

Recommendation:
BUY (BUY)

Risk:
Medium (Medium)

Price Target:
EUR 7.10 (7.10)

02 February 2011

Strong 2010 preliminary financial figures...

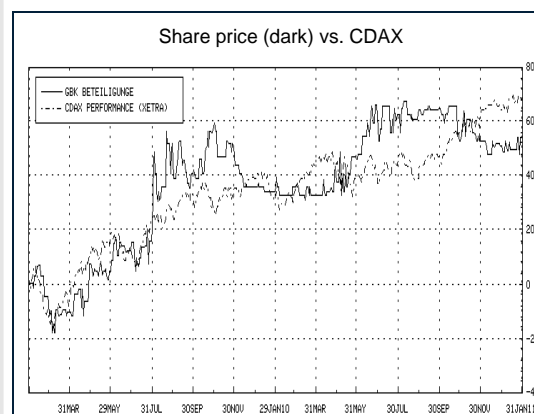
...indicate attractiveness of portfolio constituents

- GBK Beteiligungen AG published its letter to shareholders 4Q on January 31. Besides the announcement of three new investments, lifting the number of stakes in portfolio companies to 31, the company also published preliminary financial figures for the fiscal year 2010.
- As in the years before, GBK Beteiligungen AG has once again benefited from conjoint investment activities with HANNOVER Finanz, one of the most reputable private equity funds in Germany.
- GBK increased earnings from dividends and lending from EUR 3.6m in 2009 by 17% to EUR 4.2m in 2010. This result was much better than what we had expected (CBSR estimates 2010E: EUR 3.7m). Furthermore, taking into account other operating income of EUR 0.15m, total sales came in at EUR 4.4m, or 20% higher than in 2009 (CBSR estimates 2010E: EUR 4.2m). In our forecast for fiscal year 2010 we assumed income from divestiture of EUR 0.43m. In fact, no income from divestiture accrued in 2010 accentuating the strong increase of earnings from dividends and lending from GBK's portfolio. Additionally, as part of GBK's earnings are generally associated with portfolio companies' operating activity in the previous fiscal year, the strong increase in earnings from dividends and lending highlights GBK's strong portfolio management capabilities. To illustrate the point, in the fiscal year 2009, the German GDP contracted by -4.7% y-o-y and despite this adverse economic impact, GBK succeeded in protecting the portfolio from devaluation on an aggregated level. Furthermore, GBK made use of attractive valuation levels to expand the number of portfolio constituents.
- Net income was positively influenced by decreased depreciation amounts and flat operating expenses. Depreciation on investments due to impairments decreased from EUR 1.6m to EUR 0.8m. Operating expenses remained nearly unchanged. This translated into a net income of EUR 1.5m for fiscal year 2010, implying earnings per share of EUR 0.22 (CBSR estimates for 2010E: EUR 0.22).
- The total amount invested into portfolio companies increased from EUR 25m by 11.2% to EUR 27.8m. Correspondingly, GBK's cash decreased from EUR 14.7m in 2009 to EUR 11.9m in 2010 giving financial scope for further investments. In sum, GBK is well-equipped with liquidity to press ahead with the announced portfolio expansion and generates enough operating cash flow to reward investors with an attractive dividend.
- For the above mentioned reasons we recommend to BUY the stock and reiterate our price target of EUR 7.10 per share.

Key data

| FY 12/31, EUR m | 2008 | 2009 | 2010E | 2011E | 2012E |
|-------------------------|------|-------|-------|-------|-------|
| Income from investments | 3.1 | 3.3 | 3.9 | 4.5 | 5.1 |
| Total sales | 4.1 | 3.6 | 4.4 | 5.0 | 6.0 |
| EBIT | 2.0 | -0.1 | 1.7 | 2.3 | 3.2 |
| EBIT margin | 48% | -2% | 39% | 46% | 54% |
| Net result | 2.3 | 0.1 | 1.5 | 2.3 | 3.1 |
| EPS | 0.35 | 0.02 | 0.22 | 0.34 | 0.46 |
| DPS | 0.22 | 0.10 | 0.11 | 0.17 | 0.23 |
| Price / NAV | 0.48 | 0.61 | 0.69 | 0.65 | 0.62 |
| EV/EBIT | 8.2 | neg. | 9.7 | 7.0 | 5.1 |
| P/E | 10.1 | 209.1 | 20.5 | 13.6 | 10.0 |

