Knaus Tabbert AG

Germany / Leisure Vehicles
Xetra
Bloomberg: KTA GR
ISIN: DE000A2YN504

Update

RATING	**BUY**
PRICE TARGET	**€ 77.00**
Return Potential	155.0%
Risk Rating	High

WEAK Q2, BUT SCENARIO FOR STRONG H2 PICK-UP INTACT

We are revising our estimates and target price following last week's guidance update. From a fundamental standpoint, we like the KTA stock due to: (1) its intriguing valuation at 4.7x 2023 EBIT; and (2) the likelihood that stubborn chassis supply chain issues are easing, which can allow the company to focus on excellent underlying demand. While no one can pretend to able to call a bottom in the stock (-52% YTD) amidst today's global uncertainties, we believe the shares have strong rebound potential thanks to: (1) KTA's massive order backlog; (2) growing production capacity with a secured workforce; and (3) resilient market demand. Our adjusted DCF model now reflects lowered 2022 FBe and points to a €77 target price (old: €87). Our rating remains Buy.

Q2 weaker than expected; scenario for strong H2 pick-up still intact The updated outlook and comments are consistent with management's views that chassis supply roadblocks would persist into Q2 and begin clearing afterwards. The company previewed H1/22 AEBITDA at €25.5m (H1/21: €44.7m), meaning the Q2 KPI of €9.3m will be weaker than we had expected (FBe: €16.4m). Higher staffing costs were a culprit in the weak Q2. KTA moved early to lock down qualified workers in a market increasingly defined by a tight labour supply that is plaguing sectors across Europe. Given the earnings shortfall and more cautious earnings outlook, we have reduced our 2022 AEBITDA target from €81m to €65m, while our 2022 topline remains unchanged (overleaf).

Reasons for a share price rebound At some point supply chain snarl ups will fully clear and allow KTA to capitalise on its order backlog, while strong demand for recreational vehicles and a new line of motorhomes should keep the order books full. Management's H2 expectation of improving chassis supply chain bottlenecks looks realistic and is supported by market signals of easing chip shortages with new capacities coming on line this year (overleaf). The company has also secured its workforce and stockpiled components to facilitate growth, and the pendulum is swinging. . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2019	2020	2021	2022E	2023E	2024E
Revenue (€ m)	780.39	794.59	862.62	1,040.10	1,253.74	1,401.55
Y-o-y growth	n.a.	1.8%	8.6%	20.6%	20.5%	11.8%
EBIT (€ m)	45.87	46.56	38.39	39.73	82.97	102.68
EBIT margin	5.9%	5.9%	4.4%	3.8%	6.6%	7.3%
Net income (€ m)	31.17	31.33	25.90	24.90	54.85	69.27
EPS (diluted) (€)	6.30	7.63	2.50	2.40	5.29	6.68
DPS (€)	7.31	1.50	1.50	1.20	2.64	3.34
FCF (€m)	16.00	50.89	-20.69	-32.25	42.83	31.98
Net gearing	88.3%	36.9%	64.0%	96.5%	61.2%	50.3%
Liquid assets (€ m)	7.60	8.94	9.68	64.10	73.66	55.63

RISKS

Risks include, but are not limited to: supply chain, labour, macro-economic, competitive, and regulatory factors

COMPANY PROFILE

Knaus Tabbert AG manufactures vehicles for the European leisure vehicle industry. One of the industry's top 3 players, Knaus Tabbert participates in all vehicle segments: caravans, motorhomes, camper vans and luxury motorhomes. The company has four manufacturing facilities, of which three are undergoing expansion to keep pace with flourishing demand.

