

First three months 2019

חנח

The NNIT Presenting Team



PER OVE KOGUT

Chief Executive Officer



**CARSTEN KROGSGAARD
THOMSEN**

Chief Financial Officer



KLAUS HOSBOND SKOVRUP

Head of Investor Relations

Agenda

01 Highlights for Q1 2019

02 Sales per business unit and backlog

03 Financial performance

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.

Q1 2019 at a glance

Revenue

DKK 750m

+7.4%

+0.9pp F/X

Operating profit

DKK 46m

-25%

-2.7pp F/X

Operating profit margin

6.1%

-2.6pp

-0.2pp F/X

Net profit

DKK 40m

-12%

Order backlog addition

DKK 345m

+26%

Free cash flow

DKK -28m

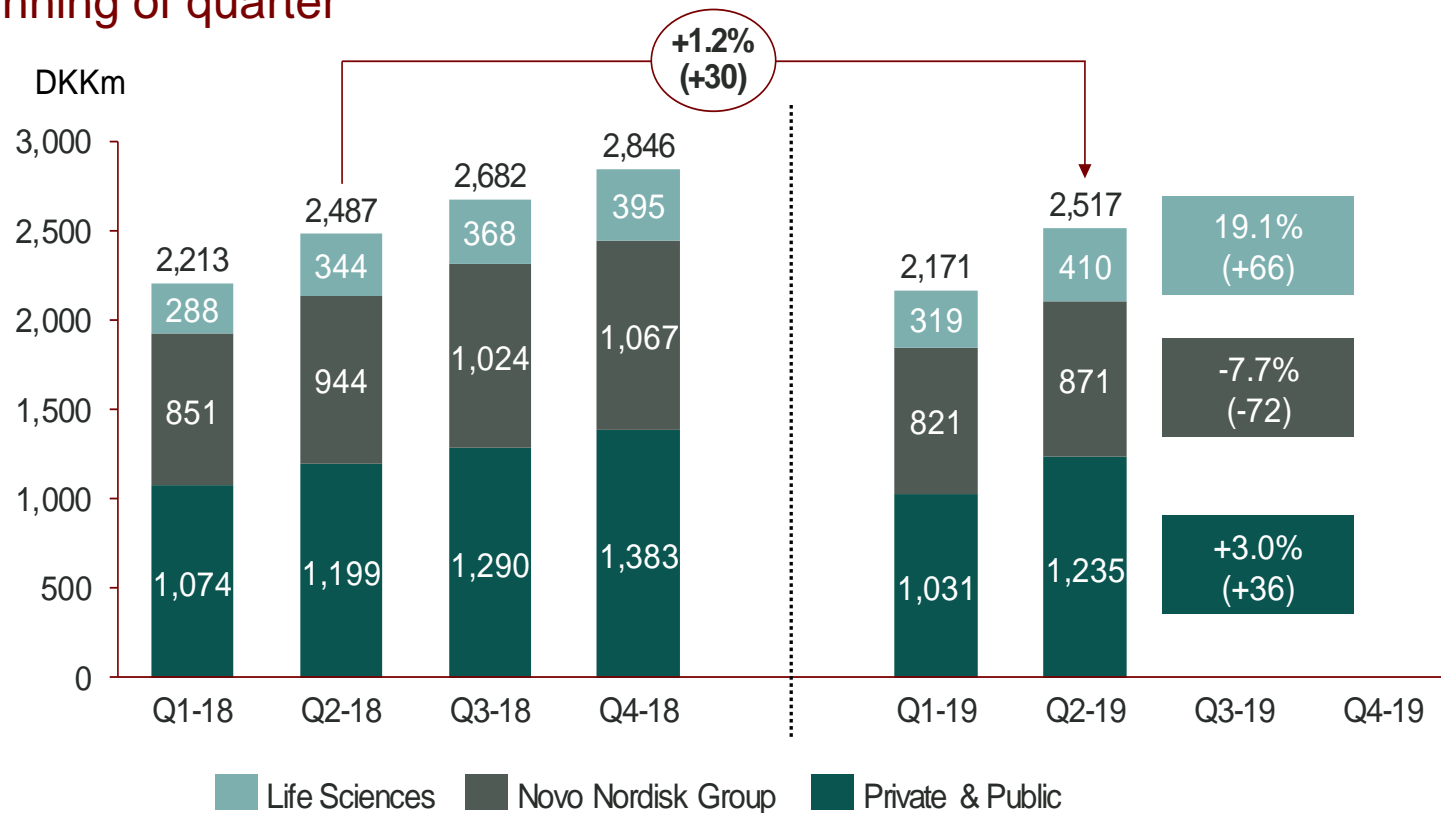
DKK -171m

Major wins

	Contract	Segment	Client	Amount (DKK million)	Length (years)
Q1 2019	Extension of infrastructure outsourcing agreement (Press release January 22, 2019)	Public	DSB	High double-digit	2
	Extension and expansion of a Compliance as a Service agreement	International life sciences	Existing customer	Mid-size double-digit	2
	New Veeva migration project	Novo Nordisk	Novo Nordisk	Minor double-digit	1
Q2 2019	Microsoft D365 contract	Enterprise	GN Great Nordic	Low triple-digit	4.5

