

# Investor Presentation

GFT Technologies SE

August 2020

# Agenda

1. **GFT at a glance**
2. GFT business model
3. Financial results H1/2020
4. Outlook

# Shaping the future of digital business

GLOBAL WORKFORCE H1/2020

**5,585**  
FTE

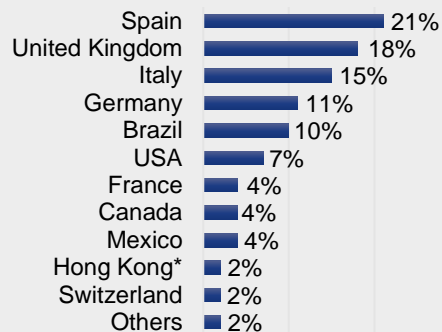
REVENUE FY 2019

**€ 429**  
million

Adj. EBITDA FY 2019

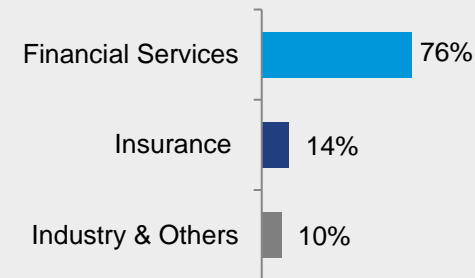
**€ 48**  
million

REVENUE BY COUNTRY H1/2020



\*Special administrative zone

REVENUE BY SECTOR H1/2020



CONSULTING



DIGITAL  
SOLUTIONS



APPLICATION  
MANAGEMENT &  
OUTSOURCING

# Investment Case



## Unique technology and sector expertise

- Longstanding expertise in digital transformation for financial institutions
- Partnerships with market leaders: AWS, Google, Guidewire
- Proven client-focused onshore/ nearshore staffing model



## Strong demand for digital transformation

- Digital transformation is a megatrend
- Cloud business to grow by 16%\*



## Highly attractive sales and earnings potential

- Underlying organic growth potential >15%\*\*
- Profit margins expected to improve considerably
- Attractive free cash flow generation with low Capex



## Sustainability and commitment

- Top executives more than 10 years with GFT
- Two anchor shareholders own 36% of shares

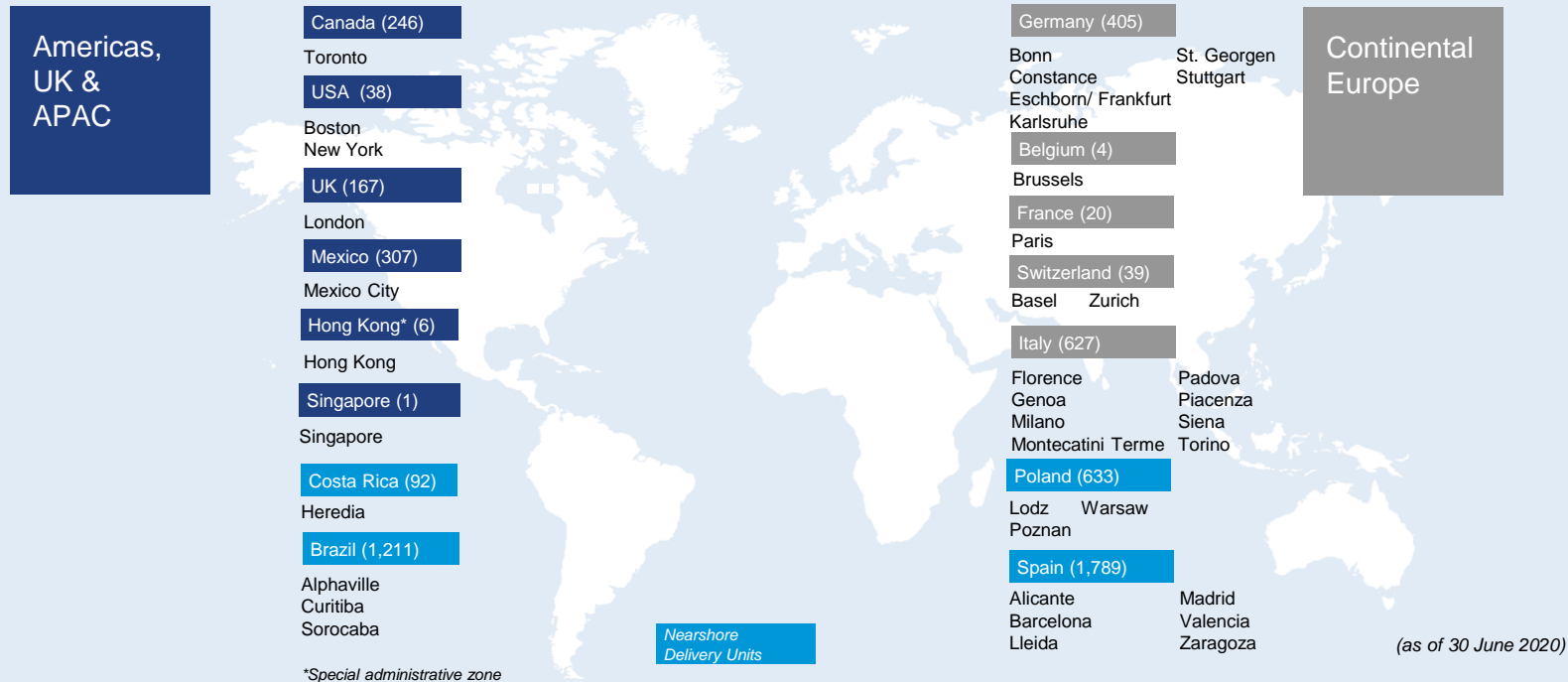
\* Source: Gartner, forecast for 2020

\*\* ex Top-2 clients (DB and Barclays)

