

Buy EUR 9.50 Price Upside	(Hold) (EUR 8.00) EUR 7.38 28.7 %	Value Indicators: EUR DCF: 9.60 FCF-Value Potential 21e: 5.00	Share data: Bloomberg: SYT GR Reuters: SYTG ISIN: DE0005178008	Description: Soft- and hardware for data exchange for e.g. industrial plants and automotive electronics
		Market Snapshot: EUR m Market cap: 67.2 No. of shares (m): 9.1 EV: 79.6 Freefloat MC: 42.1 Ø Trad. Vol. (30d): 32.91 th	Shareholders: Freefloat: 62.6 % Trier Asset Mgmt: 22.4 % Alois Widmann: 15.0 %	Risk Profile (WRe): 2019e Beta: 1.3 Price / Book: 1.0 x Equity Ratio: 60 % Net Fin. Debt / EBITDA: 1.0 x Net Debt / EBITDA: 1.2 x

Vehicle data transmission provides growth opportunities; Estimates and rating up

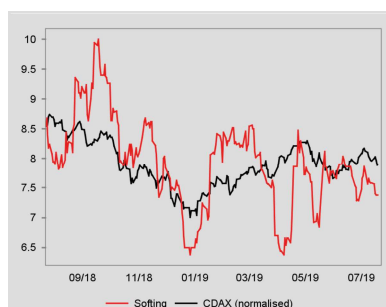
Softing's core competence is data communication in production plants, the process industry as well as automotive electronics. The company supplies these target markets with hardware and software, services as well as complete system solutions. This core competence is the connecting element in Softing's three segments:

- **Automotive Electronics:** This segment addresses key technologies around communication, diagnostics, measurement and testing in automotive electronics and adjacent application areas such as the commercial vehicle and agricultural machinery industries. Softing's solutions cover a large part of a vehicle's lifecycle: from development and prototype testing to measurements, production processes and aftersales services. Customers include major OEMs such as VW, Daimler and Continental.
- **Industrial Automation:** With a focus on hardware components and software tools, Softing addresses OEMs in mechanical and plant engineering, the process industry as well as end customers. Data exchange between sensors, control units and actuators but also ERP software in the customers' facilities is based on defined protocols. Softing enables this data exchange with the help of established industrial standards.
- **IT Networks:** In this segment, Softing provides diagnostic devices that are used in industrial automation and for diagnosing copper and optical fibre networks in data centres and office installations.

Globalmatix could become a game changer: Softing had a solid start to the year and the current order situation is favourable in all three segments, promising a solid top-line development in 2019. In May, Globalmatix signed a contract with a subsidiary of a large German automobile manufacturer to supply **data transmission services** and hardware for the control of mixed-brand, commercially used vehicle fleets. The marketing of the service products by the major customer is scheduled to start in the third quarter of 2019. With a gradual ramp-up and the connection of more than 200,000 vehicles during the initial contract period of five years, revenues should reach an annual level of approx. EUR 10-15m. Further growth opportunities are offered by the market size (12m fleet cars in Europe) and a plethora of use cases.

As earnings momentum should increase, estimates are being raised. The rating is increased to Buy given upside to our new PT.

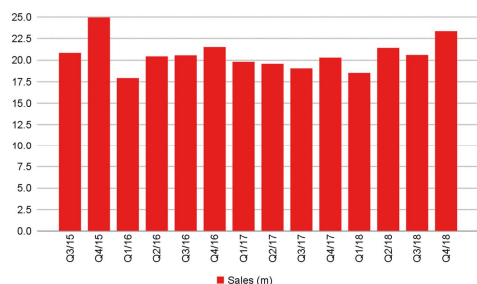
Changes in Estimates:						Comment on Changes:	
FY End: 31.12. in EUR m	2019e (old)	+ / -	2020e (old)	+ / -	2021e (old)	+ / -	
Sales	86.0	4.7 %	89.4	7.3 %	93.0	11.8 %	▪ Top-line growth is driven by all three segments.
EBITDA	10.5	-2.5 %	10.9	11.6 %	13.0	9.2 %	▪ Globalmatix has the biggest bottom-line impact due to its high incremental earnings contribution.
EBIT	4.1	-6.3 %	4.5	28.1 %	6.6	18.1 %	
EPS	0.31	-6.5 %	0.34	29.4 %	0.50	18.0 %	



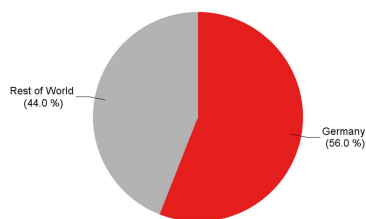
Rel. Performance vs CDAX:	
1 month:	-3.4 %
6 months:	-13.8 %
Year to date:	2.4 %
Trailing 12 months:	-2.1 %

Company events:	
14.08.19	Q2
15.11.19	Q3

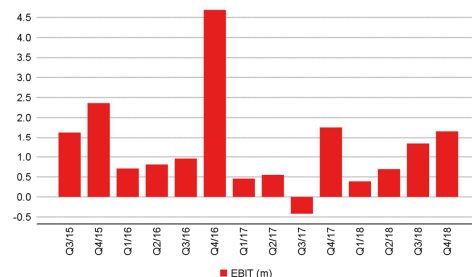
FY End: 31.12. in EUR m	CAGR (18-21e)	2015	2016	2017	2018	2019e	2020e	2021e
Sales	7.4 %	82.3	80.4	78.7	83.9	90.0	96.0	104.0
Change Sales yoy		10.4 %	-2.3 %	-2.1 %	6.6 %	7.3 %	6.7 %	8.3 %
Gross profit margin		64.7 %	66.6 %	64.9 %	61.8 %	60.8 %	62.2 %	61.2 %
EBITDA	16.3 %	10.8	12.3	6.8	9.0	10.3	12.2	14.2
Margin		13.1 %	15.2 %	8.7 %	10.7 %	11.4 %	12.7 %	13.6 %
EBIT	24.0 %	5.5	7.2	2.3	4.1	3.9	5.8	7.8
Margin		6.6 %	8.9 %	3.0 %	4.9 %	4.3 %	6.0 %	7.5 %
EBIT adj.	27.3 %	6.7	6.6	1.1	3.5	3.9	5.3	7.3
Net income	17.5 %	4.5	5.7	0.7	3.3	2.6	4.0	5.4
EPS	15.8 %	0.65	0.82	0.10	0.38	0.29	0.44	0.59
DPS	15.4 %	0.15	0.20	0.13	0.13	0.15	0.17	0.20
Dividend Yield		1.2 %	1.7 %	1.2 %	1.5 %	2.0 %	2.3 %	2.7 %
FCF		0.61	0.56	-0.27	0.19	0.24	0.18	0.29
FCF / Market cap		4.8 %	4.8 %	-2.4 %	2.3 %	3.2 %	2.4 %	3.9 %
EV / Sales		1.2 x	1.1 x	1.1 x	1.0 x	0.9 x	0.8 x	0.8 x
EV / EBITDA		9.4 x	7.3 x	12.7 x	8.9 x	7.8 x	6.6 x	5.7 x
EV / EBIT adj.		15.1 x	13.6 x	77.7 x	22.8 x	20.6 x	15.3 x	11.2 x
EV / EBIT		18.6 x	12.6 x	37.0 x	19.7 x	20.6 x	13.9 x	10.5 x
P / E		19.4 x	14.3 x	112.0 x	22.6 x	25.4 x	16.8 x	12.5 x
FCF Potential Yield		6.6 %	7.5 %	2.6 %	2.4 %	2.5 %	4.1 %	5.8 %
Net Debt		13.9	8.3	4.5	5.2	12.4	13.6	14.1
ROCE (NOPAT)		8.4 %	10.5 %	2.7 %	4.5 %	3.5 %	5.0 %	6.5 %
Guidance:	2019: revenues > EUR 88m; EBIT > EUR 4m							

Sales development
in EUR m


Source: Company

Sales by regions
2018; in %


Source: Company

EBIT development
in EUR m


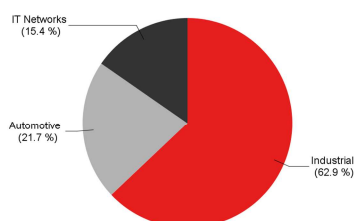
Source: Company

Company Background

- Softing has the necessary expertise on information exchange between various devices, sensors, plant and software solutions in automated processes. Its business activity comprises three segments.
- Industrial Automation: hardware and software solutions for the exchange of information in all kinds of production including assembly lines, chemical plants, oil and gas extraction or refineries.
- IT Networks: diagnostic devices which are used in industrial automation and for the diagnosis of copper and optical fibre networks in data centres and office installations
- Automotive Electronics: The solutions allow engineers and workshop mechanics to test automotive electronics in the development phase, production or repair and to recognise errors via 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.
- Softing's participation in international committees that set standards for the exchange of information. This contributes to a short time-to-market.
- The high complexity of Softing's business activity is the single most important barrier to market entry for potential competitors.

