

GROUP
QUARTERLY RELEASE

KPS

1920

KPS – Quarterly Release as at 31 December 2019

KPS publishes figures for the first quarter of 2019/2020 and starts the new business year with stable sales development

KPS AG in the 1st quarter of 2019/2020

Overview of indicators in accordance with IFRS

In million euros	1st quarter 2019/2020	1st quarter 2018/2019	+/-
Revenues	44.7	44.4	+0.7 %
EBITDA	5.9	6.6	-10.4 %
Operating result (EBIT)	4.1	5.8	-30.9 %
Financial result	-0.1	-0.1	0.0
Earnings before income taxes	4.0	5.6	-28.6 %
Income taxes *	-1.2	-1.7	-29.4 %
Earnings after income taxes	2.8	3.9	-28.2 %
Earnings per share (in euros)	0.08	0.10	-0.02

* For comparative purposes, the tax charge in the equivalent year-earlier period was restated on the basis of the tax rate for the annual financial statements in 2018/2019. The tax rate determined for the annual financial statements as at 30 September 2019 was used to calculate the tax charge for the first quarter of 2019/2020.

Business performance

Sales in the first quarter of 2019/2020 slightly above the equivalent year-earlier quarter

In the first quarter of 2019/20, sales of KPS AG at 44.7 million euros were slightly above the year-earlier quarter at 0.7 % (44.4 million euros) and developed in accordance with the expectations of the Executive Board. In particular, sales drivers were the international activities of KPS AG and a continued good and

balanced mix with ongoing projects which, in accordance with the strategy of KPS, are in differing project phases.

As a result of one-off effects and a strong increase in sales expenses, EBITDA came down by 10.4% to 5.9 million euros in the first quarter of 2019/20 by comparison with the equivalent year-earlier period. Accordingly, the EBITDA margin fell to 13.3 % (year-earlier quarter: 14.9 %). Once again, the key one-off effect resulted from the positive development of acquired companies, which was significantly above expectations, in particular ICE Consultants Europe S.L. KPS therefore had to increase the earn-out obligations for acquired companies, which led to a one-off, non-cash-effective additional expense in the amount of 0.6 million euros in the previous quarter. In the absence of this obligation, EBITDA would have been 6.5 million euros, which would correspond to a slight fall of 1.5 % compared with the equivalent year-earlier period.

In the first quarter of 2019/20, KPS also posted sales expenses significantly above the normal range because several transformation initiatives are in the acquisition phase.

EBIT was also influenced by increased depreciation and amortization owing to first-time application of IFRS 16. Accordingly, EBIT came down to 4.1 million (Q1 2018/19: 5.8 million) euros in comparison with the year-earlier quarter. Earnings after taxes (2.8 million euros) were 1.1 million euros below the year-earlier result of 3.9 million euros, with earnings per share amounting to 0.08 euros (Q1 2018/19: 0.10 euros).

Results of operations, financial position, and asset situation

Results of operations

KPS AG reported a slight increase in sales during the first quarter of 2019/2020. Earnings for the period were below the level of the comparative year-earlier period, in particular owing to the additional earn-out obligations, increased expenses for sales and an increased depreciation and amortization expense due to the first-time application of IFRS 16.

On the basis of the unaudited IFRS Group figures, sales increased slightly by 0.7 % to 44.7 million euros (Q1 2019/2019: 44.4 million euros) compared with the first quarter of 2018/2019.

In addition to the sales expenses for acquisitions of transformation initiatives, which were above the normal scope, the earn-out obligations had to be adjusted upward once more by 0.6 million euros in the current quarter as a result of the very good development in particular of ICE Consultants Europe S.L. As a result of this, the operating result (EBITDA) fell in the quarter under review by 10.4 % to 5.9 million euros (Q1 2018/2019: 6.6 million euros). The EBITDA margin amounted to 13.2 % (Q1 2018/2019: 14.9 %).

Earnings after income taxes in the first quarter of 2019/2020 at 2.8 million euros were 28 % below the year-earlier level (Q1 2018/2019: 3.9 million euros). Earnings per share amounted to 0.08 euros (Q1 2018/2019: 0.10 euros).

Asset situation

The balance sheet total rose from 142.3 million euros to 172.0 million euros as at 31 December 2019 by comparison with the balance sheet date of 30 September 2019. Non-current assets increased, primarily as a result of first-time recognition of rights of use (IFRS 16) in the amount of 27.4 million euros from 84.7 million euros to 112.0 million euros. On 31 December 2019, current assets were 2.4 million euros higher than on the balance sheet date of 30 September 2019. This is primarily due to an increase in liquid funds, which went up by 1.9 million euros from 9.9 million euros on 30 September 2019 to 11.8 million euros.

Financial position

Equity increased from 64.2 million euros on 30 September 2019 to 67.1 million euros as at 31 December 2019. The equity ratio fell back from 45.2 % to 39.0 %. Long-term borrowings increased from 24.1 million euros to 47.9 million euros, primarily as a result of the first-time recognition of non-current leasing liabilities amounting to 23.0 million euros (in accordance with IFRS 16). Short-term borrowings increased from 53.9 million euros to 57.0 million euros. Once again, the reason was first-time recognition of leasing liabilities, which amounted to 4.3 million euros on 31 December 2019. Current financial liabilities to banks amounted to 17.7 million euros. On the balance sheet date of 30 September 2019, current financial liabilities amounted to 8.8 million euros.

Events after the end of the reporting period

No events occurred after the end of the reporting period which exerted a significant influence on the results of operations, asset situation or financial position.

Opportunities and risk report

The opportunities and risk situation has not changed significantly since the presentation in the annual Report 2018/2019. Detailed information on the risk management system and the risk situation of the KPS Group is included in the Annual Report 2018/2019 from page 55.

Outlook 2019/2020

Sales and EBITDA forecast confirmed

The Executive Board and Management of KPS AG continue to assume that stable growth will be ongoing in the current business year and confirm the forecast for the business year 2019/2020 issued in January 2020. A slight increase in sales to between 181 million and 191 million euros is expected and a significant increase in EBITDA to an amount within the corridor between 28 million and 36 million euros. The Supervisory Board and the Executive Board of KPS AG are maintaining their strategy of continuing to drive forward innovation, industrialization, and internationalization.

The forecast contains forward-looking statements which are based on certain assumptions and estimates made by the company management of KPS AG. Even if the company management is of the

opinion that these assumptions and estimates are appropriate, the actual future development and the actual future results may deviate substantially from these assumptions and estimates on account of a variety of different factors. These factors may include, for example, changes in the macroeconomic situation, exchange rates, interest rates, and changes in market development and changes in the competitive situation. KPS AG does not guarantee that the actual results achieved in future will be in accordance with the assumptions and estimates made in this interim release and does not assume any liability in this respect.

Unterföhring, 14 February 2020

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About KPS

KPS is Europe's leading partner for companies who require a radical realignment of their business model to fulfil their customer requirements and simultaneously wish to implement innovative digital processes and technologies in their business. KPS provides everything, from strategy consulting to industry-specific process chains and the implementation of the latest technology. KPS's team advises companies end-to-end and integrates merchandise management, B2B and B2C e-commerce with marketing and sales processes. In a digital world with the customer in focus, the ability to implement projects rapidly is a significant competitive advantage. The KPS Rapid-Transformation® method accelerates projects by up to 50 percent. The experience and industry knowledge KPS consultants possess ensures the success of every project. With around 1,100 consultants in 9 countries, KPS is continuously expanding its global market position via cutting edge projects in digital and technological change.