

<b>Hold</b> (Buy)  <b>EUR 45.00</b>  Price <b>EUR 42.25</b> <b>Upside 6.5 %</b>	<b>Value Indicators:</b> EUR DCF: 45.96 FCF-Value Potential: 29.95	<b>Share data:</b> Bloomberg: GKS GR Reuters: GKSG ISIN: DE0007571424	<b>Description:</b> Leading software company for stationary retailers
	<b>Market Snapshot:</b> EUR m Market cap: 79.9 No. of shares (m): 1.9 EV: 88.4 Freefloat MC: 31.5 Ø Trad. Vol. (30d): 6.19 th	<b>Shareholders:</b> Freefloat 39.5 % GK Software Holding 49.6 % SAP 5.3 % Rainer Gläß 3.3 % Stephan Kronmüller 2.3 %	<b>Risk Profile (WRe):</b> 2015e Beta: 1.6 Price / Book: 2.7 x Equity Ratio: 55 % Net Fin. Debt / EBITDA: 5.0 x Net Debt / EBITDA: 5.8 x

## Revenue very strong but earnings fall far short of expectations

<b>Stated Figures Q4/2016:</b> in Mio. EUR	<table border="1"> <thead> <tr> <th></th> <th>Q4/15</th> <th>Q4/15e</th> <th>Q4/14</th> <th>yoy</th> <th>2015</th> <th>2015e</th> <th>2014</th> <th>yoy</th> </tr> </thead> <tbody> <tr> <td>Umsatz</td> <td>20,6</td> <td>14,0</td> <td>14,1</td> <td>46,5%</td> <td>62,6</td> <td>56,0</td> <td>44,6</td> <td>40,3%</td> </tr> <tr> <td>EBIT</td> <td>2,1</td> <td>3,7</td> <td>-0,8</td> <td>-</td> <td>-1,3</td> <td>0,3</td> <td>-3,0</td> <td>-57,6%</td> </tr> <tr> <td>Margin</td> <td>10,1%</td> <td>26,4%</td> <td>-5,6%</td> <td>-</td> <td>-2,0%</td> <td>0,6%</td> <td>-6,8%</td> <td>-</td> </tr> </tbody> </table>		Q4/15	Q4/15e	Q4/14	yoy	2015	2015e	2014	yoy	Umsatz	20,6	14,0	14,1	46,5%	62,6	56,0	44,6	40,3%	EBIT	2,1	3,7	-0,8	-	-1,3	0,3	-3,0	-57,6%	Margin	10,1%	26,4%	-5,6%	-	-2,0%	0,6%	-6,8%	-	<b>Comment on Figures:</b> <ul style="list-style-type: none"> <li>On 21.04.16 GK Software announced preliminary figures for FY 2015.</li> <li>While revenue increased significantly, earnings failed to meet expectations.</li> <li>The framework data presented by GK Software is characterised by strong growth. However the company seems to be struggling to a greater extent than expected, with the typical structural problems that come with a high level of international growth.</li> </ul>
	Q4/15	Q4/15e	Q4/14	yoy	2015	2015e	2014	yoy																														
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The reasons for the still extremely low margins can mainly be explained by the following issues: **Internationalisation:** The company managed to acquire various customers, especially in the important US market, in the last years. None of these customers, however, was big enough to justify the establishment of an efficient regional organisation. Nevertheless the company provides the highest level of service for customers in the international regions. This represents a burden on margins but the situation would normalise with the acquisition of further customers in the region.

**Fragmentation:** The 9-month report already highlighted the acquisition of 11 customers. Further customers are expected to have been acquired in Q4. The number of newly-acquired customers as well as the number of projects being simultaneously processed is currently comparatively high. Against this background, GK's 2015 has been characterised by a rather low average project size. Despite very strong revenues, this apparently led to very challenging and labour-intensive project execution. This also should improve in future, especially if larger customers are acquired (e.g. press release regarding Aldi Nord). **One-off burdens:** Not least, 2015 was distinguished by a high level of write-offs (especially PPA) and acquisition-related extraordinary costs.

The derivation of the DCF-based price target was determined by two factors: a higher revenue base for the coming years based on highly successful customer acquisition. In contrast, however, margins are still low owing to a lack of efficiency. PT of **EUR 45 remains unchanged**. As the PT is almost reached, the share is **downgraded from Buy to Hold**.

