

Buy EUR 53.00 (EUR 54.00) Price EUR 40.00 Upside 32.5 %	Value Indicators: EUR DCF: 52.97 FCF-Value Potential: 54.72	Share data: Bloomberg: GKS GR Reuters: GKSG ISIN: DE0007571424	Description: Leading software company for stationary retailers
	Market Snapshot: EUR m Market cap: 76.0 No. of shares (m): 1.9 EV: 65.4 Freefloat MC: 34.0 Ø Trad. Vol. (30d; EUR): 15.30 th	Shareholders: Freefloat 44.8 % GK Software Holding 49.6 % Rainer Gläß 3.3 % Stephan Kronmüller 2.3 %	Risk Profile (WRe): 2014e Beta: 1.2 Price / Book: 2.0 x Equity Ratio: 72 % Net Fin. Debt / EBITDA: -1.3 x Net Debt / EBITDA: -1.2 x

Typically weak Q1

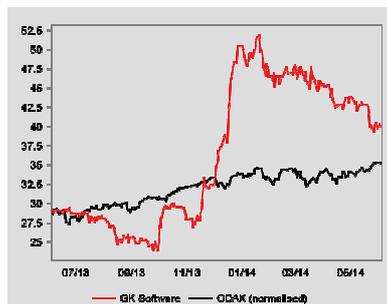
Stated Figures Q1/2014: in Mio. EUR	<table border="1"> <thead> <tr> <th></th> <th>Q1/14</th> <th>Q1/14e</th> <th>Q1/13</th> <th>yoy</th> <th>2014e</th> <th>2013</th> <th>yoy</th> </tr> </thead> <tbody> <tr> <td>Umsatz</td> <td>9,3</td> <td>9,2</td> <td>9,1</td> <td>2,9%</td> <td>45,3</td> <td>42,5</td> <td>6,7%</td> </tr> <tr> <td>EBIT</td> <td>-1,1</td> <td>-0,3</td> <td>-0,4</td> <td>159,3%</td> <td>6,1</td> <td>1,3</td> <td>379,9%</td> </tr> <tr> <td><i>Margin</i></td> <td>-11,6%</td> <td>-3,3%</td> <td>-4,6%</td> <td></td> <td>13,5%</td> <td>3,0%</td> <td></td> </tr> <tr> <td>EPS in EUR</td> <td>-0,81</td> <td>-0,20</td> <td>-0,27</td> <td>200,0%</td> <td>2,28</td> <td>0,43</td> <td>430,2%</td> </tr> </tbody> </table>		Q1/14	Q1/14e	Q1/13	yoy	2014e	2013	yoy	Umsatz	9,3	9,2	9,1	2,9%	45,3	42,5	6,7%	EBIT	-1,1	-0,3	-0,4	159,3%	6,1	1,3	379,9%	<i>Margin</i>	-11,6%	-3,3%	-4,6%		13,5%	3,0%		EPS in EUR	-0,81	-0,20	-0,27	200,0%	2,28	0,43	430,2%	Comment on Figures: <ul style="list-style-type: none"> On May 30, 2014, GK Software announced figures for the first quarter of 2014. Figures were slightly below expectations and there was no sign of further project contracts.
	Q1/14	Q1/14e	Q1/13	yoy	2014e	2013	yoy																																			
Umsatz	9,3	9,2	9,1	2,9%	45,3	42,5	6,7%																																			
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A **lack of licence revenues** had a particularly negative effect on Q1. Such a lack of accounts and a resulting comparably weak Q1 are not uncommon for GK as the majority of new contracts usually appear in the second half of the year. While Q1 was also weak in the previous year, losses this year have been the result of cost increases. Higher costs were mostly related to marketing expenses, personnel recruitment and holiday provision as a result of high capacity utilisation. Looking ahead the outlook is positive, in particular as regards the collaboration with SAP:

- Joint trade fairs for GK and SAP in New York and Düsseldorf led to a well-filled pipeline for potential clients and once again underlined the close collaboration between the two companies.
- SAP's internal trade fair in Orlando ("Sapphire", June 3 - 5) will also contribute to developing this potential.

