Schaltbau Holding AG

Recommendation:	Risk:	Fair Value:
BUY Final results Q2	Medium (-)	EUR 77.27 (-)

27 August 2008

Another excellent quarter

Performance driven

Revenues increased 38.1% and EBIT 120.2%

- **In the second quarter 2008 ending June revenues increased** 38.1% to €75m and EBIT improved 120.2% to €7.4m compared to €3.3m in the second quarter 2007. Revenue growth in the second quarter was mainly driven by the business segment "Stationary Traffic Technology" where revenues increased 99.7% to €29.3m (including the acquisition of Bubenzer Group). EBIT increased disproportinately by 37.9% to €3.95m and EBIT margin jumped from 11.3% to 13.5%. Also the business segment "Mobile traffic solutions" profited from strong demand. Revenues increased 15.9% to €46m and EBIT margin improved from 6.2% to 9.9% in the second quarter.

- **Order intake increased in the second half 15.6% to €151.6m and** order backlog reached €192.1m at the end of June (book-to-bill ratio of 1.08). Revenues in the first half year increased 27.5% to €140.1m and EBIT 75.4% to €12.9m. EBIT margin improved from 6.7% to 9.2%.

Management increased guidance for the current year

- Management increased EPS guidance ranges from €4.50-€4.70 to €5.50-€5.70 fully diluted. Revenues are expected to increase 13.3% to €263m and EBIT 25.5% to €17.7m.

- We leave our "BUY" recommendation and target price of €77.27 per share unchanged, but adjusted our forecast accordingly.

Key data

Y/E 31.12., in €m	2006	2007	2008E	2009E	2010E
Revenues	212.7	232.1	263.0	276.8	289.9
EBITDA	16.8	19.4	26.4	27.5	29.9
Net profit	5.0	7.2	11.9	12.8	14.6
EPS	2.67	3.85	5.81	6.24	7.12
EBITDA margin	7.9%	8.3%	10.0%	9.9%	10.3%
EBIT margin	5.5%	6.1%	7.9%	7.8%	8.2%
EV/EBITDA	5.8	6.2	5.5.	5.0	4.3
EV/EBIT	8.3	8.6	7.0	6.3	5.4
P/E	9.3	9.3	8.3	7.7	6.8

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, fairesearch

change	2008E		2009E		2010E	
	new	old	new	old	new	old
Revenues	263.0	255.2	276.8	268.8	289.9	281.3
EBITDA	26.4	23.1	27.5	25.2	29.9	27.5
EPS	5.81	5.09	6.24	5.93	7.12	6.85

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

Share data:

Share Price:	EUR 48.11
Shares outstanding (mill.):	1.868
Market capitalisation:	EUR 89.7m
Enterprise Value (EV):	EUR 150.9m
Ø daily trading volume:	4,409

Performance data:

High 52 weeks:	EUR 54.00
Low 52 weeks:	EUR 30.35
Absolute performance: (12 months)	29.9%
Relative performance (SDAX):	
1 month	-6.5%
3 months	17.1%
6 months	46.6%
12 months	60.2%

Shareholders:

Dr. Cammann family:	11.6%
Zimmermann family:	9.6%
Golden Peaks Capital:	9.7%
IFOS International Fonds Service:	3.5%
Pioneer Asset Management	4.2%

Financial calendar:

Next event: Q3`08 – 7th, Nov. 08

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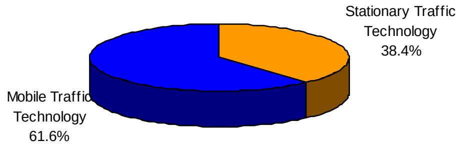
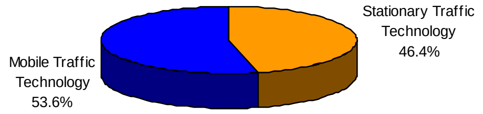
Investment Summary

Revenues in 1st half 2008 - €140.1m	Earnings contribution in 1st half 08 - €14.8m
	
Source: fairesearch	Source: fairesearch

In the first half year 2008 revenues increased 27.5% to €140.1m. Excluding the acquisition of the Bubenzer Group (total volume of €18.7m) adjusted revenues would have increased 10.7% (Machine Electrics no revenues consolidated so far). Consolidated EBIT increased 75.4% to €12.9m and EBIT margin improved from 6.7% to 9.2%.

