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30/07/2018 – GBC Research Comment – KPS AG

Company: KPS AG^{*5a,7,11}

ISIN: DE000A1A6V48

Reason for the Research Comment: Q3-Report 18/19

Analysts: Matthias Greiffenberger, Cosmin Filker

Current price: 7.45 € (XETRA 29/07/2018; closing price)

Target price: 13.20 €

Rating: Buy

Date of completion/Date of publication: 30/07/2019 (10:45) / 31/07/2019 (10:00)

*catalogue of potential conflicts of interests on page 5

The acquisitions made in the past are developing better than expected.

Forecasts confirmed - price target: € 13.20, rating: Buy

The 9M figures of KPS were published on 29.07.2019. Overall, the figures are in line with the forecast and we confirm our estimates against this background. Good sales growth was achieved with a clearly disproportionate improvement in earnings. Sales increased by 4.4% to € 136.0 million (previous year: € 130.3 million), which was achieved primarily due to three new projects and the current high-revenue project phases. This also more than compensated the decline in one of the major project. In the same period, EBITDA increased by 23.8% to € 18.7 million (previous year: € 15.1 million). This increase in earnings would have been even more significant if the companies acquired in the past had not developed accordingly well. Due to this positive development and the strong growth, further earn-out payments were due. This one-off effect burdened EBITDA by € 1.2 million. Adjusted for this effect, EBITDA amounted to € 19.9 million, which corresponds to an EBITDA margin of 14.6% (previous year: 11.6%).

P&L (in € m)	FY 2017/18	FY 2018/19e	FY 2019/20e
Sales	172.22	179.97	188.97
EBITDA	20.02	26.47	28.76
EBITDA-Margin	11.6%	14.7%	15.2%
EBIT	16.59	23.17	25.56
EBIT-Margin	9.6%	12.9%	13.5%
Net income	9.83	15.31	17.08
EPS in €	0.26	0.41	0.46

Source: KPS, GBC

Within the publication of the nine-month figures, the guidance was confirmed with revenues of € 170 to 180 million and EBITDA of € 22 to 27 million. Against the background of the current figures, the guidance appears conservative and could, in our opinion, also be exceeded. We assume that the growth strategy with increasing innovation, industrialization and internationalization can be successfully implemented by the company. Market conditions remain very good. Demand for IT consulting remains high and the retail sector is benefiting from the strong growth in the e-commerce segment. Many companies are already planning to switch to SAP HANA, which should mean further orders for KPS AG.

We believe the company is very well positioned and confirm our forecasts and the price target of €13.20. We confirm our buy rating.

ANNEX

I.

Research under MiFID II

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The analysts responsible for this analysis are:

Matthias Greiffenberger, M.Sc., M.A., Financial Analyst
Cosmin Filker, Dipl. Betriebswirt (FH), Vice Head of Research

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GBC AG
Halderstraße 27
D 86150 Augsburg
Tel.: 0821/24 11 33-0
Fax.: 0821/24 11 33-30
Internet: <http://www.gbc-ag.de>

E-Mail: compliance@gbc-ag.de