

Quarterly Statement Q1/2020

GFT Technologies SE
14 May 2020

GFT meets revenue expectations in the first quarter of 2020



- Further dynamic revenue growth of 22% without top-2 clients*
- Total revenue up 6% to €112.48m
- 5% purely organic growth from consistent success in both segments

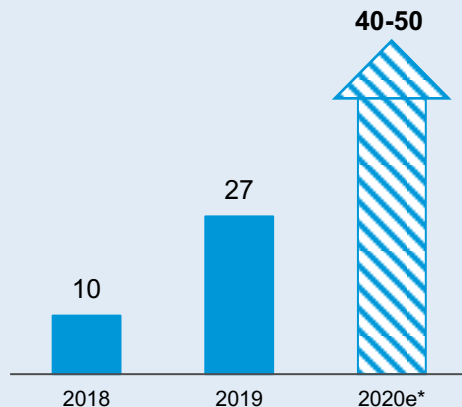
- Diversification strategy fully on track: insurance business share increases to 13%
- Cloud business growing strongly and reaches revenue share of 8%
- Adjusted EBITDA down 7% to €10.39m due to growth investments
- Dividend proposal of €0.20 per share for 2019 (payout ratio 39%)
- Outlook 2020: forecast suspended due to Covid-19 pandemic
- Medium-term outlook: digitisation trend continuing, positioning of GFT for “new technologies” will pay off

*GFT's top 2 clients are defined as Deutsche Bank and Barclays

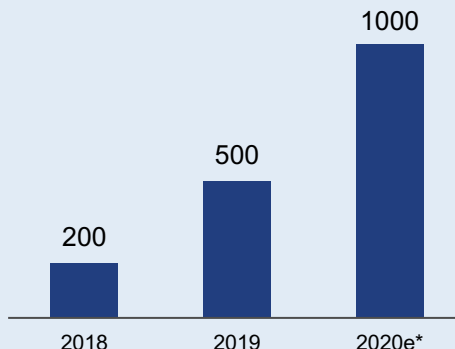
Strong growth in cloud business



Cloud business 2020 (revenue in €m)



Cloud experts at GFT



- Cloud business consistently gaining growth momentum: ~8% revenue share in Q1/2020 (Q1/2019: 5%)
- Award as "Google Cloud 2019 EMEA Breakthrough Partner of the Year"
- Strategic partnerships with the world's three largest cloud providers Amazon (AWS), Google (GCP) and Microsoft (Azure)
- Example: virtual banking project in Hong Kong using an AWS infrastructure

*2020e before impact of Covid-19 pandemic

Key figures



in €m	Q1/2020	Q1/2019	Δ%
Revenue	112.48	105.72	6%
Revenue w/o in-GmbH	111.23	105.72	5%
EBITDA adjusted*	10.39	11.16	-7%
EBITDA	9.26	10.28	-10%
EBIT	3.61	3.87	-7%
EBT	3.02	3.18	-5%
Net income	2.28	2.71	-16%
Earnings per share (in €)	0.09	0.10	-16%
Earnings per share adjusted (in €)*	0.16	0.17	-5%
Employees (in FTE)	5,460	4,910	11%

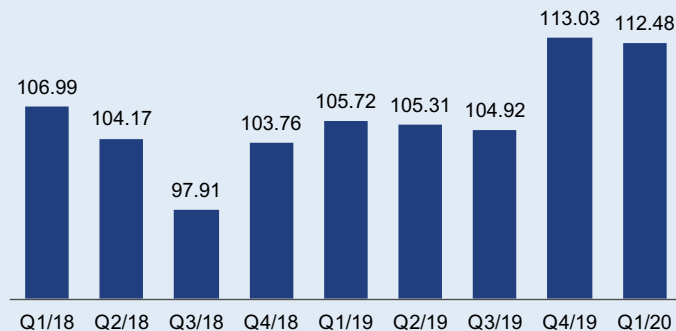
- **Revenue** up 6% (organic up 5%), revenue contribution of in-GmbH (€1.25m)
- 7% decline in **adjusted EBITDA** mainly due to higher personnel expenses (+11%) and other operating expenses (+11%), resulting from strong investments in sales activities
- **EBITDA** burdened by M&A effects (in-GmbH) of €-0.33m
- **EBIT** 7% below prior-year level
- **EBT** of €3.02m just €-0.16m short of prior-year level (Q1/2019: €3.18m).
- **EBT margin** of 2.7% slightly down on the previous year (Q1/2019: 3.0%)
- Year-on-year increase in tax ratio to 24.4% (Q1/2019: 14.9%)

