

Financial results H1/2020

GFT Technologies SE
13 August 2020

GFT with solid revenue growth in the first half



- Total revenue increase of 5% (4% organic)
 - Further dynamic revenue growth of 19% without top-2 clients*
 - Earnings figures significantly burdened by Covid-19 pandemic
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- Insurance business rose strongly by 32% to a revenue share of 14%
 - Cloud business grew to 8% of revenue
 - EBITDA adjusted impacted by Covid-19 pandemic: underutilisation and initiated restructuring measures main reason for decrease of 16%
 - Strong operating cash flow driven by positive working capital effects
 - Outlook 2020 confirmed: revenue with further growth
earnings mainly burdened by impact from Covid-19 pandemic

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

Key figures



in €m	H1/2020	H1/2019	Δ%
Revenue	221.05	211.03	5%
Revenue w/o in-GmbH	218.85	211.03	4%
EBITDA adjusted*	18.53	21.94	-16%
EBITDA	16.46	20.22	-19%
EBIT	5.17	8.35	-38%
EBT	4.04	7.15	-44%
Net income	2.81	6.07	-54%
Earnings per share (in €)	0.11	0.23	-54%
Earnings per share adjusted (in €)*	0.26	0.37	-29%
Employees (in FTE)	5,585	4,892	14%

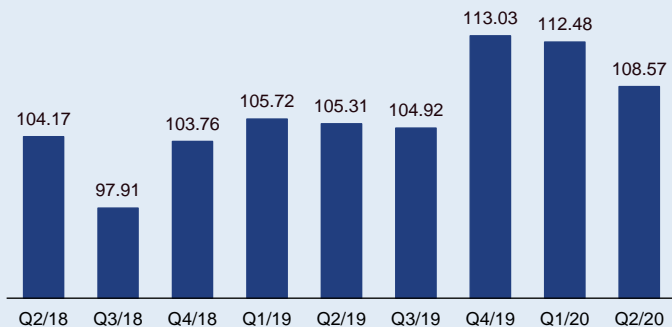
- **Revenue** increase of 5% (organic 4%), revenue contribution of in-GmbH (€2.20m)
- Decline of 16% in **EBITDA adjusted** vs previous year mainly due to:
 - Operational margin improvement (focused on Americas & UK) of €2.04m
 - Underutilisation (focused on Cont. Europe) in the amount of €-3.80m (H1/2019: €-1.40m)
 - Restructuring measures amounting to €-5.74m (H1/2019: €-2.89m)
 - FX effects amounting to €-0.35m (H1/2019: €-0.71m),
 - IFRS 16 effects in the amount of €5.56m (H1/2019: €6.16m)
- **EBITDA** burdened by new M&A-effects (in-GmbH Earn-out) in the amount of €-0.63m
- **EBT margin** at 1.8% (H1/2019: 3.4%)
- Increase in tax ratio to 30.3% (H1/2019: 15.1%)

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

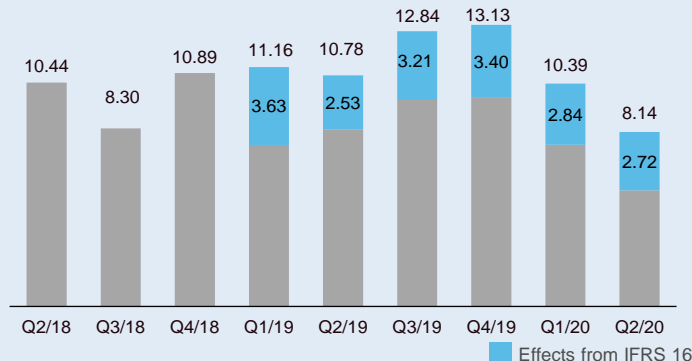
Revenue and EBITDA adjusted by quarter (in €m)



Revenue



EBITDA adjusted*



- **Q2/2020 vs. Q1/2020:** second quarter impacted by Covid-19 pandemic. Strong revenue growth in first quarter was dampened, earnings especially burdened by restructuring measures and underutilisation
- **Q2/2020 vs Q2/2019:** in total 3% up. Revenues with top-2 clients declined by 25% as expected while all other clients grew by 15%.

