



Full year 2019

nnIT

The NNIT Presenting Team



PER OVE KOGUT

Chief Executive Officer



**CARSTEN KROGSGAARD
THOMSEN**

Chief Financial Officer



JENS BLÜITGEN BINGER

Head of Investor Relations

Agenda

01 Highlights for Q4 and full year 2019

02 Strategy update

03 Financial performance and cost restructuring plan

04 Balance sheet and cash flow

05 Outlook for 2020

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.

Q4 2019 at a glance

Revenue
DKK 801m

-2.7%

+0.4pp F/X

Operating profit*
DKK 81m

-24%

-1.0pp F/X

Operating profit margin*
10.1%

-2.9pp

-0.2pp F/X

Net profit
DKK 58m

-31%

Free cash flow
DKK 311m

DKK +311m

*Before special items

2019 at a glance

Revenue
DKK 3,058m

+1.7%

+0.5pp F/X

Operating profit*
DKK 239m

-22%

-1.0pp F/X

Operating profit margin*
7.8%

-2.4pp

-0.1pp F/X

Net profit
DKK 183m

-23%

Order backlog for 2020
DKK 2,039m

-6.1%

Free cash flow
DKK 242m

DKK +126m

*Before special items

Major wins

	Contract	Segment	Client	Amount (DKK million)	Length (years)
Q4 2019 / Jan 2020	Extension and expansion of an operation and development agreement	Int. Life Sciences	Association of Danish Pharmacies	Around DKK 200m	4
	Cloud-enabling IT-infrastructure operations agreement	Enterprise	Radius Elnet	Low triple-digit	5
	Extension and expansion of an application management agreement	Danish life sciences	Lundbeck	High double-digit	4
	Cloud operation services agreement	Enterprise	Bang & Olufsen	DKK 25-50m	5
	Veeva Vault Regulatory Information Management implementation	Int. Life Sciences	New customer	Around DKK 25m	2
	A number of project agreements with large life sciences clients related to Veeva	Int. Life Sciences	New and existing customers	High double-digit	n/a

Contract under renegotiation

	Contract	Segment	Client	Amount (DKK million)	Length (years)
1H 2020	Operations maintenance agreement	Novo Nordisk	Novo Nordisk Group	Mid triple-digit	3-5

Adjustment of strategy

Strategy 2019

- New customer centric organization and reporting structure
- Increased focus on customer profitability
- Focus on international life sciences with an annual organic growth ambition of around 20%
- Pursuing acquisitions of IT companies serving life sciences and/or companies with capabilities within selected technology areas

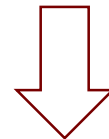


Unexpected loss of business with the Novo Nordisk Group

Unexpected loss of the Pandora agreement

Increased price pressure within the infrastructure outsourcing area

Faster adoption of cloud/hybrid cloud solutions



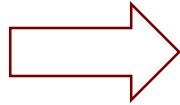
Initiation of cost restructuring program reducing the cost by DKK 150m in 2020 and DKK 200m in 2021

Adjusted strategy 2020

- Continue successful international life sciences strategy with organic growth of around 20%
- Continue successful M&A activities within life sciences and/or within selected technology areas
- **NEW: Implement a new focused go-to market strategy in high growth and high margin areas** (see slide 9)

