

Company Alert

R.Stahl

Results Initial View: Orders at record level

COMPANY



RATING

BUY (UNCHANGED)

TARGET PRICE

38 EUR (UNCHANGED)

HIGHLIGHTS

- Incoming orders above expectations
- Margins weighed down by temporary problems

Order situation: Incoming orders were EUR 67.5 m (+26 % yoy) and thus well above our estimate of EUR 61 m for Q2. Growth drivers were the regions Germany (+23 %) and Asia/Pacific (+79 %). All relevant customer industries showed intense activity. Even the late cyclical project business has stabilized or rather improved. Order backlog increased by 25 % to EUR 57.9 m to an unusually high level.

Business development: Sales in Q2 (+10 % yoy) were slightly lower than expected. EBIT margin of 7.1 % (LBBWe: 7.8 %) was below previous year's level of 8.7 % and surprisingly lower than in Q1 with 7.4 %. In addition to the already known reasons e.g. lower price level and integration of acquisitions, a further problem with negative effect on profit emerged. The set up of the optimization process in order to increase production efficiency and speed was too ambitious. Appropriate measures have already been introduced to solve the resulting problems. R. Stahl expects to catch up with regard to sales and earnings in the second half of the year.

Outlook: Improved earnings should be demonstrated already in Q3. As the overall order trend is positive, we see only a temporary delay in the business development. In this respect, our investment case is still intact. The guidance has been confirmed in terms of sales (EUR 240 m to EUR 250 EUR m) and EBT (EUR 17 m to EUR 19 m). For the time being, we maintain our buy rating and target price of EUR 38.

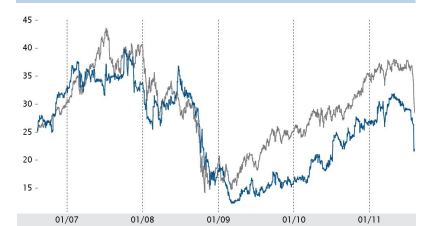
in EUR m	Q2/2011	LBBW E	6M/2011	LBBW E	Consensus
Sales	57.1	60.1	115.8	118.8	n.a.
EBIT	4.1	4.7	8.4	9.0	n.a.
EBT	3.2	3.8	6.7	7.3	n.a.
Net profit	2.2	2.6	4.7	5.1	n.a.

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

Current Price (XETRA (Germany); 2011-08-09; 10:35 am).....20.00 EUR
CLOSING PRICE (2011-08-08):.....21.80 EUR
 EXPECTED PERFORMANCE:..... 74.3%
 MARKET CAPITALIZATION:..... 129.14 EUR m
 ENTERPRISE VALUE:..... 162.38 EUR m
 NUMBER OF SHARES:..... 5.92 m
 FREE FLOAT:..... 41.0 %
 INDEX (WEIGHT):..... PRIME INDUSTRIAL (0.06 %)
 AVG. DAILY TRADEVOL.:4,041
 ISIN:.....DE0007257727
 SECTOR:Capital Goods

KEY DATA (DEC)	2011 E	2012 E	2013 E
Company figures in m EUR, per share data in EUR			
Sales	247.1	278.7	292.6
EBITDA	34.1	41.2	44.1
EBIT	22.9	29.8	32.3
Net profit	13.3	18.3	20.1
Free cash flow	7.7	10.3	15.1
FCF yield	6.0 %	8.0 %	11.7 %
EPS	2.25	3.09	3.39
Dividend	0.90	1.30	1.40
EV / Sales	0.7	0.6	0.6
EV / EBITDA	4.8	3.9	3.7
EV / EBIT	7.1	5.4	5.0
P / E	9.7	7.1	6.4
P / BV	1.39	1.22	1.09
Dividend yield	4.1 %	6.0 %	6.4 %

