

Recommendation:
BUY Preliminary Q2'10

Risk:
Medium (Med.)

Price Target:
EUR 73 (€60)

6 August 2010

2010 guidance increased

Strong performance in Q2

Revenues will reach €277m and EBIT €21.2m

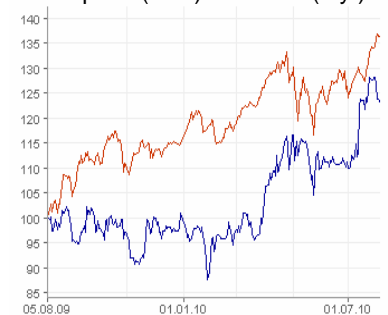
- Management increased guidance for the current financial year.** Revenues are expected to increase to €277m compared to €270m (previous guidance). Order intake will reach €286m compared to €251.7m previously. EBIT is expected to increase to €21.2m (previously €17.5m) and EBIT margin will reach 7.7% compared to 6.5%. EPS should increase to €6.10 per share (previously €5.40). Revenue and earnings growth will be mainly driven by strong demand for train door systems and the component business.
- Strong operating performance in the second quarter. The company reported preliminary Q2'10 results.** Revenues increased 2.7% to €71.8m. EBIT improved 15.5% to €6.1m and EBIT margin increased from 7.6% to 8.6% in the second quarter. Order intake jumped 23% to €75.1m. Especially the business division Mobile Transportation Technology contributed to this strong increase. The company profited from strong demand for door systems for railway vehicles. The business division Stationary Transportation Technology faced delayed deliveries for railway crossings in the first quarter attributable to the strong winter. This development could not quite be compensated in the second quarter.
- We leave our "BUY" recommendation unchanged but increased our price target from €60 per share to €73. The new guidance and the strong order intake in the second quarter is not reflected in the share price. According to our estimates the company is still undervalued compared to its major peers.

Key data

Y/E 31.12., in €m	2008	2009	2010E	2011E	2012E
Revenues	280	270	281	290	300
EBITDA	27.8	26.5	29.7	31.2	31.9
EBIT	21.9	20.3	23.1	24.4	25.0
Net profit	11.8	12.3	12.2	13.3	13.8
EPS	5.94	6.19	5.95	6.51	6.73
Dividend	0.50	0.70	0.50	0.60	0.70
EBITDA margin	9.9%	9.8%	10.5%	10.7%	10.6%
EBIT margin	7.8%	7.5%	8.2%	8.4%	8.3%
EV/EBITDA	5.3	5.0	5.1	4.9	4.9
EV/EBIT	6.7	6.6	6.6	6.3	6.2
P/E	6.9	5.7	8.0	7.3	7.1

Source: fairresearch, CBS Research AG, company data

Share price (blue) vs SDAX (1 y.)



Source: CBS Research AG, fairresearch

change	2010E		2011E		2012E	
	new	old	new	old	new	old
Revenues	281.4	257.4	290.1	265.3	299.9	274.3
EBITDA	29.7	29.9	31.2	32.7	31.9	33.5
EPS	5.95	6.32	6.51	7.43	6.73	7.62

Internet: www.schaltbau.de
WKN: 717030
Reuters: SLTG.DE

Sector: Mechanical Engineering
ISIN: DE0007170300
Bloomberg: SLT: GR

Short company profile:

Schaltbau Holding AG develops, manufactures and distributes products for mobile and stationary traffic technology and components for the capital goods industry.

Share data:

Share Price (Quote: 13:42): **EUR 47.50**
Shares outstanding (mill.): 1.87
Market capitalisation: EUR 88.9m
Enterprise Value (EV): EUR 132.6m
Ø daily trading volume (no. of shares): 7,019

Performance data:

High 52 weeks: EUR 50.00
Low 52 weeks: EUR 33.40
Absolute performance: (12 months) 23.8%
Relative performance (SDax):
1 month 3.3%
3 months -0.5%
6 months 14.1%
12 months -12.4%

Shareholders:

Dr. Cammann family: 11.81%
Zimmermann family: 10.09%
Golden Peaks Capital: 5.35%
IFOS International Fonds Service: 3.52%
Free float: 69.23%

Financial calendar:

Next event: Q2'10 – 13th, Aug. 10

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Investment Summary

New guidance published

Management published a new guidance for the current year. Revenues are expected to increase to €277m (previous guidance €270m) and EBIT is expected to reach €21.2m (previously €17.5m). Order intake should reach €286m compared to the previous guidance of €275m. The new guidance was mainly driven by the strong operating performance in the second quarter.