New go-to market strategy

Focus in new go-to market strategy



High growth areas leveraging NNIT's existing strong capabilities

High growth areas where NNIT has the potential to build strong capabilities



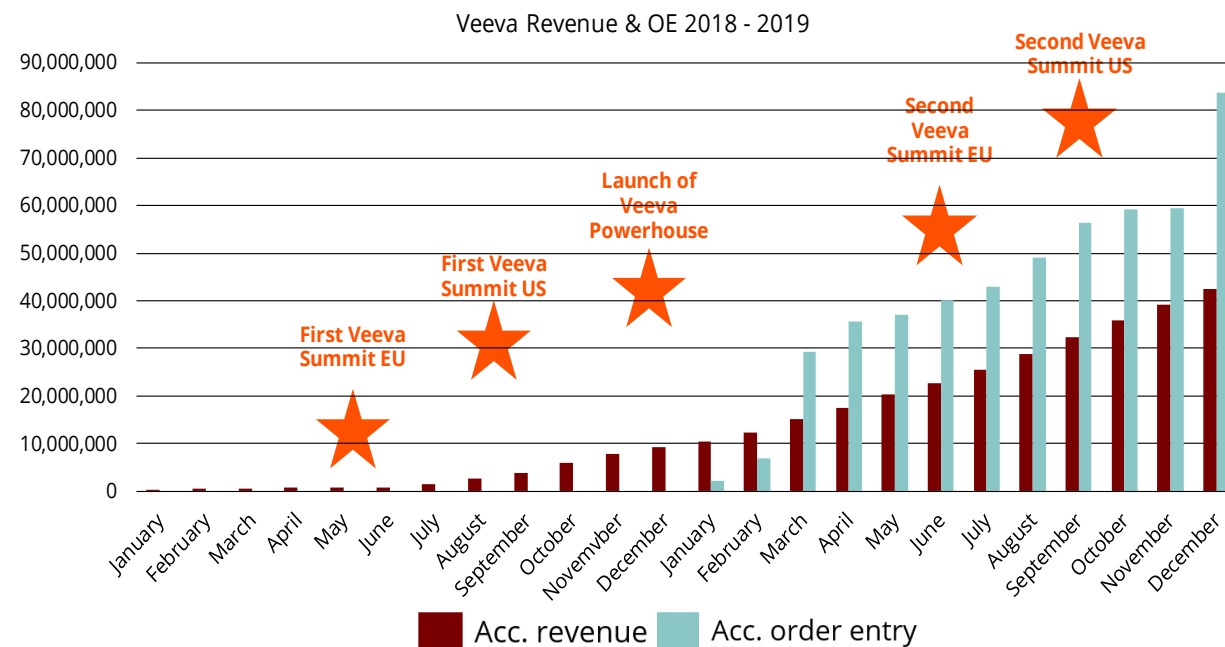
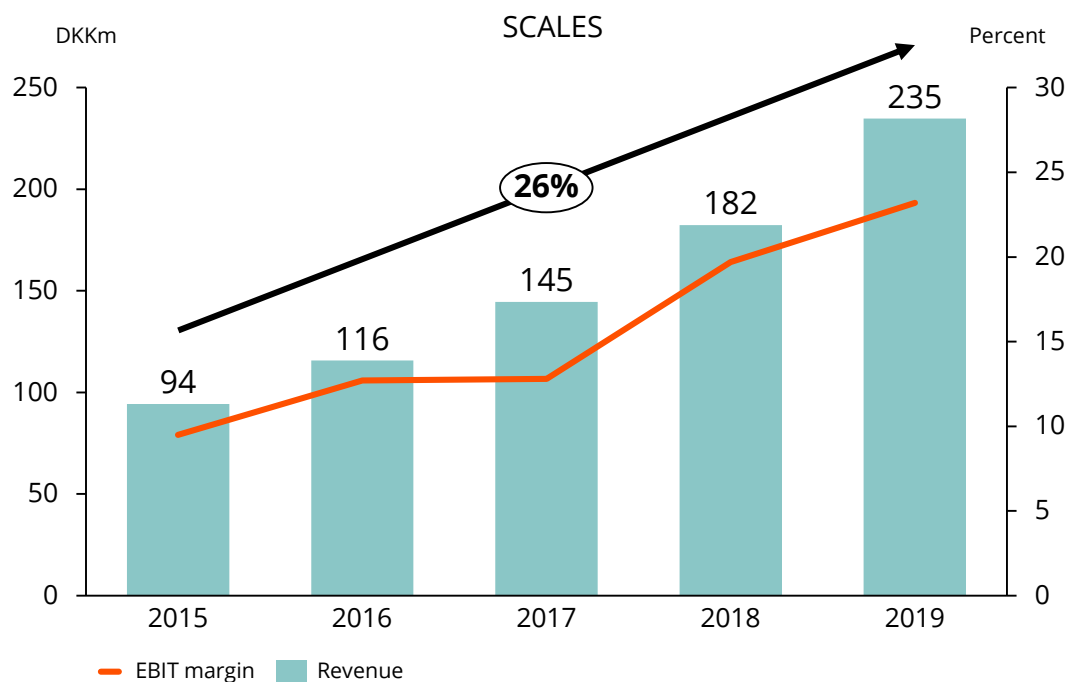
Winning solutions

- Built on proven standardized concepts
- Delivered fit for purpose first time right

