

GFT Technologies Buy

Germany | IT services & software

MCap: EUR397.5m

Target Price:	EUR18.60 (15.00)	Change in TP:	24.0%
Current Price:	EUR15.10	Change in Sales:	0.8% 20E/-0.8% 21E
Up/downside:	23.2%	Change in Adj EBIT:	5.2% 20E/-4.6% 21E
Market data:	11 March 2021	Change in Adj. EPS:	0.6% 20E/-2.4% 21E

Bloomberg: GFT GR	Reuters: GFTG.DE
Free float	63.8%
Avg. daily volume (EURm)	0.4
YTD abs performance	26.5%
52-week high/low (EUR)	16.44/5.84

Transfer of coverage after FY 2020 prelims

Why this report?

Following GFT's preliminary FY 2020 results and the transfer of coverage, we adjust our model to reflect management's outlook for 2021, with further high growth levels expected from emerging digital banking concepts in the APAC region, and a recovery expected in the business in continental Europe and GFT's Industry segment. The group's fast-growing technology is boosting the top line, which could be beneficial at a later stage. We provide new estimates and DCF parameters, yielding a EUR18.6 TP. With slightly superior margins, we think GFT deserves to be trading at multiples at least in line with its peers.

Key findings

- 2020 saw further diversification and an acceleration in GFT's fast-growing tech business.
- For 2021, management expects a steep rebound in continental Europe and further strong growth in APAC driven by emerging digital banking concepts, continued high demand in GFT's Insurance segment, and a recovery of its Industry segment.

Deconstructing the forecasts

- After the transfer of coverage and management's updated outlook for 2021, we decrease our 2021-23E estimates.
- We cut our WACC to 8.8% applying our updated in-house DCF guidelines, yielding a TP increase and outweighing our earnings cut.

Investment case

- The business is normalising thanks to its diversification strategy, with 21% of revenues from its top-two clients (vs. 43% in 2017) and 42% of revenue from fast-growing businesses (DLT/blockchain, AI, data analytics, cloud and DevOps).
- GFT is able to reallocate staff resources efficiently and minimise the impact of contract cancellations on its utilisation rate, as seen after the massive revenue shortfall of its top two clients, thanks to its global project delivery and large portfolio of technologies.
- The emergence of fast-growing technologies is accelerating GFT's top-line growth. In the medium term, this should boost GFT's traditional core business, application management services.

Catalysts

- Strong demand pattern for IT projects fostered by new technologies and the insurance sector.
- M&A

FY to 31/12 (EUR)	12/21E	12/22E	12/23E
Sales (m)	480.4	521.9	570.1
EBITDA adj (m)	50.3	58.8	67.8
EBIT adj (m)	28.3	35.7	43.7
Net profit adj (m)	25.2	30.0	35.2
Net financial debt (m)	33.9	15.2	-9.0
FCF (m)	15.4	40.2	46.8
EPS adj. and ful. dil.	0.96	1.14	1.34
Consensus EPS	0.82	1.04	1.12
Net dividend	0.30	0.30	0.30

FY to 31/12	12/21E	12/22E	12/23E
P/E adj and ful. dil.	15.8	13.3	11.3
EV/EBITDA	9.5	7.8	6.4
EV/EBIT	16.9	12.9	10.0
FCF yield	3.9%	10.1%	11.8%
Dividend yield	2.0%	2.0%	2.0%
ND(F+IFRS16)/EBITDA	1.4	0.9	0.4
Gearing	24.1%	9.6%	-5.0%
ROIC	10.2%	12.5%	15.5%
EV/IC	2.2	2.2	2.1

Sector Most Pref.

 Atos
 Capgemini

Sector Least Pref.

TietoEVRY

Valuation methodology

- We value GFT with a ten-year DCF (8.8% WACC, 2% LT growth, 12% LT EBITDA margin).

Risks to our rating

- Rising staff costs and IT engineer scarcity could slow down the signing of contracts related to new technologies.
- With 17% of revenues in the UK but only 3% of total staff in the country, Brexit could hamper GFT's ability to serve UK-based clients from less expensive nearshore countries.

2020 recap

In 2020, GFT accelerated its own transformation process despite the Covid headwinds, and it is now more diversified with a focus on fast-growing tech markets. The group saw particularly strong growth in its relatively young business with GFT's insurance clients (insurance business +23%), and also with fast-growing technologies (44%), of which the cloud business grew by 86%. All three growth rates are double those typically seen in the respective markets.

GFT also completed the integration of its acquired IoT platform sphinx open online for GFT's Industry segment, which is expected to grow in 2021 according to management, after 2020 was negatively affected by Covid.

The higher than guided sales (c. EUR5m) were driven by a stronger than expected Q4 2020 with a higher number of billable days than in Q3. EBITDA and EBT (more so EBITDA due to a reduction in IFRS 16 effects) decreased due to significant underutilisation (esp. in Continental Europe) in Q1, Q2, and partially Q3 amounting to EUR4.3m in costs, which was not offset by the cost and margin improvement especially in the Americas, the UK, and APAC of EUR2m. Restructuring measures in 2020 were the highest in the last 15 years at EUR8.8m (2019: EUR4.1m).

By country, Germany, the UK, Spain, and the US declined in 2020, as they are all countries where the top 2 clients are present. Other markets grew significantly. Profitability in the Americas, the UK, and APAC was driven by good utilisation in 2020, while profitability declined significantly in Continental Europe due to underutilisation in Germany and Spain as well as restructuring costs. In 2021, management expects growth in nearly all of the countries in which it operates.

