CENIT AG
Germany - IT Services

Buy (Initiation)

Price target: EUR 21.40 (Initiation)

ESG Rating: n/a

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Price:	EUR 11.80	Next result:	Q2'24: 01.08.24
Bloomberg:	CSH GR	Market cap:	EUR 98.7 m
Reuters:	CSHG.DE	Enterprise Value:	EUR 120.1 m

Tangible returns on virtual design – Initiate with Buy

CENIT helps companies become more efficient by 'going digital', courtesy of its expertise in the fields of 3D product design, simulation and manufacturing (segment PLM / 78% of sales) as well as smart document management (EIM / 22%).

As a leading software & service partner of Dassault, IBM and SAP targeting German SMEs, CENIT has established itself as an end-to-end solutions provider and the go-to-name for digitalisation projects in the PLM / EIM space, **benefitting from scale, reputation and portfolio breadth**, which yield a sustainable competitive edge in a fragmented market. **There is more to like about CENIT**:

- **Its own software solutions offer untapped growth potential and margin upside** (currently: 10% of sales / 15%+ EBIT margins), in view of innovative features such as the AI-based analysis of documents or the simulation of robotic processes
- **The company is a 'cash flow beast'**, with FCF set to average € 10m p.a. through FY'26E, courtesy of strong capital efficiency and 50%+ recurring revenues

Even so, it seems fair to say that CENIT has yet to live up to its potential. Backed by anchor shareholder PRIMEPULSE, a new management team has set out to change this, with the aim of **transforming CENIT into a € 300m sales / 8-10% EBIT margin company** by 2025E (not reflected in eHAIB). The strategy is focused on…

- …'**trimming the fat**'. Management has restructured the French subsidiary and implemented efficiency measures to save € 2-3m costs p.a.
- … **growing the share of wallet via cross-selling**, with a focus on higher-margin own software and Managed Services, bolstered by new incentives and partners
- … **channelling FCF towards value-accretive and margin-enhancing M&A** to build scale, strengthen the tech stack and expand its footprint in selected regions

While conservatively not accounting for any further M&A deals, we expect CENIT to **grow sales by 7% CAGR'23-26E to € 229m and lift EBIT by 24% CAGR'23-26E to € 17.5m**. With returns set to approach 15%+, a remarkable 15% FCF yield in 2025E and an unambitious valuation of 7.5x EBIT'25E, it is high time to take another look at this digitalisation & automation play, which is transforming towards stronger growth and higher margins. **Initiate with Buy and € 21.40 PT based on DCF** and backed by the adj. FCFY'25E.

Y/E 31.12 (EUR m)	2020	2021	2022	2023	2024E	2025E	2026E
Sales	142.1	146.1	162.2	184.7	202.0	214.1	228.5
Sales growth	-17 %	3 %	11 %	14 %	9 %	6 %	7 %
EBITDA	9.6	11.3	12.1	16.6	20.3	23.3	26.0
EBIT (inc revaluation net)	3.6	6.2	6.3	9.2	11.8	14.8	17.5
Net income	2.3	4.2	6.3	4.5	5.4	7.4	9.1
Net debt	-14.0	-15.7	15.1	27.2	20.5	11.7	2.6
Net Debt/EBITDA	0.0	0.0	1.2	1.6	1.0	0.5	0.1
EPS pro forma	0.28	0.51	0.75	0.53	0.82	1.05	1.26
CPS	1.11	0.63	1.01	0.17	0.82	1.13	1.30
DPS	0.47	0.75	0.50	0.04	0.04	0.04	0.04
Dividend yield	4.1 %	5.3 %	3.3 %	0.2 %	0.3 %	0.3 %	0.3 %
Gross profit margin	50.6 %	53.0 %	55.9 %	58.3 %	58.6 %	58.9 %	59.1 %
EBITDA margin	6.8 %	7.7 %	7.5 %	9.0 %	10.1 %	10.9 %	11.4 %
EBIT margin	2.6 %	4.3 %	3.9 %	5.0 %	5.8 %	6.9 %	7.7 %
ROCE	10.7 %	11.0 %	9.2 %	10.2 %	11.7 %	13.8 %	15.2 %
EV/EBITDA	8.6	9.3	11.9	10.0	5.9	4.8	3.9
EV/EBIT	22.7	16.7	22.8	18.0	10.2	7.5	5.8
PER	41.0	27.9	20.3	31.2	14.5	11.2	9.4
Adjusted FCF yield	7.5 %	6.7 %	5.3 %	7.7 %	12.0 %	15.4 %	19.3 %

Source: Company data, Hauck Aufhäuser Investment Banking Close price as of: 08.07.2024

Source: Company data, HAIB

High/low 52 weeks:	15.10 / 10.80
Price/Book Ratio:	2.1
Relative performance (TecDAX):	
3 months	-7.0 %
6 months	-11.3 %
12 months	-15.8 %

Changes in estimates

		Sales	EBIT	EPS
2024	old:	202.0	11.8	0.82
	Δ	-	-	-
2025	old:	214.1	14.8	1.05
	Δ	-	-	-
2026	old:	228.5	17.5	1.26
	Δ	-	-	-

Key share data:

Number of shares: (in m pcs)	8.4
Authorised capital: (in € m)	3.3
Book value per share: (in €)	5.7
Ø trading volume: (12 months)	8,800

Major shareholders:

Free Float	64.2 %
PRIMEPULSE SE	25.1 %
BWVA	5.6 %
MainFirst	5.1 %

Company description:

Digitalisation expert with own software focused on 3D product design and smart document management

Company guidance 2024E:

€ 195-202m sales / € 11.7-12.2m EBIT

Company in a Nutshell

CENIT offers IT services, 3rd-party software and own software to virtualise product design and production processes (segment PLM / 78% of sales) as well as content and documents (segment EIM / 22%).

Benefits for customers come in the form of efficiency gains and cost savings. CENIT serves more than 6,000 companies, mostly from the German Mittelstand, across focus markets automotive (30% of group sales), aerospace / defence (18%), manufacturing (17%) and financial services (10%).

Upcoming Catalysts

Major M&A pending in 2024 - CENIT could acquire up to € 50m in revenues at double-digit EBIT margins, as flagged by management during the Q1 earnings call, which would bring the company closer to its 2025 targets of € 300m in sales at an 8-10% EBIT margin (not accounted for in eHAIB). **This would mean upside to our and street estimates**.

Investment Case

There is much to like about CENIT:

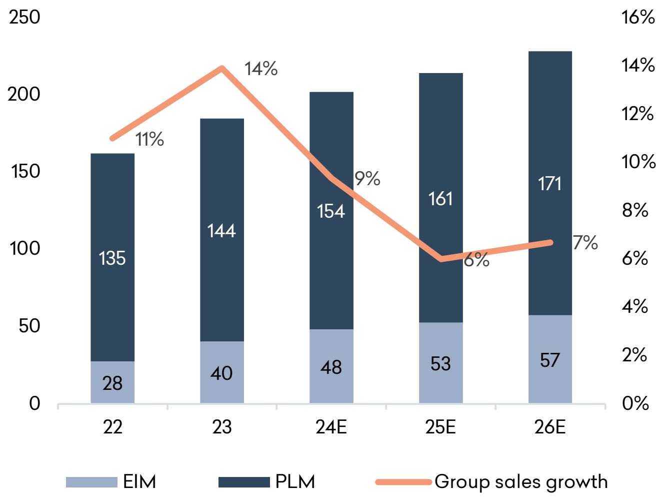
- **High competitive quality**, courtesy of its dominant standing with Dassault, IBM and SAP in Germany, **which drives scale, reputation and portfolio breadth**
- A portfolio of own software solutions (10% of sales) that offers **untapped growth potential at above-average margins of 15%+**
- **A capital-light business model and high share of recurring revenues** (50%+), which turn CENIT into a 'cash flow beast', with FCF exceeding € 10m p.a.

Backed by shareholder PRIMEPULSE, a new management team has set out to **boost growth and profitability** by implementing efficiency measures, growing the share of wallet with existing clients and channelling FCF towards value-accretive M&A.

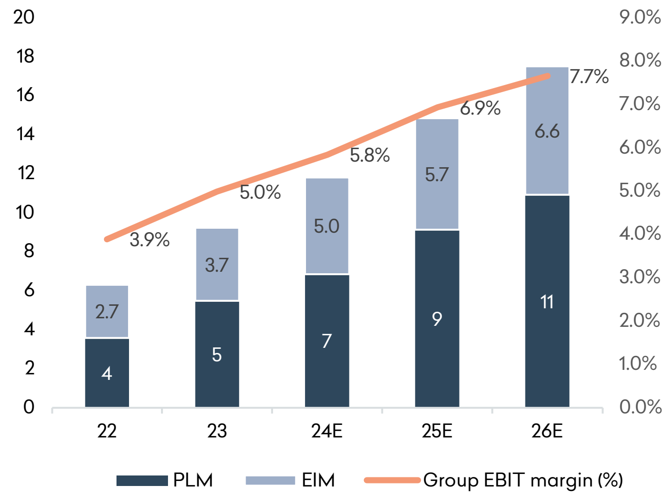
Against this background, we estimate sales growth of 7% CAGR'23-26E and EBIT growth of 24% CAGR23-26E, **which is conservative**, as management targets € 300m sales at an 8-10% EBIT margin by 2025E, supported by further M&A not included in eHAIB.

BUY: the € 21.40 PT is based on DCF, assuming 2.5% TY growth, 8.5% WACC and an 8.0% TY EBIT margin.

Key Performance Indicators



Source: Company data, Hauck Aufhäuser Investment Banking



Source: Company data, Hauck Aufhäuser Investment Banking

Cash flow summary	2022	2023	2024E	2025E	2026E
Operating cash flow	**11.5**	**4.9**	**11.8**	**14.4**	**15.9**
Capex	1.3	1.4	3.4	4.4	5.4
FCF	**10.2**	**3.5**	**8.4**	**10.0**	**10.5**
FCF per share	1.2	0.4	1.0	1.2	1.3
FCF yield	5.3 %	7.7 %	12.7 %	16.3 %	20.6 %
Net Debt/EBITDA	1.2	1.6	1.0	0.5	0.1

Source: Company data, Hauck Aufhäuser Investment Banking

Key ratios summary	2022	2023	2024E	2025E	2026E
EPS growth	47.8 %	-28.4 %	21.2 %	36.1 %	23.3 %
Capital Turnover	2.0	1.9	1.9	1.9	1.9
Avg. working capital / sales	11.6 %	14.4 %	14.6 %	14.9 %	15.2 %
Cash conversion cycle (days)	2.0	7.8	9.4	11.2	13.1
FCF / Net profit	162.1 %	79.7 %	123.5 %	114.0 %	99.4 %
Interest cover	16.9	5.0	3.8	4.8	5.7

Source: Company data, Hauck Aufhäuser Investment Banking

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The Investment Case in a nutshell

A 'sleeping beauty' kissed awake by a new management team ready to 'trim the fat', capitalise on the key assets – above all, the proprietary software solutions – and put CENIT's cash-generative nature to value-accretive use via bolt-on M&A. The aim is to transform the company into a € 300m revenue / 8-10% EBIT margin business by 2025E (conservatively not reflected in eHAIB), which would yield substantial upside to the current share price

- **CENIT helps its customers turn more efficient by 'going digital'**: the company specialises in services, third-party software and own software to virtualise product design and production processes (segment PLM / 78% of sales) as well as content and documents (segment EIM / 22%)
- **The benefits for clients** come in the form of efficiency gains, cost reductions and transparency improvements. CENIT serves more than 6,000 companies across focus markets automotive (30% of sales), aerospace / defence (18%), manufacturing (17%) and financial services (10%)

There is much to like about CENIT:

- **Competitive quality**. As a leading partner of Dassault, IBM and SAP, CENIT has established itself as an end-to-end solutions provider and the 'go-to-name' for digitalisation projects in the German PLM and EIM markets, **benefitting from scale, reputation and portfolio breadth**
- **CENIT has an own software portfolio that offers untapped growth potential and margin upside** (eHAIB: 15% EBIT margins). Its solutions provide **innovative functionality** such as the AI-based analysis of documents ('Buildsimple') or the simulation of robotic processes ('fastSUITE')
- **The company is a 'cash flow beast', generating free cash flow of € 10m+ per year** (10% yield on the market cap), courtesy of a business model benefitting from 50%+ recurring revenues and low capital intensity

Even so, CENIT has so far failed to realize its potential. Backed by anchor shareholder PRIMEPULSE, a new management team has set out to change this, **with the aim of transforming CENIT into a € 300m revenue company at an 8-10% EBIT margin** by 2025E. The strategy is focused on…

- …'**trimming the fat**'. The French subsidiary has already been successfully restructured, further efficiency measures across the group should yield incremental cost savings of € 2-3m p.a.
- … **growing the share of wallet via cross-selling**, bolstered by new incentives, and **accelerating own software growth** with the help of partners
- … **channelling FCF towards bolt-on M&A** to build scale, strengthen existing regions and expand the tech stack. Targets need to be **value-accretive and margin-enhancing** (i.e. 10%+ EBIT margin)

Even without factoring in any incremental M&A, **we expect CENIT to grow net income by 27% p.a. on average through 2026E to € 9.1m, and expand ROCE to 15%+**. Against this backdrop, it is time to take another look at this digitalisation & automation play, which is transforming towards stronger growth and higher margins: **Buy with a € 21.40 PT based on DCF** and backed by the adj. FCFY'25E

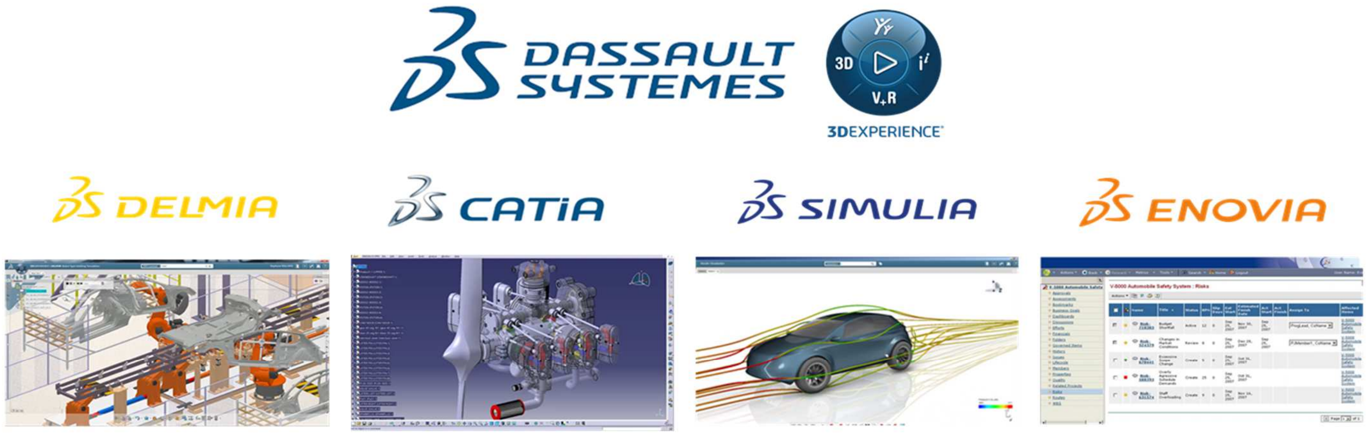
Introduction

CENIT is a **leading provider of IT services**, **third-party software and own software** for Product Lifecycle Management (PLM) and Enterprise Information Management (EIM), **where it helps customers implement**, **optimise and run digital processes**. PLM and EIM also constitute the company's two segments.