PRICE PERFORMANCE



Source: R. Stahl, LBBW Research, Thomson Reuters

UPCOMING EVENTS

November 14-11 Quarterly report

Harald Rehmet
 Investment Analyst
 +49 711 127-74504
 Harald.Rehmet@LBBW.de

Data Overview Financials

R.Stahl

Summary Estimate Changes (EUR m)

P/L statement	2011e			2012e			2013e		
	old	new	Δ	old	new	Δ	old	new	Δ
Sales	247.1	247.1	0.0%	278.7	278.7	0.0%	292.6	292.6	0.0%
Total operating	252.6	252.6	0.0%	281.2	281.2	0.0%	294.6	294.6	0.0%
EBITDA	34.1	34.1	0.0%	41.2	41.2	0.0%	44.1	44.1	0.0%
EBIT	22.9	22.9	0.0%	29.8	29.8	0.0%	32.3	32.3	0.0%
EBT	19.2	19.2	0.0%	26.3	26.3	0.0%	28.9	28.9	0.0%
Net profit	13.3	13.3	0.0%	18.3	18.3	0.0%	20.1	20.1	0.0%
Per share (EUR)	old	new	Δ	old	new	Δ	old	new	Δ
EPS	2.25	2.25	0.0%	3.09	3.09	0.0%	3.39	3.39	0.0%
Cashflow per Share	1.30	1.30	0.0%	1.74	1.74	0.0%	2.54	2.54	0.0%
Dividend	0.90	0.90	0.0%	1.30	1.30	0.0%	1.40	1.40	0.0%

Source: R. Stahl, LBBW Research

Key Data R.Stahl (EUR m)

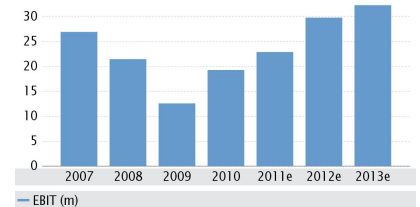
Profit and Loss Statement (EUR m) (Dec)	2007	2008	2009	2010	2011E	2012E	2013E
Sales	211.6	221.2	202.6	222.6	247.1	278.7	292.6
Total operating performance	218.3	221.6	203.8	225.0	252.6	281.2	294.6
EBITDA	35.7	30.5	21.7	30.2	34.1	41.2	44.1
EBIT	26.9	21.5	12.6	19.3	22.9	29.8	32.3
EBT	24.6	18.5	8.9	15.4	19.2	26.3	28.9
Earnings after tax	16.2	12.6	5.6	10.5	13.4	18.4	20.2
EPS	2.65	2.03	0.90	1.77	2.25	3.09	3.39
growth yoy							
Sales		4.5 %	-8.4 %	9.9 %	11.0 %	12.8 %	5.0 %
Total operating performance		1.5 %	-8.0 %	10.4 %	12.3 %	11.3 %	4.8 %
EBITDA		-14.7 %	-28.7 %	39.1 %	12.9 %	20.8 %	7.0 %
EBIT		-20.3 %	-41.4 %	53.3 %	18.7 %	30.1 %	8.4 %
EBT		-24.9 %	-51.9 %	73.0 %	24.8 %	37.0 %	9.9 %
Earnings after tax		-23.4 %	-55.6 %	97.1 %	26.5 %	37.6 %	9.8 %
EPS		-23.4 %	-55.7 %	96.7 %	27.1 %	37.3 %	9.7 %
Margins							
EBITDA		16.9 %	13.8 %	10.7 %	13.6 %	14.8 %	15.1 %
EBIT		12.7 %	9.7 %	6.2 %	8.7 %	10.7 %	11.0 %
EBT		11.6 %	8.4 %	4.4 %	6.9 %	9.4 %	9.9 %
Earnings after tax		7.4 %	5.4 %	2.6 %	4.7 %	6.6 %	6.9 %
Balance Sheet (EUR m)							
Goodwill	4.9	4.0	6.5	14.5	14.5	14.5	14.5
Other intangible assets	16.5	16.9	21.0	24.7	25.8	28.7	32.0
Tangible assets	29.1	33.2	34.6	33.6	32.2	32.6	33.3
Net working capital	48.0	42.1	43.3	46.2	53.1	59.6	61.2
Cash / Cash equivalents	29.7	34.1	22.5	19.6	22.4	26.9	32.4
Equity	75.1	78.2	73.0	84.1	93.4	106.5	119.0
Total financial debt	13.2	10.8	15.0	10.5	9.4	8.7	6.5
Long-term pension provisions	45.1	46.1	48.0	49.3	50.0	51.1	51.7
Net debt / (Net cash) end of FY	-16.5	-23.4	-7.6	-9.1	-13.0	-18.2	-25.9
Cash flow Statement (EUR m)							
Net profit	15.7	12.0	5.3	10.5	13.3	18.3	20.1
Depreciation	8.8	9.0	9.1	10.9	11.2	11.4	11.8
Changes to working capital	-6.1	5.9	-1.2	-2.9	-6.9	-6.5	-1.6
Operating cash flow	17.7	27.5	10.9	19.0	18.7	25.0	30.9
Investments in fixed assets	-8.9	-9.2	-5.9	-3.9	-4.4	-7.3	-7.9
Free cash flow	3.8	13.4	-2.5	9.3	7.7	10.3	15.1
Valuation Ratios							
EV / Sales	1.0	0.6	0.6	0.9	0.7	0.6	0.6
EV / EBITDA	6.1	4.0	5.8	6.3	4.8	4.0	3.7
EV / EBIT	8.1	5.7	10.1	9.9	7.1	5.5	5.1
P / E	12.7	9.0	18.0	15.2	9.8	7.1	6.5
P / BV	2.7	1.4	1.3	1.9	1.4	1.2	1.1
Return on equity	21.6 %	16.1 %	7.7 %	12.5 %	14.3 %	17.3 %	17.0 %
Financial Ratios							
Equity ratio	41.7 %	43.7 %	41.5 %	43.9 %	45.6 %	47.3 %	50.1 %
Gearing	-22.0 %	-29.9 %	-10.3 %	-10.9 %	-13.9 %	-17.1 %	-21.8 %

