



SANT-a-Flaws – The Naughty List

S&T's labor-intensive, faux-tech rollup also operates numerous undisclosed, off-balance sheet entities plagued by allegations of criminal conduct including bribery & corruption.

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DECEMBER 15, 2021 – Viceroy Research is **short S&T AG** (XTRA:SANT): a roll-up of low-quality, labor intensive “IoT” assets, often acquired under fire-sale circumstances. Analysis of individual subsidiary performance shows flatlining and negative growth due to frauds & federal raids, insolvency, security breaches, and general operational decline.

S&T also appears to hide several subsidiaries in an off-balance sheet structure to conceal corporate fraud. Management have hidden these risks from shareholders and engaged in several undisclosed related-party transactions.

These companies have individually been completing large government tenders to the Ukrainian military and providing surveillance equipment and/or services to Chinese state surveillance agencies, among others. **OBES** are also implicated in numerous criminal cases of racketeering, corruption and bribery related to tender fraud.

S&T's Absurd Acquisitions: Putting Together the Puzzle

The roll-up nature of S&T is critical to its survival and growth. In short, S&T buys low-quality revenues and earnings at fire-sale prices to artificially “boost” value. Most tech acquisitions are made at 0.5x revenues, and complements S&T's market trading at 1x revenue, generating false “value”.

- S&T's tech acquisitions take the form of a distressed fund: buying flatlining, labor-intensive “tech” companies at 0.5x revenue fire sale prices. Almost every acquisition S&T has made sees an immediate decline in revenue, whether due to broad accusations of tender fraud, federal raids, being the target of hacks, or insolvency.
- Acquisitions are typically made for cash consideration, with zero incentive for management to stick around. We have found instances of S&T acquiring virtually identical businesses from the same founders to supersede previous acquisitions.
- No attempt is made to integrate these businesses: the only real integration attempt we have seen was Kapsch, which was rebranded as Kontron, because it was effectively blacklisted from several jurisdictions due to fraud and corruption.
- In most instances, subsidiary revenues decline pre- and post-acquisition with no real capitalization or evidence of R&D. We know this because we have pulled accounts individually of these entities.

Ramping acquisitions are necessary to S&T's survival: management even state in financial accounts that the company is “crisis proof” because it has sufficient cash to continue making acquisitions.

Hiding your secret companies - OBES

S&T's subsidiary accounts traced by Viceroy Research show numerous minority interests that appear nowhere in S&T management reports or in audited financial statements. S&T's subsidiary holding companies state that they do not consolidate these **Off Balance-Sheet Entities** (OBES) as they only hold a minority interest, and do not exercise control.

These entities nonetheless represent themselves as part of the S&T group while submitting government and state tenders. These off-balance sheet entities assume:

- The S&T name, staff and intellectual property
- S&T Group's systems qualifications, including those from Microsoft, Cisco, & various other tech partners
- S&T Group's references and other brands within the S&T family (i.e. Kontron).

Some of these off-balance sheet entities are currently under criminal investigation for embezzlement, tender fraud and corruption.



Off-balance sheet activities

Our research here is limited to government tenders that these **OBEs** win, which are extraordinarily large. These **OBEs** are among the highest earning S&T-branded entities. Eastern European governments would likely be S&T's largest customers, yet we see no direct revenues from these customers or jurisdictions.

We estimate contracts of **OBEs** would generate >€100m a year. These entities are also plagued with corporate fraud and provide services we believe are morally bankrupt.

- In Ukraine, S&T-branded entities are currently involved in criminal court for allegedly bribing officials and banks to avoid public tender processes for its goods and services, as well as providing kickbacks to decision makers.
- In China, S&T branded entities are part of the supply chain providing surveillance systems to Chinese state security agencies, including those who operate in Xinjiang.

The resolution of the off-balance sheet issue will not bring these tenders to S&T: we believe the outcome of current criminal indictments and proceedings will severely limit future government tender opportunities.

Catch 22: unmitigable disaster

There is a twofold problem with this corporate structure which S&T can't mitigate:

- If these entities are part of the S&T Group and were omitted by some "accounting oversight", then management must explain where hundreds of millions in government contracts of these off-balance sheet entities facilitated has ended up.
- If these entities operate separately to S&T, they have committed tender fraud in all these environments by stealing S&T's IP while operating in direct competition with consolidated S&T subsidiaries.
 - S&T cannot deny they knew of the existence of these entities, as they own ~10% of them.
 - S&T appears to have also owned the Ukrainian domains back to the early 2000's with the acquisition of Soft-Tronik.

These companies cannot be found in S&T's domain sitemap, are never referenced as part of the S&T Group (even as minority interests), and S&T records zero income from minority interests, or any franchising/licensing agreements for the S&T business.

Viceroy believe that S&T's acquisitions in limited oversight jurisdictions are used to interact with these off-balance sheet entities.

For instance: off-balance sheet entities appear to be poorly staffed, but generate enormous revenues from large, labor-intensive tender contracts. We believe it is likely that large COGS from these tenders are likely pushed back to S&T AG.

Summary

Viceroy cannot see how anyone would want to touch this business. S&T's business practices are a red flag, and the company is exposed to huge consequences of criminal indictments internationally.

Investors and creditors should call for an immediate investigation into the nature of cashflows and income from S&T's international subsidiaries and into the nature of off-balance sheet entities.

We believe S&T shares are worth substantially less on preliminary assessment of its ground level businesses. It would be absurd to provide a full valuation of S&T based on the vast off-balance sheet structure of the business and questions surrounding the quality of its earnings. We believe most sell side analysts will suspend guidance on further examination of the same.



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Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within S&T Group, its affiliates, or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroy@viceroyresearch.com.

About Viceroy

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1. Business Background & Structure

S&T AG has a long, checkered history in the tech industry, constantly rebranding itself and re-imagining its strategic business direction. S&T came out of the former Gericom: widely known to make the worst laptops in the early 00's and one of the great capital destroyers of its era¹. The Group's latest strategic direction is to embark on a roll-up acquisition spree while purporting to be an "IoT aaS" specialist.

It has achieved short-term success in the acquisition of Kontron, which gave former owners Foxconn significant ownership of S&T (~27%). Kontron has now been combined with fraud-riddled and obscure businesses such as:

- Telecom surveillance companies
- Construction and roadworks companies
- Sports betting hardware and gambling companies
- Labor-intensive service businesses with no apparent R&D capabilities
- Redundant tech companies bought for fire-sale prices or acquired straight out of bankruptcy.

This acquisition strategy has created several compliance issues internationally which we believe S&T are hiding from public markets through selective disclosure and off-balance sheet entities.

We understand that The Analyst² has reported on S&T's cash flow problems and has touched on the obscure nature of S&T's acquisitions. We encourage readers to reach out to The Analyst directly to obtain access to their reports.

Corporate Structure

S&T's corporate structure has 2 key issues:

1. S&T's roll-up corporate structure is unnecessarily complex.

Very few of S&T's subsidiaries appear to have been integrated. We doubt full integration is possible in many cases due to the disparate nature of their respective businesses.

The best overview of S&T's corporate structure is not from its filings, but those of its major investor Ennoconn Corporation³ whose 2020 filings require 3 pages devoted to S&T's corporate structure⁴.

A detailed analysis of S&T subsidiaries can be found in Annexure 1 of this report.

2. S&T has numerous off-balance sheet entities recorded as minority holdings.

These off-balance sheet entities are operating in high-risk jurisdictions supplying military and surveillance agencies. Both off-balance sheet and consolidated subsidiaries are embroiled in criminal courts for bribery, corruption, tender fraud, and kickbacks.

A detailed analysis of off-balance sheet entities can be found in Annexure 2 of this report.

¹ https://web.archive.org/web/20160406040156/http://www.dsw-info.de/DSW-Watchlist_2007.872.0.html

² <https://theanalyst.co.uk/>

³ <https://www.ennocnn.com/>

⁴ <https://www.ennocnn.com/admin/ckeditor/files/EN20210602.pdf>



2. The Roll Up

S&T markets itself as a dedicated “IoTaaS” and infrastructure play: the real S&T is an unfocused roll-up of disparate operations with little to no cohesive layout formed by 10 years of scattered M&A.

Acquisitions made by S&T have historically been at remarkably low multiples: this is more attributable to fire-sale environments and not sharp-dealing. The pro-R&D façade that S&T portrays is easily disproven: many of these entities are bought out of liquidation, technological redundancy, and appear to be largely labor-intensive service entities.

In many cases, S&T backdates consolidation of accounts, immediately recognizing cheap, poor-quality revenues pro-rata. The immediate benefit of buying these cheap, low quality businesses is:

- At 0.5x revenue acquisition cost, they immediately trade at closer 1.0x revenue on S&T’s books.
- Accounts receivable balances in acquisitions appear to be factored or otherwise immediately collected, artificially boosting operating cash flows.

