

Date 01/02/2021

**Recommendation:**

**Hold** (previous: Buy)

**PT: € 122.00** (prev.: € 117.00)

**GK Software SE**

Industry: Software

Segment: Prime Standard

ISIN: DE0007571424

Reuters: GKSG

**Price (29/01/2020): € 112.00**

Market Cap € 212m

EV € 240m

Ø-volume `000€ 196

52W High € 112.00

52W Low € 35.00

**Financial Calendar**

FY 2020 28/04/2021

Q1 2021 27/05/2021

AGM 2021 17/06/2021

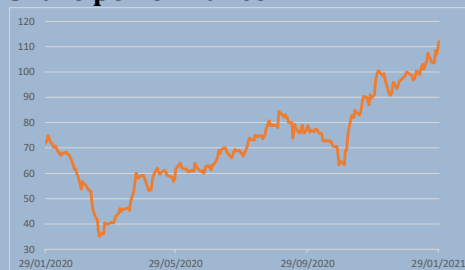
**Shareholder structure**

R.Gläß 29.4%

S.Kronmüller 23.1%

Freefloat 47.6%

**Share performance**



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**GK SOFTWARE SE**

**Successful final quarter - leading retailer from France acquired as new customer**

GK Software has successfully closed the year 2020 and met its own forecast. Without giving concrete figures, the company confirmed a slight expansion in turnover and a significant improvement in profitability. In addition to the French customer, which is one of the 50 largest retailers worldwide, two new software-as-a-service (SaaS) customers were also acquired in Q4. The minimum order volume from cloud contracts (SaaS contracts with a majority of 3-10 years duration) concluded in 2020 amounts to € 48 m. The faster than expected transformation (licence revenue vs. SaaS revenue) requires a slight adjustment in our 2020 estimate. In terms of the medium-term revenue structure (and valuation multiples), the transformation is positive. Compared to peers, GK Software shares remain rather inexpensive with an EV/sales of 2.

- ✓ In 2020, GK Software added ten new GK/Retail customers (2019: 7), which was more successful than the previous year despite the Corona pandemic constraints. In addition - in both years - three existing GK/Retail customers decided to switch to the current solution. However, since four customers opted for a SaaS model in 2020, the classic licence revenue of around € 7 million remained below the previous year's value (around € 11 million). Another reason for this may have been that direct customers are increasingly linking licence payments to project milestones instead of paying the licence amount in full in advance.
- ✓ Overall, GK Software was able to conclude (long-term) cloud/SaaS contracts with a minimum volume of € 48 million in 2020. In most cases, these have a term of three to ten years. SaaS revenues also include AIR (Artificial Intelligence for Retail) platform revenues and Deutsche Fiskal revenues.
- ✓ Deutsche Fiskal has received recertification as planned (necessary due to additional BSI requirements) and thus has the only legally secure cloud solution on the market to date. After the already very successful year 2020 in terms of sales, new interested parties can still be connected in time for the legal start (1/4/2021) due to the easy-to-integrate interfaces.
- ✓ The new customers are broadly diversified geographically and in terms of product range. For the first time, a large French retailer was won as a new customer, which is one of the top 50 retailers worldwide. However, customers from the USA, Canada, North Africa, Chile and, for the first time, New Zealand were also won in 2020.

**Company outlook:** The company has met its own 2020 guidance with a successful Q4 2020. The company will present final figures for 2020 at the end of April.

**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	121.2	19.5	10.3	2.84	1.98	39.4
2021 e	141.5	28.3	18.4	5.71	1.70	19.6
2022 e	162.1	35.0	24.3	7.83	1.48	14.3

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>121.173</b>	<b>141.495</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	4.027	4.703	5.386
<b>Total performance</b>	<b>95.649</b>	<b>109.768</b>	<b>119.285</b>	<b>125.200</b>	<b>146.198</b>	<b>167.452</b>
Cost of material	-8.530	-7.733	-6.229	-8.778	-10.190	-11.611
<b>Gross profit</b>	<b>87.119</b>	<b>102.035</b>	<b>113.056</b>	<b>116.422</b>	<b>136.008</b>	<b>155.841</b>
Personnel expenses	-57.809	-68.791	-78.134	-75.364	-82.845	-92.051
Other operating expenses	-20.537	-26.411	-22.666	-21.558	-24.818	-28.812
<b>EBITDA</b>	<b>8.773</b>	<b>6.833</b>	<b>12.256</b>	<b>19.501</b>	<b>28.345</b>	<b>34.978</b>
Depreciation/amortisation	-3.780	-5.237	-8.826	-9.201	-9.951	-10.668
<b>EBIT</b>	<b>4.993</b>	<b>1.596</b>	<b>3.430</b>	<b>10.300</b>	<b>18.395</b>	<b>24.310</b>
Financial result	-0.653	-1.425	-2.197	-2.103	-1.916	-1.733
Non operating result before taxes	0.000	0.000	0.000	0.000	0.000	0.000
EBT	4.340	0.171	1.233	8.197	16.478	22.577
Non operating result after taxes	0.000	0.000	0.000	0.000	0.000	0.000
Taxes	-0.456	0.752	-4.372	-2.425	-4.875	-6.679
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>5.774</b>	<b>11.606</b>	<b>15.900</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>5.774</b>	<b>11.606</b>	<b>15.900</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	2.84	5.71	7.83
Adjusted EPS	2.05	0.48	-1.55	2.84	5.71	7.83
Adjusted EPS (diluted)	2.00	0.47	-1.52	2.80	5.63	7.71
DPS	0.00	0.00	0.00	0.57	1.14	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	13.311	15.322	20.263
Net cash used in investing activities	-9.278	-15.732	-3.591	-5.724	-6.765	-7.336
Net cash provided by financing activities	19.121	-0.294	-0.118	-2.000	-3.155	-4.321
Change in cash and securities	25.067	-21.696	-3.923	5.587	5.403	8.606
Cash and secur. at the end of the period	30.479	11.790	8.086	13.673	19.076	27.682