Client diversification

Sales reduction from top 2 clients expected to flatten in 2022

The share of GFT's largest client Deutsche Bank is now at 21%, according to management's plan. The reduction was driven by GFT's strong partnerships, especially with hyperscalers, the group's ongoing investment in sales, and the upscaling of employees. Sales from DB decreased to EUR96m in 2020 (EUR122m in 2019), and management is guiding for EUR79m in 2021, although it could drop to EUR60-70m in 2022, but is expected to flatten at the latest in 2022. The group is still seeing a reduction in its business in Spain, but on the other hand it is also winning new contracts, e.g. DB has decided to move to cloud/Google, and GFT is engaged in executing newly won Google projects as well as in the Postbank migration/integration. The reduction in DB's exposure will continue to be a burden on margins. For every euro in revenue lost from DB and regained from other clients, the group sees a 5% increase in its sales costs. Overall, the relationship is still firmly intact with DB.

All other clients

Around 79% of the revenues are generated with clients that contribute less than EUR30m of sales. Clients generating sales between EUR10-30m (c. 50% of revenues) are the most efficient clients for GFT when it comes to sales and delivery efficiency. The number of clients generating EUR5-10m has increased significantly. All clients that account for less than EUR5m of GFT's annual sales, (33% of total sales), are part of GFT's land and expand strategy, and are less efficient from a sales and delivery perspective.

Clients contributing less than EUR1m in sales (land and expand) predominantly come from GFT's Banking and Industry segment, because the group starts with small client engagements there. In Insurance, the focus is predominantly on large digital transformation programmes sometimes with only one client generating millions of euros in revenues.

Overall, the group has continued to reduce its business with its top 2 clients and has compensated for this by adding a significant number of smaller new clients, which translates into higher sales costs but should stabilise when sales from the top 2 clients reach the trough in 2022. According to management, 14-15% growth with all other clients seems to be sustainable for the next 2-3 years, which will lead to scale effects. Thus, the group is envisaging steady top-line growth which will lead to scale at the bottom-line level in the coming years.

GFT's largest 30 clients (>EUR3m in revenue) accounted for c. 75% of group sales

Chart 1: GFT's qualified* clients, o/w 54 newly acquired in 2020



*= New clients with a run rate >EUR0.1m; Source: GFT Technologies

Chart 2: Client concentration (contributed annual revenues)



Source: GFT Technologies

Outlook for 2021 and beyond

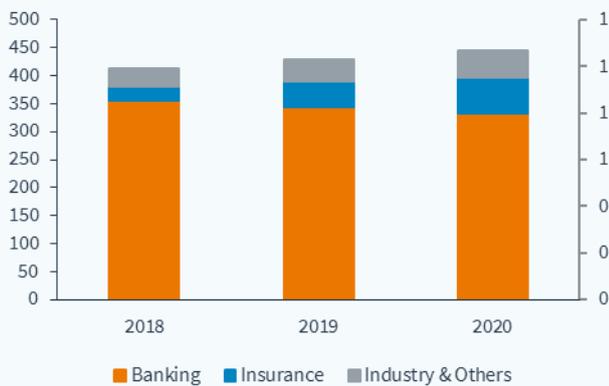
Continuous high growth dynamic

GFT got off to a good start to 2021. As a result, the management has announced a positive outlook and expects the strong growth trend to continue. The group still believes that there is still a long way to go until digitisation reaches its peak, which should accompany GFT for many years to come. No underutilisation is planned for 2021.

Strong growth in APAC

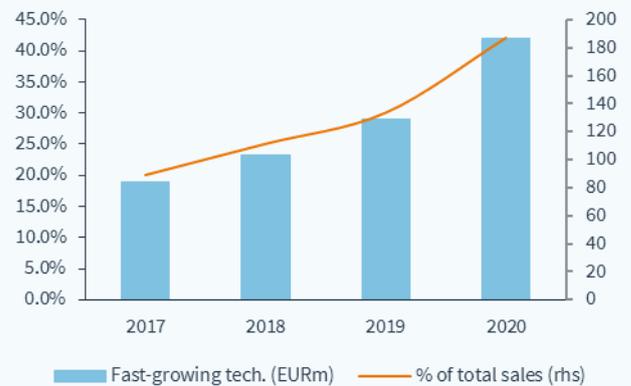
Management expects the high growth dynamic to be sustained in 2021, especially in the Americas, UK, and APAC region. Driving the growth in APAC are new and emerging digital banking concepts, and GFT was able to participate in this trend early on due to its positioning. GFT is positioning itself in APAC as a niche player with clear expertise in banking, and not as a mass vendor, as it cannot compete with the pricing power of Indian and foreign vendors located in this region. GFT's growth plans are ambitious, targeting rates between 50-100% YOY (EUR10m in sales in Hong Kong and Singapore). In Continental Europe, it expects to return to growth in 2021.

Chart 3: GFT sales (EURm) by segment



Source: GFT Technologies

Chart 4: GFT's revenues and share of revenues from fast-growing technologies incl. DLT/blockchain, AI, data analytics, cloud, DevOps.



Source: GFT Technologies

Digital banking concepts should drive GFT's banking segment

Growth in GFT's banking segment should thus also be driven by APAC and new emerging digital banking concepts. Over 50 digital banking licenses will be granted in the next 2-3 years in all APAC countries. As GFT has developed and partnered to develop the first digital bank in Hong Kong, there are significant opportunities in this region. Previously, GFT launched a banking solution

enabling clients to set up a complete digital bank based on cutting-edge technology and at a faster speed than before.

Large digital transformation projects in Insurance segment

In GFT's Insurance segment, it expects the strong demand to continue in 2021. GFT expects it to grow to 18% (2020: 14%) revenue share, with high growth especially in Canada, the UK, and France. Projects in this segment are predominantly focused on large digital transformation programmes generating EUR10-15m in sales annually. For 2021, GFT expects the share of total revenue from this segment to increase from 14% to 18%.