(I) PLM (78% of sales / 3.8% EBIT margin) refers to software solutions that **virtualise product design and manufacturing**, amongst other, with the help of "digital twins". The idea is to simulate and optimise product characteristics and production processes prior to implementing them in real life. **This saves costs**, **improves product quality and accelerates time-to-market**.

CENIT is the #1 partner globally for Dassault Systèmes and its 3DEXPERIENCE (3DX) platform. 3DX features a total of 13 software solutions, including for instance CATIA for 3D modelling, SIMULIA for simulation and ENOVIA for collaboration.

Dassault's 3DX platform and a selection of software solutions



Solution to efficiently **plan, manage and optimise** manufacturing operations	**3D computer-aided design solution** for modelling and simulation. 'Virtual twin'	Users can **evaluate the performance**, **safety**, etc. of products prior to prototyping	Solution for the **secure collaboration** of teams across the value network

Source: Dassault Systèmes

CENIT also has a growing SAP PLM footprint (eHAIB: 5-10% of group sales), offering services for product development, collaboration, data management, and more. Its key solution is the proprietary software 'cenitCONNECT', **which provides an interface between SAP ERP and Dassault 3DX**. **CENIT is an SAP Platinum partner**, which highlights its relevance despite the company **not** selling any SAP licenses. **CENIT continues to strengthen its SAP exposure also via M&A**.

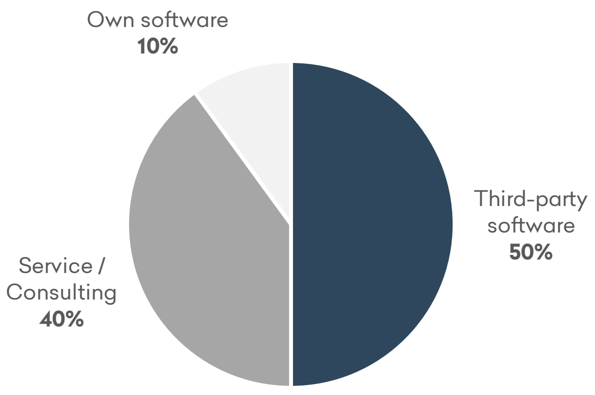
(II) EIM (22% of sales / 9.2% EBIT margin) revolves around software solutions that **manage all of the structured and unstructured data**, **content and documents** created and used by a company. The goal is to improve efficiency, promote transparency, ensure regulatory compliance and enable business analytics.

CENIT is a Platinum Partner of IBM in Europe and an expert for FileNet, which is IBM's flagship solution for the **simple and secure filing and management of documents** in an enterprise.

Across both segments, CENIT re-sells its partners' software solutions and provides services such as strategy consulting, training, implementation, migration and Managed Services. On group level, **third-party software accounts for 50% of revenues and consulting / services for 40%**.

CENIT also has a portfolio of own software solutions, which offer either complementary features or **unique capabilities**. Own software explains 10% of group sales at above-average EBIT margins of 15%+ (eHAIB). The key solutions are fastSUITE and cenitCONNECT for PLM as well as ECLISO and Buildsimple for EIM.

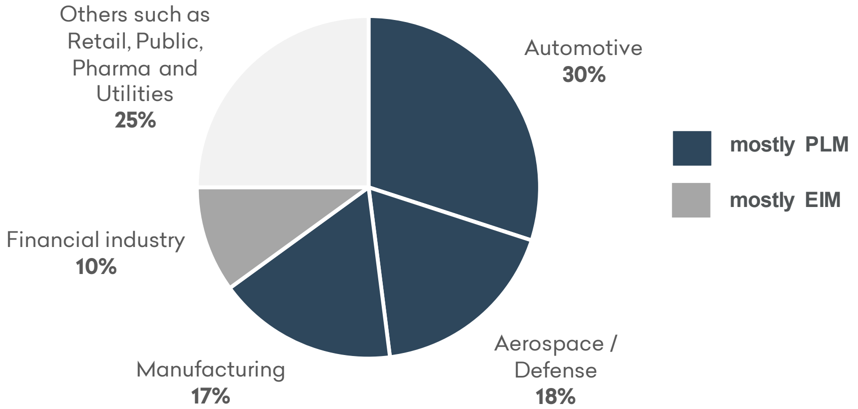
Sales split by product group 2023



Source: Company data

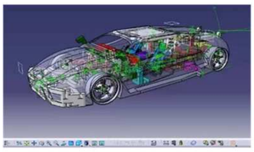
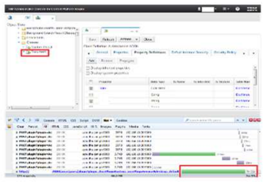
Customers in the PLM segment are mainly active in automotive (Daimler, Porsche) and aerospace / defence (Airbus, MTU), while EIM customers come mostly from the financial industry (UBS, DZ Bank). In 2023, **no single customer accounted for more than 5% of group sales**.

Sales split by end-market 2023



Source: Company data

Headquartered in Stuttgart, Germany, CENIT has a total of 29 sites in nine countries, with subsidiaries located in the USA, France, Switzerland and Romania. Its own software is marketed globally by more than a dozen sales partners, which include Dassault, IBM and SAP. **CENIT generates 63% of its sales in Germany**, 33% in the rest of Europe, especially France, and 4% in the rest of the world.

	PRODUCT LIFECYCLE MANAGEMENT (PLM)	ENTERPRISE INFORMATION MANAGEMENT (EIM)	GROUP
	  Creation of 'digital twins' to simulate and optimise product characteristics and production processes	 Intelligent document management to improve efficiency, reduce costs and comply with regulation	
Sales 23 (€ m)	144	40	**185**
Sales share	78%	22%	
	CENIT helps customers **improve efficiency and reduce costs** with the help of third-party and proprietary software solutions that (I) simulate product design, product characteristics and production processes (segment PLM) and (II) manage all of the documents in a company (segment EIM). The company's focus is on **Dassault's 3DExperience platform** (segment PLM) and **IBM's FileNet solution** (segment EIM). **CENIT generates 50% of revenues with third-party software, 40% of revenues with services and 10% of revenues with own software**. The most important own software solutions are ECLISO and Buildsimple in the EIM segment and fastSUITE and cenitCONNECT in the PLM segment. **More than 50% of sales are recurring**, courtesy of maintenance and SaaS fees. Combined with an asset-light business model, CENIT typically generates more than € 10m FCF per year, and ROCEs in excess of the cost of capital		
Market positions	**Leading partner of Dassault and IBM in Germany**, and increasingly also SAP, which provides CENIT with scale advantages and access to the partners' entire product / solutions range		
Customers	**The focus is on Mittelstand companies: CENIT serves more than 6,000 customers in total.** Key end-markets are automotive (30% of sales), aerospace / defence (18%), manufacturing (17%) and financial services (10%). **No customer accounts for more than 5% of group sales**		
Competitors	Technia, Visiativ, Time to Act GmbH, SVA GmbH, NextEvolution GmbH, INFOMOTION GmbH, and a lot of smaller players		
Raw Materials	CENIT procures software from its partners Dassault and IBM, which it re-sells to its customers.		
Sales by region	**63% Germany**, 33% Rest of Europe (mostly France), 4% Rest of World		
Sites	**CENIT has a total 29 sites in nine countries** as well as partners to serve other countries		
EBIT 23 (€ m)	5.5	3.7	**9.2**
EBIT-margin	3.8%	9.2%	**5.0%**
ROCE 23	-	-	**10.2%**

Source: Company data, HAIB

Quality

- **CENIT is a valued partner of Dassault (PLM), IBM (EIM) and SAP in its core regions**, courtesy of its SME focus, broad service coverage, industry-specific know-how and customisation expertise
- The company has established itself as an end-to-end solutions provider and the 'go-to-name' for digitalisation projects in the German PLM and EIM markets, **benefitting from scale**, **reputation and portfolio breadth**
- **Own software solutions (10% of sales) support differentiation**, offering above-average margins of 15%+, which reflects added-value in the form of cost savings and efficiency gains
- **There is much to like about CENIT's business quality**: FCF generation exceeds € 10m+ per year and more than 50% of sales are recurring while returns have earned the cost of capital even in challenging years
- Still, **there is significant potential to accelerate growth**, **improve margins and put FCF to value-accretive use**. Anchor shareholder PRIMEPULSE and a new management team have set out to do just that

CENIT is an expert for the **digitalisation and automation of processes in the PLM and EIM markets,** with a focus on Dassault's 3DX platform for 'digital twins' and IBM's FileNet solution for smart document management. NB: a digital twin refers to a three-dimensional digital representation of products, processes or operations.

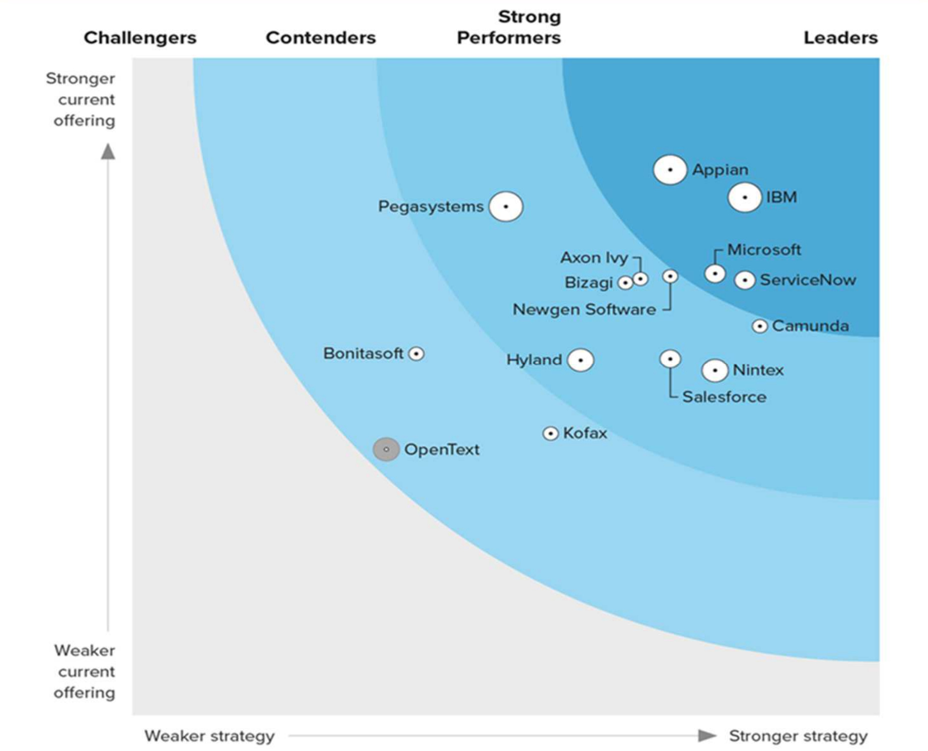
The benefits of using PLM and EIM software come in the form of **efficiency gains and cost savings** in general, and specifically in a faster time-to-market and better product quality (PLM) as well as improved transparency, regulatory compliance and better decision-making (EIM).

IBM and Dassault are leaders in their respective markets

Both Dassault and IBM rank amongst the leaders in their respective markets:

- With a market share of c. 15-20%, **Dassault is the global leader for PLM solutions** ahead of Autodesk, Siemens and Synopsis. **PLM is a rather concentrated industry**, with more than 50% of the global market dominated by only five providers.
- FileNet is the **core solution** in IBM's Cloud Pak for Business Automation, which is a modular AI-supported platform to automate business processes. **Forrester ranks IBM as a leader** in what it calls 'Digital Process Automation' software, which comprises Cloud Pak for Business Automation.

FORRESTER WAVE: Digital Process Automation Software Q4 2023



Source: Forrester

'**Value-added' service partners such as CENIT play an important role in both PLM and EIM** because software providers like Dassault and IBM are more interested in providing high-margin SaaS to larger companies than lower-margin services to small- and mid-sized enterprises. They also tend to lack the industry-specific know-how and customisation expertise needed to serve the large number of Mittelstand companies.

As a result, CENIT has a 'raison d'être' serving the fragmented (German) SME market as an **end-to-end provider with bespoke solutions**. On top of that, the company is an important 'ally' for IBM and Dassault in transitioning customers to the cloud.

