

<b>Buy</b>  <b>EUR 50.00</b> (EUR 55.00)  Price <b>EUR 37.00</b> <b>Upside 35.2 %</b>	<b>Value Indicators:</b> EUR DCF: 50.01 FCF-Value Potential: 45.05	<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: 70.3 No. of shares (m): 1.9 EV: 63.2 Freefloat MC: 27.8 Ø Trad. Vol. (30d; EUR): 7.71 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> 2014e Beta: 1.4 Price / Book: 2.1 x Equity Ratio: 70 %

## Lack of large contract a burden for 2014

<b>Stated Figures Q3/2014:</b> in Mio. EUR	<table border="1"> <thead> <tr> <th></th> <th>Q3/14</th> <th>Q3/14e</th> <th>Q3/13</th> <th>yoy</th> <th>9M/14</th> <th>9M/14e</th> <th>9M/13</th> <th>yoy</th> </tr> </thead> <tbody> <tr> <td>Umsatz</td> <td>10,3</td> <td>11,0</td> <td>10,2</td> <td>1,0%</td> <td>30,6</td> <td>31,2</td> <td>28,6</td> <td>6,7%</td> </tr> <tr> <td>EBIT</td> <td>-0,9</td> <td>-0,2</td> <td>0,3</td> <td>-</td> <td>-2,2</td> <td>-1,5</td> <td>-0,7</td> <td>198,5%</td> </tr> <tr> <td>Margin</td> <td>-8,6%</td> <td>-1,8%</td> <td>2,8%</td> <td></td> <td>-7,3%</td> <td>-4,9%</td> <td>-2,6%</td> <td></td> </tr> </tbody> </table>		Q3/14	Q3/14e	Q3/13	yoy	9M/14	9M/14e	9M/13	yoy	Umsatz	10,3	11,0	10,2	1,0%	30,6	31,2	28,6	6,7%	EBIT	-0,9	-0,2	0,3	-	-2,2	-1,5	-0,7	198,5%	Margin	-8,6%	-1,8%	2,8%		-7,3%	-4,9%	-2,6%		<b>Comment on Figures:</b> <ul style="list-style-type: none"> <li>GK Software AG released financial figures for Q3 2014 on November 25.</li> <li>These were below expectations, particularly on the earnings side.</li> <li>The reason for the development was a lack of licence revenues.</li> </ul>
	Q3/14	Q3/14e	Q3/13	yoy	9M/14	9M/14e	9M/13	yoy																														
Umsatz	10,3	11,0	10,2	1,0%	30,6	31,2	28,6	6,7%																														
EBIT	-0,9	-0,2	0,3	-	-2,2	-1,5	-0,7	198,5%																														
Margin	-8,6%	-1,8%	2,8%		-7,3%	-4,9%	-2,6%																															

GK's 2014 outlook is cautious. While revenue is expected to be above the level from the previous year, no details have been provided regarding earnings. Earnings for 2014 are expected to be only just above levels from the weak 2013. The exact extent of a small profit in 2014 depends on some important licence agreements which are still to be signed in Q4, the certainty of which is still insufficient. The main reason for the weak 2014 is the loss of a large contract as a result of the takeover of a large German retailer by another GK customer. Consequently, the new installation of a very large application will not take place. Overall, the sales cooperation with SAP, which holds 5% in GK and the first right of refusal for the majority of shares, is still of great importance. Despite the well-filled SAP sales pipeline however, there is often long delays with signing new projects. In light of this, GK has now taken necessary action and is carrying out a more exact evaluation of the pipeline in order to plan the capacity utilisation more efficiently. As such, the investment case overall remains intact. With good utilisation rates from the GK team, EBIT margins of 20% are possible – this has been proven repeatedly in the past. In line with a pipeline that is still positive, significantly higher margins are estimated for 2015. However, an unexpected large project loss, like the one in 2014, still poses a considerable risk for the business. Against the backdrop of a fundamentally strong SAP project pipeline, it is expected that 2015 will see good capacity utilisation and with this, a high margin level.

