

# Knaus Tabbert AG

Germany / Leisure Vehicles

Xetra

Bloomberg: KTA GR

ISIN: DE000A2YN504

Q3 Update

**RATING****PRICE TARGET**

Return Potential

Risk Rating

**BUY****€ 77.00**

199.6%

High

## REVVING UP MOTORISED VEHICLE PRODUCTION IN Q4

Third quarter reporting was close to our targets, and earnings were well above the prior year comps, which were heavily burdened by motorised chassis supply bottlenecks and production downtimes. The order backlog climbed to €1.6bn (H1: €1.4bn), thanks to order intake of some 8.4k units in Q3. The production mix, which still included a low ~35% motorised vehicle component, is expected to flip in Q4 to >60% motorhomes / camper vans and thus spur a strong uptick in revenue and earnings. Management confirmed 2022 guidance (>€1bn turnover; >6% EBITDA margin), and we remain Buy-rated on Knaus Tabbert with a €77 target price.

**Chassis deliveries too late to flip the Q3 profitability switch** Third quarter turnover improved 28% Y/Y and 10% sequentially but profitability remained restrained on a Q/Q basis. Chassis deliveries were too late to positively swing the Q3 production mix away from low margin caravans, plus summer seasonal effects and high costs associated with the annual Caravan Salon in Düsseldorf meant the AEBITDA margin dipped to 2.3% (Q2: 4.1%).

**Revvng up motorised vehicle production in Q4** Thanks to the bolstered supply chain, chassis inventories tallied 3.2k at the end of Q3 (YE: 1.3k), which is allowing Knaus to finally rev up production of higher margin motorhomes and camper vans in the October-to-December quarter. Management noted on the earnings call that they expect motorised vehicles to make up > 60% of Q4 production. By comparison only 35% of vehicles that rolled off production lines in Q3 were motorised. The increased production of more expensive and higher margin motorhomes underpins management's confidence in 2022 guidance, which points to Q4 turnover topping €300m at a ~9.4% AEBITDA margin. (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2019	2020	2021	2022E	2023E	2024E
Revenue (€m)	780.39	794.59	862.62	1040.10	1253.74	1401.55
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	22.48	54.59	69.10
EPS (diluted) (€)	6.30	7.63	2.50	2.17	5.26	6.66
DPS (€)	7.31	1.50	1.50	1.10	2.60	3.30
FCF (€m)	16.00	50.89	-20.69	-95.47	90.42	48.86
Net gearing	97.6%	44.1%	70.2%	149.1%	74.4%	53.3%
Liquid assets (€m)	7.60	8.94	9.68	10.75	58.82	58.11

### 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.

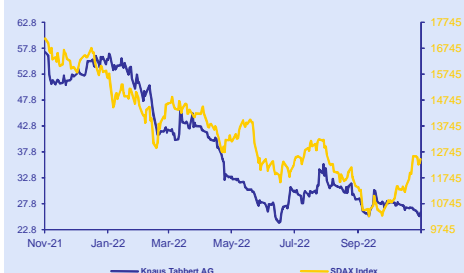
### MARKET DATA

As of 18 Nov 2022

Closing Price	€ 25.70
Shares outstanding	10.38m
Market Capitalisation	€ 266.69m
52-week Range	€ 24.10 / 57.00
Avg. Volume (12 Months)	6,634

Multiples	2021	2022E	2023E
P/E	10.5	12.0	5.0
EV/Sales	0.5	0.5	0.4
EV/EBIT	12.3	13.0	5.7
Div. Yield	5.8%	4.3%	10.1%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Sep 2022

Liquid Assets	€ 10.78m
Current Assets	€ 340.02m
Intangible Assets	€ 22.55m
Total Assets	€ 534.61m
Current Liabilities	€ 270.28m
Shareholders' Equity	€ 123.85m

