Investor Presentation

GFT Technologies SE

November 2019

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Agenda

1. **GFT at a glance**
2. GFT business model
3. Financial results 9M/2019
4. Outlook

Shaping the future of digital business

GLOBAL WORKFORCE

5,173
FTE

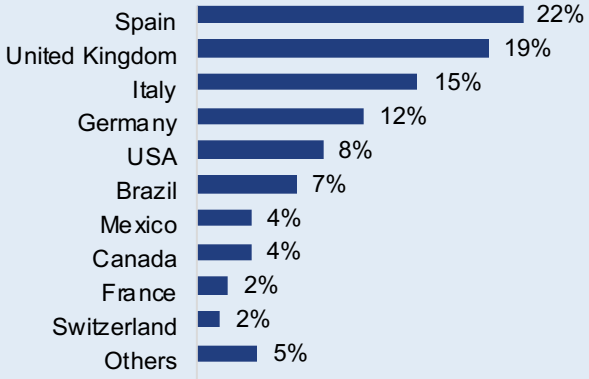
REVENUE FY 2019e

€ 420
million

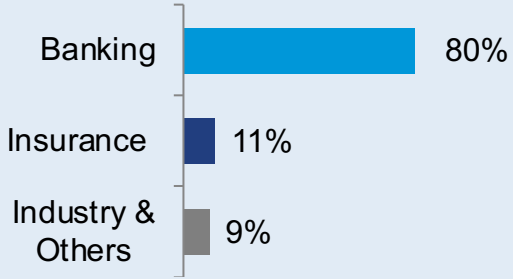
Adj. EBITDA FY 2019e*

€ 35
million

REVENUE BY COUNTRY 9M/2019



REVENUE BY SECTOR 9M/2019



*excl. IFRS 16 effects of approx. €13m

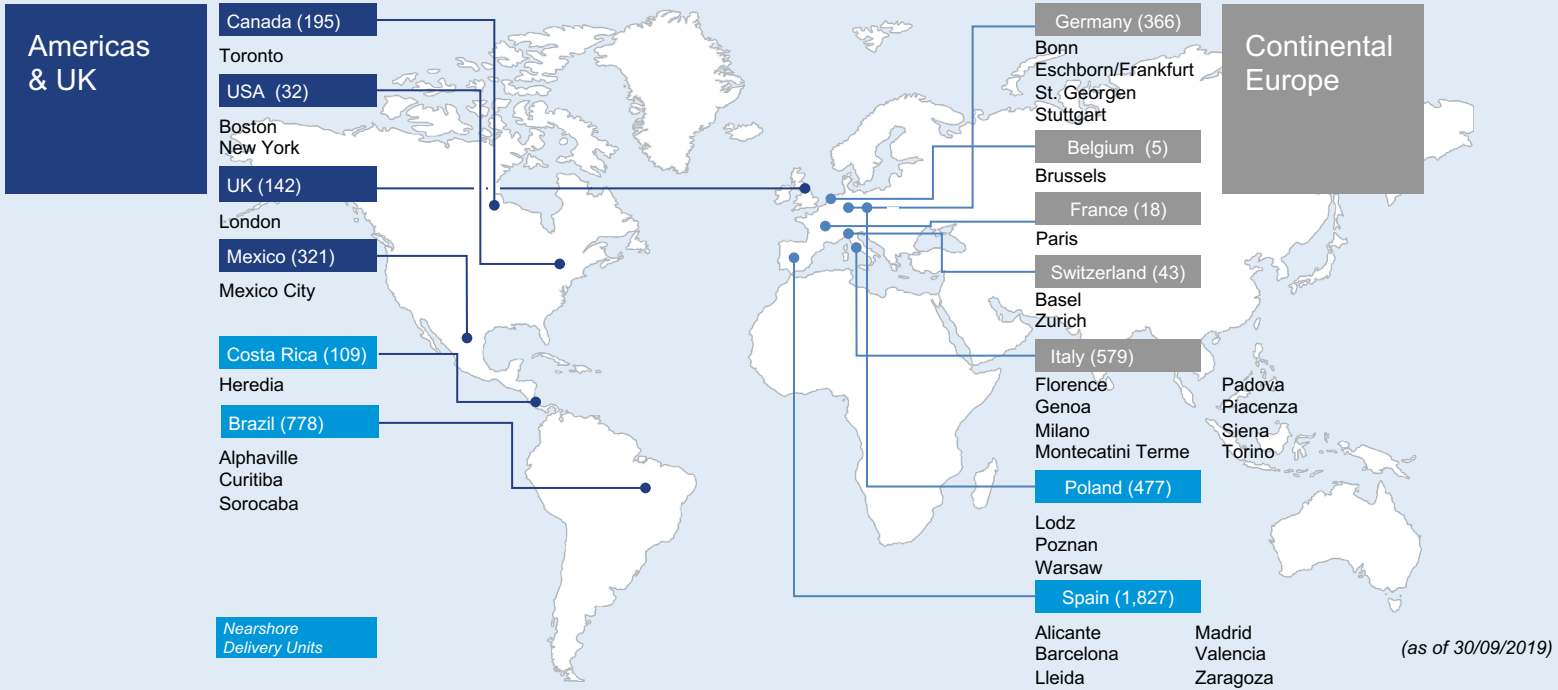
CONSULTING

DIGITAL SOLUTIONS

APPLICATION MANAGEMENT & OUTSOURCING

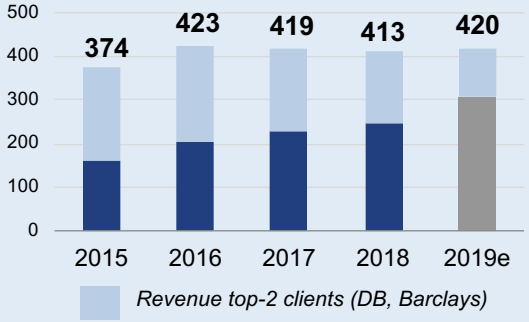
Proven onshore-/ nearshore delivery model (5,173 FTE)

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

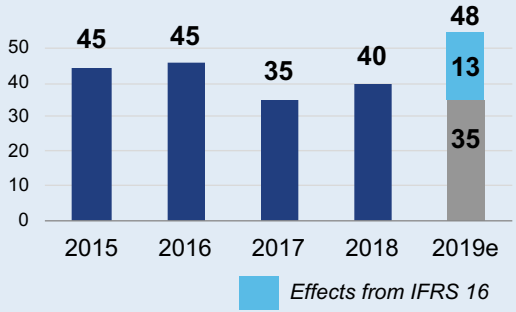


Key figures

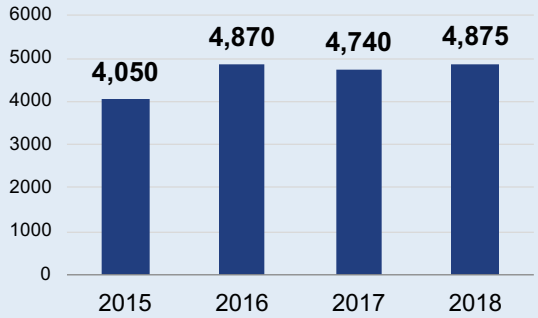
Revenue (€m)



