

GFT Technologies Buy

Germany | IT services & software

MCap: EUR273.8m

Target Price: EUR15.00 (12.00)
Current Price: EUR10.40
Up/downside: 44.2%
Market data: 22 June 2020

Change in TP: 25.0%
Change in Sales: 12.2% 20E/14.4% 21E
Change in Adj EBIT: 22.1% 20E/22.1% 21E
Change in Adj. EPS: 16.2% 20E/18.5% 21E

Bloomberg: GFT GR Reuters: GFTG.DE
Free float 63.8%
Avg. daily volume (EURm) 1.1
YTD abs performance -10.7%
52-week high/low (EUR) 14.24/5.84

GFT provides encouraging 2020 targets

Why this report?

After suspending its 2020 objectives in early April amid the COVID-19 outbreak, GFT announced new targets for 2020, outlining the strong outlook for its underlying business excluding its top two clients. The new guidance points to revenue growth and resilient earnings in 2020 while we feared significant damage from COVID-19 both at the revenue and EBITDA level. We raise our 2020E and 2021E estimates, leading to a new EUR15 TP and reiterate our Buy rating.

Key findings

- The group's recovery is set to accelerate in 2020 despite the pandemic, as suggested by revenue guidance that points to 2.5% growth in 2020.
- This means that GFT should deliver 17% revenue growth excluding its top two clients, revealing upbeat growth prospects in its core business, driven by the digitalisation trend that should accelerate with COVID-19.
- This confirms GFT's growth profile and ability to mitigate the impact of the continuing business decline from Deutsche Bank through good utilisation management and investments in fast-growing new technologies.

Deconstructing the forecasts

- The new objectives provide more visibility going into H2, driven by exponential technologies, especially in the cloud business where GFT has been heavily investing in the past years. Thus, we set more optimistic estimates in 2020E and 2021E to stick to new guidance and to reflect brisk midterm prospects.

Investment case

- The business is normalising thanks to its diversification strategy, with 23% of revenues from its top-two clients (vs. 43% in 2017) and 40% of revenue from fast-growing businesses (insurance/new technologies-related projects).
- GFT was able to fill in massive revenue shortfall as sales from its top-two clients has collapsed by 40% since 2017. This proves that GFT is good at reallocating staff resources and minimising the impact of contract cancellations on its utilisation rate thanks to a global approach to project delivery and a large portfolio of technologies.
- FCF yield is high at 12% in 2020E (15% in 2021E).

Catalysts

- Strong demand pattern for IT projects fostered by new technologies and the insurance sector.
- The business has been normalising as its reliance on its top client has declined since 2017.

FY to 31/12 (EUR)	12/20E	12/21E	12/22E
Sales (m)	440.2	487.3	550.0
EBITDA adj (m)	44.0	54.8	65.6
EBIT adj (m)	20.3	29.6	38.8
Net profit adj (m)	19.7	25.8	31.7
Net financial debt (m)	52.1	33.6	9.2
FCF (m)	32.1	40.7	48.2
EPS adj. and ful. dil.	0.75	0.98	1.20
Consensus EPS	0.36	0.55	0.75
Net dividend	0.30	0.30	0.30

FY to 31/12	12/20E	12/21E	12/22E
P/E adj and ful. dil.	13.9	10.6	8.6
EV/EBITDA	8.6	6.6	5.1
EV/EBIT	18.7	12.2	8.7
FCF yield	11.7%	14.9%	17.6%
Dividend yield	2.9%	2.9%	2.9%
ND(F+IFRS16)/EBITDA	2.2	1.4	0.8
Gearing	37.1%	21.9%	5.3%
ROIC	6.4%	9.5%	12.7%
EV/IC	1.6	1.6	1.5

Sector Most Pref. Atos
Sector Least Pref. TietoEVRY

Valuation methodology

- From a long-term perspective, GFT might be considered to have been historically cheap since 2013, while offering attractive growth prospects (a 27 EPS CAGR over 2020-22E).
- We value GFT through a weighted average of DCF (10.0% WACC, 2% LT g, 12% LT EBITDA margin) and peer valuation.

Risks to our rating

- Rising staff costs and IT engineer scarcity could slow down the signing of contracts related to new technologies.
- With 19% 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 near-shore countries.