Sales by segments
2018; in %


Source: Company

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Summary of Investment Case

Investment triggers

- Globalmatix signed a contract with a subsidiary of a large German automobile manufacturer to provide vehicle data transmission services for the control of mixed-brand, commercially used vehicle fleets.
- With a gradual ramp-up and the connection of more than 200,000 vehicles during the initial contract period of five years, revenues should reach an annual level of approx. EUR 10-15m. The associated revenues are accompanied by high visibility and customer stickiness as a result of the installation of the data transmission device (xTCU) in the vehicle.
- Further growth opportunities are offered by the market size (**12m fleet cars in Europe**) and a **plethora of use cases**. Globalmatix is participating in further tenders.
- As Globalmatix revenues are accompanied by high incremental earnings, a growing number of connected vehicles looks set to lift overall group profitability. This should allow Softing to return to historical margins and valuation levels.

Competitive quality

- Currently, there is no competitive product that offers **Globalmatix's range of functionalities (hardware, security, cloud storage and APIs) and data (more than 140 parameters)**. For mixed fleets, most providers are able to provide only about 10-20 data points.
- **Apart from Globalmatix**, the markets addressed by Softing are **niche-like**. Softing has a globally leading position in some of these niches.
- **High complexity** of the business activity and reputation serve as a barrier to market entry for mostly smaller suppliers, who often are engineering offices etc.

Growth at the "price of a good coffee"

- We estimate that Softing's Globalmatix should generate revenues of EUR 5-10 per month with each connected vehicle. As these revenues hardly entail any incremental costs, high incremental earnings contributions should stimulate overall group profitability.
- Along with Globalmatix and the growing number of connected vehicles, Softing's top line 2018-2021 CAGR of 7.4% is driven by new product launches and structural trends.
- The **number of networked devices is constantly growing** at rates in the medium to high single-digit percentage range. This development is reflected in buzzwords such as IoT and Industry 4.0.
- The **IT Networks** segment had a strong start to the year and should benefit from **new product launches** (e.g. qualifiers and verifiers) which should contribute to the top line from 2020 onwards.
- Softing's **Industrial Automation** business should continue to benefit from strong momentum driven by e.g. the process industry.
- Automobiles are becoming increasingly networked, which increases the number of interconnected components. Additionally, the car is interconnected with the environment, enabling remote access to vehicle data (fuel level, speed, maintenance, etc.) e.g. as part of the fleet management.
- While Globalmatix has been in an investment phase and was loss-making in 2018 and up to now in 2019 (a loss of about EUR 2m in each year), earnings should break even next year.

Valuation

- The price target of EUR 9.50 is based on a **DCF model**.
- The **FCF Value Potential** indicates a value of EUR 5, but does not sufficiently recognise future growth.
- **The peer group comparison on the basis of EV/EBIT multiples indicates an upside of >30%. Softing's return to dynamic growth should help close the valuation gap.**

Company Overview

Segments	Industrial Automation	Automotive Electronics	IT Networks
Core topics	Networking of automation components to provide data from the production level both locally and in the cloud for controlling purposes and further analyses. The products enable the controlling and diagnostics of technical communication networks, thus guaranteeing a reliable data flow.	Diagnostics, measurement and testing of electronic control units (ECUs) in R&D, production, after-market services and fleet management	Diagnostic devices which are used in industrial automation, and for the diagnosis of copper and optical fibre networks in data centers and office installations
Key products	Hardware components (e.g. interface cards, gateways), chip solutions and communication software (stacks), software tools (e.g. OPC server development tool kit) and diagnostics devices	Hardware products (e.g. VCI) and software products (e.g. ODX software), programming interfaces, diagnostics apps as well as on-site consulting and engineering	Certifier: acceptance of new cabling Qualifier: measurement of existing networks (fibre, copper, WiFi) Verifier: verification of the wire map, network diagnostics features
Revenue 2019e	EUR 59m	EUR 20m	EUR 11m
Growth 2020e	5%	10%	9%
Customers/References:	DS Smith, Wacker Chemie, Kongsberg, Siemens, Rockwell Automation etc.	Automotive electronics and closely related electronic areas such as the commercial vehicle and agricultural machinery industries; e.g. Volkswagen, Audi, Daimler, Heavy Duty Diesel, Continental	E.g. electricians, network companies, data center providers etc.
Market and market environment	The market is made up of numerous niches, in which Softing addresses various customer groups and faces different competitors. The communication solutions market for data exchange in industrial applications and vehicles is strongly fragmented. No competitor is identical with Softing.		
Competitors	Factory automation: Customers are usually large players of the automation industry. They can also be competitors in individual sectors; HMS Networks, small local players such as Hilscher, Comsoft, and other. Process automation: SMAR, Emerson. OPC Server: Matricon (Honeywell), Prosys	E.g. ESI Groupe, Actia (in the area of VCIs), ESG, Vector Informatik, Hella and in part also other automotive suppliers	Market is characterised by only a few competitors. These comprise players such as Danaher (Fluke and Netscout) or Ideal Networks
Growth drivers	IoT/Industry 4.0: Growing number of networked devices in industrial production and process automation, remote access to devices (control, diagnostics, etc.)	Electrification of vehicles, networking (e.g. remote diagnostics and remote access), model diversity continues to grow, increasing complexity of vehicle electronics, standardisation of data transmission in areas that do not offer any differentiation for vehicle manufacturers.	Growing data transmission and bandwidth as the main underlying trend

Source: Warburg Research

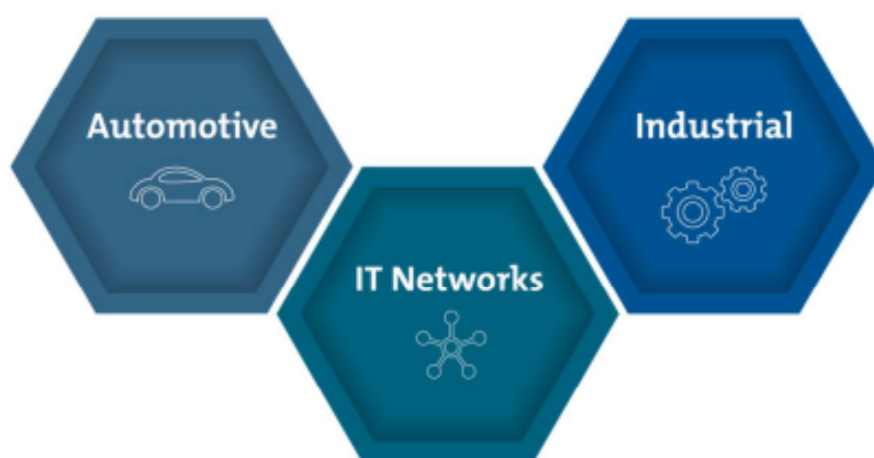
Data exchange as a core competence

Digital data transmission as a core competence...

Networks for data exchange, for instance in offices, are generally known and regulate communication between PCs, printers, copiers and other network devices on the basis of communication standards.

These networks also exist in industrial production and in the process and automotive industries. However, the networks used in this context have to meet other requirements. This includes, for instance, real-time capability, i.e. the capability to transmit data within clearly defined time intervals and at a specified speed while following a fixed sequence.

Unlike in the office, where the chronological order of, e.g. print jobs does not make any difference, this capability is decisive in industrial production. Knowledge of data exchange is Softing's core competence. This core competence links the three segments Industrial Automation, IT Networks and Automotive Electronics.

Digital data transmission links the three segments

Source: Softing

...in a market which is characterised by various niches

The application environment, which enables data exchange between electronic components (e.g. sensors and actors) both within networks and with the outside, consists of numerous niches. In each of these niches, Softing competes with other, often smaller, companies. Softing has a competitive advantage over these companies due to its relative size and solid financial situation. Major players in the automation industry focus on selling their devices, while interconnectivity, which also has to be established with the competitors' components, is not their focus.

High barriers to market entry result from technological complexity and the fact that customers prefer partners who are able to survive in the market in the long term thanks to their position and financial stability. Additionally, components and solutions only make up a small fraction of the costs in production plants. This reduces competition.

Growth

Globalmatix has the potential to transform the whole group

In May, Softing announced that its subsidiary Globalmatix signed a contract with a subsidiary of a large German automobile manufacturer to supply hardware and services for the control of mixed-brand, commercially used vehicle fleets. This contract was won in a tender against ten competitors following extensive testing which fulfilled the requirements and was a result of Globalmatix's ability to provide a high number of accessible parameters (more than 140), a high security level and the fact that Globalmatix covers all subtasks including security, API provisioning and data storage in the cloud.