CENIT: **a valued ecosystem partner**

CENIT has established a strong position in the ecosystems of both Dassault and IBM:

- **CENIT is the #1 partner for Dassault Systèmes globally**, which means that it sells more Dassault SaaS / licenses than any rivalling partner. Its leading position on a global basis is all the more remarkable when considering that CENIT generates slightly more than 60% of its revenues in Germany. Accordingly, **it should be particularly dominant on its home turf**: we expect the company to have a 25%+ market share in Germany. **The main eye-level rival is Technia**, which is part of the Addnode Group.
- **CENIT is an IBM Platinum Partner**, which is the highest partner level, and ranks amongst the top-3 partners for FileNet (document management) and Cognos (business intelligence) in Germany. **The German market for FileNet is dominated by CENIT**, **TimeToAct GmbH and SVA GmbH**.

Differentiation based on scale, portfolio breadth and know-how

CENIT‘s long-standing and leading partner status with Dassault and IBM provides the basis for differentiation. That is because:

- It gives CENIT **access to the entire range of its partners‘ software solutions** as well as preferred access to innovations. Coupled with its broad services offering, ranging from strategy consulting to Application Management, and its own software solutions that provide add-on features, **CENIT is positioned as an end-to-end solutions provider in both markets**. Smaller rivals typically cannot match this.

- **CENIT’s scale drives procurement power**, which results in more favourable purchasing conditions. It also provides the financial clout to train and certify employees in its partners‘ software solutions, which is required to attain and keep a certain partner status. Importantly, the relationship is mutually beneficial: CENIT needs its partner, but the partners also need CENIT for its Mittelstand coverage and to win over customers for the cloud.

- CENIT has established a reputation in its target markets as a specialist and the go-to-name for Dassault and IBM FileNet, **which should enhance marketing efficiencies**. Further, its applications-specific and customer-specific expertise is seen to **drive lock-in effects**, which CENIT is looking to strengthen further by cross-selling Application Managed Services and own software solutions.

It is a virtuous circle: CENIT‘s scale and leading partner status support its end-to-end capabilities, procurement power, reputation, and its ability to train and certify employees. In turn, this strengthens its differentiation and drives market share gains. As a result, CENIT gains scale and becomes even more important for its partners - and so on.

Own software supports differentiation

Own software solutions account for 10% of group sales and generate EBIT margins of an estimated 15% (eHAIB), which make them the most profitable product in CENIT’s portfolio.

The above-average margin profile is seen to reflect **strong value-add for customers in the form of cost savings and efficiency improvements**.

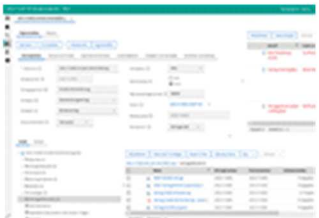
CENIT’s software portfolio is geared towards **niche applications** in the PLM and EIM environments, **which naturally limits competition**. Its solutions typically **provide innovative and unique features** and cover tasks that the software of its OEM partners does not address.

Rather than competing with CENIT, OEM partners acknowledge the value-add for the customer base and actively cooperate with CENIT. **That is why SAP has granted CENIT access to its kernel**, which is the core component of any SAP system. Also, SAP markets cenitCONNECT as a standard software solution globally.

CENIT developed and refined its software portfolio over several years, benefitting from its hands-on experience with customers in the target verticals, which supplies the company with an intimate understanding of customer requirements.

The key software solutions are cenitCONNECT and fastSUITE E2 in the PLM segment as well as Buildsimple and ECLISO in the EIM segment. There are also a number of smaller software solutions with limited P&L impact, which we will not discuss here.

cenit ECLISO



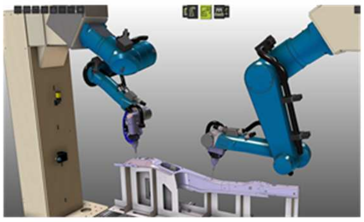
Based on the IBM FileNet Content Management Platform, ECLISO enables **efficient and secure digital document management**.

The benefits come in the form of **cost savings and efficiency improvements**.

Also, using ECLISO allows companies to **meet data protection regulations** e.g. by safely storing the documents and controlling access to them.

The key competitor is GBTEC Software AG.

fastSUITE



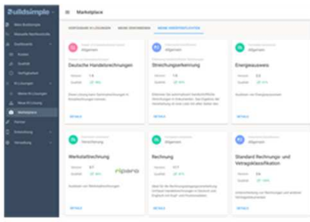
fastSUITE is a **simulation software** for offline robot programming, targeting welding, drilling, laser cutting, and other applications.

With fastSUITE, users can **simulate and optimise** production processes and detect problems (e.g. collisions) prior to implementing them in real life. fastSUITE is like a 'small' DELMIA (Dassault) but geared towards Mittelstand companies with less than 20 robots.

CENIT has **several industrial robotic partners** such as KUKA, which sell fastSUITE as a white label solution for their robots.

Rivals are e.g. OCTOPUZ (Canada), Visual Components (Finland) and Metrologic.

Buildsimple



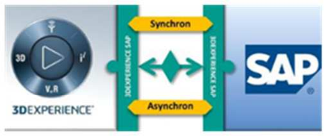
The software uses AI to automatically process documents. Benefits are cost savings and efficiency gains.

The solution can read, analyse and classify documents and extract data. **It can even process manual additions** i.e. hand-written remarks.

A typical use case is the **evaluation of an insurance claim**, including fraud detection.

The key rival is Insidertechnologies GmbH. **Buildsimple offers higher quality and is easier to train, requiring 1,000 documents** and a 4-week span vs. 10,000 documents and a multi-month period for rivaling solutions.

cenitCONNECT
SAP Integration for 3DEXPERIENCE



cenitCONNECT connects the worlds of SAP ERP and Dassault 3DX.

It provides an interface between the two solutions, **which enables the bi-directional exchange of the relevant product data**.

Eliminating data silos and error-prone manual interfaces, this allows companies to **improve efficiency and transparency while reducing costs**.

The software currently has more than 10,000 users. Rivals include e.g. CIDEON and SQL Project AG.

Source: Company data, HAIB

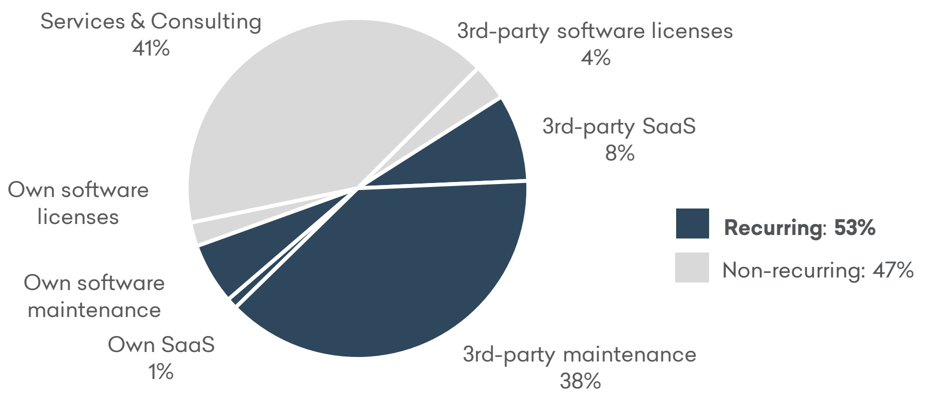
The own software portfolio holds **significant growth potential**, which the new management is looking to unlock. We will discuss this further below.

Business Quality: recurring sales support cash generation

There is much to like about CENIT's business quality:

- **50%+ of sales are recurring**. CENIT receives maintenance fees on its own as well as the third-party software. It also benefits from SaaS revenues and even takes a cut of the SaaS fee from its partners' software solutions. **High recurring revenues provide visibility and stability** throughout the macro cycle and form the basis for CENIT's cash-generative nature.

Revenue split: recurring vs non-recurring in % of group sales 2023

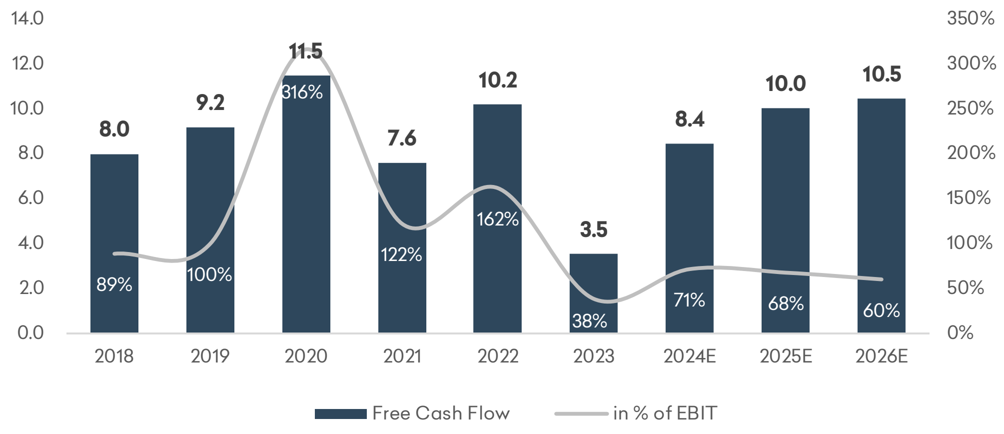


Source: Company data

- **Cash generation is strong**, courtesy of recurring revenues and a capex-light business model due to the software / service focus. Between 2018 and 2022, **CENIT generated positive FCF of between € 8m to € 12m in every single year**. The 2023 FCF was lower than normal due to a year-end rise in accounts receivables. **This normalised already in Q1'24, with FCF exceeding € 12m in the first quarter of the year**.

  We estimate FCF to average almost c. € 10m p.a. through FY'26E. While in past years cash was largely paid out as dividends, it is now being channelled towards value-accretive M&A. Further deals are planned, which explains why management cut the 2023 dividend to € 0.04 p/s from € 0.50 for 2022.

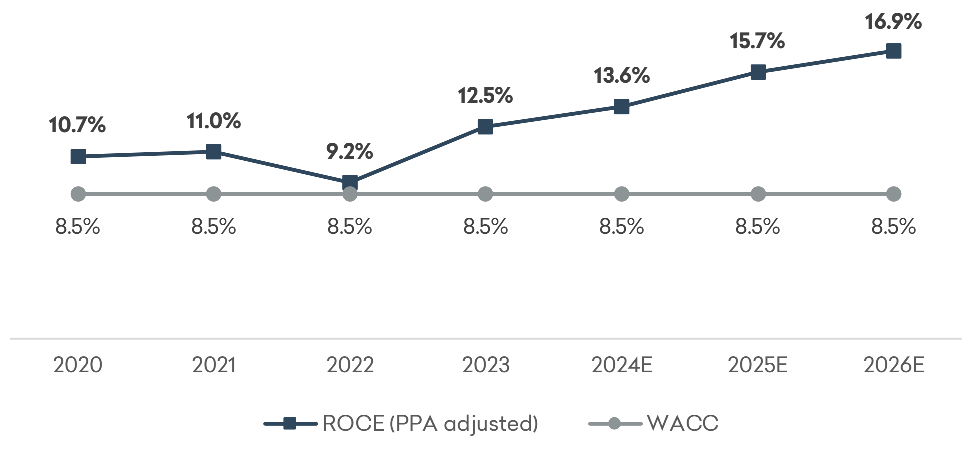
Free Cash Flow Generation 2018 to 2026E



Source: Company data

- **Returns on Capital Employed well in excess of WACC reveal CENIT's track record of creating value for shareholders**. Capital turn is a strong 2.0x, thanks to the focus on software and services, which require little capital (investments). With the EBIT margin expected to rise to 7.7% by 2026E carried by efficiency measures and economies of scale, **ROCE looks set to climb to 17% by 2026E**. NB: we adjusted EBIT for an estimated € 2m of PPA amortisation to arrive at the depicted ROCE.

ROCE pre PPA and WACC 2020-2026E

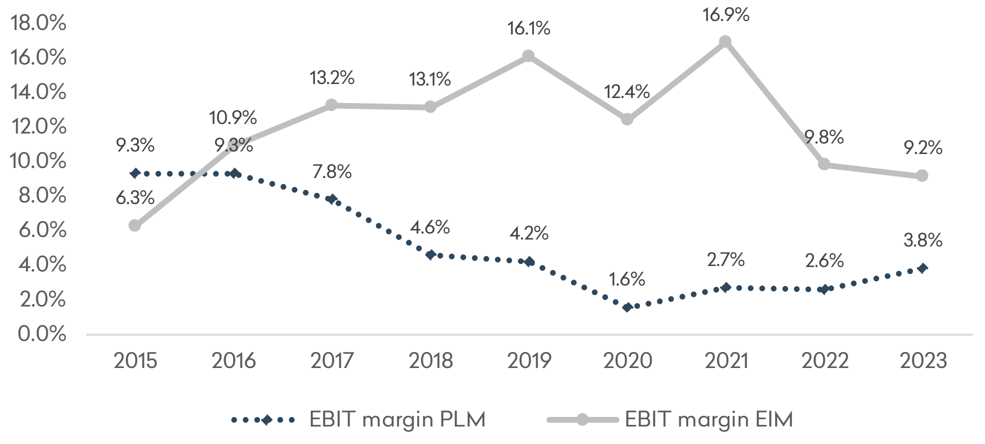


Source: Company data, HAIB

Unleashing CENIT's potential: a look at strategic measures

Despite the above, **there remains significant potential to improve business quality**, in our view. Especially the PLM segment (78% of group sales) has underperformed over the past ten years, as revealed in the long-term development of the segment EBIT margin.