Sound business development excluding top clients expected in 2020E

GFT expects revenue to rise in 2020E

Two months after suspending its 2020 guidance due to the emerging impact of COVID-19 (mainly due to restrictions in commercial activities), GFT announced new objectives for the year that are much better than we initially feared. Sales appeared to be less affected by COVID-19 than expected and GFT succeeded in maintaining its project delivery capacity.

Despite the pandemic and the 34% cut in business from top client Deutsche Bank (corresponding to a EUR41m revenue shortfall in 2020E), revenue is expected to increase by 2.6% to EUR440m (vs. EUR429m in 2019). This is 12% above what we anticipated for the year. Adjusted EBITDA and EBT are now guided at EUR44m (-10% YOY, we expected a 20% fall YOY) and EUR13m (-30% YOY) respectively. As already announced by management, 2020 earnings will be burdened by: 1) the costs of the group's expansion strategy, including client base diversification (implying higher sales efforts), the expansion of the technology portfolio, and training staff in exponential technologies; 2) restructuring costs from the business reduction from Deutsche Bank (capacity adjustments); and 3) incremental costs tied to COVID-19 (including preventive measures).

EURm	2020 guidance pre-COVID-19*	New guidance	Var. New vs. Old	Var. New guidance vs. 2019
Revenue	455.0	440.0	-3.3%	+2.6%
Growth versus 2019	+6.1%	+2.6%		
Adjusted EBITDA	50.0	44.0	-12.0%	-8.3%
Margin	+11.0%	+10.0%		
EBT	20.0	13.0	-35.0%	-31.6%
Margin	+4.4%	+3.0%		

*The FY19 guidance has been suspended early April ; Source: GFT Technologies, Kepler Cheuvreux

While revenue growth of 2.6% in 2020E includes the anticipated c. 33% reduction in business from top client Deutsche Bank, GFT expects business excluding Deutsche Bank to rise by c. 17% in 2020E. That is below the 22% guidance provided prior to the COVID-19 outbreak (the pandemic has slowed down sales) but confirms the brisk business momentum seen throughout 2019 (+23.6% in revenue YOY) and Q1 2020 (+22.3%) despite the early impact of COVID-19 in March. GFT's insurance sector (strong demand for guidewire technology) and exponential technologies (both accounting for c. 30% of 2019 revenue) are set to be the key drivers. In the past few years, GFT has invested heavily in new technologies, in particular in the cloud business, through the training of IT consultants and partnerships with cloud vendors (e.g. Google, AWS, and Microsoft) to take advantage of the fast development of cloud applications. The trend towards digitalisation is due to accelerate with COVID-19, which forced companies to digitalise their IT processes and infrastructure.

While our former estimates reflected management's cautious stance due to the uncertain short-term COVID-19 outlook, we now lift our 2020E estimates to stick to GFT's new guidance. Also, we revise our 2021E figures up, as we now expect more rapid business development among other clients (we anticipate an 18% revenue CAGR over 2020-22E). Note that our new base-case scenario assumes that the COVID-19 situation will normalise over the next few months.

Table 2: Our revenue forecasts

	2019	Old estimates			New estimates		
		2020E	2021E	2022E	2020E	2021E	2022E
Americas and UK	199.0	180.9	200.4	225.6	204.1	227.7	259.1
<i>Growth YOY</i>	+8.5%	-9.1%	+10.8%	+12.6%	+2.6%	+11.5%	+13.8%
Continental Europe	229.5	211.1	225.1	245.2	235.6	259.1	290.4
<i>Growth YOY</i>	+0.2%	-8.0%	+6.7%	+8.9%	+2.7%	+10.0%	+12.1%
Others	0.5	0.4	0.4	0.5	0.4	0.5	0.5
GFT Group	429.0	392.4	426	471.2	440.2	487.3	550.0
<i>Growth YOY</i>	+3.9%	-8.5%	+8.6%	+10.6%	+2.6%	+10.7%	+12.9%
<i>o/w Top two clients</i>	-25.8%	-33.6%	-25.0%	-15.0%	-32.5%	-25.0%	-15.0%
<i>o/w Other clients</i>	+23.6%	+1.5%	+17.3%	+14.9%	+16.6%	+18.9%	+16.9%

Source: Kepler Cheuvreux, GFT Technologies

From an adjusted EBITDA standpoint, we believe that GFT can reach its 2019 level as soon as 2021 as a result of brisk business expansion excluding its top client. However, the margin should remain flat in 2021E compared to 2019 due to: 1) less business from Deutsche Bank (-25% revenue expected in 2021E YOY) that should weigh on the utilisation rate and lead to restructuring charges; and 2) continuing investments in business development (higher sales and training costs). From 2022E onward, we expect margin ramp-up to accelerate as GFT should no longer suffer significantly from the decline in business with Deutsche Bank, whose contribution to revenue should fall to 13% in 2021E.

