

Buy EUR 18.50 Price EUR 14.00 Upside 32.1 %	Value Indicators: EUR DCF: 18.40 FCF-Value Potential 16e: 17.00	Share data: Bloomberg: SYT GR Reuters: SYTG ISIN: DE0005178008	Description: Software solutions (e.g. error diagnosis) for industrial plants and automotive electronics
	Market Snapshot: EUR m Market cap: 90.0 No. of shares (m): 6.1 EV: 76.3 Freefloat MC: 61.6 Ø Trad. Vol. (30d; EUR): 127.30 th	Shareholders: Freefloat 68.5 % Trier Asset Mgmt 26.7 % Treasury Stock 4.8 %	Risk Profile (WRe): 2014e Beta: 1.3 Price / Book: 3.7 x Equity Ratio: 63 % Net Fin. Debt / EBITDA: -1.3 x Net Debt / EBITDA: -1.2 x

Final Q1 confirmed preliminaries; M&A has negative impact on bottom line

Stated Figures Q1/2014:	Comment on Figures:						
Figures in EUR m	Q1/14	Q1/14e	Q1/13	yoy	2014e	2013	yoy
Sales	16.1	16.0	12.2	32.2%	65.0	52.6	23.7%
EBITDA	2.4	2.3	2.2	5.6%	11.5	9.4	22.9%
<i>margin</i>	14.7%	14.4%	18.4%		17.7%	17.8%	
EBIT	1.0	1.0	1.4	-28.3%	7.2	6.2	16.0%
<i>margin</i>	6.2%	6.3%	11.5%		11.1%	11.8%	
EPS in EUR	0.10	0.11	0.18	-44.4%	0.83	0.69	20.3%
Industrial Automation	8.4	8.5	6.6	28.2%			
Automotive Electronics	7.6	7.5	5.6	36.9%			

■ Psiber is part of the Industrial Automation segment. It contributed EUR 2.4m to the top line and EUR 0.26m to the bottom line.
 ■ A higher share of software revenues positively influenced profitability in last year's Q1.
 ■ A number of different factors burdened this year's bottom line: M&A-related costs, PPA amortisation and the ramp-up of a new sales office in Dallas.

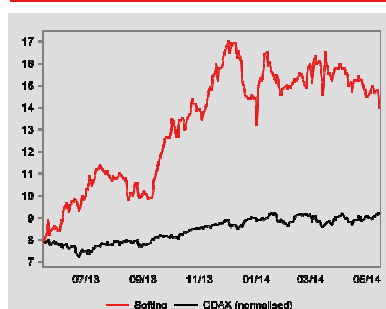
The soaring **revenues** were supported by Psiber, the acquisition in the area of cable testers which has been consolidated since January 2014. It contributed EUR 2.4m to revenues. Organic growth was close to 13%. With the Psiber acquisition, Softing has closed its strategic gap in the area of mobile cable testers for industrial Ethernet networks in the automation industry and has entered the market for the diagnosis of copper and optical fiber networks for data centres and office installations. The company has an early-mover advantage with cable testers based on the Cat 8 standard.

Order entries were strong and increased by nearly 19% to EUR 18.8m. The book-to-bill ratio of 1.17 indicates a continuation of the strong operative momentum. The order book increased by EUR 2.8m to EUR 9.8m. Against this backdrop management confirmed its guidance (revenues > EUR 60m; EBIT approx. EUR 7m) and expects H2 to be stronger than H1. This assumption is also based on the expectation that the US sales office will contribute to top-line growth in the second half and higher margin products should support earnings growth.

The **bottom line** was also negatively affected by ongoing M&A. Acquisitions are to contribute to management's mid-term goal of surpassing the EUR 100m revenue threshold. Additionally, Softing recorded ramp-up costs for a new sales office in the U.S. The negative impact of acquisitions was also reflected in higher depreciation and amortisation which increased from EUR 0.8m to EUR 1.4m and obviously include PPA-related amortisation (not reported separately). This negative impact is also expected for Q2. Along with the above-mentioned effects, the lower margin also reflects a different revenue mix than the same quarter last year which had a higher share of software license sales.

According to the **cash flow** statement, Softing paid EUR 6m for acquisitions (i.e. Psiber). Cash generation was solid as FCF increased by 7% to EUR 0.9m, thus liquidity was at EUR 7.7m. Following the AGM that took place on May 7, shareholders will be given the option to receive the dividend of EUR 0.35 per share either in cash or as shares. Shareholders can decide between May 13 and May 27.

The PT of EUR 26 as well as the Buy rating are reiterated.

