

Buy EUR 17.50 (EUR 15.50) Price EUR 14.66 Upside 19.4 %	Value Indicators: EUR DCF: 17.50 FCF-Value Potential 18e: 16.20	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: 102.0 No. of shares (m): 7.0 EV: 112.2 Freefloat MC: 75.5 Ø Trad. Vol. (30d): 227.80 th	Shareholders: Freefloat 74.0 % Trier Asset Mgmt 26.0 %	Risk Profile (WR_e): 2016e Beta: 1.3 Price / Book: 2.2 x Equity Ratio: 54 % Net Fin. Debt / EBITDA: 0.7 x Net Debt / EBITDA: 0.8 x

The year of transition is over; Model rolled forward; PT up

Stated Figures Q4/2015: in EUR m								Comment on Figures: <ul style="list-style-type: none"> High profitability in the Automotive Segment reflects a higher share of license revenues in Q4. The US subsidiary's OLDI revenues were inorganic in the first half of the year 			
	Q4/15	Q4/15e	Δ WR _e	Q4/14	yoy	2015	2014	yoy			
Industrial	16.3	17.5	-7.1%	15.4	5.5%	58.7	46.9	25.1%			
EBIT Industrial	0.3	10	-68.0%	0.2	53.1%	2.2	17	32.6%			
margin	2.0%	5.7%		14%		3.8%	3.6%				
Automotive	8.7	7.5	16.0%	5.9	47.1%	23.6	27.6	-14.4%			
EBIT Automotive	2.0	19	7.6%	11	85.8%	3.3	4.2	-22.7%			
margin	23.5%	25.3%		18.6%		13.8%	15.3%				

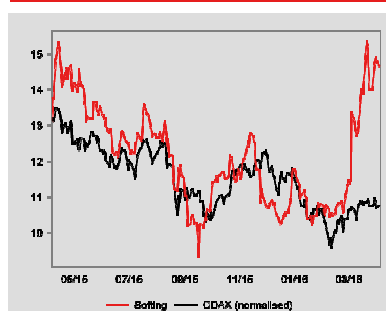
Softing's recently-published annual report confirmed preliminary figures. The composition of revenues was the main piece of new information. As fourth quarter revenue growth of 17% (+6% in Q3) was fully organic, the transition period is over and the weak development in the Automotive segment shown in the course of 2015 has been overcome. The company has won new customers in the heavy-duty diesel industry for its diagnostics software. Furthermore, Softing has tapped the market for diagnostics of commercial on- and off-road vehicles. In addition, new products in the Automotive segment such as the diagnostics app will be launched in the course of 2016.

Like last year, the second half of 2016 should be stronger than the first half. This back-end loaded development is mainly due to OLDI and Psiber. Both companies became part of Softing via takeovers in recent years. Going forward the predictability and visibility of revenues should increase. Softing's diagnosis app, developed in cooperation with a leading automotive OEM, will be launched in the next weeks. The de-facto recurring nature of this business looks set to contribute to greater stability in quarterly revenues and operative results.

The ever-expanding number of connected nodes in industrial automation and the increasing penetration of electronics in cars and other vehicles looks set to nourish future growth. Connected cars and embedded diagnostics, for example, offer new growth opportunities. As growth opportunities are also seen via M&A, Softing management will propose a dividend of EUR 0.15 in order to increase the scope for financial manoeuvres.

Against the backdrop of Softing's customer feedback, the prospects for 2016 appear favourable. Hence, management anticipates revenues north of EUR 85m as well as an operative EBIT (adj. for PPA-related amortisations and the impact of R&D capitalisation and amortisation) of more than EUR 7.5m. While these targets support our estimates, we would not be surprised if these turn out to be defensive.

2018 estimates are being introduced, reflecting our expectation of Softing's return to a 10% margin level. In addition, the model is being rolled forward and, as a result, the **PT increased to EUR 17.50**. Given the return to organic growth, intact structural revenue drivers and upside to our PT, the Buy rating is being confirmed.

