



## Research Report (Anno)

CENIT AG

**cenit**

- Inorganic growth picks up speed with acquisition of  
ISR Information Products AG -
- Significant profitability improvement in sight -
- Target price raised to € 20.60 -

**Target price: € 20.60**

**Rating: BUY**

**IMPORTANT NOTICE:**

Please note the disclaimer/risk notice  
as well as the disclosure of possible conflicts of interest pursuant to § 85 WpHG and Art. 20 MAR from page 23

Notice pursuant to MiFID II regulation for research "Minor Non-Monetary Contribution": This research meets the requirements for classification as "Minor Non-Monetary Contribution". For further information, please refer to the disclosure under "I. Research under MiFID II".

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Validity of the target price: until max. 31.12.2022

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

**Rating: BUY**

**Target price: €20.60**  
**(previously: €18.80)**

Current share price: 13.60  
11.04.2022 / XETRA / 5:36 pm

Currency: EUR

### Key data:

ISIN: DE0005407100

WKN: 540710

Ticker symbol: CSH

Number of shares<sup>3</sup>: 8,368

Market cap<sup>3</sup>: 113.97

Enterprise Value<sup>3</sup>: 95.05

<sup>3</sup>in million / in EUR million

Free float: 62.3

Transparency level:

Prime Standard

Market segment:

Regulated market

Accounting:

IFRS

Financial year: 31.12.

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\* Catalogue of possible conflicts of interest on page 24

### Company profile

Sector: Software

Focus: Consulting and software specialist

Employees: 922 Status: 13.04.2022

Foundation: 1988

Head office: Stuttgart

Executive Board: Peter Schneck, Dr Markus A. Wesel



CENIT has been successfully active as a leading consulting and software specialist for the optimisation of business processes in the fields of Digital Factory, Product Lifecycle Management (PLM), SAP PLM, Enterprise Information Management (EIM) and Application Management Services (AMS) for over 33 years. Standard solutions from strategic partners such as DASSAULT SYSTEMES, SAP and IBM are supplemented by CENIT's own established software developments. These include the FASTSUITE product family for software solutions in the digital factory sector, cenitCONNECT for processes around SAP PLM, cenitSPIN as a powerful PLM desktop, CENIT ECLISO for efficient information management and ECM Systemmonitor for monitoring IBM ECM applications. The company is represented worldwide at 26 locations in nine countries with over 920 employees. They work for customers in the automotive, aerospace, mechanical engineering, tool and mould making, financial services, trade and consumer goods sectors, among others.

P&L in EUR million \ FY-end	31.12.2021	31.12.2022e	31.12.2023e	31.12.2024e
Revenues	146.07	175.53	193.09	212.40
EBITDA	11.28	15.20	18.78	24.12
EBIT	6.23	10.15	13.84	19.29
Net profit for the year	4.25	6.14	8.55	12.24

Key figures in EUR				
Earnings per share	0.51	0.73	1.02	1.46
Dividend per share	0.75	0.50	0.70	1.00

Key figures				
EV/turnover	0.65	0.54	0.49	0.45
EV/EBITDA	8.43	6.25	5.06	3.94
EV/EBIT	15.25	9.36	6.87	4.93
KGV	26.81	18.55	13.32	9.31
KBV	2.61			

Financial dates
03.04.05.2022: MKK
11.05.2022: Q1 figures 2022
20.05.2022: Annual General Meeting
02.08.2022: Half-year figures 2022
03.11.2022: 9-month figures 2022

**last research from GBC:
Date: Publication / Target price in EUR / Rating
11.11.2021: RS / 18.80 / BUY
06.08.2021: RS / 18.80 / BUY
17.05.2021: RS / 17.80 / BUY
12.04.2021: RS / 17.80 / BUY
09.11.2020: RS / 16.40 / BUY

\*\* the research reports can be found on our website [www.gbc-ag.de](http://www.gbc-ag.de) or can be requested at GBC AG, Halderstr. 27, D-86150 Augsburg

## EXECUTIVE SUMMARY

- On 3 April 2022, CENIT AG announced its first company acquisition since 2017 with the majority acquisition (74.9%) of ISR Information Products AG. The Braunschweig-based company specialises in analytics and process digitalisation and will strengthen CENIT AG's EIM division in the future. With the addition of around 200 ISR employees, CENIT AG, which will then have 300 experts, will advance to become a leading DACH provider in the field of information management and document logistics. At the same time, the ISR acquisition will increase their sales and earnings level (consolidation date: 01.01.2022). According to preliminary figures, ISR generated revenues of € 22.8 million and EBIT of € 3.2 million (EBIT margin: 14.0 %) in the 2021 financial year.
- Before the ISR acquisition, CENIT AG had achieved an increase in sales of 2.8 % to € 146.07 million (previous year: € 142.13 million) in the past business year. In-house software sales grew particularly strongly, increasing by 11.1 % to € 17.69 million (previous year: € 15.93 million). This contrasts with a less dynamic development in sales of third-party software (+1.3 % to € 88.54 million) and in consulting revenues (+3.5 % to € 39.82 million). This is primarily due to the pandemic effects, which had a particularly strong impact on the aviation, automotive and mechanical engineering sectors addressed by CENIT AG in this area. The increase in high-margin proprietary software sales caused EBIT to rise disproportionately by 71.7 % to € 6.23 million (previous year: € 3.63 million). According to guidance, the CENIT management had expected an EBIT of € 4.90 million.
- Following the acquisition of ISR Information Products AG, the CENIT Executive Board has raised the guidance published in the annual report. Currently, sales of approx. € 170 million and an EBIT of approx. € 9 million are expected. The "CENIT 25" agenda was also confirmed, according to which a total turnover level of € 300 million and an EBIT margin of 8 - 10 % are to be achieved by 2025. An essential aspect of this agenda is inorganic growth. After the ISR acquisition, new acquisitions are to be made regularly in the coming business years.
- In addition, the company plans to further strengthen partnerships with Dassault, SAP and IBM, address new industries, and strengthen collaboration between the five business units. On this basis, organic growth should also progress. We have taken this into account in our forecasts and expect revenues of €175.53 million for the current financial year 2022. In 2023, revenues should increase to €193.09 million and in 2024 to €212.40 million. With the acquisition of ISR, group profitability should increase visibly. By 2024, our last concrete estimation period, the EBIT margin should grow organically to 8.0 %. Together with ISR, however, we calculate an EBIT margin of 9.1%.
- Within the framework of our DCF valuation model, we have determined a new target price of €20.60 (previously: €18.80). The increase in the target price is exclusively a consequence of the higher estimates following the acquisition of ISR Information Products AG. The positive effects from the higher estimates, which we have offset against a liquidity outflow of € 25.80 million (purchase price less acquired liquidity), outweigh the negative effects. We continue to assign the rating BUY.

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## ESG/SUSTAINABILITY CHECK

In addition to the increasing regulatory aspects (keyword: EU Taxonomy, Financial Reporting Regulation, etc.), the topic of sustainability has another, no less important dimension for CEOs: Today, sustainability and transparency play a decisive role for the valuation of a company on the capital market and are decisive for the investment decisions of institutional investors - both for shares and bonds. Against this background, we have subjected **CENIT AG** to a sustainability check on the basis of our standardised and proprietary sustainability questionnaire in order to create a company-specific ESG profile and to examine concrete sustainability-oriented corporate activities.

