

Company Flash Note

Reason: Company newsflow

11 October 2018

Buy

Recommendation unchanged

Share price: EUR 22.80

closing price as of 10/10/2018

Target price: EUR 32.90

from Target Price: EUR 32.70

Upside/Downside Potential 44.3%

Reuters/Bloomberg SLTG.DE/SLT GY

Market capitalisation (EURm) 202

Current N° of shares (m) 9

Free float 33%

Daily avg. no. trad. sh. 12 mth 6

Daily avg. trad. vol. 12 mth (m) 54.69

Price high/low 12 months 22.80 / 29.65

Abs Perfs 1/3/12 mths (%) -18.28/-8.43/-23.10

Key financials (EUR) 12/17 12/18e 12/19e

Sales (m) 517 492 502

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) 3 13

ROCE 0.6% 3.7% 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 0.7

EV/EBITDA 20.7 13.9 9.9

EV/EBITDA (adj.) 9.1 15.5 9.9

EV/EBIT nm 24.0 13.2

P/E (adj.) nm nm 15.3

P/BV 4.3 2.2 1.9

OpFCF yield -7.4% -0.3% 8.8%

Dividend yield 0.0% 0.0% 0.0%

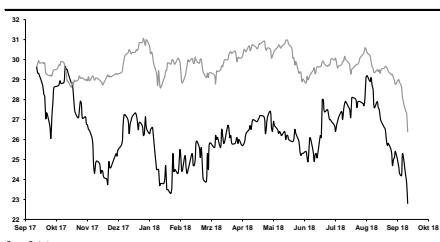
EPS (adj.) (5.13) 0.29 1.49

BVPS 5.94 10.52 12.01

DPS 0.00 0.00 0.00

Shareholders

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



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Movin' in the right direction

The overall restructuring process of Schaltbau is on track in our view. The sale of Schaltbau Sepsa seems to be more difficult than expected and is not yet finalised. Based on the reported H1 2018 results the group will reach its own financial targets for the full year in our view. We believe the main share price catalysts are likely to be: Reaching further milestones of the overall restructuring concept like e.g. cost savings, financial debt reductions and the completion of loss-making projects. According to our assessment the latest share price decline of nearly 22% since end of August is not justified. Our new target price slightly increased to EUR 32.90 from 32.70 per share. Schaltbau remains as one of our small cap top picks in our Industrials investment universe.

- ✓ **Innovations at InnoTrans:** Nearly all exhibitors presented “smart railway” solutions and thus showing where markets seem to develop over the next years. This trend was also visible at Schaltbau’s booth. Some of the highlights presented are “IntelliDesk”, an innovative new driver desk concept or integrated train door systems fitted with sensor technology.
- ✓ **Financial targets ‘18e will be reached:** H1 ‘18 results and the favourable order book of EUR 533m end of June ‘18 are a solid basis to achieve the planned full-year targets. Group sales should reach EUR 480-500m and compare with our estimate of EUR 492m. Schaltbau plans to reach an EBIT-margin of approximately 3%, while we are estimating 3.2%. We also stay optimistic for FY2019e with a further improvement to 5.6%.
- ✓ **Segment performance:** We expect for both segments Mobile and Stationary Transportation Technology (MTT; STT) to achieve the turnaround (Exhibit 5) on EBIT level for 2018e. MTT is expected to reach an EBIT of EUR 3.5m (FY ‘16: EUR -26.4m), while our EBIT forecast for STT amounted to EUR 0.5m (FY ‘16: EUR -5.5m). The Components segment will remain a solid earnings contributor with an estimated EBIT of EUR 24.1m (FY ‘16: EUR 21.4m).
- ✓ **Valuation update:** We continue to value the Schaltbau shares with our DCF-model. Our base input parameters have not changed: Beta at 1.1, terminal growth rate at 2% and sustainable margin at 7%. Our equity value amounted to EUR 290.9m or EUR 32.90 per share. That currently offers an upside potential of ~44%.
- ✓ **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 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.
- ✓ **9M/Q3 results:** 08 November 2018

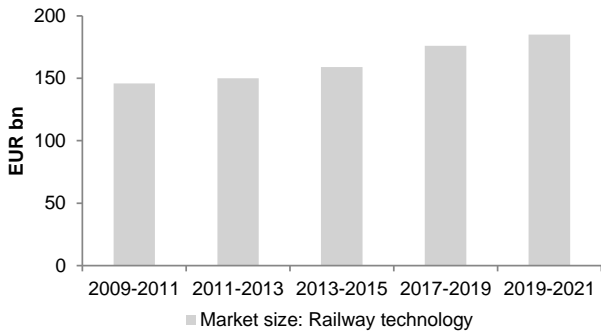
Exhibit 1: Schaltbau Holding at a glance

