

Kape Technologies

Trading update

Integration update

Kape provided a brief update on progress integrating its recent acquisitions, Intego and ZenMate. While no numbers were given, integration is tracking ahead of plan and the company reports 'early signs of strong traction' promoting CyberGhost's VPN into Intego's customer base. This is obviously encouraging, reinforcing our view about Kape's ability to make value-accretive deals leveraging its distribution network. At this early stage we make no change to our forecasts.

Year end	Revenue (US\$m)	EBITDA* (US\$m)	PBT* (US\$m)	EPS* (c)	EV/EBITDA (x)	P/E (x)
12/16	56.5	6.4	4.8	2.9	21.8	45.1
12/17	66.4	8.3	7.5	4.9	16.8	26.7
12/18e	60.0	10.2	8.7	5.2	13.6	25.2
12/19e	72.2	14.2	12.3	7.3	9.8	17.9

Note: *EBITDA, PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Intego and ZenMate integration ahead of plan: Acquired in July, Intego provides anti-virus software to 150,000

0 Mac users on a subscription basis. ZenMate, a VPN provider focused on Germany, was acquired in October. We estimate that these businesses will generate FY19 revenue of \$10m and EBITDA of c \$1.8m (13% of the group total). Management reports that integration of Intego is ahead of plan, its initiative to utilise Kape's user acquisition platform to accelerate its growth is described as 'extremely encouraging' and selling VPN services (CyberGhost) into its customer base is showing 'early signs of strong traction'. Restructuring of ZenMate is now also complete (ie in just over a month) and the business is performing ahead of expectations.

Highlights – M&A strategy and broader opportunity: Given that the commentary exclusively refers to the acquisitions and it is early days, we make no changes to our overall forecasts. However, this deal does highlight the strategic opportunity for Kape to use its balance sheet to build a high-quality, scalable consumer security business. We see scope for further value-accretive deals that leverage its distribution network. Following the recent market-wide sell-off, the shares trade at 13.5x FY19e adjusted EPS.

Software & comp services

28 November 2018

Price 103p

Market cap £146m

US\$1.27/£1

Net cash (US\$m) at end FY18e 46.2

Shares in issue 141.9m

Free float 27%

Code KAPE

Primary exchange AIM

Secondary exchange N/A

Share price performance



Business description

Kape Technologies specialises in consumer cybersecurity software. It markets four proprietary products: PC repair and maintenance (Reimage and Reimage for MAC); PC driver repair software (DriverAgent); anti-malware (Intego); and a virtual private network (CyberGhost).

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