The contract has an initial duration of five years. Within this contract, Globalmatix will provide comprehensive service products for fleet control and remote monitoring of the vehicle and engine, based on the telematics and diagnostic data supplied by Globalmatix. The marketing of the service products will mainly be carried out by the major customer and is scheduled to start in the third quarter of 2019.

With a gradual ramp-up and the connection of more than 200,000 vehicles during the contract period, revenues should reach an annual level of approx. EUR 10-15m. These revenues will be accompanied by **high...**

- **...customer stickiness and visibility** as the data transmission device xTCU is installed in the vehicle,
- **...incremental profit contribution.**

Globalmatix is participating in further tenders. While the company is currently in an investment phase and was loss-making in 2018, earnings should break even next year. As its revenues generate high incremental margins, a growing share of Globalmatix revenues should support margin expansion of the overall group.

Growth across all segments

in EUR m	2015	2016	2017	2018	2019e	2020e	2021e
Sales Industrial	58.7	57.6	50.9	52.8	59.0	62.0	65.5
yoy	25.1%	-18%	-11.5%	3.6%	11.8%	5.1%	5.6%
Sales Automotive	23.6	22.8	17.4	18.2	20.0	22.0	25.0
yoy	-14.4%	-3.4%	-23.8%	4.6%	9.9%	10.0%	13.6%
Sales IT Networks	0.0	0.0	10.4	12.9	11.0	12.0	14.0
yoy	-	-	-	24.5%	-14.7%	9.1%	16.7%
CONSOLIDATED SALES	82.3	80.4	78.7	83.9	90.0	96.0	104.5
yoy	10.4%	-2.3%	-2.1%	6.6%	7.3%	6.7%	8.3%

Source: Softing (historical data); Warburg Research (estimates)



Globalmatix's data transmission solution is ahead of the competition

Globalmatix's xTCU (telematics control unit) is a multi-brand, smart telematics control unit which is connected to a vehicle's CANbus to capture diagnostics data in real time. Thus, the Globalmatix solution differentiates itself from the competition via its...

- **...multi-brand**, multi-size, multi-purpose vehicle support
- **...more than 140 parameters** which are collected from multiple sources via the CANbus interface (Controller Area Network). Competing solutions are only able to offer about ten data points as they are only able to access the OBD interface (on-board diagnostics).
- **...global 4G/LTE network connectivity** for xTCU while many competitors rely on 3G which will become obsolete following the 5G auction.
- **...high security level** which is built into the hardware and was not able to be penetrated during the extensive test phase of about six months.
- **...comprehensive offering** which covers data collection, secure data transmission, cloud storage and APIs which form the basis for the creation of further value-added services related to fleet control.

Plethora of use cases and a large addressable market

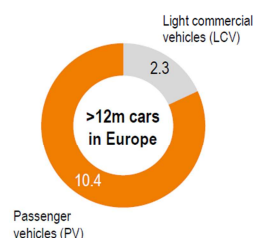
There are more than 12m fleet cars in Europe. Along with its size, the market is characterised by a strong outsourcing trend and growing demand for additional types of individual corporate mobility. The latter contributes to the creation of mixed corporate fleets increasing the number of possible deployments for Softing's Globalmatix xTCU and the subsequent data transmission and complementary services.

Softing's Globalmatix solution enables corporations and their fleet managers to manage fleets based on real-time data and thus provides benefits in many areas. Relevant KPIs, data parameters and reliable odometer readings can be retrieved instantly. In addition, continuous condition monitoring can ensure reliable vehicle condition and the fleet can be controlled proactively with a positive impact on maintenance and usage.

Sixt Leasing highlights a large addressable market

LARGE MARKET POTENTIAL

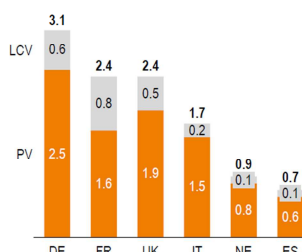
[Cars under management in EU-18 in million]⁽¹⁾



More than 12 million company cars are serviced in Europe

HIGH CONCENTRATION

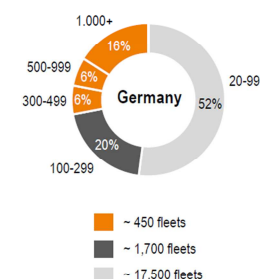
[Cars under management in EU-6]⁽¹⁾



~ 11 million serviced company cars in only six European countries

ATTRACTIVENESS OF SME

[Subdivision of vehicles in corporate fleets in DE]⁽²⁾



Large untapped potential in the < 300 vehicle fleet segment

Source: Sixt Leasing

Along with the large addressable fleet management market, there is a myriad of use cases where the deployment of the xTCU unit and its data transmission services would provide a significant added value with the opportunity for Softing to generate highly visible and recurring monthly revenues per device.

Examples for the plethora of use cases

Focus topics	Services and target groups
Mixed fleet management	Automotive OEM, car rental, fleet operators
Driving-based insurance profile	Insurances
Construction and heavy machinery	Construction machinery OEM, construction machinery rental, large enterprises
Vending machines with mobile payment	Manufacturers of beverage, snack or ticket vending machines
Kilometer or usage time documentation	Vehicle and machinery leasing and rental

Source: Softing

Globalmatix should generate high incremental earnings contributions

Depending on the number of fleet cars that Globalmatix's OEM partner manages to contract, contributions to Softing's bottom line appear to be substantial, as the incremental costs related to each additional vehicle should not be significant. These involve mainly data transmission and storage costs. The installation costs of the xTCU unit in the car are likely to hover around a few hundred Euros and look set to be covered by the fleet management clients, which should allow Softing to earn a decent margin. The attractiveness of the business, however, is reflected in the recurring revenues that follow thereafter.

While the monthly price per vehicle might vary, Softing's homepage suggests a **"price of a good cup of coffee"**. Incremental costs should be negligible as in this business model Softing basically operates as an MVNO (mobile virtual network operator). Along with the high incremental margins, the business is characterised by a high degree of stickiness as a result of the xTCU installation in the car.

The following table provides different scenarios that are associated with connected vehicles and monthly unit prices. Ramp-up costs and revenues were not taken into consideration.

Scenarios: monthly revenues per unit

		2018	2019e	2020e	2021e	2022e	2023e	2024e	2025e
Assumed average number of fleet cars under management (in k) yoy			10	75 650%	125 67%	175 40%	250 43%	300 20%	350 17%
Estimated revenues (EUR m)	assumed unit price per month (EUR)								
	5		1	5	8	11	15	19	21
	10		1	9	15	21	30	36	42
	15		2	14	23	32	45	54	63
Assumed incremental costs	10%		0	0	1	1	2	2	2
	20%		0	2	3	4	6	7	8
	30%		1	4	7	9	14	16	19
Assumed bottom line contribution			1	4	7	9	14	16	19
			1	7	12	17	24	29	34
			1	9	16	22	32	38	44

Source: Warburg Research

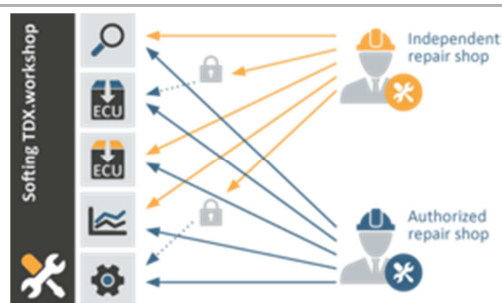
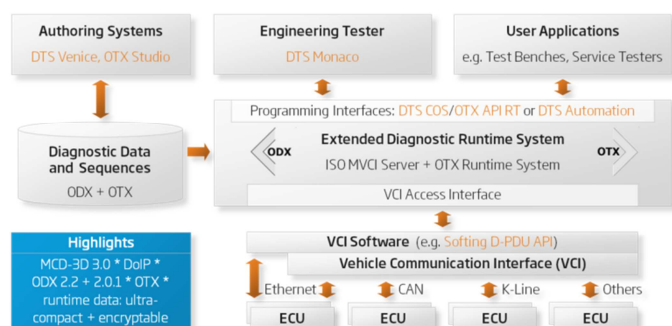
New products support momentum in the traditional business

Automotive to be driven by new products

Apart from Globalmatix, Softing's traditional business looks set to accelerate again. The company's order situation is solid and is reflected in an order backlog of more than EUR 20m at the end of Q1. Orders were especially strong in Softing's Industrial Automation and Automotive segments; the IT Networks business is characterised by short order-to-delivery times. While customers in the Automotive segment might be tightening some of their budgets, demand for diagnostic solutions remains high and is driven by various new products in this segment:

- The software product **DTS 9** (diagnostic tool set), including its "over-the-air" functionalities, has been completed. Softing has already announced a big order: At the beginning of June, it signed a contract for its last generation diagnostic tool set (DTS) with a leading German automotive manufacturer. With this contract, Softing will generate an annual revenue volume of a **significant seven-digit Euro amount**. The customer is expected to use DTS over a period of five or more years.
- Softing has gained first references for its **TDX** software product (tester for DiagnosticX) from car and construction machinery manufacturers.
- Softing's **measurement technology** unit has received the biggest order in the company's history. A large part of the order will be delivered in the fourth quarter of 2019.
- Softing **Automotive China** is experiencing strong tailwind and already generated a business volume of about EUR 1m with strong momentum.
- Softing provides an extensive portfolio of Vehicle Communication Interfaces (VCIs), each tailored to the specific requirements of the engineering, manufacturing and after-sales service sectors. **VINJING 2000** has been completed using new protocols. The new product is to be deployed in the production of large automotive OEMs and should support growth.