# Proven onshore-/ nearshore delivery model (5,585 FTE)



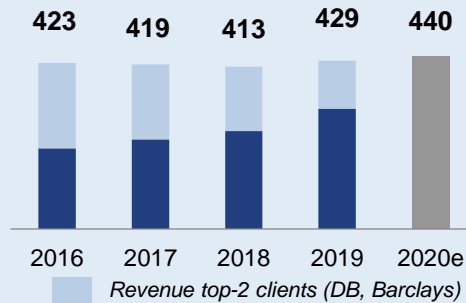
*Approx. 50% of revenues generated onshore and 50% nearshore*



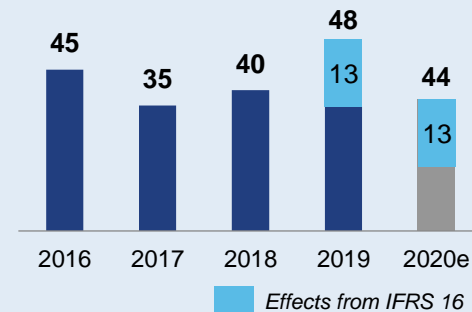
# Key figures



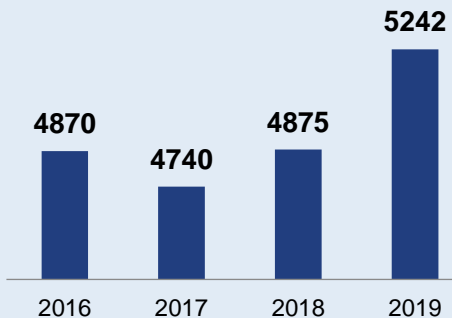
Revenue (€m)



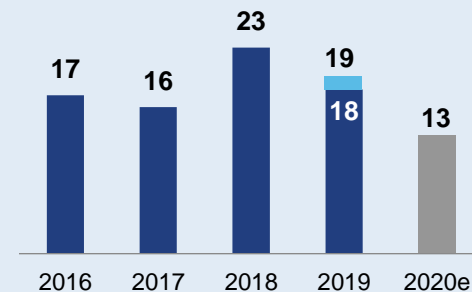
EBITDA adjusted (€m)



Employees (FTE)



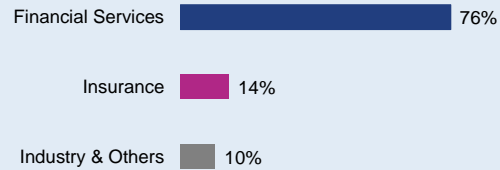
EBT (€m)



