

## Taking over a majority stake of listed Katek SE

*Kontron has announced to take over 60% of the listed Katek SE from the previous shareholder Primepulse SE for 15 EUR per share, which represents a premium of ~18% over the closing price last night. The total consideration amounts to ~EUR 129m. Due to a mandatory offer to outstanding shareholders, this total required amount might be higher. As Katek is expected to have realized revenues of ~EUR 800m, EBITDA of EUR 41m (margin 5%) and net income of EUR 5.4m (source: Factset) in 2023, KTN pays ~0.3x sales, ~5.2x EBITDA and ~40x net income (all trailing multiples), which looks like a bargain. The Katek SE is active in the field of electronics but also in "Greentech" such as intelligent charging solutions for EVs plus inverters and energy storage systems for solar energy solutions. The strategic rationale behind the transaction is about upgrading Katek products with IoT technology and software from Kontron, which should improve Katek's margins by 5 percentage points in the medium term, i.e., to KTN levels. Together with the appealing price, the deal looks like an attractive value proposition for KTN shareholders to us. Buy, PT EUR 29.*

### More insights:

- Closing is expected to be between 1<sup>st</sup> of March and 1<sup>st</sup> of April at the latest.
- With today's transaction, KTN increased the 2024 revenue guidance from EUR 1.4bn to EUR 1.9bn and the 2024 net income guidance from EUR 87m to EUR 100m. Assuming that Katek will be consolidated for 9 months, the expected revenue / net income for 2024 seems to be EUR 667m (EUR 500m x 4/3) and EUR 17m (EUR 13m x 4/3), respectively.
- That points at a forward sales multiple of 0.3x and a forward PE of 12.6x, which looks even more attractive.
- Katek has 1,500 customers, among them Viessmann, Porsche und Bosch.
- KTN does not expect to close product lines at Katek, so there are no cost cutting measures expected.
- For the tender offer, KTN has earmarked another EUR 55m, which means that KTN expects roughly two third of the outstanding shareholders to accept the offer (63% = EUR 55m / [EUR 129m x (40%/60%)]).
- However, KTN intends to offer treasury shares for the minority shareholders, but that is not yet decided. KTN's share buy-backs program will be stopped in either case.
- Net debt of KTN should be around EUR 95m at year end, expected interest costs are 4%-4.5%.
- Katek will be delisted in the midterm and the CEO will leave the company. The CFO will remain with Kontron and will be the head of the new Green Tech division. There is no decision yet on a squeeze-out.
- After the Katek transaction, KTN plans no more acquisitions in 2024.
- According to Factset, the KTN CEO Mr Niederhauser already held shares of Katek before the announcement today via his Grosso Tec holding (4.4%).
- Primepulse is an investment company located in Munich, investing into tech companies of various stages.

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