

press release

28 October 2011

The Share Centre recommends investors 'sell' GKN

- Business is cyclical for GKN
- Economic issues in China and Europe could impact sales
- Figures suggest GKN is poor at capital allocation

As The Share Centre downgrades automotive engineer GKN to a 'sell' Sheridan Admans, investment research manager, explains why.

"GKN provides components to a number of different transport market segments. However, business is cyclical, where the company tends to perform better during economic booms rather than a recession; although we are seeing some pick up in demand in the aerospace sector.

"Market concern over global growth is increasing as growth in China has started to slow and the Eurozone crisis continues. Instability in these regions is likely to impact GKN's sales volumes as they account for a large proportion of its trade. Currently around 35% of sales come from Asia and around 28% from Europe. As austerity in a number of European economies has not yet started to affect consumers, the impact on GKN is still hard to quantify.

"According to our figures GKN is struggling to make efficient use of its capital. Although this has improved over the last 12 months its historic average suggests the company is poor at capital allocation. Due to economic headwinds we are concerned that capital allocation could be negative in the next 12 months. We also expect GKN's earnings growth to be flat next year and therefore recommend investors to 'sell' the stock."

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About The Share Centre:

The Share Centre was established in 1990 to provide value-for-money share services for private investors. Its range of services includes buying and selling shares (by Internet, telephone and post) and a comprehensive share administration and safe custody service. Tax-efficient investment 'wrappers' including ISAs, CTFs and SIPP's are also available.

The Share Centre's Advice team provides comment on market sectors, individual shares and funds on www.share.com. Access is available to customers and registered users of the site. Registration is free. To understand how our Advice team arrive at their views please read our [Investment Research Policy](#). The Share Centre blog is also available at <http://blog.share.com>.

In addition, account customers can receive individual telephone advice on UK-listed shares and on funds traded via the CoFunds trading platform.

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