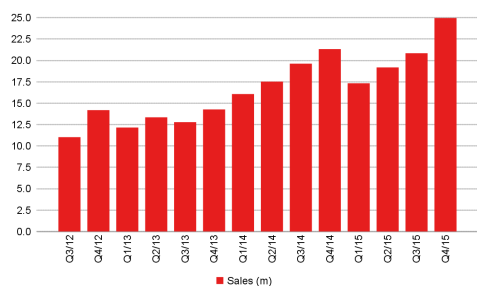


Rel. Performance vs CDAX:	
1 month:	9.2 %
6 months:	27.9 %
Year to date:	32.6 %
Trailing 12 months:	29.8 %

Company events:	
04.05.16	AGM
12.08.16	Q2

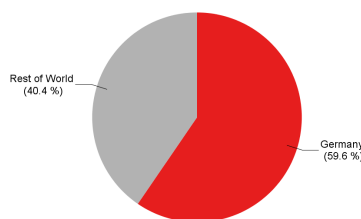
FY End: 31.12. in EUR m	CAGR (15-18e)	2012	2013	2014	2015	2016e	2017e	2018e
Sales	6.3 %	49.4	52.6	74.5	82.3	87.0	92.5	99.0
Change Sales yoy		20.0 %	6.4 %	41.8 %	10.4 %	5.7 %	6.3 %	7.0 %
Gross profit margin		76.3 %	78.7 %	68.5 %	64.7 %	68.7 %	69.0 %	69.2 %
EBITDA	10.9 %	8.3	9.4	10.1	10.8	12.0	13.3	14.7
Margin		16.7 %	17.8 %	13.5 %	13.1 %	13.8 %	14.4 %	14.8 %
EBIT	21.3 %	4.9	6.2	5.9	5.5	6.8	8.1	9.8
Margin		10.0 %	11.8 %	7.9 %	6.6 %	7.8 %	8.7 %	9.9 %
EBIT adj.	24.6 %	4.1	4.6	6.2	5.5	7.6	8.9	10.6
Net income	15.1 %	3.5	4.3	3.8	4.5	4.7	5.7	6.8
EPS	14.7 %	0.59	0.69	0.58	0.65	0.67	0.81	0.98
DPS	38.7 %	0.27	0.35	0.25	0.15	0.35	0.40	0.40
Dividend Yield		4.6 %	3.4 %	1.6 %	1.2 %	2.4 %	2.7 %	2.7 %
FCFPS		0.53	0.14	0.15	0.61	0.72	0.78	0.98
FCF / Market cap		9.1 %	1.4 %	1.0 %	4.8 %	4.9 %	5.4 %	6.7 %
EV / Sales		0.5 x	1.0 x	1.6 x	1.2 x	1.3 x	1.2 x	1.1 x
EV / EBITDA		2.9 x	5.7 x	11.8 x	9.4 x	9.4 x	8.2 x	7.2 x
EV / EBIT		4.9 x	8.7 x	20.2 x	18.6 x	16.5 x	13.5 x	10.8 x
EV / EBIT adj.		5.8 x	11.7 x	19.2 x	18.6 x	14.8 x	12.3 x	10.0 x
P / E		9.9 x	15.0 x	26.3 x	19.4 x	21.9 x	18.1 x	15.0 x
FCF Yield Potential		13.8 %	6.8 %	3.6 %	6.6 %	6.2 %	7.1 %	8.1 %
Net Debt		-10.4	-11.2	18.3	13.9	10.2	7.3	3.5
ROCE (NOPAT)		30.0 %	32.4 %	11.4 %	8.4 %	8.5 %	10.1 %	12.2 %
Guidance:		2016: revenues > EUR 85m; operating EBIT > EUR 7.5m						

Sales development
in EUR m



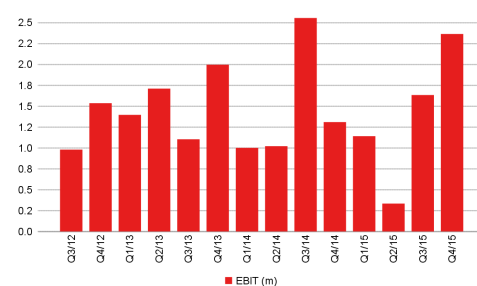
Source: Company

Sales by regions
2015; in %



Source: Company

EBIT development
in EUR m



Source: Company

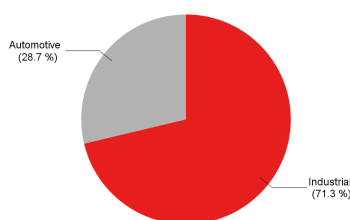
Company Background

- 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 Softing's business activity is the single most important barrier to market entry for potential competitors.

