

Buy EUR 21.00 Price EUR 13.86 Upside 51.5 %	Value Indicators: EUR DCF: 21.00 FCF-Value Potential 20e: 18.00 Peer group 19e: 21.00	Share data: Bloomberg: SMHN GR Reuters: SMHNN ISIN: DE000A1K0235	Description: Leading solution provider for niche markets advanced packaging, 3D integration, LED, MEMS
	Market Snapshot: EUR m Market cap: 264.7 No. of shares (m): 19.1 EV: 234.0 Freefloat MC: 264.7 Ø Trad. Vol. (30d): 982.10 th	Shareholders: Freefloat 100.0 % <i>Henderson Global</i> 4.9 % <i>Universal Investment</i> 4.7 % <i>Lupus Alpha</i> 3.2 % <i>Luxempart</i> 3.0 %	Risk Profile (WRe): 2017e Beta: 1.3 Price / Book: 1.8 x Equity Ratio: 63 %

Higher R&D burdens 2018 margins; mid-term target not at risk

SÜSS released its final 2017 figures after preliminary results were issued in January. Despite an unexpected decline in sales (shift of sales from Q4 '17 to Q1 '18), the EBIT margin improved thanks to an improving product mix and licence income to the tune of EUR 2m.

SÜSS issued disappointing 2018 margin guidance as higher R&D poses an unexpected burden: Based on a high order backlog of EUR 133m at the beginning of 2018 (+30% yoy), SÜSS aims to increase sales to EUR 195–205m (WRe EUR 205m). However, the **EBIT margin guidance of 8.5–10% falls clearly short of the WR estimate of 13%. There are two explanations for the unfavourable development:** 1) **SÜSS is not expecting to receive licence income of EUR 2m in 2018** (this should reoccur in 2019/20), and: 2) **SÜSS will significantly increase its R&D expenses** (~EUR 4m increase). The CEO pointed out that this increase is opportunity driven and that SÜSS is aiming to **broaden the application base in existing and new applications** (higher spend is not related to existing products). SÜSS started three development projects including the adoption of its lithography tools to an application in optical components (optical data communication is expected to increase strongly in the next years) and the use of bond technologies in further packaging applications (e.g. fan-out WLP might require a de-bond-tool at a later stage; permanent chip stacking on wafer level). CEO Richter said that **SÜSS is collaborating with lead customers**, which makes these opportunities more tangible. Generally, the **pursuit of opportunities which create additional growth potential after 2020 is positive. The guidance shortfall to the estimates unfortunately again undermines a certain degree of trust.**

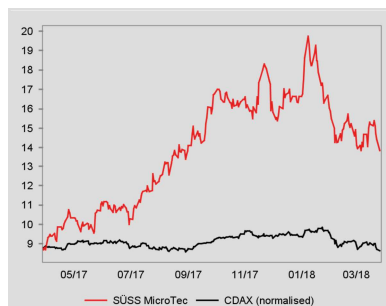
H1 order intake returns to usual range: order intake is expected to be EUR 70–80m in H1. The implicit yoy decline (H1 2017: EUR 94.5m) does not come unexpectedly after Q4's high order level and probably excludes potential orders for scanners (second customer).

2017 margin in the core lithography business dropped to ~13.5% (excl. Tamarack), down from ~20% in 2016. This can be explained by a lower sales base coupled with product mix effects (below-average product mix in 2017 after above-average product mix in 2016). We assume that the CEO's comment in the CC for broadly stable core lithography margins was somewhat misleading. There should be no structural change. **The core lithography business is expected to return to EBIT margins of 15-20% (avg. margin was >18% since '08).**

15% EBIT margin achievable by 2020 though: Despite the clear disappointment of the 2018 EBIT margin, SÜSS should achieve a clear margin increase in FYs 2019/20 and should come **close to a 15% EBIT margin by 2020** at an unchanged sales forecast of ~ EUR 240m.

As the **investment case is otherwise intact** (strong growth in scanners, temp. + perm. bonders which should result in 15% EBIT margin), we regard today's drop as a **buying opportunity** in light of the appealing valuation (6x EBIT 2020). **Buy rating and PT of EUR 21 confirmed.**

Changes in Estimates:						Comment on Changes:	
FY End: 31.12. in EUR m	2018e (old)	+ / -	2019e (old)	+ / -	2020e (old)	+ / -	
Sales	205.0	0.0 %	215.0	0.0 %	n.a.	n.m.	Reduction in 2018/19 earnings estimates as a result of higher R&D expenses and lack of licence income in '18
EBIT	27.2	-22.8 %	30.6	-14.7 %	n.a.	n.m.	SÜSS should approach a 15% margin by 2020
							Growth projections unchanged

