Date	12/09/2016
Recommendation:	
Buy	(previous: Buy)
PT: € 59.60	(previous: € 54.35)

GK Software

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

Price (09/09/2016):	**€ 45.95**
Market Cap	€ 87 Mio.
EV	€ 96 Mio.
Ø-volume `000€ (100 days)	62.6
52W High	€ 48.40
52W Low	€ 28.90

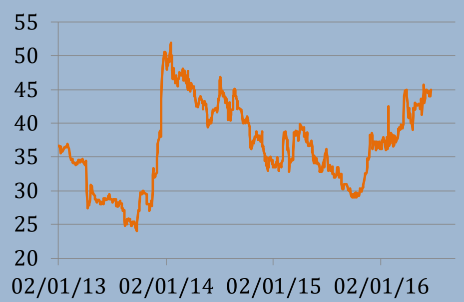
Financial Calendar

Q3 report	29/11/2016
FY report	27/04/2017

Shareholder structure

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

Share performance



Daniel Grossjohann
dg@equits.de
+49 (0)69 95 41 16 08

Thomas J. Schiessle
ts@equits.de
+49 (0)69 95 45 43 60

EQUITS GmbH
Am Schieferstein 1
D-60435 Frankfurt

GK SOFTWARE AG

Q2 2016: Strong license business, jump in sales

In Q2 2016 GK Software generated - driven by strong license business - around 42% growth in sales (Q1 2016: + 18.9%). Although the recent quarters show a clear positive trend, it is not possible to predict how the new licensing business will turn out. In the context of current tendering procedures, GK is very well positioned, thanks in part to the OmniPOS solution that was officially presented at the beginning of 2016. However, we have assumed lower growth rates for H2 as a precaution. The increase in personnel to 820 employees as of 30/06/16 (+81 since the beginning of the year) has taken place faster than we expected. We have therefore factored in a significant increase in personnel costs, but we still expect a positive net income in 2016. Due to peer group effects in particular, the fair value per share increased to €59.60.

- ✓ GK considers itself well positioned with regard to the tendering procedures and is investing heavily in expanding its own capacity (personnel, facilities, training building). Expansion to staff numbers has in particular negatively affected the margin in the short term (because new employees are not fully productive immediately). However, this expansion is a prerequisite to being in a position to take advantage of market opportunities. The acquisition of new customers through SAP partners has obviously accelerated and the SAP pipeline is maturing, although the quarterly view is likely to remain volatile.
- ✓ Currently a second omni-wave is running, partly due to the fact that the trend since 2014 has been that merchants with multiple, integrated distribution channels have faster growth than, for example, pure online retailers. Additionally, customers can expect even more omni-channel features (such as in-store returns, click-and-collect). The strategic position adopted by GK to use the current window of opportunity for market share gains, and to subordinate short-term margin considerations to this goal, is - in our opinion - the correct one.
- ✓ The GK Software share - even compared with national peers - is favourable. The temporary margin weakness seems to be not recognised as such by the market. Therefore, at the very latest once the 2018 target for the EBIT margin has been reached, this is likely to result in a massive revaluation. Even based on our conservative assumptions (target margin only being achieved in 2019; only 2016 and 2017 count towards the peer assessment), the GK Software share still shows significant upside potential.

Outlook for the company: In Q2, GK Software has confirmed its previously projected outlook, whereby the realisation of significant growth in 2016 was one of the predictions, In this context, a slightly negative EBIT could be conceivable. By 2018, the annual turnover will have grown to more than €90 million; the target EBIT margin for 2018 is 15%.

Key figures - GK Software AG

	Sales	EBITDA	EBIT	EPS (adj.)	EV/Sales	P/E
2014 a	44.6	0.0	-3.0	-0.99	1.61	-42.4
2015 a	62.6	2.2	-1.3	-0.79	1.19	-43.7
2016 e	71.8	5.7	1.6	0.47	1.34	97.8
2017 e	85.2	11.3	7.0	2.49	1.13	18.5
2018 e	96.2	16.5	12.0	4.40	1.00	10.5

Source: Company Data, EQUI.TS GmbH

Contents

Investment Case

Strong H1: Licensing business attractive, GK well placed for current invitations to tender
In the first half, GK Software achieved strong sales growth (+ 30%) and earnings have also clearly improved - despite capacity expansion. The licensing business once again proved to be extremely strong in Q2 2016 (after Q4 2015), whereby the company's internal expectations were exceeded and the outlook confirmed. The volatility of the new licensing business means that it would not do to concentrate excessively on individual quarters; nevertheless, the omni-channel theme - just like the internationalisation of GK as promoted by the partner SAP - clearly seems to be gaining momentum.

New OmniPOS successfully introduced in the market
The new OmniPOS solution of GK, which was presented in early 2016, at the industry trade fairs, has achieved a very positive response and has been set for the first time productively in August 2016. Technically, the solution due to its architecture, which allows mapping the simultaneous operation of many clients, is a recent major development leap. The four new customers this year, including Gerry Weber, but also some of the customers won at the end of 2015 have opted for the new OmniPOS. ALDI Nord also announced at the beginning of the year its intention of using the POS and store solution offered by GK.

Partnership with SAP continues to blossom
The long-time partner SAP is becoming increasingly important for the initiation of sales opportunities - especially internationally. The sales partnership between GK and SAP has been in place since 2009. In 2011, the first joint customer project was announced, which should give an indication of the typical duration of sales cycles in this area. Since then, nearly 40 joint customer projects have been announced; in 2015 alone, there were 14 projects. The four new projects in H1 2016 (volume: 3,000 branches or 6,000 systems) were all acquired via SAP. Marketing via SAP seems to be gaining momentum. GK is granted early access by SAP to its new developments (such as hybris e-Commerce, HANA, Fiori, etc.), thus enabling GK to harmonise its own solutions in line with SAP's developments. Joint development of SAP and GK, like the Central Pricing Engine which has recently been directly included in the solutions offered by SAP, strengthen the omni-channel world of solutions offered by SAP Hybris and GK Software.

Market 'overlooks' temporary nature of weak margins ...
Of ten peer companies, GK is one of the three showing strongest growth. The high growth rates are made possible by the omni-channel theme and the internationalisation being increasingly promoted by GK's partner SAP. Required capacity expansions in order to realize sustainable market share gains, currently costs margin points.

... Undervalued GK Software share in peer comparison
We assume that in the medium-term, GK Software will manage to reach its target EBIT margin level of 15%. The market valuation, however, does not take this fully into account - even if share price developments since about 10/2015 have appeared to reflect the positive trend in the licensing business. GK Software's share is in the context of the medium-term profitability target - according to both DCF and also according to the peer valuation - low. However, it is likely that performance in upcoming quarters will not be linear due to the typical volatility of the new licensing business, so that weaker quarters, when there are corresponding price drops, could be the ideal time for entry.

Company Profile

Short profile

Established in 1990, GK Software AG, headquartered in Schöneck/Saxony is a leading software developer and IT service provider in the retail software/retail IT segment. The company has twelve locations in six countries and currently employs 820 employees. Since its IPO in 2008, the company has succeeded - in close partnership with SAP - in acquiring numerous retailers for its own solution world. At present, the company's portfolio of clients includes 20% of the world's top 50 retailers.

