

Kaba

Industrial Goods & Services

2007-11-05

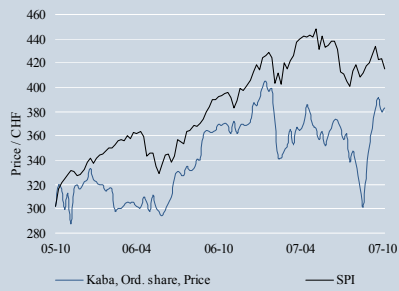
Applied disclosures can be found in the appendix

Neutral

Fair Value CHF375.00

Price CHF383.50 (Closing price as of 2007-11-02)

Price and rel. Performance



Market Data

Reuters	KABN.S
Bloomberg	KABN SW
Market cap CHFbn	1.4
Free float %	67.0

Key Data

Yr.end 06/30	2007	2008e	2009e
Revenues m	1,248.70	1,325.00	1,370.00
Net profit m	84.80	94.50	105.50
Adj. EPS	22.57	25.05	27.97
PER	16.0	15.3	13.7
EV/EBIT	12.8	11.5	10.4
EBIT mgn. %	11.5	12.2	12.5

EPS CAGR 07-10e: 12 %

Next Events

Quarterly results	2008-05-03
Full year results	2008-11-09

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DISPOSAL OF A SMALL CANADIAN UNIT

ASSESSMENT

_____ Kaba announced the sale of Canadian Capitol to a private investor for some CHF11m. Capitol based in Montreal is a zinc die casting producer with sales of approx. CHF26.4m and breakeven at the EBIT level.

_____ The price of 0.4x EV/Sales looks moderate and reflects in our view the low profitability of Capitol. The divestment will not lead to a book gain nor to a book loss.

_____ Capitol generated in FY 2006/07 only some 2% of Kaba's group turnover which implies a rather small divestment. However, it allows Kaba to focus on access systems and to eliminate low margin units. Capitol was included in Kaba's segment "Other".

VALUATION

Our unchanged fair value of CHF375 reflects 9.0x EV/EBITDA, 15x PER and 7.8% FCF yield for FY 2007/08, broadly in line with its 10 year average historical multiples. Based on calendarized 2008 estimates, Kaba is trading at 14.5x PER, a premium of 17% to our peer universe (2008 PER: 12.4x) and its closest competitor Assa Abloy (2008 PER: 12.4x.)

CONCLUSION

The divestment is a surprise as Kaba has not indicated the likely sale of assets. We believe that the disposal is part of CEO Weber's aim to improve the overall profitability to the targeted 15% EBIT margin in FY 2010/11. In view of the divestment, we lowered our sales estimates accordingly but left our profit estimates unchanged given the small profitability of Capitol. We welcome the disposal but confirm our neutral rating and FV of CHF375 per share.

Kaba - P&L (Total Costs)

CHFm (Yr. end: 06/30)	2006	2007	2008e	2009e	2010e
Sales	1,041.0	1,248.7	1,325.0	1,370.0	1,435.0
Invent. changes & intern. prod. Assets	18.9	15.9	21.0	21.0	22.0
Cost of material	-329.4	-431.8	-466.4	-482.2	-505.1
thereof: Personnel costs	-405.2	-448.9	-470.0	-480.0	-500.0
Other operating income/expenses (net)	-174.9	-197.4	-207.1	-215.8	-221.9
EBITDA	150.4	186.5	202.5	213.0	230.0
thereof: Depreciation	-31.6	-42.8	-41.5	-42.0	-43.0
EBIT	118.8	143.7	161.0	171.0	187.0
Interest result	-23.2	-30.4	-31.0	-25.0	-20.0
Profit or loss on ordinary activities	95.6	113.3	130.0	146.0	167.0
EBT	95.6	113.3	130.0	146.0	167.0
Taxes	-27.5	-28.5	-35.5	-40.5	-47.0
Profit / loss for the year (cont. operations)	68.1	84.8	94.5	105.5	120.0
Discontinuing operations (net)	0.0	0.0	0.0	0.0	1.0
Net profit	68.1	84.8	94.5	105.5	120.0
+/- Net profit adjustments	0.0	0.0	0.0	0.0	1.0
Adjusted net profit	68.1	84.8	94.5	105.5	121.0

Key ratios and figures

CHFm (Yr. end: 06/30)	2006	2007	2008e	2009e	2010e
Valuation					
PER	16.9	16.0	15.3	13.7	12.0
P/BV	14.9	6.3	5.1	4.0	3.2
Dividend yield %	1.5	1.4	1.7	2.0	2.2
EV/Sales	1.4	1.5	1.4	1.3	1.2
EV/EBITDA	9.4	9.9	9.2	8.3	7.3
Sustainable FCF yield %	6.1	8.4	7.7	8.1	8.8
Data per share					
Weighted avg. number of shares	3.57	3.76	3.77	3.77	3.77
EPS (reported)	19.05	22.57	25.05	27.97	31.81
adj. EPS	19.05	22.57	25.05	27.97	32.08
Dividend	5.10	6.50	7.50	8.25	9.00
Book value per share	21.63	57.26	75.04	95.41	118.86
Sustainable FCFPS	19.4	30.4	29.7	31.1	33.9
Growth rates %					
Sales	6.2	20.0	6.1	3.4	4.7
EBITDA	-1.4	24.0	8.6	5.2	8.0
EBIT	-2.1	21.0	12.0	6.2	9.4
Net profit	3.5	24.5	11.4	11.6	13.7
adj. EPS	3.5	18.5	11.0	11.6	14.7
Margins %					
Gross	70.2	66.7	66.4	66.3	66.3
EBITDA	14.4	14.9	15.3	15.5	16.0
EBIT	11.4	11.5	12.2	12.5	13.0
Net profit	6.5	6.8	7.1	7.7	8.4
Expense ratios %					
Personnel cost to sales	38.9	35.9	35.5	35.0	34.8
Cost of material to sales	31.6	34.6	35.2	35.2	35.2
Depreciation to sales (Total Cost)	3.0	3.4	3.1	3.1	3.0
Tax rate	28.8	25.2	27.3	27.7	28.1
Other ratios					
Interest cover	nm	nm	nm	nm	nm

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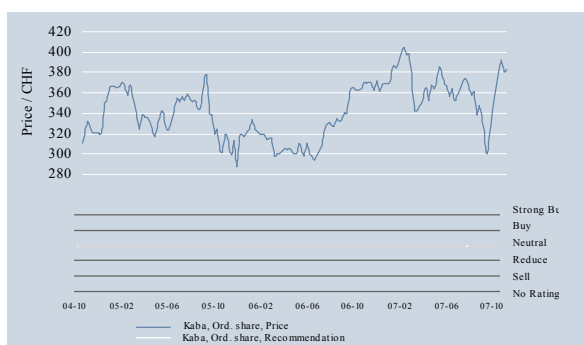
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Neutral	141	37.1	17	29.8
Reduce	26	6.8	0	0.0
Sell	1	0.3	0	0.0
No rating	21	5.5	1	1.8

Previous report with differing recommendation published at 2001-03-10.

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