

First six months 2019

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The NNIT Presenting Team



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Agenda

01 Challenges, initiatives & long-term targets

02 Financial performance

03 Balance sheet and cash flow

04 Outlook for 2019

Forward looking statements

This presentation contains forward-looking statements. Words such as ‘believe’, ‘expect’, ‘may’, ‘will’, ‘plan’, ‘strategy’, ‘prospect’, ‘foresee’, ‘estimate’, ‘project’, ‘anticipate’, ‘can’, ‘intend’, ‘outlook’, ‘guidance’, ‘target’ and other words and terms of similar meaning in connection with any discussion of future operating or financial performance identify forward-looking statements. Statements regarding the future are subject to risks and uncertainties that may result in considerable deviations from the outlook set forth.

Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect.

Current situation and challenges

- The first six months of 2019 are very disappointing and largely due to the Novo Nordisk Group with declining revenue and margins. Especially a decline in project revenue of 40% in Q2 2019 came as surprise
- The large application maintenance agreement with the Novo Nordisk Group expiring at the end of 2019 will not be prolonged
- The large operations maintenance agreement with the Novo Nordisk Group expires at the end of 2020. NNIT may also risk losing this agreement or winning the agreement at a significantly lower price
- General uncertainty regarding revenue from the Novo Nordisk Group
- The expected loss of the PANDORA agreement
- The agreement with DSB expires April 2021 and is not expected to be prolonged

Strategic initiatives

Committed to the strategy from January which requires faster execution

- Continue strong growth in international life sciences
- Maintain and develop strong Novo Nordisk relationship by staying relevant and competitive
- Focus on acquisitions within international life sciences and selected technology areas
- Continue growing our NNIT core project revenue

Cost and business restructuring plan

- Targeted impact of DKK 150m in 2020 and a minimum DKK 200m run-rate impact from 2021

Cost and business restructuring plan

Targeted impact of DKK 150m in 2020 and a minimum DKK 200m run-rate impact from 2021

Key levers to improve gross profit and operating profit margin:

- Reduction of 250 full time positions on top of downsizing in connection with loss of key agreements with the Novo Nordisk Group, PANDORA and DSB. The number of redundancies is expected to be lower due to vacancies, attrition and relocations
- Increased offshoring and automation
- Increased billable utilization and efficiency in project execution

Current strong growth in international life sciences and the acquired companies SCALES, Valiance and HGP will not be impacted

Long-term financial targets update

Long-term
financial targets
announced in
January

6-8% organic revenue
growth excluding the Novo
Nordisk Group

Operating profit margin of
at least 10%

NNIT will not publish long-term targets primarily due to the current uncertainty related to sales to the Novo Nordisk Group, lost business on a few key accounts and the implementation of the business and cost restructuring plan

Major wins

	Contract	Segment	Client	Amount (DKK million)	Length (years)
Q2 2019	Microsoft D365 contract	Enterprise	GN Great Nordic	Low triple-digit	4.5
	Cloud operations agreement	Enterprise	Existing customer	Low double-digit	3.5
	Extension of SAP operations agreement	Danish life sciences	Existing customer	High double-digit	6
	Extension of operations and application outsourcing agreement	Danish life sciences	Existing customer	Mid-size double-digit	1
	Extension of ERP and SharePoint operations agreement	Enterprise	Existing customer	low double-digit	5
	Extension of infrastructure and application agreement	Public	Existing customer	low double-digit	3

