SAL. OPPENHEIM

Geberit

Buy

Construction & Materials

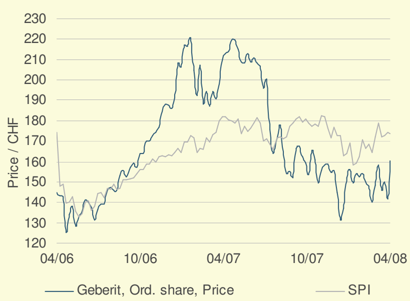
2008-04-30

Applied disclosures can be found in the appendix

Fair Value CHF185.00 (unchanged)

Price CHF160.10 (Closing price as of 2008-04-29)

PRICE AND REL. PERFORMANCE



MARKET DATA

Reuters	GEBN.S
Bloomberg	GEBN VX
Market cap CHFbn	6.2
Free float %	95.0

KEY DATA

Yr.end 12/31	2007	2008e	2009e
Revenues m	2,408.52	2,435.84	2,585.96
Net profit m	448.72	406.78	432.93
Adj. EPS	10.44	10.86	11.88
PER	15.4	14.7	13.5
EV/EBIT	11.2	10.9	10.0
EBIT mgn. %	22.3	22.0	21.9

EPS CAGR 07-10e: 7 %

NEXT EVENTS

Quarterly results	2008-08-12
Quarterly results	2008-10-30

DEFENDING HIGH MARGINS

ASSESSMENT

- The outstanding fact of yesterday's Q1 result were the published margins, which remained on last year's level: EBITDA margin of 28.9% and EBIT margin of 25.8% were only -10bp lower than in Q1 2007, when Geberit achieved record level margins on the back of extraordinary growth (scale effects). However, this year, not scale effects played a role (as sales were CHF33m lower).
- In our view, there are various factors which were responsible for this high profitability: 1) Product mix shift with positive growth of sanitary products (higher margins) and negative growth of piping systems (lower margins). 2) The additional price increases in H2 2007 led to higher margins in Q1 2008. 3) High cost discipline. 4) Currencies were supportive on the cost side and at least partially offset the negative impact on sales. 5) Positive impact on material cost due to the above-mentioned product mix shift (sanitary versus piping).
- On the back of the high Q1 margin level we increase our EBITDA margin expectation by 40bp to 25.4% for FY2008e.
- Our new margin assumption leads to an increase of our FY2008 net income forecast of 2.4% (CHF420m versus the old estimate of CHF410m; please also see the table on the next page).

VALUATION

- Our forecast adjustments did not have a significant impact on our DCF model, which still indicates a fair value of CHF185 per share.

CONCLUSION

The decoupling of margins from growth rates supports the strong fundamental case of Geberit and we reiterate our buy rating. The company only concluded 60% of its share back program. Despite a expected decrease in some markets, we believe that the company will still be able to achieve an solid organic growth rate of +4.5% this year.

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Geberit – New FY2008e forecasts						
(CHFm)	**Q1 2008a**	**H1 2008e**	**H2 2008e**	**2008e new**	**2008e old**	**Delta (%)**
Sales	**643,1**	**1282**	**1233**	**2515**	**2517**	-0,1
Sales deductions	-97,9	-200	-205	-405	-390	3,8
Net Sales	545,2	1082	1028	2110	2127	-0,8
Cost of raw materials and supplies	-191,9	-385	-400	-785	-810	-3,1
Gross profit	353,3	697	628	1325	1317	0,6
Personnel expenses	-115,1	-235	-235	-470	-470	0,0
Other operating expenses	-52,5	-110	-107	-217	-217	0,0
EBITDA	**185,7**	**352**	**286**	**638**	**630**	1,3
Depreciation / Amortisation	-19,5	-40	-45	-85	-90	-5,6
EBIT	**166,2**	**312**	**241**	**553**	**540**	2,4
Net financial result	2,6	0	-4	-4	-4	0,0
EBT	168,8	312	237	549	536	2,4
Taxes	-38,5	-75	-54	-129	-126	2,4
Tax rate	22,8%	24,0%	22,8%	23,5%	23,5%	0bp
PAT	130,3	237	183	420	410	2,4
Minority interests	0	0	0	0	0	NM
Net profit	130,3	237	183	420	410	2,4
Adjustments	0	0	0	0	0	NM
Adjusted net profit	**130,3**	**237**	**183**	**420**	**410**	2,4
Key Margins (%)	**Q1 2008a**	**H1 2008e**	**H2 2008e**	**2008e new**	**2008e old**	**Delta**
Gross margin	54,9	54,4	50,9	52,7	52,3	40bp
EBITDA	28,9	27,5	23,2	25,4	25,0	40bp
EBIT	25,8	24,3	19,5	22,0	21,5	50bp
Key Growth rates (%)	**Q1 2008a**	**H1 2008e**	**H2 2008e**	**2008e new**	**2008e old**	**Delta**
Net sales	-4,9	-2,2	4,9	1,1	1,2	-10bp
- of which organic	-1,5	1,7	7,5	4,5	6,0	-150bp
- of which currency	-1,7	-2,2	-2,6	-2,4	-3,9	150bp
- of which consolidation impact	-1,7	-1,8	0,0	-0,9	-0,9	0bp
Sales breakdown (CHF)	**Q1 2008a**	**H1 2008e**	**H2 2008e**	**2008e new**	**2008e old**	**Delta (%)**
Total Europe	599,3	1188	1127	2315	2315	0,0
America	21,9	44	43	87	80	8,7
Far East / Pacific	10,3	24	31	55	57	-3,5
Middle East / Africa	11,6	26	32	58	65	-10,8
Sales breakdown (growth, %)	**Q1 2008a**	**H1 2008e**	**H2 2008e**	**2008e new**	**2008e old**	**Delta**
Total Europe	-4,9	-2,1	5,0	1,2	1,2	0bp
America	-14,8	-18,2	-12,1	-15,3	-22,1	680bp
Far East / Pacific	27,2	22,0	20,0	20,9	25,3	-440bp
Middle East / Africa	-4,9	7,0	15,5	11,5	25,0	-1350bp