**PT is EUR 50 and Buy rating remains unchanged.**

<b>Changes in Estimates:</b> FY End: 31.12. in EUR m	<table border="1"> <thead> <tr> <th></th> <th>2014e (old)</th> <th>+ / -</th> <th>2015e (old)</th> <th>+ / -</th> <th>2016e (old)</th> <th>+ / -</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>46.0</td> <td>-4.3 %</td> <td>50.0</td> <td>0.0 %</td> <td>53.0</td> <td>0.0 %</td> </tr> <tr> <td>EBITDA</td> <td>7.0</td> <td>-56.2 %</td> <td>9.8</td> <td>0.0 %</td> <td>11.7</td> <td>0.0 %</td> </tr> <tr> <td>EBIT</td> <td>4.5</td> <td>-85.4 %</td> <td>7.0</td> <td>0.0 %</td> <td>8.7</td> <td>0.0 %</td> </tr> <tr> <td>EPS</td> <td>0.0</td> <td>-85.1 %</td> <td>0.0</td> <td>0.0 %</td> <td>0.0</td> <td>0.0 %</td> </tr> </tbody> </table>		2014e (old)	+ / -	2015e (old)	+ / -	2016e (old)	+ / -	Sales	46.0	-4.3 %	50.0	0.0 %	53.0	0.0 %	EBITDA	7.0	-56.2 %	9.8	0.0 %	11.7	0.0 %	EBIT	4.5	-85.4 %	7.0	0.0 %	8.7	0.0 %	EPS	0.0	-85.1 %	0.0	0.0 %	0.0	0.0 %	<b>Comment on Changes:</b> <ul style="list-style-type: none"> <li>Large licence revenues are not expected in Q4. As such, original earnings estimates (2014) are no longer achievable.</li> <li>Against the backdrop of a normalised degree of capacity utilisation, a significantly higher EBIT margin is expected for 2015.</li> <li>With this, projects from the SAP collaboration will be more carefully evaluated overall.</li> </ul>
	2014e (old)	+ / -	2015e (old)	+ / -	2016e (old)	+ / -																															
Sales	46.0	-4.3 %	50.0	0.0 %	53.0	0.0 %																															
EBITDA	7.0	-56.2 %	9.8	0.0 %	11.7	0.0 %																															
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<b>Rel. Performance vs CDAX:</b>	
1 month:	-9.5 %
6 months:	-7.4 %
Year to date:	-31.3 %
Trailing 12 months:	8.2 %

<b>Company events:</b>	
29.04.15	FY 2014
28.05.15	Q2
18.06.15	AGM

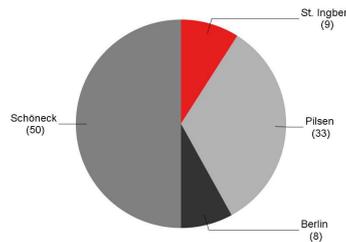
FY End: 31.12. in EUR m	CAGR (13-16e)	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014e</b>	<b>2015e</b>	<b>2016e</b>
Sales	7.7 %	27.7	31.8	28.4	42.5	44.0	50.0	53.0
Change Sales yoy		19.0 %	14.7 %	-10.5 %	49.4 %	3.6 %	13.6 %	6.0 %
Gross profit margin		96.8 %	102.8 %	99.8 %	91.3 %	92.0 %	93.0 %	93.0 %
EBITDA	48.4 %	8.0	8.6	2.9	3.6	3.1	9.8	11.7
Margin		28.8 %	27.1 %	10.1 %	8.4 %	7.0 %	19.5 %	22.0 %
EBIT	90.0 %	6.4	6.7	0.8	1.3	0.7	7.0	8.7
Margin		23.2 %	21.0 %	2.8 %	3.0 %	1.5 %	14.0 %	16.5 %
Net income	101.0 %	4.5	4.6	0.7	0.8	0.5	5.0	6.2
EPS	96.6 %	2.68	2.55	0.38	0.43	0.25	2.62	3.27
EPS adj.	96.6 %	2.68	2.55	0.38	0.43	0.25	2.62	3.27
DPS	26.0 %	0.50	0.50	0.00	0.25	0.50	0.50	0.50
Dividend Yield		1.0 %	1.1 %	0.0 %	0.8 %	1.4 %	1.4 %	1.4 %
FCFPS		-0.79	1.29	0.57	-0.22	-1.58	1.98	3.40
EV / Sales		2.7 x	2.2 x	2.2 x	1.1 x	1.4 x	1.2 x	1.0 x
EV / EBITDA		9.4 x	8.1 x	22.4 x	12.7 x	20.5 x	6.2 x	4.7 x
EV / EBIT		11.7 x	10.5 x	81.4 x	35.5 x	96.0 x	8.6 x	6.3 x
P / E		18.4 x	17.1 x	101.4 x	72.5 x	148.0 x	14.1 x	11.3 x
P / E adj.		18.4 x	17.1 x	101.4 x	72.5 x	148.0 x	14.1 x	11.3 x
FCF Yield Potential		8.2 %	9.5 %	4.2 %	7.0 %	4.6 %	12.8 %	16.6 %
Net Debt		-7.1	-8.4	-5.1	-10.5	-7.1	-9.9	-15.4
ROE		22.6 %	17.4 %	2.4 %	2.5 %	1.4 %	14.0 %	15.5 %
ROCE (NOPAT)		31.9 %	25.0 %	3.0 %	3.6 %	1.9 %	18.4 %	22.6 %
Guidance:		2014 revenues above 2013						