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 RBUET 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 contactors 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 Concentrated customer base of several train operators and OEMs	Public and private rail infrastructure operators, such as Deutsche Bahn AG and rail systems suppliers Oligopolistic market structure with increasing pricing power of customers	Public and private rail infrastructure operators 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	Door systems: IFE (Knorr-Bremse), Kangni, Faiveley (WABTEC Corp.), Ventura, Masats, IWN, Snop, Röllmehc, Edscha. Sanitary systems: EVAC, BFG, SEMVAC	Level crossing technology: Scheidt & Bachmann, Siemens. Signalling equipment: Frauscher, Siemens, Bombardier, Thales. Other: Ansaldo STS SpA, Construcciones y Auxiliar de Ferrocarriles SA, Westinghouse Air Brake Technologies Corporation	Driver desks: Alfa Union (Czech Republic), Gessmann (GER), Kaitan (Dhina); Electromechanical components: Sàcheron (CH), Microelettrica Scientifica S.p.A. (Italy); Other: Crouzet, FreighCar 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	Strategy (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		Guidance (FY 2018) Revenue: EUR 480 - 500m EBIT: -7.1% - 3.2% circa 3.0%	equinet Estimates Revenue: EUR 492m EBIT rep. EUR 15.8m	Consensus (FactSet) EUR 496.2m -3.9% EUR 17.5m	
2017	Sales (EURm) 516.5 y/y 1.4%	EBITDA (EURm) 20.1 Margin 3.9%	EBIT adj. (EURm) 2.4 Margin 0.5%	Sales 5Y hist. CAGR 7.3%	Organic growth y/y n.a.	
Sales & EBIT Split	Sales split by region (average 2014 - 2016) 		Sales split by division (average 2014 - 2016) 		EBIT split by division (average 2014 - 2016) 	Group financial development
	Divisional EBIT Split Average 15 - 17 Mobile Transportation Technology (MTT) -1.8 Stationary Transportation Technology (STT) -10.8 Components (COM) 20.7 Total amount segments 8.1					
Shareholder structure & management	CEO Dr. Albrecht Köhler Board member (speaker) since 2018 • Studies in mechanical engineering • Management positions at Knorr-Bremse • Over three decades Dr. Köhler gained a wealth of strategic and operational expertise in the railway and automotive industries	CFO Thomas Dippold Board member since 2017 • Background in Reporting and Consulting • Expatriate Management position in Singapur with Schott AG • From 2014 to 2017 CFO of Faber-Castell	CRO Dr. Martin Kleinschmitt CRO (since 2017) • Lawyer and partner of Noerr LLP and member of the board of Noerr Consulting AG • Since 2002 Dr. Kleinschmitt functioned as interim CFO of various firms in distress • Responsible for the restructuring of Schaltbau AG	Volker Kragelin Board member as of Dec. 2018	Shareholder structure (rough estimation) 	
Year-end number of employees: FY 2017	3,370					

