

Date 27/10/2020

**Recommendation:**

**Buy** (previous: Buy)

**PT: € 105.00** (prev.: € 105.00)

**GK Software SE**

Industry: Software

Segment: Prime Standard

ISIN: DE0007571424

Reuters: GKSG

**Price (26/10/2020): € 70.60**

Market Cap € 133m

EV € 162m

Ø-volume `000€ 90

52W High € 87.80

52W Low € 35.00

**Financial Calendar**

Q3 2020 26/11/2020

FY 2020 28/04/2021

Q1 2021 27/05/2021

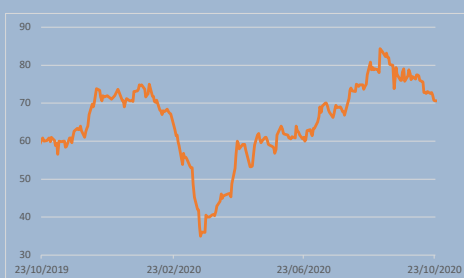
**Shareholder structure**

R.Gläß 29.4%

S.Kronmüller 25.5%

Freefloat 45.1%

**Share performance**



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**GK SOFTWARE SE**

**SAP expands "Industry Cloud" for the Retail Industry - cloud4retail from partner GK is an integral part**

As SAP recently announced, the **SAP Industry Cloud Portfolio** has been expanded - with the cooperation of the respective partners - to include the retail, services and mechanical/equipment-engineering sectors. The **cloud4retail** platform developed by GK is an integral part of the **SAP Industry Cloud for the retail industry**. This underlines the **close strategic partnership** of both companies, but also the **expertise** of GK regarding sophisticated, native cloud solutions. This expertise was also evident in the **Fiskal Cloud** (developed by GK's wholly owned subsidiary DF Deutsche Fiskal and D-Trust (Bundesdruckerei)), which was certified by the BSI at the end of September 2020 as the first **SaaS fiscalization solution** to meet the high security and performance requirements in Germany. We leave our estimates unchanged and continue to recommend the GK Software stock as a buy. The EV/sales ratio remains favorable compared to the peers, and the medium-term growth prospects are unclouded.

- ✓ Retailers are not only facing high customer expectations (price, omni-channel experience), but also a disruptive competitive environment. The **SAP Industry Cloud** for the retail sector is designed to provide retailers with intelligent solutions to master the cost-efficient transformation to more innovative (data-driven) business models. The modules of the cloud4retail platform fit seamlessly into this strategic approach and occupy central topic areas not only with **"SAP Dynamic Pricing by GK"** and **"SAP Omnichannel-Point-of-Sale by GK"**.
- ✓ The **Fiskal Cloud** has clear advantages for the trade, not only in terms of costs, compared to a hardware-based solution. Due to the extension of the noncomplaint period to 31.3.2021 (in all federal states, except Bremen), significant sales contributions from Fiscal Cloud will not be generated until 2021. GK has used the strong resonance in the solution to win almost all existing customers and numerous further retailers (via partners) for the Fiscal Cloud solution.
- ✓ The **market environment** is still characterized by high uncertainty due to the Corona pandemic. The operational processes at GK have been digitalized to such an extent that they would not be affected by renewed (local) lockdowns, but travel restrictions could lead to project delays and new customer acquisition is likely to be more difficult as a result.

**Outlook:** GK emphasizes that without the effects of the Covid 19 crisis, the medium-term goals would have been achieved in 2020. A well-founded outlook for 2020 remains difficult because of Covid-19. The company continues to expect a slight increase in sales revenues and a significant improvement in EBIT.

**Key figures - GK Software SE**

	Sales	EBITDA	EBIT	EPS (adj.)	EV/Sales	P/E
2018 a	106.2	6.8	1.6	0.48	2.01	204.6
2019 a	115.4	12.3	3.4	-1.55	1.44	-44.0
2020 e	126.2	21.9	12.6	3.65	1.28	19.4
2021 e	145.5	29.0	18.9	5.89	1.11	12.0
2022 e	162.1	35.0	24.3	7.83	1.00	9.0

