

Date **08/16/2011**

Buy (old: Buy)

PT: € 50.90 (old: € 56.45)

Changes

	2011E		2012E	
	New	Delta	New	Delta
Sales	32.2	0%	38.7	0%
EBIT	6.4	0%	7.6	1.8%
EPS	2.60	0.8%	3.13	4.3%
EPS*	2.60	0.8%	3.13	4.3%
DPS	0.56	1.8%	0.65	3.1%

*clean

Homepage: www.gksoftware.de

Industry: IT/Software

ISIN: DE0007571424
Bloomberg: GKS:GR
Reuters: GKSG
Price (08/10/11): € 42.98
Market Cap: m€ 77
Enterprise Value: m€ 62
Ø-volume (100 days): € 28.943
52W High: € 59.15
52W Low: € 43.00
Free Float: 42.5 %

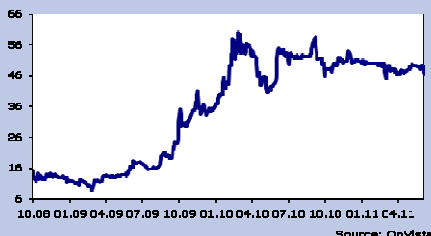
Financial Calendar

08/30/2011 HY-Report
11/24/2011 Q3-Report
04/24/2012 FY-Report
2011

Shareholder structure

GK Software Holding 52.33%
R. Gläß 2.95%
S. Kronmüller 2.23%

Share performance



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GK SOFTWARE AG

Fressnapf-Order – hungry for more

Following the successful conclusion of the EDEKA pilot scheme, the partnership between SAP and GK SOFTWARE is now for the first time providing, with Fressnapf, a licence implementation contribution for GK. SAP has placed a broad range of its own solutions with Fressnapf, as well as both the GK solutions, "GK offline mobile handheld application from SAP" and "GK point-of-sale software from SAP". This has confirmed our expectations that SAP is actively driving ahead with the GK solutions, also with the aim of being able to place its own solutions better in the retail sector. Since the significant effects on turnover from the project, which has taken several years, will probably not be apparent until 2012 onwards, GK is leaving its own forecasts unchanged. We too are leaving our estimations unchanged, but, in view of the scaling potential by SAP, we are classifying our margin expectations from 2012 as conservative. Due to the increased risk premiums we are adjusting to the rate target. In view of the middle-term growth potential, in our view GK, at a KGV of 16.5, is not too expensive.

Investment Highlights

- The partnership of SAP and GK has recently achieved results in the form of the first order since the start of active marketing by SAP (in 4/2011). The equipping of the 1,150 Fressnapf branches with solutions from SAP and GK represents an order which will take several years, the main focus of which is anticipated to fall in 2012. In our view, the order bears witness on the one hand to the great attraction of the joint solution offer and, on the other, also demonstrates the potential which this marketing route via SAP is opening up for GK Software.
- The environment for a joint offer from GK and SAP in the commercial sector continues to be favourable. A market survey by RAAD Research regarding IT in commerce (6/2011) has shown that 7% of the dealers approached are planning to introduce a new cashpoint system, and as many as 13% of dealers are planning a consolidation of their ERP system within the next 24 months.
- GK has recently announced that the contracts of Board Members Gläß, Kronmüller, and Hergert have been extended by five years. We see the extension as a sign of continuity.
- With effect from 1.7.2011, Mr. Oliver Kantner has taken on the position of representative of the Operations Board in the management body of GK Software. The acting Operations Board Member, Mr. Scholz, will be taking advantage of paternity leave in the second half of 2011, and accordingly will no longer be available for his position on the Board. GK Software is delighted to have acquired in Mr. Kantner an experienced manager and expert in commerce. Based on long years of professional experience and contacts with international commercial concerns, it is anticipated that Mr. Kantner will be able to make a major contribution to the further expansion of GK Software.

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	4.7	2.60	16.54	1.94	9.69	20.0%	17.7%
2012e	38.7	5.6	3.13	13.72	1.61	8.05	20.0%	18.4%

