

GFT Technologies Buy

Germany | IT services & software

Beta Profile:  QUALITY

MCap: EUR555.5m

Target Price: EUR31.00 (38.00)
Current Price: EUR21.10
Up/downside: 46.9%
Market data: 09 August 2024

Change in TP: -18.4%
Change in Sales: -3.6% 24E/-3.7% 25E
Change in Adj EBIT: -3.9% 24E/-5.2% 25E
Change in Adj. EPS: -5.7% 24E/-5.2% 25E

Bloomberg: GFT GR
Free float 63.8%
Avg. daily volume (EURm) 1.7
YTD abs performance -32.4%
52-week high/low (EUR) 33.36/21.10
Reuters: GFTG.DE

Promising H2 but challenges persist

Why this report?

GFT faces a mixed outlook as it moves into H2. While its strong performance in Brazil and promising developments in AI provide reasons for optimism, challenges persist, particularly in the Anglo-Saxon markets. The ongoing integration of Sophos, while progressing well, has not yet delivered the expected margins, and underutilisation in high-cost regions continues to be a drag on profitability. We cut our TP due to lower estimates and peer multiples.

Key findings

- In H1, GFT had to make capacity adjustments, particularly in high-cost regions like the UK, where clients have become more cost-conscious and reduced their demand for local IT expertise, which led to underutilisation.
- Management's cautious optimism, underpinned by a solid pipeline and promising utilisation trends, suggests potential for growth in H2. However, there are inherent risks stemming from market volatility and client decision delays.
- GFT's diversification has been crucial in navigating the challenges presented by the fluctuating demand in different markets.

Deconstructing the forecasts

- We cut our estimates in line with management's guidance.
- Peer multiples have come down, while our previous target multiple of 12.5x +12m EV/EBIT is now above the median of GFT's peers, which have significantly higher margins; thus, we take our target multiple down to 9x.

Investment case

- Thanks to GFT's global project delivery and broad technology base, it is able to reallocate staff resources efficiently and minimise negative cancellation impacts on utilisation.
- In the medium term, GFT's offshore business is expected to increase from 40% to 60%. Over two-thirds of sales are allocated to Digital Transformation (e.g. Cloud, Agile & DevOps) and c. 10% to Smart Technologies (e.g. AI, DLT, AR/VR, RPA, Bots/virtual assistants & data engineering).
- In the medium term, the fast-growing technologies should also boost its Platform Services business. GFT's targeted US expansion should also be margin-accretive, as US peers generally generate higher margins.

Catalysts

- Acceleration of digital transformation efforts in financial institutions, e.g. regulatory requirements regarding cloud integration.
- First commercialisation of AI products and solutions.
- M&A.

FY to 31/12 (EUR)	12/24E	12/25E	12/26E
Sales (m)	886.6	977.5	1,073.8
EBITDA adj (m)	94.8	108.7	122.0
EBIT adj (m)	81.6	91.8	102.6
Net profit adj (m)	57.1	63.8	71.8
Net financial debt (m)	66.2	23.3	-24.9
FCF (m)	49.8	55.3	63.2
EPS adj. and ful. dil.	2.17	2.43	2.73
Consensus EPS	1.92	2.46	2.87
Net dividend	0.47	0.57	0.65

FY to 31/12	12/24E	12/25E	12/26E
P/E adj and ful. dil.	9.7	8.7	7.7
EV/EBITDA	6.9	5.6	4.6
EV/EBIT	8.0	6.7	5.5
FCF yield	9.0%	10.0%	11.4%
Dividend yield	2.2%	2.7%	3.1%
ND(F+IFRS16)/EBITDA	1.0	0.5	0.0
Gearing	23.8%	7.2%	-6.6%
ROIC	17.9%	17.3%	19.1%
EV/IC	1.8	1.6	1.5

Sector Most Pref.

Capgemini
Dassault Systèmes
Exclusive Networks
Sopra steria

Sector Least Pref.

Atos
Cegedim
TeamViewer
Tietoevry
Worldline

Valuation methodology

- We value GFT with a DCF (10.5% WACC, 2.5% LT growth, 10.0% LT EBIT margin, fair value of EUR35) as well as a target multiple of 9.0x +12M EV/EBIT (fair value of EUR27.5), each weighted 50%.
- Our target multiple is below GFT's ten-year average and the median of its peers due to a gap in margins.
- A premium to historical levels is justified given GFT's preferred digital banking partner status.

Risks to our rating

- Rising staff costs and IT engineer scarcity (incl. external contractors) could slow down the signing of contracts related to new technologies.
- Indian IT players increasing technology beyond application management and thus becoming reliable and less expensive partners for clients.
- Financial sector freezing or postponing investments in digital transformation.

Recap of H1 and recent events

Geographical performance, order backlog, Sophos integration, AI and Digital Solutions

H1 2024 saw Brazil emerge as GFT's strongest market, with 12% organic growth. This growth highlights the efficacy of the company's geographic diversification strategy, which has been instrumental in counteracting the sluggish performance observed in the Anglo-Saxon markets. Despite some early signs of recovery in North America, it remains too soon to confirm the sustainability of this trend.

