

Buy EUR 14.00 Price EUR 11.13 Upside 25.8 %	Value Indicators: EUR DCF: 14.30 FCF-Value Potential 19e: 13.20	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: 81.3 No. of shares (m): 7.3 EV: 81.1 Freefloat MC: 60.2 Ø Trad. Vol. (30d): 117.29 th	Shareholders: Freefloat 74.0 % Trier Asset Mgmt 26.0 %	Risk Profile (WRe): 2017e Beta: 1.3 Price / Book: 1.5 x Equity Ratio: 66 %

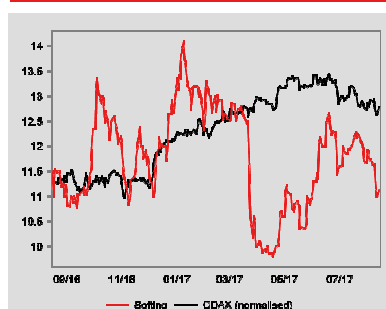
Q2 figures reflect continuation of recent trend

Softing has reported Q2 figures which came in approx. at the Q1 level (see table on the next page). This is in line with expectations and management's recent communication. Consequently, the guidance was confirmed.

As in Q1, growth in the **Industrial Automation** segment was driven by strong customer demand in the area of factory automation. The US subsidiary OLDI, which faced operational issues last year, was the main contributor to growth of 10% in the segment. Furthermore, demand from the US oil and gas sector has improved. European demand is growing in the area of data integration. This reflects Softing's strong positioning in supporting customers in areas such as "Industry 4.0". Management has highlighted an encouraging outlook for the remainder of the year. Q4 is expected to show its typical seasonality with the business field IT Networks (cable testers etc.) experiencing its strongest quarter. As the sales and marketing activities have been improved, this business division should maintain its momentum. In the US, where Softing has just recently entered the market, IT Networks revenues are expected to double this year underpinning the business opportunities.

Weakness in the **Automotive** segment was similar to Q1: the completion of extensive core development projects has tied up R&D capacity. As a result, developers and automotive experts could not generate revenues in customer projects. However, revenues increased sequentially. The outlook for H2 has become brighter as product development is now proceeding as planned. In the second half of the year, core products will be completed leading to a gradual cost decline in the segment. At the same time, sales for the new products should start to generate momentum as first orders for the new products that will be ready in autumn have already been placed. Along with revenues for the new products, 2018 should benefit from growth with other products such as the CAR ASYST diagnostic app that has attracted the interest of another big automotive OEM. Q4 should be strong driven by software licenses which usually come with high incremental margins.

Conclusion: overall, figures are "in line". Q4 is expected to be the main contributor to 2017 operating results. Against the backdrop of improving momentum and upside to our PT, the Buy rating is being confirmed.



Rel. Performance vs CDAX:

1 month:	-4.1 %
6 months:	-15.9 %
Year to date:	-18.7 %
Trailing 12 months:	-17.8 %

Company events:

02.11.17 Q3

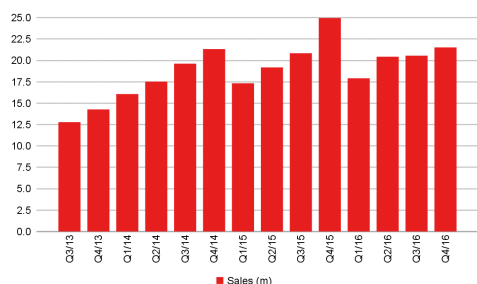
FY End: 31.12. in EUR m	CAGR (16-19e)	2013	2014	2015	2016	2017e	2018e	2019e
Sales	5.7 %	52.6	74.5	82.3	80.4	84.0	89.0	95.0
Change Sales yoy		6.4 %	41.8 %	10.4 %	-2.3 %	4.4 %	6.0 %	6.7 %
Gross profit margin		78.7 %	68.5 %	64.7 %	66.6 %	66.8 %	65.4 %	65.0 %
EBITDA	3.8 %	9.4	10.1	10.8	12.3	11.2	12.7	13.7
Margin		17.8 %	13.5 %	13.1 %	15.2 %	13.4 %	14.3 %	14.4 %
EBIT	7.2 %	6.2	5.9	5.5	7.2	6.0	7.8	8.8
Margin		11.8 %	7.9 %	6.6 %	8.9 %	7.2 %	8.8 %	9.3 %
EBIT adj.	13.4 %	4.6	6.2	6.7	6.6	5.8	8.6	9.6
Net income	2.7 %	4.3	3.8	4.5	5.7	4.2	5.5	6.2
EPS	-0.4 %	0.69	0.58	0.65	0.82	0.58	0.71	0.81
DPS	14.5 %	0.35	0.25	0.15	0.20	0.22	0.25	0.30
Dividend Yield		3.4 %	1.6 %	1.2 %	1.7 %	2.0 %	2.2 %	2.7 %
FCFPS		0.14	0.15	0.61	0.56	0.29	0.49	0.52
FCF / Market cap		1.4 %	1.0 %	4.8 %	4.8 %	2.5 %	4.4 %	4.7 %
EV / Sales		1.0 x	1.6 x	1.2 x	1.1 x	1.0 x	0.9 x	0.9 x
EV / EBITDA		5.7 x	11.8 x	9.4 x	7.3 x	7.6 x	6.5 x	5.9 x
EV / EBIT adj.		11.7 x	19.2 x	15.1 x	13.7 x	14.5 x	9.7 x	8.4 x
EV / EBIT		8.7 x	20.2 x	18.6 x	12.6 x	14.1 x	10.6 x	9.2 x
P / E		15.0 x	26.3 x	19.4 x	14.3 x	19.2 x	15.7 x	13.7 x
FCF Potential Yield		6.8 %	3.6 %	6.6 %	7.5 %	6.1 %	7.3 %	8.4 %
Net Debt		-11.2	18.3	13.9	8.3	-0.2	-2.1	-4.1
ROCE (NOPAT)		32.4 %	11.4 %	8.4 %	10.5 %	7.4 %	9.3 %	10.2 %
Guidance:		2017: revenues ca. EUR 82m; EBIT ca. EUR 5-6m						

Softing - Q2 2017

in EUR m	Q2 / 17	Q2 / 16	yoy	6M / 17	6M / 16	yoy
Sales	19.6	20.4	-4.3%	39.4	38.3	2.7%
EBITDA	16	2.0	-19.2%	3.1	3.9	-19.6%
<i>margin</i>	8.3%	9.8%		7.9%	10.1%	
EBIT	0.6	0.8	-32.1%	1.0	1.5	-33.7%
<i>margin</i>	2.8%	4.0%		2.6%	4.0%	
EPS in EUR	0.04	0.06	-33.3%	0.09	0.12	-25.0%
Industrial	14.7	13.3	10.1%	30.7	25.9	18.3%
Automotive	4.9	7.1	-31.2%	8.7	12.4	-30.0%
Order entries	17.7	21.9	-19.2%			
Book-to-bill	0.9	1.1	-15.6%			

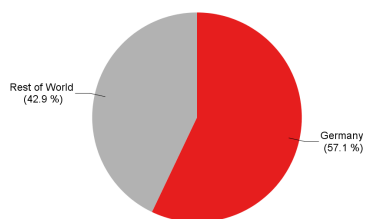
Sources: Softing (historical data), Warburg Research (estimates)

Sales development
in EUR m



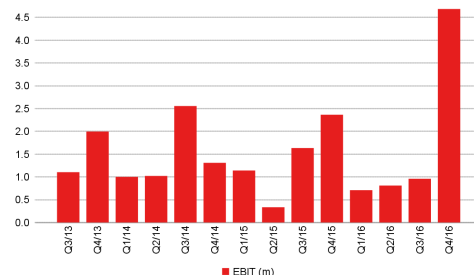
Source: Company

Sales by regions
2016; in %



Source: Company

EBIT development
in EUR m



Source: Company

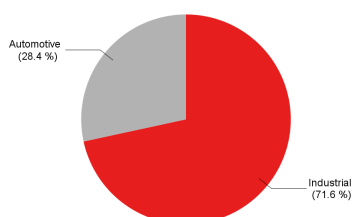
Company Background

- 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

- 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 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
2016; in %