In addition to this, GK's direct distribution has made use of the opportunities that have arisen on the German domestic market. Against this backdrop, GK remains dependent upon single project contracts and as before, SAP provides potential for larger contracts. **Share price is reduced slightly with a price target of EUR 53 and our Buy rating is reiterated.**

Changes in Estimates: FY End: 31.12. in EUR m	<table border="1"> <thead> <tr> <th></th> <th>2014e (old)</th> <th>+ / -</th> <th>2015e (old)</th> <th>+ / -</th> <th>2016e (old)</th> <th>+ / -</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>40.5</td> <td>11.9 %</td> <td>44.5</td> <td>7.8 %</td> <td>n.a.</td> <td>n.m.</td> </tr> <tr> <td>EBITDA</td> <td>9.9</td> <td>-13.0 %</td> <td>10.9</td> <td>-3.0 %</td> <td>n.a.</td> <td>n.m.</td> </tr> <tr> <td>EBIT</td> <td>7.3</td> <td>-15.7 %</td> <td>8.0</td> <td>-0.8 %</td> <td>n.a.</td> <td>n.m.</td> </tr> <tr> <td>EPS</td> <td>0.0</td> <td>-16.2 %</td> <td>0.0</td> <td>-1.3 %</td> <td>n.a.</td> <td>n.m.</td> </tr> </tbody> </table>		2014e (old)	+ / -	2015e (old)	+ / -	2016e (old)	+ / -	Sales	40.5	11.9 %	44.5	7.8 %	n.a.	n.m.	EBITDA	9.9	-13.0 %	10.9	-3.0 %	n.a.	n.m.	EBIT	7.3	-15.7 %	8.0	-0.8 %	n.a.	n.m.	EPS	0.0	-16.2 %	0.0	-1.3 %	n.a.	n.m.	Comments on Changes: <ul style="list-style-type: none"> Q1 revenues in line with expectations and a well-filled project pipeline. As a result, revenue forecast is increased slightly. Q1 cost base indicates a relatively high level. As a result, revenue expectations are reduced. In particular, costs for personnel recruitment and marketing expenses were significantly higher.
	2014e (old)	+ / -	2015e (old)	+ / -	2016e (old)	+ / -																															
Sales	40.5	11.9 %	44.5	7.8 %	n.a.	n.m.																															
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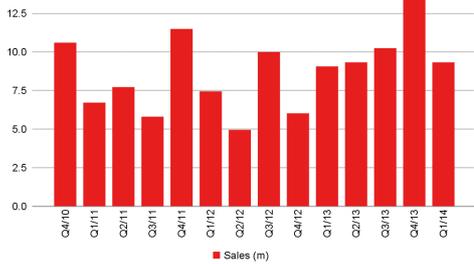


Rel. Performance vs CDAX:	
1 month:	-12.3 %
6 months:	6.0 %
Year to date:	-24.9 %
Trailing 12 months:	16.6 %

Company events:	
18.06.14	AGM
27.08.14	Q2
26.11.14	Q3

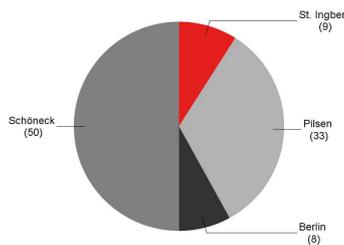
FY End: 31.12. in EUR m	CAGR (13-16e)	2010	2011	2012	2013	2014e	2015e	2016e
Sales	6.2 %	27.7	31.8	28.4	42.5	45.3	48.0	50.9
Change Sales yoy		19.0 %	14.7 %	-10.5 %	49.4 %	6.7 %	6.0 %	6.0 %
Gross profit margin		96.8 %	102.8 %	99.8 %	91.3 %	93.0 %	93.0 %	93.0 %
EBITDA	46.4 %	8.0	8.6	2.9	3.6	8.6	10.6	11.2
Margin		28.8 %	27.1 %	10.1 %	8.4 %	19.0 %	22.0 %	22.0 %
EBIT	87.5 %	6.4	6.7	0.8	1.3	6.1	7.9	8.4
Margin		23.2 %	21.0 %	2.8 %	3.0 %	13.5 %	16.5 %	16.5 %
Net income	98.3 %	4.5	4.6	0.7	0.8	4.3	5.6	6.0
EPS	94.0 %	2.68	2.55	0.38	0.43	2.28	2.96	3.14
EPS adj.	94.0 %	2.68	2.55	0.38	0.43	2.28	2.96	3.14
DPS	26.0 %	0.50	0.50	0.00	0.25	0.50	0.50	0.50
Dividend Yield		1.0 %	1.1 %	0.0 %	0.8 %	1.3 %	1.3 %	1.3 %
FCFPS		-0.79	1.29	0.57	-0.22	0.24	3.00	3.16
EV / Sales		2.7 x	2.2 x	2.2 x	1.1 x	1.4 x	1.3 x	1.1 x
EV / EBITDA		9.4 x	8.1 x	22.4 x	12.7 x	7.6 x	5.7 x	5.0 x
EV / EBIT		11.7 x	10.5 x	81.4 x	35.5 x	10.7 x	7.7 x	6.6 x
P / E		18.4 x	17.1 x	101.4 x	72.5 x	17.5 x	13.5 x	12.7 x
P / E adj.		18.4 x	17.1 x	101.4 x	72.5 x	17.5 x	13.5 x	12.7 x
FCF Yield Potential		8.2 %	9.5 %	4.2 %	7.0 %	10.4 %	13.6 %	15.7 %
Net Debt		-7.1	-8.4	-5.1	-10.5	-10.5	-15.3	-20.3
ROE		22.6 %	17.4 %	2.4 %	2.5 %	12.3 %	14.2 %	13.4 %
ROCE (NOPAT)		31.9 %	25.0 %	3.0 %	3.6 %	17.5 %	21.0 %	22.3 %
Guidance:	n.a.							