Margin driver Industry segment

In the Industry segment, management expects a recovery in 2021 after seeing some negative impacts in 2020, and it expects the share of total revenues to climb to 13% (2020: 11%). Industry clients generate on average c. EUR1-5m in sales annually, but with significantly higher project margins and lower sales costs because the share of recurring revenues is higher. Management expects to land more recurring business in 2021, and should expand on this in 2022 and 2023 while focusing more on transaction-based and recurring business. GFT acquired 54 new clients generating over EUR0.1m in sales (mostly in the Industry segment). The main projects for newly-acquired Industry clients use the IoT platform sphinx open online to collect data e.g. on a factory or certain processes in a factory, with which decisions or adjustments can be made with the contribution of automation and AI functionalities.

GFT's changing business

GFT's traditional business is mainly application management on premises, i.e. in the data centre with old legacy technology. This business is shrinking, as clients are moving to cloud and new technologies, or/and are trying to benefit from labour arbitrage and moving to cheaper vendors in India, Russia or the Ukraine. However, new tech business, will result in an increase in the traditional business (application management services) in the medium term, because regardless of the new technologies, they have to be maintained and continuously developed. At some point, clients can either perform application management services in-house or move on to cheaper vendors e.g. in India, Russia, and the Ukraine, which is normal for GFT's business and leads to a diversification of its client base. The fast-growing tech markets (DLT/blockchain, AI, data analytics, cloud, and DevOps) are expected to contribute at least 50% of the total revenues in 2021 (2020: 42%).

Profitability outlook

For 2021, GFT wants to increase the percentage of earnings, but management reiterated during the FY 2020 conference call that growth prevails, and that it is aiming for double-digit sales growth (excl. top 2 clients). However, its earnings are expected to benefit in 2021 from increased revenues and efficiency measures taken in 2020, while still being burdened by additional cost measures (c. EUR4m for restructuring as an additional cost burden from the top 2 client reductions, and c. EUR2m for additional one-offs planned in the FY 2021 budget). In the coming years, GFT aims to lift the revenue contribution of its newly acquired clients to EUR5m on an annual basis, where sales efficiency kicks in.

Other changes

Due to the decreasing IFRS 16 effects (reduction of office space) reflected in the sharper earnings acceleration in FY 2020 EBT compared to EBITDA, we decrease our IFRS 16 D&A assumption slightly. We now assume that DB's revenue will flatten at EUR65m in 2023 (vs. previously EUR60m), as GFT is engaged in new projects (e.g. Postbank migration/integration) while DB has decided to move to the cloud with Google, and GFT is engaged in executing newly acquired Google projects. Management has not ruled out the possibility that sales could be higher thereafter, but also stated that it could also be in the range of EUR50-80m.

We cut our sales and earnings estimates

After the transfer of coverage here at KECH and based on GFT's slightly lower outlook on EBITDA than our previous estimates, we reduce our 2021-23E sales and earnings estimates (Table 1). In the long term, we adjust our EBIT margin estimates resulting in a decrease in our terminal year EBIT margin from 9.3% to 8.4%. We make no changes to our 12% LT EBITDA margin estimate, which was also the target announced by management in previous years.

Table 1: Change in estimates new vs. old

	2021				2022				2023			
	Old	New	change %/bps	YOY %/bps	Old	New	change %/bps	YOY %/bps	Old	New	change %/bps	YOY %/bps
Revenues	484.1	480.4	-0.8%	-0.9%	544.1	521.9	-4.1%	8.6%	598.8	570.1	-4.8%	9.2%
EBITDA adj.	54.7	50.3	-8.0%	-8.0%	65.0	58.8	-9.5%	16.9%	73.7	67.8	-8.0%	15.3%
EBITDA margin %	11.3%	10.5%	-83bp	-83bp	11.9%	11.3%	-67bp	80bp	12.3%	11.9%	-41bp	63bp
EBIT	29.6	25.3	-14.7%	-14.7%	38.4	34.2	-11.1%	35.1%	45.9	42.2	-8.0%	23.6%
EBIT margin %	6.1%	5.3%	-86bp	-86bp	7.1%	6.5%	-52bp	128bp	7.7%	7.4%	-26bp	86bp
EBT	27.8	23.6	-15.0%	-15.0%	36.5	32.5	-11.1%	37.5%	44.0	40.5	-7.8%	24.7%
EPS adj.	0.98	0.96	-2.4%	35.7%	1.19	1.14	-4.6%	18.8%	1.4	1.34	-2.2%	17.4%

Source: Kepler Cheuvreux

DCF points to a new EUR18.6 fair value

We value the company based on our ten-year DCF model. Although we reduced our estimates, we raise our TP to EUR18.6 and reiterate our Buy rating as we use a lower WACC of 8.8% (previously 10%) as a result of applying our in-house DCF guidelines, comprising a market premium of 9% (previously: 10%), and a risk-free rate of 0.0% (previously 1.6%).