*Adjusted for non-operational effects from M&A activities (EBITDA) plus applicable tax effects (Net income and EPS)

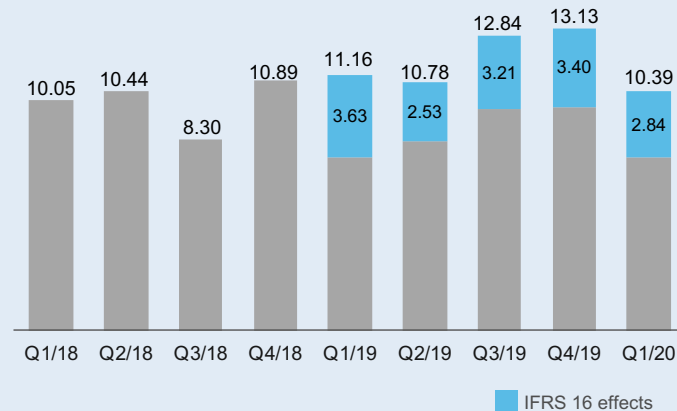
Revenue and EBITDA adjusted by quarter (in €m)



Revenue



EBITDA* adjusted



- **Q1/2020 vs. Q1/2019** revenue growth of 6% over prior-year quarter. Very strong growth in Brazil and Asia
- **Q1/2020 vs. Q1/2019** adjusted EBITDA without IFRS 16 at prior-year level (Q1/2020: €7.55m vs. Q1/2019: €7.53m)

*Adjusted for non-operational effects from M&A activities

Revenue by segment



in €m	Revenue		Growth rates			
	Q1/2020	Q1/2019	Organic	M&A	FX	Total
Americas, UK & APAC	52.50	49.88	7%	0%	-2%	5%
Continental Europe	59.90	55.71	5%	3%	0%	8%
Others	0.08	0.13	n/a	n/a	n/a	n/a
GFT Group	112.48	105.72	7%	1%	-2%	6%

- **Americas, UK & APAC:** positive trend in Brazil, Mexico, Canada and Asia. Expected weaker business with top-2 clients, revenue without top-2 clients up 23%
- **Continental Europe:** business with top-2 clients down as expected, above all in Germany. Positive trend in France mainly in insurance business, revenue without top-2 clients up 22%
- **M&A effects:** acquisition of in-GmbH with effect from 1 January 2020

Revenue by segment



in €m		Revenue		Δ%
		Q1/2020	Q1/2019	Q1/2020 vs. Q1/2019
Americas, UK & APAC	Top-2 Clients	11.57	16.55	-30%
	Other Clients	40.93	33.33	23%
	Total	52.50	49.88	5%
Continental Europe	Top-2 Clients	13.98	18.00	-22%
	Other Clients	45.92	37.71	22%
	Total	59.90	55.71	8%
GFT Group*	Top-2 Clients	25.54	34.55	-26%
	Other Clients	86.85	71.05	22%
	Total	112.40	105.59	6%

* Excluding segment „Others“

- **Further reduction in client concentration risk:** revenue share of top-2 clients at 23% in Q1/2020 vs. 33% in Q1/2019
- 26% decrease in revenue with **top-2 clients** within expected range, decline especially in the UK (Americas, UK & APAC segment) and Germany (Continental Europe segment)
- Business with **other clients** up 22% with further growth in Americas, UK & APAC (Q1/2020: +23%; Q1/2019: +53%) and strongly positive trend in Continental Europe (Q1/2020: +22%; Q1/2019: -1%)

EBITDA adjusted, EBITDA and EBT by segment

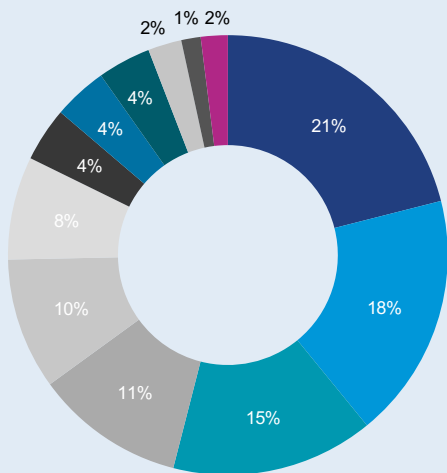


in €m	EBITDA adjusted*			EBITDA			EBT		
	Q1/2020	Q1/2019	Δ%	Q1/2020	Q1/2019	Δ%	Q1/2020	Q1/2019	Δ%
Americas, UK & APAC	4.37	2.67	64%	3.57	1.79	100%	1.07	-0.30	< -100%
Continental Europe	5.60	8.99	-38%	5.27	8.99	-41%	1.93	4.13	-53%
Others	0.42	-0.50	< -100%	0.42	-0.50	< -100%	0.02	-0.65	< -100%
GFT Group	10.39	11.16	-7%	9.26	10.28	-10%	3.02	3.18	-5%

