



Schaltbau Holding AG

Operational progress vs. valuation

12/09/2019

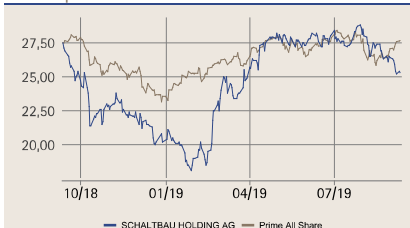
Hold	(Hold)
24.00 EUR	(21.50 EUR)

Close 10/09/2019	25.30 EUR
Bloomberg: SLT GR	WKN: A2NBTL
Sector	Transport & Logistics

Share price performance

52 week high / low	28.80 / 18.10 EUR
YTD	25.2%
12 months	-8.3%

Share price vs. Prime All Share



Next event

Quarterly Results	31/10/2019
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Change in model

	Sales	EBIT	EPS
2019e	-4.1%	-25.3%	-76.1%
2020e	-4.7%	5.5%	5.8%
2021e	-5.8%	-6.5%	-14.4%

Share data

Market Cap (m EUR)	223.8
No. of shares (m)	8.8
Free float	71.0%

Analyst

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Following the latest releases, we conclude that Schaltbau has stabilised its financial position, increased efficiency and optimised processes. These measures led to a positive operating performance in H1 2019. We maintain our HOLD rating for the stock, but increase our price target from € 21.50 to € 24.00.

INVESTMENT CASE

We have adjusted our model to match the new company structure as Sepsa Group was deconsolidated on 7 May after loss of control due to the liquidation process. Alte was sold and deconsolidated on 29 May 2019.

Order intake remains high. The company stated that it is seeing strong growth in Components with order intake in H1 2019 up by 13.6% yoy, primarily driven by strong demand for rolling stock electrics and contactors.

At the end of June, the Order book stood at € 492 m, which corresponds to a like-for-like (excluding Pintsch Bubenzer, Sepsa and Alte contributions) increase of 10.6%.

Net debt increased by € 17.2 m in H1 2019 to € 117.3 m. This was mainly driven by an increase in working capital due to higher inventories and accounts receivables as well as lower accounts payable.

Schaltbau also made progress in financing terms. A new syndicated credit facility was signed in mid-June. The company rearranged the promissory notes and set up a programme for the securitisation of receivables. All-in-all the facilities of > € 150 m provide sufficient liquidity leeway in the medium term.

CATALYSTS

- The newsflow should show that the company is making further operational progress.

VALUATION

Our DCF model brings us to a price target of € 24.00 (old: € 21.50) at this point. The stock is trading at 22.6x P/E₂₀₂₁ compared with 17.5x for the peer group.

in m EUR	2017	2018	2019e	2020e	2021e
Sales	516.5	518.3	492.5	504.0	513.5
EBIT	-23.0	-7.3	14.0	24.0	25.9
EBIT margin	-4.4%	-1.4%	2.8%	4.8%	5.1%
Net financial debt	158.4	100.4	119.0	102.9	85.5
Free cash flow	-23.8	21.9	-20.1	16.2	17.4
EPS (in EUR)	-8.04	-1.93	0.14	0.97	1.12
DPS (in EUR)	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
EV/sales	0.8	0.7	0.8	0.8	0.7
EV/EBIT	-17.4	-46.5	29.4	16.4	14.6
P/E	-3.4	-10.4	177.6	26.2	22.6

Source: Company information, Bankhaus Lampe Research estimates

We have changed our estimates for 2019-21 as follows:

Changes to our estimates

Bankhaus Lampe EUR m	2019e old	2019e new	Change	2020e old	2020e new	Change	2021e old	2021e new	Change
Sales	498.6	492.5	-1.2%	513.8	504.0	-1.9%	529.1	504.0	5.0%
EBIT	16.0	14.0	-12.5%	18.7	24.0	28.5%	22.8	24.0	5.4%
EBIT margin	3.2%	2.8%	-0.4 PP	3.6%	4.8%	1.1 PP	4.3%	4.8%	-0.5 PP
EPS (€)	0.18	0.14	-20.9%	0.60	0.97	61.2%	0.91	0.97	6.3%
DPS (€)	0.00	0.00	- - -	0.00	0.00	- - -	0.00	0.00	- - -

Source: Bankhaus Lampe Research

BHL VS. CONSENSUS

Currently, there are no consensus forecast numbers for the company available from FactSet.

