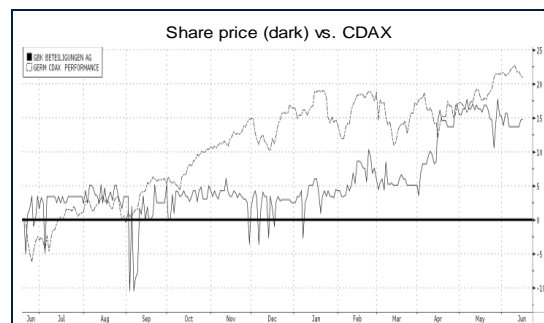


Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 11.00** (11.00)

17 June 2014

GBK Beteiligungen AG successfully closes the sale of Paper + Design GmbH

- GBK Beteiligungen AG (GBK) recently announced the signing of an agreement to sell its 7.3% stake in the Paper + Design GmbH to the Swedish group Duni AB as well as the closing of the transaction which was the first successful exit this year. We assume GBK to have realized disposal gains in the range between EUR 0.3m-0.7m. The sale was carried out in cooperation with the investment funds managed by HANNOVER Finanz GmbH and the target's management. The management commented on the current development of GBK's deal pipeline, stating that further buying and selling options are being examined.
- The AGM approved the proposed dividend of EUR 0.60 (PY: EUR 0.30) per share which corresponds to a pay-out ratio of ~80%. Based on a share price of EUR 6.42 on AGM date, the dividend yield stood at ~9% which again confirmed the shareholder-friendly distribution policy GBK has historically been offering.
- In the 1Q letter to shareholders GBK announced its participation in SIMPLON Fahrrad GmbH, which in the meantime was successfully closed. The Austrian family business develops and sells individually created premium sports bikes made of carbon. In FY 2013, 45 employees produced approx. 10,000 bicycles and the company generated almost EUR 18m of sales with a sustained profitability. The high quality products are currently sold in the DACH region. The investment case is to explore SIMPLON's growth opportunities by boarding the key markets which should be achieved through increasing its presence on the international bicycle market.
- Due to the requirements arising from the application of the KAGB, we have reconsidered our estimates, in particular assuming an adverse impact on the cost structure. However, we are confident that GBK will continue to deliver respectable figures as valuation multiples have spurred as a result of a broad access to attractive acquisition financing owing to the low interest rate policy of major central banks. GBK could certainly benefit from this trend in terms of exits. In a nutshell, we believe that GBK is an attractive investment at a cheap valuation. The poor ytd share price development does neither reward its operating performance nor the value of the portfolio or the extraordinary high dividend yield. **We reiterate our BUY recommendation with a PT of EUR 11.00**, emphasising that our valuation shows a fair value of EUR 13.82.



Source: CBS Research AG, Bloomberg

Change	2014E		2015E		2016E	
EURk	new	old	new	old	new	old
Total Sales	6,889	6,661	8,990	7,990	7,247	-
EBIT	3,343	3,769	4,271	4,572	3,245	-
Basic EPS	0.47	0.54	0.60	0.65	0.46	-

www.gbk-ag.de Sector: Private Equity
WKN: 585090 ISIN: DE0005850903
Reuters: GBQG.DE Bloomberg: GBQ GY

Short company profile:

GBK Beteiligungen AG is an independent, Germany-based private equity company. The company acquires stakes in profitable and dynamically growing unquoted German companies operating in several industrial sectors.

