

## Capital Goods - Engineering

## Dürr

- Company update -

**Closing price: €23.48**

(22 February 2008)

- ◆ *Order intake for FY07 grew 22%, moving order backlog to over €1.0bn due to a large BMW order. FY08F shows continuously strong demand.*
- ◆ *EBIT margin was higher than our forecast on a sales growth of 8%. Operating cash flow improved significantly.*
- ◆ *We continue to rate the stock a Strong Buy on the back of a 1% increased FY08F sales estimate and a 4% higher EBIT forecast for FY08F.*

Dürr reported strong FY07 figures. Most impressive was order intake, rising to €1,781m versus the improved company guidance of €1,600m issued at the beginning of February. The positive deviation was largely attributable to a triple-digit million Euro order from the BMW US capacity expansion. FY08F shows further healthy demand as the market's project pipeline is stable at a high level. Order backlog increased by 34% to €1,082m and thus ensures sufficient capacity utilisation well into FY09F.

Sales were in line with our estimates as PAS increased sales by 7% and MPS by 14%. EBIT came in at €55.0m, thus even surpassing our €53.5m forecast. Cleaning and Filtration came in above plan, while Final Assembly Systems still has some problems in the conveyor business. Dürr will present its 2010F strategy in March, including details to fix that issue. However, charges from restructuring have been ruled out. Operating cash flow improved by nearly €100m, leading to a reduction of net debt from €96.5m to €61m. For FY08F Dürr again expects a €40m reduction in net debt.

We conclude from the strong business environment that pricing quality of the order backlog is further improving. Dürr guided for a FY08F EBIT margin of 5% and a sales growth of 5-10%. The latter assessment sounds more optimistic to us than the prior one. We have raised our growth assumption for sales from 6.5% to 8% for FY08F. Our EBIT margin forecast is unchanged at 5.3% but we are now more confident that the company will be able to meet our expectations.

We keep our Strong Buy rating on good FY08F perspectives but higher forecasts and lower net debt were not enough to offset lower multiples in our engineering universe. Thus, we have slightly cut our target price from €34.50 to €32.00, still a 35% upside.

## Strong Buy

Previously: Strong Buy

Target price: €32.00

## Share price performance



Source: Datastream, BHF-BANK

Key ratios	2007	2008F	2009F
Sales (€m)	1,476	1,594	1,674
Sales YoY (%)	8.4	8.0	5.0
EBIT (€m)	55	85	95
Net income (€m)	21	45	55
EPS (€)	1.32	2.83	3.48
EV/Sales	0.4	0.3	0.3
EV/EBITDA	7.4	4.4	3.8
PER	21.4	8.3	6.7

Source: Company data, BHF-BANK estimates

## Share data

Reuters Code	DUEG.DE
Index	SDAX
Price (€)	23.48
High / Low (€)	34.70 / 18.40
Free float (%)	40
Market cap (€m)	369

Source: Datastream, BHF-BANK

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## Notes on equity research products

Our recommendations and the corresponding target prices are based on a six-month forecast period unless stated otherwise in the report.

Share prices used in our reports are closing prices of the day before publication unless a different date is stated.

**We will update our research products in accordance with the performance of the equity market and/or following press conferences on annual results, interim reports, ad hoc statements of the companies.**

### Publications of the last 12 months:

	Date	Recommendation		Date	Recommendation
Preview	18/02/2008	Strong Buy	Update	10/05/2007	Strong Buy
Update	16/11/2007	Strong Buy	Preview	03/05/2007	Strong Buy
Preview	05/11/2007	Strong Buy	Report	20/04/2007	Strong Buy
Update	10/08/2007	Strong Buy			
Preview	01/08/2007	Strong Buy			
Update	20/06/2007	Strong Buy			

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