Source: Company Data, EQUITS

## Appendix

<b>Income Statement (in EURm)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
<b>Sales</b>	<b>90.452</b>	<b>106.151</b>	<b>115.448</b>	<b>126.173</b>	<b>145.495</b>	<b>162.066</b>
Change in finished goods	0.000	0.000	0.000	0.000	0.000	0.000
Other own costs capitalized	0.000	0.000	0.000	0.000	0.000	0.000
Other operating income	5.197	3.617	3.837	4.193	4.836	5.386
<b>Total performance</b>	<b>95.649</b>	<b>109.768</b>	<b>119.285</b>	<b>130.366</b>	<b>150.331</b>	<b>167.452</b>
Cost of material	-8.530	-7.733	-6.229	-8.048	-9.220	-10.210
<b>Gross profit</b>	<b>87.119</b>	<b>102.035</b>	<b>113.056</b>	<b>122.319</b>	<b>141.111</b>	<b>157.242</b>
Personnel expenses	-57.809	-68.791	-78.134	-77.834	-86.498	-93.309
Other operating expenses	-20.537	-26.411	-22.666	-22.540	-25.658	-28.967
<b>EBITDA</b>	<b>8.773</b>	<b>6.833</b>	<b>12.256</b>	<b>21.945</b>	<b>28.954</b>	<b>34.966</b>
Depreciation/amortisation	-3.780	-5.237	-8.826	-9.328	-10.040	-10.656
<b>EBIT</b>	<b>4.993</b>	<b>1.596</b>	<b>3.430</b>	<b>12.617</b>	<b>18.914</b>	<b>24.310</b>
Financial result	-0.653	-1.425	-2.197	-2.103	-1.915	-1.726
Non operating result before taxes	0.000	0.000	0.000	0.000	0.000	0.000
EBT	4.340	0.171	1.233	10.515	16.999	22.584
Non operating result after taxes	0.000	0.000	0.000	0.000	0.000	0.000
Taxes	-0.456	0.752	-4.372	-3.110	-5.029	-6.681
Minority interest	0.002	0.002	0.002	0.002	0.002	0.002
<b>Net result</b>	<b>3.885</b>	<b>0.925</b>	<b>-3.137</b>	<b>7.406</b>	<b>11.972</b>	<b>15.905</b>
Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
<b>Adjusted net result</b>	<b>3.885</b>	<b>0.925</b>	<b>-3.137</b>	<b>7.406</b>	<b>11.972</b>	<b>15.905</b>
Average number of shares	1.90	1.93	2.02	2.03	2.03	2.03
Average number of shares (dil.)	1.95	1.95	2.06	2.06	2.06	2.06
EPS	2.05	0.48	-1.55	3.65	5.89	7.83
Adjusted EPS	2.05	0.48	-1.55	3.65	5.89	7.83
Adjusted EPS (diluted)	2.00	0.47	-1.52	3.59	5.80	7.71
DPS	0.00	0.00	0.00	0.73	1.18	1.57

Source: EQUI.TS; company data

<b>Cash Flow Statement (in EURm)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
Net cash provided by operating activities	15.224	-5.670	-0.214	13.503	16.092	21.510
Net cash used in investing activities	-9.278	-15.732	-3.591	-5.881	-6.891	-7.336
Net cash provided by financing activities	19.121	-0.294	-0.118	-2.000	-3.481	-4.394
Change in cash and securities	25.067	-21.696	-3.923	5.622	5.720	9.780
Cash and secur. at the end of the period	30.479	11.790	8.086	13.708	19.427	29.207

Source: EQUI.TS; company data

- Please consider the disclaimer at the end of this document -

<b>Balance Sheet (in EURm)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
Long term assets	39.575	52.799	59.908	56.461	53.312	49.992
Intangible assets	25.359	30.019	27.607	25.507	24.607	23.707
Tangible assets	14.183	16.936	16.988	16.105	14.630	13.042
Usage rights (IFRS 16)	0.000	0.000	8.914	8.451	7.676	6.844
Financial assets	0.033	5.844	6.399	6.399	6.399	6.399
<b>Current assets</b>	<b>61.424</b>	<b>53.304</b>	<b>52.748</b>	<b>61.962</b>	<b>74.155</b>	<b>89.486</b>
Inventories	0.990	0.486	0.416	0.455	0.524	0.584
Trade Accounts Receivables	17.710	26.030	22.240	24.306	28.028	31.220
Trade Accounts Rec. from ongoing work	5.129	10.289	16.020	17.508	20.189	22.489
Other current assets	7.116	4.709	5.986	5.986	5.986	5.986
Cash and securities	30.479	11.790	8.086	13.708	19.427	29.207
Other assets	5.599	5.079	1.533	1.533	1.533	1.533
<b>Total assets</b>	<b>106.598</b>	<b>111.182</b>	<b>114.189</b>	<b>119.957</b>	<b>129.001</b>	<b>141.011</b>
<b>Equity</b>	<b>38.669</b>	<b>40.256</b>	<b>42.329</b>	<b>49.733</b>	<b>60.222</b>	<b>73.731</b>
Reserves	37.598	39.187	41.261	48.667	59.093	72.539
Minorities	1.071	1.069	1.068	1.066	1.129	1.192
Provisions	3.226	2.789	4.183	4.316	4.455	4.601
<b>Liabilities</b>	<b>59.364</b>	<b>64.484</b>	<b>64.805</b>	<b>63.036</b>	<b>61.452</b>	<b>59.808</b>
Interest bearing liabilities	32.323	34.819	33.820	31.820	29.820	27.820
Leasehold liabilities	0.000	0.000	8.868	8.451	7.676	6.844
Accounts Payables	1.835	2.365	2.484	2.715	3.131	3.487
Initial payments received	0.858	1.509	3.547	5.656	6.285	6.913
Other non-interest bearing liabilities	24.348	25.791	16.086	14.394	14.540	14.744
Other liabilities	5.340	3.653	2.872	2.872	2.872	2.872
<b>Total equity and liabilities</b>	<b>106.598</b>	<b>111.182</b>	<b>114.189</b>	<b>119.957</b>	<b>129.001</b>	<b>141.011</b>

