Company Update – IT Services – Austria – April 9, 2010

S&T Hold

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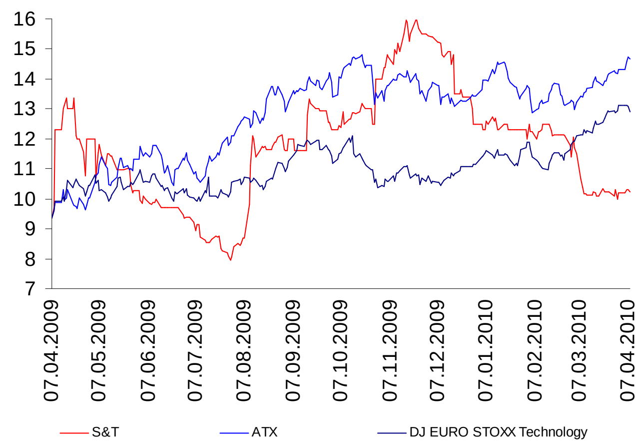
Share price (EUR)	10.32	Reuters	SNTS.VI	Free float	34.0%
Number of shares (mn)	3.6	Bloomberg	SNT AV	Shareholders	T. Streimelweger (28.0%)
Market capitalization (EUR mn)	36.7	Div. Ex-date			AvW Group (29%)
Enterprise value (EUR mn)	97.6	**Target price**	**11.2**	Homepage:	www.snt-world.com

Key figures Overview

EUR mn	2009	2010e	2011e	2012e
Net sales	411.1	411.2	417.9	424.4
EBITDA	2.8	13.2	14.9	15.9
EBIT	-3.1	7.3	8.9	9.7
EBT	-10.5	3.3	4.8	5.2
Net profit	-12.3	2.1	3.1	3.4
EPS (EUR)	-3.43	0.59	0.87	0.94
CEPS (EUR)	-1.49	2.19	2.62	2.73
BVPS (EUR)	9.31	9.90	10.78	11.72
Dividend/Share (EUR)	0.00	0.00	0.00	0.00
EV/EBITDA (x)	36.66	7.41	6.45	5.95
P/E (x)	nm	17.48	11.80	10.95
P/CE (x)	-8.38	4.72	3.94	3.79
Dividend yield (%)	0.00	0.00	0.00	0.00
EBITDA margin (%)	0.68	3.20	3.57	3.74
Operating margin (%)	-0.76	1.78	2.13	2.28
Net profit margin (%)	-2.99	0.51	0.75	0.80

Trading data & Statistics

Daily averages	5 days	30 days	last year
Volume	167	1,832	2,094
Trading value (EUR mn)	0.0	0.0	0.0



Financial Strength

	2009	2010e	2011e	2012e
ROE (%)	-30.65	6.15	8.46	8.38
ROCE (%)	-8.19	5.08	5.96	6.37
Equity ratio (%)	15.40	16.65	17.95	19.33
Net debt (EUR mn)	57.31	60.60	59.07	57.61
Gearing (%)	171.63	170.68	152.88	137.10

No positive trigger in sight

– **Stick to Hold – new TP EUR 11.2:** The final FY09 figures have not provided any fundamental changes to our neutral view on the company. The company has to unleash its medium- / long-term potential and transform its perspectives into improving operating performance.

– **Homework almost done:** S&T has started to streamline its group operations in 2009, introducing a group-wide organizational structure and bringing down the staff level to around 2580 from 3130. The process should be brought to an end in 1H10, after some fine tuning in the DACH region. Sales initiatives together with a substantially lower cost base should show results starting from 2H10.

– **Gross Margin of 50% targeted in 2011:** One of the main drivers for the company's value is an improved profitability. Consequently, the management aims to improve its gross margin to 50% from 38% on a quarterly basis towards the end of 2011. An increasing focus on services as well as an expected relief of the margins to be achieved on some products should help. Consequently, the EBIT margin should also benefit from this hike.

– **1Q10 burdened by troubled projects:** Despite already built provisions for some projects in CH, DE and RO in 4Q09, the completion obligation leads to likely losses 1Q10.

– **Operating improvement from 2H10:** We would expect improved results starting with 3Q2010. For the moment we do not see any positive trigger in sight.

– **New EPS 2010-2012e:** Our new EPS for 2010-2012e are 0.59 (from EUR 0.55), EUR 0.87 (EUR 0.88) and EUR 0.94 (1.22), respectively.

