

PSI SE

Germany / Software
 Primary exchange: Frankfurt
 Bloomberg: PSAN GR
 ISIN: DE000A0Z1JH9

Preliminary 2023
 results

RATING
BUY

PRICE TARGET
€ 30.00

Return Potential 37.6%
 Risk Rating Medium

Q4 SHOWED EXPECTED RECOVERY IN SALES GROWTH, PROFITABILITY

PSI has published preliminary key figures for 2023. Sales climbed 8.9% to €269.9m (2022: €247.9m) while EBIT fell to €5.6m (Ø22: €20.2m) due mainly to losses relating to the underestimation of man-hours for the Energy Management segment's Redispatch 2.0 contracts. The order intake rose 17.2% to €296m (2022: €252.6m). FY/23 guidance dating back to the profit warning of 21st July was for a 10% rise in both order intake and sales and EBIT of €5m -€7m. Previous guidance in the 2022 annual report also called for a 10% increase in orders and sales, but targeted EBIT of €25m. 9M/23 results showed a 16.1% increase in the order intake driven mainly by the Energy Management segment. However, sales were up only 2.7% and EBIT was €2.7m. Q4/23 thus showed most of the expected recovery. We believe that sales growth accelerated in the final quarter because during H1/23 and to a decreasing extent in Q3/23 and Q4/23, the workforce at Energy Management expended significant non-revenue generating man-hours on Redispatch 2.0 projects. These projects were completed by the end of 2023. We also gather that Q4/23 profitability benefitted from a jump in license income at Production Management's largest business, PSI Metals. Demand from PSI's electricity network customers remains robust and looks set to continue growing rapidly. The combined capacity of new solar and onshore wind installations in Germany climbed 85% to 18.3 GW in 2023 and we expect a further 14% increase to 21.0 GW in 2024. Recent legislation to accelerate permitting processes suggests that growth will remain very strong for at least the remainder of this decade. Meanwhile, PSI Metals continues to benefit from multi-year rollouts of its software by international customers. We expect Production Management's EBIT margin to have been in the 11-12% range in 2023 and reach 15% later this decade helped by growing App Store sales. We maintain our Buy recommendation at an unchanged price target of €30. Due to the cyberattack on its IT systems on 15 February, PSI will not as previously scheduled release its annual report on 28 March. The date for the release of the annual report has been put back to the end of May "at the latest."

FINANCIAL HISTORY & PROJECTIONS

	2021	2022	2023E	2024E	2025E	2026E
Revenue (€m)	245.49	247.94	269.90	297.00	325.00	356.10
Y-o-y growth	12.7%	1.0%	8.9%	10.0%	9.4%	9.6%
EBIT (€m)	24.96	20.19	5.60	24.20	33.40	41.30
EBIT margin	10.2%	8.1%	2.1%	8.1%	10.3%	11.6%
Net income (€m)	15.84	9.69	-1.94	15.27	21.93	27.65
EPS (diluted) (€)	1.01	0.62	-0.13	0.99	1.42	1.79
DPS (€)	0.40	0.40	0.40	0.40	0.50	0.60
FCF (€m)	33.74	-6.44	-1.29	15.59	22.72	28.42
Net gearing	13.1%	22.1%	37.3%	38.5%	23.1%	13.8%
Liquid assets (€m)	65.97	45.44	53.98	56.43	65.00	71.22

RISKS

Risks include slower than expected margin expansion than we currently model.

COMPANY PROFILE

PSI makes software control systems, primarily for energy, utility companies and metals producers. Customers also include manufacturers and the operators of transportation networks. The company's control system products are widespread in its core German market.

MARKET DATA

As of 22 Mar 2024

Closing Price	€ 21.80
Shares outstanding	15.49m
Market Capitalisation	€ 337.64m
52-week Range	€ 20.00 / 34.80
Avg. Volume (12 Months)	7,562

Multiples	2022	2023E	2024E
P/E	35.1	n.a.	22.1
EV/Sales	1.5	1.4	1.3
EV/EBIT	18.9	68.0	15.7
Div. Yield	1.8%	1.8%	1.8%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2023

Liquid Assets	€ 46.98m
Current Assets	€ 167.28m
Intangible Assets	€ 69.89m
Total Assets	€ 277.02m
Current Liabilities	€ 110.36m
Shareholders' Equity	€ 104.81m

SHAREHOLDERS

InvAG für langfristige Investoren TGV	20.7%
Innogy SE	17.8%
Management and employees	15.0%
Harvinder Singh	8.1%
Free float and other	38.4%



Buy recommendation maintained at unchanged price target of €30 We have adjusted our 2023 estimates for the preliminary results, but left our forecasts for subsequent years unchanged. We maintain our Buy recommendation at an unchanged price target of €30.

