

## Company Flash Note

## Reason: Company newsflow

12 June 2018

### Buy

Recommendation unchanged

**Share price: EUR 26.40**

closing price as of 11/06/2018

**Target price: EUR 32.70**

from Target Price: EUR 32.20

**Upside/Downside Potential 23.9%**

Reuters/Bloomberg SLTG.DE/SLT GY

**Market capitalisation (EURm) 234**

Current N° of shares (m) 9

**Free float 33%**

Daily avg. no. trad. sh. 12 mth 8

Daily avg. trad. vol. 12 mth (m) 100.02

Price high/low 12 months 23.30 / 38.40

Abs Perfs 1/3/12 mths (%) -2.22/6.88/-27.96

**Key financials (EUR)**

Sales (m) 12/17 517 12/18e 492 12/19e 502

EBITDA (m) 20 27 37

EBITDA margin 3.9% 5.6% 7.5%

EBIT (m) (23) 16 28

EBIT margin nm 3.2% 5.6%

Net Profit (adj.)(m) (34) 5 13

ROCE 0.6% 4.5% 7.9%

Net debt/(cash) (m) 159 92 81

Net Debt Equity 2.2 0.7 0.6

Net Debt/EBITDA 7.9 3.4 2.2

Int. cover(EBITDA/Fin.int) 1.8 4.1 5.8

EV/Sales 0.8 0.8 0.8

EV/EBITDA 20.7 15.1 10.7

EV/EBITDA (adj.) 9.1 15.1 10.7

EV/EBIT nm 26.1 14.4

P/E (adj.) nm nm 17.7

P/BV 4.3 2.5 2.2

OpFCF yield -7.4% -0.3% 7.7%

Dividend yield 0.0% 0.0% 0.0%

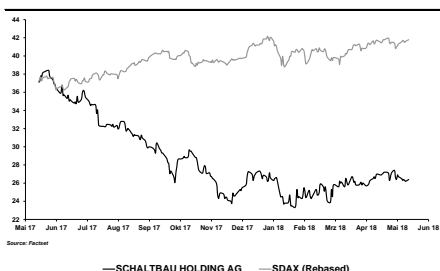
EPS (adj.) (5.13) 0.51 1.49

BVPS 5.94 10.52 12.01

DPS 0.00 0.00 0.00

### Shareholders

AiC (Luxunion, Monolith, Others) 29%; AOC / AOF 10%;



### Analyst(s)

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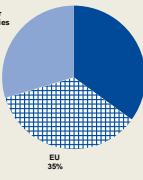
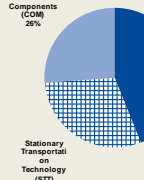
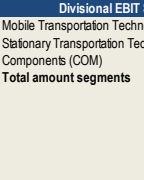
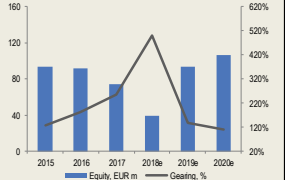
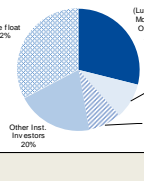
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## Important restructuring milestones reached in Q1 2018

During the first quarter 2018 Schaltbau Holding group successfully stabilized the financial situation supported by the sale of Pintsch Bubenzer and by the capital increase in February. We have increased our estimates for 2018 while slightly reduce our forecasts for FY2019e and 2020e due to macroeconomic reasons. Following the AGM the “new” executive and supervisory board are now much more competent with regard to railway markets in our view. We continue to be confident with regard to the successful turnaround. Our new target price is slightly up to rounded EUR 32.70 from EUR 32.20 per share and we maintain our Buy recommendation.

- ✓ **Q1 2018 with turnaround in EBIT:** On a like-for-like basis EBIT in Q1 2018 improved to EUR 1.9m from EUR -4.7m. The Components division (COM) was mainly responsible for the strong swing with an EBIT of EUR 8.3m (EUR 3.5m) and benefitted from a high sales volume and a better product mix. The net financial debt end of Q1 was reduced to EUR 104.1m compared to EUR 158.4m at year-end 2017.
- ✓ **Financial guidance 2018 confirmed:** On the basis of the positive start Schaltbau confirmed the financial targets for 2018e. Group sales should reach EUR 480-500m, while our estimate amounted to EUR 492m. The EBIT-margin should reach approximately 3% and compares to our estimate of 3.2%. A further increase in profitability is expected to reach in the following years.
- ✓ **Main takeaways from a lively AGM:** 1) The new executive and supervisory boards are now much more competent with regard to the overall railway industry in our view in addition to the existing financial and restructuring competence. 2) The relationship between the executive and supervisory board now is more based on the principles of arms-length in our view. 3) Schaltbau Sepsa is not yet sold. 4) Dividend payment at earliest for FY 2019e likely in our view. 5) For the time being the division Stationary Transportation Technology (STT) will stay as a core business.
- ✓ **Valuation update:** We continue to value the shares with our DCF model. The base input parameters have not changed. Based on the updated estimates the equity value amounted to EUR 289.6m or rounded EUR 32.70 per share. Currently, that offers an upside potential of 24%.
- ✓ **Key risks** comprise e.g. 1) The expected growth of the global railway markets will not meet Schaltbau's expectations with regard to their own growth targets. 2) The company will not meet all milestones fixed in the general restructuring plan, e.g. profitability improvement or working capital reduction targets. 3) Reduction of the group's financial debt might take longer than expected. 4) General inherent risks of the project business could lead to cost overruns or other burdening factors. 5) Further impairment risks in the group's company portfolio.

