

Date **06.03.2012**

Buy (old: Buy)

PT: € 53.45 (old: € 53.45)

Changes

	2011E		2012E	
	New	Delta	New	Delta
Sales	32.2	0.0%	37.3	0.0%
EBIT	6.4	0.0%	7.5	0.0%
EPS	2.60	0.0%	3.02	0.0%
EPS*	2.60	0.0%	3.02	0.0%
DPS	0.56	0.0%	0.65	0.0%

*clean

Homepage: www.gksoftware.de

Industry: IT/Software

ISIN: DE0007571424

Bloomberg: GKS:GR

Reuters: GKSG

Price (27.02.12): € 41.90

Market Cap: € 75 Mio.

Enterprise Value: € 61 Mio.

Ø-volume (100 days): € 31,712

52W High: € 50.00

52W Low: € 33.32

Free Float: 42.5 %

Financial Calendar

24.04.2012 FY-Report 2011

24.05.2012 Q1 Report

28.06.2012 Annual Meeting

Shareholder structure

GK Software Holding 52.33%

R. Gläß 2.95%

S. Kronmüller 2.23%

Share performance



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GK SOFTWARE AG

Partner SAP accelerates foreign growth of GK

After sales success in Germany, GK's cooperation partner SAP has acquired GK's first ever foreign company, Swiss-based Valora Retail. Central SAP solutions are widely used by international trade companies. The connection with SAP has boosted GK' business, even during the early stages of the cooperation in 2009. After a phase of share price consolidation, sales success abroad triggered by the company's partner SAP is likely to be the most important share price driver in the medium term and will help the share develop at a pace above the market average. GK has also opted to work with partners for the sale of its module GK/Retail Open Scale, which has been newly launched in the market. We assume that this will be an interesting business venture for GK, as the software can be implemented directly and standard introductory expenses are at an insignificant level. We have kept our estimations the same for 2012. With a price-earnings ratio of 13.9 for the current year, the growth value of GK SOFTWARE (CAGR 2010-2014e: 18,7%) is positive and therefore we still recommend buying the share.

Investment Highlights

- The sales partner SAP has acquired a foreign customer for GK for the first time. A division of Valora Retail will introduce the solution "SAP point of sale by GK" in three countries (Switzerland, Germany and Luxemburg). Valora Retail is the leading operator of (railway station) kiosks and railway bookshops with over 2,700 branches. The strategic implications of the contract are also significant, as it shows that SAP's efforts are certainly not limited to the domestic market, where GK already has a good market position.
- The project acquired by GK in December 2011 from an international retail chain with a fashion range also indicates a strong relationship to SAP. A key element of the project, which will result in a majority of sales proceeds in 2012, is the integration of the 700 branches into the central SAP solution. This project demonstrates that the SAP cooperation has also had a positive effect on direct sales, as the expertise at GK will be highlighted during the integration of the branch solutions into the central ERP system.
- The new model GK/Retail Open Scale is a platform-independent solution for PC-based scales. As one of the first solutions in this area, it participates in the conversion of proprietary scale solutions on open PC-based systems and can also be used without the basis solution GK/Retail. In addition to Bizerba, another global leading scale manufacturer may be acquired as a sales partner for the module. GK is therefore participating in future sales of these two manufacturers, insofar as these scales are equipped with GK/Retail Open Scale.

Key figures

	Sales	Net result	Adj. EPS	Adj. P/E	EV/ Sales	EV/ EBIT	EBIT-Margin	ROE (%)
2009	23.3	4.5	2.70	8.51	1.48	5.85	25.2%	33.2%
2010	27.7	4.5	2.50	20.02	2.96	12.75	23.2%	22.6%
2011e	32.2	4.6	2.60	16.14	1.89	9.46	20.0%	17.7%
2012e	37.3	5.4	3.02	13.89	1.63	8.16	20.0%	17.8%
2013e	45.7	6.9	3.86	10.86	1.33	6.35	21.0%	19.5%