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	56.431	53.245	49.913
Intangible assets	25.359	30.019	27.607	25.507	24.607	23.707
Tangible assets	14.183	16.936	16.988	16.085	14.586	12.991
Usage rights (IFRS 16)	0.000	0.000	8.914	8.440	7.653	6.816
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>60.253</b>	<b>72.464</b>	<b>87.961</b>
Inventories	0.990	0.486	0.416	0.437	0.510	0.584
Trade Accounts Receivables	17.710	26.030	22.240	23.343	27.258	31.220
Trade Accounts Rec. from ongoing work	5.129	10.289	16.020	16.814	19.634	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	13.673	19.076	27.682
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>118.217</b>	<b>127.242</b>	<b>139.407</b>
<b>Equity</b>	<b>38.669</b>	<b>40.256</b>	<b>42.329</b>	<b>48.101</b>	<b>58.550</b>	<b>72.127</b>
Reserves	37.598	39.187	41.261	47.035	57.421	70.935
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>62.928</b>	<b>61.365</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	8.440	7.653	6.816
Accounts Payables	1.835	2.365	2.484	2.607	3.044	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	14.405	14.563	14.772
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>118.217</b>	<b>127.242</b>	<b>139.407</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	1.98	1.70	1.48
EV/EBITDA	20.90	31.30	13.59	12.32	8.47	6.87
EV/EBIT	36.72	134.00	48.57	23.32	13.06	9.88
P/E reported	46.22	204.62	-44.02	39.40	19.61	14.31
P/E clean	46.22	204.62	-44.02	39.40	19.61	14.31
PCPS	23.50	33.23	22.00	15.06	10.49	8.52
Price-to-book ratio	4.78	4.83	3.35	4.84	3.96	3.21
<b>Profitability ratios</b>						
EBITDA margin	9.7%	6.4%	10.6%	16.1%	20.0%	21.6%
EBIT margin	5.5%	1.5%	3.0%	8.5%	13.0%	15.0%
Pre tax margin	4.8%	0.2%	1.1%	6.8%	11.6%	13.9%
Net margin	4.3%	0.9%	-2.7%	4.8%	8.2%	9.8%
Free-cash-flow-margin	n.m.	n.m.	2.3%	7.7%	10.6%	12.0%
ROE	11.0%	2.3%	-7.6%	12.8%	21.8%	24.3%
<b>Productivity ratios</b>						
Sales/employees (in EUR '000)	89.5	92.3	92.6	102.3	116.0	129.0
Personnel expenses/employees (in '000)	57.2	59.8	62.7	63.6	67.9	73.2
Net result/employees (in '000)	3.8	0.8	-2.5	4.9	9.5	12.7
Number of employees	1011	1150	1247	1185	1220	1257
<b>Financial ratios</b>						
Equity ratio	36.3%	36.2%	37.1%	40.7%	46.0%	51.7%
Gearing	175.7%	176.2%	169.8%	145.8%	117.3%	93.3%
Dividend yield	0.0%	0.0%	0.0%	0.5%	1.0%	1.4%
<b>Cash-flow ratio</b>						
Cash-flow per share	4.02	2.96	3.10	7.44	10.68	13.15
Free-Cash-flow per share	-0.27	-5.46	1.30	4.62	7.35	9.54
<b>Other ratios</b>						
Depreciation/Sales	4.2%	4.9%	7.6%	7.6%	7.0%	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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GK SOFTWARE AG	D.Grossjohann/T.Schießle	10/11/2020	Buy	€ 116.00
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3. **Date of initial/original publication of the financial analysis:**

**(01/02/2021; 10:30 am CET)**

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

**(Closing price on 29/01/2021, XETRA)**

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