### SHAREHOLDERS

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



## THIRD QUARTER RESULTS

Table 1: Third quarter results vs FBe and prior year

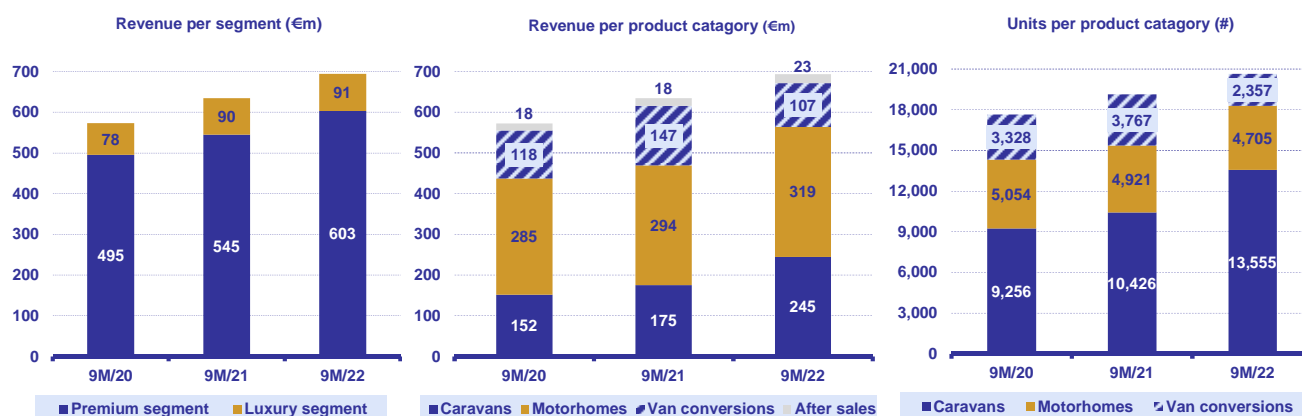
All figures in €m	Q3/22	Q3/22E	variance	Q3/21	variance	9M/22	9M/21	variance
Revenue	246.5	237.1	4%	192.9	28%	693.9	634.5	9%
Gross profit	67.0	67.3	-1%	57.4	17%	200.2	197.9	1%
Margin	27.2%	28.4%	-	29.8%	-	28.8%	31.2%	-
EBITDA	5.6	5.7	-2%	1.5	273%	30.8	45.4	-32%
Margin	2.3%	2.4%	-	0.8%	-	4.4%	6.1%	-
AEBITDA	5.7	5.8	-2%	1.8	217%	31.1	46.5	-33%
Margin	2.3%	2.4%	-	0.9%	-	4.5%	7.3%	-

Source: First Berlin Equity Research; Knaus Tabbert AG

**Revenue developments** Knaus Tabbert reported a 9% Y/Y rise in nine month sales to €694m (9M/21: €635m). Underlying 9M unit sales rose 8% on an annualised basis to 20.6k led by caravans (+30% Y/Y), whereas motorised vehicles units declined.

Despite the higher overall unit sales, the adjusted production mix favouring lower priced caravans (avg. €18k) vs motorhomes and camper vans (avg. €50k) led to lower revenue momentum in the Premium segment. The Luxury segment (Morello) booked 370 unit sales in the nine month period including 108 vehicles in the July-to-September quarter.

Figure 1: Nine month turnover KPIs



Source: First Berlin Equity Research; Knaus Tabbert AG

Business did pick up more strongly Y/Y in Q3 with a 28% increase in revenue to €247m led by the Premium segment. Third quarter deliveries totalled 6.8k vehicles, and the company recorded order intake of around 8.5k units on the back of resilient recreational vehicle demand. KTA exited Q3 with an order backlog of €1.6bn equal to a 14% sequential increase. Management reckon the backlog will stretch into early 2024.

**Focus on medium and long-term growth targets** Nine month profitability was much lower Y/Y, although the comp was hard since 9M/21 benefited from a strong first quarter that was largely unhampered by supply chain bottlenecks. Q3 showed a good uptick in earnings on a year-on-year basis, due chiefly to the Y/Y topline growth.

**Table 2: Financial highlights**

All figures in €m	9M/22	2021	variance
Cash & liquid assets	11	10	12%
Financial debt (short- and long-term)	212	104	104%
Net debt	201	94	114%
Total assets	535	345	55%
Total equity	124	134	-7%
Equity ratio	23%	39%	-
Net gearing	162%	70%	-
Net debt / EBITDA*	4.4x	1.4x	-

\*adjusted EBITDA

Source: First Berlin Equity Research; Knaus Tabbert AG

**Temporary stockpiling stretches balance sheet and breaches covenants** Inventory levels spiked in Q3 to €251m (YE21: €145) with the stockpiling of chassis and other components that totalled €148m at the end of the third quarter (YE21: €70m). This figure includes some €80m in chassis. Meanwhile, finished and unfinished vehicles climbed to €103m (YE21: €76m).