Source: Company information / Vara Research GmbH

Profit and Loss Account

in €m.	2007	2008	2009	2010	2011e	2012e
Sales revenues	10.745	15.029	23.277	27.690	32.191	38.739
Change in finished goods and work in progress	-0.002	-1.260	-0.873	0.000	0.000	0.000
Other own cost capitalized	0.558	0.815	1.067	0.649	0.706	0.849
Other operating income	0.379	0.424	0.826	1.368	1.603	1.929
Total performance	11.680	15.008	24.296	29.706	34.499	41.517
Cost of material	-0.486	-0.514	-0.561	-1.540	-2.676	-3.220
Gross profit	11.194	14.494	23.735	28.166	31.823	38.297
Personnel expenses	-6.152	-8.047	-12.117	-14.840	-16.969	-20.421
Other operating expenses/income	-2.183	-2.954	-5.448	-5.344	-6.617	-7.963
EBITDA	2.859	3.493	6.171	7.982	8.238	9.913
Depreciation/amortisation	-0.527	-0.719	-1.281	-1.548	-1.800	-2.166
EBIT	2.332	2.775	4.890	6.435	6.438	7.748
Financial result	-0.115	0.090	0.143	-0.128	0.117	0.154
Non operating result before taxes	0.000	0.000	0.000	0.000	0.000	0.000
Pre tax result	2.217	2.864	5.033	6.307	6.555	7.902
Non operating result after taxes	0.000	0.000	0.000	0.000	0.000	0.000
Taxes	-0.656	-0.830	-1.516	-1.836	-1.905	-2.296
Minority interest	0.000	0.000	0.000	0.000	0.000	0.000
Net result	1.561	2.034	3.517	4.471	4.651	5.606
Adjustments	0.000	0.000	0.984	0.000	0.000	0.000
Adjusted net result	1.561	2.034	4.501	4.471	4.651	5.606
Average number of shares	1.250	1.665	1.665	1.790	1.790	1.790
EPS	1.25	1.22	2.11	2.50	2.60	3.13
Adjusted EPS	1.25	1.22	2.70	2.50	2.60	3.13
DPS	0.64	0.00	1.00	0.50	0.56	0.67

Source: GK SOFTWARE AG / Vara Research GmbH

in % of Sales	2007	2008	2009	2010	2011e	2012e
Sales revenues	100.0	100.0	100.0	100.0	100.0	100.0
Total performance	108.7	99.9	104.4	107.3	107.2	107.2
Cost of material	-4.5	-3.4	-2.4	-5.6	-8.3	-8.3
Gross profit	104.2	96.4	102.0	101.7	98.9	98.9
Personnel expenses	-57.3	-53.5	-52.1	-53.6	-52.7	-52.7
Other operating expenses/income	-20.3	-19.7	-23.4	-19.3	-20.6	-20.6
EBITDA	26.6	23.2	26.5	28.8	25.6	25.6
Depreciation/amortisation	-4.9	-4.8	-5.5	-5.6	-5.6	-5.6
EBIT	21.7	18.5	21.0	23.2	20.0	20.0
Financial result	-1.1	0.6	0.6	-0.5	0.4	0.4
Non operating result before taxes	-	-	-	-	-	-
Pre tax result	20.6	19.1	21.6	22.8	20.4	20.4
Non operating result after taxes	-	-	-	-	-	-
Taxes	-6.1	-5.5	-6.5	-6.6	-5.9	-5.9
Minority interest	-	-	-	-	-	-
Net result	14.5	13.5	15.1	16.1	14.4	14.5
Adjustments	-	-	4.2	-	-	-
Adjusted net result	14.5	13.5	19.3	16.1	14.4	14.5

Source: GK SOFTWARE AG / Vara Research GmbH

Balance of Accounts

in €m.	2007	2008	2009	2010	2011e	2012e
Long term assets	3.748	4.226	12.743	13.166	14.070	14.758
Intangible assets	1.128	1.633	9.333	9.116	8.697	8.092
Tangible assets	2.620	2.593	3.410	4.050	5.372	6.665
Financial assets	0.000	0.000	0.000	0.000	0.000	0.000
Current assets	8.064	15.382	19.242	31.110	33.831	37.832
Inventories	1.999	0.738	0.000	0.000	0.000	0.000
Trade receivables	2.263	3.023	5.846	14.110	9.740	11.722
Receivables	0.898	2.765	2.759	3.558	3.558	3.558
Cash and securities	2.904	8.855	10.637	13.442	20.532	22.552
Other assets	0.018	0.018	0.390	0.529	0.529	0.529
Total assets	11.830	19.626	32.375	44.805	48.429	53.118
Equity	2.081	11.782	15.300	24.332	28.088	32.692
Reserves	2.081	11.782	15.300	24.332	28.088	32.692
Minorities	0.000	0.000	0.000	0.000	0.000	0.000
Provisions	0.577	0.847	0.847	0.921	0.937	0.954
Liabilities	8.388	5.803	14.953	17.060	16.913	16.980
Interest bearing liabilities	1.376	1.256	6.724	5.983	5.983	5.983
Trade payables	0.471	0.526	0.774	0.476	0.329	0.396
Non interest bearing liabilities	6.541	4.021	7.455	10.601	10.601	10.601
Other liabilities	0.784	1.193	1.276	2.491	2.491	2.491
Total equity and liabilities	11.830	19.626	32.375	44.805	48.429	53.118