<b>Changes in Estimates:</b> FY End: 31.12. in EUR m	<table border="1"> <thead> <tr> <th></th> <th>2015e (old)</th> <th>+ / -</th> <th>2016e (old)</th> <th>+ / -</th> <th>2017e (old)</th> <th>+ / -</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>56.0</td> <td>11.8 %</td> <td>62.0</td> <td>7.0 %</td> <td>70.0</td> <td>0.5 %</td> </tr> <tr> <td>EBITDA</td> <td>3.9</td> <td>-44.4 %</td> <td>9.1</td> <td>-12.6 %</td> <td>12.4</td> <td>-3.5 %</td> </tr> <tr> <td>EBIT</td> <td>0.3</td> <td>n.m.</td> <td>5.1</td> <td>-15.4 %</td> <td>7.8</td> <td>3.0 %</td> </tr> <tr> <td>EPS</td> <td>0.0</td> <td>n.m.</td> <td>0.0</td> <td>-15.2 %</td> <td>0.0</td> <td>2.7 %</td> </tr> </tbody> </table>		2015e (old)	+ / -	2016e (old)	+ / -	2017e (old)	+ / -	Sales	56.0	11.8 %	62.0	7.0 %	70.0	0.5 %	EBITDA	3.9	-44.4 %	9.1	-12.6 %	12.4	-3.5 %	EBIT	0.3	n.m.	5.1	-15.4 %	7.8	3.0 %	EPS	0.0	n.m.	0.0	-15.2 %	0.0	2.7 %	<b>Comment on Changes:</b> <ul style="list-style-type: none"> <li>The revenue targets for 2016 were already reached in 2015.</li> <li>Heavy structural burdens will have a stronger impact on 2016 than so far expected.</li> <li>As of 2017, a return to a clearly positive margin trend should become visible based on a more efficient US organisation and less contract fragmentation (more large customers).</li> </ul>
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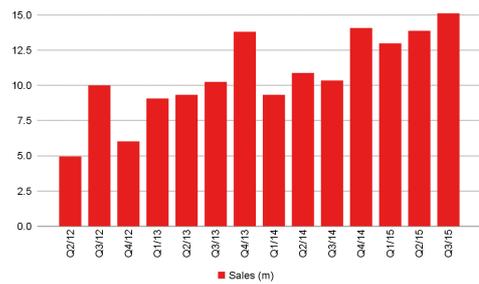


<b>Rel. Performance vs CDAX:</b>	
1 month:	-7.6 %
6 months:	41.3 %
Year to date:	18.0 %
Trailing 12 months:	25.6 %

