Financial results H1/2021

GFT Technologies SE | 12 August 2021

© 2021 | GFT Technologies SE and its affiliates. All rights reserved.

GFT rising fast on digitisation trend

Outlook upgraded again on 20 July

Highlights

- Catch-up effects on top of already high digitisation demand
- Revenue with strong rise in the first half
- Orders received indicate strong second half
- Utilisation significantly above prior-year
- EBT more than quadrupled
- Operating cashflow und cash position on high level
- Employee growth is keeping pace

Revenue H1/2021 €262m (+18%)

EBT H1/2021 €17m (+312%)

Revenue FY 2021e €550m (+24%)

EBT FY 2021e €36m (+155%)

Key figures – revenue up, strong rise in earnings

in €m	H1/2021	H1/2020	Δ%
Revenue	261.58	221.05	18%
Order backlog	217.14	177.32	22%
EBITDA adjusted*	28.95	18.53	56%
EBITDA	27.63	16.46	68%
EBIT	17.20	5.17	>100%
EBT	16.62	4.04	>100%
Net income	12.09	2.81	>100%
Earnings per share (in €)	0.46	0.11	>100%
Earnings per share adjusted (in €)*	0.43	0.26	63%
Employees (in FTE)	6,806	5,585	22%

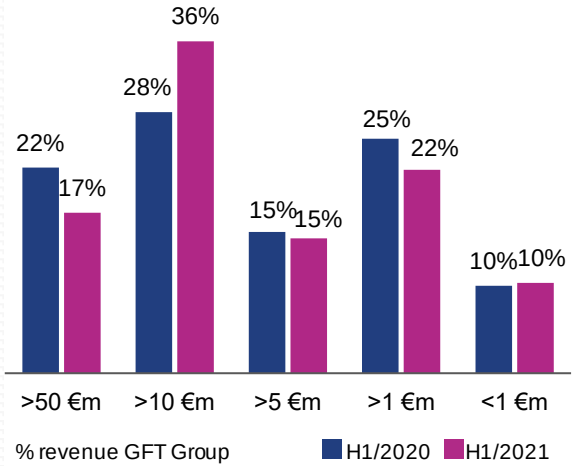
- **Revenue** growth by 18%
- **Order backlog** significantly above prior-year
- Strong increase in **EBITDA adjusted** by 56%
  - Restructuring measures amounted to €-1.12m (H1/2020: €-5.74m)
  - Underutilization at €0.00m (H1/2020: -€3.80m)
  - FX effects of €-1.10m (H1/2020: €-0.35m)
- **EBT** more than quadrupled
- **EBT margin** rose to 6.4% (H1/2020: 1.8%)
- Tax ratio below prior-year 27.2% (H1/2020: 30.3%)

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

Diversification improves further

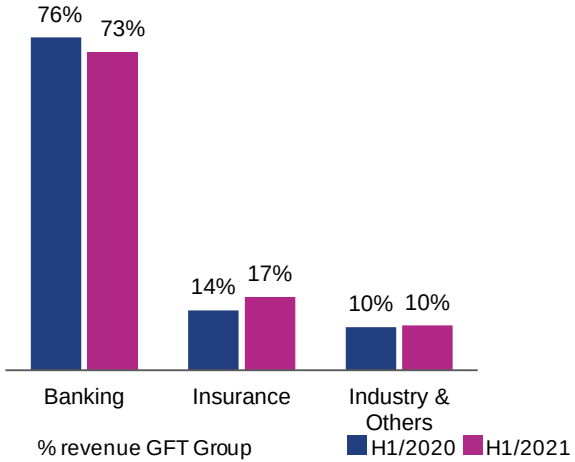
Broad client diversification*

Client concentration risk further reduced



All sectors with nominal growth

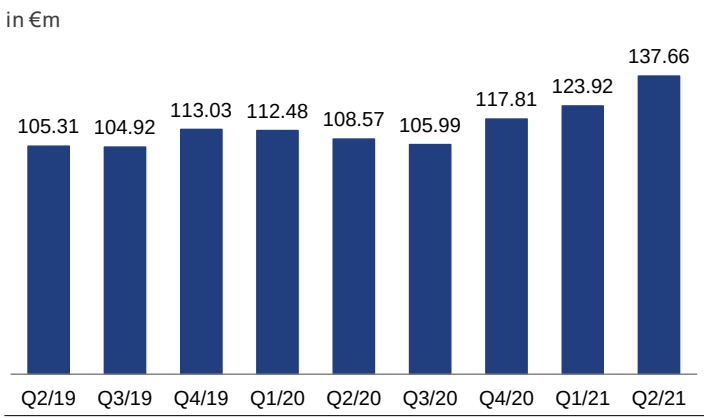
Banking	+13%
Insurance	+45%
Industry & Others	+23%



