

Investor Presentation

GFT Technologies SE

April 2020

Agenda

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

Shaping the future of digital business

GLOBAL WORKFORCE

5,242
FTE

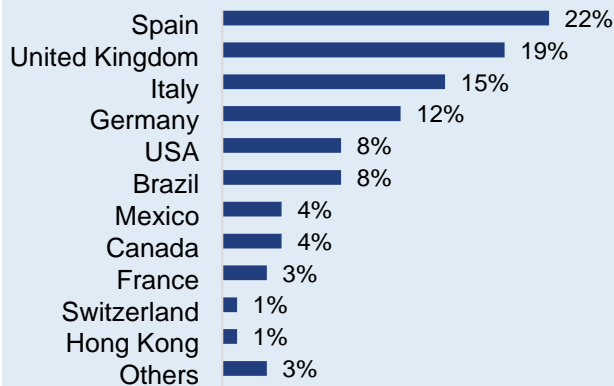
REVENUE FY 2019

€ 429
million

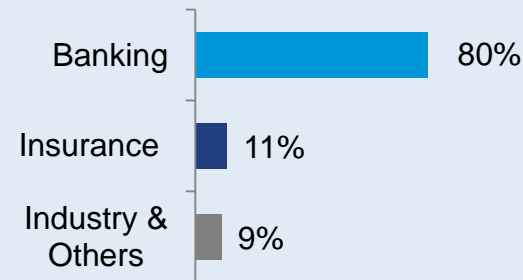
Adj. EBITDA FY 2019

€ 49
million

REVENUE BY COUNTRY FY 2019



REVENUE BY SECTOR FY 2019



CONSULTING



DIGITAL SOLUTIONS



APPLICATION MANAGEMENT & OUTSOURCING

Investment Case



Unique technology and sector expertise

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



Strong demand for digital transformation

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



Highly attractive sales and earnings potential

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



Sustainability and commitment

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

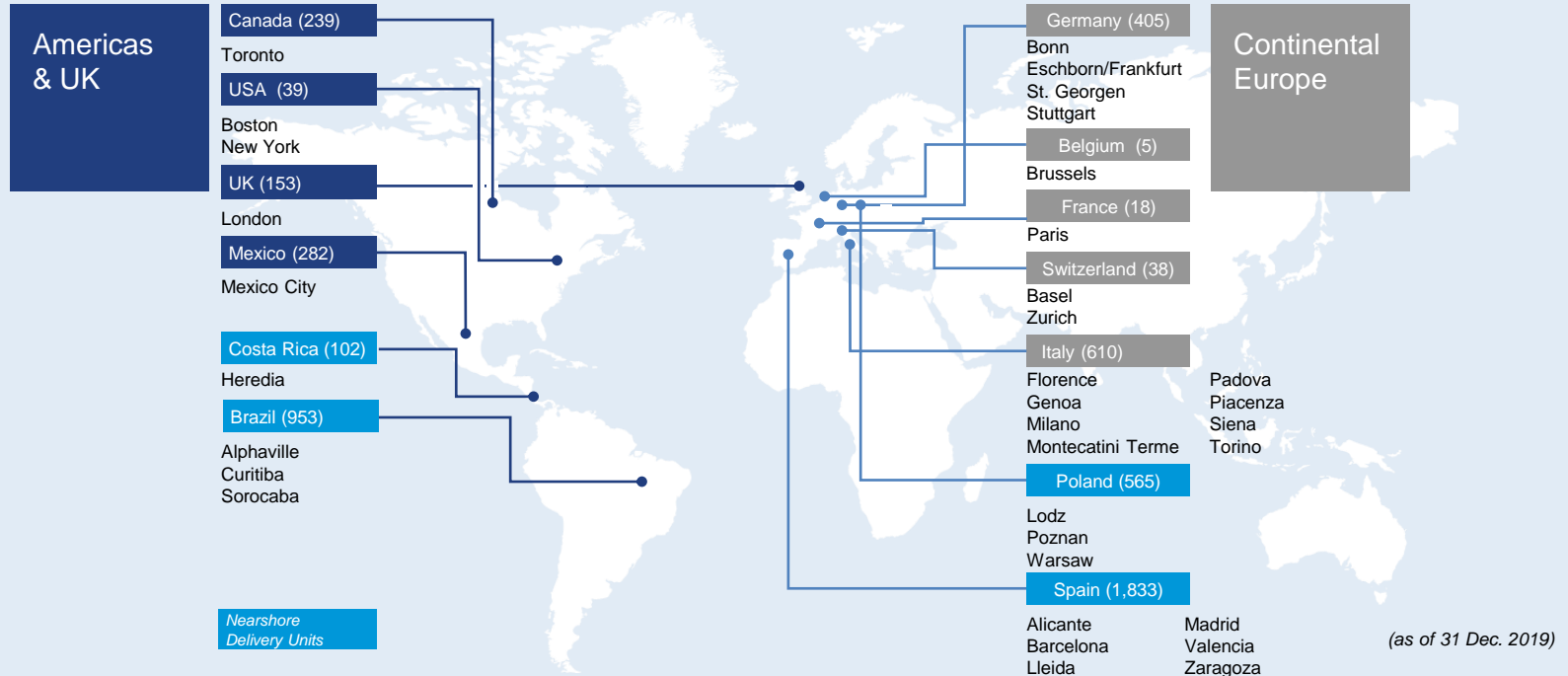
* Source: Gartner, forecast for 2020

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

Proven onshore-/ nearshore delivery model (5,242 FTE)



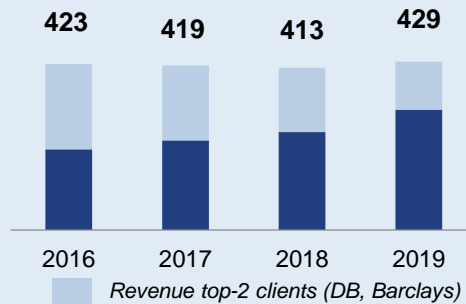
Approx. 50% of revenues generated onshore and 50% nearshore



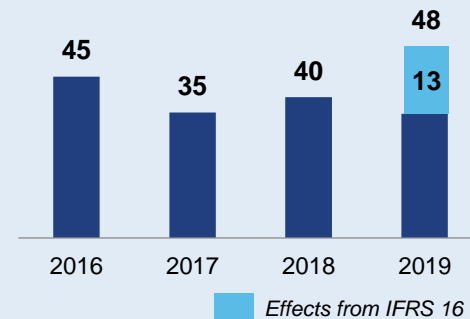
Key figures



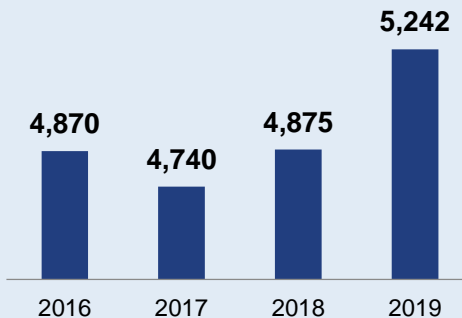
Revenue (€m)



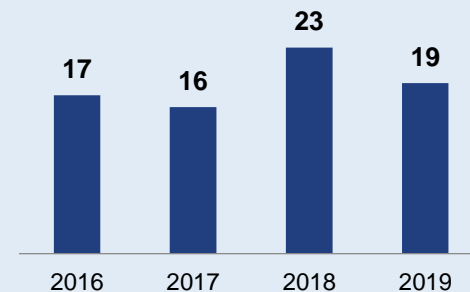
EBITDA adjusted (€m)