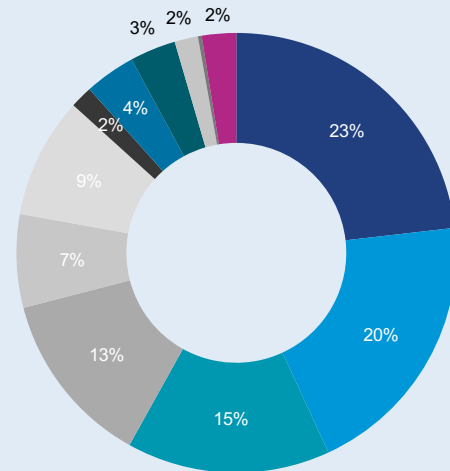
- **Americas, UK & APAC:** high sales expenses of previous year paying off, positive earnings impetus from Brazil and Asia.
- **Continental Europe:** earnings burdened in particular by capacity underutilisation, delayed restructuring and Covid-19 effects, especially in Germany.

*Adjusted for non-operational effects from M&A activities

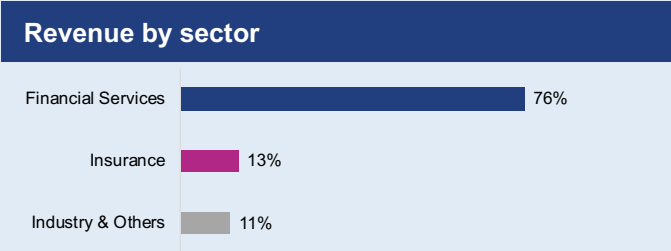
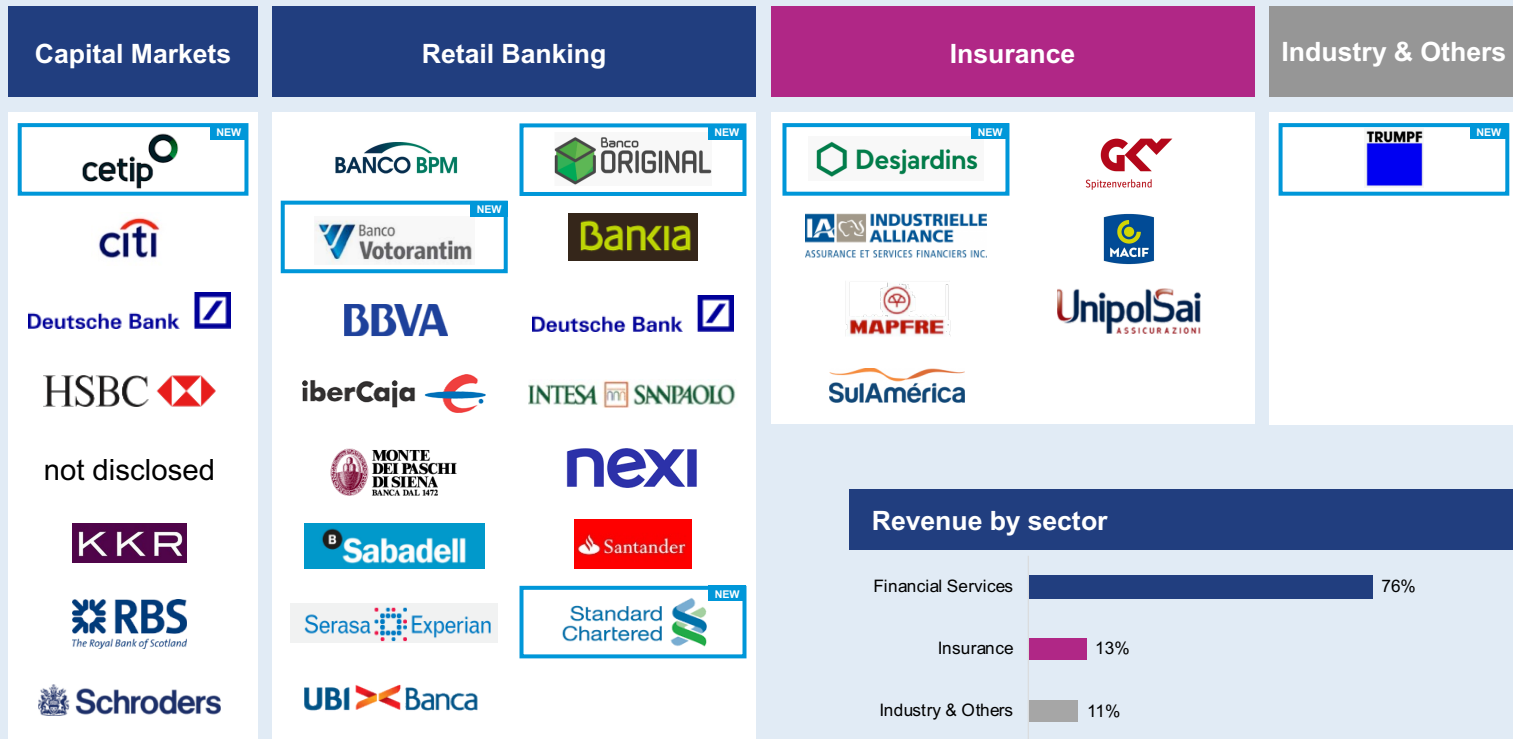
Revenue by country (in €m)



