GK Software

(CDAX, Software/IT)

WARBURG RESEARCH

Buy	
EUR 35.00	(EUR 42.00)
Price	EUR 25.90
Upside	**35.1 %**

Value Indicators:	EUR
DCF:	34.98
FCF-Value Potential:	41.28

Share data:	
Bloomberg:	GKS GR
Reuters:	GKSG
ISIN:	DE0007571424

Description:

Leading software company for stationary retailers

Market Snapshot:	EUR m
Market cap:	46.4
No. of shares (m):	1.8
EV:	37.0
Freefloat MC:	19.7
Ø Trad. Vol. (30d):	7.19 th

Shareholders:	
Freefloat	42.5 %
GK Software Holding	52.3 %
Rainer Gläß	3.0 %
Stephan Kronmüller	2.2 %

Risk Profile (WRe):	2013e
Beta:	1.9
Price / Book:	1.5 x
Equity Ratio:	65 %
Net Fin. Debt / EBITDA:	-1.6 x
Net Debt / EBITDA:	-1.4 x

Very high dependency on single orders

Stated Figures Q2/2013:

in EUR m	Q2/13	Q2/12	yoy	6M/13	6M/12	yoy
Sales	**9.3**	5.0	88.5%	**18.4**	12.4	48.4%
EBIT	**-0.6**	1.0	-	**-1.0**	2.4	-
margin	*-6.5%*	*19.8%*		*-5.6%*	*19.0%*	
EPS in EUR	**-0.36**	0.21	-	**-0.63**	0.87	-

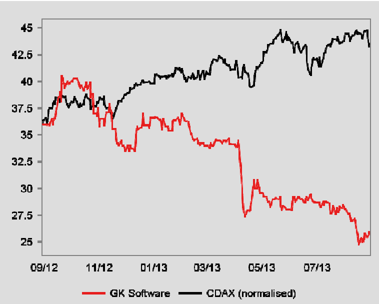
Comment on Figures:

- Despite some smaller new customers GK did not manage to post a positive result in Q2.
- However this was to be expected owing to a lack of announcements regarding new projects (see Comment 23.05.13).

On August 28, GK Software presented the **final figures for the first six months of 2013**. Apart from the gain of smaller customers (Dohle, Modis, among others), the **company has not yet been able to announce the hoped-for and necessary large orders**. This was clear to be seen in the half-year report. H1 **licensing revenues dropped by almost 60% yoy to EUR 1.3m**. These revenues alone as well as the absence of potential follow-up maintenance revenues mostly explain the shortfall in earnings compared to 2012. Just as much of a burden was posed by the integration costs for AWEK acquired in 2012.

More important than last quarter earnings however is the fact that **to date, no large orders have been announced**. These orders form a central element of the company's own "optimistic" forecast (implied: revenue increase to more than EUR 40m with an EBIT margin of 15% including AWEK) and are also essential to reach the far lower expectations of Warburg Research. These expectations are based on the **impressive sales alliances with SAP, HP, RedIron and other partners, especially in North America and the German-speaking countries** (D-A-CH). Additionally the pipeline in GK direct sales is well filled. However as the year progresses, the dependency of the annual forecasts on single projects is rising further. The potential is still there: in the context of orders, especially with large implementation partners, significant licence revenues are typical. These would be earnings-effective in the short term, as an implementation partner often only buys the licences. The indirect sales strategy targets mainly this type of order. The current company structure is generally, despite slight adjustments, geared towards the processing of a significantly greater number of projects.

Based on the increased dependency of the expected company results on single project closings, the **risk assessment of the share will be clearly adjusted** (beta raised from 1.4 to 1.9) with a corresponding impact on the price target. Should the company manage to generate the targeted orders, the price target can be raised again. Fundamentally, the risk associated with the GK share has increased. **With a reduced price target of EUR 35 (42), the share is still rated at Buy**.



Rel. Performance vs CDAX:	
1 month:	-7.2 %
6 months:	-29.6 %
Year to date:	-38.0 %
Trailing 12 months:	-46.5 %