Source: Company

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	
Sales	84.0	89.0	95.0	99.9	104.5	108.7	112.6	116.1	119.3	122.2	124.7	127.1	129.6	2.0 %
Sales change	4.4 %	6.0 %	6.7 %	5.2 %	4.6 %	4.0 %	3.5 %	3.1 %	2.7 %	2.4 %	2.1 %	1.9 %	2.0 %	
EBIT	6.0	7.8	8.8	9.0	9.4	9.8	10.1	10.4	10.7	11.0	11.2	11.4	11.7	9.0 %
EBIT-margin	7.2 %	8.8 %	9.3 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %	
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 %	8.2
NOPAT	4.2	5.5	6.2	6.3	6.6	6.8	7.1	7.3	7.5	7.7	7.9	8.0	8.2	
Depreciation	5.2	4.9	4.9	6.5	6.8	7.1	7.3	7.5	7.8	7.9	8.1	8.3	8.4	6.5 %
in % of Sales	6.2 %	5.5 %	5.2 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	
Changes in provisions	0.1	0.2	0.0	-0.3	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	1.8	1.1	1.4	1.1	1.0	0.9	0.8	0.7	0.7	0.6	0.6	0.5	0.5	8.7
- Capex	5.6	5.7	5.7	6.7	7.0	7.3	7.5	7.8	8.0	8.2	8.4	8.5	8.7	
Capex in % of Sales	6.7 %	6.4 %	6.0 %	6.7 %	6.7 %	6.7 %	6.7 %	6.7 %	6.7 %	6.7 %	6.7 %	6.7 %	6.7 %	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)	2.1	3.7	4.0	4.7	5.5	5.8	6.1	6.4	6.7	6.9	7.1	7.3	7.4	8
PV of FCF	2.1	3.5	3.4	3.8	4.1	4.1	4.0	3.9	3.8	3.6	3.5	3.3	3.2	
share of PVs	8.24 %			34.08 %										57.68 %

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 2029e	46		
Terminal Value	63		
Financial liabilities	17		
Pension liabilities	2		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	19	No. of shares (m)	7.7
Equity Value	109	Value per share (EUR)	14.25

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
1.47	8.4 %	11.24	11.44	11.66	11.90	12.15	12.43	12.73	1.47	8.4 %	9.59	10.36	11.13	11.90	12.67	13.43	14.20
1.36	7.9 %	12.17	12.41	12.68	12.97	13.29	13.64	14.02	1.36	7.9 %	10.48	11.31	12.14	12.97	13.81	14.64	15.47
1.30	7.6 %	12.68	12.96	13.26	13.59	13.94	14.33	14.77	1.30	7.6 %	10.98	11.85	12.72	13.59	14.45	15.32	16.19
1.25	7.4 %	13.24	13.55	13.89	14.25	14.66	15.10	15.59	1.25	7.4 %	11.53	12.44	13.35	14.25	15.16	16.07	16.98
1.20	7.1 %	13.85	14.20	14.58	14.99	15.45	15.95	16.52	1.20	7.1 %	12.14	13.09	14.04	14.99	15.94	16.89	17.84
1.14	6.9 %	14.52	14.91	15.33	15.80	16.32	16.90	17.55	1.14	6.9 %	12.81	13.81	14.80	15.80	16.80	17.80	18.80
1.03	6.4 %	16.05	16.54	17.09	17.71	18.40	19.17	20.06	1.03	6.4 %	14.38	15.49	16.60	17.71	18.82	19.93	21.04

