

Schaffner Holding AG

Switzerland | Industrial Goods & Services

Company update

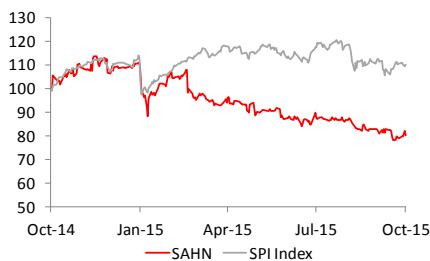
16 October 2015

Company Data

Price:	CHF 212.8
Market Cap:	CHF 135mn
Free Float (% of total shares):	86%
No. of shares:	635'940
Avg. traded volume (1 year):	720
Bloomberg:	SAHN SW
Reuters:	SAHN.S
ISIN:	CH0009062099

Source: Bloomberg (As of 15 October 2015)

Share Price Movement (Rebased to 100)



Source: Bloomberg

Key Financial Data

	2013	2014	2015	2016E*
Sales	194.9	214.6	202.0	227.1
EBITDA %	8.8%	10.8%	TBA	10.1%
EBIT %	4.8%	7.0%	4.4%	6.7%
Net Margin %	3.2%	5.9%	TBA	4.9%
Basic EPS	9.92	19.97	TBA	17.64
Diluted EPS	9.86	19.86	TBA	17.55
DPS	4.5	6.5	2.9*	4.4
Equity Ratio %	43.5%	43.2%	45.0%*	42.4%
Capex	4.8	6.4	6.2*	6.8
P/E	22.8	14.8	18.8*	12.5
EV/EBITDA	9.1	8.8	9.2*	6.9
EV/EBIT	16.6	13.6	19.0	10.5

TBA: To be announced, * earlier estimates

Next Events

Annual Report	8 Dec 2015
Annual General Meeting	12 Jan 2016

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Weaker sales and EBIT margin

Schaffner ('the group') is among the leading global players that offer products/solutions ensuring efficient and reliable operations of various electric and electronic systems. The group develops and manufactures products that are used in motor controls, drive systems, the alternative energy sector, rail technology, robots, machine tools, etc., and also supports OEMs and equipment manufacturers to develop and implement energy-efficient systems. Schaffner also manufactures components for keyless entry antennas used in automobiles.

Weaker sales due to market conditions

Schaffner today reported a few key figures for its fiscal year 2014/15 which ended 30 September 2015. Net sales amounted to CHF202mn, a decrease of 5.9% compared to the CHF214.6mn reported a year ago. Sales came in below the company's guidance from last March, where management expected sales to remain at last year's level, due to as the company stated "market conditions". Schaffner's largest division – EMC – has been facing headwinds in the renewable energy sector in the first half-year as orders for its high-quality solutions from the Chinese solar inverter industry fell significantly.

Strategy review costs weigh on EBIT margin

The company announced a preliminary EBIT margin for fiscal 2014/15 of 4.4% and a preliminary EBITA margin (EBIT before acquisitions-related amortization) of 5.3%. This is somewhat below management's 5% EBIT margin guidance from last March. Main reasons given for the lower margin were extraordinary costs associated with the analysis of various strategic options for the Automotive division and initial measures to implement the new Strategy 2020. All together, these depressed EBIT by CHF2mn. Adding back these one-off costs to the preliminary EBIT of around CHF8.8mn, we calculate an adjusted EBIT margin of 5.3%, which would have been somewhat above the FY guidance.

Schaffner management presented the outcome of its recent strategic review on occasion of its Investors' Day in September. The group intends to accelerate growth with a goal to almost double its top-line to more than CHF400mn by FY2020 through both organic growth and an increased contribution from acquisitions. On the margin side, management is looking to achieve an EBITA margin above 8% across the cycle.

Despite the recent negative market conditions, we believe Schaffner is well placed to exploit the opportunities in its respective markets. Given management's confidence and strive to accelerate the growth pace to almost double revenues over the next five years, there is attractive potential mid-term. The company will be reporting the full set of figures on 8 December 2015, which will give us more insight into the company and corresponding divisions.

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