GFT reported an increase in its order backlog, primarily driven by the acquisition of Sophos, which contributed 7% organic growth, and covers 85% of the guidance, reinforcing management's confidence in meeting its revised guidance, despite the ongoing market volatility and delayed decision-making cycles by clients. The integration of Sophos is progressing smoothly, with GFT already realising new business opportunities from this acquisition. The full integration is targeted for completion by the end of the first quarter of 2025.

GFT has also been making strides in the AI domain, particularly through its AI DA marketplace, which has started eliciting significant interest from clients. The marketplace, along with other generative AI solutions, has shown promising efficiency gains, capturing approximately 90% of the results within the software development lifecycle.

Utilisation and profitability

However, H1 was not without its challenges. GFT had to make capacity adjustments, particularly in high-cost regions like the UK, where clients have become more cost-conscious and reduced their demand for local IT expertise. This led to underutilisation, especially in high-priced countries, which negatively impacted profitability. These adjustments, which cost the company EUR4.4m, were necessary to align with the reduced demand in the Anglo-Saxon markets and to optimise resources in line with the current market conditions.

A notable financial event during the quarter was the positive impact of a one-off accrual release related to a fiscal proceeding in Brazil, which contributed EUR6m to the company's profits. This windfall was a result of a favourable ruling by the Brazilian Supreme Court of Justice concerning a dispute over social security contributions. However, this positive effect was somewhat offset by increased interest expenses and M&A-related amortisation costs linked to the Sophos acquisition. The total net result was thus EUR2m.

Despite these financial adjustments, GFT reported 24% growth in adjusted EBIT for Q2. This growth was primarily driven by the accrual release in Brazil, although it was tempered by the ongoing challenges of underutilisation in high-cost regions. Employee numbers rose by 20% compared to June 2023, reflecting the company's expansion in Colombia, Brazil, and other regions, along with the integration of Sophos. Utilisation rates remained steady at 89.9%.

Outlook for H2 2024

Looking ahead to H2 2024, GFT's management expresses cautious optimism. The company anticipates a 3% quarterly increase in revenues, which aligns with their full-year target of EUR885m. This expectation is supported by an expected improvement in utilisation rates to 91% in the latter half of the year, which should help recover some of the lost profitability seen in H1. The company also foresees up to double-digit organic growth (H2 compared to H1) in the Anglo-Saxon markets, driven by a turnaround in the pipeline and opportunities from both new and existing clients.

However, management's outlook is tempered by the ongoing challenges in the Anglo-Saxon markets, where clients have been postponing decisions on new projects and strategic initiatives, particularly in areas involving cloud, data AI, and other technologies.

In terms of capital management, GFT remains focused on reducing its net debt, though management has not ruled out the possibility of share buybacks should there be no attractive M&A opportunities. The company remains confident in its ability to meet the revised guidance for the year, with further capacity adjustments already factored into their plans if necessary.

Buy reiterated, TP revised to EUR31

We reiterate our Buy rating and cut our TP from EUR38 to EUR31. Our fair value assumption is derived from an equally weighted DCF (10.5% WACC, 2.5% LT growth, 10.0% LT EBIT margin, fair value of EUR35) as well as a target multiple of 9x +12M EV/EBIT (fair value of EUR27.5), which we lower from 12.5x given the lower peer multiples. At our target multiple of 9x, GFT would be valued just below Capgemini, reflecting its slightly lower margins. Conversely, GFT would be positioned slightly above Sopra Steria, given its relatively higher margins (Table 2). The discount to the median of GFT's peers (12.1x) is justified by the lower margin.

Table 1: Our updated FY 2024-26E estimates (EURm)

	2024				2025				2026			
	Old	New	Change	YOY%	Old	New	Change	YOY	Old	New	Change	YOY
Revenues	920	887	-3.6%	10.6%	1,015	977	-3.7%	10.2%	1,117	1,074	-3.8%	9.9%
EBIT adjusted	85	82	-3.9%	11.3%	97	92	-5.2%	12.4%	109	103	-6.2%	11.8%
margin %	9.2%	9.2%	-3bps	6bp	9.5%	9.4%	-14bps	18bp	9.8%	9.6%	-24bps	17bp
EBT	72	70	-2.7%	3.0%	91	85	-5.6%	18.8%	105	98	-6.6%	8.4%
margin %	7.8%	7.9%	8bps	-58bp	8.9%	8.7%	-17bps	84bp	9.4%	9.1%	-27bps	40bp
Net profit reported	51	50	-2.7%	2.8%	63	60	-5.6%	20.3%	74	69	-6.6%	14.8%
EPS adjusted (EUR)	2.30	2.17	-5.7%	7.2%	2.56	2.43	-5.2%	11.7%	2.91	2.73	-6.3%	12.5%
EBITDA adjusted	96	95	-1.3%	5.7%	114	109	-4.4%	14.6%	129	122	-5.3%	12.3%
margin %	10.4%	10.7%	26bps	-50bp	11.2%	11.1%	-8bps	42bp	11.5%	11.4%	-17bps	25bp

