

Investor Presentation

GFT Technologies SE

January 2021

Agenda

1. **GFT at a glance**
2. GFT business model
3. Financial results 9M/2020
4. Outlook

Shaping the future of digital business

GLOBAL WORKFORCE 9M/2020

5,754
FTE

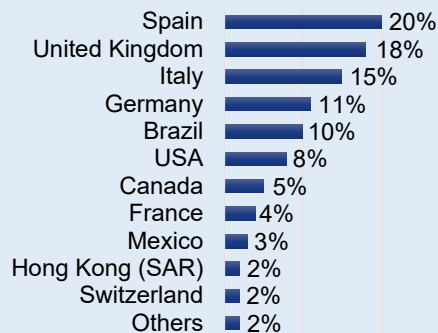
REVENUE FY 2020e

€ 440
million

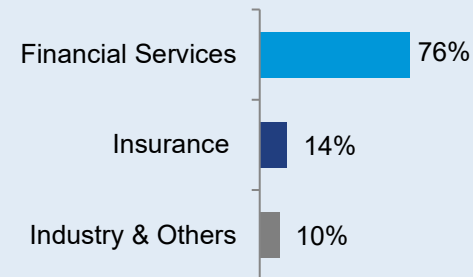
Adj. EBITDA FY 2020e

€ 42
million

REVENUE BY COUNTRY 9M/2020



REVENUE BY SECTOR 9M/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 dynamically



Highly attractive sales and earnings potential

- Underlying organic growth potential of 14%*
- Profit margins expected to improve considerably
- Attractive free cash flow generation with low Capex
- Shareholder friendly dividend policy at 20-50% net profit



Sustainability and commitment

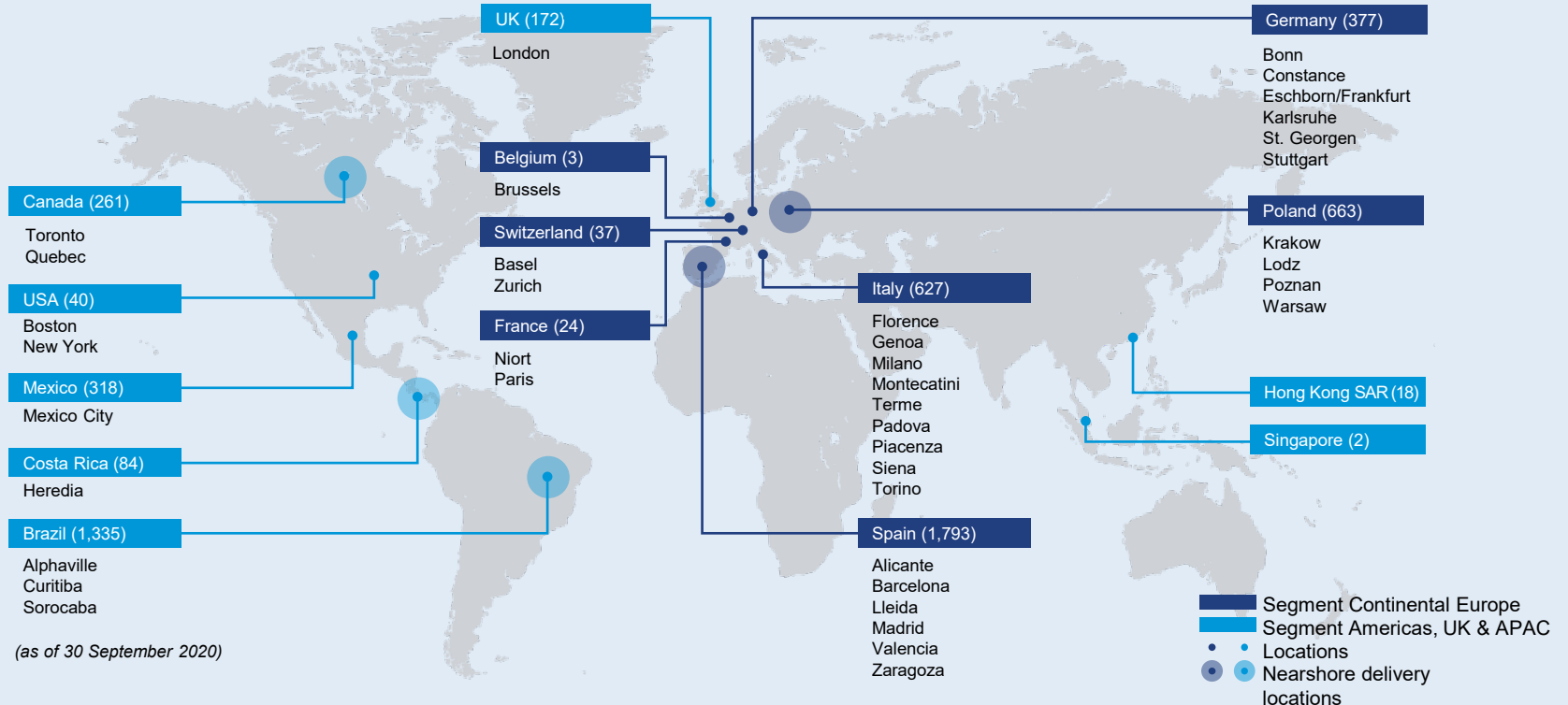
- Top executives more than 10 years with GFT
- Two anchor shareholders own 36% of shares

* 2020e ex top-2 clients (DB and Barclays)

Proven onshore-/ nearshore delivery model (5,754 FTE)



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

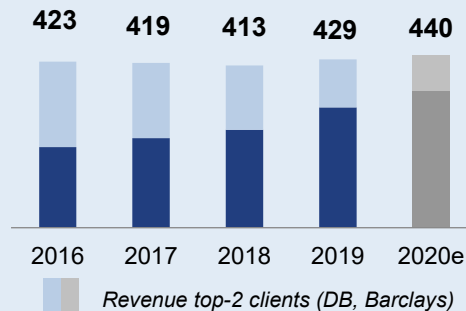


(as of 30 September 2020)

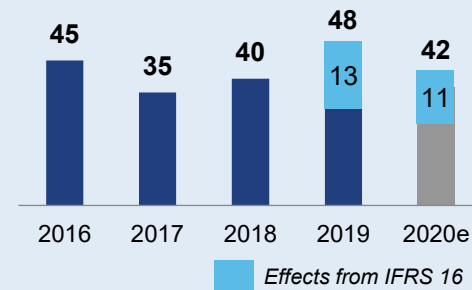


Key figures – Revenue trough ending

Revenue (€m)



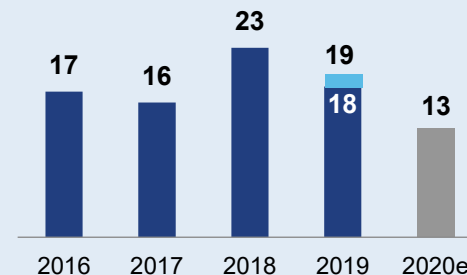
EBITDA adjusted (€m)



