

SAL. OPPENHEIM

Geberit

Construction & Materials

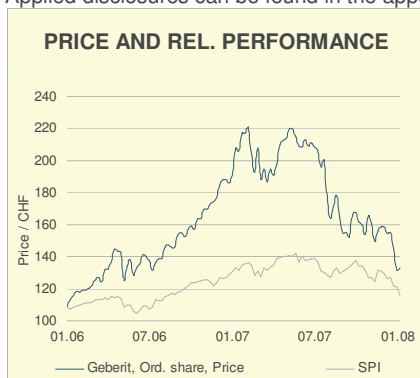
2008-01-18

Applied disclosures can be found in the appendix

Buy

Fair Value CHF185.00

Price CHF133.00 (Closing price as of 2008-01-17)



VALUATION DOES NOT REFLECT GEBERIT'S EXCELLENT FORM

ASSESSMENT

- After yesterday's FY 2007 sales publication we revised our estimates upwards. We increased our sales forecast by about 1% for 2008e/2009e, despite a reduced German sales estimation. We expect German sales to grow only slightly in 2008e (+0.4%) due to the very high comparison base in Q1 2008. However, it will be compensated by higher growth in Central- and Eastern Europe (CEE, 20%), Far East / Pacific (+24%) and Middle East / Africa (+25%). We expect EBITDA margin to be 50bp higher (25.6% instead of 25.1%) in 2007 and to remain on 25% levels in 2008e/09e. Based on higher capital spending we expect depreciation to be clearly on a higher level in the coming years (CHF95m and CHF105m in 2008e/2009e; 2006 at CHF87m). For more details please refer to the table on the next page.
- We increased our EPS 2007e-2009e by 2-3% due to higher margin estimates and the lower number of outstanding shares in 2008e and 2009e. So far we had included a share buyback program of CHF250m (based on an average share price of CHF175, i.e. 1.4m shares). As Geberit wants to buy back 5% of the share capital, the number of outstanding shares will be reduced by around 2m.
- In the short term, there is potential for a somewhat negative newsflow concerning Q1 2008 results, due to the high comparison basis in Germany (will become easier thereafter), less working days due to early Easter (will be compensated in Q2) and potential delays in orders due to announced new product launches in Q2 (which will be positive for Q2 and thereafter).

MARKET DATA

Reuters	GEBN.S
Bloomberg	GEBN VX
Market cap CHFbn	5.3
Free float %	100.0

KEY DATA			
Yr.end 12/31	2006	2007e	2008e
Revenues m	2,183.50	2,487.00	2,589.00
Net profit m	355.00	452.50	419.50
Adj. EPS	8.86	11.39	10.85
PER	16.0	16.4	12.3
EV/EBIT	12.0	13.3	9.1
EBIT mgn. %	22.1	22.2	21.4
EPS CAGR 06-09e: 10 %			

NEXT EVENTS

Full year results	2008-03-13
Quarterly results	2008-04-29
Quarterly results	2008-08-12

VALUATION

- Despite the positive share price reaction yesterday, Geberit is still trading significantly below historical average multiples (P/E 2years forward 14x; EV/EBITDA 8.5x). Our DCF model indicates an unchanged fair value of CHF185 per share.

CONCLUSION

The reconfirmation of the EBITDA margin target of 25% to 26% in FY 2007e gives us comfort to increase our margin forecasts for 2007e-2009e. We regard Geberit's share price to be very attractive for long-term oriented investors and clearly confirm our Buy rating.

