

Hold EUR 9.70 Price EUR 8.26 Upside 17.4 %	Value Indicators: EUR DCF: 9.70 FCF-Value Potential 20e: 8.90	Share data: Bloomberg: SYT GR Reuters: SYTG ISIN: DE0005178008	Description: Soft- and hardware for data exchange in industrial plants and automotive electronics
	Market Snapshot: EUR m Market cap: 60.7 No. of shares (m): 7.3 EV: 64.7 Freefloat MC: 38.2 Ø Trad. Vol. (30d): 61.04 th	Shareholders: Freefloat 63.0 % Trier Asset Mgmt 21.0 % Alois Widmann 16.0 %	Risk Profile (WRe): 2018e Beta: 1.3 Price / Book: 1.2 x Equity Ratio: 69 % Net Fin. Debt / EBITDA: 0.2 x Net Debt / EBITDA: 0.5 x

Q2 might have marked an inflection point

Softing had a strong second quarter with revenues growing 10% yoy and 16% on a sequential basis (table displayed on the next page). The guidance was confirmed. Management has emphasised its focus on recurring revenues in the form of e.g. service and maintenance revenues which should lead to smoother revenue development from 2019 onwards.

IT Networks continued its dynamic growth: revenues soared by 30%. Initially, management targeted EUR 10m in this segment in 2018. Current revenue development indicates that Softing should beat this target. The introduction of two new product families should support further growth. As in previous years, revenues should reach their highest level in the fourth quarter. Supported by economies of scale, EBIT in this segment should be positive.

The Industrial segment grew by 8% driven by Softing's US business, reflecting a strong economic environment. In Europe, demand for software for industry 4.0 applications remained at a high level. Demand was weak, however, for gateways and other hardware solutions. The delivery of a large order with a volume of EUR 2m in the upcoming months should support revenue development in the second half of the year.

In **Automotive Electronics**, revenues declined by 9%. On a sequential basis, however, revenues increased by 6.4%. Globalmatrix, the subsidiary Softing acquired in March, sees positive momentum. A partnership with a large automotive OEM is currently being developed. This partner anticipates demand for several thousand devices for its customers' fleets. Globalmatrix will focus on supporting software services based on a subscription model contributing to higher visibility for Softing's revenue development. Despite start-up costs related to Globalmatrix, EBIT in the Automotive segment was nearly breakeven.

Supported by the encouraging revenue development, earnings growth was proportionally higher. Following four quarters of revenue decline in a yoy comparison, Q2 was encouraging. Confirmation of the revenue development would clearly be positive and should support sentiment. Against the backdrop of the published H1 figures, our revenue estimates look conservative. EBITDA development appears to be on track. While there is already upside to our PT, it is based on the expectation of meaningful high-margin revenues from Globalmatrix next year which still need further confirmation with the successful development of the partnerships. Against this backdrop, the Hold rating is confirmed.



Rel. Performance vs CDAX:

1 month:	12.0 %
6 months:	-8.4 %
Year to date:	-8.5 %
Trailing 12 months:	-26.8 %

Company events:

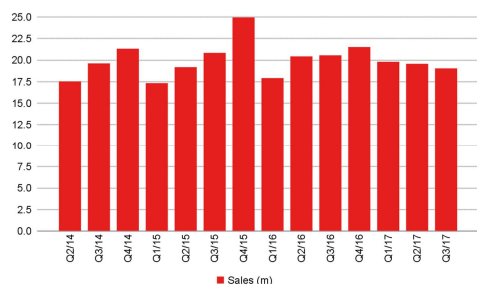
Nov.18 Q3

FY End: 31.12. in EUR m	CAGR (17-20e)	2014	2015	2016	2017	2018e	2019e	2020e
Sales	4.2 %	74.5	82.3	80.4	78.7	79.5	85.7	89.1
Change Sales yoy		41.8 %	10.4 %	-2.3 %	-2.1 %	1.0 %	7.8 %	4.0 %
Gross profit margin		68.5 %	64.7 %	66.6 %	64.9 %	65.5 %	64.7 %	65.1 %
EBITDA	18.8 %	10.1	10.8	12.3	6.8	8.5	10.9	11.5
Margin		13.5 %	13.1 %	15.2 %	8.7 %	10.7 %	12.7 %	12.9 %
EBIT	40.9 %	5.9	5.5	7.2	2.3	4.1	6.0	6.6
Margin		7.9 %	6.6 %	8.9 %	3.0 %	5.2 %	7.0 %	7.4 %
EBIT adj.	75.8 %	6.2	6.7	6.6	1.1	3.1	6.0	6.1
Net income	86.4 %	3.8	4.5	5.7	0.7	2.9	4.2	4.6
EPS	71.0 %	0.58	0.65	0.82	0.10	0.33	0.46	0.50
DPS	10.9 %	0.25	0.15	0.20	0.22	0.25	0.30	0.30
Dividend Yield		1.6 %	1.2 %	1.7 %	2.0 %	3.0 %	3.6 %	3.6 %
FCFPS		0.15	0.61	0.56	-0.27	0.27	0.24	0.32
FCF / Market cap		1.0 %	4.8 %	4.8 %	-2.4 %	3.2 %	2.9 %	3.8 %
EV / Sales		1.6 x	1.2 x	1.1 x	1.1 x	1.0 x	0.9 x	0.9 x
EV / EBITDA		11.8 x	9.4 x	7.3 x	12.7 x	9.3 x	7.3 x	6.9 x
EV / EBIT adj.		19.2 x	15.1 x	13.7 x	77.7 x	25.2 x	13.2 x	13.1 x
EV / EBIT		20.2 x	18.6 x	12.6 x	37.0 x	19.1 x	13.2 x	12.1 x
P / E		26.3 x	19.4 x	14.3 x	112.0 x	25.0 x	18.0 x	16.5 x
FCF Potential Yield		3.6 %	6.6 %	7.5 %	2.6 %	3.7 %	6.0 %	6.5 %
Net Debt		18.3	13.9	8.3	4.5	4.1	4.2	4.0
ROCE (NOPAT)		11.4 %	8.4 %	10.5 %	2.7 %	4.6 %	6.0 %	6.4 %
Guidance:		2018: revenues ca. EUR 80m; EBIT ca. EUR 4m						

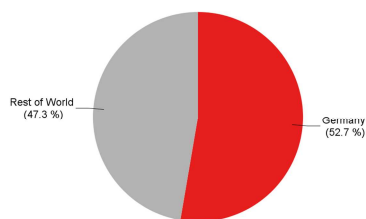
Softing - Q2 2018

in EUR m	Q2/18	Q2/18e	Δ WRe	Q2/17	yoy	6M/18	6M/17	yoy
Sales	21.4	20.0	7.1%	19.6	9.5%	39.9	39.4	14%
EBITDA	19	2.0	-3.2%	16	19.5%	3.3	3.1	6.6%
<i>margin</i>	9.0%	10.0%		8.3%		8.4%	7.9%	
EBIT	0.7	0.8	-13.3%	0.6	26.2%	11	10	7.4%
<i>margin</i>	3.2%	4.0%		2.8%		2.7%	2.6%	
Industrial	13.3			12.3	8.0%	24.9	25.8	-3.2%
EBIT Industrial	12			0.5	132.3%	19	2.1	-9.4%
<i>margin</i>	9.0%			4.2%		7.6%	8.1%	
Automotive	4.5			4.9	-8.7%	8.7	8.7	0.3%
EBIT Automotive	-0.4			0.3	-	-0.6	-0.7	-13.7%
<i>margin</i>	-9.4%			5.2%		-6.7%	-7.7%	
IT Networks	3.6			2.4	54.9%	6.3	4.9	27.5%
EBIT IT Networks	-0.1			-0.2	-65.6%	-0.2	-0.4	-44.0%
<i>margin</i>	-2.1%			-4.6%		-2.6%	-4.6%	
Order entries	23.3			17.7	316%			
Book-to-bill	11			0.9	20.2%			

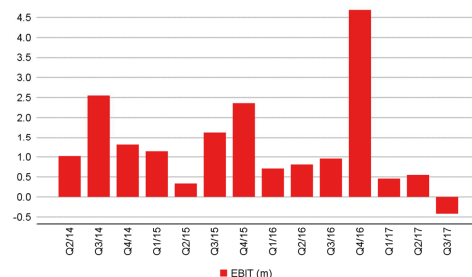
Sources: Softing (historical data), Warburg Research (estimates)

Sales development
in EUR m


Source: Company

Sales by regions
2017; in %


Source: Company

EBIT development
in EUR m


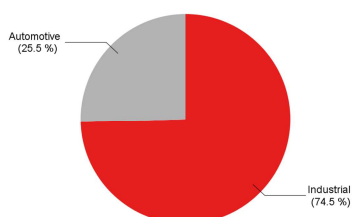
Source: Company

Company Background

- Softing has the necessary expertise on information exchange between various devices, sensors, plant and software solutions in automated processes. The business activity comprises two segments.
- Industrial Automation: hardware and software solutions for the exchange of information in all kinds of production including montage lines, chemical plants, oil and gas extraction or refineries.
- The subsidiary IT Networks is part of the Industrial Automation segment. Its solutions are used to test complex IT networks in industrial automation, office installations and data centers.
- Automotive Electronics: The solutions allow engineers and workshop mechanics to test automotive electronics in the development phase, production or repair and to recognise errors through data evaluation.
- The solutions in the automotive segment are not for application within the vehicles and therefore do not pose a product re-call risk for the company.