Strong performance in the second quarter

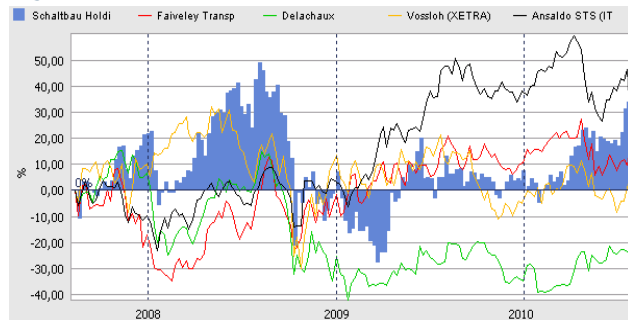
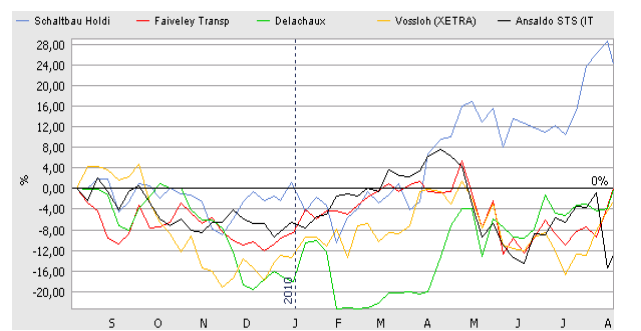
The company reported preliminary second quarter results. Final results will be published on 13th, August 2010. In the second quarter 2010 revenues increased 2.7% to €71.8m and EBIT increased 15.5% to €6.1m. EBIT margin improved from 7.6% to 8.6%. Net income increased 4.2% to €3.5m. Order intake jumped 23% to €75.1m. This high order intake was mainly responsible for management to increase the guidance for the current year. Order intake and revenues of the business division Mobile Transportation Technology was strong. According to the management the performance of the business unit door systems for railway vehicles was outstanding. The performance of the business division Stationary Transportation Technology suffered due to the delayed deliveries for railway crossings and point heating systems in the first quarter 2010. Business in the second quarter could not compensate completely due to the strong winter in the first quarter. As expected the business unit Brake Systems suffered. Revenues and earnings were well below the second quarter 2009. The weak order situation for new container terminals was mainly responsible for the underperformance. The business division Components performed strongly in the second quarter. Revenues for switches and contactors increased considerably.

Share price and valuation - a different story

In the second quarter the company returned back to the growth path. The increased guidance for the current year and the strong fundamentals should help to increase the share price. So far the relative performance improved but still has to continue. Compared to its major peers the company was only able to outperform Vossloh and Delachaux in the last three months. During the last three years the company also managed to outperform its major peers. However based on our valuation model the company is still undervalued.

**Stationary
Transportation
Technology is catching
up**

**Share price is not
really reflecting the
operating performance**

3-years share price performanceSource: [fairesearch](#), [Euroland.com](#)**1-year share price performance**Source: [fairesearch](#), [Euroland.com](#)**The company is still undervalued**

The strong operating performance in the second quarter, the high order intake and the increased guidance is still not reflected in the share price. We therefore carried out a DCF analysis and a valuation based on multiple comparisons. Our peer group consists of five companies which are comparable in size and business model. We compared Schaltbau with Vossloh, Delachaux (France), Faiveley (France), Invensys (UK) and Ansaldo (Italy). The total market capitalisation of these companies reached €5.54bn or a median market capitalisation of €956m.

Valuation Summary

Schaltbau AG	2010E	2011E	2012E
EV/Sales	92.54	90.10	87.58
EV/EBITDA	72.03	71.56	68.83
EV/EBIT	62.61	62.37	60.08
P/E multiples	67.86	70.11	68.48
DCF-valuation	67.84	67.84	67.84
median value per share	67.86	70.11	68.48

Source: [fairesearch](#)

We also exercised a DCF analysis. The DCF analysis gives a fair value of €67.84 per share. We used a WACC of 7.45%, a leveraged Beta of 0.9 and a terminal growth rate of 1.5%.

The fair weighted value based on the core sample ranges between €70.93 in 2012E and €72.60 per share in 2011E (average share price of €71.77).