Company events:	
27.11.13	Q3

FY End: 31.12. in EUR m	CAGR (12-15e)	2009	2010	2011	2012	2013e	2014e	2015e
Sales	16.1 %	23.3	27.7	31.8	28.4	36.8	40.5	44.5
Change Sales yoy		54.9 %	19.0 %	14.7 %	-10.5 %	29.5 %	10.0 %	10.0 %
Gross profit margin		*98.4 %*	*96.8 %*	*102.8 %*	*99.8 %*	*97.4 %*	*97.4 %*	*97.4 %*
EBITDA	56.2 %	6.2	8.0	8.6	2.9	6.8	9.9	10.9
Margin		*26.5 %*	*28.8 %*	*27.1 %*	*10.1 %*	*18.4 %*	*24.4 %*	*24.4 %*
EBIT	116.6 %	4.9	6.4	6.7	0.8	4.4	7.3	8.0
Margin		*21.0 %*	*23.2 %*	*21.0 %*	*2.8 %*	*11.9 %*	*17.9 %*	*17.9 %*
Net income	103.1 %	3.5	4.5	4.6	0.7	3.1	5.1	5.7
EPS	102.6 %	2.11	2.68	2.55	0.38	1.74	2.88	3.16
EPS adj.	102.6 %	2.11	2.68	2.55	0.38	1.74	2.88	3.16
DPS	0.0 %	1.00	0.50	0.50	0.50	0.50	0.50	0.50
Dividend Yield		5.3 %	1.0 %	1.1 %	1.3 %	1.9 %	1.9 %	1.9 %
FCFPS		1.96	-0.79	1.29	0.57	2.88	2.96	3.28
EV / Sales		1.2 x	2.7 x	2.2 x	2.2 x	1.0 x	0.8 x	0.6 x
EV / EBITDA		4.5 x	9.4 x	8.1 x	22.4 x	5.5 x	3.3 x	2.5 x
EV / EBIT		5.7 x	11.7 x	10.5 x	81.4 x	8.4 x	4.5 x	3.5 x
P / E		9.0 x	18.4 x	17.1 x	101.4 x	14.9 x	9.0 x	8.2 x
P / E adj.		9.0 x	18.4 x	17.1 x	101.4 x	14.9 x	9.0 x	8.2 x
FCF Yield Potential		16.8 %	8.2 %	9.5 %	4.2 %	14.9 %	23.9 %	31.0 %
Net Debt		-3.9	-7.1	-8.4	-5.1	-9.3	-13.7	-18.7
ROE		26.0 %	22.6 %	17.4 %	2.4 %	10.6 %	15.8 %	15.3 %
ROCE (NOPAT)		43.6 %	31.9 %	25.0 %	3.0 %	14.1 %	24.5 %	27.2 %
Guidance:	n.a.							

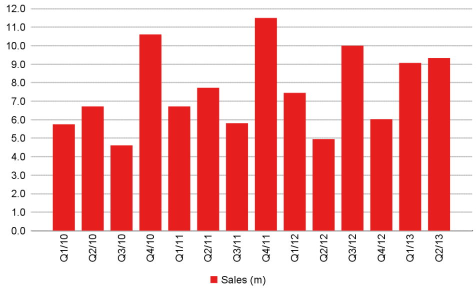
Analyst

Felix Ellmann

fellmann@warburg-research.com

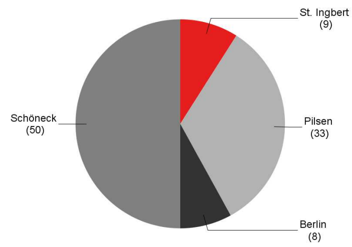
+49 40 309537-120

Sales development
in EUR m



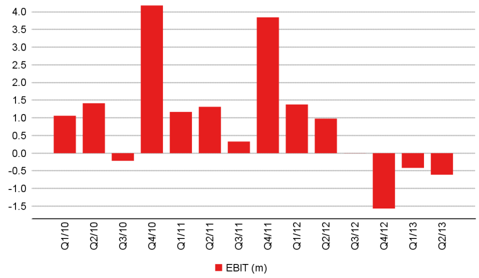
Source: Warburg Research

Employees per location
2012e; in %



Source: Warburg Research

EBIT development
in EUR m



Source: Warburg Research

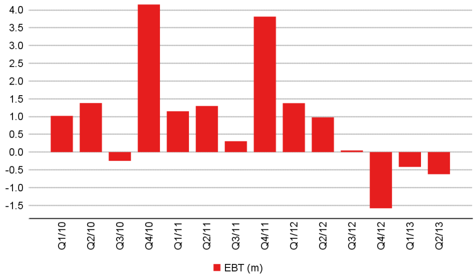
Company Background

- GK Software is the leading software supplier for retailers. The number of GK installations exceeds 55,000 in 22 countries.
- 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

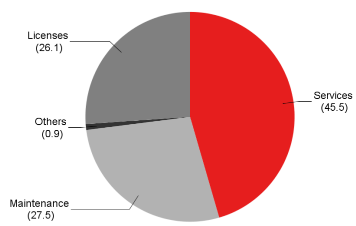
- The structural advantages of GK Software are compelling:
- GK Software's leading solution is completely Java-based, which makes it lean, platform independent and means it can be operated on the exisiting customer infrastructure.
- For many retail projects, GK competitors tend to undercalculate their bids and as a consequence are unable to complete the project on time and within budget.
- GK has outstanding reference clients (Hornbach, Kaufhof, Doublas, 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