Share data:

Share price (EUR, latest closing price):	6.06
Shares outstanding (m):	6.75
Market capitalisation (EURm):	40.9
Enterprise value (EURm):	24.2
Ø daily trading volume (3m., no. of shares):	8,430

Performance data:

High 52 weeks (EUR):	6.39
Low 52 weeks (EUR):	4.75
Absolute performance (12 months):	11.7%
Relative performance vs. CDAX:	
1 month	-5.0%
3 months	0.6%
6 months	5.2%
12 months	-7.7%

Shareholders:

Rossmann Beteiligungs GmbH	25.1%
HANNOVER Finanz GmbH	11.3%
M.M. Warburg & CO Gruppe KGaA	5.7%
Free Float	57.9%

Financial calendar:

Letter to shareholders 2Q 2014	July 31, 2014
Letter to shareholders 3Q 2014	October 31, 2014

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Key data

Y/E Dec 31, EURk	2011	2012	2013	2014E	2015E	2016E
Total Sales	5,941	6,321	9,622	6,889	8,990	7,247
EBITDA	2,818	3,992	5,790	4,014	5,294	4,182
EBIT	1,605	2,483	5,060	3,343	4,271	3,245
Net result	1,921	2,521	5,104	3,178	4,061	3,089
Basic EPS	0.28	0.37	0.76	0.47	0.60	0.46
DPS	0.25	0.30	0.60	0.40	0.50	0.40
EBITDA margin	47.4%	63.1%	60.2%	58.3%	58.9%	57.7%
EBIT margin	27.0%	39.3%	52.6%	48.5%	47.5%	44.8%
EV/EBITDA	8.6	6.1	4.2	6.0	4.6	5.8
EV/EBIT	15.1	9.7	4.8	7.2	5.7	7.5
P/E	21.3	16.2	8.0	12.9	10.1	13.2

Source: CBS Research AG, GBK Beteiligungen AG

Valuation

Sum of Parts

Portfolio companies*	Industry/Core competencies	Invested since	GBK Equity Share (in %)	Last reported or estimated sales (EURm)	Sales Multiples			Derived Value (EURm)
					bottom	top	Ø	
Astyx GmbH	RF-sensors	2000	3.8%	5	0.62	1.01	0.82	0.2
AXRO GmbH	Office supplies	2005	9.2%	230	0.70	1.29	1.00	21.1
Biesterfeld Vermögensverwaltung GmbH & Co. KG	Distribution of plastic and special chemicals	2011	<i>silent partnership</i>	1,050	0.96	1.48	1.22	not considered**
CemeCon AG	Cutting tools	2011	3.2%	36	0.54	0.83	0.69	0.8
Ciclista Beteiligungs GmbH	Retailer for sport, leisure and outdoor clothing	2012	10.0%	48	0.65	1.09	0.87	4.2
EXCON Externe Controlling Services GmbH	Risk Management	2007	5.5%	14	0.60	0.97	0.79	0.6
FAIST ChemTec GmbH	Sound deadening for cars and white goods	2010	1.4%	140	0.52	0.83	0.68	1.3
FMW Anlagentechnik GmbH	Manufacturing machinery and systems	2006	3.6%	76	0.62	1.83	1.23	3.4
Franz Ziener GmbH & Co. Lederhanschuflabrik	Skiing gloves and functional ski clothing	2012	3.5%	50	0.62	0.93	0.78	1.4
GETI WILBA GmbH & Co. KG	Deep frozen foods	2008	5.3%	143	0.72	1.10	0.91	6.9
HEGO Partner Holding GmbH	Heavy duty transports	2004	5.0%	121	0.53	0.89	0.71	4.3
HEISSNER GmbH	Yard decoration, fountains, ponds	2006	11.5%	15	0.38	0.58	0.48	0.8
Henkelhausen GmbH & Co. KG	Industry-motors	2003	9.0%	83	0.62	1.83	1.23	9.2
Hirschvogel Umformtechnik GmbH	Subcontractor to the automotive industry	2003/2009	<i>silent partnership</i>	811	0.60	0.97	0.79	not considered**
Hubert Schlieckmann GmbH	Subcontractor to the automotive industry	2008	10.4%	50	0.52	0.83	0.68	3.5
Industrie Holding Isselburg GmbH	Casting Components	2008	6.5%	61	0.62	1.83	1.23	4.9
Kirsch & Lütjohann GmbH & Co. KG	Office furniture wholeseller	1998	49.0%	12	0.65	1.09	0.87	5.1
Köhler Automobiltechnik GmbH	Subcontractor to the automotive industry	2006	11.3%	58	0.52	0.83	0.68	4.4
Lück Gruppe	Building services	2012	5.1%	65	0.40	0.64	0.52	1.7
Mackprang Holding GmbH & Co. KG	Plastics	2012	6.7%	204	0.81	1.26	1.04	14.1
Media Concept GmbH	Printer cartridges	2011	4.5%	92	0.71	1.07	0.89	3.7
Parte GmbH	Senior housing/patient care services	2006	3.2%	85	0.52	0.83	0.68	1.8
RADO Gummi GmbH	Special rubber compounds	2005	6.5%	43	0.48	0.76	0.62	1.7
Raith GmbH	Lithography and nanoengineering	2002	17.6%	56	0.72	1.13	0.93	9.1
Schrack Technik International GmbH	Low voltage technology	2005	7.5%	192	0.72	1.13	0.93	13.3
SIMPLON Fahrrad GMBH	Production of premium bikes	2014	2.5%	18	0.48	0.76	0.62	0.3
Spectral Audio Möbel GmbH	Audio Furniture	2008	4.2%	20	0.65	1.09	0.87	0.7
Teupen Maschinenbau GmbH	Working platforms	2012	<i>silent partnership</i>	23	0.48	0.76	0.62	not considered**
Zemann Sicherheit GmbH	Cash- and Value Transports as well as Security Service	2008	7.5%	166	0.53	0.89	0.71	8.8
Mean			8.2%	137	0.60	1.05	0.83	4.9
Median			6.0%	61	0.62	0.97	0.79	3.6