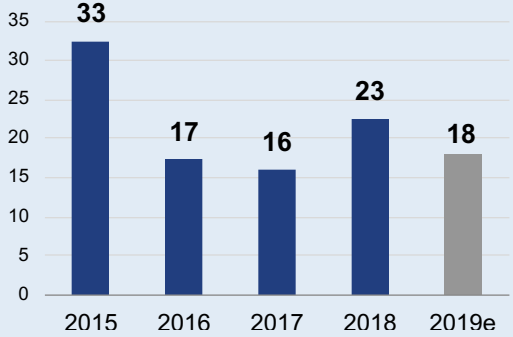
EBITDA adjusted (€m)



Employees (FTE)



EBT (€m)



30 biggest clients 9M/2019

Capital Markets

Deutsche Bank, HSBC, citi, RBS (The Royal Bank of Scotland), Schroders, not disclosed, KKR, cetip

Retail Banking

Deutsche Bank, Sabadell, INTESA SANPAOLO, Santander, BBVA, UBI Banca, MONTE DEI PASCHI DI SIENA (BANCA DAL 1472), iberCaja, Bankia, nexi, Serasa Experian, Bradesco, BANCO BPM, CRÉDIT AGRICOLE, Standard Chartered

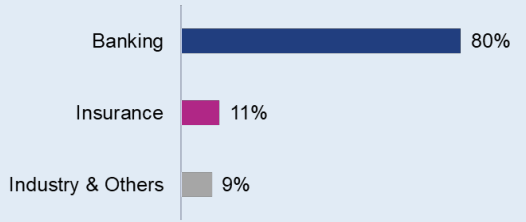
Insurance

MACIF, UnipolSai ASSICURAZIONI, GKV Spitzenverband, MAPFRE, INDUSTRIELLE ALLIANCE ASSURANCE ET SERVICES FINANCIERS INC., SulAmérica

Industry & Others

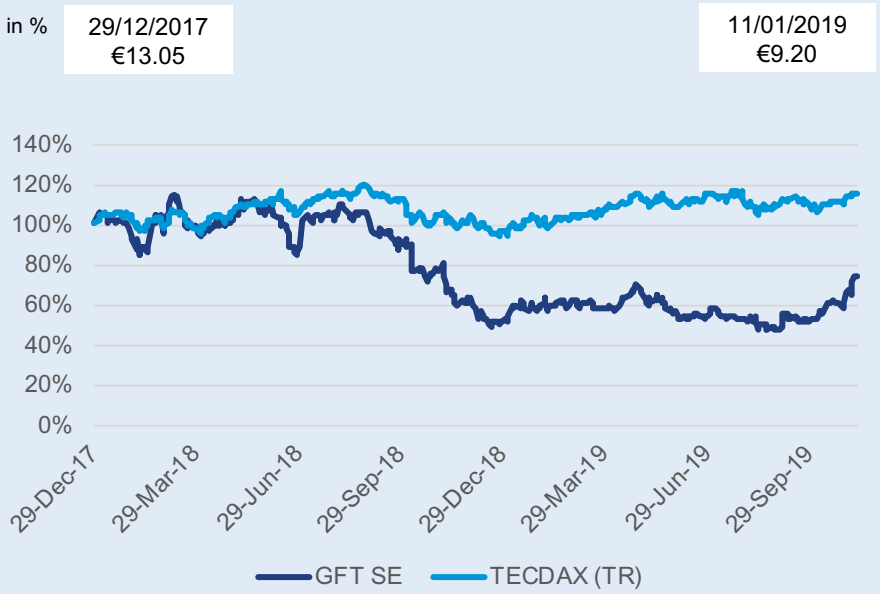
Google, TRUMPF

Revenue by sector

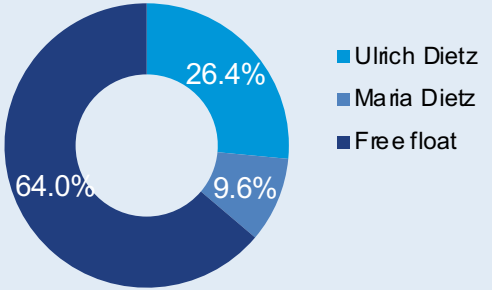


GFT share and shareholder structure

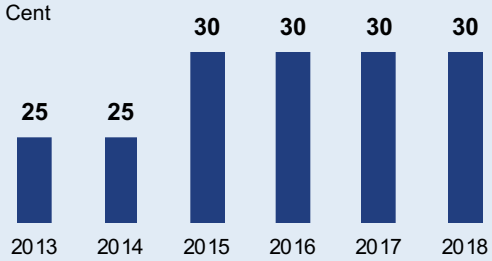
GFT share indexed



Shareholder structure



Dividend per share in Cent (for financial year)



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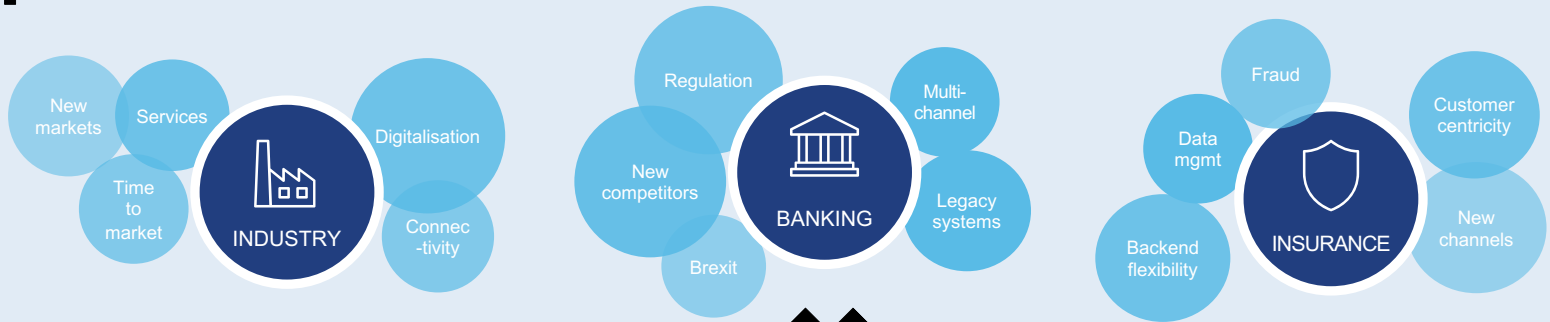
Business areas of GFT inside the banks

IT technology meets client business challenges



INNOVATION | **TRANSFORMATION**

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IT TECHNOLOGY

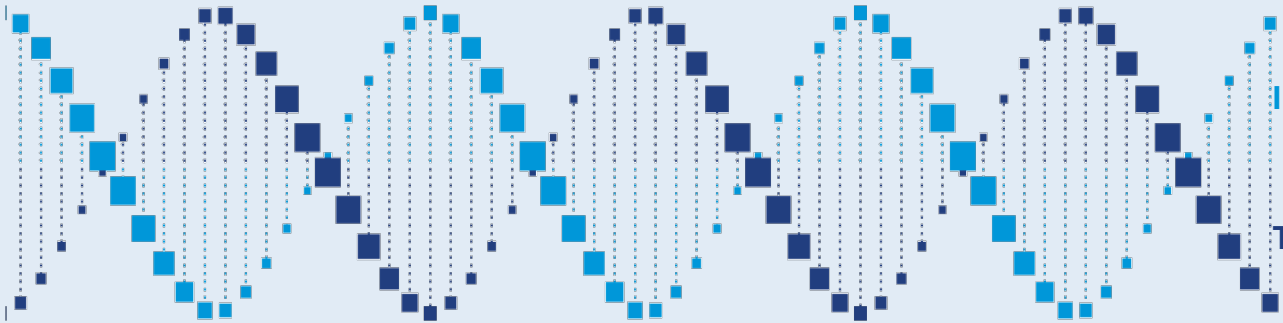
GFT Partner for Innovation and Transformation

CUSTOMER CENTRICITY

COLLABORATION

AUTOMATION

GAME CHANGERS



INNOVATION

TRANSFORMATION

PLATFORM ENGINEERING

DATA ENGINEERING

REGULATORY, RISK & COMPLIANCE SERVICES

CLOUD ENGINEERING

Accelerating growth in exponential cloud technology with Google

GFT a Premier Google Cloud partner

- Preferred partner in financial services
- Strategic investments to strengthen relationship with Google:
  - Continuous build up of talent and sales team
  - Development of Cloud Accelerators
  - Capabilities from native cloud implementation to cloud application dev.

