

## CENIT AG\*5a,6a,7,11

**Rating: BUY**

**Target price: € 19.00  
(previously: € 20.05)**

Current share price: 16.55  
04.08.2022 / XETRA / 9:07 am

Currency: EUR

**Key data:**

ISIN: DE0005407100

WKN: 540710

Ticker symbol: CSH

Number of shares<sup>3</sup>: 8,368

Market cap<sup>3</sup>: 138.69

Enterprise value<sup>3</sup>: 147.76

<sup>3</sup>in million / in EUR million

Free float: 62.3%

Transparency level:

Prime Standard

Market segment:

Regulated market

Accounting:

IFRS

Financial year: 31.12.

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\* catalogue of potential conflicts of interest on page 5

Date (time) of completion:  
04/08/2022 (11:10 am)

Date (Time) first distribution:  
04/08/2022 (12:00 am)

Target price valid until:  
max. 31/12/2023

**Company Profile**

Sector: Software

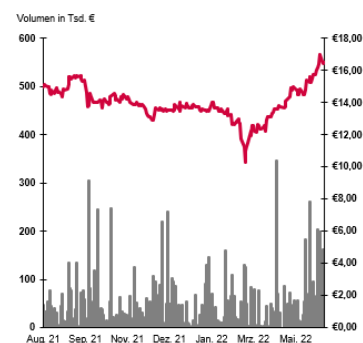
Specialty: Consulting and software specialist

Employees: 858 Status: 30.06.2022

Foundation: 1998

Head office: Stuttgart

Board of Directors: Kurt Bengel, Dr. Markus Wesel,  
Peter Schneck



For over 33 years, CENIT has been successfully active as a leading consulting and software specialist for the optimisation of business processes in the fields of Digital Factory, Product Lifecycle Management (PLM), SAP PLM, Enterprise Information Management (EIM) and Application Management Services (AMS). Standard solutions from strategic partners such as DASSAULT SYSTEMES, SAP and IBM are supplemented by CENIT's own established software developments. These include the FASTSUITE product family for software solutions in the digital factory sector, cenitCONNECT for processes around SAP PLM, cenitSPIN as a powerful PLM desktop, CENIT ECLISO for efficient information management and ECM Systemmonitor for monitoring IBM ECM applications. The company is represented worldwide at 26 locations in nine countries with over 920 employees. They work for customers in the automotive, aerospace, mechanical engineering, tool and mould making, financial services, trade and consumer goods sectors, among others.

P&L in EUR million \ FY-end	31.12.2021	31.12.2022e	31.12.2023e	31.12.2024e
Revenues	146.07	168.53	193.09	212.40
EBITDA	11.28	14.27	18.78	24.12
EBIT	6.23	9.42	13.84	19.29
Net profit	4.25	5.83	8.55	12.24

Key figures in EUR				
Earnings per share	0.51	0.70	1.02	1.46
Dividend per share	0.75	0.50	0.70	1.00

Key figures				
EV/Revenue	1.01	0.88	0.77	0.70
EV/EBITDA	13.10	10.35	7.87	6.13
EV/EBIT	23.70	15.69	10.68	7.66
P/E-ratio	32.63	23.80	16.21	11.33
Book-value per share	3.18			

Financial dates		**last research published by GBC:	
03.11.2022: nine month figures 2022		Date: Publication / Target Price in EUR / Rating	

12.05.2022: RS / 20.05 / BUY
13.04.2022: RS / 20.60 / BUY
11.11.2021: RS / 18.80 / BUY
06.08.2021: RS / 18.80 / BUY

\*\* the research reports can be found on our website [www.gbc-ag.de](http://www.gbc-ag.de) or can be requested at GBC AG, Halderstr. 27, D-86150 Augsburg

Note on research as a "minor non-monetary benefit" according to the MiFID II regulation: This research meets the requirements for being classified as a "minor non-monetary benefit". For more information, see the disclosure under "I. Research under MiFID II"