Source: Kepler Cheuvreux

Table 2: Peer table suggests that GFT's peers, which have higher margins, are also more expensive

	EV/EBIT				EV/Sales				P/E			EBIT margin %			
	2024E	2025E	2026E	NTM	2024E	2025E	2026E	NTM	2024E	2025E	2026E	NTM	2024E	2025E	2026E
COGNIZANT	11.3	10.2	9.5	10.6	1.7	1.6	1.4	1.6	15.6	13.5	12.5	14.3	14.8%	15.3%	15.2%
Sopra Steria	8.8	8.0	7.9	8.3	0.7	0.7	0.7	0.7	11.7	10.6	9.8	11.0	8.1%	8.5%	8.8%
Capgemini	9.8	8.9	7.9	9.3	1.3	1.2	1.1	1.3	15.3	13.5	11.9	14.2	13.5%	13.9%	14.3%
CGI GROUP	8.5	-	-	8.5	2.1	2.1	-	2.1	16.8	14.5	-	15.4	25.2%	na	na
Accenture	18.2	16.6	15.1	17.2	2.8	2.6	2.4	2.7	24.8	22.3	19.8	23.2	15.7%	15.9%	16.1%
EPAM Systems	15.4	12.5	9.4	13.6	2.5	2.1	1.6	2.3	22.4	18.6	15.0	20.1	16.3%	16.8%	17.0%
Endava	8.7	6.9	8.0	7.6	1.6	1.3	1.5	1.4	15.9	12.9	10.3	14.0	19.5%	18.8%	18.1%
IBM	14.6	14.0	13.6	14.2	2.7	2.6	2.5	2.7	14.3	13.8	18.1	14.0	18.6%	18.8%	18.6%
Tata Consultancy	19.0	17.2	15.8	17.9	4.7	4.3	3.9	4.4	24.7	22.5	20.5	23.3	24.6%	24.9%	24.6%
GLOBANT	18.0	13.9	11.0	15.5	2.9	2.3	1.9	2.6	32.6	24.6	15.5	27.6	16.2%	16.7%	17.2%
Median	12.9	12.5	9.5	12.1	2.3	2.1	1.6	2.2	16.3	14.2	15.0	14.8	16.2%	16.7%	17.0%
GFT Technologies	8.0	6.6	5.3	7.1	0.7	0.6	0.5	0.7	9.7	8.5	7.5	9.0	9.2%	9.5%	9.8%

Source: Visible Alpha, Kepler Cheuvreux

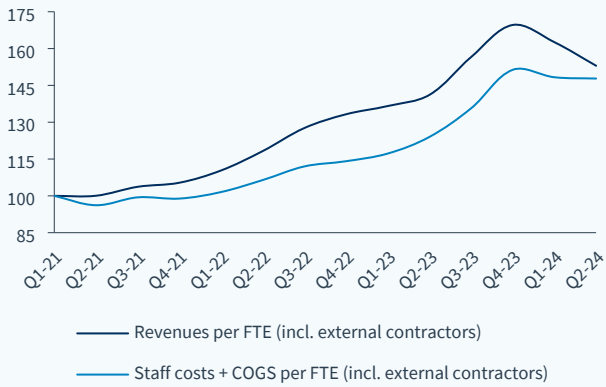
Table 3: FY 2024-26E estimates versus consensus

	2024			2025			2026		
	KECH	BB	VA	KECH	BB	VA	KECH	BB	VA
Sales	887	993	888	977	1,095	981	1,074	1,104	1,128
YOY %	10.6%	23.9%	10.7%	10.2%	10.2%	10.5%	9.9%	0.8%	15.0%
EBIT adj.	82	75	82	92	90	90	103	104	102
margin %	9.2%	7.6%	9.3%	9.4%	8.2%	9.2%	9.6%	9.4%	9.0%
EBT	70	70	68	85	87	81	98	102	96
margin %	7.9%	7.1%	7.7%	8.7%	7.9%	8.3%	9.1%	9.3%	8.5%
EPS adj.	2.17	2.07	2.22	2.43	2.36	2.36	2.73	2.78	2.69

BB= Bloomberg, VA= Visible Alpha, Source: Kepler Cheuvreux

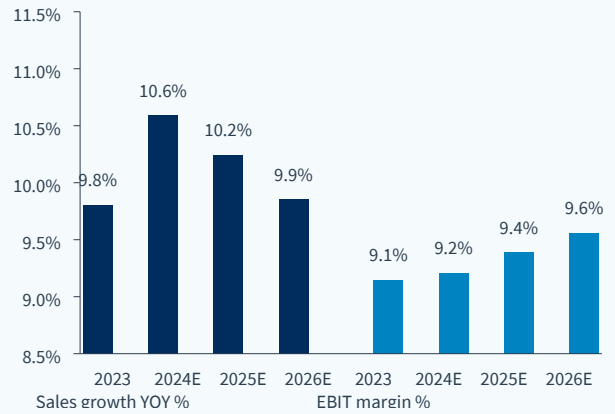
Investment case in six charts

Chart 1: Development of revenues and personnel costs per FTE (rebased 100 = Q1 2021)