Sales development
in EUR m



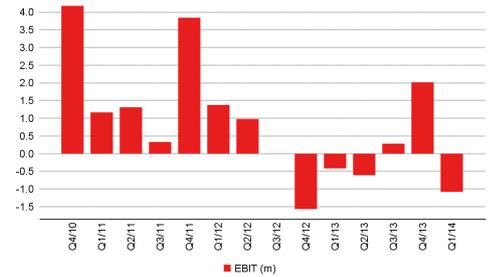
Source: Warburg Research

Employees per location
2014e; in %



Source: Warburg Research

EBIT development
in EUR m



Source: Warburg Research

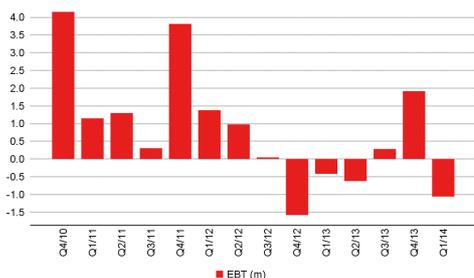
Company Background

- GK Software is the leading software supplier for retailers.
- As well as standard processes, GK Software solutions facilitate special requirements such as bonus programmes, the recording of fiscal details and the seamless integration in back-end solutions.
- The business activities of GK Software divides into two segments - the sale of product licences and the corresponding services.

Competitive Quality

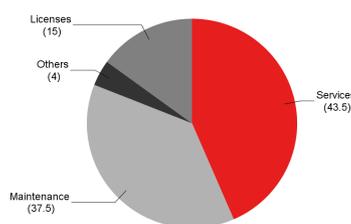
- The structural advantages of GK Software are compelling:
- GK Software's leading solution is completely Java-based, which makes it lean, platform independent and means it can be operated on the existing customer infrastructure.
- For many retail projects, GK competitors tend to undercalculate their bids and as a consequence are unable to complete the project on time and within budget.
- GK has outstanding reference clients (Hornbach, Kaufhof, Douglas, Netto, Tchibo, T-Punkt, Thalia, JYSK Nordic...)
- At the same time, GK Software's personnel costs are, depending on the location, often about 20% below those of a similar project team of a large system integrator.

EBT development
in EUR m



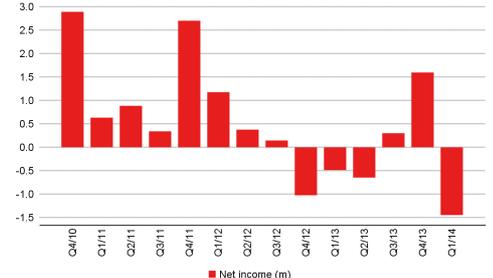
Source: Warburg Research

Sales by segments
2013; in %



Source: Warburg Research

Net income development
in EUR m



Source: Warburg Research

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	
Sales	45.3	48.0	50.9	53.4	56.1	58.9	61.8	64.9	68.2	71.6	75.2	77.1	79.0	
Sales change	6.7 %	6.0 %	6.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	2.5 %	2.5 %	2.5 %
EBIT	6.1	7.9	8.4	9.1	9.5	10.0	10.5	11.0	11.6	12.2	12.8	13.1	13.4	
EBIT-margin	13.5 %	16.5 %	16.5 %	17.0 %	17.0 %	17.0 %	17.0 %	17.0 %	17.0 %	17.0 %	17.0 %	17.0 %	17.0 %	
Tax rate (EBT)	29.0 %	29.0 %	29.0 %	29.0 %	29.0 %	29.0 %	29.0 %	29.0 %	29.0 %	29.0 %	29.0 %	29.0 %	29.0 %	
NOPAT	4.3	5.6	6.0	6.4	6.8	7.1	7.5	7.8	8.2	8.6	9.1	9.3	9.5	
Depreciation	2.5	2.6	2.8	2.7	2.8	2.9	2.5	1.9	2.0	0.7	0.8	0.8	0.8	
in % of Sales	5.5 %	5.5 %	5.5 %	5.0 %	5.0 %	5.0 %	4.0 %	3.0 %	3.0 %	1.0 %	1.0 %	1.0 %	1.0 %	
Changes in provisions	0.0	0.0	0.0	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in Liquidity from														
- Working Capital	4.8	1.0	1.2	-4.4	-0.4	-0.4	-0.5	0.7	0.7	0.8	0.8	0.4	0.4	
- Capex	1.5	1.6	1.6	1.6	1.7	1.8	1.9	1.9	1.4	0.7	0.8	0.8	0.8	
Capex in % of Sales	3.4 %	3.3 %	3.1 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	2.0 %	1.0 %	1.0 %	1.0 %	1.0 %	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC Model)	0.4	5.7	6.0	11.2	8.3	8.7	8.6	7.2	8.2	7.9	8.3	8.9	9.1	9
PV of FCF	0.4	4.6	4.5	7.6	5.1	5.0	4.5	3.4	3.6	3.1	3.0	3.0	2.8	40
share of PVs	10.41 %			45.15 %										44.44 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	0.00 %	Financial Strength	1.00
Cost of debt (after tax)	4.2 %	Liquidity (share)	1.30
Market return	8.00 %	Cyclicality	1.20
Risk free rate	2.50 %	Transparency	1.40
		Others	1.30
WACC	9.32 %	Beta	1.24