Table 3: Our profit forecasts by division

	2019	Old estimates			New estimates		
		2020E	2021E	2022E	2020E	2021E	2022E
Americas and the UK	18.5	14.7	18.6	22.6	19.3	21.2	25.9
<i>Margin</i>	9.3%	8.1%	9.3%	10.0%	9.4%	9.3%	10.0%
Continental Europe	31.7	25.6	30.4	34.8	26.0	35.0	41.2
<i>Margin</i>	13.8%	12.1%	13.5%	14.2%	11.0%	13.5%	14.2%
Others	-2.3	-2	-2.1	-2.4	-1.2	-1.3	-1.5
GFT Group	47.9	38.4	46.9	55.0	44.0	54.8	65.6
<i>Margin</i>	11.2%	9.8%	11.0%	11.7%	10.0%	11.2%	11.9%

Source: Kepler Cheuvreux, GFT Technologies

Attractive recovery story and undemanding valuation, TP lifted to EUR15 – Buy

GFT's diversified regional mix and the efforts that have been made since 2017 to enlarge the client base and sector portfolio have all been stabilising factors and provided revenue and earnings resilience. In the next few years, the recovery is likely to continue as GFT is poised to benefit from strong demand in the structurally growing IT sector, which combined with investments in exponential technologies should support a 12% and 27% revenue and adjusted EPS CAGR over 2020-22E.

In addition, the valuation is undemanding as GFT trades at a marked discount to peers (up to a 47% discount on its 2021E P/E of 10.5x) which is not justified in light of its promising prospects and attractive FCF yield (c. 12% in 2020E and 15% in 2021E). With our new estimates, we derive a new EUR15 TP from a weighted average of peers and DCF (10% WACC, 12% EBITDA margin, 2% LT growth) that implies a 15.3x 2021E P/E that is broadly in line with GFT's average since 2015. We reiterate our Buy rating on the stock.

Company description

Founded in 1987 by Chairman and main shareholder Ulrich Dietz, GFT Technologies is a German-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%
María Dietz	9.70%
Free float	63.80%

Key data charts



SWOT analysis

Strengths

- Cost-efficient nearshore model.
- Extensive financial knowledge.
- Tech-savvy solutions.
- Insert text here

Weaknesses

- Low scale of the business compared to majors.
- Growth remains reliant on regulatory flow or changes.
- Weak presence in the US market.
- C. 51% 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 political policy to "re-shore" services.
- Banks are cyclical and reliant on political context (e.g. Brexit).

