

Company Flash

GFT

Results Review: Peer group comparison justifies higher price target

COMPANY



RATING

BUY (UNCHANGED)

TARGET PRICE

4.3 EUR (3.25 EUR)

HIGHLIGHTS

- Q4/09 was in line with our expectations
- Company guidance confirms our estimates
- Problematic Software segment to be put up for sale
- Higher price target due to increased peer group valuation

GFT's Q4/09 figures were in line with our expectation. As such, the full-year earnings of EUR 0.18 per share equalled our estimate. The AGM is expected to propose an unchanged dividend of EUR 0.10 per share, which is also the amount that we had estimated.

For the current fiscal year, the management anticipates sales of EUR 230m (+5 % yoy) and pre-tax profit of between EUR 8m and EUR 9m. The Software segment (sales share 09: 2.1 %) is about to be put up for sale due to the lacking prospects of success. We thus see our estimates as largely confirmed and have only made marginal changes on balance. The only major change that we have made was a noticeable rise in the dividend estimate due to the high net liquidity. The concrete estimates that we have determined for 2012 for the first time show sales of EUR 280m, EPS of EUR 0.39 and a dividend of EUR 0.18.

The higher peer group valuation has prompted us to lift our price target from previously EUR 3.25 to EUR 4.30. Our DCF model still shows a significantly higher figure of EUR 4.85, which opens up additional share price potential should the economic environment continue to normalise.

in EUR m	Q4/2009	LBBW E	Consensus	12M/2009	LBBW E	Consensus
Sales	54.5	56.5	n.a.	216.8	218.8	n.a.
EBIT	2.3	2.2	n.a.	6.3	6.2	n.a.
Net profit	1.6	1.6	n.a.	4.7	4.7	n.a.
EPS (in EUR)	0.06	0.06	n.a.	0.18	0.18	n.a.

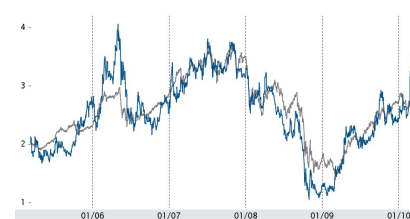
Source: GFT, LBBW Research

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

Current Price (XETRA (Germany); 2010-03-09; 09:03 am)	3.49 EUR
CLOSING PRICE (2010-03-08)	3.48 EUR
EXPECTED PERFORMANCE	23.6%
MARKET CAPITALIZATION	91.61 EUR m
ENTERPRISE VALUE	55.46 EUR m
NUMBER OF SHARES	26.33 m
FREE FLOAT	52.0%
INDEX (WEIGHT)	Tech All Share (0.2 %)
AVG. DAILY TRADEVOL.	40,705
ISIN	DE0005800601
SECTOR	Software

KEY DATA (DEC)	2010E	2011 E	2012E
Sales (EUR m)	231.0	255.0	280.0
EBITDA (EUR m)	10.1	12.5	15.0
EBIT (EUR m)	8.8	11.1	13.5
Net profit (EUR m)	6.8	8.5	10.3
FCF (EUR m)	5.7	7.2	9.8
FCF yield	6.2 %	7.8 %	10.7 %
EPS (EUR)	0.26	0.32	0.39
DPS (EUR)	0.12	0.15	0.18
EV / Sales (x)	0.2	0.2	0.2
EV / EBITDA (x)	5.5	4.4	3.7
EV / EBIT (x)	6.3	5.0	4.1
P / E (x)	13.5	10.8	8.9
P / BV (x)	1.32	1.23	1.13
Dividend yield	3.4 %	4.3 %	5.2 %

PRICE PERFORMANCE



Source: GFT, LBBW Research, Thomson Reuters

UPCOMING EVENTS

May 11-10 Quarterly report



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Data Overview Financials

GFT

Summary Estimate Changes (EUR m)

P/L statement	2010e			2011e			2012e		
	old	new	Δ	old	new	Δ	old	new	Δ
Sales	238.0	231.0	-2.9%	255.0	255.0	0.0%	n.a.	280.0	n.a.
EBITDA	11.0	10.1	-8.2%	13.0	12.5	-3.8%	n.a.	15.0	n.a.
EBIT	9.7	8.8	-9.3%	11.6	11.1	-4.3%	n.a.	13.5	n.a.
EBT	10.4	9.3	-10.6%	12.6	11.8	-6.3%	n.a.	14.2	n.a.
Earnings after tax	7.2	6.8	-5.6%	8.6	8.5	-1.2%	n.a.	10.3	n.a.
Net profit	7.2	6.8	-5.6%	8.6	8.5	-1.2%	n.a.	10.3	n.a.
Per share (EUR)	old	new	Δ	old	new	Δ	old	new	Δ
EPS	0.27	0.26	-3.7%	0.33	0.32	-3.0%	n.a.	0.39	n.a.
Cashflow per Share	0.22	0.22	0.0%	0.29	0.27	-6.9%	n.a.	0.37	n.a.
DPS	0.10	0.12	20.0%	0.12	0.15	25.0%	n.a.	0.18	n.a.