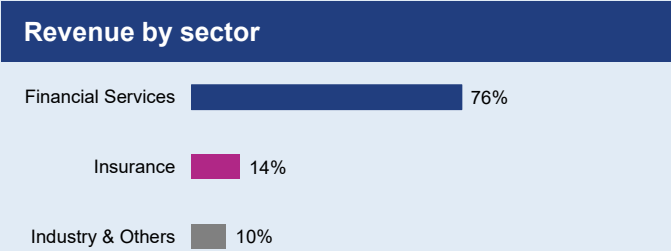
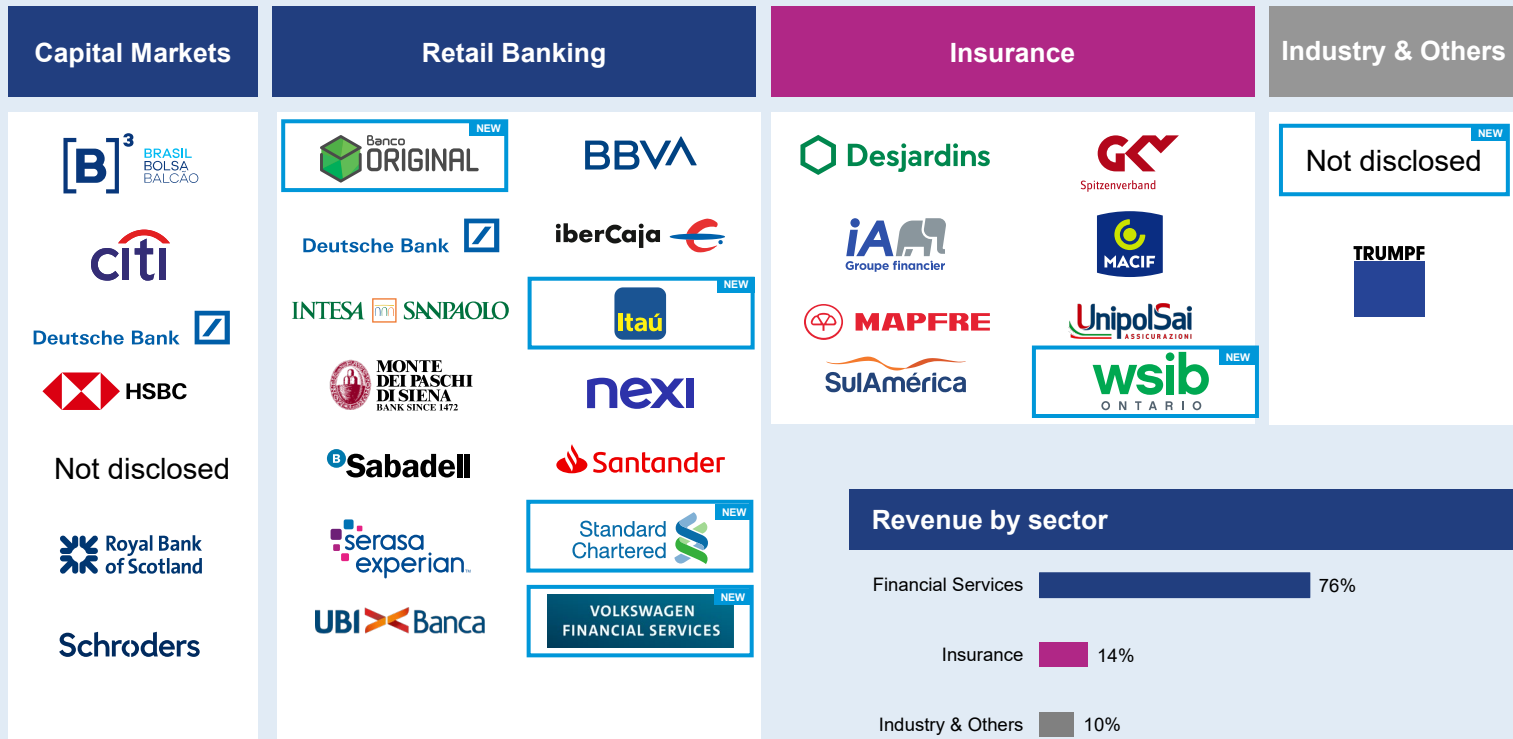
Employees (FTE)



EBT (€m)



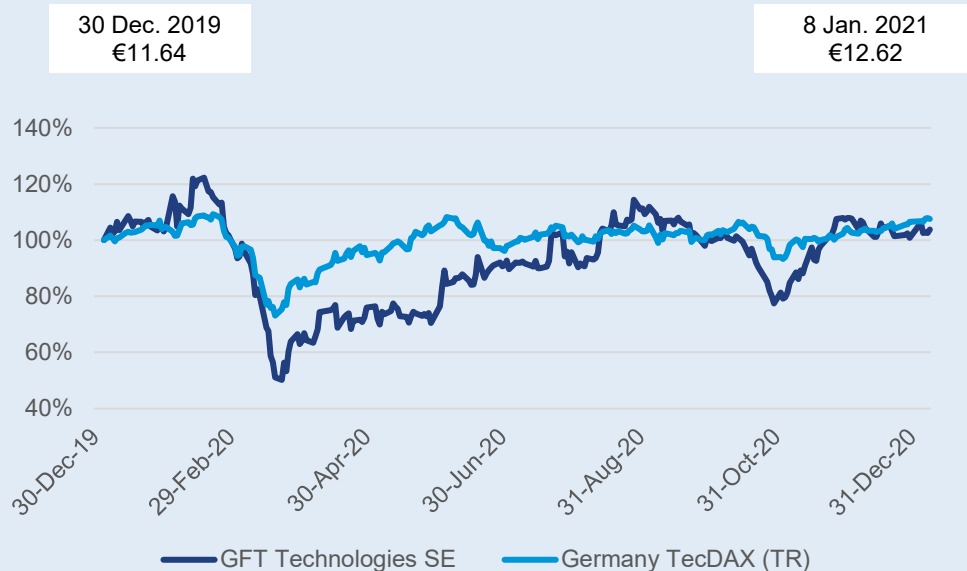
30 biggest clients 2020 – six new entries



