

Company Alert

GFT

Company Update: Discount to fair value not longer justified

COMPANY



RATING

HOLD (UNCHANGED)

TARGET PRICE

2.1 EUR (UNDER REVIEW)

WHAT'S CHANGED

- New target price is EUR 2.10 (was EUR 1.65)

GFT published very **solid Q1 figures** in view of the tough environment with sales only down by 1.5% to EUR 54.6m. Thanks to the substantial loss reduction in the Software segment - the smallest division of GFT, revenues account only for 2.5% of group turnover - the earnings figures were significantly higher than in Q1/08. Additionally the normalised tax ratio of 26% pushed net profit, so that EPS nearly tripled to EUR 0,03. All in all the figures were in line with our estimates.

After a very tough 2008 the **Services segment**, which is the main earnings contributor, showed an increase in revenues of 6,5% in Q1/09. This was mainly driven by German costumers. Although the price pressure is still present we believe that GFT's Services business **has passed through the trough**. EBIT was down 20% to EUR 0.77m.

The **Resourcing segment** showed a decrease in revenues of 6% to EUR 31.3m due to the weak turnover in the sub division Third Party Management (-12% to EUR 14.7m). The other sub division Resource Management had stable revenues of EUR 16.6m. Because the TPM is a very low margin business (EBT margin of roughly 1%) the EBT of the Resourcing segment did not collapse, nevertheless, due to an ongoing price pressure the EBT decreased by 18%.

Due to a strict cost cutting in sales an marketing efforts GFT was able to **reduce the losses in the Software segment** from EUR 0.8m to EUR 0.07m. The other positive message is the increase in licence sales by 40% to 0,5m. Here management created trust that this segment should be able to reach the break even during the year.

The management reaffirmed the guidance of stable revenues and an EBT in a range between EUR 6m and EUR 8m.

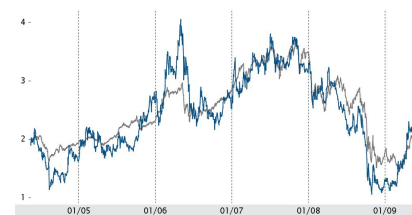
Conclusion: On the back of the solid Q1 figures which were in line with our forecast the probability of reaching our (unchanged) estimates has grown significantly. Therefore the discount to the fair value (EUR 2.10) is no longer justified. We increase target price to EUR 2.10 (was EUR 1.65). Therefore we stick to our hold recommendation despite the strong share price increase of the last weeks.

+++ Reuters: GFTG +++ Bloomberg: GFT GR +++

Current Price (XETRA (Germany); 2009-05-14; 10:06 am).....2.20 EUR
CLOSING PRICE(2009-05-13):..... 2.30 EUR
 EXPECTED PERFORMANCE:.....-28.3%
 MARKET CAPITALIZATION:..... 60.55 EUR m
 ENTERPRISE VALUE:..... 33.83 EUR m
 NUMBER OF SHARES:..... 26.33 m
 FREE FLOAT:..... 47.0 %
 INDEX (WEIGHT):..... Tech All Share (0.18 %)
 AVG. DAILY TRADEVOL.: 16,315
 ISIN:..... DE0005800601
 SECTOR: Software

KEY DATA (DEC)	2008	2009E	2010E
Sales (EUR m)	242.2	244.4	255.0
EBITDA (EUR m)	8.0	8.5	11.1
EBIT (EUR m)	6.4	7.1	9.8
Net profit (EUR m)	6.0	5.5	7.3
Free cashflow (EUR m)	7.8	3.8	6.5
FCF yield	12.9 %	6.2 %	10.7 %
EPS (EUR)	0.23	0.21	0.28
DPS (EUR)	0.10	0.10	0.12
EV / Sales (x)	0.1	0.1	0.1
EV / EBITDA (x)	4.4	4.0	2.7
EV / EBIT (x)	5.5	4.7	3.1
P / E (x)	10.1	10.9	8.3
P / BV (x)	0.96	0.92	0.86
Dividend yield (in %)	4.3 %	4.3 %	5.2 %

PRICE PERFORMANCE



Source: GFT, LBBW Research, Thomson Reuters

UPCOMING EVENTS

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