S&T’s acquisition strategy creates a false sense of value for investors. We believe that even a sum-of-parts disposal of these senseless acquisitions will generate substantial losses.

A Deep Dive into Individual Acquisition Financial Trends

Of the 55 companies with year-on-year comparable accounts that Viceroy could locate, most of them have experience negative revenue growth over the last 2 years.

The absolute absurdity and erratic nature of some of these accounts are mind-boggling. There are various instances, which are not pictured below for brevity, where entities appear to completely close shop one year, only to reappear the following year as a functioning business. Margins are slim.

For more recent acquisitions, such as CityComp, we have obtained pre-acquisition filings which show revenues falling post-acquisition. This is not “covid related” – this is because CityComp was a subject of a ransomware attack where all its customers’ data was leaked online⁵.

We reiterate that the revenue quality of S&T acquisitions is poor.

⁵ <https://www.citycomp.de/English/enterprise/stellungnahme.html>



S&T Subsidiary Performance - Viceroy Analysis	2020		2019	
	Operating revenue (TW\$'000s)	% change yoy	Operating revenue (TW\$'000s)	% change yoy
Affair OOO	-		-	
Amanox Solutions AG	650,527	33%	490,253	-42%
Computer Betting Company GmbH	207,171	-17%	249,727	-5%
Dorobet Ltd.	506	-19%	626	-100%
Hamcos IT Service GmbH	406,275	23%	331,170	-6%
Kontron America Inc.	3,029,386	-9%	3,340,743	-1%
Kontron Asia Inc.	1,763,276	-4%	1,830,121	453%
Kontron Asia Pacific Design Sdn. Bhd. GmbH)	82,355	-87%	626,347	-40%
Kontron Canada Inc.	1,166,264	8%	1,080,240	65%
Kontron Electronics AG	2,242,410	4%	2,158,354	-27%
Kontron Electronics GmbH	395,593	-7%	426,345	103%
Kontron Modular Computers S.A.S.	1,328,572	-4%	1,379,935	163%
Kontron Europe GmbH	1,036,587	5%	988,490	12%
Kontron S&T AG	7,198,065			-100%
Kontron Technologies GmbH (fka S&T Technologies GmbH Austria)	177,662	-48%	343,314	168%
Kontron Technology Beijing Co. Ltd.	230,360	-5%	242,210	30%
Kontron Technology Beijing Co. Ltd.	904,415	8%	837,763	68%
Kontron Transportation Austria AG (fka S&T Services GmbH Austria)	979,413	-19%	1,204,032	47%
Kontron Transportation Deutschland GmbH (formerly kapsch carriercom)	381,406	19%	319,662	
Kontron Transportation España SL	111,792	66%	67,496	
Kontron Transportation France S.A.S. (formerly Kapsch CarrierCom France)	1,084,637	19%	910,249	
Kontron Transportation Hungary Kft.	96,623	48%	65,420	
Kontron Transportation North America Inc.	106,449	59%	66,915	
Kontron Transportation s.r.o.	383,592	30%	294,911	
Kontron Transportation Sp. z o.o.	50,110	60%	31,313	
Kontron Transportation UK Ltd. Fka Kapsch CarrierCom UK	820,395	101%	407,472	
Kontron Transportion Portugal, Unipessoal LDA	91,379	98%	46,234	
Kontron Transportion Taiwan Co., Ltd (former kapschj)	25,132	133%	10,777	
Kontron UK Ltd.	307,516	8%	286,024	-22%
RTSoft Project OOO	1,241,592	-12%	1,413,071	-12%
S&T Albania Sh.p.k.	172,982	3%	167,539	23%
S&T Bulgaria e.o.o.d.	498,866	8%	463,049	-33%
S&T CEE Holding s.r.o.	624,118	-22%	797,382	
S&T Consulting Hungary Kft.	2,694,068	-1%	2,717,290	28%
S&T Crna Gora d.o.o.	88,007	8%	81,563	23%
S&T CZ s.r.o. (inc. S&T PilsCom s.r.o.)	1,130,202	-7%	1,218,695	4%
S&T Deutschland GmbH	315,233	13%	279,505	12%
S&T Hrvatska d.o.o. (inc. Kapsch CarrierCom fka S&T Carrier Business)	2,360,740	48%	1,598,920	19%
S&T IT Services S.R.L. (Formerly bass systems)	465,394	29%	359,979	
S&T IT Technology SRL	15,867	-7%	17,145	23%
S&T Macedonia d.o.o.e.l. (inc. Kapsch D.o.o.e.l.)	246,992	0%	247,052	-6%
S&T MEDTECH SRL	165,299	-68%	519,041	-38%
S&T Mold srl.	337,573	94%	174,014	58%
S&T Plus s.r.o.	487,482	22%	398,514	-21%
S&T Poland Sp.z.o.o.	2,766,407	16%	2,388,220	10%
S&T Romania S.R.L.	1,581,571	1%	1,567,182	49%
S&T Serbia d.o.o.	577,713	2%	569,029	7%
S&T Services Bel LCC	38,150	-39%	62,224	
S&T Services Kft.	111,787	45%	77,340	-60%
S&T Services Polska Sp.z.o.o.	577,100	-20%	724,179	9%
S&T Slovakia s.r.o. (inc. S&T Services s.r.o.)	624,118		-	-100%
S&T Slovenija d.d.	1,116,622	-11%	1,257,525	11%
S&T Smart Energy GmbH	216,055	-8%	235,689	58%
SecureGUARD GmbH	67,766	11%	61,035	-11%
XTRO AG	242,320	-16%	288,789	
SnT Services Bel LCC, BLR			-	-100%
STS Sportwetten GmbH, Austria			-	-100%
Kontron Holding Austria GmbH, Austria			-	-100%

Figure 1 S&T Subsidiary Performance – Viceroy Analysis

Note: the figures above are from Ennoconn filings, and are presented in TWD 000's



Subsidiary Issues

Many of these acquisitions are also made in fire-sale environments where acquired companies are facing, or about to face, significant headwinds. Often these are due to regulatory actions or the loss of major customers.

S&T Subsidiary Issues - Viceroy Analysis		
Company	Country	Issues
Kapsch TrafficCom	Czech Republic	Total loss of revenue after only contract was cancelled due to criminal bribery and corruption allegations.
Kapsch CarrierCom Poland (now Kontron Transportation)	Poland	Fraudulent government tenders resulting in mass overcharging, currently under criminal investigation.
S&T Romania	Romania	Ties to individuals implicated in corruption scandals over state tenders.
S&T Serbia	Serbia	Sued by state for non-delivery of goods and services.
Iskratel	Slovenia	Provides Lawful Intercept surveillance equipment worldwide, including in former soviet satellite states
Iskratel Ukraine	Ukraine	Under criminal investigation for tender fraud.
Iskratel Macedonia	Macedonia	Provided telecoms and surveillance equipment used to monitor government critics.
Bass Systems	Moldova	Under investigation for facilitating mass money laundering and embezzlement prior to SANT acquisition.
Funworld GmbH	Germany	Shell company incorporated by SANT management, purchased by SANT in undisclosed related party transaction.
Xtro	Germany	SANT effectively acquires same company twice from the same individuals, 7 years apart.
CityComp	Germany	Acquired 1 year after hackers leaked customer data for refusing to pay.
Roding Embedded GmbH	Germany	Undisclosed related party purchase from supervisory board deputy chairman, founded just a year prior.
Dorobet Ltd	Malta	Online gambling operation, license revoked due to break of regulations, operations seem to have ceased ~1 year after acquisition at latest.

Figure 2 S&T Subsidiary Issues – Viceroy Analysis

In some cases, we can see that S&T has artificially created its own acquisition targets. In other more damning cases we see S&T acquiring entities under regulatory investigation that are unlikely to win new contracts, or have their existing ones renewed.

Reversing “fake value” of S&T Acquisitions

The traditional method of growth-through-acquisition is simple: acquire businesses valued at lower multiples so that a consolidation “revalues” them upward.

Unfortunately for S&T: it trades at a ~1x revenue multiple, almost unheard of in the tech space because it is a faux-tech rollup at best. Its pool of acquisition targets must be below this revenue multiple for any immediate value to be derived from acquisitions. For instance, here are a small selection of acquisitions from 2020 and 2019, for which we were able to pull reliable financials for analysis.

