

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

Rating: BUY

Target price: 18.80 €
(formerly: 18.80 €)

Current share price: 13.80
10.11.2021 / XETRA /
3:58 pm

Currency: EUR

Key data:

ISIN: DE0005407100
WKN: 540710
Ticker symbol: CSH

Number of shares³: 8,368
Marketcap³: 115,48
Enterprise Value³: 95,07
³in Mio. / in Mio. EUR

Free Float: 70.3 %

Transparency Level:
Prime Standard

Market Segment:
Regulierter Markt

Account Standard:
IFRS

Financial Year-End: 31.12.

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* catalogue of potential conflicts of interest on page 5

Date (time) of completion:
11/11/2021 (9:25 am)

Date (Time) first distribution:
11/11/2021 (10:30 am)

Target price valid until:
max. 31/12/2022

Company Profile

Sector: Software

Specialty: Consulting and Software specialist

Employees: 675 Status: 30.09.2021

Foundation: 1998

Head office: Stuttgart

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



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) for over 33 years. 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 17 locations in six countries with over 700 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	31.12.2020	31.12.2021e	31.12.2022e	31.12.2023e
Revenues	147.24	154.60	168.52	183.68
EBITDA	9.59	11.12	16.09	17.92
EBIT	3.63	5.22	10.19	11.59
Net profit	2.32	3.36	6.85	7.82

Key figures in EUR				
Earnings per share	0.28	0.40	0.82	0.93
Dividend per share	0.47	0.20	0.40	0.45

Key figures				
EV/Revenue	0.65	0.61	0.56	0.52
EV/EBITDA	9.91	8.55	5.91	5.30
EV/EBIT	26.18	18.22	9.33	8.21
P/E-ratio	49.78	34.37	16.86	14.77
Book-value per share	2.70			

Financial dates

****last research published by GBC:**

Date: Publication / Target Price in EUR / Rating

06.08.2021: RS / 18.80 / BUY

17.05.2021: RS / 17.80 / BUY

12.04.2021: RS / 17.80 / BUY

09.11.2020: RS / 16.40 / 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"

9M 2021: Constant revenue development, noticeable improvement in earnings; forecasts and target price confirmed; rating: BUY

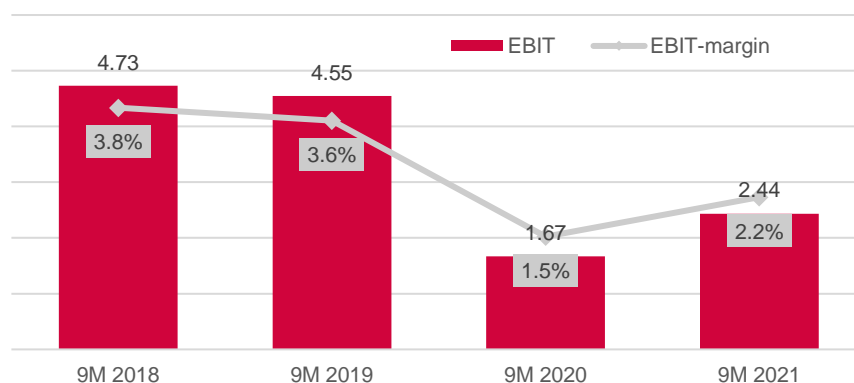
in EURm	9 Month 2019	9 Month 2020	9 Month 2021
Revenues	126.16	109.71	109.24
thereof with own software	11.31	11.05	11.36
thereof with third-party software	78.23	69.23	69.52
thereof consulting/services	36.47	29.13	29.13
EBIT	4.55	1.67	2.44
EBIT-margin	3.6%	1.5%	2.2%
Net profit	3.04	0.96	1.63

Sources: Cenit AG; GBC AG

From the perspective of the first nine months of 2021, CENIT AG achieved an overall constant sales development with a slight decline in sales of -0.4%. After the first quarter was still strongly affected by the pandemic containment measures (Q1 2021: -7.7%), a clear catch-up trend became apparent in the second quarter (Q2 2021: +6.3%). In the third quarter (Q3 2021: +0.8%), the development of turnover remained constant compared to the same period of the previous year.

Separated according to the individual revenue groups, it is evident that only the somewhat higher-margin revenues from proprietary software increased by +2.8%. In contrast, sales of third-party software remained at the previous year's level (+0.4%) and consulting sales were, as expected, still below the previous year's level (-2.7%). The consulting business was affected by project postponements and budget cuts, particularly in the context of the closure measures and thus at the beginning of the business year. However, there is a tendency to catch up here, because in each of the last two quarters an increase in consulting revenues of just over 10% was achieved.

EBIT (in EURm) and EBIT-Margin (in %)



Sources: CENIT AG; GBC AG

Against the background of the constant sales development, the noticeable EBIT jump to € 2.44 million (previous year: € 1.67 million) should be emphasised. In addition to the increase in software sales, CENIT AG benefited in particular from a significant increase in their particularly high-margin licence sales. Non-recurring sales of software licences increased by 34.4% to € 12.53 million (previous year: € 9.33 million), whereas SaaS sales decreased by 3.7% to € 68.35 million (previous year: € 70.95 million). According to CENIT's management, the strong increase in licence sales is on the one hand due to catch-up effects and on the other hand, an expression of the customers' overall increased willingness to invest.

The positive cash flow development should also be emphasised after nine months of 2021. The operating cash flow of € 8.38 million (previous year: € 12.32 million) was again significantly above EBIT. Even adjusted for the decline in working capital, CENIT AG would have reported an operating cash flow of € 4.75 million (previous year: € 6.28 million).

Forecast and Valuation

in EURm	FY 2020	FY 2021e	FY 2022e	FY 2023e
Revenues	147.24	154.60	168.52	183.68
EBIT	3.63	5.22	10.19	11.59
EBIT-margin	2.5%	3.4%	6.0%	6.3%
Net profit	2.32	3.36	6.85	7.82

Source: GBC AG

With the publication of the nine-month figures, the company has confirmed the forecast for the current 2021 financial year. Revenues of € 152.00 million and an EBIT of € 4.90 million are still expected. This means that in the fourth quarter, which is traditionally strong during the year, revenues of around € 42.8 million and an EBIT of around € 2.5 million should be generated. The last time such figures were achieved in a fourth quarter was before the start of the corona pandemic.

In discussions with the CENIT management we got the impression that the guidance confirmed by the company is a realistic assumption. This is especially true since there are basically positive signals from customers. Even against the background of the current delivery difficulties, a positive demand trend can be observed both from the automotive sector and from the mechanical engineering industry. Airbus, one of CENIT's most important customers, is also giving a positive outlook in view of increasing air travel and the weakness of its competitor Boeing. Furthermore, a total of 600 deliveries are expected by the end of 2021. Finally, the recovery trend that has begun should also continue in the consulting segment. In both Q2 and Q3 2021, consultancy revenues increased by slightly more than 10.0% as a result of the normalisation of the order situation. This should also continue in the fourth quarter of 2021.

In view of the overall promising signals, we are maintaining our previous revenue and earnings forecasts (see research study dated 06.08.2021). Although our revenue and earnings forecast for the current financial year is slightly above the company's guidance, we are still confident that it is well within reach. Due to the expected noticeably higher sales revenues in the coming business years, CENIT AG should successively improve its profitability. An increasing share of proprietary software sales should be an important factor in this.

As we also leave the DCF valuation model unchanged, we confirm our price target of € 18.80 and 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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BUY	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $\geq + 10\%$.
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The analysts responsible for this analysis are:

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Other person involved in this study:

Jörg Grunwald, Board of Directors

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