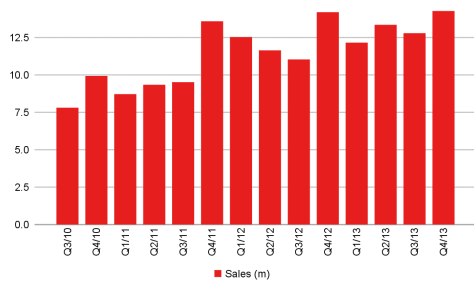


Rel. Performance vs CDAX:	
1 month:	-11.2 %
6 months:	-15.4 %
Year to date:	-5.0 %
Trailing 12 months:	62.2 %

Company events:	
14.08.14	Q2
14.11.14	Q3

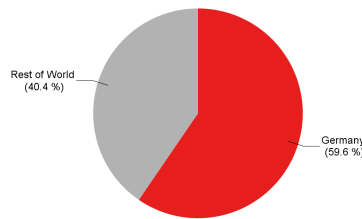
FY End: 31.12. in EUR m	CAGR (13-16e)	2010	2011	2012	2013	2014e	2015e	2016e
Sales	16.0 %	31.7	41.1	49.4	52.6	65.0	75.0	82.0
Change Sales yoy		33.8 %	29.9 %	20.0 %	6.4 %	23.7 %	15.4 %	9.3 %
Gross profit margin		80.0 %	75.6 %	76.3 %	78.7 %	73.9 %	72.9 %	72.5 %
EBITDA	16.4 %	4.8	7.4	8.3	9.4	11.5	13.5	14.8
Margin		15.3 %	17.9 %	16.7 %	17.8 %	17.7 %	17.9 %	18.0 %
EBIT	18.0 %	1.5	4.2	4.9	6.2	7.2	9.0	10.2
Margin		4.8 %	10.3 %	10.0 %	11.8 %	11.1 %	12.0 %	12.4 %
Net income	18.6 %	1.0	3.1	3.5	4.3	5.2	6.4	7.2
EPS	18.6 %	0.19	0.58	0.59	0.69	0.83	1.01	1.15
EPS adj.	18.6 %	0.19	0.58	0.59	0.69	0.83	1.01	1.15
DPS	12.6 %	0.11	0.27	0.27	0.35	0.40	0.45	0.50
Dividend Yield		4.7 %	6.9 %	4.6 %	3.4 %	2.7 %	3.1 %	3.4 %
FCFPS		0.04	0.60	0.53	0.13	0.76	0.72	0.92
EV / Sales		0.3 x	0.4 x	0.5 x	1.0 x	1.2 x	1.1 x	0.9 x
EV / EBITDA		1.8 x	2.0 x	2.9 x	5.7 x	7.0 x	5.9 x	5.1 x
EV / EBIT		5.7 x	3.5 x	4.9 x	8.7 x	11.2 x	8.8 x	7.5 x
P / E		12.4 x	6.7 x	9.9 x	15.0 x	17.7 x	14.5 x	12.8 x
P / E adj.		12.4 x	6.7 x	9.9 x	15.0 x	17.7 x	14.5 x	12.8 x
FCF Yield Potential		24.3 %	25.6 %	13.8 %	6.8 %	7.7 %	9.3 %	10.9 %
Net Debt		-3.3	-5.8	-10.4	-11.2	-13.7	-15.6	-18.5
ROE		7.0 %	19.1 %	17.8 %	17.9 %	19.9 %	23.0 %	22.9 %
ROCE (NOPAT)		10.0 %	26.5 %	30.0 %	32.4 %	37.7 %	48.6 %	49.9 %
Guidance:		2014: revenue > EUR 60m; EBIT approx. EUR 7m						

Sales development
in EUR m



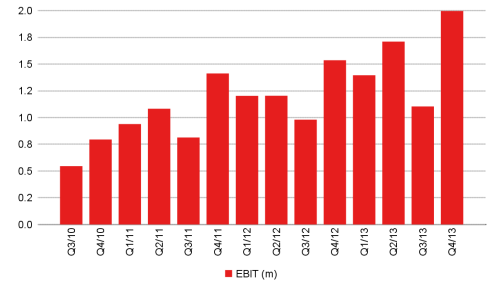
Source: Company

Sales by regions
2013; in %



Source: Company

EBIT development
in EUR m



Source: Company

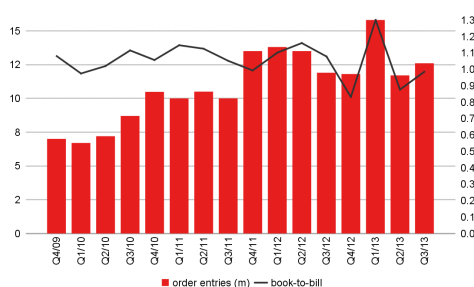
Company Background

- 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.
- 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.
- Softing focuses on established standards and reaches a coverage of ca. 70% of the market.