Valuation (m)

Present values 2026e	51		
Terminal Value	40		
Financial liabilities	2		
Pension liabilities	1		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	13	No. of shares (m)	1.9
Equity Value	101	Value per share (EUR)	52.97

Sensitivity Value per Share (EUR)

Beta	WACC	Terminal Growth							Beta	WACC	Delta EBIT-margin						
		1.75 %	2.00 %	2.25 %	2.50 %	2.75 %	3.00 %	3.25 %			-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.42	10.3 %	45.05	45.51	45.99	46.50	47.04	47.62	48.24	1.42	10.3 %	42.71	43.97	45.23	46.50	47.76	49.02	50.28
1.33	9.8 %	47.78	48.32	48.90	49.51	50.17	50.88	51.65	1.33	9.8 %	45.45	46.81	48.16	49.51	50.87	52.22	53.58
1.29	9.6 %	49.27	49.87	50.50	51.18	51.91	52.70	53.55	1.29	9.6 %	46.97	48.37	49.78	51.18	52.59	53.99	55.40
1.24	9.3 %	50.86	51.52	52.22	52.97	53.79	54.66	55.61	1.24	9.3 %	48.59	50.05	51.51	52.97	54.43	55.90	57.36
1.19	9.1 %	52.56	53.29	54.06	54.90	55.80	56.78	57.84	1.19	9.1 %	50.34	51.86	53.38	54.90	56.42	57.94	59.46
1.15	8.8 %	54.39	55.19	56.05	56.98	57.99	59.08	60.27	1.15	8.8 %	52.22	53.81	55.39	56.98	58.56	60.15	61.73
1.06	8.3 %	58.45	59.44	60.51	61.67	62.94	64.32	65.84	1.06	8.3 %	56.48	58.21	59.94	61.67	63.40	65.13	66.86

- In addition to decent daily rates, software companies like GK normally generate high license revenues
- As a rule, this leads to high double-digit margins
- However, delays in the completion of projects und high structural expenses are burdening the company
- The medium-term margin assumption remains 20%.

Valuation	2010	2011	2012	2013	2014e	2015e	2016e
Price / Book	3.4 x	2.8 x	2.4 x	1.7 x	2.0 x	1.8 x	1.6 x
Book value per share ex intangibles	9.12	10.44	9.67	13.13	15.19	18.47	21.99
EV / Sales	2.7 x	2.2 x	2.2 x	1.1 x	1.4 x	1.3 x	1.1 x
EV / EBITDA	9.4 x	8.1 x	22.4 x	12.7 x	7.6 x	5.7 x	5.0 x
EV / EBIT	11.7 x	10.5 x	81.4 x	35.5 x	10.7 x	7.7 x	6.6 x
EV / EBIT adj.*	11.7 x	10.5 x	81.4 x	35.5 x	10.7 x	7.7 x	6.6 x
P / FCF	n.a.	34.0 x	68.2 x	n.a.	169.1 x	13.3 x	12.7 x
P / E	18.4 x	17.1 x	101.4 x	72.5 x	17.5 x	13.5 x	12.7 x
P / E adj.*	18.4 x	17.1 x	101.4 x	72.5 x	17.5 x	13.5 x	12.7 x
Dividend Yield	1.0 %	1.1 %	0.0 %	0.8 %	1.3 %	1.3 %	1.3 %
Free Cash Flow Yield Potential	8.2 %	9.5 %	4.2 %	7.0 %	10.4 %	13.6 %	15.7 %
*Adjustments made for: -							

