Züblin

Buy

Real Estate

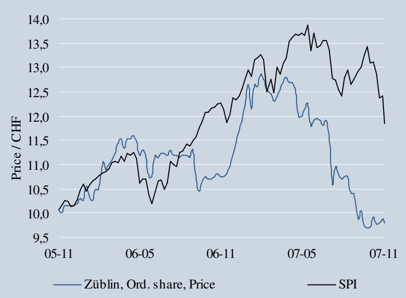
Fair Value CHF12.00

2007-11-22

Price CHF9.80 (Closing price as of 2007-11-21)

Applied disclosures can be found in the appendix

Price and rel. Performance



Market Data

Reuters	ZUBN.S
Bloomberg	ZUBN SW
Market cap CHFbn	0,4
Free float %	59,8

Key Data

Yr.end 03/31	2006	2007e	2008e
Revenues m	139,14	154,00	157,00
Net profit m	20,86	38,00	41,00
Adj. EPS	0,66	0,74	0,53
PER	17,3	13,2	18,7
EV/EBIT	17,3	16,4	18,5
EBIT mgn. %			
EPS CAGR: 05-09 %			-8,9

Next Events

PREPARATION FOR GERMAN REIT AFFECTS H1 2007/08 RESULT

ASSESSMENT

Züblin's H1 2007/08 figures were negatively impacted by restructuring and non-recurring costs related to Züblin's Germany subsidiary (CHF7m vs. SOPe: CHF4m). Top line of CHF91m (SOPe: CHF88m) and total operating costs of CHF-17m (SOPe: CHF-20m) were better than expected. As a consequence of the costs related to the transformation of the German subsidiary into Pre-REIT status, net income of CHF22m was lower than expected (SOPe: CHF25m). However, the vacancy rate came down substantially by 170bp to 11.7% (SOPe: 12%), clearly showing that the installation of local management teams to look after the company's regional portfolios is bearing fruit. Taking into account the newly acquired property in France, the vacancy rate now stands at 10.9%.

VALUATION

Züblin is currently trading at a discount of 20% to its NAV before deferred taxes, whereas the Swiss peer group is trading exactly in line with their NAV's. Züblin's payout yield 07e stands at attractive 5%.

CONCLUSION

Figures are mixed. Operating performance better than expected, but non-recurring costs were not forecasted that high.

Against the backdrop of positive economic development, we still expect that vacancies will continue to be reduced, thereby allowing for further increases in value to be generated.

Over the course of the upcoming months we are expecting positive news-flow, i.e. on the letting of vacant space, the sale of problematic properties at favorable terms or further portfolio expansion steps.

As the company is attractively valued, we stick to our buy recommendation and confirm our fair value target of CHF12 (upside. 20%).

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Züblin - P&L					
CHFm (Yr. end: 03/31)	**2005**	**2006**	**2007e**	**2008e**	**2009e**
Rental income	109,2	111,6	132,0	154,0	165,0
Earnings from sale of real estate investments	0,0	4,0	12,0	3,0	3,0
Revaluation of investment properties	-2,4	23,6	10,0	0,0	0,0
Total income	**106,8**	**139,1**	**154,0**	**157,0**	**168,0**
Real estate operating expenses	-12,2	-16,3	-13,0	-14,0	-15,0
Real estate maintenance and renovation exp.	-3,3	-3,3	-5,0	-6,0	-7,0
Personnel expenses	-3,0	-5,7	-8,0	-9,0	-9,0
General and administrative expenses	-8,3	-15,9	-10,0	-11,0	-11,0
Total operating expenses	**-26,7**	**-41,1**	**-36,0**	**-40,0**	**-42,0**
EBITDA	**80,1**	**98,1**	**118,0**	**117,0**	**126,0**
EBITDA (excl. revaluation)	**82,5**	**74,5**	**108,0**	**117,0**	**126,0**
thereof: Depreciation	-0,3	-0,7	-0,5	-0,5	-0,5
EBIT	**79,8**	**97,4**	**117,5**	**116,5**	**125,5**
Equity consolidated earnings	8,1	0,0	0,0	0,0	0,0
Forex result	0,2	0,5	0,0	0,0	0,0
Interest income	0,5	3,5	1,0	1,0	1,0
Interest expenses	-60,3	-54,7	-62,0	-70,0	-76,0
Other financial income	0,9	0,3	1,0	1,0	1,0
EBT	29,3	47,0	57,5	48,5	51,5
Taxes	-6,0	-7,3	-9,5	-7,5	-7,5
Adjusted net profit	23,3	39,7	48,0	41,0	44,0
Net profit	25,7	20,9	38,0	41,0	44,0
Minority	-6,3	-10,7	-7,0	-7,0	-8,0
Net profit after minorities	17,0	29,0	41,0	34,0	36,0

Key ratios and figures					
CHFm (Yr. end: 03/31)	**2005**	**2006**	**2007e**	**2008e**	**2009e**
Number of total shares	32,1	44,0	55,1	64,7	72,1
EPS (reported)	0,53	0,66	0,74	0,53	0,50
adj. EPS	0,53	0,66	0,74	0,53	0,50
Dividend	0,50	0,50	0,50	0,50	0,50
Net asset value per share	13,50	13,01	12,91	12,16	11,03
Growth rates %					
Revenues change	15,3	30,3	10,7	1,9	7,0
EBITDA	15,0	22,4	20,3	-0,8	7,7
EBIT	15,3	22,0	20,6	-0,9	7,7
EBT change	122,4	60,6	22,2	-15,7	6,2
Net profit	159,8	70,4	20,9	-14,6	7,3
adj. EPS	192,3	24,9	12,7	-29,4	-5,0
Margins %					
ROE incl. Revaluation effect	4,8	1,2	5,5	5,4	5,4
ROE excl. Revaluation effect	4,2	6,2	7,3	5,4	5,4
Expense ratios %					
Personnel Costs to Revenues	-2,7	-5,1	-6,1	-5,8	-5,5
Other ratios					
Interest cover	-1,3	-1,8	-1,9	-1,7	-1,7
Equity ratio %	26,4	31,5	35,0	35,3	35,0
Gearing %	284,4	227,8	209,0	204,0	208,1
Net financial debt / EBITDA	13,9	9,9	9,9	11,3	10,8
Net yield investment properties	7,1	4,1	5,6	13,9	nm

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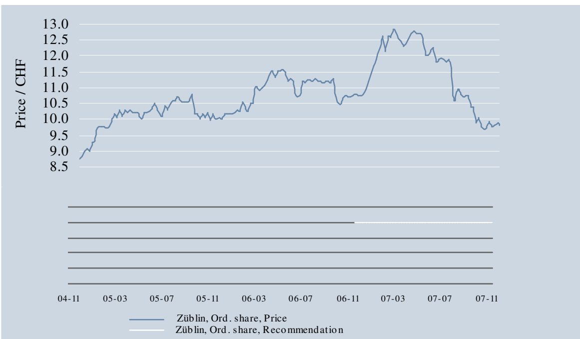

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Buy	167	44.9	35	62.5
Neutral	145	39.0	17	30.4
Reduce	26	7.0	0	0.0
Sell	1	0.3	0	0.0
No rating	16	4.3	0	0.0

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