

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

Rating: BUY

Target price: €21.00
(previously: €19.75)

Current share price: 12.85
03/08/2023 / XETRA /
9:32 pm

Currency: EUR

Key data:

ISIN: DE0005407100
WKN: 540710
Ticker symbol: CSH

Number of shares³: 8,368
Market cap³: 107.53
Enterprise value³: 105.12
³in million / in EUR million

Free float: 56.0%

Transparency level:
Prime Standard

Market segment:
Regulated market

Accounting:
IFRS

Financial year: 31.12.

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* catalogue of potential conflicts of interest on page 6

Date (time) of completion:
03/08/2023 (10:50 am)

Date (time) first distribution:
03/08/2023 (12:00 pm)

Target price valid until:
max. 31/12/2024

Company Profile

Sector: Software

Specialty: Consulting and software specialist

Employees: 862 Status: 30.06.2023

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 | 0.65 | 0.58 | 0.51 | 0.45 |
| EV/EBITDA | 8.84 | 6.61 | 4.83 | 4.03 |
| EV/EBIT | 16.74 | 11.45 | 6.87 | 5.33 |
| P/E-ratio | 17.18 | 20.23 | 11.40 | 8.68 |
| Book-value per share | 2.41 | | | |

| Financial dates |
|-----------------------------|
| 02.11.2023: Q3 figures 2023 |

| *last research published by GBC: |
|--|
| Date: Publication / Target Price in EUR / Rating |

- 11.07.2023: RS / 19.75 / BUY
- 12.05.2023: RS / 19.75 / BUY
- 06.04.2023: RS / 19.75 / BUY
- 06.02.2023: RS / 18.20 / 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"

1.HY 2023: Revenue growth of 18.3%, EBIT increase of 134.1%; forecasts confirmed; price target raised to €21.00 (previously: €19.75) due to roll-over effect

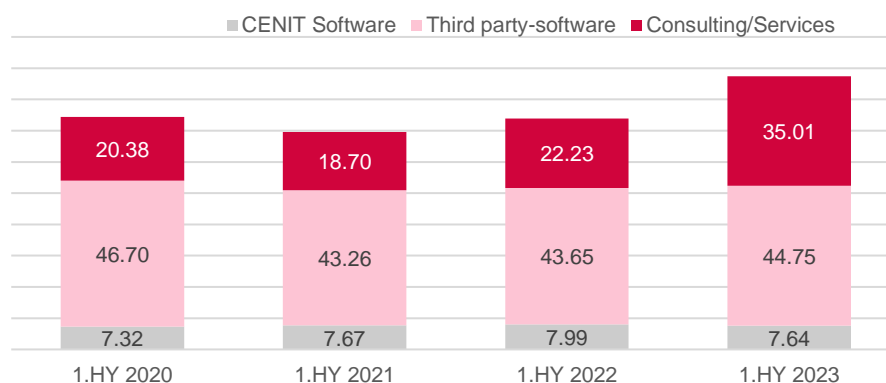
| in EURm | 1.HY 2021 | 1.HY 2022 | 1.HY 2023 |
|---------------------------------|-----------|-----------|-----------|
| Revenues | 69.63 | 73.91 | 87.47 |
| Revenues – CENIT Software | 7.67 | 7.99 | 7.64 |
| Revenues – Third-party software | 43.26 | 43.65 | 44.75 |
| Revenues – Consulting/Services | 18.70 | 22.23 | 35.01 |
| Revenues - recurring | 45.38 | 46.11 | 48.35 |
| EBIT | 0.94 | 1.12 | 2.62 |
| Net result | 0.40 | 0.39 | 1.55 |

Sources: CENIT AG; GBC AG

Development of sales and earnings in the first half of 2023

After CENIT AG had already made a very good start to the year in the first quarter of 2023 with sales growth of 22.7%, the growth trend was continued with a sales increase of 14.4% achieved in the second quarter. From the perspective of the first half of 2023, this means that revenue has grown by 18.3% to € 87.47 million (previous year: € 73.91 million). The companies acquired in the last reporting periods contributed significantly to this development. ISR Information Products AG (ISR for short), which was acquired as at 31 May 2022, is expected to have made an inorganic contribution of approximately € 9.9 million due to its first full consolidation in the first half of 2023. In addition, mip Management Informations Partner GmbH (mip), which was acquired in January 2023, contributed revenues of € 1.36 million. In total, we estimate the M&A-related increase in turnover at € 11.23 million. Organically, the company grew by approximately € 2.3 million or 3.1%.

