

# GFT Technologies Buy

Germany | IT services & software

**MCap: EUR542.3m**

<b>Target Price:</b>	EUR24.00 (18.60)	<b>Change in TP:</b>	29.0%
<b>Current Price:</b>	EUR20.60	<b>Change in Sales:</b>	8.3% 21E/9.7% 22E
<b>Up/downside:</b>	16.5%	<b>Change in Adj EBIT:</b>	20.1% 21E/10.9% 22E
<b>Market data:</b>	28 May 2021	<b>Change in Adj. EPS:</b>	19.2% 21E/9.8% 22E

Bloomberg: GFT GR	Reuters: GFTG.DE
Free float	63.8%
Avg. daily volume (EURm)	1.8
YTD abs performance	72.5%
52-week high/low (EUR)	20.60/9.01

## No end in sight to the digitalisation trend

### Why this report?

Following GFT's Q1 2021 results we adjust our model to reflect management's increase in its FY 2021 sales and earnings guidance, as well as a strong Q1 that was driven by increased demand for digitalisation, higher utilisation, and the restructuring and efficiency measures management implemented in 2020. All of this led to a significant margin uplift YOY. There is no end in sight to the demand for digitalisation projects, and with GFT's strong positioning in the cloud business, we continue to see upside for FY 2021. We raise our TP to EUR24.

### Key findings

- Increased revenues, higher earnings contribution and utilisation, and a significant margin improvement due to the improvements in efficiency introduced last year drove the group's strong Q1 results.
- Management has continued its successful client diversification strategy, with the largest client's share of revenue falling from 23% in Q1 2020 to 18% in Q1 2021.

### Deconstructing the forecasts

- In line with management's new FY 2021 guidance, we increase our sales and earnings estimates.
- We adjust our long-term growth estimates (upwards) and EBIT margin estimates (downwards), with higher growth more than offsetting the slightly lower margins, as we see no end in sight to the digitalisation megatrend, especially with GFT's regionally dispersed business model and its strong position in the cloud business.

### 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)	520.0	572.3	629.6
EBITDA adj (m)	56.1	64.5	72.5
EBIT adj (m)	34.0	39.6	46.2
Net profit adj (m)	30.1	32.9	37.0
Net financial debt (m)	23.7	1.6	-24.6
FCF (m)	21.2	44.8	50.2
EPS adj. and ful. dil.	1.14	1.25	1.41
Consensus EPS	0.98	1.16	1.29
Net dividend	0.30	0.30	0.30

FY to 31/12	12/21E	12/22E	12/23E
P/E adj and ful. dil.	18.0	16.5	14.6
EV/EBITDA	10.9	9.2	7.8
EV/EBIT	18.1	15.0	12.2
FCF yield	3.9%	8.3%	9.3%
Dividend yield	1.4%	1.4%	1.4%
ND(F+IFRS16)/EBITDA	1.1	0.6	0.2
Gearing	16.3%	1.0%	-13.0%
ROIC	12.5%	14.3%	16.8%
EV/IC	2.9	2.9	2.8

### Sector Most Pref.

Cappemini  
Sopra steria

### 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.

### High demand for digitalisation and good utilisation level

The strong results in Q1 2021 were driven by high demand for digitalisation, significantly higher utilisation YOY, and efficiency measures that were implemented in 2020 bearing fruit. From a technological standpoint, the growth was predominantly driven by the cloud business, as well as more typical digitalisation projects (digital banking, alongside Guidewire and other digitalisation projects in Insurance, with clients undertaking to bigger projects again). The earnings increase in Q1 2021 is predominantly a result of good revenue growth with strong margins, as well as the materialisation of increased utilisation YOY.

Table 1: Q1 2021 vs. Q1 2020

EURm	Q1 2021	Q1 2020	YOY%
Sales	123.92	112.5	10%
Order backlog	231.28	196.3	18%
EBITDA adj.	13.55	10.4	30%
EBITDA	12.9	9.3	39%
EBIT	7.37	3.6	104%
EBT	7.01	3.0	132%
Employees	6225	5460	14%

Source: GFT

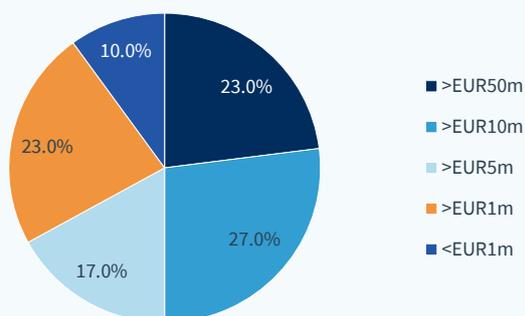
### Client diversification

In line with management’s efforts to diversify its client base, GFT has further reduced its client concentration risk with its top client (Deutsche Bank, which generates more than EUR50m per year) going from 23% to 18% of total sales. In addition, clients who generate more than EUR10m per year in revenue increased from 27% to 34% in Q1, as some clients who generated more than EUR5m have moved up into the new division of clients generating more than EUR10m.