Source: GK SOFTWARE AG / Vara Research GmbH

in %	2007	2008	2009	2010	2011e	2012e
Long term assets	31.7	21.5	39.4	29.4	29.1	27.8
Intangible assets	9.5	8.3	28.8	20.3	18.0	15.2
Tangible assets	22.1	13.2	10.5	9.0	11.1	12.5
Financial assets	-	-	0.0	0.0	0.0	0.0
Current assets	68.2	78.4	59.4	69.4	69.9	71.2
Inventories	16.9	3.8	-	-	-	-
Trade receivables	19.1	15.4	18.1	31.5	20.1	22.1
Receivables	7.6	14.1	8.5	7.9	7.3	6.7
Cash and securities	24.5	45.1	32.9	30.0	42.4	42.5
Other assets	0.2	0.1	1.2	1.2	1.1	1.0
Total assets	100.0	100.0	100.0	100.0	100.0	100.0
Equity	17.6	60.0	47.3	54.3	58.0	61.5
Reserves	17.6	60.0	47.3	54.3	58.0	61.5
Minorities	-	-	-	-	-	-
Provisions	4.9	4.3	2.6	2.1	1.9	1.8
Liabilities	70.9	29.6	46.2	38.1	34.9	32.0
Interest bearing liabilities	11.6	6.4	20.8	13.4	12.4	11.3
Trade payables	4.0	2.7	2.4	1.1	0.7	0.7
Non interest bearing liabilities	55.3	20.5	23.0	23.7	21.9	20.0
Other liabilities	6.6	6.1	3.9	5.6	5.1	4.7
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.	2007	2008	2009	2010	2011e	2012e
Net cash provided by operating activities	1.9	1.4	5.7	1.7	10.7	5.9
Net cash used in investing activities	-2.0	-2.6	-9.4	-2.7	-2.7	-2.9
Net cash provided by financing activities	0.6	7.1	5.5	3.8	-0.9	-1.0
Change in cash and securities	0.4	5.9	1.8	2.8	7.1	2.0
Cash and securities at the end of the period	2.9	8.9	10.6	13.4	20.5	22.6

Source: GK SOFTWARE AG / Vara Research GmbH

Key Figures*

	2007	2008	2009	2010	2011e	2012e
Valuation ratios						
Market capitalization (in € m)	-	28.31	38.30	89.50	76.93	76.93
Enterprise Value (in € m)	-	20.71	34.38	82.04	62.39	62.39
EV/Sales	-	1.38	1.48	2.96	1.94	1.61
EV/EBITDA	-	5.93	4.81	10.28	7.57	6.29
EV/EBIT	-	7.46	5.85	12.75	9.69	8.05
P/E reported	-	13.92	10.89	20.02	16.54	13.72
P/E clean	-	13.92	8.51	20.02	16.54	13.72
PCPS	-	9.36	7.98	15.13	11.90	9.88
Price to book	-	2.40	2.50	3.68	2.74	2.35
Profitability ratios						
EBITDA margin	26.6%	23.2%	30.7%	28.8%	25.6%	25.6%
EBIT margin	21.7%	18.5%	25.2%	23.2%	20.0%	20.0%
Pre tax margin	20.6%	19.1%	25.8%	22.8%	20.4%	20.4%
Net margin	14.5%	13.5%	19.3%	16.1%	14.4%	14.5%
Free cash flow margin	n.m.	12.0%	n.m.	10.6%	11.7%	12.7%
ROE	88.7%	29.3%	33.2%	22.6%	17.7%	18.4%
Productivity ratios						
Sales/employees (in € `000)	76.8	79.7	80.0	75.7	81.4	90.9
Net result/employees (in € `000)	11.2	10.8	15.5	12.2	11.8	13.2
Number of employees	140	189	291	366	395	426
Financial ratios						
Equity ratio	17.6%	60.0%	47.3%	54.3%	58.0%	61.5%
Gearing	-70.9%	-64.1%	-25.3%	-29.3%	-50.5%	-49.6%
Dividend yield	-	0.0%	4.3%	1.0%	1.3%	1.6%
Cash flow ratios						
Cash flow per share	1.57	1.82	2.88	3.30	3.61	4.35
Free cash flow per share	-0.52	1.09	-2.41	1.64	2.10	2.76
Other ratios						
Depreciation/sales	4.9%	4.8%	5.5%	5.6%	5.6%	5.6%
Capex/sales	24.3%	8.1%	37.8%	10.8%	8.4%	7.4%
Working capital/sales	5.9%	10.0%	15.0%	15.0%	15.0%	15.0%
Tax rate	29.6%	29.0%	30.1%	29.1%	29.1%	29.1%

* Based on clean figures

Source: GK SOFTWARE AG / Vara Research GmbH

A. Disclosures in accordance with § 34 b WpHG (German Securities Trading Act), Finanzanalyseverordnung (FinAnV) (Ordinance on the Analysis of Financial Instruments):

I. Disclosures on authorship, responsible company, regulatory authority:

Company responsible for the publication: Vara Research GmbH

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	12/19/2008	Buy	€ 28.45
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

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.

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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 publication of the financial analysis:
(08/16/2011)**

**4. Date and time of the prices of financial instruments disclosed therein:
(Price on 08/10/2011)**

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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