Close Brothers Seydler Bank AG

Close Brothers Seydler - The German view

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SDAX (one month)

	SDAX	Last	%-Chg
Top 5 ▲	ELEXIS AG	19.55	39.54
	JUNGHEINRICH - PRFD	33.05	17.74
	WACKER NEUSON SE	12.90	15.85
	HOMAG GROUP AG	16.50	15.71
	BALDA AG	9.61	13.33
Flop 5 ▼	SAF-HOLLAND SA	8.15	-6.96
	CONSTANTIN MEDIEN AG	2.06	-5.50
	CENTROTEC SUSTAINABLE AG	21.75	-5.46
	TOM TAILOR HOLDING AG	12.90	-3.44
	HAMBORNER REIT AG	7.45	-3.21

Source: Bloomberg

MDAX (one month)

	MDAX	Last	%-Chg
Top 5 ▲	DEMAG CRANES AG	47.25	30.76
	LEONI AG	36.76	20.75
	PUMA AG	228.55	12.31
	KABEL DEUTSCHLAND HOLDING AG	42.94	10.46
	RATIONAL AG	189.45	9.51
Flop 5 ▼	WINCOR NIXDORF AG	49.89	-12.54
	SGL CARBON SE	35.04	-11.08
	HEIDELBERGER DRUCKMASCHINEN	3.02	-7.00
	TUI AG	8.20	-6.44
	PROSIEBEN SAT.1 MEDIA AG-PFD	18.40	-5.88

Source: Bloomberg

TecDAX (one month)

	TecDAX	Last	%-Chg
Top 5 ▲	GIGASET AG	4.53	11.97
	BECHTLE AG	34.01	11.16
	FREENET AG	9.10	10.73
	DRILLISCH AG	8.10	10.53
	MORPHOSYS AG	20.48	8.42
Flop 5 ▼	ADVA AG OPTICAL NETWORKING	4.77	-27.77
	PHOENIX SOLAR AG	17.99	-21.78
	NORDEX SE	6.59	-19.73
	Q-CELLS SE	2.58	-17.31
	PFEIFFER VACUUM TECHNOLOGY	85.50	-10.70

Source: Bloomberg

Microsoft's offer for the loss-making internet phone service Skype for USD 8.5bn was grist to the mill of all investors who are afraid of an "internet bubble reloaded". As several other IPOs, capital increases or takeovers from the internet sector we have seen over the last quarters, the Skype price seems not to be justified from economic aspects.

But at the end of the day, prices are results of supply and demand and if groups like Microsoft or other financially strong players are willing to pay such premiums to enter growing markets the prices are a fact. Hence investments in expansive shares from the internet sector can make sense despite a fundamental logic.

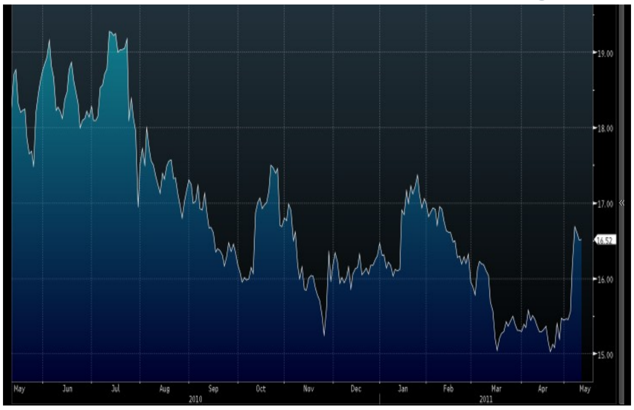
We underline "can" make sense. At the end of the day, the participation in a bubble market, and some parts of the internet business have reached this state, is a real ride on a razor´s edge. Bubbles do not persist for ever and no one can pre-estimate when a bubble will burst exactly. Hence it makes sense to act carefully in such crazy markets we see especially in the US internet business.

Another problem: No one can differentiate how much the high prices are due to a hype in the internet sector and how much they are due to the overall positive market environment due to the high liquidity and cheap money in the capital markets. Increases of M&A activity in other sectors like the semiconductor market do indicate that we are faced with an overall asset price inflation. The strong performance of the stock markets over the last twelve months is another indication for this thesis.

The crucial question: What will lead to the end of this party? The general driver liquidity or the new fascination for internet business? From our point of view, investors should focus on the big picture. Without such a monetary and interest rate policy, such a bubble development is hard to estimate.

