

Date 31/03/2021

Recommendation:

Buy (previous: Buy)

PT: € 133.50 (prev.: € 134.00)

GK Software SE

Industry: Software

Segment: Prime Standard

ISIN: DE0007571424

Reuters: GKSG

Price (30/03/2021): € 114.00

Market Cap € 256m

EV € 284m

Ø-volume `000€ 344

52W High € 123.00

52W Low € 35.60

Financial Calendar

FY 2020 28/04/2021

Q1 2021 27/05/2021

AGM 2021 17/06/2021

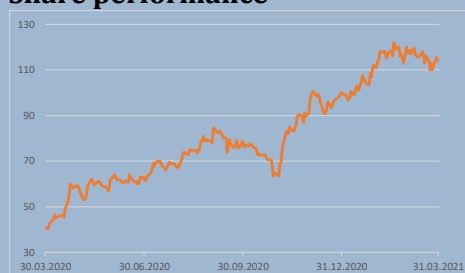
Shareholder structure

R.Gläß 24.2%

S.Kronmüller 18.4%

Freefloat 57.4%

Share performance



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GK SOFTWARE SE

Capital increase fully placed with institutional investors

The **capital increase** of 180,000 new shares (corresponding to 8.8% of the share capital) announced on March 25, 2021, at a price of € 105.75 per share, was already fully placed with institutional investors by ICF Bank AG by noon on March 26, 2021. As a result, the company received gross issue proceeds of around € 19 million. These funds will primarily be used for the development of **GK SPOT**, a cloud-based big data platform for the retail industry. In addition, the capital increase will serve general purposes of the Group, such as further internationalization. The placement of the new shares (entitled to dividend as of Jan. 1, 2020) has a slightly dilutive effect, but this is largely compensated by higher peer multiples. With 2021 EV/sales of around 2, the GK Software share remains more attractive than its peers.

- ✓ For the (prospectus-free) increase of the registered share capital by 8.8%, excluding the subscription rights of existing shareholders, the Authorized Capital was partially utilized (an increase of up to 10% would have been possible). Taking into account the usual costs, we assume that the Company received a net inflow of around €18.5 million. These are to be used for the planned development of GK SPOT, as well as for general purposes of the Group.
- ✓ The **GK SPOT investments**, which are expected to amount to a mid seven-digit sum, will primarily be used to build up Big Data expertise, while the platform-side prerequisites have largely already been created. **GK SPOT** expands the solution world of GK Software to include cloud-based **Big Data applications** that are based on the proven CLOUD4RETAIL platform. The company expects the investment in GK SPOT to expand its market-leading position and open up new potential for the cloud business.
- ✓ The **capital increase** also creates new opportunities with regard to **internationalization**, which is also to be pushed forward. We could imagine that in regions previously only weakly covered, such as Asia, inorganic growth is now an option to accelerate market penetration.
- ✓ **Shareholder structure**. In addition to the capital increase, 60,000 shares were reallocated from the holdings of founder and CEO Rainer Gläß. This increased the free float to 57.4%. Mr. Gläß remains the largest single shareholder with a stake of 24.2% (direct and indirect).

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	117.5*	18.5*	9.4	2.53	2.42	45.1
2021 e	138.5	27.9	18.0	5.07	2.05	22.5
2022 e	157.5	34.2	23.6	6.91	1.80	16.5