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



Sources: CENIT AG; GBC AG

Since the newly-added ISR sales mainly consist of consulting and service sales, strong growth of 57.5% to € 35.01 million (previous year: € 22.23 million) was achieved in this sales group in particular. However, CENIT AG also recorded an organic increase in demand in this area, which also led to this strong growth. Software-related sales, consisting of third-party and proprietary software, increased by 1.5% to a total of € 52.39 million (previous year: € 51.64 million), with sales of third-party software in particular rising by 2.5%. In the area of proprietary software, there was a decline in turnover of -4.4% due to postponed customer orders.

The significant increase in EBIT to € 2.62 million (previous year: € 1.12 million) is partly due to a special income affecting the result. As of 1 June 2023, the subsidiary CENIT

Japan K.K. was sold, which triggered a one-off income of € 0.87 million. Adjusted EBIT of € 1.75 million (previous year: € 1.12 million) is still visibly above the previous year's value. In addition to the increase in high-margin consulting and service revenues, the first effects of the Sirius cost-saving programme (savings in personnel, licences, etc.) were noticeable in the first half of the year.

The increase in the operating cash flow to € 10.30 million (previous year: € 9.28 million) is worth mentioning, which also benefited from a reduction in net working capital. Despite the dividend payment of € 4.18 million, net liquidity improved slightly to € -1.76 million (31.12.22: € -3.10 million). According to the company, the bank liabilities are currently being restructured, which will ensure the financing of the planned M&A activities.

Forecast and Valuation

| In Mio. € | 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 profit | 6.28 | 5.75 | 9.47 | 12.44 |

Sources: CENIT AG; GBC AG

With the publication of the 2023 half-year figures, the CENIT management has confirmed and substantiated the company guidance. Sales revenues of around € 180 million and an EBIT of around € 9.5 million are expected. Previously, revenues of € 175 to 180 million and an EBIT of € 9.0 to 9.5 million were expected and thus the upper end of the previously communicated range was targeted.

This concretisation is probably also due in part to the two company acquisitions reported after the reporting date of 30 June 2023. CENIT AG acquired PI Informatik GmbH, a full-service provider in the field of conception and consulting of SAP landscapes, on the first consolidation date of 1 July 2023 (see GBC Research Comment of 11 July 2023). According to our estimates, PI Informatik should contribute a turnover level of approx. € 4 to 5 million p.a.. For the current 2023 financial year, approximately half of this will be reflected in revenue due to the consolidation that has only just taken place.

In their half-year report, CENIT AG also reports for the first time on the acquisition of 60% of the Austrian SAP consulting company ACTIVE BUSINESS CONSULT, effective 31 July 2023. The newly acquired company focuses on the energy supply, logistics, industry, trade and public sector sectors and strengthens CENIT AG's SAP PLM and analytics competencies. According to CENIT CEO Peter Schneck, the new company has a sales level of around € 4.0 million. Due to the consolidation as of 1 August 2023, this should result in an inorganic sales contribution of slightly more than € 1.5 million in the current financial year.

The significant increase in earnings already visible in the first six months of 2023 provides a good basis for the disproportionate earnings growth expected for the full year. In addition, the effects of the Sirius cost-savings programme should have an even stronger impact in Q3 and Q4.

In view of the two company acquisitions and the disproportionate earnings development, the concretisation of the turnover and earnings guidance is understandable. Since our previous forecasts were slightly above the upper forecast range anyway, we are not making any changes to our previous estimates (see Research Comment of 11 July 2023).

During the conference call on the 2023 half-year figures, the CENIT Management Board presented a simulation for achieving the "CENIT 2025" agenda, according to which a sales level of € 300 million is to be reached by 2025. Inorganic growth of almost € 10 million is

simulated for the current business year. If the inorganic growth contribution of the already acquired companies in the amount of about € 4.0 million is deducted, about € 6.0 million remain. It is therefore obvious that CENIT AG considers the chance of a further major company acquisition in 2023 to be realistic. In our forecasts, we only include the known inorganic growth. This also explains our 2025 sales estimates of € 233.91 million, which show a gap to be filled inorganically up to the target sales of € 300 million.

Due to the unchanged forecasts, we also retain our DCF valuation model. However, as the new target price is extended to 31 December 2024 (previously: 31 December 2023), the target price is increased to € 21.00 (previously: € 19.75). We continue to assign the rating BUY.

ANNEX

I.

Research under MiFID II

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2. The research report is simultaneously made available to all interested investment services companies.

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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 $< + 10\%$. |
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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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