Q1/2020		Δ%	Q1/2019
23.90	Spain	0%	24.02
20.52	United Kingdom	-5%	21.71
16.92	Italy	9%	15.50
12.50	Germany	-6%	13.36
10.99	Brazil	55%	7.11
8.62	USA	-6%	9.20
4.53	France	>100%	1.70
4.50	Canada	16%	3.89
4.45	Mexico	27%	3.49
1.68	Switzerland	-6%	1.78
1.62	Hong Kong	>100%	0.29
2.25	Other countries	-39%	3.67
112.48	Total	6%	105.72



30 biggest clients Q1/2020 – six new entries in top 30



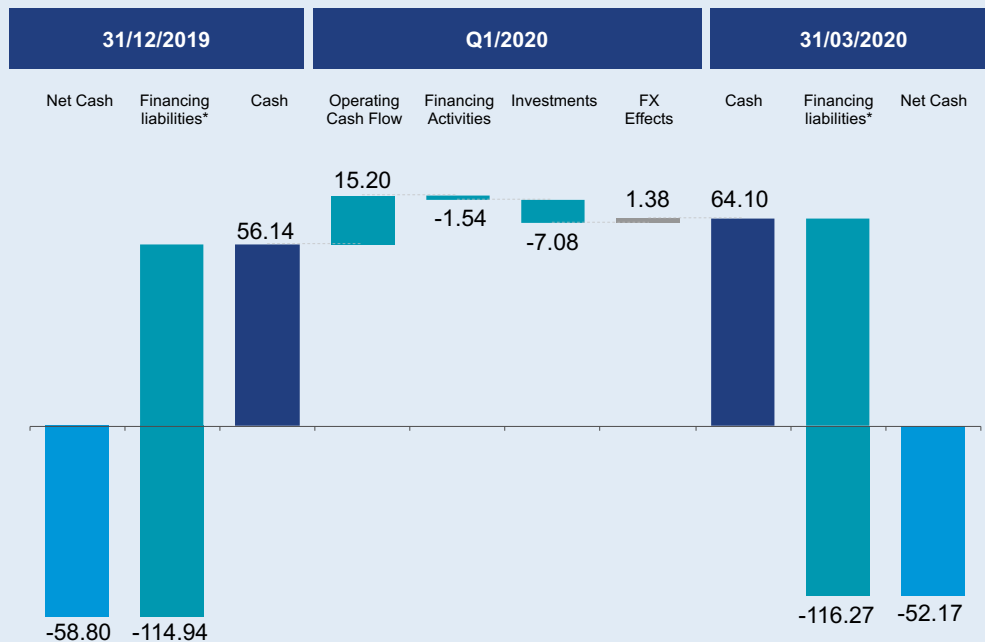
Detailed profit & loss statement



in €m	Q1/2020	Q1/2019	Δ%
Revenue	112.48	105.72	6%
Other operating income	4.27	2.92	46%
Cost of purchased services	-11.97	-12.05	-1%
Personnel expenses	-81.52	-73.71	11%
Other operating expenses	-14.00	-12.60	11%
EBITDA	9.26	10.28	-10%
Depreciation and amortisation	-5.65	-6.41	-12%
EBIT	3.61	3.87	-7%
Interest income/expenses	-0.59	-0.69	-14%
EBT	3.02	3.18	-5%
Income taxes	-0.74	-0.47	57%
Net income	2.28	2.71	-16%
Earnings per share (in €)	0.09	0.10	-16%