Source: Company data, equinet Research

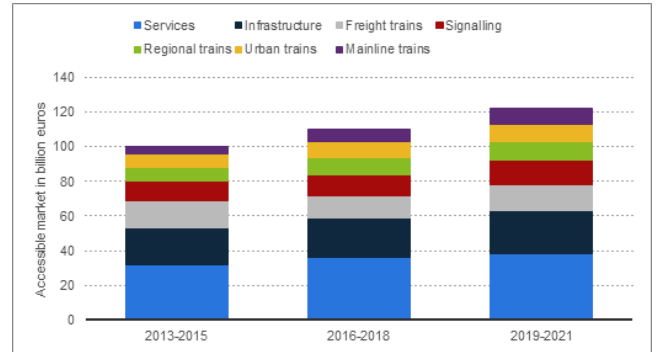
Investment Case in Charts

Exhibit 2: Average market size 2009 - 2021



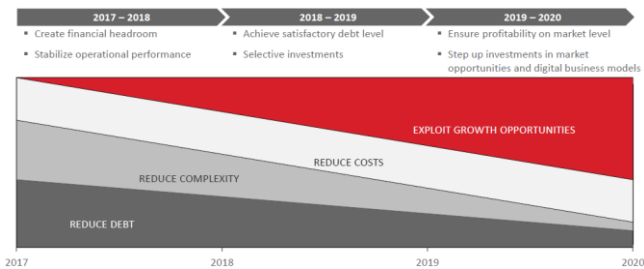
Source: UNIFE, Roland Berger

Exhibit 3: Market development by segment



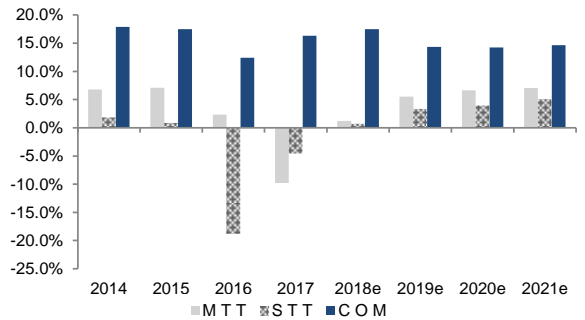
Source: Alstom, UNIFE

Exhibit 4: Schaltbau: Restructuring Roadmap



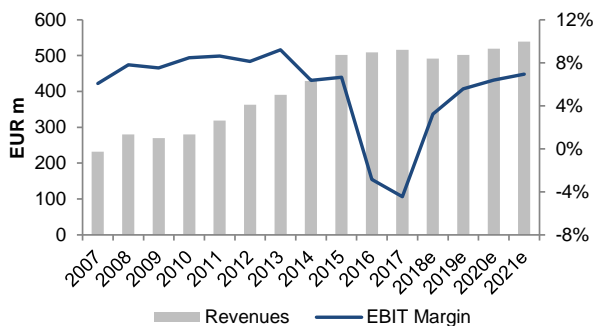
Source: Company data

Exhibit 5: Reported EBIT-margin recovery by segment



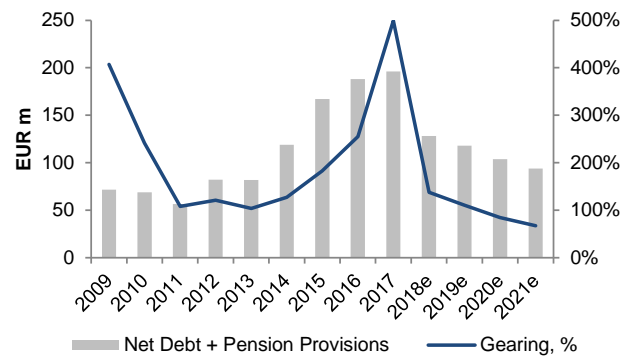
Source: Company data, equinet Research

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

Investment case

The overall macroeconomic picture is intact but during the last weeks economists have reduced their GDP forecasts for 2018 and 2019. As a result we currently see no new trigger for a higher valuation level of equity markets from this front. This aspect is currently less relevant for the Schaltbau shares because in our view the dominant triggers currently are internal factors. To mention a few, we see the group on track to reach this year's cost savings and financial debt reduction and solving problems with loss-making orders as they already did with the platform screen doors (PSD) project in Brazil. What has not yet happened is the planned sale of Schaltbau Sepsa. Based on the reported H1 2018 results we see the company on track to reach the full-year financial guidance.

Following the last lively AGM the group now has a partly changed management and supervisory board that are in our view clearly better for the overall restructuring process. In particular two aspects are important:

- 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 expertise.
- The relationship between Executive Board and Supervisory Board is now based more on arms-length principles than in history.

The current IPO of its partial competitor Knorr-Bremse is rather supportive to neutral in our view. Potential negative "Brexit" effects are limited from our current standpoint. Any significant negative impacts from difficulties with the supply chain are not visible today.

Based on these arguments we believe the latest share price decline as not justified. Since 31 August 2018 (closing price at EUR 29.20) the shares declined by nearly 22% (closing price at 10 October 2018: EUR 22.80) and we confirm our Buy recommendation for the shares.

Valuation update

- New TP at EUR 32.90 from EUR 32.70 per share
- Buy recommendation confirmed
- Schaltbau remains as one of our small cap top picks in the Industrials sector

Our EBIT estimate for 2018e of EUR 13.0m is an adjusted figure. Exhibit 9 shows the bridge from reported to adjusted EBIT. Within the H1 reporting Schaltbau reported an extraordinary income coming from the reversal of provisions for contingent losses for the platform screen doors project in Sao Paulo (Brazil), following negotiations with Bombardier Transportation. In addition with other adjustments the total value (net effect) amounted to EUR 2.8m. From today's point of view for the following years we do not forecast any other adjustment items.