Source: Geberit, Oppenheim Research

Geberit - P&L (Total Costs)					
USDm (Yr. end: 12/31)	**2006**	**2007**	**2008e**	**2009e**	**2010e**
Sales	**2,114.8**	**2,408.5**	**2,435.8**	**2,586.0**	**2,743.8**
Invent. changes & intern. prod. Assets	-324.3	-370.8	-392.3	-406.8	-431.0
Cost of material	-614.5	-758.3	-760.3	-808.7	-852.3
Personnel costs	-428.4	-452.7	-455.2	-489.1	-523.0
EBITDA	**551.2**	**617.8**	**617.9**	**658.6**	**700.2**
thereof: Depreciation	-84.2	-81.5	-82.3	-92.0	-96.9
EBIT	**467.0**	**536.4**	**535.6**	**566.6**	**603.4**
Interest result	-11.8	-6.7	-3.9	0.0	3.9
Profit or loss on ordinary activities	**451.1**	**525.3**	**531.7**	**566.6**	**607.3**
EBT	**451.1**	**572.6**	**531.7**	**566.6**	**607.3**
Taxes	-107.4	-123.9	-124.9	-133.7	-143.3
Profit / loss for the year (cont. operations)	**343.7**	**448.7**	**406.8**	**432.9**	**463.9**
Net profit	**343.7**	**448.7**	**406.8**	**432.9**	**463.9**
+ /- Net profit adjustments	0.0	-47.3	0.0	0.0	0.0
Adjusted net profit	**343.7**	**401.5**	**406.8**	**432.9**	**463.9**

Key ratios and figures					
USDm (Yr. end: 12/31)	**2006**	**2007**	**2008e**	**2009e**	**2010e**
Valuation					
PER	13.2	15.4	14.7	13.5	12.6
P/BV	4.4	4.5	4.8	4.2	3.5
Dividend yield %	2.1	2.5	3.2	3.2	3.4
EV/Sales	2.2	2.5	2.4	2.2	2.0
EV/EBITDA	8.5	9.7	9.5	8.6	7.7
Sustainable FCF yield %	7.5	5.7	5.5	6.5	8.4
Data per share					
Weighted avg. number of shares	40.09	39.70	38.66	37.61	37.61
EPS (reported)	8.85	11.67	10.86	11.88	12.73
adj. EPS	8.85	10.44	10.86	11.88	12.73
DPS	4.00	5.20	5.20	5.50	6.00
Book value per share	25.75	34.25	32.26	37.18	44.06
Sustainable FCFPS	8.7	8.6	8.3	9.8	12.1
Growth rates %					
Sales	13.6	13.9	1.1	6.2	6.1
EBITDA	24.8	12.1	0.0	6.6	6.3
EBIT	31.4	14.8	-0.1	5.8	6.5
Net profit	35.2	30.5	-9.3	6.4	7.2
adj. EPS	38.1	17.9	4.1	9.4	7.2
Margins %					
EBITDA	26.1	25.7	25.4	25.5	25.5
EBIT	22.1	22.3	22.0	21.9	22.0
Net profit	**16.3**	**18.6**	**16.7**	**16.7**	**16.9**
Expense ratios %					
Personnel cost to sales	20.3	18.8	18.7	18.9	19.1
Cost of material to sales	29.1	31.5	31.2	31.3	31.1
Depreciation to sales (Total Cost)	4.0	3.4	3.4	3.6	3.5
Tax rate	23.8	21.6	23.5	23.6	23.6
Other ratios					
Interest cover	-33.5	-43.4	-53.2	-75.6	-120.5

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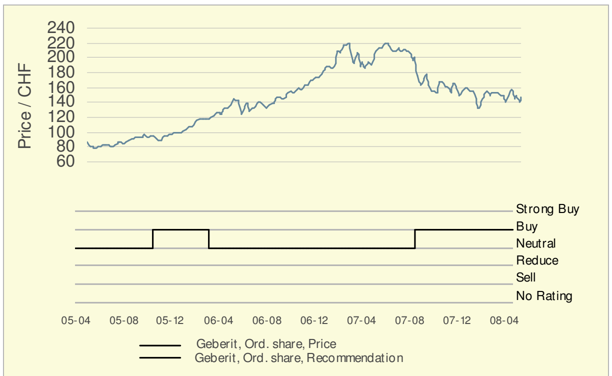

Rating Distribution				
	Coverage Universe		Investment banking-relationship	
Recommendation	No.	in %	No.	in %
Strong buy	17	4,5	3	5
Buy	182	47,9	40	70
Neutral	148	38,9	12	21
Reduce	13	3,4	0	0
Sell	0	0,0	0	0
No rating	20	5,3	2	4

Previous report with differing recommendation published at 2007-08-10.

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