**Sales development**  
in EUR m



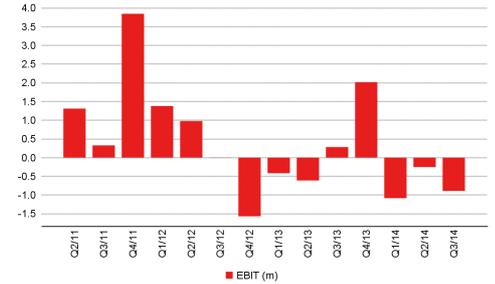
Source: Warburg Research

**Employees per location**  
2014e; in %



Source: Warburg Research

**EBIT development**  
in EUR m



Source: Warburg Research

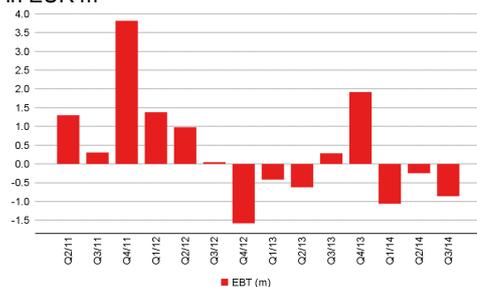
## Company Background

- 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

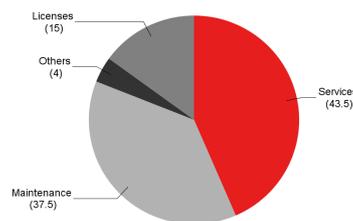
- The structural advantages of GK Software are compelling:
- GK Software's leading solution is completely Java-based, which makes it lean, platform independent and means it can be operated on the existing customer infrastructure.
- For many retail projects, GK competitors tend to undercalculate their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



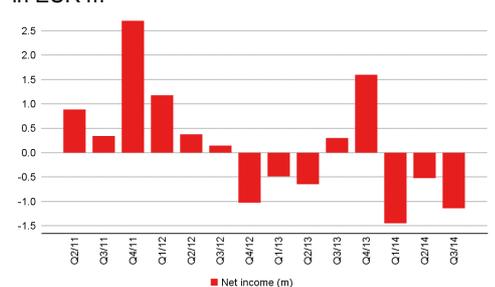
Source: Warburg Research

**Sales by segments**  
2013; 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
	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	
Sales	44.0	50.0	53.0	55.7	58.4	61.4	64.4	67.6	71.0	74.6	78.3	80.3	82.3	
Sales change	3.6 %	13.6 %	6.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	2.5 %	2.5 %	2.5 %
EBIT	0.7	7.0	8.7	9.5	9.9	10.4	11.0	11.5	12.1	12.7	13.3	13.6	14.0	
EBIT-margin	1.5 %	14.0 %	16.5 %	17.0 %	17.0 %	17.0 %	17.0 %	17.0 %	17.0 %	17.0 %	17.0 %	17.0 %	17.0 %	
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	0.5	5.0	6.2	6.7	7.1	7.4	7.8	8.2	8.6	9.0	9.5	9.7	9.9	
Depreciation	2.4	2.8	2.9	2.8	2.9	3.1	2.6	2.0	2.1	0.7	0.8	0.8	0.8	
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	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in Liquidity from														
- Working Capital	4.3	2.4	1.1	-4.6	-0.4	-0.5	-0.6	0.7	0.7	0.8	0.8	0.4	0.4	
- Capex	1.5	1.6	1.6	1.7	1.8	1.8	1.9	2.0	1.4	0.7	0.8	0.8	0.8	
Capex in % of Sales	3.5 %	3.1 %	3.0 %	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)	-3.0	3.8	6.5	11.7	8.6	9.1	9.0	7.5	8.6	8.2	8.6	9.3	9.5	9
PV of FCF	-2.9	3.2	5.1	8.3	5.6	5.3	4.8	3.6	3.7	3.3	3.1	3.0	2.8	36
share of PVs	6.39 %			51.03 %										42.58 %

**Model parameter**

Derivation of WACC:		Derivation of Beta:	
Debt ratio	0.00 %	Financial Strength	1.00
Cost of debt (after tax)	4.2 %	Liquidity (share)	1.50
Market return	8.00 %	Cyclicality	1.20
Risk free rate	2.50 %	Transparency	2.00
		Others	1.30
<b>WACC</b>	<b>10.20 %</b>	<b>Beta</b>	<b>1.40</b>