Source: R. Stahl, LBBW Research

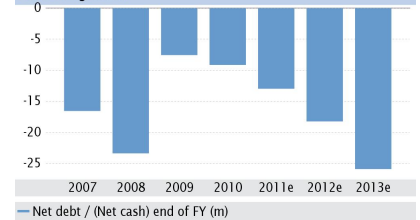
GUIDANCE - R. STAHL

For 2011 the company expects group sales of between EUR 240m and EUR 250m as well as EBT between EUR 17m and EUR 19m. A sales increase of at least 10 % has been announced for 2012.

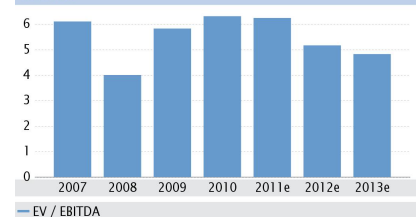
Key Figures



Accounting Ratios



Valuation



Source: R. Stahl, LBBW Research

RESEARCH TEAM

Frank Biller, CEFA, Investment Analyst
+49 711 127-70559, frank.biller@lbbw.de

Stefan Maichl, CFA, Investment Analyst
+49 711 127-78449, stefan.maichl@lbbw.de

Nenad Raic, Investment Analyst
+49 711 127-41619, nenad.raic@lbbw.de

Harald Rehmet, Investment Analyst
+49 711 127-74504, harald.rehmet@lbbw.de

Appendix-1

1/3

Analyst's Certification

All of the views expressed in this research report accurately reflect the research analyst's personal views regarding the Subject Company. No part of analyst compensation was, is or will be, directly or indirectly related to the specific recommendations or views expressed in this research report.