Valuation table

Market data as of: 22 June 2020

FY to 31/12 (EUR)	12/13	12/14	12/15	12/16	12/17	12/18	12/19	12/20E	12/21E
Per share data (EUR)									
EPS adjusted	0.52	0.76	0.92	0.92	0.79	1.09	0.85	0.75	0.75
% Change	63.5%	46.4%	20.9%	0.7%	-14.2%	37.0%	-21.4%	-12.3%	0.0%
EPS adjusted and fully diluted	0.52	0.76	0.92	0.92	0.79	1.09	0.85	0.75	0.75
% Change	63.5%	46.4%	20.9%	0.7%	-14.2%	37.0%	-21.4%	-12.3%	0.0%
EPS reported	0.52	0.76	0.96	0.92	0.68	0.76	0.52	0.48	0.48
% Change	63.5%	46.4%	27.0%	-4.4%	-26.5%	12.2%	-31.6%	-7.0%	0.0%
EPS Consensus								0.36	0.36
Cash flow per share	0.30	0.59	1.61	0.76	0.90	1.68	1.44	1.48	1.48
Book value per share	3.31	3.81	4.73	4.45	4.38	4.83	5.06	5.34	5.34
DPS	0.25	0.25	0.30	0.30	0.30	0.30	0.20	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
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
Share price									
Latest price / year end	6.5	12.4	31.6	20.5	13.0	6.7	11.6	10.4	10.4
52 week high	6.9	12.6	32.1	30.4	21.6	15.0	12.8	14.2	14.2
52 week low	3.2	6.6	13.0	16.4	11.0	6.5	6.2	5.8	5.8
Average price (Year)	4.5	9.4	20.7	20.8	17.1	12.2	8.0	10.4	10.4
Enterprise value (EURm)									
Market capitalisation	118.9	248.5	545.1	547.3	449.4	321.8	210.8	273.8	273.8
Net financial debt	-19.4	42.0	36.5	42.1	39.3	59.7	58.8	52.1	52.1
Pension provisions	6.4	7.3	8.3	8.7	8.6	7.0	9.5	9.5	9.5
IFRS 16 debt	0.0	0.0	0.0	0.0	0.0	0.0	43.5	43.5	43.5
Market value of minorities	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	-0.1	-0.2	-0.4	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
Enterprise value	105.8	297.8	589.6	597.6	497.3	388.5	322.5	378.9	378.9
Valuation									
P/E adjusted	8.7	12.5	22.6	22.5	21.5	11.3	9.4	13.9	13.9
P/E adjusted and fully diluted	8.7	12.5	22.6	22.5	21.5	11.3	9.4	13.9	13.9
P/E consensus								28.9	28.9
P/BV	1.4	2.5	4.4	4.7	3.9	2.5	1.6	1.9	1.9
P/CF	15.2	15.9	12.8	27.3	19.0	7.3	5.6	7.0	7.0
Dividend yield (%)	5.5%	2.6%	1.4%	1.4%	1.8%	2.5%	2.5%	2.9%	2.9%
Dividend yield preference shares (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	6.1%	6.0%	7.5%	1.8%	3.7%	12.3%	15.1%	11.7%	11.7%
ROE (%)	16.3%	21.3%	21.5%	20.1%	17.9%	23.6%	17.3%	14.4%	14.4%
ROIC (%)	21.8%	16.7%	16.1%	13.3%	12.5%	13.8%	8.4%	6.4%	6.4%
EV/Sales	0.40	0.82	1.58	1.41	1.19	0.94	0.75	0.86	0.86
EV/EBITDA adj.	5.1	8.6	13.2	12.8	14.1	9.8	6.7	8.6	8.6
EV/EBIT adj.	6.0	10.6	17.2	17.1	21.8	14.4	13.2	18.7	18.7
EV/NOPAT	7.7	14.4	21.1	23.3	22.2	16.3	18.2	24.9	24.9
EV/IC	1.3	1.8	3.2	3.0	3.2	2.1	1.4	1.6	1.6
ROIC/WACC					1.3	1.4	0.8	0.6	0.6
EV/IC over ROIC/WACC					2.5	1.5	1.6	2.5	2.5

