

Date 07/03/2016

**Recommendation:**

Buy (previous: Buy)  
PT: € 45.20 (previous: € 46.80)

**GK Software**

Industry: Software  
Segment: Prime Standard  
ISIN: DE0007571424  
Reuters: GKSG

Price (04/03/2016): € 39.33  
Market Cap € 74 Mio.  
EV € 86 Mio.  
Ø-volume `000€ (100 days) 34.3  
52W High € 42.99  
52W Low € 28.90

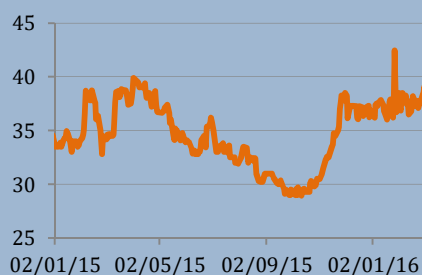
**Financial Calendar**

FY 2015 28/04/2016  
Q1 report 26/05/2016  
AGM 16/06/2016

**Shareholder structure**

GK Software Hldg. 49.8%  
SAP AG 5.3%  
R.Gläß 3.3%  
S.Kronmüller 2.3%

**Share performance**



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**GK SOFTWARE AG**

**ALDI Nord Opts for GK Solutions**

ALDI Nord, another of the world's leading 50 retailers will be relying on the solutions developed by GK software. The *Lebensmittel Zeitung* [German retail industry newspaper] reported that the entire project was pursued by SAP and encompassed, among other things, POS and store-level solutions developed by GK. The project duration is expected to go beyond 2016 and underpins the medium-term growth plans. There will be no change to the forecast for the next few years as we had already considered major new customer projects implicitly. As a result, our DCF evaluation is expected to remain unchanged, while the peer evaluation - due to an overall decline in prices since the beginning of the year - leads to a lower fair value per share. Overall, the GK Software share with an enterprise value-to-sales ratio of 1.34 in 2016 is still a buy for us.

- ✓ ALDI Nord's decision was a 2016 kick-off event at scale. This means that GK will count 20 per cent of the world's 50 largest retailers among its customer base. We expect that the ALDI Nord project will be considered by undecided retail chains as a signal for (a long overdue) strategic repositioning of omni-channel retail concepts. According to reports, the number of tenders in the market has increased recently, although the final award decisions often take more than a year. In addition to a range of mutually compatible products by SAP and GK, this would have beneficial effects on the competitive situation. For instance, the takeover of Wincor Nixdorf by Diebold that is currently underway is not likely to improve the market opportunities of retail activities.
- ✓ In the run-up to the end of 2015, GK reported a follow-up order from Canada and a preliminary contract from Mexico. The new Mexican customer is a leading department store and boutique operator willing to equip over 1,300 stationary and mobile POS with new software. We assume that GK managed to win further (minor) projects in the final quarter. Thus, the company must have met our sales and earnings expectations for 2015.
- ✓ The extension of the management contract with the CFO Mr Hergert by five years (by the end of 2020) is, as we see it, a signal of continuity. Mr Hergert, a member of the Board since mid-2008, has significantly contributed to the success of the company since the IPO.

**Outlook:** GK Software believes that its mid-term outlook is finding confirmation in the most recent message from ALDI Nord.

**Key figures - GK Software AG**

	Sales	EBITDA	EBIT	EPS (adj.)	EV/Sales	P/E
2013 a	42.5	3.3	1.0	0.34	1.08	93.5
2014 a	44.6	0.0	-3.0	-0.99	1.61	-42.4
2015 e	57.7	3.7	-0.2	-0.26	1.49	-149.5
2016 e	64.1	8.0	3.6	0.97	1.34	40.4
2017 e	68.3	11.6	6.9	2.26	1.26	17.4

Source: Company Data, EQUITS GmbH

## **Share Buy-Back Programme Has Been Launched**

GK Software has launched a share buy-back programme, effective as of 03/02/2016, based on the resolution by the General Meeting 2013. The programme is expected to last by 30/06/2016 and total €200,000 (excluding acquisition costs). The shares will be acquired via the stock exchange. In accordance with legal regulations, daily buy-back volume shall not exceed 25% of the average daily trading volume. The buy-back price will range within +/-10% of the share price of the respective opening auction (XETRA). Repurchased shares will be used in particular as (supplementary) acquisition currency and for stock option plans.