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

Revenue by segment



in €m	Revenue		Growth rates			
	H1/2020	H1/2019	Organic	M&A	FX	Total
Americas, UK & APAC	104.00	97.61	11%	0%	-4%	7%
Continental Europe	116.90	113.16	1%	2%	0%	3%
Others	0.15	0.26	n/a	n/a	n/a	n/a
GFT Group	221.05	211.03	6%	1%	-2%	5%

- **Americas, UK & APAC:** retail banking in Brazil and Mexico as well as insurance in Canada with positive trend
- **Continental Europe:** declining revenue with top-2 clients overcompensated by growth with other clients
- **M&A effects:** acquisition of in-GmbH with effect from 1 January 2020 (revenue contribution of €2.20m)

Revenue by segment



in €m		Revenue		Δ%
		H1/2020	H1/2019	H1/2020 vs. H1/2019
Americas, UK & APAC	Top-2 clients	22.38	31.87	-30%
	Other clients	81.62	65.74	24%
	Total	104.00	97.61	7%
Continental Europe	Top-2 clients	27.24	34.66	-21%
	Other clients	89.66	78.50	14%
	Total	116.90	113.16	3%
GFT Group*	Top-2 clients	49.62	66.53	-25%
	Other clients	171.28	144.24	19%
	Total	220.90	210.77	5%

* w/o segment „Others“

- **Client concentration:** further decrease of revenue share with top-2 clients to 22% (32% in H1/2019)
- **Top-2 clients:** decline especially in UK (Americas, UK & APAC) and Germany (Continental Europe) within expected range
- Unbroken growth trend with **other clients** in both segments with an overall increase of 19%

EBITDA adjusted, EBITDA and EBT by segment

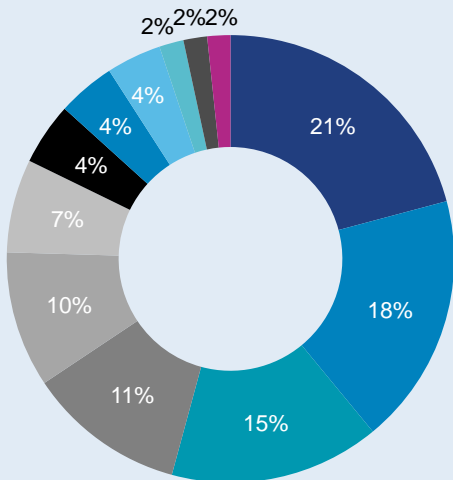


in €m	EBITDA adjusted*			EBITDA			EBT		
	H1/2020	H1/2019	Δ%	H1/2020	H1/2019	Δ%	H1/2020	H1/2019	Δ%
Americas, UK & APAC	10.19	7.26	40%	8.75	5.54	58%	3.88	-0.20	< -100%
Continental Europe	8.18	15.95	-49%	7.55	15.95	-53%	0.83	8.93	-91%
Others	0.16	-1.27	< -100%	0.16	-1.27	< -100%	-0.67	-1.58	-57%
GFT Group	18.53	21.94	-16%	16.46	20.22	-19%	4.04	7.15	-44%

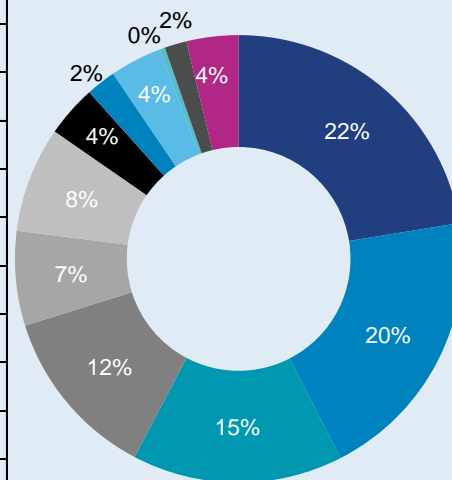
- **Americas, UK & APAC:** revenue growth led to good utilisation, increased earnings contribution and margin improvement
- **Continental Europe:** strong impact of restructuring costs as well as underutilisation in Germany and Spain – mainly as a result of the Covid-19 pandemic

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

Revenue by country (in €m)