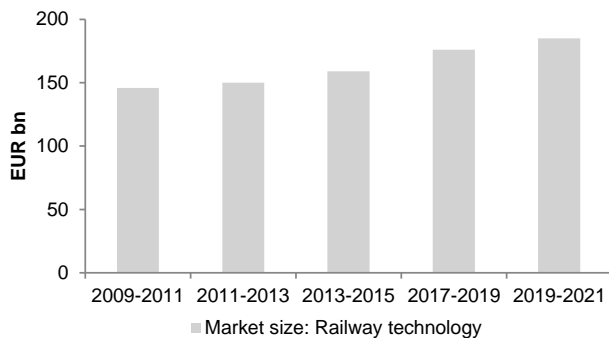
## Exhibit 1: Schaltbau Holding at a glance

Business Units	Mobile Transportation Technology (MTT)	Stationary Transportation Technology (STT)	Components (COM)
			
Products/ applications	Covers the entire value chain of door and boarding systems for trains, buses and commercial vehicles. Provides complete sanitary systems, interior fittings and air conditioning units and tanks for rolling stock	Level crossing systems (such as computer-controlled RBUE and RBUEP technologies), control and safety systems for trains, point heating systems, platform screen doors, signalling equipment, tunnel safety lighting equipment	Develops, manufactures and sells connectors, snap-action switches and contractors for multiple applications in the rail and other sectors; supplies master controllers and integrated driver's desks for the operation of rolling stock
Customers	Rail train and public transport operators, OEMs	Public and private rail infrastructure operators, such as Deutsche Bahn AG and rail systems suppliers	Public and private rail infrastructure operators
	Concentrated customer base of several train operators and OEMs	Oligopolistic market structure with increasing pricing power of customers	Broad customer base
Market share/ positioning	With the exception of refurbishment activities Schaltbau companies rank among the four leading players in its relevant markets	Leading position in Germany	Leading position in Germany and selected European countries
Drivers	Macroeconomic developments and especially economic growth of the relevant markets of Germany and EU. Regulatory legislation of rail transportation, e.g. LuFV II and of environment pollution (fostering public transportation).	More specifically, the company benefits from such trends as urbanisation and demand for safety and convenience in public transportation. Similarly, digitalization of transportation services and higher awareness of environment pollution have a positive effect on the company's operations.	Digitalisation and autonomous driving
Main competitors	<b>Door systems:</b> IFE (Knorr-Bremse), Kangni, Faiveley (WABTEC Corp.), Ventura, Masats, IWN, Snop, Rollmech, Edscha. <b>Sanitary systems:</b> EVAC, BFG, SEMVAC	<b>Level crossing technology:</b> Scheidt & Bachmann, Siemens. <b>Signalling equipment:</b> Frauscher, Siemens, Bombardier, Thales. <b>Other:</b> Ansaldo STS SpA, Construcciones y Auxiliar de Ferrocarriles SA, Westinghouse Air Brake Technologies Corporation	<b>Driver desks:</b> Alfa Union (Czech Republic), Gessmann (GER), Kaitan (China); <b>Electromechanical components:</b> Sàcheron (CH), Microelettrica Scientifica S.p.A. (Italy); <b>Other:</b> Crouzet, FreightCar America Inc.
Entry barriers/ competitive advantage	The company has developed a long-lasting expertise and stable customer relationships with leading providers of rail transportation services and OEMs. High technological know-how is necessary to meet customer needs. Schaltbau is able to offer complete system solutions including MRO services and overall is a reliable partner		
Strategy & Guidance	<b>Strategy</b> (I) Securing and improving the global market position and competitiveness (II) Concentration on profitable business areas with growth perspectives (III) Exploitation of new business areas		
	<b>Guidance (FY 2018e)</b> Revenue: EUR 480 - 500m y/y -7.1% - 3.2% EBIT - circa 3.0%		
	<b>equinet Estimates</b> Revenue: EUR 492m y/y -4.7% EBIT EUR 15.8m		
	<b>Consensus (FactSet)</b> Revenue: EUR 490.8m y/y -5.0% EBIT EUR 15.1m		
2017	<b>Sales (EURm)</b> 516.5 y/y 1.4%	<b>EBITDA (EURm)</b> 20.1 Margin 3.9%	<b>EBIT adj. (EURm)</b> 2.4 Margin 0.5%
	<b>Sales 5Y hist. CAGR</b> 7.3%	<b>Organic growth y/y</b> n.a.	
Sales & EBIT Split	<b>Sales split by region (average 2014 - 2016)</b> 		
	<b>Sales split by division (average 2014 - 2016)</b> 		
	<b>EBIT split by division (average 2014 - 2016)</b> 		
	<b>Group financial development</b> 		
Shareholder structure & management	<b>Shareholder structure (rough estimation)</b> 		
Year-end number of employees: FY 2017	3,370		

