



# QUARTERLY STATEMENT

## Q1 2020



# 01

## S&T GROUP OVERVIEW



### KEY FIGURES

EUR MIO.	Q1 2020	Q1 2019
Revenues	270.1	225.1
Gross profit	107.8	85.3
EBITDA	25.0	21.2
Amortization and depreciation	13.8	10.4
EBIT before PPA amortization <sup>1)</sup>	13.7	12.2
Net income after non-controlling interests	9.5	9.4
Operating cash flow	6.4	-13.0
Free cash flow <sup>2)</sup>	1.0	-18.7

EUR MIO.	31.03.2020	31.12.2019
Cash and cash equivalents	276.1	312.3
Equity	384.8	385.1
Equity ratio	33.5%	31.4%
Net cash (+)/Net debt (-) <sup>3)</sup>	7.1	29.5
Working capital <sup>4)</sup>	159.8	153.9
Backlog	873.0	841.5
Project-pipeline	2,217.6	2,157.5
Employees <sup>5)</sup>	4,934	4,934

The depiction in EUR million can cause differences due to rounding off in relation to the previous reports.

1) EBIT before amortization from purchase price allocations

2) Operating cash flow less purchase of non-current non-financial assets

3) Cash and cash equivalents less non-current and current financing liabilities

4) Inventories, trade receivables less trade payables (excl. IFRS 15)

5) Number of employees on full time equivalent basis without employees on parental leave, trainees and apprentices



## LIFE DURING THE CORONA CRISIS

For two months now, the Corona crisis has kept us firmly in its grip, leaving deep traces both in our daily lives as well as in the global economy.

Although there were some fluctuations, the first quarter went very well for S&T AG overall because the figures marked the 45th record quarter. Revenues in Q1 climbed 20% from EUR 225 million to EUR 270 million compared to the same quarter last year. EBITDA grew by 18.2% to EUR 25 million, and earnings per share rose by 7% to 15 cents per share. Fluctuations, because while January and February were above our expectations, by March the first effects of Covid-19 were becoming apparent. Without Corona one-off procurement costs of EUR 1.8 million, EBITDA would have been even better. The gross margin of more than 39% should be highlighted, the result of our consistent focus on proprietary technologies. Due to the PEC ("Profit Efficiency Cash") program, the operating cash flow developed very positively in Q1: It improved by EUR 19.4 million from minus EUR 13 million to EUR 6.4 million in Q1.

Since mid-March we have been feeling the first significant effects of the Covid-19 pandemic. China's gross national product slumped by 12% in Q1 and the global economy is expected to shrink by up to 10% in 2020. While industries such as airlines, entertainment and tourism are collapsing, there is growth in communication and medical technology as well as online trade. S&T is well diversified and resilient with its broad customer base – no customer accounted for more than 2% of total revenues in 2019. Over 3,000 employees, or 70% of our workforce, worked from the home office in April. As a result of the containment of the SARS-CoV-2 virus in many countries, our employees are gradually returning to their workplace as of the beginning of May.

In the medium term I see S&T as a winner in the Covid-19 crisis. This is based on 4 principles:

- › With EUR 276 million in cash and further unused credit lines, we are financially very strong and crisis-proof. During this crisis, S&T will be able to take over competitors with weaker financial resources at favourable terms.
- › As a software and IT company, our business operations can easily cope with lock-down restrictions because we have been promoting the dual system of on-site and home office for years.
- › In the medical technology sector we play a key role – both in the USA and in Germany. Special permits allow us to operate our factories without restrictions even today.
- › Our orders are very long-term and the order backlog increased even further by EUR 30 million to EUR 873 million in Q1.

Due to the Corona crisis, we continue to expect fluctuations during 2020, which even S&T AG will not be able to completely avoid in the short term. Based on the preliminary figures for the month of April, we anticipate revenues in 2020 to be slightly above the previous year's level despite the Corona crisis: We expect revenues of around EUR 1,150 million and an EBITDA of EUR 115 million in 2020. We therefore confirm our ambitious medium-term goal for 2023 of EUR 2 billion in revenues and an EBITDA of EUR 220 million!