- **Revenue growth** in line with expectations
- **Cost of purchased services** to revenue ratio of 11% and thus at prior-year level
- Increased **personnel expenses** mainly due to higher average headcount, as well as capacity adjustments and reduced purchases of external services. Ratio of personnel expenses (excluding capacity adjustments plus purchased services) to revenue of 83% (Q1/2019: 82%)
- **Other operating expenses** adjusted for IFRS 16 effects more or less at prior-year level
- **EBITDA** without positive IFRS 16 effects down by 4% mainly due to increased personnel expenses
- Decrease in **depreciation and amortisation** of €0.76m largely attributable to lower depreciation of right-of-use assets acc. to IFRS 16
- **Net income** burdened by increased income taxes. Expected imputed tax ratio of 24% (Q1/2019: 15%)

Cash flow analysis (in €m)



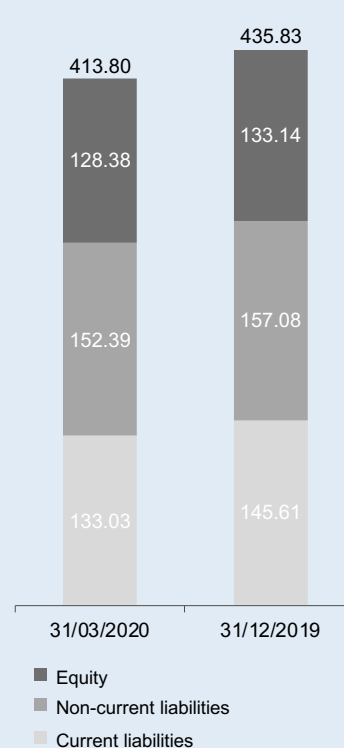
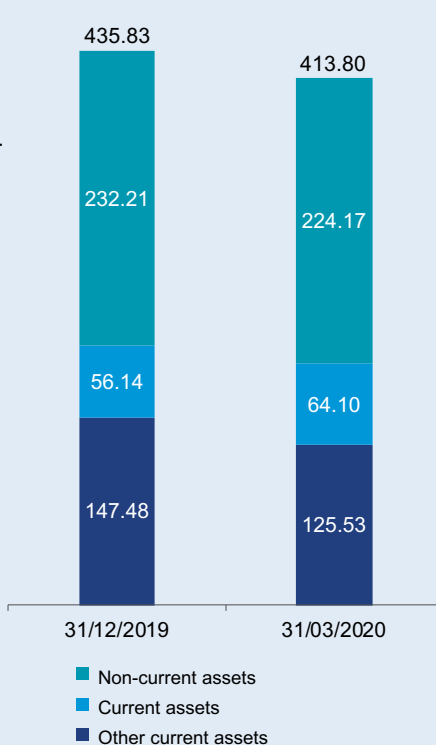
- **Financing structure** remains solid. Credit facilities not yet drawn of €51.58m (31/12/2019: €52.84m). Net cash of €-52.17m (31/12.2019: €-58.80m)
- Increase in **cash** to €64.10m due to working capital effects (31/12/2019: €56.14m)
- Year-on-year increase in **operating cash flow** to €15.20m (Q1/2019: €11.69m) due to decline in working capital with effect on cash
- **Cash flow from financing activities** influenced by low net borrowing of €1.25m (Q1/2019: net redemption of €9.32m).
- **Cash flow from investing activities** mainly shaped by cash outflows of €5.97m from the acquisition of in-GmbH

*Financial liabilities include liabilities to banks

Balance sheet (in €m)