Source: Company Data, EQUITS; *=preliminarily reported

Appendix

Income Statement (in EURm)	2017	2018	2019	2020e*	2021e	2022e
Sales	90.452	106.151	115.448	117.500	138.495	157.546
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	3.905	4.603	5.236
Total performance	95.649	109.768	119.285	121.405	143.098	162.782
Cost of material	-8.530	-7.733	-6.229	-8.580	-10.053	-11.533
Gross profit	87.119	102.035	113.056	112.825	133.045	151.249
Personnel expenses	-57.809	-68.791	-78.134	-73.493	-81.467	-89.710
Other operating expenses	-20.537	-26.411	-22.666	-20.837	-23.689	-27.334
EBITDA	8.773	6.833	12.256	18.496	27.890	34.206
Depreciation/amortisation	-3.780	-5.237	-8.826	-9.107	-9.885	-10.573
EBIT	4.993	1.596	3.430	9.388	18.005	23.632
Financial result	-0.653	-1.425	-2.197	-2.101	-1.863	-1.630
Non operating result before taxes	0.000	0.000	0.000	0.000	0.000	0.000
EBT	4.340	0.171	1.233	7.288	16.141	22.002
Non operating result after taxes	0.000	0.000	0.000	0.000	0.000	0.000
Taxes	-0.456	0.752	-4.372	-2.156	-4.775	-6.509
Minority interest	0.002	0.002	0.002	0.002	0.002	0.002
Net result	3.885	0.925	-3.137	5.134	11.368	15.495
Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Adjusted net result	3.885	0.925	-3.137	5.134	11.368	15.495
Average number of shares	1.90	1.93	2.02	2.03	2.24	2.24
Average number of shares (dil.)	1.95	1.95	2.06	2.24	2.24	2.24
EPS	2.05	0.48	-1.55	2.53	5.07	6.91
Adjusted EPS	2.05	0.48	-1.55	2.53	5.07	6.91
Adjusted EPS (diluted)	2.00	0.47	-1.52	2.29	5.07	6.91
DPS	0.00	0.00	0.00	0.51	1.01	1.38

Source: EQUI.TS; company data - Sales and EBITDA for 2020 were reported provisionally

Cash Flow Statement (in EURm)	2017	2018	2019	2020e	2021e	2022e
Net cash provided by operating activities	15.224	-5.670	-0.214	13.729	14.809	20.240
Net cash used in investing activities	-9.278	-15.732	-3.591	-5.608	-11.670	-7.193
Net cash provided by financing activities	19.121	-0.294	-0.118	-2.000	15.473	-4.274
Change in cash and securities	25.067	-21.696	-3.923	6.121	18.612	8.773
Cash and secur. at the end of the period	30.479	11.790	8.086	14.207	32.818	41.592

Source: EQUI.TS; company data

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

Balance Sheet (in EURm)	2017	2018	2019	2020e	2021e	2022e
Long term assets	39.575	52.799	59.908	56.409	58.194	54.814
Intangible assets	25.359	30.019	27.607	25.507	29.607	28.707
Tangible assets	14.183	16.936	16.988	16.070	14.552	12.926
Usage rights (IFRS 16)	0.000	0.000	8.914	8.432	7.636	6.782
Financial assets	0.033	5.844	6.399	6.399	6.399	6.399
Current assets	61.424	53.304	52.748	59.556	85.201	100.357
Inventories	0.990	0.486	0.416	0.423	0.499	0.568
Trade Accounts Receivables	17.710	26.030	22.240	22.635	26.680	30.350
Trade Accounts Rec. from ongoing work	5.129	10.289	16.020	16.305	19.218	21.862
Other current assets	7.116	4.709	5.986	5.986	5.986	5.986
Cash and securities	30.479	11.790	8.086	14.207	32.818	41.592
Other assets	5.599	5.079	1.533	1.533	1.533	1.533
Total assets	106.598	111.182	114.189	117.498	144.928	156.704
Equity	38.669	40.256	42.329	47.461	76.301	89.520
Reserves	37.598	39.187	41.261	46.395	75.172	88.328
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
Liabilities	59.364	64.484	64.805	62.849	61.301	59.711
Interest bearing liabilities	32.323	34.819	33.820	31.820	29.820	27.820
Leasehold liabilities	0.000	0.000	8.868	8.432	7.636	6.782
Accounts Payables	1.835	2.365	2.484	2.528	2.980	3.390
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	14.413	14.581	14.806
Other liabilities	5.340	3.653	2.872	2.872	2.872	2.872
Total equity and liabilities	106.598	111.182	114.189	117.498	144.928	156.704

