Research Report (Anno)

CENIT AG

Sales and earnings in line with expectations
CENIT 2025 confirmed and further growth expected for 2024
Acquisitions to take place shortly

Target price: € 20.55

Rating: BUY

IMPORTANT NOTICE:
Please note the disclaimer/risk notice
as well as the disclosure of possible conflicts of interest pursuant to § 85 WpHG and Art. 20 MAR from page 18

Notice pursuant to MiFID II regulation for research "Minor Non-Monetary Contribution": This research meets the requirements for classification as "Minor Non-Monetary Contribution". For further information, please refer to the disclosure under "I. Research under MiFID II".

Date and time of completion of the study: 10.04.2024 (3:50 pm)
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Validity of the price target: until max. 31.12.2024

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

Rating: BUY
Target price: € 20.55
(previously: € 20.90)

Current share price: 12.80
10/04/2024 / XETRA /
10:24 am

Currency: EUR

Key data:

ISIN: DE0005407100
WKN: 540710
Ticker symbol: CSH

Number of shares³: 8,368
Marketcap³: 107.11
Enterprise value³: 126.05
in million / in million EUR

Free float: 54.6 %

Transparency level:
Prime Standard

Market segment:
Regulated market

Accounting:
IFRS

Financial year: 31.12.

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* Catalogue of possible conflicts of interest on page 19

Company profile

Sector: software

Focus: consultancy and software specialist

Employees: 893 (31.12.2023)

Foundation: 1988

Company headquarters: Stuttgart

Board of directors: Peter Schneck, Axel Otto

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 890 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 \ End of FY	31.12.2023	31.12.2024e	31.12.2025e	31.12.2026e
Revenues	184.72	200.42	216.45	233.77
EBITDA	16.41	19.60	22.57	25.36
EBIT	9.22	12.01	15.17	18.06
Net income for the year	4.50	5.99	8.13	10.20

Key figures in EUR				
Earnings per share	0.54	0.72	0.97	1.22
Dividend per share	0.04	0.10	0.25	0.30

Key figures				
EV/revenue	0.68	0.63	0.58	0.54
EV/EBITDA	7.68	6.43	5.59	4.97
EV/EBIT	13.67	10.50	8.31	6.98
KGV	23.82	17.88	13.17	10.51
KBV	2.38			

Financial dates
14.05.2024: Q1 Report 2024
06.06.2024: Annual General Meeting

**Latest research from GBC:
Date: Publication / Target price in EUR / Rating
16.01.2024: RS / 20.90 / BUY
03.11.2023: RS / 20.90 / BUY
03.08.2023: RS / 21.00 / BUY
11.07.2023: RS / 19.75 / BUY
12.05.2023: RS / 19.75 / BUY

** The research studies listed above can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg, Germany

EXECUTIVE SUMMARY

- With total annual sales of € 184.72 million (previous year: € 162.15 million), CENIT AG slightly exceeded both its own guidance (approx. € 180 million) and our previous estimates (€ 181.61 million). The company benefited in particular from the high level of M&A activity in recent financial years, which continued in the 2023 financial year with the acquisition of three new companies. The new companies contributed € 7.84 million to total sales for the first time, meaning that inorganic growth accounted for 4.8% of the total sales increase of 13.9%. However, organic growth of 9.1% also benefited from a base effect, as ISR, which was acquired in the 2022 financial year, was included for the full year for the first time in 2023.

- As the new companies, particularly ISR with the highest sales, generate their sales primarily in the area of consulting and services, consulting sales rose particularly strongly by 33.5% to € 74.38 million (previous year: € 55.72 million). At the same time, sales of third-party software rose by 5.2% to € 92.70 million (previous year: € 88.14 million). By contrast, sales of own software fell slightly to € 16.79 million (previous year: € 17.71 million), which is mainly due to the ongoing transformation towards SaaS sales. At the end of the transformation, sales will be easier to plan, which is already the case at CENIT AG with a recurring sales share of 53.5%.

- The strong increase in sales is also reflected in a significant improvement in EBIT to € 9.22 million (previous year: € 6.31 million). This would have been even higher, but was offset by M&A-related extraordinary expenses (€ 0.64 million) and increased PPA amortisation. In addition, personnel expenses rose sharply as a result of acquisitions, but also due to salary increases and inflation compensation payments. Despite the increase in EBIT, earnings after taxes were down on the previous year at € 4.50 million (previous year: € 6.28 million). This is primarily due to higher interest expenses. On the one hand, outstanding bank liabilities increased significantly in preparation for the inorganic growth. On the other hand, the financial result included write-downs on financial instruments.

- The Management Board of CENIT expects an increase in sales in the range of € 195 million to € 202 million for the current 2024 financial year and anticipates an improvement in the EBIT margin to 6.0% (previous year: 5.0%). At the same time, the "CENIT 2025" plan was confirmed, according to which an increase in total sales to € 300 million and an increase in the EBIT margin to at least 8% is to be achieved by 2025. To this end, two to three acquisitions are to be made each year. Although the company is in advanced negotiations regarding an acquisition, we have not yet included this in our estimates. We therefore expect sales of € 200.42 million and EBIT of € 12.01 million for the current 2024 financial year. This growth should be achieved solely through the full-year inclusion of the companies acquired in 2023. We forecast sales growth of 8.0% in each of the following years and expect a gradual increase in the EBIT margin. However, due to the lack of inorganic growth in our planning, this is below the expectations of "CENIT 2025".

- As part of our DCF valuation model, we have determined a target price of € 20.55 (previously: € 20.90). We continue to assign a BUY rating.

