



First nine  
months 2019

nnIT

# The NNIT Presenting Team



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# Agenda

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**01** Highlights for Q3  
and the first nine months of 2019

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**02** Financial performance

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**03** Balance sheet and cash flow

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**04** Outlook for 2019

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# 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.

# Q3 2019 at a glance

Revenue <b>DKK 763m</b>	Operating profit* <b>DKK 69m</b>	Operating profit margin* <b>9.0%</b>
<b>+4.1%</b> +0.4pp F/X	<b>+3.9%</b> -0.4pp F/X	<b>+0.0pp</b> -0.1pp F/X
Net profit <b>DKK 50m</b>	Order backlog addition <b>DKK 195m</b>	Free cash flow <b>DKK -3m</b>
<b>+3.1%</b>	<b>+19%</b>	<b>DKK -61m</b>

\*Before restructuring cost

# 9M 2019 at a glance

Revenue  
DKK 2,257m

**+3.3%**

+0.5pp F/X

Operating profit\*  
DKK 158m

**-21%**

-1.1pp F/X

Operating profit margin\*  
7.0%

**-2.2pp**

-0.1pp F/X

Net profit  
DKK 125m

**-17%**

Order backlog for 2018  
DKK 2,923m

**+2.7%**

Free cash flow  
DKK -70m

**DKK -186m**

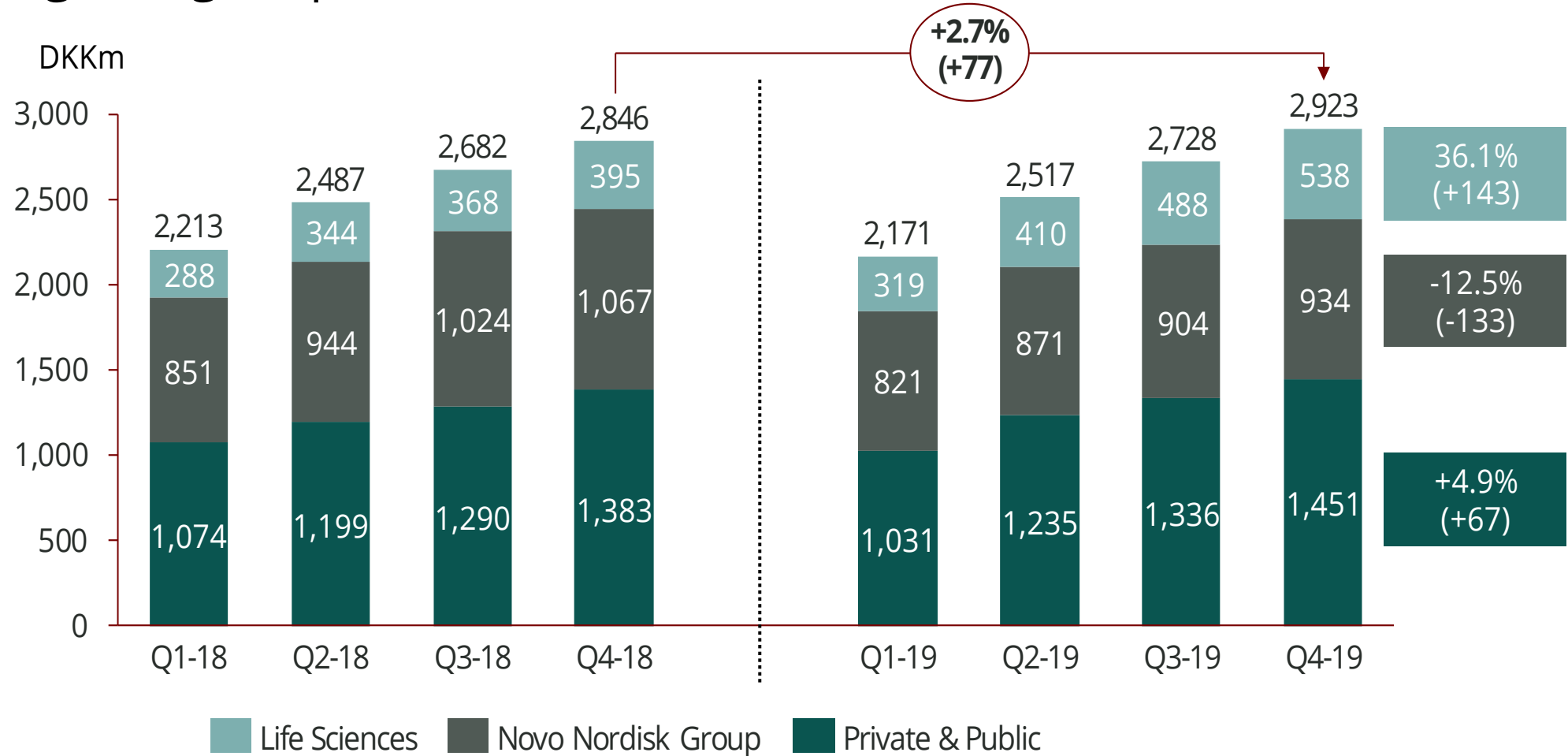
\*Before restructuring cost

# Major wins

	<b>Contract</b>	<b>Segment</b>	<b>Client</b>	<b>Amount (DKK million)</b>	<b>Length (years)</b>
<b>Q3 2019</b>	Operations and development of ERP and CRM systems	Enterprise	Norlys	Around DKK 50m	5
	Expansion of consultancy support	Int. Life Sciences	Existing customer	DKK 25-50m	3
	Cloud server transition project	Public	Existing customer	Single digit DKKm	<1

# Backlog development, current year

Beginning of quarter





# Financial statement Q3 and 9M 2019

DKK million	Q3 2019	Q3 2018	Change	9M 2019	9M 2018	Change
<b>Revenue</b>	763.2	733.2	4.1%	2,256.9	2,184.3	3.3%
Cost of goods sold	636.6	611.7	4.1%	1,925.7	1,808.4	6.5%
<b>Gross profit</b>	<b>126.7</b>	<b>121.5</b>	<b>4.2%</b>	<b>331.1</b>	<b>375.9</b>	<b>-11.9%</b>
