Schaltbau Holding AG

Close Brothers Seydler Research AG

Recommendation:	Risk:	Price Target
BUY (BUY) Results Q3`09	Medium (Med.)	EUR 60 (€60.00)

19 November 2009

Operating performance stabilized

Still undervalued

EBIT margin reached 5.5%

- **In the third quarter 2009 ending September revenues declined 12.3%** to €62.4m (estimate: -9.3% to €64.6m). EBIT dropped 34.7% to €3.4m and EBIT margin declined to 5.5% (estimate: 5.3%) compared to 7.3% in Q3`08. Especially the business division “Stationary traffic technology” suffered most. EBIT margin plummeted from 11.4% to 3.6% and order intake declined 26.5% to €19.1m. Weak demand for locomotives and braking systems (lower freight volumes) and level crossings were mainly responsible for the underperformance.

- **In the first nine months revenues declined 3.1% to €204.9m. EBIT** dropped 18.5% (estimate: -24%) to €14.7m and EBIT margin from 8.6% to 7.2%. Net profit after minorities reached €8.35m (estimate: €7.67m) compared to €11.6m in the first nine months 2008. Order intake declined 13.7% to €193.4m with still a healthy book-to-bill ratio of 0.94. Order backlog dropped 12.1% to €170.1m.

- **Management is expecting stable business in the fourth quarter. The** company should profit from infrastructure investments which are now gaining momentum. Therefore management is confident to reach revenues of €270m and an EPS (diluted) of €5.80 per share. In 2010 revenues is expected to remain flat and EPS (diluted) will decline to €5.10 mainly attributable to higher personnel expenses.

- We leave our “BUY” recommendation and price target of €60 per share unchanged. In 2009 equity ratio will reach 11.6% and in 2010 management is expecting an equity ratio of 17.2% or €15.2 per share.

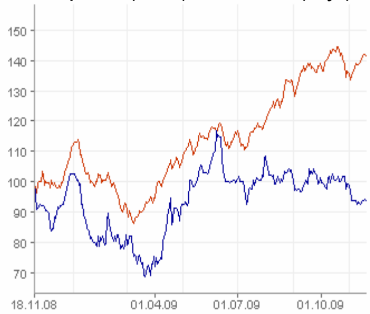
Key data

Y/E 31.12., in €m	2007	2008	2009E	2010E	2011E
Revenues	232.1	280.2	273.0	275.4	285.1
EBITDA	19.4	27.8	27.0	25.3	26.5
Net profit	7.2	11.8	11.6	10.4	11.0
EPS	3.85	5.94	5.67	5.08	5.35
EBITDA margin	8.3%	9.9%	9.9%	9.2%	9.3%
EBIT margin	6.1%	7.8%	7.8%	7.1%	7.2%
EV/EBITDA	6.2	4.6	4.1	4.1	3.7
EV/EBIT	8.6	5.9	5.2	5.3	4.8
P/E	9.3	6.9	6.3	7.0	6.6

Source: fairesearch, CBS Research AG, company data

Information sourced from fairesearch, Analyst Heinz Steffen

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



Source: CBS Research AG, Deutsche Börse AG

change	2009E		2010E		2011E	
	new	old	new	old	new	old
Revenues	273.0	285.3	275.4	294.5	285.1	303.6
EBITDA	27.0	25.1	25.3	24.4	26.5	25.3
EPS	5.67	5.52	5.08	4.33	5.35	4.72

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

Share data:	
Share Price:	EUR 35.53
Shares outstanding (mill.):	1.87
Market capitalisation:	EUR 66.5m
Enterprise Value (EV):	EUR 114.6m
Ø daily trading volume:	2,690

Performance data:	
High 52 weeks:	EUR 45.00
Low 52 weeks:	EUR 25.01
Absolute performance: (12 months)	-5.7%
Relative performance (SDax):	
1 month	-5.2%
3 months	-18.3%
6 months	-32.7%
12 months	-47.8%

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: Q4`09 – 21st, April 10
www.schaltbau.de