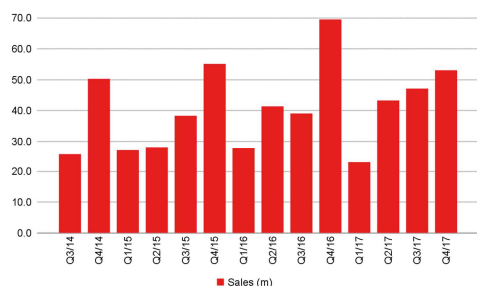


Rel. Performance vs CDAX:	
1 month:	0.1 %
6 months:	-8.5 %
Year to date:	-8.9 %
Trailing 12 months:	61.3 %

Company events:	
03.05.18	Q1
06.06.18	AGM
03.08.18	Q2
07.11.18	Q3

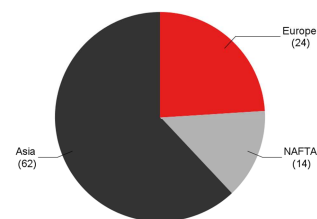
FY End: 31.12. in EUR m	CAGR (17-20e)	2014	2015	2016	2017	2018e	2019e	2020e
Sales	13.0 %	145.3	148.5	177.6	166.5	205.0	215.0	240.0
Change Sales yoy		8.0 %	2.2 %	19.6 %	-6.2 %	23.1 %	4.9 %	11.6 %
Gross profit margin		33.6 %	33.2 %	33.0 %	35.7 %	36.7 %	37.3 %	37.6 %
EBITDA	28.9 %	12.6	9.2	15.3	18.0	24.8	29.9	38.5
Margin		8.7 %	6.2 %	8.6 %	10.8 %	12.1 %	13.9 %	16.1 %
EBIT	35.7 %	8.4	5.0	11.1	13.9	21.0	26.1	34.7
Margin		5.8 %	3.3 %	6.3 %	8.3 %	10.2 %	12.1 %	14.5 %
Net income	53.3 %	4.6	0.2	5.0	6.7	12.6	18.1	24.1
EPS	53.3 %	0.24	0.01	0.26	0.35	0.66	0.95	1.26
EPS adj.	53.3 %	0.24	0.01	0.38	0.35	0.66	0.95	1.26
DPS	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Yield		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
FCF		0.11	0.07	-0.47	0.15	0.13	0.87	0.71
FCF / Market cap		1.7 %	1.1 %	-6.5 %	1.3 %	0.9 %	6.2 %	5.1 %
EV / Sales		0.6 x	0.5 x	0.6 x	1.2 x	1.1 x	1.0 x	0.9 x
EV / EBITDA		7.2 x	8.5 x	7.4 x	11.2 x	9.5 x	7.3 x	5.3 x
EV / EBIT		10.9 x	15.7 x	10.2 x	14.5 x	11.2 x	8.3 x	5.9 x
P / E		27.2 x	590.6 x	28.1 x	34.4 x	21.0 x	14.6 x	11.0 x
P / E adj.		27.2 x	590.6 x	19.2 x	34.4 x	21.0 x	14.6 x	11.0 x
FCF Potential Yield		7.1 %	3.2 %	9.4 %	3.2 %	5.9 %	8.4 %	11.9 %
Net Debt		-33.3	-34.8	-26.3	-28.2	-30.7	-47.2	-60.7
ROCE (NOPAT)		5.9 %	0.3 %	5.8 %	6.9 %	12.1 %	16.5 %	20.8 %
Guidance:		2018: Revenues EUR 195-205m, EBIT 8.5-10%						

Sales development
in EUR m



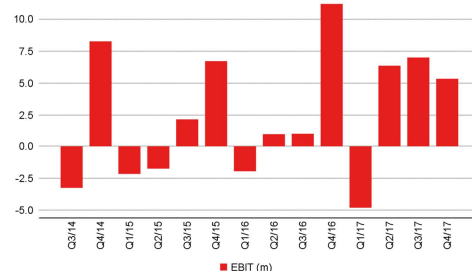
Source: Warburg Research

Sales by regions
2016; in %



Source: Warburg Research

EBIT development
in EUR m



Source: Warburg Research

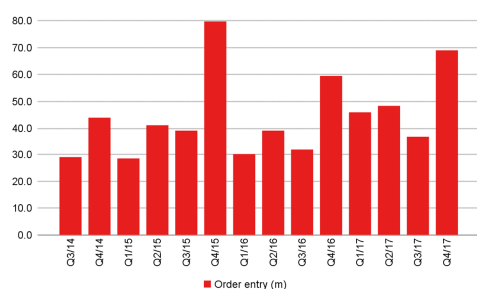
Company Background

- Globally leading manufacturer of systems for the MEMS, advanced packaging, 3D IC and LED niche markets with the product segments lithography (mask aligner, scanner, coater), bonder and equipment to clean photomasks.
- MEMS integrate electronic and mechanical components. Fields of application are e.g. pressure sensors (e.g. in tyre pressure control systems) or position and acceleration sensors (e.g. smartphones, tablet PCs).
- Advanced packaging is a special packaging process used as an alternative to the classic wire bonding ("flip chip") for semiconductors where these are directly bonded to the substrate without wire connections.
- 3D packaging is a solution to the increasingly difficult ongoing structural downsizing of semiconductors. CMOS image sensors are an early field of application. This market offers enormous growth potential for SÜSS.
- The majority of production is located at two sites in Germany (Garching, Sternenfels) which offer ample capacity for anticipated growth. SÜSS has ca. 750 employees.