Employees (FTE)



EBT (€m)



30 biggest clients 2019 – eight new entries



Capital Markets



Retail Banking



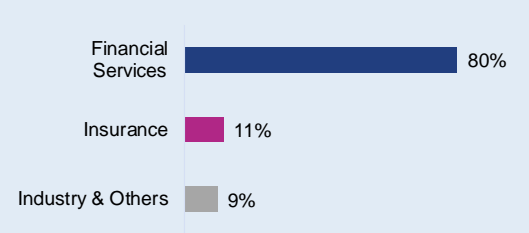
Insurance



Industry & Others



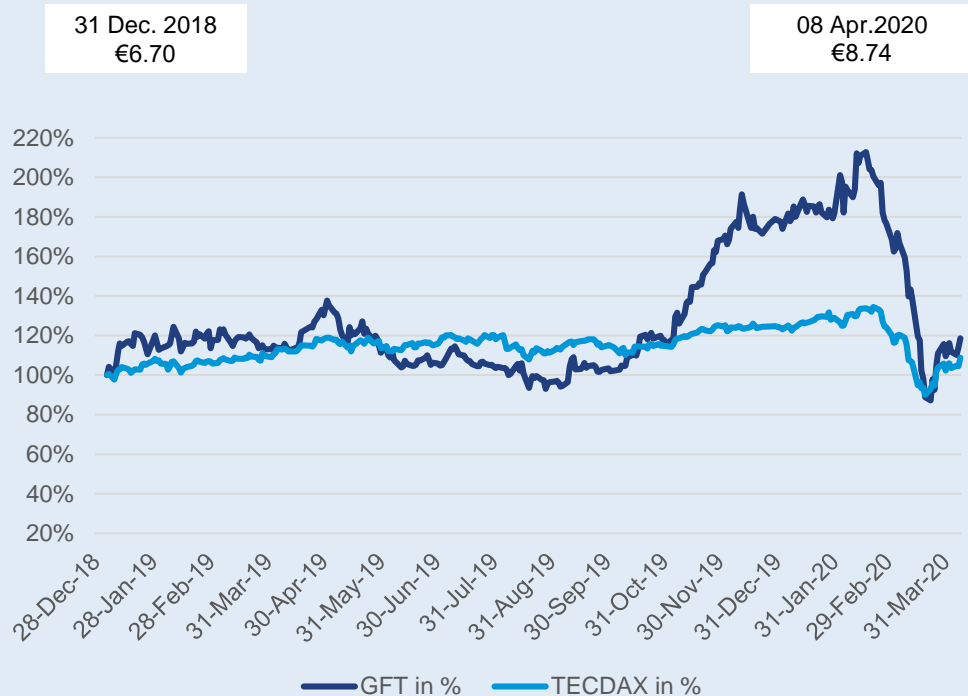
Revenue by sector



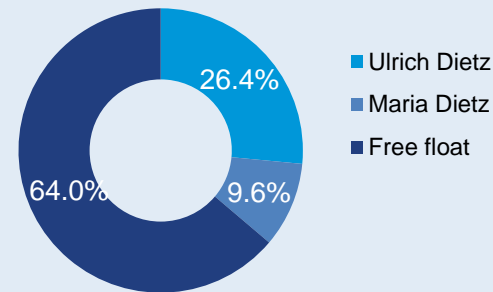
GFT share and shareholder structure



GFT share indexed

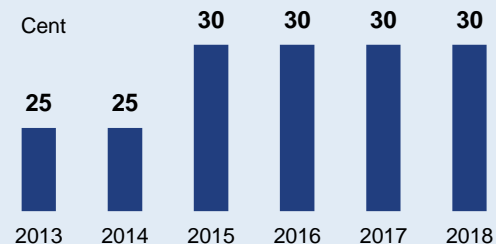


Shareholder structure



Dividend per share in Cent (for financial year)

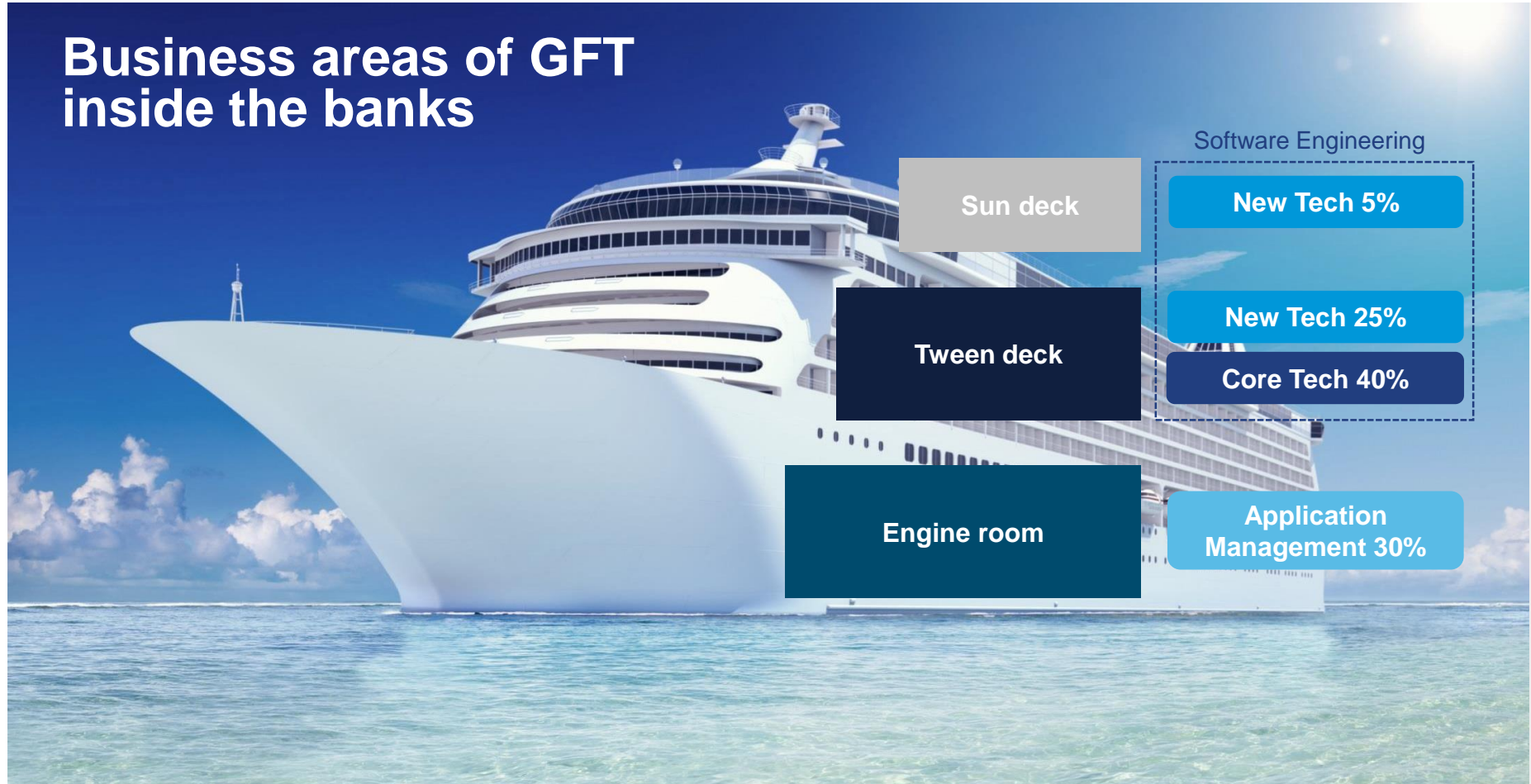
Dividend proposal for FY 2019:
within payout range of 20 – 50% of net income