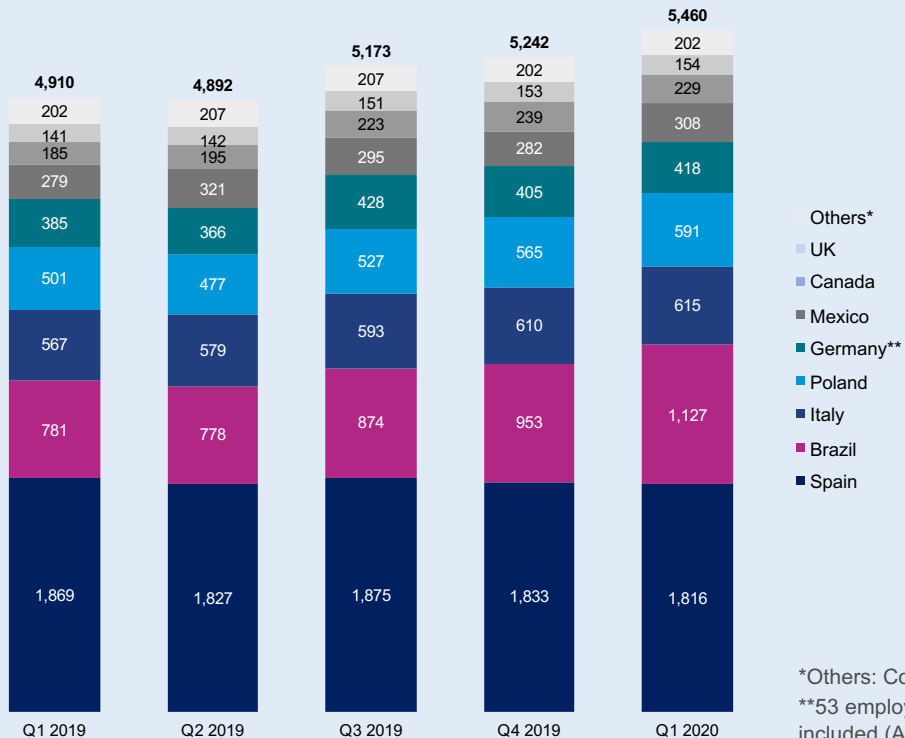


- Decrease in **balance sheet total** of €22.03m mainly due to decline in customer receivables
- €8.04m decrease in **non-current assets** due to depreciation of right-of-use assets acc. to IFRS 16. Non-current assets account for 54% of balance sheet total (31/12/2019: 53%)
- **Cash and cash equivalents** up 14% as a result of closing-date effects
- Decrease in **other current assets** of €21.95m mainly due to decline in trade receivables



- Currency-adjusted increase in **equity** of €2.28m from net income. Equity ratio of 31%, or 35% adjusted for IFRS 16 effects. Both ratios at prior-year level
- Decrease in **non-current liabilities** results from fall in lease liabilities acc. to IFRS 16 of €4.69m
- €12.58m decline in **current liabilities** mainly attributable to €9.36m decrease in contract liabilities due to closing-date effects, as well as €2.93m reduction in trade payables

Employees by country (FTE)



- Increase in Group headcount compared to Q4/2019 due to staff expansion esp. in Brazil, Poland and Mexico
- Slight decline in headcount in Spain and Canada compared to Q4/2019
- 113 employees involved in corporate functions (Q1/2019: 115)
- Utilisation rate of 89% at prior-year level (Q1/2019: 89%)

*Others: Costa Rica, Switzerland, USA, Belgium, France

**53 employees of AXOOM and 31 employees of in-GmbH in Germany included (AXOOM: Q3/2019; in-GmbH: Q1/2020)

Outlook 2020



GENERAL

- Strong start to Q1
- Minor impact of Covid-19 pandemic so far
- Provision of services to clients remains intact
- Digitisation trend continuing – dynamic development of cloud applications expected
- Broad international client base as stabilising factor

REVENUE

- Momentum of sector and client diversification unchanged, whereby industry sector more exposed to impact of Covid-19
- Revenue growth without top-2 clients of 22% planned prior to Covid-19 crisis. Anticipated decline in revenue from top-2 clients* of around 33%.
- Growth likely to be temporarily slowed by pandemic

EARNINGS

- Focus on growth requires further high expenses for sales and expansion of technological expertise
- Further expenses for capacity adjustments expected
- Due to uncertainties caused by Covid-19 pandemic, reliable earnings forecast not currently possible

*GFT's top 2 clients are defined as Deutsche Bank and Barclays

Backup

Results at a glance per quarter



in €m	Q1/2019	Q2/2019	Q3/2019	Q4/2019	FY 2019	Q1/2020
Revenue	105.72	105.31	104.9201	113.03	428.98	112.48
EBITDA adjusted*	11.16	10.78	12.84	13.13	47.91	10.39
EBITDA	10.28	9.94	11.98	12.69	44.89	9.26
EBIT	3.87	4.48	5.95	7.03	21.33	3.61
EBT	3.18	3.97	5.19	6.39	18.73	3.02
Net income	2.71	3.36	4.01	3.58	13.66	2.28
Net income adjusted*	4.55	5.17	5.70	4.65	20.07	4.33
Earnings per share adj. (in €)*	0.17	0.20	0.22	0.17	0.76	0.16
Earnings per share (in €)	0.10	0.13	0.15	0.14	0.52	0.09
Employees (in FTE)	4,910	4,892	5,173	5,242	5,242	5,460

*Adjusted for non-operational effects from M&A activities (EBITDA) plus applicable tax effects (Net Income and EPS)