Financial statement Q2 and 6M 2019

DKK million	Q2 2019	Q2 2018	Change	6M 2019	6M 2018	Change
Revenue	743.7	752.6	-1.2%	1,493.7	1,451.1	2.9%
Cost of goods sold	643.7	617.5	4.2%	1,289.2	1,196.7	7.7%
Gross profit	99.9	135.0	-26.0%	204.5	254.4	-19.6%
<i>Gross profit margin</i>	<i>13.4%</i>	<i>17.9%</i>	<i>-4.5pp</i>	<i>13.7%</i>	<i>17.5%</i>	<i>-3.8pp</i>
Sales and marketing costs	31.4	34.7	-9.3%	63.5	66.7	-4.7%
Administrative expenses	24.4	25.8	-5.6%	51.4	52.5	-2.2%
Operating profit	44.1	74.5	-40.8%	89.6	135.2	-33.7%
<i>Operating profit margin</i>	<i>5.9%</i>	<i>9.9%</i>	<i>-4pp</i>	<i>6.0%</i>	<i>9.3%</i>	<i>-3.3pp</i>
Net financials	-0.8	-1.4	-45.8%	5.0	-3.5	246.2%
Profit before tax	43.3	73.1	-40.7%	94.7	131.8	-28.2%
Tax	9.0	16.5	-45.6%	20.1	29.4	-31.6%
<i>Effective tax rate</i>	<i>20.7%</i>	<i>22.6%</i>	<i>-1.9pp</i>	<i>21.2%</i>	<i>22.3%</i>	<i>-1.1pp</i>
Net profit	34.4	56.6	-39.3%	74.6	102.4	-27.2%

Revenue decline of 1.2% (6M: +2.9%) in Q2 2019 was driven by a 16% decline from the Novo Nordisk Group and a decline of 8.1% and 7.6% from the enterprise and public customer groups, respectively. This was partly countered by a 24% growth from clients in the finance customer group and a 99% (21% organic) growth from international life sciences clients .

Gross profit margin declined by 4.5pp (6M: 3.8pp) in Q2 2019 to 13.9% due to lower margins on service level agreements and projects to the Novo Nordisk Group and public customer group. As prices and project revenue from the Novo Nordisk Group have decreased costs have not been reduced fast enough.

Sales and marketing costs and administrative expenses decreased due to due to cost reductions.

Operating profit margin declined by 4.0pp (6M: 3.3pp) to 5.9% in Q2 2019 compared to 9.9% in Q2 2018 due to the above mentioned reasons.

Effective tax rate decreased 1.9pp (6M: 1.1pp) in Q2 2019. Q2 2018 was negatively impacted by adjustments from previous years.

Life Sciences

DKKkm	Q2 2019	Q2 2018	Change	6M 2019	6M 2018	Change
Novo Nordisk Group	235.3	278.4	-15.5%	494.1	534.5	-7.6%
Life sciences international	90.1	45.3	98.7%	167.5	90.2	85.8%
Life sciences Denmark	55.6	56.4	-1.4%	109.4	110.8	-1.3%
Revenue	381.0	380.2	0.2%	771.0	735.5	4.8%
Cost of goods sold	308.4	277.7	11.0%	612.2	534.7	14.5%
Gross profit	72.7	102.5	-29.1%	158.8	200.8	-20.9%
<i>Gross profit margin</i>	<i>19.1%</i>	<i>27.0%</i>	<i>-7.9pp</i>	<i>20.6%</i>	<i>27.3%</i>	<i>-6.7pp</i>
Allocated costs	31.6	33.5	-5.8%	65.2	65.7	-0.7%
Operating profit	41.1	68.9	-40.4%	93.6	135.1	-30.7%
<i>Operating profit margin</i>	<i>10.8%</i>	<i>18.1%</i>	<i>-7.4pp</i>	<i>12.1%</i>	<i>18.4%</i>	<i>-6.2pp</i>

Revenue increased by 0.2% (6M: 4.8%) in Q2 2019:

- Novo Nordisk Group declined 16% (6M: 7.6%) in Q2 2019 compared to the same period last year due to surprisingly low project activity decreasing 40% in Q2 2019
- Life sciences international increased by 99% (6M: 86%) in Q2 2019 compared to the same period last year driven by the contribution from the Valiance and HGP acquisitions and increased project activity. Organic growth in Q2 2019 was 21%
- Danish life sciences declined with 1.4% (6M: 1.3%) in Q2 2019 compared to Q2 2018