Competitive Quality

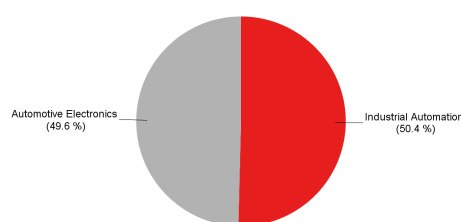
- World market leader in tools to recognise errors in production plant (so called field bus diagnostics)
- European market leader in the networking of various production plant elements as well as in business-related software (so-called OPC products).
- World market leader for components for the exchange 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 the business activity of Softing is the single most important barrier to market entry for potential competitors.

Order entries



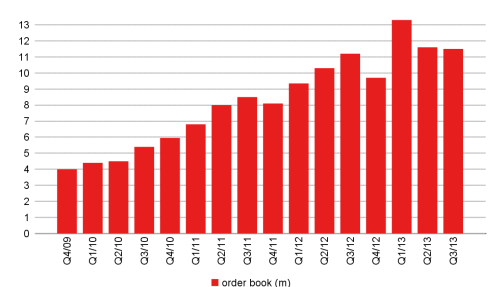
Source: Company

Sales by segments
2013; in %



Source: Company

Order book
in EUR m



Source: Company

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	
Sales	65.0	75.0	82.0	88.6	94.6	100.0	105.0	109.3	113.2	116.6	119.6	122.2	124.7	
Sales change	23.7 %	15.4 %	9.3 %	8.0 %	6.8 %	5.8 %	4.9 %	4.2 %	3.5 %	3.0 %	2.6 %	2.2 %	2.0 %	2.0 %
EBIT	7.2	9.0	10.2	12.1	12.9	13.7	14.3	14.9	15.4	15.8	16.2	16.5	16.8	
EBIT-margin	11.1 %	12.0 %	12.4 %	13.7 %	13.7 %	13.6 %	13.6 %	13.6 %	13.6 %	13.5 %	13.5 %	13.5 %	13.5 %	
Tax rate (EBT)	29.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	
NOPAT	5.1	6.3	7.1	8.5	9.1	9.6	10.0	10.4	10.8	11.1	11.3	11.5	11.7	
Depreciation	4.3	4.5	4.6	5.8	6.1	6.5	6.8	7.1	7.4	7.6	7.8	7.9	8.1	
in % of Sales	6.6 %	6.0 %	5.6 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	
Changes in provisions	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	
Change in Liquidity from														
- Working Capital	0.5	1.8	1.5	2.6	1.3	1.1	1.0	0.9	0.8	0.7	0.6	0.5	0.5	
- Capex	4.2	4.5	4.5	5.9	6.3	6.7	7.0	7.3	7.6	7.8	8.0	8.2	8.4	
Capex in % of Sales	6.5 %	6.0 %	5.5 %	6.7 %	6.7 %	6.7 %	6.7 %	6.7 %	6.7 %	6.7 %	6.7 %	6.7 %	6.7 %	
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)	4.7	4.5	5.7	6.6	7.6	8.2	8.8	9.2	9.7	10.1	10.4	10.7	10.9	11
PV of FCF	4.7	4.1	4.8	5.0	5.3	5.2	5.0	4.8	4.6	4.4	4.1	3.8	3.6	48
share of PVs	12.57 %			42.68 %										44.75 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	0.00 %	Financial Strength	1.30
Cost of debt (after tax)	2.8 %	Liquidity (share)	1.40
Market return	8.00 %	Cyclicality	1.30
Risk free rate	2.50 %	Transparency	1.25
		Others	1.00
WACC	9.72 %	Beta	1.31

Valuation (m)

Present values 2026e	59		
Terminal Value	48		
Financial liabilities	0		
Pension liabilities	2		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	13	No. of shares (m)	6.4
Equity Value	119	Value per share (EUR)	18.41

Sensitivity Value per Share (EUR)