Overall, the share of Deutsche Bank (one of what GFT communicates to the market as its “Top 2 clients”) has reduced by -13% YOY in Q1 2021, of which -12% was in the Americas, UK & APAC, and -13% in Continental Europe. Management expected the reduction of Deutsche Bank’s volumes to be slightly higher, which implies stabilisation of its business.

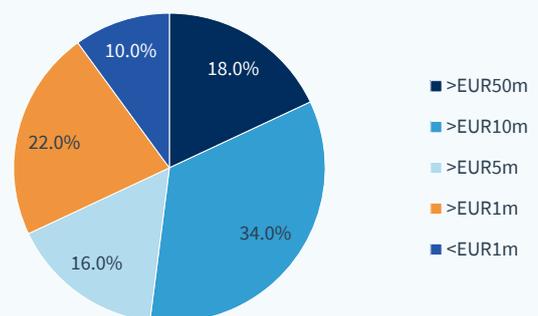
The other clients together increased business by 17% to EUR101.6m, of which 30% growth was attributed to the Americas, UK & APAC, and 5% to Continental Europe.

Chart 1: Largest client above 20% of total sales in Q1 2020



Source: GFT

Chart 2: Q1 2021 client diversification further improved (% of total sales)

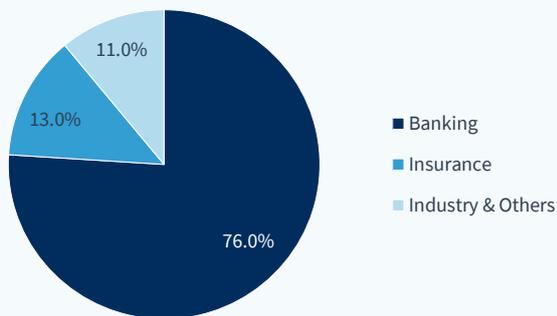


Source: GFT

### Sector overview

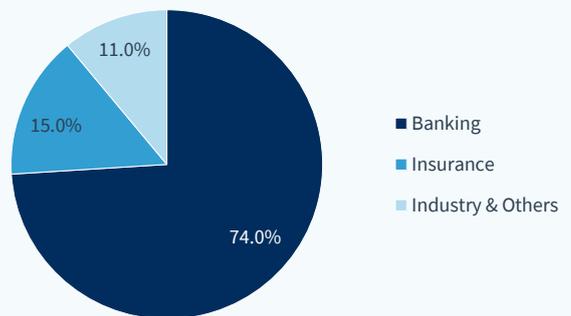
Banking revenues’ share of total sales decreased from 76% to 74% YOY, but the sector still grew by 7% YOY as overall group sales growth outpaced banking. The share of insurance sales increased from 13% to 15% of group sales YOY, with a very strong growth rate of 25% YOY. Industry and others grew by 14% YOY, and its share of revenues remained at 11% of group sales.

Chart 3: Q1 2020 sector overview (% of total sales)



Source: GFT

Chart 4: Q1 2021 sector overview (% of total sales)

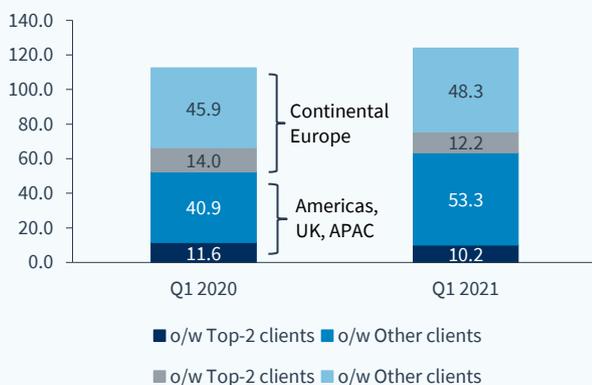


Source: GFT

### Revenue by segment

Sales from the Americas, UK & APAC regions increased by 31% (adjusted for forex: 21%), while Continental Europe stayed flat at c. EUR60m in Q1 2021 as a result of Deutsche Bank's reduction in business, which was offset by good development in Italy and Germany. The Spanish market in particular is burdened by GFT's client Deutsche Bank and its poor performance, while management is also seeing softer post-Covid demand from Spanish banks, which might pick up again later. In the UK, management is seeing very good demand with other clients, and it expects this market to grow throughout 2021.

Chart 5: Revenue by segment (EURm)



Source: GFT

Chart 6: Significant earnings improvement (adj. EBITDA) in Q1 2021



Source: GFT

### Operating results

#### By segment

Earnings (EBITDA, adj. EBITDA and EBT) in the Americas, UK and APAC increased as a result of higher revenues and better utilisation, and Continental Europe saw a significant margin improvement thanks to the improvements in efficiency implemented in 2020, in particular the restructuring in Spain. In Spain management now sees margins at normalised levels, despite growth being below expectations, and it expects higher growth going forward.

#### At group level

Costs of purchased services and personnel expenses as a share of total revenues was in line with Q1 2020 at 83%. In the FY 2020 call, management stated that it is targeting 79% for FY 2021. The c. EUR2.7m reduction in other operating expenses is predominantly due to the lack of travel costs,

of which 40% are pure travel costs for GFT (with the other 60% client-related travel costs). Management has stated that it does not believe travel costs will ever return to pre-Covid levels.