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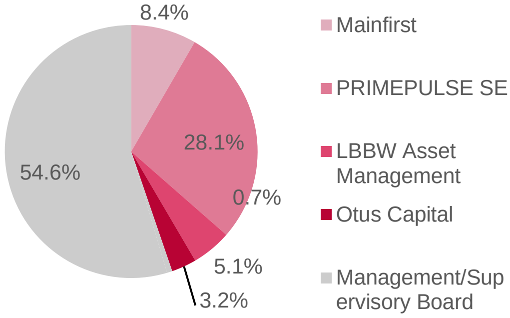
THE COMPANY

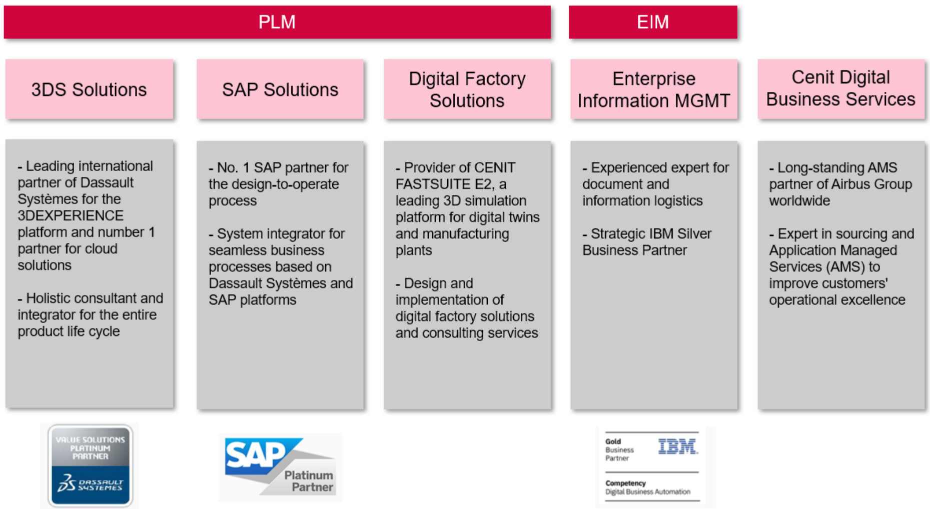
Shareholder structure

Mainfirst	8.4%
PRIMEPULSE SE	28.1%
LBBW Asset Management	5.1%
Otus Capital	3.2%
Management Board/Supervisory Board	0.7%
Free float	**54.6%**

Source: CENIT AG; GBC AG



Product segments



Source: CENIT AG; GBC AG

CENIT AG's product range can be divided into five business areas, which in turn are allocated to the "PLM" and "EIM" segments.

PLM (Product Lifecycle Management)

In the PLM area, the company acts primarily as a partner and integrator of standard products from Dassault Systèmes and SAP in conjunction with its own industry-specific solutions. PLM customers typically come from the manufacturing industry and use CENIT solutions to optimise business processes from product development through to production. The use of PLM solutions enables the user to map business processes and product knowledge over the entire product life cycle and to digitally simulate the production process. This enables a better understanding of company processes to be achieved. In addition to reducing downtimes and shortening time to market, quality improvements can also be achieved while saving costs at the same time. The main customer industries in the PLM sector are the automotive, aerospace, mechanical engineering and tool- and mould-making industries.

In this product segment, CENIT primarily acts as an integrated value-added reseller (VAR) of solutions from Dassault Systèmes, the world's largest provider of PLM solutions. With the 2017 acquisition of Keonys, the largest reseller and integrator of Dassault PLM products in France, Belgium and the Netherlands, CENIT has become Dassault's largest VAR worldwide.

In addition to Dassault products, CENIT also offers its proprietary FASTSUITE software, which, supplemented by partner software, covers a large part of the manufacturing process. The software support for these digital factories covers the areas of project planning, simulation and optimisation of manufacturing processes through to the programming of NFC and robot cells.

As a long-standing SAP consulting and development partner, CENIT enables the integration of the two product worlds of Dassault and SAP via its own concept and thus offers customers the freedom to use both platforms.

EIM (Enterprise Information Management)

An enterprise information management system enables the efficient capture, management, storage and provision of data and documents and serves to support organisational processes. The aim of implementing an EIM system is to create a standardised information platform in order to avoid data and document redundancy, provide the necessary information and control processes. EIM solutions comprise various information technologies, such as document management, knowledge management, workflow management, etc.

Implementation of the M&A strategy

In the past two fiscal years, CENIT AG has actively implemented its strategy of inorganic growth. A total of seven companies have been acquired since the start of the 2021 financial year. The acquisitions have also increased the number of employees by around 315, which is also an important aspect in light of the current shortage of skilled labour.

Acquisition	Segment	Employees	Year
ISR Information Products AG	EIM	approximately 230	2022
Coristo GmbH	PLM	Increase in shareholding	2022
Magic Engineering SRL	PLM	9	2022
mip Management Informations Partner GmbH	EIM	18	2023
PI Informatik GmbH	PLM	30	2023
Active Business Consult GmbH (ABC)	PLM	12	2023
CCE b:digital GmbH & Co. KG	PLM	16	2024

Source: CENIT AG

CENIT AG announced the acquisition of CCE b:digital GmbH & Co. KG in January 2024 as its latest acquisition. CCE offers consulting, implementation and software development in the business areas of Digital Services, PLM Services and Application Services. Similar to CENIT's "3DS Solutions" business segment, CCE's offering is based on Dassault Systèmes solutions, with a particular focus on the products CATIA and the 3DEXPERIENCE PLM platform. CENIT AG emphasises that CCE has special expertise in the migration and introduction of Dassault standard software. For this purpose, concepts have been developed that are specially tailored to medium-sized and smaller customers. In addition, the acquisition of CCE will expand their local presence in the Ostwestfalen Lippe region.

