March 26th, 2025
Research report

SMC Research
Small and Mid Cap Research
Platz 1 Europe Industrials
Platz 1 & 2 German Software & IT
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Mensch und Maschine Software SE

Fast-growing, profitable and reliable

Rating: Strong Buy (unchanged) | **Price:** 50,80 € | **Price target:** 67.00 € (unchanged)

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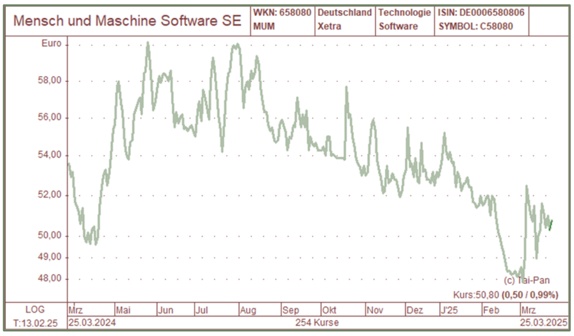
Snapshot



Short profile

Mensch und Maschine is active both as a provider of its own standard software and as a provider of digitization services mostly based on the software of the American CAD pioneer Autodesk. With this positioning, the company addresses attractive markets in which it is one of the leading providers. In the Software business, M+M scores above all with the technological excellence of its products, which enables it to position itself in the high-price segment of the market and achieve high margins, while in the Digitization segment, the combination of Autodesk software, the company's own training and service offerings and its own software modules ensures success. The figures impressively show that this business model works. Since 2012, M+M has been growing at an average of 8.8 percent p.a. in gross profit and 18.3 percent in EBIT. After a weaker year in 2024, M+M intends to continue on this path from this year onwards in order to double earnings per share again by 2028/2029. Given the strong reliability with which M+M has pursued its own plans and achieved its forecasts in the past, we believe it is likely that this target will be reached.

Basic data

Based in:	Wessling
Sector:	CAD/CAM software
Headcount:	1,095
Accounting:	IFRS
ISIN:	DE0006580806
Ticker:	MUM:GR
Price:	50.80 Euro
Market segment:	Scale / m:access
Number of shares:	17.2 m
Market Cap:	871.2 m Euro
Enterprise Value:	900.9 m Euro
Free Float:	approx. 45.5 %
Price high/low (12M):	61.50 / 47.65 Euro
Ø turnover (Xetra, 12 M):	418,100 Euro / day

FY ends: 31.12.	2022	2023	2024	2025e	2026e	2027e
Sales (m Euro)	320.5	322.3	325.8	246.8	272.7	299.9
EBIT (m Euro)	42.6	46.8	46.5	52.2	62.2	71.4
Net Profit	26.0	28.9	30.5	34.4	40.7	46.5
EPS	1.53	1.72	1.80	2.04	2.41	2.75
Dividend per share	1.40	1.65	1.85	2.10	2.40	2.75
Sales growth	20.4%	0.6%	1.1%	-24.3%	10.5%	10.0%
Profit growth	22.1%	11.0%	5.6%	13.0%	18.3%	14.2%
PSR	2.68	2.66	2.63	3.48	3.15	2.86
PER	33.0	29.7	28.2	24.9	21.1	18.5
PCR	22.0	17.0	13.8	25.8	18.8	13.7
EV / EBIT	20.8	18.9	19.1	17.0	14.3	12.4
Dividend yield	2.8%	3.2%	3.6%	4.1%	4.7%	5.4%

Executive Summary

- **Highly profitable Software business:** The Group's paragon of profitability is the wholly owned subsidiary Open Mind, which has developed technologically leading CAM software and thus accounts for around 40 percent of the Group's gross profit. As the largest component of the software segment, Open Mind contributes significantly to its strong growth and high profitability. Another important part of this segment is the construction software specialist SOFiSTiK, whose products are used to calculate and design complex construction projects such as bridges and to digitize processes in the construction sector.

- **Autodesk partnership for 40 years:** However, Mensch und Maschine's origins lie in the trading business with the CAD software of the American CAD pioneer Autodesk, in which M+M, as Autodesk's largest European digitization partner, has a strong market position with a broad geographical presence and a very large customer base.

- **Growing service business:** This business is managed in the Digitization segment and now extends far beyond pure Autodesk trading and the associated services. Instead, the focus is now on proprietary services such as training in the BIM (Building Information Management) environment and, above all, digitization projects in the industry and the construction sector. Thanks to its experience with BIM and PDM (Product Data Management), M+M scores above all with its expertise in data management and the ability to link construction data with commercial information, which forms the basis for the digitization of complete business processes.

- **Dynamic sales and profit growth:** Over the past five years, M+M has increased gross profit by an average of 7.5 percent p.a., while EBIT and net profit have grown by 10.6 and 13 percent respectively – per year. The EBIT margin has been in the double-digit range since 2018, most recently even exceeding 14 percent. The cash flow strength is also remarkable: The ratio of operating cash flow to sales has averaged 14.9 percent since 2020.

- **Proved growth model:** In the medium term, M+M is confident of achieving an EBIT margin of more than 25 percent. In combination with the continued targeted gross profit growth of 8 to 12 percent p.a., profit is to be doubled again by 2028/2029. The strong profit momentum is due in no small part to the pronounced cost discipline, which is reflected in a group-wide guideline to the profit centres to limit cost growth to about two-thirds of gross profit growth and is combined with strict EBIT incentivisation.

- **Growth stock with attractive dividend yield:** M+M uses the earnings and cash flow strength of the business model for a generous dividend policy, which, together with the steady growth in profits, makes the share highly attractive. We see this additionally underpinned by the solid balance sheet figures and the pronounced forecast reliability and confirm our “Strong Buy” rating with a price target of EUR 67.00.

SWOT analysis

Strengths

- Strong position in attractive target markets established for decades.
- A fast-growing, highly profitable software segment with a global market presence and a leading technological position.
- High continuity at management level and very low employee turnover.
- Stable shareholder structure with more than 50 percent of shares in management hands.
- Sound balance sheet structure with a high equity ratio and net liquidity.
- Growth dynamics above the industry average with a disproportionately high rise in profits.
- Remarkable forecast accuracy supports the target of further profit increases.

Weaknesses

- The Digitization business is largely determined by Autodesk's product and pricing policy.
- In 2024, the growth targets were not fully achieved for the first time in a long while.
- The geographic expansion of the Digitization segment requires the expensive establishment of additional offices.
- Strong dependence on Germany and Europe.
- In both segments, M+M faces the challenge of attracting and retaining suitable employees in a difficult labour market.
- In terms of marketing, technology and personnel, there are at best only minor synergies between the segments.

Opportunities

- There is still considerable potential for margin growth in the Digitization business that should allow an above-average profit development in the next few years, if the present trends continue.
- The increasing importance of digitization projects is likely to further boost the development.
- With its expertise in BIM and bridge and tunnel construction, the SOFiSTiK subsidiary is addressing very promising markets.
- With the eXs software, M+M has a modern product for an attractive market in which there is nothing comparable on offer.
- The foreseeable profit growth should allow a steady and considerable increase in dividends.

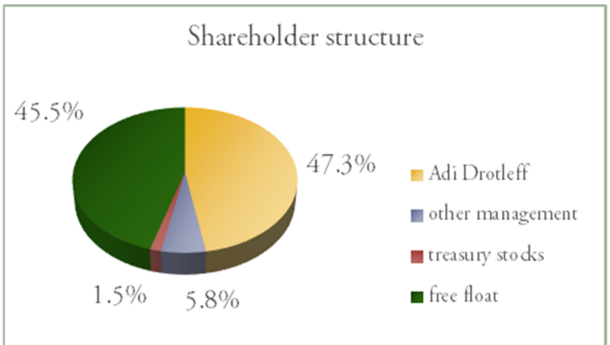
Threats

- A further escalation of geopolitical conflicts or a deep recession in Europe could slow down or interrupt the positive trend.
- High personnel intensity in the Digitization business means a high extent of utilisation risk in economically weaker phases.
- The targeted further increase in margins cannot be taken for granted, especially in the Software segment at the level already achieved.
- Should Autodesk fall behind in competition, it could have a perceptibly negative impact on the Digitization segment.
- The role as technology leader requires intensive development activities in the Software segment and carries the risk of technological failures.

Profile

Leading market position

Mensch und Maschine Software SE (M+M) was founded in 1984 and has its origins in the distribution of software from the US-based CAD pioneer Autodesk (the abbreviation CAD stands for Computer Aided Design). In the meantime, the focus has expanded and the market has developed further, which is why M+M defines its own field of activity as the market for CAD/CAM/CAE/PDM/BIM solutions (Computer Aided Manufacturing, Computer Aided Engineering, Product Data Management and Building Information Management), in which the company based in Wessling, Bavaria, is one of Europe's leading providers.