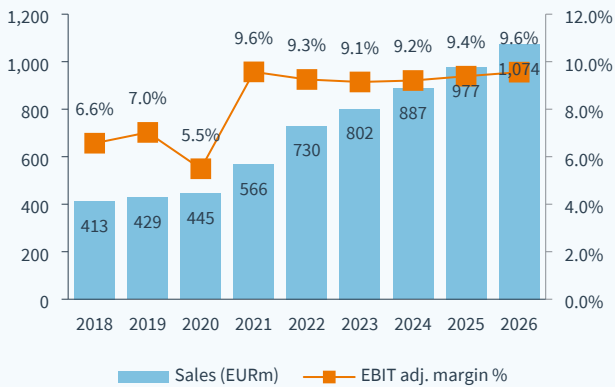
Source: GFT Technologies, Kepler Cheuvreux

Chart 2: Our FY 2024-26E sales growth YOY % and EBIT adj. margin estimates



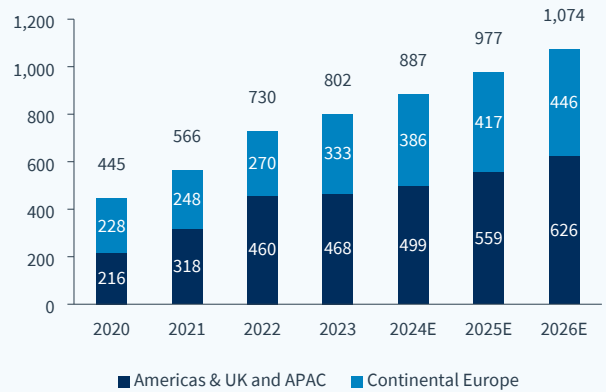
Source: GFT Technologies, Kepler Cheuvreux estimates

Chart 3: Group sales (EURm, lhs) and EBIT adj. margin (% , rhs)



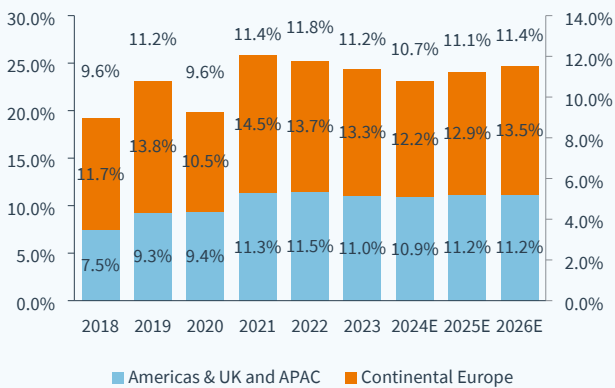
Source: GFT Technologies, Kepler Cheuvreux estimates

Chart 4: GFT's sales split by segment/region (EURm)



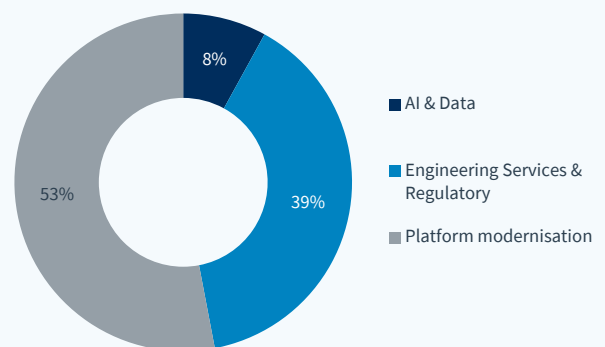
Source: GFT Technologies, Kepler Cheuvreux estimates

Chart 5: GFT's EBIT adj. margin by segment/region



Source: GFT Technologies, Kepler Cheuvreux estimates

Chart 6: FY 2023 sales split by technology/service



Source: GFT Technologies

Company description

Founded in 1987 by chairman and main shareholder Ulrich Dietz, GFT Technologies is a Germany-based IT services provider operating in over 20 countries, with a workforce of over 12,000 employees. The group is focused on the financial sector and provides its clients with innovative technology solutions and facilitates its clients' digital transformation processes.

