

Buy (Initiation)

Price target: EUR 5.70

| | | | |
|-------------------|----------|--------------------------|------------------|
| Price: | EUR 3.03 | Next result: | Q3 2011 09.11.11 |
| Bloomberg: | GFT GR | Market cap: | EUR 79.8 m |
| Reuters: | GFTG.DE | Enterprise Value: | EUR 42.8 m |

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Initiate with BUY: Excess cash conceals impressive returns

Combining profound IT expertise with deep knowledge of the financial industry makes GFT the sector specialist in the IT service market. The long-standing track record with blue chip clients such as Deutsche Bank, HSBC and AXA underlines GFT's reputation of being more than just an IT service provider. GFT is perceived as a valuable consultant in business innovation and process optimisation.

GFT combines the flexibility, focus and determination of an entrepreneur owned company with the process efficiency and international resources of a big player which is clearly **differentiating** the company from its larger international competitors (Luxoft, TCS, HCL) as well as from the numerous smaller IT service providers.

The clientele is valuing GFT's customised software solutions based on the know-how of its domestic veteran consultants. At the same time GFT works highly cost efficiently with nearly ¾ of the workforce being located in low-cost hubs in Spain and Brazil. This translates into **exceptional returns north of 20% (ROCE) when adjusted for excess cash of € 32m (representing 40% of the market cap)**.

Sales are seen to increase by 10.6% p.a. on the back of growing markets (IT services 4%; IT recruiting 12%). A **disproportionate EBIT increase of 13.0% p.a. (2010-13E)** should be driven by the first-time contribution of the recently acquired high margin niche business Asymo (explaining 0.4pp margin improvement). Considerable scale effects in personnel, administrative and operating expenses are temporarily offset by disproportionate growth of the lower margin recruiting business (EBT margin of 2% vs. 8% in Services).

From 2007 to 2010 GFT has increased its net cash position by € 12m to € 40m due to the solid operating cash generation (CFO of € 7.6m p.a.) and low capex requirements (€ 1.5m p.a.). Consequently, despite offering a **dividend yield of 6.6% for FY 11E**, the company has plenty of cash to actively consolidate the fragmented market.

Valuation is undemanding **trading at 3.3x EBIT 2011E** given that **GFT has created value even in the crisis year 2009 with a ROCE adjusted for cash of 14.8%**. A wider coverage should make more investors familiar with this company which is still unowned and widely unknown outside Germany. Coverage is initiated with **Buy. PT of € 5.70** is based on FCFY 2012E and backed by a DCF model.



Source: Company data, Hauck & Aufhäuser

| | |
|---------------------------------------|-------------|
| High/low 52 weeks: | 4.86 / 2.90 |
| Price/Book Ratio: | 1.0 |
| Relative performance (TecDAX): | |
| 3 months | -0.7 % |
| 6 months | -8.5 % |
| 12 months | -3.4 % |

Changes in estimates

| | | Sales | EBIT | EPS |
|------|------|-------|------|------|
| 2011 | old: | 285.4 | 12.8 | 0.36 |
| | Δ | - | - | - |
| 2012 | old: | 306.1 | 14.1 | 0.40 |
| | Δ | - | - | - |
| 2013 | old: | 335.8 | 15.9 | 0.45 |
| | Δ | - | - | - |

Key share data:

| | |
|-------------------------------|--------|
| Number of shares: (in m pcs) | 26.3 |
| Authorised capital: (in € m) | 10 |
| Book value per share: (in €) | 2.9 |
| Ø trading volume: (12 months) | 39,694 |

Major shareholders:

| | |
|-------------------|--------|
| Free Float | 56.9 % |
| Ulrich Dietz | 28.5 % |
| Maria Dietz | 9.7 % |
| Dr. Markus Kerber | 5.0 % |

Company description:

GFT specialises in designing and implementing IT solutions for the financial services industry.

| Y/E 31.12 (EUR m) | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E | 2013E |
|---------------------|---------|---------|---------|---------|---------|---------|---------|
| Sales | 247.1 | 236.6 | 216.8 | 248.3 | 285.4 | 306.1 | 335.8 |
| Sales growth | 42 % | -4 % | -8 % | 15 % | 15 % | 7 % | 10 % |
| EBITDA | 13.2 | 10.6 | 8.5 | 12.2 | 14.0 | 15.3 | 17.3 |
| EBIT | 11.8 | 9.0 | 7.3 | 11.0 | 12.8 | 14.1 | 15.9 |
| Net income | 8.6 | 6.0 | 4.7 | 7.8 | 9.6 | 10.6 | 11.9 |
| Net debt | -28.6 | -35.0 | -37.7 | -40.3 | -37.6 | -42.8 | -47.2 |
| Net gearing | -49.5 % | -55.5 % | -57.3 % | -56.6 % | -48.9 % | -52.1 % | -53.5 % |
| Net Debt/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EPS fully diluted | 0.33 | 0.23 | 0.18 | 0.30 | 0.36 | 0.40 | 0.45 |
| CPS | 0.30 | 0.29 | 0.22 | 0.22 | 0.32 | 0.40 | 0.40 |
| DPS | 0.00 | 0.00 | 0.10 | 0.15 | 0.20 | 0.22 | 0.25 |
| Dividend yield | 0.0 % | 0.0 % | 3.3 % | 5.0 % | 6.6 % | 7.3 % | 8.3 % |
| Gross profit margin | 39.2 % | 37.3 % | 39.9 % | 42.8 % | 42.3 % | 41.8 % | 41.2 % |
| EBITDA margin | 5.4 % | 4.5 % | 3.9 % | 4.9 % | 4.9 % | 5.0 % | 5.2 % |
| EBIT margin | 4.8 % | 3.8 % | 3.4 % | 4.4 % | 4.5 % | 4.6 % | 4.7 % |
| ROCE | 16.2 % | 11.7 % | 9.1 % | 12.6 % | 13.3 % | 13.7 % | 14.3 % |
| EV/sales | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 |
| EV/EBITDA | 3.9 | 4.3 | 5.0 | 3.3 | 3.1 | 2.5 | 1.9 |
| EV/EBIT | 4.4 | 5.1 | 5.8 | 3.6 | 3.3 | 2.7 | 2.1 |
| PER | 9.2 | 10.2 | 12.9 | 9.7 | 8.3 | 7.5 | 6.7 |
| Adjusted FCF yield | 13.7 % | 14.4 % | 12.9 % | 16.3 % | 18.3 % | 23.6 % | 30.9 % |




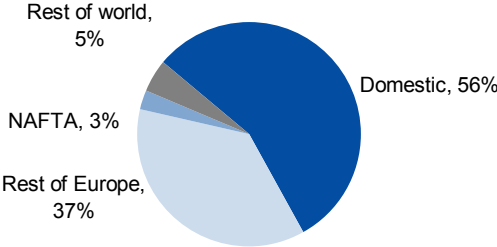
Source: Company data, Hauck & Aufhäuser Close price as of: 07.09.2011

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Introducing GFT AG

GFT is an IT service provider with a clear focus on the bank, insurance and logistics industries. With its clear focus GFT has gained industry specific competences that are appreciated by the client base consisting of blue chips (such as Deutsche Bank, HSBC, Axa, Deutsche Post) as well as investment banks and funds (Swisscanto, Deka).

| | Services | Resourcing | Group | |
|--|--|---|--------------|--|
| Products | Designing, delivering and maintaining customised IT solutions (mainly in the financial sector) | Providing flexible sourcing of IT specialists for companies in all sectors | | |
| |  |  | | |
| Sales 10 (€ m) | 116.5 | 131.8 | 248.2 | |
| Sales share | 47% | 53% | | |
| End markets | financial sector | no specific industry | | |
| Market positions | top 10 IT service provider, leading in specific niches | top 5 in German resourcing | | |
| Customers |  | | | |
| Competitors | Algeier, Adesso, Seven Principles, Atos Origin | | | |
| Sales distribution by region (10) |  | | | |
| EBT 10 (€ m) | 9.4 | 3.0 | 12.4 | |
| EBT-margin | 8% | 2% | 5% | |
| ROCE 10 | | | 13% | |
| ROCE 10 (adjusted for cash) | 23% | 17% | 20% | |

Source: Company data; Hauck & Aufhäuser

In the **Service** segment GFT offers:

- Corporate services (e.g. post-merger IT integration strategies, business architecture design and sourcing strategies)
- Operational business services (e.g. requirements analysis, optimisation and implementation of business processes)
- Application services (solutions for the financial industry such as customer management, risk management, mobile banking, core banking or compliance)

In the second segment, **Resourcing**, GFT organises the IT staffing for its clients. Owning a data base of 180,000 IT freelancers, GFT offers full service beginning with a demand analysis, followed by screening candidates and offering a selection of professionals to contracting.

2010 business split:

GFT generated revenues of € 116m (47% of group sales) and an EBT of € 9.4m (8.1% margin; 80% of group EBT) in the Services segment. ROCE adjusted for cash is estimated at a compelling level of 23%. The number of employees amounts to 1,160 representing 89% of GFT's total workforce.

The Resourcing segment generated revenues of € 132m (53% of group sales) but only € 3m of EBT (margin 2.3%). GFT is generating a trading margin in the recruiting business with the freelancer's salaries being transitory costs. Despite low margins returns are strong (eH&A ROCE adjusted for excess cash c. 17%) due to low capital intensity.

Regional split:

GFT generates the majority of sales in its domestic market (56%), followed by the UK (16%), France and Spain (9% each). The regional distribution of employees is different. 60% are located in Spain and another 12% are working out of Brazil. In this structure GFT can offer its clients cost efficient near- and farshore solutions.

Quality

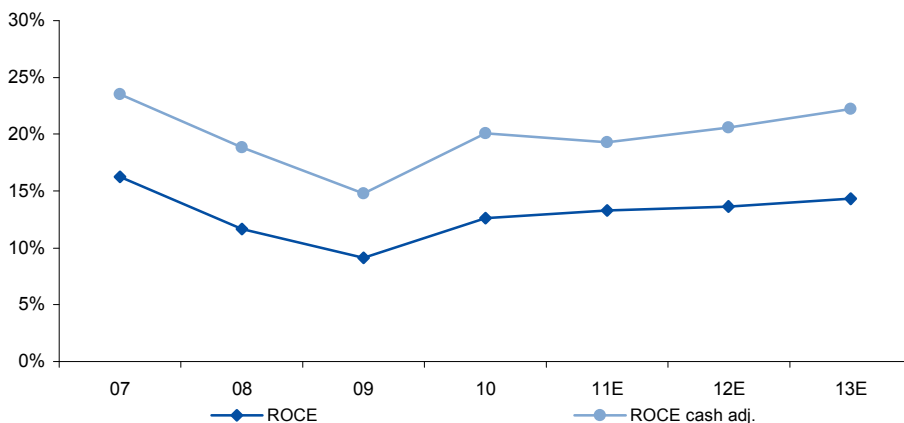
High returns in a fragmented market

The **market for IT services is fragmented**. GFT competes mostly directly with large international outsourcing providers such as Russian Luxoft or Indian TCS and HCL, but in some fields also with CapGemini, Allgeier, CSC, Atos Origin and Adesso. The high number of providers is indicating a high competitive intensity and low barriers to entry. On the other hand, **the IT service and outsourcing market is characterised by structural growth subduing competition**.

GFT has been able to generate returns (ROCE) of significantly above 10% in economic upswings. Moreover, ROCE did not drop below 8.4% even in the financial crisis. This solid level of return is even heavily distorted by unused cash reserves. The **net cash position amounted to € 32.5m on average in FY 2010 (€ 40.3m at year end) representing 37% of avg. capital employed**.

Adjusting capital employed for the avg. net cash position, GFT has generated a stunning **average ROCE of 18% through the challenging period from 2007 to 2010 indicating a sound competitive quality and underlining GFT’s capability to transfer its competitive quality into value creation**.

Trend in ROCE



Source: Company Data; Hauck & Aufhäuser

Competitive quality

Focus on the selected banks, insurances and logistics industries **is the cornerstone of GFT’s competitive quality**. Already in 2001 GFT has acquired the emagine group, a former IT subsidiary of Deutsche Bank. Building a long-standing relationship with the market leading financial institute, which is the most important customer still today, has helped GFT to develop industry-specific skills.

Even though the revenue share with Deutsche Bank has been boosted from 35% in 2009 to 47% in 2010 due to major new orders, the bullet risk is less significant than indicated at a first glance. The sales are generated with different legal entities in different regions (c. 15% Germany, 15% UK, remainder with Spain, Italy, ‘Private Region’). Furthermore, GFT is **deeply anchored in the core processes of its clients** making a change of the service provider expensive and requiring several years of lead time.