**ESG profile:** Sustainability-oriented activities of the company (based on responses to the GBC sustainability questionnaire)

### E - Contribution to environmental and climate protection

- ❖ As a system integrator of sustainable software products in the area of Product Life-cycle Management (PLM), CENIT AG contributes to supporting customers in the areas of compliance, sustainability and social impact and to sustainably improving the performance of companies.
- ❖ Application of energy efficiency systems/energy efficiency concepts and conversion of IT equipment to green IT hardware equipment.
- ❖ Back-office activities are carried out paperless (keyword: waste reduction)
- ❖ Conversion of the company vehicle fleet to e-mobility (electric cars + e-bikes)
- ❖ Application of special recycling processes in the sense of the circular economy

### S – Measures for a sustainable working environment and staff development

- ❖ Social commitment is an integral part of CENIT's corporate culture "People for People": Since 2013, the company has organised external and internal aid projects under the umbrella of the CENIT Cares Initiative.
- ❖ Continuing education: wide range of free training and education opportunities, such as IT advanced training or language courses for employees (Developer / Innovation Days)
- ❖ Child support such as kindergarten allowance or childcare allowance
- ❖ Flexitime / flexible working hours
- ❖ Part-time positions for employees with children
- ❖ Home office / remote work
- ❖ Health offers such as back training programmes or stress seminars
- ❖ Regular health checks

### G – Corporate Governance (Sustainable Corporate Governance)

- ❖ CENIT is fully committed to the 10 principles of the UN Global Compact.
- ❖ Environmental and climate protection is anchored in the corporate philosophy: reduction of CO2 emissions and targeted use of resources such as water and electricity, whereby CENIT makes a targeted and sustainable contribution to improving environmental and climate protection.
- ❖ Continuous investments in technologies/digitisation, employees, improvement of energy efficiency systems.
- ❖ Consideration of sustainability aspects as an integral part of the corporate philosophy and strategic orientation of business activities in the context of digital transformation
- ❖ Implementation of sustainable corporate governance



**CENIT AG is a globally active software and process consulting company and offers products and services in the areas of product lifecycle management (PLM), enterprise information management (EIM) and consulting. In this context, the company, as an IT service provider, carries out processes in an efficient, environmentally friendly and resource-saving manner and supports its customers sustainably in the area of process optimisation. Sustainable handling and use of resources is the basis for the company's success. The consideration of climate protection and the promotion of energy-efficient and resource-saving process design, in the sense of sustainability, is one of the elementary fields of action of the company.**

### **SDG Reference: Company-specific contribution to the 17 UN Sustainable Development Goals (extract)**

CENIT AG makes a significant contribution to the goals: 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 and 17. Thus, the company actively contributes to the fulfilment of 11 of 17 UN sustainability goals. This clearly shows that the consideration of sustainability aspects is an essential part of the business model and the corporate strategy and that the topic of sustainability has an intrinsic value in the orientation of CENIT's business activities.



**IMPACT:** Through its business activities in the area of software and process consulting, CENIT AG, as a system integrator/innovator, makes a sustainable contribution to the digital transformation of business processes and thus makes a significant contribution to the three subsequent UN Sustainable Development Goals.

#### **4. quality education - "Ensure inclusive, equitable and quality education and promote lifelong learning opportunities for all".**



As a consulting and software company, employees (human capital) are the key asset of the company. Accordingly, the topic of education in the context of further education and training management as well as talent development enjoys a high priority. At CENIT, sustainable personnel development is essential for the company's long-term success. For this reason, the company has launched various personnel development programmes. Specifically, the programmes Leaders@CENIT (management development programme) and Talente@CENIT (junior staff development) were initiated. In this context, CENIT initiates educational programmes and further development measures, thereby making a significant contribution to Goal 4 of the UN Sustainable Development Goals.

### 9. industry, innovation and infrastructure - "Building resilient infrastructure, promoting inclusive and sustainable industrialisation and supporting innovation".



The company focuses on sustainability, innovation and digital continuity. With the help of the implementation of innovative software solutions from Dassault Systemes, CENIT supports its customers in turning the goal of sustainability into reality. Specifically, the products are tested by means of simulation using the innovative technology before actual production and all industrial processes in the product's value chain are optimised with the help of the 3DEXPERIENCE platform from Dassault Systems. In this way, CENIT is making a significant contribution to modernising industries (keyword: digital transformation) and positioning companies in a sustainability-oriented manner through innovation, as well as increasing the individual resilience of the companies (industry).

### 12 Sustainable consumption and production - "Ensuring sustainable consumption and production patterns".



As part of the digital transformation or digital continuity, CENIT is constantly pushing to optimise the production processes of customers and industry and to implement sustainability-oriented mechanisms. As a partner in the digital transformation, the company gains direct access to the production patterns of the companies and can align these in terms of sustainability and thus align the production processes in a resource-oriented and environmentally friendly way.

#### **GBC Sustainability Conclusion:**

In summary, CENIT AG addresses a total of 11 of the 17 UNESCO sustainability goals and thus makes an active contribution to their achievement. This ensures an investment in a sustainably operating company and is thus suitable for a sustainability-oriented (ESG-compliant) portfolio. CENIT thus offers potential investors the opportunity to actively invest in a system integrator and innovator in the context of digital transformation, taking sustainability aspects into account.

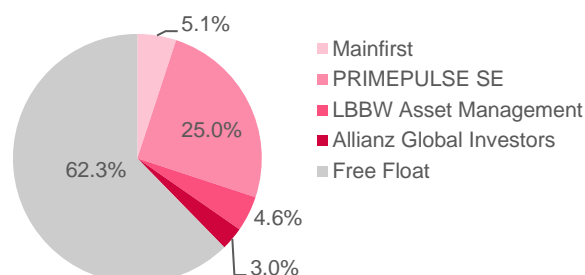


## COMPANY

### Shareholder structure

Mainfirst	5.05%
PRIMEPULSE SE	25.01%
LBBW Asset Management	4.61%
Allianz Global Investors	3.01%
<b>Free Float</b>	<b>62.32%</b>

Sources: CENIT AG; GBC AG



### Acquisition of ISR Information Products AG

On 3 April 2022, CENIT AG announced the acquisition of a majority stake in ISR Information Products AG (ISR for short), marking the first acquisition since the 2017 financial year.

ISR Information Products AG is a full-service provider for analytics and process digitalisation with headquarters in Braunschweig. With its product portfolio, which includes the business areas "Analytics & Insights", "SAP Information Management", "Digital Operations" and "Application Management", ISR supports customers in the design and implementation of analytical systems and digital end-to-end processes using cloud-based SaaS solutions. One such solution is "Buildsimple", an A.I. platform developed by ISR for the cloud distribution of document management solutions.