Gross profit margin decreased 7.9pp to 19.1% (6M: 20.6%) in Q2 2019:

- The decrease was due to lower margins on service level agreements and some cost overruns on projects for the Novo Nordisk Group as well as PPA and acquisition related costs. Costs have not been reduced fast enough to counter lower prices and decline in project revenue
- This decline in margin is not satisfactory and NNIT will through the cost restructuring plan strive to improve these margins in the next two years

Private & Public

DKKm	Q2 2019	Q2 2018	Change	6M 2019	6M 2018	Change
Enterprise	189.5	206.2	-8.1%	387.8	393.4	-1.4%
Public	96.0	103.9	-7.6%	185.5	203.3	-8.8%
Finance	77.1	62.3	23.8%	149.4	118.9	25.7%
Revenue	362.6	372.4	-2.6%	722.7	715.6	1.0%
Cost of goods sold	335.3	339.8	-1.3%	677.0	662.0	2.3%
Gross profit	27.3	32.6	-16.2%	45.7	53.6	-14.8%
<i>Gross profit margin</i>	<i>7.5%</i>	<i>8.7%</i>	<i>-1.2pp</i>	<i>6.3%</i>	<i>7.5%</i>	<i>-1.2pp</i>
Allocated costs	24.2	27.0	-10.2%	49.7	53.5	-7.2%
Operating profit	3.0	5.6	-45.6%	-4.0	0.1	n.a.
<i>Operating profit margin</i>	<i>0.8%</i>	<i>1.5%</i>	<i>-0.7pp</i>	<i>-0.6%</i>	<i>0.0%</i>	<i>-0.6pp</i>

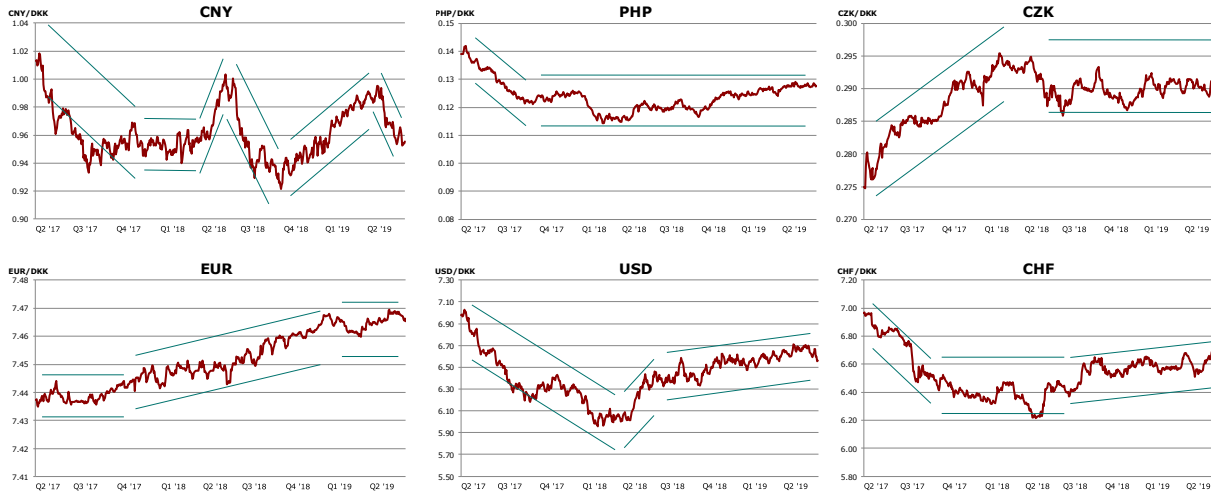
Revenue decreased by 2.6% (6M: +1.0%) in Q2 2019:

- Enterprise clients decreased by 8.1% (6M: 1.4%) in Q2 2019 due to price reductions and lower scope on some of the large enterprise agreements
- Public clients decreased by DKK 7.6% (6M: 8.8%) in Q2 2019 compared to Q2 2018 mainly due to lower scope on the DSB agreement
- Finance clients increased by 24% (6M: 26%) in Q2 2019 mainly due to expansion of service level agreements with existing customers and the new contracts with AP Pension and SDC

