Equity report– Initiating coverage
IT services | Germany

CENIT AG

Buy ➔ | Target 25.40 EUR

Price (11/05/2017) : 22.49 EUR| Upside : 13 %

Est.chg	2017e	2018e
EPS	-	-

PLM/ERP integration – key enabler of Industry 4.0 and digital transformation

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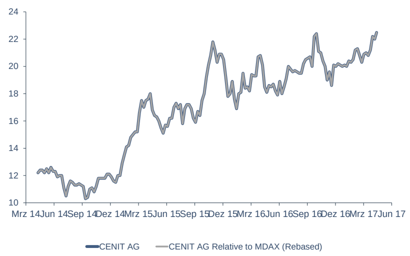

Capital			
CSH GR | CSHG.DE			
Market Cap (EURm)			188
Enterprise value (EURm)			155
Extrema 12 months		17.30 -	22.80
Free Float (%)			ns

Performance (%)	1m	3m	12m
Absolute	8.6	10.2	26.3
Perf. rel. Country Index	5.0	2.7	7.2
Perf. rel. MDAX	8.6	10.2	26.3

P&L	12/17e	12/18e	12/19e
Sales (EURm)	151	182	189
EBITDA (EURm)	13.2	17.0	20.1
Current EBIT (EURm)	10.4	13.4	16.3
Attr. net profit (EURm)	7.1	9.3	11.3
Adjusted EPS (EUR)	0.85	1.11	1.35
Dividend (EUR)	1.00	1.00	1.00
P/E (x)	26.5	20.3	16.6
P/B (x)	4.9	4.8	4.4
Dividend Yield (%)	4.5	4.4	4.4
FCF yield (%)	3.8	5.2	6.2
EV/Sales (x)	1.04	0.85	0.80
EV/EBITDA (x)	11.9	9.1	7.6
EV/Current EBIT (x)	15.0	11.6	9.3
Gearing (%)	-83	-84	-86
Net Debt/EBITDA(x)	ns	ns	ns

Next Events	
12.05.2017	AGM
16.05.2017	Q1 Results
01.08.2017	Q2 Results

In the approaching world of a digitalized Industry 4.0, companies will bring innovative and personalised products to market at a rapid pace. This requires a larger number of product variants that must be constantly redesigned and produced. With traditional product-data-related boundaries between design and production departments, this paradigm shift will hardly emerge. Consequently, Product-Lifecycle-Management (PLM) systems integration will act as the key enabler for the digital transformation to Industry 4.0 by deeply interweaving PLM with the SAP dominated ERP world, thereby assimilating product data in a way that it can be optimized and used back and forth across all business functions.

Dassault and SAP partnerships underpin competitive positioning

Analyzing today's PLM systems integrator market, Cenit AG has all the necessary prerequisites to become the preferred PLM integration partner for the paradigm shift to Industry 4.0. First, Dassault Systèmes remains the largest PLM vendor globally and Cenit is one of its most important PLM partners. Through its recent acquisition of PLM integration counterpart Keonys in France, Cenit will strengthen this leadership even further. Second, the company also incorporates significant technology expertise and integration experience with SAP's ERP world. Cenit develops its own highly profitable software packages that deeply integrate Dassault's PLM solutions with SAP's ERP production systems. And finally, Cenit has rolled out a fit-in "killer app" that significantly minimizes the time to ramp up production. Cenit's own Digital Factory software portfolio covers the virtual emulation of all manufacturing processes from planning and layout definition to the simulation and optimization of manufacturing processes including robot cells.

Potential inflection point for PLM systems integration in 2018

We expect the potential inflection point for this paradigm shift in PLM systems integration as early as 2018 when SAP's global ERP customer base should pick up transformation momentum (after ramping up migration automation in 2016/17) towards SAP's next generation technology platform S/4-HANA, which is also considered the key enabler for real-time, big-data, IoT, AI, Industry 4.0 innovations in the ERP world. However this has not been incorporated into our estimates or the consensus but is a potential driver for a major revaluation of Cenit in 2018.

Valuation: DFC based TP € 25.40

Our DCF-based model renders a fair equity value of € 212.7m, leading to a target price (TP) of € 25.40. At our target price, Cenit's current undervaluation vs both i/ our defined peer group of PLM software vendors, consultants & system integrators and, ii/ to the western European IT service industry in general – would be largely eliminated. The company's i/ high dividend yield, ii/ solid financials, combined with iii/ its strong cash flow generation, should additionally continue to support the valuation. Furthermore, we expect Cenit's expanding proprietary software offering to emerge as an additional valuation driver, as its rising share of group revenue will lift margins and consequently support higher earnings multiples, which software vendors typically command compared to IT service providers. Therefore, we initiate our coverage of Cenit AG with a Buy recommendation.

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COMPETITIVE QUALITIES & RISK SENSITIVITIES

Strengths and opportunities

- Strong market position in international PLM market via close partnerships with leading software vendors in both the CAD/CAM design space (Dassault Systèmes) and the ERP space (SAP)
- Strengthening competitiveness through further adaption of own services towards Industry 4.0 and Digital Transformation in the manufacturing industry
- Reliable and long-term customer relations i.e. business partnerships also in geographical terms
- Strong expertise in automotive, aerospace, manufacturing, financial services, and utilities
- Experienced staff with extensive process and technology expertise
- Cutting-edge robot simulation and efficient robot offline programming
- International expansion of VAR business with global strategic partners like Dassault and SAP
- Increasing sales of Cenit's own software with higher margins through expanding international market coverage, e.g. by local sales partners
- Excellent capital gearing and liquidity situation, which also provides scope to pursue acquisitions of new technologies to extend and supplement the group's own software portfolio
- Realizable synergies related to the Keonys acquisition
- Strengthening the international presence via M&A
- Focus on more profitable projects in the EIM segment
- High balance sheet quality
- Financial independence
- Shareholder-oriented dividend policy based on high FCF generative operations

Risks sensitivities

Although we see significant business opportunities for Cenit arising from the approaching digital transformation trend, for which PLM/ERP integration functions as an enabler, we have also identified the following risks to our estimates:

- The integration and cost realignment of the recent Keonys acquisition
- The reorientation of the EIM business operations towards profitable growth
- Potential staff bottleneck. To continue to provide high-quality services, consulting requires highly qualified staff. Cenit is responding to the current lack of skilled labour with increased dedication to the basic and advanced training of its employees
- Business partner concentration risk; the potential failure of its key business partners Dassault Systemes, IBM and SAP or their failure to meet their obligations to Cenit
- Customer concentration risk; we estimate the Airbus Group accounts for a significant group revenue proportion in the upper single digit percentage range
- Threat of new competitors

VALUATION

Trading multiples

In our multiple valuation approach, we have included a broad range of peer companies, consisting of PLM system providers and system integrators. Generally, PLM system providers are characterized by higher growth potential and EBIT margins compared to those of system integrators. Based on median FY18 EV/EBITDA and EV/EBIT multiples of 11.1x, and 14.1x, respectively, Cenit appears 19.2%, and 19.3% undervalued.

We have also examined the FactSet - Western Europe / IT Services Index, consisting of 91 companies. Linked to the higher number of companies included in the FactSet index, Cenit also shows a significant undervaluation of ~12.4%, and 11.9%, based on FY18 EV/EBITDA, and EV/EBIT multiples of 10.2x, and 12.2x, respectively.

However given the wide range of business concepts of the peers, it is difficult to draw reasonable conclusions from the multiple valuation process. Therefore we focus our valuation on a DCF-based model.

Multiples: Overview of the peer group – Bloomberg, and FactSet industry index includes 91 companies

Company name	P/E			EV/EBITDA			EV/EBIT			EV/Sales		
	2017E	2018E	2019E	2017E	2018E	2019E	2017E	2018E	2019E	2017E	2018E	2019E
ACCENTURE PLC-CL A	20.68	18.87	17.40	13.2	12.1	11.3	15.4	13.8	12.8	2.2	2.1	1.9
INFOSYS LTD-SP ADR	0.25	0.24	0.23	10.4	10.1	9.3	11.5	11.2	10.5	2.9	2.7	2.5
DASSAULT SYSTEMES SA	30.66	27.60	25.23	16.8	15.2	14.0	20.2	18.1	16.8	6.0	5.5	5.2
WIPRO LTD	14.49	14.11	13.05	9.1	9.0	8.3	11.0	10.8	10.2	1.8	1.8	1.7
ATOS SE	15.12	13.96	12.92	8.1	7.6	7.2	11.4	10.7	9.8	1.0	1.0	1.0
ANSYS INC	32.15	29.27	27.86	18.5	17.5	-	19.5	18.0	-	9.1	8.6	8.1
COMPUTER SCIENCES CORP	24.68	19.99	16.75	9.7	6.9	5.3	22.9	16.8	10.4	1.5	1.3	1.2
PTC INC	44.52	34.43	23.46	24.6	20.0	-	35.1	27.6	19.2	5.7	5.4	4.8
MENSCH UND MASCHINE SOFTWARE	30.27	23.62	20.06	14.8	12.4	-	17.7	14.4	12.7	1.6	1.4	1.3
VISIATIV SA	18.42	13.82	12.50	10.6	8.5	7.2	13.3	10.0	9.4	0.9	0.8	0.8
Average	**23.1**	**19.6**	**16.9**	**13.6**	**11.9**	**8.9**	**17.8**	**15.1**	**12.4**	**3.3**	**3.1**	**2.8**
Median	**22.7**	**19.4**	**17.1**	**11.9**	**11.1**	**8.3**	**16.6**	**14.1**	**10.5**	**2.0**	**1.9**	**1.8**
CENIT AG	**26.1**	**20.0**	**16.4**	**11.7**	**9.0**	**7.4**	**14.8**	**11.4**	**9.2**	**1.0**	**0.8**	**0.8**
Δ CENIT vs. Ave.	12.9%	1.9%	-3.3%	-14.2%	-24.8%	-16.8%	-17.2%	-24.9%	-26.3%	-68.9%	-72.6%	-72.3%
Δ CENIT vs. Med.	15.1%	2.7%	-4.0%	-1.8%	-19.2%	-10.8%	-11.0%	-19.3%	-12.8%	-49.5%	-56.5%	-56.5%
FactSet - Western Europe / IT Services *	19.25	17.23	15.80	11.2	10.2	9.1	14.1	12.9	12.2	1.4	1.4	1.3
Δ CENIT vs. Western Europe / IT Services	35.6%	15.8%	3.7%	4.3%	-12.4%	-18.6%	4.4%	-11.9%	-24.8%	-28.8%	-38.3%	-40.4%

* FactSet industry index includes 91 companies

Source: Oddo Seydler, Bloomberg, FactSet, Company data

Discounted cash flow-based valuation

Based on nature of Cenit AG's business, we have applied a DCF-based valuation model. Our model renders a fair equity value of € 212.7m, leading to € 25.41 / share. To calculate the fair equity value of Cenit AG, we applied a three stage DCF model with the following assumptions.