New products support growth in the Automotive segment



Sources: Softing

Industrial Automation with solid momentum and increasing interconnectivity as an underlying trend

While Softing's US subsidiaries OLDI and Softing Inc. faced some headwind in the past, these companies experienced solid growth in 2018 reaching a revenue level of EUR 30m. In 2019, the US business is experiencing solid momentum from the oil and gas industry which is also reflected in an order book of EUR 2m.

The trend of connecting all kinds of devices in various environments is reflected in buzzwords such as **Industry 4.0**. Players such as Amazon and Microsoft are expanding their **IoT** activities supported by Softing and its network protocol know-how. Growing interest and demand in this business field as an underlying trend should support future growth in product areas such as...

- **...Edge Connectivity Products** which connect legacy production infrastructure to cloud architectures.
- **...dataFeed Middleware** products which connect the shop floor to ERP systems.
- **...dataFeed Gateways** which allow the integration of legacy CNC controls into modern IT and production environments.

New products drive growth in Industrial Automation



Sources: Softing

New products to create momentum in IT Networks

Softing's IT Networks business looks set to benefit from new product innovations, which should support the dynamic top-line growth of >20% p.a. that has been achieved since the Psiber acquisition in 2014. Underlying growth is mainly driven by the expansion of wireless applications, which lead to higher bandwidth requirements in networks and data centres. Worldwide demand for qualifiers remains at a high level in order to ensure a high level of data transmission.

Certifiers, which are used for the acceptance of new cabling, are positioned in the high end of the market segment. Every year, only about 1,000 products are sold worldwide at a price of >EUR 10,000.

The launch of a new **Qualifier** product should support future growth. The product will allow Softing to achieve a higher unit price as the new qualifiers will be able to measure **existing** networks (fibre, copper, Wi-Fi) with up to 10 Gbit/s – a USP in the market. The higher price per unit of about EUR 4,000 (vs. approx. EUR 2,000 before) is also justified by the fact that customers are enabled to upgrade their products via software updates which provides a high degree of investment protection.

Verifiers represent the biggest market segment in terms of quantity. However, the price per unit is also significantly lower at about EUR 100. While in the past, Softing was mainly reselling third-party devices, proprietary products are expected to be launched at the beginning of next year and will contribute to a higher profitability.

Product offering is being expanded



Source: Softing

Valuation

- The price target of **EUR 9.50** is based on a **DCF model**.
- The **Free Cash Flow Value Potential** model signals a value of **EUR 5**.
- A **peer group comparison** indicates a fair value of EUR 10 and supports the significant upside potential derived from the DCF model.

DCF model

The PT of EUR 9.50 is based on a DCF model with the following assumptions:

Revenue growth 2018-2021e at a CAGR of 7.4% is a result of:

- a **growing number of vehicles and devices** that are connected to Globalmatix's data transmission platform.
- **solid momentum in the traditional business** which is supported by demand from the process industry and new products such as DTS 9 in the Automotive segment or verifiers in IT Networks.

The long-term growth rate of 2% is approximated in the transitional period between 2022 and 2031.

Proportionally greater earnings growth:

We estimate an **expansion of the EBIT margin** to 7.5% by 2021 driven by...

- **...Globalmatix's high incremental earnings contributions,**
- **...economies of scale** as a result of a growing top line in the traditional business.

Cost of capital:

A beta of 1.3 reflects the low liquidity of the share price as well as the uncertainty associated with new revenues streams. In combination with the assumption of a target debt ratio of 10%, this leads to a WACC of 8%.

Result: The DCF model leads to a fair value of EUR 9.50 which is the basis for our PT.

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	
Sales	90.0	96.0	104.0	109.7	115.5	121.2	126.9	132.6	138.2	143.8	149.3	154.8	157.9	2.0 %
Sales change	7.3 %	6.7 %	8.3 %	5.5 %	5.2 %	5.0 %	4.7 %	4.5 %	4.3 %	4.0 %	3.8 %	3.6 %	2.0 %	
EBIT	3.9	5.8	7.8	8.2	8.7	9.1	9.5	9.9	10.4	10.8	11.2	11.6	11.8	7.5 %
EBIT-margin	4.3 %	6.0 %	7.5 %	7.5 %	7.5 %	7.5 %	7.5 %	7.5 %	7.5 %	7.5 %	7.5 %	7.5 %	7.5 %	
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 %	8.3
NOPAT	2.7	4.1	5.4	5.8	6.1	6.4	6.7	7.0	7.3	7.6	7.8	8.1	8.3	
Depreciation	6.4	6.4	6.4	7.6	8.0	8.4	8.8	9.1	9.5	9.9	10.3	10.7	10.9	6.9 %
in % of Sales	7.1 %	6.7 %	6.2 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	
Changes in provisions	0.4	0.0	0.0	-0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.6
Change in Liquidity from														
- Working Capital	-0.4	1.2	1.6	1.3	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	0.6	10.9
- Capex	7.6	7.6	7.6	7.6	8.0	8.4	8.8	9.1	9.5	9.9	10.3	10.7	10.9	
Capex in % of Sales	8.4 %	7.9 %	7.3 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	0.0
Other	1.5	1.5	1.5	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)	0.7	0.2	1.2	4.3	5.0	5.3	5.6	5.9	6.3	6.6	6.9	7.2	7.7	8
PV of FCF	0.7	0.2	1.0	3.4	3.7	3.6	3.6	3.5	3.4	3.3	3.2	3.1	3.1	
share of PVs	2.11 %			36.80 %										61.09 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	10.00 %	Financial Strength	1.30
Cost of debt (after tax)	2.1 %	Liquidity (share)	1.30
Market return	7.00 %	Cyclicality	1.30
Risk free rate	1.50 %	Transparency	1.25
		Others	1.30
WACC	7.95 %	Beta	1.29

Valuation (m)

Present values 2031e	36		
Terminal Value	56		
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	87	Value per share (EUR)	9.58

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
1.49	8.9 %	7.41	7.56	7.71	7.88	8.06	8.25	8.45	1.49	8.9 %	5.79	6.48	7.18	7.88	8.58	9.27	9.97
1.39	8.4 %	8.09	8.27	8.46	8.66	8.88	9.12	9.37	1.39	8.4 %	6.40	7.16	7.91	8.66	9.41	10.16	10.91
1.34	8.2 %	8.47	8.67	8.87	9.10	9.34	9.61	9.90	1.34	8.2 %	6.75	7.53	8.32	9.10	9.88	10.66	11.44
1.29	7.9 %	8.88	9.09	9.33	9.58	9.85	10.15	10.47	1.29	7.9 %	7.13	7.95	8.76	9.58	10.39	11.21	12.02
1.24	7.7 %	9.32	9.56	9.82	10.10	10.40	10.74	11.11	1.24	7.7 %	7.54	8.39	9.25	10.10	10.95	11.80	12.65
1.19	7.4 %	9.80	10.06	10.35	10.67	11.01	11.39	11.81	1.19	7.4 %	8.00	8.89	9.78	10.67	11.56	12.45	13.34
1.09	6.9 %	10.88	11.22	11.58	11.98	12.43	12.92	13.48	1.09	6.9 %	9.04	10.02	11.00	11.98	12.96	13.94	14.92

- 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", an FCF "ex growth" figure that 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).

Result: The FCF Value potential indicates a fair value of EUR 5 for 2021.