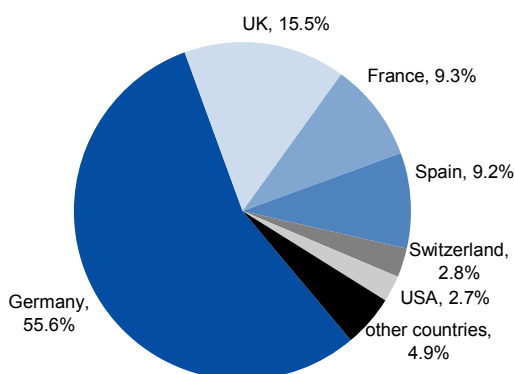
Differentiation from the competitors is the result of the deep know-how in the financial industry. GFT's value add is based on assisting its clients to solve specific challenges and to drive innovation by offering custom-tailored consulting services and innovative IT solutions for the retail, corporate and investment banking:

- **Consulting:** GFT's veteran consultants are not only IT experts but also have deep know-how of the financial industry. **Combining methodological skills and banking experience creates perceivable benefits for clients** in the development of IT strategies or the optimisation of business processes (e.g. developing bespoke strategies aiming at measurable value-add).
- **Solutions:** GFT has plenty of experience in sensible tasks such as selecting, planning and implementing core banking systems for the clients in alignment with the business strategy. Being **one of the chosen service partners for Temenos, Avaloq and SAP** underpins GFT's competence in this field. But going further down the road GFT also develops its **own tailored solutions for new technology trends** such as customer front ends for mobile banking solutions or interactive consulting modules for touch pads (Ipad). Efficient project management is guaranteed by **CMMI level 3 certification**.

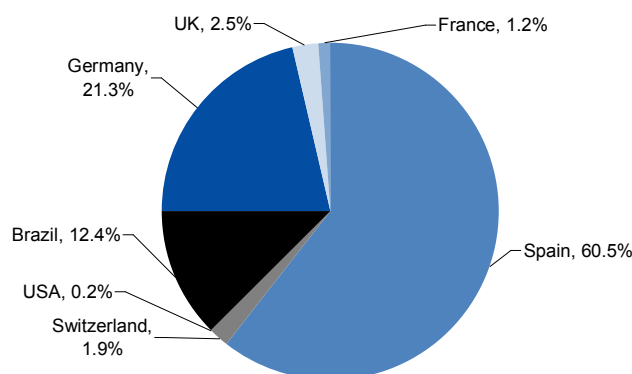
Cost efficiency is achieved by the regional distribution of GFT's workforce. Despite generating only 9.2% of sales in Spain 60.5% of the workforce is located there (Brazil: less than 5% of sales and 12.4% of employees). Typically, project teams are formed heterogeneously from local industry experts and nearshore based workforce. In this structure **GFT combines the cost advantages of near- and farshore solutions with its industry expertise, high quality standards and most importantly its proximity to clients**. This is what really separates GFT from its larger competitors based in Russia or India.

Due to the efficient cost structure **GFT can also offer attractive outsourcing solutions** for its clientele. For example, in 2010 GFT has won an outsourcing project taking over the whole IT maintenance of Deutsche Bank Spain for at least 7 years worth a total € 80m in sales. In total, c. 2/3 of GFT's revenues is of recurring nature.

GFT sales split by country (2010)



GFT employees split by country (2010)

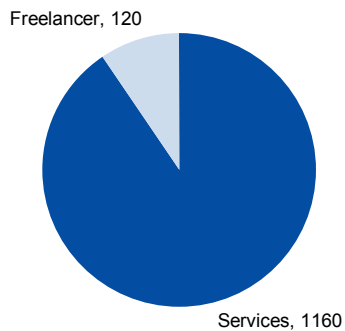


Source: Company data; Hauck & Aufhäuser

Reputation among the clientele in the financial sector is derived from the long-standing track record of being a reliable partner to reference clients such as Deutsche Bank, RBS or HSBC. **GFT is the financial industry specialist: large enough to deliver but small enough to care.**

Intersegment synergies are created from GFT's database of 180,000 IT freelancers. In the Resourcing segment, GFT organises the IT staffing for its clients by recruiting experts from this database. The access to these freelancers is also used by the Service segment which is recruiting freelancers in times of high utilisation. As such, the cost base can easily be reduced in times of softening demand for IT service projects which is reducing the potential negative operating leverage. In 2009 total opex declined nearly in-line with sales (opex down by 7.9% yoy vs. sales down by 8.4% yoy).

GFT Service segment employees and freelancers (2010)



Source: Company data; Hauck & Aufhäuser

Growth

Sales growth

Group sales are expected to grow at a **CAGR of 10.6%** between 2010 and 2013E. Looking at segments, **Services** is seen to grow by 5.5% (CAGR 2010-13E) of which 3.4% p.a. is organic while sales of the **Resourcing** segment are expected to rise disproportionately by 14.7% (CAGR 2010-13E).

Guidance: GFT is guiding for sales of € 275m and EBT of € 13m in FY 2011. In the longer run, GFT aims to achieve sales of € 500m by FY 2015, assisted by c. € 100m of sales contribution from acquisitions.

| EUR m | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E | 2013E |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Divisional sales | | | | | | | |
| Services | 101 | 91 | 91 | 116 | 124 | 129 | 137 |
| Resourcing | 140 | 146 | 125 | 132 | 161 | 178 | 199 |
| TTL | 241 | 237 | 217 | 248 | 285 | 306 | 336 |
| Divisional sales shares | | | | | | | |
| Services | 41.8% | 38.4% | 42.1% | 46.9% | 43.4% | 42.0% | 40.8% |
| Resourcing | 58.2% | 61.6% | 57.9% | 53.1% | 56.6% | 58.0% | 59.2% |
| TTL | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Divisional sales growth | | | | | | | |
| Services | na | -9.8% | 0.5% | 27.5% | 6.4% | 3.7% | 6.5% |
| Resourcing | na | 3.8% | -13.9% | 5.0% | 22.5% | 10.0% | 12.0% |
| TTL | na | -1.9% | -8.4% | 14.5% | 15.0% | 7.3% | 9.7% |

Source: Company data, Hauck&Aufhäuser

(1) Market growth

Outlook for the **German IT service market** is positive: research firm BITKOM expects growth of 3.5% for 2011E and 3.8% in 2012E driven by economic growth and innovations such as cloud computing.

According to IDC, the IT service market growth is currently driven by spending of the health sector and public authorities while the financial industry is still contributing only moderately, yet with increasing dynamics.

Globally the IT service market is expected to grow at a CAGR of 4.4% over the next four years according to research firm Ovum following a very modest growth of less than two percent in 2010. Gartner is even more optimistic, expecting global spending on IT services to grow by 6.6% in 2011.

Global IT spending by financials is estimated to grow in a range of 3.7% (according to Celent) to 4.5% (according to Ovum) in 2011.

Management is aiming at an organic growth rate of 8% p.a. in its Service segment by 2015 with 2011 being a year of consolidation following significant market share gains in 2010. The target implies that GFT should grow c. twice as fast as the market which has easily been achieved in the past years. However, comparing GFT's focussed business model to the wide ranged IT services market is a bit misleading given that GFT is operating in faster growing niches (e.g. IT outsourcing with an estimated growth rate of 6% p.a. until 2015). However, the focus on banking solutions is expected to weigh on the growth rate in FY 2012.

The **market for IT resourcing** is likely to grow significantly faster according to a survey amongst service providers carried out by German research firm Lünendonk. On average, market participants expect the market to grow by 15% in 2011 and at a CAGR 2011-2016 of 12%.

With a targeted annual organic growth of 15% p.a. by 2015 management intends to grow slightly faster than the market.

(2) Services

GFT has a rather high visibility on its service revenues. The revenues can be divided into three parts of similar size:

- **Run the business:** Approx. 1/3 of GFT's sales are pure maintenance revenues. These maintenance contracts have different durations but as a rule of thumb it can be said that larger organisations require a lead time of c. three years in order to switch maintenance providers.
- **Change the business:** Another 1/3 of service sales are closely related to the maintenance business. GFT's clients require ongoing business process optimisation which GFT can efficiently implement being the long-term service provider. With a number of clients framework agreements are installed providing high visibility.
- **New projects:** New projects generally contribute 1/3 of GFT's revenues and drive the business' growth.

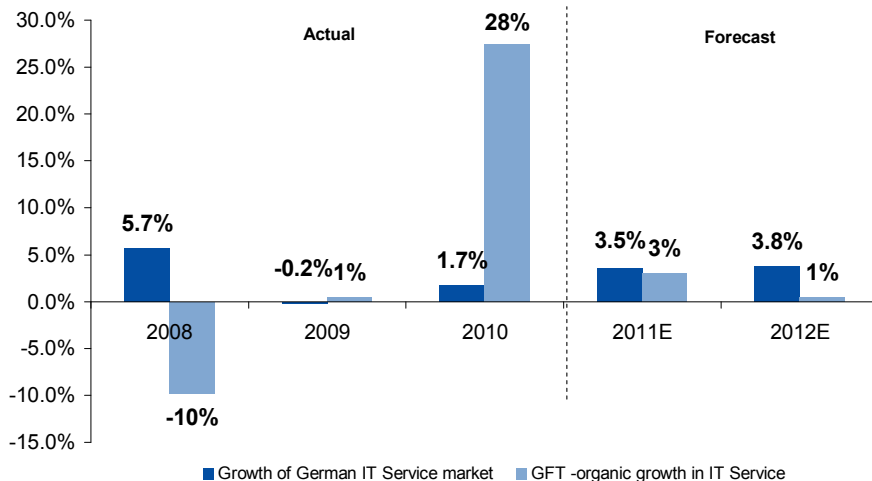
Based on the solid position in attractive niches, GFT should be able to take advantage of market growth. Growth should be driven by:

- **Portfolio expansion** – Being traditionally strong in customised solutions, GFT is expanding its know-how in the niche of standard banking solutions (Temenos, SAP banking, Avaloq).
- **Regional expansion** – With a competence centre installed in Brazil, GFT is perfectly positioned to offer services for the growing demand of Latin American banks.
- **Innovations** – Given that banks are seeking competitive edge GFT should be able to increase sales from innovative solutions such as mobile banking applications or touch screen consulting tools.
- **Outsourcing** – GTF is providing cost efficient near- / farshore solutions meeting the disproportionately growing demand for IT outsourcing.

The graph below shows that **GFT's growth does not exactly follow the IT services cycle**. The financial crisis has caused a significant investment backlog amongst GFT's clientele from the financial industry in 2008 which was released in 2010. **Given the severe disruptions of 2008 a minus of only 10% in sales underpins how important GFT's services are for the functionality of the banking IT.**

Given that the larger part of the 28% organic sales increase in 2010 comes from GFT's largest client, Deutsche Bank, some consolidation is expected for FY 2011 (organic growth of 3% yoy). The current situation of financial markets is likely to have a negative impact on new IT project launches in the financial industry. Hence, for 2012 no considerable organic growth is expected for GFT. Consolidation effects from the Asymo acquisition should provide growth of 3.7% yoy though. In FY 2013 GFT is expected to return to healthy organic growth of 6.5% yoy.

Growth of the German market for IT Services



Source: Company data; Hauck & Aufhäuser

Putting it all together, **sales are expected to grow at a CAGR of 3.4% (2010-2013E) organically**. The organic growth rate is expected to be the weakest in FY 2012E at 0.5%. On top, the first-time consolidation of Asymo as of H2 2011 should provide **another 3.4% of inorganic growth in 2011 (3.3% in 2012) adding up to a CAGR 2010-2013E of 5.5%** for GFT's Services segment.

(3) Resourcing

Sales in the Resourcing business are less focussed on certain industries. Growth is driven by the generally increasing demand for flexible IT workforce. GFT's access to a large database of 180,000 freelancers should secure growth in a market which is increasingly characterised by scarce human resources.

GFT is expected to grow largely in line with the market at a **CAGR of 14.7% (2010-2013E)**. The most dynamic growth rate is expected for FY 2011 (+22.5%) due to the currently robust demand.