Roger Peeters,
Close Brothers Seydler Research AG

Rhön Klinikum AG: Better margins expected in the FY 2011E



Rhön klinikum 1 year, Source: Bloomberg

At the end of April Rhön Klinikum (Rhön) has published its FY 2010 as well as 1Q/2011 figures.

While FY 2010 was without any surprises, the first quarter in 2011 was quite strong. In FY 2010 revenues rose to EUR 2.55bn. Net consolidated profit increased by 10.2% to EUR 145.1m. Compared with the last year, EBITDA was raised by 8.2% to EUR 307.3m and EBIT by 8.7% to EUR 197.9m.

On 8 June 2011, the Board of Management and the Supervisory Board will propose a dividend of EUR 0.37 (PY: EUR 0.30) per share, which corresponds to 36.6% payout ratio (PY 33.0%). Operating margin at 7.8% remained unchanged, while net margin has slightly increased to 5.5% (PY: 5.4%). Despite an increase of net debt compared to the prior year EBITDA interest coverage ratio has improved to 12.8 (PY: 12.2). Equity ratio slightly fell in 48.9% (PY: 49.8%).

As mentioned the first quarter in 2011 was strong. In 1Q/2011 the Group treated 579,632 patients (+13.7%). Revenues rose to EUR 647.2m (+3.7%). Net consolidated profit rose 10.8% to reach EUR 38.0m. EBITDA climbed to EUR 78.8 m (+ 7.8%), while EBIT stood at EUR 50.6 m (PY: EUR 46.8m +8.1%).
2011 Guidance: For FY 2011E Rhön continues to expect revenues in the amount of EUR 2.65bn, EBITDA of EUR 340m and net income of EUR 160m excl. acquisitions.

According to the company, in FY 2011E CAPEX are still expected to be high, but lower than in 2010 (which were very intensive in terms of investments). In 2012E overall investments should decrease further which should allow Rhön to reach positive free cash flow in 2012E.

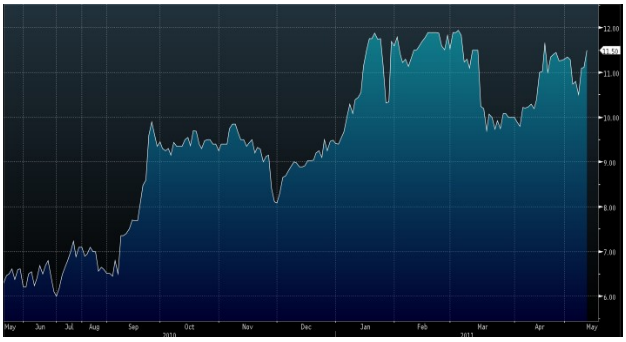
Overall company's guidance seems realistic to us, we expect that the increase in the top line as well as margins will be mainly propelled by new buildings of Gießen and Marburg. Furthermore the management confirmed that for the entire year material costs should decrease to 25% of revenues which should also contribute to margin improvement.

Thus, we expect that in FY 2011E ROE will increase being driven by improved company's margin. However in the medium term perspective we expect that after the Rhön will substantially decrease its investments in FY 2012E, the company will deleverage its assets which might burden ROE offsetting the positive effect of margins improvement.

But from another hand the decrease of CAPEX in the next years should improve company's earnings quality, as mentioned above free cash flow in 2012 are expected to be positive. Close Brothers Seydler Research rates the stock with PT EUR 18.0 and BUY recommendation.

Rhön klinikum vs MDAX 1 year, Source: Bloomberg

Hypoport AG - 1Q 2011 review



Hypoport, 1 Year, Source: Bloomberg

The Hypoport Group is an internet-based financial service provider whose business model consists of two mutually supportive pillars: Dr. Klein & Co. AG, which distributes retail financial products via the internet and an online B2B financial marketplace EUROPACE for brokering financial products.

The EUROPACE business model is highly scalable - Once a certain critical mass has been achieved, there is potential for massively rising earnings. The marketplace effect leads to EUROPACE being ever more attractive the more partners are connected to it. CBSR believes that EUROPACE is close to reaching the critical mass necessary to ignite the marketplace effect.

The B2B financial marketplace is expanding into all directions, both regionally and into new sectors. Dr. Klein is to grow via a distinct expansion of the branch and independent advisor network to increase regional presence.