Free Cash Flow Value Potential								
in EUR m	2015	2016	2017	2018	2019e	2020e	2021e	
Net Income before minorities	4.5	5.7	0.7	3.3	2.6	4.0	5.4	
+ Depreciation + Amortisation	5.3	5.1	4.5	4.9	6.4	6.4	6.4	
- Net Interest Income	-0.3	-0.2	-1.2	0.5	-0.1	-0.1	-0.1	
- Maintenance Capex	3.3	4.2	4.2	5.8	5.7	5.7	5.7	
+ Other	0.0	0.0	0.0	0.0	-1.5	-1.5	-1.5	
= Free Cash Flow Potential	6.7	6.8	2.3	1.9	2.0	3.3	4.7	
FCF Potential Yield (on market EV)	6.6 %	7.5 %	2.6 %	2.4 %	2.5 %	4.1 %	5.8 %	
WACC	7.95 %	7.95 %	7.95 %	7.95 %	7.95 %	7.95 %	7.95 %	
= Enterprise Value (EV)	101.6	90.0	86.7	80.5	79.6	80.8	81.3	
= Fair Enterprise Value	84.3	85.5	28.4	24.5	24.6	41.7	59.1	
- Net Debt (Cash)	3.1	3.1	3.1	3.1	9.9	11.1	11.6	
- Pension Liabilities	2.1	2.1	2.1	2.1	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	79.0	80.3	23.2	19.3	12.3	28.1	45.1	
Number of shares, average	6.9	7.0	7.3	8.8	9.1	9.1	9.1	
= Fair value per share (EUR)	11.39	11.54	3.16	2.20	1.35	3.09	4.95	
premium (-) / discount (+) in %					-81.8 %	-58.2 %	-32.9 %	
Sensitivity Fair value per Share (EUR)								
WACC	10.95 %	6.14	6.24	1.69	1.38	0.60	1.83	3.17
	9.95 %	6.82	6.93	1.92	1.58	0.80	2.16	3.64
	8.95 %	7.65	7.77	2.20	1.82	1.04	2.57	4.22
	7.95 %	8.68	8.82	2.55	2.12	1.35	3.09	4.95
	6.95 %	10.01	10.17	3.00	2.51	1.74	3.75	5.89
	5.95 %	11.79	11.98	3.60	3.02	2.26	4.63	7.14
	4.95 %	14.29	14.51	4.44	3.75	2.99	5.87	8.89

- Capitalised own work is a significant element of the capex.
- FCF-Value-CAGR 2015-2021e: -9%

Peer group comparison

The peer group valuation includes small caps from the automation technology sector. However, target markets, customers and market capitalisations differ significantly. HMS Networks is the closest comparable peer to Softing. However, HMS Networks is not active in the automotive segment.

We attribute the highest significance to EV/EBIT as the other multiples are influenced by various factors such as profitability, accounting (e.g. R&D capitalisation, IFRS 16) and debt structure. Based on the 2020 EV/EBIT multiple, the peer group comparison indicates a value of about EUR 10.

Peer group – Valuation multiples

Company	LC	Price in LC	MC in LC m	EV in LC m	P / E			EV / Sales			EV / EBITDA			EV / EBIT		
					19e	20e	21e	19e	20e	21e	19e	20e	21e	19e	20e	21e
Bittium Oyj	EUR	6.29	223.9	163.9	37.0 x	26.8 x	13.1x	2.1x	17 x	12 x	9.9 x	7.9 x	5.0 x	23.3 x	15.8 x	9.2 x
ESI Group	EUR	3150	189.6	217.3	55.8 x	39.8 x	29.1x	15 x	15 x	14 x	18.7 x	17.9 x	13.9 x	30.8 x	22.6 x	17.6 x
Gefran SpA	EUR	6.99	100.7	108.7	12.3 x	10.8 x	9.7 x	0.8 x	0.7 x	0.7 x	5.3 x	4.8 x	4.4 x	9.2 x	7.5 x	6.8 x
HMS Networks AB	SEK	174.60	8,174.6	8,245.5	413 x	311x	25.5 x	5.2 x	4.5 x	3.9 x	23.9 x	18.6 x	15.6 x	29.8 x	22.2 x	18.2 x
R Stahl AG	EUR	26.60	1713	213.2	126.7 x	35.3 x	14.3 x	0.7 x	0.7 x	0.7 x	12.4 x	9.6 x	6.5 x	43.7 x	22.7 x	10.7 x
S&T AG	EUR	19.48	1287.6	1281.7	22.7 x	17.6 x	13.9 x	1.1x	10 x	0.9 x	12.3 x	10.2 x	8.6 x	18.1x	14.2 x	11.4 x
Sierra Wireless Inc	USD	1164	420.8	380.1	28.4 x	15.4 x	n.a.	0.5 x	0.4 x	n.a.	10.5 x	7.0 x	n.a.	27.0 x	10.2 x	n.a.
Telit Communications PLC	GBP	172.60	227.3	253.7	45.0 x	23.2 x	n.a.	0.9 x	0.8 x	n.a.	8.6 x	7.6 x	n.a.	39.7 x	24.2 x	n.a.
Average					46.1x	25.0 x	17.6 x	16 x	14 x	15 x	12.7 x	10.5 x	9.0 x	27.7 x	17.4 x	12.3 x
Median					39.2 x	25.0 x	14.1x	10 x	0.9 x	1.1x	11.4 x	8.8 x	7.5 x	28.4 x	19.0 x	11.0 x
Softing	EUR	7.60	69.2	81.6	26.2 x	17.3 x	12.9 x	0.9 x	0.8 x	0.8 x	8.0 x	6.7 x	5.8 x	21.1 x	14.1 x	10.5 x
Valuation difference to Median					49%	45%	10%	10%	5%	34%	43%	31%	31%	34%	35%	5%
Fair value per share based on Median					1136	1100	8.33	8.46	8.08	10.64	1149	10.41	10.37	10.66	10.76	8.06

Sources: Bloomberg, Warburg Research

Conclusion

After several years of modest top- and bottom-line development, the recent operative progression at Globalmatix offers significant upside potential due to:

- demand for data insights in mixed automotive fleets in order to increase efficiency and comfort.
- high incremental earnings contributions as a result of low incremental costs.
- high customer stickiness.

This, combined with the solid operative development in Softing's traditional Automotive, Industrial Automation and IT Networks business, should support the margin progression and share price performance.

Given the upside to our PT, the rating is raised from Hold to Buy.

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	
Sales	90.0	96.0	104.0	109.7	115.5	121.2	126.9	132.6	138.2	143.8	149.3	154.8	157.9	2.0 %
Sales change	7.3 %	6.7 %	8.3 %	5.5 %	5.2 %	5.0 %	4.7 %	4.5 %	4.3 %	4.0 %	3.8 %	3.6 %	2.0 %	
EBIT	3.9	5.8	7.8	8.2	8.7	9.1	9.5	9.9	10.4	10.8	11.2	11.6	11.8	7.5 %
EBIT-margin	4.3 %	6.0 %	7.5 %	7.5 %	7.5 %	7.5 %	7.5 %	7.5 %	7.5 %	7.5 %	7.5 %	7.5 %	7.5 %	
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 %	8.3
NOPAT	2.7	4.1	5.4	5.8	6.1	6.4	6.7	7.0	7.3	7.6	7.8	8.1	8.3	
Depreciation	6.4	6.4	6.4	7.6	8.0	8.4	8.8	9.1	9.5	9.9	10.3	10.7	10.9	6.9 %
in % of Sales	7.1 %	6.7 %	6.2 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	
Changes in provisions	0.4	0.0	0.0	-0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.6
Change in Liquidity from														
- Working Capital	-0.4	1.2	1.6	1.3	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	0.6	10.9
- Capex	7.6	7.6	7.6	7.6	8.0	8.4	8.8	9.1	9.5	9.9	10.3	10.7	10.9	
Capex in % of Sales	8.4 %	7.9 %	7.3 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	0.0
Other	1.5	1.5	1.5	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)	0.7	0.2	1.2	4.3	5.0	5.3	5.6	5.9	6.3	6.6	6.9	7.2	7.7	8
PV of FCF	0.7	0.2	1.0	3.4	3.7	3.6	3.6	3.5	3.4	3.3	3.2	3.1	3.1	
share of PVs	2.11 %			36.80 %										61.09 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	10.00 %	Financial Strength	1.30
Cost of debt (after tax)	2.1 %	Liquidity (share)	1.30
Market return	7.00 %	Cyclicality	1.30
Risk free rate	1.50 %	Transparency	1.25
		Others	1.30
WACC	7.95 %	Beta	1.29

Valuation (m)

Present values 2031e	36		
Terminal Value	56		
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	87	Value per share (EUR)	9.58