(4) Acquisitions

Given excess cash of at least € 32m at hand, GFT is intending to actively consolidate the fragmented market. Even though the business model normally does not provide for significant cost synergies, acquisitions clearly make sense for GFT:

- **Know-how expansion:** e.g. the recent acquisition of Asymo provides GFT with know-how in the uncompetitive and highly profitable niche of Avaloq system integration.
- **Client base expansion:** Despite being strongly positioned with its existing clients from the financial sector, GFT aims to expand its client base and benefit from cross-selling opportunities.
- **Transferring cash into operating profit:** GFT is currently generating less than € 1m of interest income from its excess cash position. Hence, acquiring profitable business models could boost EPS.

In 2011E, the acquired Asymo group is expected to contribute € 4m in sales and EBIT of c. € 0.2m (burdened by integration and transaction costs). The acquisition will take full effect in FY 2012E when a sales contribution of € 8m and an EBIT of € 1.7m is expected. Assuming a purchase price of € 7m makes this acquisition clearly value-accretive providing a post tax ROI of c. 20%.

Earnings growth

At the beginning of the financial crisis GFT had to face some margin pressure due to a combination of pricing pressure and trailing wage inflation. However, the trend has been reversed in 2010 as GFT managed to efficiently control its cost base and returned to healthy growth.

Continuing this positive trend, **EBITDA is expected to grow disproportionately by 12.3% (CAGR 2010-'13E)**. The EBITDA margin is seen to rise by 0.3pp to 5.2%.

| GFT AG: Bottom-line trend 2007-13E | | | | | | | |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|
| in € m | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E | 2013E |
| Gross Profit | 97.0 | 88.4 | 86.4 | 106.2 | 120.6 | 128.0 | 138.3 |
| Gross margin | 39.2% | 37.3% | 39.9% | 42.8% | 42.3% | 41.8% | 41.2% |
| Personnel expenses | 64.5 | 62.0 | 62.5 | 76.5 | 86.9 | 92.4 | 99.2 |
| in % of sales | 26.1% | 26.2% | 28.8% | 30.8% | 30.5% | 30.2% | 29.5% |
| Other operating expenses | 21.2 | 18.4 | 17.3 | 21.1 | 23.4 | 24.2 | 25.9 |
| in % of sales | 8.6% | 7.8% | 8.0% | 8.5% | 8.2% | 7.9% | 7.7% |
| Other operating income | 2.0 | 2.6 | 2.0 | 3.5 | 3.7 | 4.0 | 4.0 |
| in % of sales | 0.8% | 1.1% | 0.9% | 1.4% | 1.3% | 1.3% | 1.2% |
| EBITDA | 13.2 | 10.6 | 8.5 | 12.2 | 14.0 | 15.3 | 17.3 |
| EBITDA-margin | 5.4% | 4.5% | 3.9% | 4.9% | 4.9% | 5.0% | 5.2% |
| EBIT | 11.8 | 9.0 | 7.3 | 11.0 | 12.8 | 14.1 | 15.9 |
| EBIT-margin | 4.8% | 3.8% | 3.4% | 4.4% | 4.5% | 4.6% | 4.7% |
| EBT | 12.4 | 9.6 | 7.9 | 11.6 | 13.5 | 14.9 | 16.8 |
| EBT-margin | 5.0% | 4.0% | 3.6% | 4.7% | 4.7% | 4.9% | 5.0% |
| Services | 10.3 | 7.6 | 6.2 | 9.4 | 10.3 | 11.3 | 12.3 |
| EBT-margin | 10.2% | 8.4% | 6.8% | 8.1% | 8.3% | 8.8% | 9.0% |
| Resourcing | 3.5 | 3.0 | 2.7 | 3.0 | 4.0 | 4.4 | 5.3 |
| EBT-margin | 2.4% | 2.1% | 2.2% | 2.3% | 2.5% | 2.5% | 2.6% |
| Net income | 8.6 | 6.0 | 4.7 | 7.8 | 9.6 | 10.6 | 11.9 |
| in % of sales | 3.5% | 2.5% | 2.2% | 3.1% | 3.4% | 3.5% | 3.6% |

Source: Company data; Hauck & Aufhäuser

Mix shift compensated by scale effects

The anticipated mix shift towards the lower margin Resourcing business (EBT margin of 2.3% vs. Services EBT margin of 8.1%) is seen to be largely compensated by scale effects in personnel, administrative and operating expenses as well as D&A. Furthermore, the recently announced acquisition of Asymo, operating in the extremely profitable niche of Avaloq system integration, should add c. € 1.7m in EBT and sales of € 8m (21% EBT margin) as of 2012 which explains why the segment margin is seen to increase even in the expected challenging market environment.

Hence, the **EBT margin in the Service segment is expected to be boosted by 0.9pp to 9.0% by 2013E** (still 1.2% shy of the pre crisis level) while the **EBT margin in the Resourcing business is expected to moderately improve by 0.3pp to 2.6%**.

Material expenses

The gross profit margin is determined by the Resourcing segment, given that **nearly all of the material expenses are the salaries of IT freelancers** which are placed to clients' IT departments. The share of these transitory costs increases when the Resourcing business is growing faster than the Service business, where nearly no material expenses are involved.

Consequently, the decline in gross margin by 1.6pp to 41.2% reflects the assumption that the Resourcing business will grow at a CAGR '10-'13 of 14.7% while the Service business is expected to grow less dynamically by 5.5% p.a.

Personnel expenses

By growing the revenue share of the resourcing business, the personnel expense ratio is naturally declining, given that most of GFT's employees are allocated to the Service segment. But also within the individual segments there is some scale on personnel expenses.

Increasing utilisation should reduce the personnel expense ratio in the Service business assuming only moderate wage inflation of 1.5% p.a.

In the Resourcing business, economies of scale result from an increasing demand for freelancers. Placing additional freelancers does not require GFT to proportionally build up additional headcount in its recruiting department.

Driven by the shift mix and scale, **personnel expenses look set to decline by 1.3pp to 29.5% by FY 2013.**

Other operating income/expenses

Other operating income is of minor importance representing only 1.4% of sales. Mostly containing of reversal of provisions, exchange rate differences, gains from security disposals, etc. this position is expected to see a nearly flat development.

Other operating expenses on the other hand are **expected to drop by 0.8pp to 7.7% of sales by 2013** as c. 2/3 have a fixed cost character (administrative and operating expenses) while only 1/3 are variable (distribution expenses).

Depreciation / Amortisation

Given that GFT operates on a negligible asset base, D&A is no important factor. Goodwill of € 26m, representing 84% of the asset base and 28% of equity, is not amortised. The remaining assets translate into D&A of € 1.1m which should only increase to € 1.4m by 2013 given some growth capex for office equipment.

Valuation

To value GFT AG we have used three different approaches:

- A DCF model
- An adjusted FCF valuation
- A peer group comparison

DCF model

Our **DCF model** assumes a CAGR of 10.6% for the forecast period (2010-13E), a medium-term growth rate of 4.3% (2013E-18E) and a long-term growth rate of 2.5%. The terminal EBIT margin is modelled at 4.0%.

The discount factor (WACC) is set at 9.5%, made up of a risk-free rate of 3.25% (current yield on 10-year government bonds), a 5.0% equity risk premium and a beta of 1.2.

The DCF model implies a fair value of € 5.80 for GFT AG.

A **sensitivity analysis** reflects the undemanding valuation:

- 1) 0% long-term growth; 11.5% WACC indicating a **fair value of € 4.50**
- 2) 2% terminal year EBIT margin; 11.5% WACC indicating a **fair value of € 3.90**

| DCF (EUR m) (except per share data and beta) | 2011E | 2012E | 2013E | 2014E | 2015E | 2016E | 2017E | 2018E | Terminal value |
|--|-------------|------------|------------|-------------|-------------|-------------|-------------|-------------|----------------|
| NOPAT | 9.1 | 10.0 | 11.3 | 11.9 | 13.0 | 13.0 | 12.8 | 12.3 | 11.8 |
| Depreciation | 1.1 | 1.2 | 1.4 | 1.4 | 1.4 | 1.4 | 1.5 | 1.5 | 1.6 |
| Increase/decrease in working capital | -2.8 | -1.3 | -3.0 | -1.1 | -0.6 | -1.4 | -1.1 | -1.1 | -1.2 |
| Increase/decrease in long-term provisions and accruals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Capex | -1.6 | -1.7 | -1.7 | -1.4 | -1.5 | -1.6 | -1.6 | -1.6 | -1.6 |
| Acquisitions | -7.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Capital increase | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash flow | -1.1 | 8.2 | 8.0 | 10.8 | 12.3 | 11.3 | 11.5 | 11.1 | 10.7 |
| Present value | -1.1 | 7.3 | 6.5 | 8.0 | 8.4 | 7.1 | 6.6 | 5.8 | 73.3 |
| WACC | 9.3% | 9.3% | 9.3% | 9.3% | 9.3% | 9.3% | 9.3% | 9.3% | 9.5% |

| DCF per share derived from | | DCF avg. growth and earnings assumptions | |
|---------------------------------------|-------------|--|-------|
| Total present value | 122 | Short term growth (2010-2013) | 10.6% |
| thereof terminal value | 60% | Medium term growth (2013 - 2017) | 4.3% |
| Net debt (net cash) at start of year | -40 | Long term growth (2017 - infinity) | 2.5% |
| Financial assets | 0 | Terminal year EBIT margin | 4.0% |
| Provisions and off balance sheet debt | 9 | | |
| Equity value | 154 | | |
| No. of shares outstanding | 26.3 | | |
| Discounted cash flow per share | 5.8 | | |
| upside/(downside) | 94% | | |
| | | WACC derived from | |
| | | Cost of borrowings before taxes | 6.0% |
| | | Tax rate | 29.0% |
| | | Cost of borrowings after taxes | 4.3% |
| | | Required return on invested capital | 9.3% |
| | | Risk premium | 5.0% |
| | | Risk-free rate | 3.3% |
| | | Beta | 1.2 |
| Share price | 3.00 | | |

| Sensitivity analysis DCF | | | | | | Sensitivity analysis DCF | | | | | | | |
|--------------------------|-------|------------------|------|------------|------|--------------------------|------|---------------------------|------|------|------------|------|------|
| | | Long term growth | | | | | | EBIT margin terminal year | | | | | |
| | | 0% | 1.0% | 2.5% | 2.5% | 3.0% | | | 2.0% | 3.0% | 4.0% | 5.0% | 6.0% |
| WACC | 11.5% | 4.5 | 4.6 | 4.9 | 4.9 | 5.0 | WACC | 11.5% | 3.9 | 4.4 | 4.9 | 5.4 | 5.9 |
| | 10.5% | 4.7 | 4.9 | 5.3 | 5.3 | 5.5 | | 10.5% | 4.1 | 4.7 | 5.3 | 5.9 | 6.6 |
| | 9.5% | 5.1 | 5.3 | 5.8 | 5.8 | 6.1 | | 9.5% | 4.3 | 5.1 | 5.8 | 6.6 | 7.4 |
| | 8.5% | 5.5 | 5.8 | 6.6 | 6.6 | 6.9 | | 8.5% | 4.6 | 5.6 | 6.6 | 7.5 | 8.5 |
| | 7.5% | 6.0 | 6.5 | 7.6 | 7.6 | 8.1 | | 7.5% | 5.1 | 6.3 | 7.6 | 8.9 | 10.1 |

Source: Company data; Hauck & Aufhäuser

Free Cash Flow Yield

As smaller companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and due to the fact that long-term returns often are flawed by the lack of sufficient visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

The main driver of this model is the level of return available to a *controlling* investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company.

Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after tax return equals the model's hurdle rate of 8.5%, 1 pp higher than normal reflecting the bullet risk from the significant sales share of GFT's largest client. Anything less suggests the stock is expensive; anything more suggests the stock is cheap.

The adjusted FCF Yield suggests a PT of € 5.70 for GFT AG based on 2012E with further upside on 2013E figures (€ 6.60).