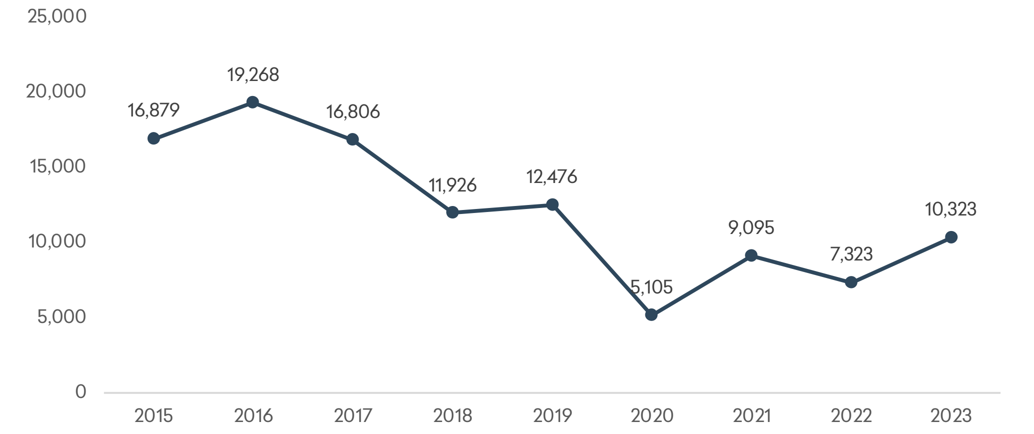
EBIT margins PLM segment and EIM segment 2015 to 2023



Source: Company data, HAIB

Also, **CENIT has accumulated 'fat'**, which becomes evident when looking at the multi-year trend in group EBIT per employee. Again, **the PLM segment should be the main culprit for the group-wide decline in efficiency**, which has only recently started to reverse, likely on the back of successful restructuring of the French PLM entity (Keonys).

EBIT per employee from 2015 to 2023 (in €)



Source: Company data, HAIB

We see several reasons for the sluggish margin performance of the PLM segment:

- Partner Dassault is known to be rather aggressive on pricing and active in direct distribution. **This is starting to change**, however. For instance, Dassault is increasingly handing over customers to CENIT and cooperating with the company even when speaking to larger customers.

  With this, Dassault appears to be finally following the example of IBM and SAP. Several years ago, **IBM made the decision to more heavily rely on partners, and SAP has recently stressed the importance of its partner ecosystem for the cloud transition**, and announced that it will hand over more and more business to partners going forward.

- CENIT acquired French PLM rival Keonys in 2017. **The deal was margin-dilutive**, as Keonys generated € 56m of sales but no EBIT. It was only in 2023 that Keonys made an initial **positive EBIT contribution of c. € 1m** (eHAIB), following the implementation of restructuring measures by the new management team.

- CENIT invested heavily into its own software portfolio, especially for the fastSUITE Edition 2, which was launched in 2018. **Market adoption has lagged behind expectations mostly due to COVID**, which prevented CENIT from actively marketing the solution. **This implies catch-up potential**. Even so, CENIT is spending € 10m per year on R&D, which appears rather high and should offer room for cost savings.

Importantly, the management team is taking the appropriate measures - or has already done so - **to improve the profitability of the PLM segment and strengthen the well-performing EIM segment**.

Anchor shareholder PRIMEPULSE SE (25% stake since 2020) **started the process of change in late 2021 with the hiring of Mr Schneck** - who became CEO in early 2022 - as well as the appointment of associates Mrs Regina Weinmann and Mr Rainer Koppitz to the supervisory board.

A lawyer by training, Mr Schneck obtained an MBA in 2012, and gathered extensive management experience as Managing Director at *Scheidt & Bachmann GmbH* (>€ 400m sales / IT solutions for parking management), *Trapeze Group* (part of Constellation Software / intelligent transport systems) and as management board member of *Datagroup SE* (>€ 500m sales / Cloud IT Services), where he was responsible for M&A and legal, amongst other. A polyglot, **Mr Schneck is fluent in French**, **which is a critical skill considering CENIT's large subsidiary in France** (i.e. ex Keonys) and exposure to the French market (22% of group sales in 2023).

The new leadership team is focusing on efficiency measures, cross-selling opportunities and M&A to **transform CENIT into a € 300m revenue company at an 8-10% EBIT margin by FY'25E**.

- **Efficiency measures**: '**trimming the fat'**

  The management team has already accomplished the turnaround of the 'French patient' Keonys, which CENIT acquired in 2017. In 2023, **the subsidiary generated positive EBIT (eHAIB**: **€ 1-2m)** for the first time since becoming part of CENIT, mostly due to headcount reductions.

  Management is pushing for further cost savings: **we expect an incremental EBIT uplift of € 2-3m by 2025E** due to more group-wide efficiency measures. With a new incentive structure in place that links the bonus of Managing Directors to their Business Unit's performance, there should be broad-based support for further cost savings measures.

- **Growing the share of wallet**: **cross-selling**

  A customer base of some 6,000 companies is one of CENIT's key assets and offers growth potential via cross-selling to increase the share of wallet. **The cross-selling focus will be on Managed Services and own software solutions**, **which yield higher-margin and recurring revenues and should strengthen customer lock-in**. A new incentive structure has recently been introduced to support cross-selling activities going forward.

  Further, **there has been a change in mindset when selling own software to better capitalise on the added-value for customers**, which comes in the form of cost savings and efficiency improvements. Previously, own software was often underpriced due to the typical 'day-rate' mindset of service employees.

  Finally, **CENIT will grow the partner channel** to strengthen its indirect sales clout and expand the addressable market e.g. by targeting new customer groups such as savings banks and public clients. We expect CENIT to look for new partners especially amongst management consultancies (segment EIM) and industrial automation companies (segment PLM).

- **Putting free cash flow to value-accretive use**: **focus on M&A**

  Prior to the new management team taking the helm, CENIT used to pay out the majority of its free cash flow to shareholders. With the 2023 dividend cut to € 0.04 per share from € 0.50, **most of the annual free cash flow of € 10m+ should be used for bolt-on M&A going forward**.

  This is a sensible move as we expect M&A to enhance group margins and create value for shareholders. The management team implemented the M&A strategy in 2022, and has acquired a handful of companies since then with **combined revenues of slightly above € 40m per year**. The focus is on targets which operate at EBIT margins of 10%+.

CENIT is likely to acquire 2-3 targets in 2024 with combined sales of € 40-50m, as highlighted by management during the Q1'24 earnings call. CENIT is in particular looking to (I) expand in the USA to be able to serve existing customers on a local-for-local basis, (II) diversify away from Dassault, amongst other by further strengthening its SAP expertise and (III) acquire companies with near-shoring capabilities to optimise the cost structure.

M&A STRATEGY

CENIT is looking for targets with € 5-50m of sales per year, recurring revenues and a 10%+ EBIT margin. The regional focus is on Europe and North America, with the aim of expanding coverage and possibly enter new verticals. All deals will be tuck-in acquisitions for the existing Business Units. CENIT is also looking to acquire companies which have own technology / software e.g. target ISR brought with it the AI software 'Buildsimple'

ISR – A CENIT COMPANY

CENIT acquired 74.9% of ISR, **a specialist for document logistics and information management**, in April 2022. ISR came with the proprietary software solution 'Buildsimple'.

The target had sales of € 23m with € 3.2m EBIT in 2021, **which implies a 14% EBIT margin**. **The EV amounted to € 32m**, which accounts for the call option on the 25.1% minority stake.

The implied deal multiple was 10x EBIT.

mip

In January 2023, CENIT acquired 100% of mip, which is is **active in the fields of data analytics and data management**.

The target had € 4.3m sales and roughly € 0.3m net income in 2023.

Including an earn-out component, the EV amounted to € 2.5m, **which implies a transaction multiple of c. 8x net income**.

ACTIVE BUSINESS CONSULT – A CENIT COMPANY

CENIT snapped up 60% of SAP S4/HANA specialist ABC in mid-2023 for an EV of € 3.7m (i.e. for 100%).

ABC generated € 5.1m sales in 2023 of which € 2.2m were consolidated during the year. The company was loss-making during the consolidation period. No information was disclosed on the underlying profitability of ABC.

PI Informatik – A CENIT COMPANY

SAP specialist PII was a small bolt-on target with € 3.6m sales, which CENIT bought in mid-2023. Profitability was undisclosed.

An EV of € 4.1m, which includes a € 0.5m earn-out, suggests a **transaction multiple of 1.1x sales 2023**.

b:digital – A CENIT COMPANY

CENIT acquired CCE b:digital in January 2024 for an EV of € 1.8m. The target is a partner of Dassault and expert for the 3DEXPERIENCE platform.

Deal metrics look attractive. CCE generated sales of € 5.7m with € 0.5m EBIT in 2023, which implies an EBIT margin of almost 9%.

That means that CENIT paid less than 4x EBIT for CCE.

Source: Company data

Top-Line Growth

We expect group sales to grow by 7% per year on average to € 229m in 2026E, driven by:

- **Market growth of 6-7% (PLM) and up to 15% (EIM) per year**, courtesy of the efficiency and cost benefits offered by process digitalisation
- **Increasing the share of wallet via cross-selling** with a focus on own software and Managed Services, backed by a new incentive scheme
- The opportunity to **expand into new verticals** such as Life Science & Health and **grow the footprint in regional markets** such as the USA to serve customers local-for-local
- **A small M&A contribution of c. € 10m** from deals that have already been executed

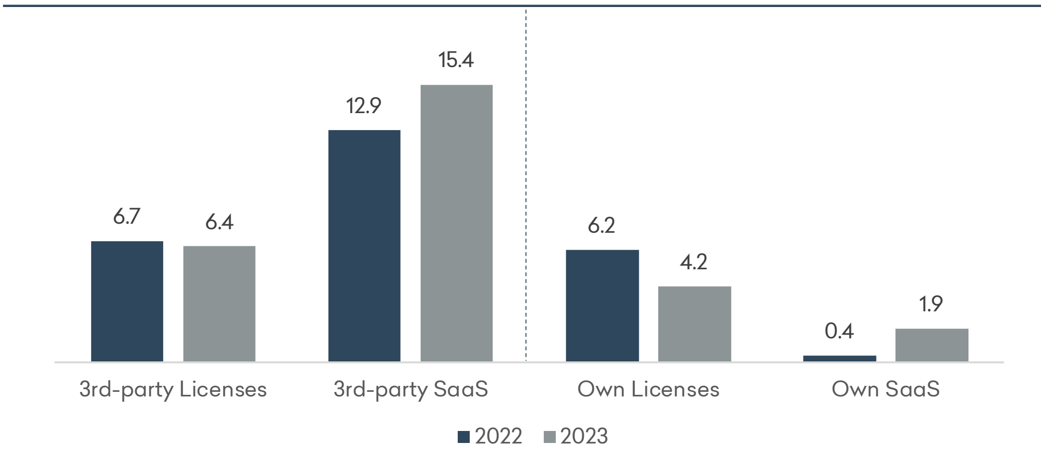
The SaaS transition temporarily undermines organic growth – expect headwinds to gradually fade in the coming years

Further M&A would yield upside to expectations as our estimates do not account for any additional transactions

We expect CENIT to grow sales by 7% on average p.a. to € 229m in FY'26E. This is a function of market growth, supported by CENIT's exposure to the leading software providers Dassault, IBM and SAP. Sales growth tailwind should come from CENIT's cross-selling strategy, the onboarding of new sales partners and M&A.

In the short-term, however, CENIT's top-line growth should be **negatively impacted** by the industry-wide SaaS transition, which was a drag already in recent years. We estimate that without these headwinds, CENIT would have grown its group sales by 18% yoy in 2023 rather than by 14% yoy. SaaS headwinds should gradually subside over the coming years, **which is why we expect organic growth to accelerate**.

SaaS transition headwinds



Source: Company data. Note: software maintenance revenues not depicted
Licenses + SaaS + Maintenance = total software revenues

Our growth estimates account for external growth from acquisitions that have already been announced and / or completed. However, **we do not**

account for M&A contributions beyond that. This means that our estimates are likely too conservative, given that management wants to reach € 300m of annual revenues by 2025E with the help of M&A.

Sales Growth 2020-2026E according to segments and product groups

	2020	2021	2022	2023	2024E	2025E	2026E	CAGR'23-26E
Group Sales	**142.1**	**146.1**	**162.2**	**184.7**	**202.0**	**214.1**	**228.5**	7%
yoy	-17%	3%	11%	14%	9%	6%	7%	
PLM segment	**128.4**	**130.0**	**134.5**	**144.3**	**153.7**	**161.4**	**171.1**	6%
yoy	-14%	1%	3%	7%	6%	5%	6%	
in % of group sales	90%	89%	83%	78%	76%	75%	75%	
EIM segment	**13.7**	**16.0**	**27.6**	**40.4**	**48.3**	**52.7**	**57.4**	12%
yoy	-15%	17%	72%	46%	20%	9%	9%	
in % of group sales	10%	11%	17%	22%	24%	25%	25%	
Third-Party Software	**87.4**	**88.5**	**88.1**	**92.7**	**100.7**	**106.1**	**112.4**	7%
yoy	-12%	1%	0%	5%	9%	5%	6%	
in % of group sales	61%	61%	54%	50%	50%	50%	49%	
Consulting & Services	**38.5**	**39.8**	**55.7**	**74.4**	**83.1**	**88.7**	**95.2**	9%
yoy	-22%	3%	40%	33%	12%	7%	7%	
in % of group sales	27%	27%	34%	40%	41%	41%	42%	
Own Software	**15.9**	**17.7**	**17.7**	**16.8**	**17.3**	**18.4**	**19.9**	6%
yoy	-3%	11%	0%	-5%	3%	6%	8%	
in % of group sales	11%	12%	11%	9%	9%	9%	9%	
Other	**0.3**	**0.0**	**0.6**	**0.9**	**0.9**	**0.9**	**0.9**	3%

Source: Company data, HAIB. 2024E to 2026E is HAIB forecast

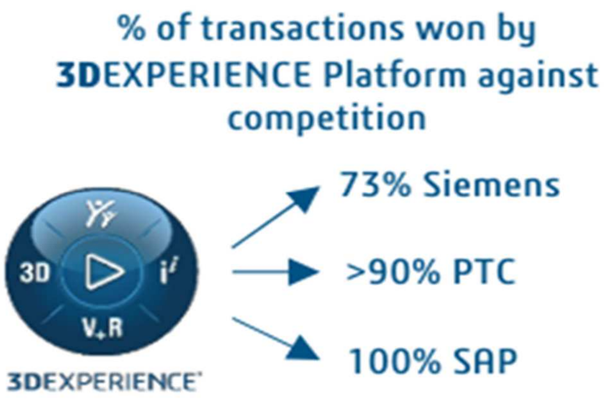
A look at the market growth of PLM and EIM

CENIT is active in markets that are worth several billion USD per year on a global basis. According to market research company *Research and Markets*, the worldwide PLM market was valued at approx. $ 47bn in 2023, which includes software and services.