Source: Company, as of 31.12.2024

Majority of shares held by management

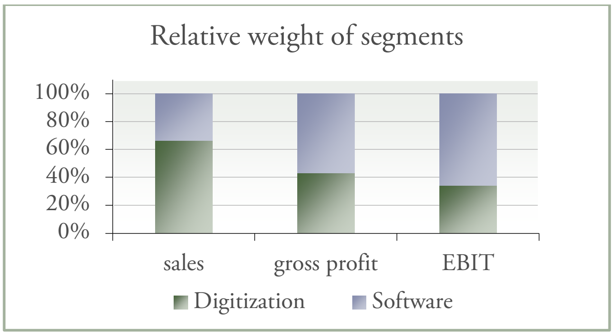
The M+M share has been listed on the stock exchange since 1997 and is traded in the m:access segment of the Munich Stock Exchange and in the Scale segment of the Frankfurt Stock Exchange. Despite this long stock market membership, by far the largest shareholder (47.3 percent) is still the founder Adi Drotleff, who has been an ordinary member of the Executive Board and Chairman of the Board of Directors since the company's transformation into a Societas Europaea (SE). Mr. Drotleff documents his extraordinary commitment to the company not least with his continuous acquisitions of M+M shares, with which he has increased his stake by more than 4 percentage points since 2010. For this purpose, he uses in particular the option regularly offered by M+M to exchange the dividend rights for shares. At the turn of the year, a further 5.8 percent were held by other management and 1.5 percent by the company itself. M+M increases this stake whenever an opportunity arises during periods of market weakness and then uses the shares to service the claims from the stock dividends. Thus, the recent market turbulence was also used for new purchases, so that the proportion of treasury shares increased to over 2 percent by mid-March, according to company information.

Clear holding structure

Within the Group, Mensch und Maschine Software SE acts purely as a financial holding company. Located below is the subsidiary Mensch und Maschine Management AG, which performs the typical management and service tasks for the other companies. The operating business, however, is performed by more than 40 direct and indirect subsidiaries, which together employ 1,095 people (full-time equivalents) and maintain over 75 locations worldwide. A geographical focus is clearly on the German-speaking region, where M+M is represented comprehensively with more than 40 locations. Moreover, the company has also offices in other European countries, in some Asian countries as well as in the USA and Brazil.

Two business segments

Since 2012, the business model is based on two segments: on the one hand the Digitization segment, i.e. the direct distribution of Autodesk software to end customers and services in the CAD and BIM field, and on the other hand the development and distribution of proprietary software. In terms of sales, the business is dominated by the first segment, which generated two thirds of Group sales last year at EUR 217 m. However, this ratio will shift significantly from the current financial year, because in the course of Autodesk's 2024 conversion of its indirect sales model from the resale to the commission concept, Mensch und Maschine no longer reports the total revenue generated by Autodesk licenses as sales, but only the commission received on them. In the last financial year, in which almost three quarters were still billed according to the old model, sales would have been EUR 104 m lower if the model change had been implemented at the beginning of the year. As the change only affects transitory items, it has no impact on gross profit, which has always been distributed much more evenly between the two segments. In 2024, 57 percent of it came from the Software segment and 43 percent from the Digitization segment. Almost two thirds of EBIT is actually generated in the business with M+M's own software products.



Source: Company, as of 2024

Highly profitable Software business

The different segment weights reflect considerable differences in profitability. While Digitization generated a gross margin of 34.9 percent and an EBIT margin of 7.3 percent in 2024, these figures are 90.6 and 28.0 percent respectively in the Software segment. Even after the change in Autodesk's billing model, significant differences will remain: the gross margin of the Digitization segment was at 53.9 percent in the fourth quarter of 2024. This discrepancy reflects the different business models (software vs. services); at the same time, the high level of profitability in the Software segment is an expression of the continuous and successful development of the four subsidiaries Open Mind, DATA-flor, M+M Mechatronik and SOFiSTiK, all of which achieve an operating margin of more than 20 percent.

High-end CAM solution

The group's paragon of profitability and by far the biggest unit within the software segment is clearly the CAM specialist Open Mind, founded 1994 and fully owned by the M+M group since 2002. The company specialises in high-quality software for computer-aided manufacturing (CAM), has annual sales of around EUR 70 m and contributes around 40 percent to the Group's gross profit. The Open Mind software, generating average revenue of EUR 30,000 per workstation, enables customers to carry out highly complex and extremely precise drilling and milling tasks (e.g. with 5-axis mills) in a fraction of the usually required time, thus increasing the productivity of the machines controlled by the software many times over. The software can be used with all common NC mills and lathes, is compatible with leading CAD products (including Autodesk and Solidworks), has a user-friendly interface and enables continuous processes from designing to manufacturing on the machine. In addition, the company offers its own CAD solution that is clearly geared to the requirements of CAM programming, in contrast to leading CAD programs that are mainly optimised for the needs of design engineers. As a central unique selling point, however, Open Mind emphasizes especially its own cutting-edge kernels. They allow a very efficient mapping of highly complex mathematical and geometrical models, resulting in a shorter processing time in the programmed machines. To maintain this technological lead, Open Mind attaches a great importance to software development, which is why more than 90 of the company's over 400 employees are software developers.

Worldwide customer base

According to information on its own website, Open Mind has a worldwide base of around 10,000 customers and more than 20,000 installations. The customers hail from various industries using this kind of machine tools, such as prototype construction, tool and mould construction, aerospace, turbine and generator construction, mechanical and medical engineering, and jewellery manufacturing. But also several Formula 1 racing teams use the software to tune their engines or to aerodynamically optimize the carbon elements. Unlike the Digitization segment, Open Mind also addresses non-European markets and has offices in Japan, Singapore, Taiwan, China, India, Brazil and the USA.

Leading BIM solution

Since 2019, the second largest unit in the software segment has been SOFiSTiK AG, with which M+M has expanded its product portfolio to include a leading solution for Building Information Management (BIM). SOFiSTiK AG, in which M+M had held a minority interest since 1999 (increased to 51,4 percent in 2019), has been active in the market since 1987 and specializes in the development of construction software. The company now claims to be Europe's leading software producer for the calculation, design and construction of building projects, with a particular focus on bridge and tunnel construction. Like Open Mind, SOFiSTiK is active worldwide and has over 3,000 customers in 60 countries (source: M+M). It has its own subsidiaries in the USA, India, Israel and Finland, among others. The strengths of SOFiSTiK's software products include the planning and calculation of static layouts and reinforcements as well as their BIM functionalities, which enable frictionless and complete mapping of the entire design and construction process in consistent data models, making the company one of the leading BIM providers. The software's strength can play out in particular where special demands are made on the static of the object, which is why the reference list comprises several world-famous and spectacular buildings. These include numerous bridges, such as the new Bosporus Bridge in Turkey, several stadiums and the BMW World in Munich. However, the software is also suitable for “normal” use in building construction and civil engineering. In total, M+M speaks of thousands of construction projects that were calculated and constructed with SOFiSTiK products. An exceptional potential for SOFiSTiK could arise in the coming years due to the large repair and replacement requirements of bridges, for which the company has a powerful and fully BIM-compatible standard product in its range with the SOFiSTiK Brigde Modeler. According to information on its homepage, the M+M subsidiary with its 80 employees, spread over nine locations worldwide, has annual sales of around EUR19 m.

DATAflor leading in its niche

The group's oldest product subsidiar is DATAflor Software AG, whose solutions are mainly used by landscape architects for the graphic and financial planning of green areas. The product costs – according to the company – about EUR 5,000 per workstation. It has already been in the market since 1982 and has a leading position in the addressed niche in the German-speaking area. In the meantime, the scope of application was extended to earthworks and civil engineering: for instance, the software is used to model and plan the earthworks around the construction of the Brenner base tunnel.

New software for electrical engineering

The Software segment is completed by the subsidiary Mensch und Maschine Mechatronik GmbH, which has been offering new software for computer-aided engineering under the name eXs since 2020. The product is tailored exactly to the mapping of highly complex circuit diagrams and enables efficient planning and management of very large projects with thousands of individual sheets, such as those required with railways, mechanical and plant engineering, energy supply, process engineering, hydraulics and pneumatics as well as in the audio and video technology. This solution replaces an older product (ecscad) originally developed by M+M as a supplement of the standard Autodesk program, then sold to the Americans, and licensed back in 2014, including – at that time – more than 1,000 customers. Since M+M took care to ensure the new product's full data compatibility with ecscad, customers with maintenance contracts should be able to automatically switch to eXs and benefit from the numerous advantages of the new solution. These include a faster database, greater variety of functions with simplified operation, largely free configurability as well as an easy data exchange with other systems.

Europe's largest Autodesk partner

In the second segment, Mensch und Maschine specialises in direct end-customer distribution of Autodesk software and related services and products. With around 50 locations throughout Europe, 40 of which in the DACH region, and more than 500 employees, Mensch und Maschine is the largest Autodesk partner in Europe.