Sales by segments
2015; in %



Source: Company

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	
Sales	87.0	92.5	99.0	105.9	112.4	118.3	123.8	128.8	133.2	137.3	140.9	144.2	147.0	
Sales change	5.7 %	6.3 %	7.0 %	7.0 %	6.1 %	5.3 %	4.6 %	4.0 %	3.5 %	3.0 %	2.6 %	2.3 %	2.0 %	2.0 %
EBIT	6.8	8.1	9.8	10.1	10.7	11.2	11.8	12.2	12.7	13.0	13.4	13.7	14.0	
EBIT-margin	7.8 %	8.7 %	9.9 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	
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 %	
NOPAT	4.7	5.7	6.8	7.0	7.5	7.9	8.2	8.6	8.9	9.1	9.4	9.6	9.8	
Depreciation	5.2	5.2	4.9	6.9	7.3	7.7	8.0	8.4	8.7	8.9	9.2	9.4	9.6	
in % of Sales	6.0 %	5.6 %	4.9 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	
Changes in provisions	0.2	0.2	0.2	-0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
Change in Liquidity from														
- Working Capital	1.0	1.5	0.9	0.4	1.4	1.3	1.1	1.0	0.9	0.8	0.8	0.7	0.6	
- Capex	4.1	4.1	4.2	7.1	7.5	7.9	8.3	8.6	8.9	9.2	9.4	9.7	9.9	
Capex in % of Sales	4.7 %	4.4 %	4.2 %	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)	5.1	5.5	6.8	6.2	6.0	6.5	7.0	7.4	7.7	8.1	8.4	8.7	8.9	10
PV of FCF	5.1	5.1	5.9	5.0	4.5	4.6	4.5	4.5	4.4	4.3	4.1	4.0	3.8	76
share of PVs	11.87 %			32.21 %										55.92 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	16.00 %	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	7.37 %	Beta	1.25

Valuation (m)

Present values 2028e	60		
Terminal Value	76		
Financial liabilities	21		
Pension liabilities	2		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	9	No. of shares (m)	7.0
Equity Value	122	Value per share (EUR)	17.51

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
1.47	8.4 %	13.53	13.80	14.09	14.40	14.74	15.10	15.50	1.47	8.4 %	11.59	12.53	13.46	14.40	15.34	16.27	17.21
1.36	7.9 %	14.75	15.08	15.44	15.82	16.24	16.70	17.20	1.36	7.9 %	12.77	13.79	14.80	15.82	16.84	17.85	18.87
1.30	7.6 %	15.43	15.80	16.20	16.63	17.10	17.62	18.19	1.30	7.6 %	13.45	14.51	15.57	16.63	17.69	18.75	19.81
1.25	7.4 %	16.17	16.58	17.03	17.51	18.04	18.63	19.28	1.25	7.4 %	14.18	15.29	16.40	17.51	18.62	19.73	20.84
1.20	7.1 %	16.98	17.43	17.93	18.48	19.08	19.75	20.50	1.20	7.1 %	14.99	16.15	17.32	18.48	19.64	20.81	21.97
1.14	6.9 %	17.86	18.37	18.93	19.55	20.24	21.01	21.87	1.14	6.9 %	15.88	17.11	18.33	19.55	20.78	22.00	23.22
1.03	6.4 %	19.87	20.53	21.26	22.07	22.98	24.00	25.17	1.03	6.4 %	17.98	19.34	20.71	22.07	23.43	24.79	26.15

