



# Quarterly statement

January – September 2021



The Retail Innovators

## Summary of consolidated results

		30.9.2021	30.9.2020	31.12.2020	2021/2020 changes
					in %
Turnover	EUR K	95,741	85,251	117,560	12.3
Operating performance	EUR K	95,741	85,649	118,391	11.8
Total operating revenue	EUR K	101,370	87,927	122,688	15.3
EBIT	EUR K	14,233	5,577	10,535	155.2
EBIT margin (on turnover)	%	14.9	6.5	9.0	—
EBITDA	EUR K	19,988	11,831	19,078	69.0
EBITDA margin (on turnover)	%	20.9	13.8	16.2	—
EBT	EUR K	13,382	4,093	9,090	226.9
Annual net income	EUR K	10,877	2,972	6,266	>250
Earnings per share (weighted)	EUR	5.03	1.43	3.04	—
Earnings per share (diluted)	EUR	4.71	1.43	3.00	—
Equity ratio	%	57.1	43.1	44.0	—
Employees		1,071	1,154	1,162	(7.2)

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### Dear readers,

We are presenting this Quarterly Statement to you in a screen-optimised layout. The purpose of this is to adapt the document to changes in digital reading and usage habits. Our goal is to make it as simple as possible for you to navigate your way through the Report.


Despite optimising the Report to be read on a screen, we have, of course, made sure that the document can still be printed.


We hope that these changes make it easier for you to read our Annual Report.


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# GK Software continues to grow successfully in the cloud

## Growth in turnover and earnings successfully continued

### Dear shareholders,

We are pleased to be able to present the first interim report in the new corporate design after the rebranding carried out at the beginning of November 2021. Our goal is to demonstrate GK's leading position in international competition, now with a strong, modern brand. We associate our new brand with a series of core values, which are represented by all employees and serve as the benchmark for our actions in international competition. One of these central values, which we have been living successfully for many years, is the topic of growth, which can be measured above all by the economic key data and by our stock market value, which has increased sevenfold since our IPO. For us, this is closely linked to the topic of market leadership, which we have achieved and will continue to expand through quality, reliability and world-leading solutions. This is based on our innovative energy, which we constantly bring to bear to develop the right solutions at an early stage and to help shape trends in trade. This gives us the edge over the competition, which has allowed us to grow more than any competitor in the world in the last three years. Our new brand and our new claim "The Retail Innovators" represent our excellent position in the market, our technological strength and our success story.

Since we were able to report extremely strong figures for the first half of the year, we are pleased to be able to

report the continuation of this trend in the third quarter. After nine months of the fiscal year, sales reached EUR 95.74 million and, despite the loss of AWEK microdata sales at the end of the second quarter, exceeded the value in the same period of the previous year by 12.3 percent (9M 2020: EUR 85.25 million). As in the previous quarters, EBITDA grew even more strongly and, with a figure of EUR 19.99 million, exceeded the comparative value for 2020 by EUR 8.16 million (9M 2020: EUR 11.83 million). We were thus able to continue and confirm the trend of a significant increase in earnings that had begun at the end of 2019. We achieved an **operating result** (EBIT) of EUR 14.23 million in the first nine months of the year, compared with EUR 5.58 million at the same time in the previous year. It should be noted that this includes one-off income of EUR 2.75 million from the sale of AWEK microdata. The profit for the period improved significantly on this basis and amounted to EUR 10.88 million (9M 2020: EUR 2.97 million).

In the first nine months of the current fiscal year, we were able to conclude twelve new contracts in our core CLOUD4RETAIL business. These include nine contracts with new customers and three with existing customers. In the area of new business, we continued to be very successful in the third quarter, after winning a major contract in South Africa, a project contract with an East European petroleum company, and other customers from Germany and Mexico, in the first two quarters.

In the third quarter, two cloud contracts with new customers, which we were able to conclude in the USA, stood out in particular. On the basis of these two orders alone, we will be equipping around 10,000 new systems in the USA. The contracts for the first nine months represent a total of around 50,000 new installations (not including the project with the petroleum company in Eastern Europe). Half of the new projects in this segment are SaaS projects, whose total contract value (minimum order volume over the minimum term of contract) amounts to a figure well into the double-digit million range. In the AIR (Artificial Intelligence for Retail) segment too, we were able to conclude five new contracts in the reporting period, three of them with new customers. And the latest RBR study confirms our leading position in the market for the third time in a row. GK has now held the leading position for POS software new installations in the retail trade worldwide since 2019 and is thus continuously expanding our installed base and market shares worldwide.<sup>1</sup>

The development in relation to Deutsche Fiskal continues to be very encouraging. Since the systems started up, it has delivered more than 12 billion signatures in real time, achieving an availability of 100 percent (not including maintenance windows). With the stability of the solution as well as the speed and volume of the transactions, we have set a new industry

<sup>1</sup> RBR, Global POS Software Study, 2021

standard that also forms the basis for the development of GK SPOT. We are expecting the certification of the first 100 percent legally compliant Android variant shortly, which will expand the portfolio of Deutsche Fiskal. There was also a significant increase in the number of systems in the third quarter.