Split of operative and M&A effects



in €m	Q1/2020				Q1/2019	
	GFT stand alone	AXOOM	in-GmbH	GFT Total	GFT stand alone	GFT Total
EBITDA adjusted	9.78	0.00	0.61	10.39	11.16	11.16
M&A earn-out & retention	-0.67	0.00	-0.30	-0.97	-0.83	-0.83
M&A consult & integrate	0.00	0.00	-0.02	-0.02	0.00	0.00
M&A amortisation orderbook	-0.13	0.00	-0.01	-0.14	-0.05	-0.05
EBITDA	8.98	0.00	0.28	9.26	10.28	10.28
Depreciation & amortisation	-3.95	-0.06	-0.01	-4.02	-5.29	-5.29
M&A amortisation	-1.51	-0.01	-0.11	-1.63	-1.12	-1.12
EBIT	3.52	-0.07	0.16	3.61	3.87	3.87
Interest	-0.59	0.00	0.00	-0.59	-0.69	-0.69
M&A interest	0.00	0.00	0.00	0.00	0.00	0.00
EBT	2.93	-0.07	0.16	3.02	3.18	3.18
Income taxes	-0.69	0.00	-0.05	-0.74	-0.47	-0.47
Net income	2.24	-0.07	0.11	2.28	2.71	2.71
Net income adjusted	3.97	-0.06	0.42	4.33	4.55	4.55
Shares outstanding (m.)	26.33	26.33	26.33	26.33	26.33	26.33
EPS basic (€)	0.08	0.00	0.01	0.09	0.10	0.10
EPS adjusted (€)	0.15	0.00	0.01	0.16	0.17	0.17

Consolidated income statement



in €	Q1/2020	Q1/2019	Δ%
Revenue	112,478,829.91	105,720,565.00	6%
Other operating income	4,272,443.65	2,921,292.91 ¹	46%
Cost of purchased services	11,968,632.19	12,050,753.40	-1%
Personnel expenses	81,516,648.35	73,711,906.59	11%
Other operating expenses	14,010,806.98	12,597,668.96 ¹	11%
Result from operating activities before depreciation and amortisation	9,255,186.04	10,281,528.96	-10%
Depreciation and amortisation of intangible assets and property, plant and equipment	5,649,264.97	6,412,236.42	-12%
Result from operating activities	3,605,921.07	3,869,292.54	-7%
Interest income	52,481.19	47,698.64	10%
Interest expenses	640,752.12	737,095.69	-13%
Financial result	-588,270.93	-689,397.05	-15%
Earnings before taxes	3,017,650.14	3,179,895.49	-5%
Income taxes	737,637.04	474,015.18	56%
Net income for the period	2,280,013.10	2,705,880.31	-16%
Earnings per share – basic	0.09	0.10	-16%

¹ Adjusted, refer to note 2.3 of the consolidated financial statements as of 31 December 2019

Consolidated cash flow statement



in €	Q1/2020	Q1/2019	Δ
Net income for the period	2,280,013.10	2,705,880.33	-425,867.23
Income taxes	737,637.04	474,015.18	263,621.86
Interest income	588,270.93	689,397.05	-101,126.12
Interest received	49,906.03	-161,864.63	211,770.66
Interest paid	-224,978.09	42,255.17	-267,233.26
Income taxes paid	442,427.20	435,432.33	6,994.87
Depreciation and amortisation of intangible assets and property, plant and equipment	5,649,264.97	6,412,236.42	-762,971.45
Net proceeds on disposal of intangible assets and property, plant and equipment	23,932.92	12,066.64	11,866.28
Net proceeds on disposal of financial assets	-433,059.99	0.00	-433,059.99
Other non-cash expenses and income	-1,068,364.42	343,851.14	-1,412,215.56
Change in trade receivables	32,251,693.81	23,830,206.11	8,421,487.70
Change in contract assets	-7,688,912.38	-13,476,742.94	5,787,830.56
Change in other assets	-1,596,964.70	5,206,887.60	-6,803,852.30
Change in provisions	1,359,835.93	-1,807,192.51	3,167,028.44
Change in trade payables	-2,934,149.79	-3,444,839.84	510,690.05
Change in contract liabilities	-9,364,753.34	-5,883,052.11	-3,481,701.23
Change in other liabilities	-4,870,724.01	-3,693,229.18	-1,177,494.83
Cash flow from operating activities	15,201,075.21	11,685,306.76	3,515,768.45
Proceeds from disposal of property, plant and equipment	6,756.77	1,714.68	5,042.09
Proceeds from disposal of financial assets	433,059.99	0.00	433,059.99
Capital expenditure for intangible assets	-196,380.68	-398,128.45	201,747.77
Capital expenditure for property, plant and equipment	-1,360,210.20	-753,674.47	-606,535.73
Cash outflows for acquisitions of consolidated companies/net of cash and cash equivalents acquired	-5,967,000.00	0.00	-5,967,000.00
Cash flow from investing activities	-7,083,774.12	-1,150,088.24	-5,933,685.88
Proceeds from borrowing	3,321,918.65	249,816.93	3,072,101.72
Cash outflows from loan repayments	-2,075,993.86	-9,574,564.05	7,498,570.19
Cash outflows from repayment of lease liabilities	-2,783,810.38	-3,293,040.53	509,230.15
Dividends to shareholders	0.00	0.00	0.00
Cash flow from financing activities	-1,537,885.59	-12,617,787.65	11,079,902.06
Effect of foreign exchange rate changes on cash and cash equivalents	1,376,652.80	417,911.85	958,740.95
Net increase in cash and cash equivalents	7,956,068.30	-1,664,657.28	9,620,725.58
Cash and cash equivalents at beginning of period	56,143,932.27	61,569,726.64	-5,425,794.37
Cash and cash equivalents at end of period	64,100,000.57	59,905,069.36	4,194,931.21