Source: GBK Beteiligungen AG, CBS Research AG



Source: CBS Research AG, Bloomberg

| Change | 2010E | | 2011E | | 2012E | |
|--------|-------|------|-------|------|-------|------|
| | new | old | new | old | new | old |
| Sales | 4.4 | 4.2 | 5.0 | 4.8 | 6.0 | 5.4 |
| EBIT | 1.7 | 1.5 | 2.3 | 2.1 | 3.2 | 3.1 |
| EPS | 0.22 | 0.22 | 0.34 | 0.31 | 0.46 | 0.44 |

Internet: www.gbk-ag.de
WKN: 585090
Reuters: GBQG.DE

Sector: Private Equity
ISIN: DE0005850903
Bloomberg: GBQ GY

Share data:

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 (last closing price): | EUR 4.84 |
| Shares outstanding (m): | 6.75 |
| Market capitalisation (EURm): | 31.12 |
| Enterprise value (EURm): | 16.39 |
| Ø daily trading volume (3 m., no. of shares): | 1,911 |

Performance data:

| | |
|-----------------------------------|----------|
| High 52 weeks (EUR): | EUR 5.25 |
| Low 52 weeks (EUR): | EUR 4.2 |
| Absolute performance (12 months): | 9.38% |
| Relative performance: (vs. CDAX): | |
| 1 month | -0.5% |
| 3 months | -7.3% |
| 6 months | -17.1% |
| 12 months | -14.1% |

Shareholders:

| | |
|----------------------------------|-------|
| HANNOVER Finanz GmbH | 11.0% |
| Setubal Vermögensverwaltung GmbH | 10.0% |
| Value Holdings AG | 8.5% |
| Freefloat | 70.5% |

Financial calendar:

Letter to shareholders (1Q, 2011) Late April 2011

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Adjusted estimates for fiscal years 2011E and 2012E

In 2010, GBK reported slightly higher preliminary total sales figures than expected. The good news is not our exceeded expectations but the composition of contribution streams. Whereas our projections for 2010E contained expected income from divestitures of EUR 0.43m, actually no such income source contributed to the reported preliminary total sales figure in 2010. Rather, dynamic growth in earnings from dividends and lending from portfolio companies induced growth in total sales. Therefore, we increase our total sales estimates for 2011E and 2012E from EUR 4.8m to EUR 5.0m and from EUR 5.4m to 6.0m respectively. With regard to our operating profit (EBIT) estimates, the adjustments come along with higher EBIT in 2011E (from EUR 2.1m to EUR 2.3m) and 2012E (from EUR 3.1m to EUR 3.2m). Earnings per share rise from EUR 0.31 to EUR 0.34 in 2011E, and from EUR 0.44m to EUR 0.46m in 2012E.

New portfolio constituents

Biesterfeld Vermögensverwaltung GmbH & Co. KG: GBK invested as a silent partner together with other funds embedded into the HANNOVER Finanz Group structure in Biesterfeld Vermögensverwaltung GmbH & Co. KG. The funds injected into Biesterfeld Vermögensverwaltung GmbH & Co. KG will be utilized for funding Biesterfeld AG's growth. Biesterfeld AG is the holding company of the Biesterfeld Group. The Biesterfeld Group's principal business areas are plastics, specialty chemicals and international chemicals trading. The Group was founded 1906 and today is represented by 50 sites worldwide. As at 2010, more than 600 employees achieved revenues of roughly EUR 800m. In the past, the net operating margin ranged between 1.5% and 2.5%. Even in 2009 when the chemical industry in Germany was severely hit by the economic crisis, the company succeeded in stabilizing its revenues and generated a net operating margin of 1.3%.

Kofax plc: On January 17, 2011 Kofax plc entered into an agreement to sell its hardware business to Hannover Finanz and to members of the business unit's management team. According to Kofax, the transaction is expected to yield at least USD 20m of net after tax cash proceeds to Kofax and close during March of 2011. The new hardware business unit will operate under the Dicom brand. Kofax's hardware business is a distributor of imaging and archival storage products and provider of related maintenance and support services to roughly 3,000 resellers in more than 40 countries throughout EMEA. It employs approximately 200 personnel in 19 locations throughout EMEA. Its unaudited revenues were USD 128.5m, its earnings before interest, taxes and amortization (EBITA) was USD 2.3m, its gross assets were USD 55.3m and its net assets were USD 15.3m as at June 30, 2010. GBK participated in the MBO and acquired a stake of 9.6%.

Paper + Design GmbH tabletop: Paper+Design was founded in 1999. From napkins, slip covers, tablecloths and table runners to party plates and table mats, the company offers accessories for decorating tables. In the area of personal hygiene the company manufactures original tissues and specially printed toilet paper. The company possesses own manufacturing capacities and a state-of-the-art warehouse where all the products are stored and prepared for shipment. The products are distributed worldwide and target customers are drugstores, retailers and specialty stores. The company is headquartered in Wolkenstein, Germany. Paper + Design tabletop generated revenues of approximately EUR 36m in 2010. The company has a workforce of roughly 200 employees. GBK has acquired in a secondary buyout 7.25% of the company in 4Q 2010.