Competitive Quality

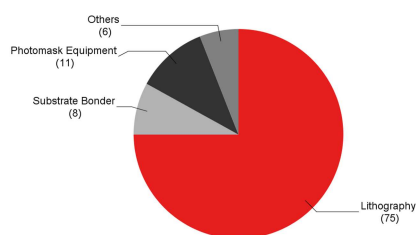
- SÜSS consistently focuses on the core topics (precision, reliability and low total cost of ownership) in all segments and gears the products to the customers' needs.
- The 60-year company history and the consistently high product quality have firmly established SÜSS as a brand-name in the addressed markets.
- This and the global service network make the company a preferred supplier for production equipment in particular.
- As the respective markets have a niche character, SÜSS usually only has to face moderate competition and rarely has to compete with the major suppliers of the sector.
- This combined with the high product complexity poses a major barrier to market entry and secures the company a leading position in the respective markets.

Order development
in EUR m



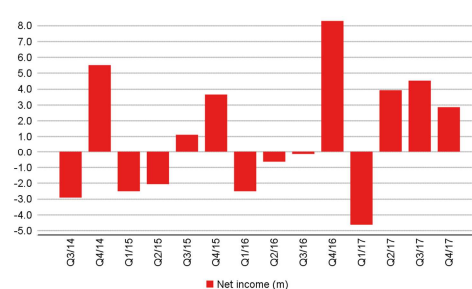
Source: Warburg Research

Sales by segments
2016; in %



Source: Warburg Research

Net income development
in EUR m



Source: Warburg Research

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2017	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	
Sales	166.5	205.0	215.0	240.0	249.6	259.6	270.0	280.8	292.0	303.7	312.8	322.2	328.6	1.5 %
Sales change	-6.2 %	23.1 %	4.9 %	11.6 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	3.0 %	3.0 %	2.0 %	
EBIT	13.9	21.0	26.1	34.7	37.4	38.9	40.5	42.1	43.8	45.6	46.9	48.3	49.3	
EBIT-margin	8.3 %	10.2 %	12.1 %	14.5 %	15.0 %	15.0 %	15.0 %	15.0 %	15.0 %	15.0 %	15.0 %	15.0 %	15.0 %	
Tax rate (EBT)	51.2 %	40.0 %	30.5 %	30.5 %	27.0 %	27.0 %	27.0 %	27.0 %	27.0 %	27.0 %	27.0 %	28.5 %	28.5 %	
NOPAT	6.8	12.6	18.1	24.1	27.3	28.4	29.6	30.7	32.0	33.3	34.3	34.6	35.2	
Depreciation	4.1	3.8	3.8	3.8	5.0	5.2	5.4	5.6	5.8	6.1	6.3	6.4	6.6	
in % of Sales	2.4 %	1.9 %	1.8 %	1.6 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	
Changes in provisions	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in Liquidity from														
- Working Capital	-2.0	10.4	1.9	10.9	-0.8	1.1	1.0	3.8	3.9	4.1	3.2	3.3	2.3	
- Capex	6.5	3.5	3.5	3.5	5.1	5.3	5.5	5.8	6.0	6.2	6.4	6.6	6.7	
Capex in % of Sales	3.9 %	1.7 %	1.6 %	1.5 %	2.1 %	2.1 %	2.1 %	2.1 %	2.1 %	2.1 %	2.1 %	2.1 %	2.1 %	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC Model)	6.3	2.5	16.5	13.5	28.1	27.2	28.4	26.8	27.9	29.0	30.9	31.1	32.8	34
PV of FCF	0.0	2.5	15.1	11.4	21.8	19.5	18.7	16.3	15.6	15.0	14.7	13.6	13.2	182
share of PVs	7.79 %			43.32 %										48.89 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	2.00 %	Financial Strength	1.10
Cost of debt (after tax)	2.9 %	Liquidity (share)	1.30
Market return	7.00 %	Cyclicality	1.60
Risk free rate	1.50 %	Transparency	1.10
		Others	1.40
WACC	8.53 %	Beta	1.30

Valuation (m)

Present values 2029e	190		
Terminal Value	182		
Financial liabilities	4		
Pension liabilities	5		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	36	No. of shares (m)	19.1
Equity Value	400	Value per share (EUR)	20.94

Sensitivity Value per Share (EUR)