Weighted average cost of capital (WACC) of 8.64%: We set the risk-free rate at 0.78%. Furthermore we assumed: i/ equity risk premium of 7.23%, ii/ debt risk premium of 2.5%, iii/ beta of 1.35, and iv/ a long-term target equity ratio of 75%.

Phase 1 (2017-19e): Free cash flows during the phase one are derived from our detailed financial forecast, discussed in the financial part of this report.

Phase 2 (2020-26e): Making more general assumptions, we have considered the expected overall market's growth prospects and Cenit's positioning in the market. We assume a gradual decline in growth to 2.0%, and an EBIT margin of 10.2%, being very conservative, considering that most consulting and system integrators currently operate at higher margins.

Phase 3 (terminal value): To calculate terminal value, we applied a long-term FCF growth rate of 1.0% and assumed a constant EBIT margin of 10.2%.

Overview of our DCF-based model

	PHASE 1			PHASE 2							PHASE 3
	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	∞
Sales	151.0	181.8	189.4	197.0	203.9	210.0	216.3	221.7	226.2	230.7	
Y-o-Y growth	22.0%	20.4%	4.2%	4.0%	3.5%	3.0%	3.0%	2.5%	2.0%	2.0%	
EBIT	10.4	13.4	16.3	19.0	20.6	21.3	22.0	22.7	22.9	23.5	
EBIT margin	6.9%	7.4%	8.6%	9.6%	10.1%	10.2%	10.2%	10.2%	10.1%	10.2%	
Income tax on EBIT	-3.2	-4.0	-4.9	-5.7	-6.2	-6.4	-6.6	-6.8	-6.9	-7.0	
Depreciation and amortisation	2.8	3.6	3.8	3.7	3.6	3.5	3.6	3.7	3.8	3.9	
Change in net working capital	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net capital expenditure	-2.7	-3.3	-3.4	-3.5	-3.7	-3.8	-3.9	-3.9	-3.9	-3.9	
Free cash flow	**7.3**	**9.8**	**11.8**	**13.5**	**14.3**	**14.7**	**15.1**	**15.7**	**16.0**	**16.4**	
Present values	**6.9**	**8.5**	**9.4**	**9.8**	**9.6**	**9.0**	**8.5**	**8.1**	**7.6**	**7.1**	**94.5**

Present value Phase 1	24.8	14%
Present value Phase 2	59.8	33%
Present value Phase 3	94.5	53%
Total present value	179.0	100%
+ Excess cash/Non-operating assets	33.6	
- Financial debt	0.0	
Fair value of equity	**212.7**	
Number of shares (m)	8.4	
Fair value per share (in EUR)	**25.41**	

Risk free rate	0.78%	Target equity ratio	75.0%
Equity risk premium	7.23%	Beta	1.35
Debt risk premium	3.50%	**WACC**	**8.64%**
Tax shield (Phase 3)	30.0%	**Terminal growth**	**1.00%**

Sensitivity analysis

		Terminal growth rate				
		0.0%	**0.5%**	**1.0%**	**1.5%**	**2.0%**
	7.64%	26.96	27.89	28.96	30.20	31.66
	8.14%	25.39	26.17	27.06	28.08	29.27
WACC	**8.64%**	24.01	24.67	**25.41**	26.26	27.24
	9.14%	22.78	23.34	23.97	24.68	25.50
	9.64%	21.67	22.16	22.69	23.30	23.98

Source: Oddo Seydler Bank AG

COMPANY PROFILE

Headquartered in Stuttgart, Germany, Cenit AG is a specialist for product lifecycle management (PLM) and enterprise information management (EIM). The company serves mainly the manufacturing industry and financial services industry through its products, which target the continuous optimization of business processes. Cenit's product portfolio comprises consulting, services, and software offerings, based on i/ third-party software i.e. from Dassault Systèmes, SAP, and IBM, and ii/ Cenit's own software. Cenit is represented strongly in the European, US, and Japanese markets with 17 locations.

Based on its close partnerships with Dassault, SAP, and IBM, Cenit serves tier 1 customers in the automotive, aerospace, engineering, and banking spaces. Furthermore, driven by its deep understanding of IT systems, Cenit also manages the applications and the related IT infrastructures of its customers. Third-party software sales still remain Cenit's largest revenue category (47% of 2016 sales). Consulting and integration services accounted for 39% and Cenit's own software sales provided the balance (14% in FY16).

Cenit: Overview of activities

Industries	Services	Consulting & Services
▪ Automotive ▪ Aerospace ▪ Mechanical engineering ▪ Consumer goods ▪ Tooling & molding ▪ Medical engineering ▪ Financial service providers ▪ Commerce ▪ Transport ▪ Logistics ▪ Chemicals ▪ Pharmaceuticals ▪ Health care	▪ Optimization & management of product development processes ▪ Definition, automation and simulation of manufacturing & production processes ▪ Integration of CAD systems and efficiency-boosting process optimization ▪ Document and case processing, input and social content management ▪ Application Management Services ▪ Performance management using BI & Analytics solutions	▪ Process consulting ▪ IT strategy consulting ▪ Planning & designing solution ▪ Project management ▪ Project development ▪ Installation and configuration ▪ System and data migration ▪ System integration ▪ Training & coaching ▪ User helpdesk ▪ Application management services

Source: Company data, Oddo Seydler Bank AG

For management purposes, the Cenit group is organized into business units based on its products and services, and has two reportable operating segments:

- **PLM** (Product Lifecycle Management)
- **EIM** (Enterprise Information Management)

The PLM business segment

The PLM (Product Lifecycle Management) segment resells software from Dassault Systèmes and SAP and provides the necessary integration and consulting services.

As a value added reseller (VAR), Cenit provides one of the broadest global Dassault Systèmes PLM solution portfolios and acts as a leading partner for Dassault's 3DEXPERIENCE platform. Cenit combines decades of experience with Dassault Systèmes' standard solutions. Cenit provides the full range of consulting, software and service offerings all from a single source.

Software sales typically constitute roughly 30% of a typical PLM project contract and implementation services usually account for anywhere between 25% and 35%. Other typical contract elements include performance optimisation, data migration, post-go-live support and training. Cenit's industry focus is on the automotive, aerospace, mechanical engineering and shipbuilding industries.

The PLM segment is complemented by Cenit's value-chain-oriented Digital Factory offering. Digital manufacturing or digital factory software allows clients to digitally plan, simulate and test entire manufacturing processes, which typically include a wide variety of specialty applications such as machining, robots programming, testing and simulation.

The EIM business segment

Cenit's Enterprise Information Management (EIM) segment offers an end-to-end approach with consulting, process optimization, software implantation and after-sales services mainly for the IT-based management of business-related document and information management, and business intelligence. EIM focuses on the customer segment of trade and commerce, banks, insurance firms and utilities.

The EIM portfolio also includes solutions that analyse and optimize structured and unstructured data and make them available them in-house as well as externally. Furthermore, EIM supports the high availability and security of these services and optimizes the data exchange between users.

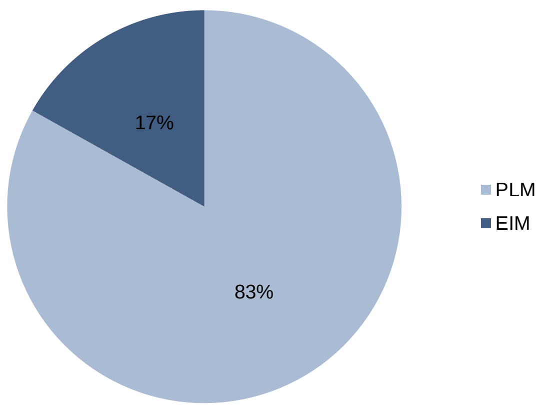
EIM has operated for more than twenty years and is considered one of the top 3 IBM software partners for one of the leading enterprise content management solutions - IBM FileNet. Cenit has also been a partner for IBM's groupware and e-mail management for more than 10 years. In Business Analytics & Optimization, Cenit sells and implements IBM Cognos.

Acquisition of Keonys S.A.S.