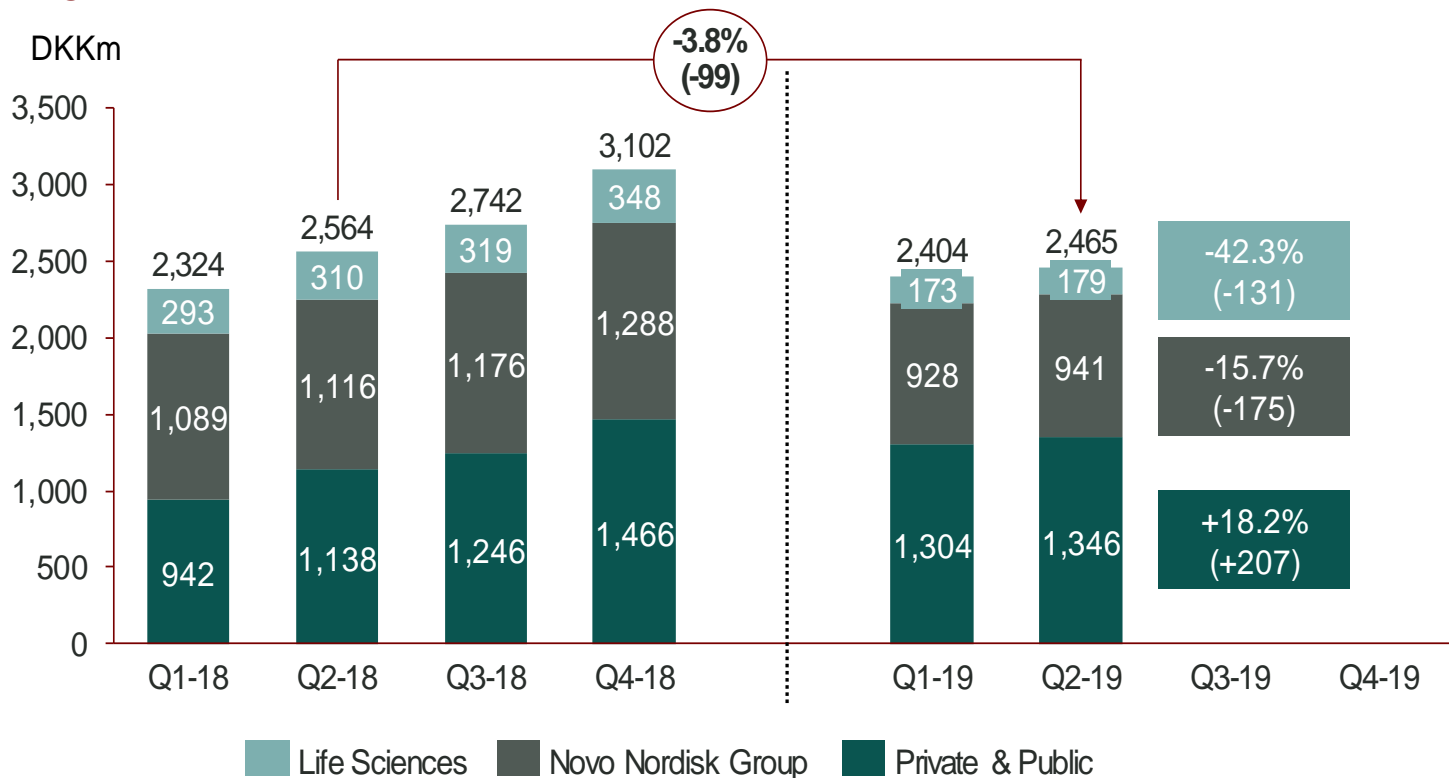
Backlog development, current year

Beginning of quarter



Backlog development, following two calendar years

Beginning of quarter



Financial statement Q1 2019

DKK million	Q1 2019	Q1 2018	Change
Revenue	750.0	698.5	7.4%
Cost of goods sold	645.5	579.1	11.5%
Gross profit	104.5	119.4	-12.4%
<i>Gross profit margin</i>	<i>13.9%</i>	<i>17.1%</i>	<i>-3.1pp</i>
Sales and marketing costs	32.1	32.0	0.3%
Administrative expenses	27.0	26.7	1.1%
Operating profit	45.5	60.7	-25.0%
<i>Operating profit margin</i>	<i>6.1%</i>	<i>8.7%</i>	<i>-2.6pp</i>
Net financials	5.8	-2.0	n.a.
Profit before tax	51.3	58.7	-12.5%
Tax	11.1	12.9	-13.7%
<i>Effective tax rate</i>	<i>21.6%</i>	<i>21.9%</i>	<i>-0.3pp</i>
Net profit	40.2	45.8	-12.2%

Revenue growth of 7.4% in Q1 2018 was driven by an increase in the international life sciences and finance customer groups of 73% (organic 27%) and 28%, respectively.

Cost of goods sold increased by 12% in Q1 2019 due to new customers such as STARK, AP Pension, SDC as well as higher project activity.

Gross profit margin declined by 3.1pp to 13.9% primarily due to lower margins on service level agreements and projects to the Novo Nordisk Group and public customer group.

Sales and marketing costs and administrative expenses were unchanged compared to the same period last year.

Operating profit margin declined by 2.6pp to 6.1% in Q1 2019 compared to 8.7% in Q1 2018 due to the above mentioned reasons.

