

Recommendation:  
**BUY** (BUY)

Risk:  
**Medium** (Medium)

Price Target:  
**EUR 7.10** (7.10)

10 May 2011

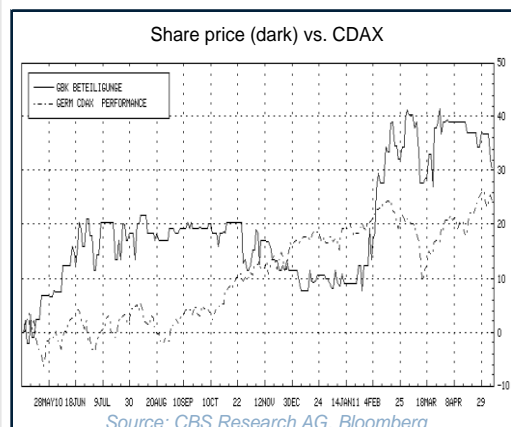
## Fair value indication increases by 14% per share Dividend proposal of EUR 0.25 per share for 2010

- GBK Beteiligungen AG published its annual report 2010 and the letter to shareholders for 1Q FY11 on 06 May 2011. As already highlighted in our last comment on the preliminary figures FY10, the company developed very well. 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.
- The strong increase in dividends and lending from GBK's portfolio during FY10 points to an attractive risk-return structure which also attracted investors like Roßmann who currently holds a stake of roughly 10% of GBK shares. That is, whilst adverse economic effects in FY09 had no major negative effects on GBK's aggregate portfolio in FY10, cash flow streams from GBK's portfolio indeed increased year-on-year. According to our calculations, GBK's management succeeded in raising the average income from dividends and lending per average investment amount from 14.3% in FY09 to 15.1% in FY10.
- Simultaneously, GBK's intrinsic value (fair value), derived by an independent appraiser, increased significantly from EUR 7.13 to EUR 8.13 per share. Multiplying this amount by the number of shares outstanding we derive a fair value of EUR 54.88m. This is almost the same amount we had calculated in our initial coverage for GBK's NAV (EUR 54.7m) before we applied a market discount of -12.8% to derive a fair value and price target of EUR 7.10 per share.
- Furthermore, in light of the positive performance of GBK's aggregated portfolio in FY10 and in order to return liquidity to its shareholders, GBK's Management Board will propose a dividend of EUR 0.25 per share (EUR 1.7m). Assuming GBK's current share price of EUR 5.60, a dividend payment of EUR 0.25 per share would imply a dividend yield of 4.5% which we think is an attractive one. For the coming years, GBK's management announced to pay out at least EUR 0.10 per share and to add a variable dividend component that will depend on GBK's operating result and liquidity ratios.
- In our last update we adjusted our projections to consider the better than expected operational performance. Although our fair value has increased to EUR 7.80 per share, we leave our price target unchanged for the time being (EUR 7.10 per share) and recommend to BUY the stock.

### Key data

FY 12/31, EUR m	2009	2010	2011E	2012E	2013E
Income from investments	3.3	3.9	4.5	5.0	5.1
Total sales	3.6	4.3	5.0	5.9	6.5
EBIT	-0.1	1.3	2.3	3.1	3.7
EBIT margin	-2%	31%	46%	53%	57%
Net result	0.1	1.6	2.3	3.0	3.6
EPS	0.02	0.23	0.34	0.44	0.53
DPS	0.10	0.25	0.25	0.25	0.25
Price / NAV	0.61	0.69	0.63	0.61	0.58
EV/EBIT	neg.	20.6	12.1	9.0	7.5
P/E	209.1	24.4	16.7	12.6	0.0

Source: GBK Beteiligungen AG, CBS Research AG



Change	2011E		2012E		2013E	
	new	old	new	old	new	old
Sales	5.0	4.2	5.9	4.8	6.5	5.4
EBIT	2.3	1.5	3.1	2.1	3.7	3.1
EPS	0.34	0.22	0.44	0.31	0.53	0.44

Internet: [www.gbk-ag.de](http://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):	<b>EUR 5.60</b>
Shares outstanding (m):	6.75
Market capitalisation (EURm):	37.81
Enterprise value (EURm):	27.81
Ø daily trading volume (3 m., no. of shares):	1,264