<b>Company events:</b>	
28.04.16	FY 2015
26.05.16	Q1
16.06.16	AGM
30.08.16	Q2

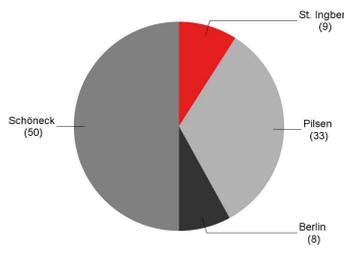
FY End: 31.12. in EUR m CAGR (14-17e)	<table border="1"> <thead> <tr> <th></th> <th>2011</th> <th>2012</th> <th>2013</th> <th>2014</th> <th>2015e</th> <th>2016e</th> <th>2017e</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>31.8</td> <td>28.4</td> <td>42.5</td> <td>44.6</td> <td>62.6</td> <td>66.4</td> <td>70.3</td> </tr> <tr> <td>Change Sales yoy</td> <td>14.7 %</td> <td>-10.5 %</td> <td>49.4 %</td> <td>5.1 %</td> <td>40.3 %</td> <td>6.0 %</td> <td>6.0 %</td> </tr> <tr> <td>Gross profit margin</td> <td>102.8 %</td> <td>99.8 %</td> <td>91.3 %</td> <td>89.6 %</td> <td>92.0 %</td> <td>93.0 %</td> <td>93.0 %</td> </tr> <tr> <td>EBITDA</td> <td>8.6</td> <td>2.9</td> <td>3.3</td> <td>0.0</td> <td>2.2</td> <td>8.0</td> <td>12.0</td> </tr> <tr> <td>Margin</td> <td>27.1 %</td> <td>10.1 %</td> <td>7.9 %</td> <td>0.1 %</td> <td>3.5 %</td> <td>12.0 %</td> <td>17.0 %</td> </tr> <tr> <td>EBIT</td> <td>6.7</td> <td>0.8</td> <td>1.0</td> <td>-3.0</td> <td>-1.3</td> <td>4.3</td> <td>8.1</td> </tr> <tr> <td>Margin</td> <td>21.0 %</td> <td>2.8 %</td> <td>2.5 %</td> <td>-6.8 %</td> <td>-2.0 %</td> <td>6.5 %</td> <td>11.5 %</td> </tr> <tr> <td>Net income</td> <td>4.6</td> <td>0.7</td> <td>0.6</td> <td>-1.9</td> <td>-0.9</td> <td>3.1</td> <td>5.7</td> </tr> <tr> <td>EPS</td> <td>2.55</td> <td>0.38</td> <td>0.34</td> <td>-0.99</td> <td>-0.48</td> <td>1.62</td> <td>3.03</td> </tr> <tr> <td>EPS adj.</td> <td>2.55</td> <td>0.38</td> <td>0.34</td> <td>-0.99</td> <td>-0.48</td> <td>1.62</td> <td>3.03</td> </tr> <tr> <td>DPS</td> <td>0.50</td> <td>0.00</td> <td>0.25</td> <td>0.00</td> <td>0.00</td> <td>0.50</td> <td>0.50</td> </tr> <tr> <td>Dividend Yield</td> <td>1.1 %</td> <td>n.a.</td> <td>0.8 %</td> <td>n.a.</td> <td>n.a.</td> <td>1.2 %</td> <td>1.2 %</td> </tr> <tr> <td>FCFPS</td> <td>1.29</td> <td>0.57</td> <td>-0.31</td> <td>-1.15</td> <td>-0.01</td> <td>2.14</td> <td>3.73</td> </tr> <tr> <td>FCF / Market cap</td> <td>2.9 %</td> <td>1.5 %</td> <td>-1.0 %</td> <td>-3.4 %</td> <td>0.0 %</td> <td>5.1 %</td> <td>8.8 %</td> </tr> <tr> <td>EV / Sales</td> <td>2.2 x</td> <td>2.2 x</td> <td>1.1 x</td> <td>1.6 x</td> <td>1.5 x</td> <td>1.3 x</td> <td>1.2 x</td> </tr> <tr> <td>EV / EBITDA</td> <td>8.1 x</td> <td>22.4 x</td> <td>13.6 x</td> <td>n.a.</td> <td>42.5 x</td> <td>11.1 x</td> <td>6.9 x</td> </tr> <tr> <td>EV / EBIT</td> <td>10.5 x</td> <td>81.4 x</td> <td>43.3 x</td> <td>n.a.</td> <td>n.a.</td> <td>20.6 x</td> <td>10.2 x</td> </tr> <tr> <td>P / E</td> <td>17.1 x</td> <td>101.4 x</td> <td>91.7 x</td> <td>n.a.</td> <td>n.a.</td> <td>26.1 x</td> <td>13.9 x</td> </tr> <tr> <td>P / E adj.</td> <td>17.1 x</td> <td>101.4 x</td> <td>91.7 x</td> <td>n.a.</td> <td>n.a.</td> <td>26.1 x</td> <td>13.9 x</td> </tr> <tr> <td>FCF Yield Potential</td> <td>9.5 %</td> <td>4.2 %</td> <td>6.6 %</td> <td>1.6 %</td> <td>2.8 %</td> <td>7.6 %</td> <td>11.7 %</td> </tr> <tr> <td>Net Debt</td> <td>-8.4</td> <td>-5.1</td> <td>-10.5</td> <td>-7.4</td> <td>12.6</td> <td>8.6</td> <td>2.5</td> </tr> <tr> <td>ROCE (NOPAT)</td> <td>25.0 %</td> <td>3.0 %</td> <td>2.9 %</td> <td>n.a.</td> <td>n.a.</td> <td>7.3 %</td> <td>14.1 %</td> </tr> <tr> <td>Guidance:</td> <td>n.a.</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		2011	2012	2013	2014	2015e	2016e	2017e	Sales	31.8	28.4	42.5	44.6	62.6	66.4	70.3	Change Sales yoy	14.7 %	-10.5 %	49.4 %	5.1 %	40.3 %	6.0 %	6.0 %	Gross profit margin	102.8 %	99.8 %	91.3 %	89.6 %	92.0 %	93.0 %	93.0 %	EBITDA	8.6	2.9	3.3	0.0	2.2	8.0	12.0	Margin	27.1 %	10.1 %	7.9 %	0.1 %	3.5 %	12.0 %	17.0 %	EBIT	6.7	0.8	1.0	-3.0	-1.3	4.3	8.1	Margin	21.0 %	2.8 %	2.5 %	-6.8 %	-2.0 %	6.5 %	11.5 %	Net income	4.6	0.7	0.6	-1.9	-0.9	3.1	5.7	EPS	2.55	0.38	0.34	-0.99	-0.48	1.62	3.03	EPS adj.	2.55	0.38	0.34	-0.99	-0.48	1.62	3.03	DPS	0.50	0.00	0.25	0.00	0.00	0.50	0.50	Dividend Yield	1.1 %	n.a.	0.8 %	n.a.	n.a.	1.2 %	1.2 %	FCFPS	1.29	0.57	-0.31	-1.15	-0.01	2.14	3.73	FCF / Market cap	2.9 %	1.5 %	-1.0 %	-3.4 %	0.0 %	5.1 %	8.8 %	EV / Sales	2.2 x	2.2 x	1.1 x	1.6 x	1.5 x	1.3 x	1.2 x	EV / EBITDA	8.1 x	22.4 x	13.6 x	n.a.	42.5 x	11.1 x	6.9 x	EV / EBIT	10.5 x	81.4 x	43.3 x	n.a.	n.a.	20.6 x	10.2 x	P / E	17.1 x	101.4 x	91.7 x	n.a.	n.a.	26.1 x	13.9 x	P / E adj.	17.1 x	101.4 x	91.7 x	n.a.	n.a.	26.1 x	13.9 x	FCF Yield Potential	9.5 %	4.2 %	6.6 %	1.6 %	2.8 %	7.6 %	11.7 %	Net Debt	-8.4	-5.1	-10.5	-7.4	12.6	8.6	2.5	ROCE (NOPAT)	25.0 %	3.0 %	2.9 %	n.a.	n.a.	7.3 %	14.1 %	Guidance:	n.a.						
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**Sales development**  
in EUR m



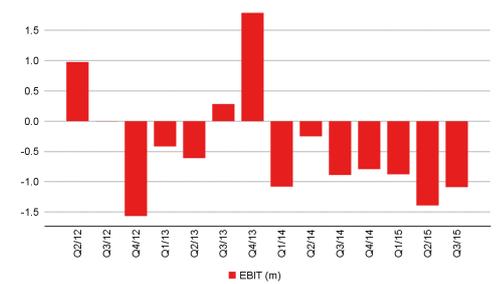
Source: Warburg Research

**Employees per location**  
2015e; in %



Source: Warburg Research

**EBIT development**  
in EUR m



Source: Warburg Research

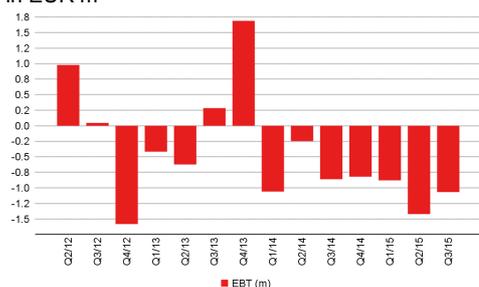
## Company Background

- 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

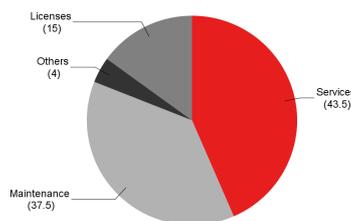
- The structural advantages of GK Software are compelling:
- GK Software's leading solution is completely Java-based, which makes it lean, platform independent and means it can be operated on the existing customer infrastructure.
- For many retail projects, GK competitors tend to undercalculate their 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