High service share

However, the importance of trading with Autodesk licenses – the nucleus and origin of the M+M Group – has declined in recent years. While the trading margin accounted for more than three quarters of group value added in 2001, its share now is 20 percent. In addition to the strong growth of the software segment, this is due to the expansion of the service share in the Digitization segment. Services include activities such as installation, configuration, maintenance and training courses, the latter having undergone particularly dynamic development in recent years. M+M scores here above all with offers relating to the new possibilities in data management that become available to the users through the software products in the areas of PDM and BIM (Product Data Management and Building Information Management). Another growth driver are customer-specific projects, which usually involve the implementation and customised adaptation and extension of the Autodesk software, the configuration of adequate data models and the migration of data sets. These projects, whose volume can comprise several man-years, are increasingly using M+M's own software modules that add special functionalities or industry solutions to Autodesk's basic software. These include industry solutions for plant engineering and construction as well as the customX variant and configurator software, with which variant design can be automated with a time saving of more than 90 percent.

Growing importance of digitization projects

Within the large customer projects, the focus is increasingly moving away from the Autodesk orientation; instead, it is more and more about the digitization of customer processes. Data management (PDM and BIM) is particularly important in this respect. In this area, M+M helps customers to create consistent data models across departments as a basis for digitization projects and to smoothly connect data sets. In many cases, it is also a matter of systematically collecting knowledge tied to individual employees and securing it digitally. This could be, for example, geographical data on large company premises or the recording and administration of assets. With regard to the linking of data, the connection of design data with commercial information plays a central role in the projects.

Objective: end-to-end digital processes

On this basis, customers can link their processes completely digitally. For instance, the M+M solutions customX (variant design) and M+M PDM booster (connection to ERP systems) enable the individual configuration made on a mobile device during a customer appointment to be calculated in real time and the corresponding ordering and production processes to be triggered. Such projects enable companies to offer even minimal lot sizes (M+M: lot size 1) without having to accept the complexity costs that would otherwise be incurred. Other examples are digital building manuals for property management companies, or the concept of a digital factory like that carried out for ten years for the Hüttenwerke Krupp Mannesmann (HKM) in Duisburg, Germany, which has now produced a detailed 3D image of the steel plant with all the associated metadata.

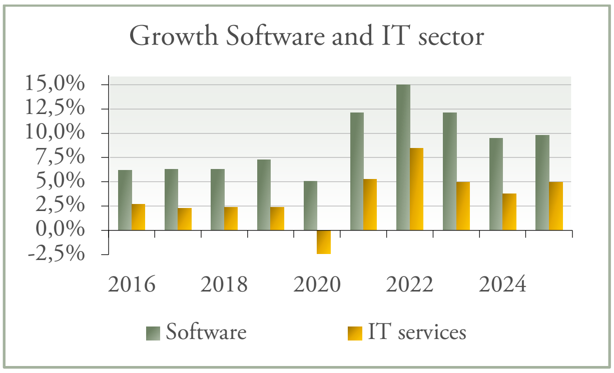
Broad industry focus

Although such projects can be large in scale, they are usually broken down into such small sub-projects that no single project or customer represents a cluster risk for M+M. On the contrary, M+M ensures a strong diversification on the customer side. This is true both with regard to industry structure and – even more – with regard to the share of sales generated with the more than 30,000 individual customers across the group, none of whom is responsible for more than 2 percent of the group's sales. M+M states the industry composition of the customer list (measured by gross profit) as 55 percent industry (which includes all owners and buyers of machine tools as well as companies from such sectors as mechanical engineering, vehicle, aircraft and ship construction, mould and tool making, electrical and process engineering, hydraulics and pneumatics) and 35 percent in the architecture and construction sector. The latter include customers from all segments of construction, gardening and landscaping, building services, technical building equipment and property management. According to M+M, the remaining 10 percent of the value added is generated with companies at the intersection of the two sectors, such as construction suppliers.

Market environment

Software as growth driver

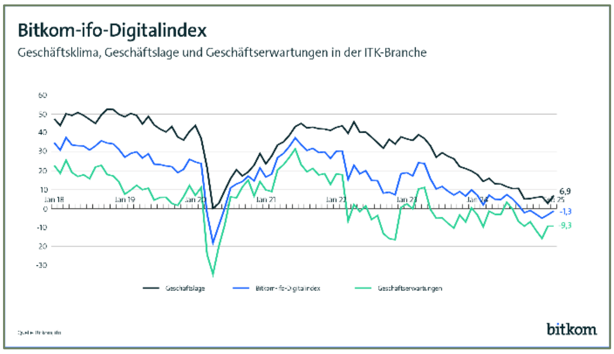
With its focus on IT services and software, Mensch und Maschine operates in markets with above-average growth dynamics. The software sector in particular is one of the fastest growing segments of the German economy. It has grown by an average of almost 9 percent per year over the last ten years, to EUR 42.5 billion in 2023. Industry sales are also likely to have increased further in 2024, with the industry association BITKOM estimating last year's growth at 9.5 percent (to EUR 46.5 billion). The development of IT service companies is somewhat more moderate, but still above average in the overall economic context. Average growth over the last ten years was 3.5 percent, to EUR 51.2 billion last year. For the current year, BITKOM expects not only a continuation of the upward trend, but even an acceleration compared to 2024, with growth of 9.8 percent to EUR 51.1 billion forecast for the software industry and 5.0 percent to EUR 53.8 billion for IT services.



Source: BITKOM

Weak business climate

It remains to be seen whether the associations' expectations of an acceleration in growth in the current year will materialise. The current economic survey, at least, points in the other direction. The Bitkom-ifo digital index, which is based on a monthly economic survey and measures the business climate, has been in negative territory since September, signalling that scepticism prevails in the market. This applies in particular to expectations for the next six months, the sub-index for which stood at -9.3 points in February. However, the assessment of the current business situation is still positive and has even improved slightly recently.



Source: BITKOM

Germany with digitization deficit

The key driver behind the above-average growth of the IT sector is the digitization of the economy, society and administration. Although the topic has been omnipresent for many years, Germany lags far behind in this respect in international comparison. According to a somewhat older study by the European Center for Digital Competitiveness, Germany ranked third to last among the G20 countries in terms of digitization progress between 2018 and 2020. For the years thereafter, there is an annual survey by the German Economic Institute, on the basis of which a so-called digitization index is compiled. From a starting value of 100 in 2020, this value rose to 113.6 points by 2024, with the increase occurring primarily in 2021 and 2024. In the two years in between, however, progress measured against the index was very slight. There were particularly strong improvements in the area of internal processes in companies – the corresponding sub-index has increased by 36.5 percent since 2020 – while the administrative and legal general conditions for digitization have actually deteriorated (source: IW: Digitalisierungsindex 2024: Digitalisierung der Wirtschaft in Deutschland).

CAD world highly dynamic

As a supplier of technical software and corresponding services, Mensch und Maschine provides an important building block for digitization in the industrial and construction sectors. These products include, in particular, CAD software, in which M+M partner Autodesk was one of the pioneers in the 1980s. After the CAD market was dominated in its early years by 2D products for use in architecture and construction, the current 3D applications have by now become indispensable in other areas as well, such as mechanical and plant engineering, the automation industry and consumer goods production. An important step towards the digitization of complete business processes was the expansion of the functionalities towards the fully software-supported optimisation of the entire product life cycle (PLM), from planning, through design, calculation and production to controlling, distribution and servicing. A similarly comprehensive functional extension in the building industry is becoming increasingly common under the name of BIM (Building Information Management) and enables efficient planning, designing, constructing as well as managing of buildings, infrastructure facilities and utilities in a single system. The trend is now moving towards the digital twin, i.e. a digital image of the real object, with which the processes involved in the planning, construction, manufacture and use of buildings, infrastructure objects or products are digitized in their entirety – with significant advantages for manufacturing and operating costs. Among other things, a digital twin offers significantly expanded possibilities for simulations, scenario analyses, optimisations and predictive maintenance, which offers users the advantages of lower resource input and reduced complexity.

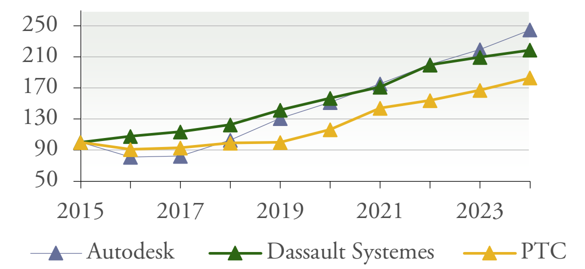
Robust growth

Given the large overlaps with other software segments, a precise demarcation of the CAD market is not easy. Jon Peddie Research estimates the global market volume at USD 16 billion, with growth of around 7 percent p.a. over the next few years. The analysts at Grand View Research, who focus on 3D systems in their analysis (which make up around 55 percent of the market according to Jon Peddie Research), see the market volume at USD 11.0 billion in 2023 and expect the industry to grow by an average of 6.7 percent to USD 17.3 billion by 2030. Key market drivers include increasing adaptation in many sectors (e.g. entertainment, medical technology), development in the emerging markets and technological innovations, such as the growing use of the cloud, increasing AI integration, 3D printing, virtual or augmented reality and the digital twin.