Net financials increased by DKK 7.8m mainly due to higher gains on cash flow hedges.

Effective tax rate decreased 0.3pp in Q1 2019 due to deviations in foreign subsidiaries tax rates.

Life Sciences

DKKm	Q1 2019	Q1 2018	Change	2018
Novo Nordisk Group	258.8	256.1	1.1%	1,124.2
Life sciences international	77.4	44.8	72.7%	211.7
Life sciences Denmark	53.7	54.4	-1.2%	221.7
Revenue	390.0	355.3	9.7%	1,557.6
Cost of goods sold	303.8	256.8	18.3%	1,148.6
Gross profit	86.2	98.6	-12.6%	408.9
<i>Gross profit margin</i>	22.1%	27.7%	-5.6pp	26.3%
Allocated costs	33.6	32.4	3.7%	128.8
Operating profit	52.6	66.2	-20.6%	280.2
<i>Operating profit margin</i>	13.5%	18.6%	-5.1pp	18.0%

Revenue increased by 9.7% in Q1 2019:

- Novo Nordisk Group increased by 1.1% in Q1 2019 compared to the same period last year
- Life sciences international increased by 73% in Q1 2019 compared to the same period last year driven by the contribution from the Valiance acquisition with impact from November 2018 and increased project activity. Organic growth in Q1 2019 was 27%
- Danish life sciences declined with 1.2% in Q1 2019 compared to Q1 2018

Gross profit margin decreased 5.6pp to 22.1% in Q1 2019:

- The decrease was due to lower margins on service level agreements and cost overruns on projects for the Novo Nordisk Group as well as PPA and acquisition related costs