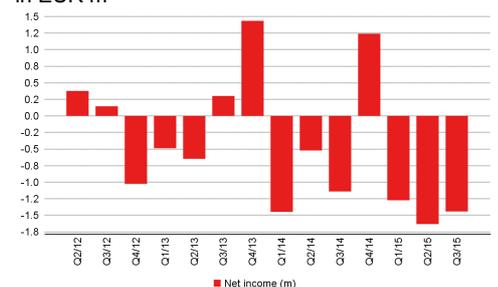
Source: Warburg Research

**Sales by segments**  
2015; 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
	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	
Sales	62.6	66.4	70.3	74.6	79.0	83.8	88.0	92.4	97.0	101.8	106.9	109.6	112.3	
Sales change	40.3 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	2.5 %	2.5 %	2.5 %
EBIT	-1.3	4.3	8.1	9.7	11.9	12.6	13.2	13.9	14.5	15.3	16.0	16.4	16.8	
EBIT-margin	-2.0 %	6.5 %	11.5 %	13.0 %	15.0 %	15.0 %	15.0 %	15.0 %	15.0 %	15.0 %	15.0 %	15.0 %	15.0 %	
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	-0.9	3.1	5.7	6.9	8.4	8.9	9.4	9.8	10.3	10.8	11.4	11.7	12.0	
Depreciation	3.5	3.7	3.9	3.7	4.0	4.2	3.5	2.8	2.9	1.0	1.1	1.1	1.1	
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	-1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in Liquidity from														
- Working Capital	1.1	1.2	1.1	9.2	-0.3	-0.4	-0.8	1.0	1.0	1.1	1.1	0.6	0.6	
- Capex	1.5	1.5	1.5	2.2	2.4	2.5	2.6	2.8	1.9	1.0	1.1	1.1	1.1	
Capex in % of Sales	2.4 %	2.2 %	2.1 %	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)	0.0	4.0	7.0	-2.3	10.3	11.1	11.0	8.9	10.3	9.8	10.3	11.1	11.4	11
PV of FCF	0.0	3.8	6.0	-1.8	7.3	7.1	6.4	4.7	4.9	4.2	4.0	3.9	3.7	46
share of PVs	9.79 %			44.10 %										46.11 %

**Model parameter**

Derivation of WACC:		Derivation of Beta:	
Debt ratio	0.00 %	Financial Strength	1.50
Cost of debt (after tax)	4.2 %	Liquidity (share)	1.50
Market return	7.00 %	Cyclicality	2.00
Risk free rate	1.50 %	Transparency	1.50
		Others	1.50
<b>WACC</b>	<b>10.30 %</b>	<b>Beta</b>	<b>1.60</b>

**Valuation (m)**

Present values 2027e	54		
Terminal Value	46		
Financial liabilities	1		
Pension liabilities	2		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	-11	No. of shares (m)	1.9
<b>Equity Value</b>	<b>87</b>	<b>Value per share (EUR)</b>	<b>45.96</b>

**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
1.78	11.3 %	37.97	38.46	38.97	39.51	40.08	40.69	41.33	1.78	11.3 %	33.81	35.71	37.61	39.51	41.41	43.31	45.21
1.69	10.8 %	40.73	41.30	41.90	42.54	43.22	43.94	44.71	1.69	10.8 %	36.51	38.52	40.53	42.54	44.55	46.56	48.57
1.65	10.6 %	42.23	42.85	43.50	44.20	44.94	45.73	46.58	1.65	10.6 %	37.99	40.06	42.13	44.20	46.27	48.34	50.40
1.60	10.3 %	43.81	44.49	45.20	45.96	46.78	47.64	48.57	1.60	10.3 %	39.57	41.70	43.83	45.96	48.10	50.23	52.36
1.55	10.1 %	45.50	46.23	47.01	47.85	48.74	49.69	50.72	1.55	10.1 %	41.25	43.45	45.65	47.85	50.05	52.25	54.45
1.51	9.8 %	47.29	48.09	48.95	49.86	50.84	51.89	53.02	1.51	9.8 %	43.04	45.31	47.59	49.86	52.13	54.41	56.68
1.42	9.3 %	51.23	52.19	53.23	54.34	55.53	56.82	58.21	1.42	9.3 %	47.03	49.47	51.90	54.34	56.77	59.20	61.64