Competitive Quality

- European market leader in the networking of various production plant elements as well as in business-related software (so-called OPC products).
- World market leader in components for the exchange of information in gas and oil plants. Some >50% of all devices registered worldwide that are used in these plants include components from Softing.
- Through participation in international committees that set standards for the exchange of information, a short time-to-market is achieved.
- The high complexity of Softing's business activity is the single most important barrier to market entry for potential competitors.

Sales by segments
2017; in %


Source: Company

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	
Sales	79.5	85.7	89.1	93.7	98.4	103.0	107.6	112.1	116.6	121.1	125.5	129.8	132.4	2.0 %
Sales change	1.0 %	7.8 %	4.0 %	5.2 %	4.9 %	4.7 %	4.5 %	4.2 %	4.0 %	3.8 %	3.6 %	3.4 %	2.0 %	
EBIT	4.1	6.0	6.6	7.0	7.5	7.8	8.2	8.5	8.9	9.2	9.5	9.9	10.1	7.6 %
EBIT-margin	5.2 %	7.0 %	7.4 %	7.5 %	7.6 %	7.6 %	7.6 %	7.6 %	7.6 %	7.6 %	7.6 %	7.6 %	7.6 %	
Tax rate (EBT)	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	7.0
NOPAT	2.9	4.2	4.6	4.9	5.2	5.5	5.7	6.0	6.2	6.4	6.7	6.9	7.0	
Depreciation	4.4	4.9	4.9	5.6	5.9	6.2	6.5	6.7	7.0	7.3	7.5	7.8	7.9	6.0 %
in % of Sales	5.5 %	5.7 %	5.5 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	
Changes in provisions	0.3	0.0	0.0	-0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.5
Change in Liquidity from														
- Working Capital	-0.6	1.1	0.8	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.5	7.9
- Capex	5.8	5.8	5.8	5.6	5.9	6.2	6.5	6.7	7.0	7.3	7.5	7.8	7.9	
Capex in % of Sales	7.3 %	6.8 %	6.5 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC Model)	2.4	2.2	2.9	3.4	4.4	4.7	4.9	5.2	5.4	5.6	5.9	6.1	6.6	7
PV of FCF	2.4	2.1	2.5	2.8	3.3	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	
share of PVs	7.51 %			32.55 %										59.93 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	15.00 %	Financial Strength	1.25
Cost of debt (after tax)	2.1 %	Liquidity (share)	1.25
Market return	7.00 %	Cyclicality	1.25
Risk free rate	1.50 %	Transparency	1.25
		Others	1.25
WACC	7.43 %	Beta	1.25

Valuation (m)

Present values 2030e	37		
Terminal Value	55		
Financial liabilities	13		
Pension liabilities	2		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	10	No. of shares (m)	9.1
Equity Value	88	Value per share (EUR)	9.72

Sensitivity Value per Share (EUR)

		Terminal Growth									Delta EBIT-margin						
Beta	WACC	1.25 %	1.50 %	1.75 %	2.00 %	2.25 %	2.50 %	2.75 %	Beta	WACC	-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.46	8.4 %	7.51	7.66	7.82	8.00	8.18	8.39	8.61	1.46	8.4 %	6.08	6.72	7.36	8.00	8.63	9.27	9.91
1.36	7.9 %	8.19	8.37	8.57	8.78	9.02	9.27	9.55	1.36	7.9 %	6.71	7.40	8.09	8.78	9.47	10.16	10.86
1.30	7.7 %	8.57	8.77	8.99	9.23	9.49	9.78	10.09	1.30	7.7 %	7.06	7.79	8.51	9.23	9.95	10.67	11.39
1.25	7.4 %	8.97	9.20	9.45	9.72	10.01	10.34	10.70	1.25	7.4 %	7.45	8.21	8.96	9.72	10.47	11.23	11.98
1.20	7.2 %	9.42	9.67	9.95	10.25	10.59	10.96	11.37	1.20	7.2 %	7.88	8.67	9.46	10.25	11.04	11.83	12.63
1.14	6.9 %	9.91	10.19	10.50	10.85	11.23	11.65	12.12	1.14	6.9 %	8.35	9.18	10.01	10.85	11.68	12.51	13.34
1.04	6.4 %	11.02	11.38	11.79	12.23	12.73	13.30	13.94	1.04	6.4 %	9.46	10.39	11.31	12.23	13.16	14.08	15.01

- The cyclical components of the business activity and the low liquidity of the share raise capital costs.