Target 2019

- Doubling revenues from Cloud Services to €20m

GFT Cloud projects delivering efficiency and scale

- Big Data decision-making process for fund managers
- Native Cloud solution for Life Insurance business
- Data Analytics & Cloud solution for trade surveillance in capital markets

Google Cloud & GFT

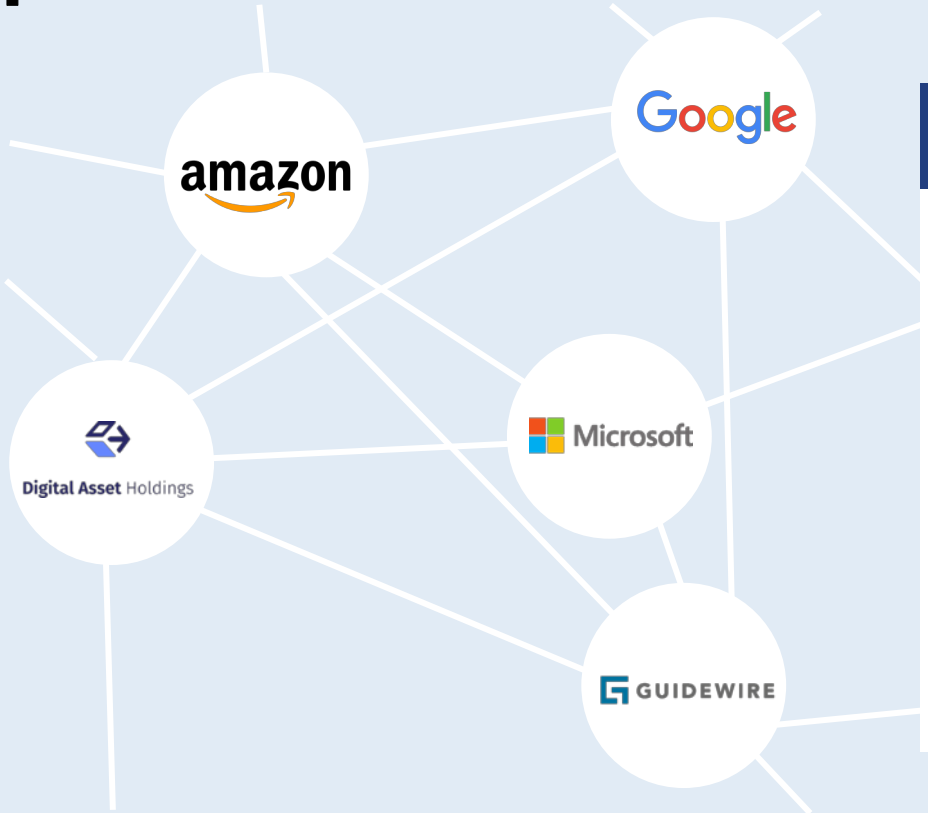
350

CERTIFIED ENGINEERS FOR 2019

- Public cloud revenue to grow 17.3% in 2019 and 50% by 2021*
- Google invested $30.9 billion in GCP offering over last 3 years**

** Gartner ** Google*

Further strengthening of partnerships



Cloud experts at GFT

Creating win-win with Guidewire expansion in Europe

Acquisition of Canadian V-NEO, leading Guidewire specialist

- Guidewire as a top ranked IT-solution for digitalising of insurance sector
- Strategic investments to strengthen position as Guidewire specialist:
  - Continuous build up of talent (goal: 300 experts worldwide)

Target 2019

- 10% revenue share with Insurance services in 2019

Growing demand for Guidewire projects

- Multi-year Guidewire cloud project with French insurer
- Centres of excellence for Guidewire implementation in Poland and Spain in addition to Canada and Italy

GUIDEWIRE & GFT

128

TRAINED ENGINEERS in 2018

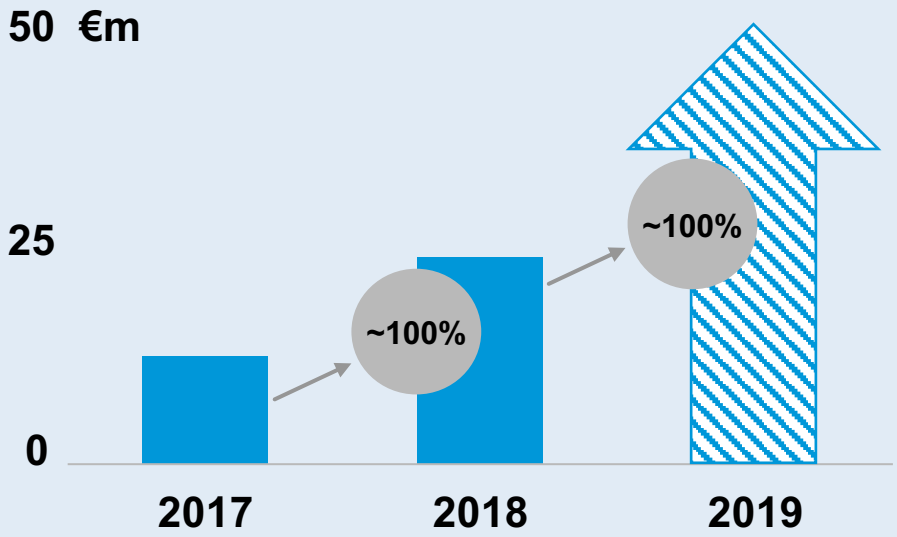
Guidewire: only provider ranked as leader globally by both IDC & Gartner

High demand by insurers revenue CAGR 2016-2018:

NORTH AMERICA	28%
EMEA	24%

Insurance with high growth dynamics

Revenue development with insurance clients 2017 -2019



- Target 2019e: over 10% of revenue

Re-engineering of anti-fraud processes in insurance

Data Analytics & AI

- Fraud problem in Italian insurance business, esp. motor claims are exposed to a high risk
- Old fraud detection is ineffective, system unable to respond in real time and learn from behaviour patterns
- GFT developed a machine learning platform, which is able to combine structured and unstructured data/documents from both enterprise databases and external sources
- GFT provided a real-time scoring engine, the model works continually with the machine-generated predictive model to improve effectiveness
  - 30% increase in fraud detection
  - The number of claims being evaluated daily in a real-time scoring engine increased by 40%
  - The anti-fraud team can act immediately, extract relevant information and examine suspicious positions