Price performance:	1M	3M	6M	12M	Ytd
in EUR	-10.2%	-18.1%	-16.7%	10.1%	-18.0%

FY09 results burdened by provisions & reserves

Revenues and results for FY09 have been confirmed compared the prior published preliminaries and their respective corrections; EBIT has even narrowed slightly (EUR -3.1mn vs. EUR -3.4mn). The operating result was impacted by provisions and reserves amounting to some EUR 6.7mn for troubled projects in CH, DE and RO, net profit came in deeply in the red. Both the OCF and the FCF were positive for 2009, with EUR 5.3mn and EUR 2.5mn, respectively. Net debt (incl. social capital) has slightly improved to EUR 57.3mn from EUR 60.6mn in 2008.

Consolidated, IFRS	Reported			4Q09	S&T vs.	Reported		
(EUR, mn)	4Q 09	4Q 08	y/y	EB est.	EB est.	FY 09	FY 08	y/y
Revenues	127.56	140.17	-9.0%	92.50	37.9%	411.09	502.51	-18.2%
Gross profit	39.66	48.10	-17.5%			156.92	193.74	-19.0%
EBITDA	-0.38	8.13	-104.6%	2.60	-114.4%	2.79	18.68	-85.1%
EBIT	-1.82	6.57	-127.7%	-2.10	nm	-3.13	11.59	-127.0%
Net profit	-5.53	3.33	-265.9%	-6.65	nm	-12.29	-0.19	nm
EPS	-1.55	0.94	-265.9%	-1.86	nm	-3.43	-0.05	nm
Gross margin	31.1%	34.3%	-9.4%	n.a.	n.a.	38.2%	38.6%	-0.38pp
EBITDA margin	-0.3%	5.8%	nm	2.8%	-3.1pp	0.7%	3.7%	-3.04pp
EBIT margin	-1.4%	4.7%	nm	-2.3%	0.84pp	-0.8%	2.3%	-3.07pp
Net margin	-4.3%	2.4%	nm	n.a.	nm	-3.0%	0.0%	-2.95pp

Source: Company Data, Erste Group Research

Restructuring almost finalized

Improved profitability as potential trigger

The streamlining process that has started in 2009 should be brought to an end in 1H10. S&T has introduced a group-wide organizational structure to enable a sector-wise steering and improving the cooperation across the regions. Additionally, the cost base has been brought down substantially, mainly due to a reduced staff base (-17.7% y/y). The remaining tasks to be implemented in 1H10 are an improved market approach in DACH together with a more aggressive sales approach especially in the business solutions segment.

Change in estimates

Sound potential to be tapped

S&T's management intends to focus on an improved profitability in the years to come and targets a gross margin of 50% (now 38.2%) in 2011 - at least on a quarterly basis. Even if we have incorporated a slight improvement, we are still way behind the communicated guidance, as we would like to see a gradual improvement before revising our estimates. The company has a sound potential to be tapped, but it has to start delivering in order to build up credibility again. So far, we feel comfortable with our neutral stance on the stock.

Consolidated, IFRS	2010e			2011e			2012e		
(EUR, mn)	Now	Before	*Change*	Now	Before	*Change*	Now	Before	*Change*
Sales	411.2	411.0	0.1%	417.9	418.5	-0.1%	424.4	429.4	-1.2%
gross margin	39.1%	39.3%		40.3%	39.8%		41.0%	40.2%	
EBITDA	13.2	14.1	-6.5%	14.9	15.6	-4.5%	15.9	17.7	-10.3%
EBITDA margin	*3.2%*	*3.4%*		*3.6%*	*3.7%*		*3.7%*	*4.1%*	
EBIT	7.3	7.3	-0.3%	8.9	8.9	-0.5%	9.7	11.0	-12.2%
EBIT margin	*1.8%*	*1.8%*		*2.1%*	*2.1%*		*2.3%*	*2.6%*	
Net profit	2.1	2.0	6.8%	3.1	3.1	-0.4%	3.4	4.3	-22.1%
Net profit margin	*0.5%*	*0.5%*		*0.8%*	*0.8%*		*0.8%*	*1.0%*	
EPS	0.59	0.55	6.8%	0.87	0.88	-0.4%	0.94	1.21	-22.1%
EPS adjusted	0.59	0.55	6.8%	0.87	0.88	-0.4%	0.94	1.21	-22.1%

Source: Erste Group Research

Target price composition

	DCF	Multiple	Weight	Liquidity discount	12-month target price	act. share price	upside to target price	Recommendation
S&T	13.2	12.3	100/0	-15%	11.2	10.3	8.7%	Hold