The conclusion that the global pandemic is acting as an accelerator for the digitalisation of the retail sector remains fully valid. Numerous retailers worldwide are experimenting with innovative formats, new technologies and advanced customer services. Some topics such as mobile self-scanning, i.e. scanning and paying with an industrial device or a smart phone, have experienced rapid development. Several GK customers use our services and solutions so that they can offer consumers this service. According to RBR, we are one of the major providers in this segment too and rank fourth among all providers in terms of the number of installations worldwide. <sup>1</sup>Completely unattended stores, which use computer vision and other intelligent technologies to automatically identify which customer places which product in their shopping cart, is another topic currently on the minds of many retailers. In order to demonstrate the possibilities of this technology and to test it in practice, we have set up a fully functional scanless store for our employees at our main business

<sup>1</sup> RBR, Mobile Self-Scanning and Checkout-Free Study, 2021. The market shares of more than 60 suppliers in the 23 most important countries were examined.

site. Here we show how modern trade concepts can be implemented based on our open CLOUD4RETAIL platform.

The focus of our development work continues to be on the topics of GK SPOT and Mobile Consumer Cloud. We have already been able to discuss the first functional characteristics and development stages of GK SPOT with several major customers, further sharpening the future profile of the solution in the process. We are convinced that we will be able to use big data to create the basis for new customer interactions in real time, advancing into new dimensions of customer experience and retail excellence.

We are confident about the remainder of the 2021 fiscal year and assume that we will be able to achieve or exceed our set targets. We are continuing to successfully pursue sales operations under the changed circumstances, and are holding in-depth discussions with potential customers from Germany and abroad. It is still uncertain whether current invitations to tender will be concluded according to schedule and to what extent further growth momentum will come from our business with existing customers or whether decision-making processes could be delayed in the longer term given the circumstances.

Following the extremely successful nine months and with good prospects for the rest of the year, we are

standing by our medium-term forecast up to 2023 as stated in the 2020 Annual Report.

## Market environment

The **prospects for the retail industry** in 2021 are currently to be evaluated differently according to sector. The German Retail Federation (Handelsverband Deutschland, HDE) is currently expecting growth of 1.5 percent in 2021 compared to the previous year. <sup>2</sup>However, there are trading segments that have suffered a significant decline. An overall decline in sales of 11 percent is expected for the areas affected by the lockdown. By contrast, the online trade is anticipating an increase of almost 15 percent. In the brick-and-mortar trade, the food retail sector in particular, but also DIY stores and furniture stores, are expected to be on the winning side. GfK forecasts a total sales volume of almost EUR 435.4 billion for the German brick-and-mortar retail industry in 2021. This corresponds to an increase of EUR 12.3 billion and thus a nominal increase of 2.9 percent compared to the revised value of the pre-Corona year 2019. <sup>3</sup> These developments show a similar pattern in all major retail markets worldwide and will have an impact on investment behaviour in the retail

<sup>2</sup> <https://einzelhandel.de/presse/aktuellemeldungen/13400-neues-hde-szenario-fuer-2021-20-prozent-plus-im-online-handel>

<sup>3</sup> <https://www.gfk.com/de/insights/stationaerer-einzelhandelsumsatz-in-deutschland-waechst-2021-um-12-komma-3-milliarden-euro-im-vergleich-zu-vor-corona>

industry. It can be assumed that this has set long-term developments in motion, opening up new opportunities for GK Software as digitalisation and omni-channel retailing will be experiencing a renewed surge.

## Employees

At the end of the year, GK Software had 1,162 employees on its payroll; the Group currently has **1,071 employees** (as of 30 September 2021; previous year: 1,154), 83 less than at the end of same period in the previous year.

## Segment reporting

Group sales in the first nine months of the fiscal year rose year-on-year from EUR 85.25 million to EUR 95.74 million, or by just over 12 percent.

