

Date 24/04/2020

Recommendation:

Buy (previous: Buy)

PT: € 84.00 (prev.: € 105.00)

GK Software

Industry: Software

Segment: Prime Standard

ISIN: DE0007571424

Reuters: GKSG

Price (23/04/2020): € 59.40

Market Cap € 112m

EV € 129m

Ø-volume `000€ 137

52W High € 87.00

52W Low € 35.00

Financial Calendar

FY 2019 29/04/2020

Q1 2020 28/05/2020

AGM 18/06/2020

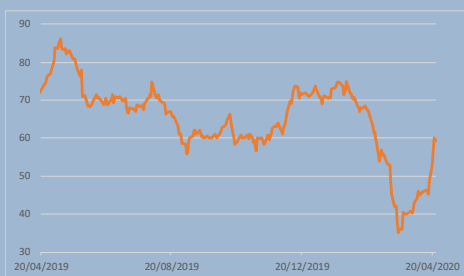
Shareholder structure

R.Gläß 29.8%

S.Kronmüller 25.9%

Freefloat 44.3%

Share performance



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GK SOFTWARE SE

Strong final quarter helped to achieve 2019 targets

The preliminary figures show that GK Software has reached its own target with regard to **sales (€ 115.5 million; +9%)** and **EBITDA (€ 12.5 million; +83.7%)**. The EBIT - with the reservation of valuation changes - is also expected to be significantly above the previous year's value. After a good first three months of 2020, GK is on the way to meeting the **medium-term forecast** (approx. € 135 million sales with a 15% EBIT margin in the core business in 2020) - whereby the consequences of the **corona crisis** are difficult to seize. Being a software company with largely digitalized processes, the company is affected by this to a below-average extent; at present, no significant negative effects are apparent. For reasons of caution, we have reduced our estimates slightly. With a 2020 EV/sales of just under 1, GK continues to be favorable, even though the valuation multiples of the peers have been reduced significantly.

- ✓ **Q4 2019** had a significant contribution to the achievement of the 2019 targets with implicit revenues of € 35.7 million (+14.4% vs. Q4 2018) and an EBITDA contribution of € 9.9 million. The development was driven by growth in business with existing customers and new projects. For the first time, the US subsidiary made a positive contribution to earnings for the year. The billing of services relating to other periods also contributed to the margin increase, as did the smaller subsidiaries.
- ✓ The free **Getmygoods app** is a contribution by GK to show dealers possibilities ("Pick and Pack") to deal with the current challenges and to retain customers. The app, which is advertised by the dealers, can facilitate the acquisition of new customers by GK or lead to follow-up projects (e.g. payment functions, deeper integration). The first affiliated retailer is EDEKA Simmel (21 locations).
- ✓ After the resignation of the long-time Supervisory Board member **Uwe Ludwig** for health reasons, the Supervisory Board of GK Software is complete again since the end of March by the court appointment of **Dr. Philip Reimann**. The lawyer and tax consultant Dr. Reimann will hold the office of the Chairman of the Supervisory Board until the Annual General Meeting 2020 (on June 18, 2020).
- ✓ **Potential risks from Covid-19.** Existing customers with non-food product ranges are currently experiencing sales losses due to the measures taken to contain the corona crisis. This could necessitate store closures and postponed investment projects, but GK provides technical solutions whose functions (such as self-service; pick and pack) could help retailers to cope better with the crisis.

Company outlook: Subject to the effects of the further course of the Corona crisis, the medium-term forecast continues to assume sales of around € 135 million in 2020 with a 15% EBIT margin in the core business. The company will provide a comprehensive outlook for 2020 when it presents its 2019 annual report.

