

Buy EUR 9.50 Price EUR 5.74 Upside 65.5 %	Value Indicators: EUR DCF: 9.90 FCF-Value Potential 22e: 8.20	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: 52.3 No. of shares (m): 9.1 EV: 58.8 Freefloat MC: 32.7 Ø Trad. Vol. (30d): 47.56 th	Shareholders: Freefloat 62.6 % Trier Asset Mgmt 22.4 % Alois Widmann 15.0 %	Risk Profile (WRe): 2020e Beta: 1.3 Price / Book: 0.7 x Equity Ratio: 63 % Net Fin. Debt / EBITDA: 0.4 x Net Debt / EBITDA: 0.6 x

Weak Q2 expected but return to growth thereafter

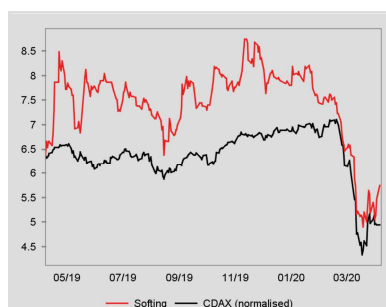
Softing's 2019 figures (see table next page) were in line with our estimates and marked a new **revenue record**, underpinning the company's strong performance. **EBIT** was solid and the level of EUR 4.3m was achieved despite start-up costs of approx. EUR 2m for Globalmatix which is part of the **Automotive Electronics** segment. 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. **Globalmatix** plans to generate a seven-digit Euro amount this year. 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 current environment also creates opportunities in the area of public transport to ensure sufficient physical distance between passengers which should help limit the spread of the coronavirus. Furthermore, Globalmatix is participating in project tenders which offer significant revenue potential. Additionally, the further roll-out of the DTS9 diagnostic tool software product family should, at least partially, compensate for weaker demand in Automotive Electronics in the current environment.

Despite the low oil price, Softing's business with the oil and gas industry, which is part of the **Industrial Automation** segment, is solid. Going forward, the Industrial Automation business should benefit from intact underlying trends. The recently acquired assets of Phoenix Digital Corporation (PDC), for example, offer communication solutions in the area of **Industrial IoT solutions**. The new subsidiary's products offer the potential to generate revenues of up to EUR 3m in the medium term. In IT Networks, a higher share of proprietary products should support profitability.

Under the current circumstances, most of Softing's employees are able to work remotely from home. Furthermore, government support schemes allow for greater cost flexibility. Our estimates are lowered to reflect the expected impact of the COVID-19 pandemic but as the model is also rolled forward, the PT of EUR 9.50 remains unchanged. While we do not expect the first quarter to show a major impact, Q2 should mark the trough. During the current year, Softing will continue its R&D efforts to pave the way for future growth. Softing announced a share buyback programme. The company is entitled to buy back up to 90,000 or a value of EUR 500,000 and should support the share price development.

Given upside to our PT and the expectation of Softing's return to growth after Q2, the Buy rating is confirmed.

Changes in Estimates:							Comment on Changes:	
FY End: 31.12. in EUR m	2020e (old)	+ / -	2021e (old)	+ / -	2022e (old)	+ / -		
Sales	98.0	-9.7 %	107.0	-9.3 %	n.a.	n.m.	■ Before the COVID-19 pandemic, Softing was targeting a revenue level of EUR 100m and EBIT of more than EUR 5m.	
EBITDA	15.0	-24.3 %	17.3	-14.4 %	n.a.	n.m.	■ Estimates lowered to reflect the impact of the measures to fight the COVID-19 pandemic.	
EBIT	6.0	-49.1 %	8.1	-20.8 %	n.a.	n.m.	■ Automotive Electronics 2020e: EUR 5m	
EPS	0.45	-53.3 %	0.61	-23.0 %	n.a.	n.m.	■ Industrial Automation 2020e: EUR 57.5m	
							■ IT Networks 2020e: EUR 10m	



Rel. Performance vs CDAX:	
1 month:	7.4 %
6 months:	-4.9 %
Year to date:	1.6 %
Trailing 12 months:	12.0 %