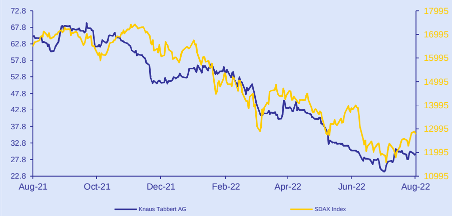
MARKET DATA

As of 03 Aug 2022

Closing Price	€ 30.20
Shares outstanding	10.38m
Market Capitalisation	€ 313.39m
52-week Range	€ 24.10 / 69.10
Avg. Volume (12 Months)	5,932

Multiples	2021	2022E	2023E
P/E	11.8	12.3	5.6
EV/Sales	0.5	0.4	0.3
EV/EBIT	10.2	9.8	4.7
Div. Yield	5.0%	4.0%	8.8%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2021

Liquid Assets	€ 17.40m
Current Assets	€ 230.00m
Intangible Assets	€ 22.00m
Total Assets	€ 409.30m
Current Liabilities	€ 228.20m
Shareholders' Equity	€ 140.20m

SHAREHOLDERS

Willem Paulus de Pundert	37.6%
Catalina Capital Ptnrs B.V.	25.1%
Caledonia Private Investmt	5.5%
T Rowe Price	5.0%
Free Float	26.8%

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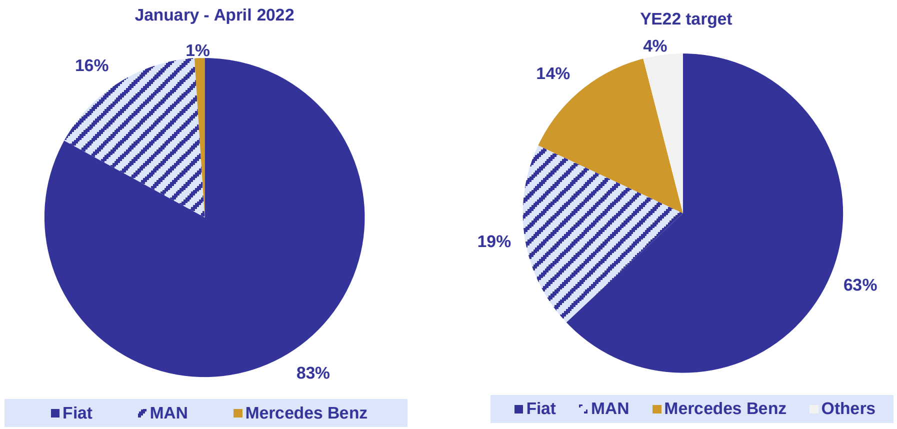
. . . away from air travel with holiday seekers fed up with airport bedlam (overleaf). We see caravanning as a beneficiary of air industry woes. KTA shares have been battered this year (-52% YTD) and now trade at 4.7x 2023 EV/EBIT on our numbers.

OTHER RECENT NEWSFLOW

SUPPLY CHAIN AND MODEL EXPANSION

In June, KTA announced a new supplier agreement with Volkswagen Commercial Vehicles for chassis and now has a second blue chip brand alongside Mercedes in its OEM portfolio. The OEM suppliers now total five including FIAT, MAN and Ford.

Figure 1: Chassis supplier mix development



Source: First Berlin Equity Research; Knaus Tabbert AG

The VW deal helps reduce KTA's exposure to FIAT, the main culprit for chassis shortages and the only major supplier to show a major Y/Y slump in new motorhomes hitting the streets in the first five months of 2022. This is based on new registrations of vehicles according to their underlying chassis.

VW will not impact KTA's 2022 production numbers or guidance, but the deal is a solid strategic move for 2023 and onwards, since brand considerations are prioritised by customers when shopping for motor homes. With the addition of VW Commercial Vehicles, Knaus Tabbert customers now have another premium manufacturer to select as the basis for their leisure vehicle.

The company recently unveiled the first models and prototype vehicles based on VW chassis alongside a new line of motorhomes featuring the new chassis from Mercedes, MAN, and Ford at its dealer conference end of June. The 18 new models for the 2023 season will also be presented at the Caravan Salon in Düsseldorf on 26 August 2022.

Upshot: The company's chassis supply mix now looks adequately diversified, and VW stands to account for some 15% to 20% of the motorised vehicles that roll off KTA production lines in 2023.

Launch of caravans with frame technology & next-gen automated production Knaus Tabbert unveiled the industry's first full-scale caravan model showcasing its self-healing Fibre Frame technology at its 2022 dealer convention. The new Fibre Frame technology features: (1) lightweight components automatically bonded together by robots to form a stable frame and eliminate the need for screw connections; and (2) greater floor planning and interior concept flexibility versus conventional caravan construction. KTA believes "the use of frame construction opens up numerous possibilities in the future. The technology contributes to greater stability and durability and thus also to greater value stability and sustainability of the vehicles."

