

## Q3'19 first take: Turnaround taking shape

*GFT's Q3'19 figures are overall in line with our expectations. The most important message from the release is that the company was able to turn around its earnings development in Q3'19. As the previous "problem child" of GFT, its largest account, becomes less significant within the group context and restructuring is near completed, we observe that earnings growth turned around and exhibits healthy growth rates. While the largest account continues to put a burden on revenues growth, growth outside the top 2 accounts could be accelerated to around 30% in the third quarter, more than compensating the decline with GFT's major customers. Overall, we interpret today's release as an early signal of recovery and expect the recent positive share price development to continue throughout today's trading session.*

GFT Technologies		Actual			Pareto		Pareto estimates		Consensus estimates	
		Q3 2018	Q3 2019	yoy	Q3 2019	Delta	2019e	2020e	2019e	2020e
Revenues	EURm	98	105	7%	107	(2)%	409	424	421	438
EBITDA	"	7.9	12.0	52%	11.7	2%	46	51	46	50
EBITDA Margin	%	8.1%	11.4%	335bps	11.0%	43bps	11.2%	12.0%	10.9%	11.5%
EBT	EURm	4.4	5.2	19%	5.3	(1)%	18	26	19	24
EBT Margin	%	4.5%	4.9%	47bps	4.9%	2bps	4.4%	6.2%	4.5%	5.5%

Source: Pareto, Company data

### GFT returns to the growth path, earnings decline halted

As expected, the top 2 accounts (mostly including business with Deutsche Bank) burdened revenues growth also in Q3'19 (-26% yoy, in line with previous quarters and guidance of -30%). On the other hand, and in our view more importantly, GFT could accelerate revenues growth outside the top 2 accounts to 28% yoy in Q3'19 (Q1'19: 19%, Q2'19: 21%), thus achieving at least mid-single digit group revenues growth in a quarter for the first time since Q1'17. On the margin side, EBITDA was clearly helped by IFRS 16 (c. EUR 3m), but also fewer restructuring (EUR 0.6m) and better utilisation than in the previous quarters.

### Full year guidance confirmed, positive share price reaction expected

GFT's management confirmed the full year guidance of EUR 420m revenues and EUR 46m EBITDA (EUR 18m EBT). After c. EUR 316m revenues (EBITDA: EUR 32m), these targets should be achievable, in our view. Although it might be a bit early to speak about a full-fledged recovery (Deutsche Bank expected to burden growth and results also in 2020), we observe that this account becomes relatively less troublesome for GFT, as the revenue share within Deutsche Bank continues to decrease (Q3'19: 27% vs Q3'18: 38%) and the company appears to be better diversified in growing accounts. We would expect a positive start of the shares in today's trading session given the signals of a turnaround and also expect a continuation of the recently started positive share price development (30% since August 30).

Dustin Mildner

+49 69 58997 438, dustin.mildner@paretosec.com

Pareto Securities AS has been paid by the issuer to produce this research report. This material is considered by Pareto Securities to qualify as an acceptable minor non-monetary benefit according to the EU MIFID 2 directive.