MARKET AND MARKET ENVIRONMENT

With its product range geared towards the digitalisation of processes and information, CENIT AG is primarily a part of the fast-growing IT sector. However, as the core industries of automotive, manufacturing and aircraft construction are currently being addressed by customers, there is a dependence on these industries.

Development of the ITC sector in Germany

The resilience of the ICT sector, which was already evident during the coronavirus pandemic and in subsequent years with supply chain problems and the war in Ukraine, was also demonstrated last year. While the economy as a whole shrank slightly by -0.3% in terms of GDP in 2023, turnover in the ICT sector rose by 2.0%. Since 2020, the first year of coronavirus, average annual growth in the ICT sector has been 5.4%, which is significantly higher than overall economic growth. Digitalisation continues to be seen as a key factor in overcoming the current challenges. As the ICT sector is also affected by the shortage of skilled labour, there is a bottleneck here that prevented even stronger growth in the sector last year.

For the current year 2024, the industry association BITKOM expects the ICT sector as a whole to grow by 4.4% and thus accelerate its momentum. Although the Bitkom-ifo Digital Index is still at a low level at 9.8 points (as at December 2023), an upward trend is discernible compared to the months of August to November 2023. Sales of software as well as IT services and IT hardware are expected to contribute significantly to the anticipated market growth. Key drivers in these sub-sectors of ICT are artificial intelligence, cloud-related services and infrastructure-as-a-service.

Focus on customer industries

Overall, CENIT is part of a growing industry with its two business units PLM and EIM. However, the industry focus on the PLM segment, which generates higher sales, plays an important role here. In the past fiscal year, CENIT again generated a significant share of sales with customers from the automotive, manufacturing/mechanical engineering and aircraft construction sectors.

After the European automotive industry was hit particularly hard by the coronavirus pandemic in terms of new registrations (source: ACEA) and struggled with the effects of the shortage of primary products and raw materials in the two subsequent years, there was a sharp rise in new registrations in 2023. These climbed by 13.6% and exceeded the 10 million mark for new registrations in the EU for the first time since 2019. However, there is still a gap to the record figures from 2019, when around 13 million new vehicles were registered. The picture is similar for commercial vehicles, for which demand is forecast to increase by 15% by 2023. According to ACEA estimates, the market recovery will continue in the current year with an expected increase in new registrations of 2.5%. Originally, an increase of around 5% was expected for 2023, which will be significantly exceeded.

Airbus Group, an important customer of the Digital Business Services segment, continued its growth trajectory last year. With 735 commercial aircraft deliveries, the previous year's figure of 661 aircraft handed over to customers was exceeded by 11.2%. Since the drastic decline in the first year of coronavirus in 2020, the European aircraft manufacturer has been able to steadily increase its delivery figures, but is still visibly below the pre-pandemic level. With an order intake of 2,094 aircraft and an order backlog of 8,598 units, the capacity utilisation of this important customer for CENIT AG is secured for the coming years.

For the current financial year, Airbus expects a further increase in deliveries and a resulting increase in earnings.

Market potential at the level of CENIT's business segments

Another starting point for determining CENIT's market potential can be derived parallel to the customer industries at the level of CENIT AG's key business segments. In the business segment with the highest sales, 3DS Solutions, the company acts as the most important partner of Dassault Systèmes, focussing on consulting and integration of Dassault (e.g. CATIA).

Dassault Systèmes increased its software sales by 4.8% to € 5.36 billion in the past financial year 2023. Particularly strong growth was generated with industrial customers in Europe. Overall, there is intense competition in the software market addressed by Dassault, but the French company is securing a relevant market share by expanding its product portfolio and developing new applications and markets. Competitors in the area of industrial customers include Siemens Digital Industries, Autodesk and PTC, as well as software providers SAP and Oracle in the area of collaborative business processes. For the current 2024 financial year, Dassault expects growth momentum to accelerate and anticipates an increase in software sales in the range of 8% to 10%. For CENIT AG, this guidance provides a good basis for growth in the **3DS Solutions** business segment.

In the second important business segment, SAP Solutions, CENIT AG acts as a long-standing SAP consulting and development partner and as a hinge between the product worlds of Dassault and SAP. In the 2023 financial year, cloud and software revenue increased by around 6.0%, with a growth rate comparable to Dassault Systèmes. Growth in a range of 7.7% to 9.6% is forecast for 2024. This means that the targets for the **SAP Solutions** business division are comparable to those for the 3DS Solutions business division.

The **EIM** market continues to be driven by the growth of unstructured data volumes, new regulations, the growth of cloud computing, big data analytics, etc. The use of EIM solutions ensures the availability, retrieval and security of data volumes. Against this backdrop, it is assumed that the global market for EIM solutions will continue to be characterised by high growth. According to a study published in Business Research Insights, average annual growth of 16.6% is anticipated for the period 2021 to 2031, which would make the EIM market one of the fastest-growing software sectors over this long period.