### Clients

In Q1 2021, GFT's top 30 clients accounted for 75% of group sales (Q1 2020: 76%); with seven new clients (some returning to the top 30 list), four of which are from Banking (Credit Agricole Italy, Itaú, HarbourVest and London Stock Exchange), one from Insurance (Wsisb Ontario), and two from the Industry & Others segments (Google and Custodigit).

### Cash flows

In Q1 2021, the group's net debt decreased from c. EUR31.4m to EUR20m YOY. Its cash position also decreased as management decided to redeem some of its loans, which amounted to EUR20.1m.

### FY 2021 outlook

For FY 2021, management is now guiding for EUR520m in sales (previously: EUR480m), EUR56m in adj. EBITDA (previously: EUR50m), and EUR30m in EBT (previously: EUR24m). Reported EBITDA is now expected at EUR53m, implying EUR3m in M&A costs. Management communicated that the strong orders it received in Q1 indicate a higher growth trend for the full year.

For the first time in a financial earnings report, management has decided to disclose its order backlog. Although it stresses that it focuses more on the group's pipeline, which consists of deals that have not yet been signed, the group's order backlog has increased by an impressive 18% YOY to EUR231.3m.

In Q1 2021, restructuring costs amounted to c. EUR1m, exactly in line with management's full year expectation of c. EUR4m. The tax rate in Q1 was at 26.5%, and management is guiding for 25% for the full year.

Management expects the business from Deutsche Bank to reduce by -12% (-13% in Q1 2021) in FY 2021, while Other clients are expected to grow by 20% YOY (+17% in Q1 2021). In the FY 2020 conference call, management said that it expected a decline in DB's business in 2021 of 15-17%, but the Google business/cloud has supported GFT in this regard, and the bank is also spending a bit more in other IT areas.

### Changes in estimates

We make the following changes to our estimates:

- For FY 2021, we increase our sales and earnings estimates in line with management's new guidance.
- For 2022-23E, we increase our sales estimates but lower our EBIT margin estimates as we believe our previous estimates were slightly too high, as earnings acceleration should begin in the coming years due to more of GFT's projects being focused on new technologies (and potentially higher margins).

Table 2: KECH new estimates vs. old (EURm)

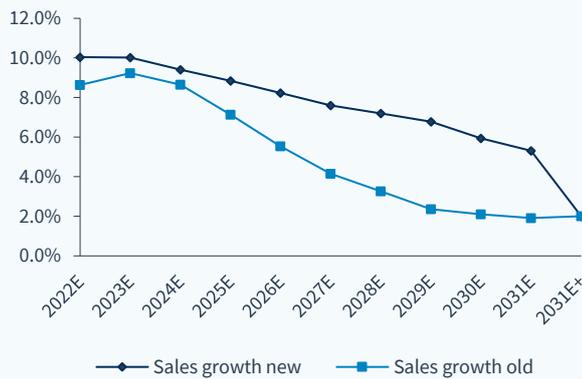
	2021				2022				2023			
	Old	New	change %/bps	YOY %/bps	Old	New	change %/bps	YOY %/bps	Old	New	change %/bps	YOY %/bps
Revenues	480.4	<b>520.0</b>	<b>8.3%</b>	7.2%	521.9	<b>572.3</b>	<b>9.7%</b>	10.0%	598.8	<b>629.6</b>	<b>5.1%</b>	10.0%
EBITDA adj.	50.3	<b>56.1</b>	<b>11.6%</b>	2.6%	58.8	<b>64.5</b>	<b>9.8%</b>	15.0%	73.7	<b>72.5</b>	<b>-1.6%</b>	12.3%
EBITDA margin %	10.5%	<b>10.8%</b>	<b>32bp</b>	45bp	11.3%	<b>11.3%</b>	<b>1bp</b>	48bp	12.3%	<b>11.5%</b>	<b>-79bp</b>	23bp
EBIT	28.3	<b>31.0</b>	<b>4.9%</b>	56.1%	35.7	<b>38.1</b>	<b>6.7%</b>	22.9%	45.9	<b>44.7</b>	<b>-2.6%</b>	17.4%
EBIT margin %	5.9%	<b>6.0%</b>	<b>7bp</b>	150bp	6.8%	<b>6.6%</b>	<b>-18bp</b>	70bp	7.7%	<b>7.1%</b>	<b>-56bp</b>	45bp
EBT	23.6	<b>30.1</b>	<b>27.4%</b>	71.1%	32.5	<b>36.4</b>	<b>12.0%</b>	20.9%	44.0	<b>43.0</b>	<b>-2.2%</b>	18.2%
EPS adj.	0.96	<b>1.14</b>	<b>19.2%</b>	35.6%	1.14	<b>1.25</b>	<b>9.8%</b>	9.4%	1.4	<b>1.41</b>	<b>3.0%</b>	12.6%
EPS rep.	0.67	<b>0.86</b>	<b>27.4%</b>	68.0%	0.93	<b>1.04</b>	<b>12.0%</b>	20.9%	1.3	<b>1.22</b>	<b>-2.2%</b>	18.2%

Source: Kepler Cheuvreux

### Changes to our DCF

In light of GFT's largest client Deutsche Bank slowly stabilising its volumes with the group (the fall in revenues from DB was lower than management expected), GFT's increasing business with Google and cloud, as there being no end in sight to the high demand for digitalisation projects, we believe our long-term growth estimates were too conservative, but our EBIT margin was too optimistic. Management stated that with more business emerging from new technologies, margins could increase going forward; however, we cut our long-term EBIT margin from 8.4% to 8.0%, with a gradual increase until 2031 in our DCF model. Below we show the changes we have made to our long-term sales growth and EBIT margin. The higher sales growth more than offsets the slightly lower margin, and results in a new TP of EUR24.