<i>Gross profit margin</i>	16.6%	16.6%	0pp	14.7%	17.2%	-2.5pp
Sales and marketing costs	33.3	30.5	9.2%	96.8	97.1	-0.3%
Administrative expenses	24.8	25.0	-1.0%	76.1	77.5	-1.8%
<b>Operating profit before special items*</b>	<b>68.6</b>	<b>66.0</b>	<b>3.9%</b>	<b>158.2</b>	<b>201.2</b>	<b>-21.4%</b>
<i>Operating profit margin before special items*</i>	9.0%	9.0%	0pp	7.0%	9.2%	-2.2pp
Special items*	16.0	0.0	n.a.	16.0	0.0	n.a.
<b>Operating profit</b>	<b>52.5</b>	<b>66.0</b>	<b>-20.4%</b>	<b>142.2</b>	<b>201.2</b>	<b>-29.4%</b>
<i>Operating profit margin</i>	6.9%	9.0%	-2.1pp	6.3%	9.2%	-2.9pp
Net financials	6.9	-0.3	n.a.	11.9	-3.7	n.a.
<b>Profit before tax</b>	<b>59.4</b>	<b>65.7</b>	<b>-9.6%</b>	<b>154.1</b>	<b>197.5</b>	<b>-22.0%</b>
Tax	9.5	17.3	-45.3%	29.5	46.7	-36.7%
<i>Effective tax rate</i>	15.9%	26.3%	-10.4pp	19.2%	23.6%	-4.5pp
<b>Net profit</b>	<b>49.9</b>	<b>48.4</b>	<b>3.1%</b>	<b>124.5</b>	<b>150.8</b>	<b>-17.4%</b>

\*Special items comprises restructuring costs related to the cost restructuring plan

# Financial statement Q3 and 9M 2019

Revenue increase of 4.1% (9M: +3.3%) in Q3 2019 was driven by growth from international life sciences (by 95%), finance (by 20%), Danish life sciences (by 12%) and enterprise (by 6.7%) customers, while the Novo Nordisk Group and public customers declined by 16% and 5.2%, respectively.

Revenue growth was 16% (8.5% organic) excluding business from Novo Nordisk Group in Q3 2019. The share of NNIT's revenue from customers outside the Novo Nordisk Group increased to 71% in Q3 2019 from 64% in Q3 2018.

Gross profit increased by 4.2% (9M: -11.9%) in Q3 2019 in line with the revenue growth leading to an operating profit increase before restructuring costs of 3.9% and an operating profit margin of 9.0% in line with Q3 2018. The better balance between revenue and cost development shows that the cost restructuring plan is progressing with

the first steps taken in Denmark in September and thereby reversing the negative trend from Q1 and Q2 2019.