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	
<i>growth rate</i>	-4.7%	2.0%	3.5%	3.8%	3.6%	3.3%	3.1%	2.8%	2.5%	2.3%	
EBIT	13.0	28.0	33.2	37.4	40.8	41.8	42.8	43.7	44.4	45.1	
<i>EBIT margin</i>	2.6%	5.6%	6.4%	6.9%	7.3%	7.2%	7.2%	7.1%	7.1%	7.0%	
Tax	-3.9	-8.4	-10.0	-11.2	-12.2	-12.5	-12.8	-13.1	-13.3	-13.5	
<i>Tax rate</i>	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	
Depr. & Amort.	11.5	9.5	9.0	9.0	9.0	10.1	10.9	11.4	11.8	12.2	
<i>% of sales</i>	2.3%	1.9%	1.7%	1.7%	1.6%	1.8%	1.8%	1.9%	1.9%	1.9%	
Capex	-9.0	-9.0	-11.3	-11.6	-11.4	-11.7	-12.0	-12.3	-12.6	-12.8	
<i>% of sales</i>	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	-2.0	-2.2	-1.7	-1.6	-1.7	-1.8	-1.8	-1.9	-1.9	
<i>% of sales</i>	0.5%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	
Free Cash Flow	9.3	18.1	18.7	21.8	24.5	26.1	27.1	27.9	28.5	29.1	563.3
<i>growth rate</i>	nm	95.7%	3.2%	6.7%	2.1%	6.4%	4.1%	2.9%	2.2%	1.9%	2.0%
Present Value FCF	9.1	16.6	16.0	17.4	18.2	18.1	17.5	16.8	16.0	15.2	295.1

PV Phase I	77.4	Risk free rate	3.50%	Targ. equity ratio	65%		
PV Phase II	83.7	Premium Equity	5.00%	Beta	1.1		
PV Phase III	295.1	Premium Debt	2.00%	WACC	7.3%		
Enterprise value	456.2	Sensitivity	Growth in phase III				
- Net Debt (Cash)	96.5		1.0%	1.5%	2.0%	2.5%	3.0%
- Pension Provisions	37.5	6.54%	33.6	37.0	41.3	46.6	53.5
- Minorities & Peripherals	31.3	6.90%	30.2	33.2	36.8	41.2	46.7
+ MV of financial assets		WACC 7.26%	27.3	29.8	32.9	36.5	41.1
- Paid-out dividends for last FY	0.0	7.63%	24.6	26.9	29.5	32.6	36.4
+/- Other EV items		7.99%	22.3	24.2	26.5	29.1	32.3
Equity value	290.9						
Number of shares	8.85						
Value per share (€)	32.86						
Current Price (€)	22.80						
Upside	44.1%						

Source: equinet Research

Exhibit 9: Schaltbau Holding: EBIT- bridge

EUR m	2015	2016	2017	2018e	2019e	2020e	2021e	2022e
EBIT reported	33.4	-14.5	-23.0	15.8	28.0	33.2	37.4	40.8
one-off / extraordinary income (-)								
Revaluation of Albatros S.L.U. (Spain) "Sepsa"		-7.0						
Revaluation RDS (Poland)	-2.5							
Income related to prior periods	-3.5	-3.4		-7.1				
one-off / extraordinary expenses (+)								
Revaluation: Schaltbau Sepsa			24.2					
Revaluation: Pintsch Bubenzer			1.1					
Expenses related to prior periods	0.6	0.6	0.1	4.3				
Operating EBIT	28.0	-24.3	2.4	13.0	28.0	33.2	37.4	40.8

Source: Company data, equinet Research

Outlook 2018e – guidance confirmed

The Schaltbau group started into the second half of 2018e with a record order book of EUR 533.2m, or 4.9% higher compared to the year-end 2017 figure. Starting from there it is a good basis for reaching the full-year sales target. H1 2018 order intake increased by 2.1% yoy to EUR 301.9m, mainly driven by the 6.7% growth in the MTT segment. The segment's book-to-bill-ratio reached 1.16 (H1 2017: 1.30). In particular Schaltbau Bode benefitted from new orders for door systems.

H1 2018 reported EBIT included an extraordinary income of EUR 7.1m from the reversal of provisions for contingent losses for the platform screen doors project in Sao Paulo (Brazil). All adjustments together amounted to EUR -2.8m, so that the total adjusted EBIT amounted to EUR 6.6m. For the second half of FY2018 we assume no further adjustment items to occur.

Exhibit 10: Quarterly outlook

EUR m	Q1 18	Q2 18	Q3 18e	Q4 18e	2018e
Revenues	124.2	127.3	111.7	128.8	492.0
yoy, %	12.3%	2.4%	-12.8%	-16.1%	-4.7%
EBIT reported	2.0	7.4	2.9	3.5	15.8
yoy, %	n.m.	n.m.	n.m.	n.m.	n.m.
EBIT-margin, %	1.6%	5.8%	2.6%	2.7%	3.2%
EPS, EUR	-0.46	0.66	0.15	0.18	0.53
yoy, %	-77.0%	312.5%	-114.7%	-103.5%	-106.6%

Source: Company data, equinet Research

Based on the solid H1 2018 results, from today's point of view we believe that Schaltbau will achieve their own full-year financial targets. Group sales are guided to reach EUR 480-500m that is justified in our view. Our estimate of EUR 492m is close to the midpoint of Schaltbau's range and includes the sale of Pintsch Bubenzer (sales of EUR 41m). In order to reach our estimate the second half has to deliver EUR 240.5m, a level the company has already achieved in earlier years.