AI document processing

Artifical Intelligence

- Banks are challenged to handle huge amounts of messages and unstructured scanned documents
- Machine learning and deep learning algorithms automatically classify documents in pre-defined classes, supported by human-in-the-loop assessments
- This helped to greatly accelerate the processing of documents at a middle size retail bank
- Process automation is integrated into the organization
- Highly scalable and extensible to other use cases

Industry activities strengthened

Industry 4.0

- Acquisition of Axxom as of 1 July
  - Gain of experts in cross-segment IT and industrial IoT processes
  - Strengthening of partnership with Trumpf for development of machine software solutions
  - New location in Karlsruhe added
- Partnership with in-integrierte informationssysteme GmbH (in-GmbH)
  - IoT and industrie 4.0 platform (sphinx open online) of in-GmbH combined with GFT's industry know-how
  - Solution combines information of various sources and enables data analysis as well as process improvements (predictive maintenance)
  - Software is appreciated by different industry clients to increase productivity

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Highlights in the first nine months 2019

- Client and sector diversification continued
- Dynamic revenue growth of 23% without top-2 clients* (20% in H1/2019)
- Group revenue up slightly by 2% to €316.0 million
- Insurance business accounts for 11% and cloud business for 6% of total revenue
- Adjusted EBITDA (incl. IFRS 16) up by 21% to €34.8 million
- Expected burdens from restructuring and underutilisation
- FY 2019 guidance for revenue and earnings unchanged and confirmed

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

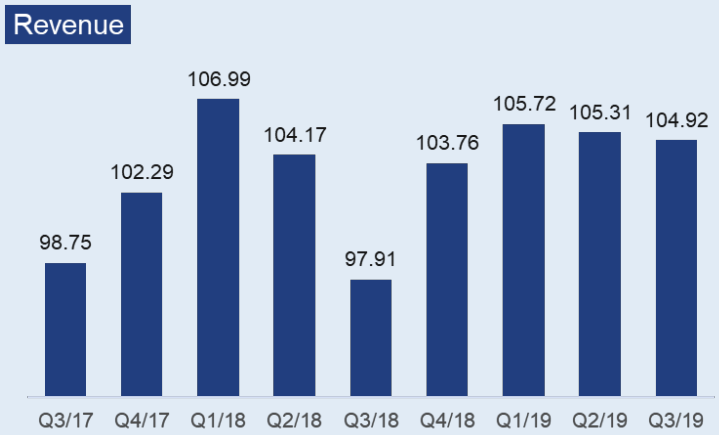
Key figures

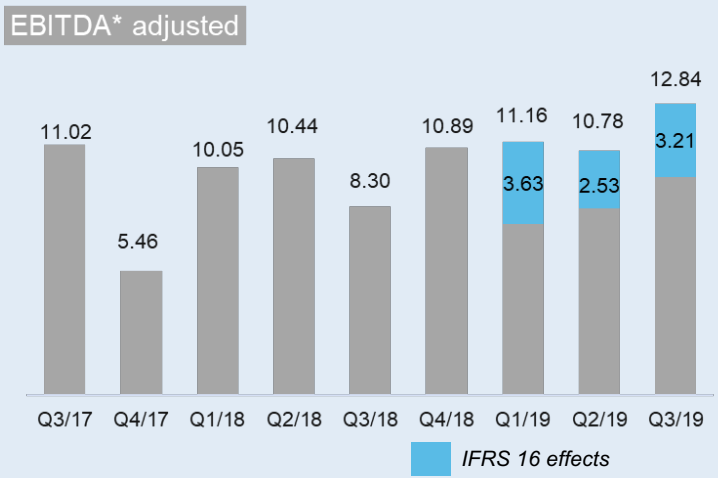
in €m	9M/2019	9M/2018	Δ%
Revenue	**315.95**	**309.07**	**2%**
Revenue w/o V-NEO & AXOOM	300.76	305.92	-2%
EBITDA adjusted*	**34.78**	**28.79**	**21%**
EBITDA	**32.20**	**28.03**	**15%**
EBIT	**14.30**	**18.51**	**-23%**
EBT	**12.34**	**16.92**	**-27%**
Net income	**10.08**	**16.61**	**-39%**
Earnings per share (in €)	**0.38**	**0.63**	**-39%**
Earnings per share adjusted (in €)*	**0.59**	**0.84**	**-30%**
Employees (in FTE)	**5,173**	**4,860**	**6%**

- **Revenue** up slightly by 2% (organic -2%), Revenue contribution of V-NEO (€14.6m) & AXOOM (€0.59m)
- Organic **revenue growth** in Q3/2019: 6%
- 21% increase in **adjusted EBITDA** mainly due to positive effects from IFRS 16 of €9.37m
- **EBITDA** burdened by M&A effects (V-NEO & AXOOM) of €-2.58m
- **EBIT** below prior-year level
- **EBT** burdened by:
  Restructuring charges of €-3.48m (9M/2018: €-0.55m)
  Currency effects of €-0.79m (9M/2018: €-0.87m)
  Underutilisation €-1.40m compared to 9M/2018

** 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€)





- Q3/2019 EBITDA adjusted with positive IFRS 16 effect of €+3.21m

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

Revenue by segment

in €m	Revenue		Growth rates			
	9M/2019	9M/2018	Organic	M&A	FX	Total
Americas & UK	147.30	137.10	-7%	9%	5%	7%
Continental Europe	168.24	171.54	-2%	0%	0%	-2%
Others	0.41	0.43	-4%	n/a	n/a	-4%
GFT Group	**315.95**	**309.07**	**-4%**	**4%**	**2%**	**2%**

- **Americas & UK:** expected weaker business with top-2 clients, positive development in Mexico, Brazil and Canada, revenue without top-2 clients up 47%
- **Continental Europe:** business with top-2 clients down as expected, above all in Germany; positive development in France especially in insurance business, revenue without top-2 clients up 7%
- **M&A effects:** as expected positive, dynamic development of V-NEO

Revenue by segment for top-2 clients

in €m		Revenue		Δ%
		9M 2019	9M 2018	9M 2019 / 9M 2018
Americas & UK	Top-2 Clients	45.35	67.90	-33%
	Other Clients	101.94	69.21	47%
	Total	147.30	137.10	7%
Continental Europe	Top-2 Clients	49.09	60.28	-19%
	Other Clients	119.16	111.26	7%
	Total	168.25	171.54	-2%
GFT Group	**Top-2 Clients**	**94.44**	**128.18**	**-26%**
	Other Clients	**221.10**	**180.46**	**23%**
	Total	**315.54**	**308.64**	**2%**

** Excluding segment "Others"*

- 26% decrease in revenue with **top-2 clients** within expected range; decline is particularly strong in the UK (Americas & UK segment) and Germany (Continental Europe segment)
- Business with other clients up 23% with dynamic growth in Americas & UK (+47%) and positive trend over the course of 2019 in Continental Europe (Q1/2019: -1%, H1/2019: +2%, 9M/2019: +7%)