Company History

Figure 01: History of GK Software AG

Year	Event
1990	Foundation of the company as G&K Datensysteme GmbH in Schöneck (Saxony) by R.Gläß and S.Kronmüller
1996/97	Shifting the industry focus on retail and Java-based POS solutions; foundation of EUROSOFTWARE s.r.o. (Pilsen/Czech Republic)
2000	Certification of store solution GK/Retail for SAP
2001	Conversion of G&K Datensysteme GmbH into GK SOFTWARE AG
2003	First project with full SAP integration
2008	IPO of the company; foundation of the subsidary StoreWeaver GmbH, Riehen (Switzerland)
2009	Acquisition of Solquest (asset deal); agreement on a distribution partnership with SAP
2010	Expansion of distribution partnership with SAP
2011	Fressnapf became the first customer that was gained thrrough the SAP cooperation
2012	Acquisition of AWEK group
2013	Expansion of SAP-cooperation to North America
2014	With Bentley Leathers Inc. the first customer from North America was announced in January
2015	Foundation of GK Software Africa (Pty.) Ltd.) and acquisition of the retail segment of DBS Data Business Systems, Inc. (asset deal; 3/2015)
2016	New subsidary TOV Eurosoftware-UA (Lvov/Ukraine) became location for customer-specific development

Source: GK Software AG

Management

Board

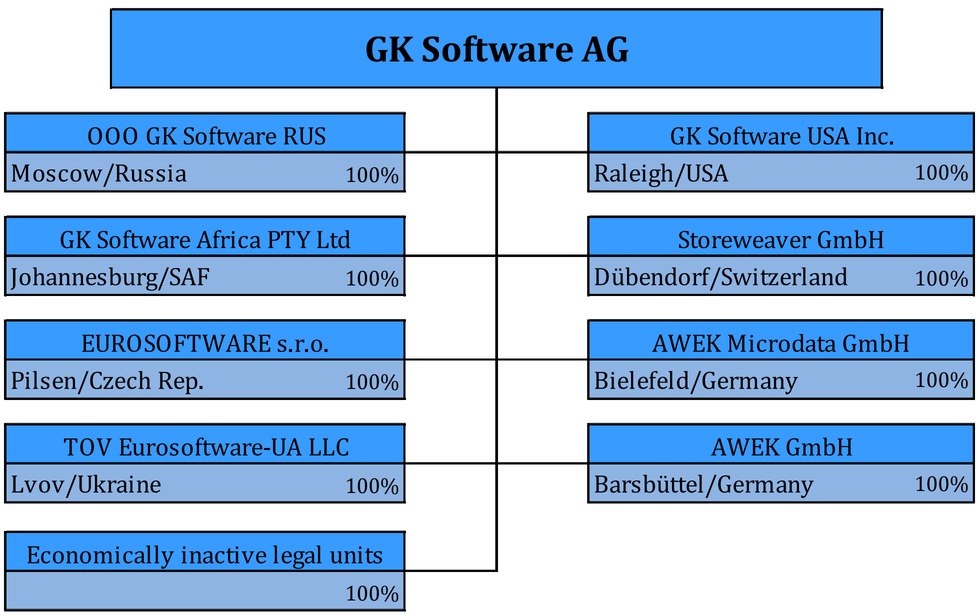
The **board** of GK Software has two members: The CEO is graduated engineer (information technology) **Rainer Gläß,** who - after working in various areas of software development - founded G & K Datensysteme GmbH in 1990 together with Stephan Kronmüller and since then, has been decisive in shaping what is today GK Software AG. The financial and personnel director **André Hergert** has been on the Executive Board since mid-2008. The appointment of Mr Hergert was recently renewed by the Supervisory Board until 12/2020. Prior to joining GK Software Mr. Hergert worked for companies in the financial and IT sectors, as well as working as a partner of a consulting company in various management positions.

The board is supported by a four-member **Group Management Board (GMB):** SVP Customer Solutions & Services **Harald Göbel** has a 35-year-old retail and IT expertise. Prior to joining GK, he worked for large retail companies with responsibility for implementing IT projects. At GK, he acts as the direct point of contact for the CEOs and CIOs of GK's customers, and as such is responsible for relations with major international customers. Another member of the GMB member is CTO and CEO of GK SOFTWARE USA Inc., **Michael Jaszczyk,** who has a wealth of expertise in the field of software development for retail business and - before joining GK Software in 2010 - held the post of CTO at Pironet AG. The co-founder and current Deputy Executive of GK Futurelab **Stephan Kronmüller** has over 30 years of experience as a software developer, consultant and manager. This means that two members of the board are entrusted with software development, thus underlining the importance of the theme for GK. After holding various executive positions in marketing and sales at Wincor Nixdorf, SAF Simulation, Analysis and Forecasting and NCR, the present SVP Sales **Stefan Krueger** joined the GK Software even before its IPO. On the GMB, he represents the sales perspective.

Supervisory Board
The three-member Supervisory Board is made up of Thomas Bleier, the business consultant Dipl.-Vw. Uwe Ludwig and the managing partner of Sübet Rhine-Main and Commercial Beteiligungsges. mbH & Co. KG Herbert Zinn. The Chairman is Mr. Ludwig, who has been on the Board since 2001.

Organigram
GK Software has a clear corporate structure. All subsidiaries are free of minority interests.

Figure 02: Structure of GK Software AG

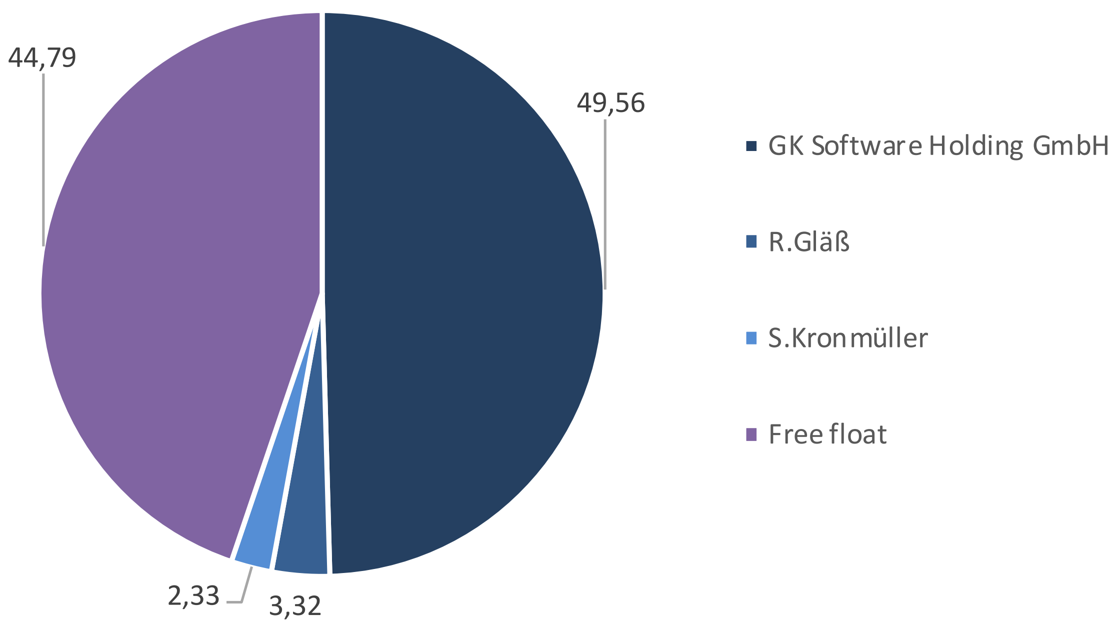


Source: GK Software AG

Shareholder structure

The largest shareholder of GK Software is 49.56% GK Software Holding GmbH, in which the shares of the two founders are bundled. Since December 2013, SAP SE has held a 5.29% stake in GK Software AG, which was acquired as part of a cash capital increase and is regarded as free float. Since then, SAP has acquired a right of pre-emption that is valid until 31/12/2020 over the shares held directly and indirectly by the two founders.