**Valuation (m)**

Present values 2026e	49		
Terminal Value	36		
Financial liabilities	2		
Pension liabilities	1		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	13	No. of shares (m)	1.9
<b>Equity Value</b>	<b>95</b>	<b>Value per share (EUR)</b>	<b>50.01</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
1.58	11.2 %	43.32	43.69	44.09	44.52	44.97	45.44	45.95	1.58	11.2 %	40.70	41.97	43.24	44.52	45.79	47.06	48.33
1.49	10.7 %	45.67	46.12	46.60	47.10	47.63	48.20	48.81	1.49	10.7 %	43.04	44.40	45.75	47.10	48.45	49.80	51.16
1.45	10.5 %	46.96	47.44	47.96	48.51	49.10	49.72	50.39	1.45	10.5 %	44.32	45.72	47.12	48.51	49.91	51.30	52.70
1.40	10.2 %	48.31	48.85	49.41	50.01	50.66	51.35	52.08	1.40	10.2 %	45.69	47.13	48.57	50.01	51.46	52.90	54.34
1.35	10.0 %	49.75	50.34	50.96	51.62	52.33	53.08	53.90	1.35	10.0 %	47.14	48.63	50.13	51.62	53.11	54.60	56.09
1.31	9.7 %	51.29	51.92	52.60	53.33	54.11	54.95	55.85	1.31	9.7 %	48.70	50.24	51.79	53.33	54.88	56.42	57.97
1.22	9.2 %	54.66	55.43	56.25	57.14	58.10	59.13	60.25	1.22	9.2 %	52.15	53.82	55.48	57.14	58.81	60.47	62.13

- 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
- The medium-term margin assumption remains 20%.

<b>Valuation</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014e</b>	<b>2015e</b>	<b>2016e</b>
Price / Book	3.4 x	2.8 x	2.4 x	1.7 x	2.1 x	1.9 x	1.6 x
Book value per share ex intangibles	9.12	10.44	9.67	13.13	13.13	16.11	19.80
EV / Sales	2.7 x	2.2 x	2.2 x	1.1 x	1.4 x	1.2 x	1.0 x
EV / EBITDA	9.4 x	8.1 x	22.4 x	12.7 x	20.5 x	6.2 x	4.7 x
EV / EBIT	11.7 x	10.5 x	81.4 x	35.5 x	96.0 x	8.6 x	6.3 x
EV / EBIT adj.*	11.7 x	10.5 x	81.4 x	35.5 x	96.0 x	8.6 x	6.3 x
P / FCF	n.a.	34.0 x	68.2 x	n.a.	n.a.	18.7 x	10.9 x
P / E	18.4 x	17.1 x	101.4 x	72.5 x	148.0 x	14.1 x	11.3 x
P / E adj.*	18.4 x	17.1 x	101.4 x	72.5 x	148.0 x	14.1 x	11.3 x
Dividend Yield	1.0 %	1.1 %	0.0 %	0.8 %	1.4 %	1.4 %	1.4 %
Free Cash Flow Yield Potential	8.2 %	9.5 %	4.2 %	7.0 %	4.6 %	12.8 %	16.6 %
*Adjustments made for: -							