**1HY 2022: Sales growth of 6.1% and EBIT increase of 19.6% achieved; due to later ISR consolidation we adjust our forecasts slightly; Target price: €19.00; Rating: BUY**

in EURm	1.HY 2020	1.HY 2021	1.HY 2022
Revenues	74.69	69.63*	73.91
Revenues – CENIT Software	7.32	7.67	7.99
Revenues – Third party software	46.70	43.26*	43.65
Revenues – Consulting/Services	20.38	18.70	22.23
Revenues - recurring	47.73	45.38	46.11
EBIT	0.78	0.94	1.12
Net result	0.31	0.40	0.39

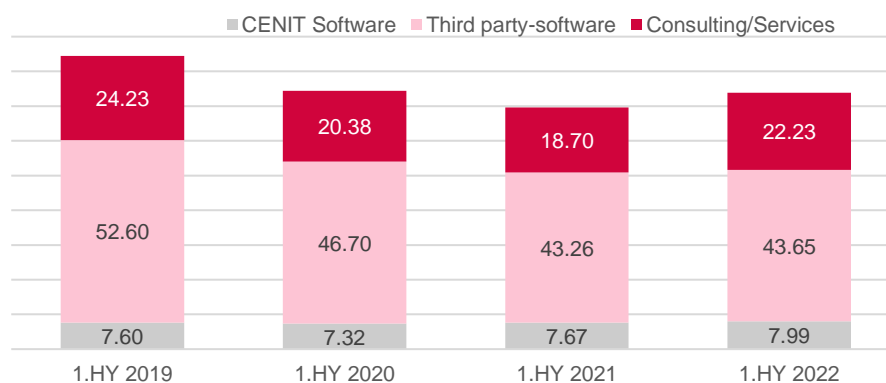
Sources: Cenit AG; GBC AG; Previous year's value adjusted for change in balance sheet (principal to agent)

### Development of sales and earnings in the first half of 2022

In the first six months of 2022, CENIT AG was able to increase sales revenues by 6.1% to € 73.91 million (previous year: € 69.63 million). It should be taken into account that part of the sales growth is related to the first-time consolidation of the acquired ISR Information Products AG (ISR for short), which contributed sales revenues of € 2.03 million for the month of June 2022. Without this inorganic effect, CENIT AG would have reported an increase in sales of 3.2%.

Already in the first quarter, the company benefited from an extraordinarily strong development in the consulting and services sector, a development that is also reflected in the half-year figures. Partly due to high demand from the aerospace sector, revenues in this segment climbed noticeably by 18.9% to € 22.23 million (previous year: € 18.70 million). This also largely includes the revenues of ISR, which was consolidated for one month. Due to the restrictions caused by the pandemic, there was a significant decline in turnover for consulting and services in the past two financial years, which has now almost been made up for.

### Revenues in the first half-year (in € million)



Sources: Cenit AG; GBC AG

In comparison, the development of sales with third-party software (+0.9%) and proprietary software (+4.2%) was less dynamic. The high proportion of recurring sales of 62.4% of total sales underline the high stability of the CENIT business model and is to be positively emphasised.

In parallel to the increase in sales, CENIT AG reported a 19.6% increase in EBIT to € 1.12 million (previous year: € 0.94 million). The EBIT margin improved to 1.5 % (previous year: 1.3%). Both turnover and the resulting operating result are subject to seasonal fluctuations. This can be seen in the EBIT development of the first two quarters of 2022. While a negative EBIT of € -0.39 million was reported in the first quarter, this increased significantly to € 1.51 million in the second quarter of 2022.

With the first-time full consolidation of ISR (74.9% of the shares), the minority interests climbed visibly and thus, despite the increase in EBIT, the after-tax result was marginally below the previous year's value at € 0.39 million (previous year: € 0.40 million). The full consolidation of ISR also resulted in a noticeable increase in the balance sheet total to € 117.72 million (31.12.21: € 92.81 million). On the one hand, fixed assets climbed to € 35.55 million (31.12.21: € 10.27 million) and, on the other hand, long-term liabilities rose to € 34.25 million (31.12.21: € 10.08 million) due to the assumption of bank liabilities. Part of the purchase price (€ 27.93 million) was covered by new bank loans (€ 23.00 million).

