.9		18.1	
Net present value as of Nov 2009	19.0											
Cost of Equity	10.5%											
Net present value as of Nov 2010	21.0											

Source: Factset, Erste Group Research

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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	421.01	421.81	429.86
Invent. changes + capitalized costs	0.00	0.00	0.73	0.00	0.00	0.00
Total revenues	461.30	522.24	514.12	421.01	421.81	429.86
Other operating revenues	4.33	7.16	5.66	2.53	2.53	2.58
Material costs	-330.98	-342.45	-313.47	-256.81	-255.20	-257.92
Personnel costs	-81.66	-119.59	-136.81	-115.84	-110.79	-113.85
Other operating expenses	-34.99	-46.97	-53.11	-40.84	-40.07	-40.84
EBITDA	18.00	20.40	16.38	10.04	18.28	19.83
Depreciation/amortization	-5.92	-7.36	-7.27	-6.04	-6.74	-6.67
EBIT	12.08	13.03	9.11	4.01	11.54	13.17
Financial result	-1.60	-5.16	-7.43	-3.68	-3.81	-3.36
Extraordinary result	0.00	0.02	0.00	0.00	0.00	0.00
EBT	10.48	7.89	1.68	0.32	7.73	9.81
Income taxes	-3.70	-4.13	-1.98	-0.11	-2.71	-3.43
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	0.21	5.03	6.38
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	13.77	13.41	13.28
Receivables and other current assets	121.25	147.49	138.07	113.23	113.44	114.61
Other assets	3.85	6.75	6.70	6.70	6.70	6.70
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	164.22	164.08	165.11
TOTAL ASSETS	235.02	266.05	255.52	225.68	225.00	225.84
Shareholders'equity	46.73	49.37	46.80	47.01	52.04	58.42
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	4.78	4.69	4.95
Other 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	0.22	0.22	0.22
Total long-term liabilities	58.16	63.63	60.83	60.02	60.02	60.02
Interest-bearing ST debts	12.98	19.10	25.92	20.89	15.81	8.64
Other ST liabilities	114.41	128.90	116.54	93.00	92.46	93.83
Total short-term liabilities	127.38	148.01	142.46	113.89	108.27	102.47
TOTAL LIAB., EQUITY	235.02	266.05	255.52	225.68	225.00	225.84
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	8.62	9.21	9.03
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	-3.62	-4.61	-4.15
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%	-18.0%	0.2%	1.9%
EBITDA margin	3.9%	3.9%	3.2%	2.4%	4.3%	4.6%
EBIT margin	2.6%	2.5%	1.8%	1.0%	2.7%	3.1%
Net profit margin	1.5%	0.7%	-0.1%	0.0%	1.2%	1.5%
ROE	16.1%	7.6%	-0.4%	0.4%	10.1%	11.5%
ROCE	11.2%	6.1%	-1.0%	3.1%	7.4%	8.4%
Equity ratio	19.9%	18.6%	18.3%	20.8%	23.1%	25.9%
Net debt	29.0	56.4	60.6	54.9	49.8	42.9
Working capital	59.3	46.8	44.8	43.6	49.1	56.0
Capital employed	76.7	107.2	108.4	102.2	102.0	101.5
Inventory turnover	16.1	17.6	17.4	15.8	18.8	19.3

Source: Company data, Erste Group estimates

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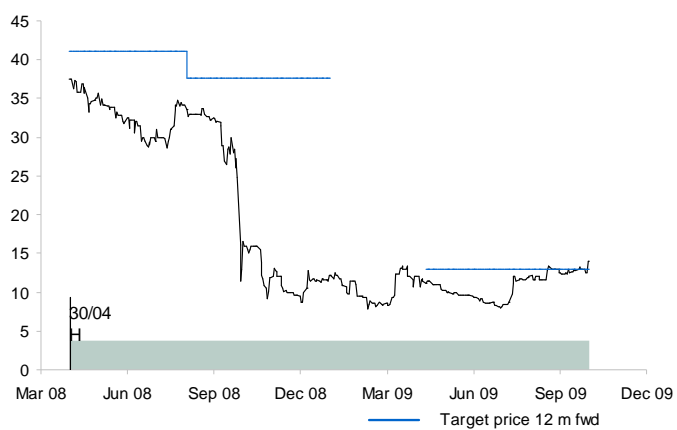
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Company Report – S&T

S&T



Rating history

Date	Rating	Price	Target Price
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

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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

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Distribution of ratings

Recommendation	Coverage universe		Inv. banking-relationship	
	No.	in %	No.	in %
Buy	22	17.1	6	46.2
Accumulate	30	23.3	4	30.8
Hold	40	31.0	0	0.0
Reduce	16	12.4	3	23.1
Sell	10	7.8	0	0.0
N.R./UND.REV./RESTR.	11	8.5	0	0.0
Total	129	100.0	13	100.0

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