



# First nine months 2020

October 29, 2020

nnit

# The NNIT Presenting Team



**PER OVE KOGUT**

Chief Executive Officer



**PERNILLE FABRICIUS**

Chief Financial Officer



**JENS BINGER**

Head of Investor Relations & Treasury

# Agenda

---

**01** Highlights for the first nine months of 2020

---

**02** Financial performance and cost restructuring plan

---

**03** Balance sheet and cash flow

---

**04** 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.

# Q3 update

- COVID-19 continued to impacted NNIT's business in Q3 2020. Projects and tenders was postponed to a higher degree than expected
- NNIT has handled the COVID-19 situation since February 2020. NNIT has a robust global delivery model and is prepared if or when a second wave should course local or global lockdowns
- Project activity, especially in the Private & Public segment, seemed to normalized during Q2, but the recovery hasn't risen to the levels expected in Q3 2020
- The Life Sciences International segment showed more resilience to COVID-19 and continued the growth path with revenue increasing 29% compared to Q3 2019. M&A activities within this segment are still prioritized in 2020

# Q3 2020 at a glance

Revenue  
**DKK 658m**

**-14%**

-0.6pp F/X

Operating profit\*  
**DKK 25m**

**-64%**

+1.2pp F/X

Operating profit margin\*  
**3.8%**

**-5.2pp**

+0.2pp F/X

Net profit  
**DKK 9m**

**-82%**

Free cash flow  
**DKK 7m**

**DKK +10m**

\*Before special items

# First nine month 2020 at a glance

Revenue DKK 2,081m	Operating profit* DKK 110m	Operating profit margin* 5.3%
<b>-7.8%</b> -0.1 pp F/X	<b>-30%</b> -0.2pp F/X	<b>-1.7pp</b> 0.1 pp F/X

Net profit DKK 58m
<b>-53%</b>

Free cash flow DKK 184m
<b>DKK +254m</b>

\*Before special items

# Key contract wins

	Contract	Segment	Client	Amount (DKK million)	Length (years)
Q3 2020 / October 2020	Several agreements within winning solutions SAP, Data&AI, Hybrid Cloud and Veeva	Life Sciences	New and existing customers	Mid double-digit	n.a.
	Service desk operations and monitoring	Enterprise	Copenhagen Airport	Mid double-digit	5
	IT environment, applications and infrastructure carve out agreement	Life Sciences	Orifarm	Low double-digit	1
	IT management consulting to support UFST digital transformation	Public	UFST (The Ministry of Taxation)	Framework agreement	5



# Financial statement Q3 and 9M 2020

DKK million	Q3 2020	Q3 2019	Change	9M 2020	9M 2019	Change
<b>Revenue</b>	658.4	763.2	-13.7%	2,081.4	2,256.9	-7.8%
Cost of goods sold	578.3	636.6	-9.2%	1,804.9	1,925.7	-6.3%
<b>Gross profit</b>	<b>80.1</b>	<b>126.0</b>	<b>-36.4%</b>	<b>276.5</b>	<b>331.1</b>	<b>-16.5%</b>
<i>Gross profit margin</i>	12.2%	16.6%	-4.4pp	13.3%	14.7%	-1.4pp
Sales and marketing costs	31.1	33.3	-6.6%	93.0	96.8	-3.9%
Administrative expenses	24.3	24.8	-2.0%	73.0	76.1	-4.1%
<b>Operating profit before special items*</b>	<b>24.7</b>	<b>67.9</b>	<b>-63.6%</b>	<b>110.5</b>	<b>158.2</b>	<b>-30.2%</b>
<i>Operating profit margin before special items*</i>	3.8%	9.0%	-5.2pp	5.3%	7.0%	-1.7pp
Special items*	5.8	16.0	-63.9%	25.1	16.0	56.3%
<b>Operating profit</b>	<b>18.9</b>	<b>51.9</b>	<b>-63.5%</b>	<b>85.4</b>	<b>142.2</b>	<b>-39.9%</b>
<i>Operating profit margin</i>	2.9%	6.9%	-4pp	4.1%	6.3%	-2.2pp
Net financials	-10.0	7.0	n.a.	-10.0	11.9	n.a.
<b>Profit before tax</b>	<b>8.9</b>	<b>59.0</b>	<b>-84.9%</b>	<b>75.4</b>	<b>154.1</b>	<b>-51.1%</b>
Tax	0.5	9.5	-94.8%	17.2	29.0	-40.7%
<i>Effective tax rate</i>	5.5%	15.9%	-10.4pp	22.8%	18.8%	4pp
<b>Net profit</b>	<b>9.0</b>	<b>49.5</b>	<b>-81.8%</b>	<b>58.2</b>	<b>125.1</b>	<b>-53.5%</b>

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

- Revenue decreased by 14% in Q3 2020 to DKK 658m, mainly impacted by the expected decline from the Novo Nordisk group (-27%) and the enterprise segment (-23%) due to the facing-out of the Pandora outsourcing agreement
- The decline was partly offset by growth in life sciences international and life sciences Denmark of 29% and 3.2% respectively
- The margin was negatively impacted by the declining business with the Novo Nordisk Group and Pandora and as a result of COVID-19. This was partly offset by the cost restructuring program
- Net profit in Q3 2020 was DKK 9m compared to DKK 50m in Q3 2019. Net profit was impacted by lower revenue & business activity and by negative impact from net financials.