Source: Company data, equinet research

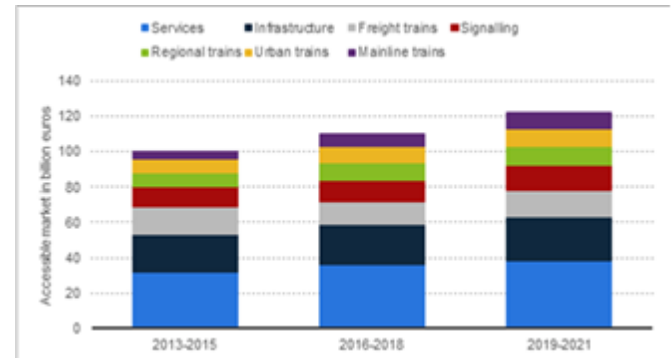
## Investment Case in Charts

Exhibit 2: Average market size 2009 – 2021e



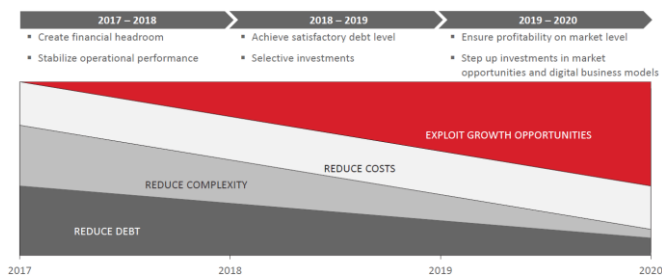
Source: UNIFE, Roland Berger

Exhibit 3: Market development



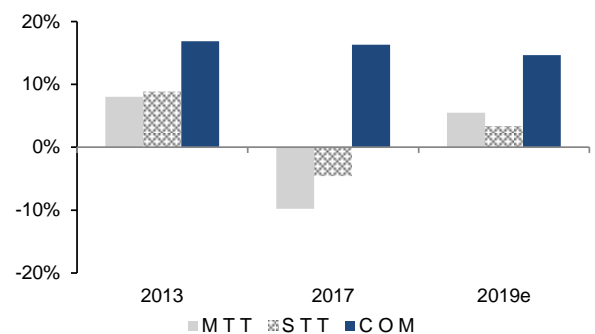
Source: UNIFE, Roland Berger

Exhibit 4: Schaltbau: Restructuring roadmap



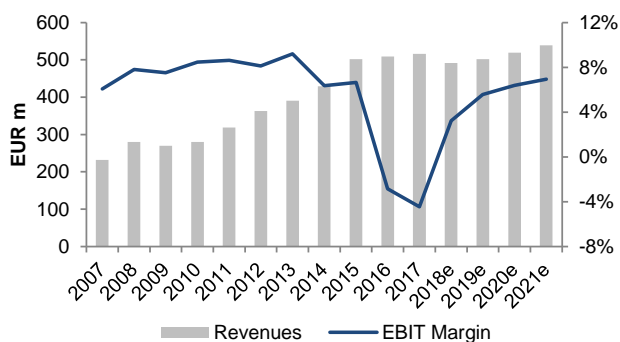
Source: Company data

Exhibit 5: Reported EBIT-margin recovery by segment



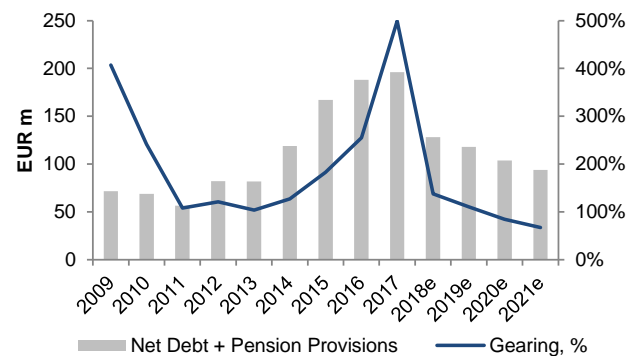
Source: Company data, equinet research

Exhibit 6: EBIT-margin recovery after failed M&A-policy...



Source: Company data, equinet research

Exhibit 7 Financial recovery – gearing will normalise



Source: Company data, equinet research

## Valuation update

- New TP at rounded EUR 32.70 from EUR 32.20 per share
- Maintaining Buy recommendation

### Exhibit 8: Schaltbau Holding: DCF - model

EUR m	Phase I					Phase II					Phase III	
	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e		
Revenues	492.0	502.0	519.5	539.0	558.5	577.2	595.0	611.7	627.2	641.4		
growth rate	-4.7%	2.0%	3.5%	3.8%	3.6%	3.3%	3.1%	2.8%	2.5%	2.3%		
EBIT	15.8	28.0	33.2	37.4	40.8	41.8	42.7	43.6	44.3	44.9		
EBIT margin	3.2%	5.6%	6.4%	6.9%	7.3%	7.2%	7.2%	7.1%	7.1%	7.0%		
Tax	-4.8	-8.4	-10.0	-11.2	-12.2	-12.5	-12.8	-13.1	-13.3	-13.5		
Tax rate	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%		
Depr. & Amort.	11.5	9.5	9.0	9.0	9.0	10.3	11.1	11.6	12.1	12.5		
% of sales	2.3%	1.9%	1.7%	1.7%	1.6%	1.8%	1.9%	1.9%	1.9%	1.9%		
Capex	-9.0	-9.0	-11.3	-11.6	-11.4	-11.8	-12.1	-12.5	-12.8	-13.1		
% of sales	1.8%	1.8%	2.2%	2.2%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%		
Change in WC & P	-2.3	-1.7	-1.9	-1.2	-1.1	-1.1	-1.1	-1.2	-1.2	-1.2		
% of sales	0.5%	0.3%	0.4%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%		
Free Cash Flow	11.3	18.4	19.0	22.4	25.1	26.6	27.7	28.5	29.1	29.6	572.3	
growth rate	nm	63.7%	3.3%	17.9%	11.9%	6.2%	4.0%	2.8%	2.1%	1.8%	2.0%	
Present Value FCF	10.8	16.5	15.9	17.5	18.2	18.0	17.5	16.8	15.9	15.1	292.6	
PV Phase I		78.9				Risk free rate	3.50%		Targ. equity ratio		65%	
PV Phase II		83.4				Premium Equity	5.00%		Beta		1.1	
PV Phase III		292.6				Premium Debt	2.00%		WACC		7.3%	
Enterprise value		454.9				Sensitivity		Growth in phase III				
- Net Debt (Cash)		96.5						1.0%	1.5%	2.0%	2.5%	3.0%
- Pension Provisions		37.5				6.55%	33.5	37.0	41.2	46.5	53.3	
- Minorities & Peripherals		31.3				6.91%	30.2	33.1	36.7	41.0	46.5	
+ MV of financial assets						WACC	7.28%	27.2	29.7	32.7	36.4	40.8
- Paid-out dividends for last FY		0.0				7.64%	24.5	26.7	29.3	32.4	36.1	
+/- Other EV items						8.00%	22.2	24.1	26.3	28.9	32.0	
Equity value		289.6										
Number of shares		8.85										
Value per share (€)		32.72										
Current Price (€)		26.40										
Upside		23.9%										

Source: equinet research

Based on the positive start in the first quarter we have slightly increased our forecasts for the current year. Our sales estimate now is 1.2% higher, while our EBIT comes out 5.3% higher. For 2019e the sales forecast was left unchanged while the EBIT estimate amounted to EUR 28.0m from EUR 29.0m. We have taken a slightly more conservative position with regard to the overall economic outlook. Our main base assumptions like for example the terminal growth rate of 2%, the beta of 1.1 or the sustainable margin of 7% have not changed.

On this basis our updated equity value amounted to EUR 289.6m from EUR 285.4m and resulted in a target price of rounded EUR 32.70 from EUR 32.20 per share. That offers currently an upside potential of 24%.

## Favourable outlook continues

Supported by positive framework conditions from end-markets the Schaltbau Holding group achieved some important milestones related to the restructuring program:

- At the end of Q1 2018 the order backlog amounted to a stable figure of EUR 508.1m versus end of 2017, while the order intake declined by 12.8% to EUR 149m, attributable to the decline in the Mobile Transportation Technology (MTT) segment (some large orders included in last year's figure). The book-to-bill ratio on group level was down to 1.20 from 1.54.
- The group's EBIT on a like-for-like basis improved to EUR 1.9m from EUR -4.7m; the Components division was mainly responsible for the strong swing with an EBIT of EUR 8.3m (EUR 3.5m) and benefitted from a high sales volume and a better product mix.
- The net financial debt was reduced to EUR 104.1m (EUR 158.4m), largely supported by the sale of Pintsch Bubenzer (cash in of EUR 30.3m) and the successful capital increase with a cash inflow of EUR 46.1m.