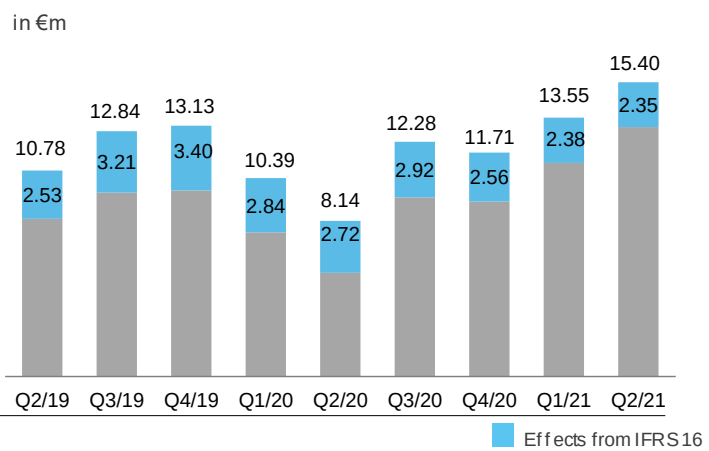
*Annualised extrapolation based on respective first half-year

Revenue and EBITDA adjusted by quarter

Revenue



EBITDA adjusted*



- **Q2/2021 vs. Q1/2021:** revenue growth accelerates to 11% (Q1/2021 vs. Q4/2020: +5%), earnings improvement follows higher revenue contribution
- **Q2/2021 vs. Q2/2020:** strong increase in revenue (+27%) and EBITDA adjusted (+89%), prior-year quarter mainly burdened by Covid-19 related underutilization and restructuring effects

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

Revenue by segment (I)

in €m	Revenue		Growth rates			
	H1/2021	H1/2020	Organic	M&A	FX	Total
Americas, UK & APAC	137.68	104.00	38%	n/a	-6%	32%
Continental Europe	123.82	116.90	6%	n/a	0%	6%
Others	0.08	0.15	n/a	n/a	n/a	n/a
GFT Group	**261.58**	**221.05**	**22%**	**n/a**	**-4%**	**18%**

- **Americas, UK & APAC:** unbroken growth trend despite currency headwinds; dynamics esp. in Brazil, USA, Hong Kong and UK as well as Canada
- **Continental Europe:** Good development in Italy and Switzerland overcompensates decrease with top-2 clients esp. in Spain

Revenue by segment (II)

in €m		Revenue		Δ%
		H1/2021	H1/2020	H1/2021 vs. H1/2020
Americas, UK & APAC	Top-2 clients	20.72	22.38	-7%
	Other clients	116.96	81.62	43%
	Total	137.68	104.00	32%
Continental Europe	Top-2 clients	24.83	27.24	-9%
	Other clients	98.99	89.66	10%
	Total	123.82	116.90	6%
GFT Group*	**Top-2 clients**	**45.55**	**49.62**	**-8%**
	Other clients	**215.95**	**171.28**	**26%**
* w/o segment „Others“	**Total**	**261.50**	**220.90**	**18%**

- **Client concentration improved further:** revenue share with top-2 clients now at 17% (H1/2020: 22%)
- **Revenue top-2 clients:** decrease in UK (Americas, UK & APAC) and esp. in Spain (Continental Europe)
- Growth with **other clients** accelerates further (Q2/2021 vs Q1/2021: 13% | Q1/2021 vs. Q4/2020: 8%)

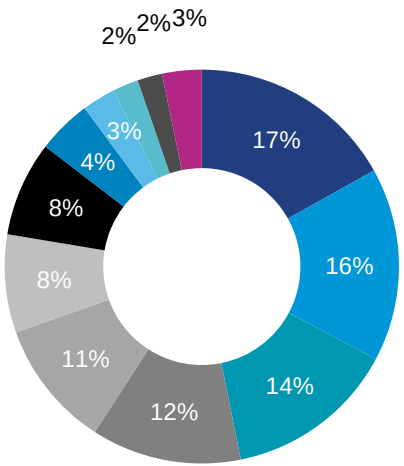
Earnings by segment

in €m	EBITDA adjusted*			EBITDA			EBT		
	H1/2021	H1/2020	Δ%	H1/2021	H1/2020	Δ%	H1/2021	H1/2020	Δ%
Americas, UK & APAC	14.66	10.19	44%	13.35	8.75	53%	9.14	3.88	>100%
Continental Europe	16.90	8.18	>100%	16.89	7.55	>100%	10.77	0.83	>100%
Others	-2.61	0.16	< -100%	-2.61	0.16	< -100%	-3.29	-0.67	>100%
GFT Group	**28.95**	**18.53**	**56%**	**27.63**	**16.46**	**68%**	**16.62**	**4.04**	**>100%**

