

Knaus Tabbert AG

Germany / Leisure Vehicles

Xetra

Bloomberg: KTA GR

ISIN: DE000A2YN504

Q2 Results

RATING

PRICE TARGET

Return Potential

Risk Rating

BUY

€ 77.00

146.0%

High

PRIMED FOR A STRONG H2

Second quarter reporting was close to our recently adjusted targets, and as expected, earnings were well below the prior year figures, due to ongoing motorised chassis supply bottlenecks. The order backlog remained high at €1.4bn, thanks to order intake of some 6.2k units in Q2. The production mix still leaned towards caravans to mitigate the chassis bottlenecks, which contributed to the lower Y/Y profitability. From a fundamental standpoint, we like the KTA stock due to: (1) its intriguing valuation at 5.6x 2023 EBIT; and (2) the likelihood that stubborn chassis supply chain issues are easing, which will allow the company to focus on excellent underlying demand. We remain Buy-rated on Knaus Tabbert with a €77 targetprice.

Weak H1 but primed for strong second half '22 We recently revised our 2022 earnings targets downwards (see note of 4 August 2022) on the updated margin guidance (AEBITDA >6%). Aside from the well signalled chassis issues, management point to higher personnel expenses as the chief culprit for the weak H1 earnings (table 1 overleaf). But overstaffing was necessary to lock down enough skilled hands for the expected growth phase, which we see starting in H2. Greatly improved chassis supplier diversification (figure 2 overleaf) gives us confidence that capacity utilisation and profitability will turn around in the coming quarters.

KTA valuation looks intriguing No one can pretend to be able to call a bottom in the battered stock (-46% YTD) amidst today's global uncertainties, but we believe Knaus shares have strong rebound potential thanks to: (1) a massive order backlog (€1.4bn); (2) growing production capacity and secured manpower; plus (3) resilient market demand and an array of 18 new models for caravanning enthusiasts to choose from. Although we cannot completely rule out other supply chain risks in a "gastastrophe" scenario, we are in the camp that Germany will find a way to build up enough reserves to scrape by this winter and avoid having to shutter industrial production. In our view, the positives outweigh the risks, and at 5.6x 2023 EBIT, the KTA valuation warrants a constructive outlook. (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	36.45	82.73	102.44
EBIT margin	5.9%	5.9%	4.4%	3.5%	6.6%	7.3%
Net income (€m)	31.17	31.33	25.90	22.57	54.68	69.10
EPS (diluted) (€)	6.30	7.63	2.50	2.17	5.27	6.66
DPS (€)	7.31	1.50	1.50	1.10	2.60	3.30
FCF (€m)	16.00	50.89	-20.69	-65.63	77.32	32.05
Net gearing	97.6%	44.1%	70.2%	127.8%	65.2%	53.1%
Liquid assets (€m)	7.60	8.94	9.68	30.72	75.80	58.29

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.

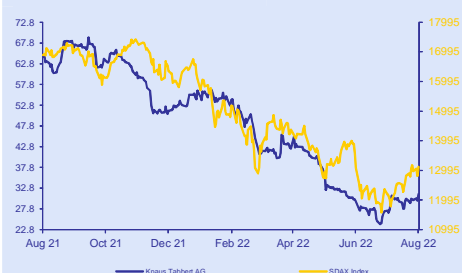
MARKET DATA

As of 10 Aug 2022

Closing Price	€ 31.30
Shares outstanding	10.38m
Market Capitalisation	€ 324.80m
52-week Range	€ 24.10 / 69.10
Avg. Volume (12 Months)	6,083

Multiples	2021	2022E	2023E
P/E	12.5	14.4	5.9
EV/Sales	0.5	0.4	0.4
EV/EBIT	12.1	12.7	5.6
Div. Yield	4.8%	3.5%	8.3%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2022

Liquid Assets	€ 11.35m
Current Assets	€ 279.22m
Intangible Assets	€ 21.93m
Total Assets	€ 462.74m
Current Liabilities	€ 197.78m
Shareholders' Equity	€ 125.81m

SHAREHOLDERS

H.T.P. Investments1 B.V.	38.0%
Catalina Capital Ptnrs B.V.	25.0%
Free Float	37.0%