**Price target of €73.00
per share realistic**

Schaltbau weighted price target

Valuation	2011E	weighting	weighted	2012E	weighting	weighted
EV/Sales	90.10	20%	18.02	87.58	20%	17.52
EV/EBITDA	71.56	15%	10.73	68.83	15%	10.32
EV/EBIT	62.37	15%	9.36	60.08	15%	9.01
P/E multiples	70.11	25%	17.53	68.48	25%	17.12
DCF-valuation	67.84	25%	16.96	67.84	25%	16.96
price target	100%		72.60	100%		70.93

Source: [fairesearch](#)

Second quarter results (P)

Second quarter results 2006-2010 (P)

(EURm)	Q2`06	Q2`07	Q2`08	Q2`09	Q2`10P	% +/-	Q1-Q2`10P	% +/-
Revenues	54.4	54.3	75.0	69.9	71.8	2.7%	133.9	-6.1%
Mobile traffic technology	39.8	39.6	28.1	26.8	28.0	4.4%	56.8	3.4%
Stationary traffic technology	14.6	14.7	29.1	25.4	25.8	1.5%	40.5	-22.1%
Components			17.9	17.7	18.0	1.8%	36.6	2.9%
Changes in stocks of goods	-0.8	-0.4	1.0	-5.6	-4.0		-0.9	
Other capitalized work	0.5	0.2	0.2	0.2	0.3		0.7	
Total operating performance	54.1	54.198	76.2	64.5	68.1	5.6%	133.7	-1.8%
Material expenses	27.0	26.5	40.5	31.4	33.8	7.6%	66.6	-2.1%
Personnel expenses	18.3	18.4	20.0	20.5	22.0	7.4%	43.6	5.2%
Depreciation	1.3	1.3	1.4	1.5	1.6	3.8%	3.1	2.4%
Other income	0.2	0.6	0.3	1.0	1.2	25.4%	2.3	28.8%
Other expenses	4.4	5.3	7.3	6.7	5.8	-14.1%	12.4	-11.1%
Total Expenses	50.8	50.8	68.8	59.2	62.0	4.7%	123.4	-1.0%
EBITDA	4.6	4.6	8.8	6.9	7.7	12.8%	13.4	-7.1%
<i>EBITDA margin</i>	8.4%	8.5%	11.7%	9.8%	10.8%		10.0%	
EBITA	3.3	3.3	7.4	5.3	6.1	15.5%	10.3	-9.6%
<i>EBITA margin</i>	6.1%	6.2%	9.8%	7.6%	8.6%		7.7%	
Amortisation	0.0	0.0	0.0	0.0	0.0		0.0	
EBIT	3.3	3.3	7.4	5.3	6.1	15.5%	10.3	-9.6%
<i>EBIT margin</i>	6.1%	6.2%	9.8%	7.6%	8.6%		7.7%	
Income/losses from at equity	0.1	0.6	0.6	0.3	0.3	4.2%	0.5	8.2%
Income/losses from participations	0.0	0.0	0.0	0.0	0.0		0.0	
Other financial results	0.0	0.0	0.0	0.0	0.0		0.0	
Total financials	0.1	0.6	0.6	0.29	0.30		0.49	
Interest income	0.0	0.0	0.0	0.0	0.0	0.0%	0.1	4.1%
Interest expense	-1.0	-1.1	-1.6	-1.5	-1.4	-6.4%	-2.8	-6.3%
Interest results	-1.0	-1.1	-1.6	-1.5	-1.4	-6.6%	-2.7	-6.5%
PBT	2.4	2.9	6.4	4.2	5.1	0.2	8.1	-0.1
Taxes	0.26	0.41	0.8	0.4	1.0	132.9%	1.5	65.6%
Tax rate	10.8%	14.2%	12.0%	10.0%	19.0%		17.5%	
Profit after tax	2.14	2.49	5.64	3.74	4.12	10.2%	6.55	-18.4%
Minorities	-0.2	-0.23	-0.3	-0.38	-0.62	62.3%	-1.2	20.9%
Net reported profit	1.92	2.27	5.30	3.36	3.50	4.2%	5.34	-23.9%
EPS reported profit	1.03	1.21	2.63	1.78	1.71	-3.9%	2.60	-25.8%