Figure 2: New line of caravans with Fibre frame technology for 2023 season

Source: Knaus Tabbert AG

The KNAUS AZUR becomes the third model brought to market readiness that showcases the company's frame construction. The KNAUS AZUR also features a more advanced, fully in-house manufacturing process that does not require solvents or screw connections. Furthermore, the new AZUR stands out with its UV-resistant and self-healing surface that allows dents and pressure marks to vanish through heat effects.

MARKET DEVELOPMENTS

WILL THE CHIP SHORTAGE PERSIST INTO 2023?

While some market watchers remain convinced that chip shortages will spill into next year, there is mounting evidence to the contrary. In the second half of 2021, global spending on equipment to etch chips onto silicon wafers spiked by around 75% versus pre-covid levels, reckons Malcolm Penn of Future Horizons, a research firm. It normally takes about a year for such investments to translate into new semiconductors, meaning we could see a production glut in late 2022.

Moreover, 34 new fabrication plants came online worldwide in 2020 and 2021 according to semi, another research group, with a further 58 new fabs scheduled to enter service worldwide and begin production between 2022 and 2024. That would raise global capacity by some 40%.

Demand may also be softening as new capacities are fired up. Personal computers (PCs) account for roughly 30% of global chip demand. The sector saw a pandemic boost with purchases pulled forward, but sales are expected to slump 8% this year, reckons IDC, a market-intelligence advisory. Sales of smartphones, which consume 20% of global chips, are likewise expected to ebb.

Upshot: These developments are supportive of management's view that chassis bottlenecks should begin easing in 2022. In conjunction with KTA's vastly improved supply chain diversification, we think we are closer to the end of the chassis issues than the beginning.

WINTER IS COMING

According to BDWE, a federal energy association, German industry inhaled around 370 terawatt-hours-worth of gas last year equal to 37% of the country's total 2021 gas consumption. And until recently Germany got over 50% of gas imports from Russia.

Now Vladimir Putin is choking off Russian gas pipelines (20% of capacity) as punishment for Western sanctions imposed after his troops marched into Ukraine, and German policy makers are assessing which businesses and sectors can cope with curtailed gas supplies without upsetting vital supply chains. Glass and metal melters guzzled some 25% of overall industrial gas consumption last year, and potential rationing could mean glass and metal used to make luxury goods are diverted to more essential products.

Market forecasters disagree on the odds of a gas rationing scenario. Some predict gas will completely run out by early 2023, while others note that gas-storage tanks have filled up faster than expected and should hit the 90% capacity targeted by the German regulators for November, which could stave off rationing measures.

Upshot: At this juncture Knaus Tabbert does not expect its production to be directly throttled by gas shortages this winter. The company's production is not gas powered. Plus, KTA has been stockpiling key components to mitigate further supply chains risks as evidenced by an inventory build-up in Q1/22, which saw stocks hitting 24% of T12 sales (YE21: 14%). While this is no guarantee that inventory won't dry up in a worst case scenario, the move looks prudent, given that German industry as a whole is heavily dependent on cheap natural gas.

AIRPORT BEDLAM ENGULFING EUROPE FAVOURS CARAVANNING SECTOR

The macro-economic turmoil now includes major disruptions to long-haul travel. Air travel has been hobbled by the sudden shortage of cheap labour. Travellers' tales of serpentine security queues at airports, last-minute flight cancellations, and misplaced luggage all owing to a scarcity of hands have been making headlines since early June. According to Cirium, a consultancy, carriers in Britain, France, Germany, Italy, and Spain had to cancel roughly 8k flights in the month of June. Rarely has trying to catch a bit of downtime at a far-flung beach been so stressful.

Upshot: Trends towards caravanning were already strong, but we expect the troubles of the air industry to provide further tailwinds for recreational vehicles, which is good news for Knaus.

REVISED OUTLOOK

The company gave sales for the first time this year, thanks to better visibility for chassis deliveries in H2/22. Management now call for sales above €1bn for the year. The adjusted EBITDA margin is now expected to top 6% for the year compared to previous guidance, which "assumed a slight improvement compared to the prior year" (2021 AEBITDA margin: 7.0%).