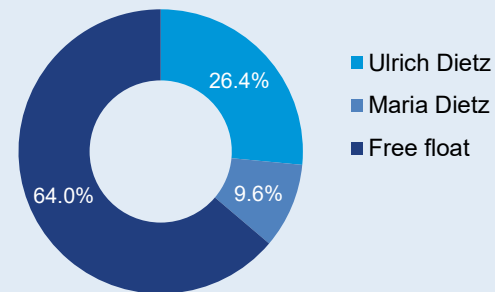
GFT share and shareholder structure



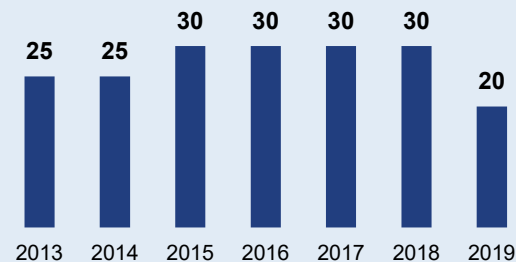
GFT share indexed



Shareholder structure



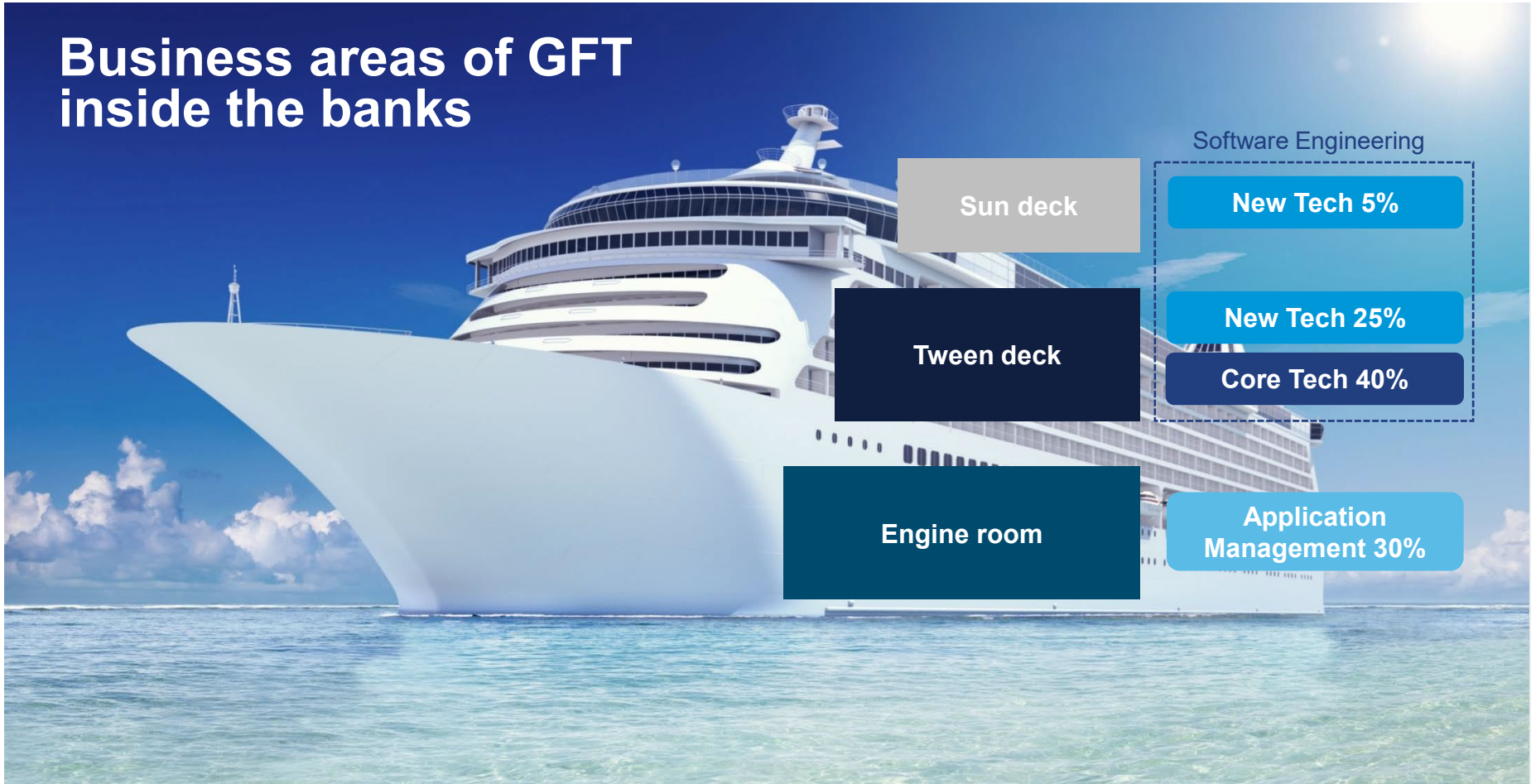
Dividend per share in Cent (for financial year)



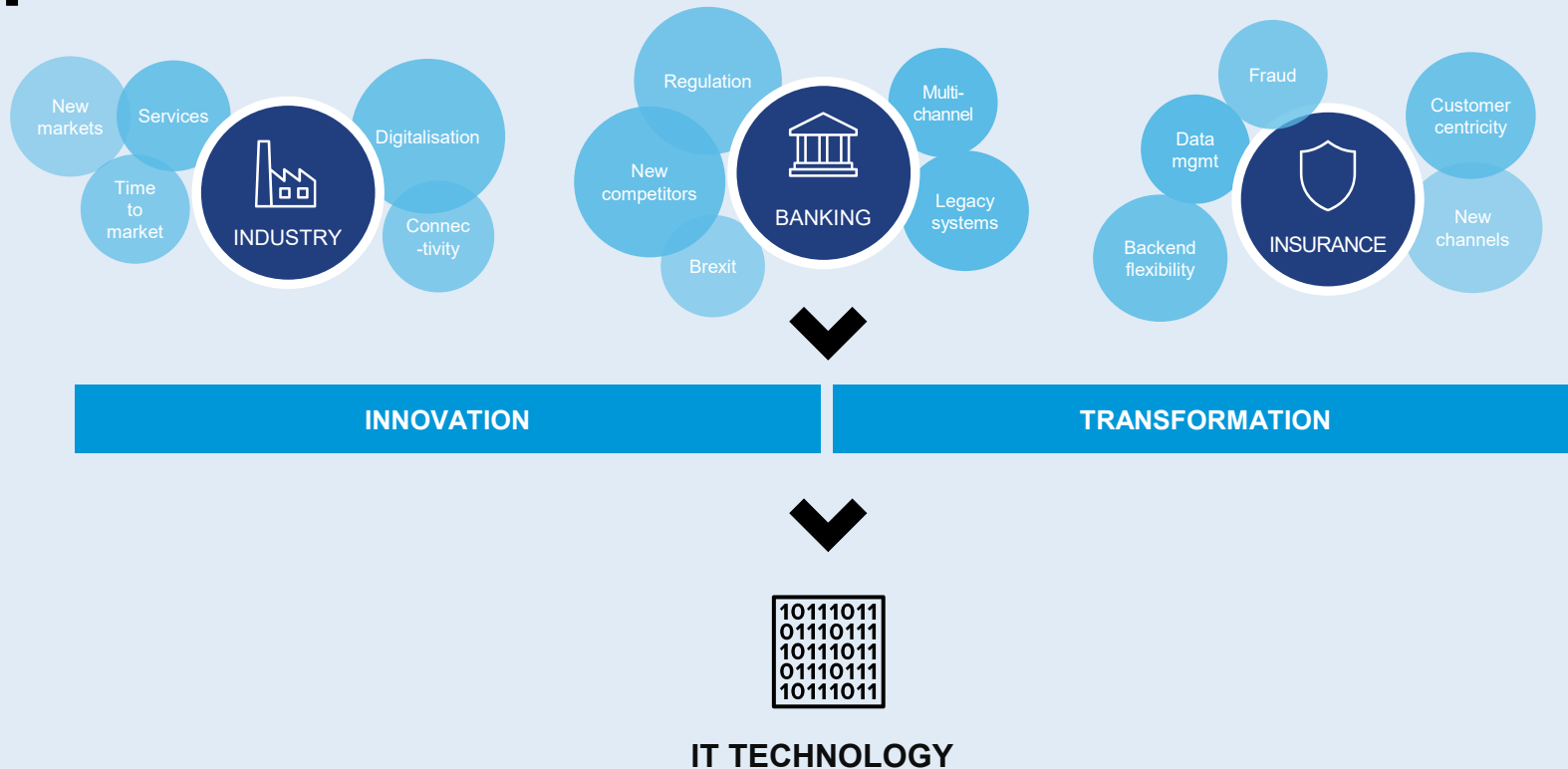
Agenda

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Business areas of GFT inside the banks