### Performance data:

High 52 weeks (EUR):	EUR 6.1
Low 52 weeks (EUR):	EUR 4.3
Absolute performance (12 months):	27.73%
Relative performance: (vs. CDAX):	
1 month	-9.7%
3 months	-0.1%
6 months	-0.9%
12 months	1.5%

### Shareholders:

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

### Financial calendar:

Letter to shareholders Late January 2011

Authors: Enid Omerovic (Analyst)  
Manuel Martin, CEFA (Analyst)

Close Brothers Seydler Research AG

Phone: +49 (0) 69-977 84 56 0

Email: [research@cbseydlerresearch.ag](mailto:research@cbseydlerresearch.ag)

Homepage: [www.cbseydlerresearch.ag](http://www.cbseydlerresearch.ag)

## Appendix

### GBK Beteiligungen AG

#### Profit and loss account

	HGB	EURm	2007	2008	2009	2010	2011E	2012E	2013E
<b>Sales</b>			<b>2.8</b>	<b>3.1</b>	<b>3.3</b>	<b>3.9</b>	<b>4.5</b>	<b>5.0</b>	<b>5.1</b>
YoY growth			63.5%	13.1%	5.5%	18.0%	16.7%	11.1%	0.9%
Income from loans included in financial assets			0.2	0.3	0.3	0.3	0.3	0.3	0.3
Other operating income			0.3	0.7	0.0	0.1	0.2	0.5	1.1
<b>Total sales</b>			<b>3.3</b>	<b>4.1</b>	<b>3.6</b>	<b>4.3</b>	<b>5.0</b>	<b>5.9</b>	<b>6.5</b>
Personnel expenses			-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2
in % of total revenues			4.2%	3.3%	4.2%	3.9%	3.3%	3.0%	2.9%
Other operating expenses			-1.8	-1.8	-1.9	-2.0	-1.8	-1.8	-1.8
in % of total revenues			54.8%	43.9%	53.9%	45.8%	34.9%	30.4%	27.5%
<b>EBITDA</b>			<b>1.3</b>	<b>2.2</b>	<b>1.5</b>	<b>2.2</b>	<b>3.1</b>	<b>3.9</b>	<b>4.6</b>
in % of total revenues			40.9%	52.7%	42.0%	50.3%	61.8%	66.6%	69.6%
Depreciation and amortisation			-1.6	-0.2	-1.6	-0.8	-0.8	-0.8	-0.8
in % of total revenues			48.5%	4.5%	43.5%	19.2%	16.1%	13.9%	13.0%
<b>EBIT</b>			<b>-0.2</b>	<b>2.0</b>	<b>-0.1</b>	<b>1.3</b>	<b>2.3</b>	<b>3.1</b>	<b>3.7</b>
in % of total revenues			-7.6%	48.2%	-1.6%	31.0%	45.6%	52.7%	56.6%
Financial result			0.6	0.8	0.2	0.2	0.2	0.3	0.3
<b>EBT</b>			<b>0.3</b>	<b>2.8</b>	<b>0.2</b>	<b>1.5</b>	<b>2.5</b>	<b>3.3</b>	<b>4.0</b>
in % of total revenues			10.0%	67.2%	5.2%	35.0%	50.0%	56.9%	60.4%
Taxes			0.0	-0.4	0.0	0.1	-0.3	-0.3	-0.4
as % of EBT			3.4%	-16%	-24%	4%	-10%	-10%	-10%
<b>Net income including minorities</b>			<b>0.3</b>	<b>2.3</b>	<b>0.1</b>	<b>1.6</b>	<b>2.3</b>	<b>3.0</b>	<b>3.6</b>
Minority interests			0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income attributable to shareholders</b>			<b>0.3</b>	<b>2.3</b>	<b>0.1</b>	<b>1.6</b>	<b>2.3</b>	<b>3.0</b>	<b>3.6</b>
in % of total revenues			10.3%	56.6%	3.9%	36.3%	45.0%	51.2%	54.4%
Shares outstanding (in millions)			6.8	6.8	6.8	6.8	6.8	6.8	6.8
<b>Earnings per share (EUR)</b>			<b>0.05</b>	<b>0.35</b>	<b>0.02</b>	<b>0.23</b>	<b>0.34</b>	<b>0.44</b>	<b>0.53</b>