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<b>Income Statement</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015e</b>	<b>2016e</b>	<b>2017e</b>
<b>Sales</b>	<b>28.426</b>	<b>42.458</b>	<b>44.634</b>	<b>57.727</b>	<b>64.119</b>	<b>68.302</b>
Change in finished goods	-0.127	0.000	0.000	0.000	0.000	0.000
Other own costs capitalized	0.748	0.376	0.512	0.436	0.484	0.515
Other operating income	1.658	2.451	2.188	2.830	3.143	3.348
<b>Total performance</b>	<b>30.704</b>	<b>45.285</b>	<b>47.333</b>	<b>60.992</b>	<b>67.746</b>	<b>72.166</b>
Cost of material	-0.673	-4.082	-5.151	-6.856	-7.423	-7.378
<b>Gross profit</b>	<b>30.031</b>	<b>41.202</b>	<b>42.182</b>	<b>54.136</b>	<b>60.323</b>	<b>64.788</b>
Personnel expenses	-19.441	-25.605	-28.749	-36.993	-37.617	-38.210
Other operating expenses	-7.290	-12.258	-13.397	-13.397	-14.698	-14.973
<b>EBITDA</b>	<b>3.301</b>	<b>3.340</b>	<b>0.037</b>	<b>3.746</b>	<b>8.008</b>	<b>11.604</b>
Depreciation/amortisation	-2.068	-2.295	-3.052	-3.947	-4.384	-4.670
<b>EBIT</b>	<b>1.233</b>	<b>1.045</b>	<b>-3.015</b>	<b>-0.201</b>	<b>3.624</b>	<b>6.934</b>
Financial result	0.043	-0.113	0.028	-0.513	-0.980	-0.795
Non operating result before taxes	0.000	0.000	0.000	0.000	0.000	0.000
EBT	1.277	0.932	-2.987	-0.714	2.644	6.139
Non operating result after taxes	0.000	0.000	0.000	0.000	0.000	0.000
Taxes	-0.226	-0.331	1.117	0.217	-0.804	-1.866
Minority interest	0.000	0.000	0.000	0.000	0.000	0.000
<b>Net result</b>	<b>1.051</b>	<b>0.601</b>	<b>-1.870</b>	<b>-0.497</b>	<b>1.841</b>	<b>4.273</b>
Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
<b>Adjusted net result</b>	<b>1.051</b>	<b>0.601</b>	<b>-1.870</b>	<b>-0.497</b>	<b>1.841</b>	<b>4.273</b>
Average number of shares	1.79	1.79	1.89	1.89	1.89	1.89
EPS	0.59	0.34	-0.99	-0.26	0.97	2.26
Adjusted EPS	0.59	0.34	-0.99	-0.26	0.97	2.26
DPS	0.00	0.25	0.00	0.00	0.00	0.50

Source: EQUI.TS; company data

<b>Cash Flow Statement</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015e</b>	<b>2016e</b>	<b>2017e</b>
Net cash provided by operating activities	3.181	1.829	-0.394	0.039	4.604	7.916
Net cash used in investing activities	-3.988	-0.951	-1.569	-19.196	-3.257	-3.770
Net cash provided by financing activities	-2.673	2.483	-1.606	15.157	-2.000	-2.000
Change in cash and securities	-3.480	3.361	-3.569	-4.000	-0.653	2.146
Cash and secur. at the end of the period	10.382	13.742	10.173	6.173	5.519	7.665

Source: EQUI.TS; company data

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<b>Balance Sheet</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015e</b>	<b>2016e</b>	<b>2017e</b>
Long term assets	15.810	14.718	13.445	28.694	27.568	26.667
Intangible assets	10.924	9.922	8.474	23.981	22.688	21.395
Tangible assets	4.884	4.794	4.970	4.712	4.878	5.271
Financial assets	0.002	0.002	0.002	0.002	0.002	0.002
<b>Current assets</b>	<b>26.580</b>	<b>32.351</b>	<b>28.270</b>	<b>28.241</b>	<b>29.526</b>	<b>32.940</b>
Inventories	1.019	1.043	1.159	1.500	1.666	1.774
Accounts Receivables	11.629	13.754	12.375	16.005	17.778	18.938
Other current assets	3.550	3.812	4.563	4.563	4.563	4.563
Cash and securities	10.382	13.742	10.173	6.173	5.519	7.665
Other assets	1.978	0.753	2.957	2.957	2.957	2.957
<b>Total assets</b>	<b>44.367</b>	<b>47.821</b>	<b>44.673</b>	<b>59.892</b>	<b>60.050</b>	<b>62.564</b>
<b>Equity</b>	<b>28.332</b>	<b>33.156</b>	<b>30.555</b>	<b>30.058</b>	<b>31.899</b>	<b>36.172</b>
Reserves	28.332	33.156	30.555	30.058	31.899	36.172
Minorities	0.000	0.000	0.000	0.000	0.000	0.000
Provisions	4.271	2.540	3.321	3.401	3.485	3.572
<b>Liabilities</b>	<b>10.114</b>	<b>10.196</b>	<b>8.600</b>	<b>24.237</b>	<b>22.471</b>	<b>20.624</b>
Interest bearing liabilities	3.475	2.290	1.132	16.289	14.289	12.289
Accounts Payables	0.843	1.421	1.634	2.113	2.347	2.500
Other non-interest bearing liabilities	5.795	6.485	5.835	5.835	5.835	5.835
Other liabilities	1.651	1.928	2.196	2.196	2.196	2.196
<b>Total equity and liabilities</b>	<b>44.367</b>	<b>47.821</b>	<b>44.673</b>	<b>59.892</b>	<b>60.050</b>	<b>62.564</b>