**Table 3: 9M/22 KPIs vs covenants**

	9M/22	Covenant
Equity ratio	23%	30%
Net debt / EBITDA*	4.4x	<=2.75x

\*adjusted EBITDA

Source: First Berlin Equity Research; Knaus Tabbert AG

The inventory build-up helps safeguard production but also means that net debt / AEBITDA and equity ratios are above covenants (table 3). However, the company secured a waiver from its bank consortium in August, which will buy time to work down inventory levels with the expected production spurt already underway. Management plan to meet with their bankers in December to review YE targets.

**Table 4: Cash flow overview**

All figures in €m	9M/22	9M/21	variance
Net operating cash flow	-35	-5	n.a.
Cash flow from investing	-52	-28	n.a.
Cash flow from financing	88	34	n.a.
Net cash flows	1	1	-38%
Free cash flow (FCF)	-87	-33	n.a.
FCF conversion	n.a.	n.a.	-
FCFPS (€)	-8.42	-3.19	n.a.

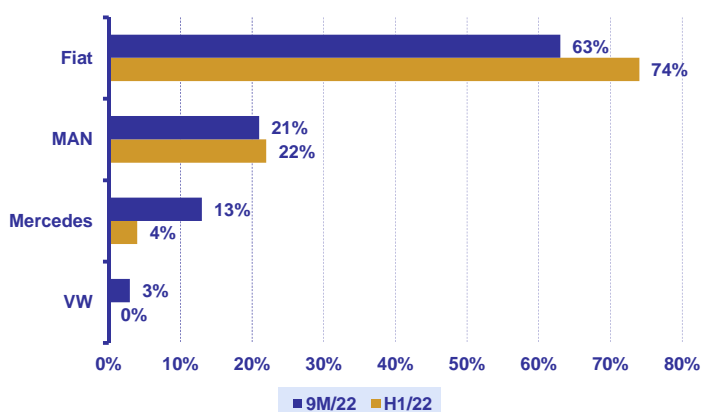
Source: First Berlin Equity Research; Knaus Tabbert AG

**Cash flow developments** Operating cash flow tallied €-35m in 9M/22 (9M/21: €-5m). 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 €-52m and is traced to the capacity investments in the Premium and Luxury segments. FCF totalled €-87m for the period, while cash flow from financing amounted to €88m, thanks to the new promissory notes placed in June.

## VALUATION MODEL

**Sticking to €77 target price** Knaus' top brass projected a confident picture on the earnings call. The move to diversify the supply chain appears to be working (figure 2), and management even hinted that a double digit growth scenario in 2023 looks achievable.

**Figure 2: Bolstered supply chain leading to greater brand mix**



Source: First Berlin Equity Research; Knaus Tabbert AG

Although we had hoped that an increase in motorised vehicle production would already be more visible in the July-to-September quarter, the main takeaway from the Q3 report is confirmed guidance, which points to a potentially record Q4 with motorhomes and camper vans again rolling off production lines in high volumes. Our rating remains Buy.

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
<b>Net operating cash flow</b>	<b>53,915</b>	<b>88,720</b>	<b>106,097</b>	<b>123,791</b>	<b>142,746</b>	<b>162,835</b>	<b>178,993</b>	<b>194,900</b>
(-) Total investments (CAPEX and WC)	-153,412	-8,628	-64,681	-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	-58,762	24,658	9,601	-6,381	-14,775	-14,943	-11,167	-8,847
Free cash flows (FCF)	-99,496	80,091	41,415	50,452	54,157	48,365	51,922	63,345
<b>PV of FCFs</b>	<b>-98,112</b>	<b>71,444</b>	<b>33,419</b>	<b>36,828</b>	<b>35,762</b>	<b>28,891</b>	<b>28,057</b>	<b>30,965</b>