CORPORATE DEVELOPMENT

Key figures at a glance

P&L (in € million)	**FY 2022**	**FY 2023**	**FY 2024e**	**FY 2025e**	**FY 2026e**
Revenues	162.15	184.72	200.42	216.45	233.77
Cost of materials	-71.52	-76.99	-84.98	-91.99	-99.35
Gross profit	**90.64**	**107.73**	**115.44**	**124.46**	**134.42**
Other operating income	1.18	2.88	1.50	1.50	1.50
Personnel expenses	-67.27	-78.59	-82.52	-88.29	-95.36
Depreciation	-5.63	-7.19	-7.59	-7.40	-7.30
Other operating expenses	-12.61	-15.61	-14.83	-15.10	-15.20
Interest result	2.90	-2.41	-2.32	-2.25	-2.20
EBT	**9.20**	**6.81**	**9.69**	**12.92**	**15.86**
Taxes	-2.60	-1.88	-2.91	-3.88	-4.76
Minority interests	-0.33	-0.43	-0.79	-0.91	-0.91
After-tax result	**6.28**	**4.50**	**5.99**	**8.13**	**10.20**
EBITDA	11.94	16.41	19.60	22.57	25.36
in % of sales revenue	7.4%	8.9%	9.8%	10.4%	10.8%
EBIT	6.30	9.22	12.01	15.17	18.06
in % of sales revenue	3.9%	5.0%	6.0%	7.0%	7.7%
Earnings per share in €	0.75	0.54	0.72	0.97	1.22
Dividend per share in €	0.50	0.04	0.10	0.25	0.30

Sources: CENIT AG; GBC AG

Business development 2023

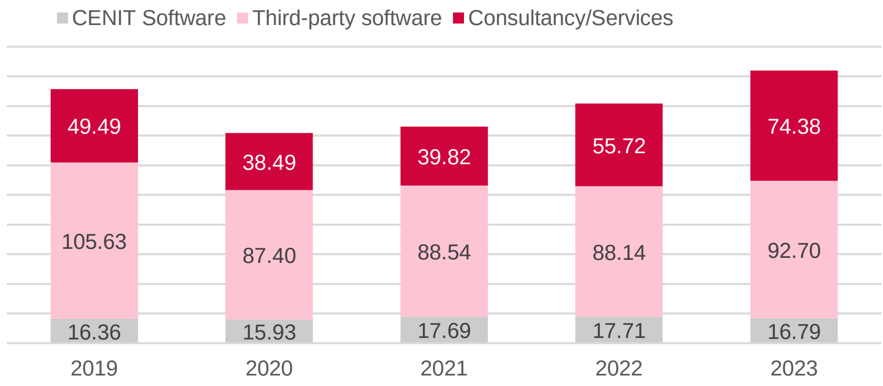
in € million	FY 2020	FY 2021	FY 2022	FY 2023
Sales revenue	142.13	146.07	162.15	184.72
of which proprietary software	*15.93*	*17.69*	*17.71*	*16.79*
of which third-party software	*87.40*	*88.54*	*88.14*	*92.70*
of which consulting/services	*38.49*	*39.82*	*55.72*	*74.38*
EBIT	3.63	6.23	6.31	9.22
EBIT margin	2.5%	4.3%	3.9%	5.0%
Net income for the year	2.32	4.25	6.28	4.50
EPS in €	0.28	0.51	0.75	0.54

Sources: CENIT AG; GBC AG

Sales development 2023

With very good year-end business, CENIT AG achieved total annual sales of € 184.72 million (previous year: € 162.15 million) and thus slightly exceeded both its own guidance (approx. € 180 million) and our previous estimates (€ 181.61 million). The 13.9% increase in sales is attributable to both organic growth and inorganic effects resulting from the continued high level of M&A activity. The three companies acquired in the past fiscal year (mip, PI Informatik, ABC) contributed sales totalling € 7.84 million for the first time, resulting in inorganic sales growth of 4.8%. CENIT AG thus reports organic growth of 9.1% to € 176.89 million. This growth, which we classify as organic, is also partly due to the first-time full-year consolidation of ISR, which was only consolidated from 31 May 2022 in the same period of the previous year.

Sales broken down by sales type (in € million)

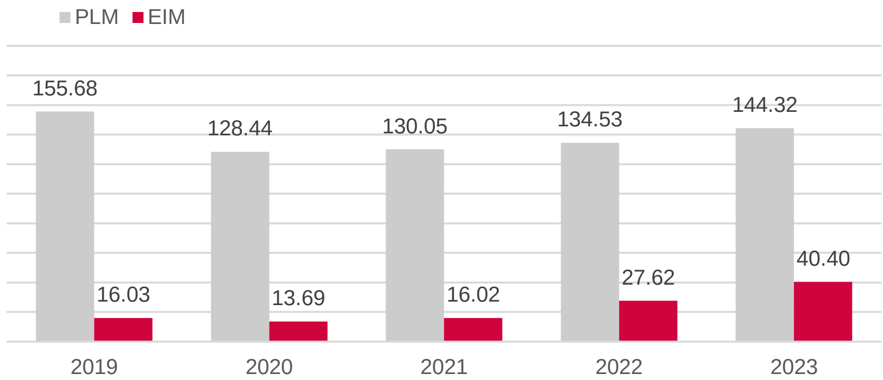


Sources: CENIT AG; GBC AG

The companies acquired in recent financial years, ISR in particular, primarily generate consulting revenue, which led to a sharp increase in this type of revenue of 33.5% to € 74.38 million (previous year: € 55.72 million). At the same time, revenue from third-party software (mainly software from Dassault Systèmes and SAP) rose by 5.2% to € 92.70 million (previous year: € 88.14 million). In contrast, revenue from proprietary software fell slightly to € 16.79 million (previous year: € 17.71 million). According to the company, this development is due in particular to the ongoing SaaS transformation, which is reducing one-off revenue on the one hand and stabilising it and making it easier to plan on the other. The continuation of this trend is reflected in the increase in recurring revenue from proprietary and third-party software to € 98.87 million (previous year: € 92.91 million) which, at 53.5%, accounts for a high proportion of total revenue.

