

Recommendation:
BUY Preliminary Q3 results

Risk:
Medium

Fair Value:
EUR 70 (€77.27)

24 October 2008

Moderate but solid outlook for 2009

Strong performance in Q3

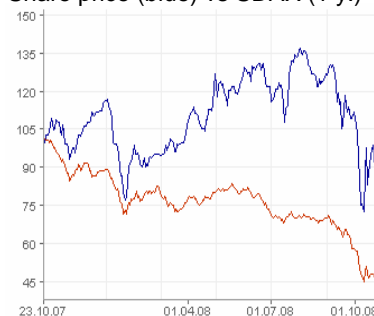
Guidance for 2008 revised upwards

- For 2008 management revised guidance upwards again. Revenues are now expected to reach €280m (previous guidance €263m) compared to €232.1m in 2007. EBIT should reach €19.7m instead €17.7m. In 2007 EBIT increased to €14.1m. Net income after minorities will be €11.6m compared to €10.3m previously guided. However this guidance was already reached in the first nine months.
- During the first nine months order intake increased 7.1% to €224m (mainly acquisition driven) and order backlog reached €193.7m (+6%) at the end of September (book-to-bill ratio of 0.92 compared to 1.09). Revenues in the first nine months increased 25.8% to €211.3m and EBIT jumped 72.4% to €18.1m. EBIT margin improved from 6.3% to 8.6%. EPS jumped from €3.16 to €6.20 and already reached our previous estimate for the whole year 2009.

Cautious outlook for 2009

- For 2009 management is expecting revenues and EBIT to remain on the same level as in 2008. This stable outlook took the financial crisis and the weakening of the economy already into account.
- We leave our "BUY" recommendation unchanged but adjusted our revenue and earnings forecast for the years 2008-2010 accordingly. We also reduced our target price from €77.27 to €70 per share.

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



Source: CBS Research AG, fairesearch

change	2008E		2009E		2010E	
	new	old	new	old	new	old
Revenues	280.1	263.0	290.2	276.8	305.8	289.9
EBITDA	25.1	26.4	26.3	27.5	27.8	29.9
EPS	6.29	5.81	6.74	6.24	7.19	7.12

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

Sector: Mechanical Eng.
ISIN: DE0007170300
Bloomberg: SLT:GR

Share data:

Share Price:	EUR 34.75
Shares outstanding (mill.):	1.868
Market capitalisation:	EUR 65.0m
Enterprise Value (EV):	EUR 120.8m
Ø daily trading volume:	8,054

Performance data:

High 52 weeks:	EUR 55.68
Low 52 weeks:	EUR 27.80
Absolute performance: (12 months)	-10.7%
Relative performance (SDax):	
1 month	6.4%
3 months	3.0%
6 months	19.1%
12 months	47.7%

Shareholders:

Dr. Cammann family:	11.1%
Zimmermann family:	9.5%
Golden Peaks Capital:	9.7%
IFOS International Fonds Service:	3.5%
Universal Investment:	2.8%

Financial calendar:

Next event: Q3'08 – 7th, Nov. 08

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Key data

Y/E 31.12., in €m	2006	2007	2008E	2009E	2010E
Revenues	212.7	232.1	280.1	290.2	305.8
EBITDA	16.8	19.4	25.1	26.3	27.8
Net profit	5.0	7.2	11.8	12.6	13.4
EPS	2.67	3.85	6.29	6.74	7.19
EBITDA margin	7.9%	8.3%	9.0%	9.1%	9.1%
EBIT margin	5.5%	6.1%	7.0%	7.1%	7.1%
EV/EBITDA	5.8	6.2	4.8	4.2	3.7
EV/EBIT	8.3	8.6	6.2	5.4	4.8
P/E	9.3	9.3	5.5	5.2	4.8

Source: fairesearch, CBS Research AG, company dataSource:

Information sourced from fairesearch, Analyst Heinz Steffen

Investment Summary

Nine months and third quarter preliminary results

in €m	Q1-Q3'07	Q3'07	Q4'07	2007	Q1-Q3'08	y-o-y	Q3'08	y-o-y
Revenues	167.9	58.2	64.2	232.1	211.3	25.8%	71.2	22.3%
EBIT	10.5	3.2	3.6	14.1	18.1	72.4%	5.2	62.5%
EBIT margin	6.3%	5.5%	5.6%	6.1%	8.6%		7.3%	
Net profit	6.8	1.9	1.4	8.2	12.5	83.8%	3.4	78.9%
Net margin	4.1%	3.3%	2.2%	3.5%	5.9%		4.8%	
Net profit after minorities	5.9	1.9	1.3	7.2	11.6	96.6%	3.2	68.4%
Net margin after minorities	3.5%	3.3%	2.0%	3.1%	5.5%		4.5%	
EPS	3.15	1.02	0.69	3.85	6.20	96.6%	1.71	68.4%

Source: [fairesearch](#)

Revenues in the first nine months increased 25.8% to 211.3m and EBIT jumped 72.4% to €18.1m. Net profit after minorities increased 96.6% to €11.6m compared to €5.9m in the first nine months 2007. EPS of €6.20 already reached the level of the new guidance for the whole year. Despite the strong operating performance management is cautious about the future economic development. Therefore the EPS target of €6.20 is a very conservative estimate for the whole year.

We do not assume that management is planning additional restructuring efforts in the fourth quarter. The homework, e.g. the streamlining of the production of bus door systems, has already been done. According to our assumptions management should be able to achieve a profitable fourth quarter without any restructuring charges. For some smaller suppliers of Schaltbau AG the credit crunch and the uncertainty of banks to grant loans in a difficult economic environment could have a negative impact on financing further growth. Therefore management of Schaltbau AG might support its suppliers.

2009 will be challenging

In 2009 management is expecting to reach the same revenue and EBIT level as in 2008. According to the conservative guidance for 2008 revenues should at least reach €280m and EPS €6.20. In the fourth quarter 2008 net income should reach nearly €2m, but will be booked as provisions to secure further risks. We therefore increased our estimates for other expenses accordingly. The downturn in the economy will also hit Schaltbau AG. Especially the automotive business (28.9% of revenues) and the capital goods business (21.2%) might be affected negatively. However we expect management to adjust production capacity to demand.

Consensus estimates not adjusted yet

Consensus versus fairesearch estimates 2008E-2010E

EPS forecasts	2008E	2009E	2010E
Consensus	5.80	6.34	7.45
fairesearch	6.29	6.74	7.19
Consensus P/E	6.0	5.5	4.7
fairesearch P/E	5.5	5.2	4.8

Source: [fairesearch](#), Thomson Financials

The consensus estimates are still not adjusted after management increased the guidance for the current year. We are confident that consensus estimates have to

be raised and we expect 2009 and 2010 estimates to be well above our estimates again. The low P/Es for 2009 and 2010 look quite attractive even if earnings estimates are too optimistic. Assuming a worst case scenario of 30% lower earnings in 2009 and 2010 (based on our estimates) the P/E of the company would increase to 7.35 in 2009 and 6.91 in 2010 respectively. We do not consider this valuation as being expensive.