Sales and marketing costs increased by 9.2% (9M: -0.3%) in Q3 2019 due to increased marketing activities and administrative expenses decreased due to cost reductions.

Operating profit margin before restructuring cost of 9.0% (9M: 7.0%) in Q3 2019 was in line with Q3 2018 due to the above mentioned reasons.

Effective tax rate decreased 10.4pp (9M: 4.5pp) in Q3 2019. Both Q3 2019 and Q3 2018 was affected by adjustments regarding previous years impacting positively and negatively, respectively.

# Life Sciences

DKKm	Q3 2019	Q3 2018	Change	9M 2019	9M 2018	Change
Novo Nordisk Group	223.4	266.6	-16.2%	717.5	801.1	-10.4%
Life sciences international	94.6	48.5	95.3%	262.2	138.6	89.1%
Life sciences Denmark	57.4	51.2	12.2%	166.8	162.0	2.9%
Revenue	375.4	366.3	2.5%	1,146.4	1,101.7	4.1%
Cost of goods sold	296.8	280.5	5.8%	909.0	815.1	11.5%
<b>Gross profit</b>	<b>78.6</b>	<b>85.8</b>	<b>-8.4%</b>	<b>237.4</b>	<b>286.6</b>	<b>-17.2%</b>
<i>Gross profit margin</i>	20.9%	23.4%	-2.5pp	20.7%	26.0%	-5.3pp
Allocated costs	32.4	30.4	6.7%	97.6	96.1	1.6%
<b>Operating profit before special items*</b>	<b>46.1</b>	<b>55.4</b>	<b>-16.8%</b>	<b>139.7</b>	<b>190.5</b>	<b>-26.7%</b>
<i>Operating profit margin before special items*</i>	12.3%	15.1%	-2.8pp	12.2%	17.3%	-5.1pp
Special items*	7.7	0.0	n.a.	7.7	0.0	n.a.
<b>Operating profit</b>	<b>38.4</b>	<b>55.4</b>	<b>-30.6%</b>	<b>132.1</b>	<b>190.5</b>	<b>-30.7%</b>
<i>Operating profit margin</i>	10.2%	15.1%	-4.9pp	11.5%	17.3%	-5.8pp

\*Special items comprises restructuring costs related to the cost restructuring plan

# Life sciences

Revenue increased by 2.5% (9M: 4.1%) in Q3 2019:

- Novo Nordisk Group declined 16% (9M: 10%) in Q3 2019 compared to the same period last year due to a sudden decline in project activity decreasing 29% in Q3 2019 and 25% in 9M 2019
- Life sciences international increased by 95% (9M: 89%) in Q3 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 Q3 2019 was 19%
- Danish life sciences increased by 12% (9M: 2.9%) in Q3 2019 compared to Q2 2018 mainly due to higher project activity with existing customers and favorable comparison figures in Q3 2018

Gross profit margin decreased 2.5pp to 20.9% (9M: 20.7%) in Q3 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. It has not been possible to reduce costs fast enough to counter lower prices and decline in project revenue

# Private & Public

DKKm	Q3 2019	Q3 2018	Change	9M 2019	9M 2018	Change
Enterprise	211.6	198.3	6.7%	599.4	591.7	1.3%
Public	98.0	103.3	-5.2%	283.5	306.6	-7.5%
Finance	78.2	65.4	19.6%	227.6	184.2	23.5%
Revenue	387.8	367.0	5.7%	1,110.5	1,082.5	2.6%
Cost of goods sold	339.7	331.3	2.6%	1,016.7	993.2	2.4%
<b>Gross profit</b>	<b>48.1</b>	<b>35.7</b>	<b>34.7%</b>	<b>93.8</b>	<b>89.3</b>	<b>5.0%</b>
<i>Gross profit margin</i>	12.4%	9.7%	2.7pp	8.4%	8.2%	0.2pp
Allocated costs	25.6	25.1	2.1%	75.3	78.6	-4.2%
<b>Operating profit before special items*</b>	<b>22.5</b>	<b>10.6</b>	<b>111.8%</b>	<b>18.5</b>	<b>10.7</b>	<b>72.6%</b>
<i>Operating profit margin before special items*</i>	5.8%	2.9%	2.9pp	1.7%	1.0%	0.7pp
Special items*	8.4	0.0	n.a.	8.4	0.0	n.a.
<b>Operating profit</b>	<b>14.1</b>	<b>10.6</b>	<b>32.9%</b>	<b>10.1</b>	<b>10.7</b>	<b>-5.6%</b>
<i>Operating profit margin</i>	3.6%	2.9%	0.7pp	0.9%	1.0%	-0.1pp

