

Date **27.06.2012**

Buy (old: Buy)
PT: € 58,50 (alt: € 58,50)

Changes

	2012E		2013E	
	New	Delta	New	Delta
Sales	35,1	0%	45,1	0%
EBIT	7,03	0%	9,47	0%
EPS	2,82	0%	3,78	0%
EPS*	2,82	0%	3,78	0%
DPS	0,57	0%	0,74	0%

*clean

Homepage: www.gksoftware.de
 Industry: IT/Software

ISIN DE0007571424
 Bloomberg GKS:GR
 Reuters GKSG
 Price (25.06.12): € 37.00
 Market Cap: € 66 m
 Enterprise Value: € 56 m
 Ø-volume (100 days): € 30.046
 52W High: € 49,25
 52W Low: € 33,32
 Free Float: 42,5 %

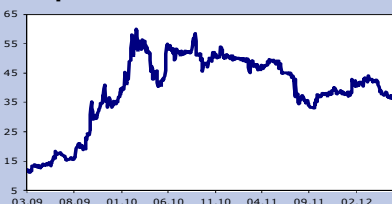
Financial Calendar

28.06.2012 Annual Meeting
 29.08.2012 Q2-Report
 12.11.2012 Analyst Meeting
 28.11.2012 Q3-Report

Shareholder structure

GK Software Holding 52,33%
 Scherzer & Co. AG 5,23%
 R. Gläß 2,95%
 S. Kronmüller 2,23%

Share performance



Source: OnVista

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GK SOFTWARE AG

Successful start to the year - Services in advance put pressure on service turnover in Q1

In the first quarter of 2012 GK SOFTWARE achieved a two-figure growth in turnover (+11%) with an over-proportional EBIT- (+18%) and a rise in EPS (+66%). Business in the first quarter was characterized by the further development, in accordance with plan, of a number of different customer projects. The GK share price then fell by 15% since the beginning of May, which, together with the general development on the Stock Exchange, may to a large extent be the reason why, in relation to SAP projects since January 2012 (Valora Retail), there has been no Newsflow. Due to the run-up to the acquisitions of major projects, which takes several months, however, we see no reason for concern in this. The fundamental factor is that GK, as a growth asset with a price-earnings ratio of 13.9 is not too expensive, with the result that the current weakness in the rate is proving an invitation to invest. We have adopted GK in our Vara Conviction List. The trigger for a rise in the rate may well be, in particular, positive Newsflow with regard to (foreign) major projects.

Investment Highlights

- Strongest growth in the turnover mix was shown by licence income (+330%), which grew to € 1.67 million. This was substantially influenced by a number of projects, however, for which the pilots proved productive. Income from maintenance services was up by 16.9%, showing similar growth to the Group overall performance (17%).
- The largest block of sales, service turnover (€ 3.71 million) showed a fall in Q1 of 18.8%. GK SOFTWARE considers this to be the result of substantial (non-compensated) services in advance for several potential project acquisitions.
- We are assuming that the improvement in margin in Q1 (from 17.4% to 18.5%) was attributable in the first instance to the turnover mix (licences). In view of the fact that reference date effects (service payments) have played a part in this, the margin comparison with the same period in the previous year cannot be extended, and we have estimated a slight downturn in margin for the year as a whole.
- The retail sector as an end market is still offering GK plenty of room for growth, in particular abroad. Further developments in the solution, however, are by no means restricted to this as a final sector. At the EuroCIS trade fair GK, together with the Postbank, presented a fully-integrated banking solution.
- Outlook: With the figures announced for Q1, GK SOFTWARE has confirmed the outlook. Turnover should continue to rise further in 2012, and the EBIT margin level achieved (18% to 20%) will be maintained. With a margin of 18.5% in the first quarter (Q1 2011: 17.4%; FY 2011: 21%) GK is well on course to achieving the goals which have been set.

Key figures

	Sales	Net result	adj. EPS	adj. P/E	EV/ Sales	EV/ EBIT	EBIT Margin	ROE (%)
2010	27.7	4.5	2.50	20.02	2.96	12.75	23.2%	22.6%
2011	31.8	4.6	2.55	16.07	2.14	10.21	21.0%	18.1%
2012e	35.1	4.8	2.66	13.91	1.58	8.39	18.8%	15.8%
2013e	45.1	6.4	3.58	10.35	1.23	6.21	19.8%	18.4%
2014e	54.4	7.7	4.31	8.59	1.02	5.15	19.8%	18.9%

