

PRESS RELEASE

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GFT continues to drive diversification in the first quarter

- 19 percent revenue growth without top-2 clients*
- Further expansion of client and sector diversification
- Revenue share of insurance business exceeds 10 percent for first time
- Revenue of EUR 106 million slightly below previous year
- Adjusted EBITDA up 11 percent, positive accounting effects from IFRS 16
- Earnings burdened as expected by under-utilisation and restructuring
- FY 2019 guidance confirmed

Stuttgart, 9 May 2019 – GFT Technologies SE (GFT) today published its results for the first quarter of 2019. As planned, the company continued to widen its client structure: revenue without the top-2 clients grew by 19 percent and the revenue share of the insurance business reached 11 percent. Group revenue amounted to EUR 106 million and was thus 1 percent slightly below the same prior-year quarter. Adjusted EBITDA rose by 11 percent and was shaped by positive one-off effects from IFRS 16. As expected, earnings were burdened by restructuring expenses and capacity under-utilisation, resulting in a 49 percent decline in EBT and a 42 percent fall in net income. Cash flow from operating activities, however, improved by 17 percent.

Marika Lulay, CEO of GFT Technologies SE, states: “The financial year 2019 started in line with expectations. Our focus on diversification is proving successful and, without the two top-2 clients, our positive trend has been unbroken. Another highlight is the intensification of our cloud partnerships with Amazon Web Services and Google. We recently strengthened these with high-profile joint appearances to address potential clients.”

Revenue trend

In the first quarter of 2019, the GFT Group generated revenue of EUR 105.72 million. Compared to the same period last year (Q1/2018: EUR 106.99 million), this corresponds to a change of -1 percent (-7 percent organic). Without the top-2 clients, revenue grew by 19 percent (organic 9 percent) and thus demonstrates the important, unbroken growth trend. As expected, revenue with the top-2 clients declined and now accounts for 33 percent (Q1/2018: 44 percent) of total revenue. The ongoing sector diversification is underlined by the rising share of revenue generated with clients in the insurance industry, amounting to 11 percent (Q1/2018: 3 percent). Revenue of the Continental Europe business segment fell by 6 percent to EUR 55.71 million (Q1/2018: EUR 58.98 million), due in particular to weaker business with the top-2 clients in Germany. Revenue in the Americas & UK rose by 4 percent to EUR 49.88 million (Q1/2018: EUR 47.90 million). In this business segment, there was encouraging revenue growth in Mexico, Brazil and Canada, while expected weaker business with the top-2 clients in the USA and UK had an opposing effect. Business without the top-2 clients, however, was extremely dynamic with growth of 53 percent.

Earnings trend

Adjusted EBITDA rose by 11 percent year on year to EUR 11.16 million (Q1/2018: EUR 10.05 million) and was shaped by positive one-off effects from IFRS 16 of EUR 3.63 million. There was an opposing effect from increased expenses for sales and the expansion of technology expertise, as well as from capacity under-utilisation and restructuring expenses. In this context, EBIT fell by 44 percent to EUR 3.87 million (Q1/2018: EUR 6.87 million), EBT by 49 percent to EUR 3.18 million (Q1/2018: EUR 6.24 million) and consolidated net income by 42 percent to EUR 2.71 million (Q1/2018: EUR 4.69 million). The IFRS 16 effects on EBIT amounted to EUR 0.3 million and were negligible for EBT and net income. Restructuring charges of EUR 1.4 million resulted from capacity adjustments due to the decline in business with the top-2 clients, especially at locations in Spain and the UK.

EBT of EUR -0.30 million in the Americas & UK segment was significantly below the prior-year figure (Q1/2018: EUR 1.89 million) as a result of the decline in revenue from the top-2 clients and increased selling expenses. By contrast, there was above-average progress in earnings from business in Brazil and Mexico. EBT in the Continental Europe segment fell by 11 percent to EUR 4.13 million (Q1/2018: EUR 4.63 million) due to under-utilisation in the first quarter and restructuring expenses.

Employees

As of 31 March 2019, GFT employed 4,910 people and thus 4 percent more than in the previous year (31 March 2018: 4,735 employees). In the Americas & UK segment, the acquisition of the Canadian IT specialist V-NEO and the positive business trend in Mexico and Brazil led to an increase of 31 percent to 1,529 full-time employees (Q1/2018: 1,169). In Continental Europe, the number of full-time employees fell by 5 percent to 3,266 (Q1/2018: 3,447), whereby the decline in headcount was strongest in Spain and Poland. 115 people were employed in corporate functions in the first quarter (Q1/2018: 119). The figures are based on full-time equivalents.

