



Schaltbau Holding AG

Neutral ↘ | Target 35.00 EUR vs 55.00 EUR ↘

Price (09/07/2016) : 32.50 EUR | Upside : 8 %

Est.chg	2016e	2017e
EPS	-77.4%	-34.6%

Strong profit warning for full-year 2016; downgrade to Neutral, TP cut to € 35

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Sharply reduced guidance for full-year 2016 profit – big disappointment

On Monday evening (5 September) Schaltbau Holding AG shocked us and the market with a profit warning for full-year 2016, and sent shares to a 52 week low. The key takeaways:

Management massively cut its profit outlook for 2016; it now expects group EBIT of ~€ 21m (previously €41.5m; Oddo Seydler: € 40.1m), a reduction of € 20.5m, the main issues being: i) write-downs of ~ € 9m for the project in Sao Paulo; ii) write-downs of ~ € 6m for loan receivables at foreign subsidiaries (Brazil, US, China); and iii) ~€ 4-5m risks related to project delays and other possible expenses, which were not clearly specified.

Given the EBIT reduction, management projects group net profit of ~€ 11m (previously: € 27.3m; Oddo Seydler: € 26.7m) and EPS of ~ € 0.80 (previously: € 3.50; Oddo Seydler: € 3.44).

For now, the company has left its sales target unchanged at € 530m. Given possible project delays, however, we consider this guidance too high and reduce our group sales estimate from € 530m to € 514m.

According to the company, the write-downs may be a final clean-up, hence the above-mentioned effects should be one-off items. Nevertheless, we believe the write-downs could come in higher because they are highly dependent on how business develops in the coming months. Consequently, we now forecast 2016 group EBIT at € 20.1m.

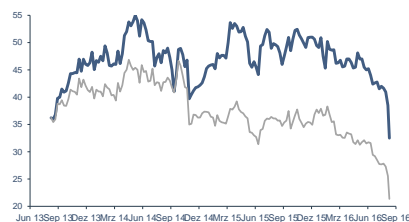
Lowering TP to € 35, downgrade to Neutral

In view of the company's EBIT guidance reduction for 2016 and incorporating additional risk given that the company did not comment on 2017, we reduce our EPS estimate for 2016e by 77%, and for 2017e by 35%. Factoring in our updated estimates into our valuation model (peer group multiples 2017e and 2018e), we now derive a TP of € 35 (55).

In our view, trust in the company has taken a hit for the short-term; the fact that a new CFO has still not been announced adds to our caution. The Q4 results will be crucial; if company fully meets its reduced 2016 targets, this could be a positive signal for 2017.

Nevertheless, the group book-to-bill ratio of 1.3x at end-June 2016 and the high order backlog of € 396m suggest that Schaltbau's positive business trend will continue in the mid-term, which should offset to some extent the recent negative news flow.

Taking all facts into account, however, we downgrade our recommendation from Buy to Neutral. Our targeted P/E for 2017e stands at 13.9x.



Capital

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Market Cap (EURm)	195
Enterprise value (EURm)	399
Extrema 12 months	32.50 - 52.50
Free Float (%)	76.3

Performance (%)

	1m	3m	12m
Absolute	-21.7	-32.1	-34.1
Perf. rel. Country Index	-23.8	-32.9	-33.3
Perf. rel. SDAX			

P&L

	12/16e	12/17e	12/18e
Sales (EURm)	514	542	560
EBITDA (EURm)	35.5	48.8	58.8
Current EBIT (EURm)	20.1	34.7	44.3
Attr. net profit (EURm)	4.7	15.1	20.0
Adjusted EPS (EUR)	0.78	2.51	3.33
Dividend (EUR)	0.40	0.85	1.10
P/E (x)	41.9	13.0	9.8
P/B (x)	1.9	1.6	1.3
Dividend Yield (%)	1.2	2.6	3.4
FCF yield (%)	ns	0.1	1.0
EV/Sales (x)	0.78	0.73	0.70
EV/EBITDA (x)	11.2	8.1	6.7
EV/Current EBIT (x)	19.9	11.4	8.8
Gearing (%)	115	97	80
Net Debt/EBITDA(x)	4.4	3.1	2.4

Next Events

11.11.2016 Q3 Results

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Peer group valuation

Peer Group: Multiples

	EV/EBITDA			EV/EBIT			PE		
	2016e	2017e	2018e	2016e	2017e	2018e	2016e	2017e	2018e
Ansaldo STS	11.7	11.2	10.9	13.2	12.5	12.2	23.1	21.9	21.2
Faiveley Transport	11.6	10.7	9.8	14.3	12.8	11.5	19.1	16.9	15.3
Vossloh	10.0	8.2	7.3	18.0	13.1	11.0	29.3	19.3	16.1
Wabtec	11.6	11.0	11.1	13.1	12.3	12.2	18.9	18.1	17.6
Average	11.2	10.3	9.8	14.6	12.7	11.7	22.6	19.0	17.5
Median	11.6	10.8	10.4	13.7	12.7	11.8	21.1	18.7	16.9