Source: Company information / Vara Research GmbH

Profit and Loss Account

in €m.	2008	2009	2010	2011e	2012e	2013e
Sales revenues	15.029	23.277	27.690	32.191	37.339	45.656
Change in finished goods and work in progress	-1.260	-0.873	0.000	0.000	0.000	0.000
Other own cost capitalized	0.815	1.067	0.649	1.418	1.645	2.012
Other operating income	0.424	0.826	1.368	1.476	1.712	2.093
Total performance	15.008	24.296	29.706	35.085	40.696	49.761
Cost of material	-0.514	-0.561	-1.540	-1.338	-1.552	-1.442
Gross profit	14.494	23.735	28.166	33.746	39.143	48.319
Personnel expenses	-8.047	-12.117	-14.840	-19.072	-22.122	-27.490
Other operating expenses/income	-2.954	-5.448	-5.344	-6.436	-7.466	-9.054
EBITDA	3.493	6.171	7.982	8.238	9.555	11.775
Depreciation/amortisation	-0.719	-1.281	-1.548	-1.800	-2.087	-2.187
EBIT	2.775	4.890	6.435	6.438	7.468	9.588
Financial result	0.090	0.143	-0.128	0.113	0.143	0.147
Non operating result before taxes	0.000	0.000	0.000	0.000	0.000	0.000
Pre tax result	2.864	5.033	6.307	6.551	7.611	9.735
Non operating result after taxes	0.000	0.000	0.000	0.000	0.000	0.000
Taxes	-0.830	-1.516	-1.836	-1.904	-2.212	-2.829
Minority interest	0.000	0.000	0.000	0.000	0.000	0.000
Net result	2.034	3.517	4.471	4.648	5.400	6.906
Adjustments	0.000	0.984	0.000	0.000	0.000	0.000
Adjusted net result	2.034	4.501	4.471	4.648	5.400	6.906
Average number of shares	1.665	1.665	1.790	1.790	1.790	1.790
EPS	1.22	2.11	2.50	2.60	3.02	3.86
Adjusted EPS	1.22	2.70	2.50	2.60	3.02	3.86
DPS	0.00	1.00	0.50	0.56	0.65	0.80

Source: GK SOFTWARE AG / Vara Research GmbH

in % of Sales	2008	2009	2010	2011e	2012e	2013e
Sales revenues	100.0	100.0	100.0	100.0	100.0	100.0
Total performance	99.9	104.4	107.3	109.0	109.0	109.0
Cost of material	-3.4	-2.4	-5.6	-4.2	-4.2	-3.2
Gross profit	96.4	102.0	101.7	104.8	104.8	105.8
Personnel expenses	-53.5	-52.1	-53.6	-59.2	-59.2	-60.2
Other operating expenses/income	-19.7	-23.4	-19.3	-20.0	-20.0	-19.8
EBITDA	23.2	26.5	28.8	25.6	25.6	25.8
Depreciation/amortisation	-4.8	-5.5	-5.6	-5.6	-5.6	-4.8
EBIT	18.5	21.0	23.2	20.0	20.0	21.0
Financial result	0.6	0.6	-0.5	0.4	0.4	0.3
Non operating result before taxes	-	-	-	-	-	-
Pre tax result	19.1	21.6	22.8	20.4	20.4	21.3
Non operating result after taxes	-	-	-	-	-	-
Taxes	-5.5	-6.5	-6.6	-5.9	-5.9	-6.2
Minority interest	-	-	-	-	-	-
Net result	13.5	15.1	16.1	14.4	14.5	15.1
Adjustments	-	4.2	-	-	-	-
Adjusted net result	13.5	19.3	16.1	14.4	14.5	15.1