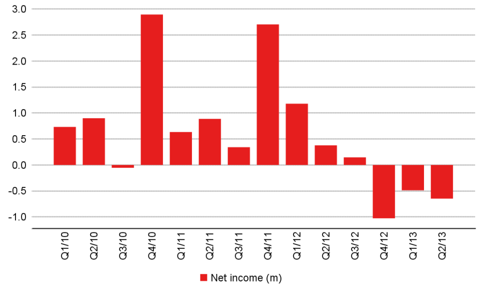
Source: Warburg Research

Sales by segments
2011; in %



Source: Warburg Research

Net income development
in EUR m



Source: Warburg Research

DCF model

	Detailed forecast period			Transitional period										Term. Value
Figures in EUR m	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	
Sales	36.8	40.5	44.5	47.6	50.0	52.5	55.2	57.9	60.8	63.8	67.0	68.7	70.4	
Sales change	*29.5 %*	*10.0 %*	*10.0 %*	*7.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*2.5 %*	*2.5 %*	*2.5 %*
EBIT	4.4	7.3	8.0	8.6	9.0	9.5	9.9	10.4	10.9	11.5	12.1	12.4	12.7	
EBIT-margin	*11.9 %*	*17.9 %*	*17.9 %*	*18.0 %*	*18.0 %*	*18.0 %*	*18.0 %*	*18.0 %*	*18.0 %*	*18.0 %*	*18.0 %*	*18.0 %*	*18.0 %*	
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	3.1	5.1	5.7	6.1	6.4	6.7	7.0	7.4	7.8	8.2	8.6	8.8	9.0	
Depreciation	2.4	2.6	2.9	2.4	2.5	2.6	2.2	1.7	1.8	0.6	0.7	0.7	0.7	
in % of Sales	*6.5 %*	*6.5 %*	*6.5 %*	*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	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in Liquidity from														
- Working Capital	-1.0	1.0	1.2	1.4	-0.3	-0.4	-0.5	0.6	0.6	0.7	0.7	0.4	0.4	
- Capex	1.4	1.5	1.5	1.4	1.5	1.6	1.7	1.7	1.2	0.6	0.7	0.7	0.7	
Capex in % of Sales	*3.7 %*	*3.7 %*	*3.4 %*	*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)	5.2	5.3	5.9	4.1	7.7	8.2	8.1	6.8	7.8	7.5	7.9	8.4	8.6	9
PV of FCF	5.0	4.6	4.5	2.8	4.6	4.3	3.8	2.8	2.8	2.4	2.3	2.1	1.9	19
share of PVs	**22.46 %**			**47.89 %**										**29.64 %**

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	0.00 %	Financial Strength	2.00
Cost of debt	4.2 %	Liquidity	1.50
Market return	8.00 %	Cyclicality	2.00
Risk free rate	2.50 %	Transparency	2.00
		Others	2.00
WACC	**12.95 %**	**Beta**	**1.90**

Valuation (m)

Present values 2025e	44		
Terminal Value	19		
Financial liabilities	3		
Pension liabilities	2		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	5	No. of shares (m)	1.8
Equity Value	**63**	**Value per share (EUR)**	**34.98**

Sensitivity Value per Share (EUR)

		Terminal Growth						
Beta	WACC	1.75 %	2.00 %	2.25 %	**2.50 %**	2.75 %	3.00 %	3.25 %
2.08	14.0 %	31.50	31.66	31.84	32.02	32.21	32.41	32.61
1.99	13.5 %	32.83	33.02	33.22	33.43	33.65	33.88	34.12
1.95	13.2 %	33.54	33.75	33.96	34.19	34.42	34.67	34.93
1.90	13.0 %	34.29	34.51	34.74	**34.98**	35.23	35.50	35.78
1.85	12.7 %	35.06	35.30	35.55	35.81	36.08	36.37	36.68
1.81	12.5 %	35.88	36.13	36.40	36.68	36.98	37.29	37.62
1.72	12.0 %	37.63	37.93	38.24	38.57	38.91	39.28	39.67

		Delta EBIT-margin						
Beta	WACC	-1.5 pp	-1.0 pp	-0.5 pp	**+0.0 pp**	+0.5 pp	+1.0 pp	+1.5 pp
2.08	14.0 %	29.33	30.23	31.12	32.02	32.92	33.81	34.71
1.99	13.5 %	30.62	31.56	32.49	33.43	34.37	35.31	36.24
1.95	13.2 %	31.31	32.27	33.23	34.19	35.15	36.11	37.07
1.90	13.0 %	32.03	33.01	34.00	**34.98**	35.96	36.94	37.93
1.85	12.7 %	32.79	33.80	34.80	35.81	36.82	37.82	38.83
1.81	12.5 %	33.59	34.62	35.65	36.68	37.72	38.75	39.78
1.72	12.0 %	35.30	36.39	37.48	38.57	39.66	40.74	41.83

- At 20% GK Software has in 2011 already achieved a high EBIT margin for a software company
- A lower margin is expected in 2012 because of delayed projects
- In 2013 a margin improvement is estimated while bigger project-contracts are assumed.
- The medium-term margin assumption remains 20%.