IT technology meets client business challenges



GFT Partner for Innovation and Transformation

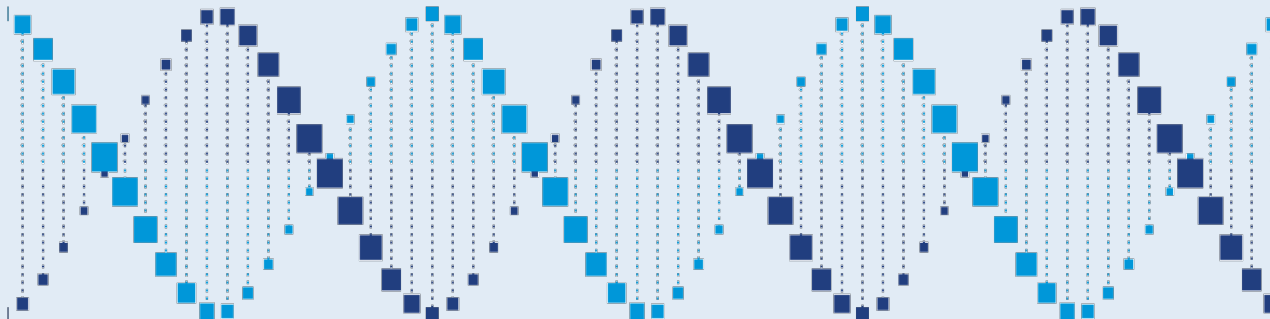


**CUSTOMER
CENTRICITY**

COLLABORATION

AUTOMATION

GAME CHANGERS



INNOVATION

TRANSFORMATION

**PLATFORM
ENGINEERING**

**DATA
ENGINEERING**

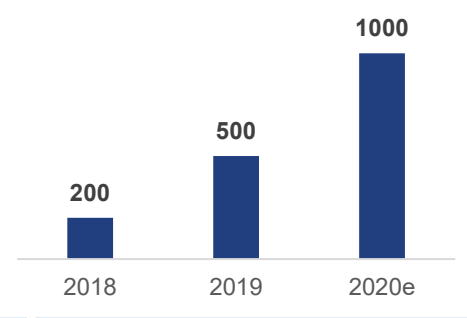
**REGULATORY,
RISK &
COMPLIANCE
SERVICES**

**CLOUD
ENGINEERING**

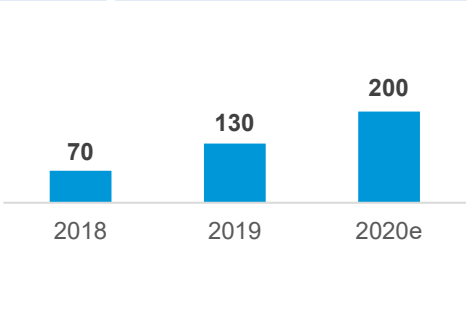
Further strengthening of partnerships



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 benefitting from indirect sales through partnerships



Awards

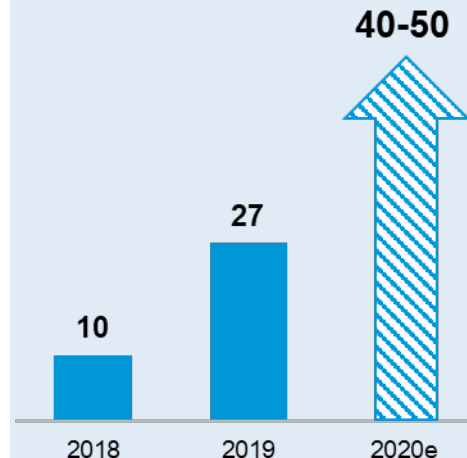
- Google Breakthrough Partner of the year 2019 due to outstanding growth



Proofpoint

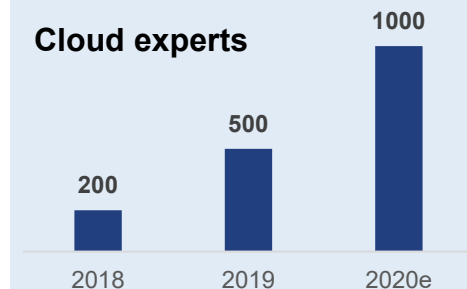
- Pure digital banking project in Hong Kong using AWS cloud-based virtual infrastructure
- Use of disruptive features such as machine learning, customer segmentation and real-time product funnel data sets

Cloud revenue in €m



2020e pre Covid-19 impact


Cloud experts




Overview GFT Global Cloud Practice





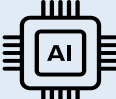



Capacity

 **1,000**
Cloud engineers and Architects 2020e

Projects

 **50+**
Cloud programmes live in 2020

Scope

 Mainframe & app modernisation	 Open APIs	 AI/ML
 Internet of Things	 Data transformation	 HPC

Awards & Certifications

Microsoft Partner

Silver DevOps
Gold Data Analytics
Gold Application Development
Gold Cloud Platform
Gold Datacenter

 Partner Network





Growing offering: the insurance momentum



Insurance: increasing traction with Guidewire

- Continuing growth with Guidewire implementation projects in North America and Europe
- Five specialised Guidewire delivery centres (Quebec, Costa Rica, Poland, Spain and Italy)



Awards

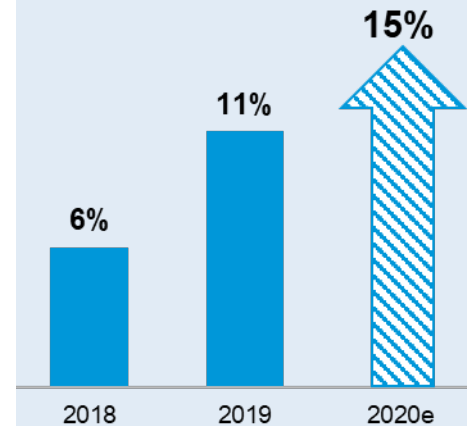
- GFT awarded a 'Major Contender and Star Performer in PEAK Matrix® Assessment' by Evererst Group as a result of significant growth, enhanced delivery capabilities and strong client recognition
- Winner of the 'Innovation Award by Guidewire' for Aviva Italy



Proofpoint

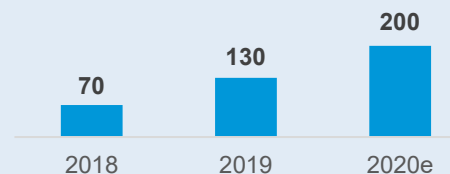
- First European implementation Guidewire of full suite on cloud
- Project with La Macif with 5-year duration, totalling approx. €50m

