

# Company Alert

GFT

**Company Update:** Forecast updated, new price target EUR 5.00



RATING  
**BUY** (UNCHANGED)

TARGET PRICE  
**5 EUR** (4.7 EUR)

HIGHLIGHTS

- Forecast updated: higher sales but lower earnings
- Peer group comparison justifies higher price target of EUR 5
- Buy rating confirmed

**Sales forecast increased:** Due to the strong dynamic in the IT market and GFT's efforts to boost sales with own applications we expect a more dynamic sales growth for the next two years (see table below for details). For 2011 (LBBW: EUR 280m) we are slightly more optimistic than the management (Guidance EUR 275m).

**Margin expectations reduced:** Due to the planned investments in new applications we believe that our previous margin expectations are somewhat too positive. This applies in particular to our forecast for 2011. But due to the very strong balance sheet we confirm our dividend forecast. Nonetheless, we still expect an increase in EBT of 17% to EUR 13.5m, which is slightly above the Guidance (EUR 13m).

**Peer group comparison leads to higher price target:** Despite our decreased earnings estimates the significantly higher peer group multiples lead to a higher price target of EUR 5 (from EUR 4.70). Our target price is calculated as the average of peer group valuation and DCF model.

**Possible acquisitions not included:** The management sticks to the intention to grow also via acquisitions. Until 2015 the aim is to generate annual sales of EUR 500m. The planned acquisitions should be earnings accretive already in the first year of the acquisition.

**We confirm our Buy recommendation with a new price target of EUR 5.**

Sales and earnings forecast

	2010p	2011e		2012e	
		new	old	new	old
Sales	248,3	280,0	275,0	310,0	295,0
Δ YoY	14,5%	12,8%	10,8%	10,7%	7,3%
EBT	11,6	13,5	15,3	16,3	16,7
Margin	4,7%	4,8%	5,6%	5,3%	5,7%
EPS (EUR)	0,30	0,36	0,41	0,44	0,45
DPS (EUR)	0,15	0,18	0,18	0,40	0,40

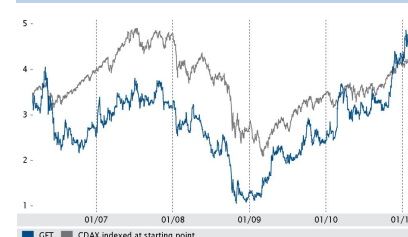
Source: GFT preliminary numbers, LBBW Research

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

Current Price (XETRA (Germany); 2011-03-01; 05:36 pm).....4.33 EUR  
 CLOSING PRICE (2011-03-01):.....4.33 EUR  
 EXPECTED PERFORMANCE:..... 15.5%  
 MARKET CAPITALIZATION:..... 113.99 EUR m  
 ENTERPRISE VALUE:..... 79.67 EUR m  
 NUMBER OF SHARES:..... 26.33 m  
 FREE FLOAT:..... 57.0 %  
 INDEX (WEIGHT):..... CDAX (0.01 %)  
 AVG. DAILY TRADEVOL.:..... 30,711  
 ISIN:..... DE0005800601  
 SECTOR: .....Software

KEY DATA (DEC)	2010E	2011 E	2012E
Company figures in m EUR, per share data in EUR			
Sales	248.3	280.0	310.0
EBITDA	12.2	14.2	17.0
EBIT	11.0	12.8	15.5
Net profit	7.8	9.6	11.5
Free cash flow	7.1	7.6	10.0
FCF yield	6.9 %	7.7 %	9.0 %
EPS	0.30	0.36	0.44
Dividend	0.15	0.18	0.40
EV / Sales	0.3	0.3	0.3
EV / EBITDA	6.2	5.0	4.6
EV / EBIT	6.8	5.5	5.0
P / E	12.8	10.6	9.7
P / BV	1.52	1.47	1.34
Dividend yield	3.6 %	4.1 %	9.2 %

PRICE PERFORMANCE



Source: GFT, LBBW Research, Thomson Reuters

UPCOMING EVENTS

3/31/11 FY 10 report

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<b>Hold:</b>	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.
<b>Under review:</b>	The rating is currently updated.
<b>Suspended:</b>	The evaluation of the company is currently not feasible.

Percentage of companies within this rating category

<b>Buy:</b>	48,7%
<b>Sell:</b>	6,2%
<b>Hold:</b>	44,1%
<b>Under review:</b>	0,5%
<b>Suspended:</b>	0,5%

**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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