Beta	WACC	Terminal Growth							Beta	WACC	Delta EBIT-margin						
		1.25 %	1.50 %	1.75 %	2.00 %	2.25 %	2.50 %	2.75 %			-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.49	10.7 %	15.94	16.08	16.24	16.40	16.58	16.76	16.96	1.49	10.7 %	14.54	15.16	15.78	16.40	17.03	17.65	18.27
1.40	10.2 %	16.79	16.96	17.15	17.34	17.55	17.77	18.01	1.40	10.2 %	15.36	16.02	16.68	17.34	18.00	18.66	19.32
1.36	10.0 %	17.25	17.44	17.64	17.86	18.09	18.33	18.59	1.36	10.0 %	15.81	16.50	17.18	17.86	18.54	19.22	19.90
1.31	9.7 %	17.75	17.95	18.17	18.41	18.66	18.92	19.21	1.31	9.7 %	16.30	17.00	17.70	18.41	19.11	19.81	20.51
1.27	9.5 %	18.27	18.49	18.73	18.99	19.27	19.56	19.88	1.27	9.5 %	16.81	17.54	18.27	18.99	19.72	20.44	21.17
1.22	9.2 %	18.83	19.07	19.34	19.62	19.92	20.25	20.59	1.22	9.2 %	17.36	18.12	18.87	19.62	20.37	21.12	21.87
1.13	8.7 %	20.05	20.35	20.67	21.01	21.38	21.78	22.22	1.13	8.7 %	18.59	19.40	20.21	21.01	21.82	22.63	23.44

- The cyclical components of the business activity and the low liquidity of the share raise the 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 by discounting the "FCF potential" of a given year with 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	2010	2011	2012	2013	2014e	2015e	2016e	
Net Income before minorities	1.0	3.1	3.5	4.3	5.2	6.4	7.2	
+ Depreciation + Amortisation	3.3	3.1	3.3	3.2	4.3	4.5	4.6	
- Net Interest Income	-0.2	0.0	0.0	-0.1	0.1	0.1	0.1	
- Maintenance Capex	2.4	2.3	3.5	3.9	3.2	3.4	3.4	
+ Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
= Free Cash Flow Potential	2.1	3.9	3.3	3.7	6.2	7.4	8.3	
Free Cash Flow Yield Potential	24.3 %	25.6 %	13.8 %	6.8 %	7.7 %	9.3 %	10.9 %	
WACC	9.72 %	9.72 %	9.72 %	9.72 %	9.72 %	9.72 %	9.72 %	
= Enterprise Value (EV)	8.7	15.0	24.2	53.7	80.8	78.9	76.0	
= Fair Enterprise Value	21.8	39.7	34.5	37.6	64.2	75.7	85.6	
- Net Debt (Cash)	-12.7	-12.7	-12.7	-12.7	-15.2	-17.1	-20.0	
- Pension Liabilities	1.5	1.5	1.5	1.5	1.5	1.5	1.5	
- 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	33.0	50.9	45.7	48.8	77.9	91.3	104.1	
No. of shares (total) (m)	6.1	6.1	6.1	6.1	6.1	6.1	6.1	
= Fair value per share (EUR)	5.37	8.29	7.44	7.95	12.69	14.88	16.97	
premium (-) / discount (+) in %					-13.5 %	1.4 %	15.7 %	
Sensitivity Fair value per Share (EUR)								
	12.72 %	4.53	6.76	6.12	6.51	10.23	11.97	13.68
	11.72 %	4.77	7.19	6.48	6.91	10.91	12.78	14.59
	10.72 %	5.04	7.69	6.92	7.38	11.72	13.73	15.67
WACC	9.72 %	5.37	8.29	7.44	7.95	12.69	14.88	16.97
	8.72 %	5.78	9.03	8.09	8.66	13.89	16.30	18.57
	7.72 %	6.29	9.96	8.90	9.54	15.40	18.08	20.59
	6.72 %	6.95	11.18	9.95	10.69	17.37	20.39	23.20

- Capitalised own work is a significant element of the capex.
- The earnings quality has clearly improved over the last years.
- Increasing share of software revenues should have a positive effect on the FCF Value.

Valuation

	2010	2011	2012	2013	2014e	2015e	2016e
Price / Book	0.8 x	1.2 x	1.6 x	2.5 x	3.7 x	3.2 x	2.8 x
Book value per share ex intangibles	1.52	1.96	2.43	2.62	3.09	3.65	4.31
EV / Sales	0.3 x	0.4 x	0.5 x	1.0 x	1.2 x	1.1 x	0.9 x
EV / EBITDA	1.8 x	2.0 x	2.9 x	5.7 x	7.0 x	5.9 x	5.1 x
EV / EBIT	5.7 x	3.5 x	4.9 x	8.7 x	11.2 x	8.8 x	7.5 x
EV / EBIT adj.*	5.7 x	3.5 x	4.9 x	8.7 x	11.2 x	8.8 x	7.5 x
P / FCF	53.0 x	6.5 x	11.0 x	81.3 x	19.4 x	20.3 x	15.9 x
P / E	12.4 x	6.7 x	9.9 x	15.0 x	17.7 x	14.5 x	12.8 x
P / E adj.*	12.4 x	6.7 x	9.9 x	15.0 x	17.7 x	14.5 x	12.8 x
Dividend Yield	4.7 %	6.9 %	4.6 %	3.4 %	2.7 %	3.1 %	3.4 %
Free Cash Flow Yield Potential	24.3 %	25.6 %	13.8 %	6.8 %	7.7 %	9.3 %	10.9 %