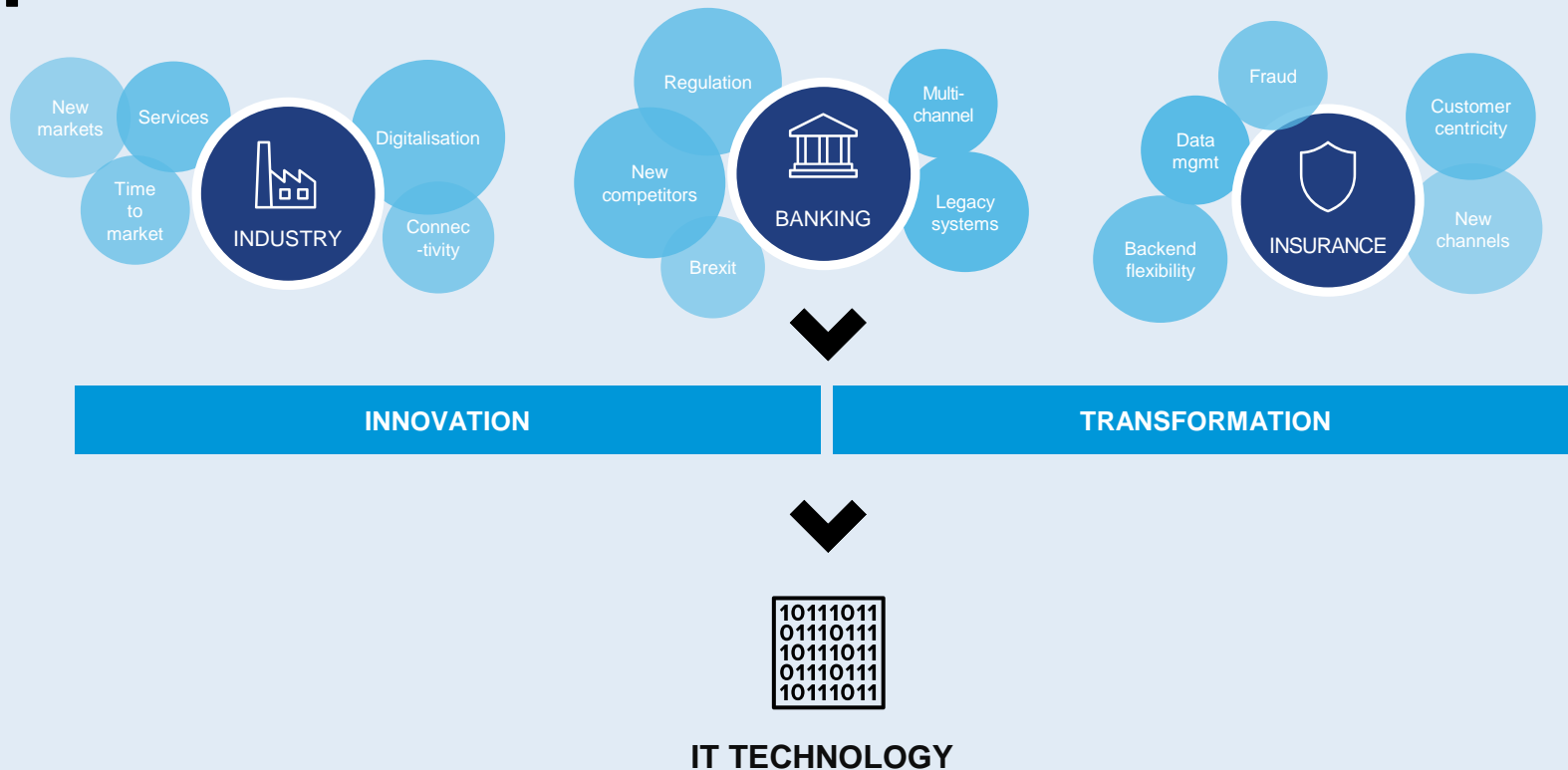
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Business areas of GFT inside the banks