The EBIT-margin target for 2018 amounted to ~3% and compares to our estimate of 3.2%. As Exhibit 9 shows, the reported EBIT will be higher than the adjusted EBIT due to the handling of the provision for contingent losses.

End of September 2018 the management and supervisory board of Deutsche Bahn decided to invest another EUR 1.0bn in the expansion and modernisation of the ICE fleet. In more detail the order for Siemens covers:

- Eighteen new ICE-4 trains with seven individual cars
- 50 individual power cars for the expansion of already ordered ICE-4 from twelve to thirteen cars
- Modernisation of the existing ICE 1 fleet is executed by Deutsche Bahn itself with the perspective of being in operation until 2030.

The twelve cars ICE-4 is equipped with 22 toilets and 22 doors on each side of the train. Both Deutsche Bahn and Siemens are customers of the Schaltbau group and so far the company could benefit from these new projects.

Innotrans highlights – innovations from Schaltbau

- Smart railway the dominating topic
- Schaltbau with several innovative products

The overall dominating topic of this year's InnoTrans fair was digitalisation ("smart railway"). This is one pillar in the long-term, global need for efficient and environmentally-friendly public transport both for long distance, high-speed traffic as well as for metro solutions in megacities. This trend was clearly reflected at Schaltbau's booth, represented by the company's slogan "The Smart Evolution of Technology". As we have seen during a visit of Schaltbau's booth some selected interesting "new" products/solutions are:

- "IntelliDesk": Schaltbau subsidiary SPII presented this innovative and wiring concept for the system integration inside a driver's desk according to UIC 612 norm. The modular construction concept allows customized solutions. First interest was shown from a Russian client and in approximately three years from now a broad market introduction could take place
- Sepsa presented an integrated passenger information and control system with e.g. video surveillance and the analysis of train operating data
- Alte initially presented a new vacuum toilet module ("Easy Compact")
- Bode presented new, single-leaf train door systems with a new sensor technology with more optimised maintenance costs

Other selective highlights:

- The German coalition government has given a clear commitment in the latest coalition agreement to double the number of rail customers by 2030. In order to reach this goal substantial infrastructure investments are necessary.
- The Swiss Stadler Rail AG decided to develop a new own business segment for signalling and automation systems, according to the company. Stadler sees itself under pressure, having in mind the merger of Siemens and Alstom in the area of signalling.
- The booth of Knorr-Bremse was highly frequented by visitors having in mind their planned IPO. In the meantime more details were published by the company. The bookbuilding price range was fixed at EUR 72 – 87 per share and would give the company a value at the upper end of EUR 14bn. First trading day should be 12 October 2018. Knorr-Bremse is a competitor for Schaltbau (subsidiary Bode GmbH) e.g. in the market segment for entrance systems. According to Knorr-Bremse's information they are the leading provider with a global market share of ~25% for this business.

Appendix

Exhibit 11: Mobile Transportation Technology (MTT)

EUR m	2014	2015	2016	2017	2018e	2019e	2020e	2021e
Incoming orders	195.7	224.9	263.2	333.4	285.0	295.0	307.0	319.0
yoy %		14.9%	17.0%	26.7%	-14.5%	3.5%	4.1%	3.9%
Divisional sales	186.0	225.5	222.9	269.1	285.0	290.0	302.0	313.0
yoy %		21.2%	-1.2%	20.7%	5.9%	1.8%	4.1%	3.6%
EBIT	12.7	16.0	5.2	-26.4	3.5	16.0	20.0	22.0
Analysis								
Book-to-bill ratio (x)	1.05	1.00	1.18	1.24	1.00	1.02	1.02	1.02
EBIT-margin	6.8%	7.1%	2.3%	-9.8%	1.2%	5.5%	6.6%	7.0%

Source: Company data, equinet Research

Exhibit 12: Stationary Transportation Technology (STT)