Intense competition

The market is considered highly competitive. In addition to M+M partner Autodesk, the most important players include Dassault Systemes and Siemens, which together have a market share of more than 65 percent according to Jon Peddie Research. Bentley, Hexagon and PTC account for a further 20 percent, while the remainder is essentially split between 15 other companies. In terms of the worldwide installed base, Autodesk continues to be considered the market leader, with strengths mainly in the mid-price segment, while the premium segment, defined primarily by comprehensive PLM functionalities, is dominated by Dassault Systemes. Siemens has caught up significantly in recent years; the DAX-listed company has its strengths primarily in the PLM area. The business is managed in the Siemens Digital Industries Software segment, whose software revenue increased from EUR 4.3 billion to EUR 6.3 billion in the period from 2021 to 2024.

Comparison of sales development (baseline: 2015)



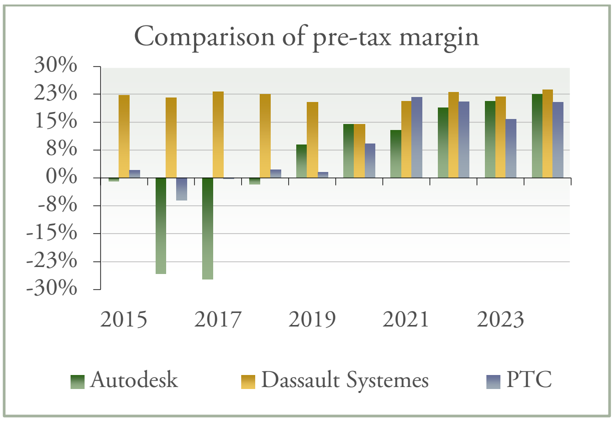
Source: Autodesk, Dassault Systemes and PTC

Close neck-and-neck race

As Siemens also offers other software products in this segment, the allocation to the CAD market is not clear. Nevertheless, the German group is likely to have come close to Autodesk and Dassault Systemes, which generated sales of USD 6.1 billion and EUR 6.2 billion respectively last year. Having been the undisputed market leader for many years, Autodesk's position in terms of sales is now fiercely contested. In the years following the 2008 financial crisis, Dassault Systemes outpaced the competition with dynamic growth supported by numerous acquisitions. One contributing factor was that both Autodesk and PTC, the former clear number three, had already initiated a switch to rental software in the middle of the last decade, which initially put a massive damper on sales momentum. But the switch is now paying off. Over the last five financial years, Autodesk was able to increase its sales by a total of 62 percent (PTC was only marginally behind at 57 percent), while Dassault Systemes grew by “only” 40 percent. Recurring revenue now accounts for 97 percent of Autodesk's sales, which should ensure stable growth in the future.

High profitability

The temporarily weak sales performance was also reflected in Autodesk's profit, which slipped into the red for the first time in 2015 and remained there until 2018. However, Autodesk has been back in the black since 2019 and has been generating a double-digit pre-tax margin again since 2020, which has even exceeded 20 percent in the last two financial years. Dassault and PTC are also operating on this scale.



Source: Autodesk, Dassault Systemes und PTC

Autodesk as market standard

The question of market leadership notwithstanding, Autodesk still has a strong market position. The Californians have by far the widest range of products and are thus able to address the entire width of the market, while the competition is mainly focusing on industrial customers and among them especially on individual sectors like automotive or aerospace industry. Autodesk is still the undisputed leader in the architecture/engineering/construction area (AEC) which constitutes approximately one third of the market. Another advantage is the fact that Autodesk's products, due to their widespread use, represent a kind of industry standard that many users have come to identify with CAD. Thus, the high availability of users able to work with Autodesk software is an important argument in favour of Autodesk from the customer's point of view.

BIM as an important market driver

Given its strong position in the AEC field, Autodesk could well benefit from the trend to extend the CAD software by a complete management of all data pertaining to the building. This concept, coined by Autodesk under the term Building Information Management (BIM) that is now common in the market, is currently attracting a great deal of interest. The data management incorporates a time component as well, and some market observers speak in this context of a transition towards 5D models, which include – in addition to the three spatial dimensions – also costs and a time axis. In some cases, the definitions reach up to 7D if the models also include a sustainability assessment and applications for facility management (manuals, service contacts, spare parts information, etc.). Regardless of the definition used, many market observers believe that the BIM concept has disruptive potential for the construction industry. As a pioneer, the M+M supplier Autodesk could benefit particularly strongly from this development, especially as – according to Mensch und Maschine – the Americans already dominate the BIM market with their Revit software. Here, too, the competitors include Dassault Systemes and Bentley, as well as Nemetschek from Germany, Schneider Electric and Trimble. MarketsandMarkets estimates the global market volume here at USD 8.0 billion in 2024, with growth amounting to a CAGR of 13.1 percent for the period until 2029.

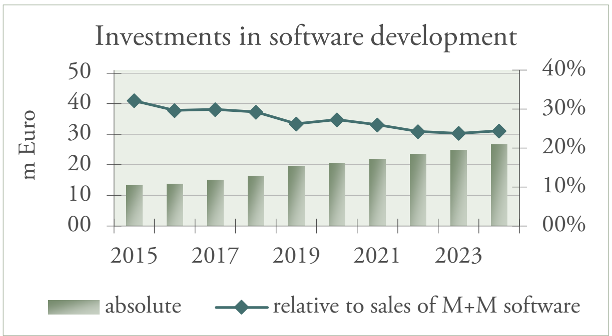
Strong growth also in the CAM market

However, when evaluating the market figures, the clear overlaps between the individual software types must be taken into account. The studies on the CAM market list some of the same players as those in the CAD sector, but also include specialists such as SolidCam, CamWorks, NTT Data, Lantek and the M+M subsidiary Open Mind. The market volume is estimated at USD 3.4 billion (2024), with MarketsandMarkets expecting average growth of 9.0 percent to USD 5.7 billion by 2030. Important growth topics are currently the integration of AI, digital interlinking as part of Industry 4.0 and additive manufacturing (3D printing).

Strategy

Technological leadership with software

From the group's perspective, the central strategic thrust that has been instrumental in the successful development of recent years is the technological leadership of the subsidiary Open Mind in the CAM business it addresses. The increases in productivity Open Mind is offering its customers are in some instances very considerable. They are the most powerful sales argument, and they create the scope for positioning in the high-price segment and, consequently, for the sustained achievement of very high margins. To maintain and expand this positioning, high-quality innovations are crucial; therefore, high investments in the maintenance and development of the company's own software (only capitalized to a very small extent in the balance sheet) are at the core of M+M's strategy. In relation to segment sales, development costs have averaged 25.1 percent over the last five years, albeit with a declining trend due to growth. Last year, however, this item again grew disproportionately against the trend (+7.2 percent to EUR 26.7 m), so that the ratio of development expenses and segment revenue rose from 23.8 to 24.4 percent.



Source: M+M;

Expansion of software business

M+M also claims the position of technology leader for its other software products. The 51-percent shareholding SOFiSTiK AG, a software manufacturer for the calculation, dimensioning and design of statically particularly demanding construction projects, especially in bridge and tunnel construction, is a leader in the addressed market, as is the CAE solution eXs (Computer Aided Engineering), for which, according to M+M, there is currently no comparable modern product on the market.

Diversification with two segments

With the two-pillar strategy reflected in the two segments, M+M ensures diversification of its own activities, not only in terms of areas addressed, but also geographically. While the Digitization business provides a large market share in Europe as well as recurring service revenue, the product-related business contributes more to the internationalisation of the revenue base and enables higher margins.

Increasing market share

In the Digitization segment, the focus on Autodesk products is the central strategic determinant, which means that the development of the CAD pioneer plays a formative role for this M+M division. Autodesk's strategic decisions have as much direct impact on the development of M+M as the quality and degree of innovation of the Americans' product portfolio. But within this setting, M+M has enough regulating variables at its disposal to be able to influence its own sales and profit growth. These include selling power, customer proximity, the attractiveness of the company's own software modules and services as well as the training programme. The main source of growth is therefore an even more intensive penetration of already covered markets.

Realizing economies of scale

The size achieved by now represents an important competitive edge over other Autodesk partners. Since it allows a centralisation of several important functions such as marketing or hotline support, it creates significant cost benefits for M+M. At the same time, the consistent label and the comprehensive presence facilitate the addressing and support of larger customers.

Expansion of the range of services

An important aspect of the growth strategy is the expansion of the company's own range of services. By now, M+M offers a comprehensive portfolio of services in the Digitization segment, which go far beyond the original offer relating to support, maintenance and implementation of the Autodesk software. Training is an important pillar here. According to M+M, the volume now amounts to around 40,000 man-days per year, and the company puts the contribution of training activities to the Group's gross profit at 8 to 9 percent. Digitization projects, which are increasingly independent of manufacturers and in which aspects such as data management or digital interlinking of processes play a central role, are at least as promising. This development is also accompanied by a reduction in dependence on Autodesk. The share of trading business, i.e. Autodesk licenses, in the group's gross profit is now only around 25 percent.

Standardisation of range

Important differentiating features in competition with other Autodesk partners and at the same time central elements in many customer projects are the company's own modules and extensions to the Autodesk standard software, with which the customer- or industry-specific requirements are met. These solutions then demonstrate the degree of expertise to the industries addressed, promote sales, increase productivity in the projects and facilitate their calculability. They include such products as BIM and PDM Booster, with which Autodesk's standard products are adapted to European conditions, customX for the digitization of variant production and MapEdit, a solution for the integration of map data. However, standardisation is not only expressed in software modules but also in the range of services and training courses for which M+M has also developed a wide range of "ready-made" components. In the training sector, this includes the "BIM Ready" product, which has been very successful for ten years and on which the recently launched "CIM Ready" (Computer Integrated Manufacturing), a comparable offering for the industrial sector, has been modelled.