IT technology meets client business challenges



GFT Partner for Innovation and Transformation

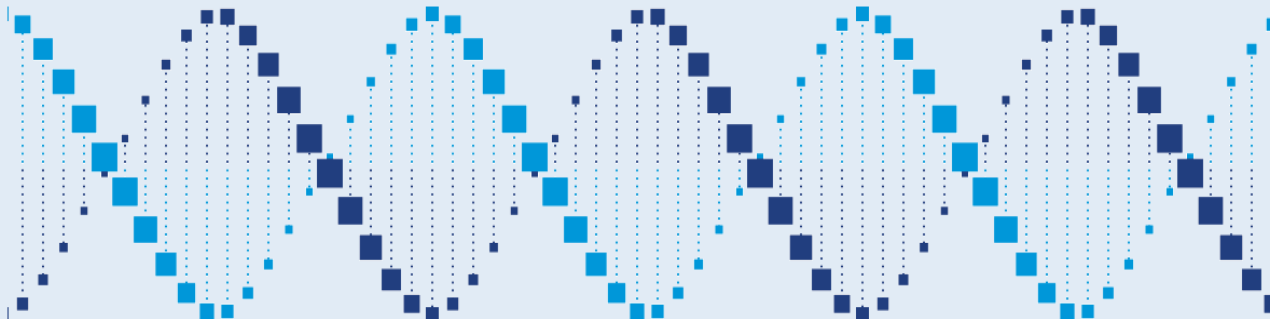


CUSTOMER
CENTRICITY

COLLABORATION

AUTOMATION

GAME CHANGERS



INNOVATION

TRANSFORMATION

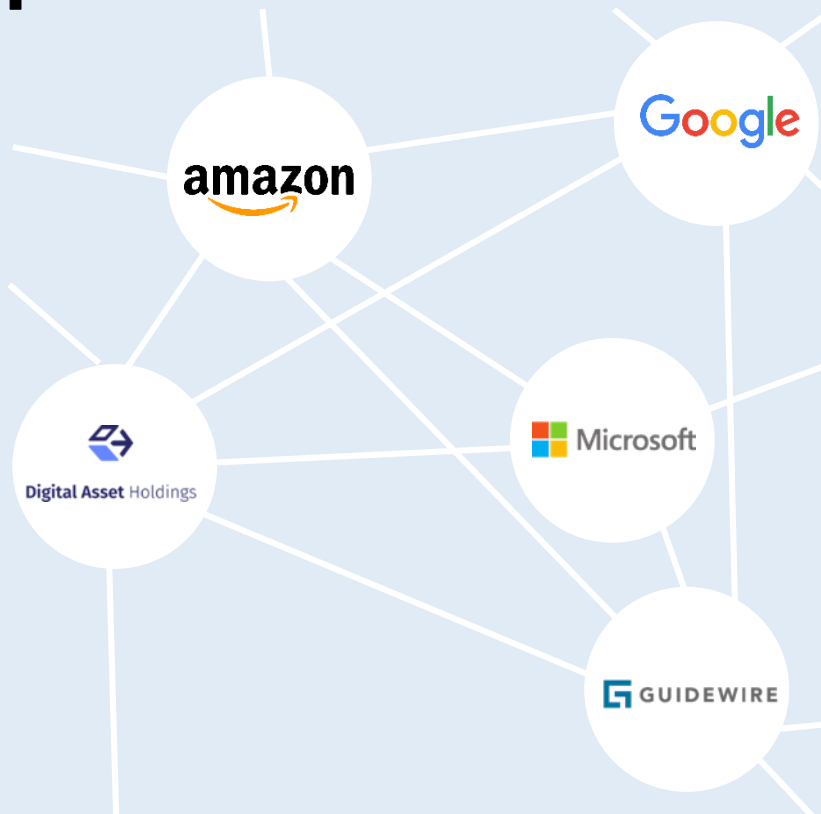
PLATFORM
ENGINEERING

DATA
ENGINEERING

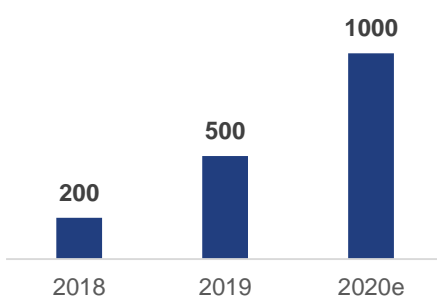
REGULATORY,
RISK &
COMPLIANCE
SERVICES

CLOUD
ENGINEERING

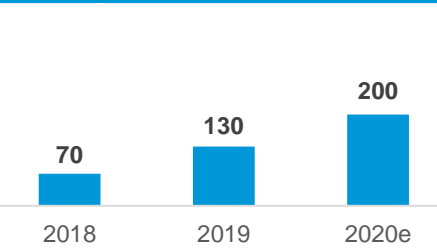
Further strengthening of partnerships



Cloud experts at GFT



Guidewire experts at GFT



Sky high opportunities: the cloud momentum



GFT a clear Cloud innovation partner

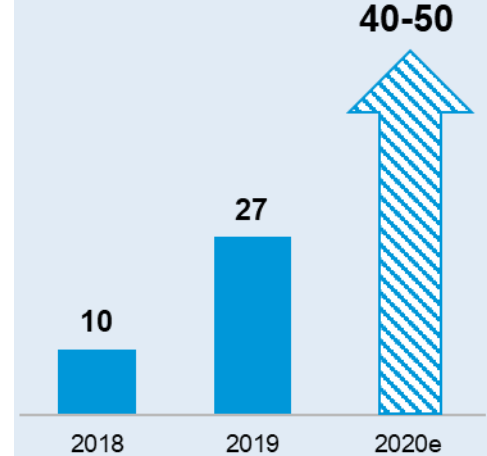
- On-going strategic investments to strengthen relationship with major cloud providers and benefitting from indirect sales through partnerships



Proofpoint

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

Cloud revenue in €m



2020e pre Covid-19 impact

Cloud experts



Growing offering: the insurance momentum



Insurance: increasing traction with Guidewire

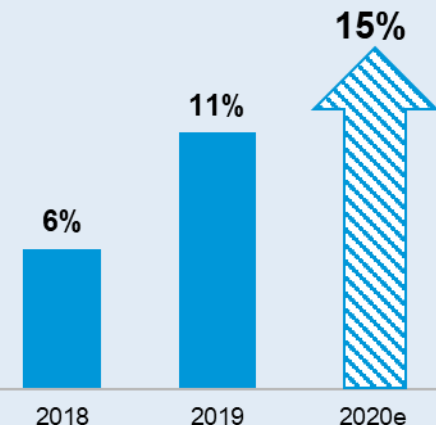
- Continuing growth with Guidewire implementation projects in North America and Europe
- Building up of nearshore capacity in Poland and Spain



Proofpoint

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

Share of insurance revenue



2020e pre Covid-19 impact

Complete offering: industry ready to start



Industry 4.0: complete offering to address IoT market

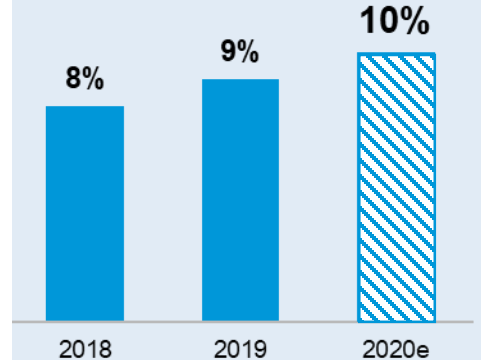
- Taking advantage of unique combination of IT and sector know-how with software offering
- More growth in German “Mittelstand” expected
- Exploring global opportunities



Proofpoint

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

Share of industry 4.0 & others revenue



2020e pre Covid-19 impact

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Strategy on track: GFT exceeds targets for FY 2019



Consistent execution delivers positive upwards trajectory

- Delivered revenue and earnings figures for FY 2019 above expectations
- Successful client and sector diversification is on-going
- Addressed attractive target markets with favourable trends
- Right technological offering and valuable partnerships chosen
- Strengthened IoT competence via two acquisitions
- Proposed dividend: €0.30 for FY 2019



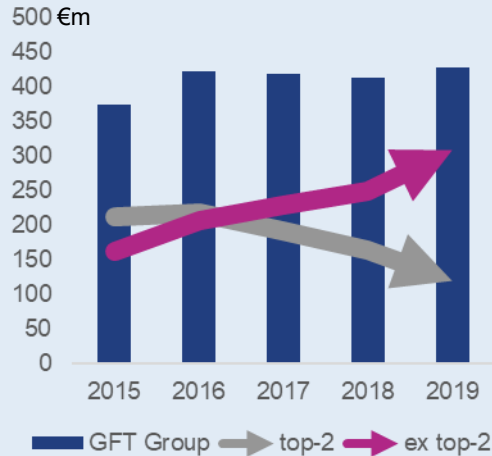
GFT in the right place to seize thriving market opportunities

Diversification & sales mix improved significantly



➤ Dynamic growth ex top-2*

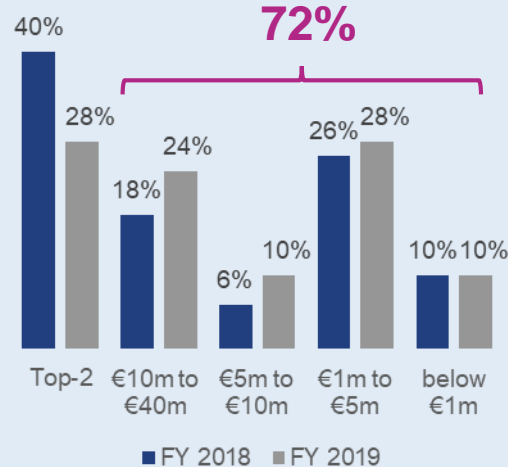
- 2019: +24%
- Less dependency on top-2
- 5-year CAGR: +18%



* Top-2 clients are Deutsche Bank and Barclays

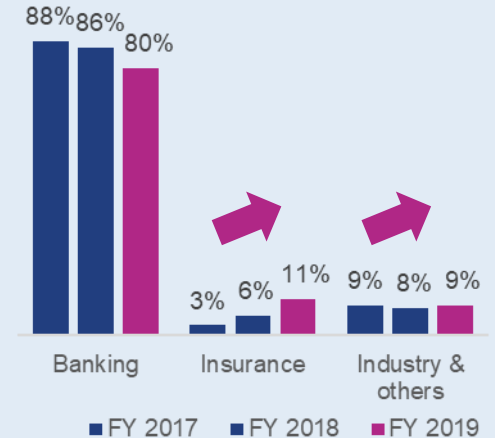
➤ Broad client base

- 60 new clients in 2019
- Wide diversification
- 72% of revenue with over 276 clients