Source: EQUITS; company data

Key Ratios	2012	2013	2014	2015e	2016e	2017e
<b>Ratios for corporate valuation</b>						
EV/Sales	2.39	1.08	1.61	1.49	1.34	1.26
EV/EBITDA	20.55	13.67	1969.16	23.01	10.76	7.43
EV/EBIT	54.99	43.68	-23.84	-428.22	23.78	12.43
P/E reported	64.73	93.50	-42.38	-149.47	40.39	17.40
P/E clean	64.73	93.50	-42.38	-149.47	40.39	17.40
PCPS	14.40	48.20	41.00	21.06	11.78	8.23
Price-to-book ratio	2.40	1.70	2.59	2.47	2.33	2.06
<b>Profitability ratios</b>						
EBITDA margin	11.6%	7.9%	0.1%	6.5%	12.5%	17.0%
EBIT margin	4.3%	2.5%	-6.8%	-0.3%	5.7%	10.2%
Pre tax margin	4.5%	2.2%	-6.7%	-1.2%	4.1%	9.0%
Net margin	3.7%	1.4%	-4.2%	-0.9%	2.9%	6.3%
Free-cash-flow-margin	9.4%	n.m.	0.3%	n.m.	4.8%	7.7%
ROE	3.7%	2.0%	-5.9%	-1.6%	5.9%	12.6%
<b>Productivity ratios</b>						
Sales/employees (in EUR '000)	59.6	76.9	70.9	80.5	85.1	86.4
Personnel expenses/employees (in '000)	40.7	46.4	45.7	51.6	49.9	48.3
Net result/employees (in '000)	2.2	1.1	-3.0	-0.7	2.4	5.4
Number of employees	477	552	629	717	753	791
<b>Financial ratios</b>						
Equity ratio	63.9%	69.3%	68.4%	50.2%	53.1%	57.8%
Gearing	56.6%	44.2%	46.2%	99.3%	88.3%	73.0%
Dividend yield	0.0%	0.8%	0.0%	0.0%	0.0%	1.3%
<b>Cash-flow ratio</b>						
Cash-flow per share	2.64	0.65	1.02	1.87	3.34	4.78
Free-Cash-flow per share	1.49	-0.02	0.08	-8.29	1.61	2.78
<b>Other ratios</b>						
Depreciation/Sales	7.3%	5.4%	6.8%	6.8%	6.8%	6.8%
Capex/Sales	7.2%	2.8%	4.0%	33.3%	5.1%	5.5%
Working Capital/Sales	41.5%	31.5%	26.7%	26.7%	26.7%	26.7%
Tax rate	17.7%	35.5%	37.4%	30.4%	30.4%	30.4%

Source EQUITS

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**Authors of this financial analysis: Daniel Großjohann, Analyst, and Thomas Schießle, Analyst.**

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### Reference pursuant to section 4 subsection 4 point 4 FinAnV:

Company	Analyst		Rating	Price Target
GK SOFTWARE AG	D.Grossjohann/B.Ludacka	11/12/2014	Buy	€ 50.80
GK SOFTWARE AG	D.Grossjohann/T.Schießle	23/04/2015	Buy	€ 51.15
GK SOFTWARE AG	D.Grossjohann/T.Schießle	15/06/2015	Buy	€ 46.00
GK SOFTWARE AG	D.Grossjohann/T.Schießle	09/09/2015	Buy	€ 45.00
GK SOFTWARE AG	D.Grossjohann/T.Schießle	04/12/2015	Buy	€ 46.80

II. Additional information:

#### 1. Information sources:

Material sources of information for preparing this document are publications in domestic and foreign media such as information services (including but not limited to Reuters, VWD, Bloomberg, DPA -AFX), business press (including but not limited to Börsenzeitung, Handelsblatt, Frankfurter Allgemeine Zeitung, Financial Times), professional publications, published statistics, rating agencies as well as publications of the analysed issuers.

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

#### 2. Summary of the valuation principles and methods used in preparation of the analysis: EQUI.TS GmbH uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 12 months.

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The following valuation methods are used when valuing companies: Multiplier models (price/earnings, price/cash flow, price/book value, EV/revenues, EV/EBIT, EV/EBITA,

EV/EBITDA), peer group comparisons, historical valuation approaches, discounting models (DCF, DDM), break-up value approaches or asset valuation approaches. The valuation models are dependent upon macroeconomic measures such as interest, currencies, raw materials and assumptions concerning the economy. In addition, market moods influence the valuation of companies. Furthermore, the approaches are based on expectations that can change quickly and without warning, according to industry-specific developments. As a result, the results of the valuation and target prices derived from the models can change correspondingly. The results of the valuation are based on a period of 12 months. They are, however, subject to market conditions and represent a snapshot. They can be reached more quickly or more slowly or be revised upwards or downwards.

**3. Date of initial/original publication of the financial analysis:**

**(07/03/2016)**

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

**(Closing price on 04/03/2016)**

**5. Updates:**

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

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