Table 2: WACC Summary

Pre-tax cost of debt	4.0%
Marginal tax rate	30.0%
After tax cost of debt	2.8%
Risk-free rate (Rf)	0.0%
Market Return (Rm)	9.0%
Market premium (Rm-Rf)	9.0%
Beta	1.14
Cost of Equity	10.3%
Debt (% of EV)	20.0%
Equity (% of EV)	80.0%
WACC	8.8%
Terminal growth	2.0%

Source: Kepler Cheuvreux

Table 3: DCF summary

EURm	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2031E+
Sales	521.9	570.1	619.4	663.6	700.3	729.4	753.2	770.9	787.1	802.2	818.2
Growth	8.6%	9.2%	8.6%	7.1%	5.5%	4.2%	3.3%	2.4%	2.1%	1.9%	2.0%
EBIT	34.2	42.2	48.7	53.7	59.0	61.9	63.6	64.8	65.8	66.7	68.3
EBIT margin	6.5%	7.4%	7.9%	8.1%	8.4%	8.5%	8.5%	8.4%	8.4%	8.3%	8.4%
Normative tax rate	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-22.0%
NOPAT	25.6	31.7	36.5	40.3	44.2	46.5	47.7	48.6	49.4	50.1	53.3
D&A	23.1	24.1	25.1	26.0	26.4	26.6	27.5	28.1	28.7	29.3	29.9
% of sales	4.4%	4.2%	4.1%	3.9%	3.8%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Change in WC	-0.8	-1.5	-1.6	-1.4	-1.2	-0.9	-0.8	-0.6	-0.5	-0.5	-0.8
% of sales	-0.2%	-0.3%	-0.3%	-0.2%	-0.2%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Capex and IFRS lease payments	-19.0	-20.8	-22.6	-24.2	-25.6	-26.6	-27.5	-28.1	-28.7	-29.3	-29.9
% of sales	-3.7%	-3.7%	-3.7%	-3.7%	-3.7%	-3.7%	-3.7%	-3.7%	-3.7%	-3.7%	-3.7%
Free cash flow	27.8	33.3	37.3	40.6	43.8	45.5	46.9	48.0	48.8	49.5	52.5
Discounted FCF	25.6	28.2	29.0	29.0	28.8	27.5	26.1	24.5	22.9	21.4	20.8
Sum of discounted FCF	262.8										
PV Terminal Value	20.8										
Terminal Value	307.6										
Value of operations	570.4										
(-) Net debt	72.3										
(-) Pensions	9.2										
(-) Minorities	0.0										
Equity Value	488.9										
# shares	26.3										
Equity value per share (EUR)	18.6										
Upside	24.0%										

Source: Kepler Cheuvreux

Table 4: DCF sensitivity

		Perpetual growth			
		1.8%	2.0%	2.3%	
WACC	8.2%	20.28	20.81	21.38	
	8.5%	19.17	19.64	20.14	
	8.8%	18.15	18.6	19.02	
	9.1%	17.22	17.60	17.99	
	9.4%	16.37	16.70	17.06	

Source: Kepler Cheuvreux

Peer valuation

While GFT’s peers trade at slightly higher levels than the group (Table 5), we expect the 2021-23E sales and earnings growth to reach slightly higher levels than its peers. Thus, we think GFT should at least trade at the same multiples, if not at a premium due to its superior margins.

Table 5: Peer multiples valuation table

	Mkt cap (EURm)	Sales 2021-23E	EBITDA CAGR	EV/EBITDA				EV/EBIT				P/E				EBIT margin %		
				2021	2022	2023	NTM	2021	2022	2023	NTM	2021	2022	2023	NTM	2021	2022	2023
Cancom	2,016	7%	10%	12.5	11.0	9.9	12.3	22.2	18.1	15.3	21.4	32.9	30.2	26.5	32.4	4%	5%	5%
S&T	1,451	7%	11%	10.3	8.9	7.7	10.0	18.2	15.1	12.5	17.6	20.1	17.4	15.4	19.6	6%	6%	7%
All for One	316	10%	12%	7.9	7.0	6.3	7.4	16.7	13.3	11.2	15.0	24.8	19.3	16.1	22.0	5%	6%	7%
Cenit	114	4%	29%	8.7	7.1		8.3	22.1	16.1	14.9	20.6	73.0	29.0	na	56.8	3%	4%	4%
Datagroup	518	6%	11%	10.4	9.2	8.4	9.8	24.7	18.8	16.3	21.7	34.6	26.0	22.1	30.2	6%	7%	8%
Computacenta	2,908	2%	-1%	9.0	8.8	8.4	9.0	12.1	11.8	11.2	12.1	17.7	17.2	16.2	17.6	3%	3%	3%
Allgeier	261	-19%	15%	6.4	5.7	13.3	6.3	11.2	9.3	na	10.8	14.1	11.0	na	13.4	6%	7%	na
PSI Software	451	7%	15%	14.7	12.9	11.8	14.4	23.8	19.4	16.7	22.8	33.0	26.6	22.3	31.6	8%	9%	9%
Devoteam	863	7%	6%	9.2	8.3	7.6	9.0	10.1	8.8	7.8	9.8	16.6	14.8	13.6	16.2	11%	11%	11%
Median		7%	11%	9.2	8.8	8.4	9.2	18.2	15.1	13.7	17.6	24.8	19.3	16.2	23.7	5.8%	6.3%	6.8%
Average		3%	12%	9.9	8.8	9.2	9.7	17.9	14.5	13.2	17.3	29.6	21.3	18.9	28.0	6%	6%	7%
GFT Technologies		9%	16%	9.5	7.8	6.4	9.2	16.9	12.8	9.9	16.1	15.7	13.2	11.2	15.2	5.9%	6.8%	7.7%
Median vs. GFT (+/-)				-3%	14%	32%	0%	8%	18%	38%	9%	58%	46%	44%	56%			

Source: Kepler Cheuvreux

Company description

Founded in 1987 by Chairman and main shareholder Ulrich Dietz, GFT Technologies is a Germany-based IT Services provider operating across 12 countries through c.4,800 IT consultants. The group is focused on the financial sector and provides its clients with innovative technology solutions to meet compliance requirements and endorse digital transformation.