Share of insurance revenue



2020e pre Covid-19 impact

Guidewire experts



Complete offering: industry ready to start



Industry: completed offering to address IoT market

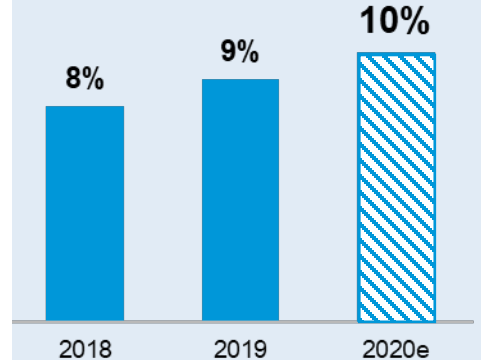
- Taking advantage of unique combination of IT and sector know-how with software offering (Sphinx)
- GFT's cloud competence meets growing demand for cloud solutions
- Exploring global opportunities



Proofpoint

- Successful projects using Google cloud solutions:
 - Connected car project with additional use of AI, Blockchain, 5G
 - Predictive maintenance for a US oil rig project

Share of industry 4.0 & others revenue



2020e pre Covid-19 impact

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GFT grows despite Covid-19



- Total revenue increase of 4% in the first nine months
- On-going dynamic revenue growth of 15% without top-2 clients¹⁾
- 38% revenue share with fast-growing technologies²⁾
- EBT in third quarter significantly above first half
- Outlook for revenue and EBT confirmed once again
 - Insurance business rose strongly by 34% to revenue share of 14%
 - Business with cloud solutions grew by 52% to 8% revenue share
 - Strong operating cash-flow driven by positive working capital effects
 - Cash and cash equivalents at prior-year level, net debt position improved

1) GFT's top-2 clients are defined as Deutsche Bank and Barclays.

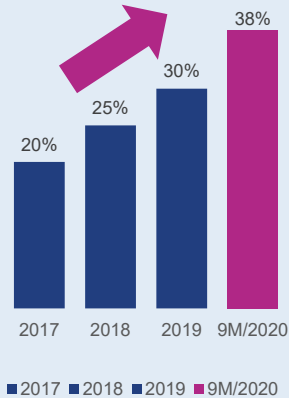
2) Fast-growing technologies per GFT's definition: DLT/blockchain, artificial intelligence, data analytics, cloud and DevOps.

Diversification successfully continued



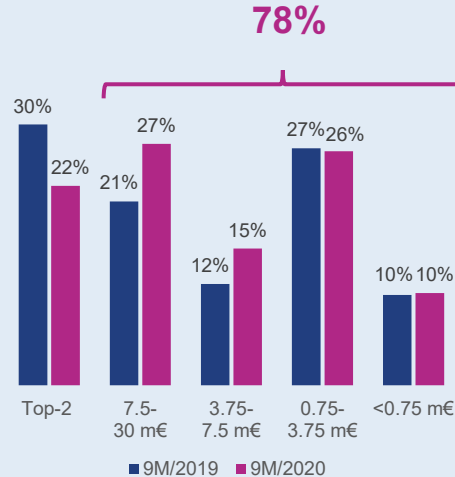
➤ Fast-growing technologies¹⁾ on the rise

Revenue share after nine months increased to 38%



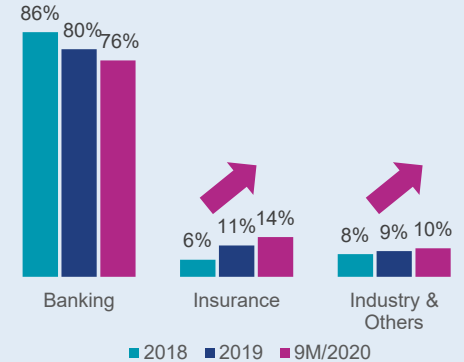
➤ Client concentration decreased further

Diversification successfully continued



➤ Sector split expanded

Dynamic growth in insurance of 34%



1) Fast-growing technologies per GFT's definition: DLT/blockchain, artificial intelligence, data analytics, cloud and DevOps.

Key figures



in €m	9M/2020	9M/2019	Δ%
Revenue	327.04	315.95	4%
Revenue w/o in-GmbH	323.55	315.95	2%
EBITDA adjusted*	30.81	34.78	-11%
EBITDA	27.80	32.20	-14%
EBIT	10.74	14.30	-25%
EBT	9.05	12.34	-27%
Net income	6.38	10.08	-37%
Earnings per share (in €)	0.24	0.38	-37%
Earnings per share adjusted (in €)*	0.47	0.59	-20%
Employees (in FTE)	5,754	5,173	11%

- **Revenue** increase of 4% (organic 2%), revenue contribution of in-GmbH (€3.49m)
- Decline of 11% in **EBITDA adjusted** mainly due to:
 - Operational margin improvement (esp. Americas, UK & APAC) €2.0m
 - Underutilisation (esp. Continental Europe) €-4.30m (9M/2019: €-1.40m)
 - Restructuring measures amounting to €-6.01m (9M/2019: €-3.48m)
 - FX effects amounting to €-0.44m (9M/2019: €-0.79m)
 - IFRS 16 effects €8.48m (9M/2019: €9.37m)
- **EBITDA** burdened by M&A-effects (in-GmbH) in the amount of €-0.94m
- **EBT-margin** at 2.8% (9M/2019: 3.9%)
- Tax ratio at 29.4% (9M/2019: 18.3%)

*Adjusted for non-operational effects from M&A activities (EBITDA) plus applicable tax effects (net income and EPS)

Revenue by segment (I)



in €m	Revenue		Growth rates			
	9M/2020	9M/2019	Organic	M&A	FX	Total
Americas, UK & APAC	157.39	147.30	14%	0%	-7%	7%
Continental Europe	169.39	168.24	-1%	2%	0%	1%
Others	0.26	0.41	n/a	n/a	n/a	n/a
GFT Group	327.04	315.95	6%	1%	-3%	4%

- **Americas, UK & APAC:** positive trend esp. with retail banks in Brazil and Hong Kong as well as with insurance companies in Canada
- **Continental Europe:** anticipated revenue decline with top-2 clients compensated by growth with other clients; esp. dynamic growth in insurance in France
- **M&A effects:** acquisition of in-GmbH with effect from 1 January 2020 (revenue contribution of €3.49m)

Revenue by segment (II)



in €m		Revenue		Δ%
		9M/2020	9M/2019	9M/2020 vs. 9M/2019
Americas, UK & APAC	Top-2 clients	32.75	45.35	-28%
	Other clients	124.64	101.94	22%
	Total	157.39	147.30	7%
Continental Europe	Top-2 clients	39.38	49.09	-20%
	Other clients	130.01	119.16	9%
	Total	169.39	168.24	1%
GFT Group*	Top-2 clients	72.13	94.44	-24%
	Other clients	254.65	221.10	15%
	Total	326.78	315.54	4%

* w/o segment „Others“

- **Further decrease in client concentration:** revenue share with top-2 clients at 22% (9M/2019: 30%)
- **Top-2 clients:** revenue decrease as anticipated in UK (Americas, UK & APAC) and in Germany (Continental Europe)
- Unbroken growth trend with **other clients** in both segments with an overall increase of 15%