Figure 03: Shareholder structure



Source: GK Software AG; SAP (5.29%), Scherzer (6.36%) and Deutsche Balaton (3.18%) are regarded as free float

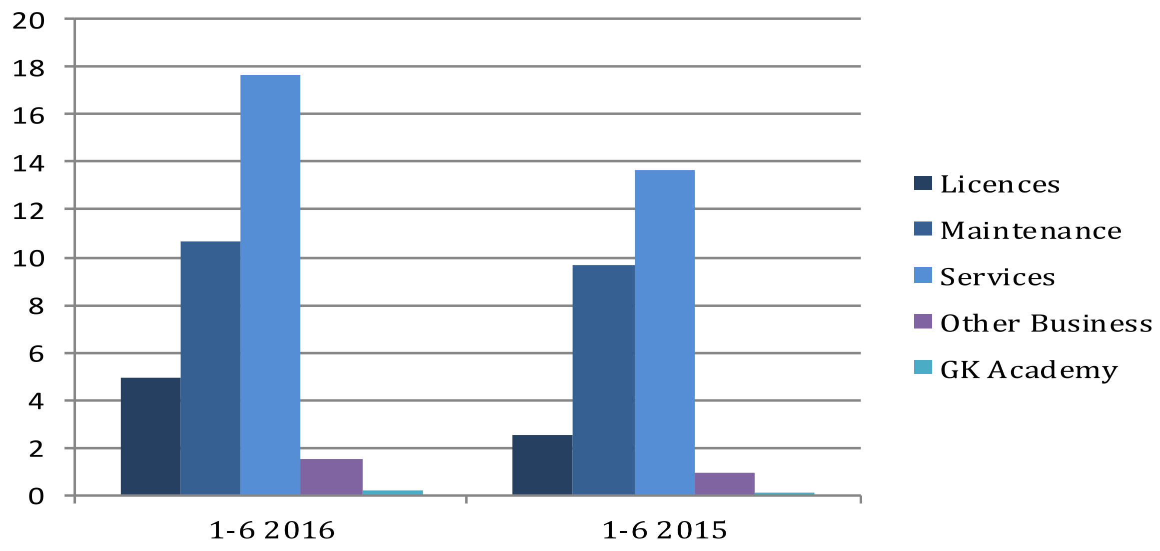
Business model and strategy

The main target group: Large retail groups (chain stores)

The business model of GK Software is focused on retail groups. Its product range has been dominated since the beginning of the year by the technologically leading software suite, GK/Retail OmniPOS (successor of GK/Retail POS (version 12)). This solution represents a major leap forward. It is tailored to the needs of large retailers and focuses on the strategic challenges that are posed when retailing in the omni-channel area. A complementary solution provided by the subsidiary AWEK addresses medium-sized retailers.

In H1 2016, 50% of GK's consolidated revenue was achieved with IT services. At + 96%, licensing revenues - driven by four new customers projects - showed the largest increase, whereas the maintenance business - with its dependency on the installed base - grew by almost 11%. The JSA Academy that provides training to employees of GK's partner as well as to customers, increased its turnover to approx. € 0.23 million (+ 83%).

Figure 04: Sales mix H1 2016 compared to H1 2015



Source: GK Financial report 2015

SAP partnership as the key to internationalisation in the licensing business, direct customer contact is maintained

For several years, GK has been in close partnership with SAP, which extends over four continents. In addition to this close development partnership, whereby GK is secured early access to SAP developments, the partnership is highly visible in the retail industry due to joint appearances at trade fairs such as EuroCIS and NRF. Thanks to SAP's distribution as an ERP system amongst numerous retail groups, that by their nature are international, SAP acts as a powerful lever for the licensing business of GK. Since the partnership began, there have been nearly 40 customer projects. In recent quarters, all new projects have come via GK Software's partner SAP, whereby the specific technical advice is always provided by GK employees. This direct contact, as regards the technical level, is necessary. At the same time, this direct contact is also essential to gain information about the needs/requirements of the customer, which can then be incorporated into developing the solution.

Implementation partner as a growth lever

GK implementing partners, currently numbering 18, include major international IT services such as **Wipro** headquartered in India, as well as providers that specialise purely in the retail sector and some who are local. The implementation partners are particularly important in international business, ensuring the optimum scaling of software sales. Even peak periods, which would be impossible to cope with using the company's own employees, can be addressed by the partners. The consultants of the implementation partner receive training alongside the company's own employees in the GK Academy. In 2015, the employees of 14 implementation partners went through training at the GK Academy. Furthermore, customers also send their employees on the training courses in order to develop internal expertise. In H1 2016, GK Academy sales increased by over 80%.

Hardware partnerships as a signal to customers

Retailers often use hardware from different manufacturers, whereas GK's software is in principle independent of the hardware. Moreover, partnerships with hardware manufacturers are an additional signal to retailers that the interaction between hardware and software has also been tested in practice. It is no wonder that GK has a total of 21 hardware partnerships, usually with renowned major suppliers who are highly visible in the retail sector (such as **HP, NCR, Mettler Toledo, NetApp** or the scale specialist **Bizerba).** In H1 2016 alone, the hardware of eight providers was tested and certified by GK. Moreover, there are another two integration partners, namely **accenture** and **Capgemini**.

GK / Retail OmniPOS: Processes as a service

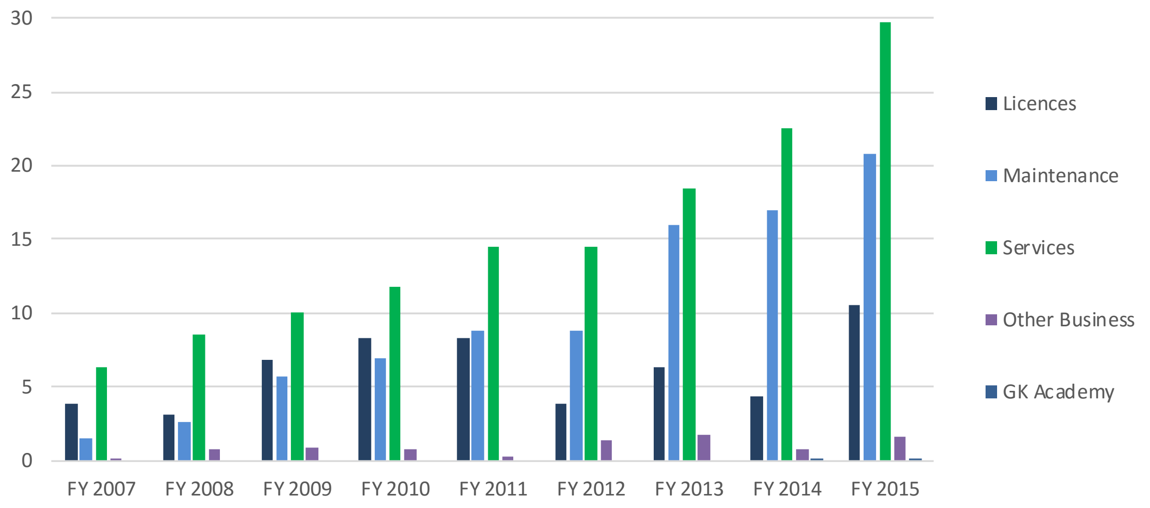
The basic idea behind the new OmniPOS solution is to make functionalities available as central service and as a local instance (and across network boundaries). Processes are made available to stores, web and mobile device as a service, in real time (even taking into account open carts). This creates a robust and highly scalable real-time solution that meets the high demands placed by omni-channel commerce. The central services must have the ability to simultaneously map numerous clients in the data centre/cloud; however, the processes (e.g. cash register functions) must also work locally/decentrally (for example, when faults mean that the network is offline). A common platform for all processes reduces complexity considerably compared to several solutions running in parallel, because ultimately the software must remain manageable for the user.