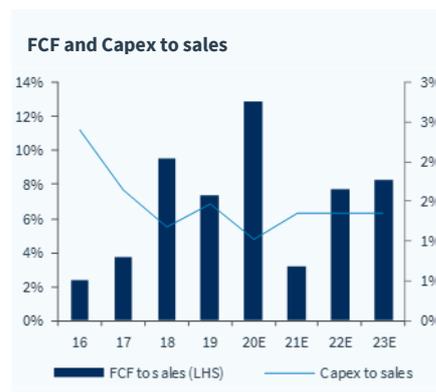
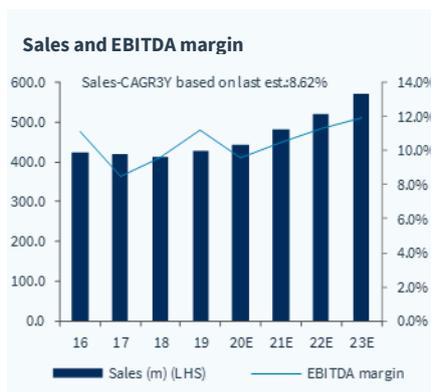
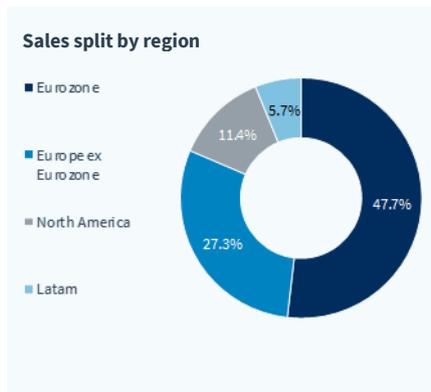
Management

Marika Lulay, CEO
Dr. Jochen Ruetz, CFO

Key shareholders

Ulrich Dietz	26.50%
Maria Dietz	9.70%
Free float	63.80%

Key data charts



SWOT analysis

Strengths

- Cost-efficient nearshore model.
- Extensive financial knowledge.
- Combination to obtain Cloud and Banking know-how
- Partnerships with AWS, Google and Guidewire

Weaknesses

- Low scale of the business compared to majors.
- Weak presence in the US market.
- Around 20% of sales stem from GFT's two biggest clients

Opportunities

- Growing demand for IT outsourcing to trim banks' overhead.
- Hard push for digitisation driven by competition from fintech.
- Sizeable untapped markets (retail banking in the UK and US).
- New technologies to be applied in the market (cloud, blockchain, AI).

Threats

- Engineer scarcity and wage inflation due to fintechs' expansion.
- Disruptive technologies rapidly render consultants' expertise obsolete.
- Risk of lower IT budgets if companies face difficulties
- Banks are cyclical and reliant on political context (e.g. Brexit).

Valuation table

Market data as of: 11 March 2021

FY to 31/12 (EUR)	12/14	12/15	12/16	12/17	12/18	12/19	12/20E	12/21E	12/22E	12/23E
Per share data (EUR)										
EPS adjusted	0.76	0.92	0.92	0.79	1.09	0.85	0.71	0.96	1.14	1.34
% Change	46.4%	20.9%	0.7%	-14.2%	37.0%	-21.4%	-16.8%	34.9%	18.8%	17.4%
EPS adjusted and fully diluted	0.76	0.92	0.92	0.79	1.09	0.85	0.71	0.96	1.14	1.34
% Change	46.4%	20.9%	0.7%	-14.2%	37.0%	-21.4%	-16.8%	34.9%	18.8%	17.4%
EPS reported	0.76	0.96	0.92	0.68	0.76	0.52	0.38	0.67	0.93	1.15
% Change	46.4%	27.0%	-4.4%	-26.5%	12.2%	-31.6%	-27.2%	78.2%	37.5%	24.7%
EPS Consensus							0.42	0.82	1.04	1.12
Cash flow per share	0.59	1.61	0.76	0.86	1.68	1.44	2.35	0.83	1.80	2.07
Book value per share	3.81	4.73	4.45	4.38	4.83	5.06	4.87	5.34	5.97	6.82
DPS	0.25	0.30	0.30	0.30	0.30	0.20	0.20	0.30	0.30	0.30
Number of shares, YE (m)	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3
Nbr of shares, fully diluted, YE (m)	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3
Share price										
Latest price / year end	12.4	31.6	20.5	13.0	6.7	11.6	11.9	15.1	15.1	15.1
52 week high	12.6	32.1	30.4	21.6	15.0	12.8	14.2	16.4		
52 week low	6.6	13.0	16.4	11.0	6.5	6.2	5.8	11.9		
Average price (Year)	9.4	20.7	20.8	17.1	12.2	8.0	10.8	15.1	15.1	15.1
Enterprise value (EURm)										
Market capitalisation	248.5	545.1	547.3	449.4	321.8	210.8	397.5	397.5	397.5	397.5
Net financial debt	42.0	36.5	42.1	39.3	59.7	58.8	31.3	33.9	15.2	-9.0
Pension provisions	7.3	8.3	8.7	8.6	7.0	9.5	9.2	9.2	9.2	9.2
IFRS 16 debt	0.0	0.0	0.0	0.0	0.0	43.5	38.4	38.4	38.4	38.4
Market value of minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MV of equity affiliates (net of tax)	-0.1	-0.2	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise value	297.8	589.6	597.6	497.3	388.5	322.5	476.5	479.1	460.3	436.2
Valuation										
P/E adjusted	12.5	22.6	22.5	21.5	11.3	9.4	21.3	15.8	13.3	11.3
P/E adjusted and fully diluted	12.5	22.6	22.5	21.5	11.3	9.4	21.3	15.8	13.3	11.3
P/E consensus							36.2	18.5	14.5	13.5
P/BV	2.5	4.4	4.7	3.9	2.5	1.6	3.1	2.8	2.5	2.2
P/CF	15.9	12.8	27.3	19.9	7.3	5.6	6.4	18.2	8.4	7.3
Dividend yield (%)	2.6%	1.4%	1.4%	1.8%	2.5%	2.5%	1.3%	2.0%	2.0%	2.0%
Dividend yield preference shares (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	6.0%	7.5%	1.8%	3.5%	12.3%	15.0%	14.4%	3.9%	10.1%	11.8%
ROE (%)	21.3%	21.5%	20.1%	17.9%	23.6%	17.3%	14.3%	18.8%	20.1%	20.9%
ROIC (%)	16.7%	16.1%	13.3%	12.5%	13.8%	8.4%	6.2%	10.2%	12.5%	15.5%
EV/Sales	0.82	1.58	1.41	1.19	0.94	0.75	1.07	1.00	0.88	0.77
EV/EBITDA adj.	8.6	13.2	12.8	14.1	9.8	6.7	11.2	9.5	7.8	6.4
EV/EBIT adj.	10.6	17.2	17.1	21.8	14.4	13.2	24.9	16.9	12.9	10.0
EV/NOPAT	14.4	21.1	23.3	22.2	16.3	18.2	35.3	22.6	17.2	13.3
EV/IC	1.8	3.2	3.0	3.2	2.1	1.4	2.4	2.2	2.2	2.1
ROIC/WACC				1.4	1.6	1.0	0.7	1.2	1.4	1.8
EV/IC over ROIC/WACC				2.2	1.3	1.4	3.4	1.9	1.5	1.2