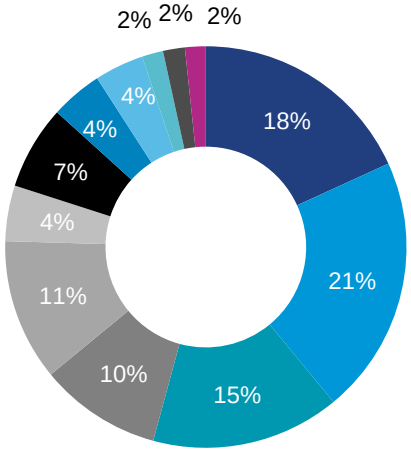
- **Americas, UK & APAC:** revenue increase led to higher earnings contribution and utilisation
- **Continental Europe:** profitable revenue growth and utilisation increase, significant margin improvement due to 2020's efficiency enhancements; prior year esp. burdened by underutilisation and restructuring
- **Others:** higher non-allocated overhead costs for business segments and increased accruals for variable & share based compensation

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

Revenue by markets – revenue in Canada more than doubled



H1/2021		Δ%	H1/2020
44.62	UK	12%	39.78
42.00	Spain	-8%	45.62
37.09	Italy	12%	33.27
32.48	Brazil	51%	21.50
27.61	Germany	10%	24.98
21.29	Canada	>100%	9.82
20.60	USA	21%	16.99
9.11	France	0%	9.15
7.24	Mexico	-17%	8.69
5.61	Switzerland	50%	3.74
5.37	Hong Kong (SAR)	39%	3.86
8.56	Other countries	>100%	3.65
261.58	Total	18%	221.05



30 biggest clients H1/2021 – seven new entries vs. prior year

Banking

- B3 Brasil Bolsa Balcão
- BBVA
- Crédit Agricole (NEW)
- citi
- CUSTODIGIT (NEW)
- Deutsche Bank
- HarbourVest (NEW)
- HSBC
- iberCaja
- Intesa Sanpaolo
- Itaú
- London Stock Exchange Group (NEW)
- Monte dei Paschi di Siena (Bank since 1472)
- nexi
- Not disclosed
- Sabadell
- Santander
- Schroders
- Serasa Experian
- Standard Chartered

Insurance

- beneva (NEW)
- Desjardins
- iA Groupe financier
- MACIF
- MAPFRE
- SulAmérica
- UnipolSai Assicurazioni
- wsib Ontario (NEW)

Industy & Others

- Google (NEW)
- TRUMPF

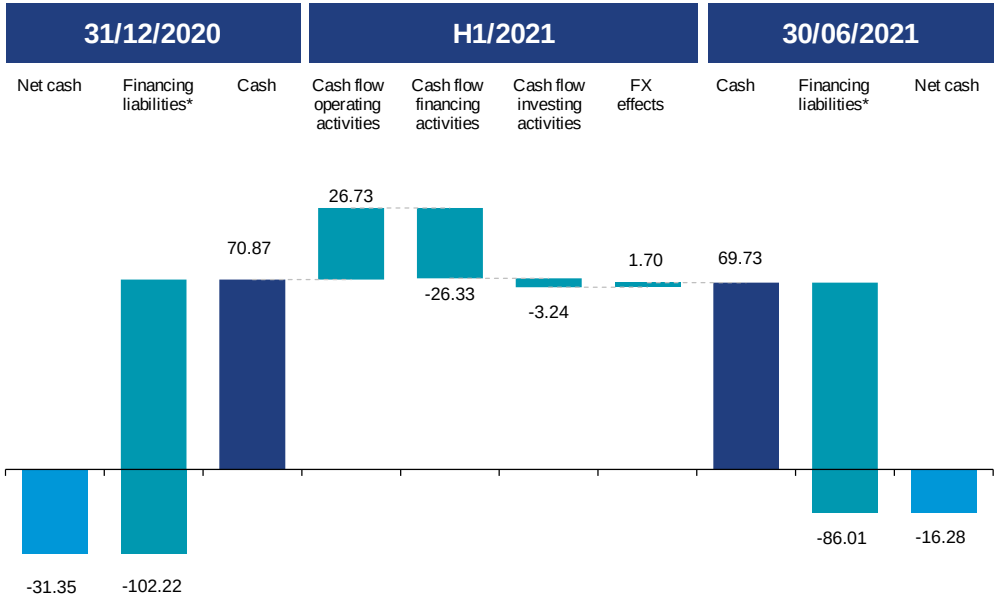
P&L – revenue growth, disproportionate earnings increase