	EBITDA			EBIT			EPS		
	2016e	2017e	2018e	2016e	2017e	2018e	2016e	2017e	2018e
Financial estimates Oddo Seydler	35.5	48.8	58.8	20.1	34.7	44.3	0.78	2.51	3.33
Applied multiples: Peer group median	11.6	10.8	10.4	13.7	12.7	11.8	21.1	18.7	16.9
Enterprise value (derived)	412.2	527.8	609.6	275.6	439.6	523.9	-	-	-
+ Excess cash	32								
- Financial debt and minorities	-250								
Market capitalization (derived)	194.0	309.6	391.4	57.4	221.5	305.7	98.5	281.3	337.2
Median	307.7								
Premium (discount) vs. Peer Group	-30%								
Fair market capitalization (after discount)	215.4								
Number of shares (m)	6.0								
Fair value per share (EUR)	35.85								

Source : Company data, Oddo Seydler

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Capital Goods | Germany

Neutral

Price 32.50EUR

Upside 7.69%

TP 35.00EUR

PER SHARE DATA (EUR)	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Adjusted EPS	3.04	3.09	3.48	4.04	2.90	0.78	2.51	3.33
Reported EPS	3.04	3.09	3.48	4.04	2.90	0.78	2.51	3.33
Growth in EPS(%)	-53.2%	1.7%	12.6%	16.0%	-28.1%	-73.3%	ns	32.7%
Net dividend per share	0.60	0.77	0.96	1.00	1.00	0.40	0.85	1.10
FCF to equity per share	1.34	-1.64	0.97	-0.12	-3.29	-0.95	0.02	0.34
Book value per share	8.51	10.19	12.89	15.21	15.92	16.86	20.15	24.19
Number of shares market cap	6.15	6.14	6.14	6.14	6.01	6.01	6.01	6.01
Number of diluted shares	6.15	6.14	6.14	6.14	6.01	6.01	6.01	6.01
VALUATION	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
12m highest price	27.96	31.28	46.97	56.14	54.45	52.35		
12m lowest price	18.40	22.77	30.71	38.50	41.59	32.50		
(*) Reference price	22.81	26.61	37.27	47.78	48.82	32.50	32.50	32.50
Capitalization	140	163	229	293	293	195	195	195
Restated Net debt	43.9	62.2	48.0	87.6	147	155	150	144
Minorities (fair value)	2.9	3.2	3.4	4.3	6.0	7.0	7.1	9.4
Financial fixed assets (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	22.1	37.7	36.5	43.0	41.4	41.8	42.2	42.6
Enterprise Value	209	266	316	428	487	399	395	391
P/E (x)	7.5	8.6	10.7	11.8	16.8	41.9	13.0	9.8
P/CF (x)	5.5	7.3	8.0	8.2	9.6	8.2	6.7	5.6
Net Yield (%)	2.6%	2.9%	2.6%	2.1%	2.0%	1.2%	2.6%	3.4%
FCF yield (%)	5.9%	ns	2.6%	ns	ns	ns	0.1%	1.0%
P/B incl. GW (x)	2.68	2.61	2.89	3.14	3.07	1.93	1.61	1.34
P/B excl. GW (x)	ns	ns	ns	ns	ns	ns	ns	ns
EV/Sales (x)	0.66	0.73	0.81	1.00	0.98	0.78	0.73	0.70
EV/EBITDA (x)	6.0	7.2	7.0	11.2	9.9	11.2	8.1	6.7
EV/EBIT (x)	7.6	9.0	8.8	15.7	13.3	19.9	11.4	8.8
(*) historical average price								
PROFIT AND LOSS (EURm)	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Sales	318	363	391	430	497	514	542	560
EBITDA	34.7	37.0	45.1	38.3	49.5	35.5	48.8	59
Depreciations	-7.2	-7.5	-9.1	-11.0	-12.8	-15.4	-14.1	-14.6
Current EBIT	27.5	29.5	36.0	27.3	36.6	20.1	34.7	44.3
Published EBIT	27.5	29.5	36.0	27.3	36.6	20.1	34.7	44.3
Net financial income	-2.5	-3.5	-2.3	8.0	-5.5	-4.5	-5.2	-5.0
Corporate Tax	-3.3	-3.8	-9.0	-6.1	-7.7	-3.9	-7.4	-9.8
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	-2.9	-3.2	-3.4	-4.3	-6.0	-7.0	-7.1	-9.4
Attributable net profit	18.7	19.0	21.4	24.8	17.4	4.7	15.1	20.0
Adjusted attributable net profit	18.7	19.0	21.4	24.8	17.4	4.7	15.1	20.0
BALANCE SHEET (EURm)	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Goodwill	10.4	11.6	11.3	31.8	52.2	52.2	52.2	52.2
Other intangible assets	20.0	22.9	24.2	52.5	82.9	80.3	78.5	76.6