Source: Company Data/ Vara Research GmbH

Profit and Loss Account

in €m.	2009	2010	2011	2012e	2013e	2014e
Sales revenues	23.277	27.690	31.753	35.150	45.103	54.416
Change in finished goods and work in progress	-0.873	0.000	0.000	0.000	0.000	0.000
Other own cost capitalized	1.067	0.649	1.489	1.648	2.115	2.551
Other operating income	0.826	1.368	0.729	0.807	1.035	1.249
Total performance	24.296	29.706	33.971	37.604	48.253	58.217
Cost of material	-0.561	-1.540	-0.611	-1.281	-1.193	-1.439
Gross profit	23.735	28.166	33.360	36.323	47.060	56.778
Personnel expenses	-12.117	-14.840	-18.601	-20.836	-27.176	-32.862
Other operating expenses/income	-5.448	-5.344	-6.158	-6.901	-8.781	-10.519
EBITDA	6.171	7.982	8.601	8.586	11.104	13.396
Depreciation/amortisation	-1.281	-1.548	-1.947	-1.965	-2.157	-2.602
EBIT	4.890	6.435	6.654	6.621	8.947	10.795
Financial result	0.143	-0.128	-0.085	0.143	0.147	0.161
Non operating result before taxes	0.000	0.000	0.000	0.000	0.000	0.000
Pre tax result	5.033	6.307	6.569	6.765	9.094	10.956
Non operating result after taxes	0.000	0.000	0.000	0.000	0.000	0.000
Taxes	-1.516	-1.836	-2.005	-2.004	-2.694	-3.245
Minority interest	0.000	0.000	0.000	0.000	0.000	0.000
Net result	3.517	4.471	4.564	4.761	6.400	7.711
Adjustments	0.984	0.000	0.000	0.000	0.000	0.000
Adjusted net result	4.501	4.471	4.564	4.761	6.400	7.711
Average number of shares	1.665	1.790	1.790	1.790	1.790	1.790
EPS	2.11	2.50	2.55	2.66	3.58	4.31
Adjusted EPS	2.70	2.50	2.55	2.66	3.58	4.31
DPS	1.00	0.50	0.50	0.54	0.70	0.84

Source: GK SOFTWARE AG / Vara Research GmbH

in % of Sales	2009	2010	2011	2012e	2013e	2014e
Sales revenues	100.0	100.0	100.0	100.0	100.0	100.0
Total performance	104.4	107.3	107.0	107.0	107.0	107.0
Cost of material	-2.4	-5.6	-1.9	-3.6	-2.6	-2.6
Gross profit	102.0	101.7	105.1	103.3	104.3	104.3
Personnel expenses	-52.1	-53.6	-58.6	-59.3	-60.3	-60.4
Other operating expenses/income	-23.4	-19.3	-19.4	-19.6	-19.5	-19.3
EBITDA	26.5	28.8	27.1	24.4	24.6	24.6
Depreciation/amortisation	-5.5	-5.6	-6.1	-5.6	-4.8	-4.8
EBIT	21.0	23.2	21.0	18.8	19.8	19.8
Financial result	0.6	-0.5	-0.3	0.4	0.3	0.3
Non operating result before taxes	-	-	-	-	-	-
Pre tax result	21.6	22.8	20.7	19.2	20.2	20.1
Non operating result after taxes	-	-	-	-	-	-
Taxes	-6.5	-6.6	-6.3	-5.7	-6.0	-6.0
Minority interest	-	-	-	-	-	-
Net result	15.1	16.1	14.4	13.5	14.2	14.2
Adjustments	4.2	-	-	-	-	-
Adjusted net result	19.3	16.1	14.4	13.5	14.2	14.2

Source: GK SOFTWARE AG / Vara Research GmbH

Balance of Accounts

in €m.	2009	2010	2011	2012e	2013e	2014e
Long term assets	12.743	13.166	13.664	14.231	14.524	14.877
Intangible assets	9.333	9.116	9.540	8.935	8.495	7.202
Tangible assets	3.410	4.050	4.124	5.296	6.029	7.675
Financial assets	0.000	0.000	0.000	0.000	0.000	0.000
Current assets	19.242	31.110	29.084	32.427	37.681	43.897
Inventories	0.000	0.000	0.000	0.000	0.000	0.000
Trade receivables	5.846	14.110	11.945	13.223	16.967	20.471
Receivables	2.759	3.558	3.279	3.279	3.279	3.279
Cash and securities	10.637	13.442	13.859	15.925	17.435	20.148
Other assets	0.390	0.529	0.727	0.727	0.727	0.727
Total assets	32.375	44.805	43.475	47.385	52.932	59.502
Equity	15.300	24.332	28.231	32.097	37.531	43.994
Reserves	15.300	24.332	28.231	32.097	37.531	43.994
Minorities	0.000	0.000	0.000	0.000	0.000	0.000
Provisions	0.847	0.921	1.109	1.118	1.128	1.138
Liabilities	14.953	17.060	11.462	11.497	11.601	11.697
Interest bearing liabilities	6.724	5.983	5.243	5.243	5.243	5.243
Trade payables	0.774	0.476	0.329	0.364	0.467	0.564
Non interest bearing liabilities	7.455	10.601	5.891	5.891	5.891	5.891
Other liabilities	1.276	2.491	2.672	2.672	2.672	2.672
Total equity and liabilities	32.375	44.805	43.475	47.385	52.932	59.502