EUR m	2014	2015	2016	2017	2018e	2019e	2020e	2021e
Incoming orders	138.9	155.5	157.8	114.3	73.0	77.5	81.0	84.0
yoy %		11.9%	1.5%	-27.6%	-36.1%	6.2%	4.5%	3.7%
Divisional sales	139.5	144.2	149.4	120.5	74.0	75.0	76.0	79.0
yoy %		3.4%	3.6%	-19.4%	-38.6%	1.4%	1.3%	3.9%
EBIT	2.5	1.2	-28.1	-5.5	0.5	2.5	3.0	4.0
Analysis								
Book-to-bill ratio (x)	1.00	1.08	1.06	0.95	0.99	1.03	1.07	1.06
EBIT-margin	1.8%	0.8%	-18.8%	-4.6%	0.7%	3.3%	3.9%	5.1%

Source: Company data, equinet Research

Exhibit 13: Components (COM)

EUR m	2014	2015	2016	2017	2018e	2019e	2020e	2021e
Incoming orders	114.7	131.5	130.1	146.3	150.0	153.5	157.0	161.0
yoy %		14.7%	-1.1%	12.5%	2.5%	2.3%	2.3%	2.5%
Divisional sales	105.6	133.9	138.1	131.3	138.0	143.0	147.5	153.5
yoy %		26.7%	3.2%	-5.0%	5.1%	3.6%	3.1%	4.1%
EBIT	18.9	23.4	17.2	21.4	24.1	20.5	21.0	22.5
Analysis								
Book-to-bill ratio (x)	1.09	0.98	0.94	1.11	1.09	1.07	1.06	1.05
EBIT-margin	17.9%	17.5%	12.4%	16.3%	17.5%	14.3%	14.2%	14.7%

Source: Company data, equinet Research

Schaltbau Holding AG : Summary tables

PROFIT & LOSS (EURm)	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Sales	430	502	509	517	492	502
Cost of Sales & Operating Costs	-391	-461	-503	-471	-467	-465
Non Recurrent Expenses/Income	0.0	5.4	9.8	-25.4	2.8	0.0
EBITDA	38.3	46.5	16.3	20.1	27.3	37.5
EBITDA (adj.)*	38.3	41.1	6.5	45.5	24.5	37.5
Depreciation	-11.0	-13.1	-30.8	-43.1	-11.5	-9.5
EBITA	27.3	33.4	-14.5	-23.0	15.8	28.0
EBITA (adj)*	27.3	28.0	-24.3	2.4	13.0	28.0
Amortisations and Write Downs <i>of which PPA amortisation</i>	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	27.3	33.4	-14.5	-23.0	15.8	28.0
EBIT (adj.)*	27.3	28.0	-24.3	2.4	13.0	28.0
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
Earnings Before Tax (EBT)	35.2	30.1	-15.8	-35.7	9.3	21.7
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
Net Profit (reported)	24.8	16.8	-15.8	-51.7	4.5	13.2
Net Profit (adj.)	24.8	13.0	-22.7	-33.9	2.6	13.2
CASH FLOW (EURm)	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Cash Flow from Operations before change in NWC	41.6	58.7	36.7	-24.3	10.7	28.7
Change in Net Working Capital	-15.1	-29.3	-10.9	34.8	-2.3	-2.0
Cash Flow from Operations	26.5	29.4	25.8	10.5	8.4	26.8
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
Free Cash Flow	-11.9	-19.6	7.6	-23.8	25.4	16.9
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
Change in Net Debt	-16.3	-25.5	1.6	-29.8	25.4	16.9
NOPLAT	19.1	19.6	-17.0	1.7	9.1	19.6
BALANCE SHEET & OTHER ITEMS (EURm)	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
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
Total Fixed Assets	149	190	195	155	126	127
Inventories	85.6	91.3	101	94.3	96.2	98.4
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	-47.7
Total Current Assets	212	255	264	297	322	339
Total Assets	361	446	459	452	449	465
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
Total Long Term Liabilities	149	209	235	230	169	171
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
Total Current Liabilities	99.8	112	117	152	155	157
Total Liabilities and Shareholders' Equity	361	446	459	452	449	465
Net Capital Employed	245	311	323	287	271	275
Net Working Capital	134	164	175	140	142	144
GROWTH & MARGINS	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
<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>
EBITDA (adj.)* growth	-14.2%	7.2%	-84.2%	600.3%	-46.1%	52.8%
<i>EBITA (adj.)* growth</i>	<i>-24.1%</i>	<i>2.4%</i>	<i>n.m.</i>	<i>n.m.</i>	<i>443.1%</i>	<i>114.7%</i>
<i>EBIT (adj.)* growth</i>	<i>-24.1%</i>	<i>2.4%</i>	<i>n.m.</i>	<i>n.m.</i>	<i>443.1%</i>	<i>114.7%</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.	414.1%
EPS adj. growth	22.5%	-47.7%	n.m.	n.m.	n.m.	414.1%
DPS adj. growth	31.5%	39.1%	0.0%	n.m.		
EBITDA (adj)* margin	8.9%	8.2%	1.3%	8.8%	5.0%	7.5%
EBITA (adj)* margin	6.4%	5.6%	-4.8%	0.5%	2.6%	5.6%
EBIT (adj)* margin	6.4%	5.6%	n.m.	0.5%	2.6%	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%	28.7%
ROE (average)	28.8%	14.1%	-27.5%	-60.1%	3.9%	13.2%
ROCE (adj.)	7.5%	6.0%	-4.9%	0.6%	3.7%	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	0.5	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	0.29	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	0.7
EV/EBITDA	10.5	11.1	25.8	20.7	13.9	9.9
EV/EBITDA (adj.)*	10.5	12.6	64.7	9.1	15.5	9.9
EV/EBITA	14.7	15.5	-29.0	-18.1	24.0	13.2
EV/EBITA (adj.)*	14.7	18.5	-17.3	173.0	29.2	13.2
EV/EBIT	14.7	15.5	n.m.	n.m.	24.0	13.2
EV/EBIT (adj.)*	14.7	18.5	n.m.	n.m.	29.2	13.2
P/E (adj.)	9.9	22.8	n.m.	n.m.	n.m.	15.3
P/BV	2.6	3.2	2.4	4.3	2.2	1.9
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	1.5	1.5
OpFCF yield	-1.0%	-2.1%	3.2%	-7.4%	-0.3%	8.8%
OpFCF/EV	-0.6%	-1.2%	1.4%	-3.0%	-0.2%	4.8%
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	22.80	22.80
Outstanding number of shares for main stock	6.2	6.2	6.2	6.6	8.9	8.9
Total Market Cap	245	297	179	168	202	202
Net Debt	80	130	148	159	92	81
<i>o/w Cash & 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>
Other EV components	78	90	93	88	87	88
Enterprise Value (EV adj.)	402	517	420	415	381	371