EBITDA adjusted, EBITDA and EBT by segment

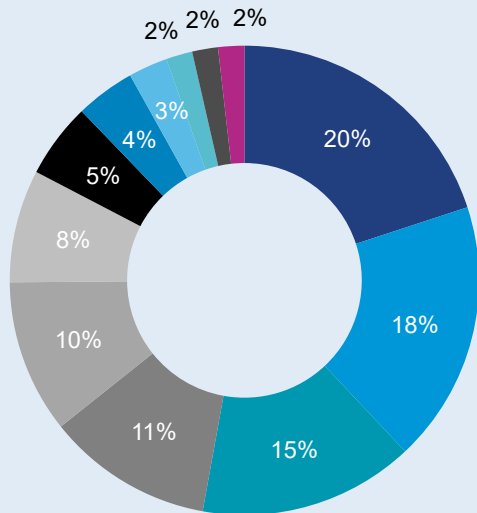


in €m	EBITDA adjusted*			EBITDA			EBT		
	9M/2020	9M/2019	Δ%	9M/2020	9M/2019	Δ%	9M/2020	9M/2019	Δ%
Americas, UK & APAC	15.21	12.64	20%	13.14	10.40	26%	5.91	2.13	>100%
Continental Europe	15.78	23.85	-34%	14.84	23.51	-37%	4.61	12.52	-63%
Others	-0.18	-1.71	-90%	-0.18	-1.71	-90%	-1.47	-2.31	-37%
GFT Group	30.81	34.78	-11%	27.80	32.20	-14%	9.05	12.34	-27%

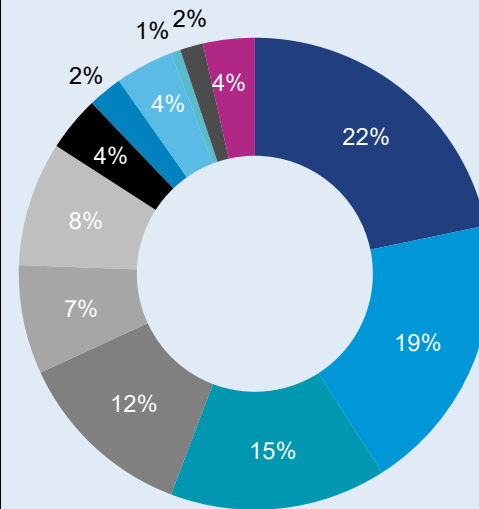
- **Americas, UK & APAC:** revenue growth led to good utilisation, increased earnings contribution and margin improvement
- **Continental Europe:** restructuring costs as well as underutilisation in Germany and Spain – mainly as a result of the Covid-19 pandemic

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

Revenue by country (in €m)



9M/2020		Δ%	9M/2019
64,62	Spain	-5%	67,95
58,40	UK	-3%	60,12
48,10	Italy	4%	46,41
37,05	Germany	-4%	38,61
34,22	Brazil	47%	23,35
25,18	USA	-6%	26,66
16,71	Canada	42%	11,79
13,28	France	80%	7,36
12,00	Mexico	-4%	12,47
5,88	Hong Kong*	>100%	2,06
5,77	Switzerland	17%	4,94
5,83	Other countries	-59%	14,23
327,04	Total	4%	315,95



* SAR

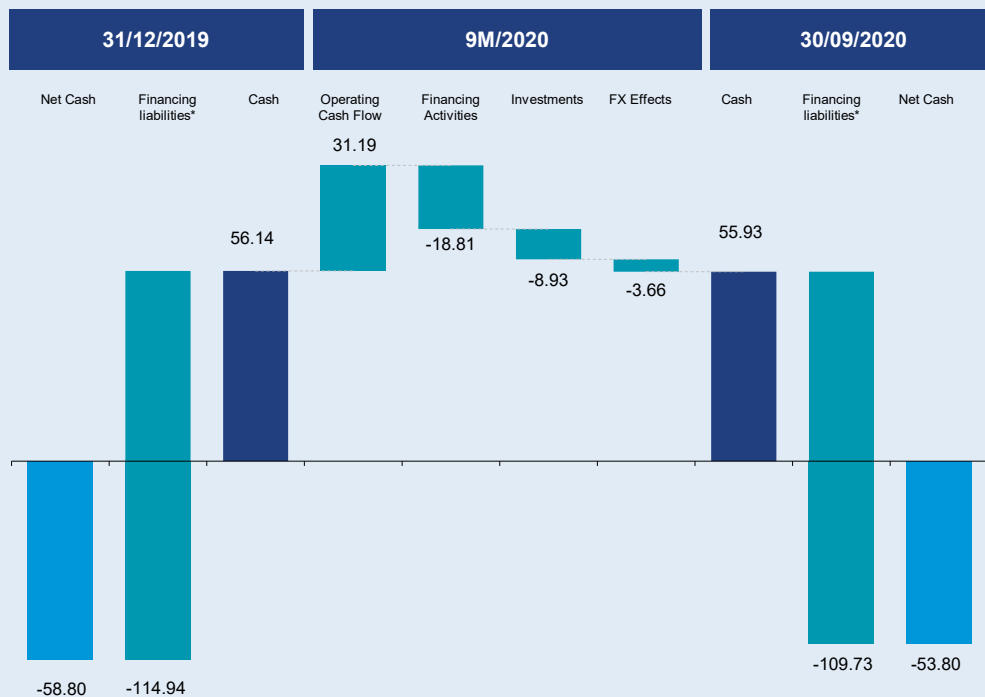
Detailed profit & loss statement



in €m	9M/2020	9M/2019	Δ%
Revenue	327.04	315.95	4%
Other operating income	9.68	6.31	53%
Cost of purchased services	-35.05	-35.22	0%
Personnel expenses	-237.44	-219.11	8%
Other operating expenses	-36.43	-35.73	2%
EBITDA	27.80	32.20	-14%
Depreciation and amortisation	-17.06	-17.90	-5%
EBIT	10.74	14.30	-25%
Interest income/expenses	-1.69	-1.96	-14%
EBT	9.05	12.34	-27%
Income taxes	-2.67	-2.26	18%
Net income	6.38	10.08	-37%
Earnings per share (in €)	0.24	0.38	-37%

- Further solid **revenue** growth
- Increased **other operating income** mainly due to government grants and foreign exchange gains
- **Cost of purchased services** to revenue ratio with 11% at prior-year level
- Increased **personnel expenses** mainly due to higher average headcount as well as restructuring costs primarily as a result of the Covid-19 pandemic. Ratio of personnel expenses excluding restructuring costs plus purchased services to revenue of 83% (9M/2019: 79%)
- **EBITDA** down by 14% mainly due to increased personnel expenses
- Decrease in **depreciation and amortisation** of €0.84m 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 29% (9M/2019: 18%) due to the earnings distribution among national companies

Cash flow analysis (in €m)