- 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	2013	2014	2015	2016	2017e	2018e	2019e	
Net Income before minorities	4.3	3.8	4.5	5.7	4.2	5.5	6.2	
+ Depreciation + Amortisation	3.2	4.2	5.3	5.1	5.2	4.9	4.9	
- Net Interest Income	-0.1	-0.3	-0.3	-0.2	0.0	0.0	0.0	
- Maintenance Capex	3.9	4.0	3.3	4.2	4.2	4.3	4.3	
+ Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
= Free Cash Flow Potential	3.7	4.3	6.7	6.8	5.2	6.1	6.8	
FCF Potential Yield (on market EV)	6.8 %	3.6 %	6.6 %	7.5 %	6.1 %	7.3 %	8.4 %	
WACC	7.37 %	7.37 %	7.37 %	7.37 %	7.37 %	7.37 %	7.37 %	
= Enterprise Value (EV)	53.7	119.1	101.6	90.0	84.9	83.1	81.0	
= Fair Enterprise Value	49.6	58.5	90.8	92.2	70.8	82.5	92.1	
- Net Debt (Cash)	6.1	6.1	6.1	6.1	-2.5	-4.6	-6.6	
- Pension Liabilities	2.2	2.2	2.2	2.2	2.3	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	41.3	50.2	82.5	83.9	71.0	84.5	96.2	
Aktienanzahl (Mio.)	6.3	6.6	6.9	7.0	7.3	7.7	7.7	
= Fair value per share (EUR)	6.58	7.61	11.90	12.05	9.72	11.04	12.57	
premium (-) / discount (+) in %					-12.6 %	-0.7 %	13.0 %	
Sensitivity Fair value per Share (EUR)								
WACC	10.37 %	3.69	4.56	7.70	7.83	6.92	8.30	9.52
	9.37 %	4.20	5.17	8.64	8.79	7.65	9.16	10.48
	8.37 %	4.84	5.92	9.81	9.97	8.56	10.22	11.67
	7.37 %	5.65	6.88	11.30	11.48	9.72	11.57	13.17
	6.37 %	6.71	8.13	13.25	13.46	11.24	13.34	15.15
	5.37 %	8.18	9.86	15.92	16.18	13.33	15.77	17.87
	4.37 %	10.31	12.37	19.83	20.14	16.37	19.31	21.82

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

Valuation							
	2013	2014	2015	2016	2017e	2018e	2019e
Price / Book	2.5 x	2.7 x	2.1 x	1.7 x	1.5 x	1.4 x	1.3 x
Book value per share ex intangibles	2.55	-0.57	0.00	0.55	1.87	2.33	2.88
EV / Sales	1.0 x	1.6 x	1.2 x	1.1 x	1.0 x	0.9 x	0.9 x
EV / EBITDA	5.7 x	11.8 x	9.4 x	7.3 x	7.6 x	6.5 x	5.9 x
EV / EBIT	8.7 x	20.2 x	18.6 x	12.6 x	14.1 x	10.6 x	9.2 x
EV / EBIT adj.*	11.7 x	19.2 x	15.1 x	13.7 x	14.5 x	9.7 x	8.4 x
P / FCF	72.4 x	99.3 x	20.8 x	20.9 x	38.7 x	22.7 x	21.5 x
P / E	15.0 x	26.3 x	19.4 x	14.3 x	19.2 x	15.7 x	13.7 x
P / E adj.*	15.0 x	26.3 x	19.4 x	14.3 x	19.2 x	15.7 x	13.7 x
Dividend Yield	3.4 %	1.6 %	1.2 %	1.7 %	2.0 %	2.2 %	2.7 %
FCF Potential Yield (on market EV)	6.8 %	3.6 %	6.6 %	7.5 %	6.1 %	7.3 %	8.4 %
*Adjustments made for: -							