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Estimate changes										
(CHFm)	2007 old/e	2007 new/a	Δ	2008 old	2008 new	Δ	2009 old	2009 new	Δ	Comment
Sales Group	2451	2487	+1.5%	2574	2589	+0.6%	2723	2747	+0.9%	
Germany	820	822	+0%	855	825	-4%	895	850	-5%	Slow 08e start
Italy	290	295	+2%	300	305	+2%	310	315	+2%	
Switzerland 280	285	+2%	295	300	+2%	310	315	+2%		
Benelux	205	208	+1%	220	220	0%	235	235	0%	
Austria	150	150	0%	155	155	0%	160	160	0%	
CEE	185	184	-0%	210	220	+5%	230	260	+13%	dynamic market
UK/Ireland	80	83	+4%	65	75	+15%	70	80	+14%	higher penetration
Nordic Region	110	121	+10%	120	127	+6%	130	135	+4%	
France	90	92	+2%	97	100	+3%	104	107	+3%	
Iberian Penins.	45	46	+2%	45	45	0%	47	45	-4%	real estate correct.
Total Europe	2255	2286	+1%	2362	2372	+0%	2491	2502	+0%	
America	100	103	+3%	95	95	0%	95	95	0%	real estate correct.
Far East/Pacific	44	46	+5%	55	57	+4%	65	70	+8%	dynamic market
ME/Africa	52	52	0%	62	65	+5%	72	80	+11%	dynamic market
EBITDA	616	637	+3%	634	649	+2%	673	687	+2%	
EBIT	531	552	+4%	544	554	+2%	578	582	+1%	
Net income	442	453	+2%	412	420	+2%	442	445	+1%	
EPS	11.1	11.4	+3%	10.6	10.9	+3%	11.6	11.8	+2%	share buyback
Margins										
EBITDA	25.1%	25.6%	+50bp	24.6%	25.1%	+50bp	24.7%	25.0%	+30bp	volume
EBIT	21.7%	22.2%	+50bp	21.1%	21.4%	+30bp	21.2%	21.2%	0bp	higher deprec.
Growth										
Sales	12.3%	13.9%	+140bp	5.0%	4.1%	-90bp	5.8%	6.1%	+30bp	
Net income	24.4%	27.5%	+310bp	-6.8%	-7.3%	-50bp	7.3%	6.0%	-130bp	
EPS	25.8%	28.7%	+290bp	-5.1%	-4.8%	+30bp	9.3%	8.9%	-40bp	share buyback

Source: Geberit, Oppenheim Research

Geberit - P&L (Total Costs)					
CHFm (Yr. end: 12/31)	2005	2006	2007e	2008e	2009e
Sales	1,922.9	2,183.5	2,487.0	2,589.0	2,747.0
Invent. changes & intern. prod. Assets	-282.7	-334.8	-390.0	-410.0	-435.0
Cost of material	-580.3	-634.5	-785.0	-830.0	-885.0
Personnel costs	-418.5	-442.3	-470.0	-490.0	-520.0
EBITDA	455.9	569.1	637.0	649.0	687.0
thereof: Depreciation	-89.0	-86.8	-85.0	-95.0	-105.0
EBIT	366.9	482.3	552.0	554.0	582.0
Interest result	-17.0	-12.2	-9.5	-6.5	-1.5
Profit or loss on ordinary activities	349.7	465.9	542.5	547.5	580.5
EBT	352.2	465.9	582.5	547.5	580.5
Taxes	-89.7	-110.9	-130.0	-128.0	-136.0
Profit / loss for the year (cont. operations)	262.5	355.0	452.5	419.5	444.5
Net profit	262.5	355.0	452.5	419.5	444.5
Adjusted net profit	262.5	355.0	452.5	419.5	444.5
Key ratios and figures					
CHFm (Yr. end: 12/31)	2005	2006	2007e	2008e	2009e
Valuation					
PER	14.0	16.0	16.4	12.3	11.3
P/BV	3.8	5.3	5.5	4.0	3.4
Dividend yield %	2.5	1.8	2.1	3.4	3.4
EV/Sales	2.0	2.6	2.9	1.9	1.7
EV/EBITDA	8.4	10.2	11.5	7.7	7.0
Sustainable FCF yield %	8.0	6.3	4.8	7.4	8.5
Data per share					
Weighted avg. number of shares	40.96	40.09	39.72	38.68	37.63
EPS (reported)	6.41	8.86	11.39	10.85	11.81
adj. EPS	6.41	8.86	11.39	10.85	11.81
Dividend	2.50	4.00	4.50	4.50	4.75
Book value per share	23.39	26.59	34.08	33.19	39.57
Sustainable FCFPS	7.6	9.0	9.0	9.6	10.7
Growth rates %					
Sales	0.8	13.6	13.9	4.1	6.1
EBITDA	0.6	24.8	11.9	1.9	5.9
EBIT	20.1	31.5	14.5	0.4	5.1
Net profit	40.9	35.2	27.5	-7.3	6.0
adj. EPS	35.4	38.2	28.7	-4.8	8.9
Margins %					
EBITDA	23.7	26.1	25.6	25.1	25.0
EBIT	19.1	22.1	22.2	21.4	21.2
Net profit	13.7	16.3	18.2	16.2	16.2
Expense ratios %					
Personnel cost to sales	21.8	20.3	18.9	18.9	18.9
Cost of material to sales	30.2	29.1	31.6	32.1	32.2
Depreciation to sales (Total Cost)	4.6	4.0	3.4	3.7	3.8
Tax rate	25.5	23.8	22.3	23.4	23.4
Other ratios					
Interest cover	-21.6	-33.5	-41.1	-51.9	-72.3

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