Consolidated statement of comprehensive income



in €	Q1/2020	Q1/2019	Δ%
Net income for the period	2,280,013.10	2,705,880.31	-16%
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit plans	0.00	-7,042.30	-100%
Income taxes on remeasurement of defined benefit plans	0.00	1,549.32	-100%
Items that may be reclassified to the income statement			
Currency translation	-7,040,303.92	3,331,086.77	< -100%
Other comprehensive income	-7,040,303.92	3,325,593.79	< -100%
Total comprehensive income	-4,760,290.82	6,031,474.10	< -100%

Consolidated statement of changes in equity



	Share capital	Capital reserve	Retained earnings ¹	Other reserves	Total equity
in €				Currency translation	
Balance at 1 January 2019 ²	26,325,946.00	42,147,782.15	65,544,266.23	-6,903,723.71	127,114,270.67
Effect from adoption of IFRS 9	--	--	-2,343,079.35	--	-2,343,079.35
Balance at 1 January 2019 adjusted	26,325,946.00	42,147,782.15	63,201,186.88	-6,903,723.71	124,771,191.32
Net income for the period	--	--	2,705,880.33	--	2,705,880.33
Other comprehensive income	--	--	-5,492.98	3,331,086.77	3,325,593.79
Total comprehensive income	--	--	2,700,387.35	3,331,086.77	6,031,474.12
Balance at 31 March 2019	26,325,946.00	42,147,782.15	65,901,574.23	-3,572,636.94	130,802,665.44
Balance at 1 January 2020	26,325,946.00	42,147,782.15	67,590,439.82	-2,922,395.55	133,141,772.42
Net income for the period	--	--	2,280,013.10	--	2,280,013.10
Other comprehensive income	--	--	0.00	-7,040,303.92	-7,040,303.92
Total comprehensive income	--	--	2,280,013.10	-7,040,303.92	-4,760,290.82
Balance at 31 March 2020	26,325,946.00	42,147,782.15	69,870,452.92	-9,962,699.47	128,381,481.60

¹ Retained earnings also include items that will not be reclassified to the Consolidated Income Statement.

Actuarial gains/losses from the remeasurement of defined benefit plans amount to €0.00 net of tax in Q1/2020 (Q1/2019: €-5,492.98).

² The GFT Group initially applied IFRS 16 as of 1 January 2019. Under the modified retrospective transition method chosen, comparative information is not restated.

Segment report



GFT Group

in €T	Americas, UK & APAC		Continental Europe		Total segments		Reconciliation		GFT Group	
	Q1/2020	Q1/2019	Q1/2020	Q1/2019	Q1/2020	Q1/2019	Q1/2020	Q1/2019	Q1/2020	Q1/2019
External revenue	52,498	49,882	59,899	55,711	112,396	105,593	82	128	112,479	105,721
Intersegment revenue	2,668	172	13,978	15,109	16,646	15,281	-16,646	-15,281	0	0
Total revenue	55,166	50,054	73,877	70,820	129,042	120,874	-16,564	-15,153	112,479	105,721
Segment result (EBT)	1,070	-296	1,926	4,130	2,996	3,834	22	-654	3,018	3,180
thereof depreciation and amortisation	-2,184	-1,606	-2,947	-4,541	-5,131	-6,147	-518	-265	-5,649	-6,412
thereof interest income	48	46	4	33	52	79	0	-31	52	48
thereof interest expenses	-360	-522	-402	-357	-762	-879	121	142	-641	-737

Shaping the future of digital business

GFT Technologies SE

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