BASLER VISION TECHNOLOGIES AG

GERMANY / MACHINE VISION TECHNOLOGY

Primary exchange: Frankfurt
Bloomberg symbol: BSL
ISIN: DE0005102008

Q1 RESULTS

RATING:	**Add**
PRICE TARGET:	**€5.00**
RETURN POTENTIAL:	**0.0%**
RISK RATING:	**High**

Q1 POINTS TO A DIFFICULT 2009

Basler released Q1/09 results on Tuesday. Revenues and earnings fell below the pace set by our earlier forecasts and we have revised accordingly.

Revenues contract significantly Q1/09 revenues contracted 34% y-o-y to €8.0m. This was driven primarily by a sharp decline in Basler's Components business, which recorded revenues of €4.3m, a drop of 41% from last year. A book-to-bill ratio of roughly 89% indicates a further downturn in demand. We thus revise our revenue estimate down to €35.4m from €40m.

Suffering along with the industry We expect the current industry climate to continue throughout 2010. According to the VDMA, the German Engineering Federation, Q1 bookings in the German engineering industry were down 42% and down 50% in the German Vision Technology sector.

Revised EBIT Cost streamlining initiatives led to a one-off expense of €0.8m in Q1, which could repeat itself in Q2. Q1 EBIT, before one-off expenses came in at -€0.9m (€0.4 in Q1/08), setting a pace that is significantly below our original FY forecast of -€1.66m. We have thus revised our FY/09 EBIT figure downwards to €4.4m to account for expected one-off expenses of roughly €1.6 to €1.8m.

Cash Flow expectation reduced Given our revised EBIT expectation, our operating cash flow projection falls to €4.2m from €6.75m. This translates into a debt service ratio of roughly 1.25x, below our traditional 1.5x manufacturing benchmark, but we expect debt levels to be reduced to €8.1m by the end of the year. Q1/09 free cash flow was €0.33m.

Restructuring with a view to 2010 Cost restructuring measures will help lower breakeven volume to below €40m by 2010. Basler will use the current downturn to streamline its product portfolio, leveraging its competitive strengths and utilize its established sales channels to achieve market share growth in its core markets.

After adjusting our 2009 forecasts, our price target goes to €5 from €5.50. We believe market conditions will lead to a reduction in competitive pressure from smaller rivals opening an opportunity for market leaders like Basler to come out a winner. Reduced debt levels and cost restructuring will place the company on a sound foundation for further growth in 2010. We reiterate our Add rating.

FINANCIAL HISTORY & PROJECTIONS

	2006	2007	2008	2009E	2010E	2011E
Revenue (€m)	52.12	51.55	56.51	35.40	40.56	46.51
Y-o-y growth	15.9%	-1.1%	9.6%	-37.3%	14.6%	14.7%
EBIT (€m)	5.51	2.44	3.43	-4.20	0.63	2.41
EBIT margin	10.6%	4.7%	6.1%	-11.9%	1.6%	5.2%
Net income (€m)	2.96	1.08	2.06	-3.35	0.16	1.58
EPS (diluted) (€)	0.80	0.29	0.56	-0.90	0.04	0.43
P/E (x)	6.3	17.2	9.0	na	117.5	11.8
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

RISKS

Risks to our share price include the current macroeconomic climate, business cyclicality in the core Display Inspection segment, exchange-rate fluctuations, intangible asset impairment, increasing price erosion in the Components business and uncertain working capital requirements.

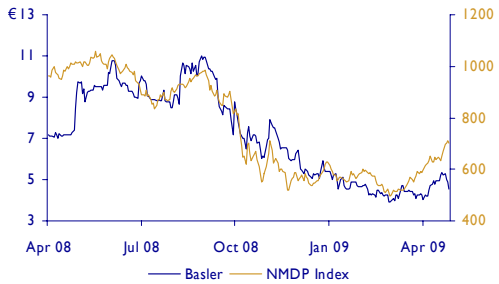
COMPANY PROFILE

Basler Vision Technologies, based in Ahrensburg, Germany, is a developer and supplier of machine vision technology with two core segments: Basler Solutions and Basler Components. The company has subsidiaries in Singapore, Taiwan and the US, and offices in China, South Korea and Japan. As of 31 March 2009, the company had 298 employees.

TRADING DATA

Closing price (07.05.09)	€5.00
Shares outstanding	3.50m
Market capitalisation	€17.50m
52-week range	€3.73 / 11.68
Av. vol. (12 months)	3,371

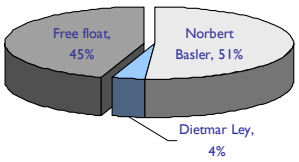
STOCK OVERVIEW



COMPANY DATA (as of 31 March 2009)

Liquid assets (incl. securities)	€7.75m
Current assets	€24.19m
Intangible assets	€15.18m
Total assets	€49.10m
Current liabilities	€7.82m
Shareholders' equity (incl. minorities)	€26.36m

SHAREHOLDERS



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Q1/09 RESULTS

All figures in €m	Q1 2008	Q1 2009	change	% change
Total sales	12.20	8.00	-4.20	-34.4%
Gross profit	7.96	7.96	0.00	0.0%
Margin (%)	*65.2%*	*99.5%*	-	-
EBIT	0.40	-1.70	-2.10	n.a.
Margin (%)	*3.3%*	*-21.3%*	-	-
Net income	0.10	-1.60	-1.70	n.a.
EPS diluted (€)	0.03	-0.43	-0.46	n.a.

Table 1 Source: First Berlin, Basler

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.	Date of publication	Previous day closing price	Recommen-dation	Price target	Interim high	% change to high
Initial Report	2 September 2003	€4.40	Short-term Buy	€5.00	-	-
2...30	↓	↓	↓	↓	↓	↓
31	11 November 2008	€7.36	Buy	€9.60	€6.84	-7.1%
32	12 March 2009	€4.00	Under Review	Under Review	€6.84	71.0%
33	20 March 2009	€4.71	Add	€5.50	€5.45	15.7%
34	Today	€5.00	Add	€5.00	-	-

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First Berlin's investment rating system is five tiered and includes an investment recommendation and a risk rating. Our recommendations, which are a function of our expectation of total return (forecast price appreciation and dividend yield) in the year specified, are as follows:

STRONG BUY: Expected return greater than 50% and a high level of confidence in management's financial guidance
BUY: Expected return greater than 25%
ADD: Expected return between 0% and 25%
REDUCE: Expected negative return between 0% and -15%
SELL: Expected negative return greater than -15%

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

Up until 16 May 2008, First Berlin's investment rating system was three tiered and was a function of our expectation of return (forecast price appreciation and dividend yield) over the specified year. Our investment ratings were as follows: BUY: expected return greater than 15%; HOLD: expected return between 0% and 15%; and SELL: expected negative return.

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