Company events:	
04.05.20	Q1
14.08.20	Q2
13.11.20	Q3

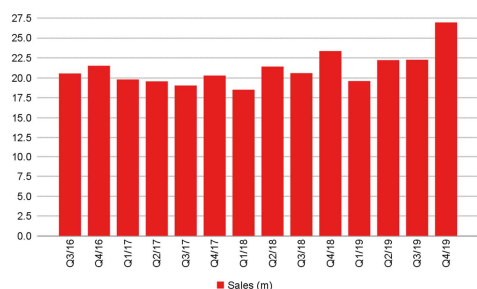
FY End: 31.12. in EUR m	CAGR (19-22e)	2016	2017	2018	2019	2020e	2021e	2022e
Sales	5.2 %	80.4	78.7	83.9	91.1	88.5	97.0	106.0
Change Sales yoy		-2.3 %	-2.1 %	6.6 %	8.6 %	-2.8 %	9.6 %	9.3 %
Gross profit margin		66.6 %	64.9 %	61.8 %	62.9 %	62.5 %	62.4 %	61.7 %
EBITDA	11.7 %	12.3	6.8	9.0	12.1	11.4	14.8	16.9
Margin		15.2 %	8.7 %	10.7 %	13.3 %	12.8 %	15.3 %	15.9 %
EBIT	23.9 %	7.2	2.3	4.1	4.3	3.1	6.4	8.2
Margin		8.9 %	3.0 %	4.9 %	4.7 %	3.5 %	6.6 %	7.7 %
EBIT adj.	25.7 %	6.6	1.1	3.5	3.9	3.2	5.9	7.8
Net income	25.0 %	5.7	0.7	3.3	2.8	1.9	4.3	5.5
EPS	24.6 %	0.82	0.10	0.38	0.31	0.21	0.47	0.60
DPS	55.4 %	0.20	0.13	0.13	0.04	0.10	0.12	0.15
Dividend Yield		1.7 %	1.2 %	1.5 %	0.5 %	1.7 %	2.1 %	2.6 %
FCFPS		0.56	-0.27	0.19	0.04	0.14	0.02	0.23
FCF / Market cap		4.8 %	-2.4 %	2.3 %	0.5 %	2.5 %	0.4 %	4.1 %
EV / Sales		1.1 x	1.1 x	1.0 x	0.8 x	0.7 x	0.6 x	0.6 x
EV / EBITDA		7.3 x	12.7 x	8.9 x	6.3 x	5.2 x	4.2 x	3.7 x
EV / EBIT adj.		13.6 x	77.7 x	22.8 x	19.4 x	18.6 x	10.4 x	8.0 x
EV / EBIT		12.6 x	37.0 x	19.7 x	17.6 x	19.2 x	9.6 x	7.6 x
P / E		14.3 x	112.0 x	22.6 x	24.8 x	27.3 x	12.2 x	9.6 x
FCF Potential Yield		7.5 %	2.6 %	2.4 %	5.9 %	4.4 %	8.2 %	10.6 %
Net Debt		8.3	4.5	5.2	6.0	6.5	9.2	10.2
ROCE (NOPAT)		10.5 %	2.7 %	4.5 %	4.0 %	2.7 %	5.1 %	5.8 %
Guidance:	2020: slight revenue increase; oper. EBIT at 2019 levels							

Softing - Q4 2019

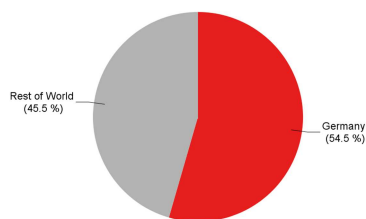
in EUR m	Q4/19	Q4/19e	Δ WRe	Q4/18	yoy	2019	2018	yoy
Sales	27.0	26.9	0.2%	23.4	15.4%	911	83.9	8.6%
EBIT	11	0.8	43.5%	17	-30.9%	4.3	4.1	5.5%
<i>margin</i>	4.3%	3.0%		7.1%		4.7%	4.9%	
EPS in EUR	0.06	0.05	20.0%	0.15	-60.0%	0.31	0.38	-18.4%
Industrial	16.0	16.7	-4.3%	14.8	8.0%	58.3	52.8	10.4%
Automotive	7.2	6.2	16.5%	5.1	41.7%	22.0	18.2	20.9%
IT Networks	3.8	3.5	7.3%	3.5	7.4%	10.8	12.9	-16.3%
Order entries	23.6			22.4	5.4%	95.6	88.1	8.5%
Book-to-bill	0.9			1.0	-8.7%	1.0	1.1	0.0%

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

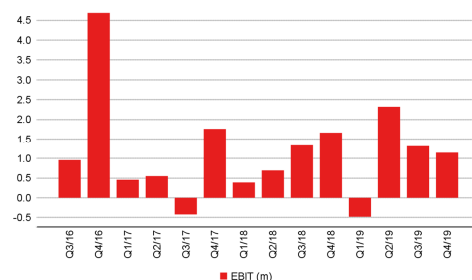
- **Industrial Automation** grew supported by strong demand in Europe and the US.
- **Automotive Electronics** benefitted from strong demand for Softing's onboard and offboard diagnostic tools.
- Revenues in **IT Networks** declined in 2019 as Softing is discontinuing its low-margin distribution business.
- **Proportionately slower EBIT growth in 2019** as Globalmatix still made a negative bottom line contribution of approx. EUR 2m.

Sales development
in EUR m


Source: Company

Sales by regions
2019; in %


Source: Company

EBIT development
in EUR m


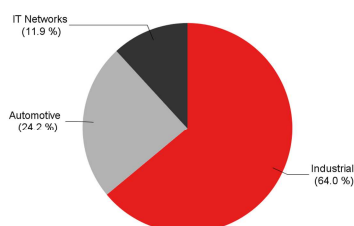
Source: Company

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 centers 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
2019; in %


Source: Company

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	
Sales	88.5	97.0	106.0	111.8	117.7	123.5	129.3	135.1	140.9	146.6	152.2	157.8	160.9	2.0 %
Sales change	-2.8 %	9.6 %	9.3 %	5.5 %	5.2 %	5.0 %	4.7 %	4.5 %	4.3 %	4.0 %	3.8 %	3.6 %	2.0 %	
EBIT	3.1	6.4	8.2	8.9	9.4	9.9	10.3	10.8	11.3	11.7	12.2	12.6	12.9	8.0 %
EBIT-margin	3.5 %	6.6 %	7.7 %	8.0 %	8.0 %	8.0 %	8.0 %	8.0 %	8.0 %	8.0 %	8.0 %	8.0 %	8.0 %	
Tax rate (EBT)	30.0 %	30.0 %	30.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	8.9
NOPAT	2.1	4.5	5.7	6.2	6.5	6.8	7.1	7.5	7.8	8.1	8.4	8.7	8.9	
Depreciation	8.3	8.4	8.7	7.7	8.1	8.5	8.9	9.3	9.7	10.1	10.5	10.9	11.1	6.9 %
in % of Sales	9.4 %	8.7 %	8.2 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	
Changes in provisions	-0.6	0.0	0.0	0.0	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	-1.7	2.4	1.9	1.0	1.2	1.2	1.2	1.2	1.2	1.1	1.1	1.1	0.6	11.3
- Capex	8.6	8.6	8.6	7.8	8.2	8.6	9.1	9.5	9.9	10.3	10.7	11.0	11.3	
Capex in % of Sales	9.7 %	8.8 %	8.1 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	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)	1.5	0.4	2.5	5.0	5.3	5.6	6.0	6.3	6.6	6.9	7.2	7.6	8.2	9
PV of FCF	1.4	0.4	2.0	3.8	3.7	3.7	3.6	3.5	3.4	3.3	3.2	3.1	3.1	
share of PVs	3.88 %			35.55 %										60.56 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	15.00 %	Financial Strength	1.40
Cost of debt (after tax)	2.1 %	Liquidity (share)	1.30
Market return	7.00 %	Cyclicality	1.30
Risk free rate	1.50 %	Transparency	1.30
		Others	1.30
WACC	7.76 %	Beta	1.32