Gross profit margin decreased 1.2pp to 7.5% (6M: 6.3%) in Q2 2019:

- The decline in margins was due to lower margins on the customers from the public customer group
- The low operating profit margin in the private & public segment is not satisfactory and NNIT will through the cost restructuring plan strive to improve these margins in the next two years

Currency development and hedging



USD, CHF, PHP and EUR have appreciated versus DKK in Q2 2018, whereas CZK is fairly stable and the CNY has depreciated slightly.

In Q2 2019, our operating profit margin headwind was 0.1pp compared to Q2 2018 exchange rates primarily due to the appreciation of PHP.

In 2019, we see currency headwind on operating profits from the PHP and CNY compared to 2018, while we have currency tailwind from USD compared to 2018.

Estimated annual impact on NNIT's operating profit of a 10% increase in the outlined currencies against DKK* Hedging period (months)

EUR	DKK 29 million	-
CNY	DKK -20 million	14
CZK	DKK -12 million	14
PHP	DKK -8 million	14
USD	DKK 2 million	-
CHF	DKK -0 million	-

Hedging gains and losses do not impact operating profit as they are recognized under net financials.

13 *The above sensitivities address hypothetical situations and are provided for illustrative purposes only.

The sensitivities assume our business develops consistent with our current 2019 business plan.



Net Financials

Net financials DKKm	6M 2019	6M 2018	Change
Currency hedge gains	11.4	2.6	8.8
Currency gains (losses)	0.7	-0.4	1.1
Total currency related items	12.1	2.2	9.9
Interest expense from leases	-4.2	-3.9	-0.3
Interests and bank charges*	-2.9	-1.8	-1.1
Total interests and bank charges	-7.1	-5.7	-1.4
Net financials	5.0	-3.5	8.5

* Includes fees to banks in relation to being a public listed company

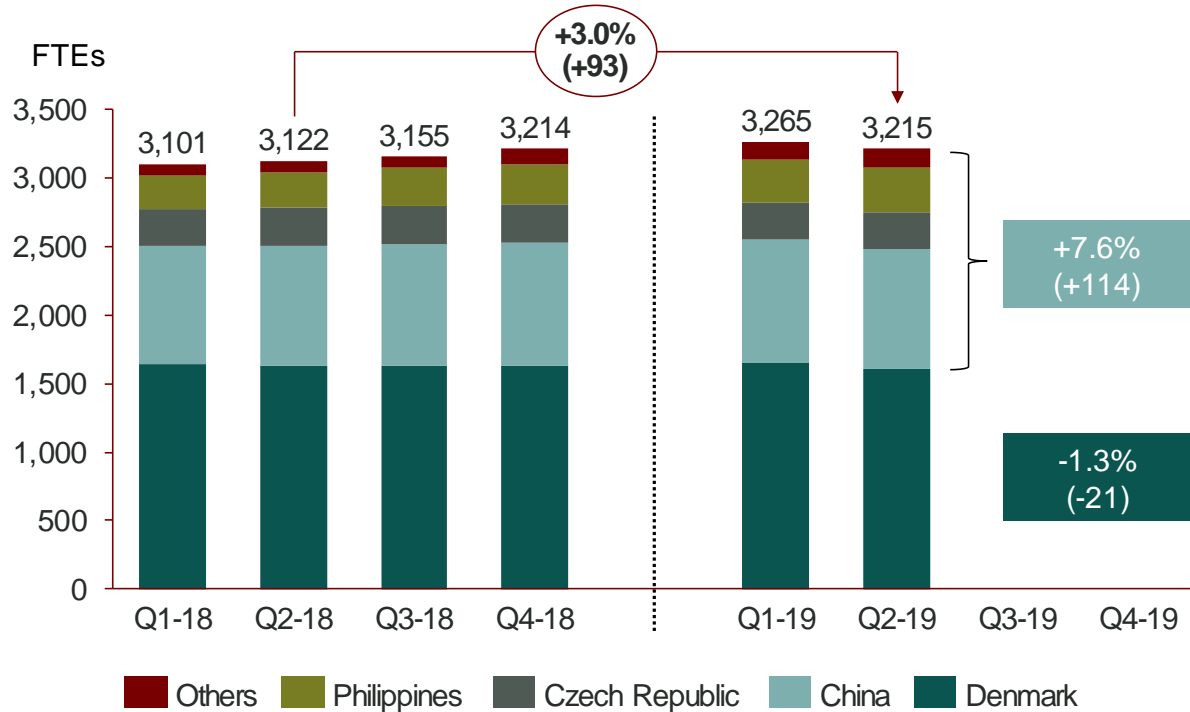
Total Currency hedges DKKm	6M 2019	6M 2018	Change
Currency hedge gains/loss in P&L	11.4	2.6	8.8
Currency hedge gains on Equity	8.2	6.4	1.9
Total currency hedge gains	19.7	9.0	10.7