DCF-based price target of € 24.00

We still evaluate Schaltbau using a DCF model, which leads to a new price target of € 24.00 (previously: € 21.50).

Schaltbau DCF model (EUR m)	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	Terminal Value
EBIT	14.0	24.0	25.9	26.2	26.5	26.7	27.0	27.3	32.5
EBIT Non-Operating / FD	0	0	0	0	0	0	0	0	0
EBIT Industrial Business	14.0	24.0	25.9	26.2	26.5	26.7	27.0	27.3	32.5
Taxes	-4.2	-7.2	-7.8	-7.9	-7.9	-8.0	-8.1	-8.2	-9.8
NOPAT	9.8	16.8	18.2	18.3	18.5	18.7	18.9	19.1	22.8
+ Depreciation	19.0	19.0	20.0	20.2	20.4	20.6	20.8	21.0	21.1
- Capex	-25.8	-13.9	-15.0	-15.2	-15.3	-15.5	-15.6	-15.8	-21.1
+/- Change in working capital	-16.6	2.5	2.5	2.5	2.6	2.6	2.6	2.6	2.6
+/- Other cash items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Cashflow	-13.5	24.4	25.7	25.9	26.2	26.4	26.7	27.0	25.4
Discounting period in years	0.3	1.3	2.3	3.3	4.3	5.3	6.3	7.3	8.3
WACC	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
Present value	-13.3	22.5	22.2	21.0	19.9	18.9	17.9	17.0	246.2

Calculation of fair value per share

Sum of all present values	372
thereof Terminal Value	66%
+ Operating Segment Financial Assets	6
- Minorities	-29
- Pension provisions	-39
- Net financial debt (cash) of operations	-100
- Others	0
Fair operating value	210
Bookvalue non-operating assets	0
Equity Value	210
Holding discount	0%
Fair equity value	210
No. of shares [in mio.]	8.8

Fair value per share [in €]

23.70

WACC model

Risk-free rate	1.0%
Market risk premium	7.0%
Beta	1.5
Expected return on investment	11.5%
Cost of debt	7.0%
Tax rate	30.0%
Cost of debt after taxes	4.9%

MAIN RISKS TO OUR INVESTMENT CASE

- Generally speaking, the technological changes in the rail sector driven by digitalisation present an opportunity for Schaltbau. However, the resulting realignment of strategies by customers could also lead to the electromechanical products previously sold to them – such as driver's cab equipment – being replaced by digital solutions.
- Moreover, the competitive density for digital products is high and may continue to increase as new suppliers are entering the market. In addition, the development of digital products can involve high upfront expenditure for R&D and marketing as well as investments in production facilities and processes.
- Political instability and sanctions as well as changes in economic policy could impair the sale of products in certain regions.
- The number of potential customers in the rail and bus sectors is limited. The existing structures put power in the hands of the customer, resulting simultaneously in increased downward pressure on selling prices.

Key figures

Schaltbau Holding AG – Income statement

in m EUR	2017	2018	2019e	2020e	2021e
Sales	516.5	518.3	492.5	504.0	513.5
Own work capitalised	16.8	5.1	0.0	0.0	0.0
Total sales	533.2	523.4	492.5	504.0	513.5
Material expenses	-275.6	-280.4	-256.1	-263.1	-264.5
Personnel expenses	-186.9	-177.2	-173.0	-174.9	-175.0
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0
Other operating result	-50.7	-42.9	-30.4	-23.0	-28.1
EBITDA	20.1	23.0	33.0	43.0	45.9
Depreciation	43.1	29.8	19.0	19.0	20.0
EBITA	-23.0	-6.9	14.0	24.0	25.9
Amortisation of goodwill	0.0	0.4	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0
EBIT	-23.0	-7.3	14.0	24.0	25.9
Financial result	-12.7	-8.8	-7.2	-6.8	-6.8
Income on ordinary activities	-35.7	-16.1	6.8	17.2	19.1
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0
EBT	-35.7	-16.1	6.8	17.2	19.1
Taxes	-13.9	1.9	-2.0	-5.2	-5.7
Net income from cont. operations	-49.6	-14.1	4.8	12.1	13.4
Net income from discount. operations	0.0	0.0	0.0	0.0	0.0
Minority interest	-2.2	-2.4	-3.5	-3.5	-3.5
Net income (adj.)	-51.7	-16.5	1.3	8.6	9.9
No. of shares	6.4	8.5	8.8	8.8	8.8
EPS	-8.04	-1.93	0.14	0.97	1.12