On the basis of this positive start Schaltbau confirmed the financial targets for FY 2018e. Group sales should reach EUR 480-500m excluding Pintsch Bubenzer and Sepsa. We have slightly increased our estimate to EUR 492m (see Exhibit 9). Schaltbau wants to reach an EBIT-margin of approximately 3%, while our estimate amounted to 3.2%.

The sale of Schaltbau Sepsa (part of MTT segment; information and communication systems for rolling stock, inverter; sales of approximately EUR 35m) is not yet finalized. As we heard during the AGM up to now there is no serious interest for Sepsa. It is our vague impression that there is a gap concerning pricing between Schaltbau and potential buyers. In this context it is important that Schaltbau has given guarantees of payment in the amount of EUR 15.3m and that the involved credit banks will have the right of termination for the credit lines given to Schaltbau in case the deal will not occur. But at this point in time it seems that the banks are accepting the current status quo in our view. The management has four options in our view: 1) Schaltbau Sepsa will stay as a core business what is unlikely in our view. 2) Also unlikely is a shutdown due to additional cost burdens. 3) More likely is the alternative of a reduction of the selling price what has the charm of a fast exit. 4) Or finally, Schaltbau itself will invest into Sepsa to make them more profitable and sell the unit later than expected. In addition some customers of Sepsa are supporting the financial restructuring.

**Exhibit 9: Schaltbau Holding: Change of estimates**

	2018e			2019e			2020e		
	Old	New	Chg.	Old	New	Chg.	Old	New	Chg.
Revenues	485.6	492.0	1.3%	502.0	502.0	0.0%	519.5	519.5	0.0%
EBIT	15.0	15.8	5.6%	29.0	28.0	-3.5%	33.7	33.2	-1.4%
Net result	3.6	4.5	25.7%	13.5	13.2	-2.3%	16.7	16.5	-0.9%
EPS	0.43	0.53	24.1%	1.53	1.49	-2.6%	1.89	1.87	-1.1%

Source: equinet research

As Exhibit 9 illustrates, we have increased our forecasts for 2018e, while we have become slightly more conservative for FY2019e and 2020e due to growing economic risk in our view. But we clearly continue in our view that the group EBIT-margin will go up significantly within the next three to four years.

#### Exhibit 10: Schaltbau Holding group estimates - margin improvement expected

EUR m	2014	2015	2016	2017	2018e	2019e	2020e	2021e	2022e
Incoming orders	449.4	512.0	551.2	594.0	493.1	515.2	542.2	561.2	578.2
yoy %		13.9%	7.7%	7.8%	-17.0%	4.5%	5.2%	3.5%	3.0%
Sales	429.6	502.3	509.1	516.5	492.0	502.0	519.5	539.0	558.5
yoy %		16.9%	1.4%	1.5%	-4.7%	2.0%	3.5%	3.8%	3.6%
EBIT	27.3	33.4	-14.5	-23.0	15.8	28.0	33.2	37.4	40.8
Analysis									
Book-to-bill ratio (x)	1.05	1.02	1.08	1.15	1.00	1.03	1.04	1.04	1.04
EBIT-margin	6.4%	6.7%	-2.8%	-4.5%	3.2%	5.6%	6.4%	6.9%	7.3%

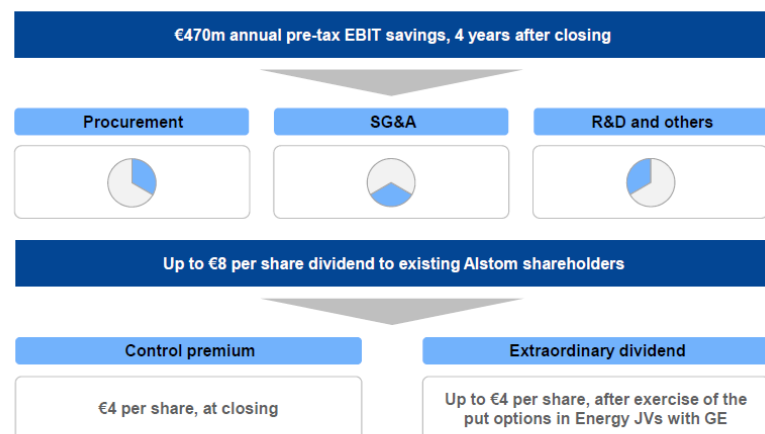
Source: Company data, equinet research

#### Concentration at customer's level

Two and a half years ago in China we saw the merger of CSR and CNR to form the biggest railway company in China (CRRC). In September last year Siemens and Alstom signed a memorandum of understanding to combine their activities in mobility in a merger of equals. The combined company should have sales of EUR 15.3bn while the EBIT should reach EUR 1.2bn.

#### Exhibit 11: Siemens Alstom railway merger: Synergies potential

##### High value creation potential for shareholders



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ALSTOM

Source: Alstom

One element within the overall strategic rationale is to raise synergies of EUR 470m, of which 1/3 should be realised in the area of procurement.

In May this year in the US General Electric Transportation and Wabtec announced their merger plans. The planned deal represents a value of USD11.1bn including a net tax benefit of USD 1.1bn for the combined company. With this transaction both companies wants to realize USD 250m of synergies driven by cost and revenue opportunities.

In the long run these three examples highlight, that the purchasing power against the list of suppliers most likely will increase. In case of Schaltbau it is also important to take into account, that they have a long-lasting and stable relationship with major customers.

## Changes in management and supervisory board

During the last years numerous changes both in the executive and supervisory board were visible and it seems that these movements overall were not beneficial for the group in our view. The decision of Dr. Stausberg, the speaker of the Executive Board, in May 2018, to leave Schaltbau after 14 months only, came out as a surprise to us. Up to now the last act in this context was the supplementary request from major shareholders for the resolution of the dismissal of the chairman of the supervisory board and the by-election of three new supervisory board members ahead of the AGM in June 2018.

### Exhibit 12: Schaltbau Holding: Executive and Supervisory Boards after AGM

Executive Board			Supervisory Board		
Dr. A. Köhler	CEO and Spokesman	since 19 May 2018	Dr. H. Fechner	Chairman	since 07 June 2018
Th. Dippold	CFO	since 01 January 2017	Prof. Dr. Th. Grenz *	Vice Chairman	since 07 June 2018
Dr. M. Kleinschmitt	CRO	since 09 August 2017	A. Knitter	ordinary member	since 08 June 2017
V. Kregelin		as of Dec. 2018	J. Pilloud	ordinary member	since 07 June 2018
			H. Treutinger	Employee representative	since 13 September 2017
			N.N.	Employee representative	N.N.