Net financials for 6M 2019 were DKK 5.0m, which was an improvement of DKK 9.6m compared to 6M 2018.

This was due to:

- Gains on currency hedges (DKK 11.4m) compared to 6M 2018 (DKK 2.6m)
- Currency gains

Employee development



Number of employees increased by 3.0% to 3,215 FTE at the end of Q2 2019. This increase was primarily driven by Philippines (75 FTEs) in-line with the long-term offshoring strategy and the inclusion of Valiance and HGP employees.

Growth outside Denmark was 114 FTE (7.6%) with the Philippines and as the main contributor.

Employees in Denmark decreased by 1.3%.

Share of employees in low cost countries was 45.9% end Q2 2019 compared to 45.4% end Q2 2018.

Balance sheet

Assets DKKm	30 Jun 2019	30 Jun 2018
Intangible assets ¹	516.4	209.3
Tangible assets	595.6	587.5
Lease assets	340.2	337.3
Contract assets	91.4	114.9
Deferred tax	25.3	59.2
Deposits	33.0	32.8
Total non-current assets	1,601.9	1,341.0
Inventories	1.5	1.7
Contract assets	56.9	53.2
Trade receivables	473.2	487.9
Work in progress ²	159.3	119.3
Other receivables and pre-payments ³	237.7	173.2
Tax receivables	22.4	0.0
Derivative financial instruments	12.9	8.2
Cash and cash equivalents	100.2	82.6
Total Current assets	1,064.1	926.1
Total assets	2,666.0	2,267.1

Notes

¹ Intangible assets increased by DKK 307m mainly due goodwill from acquisitions.

² Work in progress increased by DKK 40m due to a large project with STARK

³ Other receivables and pre-payments increased by DKK 64m due to a few large projects with the Novo Nordisk Group and inclusion of HGP.

⁴ Contingent considerations increased by DKK 79m related to earn-out regarding acquisitions.

⁵ Contract assets decreases by DKK 46m due to progress in operation contract which included up-front payment for transition projects and limited new transition projects with payment up-front.

⁶ Prepayments received, WiP decreased by DKK 59m due to decrease in prepayments mainly from the Novo Nordisk Group

⁷ Other current liabilities increased by DKK 17m due to the inclusion of HGP.

