

GFT posts higher consolidated net income for financial year 2017

- Net income of EUR 17.81 million is EUR 3.31 million higher than planned due to lower tax rate
- EBITDA of EUR 34.31 million burdened by one-off special items
- Revenue of EUR 418.81 million slightly above expectations (EUR 415.00 million)
- Dividend proposal for financial year 2017 of EUR 0.30 unchanged from previous year
- Outlook 2018: increase in EBITDA from EUR 34.31 million to at least EUR 39.00 million and in EBT from EUR 18.13 million to at least EUR 25.00 million with revenue of between EUR 400.00 and 420.00 million

Stuttgart, 21 February 2018 – The GFT Group today announced its preliminary and unaudited figures for the financial year 2017. Consolidated revenue is 1 percent below the prior-year figure. Earnings are burdened by one-off special items. The implementation of innovative IT projects led to significant tax refunds in Spain and thus to much higher consolidated net income. In the Continental Europe segment, demand from retail banks for digitalisation solutions remained high. This partially offset the fall in revenue caused by the extensive cost-containment measures of two major investment banking (IB) clients. The resulting realignment of the Americas & UK division was successfully completed in the past year. GFT expects to expand its market position in the current financial year with projects based on new technologies for clients in the financial services industry as well as for industrial clients.

Revenue trend

According to preliminary calculations, the GFT Group generated revenue of EUR 418.81 million in the financial year 2017 (2016: EUR 422.56 million) – just under 1 percent less than in the previous year. The guidance issued on 24 October 2017 of EUR 415 million for the financial year 2017 was thus slightly exceeded. The *Continental Europe* division increased revenue by 11 percent to EUR 222.48 million in financial year 2017 (2016: EUR 200.52 million). This growth was driven predominantly by consistently strong demand for solutions to digitise business processes in retail banking. Revenue growth was particularly encouraging in Spain, where revenue rose by 13 percent to EUR 87.86 million (2016: EUR 78.05 million), and in Germany with growth of 11 percent to EUR 57.50 million (2016: EUR 51.99 million). Adjusted for the two major IB clients, the *Americas & UK* division displayed dynamic growth of 21 percent, as new clients were gained and revenue with other existing clients was successfully expanded. Including the two major IB clients, the division posted an overall decline in revenue of 11 percent to EUR 195.40 million (2016: EUR 219.42 million). “We have realigned our business in the USA and UK, intensified our technological expertise and expanded our portfolio of services for these countries with the addition of retail banking solutions. The fact that we were able to increase consolidated revenue in the fourth quarter compared to the previous quarter demonstrates that these measures are taking effect and that we are on the right track,” explains Marika Lulay, CEO of GFT Technologies SE.

Earnings trend

Despite the economic challenges of the year 2017, GFT invested heavily in the development of software solutions based on new technologies – focusing in particular on the industrial sector. Earnings were also burdened by negative foreign exchange effects from the devaluation of the British pound, as well as by restructuring costs in the *Americas & UK* segment and payment obligations for business acquisitions made in the previous year. Preliminary earnings before interest, taxes, depreciation and amortisation (EBITDA) are thus expected to fall by 27 percent to EUR 34.31 million (2016: EUR 46.71 million). Pre-tax earnings (EBT) are likely to be EUR 18.13 million (2016: EUR 33.05 million). Due to one-off special items, the tax rate for the financial year 2017 will be just

under 2 percent, and thus considerably lower than the previously expected 20 percent. This is mainly a result of significant tax refunds in Spain granted by the Spanish tax authorities due to the development of innovative IT projects. As a consequence, consolidated net income for 2017 is expected to reach EUR 17.81 million (2016: EUR 24.23 million). Earnings per share amount to EUR 0.68 (2016: EUR 0.92).

Dividend

As in the previous year, the company intends to propose a dividend of EUR 0.30 for the financial year 2017 at the Annual General Meeting on 21 June 2018. This corresponds to an unchanged dividend payout of EUR 7.90 million. The dividend rate (ratio of dividend payout to consolidated net income) of 44 percent lies slightly above the 20 to 40 percent range which the company targets.

Headcount

As of 31 December 2017, the GFT Group had a total of 4,740 full-time employees – corresponding to a slight year-on-year decline of 3 percent (31 December 2016: 4,870). As a result of restructuring measures, there was a decline in the number of employees in North America and the UK, as well as at development centres in Brazil and Poland. Additions to the headcount number resulted, for example, from the takeover of the Spanish IT company Mecanización de Empresas.

Development in 4th quarter of 2017

Consolidated revenue of EUR 102.29 million in the fourth quarter of 2017 was up 4 percent on the previous quarter (Q3/2017: EUR 98.75 million). Both EBITDA and EBT for the fourth quarter were down on the previous quarter at EUR 5.21 million (Q3/2017: EUR 10.76 million) and EUR 1.45 million (Q3/2017: EUR 7.16 million), respectively.

Outlook 2018

The GFT Group anticipates revenue of EUR 400.00 to 420.00 million for the financial year 2018 with significantly higher margins than in the previous year. Further dynamic double-digit revenue growth is likely to be offset by budget constraints and volatile revenue expectations from business with the two major IB clients. Significant earnings growth is expected for EBITDA to at least EUR 39.00 million and for EBT to at least EUR 25.00 million. Investments in the expansion of digital solution offerings will be continued. “We got off to a good start in 2018. In addition to the expansion of our banking and insurance clients, we will use the current year to systematically target further industrial sectors,” states Lulay. This new business field is expected to generate initial revenue in the mid-single-digit million range in 2018. Other growth drivers will mainly include projects based on blockchain, cloud, data analytics and artificial intelligence. “We are confident that we can achieve 25 percent of consolidated revenue with new technologies this year. That’s a 50 percent increase over the previous year,” concludes Lulay.

As previously announced, the company will publish its final figures for the financial year 2017 on 29 March 2018.

Detailed financial figures can be found in the Investor Relations section of the GFT website at www.gft.com/ir.

Key figures (IFRS, unaudited)

(deviations possible due to rounding differences)

In EUR million	2017	2016	Δ %
Revenue	418.81	422.56	-1%
EBITDA	34.31	46.71	-27%
EBIT	19.79	34.79	-43%
Pre-tax earnings (EBT)	18.13	33.05	-45%
Net income	17.81	24.23	-26%
Earnings/share in EUR	0.68	0.92	-26%
Equity ratio in percent	32 (31/12/2017)	32 (31/12/2016)	-
Employees (full-time) as of 31 December	4,740	4,870	-3%

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About GFT

As an experienced technology partner, GFT Technologies SE (GFT) is committed to driving the digital transformation of the financial services industry. Drawing on our extensive knowledge of the sector, we advise the world's leading financial institutions and develop bespoke IT solutions – from banking applications and trading systems to the implementation and support of complete platforms, and the modernisation of core banking systems. Our global innovation team also develops new business models, focusing on topics such as blockchain, cloud engineering, artificial intelligence and the internet of things across all sectors.

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