Swisslog

Buy (vs Buy)

Analyst meeting

Some more large orders expected for H2

Industrial engineering
Small & mid cap
Switzerland **DJ Stoxx 600**

Current price	CHF0.82	**Target price**	CHF1.00
Mkt. cap (m)	CHF205	**EV (m)**	CHF127
YTD abs. perf.	86.4%	**YTD rel. perf.**	61.5%
Reuters	SLOG.S	**Bloomberg**	SLOG SW

FY ending: 31/12	**2009E**	**2010E**	**2011E**
Sales (CHFm)	638.4	597.7	645.9
EBITDA	36.4	31.5	35.7
EBIT	27.7	25.3	29.8
Pretax profit	26.2	25.5	30.2
Net profit (adj)	19.8	16.6	19.6
EPS (adj)	0.08	0.07	0.08
DPS	0.02	0.02	0.02
PE	10.3	12.4	10.4
EV/sales	0.2	0.2	0.2
EV/EBITDA	3.5	3.8	2.9
EV/EBIT	4.6	4.7	3.5
Net dividend yield	2.4%	2.4%	2.4%

Facts: During the conf call, Swisslog outlined that the company still expects 3-5 large WDS orders during 2009 (so far 2). One is expected from Target (USA) and the other two would likely be in Europe. Overall the company expects to decrease headcounts by another 70 in H2, but no meaningful restructuring expenses should occure (Switzerland, US and some Germany). Swisslog guides for 30% tax rate for FY09, a marked improvement from FY08 (39%). While M&A seems unlikely in the short-term, Swisslog started to identify some interesting opportunities to more than double the potential addressable market for automated drug systems.

Analysis: While there was a negative one-off in H1 with the intangibles impairment, Swisslog also outlined that some project provisions were released, likely at least partly compensating. We leave our top line and EBIT estimates broadly unchanged, but increase our net earnings due to better net financials and lower taxes. Pre-payments are expected to decline potentially another CHF10m over the coming quarters to a level around CHF30m. This is the key reason that our net cash estimates are not increasing along the P&L.

Opinion: While we fail to see short-term triggers (after almost tripling since Q1), valuation remains undemanding at slightly less than 4x EV/EBITDA (CHF80m net cash). Swisslog is late cyclical and any upturn will likely not be felt before 2011. Still, due to its asset-light business model (outside Healthcare) and the stable Healthcare segment, Swisslog is expected to easily weather the storm. We maintain our Buy rating and CHF1 target price.

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