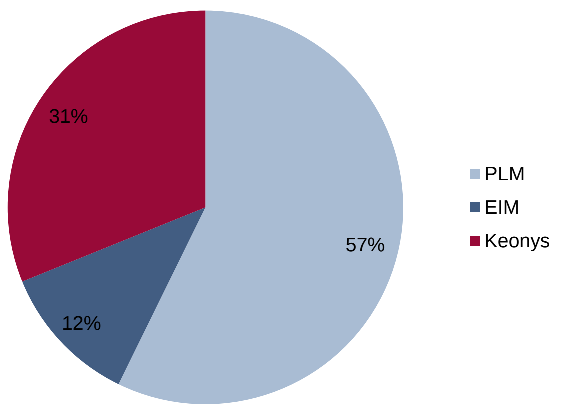
In December 2016 Cenit AG announced it was in negotiations to acquire all the shares of Paris-based Keonys S.A.S. On of 22 March 2017 Cenit AG concluded a purchase agreement, for a purchase price of € ~6m, which will be financed from existing cash and cash equivalents. Keonys is one of the leading European PLM specialists based on the software products of Dassault Systèmes. Cenit's acquisition of the company will enlarge and shape its solutions portfolio around the 3DEXPERIENCE platform. This acquisition will make Cenit Dassault's largest partner in Euro-west and Euro-central.

In 2016, Keonys was expected to generate sales of approximately € 56m. The company employed ~160 staff. As a further result of this acquisition, Cenit AG will also become one of Dassault Systèmes' largest international value added resellers.

2016 PLM + EIM excluding Keonys



2016 PLM + EIM including Keonys



Source: Oddo Seydler, company data

THE PLM MARKET

As its name suggests, PLM (product lifecycle management) software manages all phases of a product's creation, from brainstorming, design, engineering, manufacturing to distribution and beyond. At its core, PLM is the creation and central management of all product data and the technology used to access this information and knowledge. PLM is a discipline that emerged from tools such as CAD (computer-aided design) and CAM (computer-aided manufacturing). Many software solutions have been developed to organize and integrate the different phases of a product's lifecycle. Some software providers cover the whole PLM range while others cover individual niche applications.

Evolving from a siloed PLM / ERP approach...

There are few things more challenging for today's manufacturers than managing a product from its initial conception to the end of its useful life. Not only are products becoming more complex, but the processes used to design, build, and service them involve more steps, more vendors, and more locations than ever before.

Ever since the first PLM solutions appeared on the market, software vendors have been promising manufacturers a cradle-to-grave view of their products and the processes that create them. But this highly appealing vision has been difficult to achieve. One of the main obstacles was the siloed approach of PLM and ERP data management. Historically, engineering and manufacturing systems were separated by the way they controlled the data and protected their existence.

Consequently, only about 10 percent of manufacturers worldwide have successfully implemented PLM solutions. The remaining 90 percent are surviving because historically most manufacturing industries have competed merely on cost instead of flexibility and agility. They therefore improved efficiencies and supply chain performance in order to compete in global markets.

However, there is too much at stake to continue integration where data from PLM is re-entered into ERP. This has always been a time-consuming and error-prone process.

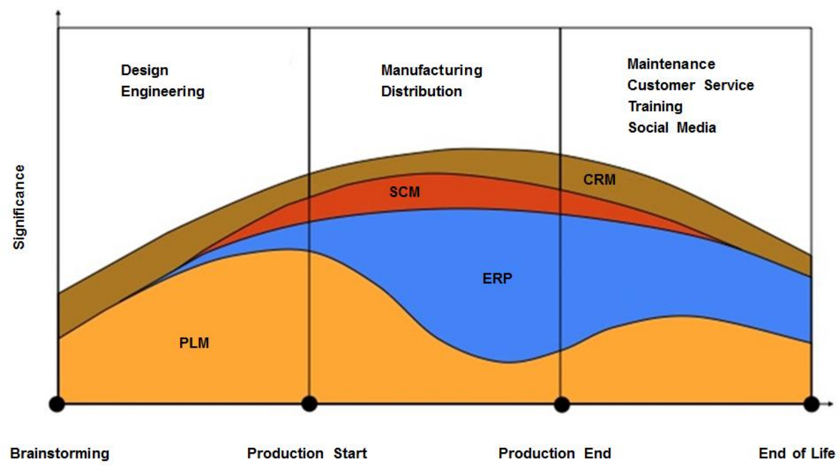
...to an enabler of Industry 4.0 and Digital Transformation in manufacturing

In the approaching world of a digitalized Industry 4.0, companies will have to bring innovative products to market at a rapid pace if they want to differentiate. This level of agility has caused many to adopt a more global "design anywhere/build anywhere" strategy. Manufacturing automation plays a key role here as well. Manufacturers are leveraging automation and rapid commissioning to quickly adapt production to market changes and capitalize on opportunities.

Finally, products must be personal. Customers today expect products to be tailored to local market requirements and their own unique needs. This requires a larger number of product variants that must be designed and produced. Personalization creates additional complexity that must be managed.

Consequently, manufacturers need to understand that two of their major IT systems, product lifecycle management (PLM) and enterprise resource planning (ERP) can no longer be viewed as separate entities. Instead, PLM and ERP need to be incorporated into the same closed-loop process.

PLM touches all business operations of manufacturing industries



Source: Oddo Seydler

Modern PLM suites will reshape the current boundary/data silos separating PLM and ERP. Digital transformation and Industry 4.0 requires PLM systems to be deeply interwoven with the ERP world to have full control over the integrated product data in a way it can be optimized and used across organizations and business functions.

PLM is also essential to manage rising complexity as manufacturers design more product variants, develop smarter products, and operate in more global environments. PLM is critical to enabling manufacturers to introduce innovative new products and rapidly ramp up production so they can get to market quickly without sacrificing cost or quality. ERP complements PLM by managing the business of manufacturing in order to improve operational performance and better serve customers.

The ongoing PLM transformation

The ongoing PLM technology transformation consists of the following catalysts:

- The transition from standalone PLM, CAD, CAM, and CAE (computer-aided engineering) tools to a platform level that provides an integrated approach that spans conceptual design, production, service and support.
- First manufacturers and vendors are beginning to transition to the cloud
- Digital transformation along with Industry 4.0 are dramatically reshaping the manufacturing industry
- The shift to smarter IoT products is driving the need for tighter integration between traditional applications
- Vendors are continuing to bridge the gap between design/engineering and manufacturing
- Vendors are continuing their industry specialization

The competitive landscape PLM vendors

Dassault Systèmes ENOVIA

Dassault Systems is actively developing its 3DEXPERIENCE platform. While ENOVIA is a core brand providing PLM experience for customers, it is tightly connected to platform and other solutions around CATIA products. The history of Dassault PLM extends back to first large PLM implementations that Dassault made in the aerospace and defence industry. Dassault focuses on integration between CATIA products and related parts of data management and collaboration with ENOVIA. The CATIA-ENOVIA vertical integration is Dassault Systems' main PLM strength.

SAP PLM

SAP's core strength in PLM is its natural ERP integration. Furthermore, SAP PLM covers all aspects of product development processes not involving design and engineering.

Siemens PLM – TeamCenter

Siemens PLM has probably the largest PLM market share (if we include cPDM scope; otherwise Dassault leads the pack) covered by multiple TeamCenter products developed in the past. Siemens has also recently made two major acquisitions – CDadapco (Simulation) in 2016 and Mentor Graphics (Electronic Design) in 2017 – to catch up with Dassault Systemes in the global PLM market .

Autodesk PLM (formerly known as PLM360)

Autodesk renamed its PLM360 product into Fusion Lifecycle, which will also focus on business processes and implementations of lifecycle management. Lifecycle will more integrate into a suite of Autodesk Forge / Fusion products. A strong point of Lifecycle is its connection to Autodesk products and partnerships.

PTC – Windchill

PTC has undergone a lot of transformations. Its focus on IoT and development of additional products and brands led to a broader PLM perspective. PTC's core PLM product is Windchill with additions and connections to new products built from IoT-related acquisitions.

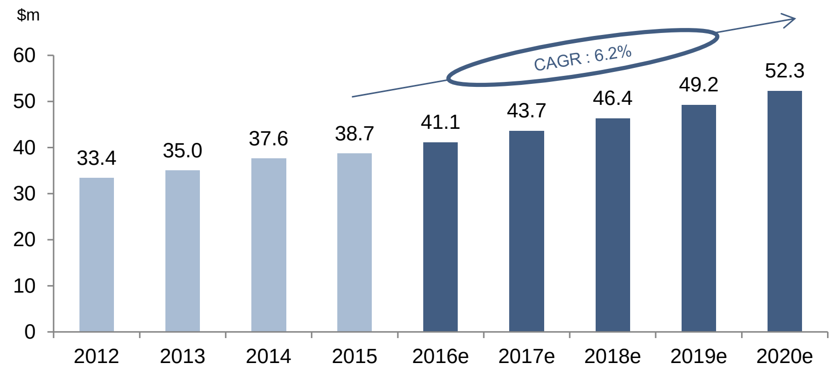
Oracle – Agile PLM

Oracle is moving towards a cloud solution. Its core PLM product is Agile PLM, acquired more than a decade ago. The core strength of Agile PLM is Oracle's market share and family of products as well as out-of-the-box functionality related to BOM management.

Global PLM market to grow at CAGR of 6.2%

According to PLM market researcher CIMdata the total available market (TAM) for PLM had a value of ~$ 33.4bn in 2012 and grew to ~$ 38.7bn in 2015, implying a CAGR of 5%. CIMdata expects the total PLM market to grow at a CAGR of 6.2% to $ 52.3bn in 2020e.