Source: GK SOFTWARE AG / Vara Research GmbH

Balance of Accounts

in €m.	2008	2009	2010	2011e	2012e	2013e
Long term assets	4.226	12.743	13.166	14.536	15.726	16.745
Intangible assets	1.633	9.333	9.116	8.697	8.092	7.652
Tangible assets	2.593	3.410	4.050	5.839	7.633	9.093
Financial assets	0.000	0.000	0.000	0.000	0.000	0.000
Current assets	15.382	19.242	31.110	33.361	36.641	41.469
Inventories	0.738	0.000	0.000	0.000	0.000	0.000
Trade receivables	3.023	5.846	14.110	9.740	11.298	13.815
Receivables	2.765	2.759	3.558	3.558	3.558	3.558
Cash and securities	8.855	10.637	13.442	20.063	21.784	24.095
Other assets	0.018	0.390	0.529	0.529	0.529	0.529
Total assets	19.626	32.375	44.805	48.426	52.895	58.742
Equity	11.782	15.300	24.332	28.085	32.484	38.229
Reserves	11.782	15.300	24.332	28.085	32.484	38.229
Minorities	0.000	0.000	0.000	0.000	0.000	0.000
Provisions	0.847	0.847	0.921	0.937	0.954	0.972
Liabilities	5.803	14.953	17.060	16.913	16.966	17.051
Interest bearing liabilities	1.256	6.724	5.983	5.983	5.983	5.983
Trade payables	0.526	0.774	0.476	0.329	0.381	0.466
Non interest bearing liabilities	4.021	7.455	10.601	10.601	10.601	10.601
Other liabilities	1.193	1.276	2.491	2.491	2.491	2.491
Total equity and liabilities	19.626	32.375	44.805	48.426	52.895	58.742

Source: GK SOFTWARE AG / Vara Research GmbH

in %	2008	2009	2010	2011e	2012e	2013e
Long term assets	21.5	39.4	29.4	30.0	29.7	28.5
Intangible assets	8.3	28.8	20.3	18.0	15.3	13.0
Tangible assets	13.2	10.5	9.0	12.1	14.4	15.5
Financial assets	-	0.0	0.0	0.0	0.0	0.0
Current assets	78.4	59.4	69.4	68.9	69.3	70.6
Inventories	3.8	-	-	-	-	-
Trade receivables	15.4	18.1	31.5	20.1	21.4	23.5
Receivables	14.1	8.5	7.9	7.3	6.7	6.1
Cash and securities	45.1	32.9	30.0	41.4	41.2	41.0
Other assets	0.1	1.2	1.2	1.1	1.0	0.9
Total assets	100.0	100.0	100.0	100.0	100.0	100.0
Equity	60.0	47.3	54.3	58.0	61.4	65.1
Reserves	60.0	47.3	54.3	58.0	61.4	65.1
Minorities	-	-	-	-	-	-
Provisions	4.3	2.6	2.1	1.9	1.8	1.7
Liabilities	29.6	46.2	38.1	34.9	32.1	29.0
Interest bearing liabilities	6.4	20.8	13.4	12.4	11.3	10.2
Trade payables	2.7	2.4	1.1	0.7	0.7	0.8
Non interest bearing liabilities	20.5	23.0	23.7	21.9	20.0	18.0
Other liabilities	6.1	3.9	5.6	5.1	4.7	4.2
Total equity and liabilities	100.0	100.0	100.0	100.0	100.0	100.0

Source: GK SOFTWARE AG / Vara Research GmbH

Cash Flow Statement

in €m.	2008	2009	2010	2011e	2012e	2013e
Net cash provided by operating activities	1.4	5.7	1.7	10.7	6.0	6.7
Net cash used in investing activities	-2.6	-9.4	-2.7	-3.2	-3.3	-3.2
Net cash provided by financing activities	7.1	5.5	3.8	-0.9	-1.0	-1.2
Change in cash and securities	5.9	1.8	2.8	6.6	1.7	2.3
Cash and securities at the end of the period	8.9	10.6	13.4	20.1	21.8	24.1