Valuation (m)

Present values 2032e	38		
Terminal Value	59		
Financial liabilities	18		
Pension liabilities	3		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	13	No. of shares (m)	9.1
Equity Value	90	Value per share (EUR)	9.89

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
1.53	8.8 %	7.54	7.69	7.85	8.03	8.22	8.42	8.65	1.53	8.8 %	6.00	6.68	7.35	8.03	8.71	9.38	10.06
1.43	8.3 %	8.28	8.47	8.67	8.88	9.12	9.37	9.65	1.43	8.3 %	6.69	7.42	8.15	8.88	9.62	10.35	11.08
1.37	8.0 %	8.69	8.90	9.12	9.37	9.63	9.91	10.23	1.37	8.0 %	7.07	7.84	8.60	9.37	10.13	10.89	11.66
1.32	7.8 %	9.14	9.37	9.62	9.89	10.19	10.51	10.86	1.32	7.8 %	7.49	8.29	9.09	9.89	10.69	11.49	12.29
1.27	7.5 %	9.62	9.88	10.16	10.46	10.80	11.16	11.57	1.27	7.5 %	7.95	8.79	9.63	10.46	11.30	12.14	12.97
1.21	7.3 %	10.15	10.44	10.75	11.09	11.47	11.89	12.35	1.21	7.3 %	8.46	9.34	10.22	11.09	11.97	12.85	13.73
1.11	6.8 %	11.35	11.72	12.12	12.56	13.05	13.60	14.22	1.11	6.8 %	9.64	10.61	11.59	12.56	13.53	14.51	15.48

- 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	2016	2017	2018	2019	2020e	2021e	2022e	
Net Income before minorities	5.7	0.7	3.3	2.9	1.9	4.3	5.5	
+ Depreciation + Amortisation	5.1	4.5	4.9	7.8	8.3	8.4	8.7	
- Net Interest Income	-0.2	-1.2	0.5	-0.1	-0.3	-0.3	-0.4	
- Maintenance Capex	4.2	4.2	5.8	6.4	6.4	6.4	6.4	
+ Other	0.0	0.0	0.0	0.0	-1.5	-1.5	-1.5	
= Free Cash Flow Potential	6.8	2.3	1.9	4.4	2.6	5.0	6.6	
FCF Potential Yield (on market EV)	7.5 %	2.6 %	2.4 %	5.9 %	4.4 %	8.2 %	10.6 %	
WACC	7.76 %	7.76 %	7.76 %	7.76 %	7.76 %	7.76 %	7.76 %	
= Enterprise Value (EV)	90.0	86.7	80.5	75.9	58.8	61.5	62.5	
= Fair Enterprise Value	87.5	29.1	25.1	57.3	33.6	65.0	85.2	
- Net Debt (Cash)	2.9	2.9	2.9	2.9	4.0	6.7	7.7	
- Pension Liabilities	3.1	3.1	3.1	3.1	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	81.5	23.1	19.1	51.3	27.1	55.8	75.0	
Number of shares, average	7.0	7.3	8.8	9.1	9.1	9.1	9.1	
= Fair value per share (EUR)	11.71	3.14	2.18	5.63	2.97	6.13	8.24	
premium (-) / discount (+) in %					-48.2 %	6.8 %	43.5 %	
Sensitivity Fair value per Share (EUR)								
WACC	10.76 %	6.27	1.64	1.33	3.88	1.95	4.14	5.63
	9.76 %	6.98	1.88	1.53	4.34	2.22	4.67	6.32
	8.76 %	7.86	2.17	1.78	4.91	2.55	5.31	7.17
	7.76 %	8.95	2.53	2.10	5.63	2.97	6.13	8.24
	6.76 %	10.38	3.01	2.50	6.56	3.52	7.18	9.62
	5.76 %	12.29	3.64	3.05	7.81	4.25	8.61	11.48
	4.76 %	15.01	4.55	3.83	9.59	5.30	10.63	14.13