Hypoport this week published its 1Q 2011 report, which was a showcase of yet another successful quarter. Revenue came in at EUR 17.68m, representing a 46% increase compared to the EUR 12.09m generated in the same period one year earlier. EBITDA and EBIT resulted in EUR 2.24m and 0.98m respectively, which is a great improvement from the losses of -.028 and -1.078m respectively from the previous year. Consequently, the EBIT margin jumped from -8.9% to +5.6%. Although revenue was more or less in line with CBSR estimates, CBSR had predicted 1Q 2011 EBIT to come in at least EUR 1.5m.

The volume of transactions completed in 1Q 2011 totalled EUR 4.12bn, which represents a y-o-y increase of 35.7% (1Q 2010: EUR 3.04bn) and a q-o-q increase of 13.3% (4Q 2010: EUR 3.64bn). Thereof, the volume of mortgage finance transactions completed in the first quarter of 2011 totalled EUR 3.47bn (1Q 2010: EUR 2.47bn). As a result, Financial Service Providers – Hypoport's second-largest business unit – achieved above-average growth in revenue, which advanced by 51.8% to EUR 3.5m (Q1 2010: EUR 2.3m).

However, the growth achieved in Private Clients, the largest of Hypoport's four business units was also remarkable- revenue generated by this business unit grew by 45.3% to EUR 11.4m (Q1 2010: EUR 7.9m). Furthermore, Corporate Real Estate Clients and the Institutional Clients business unit also showed a strong performance.

Although in terms of profitability the numbers missed CBSR expectations, CBSR believes that on a full year basis the forecast can well be achieved. This is because 1.) Hypoport's business model is such that it usually shows more activity in the subsequent quarters of the year and 2.) big ticket deals as seen in the Corporate Clients business last year have extremely high profit margins. Since CBSR has taken up coverage of the stock on 15 November 2010, after a brief dip, the share price increase by over 20% and currently stands at a plus of around 17% compared to the EUR 9.43 share price of November 2010. In the meantime CBSR has increased its price target from the initial EUR 15.00 to EUR 16.80 on 5 April 2011. On the back of a broadly in line 1Q result CBSR therefore sticks to its EUR 16.80 price target and again recommends to BUY the share.

Promising players in traffic technology and railway industry

The regional rail markets are largely very national in character, a consequence of the former strategic significance of railway routes. For international suppliers, some markets are opening up only gradually.

The most notable development of railway network is in China. According to Reuters, China intends to invest around EUR 80bn in a new railway network in 2011. In the following five years China is aiming an overall investment of EUR 301bn into new tracks that corresponds in around 30,000 kilometers in length.

An other important market for railway systems is Russia. With around 87,000 kilometers in length, Russia runs the second largest railway network worldwide. By 2030, up to EUR 380bn is set to be invested in route modernisation and extension. The infrastructure in the world´s biggest country in terms of area is exposed to climate extremes. For example, the state-run Russian rail operator RZD signed a supply contract with Vossloh Fastening Systems in the fall of 2010. Start-up of construction work on a Russian production facility is scheduled for 2011.

One important future segment of the railway industry is the Light-rail Vehicle segment. Environmental problems, traffic jams and the scarcity of parking spaces in cities are a hindering factor for urban development. Growing and liveable metropolitan areas need comprehensive and efficient public transport systems more than ever before. In addition to the efficient but expensive underground metro systems, so-called light-rail systems have become established worldwide as a less expensive alternative. According to SCI Verkehr “Light-rail Vehicles – Global Market Trends" study, one particularly remarkable result was that the dynamic growth of 5% in the light-rail segment will not be driven by the booming Asian countries in the next five years, but by Western Europe and North America. A total of around 200 cities/ municipalities worldwide have published plans to develop or upgrade LRT systems. Almost 100 systems are currently under development or being upgraded.

init AG: init AG, headquartered in Karlsruhe, is one of the worldwide leading supplier of Intelligent Transportation Systems and Electronic Ticketing Systems for public transportation. In addition to its headquarters in Karlsruhe, Germany, init is represented in the US (Chesapeake, Virginia), in Canada (Montréal), Australia, Dubai and in the UK.

As a turnkey supplier, init develops, produces, installs and maintains integrated hard- and software solutions for all key tasks of public transportation companies. init´s integrated ITS system "MOBILE" combines the functions of an Intermodal Transport Control System (ITCS) with other components for planning, operating, analysing and optimising operations to an intelligent overall solution. Ticketing is integrated as well.

init presented its preliminary figures for 1Q 2011 on 04 May 2011. The first quarter ended for init with new contracts worth over EUR 33m (1Q 10: EUR 11m) and a further increase in earnings. The order volume as at end of March totaled around EUR 147m to exceed the record level achieved in the previous year (EUR 132m) by 11%. init generated sales of EUR 14.0m in 1Q 11 remained below the prior year figure (1Q 10: EUR 14.9m). At EUR 5.5m at the end of March, gross profit on sales in absolute figures exceeded the prior year result of EUR 4.5m. One reason was the current development in Dubai, which resulted in significantly lower provisions for risks due to substantial incoming payments. EBIT increased slightly to EUR 2.6m (1Q 10: EUR 2.5m), which results in earnings for the period of EUR 1.5m (previous year: EUR 1.3m). This corresponds to an EPS of EUR 0.15 (1Q 10: EUR 0.14).