Source: GFT, LBBW Research

Key Data GFT (EUR m)

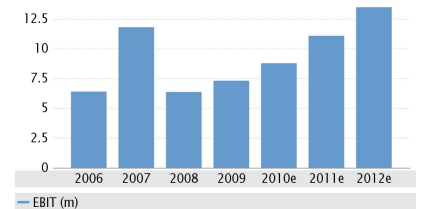
Profit and Loss Statement (EUR m) (Dec)	2006	2007	2008	2009	2010E	2011E	2012E
Sales	173.7	247.1	242.2	216.8	231.0	255.0	280.0
EBITDA	7.6	13.2	8.0	8.5	10.1	12.5	15.0
EBIT	6.4	11.8	6.4	7.3	8.8	11.1	13.5
EBT	6.7	12.4	6.9	7.9	9.3	11.8	14.2
Net profit	5.1	8.6	6.0	4.7	6.8	8.5	10.3
EPS	0.19	0.33	0.23	0.18	0.26	0.32	0.39
growth yoy							
Sales		42.3 %	-2.0 %	-10.5 %	6.5 %	10.4 %	9.8 %
EBITDA		42.3 %	-2.0 %	-10.5 %	6.5 %	10.4 %	9.8 %
EBIT		74.4 %	-39.3 %	6.3 %	18.2 %	23.8 %	20.0 %
EBT		84.0 %	-45.9 %	14.8 %	20.0 %	26.1 %	21.6 %
Net profit		85.5 %	-44.0 %	13.4 %	19.0 %	25.7 %	20.9 %
EPS		68.2 %	-29.9 %	-21.3 %	43.0 %	25.7 %	20.9 %
Margins							
EBITDA	4.4 %	5.4 %	3.3 %	3.9 %	4.4 %	4.9 %	5.4 %
EBIT	3.7 %	4.8 %	2.6 %	3.4 %	3.8 %	4.4 %	4.8 %
EBT	3.8 %	5.0 %	2.9 %	3.6 %	4.0 %	4.6 %	5.1 %
Net profit	2.9 %	3.5 %	2.5 %	2.2 %	2.9 %	3.3 %	3.7 %
Balance Sheet (EUR m)							
Tangible assets	2.4	2.6	2.6	2.2	2.0	2.1	2.2
Goodwill	20.4	20.4	20.4	20.4	20.4	20.4	20.4
Net working capital	10.1	9.7	8.4	8.9	9.6	10.6	11.1
Cash / Cash equivalents	20.2	25.7	33.0	34.3	38.1	42.1	48.0
Equity	49.4	57.7	63.2	65.3	69.4	74.8	81.1
Total financial debt	12.7	8.7	9.6	9.5	9.5	9.5	9.5
Net debt / (Net cash) end of FY	-11.2	-20.0	-25.6	-27.0	-30.8	-34.8	-40.7
Cash flow Statement (EUR m)							
Net profit	5.1	8.6	6.0	4.7	6.8	8.5	10.3
Depreciation	1.2	1.4	1.6	1.2	1.3	1.4	1.5
Changes to working capital	-4.2	0.4	1.3	-0.4	-0.7	-1.0	-0.5
Operating cash flow	1.5	9.3	9.2	6.9	7.0	8.9	11.3
Investments in fixed assets	-0.9	-1.3	-1.3	-0.6	-1.0	-1.4	-1.5
FCF	-0.1	7.6	7.8	6.2	5.7	7.2	9.8
Dividend payment	0.0	0.0	0.0	-2.6	-2.6	-3.2	-3.9
Changes in liquid funds	-0.4	5.5	7.3	3.5	3.1	4.0	5.8
Valuation Ratios							
EV / Sales	0.3	0.3	0.0	0.2	0.2	0.2	0.2
EV / EBITDA	7.5	4.9	1.2	4.4	5.5	4.4	3.7
EV / EBIT	8.9	5.4	1.5	5.1	6.3	5.0	4.1
P / E	13.0	9.6	5.7	13.6	13.5	10.8	8.9
P / BV	1.3	1.4	0.5	1.0	1.3	1.2	1.1
Return on equity (in %)	10.4 %	14.9 %	9.5 %	9.5 %	9.8 %	11.4 %	12.7 %
Dividend yield	n.a.	n.a.	7.7 %	4.1 %	3.4 %	4.3 %	5.2 %
FCF yield	-0.1 %	9.1 %	22.9 %	9.7 %	6.2 %	7.8 %	10.7 %
Financial Ratios							
Net debt to EBITDA	-1.5	-1.5	-3.2	-3.2	-3.1	-2.8	-2.7
Gearing (in %)	-22.7 %	-34.6 %	-40.5 %	-41.4 %	-44.4 %	-46.6 %	-50.1 %
Interest cover (EBIT/Interest expense)	55.8	90.2	181.5	299.5	176.0	222.0	270.0

Source: GFT, LBBW Research

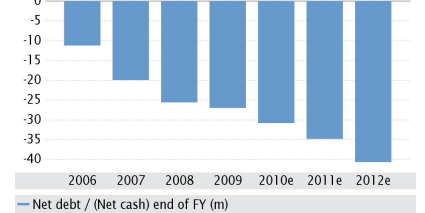
GUIDANCE - GFT

The management anticipates sales of EUR 230m and EBIT ranging from EUR 8m to EUR 9m in 2010.

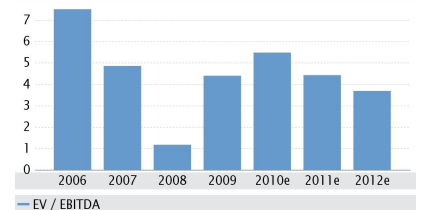
Key Figures



Accounting Ratios



Valuation



Source: GFT, LBBW Research

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Investment Case

Summary

GFT

GFT's largest customer group (banks and insurance companies) is still confronted with a constant rise in regulatory requirements and the need to improve efficiency. These requirements can be met with IT applications, amongst other things. As the difficult crisis has died down in part, demand is slowly picking up momentum and even the pricing pressure is expected to gradually lessen. In our view, GFT is correspondingly well positioned to participate in this and, after hitting bottom in 2009, is generating rising sales and earnings once again. Due in part to the higher peer group valuation, we are lifting our price target from previously EUR 3.25 to EUR 4.30 and retaining our Buy rating.