Figure 1: Changes to our forecasts

€m	2023E			2024E			2025E			2026E		
	New	Old	Δ %	New	Old	Δ %	New	Old	Δ %	New	Old	Δ %
External sales	269.9	270.8	-0.3%	297.0	297.0	0.0%	325.0	325.0	0.0%	356.1	356.1	0.0%
by segment:												
Energy Man.	134.9	135.8	-0.7%	152.2	152.2	0.0%	167.6	167.6	0.0%	184.5	184.5	0.0%
Production Man.	135.0	135.0	0.0%	144.8	144.8	0.0%	157.4	157.4	0.0%	171.6	171.6	0.0%
Total EBIT	5.6	5.7	-1.8%	24.2	24.2	0.1%	33.4	33.4	0.0%	41.3	41.3	0.0%
margin (%)	2.1%	2.1%	-	8.1%	8.1%	-	10.3%	10.3%	-	11.6%	11.6%	-
by segment:												
Energy Man.	-5.5	-5.5	n.a.	6.2	6.2	0.0%	10.3	10.3	0.0%	14.2	14.2	0.2%
margin (%)	-3.9%	-4.4%	-	4.0%	4.0%	-	6.0%	6.0%	-	7.5%	7.5%	-
Production Man.	18.0	18.1	-0.5%	21.7	21.7	0.0%	27.2	27.2	0.0%	31.6	31.6	-0.1%
margin (%)	11.6%	11.9%	-	13.0%	13.0%	-	15.0%	15.0%	-	16.0%	16.0%	-
Reconciliation	-6.9	-6.9	n.a.	-3.8	-3.8	n.a.	-4.1	-4.1	n.a.	-4.5	-4.5	n.a.
EPS (€)	-0.13	-0.12	4.3%	0.99	0.99	0.2%	1.42	1.42	0.0%	1.79	1.79	0.0%

Source: PSI, First Berlin Equity Research estimates



VALUATION MODEL

€000s	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Net sales	297,000	325,000	356,100	390,179	425,659	462,388	500,227	533,372
NOPLAT	17,545	24,215	29,943	36,563	42,240	45,648	49,044	52,025
+ Depreciation and amortisation	15,818	17,310	18,966	20,781	22,671	24,627	26,642	28,407
= net operating cash flow	33,363	41,525	48,908	57,344	64,910	70,275	75,686	80,433
- total investments (Capex and WC)	-29,070	-27,334	-30,100	-39,614	-35,976	-38,400	-40,832	-40,837
Capital expenditure	-24,490	-22,602	-24,844	-27,222	-29,376	-31,569	-33,794	-34,672
w working capital	-4,580	-4,732	-5,256	-12,392	-6,599	-6,832	-7,038	-6,165
= Free cash flow (FCF)	4,293	14,191	18,809	17,730	28,935	31,874	34,854	39,596
PV of FCFs	4,024	12,218	14,875	12,880	19,307	19,536	19,622	20,476

€000s	
PVs of FCFs explicit period (2024-35)*	204,824
PVs of FCFs in terminal period	303,137
Enterprise Value (EV)	507,962
Net cash/(net debt)	-43,311
Shareholder value	464,651
No. shares (000s)	15,488
Value per share (€)	30.00

WACC	8.87%
Cost of equity	10.4%
Pre-tax cost of debt	6.0%
Normal tax rate	30.0%
After-tax cost of debt	4.2%
Share of equity	75.0%
Share of debt	25.0%
Terminal growth	2.5%
Terminal EBIT margin	12.0%

Sensitivity analysis

		Terminal growth rate (%)						Fair value per share
		1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
WACC	5.87%	50.98	54.53	59.00	64.80	72.62	83.74	100.81
	6.87%	40.23	42.29	44.76	47.80	51.63	56.59	63.29
	7.87%	32.71	33.97	35.45	37.21	39.33	41.93	45.20
	8.87%	27.17	27.99	28.92	30.00	31.27	32.77	34.58
	9.87%	22.94	23.49	24.10	24.79	25.59	26.51	27.59
	10.87%	19.62	19.99	20.41	20.87	21.39	21.98	22.66
	11.87%	16.95	17.21	17.50	17.81	18.16	18.56	19.00
	12.87%	14.77	14.95	15.15	15.37	15.61	15.88	16.18