Free Cash Flow Value Potential

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived via the perpetuity of a given year's "FCF potential" with consideration of the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

in EUR m	2014	2015	2016	2017	2018e	2019e	2020e	
Net Income before minorities	3.8	4.5	5.7	0.7	2.9	4.2	4.6	
+ Depreciation + Amortisation	4.2	5.3	5.1	4.5	4.4	4.9	4.9	
- Net Interest Income	-0.3	-0.3	-0.2	-1.2	0.0	0.0	0.0	
- Maintenance Capex	4.0	3.3	4.2	4.2	4.4	4.4	4.4	
+ Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
= Free Cash Flow Potential	4.3	6.7	6.8	2.3	2.9	4.8	5.1	
FCF Potential Yield (on market EV)	3.6 %	6.6 %	7.5 %	2.6 %	3.7 %	6.0 %	6.5 %	
WACC	7.43 %	7.43 %	7.43 %	7.43 %	7.43 %	7.43 %	7.43 %	
= Enterprise Value (EV)	119.1	101.6	90.0	86.7	79.3	79.4	79.2	
= Fair Enterprise Value	58.0	90.1	91.4	30.4	39.7	64.0	69.2	
- Net Debt (Cash)	2.3	2.3	2.3	2.3	1.6	1.7	1.5	
- Pension Liabilities	2.2	2.2	2.2	2.2	2.5	2.5	2.5	
- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Market value of minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Market value of investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
= Fair Market Capitalisation	53.6	85.6	86.9	25.9	35.6	59.8	65.2	
Aktienanzahl (Mio.)	6.6	6.9	7.0	7.3	8.7	9.1	9.1	
= Fair value per share (EUR)	8.12	12.34	12.49	3.53	4.07	6.57	7.16	
premium (-) / discount (+) in %					-50.7 %	-20.5 %	-13.3 %	
Sensitivity Fair value per Share (EUR)								
WACC	10.43 %	5.02	8.13	8.26	2.34	3.29	5.64	6.17
	9.43 %	5.62	9.06	9.20	2.65	3.70	6.30	6.88
	8.43 %	6.36	10.20	10.36	3.04	4.20	7.11	7.76
	7.43 %	7.30	11.66	11.84	3.53	4.85	8.15	8.88
	6.43 %	8.52	13.56	13.77	4.17	5.68	9.50	10.35
	5.43 %	10.20	16.17	16.42	5.05	6.83	11.35	12.35
	4.43 %	12.64	19.96	20.26	6.33	8.50	14.04	15.26

■ Capitalised own work is a significant element of the capex.

Valuation	2014	2015	2016	2017	2018e	2019e	2020e
Price / Book	2.7 x	2.1 x	1.7 x	1.6 x	1.2 x	1.1 x	1.1 x
Book value per share ex intangibles	-0.57	0.00	0.55	1.37	0.98	1.18	1.38
EV / Sales	1.6 x	1.2 x	1.1 x	1.1 x	1.0 x	0.9 x	0.9 x
EV / EBITDA	11.8 x	9.4 x	7.3 x	12.7 x	9.3 x	7.3 x	6.9 x
EV / EBIT	20.2 x	18.6 x	12.6 x	37.0 x	19.1 x	13.2 x	12.1 x
EV / EBIT adj.*	19.2 x	15.1 x	13.7 x	77.7 x	25.2 x	13.2 x	13.1 x
P / FCF	99.3 x	20.8 x	20.9 x	n.a.	31.5 x	34.1 x	26.0 x
P / E	26.3 x	19.4 x	14.3 x	112.0 x	25.0 x	18.0 x	16.5 x
P / E adj.*	26.3 x	19.4 x	14.3 x	112.0 x	25.0 x	18.0 x	16.5 x
Dividend Yield	1.6 %	1.2 %	1.7 %	2.0 %	3.0 %	3.6 %	3.6 %
FCF Potential Yield (on market EV)	3.6 %	6.6 %	7.5 %	2.6 %	3.7 %	6.0 %	6.5 %