Source: fairesearch, P=preliminary

Key ratios

Key ratios 2004-2012E

	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E
Revenues (€m)	215.0	203.9	212.7	232.1	280.2	269.8	281.4	290.1	299.9
EBITDA (€m)	14.1	17.1	16.8	19.4	27.8	26.5	29.7	31.2	31.9
EBITA (€m)	9.1	12.1	11.8	14.1	21.9	20.3	23.1	24.4	25.0
EBIT (€m)	9.1	12.1	11.8	14.1	21.9	20.3	23.1	24.4	25.0
Net Profit (€m)	2.0	3.9	5.0	7.2	11.8	12.3	12.2	13.3	13.8
Margins									
EBITDA margin	6.5%	8.4%	7.9%	8.3%	9.9%	9.8%	10.5%	10.7%	10.6%
EBITA margin	4.2%	5.9%	5.5%	6.1%	7.8%	7.5%	8.2%	8.4%	8.3%
EBIT margin	4.2%	5.9%	5.5%	6.1%	7.8%	7.5%	8.2%	8.4%	8.3%
Return on equity	-6.9%	-23.6%	-40.6%	-171.8%	190.7%	70.2%	49.8%	45.0%	36.2%
ROCE (incl.goodwill)	19.6%	23.6%	18.5%	22.7%	22.3%	18.2%	29.1%	22.5%	20.3%
Balance Sheet									
Enterprise Value (EV)	98.1	111.1	117.1	140.0	147.0	133.5	152.6	153.7	154.9
Net Debt/(cash) (€m)	70.1	58.5	55.2	60.5	56.6	52.8	43.7	42.2	43.6
Capital Employed (avg.)	67.4	69.7	71.8	76.0	82.5	90.4	99.9	107.8	115.0
Net working capital(€m)	30.16	32.76	35.67	38.77	45.54	53.71	61.30	65.33	71.23
Shareholders equity(€m)	-27.3	-15.3	-10.1	-2.1	8.6	20.5	31.8	39.3	47.3
Equity/Total assets (%)	-19.1%	-11.2%	-7.2%	-1.3%	5.1%	12.2%	17.6%	21.1%	24.8%
Net debt/Equity (%)	88.8%	68.8%	61.7%	54.4%	49.5%	52.2%	41.7%	41.2%	41.9%
Capital Efficiency/Solvability									
Sales/CE (incl. goodwill) (x)	3.0	2.7	2.7	2.8	3.2	2.8	2.7	2.6	2.5
Sales/Fixed assets (x)	5.6	5.4	5.7	5.8	7.0	6.5	6.5	6.4	6.3
Sales/Net working capital (x)	7.1	6.2	6.0	6.0	6.2	5.0	4.6	4.4	4.2
Inventories/Sales (days)	67.2	70.5	71.6	72.0	68.5	54.9	57.9	58.9	59.9
Trade receivables/Sales (days)	45.1	49.2	47.9	52.4	42.7	50.5	51.3	53.2	55.1
Trade creditors/Sales (days)	27.9	29.7	29.3	33.7	25.5	20.2	18.0	18.9	17.9
CAPEX/Depreciation (%)	0.9	0.7	1.0	2.5	1.4	1.6	1.7	1.8	1.9
Interest cover (x)	1.9	2.7	2.7	2.5	3.4	3.5	4.1	4.7	5.1
Dividend payout (%)	0.0%	2.4%	5.6%	7.8%	7.9%	10.6%	7.7%	8.4%	9.5%
Tax ratio	36.2%	36.0%	29.9%	18.6%	17.3%	16.7%	21.0%	21.0%	22.0%
Valuation									
EPS (€)	1.42	2.34	2.67	3.85	5.94	6.19	5.95	6.51	6.73
CFPS (€)	5.41	5.55	5.36	6.66	9.55	9.90	10.06	10.76	11.09
DPS (€)	0.00	0.06	0.15	0.30	0.50	0.70	0.50	0.60	0.70
Book Value (€)	(22.05)	(10.32)	(6.58)	(2.24)	3.33	9.42	13.11	15.86	20.39
Adjusted Book Value (€)	(25.87)	(13.92)	(9.86)	(5.02)	0.62	6.71	10.29	12.93	17.34
P/E	6.6	9.8	9.3	9.3	6.9	5.7	8.0	7.3	7.1
P/CF	1.7	4.1	4.6	5.4	4.3	3.5	4.7	4.4	4.3
P/Book	-0.4	-2.2	-3.8	-15.9	12.4	3.7	3.6	3.0	2.3
Dividend yield(%)	0.0%	0.3%	0.6%	0.8%	1.2%	2.0%	1.1%	1.3%	1.5%
EV/Sales (x)	0.5	0.5	0.6	0.6	0.5	0.5	0.5	0.5	0.5
EV/EBITDA (x)	7.0	6.5	7.0	7.2	5.3	5.0	5.1	4.9	4.9
EV/EBIT (x)	10.8	9.2	9.9	9.9	6.7	6.6	6.6	6.3	6.2
EV/Capital Employed (x)	1.5	1.6	1.6	1.8	1.8	1.5	1.5	1.4	1.3
EV/CE (incl. goodwill) (x)	1.4	1.5	1.5	1.7	1.7	1.4	1.5	1.4	1.3