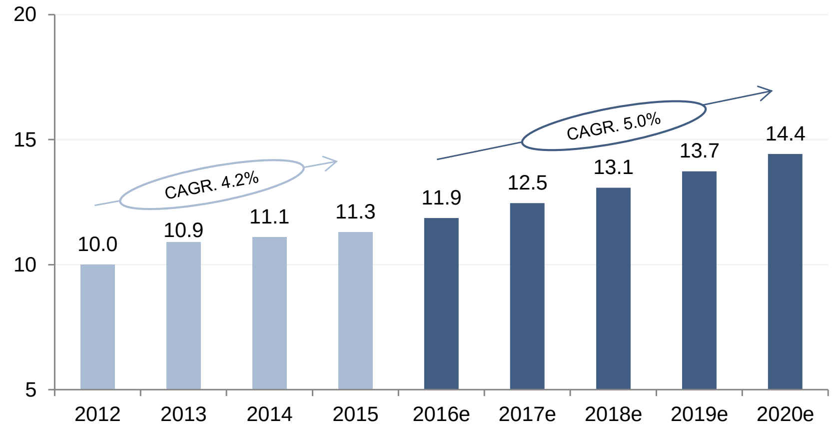
Overview of TAM for PLM software, 2012-2020e, $bn



Source: CIMdata, Oddo Seydler Bank AG

Cenit offers products and services targeting Dassault systems. According to Dassault Systèmes the serviceable available market (SAM) for PLM market (including PDM, CAD, CEA and CAM) was valued at ~$ 10.0bn in 2012 and grew to $ 11.3bn, in 2015 ($ 12.5bn in constant currencies), implying a CAGR of 4.2% in 2012-15. Furthermore, Dassault Systèmes estimates the PLM market to grow at a 5% CAGR from 2016 to 2020.

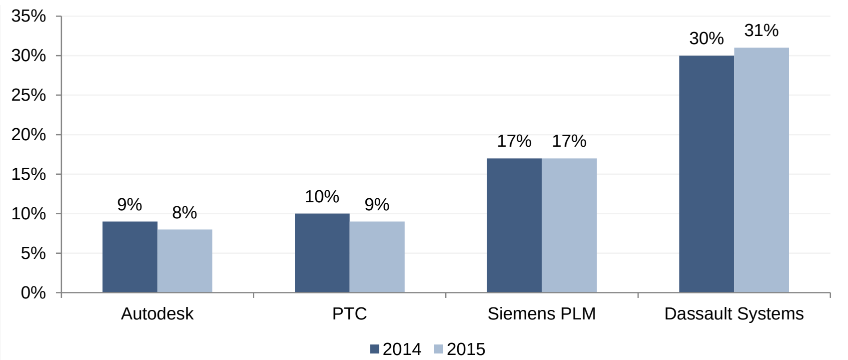
Overview of the SAM for PLM Software, 2012-2020e, $bn



Source: Dassault Systèmes, Oddo Seydler Bank AG, Software PLM market including CAD, Product Data Management, Simulation, Digital Manufacturing

Dassault Systèmes, with a market share of ~31% in 2015 (2012: 28%), is the largest PLM software vendor, followed by Siemens PLM (Siemens claims to be the leader of the PLM market because they also include cPDM scope), PTC, and Autodesk with 2015 shares of 17%, 9%, and 8%, respectively.

Overview of market shares of leading PLM players, 2014 and 2015



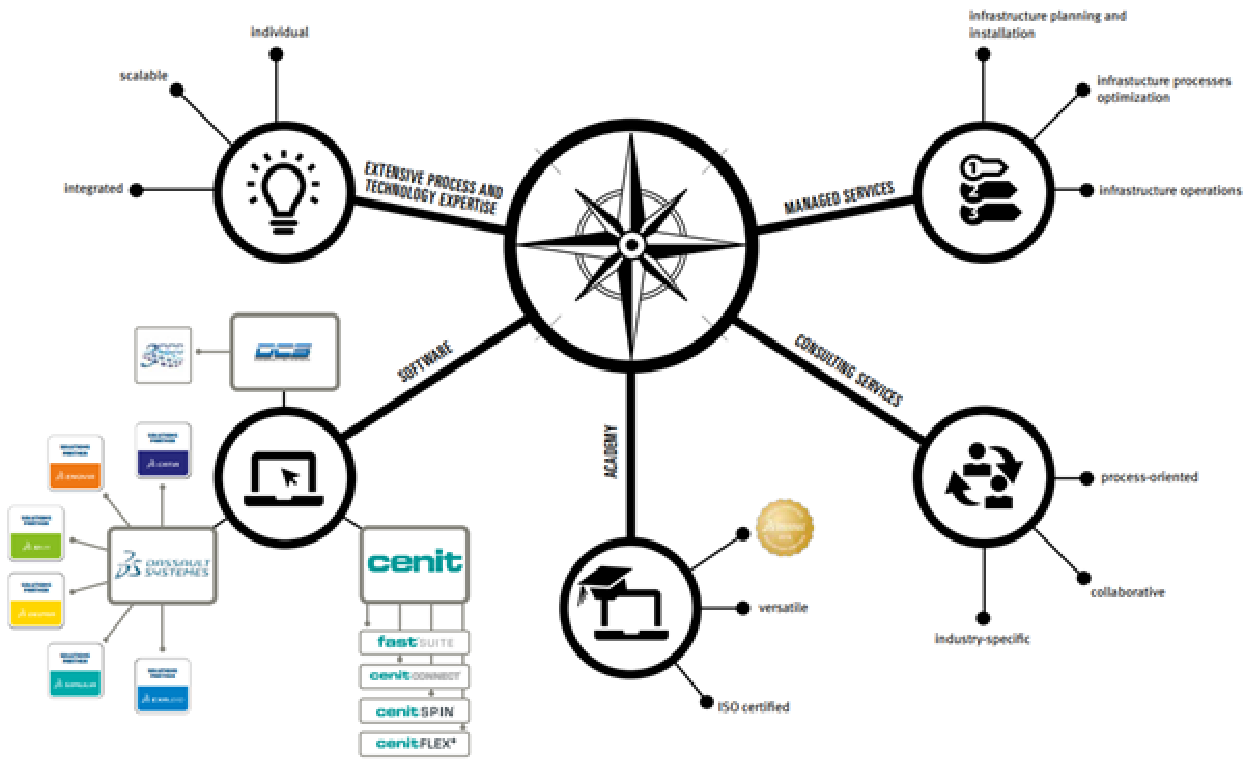
Source: Dassault Systèmes, Oddo Seydler Bank AG

CORPORATE STRATEGY

Cenit a preferred partner for PLM-based digital transformation

Cenit has both the technical and the business expertise to be the preferred partner for PLM based digital transformation projects in manufacturing.

Cenit's end-to-end PLM offering



Source: Cenit

The group offers all the necessary components and services for fully integrated PLM infrastructure from a single source, including:

Software

As the leading international partner of Dassault Systèmes for the 3DEXPERIENCE platform, Cenit has one of the most comprehensive PLM software portfolios worldwide. In addition, the group develops in-house add-on software solutions for its platform offering, including SAP integration products. Cenit workstations are used in more than 1500 companies worldwide, from one-man engineering workshops to global automotive groups with several hundred licenses. The diversity of their customer base is a testament to the flexibility and variety of the company's software and services offer.

Consulting

Cenit provides a comprehensive consultancy service to help customers optimize their production processes. Since 1988, Cenit has been helping manufacturing companies worldwide to optimize their digital product development with in-depth industry and process expertise. Their holistic approach takes the customer's entire organization with its existing processes and systems into account.

Training

Cenit also offers training programs at the highest quality level. The company is ISO 9001:2008 certified and is one of the very few Dassault Systèmes Gold Certified Education Partners.

Managed Service

For customers seeking greater operational support, Cenit manages operations of PLM application infrastructures across different systems to ensure the availability of business-critical processes and information. Customers can choose from modular, scalable components: planning, development, operation or process optimization of the infrastructure.

Competitive advantages of an end-to-end solution provider

- Established partner software
- Decades of project experience
- Scalable PLM software solutions
- Comprehensive range of services – from consulting to support
- Impressive list of references – from engineering workshops to large corporations
- Experienced employees with expertise in processes and technology
- Solutions for many sectors of the manufacturing industry
- Branches worldwide

Keonys acquisition to make Cenit Dassault Systèmes' leading VAR

According to CIMData, Dassault Systèmes remains the largest PLM vendor globally with an estimated 31% market share and Cenit's most important PLM partner. Dassault has several VAR (value-added reseller) partners in Germany, Cenit AG being the largest, however.

On 22 March Cenit announced the acquisition of Paris-based Keonys S.A.S. Keonys is the leading French PLM specialist based on the software products of Dassault Systèmes with an estimated French market share of >60%. This acquisition will strengthen Cenit's international market position as 3DEXPERIENCE and PLM IT specialist and allow it to tap into further markets in France and Benelux.

On a combined basis Cenit+Keonys will be one of Dassault's top VARs internationally, significantly boosting its purchasing power in terms of VAR margins and reputation among customers. We expect the acquisition of Keonys to roughly double the size of Cenit's PLM client base and significantly bost Cenit's know-how in software-based production simulation. Furthermore, Cenit will be also able to cross-sell its high-margin in-house-developed software solutions (i.e. add-on functionality for Dassault's software) into Keonys' French customer base.

In light of the strategic direction of "Cenit 2020" and also in the context of Industry 4.0, the acquisition of Keonys is a major key step forward. As a further result, Cenit will become Dassault Systèmes' largest international VAR. In 2016, Keonys was expected to generate sales of c.€ 56m. The company employs around 160 staff.

The acquisition is currently in its last verification phase; under French law, it is subject to a hearing of labour representatives. The actual implementation of the acquisition is expected in the coming weeks.

We expect Keonys to be consolidated in Q3 2017. We have therefore included Keonys in our PLM segment model from H2 2017. For our detailed Keonys estimates please refer to the Financial Analysis section of this report.

Strengthening integration expertise between Dassault and SAP

Cenit AG offers out-of-the-box software packages that deeply integrate the Dassault software world with the ERP SAP world. For example, CenitCONNECT is an advanced workflow and process management tool for “SAP PLM” that provides significant flexibility even to the most complex product development processes. The application provides process reporting, workflow definition and collaboration with outside parties throughout a product design process. As part of a joint project involving “SAP Solutions” and “3DS-PLM divisions”, teams at Cenit developed a 3DEXPERIENCE SAP integration for redesigning product development at a global market leader in the consumer field.