Beta WACC		Terminal Growth							Beta WACC		Delta EBIT-margin						
		0.75 %	1.00 %	1.25 %	1.50 %	1.75 %	2.00 %	2.25 %			-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.49	9.5 %	17.70	17.90	18.11	18.33	18.57	18.83	19.10	1.49	9.5 %	16.38	17.03	17.68	18.33	18.98	19.63	20.28
1.39	9.0 %	18.79	19.02	19.28	19.55	19.84	20.15	20.48	1.39	9.0 %	17.47	18.16	18.85	19.55	20.24	20.93	21.63
1.35	8.8 %	19.38	19.64	19.92	20.22	20.54	20.88	21.24	1.35	8.8 %	18.07	18.78	19.50	20.22	20.94	21.65	22.37
1.30	8.5 %	20.02	20.31	20.61	20.94	21.29	21.67	22.07	1.30	8.5 %	18.71	19.45	20.20	20.94	21.68	22.42	23.17
1.25	8.3 %	20.70	21.02	21.35	21.71	22.10	22.52	22.97	1.25	8.3 %	19.40	20.17	20.94	21.71	22.48	23.25	24.02
1.21	8.0 %	21.43	21.78	22.15	22.55	22.98	23.44	23.95	1.21	8.0 %	20.15	20.95	21.75	22.55	23.35	24.15	24.94
1.11	7.5 %	23.05	23.47	23.93	24.42	24.96	25.54	26.18	1.11	7.5 %	21.82	22.69	23.56	24.42	25.29	26.16	27.02

- Growth in segment bonder and of Tamarack should boost the revenues to EUR 200 - 250m in 2-3 years
- Sustainable EBIT margin of 15% anticipated...
- ...after operating margins reached 14% in the core business (excl. Tamarack) in 2016

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	2014	2015	2016	2017	2018e	2019e	2020e	
Net Income before minorities	4.6	0.2	5.0	6.7	12.6	18.1	24.1	
+ Depreciation + Amortisation	4.2	4.2	4.2	4.1	3.8	3.8	3.8	
- Net Interest Income	-0.2	-0.3	-0.6	-0.2	0.0	0.0	0.0	
- Maintenance Capex	2.2	2.2	2.2	2.4	2.5	2.7	2.7	
+ Other	-0.4	0.0	3.1	-2.0	0.0	-1.0	-1.0	
= Free Cash Flow Potential	6.5	2.5	10.7	6.5	13.9	18.2	24.2	
FCF Potential Yield (on market EV)	7.1 %	3.2 %	9.4 %	3.2 %	5.9 %	8.4 %	11.9 %	
WACC	8.53 %	8.53 %	8.53 %	8.53 %	8.53 %	8.53 %	8.53 %	
= Enterprise Value (EV)	91.6	78.1	113.2	202.1	234.3	217.7	204.2	
= Fair Enterprise Value	75.7	29.0	125.2	76.5	162.8	213.7	284.1	
- Net Debt (Cash)	-33.0	-33.0	-33.0	-33.0	-35.4	-52.0	-65.5	
- Pension Liabilities	4.7	4.7	4.7	4.7	4.7	4.7	4.7	
- 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	103.9	57.2	153.4	104.7	193.5	260.9	344.8	
Aktienanzahl (Mio.)	19.1	19.1	19.1	19.1	19.1	19.1	19.1	
= Fair value per share (EUR)	5.43	2.99	8.02	5.48	10.12	13.65	18.04	
premium (-) / discount (+) in %					-27.0 %	-1.5 %	30.1 %	
Sensitivity Fair value per Share (EUR)								
WACC	11.53 %	4.41	2.60	6.33	4.44	7.91	10.75	14.18
	10.53 %	4.69	2.71	6.79	4.72	8.51	11.54	15.23
	9.53 %	5.02	2.84	7.34	5.06	9.23	12.49	16.49
	8.53 %	5.44	3.00	8.03	5.48	10.13	13.66	18.05
	7.53 %	5.96	3.20	8.90	6.01	11.26	15.14	20.03
	6.53 %	6.65	3.46	10.04	6.71	12.74	17.08	22.60
5.53 %	7.59	3.82	11.58	7.65	14.75	19.72	26.12	

■ Increasing sales (Tamarack + bonder) and margins result in higher value indications in coming years

Valuation							
	2014	2015	2016	2017	2018e	2019e	2020e
Price / Book	1.1 x	1.0 x	1.1 x	1.8 x	1.9 x	1.7 x	1.5 x
Book value per share ex intangibles	5.02	5.16	5.49	5.69	6.37	7.35	8.64
EV / Sales	0.6 x	0.5 x	0.6 x	1.2 x	1.1 x	1.0 x	0.9 x
EV / EBITDA	7.2 x	8.5 x	7.4 x	11.2 x	9.5 x	7.3 x	5.3 x
EV / EBIT	10.9 x	15.7 x	10.2 x	14.5 x	11.2 x	8.3 x	5.9 x
EV / EBIT adj.*	11.5 x	15.7 x	7.9 x	14.5 x	11.2 x	8.3 x	5.9 x
P / FCF	58.7 x	89.7 x	n.a.	79.6 x	107.3 x	16.0 x	19.6 x
P / E	27.2 x	590.6 x	28.1 x	34.4 x	21.0 x	14.6 x	11.0 x
P / E adj.*	27.2 x	590.6 x	19.2 x	34.4 x	21.0 x	14.6 x	11.0 x
Dividend Yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
FCF Potential Yield (on market EV)	7.1 %	3.2 %	9.4 %	3.2 %	5.9 %	8.4 %	11.9 %
*Adjustments made for: -							