➤ Improved sector split

- Increasing share of insurance revenue: 11% in 2019



Key figures FY 2019



in €m	2019	2018	Δ%
Revenue	428.98	412.83	4%
Revenue w/o V-NEO & AXOOM	408.90	404.23	1%
EBITDA adjusted*	47.91	39.68	21%
EBITDA	44.89	37.45	20%
EBIT	21.33	24.72	-14%
EBT	18.73	22.64	-17%
Net income	13.66	19.98	-32%
Earnings per share (in €)	0.52	0.76	-32%
Earnings per share adjusted (in €)*	0.76	1.09	-30%
Employees (in FTE)	5,242	4,875	8%

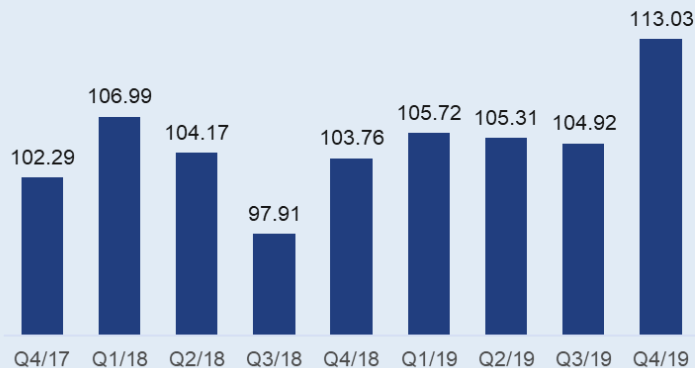
- **Revenue** up slightly by 4% (organic 1%), M&A: revenue contribution of V-NEO (€18.95m) & AXOOM (€1.13m)
- 21% increase in **adjusted EBITDA** mainly due to positive effects from IFRS 16 of €12.77 m
- **EBITDA adjusted** burdened by:
 - Restructuring charges of €-4.13m (2018: €-1.04m)
 - Underutilisation €-1.40m compared to 2018
 - Currency effects of €-1.15m esp. from GBP (2018: €-0.82m)
- **EBITDA** burdened by M&A effects (V-NEO & AXOOM) of €-3.02m
- **EBIT** and **EBT** below prior-year level as expected
- **EBT** before restructuring, underutilization, currency effects and IFRS 16 on previous year level
- **Net income** burdened by higher tax rate of 27% (due to deferred and aperiodic effects)

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

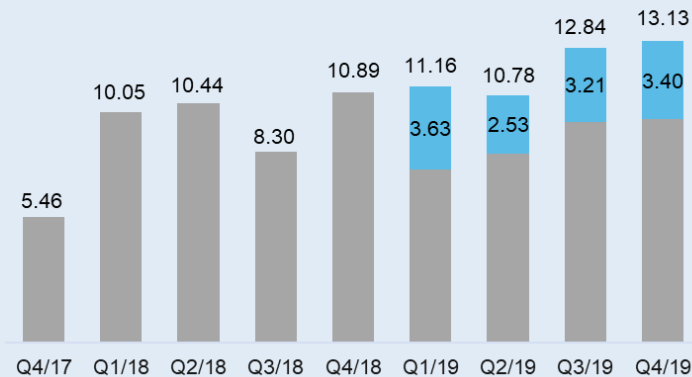
Revenue and EBITDA adjusted by quarter (in €m)



Revenue



EBITDA* adjusted



IFRS 16 effects

- **Q4/2019 vs. Q3/2019** with increase of +8% in revenue
Overall strong increase in revenue (especially in Spain, UK, Italy and France)
- **Q4/2019 vs. Q4/2018** revenue growth of +9%
Increase in revenue (especially in Brazil, Mexico and France)

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

Revenue by segment



in €m	Revenue		Growth rates			
	2019	2018	Organic	M&A	FX	Total
Americas, UK & APAC	198.98	183.44	1%	6%	1%	8%
Continental Europe	229.45	228.88	0%	0%	0%	0%
Others	0.54	0.51	6%	n/a	n/a	6%
GFT Group	428.98	412.83	1%	3%	0%	4%

- **Americas, UK & APAC:** weaker business with top-2 clients as anticipated, positive development in Mexico, Brazil and Canada, revenue without top-2 clients up 43%
- **Continental Europe:** business with top-2 clients down as expected, above all in Germany; positive revenue development without top-2 clients with an increase of 11%
- **M&A effects:** unchanged dynamic development of V-NEO, smaller revenue contribution by AXOOM

Revenue by segment for top-2 clients



in €m		Revenue		Δ%
		2019	2018	2019 / 2018
Americas, UK & APAC	Top-2 Clients	57.89	84.79	-32%
	Other Clients	141.09	98.65	43%
	Total	198.98	183.44	8%
Continental Europe	Top-2 Clients	64.12	79.56	-19%
	Other Clients	165.33	149.32	11%
	Total	229.45	228.88	0%
GFT Group*	Top-2 Clients	122.01	164.35	-26%
	Other Clients	306.42	247.97	24%
	Total	428.43	412.32	4%

* Excluding segment "Others"

- 26% decrease in revenue with **top-2 clients**, slightly lower decrease as previously expected; decline is particularly strong in the UK (Americas, UK & APAC segment) and Germany (Continental Europe segment)
- Business with **other clients** up 24% with strong growth in all sectors, 60 new clients won, esp. strong dynamics in insurance and cloud activities

EBITDA adjusted, EBITDA and EBT by segment

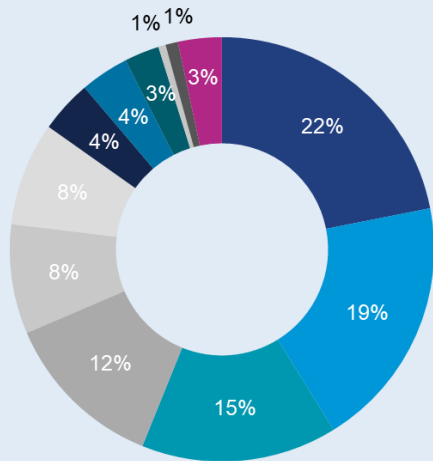


in €m	EBITDA adjusted*			EBITDA			EBT		
	2019	2018	Δ%	2019	2018	Δ%	2019	2018	Δ%
Americas, UK & APAC	18.54	13.69	35%	15.79	11.46	38%	5.32	4.82	11%
Continental Europe	31.70	26.78	18%	31.43	26.78	17%	18.07	19.23	-6%
Others	-2.33	-0.79	>100%	-2.33	-0.79	>100%	-4.66	-1.41	>100%
	47.91	39.68	21%	44.89	37.45	20%	18.73	22.64	-17%

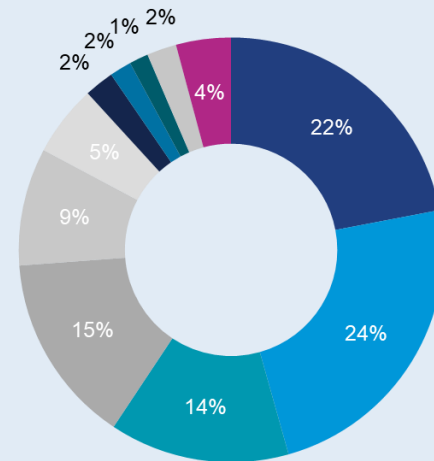
* Adjusted for non-operational effects from M&A activities

