

Company Alert

GFT

Company Update: Sales and earnings forecast raised, higher dividends expected



RATING
BUY (UNCHANGED)

TARGET PRICE
4.7 EUR (UNCHANGED)

HIGHLIGHTS

- Forecast increased throughout the whole P&L
- Higher dividends expected, especially in the 25th anniversary year

As already announced, we increase our forecast after the surprisingly good Q3 figures. For the current year we now expect sales of EUR 248m (old EUR 241m, guidance: EUR 245m) and also our revenue projections for 2011/12 are slightly higher. Due to a higher than expected utilisation rate we also raise our margin expectations. As a result EPS 10e of EUR 0.32 is 14% above the previous forecast (11e: +17%, 12e: +7%). Due to the high net cash position (10e: EUR 40m) and increasing cash flows GFT should also pay a higher dividend than we have forecasted up to now. Especially for 2012 we expect the balance sheet to be so strong that the company should pay on top of the normal dividend (LBBWe: 0,20 EUR) an anniversary bonus of EUR 0.20 EUR.

Although we raise our expectations for the whole forecast period we confirm our price target of EUR 4.70. Based on the share price performance of recruiting companies compared to the GFT stock we do not believe anymore that the market is willing to value GFT (at least partly) with the higher PE of a recruiting company.

Nevertheless, we still predict a performance of 27% within the next 12 months which makes the stock a very clear Buy in our view.

Sales and earnings forecast

EUR m	2010e		2011e		2012e	
	New	Old	New	Old	New	Old
Revenues	248.2	241.2	275.0	260.0	295.0	285.0
Δ yoy (%)	14.5	11.1	10.8	7.8	7.3	9.6
EBITDA	13.1	11.1	16.0	13.5	17.5	16.0
Margin (%)	5.3	4.6	5.8	5.2	5.9	5.6
EBIT	11.8	9.8	14.6	12.1	16.0	14.5
Margin (%)	4.8	4.1	5.3	4.7	5.4	5.1
EBT	12.5	10.5	15.3	12.8	16.7	15.2
Margin (%)	5.0	4.4	5.5	4.9	5.7	5.3
Net profit	8.5	7.4	10.8	9.2	11.9	11.0
Margin (%)	3.4	3.1	3.9	3.6	4.0	3.9
EPS (EUR)	0.32	0.28	0.41	0.35	0.45	0.42
DPS (EUR)	0.15	0.12	0.18	0.15	0.40	0.18

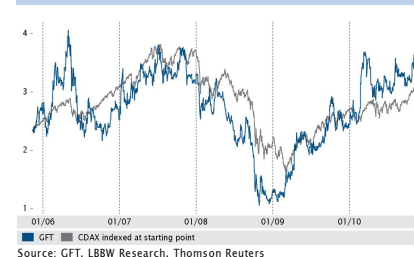
Source: LBBW Research

+++ Reuters: GFTG +++ Bloomberg: GFT GY +++

Current Price (XETRA (Germany); 2010-11-10; 02:01 pm)3.80 EUR
CLOSING PRICE (2010-11-09):.....3.65 EUR
EXPECTED PERFORMANCE:.....28.8%
MARKET CAPITALIZATION:.....96.09 EUR m
ENTERPRISE VALUE:.....61.77 EUR m
NUMBER OF SHARES:.....26.33 m
FREE FLOAT:.....57.0%
INDEX (WEIGHT):.....CDAX (0.01 %)
AVG. DAILY TRADEVOL.:.....17,903
ISIN:.....DE0005800601
SECTOR:.....Software

KEY DATA (DEC)	2010E	2011 E	2012E
Company figures in m EUR, per share data in EUR			
Sales	248.2	275.0	295.0
EBITDA	13.1	16.0	17.5
EBIT	11.8	14.6	16.0
Net profit	8.5	10.8	11.9
Free cash flow	7.9	8.9	10.4
FCF yield	8.3 %	9.2 %	10.8 %
EPS	0.32	0.41	0.45
Dividend	0.15	0.18	0.40
EV / Sales	0.2	0.2	0.2
EV / EBITDA	4.7	3.9	3.5
EV / EBIT	5.2	4.2	3.9
P / E	11.3	8.9	8.1
P / BV	1.34	1.22	1.12
Dividend yield	4.1 %	4.9 %	11.0 %

PRICE PERFORMANCE



UPCOMING EVENTS

Q4/10 preliminaries 02/28/11

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Appendix-1

1/2

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Appendix-1

2/2

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Sell:	Based on a time horizon of up to 12 months, we recommend that investors sell the stock.
Hold:	We take a neutral view on the stock and, based on a time horizon of up to 12 months, do not recommend either a Buy or Sell.
Under review:	The rating is currently updated.
Suspended:	The evaluation of the company is currently not feasible.

Percentage of companies within this rating category

Buy:	50,4%
Sell:	7,6%
Hold:	38,8%
Under review:	2,7%
Suspended:	0,4%

Notes: Rating definitions prior to 6th April, 2009 were:

Buy: The price potential of the share is at least 10%. Hold: The price potential of the share is between 0% and 10%. Sell: A negative price performance of the share is expected. Ratings relate to a time horizon of up to 6 months.

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