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.

Recommendation and Disclosures

Coverage	Analyst	Target	Rating	Disc.	Coverage	Analyst	Target	Rating	Disc.
1&1DRILLISCHAG	Sen	66.00	Buy		Logwin	Mildner	165.00	Accumulate	2/3
2GEnergy	Rüzgar	23.50	Accumulate	2/3/5	Manz AG	Rüzgar	37.00	Neutral	2/3
Aareal Bank	Häßler	41.00	Buy		MAXAutomation SE	Becker	6.70	Buy	2/3
adidas	Josefson	228.00	Accumulate		Merck	Berzhanin	112.00	Buy	
Adler Modemaerkte	Josefson	6.35	Buy	7	Merkur Bank	Häßler	10.00	Buy	2/7
ADLER Real Estate	Mayer	20.00	Buy		Metro AG	Bruns	17.00	Buy	
Aixtron	Sen	14.00	Buy	2/3	MLP	Häßler	7.50	Buy	2/3
Allianz	Häßler	220.00	Buy		MTU Aero Engines	Rüzgar	148.00	Reduce	2
Axel Springer	Josefson	67.00	Accumulate		Munich Re	Häßler	210.00	Accumulate	
Bayar	Berzhanin	96.00	Buy		Nemetschek SE	Mildner	47.00	Reduce	5
Baywa	Bruns	33.00	Buy	2/7	Norma Group	Schuldt	54.00	Neutral	
BB Biotech	Berzhanin	73.00	Buy	7	OHB SE	Rüzgar	40.00	Buy	7
Biotest	Berzhanin	24.10	Neutral	2/3	OVH Holding AG	Häßler	20.00	Buy	2/5/7
BMW	Schuldt	91.00	Buy		Patrizia	Mayer	20.00	Accumulate	
Brenntag	Hinkel	59.80	Buy	2	Pfeiffer Vacuum	Sen	162.00	Buy	5
Ceconomy AG	Bruns	5.00	Neutral		Procredit Holding	Häßler	15.00	Buy	2/3/5
comdirect	Häßler	13.50	Buy	7	PSI SOFTWARE AG	Mildner	20.00	Buy	2/3
Commerzbank	Häßler	9.20	Neutral		Puma	Josefson	565.00	Buy	
Continental	Schuldt	230.00	Buy		PWO	Schuldt	50.00	Buy	2/3
CORESTATE Capital Holding S.A.	Mayer	66.00	Buy	2/5	Rheinmetall	Rüzgar	103.00	Neutral	
CTS Eventim	Heilmann	37.50	Reduce		RIB Software	Mildner	25.00	Buy	2/3
Daimler AG	Schuldt	71.00	Buy		RTL Group	Josefson	72.00	Accumulate	
Daldrup & Soehne	Becker	13.20	Buy	2/3/5	S&TAG	Sen	27.00	Buy	2/3
Demire	Mayer	4.80	Accumulate	2/5	SAF-Holland	Schuldt	17.00	Neutral	
Deutsche Bank	Häßler	14.00	Buy		Schaeffler	Tanzer	14.30	Buy	
Deutsche EuroShop	Mayer	30.00	Neutral		Schaltbau Holding AG	Becker	32.90	Buy	2/7
Deutsche Pfandbriefbank	Häßler	14.50	Accumulate		SCOUT24	Heilmann	44.00	Neutral	2
Deutsche Telekom	Sen	13.30	Neutral		Siegfried Holding AG	Berzhanin	399.00	Neutral	7
Duerr	Augustin	43.00	Accumulate		Siemens Healthineers AG	Rüzgar	39.00	Neutral	2
DWS	Häßler	34.00	Buy		SLM Solutions	Sen	15.00	Sell	
EringKlinger	Schuldt	7.00	Sell		SMT Scharf AG	Rüzgar	18.00	Neutral	2/3
elumio SE	Josefson	10.90	Accumulate		Software AG	Mildner	30.00	Sell	
Epigenomics AG	Berzhanin	3.70	Buy	2/3	Stabilus	Tanzer	91.00	Buy	
Euro micron AG	Becker	11.40	Buy	2/3/5	Suedzucker	Bruns	11.70	Reduce	