# 30 biggest clients 2020 – seven new entries



## Revenue by sector



# GFT share and shareholder structure

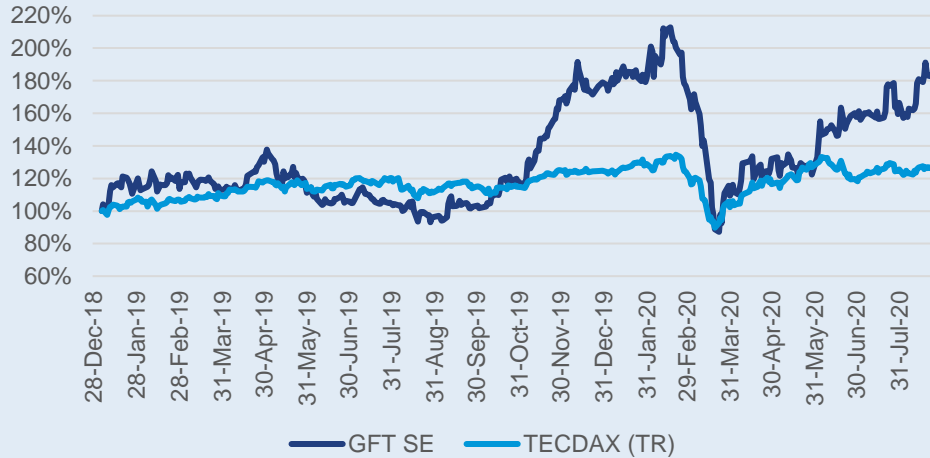


## GFT share indexed

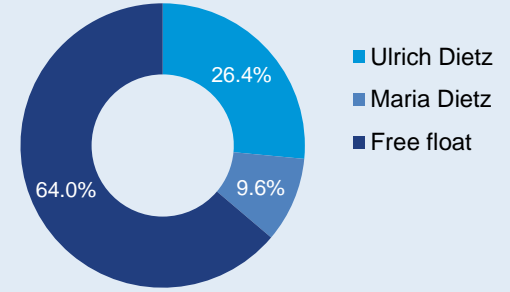
in %

28 Dec. 2018  
€6.70

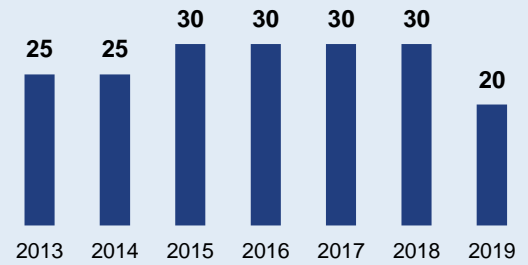
25 Aug. 2020  
€12.50



## Shareholder structure



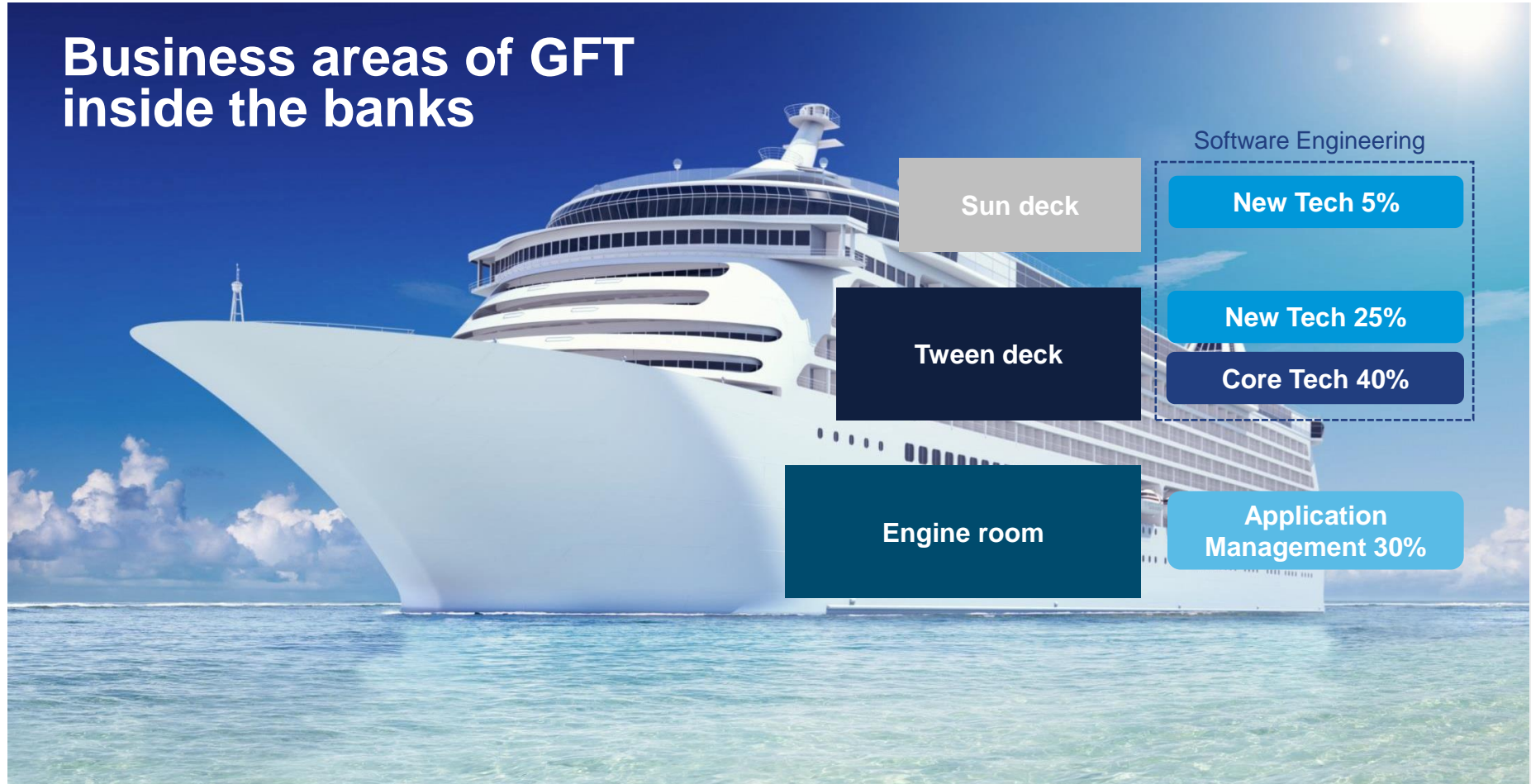
## Dividend per share in Cent (for financial year)



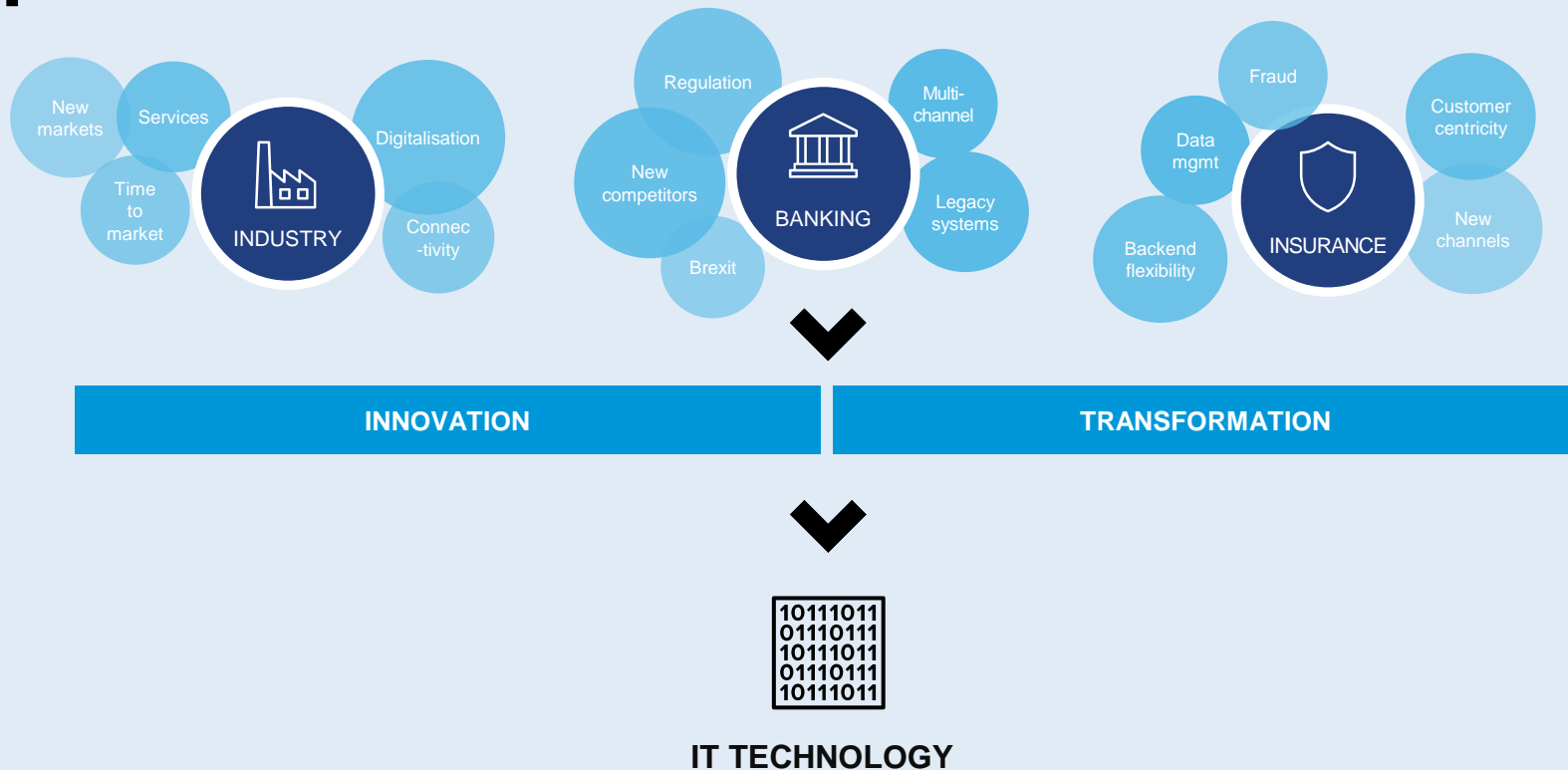
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# Business areas of GFT inside the banks