Management

Marika Lulay, CEO
Dr. Jochen Ruetz, CFO



Key shareholders

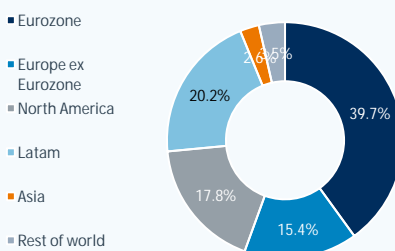
Free float	63.80%
Ulrich Dietz	26.50%
Maria Dietz	9.70%
Free float	63.80%

Key data charts

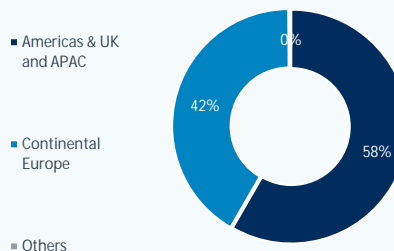
Price performance



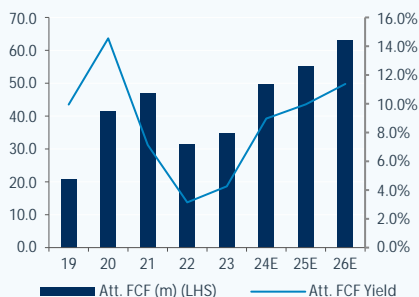
Sales split by region



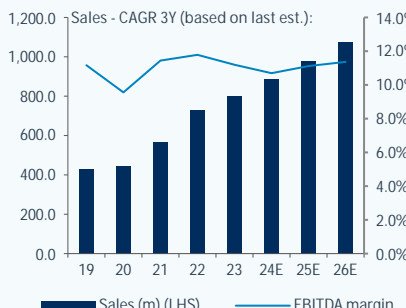
Sales split by division



FCF



Sales and EBITDA margin



FCF and Capex to sales



SWOT analysis

Strengths

- Cost-efficient nearshore model.
- Strong pricing power.
- Combination to obtain cloud and banking expertise.
- Partnerships with AWS, Google, and Guidewire.

Weaknesses

- Lower (but improving) scale of the business compared to majors.
- Concentration of business on Banking.
- Lack of maintenance business for Guidewire.
- Risk that Guidewire product will run out after implementation.

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 the US).
- New technologies to be applied in the market (cloud, blockchain, AI).

Threats

- Engineer scarcity and wage inflation.
- 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: 09 August 2024

FY to 31/12 (EUR)	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24E	12/25E	12/26E
Per share data (EUR)										
EPS adjusted	0.72	0.85	0.85	0.69	1.64	1.83	2.02	2.17	2.43	2.73
% Change	-22.7%	18.2%	0.7%	-19.7%	139.2%	11.8%	10.5%	7.2%	11.7%	12.5%
EPS adjusted and fully diluted	0.72	0.85	0.85	0.69	1.64	1.83	2.02	2.17	2.43	2.73
% Change	-22.7%	18.2%	0.7%	-19.7%	139.2%	11.8%	10.5%	7.2%	11.7%	12.5%
EPS reported	0.68	0.76	0.52	0.38	1.14	1.76	1.84	1.89	2.27	2.61
% Change	-26.8%	12.6%	-31.9%	-27.2%	200.6%	54.8%	4.6%	2.8%	20.3%	14.8%
EPS Consensus								1.92	2.46	2.87
Cash flow per share	0.85	0.47	1.03	1.75	2.05	1.50	1.78	2.54	2.86	3.26
Book value per share	4.38	4.83	5.06	4.87	6.10	7.64	9.16	10.55	12.35	14.39
DPS	0.30	0.30	0.20	0.20	0.35	0.45	0.50	0.47	0.57	0.65
Number of shares, YE (m)	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3
Nbr of shares, fully diluted, YE (m)	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3
Share price										
Latest price / year end	13.0	6.7	11.6	11.9	46.2	34.0	31.2	21.1	21.1	21.1
52 week high	21.6	15.0	12.8	14.2	46.2	48.3	42.5	33.4		
52 week low	11.0	6.5	6.2	5.8	11.9	28.2	23.7	21.1		
Average price (Year)	17.1	12.2	8.0	10.8	25.0	38.2	31.0	21.1	21.1	21.1
Enterprise value (EURm)										
Market capitalisation	449.4	321.8	210.8	285.3	656.9	1,004.5	815.7	555.5	555.5	555.5
Net financial debt	39.3	59.7	58.8	31.3	-1.9	-17.3	15.9	66.2	23.3	-24.9
Pension provisions	8.6	7.0	9.5	9.2	7.7	5.4	5.6	5.6	5.6	5.6
IFRS 16 debt	0.0	0.0	43.5	38.4	26.2	31.2	28.4	28.4	28.4	28.4
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)	0.0	0.0	0.0	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	497.3	388.5	322.5	364.3	688.8	1,023.7	865.5	655.6	612.8	564.5
Valuation										
P/E adjusted	23.8	14.4	9.4	15.8	15.2	20.8	15.3	9.7	8.7	7.7
P/E adjusted and fully diluted	23.8	14.4	9.4	15.8	15.2	20.8	15.3	9.7	8.7	7.7
P/E consensus								11.0	8.6	7.4
P/BV	3.9	2.5	1.6	2.2	4.1	5.0	3.4	2.0	1.7	1.5
P/CF	20.2	25.9	7.7	6.2	12.2	25.5	17.5	8.3	7.4	6.5
Dividend yield (%)	1.8%	2.5%	2.5%	1.8%	1.4%	1.2%	1.6%	2.2%	2.7%	3.1%
Dividend yield preference shares (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Share buybacks over market cap (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Attributable FCF yield (%)	3.4%	2.4%	9.9%	14.5%	7.1%	3.1%	4.3%	9.0%	10.0%	11.4%
ROE (%)	16.2%	18.4%	17.3%	13.8%	29.9%	26.7%	24.1%	22.0%	21.2%	20.4%
ROIC (%)	11.4%	13.9%	10.4%	7.9%	21.1%	23.7%	21.0%	17.9%	17.3%	19.1%
EV/Sales	1.19	0.94	0.75	0.82	1.22	1.40	1.08	0.74	0.63	0.53
EV/EBITDA adj.	14.5	9.8	6.7	8.6	10.6	11.9	9.6	6.9	5.6	4.6
EV/EBIT adj.	23.8	14.3	10.7	14.9	12.7	15.2	11.8	8.0	6.7	5.5
EV/NOPAT	24.3	16.2	14.7	21.2	17.0	21.6	16.6	11.3	9.5	7.9
EV/IC	3.2	2.1	1.4	1.8	3.7	4.7	3.1	1.8	1.6	1.5
ROIC/WACC	1.6	2.1	1.9	1.3	2.4	2.3	2.0	1.7	1.7	1.8
EV/IC over ROIC/WACC	2.0	1.0	0.7	1.4	1.6	2.1	1.6	1.0	1.0	0.8