With the acquisition of ISR, CENIT AG's EIM division will be significantly expanded in terms of both personnel and operating figures. With the addition of around 200 ISR employees, CENIT AG, with a total of 300 experts, will advance to become a leading provider in the field of information management and document logistics in the German speaking region. In terms of customer acquisition, this partnership will allow us to address larger customers.

#### Key figures of ISR Information Products AG

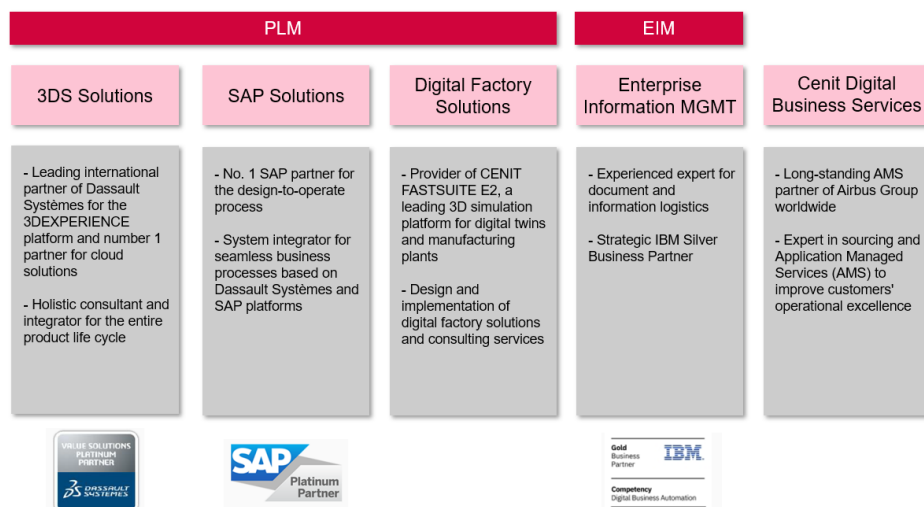
In € m	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021*	CAGR 16-21
Revenues	15.33	15.90	17.44	20.64	21.26	22.8	8.3 %
EBIT	0.23	0.91	1.90	2.66	2.46	3.2	69.8%
EBIT margin	1.5%	5.7%	10.9%	12.9%	11.6%	14.0%	

Sources: bundesanzeiger.de; CENIT AG; \*provisional figures

According to preliminary figures, ISR generated sales revenues of € 22.8 million and an EBIT of € 3.2 million (EBIT margin: 14.0 %) in the past business year. With the profitability significantly above the group-wide EBIT margin of the CENIT Group, CENIT should already show a general margin improvement at the time of consolidation (01.01.2022). The purchase price for 74.9% of the ISR shares amounts to € 28 million. We assume that ISR had cash and cash equivalents of € 2.10 million at the time of acquisition, so that a net outflow of liquidity of € 25.90 million can be assumed for CENIT AG. For the remaining 25.1%, CENIT will be granted pre-emption rights and purchase options and the sellers will be granted put options.



## Product segments



Sources: CENIT AG; GBC AG

The product range of CENIT AG can be divided into five business segments, which in turn are assigned to the two segments "PLM" and "EIM".

### **PLM (Product Lifecycle Management)**

In the PLM area, the company primarily acts as a partner and integrator of standard products from Dassault Systèmes and SAP in combination with industry-specific solutions of its own. PLM customers typically come from the manufacturing industry and use CENIT solutions to optimise business processes from product development to production. The use of PLM solutions enables the user to map business processes and product knowledge over the complete product life cycle and to digitally simulate the production process. This enables a better understanding of the company's processes. In addition to reducing downtimes and shortening the time to market, quality improvements can be achieved while at the same time saving costs. The main customer sectors in the PLM area are the automotive, aerospace, mechanical engineering and tool and mould making industries.

In this product segment, CENIT primarily acts as an integrated value-added reseller (VAR) of solutions from Dassault Systèmes, the largest provider of PLM solutions with a global market share of 33% (as of 2017). With the 2017 acquisition of Keonys, the largest reseller and integrator of Dassault PLM products in France, Belgium and the Netherlands, CENIT has advanced to become Dassault's largest VAR worldwide.

In addition to Dassault products, CENIT also offers its own FASTSUITE software, which, supplemented by partner software, covers the major part of the manufacturing process. The software support for these digital factories covers the areas of project planning, simulation and optimisation of manufacturing processes through to the programming of NFC and robot cells.

As a long-standing SAP consulting and development partner, CENIT enables the integration of the two product worlds of Dassault and SAP via its own concept and thus offers customers the freedom to use both platforms.

### ***EIM (Enterprise Information Management)***

An Enterprise Information Management system allows for the efficient capture, management, storage and provision of data and documents and serves to support organisational processes. The goal of implementing an EIM system is to create a uniform information platform in order to avoid data and document redundancy, to provide necessary information and to control processes. EIM solutions include various information technologies, such as document management, knowledge management, workflow management, etc.

In this product segment, CENIT offers consulting and integration services, which are supplemented by software solutions from market-leading software partners and its own solutions. After the acquisition of ISR Information Products AG, this business segment will be expanded to include its products and will experience a considerable increase in sales and earnings.

## MARKET AND MARKET ENVIRONMENT

### *Development of the ICT sector in Germany*

The effects of the corona crisis have also had a strong impact on the ICT industry over the past year. As in the first year of the pandemic, the trend towards digitisation was an important factor for industry development. According to a survey conducted by the industry association BITKOM, around half of the companies surveyed stated that they had implemented digitisation projects during the corona pandemic. At 64%, around two thirds of the companies also said that digital technologies had helped them to cope with the pandemic. For almost all companies (95%), the digitisation of business processes has become more important in the pandemic environment. Among other things, the increased use of home offices or the greater need for decentralised data availability played a major role here. Overall, the positive effects outweighed the negative ones, so that total market sales in 2021 in Germany rose by 3.9% to € 178.4 billion.

The ICT forecasts for the current 2022 business year must be seen against the background of the consequences of the Ukraine war, which have not yet been taken into account and cannot be foreseen. At the beginning of February 2022, Bitkom reported a renewed improvement in the business expectations of digital companies. Due to the high prevailing demand as well as the confidence that the supply bottlenecks will end soon, the Bitkom-ifo digital index had risen to 30 points at that time and was thus at the pre-corona level. For the current business year, an overall market increase of 3.6% is expected.

### *Focus on customer industries*

Overall, CENIT is thus part of a growing industry with its two business segments PLM and EIM. However, the industry focus in the PLM segment, which has higher sales, plays an important role here. In the past business year, CENIT also generated a significant share of its sales with customers from the automotive, manufacturing/mechanical engineering and aircraft construction sectors.

According to VDA data, there was initially a strong increase in new registrations in Europe in 2021, after a historic slump of -24% had been recorded in the first corona year. In the second half of the year, however, the shortage of semiconductors and shortages of other primary products and raw materials brought the recovery to a halt. For the year as a whole, the number of new registrations in Europe was even -1.5% below the already low value of the previous year. Although an increase in sales is expected for the current business year, this forecast was made before the war in Ukraine began.