Acquisition Revaluation - Viceroy Analysis						
All figures in EUR 000's						
Date	Name	% Acquired	Consideration	Revenue (last available)	NPAT	Rev X "Fake" Value
01-Jan-2020	Cronus ebusiness SRL	100.00%	1,673	2,900	-121	0.58 - 1,227.00
01-Jul-2020	Citycomp Gruppe	55.50%	17,000	38,000	2080	0.45 - 21,000.00
30-Jun-2020	Iskratel Group	100.00%	60,527	107,143		0.56 - 46,615.86
26-Nov-2020	Kapsch Trafficcom Construction & Realization Spol	100.00%	1,619	3,066	90	0.53 - 1,447.00
31-May-2019	Kapsch CarrierCom & PublictransportCom	100.00%	-	150,000	-31000	0.00 - 150,000.00
SANT						1.00
Fake Value						(220,290)

Figure 3 S&T Acquisition Analysis

We believe this goes some way in explaining S&T's acquisition history of misfits, failures, bankruptcies, and companies who are about to lose their main source of revenue. The immediate benefit of buying these unwinding businesses is that S&T's trading multiple creates a temporary illusion of “value”. In reality, this revenue is cheap because the earnings quality, and growth prospects, are demonstrably poor.



3. Off-Balance Sheet Structuring

The story of SANT's parallel corporate structure dates to its disposal of subsidiaries prior and during its merger with Quanmax. Many were consolidated into a conglomerate called SANT CIS⁶ (also referred to as S&T International). In media reports these businesses were sold to the Amphora Group, formed by former S&T employee Alexander Malshakov Vasilievich (Мальшаков Александр Васильевич)⁷ however it appears they were *actually* sold to a Cyprus company called SandT Holding.

Unlike a regular spin off these entities continued to trade under the SANT name and do business with SANT, functioning more like traditional subsidiaries than standalone businesses.

There is also at least 1 other spin off business which was not consolidated into SandT Holding but uses the S&T name overseas. We do not discount the possibility that there are further S&T rogue entities we have not found.

Some of these OBEs are fulfilling military contracts in Ukraine and are part of the supply chain providing surveillance tech to Chinese state surveillance agencies widely known to be persecuting Uyghur communities in Xinjiang.

Catch-22 – Where is the Money?

Given the rampant criminality, likelihood of theft, and extraordinary sums being processed in these OBEs there is a case for management to explain how this activity has been allowed to fester.

Importantly for investors: where has this money gone? There are no minority interests recorded on S&T's income statement, nor are there any licensing or franchise agreement revenues. Management cannot deny the existence of these entities. Through their stake in SandT Holding they retained ownership of 10% of these businesses and even appear to have owned some of these domains until late 2011⁸.

- **If these entities are part of the S&T Group and were omitted by some “oversight”:** management must explain where hundreds of millions of euros in government contracts has gone. It will also have to explain why these entities are now being dragged before courts in criminal indictments for widespread tender fraud.
- **If these entities are not part of the S&T Group:** they have committed tender fraud in all these environments by fabricating S&T's credentials, qualifications, and stealing S&T's IP. Management must explain how this has happened and explain why S&T still receive no minority interest from these entities.

It's worth noting that some of these contracts just from S&T Ukraine range in the tens-to-hundreds of millions of euros per year⁹. It is unfathomable that S&T would not receive substantial minority interests from these businesses over the last 10 years.

The resolution of the off-balance sheet issue will not bring these tenders to S&T: we believe the outcome of current criminal indictments and proceedings will severely limit future government tender opportunities.

⁶ https://tadviser.com/index.php/Company:S%26T_CIS

⁷ <http://www.amphora-group.ru/presscentre/news/news127.html>

⁸ <https://whois.domaintools.com/snt.ua>

⁹ <http://acm-ua.org/poshuk.php?poshuk=20032321>



4. Financial Weakness

Cash flow weakness

We understand that The Analyst has already discussed this issue, to a rebuttal from S&T¹⁰. We are unsure of the outcome of this open debate, but we will add our own spice to this mix.

Another low-quality marker of S&T's acquisition strategies is a messy balance sheet. S&T appears to immediately realize (i.e. sell, collect or factor) low-quality working capital assets from acquisitions for cash, boosting operating cash flows for that reporting period.

This creates a one-time operating cash flow boost which, superficially, appears to show excellent earnings to cash conversion. This is not the case.

We understand that The Analyst's cash flow problem went like this: consider the net working capital changes of S&T alongside its takeover of Iskratel:

- S&T AG's year-on-year accounts receivable balance declined from €212m in 2019 to €204m in 2020, suggesting it had collected €8m in cash.
- S&T's Iskratel acquisition took effect on October 1, 2020 bringing with it €23m in accounts receivable.
- The suggestion is that S&T collected >€30m in cash in 2020, but this is due to one-time effects from acquisitions, presumably the immediate realization of Iskratel's receivables.

S&T's response to this problem was that it was unfair of The Analyst to consider only accounts receivable, and neglect payables, contract assets, contract liabilities and other working capital items. This is perfectly reasonable in theory, but in practice this is open to many variables.

For instance, a cursory analysis of S&T's receivable days and payable days show that receivables have been collected disproportionately more than payables have been paid.

S&T Working Capital Analysis	FY 2020	FY 2019	FY 2018	FY 2017
Payable Days	95.20	100.70	93.31	75.74
Receivable Days	66.33	77.80	76.25	71.35

Figure 4 Viceroy Analysis¹¹

This demonstrates that S&T have an increasing disproportionate tendency to immediately collect or factor receivables of newly acquired businesses, and withhold payment of payables, thus creating a large one-off operating cash flow boost.

We believe The Analyst has mostly nailed this analysis, and we believe **substantial portions of S&T's free cash flows likely stem from asset-stripping acquisitions**, while keeping payables on the book. This "tactic" will only work if S&T continues to roll up more low-quality businesses.

¹⁰ https://ir.snt.at/news/S_T_AG_Statement_to_short_recommendation_report.en.html

¹¹ Includes Contract Assets/Liabilities.



Factoring

Possibly related to the receivable stripping of subsidiaries: factoring of receivables has increased as a further sign of S&T's declining earning's quality. S&T only disclose the extent of its factoring in its consolidated FY2020 annual report, but unconsolidated accounts disclose the funds guaranteed against the company's factoring agreement with Raiffeisen Factor Bank.

We understand these amounts are not directly comparable, but it shows a glaring disconnect between S&T's substantial reported cash balance and its inexplicable immediate need for cash.

Factoring Utilisation and Guarantee - Viceroy Analysis (all figures in EUR 000's)					
	2020	2019	2018	2017	2016
Disclosed factoring utilisation	77,161	62,602			
Factoring guarantee	70,113	55,247	40,183	18,823	6,135
S&T CZ s.r.o., S&T Plus s.r.o., S&T Hrvatska d.o.o., S&T Slovenija d.d., S&T Slovakia s.r.o.			4,934	3,588	3,654
Kontron Amerika			7,984	8,663	-
Various Austrian and German subsidiaries			27,265	6,572	2,481

Figure 5 Factoring Utilization and Guarantee

Revenue/employee trend is down

Revenues per employee has steadily declined since 2019. This is the opposite of the expected trend in any IP- or technology- driven enterprise.

Revenue per employee	HY 2018	FY 2018	HY 2019	FY 2019	HY 2020	FY 2020	HY 2021
Employees	4,012	4,248	4,855	4,934	4,936	6,067	6,138
Revenue (€m)	423	568	474	755	539	716	601
Rev per employee per 6mth (€)	105,359	133,757	97,590	153,060	109,137	118,032	97,849

Figure 6 Revenue per employee – Viceroy Analysis

Contrary to S&T's garbage "IoT aaS" and implied move away from traditional IT services, numbers show that S&T's product offerings are becoming more labor intensive.

Unsuccessful US equity raise

S&T went to US markets to raise USD650k in 2020 but was only able to raise USD14k, all of it from 3 non-accredited investors. No reason was given for the capital raise, nor can we find any roadshow or investor presentation in connection with this raise.

13. Offering and Sales Amounts	
Total Offering Amount	\$656,214 USD or <input type="checkbox"/> Indefinite
Total Amount Sold	\$14,765 USD
Total Remaining to be Sold	\$641,449 USD or <input type="checkbox"/> Indefinite
Clarification of Response (if Necessary):	
The offering closed on July 23, 2020 and no further warrants will be sold.	
14. Investors	
<input checked="" type="checkbox"/> Select if securities in the offering have been or may be sold to persons who do not qualify as accredited investors, and enter the number of such non-accredited investors who already have invested in the offering.	<input type="text" value="3"/>
Regardless of whether securities in the offering have been or may be sold to persons who do not qualify as accredited investors, enter the total number of investors who already have invested in the	<input type="text" value="3"/>

Figure 7 SEC Form D¹²

We question why SANT went to US markets at all and the reason for the extremely weak response, which we view as a lack of appetite for SANT's offering.