Additional key data

Cash flow from operating activities improved slightly year on year to EUR 11.69 million (Q1/2018: EUR 9.96 million). This increase was mainly attributable to IFRS 16 effects. As of 31 March 2019, cash and cash equivalents were down year on year to EUR 59.91 million (31 March 2018: EUR 78.15 million), mainly as a result of payments for company acquisitions. Compared to 31 December 2018, cash and cash equivalents fell only slightly to EUR 59.91 million (31 December 2018: EUR 61.57 million). At the end of the reporting period, the equity ratio amounted to 31 percent (31 December 2018: 34 percent). The slight decline was mainly due to IFRS 16 effects.

Outlook 2019

The GFT Group confirms its guidance for the financial year 2019. The general industry trends with regard to the digitalisation of business processes and the increased use of exponential technologies, such as data analytics and cloud computing, remain intact. This is partially overshadowed by investment uncertainties of the top-2 clients and a potential economic slowdown.

The GFT Group expects the growth trend without the top-2 clients to continue in the financial year 2019, resulting in growth with other clients of over 20 percent. By contrast, the GFT Group anticipates a decline in revenue with the top-2 clients of around 30 percent.

Earnings will continue to be burdened by short-term under-utilisation and restructuring expenses in the second quarter. In addition, there will be a permanent increase in selling expenses for further client diversification. For the financial year 2019, the GFT Group forecasts revenue growth of 2 percent to EUR 420 million (2018: EUR 412.83 million), adjusted EBITDA of EUR 35 million (2018: EUR 39.68 million) and EBT of EUR 18 million (2018: EUR 22.64 million). The earnings figures are stated before

IFRS 16 effects. The successful diversification of customers and sectors will be continued in the financial year 2019. While the revenue share of the top-2 clients is likely to fall below 30 percent, GFT expects to continue the expansion of its business with insurance clients to over 10 percent of total revenue. The anticipated revenue share of exponential technologies** will rise further from 25 percent to 30 percent.

* GFT's top 2 clients are defined as Deutsche Bank and Barclays.

** GFT defines exponential technologies as DLT/blockchain, artificial intelligence, data analytics, cloud and DevOps

Key figures (IFRS, unaudited)

(Deviations possible due to rounding differences)

In EUR million	Q1/2019	Q1/2018	Δ %
Revenue	105.72	106.99	-1
EBITDA adjusted ¹⁾	11.16	10.05	11
EBITDA	10.28	10.05	2
EBIT	3.87	6.87	-44
EBT	3.18	6.24	-49
Net income	2.71	4.69	-42
Earnings per share in EUR	0.10	0.18	-42
Cash flow from operating activities	11.69	9.96	17
Employees (full-time) as of 31 March	4,910	4,735	4

¹⁾ adjusted for special items from M&A activities

Your contacts:**Press**

Beatrice Martin-Vignerte
Chief Communications Officer
GFT Technologies SE
Schelmenwasenstrasse 34
70567 Stuttgart
Germany
T +49 711 62042-106
Beatrice.Martin-Vignerte@gft.com

Investors

Karl Kompe
Investor Relations Manager
GFT Technologies SE
Schelmenwasenstrasse 34
70567 Stuttgart
Germany
T +49 711 62042-323
Karl.Kompe@gft.com

About GFT:

GFT is driving the digital transformation of the world's leading financial institutions. Other sectors, such as industry and insurance, also leverage GFT's strong consulting and implementation skills across all aspects of pioneering technologies, such as cloud engineering, artificial intelligence, the Internet of Things for Industry 4.0, and blockchain.

With its in-depth technological expertise, strong partnerships and scalable IT solutions, GFT increases productivity in software development. This provides clients with faster access to new IT applications and innovative business models, while also reducing risk.

Founded in 1987 and located in 13 countries to ensure close proximity to its clients, GFT employs over 5,000 people. GFT provides them with career opportunities in all areas of software engineering and innovation. The GFT Technologies SE share is listed in the Prime Standard segment of the Frankfurt Stock Exchange (ticker: [GFT-XE](#)).

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