

PRESS RELEASE

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**GFT delivers dynamic growth in Q1 2020**

- Revenue up 6 percent (organic +5 percent) and up 22 percent outside the top-2 clients¹⁾
- Diversification strategy on track with insurance business share of 13 percent
- “Google Cloud 2019 EMEA Breakthrough Partner of the Year” award for fast-growing cloud business
- Adjusted EBITDA²⁾ 7 percent down on previous year due to increased growth investments
- Dividend proposal of EUR 0.20 per share corresponds to payout ratio of 39 percent
- Outlook for 2020 still suspended due to Covid-19

Stuttgart, 14 May 2020 – GFT Technologies SE (GFT) got off to a good start in its financial year 2020. In the first quarter of 2020, total revenue increased by 6 percent with purely organic growth of 5 percent. The dynamic growth outside the top-2 clients continued and once again reached 22 percent. This trend was driven by the Group’s successful cloud business and the positive development of both regional segments.

Marika Lulay, CEO of GFT Technologies SE, states: “We closed the first quarter with significant organic revenue growth in both segments. The trend towards digitisation is unbroken and our cloud business is becoming increasingly important. GFT is excellently placed to serve the strong demand for cloud solutions across all sectors – this is proven by the awards received from our cloud partners. GFT’s strong positioning in the field of new technologies is already paying off.”

Due to increased strategic growth investments, there was an expected 7 percent decline in adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) and a corresponding 5 percent fall in earnings before taxes (EBT). The negative effects of the Covid-19 pandemic on GFT’s operating business have been modest so far, but will increase as the year progresses. Due to the uncertainty surrounding the duration and extent of the pandemic, it is therefore currently not possible to make a forecast for the full year 2020.

On the subject of the Covid-19 situation, Marika Lulay commented: “The delivery of services to our clients is running smoothly and without restrictions. We are also benefiting from our successful diversification strategy, as our broad client base of banks and – with an increasing share – insurance companies, provides stability. We will continue to pursue this strategy in these uncertain times of Covid-19.”

Strong organic growth

In the first quarter of 2020, the GFT Group generated revenue of EUR 112.48 million. This corresponds to growth of 6 percent over the prior-year figure of EUR 105.72 million. Purely organic revenue growth amounted to 5 percent. Without consideration of the top-2 clients, the company continued its dynamic trend with an impressive growth rate of 22 percent.

Moreover, GFT continued its diversification strategy aimed at reducing the risk of client concentration: the share of total revenue contributed by the top-2 clients was decreased further to 23 percent (Q1/2019: 33 percent). Business with insurance clients rose to 13 percent of total revenue (Q1/2019: 11 percent) and is well on the way to reaching the target of 15 percent for the year as a whole, as announced prior to the Covid-19 pandemic.

There was further very encouraging progress in the field of cloud solutions, which reached a revenue share of 8 percent (Q1/2019: 5 percent). In April, GFT was recognised for its successful client orientation and strong growth with the “Google Cloud 2019 EMEA Breakthrough Partner of the Year” award. In the business division Continental Europe, revenue rose by 8 percent to EUR 59.90 million in the first quarter of 2020 (Q1/2019: EUR 55.71 million). This positive trend was driven by increased revenue outside the top-2 clients and growth in the insurance business, especially in France. Revenue in the Americas, UK & APAC segment grew by 5 percent to EUR 52.50 million (Q1/2019: EUR 49.88 million). The expected decline in business with the top-2 clients was more than offset by growth in Brazil, Mexico and Canada in particular.

As of 31 March 2020, the GFT Group employed a total of 5,460 people (full-time equivalents) and thus 11 percent more than at the end of the first quarter of 2019 (4,910 employees). The increase resulted from the planned expansion of capacities, especially in Brazil, Poland and Mexico.

Increased investment in growth largely responsible for decline in earnings

In the first quarter of 2020, adjusted EBITDA fell by 7 percent to EUR 10.39 million (Q1/2019: EUR 11.16 million). This trend was in line with expectations due to strategic growth investments, which are mainly reflected in the significant expansion of sales capacities and the related increase in personnel expenses (+11 percent). Without IFRS 16 effects, adjusted EBITDA was on a par with the previous year (Q1/2020: EUR 7.55 million vs. Q1/2019: EUR 7.53 million).