The new GK/Retail POS Omni, which was recently developed by GK, is not a new release of GK/Retail POS (version 12) but a new solution. This means that existing customers will need to purchase a new license for the switch-over. Alongside acquiring new customers, this is likely to be a key driver of software sales in the medium term. However, it will be new customers who make a bigger contribution to the increase in software maintenance revenues than existing customers who opt to switch over to the new generation.

Licensing sales broaden basis for future service and maintenance business

Since licensing revenues provide a good indication of future maintenance revenues, they are a particular area of focus when looking at software companies. Providers such as GK target a specific number of large licensing deals (instead of lots of smaller deals). Looking ahead a few quarters, the licensing revenues generated by GK Software are a highly volatile factor - but a factor that will continually expand the base for maintenance and services business. Particularly in the current (omni-channel) situation of upheaval, GK is therefore investing in capacity expansion in order to seize opportunities. In the past, this has worked well for GK: In the slipstream of licensing revenues, the revenues generated by maintenance and service have increased year-on-year with respectable growth rates.

Figure 05: Development of revenue streams (2007 to 2015) in € million



Source: GK Software AG, Equits GmbH

As can be seen from the graph, fiscal year 2013 saw a jump in maintenance revenues, which cannot be explained by the licensing sales of the previous year alone. This is due to the takeover of AWEK and although this rise in maintenance revenues is sustainable, nevertheless, it encompasses more than just the classic software maintenance for the AWEK product which can only serve to complement the GK world.

Use of strategic window - acquiring retailers for omni-channel switch-over

Market observers predict the opening of a window that will span several years in which retailers can develop or enhance their own omni-channel strategies. At the end of the process, retailers will be faced with choosing a software partner. For GK (and SAP Hybris) this is a good time to break off existing business relationships, or help SAP customers in the transition to a new generation of software. At the same time, some of the GK-competitors are currently suffering difficulties of their own making. GK therefore currently places greater weight on market share gains and acceleration of the internationalisation process above short-term margin considerations. Many young companies from the United States (such as **Shopify)** have the 'big picture' in mind and place greater weight on market share gains (in this case, more in the SMB area!) than on profitability. We think that this view will prove to be correct in the long term. The emerging upheaval in retail trade is an almost unique opportunity for GK to break off with its existing business relationships and thereby forge a long-term, sustainable basis for its own maintenance and service business. GK's robust efforts to expand capacity - despite meaning the loss of margin points - is in our eyes absolutely the right way ahead.

Market analysis

Market data

Retailing's IT budget in the multi-billion range

Retailing on average spends just over 1.1% of its sales on IT a year. The EHI Retail Institute e.V., which measures this figure in two-year intervals, recorded values for the years 2011 to 2015 ranging from 1.12% to 1.24% of sales. A slight upward trend was observed. Given the sales levels in retail, (GK's existing customers alone achieve a cumulative annual turnover of approx. € 290 billion) this gives a total budget in the tens billion euro range.

40% of retailers expect rising IT budgets

40% of the retailers surveyed by EHI in 2015 expect their IT budgets to continue rising and only 12% expect budget cuts. For GK, another relevant factor is that 47% of retailers in the DACH region are planning to replace their POS systems by 2018 as part of the digitalisation process. General IT spending in retail naturally also includes hardware costs such as cash registers, freezers and vending machines. However, of particular interest for GK (and its partner SAP) is the volume of software sales.

As part of spending on software, the largest single item for almost all retailers is the central ERP system. Practice seems to show that themes such as the omni-channel are easy to build around this central solution and retailers are very keen on their POS solution, merchandise management system and ERP system working seamlessly together. Earlier than others, SAP Hybris and GK have been able to offer a one-shop solution.

Since 2014, there has been a trend for multi-channel providers to grow faster than e.g. pure eCommerce providers. This also promotes the demand for integrated omni-channel solutions.

Competitors

Consolidation appears to be on the increase

For years, the number of manufacturers of retail software has been reducing. The background is a strong consolidation process, which is great actors (such as SAP, Oracle, salesforce.com and NCR) driven. The strategic thinking behind the takeovers has taken into account the desire to offer omni-channel solutions from a single source, as well as problems with the in-house solutions portfolio. In recent years, GK Software has been active on many occasions as the buyer of small businesses in the retail sector. The AWEK takeover (2012) served to strengthen GK's service area in the DACH region and expanded its product range to include a complementary solution for medium-sized merchants. With the DBS Asset Deal (3/2015), the essential motifs consisted in strengthening the US presence and a technical feature for integration of payment cards in the US market, which GK would otherwise have had to develop in-house.

Retail software: More and more providers rely on services from a single provider

The acquisition of Demandware (purchase price: USD 2.8 billion; sales 2015: USD 237 million) by Salesforce.com mid-2016 is further evidence that on the one hand, customers want timely, omni-enabled software solutions from a single source and on the other hand, that increasing numbers of (ERP) vendors are positioning themselves accordingly. The buyers also appear willing to pay enormous strategic premiums for this. SAP Hybis and GK Software can already look back on several years of successful partnership. This deep level of cooperation has enabled GK at a very early stage to plan products that are adapted to future SAP solutions. SAP's high market share in the ERP area with international retailers is another trump card in this partnership.

In 2014, SAP's competitor - Oracle - took over MICROS Systems (purchase price: USD 5.3 billion), representing an extension in the direction of POS, whereby with emphasis was on the hotel and restaurants sectors. Currently Oracle is attempting to take over Net Suite (offer: USD 9.3 billion), which addresses the omni-channel theme with a product range that includes Suite Commerce and Suite Commerce InStore (POS) introduced in 2015. The recent coming together of Demandware and SAP's competitor Salesforce.com saw the merger of two 'pure-cloud' business models. It is likely that the integration of the two companies is technically feasible and relatively simple - the weak point of this alliance is that Demandware has for very long time been aligned purely on eCommerce solutions and only in 01/2016 with Tomax Corp. itself took over a POS software company to align itself with market trends (multi-channel retailers since 2014 have shown stronger growth rates than pure eCommerce providers). The following table shows an excerpt of M&A activity over the last 5 years of IT/software solution providers in the retail sector.

Table 01: M&A activities over the past 5 years (excerpt)

Acquirer	Sector (acquirer)	Target company	Sector Target	Closing date	Purchase price
NCR	cash register/cash machines et al.	Retalix Ltd.	Retail software & services	2012 - 11	USD 600 m
SAP	ERP	hybris	eCommerce solution	2013 - 06	about USD 1.4 bn
Oracle	ERP	MICROS Systems	POS solution et al.	2014 - 06	USD 5.3 bn
Vista Equity Partner	financial investor	"KIBO": MarketLive	Omni-Channel-eCommerce-Platform	2015 - 11	unknown
		Shopatron	eCommerce-ordermanagement	2015 - 11	unknown
		Fiverun	POS solution	2016 - 01	unknown
Demandware	eCommerce-solution (SaaS)	Tomax	POS/store-solution	2016 - 01	USD 75 m
Salesforce.com	ERP (SaaS)	Demandware	eCommerce solution (SaaS)	2016 - 06	USD 2.8 bn
Diebold	security systems/cash machines et al.	Wincor Nixdorf	cash register/cash machine	2016 - 08	Merger (cash + exchange of shares)
Oracle	ERP	Net Suite	cloud-based ERP, omni-channel-software	2016 -07 (announced)	USD 9.3 bn (offering)

Source: Thomson Reuters, company data

Takeover boom is accelerating - Omni-channel as the reason

It is clear from the list (which does not purport to be exhaustive) that the tempo has recently quickened significantly. In 2016 alone, at least three deals were concluded, whereby the volume of each deal individually exceeded USD 2.5 billion. Besides favourable borrowing opportunities, we see efforts in the omni-channel area to offer a complete, timely solution world as the main motivation. The latter implies that acquisitions can sometimes also indicate weaknesses / shortcomings in a buyer's own solution world. What is new is that **Vista Equity Partners,** a private equity firm, bought out three companies - with the motivation of being able to offer an 'omni-channel from a single source' – and merged them together (under the name **KIBO).** This also underlines the relevance and opportunities that surround the theme.