Income statement

FY to 31/12 (EUR)	12/13	12/14	12/15	12/16	12/17	12/18	12/19	12/20E	12/21E
Sales	264.3	365.3	373.5	422.6	418.8	412.8	429.0	440.2	487.0
Gross profit	160.0	244.4	314.5	369.0	367.8	365.2	395.8	399.1	444.0
EBITDA reported	20.6	34.7	44.6	46.8	34.3	37.4	44.9	42.5	50.0
EBITDA adjusted	20.6	34.7	44.6	46.8	35.4	39.7	47.9	44.0	50.0
Depreciation and amortisation	-2.8	-6.6	-10.3	-11.9	-12.5	-12.6	-23.6	-23.7	-22.0
Goodwill impairment	0.0	0.0	0.0	0.0	-2.0	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
EBIT reported	17.8	28.1	34.3	34.8	19.8	24.8	21.3	18.8	22.0
EBIT adjusted	17.8	28.1	34.3	34.9	22.9	27.0	24.3	20.3	22.0
Net financial items	-0.2	-1.0	-1.7	-1.7	-1.7	-2.2	-2.6	-1.8	-0.5
Associates	0.0	0.0	0.0	-0.1	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
Earnings before tax	17.5	27.1	32.5	33.0	18.1	22.6	18.7	16.9	20.0
Tax	-3.9	-7.1	-6.0	-8.8	-0.3	-2.7	-5.1	-4.2	-3.0
Net profit from continuing op.	13.6	20.0	26.5	24.2	17.8	20.0	13.7	12.7	17.0
Net profit from disc. activities	0.0	0.0	-1.2	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	13.6	20.0	25.3	24.2	17.8	20.0	13.7	12.7	17.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit reported	13.6	20.0	25.3	24.2	17.8	20.0	13.7	12.7	17.0
Adjustments	0.0	0.0	-1.2	0.1	3.1	8.6	8.8	7.0	0.0
Net profit adjusted	13.6	20.0	24.1	24.3	20.9	28.6	22.5	19.7	17.0
Sales % Change	14.6%	38.2%	2.2%	13.1%	-0.9%	-1.4%	3.9%	2.6%	10.0%
EBITDA reported % Change	53.2%	68.2%	28.7%	4.9%	-26.6%	9.1%	19.9%	-5.3%	28.0%
EBITDA adjusted % Change	53.2%	68.2%	28.7%	5.0%	-24.5%	12.2%	20.7%	-8.1%	24.0%
EBIT reported % Change	49.5%	58.1%	21.9%	1.7%	-43.2%	25.2%	-14.0%	-11.9%	57.0%
EBIT adjusted % Change	49.5%	58.1%	21.9%	1.9%	-34.6%	18.3%	-9.9%	-16.7%	46.0%
Earnings before tax % Change	44.7%	54.5%	20.2%	1.6%	-45.2%	24.9%	-17.2%	-9.6%	64.0%
Net profit from cont. op. % Change	63.5%	46.4%	33.0%	-8.7%	-26.5%	12.2%	-31.6%	-7.0%	64.0%
Net profit reported % Change	63.5%	46.4%	27.0%	-4.4%	-26.5%	12.2%	-31.6%	-7.0%	64.0%
Net profit adjusted % Change	63.5%	46.4%	20.9%	0.7%	-14.2%	37.0%	-21.4%	-12.3%	31.0%
Gross profit margin (%)	60.6%	66.9%	84.2%	87.3%	87.8%	88.5%	92.3%	90.7%	90.0%
EBITDA margin (%)	7.8%	9.5%	11.9%	11.1%	8.4%	9.6%	11.2%	10.0%	11.0%
EBIT margin (%)	6.7%	7.7%	9.2%	8.3%	5.5%	6.5%	5.7%	4.6%	6.0%
Net profit margin (%)	5.2%	5.5%	6.5%	5.8%	5.0%	6.9%	5.2%	4.5%	5.0%
Tax rate (%)	22.2%	26.3%	18.4%	26.6%	1.8%	11.8%	27.1%	25.0%	25.0%
Payout ratio (%)	48.3%	33.0%	32.7%	32.5%	37.9%	27.6%	23.4%	40.1%	30.0%
EPS reported (EUR)	0.52	0.76	0.96	0.92	0.68	0.76	0.52	0.48	0.60
EPS adjusted (EUR)	0.52	0.76	0.92	0.92	0.79	1.09	0.85	0.75	0.90
EPS adj and fully diluted (EUR)	0.52	0.76	0.92	0.92	0.79	1.09	0.85	0.75	0.90
DPS (EUR)	0.25	0.25	0.30	0.30	0.30	0.30	0.20	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
EPS reported % Change	63.5%	46.4%	27.0%	-4.4%	-26.5%	12.2%	-31.6%	-7.0%	64.0%
EPS adjusted % Change	63.5%	46.4%	20.9%	0.7%	-14.2%	37.0%	-21.4%	-12.3%	31.0%
EPS adj and fully diluted % Change	63.5%	46.4%	20.9%	0.7%	-14.2%	37.0%	-21.4%	-12.3%	31.0%
DPS % Change	66.7%	0.0%	20.0%	0.0%	0.0%	0.0%	-33.3%	50.0%	0.0%
Consensus Sales (EURm)								440.0	460.0
Consensus EBITDA (EURm)								40.6	40.0
Consensus EBIT (EURm)								15.8	20.0
Consensus EPS (EUR)								0.36	0.40
Consensus DPS (EUR)								0.40	0.40