Clear focus on profitability

Mensch und Maschine owes its profitability, which has been rising steadily for years, not least to the consistent management of the group via EBIT. This means that the managers of the approximately 100 independent profit centres are incentivised exclusively through EBIT. At the same time, the group-wide target is to keep cost growth at two-thirds of gross profit growth. With this combination, M+M links a pronounced cost awareness with a high level of motivation, which is reflected in the good group figures year after year. At the same time, decentralised cost management ensures a high degree of flexibility, which is particularly helpful in the event of unexpected shocks. This paid off during the outbreak of Covid-19, for example, when the Group was able to react very quickly with a cost freeze, thereby laying the foundation for continued above-average profit growth even in the difficult year 2020.

Continuity and predictability

M+M pursues its long-term strategy with great dependability, thus ensuring a high degree of reliability for customers, partners and investors. Continuity is also a top priority in terms of personnel and, above all, in the management structure. In line with this, the generation change in the top management has been carried out smoothly over several years through the development of suitable executives and by increasingly delegating tasks and responsibilities.

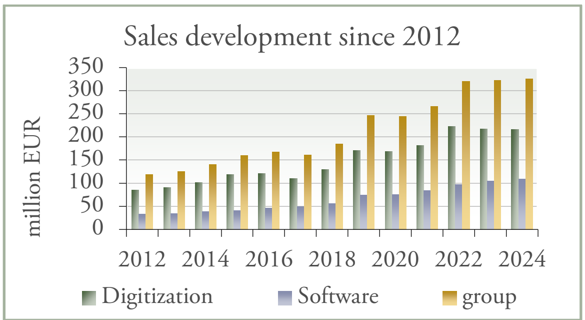
Complementing acquisitions

The excellently functioning business model allows M+M to concentrate on organic growth, which is easily plannable and low-risk, and to forego major acquisitions. Larger acquisitions to open up new markets or gain new customers are therefore not on the agenda; instead, M+M limits its own M&A activities to smaller, opportunistic acquisitions to round out its own position. At the beginning of 2021, the CAM sales partner for the Benelux region was taken over as a succession solution, and in recent years M+M has also repeatedly "picked up" the minority shares in its subsidiaries.

Financials

CAGR of nearly 9 percent

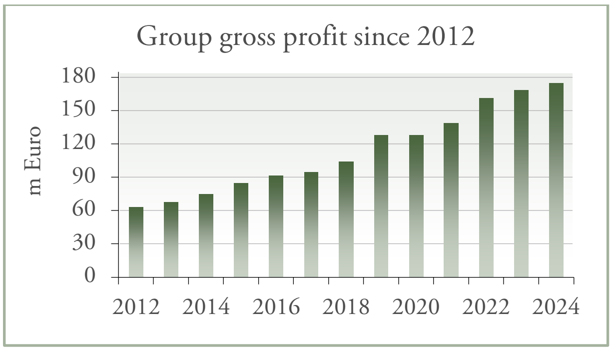
M+M has grown strongly since its focus on the current business model and has increased sales by more than 170 percent between 2012 and 2024 to most recently EUR 326 m. Despite a temporary dip in sales due to a strategic change at the main supplier Autodesk and despite the dampening effect of the Covid-19 pandemic, the average annual growth rate for this period thus amounts to 8.8 percent. The Software segment saw particularly strong growth (+225 percent to EUR 109 m), but revenue in the Digitization segment also increased by more than 150 percent to EUR 217 m. In the last financial year, the pace of growth in the Software division was also slightly higher than in the Digitization division, although the latter was affected by the switch in Autodesk's billing model from September onwards, without which segment sales would have been EUR 26 m higher and would thus have even achieved double-digit growth. As a result of this change, sales growth at Group level was also very moderate at 1.1 percent (without the change, it would have been 9 percent).



Source: Company

Gross profit with stable growth

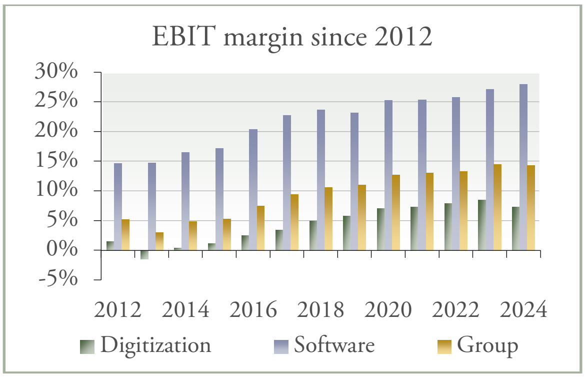
As sales fluctuate strongly over time, particularly in the area of low-margin trading revenue with Autodesk licences, M+M focuses its reporting on the development of gross profit, which is significantly less influenced by this. With last year's change in the billing model at Autodesk, as a result of which M+M sales c.p. are EUR 129 m lower on the basis of 2024, the revenue trend becomes even less meaningful, while gross profit remains unaffected. In the period since 2012, revenue and consolidated gross profit have developed similarly overall (CAGR of gross profit is 8.9 percent), but the latter has developed much more steadily. This means that the business model has a stable gross margin in the long term, averaging 53.5 percent over the last ten years. It was almost exactly at this level in 2024. Up until now, however, there has been a major difference between the two segments. While a margin of over 90 percent is generated almost consistently in the Software business (ten-year average: 93.2 percent, 2024: 90.6 percent), the margin in the Digitization segment was 36.1 percent on average and stood at 34.9 percent last year. The switch in Autodesk's billing model will reduce this gap somewhat in the future. According to M+M, the Group gross margin in the new model would have been around 78 percent pro forma last year.



Source: Company

Disproportionately high EBIT growth

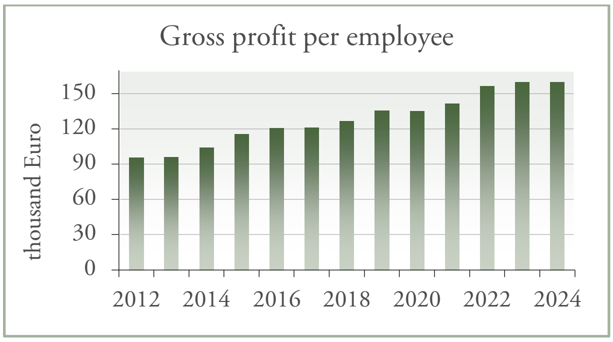
Mensch und Maschine combines the steady growth with consistent cost discipline, which enables a permanently disproportionate growth in profits. Overall, EBIT has more than quintupled to EUR 46.5 m in the ten years to 2024, equivalent to a remarkable CAGR of 20.8 percent. Except for last year, in which the combination of the change in the billing model at Autodesk, the introduction of new ERP software at M+M and increased investments in software development resulted in a minimal EBIT decline (-0.8 percent), the EBIT margin has increased in every year since 2014. Since 2018, it has consistently been in the double-digit range, averaging 13.6 percent over the last five years. The record figure so far was set in 2023 at 14.5 percent; last year it was only slightly lower at 14.3 percent. The software segment has been operating above the 25 percent mark since 2020 (five-year average: 26.3 percent), while the margin in the Digitization segment is in the upper single-digit range. A continuous upward trend was achieved here from 2013 to 2023, reaching 8.5 percent, before the last financial year brought a first-time decline to 7.3 percent due to the aforementioned double system switch. Here too, the change in Autodesk's billing model will, ceteris paribus, result in a significant upward shift from 2025.



Source: Company

Sustained cost discipline

M+M owes the continuous margin increase to the pronounced cost discipline in the group. This is expressed in a group-wide target for the approximately 100 decentralised profit centres to limit cost growth to around two-thirds of gross profit growth, as well as in strict EBIT incentivisation. A look at the development of gross profit per employee shows that this model also works in the long term and that it ensures growing productivity. Between 2012 and 2024, it increased from just under EUR 96,000 to almost EUR 160,000, an increase of 67 percent. Although the key figure is higher in absolute terms in the highly scalable Software business at EUR 174,000, the momentum and thus the productivity progress in Digitization was higher (+84 percent to EUR 144,000). However, development here has recently stagnated since the segment record was set in 2022.