\*Special items comprises restructuring costs related to the cost restructuring plan

# Private & Public

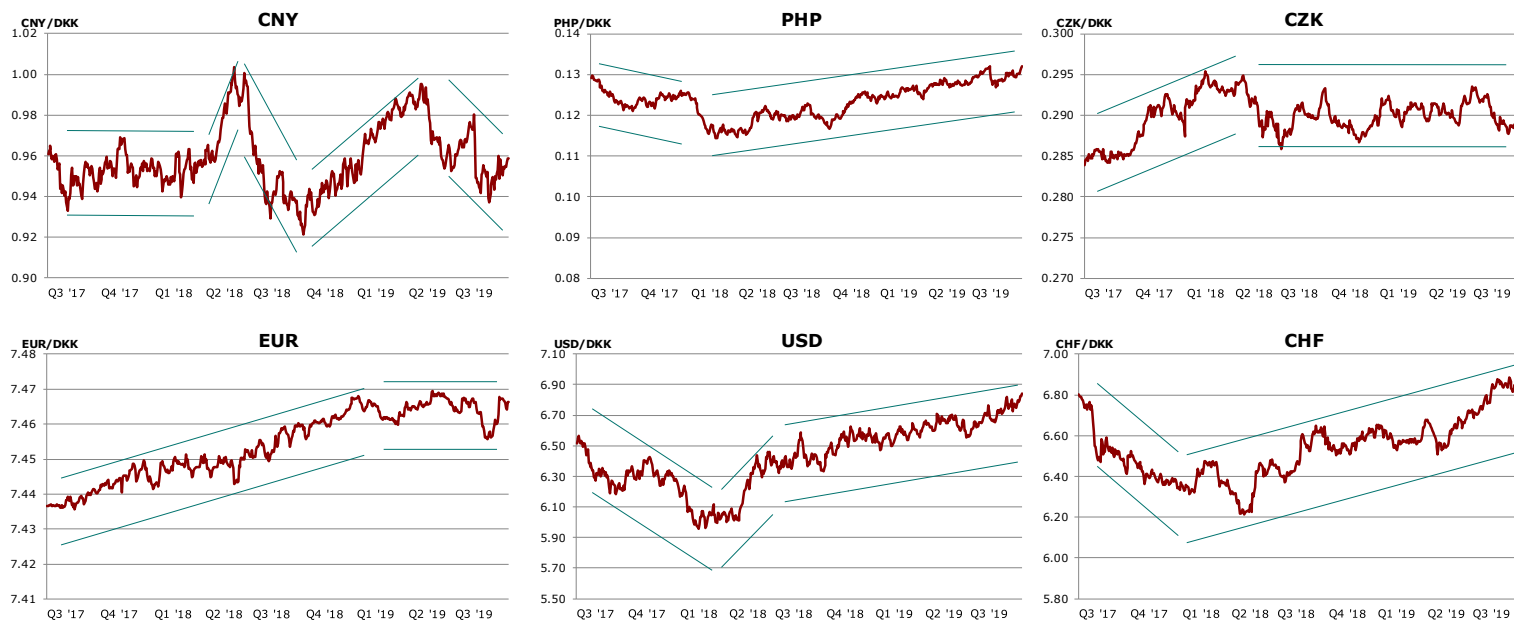
Revenue increased by 5.7% (9M: +2.6%) in Q3 2019:

- Enterprise clients increased by 6.7% (9M: 1.3%) in Q3 2019 driven by GN Hearing and one-off impacts from two customers partly countered by price reductions and lower scope on some of the large enterprise agreements
- Public clients decreased by DKK 5.2% (9M: 7.5%) in Q3 2019 compared to Q2 2018 mainly due to lower scope on the DSB agreement
- Finance clients increased by 20% (9M: 24%) in Q3 2019 mainly due to expansion of service level agreements with existing customers and the new contracts with AP Pension and SDC

Gross profit margin increased 2.7pp to 12.4% (9M: 8.5%) in Q3 2019:

- Positively impacted by the cost restructuring plan in Q3 2019
- Part of this improvement was due to a one-off impact in the enterprise segment related to a settlement with a customer

# Currency development and hedging



USD and CHF have appreciated versus DKK in Q3 2018, whereas the rest are at similar levels as last year.