SECOND QUARTER RESULTS

Table 1: Second quarter results vs FBe and prior year

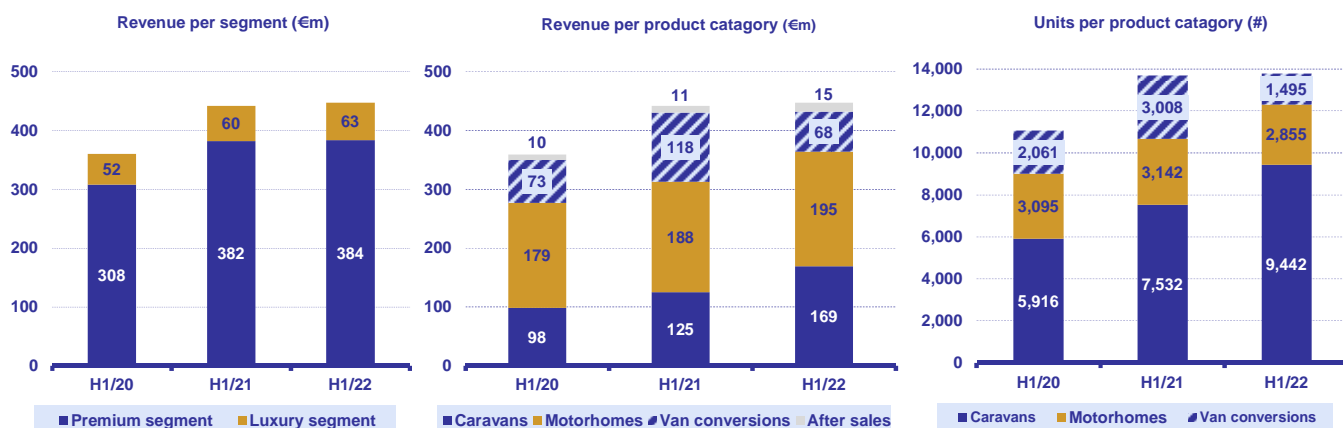
All figures in €m	Q2/22	Q2/22E	variance	Q2/21	variance	H1/22	H1/21	variance
Revenue	225.1	235.2	-4%	202.7	11%	447.4	441.6	1%
Gross profit	66.1	67.0	-1%	65.6	1%	133.2	140.5	-5%
Margin	29.4%	28.5%	-	32.4%	-	29.8%	31.8%	-
EBITDA	9.0	9.1	-1%	16.3	-45%	25.2	43.9	-43%
Margin	4.0%	3.9%	-	8.0%	-	5.6%	6.1%	-
AEBITDA	9.3	9.4	-1%	16.6	-44%	25.5	44.7	-43%
Margin	4.1%	4.0%	-	8.2%	-	5.7%	10.1%	-

Source: First Berlin Equity Research; Knaus Tabbert AG

Topline development Knaus Tabbert reported a 1% Y/Y rise in six month sales to €447m (H1/21: €442m). The flat performance owes to a production mix that still leans towards a higher share of caravans with much lower pricing than motorhomes.

Despite the higher overall unit sales, the adjusted production mix could not compensate for the low chassis deliveries gating motorhome production. Caravan sales thus climbed 26% Y/Y to 9,442 vehicles, while motorhome turnover retreated around 9% to 2,855 units.

Figure 1: Six month turnover KPIs



Source: First Berlin Equity Research; Knaus Tabbert AG

Business did pick-up in Q2 with an 11% Y/Y increase in revenue to €225m led by the Luxury segment. Second quarter deliveries totalled 6.5k vehicles (Q1/22:7.2k), and the company recorded order intake of around 6.2k units (+5% Q/Q) on the back of flourishing recreational vehicle demand. KTA exited Q2 with an order backlog of €1.4bn equal to a 9% sequential uptick.

Focus on medium and long-term growth targets Q2 profitability was much lower Y/Y, due chiefly to the higher head count resulting in the personnel cost ratio topping 16% in the period (Q1/21: 13.9%).

KTA 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 hurt margins, we think the move will pay off in the coming quarters starting in H2 as material bottlenecks ease.

**Table 2: Financial highlights**

All figures in €m	H1/22	2021	variance
Cash & liquid assets	11	10	18%
Financial debt (short- and long-term)	149	104	44%
Net debt	138	94	46%
Total assets	463	345	34%
Total equity	126	134	-6%
Equity ratio	27%	39%	-
Net gearing	109%	70%	-
Net debt / EBITDA	1.8x	1.4x	-

Source: First Berlin Equity Research; Knaus Tabbert AG

On the balance sheet, the property, plant, and equipment line item is up 18% YTD, owing to capacity investments at the Jandelsbrunn (Germany), Schüsselfeld, and Nagyoroszi (Hungary) production sites. Total equity decreased 6% during the period after KTA paid out the €15.6m dividend, and the equity ratio dipped 12 percentage points to 27%, owing mainly to the 34% increase in the size of the balance sheet.