Consolidated profit & loss

In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
Sales	27.7	31.8	28.4	42.5	45.3	48.0	50.9
Change Sales yoy	19.0 %	14.7 %	-10.5 %	49.4 %	6.7 %	6.0 %	6.0 %
Increase / decrease in inventory	0.0	0.0	-0.1	0.0	0.0	0.0	0.0
Own work capitalised	0.6	1.5	0.7	0.4	0.5	0.5	0.5
Total Sales	28.3	33.2	29.0	42.8	45.8	48.5	51.4
Material Expenses	1.5	0.6	0.7	4.1	3.6	3.8	4.1
Gross profit	26.8	32.6	28.4	38.8	42.1	44.6	47.3
<i>Gross profit margin</i>	<i>96.8 %</i>	<i>102.8 %</i>	<i>99.8 %</i>	<i>91.3 %</i>	<i>93.0 %</i>	<i>93.0 %</i>	<i>93.0 %</i>
Personnel expenses	14.8	18.6	19.8	25.6	24.5	25.4	27.0
Other operating income	1.4	0.7	1.7	2.5	2.7	2.9	3.1
Other operating expenses	5.3	6.2	7.4	12.0	11.8	11.5	12.2
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	8.0	8.6	2.9	3.6	8.6	10.6	11.2
<i>Margin</i>	<i>28.8 %</i>	<i>27.1 %</i>	<i>10.1 %</i>	<i>8.4 %</i>	<i>19.0 %</i>	<i>22.0 %</i>	<i>22.0 %</i>
Depreciation of fixed assets	0.4	0.6	0.6	0.6	0.7	0.7	0.8
EBITA	7.5	8.0	2.2	3.0	7.9	9.8	10.4
Amortisation of intangible assets	1.1	1.3	1.4	1.7	1.8	1.9	2.0
Goodwill amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	6.4	6.7	0.8	1.3	6.1	7.9	8.4
<i>Margin</i>	<i>23.2 %</i>	<i>21.0 %</i>	<i>2.8 %</i>	<i>3.0 %</i>	<i>13.5 %</i>	<i>16.5 %</i>	<i>16.5 %</i>
EBIT adj.	6.4	6.7	0.8	1.3	6.1	7.9	8.4
Interest income	0.2	0.2	0.2	0.1	0.0	0.0	0.0
Interest expenses	0.3	0.3	0.2	0.2	0.0	0.0	0.0
Other financial income (loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	6.3	6.6	0.8	1.2	6.1	7.9	8.4
<i>Margin</i>	<i>22.8 %</i>	<i>20.7 %</i>	<i>2.9 %</i>	<i>2.7 %</i>	<i>13.5 %</i>	<i>16.5 %</i>	<i>16.5 %</i>
Total taxes	1.8	2.0	0.1	0.4	1.8	2.3	2.4
Net income from continuing operations	4.5	4.6	0.7	0.8	4.3	5.6	6.0
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income before minorities	4.5	4.6	0.7	0.8	4.3	5.6	6.0
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	4.5	4.6	0.7	0.8	4.3	5.6	6.0
<i>Margin</i>	<i>16.1 %</i>	<i>14.4 %</i>	<i>2.4 %</i>	<i>1.8 %</i>	<i>9.6 %</i>	<i>11.7 %</i>	<i>11.7 %</i>
Number of shares, average	1.7	1.8	1.8	1.8	1.9	1.9	1.9
EPS	2.68	2.55	0.38	0.43	2.28	2.96	3.14
EPS adj.	2.68	2.55	0.38	0.43	2.28	2.96	3.14

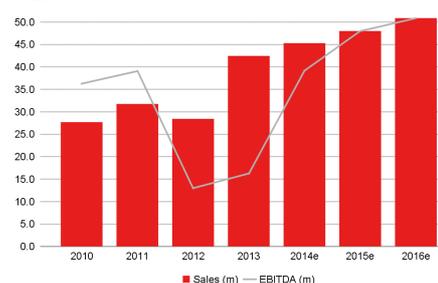
*Adjustments made for:

Guidance: n.a.
Financial Ratios

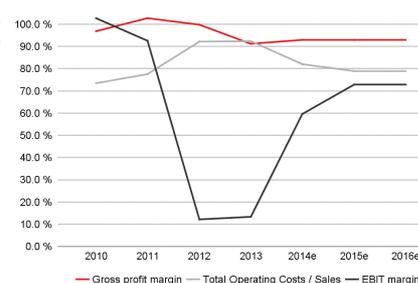
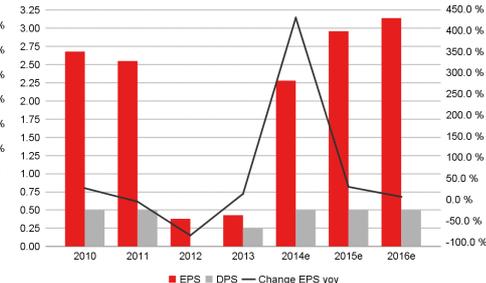
	2010	2011	2012	2013	2014e	2015e	2016e
Total Operating Costs / Sales	73.5 %	77.6 %	92.1 %	92.5 %	82.0 %	79.0 %	79.0 %
Operating Leverage	1.7 x	0.2 x	8.4 x	1.3 x	56.7 x	5.0 x	1.0 x
EBITDA / Interest expenses	26.1 x	31.2 x	14.9 x	16.0 x	n.a.	n.a.	n.a.
Tax rate (EBT)	29.1 %	30.5 %	17.6 %	34.2 %	29.0 %	29.0 %	29.0 %
Dividend Payout Ratio	18.7 %	19.6 %	0.0 %	58.6 %	21.9 %	16.9 %	15.9 %
Sales per Employee	85,460	79,781	70,022	102,534	107,254	111,419	115,788