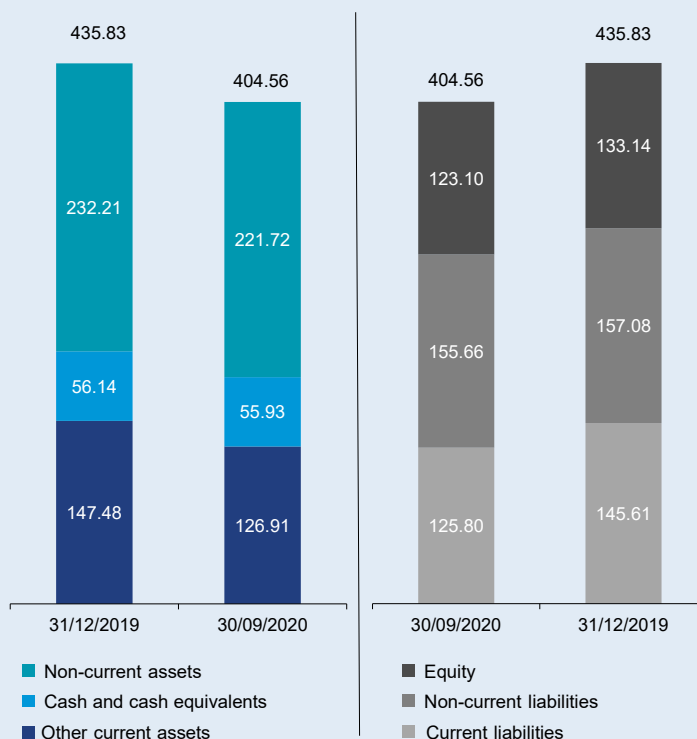
*Financing liabilities include liabilities to banks

- **Financing structure** remains solid. Unused credit facilities of €56.09m (31/12/2019: €52.84m). Net cash at €-53.80m (31/12.2019: €-58.80m)
- Despite the Covid-19 crisis **cash** with €55.93m at prior-year level (9M/2019: €56.14m) due to positive working capital effects
- Increase in **operating cash flow** primarily because of cash-effective decline in working capital, esp. trade receivables to €31.19m (9M/2019: €22.27m). Generated funds were used to reduce financial debt
- **Cash flow from financing activities** influenced by dividend payment to shareholders in the amount of €5.27m (9M/2019: €7.90m) and net redemption of loans of €5.23m (9M/2019: net borrowing of €14.49m)
- **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 €31.27m mainly associated with decline of customer receivables and property, plant and equipment
- €10.49m decrease in **non-current assets** primarily due to depreciation of right-of-use assets acc. to IFRS 16. Non-current assets account for 55% of balance sheet total (31/12/2019: 53%)
- **Cash and cash equivalents** with €55.93m in essence at level of previous year-end
- Decrease in **other current assets** of €20.57m primarily due to decline in trade receivables from customers

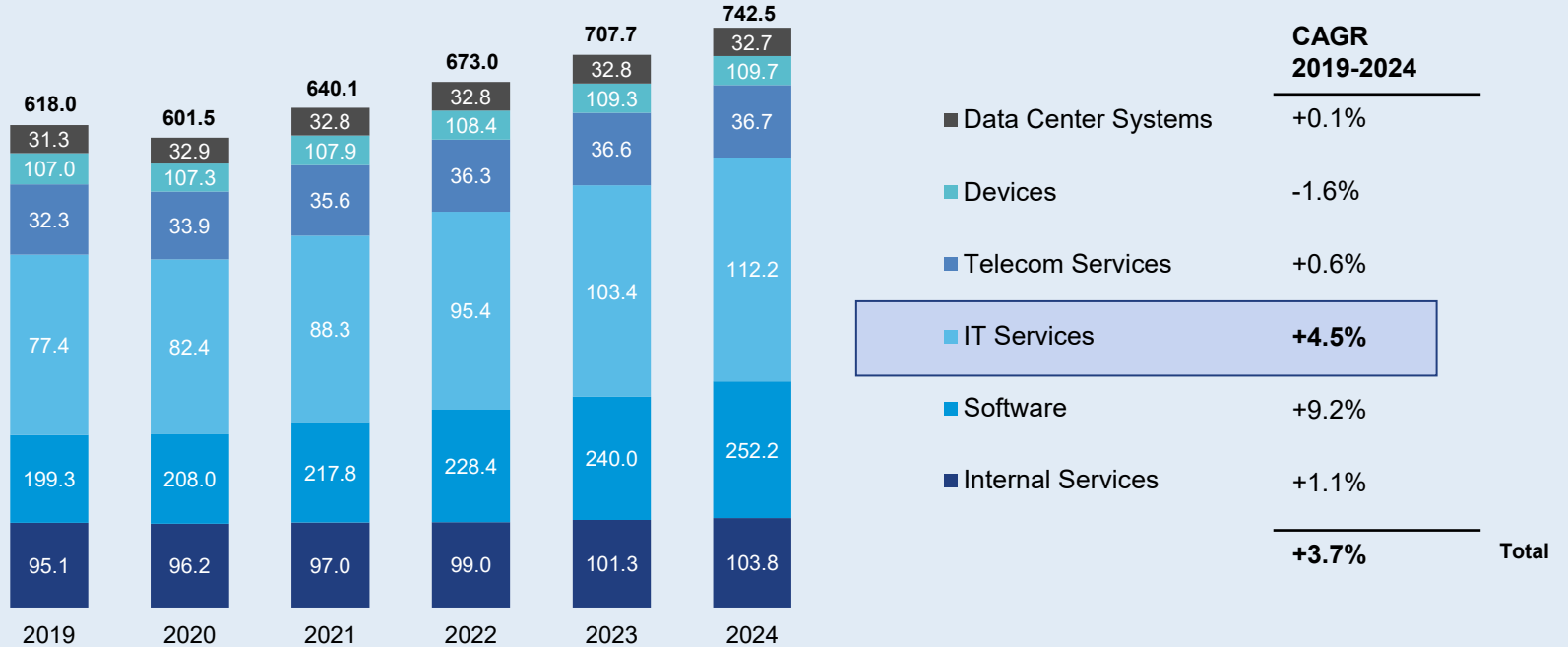


- Currency-adjusted increase in **equity** by €1.21m. Net income of €6.38m was opposed by dividend payment to shareholders of €5.27m. Equity ratio of 30% (31/12/2019: 31%) or adjusted for IFRS 16 effects of 35% (31/12/2019: 35%)
- Decrease in **non-current liabilities** results from reduction in lease liabilities acc. to IFRS 16 of €3.13m
- €19.81m decline in **current liabilities** mainly attributable to closing-date effects in contract liabilities amounting to €12.67m. In addition, reduction of financing liabilities by €4.98m from the redemption of bank loans.

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Banking and Securities IT Spending Forecast