Source: GK SOFTWARE AG / Vara Research GmbH

in %	2009	2010	2011	2012e	2013e	2014e
Long term assets	39.4	29.4	31.4	30.0	27.4	25.0
Intangible assets	28.8	20.3	21.9	18.9	16.0	12.1
Tangible assets	10.5	9.0	9.5	11.2	11.4	12.9
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	59.4	69.4	66.9	68.4	71.2	73.8
Inventories	-	-	-	-	-	-
Trade receivables	18.1	31.5	27.5	27.9	32.1	34.4
Receivables	8.5	7.9	7.5	6.9	6.2	5.5
Cash and securities	32.9	30.0	31.9	33.6	32.9	33.9
Other assets	1.2	1.2	1.7	1.5	1.4	1.2
Total assets	100.0	100.0	100.0	100.0	100.0	100.0
Equity	47.3	54.3	64.9	67.7	70.9	73.9
Reserves	47.3	54.3	64.9	67.7	70.9	73.9
Minorities	-	-	-	-	-	-
Provisions	2.6	2.1	2.6	2.4	2.1	1.9
Liabilities	46.2	38.1	26.4	24.3	21.9	19.7
Interest bearing liabilities	20.8	13.4	12.1	11.1	9.9	8.8
Trade payables	2.4	1.1	0.8	0.8	0.9	0.9
Non interest bearing liabilities	23.0	23.7	13.6	12.4	11.1	9.9
Other liabilities	3.9	5.6	6.1	5.6	5.0	4.5
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.	2009	2010	2011	2012e	2013e	2014e
Net cash provided by operating activities	5.7	1.7	4.7	5.5	4.9	6.9
Net cash used in investing activities	-9.4	-2.7	-2.7	-2.5	-2.4	-3.0
Net cash provided by financing activities	5.5	3.8	-1.6	-0.9	-1.0	-1.2
Change in cash and securities	1.8	2.8	0.4	2.1	1.5	2.7
Cash and securities at the end of the period	10.6	13.4	13.9	15.9	17.4	20.1

Source: GK SOFTWARE AG / Vara Research GmbH

Key Figures*

	2009	2010	2011	2012e	2013e	2014e
Valuation ratios						
Market capitalization (in € m)	38.30	89.50	76.52	66.23	66.23	66.23
Enterprise Value (in € m)	34.38	82.04	67.91	55.55	55.55	55.55
EV/Sales	1.48	2.96	2.14	1.58	1.23	1.02
EV/EBITDA	4.81	10.28	7.90	6.47	5.00	4.15
EV/EBIT	5.85	12.75	10.21	8.39	6.21	5.15
P/E reported	10.89	20.02	16.07	13.91	10.35	8.59
P/E clean	8.51	20.02	16.07	13.91	10.35	8.59
PCPS	7.98	15.13	11.42	9.83	7.73	6.42
Price to book	2.50	3.68	2.71	2.06	1.76	1.51
Profitability ratios						
EBITDA margin	30.7%	28.8%	27.1%	24.4%	24.6%	24.6%
EBIT margin	25.2%	23.2%	21.0%	18.8%	19.8%	19.8%
Pre tax margin	25.8%	22.8%	21.3%	19.2%	20.2%	20.1%
Net margin	19.3%	16.1%	15.0%	13.5%	14.2%	14.2%
Free cash flow margin	n.m.	10.6%	13.4%	12.0%	13.6%	13.5%
ROE	33.2%	22.6%	18.1%	15.8%	18.4%	18.9%
Productivity ratios						
Sales/employees (in € `000)	80.0	75.7	67.9	65.0	75.4	82.7
Net result/employees (in € `000)	15.5	12.2	10.2	8.8	10.7	11.7
Number of employees	291	366	468	541	598	658
Financial ratios						
Equity ratio	47.3%	54.3%	64.9%	67.7%	70.9%	73.9%
Gearing	-25.3%	-29.3%	-29.8%	-32.7%	-31.9%	-33.4%
Dividend yield	4.3%	1.0%	1.2%	1.5%	1.9%	2.3%
Cash flow ratios						
Cash flow per share	2.88	3.30	3.74	3.76	4.79	5.77
Free cash flow per share	-2.41	1.64	2.37	2.35	3.42	4.12
Other ratios						
Depreciation/sales	5.5%	5.6%	6.1%	5.6%	4.8%	4.8%
Capex/sales	37.8%	10.8%	7.7%	7.2%	5.4%	5.4%
Working capital/sales	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Tax rate	30.1%	29.1%	29.6%	29.6%	29.6%	29.6%

* 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	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	€ 53.45
GK SOFTWARE AG	12/14/2011	Buy	€ 53.45
GK SOFTWARE AG	03/06/2012	Buy	€ 53.45
GK SOFTWARE AG	05/07/2012	Buy	€ 58.50

II. Additional disclosures:

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 going to press; no changes were made afterwards, however.

2. Summary of the valuation principles and methods used in preparation of the analysis:

Vara Research GmbH uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 12 months.

BUY: the expected price trend of the share amounts to at least +15%. NEUTRAL: The expected price trend lies between -15% and +15%. SELL: The expected price trend amounts to more than -15%.

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 publication of the financial analysis:
(06/27/2012)**

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

(Price on 06/25/2012)

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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