# IT technology meets client business challenges



# GFT Partner for Innovation and Transformation



CUSTOMER  
CENTRICITY

COLLABORATION

AUTOMATION

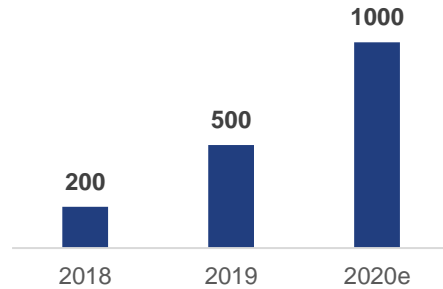
GAME CHANGERS



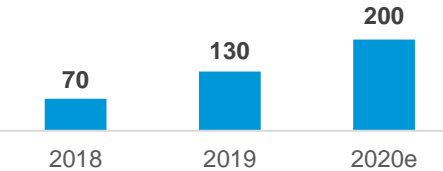
# Further strengthening of partnerships



### Cloud experts at GFT



### Guidewire experts at GFT



# Sky high opportunities: the cloud momentum



## GFT a clear Cloud innovation partner

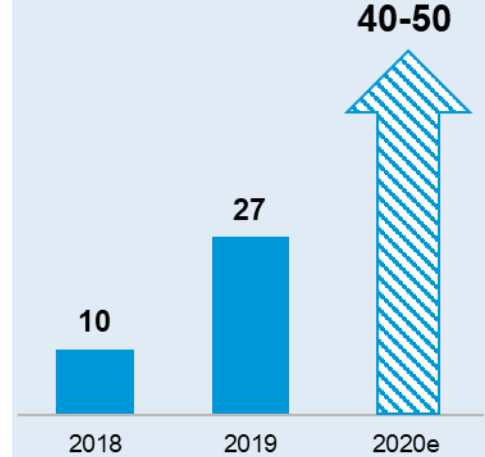
- On-going strategic investments to strengthen relationship with major cloud providers and benefiting from indirect sales through partnerships



## Proofpoint

- Digital banking project in Hong Kong using AWS cloud-based virtual infrastructure
- Customer centric approach to attract tech-savvy customers in Asia: use of disruptive features such as machine learning, customer segmentation and real-time product funnel data sets

## Cloud revenue in €m



2020e pre Covid-19 impact

## Cloud experts



# Growing offering: the insurance momentum



## Insurance: increasing traction with Guidewire

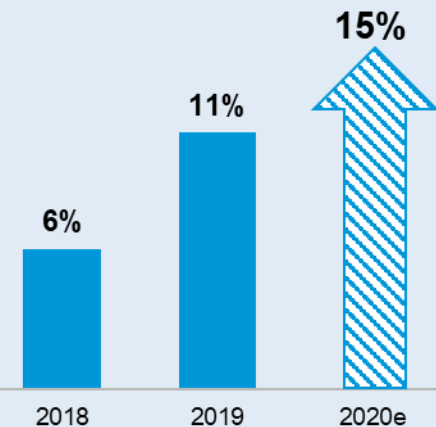
- Continuing growth with Guidewire implementation projects in North America and Europe
- Building up of nearshore capacity in Poland and Spain



## Proofpoint

- First European implementation of full Suite of Guidewire on Cloud
- Project with La Macif with 5-year duration, totalling approx. €50m
- Winner of the Innovation Award by Guidewire for Aviva Italy

## Share of insurance revenue



2020e pre Covid-19 impact

# Complete offering: industry ready to start



## Industry 4.0: complete offering to address IoT market

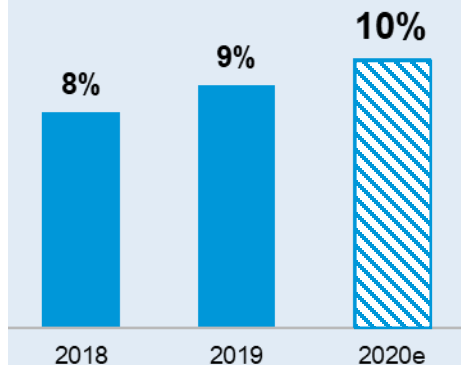
- Taking advantage of unique combination of IT and sector know-how with software offering
- More growth in German “Mittelstand” expected
- Exploring global opportunities



## Proofpoint

- Smart factory project for GS Metaal with consultancy and software implementation
- Results: 30% production increase and throughput times reduced by 20%

## Share of industry 4.0 & others revenue



*2020e pre Covid-19 impact*

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# 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
- 
- 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%