By connecting technology expertise with industry experience, Cenit is on the right path to prove itself as a reliable partner for digital transformation. We expect Cenit to continue on this path in 2017 as well.

Another factor that makes us certain Cenit on the right path is the company’s intensive collaboration spanning many years with partners that are among the pioneers and innovation drivers in the digital economy, namely Dassault Systèmes, IBM and SAP. With IBM’s WATSON (Artificial Intelligence), SAP’s S/4 HANA platform (SAP) and Dassault’s 3DEXPERIENCE platform, these companies are offering some of today's most relevant software solutions and technologies in the realm of Industry 4.0. The close business ties with these partners will ensure that Cenit will continue to possess superior expertise and remain at the cutting edge in terms of innovation.

Cenit in-house software – a highly profitable competitive advantage

In addition to selling standard software as a VAR, Cenit develops its own highly profitable software programs to supplement and extend its PLM/ERP integration solutions. Decades of industry experience allow Cenit to optimize the productivity and data quality of its customers with these in-house developed Cenit software tools. Cenit currently offers more than 10 of its own applications in its business divisions.

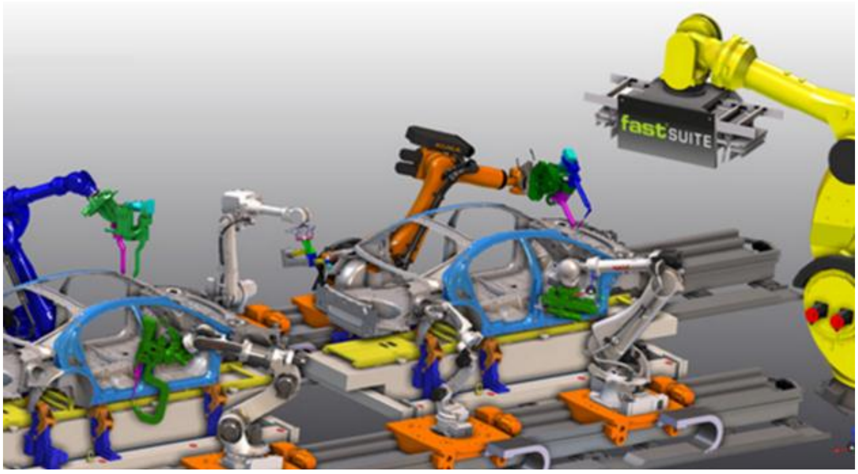
Due to integration advantages and profitability aspects, Cenit will continue to strengthen its innovative power. For this reason, Cenit raised its R&D expenses by 5% to € 8.4m in 2016. Thanks to the excellent capital gearing and available liquidity, Cenit is also extending its focus to include the acquisition of new technologies to supplement its existing own software portfolio. Through the expansion of its international market coverage, e.g. via local sales partners, Cenit also gains additional potential to further increase the share of its proprietary software revenue.

Digital Factory – the killer app for manufacturing

Manufacturers must minimize the time it takes to ramp up production. Instead of waiting until a product is fully designed, manufacturing engineers should concurrently design processes to optimize manufacturing procedures, equipment, and tooling early on in the design process.

For this purpose, Cenit's own software portfolio for the Digital Factory covers the virtual emulation of manufacturing processes. The software offering ranges from planning and layout definition to the simulation and optimization of manufacturing processes and to efficient NC and robot simulation of manufacturing and robot cells. Furthermore, the software offers maximum performance through the digital mock-up of the true shop floor setting.

Cenit's Digital Factory simulation solution



Source: Cenit

Cenit's comprehensive customer support in the area of the Digital Factory includes implementation and training for the solution, customer-specific adjustments, integration within the existing process landscape and the support of the implemented applications.

Manufacturers can now digitally simulate how a virtual product will be produced on a virtual assembly line to avoid expensive and time-consuming problems. In this way they are designing an optimal bill of process (BOP) instead of just pushing the bill of material (BOM) to production. This improvement also allows production personnel to provide feedback to engineering on manufacturability to influence the product's design while it is still flexible.

Cenit's main competitive advantages for further promoting this promising software, also internationally e.g. in China, include in our view:

- Competent teams in Europe, USA, Japan
- Individually implemented solutions
- Close collaboration with machine and robot manufacturers as well as system integrators
- The company's successful proprietary software solutions
- Cenit's status as an established software partner of Dassault Systèmes
- Cutting-edge robot simulation
- Efficient robot offline programming

Rejuvenating EIM towards artificial intelligence and predictive analytics

The proliferation of structured and unstructured content and information is one of the fastest-growing issues facing IT. Cenit's EIM (Enterprise Information Management) solutions allows for the monitoring of an enterprise's infrastructure and for the comprehensive management of all information within the enterprise, regardless of the generating system, format or location

However, in order to promote innovation that produces end-to-end, tailored solutions, Cenit continuously gears its operations to the needs of its customers and to current market developments. The rapid pace of market and industry developments in connection with Industry 4.0 calls for solutions that are only possible through the intelligent interlinking of different competency areas throughout the entire Cenit group. Management recognized this challenge already in 2015. In 2016 it already exploited synergies resulting from an even-closer integration of the company's various specialist areas to make innovative solutions possible. Examples include the topics of predictive analytics and predictive maintenance, where the staff expertise in the EIM business division can be also used in the fields of Big Data and Business Intelligence in the PLM environment.

We expect Cenit's EIM segment to continue reorienting its offering toward software and services with future growth and margin potential going forward (see EIM outlook section in the Financial Analysis part of this report) leading to a return to positive top- and bottom-line growth on a quarterly basis in this segment in 2018e.

Increasing the international footprint - expansion into China

Cenit is constantly expanding its international footprint and emerging market economies such as China are increasingly investing in digital technologies in order to become more efficient and spur their growth. Consequently, Cenit entered into a cooperation agreement with "Baden-Württemberg International (bw-i) Economic and Scientific Cooperation (Nanjing) Co., Ltd." already in 2016 with the aim of tapping the Chinese market. Cenit is now planning to establish two representative offices in Nanjing in cooperation with bw-i. These will be initially dedicated to Cenit's digital factory solutions.

Cenit 2020

To take well-considered action that will secure Cenit's leading PLM integration role in the era of Industry 4.0, Cenit must constantly meet the challenge of revising and refining its strategies and business models, adjusting its offerings and looking for new solutions and perspectives. To remain a preferred partner for digital transformation going forward, Cenit adjusted and rolled out its overarching corporate strategy in 2016, called "Cenit 2020", with the aims to ensure the company's the agility and innovative power in the long term and to guarantee the continuous improvement of its competitive strength.

Besides the constant focus to strengthen its competitiveness, the core elements of Cenit 2020 include aspects such as the realization of potential and synergies through mergers and acquisitions as well as numerous internal strategic initiatives. As a testimony to Cenit's proactive approach to meeting these goals, Cenit is acquiring French software developer Keonys, which will enable Cenit to continue to expand its international market presence as a 3DEXPERIENCE and PLM-IT specialist and to tap into further customer potential in France and Benelux. Actual consolidation of the acquisition is expected in H2 2017 (see PLM outlook section in the Financial Analysis part of this report).

FINANCIAL ANALYSIS

2016 results driven by strong software sales

2016 was a very successful year for Cenit. Business performed in line expectations. The sales target was met. Waning sales in consulting were offset by strong sales of software.

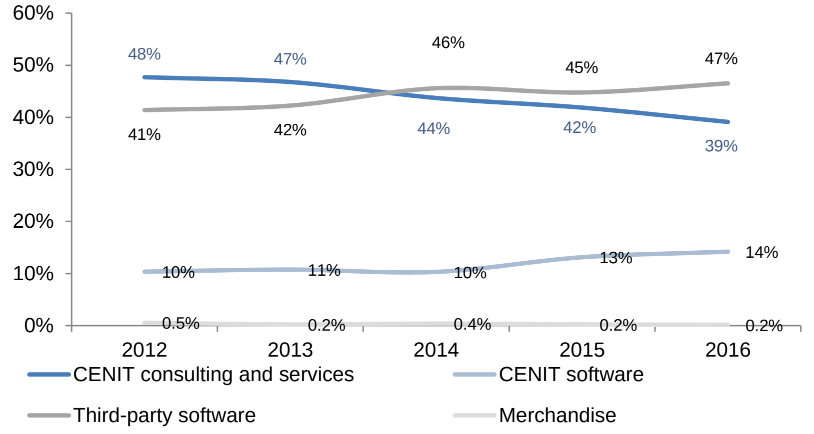
2016 group revenues increased by 1.9% yoy to € 123.7m (2015: € 121.4m). Sales of third-party software rose 5.9% yoy to € 57.6m, while Cenit's own software sales even increased by 10.2% yoy to € 17.6m, (2016: € 15.9m). The most successfully marketed software products were FASTSUITE and CenitCONNECT in the area of PLM and IBM ECM System Monitor, and ECLISO in the area of EIM. Consulting and services revenue declined 4.8% yoy due to the focus on higher-end services especially in the EIM segment.