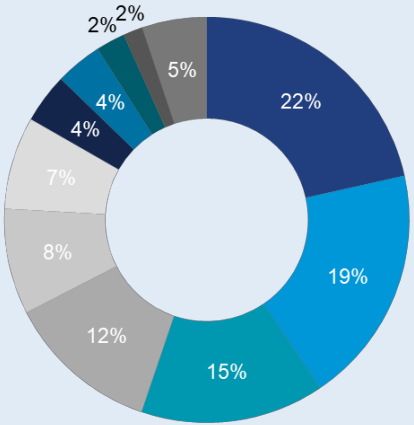
EBITDA adjusted, EBITDA and EBT by segment

in €m	EBITDA adjusted*			EBITDA			EBT		
	9M/2019	9M/2018	Δ%	9M/2019	9M/2018	Δ%	9M/2019	9M/2018	Δ%
Americas & UK	9.91	9.36	6%	7.67	8.60	-11%	2.13	3.90	-45%
Continental Europe	26.58	18.96	40%	26.24	18.96	38%	12.52	13.02	-4%
Others	-1.71	0.47	< -100%	-1.71	0.47	< -100%	-2.31	0.00	>100%
GFT Group	**34.78**	**28.79**	**21%**	**32.20**	**28.03**	**15%**	**12.34**	**16.92**	**-27%**

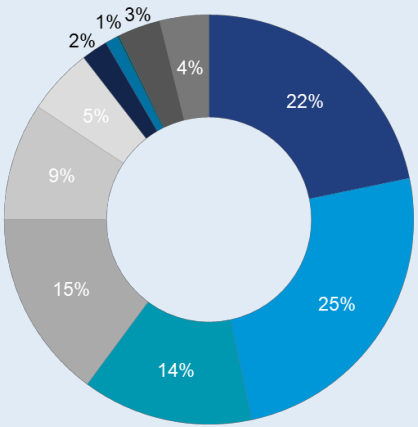
** Adjusted for non-operational effects from M&A activities*

- **Americas & UK:** earnings burdened by falling revenue share of top-2 clients and higher sales expenses for other clients, positive effects from Brazil and Mexico
- **Continental Europe:** restructuring expenses and underutilisation in the first nine months, expected weaker trend with top-2 clients in Germany

Revenue by country (in m€)



9M/2019		Δ%	9M/2018
67.95	Spain	0%	67.91
60.12	United Kingdom	-23%	77.68
46.41	Italy	10%	42.10
38.61	Germany	-17%	46.44
26.66	USA	-8%	28.97
23.35	Brazil	43%	16.35
12.47	Mexico	92%	6.48
11.79	Canada	>100%	3.11
7.36	France	>100%	0.56
4.94	Switzerland	-33%	7.37
16.29	Others	35%	12.10
315.95	Total	2%	309.07



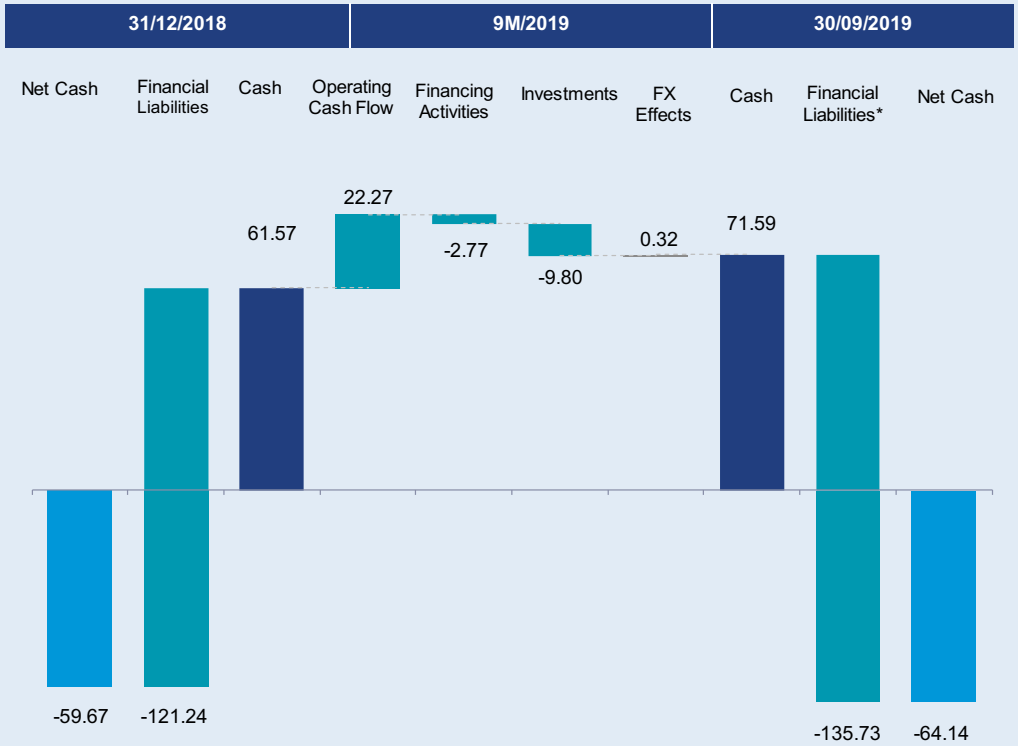
Detailed profit & loss statement

in €m	9M/2019	9M/2018	Δ%
Revenue	**315.95**	**309.07**	**2%**
Other operating income	6.31	5.46	16%
Cost of purchased services	-35.22	-41.34	-15%
Personnel expenses	-219.11	-199.59	10%
Other operating expenses*	-35.73	-45.57	-22%
EBITDA	**32.20**	**28.03**	**15%**
Depreciation and amortisation	-17.90	-9.52	88%
EBIT	**14.30**	**18.51**	**-23%**
Interest and similar expenses/income	-1.96	-1.59	23%
EBT	**12.34**	**16.92**	**-27%**
Income taxes	-2.26	-0.31	629%
Net income	**10.08**	**16.61**	**-39%**
Earnings per share - basic	0.38	0.63	-39%

** Including result of investments accounted for using the equity method*

- **Revenue** trend in line with expectations
- **Cost of purchased services** to revenue ratio down to 11% (9M/2018: 13%)
- Increased **personnel expenses** due to higher average headcount, capacity adjustments and reduced purchases of external services. Ratio of personnel expenses (excluding capacity adjustments plus purchased services) to revenue at 79% (9M/2018: 78%)
- **Other operating expenses** adjusted for positive effects from first-time application of IFRS 16 of €9.37m more or less at prior-year level
- **EBITDA** without positive IFRS 16 effects down by 19%
- IFRS 16 accounts for €8.55m of increase in **depreciation and amortisation**
- **Net income** burdened by increased income taxes. Rise in tax rate to 18% (9M/2018: 2%) due to lower aperiodic income

Cash flow analysis (in m€)