Naturally, **the total addressable market for CENIT is significantly smaller**, since the company generates most of its revenue (i) in Germany (63%), (II) with small- and mid-sized enterprises and (III) with services and the reselling of third-party software.

Market research providers agree that the **PLM market in Europe should rise by 6-7% per year** through the end of the decade. This is largely in-line with Dassault expecting the global PLM market to grow by 8% CAGR 23-28E, while aiming to outperform with a 10% revenue CAGR in the same timeframe. Evidently, having Dassault as partner looks particularly attractive, **as the company should be winning market share from rivals**.

Dassault's 'win ratio': gaining market share, to the benefit of CENIT



Source: Dassault Systèmes

The EIM market is worth several billion $ per year. **CENIT focuses on intelligent document management**, which is a sub-sector of the overall market with a global size of around $ 7.0-8.0bn and **expected growth of c. 15% p.a**. on average through 2029E (*Mordor Intelligence*). Similar to PLM, CENIT serves above all SMEs in the European market, **where growth should be somewhat less dynamic** given higher market saturation.

The drivers of growth are similar across both markets: **process digitalisation yields efficiency improvements and cost savings**. For instance, Xerox states that 50% of workers in SMEs still waste time on a daily basis on ineffective paper-related operations. Digitalisation and process automation – such as offered by CENIT's AI tool Buildsimple – can significantly reduce the associated time and cost.

There are also industry-specific benefits to using PLM / EIM software solutions:

- In EIM, the solutions of CENIT and its partners can **improve transparency**, **enable better decision-making**, **and ensure regulatory compliance**. This is particularly important for companies active in the financial services sector (10% of group sales) but also for those serving industries where lives are at stakes, such as in medical, aviation or aerospace. **CENIT has a strong footprint in these markets** serving insurances and banks but also industrial companies such as MTU.

- In PLM, software such as 3DX from Dassault **can enhance product quality and accelerate time-to-market** as it allows users to e.g. detect design flaws and optimise production processes prior to implementing them in real life. CENIT's customers come from aviation / aerospace (e.g. Airbus) and the automotive sector, which heavily rely on software solutions to plan the design and features of products as well as the layout of the production processes.

Investments into PLM / EIM software have various catalysts: a user company may need to transition to the cloud, migrate to a newer software version, switch software vendors or opt for a software for the very first time. Customers may also decide to rely on additional modules or expand the use of the software to subsidiaries and other regions. Finally, organic growth typically triggers demand for additional software licenses. **All of these events present an opportunity for CENIT to generate revenues with services & consulting, third-party software and own software**.

Company-specific growth drivers through 2026E

CENIT looks well positioned to capitalise on market growth, courtesy of its leading position within the ecosystems of dominant software OEMs Dassault and IBM, coupled with its growing exposure to SAP. We see a number of developments and initiatives that should provide the most growth tailwind for CENIT over the next few years:

- **Tightening regulations in markets such as financial services** (e.g. DVSGO, AI Act) are a catalyst for software investments, backed by the need of many banks and insurances to upgrade their outdated IT systems to boost efficiency and cut costs.

- Adoption of Dassault's 3DX solution has **reached the inflection point** in the automotive industry. As an example, in early 2024, BMW announced the group-wide introduction of 3DX as its central engineering platform. Importantly, **the entire supply chain will have to follow suit**, which should further boost demand for software and services. As such, we expect 3DX investments to remain brisk even with automotive in a cyclical downturn.

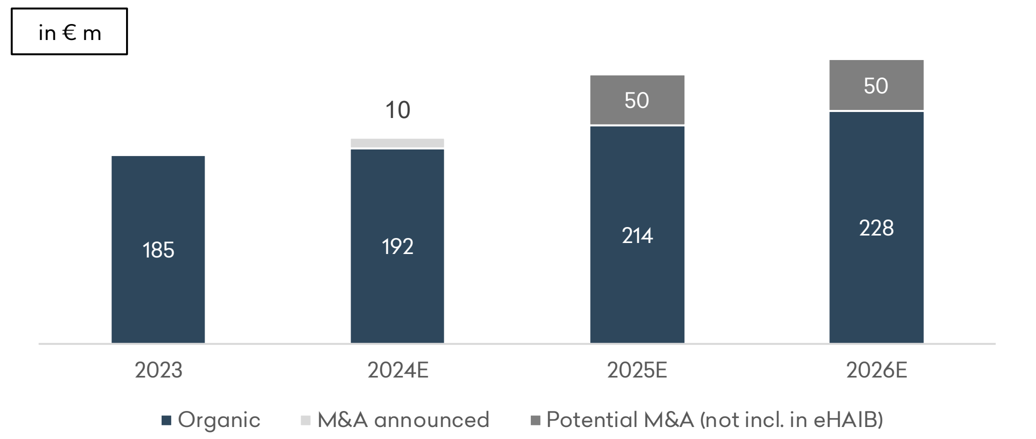
- **The industry-wide transition to the cloud should drive demand for CENIT's services** to manage the complex migration projects. Dassault aims to increase its SaaS revenue share from 35% in 2023 to 55% in 2028E, which hints at a full project pipeline for CENIT. Importantly, the cloud transition does not endanger CENIT's recurring sales, as the company receives part of the SaaS revenue from Dassault.

- **CENIT has the opportunity to enter new or expand in existing but small verticals** such as Life Sciences & Health, which Dassault expects to grow into a € 2.0bn revenue market by 2028E. The end-market should account for less than 5% of CENIT's revenues at the moment, which highlights the opportunity. At the same time, the defence vertical, which accounts for 18% of group sales together with aerospace, is showing strength due to obvious reasons. **CENIT won several larger defence projects in Q1'24**.

- **The company will intensify cross-selling activities to raise the share of wallet within its base of c. 6,000 customers** with a focus on own software and Managed Services. This is seen to drive up recurring revenues, strengthen customer lock-in and boost margins, as growth with an existing client is more profitable than winning a new client due to sales & marketing efficiencies. A new incentive scheme and software-focused mindset should bolster the cross-selling strategy going forward.

- **We expect M&A to contribute c. € 10m to the 2024E top-line**. This comes from deals that have already been executed, namely the acquisitions of PII, Active Business Consult (ABC) and CCE b:digital. While we do not account for future M&A, CENIT is likely to snap up an additional 2-3 targets this year, as disclosed during the Q1'24 earnings call. **These could add a combined € 50m to the top-line per year**, which would lift the company's revenues closer to € 300m by 2026E, in our view. **Note that management targets € 300m of sales already in 2025E**.

Organic revenue development plus (potential) M&A 2023-26E



Source: Company data, HAIB. NB: 'potential' M&A reflects the potential of the M&A pipeline

Bottom-Line Growth

Reported EBIT to grow by 24% CAGR'23-26E to € 17.5m in 2026E, with the EBIT margin set to rise to 7.7% from 5.0% in 2023, carried by:

- **Efficiency measures** – we expect the management team to realise cost savings of € 2m p.a. by 'trimming the fat', which is a rather conservative estimate
- **Economies of scale** in admin, R&D, rent, marketing, and other

Net income post minorities should rise by 27% CAGR'23-26E to € 9.1m in 2026E, carried by financial leverage and the low capital intensity of the group

We expect CENIT's EBIT to grow disproportionately to sales by 24% per year on average through 2026E, courtesy of management's focus on cost control and efficiency measures, which should allow for a material operating leverage even with only modest organic sales growth. **We model *incremental* EBIT margins of 20-25% in 2025E and 2026E**, which is when cost savings are expected to fully kick-in.

Bottom-Line Growth 2020-2026E

	2020	2021	2022	2023	2024E	2025E	2026E
Gross Profit	**71.9**	**77**	**91**	**108**	**118**	**126**	**135**
Gross Margin	50.6%	53.0%	55.9%	58.3%	58.6%	58.9%	59.1%
Personnel expenses	**54.8**	**59.7**	**67.3**	**78.6**	**84.3**	**88.4**	**94.0**
in % of sales	38.6%	40.9%	41.5%	42.5%	41.8%	41.3%	41.1%
Other expenses	**8.6**	**8.8**	**12.6**	**15.4**	**16.2**	**16.9**	**17.8**
in % of sales	6.1%	6.0%	7.8%	8.3%	8.0%	7.9%	7.8%
Other income	**1.2**	**2.3**	**1.4**	**2.9**	**2.4**	**2.6**	**2.7**
in % of sales	0.8%	1.6%	0.8%	1.6%	1.2%	1.2%	1.2%
Group EBITDA	**9.6**	**11.3**	**12.1**	**16.6**	**20.3**	**23.3**	**26.0**
Group EBITDA margin	6.8%	7.7%	7.5%	9.0%	10.1%	10.9%	11.4%
D&A	**6.0**	**5.0**	**5.8**	**7.4**	**8.5**	**8.5**	**8.5**
in % of sales	4.2%	3.5%	3.6%	4.0%	4.2%	4.0%	3.7%
Group EBIT	**3.6**	**6.2**	**6.3**	**9.2**	**11.8**	**14.8**	**17.5**
Group EBIT margin	2.6%	4.3%	3.9%	5.0%	5.8%	6.9%	7.7%
PLM segment	**2.0**	**3.6**	**3.6**	**5.5**	**6.9**	**9.1**	**10.9**
Segment EBIT margin	1.5%	2.8%	2.7%	3.8%	4.5%	5.7%	6.4%
in % of group EBIT	55%	58%	57%	59%	58%	61%	62%
EIM segment	**1.7**	**2.6**	**2.7**	**3.7**	**5.0**	**5.7**	**6.6**
Segment EBIT margin	12.1%	16.2%	9.9%	9.3%	10.3%	10.8%	11.5%
in % of group EBIT	45%	42%	43%	41%	42%	39%	38%
Underlying EBIT				**11.3**	**13.8**	**16.8**	**19.5**
Underlying EBIT margin				6.1%	6.8%	7.9%	8.5%
Financial Result	**-0.2**	**0.3**	**2.9**	**-2.4**	**-2.8**	**-2.8**	**-2.8**
Taxes	**1.1**	**2.2**	**2.6**	**1.9**	**2.8**	**3.7**	**4.6**
Tax Rate	33.2%	33.2%	28.2%	27.6%	31.0%	31.0%	31.0%
Net Income post minorities	**2.3**	**4.2**	**6.3**	**4.5**	**5.4**	**7.4**	**9.1**
Net margin	1.6%	2.9%	3.9%	2.4%	2.7%	3.5%	4.0%

Source: Company data, HAIB

Note that the underlying EBIT shown in the table above adjusts the reported EBIT for one-off effects and PPA amortisation from M&A. **It is our view that the underlying EBIT better reflects the true earnings power of CENIT** as it excludes non-recurring and non-operative effects.

For 2023, **the underlying EBIT adjusts for a total net negative effect of c. € 2m**. This includes € 0.8m in restructuring expenses, € 0.6m M&A expenses and € 1.6m PPA, partly offset by a € 0.9m book gain from the divestment of the Japanese subsidiary. To arrive at the underlying EBIT from 2024E to 2026E, we adjusted the reported EBIT for an estimated € 2.0m of PPA amortisation, which should be the only non-operative effect in that time period.

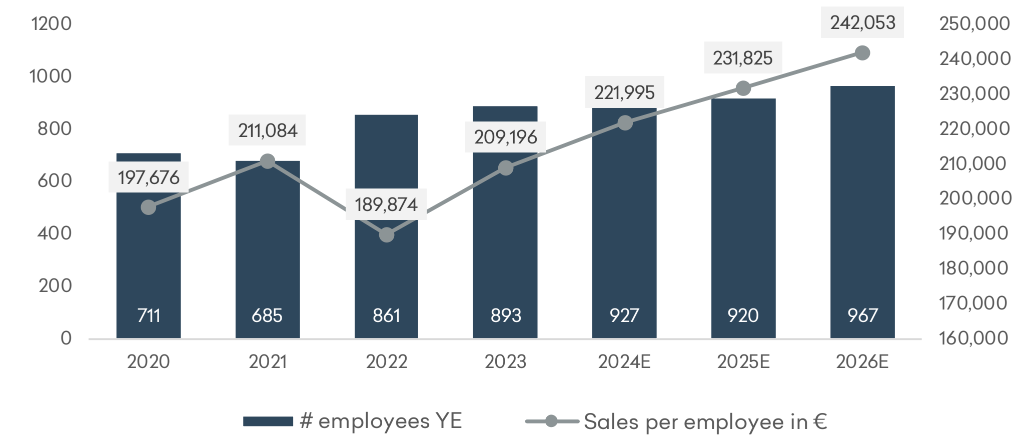
The expected dynamic EBIT growth from 2023 to 2026E should be carried by:

- **Efficiency measures – expect € 2m of annual cost savings, and possibly more**. The management team has already proven its mettle by restructuring the French subsidiary (ex Keonys), which has been the group's 'problem child' ever since the acquisition in 2017.

  There have also been group-wide headcount reductions. We estimate that some 100 employees left or had to leave the company between the end of 2021 and the end of 2023. This does not become evident when looking at the number of employees because of CENIT's M&A spree: the company 'acquired' more than 300 employees over the past two years.

  We expect the management team to start a second round of efficiency measures this year. Conservatively, our estimates assume that CENIT will axe 25 employees for annual cost savings of approx. € 2m. These savings should become fully visible in the P&L from 2025E. With a leaner set-up that excludes the low-performers, **productivity is set to improve strongly through 20206E**, as shown by the sales per employee metric below.