Hannes Niederhauser, CEO

## INTERIM MANAGEMENT REPORT

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### S&T AG INCREASES REVENUE AND INCOME GROWTH – FIRST EFFECTS OF THE COVID-19 PANDEMIC TAKE HOLD

In Q1 of the current financial year 2020, S&T group has been able to further increase both revenues and profitability compared to the same quarter of the previous year, although with delays starting to occur at S&T group suppliers there has already been a shift in revenues and income. Revenues increased by 20%, partly due to first-time consolidation effects, with respect to Kapsch CarrierCom group in particular. EBITDA increased by 18.2%: with the implementation of the new IFRS 16 (Leases) accounting standard already during Q1 2019, the increase is attributable to operational improvements. This is also reflected in the increased gross margin, which peaked at 39.9% (PY: 37.9%). By contrast, the consolidated net income attributable to S&T shareholders improved by only 2% due to increased depreciation and amortization, currency effects and finance expense.

Revenues in Q1 of the current financial year increased from EUR 225.1 million to EUR 270.1 million compared to the same quarter of the previous year. Gross profit also increased from EUR 85.3 million to EUR 107.8 million, corresponding to an increase in gross margin from 37.9% to 39.9%. This is due in particular to the updated portfolio mix in the IoT Solutions segments. An EBITDA of EUR 25.0 million (PY: EUR 21.2 million) was achieved in the past quarter as a result. Were it not for delays in the supply chain causing postponement of deliveries amounting to around EUR 6 million until the next quarters and without increased one-off procurement costs, the increase in revenues and EBITDA would have been correspondingly higher. Depreciation and amortization expenses increased from EUR 10.4 million in Q1 2019 to EUR 13.8 million in Q1 2020 as a consequence of the increase in amortization on capitalized development costs and other intangible assets from purchase price allocations. Personnel expenses rose from EUR 54.5 million to EUR 65.3 million due to changes in the scope of consolidation. These effects are the reason for the only slight increase in net income after non-controlling interests from EUR 9.4 million to EUR 9.5 million. Earnings per share (undiluted) increased from 14 cents in Q1 2019 to 15 cents in Q1 2020 as a result.

### ALL BUSINESS SEGMENTS POSITIVE – "IOT SOLUTIONS AMERICA" BELOW EXPECTATIONS IN TERMS OF REVENUES

S&T group is controlled using the following three segments:

- › **"IT Services"**: This segment covers all activities of the IT services business in the DACH (Germany, Austria and Switzerland) and Eastern Europe regions.
- › **"IoT Solutions Europe"**: This segment focuses on the development of secure solutions using a combined range of hardware products, middleware and services in the areas of IoT and Industry 4.0, and aims on the markets in Europe and parts of Asia.
- › **"IoT Solutions America"**: This segment includes the development and implementation of hardware and software solutions for vertical markets of transport, aviation and communications in the North America region.

Q1 2020 (EUR MIO.)	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	S&T GROUP
Total revenues	121.1	153.1	30.8	305.1
Internal revenues	-3.8	-24.2	-7.0	-35.0
Revenues	117.3	128.9	23.8	270.1
EBITDA	7.2	15.7	2.1	25.0

Q1 2019 (EUR MIO.)	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	S&T GROUP
Total revenues	102.5	110.1	37.8	250.4
Internal revenues	-4.0	-17.0	-4.3	-25.3
Revenues	98.5	93.1	33.5	225.1
EBITDA	7.8	12.1	1.3	21.2

The "IT Services" segment contributed 43.4% to revenues, "IoT Solutions Europe" segment 47.7% and "IoT Solutions America" segment around 8.9%. The "IT Services" segment's EBITDA of EUR 7.2 million was slightly lower than in the previous year (EUR 7.8 million) despite increased revenues. In the "IoT Solutions Europe" segment, EBITDA increased from EUR 12.1 million to EUR 15.7 million, an increase of more than 30% compared to Q1 2019. Consequently, almost 63% of S&T group's EBITDA was generated in the "IoT Solutions Europe" segment during Q1 2020. In addition, EUR 2.1 million (PY: EUR 1.3 million) of S&T group's EBITDA was attributable to the "IoT Solutions America" segment, which is a positive development despite lower revenues, due mainly to the increased gross margin (Q1 2020: 39.8% | Q1 2019: 35.9%).

