

PRESS RELEASE

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GFT grows despite Covid-19

- Revenue growth of 4 percent in first nine months of 2020
- EBT of EUR 5.01 million in third quarter well up on first six months (EUR 4.04 million)
- Revenue and EBT outlook for financial year 2020 confirmed once again
- 38 percent of revenue generated by fast-growing technologies¹⁾
- Successful sector strategy: business with insurance clients up 34 percent on previous year
- 52 percent revenue growth in cloud business thanks to strong demand for GFT expertise

Stuttgart, 12 November 2020 – In light of a positive revenue trend in the first nine months of 2020, GFT Technologies SE (GFT) is once again confirming its outlook for revenue and EBT. Revenue rose by 4 percent. The dynamic growth trend continued with an increase in revenue of 15 percent without the top-2 clients²⁾. This development was strengthened by attractive offerings in the field of cloud computing and the insurance sector.

Marika Lulay, CEO of GFT, states: “We were able to close the third quarter with a further increase in revenue. We have reached our targets and can confirm our growth outlook for the current financial year. Demand for disruptive technologies remains very strong – our revenue from cloud services alone has grown by 52 percent this year. Our sector strategy is also proving successful, as illustrated by the strong growth of our insurance business sector.”

The improvement in earnings over the second quarter also demonstrates that GFT is dealing quickly and successfully with the Covid-19 pandemic, as Lulay adds: “The additional expansion of our sales organisation and new partnerships are bearing fruit. We expect further positive effects in the medium to long term. Many companies are focusing even more on their digital transformation. Client demand shows that we are excellently placed to help these companies with their transformation.”

Unbroken growth trend

In the first nine months of 2020, the GFT Group generated revenue of EUR 327.04 million. This corresponds to an increase of 4 percent over the prior-year figure of EUR 315.95 million. Organic revenue growth amounted to 2 percent. Not considering its top-2 clients, the company maintained its dynamic trend with an impressive growth rate of 15 percent.

GFT continued its diversification strategy aimed at reducing the risk of client concentration: the share of total revenue contributed by the company’s top-2 clients was decreased further to 22 percent (9M/2019: 30 percent). Business with insurance clients rose to 14 percent of total revenue (9M/2019: 11 percent), corresponding to year-on-year growth of 34 percent. GFT is therefore still well on the way to reaching the target it set prior to the Covid-19 pandemic of raising the revenue share of its insurance business to 15 percent in the current year.

The trend in the field of cloud solutions continued to be very positive: with growth of 52 percent, this business field reached a revenue share of 8 percent (9M/2019: 6 percent). In the Continental Europe

segment, revenue rose by 1 percent to EUR 169.39 million in the first nine months of 2020 (9M/2019: EUR 168.24 million). This positive development was driven by increased revenue without the top-2 clients as well as growth in the insurance business, especially in France. Revenue in the Americas, UK & APAC segment grew by 7 percent to EUR 157.39 million (9M/2019: EUR 147.30 million). The expected decline in business with the top-2 clients was more than offset by dynamic growth in Brazil and Canada in particular.

As of 30 September 2020, the GFT Group employed a total of 5,754 people (full-time equivalents) and thus 11 percent more than at the end of the same period in 2019 (5,173 employees). Despite decreases especially in Germany and Spain, an expansion of capacity and expertise, particularly in the fast-growing Brazilian market, as well as in Poland and Italy, resulted in an increase in the overall headcount figure.

Upward trend for earnings in third quarter despite Covid-19

Compared to the second quarter of 2020, there was an upward trend in earnings during the third quarter: adjusted EBITDA rose by 51 percent to EUR 12.28 million (Q2/2020: EUR 8.14 million) and there was a five-fold increase in EBT to EUR 5.01 million (Q2/2020: EUR 1.02 million). The third quarter was thus even well above pre-tax earnings for the first six months (EUR 4.04 million). As expected, burdens from the Covid-19 pandemic were reduced in the third quarter, reflecting higher capacity utilisation and lower restructuring expenses.