Private & Public

DKKm	Q1 2019	Q1 2018	Change	2018
Enterprise	198.2	187.3	5.9%	793.8
Public	89.5	99.4	-9.9%	399.2
Finance	72.3	56.6	27.9%	256.6
Revenue	360.1	343.2	4.9%	1,449.6
Cost of goods sold	341.7	321.9	6.1%	1,317.3
Gross profit	18.4	21.3	-13.6%	132.3
<i>Gross profit margin</i>	<i>5.1%</i>	<i>6.2%</i>	<i>-1.1pp</i>	<i>9.1%</i>
Allocated costs	25.4	26.7	-4.9%	105.0
Operating profit	-7.0	-5.5	-29.1%	27.2
<i>Operating profit margin</i>	<i>-2.0%</i>	<i>-1.6%</i>	<i>-0.4pp</i>	<i>1.9%</i>

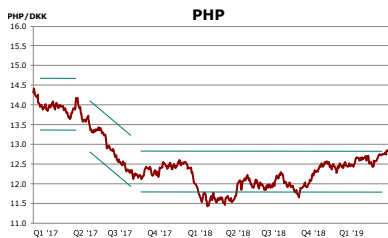
Revenue increased by 4.9% in Q1 2019:

- Enterprise clients increased by 5.9% in Q1 2019 compared to the same period last year driven by the new STARK contract which was included in the numbers from March 2018 and a number of smaller clients
- Public clients decreased by DKK 10% in Q1 2019 compared to Q1 2018 mainly due to lower scope on the extended contract with DSB agreement
- Finance clients increased by 28% in Q1 2019 compared to Q1 2018 mainly due to expansion of service level agreements with existing customers and the new contracts with AP Pension and SDC

Gross profit margin decreased 1.1pp to 5.1% in Q1 2019:

- Please note the Q1 margins normally lower than full year margins and in 2018 full year gross profit margin was 9.1% and operating profit margin was 1.9%
- The low operating profit margin in the private & public segment is not satisfactory and we strive to improve margins through further automation, off-shoring and higher efficiency in our project execution

Currency development and hedging



CNY, PHP, USD and EUR have appreciated versus DKK in Q1 2018, whereas CHF and CZK are fairly stable.

In Q1 2019, our operating profit margin headwind was 0.2pp compared to Q1 2018 exchange rates primarily due to the appreciation of CNY.

In 2019, we see currency headwind on operating profits from the 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 28 million	-
CNY	DKK -22 million	14
CZK	DKK -13 million	14
PHP	DKK -7 million	14
USD	DKK 4 million	-
CHF	DKK 1 million	-

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

*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	Q1 2019	Q1 2018	Change
Currency hedge gains	6.8	0.8	6.0
Currency gains (losses)	2.3	-0.1	2.4
Total currency related items	9.1	0.7	8.4
Interest expense from leases	-2.1	-1.9	-0.2
Interests and bank charges*	-1.2	-0.8	-0.4
Total interests and bank charges	-3.3	-2.7	-0.2
Net financials	5.8	-2.0	8.2

* Includes fees to banks in relation to being a public listed company and interesting from leasing liabilities