Source: Erste Group Research

WACC calculation

	2010e	2011e	2012e	2013e	2014e	2015e (TV)
Risk free rate	3.6%	3.6%	3.6%	3.6%	3.6%	4.5%
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	1.1
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%	6.5%
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%**	**4.9%**
Equity weight	60%	60%	60%	60%	60%	90%
WACC	**8.3%**	**8.3%**	**8.3%**	**8.3%**	**8.3%**	**10.0%**

DCF valuation

(EUR mn)	2010e	2011e	2012e	2013e	2014e	2015e (TV)
Sales growth	*0.0%*	*1.6%*	*1.6%*	*1.3%*	*1.3%*	*2.0%*
EBIT	7.3	8.9	9.7	9.9	12.0	12.9
EBIT margin	*1.8%*	*2.1%*	*2.3%*	*2.3%*	*2.8%*	*2.9%*
Tax rate	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*
Taxes on EBIT	-1.8	-2.2	-2.4	-2.5	-3.0	-3.2
NOPLAT	**5.5**	**6.7**	**7.3**	**7.4**	**9.0**	**9.7**
+ Depreciation	5.8	6.0	6.2	6.2	6.5	6.5
Capital expenditures / Depreciation	*106.1%*	*107.7%*	*108.7%*	*109.7%*	*110.2%*	*102.5%*
+/- Change in working capital	-4.5	-1.1	-1.4	-0.5	-0.8	-0.5
Chg. working capital / chg. Sales	*-5905.8%*	*-17.1%*	*-21.0%*	*-9.3%*	*-15.3%*	*-6.0%*
- Capital expenditures	-6.2	-6.5	-6.8	-6.9	-7.2	-6.7
Free cash flow to the firm	**0.6**	**5.1**	**5.3**	**6.3**	**7.5**	**9.0**
Terminal value growth						*2.0%*
Terminal value						114.9
Discounted free cash flow - Dez 31 2009	0.5	4.3	4.2	4.6	5.1	75.7
Enterprise value - Dez 31 2009	**94.5**					
Minorities	0.0					
Non-operating assets	4.2					
Net debt	57.3					
Other adjustments	0.0					
Equity value - Dez 31 2009	**41.3**					
Number of shares outstanding (mn)	3.6					
Cost of equity	10.5%					
12M target value per share (EUR)	**13.2**					
Current share price (EUR)	10.3					
Up/Downside	*27.7%*					

Enterprise value breakdown

Sensitivity (per share)

	Terminal value EBIT margin				
	1.9%	**2.4%**	**2.9%**	**3.4%**	**3.9%**
9.0%	6.2	11.3	16.4	21.5	26.6
9.5%	5.2	9.9	14.7	19.4	24.2
10.0%	4.2	8.7	**13.2**	17.7	22.1
10.5%	3.4	7.6	11.9	16.1	20.3
11.0%	2.6	6.7	10.7	14.7	18.7

	Terminal value growth				
	1.0%	**1.5%**	**2.0%**	**2.5%**	**3.0%**
9.0%	13.0	14.6	16.4	18.5	21.0
9.5%	11.7	13.1	14.7	16.5	18.7
10.0%	10.5	11.8	**13.2**	14.8	16.6
10.5%	9.4	10.6	11.9	13.3	14.9
11.0%	8.5	9.5	10.7	12.0	13.4

Source: Erste Group estimates, FactSet

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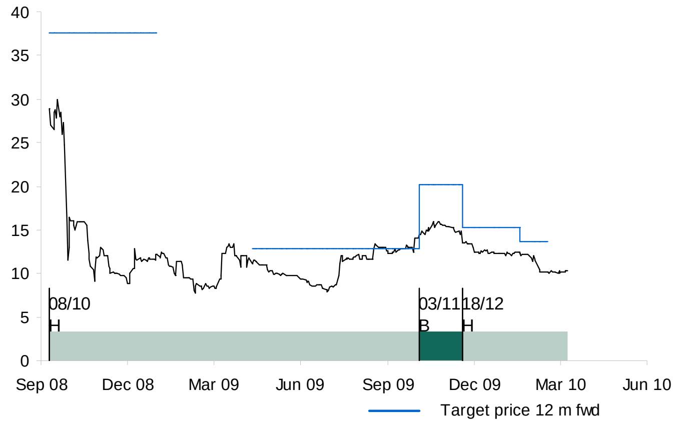
S&T



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	26	19.5	6	50.0
Accumulate	25	18.8	2	16.7
Hold	40	30.1	1	8.3
Reduce	20	15.0	3	25.0
Sell	11	8.3	0	0.0
N.R./UND.REV./RESTR.	11	8.3	0	0.0
Total	**133**	**100.0**	**12**	**100.0**

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