## SOLID FINANCIAL POSITION, STRONG OPERATING CASH FLOW THANKS TO PEC PROGRAM

The financial and liquidity situation in Q1 of the current financial year has improved compared with Q1 2019: While equity remained virtually unchanged in absolute terms at EUR 384.8 million as of March 31, 2020 (December 31, 2019: EUR 385.1 million) due to the additional shares acquired, equity ratio increased to 33.5% as of the quarterly reporting date (December 31, 2019: 31.4%) due to the lower balance sheet total. Cash and cash equivalents amounted to EUR 276.1 million (December 31, 2019: EUR 312.3 million), while current and non-current financing liabilities amounted to EUR 269.0 million (December 31, 2019: EUR 282.7 million). During the first quarter of the current fiscal year, operating cash flow improved significantly from minus EUR 13.0 million in the previous year to EUR 6.4 million in Q1 2020: This underlines the improvements brought about by the "PEC program", which has increased operating cash flow by almost EUR 20 million. The number of employees remained unchanged at 4,934 as of March 31, 2020 (December 31, 2019: 4,934 | March 31, 2019: 4,350).

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## CONSOLIDATED INCOME STATEMENT



CONSOLIDATED INCOME STATEMENT	Q1 2020 TEUR	Q1 2019 TEUR
Revenues	270,079	225,106
Capitalized development costs	3,716	3,287
Other income	753	2,002
Expenses for materials and other services purchased	-162,232	-139,768
Personnel expenses	-65,317	-54,500
Depreciation and amortization	-13,770	-10,426
Other operating expenses	-21,990	-14,964
<b>Result from operations</b>	<b>11,239</b>	<b>10,737</b>
Finance income	536	151
Finance expenses	-2,628	-1,286
<b>Financial result</b>	<b>-2,092</b>	<b>-1,135</b>
Result from associated companies	-6	-2
<b>Earnings before taxes</b>	<b>9,141</b>	<b>9,600</b>
Income taxes	-615	-977
<b>Net income</b>	<b>8,526</b>	<b>8,623</b>
Results from the period attributable to owners of non-controlling interests	-1,019	-754
<b>Results from the period attributable to owners of interests in parent company</b>	<b>9,545</b>	<b>9,377</b>
Earnings per share (undiluted)	0.15	0.14
Earnings per share (diluted)	0.14	0.14
Average number of shares in circulation (in thousands undiluted)	65,267	66,089
Average number of shares in circulation (in thousands diluted)	66,320	67,127

## STATEMENT OF OTHER COMPREHENSIVE INCOME

STATEMENT OF OTHER COMPREHENSIVE INCOME	Q1 2020 TEUR	Q1 2019 TEUR
<b>Net income</b>	<b>8,526</b>	<b>8,623</b>
Items that may be subsequently reclassified to profit or loss		
Unrealized gains/losses from currency translation	-3,691	1,984
Net loss on debt instruments at fair value through other comprehensive income	-12	-17
<b>Other comprehensive income</b>	<b>-3,703</b>	<b>1,967</b>
<b>Total comprehensive income</b>	<b>4,823</b>	<b>10,590</b>
<b>of which attributable to</b>		
owners of non-controlling interests	-1,225	-309
owners of interests in parent company	6,048	10,899