- 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 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	2012	2013	2014	2015	2016e	2017e	2018e	
Net Income before minorities	3.5	4.3	3.8	4.5	4.7	5.7	6.8	
+ Depreciation + Amortisation	3.3	3.2	4.2	5.3	5.2	5.2	4.9	
- Net Interest Income	0.0	-0.1	-0.3	-0.3	-0.1	0.0	0.0	
- Maintenance Capex	3.5	3.9	4.0	3.3	3.1	3.1	3.2	
+ Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
= Free Cash Flow Potential	3.3	3.7	4.3	6.7	6.9	7.8	8.6	
Free Cash Flow Yield Potential	13.8 %	6.8 %	3.6 %	6.6 %	6.2 %	7.1 %	8.1 %	
WACC	7.37 %	7.37 %	7.37 %	7.37 %	7.37 %	7.37 %	7.37 %	
= Enterprise Value (EV)	24.2	53.7	119.1	101.6	112.2	109.4	105.5	
= Fair Enterprise Value	45.4	49.6	58.5	90.8	93.6	105.6	116.6	
- Net Debt (Cash)	12.0	12.0	12.0	12.0	8.1	5.0	1.0	
- Pension Liabilities	1.9	1.9	1.9	1.9	2.1	2.3	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	31.5	35.7	44.6	76.9	83.4	98.3	113.1	
No. of shares (total) (m)	7.0	7.0	7.0	7.0	7.0	7.0	7.0	
= Fair value per share (EUR)	4.53	5.13	6.41	11.05	11.99	14.12	16.25	
premium (-) / discount (+) in %					-18.2 %	-3.7 %	10.8 %	
Sensitivity Fair value per Share (EUR)								
	10.37 %	2.64	3.07	3.98	7.28	8.10	9.73	11.40
	9.37 %	3.14	3.61	4.62	8.27	9.12	10.88	12.67
	8.37 %	3.75	4.28	5.41	9.50	10.38	12.31	14.25
WACC	7.37 %	4.53	5.13	6.41	11.05	11.99	14.12	16.25
	6.37 %	5.56	6.24	7.73	13.10	14.10	16.50	18.88
	5.37 %	6.96	7.78	9.55	15.91	17.00	19.77	22.48
	4.37 %	9.01	10.02	12.19	20.01	21.22	24.54	27.74

- 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							
	2012	2013	2014	2015	2016e	2017e	2018e
Price / Book	1.6 x	2.5 x	2.7 x	2.1 x	2.2 x	2.1 x	1.9 x
Book value per share ex intangibles	2.43	2.62	-0.60	0.00	0.72	1.36	2.11
EV / Sales	0.5 x	1.0 x	1.6 x	1.2 x	1.3 x	1.2 x	1.1 x
EV / EBITDA	2.9 x	5.7 x	11.8 x	9.4 x	9.4 x	8.2 x	7.2 x
EV / EBIT	4.9 x	8.7 x	20.2 x	18.6 x	16.5 x	13.5 x	10.8 x
EV / EBIT adj.*	5.8 x	11.7 x	19.2 x	18.6 x	14.8 x	12.3 x	10.0 x
P / FCF	11.0 x	72.4 x	99.3 x	20.8 x	20.3 x	18.7 x	14.9 x
P / E	9.9 x	15.0 x	26.3 x	19.4 x	21.9 x	18.1 x	15.0 x
P / E adj.*	9.9 x	15.0 x	26.3 x	19.4 x	21.9 x	18.1 x	15.0 x
Dividend Yield	4.6 %	3.4 %	1.6 %	1.2 %	2.4 %	2.7 %	2.7 %
Free Cash Flow Yield Potential	13.8 %	6.8 %	3.6 %	6.6 %	6.2 %	7.1 %	8.1 %
*Adjustments made for: -							

Company Specific Items							
	2012	2013	2014	2015	2016e	2017e	2018e
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.

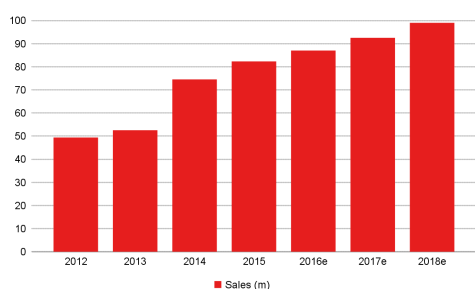
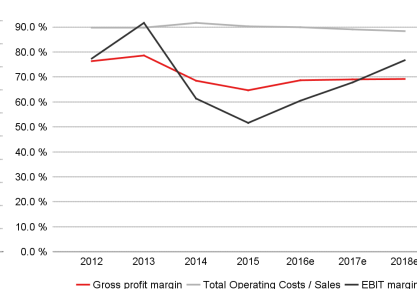
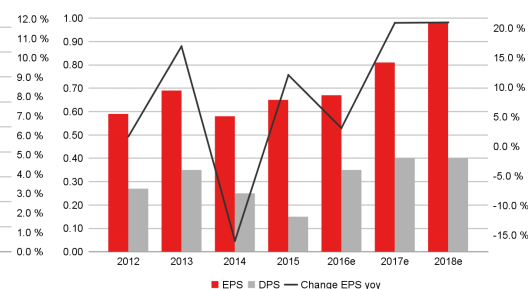
Consolidated profit & loss

In EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Sales	49.4	52.6	74.5	82.3	87.0	92.5	99.0
Change Sales yoy	20.0 %	6.4 %	41.8 %	10.4 %	5.7 %	6.3 %	7.0 %
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	3.2	4.0	3.9	2.8	3.2	3.2	3.2
Total Sales	52.6	56.5	78.5	85.1	90.2	95.7	102.2
Material Expenses	14.9	15.2	27.4	31.9	30.5	31.9	33.7
Gross profit	37.7	41.3	51.1	53.2	59.8	63.8	68.5
<i>Gross profit margin</i>	<i>76.3 %</i>	<i>78.7 %</i>	<i>68.5 %</i>	<i>64.7 %</i>	<i>68.7 %</i>	<i>69.0 %</i>	<i>69.2 %</i>
Personnel expenses	23.6	25.8	32.1	33.6	37.0	39.0	41.5
Other operating income	0.9	0.7	0.8	2.8	0.8	0.8	0.8
Other operating expenses	6.8	6.8	9.7	11.7	11.6	12.3	13.2
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	8.3	9.4	10.1	10.8	12.0	13.3	14.7
<i>Margin</i>	<i>16.7 %</i>	<i>17.8 %</i>	<i>13.5 %</i>	<i>13.1 %</i>	<i>13.8 %</i>	<i>14.4 %</i>	<i>14.8 %</i>
Depreciation of fixed assets	0.5	0.5	0.6	0.8	0.7	0.7	0.4
EBITA	7.8	8.9	9.5	10.0	11.3	12.6	14.3
Amortisation of intangible assets	2.9	2.7	3.7	4.5	4.5	4.5	4.5
Goodwill amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	4.9	6.2	5.9	5.5	6.8	8.1	9.8
<i>Margin</i>	<i>10.0 %</i>	<i>11.8 %</i>	<i>7.9 %</i>	<i>6.6 %</i>	<i>7.8 %</i>	<i>8.7 %</i>	<i>9.9 %</i>
EBIT adj.	4.1	4.6	6.2	5.5	7.6	8.9	10.6
Interest income	0.3	0.2	0.2	0.1	0.1	0.1	0.1
Interest expenses	0.2	0.2	0.4	0.3	0.2	0.1	0.1
Other financial income (loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	4.9	6.2	5.6	5.2	6.7	8.1	9.8
<i>Margin</i>	<i>10.0 %</i>	<i>11.7 %</i>	<i>7.5 %</i>	<i>6.3 %</i>	<i>7.7 %</i>	<i>8.7 %</i>	<i>9.9 %</i>
Total taxes	1.4	1.9	1.8	0.7	2.0	2.4	2.9
Net income from continuing operations	3.5	4.3	3.8	4.5	4.7	5.7	6.8
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	3.5	4.3	3.8	4.5	4.7	5.7	6.8
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	3.5	4.3	3.8	4.5	4.7	5.7	6.8
<i>Margin</i>	<i>7.1 %</i>	<i>8.2 %</i>	<i>5.1 %</i>	<i>5.4 %</i>	<i>5.4 %</i>	<i>6.1 %</i>	<i>6.9 %</i>
Number of shares, average	5.9	6.3	6.6	6.9	7.0	7.0	7.0
EPS	0.59	0.69	0.58	0.65	0.67	0.81	0.98
EPS adj.	0.59	0.69	0.58	0.65	0.67	0.81	0.98

*Adjustments made for:

Guidance: 2016: revenues > EUR 85m; operating EBIT > EUR 7.5m
Financial Ratios

	2012	2013	2014	2015	2016e	2017e	2018e
Total Operating Costs / Sales	89.7 %	89.7 %	91.7 %	90.3 %	89.9 %	89.1 %	88.4 %
Operating Leverage	0.8 x	4.1 x	-0.1 x	-0.7 x	4.2 x	3.0 x	3.0 x
EBITDA / Interest expenses	33.7 x	45.7 x	23.3 x	33.3 x	59.9 x	132.9 x	146.7 x
Tax rate (EBT)	29.0 %	30.2 %	32.3 %	14.0 %	30.0 %	30.0 %	30.0 %
Dividend Payout Ratio	45.8 %	51.1 %	43.4 %	23.2 %	52.1 %	49.2 %	40.7 %
Sales per Employee	166,851	155,936	181,345	191,744	193,333	203,297	217,582

Sales, EBITDA
in EUR m

Operating Performance
in %

Performance per Share


Source: Warburg Research

Source: Warburg Research

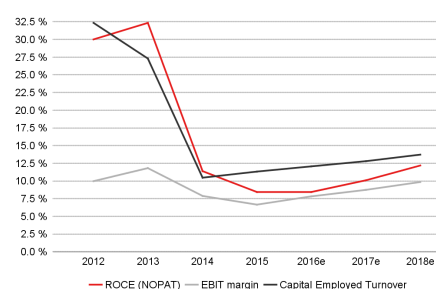
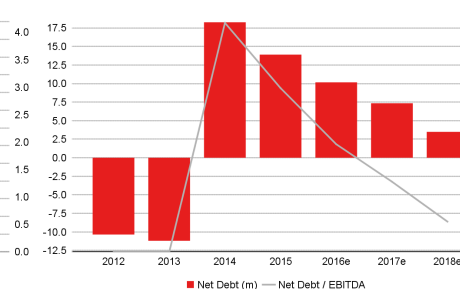
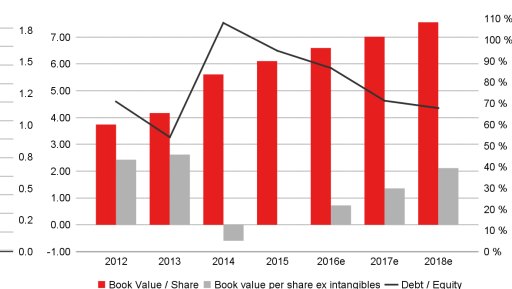
Source: Warburg Research

Consolidated balance sheet

In EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Assets							
Goodwill and other intangible assets	7.8	9.7	41.0	42.4	40.9	39.4	37.9
thereof other intangible assets	0.6	0.5	22.2	23.1	21.9	20.7	19.5
thereof Goodwill	2.4	2.4	14.5	15.2	15.2	15.2	15.2
Property, plant and equipment	1.4	1.4	1.9	2.4	2.8	3.2	4.0
Financial assets	0.7	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	9.9	11.1	42.9	44.7	43.6	42.5	41.8
Inventories	3.3	4.7	8.7	9.3	9.7	10.3	11.0
Accounts receivable	9.8	10.0	14.2	15.4	15.7	16.2	16.8
Liquid assets	12.6	12.9	8.8	9.2	12.7	10.7	14.8
Other short-term assets	2.3	1.5	2.4	3.8	3.8	3.8	3.8
Current assets	28.0	29.1	34.1	37.7	41.9	41.0	46.4
Total Assets	37.9	40.2	77.0	82.5	85.6	83.6	88.2
Liabilities and shareholders' equity							
Subscribed capital	6.4	6.4	7.0	7.0	7.0	7.0	7.0
Capital reserve	4.4	4.4	12.3	12.3	12.3	12.3	12.3
Retained earnings	12.1	15.6	18.0	23.1	27.8	33.5	40.3
Other equity components	-0.8	-0.3	-0.2	0.0	-1.1	-3.9	-7.0
Shareholders' equity	22.2	26.2	37.0	42.4	45.9	48.8	52.6
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	22.2	26.1	37.0	42.3	45.9	48.8	52.5
Provisions	3.0	2.3	3.9	4.1	4.5	4.9	5.4
thereof provisions for pensions and similar obligations	1.8	1.5	2.2	1.9	2.1	2.3	2.5
Financial liabilities (total)	0.5	0.2	24.8	21.2	20.7	15.7	15.7
thereof short-term financial liabilities	0.0	0.0	7.0	5.5	5.5	5.5	5.5
Accounts payable	3.0	2.5	4.2	6.3	6.0	5.6	6.0
Other liabilities	9.3	9.0	7.1	8.5	8.5	8.5	8.5
Liabilities	15.7	14.1	40.0	40.1	39.8	34.8	35.7
Total liabilities and shareholders' equity	37.9	40.2	77.0	82.5	85.6	83.6	88.2