Even based on average year 2010 the FCFY indicates 54% upside.

| FCF yield, year end Dec. 31 | 2010 | 2011E | 2012E | 2013E | |
|--|--------------|--------------|--------------|---------------|-----|
| EBITDA | 12.2 | 14.0 | 15.3 | 17.3 | |
| - Maintenance capex | 1.5 | 1.5 | 1.5 | 1.5 | |
| - Minorities | 0.0 | 0.0 | 0.0 | 0.0 | |
| - tax expenses | 3.3 | 3.9 | 4.3 | 4.9 | |
| = Adjusted Free Cash Flow | 7.4 | 8.6 | 9.5 | 10.9 | |
| Actual Market Cap | 79.0 | 79.0 | 79.0 | 79.0 | |
| + Net debt (cash) | -40.3 | -37.6 | -42.8 | -47.2 | |
| + Pension provisions | 0.7 | 0.7 | 0.7 | 0.7 | |
| + Off balance sheet financing | 8.0 | 8.0 | 8.0 | 8.0 | |
| + Adjustments prepayments | 0.0 | 0.0 | 0.0 | 0.0 | |
| - Financial assets | 0.0 | 0.0 | 0.0 | 0.0 | |
| - Dividend payment | -2.6 | -3.9 | -5.3 | -5.8 | |
| <i>EV Reconciliations</i> | <i>-34.3</i> | <i>-32.9</i> | <i>-39.4</i> | <i>-44.4</i> | |
| = Actual EV | 44.7 | 46.1 | 39.6 | 34.6 | |
| Adjusted Free Cash Flow yield | 16.5% | 18.6% | 24.0% | 31.6% | |
| Sales | 248.3 | 285.4 | 306.1 | 335.8 | |
| Actual EV/sales | 0.2x | 0.2x | 0.1x | 0.1x | |
| Hurdle rate | 8.5% | 8.5% | 8.5% | 8.5% | |
| FCF margin | 3.0% | 3.0% | 3.1% | 3.3% | |
| Fair EV/sales | 0.4x | 0.4x | 0.4x | 0.4x | |
| Fair EV | 87.0 | 100.6 | 111.8 | 128.5 | |
| - <i>EV Reconciliations</i> | <i>-34.3</i> | <i>-32.9</i> | <i>-39.4</i> | <i>-44.4</i> | |
| Fair Market Cap | 121.3 | 133.5 | 151.2 | 172.9 | |
| No. of shares (million) | 26.3 | 26.3 | 26.3 | 26.3 | |
| Fair value per share | 4.6 | 5.1 | 5.7 | 6.6 | |
| Premium (-) / discount (+) in % | 53.6% | 69.1% | 91.5% | 118.9% | |
| Sensitivity analysis fair value | | | | | |
| | 7.5% | 5.0 | 5.6 | 6.3 | 7.2 |
| Hurdle rate | 10.0% | 4.1 | 4.5 | 5.1 | 5.8 |
| | 12.5% | 3.5 | 3.8 | 4.4 | 5.0 |
| | 15.0% | 3.2 | 3.4 | 3.9 | 4.5 |

Source: Company data; Hauck & Aufhäuser

Peer Group

7Principles is an IT focused consulting firm offering not only consulting services but also proprietary solutions for processes & organisation, product & project management, Enterprise Application Integration and SAP consulting. Active in Germany, Switzerland and Great Britain, the company generated sales of € 59m and EBIT of € 0.2m in 2010.

Adesso operates as an independent IT service provider in Germany, offering business consulting services, including strategy development, requirements engineering, procurement management as well as designing internet commerce websites and applications. Sales in 2010 reached € 86m and EBIT € 2.7m.

Allgeier offers Management & IT consulting, bespoke software design, outsourcing, Business Intelligence and SAP consulting. In the most recent FY 2010, the company had sales of € 309m and EBIT of € 9m.

Atos Origin is a global leader for IT services offering the full IT service spectrum including system integration, outsourcing, electronic payments & solutions and managed services. Sales in 2010 reached € 5bn and EBIT € 331m.

The following table highlights the multiples of the peer group.

| GFT TECHNOLOGIES AG | EV/Sales 11E (x) | EV/Sales 12E (x) | EV/Sales 13E (x) | EV/EBITDA 11E (x) | EV/EBITDA 12E (x) | EV/EBITDA 13E (x) | EV/EBIT 11E (x) | EV/EBIT 12E (x) | EV/EBIT 13E (x) | PER 11E (x) | PER 12E (x) | PER 13E (x) |
|--------------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|--------------------|--------------------|--------------------|-------------|-------------|-------------|
| ALLGEIER HOLDING AG | 0.2 | 0.1 | 0.1 | 2.4 | 1.9 | na | 2.6 | 2.2 | na | 9.1 | 4.9 | na |
| ADESSO AG | 0.3 | 0.3 | na | 4.5 | 3.8 | na | 6.7 | 5.4 | na | 12.2 | 10.1 | na |
| SEVEN PRINCIPLES AG | 0.3 | 0.2 | na | 4.3 | 3.7 | na | 5.1 | 4.3 | na | 8.1 | 7.2 | na |
| ATOS ORIGIN ORD | 0.4 | 0.3 | 0.3 | 4.2 | 3.2 | 2.8 | 6.9 | 5.4 | 4.6 | 10.0 | 8.1 | 6.9 |
| COR+FJA AG O.N. | 0.4 | 0.4 | 0.4 | 5.5 | 5.0 | 4.2 | 9.1 | 6.8 | 5.0 | 13.0 | 11.1 | 8.2 |
| GFT TECHNOLOGIES AG | 0.1 | 0.1 | 0.1 | 2.5 | 2.3 | 2.0 | 2.7 | 2.5 | 2.2 | 7.8 | 7.1 | 6.3 |
| Average (peer group) | 0.3 | 0.3 | 0.3 | 4.2 | 3.5 | 3.5 | 6.1 | 4.8 | 4.8 | 10.5 | 8.3 | 7.5 |
| Premium+/discount-in (%) | -60% | -59% | -61% | -39% | -35% | -42% | -55% | -48% | -54% | -25% | -15% | -17% |

Source: Company data; Hauck & Aufhäuser

Overall, the valuation of the peer group is very low which may be due to the high unutilised cash base of several companies (GFT, Allgeier, Adesso) which is concealing the low valuation on a PER basis. Furthermore, the challenging IT service market environment in 2009 and 2010 might have repelled investors. Even though daily rates, utilisation and profitability appear to be improving for the industry as a whole in 2011E, shares from this sector have been massively hit in the recent sell-off.

Nevertheless, **GFT trades at a significant discount of 35% and 48% on 2012E earnings multiples**. Given the high net cash position, EV multiples are more appropriate in order to determine a fair value which is indicated in a range between € 3.50 and € 4.10 based on 2012E.

| Implied FV | EV/EBITDA 11E | EV/EBITDA 12E | EV/EBITDA 13E | EV/EBIT 11E | EV/EBIT 12E | EV/EBIT 13E | PER 11E | PER 12E | PER 13E |
|-------------------|------------------|------------------|------------------|----------------|----------------|----------------|------------|------------|------------|
| Fair EV | 58.1 | 53.8 | 60.7 | 78.1 | 67.9 | 75.9 | | | |
| Net debt | -40.3 | -40.3 | -40.3 | -40.3 | -40.3 | -40.3 | | | |
| Pensions | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | | | |
| Market Cap | 97.8 | 93.5 | 100.4 | 117.8 | 107.5 | 115.6 | | | |
| Nosh | 26.3 | 26.3 | 26.3 | 26.3 | 26.3 | 26.3 | | | |
| implied FV | 3.7 | 3.5 | 3.8 | 4.5 | 4.1 | 4.4 | 3.8 | 3.3 | 3.4 |

Source: Company data; Hauck & Aufhäuser

Theme

Due to its focus on IT services for banks and insurances, **sentiment for GFT is significantly affected by the state of the financial industry**. This has been a burden in 2008 and 2009 and has affected the share price in the past weeks again. Furthermore, IT services have been unloved by many investors in general due to several years of price pressure and utilisation rate volatility weighing on profitability of the industry.

However, capacity utilisation in the industry has massively increased in the latest upswing even resulting in scarcity of human resources. Additionally, **GFT has shown a decent performance even in the trough of the cycle**. Hence, it should have become more visible for investors that the business is rather stable and well cash generative even in a crisis situation.

However, the word has still to be spread to investors outside Germany where **the stock is yet non-brokered, unknown and un-owned** despite a market cap of € 80m (short time ago > € 100m) and decent daily trading volumes of above € 100k.

Dynamic earnings growth in H2

H2 should provide for positive newsflow given that **sales are seen up by 10.5%**, still lower than 20.2% achieved in H1. This is due to exceptional H1 growth in the lower margin resourcing business, which is expected to normalise in H2. **EBIT is seen up over proportionate by 13.5%** mainly due to the fact that last years Q4 EBIT was slightly burdened by a project cost overrun.

| EUR | H2 11 est | H2 10 | yoy | H1 11 | H1 10 | yoy |
|---------------|--------------|-------|----------|-------|-------|----------|
| Sales | 147.6 | 133.6 | 10.5% | 137.8 | 114.7 | 20.2% |
| EBITDA | 8.1 | 7.3 | 11.3% | 5.8 | 4.9 | 19.1% |
| EBITDA margin | 5.5% | 5.5% | + 0.0 pp | 4.2% | 4.3% | -0.1 pp |
| EBIT | 7.6 | 6.7 | 13.5% | 5.2 | 4.3 | 20.9% |
| EBIT margin | 5.1% | 5.0% | + 0.1 pp | 3.8% | 3.8% | + 0.0 pp |
| Net profit | 5.5 | 4.6 | 19.9% | 4.1 | 3.3 | 24.8% |
| Net margin | 3.7% | 3.4% | + 0.3 pp | 3.0% | 2.8% | +0.2pp |
| EPS | 0.21 | 0.17 | 19.9% | 0.15 | 0.12 | 24.8% |

Source: Company data; Hauck & Aufhäuser

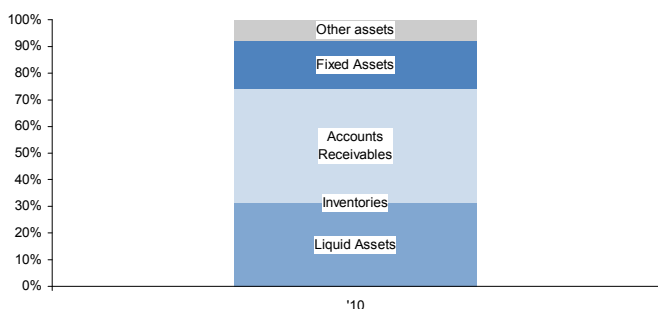
Acquisitions - transferring cash into operating business units

With more than € 30m of cash at hand, GFT is clearly in the position to actively consolidate the fragmented market. The rationale of acquisitions is seen in:

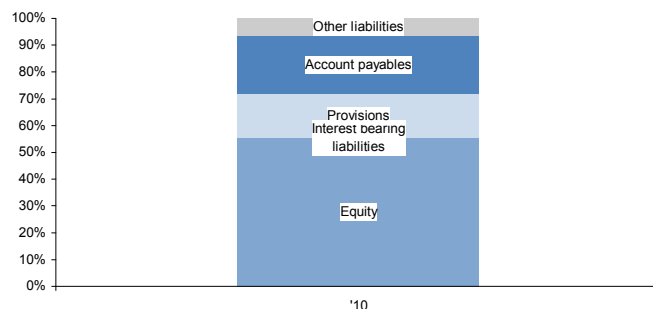
- Acquiring know-how and customer bases in profitable niche markets with low competitive intensity (such as the recent Asymo acquisition).
- Turning unproductive cash into returns and thereby creating shareholder value. In the Asymo deal GFT should have employed c. € 7m of capital creating an estimated ROI of more than 20%.

Returns analysis

Balance sheet - Assets



Balance sheet - Liabilities



Source: Company data; Hauck & Aufhäuser

Balance sheet structure

The business model of GFT is not at all capital intensive. Hence, **Fixed Assets account for € 23.5m or 18% of Total Assets (TA)** of which € 20.8m or 88% accrue to intangibles. Nearly all of the intangibles are Goodwill (€ 20.4m) resulting from the takeover of emagin from Deutsche Bank in 2001 (€ 14m in the Service segment) and the acquisition of the Parity Group in 2006 (€ 6m in the Resourcing segment).

Being an IT service provider and staffing consultancy, GFT has no inventories. The **net working capital amounts to € 26.9m** or 11% of sales and is determined by accounts receivable of € 54.8m (43% of TA) as well as accounts payable of € 27.9m (22% of Total Liabilities).

Cash and cash equivalents amount to € 40.3m representing an extraordinarily high 31% of TA. Having said that, net cash is overstated by c € 8m given that some clients utilise budgets by overpaying GFT at the end of the year. Therefore, operating cash flow is typically negative in Q1 and Q2. Still, the **year average net cash position of € 32.5m represents 25% of TA.**

The liabilities side is dominated by **Equity of € 71.3m**. The equity ratio amounts to 55%.