Company Specific Items							
	2013	2014	2015	2016	2017e	2018e	2019e
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	2013	2014	2015	2016	2017e	2018e	2019e
Sales	52.6	74.5	82.3	80.4	84.0	89.0	95.0
Change Sales yoy	6.4 %	41.8 %	10.4 %	-2.3 %	4.4 %	6.0 %	6.7 %
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	4.0	3.9	2.8	4.5	4.2	3.2	3.2
Total Sales	56.5	78.5	85.1	84.9	88.2	92.2	98.2
Material expenses	15.2	27.4	31.9	31.4	32.1	34.0	36.5
Gross profit	41.3	51.1	53.2	53.6	56.1	58.2	61.7
Gross profit margin	78.7 %	68.5 %	64.7 %	66.6 %	66.8 %	65.4 %	65.0 %
Personnel expenses	25.8	32.1	33.6	35.1	35.2	36.0	37.5
Other operating income	0.7	0.8	2.8	5.3	1.5	1.5	1.5
Other operating expenses	6.8	9.7	11.7	11.5	11.2	11.0	12.0
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	9.4	10.1	10.8	12.3	11.2	12.7	13.7
Margin	17.8 %	13.5 %	13.1 %	15.2 %	13.4 %	14.3 %	14.4 %
Depreciation of fixed assets	0.5	0.6	0.8	0.8	0.7	0.4	0.4
EBITA	8.9	9.5	10.0	11.4	10.5	12.3	13.3
Amortisation of intangible assets	2.7	3.7	4.5	4.3	4.5	4.5	4.5
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	6.2	5.9	5.5	7.2	6.0	7.8	8.8
Margin	11.8 %	7.9 %	6.6 %	8.9 %	7.2 %	8.8 %	9.3 %
EBIT adj.	4.6	6.2	6.7	6.6	5.8	8.6	9.6
Interest income	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Interest expenses	0.2	0.4	0.3	0.2	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	6.2	5.6	5.2	7.0	6.0	7.8	8.8
Margin	11.7 %	7.5 %	6.3 %	8.7 %	7.2 %	8.8 %	9.3 %
Total taxes	1.9	1.8	0.7	1.3	1.8	2.3	2.6
Net income from continuing operations	4.3	3.8	4.5	5.7	4.2	5.5	6.2
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	4.3	3.8	4.5	5.7	4.2	5.5	6.2
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	4.3	3.8	4.5	5.7	4.2	5.5	6.2
Margin	8.2 %	5.1 %	5.4 %	7.1 %	5.0 %	6.1 %	6.5 %
Number of shares, average	6.3	6.6	6.9	7.0	7.3	7.7	7.7
EPS	0.69	0.58	0.65	0.82	0.58	0.71	0.81
EPS adj.	0.69	0.58	0.65	0.82	0.58	0.71	0.81

*Adjustments made for:

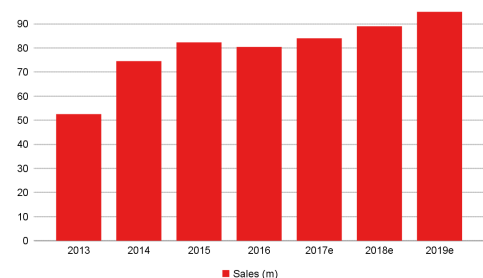
Guidance: 2017: revenues ca. EUR 82m; EBIT ca. EUR 5-6m

Financial Ratios

	2013	2014	2015	2016	2017e	2018e	2019e
Total Operating Costs / Sales	89.7 %	91.7 %	90.3 %	90.4 %	91.6 %	89.3 %	88.9 %
Operating Leverage	4.1 x	-0.1 x	-0.7 x	-13.5 x	-3.5 x	4.9 x	1.9 x
EBITDA / Interest expenses	45.7 x	23.3 x	33.3 x	49.4 x	112.4 x	127.0 x	137.2 x
Tax rate (EBT)	30.2 %	32.3 %	14.0 %	18.1 %	30.0 %	30.0 %	30.0 %
Dividend Payout Ratio	51.1 %	43.4 %	23.2 %	24.4 %	38.0 %	35.0 %	37.2 %
Sales per Employee	155,936	181,345	191,744	178,720	195,349	200,000	208,791