in €m	H1/2021	H1/2020	Δ%
Revenue	**261.58**	**221.05**	**18%**
Other operating income	4.97	7.65	-35%
Cost of purchased services	-34.94	-22.92	52%
Personnel expenses	-181.79	-163.66	11%
Other operating expenses*	-22.19	-25.66	-14%
EBITDA	**27.63**	**16.46**	**68%**
Depreciation and amortisation	-10.43	-11.29	-8%
EBIT	**17.20**	**5.17**	**>100%**
Interest income/expenses	-0.58	-1.13	-49%
EBT	**16.62**	**4.04**	**>100%**
Income taxes	-4.53	-1.23	>100%
Net income	**12.09**	**2.81**	**>100%**
Earnings per share (in €)	0.46	0.11	>100%

*incl. results of investments accounted for using the equity method

- Continued and dynamic **revenue** growth attributed to higher demand for digitisation solutions
- Decrease in **other operating income** mainly characterised by lower foreign exchange gains and the absence of one-off gains
- Ratio **cost of purchased services** to revenue with 13% above prior-year (H1/2020: 10%)
- Increase of **personnel expenses** caused by higher average headcount, esp. in Brazil. Ratio of personnel expenses w/o restructuring costs plus purchased services to revenue with 82% on par with last year
- Reduced **other operating expenses** primarily due to lower travel costs as well as foreign exchange losses
- Increase of **income taxes** as a result of higher EBT. Effective tax ratio of 27% below prior year's level (H1/2020: 30%) due to changed profit or loss distribution across countries

Cash flow analysis (€m) – OCF remains on high level

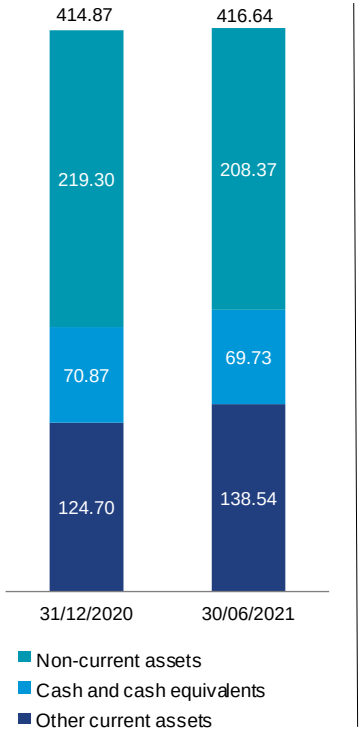


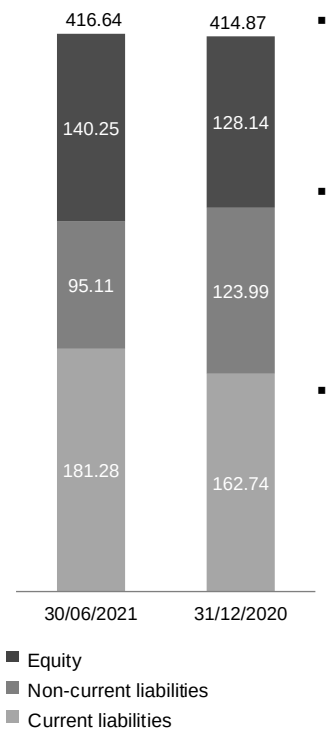
*Financing liabilities include liabilities to banks

- Solid **financing structure**
  Unused credit facilities of €47.09m (31/12/2020: €56.10m).
  Improved net cash €-16.28m (31/12/2020: €-31.35m)
- Slight decrease in **Group's liquidity** to €69.73m (31/12/2020: €70.87m) after loan redemption and dividend payment to shareholders
- **Operating cash flow** with €26.73m remained on a high level (H1/2020: €28.66m)
- **Cash flow from financing activities** esp. attributed to redemption of loans (net) amounting to €16.16m (H1/2020: €1.65m). Cash outflow also includes shareholder dividend of €5.27m (H1/2020: €5.27m)
- **Cash flow from investing activities** characterised by investments in property, plant and equipment €3.27m (H1/2020: €2.51m)

Balance sheet (€m) – equity ratio increased

- **Balance sheet total** with €416.64m essentially on prior-year end level (31/12/2020: €414.87m). Slight increase attributed to receivables from contracts with clients. Opposite effect from decline in property, plant and equipment
- Decrease in **non-current assets** by €10.93m primarily driven by reduced property, plant and equipment resulting from adjustments to the term of office leases. Non-current assets at 50% of balance sheet total (31/12/2020: 53%)
- Decline in **cash and cash equivalents** by 2% to €69.73m impacted by repayment of bank loans and dividend payment to shareholders
- **Other current assets** up by €13.84m to €138.54m in particular due to increased contract assets associated with positive business trend