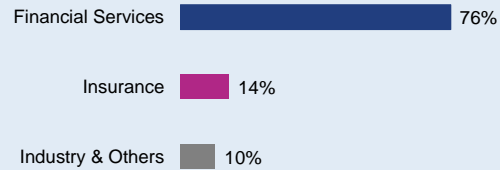
H1/2020		Δ%	H1/2019
45.62	Spain	-3%	46.88
39.78	UK	-5%	41.84
33.27	Italy	5%	31.83
24.98	Germany	-4%	26.06
21.50	Brazil	51%	14.28
16.99	USA	-6%	18.05
9.82	Canada	26%	7.78
9.15	France	>100%	4.49
8.69	Mexico	12%	7.79
3.86	Hong Kong	>100%	0.85
3.74	Switzerland	12%	3.33
3.65	Other countries	-53%	7.85
221.05	Total	5%	211.03



30 biggest clients 2020 – seven new entries



Revenue by sector



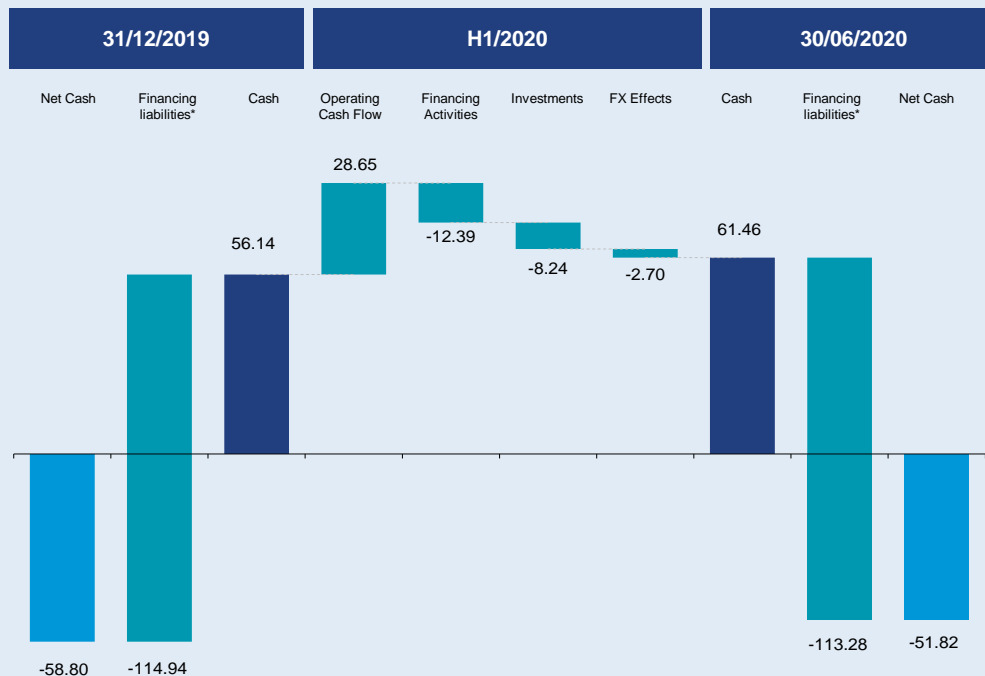
Detailed profit & loss statement



in €m	H1/2020	H1/2019	Δ%
Revenue	221.05	211.03	5%
Other operating income	7.65	3.67	108%
Cost of purchased services	-22.92	-23.40	-2%
Personnel expenses	-163.66	-147.72	11%
Other operating expenses	-25.66	-23.36	10%
EBITDA	16.46	20.22	-19%
Depreciation and amortisation	-11.29	-11.87	-5%
EBIT	5.17	8.35	-38%
Interest income/expenses	-1.13	-1.20	-6%
EBT	4.04	7.15	-44%
Income taxes	-1.23	-1.08	14%
Net income	2.81	6.07	-54%
Earnings per share (in €)	0.11	0.23	-54%

- Solid **revenue** growth in the first half of 2020
- Increased **other operating income** mainly due to R&D government grants and currency gains
- **Cost of purchased services** to revenue ratio slightly decreased to 10% (H1/2019: 11%) since services were provided increasingly by own employees
- Increased **personnel expenses** mainly due to higher average headcount, as well as restructuring costs in connection with the Covid-19 pandemic. Ratio of personnel expenses (excluding restructuring costs plus purchased services) to revenue of 82% (H1/2019: 80%)
- Increase of **other operating expenses** primarily as a result of foreign exchange losses
- **EBITDA** down by 19% mainly due to increased personnel expenses
- Decrease in **depreciation and amortisation** of €0.58m largely attributable to lower depreciation of right-of-use assets according to IFRS 16
- **Net income** burdened by increased income taxes. Effective tax ratio up to 30% (H1/2019: 15%) due to the earnings distribution among national companies