In EUR '000		Terminal EBIT margin							
		7.9%	8.4%	8.9%	9.4%	9.9%	10.4%	10.9%	
PV of FCFs in explicit period	459,617	7.5%	117.83	126.35	134.88	143.40	151.92	160.44	168.96
(+) PV of FCFs in terminal period	434,603	8.5%	95.16	101.49	107.82	114.14	120.47	126.80	133.13
Enterprise value (EV)	894,220	9.5%	78.56	83.38	<b>88.20</b>	<b>93.01</b>	<b>97.83</b>	102.65	107.47
(+) Net cash / (-) net debt	-93,992	10.5%	65.90	69.64	<b>73.38</b>	<b>77.12</b>	<b>80.85</b>	84.59	88.33
(+) Investments / minority interests	0	11.5%	55.94	58.89	<b>61.83</b>	<b>64.78</b>	<b>67.72</b>	70.67	73.61
Shareholder value	800,228	12.5%	47.91	50.26	52.61	54.96	57.31	59.66	62.01
Fair value per share (€)	<b>77.0</b>	13.5%	41.32	43.21	45.11	47.00	48.89	50.78	52.68

In EUR '000		Terminal growth rate							
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
Cost of equity	12.1%	7.5%	121.85	127.93	135.02	143.40	153.45	165.74	181.09
Pre-tax cost of debt	4.5%	8.5%	100.01	104.10	108.76	114.14	120.42	127.84	136.74
Tax rate	29.0%	9.5%	83.36	86.20	<b>89.39</b>	<b>93.01</b>	<b>97.15</b>	101.92	107.49
After-tax cost of debt	3.2%	10.5%	70.31	72.34	<b>74.60</b>	<b>77.12</b>	<b>79.95</b>	83.16	86.83
Share of equity capital	83.0%	11.5%	59.86	61.34	<b>62.97</b>	<b>64.78</b>	<b>66.78</b>	69.02	71.53
Share of debt capital	17.0%	12.5%	51.33	52.44	53.64	54.96	56.41	58.01	59.80
<b>WACC</b>	<b>10.5%</b>	13.5%	44.28	45.11	46.02	47.00	48.07	49.24	50.53

\*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
<b>Revenues</b>	<b>780</b>	<b>795</b>	<b>863</b>	<b>1,040</b>	<b>1,254</b>	<b>1,402</b>
Cost of goods sold	-565	-558	-625	-727	-876	-978
<b>Gross profit</b>	<b>232</b>	<b>245</b>	<b>261</b>	<b>313</b>	<b>377</b>	<b>423</b>
Personnel expenses	-108	-111	-127	-166	-178	-198
Other OpEx	-66	-71	-78	-87	-92	-95
Other income	6	3	3	5	5	6
<b>EBITDA</b>	<b>64</b>	<b>66</b>	<b>59</b>	<b>64</b>	<b>113</b>	<b>136</b>
Depreciation & amortisation	-18	-19	-21	-28	-30	-33
<b>Operating income (EBIT)</b>	<b>46</b>	<b>47</b>	<b>38</b>	<b>36</b>	<b>83</b>	<b>102</b>
Net financial result	-2	-2	-1	-5	-6	-5
Other financial result	0	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>44</b>	<b>44</b>	<b>37</b>	<b>32</b>	<b>77</b>	<b>97</b>
Income taxes	-13	-13	-11	-9	-22	-28
Minority interests	0	0	0	0	0	0
<b>Net income / loss</b>	<b>31</b>	<b>31</b>	<b>26</b>	<b>22</b>	<b>55</b>	<b>69</b>
<b>Diluted EPS (in €)</b>	<b>6.3</b>	<b>7.6</b>	<b>2.5</b>	<b>2.2</b>	<b>5.3</b>	<b>6.7</b>
<b>AEBITDA</b>	<b>65</b>	<b>68</b>	<b>61</b>	<b>65</b>	<b>114</b>	<b>137</b>
<b>Ratios</b>						
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%
<b>Expenses as % of revenues</b>						
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%
<b>Y-Y Growth</b>						
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%	-13.2%	142.9%	26.6%