- **Americas, UK & APAC:** earnings burdened by falling revenue share of top-2 clients and higher sales expenses for other clients, positive effects from Brazil, Mexico and Canada
- **Continental Europe:** restructuring expenses and underutilisation esp. in the first six months, as expected weaker revenue with top-2 clients in Germany
- **Others:** Higher non-allocatable costs in GFT holding

Revenue by country (in €m)



2019		Δ%	2018
92.97	Spain	1%	91.71
81.92	United Kingdom	-17%	98.56
63.44	Italy	11%	57.11
52.85	Germany	-13%	60.43
35.40	USA	-5%	37.36
33.54	Brazil	48%	22.59
17.00	Mexico	81%	9.37
15.69	Canada	>100%	6.93
11.31	France	>100%	1.93
6.69	Switzerland	-29%	9.40
3.99	Hong Kong	n.a.	0.00
14.18	Others	-19%	17.44
428.98	Total	4%	412.83



Detailed profit & loss statement

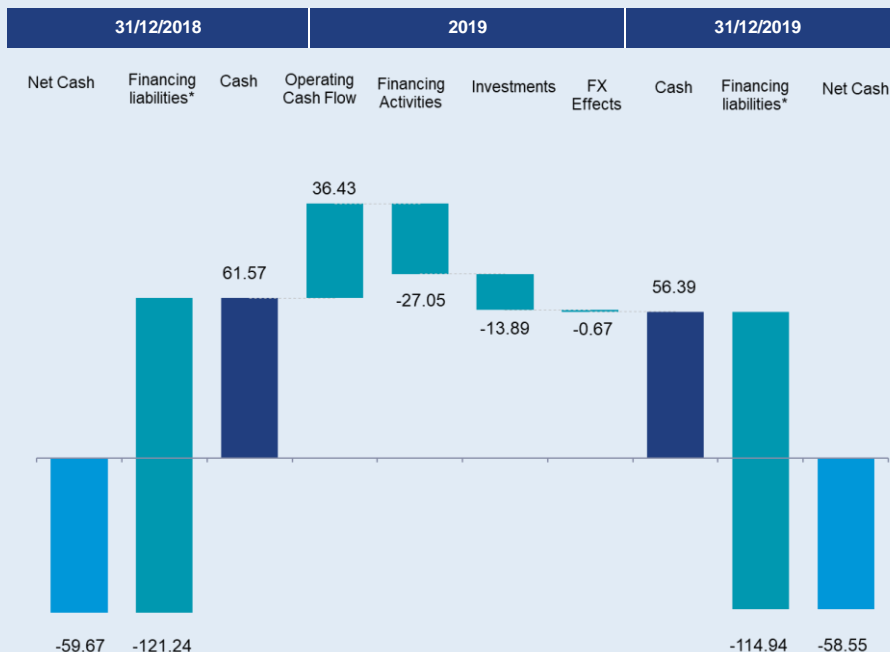


in €m	2019	2018	Δ%
Revenue	428.98	412.83	4%
Own work capitalised	0.16	0.00	n.a.
Other operating income	13.06	9.56	37%
Cost of purchased services	-46.43	-54.05	-14%
Personnel expenses	-297.33	-268.18	11%
Other operating expenses*	-53.55	-62.71	-15%
EBITDA	44.89	37.45	20%
Depreciation and amortisation	-23.56	-12.73	85%
EBIT	21.33	24.72	-14%
Interest income/expenses	-2.60	-2.08	25%
EBT	18.73	22.64	-17%
Income taxes	-5.07	-2.66	>100%
Net income	13.66	19.98	-32%
Earnings per share (in €)	0.52	0.76	-32%

* Including result of investments accounted for using the equity method

- **Revenue** trend above expectations associated with non-organic growth
- **Cost of purchased services** to revenue ratio down to 11% (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% (2018: 78%)
- **Other operating expenses** adjusted for positive effects from first-time application of IFRS 16 of (€11.47) up 4% above prior year
- **EBITDA** without positive IFRS 16 effects down by 14%
- IFRS 16 accounts for €10.96m of increase in **depreciation and amortisation**
- **Net income** burdened by increased income taxes. Operational tax rate of 20% burdened by deferred and aperiodic effects leading to total tax rate of 27% (2018: 12%)

Cash flow analysis (in €m)



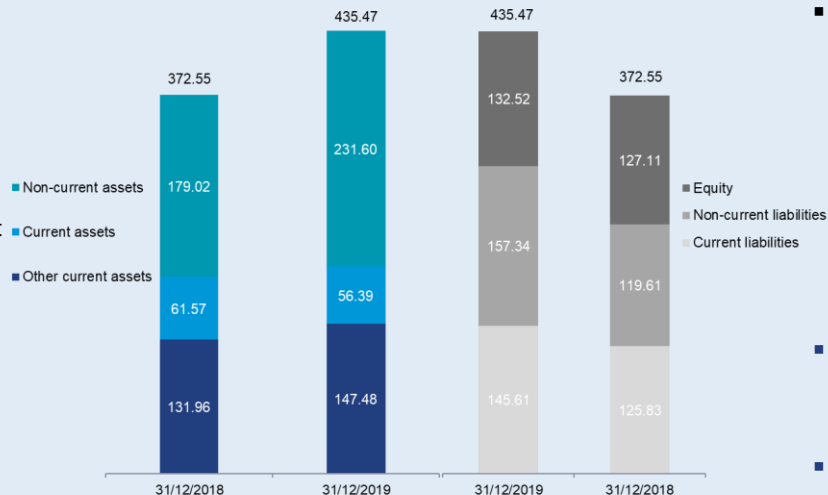
- **Financing structure remains solid.** Credit facilities not yet drawn of €52.84m (31/12/2018: €37.05m). Net cash at €-58.55m (31/12/2018: €-59.67m)
- Decrease in **cash** to €56.39m (31/12/2018: €61.57m) primarily as a result of working capital effects
- **Operating cash flow** below prior-year level due to higher working capital and lower overpayments vs previous yearend
- **Cash flow from financing activities** adjusted for negative IFRS 16 effects influenced by loan net redemption of €-6.30m (2018: net borrowing of 9.68m) as well as dividend payment of €-7.90m (2018: €-7.90m)
- **Cash flow from investing activities** mainly characterised by cash outflows of €6.44m for the purchase of GFT Smart Technology Solutions GmbH (formerly: AXOOM GmbH)

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

Balance sheet (in €m)



- Growth in **balance sheet total** of €62.92m essentially due to change in lessee accounting acc. to IFRS 16
- Rise in **non-current assets** of €52.58m mainly to right-of-use assets of €51.16m capitalised acc. to IFRS 16. Non-current assets account for 53% of balance sheet total (31/12/2018: 48%)
- **Cash and cash equivalents** down 8% mainly as a result of working capital effects
- Increase of trade receivables and contract assets of €20.28m within **other current assets** reflects positive business trend