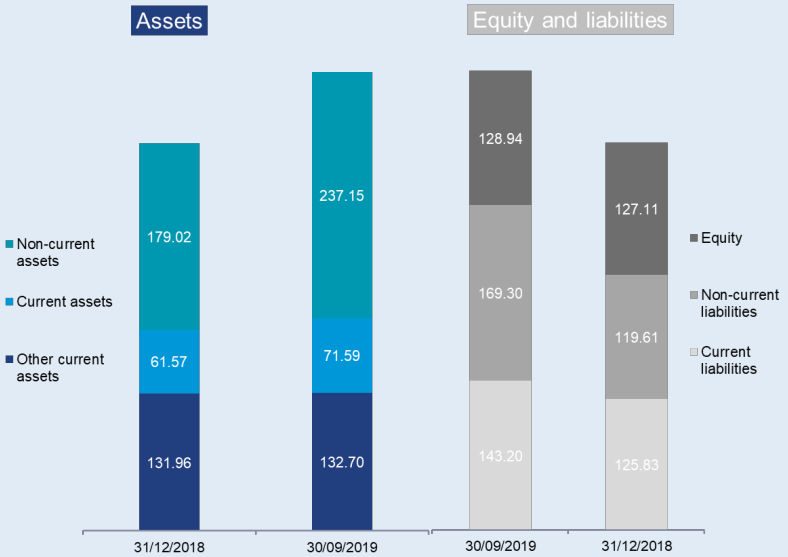


** Financial liabilities according to balance sheet disclosure, thus without lease liabilities under IFRS 16*

- **Financing structure remains solid**. Credit facilities not yet drawn of €32.09m (31.12.2018: €37.05m). Net cash at €-64.14m (31.12.2018: €-59.67m)
- Increase in **cash** to €71.59m (31.12.2018: €61.57m)
- **Operating cash flow** adjusted for IFRS 16 effects below prior-year level due to general business development and working capital effects
- **Cash flow from financing activities** adjusted for negative IFRS 16 effects influenced by net borrowing of €14.49m (9M/2018: €20.85m) as well as dividend payment of €7.90m (9M/2018: €7.90m)
- **Cash flow from investing activities** mainly shaped by cash outflows of €5.53m for the purchase of GFT Smart Technology Solutions GmbH (formerly: AXOOM GmbH)

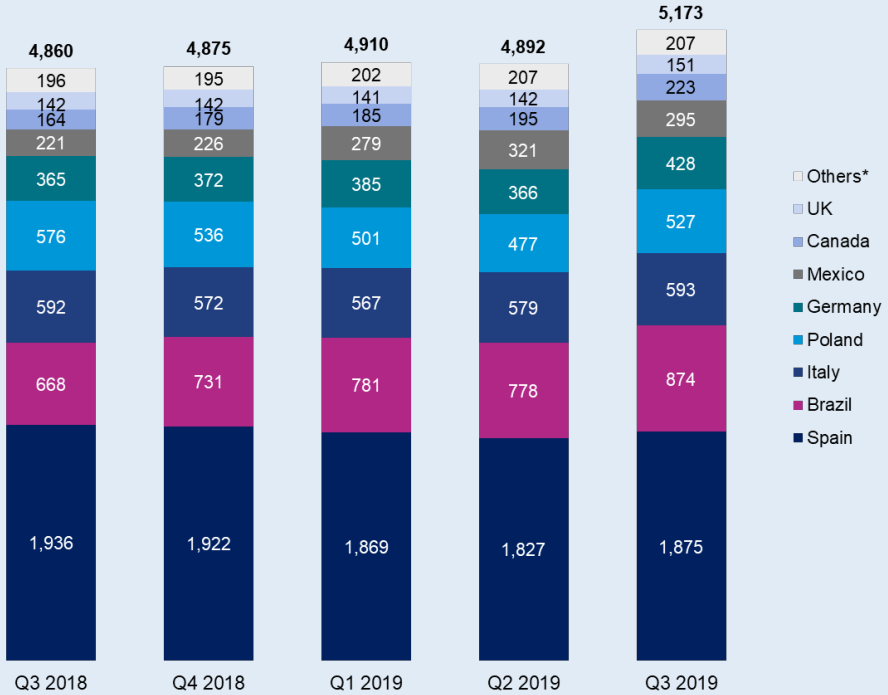
Balance sheet (in m€)

- Growth in **balance sheet total** of €68.89m mainly due to change in lessee accounting acc. to IFRS 16
- Rise in **non-current assets** of €58.13m due to right-of-use assets of €58.52m capitalised acc. to IFRS 16. Non-current assets account for 54% of balance sheet total (31.12.2018: 48%)
- **Cash and cash equivalents** up 16% as a result of closing-date effects
- Rise in receivables and contract assets of €4.09m within **other current assets** reflects positive growth trend



- **Equity** at prior-year level due to currency effects. Negative transitional effects of €2.34m from first-time application of IFRS 16. Equity ratio of 29% (31.12.2018: 34%), adjusted for IFRS 16 effects still at 34%
- Rise in **non-current liabilities** due to lease liabilities acc. to IFRS 16 of €50.43m
- Increase in **current liabilities** mainly due to lease liabilities acc. to IFRS 16 (€10.91m) and bank borrowing (€15.30m). Opposing closing-date effects from decrease in trade payables (€7.10m) and contract liabilities (€6.78m).

Employees by country (FTE)



- Increase in Group headcount compared to 30/09/2018 due to AXOOM acquisition (72 employees) and staff expansion esp. in Mexico and Brazil
- Slight decline in headcount in Spain and Poland
- 116 employees involved in corporate functions (9M/2018: 120)
- Utilisation rate of 89% at prior-year level (9M/2018: 89%)

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

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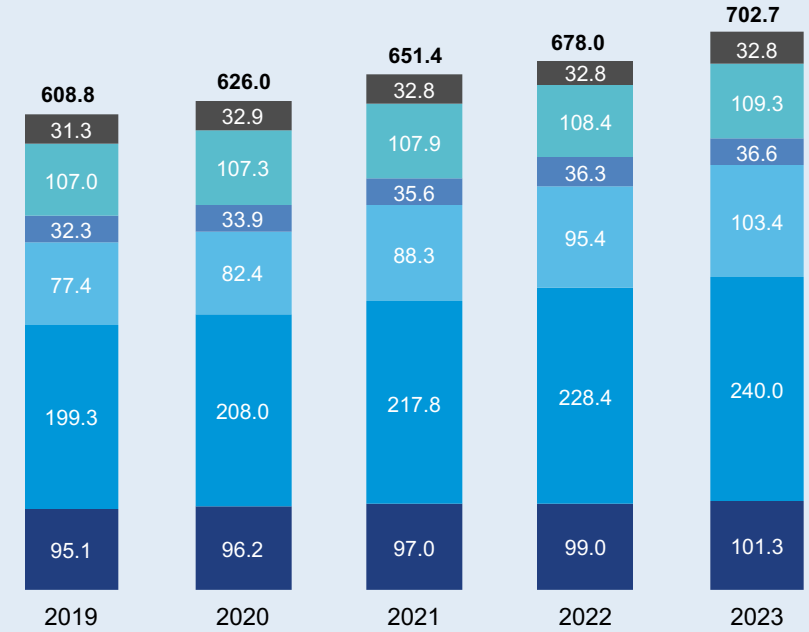
Banking and Securities IT Spending Forecast



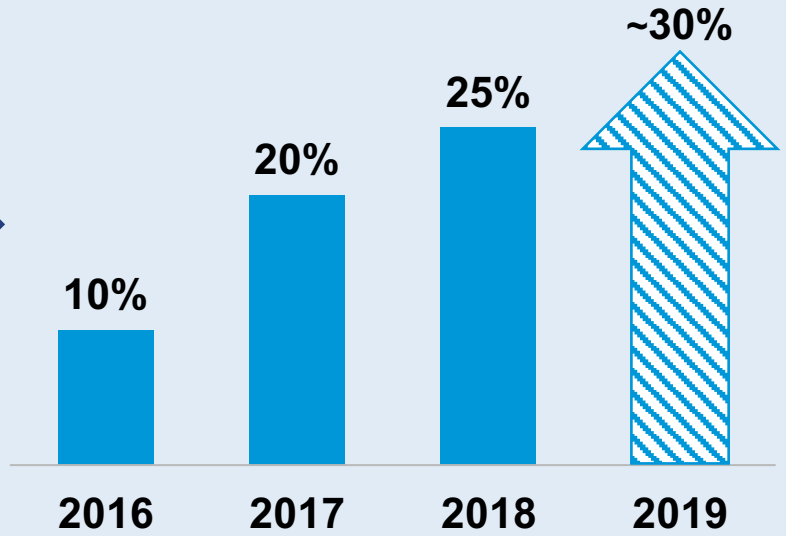
	CAGR 2019-2023
Data Center Systems	1.0%
Telecom Services	0.6%
Devices	0.0%
Software	6.3%
IT Services	**4.1%**
Internal Services	1.6%
	3.2% Total