Cash flow statement

Market data as of: 22 June 2020

FY to 31/12 (EUR)	12/13	12/14	12/15	12/16	12/17	12/18	12/19	12/20E	12/21E
Net profit before minorities	13.6	20.0	25.3	24.2	17.8	20.0	13.7	12.7	20.0
Depreciation and amortisation	2.8	6.6	10.3	11.9	12.5	12.6	23.6	23.7	23.7
Goodwill impairment	0.0	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0
Change in working capital	-16.1	-15.6	5.1	-16.1	-3.3	14.4	-7.3	0.8	0.8
Others	7.5	4.7	1.7	0.0	-5.4	-2.6	8.0	1.8	1.8
Levered post tax CF before capex	7.8	15.6	42.5	20.0	23.7	44.3	37.9	39.0	41.3
% Change	19.5%	100.2%	171.4%	-52.8%	18.2%	87.3%	-14.5%	3.0%	24.4%
Capex	-0.5	-0.7	-1.3	-10.2	-6.9	-4.9	-6.2	-7.0	-7.0
Free cash flow	7.3	14.9	41.1	9.9	16.7	39.5	31.8	32.1	41.3
% Change	14.7%	105.3%	175.1%	-76.0%	69.5%	135.9%	-19.5%	0.9%	26.3%
Acquisitions	-15.3	-58.7	-22.8	-6.7	-2.8	-48.9	-7.9	-7.0	-7.0
Divestments	0.0	1.8	6.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	-3.9	-6.6	-6.6	-7.9	-7.9	-7.9	-7.9	-5.3	-5.3
Share buy back	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
Others	-1.4	-10.8	-13.5	0.1	0.8	0.5	-1.7	-1.8	-1.8
Change in net financial debt	13.3	59.3	-4.3	4.6	-6.8	16.8	-14.2	-17.9	-30.0
Change in cash and cash equiv.	11.2	-9.0	8.8	15.3	10.0	-10.7	-5.4	6.7	11.2
Attributable FCF	7.3	14.9	41.1	9.9	16.7	39.5	31.8	32.1	41.3
Cash flow per share (EUR)	0.30	0.59	1.61	0.76	0.90	1.68	1.44	1.48	1.68
% Change	19.5%	100.2%	171.4%	-52.8%	18.2%	87.3%	-14.5%	3.0%	24.4%
FCF per share (EUR)	0.28	0.57	1.56	0.37	0.64	1.50	1.21	1.22	1.50
% Change	14.7%	105.3%	175.1%	-76.0%	69.5%	135.9%	-19.5%	0.9%	26.3%
Capex / Sales (%)	0.2%	0.2%	0.4%	2.4%	1.7%	1.2%	1.4%	1.6%	1.6%
Capex / D&A (%)	18.8%	10.7%	13.0%	85.3%	55.4%	38.4%	26.1%	29.5%	30.0%
Cash flow / Sales (%)	3.0%	4.3%	11.4%	4.7%	5.7%	10.7%	8.8%	8.9%	9.9%
FCF / Sales (%)	2.8%	4.1%	11.0%	2.3%	4.0%	9.6%	7.4%	7.3%	8.8%
FCF Yield (%)	6.1%	6.0%	7.5%	1.8%	3.7%	12.3%	15.1%	11.7%	14.1%
Unlevered FCF Yield (%)	7.1%	5.3%	7.2%	1.9%	3.7%	10.5%	10.5%	8.9%	11.2%