*Adjustments made for: -

Company Specific Items

	2010	2011	2012	2013	2014e	2015e	2016e
order entries	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
book-to-bill	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
order book	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

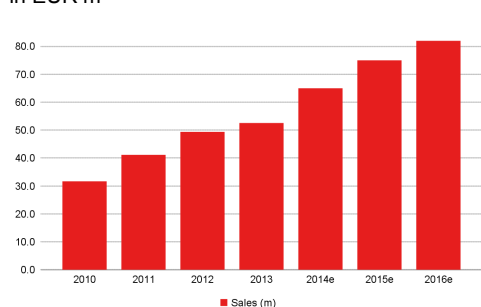
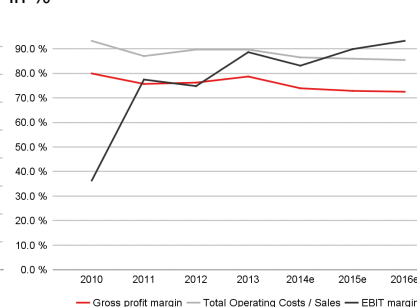
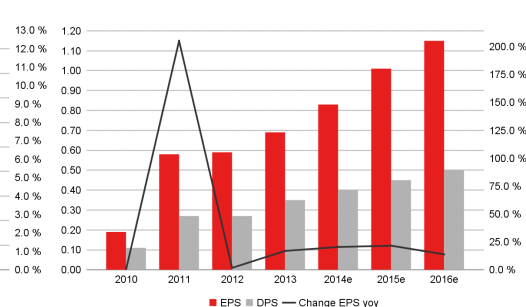
Consolidated profit & loss

In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
Sales	31.7	41.1	49.4	52.6	65.0	75.0	82.0
Change Sales yoy	33.8 %	29.9 %	20.0 %	6.4 %	23.7 %	15.4 %	9.3 %
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	2.7	2.0	3.2	4.0	2.7	2.9	2.9
Total Sales	34.4	43.2	52.6	56.5	67.7	77.9	84.9
Material Expenses	9.1	12.1	14.9	15.2	19.7	23.3	25.4
Gross profit	25.3	31.1	37.7	41.3	48.0	54.7	59.5
<i>Gross profit margin</i>	<i>80.0 %</i>	<i>75.6 %</i>	<i>76.3 %</i>	<i>78.7 %</i>	<i>73.9 %</i>	<i>72.9 %</i>	<i>72.5 %</i>
Personnel expenses	16.1	19.4	23.6	25.8	29.3	31.9	34.0
Other operating income	0.8	1.7	0.9	0.7	0.8	0.8	0.8
Other operating expenses	5.2	6.1	6.8	6.8	8.0	10.1	11.5
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	4.8	7.4	8.3	9.4	11.5	13.5	14.8
<i>Margin</i>	<i>15.3 %</i>	<i>17.9 %</i>	<i>16.7 %</i>	<i>17.8 %</i>	<i>17.7 %</i>	<i>17.9 %</i>	<i>18.0 %</i>
Depreciation of fixed assets	0.3	0.3	0.5	0.5	1.1	1.3	1.4
EBITA	4.6	7.1	7.8	8.9	10.4	12.2	13.4
Amortisation of intangible assets	3.0	2.8	2.9	2.7	3.2	3.2	3.2
Goodwill amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	1.5	4.2	4.9	6.2	7.2	9.0	10.2
<i>Margin</i>	<i>4.8 %</i>	<i>10.3 %</i>	<i>10.0 %</i>	<i>11.8 %</i>	<i>11.1 %</i>	<i>12.0 %</i>	<i>12.4 %</i>
EBIT adj.	1.5	4.2	4.9	6.2	7.2	9.0	10.2
Interest income	0.1	0.3	0.3	0.2	0.1	0.1	0.1
Interest expenses	0.3	0.3	0.2	0.2	0.0	0.0	0.0
Other financial income (loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	1.4	4.2	4.9	6.2	7.3	9.1	10.3
<i>Margin</i>	<i>4.3 %</i>	<i>10.3 %</i>	<i>10.0 %</i>	<i>11.7 %</i>	<i>11.2 %</i>	<i>12.1 %</i>	<i>12.5 %</i>
Total taxes	0.4	1.2	1.4	1.9	2.1	2.7	3.1
Net income from continuing operations	1.0	3.1	3.5	4.3	5.2	6.4	7.2
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	1.0	3.1	3.5	4.3	5.2	6.4	7.2
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	1.0	3.1	3.5	4.3	5.2	6.4	7.2
<i>Margin</i>	<i>3.1 %</i>	<i>7.5 %</i>	<i>7.1 %</i>	<i>8.2 %</i>	<i>8.0 %</i>	<i>8.5 %</i>	<i>8.8 %</i>
Number of shares, average	5.1	5.3	5.9	6.3	6.3	6.3	6.3
EPS	0.19	0.58	0.59	0.69	0.83	1.01	1.15
EPS adj.	0.19	0.58	0.59	0.69	0.83	1.01	1.15