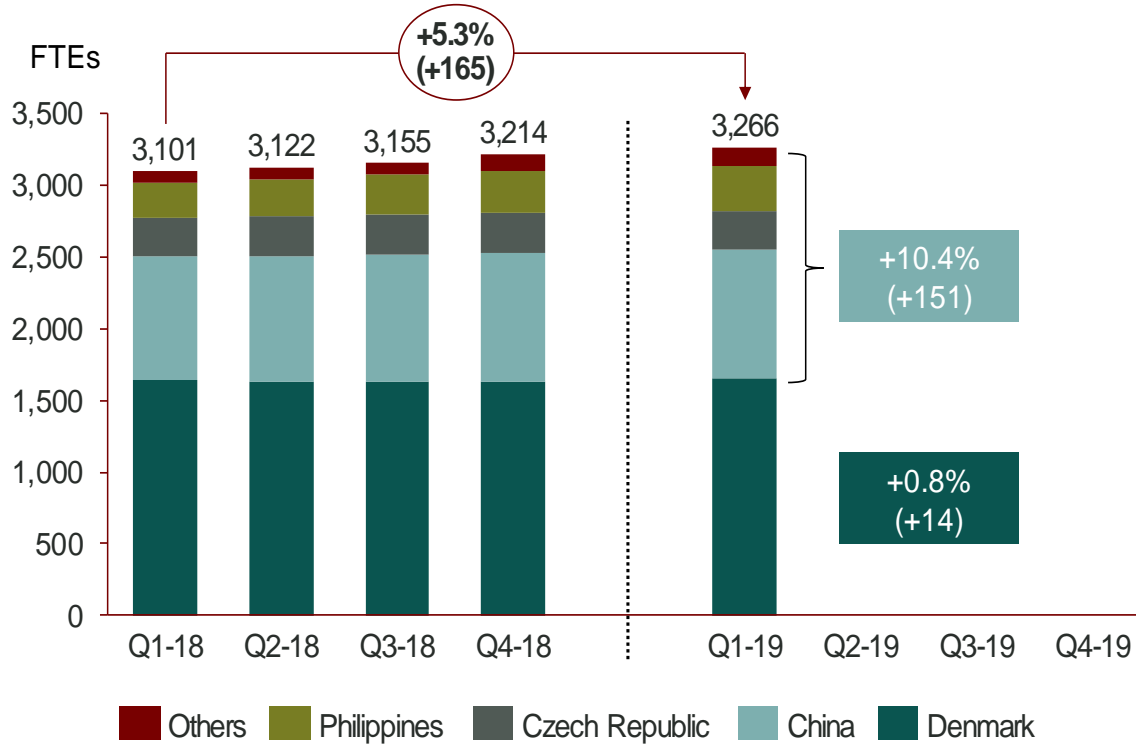
Total Currency hedges DKKm	Q1 2019	Q1 2018	Change
Currency hedge gains/loss in P&L	6.8	0.8	6.0
Currency hedge gains on Equity	13.7	7.7	5.9
Total currency hedge gains	20.5	8.5	12.0

Net financials for Q1 2019 were DKK 5.8m, which was an improvement of DKK 7.8m compared to Q1 2018.

This was due to:

- Gains on currency hedges (DKK 6.8m) compared to Q1 2018 (DKK 0.8m)
- Currency gains

Employee development



Number of employees increased by 5.3% to 3,266 FTE at the end of Q1 2019. This increase was primarily driven by Philippines (75 FTEs) and China (34 FTEs) in-line with the long-term offshoring strategy.

Growth outside Denmark was 151 FTE (10%) with the Philippines and China as the main contributors.

Employees in Denmark increased by 0.8%.

Share of employees in low cost countries was 45.4% end Q1 2019 compared to 44.3% end Q1 2018.

Balance sheet

Assets DKKm	31 Mar 2019	31 Mar 2018
Intangible assets ¹	430.9	210.0
Tangible assets	594.9	588.2
Lease assets	364.4	352.5
Contract assets	106.3	97.6
Deferred tax	39.5	57.8
Deposits	32.9	32.8
Total non-current assets	1,568.9	1,338.8
Inventories	1.8	1.7
Contract assets	49.9	76.0
Trade receivables	482.5	451.2
Work in progress ²	180.1	77.6
Other receivables and pre-payments	179.9	150.7
Tax receivables	14.6	10.7
Derivative financial instruments	18.7	7.7
Cash and cash equivalents	76.7	7.2
Total Current assets	1,004.2	782.7
Total assets	2,573.1	2,121.5

Notes

¹ Intangible assets increased by DKK 221m mainly due goodwill from acquisitions.

² Work in progress increased by DKK 103m due to a few large projects with the Novo Nordisk Group and STARK.

³ Contingent considerations increased by DKK 60m related to earn-out regarding acquisitions.

⁴ Contract assets decreases by DKK 49m due to progress in operation contract which included up-front payment for transition projects.