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

■ FCF-Value-CAGR 2016-2022e: -1%

Valuation							
	2016	2017	2018	2019	2020e	2021e	2022e
Price / Book	1.7 x	1.6 x	1.1 x	1.0 x	0.7 x	0.6 x	0.6 x
Book value per share ex intangibles	0.55	1.37	0.92	0.76	1.16	1.91	2.79
EV / Sales	1.1 x	1.1 x	1.0 x	0.8 x	0.7 x	0.6 x	0.6 x
EV / EBITDA	7.3 x	12.7 x	8.9 x	6.3 x	5.2 x	4.2 x	3.7 x
EV / EBIT	12.6 x	37.0 x	19.7 x	17.6 x	19.2 x	9.6 x	7.6 x
EV / EBIT adj.*	13.6 x	77.7 x	22.8 x	19.4 x	18.6 x	10.4 x	8.0 x
P / FCF	20.9 x	n.a.	44.1 x	213.1 x	40.8 x	254.6 x	24.7 x
P / E	14.3 x	112.0 x	22.6 x	24.8 x	27.3 x	12.2 x	9.6 x
P / E adj.*	14.3 x	112.0 x	22.6 x	24.8 x	27.3 x	12.2 x	9.6 x
Dividend Yield	1.7 %	1.2 %	1.5 %	0.5 %	1.7 %	2.1 %	2.6 %
FCF Potential Yield (on market EV)	7.5 %	2.6 %	2.4 %	5.9 %	4.4 %	8.2 %	10.6 %
*Adjustments made for: -							

Company Specific Items							
	2016	2017	2018	2019	2020e	2021e	2022e
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	2016	2017	2018	2019	2020e	2021e	2022e
Sales	80.4	78.7	83.9	91.1	88.5	97.0	106.0
Change Sales yoy	-2.3 %	-2.1 %	6.6 %	8.6 %	-2.8 %	9.6 %	9.3 %
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	4.5	4.6	4.4	5.5	5.0	5.5	5.6
Total Sales	84.9	83.3	88.3	96.6	93.5	102.5	111.6
Material expenses	31.4	32.2	36.5	39.3	38.1	42.0	46.2
Gross profit	53.6	51.1	51.8	57.3	55.4	60.5	65.4
<i>Gross profit margin</i>	<i>66.6 %</i>	<i>64.9 %</i>	<i>61.8 %</i>	<i>62.9 %</i>	<i>62.5 %</i>	<i>62.4 %</i>	<i>61.7 %</i>
Personnel expenses	35.1	33.0	33.4	35.4	35.0	36.5	38.0
Other operating income	5.3	0.9	1.4	0.8	1.0	1.0	1.0
Other operating expenses	11.5	12.1	10.8	10.5	10.0	10.2	11.5
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	12.3	6.8	9.0	12.1	11.4	14.8	16.9
<i>Margin</i>	<i>15.2 %</i>	<i>8.7 %</i>	<i>10.7 %</i>	<i>13.3 %</i>	<i>12.8 %</i>	<i>15.3 %</i>	<i>15.9 %</i>
Depreciation of fixed assets	0.8	0.8	0.7	2.6	2.9	3.0	3.0
EBITA	11.4	6.1	8.3	9.5	8.5	11.8	13.9
Amortisation of intangible assets	4.3	3.7	4.2	5.2	5.4	5.4	5.7
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	7.2	2.3	4.1	4.3	3.1	6.4	8.2
<i>Margin</i>	<i>8.9 %</i>	<i>3.0 %</i>	<i>4.9 %</i>	<i>4.7 %</i>	<i>3.5 %</i>	<i>6.6 %</i>	<i>7.7 %</i>
EBIT adj.	6.6	1.1	3.5	3.9	3.2	5.9	7.8
Interest income	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Interest expenses	0.2	1.3	-0.5	0.3	0.2	0.2	0.2
Other financial income (loss)	0.0	0.0	0.0	0.3	0.0	0.0	0.0
EBT	7.0	1.1	4.6	4.2	2.8	6.1	7.8
<i>Margin</i>	<i>8.7 %</i>	<i>1.4 %</i>	<i>5.5 %</i>	<i>4.7 %</i>	<i>3.1 %</i>	<i>6.3 %</i>	<i>7.4 %</i>
Total taxes	1.3	0.4	1.3	1.3	0.8	1.8	2.4
Net income from continuing operations	5.7	0.7	3.3	2.9	1.9	4.3	5.5
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	5.7	0.7	3.3	2.9	1.9	4.3	5.5
Minority interest	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Net income	5.7	0.7	3.3	2.8	1.9	4.3	5.5
<i>Margin</i>	<i>7.1 %</i>	<i>0.9 %</i>	<i>4.0 %</i>	<i>3.1 %</i>	<i>2.2 %</i>	<i>4.4 %</i>	<i>5.2 %</i>
Number of shares, average	7.0	7.3	8.8	9.1	9.1	9.1	9.1
EPS	0.82	0.10	0.38	0.31	0.21	0.47	0.60
EPS adj.	0.82	0.10	0.38	0.31	0.21	0.47	0.60

*Adjustments made for:

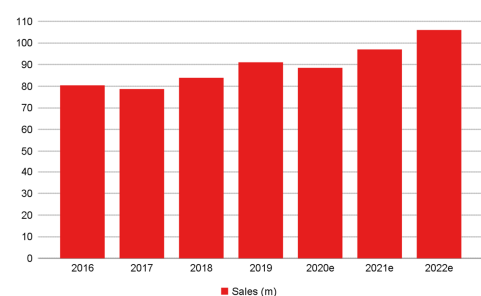
Guidance: 2020: slight revenue increase; oper. EBIT at 2019 levels

Financial Ratios

	2016	2017	2018	2019	2020e	2021e	2022e
Total Operating Costs / Sales	90.4 %	97.2 %	94.5 %	92.8 %	92.8 %	90.4 %	89.4 %
Operating Leverage	-13.5 x	31.5 x	11.2 x	0.6 x	10.3 x	11.4 x	3.0 x
EBITDA / Interest expenses	49.4 x	5.4 x	n.m.	44.4 x	56.8 x	74.0 x	84.4 x
Tax rate (EBT)	18.1 %	35.8 %	27.7 %	31.0 %	30.0 %	30.0 %	30.0 %
Dividend Payout Ratio	24.4 %	131.5 %	34.2 %	12.4 %	47.2 %	25.6 %	24.9 %
Sales per Employee	178,720	189,658	207,649	225,416	194,505	213,187	232,967

