

GFT

Guidance lowered

Deferrals at largest investment bank customers

GFT has lowered its FY17 guidance due to delayed decision making at its two largest investment banking customers – Deutsche Bank (DB) and Barclays. GFT said that management changes at the banks have resulted in deferred orders. However, investment banking revenue outside these two customers has been guided upwards, as has the group's retail banking segment. But these factors were outweighed by the revenue declines at the two investment banks, and management has cut its FY17 revenue guidance by 6% to €425m, while EBITDA comes back by 13% to €42m.

Year end	Revenue (€m)	EBT* (€m)	EPS* (c)	Adjusted EPS** (c)	P/E (x)	Yield (%)
12/15	373.5	32.5	96.2	119.4	13.6	1.9
12/16	422.6	33.0	92.0	115.4	14.0	1.9

Note: *Earnings before tax and EPS are statutory, after the amortisation of acquired intangibles and exceptional items. **Adjusted EPS is before amortisation and exceptionals.

In order to explain the downgrades, GFT provided a table of revenues by client groups. This shows investment banking revenues from Barclays and DB coming back by 23% from the previous guidance to €126m while their retail banking revenues increase by 11% to €69m. The cuts in investment banking are mainly due to deferrals in regulatory projects. DB is expected to produce 39-40% of GFT's FY17 revenues, down from 44-45% in FY16, while Barclays' share is expected to fall to 4-5%, down from 7-8%. This is the first time that the two largest accounts have been cut back significantly simultaneously at GFT. Nevertheless, management believes its guidance is now conservative.

GFT's FY17 revenue guidance falls from €450m to €425m, still slightly ahead of the FY16 result. Outside the top two investment banking clients, that reflects revenue growth of 13% on management's assumptions and, at €299m, is 4% above GFT's previous guidance. Guidance for FY17 restructuring costs rises from €1m to €1.8m and management has made a €2m impairment for the Barclays client relationship account, which came to GFT via the Rule Financial acquisition three years ago.

Utilisation rates across the business remain strong, albeit for the UK, as was stated at the time of the Q1 results. Going forward, management anticipates a pick-up in investment banking in H218. Digitisation projects in the Retail banking segment remain a strong growth driver, and management is seeking to extend the target market into the broader corporate sector.

Software & comp services

11 July 2017

Price €16.20

Market cap €426m

Net debt (€m) as at 31 March 61.2

Shares in issue 26.3m

Free float 64%

Code GFT

Primary exchange Frankfurt (Xetra)

Secondary exchange N/A

Share price performance



Business description

GFT (legal name: GFT Technologies SE) is a global technology services business primarily focused on banks and insurance companies.

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