\* member of the supervisory board since 24 May 2018

Source: Company data

Coming back from a lively AGM at 07 June 2018 one of the key takeaways is the partial replacement of the supervisory board. Looking forward and having in mind the restructuring process we want to highlight two aspects:

- The new Executive and Supervisory Boards now are much more competent with regard to the overall railway industry in addition to the existing financial and restructuring competence
- The relationship between Executive Board and Supervisory Board is now based more on arms-length principles than in history.

In the new Executive Board in particular Mr. Dr. Köhler and Mr. Kregelin both have long-lasting experience in the railway industry (for example working for Knorr-Bremse, Siemens, Bombardier). Out of the Supervisory Board for example the newly elected member Jeannine Pilloud since several years works for the Schweizerische Bundesbahn.

We hope that this “new” set-up will lead to more stability and helps to achieve further progress in the group’s restructuring.



## Appendix

**Exhibit 13: MTT in figures**

EUR m	2014	2015	2016	2017	2018e	2019e	2020e	2021e	2022e
Incoming orders	195.7	224.9	263.2	333.4	285.0	295.0	310.0	325.0	330.0
yoy %		14.9%	17.0%	26.7%	-14.5%	3.5%	5.1%	4.8%	1.5%
Divisional sales	186.0	225.5	222.9	269.1	285.0	290.0	302.0	313.0	323.0
yoy %		21.2%	-1.2%	20.7%	5.9%	1.8%	4.1%	3.6%	3.2%
EBIT	12.7	16.0	5.2	-26.4	6.0	16.0	20.0	22.0	23.5
Analysis									
Book-to-bill ratio (x)	1.05	1.00	1.18	1.24	1.00	1.02	1.03	1.04	1.02
EBIT-margin	6.8%	7.1%	2.3%	-9.8%	2.1%	5.5%	6.6%	7.0%	7.3%

Source: Company data, equinet research

**Exhibit 14: STT in figures**

EUR m	2014	2015	2016	2017	2018e	2019e	2020e	2021e	2022e
Incoming orders	138.9	155.5	157.8	114.3	75.0	80.0	84.0	86.0	89.0
yoy %		11.9%	1.5%	-27.6%	-34.4%	6.7%	5.0%	2.4%	3.5%
Divisional sales	139.5	144.2	149.4	120.5	75.0	74.0	76.0	79.0	82.0
yoy %		3.4%	3.6%	-19.4%	-37.8%	-1.3%	2.7%	3.9%	3.8%
EBIT	2.5	1.2	-28.1	-5.5	0.5	2.5	3.0	4.0	4.2
Analysis									
Book-to-bill ratio (x)	1.00	1.08	1.06	0.95	1.00	1.08	1.11	1.09	1.09
EBIT-margin	1.8%	0.8%	-18.8%	-4.6%	0.7%	3.4%	3.9%	5.1%	5.1%

Source: Company data, equinet research

**Exhibit 15: COM in figures**

EUR m	2014	2015	2016	2017	2018e	2019e	2020e	2021e	2022e
Incoming orders	114.7	131.5	130.1	146.3	133.0	140.0	148.0	150.0	159.0
yoy %		14.7%	-1.1%	12.5%	-9.1%	5.3%	5.7%	1.4%	6.0%
Divisional sales	105.6	133.9	138.1	131.3	134.0	140.0	144.0	150.0	157.0
yoy %		26.7%	3.2%	-5.0%	2.1%	4.5%	2.9%	4.2%	4.7%
EBIT	18.9	23.4	17.2	21.4	19.6	20.5	21.0	22.5	23.3
Analysis									
Book-to-bill ratio (x)	1.09	0.98	0.94	1.11	0.99	1.00	1.03	1.00	1.01
EBIT-margin	17.9%	17.5%	12.4%	16.3%	14.6%	14.6%	14.6%	15.0%	14.8%