Histrorical revenue split by product 2012 – 2016 (in EURm)

	2012	2013	2014	2015	2016	CAGR 2013-16
CENIT consulting and services	56.7	55.6	53.9	50.9	48.4	*-4.5%*
yoy		*-1.9%*	*-3.0%*	*-5.7%*	*-4.8%*	
CENIT software	12.3	12.8	12.7	15.9	17.6	*11.2%*
yoy		*3.9%*	*-0.5%*	*25.3%*	*10.2%*	
Third-party software	49.2	50.2	56.3	54.4	57.6	*4.6%*
yoy		*2.1%*	*11.9%*	*-3.3%*	*5.9%*	
Merchandise	0.7	0.3	0.5	0.3	0.2	*-8.2%*
yoy		*-61.5%*	*88.0%*	*-41.3%*	*-30.0%*	
Total	118.9	118.9	123.4	121.5	123.8	*1.3%*
yoy		*0.1%*	*3.8%*	*-1.6%*	*1.9%*	

Source:company data, Oddo Sedler

Historical revenue split by product in % of total, 2012 - 2016



Source: Company data, Oddo Seydler

On the segment level, Cenit's 2016 PLM revenue grew by 5.1% yoy, mainly attributable to the focus on its own Cenit software, but also due to third-party software. EIM also made considerable progress in 2016 in terms of its realignment towards software; this was reflected in its significant improvement in profitability.

The positive business performance in 2016 was also attributable to the contribution of the Cenit local companies, which generated c.28% of total sales.

All local companies, i.e. Cenit Switzerland, France, Romania USA and Japan, increased their sales yoy.

Gross profit totalled € 77.1m (2015: € 76.4m), and thus increased 0.9% yoy. Gross profit fell marginally, from 62.0% to 61.7%. Personnel expenses increased by € 0.326m or 0.7% yoy, mainly driven by performance-related costs climbing to € 4.8m (prior year: € 4.0m).

Cenit achieved EBITDA of € 14.1m (prior year: € 12.7m +10.8% yoy). The EBITDA margin rose by 100bp from 10.3% to 11.3%.

Cenit's continuing focus on profitability and the shift of its product mix towards software led to an EBIT improvement of 11.8% yoy to € 11.8m. Consequently, the EBIT margin improved by 80bp, from 8.7% in 2015 to 9.5% in 2016, which is already fairly close to Cenit's 2020 vision of 10%. At the same time earnings per share improved by 11.5% to € 0.97.

Outlook for the PLM segment

Cenit's PLM segment mainly consists of the business areas Dassault, SAP, Airbus, and Digital Factory software and services. In 2016 the PLM segment achieved organic revenue growth of 5.1% yoy to € 102.9m, mainly linked to its Dassault and SAP operations. Going forward, we expect Cenit to consolidate Keonys starting in Q3-17. For H2-17 we model a Keonys revenue contribution of roughly € 25m. Based on full consolidated figures we currently expect the acquired company to grow 3% in 2018e and 5% in 2019e. Consequently, PLM should generate revenues of € 132.3m, € 163.5m and € 170.9 in 2017 – 2019.

PLM segment P&L, 2012 – 2019e

Millions EUR	2012	2013	2014	2015	2016	2017	2018	2019
Sales organic	**89.8**	**90.8**	**97.6**	**97.9**	**102.9**	**107.3**	**112.0**	**116.8**
growth y-o-y		1.1%	7.5%	0.4%	5.1%	4.3%	4.3%	4.3%
Keonys Sales						**25.0**	**51.5**	**54.1**
growth y-o-y						n.a.	106.0%	5.0%
Reported Sales	**89.8**	**90.8**	**97.6**	**97.9**	**102.9**	**132.3**	**163.5**	**170.9**
growth y-o-y		1.1%	7.5%	0.4%	5.1%	28.6%	23.5%	4.6%
EBITDA organic	**9.3**	**8.9**	**10.1**	**10.7**	**11.3**	**12.1**	**13.1**	**14.0**
in % of segment sales	10.3%	9.8%	10.3%	10.9%	11.0%	9.2%	8.0%	8.2%
Keonys EBITDA						**-0.8**	**2.0**	**4.0**
in % of segment sales						-0.6%	1.2%	2.3%
EBITDA reported	**9.3**	**8.9**	**10.1**	**10.7**	**11.3**	**11.3**	**15.1**	**18.0**
in % of segment sales	10.3%	9.8%	10.3%	10.9%	11.0%	8.6%	9.2%	10.5%
Depreciation	**1.7**	**1.6**	**1.7**	**1.5**	**1.7**	**2.2**	**3.1**	**3.2**
in % of segment sales	1.9%	1.8%	1.8%	1.6%	1.6%	1.7%	1.9%	1.9%
EBIT	**7.6**	**7.3**	**8.4**	**9.1**	**9.6**	**9.1**	**12.0**	**14.8**
in % of segment sales	8.5%	8.1%	8.6%	9.3%	9.3%	6.9%	7.3%	8.6%

Source:company data, Oddo Seydler

PLM improved it's EBIT margin from 8.5% in 2012 to 9.3% in 2016. Factoring in the current loss-making situation at Keonys i.e. a potential restructuring program, we estimate the EBIT margin to drop to 6.9% in 2017e, and then gradually rise towards 8.6% in 2019e as potential synergies linked to Keonys integration are captured.

Outlook for the EIM segment

EIM segment revenues have contracted from € 29.1m in 2012 to € 20.9m in 2016. This shrinkage was linked to the fact that Cenit no longer takes on projects with lower margins. Consequently, the segment's EBIT margin improved in the same period from 1.4% to a record 10.9%, also due to exceptionally strong, highly profitable software sales in 2016. Going forward, considering that: i/ Cenit does not currently take on lower-margin projects, we estimate the EIM segment revenues will level off at c.€ 18m in 2018e before rising further on new service and software offerings from 2019 onwards. For 2017e we now estimate an EBIT margin of 7.2%, gradually increasing to 8.2% in 2019e and beyond.

Segment P&L EIM 2012 – 2019e

Millions EUR	2012	2013	2014	2015	2016	2017	2018	2019
Reported Sales	**29.1**	**28.1**	**25.8**	**23.5**	**20.9**	**18.7**	**18.3**	**18.5**
growth y-o-y		-3.2%	-8.2%	-8.8%	-11.3%	-10.5%	-2.1%	1.4%
EBITDA	**1.8**	**1.7**	**1.6**	**2.0**	**2.8**	**1.9**	**1.9**	**2.0**
in % of segment sales	6.1%	6.1%	6.1%	8.6%	13.4%	10.0%	10.5%	11.0%
Depreciation	**1.4**	**0.7**	**0.6**	**0.6**	**0.5**	**0.5**	**0.5**	**0.5**
in % of segment sales	193.3%	100.0%	100.0%	100.0%	100.0%	100.0%		
EBIT	**0.4**	**1.0**	**1.0**	**1.5**	**2.3**	**1.3**	**1.4**	**1.5**
in % of segment sales	1.4%	3.6%	3.7%	6.3%	10.9%	7.2%	7.7%	8.2%

Source:company data, Oddo Seydler

Outlook for the Cenit group

In 2016 Cenit generated revenues of € 123.8m, up 1.9% yoy (FY15: € 121.5m), linked to the increasing sales of Cenit own software and third-party software.

Cenit's guidance for 2017 projects sales growth of close to 2% on unchanged EBIT. As a result, the group will primarily work on continuing to secure their established market position and on setting the stage for further growth in subsequent years. Consequently, Cenit expects to spend slightly more on research and development again in the current year 2017 in order to continue to enhance the innovative power of Cenit – also in its EIM segment.

However, these comments do not take into account the acquisition of Keonys S.A.S. The successful conclusion of that takeover will change the planning considerably. We expect the company to release an adhoc with revised guidance including Keonys on a consolidated basis.

Group P&L 2012 – 2019e

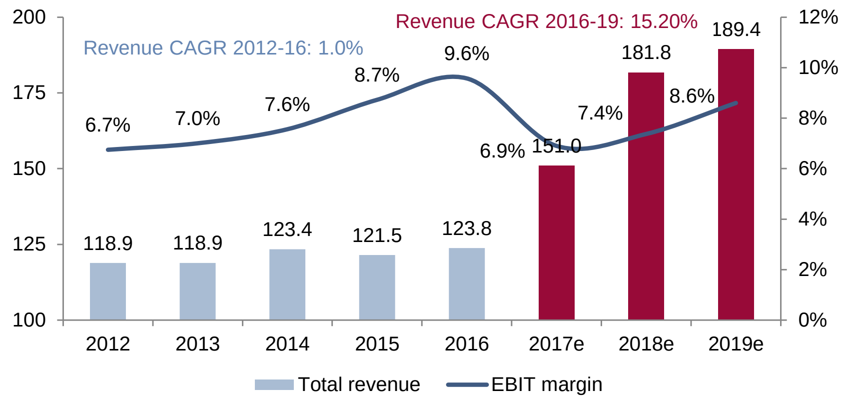
Millions EUR	2012	2013	2014	2015	2016	2017e	2018e	2019e
Revenue	**118.9**	**118.9**	**123.4**	**121.5**	**123.8**	**151.0**	**181.8**	**189.4**
growth y-o-y		0.1%	3.8%	-1.6%	1.9%	22.0%	20.4%	4.2%
- Cost of materials	**46.0**	**46.9**	**48.8**	**46.9**	**47.8**	**60.4**	**71.8**	**73.9**
in % of net sales	38.7%	39.4%	39.6%	38.6%	38.6%	40.0%	39.5%	39.0%
Gross Profit	**72.8**	**72.0**	**74.6**	**74.6**	**76.0**	**90.6**	**110.0**	**115.6**
in % of net sales	61.3%	60.6%	60.4%	61.4%	61.4%	60.0%	60.5%	61.0%
- Personnel expenses	**47.5**	**47.7**	**49.1**	**48.6**	**48.9**	**58.3**	**70.2**	**73.2**
in % of net sales	39.9%	40.1%	39.8%	40.0%	39.5%	38.6%	38.6%	38.6%
- Other operative exp.	**15.1**	**14.9**	**14.4**	**15.1**	**14.1**	**20.2**	**23.8**	**23.4**
in % of net sales	12.7%	12.5%	11.7%	12.5%	11.4%	13.4%	13.1%	12.4%
+ Other income	**0.8**	**1.2**	**0.6**	**1.8**	**1.1**	**1.1**	**1.1**	**1.1**
in % of net sales	0.7%	1.0%	0.5%	1.5%	0.9%	0.7%	0.6%	0.6%
EBITDA	**11.0**	**10.6**	**11.7**	**12.7**	**14.1**	**13.2**	**17.0**	**20.1**
in % of net sales	9.3%	8.9%	9.5%	10.5%	11.4%	8.7%	9.4%	10.6%
D&A	**-3.0**	**-2.3**	**-2.3**	**-2.1**	**-2.2**	**-2.8**	**-3.6**	**-3.8**
in % of net sales	-2.5%	-1.9%	-1.9%	-1.7%	-1.8%	-1.8%	-2.0%	-2.0%
EBIT	**8.0**	**8.3**	**9.3**	**10.6**	**11.8**	**10.4**	**13.4**	**16.3**
in % of net sales	6.7%	7.0%	7.6%	8.7%	9.6%	6.9%	7.4%	8.6%
Profit before tax	**8.1**	**8.4**	**9.4**	**10.6**	**11.8**	**10.4**	**13.4**	**16.3**
in % of net sales	6.8%	7.0%	7.6%	8.7%	9.6%	6.9%	7.4%	8.6%
Income tax	**2.7**	**2.5**	**3.0**	**3.3**	**3.7**	**3.2**	**4.0**	**4.9**
in % FY total	33.2%	29.8%	32.4%	31.1%	31.2%	31.0%	30.0%	30.0%
Net reported income	**5.4**	**5.9**	**6.4**	**7.3**	**8.1**	**7.2**	**9.4**	**11.4**
Minorities	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**	**0.1**	**0.1**	**0.1**
Net attributable income	**5.4**	**5.9**	**6.4**	**7.3**	**8.1**	**7.1**	**9.3**	**11.3**
in % of net sales	4.6%	4.9%	5.2%	6.0%	6.5%	4.7%	5.1%	6.0%
EPS diluted	**0.65**	**0.70**	**0.76**	**0.87**	**0.97**	**0.85**	**1.11**	**1.35**