Income statement

FY to 31/12 (EUR)	12/14	12/15	12/16	12/17	12/18	12/19	12/20E	12/21E	12/22E	12/23E
Sales	365.3	373.5	422.6	418.8	412.8	429.0	444.8	480.4	521.9	570.1
Gross profit	244.4	314.5	369.0	367.8	365.2	395.8	407.9	437.1	472.8	516.5
EBITDA reported	34.7	44.6	46.8	34.3	37.4	44.9	39.7	47.3	57.3	66.3
EBITDA adjusted	34.7	44.6	46.8	35.4	39.7	47.9	42.5	50.3	58.8	67.8
Depreciation and amortisation	-6.6	-10.3	-11.9	-12.5	-12.6	-23.6	-23.4	-22.0	-23.1	-24.1
Goodwill impairment	0.0	0.0	0.0	-2.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial result and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT reported	28.1	34.3	34.8	19.8	24.8	21.3	16.3	25.3	34.2	42.2
EBIT adjusted	28.1	34.3	34.9	22.9	27.0	24.3	19.2	28.3	35.7	43.7
Net financial items	-1.0	-1.7	-1.7	-1.7	-2.2	-2.6	-2.2	-1.6	-1.7	-1.7
Associates	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before tax	27.1	32.5	33.0	18.1	22.6	18.7	14.1	23.6	32.5	40.5
Tax	-7.1	-6.0	-8.8	-0.3	-2.7	-5.1	-4.2	-5.9	-8.1	-10.1
Net profit from continuing op.	20.0	26.5	24.2	17.8	20.0	13.7	9.9	17.7	24.4	30.4
Net profit from disc. activities	0.0	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	20.0	25.3	24.2	17.8	20.0	13.7	9.9	17.7	24.4	30.4
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit reported	20.0	25.3	24.2	17.8	20.0	13.7	9.9	17.7	24.4	30.4
Adjustments	0.0	-1.2	0.1	3.1	8.6	8.8	8.8	7.5	5.6	4.8
Net profit adjusted	20.0	24.1	24.3	20.9	28.6	22.5	18.7	25.2	30.0	35.2
Sales % Change	38.2%	2.2%	13.1%	-0.9%	-1.4%	3.9%	3.7%	8.0%	8.6%	9.2%
EBITDA reported % Change	68.2%	28.7%	4.9%	-26.6%	9.1%	19.9%	-11.6%	19.2%	21.1%	15.7%
EBITDA adjusted % Change	68.2%	28.7%	5.0%	-24.5%	12.2%	20.7%	-11.2%	18.3%	16.9%	15.3%
EBIT reported % Change	58.1%	21.9%	1.7%	-43.2%	25.2%	-14.0%	-23.4%	54.7%	35.1%	23.6%
EBIT adjusted % Change	58.1%	21.9%	1.9%	-34.6%	18.3%	-9.9%	-21.3%	47.6%	26.1%	22.6%
Earnings before tax % Change	54.5%	20.2%	1.6%	-45.2%	24.9%	-17.2%	-24.7%	67.5%	37.5%	24.7%
Net profit from cont. op. % Change	46.4%	33.0%	-8.7%	-26.5%	12.2%	-31.6%	-27.2%	78.2%	37.5%	24.7%
Net profit reported % Change	46.4%	27.0%	-4.4%	-26.5%	12.2%	-31.6%	-27.2%	78.2%	37.5%	24.7%
Net profit adjusted % Change	46.4%	20.9%	0.7%	-14.2%	37.0%	-21.4%	-16.8%	34.9%	18.8%	17.4%
Gross profit margin (%)	66.9%	84.2%	87.3%	87.8%	88.5%	92.3%	91.7%	91.0%	90.6%	90.6%
EBITDA margin (%)	9.5%	11.9%	11.1%	8.4%	9.6%	11.2%	9.6%	10.5%	11.3%	11.9%
EBIT margin (%)	7.7%	9.2%	8.3%	5.5%	6.5%	5.7%	4.3%	5.9%	6.8%	7.7%
Net profit margin (%)	5.5%	6.5%	5.8%	5.0%	6.9%	5.2%	4.2%	5.3%	5.7%	6.2%
Tax rate (%)	26.3%	18.4%	26.6%	1.8%	11.8%	27.1%	29.5%	25.0%	25.0%	25.0%
Payout ratio (%)	33.0%	32.7%	32.5%	37.9%	27.6%	23.4%	28.2%	31.1%	26.2%	22.3%
EPS reported (EUR)	0.76	0.96	0.92	0.68	0.76	0.52	0.38	0.67	0.93	1.15
EPS adjusted (EUR)	0.76	0.92	0.92	0.79	1.09	0.85	0.71	0.96	1.14	1.34
EPS adj and fully diluted (EUR)	0.76	0.92	0.92	0.79	1.09	0.85	0.71	0.96	1.14	1.34
DPS (EUR)	0.25	0.30	0.30	0.30	0.30	0.20	0.20	0.30	0.30	0.30
DPS, preference shares (EUR)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS reported % Change	46.4%	27.0%	-4.4%	-26.5%	12.2%	-31.6%	-27.2%	78.2%	37.5%	24.7%
EPS adjusted % Change	46.4%	20.9%	0.7%	-14.2%	37.0%	-21.4%	-16.8%	34.9%	18.8%	17.4%
EPS adj and fully diluted % Change	46.4%	20.9%	0.7%	-14.2%	37.0%	-21.4%	-16.8%	34.9%	18.8%	17.4%
DPS % Change	0.0%	20.0%	0.0%	0.0%	0.0%	-33.3%	0.0%	49.0%	0.0%	0.0%
Consensus Sales (EURm)							444.9	480.1	516.5	558.6
Consensus EBITDA (EURm)							39.7	48.0	56.5	61.5
Consensus EBIT (EURm)							16.4	27.5	33.7	41.1
Consensus EPS (EUR)							0.42	0.82	1.04	1.12
Consensus DPS (EUR)							0.40			