Financial Ratios

	2012	2013	2014	2015	2016e	2017e	2018e
Efficiency of Capital Employment							
Operating Assets Turnover	4.2 x	3.9 x	3.6 x	4.0 x	3.9 x	3.8 x	3.8 x
Capital Employed Turnover	4.2 x	3.5 x	1.3 x	1.5 x	1.6 x	1.6 x	1.8 x
ROA	35.6 %	38.9 %	8.9 %	10.0 %	10.7 %	13.3 %	16.4 %
Return on Capital							
ROCE (NOPAT)	30.0 %	32.4 %	11.4 %	8.4 %	8.5 %	10.1 %	12.2 %
ROE	17.8 %	17.9 %	12.0 %	11.3 %	10.6 %	12.0 %	13.5 %
Adj. ROE	17.8 %	17.9 %	12.0 %	11.3 %	10.6 %	12.0 %	13.5 %
Balance sheet quality							
Net Debt	-10.4	-11.2	18.3	13.9	10.2	7.3	3.5
Net Financial Debt	-12.1	-12.7	16.1	12.0	8.1	5.0	1.0
Net Gearing	-46.7 %	-42.9 %	49.4 %	32.8 %	22.2 %	15.0 %	6.6 %
Net Fin. Debt / EBITDA	n.a.	n.a.	159.4 %	112.0 %	67.3 %	37.9 %	6.7 %
Book Value / Share	3.7	4.2	5.6	6.1	6.6	7.0	7.6
Book value per share ex intangibles	2.4	2.6	-0.6	0.0	0.7	1.4	2.1

ROCE Development

Net debt
in EUR m

Book Value per Share
in EUR


Source: Warburg Research

Source: Warburg Research

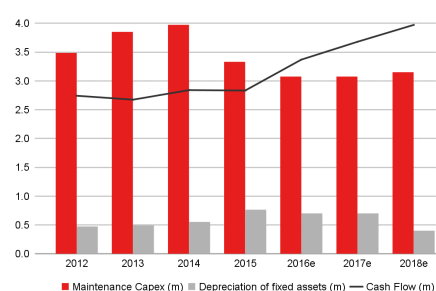
Source: Warburg Research

Consolidated cash flow statement

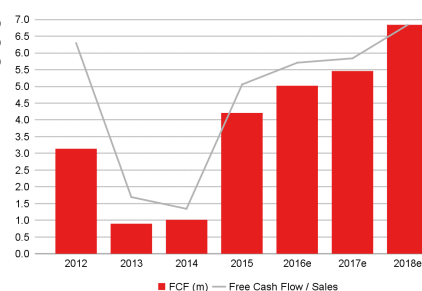
In EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Net income	3.5	4.3	3.8	4.5	4.7	5.7	6.8
Depreciation of fixed assets	0.5	0.5	0.6	0.8	0.7	0.7	0.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	2.9	2.7	3.7	4.5	4.5	4.5	4.5
Increase/decrease in long-term provisions	0.0	-0.1	0.0	0.0	0.2	0.2	0.2
Other non-cash income and expenses	1.4	0.7	0.5	-1.3	0.0	0.0	0.0
Cash Flow	8.2	8.0	8.5	8.5	10.1	11.1	11.9
Increase / decrease in inventory	0.3	-1.3	-1.6	-0.6	-0.4	-0.6	-0.7
Increase / decrease in accounts receivable	-1.8	-0.2	-0.7	-1.2	-0.3	-0.5	-0.6
Increase / decrease in accounts payable	1.1	-0.4	-0.9	1.7	-0.3	-0.4	0.4
Increase / decrease in other working capital positions	0.0	-0.1	0.9	0.2	0.0	0.0	0.0
Increase / decrease in working capital (total)	-0.5	-2.0	-2.2	0.1	-1.0	-1.5	-0.9
Net cash provided by operating activities	7.8	6.0	6.3	8.6	9.1	9.6	11.0
Investments in intangible assets	-3.9	-4.6	-3.9	-2.8	-3.0	-3.0	-3.0
Investments in property, plant and equipment	-0.7	-0.5	-1.4	-1.7	-1.1	-1.1	-1.2
Payments for acquisitions	0.0	0.0	-21.9	-1.3	0.0	0.0	0.0
Financial investments	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.2	0.8	0.0	0.0	0.0	0.0
Net cash provided by investing activities	-4.4	-4.9	-26.4	-5.8	-4.1	-4.1	-4.2
Change in financial liabilities	-1.2	0.0	10.6	-1.7	-0.5	-5.0	0.0
Dividends paid	-1.4	-1.7	-1.3	-1.7	-1.0	-2.4	-2.8
Purchase of own shares	0.0	1.3	0.5	1.1	0.0	0.0	0.0
Capital measures	3.5	0.0	7.5	0.0	0.0	0.0	0.0
Other	0.0	-0.1	-0.3	-0.2	0.0	0.0	0.0
Net cash provided by financing activities	0.9	-0.5	17.0	-2.6	-1.5	-7.4	-2.8
Change in liquid funds	4.2	0.6	-3.1	0.3	3.5	-2.0	4.1
Effects of exchange-rate changes on cash	0.0	0.0	0.1	0.1	0.0	0.0	0.0
Cash and cash equivalent at end of period	11.5	12.1	9.1	9.2	12.7	10.7	14.8