- 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

Valuation	2011	2012	2013	2014	2015e	2016e	2017e
Price / Book	2.8 x	2.4 x	1.7 x	2.6 x	2.7 x	2.4 x	2.1 x
Book value per share ex intangibles	10.44	9.67	13.12	11.68	1.76	4.61	8.46
EV / Sales	2.2 x	2.2 x	1.1 x	1.6 x	1.5 x	1.3 x	1.2 x
EV / EBITDA	8.1 x	22.4 x	13.6 x	n.a.	42.5 x	11.1 x	6.9 x
EV / EBIT	10.5 x	81.4 x	43.3 x	n.a.	n.a.	20.6 x	10.2 x
EV / EBIT adj.*	10.5 x	81.4 x	43.3 x	n.a.	n.a.	20.6 x	10.2 x
P / FCF	34.0 x	68.2 x	n.a.	n.a.	n.a.	19.7 x	11.3 x
P / E	17.1 x	101.4 x	91.7 x	n.a.	n.a.	26.1 x	13.9 x
P / E adj.*	17.1 x	101.4 x	91.7 x	n.a.	n.a.	26.1 x	13.9 x
Dividend Yield	1.1 %	n.a.	0.8 %	n.a.	n.a.	1.2 %	1.2 %
Free Cash Flow Yield Potential	9.5 %	4.2 %	6.6 %	1.6 %	2.8 %	7.6 %	11.7 %

\*Adjustments made for: -

**Consolidated profit & loss**

In EUR m	2011	2012	2013	2014	2015e	2016e	2017e
<b>Sales</b>	<b>31.8</b>	<b>28.4</b>	<b>42.5</b>	<b>44.6</b>	<b>62.6</b>	<b>66.4</b>	<b>70.3</b>
Change Sales yoy	14.7 %	-10.5 %	49.4 %	5.1 %	40.3 %	6.0 %	6.0 %
Increase / decrease in inventory	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Own work capitalised	1.5	0.7	0.4	0.5	0.6	0.7	0.7
<b>Total Sales</b>	<b>33.2</b>	<b>29.0</b>	<b>42.8</b>	<b>45.1</b>	<b>63.2</b>	<b>67.0</b>	<b>71.0</b>
Material Expenses	0.6	0.7	4.1	5.2	5.6	5.3	5.6
<b>Gross profit</b>	<b>32.6</b>	<b>28.4</b>	<b>38.8</b>	<b>40.0</b>	<b>57.6</b>	<b>61.7</b>	<b>65.4</b>
<i>Gross profit margin</i>	<i>102.8 %</i>	<i>99.8 %</i>	<i>91.3 %</i>	<i>89.6 %</i>	<i>92.0 %</i>	<i>93.0 %</i>	<i>93.0 %</i>
Personnel expenses	18.6	19.8	25.6	28.7	40.1	41.1	40.1
Other operating income	0.7	1.7	2.5	2.2	3.8	4.0	4.2
Other operating expenses	6.2	7.4	12.3	13.4	19.1	16.6	17.6
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>8.6</b>	<b>2.9</b>	<b>3.3</b>	<b>0.0</b>	<b>2.2</b>	<b>8.0</b>	<b>12.0</b>
<i>Margin</i>	<i>27.1 %</i>	<i>10.1 %</i>	<i>7.9 %</i>	<i>0.1 %</i>	<i>3.5 %</i>	<i>12.0 %</i>	<i>17.0 %</i>
Depreciation of fixed assets	0.6	0.6	0.8	0.9	0.9	1.0	1.1
<b>EBITA</b>	<b>8.0</b>	<b>2.2</b>	<b>2.6</b>	<b>-0.9</b>	<b>1.2</b>	<b>7.0</b>	<b>10.9</b>
Amortisation of intangible assets	1.3	1.4	1.5	1.2	2.5	2.7	2.8
Goodwill amortization	0.0	0.0	0.0	0.9	0.0	0.0	0.0
<b>EBIT</b>	<b>6.7</b>	<b>0.8</b>	<b>1.0</b>	<b>-3.0</b>	<b>-1.3</b>	<b>4.3</b>	<b>8.1</b>
<i>Margin</i>	<i>21.0 %</i>	<i>2.8 %</i>	<i>2.5 %</i>	<i>-6.8 %</i>	<i>-2.0 %</i>	<i>6.5 %</i>	<i>11.5 %</i>
<b>EBIT adj.</b>	<b>6.7</b>	<b>0.8</b>	<b>1.0</b>	<b>-3.0</b>	<b>-1.3</b>	<b>4.3</b>	<b>8.1</b>
Interest income	0.2	0.2	0.1	0.2	0.0	0.0	0.0
Interest expenses	0.3	0.2	0.2	0.1	0.0	0.0	0.0
Other financial income (loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBT</b>	<b>6.6</b>	<b>0.8</b>	<b>0.9</b>	<b>-3.0</b>	<b>-1.3</b>	<b>4.3</b>	<b>8.1</b>
<i>Margin</i>	<i>20.7 %</i>	<i>2.9 %</i>	<i>2.2 %</i>	<i>-6.7 %</i>	<i>-2.0 %</i>	<i>6.5 %</i>	<i>11.5 %</i>
Total taxes	2.0	0.1	0.3	-1.1	-0.4	1.2	2.3
<b>Net income from continuing operations</b>	<b>4.6</b>	<b>0.7</b>	<b>0.6</b>	<b>-1.9</b>	<b>-0.9</b>	<b>3.1</b>	<b>5.7</b>
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income before minorities</b>	<b>4.6</b>	<b>0.7</b>	<b>0.6</b>	<b>-1.9</b>	<b>-0.9</b>	<b>3.1</b>	<b>5.7</b>
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>4.6</b>	<b>0.7</b>	<b>0.6</b>	<b>-1.9</b>	<b>-0.9</b>	<b>3.1</b>	<b>5.7</b>
<i>Margin</i>	<i>14.4 %</i>	<i>2.4 %</i>	<i>1.4 %</i>	<i>-4.2 %</i>	<i>-1.4 %</i>	<i>4.6 %</i>	<i>8.2 %</i>
Number of shares, average	1.8	1.8	1.8	1.9	1.9	1.9	1.9
<b>EPS</b>	<b>2.55</b>	<b>0.38</b>	<b>0.34</b>	<b>-0.99</b>	<b>-0.48</b>	<b>1.62</b>	<b>3.03</b>
EPS adj.	2.55	0.38	0.34	-0.99	-0.48	1.62	3.03