The high level of M&A activity in recent financial years is also reflected in the two sales segments PLM and EIM. As the largest acquisition (ISR) is attributable to the EIM segment, this segment has seen the strongest growth in the last two financial years. The sales growth of 46.3% achieved in 2023 is due in particular to the base effect described above, as ISR is included for the full year for the first time. In addition, mip contributed sales of € 3.96 million for the first time. The PLM segment also grew due to the acquisition of PI Informatik and ABC (€ 3.88 million) and was also able to grow organically.

Sales broken down by reporting segment (in € million)

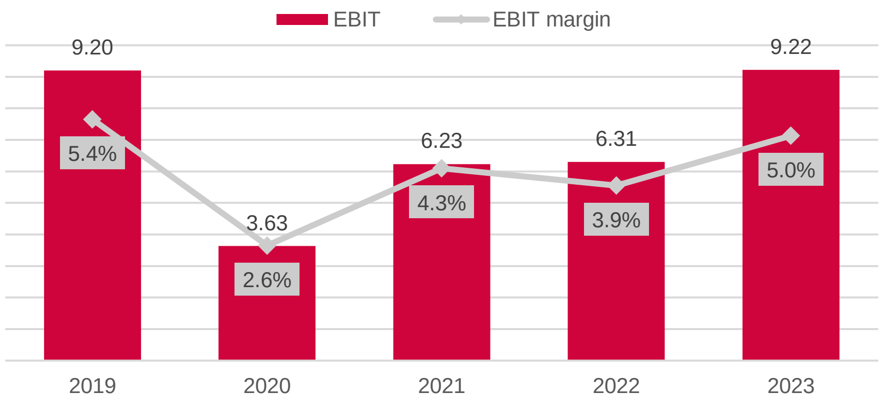


Sources: CENIT AG; GBC AG

Earnings development 2023

Although the EBIT of € 9.22 million (previous year: € 6.31 million) is slightly below the company's own guidance (approx. € 9.5 million), the significant improvement in earnings and the margin increase to 5.0% (previous year: 3.9%) are largely in line with expectations. Overall, the company recorded an increase in operating costs, which is partly due to the acquisitions made. M&A-related expenses of € 0.64 million had an impact here. In addition, PPA amortisation increased to € 1.99 million, which led to a sharp rise in total depreciation and amortisation to € 7.19 million (previous year: € 5.63 million).

EBIT (in € million) and EBIT margin (in %)

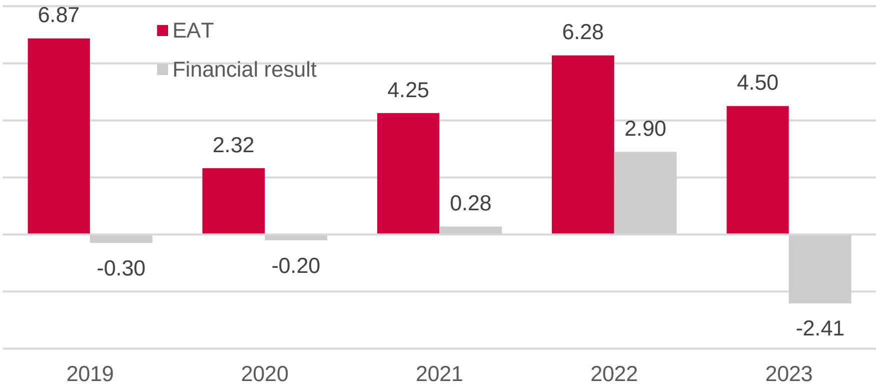


Sources: CENIT AG; GBC AG

The acquisition-related increase in the number of employees to 893 (previous year: 861) and, thus, in personnel expenses to € 78.59 million (previous year: € 67.27 million) also contributed to the rise in operating costs. This development also includes salary increases and inflation compensation payments. However, the increasing importance of the consulting business in the sales mix is generally accompanied by a stronger increase in personnel expenses, which is offset by a decrease in the cost of materials (particularly expenses for third-party software). The decline in the proportion of sales generated with third-party software therefore led to a significant reduction in the cost-of-materials ratio to 41.7% (previous year: 44.1%), the lowest level in the last seven financial years.

Cost savings realised at the "old" CENIT companies also had the effect of increasing earnings. In addition, CENIT AG recognised extraordinary income of € 0.87 million from the sale of the Japanese subsidiary CENIT Japan K.K. and € 0.53 million from the disposal of fixed assets.

Development of financial result and after-tax result (in € million)



Sources: CENIT AG; GBC AG

Despite the significant increase in EBIT, earnings after taxes of € 4.50 million (previous year: € 6.28 million) were well below the previous year's figure. The main reason for this development is the lower financial result of € -2.41 million (previous year: € 2.90 million). This primarily reflects the higher utilisation of bank liabilities, which increased to € 37.41 million as at the reporting date of 31 December 2023 (31 December 2022: € 21.35 million). CENIT AG restructured its liabilities to banks in the past financial year in order to be well equipped for future inorganic growth. In addition, the subsequent measurement of financial instruments (long call option to acquire the remaining shares in ISR and the investment in ASCon) had a negative impact on the financial result of € -0.73 million (previous year: € 3.27 million).