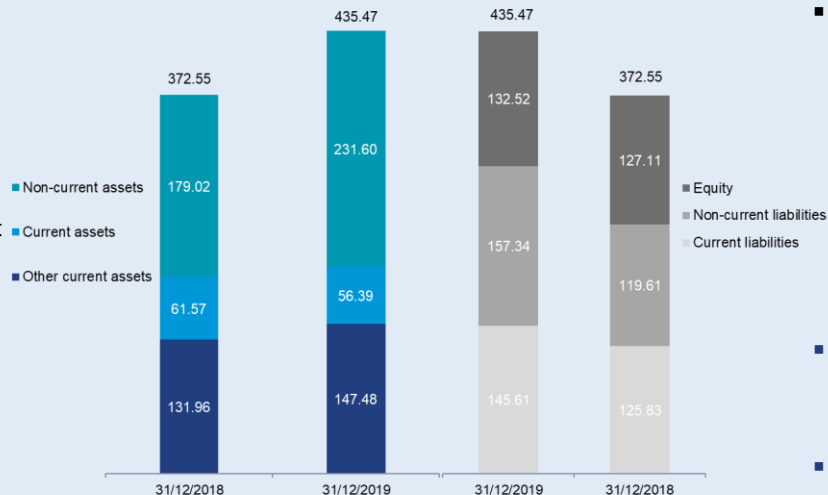


- Growth in **Equity** of €5.41m mainly attributed to net income for the year (€13.66m) and currency effects (€3.54m). Major negative effects from shareholders' dividend (€7.90m) and initial adoption of IFRS 16 (€2.34m). Equity ratio of 30% (31/12/2018: 34%), adjusted for IFRS 16 effects up to 35%
- Rise in **non-current liabilities** in essence due to lease liabilities acc. to IFRS 16 of €43.47m
- Increase in **current liabilities** related to lease liabilities acc. to IFRS 16 (€9.94m) and risen contract liabilities by €6.26m. Substantial opposing effect from decrease in trade payables of €4.20m.

Balance sheet (in €m)



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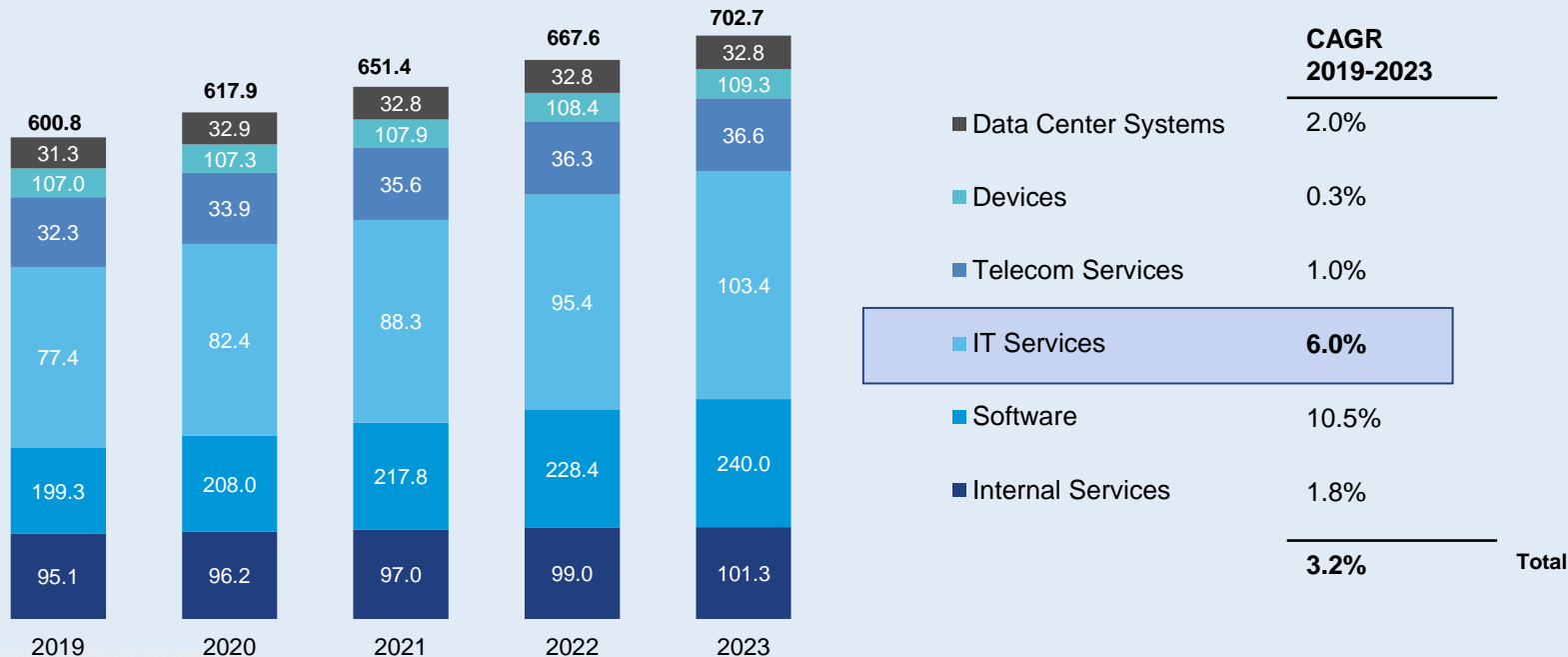


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Banking and Securities IT Spending Forecast



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

What is next for GFT in 2020?



Favourable market trends for digital transformation in target sectors are unchanged



GFT in the right place to seize the thriving opportunities

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

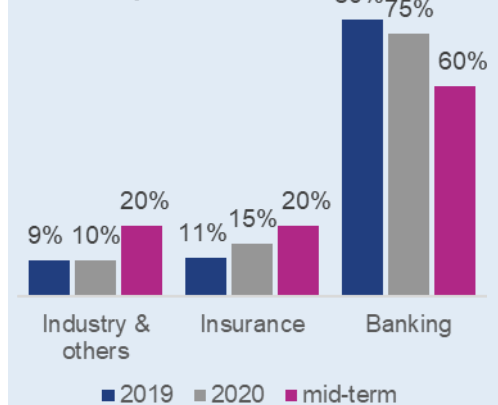
Market growth forecast 2020

IT budgets for

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

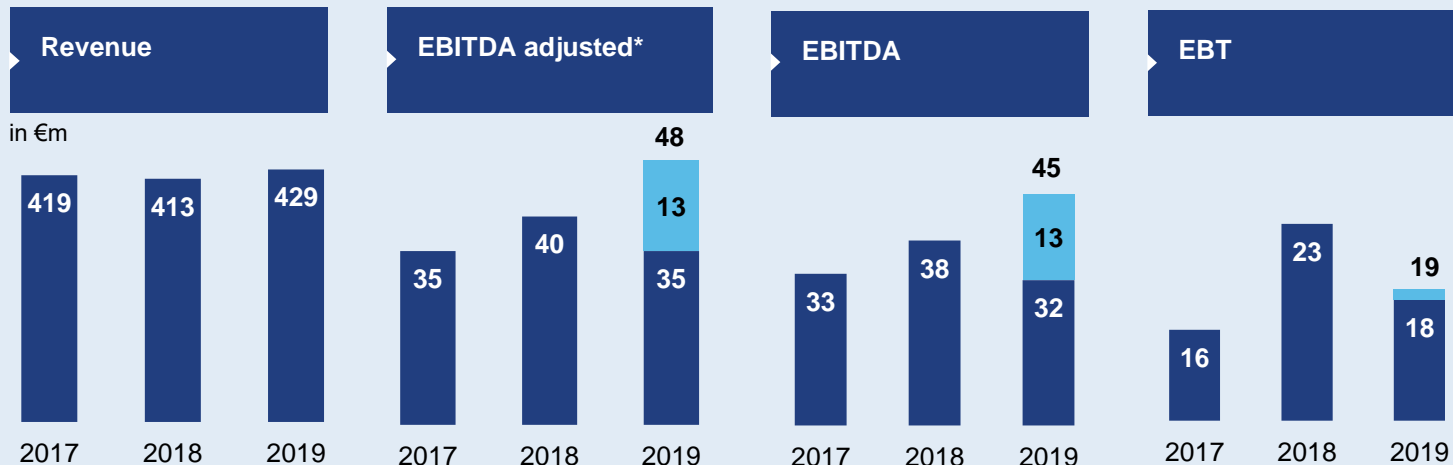
*Pre Covid-19 impact * Gartner ** Guidewire*

