

Recommendation:
BUY Prel.results 2009Risk:
Medium (Med)Price Target:
EUR 60 (€60)

08 February 2010

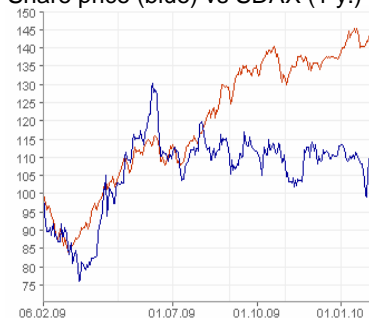
Solid results in 2009

Still undervalued

Estimated EBIT margin reached 7.8%

- The company reported preliminary 2009 results. Revenues declined** 3.5% to €270.5m. According to our estimates EBITDA decreased 3% to €27m and EBIT 3.9% to €21m. EBITDA margin should have increased from 8.3% to 10% and EBIT margin remained unchanged at 7.8% (estimate). According to the management revenues of the business division components declined attributable to reduced demand for industrial products. The division "Stationary traffic technology also suffered especially the unit "Brake Systems". Capex into the expansion of new port capacities was hit by the economic crisis. Revenues of "Rail Infrastructure" remained flat. Revenues of "Mobile Transportation Technology" increased mainly driven by strong demand for door systems for railway vehicles. Order intake in 2009 reached €251.6m compared to €281.2m in 2008. The company still reported a strong order backlog of €164.3m (-9.5%) compared to €181.6m in 2008.
- In the fourth quarter ending December the company reported a strong performance.** Order intake increased for the first time during the year from €57.1m to €58.2m. Growth was mainly attributable to rising demand in the business division Rail Infrastructure.
- Solid guidance for 2010. Management is expecting revenues to remain flat.** EBITDA margin is expected to decline to 9.1% and EBIT margin to 6.5%. Order intake will reach €275m and order backlog €170m.
- We leave our "BUY" recommendation and price target of €60 per share unchanged.

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



Source: CBS Research AG, fairesearch

change	2009P		2010E		2011E	
	new	old	new	old	new	old
Revenues	270.5	273.0	257.4	275.4	265.3	285.1
EBITDA	27.0	27.0	25.5	25.3	28.3	26.5
EPS	6.54	5.67	5.61	5.08	6.68	5.35

Internet: www.schaltbau.de
WKN: 717030
Reuters: SLTG.DE
Sector: Mechanical Engineering
ISIN: DE0007170300
Bloomberg: SLT:GR

Share data:

Share Price (Quote: 11:17): **EUR 36.75**
Shares outstanding (mill.): 1.87
Market capitalisation: EUR 68.8m
Enterprise Value (EV): EUR 107.7m
Ø daily trading volume (no. of shares): 4,170

Performance data:

High 52 weeks: EUR 45.00
Low 52 weeks: EUR 25.01
Absolute performance: (12 months) 9.1%
Relative performance (SDax):
1 month -1.6%
3 months -1.0%
6 months -19.9%
12 months -30.1%

Shareholders:

Dr. Cammann family: 11.81%
Zimmermann family: 10.09%
Golden Peaks Capital: 9.51%
IFOS International Fonds Service: 3.52%
Free float: 65.07%

Financial calendar:

Next event: 2009 – 21st, April 10

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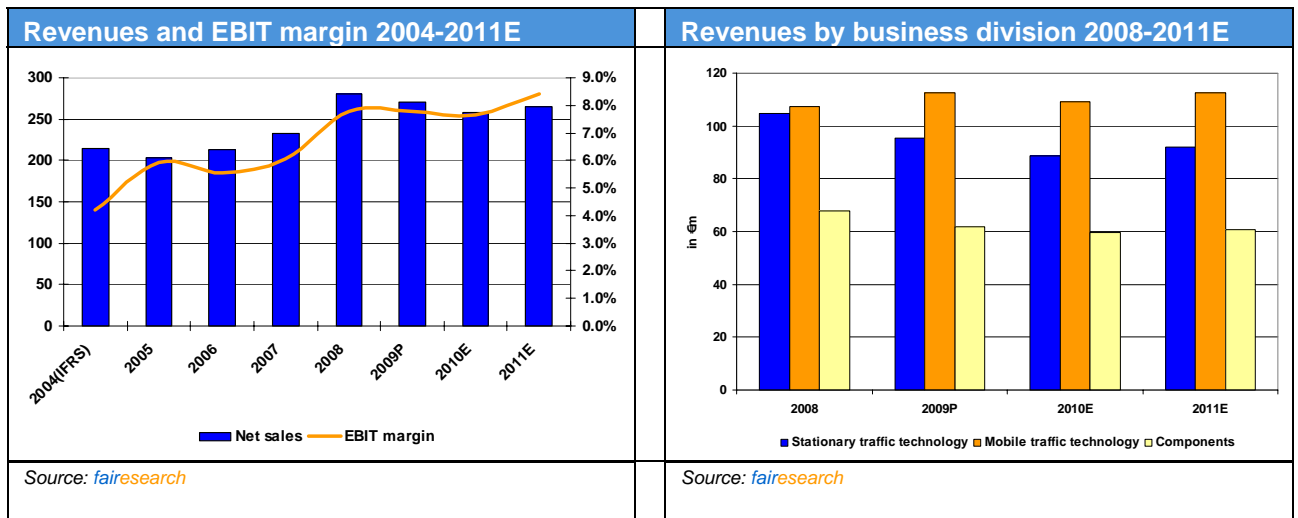
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Key data