Balance sheet

FY to 31/12 (EUR)	12/13	12/14	12/15	12/16	12/17	12/18	12/19	12/20E	12/21E
Cash and cash equivalents	47.1	38.1	47.0	62.3	72.2	61.6	56.1	62.8	80.0
Inventories	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.0
Accounts receivable	73.0	108.2	94.8	117.3	113.5	95.4	114.0	109.3	100.0
Other current assets	5.8	6.8	12.4	11.8	21.9	36.4	33.3	31.9	30.0
Current assets	125.9	153.1	154.2	191.4	207.7	193.5	203.6	204.2	210.0
Tangible assets	7.7	17.8	26.5	31.2	29.4	26.6	76.8	76.1	70.0
Goodwill	59.4	98.6	109.2	107.1	101.7	113.0	118.7	121.5	120.0
Other Intangible assets	8.8	27.3	30.3	29.5	23.3	26.7	22.1	21.5	10.0
Financial assets	0.7	0.9	2.4	1.9	3.6	0.8	1.0	1.0	0.0
Other non-current assets	3.9	4.0	4.3	4.9	7.1	12.0	13.7	13.7	10.0
Non-current assets	80.5	148.5	172.7	174.7	165.1	179.0	232.2	233.7	220.0
Short term debt	0.7	46.0	0.6	18.3	5.3	15.3	16.5	16.5	10.0
Accounts payable	21.8	20.8	11.4	12.5	14.5	13.7	9.5	9.1	0.0
Other short term liabilities	48.3	73.8	78.6	83.4	118.1	96.8	119.6	114.7	110.0
Current liabilities	70.8	140.6	90.6	114.2	137.9	125.8	145.6	140.3	130.0
Long term debt	27.0	34.1	82.8	86.0	106.2	105.9	98.4	98.4	90.0
Pension provisions	6.4	7.3	8.3	8.7	8.6	7.0	9.5	9.5	0.0
IFRS16 Debt	0.0	0.0	0.0	0.0	0.0	0.0	43.5	43.5	40.0
Other long term provisions	0.7	0.7	0.7	1.5	1.6	1.7	1.3	1.3	0.0
Other long term liabilities	14.4	18.5	19.8	38.4	3.2	5.0	4.3	4.3	0.0
Non-current liabilities	48.5	60.6	111.7	134.7	119.6	119.6	157.1	157.1	150.0
Shareholders' equity	87.1	100.4	124.4	117.2	115.3	127.1	133.1	140.6	150.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	87.1	100.4	124.4	117.2	115.3	127.1	133.1	140.6	150.0
Balance sheet total	206.4	301.7	326.8	366.0	372.8	372.6	435.8	437.9	440.0
% Change	56.6%	46.2%	8.3%	12.0%	1.9%	-0.1%	17.0%	0.5%	2.3%
Book value per share (EUR)	3.31	3.81	4.73	4.45	4.38	4.83	5.06	5.34	5.50
% Change	8.8%	15.2%	23.9%	-5.8%	-1.6%	10.2%	4.7%	5.6%	9.1%
Net financial debt	-19.4	42.0	36.5	42.1	39.3	59.7	58.8	52.1	30.0
IFRS16 Debt	0.0	0.0	0.0	0.0	0.0	0.0	43.5	43.5	40.0
Pension provisions	6.4	7.3	8.3	8.7	8.6	7.0	9.5	9.5	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt	-13.0	49.3	44.8	50.7	47.9	66.6	111.8	105.1	80.0
Net fi. debt (+IFRS16) / EBITDA (x)	-0.9	1.2	0.8	0.9	1.1	1.5	2.1	2.2	2.0
Trade working capital	51.2	87.4	83.5	104.8	99.0	81.8	104.7	100.4	90.0
Net working capital	8.7	20.4	17.2	33.2	2.8	21.4	18.4	17.6	10.0
NWC/Sales	3.3%	5.6%	4.6%	7.9%	0.7%	5.2%	4.3%	4.0%	3.0%
Inventories/sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Invested capital	84.6	164.0	183.1	201.0	157.2	187.7	235.9	236.7	230.0
Net fin. debt / FCF (x)	-2.7	2.8	0.9	4.3	2.3	1.5	1.9	1.6	1.5
Gearing (%)	-22.3%	41.9%	29.3%	35.9%	34.1%	46.9%	44.2%	37.1%	21.0%
Goodwill / Equity (%)	68.2%	98.2%	87.8%	91.4%	88.2%	88.9%	89.1%	86.4%	79.0%

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Companies mentioned

Stock	ISIN	Currency	Price
Atos	FR0000051732	EUR	74.52
GFT Technologies	DE0005800601	EUR	10.40
TietoEVRY	FI0009000277	EUR	23.76

Source: Factset closing prices of 22/06/2020

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Rating ratio Kepler Cheuvreux Q1 2020		
Rating Breakdown	A	B
Buy	50%	67%
Hold	35%	22%
Reduce	13%	5%
Not Rated/Under Review/Accept Offer	2%	6%
Total	100%	100%

Source: Kepler Cheuvreux

A: % of all research recommendations

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12 months rating history

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Company Name	Date	Business Line	Rating	Target Price	Closing Price
GFT Technologies (EUR)	8/9/2019 7:16	Equity Research	Hold	8.00	7.00
	1/30/2020 9:28	Equity Research	Buy	15.00	12.16
	4/15/2020 8:41	Equity Research	Buy	12.00	8.95

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

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Equity research

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Hold: The expected upside is below 10% (the expected upside could be higher in light of the company's risk profile).

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Credit research

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Hold: The analyst has a stable credit fundamental opinion on the issuer and/or performances of the debt securities over a 6 months period.

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