Source: Company, own calculations

Weaker year 2024

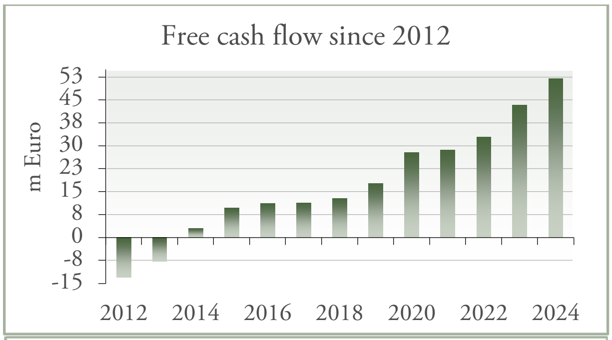
As already mentioned, the company was not able to continue this impressive success story to the planned extent last year. Although Mensch und Maschine also increased its gross profit in 2024, the growth of 3.6 percent to EUR 174.6 m was below the forecast (gross profit growth of between 8 and 10 percent) – for the first time in many years. Net profit after minority interests also fell short of the target (EUR 1.89 to 2.06): it increased from EUR 1.70 per share in the previous year to EUR 1.80 per share, while EBIT actually fell slightly by just under one percent to EUR 46.5 m. The decline is exclusively attributable to the Digitization segment, whose EBIT fell by 14 percent to EUR 15.9 m, whereas the Software segment was able to seamlessly continue its strong profit growth in 2024 with an increase of 7.6 percent to EUR 30.6 m. According to the company, there were several reasons for the weaker performance. By far the most important, however, was the system changeover at Autodesk, which had a greater impact on the organisation than originally expected. This effect was exacerbated by the simultaneous changeover of internal systems (new ERP software), which both utilised internal resources and resulted in additional external costs. Finally, intensified development expenditure prevented the Software division from achieving even higher profit momentum. The fact that M+M was again able to increase net profit despite the lower EBIT was due to improvements in the financial result (repayments in the previous year, higher interest income) and a reduced income tax burden, which the company achieved through internal optimisations.

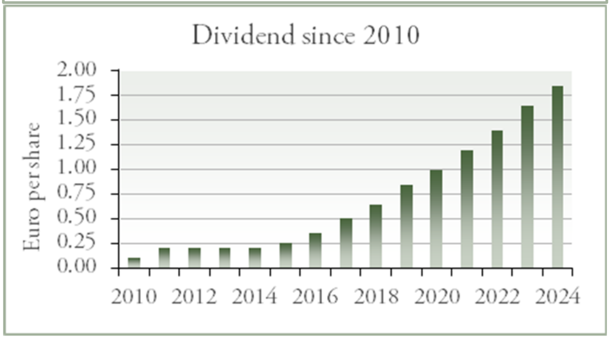
Business figures	FY 23	FY24	*Change*
Sales	322.3	325.8	*+1.1%*
Digitization	217.7	216.5	*-0.5%*
Software	104.6	109.3	*+4.5%*
Gross profit	168.5	174.6	*+3.6%*
Digitization	73.6	75.6	*+2.7%*
Software	94.9	99.0	*+4.3%*
Gross margin	*52.3%*	*53.6%*	
EBITDA	56.6	56.7	*+0.2%*
EBITDA margin	*17.6%*	*17.4%*	
EBIT	46.8	46.5	*-0.8%*
Digitization	18.4	15.9	*-13.7%*
Software	28.4	30.6	*+7.6%*
EBIT margin	*14.5%*	*14.3%*	
Digitization	*8.5%*	*7.3%*	
Software	*27.2%*	*28.0%*	
Pre-tax result	45.2	45.5	*+0.7%*
Pre-tax margin	*14.0%*	*14.0%*	
Net profit	28.9	30.5	*+5.6%*
Net margin	*9.0%*	*9.4%*	
Free cash flow	43.4	52.0	*+19.9%*

In m Euro and percent, source: Company

Impressive cash flow

The strength of the M+M business model is also impressively reflected in the cash flow figures. For many years, the group has consistently generated high surpluses in both operating cash flow and free cash flow, which also show a clear upward trend. Since 2016, the free cash flow has been in the double-digit millions, and the operating cash flow already since 2015. In 2024, the latter increased again by a remarkable 23 percent to EUR 62.3 m, leaving 19.1 percent of sales in the till at the end of the year. Despite the 43 percent increase in investments to EUR 10.3 m, free cash flow also climbed by 20 percent to EUR 52.0 m. The company explains the cash flow development primarily with the build-up of supplier liabilities in the Autodesk business. However, after the conversion of the sales model and the expiry of the multi-year licence agreements with Autodesk, the trend is expected to reverse in the coming years, which will lead to a slightly weaker cash flow at M+M and at the same time to a significant reduction in the balance sheet.





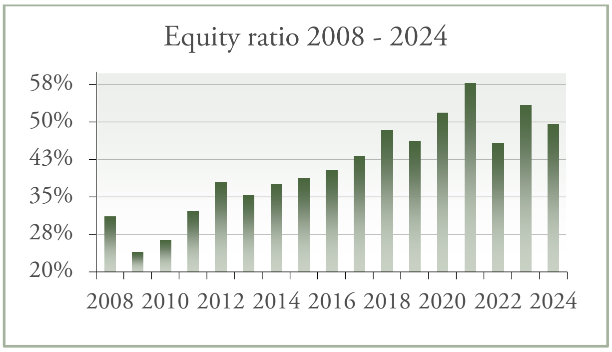
Source: Company

High payout ratio and share buy-backs

M+M uses its earnings and cash flow strength to pursue a very shareholder-friendly dividend policy, characterised by a high payout ratio and steadily rising dividends. The dividend per share increased ninefold between 2014 and 2024, most recently to EUR 1.85. At the same time, M+M is using significant funds to buy back shares. At the turn of the year, the company held just under 0.25 m treasury shares with a purchase value of EUR 11.7 m and acquired a further 0.24 m shares worth EUR 12 m in the year to date. To date, the company has mainly used the shares for the annual share dividend offered as an alternative to cash payment; last year, 0.163 m shares were issued for this purpose. The shares are also used for an employee share programme and opportunistically for the acquisition of minority interests in Group companies. As M+M specifically acquires the shares during periods of market weakness, the instrument has regularly generated positive equity effects (without income statement relevance) in the past.

Excellent balance sheet figures

Despite the generous dividend policy, equity has also been growing steadily for years, amounting to EUR 104.9 m at the end of 2024, equivalent to an equity ratio of 49.5 percent. The liquidity situation is also very comfortable. Balance sheet liquidity totalled EUR 43.0 m at the end of December, exceeding bank liabilities (EUR 7.6 m) by more than EUR 35 m. Even taking into account leasing liabilities totalling EUR 11.6 m, the M+M balance sheet shows net liquidity of almost EUR 24 m, although this is reduced significantly each year after the payment of the generous dividend. However, the largest item on the assets side of the balance sheet is the capitalised goodwill of earlier acquisitions, which amounts to EUR 47.9 m. Since some of these goodwill values concern companies that were acquired decades ago and have grown very successfully since then (such as Open Mind), they do not currently represent a balance sheet risk in any way.



Source: Company

Next profit doubling planned

Building on the experience of recent years and especially against the background of the resilience, flexibility and scalability of the business model proved once again during the Covid-19 crisis, Mensch und Maschine is confident of being able to continue the dynamic profit growth trend for a long time to come. Accordingly, earnings per share are set to double again to more than 354 cents by 2028/29. However, less momentum is expected for the current year: M+M aims to increase gross profit by 5 to 7 percent and EBIT and net profit by 9 to 19 percent each. Upon enquiry, the company explained the somewhat more restrained development compared to previous years with the foreseeable stronger effects of the three-year licences now being discontinued at Autodesk, which means that of the cohort of such contracts due for renewal in 2025, only a third of the volume will have an impact on sales in the current year. The remainder will be recognized pro rata in 2026 and 2027, which cumulatively with the last two cohorts of this licence model (until 2024) will then ensure higher Autodesk sales again. In addition, M+M cites the weak economy as one reason for the more cautious forecast for 2025, to which the company already responded in autumn with a noticeably cautious recruitment policy. Overall, however, Mensch und Maschine emphasises that the more guarded forecast for 2025 is primarily a shift, which is reflected in a correspondingly high growth expectation for 2026. Gross profit growth is then to increase again to between 8 and 12 percent and enable earnings to improve by between 13 and 25 percent.

Further dividend growth

As in the past, the dividend is to continue to rise steadily in future on the basis of profit growth. M+M is forecasting an increase of a further 20 to 30 cents for 2025 and even 25 to 40 cents for 2026. The company is thus pursuing a policy of full distribution, although the cash effect is somewhat lower due to the option of a stock dividend, which is offered and well utilised.

Equity story

Strong market position

M+M has a strong market position in the addressed markets. In the CAM field, the company with its subsidiary Open Mind is one of the pioneers of the 5-axis milling process, holds a technologically leading position and has a broad and globally spread customer and installed base. The subsidiary SOFiSTiK also plays in the premier league in the market it addresses, both technologically and in terms of market position. In the CAD software market, moreover, M+M has been active for nearly four decades and is thus a leading European partner of the American CAD pioneer Autodesk. Mensch und Maschine has a nationwide presence in the DACH region and has also branches in numerous other European countries, America and Asia. The market position that has been established for decades is also reflected in a very broad customer and installation base.