*directly and indirectly held investments

**as initial investment amounts are not disclosed by GBK Beteiligungen AG silent partnerships are not considered to derive the total value of investments

***market discount should reflect 1.) portfolio of unlisted companies 2.) high multiple valuations as result of cheap money 3.) participation in unlisted companies are more difficult to sell than complete companies

Total before market discount 127.3

Market discount*** -40%

Total value of investments after market discount 76.4

(EURm), except NAV per share (EUR)	NAV
Investments	76.4
Cash and cash equivalents net of assumed dividend	12.7
Other assets	6.3
Total liabilities	2.1
Net Asset Value	93.3
Number of million shares outstanding	6.75
Fair Value per share	13.82

Source: CBSR, GBK Beteiligungen AG, Finance Magazin, Bloomberg

Applicability of the KAGB

We already indicated in our last update that GBK and HANNOVER Finanz GmbH set up a new agency contract with effect from 1 July 2014 which matures on 31 December 2017 at the earliest as the applicability of the new capital investment law (KAGB) was confirmed. The former contract was cancelled by HANNOVER Finanz GmbH with effect from 30 June 2014.

Essential elements of the contractual relationship were published in the 1Q letter to the shareholders, including a consultancy contract and a commission arrangement amongst others with the following characteristics. Thus, the HANNOVER Finanz, within the scope of the advisory contract, will advise on and take care of the purchase and acquisition, supervision and disposal of investments. For this they receive annual net earnings of EUR 25K per investment, but at least EUR 0.95m net per year, depending on the number of portfolio companies. The contract has an unlimited duration and the option of cancellation falls on 31 December 2017 at the earliest. In addition, the commission agreement stipulates that payment is made in the case that the sale of a GBK investment has generated an IRR (Internal rate of Return) of more than 15% gross. Below this % threshold GBK pays nothing; when exceeding, the HANNOVER Finanz gets paid a commission of 20 %. In the case that the agreement is terminated, a claim based on the commission of the divestment for which HANNOVER Finanz needs to be paid is still valid for a period of seven years.