## CONSOLIDATED BALANCE SHEET

ASSETS	31.03.2020 TEUR	31.12.2019 TEUR
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	96,959	99,809
Intangible assets	291,052	294,878
Investments in associated companies	283	289
Financial assets non-current	6,304	7,984
Contract assets from customer contracts	2,573	3,331
Other non-current assets	16,424	16,464
Deferred taxes	34,322	34,430
	<b>447,917</b>	<b>457,185</b>
<b>CURRENT ASSETS</b>		
Inventories	149,510	146,766
Trade receivables	167,743	212,150
Contract assets from customer contracts	24,537	27,206
Financial assets current	24,527	14,533
Other receivables and assets	59,093	55,602
Cash and cash equivalents	276,130	312,284
	<b>701,540</b>	<b>768,541</b>
<b>Total assets</b>	<b>1,149,457</b>	<b>1,225,726</b>
<b>EQUITY AND LIABILITIES</b>	<b>31.03.2020 TEUR</b>	<b>31.12.2019 TEUR</b>
<b>EQUITY</b>		
Subscribed capital	66,096	66,096
Capital reserves	170,017	170,057
Accumulated results	164,290	154,745
Other reserves	-7,059	-3,562
Treasury shares	-19,529	-14,647
Equity attributable to owners of interests in parent company	373,815	372,689
Non-controlling interests	10,966	12,363
	<b>384,781</b>	<b>385,052</b>
<b>NON-CURRENT LIABILITIES</b>		
Financing liabilities non-current	215,583	219,979
Other financial liabilities non-current	55,084	54,573
Contract liabilities from customer contracts	11,170	13,710
Other non-current liabilities	61	231
Deferred taxes	13,434	13,368
Provisions	30,110	29,964
	<b>325,442</b>	<b>331,825</b>
<b>CURRENT LIABILITIES</b>		
Financing liabilities current	53,434	62,765
Trade payables	157,405	205,037
Contract liabilities from customer contracts	71,493	59,971
Other financial liabilities current	58,052	66,450
Provisions	46,292	54,384
Other current liabilities	52,558	60,242
	<b>439,234</b>	<b>508,849</b>
<b>Total equity and liabilities</b>	<b>1,149,457</b>	<b>1,225,726</b>



# CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT	Q1 2020 TEUR	Q1 2019 TEUR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Earnings before taxes	9,141	9,600
Depreciation and amortization	13,770	10,426
Interest expenses	2,628	1,286
Interest and other income from the disposal of financial assets	-536	-151
Result from associated companies	6	2
Increase/decrease of provisions	-7,758	-10,564
Gains/losses from the disposal of non-current non-financial assets	-14	-18
Changes in inventories	-2,730	-10,205
Change in trade receivables and contract assets	48,513	47,539
Changes in other receivables and assets	-12,290	-7,653
Changes in trade payables and contract liabilities	-37,789	-43,895
Changes in other liabilities	-8,859	-7,026
Other non-cash income and expenses	4,203	-487
<b>Cash and cash equivalents from operations</b>	<b>8,285</b>	<b>-11,146</b>
Income taxes paid	-1,889	-1,875
<b>Net cash flows from operating activities</b>	<b>6,396</b>	<b>-13,021</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of non-current non-financial assets	-5,434	-5,695
Purchase/sale of financial instruments	-19	0
Proceeds from sale of non-current non-financial assets	253	42
Disposal/purchase of financial instruments	2,562	421
Payments to acquire subsidiaries less cash assumed and plus overdrafts assumed	-6,900	-2,768
Interest income	155	85
<b>Net cash flows from investing activities</b>	<b>-9,383</b>	<b>-7,915</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in financing liabilities and other financial liabilities	924	8,315
Decrease in financing liabilities and other financial liabilities	-15,200	-10,079
Interests paid	-1,179	-964
Acquisition of non-controlling interests	-125	-290
Payments for acquisition of treasury shares	-5,457	0
Capital increase (less transaction costs)	6	0
<b>Net cash flows from financial activities</b>	<b>-21,031</b>	<b>-3,018</b>
Changes in exchange rates	-4,463	502
<b>Changes in financial funds</b>	<b>-28,481</b>	<b>-23,452</b>
Financial funds as of the beginning of the period	265,165	152,593
<b>Financial funds as of the end of period</b>	<b>236,684</b>	<b>129,141</b>
Overdrafts	34,051	13,362
Restricted cash	5,395	2,023
<b>Total cash and cash equivalents</b>	<b>276,130</b>	<b>144,526</b>

