

Date 24/03/2021

Recommendation:

Buy (previous: Hold)
PT: € 134.00 (prev.: € 122.00)

GK Software SE

Industry: Software
Segment: Prime Standard
ISIN: DE0007571424
Reuters: GKSG

Price (23/03/2021): € 110.00
Market Cap € 208m
EV € 236m
Ø-volume `000€ 297
52W High € 123.00
52W Low € 35.60

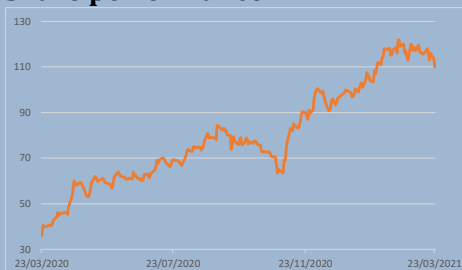
Financial Calendar

FY 2020 28/04/2021
Q1 2021 27/05/2021
AGM 2021 17/06/2021

Shareholder structure

R.Gläß 29.4%
S.Kronmüller 23.1%
Freefloat 47.6%

Share performance



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GK SOFTWARE SE

Accelerated cloud transformation and significant margin increase

According to preliminary figures, GK Software closed the year 2020, which was burdened by the Corona restrictions, with revenues of € 117.5 million (+1.8%) and EBITDA of € 18.5 million (+51%). The driver of the significant margin improvement (EBITDA margin 15.7%) was the successfully implemented **efficiency and profitability improvement program**. The acceleration in the **cloud transformation**, is expected to deliver a positive margin effect in the medium term, while in the short term, revenues in the traditional licensing business (2020: € 7 million; 2019: € 10.2 million) will be impacted. Starting in April 2021, the wholly owned subsidiary **Deutsche Fiskal** will also contribute significant cloud revenues. We expect this to drive further margin expansion in 2021. With a 2021 EV/sales ratio of below 2, the GK Software share continues to be favorable in a peer comparison - especially against the backdrop of the cloud transformation.

- ✓ In 2020, GK Software acquired **eleven new customers** from four continents for its core solutions. In addition, three existing customers decided to switch to CLOUD4RETAIL - OmniPOS, and a total of four customers are using the SaaS offering of the core CLOUD4RETAIL solution. The minimum volume of **cloud/SaaS contracts** concluded in 2020 amounts to just under €50 million, with terms of between three and ten years. The Executive Board expects the share of cloud business to increase significantly in the coming years.
- ✓ **Deutsche Fiskal** has so far been able to acquire more than 100 customers who will meet the fiscalization requirements in Germany with the cloud offering of the GK subsidiary at the statutory start (April 1, 2021). This will generate a significant revenue contribution, which should be accompanied by attractive margins.
- ✓ As part of its **innovation offensive**, GK Software recently announced **GK SPOT**, the first native cloud-based Big Data solution for the retail industry. The solution is based on the proven CLOUD4RETAIL platform and strengthens it with new application possibilities. GK SPOT is the basis for further value-added cloud offerings for the retail sector, with market launch scheduled for 2021. Also part of the innovation offensive is the open platform **Omnibasket.com**. This is a developer portal, i.e. it is used, among other things, for the exchange of technical information and provides service APIs for the development of customer applications, for example.

The company will present final figures for 2020 on April 28.

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	2.01	43.5
2021 e	138.5	27.9	18.0	5.49	1.71	19.7
2022 e	157.5	34.2	23.6	7.48	1.50	14.5

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	-2.103	-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	7.286	16.088	21.899
Non operating result after taxes	0.000	0.000	0.000	0.000	0.000	0.000
Taxes	-0.456	0.752	-4.372	-2.155	-4.759	-6.478
Minority interest	0.002	0.002	0.002	0.002	0.002	0.002
Net result	3.885	0.925	-3.137	5.133	11.331	15.423
Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Adjusted net result	3.885	0.925	-3.137	5.133	11.331	15.423
Average number of shares	1.90	1.93	2.02	2.03	2.06	2.06
Average number of shares (dil.)	1.95	1.95	2.06	2.06	2.06	2.06
EPS	2.05	0.48	-1.55	2.53	5.49	7.48
Adjusted EPS	2.05	0.48	-1.55	2.53	5.49	7.48
Adjusted EPS (diluted)	2.00	0.47	-1.52	2.49	5.49	7.48
DPS	0.00	0.00	0.00	0.51	1.12	1.52

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	13.727	14.771	20.168
Net cash used in investing activities	-9.278	-15.732	-3.591	-5.608	-6.670	-7.193
Net cash provided by financing activities	19.121	-0.294	-0.118	-2.000	-3.027	-4.266
Change in cash and securities	25.067	-21.696	-3.923	6.119	5.074	8.708
Cash and secur. at the end of the period	30.479	11.790	8.086	14.205	19.280	27.988

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	53.194	49.814
Intangible assets	25.359	30.019	27.607	25.507	24.607	23.707
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	59.555	71.663	86.753
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	14.205	19.280	27.988
Other assets	5.599	5.079	1.533	1.533	1.533	1.533
Total assets	106.598	111.182	114.189	117.496	126.390	138.100
Equity	38.669	40.256	42.329	47.460	57.762	70.917
Reserves	37.598	39.187	41.261	46.394	56.633	69.725
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	117.496	126.390	138.100

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	2.01	1.71	1.50
EV/EBITDA	20.90	31.30	13.59	12.78	8.48	6.91
EV/EBIT	36.72	134.00	48.57	25.18	13.13	10.00
P/E reported	46.22	204.62	-44.02	43.54	19.72	14.49
P/E clean	46.22	204.62	-44.02	43.54	19.72	14.49
PCPS	23.50	33.23	22.00	15.55	10.46	8.55
Price-to-book ratio	4.78	4.83	3.35	4.82	3.95	3.20
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%	11.6%	13.9%
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%	10.6%	12.0%
ROE	11.0%	2.3%	-7.6%	11.4%	21.5%	24.0%
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%	45.7%	51.4%
Gearing	175.7%	176.2%	169.8%	147.6%	118.8%	94.7%
Dividend yield	0.0%	0.0%	0.0%	0.5%	1.0%	1.4%
Cash-flow ratio						
Cash-flow per share	4.02	2.96	3.10	7.07	10.51	12.87
Free-Cash-flow per share	-0.27	-5.46	1.30	4.31	7.23	9.33
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

II. Additional information:

1. Information sources:

Material sources of information for preparing this document are publications in domestic and foreign media such as information services (including but not limited to Reuters, VWD, Bloomberg, DPA –AFX), business press (including but not limited to Börsenzeitung, Handelsblatt, Frankfurter Allgemeine Zeitung, Financial Times), professional publications, published statistics, rating agencies as well as publications of the analysed issuers.

Furthermore, discussions were held with the Management for the purpose of preparing the company study. The analysis was provided to the issuer prior to publication; no substantial changes were made afterwards.

2. Summary of the valuation principles and methods used in preparation of the analysis: EQUITS GmbH uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 12 months.

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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:**

(24/03/2021; 09:00 am CET)

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

(Closing price on 23/03/2021, 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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