Y/E 31.12., in €m	2007	2008	2009P	2010E	2011E
Revenues	232.1	280.2	270.5	257.4	265.3
EBITDA	19.4	27.8	27.0	25.5	28.3
EBIT	14.1	21.9	21.0	19.7	22.3
Net profit	7.2	11.8	13.4	11.5	13.7
EPS	3.85	5.94	6.54	5.61	6.68
EBITDA margin	8.3%	9.9%	10.0%	9.9%	10.7%
EBIT margin	6.1%	7.8%	7.8%	7.7%	8.4%
EV/EBITDA	6.2	4.6	4.5	4.1	3.5
EV/EBIT	8.6	5.9	5.8	5.3	4.5
P/E	9.3	6.9	6.3	6.6	5.5

Source: fairesearch, CBS Research AG, company data; P=preliminary

Investment Summary



Management reported preliminary 2009 results. Revenues declined 3.5% to €270.5m. According to our estimates EBITDA decreased by 3% to €27m. EBITDA margin however increased marginally from 9.9% to 10%. EBIT declined 3.9% to €21m and EBIT margin remained unchanged at 7.8%. Net income increased 2.3% from €13.1m to €13.4m including extraordinary gains of the sale of a business unit in China (around €0.80m). Management sold its minority stake because local management opted for a different strategy. The infrastructure business in China will continue to grow therefore management is looking for a new joint venture partner.

Share price performance difficult to understand



The present share price performance of the company is difficult to understand. Management reported solid results and gave a realistic outlook for the current year. Therefore all negative news should be priced in. During 2009 the share price moved sideways after the recovery in the first half year. We assume that institutional investors are using the opportunity to sell the shares at a specific price over the counter. Therefore it was difficult to outperform the market. When taking

the valuation under consideration the company is still undervalued based on P/E multiples. Consensus estimates are expecting EPS of €5.26 for 2010 and €6 per share for 2011. Even based on the consensus estimates for 2011 with a P/E of 6 the company is undervalued. We leave our “Buy” recommendation and price target of €60 per share unchanged.

Solid guidance for 2010

The difficult economic environment will continue throughout 2010. Therefore management is expecting revenues to remain flat at €270m. Order intake will reach €275m and order backlog €170m. EBITDA margin is expected to decline to 9.1% and EBIT margin to 6.5%. This decline is attributable to higher personnel costs. According to the management personnel costs will increase €3.5m in the current year.

Fourth quarter results (preliminary)

Fourth quarter results 2006-2009 (preliminary)

PROFIT & LOSS (EURm)	Q4'06	Q4'07	Q4'08	Q4'09P	% +/-
Revenues	54.3	64.8	68.8	65.1	-5.4%
Mobile traffic technology	36.7	33.7	27.3	30.5	11.8%
Stationary traffic technology	17.5	31.0	25.0	23.5	-6.3%
Components			16.5	11.1	
Changes in stocks of goods	1.5	2.3	-1.6	5.2	
Other capitalized work	0.5	0.2	0.3	0.4	27.3%
Total operating performance	56.2	67.3	67.5	70.7	4.8%
Material expenses	29.3	37.7	37.0	40.8	10.2%
Personnel expenses	17.6	19.1	19.7	16.2	-17.9%
Depreciation	1.3	1.4	1.7	1.5	-10.4%
Other income	1.6	1.9	3.2	1.3	-58.8%
Other expenses	6.0	6.9	8.5	7.7	-9.0%
Total Expenses	52.5	63.1	63.8	65.0	1.8%
EBITDA	5.0	5.6	5.4	7.3	34.6%
EBITDA margin	9.3%	8.6%	7.8%	11.2%	
EBITA	3.8	4.2	3.7	5.7	55.5%
EBITA margin	6.9%	6.5%	5.3%	8.8%	
Amortisation	0.0	0.0	0.0	0.0	
EBIT	3.8	4.2	3.7	5.7	55.5%
EBIT margin	6.9%	6.5%	5.3%	8.8%	
Income/losses from at equity	0.7	0.2	-0.9	0.1	-109.5%
Income/losses from participations	0.0	0.0	0.0	0.0	
Other financial results	0.0	0.0	0.0	0.0	
Total financials	0.7	0.2	-0.9	0.1	
Interest income	0.0	0.1	0.1	0.8	
Interest expense	-1.4	-1.8	-1.6	-0.7	
Interest results	-1.4	-1.7	-1.6	0.0	
PBT	3.1	2.7	1.2	5.85	
Taxes	1.4	0.7	0.7	2.4	
Tax rate	44.4%	26.2%	63.2%	40.6%	
Profit after tax	1.72	1.97	0.43	3.47	
Minorities	-0.1	-0.1	-0.3	0.3	
Net Profit before extraordinaries	1.58	1.89	0.15	3.82	
Net Profit before extra.& amortisation	1.58	1.89	0.15	3.82	
Extraordinary items	0.00	0.00	0.00	0.80	
Net reported profit	1.58	1.89	0.15	4.57	
EPS reported profit	0.84	1.01	0.07	2.23	

Source: [fairresearch](#)

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BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

SELL: The expected performance of the share price is below 0%.

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

Date	Recommendation	Price at change date	Price target
23 rd , February 2009	Buy	29.50 EUR (Prel. 2008e)	60.00 EUR
11 th , March 2009	Buy	EUR 29.90 (Prel.2008)	60.00 EUR
6 th , May 2009	Buy	EUR 34.75 (Prel.Q1`09)	60.00 EUR
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

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LOW: The volatility is expected to be lower than the volatility of the benchmark

MEDIUM: The volatility is expected to be equal to the volatility of the benchmark

HIGH: The volatility is expected to be higher than the volatility of the benchmark

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