Chart 7: Long-term growth estimates new vs. old



Source: Kepler Cheuvreux

Chart 8: Long-term EBIT margin estimates new vs. old



Source: Kepler Cheuvreux

Table 3: DCF summary

	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2031E+
<b>Sales</b>	<b>572</b>	<b>630</b>	<b>689</b>	<b>750</b>	<b>811</b>	<b>873</b>	<b>936</b>	<b>999</b>	<b>1,059</b>	<b>1,115</b>	<b>1,137</b>
Growth	10%	10%	9%	9%	8%	8%	7%	7%	6%	5%	2%
<b>EBIT</b>	<b>38</b>	<b>45</b>	<b>50</b>	<b>57</b>	<b>63</b>	<b>69</b>	<b>74</b>	<b>79</b>	<b>84</b>	<b>89</b>	<b>90</b>
EBIT margin	6.6%	7.1%	7.3%	7.7%	7.8%	7.9%	7.9%	7.9%	7.9%	7.9%	8.0%
Normative tax rate	-25%	-25%	-25%	-25%	-25%	-25%	-25%	-25%	-25%	-25%	-22%
NOPAT	29	34	38	43	48	52	56	60	63	66	71
D&A	25	26	28	29	30	32	34	36	39	41	42
% of sales	4.4%	4.2%	4.0%	3.9%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Change in WC	-1.4	-1.5	-1.6	-1.6	-1.7	-1.7	-1.7	-1.7	-1.6	-1.5	-1.1
% of sales	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.1%	-0.1%
Capex and IFRS lease payments	-21	-23	-25	-27	-30	-32	-34	-36	-39	-41	-42
% 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	31	35	38	43	47	50	54	58	61	65	69
Discounted FCF	29	30	30	31	31	30	30	30	29	28	28
Sum of discounted FCF	297			Pre-tax cost of debt			4.0%				
PV Terminal Value	28			Marginal tax rate			30.0%				
Terminal Value	407			After tax cost of debt			2.8%				
<b>Value of operations</b>	<b>704</b>			Risk-free rate (Rf)			0.0%				
(-) Net debt	62			Market premium			9.0%				
(-) Pensions	9			Beta			1.14				
(-) Minorities	0			Debt (% of EV)			20.0%				
<b>Equity Value</b>	<b>632</b>			Equity (% of EV)			80.0%				
# shares	26			WACC			8.8%				
<b>Equity value per share (EUR)</b>	<b>24</b>			Terminal growth			2.0%				

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 in 12 countries, with its workforce of 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 facilitate its clients' digital transformation processes.