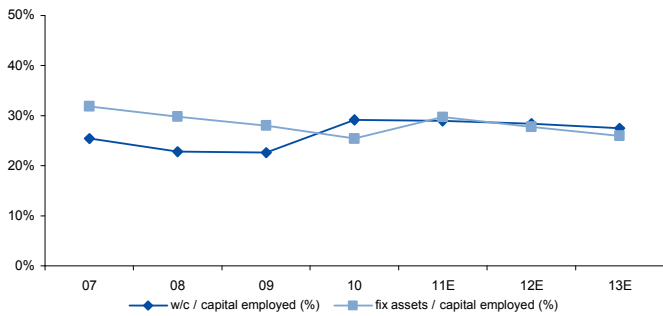
GTF does not have interest-bearing liabilities. Interest expenses (EUR 0.1m) are only due to pension provisions of € 0.7m (0.3% of TA).

Other provisions account for € 19.2m or 15% of TA. Thereof, € 10.9m are related to personnel (bonuses, variable salary and holiday) and € 4.1m accrue to outstanding purchase invoices.

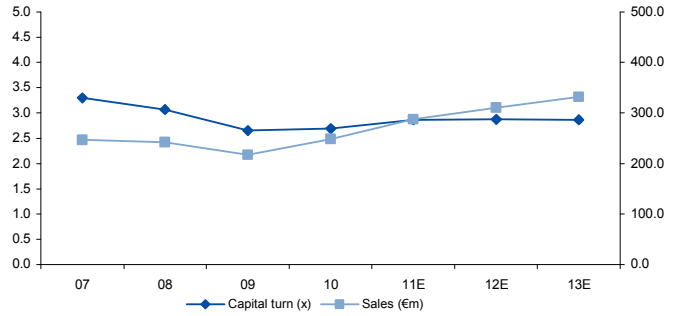
Personnel liabilities reflect the main part of **Other liabilities amounting to € 7.8m or 6% of TA.**

Altogether **the balance sheet is sound**. GFT is overcapitalised and the excess cash is free for potential acquisitions. An extra dividend is unlikely though given that the CEO and majority shareholder would prefer to use the cash to finance external growth.

Capital employed



Capital employed turnover and sales



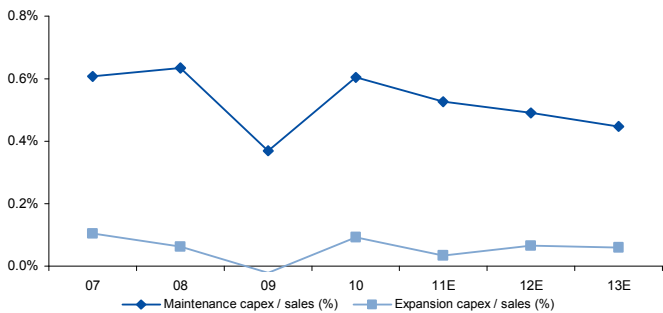
Source: Company data; Hauck & Aufhäuser

Capital employed and operating efficiency

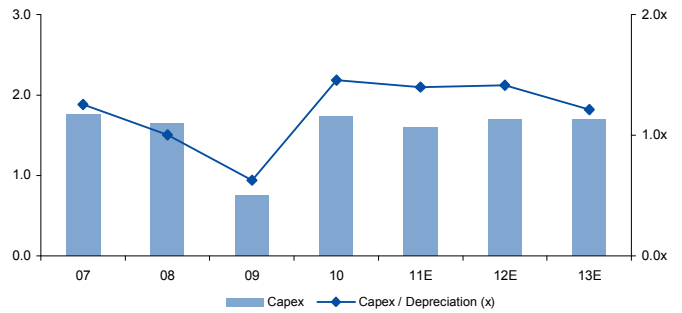
Given that GFT generates its revenues with IT services and staffing, the business does not tie up much capital. The fixed assets which are accounting for 25% of capital employed are mostly goodwill resulting from past acquisitions. Another 29% of capital employed is net working capital which solely consists of accounts receivable given that GFT does not hold inventories. Accounting for 46%, cash dominates the capital employed and distorts the unadjusted capital returns.

GFT's excellent capital efficiency of 2.7x (despite excess cash) is explained by the capital-light business model. But even amongst its peers Allgeier (2.4x), 7Principles (2.2x) and adesso (2.0x), **GFT is best in class.**

Capex cycle



Capex bar and Capex/depreciation



Source: Company data; Hauck & Aufhäuser

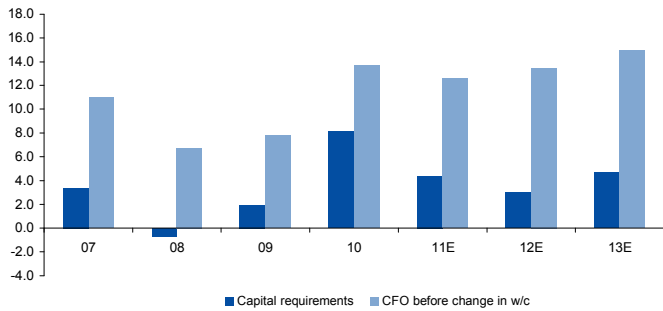
Capex cycle and net capex

Low capital requirements result in investments of less than € 2m per year. Maintenance as well as growth capex can be mainly put down to office equipment, IT hardware or servers.

The H&A model deviates from GFT's accounting in one aspect: In FY 2010 GFT has reported financial investments of € 12.7m. These are **corporate bonds** which are only classified as long-term assets because GFT intends to hold the bonds until the due date. Given that these bonds are free to be sold any time, the **€ 12.7m are not allocated to financial assets but to the cash position in the H&A model.** Therefore, also the cash flow from investing activities in 2010 is adjusted for the € 12.7m.

Capex have been slightly exceeding depreciation in most of the years. During the financial crisis in 2009 GFT has capped capex even below typical maintenance levels of € 1.5m. In the current growth phase we expect capex to remain above D&A levels before converging in the long run.

Capital requirements and CFO before changes in w/c

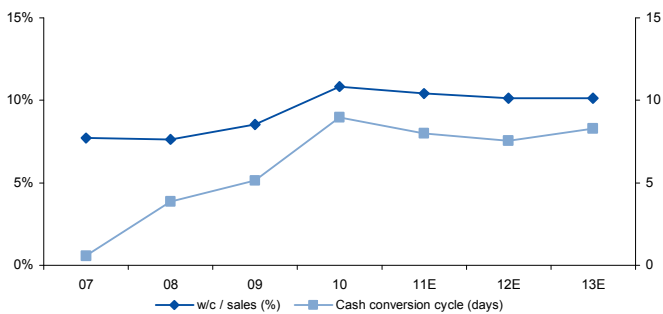


Source: Company data; Hauck & Aufhäuser

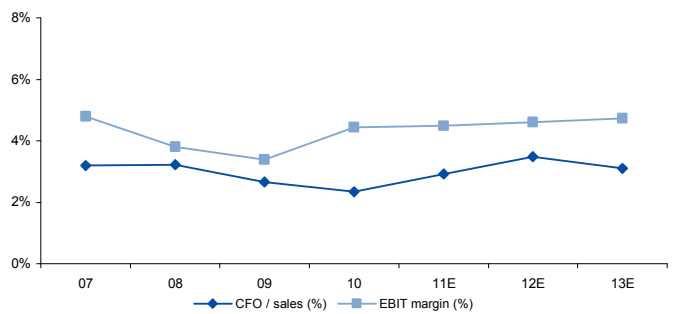
Operational funding of capital needs and cash flow analysis

GFT is **capable of financing its capital requirements internally** and has easily been able to do so even during the financial crisis. The capex requirements are low as discussed above. Also the working capital needs are minor at only 11% of sales.

Cash flow analysis



CFO/sales and EBIT margin



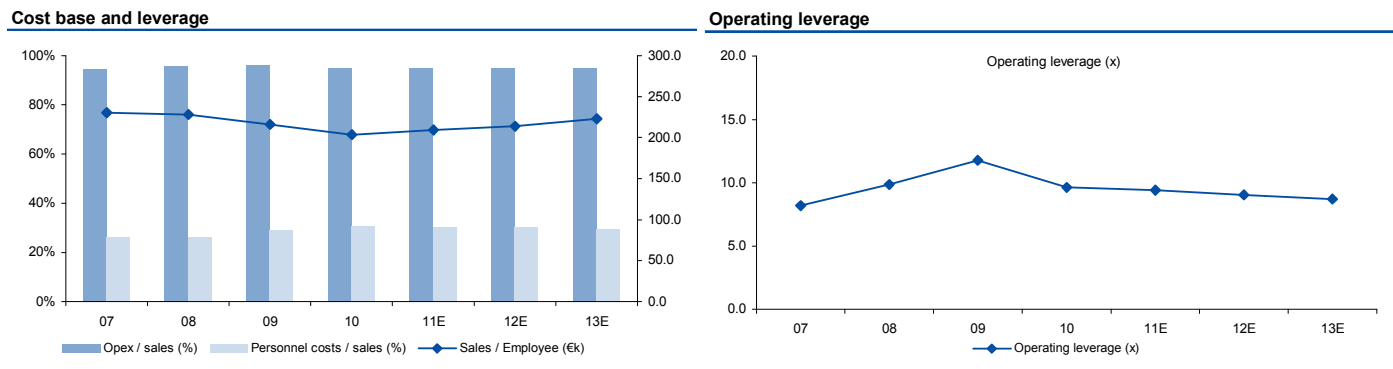
Source: Company data; Hauck & Aufhäuser

Working capital requirements result from the project business in the service segment as well as from the nature of the resourcing business:

Services: GFT typically gets paid by progress in the service business. Still, GFT is offering its clients **payment terms of 30-60 days** which means that working capital is in need of financing.

Resourcing: Payment terms in the Resourcing business are longer than in Services amounting to 45-75 days. On the other hand, the freelancers get only paid with a 30 day gap. Hence, net working capital is in fact lower in Resourcing (2010: c. € 9m or 7% of segment sales vs. € 20m or 17% of sales in Services).

Overall, c. ¾ of EBIT is transferred into cash flow.



Source: Company data; Hauck & Aufhäuser

Cost base and operational gearing

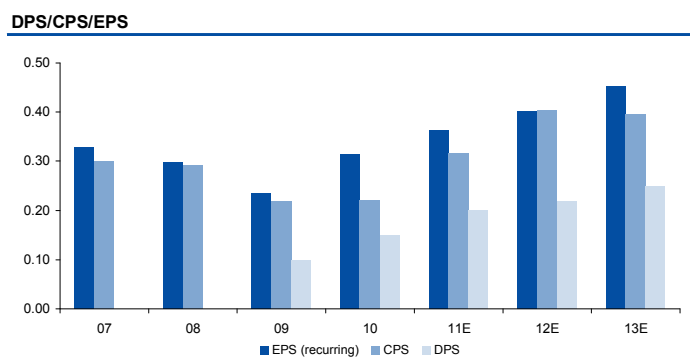
The total cost base amounts to € 240.8m of which c. 63% are variable expenses and c. 38% are fixed expenses.

Variable expenses contain sales & marketing included in other operating expenses as well as material expenses. The latter solely consist of freelancer personnel. This is a transitory cost position for GFT as these personnel expenses are invoiced to the clients of the resourcing business. A smaller part of these freelancers is used in GFT’s own service projects in order to buffer peak capacity utilisation.

The fixed costs comprise personnel, D&A as well as administration (which are included in other operating expenses).

The theoretical operating leverage is unlikely to be realised given that personnel expenses are not really a fixed cost for GFT. Headcount is expected to be expanded during the growth phase. Furthermore, wage inflation, which is expected to be in the range of 1.5% p.a. on average, has a significant impact given that the cost base is determined by personnel expenses (90% of total opex).

Altogether, **GFT is expected to transfer c. 6-7% of its incremental sales into EBIT** going forward. The ratio is highly depending on the development of the different segments given that margins in services are nearly fourfold of the resourcing margins.