Source: CBS Research AG, GBK Beteiligungen AG

## GBK Beteiligungen AG

### Balance Sheet

	HGB	EURm	2007	2008	2009	2010	2011E	2012E	2013E
<b>Assets</b>									
<b>Noncurrent assets</b>			<b>20.3</b>	<b>23.2</b>	<b>25.0</b>	<b>27.8</b>	<b>31.6</b>	<b>33.9</b>	<b>35.3</b>
as % of total assets			48.1%	53.3%	59.6%	64.8%	72.3%	75.8%	75.8%
Investments			18.6	20.9	22.7	25.1	28.4	30.5	31.8
Loans to investee companies			1.4	2.1	1.8	2.2	2.8	3.0	3.2
Profit participation rights			0.2	0.3	0.3	0.3	0.3	0.4	0.4
Deposits			0.0	0.0	0.2	0.2	0.0	0.0	0.0
<b>Current assets</b>			<b>21.8</b>	<b>20.4</b>	<b>16.9</b>	<b>15.3</b>	<b>12.2</b>	<b>10.9</b>	<b>11.4</b>
as % of total assets			51.9%	46.7%	40.4%	35.7%	27.9%	24.3%	24.3%
Amounts due from investee companies			1.5	1.6	1.6	2.4	2.4	2.0	2.0
Other assets			0.9	0.9	0.6	1.0	0.9	0.8	0.8
Cash			19.5	17.9	14.7	11.9	8.9	8.1	8.5
<b>Total Assets</b>			<b>42.1</b>	<b>43.6</b>	<b>41.9</b>	<b>43.0</b>	<b>43.7</b>	<b>44.8</b>	<b>46.6</b>
<b>Total equity and liabilities</b>									
<b>Total equity</b>			<b>41.3</b>	<b>42.6</b>	<b>41.3</b>	<b>42.3</b>	<b>42.8</b>	<b>44.2</b>	<b>46.0</b>
as % of total equity and liabilities			98.1%	97.7%	98.4%	98.4%	98.1%	98.6%	98.7%
Capital stock			33.8	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	4.3
Revenue reserves			2.1	2.5	2.5	2.5	2.5	2.5	2.5
Retained earnings			1.2	2.2	0.8	1.7	2.3	3.6	5.5
<b>Noncurrent liabilities</b>			<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>
as % of total equity and liabilities			0.3%	0.4%	0.5%	0.3%	0.5%	0.5%	0.5%
Pension provision and other liabilities			0.1	0.1	0.1	0.1	0.1	0.1	0.1
Deferred taxes			0.0	0.1	0.1	0.0	0.1	0.1	0.1
Financial liabilities			0.0	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	0.0
<b>Current liabilities</b>			<b>0.7</b>	<b>0.8</b>	<b>0.4</b>	<b>0.6</b>	<b>0.6</b>	<b>0.4</b>	<b>0.4</b>
as % of total equity and liabilities			1.6%	1.9%	1.0%	1.4%	1.4%	0.9%	0.8%
Tax provisions			0.1	0.2	0.2	0.3	0.3	0.4	0.4
Other provisions			0.6	0.7	0.2	0.3	0.3	0.0	0.0
<b>Total equity and liabilities</b>			<b>42.1</b>	<b>43.6</b>	<b>41.9</b>	<b>43.0</b>	<b>43.7</b>	<b>44.8</b>	<b>46.6</b>