GBK and Hannover Finanz set up new agency contract

Elements of the contractual relationship include a consultancy contract and a commission arrangement

Appendix

Key figures and ratios

	2011	2012	2013	2014E	2015E	2016E
Growth analysis						
Revenue growth in %	36.9%	6.4%	52.2%	-28.4%	30.5%	-19.4%
EBITDA growth in %	29.1%	41.7%	45.1%	-30.7%	31.9%	-21.0%
EBIT growth in %	19.2%	54.7%	103.8%	-33.9%	27.7%	-24.0%
EPS growth in %	23.7%	31.2%	102.4%	-37.7%	27.8%	-23.9%
Profitability ratios						
EBITDA margin in %	47.4%	63.1%	60.2%	58.3%	58.9%	57.7%
EBIT margin in %	27.0%	39.3%	52.6%	48.5%	47.5%	44.8%
Net profit margin in %	32.3%	39.9%	53.0%	46.1%	45.2%	42.6%
Return on equity (ROE) in %	4.5%	5.9%	11.4%	6.9%	8.8%	6.6%
Return on assets (ROA) in %	4.5%	5.8%	11.0%	6.6%	8.4%	6.3%
Return on net assets (RONA) in %	4.5%	5.8%	11.0%	7.0%	8.6%	6.6%
Basic Earnings Power Ratio in %	3.7%	5.6%	10.4%	7.0%	8.7%	6.7%
Efficiency ratios						
Operating costs / revenues in %	52.6%	36.9%	39.8%	41.7%	41.1%	42.3%
Liquidity ratios						
Current Ratio	26.0	14.9	10.3	11.7	16.3	18.3
Acid Ratio	26.0	14.9	10.3	11.7	16.3	18.3
Cash Ratio	22.5	12.4	8.5	9.8	14.7	16.8
Operating Cash Flow Ratio	3.6	1.8	0.2	0.4	0.3	0.5
Activity ratios						
Asset turnover	0.1	0.1	0.2	0.1	0.2	0.1
Assets / Revenues	7.3	7.0	5.0	6.9	5.4	6.7
Solvency ratios						
Debt Ratio in %	1.5%	2.0%	4.3%	4.4%	4.3%	4.3%
Net debt to equity ratio (Gearing) in %	-25.6%	-20.0%	-31.6%	-37.7%	-57.2%	-66.4%
Long-term debt to equity Ratio in %	0.3%	0.3%	0.2%	0.3%	0.2%	0.3%
Total debt to EBITDA Ratio	22.3%	22.2%	35.9%	52.1%	39.4%	49.9%
Net debt to EBITDA Ratio	-3.9	-2.2	-2.5	-4.3	-5.1	-7.4
Dividend cover ratio	1.1	1.2	1.3	1.2	1.2	1.1
Interest coverage Ratio	196.1	307.1	640.1	590.8	578.3	544.9
Cash flow analysis						
Free cash flow / revenues in %	4.2%	-10.8%	82.6%	94.9%	136.2%	102.2%
FCF / net income in %	13.1%	-27.0%	155.7%	205.7%	301.4%	239.7%
FCF yield in %	0.6%	-1.7%	19.4%	16.0%	29.9%	18.1%
CAPEX / revenues in %	98.1%	86.8%	8.5%	42.2%	6.9%	39.3%
CAPEX / depn in %	480.8%	363.4%	112.5%	433.4%	60.5%	304.0%
Per share data						
EPS Basic	0.28	0.37	0.76	0.47	0.60	0.46
Operating cash flow per share	0.27	0.21	0.07	0.12	0.09	0.13
Book value per share	6.29	6.42	6.87	6.75	6.95	6.90
Dividends per share	0.25	0.30	0.60	0.40	0.50	0.40
Dividend payout ratio	0.88	0.80	0.79	0.85	0.83	0.87
Valuation Ratios						
P/E-Ratio	21.3	16.2	8.0	12.9	10.1	13.2
EV/EBIT	15.1	9.7	4.8	7.2	5.7	7.5
EV/EBITDA	8.6	6.1	4.2	6.0	4.6	5.8
EV/Sales	4.1	3.8	2.5	3.5	2.7	3.3
P/B	1.0	0.9	0.9	0.9	0.9	0.9
Dividend Yield in %	4.1%	5.0%	9.9%	6.6%	8.3%	6.6%