Tangible fixed assets	44.0	46.7	52.9	68.7	75.7	80.8	87.5	94.5
WCR	48.0	81.6	75.7	103	130	142	152	166
Financial assets	20.4	26.8	28.2	28.0	41.8	41.8	41.8	41.8
Ordinary shareholders equity	52.4	62.5	79.1	93.3	95.7	101	121	145
Minority interests	7.2	8.6	10.3	19.2	33.9	33.9	33.9	33.9
Shareholders equity	59.5	71.1	89.4	113	130	135	155	179
Non-current provisions	29.0	44.6	43.7	52.4	53.9	54.3	54.8	55.2
Net debt	43.9	62.2	48.0	87.6	147	155	150	144
CASH FLOW STATEMENT (EURm)	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
EBITDA	34.7	37.0	45.1	38.3	49.5	35.5	48.8	58.8
Change in WCR	-5.6	-22.7	-3.4	-7.4	-12.6	-11.4	-10.0	-13.1
Interests & taxes	-5.8	-7.3	-11.3	1.8	-13.2	-8.4	-12.5	-14.8
Others	-3.4	-7.3	-5.2	-4.3	-5.7	-3.4	-7.1	-9.2
Operating Cash flow	19.8	-0.2	25.2	28.3	18.0	12.3	19.1	21.6
CAPEX	-11.6	-9.8	-19.3	-29.0	-37.8	-18.0	-19.0	-19.6
Free cash-flow	8.2	-10.0	6.0	-0.7	-19.8	-5.7	0.1	2.0
Acquisitions / disposals	0.2	0.0	0.0	0.4	0.1	0.0	0.0	0.0
Dividends	-2.1	-3.7	-4.7	-5.9	-6.0	-6.0	-2.4	-5.1
Net capital increase	0.7	0.0	0.0	-7.3	69.6	0.0	0.0	0.0
Others	-10.1	4.6	-6.2	38.1	-38.9	12.0	-13.2	-13.0
Change in net debt	-4.7	-13.5	-10.3	12.0	-1.2	-17.0	-7.7	-8.7
GROWTH MARGINS PRODUCTIVITY	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Sales growth	13.5%	14.0%	7.7%	10.0%	15.6%	3.6%	5.4%	3.3%
Lfl sales growth	-	-	-	-	-	-	-	-
Current EBIT growth	15.7%	7.3%	22.0%	-24.2%	34.2%	-45.2%	73.0%	27.5%
Growth in EPS(%)	-53.2%	1.7%	12.6%	16.0%	-28.1%	-73.3%	ns	32.7%
Net margin	5.9%	5.2%	5.5%	5.8%	3.5%	0.9%	2.8%	3.6%
EBITDA margin	10.9%	10.2%	11.5%	8.9%	10.0%	6.9%	9.0%	10.5%
Current EBIT margin	8.6%	8.1%	9.2%	6.4%	7.4%	3.9%	6.4%	7.9%
CAPEX / Sales	-2.7%	-2.6%	-4.3%	-5.5%	-4.4%	-3.5%	-3.5%	-3.5%
WCR / Sales	15.1%	22.5%	19.4%	24.1%	26.1%	27.5%	28.0%	29.5%
Tax Rate	13.2%	14.6%	26.6%	17.4%	24.7%	25.0%	25.0%	25.0%
Normative tax rate	13.2%	14.6%	26.6%	17.4%	24.7%	25.0%	25.0%	25.0%
Asset Turnover	2.8	2.5	2.4	2.0	1.7	1.5	1.5	1.5
ROCE post-tax (normative tax rate)	20.8%	17.7%	16.2%	10.7%	9.3%	4.3%	7.2%	8.7%
ROCE post-tax hors GW (normative tax rate)	22.3%	19.2%	17.4%	12.0%	10.8%	5.1%	8.4%	10.1%
ROE	46.2%	33.0%	30.2%	28.7%	18.5%	4.7%	13.6%	15.0%
DEBT RATIOS	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Gearing	74%	87%	54%	78%	ns	ns	97%	80%
Net Debt / Market Cap	0.31	0.38	0.21	0.30	0.50	0.79	0.77	0.74
Net debt / EBITDA	1.26	1.68	1.06	2.29	2.96	4.37	3.08	2.45
EBITDA / net financial charges	13.7	10.6	19.8	-4.8	9.0	7.8	9.5	11.7

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Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.

Buy: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Reduce: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

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Recommendation and target price changes history over the last 12 months for the company analysed in this r

Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
07.09.16	Neutral	35.00	32.50	Daniel Kukalj
17.05.16	Buy	55.00	45.66	Daniel Kukalj
15.01.16	No reco	61.00	49.46	Carsten Kunold , CFA

Recommendation split		Buy	Neutral	Reduce
Our whole coverage	(412)	50%	38%	11%
Liquidity providers coverage	(134)	62%	33%	5%
Research service coverage	(65)	68%	29%	3%
Investment banking services	(26)	69%	31%	

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