### Forecasts and model assumptions

in EURm	FY 2021	FY 2022e (old)	FY 2022e (new)	FY 2023e	FY 2024e
Revenues	146.07	175.53	168.53	193.09	212.40
EBIT	6.23	10.15	9.13	13.84	19.29
EBIT-margin	4.3%	5.8%	5.4%	7.2%	9.1%
Net profit	4.25	6.14	5.83	8.55	12.24

Source: GBC AG

Subject to the proviso that the economic and industry-specific framework conditions do not deteriorate significantly, the CENIT management has confirmed the guidance for the current business year. The company continues to expect consolidated sales of around € 170 million and a consolidated EBIT of around € 9.0 million. Excluding inorganic effects, this is de facto equivalent to an increase in guidance, as the company's previous estimate has included full consolidation of ISR since 1 January 2022. With the publication of the half-year report, however, it has become clear that ISR will only be included in the CENIT Group for seven months (consolidation date: 30 May 2022) in the current financial year 2022. Accordingly, the CENIT management assumes that it will be able to compensate for the shortfall of around € 10 million through organic growth.

In our previous estimates, in which we also assumed the first-time consolidation of ISR as of 1 January 2022, we were somewhat more optimistic than the CENIT management. We are adjusting our estimate to the management's expectation and now anticipate slightly higher organic growth, which, however, should not compensate for the missing ISR sales in January - May. We are therefore reducing our revenue forecast for 2022 to € 168.53m (previously: € 175.53m) and, analogously, our EBIT estimate to € 9.13m (previously: €10.15m). We are maintaining our previous forecasts unchanged for the coming financial years.

Within the framework of the adjusted DCF valuation model, we have determined a new target price of € 19.00 (previously: € 20.05). Although the slight reduction in the target price is slightly due to the lowering of the 2022 forecasts, the main reason for this is the further increase in the risk-free interest rate to 1.25% (previously: 0.40%). We continue to assign the BUY rating.

## Evaluation

### ***Model assumptions***

CENIT AG was valued by us using a three-stage DCF model. Starting with the concrete estimates for the years 2022 to 2024 in phase 1, the forecast is made from 2025 to 2029 in the second phase by applying value drivers. We expect increases in turnover of 2.0 %. We have assumed a target EBITDA margin of 11.4% (previously: 11.4%). We have taken the tax rate into account at 30.0% in phase 2. In the third phase, a residual value is also determined after the end of the forecast horizon using the perpetual annuity. In the terminal value we assume a growth rate of 2.0%.

### ***Determining the cost of capital***

The weighted average cost of capital (WACC) of CENIT AG is calculated from the cost of equity and the cost of debt. To determine the cost of equity, the fair market premium, the company-specific beta and the risk-free interest rate must be calculated.

The risk-free interest rate is derived from current yield curves for risk-free bonds in accordance with the recommendations of the Fachausschuss für Unternehmensbewertungen und Betriebswirtschaft (FAUB) of the IDW. The basis for this is the zero bond interest rates published by the Deutsche Bundesbank according to the Svensson method. To smooth short-term market fluctuations, the average yields of the previous three months are used and the result rounded to 0.25 basis points. The currently used value of the risk-free interest rate 1.25 % (previously: 0.40 %).

We use the historical market premium of 5.50% as a reasonable expectation of a market premium. This is supported by historical analyses of stock market returns. The market premium reflects the percentage by which the equity market is expected to yield better than low-risk government bonds.

According to the GBC estimation method, a beta of 1.34 is currently determined.

Using the assumptions made, we calculate a cost of equity of 8.60 % (previously: 7.75 %) (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of the cost of equity of 95% (previously: 100%), the weighted average cost of capital (WACC) is 8.28% (previously: 7.75%).

### ***Valuation result***

Within the framework of our DCF valuation model, we have determined a new target price of € 19.00 (previously: € 20.05). The price target reduction is mainly due to the increased weighted cost of capital as a result of the higher risk-free interest rate.