The more conservative earnings outlook owes chiefly to the ramp of staffing required for the capacity expansion and sales teams to facilitate high demand. The company moved early to lock down qualified workers in a market increasingly defined by a tight labour supply that is plaguing sectors across Europe. Although this has temporarily weighed on margins, we think the move will pay off in the coming quarters.

Table 1: Updated 2022 guidance vs FBe

	Unit	old guidance	new guidance	FBe
Revenue	€bn	n.a.	> 1.0	1.0
AEBITDA margin	%	> 7.0	> 6.0	6.3

Source: First Berlin Equity Research; Knaus Tabbert AG

Cutting 2022 AEBITDA to €65m The more cautious earnings guidance and preliminary Q2 earnings shortfall vs FBe mean our prior 2022 AEBITDA target of €81m is untenable. We have also increased staffing costs to reflect the company's pre-emptive move to beef up the workforce required to man KTA's new production facilities. We now look for AEBITDA of €65m (old: €81m), which is also consistent with management's expectation of the KPI topping the prior year figure (2021: €61m).

Table 2: Changes to FBe and target price

	old	new	revision	upside	dividend yield	total return
Price target (€)	**87.0**	**77.0**	**-11.5%**	**155.0%**	**5.0%**	**159.9%**
		2022E			2023E	
All figures in €m	**old**	**new**	***revision***	**old**	**new**	***revision***
Revenue	1,040	1,040	*0.0%*	1,254	1,254	*0.0%*
EBITDA	80	64	*-19.5%*	113	113	*0.0%*
Margin (%)	*7.7%*	*6.2%*	-	*9.0%*	*9.0%*	-
AEBITDA	81	65	*-19.2%*	114	114	*0.0%*
Margin (%)	*7.8%*	*6.3%*	-	*9.1%*	*9.1%*	-

Source: First Berlin Equity Research estimate

VALUATION MODEL

We have also upped our WACC estimate to 10.5% (old: 9.9%) to account for increasing market risks and threats to industrial production that are becoming clearer with winter coming. Adjustments to our DCF model now point to a €77 target price (old: €87). We remain Buy-rated on KTA.

In EUR '000	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Sales	**1,040,104**	**1,253,738**	**1,401,552**	**1,557,171**	**1,716,602**	**1,877,850**	**1,998,351**	**2,115,647**
NOPLAT	28,207	58,907	72,899	85,509	99,805	114,200	123,396	132,754
(+) depreciation & amortisation	24,758	29,744	33,128	38,213	42,871	49,169	55,623	62,171
Net operating cash flow	**52,965**	**88,651**	**106,027**	**123,722**	**142,676**	**163,368**	**179,018**	**194,925**
(-) Total investments (CAPEX and WC)	-89,210	-56,115	-81,488	-73,340	-88,589	-114,469	-127,072	-133,578
(-) Capital expenditures	-60,326	-67,702	-74,282	-66,958	-73,814	-99,526	-115,904	-122,708
(-) Working capital	-28,884	11,587	-7,206	-6,381	-14,775	-14,943	-11,167	-10,870
Free cash flows (FCF)	-36,245	32,536	24,539	50,383	54,087	48,899	51,947	61,347
PV of FCF's	**-34,800**	**28,276**	**19,303**	**35,874**	**34,860**	**28,527**	**27,430**	**29,322**

In EUR '000	
PV of FCFs in explicit period	455,584
(+) PV of FCFs in terminal period	424,922
Enterprise value (EV)	880,506
(+) Net cash / (-) net debt	-85,708
(+) Investments / minority interests	0
Shareholder value	794,798
Fair value per share (€)	77.0

Terminal EBIT margin

WACC	7.9%	8.4%	8.9%	9.4%	9.9%	10.4%	10.9%
7.5%	117.12	125.59	134.06	142.53	151.00	159.47	167.94
8.5%	94.56	100.82	107.09	113.36	119.63	125.90	132.16
9.5%	78.08	82.84	**87.60**	**92.36**	**97.11**	101.87	106.63
10.5%	65.55	69.23	**72.91**	**76.60**	**80.28**	83.96	87.64
11.5%	55.72	58.61	**61.51**	**64.40**	**67.29**	70.18	73.07
12.5%	47.82	50.12	52.42	54.72	57.02	59.32	61.62
13.5%	41.35	43.19	45.04	46.89	48.74	50.59	52.44