Acquisition adjusted revenues in the first half year 2008

in €m	Q1-Q2 07	Q1-Q2 08	y-o-y
Revenues	110.0	140.1	27.5%
Stationary Traffic	31.4	53.9	71.9%
Bubenzer Group		18.7	
adjusted revenues	**31.4**	**35.2**	**12.3%**
Mobile Traffic	78.6	86.5	10.1%
adjusted revenues	**110.0**	**121.7**	**10.7%**

Source: fairesearch

EBIT margin by business segment

(€m)	Q2`07	Q1-Q2`07	Q2`08	% +/-	Q1-Q2`08	% +/-
EBIT	4.12	8.80	8.48	105.9%	14.77	67.9%
Stationary Traffic	1.66	3.48	3.95	137.9%	6.85	97.2%
Mobile Traffic	2.46	5.32	4.53	84.3%	7.92	48.8%
EBIT margin						
Stationary traffic	11.3%	11.1%	13.5%		12.7%	
Mobile traffic	6.2%	6.8%	9.9%		9.2%	

Source: fairesearch, Note: EBIT calculation excluding holding costs and consolidation effects

"Stationary Traffic" – not only acquisition driven

In the first half year 2008 revenues of the business segment "Stationary Traffic Technology" increased 71.9% to €53.9m. Excluding the Bubenzer Group revenues would have increased 12.3%. EBIT margin of Stationary Traffic Technology increased to 12.7% compared to 11.1% in the first half year 2007. In the second quarter EBIT margin reached 13.5% compared to 11.3% in 2007.

"Mobile Traffic Technology"

Revenues of the business segment Mobile Traffic Technology increased 10.1% to €86.5m. Revenues of the recently acquired company Machine Electrics were not included so far. Machine Electrics was bought end of July, and will be fully consolidated for five months. Segment EBIT increased 48.8% to €7.92m and EBIT margin improved from 6.8% to 9.2%. In the second quarter alone EBIT margin jumped from 6.2% to 9.9%. The strong operating performance was mainly attributable to the Bode Group. Management already streamlined the production processes and improved efficiency which positively impacted the operating performance.

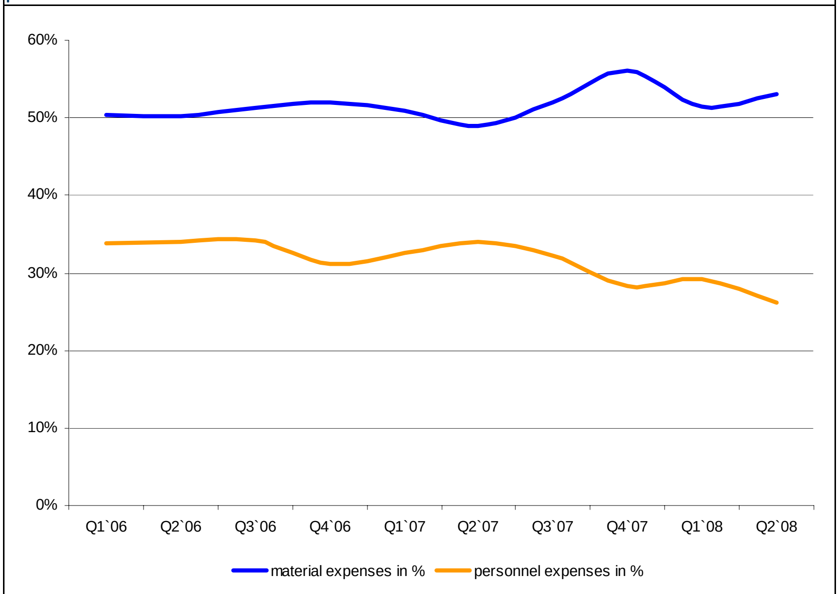
Small acquisition in July

Estimated acquisition price of €3m

At the end of July the company took over Machine Electrics, located in Bredbury near Manchester. The company has a total workforce of 46 employees and generated revenues of €5.9m in 2007. The company produces (in South Wales), sells and repairs electro-mechanical components for industrial applications. Machine Electrics already acted as UK distributor for Schaltbau. The acquisition will increase the leading position of Schaltbau in contactors for industrial trucks and emergency power systems. We estimate an acquisition price of €3m based on an EBIT margin of 8% and a 6.5x EBIT valuation.

