

Sector: Technology

K3 Business Techs. (KBT)

Market cap: £27m

Price: 115.0p
 Forecast net debt (£m) 10
 Forecast gearing ratio (%) 37

Share price graph**Company description**

K3 provides Microsoft-based supply chain management solutions to SMEs in the retail and manufacturing sectors.

% Relative to All Share

| % | 1m | 3m | 12m |
|----------|--------|--------|--------|
| Actual | (15.8) | (12.5) | (22.8) |
| Relative | (12.4) | (1.6) | (9.3) |

Analyst

Jason Holden

INVESTMENT SUMMARY

Annual results revealed exceptional earnings growth, while the outlook for future progress will continue to benefit from a series of strategic acquisitions. In addition, there are still considerable opportunities for further M&A, and management has realistic aspirations to grow sales towards £100m over the next three years. EPS growth of 31% in FY08 and 18% in FY09 supports a strong case for a re-rating given a prospective P/E of around 5x.

INDUSTRY OUTLOOK

The enterprise resource planning (ERP) market for SMEs is consolidating, and sales of Microsoft Dynamics are growing at c 15%. K3's focus on re-selling Microsoft-based ERP solutions to the related sectors of retail and manufacturing makes the company stand out from other IT service companies.

| Y/E Dec | Revenue (£m) | EBITDA (£m) | PBT (£m) | EPS (p) | P/E (x) | P/CF (x) |
|---------|--------------|-------------|----------|---------|---------|----------|
| 2006A | 27.3 | 3.2 | 2.7 | 10.5 | 11.0 | 9.4 |
| 2007A | 34.1 | 6.1 | 4.7 | 16.8 | 6.8 | 4.0 |
| 2008E | 44.5 | 9.4 | 7.6 | 22.0 | 5.2 | 3.6 |
| 2009E | 48.0 | 10.5 | 9.1 | 26.0 | 4.4 | 3.5 |