¹² <https://www.sec.gov/Archives/edgar/data/1819125/000181912520000003/0001819125-20-000003-index.htm>



5. Conclusion

S&T's problems stem from an aggressive roll-up strategy whose risks and poor earnings quality have been withheld from investors. On closer examination there is little evidence of complementary synergies between acquired companies, just a collection of unrelated businesses many of which have significant regulatory issues and declining revenues.

We also believe the company has a significant unrecognized contingent legal liability arising from criminal investigations into its operations. Given the broad spectrum of corporate fraud across its businesses, we expect the FIU and other EU financial crimes agencies will take immediate action on S&T's operations.

Viceroy have presented several issues with S&T's practices and structure, but we are under no illusions that this is a complete picture. We urge shareholders to move for a comprehensive forensic audit of the entire S&T Group, including any off-balance sheet entities and businesses operating under the S&T name.

Until a clearer picture of the company's operations, scope, legal liabilities, earnings growth, and earnings quality can be confirmed, we decline to issue a target price.



Annexure 1: Subsidiary misadventures

Kapsch TrafficCom – Total loss of revenue

On November 26, 2020, S&T acquired a Kapsch TrafficCom for €1.26m, a Czech company who lost its sole remaining customer due to a high-reaching corruption scandal before S&T acquired it.

The problems at Kapsch center around allegations that head of Kapsch Karla Feixe bribed Office of Public Procurement Petr Rafaj in a meeting involving politician Jaroslav Faltýnek¹³ in relation to a 2016 contract to operate the toll road system. As a result of the investigation Kapsch lost its contract, had its offices raided and Feixe's apartment was searched.

Ultimately this left Kapsch TrafficCom losing its largest customer with no prospect of future business, as noted in its 2020 annual report.

Se společností již nebyla prodloužena výše uvedená smlouva, resp. dodatek na prodloužení této smlouvy s Ředitelstvím silnic a dálnic ČR na období od 1.1.2020. Společnost splní své závazky vyplývající ze stávající smlouvy.

V návaznosti na to Společnost začala vyhledávat další příležitosti k jiným obchodním aktivitám v oblasti telekomunikačních řešení v dopravní infrastruktuře. Vedení Společnosti nepředpokládá ukončení činnosti společnosti po dobu minimálně 12 měsíců od data účetní závěrky a má dostatek finančních zdrojů na její činnost. Z pohledu běžného účetního období byla účetní závěrka sestavena za splnění předpokladu nepřetržitého trvání účetní jednotky.

The above-mentioned contract or an amendment to the extension of this contract with the Directorate of Roads and Motorways of the Czech Republic for the period from 1.1.2020 has not been extended by the company. The company will fulfill its obligations arising from the existing contract.

Following this, the Company began to look for other opportunities for other business activities in the field of telecommunications solutions in transport infrastructure. The Company's management does not anticipate termination of the Company's activities for at least 12 months from the balance sheet date and has sufficient financial resources for its activities. From the point of view of the current accounting period, the financial statements were prepared from the assumption of a continuous duration of the accounting unit.

Figure 8 Kapsch TrafficCom 2020 Annual Report & translation

Despite this significant change of affairs, S&T announced the acquisition claiming Kapsch TrafficCom was “well-established on the local market and in the region and has numerous references in this area”.

With the acquisition of 100% of the shares in Kapsch TrafficCom Construction & Realization spol.s.r.o, Czech Republic, S&T has acquired an integrator for toll and public transport systems that is well established on the local market and in the region and has numerous references in this area. With the existing references and project experience in this area, S&T also wants to win corresponding projects in other countries and thus strategically broaden its customer base accordingly.

Figure 9 S&T 2020 Annual Report

This was all but confirmed by SANT's 2020 annual report that showed that the subsidiary had no revenues since consolidation.

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	-1,256
Cash assumed through takeover of subsidiary	339
Cash flow from investing activities	-917

Since full consolidation, the company has contributed TEUR 0 in Group revenues and a TEUR -7 net loss. If first consolidation of the company had taken place with effect from January 1, 2020, the Group revenues would have risen by an additional TEUR 51, altering the Group's consolidated net result by TEUR -13.

Figure 10 S&T 2020 Annual Report

We urge shareholders to question the reason for SANT's acquisition of Kapsch TrafficCom considering the significant issues in the business would have been visible with some light searching.

¹³ https://www.lidovky.cz/domov/pri-prohlidce-u-rafaje-doma-nasla-police-dva-miliony-byly-schovane-i-ve-skrini.A190410_092637_In_domov_ceh



Kapsch Carriercom Poland – Employees arrested for tender fraud

SANT acquired Kapsch CarrierCom Sp. Z.o.o. aka Kontron Transportation on May 23, 2019 as part of its Master Purchase Agreement with Kapsch Group. Just one month later Poland's Central Anticorruption Bureau announced the arrest of several CarrierCom employees in connection with an alleged €235m fraud of the Polish State Railways.

According to the prosecutor's office, in November 2017 there was a "judicial fraud". It was supposed to consist in the issuing of unreliable opinions by the Communications Institute of the Electromagnetic Compatibility Department in Wrocław. Then they were used in the course of the proceedings before the National Appeals Chamber. The point, according to investigators, was to obtain a decision favorable to the Kapsch consortium.

To the detained, the prosecutor will accuse PKP PLK of trying to bring about an unfavorable disposal of property in the amount of PLN 1.1 billion - because that was the difference between the offers of the Kapsch consortium and the competitor in the proceedings. Another allegation is the attempt to bring about an unfavorable disposal of property in the amount of PLN 2.79 billion.

Figure 11 CBA: fraud attempt at PLN 1 billion in the tender for PKP

The alleged fraud relates to tender manipulation in favor of Kapsch and at the expense of the Polish State Railways. The allegations are that Kapsch unduly influenced the opinion of the Department of Electromagnetic Compatibility in Wrocław (Zakład Kompatybilności Elektromagnetycznej we Wrocławiu) to win the contract at a cost of PLN1.1b higher than the next bidder¹⁴.

The detainees are also accused of causing further loss to the state of PLN3b constituting the performance payments for the contract¹⁵.

All this represents a regulatory and legal nightmare, one which S&T seemingly walked into with no due diligence. Shareholders should question management's rationale in acquiring Kapsch CarrierCom, considering it is likely to lose its revenue in short order.

¹⁴ <https://crn.pl/aktualnosci/cba-proba-oszustwa-na-1-mld-zl-w-przetargu-na-pkp>

¹⁵ <https://crn.pl/aktualnosci/sad-nie-zgodzil-sie-na-areszt-dla-ludzi-kapscha/>



Bass Systems – Facilitating embezzlement and corruption

REDUCTION OF THE SHAREHOLDINGS IN S&T MOLD SRL, CHISINAU, MOLDOVA WITHOUT LOSS OF CONTROL

In August 2019, a purchase contract was signed for the acquisition of 51% of the shares in BASS Systems S.R.L., Chisinau, Moldova, with the simultaneous sale of 49% of the shares in S&T Mold srl, Chisinau, Moldova, by S&T AG. Prior to signing this contract, S&T AG held 100% of the shares of S&T Mold srl. Following this transaction, S&T AG holds a 51% stake in S&T Mold srl and continues to exercise control. The consideration ensuing from the sale of the 49% stake is comprised of a fixed cash purchase price of TEUR 300 and a consideration transferred in the context of the purchase of the shares in BASS Systems S.R.L..

Figure 12 S&T 2019 Annual Report

As detailed above, in August 2019 S&T acquired 51% of Moldovan Bass Systems SRL aka S&T IT Services LLC for €5.7m, apparently in exchange for a 49% stake in S&T Mold SRL¹⁶.

Bass Systems was heavily involved in corruption allegations that it allowed Moldovan politician Vladimir Plahotniuc to launder money out of the country. Through manipulation and overcharging of state procurement tenders Bass Systems systematically funneled state funds overseas to Dubai, Singapore and London.

According to a document of the Service for Preventing and Combating Money Laundering (SPCSB) in the possession of the Center for Journalistic Investigations of Moldova (ICJM), between March 30, 2017 and January 31, 2019, SRL Bass Systems (currently S&T IT Services) won contracts worth 818,740,000 Moldovan lei (about 41 million euros) from Moldtelecom.

In addition, Bass Systems benefited from transfers worth 107,600,000 lei (5.4 million euros) from the Agency for Public Services, Radiocommunications, National Service for Radio Frequency Management.

Figure 13 Tens of millions of euros from auctions with Moldtelecom reached Dubai companies, managed by Plahotniuc's entourage – Jurnal.md

S&T acquired the company 2 months after Plahotniuc fled Moldova. S&T should be aware of the investigations against the company, considering they purchased their stake from Plahotniuc and Onisim Popescu, a central figure in the allegations^{17,18}. According to Ennoconn filings, Onisim Popescu remains the director of Bass Systems.