Source: CBS Research AG, GBK Beteiligungen AG

**GBK Beteiligungen AG**
**Cash flow statement**

	HGB	EURm	2007	2008	2009	2010	2011E	2012E	2013E
<b>Net income</b>			0.3	2.3	0.1	1.6	2.3	3.0	3.6
Depreciation and amortisation			1.6	0.2	1.6	0.8	0.8	0.8	0.8
Change in long term provisions			0.0	0.0	0.0	0.1	0.0	-0.1	-0.1
Other non-cash items			0.2	0.2	-0.3	0.3	0.1	-0.7	-0.5
Change in other liabilities			0.0	-0.7	0.0	0.1	0.0	0.0	0.0
Change in other assets			-1.3	-0.1	0.0	-1.3	0.0	0.4	0.0
<b>Cash flow from operating activities</b>			<b>0.7</b>	<b>1.9</b>	<b>1.6</b>	<b>1.6</b>	<b>3.2</b>	<b>3.4</b>	<b>3.8</b>
Income from disposal of financial assets			0.7	0.0	1.6	0.2	3.7	5.6	4.0
Investment in financial assets			2.6	5.1	0.0	-4.0	-8.3	-8.1	-5.7
<b>Cash flow from investing activities</b>			<b>0.9</b>	<b>-2.5</b>	<b>-3.3</b>	<b>-3.7</b>	<b>-4.6</b>	<b>-2.5</b>	<b>-1.7</b>
Cash inflow from capital increases			13.3	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid			-0.9	-1.0	0.0	-0.6	-1.7	-1.7	-1.7
<b>Cash flow from financing activities</b>			<b>12.4</b>	<b>-1.0</b>	<b>-1.5</b>	<b>-0.7</b>	<b>-1.7</b>	<b>-1.7</b>	<b>-1.7</b>
<b>Total change in cash and cash equivalents</b>			<b>14.0</b>	<b>-1.6</b>	<b>-3.2</b>	<b>-2.8</b>	<b>-3.0</b>	<b>-0.8</b>	<b>0.5</b>
Cash and cash equivalents at the start of the period			5.5	19.5	17.9	14.7	11.9	8.9	8.1
<b>Cash and cash equivalents at the end of the period</b>			<b>19.5</b>	<b>17.9</b>	<b>14.7</b>	<b>11.9</b>	<b>8.9</b>	<b>8.1</b>	<b>8.5</b>

Source: CBS Research AG, GBK Beteiligungen AG

## Research



Schillerstrasse 27 - 29  
60313 Frankfurt am Main

Phone: +49 (0)69 – 977 8456-0

Roger Peeters Member of the Board	+49 (0)69 -977 8456- 12 <a href="mailto:Roger.Peeters@cbseydlerresearch.ag">Roger.Peeters@cbseydlerresearch.ag</a>	Kristina Kardum	+49 (0)69 -977 8456- 21 <a href="mailto:Kristina.Kardum@cbseydlerresearch.ag">Kristina.Kardum@cbseydlerresearch.ag</a>
Martin Decot	+49 (0)69 -977 8456- 13 <a href="mailto:Martin.Decot@cbseydlerresearch.ag">Martin.Decot@cbseydlerresearch.ag</a>	Igor Kim	+49 (0)69 -977 8456- 15 <a href="mailto:Igor.Kim@cbseydlerresearch.ag">Igor.Kim@cbseydlerresearch.ag</a>
Rabeya Khan	+49 (0)69 -977 8456- 10 <a href="mailto:Rabeya.Khan@cbseydlerresearch.ag">Rabeya.Khan@cbseydlerresearch.ag</a>	Manuel Martin	+49 (0)69 -977 8456- 16 <a href="mailto:Manuel.Martin@cbseydlerresearch.ag">Manuel.Martin@cbseydlerresearch.ag</a>
Ralf Marinoni	+49 (0)69 -977 8456- 17 <a href="mailto:Ralf.Marinoni@cbseydlerresearch.ag">Ralf.Marinoni@cbseydlerresearch.ag</a>	Felix Parmantier	+49 (0)69 -977 8456- 22 <a href="mailto:Felix.Parmantier@cbseydlerresearch.ag">Felix.Parmantier@cbseydlerresearch.ag</a>
Enid Omerovic	+49 (0)69 -977 8456- 19 <a href="mailto:Enid.Omerovic@cbseydlerresearch.ag">Enid.Omerovic@cbseydlerresearch.ag</a>	Veysel Taze	+49 (0)69 -977 8456- 18 <a href="mailto:Veysel.Taze@cbseydlerresearch.ag">Veysel.Taze@cbseydlerresearch.ag</a>
Marcus Silbe	+49 (0)69 -977 8456- 14 <a href="mailto:Marcus.Silbe@cbseydlerresearch.ag">Marcus.Silbe@cbseydlerresearch.ag</a>		

