

## Fully in-line Q4 with good IoT and IT services business

S&T (SANT) reported Q4 results with no deviations to our estimates but ahead of consensus estimates in EBITDA and net income. The good performance is due to SANT's continued good business in IT services increasing by 10% (Q3: 20%; Q2: +22%) and IoT with an increase of +19% (Q3: 17%; Q2: +8%) yoy. EBITDA, EBIT and net income are all moving into the right direction as SANT is going up in the value chain, offering high margin services and applications especially in the IoT/Industry 4.0 segment. Revenue in IoT stands at EUR 122m (Q3: EUR 99m after EUR 81m in Q2), 23% higher compared to last quarter while EBITDA contribution in that segment remained at elevated levels of EUR 18m (Q3: EUR 13m; Q2: EUR 12.6m) or +28% yoy. Embedded Systems needs more streamlining of the acquired Kontron (Embedded Segment) business, cost cutting and better sales efficiency in the quarter as current efforts are not sufficient for a positive development in this segment with revenue in Q4 at EUR 49m (Q3: EUR 42m; Q2: EUR 37m; Q1 EUR 38m) up +4% yoy and up +17% qoq, while EBITDA moved down yoy by 36% and up qoq by 44% to EUR 3.6m (Q3: EUR 2.5m; Q2: EUR 2.8m). Guidance is reiterated with EUR 1.1bn in sales for FY19 and an EBITDA target was set at EUR 100m, fully in line to our FY19 estimates (PAS: EUR 1.1bn in sales and EUR 100m in EBITDA). We remain positive on the name with a BUY recommendation and TP of EUR 27.00.

### Pipeline well filled

Operating cash flow was positive in the quarter with EUR 55m (Q3: EUR -4m; Q2: EUR 10m) due to release of working capital (mainly inventory) in the quarter for a good finish into the year. Cash stands at EUR 172m with additional expected EUR 150m from proceeds of their latest promissory note. Order backlog at the end of Q4 stands at EUR 607m (Q3 EUR 592m; Q2: EUR 516m; Q1: EUR 502m) or up +28% yoy with a project pipeline growing by EUR 108m (Q3: EUR 420m; Q2: EUR 329m; Q1: EUR 200m) to a total of EUR 1.63bn (Q3: EUR 1.54bn; Q2: EUR 1.43bn) giving an excellent visibility into FY19.

### S&T AG - Review Q4 2018

EUR m	Q4 2018	Q4 2017	% YoY	PAS	Δ PAS	Cons.	Δ Cons.
<b>Revenues</b>	<b>331</b>	<b>295</b>	<b>12%</b>	<b>331</b>	<b>0%</b>	<b>339</b>	<b>-2%</b>
<b>EBITDA</b>	<b>33</b>	<b>25</b>	<b>34%</b>	<b>33</b>	<b>0%</b>	<b>30</b>	<b>10%</b>
EBITDA Margin	10,1%	8,5%	160 BP	10,1%	3 BP	9,0%	113 BP
<b>EBIT</b>	<b>21</b>	<b>18</b>	<b>17%</b>	<b>21</b>	<b>0%</b>	<b>21</b>	<b>0%</b>
EBIT Margin	6,3%	6,1%	23 BP	6,3%	-3 BP	6,2%	12 BP
<b>Net income</b>	<b>21</b>	<b>7</b>	<b>198%</b>	<b>18</b>	<b>20%</b>	<b>19</b>	<b>10%</b>
Net margin	6,4%	2,4%	399 BP	5,3%	108 BP	5,7%	74 BP

Source: S&T AG, Factset, Pareto Securities

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