Valuation

	2009	2010	2011	2012	2013e	2014e	2015e
Price / Book	2.1 x	3.4 x	2.8 x	2.4 x	1.5 x	1.3 x	1.2 x
Book value per share ex intangibles	3.58	9.12	10.44	9.67	11.61	14.71	18.18
EV / Sales	1.2 x	2.7 x	2.2 x	2.2 x	1.0 x	0.8 x	0.6 x
EV / EBITDA	4.5 x	9.4 x	8.1 x	22.4 x	5.5 x	3.3 x	2.5 x
EV / EBIT	5.7 x	11.7 x	10.5 x	81.4 x	8.4 x	4.5 x	3.5 x
EV / EBIT adj.*	5.7 x	11.7 x	10.5 x	81.4 x	8.4 x	4.5 x	3.5 x
P / FCF	9.7 x	n.a.	34.0 x	68.2 x	9.0 x	8.8 x	7.9 x
P / E	9.0 x	18.4 x	17.1 x	101.4 x	14.9 x	9.0 x	8.2 x
P / E adj.*	9.0 x	18.4 x	17.1 x	101.4 x	14.9 x	9.0 x	8.2 x
Dividend Yield	5.3 %	1.0 %	1.1 %	1.3 %	1.9 %	1.9 %	1.9 %
Free Cash Flow Yield Potential	16.8 %	8.2 %	9.5 %	4.2 %	14.9 %	23.9 %	31.0 %

*Adjustments made for: -

Consolidated profit & loss

In EUR m	2009	2010	2011	2012	2013e	2014e	2015e
Sales	**23.3**	**27.7**	**31.8**	**28.4**	**36.8**	**40.5**	**44.5**
Change Sales yoy	54.9 %	19.0 %	14.7 %	-10.5 %	29.5 %	10.0 %	10.0 %
Increase / decrease in inventory	-0.9	0.0	0.0	-0.1	-0.7	-0.8	-0.9
Own work capitalised	1.1	0.6	1.5	0.7	1.8	2.0	2.2
Total Sales	**23.5**	**28.3**	**33.2**	**29.0**	**37.9**	**41.7**	**45.9**
Material Expenses	0.6	1.5	0.6	0.7	2.0	2.3	2.5
Gross profit	**22.9**	**26.8**	**32.6**	**28.4**	**35.9**	**39.4**	**43.4**
Gross profit margin	*98.4 %*	*96.8 %*	*102.8 %*	*99.8 %*	*97.4 %*	*97.4 %*	*97.4 %*
Personnel expenses	12.1	14.8	18.6	19.8	25.0	25.1	27.6
Other operating income	0.8	1.4	0.7	1.7	1.8	2.0	2.2
Other operating expenses	5.4	5.3	6.2	7.4	5.9	6.5	7.1
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	**6.2**	**8.0**	**8.6**	**2.9**	**6.8**	**9.9**	**10.9**
Margin	*26.5 %*	*28.8 %*	*27.1 %*	*10.1 %*	*18.4 %*	*24.4 %*	*24.4 %*
Depreciation of fixed assets	0.4	0.4	0.6	0.6	0.9	1.0	1.1
EBITA	**5.8**	**7.5**	**8.0**	**2.2**	**5.9**	**8.9**	**9.8**
Amortisation of intangible assets	0.9	1.1	1.3	1.4	1.5	1.6	1.8
Goodwill amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**4.9**	**6.4**	**6.7**	**0.8**	**4.4**	**7.3**	**8.0**
Margin	*21.0 %*	*23.2 %*	*21.0 %*	*2.8 %*	*11.9 %*	*17.9 %*	*17.9 %*
EBIT adj.	**4.9**	**6.4**	**6.7**	**0.8**	**4.4**	**7.3**	**8.0**
Interest income	0.3	0.2	0.2	0.2	0.0	0.0	0.0
Interest expenses	0.1	0.3	0.3	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	**5.0**	**6.3**	**6.6**	**0.8**	**4.4**	**7.3**	**8.0**
Margin	*21.6 %*	*22.8 %*	*20.7 %*	*2.9 %*	*11.9 %*	*17.9 %*	*17.9 %*
Total taxes	1.5	1.8	2.0	0.1	1.3	2.1	2.3
Net income from continuing operations	**3.5**	**4.5**	**4.6**	**0.7**	**3.1**	**5.1**	**5.7**
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	**3.5**	**4.5**	**4.6**	**0.7**	**3.1**	**5.1**	**5.7**
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**3.5**	**4.5**	**4.6**	**0.7**	**3.1**	**5.1**	**5.7**
Margin	*15.1 %*	*16.1 %*	*14.4 %*	*2.4 %*	*8.5 %*	*12.7 %*	*12.7 %*
Number of shares, average	1.7	1.7	1.8	1.8	1.8	1.8	1.8
EPS	**2.11**	**2.68**	**2.55**	**0.38**	**1.74**	**2.88**	**3.16**
EPS adj.	2.11	2.68	2.55	0.38	1.74	2.88	3.16

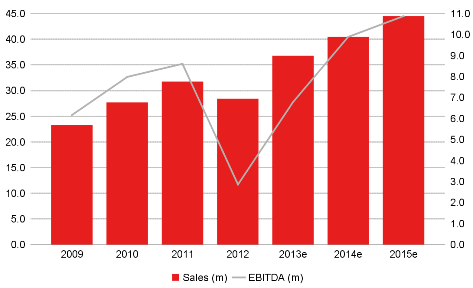
*Adjustments made for:

Guidance: n.a.