Airbus Group, as an important CENIT customer and being mainly responsible for CENIT's aircraft construction revenues, was able to increase its delivery figures in the past business year. With a total of 611 commercial aircraft delivered, the previous year's figure was exceeded by around 8%. A look at the order book, which increased by 6.3% in value, indicates a continuing trend towards recovery. In guidance published before the start of the Ukraine war, the company expects a nearly 18% increase in deliveries in 2022.

After production figures in the German mechanical and plant engineering sector fell by -12.1% in 2020, growth of 6.4% occurred in 2021. However, the current year is likely to continue to be dominated by various crisis scenarios. According to the VDMA, the consequences of the Ukraine war are at the forefront, accompanied by risks such as inflation, new waves of pandemics and the China-USA dispute. For the current year, production is expected to increase by 4%, although this does not include extreme scenarios.

### ***PLM and EIM market***

Beyond the current crisis scenarios, however, CENIT AG with its two business segments, PLM and EIM, is a provider in a fundamentally strong growth market environment. The PLM segment continues to benefit from the increasing digitalisation of production processes. The most important drivers continue to be the increasing digitalisation in industry, which is benefiting from the widespread adoption of IoT applications and Industry 4.0 strategies. The increasing complexity of products and the realisation of the digital twin should provide additional growth. According to the report "Product Lifecycle Management (PLM) Software Market - Growth, Trends, COVID-19 Impact, and Forecasts (2021 - 2026)", the global PLM market is expected to grow dynamically at a CAGR of 6.9% from 2021 to 2026. According to data from the consultancy Quadrant Knowledge Solutions, the global PLM market had grown by +7.6% in 2019, before the corona crisis. Accordingly, the growth momentum achieved before the start of the pandemic is likely to continue.

The ever-increasing amounts of data generated each year provide the basis for dynamic growth in the EIM sector. According to estimates by the analysis company Technavio, the need for the introduction of EIM solutions is high, as they are used to structure, summarise and process the ever-increasing volumes of data. Between 2020 and 2024, the global EIM market is expected to grow extremely dynamically with a CAGR of about +19%.

Overall, CENIT AG is thus part of an industry environment that is fundamentally very strong in terms of growth and is characterised by long-term trends. However, the industry focus of CENIT's customers, most of whom were severely affected by the corona pandemic, could have a negative impact in the short term.

## CORPORATE DEVELOPMENT

### Key figures at a glance

Income statement (in € million)	FY 2020	FY 2021	FY 2022e	FY 2023e	FY 2024e
Revenues	142.13	146.07	175.53	193.09	212.40
Cost of materials	-70.27	-68.60	-74.68	-81.98	-90.18
<b>Gross profit</b>	<b>71.86</b>	<b>77.48</b>	<b>100.86</b>	<b>111.11</b>	<b>122.22</b>
Other operating income	0.83	2.40	2.50	2.40	2.40
Personnel expenses	-54.82	-59.69	-76.29	-81.94	-86.71
Depreciation	-5.96	-5.04	-5.05	-4.94	-4.83
Other operating expenses	-8.28	-8.91	-11.87	-12.79	-13.79
Interest result	-0.20	0.28	-0.29	-0.41	-0.41
<b>EBT</b>	<b>3.43</b>	<b>6.51</b>	<b>9.86</b>	<b>13.43</b>	<b>18.88</b>
Taxes	-1.14	-2.16	-3.14	-4.20	-5.85
Minority interests	0.03	-0.10	-0.58	-0.68	-0.79
<b>After-tax result</b>	<b>2.32</b>	<b>4.25</b>	<b>6.14</b>	<b>8.55</b>	<b>12.24</b>
EBITDA	9.59	11.28	15.20	18.78	24.12
in % of sales revenue	6.8%	7.7%	8.7%	9.7%	11.4%
EBIT	3.63	6.23	10.15	13.84	19.29
in % of sales revenue	2.6%	4.3%	5.8%	7.2%	9.1%
Earnings per share in €	0.28	0.51	0.73	1.02	1.46
Dividend per share in €	0.47	0.75	0.50	0.70	1.00
Number of shares in millions	8.37	8.38	8.38	8.38	8.38

Sources: CENIT AG; GBC AG

## Business development 2021

in € m	FY 2018	FY 2019	FY 2020	FY 2021
Revenues	169.99	171.71	142.13	146.07
<i>thereof own software</i>	15.45	16.36	15.93	17.69
<i>thereof third-party software</i>	104.30	105.63	87.40	88.54
<i>thereof consulting/services</i>	49.78	49.49	38.49	39.82
EBIT	9.03	9.20	3.63	6.23
EBIT margin	5.3%	5.4%	2.5%	4.3%
Net profit for the year	5.95	6.87	2.32	4.25
EPS in €	0.71	0.82	0.28	0.51

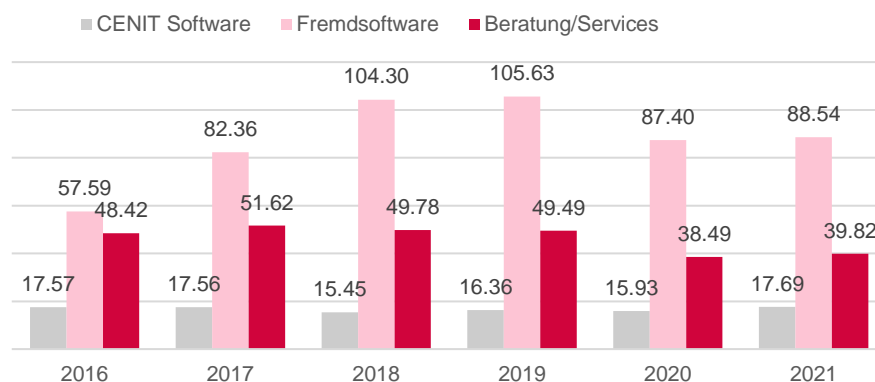
Sources: CENIT AG; GBC AG

### Revenue development 2021

In mid-March 2022, the CENIT management announced that due to the change in the accounting method, according to which third-party software licences are to be reported net (previously: gross), slightly lower sales revenues will be reported. The lower revenue has no effect on the company's earnings. At € 146.07 million, revenue has increased by 2.8% compared to the adjusted previous year's value of € 142.13 million. Compared to the company's previous guidance, in which revenues of € 152 million were expected, the actual turnover was lower. However, if the company had reported Dassault licence revenues gross, as it had in the past, the revenues of € 155.13 million would have been higher than the guidance.

The 2.8% increase in sales, or € 3.94 million in absolute terms, was primarily due to a noticeable increase in own-software sales. Sales of CENIT software increased by 11.1% to € 17.69 million (previous year: € 15.93 million), which is the best value in the company's history. In terms of total sales, the share of own-software further increased to 12.1% (previous year: 11.2%), which is above the company's target of at least 10%.

### Revenues development according to product groups (in € million)



Sources: CENIT AG; GBC AG

In contrast, sales of third-party software, i.e. primarily sales of Dassault and IBM software, increased only slightly by 1.3% to € 88.54 million (previous year: € 87.40 million). The only slight growth in this product area is mainly due to the still burdening effects of the corona pandemic. This is because CENIT customers who belong to the industries that were particularly affected by the pandemic are to be found here in particular. These include companies from the automotive, aerospace and mechanical engineering sectors.