Key figures - GK Software SE

	Sales	EBITDA	EBIT	EPS (adj.)	EV/Sales	P/E
2017 a	90.5	8.8	5.0	2.05	2.03	46.2
2018 a	106.2	6.8	1.6	0.48	2.01	204.6
2019 e	115,5*	12,5*	3.8	0.80	1.12	74.0
2020 e	130.7	25.7	16.3	5.22	0.99	11.4
2021 e	145.5	30.3	20.4	6.66	0.89	8.9

Source: Company Data, EQUI.TS; *= preliminary results

Appendix

Income Statement (in EURm)	2016	2017	2018	2019e*	2020e	2021e
Sales	77.333	90.452	106.151	115.501	130.673	145.495
Change in finished goods	0.000	0.000	0.000	0.000	0.000	0.000
Other own costs capitalized	0.382	0.000	0.000	0.000	0.000	0.000
Other operating income	1.769	5.197	3.617	3.936	4.453	4.958
Total performance	79.483	95.649	109.768	119.437	135.125	150.453
Cost of material	-7.681	-8.530	-7.733	-7.097	-7.470	-8.257
Gross profit	71.802	87.119	102.035	112.339	127.656	142.196
Personnel expenses	-47.669	-57.809	-68.791	-77.915	-79.421	-86.391
Other operating expenses	-16.330	-20.537	-26.411	-21.923	-22.571	-25.517
EBITDA	7.803	8.773	6.833	12.501	25.664	30.288
Depreciation/amortisation	-3.861	-3.780	-5.237	-8.719	-9.330	-9.918
EBIT	3.942	4.993	1.596	3.783	16.334	20.370
Financial result	-0.491	-0.653	-1.425	-1.493	-1.383	-1.263
Non operating result before taxes	0.000	0.000	0.000	0.000	0.000	0.000
EBT	3.452	4.340	0.171	2.290	14.951	19.106
Non operating result after taxes	0.000	0.000	0.000	0.000	0.000	0.000
Taxes	-0.626	-0.456	0.752	-0.669	-4.371	-5.586
Minority interest	0.000	0.002	0.002	0.002	0.002	0.002
Net result	2.826	3.885	0.925	1.622	10.582	13.523
Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Adjusted net result	2.826	3.885	0.925	1.622	10.582	13.523
Average number of shares	1.89	1.90	1.93	2.02	2.03	2.03
Average number of shares (dil.)	2.00	1.95	1.95	2.06	2.06	2.06
EPS	1.50	2.05	0.48	0.80	5.22	6.66
Adjusted EPS	1.50	2.05	0.48	0.80	5.22	6.66
Adjusted EPS (diluted)	1.41	2.00	0.47	0.79	5.13	6.55
DPS	0.00	0.00	0.00	0.12	1.04	1.33

Source: EQUI.TS; company data

* Revenue and EBITDA for 2019 reported preliminary

Cash Flow Statement (in EURm)	2016	2017	2018	2019e	2020e	2021e
Net cash provided by operating activities	3.699	15.224	-5.670	7.380	15.066	18.712
Net cash used in investing activities	-5.099	-9.278	-15.732	-4.590	-4.979	-5.650
Net cash provided by financing activities	-2.119	19.121	-0.294	3.000	-2.243	-4.116
Change in cash and securities	-3.519	25.067	-21.696	5.790	7.844	8.945
Cash and secur. at the end of the period	6.017	30.479	11.790	17.580	25.424	34.369