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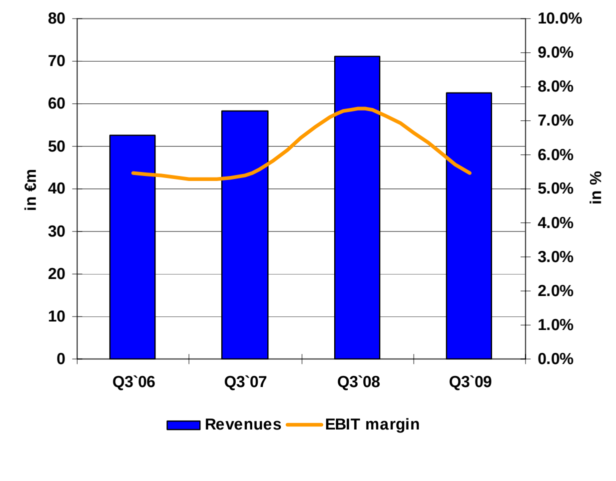
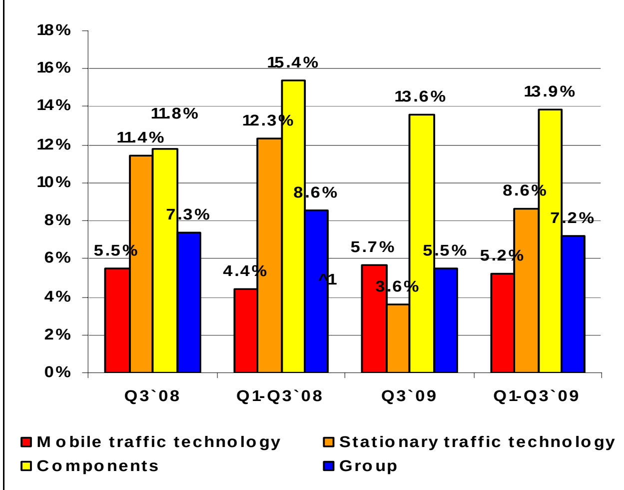
Investment Summary

Revenues and EBIT margin in Q3`06-2009	EBIT margin by division
	
Source: fairesearch	Source: fairesearch

Revenues in the third quarter declined 12.3% to €62.4m and EBIT 34.7% to €3.4m. The business division components still generated a solid EBIT margin even in a difficult quarter. EBIT margin increased from 11.8% to 13.6% and revenues declined 8.7% from €16.8m compared to €15.3m in 2008. Order backlog nearly remained stable at €32m. The business division components supplies connectors, switches, contactors and control devices to numerous industrial customers. Although the industrial business weakened the company managed to improve the operating performance. Revenues and operating performance of the division “Stationary traffic technology” however suffered most. Revenues declined 23.5% to €20m and EBIT margin dropped from 11.4% to 3.6%. Order intake declined 26.5% to €19.1m. “Stationary Traffic Technology” mainly depends on infrastructure investments. Although the German government announced a large stimulus package investments in railway infrastructure has not really taken off. In addition demand for crane braking systems decreased attributable to the economic decline. In the previous year this unit mainly contributed to the operating performance of “Stationary Traffic Technology”.

Revenues of the business division “Mobile Traffic Technology” declined only 4% to €27m. Order intake however dropped 39.4% to €18.9m. EBIT margin increased from 5.5% to 5.7% which surprised us. Management already restructured the Bode Group (door systems for railways and buses) very early and reduced personnel costs. In addition the business profited from lower raw material prices.

Solid guidance for 2009

The outlook for the company based on the strong order backlog of €170.1m is stable. Management is expecting revenues to reach €270m and an EBIT margin of 7.8% (EBIT of €21m). Earnings per share should reach €6.20 and diluted €5.80. In 2010 revenues are expected to remain flat at around €270m. EBIT will decline 20% to €17.5m with an EBIT margin of 6.5%. EPS (basic) should reach €5.40 and diluted €5.10. In 2009 the operating performance of the company mainly profited from lower material costs and early restructuring efforts. We do not expect this positive effect to continue in 2010.

Conclusions

The solid performance of the company is not really reflected in the share price. For 2010 our conservative estimates are suggesting a P/E of 7.0 and 6.6 for 2011. Even based on consensus estimates the company is still undervalued. Over the past years fundamentals improved considerably. Net profit nearly tripled from €3.8m in 2005 to €11.8m in 2008. Group equity increased from negative €15.3m to positive €8.6m in 2008 and €19.8m (e) in 2009. The equity ratio will reach 11.6% and 17.2% or €28.4m in 2010 (company estimates) which already looks quite comfortable.

Consensus and fairesearch estimates

EPS forecasts	2009E	2010E	2011E
Consensus	6.1	5.6	6.3
fairesearch	**5.7**	**5.1**	**5.3**
Consensus P/E	5.8	6.4	5.7
fairesearch P/E	**6.3**	**7.0**	**6.6**

