

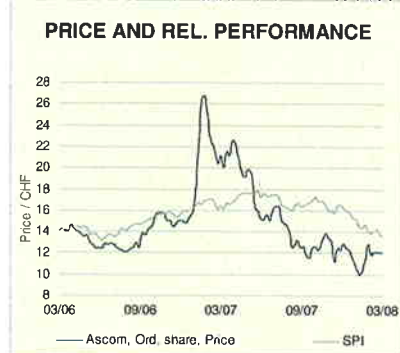
Ascom
Technology
2008-03-12

Buy

Fair Value CHF15.50

Price CHF12.10 (Closing price as of 2008-03-11)

Applied disclosures can be found in the appendix



FY 2007 RESULTS – FIRST TAKE

ASSESSMENT

- Ascom's FY 2007 group results were weak at first glance and worse than expected with a net loss of CHF-48.1m versus an estimated loss of CHF-31.6m. Unfortunately, the press release does not contain many data but the main deviation to our forecasts comes from discontinued operations with a loss of CHF-24.3m. Ascom also proposes to omit the dividend whereas we had expected a dividend.
- Sales increased to CHF490.5m (+7%) below our estimate as Payphone Industry and Traffic are now classified as discontinued operations. Ascom's core business however was growing faster than expected.
- Wireless Solutions (Wiso) reported sales of CHF301.3m (+5%), in line with our estimate while the EBIT margin of 9.4% (pre Vitesse costs) was slightly below our estimate of 9.8% but within company guidance of 8-10%.
- Results of Security Solutions (Seso) exclude Industry/Traffic whereas our estimates included both sub segments. Sales of CHF189.9m (+9%) were growing stronger than assumed while the EBIT came in with a loss of CHF-1.4m (pre Vitesse) versus an expected break even. The reason for this was losses of CHF-4.5m related to the company's real estate (now included in Seso) which will not occur again in 2008.
- Ascom's net cash of CHF223.6m or some CHF6 cash per share were considerably above our estimate of CHF150m net cash due to prepayments related to the Swiss Army order and further improvements in networking capital management.
- Ascom expects in 2008 at Wiso sales growth of 5% and an EBIT margin of 9-11% and at Seso sales growth of 5% and 4-6% EBIT margin. Compared to its guidance in November 2007, current sales guidance implies sales of some CHF515m versus CHF500m initially.

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	13.8
EV/EBIT	10.0	-15.5	8.0
EBIT mgn. %	5.8	-5.0	5.8
EPS CAGR 06-09e: 5 %			

NEXT EVENTS

AGM	2008-04-15
Quarterly results	2008-09-03

VALUATION

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

CONCLUSION

Ascom reported weak group results but kept promises in the 2 core units which are key for us. While the (sales) guidance for 2008 seems to be somewhat revised upwards, a fast solution for the divestments are needed to reduce losses at discontinued operations. We give CEO Cadonau the benefit of the doubt to unlock Ascom's considerable upside by 2010.

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