## CENIT AG - Discounted Cashflow (DCF) model scenario

Value driver of the DCF - model after the estimate phase:

consistency - phase		final - phase	
Revenue growth	2.0%	Eternal growth rate	2.0%
EBITDA-Margin	11.4%	Eternal EBITA - margin	7.5%
Depreciation to fixed assets	14.9%	Effective tax rate in final phase	30.0%
Working Capital to revenue	3.0%		

### three phases DCF - model:

phase in €m	estimate			consistency					final value
	FY 22e	FY 23e	FY 24e	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e	
Revenues (RE)	168.53	193.09	212.40	216.64	220.98	225.40	229.90	234.50	
RE change	15.4%	14.6%	10.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
RE to fixed assets	6.48	6.55	6.55	6.45	6.39	6.36	6.36	6.38	
EBITDA	14.27	18.78	24.12	24.61	25.10	25.60	26.11	26.63	
EBITDA-Margin	8.5%	9.7%	11.4%	11.4%	11.4%	11.4%	11.4%	11.4%	
EBITA	9.42	13.84	19.29	19.78	20.09	20.45	20.83	21.25	
EBITA-Margin	5.6%	7.2%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	7.5%
Taxes on EBITA	-2.96	-4.33	-5.79	-5.93	-6.03	-6.13	-6.25	-6.37	
Taxes to EBITA	31.4%	31.3%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
EBI (NOPLAT)	6.46	9.51	13.51	13.84	14.07	14.31	14.58	14.87	
Return on capital	25.0%	31.2%	38.4%	35.8%	35.2%	34.8%	34.6%	34.6%	28.8%
Working Capital (WC)	4.50	5.70	6.27	6.39	6.52	6.65	6.78	6.92	
WC to Revenues	2.7%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Investment in WC	-0.74	-1.20	-0.57	-0.13	-0.13	-0.13	-0.13	-0.14	
Operating fixed assets (OAV)	26.00	29.50	32.43	33.60	34.59	35.44	36.16	36.77	
Depreciation on OAV	-4.85	-4.94	-4.83	-4.83	-5.00	-5.15	-5.28	-5.39	
Depreciation to OAV	18.7%	16.7%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	
Investment in OAV	-8.70	-8.44	-7.76	-6.00	-6.00	-6.00	-6.00	-6.00	
Capital employed	30.50	35.20	38.69	39.99	41.11	42.09	42.94	43.69	
EBITDA	14.27	18.78	24.12	24.61	25.10	25.60	26.11	26.63	
Taxes on EBITA	-2.96	-4.33	-5.79	-5.93	-6.03	-6.13	-6.25	-6.37	
Total investment	-37.37	-9.64	-8.32	-6.13	-6.13	-6.13	-6.13	-6.14	
Investment in OAV	-8.70	-8.44	-7.76	-6.00	-6.00	-6.00	-6.00	-6.00	
Investment in WC	-0.74	-1.20	-0.57	-0.13	-0.13	-0.13	-0.13	-0.14	
Investment in Goodwill	-27.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cashflows	-26.06	4.81	10.01	12.55	12.94	13.34	13.73	14.12	186.48

Value operating business (due date)	164.74	173.56
Net present value explicit free Cashflows	57.86	57.84
Net present value of terminal value	106.88	115.72
Net debt	13.71	13.50
Value of equity	151.03	160.06
Minority interests	-0.79	-0.84
Value of share capital	150.24	159.23
Outstanding shares in m	8.38	8.38
Fair value per share in €	17.93	19.00

### Cost of capital:

Risk free rate	1.3%
Market risk premium	5.5%
Beta	1.34
Cost of equity	8.6%
Target weight	95.0%
Cost of debt	3.0%
Target weight	5.0%
Taxshield	26.4%
<b>WACC</b>	<b>8.3%</b>

Return on capital	WACC				
	7.3%	7.8%	8.3%	8.8%	9.3%
8.8%	9.59	9.10	8.69	8.35	8.05
18.8%	16.08	14.86	13.85	12.99	12.26
28.8%	22.56	20.62	19.00	17.63	16.46
38.8%	29.04	26.38	24.16	22.28	20.67
48.8%	35.52	32.14	29.31	26.92	24.88

## ANNEX

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BUY	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $\geq + 10\%$ .
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The analysts responsible for this analysis are:

**Cosmin Filker, Dipl. Betriebswirt (FH), Vice Head of Research**

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Other person involved in this study:

**Jörg Grunwald, Board of Directors**

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