Company Specific Items							
	2014	2015	2016	2017	2018e	2019e	2020e
Order entry	134.2	188.6	161.0	200.3	0.0	0.0	0.0
Order backlog	75.6	117.6	101.0	133.0	0.0	0.0	0.0

Consolidated profit and loss

In EUR m	2014	2015	2016	2017	2018e	2019e	2020e
Sales	145.3	148.5	177.6	166.5	205.0	215.0	240.0
Change Sales yoy	8.0 %	2.2 %	19.6 %	-6.2 %	23.1 %	4.9 %	11.6 %
COGS	96.5	99.2	119.0	107.0	129.8	134.8	149.8
Gross profit	48.8	49.4	58.6	59.5	75.2	80.2	90.2
<i>Gross margin</i>	<i>33.6 %</i>	<i>33.2 %</i>	<i>33.0 %</i>	<i>35.7 %</i>	<i>36.7 %</i>	<i>37.3 %</i>	<i>37.6 %</i>
Research and development	10.5	12.8	14.1	15.2	19.0	19.0	19.0
Sales and marketing	17.5	18.8	20.5	19.6	20.5	21.2	22.0
Administration expenses	14.2	13.3	13.6	13.4	14.4	14.7	15.3
Other operating expenses	2.7	4.4	3.5	3.8	0.3	0.2	0.2
Other operating income	4.5	4.9	4.3	6.3	0.0	1.0	1.0
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	12.6	9.2	15.3	18.0	24.8	29.9	38.5
<i>Margin</i>	<i>8.7 %</i>	<i>6.2 %</i>	<i>8.6 %</i>	<i>10.8 %</i>	<i>12.1 %</i>	<i>13.9 %</i>	<i>16.1 %</i>
Depreciation of fixed assets	2.7	2.9	2.9	2.8	2.8	2.8	2.8
EBITA	9.9	6.2	12.4	15.1	22.0	27.1	35.7
Amortisation of intangible assets	1.5	1.2	1.3	1.2	1.0	1.0	1.0
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	8.4	5.0	11.1	13.9	21.0	26.1	34.7
<i>Margin</i>	<i>5.8 %</i>	<i>3.3 %</i>	<i>6.3 %</i>	<i>8.3 %</i>	<i>10.2 %</i>	<i>12.1 %</i>	<i>14.5 %</i>
EBIT adj.	8.0	5.0	14.2	13.9	21.0	26.1	34.7
Interest income	0.3	0.3	0.1	0.1	0.2	0.2	0.2
Interest expenses	0.5	0.5	0.7	0.2	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	8.2	4.7	10.5	13.8	21.0	26.1	34.7
<i>Margin</i>	<i>5.6 %</i>	<i>3.2 %</i>	<i>5.9 %</i>	<i>8.3 %</i>	<i>10.2 %</i>	<i>12.1 %</i>	<i>14.5 %</i>
Total taxes	3.6	4.5	5.5	7.0	8.4	8.0	10.6
Net income from continuing operations	4.6	0.2	5.0	6.7	12.6	18.1	24.1
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	4.6	0.2	5.0	6.7	12.6	18.1	24.1
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	4.6	0.2	5.0	6.7	12.6	18.1	24.1
<i>Margin</i>	<i>3.2 %</i>	<i>0.2 %</i>	<i>2.8 %</i>	<i>4.0 %</i>	<i>6.1 %</i>	<i>8.4 %</i>	<i>10.1 %</i>
Number of shares, average	19.1	19.1	19.1	19.1	19.1	19.1	19.1
EPS	0.24	0.01	0.26	0.35	0.66	0.95	1.26
EPS adj.	0.24	0.01	0.38	0.35	0.66	0.95	1.26

*Adjustments made for:

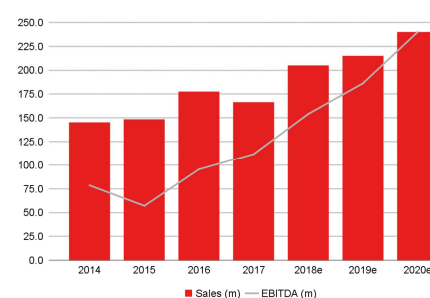
Guidance: 2018: Revenues EUR 195-205m, EBIT 8.5-10%