Personnel costs under control

Material and personnel expenses in % of operating performance



Source: fairesearch

Cost structure is getting more flexible

The strong performance of the company is mainly driven by higher production efficiency. Personnel costs in relation to total operating performance declined to 26.2% in the second quarter. However material expenses increased to 53.1%. We think that part of this increase is attributable to purchased services from third parties. The shift from personnel expenses to purchased services for workforce will give management more flexibility. If demand is declining the cost structure can be adjusted accordingly. Especially the Bode Group, part of the business segment "Mobile Traffic Technology", will profit from the flexible cost structure. The bus door and sliding door gear divisions experienced surprisingly strong demand for commercial vehicles, city buses and coaches. Management indicated that Bode generated an EBIT-Margin of 1% in 2007. For the current year the EBIT margin should reach 2.2%. Based on revenues of around €100m, group EBIT and also net earnings would improve by €1.2m mainly tax free due to the losses carried forward. The EBIT target however is 5% which should be reached in 2010 at the latest.

Conservative guidance for the rest of the year

Revenues and EBIT guidance

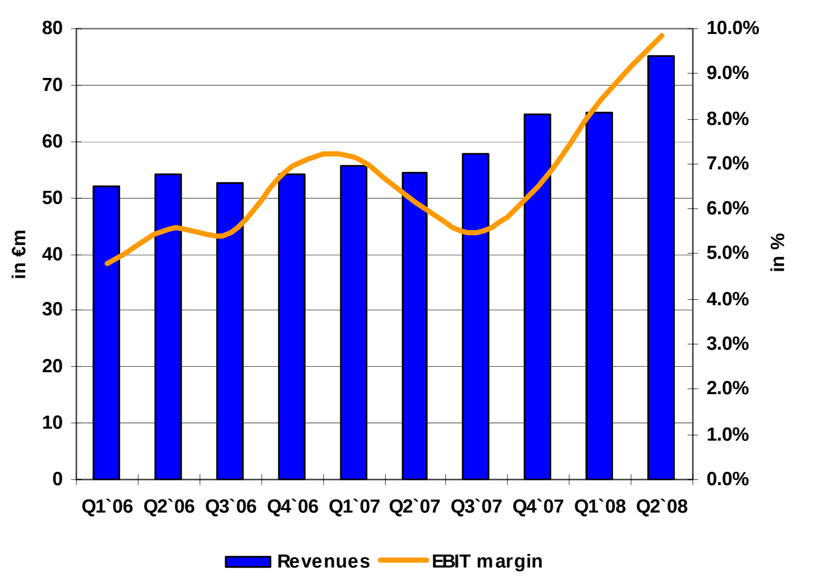
	Q1-Q2`08	Q3-Q4`08E	2008E
revenues	140.14	122.86	263.00
EBIT	12.85	4.85	17.70
EBIT margin	9.2%	3.9%	6.7%
Net income	8.43	1.87	10.30
Net margin	6.0%	1.5%	3.9%

Source: fairesearch

Very low hanging fruits to reach guidance

Management increased guidance for the current year due to the strong operating performance in the first half year. Order intake is now expected to reach €260m and revenues should increase to €263m.

Revenues and EBIT margin per quarter



Source: fairesearch

EBIT is expected to grow to €17.7m (first half year €12.9m already) and net profit after minorities is predicted to reach €10.3m (€8.43m in the first quarter). EPS should range between €5.50 and €5.70 (diluted EPS of €4.19 in the first half year 2008). We consider the forecast as being conservative. The strong order backlog of €192.1m should help management to outperform the revenue and especially the earnings target. According to our estimates management is expecting a recession in the second half of the current year. EBIT margin would decline to 3.9% and net margin to 1.5%. However we do not expect this scenario to happen. The guidance is by far too conservative. Our assumptions are also supported by the quarterly revenue and EBIT pattern. The company experienced an EBIT downturn in Q3`07 but in general revenues and EBIT remained on a fairly stable level. Revenues range always well above €59m and EBIT margin above 5% (2006-2007).

Share buy-back – the incentive program

In March 2008 the company already bought back 5,000 own shares at an average price of €38.50 per share. Management will use the repurchased shares to provide an incentive for a selected group of managers.