There was a corresponding decrease in EBIT of 7 percent to EUR 3.61 million (Q1/2019: EUR 3.87 million) and in EBT of 5 percent to EUR 3.02 million (Q1/2019: EUR 3.18 million). Net income declined by 16 percent to EUR 2.28 million (Q1/2019: EUR 2.71 million). This figure was also influenced by a year-on-year increase in the tax ratio.

In the business division Americas, UK & APAC, EBT rose strongly by EUR 1.37 million to EUR 1.07 million (Q1/2019: EUR -0.30 million). There was a particularly positive impact on earnings from business in Brazil and Asia. EBT in the Continental Europe division fell by 53 percent to EUR 1.93 million (Q1/2019: EUR 4.13 million). Earnings were burdened in particular by capacity underutilisation, delayed restructuring and Covid-19 effects, especially in Germany.

Financial stability and flexibility

In the first quarter of 2020, cash flow from operating activities amounted to EUR 15.20 million and was thus 30 percent above the prior-year level (Q1/2019: EUR 11.69 million). The increase resulted mainly from the decline in working capital with an effect on liquidity. There was a corresponding 14 percent increase in cash and cash equivalents to EUR 64.10 million (31 December 2019: EUR 56.14 million). The net liquidity of the GFT Group – calculated as the result of disclosed cash and cash equivalents less financial liabilities – improved by EUR 6.63 million to EUR -52.17 million (31 December 2019: EUR -58.80 million). As of 31 March 2020, the equity ratio was stable at 31 percent, or 35 percent excluding effects from IFRS 16 (31 December 2019: 31 percent).

Dividend proposal of EUR 0.20 per share – payout ratio of 39 percent

Taking appropriate account of current developments, on 4 May 2020 the Administrative Board resolved to propose a reduced dividend of EUR 0.20 per share to shareholders at the Annual General Meeting. The payout ratio of 39 percent is still within the targeted range of 20 to 50 percent of net income. A dividend of EUR 0.30 per share had previously been intended.

Outlook 2020 still suspended – GFT to benefit in the medium term from new technologies

In response to the Covid-19 pandemic, GFT has introduced measures to maintain in full the quality and scope of the services it provides. There have been very few cancellations of existing orders to date. However, the significant negative effects for the economy as a whole are likely to also impact the GFT Group's business. Sales activities are being hampered by travel and curfew restrictions, and some of the client projects planned for 2020 may be postponed. In view of the considerable uncertainty about the duration and consequences of the Covid-19 pandemic, GFT is currently unable to make a reliable forecast for revenue and earnings in the current year.

The company's successful client and sector diversification strategy will be continued. GFT assumes that the digitisation trend will continue and even strengthen in the wake of the Covid-19 pandemic. Thanks to its technological and sector expertise, attractive portfolio of services and proven partnerships with leading platform providers, GFT is very well placed to swiftly and efficiently exploit emerging business opportunities. In the medium term, GFT will benefit from its successful positioning in the field of new technologies.

Key figures (IFRS, unaudited)

(Deviations possible due to rounding differences)

In EUR million	Q1/2020	Q1/2019	Δ %
Revenue	112.48	105.72	6%
Adjusted EBITDA ²⁾	10.39	11.16	-7%
EBITDA	9.26	10.28	-10%
EBIT	3.61	3.87	-7%
EBT	3.02	3.18	-5%
Net income	2.28	2.71	-16%
Earnings per share in EUR	0.09	0.10	-16%
Cash flow from operating activities	15.20	11.69	30%
In EUR million	31/03/2020	31/12/2019	Δ %
Net liquidity	-52.17	-58.80	11%
Equity ratio (in percent)	31	31	0
Employees (full-time) as of 31 March	5,460	4,910	11%

¹⁾ GFT's top-2 clients are defined as Deutsche Bank and Barclays.

²⁾ Adjusted for special items from M&A activities. Further information on the definition of alternative performance measures is provided [here](#) on the GFT website.

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About GFT:

GFT is driving the digital transformation of the world's leading companies in the financial and insurance sectors, as well as in the manufacturing industry. As an IT services and software engineering provider, GFT offers strong consulting and development skills across all aspects of pioneering technologies, such as cloud engineering, artificial intelligence, mainframe modernisation and the Internet of Things for Industry 4.0.

With its in-depth technological expertise, profound market know-how and strong partnerships, GFT implements scalable IT solutions to increase productivity. This provides clients with faster access to new IT applications and innovative business models, while also reducing risk.

Founded in 1987 and located in 15 countries to ensure close proximity to its clients, GFT employs 5,900 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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