Cost of equity	12.0%
Pre-tax cost of debt	4.5%
Tax rate	29.0%
After-tax cost of debt	3.2%
Share of equity capital	83.0%
Share of debt capital	17.0%
WACC	10.5%

Terminal growth rate

WACC	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
7.5%	121.18	127.20	134.22	142.53	152.50	164.70	179.97
8.5%	99.42	103.44	108.05	113.36	119.56	126.90	135.71
9.5%	82.86	85.66	**88.80**	**92.36**	**96.43**	101.12	106.61
10.5%	69.93	71.92	**74.13**	**76.60**	**79.38**	82.53	86.13
11.5%	59.59	61.04	**62.63**	**64.40**	**66.35**	68.54	71.01
12.5%	51.19	52.26	53.43	54.72	56.13	57.70	59.43
13.5%	44.25	45.06	45.94	46.89	47.93	49.07	50.33

**Please note our model runs through 2036 and we have only shown the abbreviated version for formatting purposes*

INCOME STATEMENT

All figures in EURm	2019	2020	2021	2022E	2023E	2024E
Revenues	**780**	**795**	**863**	**1,040**	**1,254**	**1,402**
Cost of goods sold	-565	-558	-625	-727	-876	-978
Gross profit	**232**	**245**	**261**	**313**	**377**	**423**
Personnel expenses	-108	-111	-127	-166	-178	-198
Other OpEx	-66	-71	-78	-87	-92	-95
Other income	6	3	3	5	5	6
EBITDA	**64**	**66**	**59**	**64**	**113**	**136**
Depreciation & amortisation	-18	-19	-21	-25	-30	-33
Operating income (EBIT)	**46**	**47**	**38**	**40**	**83**	**103**
Net financial result	-2	-2	-1	-5	-6	-5
Other financial result	0	0	0	0	0	0
Pre-tax income (EBT)	**44**	**44**	**37**	**35**	**77**	**97**
Income taxes	-13	-13	-11	-10	-22	-28
Minority interests	0	0	0	0	0	0
Net income / loss	**31**	**31**	**26**	**25**	**55**	**69**
Diluted EPS (in €)	**6.3**	**7.6**	**2.5**	**2.4**	**5.3**	**6.7**
AEBITDA	**65**	**68**	**61**	**65**	**114**	**137**
Ratios						
Gross margin	29.8%	30.8%	30.3%	30.1%	30.1%	30.2%
EBITDA margin on revenues	8.2%	8.3%	6.9%	6.2%	9.0%	9.7%
EBIT margin on revenues	5.9%	5.9%	4.4%	3.8%	6.6%	7.3%
AEBITDA margin on revenues	8.3%	8.5%	7.0%	6.3%	9.1%	9.8%
Net margin on revenues	4.0%	3.9%	3.0%	2.4%	4.4%	4.9%
Tax rate	0.0%	28.7%	28.9%	29.9%	28.9%	28.9%
Expenses as % of revenues						
Personnel expenses	13.9%	14.0%	14.8%	16.0%	14.2%	14.1%
Other OpEx	8.4%	8.9%	9.0%	8.4%	7.3%	6.8%
Depreciation & amortisation	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Y-Y Growth						
Revenues	-	1.8%	8.6%	20.6%	20.5%	11.8%
Operating income	-	1.5%	-17.6%	3.5%	108.8%	23.8%
Net income/ loss	-	0.5%	-17.3%	-3.9%	120.3%	26.3%