Winning Solutions

SAP Solutions	Vevea Solutions	Employee Experience	Cybersecurity	Quality Management		
Pharma Production IT	Data & AI	Hybrid cloud	Integration	Microsoft solutions		

Example of area where NNIT already has a competitive edge and traction are SCALES with Microsoft D365 offerings and Valiance and Veeva offerings in international life sciences



Status on implementation of cost restructuring plan

DKKm	Description of main initiatives	Accumulated cost reductions		
		Cost reductions achieved in 2019	2020	2021
Utilization	<ul style="list-style-type: none"> - Increase billable utilization by 4pp - Increase focus on ressource management and capacity planning 	10	55	75
Automation	<ul style="list-style-type: none"> - Further implementation of RPA for internal processes - Scripting of simple operational tasks - Implementation of network automation tools 	0	25	45
External expenses	<ul style="list-style-type: none"> - Reduce spend on external consultants through focus on resource planning - Renegotiation of current vendor agreements and further focus on tender processes - Reduction of travel cost and other external activities 	0	30	40
Staff and other cost reductions	<ul style="list-style-type: none"> - Reduction of management overhead - Increase of global sourcing within project business - Reduction of staff positions 	20	40	40
Total cost reductions		30	150	200
Special items per year		24	15-25	n/a

Financial statement Q4 and full year 2019

DKK million	Q4 2019	Q4 2018	Change	2019	2018	Change
Revenue	801.0	822.9	-2.7%	3,057.9	3,007.2	1.7%
Cost of goods sold	656.8	657.6	-0.1%	2,582.6	2,465.9	4.7%
Gross profit	144.2	165.3	-12.8%	475.3	541.2	-12.2%
<i>Gross profit margin</i>	18.0%	20.1%	-2.1pp	15.5%	18.0%	-2.5pp
Sales and marketing costs	34.7	30.5	13.8%	131.5	127.6	3.0%
Administrative expenses	29.0	28.7	1.2%	105.1	106.2	-1.0%
Operating profit before special items*	80.5	106.2	-24.2%	238.7	307.4	-22.3%
<i>Operating profit margin before special items*</i>	10.1%	12.9%	-2.9pp	7.8%	10.2%	-2.4pp
Special items*	7.7	0.0	n.a.	23.8	0.0	n.a.
Operating profit	72.8	106.2	-31.4%	215.0	307.4	-30.1%
<i>Operating profit margin</i>	9.1%	12.9%	-3.8pp	7.0%	10.2%	-3.2pp
Net financials	4.2	1.5	190.7%	16.1	-2.3	n.a.
Profit before tax	77.0	107.6	-28.4%	231.1	305.1	-24.3%
Tax	18.9	22.8	-17.3%	48.4	69.5	-30.3%
<i>Effective tax rate</i>	24.5%	21.2%	3.3pp	21.0%	22.8%	-1.8pp
Net profit	58.1	84.8	-31.4%	182.7	235.6	-22.5%

*Special items comprise restructuring costs related to the cost restructuring plan

Life Sciences

DKKm	Q4 2019	Q4 2018	Change	2019	2018	Change
Novo Nordisk Group	237.4	323.0	-26.5%	954.9	1,124.2	-15.1%
Life sciences international	98.8	73.1	35.1%	360.9	211.7	70.5%
Life sciences Denmark	63.2	59.7	5.9%	230.0	221.7	3.8%
Revenue	399.4	455.8	-12.4%	1,545.8	1,557.6	-0.8%
Cost of goods sold	302.9	333.5	-9.2%	1,211.9	1,148.6	5.5%
Gross profit	96.6	122.3	-21.1%	333.9	408.9	-18.3%
<i>Gross profit margin</i>	<i>24.2%</i>	<i>26.8%</i>	<i>-2.7pp</i>	<i>21.6%</i>	<i>26.3%</i>	<i>-4.7pp</i>
Allocated costs	33.3	32.7	1.8%	130.9	128.8	1.7%
Operating profit before special items*	63.3	89.6	-29.4%	203.0	280.2	-27.5%
<i>Operating profit margin before special items*</i>	<i>15.8%</i>	<i>19.7%</i>	<i>-3.8pp</i>	<i>13.1%</i>	<i>18.0%</i>	<i>-4.9pp</i>
Special items*	3.8	0.0	n.a.	11.5	0.0	n.a.
Operating profit	59.5	89.6	-33.7%	191.5	280.2	-31.6%
<i>Operating profit margin</i>	<i>14.9%</i>	<i>19.7%</i>	<i>-4.8pp</i>	<i>12.4%</i>	<i>18.0%</i>	<i>-5.6pp</i>