Digital 'leader' - pricing engine pushes SAP Hybris firmly to the front

In a recent study (03/2016), Gartner closely scrutinised the **'Digital Commerce'** area and identified **four leaders: SAP Hybris, Oracle, IBM** and **Demandware,** which were recently acquired by Salesforce.com. For each of the companies described **Gartner** has identified (in addition to the strengths) some weaknesses - in SAP Hybris this was the pricing. Since July 2016, SAP has been offering its customers an 'omni-channel pricing engine', the core of which is formed by GK Software's pricing engine resulting from further development with SAP. With **Shopify** and **Intershop** two more of our peer companies are placed as **'niche players'** in the Gartner 'digital commerce' quadrant, just like **Net Suite** whose acquisition by Oracle is imminent.

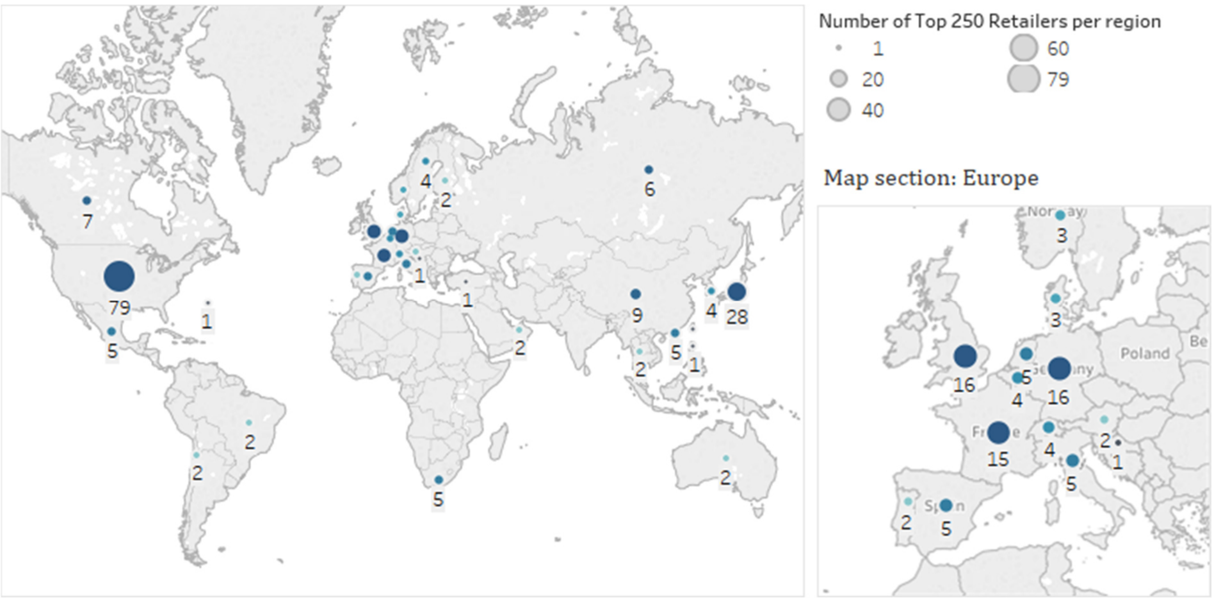
Customer structure

GK has its focus on large retailers worldwide, whereas smaller retailers in Europe / DACH can be addressed with the complementary AWEK solution (Eurosuite). In the demanding target group of large retail groups, the strengths of GK solution (highly scalable platform architecture, early integration of SAP developments) are shown to best advantage. This clientele is less oligopolistic than might initially be expected. The annual study by **Deloitte** on the **Top250 retailer** worldwide shows that even the retail group in the 250th place still has an annual turnover of more than € 3.5 billion. Many of the Top 250 retailers are already on GK's books. However, although much smaller chain stores could find the GK solution interesting, GK does not have its sights set on the SMB segment (including stand-alone store with eCommerce site and smaller chain stores like bakeries, opticians).

USA the most important national market

The graph below shows that almost a third of the 250 leading retailers are headquartered in the US. This explains the importance of the country in the internationalisation strategy adopted by GK. GK can gain access to these large companies mainly via SAP, which is used by many of the potential customers in the ERP area.

Figure 06: Top 250 retailers (worldwide) according to headquarters country of origin



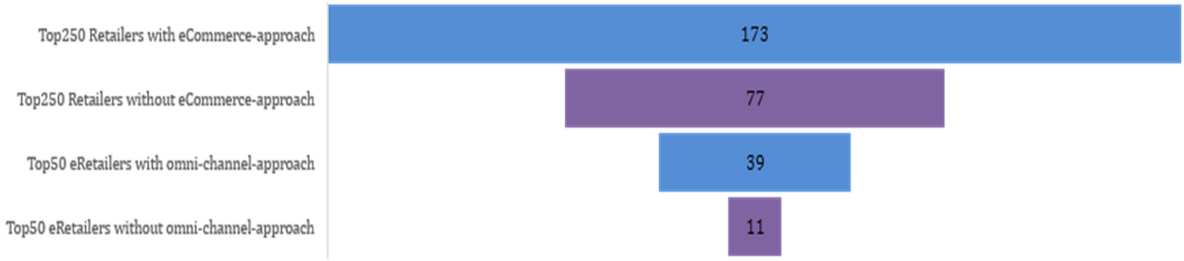
Source: Deloitte, Equits GmbH

Typically, a retail group's strategic IT decisions are made by head office, although two-thirds of the Top250 retailers also sell outside their domestic markets. The European retailers are much more internationally oriented than the American or Chinese business groups, each of which has a large home market.

Most retailers can be addressed with the omni-channel approach

The significant majority of the Top250 retails groups maintains an eCommerce website alongside their branch stores. Of the top 50 eCommerce companies around the world, almost 80% follow an omni-channel approach. In addition, GK can of course also address purely branch stores without online activities, whereas pure eCommerce players (such as amazon, Zalando) offer little direct approaches for GK's solution world.

Figure 07: Omni-channel approach amongst the top retailers (2014)



Source: Deloitte, Equits GmbH

The omni-channel is overall still a new area. Apparently, although most large retail groups have multiple distribution channels, this does not mean that the process of strategic omni-channel integration is necessarily complete. However, in the case of multi-channel approaches, multiple distribution channels can exist 'side by side', but there is often a lack of the key features characterising an integrated omni-channel solution (uniform pricing, pick-in-store, online information on the ingredients in neighbouring stores). We would say that GK Software's OmniPOS solution is second generation, allowing an even deeper integration of processes and therefore also addresses corporations that already have an omni-channel solution (first generation).

Valuation

P & L, balance sheet, cash flow statement

First six months of 2016: Strong licensing sales - sales up 30%
Driven by particularly strong licensing business in Q2, GK Software generated in the first half an increase in sales of over 30%. Typically - because of seasonality - the second half has higher sales. This year, however, we have assumed only a slight sales improvement compared to H1, as new licenses are difficult to plan. Q2 saw several transactions concluded, representing in total 3,000 branches or 6,000 systems/installations. The majority of these installations are accounted for by the renowned fashion retailer Gerry Weber (1,300 sites in 18 countries) and an unspecified luxury retailer with 1,200 locations worldwide.