On August 28, 2019, the majority stake of 51% of Bass Systems shares was sold to the Austrian company S&T AG for 5.7 million euros.

The Austrian representatives said that the shares were bought from "a natural person", but without specifying the name.

The documents obtained by CIJM show that at the time of the transaction Bass Systems was owned by Assentis Holdings Limited, which, in turn, was owned by Assentis International FZE. The only shareholder of the latter was Onisim Popescu.

Figure 14 Emir of Offshore – Anticoruptie.md¹⁹

S&T is now on the hook for the investigation with their lawyer and former presidential advisor Ion Paduraru having been involved in a previous corruption scandal in 2016²⁰.

Looking forward it is unlikely that Bass Systems will provide any value to S&T shareholders: Ennoconn filings show the company turned an (€2.48m) operating loss in 2020 vs a €1.78m profit in 2019. Viceroy believes the stake in the company was "swapped" for S&T Mold Srl to perpetuate the existing scheme.

Much of its business prior to its sale to S&T was derived from government procurement contracts with multiple red flags, some of which are now under subsequent investigation^{21,22,23}.

¹⁶ <https://openmoney.md/companies/1002600033173?tab=structure>

¹⁷ <https://stiri.md/article/politica/morari-plahotniuc-a-beneficiat-de-milioane-de-euro-din-bass-systems>

¹⁸ <https://www.jurnal.md/ro/news/03252faf2609a8e0/zeci-de-milioane-de-euro-din-licitatiile-cu-moldtelecom-au-ajuns-la-firme-din-dubai-gestionate-de-anturajul-lui-plahotniuc.html>

¹⁹ <https://anticoruptie.md/ro/investigatii/achizitii-publice/emirul-offshore-urilor>

²⁰ <https://www.mold-street.com/?go=news&n=4431>

²¹ <https://www.rise.md/document-dedesubturile-tranzactiilor-cfm-cu-doua-companii-it/>

²² <https://www.mold-street.com/?go=news&n=3673>

²³ <https://www.investigatii.md/ro/investigatii/bani-publici/dezmatul-rudelor-de-la-moldatsa>



CityComp – Customer data hacked and leaked

S&T acquired 55% of Citycomp Service GmbH in July 2020 for €6m with mutual options contracts on the remaining 45%, calculated at €11m as of FY2020. This was just over a year after Citycomp customers had their data leaked by hackers for failing to pay a ransom²⁴. The data leaked included names, email addresses, phone numbers, meeting notes, inventories, and serial numbers with customers such as Airbus, Oracle, Porsche, VW and Ericsson.

Statement

ON CYBER ATTACK AT CITYCOMP SERVICE GMBH

CITYCOMP Service GmbH has successfully fended off a hacker attack and does not yield to blackmail. The repercussion is the publication of the stolen customer data.

CITYCOMP Service GmbH was the victim of a targeted cyberattack in early April 2019. A still unknown perpetrator has stolen customer data of CITYCOMP and threatened the company with publication, should it not comply with the blackmail attempt. CITYCOMP with the help and support of external experts and the State Criminal Police Office of Baden-Württemberg successfully fended off the attack and implemented supplementary security measures of all systems. The incident analysis of Deutor Cyber Security Solutions GmbH, G DATA Advanced Analytics GmbH and the Federal State Police Baden-Württemberg showed that at no point any indication for a risk of further infection of customer and partner systems, but for security reasons some of the systems have nevertheless been disconnected.

Since CITYCOMP does not comply with blackmail the publication of customer data could not be prevented. The stolen data has now been published by the perpetrators and CITYCOMP's customers were informed about it. In cooperation with the State Office for Criminal Investigation Baden-Württemberg suitable measures for prosecution were initiated. At an early stage CITYCOMP was transparent and informed the relevant data protection authorities and customers about the cyberattack and data theft. Full transparency was in place right from the start.

Figure 15 CityComp Statement on Cyber Attack²⁵

Ironically SAP was one of the customers whose data was leaked.

None of this was communicated by S&T to investors, who blamed the decline in sales to the “corona crisis and the shutdown of key customers”.

Founded in 1988 as a third-party maintenance provider, CITYCOMP has developed over the years into a full-service provider for IT services with a comprehensive service network in DACH and BeNeLux. After the initial focus on data center systems, CITYCOMP has now expanded its competencies into all relevant IT areas. This includes network infrastructures, client systems and all kinds of devices in the retail environment. With its broad customer structure, the around 300-employee strong company generated approximately EUR 38 million in sales and positive net results in the financial year 2019. In recent months, the company has suffered from declining sales due to the Corona crisis and the shutdown of key customers, although the decline in sales can be regarded as temporary.

Figure 16 S&T acquires CityComp Gruppe²⁶

This acquisition is another in a growing list of declining companies with serious operational headwinds acquired by S&T as part of its value-destructive roll-up strategy.

²⁴ https://www.theregister.com/2019/04/30/citycomp_hacked/

²⁵ <https://www.citycomp.de/English/enterprise/stellungnahme.html>

²⁶ https://ir.snt.at/news/S_T_AG_acquires_CITYCOMP_Gruppe.en.html



Iskratel

On the other side of the surveillance angle is Iskratel, described by S&T as “supplying information and communications technology for operators of telecommunications, railway and energy networks and industrial automation solutions”. While it may do these things, Iskratel also covertly sells surveillance and intelligence solutions to state clients.

Iskratel provided surveillance and telecom equipment to the Macedonian government used to covertly monitor the communications of dissidents over an unknown period. This equipment was used intercept communications on major telecommunications networks.

A little-known Slovenian manufacturer of telecommunications and surveillance equipment has been engaged in a variety of lawful interception projects in Macedonia.

Iskratel in Macedonia has implemented projects allowing for the lawful interception of the fixed-line network of Makedonski Telekom, and has carried out projects ensuring the lawful interception of various of their network nodes, including a node which allowed for IP Lawful Interception and the development of software used to visualise intercepted data on SORM3 protocols, according to records seen by Privacy International.

Figure 17 Macedonia: Society On Tap – Privacy International

The company also undertook surveillance related contracts in Uzbekistan at the behest of the National Security Service of Uzbekistan²⁷.

Between 2007 and 2010, UNICON was involved in all SORM-related projects in the country, and issued SORM consultancy contracts to Nokia Siemens Networks (NSN), Huawei Technologies, and Iskratel, among others. In 2009, the number of certifications of SORM-related equipment increased 340% from the 2008 number.

Figure 18 Panopticon For Sale – Mari Bastashevski

Iskratel now provides equipment to Ukraine’s sole telephone company and announced its SORM device was tested successfully and was approved by the Security Service of Ukraine^{28,29}. SORM is a technical specification for lawful interception of telecoms networks operating in Russia.

These weren’t one-offs: Iskratel regularly appears at ISS World Europe, “the world’s largest gathering of Regional Law Enforcement...Electronic Surveillance and Intelligence Gathering”^{30,31}.

To address global threats to national security and to critical communications infrastructure, Iskratel empowers the operators and law-enforcement agencies with solutions for lawful interception in fixed and mobile networks of various generations. Answering the main challenge of building a seamless, comprehensive and reliable solution, we leverage our rich expertise in delivering standards compliant solutions, and tailoring them to national-specific LI requirements.

Figure 19 Iskratel at ISS World Europe ³²

The company still lists its “Lawful Intercept” services on its website under the “Regulatory Solutions” label³³. We question how telecoms surveillance solutions fit under S&T’s “IoTaaS” umbrella.

²⁷ <https://medium.com/vantage/panopticon-for-sale-c2fc662d85d2>

²⁸ <https://www.iskratel.com/en/company/press-centre/2021/09/1279-Ukrtelecom-and-Iskratel-launch-12-Million-fibre-network-expansion-programme-in-Ukraine>

²⁹ <https://ijoc.org/index.php/ijoc/article/viewFile/8542/2460>

³⁰ <https://www.iskratel.com/en/company/events/iss-world-europe-2018>

³¹ <https://www.issworldtraining.com/>

³² <https://www.iskratel.com/en/company/events/iss-world-europe-2018>

³³ <https://www.iskratel.com/en/solutions/core>



Dorobet – Defunct online casino operator

Dorobet sticks out like a sore thumb in S&T's operations as a gambling operator in Malta who recently had their license revoked. The Malta Gaming Authority revoked Dorobet's B2C gaming license in February 2020 for breach of rules relating to regulatory payments and failure "to comply with one or more applicable obligations in terms of any regulatory instrument or any other applicable law of Malta".