Digitization provides tailwind

The already good positioning was further improved by the majority takeover of SOFiSTiK. This applies not only to the construction software business, but also to activities in the booming BIM field, where this subsidiary also has a strong position. In the construction sector, M+M plays thus a leading role as a digitization partner and can benefit considerably from efforts to make data management and processes in the industry more efficient. However, the same challenges and tasks are also faced by companies in other sectors, which is why M+M is also increasingly perceived as a first-class digitization partner in the industrial sector and benefits from strong demand. Based on its experience to date, M+M can score particularly well in the areas of data management and the integration of construction and ERP data, which in most cases form the basis of all digitization efforts.

Distinctive continuity

M+M is characterised by an impressive continuity. This is true for the addressed business areas and the pursued strategy, as well as for the persons involved. The founder Adi Drotleff, who despite almost 30 years of stock market history is still by far the largest shareholder with a share of 47.3 percent, continues to be active on the Executive Board and the Board of Directors. At the same time, the generation change at the top of the company was carried out in a process lasting several years absolutely smoothly and without friction by gradually transferring operational responsibility to other team members. But the personnel also show a strong bond with the company: According to M+M, there is only a low staff turnover, and the second and third management levels are composed of staff members most of whom have been part of the team for more than 15 years.

Growth story par excellence

Mensch und Maschine has written an impressive growth story in recent decades. Since the realignment to the current business model in 2012, gross profit has grown by an average of almost 9 percent p.a., resulting in total growth of almost 180 percent to EUR 175 m. Most of this growth was achieved organically.

Increasing profitability

Mensch und Maschine can reliably combine dynamic growth with increasing profitability. The Group's EBIT margin has by now increased from 5.2 percent in 2012 to over 14 percent; it has consistently been in the double-digit range since 2018 and has averaged 13.6 percent over the last five years.

Highly profitable software business

The Group's paragon of profitability is the Software business, which has generated an average EBIT margin of 26.3 percent over the last five years. In fact, the trend continues to rise: A new record of 28.0 percent was set in 2024. The company intends to continue this trend and sees the 30 percent mark as a realistic target. Margin drivers here include growth-related economies of scale in average overhead costs and development expenses. Although the latter are also growing dynamically, the trend (2024 was exceptionally different) is clearly disproportionately low compared to segment sales.

Strong margin momentum in the Digitization segment

Although the Software business has a significantly higher margin level, the Digitization division has had the greater earnings momentum in the past. Its EBIT grew at a CAGR of 23.5 percent between 2012 and 2024, multiplying from EUR 1.3 m to EUR 16.9 m. As a result, the EBIT margin increased from 1.5 to more than 7 percent, reaching 8.5 percent at its peak (2023). According to the company, important margin drivers for this continuous improvement are, on the operating level, growth-related economies of scale, a growing number of prefabricated extensions and industry modules and increasing routine of the processes within the segment.

Difficult changeover mastered

In 2024, the upward trend in the EBIT margin in the Digitization segment was interrupted, partly due to the difficult economic environment, but above all due to the change in Autodesk's billing model, which entailed considerable additional costs for M+M. The current year is still partly affected by this, but subsequently the development of the segment is likely to be much steadier than in the past. This will also be helped by the end of Autodesk's three-year licenses, which in the past had increased revenue volatility in the renewal cycle. In addition, the elimination of transitory items will result in a noticeable shift in the segment's EBIT margin. At Group level, this means that M+M now sees the medium-term target for the EBIT margin at 25 percent instead of 20 percent. If the billing model had been changed at the beginning of 2024, last year's EBIT margin would already have been around 21 percent – despite the relative weakness of the Digitization segment.

Forecast quality likely to increase

The foreseeable stabilisation of Autodesk's business with the new billing model and the end of the three-year licences should further improve the already very good predictability of the business. Mensch und Maschine has already distinguished itself in recent years by reliably fulfilling its own forecasts and, above all, achieving the announced profit improvements. Last year represents a deviation in this respect, which we expect to remain a one-off. We think therefore that the current forecast, both with regard to the current year and the medium-term goals, is plausible and well-founded, and grant it a high probability of occurrence.

Strong cost elasticity

With regard to earnings, the pronounced cost elasticity of the business model makes a positive contribution to the accuracy of the forecast, as it enables M+M to react quickly and decisively to impending deviations from the plan. This was demonstrated particularly impressively in the first year of the Covid-19 crisis, in which M+M was able to deliver the planned strong profit growth despite a stagnating gross profit. This cost elasticity is made possible by the highly decentralised, EBIT-focused management system, which not only ensures short response times, but also a high degree of discipline in material costs and staff planning.

Business model with strong cash flow

The high profitability of the business model, combined with low asset intensity and a cautious capitalisation policy, ensure high cash flow surpluses. The ratio of operating cash flow to sales has consistently been in double digits since 2019, showing an upward trend in line with profitability and reaching a record 19.1 percent in 2024. As this was partly due to a special feature in the Autodesk business, the setting of ever new records for cash flow is likely to pause – at a high level – over the next two years.

Strong balance sheet

The high and rising profits and cash flow surpluses over the years also shape the balance sheet, which is characterised by a high equity ratio and high net liquidity. Bank loans totalled just EUR 7.6 m on the last balance sheet date, with total assets of EUR 211.9 m.

Attractive dividend policy

Mensch und Maschine has positioned itself as a reliable dividend stock on the basis of its good and reliable profit situation and healthy balance sheet. The payout ratio has been between 85 and 96 percent in recent years, and a dividend of EUR 1.85 per share has even been announced for 2024, which is higher than earnings per share (EUR 1.80). In relation to the current share price, the M+M share therefore offers a dividend yield of 3.5 percent – and the reliable prospect of further significant dividend increases.

DCF valuation

Core assumption: Continued growth

After we had already incorporated the preliminary figures for 2024 into the model in our last update and these were largely confirmed by the final figures, the integration of the final figures into the model resulted in only minor changes regarding some expense and balance sheet items. We are therefore sticking to our basic scenario, aligned with the company's guidance that has been very reliable for years, in which we expect a continuation of the growth course and further increasing margins.

More cautious growth assumptions

In detail, we have taken the publication of the annual report as an opportunity to update our estimates. This concerns both the growth in gross profit and the expense estimates, as well as the assumptions regarding the development of working capital and depreciation and amortisation, all of which are minor changes. The most important is the slight correction in long-term growth rates. We had hitherto expected gross profit growth of 6.0 percent for 2025 and 10.0 percent thereafter. We are leaving the estimate for the current year unchanged, and for 2026 and 2027 we continue to expect an acceleration to 10.7 and 10.4 percent respectively, but then we are allowing the growth rates to fall slightly to values below 9 percent. We have thus adjusted the estimates to the long-term path from the past and assume that this pace, which was not reached in four of the last five years due to the various crises and the special issues at Autodesk, can be achieved again over the next few years. At the end of the detailed forecast period in 2032, we now expect sales of EUR 453.1 m and gross profit of EUR 345.3 m. The corresponding gross profit margin of over 76 percent is below M+M's target of 80 percent for reasons of caution.

Lower tax rate

In terms of EBIT, we have left the estimates for 2025 unchanged at EUR 52.2 m, which now results in a net profit of EUR 34.4 m or EUR 2.04 per share (previously: EUR 33.1 m). The difference is due to the re-

m Euro	12 2025	12 2026	12 2027	12 2028	12 2029	12 2030	12 2031	12 2032
Sales	246.8	272.7	299.9	326.9	354.7	384.9	417.6	453.1
Sales growth		10.5%	10.0%	9.0%	8.5%	8.5%	8.5%	8.5%
EBIT margin	21.2%	22.8%	23.8%	24.5%	25.1%	25.6%	26.1%	26.6%
EBIT	**52.2**	**62.2**	**71.4**	**80.0**	**89.0**	**98.6**	**109.1**	**120.7**
Tax rate	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%
Adjusted tax payments	14.6	17.4	20.0	22.4	24.9	27.6	30.5	33.8
NOPAT	**37.6**	**44.8**	**51.4**	**57.6**	**64.1**	**71.0**	**78.5**	**86.9**
+ Depreciation & Amortisation	4.7	5.1	5.4	5.7	5.9	6.2	6.4	6.6
+ Increase long-term accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating Cash Flows	42.3	49.9	56.8	63.2	70.0	77.1	84.9	93.4
- Increase Net Working Capital	-14.9	-9.9	0.1	0.0	0.0	0.0	-0.1	-0.1
- Investments in fixed assets	-7.3	-5.5	-5.7	-5.9	-6.1	-6.3	-6.5	-6.7
Free Cash Flows	**20.1**	**34.5**	**51.1**	**57.4**	**63.9**	**70.8**	**78.4**	**86.7**

duction in the assumed tax rate (from 30.5 to 28.0 percent) as a result of the optimisation measures implemented by M+M. The margin estimates for subsequent years have shifted slightly due to the integration of the final data from 2024 and their extrapolation, with the assumed margin level tending to shift slightly downwards. The target EBIT margin for 2032 is now 26.6 percent (previously: 26.8 percent for 2031).

Terminal Value

The table on the previous page shows the model business development resulting from our assumptions for the years 2025 to 2032; detailed overviews of the estimates for balance sheet, income statement and cash flows statement can be found in the Annex. To determine the terminal value for the period from 2033 onwards, we have, as before, incorporated a 10 percent safety discount on the target EBIT margin for the detailed forecast period, after which we assume “perpetual” cash flow growth of 1.0 percent p.a.