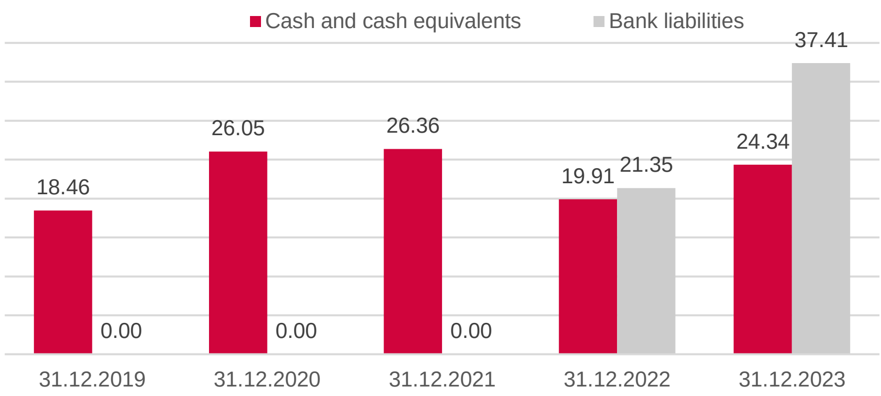
Balance sheet and financial situation as at 31 December 2023

in € million	31.12.2020	31.12.2021	31.12.2022	31.12.2023
Equity (equity ratio)	42.72 (51.2%)	43.65 (47.0%)	44.78 (35.3%)	45.00 (29.3%)
Cash and cash equivalents	26.05	26.36	19.91	24.34
Operating fixed assets	17.85	15.25	23.23	26.36
Goodwill	6.91	6.91	27.76	34.24
Bank liabilities	0.00	0.00	21.35	37.41
Cash flow (operating)	12.28	8.24	11.49	5.33
Cash flow (investment)	-0.90	-0.89	-29.23	-8.16
Cash flow (financing)	-3.70	-7.22	10.95	7.23

Sources: CENIT AG; GBC AG

The acquisitions made in the past fiscal years and their financing have significantly changed CENIT AG's balance sheet. On the assets side, the three company acquisitions made in the past fiscal year led to an increase in operating fixed assets to € 26.36 million (31.12.22: € 23.23 million) and also to a visible increase in goodwill to € 34.24 million (31.12.22: € 27.76 million). On the liabilities side, this is offset by the higher utilisation of bank liabilities to finance acquisitions in the amount of € 37.41 million (31.12.22: € 21.35 million). The company rescheduled its bank liabilities in 2023, which had not yet been fully utilised for the acquisitions of the past financial year as at the reporting date. Instead, the aim is to maintain financial flexibility with regard to the planned inorganic growth. Due to the current balance sheet extension, the equity ratio fell to 29.3% (31/12/2022: 35.3%) despite the slight increase in equity.

Cash and cash equivalents and liabilities to banks (in € million)



Sources: CENIT AG; GBC AG

Cash and cash equivalents thus increased to € 24.34 million (previous year: € 18.91 million) despite the purchase price payments of € 7.98 million made in 2023. In addition to borrowings from banks (net: € 16.04 million), the positive operating cash flow of € 5.33 million (previous year: € 11.49 million) also contributed to the increase in liquidity. The decline in operating cash flow is due in particular to the increase in funds tied up in net working capital, which according to our calculations rose to € 7.38 million (31/12/22: € 1.50 million). Overall, the cash inflow was therefore higher than the purchase price payments, the dividend distribution (€ 4.65 million) and the payments for lease liabilities in accordance with IFRS 16 (€ 4.16 million).

FORECAST AND VALUATION

in € million	FY 2023	FY 2024e	FY 2025e	FY 2026e
Revenues	184.72	200.42	216.45	233.77
EBIT	9.22	12.01	15.17	18.06
EBIT margin	5.0%	6.0%	7.0%	7.7%
Net profit for the year	4.86	5.99	8.13	10.20
EPS in €	0.58	0.72	0.97	1.22
Dividend in €	0.04	0.10	0.25	0.30

Source: GBC AG

Forecast basis

With the publication of the 2023 Annual Report, the Management Board of CENIT published guidance for the current 2024 financial year for the first time. In purely organic terms, i.e. based on the current scope of consolidation, Group sales are expected to be in the range of € 195 to € 202 million, which corresponds to expected sales growth of 5.6% to 9.4%. With an expected EBIT margin of at least 6.0%, EBIT in a range of € 11.7 million to € 12.2 million is expected to be achieved.

At first glance, the expected increase in sales appears conservative, as the base effect of the three companies acquired in the past fiscal year alone should lead to additional sales of at least € 5 million. If all three companies had been included for the full year in 2023, CENIT AG would have reported a € 5.15 million higher sales level. In addition, the company has already made its first acquisition in the current 2024 financial year with the acquisition of CCE b:digital (CCE), although we assume that this will only make a small inorganic contribution to growth. The Federal Gazette only contains a balance sheet as at 31 December 2021, which shows that the company is relatively small at this point in time. With total assets of € 1.72 million, CCE has equity of € 0.19 million as well as cash and cash equivalents of € 1.15 million.