In Q3 2019, operating profit margin was impacted by headwind of 0.1pp compared to Q3 2018 exchange rates primarily due to the appreciation of USD.

In 2019, currency headwind impacts operating profits mainly due to appreciation of PHP compared to 2018, while the appreciation of USD compared to 2018 gives tailwind.

**Estimated annual impact on NNIT's operating profit of a 10% increase in the outlined currencies against DKK\***

	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 -19 million	14
CZK	DKK -11 million	14
PHP	DKK -8 million	14
USD	DKK 5 million	-
CHF	DKK -0 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	9M 2019	9M 2018	Change
Currency hedge gains	16.3	4.6	11.6
Currency gains (losses)	5.3	1.0	4.4
<b>Total currency related items</b>	<b>21.6</b>	<b>5.6</b>	<b>16.0</b>
Interest expense from leases	-6.2	-5.9	-0.3
Interests and bank charges*	-3.4	-3.4	0.0
<b>Total interests and bank charges</b>	<b>-9.6</b>	<b>-9.3</b>	<b>-0.3</b>
<b>Net financials</b>	<b>11.9</b>	<b>-3.7</b>	<b>15.6</b>

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

Total Currency hedges DKKm	9M 2019	9M 2018	Change
Currency hedge gains/loss in P&L	16.3	4.6	11.6
Currency hedge gains on Equity	8.7	2.4	6.4
<b>Total currency hedge gains</b>	<b>25.0</b>	<b>7.0</b>	<b>18.0</b>

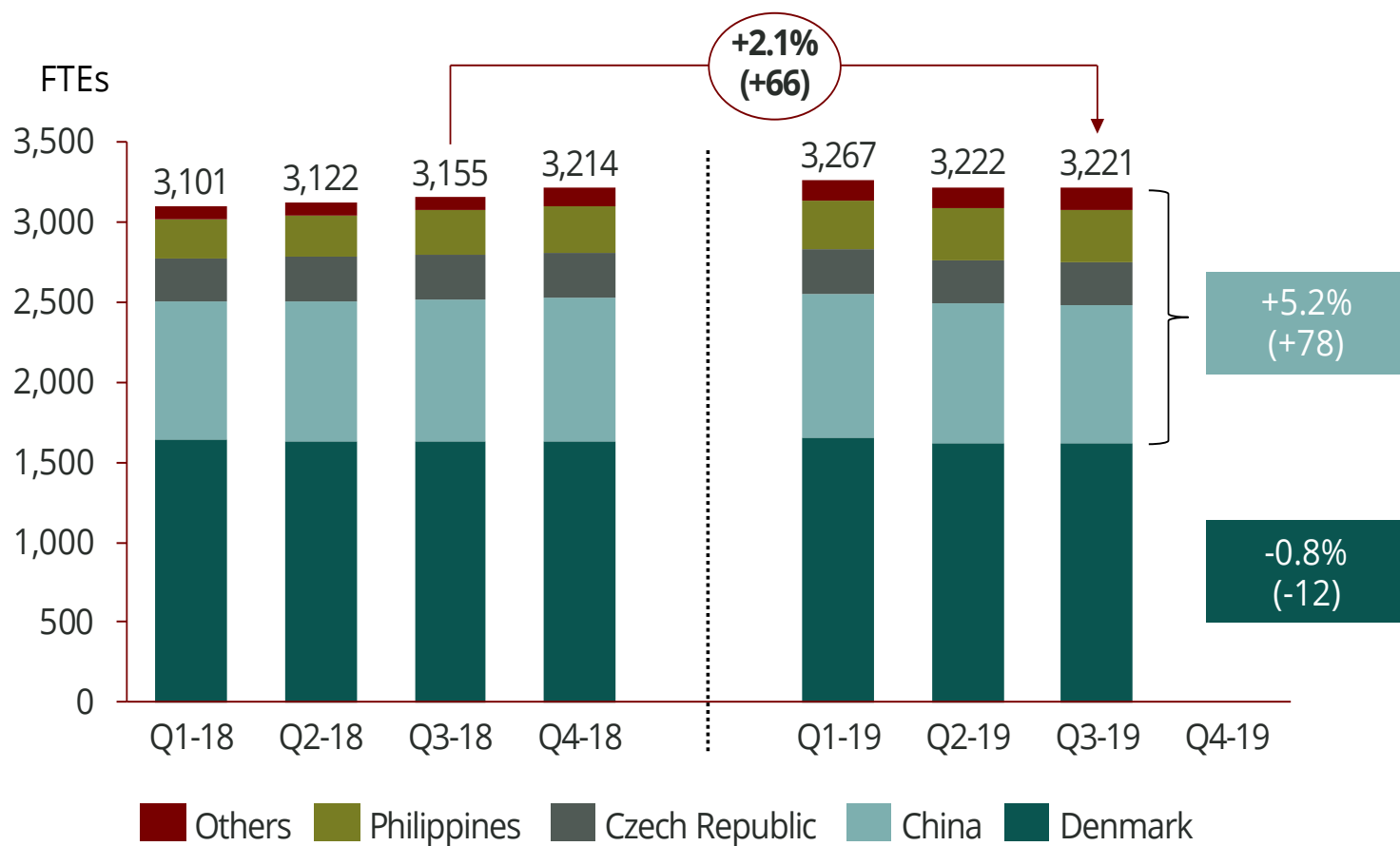
Net financials for 9M 2019 were DKK 11.9m, which was an improvement of DKK 15.6m compared to 9M 2018.