Financial Ratios

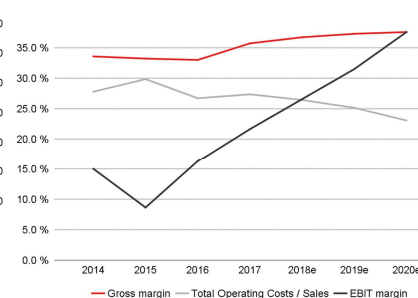
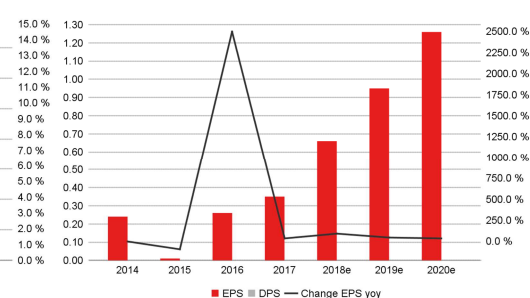
	2014	2015	2016	2017	2018e	2019e	2020e
Total Operating Costs / Sales	27.8 %	29.9 %	26.7 %	27.4 %	26.5 %	25.2 %	23.1 %
Operating Leverage	n.a.	-18.6 x	6.3 x	-4.0 x	2.2 x	5.0 x	2.8 x
EBITDA / Interest expenses	23.2 x	17.4 x	21.2 x	86.8 x	123.9 x	149.5 x	192.7 x
Tax rate (EBT)	43.7 %	95.2 %	52.4 %	51.2 %	40.0 %	30.5 %	30.5 %
Dividend Payout Ratio	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Sales per Employee	221,879	212,774	249,063	254,235	312,977	328,244	366,412

Sales, EBITDA

in EUR m


Operating Performance

in %


Performance per Share


Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

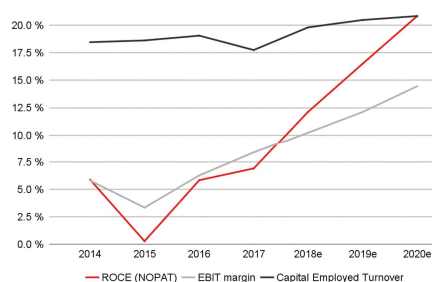
Consolidated balance sheet

In EUR m	2014	2015	2016	2017	2018e	2019e	2020e
Assets							
Goodwill and other intangible assets	20.0	20.0	19.4	18.2	17.7	17.2	16.7
thereof other intangible assets	4.1	4.0	3.3	2.5	2.0	1.5	1.0
thereof Goodwill	15.5	15.8	15.8	15.6	15.6	15.6	15.6
Property, plant and equipment	20.2	20.3	20.6	23.3	23.5	23.7	23.9
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	40.2	40.3	39.9	41.5	41.2	40.9	40.6
Inventories	58.9	68.7	73.8	97.9	89.1	91.5	102.1
Accounts receivable	13.4	13.1	24.1	19.6	20.8	21.8	24.3
Liquid assets	48.3	49.1	35.6	36.5	40.7	57.3	70.8
Other short-term assets	7.1	6.0	6.2	6.4	6.4	6.4	6.4
Current assets	127.7	136.9	139.7	160.5	157.1	177.0	203.6
Total Assets	168.0	177.2	179.6	202.0	198.2	217.9	244.2
Liabilities and shareholders' equity							
Subscribed capital	19.1	19.1	19.1	19.1	19.1	19.1	19.1
Capital reserve	98.6	98.8	103.8	110.3	110.3	110.3	110.3
Retained earnings	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other equity components	-1.6	0.8	1.4	-2.4	10.1	28.3	52.5
Shareholders' equity	116.1	118.7	124.4	127.0	139.5	157.7	181.9
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	116.1	118.7	124.4	127.0	139.5	157.7	181.9
Provisions	8.0	7.5	10.0	7.4	7.4	7.4	7.4
thereof provisions for pensions and similar obligations	4.8	5.1	4.8	4.7	4.7	4.7	4.7
Financial liabilities (total)	10.3	9.1	4.5	3.5	5.3	5.3	5.3
thereof short-term financial liabilities	1.2	1.2	1.0	1.0	1.0	1.0	1.0
Accounts payable	3.4	8.5	3.4	7.3	9.5	10.0	11.2
Other liabilities	30.2	33.4	37.4	56.8	36.5	37.5	38.5
Liabilities	51.9	58.5	55.3	75.0	58.7	60.2	62.4
Total liabilities and shareholders' equity	168.0	177.2	179.6	202.0	198.2	217.9	244.2