In Billions of U.S. Dollars / constant currency

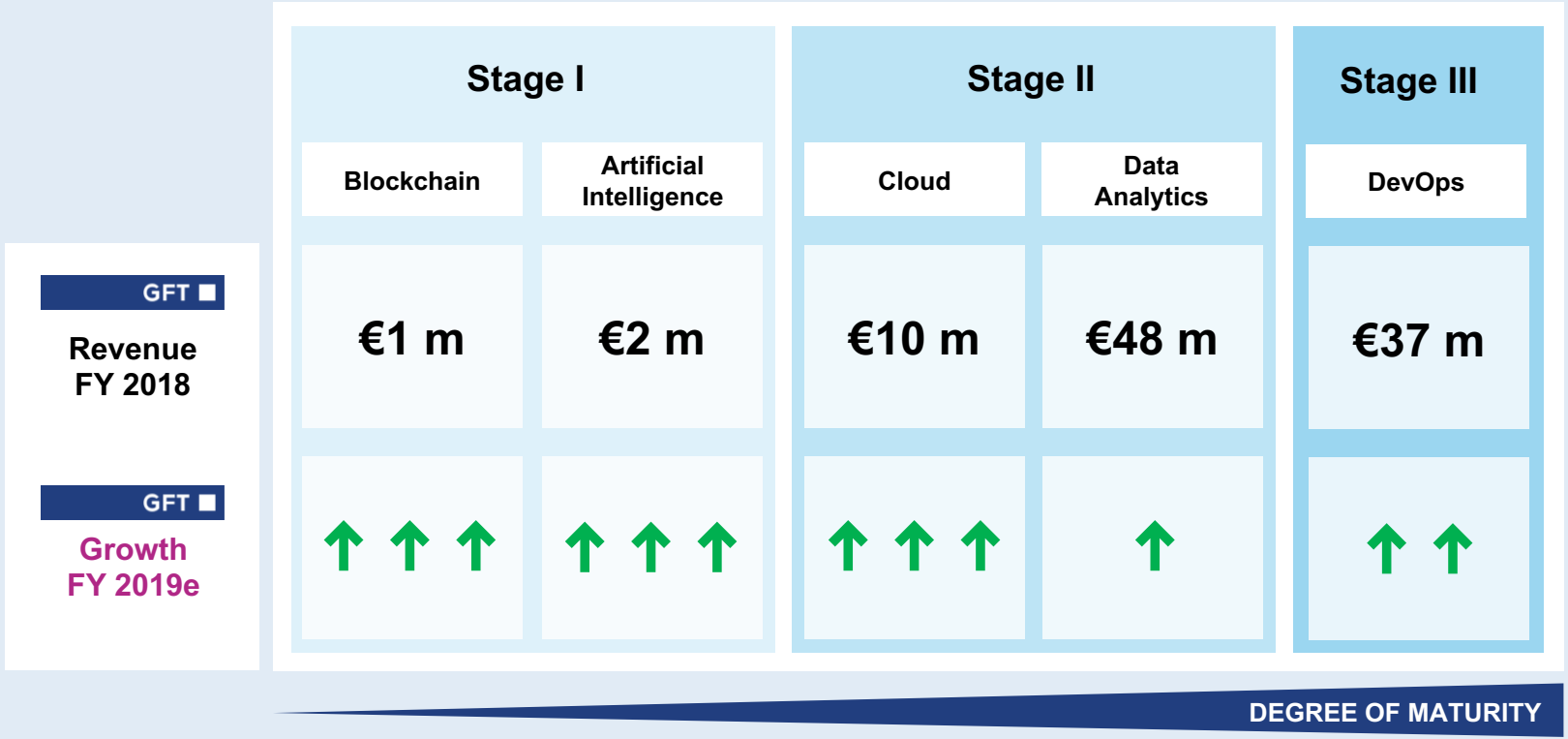
Source: Gartner July 2019

Growing revenue share with exponential technologies

- Artificial Intelligence
- Cloud
- DLT/Blockchain
- Data Analytics
- DevOps

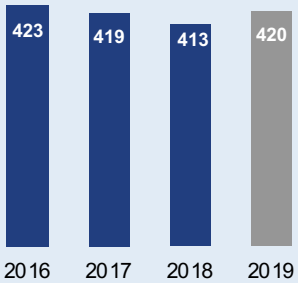


Development of exponential technologies at GFT

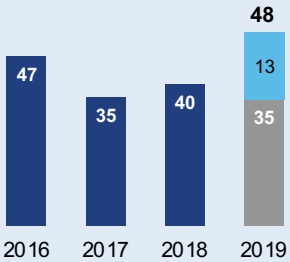


Outlook FY 2019 (in m€)

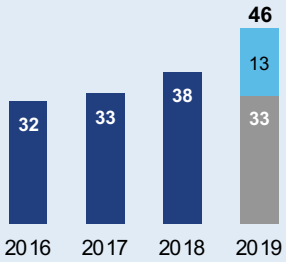
Revenue
+2%



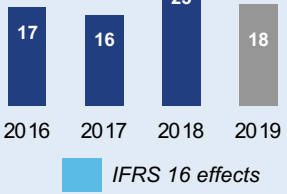
EBITDA adjusted*
-12%/ +21%



EBITDA
-12% / +23%



EBT
-20%



Guidance for FY 2019 unchanged and confirmed

Revenue

- Decrease in revenue with top-2 clients of around 30%
- Further success in sector and client diversification: revenue growth without top-2 clients of over 20% and insurance business to account for over 10% of revenue

Earnings

- Earnings burdened by restructuring charges and underutilisation in connection with top-2 clients, as well as permanently increased sales expenses for client diversification. Details of IFRS 16 effects are provided in the backup

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

Backup

Outlook: Revenue for top-2 clients in FY 2019*

in €m		Revenue			Δ%	Δ%
		2019e	2018	2017	2019/2018	2019/2017
Americas & UK	Top-2 clients	56.00	84.79	114.34	-34%	-51%
	Other clients	135.00	98.66	81.05	37%	67%
Continental Europe	Top-2 clients	58.00	79.56	76.34	-27%	-24%
	Other clients	171.00	149.32	146.15	15%	17%
GFT Group	**Top-2 clients**	**114.00**	**164.35**	**190.68**	**-31%**	**-40%**
	Other clients	**306.00**	**247.97**	**227.20**	**23%**	**35%**
	Total	**420.00**	**412.32**	**417.88**	**2%**	**1%**