Source:company data, Oddo Seydler

Including Keonys, we expect 2017e group revenue to increase 22% yoy to €151.0m and followed by another 20.4% yoy increase to € 181.8m in 2018 due to the H2 consolidation effect of the acquisition.

Consequently, we now estimate Cenit's group EBIT margin to bottom in 2017e to around 6.9% (2016: 9.6%), mainly linked to loss and restructuring effects of the acquisition. Going forward, we expect the group to gradually improve at the top and and bottom lines towards the company's mid-term "Cenit 2020" objective.

Group P&L 2012 – 2019e

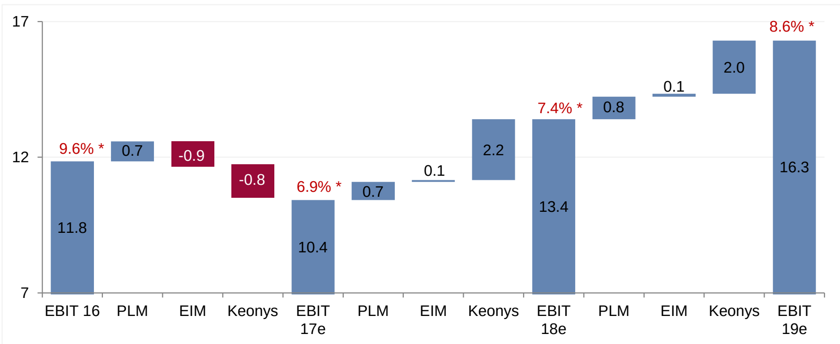


Source: Company data, Oddo Seydler

EBIT margin expansion to 10% targeted

Cenit's medium-term "Cenit 2020" objective targets group revenues of € 200m together with an EBIT margin of 10%, all based on i/ the continuous reorientation towards future growth services and ii/ a higher software exposure in the sales mix.

EBIT bridge 2016 – 2019 (in €m)



*Source: Oddo Seydler ; * EBIT margin %*

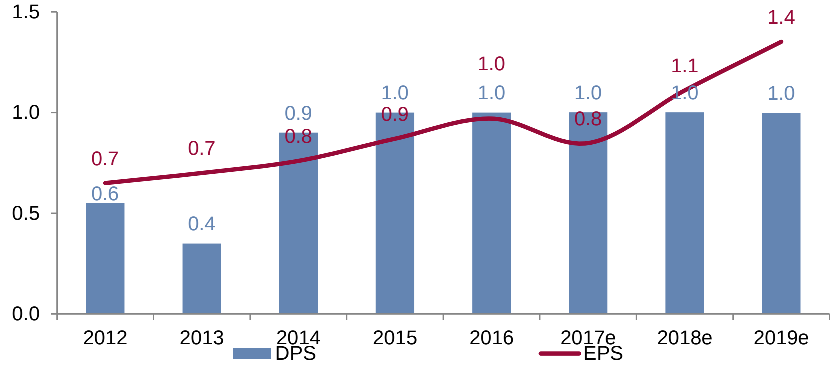
Solid balance sheet – strong financial position

Cenit's balance sheet remains very strong. The company finished 2016 with €33.6m in cash and cash equivalents roughly in line with last year's level. The company has no liabilities of any kind to banks, either short-term or long-term. It has credit lines of € 1.6m currently available, which have not been drawn on but could be used for the Keonys acquisition. Cash and cash equivalents that are temporarily not needed to finance operations are invested on a short-term and medium-term basis. All capital expenditure for non-current assets was financed without external funding in 2016.
Ultimately, Cenit's strong financial position also constitutes a key competitive advantage in winning contracts as it gives the necessary security to customers' investment projects. The other existing cash and cash equivalents should enable Cenit to continue to participate in the growth of its target markets going forward and to the benefit of the group and its shareholders.

Dividend yield >4%

At the AGM on 12 May 2017, The management board and supervisory board will propose to shareholders a dividend € 0.50 plus a base dividend of € 0.50 per share announced in prior years, to be distributed from the retained earnings of € 8,393k. The proposed dividend for 2016 thus amounts to € 1.00 per share, equating to a solid dividend yield of 4.5%. We expect this very favourable dividend payout to continue in the coming years and estimate dividends per share at € 1 going forward in 2017-19e.

Oddo Seydler estimates: EPS, DPS, 2016-19e (€)



Source: Company data, Oddo Seydler

History, Management Profile and Ownership

Company history

Cenit was founeded in 1988 as Cenit GmbH CAD/CAM Integration und Organisation by Falk Engelmann, Norbert Fink, Hubertus Manthey, Rüdiger Passehl and Andreas Schmidt. On 6 May 1998 Cenit listed on the Neuer Markt in Frankfurt/Main. Cenit AG has expanded its business model through both organic growth and various acquisitions. In 2016 the company initiated the process to acquire Keonys S.A.S., Paris, one of Europe's leading reference partners for software integration in the areas of product lifecycle management (PLM) and 3D design based on the software products of Dassault Systèmes. On 22 March 2017 Cenit AG concluded a purchase agreement for the acquisition of all shares in Keonys S.A.S.

Cenit: Company chronology

2016-17	Acquisition of Keonys S.A.S.
2014	CENIT AG acquires SPI Numérique, a French software development company.
2011	CENIT AG acquires Transcat PLM AG, Switzerland.
2010	Acquisition of business intelligence and performance management consultancy conunit.
2006	CENIT increases its capital from 4,183,892 EUR to 8,367,785.00 EUR on 31 August 2006.
2003	CENIT expands partnership with SAP Product Lifecycle Management.
2002	Contract signing in Stuttgart for the strategic alliance of Dassault/IBM/CENIT. In particular, the closer cooperation should hereby be more focused with regard to sales, consulting and development.
1998	Initial public offering on 6 May 1998 on the Neuer Markt in Frankfurt/Main.
1994	CENIT is first awarded as the most successful CATIA business partner of IBM in Germany.
1988	CENIT GmbH CAD/CAM Integration und Organisation is founded

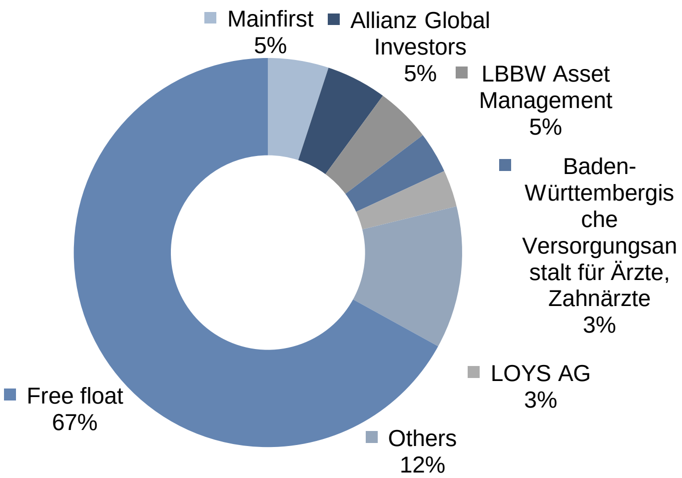
Source: Company data, Oddo Seydler

Kurt Bengel: born in 1962, is an engineer. He has worked at TW-Trans GmbH, and as CAD/CAM assistant and CATIA trainer. Mr Bengel been with Cenit AG since 1988 and has been its CEO 1 January 2007. He is responsible for the worldwide operating business as well as marketing and investor relations.