Income statement

FY to 31/12 (EUR)	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24E	12/25E	12/26E
Sales	418.8	412.8	429.0	444.8	566.2	730.1	801.7	886.6	977.5	1,073.8
<i>Sales % Change</i>	-0.9%	-1.4%	3.9%	3.7%	27.3%	29.0%	9.8%	10.6%	10.2%	9.9%
Gross profit	363.2	358.8	382.6	395.4	483.5	625.1	695.5	759.2	841.1	926.7
<i>Gross profit margin (%)</i>	86.7%	86.9%	89.2%	88.9%	85.4%	85.6%	86.8%	85.6%	86.1%	86.3%
EBITDA reported	34.3	37.5	44.9	39.7	60.8	86.0	89.1	94.8	108.7	122.0
EBITDA adjusted	34.3	39.7	47.9	42.5	64.8	86.0	89.8	94.8	108.7	122.0
EBITDA margin (%)	8.2%	9.6%	11.2%	9.6%	11.4%	11.8%	11.2%	10.7%	11.1%	11.4%
<i>EBITDA adjusted % Change</i>	-26.5%	15.7%	20.7%	-11.3%	52.4%	32.8%	4.3%	5.7%	14.6%	12.3%
Depreciation and amortisation	-14.5	-12.6	-23.6	-23.4	-19.9	-20.5	-20.7	-20.6	-20.9	-22.5
Goodwill impairment	0.0	0.0	0.0	0.0	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	19.8	24.9	21.3	16.3	40.9	65.5	68.4	74.2	87.8	99.5
EBIT adjusted	20.9	27.1	30.1	24.4	54.2	67.5	73.3	81.6	91.8	102.6
EBIT margin (%)	5.0%	6.6%	7.0%	5.5%	9.6%	9.3%	9.1%	9.2%	9.4%	9.6%
<i>EBIT adjusted % Change</i>	-40.3%	30.0%	11.1%	-18.9%	121.8%	24.6%	8.6%	11.3%	12.4%	11.8%
Net financial items	-1.8	-1.5	-2.8	-2.2	-0.9	0.5	-0.4	-4.2	-2.3	-1.4
Associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.1	-0.7	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before tax	18.1	22.7	18.7	14.1	40.0	66.0	68.0	70.1	85.5	98.2
Tax	-0.3	-2.7	-5.1	-4.2	-10.1	-19.8	-19.6	-20.3	-25.6	-29.5
<i>Tax rate (%)</i>	2%	12%	27%	30%	25%	30%	29%	29%	30%	30%
Net profit from continuing op.	17.8	20.1	13.7	9.9	29.9	46.3	48.4	49.7	59.8	68.7
Net profit from disc. activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	17.8	20.1	13.7	9.9	29.9	46.3	48.4	49.7	59.8	68.7
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit reported	17.8	20.1	13.7	9.9	29.9	46.3	48.4	49.7	59.8	68.7
Adjustments	1.1	2.2	8.8	8.1	13.3	2.0	4.9	7.4	4.0	3.1
Net profit adjusted	18.9	22.3	22.5	18.0	43.2	48.3	53.3	57.1	63.8	71.8
Net profit margin (%)	4.5%	5.4%	5.2%	4.1%	7.6%	6.6%	6.6%	6.4%	6.5%	6.7%
<i>Net profit adjusted % Change</i>	-22.7%	18.2%	0.7%	-19.7%	139.2%	11.8%	10.5%	7.2%	11.7%	12.5%
EPS reported (EUR)	0.68	0.76	0.52	0.38	1.14	1.76	1.84	1.89	2.27	2.61
EPS adjusted (EUR)	0.72	0.85	0.85	0.69	1.64	1.83	2.02	2.17	2.43	2.73
EPS adj. and fully diluted (EUR)	0.72	0.85	0.85	0.69	1.64	1.83	2.02	2.17	2.43	2.73
<i>EPS adj. and fully diluted % Change</i>	-22.7%	18.2%	0.7%	-19.7%	139.2%	11.8%	10.5%	7.2%	11.7%	12.5%
DPS (EUR)	0.30	0.30	0.20	0.20	0.35	0.45	0.50	0.47	0.57	0.65
<i>DPS % Change</i>	0.0%	0.0%	-33.3%	0.0%	75.0%	28.6%	11.1%	-5.5%	20.3%	14.8%
<i>Payout ratio (%)</i>	42%	35%	23%	29%	21%	25%	25%	22%	23%	24%
DPS, preference shares (EUR)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Consensus Sales (EURm)								905.0	981.9	1,128.1
Consensus EBITDA (EURm)								101.4	112.9	125.4
Consensus EBIT (EURm)								73.6	92.1	108.9
Consensus EPS (EUR)								1.92	2.46	2.87