Total sales composition indicates robust, growing income stream from portfolio constituents

Biesterfeld Vermögensverwaltung GmbH & Co. KG

Kofax plc / Dicom

Paper + Design GmbH tabletop

Appendix

GBK Beteiligungen AG

Profit and loss account

| | HGB | EURm | 2007 | 2008 | 2009 | 2010E | 2011E | 2012E |
|--|-----|------|-------------|-------------|-------------|-------------|-------------|-------------|
| Sales | | | 2.8 | 3.1 | 3.3 | 3.9 | 4.5 | 5.1 |
| YoY growth | | | 63.5% | 13.1% | 5.5% | 18.7% | 16.1% | 13.4% |
| Income from loans included in financial assets | | | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Other operating income | | | 0.3 | 0.7 | 0.0 | 0.2 | 0.2 | 0.5 |
| Total sales | | | 3.3 | 4.1 | 3.6 | 4.4 | 5.0 | 6.0 |
| Personnel expenses | | | -0.1 | -0.1 | -0.2 | -0.1 | -0.1 | -0.1 |
| in % of total revenues | | | 4.2% | 3.3% | 4.2% | 2.3% | 2.0% | 1.8% |
| Other operating expenses | | | -1.8 | -1.8 | -1.9 | -1.8 | -1.8 | -1.8 |
| in % of total revenues | | | 54.8% | 43.9% | 53.9% | 40.9% | 35.7% | 30.1% |
| EBITDA | | | 1.3 | 2.2 | 1.5 | 2.5 | 3.1 | 4.1 |
| in % of total revenues | | | 40.9% | 52.7% | 42.0% | 56.8% | 62.3% | 68.0% |
| Depreciation and amortisation | | | -1.6 | -0.2 | -1.6 | -0.8 | -0.8 | -0.8 |
| in % of total revenues | | | 48.5% | 4.5% | 43.5% | 18.2% | 16.1% | 14.2% |
| EBIT | | | -0.2 | 2.0 | -0.1 | 1.7 | 2.3 | 3.2 |
| in % of total revenues | | | -7.6% | 48.2% | -1.6% | 38.6% | 46.2% | 53.9% |
| Financial result | | | 0.6 | 0.8 | 0.2 | 0.2 | 0.2 | 0.3 |
| EBT | | | 0.3 | 2.8 | 0.2 | 1.9 | 2.6 | 3.5 |
| in % of total revenues | | | 10.0% | 67.2% | 5.2% | 43.1% | 50.6% | 58.1% |
| Taxes | | | 0.0 | -0.4 | 0.0 | -0.4 | -0.3 | -0.3 |
| as % of EBT | | | 3.4% | -15.8% | -24.3% | -20.0% | -10.0% | -10.0% |
| Net income including minorities | | | 0.3 | 2.3 | 0.1 | 1.5 | 2.3 | 3.1 |
| Minority interests | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net income attributable to shareholders | | | 0.3 | 2.3 | 0.1 | 1.5 | 2.3 | 3.1 |
| in % of total revenues | | | 10.3% | 56.6% | 3.9% | 34.5% | 45.5% | 52.3% |
| Shares outstanding (in millions) | | | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 |
| Earnings per share (EUR) | | | 0.05 | 0.35 | 0.02 | 0.22 | 0.34 | 0.46 |