With an increase in turnover of 3.5% to € 39.82 million (previous year: € 38.49 million), turnover in the consulting/services product area rose somewhat more dynamically in

comparison. This development reflects the first recovery effects, after this product area suffered particularly badly from the pandemic conditions in the 2020 financial year. According to company information, project enquiries have already been received, so that the recovery in consulting revenues should also continue in 2022.

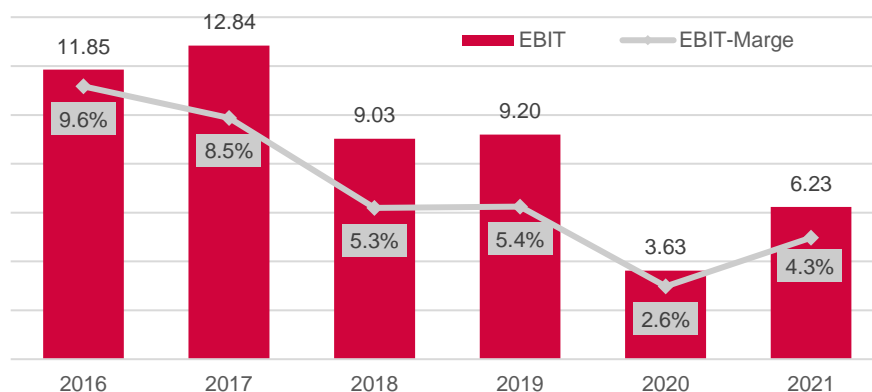
Overall, however, it is apparent that there is still a revenue gap compared to 2019, the last financial year before the start of the corona pandemic. While revenues from their own software are above the 2019 value, revenues from third-party software and consulting revenues are still significantly below the 2019 level due to the reasons mentioned.

The revenue analysis, separated according to the two reporting segments PLM and EIM, shows the special dynamics of the EIM segment. Since two large projects with insurance companies were won at the end of the 2021 financial year, the EIM segment shows a strong increase in turnover of 17.0% to € 16.02 million (previous year: € 13.69 million). The PLM segment primarily represents the third-party software business, which, as shown, was still affected by the corona pandemic. As a result, sales here grew much less dynamically at 1.3% to € 130.05 million (previous year: € 128.44 million).

### Development of results 2021

With an EBIT of € 6.23 million (previous year: € 3.63 million), the previous year's value was clearly exceeded by 71.7%. At the same time, the company's guidance, which had previously forecast an EBIT of € 4.90 million, was clearly exceeded. The same applies to our previous estimates (GBC estimate so far: € 5.22 million), which had also assumed a lower operating result.

#### EBIT (in € million) and EBIT margin (in %)



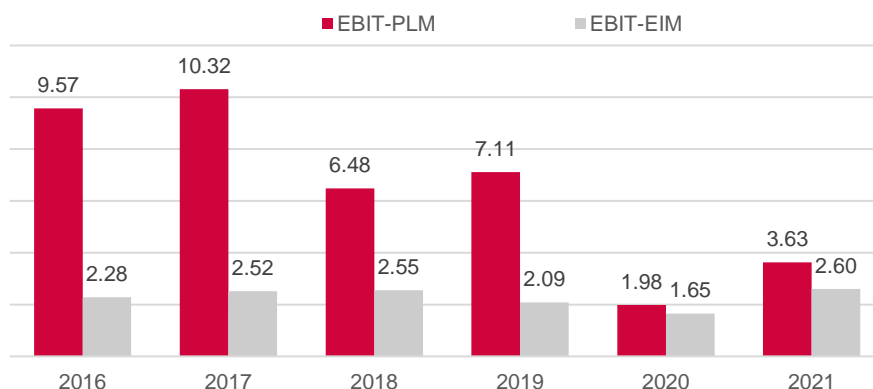
Sources: CENIT AG; GBC AG

The strong increase in EBIT is mainly a consequence of the strong expansion of the particularly high-margin proprietary software sales. This can be seen in the gross profit margin, which at 53.0% was visibly above the values of the previous financial years. Between 2018 and 2020, the gross profit margin averaged 50.3%, which was lower.

The separate segmental presentation of EBIT according to PLM and EIM shows that an increase in earnings was achieved in both segments. While the PLM segment achieved an EBIT increase of 83.4% to € 3.63 million (previous year: € 1.98 million), the EBIT growth in the EIM segment was 57.7 % to € 2.60 million (previous year: € 1.65 million). Due to the strong increase in turnover in the EIM segment, mainly from licence income, a new historical record was set for EBIT.



### EBIT development broken down by segments (in € million)



Sources: CENIT AG; GBC AG

A look at the development of costs below gross profit, i.e. personnel expenses, depreciation and other operating expenses, shows a disproportionate increase compared to turnover. With the achieved increase in Group turnover of 2.8%, these three cost blocks were in total 6.6% above the previous year's value. Although there were turnover-related cost increases, the effect of the significantly reduced costs in the 2020 business year is particularly visible here. Personnel expenses in the 2020 financial year, for example, were at a low level of € 54.82 million due to the use of short-time work. In 2021, personnel expenses returned to normal at € 59.69 million, although CENIT AG also received short-time working benefits of around € 1.39 million (previous year: € 2.71 million) in the past business year. In the current business year 2022, based on the current status, no further use will be made of short-time work.

Due to the financing structure of CENIT AG, which did not have any bank liabilities in the past business year, the interest result generally does not have a major impact on the pre-tax and after-tax result. In 2021, the interest result, which primarily includes expenses from leasing contracts, is also associated with only a minor burden on earnings at € -0.15 million (previous year: € -0.20 million). After deducting an unchanged tax rate of 33.2% (previous year: 33.2%), the after-tax result climbed by 83.3% to € 4.25 million (previous year: € 2.32 million). This provides a good basis for the planned increase in the dividend to € 0.75 (previous year: € 0.47).

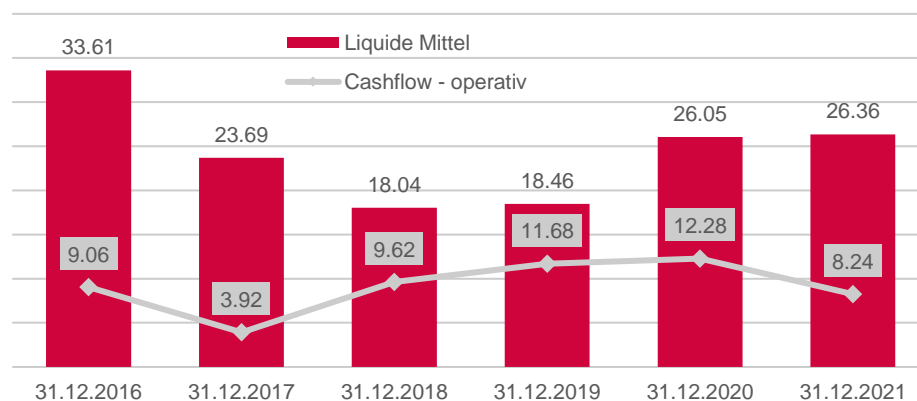
## Balance sheet and financial situation as at 31.12.2021

in € m	31.12.2018	31.12.2019	31.12.2020	31.12.2021
Equity	39.10	40.94	42.72	43.65
Equity ratio (in %)	49.4%	45.8%	51.2%	47.0%
Cash and cash equivalents	18.04	18.46	26.05	26.36
Working capital	4.71	6.47	2.28	3.76
Operating fixed assets	16.17	28.70	24.76	22.15
Cash flow (operating)	9.62	11.68	12.28	8.24
Cash flow (investment)	-3.83	-2.76	-0.90	-0.89
Cash flow (financing)	-8.52	-8.57	-3.70	-7.22