This sanction is being imposed upon Dorobet LTD for having breached the following paragraphs of regulation 9(1) of the Regulations as per details shown hereunder: –

- b) The authorised person has failed to comply with an order issued by the Authority;
- c) The authorised person has failed to comply with one or more applicable obligations in terms of any regulatory instrument or any other applicable law of Malta;
- i) The authorised person has failed to pay in a timely manner all amounts due to the Authority.

Figure 20 Cancellation of Authorisation for Dorobet LTD (C 36736) – Malta Gaming Authority³⁴

That's not the only red flag: despite their license revocation Dorobet's website as listed on the MGA website doesn't appear to have been active for over 5 years³⁵. The last record of employment by Dorobet on LinkedIn is dated 2012, with most employees leaving in 2008.

Casino Blacklist – Operators With High Danger of Online Scams	
On a general note, the main requirement for all our trusted online casino operators is to hold a valid UKGC licence. That being said, sometimes players need to pick operators without a licence from the UK gambling authority, especially if they are playing casinos online from abroad. To help you out in such situations, we have listed the blacklisted casinos, which you should avoid at all costs to steer clear of a casino scam.	
Examples for the Worst Online Casinos	
BLACKLISTED CASINO	TRANSGRESSIONS
Stakers Limited	Suspension of UKGC licence (March 09, 2020)
Dorobet LTD	Failure to comply with lincensing orders, failure to comply to regulatory obligations, failure to pay lincensing fees (Feb. 21, 2020)
Maxent Limited	UK licence revoked due to unclear source of funds (
Lucky 8 Limited	UK licence revoked due to breach of licensing conditions, lack of satisfactory assurance for source of funding, unclear management responsibility (Nov. 11, 2018)

Figure 21 Scams.info Online Casino Blacklist³⁶

Despite this the company continues to report marginal revenues through 2019 before apparently being wound down in 2020 according to Ennoconn filings. We question where these revenues came from, and if they were at all related to Dorobet's traditional business.

³⁴ <https://www.mga.org.mt/cancellation-of-authorisation-for-dorobet-ltd-c-36736/>

³⁵ archive.org saved pages for dorobet.com return a continuous loop

³⁶ <https://www.scams.info/online-casino/>



Xtro – Seeing double

S&T acquired Xtro twice: what appears to be the same business, from the same individuals, 7 years apart.

S&T (then Quanmax) first acquired 80% of Xtro IT solutions GmbH in Ismaning on January 1, 2010, for €2.8m in shares³⁷ from former Kontron employee Stephan Nechwatal³⁸ and Boris Roos³⁹. Xtro IT Solutions GmbH contributed €6.308m in revenues and €804k in profit for that year.

As consideration for the 80% holding in the XTRO IT Solutions GmbH, the company has issued 2,000,000 new common shares. The fair value of the shares corresponds to the noted price of the Group's shares at the time of acquisition. The fair value of the consideration paid thus amounts to EUR 2,880,000.

Figure 22 S&T Annual Report 2010

It's hard to see what integration attempts were made: Xtro's only web presence at the time, Xtro.de, doesn't mention S&T in any archives.

7 years later, on November 30, 2017, S&T acquired Xtro AG in Ismaning for €2.5m in cash, from Stephan Nechwatal and Boris Roos, again. Xtro AG would have contributed revenues of €9.281m and €249k of profit on an annualized basis.

It's worth noting that Xtro AG was only formed on October 14, 2015 and that Xtro.de changed hands from Xtro IT Solutions GmbH (which S&T owned) to Xtro AG (which they didn't own yet) sometime around the end of 2015^{40,41}. Both founders of Xtro IT solutions left to found Xtro AG at around the same time.

Investors will be pleased to note that both Nechwatal and Roos have left Xtro AG in March 2019 to form companies with very similar names^{42,43} that we're sure S&T will be acquiring soon.

³⁷ The remaining 20% was acquired for 1.6m shares in 2013 and 2014.

³⁸ https://www.linkedin.com/in/stephan-nechwatal/?locale=en_US

³⁹ <https://www.linkedin.com/in/boris-roos-7370351b8/>

⁴⁰ <https://web.archive.org/web/20151104212432/http://www.xtro.de/>

⁴¹ <https://web.archive.org/web/20160113024241/http://xtro.de/>

⁴² <https://www.itecpro.de/>

⁴³ <https://isecpro.de/>



Funworld – Management embezzlement

Another undisclosed related party transaction was the acquisition and subsequent disposal of Funworld gmbh. Funworld first appears at S&T in September 2010 when S&T (then Quanmax) acquired the assets and debts of the insolvent Funworld AG for €9.48m.

As part of an asset deal, Quanmax AG acquired the assets and liabilities of insolvent Funworld AG, Lenzing, Austria in September 2010. With this acquisition, Quanmax AG strengthened its involvement in entertainment and gaming software. In addition, Quanmax acquired 100 percent stake in Funworld Srl., Reggio Emilia, Italy. Through the acquisition of selective assets and liabilities, the business operations could be run but at significantly reduced costs. Positive earnings were already reported in the first months after being acquired by Quanmax AG.

Figure 23 S&T 2011 Annual Report

However, in 2017 another Funworld appears on S&T's balance sheet: Funworld GmbH, with S&T claiming an existing 16.66% stake with a further 23.34% acquired in 2017 as part of a Funworld GmbH equity raise. The total cost of the stake was €330k

Shares held in associated companies

S&T AG had held a stake of 16.66% in funworld gmbh, Austria. In conjunction with a capital increase, S&T AG acquired in 2017 a further one of 23.34%. This caused it to hold 40% of the company. The entry of the capital increase took place on September 8, 2017. This caused funworld gmbh to be classified as of the third quarter of 2017 as an associated company. The stake is reported using the equity method in the consolidated financial statements of S&T AG. The costs of procurement of the 40% stake came to TEUR 330.

Figure 24 S&T 2017 Annual Report

Funworld GmbH had no relation to Funworld AG and was formed in late 2016 by S&T management.

2016-11-02 12:38:21 Modification

17. LG Steyr (499), change announced on November 2, 2016 Commercial register number: 453741t Commercial register matter: funworld gmbh Am Sportplatz 12 4532 Rohr im Kremstal Text: CAPITAL now EUR 72,000; GV of October 12th, 2016 amendment of the GesV in §§ 7 and 11.; General Meeting of October 12, 2016, capital increase by EUR 37,000 to EUR 72,000. Amendment of the GesV in § 4.; PARTNERS: (A) Rainer Eder (02/22/1966), contribution now EUR 10,000; now paid EUR 10,000; Initial contribution with privileged foundation is omitted; (B) Dipl.Ing. Hannes Niederhauser (November 25, 1962), contribution EUR 40,000; paid EUR 40,000; (C) S&T AG contribution EUR 12,000; paid EUR 12,000; (D) Richard Strütt (February 1, 1980), deposit EUR 10,000; paid EUR 10,000; Court: LG Steyr registered on October 22nd, 2016

Figure 25 Funworld GmbH registry extract⁴⁴

S&T continued to write down Funworld GmbH until 2020 when it was sold to S&T Austria Professional Sales manager Klaus Mack⁴⁵ for €60k resulting in a €229k loss on disposal. We view this acquisition as clear-cut embezzlement of shareholder funds by management.

SHARES HELD IN ASSOCIATED COMPANIES IN TEUR	2020	2019
Carrying amount on January 1	289	308
Proportionate result after taxes	3	-19
Disposal	-292	0
Carrying amount on December 31	0	289

S&T AG does not hold any shares in associated companies as of the balance sheet date December 31, 2020. The 40% share held in funworld gmbh, Linz, Austria, was sold for TEUR 60 in the current financial year. The loss from the disposal amounted to TEUR -229 and was recognised in the result of associated companies.

Figure 26 S&T 2020 Annual Report

⁴⁴ <https://www.kompany.com/p/at/453741t>

⁴⁵ <https://www.linkedin.com/in/klaus-mack-a78b95135/>



Roding Embedded

Roding Embedded is another undisclosed related party transaction involving S&T AG management dealing with themselves. S&T acquired the company in 2015 for €1.5m.

Acquisition of 100% of the shares of Roding Embedded GmbH, Germany

On June 8, 2015, S&T embedded GmbH, Munich, Germany, a 100% subsidiary of S&T AG, concluded a purchase and assignment agreement leading to the acquisition of all shares in Roding Embedded GmbH, Roding, Germany. The shares' purchase price came to TEUR 1,550. Roding Embedded GmbH was consolidated as of July 1, 2015, into the consolidated financial accounts of S&T AG. This was because that represented the time at which the rights and duties foreseen in the contract of purchase and assignment were transferred to the purchaser. This thus represented

Figure 27 S&T 2015 Annual Report

What was not disclosed was that Roding was purchased from former supervisory board deputy chairman Rudolf Wieczorek, and was previously part of Kontron, which S&T was in the process of merging with. Wieczorek was previously CTO at Kontron from 2001 to 2011 according to his LinkedIn profile⁴⁶.