Table 3: Cash flow overview

All figures in €m	H1/22	H1/21	variance
Net operating cash flow	12	40	-71%
Cash flow from investing	-34	-13	n.a.
Cash flow from financing	23	-28	n.a.
Net cash flow s	2	0	n.a.
Free cash flow (FCF)	-22	28	n.a.
FCF conversion	n.a.	63%	-
FCFPS (€)	-2.10	2.66	n.a.

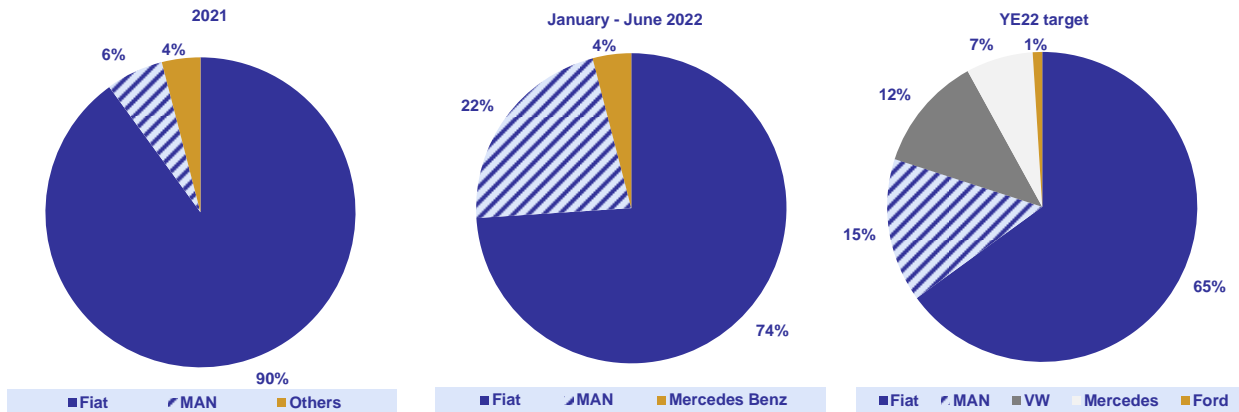
Source: First Berlin Equity Research; Knaus Tabbert AG

Capacity expansion and inventory build-up Operating cash flow tallied €12m in H1/22 (H1/21: €40m). The decline was occasioned by lower net income and inventory build-up to stay ahead of potential component shortages. Cash flow from investing amounted to €-34m and is traced to the aforementioned capacity investments in the Premium and Luxury segments. Management expect this to accelerate further in H2 with total investments approaching €100m for 2022. FCF totalled €-22m for the period, while cash flow from financing amounted to €23m, thanks to the new promissory notes placed in June.



KTA’s chassis supply mix now looks adequately diversified. . . 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 (see note of 4 August 2022). The OEM suppliers now total five including FIAT, MAN and Ford.

Figure 2: Development of chassis supplier mix



Source: First Berlin Equity Research; Knaus Tabbert AG

. . . but we remain vigilant on gas developments 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. We are in the latter camp.

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 chain risks as evidenced by an inventory build-up in H1/22, which saw stocks hitting 23% of T12 sales (YE21: 14%). While this is no guarantee that inventory (AC and heating systems, windows, toilets, wood elements, aluminium framing) won’t dry up in a *gastastrophe* scenario, the move looks prudent, given that German industry as a whole is heavily dependent on cheap natural gas and certain critical components could become scarce.



VALUATION MODEL

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. KTA's H2 expectation of improving chassis supply chain bottlenecks looks realistic. Management noted on the earnings call that VW has started delivering chassis and volumes are expected to pick up in H2, which should allow around 30k vehicles to roll off KTA production lines this year. We remain Buy-rated on KTA with a €77 target price.

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	25,881	58,737	72,729	85,340	99,635	115,507	123,457	132,815
(+) depreciation & amortisation	28,034	29,983	33,367	38,452	43,110	47,328	55,537	62,085
Net operating cash flow	53,915	88,720	106,097	123,791	142,746	162,835	178,993	194,900
(-) Total investments (CAPEX and WC)	-123,534	-21,700	-81,488	-73,340	-88,589	-114,469	-127,072	-131,555
(-) Capital expenditures	-94,649	-33,287	-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	-8,847
Free cash flows (FCF)	-69,618	67,020	24,608	50,452	54,157	48,365	51,922	63,345
PV of FCFs	-66,975	58,369	19,402	36,011	34,994	28,292	27,496	30,368