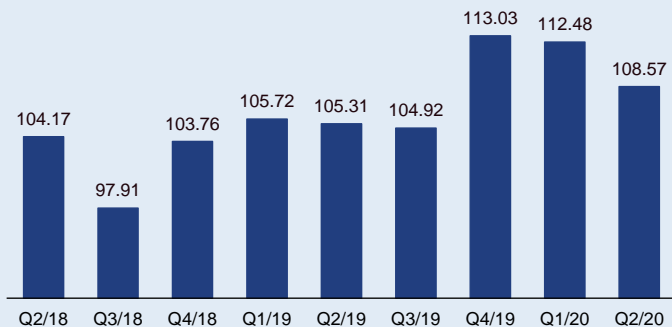
- **Revenue** increase of 5% (organic 4%), revenue contribution of in-GmbH (€2.20m)
- Decline of 16% in **EBITDA adjusted** vs previous year mainly due to:
  - Operational margin improvement (focused on Americas & UK) of €2.04m
  - Underutilisation (focused on Cont. Europe) in the amount of €-3.80m (H1/2019: €-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)

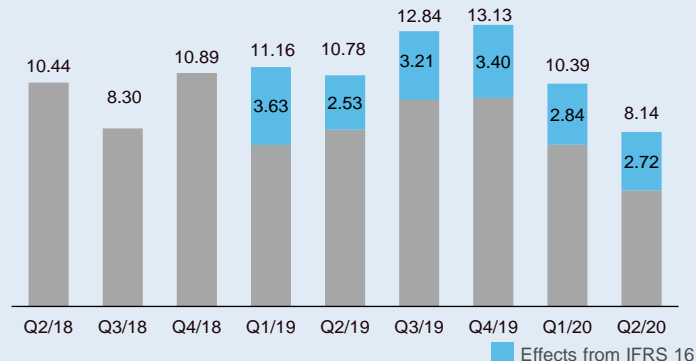
# Revenue and EBITDA adjusted by quarter (in €m)



## 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
<b>GFT Group</b>	<b>221.05</b>	<b>211.03</b>	<b>6%</b>	<b>1%</b>	<b>-2%</b>	<b>5%</b>

- **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%
<b>GFT Group*</b>	<b>Top-2 clients</b>	<b>49.62</b>	<b>66.53</b>	<b>-25%</b>
	<b>Other clients</b>	<b>171.28</b>	<b>144.24</b>	<b>19%</b>
	<b>Total</b>	<b>220.90</b>	<b>210.77</b>	<b>5%</b>

\* 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

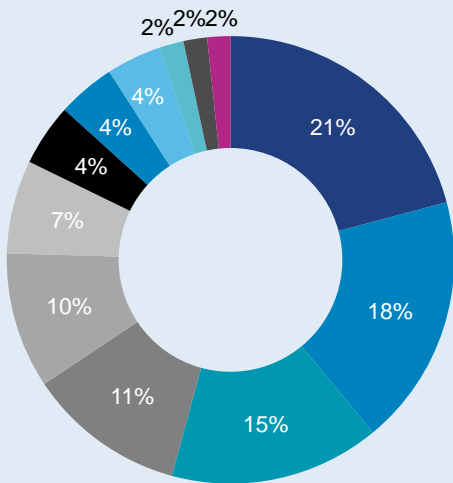


in €m	EBITDA adjusted*			EBITDA			EBT		
	H1/2020	H1/2019	Δ%	H1/2020	H1/2019	Δ%	H1/2020	H1/2019	Δ%
Americas, UK & APAC	10.19	7.26	40%	8.75	5.54	58%	3.88	-0.20	< -100%
Continental Europe	8.18	15.95	-49%	7.55	15.95	-53%	0.83	8.93	-91%
Others	0.16	-1.27	< -100%	0.16	-1.27	< -100%	-0.67	-1.58	-57%
<b>GFT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

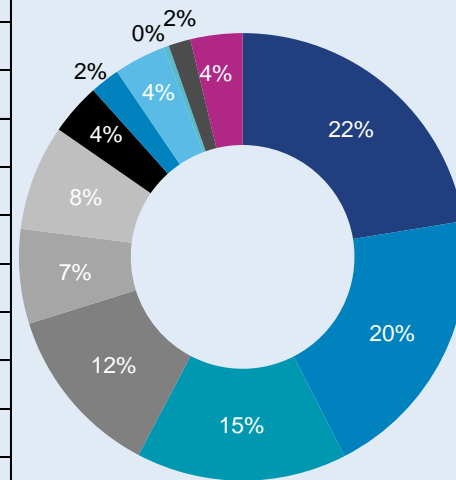
- **Americas, UK & APAC:** revenue growth led to good utilisation, increased earnings contribution and margin improvement
- **Continental Europe:** strong impact of restructuring costs as well as underutilisation in Germany and Spain – mainly as a result of the Covid-19 pandemic