**Consolidated profit & loss**

In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
<b>Sales</b>	<b>27.7</b>	<b>31.8</b>	<b>28.4</b>	<b>42.5</b>	<b>44.0</b>	<b>50.0</b>	<b>53.0</b>
Change Sales yoy	19.0 %	14.7 %	-10.5 %	49.4 %	3.6 %	13.6 %	6.0 %
Increase / decrease in inventory	0.0	0.0	-0.1	0.0	0.0	0.0	0.0
Own work capitalised	0.6	1.5	0.7	0.4	0.4	0.5	0.5
<b>Total Sales</b>	<b>28.3</b>	<b>33.2</b>	<b>29.0</b>	<b>42.8</b>	<b>44.4</b>	<b>50.5</b>	<b>53.5</b>
Material Expenses	1.5	0.6	0.7	4.1	4.0	4.0	4.2
<b>Gross profit</b>	<b>26.8</b>	<b>32.6</b>	<b>28.4</b>	<b>38.8</b>	<b>40.5</b>	<b>46.5</b>	<b>49.3</b>
<i>Gross profit margin</i>	<i>96.8 %</i>	<i>102.8 %</i>	<i>99.8 %</i>	<i>91.3 %</i>	<i>92.0 %</i>	<i>93.0 %</i>	<i>93.0 %</i>
Personnel expenses	14.8	18.6	19.8	25.6	27.3	27.8	28.1
Other operating income	1.4	0.7	1.7	2.5	2.6	3.0	3.2
Other operating expenses	5.3	6.2	7.4	12.0	12.8	12.0	12.7
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>8.0</b>	<b>8.6</b>	<b>2.9</b>	<b>3.6</b>	<b>3.1</b>	<b>9.8</b>	<b>11.7</b>
<i>Margin</i>	<i>28.8 %</i>	<i>27.1 %</i>	<i>10.1 %</i>	<i>8.4 %</i>	<i>7.0 %</i>	<i>19.5 %</i>	<i>22.0 %</i>
Depreciation of fixed assets	0.4	0.6	0.6	0.6	0.7	0.8	0.8
<b>EBITA</b>	<b>7.5</b>	<b>8.0</b>	<b>2.2</b>	<b>3.0</b>	<b>2.4</b>	<b>9.0</b>	<b>10.9</b>
Amortisation of intangible assets	1.1	1.3	1.4	1.7	1.8	2.0	2.1
Goodwill amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>6.4</b>	<b>6.7</b>	<b>0.8</b>	<b>1.3</b>	<b>0.7</b>	<b>7.0</b>	<b>8.7</b>
<i>Margin</i>	<i>23.2 %</i>	<i>21.0 %</i>	<i>2.8 %</i>	<i>3.0 %</i>	<i>1.5 %</i>	<i>14.0 %</i>	<i>16.5 %</i>
<b>EBIT adj.</b>	<b>6.4</b>	<b>6.7</b>	<b>0.8</b>	<b>1.3</b>	<b>0.7</b>	<b>7.0</b>	<b>8.7</b>
Interest income	0.2	0.2	0.2	0.1	0.0	0.0	0.0
Interest expenses	0.3	0.3	0.2	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
<b>EBT</b>	<b>6.3</b>	<b>6.6</b>	<b>0.8</b>	<b>1.2</b>	<b>0.7</b>	<b>7.0</b>	<b>8.7</b>
<i>Margin</i>	<i>22.8 %</i>	<i>20.7 %</i>	<i>2.9 %</i>	<i>2.7 %</i>	<i>1.5 %</i>	<i>14.0 %</i>	<i>16.5 %</i>
Total taxes	1.8	2.0	0.1	0.4	0.2	2.0	2.5
<b>Net income from continuing operations</b>	<b>4.5</b>	<b>4.6</b>	<b>0.7</b>	<b>0.8</b>	<b>0.5</b>	<b>5.0</b>	<b>6.2</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>4.5</b>	<b>4.6</b>	<b>0.7</b>	<b>0.8</b>	<b>0.5</b>	<b>5.0</b>	<b>6.2</b>
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>4.5</b>	<b>4.6</b>	<b>0.7</b>	<b>0.8</b>	<b>0.5</b>	<b>5.0</b>	<b>6.2</b>
<i>Margin</i>	<i>16.1 %</i>	<i>14.4 %</i>	<i>2.4 %</i>	<i>1.8 %</i>	<i>1.1 %</i>	<i>9.9 %</i>	<i>11.7 %</i>
Number of shares, average	1.7	1.8	1.8	1.8	1.9	1.9	1.9
<b>EPS</b>	<b>2.68</b>	<b>2.55</b>	<b>0.38</b>	<b>0.43</b>	<b>0.25</b>	<b>2.62</b>	<b>3.27</b>
EPS adj.	2.68	2.55	0.38	0.43	0.25	2.62	3.27

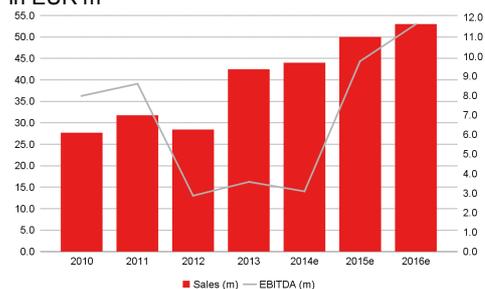
\*Adjustments made for:

**Guidance: 2014 revenues above 2013**
**Financial Ratios**

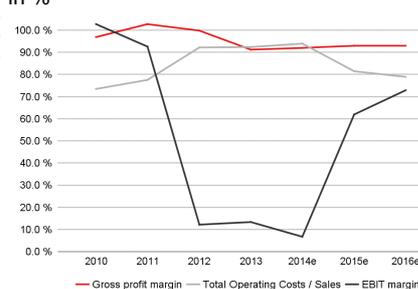
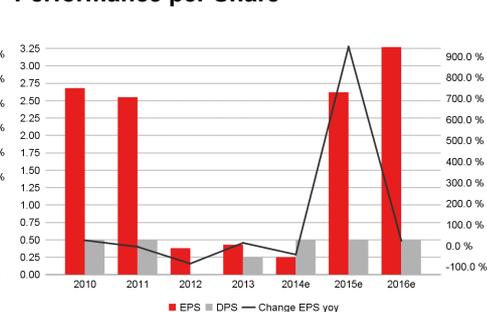
	2010	2011	2012	2013	2014e	2015e	2016e
Total Operating Costs / Sales	73.5 %	77.6 %	92.1 %	92.5 %	94.0 %	81.5 %	79.0 %
Operating Leverage	1.7 x	0.2 x	8.4 x	1.3 x	-13.3 x	70.6 x	4.2 x
EBITDA / Interest expenses	26.1 x	31.2 x	14.9 x	16.0 x	n.a.	n.a.	n.a.
Tax rate (EBT)	29.1 %	30.5 %	17.6 %	34.2 %	29.0 %	29.0 %	29.0 %
Dividend Payout Ratio	18.7 %	19.6 %	0.0 %	58.6 %	203.3 %	19.1 %	15.3 %
Sales per Employee	85,460	79,781	70,022	102,534	104,176	116,061	120,612