Cash flow analysis (in €m)



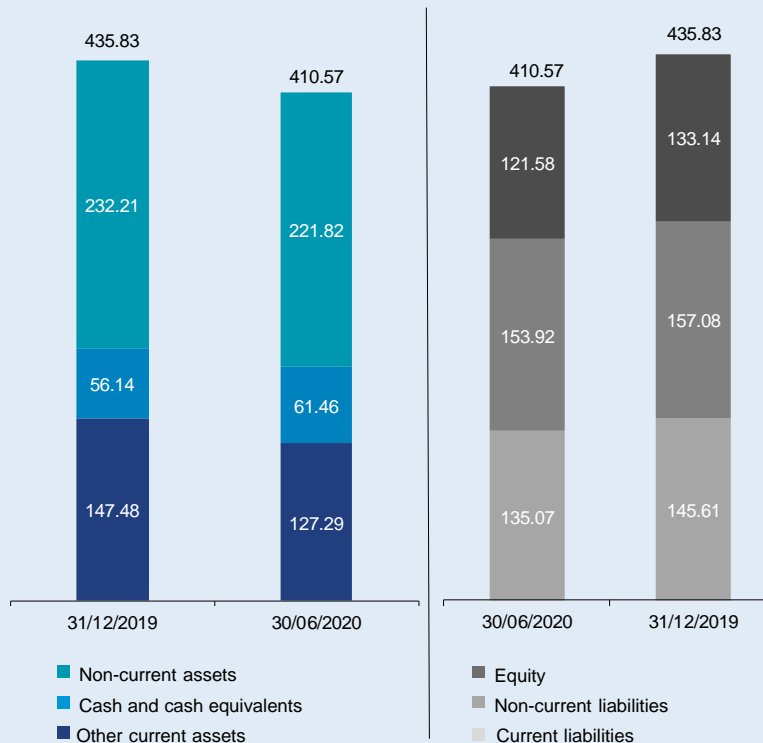
*Financing liabilities include liabilities to banks

- **Financing structure** remains solid. Unused credit facilities of €54.39m (31/12/2019: €52.84m). **Net cash** improved to €-51.82m (31/12.2019: €-58.80m)
- Despite the Covid-19 crisis increase in **cash** to €61.46m mainly due to working capital effects (31/12/2019: €56.14m). Increased funds were used to reduce financial debt
- Year-on-year increase in **operating cash flow** to €28.65m (H1/2019: €6.33m) due to cash-effective decline in working capital, particularly affected by change of trade receivables
- **Cash flow from financing activities** influenced by dividend payment to shareholders of €5.27m (H1/2019: €7.90m) and net redemption of loans of €1.65m (H1/2019: net borrowing of €5.89m).
- **Cash flow from investing activities** mainly characterised by cash outflows of €5.97m from the acquisition of in-GmbH

Balance sheet (in €m)