*for layout purposes the model shows numbers only to 2031 but runs until 2035



INCOME STATEMENT

All figures in €'000	2021	2022	2023E	2024E	2025E	2026E
Revenues	245,493	247,938	269,900	297,000	325,000	356,100
Cost of materials	-35,393	-36,302	-51,281	-41,580	-43,875	-46,293
Gross profit	210,100	211,636	218,619	255,420	281,125	309,807
Total personnel costs	-155,782	-161,551	-180,833	-190,080	-208,000	-227,904
Net other operating costs	-16,382	-16,085	-17,811	-25,322	-22,415	-21,637
Depreciation & amortisation	-12,981	-13,814	-14,375	-15,818	-17,310	-18,966
EBIT	24,955	20,186	5,600	24,200	33,400	41,300
Net interest	-824	-483	-2,644	-3,521	-3,560	-3,584
Associates	410	221	268	281	295	310
Pretax profit	24,541	19,924	3,224	20,961	30,136	38,026
Income taxes	-7,041	-3,179	-6,148	-5,687	-8,206	-10,372
Earnings from discontinued operations	-1,663	-7,051	985	0	0	0
Net income / loss	15,837	9,694	-1,939	15,274	21,930	27,654
EPS (€)	1.01	0.62	-0.13	0.99	1.42	1.79
EBITDA	37,936	34,000	19,975	40,018	50,710	60,266
Ratios						
Gross margin	85.6%	85.4%	81.0%	86.0%	86.5%	87.0%
EBIT margin	10.2%	8.1%	2.1%	8.1%	10.3%	11.6%
EBITDA margin	15.5%	13.7%	7.4%	13.5%	15.6%	16.9%
Net income margin	6.5%	3.9%	-0.7%	5.1%	6.7%	7.8%
Tax rate	28.7%	16.0%	190.7%	27.1%	27.2%	27.3%
Expenses as % of output						
Personnel	-63.5%	-65.2%	-67.0%	-64.0%	-64.0%	-64.0%
Net other operating income/expenses	-6.7%	-6.5%	-6.6%	-8.5%	-6.9%	-6.1%
Depreciation & amortisation	-5.3%	-5.6%	-5.3%	-5.3%	-5.3%	-5.3%
Y-o-y growth						
Total revenues	12.7%	1.0%	8.9%	10.0%	9.4%	9.6%
EBIT	66.9%	-19.1%	-72.3%	332.1%	38.0%	23.7%
Net income / loss	54.1%	-38.8%	-120.0%	-887.7%	43.6%	26.1%