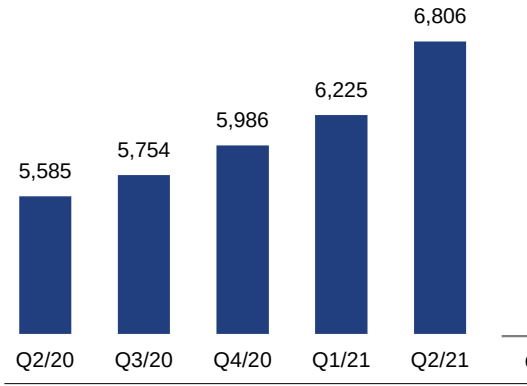




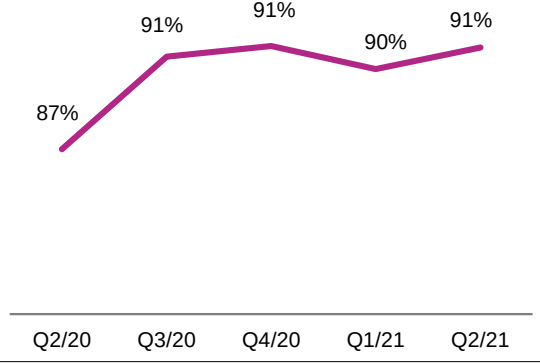
- Currency-adjusted increase in **equity** of €6.82m due to net income exceeding dividend payment to shareholders. Equity ratio improved by 3 percentage points to 34% (31/12/2020: 31%)
- Decline of **non-current liabilities** by €28.88m to €95.11m primarily following redemption of bank loans amounting to €20.16m. Furthermore, decrease in other financial liabilities by €4.91m resulting from declining volume of real estate lease liabilities
- **Current liabilities** at €181.28m, rise by €18.54m mainly attributable to increased personnel related obligations as well as income and other taxes opposed by closing date related lower contract liabilities

Employees – FTE at record high, utilisation significantly up

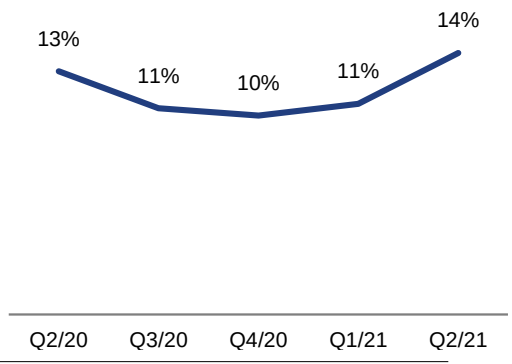
GFT Employees (FTE)