Financial Ratios

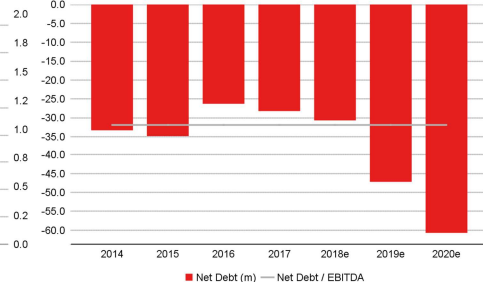
	2014	2015	2016	2017	2018e	2019e	2020e
Efficiency of Capital Employment							
Operating Assets Turnover	2.0 x	2.0 x	1.9 x	1.8 x	2.0 x	2.0 x	2.0 x
Capital Employed Turnover	1.8 x	1.8 x	1.8 x	1.7 x	1.9 x	1.9 x	2.0 x
ROA	11.5 %	0.6 %	12.5 %	16.2 %	30.6 %	44.4 %	59.4 %
Return on Capital							
ROCE (NOPAT)	5.9 %	0.3 %	5.8 %	6.9 %	12.1 %	16.5 %	20.8 %
ROE	4.1 %	0.2 %	4.1 %	5.3 %	9.5 %	12.2 %	14.2 %
Adj. ROE	4.1 %	0.2 %	5.9 %	5.3 %	9.5 %	12.2 %	14.2 %
Balance sheet quality							
Net Debt	-33.3	-34.8	-26.3	-28.2	-30.7	-47.2	-60.7
Net Financial Debt	-38.0	-40.0	-31.1	-33.0	-35.4	-52.0	-65.5
Net Gearing	-28.7 %	-29.3 %	-21.1 %	-22.2 %	-22.0 %	-29.9 %	-33.4 %
Net Fin. Debt / EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Book Value / Share	6.1	6.2	6.5	6.6	7.3	8.3	9.5
Book value per share ex intangibles	5.0	5.2	5.5	5.7	6.4	7.4	8.6

ROCE Development



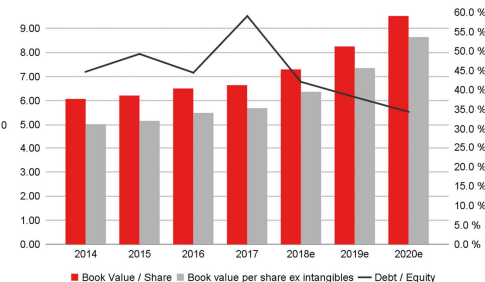
Source: Warburg Research

Net debt in EUR m



Source: Warburg Research

Book Value per Share in EUR



Source: Warburg Research

Consolidated cash flow statement

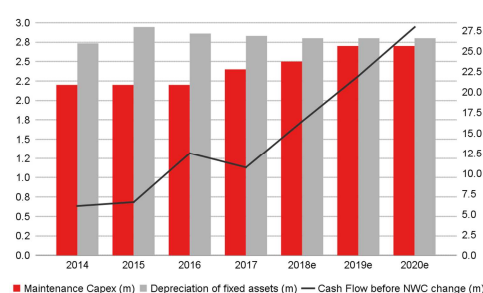
In EUR m	2014	2015	2016	2017	2018e	2019e	2020e
Net income	4.6	0.2	5.0	6.7	12.6	18.1	24.1
Depreciation of fixed assets	2.7	2.9	2.9	2.8	2.8	2.8	2.8
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	1.5	1.2	1.3	1.2	1.0	1.0	1.0
Increase/decrease in long-term provisions	0.5	0.4	-0.4	0.3	0.0	0.0	0.0
Other non-cash income and expenses	-3.3	1.7	3.8	-0.4	0.0	0.0	0.0
Cash Flow before NWC change	6.0	6.5	12.5	10.7	16.4	21.9	27.9
Increase / decrease in inventory	14.0	-7.7	-6.1	-28.2	8.8	-2.4	-10.6
Increase / decrease in accounts receivable	0.4	1.3	-10.7	2.9	-1.2	-1.0	-2.5
Increase / decrease in accounts payable	-15.3	4.7	-1.1	23.9	-18.1	1.5	2.2
Increase / decrease in other working capital positions	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Increase / decrease in working capital (total)	-0.9	-1.8	-17.9	-1.3	-10.4	-1.9	-10.9
Net cash provided by operating activities [1]	5.1	4.7	-5.4	9.4	6.0	20.0	17.0
Investments in intangible assets	1.2	0.8	0.5	0.5	0.5	0.5	0.5
Investments in property, plant and equipment	1.8	2.6	3.2	6.0	3.0	3.0	3.0
Payments for acquisitions	0.0	0.0	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]	-3.0	-3.4	-3.6	-6.5	-3.5	-3.5	-3.5
Change in financial liabilities	-1.2	-1.2	-4.6	-1.0	1.8	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by financing activities [3]	-1.2	-1.2	-4.6	-1.0	1.8	0.0	0.0
Change in liquid funds [1]+[2]+[3]	0.9	0.1	-13.6	1.9	4.3	16.5	13.5
Effects of exchange-rate changes on cash	0.3	0.7	0.2	-1.0	0.0	0.0	0.0
Cash and cash equivalent at end of period	46.3	48.1	35.7	36.5	40.7	57.3	70.8