Positive equity and member of the Prime Standard

The strong operating performance in the first half year also helped to turn around equity from negative €2.1m (end of 2007) to €5.1m end of June 2008. The market capitalisation which was accompanied by the excellence performance of the company increased to €100m. Therefore management decided to move to the Prime Standard on the 2nd July 2008. We also expect a share split in the very near future.

Second quarter results

Second quarter and half year results 2006-2008

in €m	Q2`06	Q2`07	Q1-Q2`07	Q2`08	% +/-	Q1-Q2`08	% +/-
Revenues	54.1	54.3	110.0	75.0	38.1%	140.1	27.5%
Stationary Traffic Technology	14.6	14.7	31.4	29.3	99.7%	53.9	71.9%
Mobile Traffic Technology	39.8	39.6	78.6	46.0	15.9%	86.5	10.1%
Changes in stocks of goods	-0.8	-0.4	-0.9	1.0	-362.8%	2.4	-362.7%
Other capitalized work	0.5	0.2	0.3	0.2	-11.2%	0.4	10.2%
Total operating performance	**53.8**	**54.198**	**109.4**	**76.2**	**40.6%**	**142.9**	**30.6%**
Material expenses	27.0	26.5	54.6	40.5	52.8%	74.9	37.1%
Personnel expenses	18.3	18.4	36.3	20.0	8.7%	39.5	8.6%
Depreciation	1.3	1.3	2.6	1.4	7.0%	2.8	8.0%
Other income	0.2	0.6	1.0	0.3	-51.1%	0.5	-42.6%
Other expenses	4.4	5.3	9.5	7.3	38.1%	13.5	42.2%
Total Expenses	**50.8**	**50.8**	**102.1**	**68.8**	**35.4%**	**130.1**	**27.4%**
EBITDA	**4.3**	**4.6**	**9.9**	**8.8**	**88.7%**	**15.6**	**57.9%**
EBITDA margin	**7.9%**	**8.5%**	**9.0%**	**11.7%**		**11.2%**	
EBITA	3.0	3.3	7.3	7.4	120.2%	12.9	75.4%
EBITA margin	5.5%	6.2%	6.7%	9.8%		9.2%	
Amortisation	0.0	0.0	0.0	0.0		0.0	
EBIT	**3.0**	**3.3**	**7.3**	**7.4**	**120.2%**	**12.9**	**75.4%**
EBIT margin	**5.5%**	**6.2%**	**6.7%**	**9.8%**		**9.2%**	
Income/losses from at equity	0.1	0.6	0.8	0.6	0.5%	0.8	-1.6%
Income/losses from participations	0.0	0.0	0.0	0.0		0.0	
Other financial results	0.0	0.0	0.0	0.0		0.0	
Total financials	**0.1**	**0.6**	**0.8**	**0.6**	**0.5%**	**0.8**	**-1.6%**
Interest income	0.0	0.0	0.1	0.0	-18.4%	0.1	-15.3%
Interest expense	-1.0	-1.1	-2.5	-1.6	47.3%	-3.2	30.1%
Interest results	**-1.0**	**-1.1**	**-2.4**	**-1.6**	**50.3%**	**-3.1**	**32.2%**
PBT	2.1	2.9	5.8	6.4	120.1%	10.5	82.5%
Taxes	0.26	0.41	0.90	0.8	85.9%	1.37	52.0%
Tax rate	12.4%	14.2%	15.6%	12.0%		13.0%	
Profit after tax	**1.83**	**2.49**	**4.86**	**5.63**	**125.7%**	**9.15**	**88.1%**
Minorities	-0.2	-0.23	-0.84	-0.3	46.3%	-0.71	-15.4%
Net reported profit	**1.61**	**2.27**	**4.02**	**5.30**	**133.7%**	**8.43**	**109.9%**
EPS basic	0.86	1.21	2.15	2.83	133.7%	4.51	109.9%
EPS reported profit fully diluted	0.86	1.21	2.15	2.51	106.8%	4.19	94.9%

