

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

Restructuring will impact earnings in 2024; 2025 financial year will be a year of transition; growth impetus expected in 2026

Industry: Software

Focus: Consulting and software specialist

Foundation: 1988

Employees: 1,002 (30/09/2024)

Company headquarters: Stuttgart

Management Board: Peter Schneck, Axel Otto

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 930 employees. They work for customers in the automotive, aerospace, mechanical engineering, tool and mould making, financial services, trade and consumer goods sectors, among others.

in € million	31.12.23	31.12.2024e	31.12.2025e	31.12.2026e
Turnover	184.72	207.00	228.43	244.42
EBITDA	16.41	17.00	19.52	26.84
EBIT	9.22	7.30	8.02	15.44
Net income	4.50	2.60	3.06	7.66
Earnings per share	0.54	0.31	0.37	0.92
Dividend per share	0.04	0.00	0.10	0.25
EV/sales	0.40	0.36	0.33	0.30
EV/EBITDA	4.54	4.38	3.82	2.78
EV/EBIT	8.08	10.21	9.29	4.82
KGV	14.05	24.33	20.63	8.25
KBV	1.40			

Investment Case

- Preliminary sales of € 207 million are in line with the guidance adjusted in October 2024 (€ 205 - 210 million). However, the EBITDA guidance (€ 17.9 - 18.4 million) was narrowly missed with preliminary EBITDA of around € 17 million.
- Ongoing restructuring of the organisation was already partially reflected in provisions in the 2024 financial year. This resulted in a weaker than expected earnings performance.
- The current financial year 2025 is to be regarded as a transitional year as it is characterised by the ongoing restructuring. Extraordinary expenses in the amount of approx. 4 million (GBC estimate) are likely to have a negative impact on the operating result.
- Even if no further inorganic growth is expected, CENIT AG should achieve a further jump in sales. Due to the first full-year inclusion of Analysis Prime, we expect sales to increase to € 228.43 million (FY 2024: € 207 million). Due to extraordinary expenses, EBIT is likely to increase only slightly to € 8.02 million (FY 2024: € 7.3 million).
- Stronger sales growth and a significant improvement in earnings following the completion of the restructuring programme are likely to characterise the coming 2026 financial year.
- New price target of € 19.00 (previously € 22.00) determined, rating: BUY

Rating: BUY

Target price: € 19.00 (old: € 22.00)

Share and master data



Share price (closing 25.02.25)	7.55 EUR
Stock exchange	XETRA
ISIN	DE0005407100
WKN	540710
Number of shares (in millions)	8.368
MCap (in EURm)	63.18
Enterprise value (in EURm)	74.50
Transparency level	Prime Standard
Market segment	Regulated market
End of FY	31.12
Accounting	IFRS

Shareholder structure

Primepulse	28.1%
Institutional investors	9.1%
Management Board	0.7%
Free Float	62.1%

Financial dates

10.04.25	Annual Report 2024
14.05.25	Q1 figures 2025
04.06.25	Annual General Meeting
01.08.25	HJ Report 2025
04.11.25	Q3 figures 2025

Analysts

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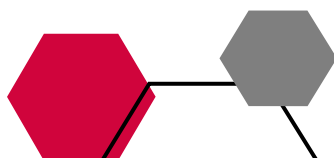
Last GBC Research

Date: Publication / Target price in EUR / Rating
 07.11.24: RS / 22.00 EUR / BUY
 05.08.24: RS / 24.15 EUR / BUY
 15.05.24: RS / 20.55 EUR / BUY
 11.04.24: RS / 20.55 EUR / BUY
 ** The research studies listed above can be viewed at www.gbc-ag.de

Completion: 26.02.2025 (08:14 am)
First transfer: 26.02.2025 (10:00 am)

Validity of the price target: until 31 December 2025 at the latest

* Catalogue of possible conflicts of interest on p7



PRELIMINARY FIGURES FOR 2024

in € million	FY 2024	FY 25e (old)	FY 25e (new)	FY 26e (old)	FY 26e (new)
Sales revenue	207.0*	228.43	228.43	250.08	244.42
EBITDA	17.0*	24.02	19.52	31.41	26.84
EBIT	7.3*	12.52	8.02	20.01	15.44
JÜ	2.6	5.70	3.06	10.86	7.66

Source: CENIT AG; GBC AG; *according to preliminary figures

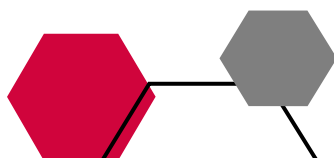
According to initial preliminary figures, CENIT AG generated sales of around € 207 million in the past fiscal year and is thus in the middle of the sales guidance adjusted in October 2024 (€ 205 million - € 210 million). However, with preliminary EBITDA of around € 17 million (previous year: € 16.41 million), the EBITDA guidance (€ 17.9 million - € 18.4 million) was not met. At the end of October 2024, CENIT's management had already lowered its earnings expectations for the fourth quarter of 2024. This was against the backdrop of a cyclical weakness in demand in the Automotive segment, which is responsible for around 30% of total sales. In addition, CENIT AG was affected by lower call-offs from the aviation industry, so that overall the usual jump in earnings for the company in the fourth quarter was no longer foreseeable. The ongoing switch from one-time licences to SaaS revenues also made matters worse.