Key ratios

Key ratios 2003-2010E

Schaltbau Holding AG	2003	2004	2005	2006	2007	2008E	2009E	2010E
Revenues (€m)	227.4	215.0	203.9	212.7	232.1	280.1	290.2	305.8
EBITDA (€m)	6.0	14.1	17.1	16.8	19.4	25.1	26.3	27.8
EBITA (€m)	-2.5	9.1	12.1	11.8	14.1	19.5	20.5	21.6
EBIT (€m)	-2.5	9.1	12.1	11.8	14.1	19.5	20.5	21.6
Net Profit (€m)	-14.4	2.0	3.9	5.0	7.2	11.8	12.6	13.4
Margins								
EBITDA margin	2.6%	6.5%	8.4%	7.9%	8.3%	9.0%	9.1%	9.1%
EBITA margin	-1.1%	4.2%	5.9%	5.5%	6.1%	7.0%	7.1%	7.1%
EBIT margin	-1.1%	4.2%	5.9%	5.5%	6.1%	7.0%	7.1%	7.1%
Return on equity	16.3%	-6.9%	-23.6%	-40.6%	-171.8%	167.7%	62.2%	39.1%
ROCE (incl.goodwill)	0.4%	19.6%	23.6%	18.5%	21.9%	27.2%	23.5%	21.5%
Balance Sheet								
Enterprise Value (EV)	66.7	78.5	91.6	97.8	120.9	120.8	111.3	103.3
Net Debt/(cash) (€m)	69.5	70.1	58.5	55.2	60.5	61.2	50.9	42.0
Capital Employed (avg.)	81.8	67.4	69.7	71.8	76.0	79.3	82.6	90.1
Net working capital(€m)	39.43	30.16	32.76	35.67	38.77	39.98	43.71	50.56
Shareholders equity(€m)	-30.5	-27.3	-15.3	-10.1	-2.1	10.0	24.3	39.4
Equity/Total assets (%)	-25.6%	-19.1%	-11.2%	-7.2%	-1.3%	6.0%	13.3%	19.9%
Net debt/Equity (%)	91.8%	86.1%	62.4%	54.4%	47.6%	48.5%	43.9%	39.2%
Capital Efficiency/Solvability								
Sales/CE (incl. goodwill) (x)	2.6	3.0	2.7	2.7	2.7	3.1	3.1	3.0
Sales/Fixed assets (x)	8.5	5.6	5.4	5.7	5.8	7.1	6.9	6.9
Sales/Net working capital (x)	5.8	7.1	6.2	6.0	6.0	7.0	6.6	6.0
Inventories/Sales (days)	39.8	67.2	70.5	71.6	72.0	62.6	63.5	66.2
Trade receivables/Sales (days)	49.5	45.1	49.2	47.9	52.4	44.6	46.1	46.3
Trade creditors/Sales (days)	27.4	27.9	29.7	29.3	33.7	29.3	29.1	28.2
CAPEX/Depreciation (%)	0.9	0.9	0.7	0.7	0.8	0.7	0.7	0.8
Interest cover (x)	-0.5	1.9	2.7	2.7	3.8	4.0	4.5	0.0
Dividend payout (%)	0.0%	0.0%	2.4%	5.6%	7.8%	5.6%	5.2%	5.6%
Tax ratio	16.1%	36.2%	36.0%	29.9%	18.6%	25.0%	25.0%	25.0%
Valuation								
EPS (€)	(10.51)	1.42	2.34	2.67	3.85	6.29	6.74	7.19
CFPS (€)	2.66	5.41	5.55	5.36	6.66	9.30	9.86	10.48
DPS (€)	0.00	0.00	0.06	0.15	0.30	0.35	0.35	0.40
Book Value (€)	(24.12)	(22.05)	(10.32)	(6.58)	(2.24)	3.75	10.84	18.38
Adjusted Book Value (€)	(27.75)	(25.87)	(13.92)	(9.86)	(8.35)	(2.29)	4.55	11.84
P/E	-0.5	6.6	9.8	9.3	9.3	5.5	5.2	4.8
P/CF	-1.1	1.7	4.1	4.6	5.4	3.7	3.5	3.3
P/Book	-0.2	-0.4	-2.2	-3.8	-15.9	9.3	3.2	1.9
Dividend yield(%)	0.0%	0.0%	0.3%	0.6%	0.8%	1.0%	1.0%	1.2%
EV/Sales (x)	0.3	0.4	0.4	0.5	0.5	0.4	0.4	0.3
EV/EBITDA (x)	11.2	5.6	5.4	5.8	6.2	4.8	4.2	3.7
EV/EBIT (x)	-26.4	8.7	7.6	8.3	8.6	6.2	5.4	4.8
EV/Capital Employed (x)	0.8	1.2	1.3	1.4	1.6	1.5	1.3	1.1
EV/CE (incl. goodwill) (x)	0.8	1.1	1.2	1.3	1.4	1.3	1.2	1.0

Source: [fairresearch](#)

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Recommendation history for the company analysed in this report:

Date	Recommendation	Price at change date	Target Price
26 th April 2008	Buy	44.15 EUR	70.30 EUR
29 th May 2008	Buy	(Initiating Coverage) 49.49 EUR (Q1 results)	77.27 EUR
27 th August 2008	Buy	48.11 EUR (Q2 results)	77.27 EUR
24 th October 2008	Buy	34.75 EUR (Q3 prel.)	70.00 EUR

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