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
1.49	8.9 %	7.41	7.56	7.71	7.88	8.06	8.25	8.45	1.49	8.9 %	5.79	6.48	7.18	7.88	8.58	9.27	9.97
1.39	8.4 %	8.09	8.27	8.46	8.66	8.88	9.12	9.37	1.39	8.4 %	6.40	7.16	7.91	8.66	9.41	10.16	10.91
1.34	8.2 %	8.47	8.67	8.87	9.10	9.34	9.61	9.90	1.34	8.2 %	6.75	7.53	8.32	9.10	9.88	10.66	11.44
1.29	7.9 %	8.88	9.09	9.33	9.58	9.85	10.15	10.47	1.29	7.9 %	7.13	7.95	8.76	9.58	10.39	11.21	12.02
1.24	7.7 %	9.32	9.56	9.82	10.10	10.40	10.74	11.11	1.24	7.7 %	7.54	8.39	9.25	10.10	10.95	11.80	12.65
1.19	7.4 %	9.80	10.06	10.35	10.67	11.01	11.39	11.81	1.19	7.4 %	8.00	8.89	9.78	10.67	11.56	12.45	13.34
1.09	6.9 %	10.88	11.22	11.58	11.98	12.43	12.92	13.48	1.09	6.9 %	9.04	10.02	11.00	11.98	12.96	13.94	14.92

- 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	2015	2016	2017	2018	2019e	2020e	2021e	
Net Income before minorities	4.5	5.7	0.7	3.3	2.6	4.0	5.4	
+ Depreciation + Amortisation	5.3	5.1	4.5	4.9	6.4	6.4	6.4	
- Net Interest Income	-0.3	-0.2	-1.2	0.5	-0.1	-0.1	-0.1	
- Maintenance Capex	3.3	4.2	4.2	5.8	5.7	5.7	5.7	
+ Other	0.0	0.0	0.0	0.0	-1.5	-1.5	-1.5	
= Free Cash Flow Potential	6.7	6.8	2.3	1.9	2.0	3.3	4.7	
FCF Potential Yield (on market EV)	6.6 %	7.5 %	2.6 %	2.4 %	2.5 %	4.1 %	5.8 %	
WACC	7.95 %	7.95 %	7.95 %	7.95 %	7.95 %	7.95 %	7.95 %	
= Enterprise Value (EV)	101.6	90.0	86.7	80.5	79.6	80.8	81.3	
= Fair Enterprise Value	84.3	85.5	28.4	24.5	24.6	41.7	59.1	
- Net Debt (Cash)	3.1	3.1	3.1	3.1	9.9	11.1	11.6	
- Pension Liabilities	2.1	2.1	2.1	2.1	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	79.0	80.3	23.2	19.3	12.3	28.1	45.1	
Number of shares, average	6.9	7.0	7.3	8.8	9.1	9.1	9.1	
= Fair value per share (EUR)	11.39	11.54	3.16	2.20	1.35	3.09	4.95	
premium (-) / discount (+) in %					-81.8 %	-58.2 %	-32.9 %	
Sensitivity Fair value per Share (EUR)								
WACC	10.95 %	6.14	6.24	1.69	1.38	0.60	1.83	3.17
	9.95 %	6.82	6.93	1.92	1.58	0.80	2.16	3.64
	8.95 %	7.65	7.77	2.20	1.82	1.04	2.57	4.22
	7.95 %	8.68	8.82	2.55	2.12	1.35	3.09	4.95
	6.95 %	10.01	10.17	3.00	2.51	1.74	3.75	5.89
	5.95 %	11.79	11.98	3.60	3.02	2.26	4.63	7.14
	4.95 %	14.29	14.51	4.44	3.75	2.99	5.87	8.89

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

■ FCF-Value-CAGR 2015-2021e: -9%

Valuation	2015	2016	2017	2018	2019e	2020e	2021e
Price / Book	2.1 x	1.7 x	1.6 x	1.1 x	1.0 x	1.0 x	0.9 x
Book value per share ex intangibles	0.00	0.55	1.37	0.92	0.64	0.56	0.60
EV / Sales	1.2 x	1.1 x	1.1 x	1.0 x	0.9 x	0.8 x	0.8 x
EV / EBITDA	9.4 x	7.3 x	12.7 x	8.9 x	7.8 x	6.6 x	5.7 x
EV / EBIT	18.6 x	12.6 x	37.0 x	19.7 x	20.6 x	13.9 x	10.5 x
EV / EBIT adj.*	15.1 x	13.6 x	77.7 x	22.8 x	20.6 x	15.3 x	11.2 x
P / FCF	20.8 x	20.9 x	n.a.	44.1 x	30.8 x	41.4 x	25.8 x
P / E	19.4 x	14.3 x	112.0 x	22.6 x	25.4 x	16.8 x	12.5 x
P / E adj.*	19.4 x	14.3 x	112.0 x	22.6 x	25.4 x	16.8 x	12.5 x
Dividend Yield	1.2 %	1.7 %	1.2 %	1.5 %	2.0 %	2.3 %	2.7 %
FCF Potential Yield (on market EV)	6.6 %	7.5 %	2.6 %	2.4 %	2.5 %	4.1 %	5.8 %
*Adjustments made for: -							

Consolidated profit & loss

In EUR m	2015	2016	2017	2018	2019e	2020e	2021e
Sales	82.3	80.4	78.7	83.9	90.0	96.0	104.0
Change Sales yoy	10.4 %	-2.3 %	-2.1 %	6.6 %	7.3 %	6.7 %	8.3 %
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	2.8	4.5	4.6	4.4	4.0	4.5	4.5
Total Sales	85.1	84.9	83.3	88.3	94.0	100.5	108.5
Material expenses	31.9	31.4	32.2	36.5	39.2	40.8	44.8
Gross profit	53.2	53.6	51.1	51.8	54.8	59.7	63.7
Gross profit margin	64.7 %	66.6 %	64.9 %	61.8 %	60.8 %	62.2 %	61.2 %
Personnel expenses	33.6	35.1	33.0	33.4	36.0	36.5	38.0
Other operating income	2.8	5.3	0.9	1.4	1.5	1.5	1.5
Other operating expenses	11.7	11.5	12.1	10.8	10.0	12.5	13.0
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	10.8	12.3	6.8	9.0	10.3	12.2	14.2
Margin	13.1 %	15.2 %	8.7 %	10.7 %	11.4 %	12.7 %	13.6 %
Depreciation of fixed assets	0.8	0.8	0.8	0.7	1.9	1.9	1.9
EBITA	10.0	11.4	6.1	8.3	8.4	10.3	12.3
Amortisation of intangible assets	4.5	4.3	3.7	4.2	4.5	4.5	4.5
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	5.5	7.2	2.3	4.1	3.9	5.8	7.8
Margin	6.6 %	8.9 %	3.0 %	4.9 %	4.3 %	6.0 %	7.5 %
EBIT adj.	6.7	6.6	1.1	3.5	3.9	5.3	7.3
Interest income	0.1	0.1	0.0	0.1	0.1	0.1	0.1
Interest expenses	0.3	0.2	1.3	-0.5	0.2	0.2	0.2
Other financial income (loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	5.2	7.0	1.1	4.6	3.8	5.7	7.7
Margin	6.3 %	8.7 %	1.4 %	5.5 %	4.2 %	5.9 %	7.4 %
Total taxes	0.7	1.3	0.4	1.3	1.1	1.7	2.3
Net income from continuing operations	4.5	5.7	0.7	3.3	2.6	4.0	5.4
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	4.5	5.7	0.7	3.3	2.6	4.0	5.4
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	4.5	5.7	0.7	3.3	2.6	4.0	5.4
Margin	5.4 %	7.1 %	0.9 %	4.0 %	2.9 %	4.2 %	5.2 %
Number of shares, average	6.9	7.0	7.3	8.8	9.1	9.1	9.1
EPS	0.65	0.82	0.10	0.38	0.29	0.44	0.59
EPS adj.	0.65	0.82	0.10	0.38	0.29	0.44	0.59

*Adjustments made for:

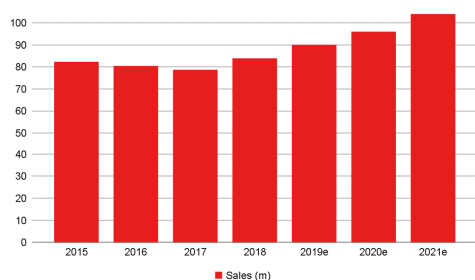
Guidance: 2019: revenues > EUR 88m; EBIT > EUR 4m

Financial Ratios

	2015	2016	2017	2018	2019e	2020e	2021e
Total Operating Costs / Sales	90.3 %	90.4 %	97.2 %	94.5 %	93.0 %	92.0 %	90.7 %
Operating Leverage	-0.7 x	-13.5 x	31.5 x	11.2 x	-0.7 x	7.5 x	4.1 x
EBITDA / Interest expenses	33.3 x	49.4 x	5.4 x	n.m.	51.3 x	61.0 x	70.9 x
Tax rate (EBT)	14.0 %	18.1 %	35.8 %	27.7 %	30.0 %	30.0 %	30.0 %
Dividend Payout Ratio	23.2 %	24.4 %	131.5 %	34.2 %	51.9 %	38.8 %	33.9 %
Sales per Employee	191,744	178,720	189,658	207,649	197,802	210,989	228,571

