SAL. OPPENHEIM

Ascom

Buy

Technology

Fair Value CHF15.50

2008-03-11

Price CHF11.90 (Closing price as of 2008-03-10)

Applied disclosures can be found in the appendix

PRICE AND REL. PERFORMANCE

MARKET DATA

Reuters	ASCN.S
Bloomberg	ASCN SW
Market cap CHFbn	0.4
Free float %	80.0

KEY DATA

Yr.end 12/31	2006	2007e	2008e
Revenues m	564.90	577.00	600.00
Net profit m	17.10	-31.60	16.50
Adj. EPS	0.92	0.37	0.88
PER	14.9	44.6	13.6
EV/EBIT	10.0	-15.5	7.8
EBIT mgn. %	5.8	-5.0	5.8

EPS CAGR 06-09e: 5 %

NEXT EVENTS

Full year results	2008-03-12
AGM	2008-04-15
Quarterly results	2008-09-03

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SMALL TAKEOVER AT SESO

ASSESSMENT

- Ascom announced the purchase of UK based Argogroup for an undisclosed amount. Argogroup, founded in 1996, is a major supplier for stationary testing with sales of more than CHF12m in 2007. No profitability numbers were given but we estimate a margin in the single digit area. The closing of the transaction took place on 10 March 2008.
- Argogroup's business of stationary testing is complementary to Ascom's offering of mobile testing. Note that "Mobile Test Solutions" is a sub segment of Ascom's Security Solutions (Seso) with sales of about CHF29m in 2006. Accordingly, Argogroup will expand Ascom's test solutions business significantly. As a consequence of the purchase, Ascom becomes for mobile network operator a "one-stop-shop" for stationary and mobile testing.
- We believe that Ascom paid about CHF8m or less than 1x sales. Sellers of Argogroup were the private equity company 3i and management. Given Ascom's takeover criteria, we expect the acquisition to be earnings accretive. In view of Ascom's net cash position of some CHF150m (estimate) at the end of 2007, financing is not a problem.

VALUATION

- Our sum-of-the-parts-model points to a value of CHF15.5 per share of which CHF4.0 are net cash. CHF15.5 attributes the stock a PER 2008 and PER 2009 of 17.3x and 14.4x respectively and EV/EBITDA ratios of 8.3x and 6.5x.

CONCLUSION

Argogroup is a small takeover (some 2% of Ascom's core sales, but 40% of Mobile Test Solutions). However, the step is a first sign that CEO Cadonau is not only streamlining Ascom but simultaneously expanding the portfolio as a result of the growth strategy. It is a further sign that Cadonau is keeping its promises to strengthen Ascom's core business by takeovers. Buy confirmed.

Ascom - P&L (Cost of Sales)					
CHFm (Yr. end: 12/31)	**2005**	**2006**	**2007e**	**2008e**	**2009e**
Sales	**688.6**	**564.9**	**577.0**	**600.0**	**525.0**
Cost of goods sold	-466.3	-366.4	-375.0	-383.0	-330.0
Gross profit	**222.3**	**198.5**	**202.0**	**217.0**	**195.0**
Selling costs	-112.1	-103.3	-112.0	-117.0	-100.0
Administrative costs	-51.1	-31.4	-39.0	-28.5	-17.5
R&D costs	-36.3	-30.8	-33.0	-35.0	-31.0
Other operating income/expenses (net)	11.9	0.0	-46.8	-1.5	-1.5
EBITDA	**40.4**	**45.9**	**30.7**	**47.0**	**57.0**
EBIT	**34.7**	**33.0**	**-28.8**	**35.0**	**45.0**
Interest result	-6.4	0.0	3.0	3.0	3.5
Financial result	**-6.4**	**0.0**	**3.0**	**3.0**	**3.5**
Profit or loss on ordinary activities	**28.3**	**33.0**	**-25.8**	**38.0**	**48.5**
EBT	**28.3**	**33.0**	**-25.8**	**38.0**	**48.5**
Taxes	1.2	0.2	-5.0	-6.5	-10.5
Profit / loss for the year (cont. operations)	**29.5**	**33.2**	**-30.8**	**31.5**	**38.0**
Discontinuing operations (net)	115.3	-16.1	-0.8	-15.0	0.0
Net profit	**144.8**	**17.1**	**-31.6**	**16.5**	**38.0**
+ /- Net profit adjustments	-115.3	16.1	45.0	15.0	0.0
Adjusted net profit	**29.5**	**33.2**	**13.4**	**31.5**	**38.0**

Key ratios and figures					
CHFm (Yr. end: 12/31)	**2005**	**2006**	**2007e**	**2008e**	**2009e**
Valuation					
PER	17.1	14.9	44.6	13.6	11.3
P/BV	1.3	2.3	3.2	2.2	1.9
Dividend yield %	2.0	2.0	0.0	1.7	2.1
EV/Sales	0.3	0.6	0.8	0.5	0.5
EV/EBITDA	5.6	7.2	14.6	5.8	4.4
Sustainable FCF yield %	6.5	-0.3	-13.1	9.1	13.8
Data per share					
Weighted avg. number of shares	36.00	36.00	36.00	36.00	36.00
EPS (reported)	4.02	0.48	-0.88	0.46	1.06
adj. EPS	0.82	0.92	0.37	0.88	1.06
Dividend	0.28	0.00	0.20	0.25	0.30
Book value per share	10.70	6.11	5.24	5.49	6.30
Sustainable FCFPS	0.4	-0.0	-1.6	0.7	1.0
Growth rates %					
Sales	-43.6	-18.0	2.1	4.0	-12.5
EBITDA	-62.5	13.6	-33.1	53.1	21.3
EBIT	-44.7	-4.9	nm	nm	28.6
Net profit	206.8	-88.2	nm	nm	130.3
adj. EPS	-39.4	12.5	-59.6	135.1	20.6
Margins %					
Gross	32.3	35.1	35.0	36.2	37.1
EBITDA	5.9	8.1	5.3	7.8	10.9
EBIT	5.0	5.8	-5.0	5.8	8.6
Net profit	**21.0**	**3.0**	**-5.5**	**2.8**	**7.2**
Expense ratios %					
R&D to sales	5.3	5.5	5.7	5.8	5.9
Depreciation to sales (Cost of sales)	3.3	2.6	2.5	2.0	2.3
Tax rate	-4.2	-0.6	-19.4	17.1	21.6
Other ratios					
Interest cover	nm	nm	nm	nm	nm

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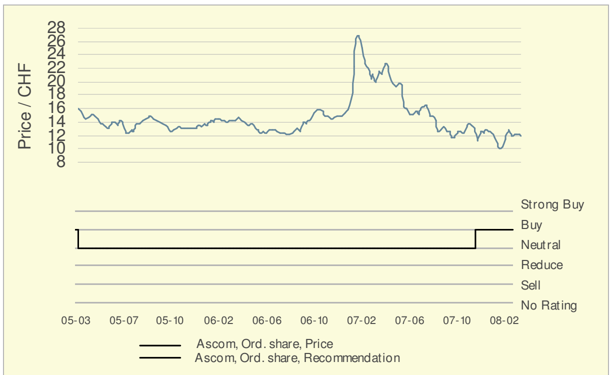

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Strong buy	24	6.3	5	9
Buy	177	46.7	35	63
Neutral	128	33.8	13	23
Reduce	20	5.3	1	2
Sell	0	0.0	0	0
No rating	30	7.9	2	4

Previous report with differing recommendation published at 2007-09-06.

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