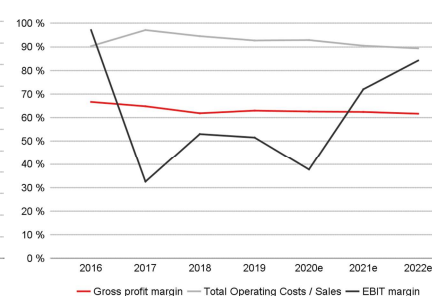
Sales, EBITDA

in EUR m

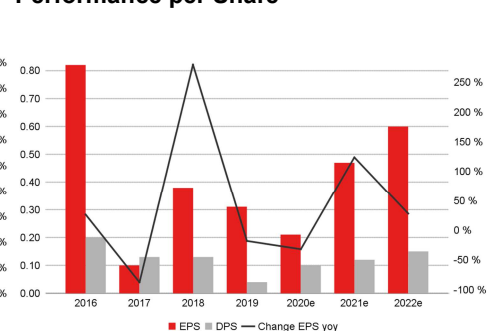


Operating Performance

in %



Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

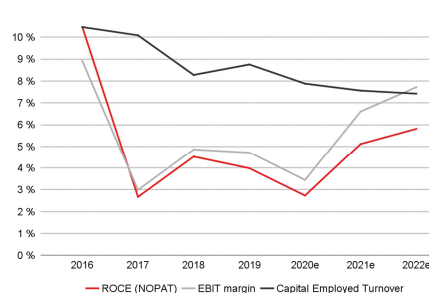
Consolidated balance sheet

In EUR m	2016	2017	2018	2019	2020e	2021e	2022e
Assets							
Goodwill and other intangible assets	43.8	41.8	59.9	62.4	64.4	66.3	68.0
thereof other intangible assets	18.2	14.7	26.5	34.7	33.2	32.0	31.0
thereof Goodwill	15.5	14.5	18.0	18.1	18.1	18.1	18.1
Property, plant and equipment	2.3	2.0	2.3	5.9	12.7	19.9	27.1
Financial assets	0.0	0.0	0.0	1.5	1.5	1.5	1.5
Other long-term assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	46.0	43.8	62.2	69.9	78.6	87.8	96.7
Inventories	9.2	9.1	10.6	12.6	12.3	13.9	15.1
Accounts receivable	12.6	12.8	13.7	15.4	14.3	15.7	17.1
Liquid assets	10.9	10.3	9.7	14.9	9.8	5.1	3.2
Other short-term assets	4.2	4.7	3.7	4.0	4.0	4.0	4.0
Current assets	36.9	36.9	37.6	46.9	40.5	38.8	39.4
Total Assets	82.9	80.7	99.8	116.8	119.1	126.6	136.0
Liabilities and shareholders' equity							
Subscribed capital	7.0	7.7	9.1	9.1	9.1	9.1	9.1
Capital reserve	12.3	19.2	31.1	31.1	31.1	31.1	31.1
Retained earnings	28.4	25.4	28.0	29.1	31.0	35.3	40.8
Other equity components	0.0	0.0	0.0	0.0	3.6	8.2	12.4
Shareholders' equity	47.6	52.3	68.3	69.3	74.9	83.8	93.5
Minority interest	0.0	0.0	0.1	0.3	0.3	0.3	0.3
Total equity	47.6	52.3	68.4	69.6	75.2	84.0	93.7
Provisions	4.7	2.9	3.7	4.4	5.4	5.4	5.4
thereof provisions for pensions and similar obligations	2.2	2.2	2.1	3.1	2.5	2.5	2.5
Financial liabilities (total)	16.9	12.6	12.8	17.8	13.8	11.8	10.8
thereof short-term financial liabilities	10.3	8.4	10.7	1.6	1.6	1.6	1.6
Accounts payable	5.9	5.5	6.1	6.5	6.8	7.4	8.1
Other liabilities	7.8	7.4	8.8	18.4	17.9	17.9	17.9
Liabilities	35.3	28.4	31.4	47.2	44.0	42.6	42.3
Total liabilities and shareholders' equity	82.9	80.7	99.8	116.8	119.1	126.6	136.0

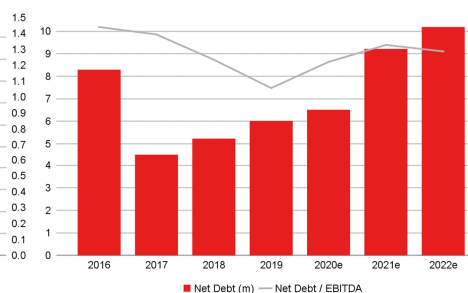
Financial Ratios

	2016	2017	2018	2019	2020e	2021e	2022e
Efficiency of Capital Employment							
Operating Assets Turnover	4.4 x	4.3 x	4.1 x	3.7 x	3.0 x	2.5 x	2.2 x
Capital Employed Turnover	1.4 x	1.4 x	1.1 x	1.2 x	1.1 x	1.0 x	1.0 x
ROA	12.4 %	1.6 %	5.3 %	4.0 %	2.5 %	4.9 %	5.7 %
Return on Capital							
ROCE (NOPAT)	10.5 %	2.7 %	4.5 %	4.0 %	2.7 %	5.1 %	5.8 %
ROE	12.7 %	1.4 %	5.5 %	4.1 %	2.7 %	5.4 %	6.2 %
Adj. ROE	12.7 %	1.4 %	5.5 %	4.1 %	2.7 %	5.4 %	6.2 %
Balance sheet quality							
Net Debt	8.3	4.5	5.2	6.0	6.5	9.2	10.2
Net Financial Debt	6.1	2.3	3.1	2.9	4.0	6.7	7.7
Net Gearing	17.4 %	8.6 %	7.6 %	8.6 %	8.7 %	11.0 %	10.9 %
Net Fin. Debt / EBITDA	49.4 %	33.5 %	34.2 %	24.2 %	35.3 %	45.4 %	45.5 %
Book Value / Share	6.8	6.8	7.5	7.6	8.2	9.2	10.3
Book value per share ex intangibles	0.6	1.4	0.9	0.8	1.2	1.9	2.8