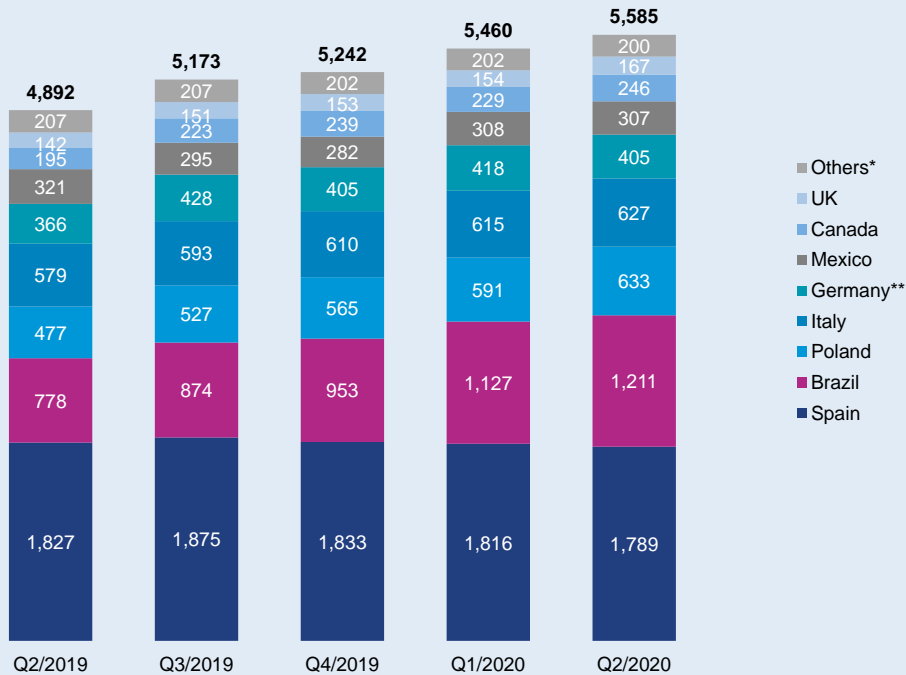


- Decrease in **balance sheet total** of €25.26m mainly due to decline in customer receivables and property, plant and equipment
- €10.39m decrease in **non-current assets** mainly due to depreciation of right-of-use assets acc. to IFRS16. Non-current assets account for 54% of balance sheet total (31/12/2019: 53%)
- **Cash and cash equivalents** increased to 15% of balance sheet total mainly as a result of working capital and closing effects (31/12/2019: 13%)
- Decrease in **other current assets** of €20.19m mainly due to decline in trade receivables from customers



- Currency-adjusted decrease in **equity** of €2.45m due to dividend payment exceeding net income. Equity ratio of 30%, or 34% adjusted for IFRS 16 effects. Both ratios one percentage point below prior-year level
- Decrease in **non-current liabilities** results from reduction in lease liabilities acc. to IFRS 16 of €3.16m
- €10.54m decline in **current liabilities** mainly attributable to closing-date effects in contract liabilities and trade payables of €16.53m in total. Opposing effect from increase in other provisions of €5.32m primarily related to restructuring measures

Employees by country (FTE)

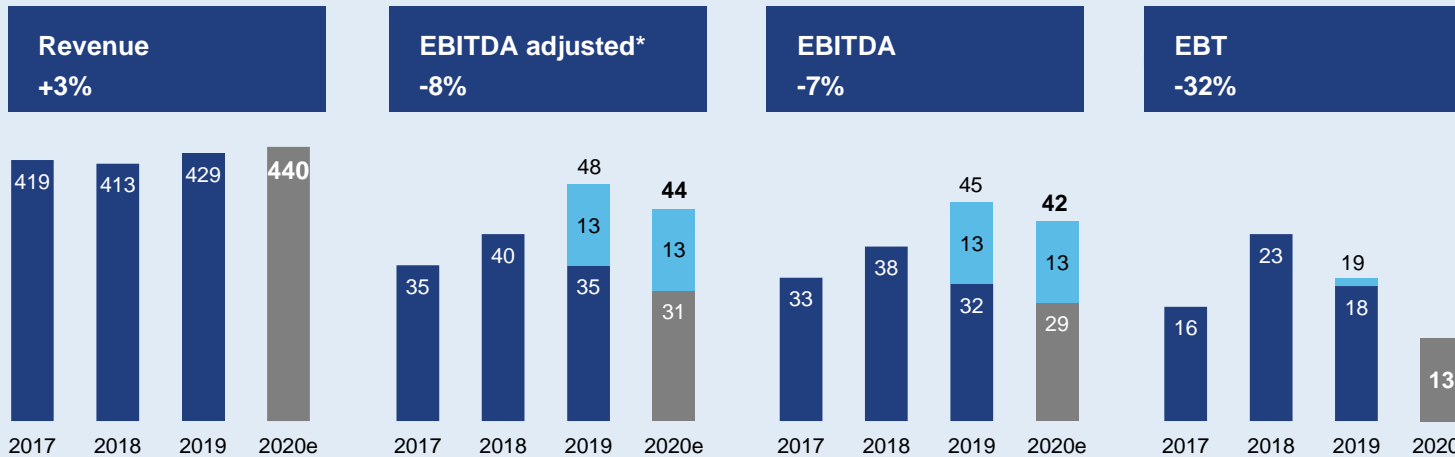


- Increase in Group headcount compared to Q1/2020 due to staff expansion esp. in Brazil and Poland
- Decrease in Spain in part due to restructuring measures
- Decline of approx. 50 FTEs in Germany due to restructuring measures will be visible in H2/2020
- 114 employees in corporate functions (Q1/2020: 113)
- Utilisation rate of 88% below prior-year level (H1/2020: 89%)

*Other countries: Costa Rica, Switzerland, USA, France, Belgium, Hong Kong, Singapore

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

Outlook FY 2020 (in €m)



Effects from IFRS16

Revenue

- Decrease in revenue with top-2 clients of around 26 %
- In contrast, anticipated growth without top-2 clients of around 14%. Momentum of sector and client diversification unchanged, whereby industry sector more exposed to impact of Covid-19.