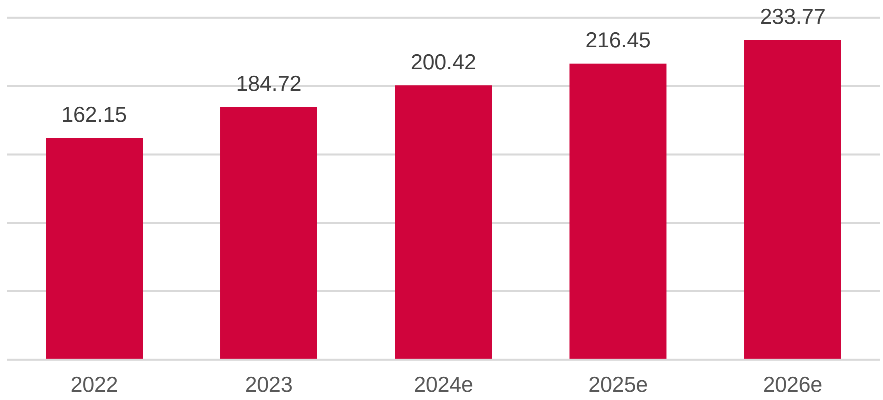
In addition, further inorganic growth is imminent, as confirmed by CENIT CEO Peter Schneck in the earnings call. This goes hand in hand with the corporate planning, which envisages two to three acquisitions per year in order to achieve the goals of the "CENIT 2025" plan. The annual sales level is to be increased to between € 240 million and € 250 million by the beginning of 2025. Accordingly, the acquisitions in the current 2024 financial year are expected to contribute around € 40 to € 50 million to sales. Naturally, unknown inorganic growth is not included in the company forecast for the current 2024 financial year or in our plans.

However, inorganic growth remains part of the "CENIT 2025" strategy, which aims to achieve sales of around € 300 million and an EBIT margin of 8% to 10% by 2025. In addition to the specific quantitative targets, CENIT's management plans to further intensify its partnerships with Dassault, SAP and IBM, with the aim of becoming the most important partner in each of the areas addressed. In addition, CENIT AG could benefit from being the "hinge" between Dassault and SAP and having a connection to both product worlds. CENIT AG is to become the world's only provider in the PLM sector that is listed in both Dassault's and SAP's price lists.

Sales and earnings forecast 2024 - 2026

In line with our corporate planning, we expect sales revenue of € 200.42 million for the current 2024 financial year and thus sales growth of 8.5%. According to our expectations, the PLM and EIM segments should contribute equally to sales growth. For the following years, we expect sales growth of +8.0% in each case and thus almost constant momentum, which is above the minimum organic growth rate of 5.0% p.a. set by the company. With expected sales of € 216.45 million for the 2025 financial year, there is a sales gap to "CENIT 2025" of around € 85 million. As described in the corporate strategy, this would have to be covered by inorganic growth.

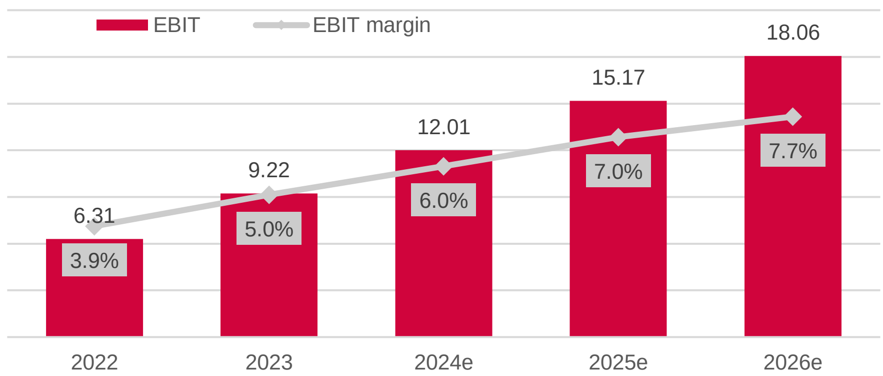
Sales forecasts (in € million)



Source: GBC AG

The company is also dependent on the acquisition of companies that, according to our calculations, have at least a double-digit margin level for the EBIT margin growth to 8% to 10% targeted as part of "CENIT 2025". Without corresponding inorganic growth, CENIT AG should report margin improvements, but the EBIT margin in 2025 should still be below the planned target corridor. For the current financial year, we expect an EBIT margin of 6.0% (previous year: 5.0%) in line with the guidance and thus an EBIT of € 12.01 million. In the coming financial year, the synergy effects of the acquired companies as well as the advanced SaaS transformation should lead to an improvement in profitability. Finally, we are planning for lower wage increases and the elimination of acquisition-related extraordinary expenses.

Forecast EBIT (in € million) and EBIT margin (in %)



Source: GBC AG

The improvement in operating earnings should be reflected in a disproportionately high increase in earnings after taxes despite the expected higher interest expenses for bank liabilities. While the higher credit utilisation already existing as at 31 December 2024 will be accompanied by interest expenses throughout the year, the elimination of expenses from the subsequent measurement of financial instruments should slightly reduce financial expenses.

The company's Executive Board will almost suspend its usual dividend policy for the past financial year with a planned dividend distribution of € 0.04. This is against the backdrop of expected capital requirements for future inorganic growth.

Valuation

Modelling assumptions

CENIT AG was valued by us using a three-stage DCF model. Starting with the specific estimates for the years 2024 to 2026 in phase 1, the forecast for 2027 to 2031 in the second phase is based on value drivers. We expect sales to increase by 2.5% (previously: 2.0%). We have assumed an EBITDA margin target of 10.9% (previously: 11.2%). We have included the tax rate of 30.0% in phase 2. In the third phase, a residual value is also determined after the end of the forecast horizon using perpetuity. In the terminal value, we assume a growth rate of 2.5% (previously: 2.0%).