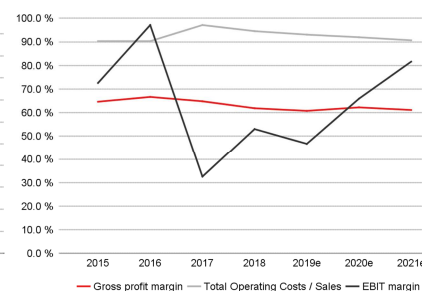
Sales, EBITDA

in EUR m

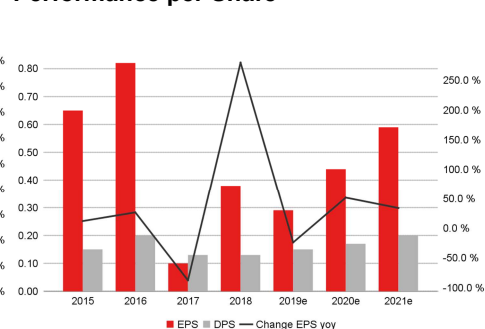


Operating Performance

in %



Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

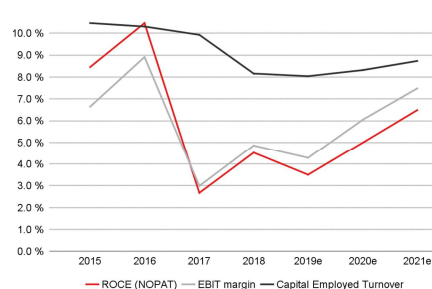
Consolidated balance sheet

In EUR m	2015	2016	2017	2018	2019e	2020e	2021e
Assets							
Goodwill and other intangible assets	42.4	43.8	41.8	59.9	61.7	63.6	65.5
thereof other intangible assets	18.9	18.2	14.7	26.5	25.6	24.7	23.9
thereof Goodwill	15.2	15.5	14.5	18.0	18.0	18.0	18.0
Property, plant and equipment	2.4	2.3	2.0	2.3	7.9	7.2	6.5
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	44.7	46.0	43.8	62.2	69.7	70.8	72.0
Inventories	9.3	9.2	9.1	10.6	10.2	10.9	11.8
Accounts receivable	15.4	12.6	12.8	13.7	14.5	15.5	16.8
Liquid assets	9.2	10.9	10.3	9.7	11.8	8.6	8.2
Other short-term assets	3.8	4.2	4.7	3.7	5.8	5.8	5.8
Current assets	37.7	36.9	36.9	37.6	42.3	40.8	42.5
Total Assets	82.5	82.9	80.7	99.8	112.0	111.6	114.5
Liabilities and shareholders' equity							
Subscribed capital	7.0	7.0	7.7	9.1	9.1	9.1	9.1
Capital reserve	12.3	12.3	19.2	31.1	31.1	31.1	31.1
Retained earnings	23.1	28.4	25.4	28.0	30.7	34.7	40.0
Other equity components	0.0	0.0	0.0	0.0	-3.3	-6.1	-9.3
Shareholders' equity	42.4	47.6	52.3	68.3	67.6	68.7	71.0
Minority interest	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Total equity	42.3	47.6	52.3	68.4	67.7	68.9	71.1
Provisions	4.1	4.7	2.9	3.7	5.4	5.4	5.4
thereof provisions for pensions and similar obligations	1.9	2.2	2.2	2.1	2.5	2.5	2.5
Financial liabilities (total)	21.2	16.9	12.6	12.8	21.7	19.7	19.7
thereof short-term financial liabilities	5.5	10.3	8.4	10.7	10.7	10.7	10.7
Accounts payable	6.3	5.9	5.5	6.1	6.9	7.4	8.0
Other liabilities	8.5	7.8	7.4	8.8	10.2	10.2	10.2
Liabilities	40.1	35.3	28.4	31.4	44.3	42.8	43.4
Total liabilities and shareholders' equity	82.5	82.9	80.7	99.8	112.0	111.6	114.5

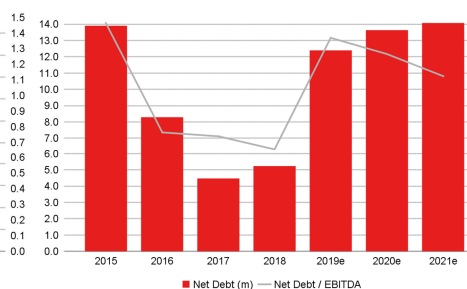
Financial Ratios

	2015	2016	2017	2018	2019e	2020e	2021e
Efficiency of Capital Employment							
Operating Assets Turnover	4.0 x	4.4 x	4.3 x	4.1 x	3.5 x	3.7 x	3.8 x
Capital Employed Turnover	1.5 x	1.4 x	1.4 x	1.1 x	1.1 x	1.2 x	1.2 x
ROA	10.0 %	12.4 %	1.6 %	5.3 %	3.8 %	5.6 %	7.5 %
Return on Capital							
ROCE (NOPAT)	8.4 %	10.5 %	2.7 %	4.5 %	3.5 %	5.0 %	6.5 %
ROE	11.3 %	12.7 %	1.4 %	5.5 %	3.9 %	5.9 %	7.7 %
Adj. ROE	11.3 %	12.7 %	1.4 %	5.5 %	3.9 %	5.9 %	7.7 %
Balance sheet quality							
Net Debt	13.9	8.3	4.5	5.2	12.4	13.6	14.1
Net Financial Debt	12.0	6.1	2.3	3.1	9.9	11.1	11.6
Net Gearing	32.8 %	17.4 %	8.6 %	7.6 %	18.3 %	19.8 %	19.8 %
Net Fin. Debt / EBITDA	112.0 %	49.4 %	33.5 %	34.2 %	96.4 %	91.3 %	81.6 %
Book Value / Share	6.1	6.8	6.8	7.5	7.4	7.5	7.8
Book value per share ex intangibles	0.0	0.6	1.4	0.9	0.6	0.6	0.6

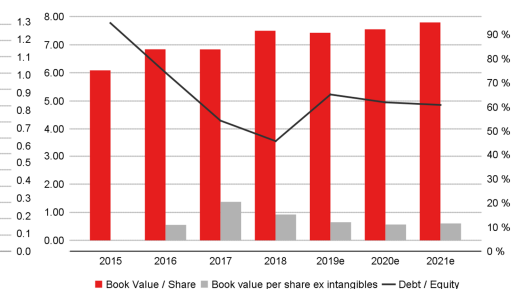
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

Consolidated cash flow statement

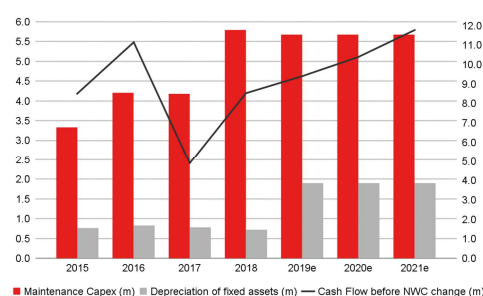
In EUR m	2015	2016	2017	2018	2019e	2020e	2021e
Net income	4.5	5.7	0.7	3.3	2.6	4.0	5.4
Depreciation of fixed assets	0.8	0.8	0.8	0.7	1.9	1.9	1.9
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	4.5	4.3	3.7	4.2	4.5	4.5	4.5
Increase/decrease in long-term provisions	0.0	0.0	0.0	0.0	0.4	0.0	0.0
Other non-cash income and expenses	-1.3	0.3	-0.3	0.3	0.0	0.0	0.0
Cash Flow before NWC change	8.5	11.1	4.9	8.5	9.4	10.4	11.8
Increase / decrease in inventory	-0.6	0.1	0.1	-1.5	0.4	-0.7	-0.9
Increase / decrease in accounts receivable	-1.2	2.8	-0.2	-1.4	-0.8	-1.0	-1.3
Increase / decrease in accounts payable	1.7	-0.8	-0.3	1.4	0.8	0.5	0.6
Increase / decrease in other working capital positions	0.2	-3.7	-1.0	2.4	0.0	0.0	0.0
Increase / decrease in working capital (total)	0.1	-1.6	-1.3	0.9	0.4	-1.2	-1.6
Net cash provided by operating activities [1]	8.6	9.5	3.6	9.4	9.7	9.2	10.2
Investments in intangible assets	-2.8	-4.5	-4.6	-6.4	-6.4	-6.4	-6.4
Investments in property, plant and equipment	-1.7	-1.1	-1.0	-1.4	-1.2	-1.2	-1.2
Payments for acquisitions	-1.3	-0.9	-4.2	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by investing activities [2]	-5.8	-6.5	-9.8	-7.7	-7.6	-7.6	-7.6
Change in financial liabilities	-1.7	-0.2	-0.3	-1.0	2.7	-2.0	0.0
Dividends paid	-1.7	-1.0	-1.4	-1.0	-1.2	-1.4	-1.5
Purchase of own shares	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	7.9	0.0	0.0	0.0	0.0
Other	-0.2	-0.2	-0.1	-0.2	-1.5	-1.5	-1.5
Net cash provided by financing activities [3]	-2.6	-1.4	6.0	-2.2	0.0	-4.9	-3.0
Change in liquid funds [1]+[2]+[3]	0.3	1.6	-0.2	-0.5	2.2	-3.2	-0.4
Effects of exchange-rate changes on cash	0.1	0.1	-0.4	-0.1	0.0	0.0	0.0
Cash and cash equivalent at end of period	9.2	10.9	10.3	9.7	11.8	8.6	8.2