Financial Ratios

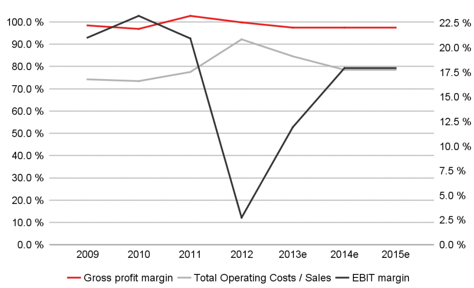
	2009	2010	2011	2012	2013e	2014e	2015e
Total Operating Costs / Sales	74.3 %	73.5 %	77.6 %	92.1 %	84.6 %	78.6 %	78.6 %
Operating Leverage	2.2 x	1.7 x	0.2 x	8.4 x	15.6 x	6.5 x	1.0 x
EBITDA / Interest expenses	53.2 x	26.1 x	31.2 x	14.9 x	n.a.	n.a.	n.a.
Tax rate (EBT)	30.1 %	29.1 %	30.5 %	17.6 %	29.0 %	29.0 %	29.0 %
Dividend Payout Ratio	47.3 %	18.7 %	19.6 %	132.4 %	28.7 %	17.4 %	15.8 %
Sales per Employee	86,211	85,460	79,781	70,022	88,872	95,842	103,359

Sales, EBITDA
in EUR m



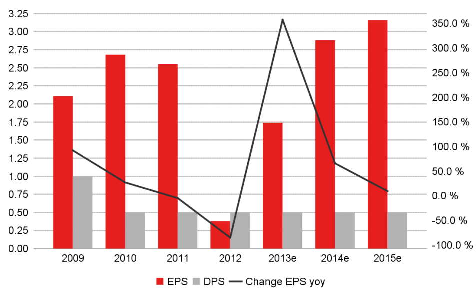
Source: Warburg Research

Operating Performance
in %



Source: Warburg Research

Performance per Share



Source: Warburg Research

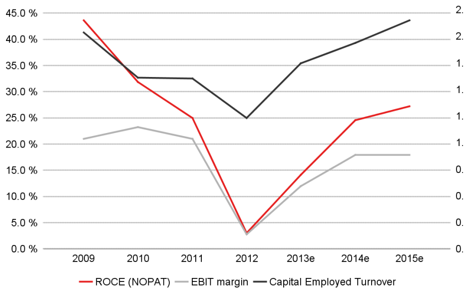
Consolidated balance sheet

In EUR m	2009	2010	2011	2012	2013e	2014e	2015e
Assets							
Goodwill and other intangible assets	9.3	9.1	9.5	10.9	9.6	8.3	6.9
thereof other intangible assets	2.9	2.7	3.1	4.5	3.2	1.9	0.5
thereof Goodwill	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Property, plant and equipment	3.4	4.0	4.1	4.9	5.1	5.3	5.3
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	**12.7**	**13.2**	**13.7**	**15.8**	**14.7**	**13.6**	**12.2**
Inventories	0.0	0.0	0.0	1.0	4.1	4.5	4.9
Accounts receivable	5.8	14.1	11.9	11.6	7.8	8.5	9.4
Liquid assets	10.6	13.4	13.9	10.3	14.5	18.9	23.9
Other short-term assets	3.1	4.1	4.0	5.4	5.4	5.4	5.4
Current assets	**19.6**	**31.6**	**29.8**	**28.3**	**31.8**	**37.3**	**43.6**
Total Assets	**32.4**	**44.8**	**43.5**	**44.1**	**46.5**	**50.9**	**55.8**
Liabilities and shareholders' equity							
Subscribed capital	1.7	1.8	1.8	1.8	1.8	1.8	1.8
Capital reserve	7.8	13.9	14.2	14.4	14.4	14.4	14.4
Retained earnings	0.0	0.0	0.0	0.0	2.3	6.5	11.3
Other equity components	5.8	8.6	12.2	12.0	12.0	12.0	12.0
Shareholder's equity	15.3	24.3	28.2	28.2	30.4	34.7	39.4
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	**15.3**	**24.3**	**28.2**	**28.2**	**30.4**	**34.7**	**39.4**
Provisions	2.1	1.4	1.8	4.6	4.6	4.6	4.6
thereof provisions for pensions and similar obligations	0.0	0.3	0.2	1.7	1.7	1.7	1.7
Financial liabilites (total)	6.7	6.0	5.2	3.5	3.5	3.5	3.5
thereof short-term financial liabilities	0.7	0.7	0.8	2.2	2.2	2.2	2.2
Accounts payable	0.8	0.5	0.3	0.8	1.1	1.2	1.3
Other liabilities	7.5	12.6	7.9	6.9	6.9	6.9	6.9
Liabilities	**17.1**	**20.5**	**15.2**	**15.9**	**16.1**	**16.2**	**16.3**
Total liabilities and shareholders' equity	**32.4**	**44.8**	**43.5**	**44.1**	**46.5**	**50.9**	**55.8**

