

# SAL. OPPENHEIM

## Fraport

Industrial Goods & Services

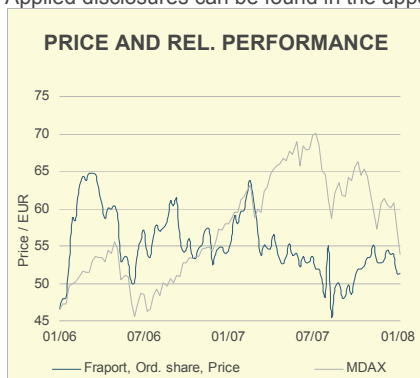
2008-01-14

Applied disclosures can be found in the appendix

Neutral

Fair Value EUR53.50

Price EUR51.36 (Closing price as of 2008-01-11)



### FY 2007 PASSENGER PERFORMANCE WELL ABOVE TARGET

We are getting slightly more positive on the case as passenger growth at the key Frankfurt airport of 2.5% for the full year 2007 was rather sound when taking capacity constraints into account. Frankfurt benefits from a better mix, based on a switch of local into international slots.

### ASSESSMENT

- In December, Fraport generated a passenger growth of 3.4%, which is strong, taking capacity constraints into account. According to the company, it is currently benefiting from better aircraft utilization, a structural improvement in flights, and positive weather conditions. Antalya and Hahn were rather weak in December, but that should change in the course of 2008.

### MARKET DATA

Reuters FRAG.DE  
 Bloomberg FRA GR  
 Market cap €bn 4.7  
 Free float % 21.4

### KEY DATA

Yr.end 12/31	2006	2007e	2008e
Revenues m	2,143.9	2,251.1	2,312.8
Net profit m	229.3	224.6	220.7
Adj. EPS	2.51	2.46	2.42
PER	22.5	21.8	21.2
EV/EBIT	15.0	15.8	17.2
EBIT mgn. %	15.4	15.3	15.8
EPS CAGR 06-09e: 0 %			

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Fraport FRANKFURT Traffic figures	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Frankfurt Pax (m)	3.818	3.562	4.446	4.372	4.666	4.831	5.192	5.114	5.031	4.959	4.210	3.966
change	3.0%	3.8%	8.9%	-0.3%	0.6%	0.1%	2.1%	1.7%	0.9%	3.2%	5.2%	3.4%
ATM (000) Frankfurt	37.85	36.97	41.87	40.13	42.79	42.09	43.68	43.10	42.52	43.24	40.11	38.23
change	0.3%	2.6%	4.4%	0.1%	-1.1%	-0.7%	0.2%	0.7%	-0.4%	1.2%	0.6%	0.4%
MTOW Frankfurt	2177.3	2077.6	2378.8	2295.7	2439.8	2416.5	2499.1	2490.0	2436.1	2467.1	2311.2	2251.3
change	1.2%	3.3%	3.5%	-0.9%	-0.3%	-0.2%	0.0%	0.6%	0.0%	1.0%	2.2%	1.6%
Air Freight Frankfurt	149.2	157.4	184.9	171.7	169.8	175.9	174.3	173.9	180.1	184.1	191.9	182.0
change	2.6%	4.4%	0.3%	-2.7%	0.3%	4.0%	0.6%	4.6%	2.1%	2.2%	2.5%	2.2%
Pax/Pax-ATM Frankfurt	109	105	115	118	118	124	128	127	128	124	115	113
change	1.9%	0.5%	3.6%	-0.8%	1.7%	0.8%	1.3%	0.7%	0.9%	2.0%	4.5%	2.9%
Seat Load F. Frankfurt	69.4%	67.9%	73.9%	74.8%	74.3%	78.1%	80.4%	80.0%	80.9%	79.3%	75.2%	72.3%
change	1.8%	1.7%	5.4%	1.5%	2.6%	2.4%	3.6%	3.9%	3.6%	5.1%	7.7%	3.4%
Punctuality Frankfurt	70.0%	74.0%	74.4%	82.1%	77.0%	65.2%	73.0%	80.9%	79.3%	78.7%	68.8%	64.5%
Fraport GROUP Traffic figures	4.82	4.51	5.58	5.60	6.36	7.25	8.18	8.15	7.57	6.87	5.53	5.21
Group pax	8.0%	8.7%	13.3%	3.0%	3.6%	4.7%	6.0%	4.3%	3.6%	4.4%	5.9%	3.9%
change	49.27	47.54	54.55	53.73	59.22	63.21	67.81	67.80	64.94	61.91	55.33	53.08
Group ATM	3.0%	6.1%	7.7%	3.1%	1.3%	3.0%	3.2%	3.8%	3.7%	2.9%	3.4%	3.7%
change	179.0	183.0	214.5	199.4	197.9	207.2	208.9	208.7	223.1	226.6	235.0	227.3
Group Freight	3.1%	4.0%	-0.1%	-2.4%	2.1%	5.0%	1.6%	4.4%	4.2%	3.6%	4.6%	4.6%
change												

Source: Oppenheim Research; Fraport

- The full year passenger growth figure came in at 2.5%, which compares to the earlier guidance of around 2%. We are increasing our full year passenger growth forecast for 2008 in Frankfurt from +1.1% to +1.5%.
- During the time of the share's hype, we stressed the importance of operating drivers. When the traffic performance now exceeds our forecasts, we get more positive on the stock.