BALANCE SHEET

All figures in EURm	2019	2020	2021	2022E	2023E	2024E
Assets						
Current assets, total	**186**	**161**	**191**	**286**	**295**	**292**
Cash and equivalents	8	9	10	64	74	56
Other ST assets	20	16	24	24	25	25
Trade receivables	37	11	7	23	27	31
Inventories	120	124	145	169	163	174
Tax receivables	1	2	6	6	6	6
Non-current assets, total	**125**	**124**	**154**	**189**	**227**	**269**
Property, plant and equipment	106	103	131	164	200	238
Intangible assets	15	16	18	20	23	25
Deferred tax assets	3	3	3	3	3	3
Other LT assets	1	2	2	2	2	2
Total assets	**311**	**286**	**345**	**475**	**522**	**560**
Shareholders' equity & debt						
Current liabilities, total	**172**	**128**	**179**	**130**	**137**	**147**
Trade payables	47	35	38	50	60	67
ST debt	82	49	93	30	17	15
Provisions	4	6	8	8	8	8
Other current liabilities	38	37	40	43	51	57
Long-term liabilities, total	**41**	**34**	**32**	**202**	**200**	**185**
LT provisions	12	13	14	14	14	14
LT debt	12	6	2	172	170	155
Deferred tax	7	7	8	8	8	8
Other non-current liabilities	9	9	8	8	8	9
Shareholders' equity	**98**	**124**	**134**	**143**	**186**	**227**
Total consolidated equity and debt	**311**	**286**	**345**	**475**	**522**	**560**
Ratios						
Current ratio (x)	1.1	1.3	1.1	2.2	2.2	2.0
Quick ratio (x)	0.4	0.3	0.3	0.9	1.0	0.8
Equity ratio	32%	43%	39%	30%	36%	41%
Net debt / (net cash)	87	46	86	138	114	114
Net gearing	88%	37%	64%	97%	61%	50%
Net debt / EBITDA	1.3	0.7	1.4	2.1	1.0	0.8
Return on equity (ROE)	32%	25%	19%	17%	30%	30%
Capital employed (CE)	231	219	262	327	353	401
Return on capital employed (ROCE)	20%	21%	15%	12%	24%	26%

CASH FLOW STATEMENT

All figures in EURm	2019	2020	2021	2022E	2023E	2024E
Net income	**31**	**31**	**26**	**25**	**55**	**69**
Depreciation & amortisation	18	19	21	25	30	33
Change to LT accruals	1	3	2	0	0	0
Other non-cash items	1	0	1	3	9	6
Asset disposals	-1	1	0	0	0	0
Income tax	12	12	11	10	22	28
Net interest expense	2	2	1	5	6	5
Operating cash flow	**65**	**69**	**63**	**67**	**121**	**142**
Change in w orking capital	-11	11	-24	-29	12	-7
Tax paid	-10	-10	-11	-10	-22	-28
Net operating cash flow	**44**	**71**	**27**	**28**	**111**	**106**
CapEx	-25	-14	-41	-52	-58	-63
Proceeds from disposals	4	0	0	0	0	0
Investments in intangible assets	-7	-6	-7	-8	-10	-11
Interest income	0	0	0	0	0	0
Cash flow from investing	**-28**	**-20**	**-48**	**-60**	**-68**	**-74**
Equity inflow , net	0	25	0	0	0	0
Debt inflow , net	4	-39	41	107	-15	-17
Interest paid	-2	-3	-1	-5	-6	-5
Dividend paid to shareholders	-15	-30	-16	-16	-12	-27
Other financial cash flow	-3	-3	-3	0	0	0
Cash flow from financing	**-16**	**-50**	**21**	**87**	**-33**	**-50**
Net cash flows	**0**	**1**	**0**	**54**	**10**	**-18**
Cash, start of the year	1	2	3	3	58	67
Cash, end of the year	**2**	**3**	**3**	**58**	**67**	**49**
Free cash flow (FCF)	**16**	**51**	**-21**	**-32**	**43**	**32**
FCF/share (in €)	1.5	4.9	-2.0	-3.1	4.1	3.1
Y-Y Growth						
Operating cash flow	-	61.0%	-61.7%	3.2%	293.7%	-3.9%
Free cash flow	-	218.1%	n.m.	n.m.	n.m.	-25.3%

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First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy[1]	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

[1] The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	13 January 2022	€57.00	Buy	€95.00
2	28 February 2022	€48.60	Buy	€95.00
3	26 April 2022	€41.50	Buy	€87.00
4	12 May 2022	€35.90	Buy	€87.00
5	9 June 2022	€30.10	Buy	€87.00
6	Today	€30.20	Buy	€77.00

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Legally required information regarding

- **key sources of information in the preparation of this research report**
- **valuation methods and principles**
- **sensitivity of valuation parameters**

can be accessed through the following internet link: https://firstberlin.com/disclaimer-english-link/

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