

PRESS RELEASE

4 March 2020

Preliminary figures for 2019**GFT exceeds targets in 2019; revenue and earnings growth expected for 2020**

- Outlook 2019 exceeded: Group revenue of EUR 429 million and EBT of EUR 18.73 million
- Dynamic revenue growth without top-2 clients* of 24 percent
- Sector diversification successful: 60 new clients, growth in insurance business, 2 industry acquisitions
- Outlook 2020: positive revenue trend continues, improvement in earnings
- Dividend proposal of EUR 0.30, payout ratio of 58 percent

Stuttgart, 4 March 2020 – GFT Technologies SE (GFT) exceeded its business targets in 2019. The preliminary figures for its financial year 2019 show an increase in Group revenue of 4 percent to EUR 428.98 million (outlook EUR 420 million) due to the successful implementation of the client and sector diversification strategy. Revenue grew by 24 percent without the top-2 clients; the revenue share of the insurance business almost doubled to 11 percent. The proportion of revenue generated by exponential technologies also rose from 25 to 30 percent. These technologies offer an expected annual growth potential of over 20 percent and enable GFT to achieve above-average performance. Adjusted EBITDA rose by 21 percent to EUR 47.91 million, while EBT amounted to EUR 18.73 million and was thus 4 percent above forecast.**

Marika Lulay, CEO of GFT Technologies SE, states: “Our diversification strategy was clearly successful in 2019: we gained 60 new clients and raised Group revenue once again.” She explains: “We significantly increased revenue in our insurance business and strengthened our industry offering with new acquisitions. GFT is well placed to exploit trends and market opportunities, as well as to enjoy the dynamic growth offered by exponential technologies such as cloud. As a result, we expect to raise revenue and earnings in our financial year 2020.”

Group revenue up for year as a whole, strong growth outside of top-2 clients

In the financial year 2019, revenue of the GFT Group rose by 4 percent to EUR 428.98 million (2018: EUR 412.83 million). With a growth rate of 24 percent, the dynamic growth trend outside of the top-2 clients continued to accelerate. As expected, steps taken to diversify the business are taking effect and, as a result, the share of total revenue contributed by the top-2 clients decreased further to 28 percent (2018: 40 percent). Driven in particular by the positive trend in France and Canada, business with insurance clients almost doubled to 11 percent of Group revenue (2018: 6 percent).

In the business division Continental Europe, revenue of EUR 229.45 million was on a par with the previous year (2018: EUR 228.88 million). Whereas revenue with the top-2 clients in Germany declined as expected, this was fully offset by demand from other clients in this segment for technologically leading digitalisation solutions. Revenue in the Americas, UK & APAC segment grew by 8 percent to EUR 198.98 million (2018: EUR 183.44 million). The expected decline in revenue with the top-2 clients in the UK and USA was more than offset by the positive trend in Mexico, Brazil and Canada. In addition, business activities involving innovative projects with Asian banks were expanded.

Earnings trend in 2019: EBT exceeds expectations

Adjusted EBITDA grew by 21 percent year-on-year to EUR 47.91 million (2018: EUR 39.68 million). This increase includes positive effects from IFRS 16 of EUR 12.77 million. As expected, EBT was burdened by increased expenses for the expansion of sales and technology expertise, as well as by underutilisation and expenses for capacity adjustments. As a result, there was a year-on-year decline in EBT of 17 percent to EUR 18.73 million (2018: EUR 22.64 million). Nevertheless, EBT was 4 percent above the forecast of EUR 18 million – due in part to a positive, one-off IFRS 16 effect of EUR 0.69 million. Expenses for capacity adjustments included in EBT amounted to EUR 4.13 million for the year as a whole (2018: EUR 1.04 million). Net income fell by 32 percent to EUR 13.66 million (2018: EUR 19.98 million).

EBT of the business division Americas, UK & APAC rose by 10 percent to EUR 5.32 million (2018: EUR 4.82 million). EBT in the business division Continental Europe fell by 6 percent to EUR 18.07 million (2018: EUR 19.23 million).

Additional key data: cash position remains strong with solid balance sheet

As of 31 December 2019, the GFT Group employed a total of 5,242 people (full-time equivalents), corresponding to year-on-year growth of 8 percent (31.12.2018: 4,875). This increase was mainly due to expansions in Mexico and Brazil, as well as an acquisition in Germany. In the financial year 2019, cash flow from operating activities amounted to EUR 36.43 million and was thus 19 percent down on the previous year (2018: EUR 44.83 million). Cash and cash equivalents fell slightly to EUR 56.39 million (31.12.2018: EUR 61.57 million). As of 31 December 2019, the equity ratio stood at 30 percent – or 35 percent excluding IFRS 16 effects (31 December 2018: 34 percent). The net liquidity of the GFT Group – calculated as the result of disclosed cash and cash equivalents less financial liabilities – declined slightly to EUR -58.55 million (31 December 2018: EUR -59.67 million).

Outlook: further revenue growth expected in 2020

The GFT Group anticipates an unbroken growth trend outside its top-2 clients in the financial year 2020. In addition to further demand for digitalisation solutions in all sectors, the pace of growth for cloud applications and Guidewire implementations is expected to accelerate. This growth will also be driven by the further development of business with industrial clients and the implementation of innovative banking projects in Asia. This will lead to expected revenue growth of over 22 percent without the top-2 clients. The proportion of total revenue generated with the top-2 clients will continue to decline to 18 percent (2019: 28 percent) as a result of further improvements in client diversification.

We currently anticipate a moderate impact on our business performance due to the coronavirus. Considering these developments, the GFT Group forecasts an increase in revenue of 6 percent across all clients to EUR 455 million for the full-year 2020 (2019: EUR 428.98 million). There will also be an increase in key earnings figures: adjusted EBITDA is expected to reach EUR 50 million (2019: EUR 47.91 million). GFT anticipates an EBT result of EUR 20 million (2019: EUR 18.73 million).

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

** GFT defines exponential technologies as DLT/blockchain, artificial intelligence, data analytics, cloud and DevOps.

Key figures (IFRS, unaudited)

(Deviations possible due to rounding differences)

In EUR million	2019	2018	Δ %
Revenue	428.98	412.83	4%
Adjusted EBITDA ¹⁾	47.91	39.68	21%
EBITDA	44.89	37.45	20%
EBIT	21.33	24.72	-14%
EBT	18.73	22.64	-17%
Net income	13.66	19.98	-32%
Earnings per share in EUR	0.52	0.76	-32%
Cash flow from operating activities	36.43	44.83	-19%
Dividend in EUR	0.30	0.30	0%
Employees (FTE) as of 31 December	5,242	4,875	8%

¹⁾ adjusted for special items from M&A activities**Your contacts:****Press**

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About GFT:

GFT is driving the digital transformation of the world's leading companies in the financial and insurance sectors, as well as in the manufacturing industry. As an IT services and software engineering provider, GFT offers strong consulting and development skills across all aspects of pioneering technologies, such as cloud engineering, artificial intelligence, mainframe modernisation and the Internet of Things for Industry 4.0.

With its in-depth technological expertise, profound market know-how and strong partnerships, GFT implements scalable IT solutions to increase productivity. This provides clients with faster access to new IT applications and innovative business models, while also reducing risk.

Founded in 1987 and located in 15 countries to ensure close proximity to its clients, GFT employs 5,900 people. GFT provides them with career opportunities in all areas of software engineering and innovation. The GFT Technologies SE share is listed in the Prime Standard segment of the Frankfurt Stock Exchange (ticker: GFT-XE).

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