Earnings

- Burdens from Covid-19 pandemic due to underutilisation and restructuring measures
- Focus on revenue growth requires higher spending for sales activities and technological expertise

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

Backup

Results at a glance per quarter



in €m

	Q1/2019	Q2/2019	Q3/2019	Q4/2019	FY 2019	Q1/2020	Q2/2020	FY 2020
Revenue	105.72	105.31	104.9201	113.03	428.98	112.48	108.57	221.05
EBITDA adjusted*	11.16	10.78	12.84	13.13	47.91	10.39	8.14	18.53
EBITDA	10.28	9.94	11.98	12.69	44.89	9.26	7.20	16.46
EBIT	3.87	4.48	5.95	7.03	21.33	3.61	1.56	5.17
EBT	3.18	3.97	5.19	6.39	18.73	3.02	1.02	4.04
Net income	2.71	3.36	4.01	3.58	13.66	2.28	0.53	2.81
Net income adjusted*	4.55	5.17	5.70	4.65	20.07	4.33	2.55	6.88
Earnings per share adj. (in €)*	0.17	0.20	0.22	0.17	0.76	0.16	0.10	0.26
Earnings per share (in €)	0.10	0.13	0.15	0.14	0.52	0.09	0.02	0.11
Employees (in FTE)	4,910	4,892	5,173	5,242	5,242	5,460	5,585	5,585

*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	H1/2020				H1/2019	
	GFT stand alone	AXOOM	in-GmbH	GFT Total	GFT stand alone	GFT Total
EBITDA adjusted	17.60	0.00	0.92	18.53	21.94	21.94
M&A earn-out & retention	-1.31	0.00	-0.59	-1.90	-1.61	-1.61
M&A consult & integrate	0.00	0.00	-0.02	-0.02	0.00	0.00
M&A amortisation orderbook	-0.13	0.00	-0.02	-0.15	-0.11	-0.11
EBITDA	16.17	0.00	0.29	16.46	20.22	20.22
Depreciation & amortisation	-8.04	-0.12	-0.05	-8.21	-9.64	-9.64
M&A amortisation	-2.84	-0.02	-0.22	-3.08	-2.23	-2.23
EBIT	5.29	-0.14	0.02	5.17	8.35	8.35
Interest	-1.13	0.00	0.00	-1.13	-1.20	-1.20
M&A interest	0.00	0.00	0.00	0.00	0.00	0.00
EBT	4.16	-0.14	0.02	4.04	7.15	7.15
Income taxes	-1.20	0.02	-0.05	-1.22	-1.08	-1.08
Net income	2.96	-0.12	-0.03	2.81	6.07	6.07
Net income adjusted	6.37	-0.10	0.61	6.88	9.72	9.72
Shares outstanding (m.)	26.33	26.33	26.33	26.33	26.33	26.33
EPS basic (€)	0.11	0.00	0.00	0.11	0.23	0.23
EPS adjusted (€)	0.24	0.00	0.02	0.26	0.37	0.37

Consolidated income statement



in €	H1/2020	H1/2019	Δ%
Revenue	221,045,543.79	211,032,024.31	5%
Other operating income	7,648,169.63	3,667,364.45	>100%
Cost of purchased services	22,919,612.78	23,403,491.73	-2%
Personnel expenses	163,661,069.96	147,720,924.69	11%
Other operating expenses	25,653,281.52	23,357,728.97	10%
Result from operating activities before depreciation and amortisation	16,459,749.16	20,217,243.37	-19%
Depreciation and amortisation of intangible assets and property, plant and equipment	11,289,164.87	11,868,596.78	-5%
Result from operating activities	5,170,584.29	8,348,646.59	-38%
Interest income	132,906.11	242,985.78	-45%
Interest expenses	1,266,678.58	1,444,575.34	-12%
Financial result	-1,133,772.47	-1,201,589.56	-6%
Earnings before taxes	4,036,811.82	7,147,057.03	-44%
Income taxes	1,223,495.52	1,079,994.52	13%
Net income for the period	2,813,316.30	6,067,062.51	-54%
Earnings per share – basic	0.11	0.23	-54%