⁵ Other current liabilities decreased by DKK 24m due to a lower level of accrued expenses

Equity and liabilities DKKm	31 Mar 2019	31 Mar 2018
Share capital	250.0	250.0
Treasury shares	-4.1	-4.7
Retained earnings	802.0	672.1
Other reserves	20.2	11.2
Total equity	1,068.1	928.6
Lease liability	297.4	281.9
Deferred tax	3.6	0.0
Employee benefit obligation	16.7	15.7
Contingent consideration ³	113.9	54.3
Provisions	24.5	24.5
Total non-current liabilities	456.2	376.4
Prepayments received, contract assets ⁴	77.5	126.3
Prepayments received, work in progress	92.5	108.6
Lease liability	78.4	80.6
Bank overdraft	330.8	0.0
Trade payables	146.1	166.4
Employee cost payable	214.8	201.4
Tax payables	3.9	4.6
Other current liabilities ⁵	103.7	128.1
Derivative financial instruments	0.7	0.4
Provisions	0.3	0.2
Total current liabilities	1,048.8	816.5
Total equity and liabilities	2,573.1	2,121.5

Cash flows

Cash flow DKKm	Q1 2019	Q1 2018	Change
Net profit for the period	40.2	45.8	-5.6
Reversal of non-cash items	82.0	79.6	2.4
Net interest and taxes paid	-31.9	-35.2	3.3
Changes in working capital	-64.2	82.2	-146.5
Cash flow from operating activities	26.2	172.5	-146.3
Capitalization of intangible assets	-3.8	-1.1	-2.7
Purchase of tangible assets	-37.0	-52.0	15.0
Change in trade payables related to investments	-16.0	23.6	-39.6
Dividends received	0.0	0.3	-0.3
Sales/(purchase) of shares (net)	0.0	0.1	-0.1
Payment of deposits	-0.1	-0.1	0.0
Acquisition of subsidiary	2.4	0.0	2.4
Cash flow from investing activities	-54.5	-29.2	-25.3
Dividends paid	-63.9	-56.4	-7.5
Purchase of treasury shares	-5.0	-37.3	32.3
Installments on lease liabilities	-21.7	-23.4	1.7
Bank overdraft	88.1	-93.2	181.3
Cash flow from financing activities	-2.5	-210.3	181.3
Net cash flow	-30.8	-67.1	9.7
Free cash flow	-28.3	143.2	-171.6

Cash flow from operating activities was DKK 26m in Q1 2019, which was DKK 146m below Q1 2018 due to 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 -55m in Q1 2019 compared to DKK -29m in Q1 2018. The increase relates to timing in investments.

Cash flow from financing activities was DKK -3m in Q1 2019 compared to DKK -210m in Q1 2018.

Free cash flow was DKK -28m in Q1 2019, which was DKK 132m below Q1 2018 mainly due to the above mentioned reasons.

Outlook

	2019	Previous guidance
Revenue growth	Constant currencies: 3-6% Reported currencies: 0.7pp higher	Constant currencies: 3-6% Reported currencies: 0.3pp higher
Operating profit margin	Constant currencies: 8-9% Reported currencies: 0.4pp lower	Constant currencies: 10-10.5% Reported currencies: 0.1pp 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

- Revenue growth of 7.4% in Q1 2019 driven by growth in the international life sciences and finance customer groups of 73% and 28%
- Revenue growth was 11% (7.1% organic) excluding business from Novo Nordisk Group in Q1 2019
- Disappointing operating profit margin of 6.1% in Q1 2019
- Strong growth within international life sciences and finance customer groups in Q1 2019
- Revenue growth guidance for 2019 of 3-6% is maintained
- Operating profit margin decreased from 10-10.5% to 8-9%
- Investment level of 5-7% of revenue is maintained
- Uncertainty regarding revenue from Novo Nordisk should be noted

Investor contact information

Upcoming events

August 14, 2019:

- Interim report for the first six months of 2019

October 24, 2019:

- Interim report for the first nine months of 2019

Investor contact



KLAUS HOSBOND SKOVRUP

Head of Investor Relations

NNIT A/S Østmarken 3A, 2860 Søborg, Denmark
+45 3079 5355
KSKO@NNIT.COM