*Adjustments made for: -

Consolidated profit & loss

In EUR m	2014	2015	2016	2017	2018e	2019e	2020e
Sales	74.5	82.3	80.4	78.7	79.5	85.7	89.1
Change Sales yoy	41.8 %	10.4 %	-2.3 %	-2.1 %	1.0 %	7.8 %	4.0 %
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	3.9	2.8	4.5	4.6	4.5	4.0	4.5
Total Sales	78.5	85.1	84.9	83.3	84.0	89.7	93.6
Material expenses	27.4	31.9	31.4	32.2	32.0	34.3	35.6
Gross profit	51.1	53.2	53.6	51.1	52.0	55.4	58.0
Gross profit margin	68.5 %	64.7 %	66.6 %	64.9 %	65.5 %	64.7 %	65.1 %
Personnel expenses	32.1	33.6	35.1	33.0	33.5	34.0	36.0
Other operating income	0.8	2.8	5.3	0.9	2.0	1.5	1.5
Other operating expenses	9.7	11.7	11.5	12.1	12.0	12.0	12.0
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	10.1	10.8	12.3	6.8	8.5	10.9	11.5
Margin	13.5 %	13.1 %	15.2 %	8.7 %	10.7 %	12.7 %	12.9 %
Depreciation of fixed assets	0.6	0.8	0.8	0.8	0.4	0.4	0.4
EBITA	9.5	10.0	11.4	6.1	8.1	10.5	11.1
Amortisation of intangible assets	3.7	4.5	4.3	3.7	4.0	4.5	4.5
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	5.9	5.5	7.2	2.3	4.1	6.0	6.6
Margin	7.9 %	6.6 %	8.9 %	3.0 %	5.2 %	7.0 %	7.4 %
EBIT adj.	6.2	6.7	6.6	1.1	3.1	6.0	6.1
Interest income	0.2	0.1	0.1	0.0	0.1	0.1	0.1
Interest expenses	0.4	0.3	0.2	1.3	0.1	0.1	0.1
Other financial income (loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	5.6	5.2	7.0	1.1	4.1	6.0	6.6
Margin	7.5 %	6.3 %	8.7 %	1.4 %	5.2 %	7.0 %	7.4 %
Total taxes	1.8	0.7	1.3	0.4	1.2	1.8	2.0
Net income from continuing operations	3.8	4.5	5.7	0.7	2.9	4.2	4.6
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income before minorities	3.8	4.5	5.7	0.7	2.9	4.2	4.6
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	3.8	4.5	5.7	0.7	2.9	4.2	4.6
Margin	5.1 %	5.4 %	7.1 %	0.9 %	3.6 %	4.9 %	5.2 %
Number of shares, average	6.6	6.9	7.0	7.3	8.7	9.1	9.1
EPS	0.58	0.65	0.82	0.10	0.33	0.46	0.50
EPS adj.	0.58	0.65	0.82	0.10	0.33	0.46	0.50

*Adjustments made for:

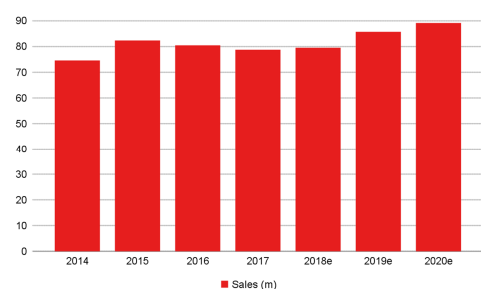
Guidance: 2018: revenues ca. EUR 80m; EBIT ca. EUR 4m

Financial Ratios

	2014	2015	2016	2017	2018e	2019e	2020e
Total Operating Costs / Sales	91.7 %	90.3 %	90.4 %	97.2 %	94.9 %	91.9 %	92.2 %
Operating Leverage	-0.1 x	-0.7 x	-13.5 x	31.5 x	76.1 x	5.8 x	2.3 x
EBITDA / Interest expenses	23.3 x	33.3 x	49.4 x	5.4 x	85.4 x	109.1 x	114.6 x
Tax rate (EBT)	32.3 %	14.0 %	18.1 %	35.8 %	30.0 %	30.0 %	30.0 %
Dividend Payout Ratio	43.4 %	23.2 %	24.4 %	222.5 %	75.4 %	65.0 %	59.4 %
Sales per Employee	181,345	191,744	178,720	189,658	178,652	188,308	195,840