Utilisation

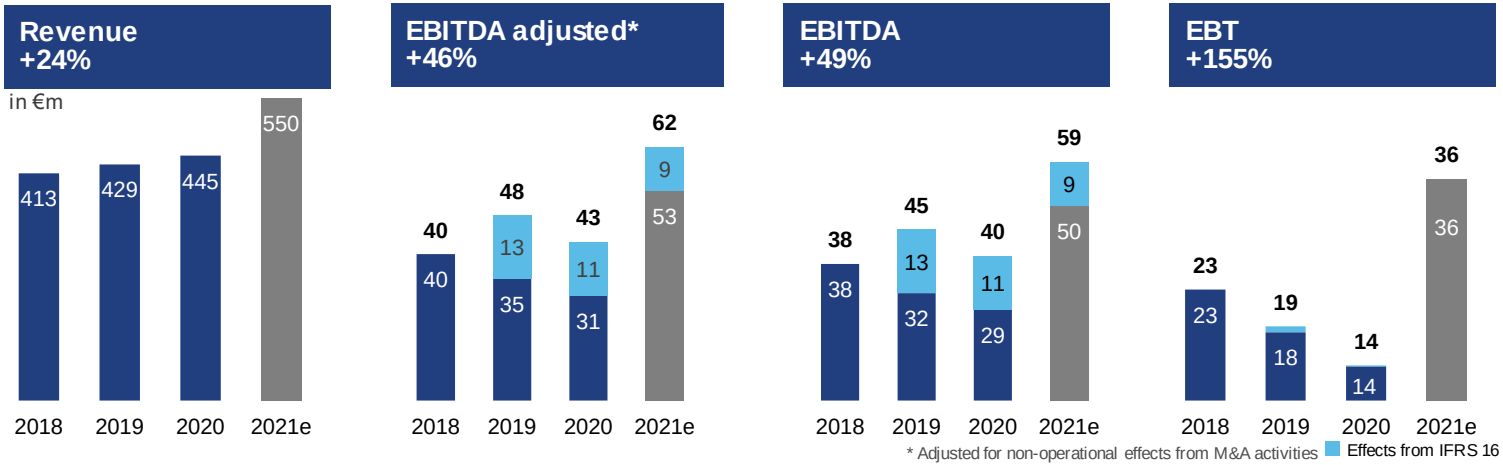


Attrition



- Continuous growth in employees esp. in Brazil
- Utilisation in the second quarter at 91%, significantly above Covid-19 burdened prior year (Q2/2020: 87%)
- Attrition increased again as expected. Figures during 2020 were below long-term average due to Covid-19
- In addition, external contractors amounted to 1,062 (H1/2020: 623) (headcount, not reflected in the figures above)

Outlook 2021 – accelerated growth, disproportionate rise in earnings



REVENUE

- Accelerated growth through Covid-19 related catch-up effects and high demand for digitisation solutions
- Sector and client diversification will improve; higher expected share of fast-growing technologies

EARNINGS

- Disproportionate increase driven by growth, margin improvements, efficiency gains and travel expense savings
- Focus on revenue growth requires continued high spending for sales activities and technological expertise

Shaping the future of digital business

GFT Technologies SE

Dr Jochen Ruetz
CFO

Schelmenwasenstr. 34
70567 Stuttgart

T +49 711 62042-422

jochen.ruetz@gft.com

GFT Technologies SE

Karl Kompe
Senior Investor Relations Manager

Schelmenwasenstr. 34
70567 Stuttgart

T +49 711 62042-323

karl.kompe@gft.com

© 2021 | GFT Technologies SE and its affiliates. All rights reserved.

Backup

© 2021 | GFT Technologies SE and its affiliates. All rights reserved.

Results at a glance per quarter

in €m	Q1/2020	Q2/2020	Q3/2020	Q4/2020	FY 2020	Q1/2021	Q2/2021	FY2021
Revenue	**112.48**	**108.57**	**105.99**	**117.81**	**444.85**	**123.92**	**137.66**	**261.58**
EBITDA adjusted*	10.39	8.14	12.28	11.71	42.52	13.55	15.40	28.95
EBITDA	**9.26**	**7.20**	**11.34**	**11.90**	**39.70**	**12.90**	**14.73**	**27.63**
EBIT	**3.61**	**1.56**	**5.57**	**5.59**	**16.33**	**7.37**	**9.83**	**17.20**
EBT	**3.02**	**1.02**	**5.01**	**5.06**	**14.11**	**7.01**	**9.61**	**16.62**
Net income	**2.28**	**0.53**	**3.57**	**3.56**	**9.94**	**5.16**	**6.93**	**12.09**
Net income adjusted*	4.33	2.55	5.53	4.73	17.14	6.82	4.42	11.24
Earnings per share adj. (in €)*	0.16	0.10	0.21	0.18	0.65	0.26	0.17	0.43
Earnings per share (in €)	**0.09**	**0.02**	**0.13**	**0.14**	**0.38**	**0.20**	**0.26**	**0.46**
Employees (in FTE)	**5,460**	**5,585**	**5,754**	**5,986**	**5,986**	**6,225**	**6,806**	**6,806**

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

Consolidated income statement

in €	H1/2021	H1/2020	Δ%
Revenue	261,582,811.69	221,045,543.79	18%
Other operating income	4,967,167.84	7,648,169.63	-35%
Cost of purchased services	34,937,802.87	22,919,612.78	52%
Personnel expenses	181,792,855.88	163,661,069.96	11%
Other operating expenses	22,146,449.25	25,653,281.52	-14%
Result from operating activities before depreciation and amortisation	**27,672,871.53**	**16,459,749.16**	**68%**
Depreciation and amortisation of intangible assets and property, plant and equipment	10,429,682.58	11,289,164.87	-8%
Result from operating activities	**17,243,188.95**	**5,170,584.29**	**>100%**
Result of investments accounted for using the equity method	-39,999.00	0.00	n/a
Interest income	214,861.37	132,906.11	62%
Interest expenses	795,473.59	1,266,678.58	-37%
Financial result	**-620,611.22**	**-1,133,772.47**	**45%**
Earnings before taxes	**16,622,577.73**	**4,036,811.82**	**>100%**
Income taxes	4,528,418.96	1,223,495.52	>100%
Net income for the period	**12,094,158.77**	**2,813,316.30**	**>100%**
Earnings per share – basic	0.46	0.11	>100%

