

Estavis	
Buy	€1.97
(Remains Unchanged)	
Target Price:	€2.80 (€3.00)
Reuters Code:	E7S.DE
Bloomberg Ticker:	E7S GY
EPS adj.	
Jun 2010A	€0.13 (0.23)
Jun 2011E	€0.22 (0.35)
Jun 2012E	€0.34 (0.40)
Jun 2013E	€0.40
WestLB Research estimates	
Market Cap:	€ 19m

Current recommendation since 23/11/2009
 Previous recommendation was Neutral

For disclosures and statements required by regulatory bodies, please see the last page.

Research analyst(s)

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Estavis

Not such a quick recovery as we had hoped for

- **We are reducing our earnings forecasts and the target price for Estavis as the company has not met our earnings expectations for the last quarter of the business year 2009/10 and effects from the project "Glanzfilmfabrik" will probably have an influence only from the next business year. Nevertheless sticking to our Buy recommendation as the company is forecasting an improvement for the current business year, and due to the "Glanzfilmfabrik" we are forecasting a continuous upward trend for the next two years. In addition, general demand for residential properties has improved and we think that a clear upward trend for residential property prices has been established for most of the locations where Estavis is active. Due to the reduction in earnings estimates we reduce the target price to €2.80. As the potential to our target price exceeds 20% and we expect improving newsflow from the company and the property market, we are sticking to our Buy recommendation.**

Estavis forecasts and multiples

Year End	Sales	EBITDA	EPS adj.	P/E	EV/EBITDA	Yield
Jun	(€m)	(€m)	(€)	(x)	(x)	(%)
2010A	71	5	0.13	14.3	18.3	0.0
2011E	76	6	0.22	8.9	14.3	0.0
2012E	84	8	0.34	5.8	11.3	0.0
2013E	88	9	0.40	4.9	9.8	0.0
Net cash/Share	-€7.5					
NAV/Share	€5.7					

¹ Cash/debt at end of current year

Source Estavis, WestLB Research estimates

- **Q4 2009/10 below our expectations.** Against our expectations the result in Q4 was not as positive as we had assumed as there was less of a catch up effect from the cold winter period than we had expected. The shortfall to our sales forecast was not so significant, as Estavis was able to sell a portfolio worth €11.0m. However this was associated with a significantly lower margin and thus the deviation to our estimates for EBIT was more pronounced. Compared to our forecasts the company was able to report a significant decrease in financing costs. Also personnel costs came down more significantly than we had expected.

Result 2009/10 vs expectations

€m	2009/10A	2009/10E	deviation
Sales	71.3	75.0	-4.9%
EBIT	4.7	7.5	-37.3%
Pretax profit	1.3	2.8	-53.6%
Net attributable	1.1	2.0	-45.0%

Source Company, WestLB Research estimates

- **Positive forecast from the company.** The company made a not very specific forecast for the current year, but expects both sales and pretax profit to increase. This positive forecast is supported by the fact that there has been a continuous

build up of unfinished work in Q4 2009/10 and thus the backlog has increased. However, after talking to the company we have the impression that our previous forecasts were too optimistic.

Changes in estimates

€m	2010/11E			2011/12E			2012/13E
	new	old	change	new	old	change	new
Sales	75.5	85.0	-11.2%	84.0	90.0	-6.7%	88.0
Gross operating margin	81.4	88.5	-8.0%	87.0	93.0	-6.5%	90.0
EBIT	6.2	9.3	-33.3%	7.7	10.0	-23.0%	8.5
PBT	2.8	4.6	-39.1%	4.3	5.3	-18.9%	5.1
net attributable profit	2.1	3.3	-36.4%	3.3	3.8	-13.2%	3.8
EPS	0.22	0.35	-37.1%	0.34	0.40	-15.0%	0.40
NAV per share	5.70	6.06	-5.9%	6.04	6.46	-6.5%	6.44

Source WestLB Research estimates

- **Higher margin than in 2009/10 expected.** We are expecting lower revenues from sales of the former portfolio business but an improvement in individual sales. As there is a significantly higher margin in the sales to individuals, this should go along with an improvement of the margin. Thus overall, as there should be no significant change in costs or interest expenses as occurred in 2009/10, there should be a quite pronounced positive impact on the net profit for the current year. This is mitigated partly by the higher number of outstanding shares.
- **“Glanzfilmfabrik” to contribute in 2011/12.** For the business year 2011/12 we expect sales from the “Glanzfilmfabrik” (total project volume €65m) to contribute to sales and profit. This should have an additional positive impact on sales and profits.

Valuation

- **Trading at high discount to NAV.** Estavis is trading at a discount of more than 65% to the estimated NAV for 2010/11. We think that due to the current uncertainty a discount of 50% to the NAV is still justified. As we estimate the NAV for the current business year to arrive at €5.70 (was €6.06), we think that a target price of €2.80 is appropriate.
- **Buy recommendation confirmed.** As the potential to our target price exceeds 20% and we expect improving newsflow both from the company and the residential property market, we are sticking to our Buy recommendation.

Dr. Georg Kandera

27 September 2010