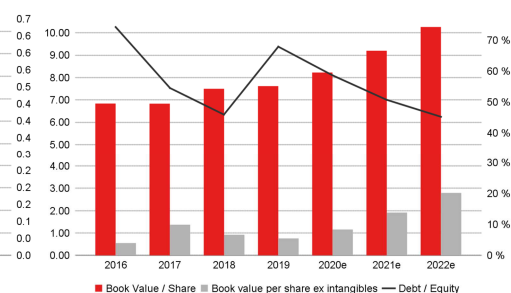
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

Consolidated cash flow statement

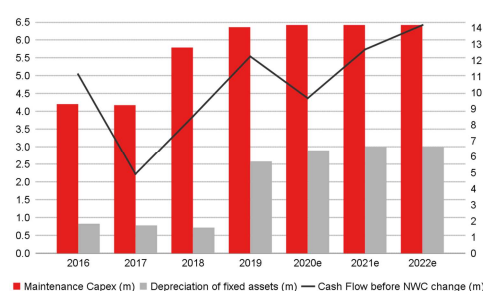
In EUR m	2016	2017	2018	2019	2020e	2021e	2022e
Net income	5.7	0.7	3.3	2.9	1.9	4.3	5.5
Depreciation of fixed assets	0.8	0.8	0.7	2.6	2.9	3.0	3.0
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	4.3	3.7	4.2	5.2	5.4	5.4	5.7
Increase/decrease in long-term provisions	0.0	0.0	0.0	0.0	-0.6	0.0	0.0
Other non-cash income and expenses	0.3	-0.3	0.3	1.5	0.0	0.0	0.0
Cash Flow before NWC change	11.1	4.9	8.5	12.2	9.6	12.7	14.2
Increase / decrease in inventory	0.1	0.1	-1.5	-2.0	0.3	-1.6	-1.2
Increase / decrease in accounts receivable	2.8	-0.2	-1.4	-1.7	1.1	-1.4	-1.4
Increase / decrease in accounts payable	-0.8	-0.3	1.4	0.0	0.3	0.6	0.7
Increase / decrease in other working capital positions	-3.7	-1.0	2.4	1.8	0.0	0.0	0.0
Increase / decrease in working capital (total)	-1.6	-1.3	0.9	-1.9	1.7	-2.4	-1.9
Net cash provided by operating activities [1]	9.5	3.6	9.4	10.4	11.3	10.3	12.3
Investments in intangible assets	-4.5	-4.6	-6.4	-7.4	-7.4	-7.4	-7.4
Investments in property, plant and equipment	-1.1	-1.0	-1.4	-1.1	-1.2	-1.2	-1.2
Payments for acquisitions	-0.9	-4.2	0.0	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]	-6.5	-9.8	-7.7	-8.5	-8.6	-8.6	-8.6
Change in financial liabilities	-0.2	-0.3	-1.0	6.5	-4.0	-2.0	-1.0
Dividends paid	-1.0	-1.4	-1.0	-1.2	-0.4	-0.9	-1.1
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	7.9	0.0	0.0	0.0	0.0	0.0
Other	-0.2	-0.1	-0.2	-0.3	-2.0	-2.0	-2.0
Net cash provided by financing activities [3]	-1.4	6.0	-2.2	3.4	-7.9	-6.4	-5.7
Change in liquid funds [1]+[2]+[3]	1.6	-0.2	-0.5	5.3	-5.1	-4.7	-2.0
Effects of exchange-rate changes on cash	0.1	-0.4	-0.1	0.0	0.0	0.0	0.0
Cash and cash equivalent at end of period	10.9	10.3	9.7	14.9	9.8	5.1	3.2

Financial Ratios

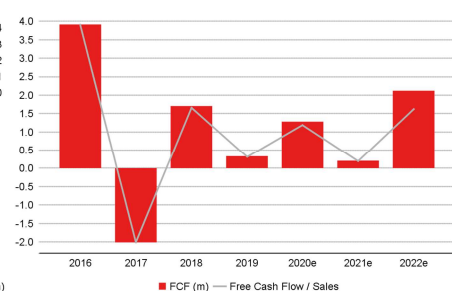
	2016	2017	2018	2019	2020e	2021e	2022e
Cash Flow							
FCF	3.9	-2.0	1.7	0.3	1.3	0.2	2.1
Free Cash Flow / Sales	4.9 %	-2.6 %	2.0 %	0.4 %	1.4 %	0.2 %	2.0 %
Free Cash Flow Potential	6.8	2.3	1.9	4.4	2.6	5.0	6.6
Free Cash Flow / Net Profit	68.6 %	-283.5 %	51.4 %	11.7 %	66.4 %	4.8 %	38.7 %
Interest Received / Avg. Cash	0.6 %	0.4 %	0.7 %	0.5 %	0.8 %	1.3 %	2.4 %
Interest Paid / Avg. Debt	1.3 %	8.6 %	-3.6 %	1.8 %	1.3 %	1.6 %	1.8 %
Management of Funds							
Investment ratio	7.0 %	7.1 %	9.2 %	9.3 %	9.7 %	8.8 %	8.1 %
Maint. Capex / Sales	5.2 %	5.3 %	6.9 %	7.0 %	7.3 %	6.6 %	6.1 %
Capex / Dep	110.0 %	123.9 %	156.4 %	108.5 %	103.2 %	102.0 %	98.4 %
Avg. Working Capital / Sales	21.3 %	20.5 %	20.6 %	20.3 %	20.3 %	18.9 %	19.3 %
Trade Debtors / Trade Creditors	214.0 %	232.1 %	224.8 %	237.5 %	210.3 %	212.2 %	211.1 %
Inventory Turnover	3.4 x	3.6 x	3.5 x	3.1 x	3.1 x	3.0 x	3.1 x
Receivables collection period (days)	57	59	60	62	59	59	59
Payables payment period (days)	68	63	61	60	65	64	64
Cash conversion cycle (Days)	96	100	104	94	86	93	93