Earnings summary: Sales (from continuing activities) fell by 8 % in 2009 to EUR 217m. The decline in the Resourcing segment (-14 %) was a crucial factor, while the Services segment, which features significantly higher profitability, even rose slightly (+0.5 %). As such, GFT was nevertheless able to generate an EBT margin of 3.6 % (4.1 % in the previous year). The Software segment, which is up for sale, reduced net income by EUR 1.4m, leaving EPS (EUR 0.18) 21 % below the previous year. The FCF of EUR 5.8m enabled a rise in net liquidity by 10 % to EUR 36m (EUR 1.40 per share).

Valuation summary: Because the business figures presented and the outlook were largely in line with our estimates, we have only carried out a marginal change to the fair value according to our DCF model. However, the higher share prices of the majority of peer group companies lead to a much higher fair value from the peer group comparison. Given the lower degree of uncertainty over the further economic development, we are once again including the rather long-term DCF model in the valuation. A new price target of EUR 4.30 is derived as an average from the two valuation methods. We are thus reaffirming our Buy rating.

Risks: Following the management's decision to sell the loss-making Software segment, the significant risks to the business development primarily lie in the further economic development and particularly the situation in the financial services industry.

Company Description

GFT Technologies operates in the fields of IT services and IT-specific personnel services. Most customers come from the financial sector (64 % sales share). Germany is the most important market by far (64 %), followed by the UK (10 %) and France (8 %). GFT is able to compete with the industry giants due to its off- and near-shore capacities. Sales in 2009 amounted to EUR 216.8m (EUR 221.5m including the Software segment) and net income came out to EUR 6.2m or EUR 0.23 per share (EUR 4.7m; EUR 0.18). Shareholders should see EUR 0.10 of this in the form of a dividend. With an equity ratio of 58 % and net liquidity of EUR 36m, GFT has a very solid balance sheet. Co-founder Ulrich Dietz and his wife are the major shareholders with a combined share of nearly 40 %.

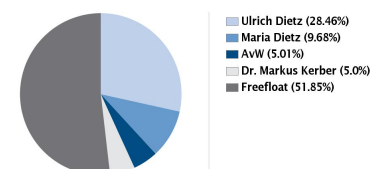
PROS

- + IT sector with growth in FY 10
- + Demand from financials is coming back
- + Attractive valuation
- + Solid balance sheet

CONS

- Recruiting demand with time lag
- Low client diversification

Shareholder Structure



Source: LBBW Research

Business Update

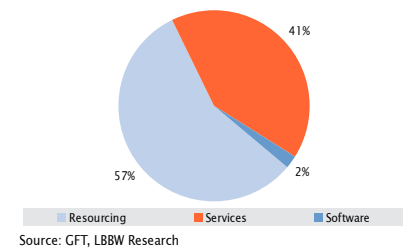
Key Topics

GFT

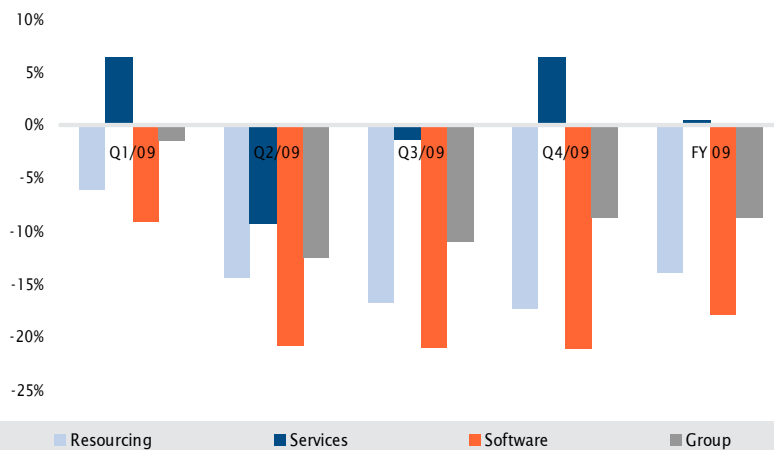
GFT put up a valiant fight in the crisis

Sales of IT services generally react less than proportionately to economic influences. Because GFT generates most of its sales with customers from the financial services sector, it could not rule out the possibility of sales in 2009 seeing significant declines. Moreover, GFT is also active in IT-specific personnel recruitment, a field more sensitive to the economy. This once again increased the risk of slumping sales. With the presentation of the 2009 figures, it can now be seen that GFT has thus far come out of the most severe recession in post-war Germany with a black eye. Including the Software segment, which is to be put up for sale, group sales only fell by EUR 21m or 9 %. Of the total amount, EUR 20m pertained to the Resourcing segment alone, which was unable to offset falling sales from Commerzbank with new business. In the second important segment of Services, on the other hand, the company managed to generate a small increase in sales of 0.5 %. Sales in the smallest segment of Software fell by ca. EUR 1m to EUR 4.6m (-18 %).

Sales by segment



Rates of change yoy



While the two segments of Resourcing and Software also showed substantially lower sales in the second half year compared to the full year, the Services segment even posted increases again in the fourth quarter. On a group level, the second quarter was therefore the weakest with a 12.5 % drop in sales yoy. Thanks to Services sales, the deficit to the previous year narrowed from quarter to quarter (Q3: - 11 %, Q4: -8.7 %).

The sales decline within the group was due not only to the restraint on the part of customers from the financial services industry (-11 %), which at 64 % is the most important sector for GFT. The demand from industry (16 % sales share) at -15 % fell to the same degree as demand from the post and logistics sector (7 % sales share, -13 % yoy).