Financial Ratios

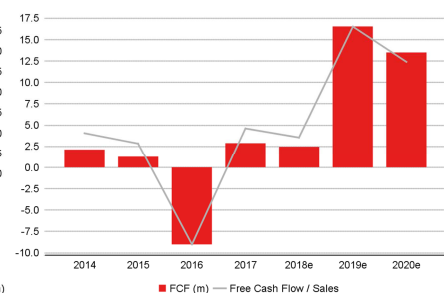
	2014	2015	2016	2017	2018e	2019e	2020e
Cash Flow							
FCF	2.1	1.3	-9.0	2.9	2.5	16.5	13.5
Free Cash Flow / Sales	1.5 %	0.8 %	-5.1 %	1.7 %	1.2 %	7.7 %	5.6 %
Free Cash Flow Potential	6.5	2.5	10.7	6.5	13.9	18.2	24.2
Free Cash Flow / Net Profit	46.1 %	559.1 %	-180.3 %	43.1 %	19.6 %	91.2 %	55.9 %
Interest Received / Avg. Cash	0.7 %	0.5 %	0.2 %	0.2 %	0.5 %	0.4 %	0.3 %
Interest Paid / Avg. Debt	5.0 %	5.4 %	10.6 %	5.2 %	4.5 %	3.8 %	3.8 %
Management of Funds							
Investment ratio	2.0 %	2.3 %	2.1 %	3.9 %	1.7 %	1.6 %	1.5 %
Maint. Capex / Sales	1.5 %	1.5 %	1.2 %	1.4 %	1.2 %	1.3 %	1.1 %
Capex / Dep	69.6 %	81.6 %	87.8 %	159.2 %	92.1 %	92.1 %	93.3 %
Avg. Working Capital / Sales	33.4 %	35.8 %	35.8 %	42.6 %	36.7 %	37.8 %	36.6 %
Trade Debtors / Trade Creditors	388.6 %	154.5 %	717.2 %	269.4 %	218.9 %	218.0 %	217.0 %
Inventory Turnover	1.6 x	1.4 x	1.6 x	1.1 x	1.5 x	1.5 x	1.5 x
Receivables collection period (days)	34	32	50	43	37	37	37
Payables payment period (days)	13	31	10	25	27	27	27
Cash conversion cycle (Days)	163	177	178	211	193	189	193

CAPEX and Cash Flow

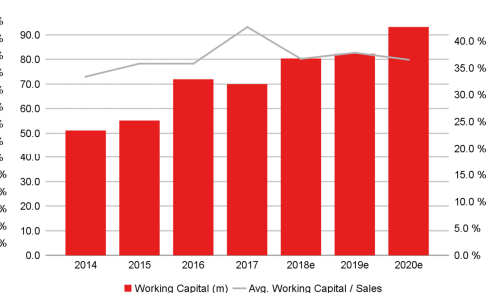
in EUR m



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 (WHPG), 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 Potential, 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 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.
- 6- Companies affiliated with Warburg Research **regularly trade** financial instruments of the analysed company or derivatives of these.
- 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)
SÜSS MicroTec	5, 6	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE000A1K0235.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	111	54
Hold	92	44
Sell	4	2
Rating suspended	0	0
Total	207	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	30	73
Hold	11	27
Sell	0	0
Rating suspended	0	0
Total	41	100

PRICE AND RATING HISTORY SÜSS MICROTEC AS OF 27.03.2018

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

Roland Rapelius +49 40 3282-2673
Head of Equities rrapelius@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

Lucas Boventer +49 40 309537-290
Renewables, Internet, Media lboventer@warburg-research.com

Christian Cohrs +49 40 309537-175
Engineering, Logistics 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
Small Cap Research mfuhrberg@warburg-research.com

Marie-Thérèse Grübner +49 40 309537-240
Small Cap Research mgruebner@warburg-research.com

Ulrich Huwald +49 40 309537-255
Health Care, Pharma uhuwald@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

Jochen Reichert +49 40 309537-130
Telco, Internet, Media jreichert@warburg-research.com

J. Moritz Rieser +49 40 309537-260
Real Estate mrieser@warburg-research.com

Arash Roshan Zamir +49 40 309537-155
Cap. Goods, Renewables aroshanzamir@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

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

Björn Voss +49 40 309537-254
Steel, Car Suppliers bvoss@warburg-research.com

Alexander Wahl +49 40 309537-230
Car Suppliers, Construction awahl@warburg-research.com

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

INSTITUTIONAL EQUITY SALES

Holger Nass +49 40 3282-2669
Head of Equity Sales, USA hnass@mmwarburg.com

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

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

Lyubka Bogdanova +49 69 5050-7411
United Kingdom, Australia lbogdanova@mmwarburg.com

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

Paul Dontenwill +49 40 3282-2666
USA, Poland, The Netherlands pdontenwill@mmwarburg.com

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

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

Marc Niemann +49 40 3282-2660
Germany mniemann@mmwarburg.com

Sanjay Oberoi +49 69 5050-7410
United Kingdom soberoi@mmwarburg.com

Simon Pallhuber +49 69 5050-7414
Switzerland, France spallhuber@mmwarburg.com

Angelika Flegler +49 69 5050-7417
Roadshow/Marketing aflegler@mmwarburg.com

Juliane Willenbruch +49 40 3282-2694
Roadshow/Marketing jwillenbruch@mmwarburg.com

SALES TRADING

Oliver Merkel +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
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