Source: CBS Research AG, GBK Beteiligungen AG

Profit and loss account

	HGB	EURk	2011	2012	2013	2014E	2015E	2016E
Income from investments			2,764	3,230	3,465	3,696	3,669	3,660
yoy change in %			-28.78%	16.89%	7.27%	6.65%	-0.72%	-0.24%
Income from loans included in financial assets			485	463	405	386	314	322
Other operating income			2,693	2,628	5,752	2,807	5,007	3,265
Total sales			5,941	6,321	9,622	6,889	8,990	7,247
yoy change in %			36.90%	6.40%	52.22%	-28.41%	30.51%	-19.39%
Personnel expenses			-152	-169	-173	-255	-277	-309
Other operating expenses			-2,971	-2,160	-3,659	-2,620	-3,419	-2,756
SG&A			-3,124	-2,329	-3,832	-2,875	-3,696	-3,066
EBITDA			2,818	3,992	5,790	4,014	5,294	4,182
yoy change in %			29.13%	41.67%	45.05%	-30.68%	31.90%	-21.01%
EBITDA margin			47.43%	63.15%	60.18%	58.27%	58.89%	57.70%
Depreciation and amortisation			-1,212	-1,509	-730	-670	-1,023	-937
EBIT			1,605	2,483	5,060	3,343	4,271	3,245
yoy change in %			19.20%	54.66%	103.81%	-33.93%	27.74%	-24.03%
EBIT margin			27.02%	39.28%	52.59%	48.54%	47.51%	44.77%
Interest income			157	145	110	79	103	83
Interest expenses			-8	-8	-8	-6	-7	-6
Financial result			148	137	103	73	96	77
EBT			1,754	2,620	5,163	3,417	4,367	3,322
yoy change in %			15.35%	49.39%	97.05%	-33.82%	27.80%	-23.93%
EBT margin			29.52%	41.45%	53.66%	49.60%	48.57%	45.84%
Extraordinary result			0	0	0	0	0	0
Taxes			167	-99	-59	-239	-306	-233
Tax rate in %			9.53%	-3.77%	-7.00%	-7.00%	-7.00%	-7.00%
Profit/loss from continuing operations, net of tax			1,921	2,521	5,104	3,178	4,061	3,089
Profit/loss from discontinued operations			0	0	0	0	0	0
Net profit/loss for the year			1,921	2,521	5,104	3,178	4,061	3,089
Net profit margin in %			32.33%	39.88%	53.04%	46.13%	45.17%	42.63%
Attributable to non-controlling/minority interest			0	0	0	0	0	0
Attributable to GBK Beteiligungen AG shareholders			1,921	2,521	5,104	3,178	4,061	3,089
Weighted number of shares , basic in million shares			6.75	6.75	6.75	6.75	6.75	6.75
EPS Basic			0.28	0.37	0.76	0.47	0.60	0.46