Services showing higher sales

Restraint across all customer groups

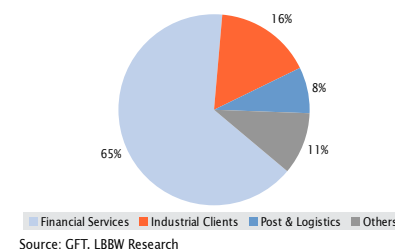
Business Update

Key Topics

GFT

In terms of earnings, GFT benefited from the significant reduction of losses in the Software segment. In 2008 the smallest segment showed a pre-tax loss of EUR 3.1m, which was then reduced by EUR 2.1m in 2009 to EUR 1m. The Services segment's pre-tax profit fell by EUR 1.4m to EUR 6.2m (-18 %), while the decline for Resourcing amounted to EUR 0.3m (-9 % to EUR 2.75m). On balance, the Software segment was thus able to more than compensate for the earnings declines of the two much larger segments. The overall result was 2009 segment income at EUR 7.6m even exceeding the previous year by 6 %. The group's pre-tax profit at EUR 6.8m saw a slight decline (-1.5 %) due only to consolidation. These figures include the Software segment, which is up for sale and is posted in earnings from discontinued business activities in the official IFRS profit and loss statement.

Sales by consumer sector



Segment sales and EBT

	Q1/09	Q2/09	Q3/09	Q4/09	FY 09	FY 08	Δ YoY
TPM							
Revenues	14.72	15.24	17.47	16.67	64.10	78.30	-18.1%
EBT	0.15	0.01	0.10	0.07	0.33	0.78	-58.4%
EBT margin	1.0%	0.1%	0.6%	0.4%	0.5%	1.0%	
Resource Management							
Revenues	16.62	15.17	13.66	15.85	61.30	67.38	-9.0%
EBT	0.48	0.36	0.64	0.92	2.42	2.25	7.6%
EBT margin	2.9%	2.3%	4.7%	5.8%	3.9%	3.3%	
Resourcing							
Revenues	31.34	30.41	31.13	32.52	125.40	145.68	-13.9%
EBT	0.63	0.37	0.74	0.99	2.75	3.03	-9.5%
EBT margin	2.0%	1.2%	2.4%	3.0%	2.2%	2.1%	
Services							
Revenues	21.89	21.43	22.70	25.33	91.35	90.94	0.5%
EBT	0.77	1.33	2.49	1.62	6.21	7.60	-18.2%
EBT margin	3.5%	6.2%	11.0%	6.4%	6.8%	8.4%	
Software							
Revenues	1.33	1.09	0.94	1.26	4.62	5.62	-17.8%
EBT	-0.07	-0.33	-0.83	0.23	-1.00	-3.09	-67.6%
EBT margin	-4.9%	-30.7%	-88.2%	18.1%	-21.6%	-55.0%	
Konzern							
Revenues	54.56	52.93	54.77	59.12	221.37	242.24	-8.6%
EBT	0.98	1.30	2.07	2.47	6.82	6.93	-1.5%
EBT margin	1.8%	2.5%	3.8%	4.2%	3.1%	2.9%	

Source: GFT, LBBW Research

Resourcing

The Resourcing segment is split up into the two sub-segments of Third Party Management (TPM) and Resource Management. The TPM customer Commerzbank once again brought sales with GFT down significantly in 2009 (EUR -13m) and was therefore a critical factor in the sales decline of the entire sub-segment. Given the very low margin in this business – purchasing and management of external IT service providers for companies (2008: 1 % EBT margin), the 58 % drop in earnings only had a negative effect of EUR 0.5m on the group's pre-tax profit. In Resource Management – the recruitment of freelance IT experts – sales fell by 9 % due to the market, but the EBT margin improved slightly to 3.9 %. The entire segment thus posted 14 % lower sales in absolute terms and a drop of approximately 10 % in pre-tax profit.

Resourcing suffering the most from weak demand

Business Update

Key Topics

GFT

Services

The sale volume of the Services segment was maintained. However, the high pricing pressure here apparently led to an earnings decline by 18 % or EUR 1.4m to EUR 6.2m.

Services showing margin pressure

Software

In the difficult market environment, GFT was unable to successfully launch its own software application on the market. Sales fell by 18 %. Given the minor significance of this segment, this only had marginal effects on group sales, but this was not the case for the earnings trend. As announced, the management succeeded in reducing the segment's losses drastically by EUR 2m to EUR 1m. There is currently interest in selling this segment due to the fact that GFT is not expected to be able to reach a critical mass in the foreseeable future.

Losses in the Software segment significantly reduced

Earnings in line with expectations

Profit and loss statement (key data)

EUR m	2008	2009	Δ YoY	LBBWe
Revenues	236.6	216.8	-8.4%	218.8
EBITDA	10.6	8.5	-19.6%	7.4
Margin	4.5%	3.9%		3.4%
EBIT	9.1	7.3	-19.3%	6.2
Margin	3.8%	3.4%		2.8%
EBT	9.6	7.9	-18.3%	6.7
Margin	4.1%	3.6%		3.1%
Net profit	6.0	4.7	-21.3%	4.7
Margin	2.5%	2.2%		2.1%
Earnings per share (EUR)	0.23	0.18	-21.7%	0.18
Dividend per share Aktie (EUR)	0.10	0.10	0.0%	0.10

Source: GFT, LBBW Research

All in all, the sales and earnings figures were in line with our expectations and the dividend of EUR 0.10 per share announced by the management (AGM proposal) equals the amount that we had expected.

Balance sheet quality improved further

Thanks to a free cash flow of EUR 5.8m (previous year EUR 7.4m), liquid funds including securities in working capital rose as at the end of 2009 to EUR 37.7m (previous year EUR 35.2m). As GFT operates without financial debt, this amount is largely equal to net liquidity (we are considering pension provisions), should thus rise by EUR 0.10 to EUR 1.40 per share and makes up approximately 40 % of the current market capitalisation. Equity of EUR 65m makes up 58 % of the balance sheet total (previous year: 56 %) and represents a book value of EUR 2.50 per share (previous year EUR 2.40).