**Sales, EBITDA**

in EUR m


**Operating Performance**

in %


**Performance per Share**


Source: Warburg Research

Source: Warburg Research

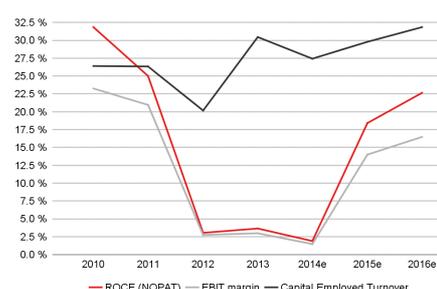
Source: Warburg Research

**Consolidated balance sheet**

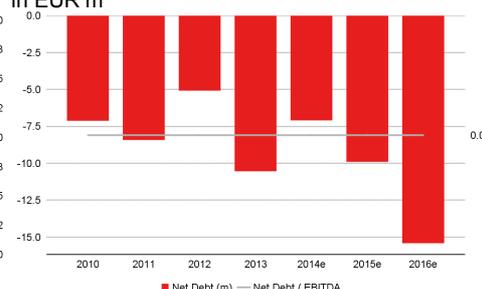
In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
<b>Assets</b>							
Goodwill and other intangible assets	9.1	9.5	10.9	9.9	8.5	6.9	5.1
thereof other intangible assets	2.7	3.1	4.5	3.5	2.1	0.5	-1.3
thereof Goodwill	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Property, plant and equipment	4.0	4.1	4.9	4.8	5.3	5.8	6.2
Financial 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>13.2</b>	<b>13.7</b>	<b>15.8</b>	<b>14.7</b>	<b>13.8</b>	<b>12.7</b>	<b>11.3</b>
Inventories	0.0	0.0	1.0	1.0	4.9	5.6	5.9
Accounts receivable	14.1	11.9	11.6	13.1	13.6	15.4	16.3
Liquid assets	13.4	13.9	10.3	13.7	10.3	13.1	18.6
Other short-term assets	4.1	4.0	5.4	5.2	5.2	5.2	5.2
<b>Current assets</b>	<b>31.6</b>	<b>29.8</b>	<b>28.3</b>	<b>33.0</b>	<b>34.0</b>	<b>39.3</b>	<b>46.0</b>
<b>Total Assets</b>	<b>44.8</b>	<b>43.5</b>	<b>44.1</b>	<b>47.7</b>	<b>47.8</b>	<b>51.9</b>	<b>57.3</b>
<b>Liabilities and shareholders' equity</b>							
Subscribed capital	1.8	1.8	1.8	1.9	1.9	1.9	1.9
Capital reserve	13.9	14.2	14.4	18.2	18.2	18.2	18.2
Retained earnings	0.0	0.0	0.0	0.0	0.1	4.1	9.3
Other equity components	8.6	12.2	12.0	13.4	13.4	13.4	13.4
Shareholder's equity	24.3	28.2	28.2	33.4	33.4	37.5	42.7
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total equity</b>	<b>24.3</b>	<b>28.2</b>	<b>28.2</b>	<b>33.4</b>	<b>33.4</b>	<b>37.5</b>	<b>42.7</b>
Provisions	1.4	1.8	4.6	3.5	3.5	3.5	3.5
thereof provisions for pensions and similar obligations	0.3	0.2	1.7	0.9	0.9	0.9	0.9
Financial liabilities (total)	6.0	5.2	3.5	2.3	2.3	2.3	2.3
thereof short-term financial liabilities	0.7	0.8	2.2	1.3	1.3	1.3	1.3
Accounts payable	0.5	0.3	0.8	1.0	1.0	1.1	1.2
Other liabilities	12.6	7.9	6.9	7.6	7.6	7.6	7.6
<b>Liabilities</b>	<b>20.5</b>	<b>15.2</b>	<b>15.9</b>	<b>14.3</b>	<b>14.4</b>	<b>14.5</b>	<b>14.6</b>
<b>Total liabilities and shareholders' equity</b>	<b>44.8</b>	<b>43.5</b>	<b>44.1</b>	<b>47.7</b>	<b>47.8</b>	<b>51.9</b>	<b>57.3</b>