** Excluding segment "Others"*

Split of operative and M&A Effects

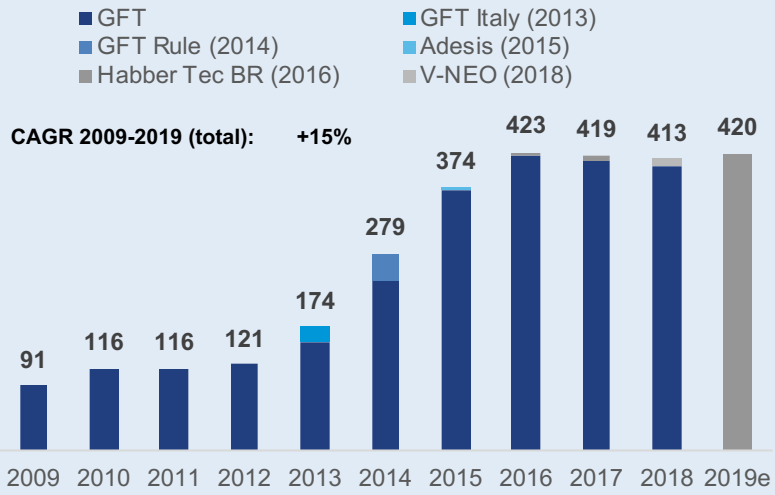
in €m	9M/2019				9M/2018			
	GFT stand alone	V-NEO	Axoom	GFT Total	GFT stand alone	DPR	V-NEO	GFT Total
EBITDA adjusted	**30.91**	**3.46**	**0.41**	**34.78**	**28.22**	**0.00**	**0.56**	**28.79**
M&A earn-out & retention	0.00	-2.11	0.00	-2.11	0.00	0.00	-0.15	-0.15
M&A consult & integrate	0.00	0.00	-0.13	-0.13	0.00	0.00	-0.47	-0.47
M&A amortisation orderbook	0.00	-0.13	-0.21	-0.34	0.00	0.00	-0.14	-0.14
EBITDA	**30.91**	**1.22**	**0.07**	**32.20**	**28.22**	**0.00**	**-0.20**	**28.03**
Depreciation & amortisation	-14.58	-0.04	-0.06	-14.68	-5.37	0.00	0.00	-5.37
M&A amortisation	-2.05	-1.17	0.00	-3.22	-3.89	0.00	-0.25	-4.15
EBIT	**14.28**	**0.01**	**0.01**	**14.30**	**18.96**	**0.00**	**-0.45**	**18.51**
Interest	-1.69	-0.27	-0.01	-1.96	-1.00	0.00	-0.03	-1.04
M&A interest	0.00	0.00	0.00	0.00	0.00	-0.56	0.00	-0.56
EBT	**12.60**	**-0.26**	**0.00**	**12.34**	**17.96**	**-0.56**	**-0.48**	**16.92**
Income taxes	-2.29	0.03	0.00	-2.26	-0.39	0.00	0.08	-0.31
Net income	**10.31**	**-0.23**	**0.00**	**10.08**	**17.57**	**-0.56**	**-0.40**	**16.61**
Net income adjusted	**12.35**	**2.77**	**0.30**	**15.42**	**21.46**	**0.00**	**0.61**	**22.08**
Shares outstanding (m.)	26.33	26.33	26.33	26.33	26.33	26.33	26.33	26.33
EPS basic (€)	0.39	-0.01	0.00	0.38	0.67	-0.02	-0.02	0.63
EPS adjusted (€)	0.47	0.11	0.01	0.59	0.82	0.00	0.02	0.84

Effects after initial application of IFRS 16

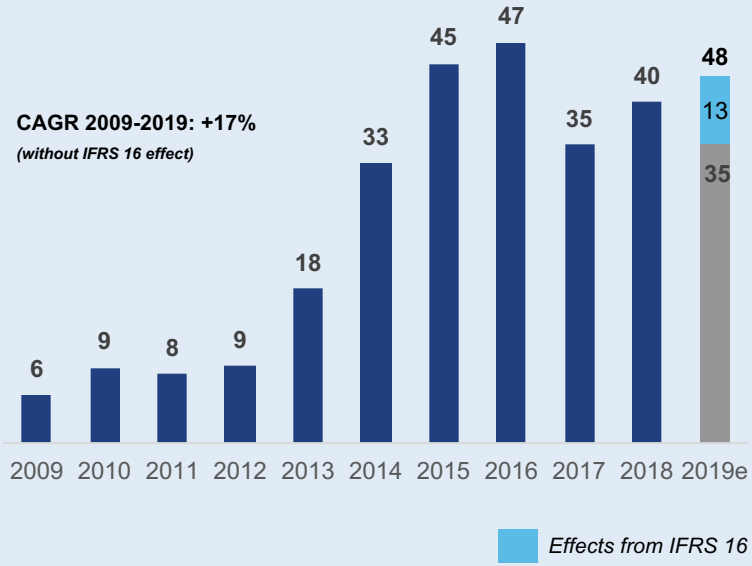
in €m	9M/2019			2019 expected		
	after IFRS 16	Adjustment	befor IFRS 16	after IFRS 16	Adjustment	befor IFRS 16
EBITDA adjusted	**34.78**	9.37	25.42	**approx. 48**	approx. 13	approx. 35
EBITDA	**32.20**	9.37	22.84	**approx. 46**	approx. 13	approx. 33
EBIT	**14.30**	0.81	13.49	**approx. 21**	approx. 1	approx. 20
EBT	**12.34**	-0.07	12.41	**approx. 18**	approx. 0	approx. 18

Revenue and EBITDA development

Revenue in €m



EBITDA adjusted in €m



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

Company	LC	Price	MC	P / E		EV / EBITDA	
				19e	20e	19e	20e
European IT Services							
Capgemini SE	EUR	105.60	17,666.2	16.5x	15.0x	9.6x	8.9x
Devoteam SA	EUR	78.80	656.6	16.1x	13.7x	8.6x	7.7x
First Derivatives plc	GBP	23.50	627.4	27.0x	24.4x	16.5x	14.9x
Indra Sistemas, S.A. Class A	EUR	9.69	1,710.9	12.7x	11.2x	7.7x	7.3x
Reply S.p.A.	EUR	62.40	2,805.1	22.2x	20.0x	13.1x	11.9x
Global IT Services							
Accenture Plc Class A	USD	190.06	120,700.1	25.8x	24.3x	17.1x	15.2x
Cognizant Technology Solutions Corporation Class A	USD	62.64	34,299.5	15.8x	15.1x	10.3x	9.77x
EPAM Systems, Inc.	USD	194.28	10,682.5	36.3x	30.2x	25.4x	20.7x
DXC Technology Co.	USD	29.40	7,701.7	4.6x	4.1x	4.4x	4.2x
Luxoft Holding, Inc. Class A	USD	-	-	-	-	-	-
Indian IT Services							
HCL Technologies Limited	INR	1,146.85	1,554,780.1	15.0x	13.4x	9.8x	8.7x
Infosys Limited	INR	704.50	3,025,857.5	18.3x	16.5x	12.6x	11.3x
Tata Consultancy Services Limited	INR	2,099.70	7,878,882.0	23.9x	21.8x	17.9x	16.3x
Wipro Limited	INR	256.40	1,464,789.3	15.4x	14.5x	10.6x	10.1x
Average (all)				19.2x	17.2x	12.6x	11.3x
Median (all)				*16.5x*	*15.1x*	*10.6x*	*10.1x*
GFT Technologies SE	**EUR**	**9.20**	**242.2**	**13.3x**	**11.3x**	**8.3x**	**7.5x**

Factset as of 11 November 2019

Shaping the future of digital business

GFT Technologies SE

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