Forecasting Digital Spending

In Billions of U.S. Dollars / constant currency

Source: Gartner October 2020

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

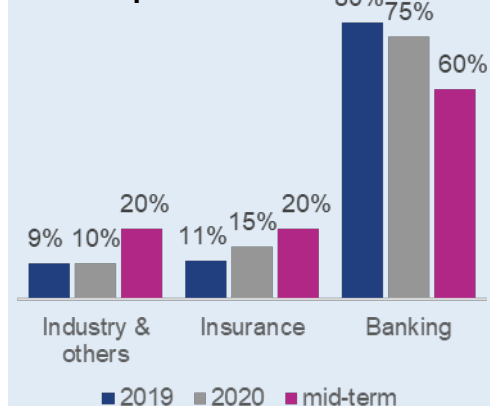
Market growth forecast 2020

IT budgets for

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

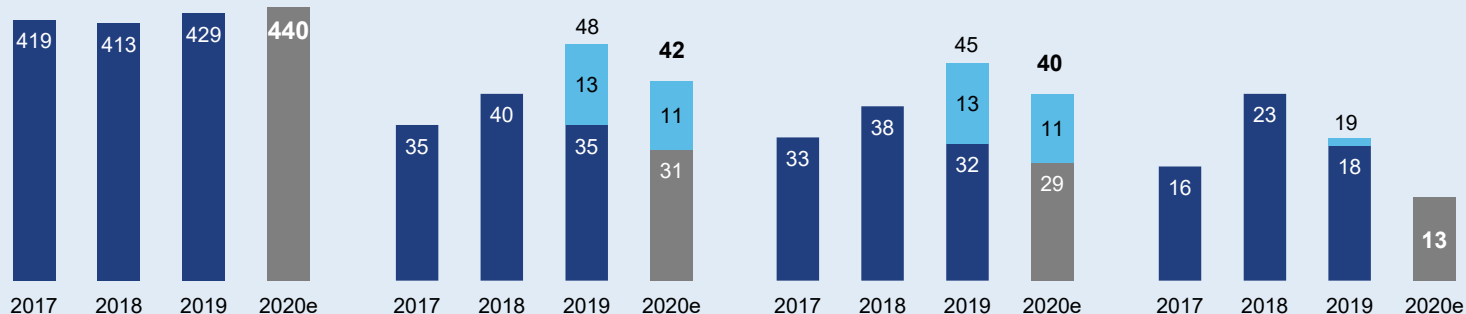
*Pre Covid-19 impact * Gartner ** Guidewire*

Sector split mid-term



Pre Covid-19 impact

Outlook FY 2020 (in €m)



Effects from IFRS 16

Revenue

- Decrease in revenue with top-2 clients of around 26%
- In contrast, 14% growth expected outside the top-2 clients; client and sector diversification continues to improve, expansion of industrial business deferred by Covid-19

Earnings

- Burdens from Covid-19 due to underutilisation and restructuring measures
- Focus on revenue growth requires higher spending for sales activities and technological expertise
- Savings on future rental costs lead to lower IFRS 16 effect of €11m (old: €13m)

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

Backup

Split of operative and M&A Effects

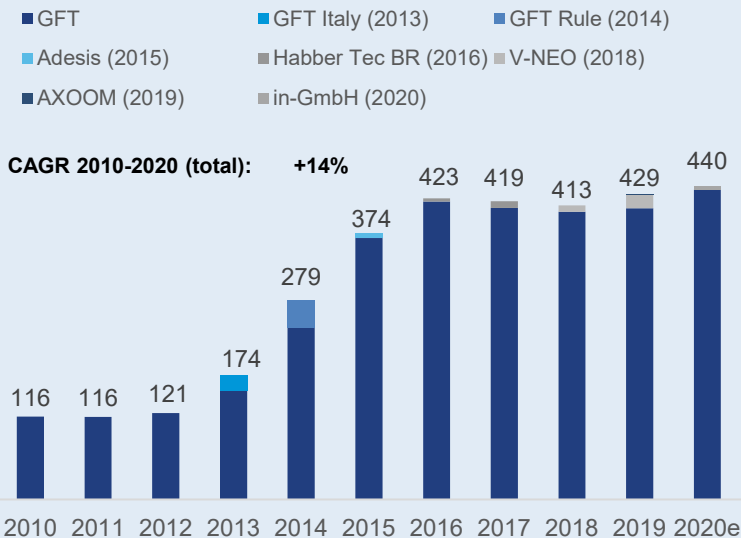


in €m	9M/2020			9M/2019	
	GFT stand alone	in-GmbH	GFT Total	GFT stand alone	GFT Total
EBITDA adjusted	29.42	1.39	30.81	34.78	34.78
M&A earn-out & retention	-1.94	-0.89	-2.83	-2.11	-2.11
M&A consult & integrate	0.00	-0.02	-0.02	-0.13	-0.13
M&A amortisation orderbook	-0.12	-0.04	-0.16	-0.34	-0.34
EBITDA	27.36	0.44	27.80	32.20	32.20
Depreciation & amortisation	-12.47	-0.09	-12.56	-14.68	-14.68
M&A amortisation	-4.18	-0.32	-4.50	-3.22	-3.22
EBIT	10.71	0.03	10.74	14.30	14.30
Interest	-1.69	0.00	-1.69	-1.96	-1.96
M&A interest	0.00	0.00	0.00	0.00	0.00
EBT	9.02	0.03	9.05	12.34	12.34
Income taxes	-2.67	0.00	-2.67	-2.26	-2.26
Net income	6.35	0.03	6.38	10.08	10.08
Net income adjusted	11.12	1.30	12.41	15.42	15.42
Shares outstanding (m.)	26.33	26.33	26.33	26.33	26.33
EPS basic (€)	0.24	0.00	0.24	0.38	0.38
EPS adjusted (€)	0.42	0.05	0.47	0.59	0.59

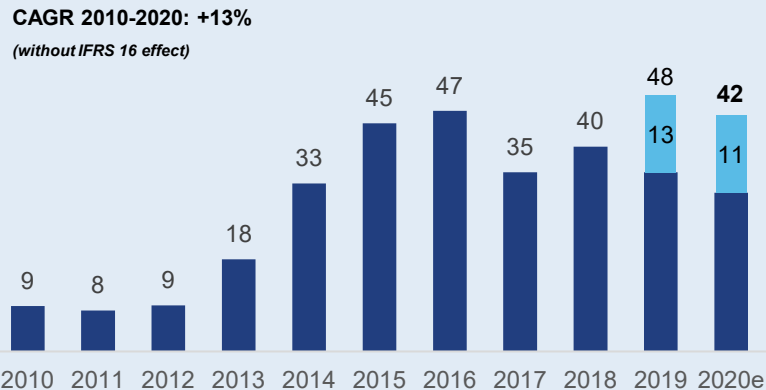
Revenue and EBITDA development



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	
European IT Services								
Cappgemini SE	EUR	127.00	21,436	19.80	17.24	12.1x	11.1x	
Devoteam SA	EUR	98.00	817	22.67	18.30	9.0x	8.4x	
First Derivatives plc	GBX	3,165.00	874	n.m.	n.m.	20.7x	23.3x	
Indra Sistemas, S.A. Class A	EUR	7.06	1,247	-136.72	10.67	12.9x	5.8x	
Reply S.p.A.	EUR	95.90	3,588	32.12	28.50	17.4x	15.6x	
Global IT Services								
Accenture Plc Class A	USD	264.16	174,645	34.58	32.11	20.7x	18.7x	
Cognizant Technology Solutions Corporation Class A	USD	81.95	43,814	22.64	20.64	13.6x	12.5x	
EPAM Systems, Inc.	USD	342.37	19,169	54.74	45.81	34.8x	29.0x	
DXC Technology Co.	USD	29.60	7,531	5.53	14.14	4.2x	6.0x	
Indian IT Services								
HCL Technologies Limited	INR	994.45	2,698,604	25.07	21.87	0.2x	0.2x	
Infosys Limited	INR	1,311.80	5,587,728	33.68	29.47	23.8x	19.9x	
Tata Consultancy Services Limited	INR	3,120.35	11,708,754	35.94	36.30	26.5x	25.6x	
Wipro Limited	INR	430.15	2,458,453	25.62	24.40	17.2x	15.8x	
Average (all)				14.64	24.95	16.4x	14.8x	
Median (all)				25.34	23.14	17.2x	15.6x	
GFT Technologies SE	EUR	12.62	332	22.1x	15.0x	9.6x	7.8x	

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