Net liquidity of EUR 1.40 per share

Financials

Earnings Outlook

GFT

Slight adjustment of estimates

The management expects sales of EUR 230m for the current fiscal year (+6 %) and earnings before taxes in a range of EUR 8m to EUR 9m, which on average equals a margin of 3.7 %. We deem this a rather conservative estimate and see a good chance that the management's guidance can be exceeded. On the one hand, the financial services sector is back on track towards normalising - investment banks in particular are posting noticeably rising business transactions. On the other hand, the contract recently signed with Deutsche Bank on the outsourcing of IT activities is not an isolated case in our assessment.

Deutsche Bank had outsourced its Spanish and Portuguese IT activities in the retail and private client business to GFT at the end of 2009. The contract has a term of 7 years and a business volume of approximately EUR 80m. Moreover, 100 IT experts made the transition to GFT. According to the management, the contract was profitable from day one, although the level was of course relatively low to begin with. The project will only become more profitable if some of the IT experts acquired are able to perform other tasks within GFT. Contracts of this size are still expected to be more the exception. With a sales contribution of approximately 1/3, Deutsche Bank is already by far the largest customer of GFT, meaning the necessary confidence was already in place here. However, this order shows that GFT can fundamentally profit from the general outsourcing trend.

Guidance very cautious in our assessment

Largest customer procures major order

GFT sales and earnings forecast (key data)

EUR m	2009	2010e		2011e		2012e
		New	Old	New	Old	
Revenues	216.8	231.0	238.0	255.0	255.0	280.0
Δ YoY	-8.4%	6.5%	8.8%	10.4%	7.1%	9.8%
EBITDA	8.5	10.1	11.0	12.5	13.0	15.0
Margin	3.9%	4.4%	4.6%	4.9%	5.1%	5.4%
EBIT	7.3	8.8	9.7	11.1	11.6	13.5
Margin	3.4%	3.8%	4.1%	4.4%	4.5%	4.8%
EBT	7.9	9.4	10.4	11.8	12.6	14.2
Margin	3.6%	4.1%	4.4%	4.6%	4.9%	5.1%
Net profit	4.7	6.8	7.2	8.5	8.7	10.3
Margin	2.2%	3.0%	3.0%	3.3%	3.4%	3.7%
Earnings per share (EUR)	0.18	0.26	0.27	0.32	0.33	0.39
Dividend per share (EUR)	0.10	0.12	0.10	0.15	0.12	0.18

Source: GFT, LBBW Research

On balance, our sales forecast for 2010 at EUR 231m (+6.5 %) and our EBT estimate at EUR 9.4m are slightly above the upper end of the guidance. In the next year, the Resourcing segment should pick up momentum once again in the scope of a progressing economic recovery, leading to expectations of double-digit sales growth (+10.4 %) again in 2011 and another margin improvement (EBT margin 4.6 % after 4.1 % in 2010e). In 2012 GFT should be able to tap into the pre-tax margin level of 2007 with a figure of 5.1 %.

LBBW estimate slightly above the guidance

Valuation

Fair Value Calculations

GFT

Our two valuation models are leading on average to a fair value of EUR 4.30 per share. This is even our new price target for the share of GFT. The difference to our old price target (EUR 3.25) is based on 1. the good share price development of the peers from the recruiting sector, 2. the again included DCF valuation and 3. on the shift of our forecast period by one year with appropriate valuation parameters (risk premium, forecasts). Based on our new price target of EUR 4.30 we stick to our buy recommendation.

Valuation according to multiples

Given GFT's business model with classic IT services on the one hand and the recruitment of IT specialists on the other, we have compiled a peer group with companies from the IT service sector and the personnel recruitment sector. Weighting these according to segment contributions, the IT sector would account for 2/3 of multiples and the group of personnel recruitment would account for 1/3. In determining the fair enterprise value, we have ignored the EV/Sales multiple, as we believe this would have led to an unjustifiable rise in the average value in operating terms due to the low profitability in a cross-comparison. The table to the side shows the weighting of the individual forecast years and the individual multiples.

Weighting

EV/EBITDA	EV/EBIT	KBV	KBV	Div. yield
15%	25%	50%	5%	5%
2010e	2011e	2012e		
60%	30%	10%		

Source: LBBW Research

Peer group valuation

Company	Price (LC)	Market cap (LC)	EV / EBITDA			EV / EBIT			PER			KBV	Div. yield
			2010e	2011e	2012e	2010e	2011e	2012e	2010e	2011e	2012e		
COR&FJA	1.8	78	8.0	5.9	5.8	10.6	7.2	6.3	13.4	9.2	9.5	3.5	3.7%
Realtech	7.9	42	6.8	5.4		8.2	6.5		11.2	9.5		1.5	5.7%
Atos Origin	34.9	2,432	5.6	4.9	4.4	9.8	7.8	6.6	17.6	11.7	9.5	1.5	0.5%
Devoteam	19.0	199	5.9	5.1	4.5	6.9	5.6	5.0	11.6	8.8	7.4	1.1	1.2%
Median I			6.3	5.2	4.5	9.0	6.8	6.3	12.5	9.3	9.5	1.5	2.4%
Indra Sistemas	15.4	2,521	8.3	7.8	7.8	9.6	9.0	8.9	12.6	11.8	11.7	2.7	4.3%
Adecco	57.4	10,864	18.9	14.4	10.7	24.0	16.9	13.3	38.0	24.6	18.2	4.2	1.1%
Sapient	9.5	1,259	11.8	9.4	8.8	16.3	12.4	12.0	26.8	18.2	19.2	3.0	0.0%
Hays	102.8	1,421	15.2	11.5	8.6	17.9	12.9	9.9	33.1	21.9	15.6	12.4	5.6%
Randstad	33.9	5,749	13.6	10.3	8.4	22.6	14.5	10.8	28.6	17.9	13.3	2.3	0.2%
Michael Page	377.8	1,220	21.1	12.3	8.0	25.2	12.9	7.6	28.4	22.3	14.6	5.8	2.0%
Harvey Nash	38.0	28	4.3	3.1		4.7	3.5		6.3	5.0		0.5	5.8%
Median II			13.6	10.3	8.5	17.9	12.9	10.4	28.4	18.2	15.1	3.0	2.0%
Median			8.6	6.8	5.8	11.8	8.7	7.6	17.4	12.1	11.2	2.0	2.3%
GFT	3.5	92.1	5.7	4.6	4.6	6.5	5.1	5.1	13.5	10.8	10.8	1.4	2.9%
Premium/Discount to Median			-34%	-33%	-21%	-45%	-41%	-32%	-22%	-10%	-4%	-28%	-30.5%
Theoretischer Wert GFT (gewichtet)			0.37	0.18	0.06	0.69	0.32	0.11	0.94	0.47	0.18	0.23	0.22