Wieczorek also controlled Krtek13⁴⁷, a major shareholder in S&T until December 2015 when Krtek13's ownership fell below the reporting threshold⁴⁸.

According to a local paper Roding Embedded had only been formed by Wieczorek in April 2014 after employees were informed that the Roding location would be closing and declined transfers.

Entertainment sowie Energie in Europa. Gegründet wurde die Firma am 8. April diesen Jahres unter der Geschäftsführung von Dr. Rudolf Wieczorek.

Die Idee dazu ist entstanden aus der Mitteilung der Firma Kontron im vergangenen Jahr, ihren Standort in Roding Ende Juli 2014 endgültig zu schließen. Dieser war nach Meinung ihrer Mitarbeiter ein sehr leistungsfähiger Standort mit sehr gutem Auftragseingang, Umsatz und renommierten Kunden. Die von Kontron angebotenen Versetzungen

"The company was founded on April 8th of this year under the management of Dr. Rudolf Wieczorek.

The idea for this arose from the announcement by the Kontron company last year that it would finally close its location in Roding at the end of July 2014. In the opinion of their employees, this was a very efficient location with very good incoming orders, sales and well-known customers. The transfers offered by Kontron to the remaining locations in Augsburg or Deggendorf were not acceptable to the majority of employees for various reasons."

Figure 28 Zwei neue Firmen mit Perspektive & translation⁴⁹

Once again S&T shareholders were taken for a ride by poor management and dishonest governance to acquire an asset of dubious value.

⁴⁶ <https://www.linkedin.com/in/rudolf-wieczorek-16a7a660/?originalSubdomain=de>

⁴⁷ https://www.takeover.at/uploads/u/pxe/A2_Entscheidungen/Stellungnahmen/GZ_2016-3-3-26_S_T_-_16.11.2016_.pdf

⁴⁸ https://ir.snt.at/Stimmrechtsmitteilungen_nach_91_Abs.1_BoerseG_vom_.en.html

⁴⁹ <https://igz-cham.de/download/D374265d5X155a15a1a15Xe87/igz%20homepage.pdf>



Annexure 2: Off balance sheet entities

SandT Holding

SandT holding is a Cyprus company that owned several off-balance sheet SANT entities engaged in questionable business practices. The available filings⁵⁰ make it clear that SandT Holding is simply a pass-through financing entity to its subsidiaries.

SandT Holding's ownership structure has changed from 2009 to 2016 with the company generally co-owning the company with Stotens Finance through several subsidiaries. Its last entry in the registry dated December 13, 2016 shows joint ownership by S&T AG and Stotens Finance. SANT do not disclose ownership of SANT Holding or its subsidiaries at any point.

20.5 Payables to related companies (Note 18)		
	2016	2015
	€	€
S&T KG		
Nature of transactions		
Trade	1,444	1,444
S&T Cee Holding s.r.o		
Trade	1	1
Lontix Group Ltd		
Trade	186,713	186,713
S&T AG		
Trade	-	16,239
	188,158	204,397
20.6 Loans from related companies/parent company (Note 17)		
	2016	2015
	€	€
Stotens Finance Limited	3,571,589	3,206,338
	3,571,589	3,206,338

Figure 29 Stotens Finance Annual Report 2016

Stotens Finance – One step up the chain

One step up the chain is Stotens Finance, another Cyprus company whose 2013 filings identify its sole owner as Darween Establishment, a Liechtenstein company. It also identifies its ultimate controlling party as Alexander Malshakov, former SANT vice president responsible for business in Eastern Europe⁵¹. For clarity, we believe SANT through Malshakov was directing the actions of SandT Holding and its subsidiaries.

22. Related party transactions

The Company is controlled by Darween Establishment, incorporated in Liechtenstein, which owns 100% of the Company's shares. The Company's ultimate controlling party is Mr Alexander Malshakov.

Figure 30 – SandT Holding 2013 Annual Report

The reason for this parallel corporate structure becomes clear once we start looking at SandT Holding's subsidiaries and their activities.

⁵⁰ Cyprus filings are only available up to 2016

⁵¹ <https://www.linkedin.com/in/alex-malshakov-b564a215/?originalSubdomain=at>



Es & Ti Ukraine – Military tenders and bank tender fraud

Es & Ti Ukraine (Эс Энд Ти Украина – spelled phonetically) is a SandT Holding subsidiary operating in Ukraine⁵². Despite the branding of its website and name it is not consolidated into S&T's structure, nor does it appear in any of its filings. The reason is likely due to its involvement in military tenders and corruption proceedings⁵³. The company was spun out of S&T AG prior to its Quanmax merger in 2011.

The company has numerous contracts with Ukrainian government entities including Military Unit 2451R (Військова частина 2451Р) and the Security Service of Ukraine (Служба безпеки України).

Es & Ti Ukraine has been involved in several criminal corruption investigations involving Ukrgasbank⁵⁴, Oschadbank⁵⁵ and Privatbank⁵⁶ resulting in the search of their offices on one occasion. These investigations appear to be ongoing.

In the case of Oschadbank, between 2014 and 2017 Es & Ti Ukraine are alleged to have significantly overpriced their goods in a scheme to siphon the excess profits to the enterprise's employees. During this time the company was beneficially owned by SandT Holding and a related company to S&T AG.

In addition, it was established that JSC Oschadbank in the period from 2014 to 2017 held competitive tenders for the purchase of computers, parts, accessories, and software, the winners of which were LLC "Navigator" (USREOU code 23704614), LLC " Navigator Corporation "(USREOU code 39396481), ES & TI Ukraine (USREOU code 20032321), BMS Consulting LLC (USREOU code 24932263) and Svit IT LLC (USREOU code 34540291).

Computer equipment was purchased by the state bank at prices 25-30% higher than the market ones for a total of over UAH 550 million.

The funds received by these companies were partially transferred abroad to the accounts of offshore companies, transferred in cash and misappropriated by officials of Oschadbank JSC.

Figure 31 Pechersk district court of Kyiv Case № 757/15932/18-k⁵⁷

The cases around Ukrgasbank and Privatbank are largely the same: circumvention of tender regulations and overcharging of contracts.

The size of Es & Ti Ukraine's operations is staggering. According to government data aggregator Clarity Project the company has won UAH2.54b (€83.46m) in tenders since 2016, almost all of which is through the sale of hardware. The company reported revenues of UAH681m (€ 22.38m) in 2020 (2019: UAH434.89m €14.289m).

Financial results			
Row name	Line code	During the reporting period, UAH thousand	For the same period last year, thousand UAH
Net income from sales of products (goods, works, services)	2000	681 079.00	434 885.00
Net earned insurance premiums	2010	0.00	0.00
Prizes are signed, gross amount	2011	0.00	0.00
Premiums transferred to reinsurance	2012	0.00	0.00
Change in the reserve for unearned premiums, gross amount	2013	0.00	0.00
Change in the share of reinsurers in the reserve for unearned premiums	2014	0.00	0.00
Cost of goods sold (goods, works, services)	2050	631 509.00	405 112.00
Net losses incurred on insurance payments	2070	0.00	0.00
Gross profit	2090	49 570.00	29 773.00

Figure 32 Es & Ti Ukraine Financials

The consistently low margins reported by the business lead us to believe the company is moving its earnings overseas, the question is: where?

⁵² <https://www.snt.ua/>

⁵³ <http://acm-ua.org/> search for 20032321

⁵⁴ <https://reyestr.court.gov.ua/review/80999083>

⁵⁵ <https://reyestr.court.gov.ua/review/81426258>

⁵⁶ <https://reyestr.court.gov.ua/Review/70143057>

⁵⁷ <https://reyestr.court.gov.ua/Review/73424444>



S&T Mold Sarl – Undisclosed related party subsidiary swap

S&T Mold srl was SandT Holding's Moldovan subsidiary acquired by S&T AG for €1.6m in 2014 in an undisclosed related party transaction.

Acquisition of 100% of the shares in S&T Mold srl, Moldova

In a contract of purchase and transfer dated December 16, 2014, S&T AG acquired all of the shares of S&T Mold srl, Chisinau, Moldova. The purchase price agreed upon is comprised of a fixed component amounting to TEUR 1,600, and of a varying one amounting at most to TEUR 200. The actual amount of the variable purchase price depends on the operative results achieved by the company in the 2015 and 2016 financial years. The financial reporting of the costs of procuring the shares of S&T Mold srl led to the variable component's being recognized – due to the planning of results – at its full amount. This caused the price of purchasing the shares acquired to be recognized at a total of TEUR 1,800.