Number of employees & sales per employee

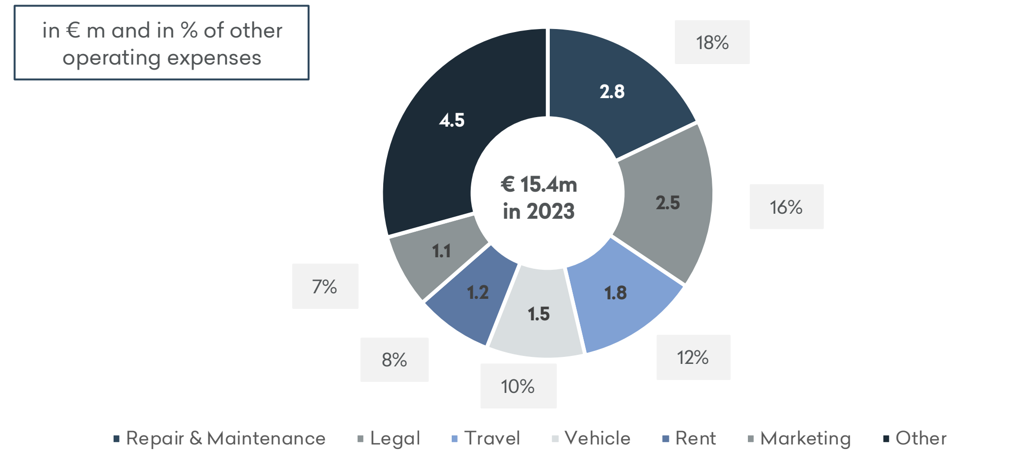


Source: Company data, HAIB
Note: sales per employee is based on the average # of employees during the year

We model salary increases of 3-4% per year going forward.

- **Economies of scale** - Other operating expenses are seen to rise less-than-proportionately to sales due to the fixed or quasi-fixed cost nature of selected components, including maintenance expenses (18% of other expenses), rent (8%) and marketing (7%). Further, legal expenses (16% of other expenses) are temporarily elevated by c. € 0.6m per year due to the M&A strategy. We expect CENIT to achieve the major M&A milestones of its strategy in 2024, which should result in a normalisation of legal expenses in 2025.

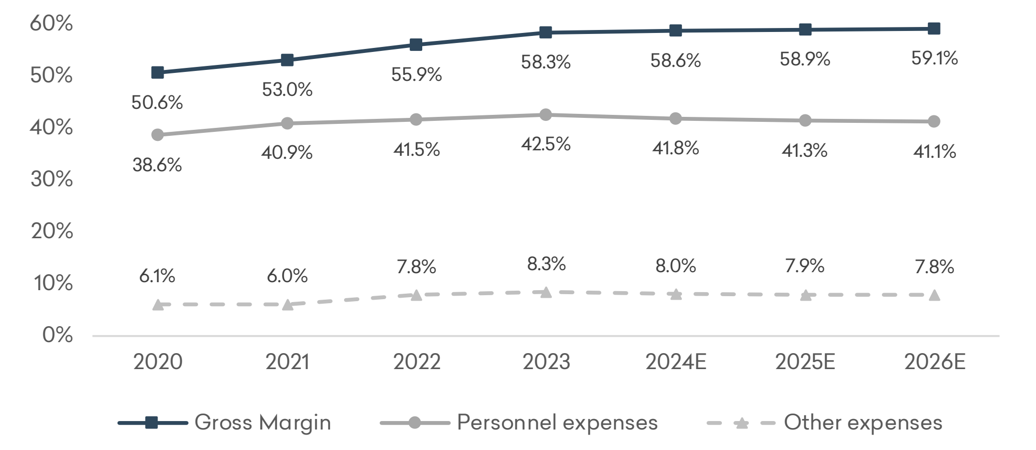
Major components of other operating expenses 2023



Source: Company data, HAIB

Personnel expense also look set to rise less-than-proportionately to sales. As laid out above, that should be due to cost savings measures. There is also the benefit of a **shift in the sales mix towards own software and Managed Services**, however, which should reduce personnel intensity. Meanwhile, there should be economies of scale in admin and R&D, as we expect the current set-up to be able to support a much higher revenue base.

Trend in expenses (in % of sales) 2020-26E



Source: Company data, HAIB

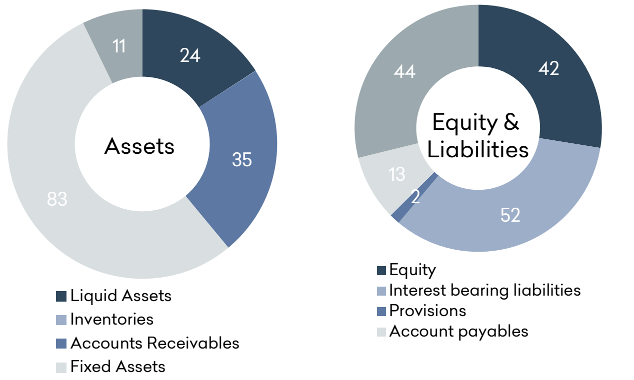
The above graph depicts the expected trend in the main expense ratios. Note that **the gross margin is seen to slightly improve through 2026E** given the expected disproportionate revenue growth of consulting & services, Managed Services and own software compared to third-party software. Indeed, revenues with partner software dominate material expenses (89%), while the remainder is explained by subcontracted service employees, to better deal with demand volatility.

- **Other drivers include the streamlining of the group structure**: for instance, CENIT sold its unprofitable Japanese subsidiary in early 2023. Similar moves could follow. Finally, while not included in eHAIB, **possible M&A transactions would be margin-accretive** given that CENIT is focusing on targets with double-digit EBIT margins.

Looking at net income, **we expect growth of 27% per year on average to € 9.1m by FY'26E**. Depreciation & amortisation is seen to rise to € 8.5m in 2024E due to incremental PPA from M&A, and then flatline through 2026E. The financial result should amount to approx. € -2.8m per year going forward due to the partial debt-financing of M&A. Finally, we expect minority interest to increase to 12% of net income in 2024E from 10% in 2022, given that CENIT acquired less than 100% in ISR (75% stake) and ABC (60% stake).

Sustainability of Returns

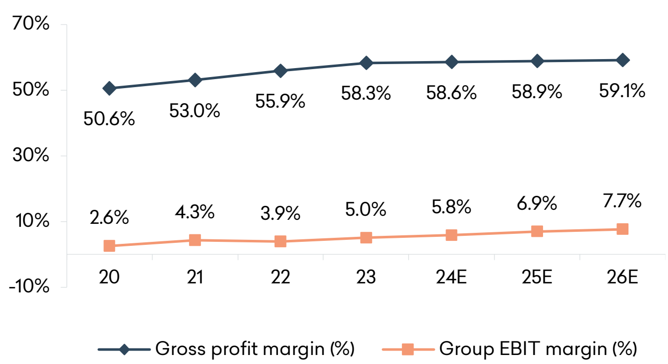
Balance sheet structure



The balance sheet is marked by:

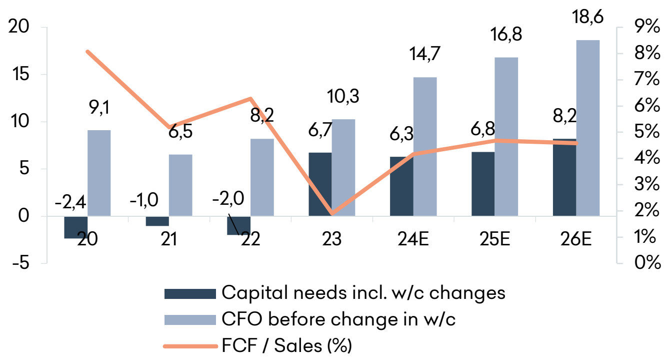
- **€ 34m of Goodwill** (22% of Total Assets), due to the focus on M&A. Subsidiary ISR, which CENIT acquired in 2022, explains 62% of Goodwill
- € 24m of gross cash (16% of Total Assets) and € 52m of financial liabilities (34% of Total Liabilities), **which stem from the M&A spree**, and translate into net debt of € 27m. CENIT pays 4-5% interest on the bank debt
- **Accounts receivable of € 35m explain 23% of Total Assets** and reflect payment terms of up to 60 days

Profitability



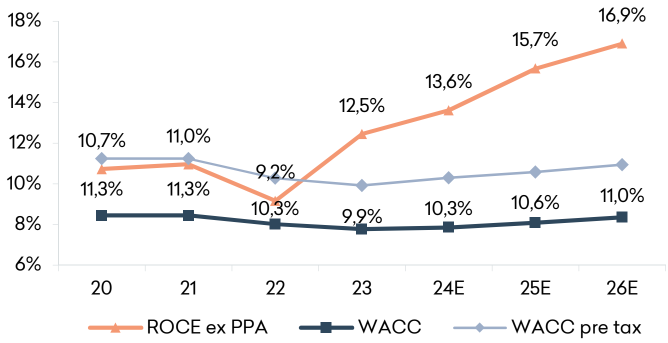
- **The group EBIT margin should rise to 7.7% in 2026E from 5.0% in 2023**, carried by efficiency measures and economies of scale
- **The underlying EBIT margin is seen at 8.5% in 2026E**, which is adjusted for non-operative PPA amortisation
- Material expenses reflect mostly third-party software, which CENIT re-sells to its customers. With CENIT focusing on services, Managed Services and own software going forward, **the gross profit margin should see further improvements by 2026E**

Cash flow generation and capital requirements



- A high share of recurring revenues coupled with a capital-light business model explain CENIT's **strong track record of free cash flow generation**
- We expect FCF to exceed € 10m per year in both 2025E and 2026E, **which would imply a yield of around 10% on the market cap**
- Expect management to use free cash flow for **value-accretive and margin-enhancing** M&A

Returns and value creation



- **ROCE should easily earn the cost of capital**, which is an indicator of value creation for shareholders. Note that to calculate ROCE, we have adjusted EBIT for € 2m of PPA amortisation
- The expected increase in ROCE reflects profitability improvements coupled with a capital efficient business model (i.e. 2.0x capital turn) geared towards services and software

Valuation

- **The DCF model yields a price target of € 21.40 per share**, assuming 8.5% WACC, 8.0% TY EBIT margin and 2.5% TY growth rate
- **The adjusted Free Cash Flow Yield points towards a fair value of € 20.40 based on 2025E and an 8.5% after-tax hurdle rate**, supporting the DCF-derived price target
- A peer group analysis indicates a **substantial undervaluation with a fair value range of € 13.00 to € 17.20**, depending on the multiple and year

DCF model

The DCF model yields a price target of € 21.40 per share. This is based on the following assumptions:

- **Short-term growth of 6% CAGR'24-27E**, mid-term growth of slightly below 4% CAGR'24-27E and a **long-term growth rate of 2.5%**.
- **An 8.0% TY EBIT margin**. This compares to a reported EBIT margin of 5.0% in 2023, which we expect to rise to 7.7% in 2026E. Note that the underlying EBIT margin, which excludes one-offs and PPA amortisation, reached 6.1% in 2023 and is **expected to climb to 8.5% in 2026E**.
- **A WACC of 8.5%**, consisting of a 5.5% equity risk premium, a 2.4% risk-free rate, 7.5% pre-tax cost of borrowing (eHAIB for incremental financial liabilities) and a beta of 1.1x.

DCF (EUR m) (except per share data and beta)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Terminal value
NOPAT	7.4	9.3	11.1	12.3	11.6	10.9	10.6	10.0	14.6
Depreciation	8.5	8.5	8.5	8.0	7.7	7.4	6.6	7.0	7.1
Increase/decrease in working capital	-2.9	-2.4	-2.8	-1.5	-1.6	-1.3	-1.4	-1.1	-0.9
Capex	-3.4	-4.4	-5.4	-6.0	-6.1	-6.4	-6.7	-7.0	-7.1
Acquisitions	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow	**10.3**	**11.0**	**11.4**	**12.7**	**11.6**	**10.5**	**9.1**	**8.9**	**13.7**
Present value	8.6	9.8	9.3	9.6	8.1	6.8	5.4	4.9	123.8
WACC	7.9%	8.1%	8.4%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%

DCF per share derived from	
Total present value	186
thereof terminal value	66%
Net debt (net cash) at start of year	27
Financial assets	22
Provisions and off balance sheet debt	2
Equity value	179
No. of shares outstanding	8.4
Discounted cash flow per share	**21.4**
upside/(downside)	**81%**
Share price	**11.80**

DCF avg. growth and earnings assumptions	
Short term growth (2024 - 2027)	5.9%
Medium term growth (2027 - 2031)	3.7%
Long term growth (2031 - infinity)	2.5%
Terminal year EBIT margin	8.0%

WACC derived from	
Cost of borrowings before taxes	7.5%
Tax rate	31.0%
Cost of borrowings after taxes	5.2%
Required return on invested capital	8.5%
Risk premium	5.5%
Risk-free rate	2.4%
Beta	1.1

Sensitivity analysis DCF

WACC \ Long term growth	0.5%	1.5%	2.5%	3.5%	4.5%
10.5%	14.6	15.3	16.3	17.5	19.1
9.5%	16.1	17.1	18.4	20.2	22.6
8.5%	18.1	19.5	21.4	24.0	28.0
7.5%	20.6	22.7	25.6	30.0	37.2
6.5%	24.2	27.3	32.1	40.0	55.9

Sensitivity analysis DCF

WACC \ EBIT margin terminal year	6.0%	7.0%	8.0%	9.0%	10.0%
10.5%	13.5	14.9	16.3	17.7	19.1
9.5%	15.0	16.7	18.4	20.1	21.9
8.5%	17.1	19.2	21.4	23.5	25.7
7.5%	20.1	22.9	25.6	28.4	31.1
6.5%	24.7	28.4	32.1	35.8	39.5

Source: Company data, HAIB

Adjusted Free Cash Flow Yield model

The adjusted FCF yield model derives a fair value of € 20.40 per share for CENIT based on 2025 estimates. 2026E estimates would indicate an even higher fair value of € 24.00 per share. With this, **the adjusted FCFY fully supports the DCF-derived price target**.

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – the enterprise value of the company.

Here, the adjusted FCF yield is used as a proxy for the required return and is defined as adjusted EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capital expenditures).

Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. **The required after tax return is the hurdle rate**, **which we set at 8.5%**, above the usual 7.5%, to account for the higher risk associated with the dependence on Dassault and the M&A growth strategy.