Personnel expansion underlines promising pipeline of tenders
About one third of the massive expansion in staffing levels to 81 new employees in H1 alone is attributable to acquisition at the beginning of 2016 of the subsidiary in Ukraine (for €46 K). Overall, the strong rise in staff has somewhat surprised us, so we have significantly revised our personnel costs upwards, whereas our sales forecast for 2016 has been increased only slightly. The staff expansion has especially eaten into the margin because new staff have to go through training at the beginning and are not as productive as well-established employees. However, the rise in staffing levels underscores - as well as the numerous vacancies at GK - the excellent medium-term prospects of the company.

Medium-term margin expectations
For the current year, in which GK cannot rule out a slightly negative result, we are slightly more optimistic than the company. In 2018, in which GK predicts it will reach a target EBIT margin of 15%, by contrast, we conservatively expect an EBIT margin of 12.5%. The margin mechanism in our model is determined primarily according to headcount and licensing deals. If the trend in taking on new employees falls, then the operating margin should rise rapidly (with comparably good utilisation of consultant resources), because well-established employees (the number of which would then increase relatively) are more productive. Although historically the business model also provided higher margins, we have assumed in our DCF model an EBIT margin peak of 16% (in 2020/21) and have then allowed the margin in the years 2022 and after to fall as a precautionary measure.

Solid balance sheet leaves room for further capacity expansion
The balance sheet of GK Software is characterised by a solid equity ratio (42.5% at 30.06.2016). The cash balance (€ 7.4 million at 30.06.2016) leaves enough room for further capacity expansion and smaller strategic acquisitions. GK should pay special attention to the expansion of international capacity.

Exceeded cash flow - capex peak
Over the coming years, GK Software is likely to exceed the capex peak caused by capacity expansion/internationalisation. Although there are plans to build a corporate campus in 2017 and 2018 on a site measuring 15.000 square metres, together with a company kindergarten, training and fitness rooms, restaurant and facilities for start-ups (in the immediate vicinity of the headquarters in Schöneck), we assume that the capex with approx. € 2 million will fall even lower than in the current year.

DCF valuation

Model assumptions

In our DCF model, we assumed the cost of capital (WACC) to be 8.9%. We assumed the beta to be 1.5, which is dependent on company size and sector. After a period of double-digit growth, due to internationalisation and the omni-channel trend, we can go back to assuming single-digit percentage annual growth rates after 2018. The eternal growth rate (2026 onwards) is 1%.

Table 02: DCF valuation

	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e
Sales	71.8	85.2	96.2	103.5	111.2	116.8	122.6	128.8	135.2	142.0	149.1
EBITDA	5.7	11.3	16.5	20.4	22.5	23.6	23.8	25.0	25.0	23.4	24.6
EBITDA margin (in %)	7.9	13.3	17.2	19.7	20.2	20.2	19.4	19.4	18.5	16.5	16.5
EBIT	1.6	7.0	12.0	15.5	17.8	18.7	19.0	20.0	20.3	18.5	19.4
EBIT margin (in %)	2.3	8.2	12.5	15.0	16.0	16.0	15.5	15.5	15.0	13.0	13.0
Taxes	0.5	2.1	3.6	4.7	5.3	5.6	5.7	6.0	6.1	5.5	5.8
+ Depreciation/Amortisation	4.1	4.3	4.5	4.8	4.7	4.9	4.8	5.0	4.7	4.9	5.2
- Investments	2.6	2.0	2.0	2.2	3.5	3.7	3.9	4.1	4.3	4.9	5.2
- Change in Working Capital	2.3	3.4	2.8	1.8	1.9	1.4	1.5	1.5	1.6	1.7	1.8
Operating Cash flow	0.3	3.8	8.1	11.7	11.6	12.9	12.7	13.3	13.0	11.2	11.8
Discount factor	0.92	0.84	0.77	0.71	0.65	0.60	0.55	0.51	0.46	0.43	0.39
Current value of operting CF	0.3	3.2	6.3	8.3	7.6	7.7	7.0	6.7	6.0	4.8	4.6
Cumulative operating CF	62.6										
PV of the residual value	63.6										
Company value	126.2										
- Net debt	9.2										
- Minorities	0.0										
Equity value	117.0										
Fair value per share in €	**61.88**										

Source: EQUI.TS GmbH

Peer review

Selection of peer companies

Thanks to consolidation in the industry, numerous peers (Wincor, Micros, Demandware) have already disappeared or are due to disappear. What all the remaining peers have in common is that they all focus on the retail sector - and the corresponding IT budgets.

The 'classic' peer companies that were traditionally on the hardware side are **Diebold (Wincor), NCR, Mettler-Toledo** and **Zebra Technologies -** the latter three companies are also hardware partners of GK. Measured by market capitalisation, these four companies are significantly larger than GK Software. NCR is broadly positioned across various industries, whereby the retail segment (store solution NCR Retail One) with a share of 30% is the second most important segment. **Mettler-Toledo**, which is publicly traded in the United States, also addresses various industries. In the retail area, it offers various weighing scales, consumables and retail software. Following the acquisition of Wincor by Diebold (a control agreement was announced 8/2016), the weight of the retail segment within the group is likely to shrink significantly.

Shopify is a company allowing SMBs access to omni-channel functionality and has only been recently listed. The German **Vectron** is a provider of POS systems (hardware and software), having especially as its focus smaller stores (optician chains, bakeries), while Jena **Intershop** focuses specifically on larger eCommerce providers as its target customers (therefore representing a potential competitor for Hybris). All three peers are therefore not direct competitors of GK, which has other target groups in mind.

The peers are rounded off by the two software companies **Atoss Software** and **Manhattan Associates.** While the Munich company Atoss Software AG offers solutions for the optimised deployment of personnel and counts numerous retailers as its own clientele, Manhattan Associates is a manufacturer of SCM (supply chain management) software, which is also used in retail. Forrester ranks the company amongst the 'omni-channel order management' leaders.

Large ERP providers with EV/sales multiples > 3

The ERP providers, namely SAP (Hybris; partnership with GK), Oracle (MICROS, NetSuite) and salesforce.com (which recently acquired Demandware) (2015 EV/sales multiple at the time of the take-over: approx. 11.8) do not count as GK's peers, because despite the increased commitment in the sector, the business models are diverse and the companies are in a different size class. Some of the EV/sales multiples are in the order of well above 3.

The table below provides a quick overview of market capitalisation, expected annual revenue growth rates (2015-2018e) and the average EBITDA margin levels achieved in 2014a to 2018e.

Table 03: Overview of peer companies

Company	Sales CAGR 15-18	Average EBITDA margin (2014-2018e)	Market capitalisation (in € m)
Zebra Technologies Corp	1.3%	17.2%	3,107.1
NCR Corp	0.9%	14.0%	3,520.3
Manhattan Associates Inc	10.0%	32.7%	3,748.9
Vectron Systems AG	16.4%	16.0%	65.2
Diebold Inc	27.5%	8.0%	1,715.2
Mettler-Toledo International Inc	4.1%	24.4%	9,171.9
Atoss Software AG	12.0%	26.7%	222.7
Shopify Inc	47.0%	-2.8%	2,990.1
Intershop Communications AG	0.2%	5.5%	46.9
Median	10.0%	16.0%	2,990.1
Mean Value	13.3%	15.8%	2,732.0
GK Software AG	15.4%	8.5%	86.8

Source: EQUI.TS GmbH, Thomson Reuters

In relation to the growth rate (2015-2017e), GK with annual averages of more than 15% is amongst the three fastest-growing companies. The forerunner in growth is Shopify (45% yoy), while bringing up the rear are NCR, Intershop and Zebra with an expected growth rate below 2% yoy. When considering the EBITDA margin, GK has a below-average rank due to its current prioritisation of growth over margin.