Equity and liabilities DKKm	30 Jun 2019	30 Jun 2018
Share capital	250.0	250.0
Treasury shares	-4.1	-4.7
Retained earnings	837.1	733.6
Other reserves	13.8	12.0
Total equity	1,096.8	990.9
Lease liability	275.9	272.7
Deferred tax	0.9	0.0
Employee benefit obligation	19.7	16.4
Contingent consideration ⁴	133.8	54.3
Provisions	24.4	24.7
Total non-current liabilities	454.7	368.2
Prepayments received, contract assets ⁵	69.4	115.1
Prepayments received, work in progress ⁶	67.5	126.9
Lease liability	76.6	74.8
Bank overdraft	417.6	183.8
Trade payables	117.2	73.8
Employee cost payable	230.3	213.4
Tax payables	9.8	9.3
Other current liabilities ⁷	124.6	107.8
Derivative financial instruments	1.3	2.9
Provisions	0.3	0.2
Total current liabilities	1,114.5	908.0
Total equity and liabilities	2,666.0	2,267.1

Cash flows

Cash flow DKKm	6M 2019	6M 2018	Change
Net profit for the period	74.6	102.4	-27.8
Reversal of non-cash items	167.2	170.3	-3.1
Net interest and taxes paid	-35.7	-42.4	6.7
Changes in working capital	-113.5	-90.5	-23.0
Cash flow from operating activities	92.6	139.8	-47.2
Capitalization of intangible assets	-9.8	-3.5	-6.3
Purchase of tangible assets	-73.3	-83.1	9.8
Change in trade payables related to investments	-11.0	4.9	-16.0
Sales/(purchase) of shares (net)	0.0	0.1	-0.1
Payment of deposits	-0.2	-0.2	0.0
Acquisition of subsidiary	-65.2	0.0	-65.2
Cash flow from investing activities	-159.6	-81.8	-77.8
Dividends paid	-63.9	-56.4	-7.5
Purchase of treasury shares	-5.0	-37.3	32.3
Installments on lease liabilities	-46.3	-46.8	0.5
Bank overdraft	174.9	90.6	84.3
Cash flow from financing activities	59.6	-50.0	84.3
Net cash flow	-7.3	8.0	-40.7
Free cash flow	-67.0	58.0	-125.0

Cash flow from operating activities was DKK 93m in 6M 2019, which was DKK 47m below 6M 2018 due to lower net profit and changes in working capital. Primarily within trade receivables where Q1 2018 was extraordinarily high following payment of project milestones and hardware contracts being invoiced in Q4 2017 and paid in Q1 2018.