Source: ThomsonReuters, LBBW Research

The total of weighted multiples yields a fair value of EUR 3.78 per GFT share. In our last statement regarding the fair value of the GFT share from 5 November 2009, the peer group comparison still showed a value of EUR 3.25.

This rise is less the result of changed estimates and more of a clear share price increase of peers and particularly the performance of personnel recruiters. For example, Adecco's shares have risen by 25 % since the end of October, while Randstad's stock improved by 31 % and the Michael Page stock rose by 18 %. Although we only gave the multiples of this group a weighting of 1/3, the group is a critical factor in the good 15 %

Peers from personnel recruitment showed good share price performances

Valuation

Fair Value Calculations

GFT

improvement in the fair value.

Discounted cash flow valuation

We have used a three-stage DCF model. In the first three years (phase I) we have come up with concrete estimates for the development of the annual cash flows. In phase II (years 4 to 9) we have adjusted the current growth assumptions to match the development of the so-called perpetual growth rate (phase III), when we no longer expect above-average sales and earnings growth.

Compared to our last price target adjustment (November 2009), we have lifted the risk premium from 5.6 % to 5.9 %. The risk-free interest rate remains unchanged at 3.3 %. After the release of the annual financial statements, we increased net liquidity to EUR 36m (previously EUR 33m) and carried the forecasting period forward 1 year. All in all, our model yields an equity value of EUR 4.85 per share.

In our valuation of the GFT share up to now we have favoured the value derived from the peer group comparison, as the uncertainty over the further economic development makes a shorter-term valuation approach seem more sensible. In the last few weeks, however, the confidence in the further economic development has risen. This can especially be seen in the share price development of cyclical personnel recruitment companies. As a result, we are once again including the value derived from the DCF model in the determination of our price target. We have used the average of the two methods – peer group valuation: EUR 3.78, DCF model: EUR 4.85 – which results in a price target of EUR 4.315, or rounded off, EUR 4.30.

INSTITUTIONAL EQUITY RESEARCH

COMPANY FLASH

Valuation DCF Model

GFT

ASSUMPTIONS		STEADY STATE	
Risk-free interest rate	3.3 %	Steady state year	2018
Market premium	5.9 %	Terminal value growth	1.5 %
Beta	1.3	EBIT margin	4.0 %
Cost of equity	10.6 %	Depreciation&Amortization ratio	0.5 %
Cost of debt	9.3 %	CAPEX ratio	0.6 %
Equity ratio (target)	90.0 %	Net working capital ratio	4.0 %
WACC (in %)	10.5 %	CAGR sales 2009 - 2018	6,0 %

FREE CASHFLOW (EUR m)	2009	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e
Sales	216.8	231.0	255.0	280.0	302.4	320.5	336.6	350.0	360.5	365.9
Growth yoy		6.5 %	10.4 %	9.8 %	8.0 %	6.0 %	5.0 %	4.0 %	3.0 %	1.5 %
EBIT adjusted	7.3	8.8	11.1	13.5	13.6	14.4	15.1	15.8	16.2	14.6
EBIT margin	3.4 %	3.8 %	4.4 %	4.8 %	4.5 %	4.5 %	4.5 %	4.5 %	4.5 %	4.0 %
- Cash taxes on EBIT	1.6	2.4	3.1	3.7	4.2	4.5	4.7	4.9	5.0	4.5
Tax rate	21.3 %	27.5 %	27.5 %	27.5 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %
= NOPAT	5.8	6.4	8.0	9.8	9.4	10.0	10.5	10.9	11.2	10.1
+ Depreciation&Amortization	1.2	1.3	1.4	1.5	1.8	1.9	2.0	1.8	1.8	1.8
in % of sales	0.6 %	0.6 %	0.5 %	0.5 %	0.6 %	0.6 %	0.6 %	0.5 %	0.5 %	0.5 %
- CAPEX	0.7	1.3	1.8	1.5	2.1	2.2	2.4	2.5	2.2	2.2
in % of sales	0.3 %	0.6 %	0.7 %	0.5 %	0.7 %	0.7 %	0.7 %	0.7 %	0.6 %	0.6 %
NWC	8.9	9.6	10.6	11.1	12.1	12.8	13.5	14.0	14.4	14.6
in % of sales	4.1 %	4.1 %	4.1 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %
delta NWC		0.7	1.0	0.5	1.0	0.7	0.6	0.5	0.4	0.2
Provisions	0.9	0.9	0.9	0.9	0.9	1.0	1.0	1.1	1.1	0.9
in % of sales	0.4 %	0.4 %	0.3 %	0.3 %	0.3 %	0.3 %	0.3 %	0.3 %	0.3 %	0.3 %
delta provisions		0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	-0.2
FCF to firm	5.9	5.7	6.7	9.3	8.1	9.0	9.5	9.7	10.4	9.4
in % of sales	2.7 %	2.5 %	2.6 %	3.3 %	2.7 %	2.8 %	2.8 %	2.8 %	2.9 %	2.6 %
Discounted free cashflow	n.a.	5.2	5.6	7.0	5.5	5.5	5.3	4.9	4.8	3.9