Cash flow statement

Market data as of: 11 March 2021

FY to 31/12 (EUR)	12/14	12/15	12/16	12/17	12/18	12/19	12/20E	12/21E	12/22E	12/23E
Net profit before minorities	20.0	25.3	24.2	17.8	20.0	13.7	9.9	17.7	24.4	30.4
Depreciation and amortisation	6.6	10.3	11.9	12.5	12.6	23.6	23.4	22.0	23.1	24.1
Goodwill impairment	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in working capital	-15.6	5.1	-16.1	-3.3	14.4	-9.9	22.4	-19.5	-1.9	-1.6
Others	4.7	1.7	0.0	-6.5	-2.7	10.5	6.1	1.6	1.7	1.7
Levered post tax CF before capex	15.6	42.5	20.0	22.6	44.3	37.8	61.8	21.9	47.3	54.5
% Change	100.2%	171.4%	-52.8%	12.7%	96.2%	-14.7%	63.6%	-64.6%	116.0%	15.3%
Capex	-0.7	-1.3	-10.2	-6.9	-4.9	-6.3	-4.5	-6.5	-7.0	-7.7
Free cash flow	14.9	41.1	9.9	15.7	39.4	31.5	57.3	15.4	40.2	46.8
% Change	105.3%	175.1%	-76.0%	59.1%	151.2%	-20.1%	81.8%	-73.1%	161.1%	16.4%
Acquisitions	-58.7	-22.8	-6.7	-2.8	-48.9	-7.6	-6.9	0.0	0.0	0.0
Divestments	1.8	6.0	0.0	-0.3	0.0	0.0	0.3	0.0	0.0	0.0
Dividend paid	-6.6	-6.6	-7.9	-7.9	-7.9	-7.9	-5.3	-5.3	-7.8	-7.8
Share buy back	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-12.9	-12.2	-0.9	-2.0	-3.1	-15.1	-18.0	-12.7	-13.7	-14.8
Change in net financial debt	61.4	-5.6	5.6	-2.8	20.4	-0.9	-27.5	2.5	-18.7	-24.2
Change in cash and cash equiv.	-9.0	8.8	15.3	10.0	-10.7	-5.4	14.7	-2.5	18.7	24.2
Attributable FCF	14.9	41.1	9.9	15.7	39.4	31.5	57.3	15.4	40.2	46.8
Cash flow per share (EUR)	0.59	1.61	0.76	0.86	1.68	1.44	2.35	0.83	1.80	2.07
% Change	100.2%	171.4%	-52.8%	12.7%	96.2%	-14.7%	63.6%	-64.6%	116.0%	15.3%
FCF per share (EUR)	0.57	1.56	0.37	0.60	1.50	1.20	2.18	0.59	1.53	1.78
% Change	105.3%	175.1%	-76.0%	59.1%	151.2%	-20.1%	81.8%	-73.1%	161.1%	16.4%
Capex / Sales (%)	0.2%	0.4%	2.4%	1.6%	1.2%	1.5%	1.0%	1.4%	1.4%	1.4%
Capex / D&A (%)	10.7%	13.0%	85.3%	54.9%	38.4%	26.6%	19.4%	29.4%	30.4%	31.9%
Cash flow / Sales (%)	4.3%	11.4%	4.7%	5.4%	10.7%	8.8%	13.9%	4.6%	9.1%	9.6%
FCF / Sales (%)	4.1%	11.0%	2.3%	3.7%	9.6%	7.3%	12.9%	3.2%	7.7%	8.2%
FCF Yield (%)	6.0%	7.5%	1.8%	3.5%	12.3%	15.0%	14.4%	3.9%	10.1%	11.8%
Unlevered FCF Yield (%)	5.3%	7.2%	1.9%	3.5%	10.5%	10.4%	12.4%	3.5%	9.1%	11.1%