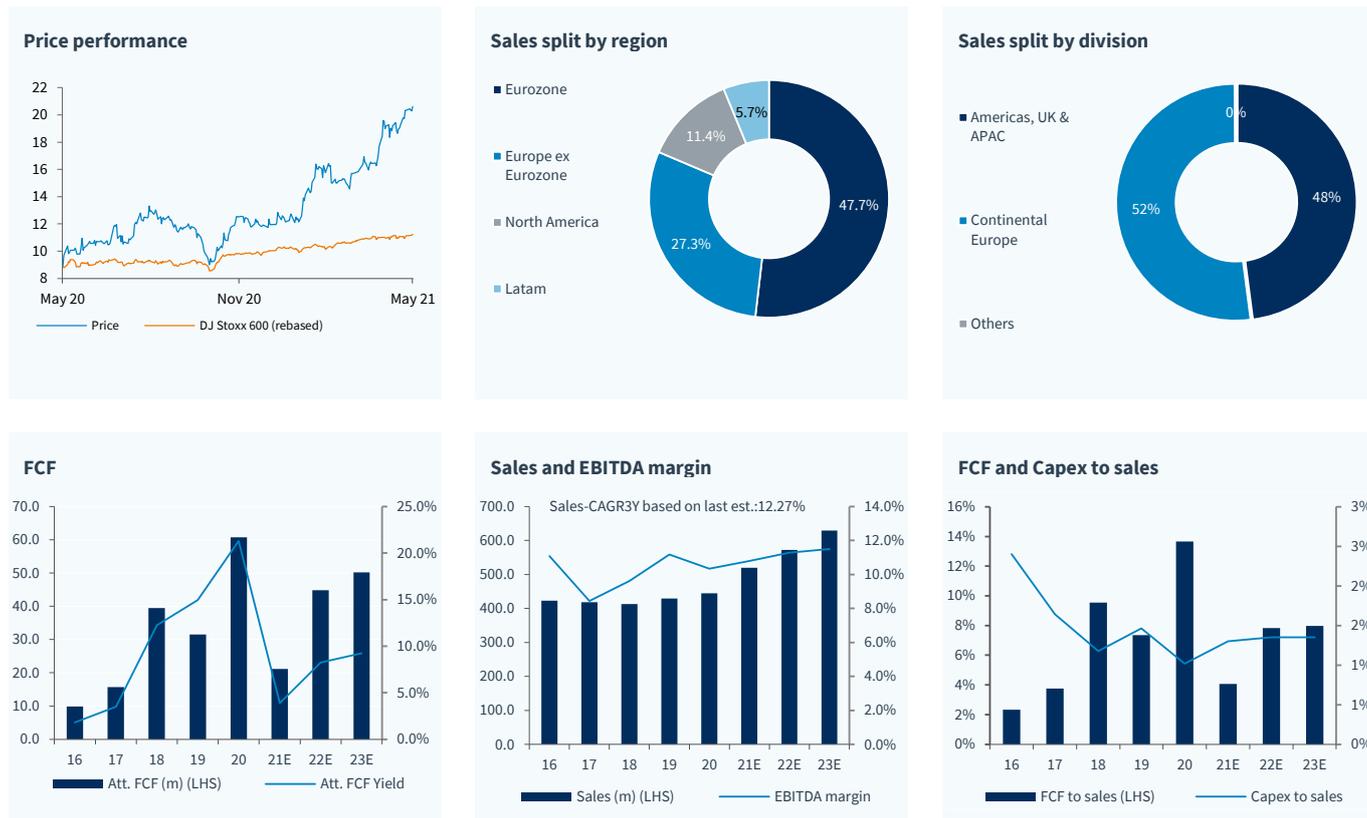
**Management**

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 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: 28 May 2021

FY to 31/12 (EUR)	12/14	12/15	12/16	12/17	12/18	12/19	12/20	12/21E	12/22E	12/23E
<b>Per share data (EUR)</b>										
EPS adjusted	0.76	0.92	0.92	0.79	1.09	0.85	0.84	1.14	1.25	1.41
% Change	46.4%	20.9%	0.7%	-14.2%	37.0%	-21.4%	-1.3%	35.6%	9.4%	12.6%
EPS adjusted and fully diluted	0.76	0.92	0.92	0.79	1.09	0.85	0.84	1.14	1.25	1.41
% Change	46.4%	20.9%	0.7%	-14.2%	37.0%	-21.4%	-1.3%	35.6%	9.4%	12.6%
EPS reported	0.76	0.96	0.92	0.68	0.76	0.52	0.51	0.86	1.04	1.22
% Change	46.4%	27.0%	-4.4%	-26.5%	12.2%	-31.6%	-1.6%	68.0%	20.9%	18.2%
EPS Consensus								0.98	1.16	1.29
Cash flow per share	0.59	1.61	0.76	0.86	1.68	1.44	2.48	1.06	2.00	2.23
Book value per share	3.81	4.73	4.45	4.38	4.83	5.06	4.87	5.52	6.26	7.19
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
<b>Share price</b>										
Latest price / year end	12.4	31.6	20.5	13.0	6.7	11.6	11.9	20.6	20.6	20.6
52 week high	12.6	32.1	30.4	21.6	15.0	12.8	14.2	20.6		
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	20.6	20.6	20.6
<b>Enterprise value (EURm)</b>										
Market capitalisation	248.5	545.1	547.3	449.4	321.8	210.8	285.3	542.3	542.3	542.3
Net financial debt	42.0	36.5	42.1	39.3	59.7	58.8	31.3	23.7	1.6	-24.6
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	364.3	613.7	591.6	565.4
<b>Valuation</b>										
P/E adjusted	12.5	22.6	22.5	21.5	11.3	9.4	12.9	18.0	16.5	14.6
P/E adjusted and fully diluted	12.5	22.6	22.5	21.5	11.3	9.4	12.9	18.0	16.5	14.6
P/E consensus								21.0	17.8	15.9
P/BV	2.5	4.4	4.7	3.9	2.5	1.6	2.2	3.7	3.3	2.9
P/CF	15.9	12.8	27.3	19.9	7.3	5.6	4.4	19.4	10.3	9.2
Dividend yield (%)	2.6%	1.4%	1.4%	1.8%	2.5%	2.5%	1.8%	1.4%	1.4%	1.4%
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%	21.3%	3.9%	8.3%	9.3%
ROE (%)	21.3%	21.5%	20.1%	17.9%	23.6%	17.3%	17.0%	22.0%	21.2%	20.9%
ROIC (%)	16.7%	16.1%	13.3%	12.5%	13.8%	8.4%	7.9%	12.5%	14.3%	16.8%
EV/Sales	0.82	1.58	1.41	1.19	0.94	0.75	0.82	1.18	1.03	0.90
EV/EBITDA adj.	8.6	13.2	12.8	14.1	9.8	6.7	7.9	10.9	9.2	7.8
EV/EBIT adj.	10.6	17.2	17.1	21.8	14.4	13.2	16.1	18.1	15.0	12.2
EV/NOPAT	14.4	21.1	23.3	22.2	16.3	18.2	21.1	24.1	19.9	16.3
EV/IC	1.8	3.2	3.0	3.2	2.1	1.4	1.8	2.9	2.9	2.8
ROIC/WACC				1.4	1.6	1.0	0.9	1.4	1.6	1.9
EV/IC over ROIC/WACC				2.2	1.3	1.4	2.0	2.1	1.8	1.4