**Financial Ratios**

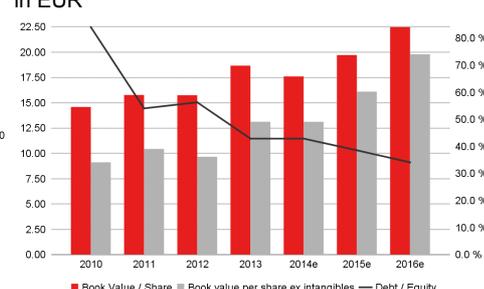
	2010	2011	2012	2013	2014e	2015e	2016e
<b>Efficiency of Capital Employment</b>							
Operating Assets Turnover	2.5 x	2.1 x	1.8 x	2.5 x	2.0 x	2.0 x	2.0 x
Capital Employed Turnover	1.6 x	1.6 x	1.2 x	1.9 x	1.7 x	1.8 x	1.9 x
ROA	34.0 %	33.4 %	4.3 %	5.2 %	3.4 %	39.3 %	54.9 %
<b>Return on Capital</b>							
ROCE (NOPAT)	31.9 %	25.0 %	3.0 %	3.6 %	1.9 %	18.4 %	22.6 %
ROE	22.6 %	17.4 %	2.4 %	2.5 %	1.4 %	14.0 %	15.5 %
Adj. ROE	22.6 %	17.4 %	2.4 %	2.5 %	1.4 %	14.0 %	15.5 %
<b>Balance sheet quality</b>							
Net Debt	-7.1	-8.4	-5.1	-10.5	-7.1	-9.9	-15.4
Net Financial Debt	-7.5	-8.6	-6.8	-11.5	-8.0	-10.8	-16.3
Net Gearing	-29.3 %	-29.8 %	-18.0 %	-31.5 %	-21.2 %	-26.4 %	-36.1 %
Net Fin. Debt / EBITDA	n.a.						
Book Value / Share	14.6	15.8	15.7	18.7	17.6	19.7	22.5
Book value per share ex intangibles	9.1	10.4	9.7	13.1	13.1	16.1	19.8

**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**

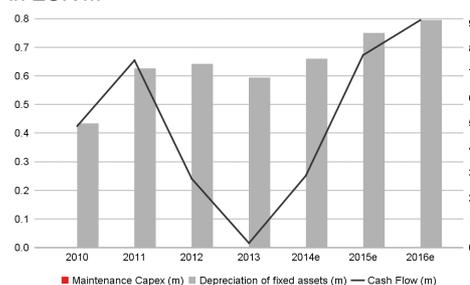
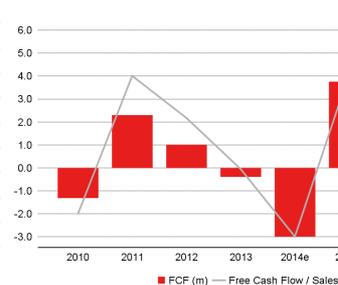
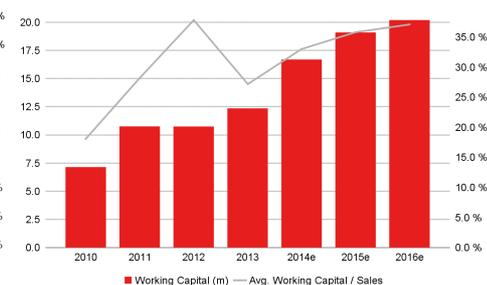
In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
Net income	4.5	4.6	0.7	0.8	0.5	5.0	6.2
Depreciation of fixed assets	0.4	0.6	0.6	0.6	0.7	0.8	0.8
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	1.1	1.3	1.4	1.7	1.8	2.0	2.1
Increase/decrease in long-term provisions	-0.1	0.2	1.6	-1.7	0.0	0.0	0.0
Other non-cash income and expenses	-1.0	0.8	-1.6	-1.1	0.0	0.0	0.0
<b>Cash Flow</b>	<b>4.9</b>	<b>7.5</b>	<b>2.8</b>	<b>0.2</b>	<b>2.9</b>	<b>7.7</b>	<b>9.1</b>
Increase / decrease in inventory	0.0	0.0	0.1	0.1	-3.9	-0.7	-0.3
Increase / decrease in accounts receivable	-8.5	2.0	2.4	2.4	-0.5	-1.8	-0.9
Increase / decrease in accounts payable	5.3	-4.8	-2.2	-1.0	0.0	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)	-3.2	-2.8	0.3	1.5	-4.3	-2.4	-1.1
<b>Net cash provided by operating activities</b>	<b>1.7</b>	<b>4.7</b>	<b>3.1</b>	<b>1.7</b>	<b>-1.4</b>	<b>5.3</b>	<b>8.0</b>
Investments in intangible assets	-1.9	-1.7	-0.9	-0.9	-0.3	-0.4	-0.4
Investments in property, plant and equipment	-1.1	-0.7	-1.1	-1.2	-1.2	-1.2	-1.2
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	-0.1	-0.3	-0.4	0.0	0.0	0.0	0.0
Income from asset disposals	0.4	0.0	-1.6	1.2	0.0	0.0	0.0
<b>Net cash provided by investing activities</b>	<b>-2.7</b>	<b>-2.7</b>	<b>-4.0</b>	<b>-0.9</b>	<b>-1.5</b>	<b>-1.6</b>	<b>-1.6</b>
Change in financial liabilities	-0.7	-0.7	-1.8	-1.2	0.0	0.0	0.0
Dividends paid	-1.7	-0.9	-0.9	0.0	-0.4	-1.0	-1.0
Purchase of own shares	6.3	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	3.8	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>3.8</b>	<b>-1.6</b>	<b>-2.7</b>	<b>2.6</b>	<b>-0.4</b>	<b>-1.0</b>	<b>-1.0</b>
Change in liquid funds	2.8	0.4	-3.6	3.4	-3.4	2.8	5.5
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>13.4</b>	<b>13.9</b>	<b>10.3</b>	<b>13.7</b>	<b>10.3</b>	<b>13.1</b>	<b>18.6</b>