Cash flow statement

Market data as of: 09 August 2024

FY to 31/12 (EUR)	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24E	12/25E	12/26E
Net profit before minorities	17.8	20.1	13.7	9.9	29.9	46.3	48.4	49.7	59.8	68.7
Depreciation and amortisation	14.5	12.6	23.6	23.4	19.9	20.5	20.7	20.6	20.9	22.5
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in working capital	-10.0	-20.3	2.9	23.7	5.5	-26.2	-21.3	-2.5	-4.4	-4.5
Others	0.0	0.0	-12.8	-11.0	-1.3	-1.1	-1.0	-1.0	-1.0	-1.0
Levered post tax CF before capex	22.3	12.4	27.2	46.0	53.9	39.4	46.7	66.8	75.3	85.7
% Change	-43.3%	-44.2%	119.0%	69.0%	17.1%	-26.8%	18.5%	43.0%	12.7%	13.8%
Capex	-6.9	-4.9	-6.3	-4.5	-7.0	-7.8	-12.0	-17.0	-20.0	-22.5
Capex / Sales (%)	1.6%	1.2%	1.5%	1.0%	1.2%	1.1%	1.5%	1.9%	2.0%	2.1%
Free cash flow	15.4	7.6	21.0	41.5	46.9	31.6	34.7	49.8	55.3	63.2
% Change	-47.1%	-50.9%	176.5%	98.0%	13.0%	-32.6%	10.0%	43.5%	11.0%	14.2%
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	-46.3	-87.0	0.0	0.0
Divestments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	-7.9	-7.9	-7.9	-5.3	-5.3	-9.2	-11.8	-13.2	-12.4	-15.0
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	-4.8	-20.1	-12.2	-8.8	-8.4	-7.0	-9.8	0.0	0.0	0.0
Change in net financial debt	-2.8	20.4	-0.9	-27.5	-33.3	-15.4	33.2	50.3	-42.9	-48.2
Change in cash and cash equiv.	10.0	-10.7	-5.4	14.7	-0.1	7.5	-7.9	-0.3	42.9	48.2
Attributable FCF	15.4	7.6	21.0	41.5	46.9	31.6	34.7	49.8	55.3	63.2
Attributable FCF / Net profit(%)	81.8%	34.0%	93.3%	230.0%	108.7%	65.5%	65.2%	87.2%	86.6%	88.0%
Cash flow per share (EUR)	0.85	0.47	1.03	1.75	2.05	1.50	1.78	2.54	2.86	3.26
% Change	-43.3%	-44.2%	119.0%	69.0%	17.1%	-26.8%	18.5%	43.0%	12.7%	13.8%
Attributable FCF per share (EUR)	0.59	0.29	0.80	1.58	1.78	1.20	1.32	1.89	2.10	2.40
% Change	-47.2%	-50.9%	176.5%	98.0%	13.0%	-32.6%	10.0%	43.5%	11.0%	14.2%