Evonik	Hinkel	41.00	Buy		SuessMicroTec	Sen	13.80	Accumulate	
Eyemaxx Real Estate	Mayer	18.00	Buy	2/5/7	Surteco Group	Mildner	26.50	Buy	2/3
Ferratum	Häßler	23.00	Buy		Symrise AG	Hinkel	67.00	Neutral	
Fielmann	Heilmann	55.00	Neutral		Syzygy AG	Heilmann	11.50	Accumulate	2/3
First Sensor AG	Becker	27.40	Buy	7	TAKKTAG	Bruns	18.50	Neutral	2
Freenet	Sen	36.00	Buy	2	Talanx Group	Häßler	39.00	Buy	
Fuchs Petrolub	Hinkel	48.00	Neutral		Technotrans	Becker	43.00	Accumulate	2/3
Gea Group	Augustin	33.00	Neutral		TELECOLUMBUS	Sen	4.80	Buy	
Gerresheimer AG	Rüzgar	69.00	Neutral		Telefonica Deutschland	Sen	3.40	Sell	
Gerry Weber	Josefson	3.80	Reduce		United Internet	Sen	63.00	Buy	
Gesco	Becker	35.60	Buy	2/3	Vapiano	Bruns	20.00	Buy	2/7
GFT Technologies	Mildner	15.50	Buy	2/3	va-Q-tec	Sen	12.00	Buy	2/3
Gigaset	Sen	0.85	Accumulate	2/3	Viscom	Rüzgar	28.00	Buy	2/3
Grenke	Häßler	90.00	Neutral		Volkswagen	Schuldt	154.00	Neutral	
Hannover Re	Häßler	110.00	Neutral		Wacker Neuson SE	Becker	24.10	Neutral	
Heidelberg Pharma	Berzhanin	3.50	Accumulate	2/3	windeln.de	Josefson	3.10	Buy	2
Heidelberg Druck	Augustin	3.60	Buy		XING SE	Heilmann	305.00	Accumulate	
HELLA GmbH & Co. KGaA	Tanzer	51.00	Accumulate		Zalando	Josefson	44.50	Neutral	
Hornbach Holding	Bruns	89.00	Buy						
Hugo Boss	Josefson	80.00	Buy						
Hypoport AG	Häßler	190.00	Neutral	2/7					
INDUS Holding AG	Becker	55.70	Neutral						
Intershop Communications AG	Mildner	1.85	Accumulate	2/7					
K+S AG	Hinkel	24.00	Buy						
Koenig & Bauer	Augustin	73.00	Accumulate						
Krones AG	Augustin	118.00	Accumulate						
KWS SAAT	Hinkel	348.00	Buy						
Lanxess	Hinkel	83.00	Buy						
LEG Immobilien AG	Mayer	104.00	Accumulate						
Leoni	Schuldt	41.00	Neutral						
Linde	Hinkel	176.00	Neutral						

* = Coverage suspended

Source: equinet Recommendations

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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

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Sources

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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
11. Okt 18	Buy	32.90	22.80
12. Jun 18	Buy	32.70	26.00
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)**.

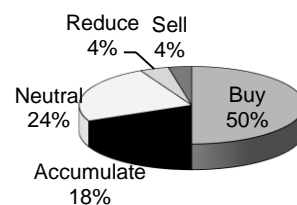
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

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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