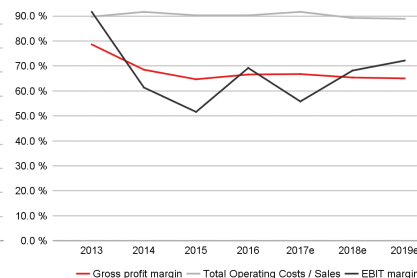
Sales, EBITDA

in EUR m

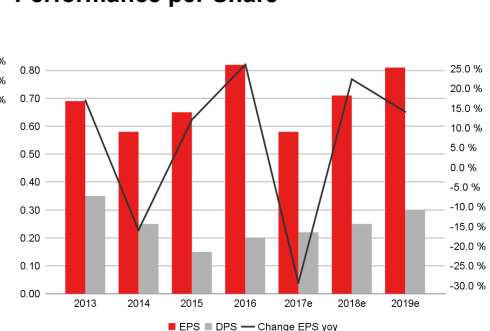


Operating Performance

in %



Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

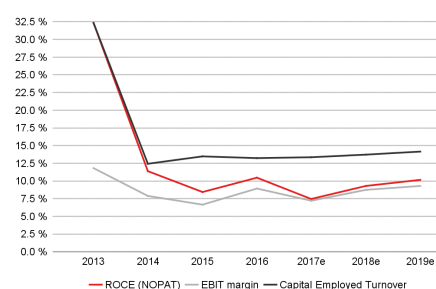
Consolidated balance sheet

In EUR m	2013	2014	2015	2016	2017e	2018e	2019e
Assets							
Goodwill and other intangible assets	9.7	41.0	42.4	43.8	43.8	43.8	43.8
thereof other intangible assets	0.5	18.1	18.9	18.2	17.1	16.1	15.0
thereof Goodwill	2.4	14.5	15.2	15.5	15.5	15.5	15.5
Property, plant and equipment	1.4	1.9	2.4	2.3	2.7	3.5	4.3
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	11.1	42.9	44.7	46.0	46.4	47.2	48.0
Inventories	4.7	8.7	9.3	9.2	9.5	10.1	10.8
Accounts receivable	10.0	14.2	15.4	12.6	13.3	14.1	15.1
Liquid assets	12.9	8.8	9.2	10.9	14.8	16.9	19.0
Other short-term assets	1.5	2.4	3.8	4.2	4.2	4.2	4.2
Current assets	29.1	34.1	37.7	36.9	41.8	45.3	49.1
Total Assets	40.2	77.0	82.5	82.9	88.3	92.5	97.1
Liabilities and shareholders' equity							
Subscribed capital	6.4	7.0	7.0	7.0	7.7	7.7	7.7
Capital reserve	4.4	12.3	12.3	12.3	12.3	12.3	12.3
Retained earnings	15.6	18.0	23.1	28.4	32.6	38.0	44.2
Other equity components	-0.3	-0.2	0.0	0.0	5.6	3.6	1.7
Shareholders' equity	26.2	37.0	42.4	47.6	58.1	61.6	65.9
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	26.1	37.0	42.3	47.6	58.1	61.6	65.8
Provisions	2.3	3.9	4.1	4.7	4.9	5.4	5.4
thereof provisions for pensions and similar obligations	1.5	2.2	1.9	2.2	2.3	2.5	2.5
Financial liabilities (total)	0.2	24.8	21.2	16.9	12.3	12.3	12.3
thereof short-term financial liabilities	0.0	7.0	5.5	10.3	10.3	10.3	10.3
Accounts payable	2.5	4.2	6.3	5.9	5.1	5.4	5.7
Other liabilities	9.0	7.1	8.5	7.8	7.8	7.8	7.8
Liabilities	14.1	40.0	40.1	35.3	30.2	31.0	31.3
Total liabilities and shareholders' equity	40.2	77.0	82.5	82.9	88.3	92.5	97.1