Sources: CENIT AG; GBC AG

As of 31 December 2021, the balance sheet of CENIT AG shows no significant changes. The CENIT balance sheet is characterised by above-average equity capitalisation on the liabilities side and a high level of liquid funds on the assets side. After deducting a dividend payment of € 3.93 million, the after-tax result caused equity to increase slightly to € 43.65 million (31.12.2020: € 42.72 million). The equity ratio, however, fell to 47.0% (31.12.2020: 51.2%), which is primarily due to an increase in the balance sheet. The increase in the balance sheet is mainly due to the expansion of trade receivables on the one hand and the increase in current liabilities on the other. The strong increase in business, especially towards the end of the financial year, led to this increase.

### Cash and cash equivalents and operating cash flow (in € million)



Sources: CENIT AG; GBC AG

There was no change to the ample liquidity with liquid funds amounting to € 26.36 million (31.12.2020: € 26.05 million). CENIT AG again generated a high operating cash flow of € 8.24 million (previous year: € 12.28 million) compared to the operating result. While the investment cash flow remained constant at € -0.89 million (previous year: € -0.90 million), the liquidity outflow in the financing area increased sharply to € -7.22 million (previous year: € -3.70 million). In the 2020 business year, no dividend payment was made for the 2019 business year after the CENIT management decided to suspend a dividend payment at the beginning of the corona crisis. In the past business year 2021, dividend payments of € 3.93 million were made again.

Furthermore, the extensive stock of liquid funds enables the company to take advantage of possible acquisition opportunities. After the balance sheet date, this has already been realised with the acquisition of ISR Information Products AG for a purchase price of around € 28 million.

## FORECAST AND VALUATION

In € m	FY 2021	FY 2022e	FY 2023e	FY 2024e
Revenues	146.07	175.53	193.09	212.40
EBIT	6.23	10.15	13.84	19.29
EBIT margin	4.3%	5.8%	7.2%	9.1%
Net profit for the year	4.25	6.14	8.55	12.24
EPS in €	0.51	0.73	1.02	1.46
Dividend in €	0.75	0.50	0.70	1.00

Source: GBC AG

### Acquisition of ISR Information Products AG

Inorganic growth is an important strategic component of CENIT AG and essential for achieving the CENIT 2025 target. The new Managing Board member Peter Schneck, who was previously also responsible for M&A as a DATAGROUP Managing Board member, had envisaged the annual acquisition of one to two companies. With the acquisition of 74.9% in ISR Information Products AG (ISR for short), CENIT AG has already fulfilled this target for the current financial year 2022 at an early stage.

ISR is a provider for analytics, process digitisation and application management, with a focus on document logistics and information management. Accordingly, ISR will strengthen CENIT's smaller EIM segment. At the product level, the product "Buildsimple" developed by ISR, a platform for the distribution of solutions in document management, is likely to be of great interest. High scalings can be achieved with it and there is the possibility of setting up CENIT products on this platform.

According to discussions with the CENIT management, the ISR acquisition is also a good addition at the customer level. While CENIT primarily addresses customers from the banking, insurance and finance sectors in the EIM area, ISR has customers from the retail sector and the public sector. Together with ISR, the EIM segment should also reach a critical size in terms of sales in order to be able to address larger customers or customers from the public sector in the future.

Finally, ISR, which employs slightly more than 200 people at six locations in Germany, strengthens the CENIT Group's workforce. Since a large part of ISR's business consists of consulting services, a significant part of the employees are likely to be consultants. Recently, CENIT AG has been focusing more on the expansion of the consulting team, as there was a high workload here in the past business year.

With the retroactive consolidation as of 01.01.2022, the sales revenues of the CENIT Group will increase significantly. According to preliminary figures, ISR generated a total of € 22.8 million and an EBIT of € 3.2 million (EBIT margin: 14.0%) in the past business year 2021. The following table shows ISR's key figures published in the bundesanzeiger.de up to the 2020 financial year.

#### Key figures of ISR Information Products AG

In € m	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021*	CAGR 16-21
Revenues	15.33	15.90	17.44	20.64	21.26	22.8	8.3 %
EBIT	0.23	0.91	1.90	2.66	2.46	3.2	69.8%
EBIT margin	1.5%	5.7%	10.9%	12.9%	11.6%	14.0%	
Cash flow	0.44	1.09	2.69	2.88	2.86	n.a.	
Equity	1.48	2.08	2.76	3.19	3.32	n.a.	
Cash and cash	0.14	1.35	1.95	2.53	2.10	n.a.	

Sources: bundesanzeiger.de; CENIT AG; \*according to preliminary figures

The purchase price of around € 28 million must be reduced by the amount of cash and cash equivalents. For the sake of simplicity, we use the known cash and cash equivalents of € 2.10 million as of 31 December 2020, so that the purchase price of ISR corresponds to an entity value of around € 26 million. The resulting multiple EV/EBIT of slightly under 10.0 is, in our opinion, attractive. According to our information, the company has no bank liabilities.

According to the company's announcement, the purchase price will only be partially paid from existing liquid assets. This makes sense as the company retains possible options for further acquisitions. Even though the extent of the bank financing has not been disclosed, we assume that most of the financing will come from outside capital. According to our expectations, about € 24 million should be financed through bank liabilities and thus only € 2 million through existing liquidity.

## Corporate strategy

As part of the presentation of the 2021 financial year figures, the new CENIT Executive Board member Peter Schneck presented the corporate goals broken down to the five business units, which still keep the "CENIT 2025" agenda in mind. In the PLM area (3DS Solutions, SAP Solutions, and Digital Factory Solutions), for example, the aim is to further strengthen the partnership with Dassault, SAP or IBM in order to become the most important partner in each of the areas addressed by CENIT AG. For example, it is planned to coordinate sales concepts with the three product providers or to achieve a stronger integration of CENIT products. In addition, CENIT AG could increasingly benefit from having a connection in both product worlds as a "hinge" between Dassault and SAP. For example, CENIT AG aims to be the only supplier in the PLM sector worldwide that is listed on the price lists of both Dassault and SAP.

The CENIT Executive Board is also planning a broader customer base across all business units in order to be less dependent on individual industries in the future. An example of this is the CENIT Digital Business Services unit, where Airbus is the only customer. Although a major order was won by Airbus in this area at the beginning of 2022, further customers are to be added in the future.

