

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

Rating: BUY

Target price: €19.75
(previously: €19.75)

Current share price: 13.85
11.05.2023 / XETRA /
5:36 pm

Currency: EUR

Key data:

ISIN: DE0005407100
WKN: 540710
Ticker symbol: CSH

Number of shares³: 8,368
Market cap³: 115.90
Enterprise Value³: 115.18
³in million / in EUR million

Free float: 56.0%

Transparency level:
Prime Standard

Market segment:
Regulated market

Accounting:
IFRS

Financial year: 31.12.

Analysts:

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* catalogue of potential conflicts of interest on page 5

Date (time) of completion:
12/05/2023 (08:49 am)

Date (Time) first distribution:
12/05/2023 (10:30 am)

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

Company Profile

Sector: Software

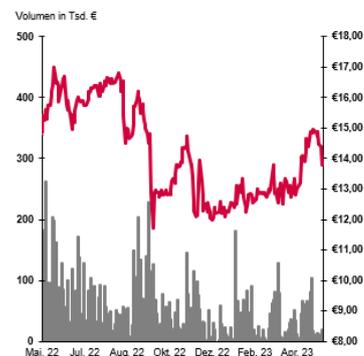
Specialty: Consulting and software specialist

Employees: 854 Status: 31.03.2023

Foundation: 1998

Head office: Stuttgart

Board of Directors: Peter Schneck, Axelle Mazé



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 850 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	31.12.2022	31.12.2023e	31.12.2024e	31.12.2025e
Revenues	162.15	181.61	208.85	233.91
EBITDA	11.94	16.55	21.85	26.19
EBIT	6.30	9.80	15.35	19.79
Net profit	6.28	5.75	9.47	12.44

Key figures in EUR				
Earnings per share	0.75	0.69	1.13	1.49
Dividend per share	0.50	0.50	0.75	1.00

Key figures				
EV/Revenue	0.71	0.63	0.55	0.49
EV/EBITDA	9.65	7.21	5.27	4.40
EV/EBIT	18.27	12.50	7.50	5.82
P/E-ratio	18.45	21.72	12.23	9.32
Book-value per share	2.59			

Financial dates
17.05.2023: Annual General Meeting
01.08.2023: Semi-Annual Report 2023
02.11.2023: Q3 figures 2023

**last research published by GBC:
Date: Publication / Target Price in EUR / Rating
06.04.2023: RS / 19.75 / BUY
06.02.2023: RS / 18.20 / BUY
28.11.2022: RS / 18.20 / BUY
07.11.2022: RS / 18.70 / BUY
** the research reports can be found on our website 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"

Q1 2023: Development in line with expectations; forecasts and price target confirmed

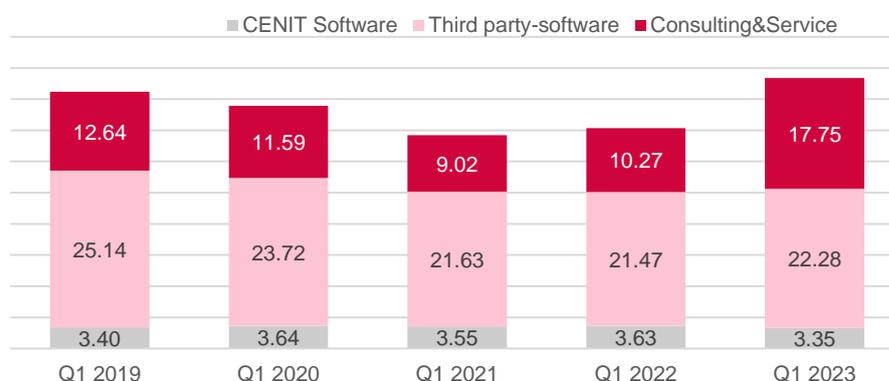
in €m	Q1 2020	Q1 2021	Q1 2022	Q1 2023
Revenues	39.23	34.21	35.40	43.42
EBIT (EBIT-margin)	0.81 (2.1%)	-0.52 (-1.5%)	-0.39 (-1.1%)	0.01 (0.0%)
Net result	0.47	-0.51	-0.60	-0.07

Sources: Cenit AG; GBC AG

Sales and earnings development Q1 2023

As expected, CENIT AG achieved a visible jump in sales in the first quarter of 2023 with an increase in sales of 22.7 % to € 43.42 million (PY: € 35.40 million). Inorganic effects contributed particularly to this development. ISR Information Products, which was acquired on 31 May 2022, was not included in the figures for the first quarter of the previous year. We assume an inorganic effect of approximately € 6.0 million in connection with the ISR acquisition. In addition, CENIT AG acquired mip Management Information Partner GmbH (mip for short) as of 30 January 2023, which we estimate to have contributed revenue of approximately € 0.7 million in the first quarter of 2023. In total, we estimate that the M&A-related increase in revenue amounts to approx. € 6.7 million, so that CENIT AG, adjusted for this effect, is likely to have generated sales growth of approx. 3.7 % to around € 36.7 million.