Sector split mid-term



Pre Covid-19 impact

Outlook FY 2020



Outlook FY 2020

Revenue

- Decrease in revenue with top-2 clients of around 33%
- Unchanged dynamic in sector and client diversification: revenue growth without top-2 clients of 22% as planned before Covid-19 crisis, growth will be reduced due to pandemic

Earnings

- Focus on revenue growth requires higher spending for sales activities and technological expertise, further expenses for capacity adjustments expected. Due to the uncertainties caused by the Covid-19 pandemic, a reliable earnings forecast is currently impossible

IFRS 16 effects

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

Backup

Split of operative and M&A Effects

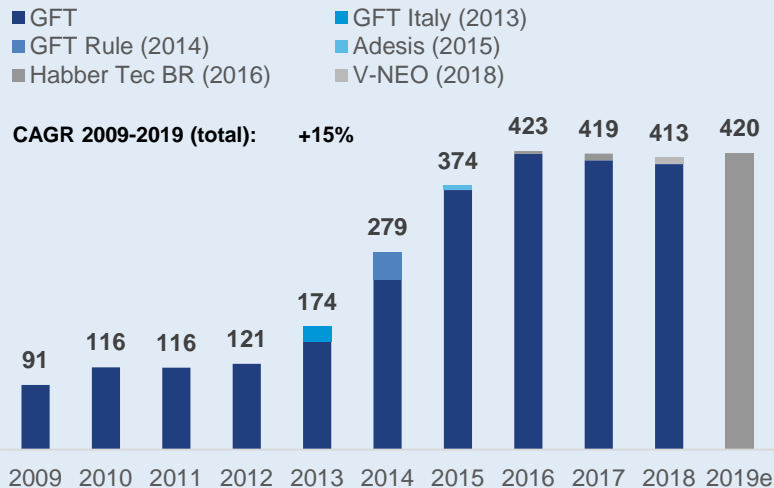


in €m	2019				2018		
	GFT stand alone	V-NEO	Axoom	GFT Total	GFT stand alone	V-NEO	GFT Total
EBITDA adjusted	42.90	4.55	0.45	47.91	37.70	1.98	39.68
M&A earn-out & retention	0.00	-2.75	0.00	-2.75	0.00	-1.11	-1.11
M&A consult & integrate	0.00	0.00	-0.27	-0.27	0.00	-0.78	-0.78
M&A amortisation orderbook	0.00	0.00	0.00	0.00	0.00	-0.35	-0.35
EBITDA	42.90	1.80	0.18	44.89	37.70	-0.26	37.45
Depreciation & amortisation	-17.60	-0.06	-0.12	-17.77	-7.02	-0.06	-7.08
M&A amortisation	-4.19	-1.56	-0.04	-5.79	-5.01	-0.63	-5.64
EBIT	21.13	0.18	0.02	21.33	25.67	-0.95	24.72
Interest	-2.13	-0.44	-0.02	-2.60	-1.33	-0.20	-1.53
M&A interest	0.00	0.00	0.00	0.00	-0.56	0.00	-0.56
EBT	18.99	-0.26	0.00	18.73	23.78	-1.15	22.64
Income taxes	-5.10	0.03	0.00	-5.07	-2.85	0.19	-2.66
Net income	13.89	-0.23	0.00	13.66	20.93	-0.96	19.98
Net income adjusted	16.37	3.43	0.27	20.07	26.50	2.01	28.51
Shares outstanding (m.)	26.33	26.33	26.33	26.33	26.33	26.33	26.33
EPS basic (€)	0.53	-0.01	0.00	0.52	0.80	-0.04	0.76
EPS adjusted (€)	0.62	0.13	0.01	0.76	1.01	0.08	1.08

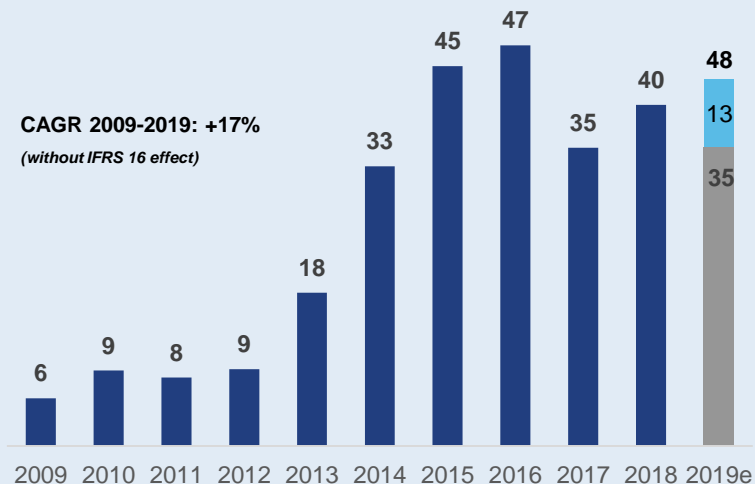
Revenue and EBITDA development



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	
				2020	2021	2020	2021
European IT Services							
Cappgemini SE	EUR	80.54	13,647.5	12.3x	10.9x	6.6x	6.0x
Devoteam SA	EUR	65.60	546.6	20.5x	13.3x	7.6x	6.1x
First Derivatives plc	GBP	22.85	624.6	26.2x	22.9x	15.5x	13.7x
Indra Sistemas, S.A. Class A	EUR	8.27	1,460.0	10.8x	9.1x	6.6x	6.0x
Reply S.p.A.	EUR	62.15	2,325.1	20.6x	17.8x	11.4x	10.2x
Global IT Services							
Accature Plc Class A	USD	171.73	109,396.6	22.6x	21.2x	13.7x	13.3x
Cognizant Technology Solutions Corporation Class A	USD	51.39	28,194.5	13.1x	12.1x	8.5x	7.9x
EPAM Systems, Inc.	USD	187.86	10,381.0	30.3x	24.6x	19.3x	16.3x
DXC Technology Co.	USD	15.80	4,008.8	3.0x	2.7x	3.9x	4.4x
Indian IT Services							
HCL Technologies Limited	INR	468.90	1,272,437.5	11.3x	10.1x	-	-
Infosys Limited	INR	637.60	2,715,533.8	15.6x	14.2x	10.6x	9.7x
Tata Consultancy Services Limited	INR	1765.90	6,626,336.5	19.3x	17.5x	14.1x	12.8x
Wipro Limited	INR	196.65	1,123,531.8	11.6x	10.7x	7.4x	7.0x
Average (all)				16.7x	14.4x	10.4x	9.5x
Median (all)				15.6x	13.3x	9.6x	8.8x
GFT Technologies SE	EUR	8.77	230.9	13.0x	10.0x	7.1x	6.4x

Factset as of 09 April 2019

Shaping the future of digital business

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