**Income statement**

FY to 31/12 (EUR)	12/14	12/15	12/16	12/17	12/18	12/19	12/20	12/21E	12/22E	12/23E
<b>Sales</b>	<b>365.3</b>	<b>373.5</b>	<b>422.6</b>	<b>418.8</b>	<b>412.8</b>	<b>429.0</b>	<b>444.8</b>	<b>520.0</b>	<b>572.3</b>	<b>629.6</b>
Gross profit	244.4	314.5	369.0	367.8	365.2	395.8	407.9	473.2	518.5	570.4
EBITDA reported	34.7	44.6	46.8	34.3	37.4	44.9	43.2	53.1	63.0	71.0
<b>EBITDA adjusted</b>	<b>34.7</b>	<b>44.6</b>	<b>46.8</b>	<b>35.4</b>	<b>39.7</b>	<b>47.9</b>	<b>46.0</b>	<b>56.1</b>	<b>64.5</b>	<b>72.5</b>
Depreciation and amortisation	-6.6	-10.3	-11.9	-12.5	-12.6	-23.6	-23.4	-22.2	-25.0	-26.3
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	19.8	31.0	38.1	44.7
<b>EBIT adjusted</b>	<b>28.1</b>	<b>34.3</b>	<b>34.9</b>	<b>22.9</b>	<b>27.0</b>	<b>24.3</b>	<b>22.6</b>	<b>34.0</b>	<b>39.6</b>	<b>46.2</b>
Net financial items	-1.0	-1.7	-1.7	-1.7	-2.2	-2.6	-2.2	-0.9	-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	17.6	30.1	36.4	43.0
Tax	-7.1	-6.0	-8.8	-0.3	-2.7	-5.1	-4.2	-7.5	-9.1	-10.7
Net profit from continuing op.	20.0	26.5	24.2	17.8	20.0	13.7	13.4	22.6	27.3	32.2
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	13.4	22.6	27.3	32.2
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit reported</b>	<b>20.0</b>	<b>25.3</b>	<b>24.2</b>	<b>17.8</b>	<b>20.0</b>	<b>13.7</b>	<b>13.4</b>	<b>22.6</b>	<b>27.3</b>	<b>32.2</b>
Adjustments	0.0	-1.2	0.1	3.1	8.6	8.8	8.8	7.5	5.6	4.8
<b>Net profit adjusted</b>	<b>20.0</b>	<b>24.1</b>	<b>24.3</b>	<b>20.9</b>	<b>28.6</b>	<b>22.5</b>	<b>22.2</b>	<b>30.1</b>	<b>32.9</b>	<b>37.0</b>
Sales % Change	38.2%	2.2%	13.1%	-0.9%	-1.4%	3.9%	3.7%	16.9%	10.0%	10.0%
EBITDA reported % Change	68.2%	28.7%	4.9%	-26.6%	9.1%	19.9%	-3.8%	23.0%	18.6%	12.6%
EBITDA adjusted % Change	68.2%	28.7%	5.0%	-24.5%	12.2%	20.7%	-4.0%	22.0%	15.0%	12.3%
EBIT reported % Change	58.1%	21.9%	1.7%	-43.2%	25.2%	-14.0%	-7.0%	56.1%	22.9%	17.4%
EBIT adjusted % Change	58.1%	21.9%	1.9%	-34.6%	18.3%	-9.9%	-7.0%	49.9%	16.5%	16.8%
Earnings before tax % Change	54.5%	20.2%	1.6%	-45.2%	24.9%	-17.2%	-6.1%	71.1%	20.9%	18.2%
Net profit from cont. op. % Change	46.4%	33.0%	-8.7%	-26.5%	12.2%	-31.6%	-1.6%	68.0%	20.9%	18.2%
Net profit reported % Change	46.4%	27.0%	-4.4%	-26.5%	12.2%	-31.6%	-1.6%	68.0%	20.9%	18.2%
Net profit adjusted % Change	46.4%	20.9%	0.7%	-14.2%	37.0%	-21.4%	-1.3%	35.6%	9.4%	12.6%
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%	10.3%	10.8%	11.3%	11.5%
EBIT margin (%)	7.7%	9.2%	8.3%	5.5%	6.5%	5.7%	5.1%	6.5%	6.9%	7.3%
Net profit margin (%)	5.5%	6.5%	5.8%	5.0%	6.9%	5.2%	5.0%	5.8%	5.7%	5.9%
Tax rate (%)	26.3%	18.4%	26.6%	1.8%	11.8%	27.1%	23.7%	25.0%	25.0%	25.0%
Payout ratio (%)	33.0%	32.7%	32.5%	37.9%	27.6%	23.4%	23.7%	26.1%	23.9%	21.2%
EPS reported (EUR)	0.76	0.96	0.92	0.68	0.76	0.52	0.51	0.86	1.04	1.22
EPS adjusted (EUR)	0.76	0.92	0.92	0.79	1.09	0.85	0.84	1.14	1.25	1.41
EPS adj and fully diluted (EUR)	0.76	0.92	0.92	0.79	1.09	0.85	0.84	1.14	1.25	1.41
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%	-1.6%	68.0%	20.9%	18.2%
EPS adjusted % Change	46.4%	20.9%	0.7%	-14.2%	37.0%	-21.4%	-1.3%	35.6%	9.4%	12.6%
EPS adj and fully diluted % Change	46.4%	20.9%	0.7%	-14.2%	37.0%	-21.4%	-1.3%	35.6%	9.4%	12.6%
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)								520.0	561.7	603.8
Consensus EBITDA (EURm)								57.0	63.0	68.0
Consensus EBIT (EURm)								33.1	39.1	45.6
Consensus EPS (EUR)								0.98	1.16	1.29
Consensus DPS (EUR)										