In addition, cooperation between the five business units is to be strengthened. The goal here is to leverage synergies in the area of know-how and to realise cross-selling potentials.

Together with the inorganic corporate strategy, within the framework of the CENIT 25 agenda until 2025, sales revenues of approx. € 300 million, an own software share of over 10% and a long-term EBIT margin of between 8 - 10% are targeted.

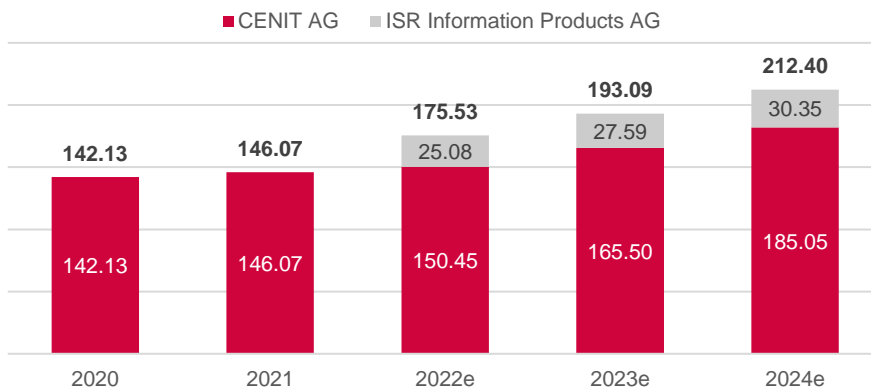
## Revenue and earnings forecasts 2022 - 2024

Following the acquisition of ISR, the CENIT management has raised its forecasts for the current business year 2022. The current forecast is for sales of approximately € 170 million (previously: around € 150 million) and an EBIT of around € 9 million (previously: around € 6.7 million).

According to our estimates, CENIT AG's organic sales growth should be 3.0%, in line with the company's expectations, and rise to 10.0% in the next two financial years. In parallel, we expect ISR, which had reported a CAGR of 10.4% in revenue between 2016 and 2019, i.e. before the start of the corona pandemic, to increase its revenue by 10% in each case.

Any synergy effects or cross-selling potentials are not yet fully included in our assumptions.

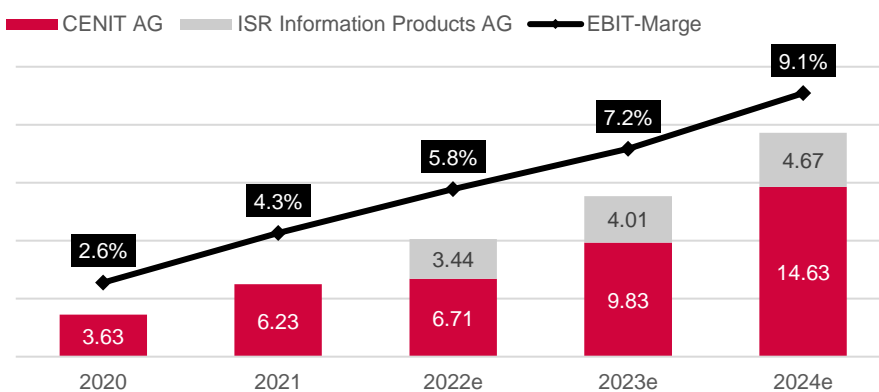
**Revenue forecast 2022 - 2024 (in € million)**



Source: GBC AG

Organically, the CENIT management is aiming for an EBIT margin of between 8 - 10 % in the medium term due to a further increase in proprietary software sales and the expected margin improvement in the PLM area (improvement of the "standing"). With the acquisition of ISR, which with an EBIT margin of 14.0 % has a significantly higher profitability than the CENIT Group, this target set for the 2025 business year should be reached early on. By 2024, our last concrete estimation period, the EBIT margin should grow organically to 8.0 %. Together with ISR, however, the EBIT margin should rise to 9.1 %:

**Forecast EBIT (in € million) and EBIT margin (in %) 2022 - 2024**

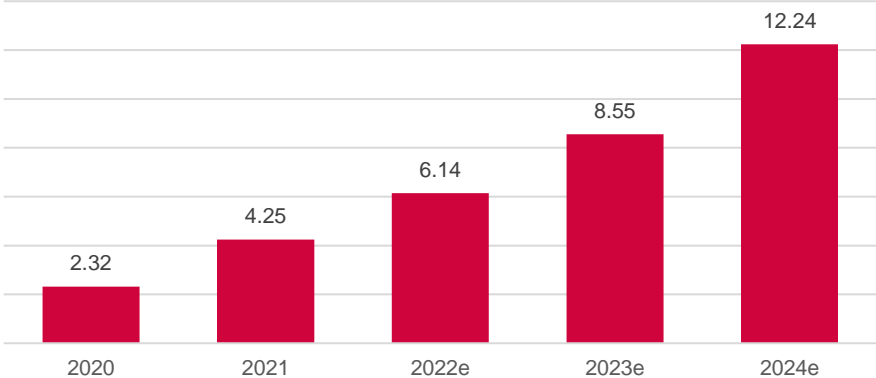


Source: GBC AG

We have included the acquisition-related borrowing of € 24 million in our estimates. However, since we assume very favourable conditions, we expect only minor effects on the financial result. Assuming an interest rate below 1.0%, we calculate an annual interest expense of € 0.21 million, which will only be incurred proportionately in 2022. In addition, we have taken into account the interest expenses from leasing contracts.

All in all, we expect a strong increase in the after-tax result, even after including the higher minority interests for the still outstanding 25.1% in ISR.

**Forecast after-tax result (in € million)**



Source: GBC AG

## Evaluation

### *Model assumptions*

CENIT AG was valued by us using a three-stage DCF model. Starting with the concrete estimates for the years 2022 to 2024 in phase 1, the forecast is made from 2025 to 2029 in the second phase by applying value drivers. We expect increases in turnover of 2.0%. We have assumed an EBITDA margin target of 11.4% (previously: 9.8%). We have taken the tax rate into account at 30.0% in phase 2. In the third phase, a residual value is also determined after the end of the forecast horizon using the perpetual annuity. In the terminal value we assume a growth rate of 2.0%.

### *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 determined.

The risk-free interest rate is derived from current yield curves for risk-free bonds in accordance with the recommendations of the Fachausschuss für Unternehmensbewertungen und Betriebswirtschaft (FAUB) of the IDW. The basis for this is the zero bond interest rates published by the Deutsche Bundesbank according to the Svensson method. To smooth short-term market fluctuations, the average yields of the previous three months are used and the result rounded to 0.25 basis points. The **currently used value of the risk-free interest rate is 0.25 % (previously: 0.25 %) as a lower limit since 1 January 2021.**

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

According to the GBC estimation method, a beta of 1.34 is currently determined.

Using the assumptions made, we calculate a cost of equity of 7.60% (previously: 7.60%) (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of 100% for the cost of equity, the weighted average cost of capital (WACC) is 7.60% (previously: 7.60%).