Through ongoing projects, init generated an operating cash flow of EUR 8.9m in 1Q 2011 (previous year: EUR 3.8m). As a result, liquid funds including short-term securities increased to EUR 27.2m in the reporting period (previous year: EUR 12.5m). This figure is expected to rise further throughout the year because of payments due from a number of major projects. The full report on the first quarter will be published on 12 May 2011.

Based on the promising preliminary financial results in 1Q 2011, CBSR confirmed in its last update the BUY recommendation with a price target of EUR 19.00 per share.

Schaltbau Holding AG: The Schaltbau Group is one of the leading manufacturers of components and equipment for traffic technology and industry. In addition to electro-mechanical components and equipment, the Group supplies door systems for buses and trains, safety systems for level crossings, equipment for railway vehicles, point heating systems, maritime aids and industrial braking systems. Its innovative and future-oriented products make Schaltbau a highly influential partner in the area of traffic technology.

Schaltbau today reported results for 1Q 2011. The Group performed dynamically on the back of an ongoing positive market environment. First -quarter sales increased by 19.3% from EUR 62.1m to EUR 74.1m. As a result, operating profit (EBIT) in 1Q 2011 rose from EUR 4.2m in 2010 to EUR 7.2m in 2011. At the same time EBIT margin improved from 6.7% to 9.7%. Net profit after minorities for 1Q 2011 came in at EUR 6.0m, corresponding to a plus of 215.8% (1Q 2010: EUR 1.9m).

In April, the guidance for FY 2011 has been raised due to the good results in 1Q 2011. Group revenues are expected to come in at EUR 300m (previous forecast: EUR 290m) and EBIT is now predicted to total EUR 26m (previous forecast: EUR 23.5m).

Vossloh AG: The MDax listed Vossloh AG is a global player in selected rail infrastructure and rail technology markets. The Group has organised its operations into two divisions: Rail Infrastructure and Transportation. Rail Infrastructure provides products and services for rail infrastructure and includes the Fastening Systems, Switch Systems and Rail Services business units. The second division covers the operations concerned with rail vehicles and vehicle systems/components including the related services.

The Vossloh Group is made up of around 90 companies operating in 30 countries. In fiscal 2010 the Group employed a workforce of over 4,900 and generated sales of around EUR 1.35bn.

1Q sales of the Vossloh Group fell 12.1% in 2011 from EUR 295.4m in 2010 to EUR 259.5m. Order intake in 1Q 11 was significant, groupwide more than doubling from EUR 261.2m to EUR 622.8m. The Transportation division reported vigorous demand for its locomotives and local transport vehicles, worth a total EUR 298.5m. And the Rail Infrastructure division also recorded a surge of new orders to EUR 324.4m. Order backlog at the end of March was at an all-time high of EUR 1,448.2m, 36.9% above the year earlier EUR 1,058.1m. EBIT shrank from EUR 35.4m in 2010 to EUR 17.9m and the Group earnings declined by 55% to EUR 10.4m in 1Q 2011. That corresponds an EPS of EUR 0.78 (previous year: EUR 1.71).

Charts at a glance

DAX, 3 Years, Source: Bloomberg

So far, investor obviously are obviously not tending to "Sell in May". The DAX currently is trading close to its yearly high. The overall good mood keeps the short time uptrend intact.

TecDAX, 3 Years, Source: Bloomberg

TecDAX is nearing the 2011 highs which have been reached after the Fukushima disaster. Some disappointing figures from renewable companies had no effect on the index.

elexis AG, 3 years, Source: Bloomberg

Shareholders of SDAX listed Elexis group can pop some corks. A takeover offer of the SMS group for EUR 19 per share led to a further jump of Elexis´ share price.

Wincor Nixdorf AG, 3 Years, Source: Bloomberg

Wincor Nixdorf shares recently dropped around 10% after the MDAX listed company has announced a disappointing development in Q1 2011.

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