**Cash flow statement**

Market data as of: 28 May 2021

FY to 31/12 (EUR)	12/14	12/15	12/16	12/17	12/18	12/19	12/20	12/21E	12/22E	12/23E
Net profit before minorities	20.0	25.3	24.2	17.8	20.0	13.7	13.4	22.6	27.3	32.2
Depreciation and amortisation	6.6	10.3	11.9	12.5	12.6	23.6	23.4	22.2	25.0	26.3
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	-17.7	-1.4	-1.5
Others	4.7	1.7	0.0	-6.5	-2.7	10.5	6.1	0.9	1.7	1.7
<b>Levered post tax CF before capex</b>	<b>15.6</b>	<b>42.5</b>	<b>20.0</b>	<b>22.6</b>	<b>44.3</b>	<b>37.8</b>	<b>65.3</b>	<b>27.9</b>	<b>52.5</b>	<b>58.7</b>
% Change	100.2%	171.4%	-52.8%	12.7%	96.2%	-14.7%	72.8%	-57.3%	88.2%	11.7%
Capex	-0.7	-1.3	-10.2	-6.9	-4.9	-6.3	-4.5	-6.8	-7.7	-8.5
<b>Free cash flow</b>	<b>14.9</b>	<b>41.1</b>	<b>9.9</b>	<b>15.7</b>	<b>39.4</b>	<b>31.5</b>	<b>60.8</b>	<b>21.2</b>	<b>44.8</b>	<b>50.2</b>
% Change	105.3%	175.1%	-76.0%	59.1%	151.2%	-20.1%	92.9%	-65.2%	111.8%	12.0%
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	-21.5	-8.3	-14.8	-16.2
<b>Change in net financial debt</b>	<b>61.4</b>	<b>-5.6</b>	<b>5.6</b>	<b>-2.8</b>	<b>20.4</b>	<b>-0.9</b>	<b>-27.5</b>	<b>-7.6</b>	<b>-22.1</b>	<b>-26.2</b>
Change in cash and cash equiv.	-9.0	8.8	15.3	10.0	-10.7	-5.4	14.7	7.6	22.1	26.2
Attributable FCF	14.9	41.1	9.9	15.7	39.4	31.5	60.8	21.2	44.8	50.2
Cash flow per share (EUR)	0.59	1.61	0.76	0.86	1.68	1.44	2.48	1.06	2.00	2.23
% Change	100.2%	171.4%	-52.8%	12.7%	96.2%	-14.7%	72.8%	-57.3%	88.2%	11.7%
FCF per share (EUR)	0.57	1.56	0.37	0.60	1.50	1.20	2.31	0.80	1.70	1.91
% Change	105.3%	175.1%	-76.0%	59.1%	151.2%	-20.1%	92.9%	-65.2%	111.8%	12.0%
Capex / Sales (%)	0.2%	0.4%	2.4%	1.6%	1.2%	1.5%	1.0%	1.3%	1.4%	1.4%
Capex / D&A (%)	10.7%	13.0%	85.3%	54.9%	38.4%	26.6%	19.4%	30.5%	30.9%	32.3%
Cash flow / Sales (%)	4.3%	11.4%	4.7%	5.4%	10.7%	8.8%	14.7%	5.4%	9.2%	9.3%
FCF / Sales (%)	4.1%	11.0%	2.3%	3.7%	9.6%	7.3%	13.7%	4.1%	7.8%	8.0%
FCF Yield (%)	6.0%	7.5%	1.8%	3.5%	12.3%	15.0%	21.3%	3.9%	8.3%	9.3%
Unlevered FCF Yield (%)	5.3%	7.2%	1.9%	3.5%	10.5%	10.4%	17.2%	3.6%	7.8%	9.1%