Source: Company information, Bankhaus Lampe Research estimates

	2017	2018	2019e	2020e	2021e
Gross margin	46.6%	45.9%	48.0%	47.8%	48.5%
EBITDA margin	3.9%	4.4%	6.7%	8.5%	8.9%
EBITA margin	-4.4%	-1.3%	2.8%	4.8%	5.1%
EBIT margin	-4.4%	-1.4%	2.8%	4.8%	5.1%
EBT margin	-6.9%	-3.1%	1.4%	3.4%	3.7%
Net profit margin	-10.0%	-3.2%	0.3%	1.7%	1.9%
Tax rate	-38.8%	12.1%	30.0%	30.0%	30.0%

Source: Company information, Bankhaus Lampe Research estimates

Growth rates yoy	2017	2018	2019e	2020e	2021e
Sales	1.4%	0.4%	-5.0%	2.3%	1.9%
EBITDA	23.1%	14.1%	43.6%	30.4%	6.8%
EBIT	-58.6%	68.3%	-	71.6%	8.0%
EBT	<-100%	55.0%	-	>100%	11.2%
Net income (adj.)	<-100%	68.1%	-	>100%	15.7%
EPS	<-100%	75.9%	-	>100%	15.7%

Source: Company information, Bankhaus Lampe Research estimates

Schaltbau Holding AG – Balance sheet

Assets (in m EUR)	2017	2018	2019e	2020e	2021e
Fixed assets	154.7	142.7	149.5	144.4	139.4
Property, plant and equipment	72.3	75.6	83.1	80.0	77.0
Intangible assets	67.5	51.1	49.0	47.0	45.0
Financial assets	10.8	6.4	6.4	6.4	6.4
Other long-term assets	4.1	9.6	11.0	11.0	11.0
Current assets	297.3	254.1	281.0	270.6	285.5
Inventories	94.3	108.1	115.0	112.5	110.0
Accounts receivable	91.9	93.3	105.0	105.0	105.0
Other current assets	85.9	31.6	36.0	36.0	36.0
Securities	0.0	0.0	0.0	0.0	0.0
Cash	25.3	21.1	25.0	17.1	34.5
Total assets	452.0	396.8	430.4	415.0	424.9
Equity and liabilities in m EUR					
Shareholders' equity	70.6	93.8	95.1	103.7	113.6
Shareholders' equity (before minority)	39.3	64.6	65.9	74.4	84.3
Minorities	31.3	29.2	29.2	29.2	29.2
Non-current liabilities	182.9	63.5	74.8	74.8	74.8
Pension provisions	37.5	36.8	39.3	39.3	39.3
Other provisions	14.2	7.3	7.5	7.5	7.5
Long-term financial debt	125.2	12.1	20.0	20.0	20.0
Other long-term debt	6.0	7.2	8.0	8.0	8.0
Current liabilities	198.5	239.5	260.5	236.5	236.5
Short-term debt	58.6	109.4	124.0	100.0	100.0
Other accruals short-term	29.6	30.5	30.5	30.5	30.5
Accounts payable	46.4	47.4	36.0	36.0	36.0
Other liabilities	63.9	52.1	70.0	70.0	70.0
Total equity and liabilities	452.0	396.8	430.4	415.0	424.9