Source: EQU1.TS; company data

Key Ratios	2017	2018	2019	2020e	2021e	2022e
Ratios for corporate valuation						
EV/Sales	2.03	2.01	1.44	2.42	2.05	1.80
EV/EBITDA	20.90	31.30	13.59	15.37	10.19	8.31
EV/EBIT	36.72	134.00	48.57	30.27	15.79	12.03
P/E reported	46.22	204.62	-44.02	45.11	22.48	16.49
P/E clean	46.22	204.62	-44.02	45.11	22.48	16.49
PCPS	23.50	33.23	22.00	16.11	11.94	9.75
Price-to-book ratio	4.78	4.83	3.35	4.99	3.40	2.89
Profitability ratios						
EBITDA margin	9.7%	6.4%	10.6%	15.7%	20.1%	21.7%
EBIT margin	5.5%	1.5%	3.0%	8.0%	13.0%	15.0%
Pre tax margin	4.8%	0.2%	1.1%	6.2%	11.7%	14.0%
Net margin	4.3%	0.9%	-2.7%	4.4%	8.2%	9.8%
Free-cash-flow-margin	n.m.	n.m.	2.3%	7.5%	7.0%	12.1%
ROE	11.0%	2.3%	-7.6%	11.4%	18.4%	18.7%
Productivity ratios						
Sales/employees (in EUR '000)	89.5	92.3	92.6	99.2	113.5	125.4
Personnel expenses/employees (in '000)	57.2	59.8	62.7	62.0	66.8	71.4
Net result/employees (in '000)	3.8	0.8	-2.5	4.3	9.3	12.3
Number of employees	1011	1150	1247	1185	1220	1257
Financial ratios						
Equity ratio	36.3%	36.2%	37.1%	40.4%	52.6%	57.1%
Gearing	175.7%	176.2%	169.8%	147.6%	89.9%	75.0%
Dividend yield	0.0%	0.0%	0.0%	0.4%	0.9%	1.2%
Cash-flow ratio						
Cash-flow per share	4.02	2.96	3.10	7.08	9.54	11.70
Free-Cash-flow per share	-0.27	-5.46	1.30	4.32	4.34	8.49
Other ratios						
Depreciation/Sales	4.2%	4.9%	7.6%	7.8%	7.1%	6.7%
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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Company	Analyst		Rating	Price Target
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
GK SOFTWARE AG	D.Grossjohann/T.Schießle	27/10/2020	Buy	€ 105.00
GK SOFTWARE AG	D.Grossjohann/T.Schießle	10/11/2020	Buy	€ 116.00
GK SOFTWARE AG	D.Grossjohann/T.Schießle	01/12/2020	Buy	€ 117.00
GK SOFTWARE AG	D.Grossjohann/T.Schießle	01/02/2021	Hold	€ 122.00
GK SOFTWARE AG	D.Grossjohann/T.Schießle	24/03/2021	Buy	€ 134.00
GK SOFTWARE AG	D.Grossjohann/T.Schießle	31/03/2020	Buy	€ 133.50

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The following valuation methods are used when valuing companies: Multiplier models (price/earnings, price/cash flow, price/book value, EV/revenues, EV/EBIT, EV/EBITA, EV/EBITDA), peer group comparisons, historical valuation approaches, discounting models (DCF, DDM), break-up value approaches or asset valuation approaches. The valuation models are dependent upon macroeconomic measures such as interest, currencies, raw materials and assumptions concerning the economy. In addition, market moods influence the valuation of companies. Furthermore, the approaches are based on expectations that can change quickly and without warning, according to industry-specific developments. As a result, the results of the valuation and target prices derived from the models can change correspondingly. The results of the valuation are based on a period of 12 months. They are, however, subject to market conditions and represent a snapshot. They can be reached more quickly or more slowly or be revised upwards or downwards.

3. **Date of initial/original publication of the financial analysis:**

(31/03/2021; 09:00 am CET)

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

(Closing price on 30/03/2021, XETRA)

5. Updates:

We have currently not yet set a fixed date to provide a precise update of this analysis. EQUITS GmbH reserves the right to update the analysis unannounced.

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