This was due to:

- Gains on currency hedges (DKK 16.3m) compared to 9M 2018 (DKK 4.6m)
- Currency gains



# Employee development



Number of employees increased by 2.1% to 3,221 FTE at the end of Q3 2019. This increase was primarily driven by Philippines (61 FTEs) in-line with the long-term offshoring strategy and the inclusion of Valiance and HGP employees.

Growth outside Denmark was 78 FTE (5.2%) with the Philippines and as the main contributor.

Employees in Denmark decreased by 0.8%.

Share of employees in low cost countries was 45.2% end Q3 2019 compared to 45.6% end Q3 2018. The inclusion of Valiance and HGP decreases the share.

# Balance sheet

Assets DKKm	30 Sep 2019	30 Sep 2018
Intangible assets <sup>1</sup>	525.3	213.0
Tangible assets	606.7	583.8
Lease assets	333.9	344.2
Contract assets	80.5	120.7
Deferred tax	25.1	53.1
Deposits	32.8	32.6
<b>Total non-current assets</b>	<b>1,604.4</b>	<b>1,347.5</b>
Inventories	1.3	1.6
Contract assets	56.8	52.9
Trade receivables <sup>2</sup>	536.7	488.9
Work in progress	143.7	144.3
Other receivables and pre-payments <sup>3</sup>	274.5	162.0
Tax receivables	19.5	0.0
Derivative financial instruments	13.4	4.7
Cash and cash equivalents	100.8	83.6
<b>Total Current assets</b>	<b>1,146.8</b>	<b>937.9</b>
<b>Total assets</b>	<b>2,751.2</b>	<b>2,285.4</b>

## Notes

<sup>1</sup> Intangible assets increased by DKK 312m mainly due goodwill from acquisitions.

<sup>2</sup> Trade receivables increased by DKK 48m due to a settlement with two customers

<sup>3</sup> Other receivables and pre-payments increased by DKK 113m due to a few large projects with the Novo Nordisk Group and inclusion of HGP.

<sup>4</sup> Contingent considerations increased by DKK 83m related to earn-out regarding acquisitions.

<sup>5</sup> Contract assets decreases by DKK 48m due to progress in operation contract which included up-front payment for transition projects and limited new transition projects with payment up-front.

<sup>6</sup> Prepayments received, WiP decreased by DKK 41m due to decrease in prepayments mainly from the Novo Nordisk Group

<sup>7</sup> Other current liabilities increased by DKK 53m due to the inclusion of HGP and hardware resale.