Source: Company data, equinet research



**Schaltbau Holding AG : Summary tables**

<b>PROFIT &amp; LOSS (EURm)</b>	<b>12/2014</b>	<b>12/2015</b>	<b>12/2016</b>	<b>12/2017</b>	<b>12/2018e</b>	<b>12/2019e</b>
<b>Sales</b>	<b>430</b>	<b>502</b>	<b>509</b>	<b>517</b>	<b>492</b>	<b>502</b>
Cost of Sales & Operating Costs	-391	-461	-503	-471	-465	-465
Non Recurrent Expenses/Income	0.0	5.4	9.8	-25.4	0.0	0.0
<b>EBITDA</b>	<b>38.3</b>	<b>46.5</b>	<b>16.3</b>	<b>20.1</b>	<b>27.3</b>	<b>37.5</b>
<b>EBITDA (adj.)*</b>	<b>38.3</b>	<b>41.1</b>	<b>6.5</b>	<b>45.5</b>	<b>27.3</b>	<b>37.5</b>
Depreciation	-11.0	-13.1	-30.8	-43.1	-11.5	-9.5
<b>EBITA</b>	<b>27.3</b>	<b>33.4</b>	<b>-14.5</b>	<b>-23.0</b>	<b>15.8</b>	<b>28.0</b>
<b>EBITA (adj.)*</b>	<b>27.3</b>	<b>28.0</b>	<b>-24.3</b>	<b>2.4</b>	<b>15.8</b>	<b>28.0</b>
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
<i>of which PPA amortisation</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<b>EBIT</b>	<b>27.3</b>	<b>33.4</b>	<b>-14.5</b>	<b>-23.0</b>	<b>15.8</b>	<b>28.0</b>
<b>EBIT (adj.)*</b>	<b>27.3</b>	<b>28.0</b>	<b>-24.3</b>	<b>2.4</b>	<b>15.8</b>	<b>28.0</b>
Net Financial Interest	-4.3	-5.4	-5.2	-10.9	-6.7	-6.5
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	12.2	2.1	3.9	-1.8	0.2	0.2
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings Before Tax (EBT)</b>	<b>35.2</b>	<b>30.1</b>	<b>-15.8</b>	<b>-35.7</b>	<b>9.3</b>	<b>21.7</b>
Tax	-6.1	-7.7	3.8	-13.9	-2.8	-6.5
<i>Tax rate</i>	<i>17.3%</i>	<i>25.6%</i>	<i>24.0%</i>	<i>n.m.</i>	<i>30.0%</i>	<i>30.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-4.3	-5.6	-3.8	-2.1	-2.0	-2.0
<b>Net Profit (reported)</b>	<b>24.8</b>	<b>16.8</b>	<b>-15.8</b>	<b>-51.7</b>	<b>4.5</b>	<b>13.2</b>
<b>Net Profit (adj.)</b>	<b>24.8</b>	<b>13.0</b>	<b>-22.7</b>	<b>-33.9</b>	<b>4.5</b>	<b>13.2</b>
<b>CASH FLOW (EURm)</b>	<b>12/2014</b>	<b>12/2015</b>	<b>12/2016</b>	<b>12/2017</b>	<b>12/2018e</b>	<b>12/2019e</b>
Cash Flow from Operations before change in NWC	47.2	58.7	36.7	-24.3	10.7	28.7
Change in Net Working Capital	-20.7	-29.3	-10.9	34.8	-2.3	-1.7
<b>Cash Flow from Operations</b>	<b>26.5</b>	<b>29.4</b>	<b>25.8</b>	<b>10.5</b>	<b>8.4</b>	<b>27.1</b>
Capex	-29.0	-35.7	-20.0	-23.0	-9.0	-9.0
Net Financial Investments	-9.4	-13.3	1.8	-11.3	26.0	-0.9
<b>Free Cash Flow</b>	<b>-11.9</b>	<b>-19.6</b>	<b>7.6</b>	<b>-23.8</b>	<b>25.4</b>	<b>17.2</b>
Dividends	-4.4	-5.9	-6.0	-6.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Change in Net Debt</b>	<b>-16.3</b>	<b>-25.5</b>	<b>1.6</b>	<b>-29.8</b>	<b>25.4</b>	<b>17.2</b>
NOPLAT	19.1	19.6	-17.0	1.7	11.1	19.6
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>12/2014</b>	<b>12/2015</b>	<b>12/2016</b>	<b>12/2017</b>	<b>12/2018e</b>	<b>12/2019e</b>
Net Tangible Assets	68.7	77.3	88.4	72.3	38.0	36.0
Net Intangible Assets (incl. Goodwill)	52.4	82.9	83.7	67.5	68.0	69.0
Net Financial Assets & Other	28.0	30.2	22.6	14.9	20.2	21.6
<b>Total Fixed Assets</b>	<b>149</b>	<b>190</b>	<b>195</b>	<b>155</b>	<b>126</b>	<b>127</b>
Inventories	85.6	91.3	101	94.3	96.2	98.1
Trade receivables	80.3	111	115	91.9	93.7	94.7
Other current assets	20.5	20.5	17.8	85.8	97.4	98.0
Cash (-)	-25.7	-32.4	-30.0	-25.3	-35.2	-48.0
<b>Total Current Assets</b>	<b>212</b>	<b>255</b>	<b>264</b>	<b>297</b>	<b>322</b>	<b>339</b>
<b>Total Assets</b>	<b>361</b>	<b>446</b>	<b>459</b>	<b>452</b>	<b>449</b>	<b>465</b>
Shareholders Equity	93.3	91.4	73.7	39.3	93.1	106
Minority	19.2	33.4	33.4	31.3	31.3	31.3
Total Equity	113	125	107	70.6	124	138
Long term interest bearing debt	96.4	152	167	172	114	115
Provisions	43.5	41.8	59.7	51.7	49.2	49.5
Other long term liabilities	9.0	15.1	8.1	6.0	6.1	6.2
<b>Total Long Term Liabilities</b>	<b>149</b>	<b>209</b>	<b>235</b>	<b>230</b>	<b>169</b>	<b>171</b>
Short term interest bearing debt	9.0	10.0	11.0	12.0	13.0	14.0
Trade payables	31.5	38.8	42.0	46.4	47.8	49.0
Other current liabilities	59.3	63.2	64.2	93.5	94.3	93.9
<b>Total Current Liabilities</b>	<b>99.8</b>	<b>112</b>	<b>117</b>	<b>152</b>	<b>155</b>	<b>157</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>361</b>	<b>446</b>	<b>459</b>	<b>452</b>	<b>449</b>	<b>465</b>
<b>Net Capital Employed</b>	<b>245</b>	<b>311</b>	<b>323</b>	<b>287</b>	<b>271</b>	<b>274</b>
<b>Net Working Capital</b>	<b>134</b>	<b>164</b>	<b>175</b>	<b>140</b>	<b>142</b>	<b>144</b>
<b>GROWTH &amp; MARGINS</b>	<b>12/2014</b>	<b>12/2015</b>	<b>12/2016</b>	<b>12/2017</b>	<b>12/2018e</b>	<b>12/2019e</b>
<i>Sales growth</i>	<i>10.0%</i>	<i>16.9%</i>	<i>1.4%</i>	<i>1.5%</i>	<i>-4.7%</i>	<i>2.0%</i>
<b>EBITDA (adj.)* growth</b>	<b>-13.3%</b>	<b>7.2%</b>	<b>-84.2%</b>	<b>600.3%</b>	<b>-39.9%</b>	<b>37.1%</b>
<i>EBITA (adj.)* growth</i>	<i>-24.1%</i>	<i>2.4%</i>	<i>n.m.</i>	<i>n.m.</i>	<i>559.7%</i>	<i>76.7%</i>
<i>EBIT (adj.)* growth</i>	<i>-24.1%</i>	<i>2.4%</i>	<i>n.m.</i>	<i>n.m.</i>	<i>559.7%</i>	<i>76.7%</i>