Disclosures

Please Note

Important Disclosures Required by Regulators

- 1) LBBW or an associated enterprise of LBBW supports the company in the market by entering buy or sell orders.
- 2) LBBW or an associated enterprise of LBBW has made an agreement on the production of financial analyses relating to the issuer or its financial instruments.
- 3) LBBW together with its affiliates is making a market in the company's securities.

Please Note

This research report and the information contained in this research report must not be distributed or reproduced, in whole or in part, in any form without the prior consent of Landesbank Baden-Württemberg ("LBBW") and only in accordance with the applicable laws in the relevant jurisdiction. Persons who gain access to this information must inform themselves about such applicable laws and have to comply with them.

This research report and the information contained therein is furnished and has been prepared solely for information purposes. It is not intended to be an inducement to engage in investment activity. It is furnished for your private information with the express understanding, which recipient acknowledges, that it is not an offer, recommendation or solicitation to buy, hold or sell, an invitation to subscribe for or purchase, or a means by which any security may be offered or sold.

LBBW does not accept any liability for the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions or the result obtained from the use of such information. The information in this report has been obtained from sources believed to be reliable. LBBW can not verify such information, however, and because of the possibility of human or mechanical error by the sources, LBBW or others, no representation is made that the information contained in this report is accurate in all material respects or complete. The statements contained herein are statements of our non-binding opinion, not statement of fact or recommendations to buy hold or sell any securities. Changes to assumptions may have a material impact on any performance detailed. Historic information on performance is not indicative of future performance. LBBW may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and LBBW is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report.

Nothing in this report constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. This report is intended only for and directed to persons sufficiently expert to understand the risks involved, namely market professionals. This publication does not replace personal consultancy. Prior to taking any investment decision you should contact your independent investment adviser for further and more up-to-date information on specific investment opportunities and for individual investment advice, regarding the appropriateness of investing in any securities or investment strategies discussed in this report.

Any security referred to herein may involve a high degree of risk, which may include principal, interest rate, index, currency, credit, political, liquidity, time value, commodity and market risk and is not suitable for all investors. The securities may experience sudden and large falls in their value causing losses equal to the original investment when that investment is realized. Any transaction entered into is in reliance only upon your judgment as to both financial, suitability and risk criteria. LBBW does not hold itself out to be an advisor in these circumstances, nor does any of its staff have the authority to do so.

United Kingdom

This document is issued in the United Kingdom by LBBW, London Branch. LBBW is authorised by the Bundesanstalt für Finanzdienstleistungsaufsicht (the "BaFin").

This document and the information contained in it constitutes a financial promotion for the purposes of the Financial Services and Markets Act 2000 and the rules of the Financial Services Authority (the "FSA"). To the extent that this document is issued in the United Kingdom, it is directed exclusively at persons who are professional clients or eligible counterparties for the purposes of the FSA's Handbook of Rules and Guidance. The products and investment services to which this document relate are only available to the persons referred to above and other persons should not act or rely on it. Moreover, any investment or service to which this document relates is not intended for retail clients and will not be made available to retail clients.

Appendix-1

2/3

This document is impartial investment research. This document has no regard to the specific investment objectives, financial need or situation or needs of any specific recipient and the investments discussed in this document may not be suitable for all recipients.

LBBW, London Branch has effective organisational and administrative arrangements set up for the prevention and avoidance of conflicts of interest with respect to research recommendations, including information barriers. A copy of LBBW's investment research and conflict of interest policy is available on request from www.lbbw.de/lbbwde/1000005283-en.html

LBBW Research Rating-Systematics (absolute share rating system)

Rating definitions:

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:	56,4%
Sell:	4,0%
Hold:	37,1%
Under review:	0,5%
Suspended:	2,0%

Notes: Rating definitions prior to 6th April, 2009 were:

Buy: The price potential of the share is at least 10%. Hold: The price potential of the share is between 0% and 10%. Sell: A negative price performance of the share is expected.

Ratings relate to a time horizon of up to 6 months.

For disclosures pertaining to recommendations or estimates made on securities research, please see the most recently published company report or visit our website at <http://www.lbbw.com/disclosures>