Overview of peer comparison

Table 04: Peer comparison (base year 2016e and 2017e)

Company	EV/EBITDA (2016e)	EV/Sales (2016e)	PE (2017e)	EV/Sales (2017e)	EV/EBITDA (2017e)	EV/EBIT (2017e)
Zebra Technologies Corp	10.3	1.7	10.5	1.7	9.5	11.5
NCR Corp	7.7	1.2	9.8	1.2	7.3	9.1
Manhattan Associates Inc	19.3	6.7	29.2	6.1	17.2	18.0
Vectron Systems AG	14.1	2.0	11.2	1.5	6.2	6.7
Diebold Inc	16.4	1.1	11.9	0.7	9.7	20.5
Mettler-Toledo International Inc	17.7	4.4	24.0	4.2	16.5	18.1
Atoss Software AG	15.1	4.1	23.1	3.6	13.5	14.2
Shopify Inc	n.m.	8.7	n.m.	6.1	n.m.	n.m.
Intershop Communications AG	13.0	1.0	n.m.	0.9	13.0	38.8
Mean Value	14.2	3.4	17.1	2.9	11.6	17.1
GK Software AG	16.6	1.3	18.5	1.1	8.4	13.5
Discount/premium	17.3%	-61.6%	8.0%	-61.7%	-28.0%	-20.9%
	38.56	126.10	42.56	126.67	65.39	59.20
						76.41
Size Discount						25.0%
Fair Value						**57.31**

Source: EQUI.TS GmbH, Thomson Reuters

Everything depends on the margin - GK currently in a special situation

In both base years, GK Software shows great upside potential, especially considering the EV/sales ratio. This shows that the market does not sufficiently appreciate the targeted margin expansion. Due to a continued weak operating margin, which suffered temporarily even in 2016 due to GK's capacity expansion, we have two indicators on the 2016 basis and four on the 2017 basis as part of a peer review. Even with Shopify (which has experienced strong growth at the expense of profitability) and Intershop, we have excluded some indicators in order to avoid excessive distortion. We have applied a discount of 25% on the result, since the peers with a few exceptions, are significantly larger than GK.

Fair value at € 57.31 per share - margin expansion will entail revaluation

The fair value calculated using the peer review gives a fair value per share of € 57.31. The bandwidth between the fair values calculated according to the EV/sales and earnings multiples is, however, large. GK has currently given profitability a lower priority than growth: given the background that the omni-channel transition is taking place now and offers enormous opportunities for shifts in market share, this seems the right way forward. In the medium to long term, we see GK's operating margin once again reaching levels of 15%, while this is the target GK itself wants to achieve in 2018. Once these margin levels have been reached, it is likely that the share will be re-valued, whereby the EV/sales multiple will move significantly away from its current level of 1.3.

Valuation conclusion

When giving equal 50% weighting to the peer (57.31) and DCF (€ 61.88) valuations, this provides a weighted fair value of € 59.60 per share.

SWOT

Strengths	Weaknesses
✓ The partnership with SAP allows access to major international retailers ✓ Strong market position vis-à-vis large retailers ✓ GK/Retail OmniPOS and SAP Hybris solutions provide leading technology omni-channel product from a single source ✓ Maintenance and service revenues show stable growth paths ✓ Scalability of the business model can be realised via implementing partners ✓ In North America, the largest retail market, GK has already acquired its first customers and significantly expanded its presence ✓ GK provides clear technical 'added value' for SAP Hybris / GK solution worlds (keyword: central pricing engine)	✓ The use of international growth opportunities currently costs margin ✓ Compared with competitors GK is rather small ✓ Licensing transactions are difficult for GK to control and will continue to lead to volatile results ✓ Skills shortage in the IT sector also applies to GK Software ✓ The close bond with SAP (including the right of pre-emption) prevents takeover speculation
Opportunities	**Threats**
✓ The omni-channel represents a turning point in the retail market, which can move the market shares in favour of GK. ✓ The positive trend in the licensing business will continue in the medium-term ✓ If things go according to plan and GK achieves in the medium-term the targeted EBIT margin levels (15% in 2018), it is likely that the valuation ratios (EV/sales) will once again quickly correspond to those of GK's software peers. ✓ If retailers recognise the benefits of a solution customised to the SAP-ERP, for GK this would result in a significant increase in customers. (The fact that Oracle and Salesforce offer - or want to offer - solutions worlds from one source, has more the effect of increasing this opportunity.)	✓ Reputational risks if a project were to fail ✓ The company must forge ahead with its personnel expansion - if projects do not materialise or only materialise later, this will weaken the margin significantly. ✓ Risk of dependency on SAP or SAP sales

Appendix

Income Statement	2013	2014	2015	2016e	2017e	2018e
Sales	**42.458**	**44.634**	**62.602**	**71.750**	**85.160**	**96.247**
Change in finished goods	0.000	0.000	0.000	0.000	0.000	0.000
Other own costs capitalized	0.376	0.512	0.525	0.602	0.714	0.807
Other operating income	2.451	2.188	1.726	1.978	2.348	2.654
Total performance	**45.285**	**47.333**	**64.853**	**74.330**	**88.222**	**99.708**
Cost of material	-4.082	-5.151	-8.266	-8.186	-9.187	-9.454
Gross profit	**41.202**	**42.182**	**56.587**	**66.144**	**79.035**	**90.254**
Personnel expenses	-25.605	-28.749	-39.668	-45.855	-51.077	-55.575
Other operating expenses	-12.258	-13.397	-14.742	-14.606	-16.653	-18.138
EBITDA	**3.340**	**0.037**	**2.177**	**5.683**	**11.305**	**16.540**
Depreciation/amortisation	-2.295	-3.052	-3.453	-4.068	-4.323	-4.509
EBIT	**1.045**	**-3.015**	**-1.276**	**1.615**	**6.983**	**12.031**
Financial result	-0.113	0.028	-0.107	-0.355	-0.315	-0.241
Non operating result before taxes	0.000	0.000	0.000	0.000	0.000	0.000
EBT	0.932	-2.987	-1.383	1.260	6.668	11.790
Non operating result after taxes	0.000	0.000	0.000	0.000	0.000	0.000
Taxes	-0.331	1.117	-0.117	-0.372	-1.969	-3.481
Minority interest	0.000	0.000	0.000	0.000	0.000	0.000
Net result	**0.601**	**-1.870**	**-1.500**	**0.888**	**4.699**	**8.309**
Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Adjusted net result	**0.601**	**-1.870**	**-1.500**	**0.888**	**4.699**	**8.309**
Average number of shares	1.79	1.89	1.89	1.89	1.89	1.89
EPS	0.34	-0.99	-0.79	0.47	2.49	4.40
Adjusted EPS	0.34	-0.99	-0.79	0.47	2.49	4.40
DPS	0.25	0.00	0.00	0.00	0.55	0.97

Source: EQUI.TS; company data

Cash Flow Statement	2013	2014	2015	2016e	2017e	2018e
Net cash provided by operating activities	1.829	-0.394	2.196	2.299	5.098	9.590
Net cash used in investing activities	-0.951	-1.569	-18.583	-2.639	-2.032	-2.297
Net cash provided by financing activities	2.483	-1.606	12.574	-2.000	-2.000	-3.034
Change in cash and securities	3.361	-3.569	-3.813	-2.340	1.065	4.259
Cash and secur. at the end of the period	13.742	10.173	7.377	5.037	6.103	10.362