Sales, EBITDA

in EUR m


Operating Performance

in %


Performance per Share


Source: Warburg Research

Source: Warburg Research

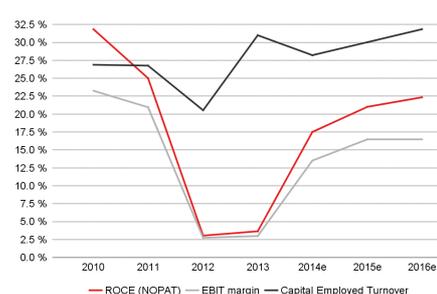
Source: Warburg Research

Consolidated balance sheet

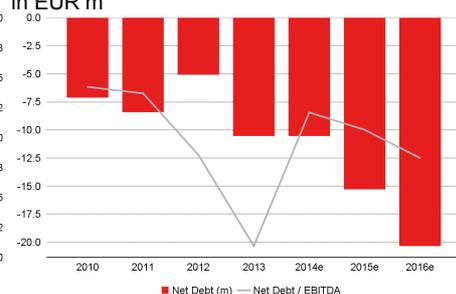
In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
Assets							
Goodwill and other intangible assets	9.1	9.5	10.9	9.9	8.5	6.9	5.2
thereof other intangible assets	2.7	3.1	4.5	3.5	2.0	0.5	-1.2
thereof Goodwill	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Property, plant and equipment	4.0	4.1	4.9	4.8	5.3	5.8	6.2
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long-term assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	13.2	13.7	15.8	14.7	13.8	12.7	11.5
Inventories	0.0	0.0	1.0	1.0	5.0	5.3	5.7
Accounts receivable	14.1	11.9	11.6	13.1	14.0	14.8	15.7
Liquid assets	13.4	13.9	10.3	13.7	13.7	18.5	23.5
Other short-term assets	4.1	4.0	5.4	5.2	5.2	5.2	5.2
Current assets	31.6	29.8	28.3	33.0	37.9	43.8	50.1
Total Assets	44.8	43.5	44.1	47.7	51.7	56.4	61.6
Liabilities and shareholders' equity							
Subscribed capital	1.8	1.8	1.8	1.9	1.9	1.9	1.9
Capital reserve	13.9	14.2	14.4	18.2	18.2	18.2	18.2
Retained earnings	0.0	0.0	0.0	0.0	3.9	8.6	13.6
Other equity components	8.6	12.2	12.0	13.4	13.4	13.4	13.4
Shareholder's equity	24.3	28.2	28.2	33.4	37.3	42.0	47.0
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	24.3	28.2	28.2	33.4	37.3	42.0	47.0
Provisions	1.4	1.8	4.6	3.5	3.5	3.5	3.5
thereof provisions for pensions and similar obligations	0.3	0.2	1.7	0.9	0.9	0.9	0.9
Financial liabilities (total)	6.0	5.2	3.5	2.3	2.3	2.3	2.3
thereof short-term financial liabilities	0.7	0.8	2.2	1.3	1.3	1.3	1.3
Accounts payable	0.5	0.3	0.8	1.0	1.0	1.1	1.2
Other liabilities	12.6	7.9	6.9	7.6	7.6	7.6	7.6
Liabilities	20.5	15.2	15.9	14.3	14.4	14.5	14.6
Total liabilities and shareholders' equity	44.8	43.5	44.1	47.7	51.7	56.4	61.6