Equity and liabilities DKKm	30 Sep 2019	30 Sep 2018
Share capital	250.0	250.0
Treasury shares	-4.1	-4.6
Retained earnings	838.6	737.4
Other reserves	15.6	7.7
<b>Total equity</b>	<b>1,100.1</b>	<b>990.4</b>
Lease liability	272.0	276.4
Deferred tax	1.7	0.0
Employee benefit obligation	33.6	17.1
Contingent consideration <sup>4</sup>	136.9	54.3
Provisions	24.4	24.7
<b>Total non-current liabilities</b>	<b>468.5</b>	<b>372.5</b>
Prepayments received, contract assets <sup>5</sup>	59.8	107.4
Prepayments received, work in progress <sup>6</sup>	58.3	99.1
Lease liability	75.0	77.8
Bank overdraft	493.0	201.1
Trade payables	82.1	98.5
Employee cost payable	240.6	216.1
Tax payables	14.9	13.5
Other current liabilities <sup>7</sup>	158.3	105.6
Derivative financial instruments	0.6	3.2
Provisions	0.0	0.2
<b>Total current liabilities</b>	<b>1,182.6</b>	<b>922.5</b>
<b>Total equity and liabilities</b>	<b>2,751.2</b>	<b>2,285.4</b>

# Cash flows

Cash flow DKKm	9M 2019	9M 2018	Change
Net profit for the period	124.5	150.8	-26.3
Reversal of non-cash items	256.2	249.0	7.2
Net interest and taxes paid	-39.9	-45.6	5.7
Changes in working capital	-200.1	-147.4	-52.7
<b>Cash flow from operating activities</b>	<b>140.8</b>	<b>206.8</b>	<b>-66.1</b>
Capitalization of intangible assets	-18.5	-10.4	-8.1
Purchase of tangible assets	-117.5	-115.3	-2.2
Change in trade payables related to investments	-9.2	34.8	-44.0
Sales/(purchase) of shares (net)	0.0	0.1	-0.1
Payment of deposits	-0.1	0.0	-0.1
Acquisition of subsidiary	-65.2	0.0	-65.2
<b>Cash flow from investing activities</b>	<b>-210.5</b>	<b>-90.8</b>	<b>-119.7</b>
Dividends paid	-113.1	-105.5	-7.6
Purchase of treasury shares	-5.0	-37.3	32.3
Installments on lease liabilities	-69.2	-72.0	2.9
Bank overdraft	250.3	107.9	142.4
<b>Cash flow from financing activities</b>	<b>63.0</b>	<b>-106.9</b>	<b>142.4</b>
<b>Net cash flow</b>	<b>-6.7</b>	<b>9.0</b>	<b>-43.4</b>
<b>Free cash flow</b>	<b>-69.7</b>	<b>116.0</b>	<b>-185.7</b>

Cash flow from operating activities was DKK 141m in 9M 2019, which was DKK 66m below 9M 2018 due to lower net profit and changes in working capital. Primarily due to other receivables were transformation projects which will be paid over the SLA contract and 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 -211m in 9M 2019 compared to DKK -91m in 9M 2018. The increase relates to the acquisition of HGP and increased investments mainly due to timing of payments.

Cash flow from financing activities was DKK 63m in 9M 2019 compared to DKK -107m in 9M 2018.

Free cash flow was DKK -70m in 9M 2019, which was DKK 186m below 9M 2018 mainly due to the above mentioned reasons.

# Outlook

	2019	Previous guidance
Revenue growth	Low single-digit	Low single-digit
Operating profit margin	Constant currencies: <b>8-9% excl. restructuring costs of DKK 15-25m</b> Reported currencies: 0.2pp lower	Constant currencies: <b>8-9% excl. restructuring costs of DKK 15-25m</b> Reported currencies: 0.2pp lower
Capex	Share of revenue: <b>5-7%<sup>1</sup></b>	Share of revenue: <b>5-7%<sup>1</sup></b>

<sup>1</sup>Investments and re-investments are in 2019 expected to be between 5-7 percent of total revenue

# Closing remarks

- A revenue growth of 4.1% and an operating profit margin of 9.0% before restructuring cost in Q3 2019
- Strong growth within life sciences international (+95%), life sciences Denmark (+12%) and finance (+20%) customer groups in Q3 2019, while the Novo Nordisk Group declined by 16%
- Revenue growth was 16% (8.5% organic) excluding business from Novo Nordisk Group in Q3 2019
- Low single-digit revenue growth guidance is maintained
- Operating profit margin of 8-9% excluding restructuring costs in constant currencies is maintained
- Investment level of 5-7% of revenue is maintained

# Investor contact information

## Upcoming events

### December 4, 2019:

- Danske Bank Vinter Seminar

### January 29, 2020

- Full year report for 2019

### March 5, 2020

- Interim report for the first three months of 2019

### May 6, 2020

- Interim report for the first six months of 2019

## Investor contact



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