In EUR '000	WACC	Terminal EBIT margin							
		7.9%	8.4%	8.9%	9.4%	9.9%	10.4%	10.9%	
PV of FCFs in explicit period	455,522	7.5%	118.09	126.68	135.27	143.86	152.46	161.05	169.64
(+) PV of FCFs in terminal period	432,704	8.5%	94.98	101.33	107.68	114.03	120.38	126.73	133.07
Enterprise value (EV)	888,226	9.5%	78.15	82.97	87.78	92.59	97.41	102.22	107.03
(+) Net cash / (-) net debt	-93,992	10.5%	65.37	69.09	72.82	76.54	80.26	83.98	87.70
(+) Investments / minority interests	0	11.5%	55.36	58.28	61.20	64.12	67.05	69.97	72.89
Shareholder value	794,234	12.5%	47.32	49.64	51.96	54.29	56.61	58.93	61.26
Fair value per share (€)	77.0	13.5%	40.73	42.60	44.46	46.33	48.20	50.06	51.93

	WACC	Terminal growth rate							
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
Cost of equity	12.0%	7.5%	121.89	128.08	135.30	143.86	154.16	166.79	182.64
Pre-tax cost of debt	4.5%	8.5%	99.71	103.84	108.57	114.03	120.41	127.97	137.07
Tax rate	29.0%	9.5%	82.87	85.72	88.94	92.59	96.77	101.60	107.25
After-tax cost of debt	3.2%	10.5%	69.71	71.75	74.01	76.54	79.39	82.62	86.32
Share of equity capital	83.0%	11.5%	59.21	60.69	62.32	64.12	66.13	68.37	70.90
Share of debt capital	17.0%	12.5%	50.68	51.77	52.97	54.29	55.73	57.33	59.11
WACC	10.5%	13.5%	43.63	44.46	45.36	46.33	47.39	48.56	49.85

*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	-28	-30	-33
Operating income (EBIT)	46	47	38	36	83	102
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	32	77	97
Income taxes	-13	-13	-11	-9	-22	-28
Minority interests	0	0	0	0	0	0
Net income / loss	31	31	26	23	55	69
Diluted EPS (in €)	6.3	7.6	2.5	2.2	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%	3.5%	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%	2.2%	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%	2.7%	2.4%	2.4%
Y-Y Growth						
Revenues	-	1.8%	8.6%	20.6%	20.5%	11.8%
Operating income	-	1.5%	-17.6%	-5.0%	126.9%	23.8%
Net income/ loss	-	0.5%	-17.3%	-12.9%	142.3%	26.4%



BALANCE SHEET

All figures in EURm	2019	2020	2021	2022E	2023E	2024E
Assets						
Current assets, total	186	161	191	253	297	294
Cash and equivalents	8	9	10	31	76	58
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	220	224	265
Property, plant and equipment	106	103	131	195	196	234
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	473	521	559
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	141	184	226
Total consolidated equity and debt	311	286	345	473	521	559
Ratios						
Current ratio (x)	1.1	1.3	1.1	1.9	2.2	2.0
Quick ratio (x)	0.4	0.3	0.3	0.6	1.0	0.8
Equity ratio	32%	43%	39%	30%	35%	40%
Net debt / (net cash)	96	55	94	180	120	120
Net gearing	98%	44%	70%	128%	65%	53%
Net debt / EBITDA	1.5	0.8	1.6	2.8	1.1	0.9
Return on equity (ROE)	32%	25%	19%	16%	30%	31%
Capital employed (CE)	231	219	262	358	349	397
Return on capital employed (ROCE)	20%	21%	15%	10%	24%	26%



CASH FLOW STATEMENT

All figures in EURm	2019	2020	2021	2022E	2023E	2024E
Net income	31	31	26	23	55	69
Depreciation & amortisation	18	19	21	28	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	9	22	28
Net interest expense	2	2	1	5	6	5
Operating cash flow	65	69	63	67	121	142
Change in working capital	-11	11	-24	-29	12	-7
Tax paid	-10	-10	-11	-9	-22	-28
Net operating cash flow	44	71	27	29	111	106
CapEx	-25	-14	-41	-86	-23	-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	-95	-33	-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	-11	-27
Other financial cash flow	-3	-3	-3	0	0	0
Cash flow from financing	-16	-50	21	87	-32	-50
Net cash flows	0	1	0	21	45	-18
Cash, start of the year	1	2	3	3	24	69
Cash, end of the year	2	3	3	24	69	52
Free cash flow (FCF)	16	51	-21	-66	77	32
FCF/share (in €)	1.5	4.9	-2.0	-6.3	7.5	3.1

Y-Y Growth

Operating cash flow	-	61.0%	-61.7%	6.7%	281.1%	-3.9%
Free cash flow	-	218.1%	n.m.	n.m.	n.m.	-58.5%

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ASSET VALUATION SYSTEM

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	4 August 2022	€30.20	Buy	€77.00
7	Today	€31.30	Buy	€77.00

INVESTMENT HORIZON

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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

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