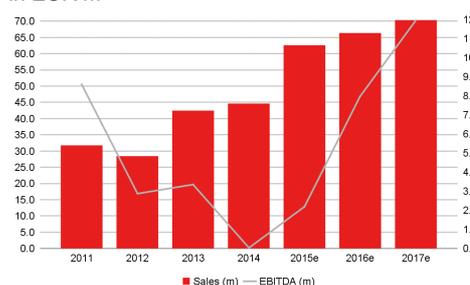
\*Adjustments made for:

**Guidance: n.a.**
**Financial Ratios**

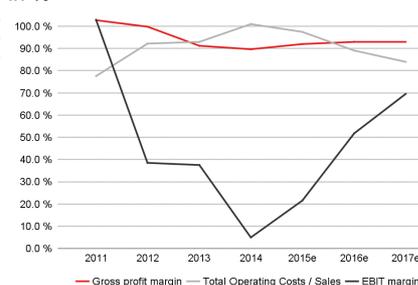
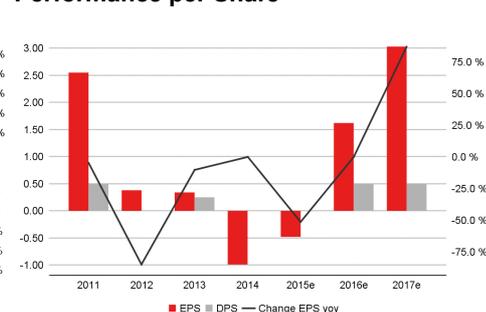
	2011	2012	2013	2014	2015e	2016e	2017e
Total Operating Costs / Sales	77.6 %	92.1 %	93.0 %	101.1 %	97.5 %	89.0 %	84.0 %
Operating Leverage	0.2 x	8.4 x	0.7 x	n.a.	-1.4 x	n.a.	14.6 x
EBITDA / Interest expenses	31.2 x	14.9 x	14.9 x	0.3 x	n.a.	n.a.	n.a.
Tax rate (EBT)	30.5 %	17.6 %	35.5 %	37.4 %	29.0 %	29.0 %	29.0 %
Dividend Payout Ratio	19.6 %	0.0 %	74.5 %	0.0 %	0.0 %	31.0 %	16.5 %
Sales per Employee	79,781	70,022	102,535	105,677	145,308	151,007	156,929

**Sales, EBITDA**

in EUR m


**Operating Performance**

in %


**Performance per Share**


Source: Warburg Research

Source: Warburg Research

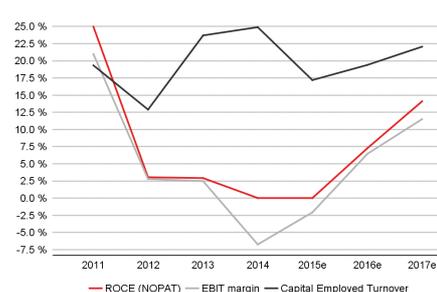
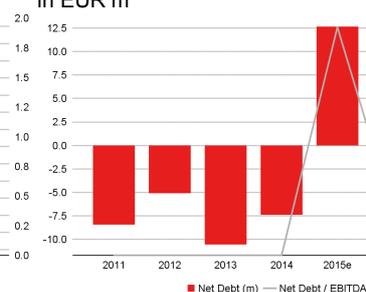
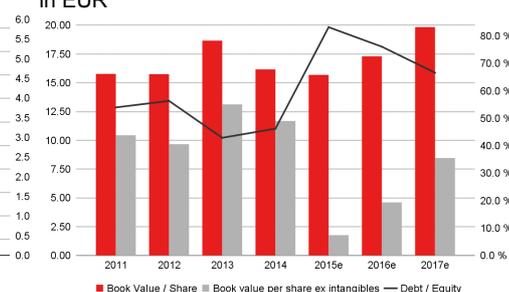
Source: Warburg Research