Financial Ratios

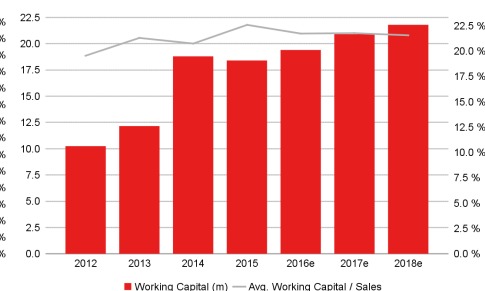
	2012	2013	2014	2015	2016e	2017e	2018e
Cash Flow							
FCF	3.1	0.9	1.0	4.2	5.0	5.5	6.8
Free Cash Flow / Sales	6.4 %	1.7 %	1.4 %	5.1 %	5.8 %	5.9 %	6.9 %
Free Cash Flow Potential	3.3	3.7	4.3	6.7	6.9	7.8	8.6
Free Cash Flow / Net Profit	89.3 %	20.8 %	26.7 %	93.8 %	107.4 %	96.5 %	100.0 %
Interest Received / Avg. Cash	2.4 %	1.2 %	1.5 %	0.6 %	0.9 %	0.9 %	0.8 %
Interest Paid / Avg. Debt	21.9 %	56.9 %	3.5 %	1.4 %	1.0 %	0.5 %	0.6 %
Management of Funds							
Investment ratio	9.4 %	9.8 %	7.1 %	5.4 %	4.7 %	4.4 %	4.2 %
Maint. Capex / Sales	7.1 %	7.3 %	5.3 %	4.0 %	3.5 %	3.3 %	3.2 %
Capex / Dep	139.1 %	162.5 %	125.8 %	84.1 %	78.8 %	78.8 %	85.7 %
Avg. Working Capital / Sales	19.6 %	21.3 %	20.8 %	22.6 %	21.7 %	21.8 %	21.6 %
Trade Debtors / Trade Creditors	333.8 %	396.0 %	339.9 %	244.0 %	261.7 %	289.3 %	280.0 %
Inventory Turnover	4.5 x	3.3 x	3.1 x	3.4 x	3.1 x	3.1 x	3.1 x
Receivables collection period (days)	73	70	70	68	66	64	62
Payables payment period (days)	72	61	56	72	72	64	65
Cash conversion cycle (Days)	26	73	83	54	65	74	74

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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Softing	5	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	120	63
Hold	61	32
Sell	5	3
Rating suspended	3	2
Total	189	100

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

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

Rating	Number of stocks	% of Universe
Buy	23	74
Hold	7	23
Sell	0	0
Rating suspended	1	3
Total	31	100

PRICE AND RATING HISTORY SOFTING AS OF 05.04.2016


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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