Source: EQUI.TS; company data

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

Balance Sheet (in EURm)	2016	2017	2018	2019e	2020e	2021e
Long term assets	32.736	39.575	52.799	58.671	54.320	50.052
Intangible assets	23.828	25.359	30.019	28.019	25.919	25.019
Tangible assets	8.902	14.183	22.746	21.584	19.997	17.623
Usage rights (IFRS 16)	0.000	0.000	0.000	9.034	8.369	7.376
Financial assets	0.007	0.033	0.034	0.034	0.034	0.034
Current assets	33.963	61.424	53.304	62.336	75.440	89.525
Inventories	1.180	0.990	0.486	0.529	0.598	0.666
Accounts Receivables	21.512	22.839	36.319	39.518	44.709	49.780
Other current assets	5.254	7.116	4.709	4.709	4.709	4.709
Cash and securities	6.017	30.479	11.790	17.580	25.424	34.369
Other assets	4.915	5.599	5.079	5.079	5.079	5.079
Total assets	71.615	106.598	111.182	126.085	134.839	144.656
Equity	31.654	38.669	40.256	46.876	57.213	68.618
Reserves	31.654	37.598	39.187	45.744	56.018	67.360
Minorities	0.000	1.071	1.069	1.132	1.195	1.258
Provisions	3.222	3.226	2.789	2.864	2.942	3.024
Liabilities	33.183	59.364	64.484	72.692	71.030	69.361
Interest bearing liabilities	14.763	32.323	34.819	32.819	30.819	28.819
Leasehold liabilities	0.000	0.000	0.000	9.742	9.742	9.742
Accounts Payables	2.187	1.835	2.365	2.573	2.911	3.242
Other non-interest bearing liabilities	16.233	25.206	27.300	27.558	27.558	27.558
Other liabilities	3.555	5.340	3.653	3.653	3.653	3.653
Total equity and liabilities	71.615	106.598	111.182	126.085	134.839	144.656

Source: EQUI.TS; company data

Key Ratios	2016	2017	2018	2019e	2020e	2021e
Ratios for corporate valuation						
EV/Sales	1.28	2.03	2.01	1.12	0.99	0.89
EV/EBITDA	12.67	20.90	31.30	10.33	5.03	4.26
EV/EBIT	25.08	36.72	134.00	34.14	7.91	6.34
P/E reported	31.27	46.22	204.62	73.99	11.39	8.91
P/E clean	31.27	46.22	204.62	73.99	11.39	8.91
PCPS	15.24	23.50	33.23	11.52	6.03	5.12
Price-to-book ratio	2.79	4.78	4.83	2.62	2.15	1.79
Profitability ratios						
EBITDA margin	10.1%	9.7%	6.4%	10.8%	19.6%	20.8%
EBIT margin	5.1%	5.5%	1.5%	3.3%	12.5%	14.0%
Pre tax margin	4.5%	4.8%	0.2%	2.0%	11.4%	13.1%
Net margin	3.7%	4.3%	0.9%	1.4%	8.1%	9.3%
Free-cash-flow-margin	0.7%	n.m.	n.m.	5.0%	11.5%	12.3%
ROE	9.3%	11.0%	2.3%	3.7%	20.3%	21.5%
Productivity ratios						
Sales/employees (in EUR '000)	94.4	94.1	85.8	88.9	98.6	106.6
Personnel expenses/employees (in '000)	58.2	60.2	55.6	60.0	59.9	63.3
Net result/employees (in '000)	3.5	4.0	0.7	1.2	8.0	9.9
Number of employees	819	961	1238	1299	1325	1365
Financial ratios						
Equity ratio	44.2%	36.3%	36.2%	37.2%	42.4%	47.4%
Gearing	126.2%	175.7%	176.2%	169.0%	135.7%	110.8%
Dividend yield	0.0%	0.0%	0.0%	0.2%	1.8%	2.2%
Cash-flow ratio						
Cash-flow per share	3.07	4.02	2.96	5.15	9.85	11.59
Free-Cash-flow per share	0.27	-0.27	-5.46	2.88	7.40	8.81
Other ratios						
Depreciation/Sales	5.0%	4.2%	4.9%	7.5%	7.1%	6.8%
Capex/Sales	6.8%	9.0%	11.3%	2.4%	2.4%	2.3%
Working Capital/Sales	26.5%	24.3%	32.4%	32.4%	32.4%	32.4%
Tax rate	18.1%	10.5%	-439.8%	29.2%	29.2%	29.2%

Source EQUITS

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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	05/02/2019	Buy	€ 103.00
GK SOFTWARE AG	D.Grossjohann/T.Schießle	07/05/2019	Buy	€ 114.50
GK SOFTWARE AG	D.Grossjohann/T.Schießle	04/06/2019	Buy	€ 114.50
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

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

(24/04/2020; 8:30 am)

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

(Closing price on 23/04/2020)

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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