## Institutional Sales



Schillerstrasse 27 – 29  
Hill  
60313 Frankfurt am Main

Phone: +49 (0)69 – 9 20 54-400



**Close Brothers Seydler UK**

25 Dowgate  
London EC4R 2GA

Raimar Bock Head of Sales	+49 (0)69 -9 20 54-115 <a href="mailto:Raimar.Bock@cbseydler.com">Raimar.Bock@cbseydler.com</a>	Rüdiger Eich (Germany, Switzerland)	+49 (0)69 -9 20 54-119 <a href="mailto:Ruediger.Eich@cbseydler.com">Ruediger.Eich@cbseydler.com</a>
Henriette Domhardt (Austria, Germany)	+49 (0)69 -9 20 54-137 <a href="mailto:Henriette.Domhardt@cbseydler.com">Henriette.Domhardt@cbseydler.com</a>	Klaus Korzilius (Benelux, Germany)	+49 (0)69 -9 20 54-114 <a href="mailto:Klaus.Korzilius@cbseydler.com">Klaus.Korzilius@cbseydler.com</a>
Uwe Gerhardt (Germany, Switzerland)	+49 (0)69 -9 20 54-168 <a href="mailto:Uwe.Gerhardt@cbseydler.com">Uwe.Gerhardt@cbseydler.com</a>	Markus Laifle (Execution)	+49 (0)69 -9 20 54-120 <a href="mailto:Markus.Laifle@cbseydler.com">Markus.Laifle@cbseydler.com</a>
Stefan Krewinkel (Execution, UK)	+49 (0)69 -9 20 54-118 <a href="mailto:Stefan.Krewinkel@cbseydler.com">Stefan.Krewinkel@cbseydler.com</a>	Christopher Seedorf (Sales-Support)	+49 (0)69 -9 20 54-110 <a href="mailto:Christopher.Seedorf@cbseydler.com">Christopher.Seedorf@cbseydler.com</a>
Bruno de Lencquesaing (Benelux, France)	+49 (0)69 -9 20 54-116 <a href="mailto:Bruno.deLencquesaing@cbseydler.com">Bruno.deLencquesaing@cbseydler.com</a>	Bas-Jan Walhof (Benelux)	+49 (0)69 -9 20 54-105 <a href="mailto:Bas-Jan.Walhof@cbseydler.com">Bas-Jan.Walhof@cbseydler.com</a>
Janine Theobald (Germany)	+49 (0)69 -9 20 54-116 <a href="mailto:Janine.Theobald@cbseydler.com">Janine.Theobald@cbseydler.com</a>		

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Recommendation System:

Close Brothers Seydler Research AG uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 6 months:

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
10 May 2011	BUY (Company update)	EUR 5.60	EUR 7.10

Risk-scaling System:

Close Brothers Seydler Research AG uses a 3-level risk-scaling system. The ratings pertain to a time horizon of up to 6 months:

LOW: The volatility is expected to be lower than the volatility of the benchmark

MEDIUM: The volatility is expected to be equal to the volatility of the benchmark

HIGH: The volatility is expected to be higher than the volatility of the benchmark

The following valuation methods are used when valuing companies: Multiplier models (price/earnings, price/cash flow, price/book value, EV/Sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer group comparisons, historical valuation approaches, discounting models (DCF, DDM), break-up value approaches or asset valuation approaches. The valuation models are dependent upon macroeconomic measures such as interest, currencies, raw materials and assumptions concerning the economy. In addition, market moods influence the valuation of companies.

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Graurheindorferstraße 108

53117 Bonn

and

Lurgiallee 12

60439 Frankfurt

 Close Brothers Seydler  
Research AG

Schillerstraße 27-29

60313 Frankfurt am Main

[www.cbseydlerresearch.ag](http://www.cbseydlerresearch.ag)

Tel.: 0049 - (0)69 - 97 78 45 60