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14/08/2018 – GBC Research Comment – KPS AG

Company: KPS AG[*5a,7,11]
ISIN: DE000A1A6V48
Reason for the Research Comment: Q3-Report 17/18
Analysts: Matthias Greiffenberger, Cosmin Filker
Current share price: 9.16 € (XETRA; 13/08/18; closing)
Target price: 12.50 € (previously: 12.50 €)
Rating: Buy
Date of completion/Date of first publication: 13/08/2018 / 14/08/2018
*catalogue of potential conflicts of interests on page 5

Margin improvements in the third quarter - Forecast currently very conservative - Forecasts for 2018/19 confirmed - Target price: € 12.50 - Rating: Buy

KPS AG published the figures for the third quarter of 17/18 on 10/08/2018 and was able to present significant margin improvements. Sales were up by 5.5% to € 41.9m (previous year: € 37.7m) and EBIT fell by 31.2% to € 4.6m (previous year: € 5,9m). Thus, an EBIT margin (own calculation) of 11.0% was achieved in the third quarter and, after the two preceding quarters, is again in the double-digit range for the first time. The PPA depreciation and amortization from the acquisitions made a significant contribution to the EBIT decline. EBITDA fell by 18.2% to € 5.7m (previous year: € 6.2m).

	Q1 17/18	Q2 17/18	Q3 17/18	Q4 17/18e	FY 2017/18e	FY 2018/19e
Sales	38,1	50,3	41,9	39,73	170,00	185,08
EBIT	3,1	4,4	4,6	4,15	16,26	26,29
EBIT margin*	8,1%	8,8%	11,0%	10,4%	9,6%	14,2%

*Source: KPS, GBC ,*Margin according to own calculations of the rounded numbers*

The company confirmed the guidance of € 160m to € 170m in sales with an EBIT of € 16 to € 20m. We also confirm our forecasts and continue to expect sales revenues of € 170.00m and EBIT of € 16.26m. However, sales, in particular, show that our current forecasts are conservative. For the fulfillment of the forecast, sales of € 39.75m would have to be achieved in the fourth quarter, which would be at the lower end by the quarterly comparison. The EBIT forecast for Q4 is slightly above the average of the three previous quarters, but EBIT should tend to rise against the background of the projects progression. In the first quarter in particular, four major projects were launched, which only made a smaller contribution to sales and earnings in Q1 during the start-up phase. The projects gain in scope over time and thus should deliver higher contributions.

According to management, additional projects are already on the horizon and also a dividend at the previous year's level is expected (previous year: € 0.35 per share). The current projects should gain in scope and also in potential contributions and we expect the company to return to the usual high EBIT margins of over 15% in the medium term. On the basis of our unchanged DCF model, we have determined a fair value of € 12.50 and continue to award the rating buy.

ANNEX

I.
Research under MiFID II

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