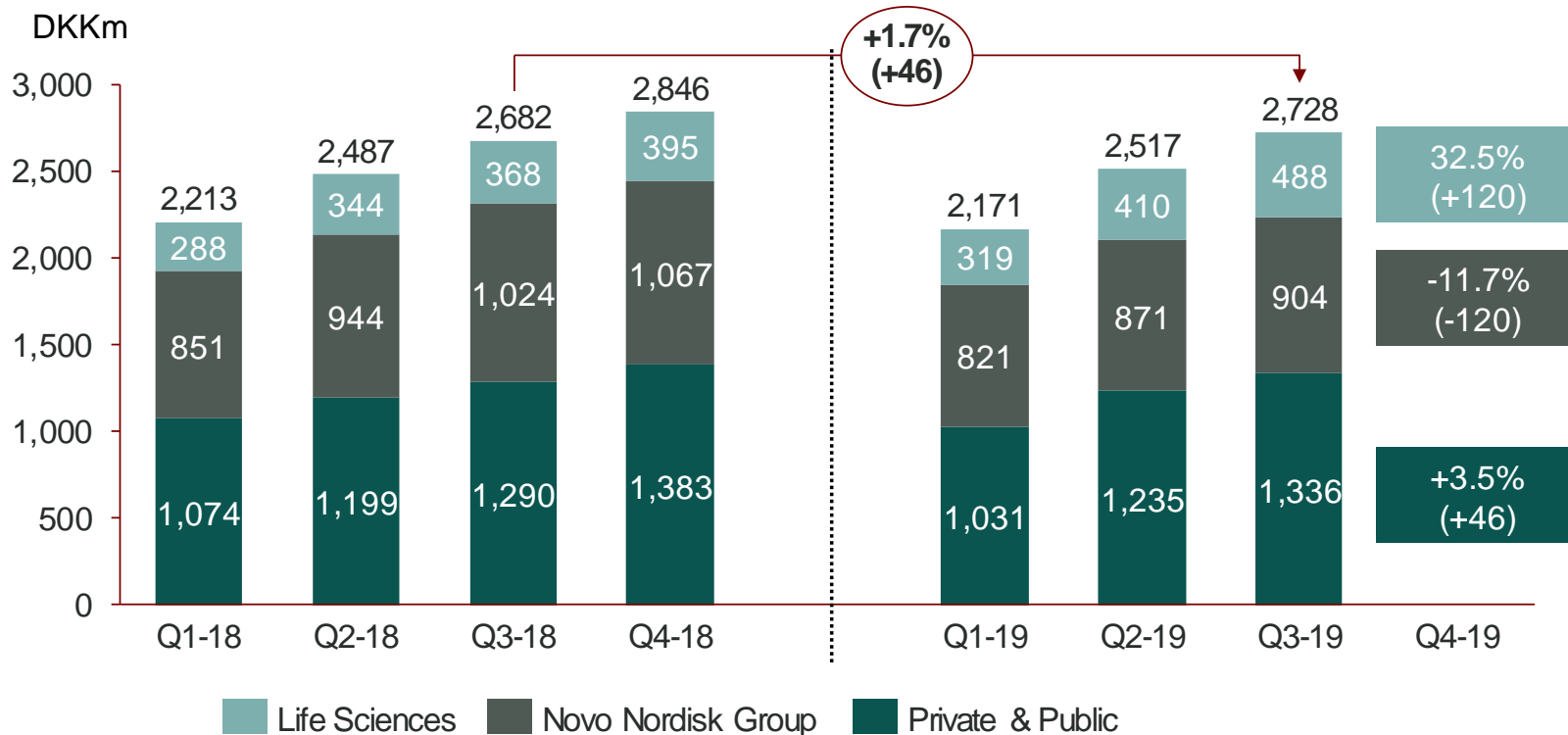
Cash flow from investing activities was DKK -160m in 6M 2019 compared to DKK -82m in 6M 2018. The increase relates to the acquisition of HGP.

Cash flow from financing activities was DKK 60m in 6M 2019 compared to DKK -50m in 6M 2018.

Free cash flow was DKK -67m in 6M 2019, which was DKK 125m below Q2 2018 mainly due to the above mentioned reasons.

Backlog development, current year

Beginning of quarter



Outlook

	2019	Previous guidance
Revenue growth	Low single-digit	Constant currencies: 3-6% Reported currencies: 0.7pp higher
Operating profit margin	Constant currencies: 8-9% excl. restructuring costs of DKK 15-25m Reported currencies: 0.2pp lower	Constant currencies: 10-10.5% Reported currencies: 0.4pp lower
Capex	Share of revenue: 5-7%²	Share of revenue: 5-7%²

²Investments and re-investments are in 2019 expected to be between 5-7 percent of total revenue

Closing remarks

- A revenue growth of 2.9% and an operating profit margin of 6.0% for the first six months of 2019 are very disappointing and largely due to the Novo Nordisk Group
- The decrease in revenue and margins from the Novo Nordisk Group will continue to challenge us in the coming years, together with the expected loss PANDORA and DSB
- A business and cost restructuring plan with savings of DKK 150m in 2020 and run-rate impact of minimum DKK 200m from 2021
- The current strong growth in international life sciences and the acquired companies SCALES, Valiance and HGP will not be impacted by the cost and business restructuring plan
- Low single-digit revenue growth (previously 3-6% in constant currencies)
- Operating profit margin of 8-9% excluding restructuring costs in constant currencies is maintained
- Investment level of 5-7% of revenue is maintained
- NNIT will not publish long-term targets going forward

Investor contact information

Upcoming events

August 19, 2019

- Interim dividend ex dividend date

August 20, 2019

- Interim dividend record date

August 21, 2019

- Interim dividend payment date

October 24, 2019:

- Interim report for the first nine months of 2019

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