Financial Ratios

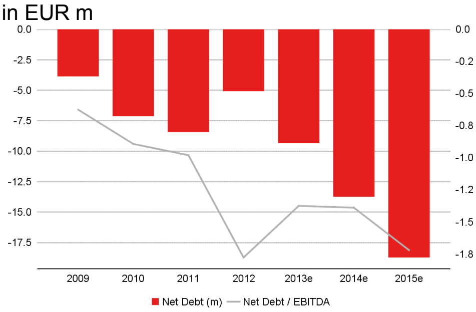
	2009	2010	2011	2012	2013e	2014e	2015e
Efficiency of Capital Employment							
Operating Assets Turnover	3.7 x	2.5 x	2.1 x	1.8 x	2.5 x	2.5 x	2.6 x
Capital Employed Turnover	2.0 x	1.6 x	1.6 x	1.2 x	1.7 x	1.9 x	2.2 x
ROA	27.6 %	34.0 %	33.4 %	4.3 %	21.1 %	37.9 %	46.5 %
Return on Capital							
ROCE (NOPAT)	43.6 %	31.9 %	25.0 %	3.0 %	14.1 %	24.5 %	27.2 %
ROE	26.0 %	22.6 %	17.4 %	2.4 %	10.6 %	15.8 %	15.3 %
Adj. ROE	26.0 %	22.6 %	17.4 %	2.4 %	10.6 %	15.8 %	15.3 %
Balance sheet quality							
Net Debt	-3.9	-7.1	-8.4	-5.1	-9.3	-13.7	-18.7
Net Financial Debt	-3.9	-7.5	-8.6	-6.8	-11.1	-15.5	-20.4
Net Gearing	-25.3 %	-29.3 %	-29.8 %	-18.0 %	-30.7 %	-39.7 %	-47.5 %
Net Fin. Debt / EBITDA	-63.4 %	-93.4 %	-100.2 %	-237.5 %	-162.9 %	-156.2 %	-187.8 %
Book Value / Share	9.2	14.6	15.8	15.7	17.0	19.4	22.0
Book value per share ex intangibles	3.6	9.1	10.4	9.7	11.6	14.7	18.2

ROCE Development



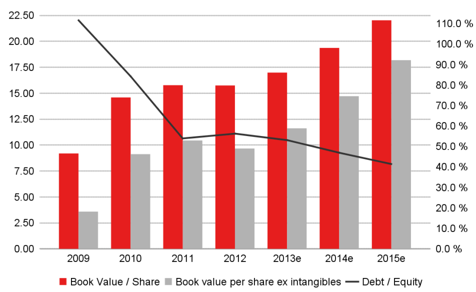
Source: Warburg Research

Net debt
in EUR m



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

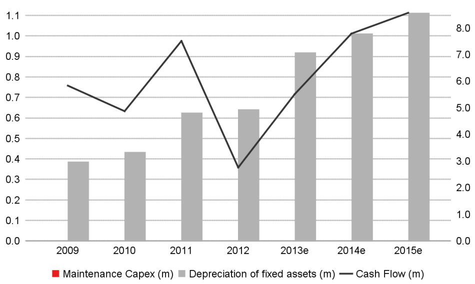
Consolidated cash flow statement

In EUR m	2009	2010	2011	2012	2013e	2014e	2015e
Net income	3.5	4.5	4.6	0.7	3.1	5.1	5.7
Depreciation of fixed assets	0.4	0.4	0.6	0.6	0.9	1.0	1.1
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.9	1.1	1.3	1.4	1.5	1.6	1.8
Increase/decrease in long-term provisions	0.0	-0.1	0.2	1.6	0.0	0.0	0.0
Other non-cash income and expenses	1.0	-1.0	0.8	-1.6	0.0	0.0	0.0
Cash Flow	**5.8**	**4.9**	**7.5**	**2.8**	**5.5**	**7.8**	**8.6**
Increase / decrease in inventory	0.7	0.0	0.0	0.1	-3.1	-0.4	-0.4
Increase / decrease in accounts receivable	-2.8	-8.5	2.0	2.4	3.8	-0.7	-0.9
Increase / decrease in accounts payable	1.9	5.3	-4.8	-2.2	0.3	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)	-0.2	-3.2	-2.8	0.3	1.0	-1.0	-1.2
Net cash provided by operating activities	**5.7**	**1.7**	**4.7**	**3.1**	**6.5**	**6.8**	**7.4**
Investments in intangible assets	-1.2	-1.9	-1.7	-0.9	-0.2	-0.3	-0.3
Investments in property, plant and equipment	-1.2	-1.1	-0.7	-1.1	-1.1	-1.1	-1.1
Payments for acquisitions	-6.4	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	-0.6	-0.1	-0.3	-0.4	0.0	0.0	0.0
Income from asset disposals	0.0	0.4	0.0	-1.6	0.0	0.0	0.0
Net cash provided by investing activities	**-9.4**	**-2.7**	**-2.7**	**-4.0**	**-1.4**	**-1.5**	**-1.5**
Change in financial liabilities	5.5	-0.7	-0.7	-1.8	0.0	0.0	0.0
Dividends paid	0.0	-1.7	-0.9	-0.9	-0.9	-0.9	-0.9
Purchase of own shares	0.0	6.3	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	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	**5.5**	**3.8**	**-1.6**	**-2.7**	**-0.9**	**-0.9**	**-0.9**
Change in liquid funds	1.8	2.8	0.4	-3.6	4.3	4.4	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	**10.6**	**13.4**	**13.9**	**10.3**	**14.5**	**18.9**	**23.9**