Source: GK SOFTWARE AG / Vara Research GmbH

Key Figures*

	2008	2009	2010	2011e	2012e	2013e
Valuation ratios						
Market capitalization (in € m)	28.31	38.30	89.50	75.00	75.00	75.00
Enterprise Value (in € m)	20.71	34.38	82.04	60.92	60.92	60.92
EV/Sales	1.38	1.48	2.96	1.89	1.63	1.33
EV/EBITDA	5.93	4.81	10.28	7.40	6.38	5.17
EV/EBIT	7.46	5.85	12.75	9.46	8.16	6.35
P/E reported	13.92	10.89	20.02	16.14	13.89	10.86
P/E clean	13.92	8.51	20.02	16.14	13.89	10.86
PCPS	9.36	7.98	15.13	11.60	9.99	8.23
Price to book	2.40	2.50	3.68	2.67	2.31	1.96
Profitability ratios						
EBITDA margin	23.2%	30.7%	28.8%	25.6%	25.6%	25.8%
EBIT margin	18.5%	25.2%	23.2%	20.0%	20.0%	21.0%
Pre tax margin	19.1%	25.8%	22.8%	20.4%	20.4%	21.3%
Net margin	13.5%	19.3%	16.1%	14.4%	14.5%	15.1%
Free cash flow margin	12.0%	n.m.	10.6%	10.2%	11.3%	12.9%
ROE	29.3%	33.2%	22.6%	17.7%	17.8%	19.5%
Productivity ratios						
Sales/employees (in € `000)	79.7	80.0	75.7	75.5	75.0	82.6
Net result/employees (in € `000)	10.8	15.5	12.2	10.9	10.9	12.5
Number of employees	189	291	366	426	498	552
Financial ratios						
Equity ratio	60.0%	47.3%	54.3%	58.0%	61.4%	65.1%
Gearing	-64.1%	-25.3%	-29.3%	-48.9%	-47.5%	-46.4%
Dividend yield	0.0%	4.3%	1.0%	1.3%	1.5%	1.9%
Cash flow ratios						
Cash flow per share	1.82	2.88	3.30	3.61	4.19	5.09
Free cash flow per share	1.09	-2.41	1.64	1.84	2.36	3.30
Other ratios						
Depreciation/sales	4.8%	5.5%	5.6%	5.6%	5.6%	4.8%
Capex/sales	8.1%	37.8%	10.8%	9.8%	8.8%	7.0%
Working capital/sales	10.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Tax rate	29.0%	30.1%	29.1%	29.1%	29.1%	29.1%

* Based on clean figures

Source: GK SOFTWARE AG / Vara Research GmbH

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Authors of this financial analysis: Daniel Großjohann, Analyst and Michael Vara, Analyst and Managing Director of Vara Research GmbH

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Previous financial analyses:

Company	Date	Rating	Target price
GK SOFTWARE AG	03/27/2009	Buy	€ 28.45
GK SOFTWARE AG	05/14/2009	Buy	€ 21.60
GK SOFTWARE AG	06/16/2009	Buy	€ 21.60
GK SOFTWARE AG	09/14/2009	Buy	€ 23.00
GK SOFTWARE AG	10/27/2009	Buy	€ 37.75
GK SOFTWARE AG	12/14/2009	Hold	€ 38.60
GK SOFTWARE AG	02/02/2010	Hold	€ 40.10
GK SOFTWARE AG	04/22/2010	Hold	€ 50.85
GK SOFTWARE AG	06/21/2010	Hold	€ 50.85
GK SOFTWARE AG	09/08/2010	Hold	€ 56.95
GK SOFTWARE AG	12/02/2010	Hold	€ 56.00
GK SOFTWARE AG	01/19/2011	Hold	€ 55.70
GK SOFTWARE AG	05/16/2011	Buy	€ 56.45
GK SOFTWARE AG	06/20/2011	Buy	€ 56.45
GK SOFTWARE AG	08/16/2011	Buy	€ 50.90
GK SOFTWARE AG	09/08/2011	Buy	€ 52.70
GK SOFTWARE AG	11/14/2011	Buy	€ 54.35
GK SOFTWARE AG	12/14/2011	Buy	€ 54.35

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Furthermore, discussions were held with the Management for the purpose of preparing the company study. The analysis was provided to the issuer prior to going to press; no changes were made afterwards, however.

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3. **Date of initial publication of the financial analysis:
(03/06/2012)**

4. **Date and time of the prices of financial instruments disclosed therein:**

(Price on 02/27/2012)

5. Updates:

We have currently not yet set a fixed date to provide a precise update of this analysis. Vara Research GmbH reserves the right to update the analysis unannounced.

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