**Balance sheet**

FY to 31/12 (EUR)	12/14	12/15	12/16	12/17	12/18	12/19	12/20	12/21E	12/22E	12/23E
Cash and cash equivalents	38.1	47.0	62.3	72.2	61.6	56.1	70.9	78.5	100.6	126.8
Inventories	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.1	0.1	0.2
Accounts receivable	108.2	94.8	117.3	113.5	95.4	114.0	93.1	87.2	95.9	105.5
Other current assets	6.8	12.4	11.8	21.9	36.4	33.3	31.6	25.4	28.0	30.8
<b>Current assets</b>	<b>153.1</b>	<b>154.2</b>	<b>191.4</b>	<b>207.7</b>	<b>193.5</b>	<b>203.6</b>	<b>195.6</b>	<b>191.2</b>	<b>224.7</b>	<b>263.3</b>
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
<b>Non-current assets</b>	<b>148.5</b>	<b>172.7</b>	<b>174.7</b>	<b>165.1</b>	<b>179.0</b>	<b>232.2</b>	<b>219.3</b>	<b>214.8</b>	<b>210.7</b>	<b>207.4</b>
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	7.3	8.0	8.8
Other short term liabilities	73.8	78.6	83.4	118.1	96.8	119.6	118.5	94.9	104.1	114.2
<b>Current liabilities</b>	<b>140.6</b>	<b>90.6</b>	<b>114.2</b>	<b>137.9</b>	<b>125.8</b>	<b>145.6</b>	<b>162.7</b>	<b>136.6</b>	<b>146.5</b>	<b>157.4</b>
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
<b>Non-current liabilities</b>	<b>60.6</b>	<b>111.7</b>	<b>134.7</b>	<b>119.6</b>	<b>119.6</b>	<b>157.1</b>	<b>124.0</b>	<b>124.0</b>	<b>124.0</b>	<b>124.0</b>
Shareholders' equity	100.4	124.4	117.2	115.3	127.1	133.1	128.1	145.4	164.9	189.3
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total equity</b>	<b>100.4</b>	<b>124.4</b>	<b>117.2</b>	<b>115.3</b>	<b>127.1</b>	<b>133.1</b>	<b>128.1</b>	<b>145.4</b>	<b>164.9</b>	<b>189.3</b>
<b>Balance sheet total</b>	<b>301.7</b>	<b>326.8</b>	<b>366.0</b>	<b>372.8</b>	<b>372.6</b>	<b>435.8</b>	<b>414.9</b>	<b>406.0</b>	<b>435.4</b>	<b>470.7</b>
% Change	46.2%	8.3%	12.0%	1.9%	-0.1%	17.0%	-4.8%	-2.1%	7.2%	8.1%
Book value per share (EUR)	3.81	4.73	4.45	4.38	4.83	5.06	4.87	5.52	6.26	7.19
% Change	15.2%	23.9%	-5.8%	-1.6%	10.2%	4.7%	-3.8%	13.5%	13.4%	14.8%
Net financial debt	42.0	36.5	42.1	39.3	59.7	58.8	31.3	23.7	1.6	-24.6
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	71.4	49.3	23.1
Net fi. debt (+IFRS16) / EBITDA (x)	1.2	0.8	0.9	1.1	1.5	2.1	1.5	1.1	0.6	0.2
Trade working capital	87.4	83.5	104.8	99.0	81.8	104.7	83.3	80.0	88.1	96.9
Net working capital	20.4	17.2	33.2	2.8	21.4	18.4	-3.6	10.5	11.9	13.5
NWC/Sales	5.6%	4.6%	7.9%	0.7%	5.2%	4.3%	-0.8%	2.0%	2.1%	2.1%
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	209.3	206.6	204.9
Net fin. debt / FCF (x)	2.8	0.9	4.3	2.5	1.5	1.9	0.5	1.1	0.0	-0.5
Gearing (%)	41.9%	29.3%	35.9%	34.1%	46.9%	44.2%	24.5%	16.3%	1.0%	-13.0%
Goodwill / Equity (%)	98.2%	87.8%	91.4%	88.2%	88.9%	89.1%	93.7%	82.5%	72.8%	63.4%

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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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Hold	36%	23%
Reduce	8%	4%
Not Rated/Under Review/Accept Offer	2%	7%
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)	23/06/2020 08:40	Equity Research	Buy	15.00	10.40
	12/03/2021 08:15	Equity Research	Buy	18.60	15.10

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

Please refer to the following link <https://research.keplercheuvreux.com/disclosure/stock/> for a full list of investment recommendations issued over the last 12 months by the author(s) and contributor(s) of this report on any financial instruments.

### Equity research

#### Rating system

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**Buy:** The minimum expected upside is 10% over next 12 months (the minimum required upside could be higher in light of the company’s risk profile).

**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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**Accept offer:** In the context of a total or partial take-over bid, squeeze-out or similar share purchase proposals, the offer price is considered to be fairly valuing the shares.

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**Under review:** An event occurred with an expected significant impact on our target price and we cannot issue a recommendation before having processed that new information and/or without a new share price reference.

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**Valuation methodology and risks**

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KEPLER CHEUVREUX, Amsterdam branch	Autoriteit Financiële Markten	AFM
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Kepler Capital Markets, Inc.	Financial Industry Regulatory Authority	FINRA
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# Local insight, European scale.



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