Source: fairesearch

Third quarter results

Third quarter results 2006-2009

in €m	Q3`06	Q3`07	Q3`08	Q1-Q3`08	Q3`09	% +/-	Q1-Q3`09	% +/-
Revenues	52.6	58.2	71.2	211.3	62.4	-12.3%	205.0	-3.0%
Mobile traffic technology	40.0	38.0	28.2	80.2	27.0	-4.0%	82.0	2.3%
Stationary traffic technology	12.6	20.2	26.2	79.9	20.0	-23.5%	72.0	-9.8%
Components			16.8	51.3	15.3	-8.7%	50.9	-0.8%
Changes in stocks of goods	0.3	1.5	0.5	2.9	-1.4		-8.3	
Other capitalized work	0.5	0.3	0.2	0.5	0.3	90.5%	0.8	42.1%
Total operating performance	**53.4**	**60.1**	**71.9**	**214.8**	**61.3**	**-14.7%**	**197.4**	**-8.1%**
Material expenses	27.4	31.2	39.0	113.9	31.7	-18.9%	99.7	-12.5%
Personnel expenses	18.2	19.3	20.2	59.6	19.8	-2.0%	61.2	2.7%
Depreciation	1.3	1.3	1.5	4.3	1.4	-4.6%	4.5	4.9%
Other income	0.7	0.4	0.4	1.0	0.9	102.3%	2.6	170.2%
Other expenses	4.4	5.4	6.4	19.9	6.0	-7.2%	19.9	-0.1%
Total Expenses	**50.6**	**56.9**	**66.7**	**196.7**	**57.9**	**-13.1%**	**182.6**	**-7.2%**
EBITDA	**4.1**	**4.5**	**6.7**	**22.3**	**4.8**	**-28.1%**	**19.3**	**-13.8%**
EBITDA margin	7.9%	7.7%	9.4%	10.6%	7.7%		9.4%	
EBITA	**2.9**	**3.1**	**5.2**	**18.1**	**3.4**	**-34.7%**	**14.8**	**-18.2%**
EBITA margin	5.5%	5.4%	7.3%	8.6%	5.5%		7.2%	
Amortisation	0.0	0.0	0.0	0.0	0.0		0.0	
EBIT	**2.9**	**3.1**	**5.2**	**18.1**	**3.4**	**-34.7%**	**14.8**	**-18.2%**
EBIT margin	5.5%	5.4%	7.3%	8.6%	5.5%		7.2%	
Income/losses from at equity	0.3	0.4	0.5	1.3	0.3	-46.8%	0.7	-44.1%
Income/losses from participations	0.0	0.1	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	**0.3**	**0.5**	**0.49**	**1.3**	**0.26**		**0.7**	**-43.9%**
Interest income	0.0	0.0	0.0	0.1	0.0	-132.7%	0.0	-76.9%
Interest expense	-1.0	-1.5	-1.8	-5.0	-1.4	-18.6%	-4.4	-11.8%
Interest results	**-1.0**	**-1.5**	**-1.7**	**-4.8**	**-1.4**	**-15.3%**	**-4.3**	**-9.9%**
PBT	2.2	2.2	4.01	14.5	2.23	-44.4%	11.2	-23.1%
Taxes	0.4	0.3	0.62	2.0	0.56	-9.4%	1.5	-25.8%
Tax rate	19.1%	12.8%	15.3%	13.7%	13.0%		13.2%	
Profit after tax	**1.76**	**1.93**	**3.40**	**12.5**	**1.68**	**-50.7%**	**9.69**	**-22.7%**
Minorities	-0.1	0.0	-0.23	-0.9	-0.34	47.0%	-1.3	42.0%
Net reported profit	**1.64**	**1.89**	**3.16**	**11.60**	**1.33**	**-57.9%**	**8.35**	**-28.0%**
EPS reported profit (diluted)	**0.88**	**1.01**	**1.59**	**5.78**	**0.69**	**-56.6%**	**4.20**	**-27.3%**

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BUY: The expected performance of the share price is above +10%.
NEUTRAL: The expected performance of the share price trend is between +5% and +10%.
SELL: The expected performance of the share price is below 5%.

Recommendation history for the company analysed in this report:

Date	Recommendation	Price at change date	Price Target
26th April 2008	Buy	44.15 EUR (Initiating Coverage)	70.30 EUR
29th May 2008	Buy	49.49 EUR (Q1 results)	77.27 EUR
27th August 2008	Buy	48.11 EUR (Q2 results)	77.27 EUR
24th October 2008	Buy	34.75 EUR (Q3 prel.)	70.00 EUR
23rd, February 2009	Buy	29.50 EUR (Prel. 2008e)	60.00 EUR
11th, March 2009	Buy	29.90 EUR (Prel. 2008)	60.00 EUR
6th, May 2009	Buy	34.75 EUR (Prel. Q1`09)	60.00 EUR
23rd, July 2009	Buy	37.51 EUR (Prel. Q2`09)	60.00 EUR
3rd, November 2009	Buy	37.00 EUR (Preview Q3)	60.00 EUR
19th, November 2009	Buy	35.53 EUR (Final Q3)	60.00 EUR

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

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