Matthias Schmid: Born in 1969. Mr Schmid has a degree in business informatics and previously worked at Hewlett-Packard GmbH. He has held various national and international positions in finance, including CFO of HP Deutschland. He has sat on Cenit's executive board since 1 February 2013 and is responsible for finances / controlling and HR.

Cenit AG's **supervisory board** consists of three members: **Andreas Schmidt**, chairman (a business consultant); **Hubert Leypoldt,** deputy chairman (auditor, tax consultant, legal adviser); and **Mr. Andreas Karrer**, a department manager at Cenit AG, is the employee representative in the supervisory board.

Shareholders structure



Source: Company data, Oddo Seydler

- **Valuation method**
  Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on Oddo Securities' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.
- **Sensitivity of the result of the analysis/ risk classification:**
  The opinions expressed in the financial analysis are opinions as per a particular date, i.e. the date indicated in the financial analysis. The recommendation (cf. explanation of the recommendation systematic) can change owing to unforeseeable events which may, for instance, have repercussions on both the company and on the whole industry.

- **Our stock market recommendations**

  Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.
  Buy: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).
  Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).
  Reduce: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

- **The prices of the financial instruments used and mentioned in this document are the closing prices.**
- **All publications by Oddo Securities or Oddo Seydler concerning the companies covered and mentioned in this document are available on the research site: www.oddosecurities.com**

Recommendation and target price changes history over the last 12 months for the company analysed in this report

Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
10.05.17	Buy	25.40	22.20	Henning Steinbrink

Recommendation split

		Buy	Neutral	Reduce
Our whole coverage	(421)	48%	44%	9%
Liquidity providers coverage	(155)	49%	46%	5%
Research service coverage	(66)	50%	47%	3%
Investment banking services	(42)	64%	31%	5%

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Has a copy of this report ; with the target price and/or rating removed, been presented to the subject company/ies prior to its distribution, for the sole purpose of verifying the accuracy of factual statements ?	No
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IT services | Germany **Upside 12.94%** **TP 25.40EUR**

PER SHARE DATA (EUR)	**12/13**	**12/14**	**12/15**	**12/16**	**12/17e**	**12/18e**	**12/19e**
Adjusted EPS	0.70	0.76	0.87	0.96	0.85	1.11	1.35
Reported EPS	**0.70**	**0.76**	**0.87**	**0.96**	**0.85**	**1.11**	**1.35**
Growth in EPS(%)	-	8.1%	15.1%	10.3%	-12.1%	30.8%	21.8%
Net dividend per share	0.35	0.90	1.00	1.00	1.00	1.00	1.00
FCF to equity per share		0.85	0.92	0.89	0.86	1.16	1.40
Book value per share	4.29	4.70	4.76	4.72	4.58	4.70	5.06
Number of shares market cap	8.37	8.37	8.37	8.37	8.37	8.37	8.37
Number of diluted shares	8.37	8.37	8.37	8.37	8.37	8.37	8.37
VALUATION	**12/13**	**12/14**	**12/15**	**12/16**	**12/17e**	**12/18e**	**12/19e**
12m highest price	10.50	12.60	22.20	22.80	22.49		
12m lowest price	7.20	9.70	11.20	15.90	19.80		
(*) Reference price	9.13	11.57	16.52	19.33	22.49	22.49	22.49
Capitalization	76.4	96.8	138	162	188	188	188
Restated Net debt	-26.6	-33.3	-33.9	-33.6	-32.6	-34.1	-37.5
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	2.1	0.1	0.1	0.1	0.1	0.1	0.1
Provisions	1.0	1.5	1.1	0.9	1.1	1.3	1.3
Enterprise Value	**48.6**	**65.0**	**105**	**129**	**157**	**155**	**152**
P/E (x)	13.0	15.2	18.9	20.0	26.5	20.3	16.6
P/CF (x)	9.3	10.8	14.8	15.4	18.9	14.5	12.4
Net Yield (%)	3.8%	7.8%	6.1%	5.2%	4.5%	4.4%	4.4%
FCF yield (%)		7.4%	5.5%	4.6%	3.8%	5.2%	6.2%
P/B incl. GW (x)	2.13	2.46	3.47	4.09	4.91	4.79	4.44
P/B excl. GW (x)	2.13	2.46	3.47	4.09	4.91	4.79	4.44
EV/Sales (x)	0.41	0.53	0.87	1.04	1.04	0.85	0.80
EV/EBITDA (x)	4.6	5.6	8.3	9.2	11.9	9.1	7.6
EV/EBIT (x)	**5.8**	**7.0**	**9.9**	**10.9**	**15.0**	**11.6**	**9.3**
(*) historical average price							
PROFIT AND LOSS (EURm)	**12/13**	**12/14**	**12/15**	**12/16**	**12/17e**	**12/18e**	**12/19e**
Sales	119	123	121	124	151	182	189
EBITDA	10.6	11.7	12.7	14.1	13.2	17.0	20.1
Depreciations	-2.3	-2.3	-2.1	-2.2	-2.8	-3.6	-3.8
Current EBIT	**8.3**	**9.3**	**10.6**	**11.8**	**10.4**	**13.4**	**16.3**
Published EBIT	8.3	9.3	10.6	11.8	10.4	13.4	16.3
Net financial income	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Corporate Tax	-2.5	-3.0	-3.3	-3.7	-3.2	-4.0	-4.9
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Attributable net profit	5.9	6.4	7.3	8.1	7.1	9.3	11.3
Adjusted attributable net profit	**5.9**	**6.4**	**7.3**	**8.1**	**7.1**	**9.3**	**11.3**
BALANCE SHEET (EURm)	**12/13**	**12/14**	**12/15**	**12/16**	**12/17e**	**12/18e**	**12/19e**
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	3.6	3.9	3.4	5.2	4.8	4.0	3.4
Tangible fixed assets	2.6	2.5	2.7	2.2	2.6	3.0	3.4
WCR	2.0	1.1	0.9	0.3	0.4	0.5	0.5
Financial assets	2.1	0.1	0.1	0.1	0.1	0.1	0.1
Ordinary shareholders equity	35.9	39.4	39.8	39.5	38.3	39.3	42.3
Minority interests	0.0	0.0	0.0	1.1	1.0	1.1	1.2
Shareholders equity	35.9	39.4	39.8	40.6	39.3	40.4	43.5
Non-current provisions	1.0	1.5	1.1	0.9	1.1	1.3	1.3
Net debt	**-26.6**	**-33.3**	**-33.9**	**-33.6**	**-32.6**	**-34.1**	**-37.5**
CASH FLOW STATEMENT (EURm)	**12/13**	**12/14**	**12/15**	**12/16**	**12/17e**	**12/18e**	**12/19e**
EBITDA	**10.6**	**11.7**	**12.7**	**14.1**	**13.2**	**17.0**	**20.1**
Change in WCR	0.6	0.7	0.3	0.5	0.1	0.1	0.0
Interests & taxes	-2.5	-3.0	-3.3	-3.7	-3.2	-4.0	-4.9
Others	0.0	0.3	-0.1	0.2	0.0	0.0	0.0
Operating Cash flow	8.7	9.7	9.6	11.0	10.0	13.1	15.2
CAPEX		-2.5	-2.0	-3.5	-2.7	-3.3	-3.4
Free cash-flow		**7.1**	**7.7**	**7.5**	**7.3**	**9.8**	**11.8**
Acquisitions / disposals	-2.1	2.0	0.0	0.0	-0.3	-0.3	-0.3
Dividends	-2.9	-7.5	-8.4	-8.4	-8.4	-8.4	-8.4
Net capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	5.0	1.4	0.5	0.4	0.4	0.3
Change in net debt		6.6	0.7	-0.3	-1.0	1.5	3.4
GROWTH MARGINS PRODUCTIVITY	**12/13**	**12/14**	**12/15**	**12/16**	**12/17e**	**12/18e**	**12/19e**
Sales growth	-	3.8%	-1.6%	1.9%	22.0%	20.4%	4.2%
Lfl sales growth	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Current EBIT growth	-	12.0%	13.6%	11.8%	-12.0%	28.6%	21.6%
Growth in EPS(%)	-	8.1%	15.1%	10.3%	-12.1%	30.8%	21.8%
Net margin	4.9%	5.2%	6.0%	6.5%	4.7%	5.1%	6.0%
EBITDA margin	**8.9%**	**9.5%**	**10.5%**	**11.4%**	**8.7%**	**9.4%**	**10.6%**
Current EBIT margin	**7.0%**	**7.6%**	**8.7%**	**9.6%**	**6.9%**	**7.4%**	**8.6%**
CAPEX / Sales		-2.0%	-1.6%	-2.8%	-1.8%	-1.8%	-1.8%
WCR / Sales	1.7%	0.9%	0.8%	0.3%	0.3%	0.3%	0.3%
Tax Rate	29.8%	32.4%	31.1%	31.2%	31.0%	30.0%	30.0%
Normative tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Asset Turnover	-	15.7	16.8	16.8	19.4	23.8	25.5
ROCE post-tax (normative tax rate)	**-**	**83.1%**	**ns**	**ns**	**93.9%**	**ns**	**ns**
ROCE post-tax hors GW (normative tax rate)	-	83.1%	ns	ns	93.9%	ns	ns
ROE	-	16.9%	18.5%	20.3%	18.2%	23.9%	27.7%
DEBT RATIOS	**12/13**	**12/14**	**12/15**	**12/16**	**12/17e**	**12/18e**	**12/19e**
Gearing	-74%	-84%	-85%	-83%	-83%	-84%	-86%
Net Debt / Market Cap	-0.35	-0.34	-0.25	-0.21	-0.17	-0.18	-0.20
Net debt / EBITDA	**ns**	**ns**	**ns**	**ns**	**ns**	**ns**	**ns**
EBITDA / net financial charges	-217.0	-151.5	-634.9	740.2	758.6	759.5	804.1