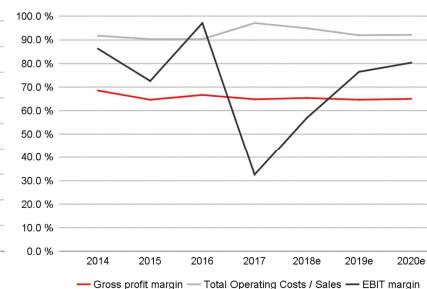
Sales, EBITDA

in EUR m

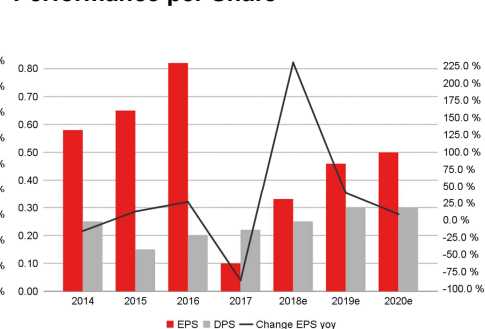


Operating Performance

in %



Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

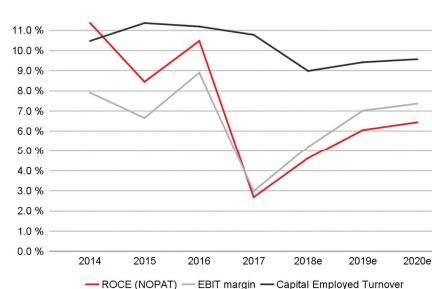
Consolidated balance sheet

In EUR m	2014	2015	2016	2017	2018e	2019e	2020e
Assets							
Goodwill and other intangible assets	41.0	42.4	43.8	41.8	55.6	55.7	55.8
thereof other intangible assets	18.1	18.9	18.2	14.7	26.9	25.9	24.8
thereof Goodwill	14.5	15.2	15.5	14.5	14.5	14.5	14.5
Property, plant and equipment	1.9	2.4	2.3	2.0	2.8	3.6	4.4
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long-term assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	42.9	44.7	46.0	43.8	58.4	59.3	60.2
Inventories	8.7	9.3	9.2	9.1	9.0	9.7	10.1
Accounts receivable	14.2	15.4	12.6	12.8	12.9	13.8	14.4
Liquid assets	8.8	9.2	10.9	10.3	8.8	8.8	8.9
Other short-term assets	2.4	3.8	4.2	4.7	4.7	4.7	4.7
Current assets	34.1	37.7	36.9	36.9	35.4	37.0	38.1
Total Assets	77.0	82.5	82.9	80.7	93.9	96.3	98.4
Liabilities and shareholders' equity							
Subscribed capital	7.0	7.0	7.0	7.7	9.1	9.1	9.1
Capital reserve	12.3	12.3	12.3	19.2	19.2	19.2	19.2
Retained earnings	18.0	23.1	28.4	25.4	28.3	32.5	37.1
Other equity components	-0.2	0.0	0.0	0.0	7.9	5.6	2.9
Shareholders' equity	37.0	42.4	47.6	52.3	64.6	66.5	68.4
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	37.0	42.3	47.6	52.3	64.5	66.5	68.3
Provisions	3.9	4.1	4.7	2.9	5.4	5.4	5.4
thereof provisions for pensions and similar obligations	2.2	1.9	2.2	2.2	2.5	2.5	2.5
Financial liabilities (total)	24.8	21.2	16.9	12.6	10.4	10.4	10.4
thereof short-term financial liabilities	7.0	5.5	10.3	8.4	8.4	8.4	8.4
Accounts payable	4.2	6.3	5.9	5.5	6.1	6.6	6.8
Other liabilities	7.1	8.5	7.8	7.4	7.4	7.4	7.4
Liabilities	40.0	40.1	35.3	28.4	29.3	29.8	30.0
Total liabilities and shareholders' equity	77.0	82.5	82.9	80.7	93.9	96.3	98.4