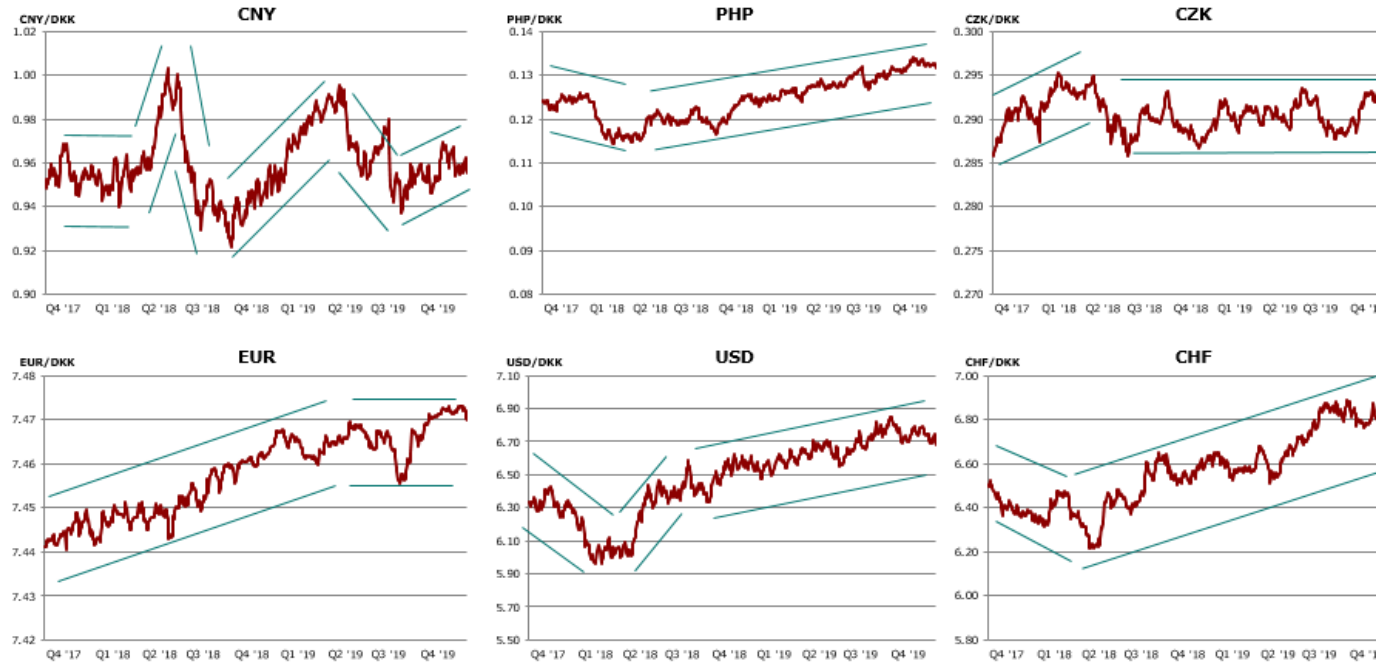
*Special items comprise restructuring costs related to the cost restructuring plan

Private & Public

DKKm	Q4 2019	Q4 2018	Change	2019	2018	Change
Enterprise	202.9	202.1	0.4%	802.3	793.8	1.1%
Public	108.7	92.6	17.5%	392.2	399.2	-1.7%
Finance	90.0	72.4	24.3%	317.6	256.6	23.7%
Revenue	401.6	367.0	9.4%	1,512.1	1,449.6	4.3%
Cost of goods sold	354.0	324.1	9.2%	1,370.7	1,317.3	4.1%
Gross profit	47.7	43.0	10.9%	141.4	132.3	6.9%
<i>Gross profit margin</i>	11.9%	11.7%	0.2pp	9.4%	9.1%	0.2pp
Allocated costs	30.4	26.4	15.0%	105.7	105.0	0.6%
Operating profit before special items*	17.3	16.5	4.4%	35.7	27.2	31.2%
<i>Operating profit margin before special items*</i>	4.3%	4.5%	-0.2pp	2.4%	1.9%	0.5pp
Special items*	3.9	0.0	n.a.	12.3	0.0	n.a.
Operating profit	13.3	16.5	-19.3%	23.4	27.2	-13.9%
<i>Operating profit margin</i>	3.3%	4.5%	-1.2pp	1.5%	1.9%	-0.3pp