Source: CBS Research AG, GBK Beteiligungen AG

GBK Beteiligungen AG

Balance Sheet

| | HGB | EURm | 2007 | 2008 | 2009 | 2010E | 2011E | 2012E |
|---|-----|------|-------------|-------------|-------------|-------------|-------------|-------------|
| Assets | | | | | | | | |
| Noncurrent assets | | | 20.3 | 23.2 | 25.0 | 27.8 | 31.6 | 35.3 |
| as % of total assets | | | 48.1% | 53.3% | 59.6% | 64.7% | 70.8% | 76.2% |
| Investments | | | 18.6 | 20.9 | 22.7 | 25.0 | 28.4 | 31.7 |
| Loans to investee companies | | | 1.4 | 2.1 | 1.8 | 2.5 | 2.8 | 3.2 |
| Profit participation rights | | | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 |
| Deposits | | | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 |
| Current assets | | | 21.8 | 20.4 | 16.9 | 15.4 | 13.1 | 11.1 |
| as % of total assets | | | 51.9% | 46.7% | 40.4% | 35.8% | 29.4% | 23.9% |
| Amounts due from investee companies | | | 1.5 | 1.6 | 1.6 | 2.6 | 2.6 | 1.5 |
| Other assets | | | 0.9 | 0.9 | 0.6 | 0.9 | 0.8 | 0.7 |
| Cash | | | 19.5 | 17.9 | 14.7 | 11.9 | 9.7 | 8.9 |
| Total Assets | | | 42.1 | 43.6 | 41.9 | 43.0 | 44.6 | 46.3 |
| Total equity and liabilities | | | | | | | | |
| Total equity | | | 41.3 | 42.6 | 41.3 | 42.1 | 43.7 | 45.6 |
| as % of total equity and liabilities | | | 98.1% | 97.7% | 98.4% | 98.0% | 97.9% | 98.6% |
| Capital stock | | | 33.8 | 33.8 | 33.8 | 33.8 | 33.8 | 33.8 |
| Capital reserve | | | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 |
| Revenue reserves | | | 2.1 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| Retained earnings | | | 1.2 | 2.2 | 0.8 | 1.7 | 3.2 | 5.2 |
| Noncurrent liabilities | | | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| as % of total equity and liabilities | | | 0.3% | 0.4% | 0.5% | 0.5% | 0.5% | 0.5% |
| Pension provision and other liabilities | | | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Deferred taxes | | | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Financial liabilities | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other liabilities | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current liabilities | | | 0.7 | 0.8 | 0.4 | 0.6 | 0.7 | 0.4 |
| as % of total equity and liabilities | | | 1.6% | 1.9% | 1.0% | 1.5% | 1.6% | 0.9% |
| Tax provisions | | | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.4 |
| Other provisions | | | 0.6 | 0.7 | 0.2 | 0.4 | 0.4 | 0.0 |
| Total equity and liabilities | | | 42.1 | 43.6 | 41.9 | 43.0 | 44.6 | 46.3 |

Source: CBS Research AG, GBK Beteiligungen AG

GBK Beteiligungen AG
Cash flow statement

| | HGB | EURm | 2007 | 2008 | 2009 | 2010E | 2011E | 2012E |
|---|-----|------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net income | | | 0.3 | 2.3 | 0.1 | 1.5 | 2.3 | 3.1 |
| Depreciation and amortisation | | | 1.6 | 0.2 | 1.6 | 0.8 | 0.8 | 0.8 |
| Change in long term provisions | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 |
| Other non-cash items | | | 0.2 | 0.2 | -0.3 | 0.2 | 0.1 | -0.8 |
| Change in other assets and liabilities | | | 0.0 | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in other current assets | | | -1.3 | -0.1 | 0.0 | -1.1 | 0.0 | 1.1 |
| Interest expenses | | | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash flow from operating activities | | | 0.7 | 1.9 | 1.6 | 1.4 | 3.2 | 4.2 |
| Income from disposal of financial assets | | | 0.7 | 0.0 | 1.6 | 0.0 | 3.7 | 4.6 |
| Investment in financial assets | | | 2.6 | 5.1 | 0.0 | -3.6 | -8.3 | -8.4 |
| Cash flow from investing activities | | | 0.9 | -2.5 | -3.3 | -3.6 | -4.6 | -3.9 |
| Cash inflow from capital increases | | | 13.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividends paid | | | -0.9 | -1.0 | 0.0 | -0.7 | -0.8 | -1.1 |
| Cash flow from financing activities | | | 12.4 | -1.0 | -1.5 | -0.7 | -0.8 | -1.1 |
| Total change in cash and cash equivalents | | | 14.0 | -1.6 | -3.2 | -2.9 | -2.2 | -0.8 |
| Cash and cash equivalents at the start of the period | | | 5.5 | 19.5 | 17.9 | 14.7 | 11.9 | 9.7 |
| Cash and cash equivalents at the end of the period | | | 19.5 | 17.9 | 14.7 | 11.9 | 9.7 | 8.9 |

Source: CBS Research AG, GBK Beteiligungen AG

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BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

SELL: The expected performance of the share price is below 0%.

Recommendation history over the last 12 months for the company analysed in this report:

| Date | Recommendation | Price at change date | Price Target |
|------------------|------------------------|----------------------|--------------|
| 18 May 2010 | BUY (Initial Coverage) | EUR 4.35 | EUR 7.10 |
| 20 December 2010 | BUY (Company update) | EUR 4.61 | EUR 7.10 |
| 02 February 2011 | BUY (Company update) | EUR 4.84 | EUR 7.10 |

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