Source: CBS Research AG, GBK Beteiligungen AG

Balance Sheet

	HGB	EURk	2011	2012	2013	2014E	2015E	2016E
Assets								
Investments			25,539	28,939	25,421	21,255	13,032	8,124
Loans to investee companies			3,962	3,209	2,409	2,954	3,457	4,118
Profit participation rights			213	155	0	0	0	0
Deposits			143	405	404	396	388	380
Noncurrent assets			29,857	32,709	28,234	24,605	16,877	12,622
% of total assets			69.24%	73.99%	58.24%	51.67%	34.46%	25.92%
Receivables from investee companies			776	876	1,054	1,270	724	592
Other assets			984	1,070	2,469	2,469	2,469	2,469
Cash at bank			11,501	9,554	16,724	19,278	28,908	33,009
Current assets			13,261	11,500	20,246	23,017	32,101	36,070
% of total assets			30.76%	26.01%	41.76%	48.33%	65.54%	74.08%
Accruals and deferrals			0	0	0	0	0	0
Total Assets			43,119	44,209	48,480	47,622	48,978	48,691
Total equity and liabilities								
Subscribed capital			33,750	33,750	33,750	33,750	33,750	33,750
Capital Reserve			4,272	4,272	4,272	4,272	4,272	4,272
Retained Earnings			2,540	2,540	2,540	2,540	2,540	2,540
Balance sheet profit			1,927	2,761	5,840	4,967	6,329	6,043
Total Shareholders' equity			42,489	43,323	46,402	45,529	46,891	46,605
Equity ratio in %			98.54%	98.00%	95.71%	95.61%	95.74%	95.72%
Pension provision and similar obligations			119	115	109	123	117	117
Other liabilities			0	0	0	0	0	0
Noncurrent liabilities			119	115	109	123	117	117
% of total liabilities			0.28%	0.26%	0.22%	0.26%	0.24%	0.24%
Trade accounts payables			1	52	1	1	1	1
Payables to investee companies			0	0	2	2	2	2
Tax provisions			150	250	300	300	300	300
Other provisions			357	468	1,666	1,666	1,666	1,666
Deferred tax liabilities			0	0	0	0	0	0
Other liabilities			3	1	1	1	1	1
Current liabilities			511	771	1,970	1,970	1,970	1,970
% of total liabilities			1.18%	1.74%	4.06%	4.14%	4.02%	4.05%
Total liabilities			629	886	2,079	2,093	2,087	2,086
Total Liabilities and Equity			43,119	44,209	48,480	47,622	48,977	48,691

Source: CBS Research AG, GBK Beteiligungen AG

Cash flow statement

	HGB	EURk	2011	2012	2013	2014E	2015E	2016E
Net income			1,921	2,521	5,104	3,178	4,061	3,089
Net depreciation and amortisation			1,212	1,509	333	670	1,023	937
Change in long term provisions			-74	207	1,241	14	-6	0
Other cash income/ expense			656	0	0	0	0	0
Cash flow			3,715	4,237	6,678	3,862	5,078	4,026
Change in short- and mediumterm provisions			0	0	0	0	0	0
Proceeds from the disposal of non-current assets			-2,077	-2,597	-4,607	-2,807	-5,007	-3,265
Change in accounts receivable and other asset except financial assets			190	-269	-1,576	-216	546	132
Change in accounts payable and other asset except financial liabilities			-2	49	-49	0	0	0
Change in working capital			-1,889	-2,817	-6,232	-3,023	-4,461	-3,133
Cash flows from operating activities			1,826	1,420	446	839	617	893
Operating cash flow margin in %			30.73%	22.47%	4.63%	12.18%	6.87%	12.33%
Income from disposal of financial assets			5,269	3,805	9,570	8,670	12,332	9,432
Investment in financial assets			-5,829	-5,484	-821	-2,905	-619	-2,849
Cash flow from investing activities			-560	-1,679	8,749	5,765	11,713	6,583
Cash inflow from capital increases			0	0	0	0	0	0
Dividends paid			-1,688	-1,688	-2,025	-4,050	-2,700	-3,375
Cash flow from financing activities			-1,688	-1,688	-2,025	-4,050	-2,700	-3,375
Net change in cash and cash equivalents			-422	-1,947	7,170	2,554	9,630	4,101
Cash and cash equivalents at the beginning of the period			11,923	11,501	9,554	16,724	19,278	28,908
Cash and cash equivalents at the end of the period			11,501	9,554	16,724	19,278	28,908	33,009

Source: CBS Research AG, GBK Beteiligungen AG

Research



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Date	Recommendation	Price at change date	Price target
17 June 2014	BUY (Update)	EUR 6.06	EUR 11.00
16 April 2014	BUY (Update)	EUR 6.74	EUR 11.00
04 February 2014	BUY (Update)	EUR 5.95	EUR 11.00
02 August 2013	BUY (Update)	EUR 5.97	EUR 9.50

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