

Equity Research

Kardex

Reuters: KARN.S

Price: CHF 33.0

Buy

PT: CHF 50.0

(CHF)	2008A	2009A	2010E	2011E
EPS	9.74	-0.027	2.56	5.85
JCF Cons. EPS	9.74	-0.027	2.56	5.85
P / E	3.4	NM	12.9	5.6
EV / EBITDA	3.1	9.3	6.3	3.5
P / B	1.1	1.3	1.1	0.9
Div. Yield (%)	7.6	0.0	2.1	4.5

Source: Vontobel Equity Research

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Production site visits in Germany

FACTS:

Yesterday, Kardex organised production site visits in Germany for the press, analysts and investors. About 15 people joined this one-day-trip to the acquired MLOG in Neuenstadt and to Kardex Remstar in Bellheim. Besides general company presentations (about MLOG, Kardex group strategy overview, Kardex Remstar), the visit included production sites and the processes and development centres at MLOG and Kardex Remstar.

COMMENT:

We have highlighted some new information given during yesterday's presentations (beside lots of background information) below.

- Kardex's vision of becoming one of the top 5 "one-stop-shop suppliers" for automated warehousing solutions in the world would imply sales of some EUR 500 to 600 mn. The strategic EBIT margin target is in the range of 8% to 10% (VontE FY12 sales of EUR 524 mn and EBIT margin of 7.8%).
- A new corporate identity is being prepared with launch scheduled for the beginning of Q4 2010.
- New products (silos, mini-load cranes, pallet shuttles, low cost shuttles, etc.) with potential of some EUR 50-70 mn additional sales by FY12
- Strategic cost reduction projects have been started with total cost saving potential of slightly more than EUR 10 mn p.a. by FY14 at the Kardex Remstar division (centralised purchasing, cost reduction program for Kardex Shuttle).
- Building up salesforce (for MLOG internationalization; people acquired for new products, e.g. silos)
- No further acquisitions planned for the time being.

CONCLUSION:

Divisional heads gave convincing presentations about synergies and growth potential (MLOG) and improvement/cost saving potential (Remstar). Our investment case of huge operating leverage was confirmed, based on a normalized business environment. However, this will not happen in 1H10 but rather towards the end of the year and in FY11, due to the late cyclical nature of Kardex's business. Significant better offer backlog will eventually result in higher order intake and sales (FY11E). Our BUY rating is therefore based on mid-term potential and not on short-term newsflow.