

# Schaltbau Holding

Industrial engineering

30 October 2020

## Leveraging leading DC switching expertise

Schaltbau Holding supplies products and technologies for rolling stock, rail infrastructure, automotive and other industrial applications. With 70% of revenues coming from rail, Schaltbau should benefit from trends towards digitalisation and interconnectivity within this market segment. The ability to leverage leading direct current (DC) switching expertise should provide opportunities in new markets, such as new energy, e-mobility, DC industry and smart grids.

## Smart energy and mobility concepts

Schaltbau Holding offers products and technologies for safe, sustainable energy and mobility solutions. Earlier in 2020, it changed its group structure to mirror the four brands it operates: Bode (52% of revenues in the first nine months of FY20), which manufactures door and entry systems for trains, buses, commercial and electric vehicles; Schaltbau (28%), which provides high- and low-voltage electromechanical components with a leading position in DC switchgear, including contactors and connectors for the rail industry; Pintsch (14%), which supplies rail infrastructure such as level-crossing safety systems, axle counting systems and signal technology; and SBRS (6%), which offers services for complete and partial modernisation of trains as well as e-mobility solutions (eg fast-charging stations for electric buses).

## Ready for acceleration of growth after FY20

In the first nine months of FY20, the coronavirus pandemic had a mixed effect on Schaltbau's four brands, with Bode (exposure to automotive and bus) and Schaltbau (exposure to OEMs and rail market operators) reporting lower order intakes but Pintsch and SBRS showing strong increases. After a relatively good performance in 9M20, management reiterated its full-year guidance (provided on 31 March 2020) of revenues of €460–500m (from €492m in FY19 like-for-like) and an EBIT margin of around 4% (3.7%), with the important remark that revenues are now expected at the upper end of this range, at around €500m. Its medium-term ambition is to achieve revenues of €750–800m (reflecting a CAGR of 7–8%) and a significant EBIT margin improvement by FY26.

## Valuation: Discount to peers

Schaltbau is valued at a discount to its peers, which we think is mainly caused by its below-average margin. Management's focus is on revenue growth and substantial margin improvement over the next few years. This offers multiple expansion once the gap in margin compared to peers has been (largely) closed.

Price €23.30  
Market cap €206m

### Share price graph



### Share details

Code SLT  
Shares in issue 8.85m  
Net debt at 30 September 2020 €106m

### Business description

Schaltbau Holding specialises in products for rolling stock, rail infrastructure, road vehicles and commercial vehicles. The rail industry represents 70% of total revenues. The geographical spread of revenues in H120 was Germany 37%, other European countries 46% and rest of the world 17%.

### Bull

- Completed restructuring paves the way for growth strategy.
- Digitalisation and interconnectivity trends in rail.
- Leverage DC switching technology expertise for new electric transportation markets.

### Bear

- Rail market is generally mature and lumpy.
- Increased competition and changes to customer strategies.
- Net debt relatively high.

### Analyst

Johan van den Hooven +44 (0)20 3077 57 00  
[industrials@edisongroup.com](mailto:industrials@edisongroup.com)

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### Consensus estimates

Year end	Revenue (€m)	EBIT (€m)	EPS (€)	DPS (€)	EV/EBIT (x)	P/E (x)
12/18	518.3	(7.3)	(1.93)	0.00	N/A	N/A
12/19	513.7	17.2	0.46	0.00	22.3	73.9
12/20e	489.0	19.9	1.04	0.00	15.7	22.5
12/21e	530.5	31.2	2.11	0.00	10.0	11.1

Source: Schaltbau, Refinitiv

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