The fact that EBITDA is now below the guidance is due to the ongoing restructuring of the organisation, including the planned reduction in personnel. Some of the provisions required for this were already recognised in the 2024 financial year, which had a negative impact on earnings in advance. Similar to EBITDA, the preliminary EBIT of € 7.2 million to € 7.4 million is also below the guidance (€ 8.0 million to € 8.5 million).

With the publication of the 2024 Annual Report (10 April 2025), CENIT's management will publish guidance for the current 2025 financial year for the first time. The long-term target (CENIT 2030) could then be updated in the course of the year. In view of the fact that a new government has yet to be formed in Germany and possible tariff-related trade barriers, it is likely to be particularly difficult to provide meaningful guidance.

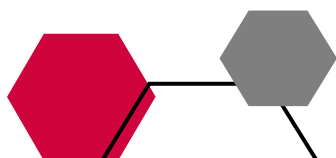
In the current 2025 financial year, CENIT AG should nevertheless report a visible increase in sales. The base effect from the first-time full-year consolidation of Analysis Prime, which was acquired in July 2024, should contribute to this in particular. Taking into account additional sales growth of the US subsidiary, Analysis Prime should make an additional sales contribution of around € 17.5 million in 2025 compared to the past financial year. Beyond this base effect, we expect CENIT AG to achieve only slight growth (approx. 2%), meaning that we anticipate total sales revenue of € 228.43 million. We assume that demand will largely move sideways, reflecting the current economic difficulties. For the current financial year 2025, we anticipate restructuring expenses of € 4 million and are therefore reducing our previous EBIT forecast to € 8.02 million (previously: € 12.52 million). The current financial year should be seen as a transitional year in which the high level of M&A activity to date is also likely to come to a standstill.

We are assuming higher organic growth momentum for 2026, but are slightly more cautious with a forecast turnover of € 244.42 million (previously: € 250.08 million). Although demand in the company's main customer sectors is currently weak, there are also rays of hope. For example, Dassault Systèmes has agreed long-term



partnerships with the Volkswagen Group and the BMW Group. CENIT AG could benefit significantly from this downstream, e.g. in the connection to the SAP landscape or in the context of consulting services. In addition, this could have a signaling effect on suppliers, enabling CENIT AG to generate direct sales. The operating result should also reflect the savings potential realised as part of the restructuring measures (GBC forecast: approx. € 5 m p.a.), so that we assume a jump in EBIT to € 15.44 m (previously: € 20.01 m).

As part of the DCF valuation model, we have determined a new price target of € 19.00 (old: € 22.00). The reduction of the price target results from the adjusted estimates for the financial years 2025 and 2026. We continue to assign a BUY rating.



VALUATION

Modelling assumptions

CENIT AG was valued by us using a three-stage DCF model. Starting with the specific estimates for the years 2024 to 2026 in phase 1, the forecast for 2027 to 2031 in the second phase is based on value drivers. We expect sales to increase by 2.5% (previously: 2.5%). We have assumed an EBITDA margin target of 12.5% (previously: 12.5%) due to the high-margin new additions. We have included the tax rate of 30.0% in phase 2. In the third phase, a residual value is also determined after the end of the forecast horizon using perpetuity. In the terminal value, we assume a growth rate of 2.5 % (previously: 2.5 %).

Determination of the cost of capital

The weighted average cost of capital (WACC) of CENIT AG is calculated from the cost of equity and the cost of debt. To determine the cost of equity, the fair market premium, the company-specific beta and the risk-free interest rate must be calculated.

The risk-free interest rate is derived from current yield curves for risk-free bonds in accordance with the recommendations of the IDW's Technical Committee for Business Valuations and Business Administration (FAUB). This is based on the zero bond interest rates published by the Deutsche Bundesbank using the Svensson method. To smooth out short-term market fluctuations, the average yields of the previous three months are used and the result is rounded to 0.25 basis points. The risk-free interest rate currently used is 2.50% (previously: 2.50%).

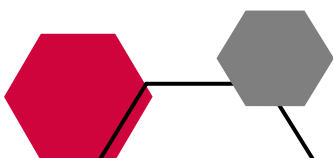
We use the historical market premium of 5.50 % as a reasonable expectation of a market premium. This is supported by historical analyses of equity market returns. The market premium reflects the percentage by which the equity market is expected to outperform low-risk government bonds.