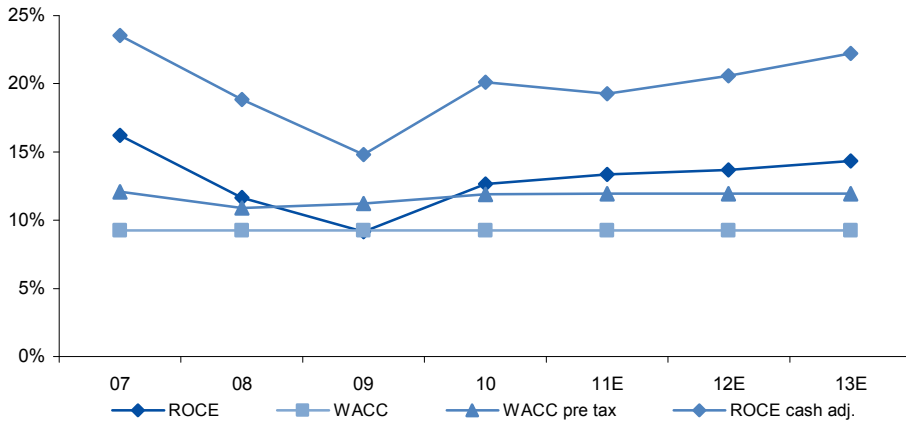
Source: Company data; Hauck & Aufhäuser

Dividend distribution

Despite generating strong cash flows and EPS for several years now, GFT has just started paying dividends in FY 2009. This is due to loss carry forwards in the AG which have prevented dividend payouts before. The payout ratio amounted to 56% in 2009 and 51% in 2010 resulting in decent dividend yields of 2.6% and 3.9% respectively.

We expect GFT to continue to **pay out dividends in a ratio of above 50% of net profits**. Based on our 2011 estimates this would result in an **attractive yield of 6.7%** being extraordinarily high for an IT company.

Returns



Source: Company data; Hauck & Aufhäuser

Value creation and cyclical of returns

GFT has created value even through the crisis. Still, lower utilisation and pressure on daily rates has put pressure on the EBIT margin in the years 2008/09 with a negative impact on returns (ROCE).

The massive **net cash position is distorting capital employed** and therefore understating the returns. Adjusted for excess cash, ROCE has exceeded the WACC through the whole cycle. Based on increasing utilisation, ROCE has started to recover already in 2010 which is expected to continue going forward.

Nevertheless, the graph shows that returns are cyclical despite c. 1/3 of sales in the value driving services business coming from maintenance contracts and another 1/3 being largely secured by framework contracts.

Company Background

History

The company was founded in 1987 by Ulrich Dietz, who remains CEO to this day, and is headquartered in Stuttgart, Germany.

GFT operates as an IT consulting and services company, providing IT staffing, IT related business consulting and application services (including application development, testing and maintenance).

GFT mainly serves customers in banking, postal and logistics and insurance industries, with operations primarily in Brazil, Germany, France, the United Kingdom, Spain, Switzerland, and the United States.

Following its IPO in 1999, GFT focused on strong organic growth and strategic alignment with several acquisitions and the opening of offices in new locations such as Switzerland and the UK.

In 2001 GFT acquired emagine, a subsidiary of Deutsche Bank specialising in IT solutions, bringing with it a new development centre in Barcelona with more than 500 financial IT consultants. In light of this development, GFT shifted focus to IT solutions for the financial sector.

In the following years GFT complemented its existing on-site and nearshore operations with the addition of an offshore software development centre in India. After winning a significant contract for a Brazilian financial services company, GFT expanded to South America by opening a development centre near São Paulo.

In 2006 GFT launched its Resourcing division, establishing itself as a market leader in IT recruitment. After acquiring the Parity group's French and German operations, GFT further increased its footprint in IT personnel solutions.

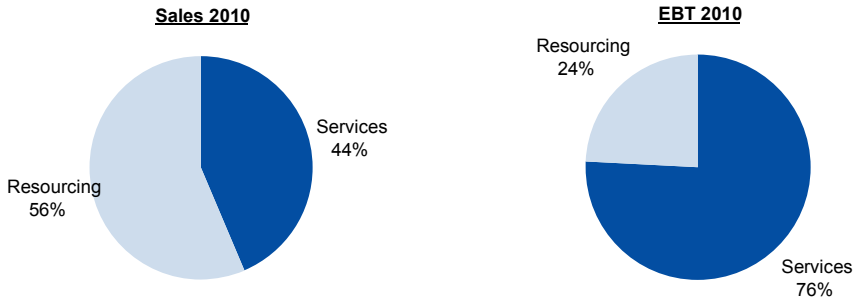
What does the company do?

GFT operates two segments:

- **Services**, where GFT designs, delivers and maintains customised IT solutions (e.g. developing business models to optimise and mobilise banking processes for the financial sector).
- **Resourcing**, providing flexible sourcing of IT specialists for companies in all sectors; additionally handling the complete management of external IT service providers for the respective clients. This segment does not focus on a specific industry.

In May 2010 GFT sold its deficient segment "Software", continuing its strategy to focus on the Resourcing and Services divisions.

Segmental split (Sales and EBT in 2010)



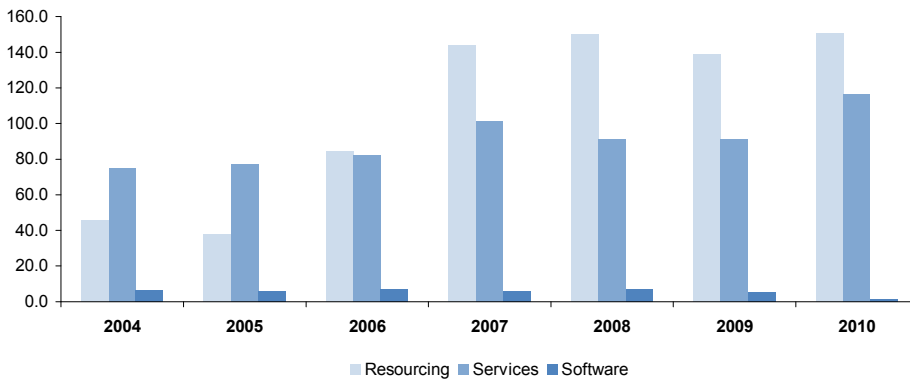
Source: Company data; Hauck & Aufhäuser

Indicated by the graph above the margins in the Resources segment are considerably smaller compared to the margins of the Services segment. While generating more than half of the company’s revenues, the Resourcing segment contributes less than one fourth to EBT.

This arises from the fact that the Resourcing segment is providing IT specialists to clients and thus generating a trade margin.

The graph below shows the historical development of GFT’s segments. The software segment has been deconsolidated in 2010. Figures for 2008 to 2010 are restated. The software segment is shown under ‘result from discontinued operations’.

Segmental sales development (2004 to 2010 in € m)

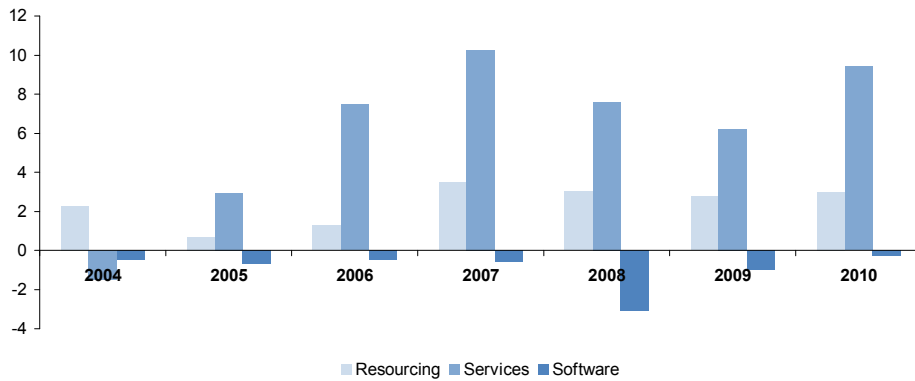


Source: Company data; Hauck & Aufhäuser

The following graph shows the historical EBT development revealing the poor performance of the tiny Software segment also on bottom line, which ultimately led to the sale in 2010. In the past three years the Resourcing EBT margins have been at a consistent 2%, while the Services segment generated EBT margins between 7% and 8%.

GFTs workforce is mainly located in Spain as well as in Brazil. These near shoring and off shoring solutions for clients in Europe and the USA are more cost efficient.

Segmental EBT development (2004 to 2010 in € m)



Source: Company data; Hauck & Aufhäuser

Services segment in detail

This segment focuses on the financial industry and offers different IT solutions. These are inter alia:

- Corporate services (e.g. post-merger IT integration strategies, business architecture design and sourcing strategies).
- Operational business services (e.g. requirements analysis, optimisation and implementation of business processes).
- Application services (solutions for the financial industry such as customer management, risk management, mobile banking, core banking or compliance).

Reference projects:

In the first quarter of 2011 GFT announced a new project with Swisscanto (a leading Swiss asset manager) for a solution of the administration of its fund savings plans. This is a follow-up project after GFT has already developed the distribution platform for fund-linked pension products for Swisscanto and will now enhance the compatibility and optimise the process.

A typical operational business service would be the deal with Deutsche Bank Spain GFT concluded in early 2010. For a period of seven years GFT will assume the development and maintenance of IT applications for money transfers, online banking, credit card management and securities business.

GFT develops financial advice programmes for iPad and multitouch displays for private banking and wealth management for undisclosed clients.

GFT Service segment products (examples)

advice programmes for multitouch displays



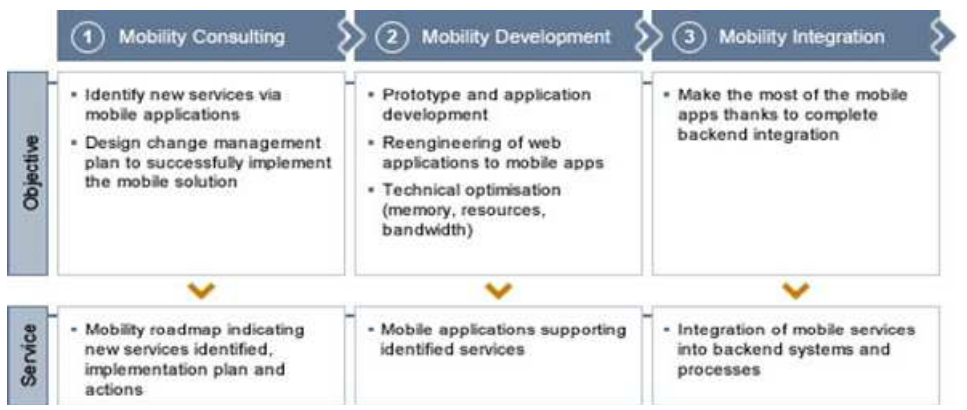
IT outsourcing deal with Deutsche Bank Spain



Source: Company data; Hauck & Aufhäuser

The following graph gives an overview of the process of one of GFT's services. It shows how mobile services for banking customers are implemented.

GFT Service segment: Example of a mobile banking development process



Source: Company data; Hauck & Aufhäuser

Resourcing segment in detail

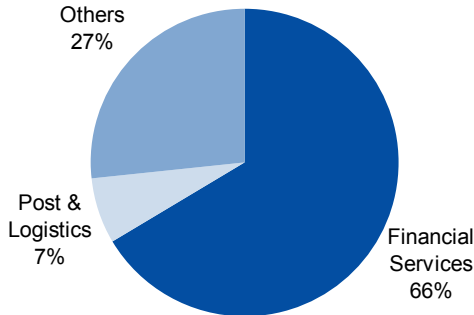
GFT maintains an international database with more than 180,000 IT freelancers. The company offers a full-service approach, starting with an initial demand analysis, followed by screening candidates and offering a selection of professionals to contracting, with experts from GFT's legal department, ensuring agreements are on firm legal footing. Furthermore, GFT takes care of logistical and organisational support, including travel arrangements, accommodations and recreation.

The Resourcing offer ranges from recruiting a single highly specialised position to an entire team for a major international project.

Industrial split and selected customers

Contributing two thirds of the total revenue, financial services is by far the most important industry for GFT:

Revenue split by industries (Q1 2011)



Source: Company data; Hauck & Aufhäuser

Important customers are inter alia the following blue chips:

Customers

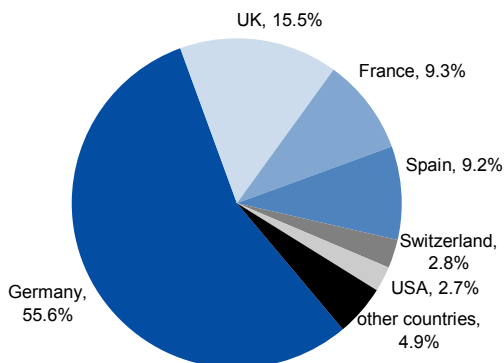


Source: Company data; Hauck & Aufhäuser

Regional split

More than half of all revenues are generated in Germany, followed by other European countries like the UK, France, Spain and Switzerland. Less than 8% is generated outside Europe.