CAPEX and Cash Flow

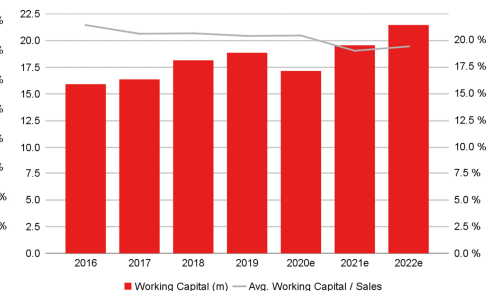
in EUR m



Free Cash Flow Generation



Working Capital



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

LEGAL DISCLAIMER

This research report ("investment recommendation") was prepared by the Warburg Research GmbH, a fully owned subsidiary of the M.M.Warburg & CO (AG & Co.) KGaA and is passed on by the M.M.Warburg & CO (AG & Co.) KGaA. It is intended solely for the recipient and may not be passed on to another company without their prior consent, regardless of whether the company is part of the same corporation or not. It contains selected information and does not purport to be complete. The investment recommendation is based on publicly available information and data ("information") believed to be accurate and complete. Warburg Research GmbH neither examines the information for accuracy and completeness, nor guarantees its accuracy and completeness. Possible errors or incompleteness of the information do not constitute grounds for liability of M.M.Warburg & CO (AG & Co.) KGaA or Warburg Research GmbH for damages of any kind whatsoever, and M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are not liable for indirect and/or direct and/or consequential damages. In particular, neither M.M.Warburg & CO (AG & Co.) KGaA nor Warburg Research GmbH are liable for the statements, plans or other details contained in these investment recommendations concerning the examined companies, their affiliated companies, strategies, economic situations, market and competitive situations, regulatory environment, etc. Although due care has been taken in compiling this investment recommendation, it cannot be excluded that it is incomplete or contains errors. M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH, their shareholders and employees are not liable for the accuracy and completeness of the statements, estimations and the conclusions derived from the information contained in this investment recommendation. Provided a investment recommendation is being transmitted in connection with an existing contractual relationship, i.e. financial advisory or similar services, the liability of M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH shall be restricted to gross negligence and wilful misconduct. In case of failure in essential tasks, M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are liable for normal negligence. In any case, the liability of M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH is limited to typical, expectable damages. This investment recommendation does not constitute an offer or a solicitation of an offer for the purchase or sale of any security. Partners, directors or employees of M.M.Warburg & CO (AG & Co.) KGaA, Warburg Research GmbH or affiliated companies may serve in a position of responsibility, i.e. on the board of directors of companies mentioned in the report. Opinions expressed in this investment recommendation are subject to change without notice. All rights reserved.

COPYRIGHT NOTICE

This work including all its parts is protected by copyright. Any use beyond the limits provided by copyright law without permission is prohibited and punishable. This applies, in particular, to reproductions, translations, microfilming, and storage and processing on electronic media of the entire content or parts thereof.

DISCLOSURE ACCORDING TO §85 OF THE GERMAN SECURITIES TRADING ACT (WPHG), MAR AND MIFID II INCL. COMMISSION DELEGATED REGULATION (EU) 2016/958 AND (EU) 2017/565

The valuation underlying the investment recommendation for the company analysed here is based on generally accepted and widely used methods of fundamental analysis, such as e.g. DCF Model, Free Cash Flow Value Potential, NAV, Peer Group Comparison or Sum of the Parts Model (see also <http://www.mmwarburg.de/disclaimer/disclaimer.htm#Valuation>). The result of this fundamental valuation is modified to take into consideration the analyst's assessment as regards the expected development of investor sentiment and its impact on the share price.

Independent of the applied valuation methods, there is the risk that the price target will not be met, for instance because of unforeseen changes in demand for the company's products, changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, tax rate etc. For investments in foreign markets and instruments there are further risks, generally based on exchange rate changes or changes in political and social conditions.

This commentary reflects the opinion of the relevant author at the point in time of its compilation. A change in the fundamental factors underlying the valuation can mean that the valuation is subsequently no longer accurate. Whether, or in what time frame, an update of this commentary follows is not determined in advance.

Additional internal and organisational arrangements to prevent or to deal with conflicts of interest have been implemented. Among these are the spatial separation of Warburg Research GmbH from M.M.Warburg & CO (AG & Co.) KGaA and the creation of areas of confidentiality. This prevents the exchange of information, which could form the basis of conflicts of interest for Warburg Research GmbH in terms of the analysed issuers or their financial instruments.

The analysts of Warburg Research GmbH do not receive a gratuity – directly or indirectly – from the investment banking activities of M.M.Warburg & CO (AG & Co.) KGaA or of any company within the Warburg-Group.