BALANCE SHEET

All figures in €'000	2021	2022	2023E	2024E	2025E	2026E
Assets						
Current assets, total	165,084	154,233	171,926	186,219	207,025	226,836
Cash and cash equivalents	67,478	45,444	53,980	56,430	65,000	71,220
Trade accounts and notes receivables	35,183	42,031	40,485	44,550	48,750	53,415
Inventories	6,861	8,138	11,066	12,177	13,325	14,600
Receivables relating to long term contracts	48,440	49,915	54,250	59,697	65,325	71,576
Other current assets	6,392	8,705	12,146	13,365	14,625	16,025
Assets held for sale and discontinued operations	730	0	0	0	0	0
Non-current assets, total	119,038	118,365	114,667	124,271	130,531	137,465
Property, plant and equipment	38,027	37,892	35,315	42,768	46,800	51,278
Goodwill	59,697	59,767	59,767	59,767	59,767	59,767
Other intangible assets	10,327	13,423	12,146	13,365	14,625	16,025
Associates	694	694	962	1,243	1,539	1,849
Deferred tax assets	10,293	6,589	6,478	7,128	7,800	8,546
Total assets	284,122	272,598	286,594	310,490	337,556	364,301
Shareholders' equity & debt						
Current liabilities, total	83,826	85,960	107,699	119,715	128,337	132,192
Interest bearing debt	864	4,667	24,900	27,800	28,000	22,500
Leasing liabilities	6,103	6,636	6,198	7,862	8,584	9,387
Trade accounts payable	21,697	23,399	22,942	25,245	27,625	30,269
Liabilities relating to long term contracts	23,692	22,983	25,641	28,215	30,875	33,830
Provisions	2,029	2,308	2,699	2,970	3,250	3,561
Other current liabilities	29,441	23,589	22,942	25,245	27,625	30,269
Liabilities in connection with discontinued assets	0	2,378	2,378	2,378	2,378	2,378
Non-current liabilities, total	85,579	67,599	73,612	77,105	80,528	84,302
Interest bearing debt	2,875	75	2,667	333	412	495
Leasing liabilities	18,055	17,798	16,624	21,085	23,023	25,175
Pension provisions	53,123	42,633	42,846	43,060	43,276	43,492
Deferred tax liabilities	8,553	4,892	8,097	8,910	9,750	10,683
Other liabilities	637	562	810	891	975	1,068
Provisions	2,336	1,639	2,568	2,826	3,093	3,388
Consolidated equity	114,717	119,039	105,283	113,670	128,690	147,807
Shareholders' equity	114,717	119,039	105,283	113,670	128,690	147,807
Minorities	0	0	0	0	0	0
Total consolidated equity and debt	284,122	272,598	286,594	310,490	337,556	364,301
Ratios						
Current ratio (x)	1.97	1.79	1.60	1.56	1.61	1.72
Quick ratio (x)	1.89	1.70	1.49	1.45	1.51	1.61
Equity ratio	40.4%	43.7%	36.7%	36.6%	38.1%	40.6%
Net gearing	13.1%	22.1%	37.3%	38.5%	23.1%	13.8%
Equity per share (€)	7.31	7.58	6.71	7.24	8.20	9.42
Interest coverage ratio (x)	30.29	41.79	2.12	6.87	9.38	11.52
Capital employed (CE)	127,103	128,857	147,475	153,794	165,293	175,716
Return on capital employed (ROCE)	14.2%	11.6%	2.8%	11.4%	14.6%	17.0%



CASH FLOW STATEMENT

All figures in €'000	2021	2022	2023E	2024E	2025E	2026E
Pretax result	23,268	12,823	3,224	20,961	30,136	38,026
Depreciation and amortisation	12,981	13,814	14,375	15,818	17,310	18,966
Other	-1,159	-5,521	-6,416	-5,968	-8,502	-10,682
Operating cash flow	35,090	21,116	11,183	30,811	38,944	46,310
Investment in working capital	3,660	-17,754	-7,357	-4,580	-4,732	-5,256
Net operating cash flow	38,750	3,362	3,826	26,231	34,212	41,054
Cashflow from investing	-5,009	-9,799	-5,115	-10,644	-11,492	-12,631
Free cash flow	33,741	-6,437	-1,289	15,587	22,720	28,423
Dividend paid	-4,704	-6,264	-6,195	-6,195	-6,195	-7,744
Share buy back	-158	-6,055	0	0	0	0
New share capital	0	0	0	0	0	0
Debt financing	3,506	3,381	23,038	780	495	-5,201
Lease liabilities	-5,930	-6,550	-7,017	-7,722	-8,450	-9,259
Other	-400	-362	0	0	0	0
Cash flow from financing	-7,686	-15,850	9,825	-13,137	-14,150	-22,203
Other	941	253	0	0	0	0
Change in cash	26,996	-22,034	8,536	2,450	8,570	6,220
Cash, start of the year	40,482	67,478	45,444	53,980	56,430	65,000
Cash, end of the year	67,478	45,444	53,980	56,430	65,000	71,220
Free cash flow per share in €	2.15	-0.41	-0.08	1.01	1.47	1.84
Y-o-y growth						
Operating cash flow	39%	-40%	-47%	176%	26%	19%
Net operating cash flow	56%	-91%	14%	586%	30%	20%
Free cash flow	195%	-119%	-80%	-1309%	46%	25%

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

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ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	15 July 2003	€4.96	Market Perform	€5.00
2...73	↓	↓	↓	↓
74	30 March 2021	€26.50	Add	€31.00
75	3 May 2021	€31.70	Add	€33.00
76	6 December 2021	€43.50	Add	€49.00
77	12 April 2022	€38.75	Buy	€52.00
78	29 August 2022	€25.00	Buy	€40.00
79	1 November 2022	€22.95	Buy	€37.00
80	3 August 2023	€25.05	Buy	€32.00
81	31 October 2023	€22.50	Buy	€30.00
82	Today	€21.80	Buy	€30.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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