Balance sheet

FY to 31/12 (EUR)	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24E	12/25E	12/26E
Cash and cash equivalents	72.2	61.6	56.1	70.9	70.8	78.2	70.3	70.0	112.9	161.1
Inventories	0.0	0.2	0.2	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Accounts receivable	113.5	95.4	114.0	93.1	131.5	152.6	166.5	184.2	203.0	223.0
Other current assets	21.9	36.4	33.3	31.6	34.7	49.5	58.7	64.9	71.6	78.6
Current assets	207.7	193.5	203.6	195.6	237.0	280.3	295.7	319.2	387.6	463.0
Tangible assets	29.4	26.6	76.8	67.5	56.3	63.6	60.3	85.2	85.6	86.2
Goodwill	101.7	113.0	118.7	120.0	124.4	124.0	162.8	215.9	215.7	216.1
Other Intangible assets	23.3	26.7	22.1	15.7	10.6	5.9	19.5	25.9	25.8	25.9
Financial assets	0.7	0.8	1.0	1.4	5.8	7.5	7.5	7.5	7.5	7.5
Other non-current assets	10.0	12.0	13.7	14.6	17.6	16.5	16.8	18.5	20.4	22.4
Non-current assets	165.1	179.0	232.2	219.3	214.8	217.5	266.8	353.0	355.1	358.1
Short term debt	5.3	15.3	16.5	34.4	21.3	18.7	66.2	95.1	95.1	95.1
Accounts payable	14.5	13.7	9.5	9.9	11.8	11.8	13.6	16.3	17.4	18.8
Other short term liabilities	118.1	96.8	119.6	118.5	161.9	167.7	173.3	191.7	211.3	232.1
Current liabilities	137.9	125.8	145.6	162.7	195.0	198.2	253.1	303.0	323.8	346.0
Long term debt	106.2	105.9	98.4	67.8	47.5	42.2	20.0	41.1	41.1	41.1
Pension provisions	8.6	7.0	9.5	9.2	7.7	5.4	5.6	5.6	5.6	5.6
IFRS16 Debt	0.0	0.0	43.5	38.4	26.2	31.2	28.4	28.4	28.4	28.4
Other long term provisions	1.6	1.7	1.3	2.5	7.5	7.6	5.6	6.8	8.1	9.4
Other long term liabilities	3.2	5.0	4.3	6.0	7.2	12.2	8.8	9.7	10.7	11.8
Non-current liabilities	119.6	119.6	157.1	124.0	96.1	98.5	68.4	91.6	93.9	96.3
Shareholders' equity	115.3	127.1	133.1	128.1	160.7	201.1	241.1	277.6	325.0	378.8
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	115.3	127.1	133.1	128.1	160.7	201.1	241.1	277.6	325.0	378.8
Balance sheet total	372.8	372.6	435.8	414.9	451.8	497.8	562.5	672.3	742.7	821.1
% Change	1.9%	-0.1%	17.0%	-4.8%	8.9%	10.2%	13.0%	19.5%	10.5%	10.6%
Book value per share (EUR)	4.38	4.83	5.06	4.87	6.10	7.64	9.16	10.55	12.35	14.39
% Change	-1.6%	10.2%	4.7%	-3.8%	25.4%	25.2%	19.9%	15.2%	17.1%	16.5%
Net financial debt	39.3	59.7	58.8	31.3	-1.9	-17.3	15.9	66.2	23.3	-24.9
IFRS16 Debt	0.0	0.0	43.5	38.4	26.2	31.2	28.4	28.4	28.4	28.4
Pension provisions	8.6	7.0	9.5	9.2	7.7	5.4	5.6	5.6	5.6	5.6
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt	47.9	66.6	111.8	79.0	32.0	19.2	49.8	100.2	57.3	9.0
Net fi. debt (+IFRS16) / EBITDA (x)	1.1	1.5	2.1	1.6	0.4	0.2	0.5	1.0	0.5	0.0
Trade working capital	99.0	81.8	104.7	83.3	119.7	140.8	153.1	168.0	185.7	204.4
Net working capital	2.8	21.4	18.4	-3.6	-7.5	22.6	38.5	41.3	46.0	50.9
NWC/Sales	0.7%	5.2%	4.3%	-0.8%	-1.3%	3.1%	4.8%	4.7%	4.7%	4.7%
Inventories/sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Invested capital	157.2	187.7	235.9	199.6	183.9	216.0	281.1	368.3	373.2	379.1
Net fin. debt / FCF (x)	2.5	7.9	2.8	0.8	0.0	-0.5	0.5	1.3	0.4	-0.4
Gearing (%)	34.1%	46.9%	44.2%	24.5%	-1.2%	-8.6%	6.6%	23.8%	7.2%	-6.6%
Goodwill / Equity (%)	88.2%	88.9%	89.1%	93.7%	77.4%	61.7%	67.5%	77.8%	66.4%	57.0%

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Rating Breakdown	A	B
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Hold	33%	28%
Reduce	9%	5%
Not Rated/Under Review/Accept Offer	3%	6%
Total	100%	100%

Source: Kepler Cheuvreux

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GFT Technologies (EUR)	27/11/2023 05:35	Equity Research	Buy	40.00	31.84
	29/01/2024 05:33	Equity Research	Buy	42.00	30.66
	08/03/2024 05:29	Equity Research	Buy	38.00	29.40

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Equity research

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