*Special items comprise restructuring costs related to the cost restructuring plan

Currency development and hedging



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

EUR	DKK 28 million	-
CNY	DKK -18 million	14
CZK	DKK -10 million	14
PHP	DKK -7 million	14
USD	DKK 6 million	-
CHF	DKK -1 million	-

Hedging gains and losses do not impact operating profit as they are recognized under net financials. For further details on hedging, please see note 7 above.

* The above sensitivities address hypothetical situations and are provided for illustrative purposes only. The sensitivities assume the business develops consistent with the current 2020 business plan.

Net Financials

Net financials DKKm	2019	2018	Change
Currency hedge gains	21	9	12
Currency gains (losses)	1	0	1
Total currency related items	22	9	13
Interest expense from leases	-9	-9	0
Interests and bank charges*	-7	-4	-3
Total interests and bank charges	-16	-13	-3
Earn-out adjustments	10	2	8
Net financials	16	-2	18

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

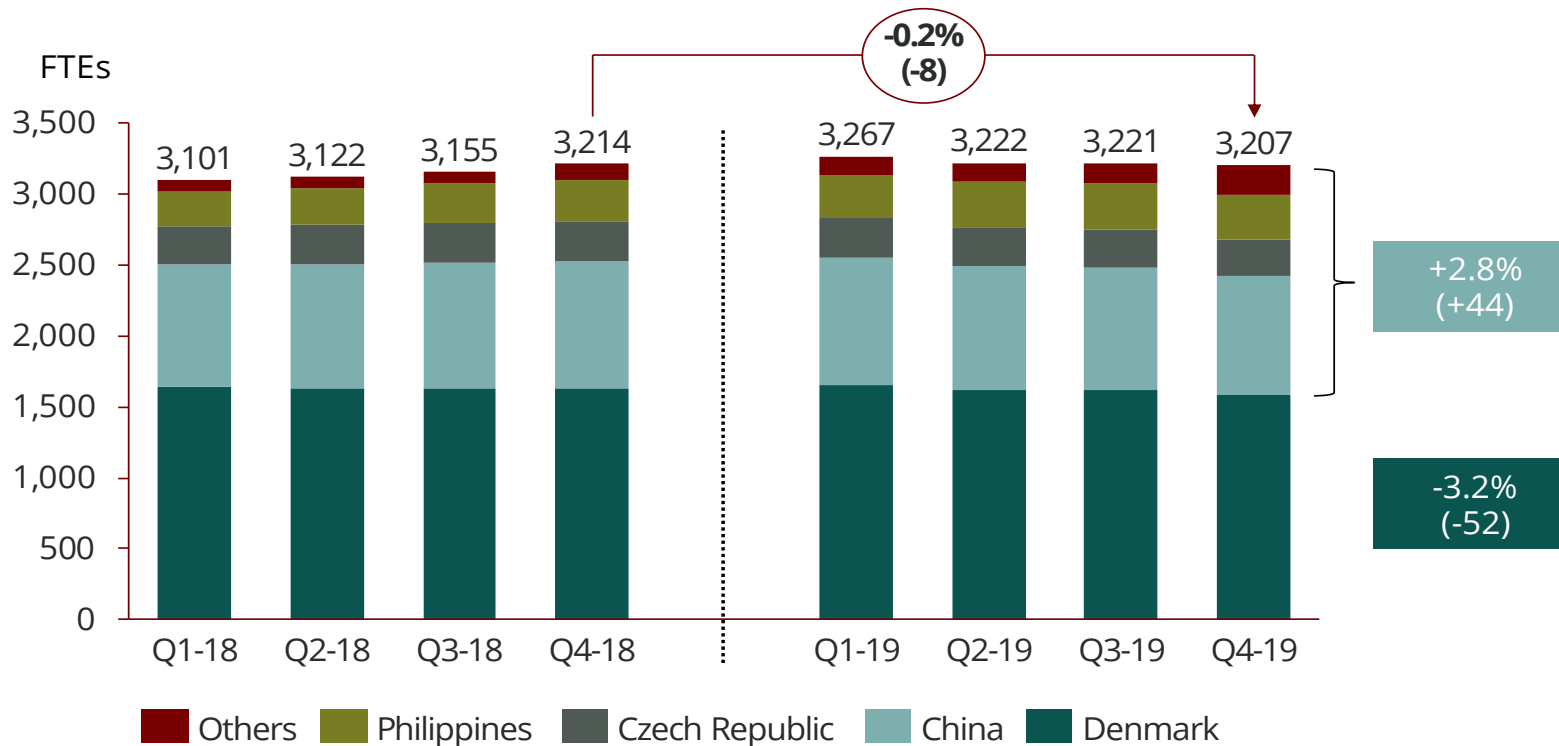
Total Currency hedges DKKm	2019	2018	Change
Currency hedge gains/loss in P&L	21	9	12
Currency hedge gains on Equity	9	8	1
Total currency hedge gains	30	17	13