Revenues in the first quarter (in € million)



Sources: Cenit AG; GBC AG

As ISR's revenues mainly consists of consulting services, consulting and service revenues in particular increased strongly by 72.8 % to € 17.75 million (previous year: € 10.27 million). In contrast, software-related revenues (third-party and in-house software) remained at the previous year's level of €25.63 million (previous year: €25.10 million). Within the software revenues, recurring revenues rose to €24.09 million (previous year: €23.06 million) and thus provide good planning for the future development of software revenues.

Parallel to the strong increase in turnover, the EBIT rose to € 0.01 million (previous year: € -0.39 million). On the cost side, the visible increase in personnel expenses to €20.64 million (previous year: €15.65 million) is striking. The inclusion of 194 ISR employees led to an increase in the Group-wide number of employees to 854 (31.03.2022: 673 employees) and thus to a correspondingly strong increase in personnel expenses. In addition, the inflation compensation premium and wage adjustments led to a visible increase in personnel expenses. Furthermore, the strong increase in consulting and service revenues is also included here, which, in terms of costs, typically also runs through personnel expenses.

The bottom line for CENIT AG is a slightly negative result after tax of € -0.07 million (previous year: € -0.60 million). In the following quarters, as in previous years, the break-even threshold should be exceeded again. On the positive side, it should be emphasised that CENIT AG has net liquidity of € 2.41 million, even after the acquisition of ISR (purchase price: € 27.88 million). Bank liabilities of € 22.19 million are offset by liquid funds of € 24.60 million. CENIT AG thus has good flexibility with regard to the implementation of the further planned inorganic growth strategy.

Forecast and valuation

in €m	FY 2022	FY 2023e	FY 2024e	FY 2025e
Revenues	162.15	181.61	208.85	233.91
EBIT (EBIT-margin)	6.31 (3.9%)	9.80 (5.5%)	15.35 (7.4%)	19.79 (8.5%)
Net result	6.28	5.75	9.47	12.44

Source: GBC AG

With the publication of the Q1 2023 figures, which were in line with expectations, the CENIT management has confirmed the forecasts for the current fiscal year 2023. The updated guidance now expects consolidated sales in a range of € 175.00 to 180.00 million and an EBIT of around € 9.0 to 9.5 million. In the 2023 annual report, sales revenues of around €180 million and an EBIT of more than €9.5 million were envisaged. According to the CENIT management, the newly formulated guidance is not to be regarded as a forecast adjustment, whereby the upper values of the guidance range are still targeted.

Also on a full-year basis in 2023, the expected revenue growth of between 8 % to 11 % is likely to be due in particular to inorganic effects. The first-time full-year inclusion of ISR sales is expected to result in an additional revenue contribution of around €10 million. Furthermore, the additional revenue contribution of the acquired mip should be around € 3.0 million, so that the inorganic effect adds up to a total of € 13.0 million. In our opinion, organic revenue growth of 3.6% should be generated in parallel, so that we continue to expect total revenue of €181.61 million for 2023. In view of the order backlog, which at € 67.03 million (previous year: € 54.37 million) as at 31 March 2023 was 23.3 % above the previous year's value, this assumption is realistic. Based on the unchanged guidance, we also confirm our EBIT forecast, according to which we expect EBIT of €9.80 million for 2023.

The forecasts for the next two financial years 2024 and 2025 also remain unchanged. We continue to be guided here by the "CENIT 2025" agenda, according to which a sales level of approx. € 300 million and an EBIT margin of 8 % to 10 % are expected by 2025. Our forecasts do not take into account the company acquisitions explicitly expected to achieve these goals, which explains the sales gap between our 2025 estimates and the "CENIT 2025" agenda.

Due to the unchanged input, there are also no changes in the result of the DCF valuation model and we confirm our price target of €19.75. We continue to assign a BUY rating.

ANNEX

I.

Research under MiFID II

1. There is a contract between the research company GBC AG and the issuer regarding the independent preparation and publication of this research report on the issuer. GBC AG is remunerated for this by the issuer.
2. The research report is simultaneously made available to all interested investment services companies.

II.

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The recommendations/ classifications/ ratings are linked to the following expectations:

BUY	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $\geq + 10\%$.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $> - 10\%$ and $< + 10\%$.
SELL	The expected return, based on the calculated target price, incl. dividend payments within the relevant time horizon, is $\leq - 10\%$.

GBC AG's target prices are determined using the fair value per share, derived using generally recognised and widely used methods of fundamental analysis, such as the DCF process, peer-group benchmarking and/or the sum-of-the-parts process. This is done by including fundamental factors such as e.g. share splits, capital reductions, capital increases, M&A activities, share buybacks, etc.

Section 2 (III) Past recommendations

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GBC AG is currently represented by its board members Manuel Hölzle (Chairman) and Jörg Grunwald.

The analysts responsible for this analysis are:

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Marcel Goldmann, M.Sc., Financial Analyst

Other person involved in this study:

Jörg Grunwald, Board of Directors

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