## BALANCE SHEET

All figures in EURm	2019	2020	2021	2022E	2023E	2024E
<b>Assets</b>						
<b>Current assets, total</b>	<b>186</b>	<b>161</b>	<b>191</b>	<b>283</b>	<b>297</b>	<b>294</b>
Cash and equivalents	8	9	10	11	59	58
Other ST assets	20	16	24	24	25	25
Trade receivables	37	11	7	23	27	31
Inventories	120	124	145	219	180	174
Tax receivables	1	2	6	6	6	6
<b>Non-current assets, total</b>	<b>125</b>	<b>124</b>	<b>154</b>	<b>220</b>	<b>224</b>	<b>265</b>
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
<b>Total assets</b>	<b>311</b>	<b>286</b>	<b>345</b>	<b>503</b>	<b>521</b>	<b>559</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>172</b>	<b>128</b>	<b>179</b>	<b>160</b>	<b>137</b>	<b>147</b>
Trade payables	47	35	38	70	60	67
ST debt	82	49	93	40	17	15
Provisions	4	6	8	8	8	8
Other current liabilities	38	37	40	43	51	57
<b>Long-term liabilities, total</b>	<b>41</b>	<b>34</b>	<b>32</b>	<b>202</b>	<b>200</b>	<b>185</b>
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
<b>Shareholders' equity</b>	<b>98</b>	<b>124</b>	<b>134</b>	<b>141</b>	<b>184</b>	<b>226</b>
<b>Total consolidated equity and debt</b>	<b>311</b>	<b>286</b>	<b>345</b>	<b>503</b>	<b>521</b>	<b>559</b>
<b>Ratios</b>						
Current ratio (x)	1.1	1.3	1.1	1.8	2.2	2.0
Quick ratio (x)	0.4	0.3	0.3	0.4	0.9	0.8
Equity ratio	32%	43%	39%	28%	35%	40%
Net debt / (net cash)	96	55	94	210	137	120
Net gearing	98%	44%	70%	149%	74%	53%
Net debt / EBITDA	1.5	0.8	1.6	3.3	1.2	0.9
Return on equity (ROE)	32%	25%	19%	16%	30%	31%
Capital employed (CE)	231	219	262	387	366	397
Return on capital employed (ROCE)	20%	21%	15%	9%	23%	26%



## CASH FLOW STATEMENT

All figures in EURm	2019	2020	2021	2022E	2023E	2024E
<b>Net income</b>	<b>31</b>	<b>31</b>	<b>26</b>	<b>22</b>	<b>55</b>	<b>69</b>
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
<b>Operating cash flow</b>	<b>65</b>	<b>69</b>	<b>63</b>	<b>67</b>	<b>121</b>	<b>142</b>
Change in working capital	-11	11	-24	-59	25	10
Tax paid	-10	-10	-11	-9	-22	-28
<b>Net operating cash flow</b>	<b>44</b>	<b>71</b>	<b>27</b>	<b>-1</b>	<b>124</b>	<b>123</b>
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
<b>Cash flow from investing</b>	<b>-28</b>	<b>-20</b>	<b>-48</b>	<b>-95</b>	<b>-33</b>	<b>-74</b>
Equity inflow , net	0	25	0	0	0	0
Debt inflow , net	4	-39	41	117	-25	-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
<b>Cash flow from financing</b>	<b>-16</b>	<b>-50</b>	<b>21</b>	<b>97</b>	<b>-42</b>	<b>-50</b>
<b>Net cash flows</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>48</b>	<b>-1</b>
Cash, start of the year	1	2	3	3	4	52
<b>Cash, end of the year</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>52</b>	<b>52</b>
<b>Free cash flow (FCF)</b>	<b>16</b>	<b>51</b>	<b>-21</b>	<b>-95</b>	<b>90</b>	<b>49</b>
FCF/share (in €)	1.5	4.9	-2.0	-9.2	8.7	4.7

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**ASSET RECOMMENDATION**

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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy <sup>1</sup>	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%

<sup>1</sup> 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	11 August 2022	€31.30	Buy	€77.00
8	20 September 2022	€28.30	Buy	€77.00
9	Today	€25.70	Buy	€77.00

**INVESTMENT HORIZON**

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

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