VALUE PER SHARE (EUR m)	
Discounted free cashflow estimated years	43.9
+ Discounted terminal value	47.7
= Enterprise value	91.6
Terminal value in % of enterprise value	52,1 %
- Net debt	-37.0
- Minorities	0.0
- Pension funds	0.9
+ Peripheral assets	0.0
+ Others	0.0
= Market capitalisation	127.7
/ Number of shares (m)	26.33
= Value per share (EUR)	4.85



Source: GFT, LBBW Research

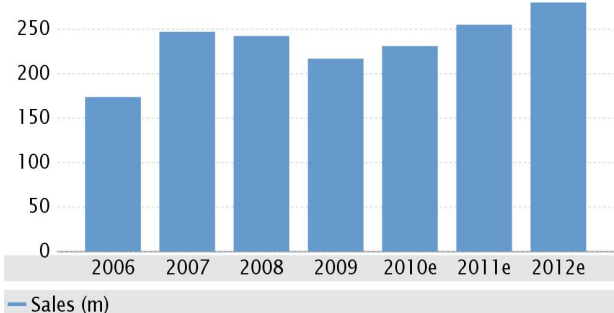
Appendix

Financials: Profit and Loss Statement

GFT

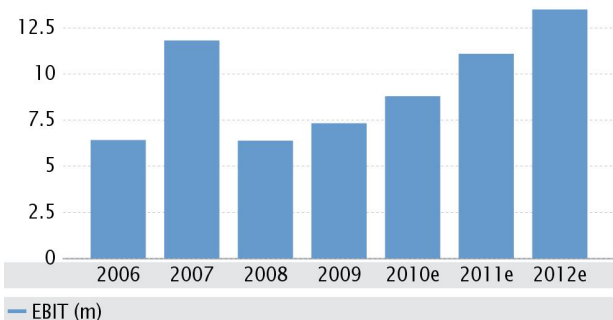
PROFIT AND LOSS STATEMENT (EUR m)	2008	2009	2010E	2011E	2012E	CAGR 08-12E
Sales	242.2	216.8	231.0	255.0	280.0	
Growth yoy		-10.5 %	6.5 %	10.4 %	9.8 %	3.69 %
Work performed by the enterprise and capitalised	0.1	0.0	0.0	0.0	0.0	
Total operating performance	242.4	216.8	231.0	255.0	280.0	
Growth yoy		-10.5 %	6.5 %	10.4 %	9.8 %	3.68 %
Material expenses	-149.0	-130.4	-138.3	-154.0	-170.0	
Gross Yield	93.4	86.4	92.7	101.0	110.0	
Growth yoy		-7.5 %	7.3 %	9.0 %	8.9 %	4.18 %
Personnel expenses	-66.7	-62.5	-66.6	-72.0	-78.0	
Other operating income	3.0	2.0	2.0	2.0	2.0	
Other operating expenses	-21.61	-17.25	-18.00	-18.50	-19.00	
EBITDA	8.03	8.54	10.10	12.50	15.00	
Growth yoy		6.3 %	18.2 %	23.8 %	20.0 %	16.90 %
Depreciation and Amortisation	-1.6	-1.2	-1.3	-1.4	-1.5	
EBIT	6.39	7.33	8.80	11.10	13.50	
Growth yoy		14.8 %	20.0 %	26.1 %	21.6 %	20.57 %
Financial result	0.5	0.5	0.6	0.7	0.7	
EBT	6.93	7.86	9.35	11.75	14.20	
Growth yoy		13.4 %	19.0 %	25.7 %	20.9 %	19.66 %
Taxes on income	-0.90	-1.67	-2.57	-3.23	-3.91	
Income Tax rate	13.1 %	21.3 %	27.5 %	27.5 %	27.5 %	
Earnings after tax	6.02	6.18	6.78	8.52	10.30	
Growth yoy		2.7 %	9.6 %	25.7 %	20.9 %	14.35 %
Minorities	n.a.	n.a.	n.a.	n.a.	n.a.	
Net profit	6.02	4.74	6.78	8.52	10.30	
Growth yoy		-21.3 %	43.0 %	25.7 %	20.9 %	14.35 %
Average number of shares	26.3	26.3	26.3	26.3	26.3	
Earnings per share	0.23	0.18	0.26	0.32	0.39	
Dividend	0.10	0.10	0.12	0.15	0.18	

Revenues



Source: GFT, LBBW Research

EBIT

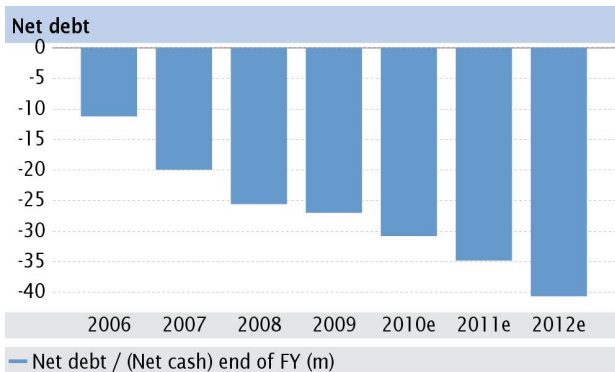


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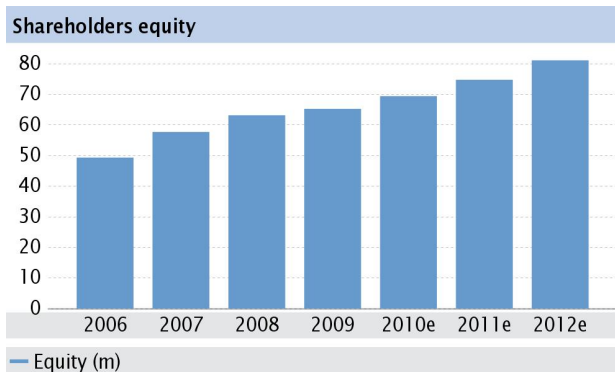
Financials: Balance Sheet