\* 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



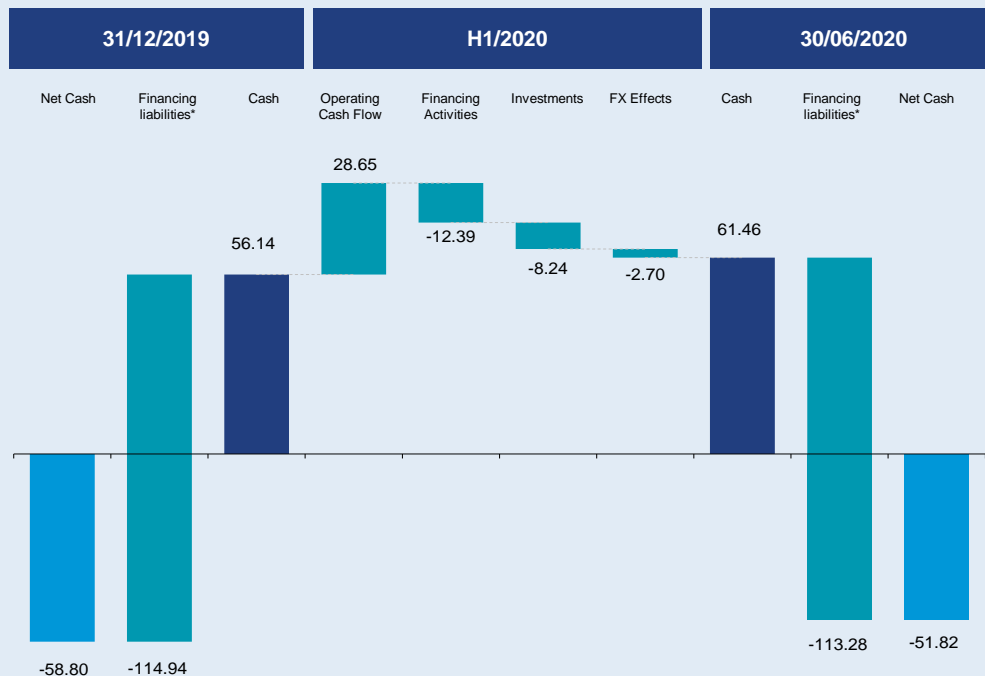
# Detailed profit & loss statement



in €m	H1/2020	H1/2019	Δ%
<b>Revenue</b>	<b>221.05</b>	<b>211.03</b>	<b>5%</b>
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%
<b>EBITDA</b>	<b>16.46</b>	<b>20.22</b>	<b>-19%</b>
Depreciation and amortisation	-11.29	-11.87	-5%
<b>EBIT</b>	<b>5.17</b>	<b>8.35</b>	<b>-38%</b>
Interest income/expenses	-1.13	-1.20	-6%
<b>EBT</b>	<b>4.04</b>	<b>7.15</b>	<b>-44%</b>
Income taxes	-1.23	-1.08	14%
<b>Net income</b>	<b>2.81</b>	<b>6.07</b>	<b>-54%</b>
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)



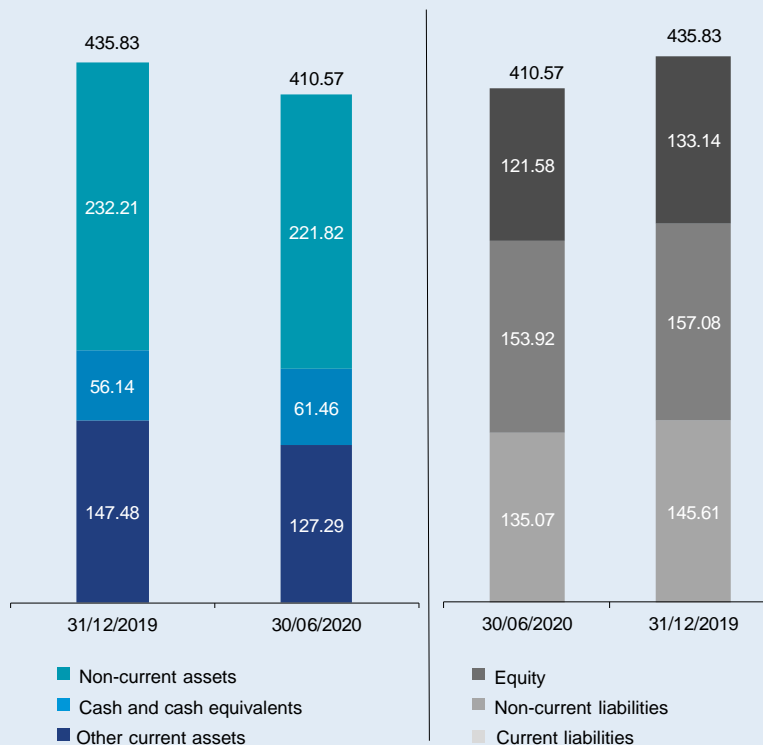
\*Financing liabilities include liabilities to banks