**Consolidated balance sheet**

In EUR m	2011	2012	2013	2014	2015e	2016e	2017e
<b>Assets</b>							
Goodwill and other intangible assets	9.5	10.9	9.9	8.5	26.3	24.0	21.5
thereof other intangible assets	3.1	4.5	3.5	2.9	0.8	-1.5	-4.0
thereof Goodwill	6.4	6.4	6.4	5.5	25.5	25.5	25.5
Property, plant and equipment	4.1	4.9	4.8	5.0	5.2	5.3	5.4
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
<b>Fixed assets</b>	<b>13.7</b>	<b>15.8</b>	<b>14.7</b>	<b>13.4</b>	<b>31.5</b>	<b>29.3</b>	<b>26.9</b>
Inventories	0.0	1.0	1.0	1.2	0.9	1.0	1.1
Accounts receivable	11.9	11.6	13.1	9.2	11.1	12.4	13.5
Liquid assets	13.9	10.3	13.7	10.2	0.2	4.2	10.3
Other short-term assets	4.0	5.4	5.2	10.7	10.7	10.7	10.7
<b>Current assets</b>	<b>29.8</b>	<b>28.3</b>	<b>33.0</b>	<b>31.2</b>	<b>22.9</b>	<b>28.3</b>	<b>35.6</b>
<b>Total Assets</b>	<b>43.5</b>	<b>44.1</b>	<b>47.7</b>	<b>44.7</b>	<b>54.3</b>	<b>57.6</b>	<b>62.5</b>
<b>Liabilities and shareholders' equity</b>							
Subscribed capital	1.8	1.8	1.9	1.9	1.9	1.9	1.9
Capital reserve	14.2	14.4	18.2	18.2	18.2	18.2	18.2
Retained earnings	0.0	0.0	0.0	0.0	-0.9	2.2	7.0
Other equity components	12.2	12.0	13.4	10.4	10.4	10.4	10.4
Shareholders' equity	28.2	28.2	33.4	30.6	29.6	32.7	37.5
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total equity</b>	<b>28.2</b>	<b>28.2</b>	<b>33.4</b>	<b>30.6</b>	<b>29.6</b>	<b>32.7</b>	<b>37.5</b>
Provisions	1.8	4.6	3.5	4.1	4.1	4.1	4.1
thereof provisions for pensions and similar obligations	0.2	1.7	0.9	1.7	1.7	1.7	1.7
Financial liabilities (total)	5.2	3.5	2.3	1.1	11.1	11.1	11.1
thereof short-term financial liabilities	0.8	2.2	1.3	0.3	0.3	0.3	0.3
Accounts payable	0.3	0.8	1.0	1.6	2.2	2.4	2.5
Other liabilities	7.9	6.9	7.6	7.2	7.2	7.2	7.2
<b>Liabilities</b>	<b>15.2</b>	<b>15.9</b>	<b>14.3</b>	<b>14.1</b>	<b>24.7</b>	<b>24.9</b>	<b>25.0</b>
<b>Total liabilities and shareholders' equity</b>	<b>43.5</b>	<b>44.1</b>	<b>47.7</b>	<b>44.7</b>	<b>54.3</b>	<b>57.6</b>	<b>62.5</b>

**Financial Ratios**

	2011	2012	2013	2014	2015e	2016e	2017e
<b>Efficiency of Capital Employment</b>							
Operating Assets Turnover	2.1 x	1.8 x	2.5 x	3.4 x	4.3 x	4.2 x	4.1 x
Capital Employed Turnover	1.6 x	1.2 x	1.9 x	1.9 x	1.5 x	1.6 x	1.8 x
ROA	33.4 %	4.3 %	4.1 %	-13.9 %	-2.9 %	10.4 %	21.3 %
<b>Return on Capital</b>							
ROCE (NOPAT)	25.0 %	3.0 %	2.9 %	n.a.	n.a.	7.3 %	14.1 %
ROE	17.4 %	2.4 %	2.0 %	-5.8 %	-3.0 %	9.8 %	16.3 %
Adj. ROE	17.4 %	2.4 %	2.0 %	-5.8 %	-3.0 %	9.8 %	16.3 %
<b>Balance sheet quality</b>							
Net Debt	-8.4	-5.1	-10.5	-7.4	12.6	8.6	2.5
Net Financial Debt	-8.6	-6.8	-11.5	-9.0	11.0	6.9	0.8
Net Gearing	-29.8 %	-18.0 %	-31.5 %	-24.1 %	42.6 %	26.3 %	6.6 %
Net Fin. Debt / EBITDA	n.a.	n.a.	n.a.	n.a.	504.0 %	87.1 %	6.9 %
Book Value / Share	15.8	15.7	18.7	16.2	15.7	17.3	19.8
Book value per share ex intangibles	10.4	9.7	13.1	11.7	1.8	4.6	8.5