Determination of 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 IDW's Technical Committee for Business Valuations and Business Administration (FAUB). This is based on the zero bond interest rates published by the Deutsche Bundesbank using the Svensson method. To smooth out short-term market fluctuations, the average yields of the previous three months are used and the result is rounded to 0.25 basis points. **The risk-free interest rate currently used is 2.50% (previously: 2.00%).**

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

According to the GBC estimation method, the current beta is 1.34.

Using the assumptions made, the cost of equity is calculated at 9.85% (previously: 9.35%) (beta multiplied by risk premium plus risk-free interest rate). As we assume a sustainable weighting of equity costs of 95%, the weighted average cost of capital (WACC) is 9.46% (previously: 8.99%).

Valuation result

As part of our DCF valuation model, we have determined an almost unchanged target price of € 20.55 (previously: € 20.90). Various modelling effects have almost cancelled each other out. On the one hand, the increased weighted capital costs resulting from the higher risk-free interest rate have a price target-reducing effect. On the other hand, the first-time inclusion of the 2026 forecasts in the specific estimation period provides a higher basis for the continuity phase. In addition, we have increased the sales growth rate in the continuity phase and in the terminal value by 0.5% as a result of higher inflation.

DCF model

CENIT AG - Discounted Cashflow (DCF) model scenario

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

consistency - phase	
Revenue growth	2.5%
EBITDA-Margin	10.8%
Depreciation to fixed assets	33.1%
Working Capital to revenue	2.8%

final - phase	
Eternal growth rate	2.5%
Eternal EBITA - margin	8.3%
Effective tax rate in final phase	30.0%

three phases DCF - model:

phase	**estimate**			**consistency**					**final**
in €m	FY 24e	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e	FY 30e	FY 31e	**value**
Revenues (RE)	200.42	216.45	233.77	239.62	245.61	251.75	258.04	264.49	
RE change	8.5%	8.0%	8.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
RE to fixed assets	8.09	9.26	10.59	11.54	12.34	13.03	13.63	14.17	
EBITDA	19.60	22.57	25.36	26.00	26.65	27.31	27.99	28.69	
EBITDA-Margin	9.8%	10.4%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	
EBITA	12.01	15.17	18.06	18.70	19.78	20.73	21.60	22.43	
EBITA-Margin	6.0%	7.0%	7.7%	7.8%	8.1%	8.2%	8.4%	8.5%	8.3%
Taxes on EBITA	-3.60	-4.55	-5.42	-5.61	-5.93	-6.22	-6.48	-6.73	
Taxes to EBITA	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
EBI (NOPLAT)	8.40	10.62	12.64	13.09	13.84	14.51	15.12	15.70	
Return on capital	24.9%	34.3%	43.1%	45.8%	50.5%	54.3%	57.5%	60.2%	60.5%
Working Capital (WC)	6.20	6.00	6.50	6.66	6.83	7.00	7.17	7.35	
WC to Revenues	3.1%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	
Investment in WC	1.18	0.20	-0.50	-0.16	-0.17	-0.17	-0.17	-0.18	
Operating fixed assets (OAV)	24.77	23.37	22.07	20.77	19.90	19.32	18.93	18.67	
Depreciation on OAV	-7.59	-7.40	-7.30	-7.30	-6.87	-6.58	-6.39	-6.26	
Depreciation to OAV	30.6%	31.7%	33.1%	33.1%	33.1%	33.1%	33.1%	33.1%	
Investment in OAV	-6.00	-6.00	-6.00	-6.00	-6.00	-6.00	-6.00	-6.00	
Capital employed	30.97	29.37	28.57	27.43	26.73	26.32	26.10	26.02	
EBITDA	19.60	22.57	25.36	26.00	26.65	27.31	27.99	28.69	
Taxes on EBITA	-3.60	-4.55	-5.42	-5.61	-5.93	-6.22	-6.48	-6.73	
Total investment	-4.82	-5.80	-6.50	-6.16	-6.17	-6.17	-6.17	-6.18	
Investment in OAV	-6.00	-6.00	-6.00	-6.00	-6.00	-6.00	-6.00	-6.00	
Investment in WC	1.18	0.20	-0.50	-0.16	-0.17	-0.17	-0.17	-0.18	
Investment in Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cashflows	11.17	12.22	13.44	14.22	14.55	14.92	15.34	15.78	216.82

Value operating business (due date)	185.28	190.60
Net present value explicit free Cashflows	70.15	64.57
Net present value of terminal value	115.13	126.03
Net debt	10.42	1.29
Value of equity	174.86	189.30
Minority interests	-2.91	-3.15
Value of share capital	171.95	186.16
Outstanding shares in m	8.37	8.37
Fair value per share in €	**20.55**	22.25

Cost of capital:

Risk free rate	2.5%
Market risk premium	5.5%
Beta	1.34
Cost of equity	9.8%
Target weight	95.0%
Cost of debt	3.0%
Target weight	5.0%
Taxshield	26.4%
WACC	**9.5%**

Return on capital	**WACC**				
	8.5%	**9.0%**	**9.5%**	**10.0%**	**10.5%**
50.5%	20.97	19.46	18.18	17.08	16.13
55.5%	22.45	20.78	19.36	18.15	17.11
60.5%	23.92	22.10	**20.55**	19.22	18.08
65.5%	25.40	23.41	21.73	20.29	19.05
70.5%	26.87	24.73	22.92	21.37	20.02

APPENDIX

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