Financial Ratios

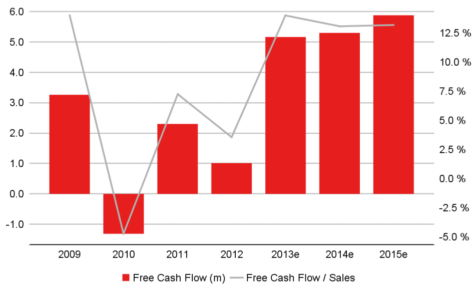
	2009	2010	2011	2012	2013e	2014e	2015e
Cash Flow							
Free Cash Flow	3.3	-1.3	2.3	1.0	5.2	5.3	5.9
Free Cash Flow / Sales	14.0 %	-4.7 %	7.2 %	3.6 %	14.0 %	13.1 %	13.2 %
Free Cash Flow Potential	4.7	6.1	6.6	2.7	5.5	7.8	8.6
Free Cash Flow / Sales	14.0 %	-4.7 %	7.2 %	3.6 %	14.0 %	13.1 %	13.2 %
Free Cash Flow / Net Profit	92.7 %	-29.4 %	50.4 %	149.7 %	165.7 %	102.8 %	103.7 %
Interest Received / Avg. Cash	2.7 %	1.5 %	1.4 %	1.9 %	0.0 %	0.0 %	0.0 %
Interest Paid / Avg. Debt	2.9 %	4.8 %	4.9 %	4.4 %	0.0 %	0.0 %	0.0 %
Management of Funds							
Investment ratio	10.3 %	10.8 %	7.7 %	7.2 %	3.7 %	3.7 %	3.4 %
Maint. Capex / Sales	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Capex / Dep	187.6 %	192.6 %	125.7 %	99.2 %	56.7 %	56.6 %	51.5 %
Avg. Working Capital / Sales	8.2 %	18.0 %	28.2 %	37.8 %	27.8 %	25.3 %	25.5 %
Trade Debtors / Trade Creditors	755.3 %	2964.1 %	3630.7 %	1379.5 %	709.1 %	708.3 %	723.1 %
Inventory Turnover	n.a.	n.a.	n.a.	0.7 x	0.5 x	0.5 x	0.5 x
Receivables collection period (days)	92	186	137	149	77	77	77
Payables payment period (days)	504	113	197	457	196	195	192
Cash conversion cycle (Days)	n.a.	n.a.	n.a.	-252	501	517	527

CAPEX and Cash Flow
in EUR m



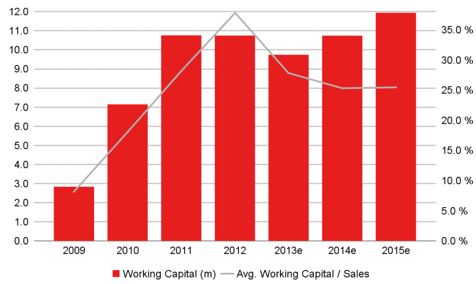
Source: Warburg Research

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)
GK Software	5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0007571424.htm

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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

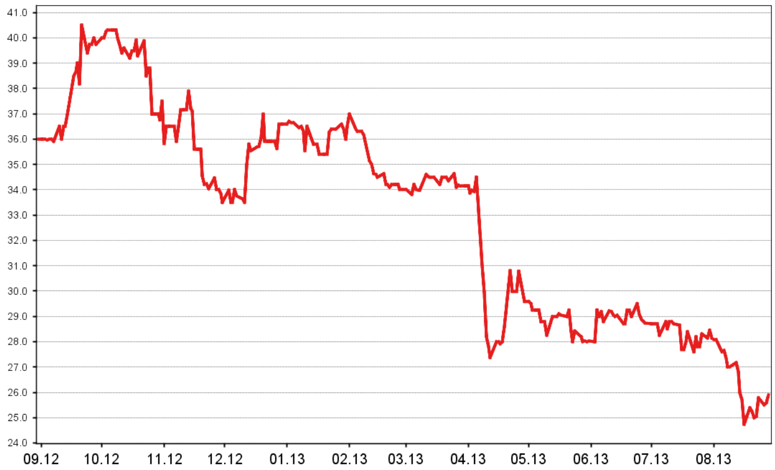
Rating	Number of stocks	% of Universe
Buy	104	53
Hold	82	41
Sell	8	4
Rating suspended	4	2
Total	**198**	**100**

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	89	59
Hold	54	36
Sell	4	3
Rating suspended	3	2
Total	**150**	**100**

PRICE AND RATING HISTORY GK SOFTWARE AS OF 29.08.2013



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.