FCF yield, year end Dec. 31		2023	2024E	2025E	2026E
EBITDA		**16.6**	**20.3**	**23.3**	**26.0**
- Maintenance capex		3.5	5.0	5.0	5.0
- Minorities		0.5	0.8	0.9	1.0
- tax expenses		1.9	2.8	3.7	4.6
= Adjusted Free Cash Flow		**10.8**	**11.7**	**13.7**	**15.4**
Actual Market Cap		**138.1**	**98.7**	**98.7**	**98.7**
+ Net debt (cash)		27.2	20.5	11.7	2.6
+ Pension provisions		0.9	0.9	0.9	0.9
- Financial assets		-22.1	-22.1	-22.1	-22.1
- Dividend payment		-4.2	-0.3	-0.3	-0.3
EV Reconciliations		*1.8*	*-1.0*	*-9.8*	*-18.9*
= Actual EV'		**139.9**	**97.7**	**88.9**	**79.8**
Adjusted Free Cash Flow yield		**7.7%**	**12.0%**	**15.4%**	**19.3%**
Sales		**184.7**	**202.0**	**214.1**	**228.5**
Actual EV/sales		0.8x	0.5x	0.4x	0.3x
Hurdle rate		8.5%	8.5%	8.5%	8.5%
FCF margin		5.8%	5.8%	6.4%	6.8%
Fair EV/sales		0.7x	0.7x	0.8x	0.8x
Fair EV		**126.6**	**138.1**	**161.2**	**181.6**
- EV Reconciliations		*1.8*	*-1.0*	*-9.8*	*-18.9*
Fair Market Cap		**124.8**	**139.2**	**171.1**	**200.5**
No. of shares (million)		8.4	8.4	8.4	8.4
Fair value per share		**14.9**	**16.6**	**20.4**	**24.0**
Premium (-) / discount (+) in %		**-10%**	**41%**	**73%**	**103%**
Sensitivity analysis fair value					
Hurdle rate	7.5%	16.9	18.8	23.0	26.9
	10.0%	12.6	14.2	17.6	20.7
	12.5%	10.1	11.3	14.3	17.0
	15.0%	8.4	9.5	12.1	14.6

Source: Company data, HAIB

Peer Group analysis

We rely on a peer group that comprises IT service-focused German small- and mid-caps. Swedish company Addnode Group is the odd one out, given its market cap of above SEK 17bn. However, the peer is relevant for CENIT because of its subsidiary Technia, which is a close competitor in the German PLM space.

	Price	Mcap	Net debt (+) Net cash (-)	EV	Sales FY'24E	Sales FY'25E	EBIT FY'24E	EBIT FY'25E	EPS FY'24E	EPS FY'25E	EBIT margin FY'24E	EBIT margin FY'25E
Allgeier SE	18	202	72	274	507	568	35	41	1.42	2.01	6.9%	7.2%
adesso SE	87	569	4	573	1,294	1,472	46	62	3.79	5.46	3.6%	4.2%
Addnode Group	132	17,276	705	17,981	8,415	8,139	630	717	3.85	4.45	7.5%	8.8%
Bechtle AG	43	5,350	71	5,421	6,755	7,373	408	445	2.26	2.46	6.0%	6.0%
CANCOM SE	33	1,214	-211	1,003	1880	1978	77	87	1.49	1.68	4.1%	4.4%
Fabasoft AG	18	195	-25	170	81	91	13	14	0.77	0.81	16.0%	15.4%
GFT SE	25	650	-4	646	920	1017	76	92	2.17	2.49	8.3%	9.0%
CENIT AG	**12**	**99**	**27**	**126**	**202**	**214**	**12**	**15**	**0.65**	**0.89**	**5.8%**	**6.9%**

Source: FactSet, Company data, HAIB. Note: all closing prices as of July 8, 2024

The table below presents the key valuation metrics of the peers for 2024E and 2025E. **We rely on the median for valuation purposes** to adjust for the outlier Addnode Group. **CENIT AG trades at a substantial discount to the median valuation multiple of its peer group** across all years and metrics.

	EV / Sales FY'24E	EV / Sales FY'25E	EV / EBIT FY'24E	EV / EBIT FY'25E	PER FY'24E	PER FY'25E
Allgeier SE	0.5	0.5	7.8	6.7	12.4	8.8
adesso SE	0.4	0.4	12.5	9.2	23.0	16.0
Addnode Group	2.1	2.2	28.5	25.1	34.4	29.7
Bechtle AG	0.8	0.7	13.3	12.2	18.8	17.3
CANCOM SE	0.5	0.5	13.0	11.5	22.2	19.7
Fabasoft AG	2.1	1.9	13.1	12.1	23.0	21.9
GFT SE	0.7	0.6	8.5	7.0	11.4	9.9
AVERAGE	**1.0**	**1.0**	**13.8**	**12.0**	**20.7**	**17.6**
MEDIAN	**0.7**	**0.6**	**13.0**	**11.5**	**22.2**	**17.3**
CENIT AG	**0.6**	**0.5**	**10.2**	**7.5**	**14.5**	**11.2**
+ / -	-15%	-18%	-22%	-35%	-35%	-35%

Source: FactSet, Company data, HAIB

Accounting for all of the different years and metrics, **the peer group would indicate a fair value for CENIT of € 13.00 per share (EV / Sales'25E) to € 17.20 per share (EV / EBIT'25E)**. While all metrics would suggest upside to CENIT's current share price, they do not support our DCF-based price target. That is because of the muted sentiment for German small-caps, which has resulted in an overall environment of low valuation multiples.

Fair Value CENIT AG in € per share	EV / Sales FY'24E	EV / Sales FY'25E	EV / EBIT FY'24E	EV / EBIT FY'25E	PER FY'24E	PER FY'25E
Peer Group Median	0.7	0.6	13.0	11.5	22.2	17.3
Fair Mcap CENIT AG	142	136	154	171	na	na
Net debt	27	27	27	27	na	na
Fair EV CENIT AG	115	109	126	144	na	na
# shares	8.4	8.4	8.4	8.4	8.4	8.4
Fair Value CENIT in €	**13.7**	**13.0**	**15.1**	**17.2**	**14.5**	**15.3**

Source: FactSet, Company data, HAIB

Investment Risks

- CENIT pursues a rather aggressive M&A strategy, **which comes with integration risk**

- With additional M&A, which is not included in eHAIB, CENIT's balance sheet leverage could approach 3.0x net debt to EBITDA in 2024E, which would **increase solvency risk** in case of a deep and prolonged recession. **It would also entail interest rate risk**.

- CENIT is relatively dependent on partner Dassault, **which means there is concentration risk**. The company is working towards diversification via organic and external growth.

Financials

Profit and loss (EUR m)	2020	2021	2022	2023	2024E	2025E	2026E
Net sales	**142.1**	**146.1**	**162.2**	**184.7**	**202.0**	**214.1**	**228.5**
Sales growth	*-17.2 %*	*2.8 %*	*11.0 %*	*13.9 %*	*9.4 %*	*6.0 %*	*6.7 %*
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	**142.1**	**146.1**	**162.2**	**184.7**	**202.0**	**214.1**	**228.5**
Other operating income	1.2	2.3	1.4	2.9	2.4	2.6	2.7
Material expenses	70.3	68.6	71.5	77.0	83.6	88.0	93.4
Personnel expenses	54.8	59.7	67.3	78.6	84.3	88.4	94.0
Other operating expenses	8.6	8.8	12.6	15.4	16.2	16.9	17.8
Total operating expenses	132.5	134.8	150.0	168.1	181.7	190.8	202.5
EBITDA	**9.6**	**11.3**	**12.1**	**16.6**	**20.3**	**23.3**	**26.0**
Depreciation	4.4	4.1	4.5	5.0	5.0	5.0	5.0
EBITA	**5.2**	**7.2**	**7.7**	**11.6**	**15.3**	**18.3**	**21.0**
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	1.6	1.0	1.4	2.4	3.5	3.5	3.5
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	**3.6**	**6.2**	**6.3**	**9.2**	**11.8**	**14.8**	**17.5**
Interest income	0.0	0.0	0.0	0.2	0.3	0.3	0.3
Interest expenses	0.2	0.2	0.4	1.8	3.1	3.1	3.1
Other financial result	0.0	-0.4	-3.3	0.7	0.0	0.0	0.0
Financial result	-0.2	0.3	2.9	-2.4	-2.8	-2.8	-2.8
Recurring pretax income from continuing operations	**3.4**	**6.5**	**9.2**	**6.8**	**9.0**	**12.0**	**14.7**
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	**3.4**	**6.5**	**9.2**	**6.8**	**9.0**	**12.0**	**14.7**
Taxes	1.1	2.2	2.6	1.9	2.8	3.7	4.6
Net income from continuing operations	**2.3**	**4.4**	**6.6**	**4.9**	**6.2**	**8.3**	**10.1**
Result from discontinued operations (net of tax)	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
Net income	**2.3**	**4.4**	**6.6**	**5.0**	**6.2**	**8.3**	**10.1**
Minority interest	0.0	0.1	0.3	0.5	0.8	0.9	1.0
Net profit (reported)	**2.3**	**4.2**	**6.3**	**4.5**	**5.4**	**7.4**	**9.1**
Average number of shares	8.4	8.4	8.4	8.4	8.4	8.4	8.4
EPS reported	**0.28**	**0.51**	**0.75**	**0.54**	**0.65**	**0.89**	**1.09**

Profit and loss (common size)	2020	2021	2022	2023	2024E	2025E	2026E
Net sales	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Increase/decrease in finished goods and work-in-process	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Total sales	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Other operating income	0.8 %	1.6 %	0.8 %	1.6 %	1.2 %	1.2 %	1.2 %
Material expenses	49.4 %	47.0 %	44.1 %	41.7 %	41.4 %	41.1 %	40.9 %
Personnel expenses	38.6 %	40.9 %	41.5 %	42.5 %	41.8 %	41.3 %	41.1 %
Other operating expenses	6.1 %	6.0 %	7.8 %	8.3 %	8.0 %	7.9 %	7.8 %
Total operating expenses	93.2 %	92.3 %	92.5 %	91.0 %	90.0 %	89.1 %	88.6 %
EBITDA	**6.8 %**	**7.7 %**	**7.5 %**	**9.0 %**	**10.1 %**	**10.9 %**	**11.4 %**
Depreciation	3.1 %	2.8 %	2.7 %	2.7 %	2.5 %	2.3 %	2.2 %
EBITA	**3.7 %**	**4.9 %**	**4.7 %**	**6.3 %**	**7.6 %**	**8.6 %**	**9.2 %**
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	1.1 %	0.7 %	0.8 %	1.3 %	1.7 %	1.6 %	1.5 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT (inc revaluation net)	**2.6 %**	**4.3 %**	**3.9 %**	**5.0 %**	**5.8 %**	**6.9 %**	**7.7 %**
Interest income	0.0 %	0.0 %	0.0 %	0.1 %	0.1 %	0.1 %	0.1 %
Interest expenses	0.1 %	0.1 %	0.2 %	1.0 %	1.5 %	1.4 %	1.4 %
Other financial result	0.0 %	-0.3 %	-2.0 %	0.4 %	0.0 %	0.0 %	0.0 %
Financial result	neg.	0.2 %	1.8 %	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	**2.4 %**	**4.5 %**	**5.7 %**	**3.7 %**	**4.5 %**	**5.6 %**	**6.4 %**
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	**2.4 %**	**4.5 %**	**5.7 %**	**3.7 %**	**4.5 %**	**5.6 %**	**6.4 %**
Tax rate	33.2 %	33.2 %	28.2 %	27.6 %	31.0 %	31.0 %	31.0 %
Net income from continuing operations	**1.6 %**	**3.0 %**	**4.1 %**	**2.7 %**	**3.1 %**	**3.9 %**	**4.4 %**
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	**1.6 %**	**3.0 %**	**4.1 %**	**2.7 %**	**3.1 %**	**3.9 %**	**4.4 %**
Minority interest	neg.	0.1 %	0.2 %	0.3 %	0.4 %	0.4 %	0.4 %
Net profit (reported)	**1.6 %**	**2.9 %**	**3.9 %**	**2.4 %**	**2.7 %**	**3.5 %**	**4.0 %**

Source: Company data, Hauck Aufhäuser Investment Banking

Balance sheet (EUR m)	2020	2021	2022	2023	2024E	2025E	2026E
Intangible assets	**13.5**	**12.4**	**37.6**	**47.6**	**45.2**	**42.1**	**39.0**
Property, plant and equipment	13.7	11.9	13.4	13.0	11.0	10.0	10.0
Financial assets	9.2	10.7	20.8	22.1	22.1	22.1	22.1
FIXED ASSETS	**36.4**	**35.0**	**71.8**	**82.7**	**78.2**	**74.1**	**71.0**
Inventories	0.0	0.0	0.1	0.1	0.0	0.0	0.0
Accounts receivable	14.6	24.7	26.0	35.4	39.3	42.2	45.7
Other current assets	5.2	5.8	8.2	10.3	10.3	10.3	10.3
Liquid assets	26.1	26.4	19.9	24.3	31.0	39.8	48.9
Deferred taxes	1.3	0.9	1.0	0.8	0.8	0.8	0.8
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	47.1	57.8	55.2	71.0	81.4	93.2	105.7
TOTAL ASSETS	**83.4**	**92.8**	**127.0**	**153.6**	**159.6**	**167.3**	**176.8**
SHAREHOLDERS EQUITY	42.1	42.9	42.8	42.3	47.4	54.5	63.3
MINORITY INTEREST	0.7	0.8	2.0	2.7	2.7	2.7	2.7
Long-term debt	12.0	10.6	13.7	51.5	51.5	51.5	51.5
Provisions for pensions and similar obligations	1.6	1.4	0.8	0.9	0.9	0.9	0.9
Other provisions	1.2	0.5	0.6	1.3	1.3	1.3	1.3
Non-current liabilities	**14.8**	**12.5**	**15.2**	**53.7**	**53.7**	**53.7**	**53.7**
short-term liabilities to banks	0.0	0.0	21.4	0.0	0.0	0.0	0.0
Accounts payable	3.3	6.0	11.2	13.2	14.1	14.7	15.3
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	22.7	30.6	31.7	38.4	38.4	38.4	38.4
Deferred taxes	0.0	0.0	2.8	3.3	3.3	3.3	3.3
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	**26.0**	**36.6**	**67.1**	**54.9**	**55.8**	**56.4**	**57.0**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**83.4**	**92.8**	**127.0**	**153.6**	**159.6**	**167.3**	**176.8**