Source: EQUI.TS; company data

Balance Sheet	**2013**	**2014**	**2015**	**2016e**	**2017e**	**2018e**
Long term assets	14.718	13.445	30.944	29.515	27.224	25.011
Intangible assets	9.922	8.474	25.190	23.897	21.604	18.911
Tangible assets	4.794	4.970	5.753	5.616	5.619	6.099
Financial assets	0.002	0.002	0.002	0.002	0.002	0.002
Current assets	32.351	28.270	33.074	33.767	39.278	47.213
Inventories	1.043	1.159	1.655	1.897	2.251	2.544
Accounts Receivables	13.754	12.375	19.100	21.890	25.982	29.364
Other current assets	3.812	4.563	4.943	4.943	4.943	4.943
Cash and securities	13.742	10.173	7.377	5.037	6.103	10.362
Other assets	0.753	2.957	3.742	3.742	3.742	3.742
Total assets	**47.821**	**44.673**	**67.760**	**67.024**	**70.245**	**75.967**
Equity	33.156	30.555	28.967	29.855	34.554	41.829
Reserves	33.156	30.555	28.967	29.855	34.554	41.829
Minorities	0.000	0.000	0.000	0.000	0.000	0.000
Provisions	2.540	3.321	4.081	4.151	4.224	4.301
Liabilities	10.196	8.600	32.085	30.390	28.838	27.209
Interest bearing liabilities	2.290	1.132	14.723	12.723	10.723	8.723
Accounts Payables	1.421	1.634	2.091	2.397	2.845	3.215
Other non-interest bearing liabilities	6.485	5.835	15.271	15.271	15.271	15.271
Other liabilities	1.928	2.196	2.628	2.628	2.628	2.628
Total equity and liabilities	**47.821**	**44.673**	**67.760**	**67.024**	**70.245**	**75.967**

Source: EQUI.TS; company data

Key Ratios	2013	2014	2015	2016e	2017e	2018e
Ratios for corporate valuation						
EV/Sales	1.08	1.61	1.19	1.34	1.13	1.00
EV/EBITDA	13.67	1969.16	34.17	16.90	8.50	5.81
EV/EBIT	43.68	-23.84	-58.32	59.49	13.76	7.98
P/E reported	93.50	-42.38	-43.72	97.78	18.48	10.45
P/E clean	93.50	-42.38	-43.72	97.78	18.48	10.45
PCPS	48.20	41.00	24.45	17.28	9.55	6.73
Price-to-book ratio	1.70	2.59	2.26	2.91	2.51	2.08
Profitability ratios						
EBITDA margin	7.9%	0.1%	3.5%	7.9%	13.3%	17.2%
EBIT margin	2.5%	-6.8%	-2.0%	2.3%	8.2%	12.5%
Pre tax margin	2.2%	-6.7%	-2.2%	1.8%	7.8%	12.2%
Net margin	1.4%	-4.2%	-2.4%	1.2%	5.5%	8.6%
Free-cash-flow-margin	n.m.	0.3%	n.m.	3.3%	8.3%	11.0%
ROE	2.0%	-5.9%	-5.0%	3.0%	14.6%	21.8%
Productivity ratios						
Sales/employees (in EUR '000)	76.9	78.0	84.7	85.9	94.4	101.6
Personnel expenses/employees (in '000)	46.4	50.3	53.7	54.9	56.6	58.7
Net result/employees (in '000)	1.1	-3.3	-2.0	1.1	5.2	8.8
Number of employees	552	572	739	835	902	947
Financial ratios						
Equity ratio	69.3%	68.4%	42.7%	44.5%	49.2%	55.1%
Gearing	44.2%	46.2%	133.9%	124.5%	103.3%	81.6%
Dividend yield	0.8%	0.0%	0.0%	0.0%	1.2%	2.1%
Cash-flow ratio						
Cash-flow per share	0.65	1.02	1.42	2.66	4.81	6.82
Free-Cash-flow per share	-0.02	0.08	-8.45	1.26	3.74	5.61
Other ratios						
Depreciation/Sales	5.4%	6.8%	5.5%	5.7%	5.1%	4.7%
Capex/Sales	2.8%	4.0%	29.8%	3.7%	2.4%	2.4%
Working Capital/Sales	31.5%	26.7%	29.8%	29.8%	29.8%	29.8%
Tax rate	35.5%	37.4%	-8.5%	29.5%	29.5%	29.5%

Source EQUI.TS

DISCLAIMER

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: EQUI.TS GmbH

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

EQUI.TS GmbH is subject to regulation through the Federal Financial Supervisory Authority (BaFin).

Reference pursuant to section 4 subsection 4 point 4 FinAnV:

Company	Analyst		Rating	Price Target
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
GK SOFTWARE AG	D.Grossjohann/T.Schießle	07/03/2016	Buy	€ 45.20
GK SOFTWARE AG	D.Grossjohann/T.Schießle	17/05/2016	Buy	€ 54.35
GK SOFTWARE AG	D.Grossjohann/T.Schießle	21/06/2016	Buy	€ 54.35
GK SOFTWARE AG	D.Grossjohann/T.Schießle	12/09/2016	Buy	€ 59.60

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.

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/original publication of the financial analysis:

(12/09/2016)

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

(Closing price on 09/09/2016)

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.

III. Disclosure on possible conflicts-of-interest by the use of the following numeration as reference:

1. the author has a shareholding in an amount of more than 5% of the share capital,

2. the author has participated in the management of a consortium which has publicly issued financial instruments of the issuer within the last twelve months,

3. the author has carried out sales/purchase transactions on the analysed contents,

4. there exists personnel ties between the author and the issuer,

5. the author belongs to a controlling body of the issuer or by any other means exercises a corresponding control function,

6. the author has an agreement with the issuer on the preparation of analysis (assignment),

7. the author receives payments from the issuer,

8. the author concluded an agreement on services in connection with investment banking transactions in the last 12 months, and he has received consideration or promise of consideration from such agreement

In the present financial analysis the conflict-of-interest mentioned under 6. applies.

B. General disclosures/liability arrangement:

1. This document was prepared by EQUI.TS GmbH exclusively for information purposes.

2. This publication, if sold in the UK. may only be made available to those persons who, in the meaning of the Financial Services Act 1986 are authorised and exempt, or persons as defined in section 9 (3) of the Financial Services Act 1986 (Investment Advertisement) (Exemptions) Decree 1988 (amended version) and must not be transmitted directly or indirectly to other persons or groups of persons.

3. Neither this document nor any copy of it may be taken into, transferred to or distributed within the United States of America or its territories and possessions. The distribution of this document in Canada, Japan or other jurisdictions may be restricted by law. and persons who come into possession of this publication should find out about any such restrictions and respect them. Any failure to respect these restrictions may represent a breach of the US, Canadian or Japanese securities laws or laws governing another jurisdiction.

4. By accepting this document you accept all disclaimers of liability and the restrictions cited above.

5. This document is neither a recommendation nor an offer nor application of an offer for the purchase, sale or subscription of any security or investment. It is by no means meant to provide investment advice.

6. This document, prepared by EQUI.TS GmbH, is based on information from sources (publicly available information and tax rates at the time of publication, which can, however, change), which, according to EQUI.TS GmbH, are dependable, yet not actually available for independent verification. Despite diligent verification, EQUI.TS GmbH cannot provide a guarantee, assurance or warranty for completeness and correctness; responsibility and liability is therefore excluded insofar as there is no intent or gross negligence on the part of EQUI.TS GmbH. All statements and opinions are exclusively those of EQUI.TS GmbH and can be changed without prior notice. Any error-caused misstatements of the document can be corrected by EQUI.TS GmbH, without EQUI.TS GmbH being held responsible for damages as a result of these misstatements.

7. This document is a translation of the legally binding German original version of September 12, 2016.