Financial Ratios

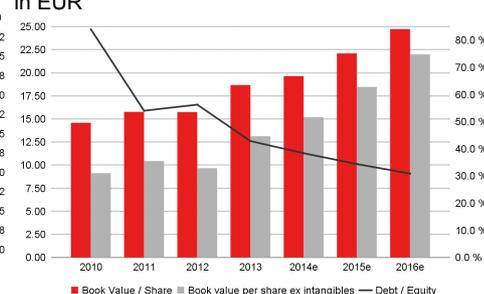
	2010	2011	2012	2013	2014e	2015e	2016e
Efficiency of Capital Employment							
Operating Assets Turnover	2.5 x	2.1 x	1.8 x	2.5 x	2.0 x	2.0 x	2.0 x
Capital Employed Turnover	1.6 x	1.6 x	1.2 x	1.9 x	1.7 x	1.8 x	1.9 x
ROA	34.0 %	33.4 %	4.3 %	5.2 %	31.5 %	44.3 %	52.0 %
Return on Capital							
ROCE (NOPAT)	31.9 %	25.0 %	3.0 %	3.6 %	17.5 %	21.0 %	22.3 %
ROE	22.6 %	17.4 %	2.4 %	2.5 %	12.3 %	14.2 %	13.4 %
Adj. ROE	22.6 %	17.4 %	2.4 %	2.5 %	12.3 %	14.2 %	13.4 %
Balance sheet quality							
Net Debt	-7.1	-8.4	-5.1	-10.5	-10.5	-15.3	-20.3
Net Financial Debt	-7.5	-8.6	-6.8	-11.5	-11.5	-16.2	-21.3
Net Gearing	-29.3 %	-29.8 %	-18.0 %	-31.5 %	-28.3 %	-36.4 %	-43.3 %
Net Fin. Debt / EBITDA	-93.4 %	-100.2 %	-237.5 %	-321.0 %	-133.1 %	-153.5 %	-189.9 %
Book Value / Share	14.6	15.8	15.7	18.7	19.6	22.1	24.7
Book value per share ex intangibles	9.1	10.4	9.7	13.1	15.2	18.5	22.0

ROCE Development


Source: Warburg Research

Net debt


Source: Warburg Research

Book Value per Share


Source: Warburg Research

Consolidated cash flow statement

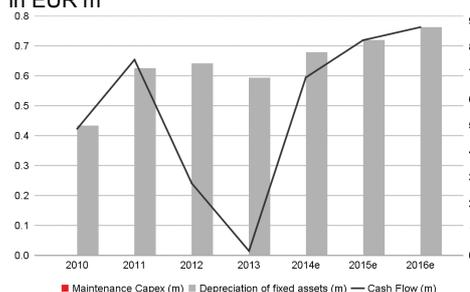
In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
Net income	4.5	4.6	0.7	0.8	4.3	5.6	6.0
Depreciation of fixed assets	0.4	0.6	0.6	0.6	0.7	0.7	0.8
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	1.1	1.3	1.4	1.7	1.8	1.9	2.0
Increase/decrease in long-term provisions	-0.1	0.2	1.6	-1.7	0.0	0.0	0.0
Other non-cash income and expenses	-1.0	0.8	-1.6	-1.1	0.0	0.0	0.0
Cash Flow	4.9	7.5	2.8	0.2	6.8	8.3	8.8
Increase / decrease in inventory	0.0	0.0	0.1	0.1	-4.0	-0.3	-0.4
Increase / decrease in accounts receivable	-8.5	2.0	2.4	2.4	-0.9	-0.8	-0.9
Increase / decrease in accounts payable	5.3	-4.8	-2.2	-1.0	0.0	0.1	0.1
Increase / decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase / decrease in working capital (total)	-3.2	-2.8	0.3	1.5	-4.8	-1.0	-1.2
Net cash provided by operating activities	1.7	4.7	3.1	1.7	2.0	7.3	7.6
Investments in intangible assets	-1.9	-1.7	-0.9	-0.9	-0.3	-0.4	-0.4
Investments in property, plant and equipment	-1.1	-0.7	-1.1	-1.2	-1.2	-1.2	-1.2
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	-0.1	-0.3	-0.4	0.0	0.0	0.0	0.0
Income from asset disposals	0.4	0.0	-1.6	1.2	0.0	0.0	0.0
Net cash provided by investing activities	-2.7	-2.7	-4.0	-0.9	-1.5	-1.6	-1.6
Change in financial liabilities	-0.7	-0.7	-1.8	-1.2	0.0	0.0	0.0
Dividends paid	-1.7	-0.9	-0.9	0.0	-0.4	-1.0	-1.0
Purchase of own shares	6.3	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	3.8	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by financing activities	3.8	-1.6	-2.7	2.6	-0.4	-1.0	-1.0
Change in liquid funds	2.8	0.4	-3.6	3.4	0.0	4.7	5.0
Effects of exchange-rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalent at end of period	13.4	13.9	10.3	13.7	13.7	18.5	23.5