Financial Ratios

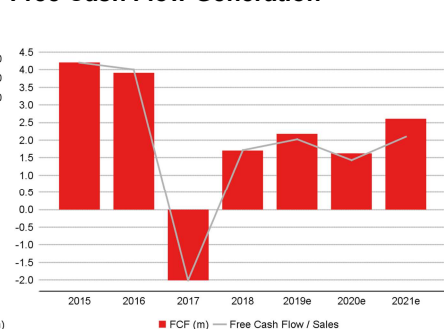
	2015	2016	2017	2018	2019e	2020e	2021e
Cash Flow							
FCF	4.2	3.9	-2.0	1.7	2.2	1.6	2.6
Free Cash Flow / Sales	5.1 %	4.9 %	-2.6 %	2.0 %	2.4 %	1.7 %	2.5 %
Free Cash Flow Potential	6.7	6.8	2.3	1.9	2.0	3.3	4.7
Free Cash Flow / Net Profit	93.8 %	68.6 %	-283.5 %	51.4 %	82.8 %	40.7 %	48.5 %
Interest Received / Avg. Cash	0.6 %	0.6 %	0.4 %	0.7 %	0.9 %	1.0 %	1.2 %
Interest Paid / Avg. Debt	1.4 %	1.3 %	8.6 %	-3.6 %	1.2 %	1.0 %	1.0 %
Management of Funds							
Investment ratio	5.4 %	7.0 %	7.1 %	9.2 %	8.4 %	7.9 %	7.3 %
Maint. Capex / Sales	4.0 %	5.2 %	5.3 %	6.9 %	6.3 %	5.9 %	5.5 %
Capex / Dep	84.1 %	110.0 %	123.9 %	156.4 %	118.2 %	118.2 %	118.2 %
Avg. Working Capital / Sales	22.6 %	21.3 %	20.5 %	20.6 %	20.0 %	19.2 %	19.0 %
Trade Debtors / Trade Creditors	244.0 %	214.0 %	232.1 %	224.8 %	210.1 %	209.5 %	210.0 %
Inventory Turnover	3.4 x	3.4 x	3.6 x	3.5 x	3.8 x	3.7 x	3.8 x
Receivables collection period (days)	68	57	59	60	59	59	59
Payables payment period (days)	72	68	63	61	64	66	65
Cash conversion cycle (Days)	103	96	100	104	90	90	90

CAPEX and Cash Flow

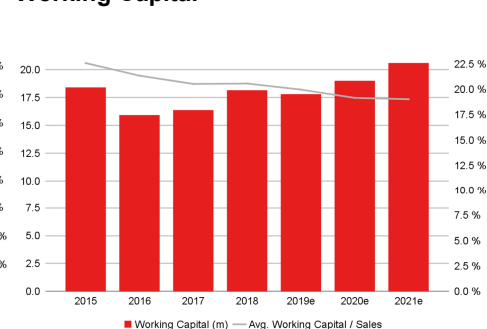
in EUR m



Free Cash Flow Generation



Working Capital



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

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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 – ANALYSED RESEARCH UNIVERSE BY RATING

Rating	Number of stocks	% of Universe
Buy	120	60
Hold	69	35
Sell	5	3
Rating suspended	6	3
Total	200	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	78
Hold	7	17
Sell	0	0
Rating suspended	2	5
Total	41	100

PRICE AND RATING HISTORY SOFTING AS OF 22.07.2019


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.

EQUITIES

Matthias Rode +49 40 3282-2678
Head of Equities mrode@mmwarburg.com

RESEARCH

Michael Heider +49 40 309537-280
Head of Research mheider@warburg-research.com

Henner Rüschemeyer +49 40 309537-270
Head of Research hrueschmeier@warburg-research.com

Jan Bauer +49 40 309537-155
Renewables jbauer@warburg-research.com

Jonas Blum +49 40 309537-240
Telco, Construction jblum@warburg-research.com

Christian Cohrs +49 40 309537-175
Industrials & Transportation ccohrs@warburg-research.com

Felix Ellmann +49 40 309537-120
Software, IT fellmann@warburg-research.com

Jörg Philipp Frey +49 40 309537-258
Retail, Consumer Goods jfrey@warburg-research.com

Marius Fuhrberg +49 40 309537-185
Financial Services mfuhrberg@warburg-research.com

Ulrich Huwald +49 40 309537-255
Health Care, Pharma uhuwald@warburg-research.com

Philipp Kaiser +49 40 309537-260
Real Estate pkaiser@warburg-research.com

Thilo Kleibauer +49 40 309537-257
Retail, Consumer Goods tkleibauer@warburg-research.com

Eggert Kuls +49 40 309537-256
Engineering ekuls@warburg-research.com

Andreas Pläsier +49 40 309537-246
Banks, Financial Services aplaesier@warburg-research.com

Franz Schall +49 40 309537-230
Automobiles, Car Suppliers fschall@warburg-research.com

Malte Schaumann +49 40 309537-170
Technology mschaumann@warburg-research.com

Patrick Schmidt +49 40 309537-125
Leisure, Internet pschmidt@warburg-research.com

Oliver Schwarz +49 40 309537-250
Chemicals, Agriculture oschwarz@warburg-research.com

Cansu Tatar +49 40 309537-248
Cap. Goods, Engineering ctatar@warburg-research.com

Marc-René Tonn +49 40 309537-259
Automobiles, Car Suppliers mtonn@warburg-research.com

Robert-Jan van der Horst +49 40 309537-290
Technology rvanderhorst@warburg-research.com

Andreas Wolf +49 40 309537-140
Software, IT awolf@warburg-research.com

INSTITUTIONAL EQUITY SALES

Marc Niemann +49 40 3282-2660
Head of Equity Sales, Germany mniemann@mmwarburg.com

Klaus Schilling +49 40 3282-2664
Head of Equity Sales, Germany kschilling@mmwarburg.com

Tim Beckmann +49 40 3282-2665
United Kingdom tbeckmann@mmwarburg.com

Lyubka Bogdanova +49 69 5050-7411
Ireland, Poland, Australia lbogdanova@mmwarburg.com

Jens Buchmüller +49 69 5050-7415
Scandinavia, Austria jbuchmueller@mmwarburg.com

Alexander Eschweiler +49 40 3282-2669
Germany aeschweiler@mmwarburg.com

Matthias Fritsch +49 40 3282-2696
United Kingdom mfritsch@mmwarburg.com

Michael Kriszun +49 40 3282-2695
United Kingdom mkriszun@mmwarburg.com

Julia Fesenberg +49 69 5050-7417
Roadshow/Marketing jfesenberg@mmwarburg.com

Juliane Niemann +49 40 3282-2694
Roadshow/Marketing jniemann@mmwarburg.com

SALES TRADING

Oliver Merckel +49 40 3282-2634
Head of Sales Trading omerckel@mmwarburg.com

Elyaz Dust +49 40 3282-2702
Sales Trading edust@mmwarburg.com

Michael Ilgenstein +49 40 3282-2700
Sales Trading milgenstein@mmwarburg.com

Bastian Quast +49 40 3282-2701
Sales Trading bquast@mmwarburg.com

Jörg Treptow +49 40 3282-2658
Sales Trading jtreptow@mmwarburg.com

Jan Walter +49 40 3282-2662
Sales Trading jwalter@mmwarburg.com

MACRO RESEARCH

Carsten Klude +49 40 3282-2572
Macro Research cklude@mmwarburg.com

Dr. Christian Jasperneite +49 40 3282-2439
Investment Strategy cjasperneite@mmwarburg.com

Our research can be found under:

Warburg Research research.mmwarburg.com/en/index.html
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Capital IQ www.capitaliq.com

For access please contact:

Andrea Schaper +49 40 3282-2632
Sales Assistance aschaper@mmwarburg.com

Kerstin Muthig +49 40 3282-2703
Sales Assistance kmuthig@mmwarburg.com