Source: [fairresearch](#)

Valuation overview

Valuation matrix 2007-2012E

EV/Sales	2007	2008	2009	2010E	2011E	2012E
Ansaldo	2007	2008	2009	2010E	2011E	2012E
Delachaux	1.01	0.86	0.81	0.76	0.72	0.69
Faiveley	1.11	0.93	1.13	1.07	1.01	0.95
Invensys	1.81	1.47	1.43	1.35	1.27	1.20
Vossloh	1.19	1.10	1.12	1.06	1.01	0.97
median	1.39	0.89	0.98	0.85	0.80	0.74
Schaltbau AG	1.19	0.93	1.12	1.06	1.01	0.95
Schaltbau AG	0.60	0.52	0.49	0.54	0.53	0.52

EV/EBITDA	2007	2008	2009	2010E	2011E	2012E
Ansaldo	8.47	7.44	6.95	6.54	6.07	5.68
Delachaux	8.12	6.47	8.46	7.84	7.43	7.03
Faiveley	12.30	9.69	9.20	8.52	7.89	7.30
Invensys	6.50	9.94	8.32	7.81	7.45	7.15
Vossloh	10.14	6.44	7.11	6.49	6.16	5.62
median	8.47	7.44	8.32	7.81	7.43	7.03
Schaltbau AG	7.24	5.28	5.05	5.15	4.93	4.85
Schaltbau AG	55.60	66.88	78.31	72.03	71.56	68.83

EV/EBIT	2007	2008	2009	2010E	2011E	2012E
Ansaldo	9.34	8.10	7.62	7.12	6.65	6.22
Delachaux	8.87	7.10	9.42	8.72	8.26	7.83
Faiveley	14.15	10.99	10.58	9.66	8.83	8.06
Invensys	7.95	14.12	11.27	10.53	10.08	9.71
Vossloh	12.77	7.83	8.38	7.61	7.27	6.64
median	9.34	8.10	9.42	8.72	8.26	7.83
Schaltbau AG	9.93	6.72	6.57	6.61	6.29	6.19
Schaltbau AG	44.65	57.22	68.08	62.61	62.37	60.08

P/E multiples	2007	2008	2009	2010E	2011E	2012E
Ansaldo	18.45	13.31	11.77	11.00	10.34	9.79
Delachaux	13.55	9.94	12.35	11.40	10.73	10.18
Faiveley	20.49	15.00	16.93	16.62	14.41	12.51
Invensys	6.63	16.93	15.07	14.21	13.60	13.10
Vossloh	17.39	7.64	11.59	10.99	10.77	10.01
median	17.39	13.31	12.35	11.40	10.77	10.18
Schaltbau AG	9.27	6.94	5.67	7.98	7.30	7.06
Schaltbau AG	89.13	91.12	103.48	67.86	70.11	68.48

Schaltbau AG	2007	2008	2009	2010E	2011E	2012E
EV/Sales	93.83	84.01	107.53	92.54	90.10	87.58
EV/EBITDA	55.60	66.88	78.31	72.03	71.56	68.83
EV/EBIT	44.65	57.22	68.08	62.61	62.37	60.08
P/E multiples	89.13	91.12	103.48	67.86	70.11	68.48
DCF-valuation				67.84	67.84	67.84
median value per share	72.36	75.44	90.90	67.86	70.11	68.48

Source: [fairesearch](#)

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Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
23 rd . July 2009	Buy	EUR 37.51 (Prel.Q2`09)	60.00 EUR
3 rd , November 2009	Buy	37.00 EUR (Preview Q3)	60.00 EUR
19 th , November 2009	Buy	35.53 EUR (Final Q3)	60.00 EUR
8 th , February 2010	Buy	36.75 EUR (Prel.2009)	60.00 EUR
21 st , May 2010	Buy	41.74 EUR (Final Q1)	60.00 EUR

5 th , August 2010	Buy	47.50 EUR (Prel.Q2)	73.00 EUR (60.00 EUR)
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MEDIUM: The volatility is expected to be equal to the volatility of the benchmark

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