Consolidated cash flow statement



in €	H1/2020	H1/2019	Δ%
Net income for the period	2,813,316.30	6,067,062.51	-54%
Income taxes	1,223,495.52	1,079,994.52	13%
Interest result	1,133,772.47	1,201,589.56	-6%
Income taxes paid	-3,479,632.78	-1,033,879.33	>100%
Income taxes received	3,311,562.52	0.00	n.a.
Interest paid	-562,106.78	-439,375.04	28%
Interest received	123,090.95	230,584.98	-47%
Depreciation and amortisation of intangible assets and property, plant and equipment	11,289,164.87	11,868,596.78	-5%
Net proceeds on disposal of intangible assets and property, plant and equipment	71,959.09	12,066.64	>100%
Net proceeds on disposal of financial assets	-433,059.99	0.00	n.a.
Other non-cash expenses and income	-1,514,942.41	2,604,849.67	<-100%
Change in trade receivables	32,465,812.07	16,787,874.93	93%
Change in contract assets	-7,606,051.03	-19,926,606.44	-62%
Change in other assets	-3,616,248.64	7,012,683.13	<-100%
Change in provisions	5,687,104.04	-2,686,275.61	<-100%
Change in trade payables	-3,641,801.11	-5,412,394.56	-33%
Change in contract liabilities	-12,886,099.06	-10,936,432.95	18%
Change in other liabilities	4,277,166.14	-103,985.49	<-100%
Cash flow from operating activities	28,656,502.17	6,326,353.30	>100%
Proceeds from disposal of property, plant and equipment	9,652.03	1,714.68	>100%
Proceeds from disposal of financial assets	433,059.99	0.00	n.a.
Capital expenditure for intangible assets	-213,665.46	-1,388,261.32	-85%
Capital expenditure for property, plant and equipment	-2,505,626.85	-1,636,489.55	53%
Cash outflows for acquisitions of consolidated companies net of cash and cash equivalents acquired	-5,967,000.00	0.00	n.a.
Cash flow from investing activities	-8,243,580.29	-3,023,036.19	>100%
Proceeds from borrowing	3,321,918.65	6,036,175.09	-45%
Cash outflows from loan repayments	-4,974,390.84	-149,598.16	>100%
Cash outflows from repayment of lease liabilities	-5,475,819.98	-6,163,397.05	-11%
Dividends to shareholders	-5,265,189.20	-7,897,783.80	-33%
Cash flow from financing activities	-12,393,481.37	-8,174,603.92	52%
Effect of foreign exchange rate changes on cash and cash equivalents	-2,704,077.17	321,242.89	<-100%
Net increase in cash and cash equivalents	5,315,363.34	-4,550,043.92	<-100%
Cash and cash equivalents at beginning of period	56,143,932.27	61,569,726.64	-9%
Cash and cash equivalents at end of period	61,459,295.61	57,019,682.72	8%

Consolidated balance sheet



Assets	30.06.2020	31.12.2019	Δ%
in €			
Non-current assets			
Goodwill	118,196,346.48	118,659,143.65	0%
Other intangible assets	19,830,429.88	22,126,664.83	-10%
Property, plant and equipment	70,197,344.97	76,779,652.91	-9%
Other financial assets	924,429.71	955,531.60	-3%
Deferred tax assets	9,449,472.77	9,241,308.85	2%
Income tax assets	441,085.59	441,085.60	0%
Other assets	2,782,903.01	4,012,128.46	-31%
	221,822,012.41	232,215,515.90	-4%
Current assets			
Inventories	57,830.67	171,676.80	-66%
Trade receivables	81,554,675.51	114,020,487.58	-28%
Contract assets	23,337,991.40	15,731,940.37	48%
Cash and cash equivalents	61,459,295.61	56,143,932.27	9%
Other financial assets	4,276,357.66	1,841,853.84	>100%
Income tax assets	5,824,597.87	7,093,039.20	-18%
Other assets	12,233,524.98	8,617,329.27	42%
	188,744,273.70	203,620,259.33	-7%
	410,566,286.11	435,835,775.23	-6%