**ROCE Development**

**Net debt in EUR m**

**Book Value per Share in EUR**


Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

**Consolidated cash flow statement**

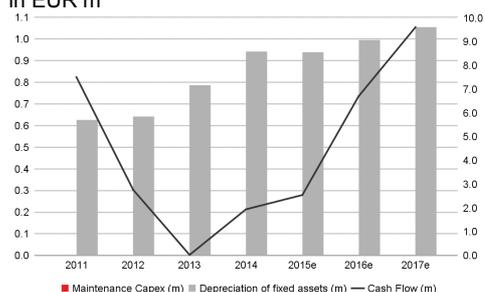
In EUR m	2011	2012	2013	2014	2015e	2016e	2017e
Net income	4.6	0.7	0.6	-1.9	-0.9	3.1	5.7
Depreciation of fixed assets	0.6	0.6	0.8	0.9	0.9	1.0	1.1
Amortisation of goodwill	0.0	0.0	0.0	0.9	0.0	0.0	0.0
Amortisation of intangible assets	1.3	1.4	1.5	1.2	2.5	2.7	2.8
Increase/decrease in long-term provisions	0.2	1.6	-1.7	0.8	0.0	0.0	0.0
Other non-cash income and expenses	0.8	-1.6	-1.1	0.0	0.0	0.0	0.0
<b>Cash Flow</b>	<b>7.5</b>	<b>2.8</b>	<b>0.0</b>	<b>1.9</b>	<b>2.5</b>	<b>6.7</b>	<b>9.6</b>
Increase / decrease in inventory	0.0	0.1	0.1	-0.1	0.3	-0.1	-0.1
Increase / decrease in accounts receivable	2.0	2.4	2.4	-0.4	-1.9	-1.3	-1.1
Increase / decrease in accounts payable	-4.8	-2.2	-1.0	-0.2	0.6	0.2	0.1
Increase / decrease in other working capital positions	0.0	0.0	0.0	-1.6	0.0	0.0	0.0
Increase / decrease in working capital (total)	-2.8	0.3	1.5	-2.3	-1.1	-1.2	-1.1
<b>Net cash provided by operating activities</b>	<b>4.7</b>	<b>3.1</b>	<b>1.6</b>	<b>-0.4</b>	<b>1.5</b>	<b>5.5</b>	<b>8.5</b>
Investments in intangible assets	-1.7	-0.9	-0.9	-1.2	-0.4	-0.3	-0.3
Investments in property, plant and equipment	-0.7	-1.1	-1.2	-1.1	-1.1	-1.1	-1.1
Payments for acquisitions	0.0	0.0	0.0	0.0	-20.0	0.0	0.0
Financial investments	-0.3	-0.4	0.0	-0.1	0.0	0.0	0.0
Income from asset disposals	0.0	-1.6	1.2	0.3	0.0	0.0	0.0
<b>Net cash provided by investing activities</b>	<b>-2.7</b>	<b>-4.0</b>	<b>-0.9</b>	<b>-1.6</b>	<b>-21.5</b>	<b>-1.5</b>	<b>-1.5</b>
Change in financial liabilities	-0.7	-1.8	-1.2	-1.2	10.0	0.0	0.0
Dividends paid	-0.9	-0.9	0.0	-0.5	0.0	0.0	-0.9
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	3.8	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net cash provided by financing activities</b>	<b>-1.6</b>	<b>-2.7</b>	<b>2.6</b>	<b>-1.6</b>	<b>10.0</b>	<b>0.0</b>	<b>-0.9</b>
Change in liquid funds	0.4	-3.6	3.2	-3.6	-10.0	4.0	6.1
Effects of exchange-rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash and cash equivalent at end of period</b>	<b>13.9</b>	<b>10.3</b>	<b>13.5</b>	<b>10.2</b>	<b>0.2</b>	<b>4.2</b>	<b>10.3</b>

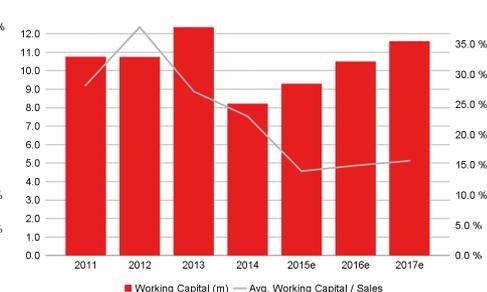
**Financial Ratios**

	2011	2012	2013	2014	2015e	2016e	2017e
<b>Cash Flow</b>							
FCF	2.3	1.0	-0.6	-2.2	0.0	4.0	7.0
Free Cash Flow / Sales	7.2 %	3.6 %	-1.3 %	-6.2 %	0.0 %	6.1 %	10.0 %
Free Cash Flow Potential	6.6	2.7	3.0	1.2	2.5	6.7	9.6
Free Cash Flow / Net Profit	50.4 %	149.7 %	-91.9 %	147.0 %	2.4 %	132.6 %	122.9 %
Interest Received / Avg. Cash	1.4 %	1.9 %	0.9 %	1.3 %	0.0 %	0.0 %	0.0 %
Interest Paid / Avg. Debt	4.9 %	4.4 %	7.8 %	7.4 %	0.0 %	0.0 %	0.0 %
<b>Management of Funds</b>							
Investment ratio	7.7 %	7.2 %	5.0 %	5.3 %	2.4 %	2.2 %	2.1 %
Maint. Capex / Sales	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Capex / Dep	125.7 %	99.2 %	92.0 %	77.6 %	43.1 %	40.1 %	37.8 %
Avg. Working Capital / Sales	28.2 %	37.8 %	27.2 %	23.0 %	14.0 %	14.9 %	15.7 %
Trade Debtors / Trade Creditors	3630.7 %	1379.5 %	1356.9 %	562.7 %	504.5 %	516.7 %	540.0 %
Inventory Turnover	n.a.	0.7 x	3.9 x	4.4 x	6.3 x	5.3 x	5.1 x
Receivables collection period (days)	137	149	113	75	65	68	70
Payables payment period (days)	197	457	86	116	143	165	162
Cash conversion cycle (Days)	n.a.	-252	-37	-52	-106	-118	-110

**CAPEX and Cash Flow**

in EUR m


**Free Cash Flow Generation**

**Working Capital**


Source: Warburg Research

Source: Warburg Research

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Rating	Number of stocks	% of Universe
Buy	120	63
Hold	62	33
Sell	5	3
Rating suspended	3	2
<b>Total</b>	<b>190</b>	<b>100</b>

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... taking into account only those companies which were provided with major investment banking services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	23	72
Hold	8	25
Sell	0	0
Rating suspended	1	3
<b>Total</b>	<b>32</b>	<b>100</b>

**PRICE AND RATING HISTORY GK SOFTWARE AS OF 22.04.2016**


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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