*Adjustments made for:

Guidance: 2014: revenue > EUR 60m; EBIT approx. EUR 7m
Financial Ratios

	2010	2011	2012	2013	2014e	2015e	2016e
Total Operating Costs / Sales	93.3 %	87.0 %	89.7 %	89.7 %	86.5 %	85.9 %	85.5 %
Operating Leverage	n.a.	5.9 x	0.8 x	4.1 x	0.7 x	1.6 x	1.4 x
EBITDA / Interest expenses	16.8 x	29.1 x	33.7 x	45.7 x	n.a.	n.a.	n.a.
Tax rate (EBT)	27.2 %	28.1 %	29.0 %	30.2 %	29.0 %	30.0 %	30.0 %
Dividend Payout Ratio	57.1 %	47.1 %	45.8 %	51.1 %	48.4 %	44.4 %	43.6 %
Sales per Employee	141,402	159,488	166,851	155,936	185,714	208,333	221,622

Sales, EBITDA
in EUR m

Operating Performance
in %

Performance per Share


Source: Warburg Research

Source: Warburg Research

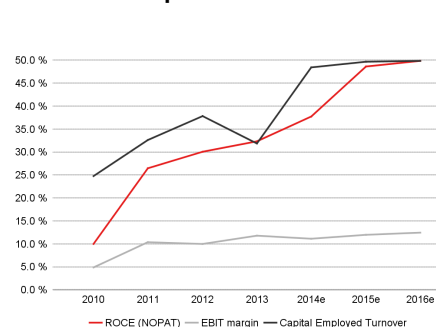
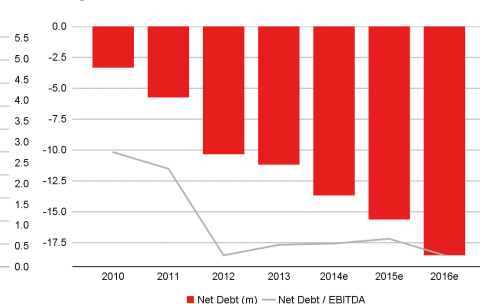
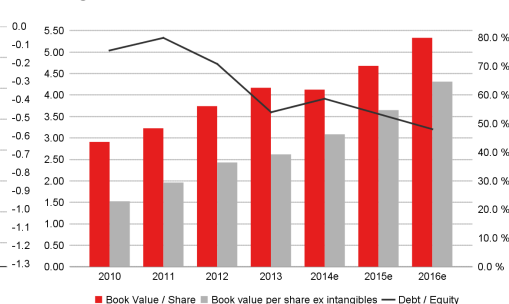
Source: Warburg Research

Consolidated balance sheet

In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
Assets							
Goodwill and other intangible assets	7.1	6.7	7.8	9.7	6.5	6.5	6.4
thereof other intangible assets	1.0	0.7	0.6	0.5	0.4	0.3	0.3
thereof Goodwill	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Property, plant and equipment	0.6	1.1	1.4	1.4	1.3	1.1	0.8
Financial assets	1.9	0.9	0.7	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	9.6	8.7	9.9	11.1	7.8	7.6	7.2
Inventories	2.0	3.6	3.3	4.7	3.8	4.2	4.8
Accounts receivable	6.8	8.3	9.8	10.0	12.5	14.4	15.7
Liquid assets	6.1	8.5	12.6	12.9	15.4	17.4	20.3
Other short-term assets	1.7	1.7	2.3	1.5	1.5	1.5	1.5
Current assets	16.7	22.2	28.0	29.1	33.2	37.5	42.3
Total Assets	26.3	31.0	37.9	40.2	41.0	45.0	49.5
Liabilities and shareholders' equity							
Subscribed capital	5.6	5.6	6.4	6.4	6.4	6.4	6.4
Capital reserve	1.7	1.7	4.4	4.4	4.4	4.4	4.4
Retained earnings	8.3	10.6	12.1	15.6	20.8	27.1	34.3
Other equity components	-0.8	-0.8	-0.8	-0.3	-5.7	-8.6	-11.7
Shareholder's equity	14.9	17.2	22.2	26.2	25.9	29.4	33.5
Minority interest	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	15.0	17.2	22.2	26.1	25.9	29.3	33.4
Provisions	1.3	1.7	3.0	2.3	2.3	2.3	2.3
thereof provisions for pensions and similar obligations	1.1	1.0	1.8	1.5	1.5	1.5	1.5
Financial liabilities (total)	1.6	1.8	0.5	0.2	0.2	0.2	0.2
thereof short-term financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	1.7	2.9	3.0	2.5	3.6	4.1	4.5
Other liabilities	6.6	7.4	9.3	9.0	9.0	9.0	9.0
Liabilities	11.3	13.8	15.7	14.1	15.2	15.7	16.1
Total liabilities and shareholders' equity	26.3	31.0	37.9	40.2	41.0	45.0	49.5