This development was mainly attributable to our core business segment CLOUD4RETAIL, whose revenues amounted to EUR 92.06 million at the end of September 2021 and even exceeded the previous year's value of EUR 80.11 million by almost 15 per cent. On the other hand, sales in the IT Services segment declined on schedule – not least due to the sale of AWEK microdata GmbH at the end of May 2021. In the reporting period, they still amount to EUR 3.28 million, down from EUR 5.14 million in the previous year. This includes EUR

1.39 million in AWEK microdata sales with third parties for the current year (for 9M 2020, these sales still amounted to EUR 2.47 million).

The 2021 fiscal year to date has also been characterised by numerous sales successes. Accordingly, sales with our standard platforms continued to grow. Whereas a total amount of EUR 6.60 million was recorded in the previous year for conventional, unlimited licences (so-called “perpetual licences”) and temporary rights of use granted by way of subscriptions, these revenues amounted to EUR 15.97 million in the reporting period, which is almost two and a half times the previous year's value. The driver of this development is the subscription business, for which revenues of EUR 3.32 million were recorded in the first nine months of the previous year, while the value in the reporting period amounts to an extremely pleasing EUR 7.76 million. This increase is due to the successful solution developed by Deutsche Fiskal, whose monthly revenues currently amount to approx. EUR 0.51 million.

At this point, we should mention the impact of the software-as-a-service contracts that have been increasingly concluded at the request of the customer: each sales success leads to an implementation project for the CLOUD4RETAIL product. However, these projects – the duration of which can vary greatly – usually result, after three to six months, in a productively usable system (“pilot”) consistent with

the customer's basic specifications, whereby the decision on when to put the system into productive use is the customer's responsibility. Our contracts therefore generally stipulate a specific date on which the calculation of the regularly owed amounts begins. In this case, there may be a link to the number of systems actually used. For revenue recognition, perpetual licence agreements take into account the creation of the pilot system where sales have been generated through direct marketing; for partner sales, they take into account the date on which the sales partner grants the user the right of use.

Sales successes in the previous fiscal year also led to a significant increase in revenues from conventional software maintenance. In the segment, this now amounts to EUR 16.42 million (up from EUR 14.64 million in the previous year). Also of significance is the strong increase in sales in the support segment, in which customers – increasingly in a fixed contractual relationship with flat-rate remuneration – purchase operational support services. This type of service has led to an increase in sales from EUR 4.29 million to EUR 8.38 million, which is largely of a recurring nature and can be interpreted as an approach to software-as-a-service operating scenarios.

As a result of the sales successes, the revenues from the implementation projects, referred to as retail consulting, increased from EUR 10.34 million in

the same period last year to EUR 30.89 million. Our business with existing customers, which, in addition to software maintenance and operational support services, takes the form of platform extensions and is generally of a repeatable nature, now amounts to EUR 28.14 million, down from EUR 47.77 million in the previous year. This is due to the conclusion of large expansion projects by two customers.

In total in the CLOUD4RETAIL segment, we now record revenues of EUR 68.91 million (almost 75 percent) relating to software and its operation, and revenues of EUR 22.52 million predominantly relating to consulting for new customers.

## Assets and financial situation

Compared to the year end for 2020, the Group's liquid funds increased by EUR 36.08 million due to the successful business, the sale of Awek microdata and the capital increase, and now amount to EUR 45.50 million. The total amount of short-term and long-term bank liabilities decreased according to schedule by EUR 4.96 million.

## Financial forecast and outlook

The first nine months of the 2021 fiscal year have confirmed our general statement for the fiscal year. Based on the assumptions and influencing factors already outlined, we are expecting a slight increase in sales revenues and a further improvement in EBIT for the GK Software Group.

Our medium-term forecast, as stated in the 2020 Annual Report, remains unchanged. We expect turnover to continue to grow significantly, ranging between EUR 160 million and EUR 175 million by the end of the forecast period. We expect this growth to primarily occur on the basis of the solutions and products we are currently offering on the market. In terms of EBIT, we are continuing to aim for a target figure of 15 percent, in relation to turnover. This will probably require the pandemic to have been overcome in the developed markets, which is why we are unable to set a specific date for the target EBIT margin at this time. Once we have reached this mark, however, we will certainly be aiming to stabilise the EBIT at this level.

These statements and the medium-term forecast are, however, still subject to the extreme difficulty in estimating how the Coronavirus crisis will continue to develop and what consequences it will have in the various regional markets in which the Group operates, so that actual developments could, unfortunately, still differ considerably from this estimation.