Financial Ratios

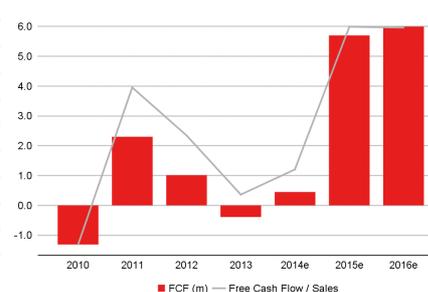
	2010	2011	2012	2013	2014e	2015e	2016e
Cash Flow							
FCF	-1.3	2.3	1.0	-0.4	0.4	5.7	6.0
Free Cash Flow / Sales	-4.7 %	7.2 %	3.6 %	-0.9 %	1.0 %	11.9 %	11.8 %
Free Cash Flow Potential	6.1	6.6	2.7	3.2	6.8	8.3	8.8
Free Cash Flow / Sales	-4.7 %	7.2 %	3.6 %	-0.9 %	1.0 %	11.9 %	11.8 %
Free Cash Flow / Net Profit	-29.4 %	50.4 %	149.7 %	-51.0 %	10.4 %	101.4 %	100.6 %
Interest Received / Avg. Cash	1.5 %	1.4 %	1.9 %	0.9 %	0.0 %	0.0 %	0.0 %
Interest Paid / Avg. Debt	4.8 %	4.9 %	4.4 %	7.7 %	0.0 %	0.0 %	0.0 %
Management of Funds							
Investment ratio	10.8 %	7.7 %	7.2 %	5.0 %	3.4 %	3.3 %	3.1 %
Maint. Capex / Sales	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Capex / Dep	192.6 %	125.7 %	99.2 %	92.0 %	62.1 %	59.2 %	55.8 %
Avg. Working Capital / Sales	18.0 %	28.2 %	37.8 %	27.2 %	32.6 %	36.9 %	36.9 %
Trade Debtors / Trade Creditors	2964.1 %	3630.7 %	1379.5 %	1356.9 %	1400.0 %	1345.5 %	1308.3 %
Inventory Turnover	n.a.	n.a.	0.7 x	3.9 x	0.7 x	0.7 x	0.7 x
Receivables collection period (days)	186	137	149	113	113	113	113
Payables payment period (days)	113	197	457	86	101	105	108
Cash conversion cycle (Days)	n.a.	n.a.	-252	-37	478	478	489

CAPEX and Cash Flow

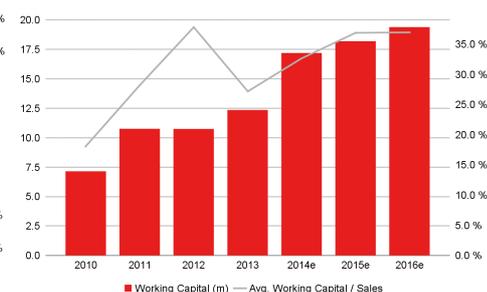
in EUR m



Source: Warburg Research

Free Cash Flow Generation


Source: Warburg Research

Working Capital


Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	Hold:	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	Sell:	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

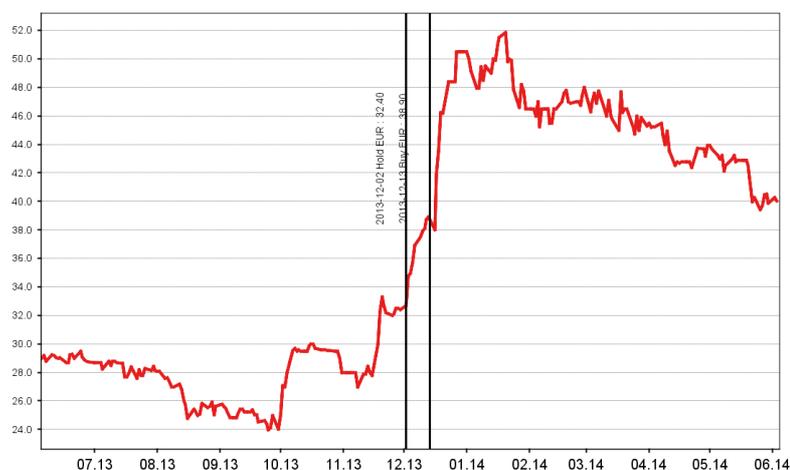
WARBURG RESEARCH GMBH – RESEARCH UNIVERSE BY RATING

Rating	Number of stocks	% of Universe
Buy	104	53
Hold	79	40
Sell	11	6
Rating suspended	4	2
Total	198	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... Looking only at companies for which a disclosure according to § 34b of the Germany Securities Trading Act and the FinAnV has to be made.

Rating	Number of stocks	% of Universe
Buy	83	57
Hold	53	36
Sell	7	5
Rating suspended	3	2
Total	146	100

PRICE AND RATING HISTORY GK SOFTWARE AS OF 04.06.2014


The chart has markings if Warburg Research GmbH changed its rating in the last 12 months. Every marking represents the date and closing price on the day of the rating change.

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