Equity and liabilities	30.06.2020	31.12.2019	Δ%
in €			
Shareholders' equity			
Share capital	26,325,946.00	26,325,946.00	0%
Capital reserve	42,147,782.15	42,147,782.15	0%
Retained earnings	65,138,566.92	67,590,439.82	-4%
Other reserves	-12,032,257.35	-2,922,395.55	>100%
	121,580,037.72	133,141,772.42	-9%
Non-current liabilities			
Financing liabilities	98,276,322.34	98,444,626.79	0%
Other financial liabilities	38,642,506.16	43,470,371.89	-11%
Provisions for pensions	9,750,257.86	9,494,464.32	3%
Other provisions	1,443,277.90	1,332,487.21	8%
Deferred tax liabilities	4,168,950.41	4,342,460.83	-4%
Other liabilities	1,637,798.48	0.00	n.a.
	153,919,113.15	157,084,411.04	-2%
Current liabilities			
Trade payables	5,857,720.64	9,499,521.75	-38%
Financing liabilities	15,000,000.00	16,500,000.00	-9%
Other financial liabilities	16,766,257.54	14,074,187.51	19%
Other provisions	41,678,114.04	36,357,594.23	15%
Income tax liabilities	3,667,869.03	4,532,531.35	-19%
Contract liabilities	25,954,054.77	38,840,153.83	-33%
Other liabilities	26,143,119.22	25,805,603.10	1%
	135,067,135.24	145,609,591.77	-7%
	410,566,286.11	435,835,775.23	-6%

Consolidated statement of comprehensive income



in €	H1/2020	H1/2019	Δ%
Net income for the period	2,813,316.30	6,067,062.51	-54%
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit plans	0.00	-13,176.71	-100%
Income taxes on remeasurement of defined benefit plans	0.00	2,882.40	n.a.
Items that may be reclassified to the income statement			
Currency translation	-9,109,861.80	681,580.21	<-100%
Other comprehensive income	-9,109,861.80	671,285.90	<-100%
Total comprehensive income	-6,296,545.50	6,738,348.41	<-100%

Consolidated statement of changes in equity



	Share capital	Capital reserve	Retained earnings ¹	Other reserves Currency translation	Total equity
in €					
Balance at 1 January 2019²	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 16	--	--	-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	--	--	6,067,062.51	--	6,067,062.51
Other comprehensive income	--	--	-10,294.31	681,580.21	671,285.90
Total comprehensive income	--	--	6,056,768.20	681,580.21	6,738,348.41
Dividends to shareholders	--	--	-7,897,783.80	--	-7,897,783.80
Balance at 30 June 2019	26,325,946.00	42,147,782.15	61,360,171.28	-6,222,143.50	123,611,755.93
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	--	--	2,813,316.30	--	2,813,316.30
Other comprehensive income	--	--	0.00	-9,109,861.80	-9,109,861.80
Total comprehensive income	--	--	2,813,316.30	-9,109,861.80	-6,296,545.50
Dividends to shareholders	--	--	-5,265,189.20	--	-5,265,189.20
Balance at 30 June 2020	26,325,946.00	42,147,782.15	65,138,566.92	-12,032,257.35	121,580,037.72

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 amounted to 0.00 € net of tax in the first six months 2020 (H1/2019: -10,294.31 €).

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

Segment report



GFT Group

in € thousand	Americas, UK & APAC		Continental Europe		Total segments		Reconciliation		GFT Group	
	H1/2020	H1/2019	H1/2020	H1/2019	H1/2020	H1/2019	H1/2020	H1/2019	H1/2020	H1/2019
External revenue	103,998	97,612	116,895	113,155	220,893	210,767	153	265	221,046	211,032
Intersegment revenue	5,423	1,655	27,935	29,294	33,358	30,949	-33,358	-30,949	0	0
Total revenue	109,421	99,267	144,830	142,449	254,251	241,716	-33,205	-30,684	221,046	211,032
Segment result (EBT)	3,879	-199	828	8,932	4,707	8,733	-670	-1,586	4,037	7,147
thereof depreciation and amortisation	-4,273	-5,190 ¹	-5,975	-6,169 ¹	-10,248	-11,359	-1,041	-509	-11,289	-11,868
thereof interest income	101	239	32	67	133	306	0	-63	133	243
thereof interest expenses	-699	-790 ¹	-782	-912 ¹	-1,481	-1,702	214	258	-1,267	-1,444

¹ Adjusted

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