GFT

BALANCE SHEET (EUR m)	2008	2009	2010E	2011E	2012E
Total assets	113.5	114.9	119.1	126.9	135.3
Tangible assets	2.6	2.2	2.0	2.1	2.2
Goodwill	20.4	20.4	20.4	20.4	20.4
Other intangible assets	0.1	0.1	0.4	0.7	0.6
Deferred tax assets	6.7	6.7	6.7	6.7	6.7
Financial assets	0.0	0.0	0.0	0.0	0.0
Other fixed assets	1.5	1.4	1.3	1.2	1.2
Fixed assets	31.3	30.8	30.8	31.1	31.1
Inventories	0.0	0.0	0.0	0.0	0.0
Trade receivables	44.1	42.6	43.0	46.0	48.0
Other receivables and current assets	5.1	7.2	7.2	7.7	8.1
Cash / Cash equivalents	33.0	34.3	38.1	42.1	48.0
Current assets	82.2	84.1	88.3	95.8	104.1
Total liabilities	113.5	114.9	119.1	126.9	135.3
Share capital	26.3	26.3	26.3	26.3	26.3
Reserves	49.0	49.0	49.0	49.0	49.0
Retained earnings	-11.4	-9.3	-5.1	0.2	6.6
Other equity components	-0.7	-0.7	-0.7	-0.7	-0.7
Equity	63.2	65.3	69.4	74.8	81.1
Financial debt	0.0	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	0.9	0.9	0.9	0.9	0.9
Pension provisions	0.9	0.5	0.5	0.5	0.5
Deferred tax liabilities	0.4	0.4	0.4	0.4	0.4
Non-current liabilities	2.2	1.8	1.8	1.8	1.8
Trade payables	26.1	23.3	24.5	26.0	28.0
Short-term borrowings	0.2	0.0	0.0	0.0	0.0
Short-term provisions	12.4	13.4	13.9	14.9	14.9
Other current liabilities	9.4	11.1	9.4	9.4	9.4
Current liabilities	48.1	47.8	47.8	50.3	52.3



Source: GFT, LBBW Research



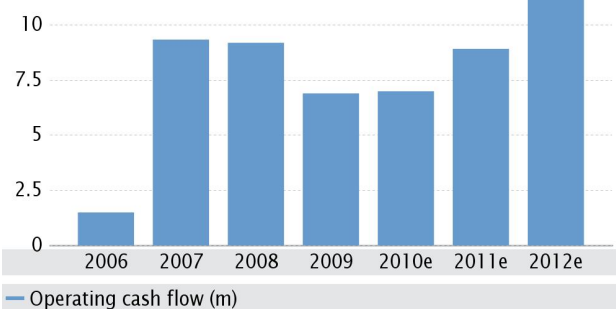
Appendix

Financials: Cash Flow Statement

GFT

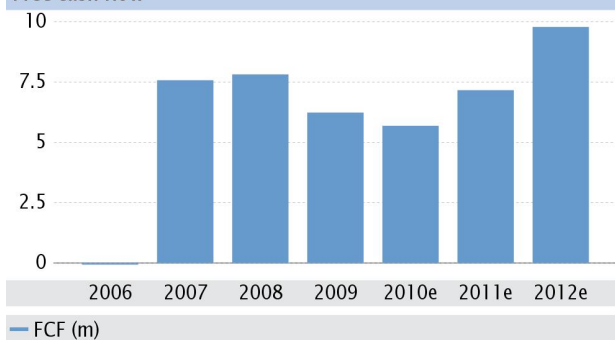
CASH FLOW STATEMENT (EUR m)	2008	2009	2010E	2011E	2012E
Earnings after tax	6.0	6.2	6.8	8.5	10.3
Depreciation	1.6	1.2	1.3	1.4	1.5
Changes in long-term provisions	-0.5	-0.4	0.0	0.0	0.0
Changes to working capital	1.3	-0.4	-0.7	-1.0	-0.5
Other changes operating cashflow	0.7	0.4	-0.4	0.0	0.0
Operating cash flow	9.2	6.9	7.0	8.9	11.3
Growth yoy		-24.9 %	1.4 %	27.5 %	26.6 %
Cash outflows for investments in tangible and intangible assets	-1.4	-0.7	-1.3	-1.8	-1.5
Cash inflows from disposal of tangible and intangible assets	0.1	0.0	0.0	0.0	0.0
Other changes in investment cash flow	-0.5	0.0	0.0	0.0	0.0
Cash flow from investments	-1.8	-0.7	-1.3	-1.8	-1.5
Growth yoy		n.m.	n.m.	n.m.	n.m.
Cash outflow / inflow from capital measures	0.0	0.0	0.0	0.0	0.0
Dividend payment	0.0	-2.6	-2.6	-3.2	-3.9
Changes to financial debt	0.9	-0.2	0.0	0.0	0.0
Other changes to financial cash flow	-0.9	n.a.	n.a.	n.a.	n.a.
Cash flow from financing	-0.1	-2.8	-2.6	-3.2	-3.9
Growth yoy		n.m.	n.m.	n.m.	n.m.
Changes in liquid funds	7.3	3.5	3.1	4.0	5.8
Liquid funds at the beginning of the period	25.7	33.0	34.3	38.1	42.1
Liquid funds at the end of the period	33.0	34.3	38.1	42.1	48.0
Free cash flow	7.8	6.2	5.7	7.2	9.8
Cash earnings per Share	0.27	0.22	0.31	0.38	0.45

Operating cash flow



Source: GFT, LBBW Research

Free cash flow



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Percentage of companies within this rating category

Buy:	47,3%
Sell:	14,5%
Hold:	36,1%
Under review:	0,8%
Suspended:	1,2%

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