Source: EQU1.TS; company data

Key Ratios	2017	2018	2019	2020e	2021e	2022e
<b>Ratios for corporate valuation</b>						
EV/Sales	2.03	2.01	1.44	1.28	1.11	1.00
EV/EBITDA	20.90	31.30	13.59	7.38	5.59	4.63
EV/EBIT	36.72	134.00	48.57	12.83	8.56	6.66
P/E reported	46.22	204.62	-44.02	19.37	11.98	9.02
P/E clean	46.22	204.62	-44.02	19.37	11.98	9.02
PCPS	23.50	33.23	22.00	8.50	6.47	5.37
Price-to-book ratio	4.78	4.83	3.35	2.95	2.43	1.98
<b>Profitability ratios</b>						
EBITDA margin	9.7%	6.4%	10.6%	17.4%	19.9%	21.6%
EBIT margin	5.5%	1.5%	3.0%	10.0%	13.0%	15.0%
Pre tax margin	4.8%	0.2%	1.1%	8.3%	11.7%	13.9%
Net margin	4.3%	0.9%	-2.7%	5.9%	8.2%	9.8%
Free-cash-flow-margin	n.m.	n.m.	2.3%	8.7%	10.5%	12.0%
ROE	11.0%	2.3%	-7.6%	16.1%	21.8%	23.7%
<b>Productivity ratios</b>						
Sales/employees (in EUR '000)	89.5	92.3	92.6	106.5	119.2	129.0
Personnel expenses/employees (in '000)	57.2	59.8	62.7	65.7	70.9	74.2
Net result/employees (in '000)	3.8	0.8	-2.5	6.3	9.8	12.7
Number of employees	1011	1150	1247	1185	1220	1257
<b>Financial ratios</b>						
Equity ratio	36.3%	36.2%	37.1%	41.5%	46.7%	52.3%
Gearing	175.7%	176.2%	169.8%	141.2%	114.2%	91.3%
Dividend yield	0.0%	0.0%	0.0%	1.0%	1.7%	2.2%
<b>Cash-flow ratio</b>						
Cash-flow per share	4.02	2.96	3.10	8.30	10.90	13.15
Free-Cash-flow per share	-0.27	-5.46	1.30	5.41	7.51	9.54
<b>Other ratios</b>						
Depreciation/Sales	4.2%	4.9%	7.6%	7.4%	6.9%	6.6%
Capex/Sales	9.0%	11.3%	3.2%	3.2%	3.2%	3.1%
Working Capital/Sales	24.3%	32.4%	31.3%	31.3%	31.3%	31.3%
Tax rate	10.5%	-439.8%	354.6%	29.6%	29.6%	29.6%

Source EQUI.TS

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**Authors of this financial analysis: Daniel Großjohann, Analyst, and Thomas Schießle, Analyst.**

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<b>Company</b>	<b>Analyst</b>		<b>Rating</b>	<b>Price Target</b>
GK SOFTWARE AG	D.Grossjohann/T.Schießle	04/09/2019	Buy	€ 106.50
GK SOFTWARE AG	D.Grossjohann/T.Schießle	04/12/2019	Buy	€ 105.00
GK SOFTWARE AG	D.Grossjohann/T.Schießle	24/04/2020	Buy	€ 84.00
GK SOFTWARE AG	D.Grossjohann/T.Schießle	12/06/2020	Buy	€ 87.90
GK SOFTWARE AG	D.Grossjohann/T.Schießle	01/09/2020	Buy	€ 105.00
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3. **Date of initial/original publication of the financial analysis:**

**(27/10/2020; 9:00 am)**

4. **Date and time of the prices of financial instruments disclosed therein:**

**(Closing price on 26/10/2020)**

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