- **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

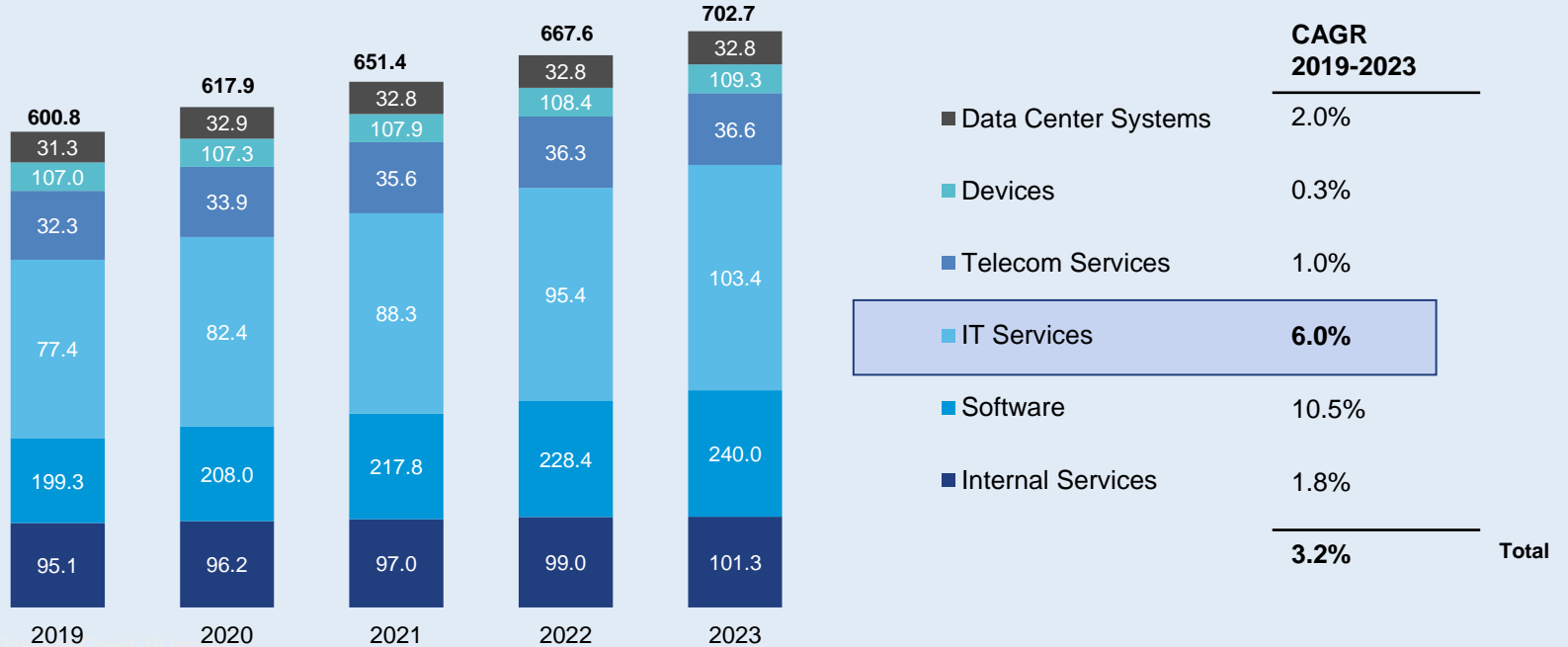


- Currency-adjusted decrease in **equity** of €2.45m due to dividend payment exceeding net income. Equity ratio of 30%, or 34% adjusted for IFRS 16 effects. Both ratios one percentage point below prior-year level
- Decrease in **non-current liabilities** results from reduction in lease liabilities acc. 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

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# Banking and Securities IT Spending Forecast



Data pre Covid-19 impact  
 In Billions of U.S. Dollars / constant currency  
 Source: Gartner December 2019

# What is next for GFT in 2020?



Favourable market trends for digital transformation in target sectors are unchanged



GFT in the right place to seize the thriving opportunities

- Dynamic growth with ex top-2 clients of 22% as planned before Covid-19 crisis, growth will be reduced due to pandemic
- Leveraging momentum in Guidewire market
- Increasing penetration of Industry sector
- Expansion in Asia via technology and sector expertise
- Cloud as a key driver across many opportunities

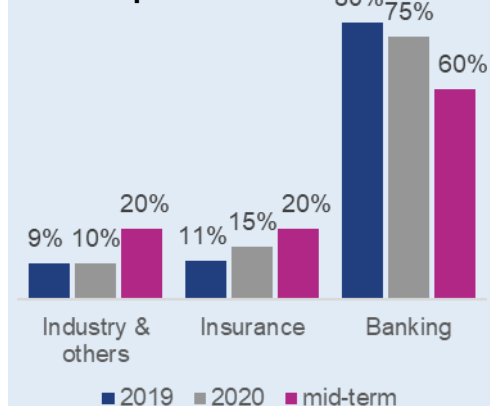
## Market growth forecast 2020

IT budgets for

- Financial institutions: +5.2%\*
- Cloud business: +17%\*
- Guidewire revenue: +6%\*\*

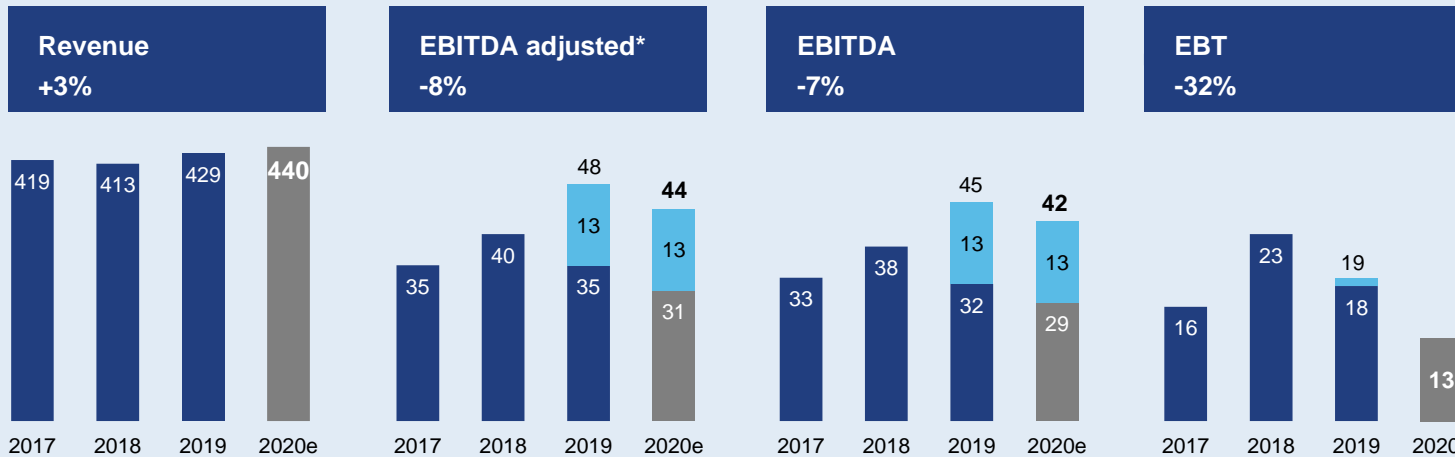
Pre Covid-19 impact \* Gartner \*\* Guidewire