### *Valuation result*

Within the framework of our DCF valuation model, we have determined a new target price of € 20.60 (previously: € 18.80). The increase in the target price is exclusively a consequence of the increased estimates following the acquisition of ISR Information Products AG. The positive effects from the higher estimates, which we have offset against a liquidity outflow of € 25.80 million (purchase price less acquired liquidity), outweigh the negative effects.



## DCF model

### CENIT AG - Discounted Cashflow (DCF) model scenario

Value driver of the DCF - model after the estimate phase:

consistency - phase		final - phase	
Revenue growth	2.0%	Eternal growth rate	2.0%
EBITDA-Margin	11.4%	Eternal EBITA - margin	7.5%
Depreciation to fixed assets	14.9%	Effective tax rate in final phase	30.0%
Working Capital to revenue	3.0%		

#### three phases DCF - model:

phase in €m	estimate			consistency					final value
	FY 22e	FY 23e	FY 24e	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e	
Revenues (RE)	175.53	193.09	212.40	216.64	220.98	225.40	229.90	234.50	
RE change	20.2%	10.0%	10.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
RE to fixed assets	6.75	6.55	6.55	6.45	6.39	6.36	6.36	6.38	
EBITDA	15.20	18.78	24.12	24.61	25.10	25.60	26.11	26.63	
EBITDA-Margin	8.7%	9.7%	11.4%	11.4%	11.4%	11.4%	11.4%	11.4%	
EBITA	10.15	13.84	19.29	19.78	20.09	20.45	20.83	21.25	
EBITA-Margin	5.8%	7.2%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	7.5%
Taxes on EBITA	-3.23	-4.33	-5.79	-5.93	-6.03	-6.13	-6.25	-6.37	
Taxes to EBITA	31.8%	31.3%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
EBI (NOPLAT)	6.92	9.51	13.51	13.84	14.07	14.31	14.58	14.87	
Return on capital	26.7%	31.2%	38.4%	35.8%	35.2%	34.8%	34.6%	34.6%	28.8%
Working Capital (WC)	4.50	5.70	6.27	6.39	6.52	6.65	6.78	6.92	
WC to Revenues	2.6%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Investment in WC	-0.74	-1.20	-0.57	-0.13	-0.13	-0.13	-0.13	-0.14	
Operating fixed assets (OAV)	26.00	29.50	32.43	33.60	34.59	35.44	36.16	36.77	
Depreciation on OAV	-5.05	-4.94	-4.83	-4.83	-5.00	-5.15	-5.28	-5.39	
Depreciation to OAV	19.4%	16.7%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	
Investment in OAV	-8.90	-8.44	-7.76	-6.00	-6.00	-6.00	-6.00	-6.00	
Capital employed	30.50	35.20	38.69	39.99	41.11	42.09	42.94	43.69	
EBITDA	15.20	18.78	24.12	24.61	25.10	25.60	26.11	26.63	
Taxes on EBITA	-3.23	-4.33	-5.79	-5.93	-6.03	-6.13	-6.25	-6.37	
Total investment	-35.44	-9.64	-8.32	-6.13	-6.13	-6.13	-6.13	-6.14	
Investment in OAV	-8.90	-8.44	-7.76	-6.00	-6.00	-6.00	-6.00	-6.00	
Investment in WC	-0.74	-1.20	-0.57	-0.13	-0.13	-0.13	-0.13	-0.14	
Investment in Goodwill	-25.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cashflows	-23.47	4.81	10.01	12.55	12.94	13.34	13.73	14.12	208.89

Value operating business (due date)	184.53	193.74
Net present value explicit free Cashflows	59.41	59.11
Net present value of terminal value	125.12	134.63
Net debt	11.13	10.91
Value of equity	173.40	182.82
Minority interests	-0.79	-0.83
Value of share capital	172.61	181.99
Outstanding shares in m	8.38	8.38
Fair value per share in €	<b>20.60</b>	21.72

#### Cost of capital:

Risk free rate	0.3%
Market risk premium	5.5%
Beta	1.34
Cost of equity	7.6%
Target weight	100.0%
Cost of debt	3.0%
Target weight	0.0%
Tax shield	26.4%
<b>WACC</b>	<b>7.6%</b>

Return on capital	WACC				
	6.6%	7.1%	7.6%	8.1%	8.6%
8.8%	10.57	9.94	9.44	9.02	8.67
18.8%	17.82	16.28	15.02	13.98	13.10
28.8%	25.07	22.61	<b>20.60</b>	18.94	17.54
38.8%	32.33	28.94	26.18	23.90	21.98
48.8%	39.58	35.27	31.76	28.85	26.42

## ANNEX

### I.

#### **Research under MiFID II**

1. There is a contract between the research company GBC AG and the issuer regarding the independent preparation and publication of this research report on the issuer. GBC AG is remunerated for this by the issuer.
2. The research report is simultaneously made available to all interested investment services companies.

### II.

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This information can also be found on the internet at the following address:

<http://www.gbc-ag.de/de/Offenlegung.htm>

#### **Section 2 (I) Updates**

A detailed update of the present analysis/analyses at any fixed date has not been planned at the current time. GBC AG reserves the right to update the analysis without prior notice.

#### **Section 2 (II) Recommendation/ Classifications/ Rating**

Since 1/7/2006 GBC AG has used a 3-level absolute share rating system. Since 1/7/2007 these ratings relate to a time horizon of a minimum of 6 to a maximum of 18 months. Previously the ratings related to a time horizon of up to 12 months. When the analysis is published, the investment recommendations are defined based on the categories described below, including reference to the expected returns. Temporary price fluctuations outside of these ranges do not automatically lead to a change in classification, but can result in a revision of the original recommendation.

**The recommendations/ classifications/ ratings are linked to the following expectations:**

BUY	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $\geq + 10\%$ .
HOLD	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $> - 10\%$ and $< + 10\%$ .
SELL	The expected return, based on the calculated target price, incl. dividend payments within the relevant time horizon, is $\leq - 10\%$ .

GBC AG's target prices are determined using the fair value per share, derived using generally recognised and widely used methods of fundamental analysis, such as the DCF process, peer-group benchmarking and/or the sum-of-the-parts process. This is done by including fundamental factors such as e.g. share splits, capital reductions, capital increases, M&A activities, share buybacks, etc.

**Section 2 (III) Past recommendations**

Past recommendations by GBC on the current analysis/analyses can be found on the internet at the following address:

<http://www.gbc-ag.de/de/Offenlegung>

**Section 2 (IV) Information basis**

For the creation of the present analysis/analyses publicly available information was used about the issuer(s) (where available, the last three published annual and quarterly reports, ad hoc announcements, press releases, share prospectuses, company presentations, etc.) which GBC believes to be reliable. In addition, discussions were held with the management of the company/companies involved, for the creation of this analysis/these analyses, in order to review in more detail the information relating to business trends.

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GBC AG and the analysts concerned hereby declare that the following potential conflicts of interest exist for the company/companies described, at the time of this publication, and in so doing meet the requirements of section 85 of the Securities Trading Act (WpHG). A detailed explanation of potential conflicts of interest is also listed in the catalogue of potential conflicts of interest under section 2 (V) 2.

**In relation to the security or financial instrument discussed in this analysis the following possible conflict of interest exists: (5a,6a,7,11)**

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