

Buy	Last Rating	Share data:	FY End: 31.12.	CAGR	2013	2014e	2015e	2016e
	EUR 18.50		Last PT	in EUR m				
Price	EUR 14.05	Bloomberg:	16.0 %	52.6	65.0	75.0	82.0	
Upside	31.7 %	Reuters:	18.0 %	6.2	7.2	9.0	10.2	
		ISIN:	18.6 %	4.3	5.2	6.4	7.2	
		Market Snapshot:	18.6 %	0.69	0.83	1.01	1.15	
		Market cap:	12.6 %	0.35	0.40	0.45	0.50	
		No. of shares (m):		1.0 x	1.2 x	1.0 x	0.9 x	
		EV:		8.7 x	10.7 x	8.3 x	7.1 x	
		Freefloat MC:		15.0 x	16.9 x	13.9 x	12.2 x	
		Ø Trad. Vol. (30d; EUR):						

Announced acquisition is great step

- Yesterday evening Softing announced the acquisition of Online Development Inc. (OLDI) in Knoxville, Tennessee (USA).
- OLDI is a Rockwell Automation Global Encompass Partner and, as a result, an important part of its value chain: For over 20 years OLDI has designed and manufactured factory automation products related to control and communication tasks. Thus, OLDI's business complements Softing's product portfolio in the core business of Softing's Industrial Automation segment.
- Revenues are expected to exceed USD 20m in 2014. As the business is similar to Softings, it should be expected that EBIT margin is at the same level (i.e. >10%). As a result of acquisition-related costs, higher PPA-related amortisations and efforts to create future synergies, we will not anticipate any EBIT contribution from this company in 2014.
- Going forward, OLDI is supposed to generate double digit growth rates and further increase
- The purchase price will range between USD 20m and USD 30m depending on the future operative performance of OLDI. The company is debt free. The acquisition will be financed via a bank loan (no capital increase required). The low interest rate of below 3% reflects Softing's good financial position.
- Softing will create additional value by deploying certain parts of its proprietary automation communication knowledge in OLDI's products.
- Via the acquisition...
 - ...Softing has gained immediate access to Rockwell.
 - ...increases the portion of its industrial automation business which is related to discrete manufacturing. It was approx. 1/3 (i.e. approx. EUR 9m) of segment revenues (2013: EUR 26.5m).
 - ...diversifies from a regional perspective.
 - ...boosts its market position on the international automation communication market.

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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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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-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.

WARBURG RESEARCH GMBH – RESEARCH UNIVERSE BY RATING

Rating	Number of stocks	% of Universe
Buy	106	53
Hold	78	39
Sell	12	6
Rating suspended	3	2
Total	199	100

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... 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	84	58
Hold	52	36
Sell	7	5
Rating suspended	2	1
Total	145	100

PRICE AND RATING HISTORY SOFTING AS OF 23.05.2014


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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