GFT sales split by country (2010)



Source: Company data; Hauck & Aufhäuser

Management

The supervisory board of Schuler consists of 6 members, the board of management consists of the following four members:



Ulrich Dietz, CEO

After graduating in engineering, he founded GFT industry in 1987 and launched the firm on the stock exchange twelve years later in 1999.

Responsibilities: Marketing, strategy, corporate communications and investor relations.



Jean-François Bodin; COO (Resourcing)

The MBA graduate and internationally experienced manager has headed the Resourcing division since 2006 and was appointed chief operating officer in 2011.

Responsibilities: The business segment Resourcing



Marika Lulay , COO (Services)

An IT graduate, she became chief operating officer of the Service segment in 2002.

Responsibilities: The business segment Services



Dr. Jochen Ruetz, CFO

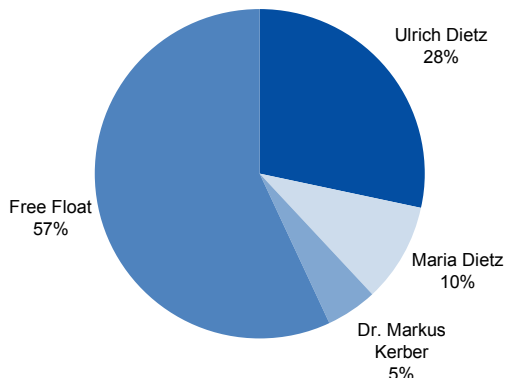
A business graduate, Dr. Ruetz has been CFO since 2003.

Responsibilities: Finance, management accounting, human resources,

Shareholder structure

There are a total of 26.3m GFT shares listed on the Frankfurt stock exchange. The company is publicly listed since its IPO in 1999, the current shareholder structure is as follows:

GFT shareholder structure, as of July 2011



Source: Company data; Hauck & Aufhäuser

The biggest shareholder is CEO Ulrich Dietz with 28%, followed by Maria Dietz owning a stake of 10% and Dr. Markus Kerber owning 5%.

The remaining 57% are considered free float according to the German stock exchange.

Financials

| Profit and loss (EUR m) | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E | 2013E |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net sales | 247.1 | 236.6 | 216.8 | 248.3 | 285.4 | 306.1 | 335.8 |
| <i>Sales growth</i> | 42.3 % | -4.2 % | -8.4 % | 14.5 % | 14.9 % | 7.3 % | 9.7 % |
| Increase/decrease in finished goods and work-in-process | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total sales | 247.2 | 236.7 | 216.8 | 248.3 | 285.4 | 306.1 | 335.8 |
| Other operating income | 2.0 | 2.6 | 2.0 | 3.5 | 3.7 | 4.0 | 4.0 |
| Material expenses | 150.2 | 148.3 | 130.4 | 142.1 | 164.8 | 178.2 | 197.4 |
| Personnel expenses | 64.5 | 62.0 | 62.5 | 76.5 | 86.9 | 92.4 | 99.2 |
| Other operating expenses | 21.2 | 18.4 | 17.3 | 21.1 | 23.4 | 24.2 | 25.9 |
| Total operating expenses | 234.0 | 226.1 | 208.3 | 236.1 | 271.4 | 290.8 | 318.5 |
| EBITDA | 13.2 | 10.6 | 8.5 | 12.2 | 14.0 | 15.3 | 17.3 |
| Depreciation | 1.0 | 1.1 | 0.9 | 0.9 | 0.9 | 1.0 | 1.1 |
| EBITA | 12.2 | 9.5 | 7.6 | 11.3 | 13.0 | 14.3 | 16.2 |
| Amortisation of goodwill | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortisation of intangible assets | 0.4 | 0.5 | 0.3 | 0.2 | 0.2 | 0.2 | 0.3 |
| Impairment charges | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | 11.8 | 9.0 | 7.3 | 11.0 | 12.8 | 14.1 | 15.9 |
| Interest income | 0.8 | 0.9 | 0.5 | 0.7 | 0.8 | 0.9 | 1.0 |
| Interest expenses | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Other financial result | 0.1 | 0.3 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Financial result | 0.6 | 0.6 | 0.5 | 0.5 | 0.7 | 0.8 | 0.9 |
| Recurring pretax income from continuing operations | 12.4 | 9.6 | 7.9 | 11.6 | 13.5 | 14.9 | 16.8 |
| Extraordinary income/loss | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Earnings before taxes | 12.4 | 9.6 | 7.9 | 11.6 | 13.5 | 14.9 | 16.8 |
| Taxes | 3.8 | 1.7 | 1.7 | 3.3 | 3.9 | 4.3 | 4.9 |
| Net income from continuing operations | 8.6 | 7.9 | 6.2 | 8.2 | 9.6 | 10.6 | 11.9 |
| Result from discontinued operations (net of tax) | 0.0 | 1.9 | 1.4 | 0.5 | 0.0 | 0.0 | 0.0 |
| Net income | 8.6 | 6.0 | 4.7 | 7.8 | 9.6 | 10.6 | 11.9 |
| Minority interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net income (net of minority interest) | 8.6 | 6.0 | 4.7 | 7.8 | 9.6 | 10.6 | 11.9 |
| Average number of shares | 26.3 | 26.3 | 26.3 | 26.3 | 26.3 | 26.3 | 26.3 |
| EPS reported | 0.33 | 0.23 | 0.18 | 0.30 | 0.36 | 0.40 | 0.45 |

| Profit and loss (common size) | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E | 2013E |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net sales | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Increase/decrease in finished goods and work-in-process | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Total sales | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Other operating income | 0.8 % | 1.1 % | 0.9 % | 1.4 % | 1.3 % | 1.3 % | 1.2 % |
| Material expenses | 60.8 % | 62.7 % | 60.1 % | 57.2 % | 57.8 % | 58.2 % | 58.8 % |
| Personnel expenses | 26.1 % | 26.2 % | 28.8 % | 30.8 % | 30.5 % | 30.2 % | 29.5 % |
| Other operating expenses | 8.6 % | 7.8 % | 8.0 % | 8.5 % | 8.2 % | 7.9 % | 7.7 % |
| Total operating expenses | 94.7 % | 95.6 % | 96.1 % | 95.1 % | 95.1 % | 95.0 % | 94.8 % |
| EBITDA | 5.4 % | 4.5 % | 3.9 % | 4.9 % | 4.9 % | 5.0 % | 5.2 % |
| Depreciation | 0.4 % | 0.5 % | 0.4 % | 0.4 % | 0.3 % | 0.3 % | 0.3 % |
| EBITA | 5.0 % | 4.0 % | 3.5 % | 4.5 % | 4.6 % | 4.7 % | 4.8 % |
| Amortisation of goodwill | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Amortisation of intangible assets | 0.2 % | 0.2 % | 0.1 % | 0.1 % | 0.1 % | 0.1 % | 0.1 % |
| Impairment charges | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| EBIT | 4.8 % | 3.8 % | 3.4 % | 4.4 % | 4.5 % | 4.6 % | 4.7 % |
| Interest income | 0.3 % | 0.4 % | 0.2 % | 0.3 % | 0.3 % | 0.3 % | 0.3 % |
| Interest expenses | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Other financial result | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Financial result | 0.2 % | 0.2 % | 0.2 % | 0.2 % | 0.2 % | 0.3 % | 0.3 % |
| Recurring pretax income from continuing operations | 5.0 % | 4.0 % | 3.6 % | 4.7 % | 4.7 % | 4.9 % | 5.0 % |
| Extraordinary income/loss | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Earnings before taxes | 5.0 % | 4.0 % | 3.6 % | 4.7 % | 4.7 % | 4.9 % | 5.0 % |
| Tax rate | 30.5 % | 17.8 % | 21.6 % | 28.6 % | 29.0 % | 29.0 % | 29.0 % |
| Net income from continuing operations | 3.5 % | 3.3 % | 2.8 % | 3.3 % | 3.4 % | 3.5 % | 3.6 % |
| Income from discontinued operations (net of tax) | 0.0 % | 0.8 % | 0.7 % | 0.2 % | 0.0 % | 0.0 % | 0.0 % |
| Net income | 3.5 % | 2.5 % | 2.2 % | 3.1 % | 3.4 % | 3.5 % | 3.6 % |
| Minority interest | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Net income (net of minority interest) | 3.5 % | 2.5 % | 2.2 % | 3.1 % | 3.4 % | 3.5 % | 3.6 % |

Source: Company data, Hauck & Aufhäuser

| Balance sheet (EUR m) | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E | 2013E |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Intangible assets | 21.2 | 20.8 | 20.7 | 20.8 | 26.3 | 26.4 | 26.4 |
| Property, plant and equipment | 2.6 | 2.6 | 2.2 | 2.7 | 4.7 | 5.1 | 5.4 |
| Financial assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| FIXED ASSETS | 23.9 | 23.5 | 23.0 | 23.5 | 31.0 | 31.5 | 31.8 |
| Inventories | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Accounts receivable | 47.9 | 44.1 | 41.8 | 54.8 | 61.8 | 65.4 | 71.8 |
| Other current assets | 5.5 | 4.0 | 5.1 | 5.0 | 5.0 | 5.0 | 5.0 |
| Liquid assets | 28.7 | 35.2 | 37.7 | 40.3 | 37.6 | 42.8 | 47.2 |
| Deferred taxes | 5.9 | 6.7 | 5.8 | 4.9 | 4.9 | 4.9 | 4.9 |
| Deferred charges and prepaid expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CURRENT ASSETS | 88.1 | 90.0 | 90.4 | 105.0 | 109.3 | 118.1 | 128.9 |
| TOTAL ASSETS | 111.9 | 113.5 | 113.4 | 128.5 | 140.3 | 149.6 | 160.7 |
| SHAREHOLDERS EQUITY | 57.7 | 63.1 | 65.8 | 71.3 | 76.9 | 82.2 | 88.3 |
| MINORITY INTEREST | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Long-term debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Provisions for pensions and similar obligations | 0.9 | 1.0 | 0.5 | 0.7 | 0.7 | 0.7 | 0.7 |
| Other provisions | 16.2 | 14.6 | 15.6 | 20.5 | 22.4 | 24.1 | 25.6 |
| Non-current liabilities | 17.0 | 15.6 | 16.1 | 21.1 | 23.0 | 24.7 | 26.3 |
| short-term liabilities to banks | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Accounts payable | 28.9 | 26.1 | 23.3 | 27.9 | 32.1 | 34.4 | 37.7 |
| Advance payments received on orders | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other liabilities (incl. from lease and rental contracts) | 7.5 | 8.0 | 7.7 | 7.9 | 7.9 | 7.9 | 7.9 |
| Deferred taxes | 0.6 | 0.4 | 0.6 | 0.5 | 0.5 | 0.5 | 0.5 |
| Deferred income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current liabilities | 37.2 | 34.7 | 31.6 | 36.2 | 40.4 | 42.7 | 46.0 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | 111.9 | 113.4 | 113.4 | 128.6 | 140.3 | 149.6 | 160.7 |

| Balance sheet (common size) | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E | 2013E |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Intangible assets | 19.0 % | 18.4 % | 18.3 % | 16.2 % | 18.7 % | 17.6 % | 16.4 % |
| Property, plant and equipment | 2.3 % | 2.3 % | 1.9 % | 2.1 % | 3.3 % | 3.4 % | 3.3 % |
| Financial assets | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| FIXED ASSETS | 21.3 % | 20.7 % | 20.2 % | 18.3 % | 22.1 % | 21.0 % | 19.8 % |
| Inventories | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Accounts receivable | 42.8 % | 38.9 % | 36.8 % | 42.6 % | 44.0 % | 43.7 % | 44.7 % |
| Other current assets | 4.9 % | 3.5 % | 4.5 % | 3.9 % | 3.5 % | 3.3 % | 3.1 % |
| Liquid assets | 25.6 % | 31.0 % | 33.2 % | 31.4 % | 26.8 % | 28.6 % | 29.4 % |
| Deferred taxes | 5.3 % | 5.9 % | 5.1 % | 3.8 % | 3.5 % | 3.3 % | 3.1 % |
| Deferred charges and prepaid expenses | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| CURRENT ASSETS | 78.7 % | 79.3 % | 79.7 % | 81.7 % | 77.9 % | 79.0 % | 80.2 % |
| TOTAL ASSETS | 100.0 % | 100.1 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| SHAREHOLDERS EQUITY | 51.6 % | 55.7 % | 58.0 % | 55.4 % | 54.8 % | 54.9 % | 55.0 % |
| MINORITY INTEREST | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Long-term debt | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Provisions for pensions and similar obligations | 0.8 % | 0.8 % | 0.4 % | 0.5 % | 0.5 % | 0.4 % | 0.4 % |
| Other provisions | 14.4 % | 12.9 % | 13.8 % | 15.9 % | 15.9 % | 16.1 % | 16.0 % |
| Non-current liabilities | 15.2 % | 13.8 % | 14.2 % | 16.4 % | 16.4 % | 16.5 % | 16.4 % |
| short-term liabilities to banks | 0.1 % | 0.1 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Accounts payable | 25.8 % | 23.0 % | 20.5 % | 21.7 % | 22.8 % | 23.0 % | 23.5 % |
| Advance payments received on orders | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Other liabilities (incl. from lease and rental contracts) | 6.7 % | 7.1 % | 6.8 % | 6.1 % | 5.6 % | 5.3 % | 4.9 % |
| Deferred taxes | 0.5 % | 0.3 % | 0.5 % | 0.4 % | 0.3 % | 0.3 % | 0.3 % |
| Deferred income | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Current liabilities | 33.2 % | 30.6 % | 27.8 % | 28.2 % | 28.8 % | 28.6 % | 28.7 % |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