Schöneck, 25 November 2021

The Management Board



Rainer Gläss  
Chief Executive Officer



André Hergert  
Chief Financial Officer

# Consolidated balance sheet

on 30 September 2021

## T.01 Assets

EUR K	30.9.2021	31.12.2020
Tangible assets	20,200	14,675
Rights of use within the meaning of ifrs16	8,099	9,246
Real estate held as a financial investment	606	6,765
Intangible assets	25,747	25,412
Financial assets	6	6
Deferred tax assets	186	416
<b>Total non-current assets</b>	<b>54,843</b>	<b>56,520</b>
Goods	84	6
Consumables and supplies	129	167
Down payments made	5	4
Receivables from deliveries and services	20,546	23,382
Contract generated current assets	14,012	13,587
Income-tax claims	429	941
Other receivables and assets	6,206	6,643
Cash and cash equivalents	45,502	9,425
<b>Total current assets</b>	<b>86,912</b>	<b>54,156</b>
<b>Balance-sheet total</b>	<b>141,755</b>	<b>110,676</b>

## T.02 Liabilities

EUR K	30.9.2021	31.12.2020
Subscribed capital	2,250	2,051
Capital reserves	48,276	28,667
Retained profits	31	31
Other reserves	(1,008)	(2,534)
Profit carried forward	19,755	13,545
Consolidated surplus before non-controlling shares	10,757	6,210
Proportion of equity attributable to gk software se stockholders	80,062	47,971
Non-controlling shares	846	726
<b>Total equity</b>	<b>80,908</b>	<b>48,696</b>
Provisions for pensions	1,860	2,730
Long-term bank liabilities	3,665	4,446
Long-term lease liabilities	5,724	6,731
Convertible bond	14,531	14,222
Deferred public-sector subsidies	733	764
Deferred tax liabilities	4,477	3,546
<b>Total long-term debt</b>	<b>30,991</b>	<b>32,438</b>
Short-term provisions	474	750
Short-term bank liabilities	1,042	5,223
Short-term lease liabilities	2,495	2,580
Liabilities from deliveries and services	3,252	3,591
Contractual liabilities	6,712	3,589
Income-tax liabilities	2,253	784
Other current liabilities	13,629	13,025
<b>Total short-term debt</b>	<b>29,856</b>	<b>29,541</b>
<b>Balance-sheet total</b>	<b>141,755</b>	<b>110,676</b>

# Consolidated statement of income and accumulated earnings

## from 1 January to 30 September 2021

### T.03 Consolidated statement of income and accumulated earnings

EUR K	9M 2021	9M 2020	FY 2020
<b>Ongoing business divisions</b>			
Revenue from turnover	95,741	85,251	117,560
Own work capitalised	0	398	831
Other earnings	5,629	2,277	4,297
<b>Revenue from turnover and other earnings</b>	<b>101,370</b>	<b>87,927</b>	<b>122,688</b>
Materials expenditure	(10,177)	(6,154)	(9,436)
Human-resources expenditure	(57,959)	(56,519)	(75,640)
Amortisations/depreciations on non-financial assets	(5,755)	(6,254)	(8,543)
Losses from derecognition of financial assets	(13)	84	(612)
Other expenditure	(13,233)	(13,506)	(17,923)
<b>Total operating expenses</b>	<b>(87,137)</b>	<b>(82,350)</b>	<b>(112,153)</b>
<b>Operating results</b>	<b>14,233</b>	<b>5,577</b>	<b>10,535</b>
Financial earnings	189	39	192
Negative interest on bank balances/deposit rates	(47)	—	—
Financial expenditure	(993)	(1,523)	(1,637)
<b>Financial result</b>	<b>(851)</b>	<b>(1,484)</b>	<b>(1,445)</b>
<b>Earnings before income taxes</b>	<b>13,382</b>	<b>4,093</b>	<b>9,090</b>
Income taxes	(2,504)	(1,121)	(2,824)
<b>Consolidated surplus for the period</b>	<b>10,877</b>	<b>2,972</b>	<b>6,266</b>
of which attributable to non-controlling shares	121	60	55
of which attributable to GK Software SE stockholders	10,757	2,912	6,210