Discount rate

We discount the free cash flows resulting from these assumptions with WACC (Weighted Average Cost of Capital) at an interest rate on borrowed capital of 5.0 percent. The cost of equity is determined using the Capital Asset Pricing Model (CAPM). For the safe interest rate, we base our value of 2.5 percent on the German current yield and use a market risk premium of 5.6 percent, a value average for Germany (source: Survey – Market Risk Premium and Risk-Free Rate used for 96 countries in 2024). As a beta, we take a fundamentally appropriate industry value for an established IT company of 1.2, resulting in a WACC rate of 6.8 percent with a target capital structure of 42.5 percent debt and a tax rate for the tax shield of 28.00 percent.

Price target: EUR 67.00 per share

In our favoured scenario (perpetual growth 1.0 percent, WACC 6.8 percent), these assumptions result in a market value of equity of EUR 1,137 m or EUR 67.26 per share. From this we derive the unchanged price target of EUR 67.00. This means that the somewhat more cautious estimates on the one hand and the effect of the roll-over of the model to the new base year of 2025 on the other offset each other.

Low estimation risk

In addition to the fundamental fair value calculation, we assess the estimation risk on a scale from 1 (very low) to 6 (very high). In view of the stable market position, the long-standing track record and the proven high forecast reliability of the management, we consider the predictability of M+M's development to be good. For this reason, we continue to consider the rating of one point (low estimation risk) to be justified.

Sensitivity analysis	Perpetual cash flows growth				
WACC	**2.0%**	**1.5%**	**1.0%**	**0.5%**	**0.0%**
5.8%	98.36	89.42	82.33	76.57	71.80
6.3%	86.47	79.63	74.08	69.48	65.61
6.8%	77.04	71.69	**67.26**	63.52	60.34
7.3%	69.39	65.12	61.52	58.45	55.79
7.8%	63.06	59.59	56.63	54.07	51.84

Sensitivity analysis

For our sensitivity analysis, we have varied the input parameters WACC and perpetual growth. The calculated fair value lies between EUR 51,84 per share in the most restrictive case (WACC of 7.8 percent and perpetual growth of 0 percent) and EUR 98,36 in the most optimistic case.

Conclusion

Mensch und Maschine has been distinguishing itself by steady growth and increasing margins for many years. This is made possible by the combination of attractive target markets, technologically leading products, a well thought-out and consistently implemented growth strategy and, last but not least, a corporate culture that is consistently geared towards profitability.

The successes achieved are impressive: In the last five years alone, gross profit has increased by a third, EBIT by half and net profit by almost two thirds. M+M is confident of maintaining this momentum in the future and aims to double earnings per share again by 2028/2029.

M+M uses the strong growth dynamics and the pronounced cash flow strength of the business model for a very shareholder-friendly dividend policy; in recent years, more than 90 percent of the respective profits were regularly paid out to the shareholders. Nevertheless, the balance sheet shows excellent figures with an equity ratio of 50 percent and net liquidity.

There are currently hardly any reasons why M+M should not continue this success story in view of the unchanged high-potential markets and the excellently established business model. Last year, for the first time in many years, the company did not quite meet its own forecast and recorded a minimal decline in EBIT, but not in net profit; however, this was mainly due to one-off effects from the simultaneous system change at Autodesk (from resale to the commission concept) and an internal IT changeover. Once these processes have been completed, the company should be able to resume the previous trend. In terms of the margins, the changeover at Autodesk, which involves the elimination of transitory items with a large volume from the income statement, will even cause a significant upward shift (last year this would have been around 7 percentage points more on a pro forma basis). This will make the strength of the M+M business model even more visible in the future. At the same time, the volatile influence of trading revenue from Autodesk licences on Group revenue will be significantly reduced, which further improves the predictability of development.

As the M+M management has already distinguished itself with impressive forecast accuracy (with the exception of last year), we consider the management guidance for the coming years to be a very reliable orientation for our estimates as well. As a result, we expect the highly profitable growth to continue in the future, although, in line with the company, we anticipate somewhat more moderate momentum in 2025, which should be followed by a noticeable acceleration from 2026 onwards.

On this basis, we see the fair value of the share unchanged at EUR 67.00 and thus well above the current price. The dividend yield of 3.6 percent based on the announced pay out of EUR 1.85 also looks attractive. Combined with the low estimation risk, this continues to justify a “Strong Buy” rating.

Annex I: Balance sheet and P&L estimation

Balance sheet estimation

m Euro	2024 act.	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e
ASSETS									
I. Total non-current assets	111.6	114.2	114.6	114.9	115.1	115.3	115.4	115.5	115.6
1. Intangible assets	76.1	77.5	76.7	75.9	75.2	74.5	73.8	73.1	72.5
2. Tangible assets	34.2	35.4	36.5	37.6	38.6	39.4	40.3	41.0	41.8
II. Total current assets	100.3	86.0	81.0	86.5	92.7	104.3	119.4	136.0	154.5
LIABILITIES									
I. Equity	104.9	108.7	115.3	122.7	130.3	141.3	153.3	166.5	181.2
II. Accruals	12.6	12.9	13.3	13.6	14.0	14.3	14.7	15.1	15.4
III. Liabilities									
1. Long-term liabilities	34.5	33.4	31.8	29.8	27.9	26.2	26.2	26.2	26.2
2. Short-term liabilities	59.9	45.2	35.3	35.3	35.7	37.8	40.6	43.8	47.3
TOTAL	**211.9**	**200.2**	**195.6**	**201.4**	**207.8**	**219.6**	**234.8**	**251.5**	**270.1**

P&L estimation

m Euro	2024 act.	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e
Sales	325.8	246.8	272.7	299.9	326.9	354.7	384.9	417.6	453.1
Gross profit	174.6	185.1	204.8	226.1	247.2	269.1	292.4	317.8	345.3
EBITDA	56.7	62.7	73.1	82.6	91.4	100.7	110.5	121.2	133.0
EBIT	46.5	52.2	62.2	71.4	80.0	89.0	98.6	109.1	120.7
EBT	45.5	52.3	62.2	71.5	80.2	89.5	99.2	109.8	121.5
EAT (before minorities)	33.4	37.7	44.8	51.5	57.8	64.4	71.4	79.0	87.4
EAT	30.5	34.4	40.7	46.5	51.9	57.5	63.3	69.7	76.6
EPS	1.80	2.04	2.41	2.75	3.07	3.40	3.75	4.12	4.53

Annex II: Cash flows estimation and key figures

Cash flows estimation

m Euro	2024 act.	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e
CF operating	62.3	33.2	45.7	62.7	69.2	76.1	83.3	91.1	99.7
CF from investments	-10.9	-7.3	-5.5	-5.7	-5.9	-6.1	-6.3	-6.5	-6.7
CF financing	-33.5	-44.0	-49.2	-55.8	-61.8	-63.3	-67.2	-73.6	-80.5
Liquidity beginning of year	24.9	43.0	25.0	16.0	17.2	18.8	25.5	35.3	46.4
Liquidity end of year	43.0	25.0	16.0	17.2	18.8	25.5	35.3	46.4	58.9

Key figures

percent	2024 Ist	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e
Sales growth	1.1%	-24.3%*	10.5%	10.0%	9.0%	8.5%	8.5%	8.5%	8.5%
Gross profit growth	3.6%	6.0%	10.7%	10.4%	9.4%	8.8%	8.7%	8.7%	8.7%
Gross margin	53.6%	75.0%	75.1%	75.4%	75.6%	75.9%	76.0%	76.1%	76.2%
EBITDA margin	17.4%	25.4%	26.8%	27.5%	28.0%	28.4%	28.7%	29.0%	29.4%
EBIT margin	14.3%	21.2%	22.8%	23.8%	24.5%	25.1%	25.6%	26.1%	26.6%
EBT margin	14.0%	21.2%	22.8%	23.8%	24.5%	25.2%	25.8%	26.3%	26.8%
Net margin (after minorities)	9.4%	14.0%	14.9%	15.5%	15.9%	16.2%	16.5%	16.7%	16.9%

**switch of the billing model at Autodesk*

Disclaimer

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II) Preparation and updating

The present financial analysis was prepared by: Dipl. Volkswirt Dr. Adam Jakubowski

Participants in the preparation of the present financial analysis: -

The present analysis was finished on 26.03.2025 at 7:18 and published on 26.03.2025 at 8:15.

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Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as average (3 to 4 points).
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Date	Investment recomm.	Target price	Conflict of interests
13.02.2025	Strong Buy	67.00 Euro	1), 3)
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19.07.2024	Strong Buy	70.00 Euro	1), 3)
19.04.2024	Strong Buy	69.00 Euro	1), 3)
20.03.2024	Strong Buy	69.00 Euro	1), 3)
09.02.2024	Strong Buy	68.00 Euro	1), 3)
20.10.2023	Strong Buy	66.00 Euro	1), 3), 4)
01.08.2023	Strong Buy	66.00 Euro	1), 3), 4)
24.04.2023	Strong Buy	63.60 Euro	1), 3)

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