### VALUATION

- We raised our 2008e and 2009e EPS forecasts by 5.2% and 7.6%, respectively.
- Due to the earnings adjustment and a slightly improving risk pattern, we increase the fair value from €49.50 to €53.50 per share. 2008e and 2009e PER of above 20 are still not cheap, but the stock is trading close to the European airports and infrastructure plays, and the necessity for a discount has decreased.

### CONCLUSION

We are getting slightly more positive on the stock, but still keep to our neutral recommendation. We will issue a company note later today.

Fraport - P&L (Total Costs)					
EURm (Yr. end: 12/31)	2005	2006	2007e	2008e	2009e
<b>Sales</b>	<b>2,059.7</b>	<b>2,143.9</b>	<b>2,251.1</b>	<b>2,312.8</b>	<b>2,394.5</b>
Cost of material	-333.6	-353.3	-371.3	-382.1	-396.4
Personnel costs	-1,032.5	-1,076.9	-1,076.9	-1,164.7	-1,208.2
Other operating income/expenses (net)	-181.2	-135.3	-217.5	-150.9	-140.8
<b>EBITDA</b>	<b>542.5</b>	<b>578.4</b>	<b>585.3</b>	<b>615.2</b>	<b>649.1</b>
thereof: Depreciation	-235.9	-248.0	-240.9	-249.8	-261.2
<b>EBIT</b>	<b>276.5</b>	<b>330.4</b>	<b>344.4</b>	<b>365.4</b>	<b>387.9</b>
Interest result	-35.7	-2.6	-37.0	-40.0	-50.5
Participation result	14.5	12.4	12.8	13.4	13.4
<b>Profit or loss on ordinary activities</b>	<b>255.3</b>	<b>340.2</b>	<b>320.2</b>	<b>338.8</b>	<b>350.8</b>
<b>EBT</b>	<b>255.3</b>	<b>340.2</b>	<b>320.2</b>	<b>338.8</b>	<b>350.8</b>
Taxes	-123.9	-111.3	-96.1	-118.6	-122.8
<b>Profit / loss for the year (cont. operations)</b>	<b>131.4</b>	<b>228.9</b>	<b>224.1</b>	<b>220.2</b>	<b>228.0</b>
Minority interest	-0.3	0.4	0.4	0.5	0.5
<b>Net profit</b>	<b>131.1</b>	<b>229.3</b>	<b>224.6</b>	<b>220.7</b>	<b>228.5</b>
<b>Adjusted net profit</b>	<b>131.1</b>	<b>229.3</b>	<b>224.6</b>	<b>220.7</b>	<b>228.5</b>
Key ratios and figures					
EURm (Yr. end: 12/31)	2005	2006	2007e	2008e	2009e
<b>Valuation</b>					
PER	25.1	22.5	21.8	21.2	20.5
P/BV	1.5	2.2	2.0	1.8	1.7
Dividend yield %	2.1	1.6	2.1	2.2	2.4
EV/Sales	1.6	2.3	2.4	2.7	2.9
EV/EBITDA	5.9	8.6	9.3	10.2	10.8
Sustainable FCF yield %	24.0	14.9	27.3	7.0	8.1
<b>Data per share</b>					
Weighted avg. number of shares	91.19	91.19	91.19	91.19	91.19
EPS (reported)	1.44	2.51	2.46	2.42	2.51
adj. EPS	1.44	2.51	2.46	2.42	2.51
Dividend	0.90	1.15	1.13	1.21	1.28
Book value per share	23.50	25.49	26.80	28.08	29.38
Sustainable FCFPS	8.1	7.6	15.9	4.5	5.8
<b>Growth rates %</b>					
Sales	3.1	4.1	5.0	2.7	3.5
EBITDA	5.1	6.6	1.2	5.1	5.5
EBIT	-1.6	19.5	4.2	6.1	6.1
Net profit	-3.9	74.9	-2.1	-1.7	3.5
adj. EPS	-3.1	74.9	-2.1	-1.7	3.5
<b>Margins %</b>					
Gross	83.8	83.5	83.5	83.5	83.4
EBITDA	26.3	27.0	26.0	26.6	27.1
EBIT	13.4	15.4	15.3	15.8	16.2
<b>Net profit</b>	<b>6.4</b>	<b>10.7</b>	<b>10.0</b>	<b>9.5</b>	<b>9.5</b>
<b>Expense ratios %</b>					
Personnel cost to sales	50.1	50.2	47.8	50.4	50.5
Cost of material to sales	16.2	16.5	16.5	16.5	16.6
Depreciation to sales (Total Cost)	11.5	11.6	10.7	10.8	10.9
Tax rate	48.5	32.7	30.0	35.0	35.0
<b>Other ratios</b>					
Interest cover	-12.6	-12.9	-15.0	-15.1	-12.7

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