Source: Company information, Bankhaus Lampe Research estimates

Schaltbau Holding AG – Balance sheet structure

Assets	2017	2018	2019e	2020e	2021e
Fixed assets	34.2%	36.0%	34.7%	34.8%	32.8%
Property, plant and equipment	16.0%	19.0%	19.3%	19.3%	18.1%
Intangible assets	14.9%	12.9%	11.4%	11.3%	10.6%
Current assets	65.8%	64.0%	65.3%	65.2%	67.2%
Inventories	20.9%	27.2%	26.7%	27.1%	25.9%
Accounts receivable	20.3%	23.5%	24.4%	25.3%	24.7%
Cash	5.6%	5.3%	5.8%	4.1%	8.1%
Equity and liabilities					
Shareholders' equity	15.6%	23.7%	22.1%	25.0%	26.7%
Non-current liabilities	40.5%	16.0%	17.4%	18.0%	17.6%
Pension provisions	8.3%	9.3%	9.1%	9.5%	9.2%
Long-term financial debt	27.7%	3.1%	4.6%	4.8%	4.7%
Current liabilities	43.9%	60.4%	60.5%	57.0%	55.7%
Short-term debt	13.0%	27.6%	28.8%	24.1%	23.5%
Accounts payable	10.3%	12.0%	8.4%	8.7%	8.5%

Source: Company information, Bankhaus Lampe Research estimates

Schaltbau Holding AG – Cash flow statement

in m EUR	2017	2018	2019e	2020e	2021e
Net income (adj.)	-51.7	-16.5	1.3	8.6	9.9
Depreciation	43.1	29.8	19.0	19.0	20.0
Amortisation of goodwill & intangible assets	0.0	0.4	0.0	0.0	0.0
Change of provisions	-7.5	-6.7	2.7	0.0	0.0
Other	30.9	-41.6	-0.7	0.0	0.0
Operating cash flow before changes in w/c	14.8	-34.5	22.2	27.6	29.9
Change in inventory	7.1	-13.8	-6.9	2.5	2.5
Change in accounts receivable	23.4	-1.4	-11.7	0.0	0.0
Change in accounts payable	4.4	1.0	-11.4	0.0	0.0
Change in other assets	-39.2	42.5	13.5	0.0	0.0
Operating cash flow	10.5	-6.2	5.7	30.1	32.4
Capex, incl. capitalized R&D	-17.6	-16.1	-25.8	-13.9	-15.0
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0
Financial investments	-20.9	15.6	0.0	0.0	0.0
Income from asset disposals	0.3	28.7	0.0	0.0	0.0
Income from financial investments	3.9	0.0	0.0	0.0	0.0
Cash flow from investing activities	-34.3	28.1	-25.8	-13.9	-15.0
Free cash flow	-23.8	21.9	-20.1	16.2	17.4
Capital measures	15.5	46.5	0.0	0.0	0.0
Increase/decrease in debt position	-6.3	-69.2	22.5	-24.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0
Other financing Cash-flow	0.0	-3.5	0.8	0.0	0.0
Dividend paid	-3.5	0.0	0.0	0.0	0.0
Cash flow from financing activities	5.7	-26.3	23.3	-24.0	0.0
Increase/ decrease in liquid assets	-18.1	-4.4	3.2	-7.8	17.4
Effects of exchange rate changes	-0.9	-0.1	0.0	0.0	0.0
Cash at beginning of period	31.2	26.4	21.8	25.0	17.1
Change in total cash and cash equivalents	-19.0	-4.5	3.2	-7.8	17.4
Cash at end of period	12.2	21.8	25.0	17.1	34.5