**Financial Ratios**

	2010	2011	2012	2013	2014e	2015e	2016e
<b>Cash Flow</b>							
FCF	-1.3	2.3	1.0	-0.4	-3.0	3.8	6.5
Free Cash Flow / Sales	-4.7 %	7.2 %	3.6 %	-0.9 %	-6.8 %	7.5 %	12.2 %
Free Cash Flow Potential	6.1	6.6	2.7	3.2	2.9	7.7	9.1
Free Cash Flow / Sales	-4.7 %	7.2 %	3.6 %	-0.9 %	-6.8 %	7.5 %	12.2 %
Free Cash Flow / Net Profit	-29.4 %	50.4 %	149.7 %	-51.0 %	-641.0 %	75.6 %	104.1 %
Interest Received / Avg. Cash	1.5 %	1.4 %	1.9 %	0.9 %	0.0 %	0.0 %	0.0 %
Interest Paid / Avg. Debt	4.8 %	4.9 %	4.4 %	7.7 %	0.0 %	0.0 %	0.0 %
<b>Management of Funds</b>							
Investment ratio	10.8 %	7.7 %	7.2 %	5.0 %	3.5 %	3.1 %	3.0 %
Maint. Capex / Sales	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Capex / Dep	192.6 %	125.7 %	99.2 %	92.0 %	63.9 %	56.8 %	53.6 %
Avg. Working Capital / Sales	18.0 %	28.2 %	37.8 %	27.2 %	33.0 %	35.8 %	37.1 %
Trade Debtors / Trade Creditors	2964.1 %	3630.7 %	1379.5 %	1356.9 %	1360.0 %	1400.0 %	1358.3 %
Inventory Turnover	n.a.	n.a.	0.7 x	3.9 x	0.8 x	0.7 x	0.7 x
Receivables collection period (days)	186	137	149	113	113	112	112
Payables payment period (days)	113	197	457	86	92	100	103
Cash conversion cycle (Days)	n.a.	n.a.	-252	-37	425	495	492

**CAPEX and Cash Flow**

in EUR m


**Free Cash Flow Generation**

**Working Capital**


Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

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Independent of the applied valuation methods, there is the risk that the price target will not be met, for instance because of unforeseen changes in demand for the company's products, changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, tax rate etc. For investments in foreign markets and instruments there are further risks, generally based on exchange rate changes or changes in political and social conditions.

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- 2- Within the last twelve months, the company preparing the analysis or any of its affiliated companies have participated in the management of a **consortium** for the public offering of financial securities, which are (or the issuer of which) is the subject of the analysis.
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- 5- The company preparing the analysis and the analysed company came to an **agreement regarding the preparation of the financial analysis**.
- 6- The company preparing the analysis or any of its affiliated companies **regularly trade** in shares or derivatives of the analysed company.
- 7- The company preparing the analysis as well as its affiliated companies and employees have **other important interests** in relation to the analysed company, such as, for example, the exercising of mandates at analysed companies.

This report has been made accessible to the company analysed.

Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
GK Software	5	<a href="http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0007571424.htm">http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0007571424.htm</a>

**INVESTMENT RECOMMENDATION**

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-	<b>Buy:</b>	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	<b>Hold:</b>	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	<b>Sell:</b>	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	<b>Rating suspended:</b>	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	112	60
Hold	64	34
Sell	8	4
Rating suspended	4	2
<b>Total</b>	<b>188</b>	<b>100</b>

**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	64
Hold	43	31
Sell	3	2
Rating suspended	3	2
<b>Total</b>	<b>138</b>	<b>100</b>

**PRICE AND RATING HISTORY GK SOFTWARE AS OF 01.12.2014**


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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