Figure 33 S&T 2014 Annual Report 2014

S&T AG had sold the company to SandT Holding only 3 years earlier in 2011 for €320k, with SandT Holding recording a €880k profit on the transaction⁵⁸.

S&T Ukraine	Ukraine	facilities and services	100	4.380.000	-
		General trade of IT			
S&T Mold Srl	Moldova	facilities and services	100	320.001	-
		General trade of IT			
		facilities and services		4.930.772	310.690
6. Other operating income					
				2014	2013
				€	€
Discounts received				-	13.795
Profit from sale of investments in subsidiaries				879.999	-
				879.999	13.795

Figures 34 & 35 SandT Holding 2014 Annual Report

Based on ownership filings, S&T AG held 50% of the B shares in SandT Holding at the time of acquisition, its acquisition by S&T AG should have been declared as a related party transaction.

⁵⁸ SandT Holding Annual Report 2014



▼

16/12/2014

HE57 - Μεταβίβαση Μετοχών για Ιδιωτικές Εταιρείες

History

Class Name	No of shares	Currency	Unit Value
Authorised Share Capital			
Authorised Share Capital EUR 5.000,00 divided as			
ΤΑΞΗ Α	4.500	EUR	1
ΤΑΞΗ Β	500	EUR	1
Issued Capital			
Issued Capital EUR 5.000,00 divided as			
ΤΑΞΗ Α	4.500	EUR	1
ΤΑΞΗ Β	500	EUR	1

Shareholders

- S&T AG

Address

Geiselbergstrasse, 17-19
Vienna
, 1110, Αυστρία

Details

Class Name	No of shares	Currency	Unit Value
ΤΑΞΗ Β	250	EUR	1

HE 215568 - STOTENS FINANCE LIMITED

Address

Λάμπουσας, 1
1095, Λευκωσία, Κύπρος

Details

Class Name	No of shares	Currency	Unit Value
ΤΑΞΗ Α	4.500	EUR	1
ΤΑΞΗ Β	250	EUR	1

Figure 36 Cyprus ownership registry

49% of S&T Mold would later be exchanged for a 51% stake in **Bass Systems**, a company heavily involved in **corruption allegations** that it allowed **Moldovan politician Vladimir Plahotnuic** to **launder money out of the country through corrupt tenders**. Onisim Popescu, an individual heavily involved in Bass Systems is now director at S&T Mold Srl.

We believe Bass Systems was “swapped” for S&T Mold in light of the allegations.

Since its 49% sale S&T Mold has won 46 government tenders worth MDL78.1m (€3.92m): it had never won a single tender prior⁵⁹. These tenders are extremely similar to those won by Bass Systems, who appear to have stopped applying for tenders at the same time that S&T Mold started winning them⁶⁰.

Viceroy believes S&T Mold is being used to perpetrate the same corrupt activities that were previously facilitated by Bass Systems, only this time under the S&T Group umbrella where it will be held directly liable.

We go into Bass Systems in more detail Annexure 1 above.

⁵⁹ <https://openmoney.md/companies/1002600033173?tab=contracts>

⁶⁰ <https://openmoney.md/companies/1008600013575?tab=contracts>



The Information Management Group Shanghai

The Information Management Group is another undisclosed SANT spin off that never appears on SANT accounts and operates in China providing SAP ERP services for various Chinese companies. The company was spun out of SANT in 2010 prior to its merger with Quanmax.

IMG Software Service (Shanghai) Co., Ltd., China	--	100 %	Acquired and consolidated for the first time in 2007. In 2008, it was sold within the group by IMG Japan K.K., Japan, to S&T Asia Holding AG, Switzerland. In 2009, it was classified as held for sale, sold in 2010 (see Note 32).
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Figure 37 S&T AG 2010 Annual Report

Despite this the company's website and LinkedIn profile both claim it is currently owned by S&T.

Overview

IMG Consulting Services of S&T belongs to the S&T AG.

IMG supports Companies to reduce and control the permanently growing complexity in organisations by applying the correct globally compatible business models, methods, processes and standardised IT systems.

The Business Engineering approach, as developed by the IMG and the University of St Gallen, summarises the findings of the transformation from science and practise and uses these to devise concepts and instruments for planning and realising business models of the global information era.

The focus on selected branches, core processes and flexible tools helps to understand each individual customer strategy, illustrate and realise these in processes and systems and hence it possible to undertake fast and safer projects for stepping up competitiveness.

The sectors Business Consulting, Business Solutions and System Integration address a comprehensive range of services from strategy consulting to process and system integration.

Website
<http://www.imgchina.com.cn>

Figure 38 IMG Consulting Services LinkedIn profile⁶¹

AMOGI Computer Software Services (Shanghai) Co., Ltd. (IMG China) was established in June 2005. The establishment of IMG China is a key step in the global strategic development of S&T, the headquarters of the European group. Since 2007, IMG China has shifted the focus of SAP ERP consulting services to local companies, and is committed to providing high-quality SAP ERP consulting and SAP implementation services for Chinese companies . It has successively provided complete ERP consulting and SAP implementation services for famous companies such as Wuxi Suntech, Suzhou Artes, Shanghai Aerospace Machinery, Beijing Watchdata, Guangzhou Jiuheng Printing, Callaway Golf and other famous companies.

Figure 39 IMG China About Us page.

⁶¹ <https://www.linkedin.com/company/the-information-management-group-img-/>



The company's archived "About Us" webpage claims S&T as its parent company since 2009⁶².

Several of IMG's customers such as Beijing Watchdata⁶³ and HT-SAEE (Shanghai Aerospace Machinery)⁶⁴ do business with various state security organizations. Watchdata openly advertises making special SIM cards for law enforcement forces and lists the Xinjian Department of Public Security as a successful client in the government partner list below.



Figure 40 Beijing Watchdata Customer List

What relationship does S&T AG have to IMG?

⁶² <https://web.archive.org/web/20090501094436/http://www.imgchina.com.cn/AboutUs/AboutIMG-China.html>

⁶³ <https://www.watchdata.com.cn/partners/>

⁶⁴ <http://www.ht-saae.com/En/coreArmy.aspx##>



Amphora Group/HPS International/S&T International

S&T's rogue Russian operations did far worse than their Ukrainian ones.

S&T International LLC was a Russian SandT Holding subsidiary until 2015, when we believe it was liquidated⁶⁵. It formed part of the Russian constellation of rogue S&T companies along with HPS International LLC and Amphora Group.

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2015 Holding %	2014 Holding %	2015 €	2014 €
The Information Management Group Russia LLC	Russian Federation	General trade of IT facilities and services	-	100	-	1
HPS International LLC	Russian Federation	General trade of IT facilities and services	-	100	-	1,443
S&T International LLC	Russian Federation	General trade of IT facilities and services	-	100	-	3,608

Figure SandT Holding Annual Report 2015

The company's website, now defunct and redirecting to an online gambling portal, prominently displayed the S&T logo and even the company name "S&T AG" on their footer⁶⁶. This is supported extensively by employee reviews who refer to Amphora and S&T interchangeably.

Guest (proxy server)

2 (about the company) / 2 (total) reviews from the computer

30.03.2013

50 views

★★★★★

Feedback about the company

I want to inform everyone that S&T is also an Amphora. Look at the address, if anything. Stepanov Maxim moved there, it was he who did not pay me a salary. It's funny, on the S&T website in the "Acknowledgments" section there are reviews of Amphora's customers :)))

Answer

Complain about

Figure 41 Amphora Group employee review

The whole group appeared to be under direct control of Alexander Malshakov with less-than-glowing employee reviews⁶⁷.

Malshakov spoke for S&T in Russia, claiming in an interview that S&T had purchased The Amphora Group in 2010 (they didn't), that they were investing in Russia in 2014 (they weren't) and that they planned further acquisitions in 2015 (they wouldn't)⁶⁸.

Complaints include late or illegal pay, almost complete loss of customers by 2014, difficult management, incompetency, and corruption. We question why Amphora was representing itself as S&T and the relationship between the two companies while Amphora was operating.

⁶⁵ <https://egrul.nalog.ru/index.html> enter "АМФОРА ГРУПП" and region "77 – Moscow"

⁶⁶ <https://web.archive.org/web/20150311095254/http://www.sntru.com/>

⁶⁷ <https://work-info.org/otzyvy-ob-it-kompaniyakh/107555-amphora-group-otzyvy-sotrudnikov-o-rabote>

⁶⁸ https://biz.cnews.ru/news/top/evropejskij_itprovajder_vydell desyatki