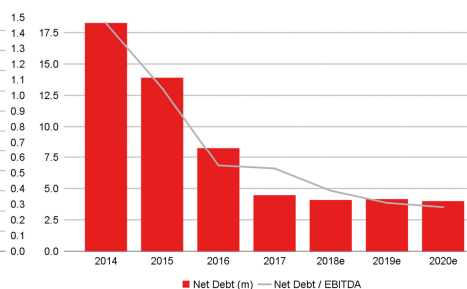
Financial Ratios

	2014	2015	2016	2017	2018e	2019e	2020e
Efficiency of Capital Employment							
Operating Assets Turnover	3.6 x	4.0 x	4.4 x	4.3 x	4.3 x	4.2 x	4.0 x
Capital Employed Turnover	1.3 x	1.5 x	1.4 x	1.4 x	1.2 x	1.2 x	1.2 x
ROA	8.9 %	10.0 %	12.4 %	1.6 %	5.0 %	7.1 %	7.6 %
Return on Capital							
ROCE (NOPAT)	11.4 %	8.4 %	10.5 %	2.7 %	4.6 %	6.0 %	6.4 %
ROE	12.0 %	11.3 %	12.7 %	1.4 %	5.0 %	6.4 %	6.8 %
Adj. ROE	12.0 %	11.3 %	12.7 %	1.4 %	5.0 %	6.4 %	6.8 %
Balance sheet quality							
Net Debt	18.3	13.9	8.3	4.5	4.1	4.2	4.0
Net Financial Debt	16.1	12.0	6.1	2.3	1.6	1.7	1.5
Net Gearing	49.4 %	32.8 %	17.4 %	8.6 %	6.3 %	6.3 %	5.8 %
Net Fin. Debt / EBITDA	159.4 %	112.0 %	49.4 %	33.5 %	18.6 %	15.2 %	13.1 %
Book Value / Share	5.3	6.1	6.8	6.8	7.1	7.3	7.5
Book value per share ex intangibles	-0.6	0.0	0.6	1.4	1.0	1.2	1.4

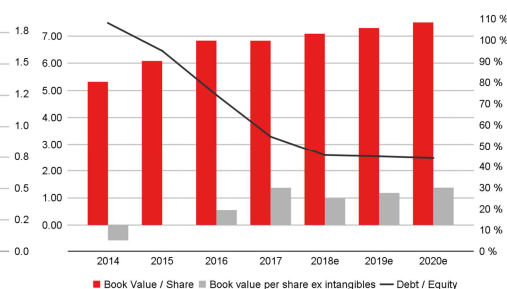
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

Consolidated cash flow statement

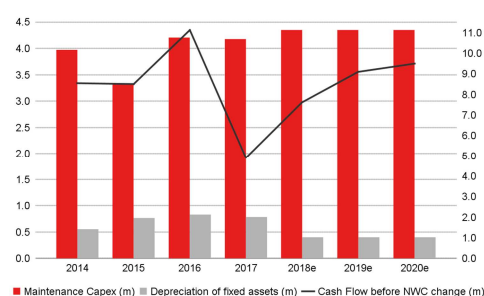
In EUR m	2014	2015	2016	2017	2018e	2019e	2020e
Net income	3.8	4.5	5.7	0.7	2.9	4.2	4.6
Depreciation of fixed assets	0.6	0.8	0.8	0.8	0.4	0.4	0.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	3.7	4.5	4.3	3.7	4.0	4.5	4.5
Increase/decrease in long-term provisions	0.0	0.0	0.0	0.0	0.3	0.0	0.0
Other non-cash income and expenses	0.5	-1.3	0.3	-0.3	0.0	0.0	0.0
Cash Flow before NWC change	8.5	8.5	11.1	4.9	7.6	9.1	9.5
Increase / decrease in inventory	-1.6	-0.6	0.1	0.1	0.1	-0.7	-0.4
Increase / decrease in accounts receivable	-0.7	-1.2	2.8	-0.2	-0.1	-0.9	-0.6
Increase / decrease in accounts payable	-0.9	1.7	-0.8	-0.3	0.6	0.5	0.2
Increase / decrease in other working capital positions	0.9	0.2	-3.7	-1.0	0.0	0.0	0.0
Increase / decrease in working capital (total)	-2.2	0.1	-1.6	-1.3	0.6	-1.1	-0.8
Net cash provided by operating activities [1]	6.3	8.6	9.5	3.6	8.2	8.0	8.7
Investments in intangible assets	-3.9	-2.8	-4.5	-4.6	-4.6	-4.6	-4.6
Investments in property, plant and equipment	-1.4	-1.7	-1.1	-1.0	-1.2	-1.2	-1.2
Payments for acquisitions	-21.9	-1.3	-0.9	-4.2	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.8	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by investing activities [2]	-26.4	-5.8	-6.5	-9.8	-5.8	-5.8	-5.8
Change in financial liabilities	10.6	-1.7	-0.2	-0.3	-2.2	0.0	0.0
Dividends paid	-1.3	-1.7	-1.0	-1.4	-1.7	-2.3	-2.7
Purchase of own shares	0.5	1.1	0.0	0.0	0.0	0.0	0.0
Capital measures	7.5	0.0	0.0	7.9	0.0	0.0	0.0
Other	-0.3	-0.2	-0.2	-0.1	0.0	0.0	0.0
Net cash provided by financing activities [3]	17.0	-2.6	-1.4	6.0	-3.8	-2.3	-2.7
Change in liquid funds [1]+[2]+[3]	-3.1	0.3	1.6	-0.2	-1.5	-0.1	0.2
Effects of exchange-rate changes on cash	0.1	0.1	0.1	-0.4	0.0	0.0	0.0
Cash and cash equivalent at end of period	9.1	9.2	10.9	10.3	8.8	8.8	8.9