Consolidated cash flow statement

in €	H1/2021	H1/2020	Δ%
Net income for the period	12,094,158.77	2,813,316.30	>100%
Income taxes	4,528,418.96	1,223,495.52	>100%
Interest result	620,611.22	1,133,772.47	-45%
Income taxes paid	-3,008,762.13	-3,479,632.78	14%
Income taxes received	1,726,954.88	3,311,562.52	-48%
Interest paid	-390,208.04	-562,106.78	31%
Interest received	179,984.64	123,090.95	46%
Depreciation and amortisation of intangible assets and property, plant and equipment	10,429,682.58	11,289,164.87	-8%
Net proceeds on disposal of intangible assets and property, plant and equipment	45,560.01	71,959.09	-37%
Net proceeds on disposal of financial assets	-97,820.82	-433,059.99	77%
Other non-cash expenses and income	76,432.70	-1,514,942.41	>100%
Change in trade receivables	4,249,169.46	32,465,812.07	-87%
Change in contract assets	-17,440,385.83	-7,606,051.03	<-100%
Change in other assets	-1,309,613.64	-3,616,248.64	64%
Change in provisions	13,473,242.99	5,687,104.04	>100%
Change in trade payables	-64,187.66	-3,641,801.11	98%
Change in contract liabilities	-8,412,416.03	-12,886,099.06	35%
Change in other liabilities	10,033,650.57	4,277,166.14	>100%
Cash flow from operating activities	**26,734,472.62**	**28,656,502.17**	**-7%**
Proceeds from disposal of property, plant and equipment	59,950.41	9,652.03	>100%
Proceeds from disposal of financial assets	97,820.82	433,059.99	-77%
Capital expenditure for intangible assets	-86,274.59	-213,665.46	60%
Capital expenditure for property, plant and equipment	-3,271,155.62	-2,505,626.85	-31%
Capital expenditure for financial investments	-40,000.00	0.00	n/a
Cash outflows for acquisitions of consolidated companies net of cash and cash equivalents acquired	0.00	-5,967,000.00	100%
Cash flow from investing activities	**-3,239,658.98**	**-8,243,580.29**	**61%**
Proceeds from borrowing	8,000,000.00	3,321,918.65	>100%
Cash outflows from loan repayments	-24,156,397.57	-4,974,390.84	<-100%
Cash outflows from repayment of lease liabilities	-4,907,139.94	-5,475,819.98	10%
Dividends to shareholders	-5,265,189.20	-5,265,189.20	0%
Cash flow from financing activities	**-26,328,726.71**	**-12,393,481.37**	**<-100%**
Effect of foreign exchange rate changes on cash and cash equivalents	1,694,087.74	-2,704,077.17	>100%
Net increase in cash and cash equivalents	**-1,139,825.33**	**5,315,363.34**	**<-100%**
Cash and cash equivalents at beginning of period	70,872,920.04	56,143,932.27	26%
Cash and cash equivalents at end of period	**69,733,094.71**	**61,459,295.61**	**13%**

Consolidated balance sheet

Assets			
in €	30/06/2021	31/12/2020	Δ%
Non-current assets			
Goodwill	122,447,382.10	120,013,331.55	2%
Other intangible assets	13,260,492.83	15,734,379.74	-16%
Property, plant and equipment	56,049,050.70	67,542,952.10	-17%
Financial investments	10,000.00	10,000.00	0%
Other financial assets	1,507,941.68	1,441,660.63	5%
Deferred tax assets	11,294,345.73	9,904,178.28	14%
Income tax assets	482,136.76	383,839.71	26%
Other assets	3,314,292.77	4,270,727.75	-22%
	208,365,642.57	**219,301,069.76**	**-5%**
Current assets			
Inventories	22,993.78	29,782.59	-23%
Trade receivables	88,855,198.41	93,104,367.87	-5%
Contract assets	27,269,687.60	9,829,301.77	>100%
Cash and cash equivalents	69,733,094.71	70,872,920.04	-2%
Other financial assets	2,993,611.58	2,405,191.03	24%
Income tax assets	5,718,476.05	7,266,062.00	-21%
Other assets	13,678,907.71	12,060,771.88	13%
	208,271,969.84	**195,568,397.18**	**6%**
	416,637,612.41	**414,869,466.94**	**0%**