## NOTES



## CONSOLIDATED COMPANIES

The consolidated financial statements include S&T AG and all subsidiaries in which S&T AG has direct or indirect control. In the first three months of the financial year 2020, the number of fully consolidated companies developed as follows:

GROUP COMPANIES (NUMBER)	2020
Number of fully-consolidated companies as of January 1	79
Mergers of group companies	-1
Companies acquired	1
<b>Number of fully-consolidated companies as of March 31</b>	<b>79</b>

## ACQUISITION OF 100% OF THE SHARES IN CRONUS EBUSINESS SRL, BUCHAREST, ROMANIA

On January 1, 2020, a master purchase agreement was signed for the acquisition of 100% of the business shares in Cronus eBusiness SRL, Bucharest, Romania, by S&T Romania s.r.l., Bucharest, Romania, a direct/indirect 100% subsidiary of S&T AG. Cronus eBusiness SRL is one of the leading providers of IT solutions, in particular solutions based on Cisco products, in Romania. S&T group's portfolio in Romania has been significantly strengthened in the network and network security sector as a result of this acquisition.

The purchase price consists of a fixed purchase price paid in cash of EUR 1.5 million and a variable portion of EUR 173 thousand depending on the profit generated in the financial year 2019 and the equity on December 31, 2019. The newly acquired company has been included as one of S&T group's consolidated companies starting January 1, 2020.

Assets and liabilities acquired have been accounted for – in the consolidated financial statement during first-time consolidation – at the following preliminary fair values:

NET ASSETS ACQUIRED	TEUR
Cash and cash equivalents	849
Non-current assets	175
Inventories	14
Trade receivables and contract assets (nominal value TEUR 1,873)	1,437
Other receivables and assets	106
Non-current liabilities	-61
Deferred tax liabilities	-9
Trade payables and contract liabilities	-1,253
Other current liabilities	-60
<b>Net assets at fair value</b>	<b>1,198</b>

GOODWILL	TEUR
Consideration transferred	1,673
Net assets at fair value	-1,198
<b>Goodwill</b>	<b>475</b>

The goodwill resulting from the preliminary purchase price allocation was allocated to the "IT Services" segment.

The analysis of the cash flow due to the acquisition is as follows:

NET FLOW OF CASH	TEUR
Purchase price paid in cash	-1,500
Cash and cash equivalents assumed through takeover of subsidiary	849
<b>Cash flow from investing activities</b>	<b>-651</b>

Since full consolidation, the company has contributed EUR 439 thousand to consolidated revenues and EUR -56 thousand to net income.

## PURCHASE PRICE ALLOCATIONS 2019

As of December 31, 2019, the purchase price allocation in connection with the acquisition of shares in Epro Electronic GmbH, Schorn-dorf, Germany, and its subsidiary Epro Electronic Production Kft. (from now on under its new name Kontron Electronics Kft.), Kapoly, Hungary, had been recorded based on preliminary fair values.

The final determination of the acquired assets and liabilities at fair value and the resulting goodwill – carried out within twelve months of the acquisition date – did not result in any change compared to the preliminary record dated December 31, 2019.

Linz, May 7, 2020



Hannes Niederhauser eh



Michael Jeske eh



Peter Sturz eh



Richard Neuwirth eh



Carlos Manuel Nogueira  
Queiroz eh

# FINANCIAL CALENDAR

## 2020

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07.05.2020	Q1-quarterly statement 2020 (Earnings-Call Q1 2020)
16.06.2020	Annual shareholder meeting (virtually)
06.08.2020	Half-year report 2020 (Earnings-Call Q2 2020)
05.11.2020	Q3-quarterly statement 2020 (Earnings-Call Q3 2020)

Due to the uncertainties, caused by Covid-19, surrounding the holding of investor conferences, S&T AG's planned participation in these conferences is not mentioned here. Details on possible conference participations are available under [https://ir.snt.at/Financial\\_calendar.en.html](https://ir.snt.at/Financial_calendar.en.html).

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