Financial Ratios

	2010	2011	2012	2013	2014e	2015e	2016e
Efficiency of Capital Employment							
Operating Assets Turnover	4.1 x	4.0 x	4.2 x	3.9 x	4.7 x	4.8 x	4.9 x
Capital Employed Turnover	2.7 x	3.6 x	4.2 x	3.5 x	5.3 x	5.5 x	5.5 x
ROA	10.3 %	35.1 %	35.6 %	38.9 %	66.6 %	84.1 %	100.0 %
Return on Capital							
ROCE (NOPAT)	10.0 %	26.5 %	30.0 %	32.4 %	37.7 %	48.6 %	49.9 %
ROE	7.0 %	19.1 %	17.8 %	17.9 %	19.9 %	23.0 %	22.9 %
Adj. ROE	7.0 %	19.1 %	17.8 %	17.9 %	19.9 %	23.0 %	22.9 %
Balance sheet quality							
Net Debt	-3.3	-5.8	-10.4	-11.2	-13.7	-15.6	-18.5
Net Financial Debt	-4.5	-6.8	-12.1	-12.7	-15.2	-17.1	-20.0
Net Gearing	-22.4 %	-33.5 %	-46.7 %	-42.9 %	-52.9 %	-53.3 %	-55.4 %
Net Fin. Debt / EBITDA	-92.7 %	-91.9 %	-146.5 %	-135.7 %	-132.1 %	-127.5 %	-135.6 %
Book Value / Share	2.9	3.2	3.7	4.2	4.1	4.7	5.3
Book value per share ex intangibles	1.5	2.0	2.4	2.6	3.1	3.6	4.3