Equity and liabilities			
in €	30/06/2021	31/12/2020	Δ%
Shareholders' equity			
Share capital	26,325,946.00	26,325,946.00	0%
Capital reserve	42,147,782.15	42,147,782.15	0%
Retained earnings	79,315,245.36	72,486,275.79	9%
Other reserves	-7,534,738.24	-12,823,318.77	41%
	140,254,235.27	**128,136,685.17**	**9%**
Non-current liabilities			
Financing liabilities	47,662,512.64	67,822,936.64	-30%
Other financial liabilities	26,858,085.52	38,443,861.35	-30%
Provisions for pensions	9,260,151.32	9,227,304.35	0%
Other provisions	4,996,839.39	2,467,048.25	>100%
Deferred tax liabilities	3,703,875.15	4,122,662.74	-10%
Other liabilities	2,627,668.81	1,909,429.46	38%
	95,109,132.83	**123,993,242.79**	**-23%**
Current liabilities			
Trade payables	9,811,535.04	9,875,722.70	-1%
Financing liabilities	38,354,177.75	34,396,394.01	12%
Other financial liabilities	16,897,558.56	13,523,893.84	25%
Other provisions	51,688,684.93	40,618,259.97	27%
Income tax liabilities	6,159,038.92	3,071,078.70	>100%
Contract liabilities	28,823,812.73	37,236,228.76	-23%
Other liabilities	29,539,436.38	24,017,961.00	23%
	181,274,244.31	**162,739,538.98**	**11%**
	416,637,612.41	**414,869,466.94**	**0%**

Consolidated statement of comprehensive income

in €	H1/2021	H1/2020	Δ%
Net income for the period	12,094,158.77	**2,813,316.30**	**>100%**
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit plans	0.00	0.00	n/a
Income taxes on remeasurement of defined benefit plans	0.00	0.00	n/a
Items that may be reclassified to the income statement			
Currency translation	5,288,580.53	-9,109,861.80	>100%
Other comprehensive income	**5,288,580.53**	**-9,109,861.80**	**>100%**
Total comprehensive income	**17,382,739.30**	**-6,296,545.50**	**>100%**

Consolidated statement of changes in equity

in €	Share capital	Capital reserve	Retained earnings [1]	Other reserves	Total equity
				Currency translation	
Balance at 1 January 2020	**26,325,946.00**	**42,147,782.15**	**67,590,439.82**	**-2,922,395.55**	**133,141,772.42**
Net income for the period	--	--	2,813,316.30	--	2,813,316.30
Other comprehensive income	--	--	0.00	-9,109,861.80	-9,109,861.80
Total comprehensive income	**--**	**--**	**2,813,316.30**	**-9,109,861.80**	**-6,296,545.50**
Dividends to shareholders	--	--	-5,265,189.20	--	-5,265,189.20
Balance at 30 June 2020	**26,325,946.00**	**42,147,782.15**	**65,138,566.92**	**-12,032,257.35**	**121,580,037.72**
Balance at 1 January 2021	**26,325,946.00**	**42,147,782.15**	**72,486,275.79**	**-12,823,318.77**	**128,136,685.17**
Net income for the period	--	--	12,094,158.77	--	12,094,158.77
Other comprehensive income	--	--	0.00	5,288,580.53	5,288,580.53
Total comprehensive income	**--**	**--**	**12,094,158.77**	**5,288,580.53**	**17,382,739.30**
Dividends to shareholders	--	--	-5,265,189.20	--	-5,265,189.20
Balance at 30 June 2021	**26,325,946.00**	**42,147,782.15**	**79,315,245.36**	**-7,534,738.24**	**140,254,235.27**

[1] Retained earnings also include items that will not be reclassified to the consolidated income statement. Actuarial gains/losses from the remeasurement of defined benefit plans amounted to 0.00 € net of tax in the first six months of 2021 (H1/2020: 0.00 €).

Segment report

in € thsd.	Americas, UK & APAC H1/2021	Americas, UK & APAC H1/2020	Continental Europe H1/2021	Continental Europe H1/2020	Total segments H1/2021	Total segments H1/2020	Reconciliation H1/2021	Reconciliation H1/2020	GFT Group H1/2021	GFT Group H1/2020
External revenue	137,684	103,998	123,819	116,895	261,503	220,893	80	153	261,583	**221,046**
Intersegment revenue	4,372	5,423	34,612	27,935	38,984	33,358	-38,984	-33,358	0	0
Total revenue	**142,056**	**109,421**	**158,431**	**144,830**	**300,487**	**254,251**	**-38,904**	**-33,205**	**261,583**	**221,046**
Segment result (EBT)	**9,139**	**3,879**	**10,769**	**828**	**19,908**	**4,707**	**-3,285**	**-670**	**16,623**	**4,037**
thereof depreciation and amortisation	-3,919	-4,273	-5,758	-5,975	-9,677	-10,248	-753	-1,041	-10,430	-11,289
thereof interest income	214	101	51	32	265	133	-50	0	215	133
thereof interest expenses	-507	-699	-413	-782	-920	-1,481	125	214	-795	-1,267