According to the GBC estimation method, the current beta is 1.34.

Using the assumptions made, the cost of equity is calculated at 9.85% (previously: 9.85%) (beta multiplied by risk premium plus risk-free interest rate). As we assume a sustainable weighting of equity costs of 95%, the weighted average cost of capital (WACC) is 9.46% (previously: 9.46%).

Valuation result

The reduced forecasts for the financial years 2025 and 2026 provide a lower basis for the continuity phase of the valuation model. Therefore, the model result is reduced and we have determined a new price target of €19.00 (previously: €22.00). We continue to assign a BUY rating.



DCF MODEL

Phase	estimate		consistency						final
	FY 24e	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e	GJ 30e	FY 31e	
Turnover	207.00	228.43	244.42	250.53	256.79	263.21	269.79	276.54	
Sales growth	12.1%	10.4%	7.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
EBITDA	17.00	19.52	26.84	27.51	28.20	28.91	29.63	30.37	
EBITDA margin	8.2%	8.5%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	
EBITA	7.30	8.02	15.44	16.11	18.34	19.60	20.52	21.33	
EBITA margin	3.5%	3.5%	6.3%	6.4%	7.1%	7.4%	7.6%	7.7%	8.0%
NOPLAT	4.96	5.61	10.81	11.28	12.84	13.72	14.36	14.93	15.79
Working capital (WC)	7.50	8.00	9.50	9.74	9.98	10.23	10.49	10.75	
Fixed assets (OAV)	22.66	20.16	17.76	15.36	14.50	14.19	14.08	14.04	
Invested capital	30.16	28.16	27.26	25.10	24.48	24.42	24.57	24.79	
Return on investment	14.7%	18.6%	38.4%	41.4%	51.2%	56.0%	58.8%	60.8%	63.7%
EBITDA	17.00	19.52	26.84	27.51	28.20	28.91	29.63	30.37	
Taxes on EBITA	-2.34	-2.41	-4.63	-4.83	-5.50	-5.88	-6.16	-6.40	
Change OAV	-6.00	-9.00	-9.00	-9.00	-9.00	-9.00	-9.00	-9.00	
Change WC	-0.12	-0.50	-1.50	-0.24	-0.24	-0.25	-0.26	-0.26	
Investments in goodwill	-13.31	-2.89	0.00	0.00	0.00	0.00	0.00	0.00	
Free cash flow	-4.77	4.72	11.71	13.44	13.46	13.78	14.22	14.71	217.88

Development of capital costs

Risk-free return	2.50%
Market risk premium	5.50%
Beta	1.34
Cost of equity	9.85%
Target weighting	95.00%
Borrowing costs	3.00%
Target weighting	5.00%
Taxshield	26.43%
WACC	9.46%

Determination of fair value

	FY 24e	FY 25e
Value of operating business	174.24	186.01
Present value of explicit FCFs	58.55	59.36
Present value cont. value	115.69	126.64
Net debt	26.36	23.84
Value of equity	147.88	162.17
Minority interests	-2.90	-3.18
Value of the share capital	144.97	158.98
Outstanding shares in million	8.37	8.37
Fair value of the share in €	17.32	19.00

Sensitivity analysis

		WACC				
		8.5%	9.0%	9.5%	10.0%	10.5%
Return on in-vestment	53.7%	19.49	17.89	16.53	15.36	14.35
	58.7%	21.01	19.25	17.76	16.48	15.37
	63.7%	22.54	20.62	19.00	17.60	16.40
	68.7%	24.06	21.99	20.24	18.73	17.42
	73.7%	25.59	23.36	21.47	19.85	18.44

AN HANG

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OR

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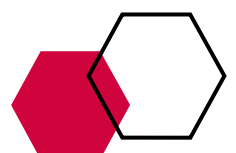
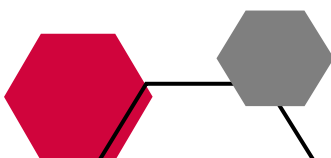
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The respective recommendations/ratings are associated with the following expectations:

BUY	The expected return, based on the determined target price, including dividends, within the corresponding time horizon is $\geq +10\%$.
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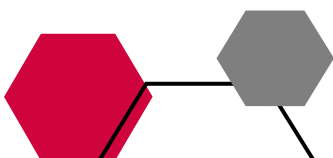
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The analysts responsible for this analysis are:

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Other person involved in this study:

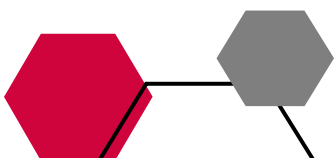
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