All prices of financial instruments given in this investment recommendation are the closing prices on the last stock-market trading day before the publication date stated, unless another point in time is explicitly stated.

M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are subject to the supervision of the Federal Financial Supervisory Authority, BaFin. M.M.Warburg & CO (AG & Co.) KGaA is additionally subject to the supervision of the European Central Bank (ECB).

SOURCES

All data and consensus estimates have been obtained from FactSet except where stated otherwise.

Additional information for clients in the United States

1. This research report (the "Report") is a product of Warburg Research GmbH, Germany, a fully owned subsidiary of M.M.Warburg & CO (AG & Co.) KGaA, Germany (in the following collectively "Warburg"). Warburg is the employer of the research analyst(s), who have prepared the Report. The research analyst(s) reside outside the United States and are not associated persons of any U.S. regulated broker-dealer and therefore are not subject to the supervision of any U.S. regulated broker-dealer.
2. The Report is provided in the United States for distribution solely to "major U.S. institutional investors" under Rule 15a-6 of the U.S. Securities Exchange Act of 1934.
3. Any recipient of the Report should effect transactions in the securities discussed in the Report only through J.P.P. Euro-Securities, Inc., Delaware.
4. J.P.P. Euro-Securities, Inc. does not accept or receive any compensation of any kind for the dissemination of the research reports from Warburg.

Reference in accordance with section 85 of the German Securities Trading Act (WpHG) and Art. 20 MAR regarding possible conflicts of interest with companies analysed:

- 1- Warburg Research, or an affiliated company, or an employee of one of these companies responsible for the compilation of the research, hold a **share of more than 5%** of the equity capital of the analysed company.
- 2- Warburg Research, or an affiliated company, within the last twelve months participated in the **management of a consortium** for an issue in the course of a public offering of such financial instruments, which are, or the issuer of which is, the subject of the investment recommendation.
- 3- Companies affiliated with Warburg Research **manage financial instruments**, which are, or the issuers of which are, subject of the investment recommendation, in a market based on the provision of buy or sell contracts.
- 4- MMWB, Warburg Research, or an affiliated company, reached an agreement with the issuer to provide **investment banking and/or investment services** and the relevant agreement was in force in the last 12 months or there arose for this period, based on the relevant agreement, the obligation to provide or to receive a service or compensation - provided that this disclosure does not result in the disclosure of confidential business information.
- 5- The company compiling the analysis or an affiliated company had reached an **agreement on the compilation of the investment recommendation** with the analysed company.
- 6a- Warburg Research, or an affiliated company, holds a **net long position of more than 0.5%** of the total issued share capital of the analysed company.
- 6b- Warburg Research, or an affiliated company, holds a **net short position of more than 0.5%** of the total issued share capital of the analysed company.
- 6c- The issuer holds shares of more than 5% of the total issued capital of Warburg Research or an affiliated company.
- 7- The company preparing the analysis as well as its affiliated companies and employees have **other important interests** in relation to the analysed company, such as, for example, the exercising of mandates at analysed companies.

Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
Softing	3, 5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0005178008.htm

INVESTMENT RECOMMENDATION

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.

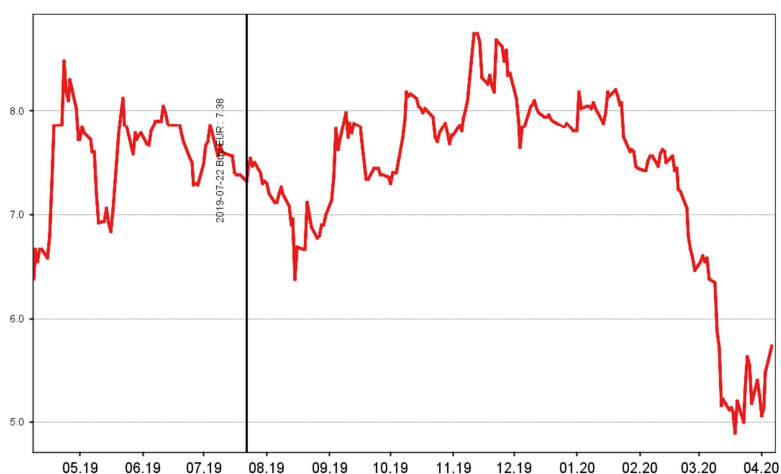
WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

Rating	Number of stocks	% of Universe
Buy	127	62
Hold	62	30
Sell	9	4
Rating suspended	6	3
Total	204	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	34	81
Hold	5	12
Sell	0	0
Rating suspended	3	7
Total	42	100

PRICE AND RATING HISTORY SOFTING AS OF 07.04.2020


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

Mustafa Hidir +49 40 309537-230
Automobiles, Car Suppliers mhidir@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

Simon Stippig +49 40 309537-265
Real Estate sstippig@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, Luxembourg aeschweiler@mmwarburg.com

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

Tobias Hald +49 40 3282-2695
United Kingdom thald@mmwarburg.com

Maximilian Martin +49 69 5050-7413
Austria, Poland mmartin@mmwarburg.com

Christopher Seedorf +49 69 5050-7414
Switzerland cseedorf@mmwarburg.com

Sophie Hauer +49 69 5050-7417
Roadshow/Marketing shauer@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

Marcel Magiera +49 40 3282-2662
Sales Trading mmagiera@mmwarburg.com

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

Jörg Treptow +49 40 3282-2658
Sales Trading jtreptow@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
Bloomberg MMWA GO
FactSet www.factset.com

Thomson Reuters www.thomsonreuters.com
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