All in all, the Covid-19 pandemic contributed to the underutilisation of capacity in the first nine months, which was countered in part by restructuring. As a result, key earnings figures for the first nine months were significantly depressed. Expenses already planned for the expansion of sales activities and technology expertise in order to prioritise revenue growth led to additional burdens on earnings. Adjusted EBITDA fell by 11 percent to EUR 30.81 million in the first nine months of 2020 (9M/2019: EUR 34.78 million). EBIT was down 25 percent at EUR 10.74 million (9M/2019: EUR 14.30 million), while EBT fell 27 percent to EUR 9.05 million (9M/2019: EUR 12.34 million). Net income decreased by 37 percent to EUR 6.38 million (9M/2019: EUR 10.08 million).

In the Americas, UK & APAC segment, EBT rose strongly by 177 percent to EUR 5.91 million in the first nine months (9M/2019: EUR 2.13 million). There was a particularly positive impact on earnings from business in Brazil, Canada and the UK from growth without the top-2 clients. EBT in the Continental Europe segment fell by 63 percent to EUR 4.61 million (9M/2019: EUR 12.52 million). This was mainly due to capacity underutilisation and restructuring costs, especially as a result of the Covid-19 pandemic. These effects mainly affected Germany and Spain.

GFT's crisis-resistant balance sheet – financial stability and flexibility remain high

In the first nine months of 2020, cash flow from operating activities amounted to EUR 31.19 million and was thus 40 percent above the prior-year level (9M/2019: EUR 22.27 million). The increase resulted mainly from working capital effects. Cash and cash equivalents of EUR 55.93 million were still at almost the same high level as year-end 2019 (31 December 2019: EUR 56.14 million). Net liquidity of the GFT Group improved by EUR 5.00 million to EUR -53.80 million (31 December 2019: EUR -58.80 million). As of 30 September 2020, the balance sheet remains sound with a virtually unchanged equity ratio of 30 percent (31 December 2019: 31 percent).

Revenue and EBT outlook 2020 confirmed again – GFT benefitting from fast-growing technologies and digitalisation trend

The GFT Group is once again upholding its revenue and EBT forecast for the financial year 2020 as announced on 19 June. Although revenue growth will be hampered by the ongoing Covid-19 pandemic, GFT expects an increase in revenue for the current financial year driven by its successful market positioning and the continuing digitalisation trend. However, adjusted EBITDA and EBT are likely to be lower than in the previous year. The underutilisation of capacity caused by the Covid-19 pandemic is expected to be offset above all by restructuring measures. Earnings will be further burdened by planned expenses for expanding sales activities and technology expertise in order to prioritise revenue growth. GFT expects revenue of EUR 440 million (previous year: EUR 428.98 million) and EBT of EUR 13 million (previous year: EUR 18.73 million). Due to IFRS 16 effects in connection with the planned saving of future rental costs, adjusted EBITDA is now expected to reach EUR 42 million – this figure is around two million lower than originally anticipated (previous year: EUR 47.91 million).

Key figures (IFRS, unaudited)

(Deviations possible due to rounding differences)

In EUR million	9M/2020	9M/2019	Δ %
Revenue	327.04	315.95	4%
Adjusted EBITDA ³⁾	30.81	34.78	-11%
EBITDA	27.80	32.20	-14%
EBIT	10.74	14.30	-25%
EBT	9.05	12.34	-27%
Net income	6.38	10.08	-37%
Earnings per share in EUR	0.24	0.38	-37%
Cash flow from operating activities	31.19	22.27	40%
Employees (full-time, as of 30 September)	5,754	5,173	11%
Net liquidity (as of 30 September)	-53.80	-64.14	-16%
Equity ratio (in percent, as of 30 September)	30	29	3%

¹⁾ Fast-growing technologies are defined as DLT/blockchain, artificial intelligence, data analytics, cloud and DevOps.

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

³⁾ Adjusted for special items from M&A activities. Further information on the definition of alternative performance measures is provided [here](#) on the GFT website.



Marika Lulay, CEO of GFT

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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 6,000 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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