Source: Company data, Hauck & Aufhäuser

| Cash flow statement (EUR m) | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E | 2013E |
|--|-------------|-------------|-------------|--------------|-------------|-------------|-------------|
| Net profit/loss | 8.6 | 6.0 | 4.7 | 7.8 | 9.6 | 10.6 | 11.9 |
| Depreciation of fixed assets (incl. leases) | 1.0 | 1.1 | 0.9 | 0.9 | 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 | 0.4 | 0.5 | 0.3 | 0.2 | 0.2 | 0.2 | 0.3 |
| Others | 1.0 | -0.9 | 1.8 | 4.7 | 1.9 | 1.7 | 1.6 |
| Cash flow from operations before changes in w/c | 11.0 | 6.8 | 7.8 | 13.7 | 12.6 | 13.5 | 14.9 |
| Increase/decrease in inventory | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Increase/decrease in accounts receivable | -13.8 | 3.8 | 1.9 | -13.0 | -7.0 | -3.7 | -6.3 |
| Increase/decrease in accounts payable | 12.2 | -2.1 | -4.4 | 7.6 | 4.2 | 2.3 | 3.3 |
| Increase/decrease in other working capital positions | 0.0 | 0.7 | 1.3 | -1.0 | 0.0 | 0.0 | 0.0 |
| Increase/decrease in working capital | -1.6 | 2.4 | -1.2 | -6.4 | -2.8 | -1.3 | -3.0 |
| Cash flow from operating activities | 9.4 | 9.1 | 6.6 | 7.3 | 9.8 | 12.1 | 11.9 |
| CAPEX | 1.8 | 1.6 | 0.8 | 1.7 | 1.6 | 1.7 | 1.7 |
| Payments for acquisitions | 0.0 | 0.0 | 0.0 | 0.0 | 7.0 | 0.0 | 0.0 |
| Financial investments | 3.5 | 0.0 | 0.0 | 12.7 | 0.0 | 0.0 | 0.0 |
| Income from asset disposals | 3.8 | -0.2 | 0.0 | -0.2 | 0.0 | 0.0 | 0.0 |
| Cash flow from investing activities | -1.5 | -1.8 | -0.7 | -14.6 | -8.6 | -1.7 | -1.7 |
| Cash flow before financing | 7.9 | 7.3 | 5.8 | -7.3 | 1.2 | 10.4 | 10.2 |
| Increase/decrease in debt position | -2.4 | 0.0 | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Purchase of own shares | 0.0 | 0.0 | 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 |
| Dividends paid | 0.0 | 0.0 | 2.6 | 2.6 | 3.9 | 5.3 | 5.8 |
| Others | 0.0 | -0.1 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Effects of exchange rate changes on cash | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash flow from financing activities | -2.4 | -0.1 | -2.6 | -2.6 | -3.9 | -5.3 | -5.8 |
| Increase/decrease in liquid assets | 5.5 | 7.3 | 3.2 | -9.9 | -2.7 | 5.2 | 4.4 |
| Liquid assets at end of period | 25.7 | 33.0 | 36.2 | 26.3 | 23.5 | 28.7 | 33.1 |

Source: Company data, Hauck & Aufhäuser

| Regional split (EUR m) | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E | 2013E |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Domestic | 170.4 | 164.3 | 141.4 | 139.0 | 143.0 | 149.0 | 158.5 |
| yoy change | n/a | -3.6 % | -13.9 % | -1.7 % | 2.9 % | 4.2 % | 6.4 % |
| Rest of Europe | 57.8 | 63.3 | 63.5 | 91.7 | 121.4 | 133.1 | 149.6 |
| yoy change | n/a | 9.5 % | 0.3 % | 44.4 % | 32.4 % | 9.6 % | 12.4 % |
| NAFTA | 0.0 | 0.0 | 4.5 | 6.6 | 8.5 | 10.5 | 12.8 |
| yoy change | n/a | n/a | n/a | 46.7 % | 28.8 % | 23.5 % | 21.9 % |
| Asia Pacific | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| yoy change | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Rest of world | 18.9 | 14.6 | 12.0 | 12.0 | 12.5 | 13.5 | 14.9 |
| yoy change | n/a | -22.8 % | -17.8 % | 0.0 % | 4.2 % | 8.0 % | 10.4 % |
| TTL | 247.1 | 242.2 | 221.4 | 249.3 | 285.4 | 306.1 | 335.8 |
| yoy change | n/a | -2.0 % | -8.6 % | 12.6 % | 14.5 % | 7.3 % | 9.7 % |

Source: Company data, Hauck & Aufhäuser

| Key ratios (EUR m) | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E | 2013E |
|--------------------------------------|----------|----------|----------|----------|----------|----------|----------|
| P&L growth analysis | | | | | | | |
| Sales growth | 42.3 % | -4.2 % | -8.4 % | 14.5 % | 14.9 % | 7.3 % | 9.7 % |
| EBITDA growth | 74.2 % | -19.8 % | -19.5 % | 42.7 % | 14.4 % | 9.8 % | 12.9 % |
| EBIT growth | 85.0 % | -24.2 % | -18.2 % | 49.8 % | 16.4 % | 10.2 % | 12.5 % |
| EPS growth | 71.1 % | -31.0 % | -20.7 % | 64.3 % | 23.0 % | 10.7 % | 12.7 % |
| Efficiency | | | | | | | |
| Total operating costs / sales | 94.7 % | 95.6 % | 96.1 % | 95.1 % | 95.1 % | 95.0 % | 94.8 % |
| Sales per employee | 230.5 | 228.2 | 216.2 | 203.7 | 209.1 | 214.1 | 223.1 |
| EBITDA per employee | 12.4 | 10.2 | 8.5 | 10.0 | 10.2 | 10.7 | 11.5 |
| Balance sheet analysis | | | | | | | |
| Avg. working capital / sales | 7.7 % | 7.8 % | 8.4 % | 9.1 % | 9.9 % | 9.9 % | 9.7 % |
| Inventory turnover (sales/inventory) | 27,455.6 | 35,851.5 | 2,168,00 | 2,482,63 | 2,482,63 | 2,482,63 | 2,482,63 |
| Trade debtors in days of sales | 70.8 | 68.1 | 70.3 | 80.6 | 79.0 | 78.0 | 78.0 |
| A/P turnover [(A/P*365)/sales] | 42.7 | 40.3 | 39.2 | 41.0 | 41.0 | 41.0 | 41.0 |
| Cash conversion cycle (days) | 0.6 | 3.9 | 5.1 | 9.0 | 8.0 | 7.6 | 8.3 |
| Cash flow analysis | | | | | | | |
| Free cash flow | 7.6 | 7.5 | 5.8 | 5.6 | 8.2 | 10.4 | 10.2 |
| Free cash flow/sales | 3.1 % | 3.2 % | 2.7 % | 2.2 % | 2.9 % | 3.4 % | 3.0 % |
| FCF / net profit | 88.2 % | 125.7 % | 122.8 % | 71.7 % | 86.1 % | 98.7 % | 85.6 % |
| FCF yield | 9.6 % | 9.4 % | 7.3 % | 7.0 % | 10.3 % | 13.1 % | 12.8 % |
| Capex / depre | 125.6 % | 100.2 % | 63.0 % | 145.8 % | 140.1 % | 141.7 % | 121.4 % |
| Capex / maintenance capex | 85.1 % | 81.8 % | 76.5 % | 94.1 % | 93.3 % | 93.3 % | 93.3 % |
| Capex / sales | 0.7 % | 0.7 % | 0.3 % | 0.7 % | 0.6 % | n/a | n/a |
| Security | | | | | | | |
| Net debt | -28.6 | -35.0 | -37.7 | -40.3 | -37.6 | -42.8 | -47.2 |
| Net Debt/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net debt / equity | -0.5 | -0.6 | -0.6 | -0.6 | -0.5 | -0.5 | -0.5 |
| Interest cover | 118.4 | 224.5 | 999.0 | 186.6 | 128.2 | 141.3 | 158.9 |
| Dividend payout ratio | 0.0 % | 0.0 % | 55.7 % | 50.8 % | 55.1 % | 54.7 % | 55.2 % |
| Asset utilisation | | | | | | | |
| Capital employed turnover | 3.3 | 3.0 | 2.6 | 2.7 | 2.9 | 2.9 | 2.9 |
| Operating assets turnover | 11.4 | 11.5 | 10.5 | 8.4 | 8.3 | 8.5 | 8.5 |
| Plant turnover | 94.5 | 90.1 | 98.9 | 91.7 | 61.2 | 60.4 | 62.6 |
| Inventory turnover (sales/inventory) | 27,455.6 | 35,851.5 | 2,168,00 | 2,482,63 | 2,482,63 | 2,482,63 | 2,482,63 |
| Returns | | | | | | | |
| ROCE | 16.2 % | 11.7 % | 9.1 % | 12.6 % | 13.3 % | 13.7 % | 14.3 % |
| ROE | 15.0 % | 9.4 % | 7.2 % | 10.9 % | 12.4 % | 12.9 % | 13.5 % |
| Other | | | | | | | |
| Interest paid / avg. debt | 66.7 % | 26.7 % | 0.0 % | n/a | n/a | n/a | n/a |
| No. employees (average) | 1072 | 1037 | 1003 | 1219 | 1365 | 1430 | 1505 |
| Number of shares | 26.3 | 26.3 | 26.3 | 26.3 | 26.3 | 26.3 | 26.3 |
| DPS | 0.0 | 0.0 | 0.1 | 0.2 | 0.2 | 0.2 | 0.3 |
| EPS reported | 0.33 | 0.23 | 0.18 | 0.30 | 0.36 | 0.40 | 0.45 |
| Valuation ratios | | | | | | | |
| P/BV | 1.4 | 1.3 | 1.2 | 1.1 | 1.0 | 1.0 | 0.9 |
| EV/sales | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 |
| EV/EBITDA | 3.9 | 4.3 | 5.0 | 3.3 | 3.1 | 2.5 | 1.9 |
| EV/EBITA | 4.3 | 4.8 | 5.6 | 3.6 | 3.3 | 2.6 | 2.0 |
| EV/EBIT | 4.4 | 5.1 | 5.8 | 3.6 | 3.3 | 2.7 | 2.1 |
| EV/FCF | 6.8 | 6.1 | 7.3 | 7.2 | 5.2 | 3.6 | 3.3 |
| Dividend yield | 0.0 % | 0.0 % | 3.3 % | 5.0 % | 6.6 % | 7.3 % | 8.3 % |

Source: Company data, Hauck & Aufhäuser

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| Company | Disclosure |
|---------------------|------------|
| GFT Technologies AG | 2, 8 |

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Historical target price and rating changes for GFT Technologies AG in the last 12 months

Price and Rating History GFT Technologies AG as of 08/09/11

Initiation coverage



Hauck & Aufhäuser distribution of ratings and in proportion to investment banking services

| | | |
|-------------|---------|---------|
| Buy | 83.10 % | 66.67 % |
| Sell | 11.27 % | 0.00 % |
| Hold | 5.63 % | 33.33 % |

Valuation basis/rating key

Buy: Sustainable upside potential of more than 10% within 12 months.

Sell: Sustainable downside potential of more than 10% within 12 months.

Hold: Upside/downside potential limited. No immediate catalyst visible.

Competent supervisory authority

Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin – (Federal Financial Supervisory Authority), Graurheindorfer Straße 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt am Main, Germany

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