Source: Company information, Bankhaus Lampe Research estimates

Schaltbau Holding AG – Ratios

	2017	2018	2019e	2020e	2021e
Per Share Data					
EPS	-8.04	-1.93	0.14	0.97	1.12
Book value per share	10.96	10.99	10.75	11.72	12.84
Free Cash-flow per share	-3.70	2.56	-2.27	1.83	1.97
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	0.8	0.7	0.8	0.8	0.7
EV/EBITDA	19.9	14.7	12.5	9.2	8.2
EV/EBIT	-17.4	-46.5	29.4	16.4	14.6
P/E	-3.4	-10.4	177.6	26.2	22.6
Price to book (total equity)	2.5	1.8	2.4	2.2	2.0
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Profitability ratios					
EBITDA margin	3.9%	4.4%	6.7%	8.5%	8.9%
EBIT margin	-4.4%	-1.4%	2.8%	4.8%	5.1%
Net return on sales	-10.0%	-3.2%	0.3%	1.7%	1.9%
Return on capital employed (ROCE)	-7.9%	-2.9%	5.0%	9.1%	9.5%
Productivity ratios					
Capital turnover	57.0%	57.2%	67.7%	64.7%	62.0%
Operating leverage	-1.2	8.3	-0.8	0.9	0.2
Sales per employee (in thousands)	166,923	172,896	179,091	183,273	183,393
EBIT per employee (in thousands)	0	0	5,091	8,736	9,267
Number of employees (in thousands)	3.1	3.0	2.8	2.8	2.8
Financial ratios					
Equity ratio	15.6%	23.7%	22.1%	25.0%	26.7%
Net financial debt (in m EUR)	158.4	100.4	119.0	102.9	85.5
Net debt / Equity	224.5%	107.0%	125.1%	99.2%	75.3%
Interest cover	-2.0	-1.0	1.9	3.4	3.7
Net debt / EBITDA	7.87	4.37	3.61	2.39	1.86
Working Capital (in m EUR)	139.7	154.0	184.0	181.5	179.0
Change in working capital (in m EUR)	-34.9	14.3	30.0	-2.5	179.0
WC /sales	27.0%	29.7%	37.4%	36.0%	34.9%
Stocks in days of sales	70	70	70	70	-
Trade debtors in days of sales	55	55	55	55	-
Trade creditors in days of COGS/sales	23	23	23	23	-
Cash conversion cycle	102	102	102	102	0
Invest. (property/plant/equity) / Depreciation	40.9%	54.0%	135.7%	73.2%	75.0%
Others					
Sales CAGR (last 3 years)	6.3%	1.1%	-1.1%	-0.8%	700.8%
EBIT CAGR (last 3 years)	-194.4%	-160.2%	-198.9%	-201.5%	-312.7%
Net income CAGR (last 3 years)	-227.8%	-199.4%	-143.0%	-154.9%	-253.1%
Pay-out ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash flow (in m EUR)	-23.8	21.9	-20.1	16.2	17.4
Free cash flow yield	-13.7%	12.7%	-9.0%	7.2%	7.8%

Source: Company information, Bankhaus Lampe Research estimates

Disclaimer

The creation of this recommendation was finalised on 11/09/2019 02:21 PM (CEST) and first published on 12/09/2019 07:01 AM (CEST).

Analyst declaration

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Shares are rated based upon analyst forecasts with regard to the performance of the share during a period of twelve months. The rating "Buy" within this general concept means that the share's forecast performance is at least 10%. "Hold" means a price movement in a bandwidth of -10% to 10%. "Sell" means that the share's forecast performance is less than -10%.

Explanation of valuation

Unless shown otherwise, the stated upside targets are based upon either a discounted cash-flow pricing or upon a comparison of the performance ratios of companies that the respective analyst considers to be comparable, or upon a combination of these two analyses. Analysts modify the result of this fundamental assessment to incorporate the potential trend in market sentiment.

Details on the concepts and methods as well as the valuation models employed are available on our [website](#).

Overview of changes in our recommendations/price targets in the previous twelve months for: Schaltbau Holding AG (SLT GR), Close (10/09/2019): 25.30 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

Date of publication	Price at recommendation	Rating	Price target
21/12/2018	20.00 EUR	Hold	21.50 EUR

The distribution of recommendations in our investments universe is currently as follows (date: 01/07/2019)

Rating	Basis: all analysed companies	Basis: companies with investment banking relationships
Buy	57.8%	62.5%
Hold	37.9%	25.0%
Sell	4.3%	12.5%
Under Review	0.0%	0.0%

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The Bank intends to publish at least one research report per year for the aforementioned stock/stocks.

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Potential conflicts of interests may exist in the following companies named in this research report.

Company	Disclosure
Schaltbau Holding AG	-

Responsible regulatory authority:

Federal Financial Supervisory Authority – Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Marie-Curie-Str. 24-28, D-60439 Frankfurt

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