Balance sheet

FY to 31/12 (EUR)	12/14	12/15	12/16	12/17	12/18	12/19	12/20E	12/21E	12/22E	12/23E
Cash and cash equivalents	38.1	47.0	62.3	72.2	61.6	56.1	70.9	68.3	87.1	111.3
Inventories	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.1	0.2	0.2
Accounts receivable	108.2	94.8	117.3	113.5	95.4	114.0	93.1	98.4	110.2	120.3
Other current assets	6.8	12.4	11.8	21.9	36.4	33.3	31.6	28.7	32.2	35.1
Current assets	153.1	154.2	191.4	207.7	193.5	203.6	195.6	195.6	229.5	266.9
Tangible assets	17.8	26.5	31.2	29.4	26.6	76.8	67.5	65.3	63.2	61.6
Goodwill	98.6	109.2	107.1	101.7	113.0	118.7	120.0	120.0	120.0	120.0
Other Intangible assets	27.3	30.3	29.5	23.3	26.7	22.1	15.7	13.5	11.4	9.8
Financial assets	0.9	2.4	1.9	0.7	0.8	1.0	1.4	1.4	1.4	1.4
Other non-current assets	4.0	4.3	4.9	10.0	12.0	13.7	14.6	14.6	14.6	14.6
Non-current assets	148.5	172.7	174.7	165.1	179.0	232.2	219.3	214.8	210.7	207.4
Short term debt	46.0	0.6	18.3	5.3	15.3	16.5	34.4	34.4	34.4	34.4
Accounts payable	20.8	11.4	12.5	14.5	13.7	9.5	9.9	8.2	9.2	10.0
Other short term liabilities	73.8	78.6	83.4	118.1	96.8	119.6	118.5	103.2	115.6	126.2
Current liabilities	140.6	90.6	114.2	137.9	125.8	145.6	162.7	145.8	159.1	170.6
Long term debt	34.1	82.8	86.0	106.2	105.9	98.4	67.8	67.8	67.8	67.8
Pension provisions	7.3	8.3	8.7	8.6	7.0	9.5	9.2	9.2	9.2	9.2
IFRS16 Debt	0.0	0.0	0.0	0.0	0.0	43.5	38.4	38.4	38.4	38.4
Other long term provisions	0.7	0.7	1.5	1.6	1.7	1.3	2.5	2.5	2.5	2.5
Other long term liabilities	18.5	19.8	38.4	3.2	5.0	4.3	6.0	6.0	6.0	6.0
Non-current liabilities	60.6	111.7	134.7	119.6	119.6	157.1	124.0	124.0	124.0	124.0
Shareholders' equity	100.4	124.4	117.2	115.3	127.1	133.1	128.1	140.6	157.1	179.7
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	100.4	124.4	117.2	115.3	127.1	133.1	128.1	140.6	157.1	179.7
Balance sheet total	301.7	326.8	366.0	372.8	372.6	435.8	414.9	410.4	440.2	474.3
% Change	46.2%	8.3%	12.0%	1.9%	-0.1%	17.0%	-4.8%	-1.1%	7.3%	7.7%
Book value per share (EUR)	3.81	4.73	4.45	4.38	4.83	5.06	4.87	5.34	5.97	6.82
% Change	15.2%	23.9%	-5.8%	-1.6%	10.2%	4.7%	-3.8%	9.7%	11.8%	14.3%
Net financial debt	42.0	36.5	42.1	39.3	59.7	58.8	31.3	33.9	15.2	-9.0
IFRS16 Debt	0.0	0.0	0.0	0.0	0.0	43.5	38.4	38.4	38.4	38.4
Pension provisions	7.3	8.3	8.7	8.6	7.0	9.5	9.2	9.2	9.2	9.2
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt	49.3	44.8	50.7	47.9	66.6	111.8	79.0	81.6	62.8	38.6
Net fi. debt (+IFRS16) / EBITDA (x)	1.2	0.8	0.9	1.1	1.5	2.1	1.6	1.4	0.9	0.4
Trade working capital	87.4	83.5	104.8	99.0	81.8	104.7	83.3	90.4	101.1	110.5
Net working capital	20.4	17.2	33.2	2.8	21.4	18.4	-3.6	15.9	17.7	19.4
NWC/Sales	5.6%	4.6%	7.9%	0.7%	5.2%	4.3%	-0.8%	3.3%	3.4%	3.4%
Inventories/sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Invested capital	164.0	183.1	201.0	157.2	187.7	235.9	199.6	214.6	212.4	210.8
Net fin. debt / FCF (x)	2.8	0.9	4.3	2.5	1.5	1.9	0.5	2.2	0.4	-0.2
Gearing (%)	41.9%	29.3%	35.9%	34.1%	46.9%	44.2%	24.5%	24.1%	9.6%	-5.0%
Goodwill / Equity (%)	98.2%	87.8%	91.4%	88.2%	88.9%	89.1%	93.7%	85.4%	76.4%	66.8%

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GFT Technologies	DE0005800601	KEPLER CHEUVREUX and the issuer have agreed that KEPLER CHEUVREUX will produce and disseminate investment research on the said issuer as a service to the issuer

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Rating ratio Kepler Cheuvreux Q4 2020

Rating Breakdown	A	B
Buy	54%	63%
Hold	34%	27%
Reduce	9%	2%
Not Rated/Under Review/Accept Offer	3%	8%
Total	100%	100%

Source: Kepler Cheuvreux

A: % of all research recommendations

B: % of issuers to which material services of investment firms are supplied

12 months rating history

The below table shows the history of recommendations and target prices changes issued by KEPLER CHEUVREUX research department (Equity and Credit) over a 12 months period.

Company Name	Date	Business Line	Rating	Target Price	Closing Price
GFT Technologies (EUR)	15/04/2020 07:41	Equity Research	Buy	12.00	8.95
	23/06/2020 07:40	Equity Research	Buy	15.00	10.40

Credit research does not issue target prices. Left intentionally blank.

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Equity research

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Local insight, European scale.



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