### T.04 Other earnings after income taxes

EUR K	9M 2021	9M 2020	FY 2020
<b>Items, which will be reclassified in the consolidated profit and loss statement in future under certain conditions</b>			
Differences in exchange rates from recalculating foreign business operations	811	(118)	(546)
Deferred taxes from differences in the conversion rates for foreign business operations	(183)	21	(258)
<b>Items, which will not be reclassified in the consolidated profit and loss statement in future</b>			
Actuarial profits/losses from defined-benefit pension plans	1,073	0	(35)
Deferred taxes on actuarial profits/losses from defined benefit pension plans	(176)	0	(25)
<b>Overall result</b>	<b>12,404</b>	<b>2,874</b>	<b>5,402</b>
of which attributable to non-controlling shares	121	60	55
of which attributable to gk software se stockholders	12,283	2,814	5,347
<b>Earnings per share (eur/share) from group surplus/shortfall – undiluted</b>	<b>5.03</b>	<b>1.43</b>	<b>3.04</b>
<b>Earnings per share (eur/share) from group surplus/shortfall – diluted</b>	<b>4.71</b>	<b>1.43</b>	<b>3.00</b>



# Consolidated cash-flow statement

from 1 January to 30 September 2021

## T.05 Cash flows from operating activities

EUR K	9M 2021	9M 2020
<b>Cash flow from operating activities</b>		
Surplus for the period	10,877	2,972
Share-option scheme (non-cash expenditure)	270	279
Income taxes affecting results	2,504	1,121
Interest expenditure affecting results	993	1,523
Interest income affecting results	(189)	(39)
Profit/loss from the sale or disposal of tangible assets	(86)	(17)
Reversals of deferred public-sector subsidies	(30)	(37)
Impairments recognised for receivables (including losses from receivables)	324	174
Reversals of impairment losses recognised for receivables	(7)	(204)
Impact on earnings from deconsolidation	(2,750)	—
Amortisations/depreciations	5,785	6,254
Net loss from financial tools assessed at their fair value	66	50
Other non-cash earnings and expenditure	629	430
<b>Cash flow from operating activities before the change in working capital</b>	<b>18,388</b>	<b>12,506</b>
<b>Changes in net working capital</b>		
Changes in receivables from deliveries and services as well as other accounts receivable	(552)	4,995
Change in inventories	(40)	74
Change in liabilities from deliveries and services as well as other liabilities	(30)	(1,553)
Changes in contractual liabilities	3,123	1,726
Change in provisions	(255)	(559)
Income taxes paid	637	(1,072)
<b>Cash flow from operating activities</b>	<b>21,270</b>	<b>16,117</b>

## T.06 Cash flows from investment and financing costs, credits, cash and cash equivalents

EUR K	9M 2021	9M 2020
<b>Cash flow from operating activities</b>	<b>21,270</b>	16,117
<b>Cash flow from investment activities</b>		
Payments for tangible assets and non-current assets	(1,759)	(1,463)
Proceeds from the disposal of assets	86	17
Proceeds from the sale of subsidiaries	3,836	—
Payments for the acquisition of a company minus any cash and cash equivalents	171	—
Interest payments received	143	36
<b>Cash flow from investment activities</b>	<b>2,477</b>	<b>(1,410)</b>
<b>Cash flow from financing activities</b>		
Use of equity	19,538	813
Use of credit	—	—
Interest paid	(147)	(667)
Repayment of loans	(1,280)	(7,449)
Repayment of lease liabilities	(2,098)	(2,205)
<b>Net flow of cash and cash equivalents from financing activities</b>	<b>16,012</b>	<b>(9,508)</b>
<b>Net increase in cash and cash equivalents</b>	<b>39,758</b>	<b>5,199</b>
Cash and cash equivalents at the beginning of the fiscal year	5,696	2,291
Cash at the end of the financial year	45,522	7,519
Impact of changes in exchange rates on cash	68	29

## T.07 Summary of cash and cash equivalents

EUR K	9M 2021	9M 2020
Cash and cash equivalents	45,502	11,455
Utilisation of current-account credit/credit card and exchange rate effects	20	(3,936)
Cash and cash equivalents at the end of the fiscal year	45,522	7,519

## Financial calendar

### **28 April 2022**

Annual Report as of 31 December 2021

### **25 May 2022**

Quarterly Statement as of 31 March 2022

### **15 June 2022**

Annual General Meeting

### **28 August 2022**

Interim Report as of 30 June 2022

### **November 2022**

Equity Forum in Frankfurt/M.

### **25 November 2022**

Quarterly Statement as of 30 September 2022

## Legal notice

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Dr Philip Reimann

### **Management Board**

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