Net financials for 2019 were DKK 12m, which was an improvement of DKK 16m compared to 2018.

This was due to:

- Gains on cash flow hedges
- Adjustment of earn-out provisions

Employee development



Number of employees decreased by 0.2% to 3,207 FTEs at the end of 2019. This decrease was primarily driven by reductions in Denmark (52 FTEs).

Growth outside Denmark was 44 FTEs (2.8%) mainly driven by the acquisition of Halfmann Goetsch Partner AG (HGP) with 50 FTEs.

Share of employees in low cost countries was 44% end Q4 2019 compared to 46% end Q4 2018. The inclusion of Valiance and HGP decreases the share.

41 FTEs in Denmark and 47 FTEs in China were terminated in 2019, but were on garden leave at the end of 2019 and therefore included in the FTE numbers at the end of 2019.

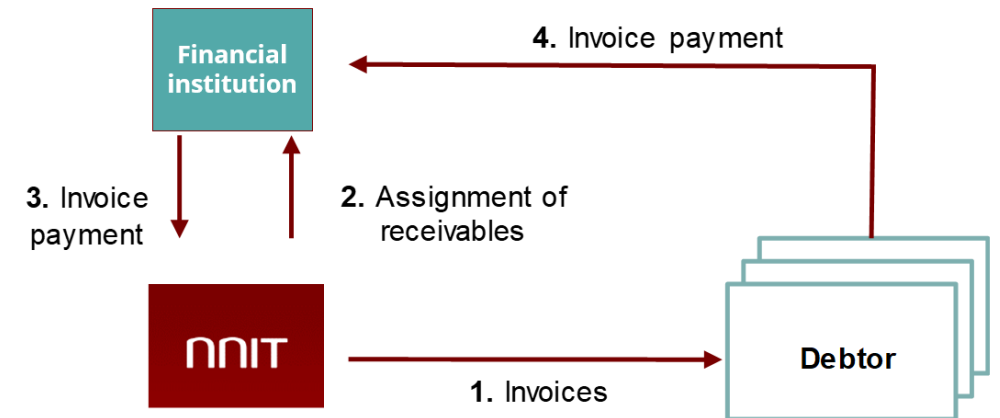
Balance sheet

Assets DKKm	31 Dec 2019	31 Dec 2018
Intangible assets	524	432
Tangible assets	576	594
Lease assets	316	372
Contract assets	69	111
Deferred tax	32	39
Deposits	34	33
Total non-current assets	1,551	1,581
Inventories	2	2
Contract assets	53	52
Trade receivables	627	548
Work in progress	140	151
Other receivables	11	5
Pre-payments	84	88
Tax receivable	11	0
Derivative financial instruments	12	10
Cash and cash equivalents	122	108
Total Current assets	1,062	964
Total assets	2,613	2,545

Equity and liabilities DKKm	31 Dec 2019	31 Dec 2018
Share capital	250	250
Treasury shares	-4	-5
Retained earnings	860	764
Other reserves	14	12
Total equity	1,169	1,085
Leasing liability	236	299
Deferred tax	0	3
Employee benefit obligation	82	15
Contingent consideration (earn out)	43	113
Provisions	28	25
Long term loan	28	0
Bank overdraft	231	243
Total non-current liabilities	648	698
Prepayments received, contract assets	42	88
Prepayments received, work in progress	98	115
Leasing liability	90	84
Trade payables	88	97
Employee cost payable	228	253
Tax payables	9	6
Other current liabilities	155	118
Derivative financial instruments	1	1
Contingent consideration (earn out)	81	0
Provisions	4	0
Total current liabilities	796	762
Total equity and liabilities	2,613	2,545