Financial Ratios

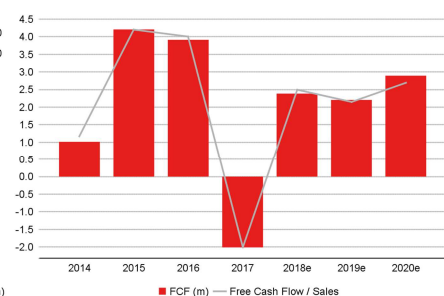
	2014	2015	2016	2017	2018e	2019e	2020e
Cash Flow							
FCF	1.0	4.2	3.9	-2.0	2.4	2.2	2.9
Free Cash Flow / Sales	1.4 %	5.1 %	4.9 %	-2.6 %	3.0 %	2.6 %	3.2 %
Free Cash Flow Potential	4.3	6.7	6.8	2.3	2.9	4.8	5.1
Free Cash Flow / Net Profit	26.7 %	93.8 %	68.6 %	-283.5 %	82.3 %	52.4 %	63.0 %
Interest Received / Avg. Cash	1.5 %	0.6 %	0.6 %	0.4 %	1.0 %	1.1 %	1.1 %
Interest Paid / Avg. Debt	3.5 %	1.4 %	1.3 %	8.6 %	0.9 %	1.0 %	1.0 %
Management of Funds							
Investment ratio	7.1 %	5.4 %	7.0 %	7.1 %	7.3 %	6.8 %	6.5 %
Maint. Capex / Sales	5.3 %	4.0 %	5.2 %	5.3 %	5.5 %	5.1 %	4.9 %
Capex / Dep	125.8 %	84.1 %	110.0 %	123.9 %	131.8 %	118.4 %	118.4 %
Avg. Working Capital / Sales	20.8 %	22.6 %	21.3 %	20.5 %	20.2 %	19.1 %	19.4 %
Trade Debtors / Trade Creditors	339.9 %	244.0 %	214.0 %	232.1 %	211.5 %	209.1 %	211.8 %
Inventory Turnover	3.1 x	3.4 x	3.4 x	3.6 x	3.6 x	3.5 x	3.5 x
Receivables collection period (days)	70	68	57	59	59	59	59
Payables payment period (days)	56	72	68	63	70	70	70
Cash conversion cycle (Days)	83	54	56	57	50	50	51

CAPEX and Cash Flow

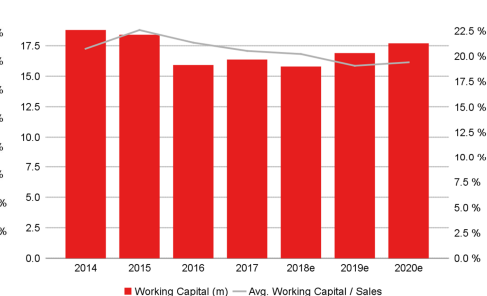
in EUR m



Free Cash Flow Generation



Working Capital



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
Softing	3, 5, 6	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0005178008.htm

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-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	Hold:	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	Sell:	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

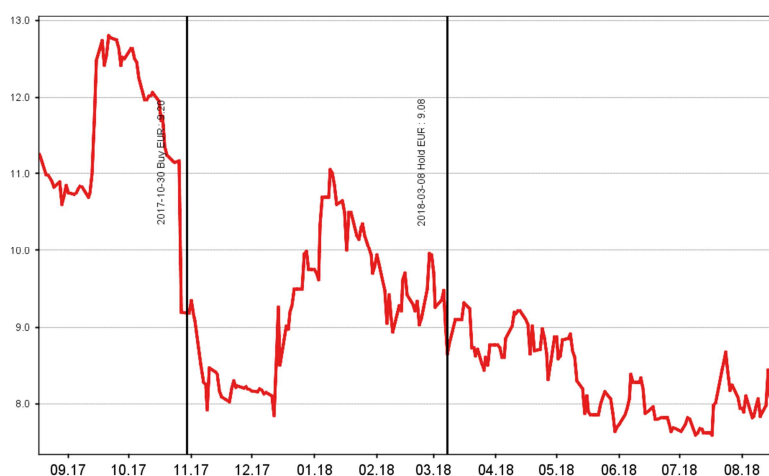
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Rating	Number of stocks	% of Universe
Buy	111	54
Hold	90	44
Sell	4	2
Rating suspended	0	0
Total	205	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	32	68
Hold	15	32
Sell	0	0
Rating suspended	0	0
Total	47	100

PRICE AND RATING HISTORY SOFTING AS OF 17.08.2018


Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

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