## Sector split mid-term



Pre Covid-19 impact

# 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

# Split of operative and M&A Effects

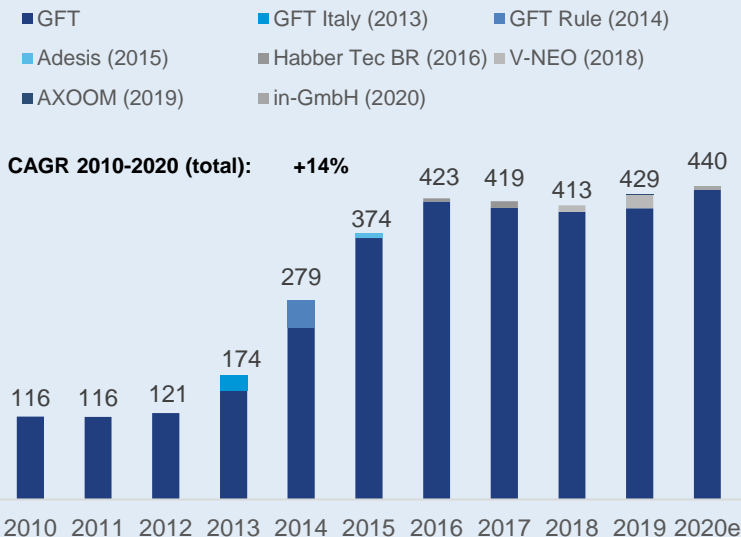


in €m	H1/2020				H1/2019	
	GFT stand alone	AXOOM	in-GmbH	GFT Total	GFT stand alone	GFT Total
<b>EBITDA adjusted</b>	<b>17.60</b>	<b>0.00</b>	<b>0.92</b>	<b>18.53</b>	<b>21.94</b>	<b>21.94</b>
M&A earn-out & retention	-1.31	0.00	-0.59	-1.90	-1.61	-1.61
M&A consult & integrate	0.00	0.00	-0.02	-0.02	0.00	0.00
M&A amortisation orderbook	-0.13	0.00	-0.02	-0.15	-0.11	-0.11
<b>EBITDA</b>	<b>16.17</b>	<b>0.00</b>	<b>0.29</b>	<b>16.46</b>	<b>20.22</b>	<b>20.22</b>
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
<b>EBIT</b>	<b>5.29</b>	<b>-0.14</b>	<b>0.02</b>	<b>5.17</b>	<b>8.35</b>	<b>8.35</b>
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
<b>EBT</b>	<b>4.16</b>	<b>-0.14</b>	<b>0.02</b>	<b>4.04</b>	<b>7.15</b>	<b>7.15</b>
Income taxes	-1.20	0.02	-0.05	-1.22	-1.08	-1.08
<b>Net income</b>	<b>2.96</b>	<b>-0.12</b>	<b>-0.03</b>	<b>2.81</b>	<b>6.07</b>	<b>6.07</b>
<b>Net income adjusted</b>	<b>6.37</b>	<b>-0.10</b>	<b>0.61</b>	<b>6.88</b>	<b>9.72</b>	<b>9.72</b>
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

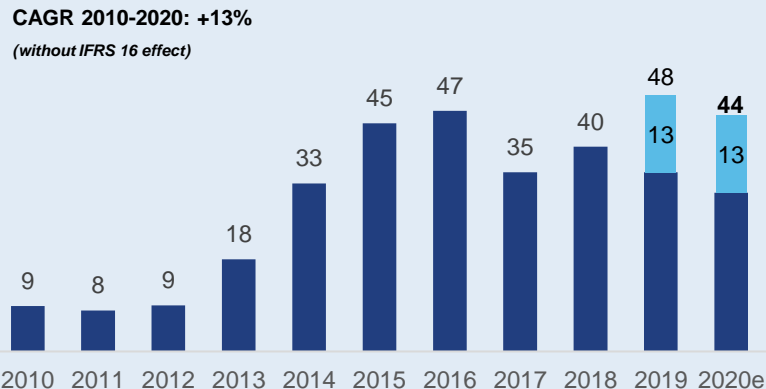
# Revenue and EBITDA development



## Revenue in €m



## EBITDA adjusted in €m



Effects from IFRS 16

## Peer group (limited comparability – not focused on financial sector)



Company	LC	Price	MC	P / E		EV / EBITDA	
				20e	21e	20e	21e
<b>European IT Services</b>							
Cappgemini SE	EUR	116.85	19,800.2	18.4x	15.8x	9.2x	8.3x
Devoteam SA	EUR	97.30	810.7	23.5x	18.7x	9.3x	8.4x
First Derivatives plc	GBP	31.10	854.6	51.3x	39.2x	23.8x	20.0x
Indra Sistemas, S.A. Class A	EUR	6.22	1,097.9	20.5x	9.0x	9.6x	5.9x
Reply S.p.A.	EUR	89.30	3,340.8	30.7x	26.5x	16.7x	14.7x
<b>Global IT Services</b>							
Accenture Plc Class A	USD	238.73	151,876.7	31.3x	29.5x	19.0x	18.5x
Cognizant Technology Solutions Corporation Class A	USD	66.77	36,205.4	18.9x	16.9x	12.2x	10.9x
EPAM Systems, Inc.	USD	320.28	17,888.5	54.3x	44.9x	36.7x	30.1x
DXC Technology Co.	USD	19.11	4,857.6	8.3x	4.8x	5.4x	4.7x
<b>Indian IT Services</b>							
HCL Technologies Limited	INR	712.65	1,933,893.5	16.7x	15.2x	-	-
Infosys Limited	INR	950.80	4,049,824.0	23.0x	20.5x	15.5x	14.0x
Tata Consultancy Services Limited	INR	2254.65	8,460,314.0	27.3x	23.9x	19.4x	17.3x
Wipro Limited	INR	272.00	1,554,338.3	16.3x	15.5x	10.2x	9.9x
Average (all)				26.2x	21.6x	15.6x	13.6x
Median (all)				23.0x	18.7x	13.8x	12.5x
<b>GFT Technologies SE</b>	<b>EUR</b>	<b>13.12</b>	<b>345.4</b>	<b>29.1x</b>	<b>19.5x</b>	<b>10.7x</b>	<b>9.3x</b>

Factset as of 26 August 2020

# Shaping the future of digital business

GFT Technologies SE

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