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Landesbank Baden-Württemberg

INSTITUTIONAL EQUITY RESEARCH | COMPANY ALERT

Company Alert

R.Stahl

COMPANY: STAHL

RATING
BUY (UNCHANGED)

TARGET PRICE
30 EUR (UNCHANGED)

Results Initial View: Strong rebound

HIGHLIGHTS

- Incoming orders and sales well above expectations
- EBT margin in Q3 with 7.1 % above FY guidance

Order situation: Incoming orders were EUR 59.1 m (+28 % yoy) and thus well above our estimate of EUR 51 m. This is mainly attributed to the maintenance and follow-up business. In contrast, the project business was still weak as a lot of decisions were postponed to Q4. Correspondingly, orders from the Asian-Pacific region (mainly project-based) were not satisfactory. All other regions developed quite well.

Business development: Accordingly, sales in Q3 (+29 % yoy) were better than expected as well. Europe and the Americas showed a double-digit increase in sales ytd, compensating the decline in Germany of 9.4 % in the first nine months. EBT margin increased from 2.3 % (Q3/09) and 6.7 % in Q2/10 to 7.1 % in Q3/10 (LBBWe: 6.2 %), driven by the cost optimization programme and better price quality. Operating cash flow increased from EUR 3.3 m to EUR 15.1 m. Despite additional cash outflow (EUR 5.4 m) due to recent acquisitions, free cash flow achieved EUR 4.1 m (9M/09 EUR -7.5 m).

Outlook: The expected sustainable recovery for the second half of the year developed even better than estimated as the normal summer break did not take place. Inquiries from the most important customer industries continue unabated. Therefore, incoming orders should rise further in Q4. The confirmed guidance (sales from EUR 210 m to EUR 220 m and EBT from EUR 14 m to EUR 15 m) seems to be quite conservative. We maintain our buy rating and TP.

in EUR m	Q3/2010	LBBW E	Consensus	9M/2010	LBBW E
Sales	61.7	54.4	n.a.	165.5	158.2
EBIT	5.1	4.4	n.a.	13.6	12.9
EBT	4.1	3.5	n.a.	10.7	10.1
Net profit	2.6	2.4	n.a.	7.2	7.0

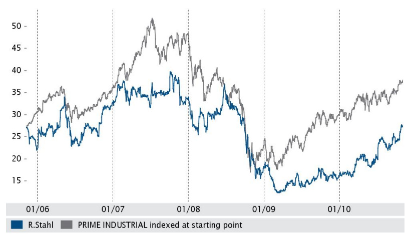
Source: R. Stahl, LBBW Research

+++ **Reuters:** RSLG +++ **Bloomberg:** RSL1 GY +++

Current Price (XETRA (Germany); 2010-11-05; 04:33 pm)	27.42 EUR
CLOSING PRICE (2010-11-04):	27.40 EUR
EXPECTED PERFORMANCE:	9.5%
MARKET CAPITALIZATION:	162.32 EUR m
ENTERPRISE VALUE:	195.51 EUR m
NUMBER OF SHARES:	5.92 m
FREE FLOAT:	41.0 %
INDEX (WEIGHT):	PRIME INDUSTRIAL (n.a.)
AVG. DAILY TRADEVOL.:	3,459
ISIN:	DE0007257727
SECTOR:	Capital Goods

KEY DATA (DEC) Company figures in m EUR, per share data in EUR	2010E	2011E	2012E
Sales	216.7	236.8	250.8
EBITDA	28.4	33.9	37.5
EBIT	18.3	24.1	27.6
Net profit	9.7	14.2	16.8
Free cash flow	7.2	12.5	14.8
FCF yield	4.4 %	7.7 %	9.1 %
EPS	1.65	2.40	2.84
Dividend	0.60	1.00	1.20
EV / Sales	0.9	0.8	0.8
EV / EBITDA	6.9	5.8	5.2
EV / EBIT	10.7	8.1	7.1
P / E	16.6	11.4	9.7
P / BV	2.02	1.78	1.59
Dividend yield	2.2 %	3.6 %	4.4 %

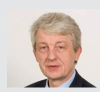
PRICE PERFORMANCE



Source: R. Stahl, LBBW Research, Thomson Reuters

UPCOMING EVENTS

February -11	Preliminary FY 2010



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Buy:	Based on a time horizon of up to 12 months, we recommend that investors buy the stock.
Sell:	Based on a time horizon of up to 12 months, we recommend that investors sell the stock.
Hold:	We take a neutral view on the stock and, based on a time horizon of up to 12 months, do not recommend either a Buy or Sell.
Under review:	The rating is currently updated.
Suspended:	The evaluation of the company is currently not feasible.

Percentage of companies within this rating category

Buy:	51,8%
Sell:	7,6%
Hold:	38,4%
Under review:	1,8%
Suspended:	0,4%

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Price and Rating History R. Stahl as of 2010-11-05

Close (2010-11-04) Target price Last rating: Buy (2003-11-21)

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