Optimizing net working capital

- In 2019 NNIT has entered into a commercial use of factoring (Receivable Purchase Agreements) where a financial institution purchases outstanding invoices on some of the larger customers with a strong credit profile
- The benefits of this program include improved liquidity and makes NNIT less sensitive on increasing customer demands for long payment terms
- At the same time the cost of factoring is less than the current revolving credit facility
- The effect at December 31, 2019 is a positive net impact of DKK 120m on working capital



Cash flows

Cash flow DKKm	2019	2018	Change
Net profit for the period	183	236	-53
Reversal of non-cash items	438	340	98
Net interest and taxes paid	-65	-76	11
Changes in working capital	-91	-62	-29
Cash flow from operating activities	465	438	27
Capitalization of intangible assets	-33	-14	-19
Purchase of tangible assets	-135	-164	29
Change in trade payables related to investments	1	18	-17
Acquisition cost refund	2	0	2
Acquisition of subsidiary	-58	-162	104
Cash flow from investing activities	-223	-322	99
Dividends paid	-113	-105	-8
Purchase of treasury shares	-5	-37	32
Installments on lease liabilities	-93	-90	-3
Long term loan	-5	0	-5
Bank overdraft	-12	149	-161
Cash flow from financing activities	-228	-83	-145
Net cash flow	14	33	-19
Free cash flow	242	116	126

The free cash flow for 2019 was DKK 242m compared to a free cash flow of DKK 116 million in 2018.

The increase was driven by the lower effect from acquisitions and the commercial use of factoring (explained in slide 19) partly offset by the lower operating result and other changes in working capital.

Proposed dividend

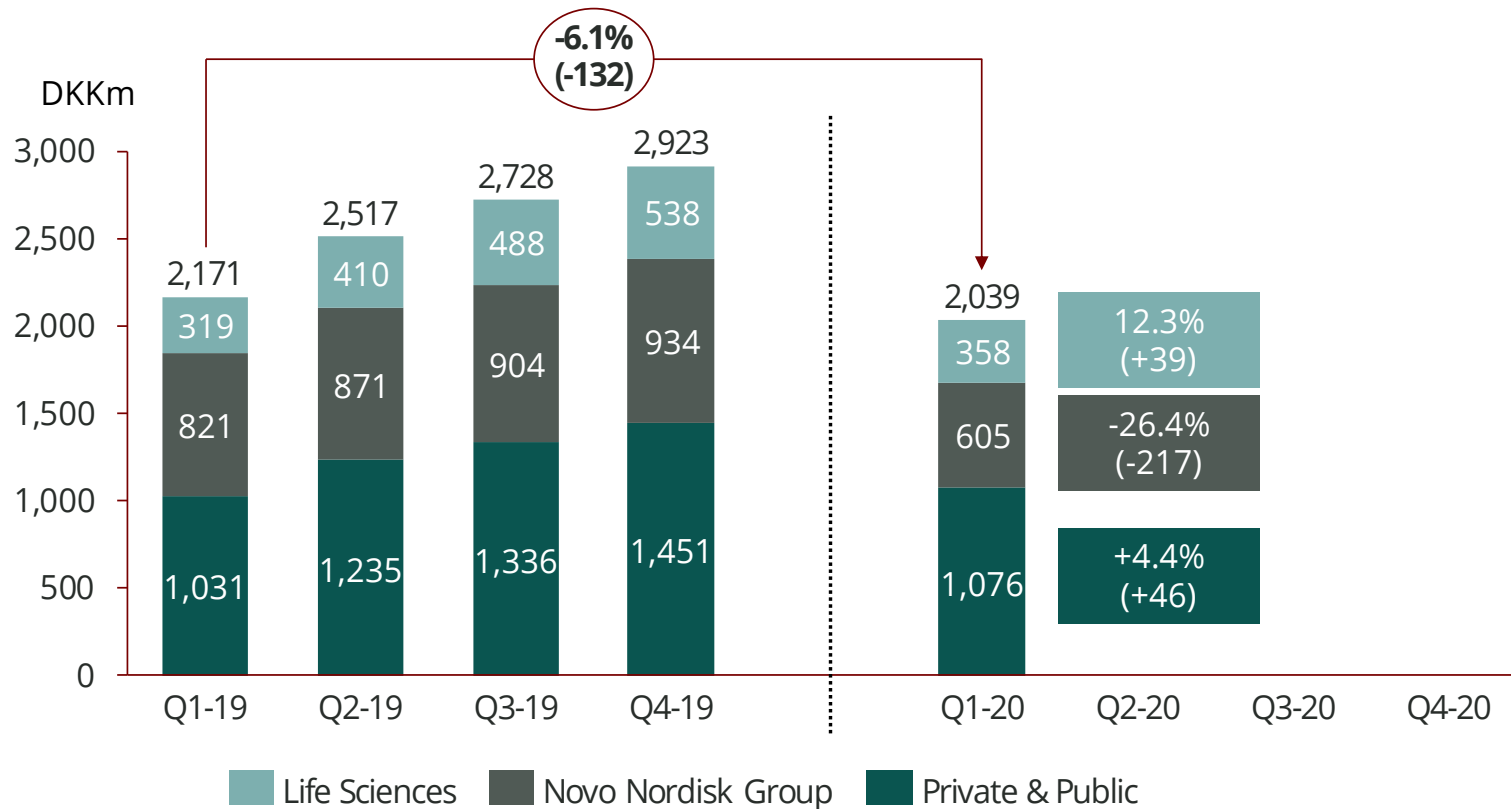
- Proposed dividend for 2019 of DKK 49m equal to DKK 2.00 per share
- This brings NNIT's total dividend for the financial year 2019 to DKK 98m equal to DKK 4.00 per share
- This corresponds to a dividend pay-out ratio of 53.9% and dividend yield of 3.6%
- Financial gearing is still considered low