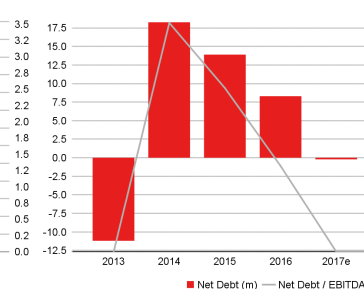
Financial Ratios

	2013	2014	2015	2016	2017e	2018e	2019e
Efficiency of Capital Employment							
Operating Assets Turnover	3.9 x	3.6 x	4.0 x	4.4 x	4.1 x	4.0 x	3.9 x
Capital Employed Turnover	3.5 x	1.3 x	1.5 x	1.4 x	1.5 x	1.5 x	1.5 x
ROA	38.9 %	8.9 %	10.0 %	12.4 %	9.1 %	11.6 %	12.8 %
Return on Capital							
ROCE (NOPAT)	32.4 %	11.4 %	8.4 %	10.5 %	7.4 %	9.3 %	10.2 %
ROE	17.9 %	12.0 %	11.3 %	12.7 %	8.0 %	9.1 %	9.7 %
Adj. ROE	17.9 %	12.0 %	11.3 %	12.7 %	8.0 %	9.1 %	9.7 %
Balance sheet quality							
Net Debt	-11.2	18.3	13.9	8.3	-0.2	-2.1	-4.1
Net Financial Debt	-12.7	16.1	12.0	6.1	-2.5	-4.6	-6.6
Net Gearing	-42.9 %	49.4 %	32.8 %	17.4 %	-0.4 %	-3.4 %	-6.3 %
Net Fin. Debt / EBITDA	n.a.	159.4 %	112.0 %	49.4 %	n.a.	n.a.	n.a.
Book Value / Share	4.1	5.3	6.1	6.8	7.6	8.0	8.6
Book value per share ex intangibles	2.6	-0.6	0.0	0.6	1.9	2.3	2.9

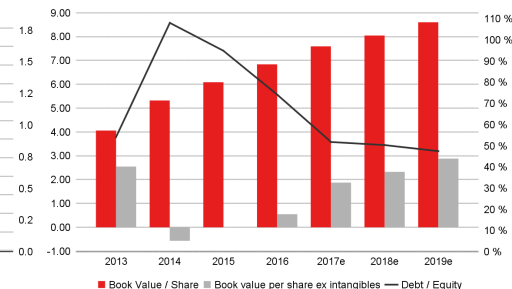
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

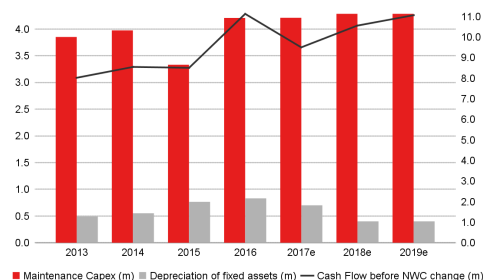
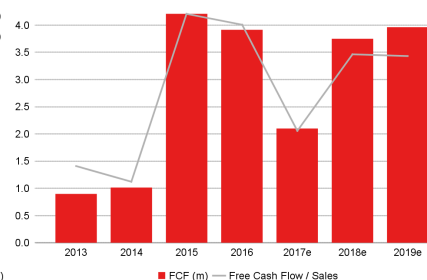
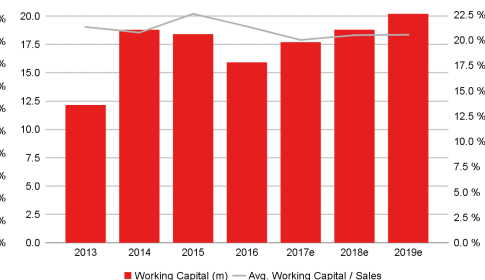
Source: Warburg Research