## Schaltbau Holding AG : Summary tables

GROWTH & MARGINS	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Net Profit growth	16.1%	-47.7%	n.m.	n.m.	n.m.	191.5%
EPS adj. growth	22.5%	-47.7%	n.m.	n.m.	n.m.	191.5%
DPS adj. growth	31.5%	39.1%	0.0%	n.m.		
EBITDA (adj)* margin	8.9%	8.2%	1.3%	8.8%	5.6%	7.5%
EBITA (adj)* margin	6.4%	5.6%	-4.8%	0.5%	3.2%	5.6%
EBIT (adj)* margin	6.4%	5.6%	n.m.	0.5%	3.2%	5.6%
RATIOS	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Net Debt/Equity	0.7	1.0	1.4	2.2	0.7	0.6
Net Debt/EBITDA	2.1	2.8	9.1	7.9	3.4	2.2
Interest cover (EBITDA/Fin.interest)	8.9	8.6	3.1	1.8	4.1	5.8
Capex/D&A	263.6%	272.5%	64.9%	53.4%	78.3%	94.7%
Capex/Sales	6.8%	7.1%	3.9%	4.5%	1.8%	1.8%
NWC/Sales	31.3%	32.6%	34.3%	27.1%	28.9%	28.6%
ROE (average)	28.8%	14.1%	-27.5%	-60.1%	6.8%	13.2%
ROCE (adj.)	7.5%	6.0%	-4.9%	0.6%	4.5%	7.9%
WACC	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%
ROCE (adj.)/WACC	1.0	0.8	-0.7	0.1	0.6	1.1
PER SHARE DATA (EUR)***	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Average diluted number of shares	6.2	6.2	6.2	6.6	8.9	8.9
EPS (reported)	4.03	2.73	-2.57	-7.82	0.51	1.49
EPS (adj.)	4.03	2.11	-3.68	-5.13	0.51	1.49
BVPS	15.17	14.86	11.98	5.94	10.52	12.01
DPS	0.72	1.00	1.00	0.00	0.00	0.00
VALUATION	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
EV/Sales	0.9	1.0	0.8	0.8	0.8	0.8
EV/EBITDA	10.5	11.1	25.8	20.7	15.1	10.7
EV/EBITDA (adj.)*	10.5	12.6	64.7	9.1	15.1	10.7
EV/EBITA	14.7	15.5	-29.0	-18.1	26.1	14.4
EV/EBITA (adj.)*	14.7	18.5	-17.3	173.0	26.1	14.4
EV/EBIT	14.7	15.5	n.m.	n.m.	26.1	14.4
EV/EBIT (adj.)*	14.7	18.5	n.m.	n.m.	26.1	14.4
P/E (adj.)	9.9	22.8	n.m.	n.m.	n.m.	17.7
P/BV	2.6	3.2	2.4	4.3	2.5	2.2
Total Yield Ratio	2.4%	2.0%	3.4%	0.0%	0.0%	0.0%
EV/CE	1.6	1.6	1.2	1.5	1.7	1.6
OpFCF yield	-1.0%	-2.1%	3.2%	-7.4%	-0.3%	7.7%
OpFCF/EV	-0.6%	-1.2%	1.4%	-3.0%	-0.1%	4.5%
Payout ratio	17.8%	36.7%	-38.9%	0.0%	0.0%	0.0%
Dividend yield (gross)	1.8%	2.1%	3.4%	0.0%	0.0%	0.0%
EV AND MKT CAP (EURm)	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Price** (EUR)	39.79	48.23	29.09	25.47	26.40	26.40
Outstanding number of shares for main stock	6.2	6.2	6.2	6.6	8.9	8.9
<b>Total Market Cap</b>	<b>245</b>	<b>297</b>	<b>179</b>	<b>168</b>	<b>234</b>	<b>234</b>
<b>Net Debt</b>	<b>80</b>	<b>130</b>	<b>148</b>	<b>159</b>	<b>92</b>	<b>81</b>
<i>o/w Cash &amp; Marketable Securities (-)</i>	<i>-26</i>	<i>-32</i>	<i>-30</i>	<i>-25</i>	<i>-35</i>	<i>-48</i>
<i>o/w Gross Debt (+)</i>	<i>105</i>	<i>162</i>	<i>178</i>	<i>184</i>	<i>127</i>	<i>129</i>
<b>Other EV components</b>	<b>78</b>	<b>90</b>	<b>93</b>	<b>88</b>	<b>87</b>	<b>88</b>
<b>Enterprise Value (EV adj.)</b>	<b>402</b>	<b>517</b>	<b>420</b>	<b>415</b>	<b>413</b>	<b>402</b>

Source: Company, equinet Bank estimates.

### Notes

\* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Industrial Engineering/Industrial Machinery

Company Description: The foundation of the Schaltbau group dates back to 1929 when the company produces rail switchgears and heaters. 1992 the group was acquired by Berliner Elektro AG and converted into a stock company. Today the group is a leading supplier in the field rolling stock, rail infrastructure, automotive and capital goods industry in its relevant markets. After some difficult years in 2017 a new management started a restructuring process.