Balance sheet (common size)	2020	2021	2022	2023	2024E	2025E	2026E
Intangible assets	**16.2 %**	**13.4 %**	**29.6 %**	**31.0 %**	**28.3 %**	**25.1 %**	**22.0 %**
Property, plant and equipment	16.4 %	12.8 %	10.5 %	8.5 %	6.9 %	6.0 %	5.7 %
Financial assets	11.0 %	11.6 %	16.4 %	14.4 %	13.8 %	13.2 %	12.5 %
FIXED ASSETS	**43.6 %**	**37.7 %**	**56.5 %**	**53.8 %**	**49.0 %**	**44.3 %**	**40.2 %**
Inventories	0.0 %	0.0 %	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %
Accounts receivable	17.5 %	26.6 %	20.5 %	23.1 %	24.6 %	25.3 %	25.9 %
Other current assets	6.2 %	6.3 %	6.4 %	6.7 %	6.5 %	6.2 %	5.8 %
Liquid assets	31.2 %	28.4 %	15.7 %	15.8 %	19.4 %	23.8 %	27.7 %
Deferred taxes	1.5 %	1.0 %	0.8 %	0.5 %	0.5 %	0.5 %	0.4 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
CURRENT ASSETS	56.4 %	62.3 %	43.5 %	46.2 %	51.0 %	55.7 %	59.8 %
TOTAL ASSETS	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
SHAREHOLDERS EQUITY	50.4 %	46.2 %	33.7 %	27.6 %	29.7 %	32.6 %	35.8 %
MINORITY INTEREST	0.8 %	0.8 %	1.5 %	1.7 %	1.7 %	1.6 %	1.5 %
Long-term debt	14.4 %	11.5 %	10.8 %	33.5 %	32.3 %	30.8 %	29.1 %
Provisions for pensions and similar obligations	1.9 %	1.5 %	0.7 %	0.6 %	0.5 %	0.5 %	0.5 %
Other provisions	1.4 %	0.5 %	0.5 %	0.9 %	0.8 %	0.8 %	0.8 %
Non-current liabilities	**17.7 %**	**13.5 %**	**11.9 %**	**35.0 %**	**33.6 %**	**32.1 %**	**30.4 %**
short-term liabilities to banks	0.0 %	0.0 %	16.8 %	0.0 %	0.0 %	0.0 %	0.0 %
Accounts payable	3.9 %	6.5 %	8.8 %	8.6 %	8.8 %	8.8 %	8.7 %
Advance payments received on orders	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other liabilities (incl. from lease and rental contracts)	27.2 %	32.9 %	25.0 %	25.0 %	24.1 %	23.0 %	21.7 %
Deferred taxes	0.0 %	0.0 %	2.2 %	2.1 %	2.0 %	2.0 %	1.8 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Current liabilities	**31.1 %**	**39.5 %**	**52.8 %**	**35.7 %**	**35.0 %**	**33.7 %**	**32.3 %**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**

Source: Company data, Hauck Aufhäuser Investment Banking

Cash flow statement (EUR m)	2020	2021	2022	2023	2024E	2025E	2026E
Net profit/loss	2.3	4.4	6.6	5.0	6.2	8.3	10.1
Depreciation of fixed assets (incl. leases)	6.0	5.0	4.5	5.0	5.0	5.0	5.0
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	1.4	2.4	3.5	3.5	3.5
Others	0.9	-2.9	-4.2	-2.1	0.0	0.0	0.0
Cash flow from operations before changes in w/c	9.1	6.5	8.2	10.3	14.7	16.8	18.6
Increase/decrease in inventory	0.2	0.0	0.0	0.0	0.1	0.0	0.0
Increase/decrease in accounts receivable	9.0	-11.4	-0.1	-9.8	-3.9	-2.9	-3.5
Increase/decrease in accounts payable	0.0	2.8	3.4	4.5	0.9	0.6	0.7
Increase/decrease in other working capital positions	-6.0	10.3	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	3.2	1.7	3.3	-5.3	-2.9	-2.4	-2.8
Cash flow from operating activities	**12.3**	**8.2**	**11.5**	**4.9**	**11.8**	**14.4**	**15.9**
CAPEX	0.8	0.6	1.3	1.4	3.4	4.4	5.4
Payments for acquisitions	0.1	0.0	27.9	8.0	0.7	0.0	0.0
Financial investments	0.0	0.3	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	1.2	0.0	0.0	0.0
Cash flow from investing activities	**-0.9**	**-0.9**	**-29.2**	**-8.2**	**-4.1**	**-4.4**	**-5.4**
Cash flow before financing	11.4	7.3	-17.7	-3.2	7.8	10.0	10.5
Increase/decrease in debt position	-3.5	-3.3	17.7	11.9	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	3.9	6.3	4.2	0.3	0.3	0.3
Others	-0.2	0.0	-0.5	-0.5	-0.8	-0.9	-1.0
Effects of exchange rate changes on cash	-0.1	0.2	0.3	0.0	0.0	0.0	0.0
Cash flow from financing activities	**-3.7**	**-7.2**	**10.9**	**7.2**	**-1.1**	**-1.2**	**-1.3**
Increase/decrease in liquid assets	7.6	0.3	-6.4	4.0	6.7	8.8	9.1
Liquid assets at end of period	**26.1**	**26.4**	**19.9**	**24.3**	**31.0**	**39.8**	**48.9**

Quarterly results (EUR m)	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024E	FY 2024E
Sales	**38.5**	**42.0**	**39.7**	**43.4**	**44.1**	**45.8**	**51.4**	**50.5**	**50.1**	**202.0**
Sales growth	9 %	22 %	-130 %	3 %	14 %	9 %	29 %	16 %	14 %	9 %
Gross profit	**21.0**	**23.9**	**20.8**	**25.3**	**26.0**	**25.8**	**30.6**	**29.1**	**29.5**	**118.4**
Gross profit margin	54.5 %	57.0 %	52.3 %	58.4 %	59.0 %	56.2 %	59.6 %	57.6 %	58.9 %	58.6 %
EBITDA	**2.7**	**2.8**	**4.0**	**1.6**	**4.2**	**3.7**	**7.2**	**3.1**	**5.0**	**20.3**
EBITDA margin	6.9 %	6.6 %	10.0 %	3.6 %	9.5 %	8.1 %	13.9 %	6.2 %	10.0 %	10.1 %
EBIT (inc revaluation net)	**1.5**	**1.5**	**1.9**	**0.0**	**2.6**	**2.0**	**4.6**	**1.2**	**3.0**	**11.8**
EBIT margin	3.9 %	3.5 %	4.7 %	0.0 %	5.9 %	4.3 %	9.0 %	2.5 %	6.0 %	5.8 %
EPS reported	**0.12**	**0.10**	**0.43**	**-0.02**	**0.21**	**0.10**	**0.25**	**0.03**	**0.23**	**0.65**

Source: Company data, Hauck Aufhäuser Investment Banking

Key ratios (EUR m)	2020	2021	2022	2023	2024E	2025E	2026E
P&L growth analysis							
Sales growth	-17.2 %	2.8 %	11.0 %	13.9 %	9.4 %	6.0 %	6.7 %
EBITDA growth	-63.9 %	17.5 %	7.4 %	37.3 %	22.1 %	15.0 %	11.4 %
EBIT growth	-71.2 %	71.7 %	1.2 %	46.2 %	28.0 %	25.7 %	17.9 %
EPS growth	-86.4 %	83.3 %	47.8 %	-28.4 %	21.2 %	36.1 %	23.3 %
Efficiency							
Total operating costs / sales	93.2 %	92.3 %	92.5 %	91.0 %	90.0 %	89.1 %	88.6 %
Sales per employee	196.3	209.3	209.8	210.6	222.0	231.8	242.1
EBITDA per employee	13.3	16.2	15.7	19.0	22.3	25.3	27.5
Balance sheet analysis							
Avg. working capital / sales	9.7 %	12.1 %	12.5 %	12.3 %	13.9 %	14.3 %	14.6 %
Inventory turnover (sales/inventory)	11,844.1	9,738.0	2,252.1	2,638.9	2,638.9	2,638.9	2,638.9
Trade debtors in days of sales	37.4	61.8	58.6	70.0	71.0	72.0	73.0
A/P turnover [(A/P*365)/sales]	8.4	15.1	25.1	26.1	25.5	25.0	24.5
Cash conversion cycle (days)	20.5	29.7	2.0	7.8	9.4	11.2	13.1
Cash flow analysis							
Free cash flow	11.5	7.6	10.2	3.5	8.4	10.0	10.5
Free cash flow/sales	8.1 %	5.2 %	6.3 %	1.9 %	4.2 %	4.7 %	4.6 %
FCF / net profit	494.9 %	178.6 %	162.1 %	78.6 %	154.8 %	135.2 %	114.4 %
Capex / depn	13.4 %	17.8 %	22.4 %	18.6 %	40.0 %	51.8 %	63.5 %
Capex / maintenance capex	53.8 %	86.2 %	69.3 %	106.5 %	60.0 %	80.0 %	100.0 %
Capex / sales	0.6 %	0.6 %	0.8 %	0.7 %	1.7 %	2.1 %	2.4 %
Security							
Net debt	-14.0	-15.7	15.1	27.2	20.5	11.7	2.6
Net Debt/EBITDA	0.0	0.0	1.2	1.6	1.0	0.5	0.1
Net debt / equity	neg.	neg.	0.4	0.6	0.4	0.2	0.0
Interest cover	18.0	38.7	16.9	5.0	3.8	4.8	5.7
Dividend payout ratio	169.6 %	147.7 %	66.6 %	7.4 %	6.1 %	4.5 %	3.7 %
Asset utilisation							
Capital employed turnover	2.5	2.6	2.0	1.9	1.9	1.9	1.9
Operating assets turnover	5.7	4.8	5.7	5.2	5.6	5.7	5.7
Plant turnover	10.4	12.3	12.1	14.2	18.4	21.4	22.9
Inventory turnover (sales/inventory)	11,844.1	9,738.0	2,252.1	2,638.9	2,638.9	2,638.9	2,638.9
Returns							
ROCE	10.7 %	11.0 %	9.2 %	10.2 %	11.7 %	13.8 %	15.2 %
ROE	5.5 %	9.9 %	14.7 %	10.6 %	11.5 %	13.6 %	14.4 %
Other							
Interest paid / avg. debt	1.7 %	1.4 %	1.6 %	4.2 %	6.0 %	6.0 %	6.0 %
No. employees (average)	724	698	773	877	910	924	944
Number of shares	8.4	8.4	8.4	8.4	8.4	8.4	8.4
DPS	0.5	0.8	0.5	0.0	0.0	0.0	0.0
EPS reported	0.28	0.51	0.75	0.54	0.65	0.89	1.09
Valuation ratios							
P/BV	2.3	2.8	3.0	3.3	2.1	1.8	1.6
EV/sales	0.6	0.7	0.9	0.9	0.6	0.5	0.4
EV/EBITDA	8.6	9.3	11.9	10.0	5.9	4.8	3.9
EV/EBITA	15.8	14.4	18.7	14.3	7.8	6.1	4.9
EV/EBIT	22.7	16.7	22.8	18.0	10.2	7.5	5.8
EV/FCF	7.2	13.7	14.1	47.0	14.2	11.1	9.8
Adjusted FCF yield	7.5 %	6.7 %	5.3 %	7.7 %	12.0 %	15.4 %	19.3 %
Dividend yield	4.1 %	5.3 %	3.3 %	0.2 %	0.3 %	0.3 %	0.3 %

Source: Company data, Hauck Aufhäuser Investment Banking

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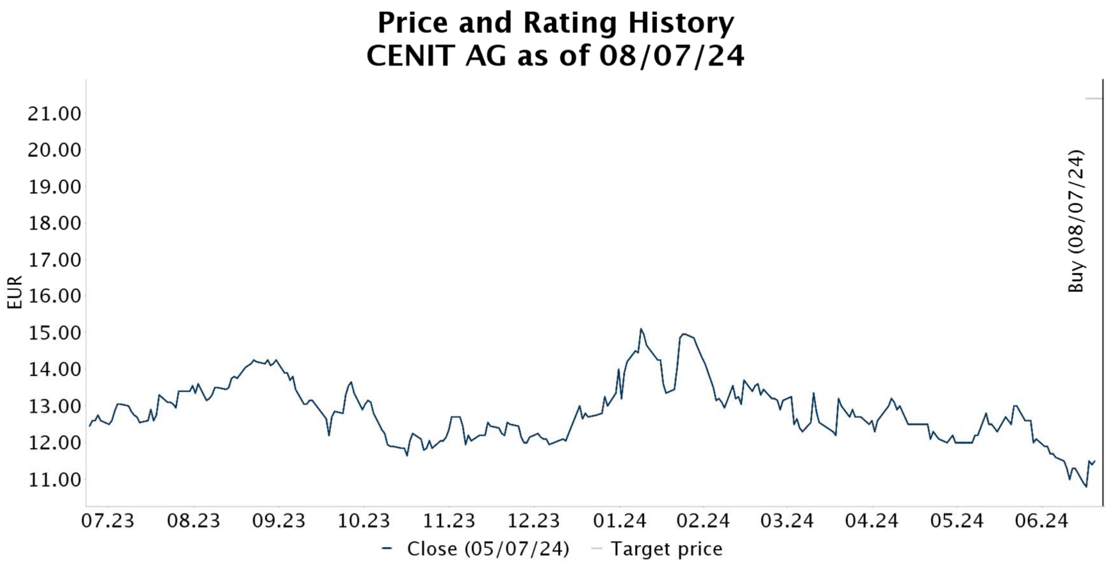
Company	Disclosure
CENIT AG	6, 8

Historical target price and rating changes for CENIT AG in the last 12 months



Initiation coverage
08-July-24

Company	Date	Analyst	Rating	Target price	Close

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