ROCE Development

Net debt in EUR m

Book Value per Share in EUR


Source: Warburg Research

Source: Warburg Research

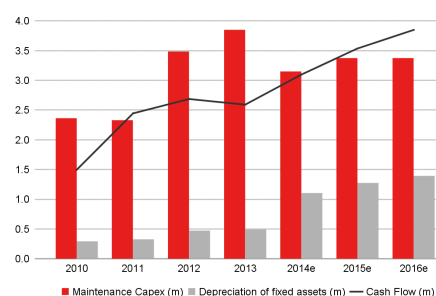
Source: Warburg Research

Consolidated cash flow statement

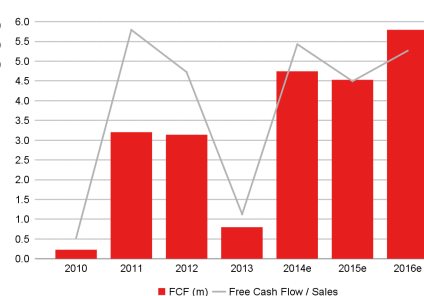
In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
Net income	1.0	3.1	3.5	4.3	5.2	6.4	7.2
Depreciation of fixed assets	0.3	0.3	0.5	0.5	1.1	1.3	1.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	3.0	2.8	2.9	2.7	3.2	3.2	3.2
Increase/decrease in long-term provisions	0.0	0.2	0.0	-0.1	0.0	0.0	0.0
Other non-cash income and expenses	0.3	1.1	1.4	0.6	0.0	0.0	0.0
Cash Flow	4.6	7.5	8.2	7.9	9.5	10.8	11.8
Increase / decrease in inventory	0.2	-0.8	0.3	-1.3	0.9	-0.4	-0.6
Increase / decrease in accounts receivable	-3.5	-0.2	-1.8	1.1	-2.5	-1.9	-1.3
Increase / decrease in accounts payable	0.0	-0.2	1.1	-1.8	1.1	0.5	0.4
Increase / decrease in other working capital positions	2.1	0.0	0.0	0.0	0.0	0.0	0.0
Increase / decrease in working capital (total)	-1.2	-1.2	-0.5	-2.0	-0.5	-1.8	-1.5
Net cash provided by operating activities	3.4	6.3	7.8	5.9	8.9	9.0	10.3
Investments in intangible assets	-2.9	-2.4	-3.9	-4.6	-3.2	-3.4	-3.4
Investments in property, plant and equipment	-0.2	-0.7	-0.7	-0.5	-1.0	-1.1	-1.1
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	-1.3	0.6	0.2	0.2	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by investing activities	-4.4	-2.5	-4.4	-4.9	-4.2	-4.5	-4.5
Change in financial liabilities	1.2	0.0	-1.2	0.0	0.0	0.0	0.0
Dividends paid	0.0	-0.6	-1.4	-1.7	-2.3	-2.6	-2.9
Purchase of own shares	0.0	0.0	0.0	1.3	0.0	0.0	0.0
Capital measures	0.5	0.0	3.5	0.0	0.0	0.0	0.0
Other	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Net cash provided by financing activities	1.7	-0.8	0.9	-0.4	-2.3	-2.6	-2.9
Change in liquid funds	0.7	3.0	4.2	0.6	2.5	2.0	2.9
Effects of exchange-rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalent at end of period	4.9	7.3	11.5	12.1	14.6	16.6	19.5

Financial Ratios

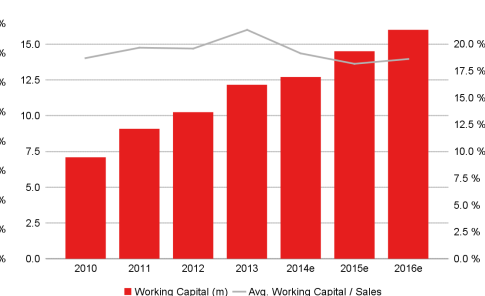
	2010	2011	2012	2013	2014e	2015e	2016e
Cash Flow							
FCF	0.2	3.2	3.1	0.8	4.7	4.5	5.8
Free Cash Flow / Sales	0.7 %	7.8 %	6.4 %	1.5 %	7.3 %	6.0 %	7.1 %
Free Cash Flow Potential	2.1	3.9	3.3	3.7	6.2	7.4	8.3
Free Cash Flow / Sales	0.7 %	7.8 %	6.4 %	1.5 %	7.3 %	6.0 %	7.1 %
Free Cash Flow / Net Profit	23.0 %	104.4 %	89.3 %	18.5 %	91.5 %	71.3 %	80.5 %
Interest Received / Avg. Cash	2.1 %	3.5 %	2.4 %	1.2 %	0.7 %	0.6 %	0.5 %
Interest Paid / Avg. Debt	30.7 %	14.8 %	21.9 %	56.9 %	0.0 %	0.0 %	0.0 %
Management of Funds							
Investment ratio	10.0 %	7.5 %	9.4 %	9.8 %	6.5 %	6.0 %	5.5 %
Maint. Capex / Sales	7.5 %	5.7 %	7.1 %	7.3 %	4.8 %	4.5 %	4.1 %
Capex / Dep	95.1 %	99.2 %	139.1 %	162.5 %	97.6 %	100.6 %	98.0 %
Avg. Working Capital / Sales	18.7 %	19.6 %	19.6 %	21.3 %	19.1 %	18.1 %	18.6 %
Trade Debtors / Trade Creditors	390.0 %	290.4 %	333.8 %	396.0 %	347.2 %	351.2 %	348.9 %
Inventory Turnover	4.5 x	3.3 x	4.5 x	3.3 x	5.2 x	5.5 x	5.3 x
Receivables collection period (days)	78	74	73	70	70	70	70
Payables payment period (days)	70	86	72	61	67	64	65
Cash conversion cycle (Days)	29	46	26	73	17	14	18

CAPEX and Cash Flow
in EUR m


Source: Warburg Research

Free Cash Flow Generation


Source: Warburg Research

Working Capital


Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
Softing	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	106	54
Hold	78	39
Sell	11	6
Rating suspended	3	2
Total	198	100

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

... Looking only at companies for which a disclosure according to § 34b of the Germany Securities Trading Act and the FinAnV has to be made.

Rating	Number of stocks	% of Universe
Buy	82	58
Hold	51	36
Sell	6	4
Rating suspended	2	1
Total	141	100

PRICE AND RATING HISTORY SOFTING AS OF 15.05.2014


The chart has markings if Warburg Research GmbH changed its rating in the last 12 months. Every marking represents the date and closing price on the day of the rating change.

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