## Recommendations and Disclosures

Coverage	Analyst	Target	Rating	Disc.	Coverage	Analyst	Target	Rating	Disc.
1&1DRILLISCHAG	Sen	66.00	Buy		Merkur Bank	Häßler	10.00	Buy	2/7
2GEnergy	Rüzgar	23.50	Accumulate	2/3/5	Metro AG	Bruns	17.00	Buy	2
Aareal Bank	Häßler	42.00	Neutral		MLP	Häßler	7.50	Buy	2/3
adidas	Josefson	228.00	Accumulate		MTU Aero Engines	Rüzgar	130.00	Reduce	2
Adler Modemaerkte	Josefson	6.35	Buy	7	Munich Re	Häßler	210.00	Accumulate	
ADLER Real Estate	Mayer	18.00	Buy		Nemet schek SE	Mildner	47.00	Reduce	5
Aixtron	Sen	11.60	Accumulate	2/3	Norma Group	Schuldt	62.00	Neutral	
Allianz	Häßler	200.00	Neutral		OHB SE	Rüzgar	40.00	Neutral	7
Axel Springer	Josefson	66.50	Reduce		OVB Holding AG	Häßler	20.00	Neutral	2/5/7
Bayer	Miemietz	118.00	Buy		Patrizia	Mayer	18.00	Neutral	
Baywa	Bruns	33.00	Buy	2/7	Pfeiffer Vacuum	Sen	162.00	Buy	5
BB Biotech	Miemietz	73.00	Buy	7	Procredit Holding	Häßler	15.00	Buy	2/3/5
Biotest	Miemietz	25.00	Neutral	2/3	PSI SOFTWARE AG	Mildner	20.00	Buy	2/3
BMW	Schuldt	105.00	Buy		Puma	Josefson	492.00	Buy	
Brenntag	Hinkel	59.80	Buy	2	PWO	Schuldt	52.00	Buy	2/3
Ceconomy AG	Bruns	10.70	Reduce		Rheinmetall	Rüzgar	118.00	Neutral	
comdirect	Häßler	11.20	Neutral		RIB Software	Mildner	25.00	Buy	2/3
Commerzbank	Häßler	13.00	Neutral		RTL Group	Josefson	72.00	Accumulate	
Continental	Schuldt	270.00	Buy		S&T AG	Sen	21.00	Buy	2/3
CORESTATE Capital Holding S.A.	Mayer	72.00	Buy	2/5	SAF-Holland	Schuldt	17.00	Neutral	
CTS Eventim	Heilmann	39.50	Neutral		Schaeffler	Tanzer	14.30	Buy	
Daimler AG	Schuldt	80.00	Accumulate		Schaltbau Holding AG	Becker	32.70	Buy	2/7
Daldrup & Soehne	Becker	14.50	Buy	2/3/5	SCOUT24	Heilmann	31.00	Reduce	2
Demire	Mayer	4.55	Buy	2/5	Siegfried Holding AG	Miemietz	338.00	Neutral	7
Deutsche Bank	Häßler	14.00	Buy		Siemens Healthineers AG	Rüzgar	35.50	Accumulate	2
Deutsche EuroShop	Mayer	30.00	Neutral		SLM Solutions	Sen	24.00	Sell	
Deutsche Pfandbriefbank	Häßler	14.50	Accumulate		SMT Scharf AG	Rüzgar	17.50	Neutral	2/3
Deutsche Telekom	Sen	13.30	Neutral		Software AG	Mildner	30.00	Sell	
Duerr	Augustin	114.00	Buy		Stabilus	Tanzer	91.00	Buy	
ErlingKlinger	Schuldt	10.00	Sell		Suedzucker	Bruns	12.00	Sell	
elumeo SE	Josefson	10.90	Accumulate		SuessMicroTec	Sen	13.80	Accumulate	2/3
Epigenomics AG	Miemietz	4.72	Accumulate	2/3	Surteco	Mildner	30.50	Buy	2/3
Euromicron AG	Becker	11.40	Buy	2/3/5	Symrise AG	Hinkel	67.00	Neutral	
Eyemaxx Real Estate	Mayer	16.00	Buy	2/5/7	Syzygy AG	Heilmann	11.50	Accumulate	2/3
Ferratum	Häßler	29.00	Buy		TAKKT AG	Bruns	18.50	Neutral	2
Fielmann	Heilmann	70.00	Neutral		Talanx Group	Häßler	40.00	Accumulate	
First Sensor AG	Becker	27.00	Accumulate	7	Technotrans	Becker	45.20	Accumulate	2/3
Freenet	Sen	36.00	Buy	2	TELECOLUMBUS	Sen	9.70	Buy	
FuchsPetrolub	Hinkel	48.00	Neutral		Telefonica Deutschland	Sen	3.40	Sell	
Gea Group	Augustin	39.00	Neutral		United Internet	Sen	63.00	Buy	
Gerresheimer AG	Rüzgar	69.00	Neutral		Vapiano	Bruns	26.50	Buy	2/7
Gerry Weber	Josefson	8.00	Neutral		va-Q-tec	Sen	17.00	Neutral	2/3
Gesco	Becker	34.20	Accumulate	2/3	Viscom	Rüzgar	28.00	Buy	2/3
GFT Technologies	Mildner	15.50	Buy	2/3	Volkswagen	Schuldt	162.00	Neutral	
Gigaset	Sen	0.85	Accumulate	2/3	Wacker Neuson SE	Becker	27.20	Neutral	
Grenke	Häßler	90.00	Neutral		windeln.de	Josefson	3.10	Buy	2
Hannover Re	Häßler	110.00	Neutral		XING SE	Heilmann	300.00	Buy	
Heidelberg Pharma	Miemietz	3.50	Accumulate	2/3	Zalando	Josefson	44.50	Neutral	
Heidelberger Druck	Augustin	3.60	Buy						
HELLA GmbH & Co. KGaA	Tanzer	57.00	Accumulate						
Hornbach Holding	Bruns	89.00	Buy						
Hugo Boss	Josefson	81.00	Buy						
Hypoport AG	Häßler	172.00	Accumulate	2/7					
INDUS Holding AG	Becker	64.50	Neutral						
K+S AG	Hinkel	24.40	Neutral						
Koenig & Bauer	Augustin	72.00	Neutral						
Krones AG	Augustin	123.00	Accumulate						
KWS SAAT	Hinkel	348.00	Buy						
Lanxess	Hinkel	83.00	Buy						
Leoni	Schuldt	57.00	Neutral						
Linde	Hinkel	176.00	Neutral						
Logwin	Mildner	148.00	Neutral	2/3					
Manz AG	Rüzgar	37.00	Neutral	2/3					
MAX Automation AG	Becker	9.40	Buy	2/3					
Merck	Miemietz	112.00	Buy						

\* = Coverage suspended

Source: equinet Recommendations

## Notice according to § 34 b (German) Securities Trading Act ("Wertpapierhandelsgesetz")

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## Remarks

### Recommendation System

Buy - The stock is expected to generate a total return of over 20% during the next 12 months time horizon.

Accumulate - The stock is expected to generate a total return of 10% to 20% during the next 12 months time horizon.

Hold - The stock is expected to generate a total return of 0% to 10% during the next 12 months time horizon

Reduce - The stock is expected to generate a total return of 0 to -10% during the next 12 months time horizon

Sell - The stock is expected to generate a total return below -10% during the next 12 months time horizon

### Basis of Valuation

Equinet Bank uses for valuation purposes primarily DCF-Valuations and Sum-Of-The-Parts-Valuations as well as peer group comparisons.

### Share prices

Share prices in this analysis are the German closing prices of the last trading day before the publication.

### Sources

Equinet Bank has made any effort to carefully research all information contained in the analysis. The information on which the analysis is based has been obtained from sources which we believe to be reliable such as, for example, Reuters, Bloomberg and the relevant press as well as the company which is the subject of the analysis. Only that part of the research note is made available to the issuer, who is the subject of the analysis, which is necessary to properly reconcile with the facts. Should this result in considerable changes a reference is made in the research note.

### Actualizations

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-BaFin- (Federal Financial Supervisory Authority)  
Graurheindorfer Straße 108, 53117 Bonn and  
Marie-Curie-Str. 24-28, 60439 Frankfurt am Main

## Recommendation history for SCHALTBAU HOLDING AG

Date	Recommendation	Target price	Price at change date
12. Jun 18	Buy	32.70	26.40
03. Apr 18	Buy	32.20	25.60

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows equinet Bank continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Winfried Becker (since 03/04/2018)



## ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

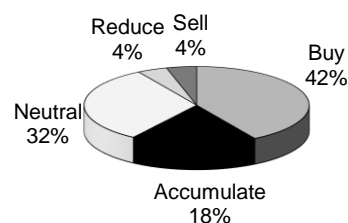
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

### Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months time horizon
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Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

### Equinet Bank Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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