RESEARCH

Roland Rapelius Head of Research	+49 40 309537-220 rrapelius@warburg-research.com	**Malte Räther** Technology, Telco, Internet	+49 40 309537-185 mraether@warburg-research.com
Henner Rüschmeier Head of Research	+49 40 309537-270 hrueschmeier @warburg-research.com	**Jochen Reichert** Telco, Internet, Media	+49 40 309537-130 jreichert@warburg-research.com
Christian Cohrs Engineering, Logistics	+49 40 309537-175 ccohrs@warburg-research.com	**Christopher Rodler** Utilities	+49 40 309537-290 crodler@warburg-research.com
Felix Ellmann Software, IT	+49 40 309537-120 fellmann@warburg-research.com	**Malte Schaumann** Technology	+49 40 309537-170 mschaumann@warburg-research.com
Jörg Philipp Frey Retail, Consumer Goods	+49 40 309537-258 jfrey@warburg-research.com	**Susanne Schwartze** Telco, Internet, Media	+49 40 309537-155 sschwartze@warburg-research.com
Ulrich Huwald Health Care, Pharma	+49 40 309537-255 uhuwald@warburg-research.com	**Oliver Schwarz** Chemicals, Agriculture	+49 40 309537-250 oschwarz@warburg-research.com
Thilo Kleibauer Retail, Consumer Goods	+49 40 309537-257 tkleibauer@warburg-research.com	**Marc-René Tonn** Automobiles, Car Suppliers	+49 40 309537-259 mtonn@warburg-research.com
Torsten Klingner Real Estate	+49 40 309537-260 tklingner@warburg-research.com	**Björn Voss** Steel, Car Suppliers	+49 40 309537-254 bvoss@warburg-research.com
Eggert Kuls Engineering	+49 40 309537-256 ekuls@warburg-research.com	**Andreas Wolf** Software, IT	+49 40 309537-140 awolf@warburg-research.com
Frank Laser Construction, Industrials	+49 40 309537-235 flaser@warburg-research.com	**Stephan Wulf** Utilities	+49 40 309537-150 swulf@warburg-research.com
Andreas Pläsier Banks, Financial Services	+49 40 309537-246 aplaesier@warburg-research.com		

SALES

Holger Nass Head of Equity Sales, USA	+49 40 3282-2669 hnass@mmwarburg.com
Klaus Schilling Dep. Head of Equity Sales, GER	+49 40 3282-2664 kschilling@mmwarburg.com
Christian Alisch Scandinavia, Spain	+49 40 3282-2667 calisch@mmwarburg.com
Tim Beckmann United Kingdom	+49 40 3282-2665 tbeckmann@mmwarburg.com
Matthias Fritsch United Kingdom	+49 40 3282-2696 mfritsch@mmwarburg.com
Marie-Therese Grübner France	+49 40 3282-2630 mgruebner@mmwarburg.com
Michael Kriszun United Kingdom	+49 40 3282-2695 mkriszun@mmwarburg.com
Marc Niemann Germany	+49 40 3282-2660 mniemann@mmwarburg.com
Dirk Rosenfelder Austria, Switzerland	+49 40 3282-2692 drosenfelder@mmwarburg.com
Philipp Stumpfegger Australia, United Kingdom	+49 40 3282-2635 pstumpfegger@mmwarburg.com

SALES TRADING

Oliver Merckel Head of Sales Trading	+49 40 3282-2634 omerckel@mmwarburg.com
Gudrun Bolsen Sales Trading	+49 40 3282-2679 gbolsen@mmwarburg.com
Bastian Quast Sales Trading	+49 40 3282-2701 bquast@mmwarburg.com
Patrick Schepelmann Sales Trading	+49 40 3282-2700 pschepelmann@mmwarburg.com
Thekla Struve Sales Trading	+49 40 3282-2668 tstruve@mmwarburg.com
Jörg Treptow Sales Trading	+49 40 3262-2658 jtreptow@mmwarburg.com

Support

Katharina Bruns Roadshow/Marketing	+49 40 3282-2694 kbruns@mmwarburg.com

MACRO RESEARCH

Carsten Klude Macro Research	+49 40 3282-2572 cklude@mmwarburg.com
Matthias Thiel Macro Research	+49 40 3282-2401 mthiel@mmwarburg.com
Dr. Christian Jasperneite Investment Strategy	+49 40 3282-2439 cjasperneite@mmwarburg.com

Our research can be found under:

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For access please contact:

Andrea Schaper Sales Assistance	+49 40 3282-2632 aschaper@mmwarburg.com	**Kerstin Muthig** Sales Assistance	+49 40 3282-2703 kmuthig@mmwarburg.com