Source: fairesearch

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	263.0	276.8	289.9
EBITDA (€m)	6.0	14.1	17.1	16.8	19.4	26.4	27.5	29.9
EBITA (€m)	-2.5	9.1	12.1	11.8	14.1	20.9	21.7	23.8
EBIT (€m)	-2.5	9.1	12.1	11.8	14.1	20.9	21.7	23.8
Net Profit (€m)	-14.4	2.0	3.9	5.0	7.2	11.9	12.8	14.6
Margins								
EBITDA margin	2.6%	6.5%	8.4%	7.9%	8.3%	10.0%	9.9%	10.3%
EBITA margin	-1.1%	4.2%	5.9%	5.5%	6.1%	7.9%	7.8%	8.2%
EBIT margin	-1.1%	4.2%	5.9%	5.5%	6.1%	7.9%	7.8%	8.2%
Return on equity	16.3%	-6.9%	-23.6%	-40.6%	-171.8%	166.1%	62.1%	40.6%
ROCE (incl.goodwill)	0.4%	19.6%	23.6%	18.5%	21.9%	28.7%	24.7%	23.3%
Balance Sheet								
Enterprise Value (EV)	66.7	78.5	91.6	97.8	120.9	145.8	136.3	128.2
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	10.2	24.7	41.1
Equity/Total assets (%)	-25.6%	-19.1%	-11.2%	-7.2%	-1.3%	6.1%	13.5%	20.5%
Net debt/Equity (%)	91.8%	86.1%	62.4%	54.4%	47.6%	40.5%	36.1%	31.8%
Capital Efficiency/Solvability								
Sales/CE (incl. goodwill) (x)	2.6	3.0	2.7	2.7	2.7	2.9	2.9	2.8
Sales/Fixed assets (x)	8.5	5.6	5.4	5.7	5.8	6.7	6.6	6.6
Sales/Net working capital (x)	5.8	7.1	6.2	6.0	6.0	6.6	6.3	5.7
Inventories/Sales (days)	39.8	67.2	70.5	71.6	72.0	66.7	66.5	69.9
Trade receivables/Sales (days)	49.5	45.1	49.2	47.9	52.4	47.5	48.3	48.9
Trade creditors/Sales (days)	27.4	27.9	29.7	29.3	33.7	31.2	30.6	29.8
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	4.3	5.0	0.0
Dividend payout (%)	0.0%	0.0%	2.4%	5.6%	7.8%	5.5%	5.8%	5.7%
Tax ratio	16.1%	36.2%	36.0%	29.9%	18.6%	25.0%	25.0%	25.0%
Valuation	**2003**	**2004**	**2005**	**2006**	**2007**	**2008E**	**2009E**	**2010E**
EPS (€)	(10.51)	1.42	2.34	2.67	3.85	5.81	6.24	7.12
CFPS (€)	2.66	5.41	5.55	5.36	6.66	9.34	9.96	11.08
DPS (€)	0.00	0.00	0.06	0.15	0.30	0.35	0.40	0.45
Book Value (€)	(24.12)	(22.05)	(10.32)	(6.58)	(2.24)	3.84	11.05	19.28
Adjusted Book Value (€)	(27.75)	(25.87)	(13.92)	(9.86)	(8.35)	(2.20)	4.76	12.74
P/E	-0.5	6.6	9.8	9.3	9.3	8.3	7.7	6.8
P/CF	-1.1	1.7	4.1	4.6	5.4	5.2	4.8	4.3
P/Book	-0.2	-0.4	-2.2	-3.8	-15.9	12.5	4.4	2.5
Dividend yield(%)	0.0%	0.0%	0.3%	0.6%	0.8%	0.7%	0.8%	0.9%
EV/Sales (x)	0.3	0.4	0.4	0.5	0.5	0.6	0.5	0.4
EV/EBITDA (x)	11.2	5.6	5.4	5.8	6.2	5.5	5.0	4.3
EV/EBIT (x)	-26.4	8.7	7.6	8.3	8.6	7.0	6.3	5.4
EV/Capital Employed (x)	0.8	1.2	1.3	1.4	1.6	1.8	1.7	1.4
EV/CE (incl. goodwill) (x)	0.8	1.1	1.2	1.3	1.4	1.6	1.4	1.3

Source: fairesearch

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Close Brothers Seydler Research AG uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 6 months:

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	Target Price
26th April 2008 29th May 2008	Buy Buy	44.15 EUR (Initiating Coverage) 49.49 EUR (Q1 results)	70.30 EUR 77.27 EUR

<u>Risk-scaling System:</u>
Close Brothers Seydler Research AG uses a 3-level risk-scaling System. The ratings pertain to a time horizon of up to 6 months:

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

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