Consolidated cash flow statement

In EUR m	2013	2014	2015	2016	2017e	2018e	2019e
Net income	4.3	3.8	4.5	5.7	4.2	5.5	6.2
Depreciation of fixed assets	0.5	0.6	0.8	0.8	0.7	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	2.7	3.7	4.5	4.3	4.5	4.5	4.5
Increase/decrease in long-term provisions	-0.1	0.0	0.0	0.0	0.1	0.2	0.0
Other non-cash income and expenses	0.7	0.5	-1.3	0.3	0.0	0.0	0.0
Cash Flow before NWC change	8.0	8.5	8.5	11.1	9.5	10.6	11.1
Increase / decrease in inventory	-1.3	-1.6	-0.6	0.1	-0.3	-0.6	-0.7
Increase / decrease in accounts receivable	-0.2	-0.7	-1.2	2.8	-0.7	-0.8	-1.0
Increase / decrease in accounts payable	-0.4	-0.9	1.7	-0.8	-0.8	0.3	0.3
Increase / decrease in other working capital positions	-0.1	0.9	0.2	-3.7	0.0	0.0	0.0
Increase / decrease in working capital (total)	-2.0	-2.2	0.1	-1.6	-1.8	-1.1	-1.4
Net cash provided by operating activities [1]	6.0	6.3	8.6	9.5	7.7	9.5	9.7
Investments in intangible assets	-4.6	-3.9	-2.8	-4.5	-4.5	-4.5	-4.5
Investments in property, plant and equipment	-0.5	-1.4	-1.7	-1.1	-1.1	-1.2	-1.2
Payments for acquisitions	0.0	-21.9	-1.3	-0.9	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	0.2	0.8	0.0	0.0	0.0	0.0	0.0
Net cash provided by investing activities [2]	-4.9	-26.4	-5.8	-6.5	-5.6	-5.7	-5.7
Change in financial liabilities	0.0	10.6	-1.7	-0.2	-4.6	0.0	0.0
Dividends paid	-1.7	-1.3	-1.7	-1.0	-1.4	-1.7	-1.9
Purchase of own shares	1.3	0.5	1.1	0.0	0.0	0.0	0.0
Capital measures	0.0	7.5	0.0	0.0	7.9	0.0	0.0
Other	-0.1	-0.3	-0.2	-0.2	0.0	0.0	0.0
Net cash provided by financing activities [3]	-0.5	17.0	-2.6	-1.4	1.9	-1.7	-1.9
Change in liquid funds [1]+[2]+[3]	0.6	-3.1	0.3	1.6	4.0	2.1	2.0
Effects of exchange-rate changes on cash	0.0	0.1	0.1	0.1	0.0	0.0	0.0
Cash and cash equivalent at end of period	12.1	9.1	9.2	10.9	14.8	16.9	19.0

Financial Ratios

	2013	2014	2015	2016	2017e	2018e	2019e
Cash Flow							
FCF	0.9	1.0	4.2	3.9	2.1	3.7	4.0
Free Cash Flow / Sales	1.7 %	1.4 %	5.1 %	4.9 %	2.5 %	4.2 %	4.2 %
Free Cash Flow Potential	3.7	4.3	6.7	6.8	5.2	6.1	6.8
Free Cash Flow / Net Profit	20.8 %	26.7 %	93.8 %	68.6 %	49.7 %	68.7 %	64.2 %
Interest Received / Avg. Cash	1.2 %	1.5 %	0.6 %	0.6 %	0.8 %	0.6 %	0.6 %
Interest Paid / Avg. Debt	56.9 %	3.5 %	1.4 %	1.3 %	0.7 %	0.8 %	0.8 %
Management of Funds							
Investment ratio	9.8 %	7.1 %	5.4 %	7.0 %	6.7 %	6.4 %	6.0 %
Maint. Capex / Sales	7.3 %	5.3 %	4.0 %	5.2 %	5.0 %	4.8 %	4.5 %
Capex / Dep	162.5 %	125.8 %	84.1 %	110.0 %	107.9 %	116.6 %	116.6 %
Avg. Working Capital / Sales	21.3 %	20.8 %	22.6 %	21.3 %	20.0 %	20.5 %	20.5 %
Trade Debtors / Trade Creditors	396.0 %	339.9 %	244.0 %	214.0 %	260.8 %	261.1 %	264.9 %
Inventory Turnover	3.3 x	3.1 x	3.4 x	3.4 x	3.4 x	3.4 x	3.4 x
Receivables collection period (days)	70	70	68	57	58	58	58
Payables payment period (days)	61	56	72	68	58	58	57
Cash conversion cycle (Days)	73	83	54	56	67	68	68

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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Softing	3, 4, 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.

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Rating	Number of stocks	% of Universe
Buy	105	52
Hold	91	45
Sell	6	3
Rating suspended	1	0
Total	203	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	28	70
Hold	10	25
Sell	1	3
Rating suspended	1	3
Total	40	100

PRICE AND RATING HISTORY SOFTING AS OF 15.08.2017


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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