DKKm	2016	2017	2018	2019
Dividends	102	105	113	98
Dividend per share	4.00	4.30	4.60	4.00
Payout ratio	47.2%	48.4%	48.4%	53.9%
Dividend yield	2.0%	2.4%	2.5%	3.6%
Net debt/EBITDA*	0.7	0.8	0.9	0.9

*Net debt/EBITDA after special items

Backlog development, current year

Beginning of quarter



Key assumptions in outlook 2020

The outlook for 2020 is based on the following important assumptions:

- The backlog for 2020 at the beginning of 2020 includes the termination of the application maintenance agreement with Novo Nordisk with effect from January 1, 2020 and the termination of the business with Pandora (expected revenue corresponding to one quarter of the revenue in 2019)
- The large operation maintenance agreement with Novo Nordisk expires at the end of 2020 but is assumed to be renegotiated and prolonged during the first half of 2020 with an impact from the time of signing. The impact of the renegotiation is not included in the backlog at the beginning of the year
- The cost restructuring plan is assumed to give a cost reduction of DKK 150m of which DKK 30m was realized in 2019

Outlook

	2020
Revenue growth	Constant currencies: -4% to -8% Reported currencies: Around 0.2pp higher
Operating profit margin	Constant currencies: 6-8% before special items of DKK 15-25m Reported currencies: 0.2pp lower
Capex	Share of revenue: 5-7%¹

¹CAPEX investments and re-investments are in 2020 expected to be between 5-7 percent of total revenue

Closing remarks

- Revenue growth of 1.7% and operating profit margin before special items of 8.0% in constant currencies – in line with our latest outlook for 2019
- Strong growth within international life sciences (+71%) and finance (+24%), while the Novo Nordisk Group declined by 15%
- Adjustment of strategy and implementation of new go-to market strategy
- Traction in cost restructuring plan

- 2020 revenue decline of -4% to -8% in constant currencies
- Operating profit margin before special items of 6-8% in constant currencies
- Investments of 5-7% of revenue

Investor contact information

Upcoming events

March 5, 2020:

- Annual General Meeting

May 6, 2020

- Interim report for the first three months of 2020

August 13, 2020

- Interim report for the first six months of 2020

October 29, 2020

- Interim report for the first nine months of 2020

Investor contact regarding Q4 2019



**CARSTEN KROGSGAARD
THOMSEN**

Chief Financial Officer

NNIT A/S, Østmarken 3A, 2860 Søborg, Denmark
+45 3075 1415
CKTH@NNIT.COM