# Status on implementation of cost restructuring plan

DKKm	Description of main initiatives	Accumulated cost reductions			Progress Q3 2020
		Cost reductions achieved in 2019	2020	2021	
<b>Utilization</b>	- Increase billable utilization by 4pp - Increase focus on resource management and capacity planning	10	55	75	Project utilization impacted by COVID-19 with an effect of around 2-3pp
<b>Automation</b>	- Further implementation of RPA for internal processes - Scripting of simple operational tasks - Implementation of network automation tools	0	25	45	Progressing according to plan
<b>External expenses</b>	- 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	Progressing according to plan
<b>Staff and other cost reductions</b>	- Reduction of management overhead - Increase of global sourcing within project business - Reduction of staff positions	20	40	40	Progressing according to plan
<b>Total cost reductions</b>		<b>30</b>	<b>150</b>	<b>200</b>	
<b>Special items per year</b>		24	25-30	n/a	

- The business and cost restructuring plan progressed in line with expectations. The automation initiatives set forth in the cost restructuring plan also progressed as expected in order to enable continued high-quality services and stable operation towards the customers.
- In Q3 2020 utilization was still impacted by COVID-19 resulting in a slight underperformance compared to target, but the underlying measures to support the targeted utilization has been implemented and is expected to have full effect when the situation normalizes.

# Life Sciences

DKKm	Q3 2020	Q3 2019	Change	9M 2020	9M 2019	Change
Novo Nordisk Group	163.1	223.4	-27.0%	522.9	717.5	-27.1%
Life sciences international	121.8	94.6	28.8%	320.0	262.2	22.1%
Life sciences Denmark	59.2	57.4	3.2%	194.0	166.8	16.3%
Revenue	344.1	375.4	-8.3%	1,036.9	1,146.4	-9.6%
Cost of goods sold	292.2	296.8	-1.6%	867.0	909.0	-4.6%
<b>Gross profit</b>	<b>52.0</b>	<b>78.0</b>	<b>-33.3%</b>	<b>169.9</b>	<b>237.4</b>	<b>-28.4%</b>
Gross profit margin	15.1%	20.8%	-5.7pp	16.4%	20.7%	-4.3pp
Allocated costs	31.1	32.4	-4.2%	92.2	97.0	-4.9%
<b>Operating profit before special items*</b>	<b>20.9</b>	<b>45.6</b>	<b>-54.1%</b>	<b>77.7</b>	<b>140.4</b>	<b>-44.7%</b>
Operating profit margin before special items*	6.1%	12.1%	-6.1pp	7.5%	12.2%	-4.8pp
Special items*	3.0	7.7	-61.3%	12.1	7.7	58.3%
<b>Operating profit</b>	<b>17.9</b>	<b>37.9</b>	<b>-52.7%</b>	<b>65.5</b>	<b>132.7</b>	<b>-50.6%</b>
Operating profit margin	5.2%	10.1%	-4.9pp	6.3%	11.6%	-5.3pp

\*Special items comprise costs that cannot be attributed directly to NNIT's ordinary activities and are non-recurring of nature.

- Total Life Sciences revenue decreased by 8.3% in Q3 2020 compared to the same period last year due to the expected decline from the Novo Nordisk Group (-27%)
- Life Science international showed strong growth of 29%. In Q3 2020 the Chinese business rebounded and seemed to be less impacted by COVID-19 with revenue at same levels as Q3 2019. Revenue from life sciences Denmark increased by 3.2% in Q3 2020
- In Q3 2020, gross profit margin was 15%, a decrease of 5.7pp compared to Q3 2019. The gross profit decline was due to the loss of the application maintenance agreement and price reductions on the prolonged operations maintenance agreement with the Novo Nordisk Group
- The cost restructuring program has been executed as planned but could not compensate for the significant loss of business from the Novo Nordisk Group

# Private & Public

DKKm	Q3 2020	Q3 2019	Change	9M 2020	9M 2019	Change
Enterprise	164.1	211.6	-22.5%	540.3	600.0	-10.0%
Public	91.2	98.0	-6.9%	303.0	284.0	6.7%
Finance	58.9	78.2	-24.7%	201.0	227.0	-11.5%
Revenue	314.2	387.8	-19.0%	1,044.3	1,111.0	-6.0%
Cost of goods sold	286.1	339.7	-15.8%	937.9	1,016.7	-7.8%
<b>Gross profit</b>	<b>28.1</b>	<b>48.1</b>	<b>-41.5%</b>	<b>106.4</b>	<b>94.3</b>	<b>12.9%</b>
Gross profit margin	8.9%	12.4%	-3.5pp	10.2%	8.5%	1.7pp
Allocated costs	24.3	25.6	-5.2%	74.0	76.0	-2.6%
<b>Operating profit before special items*</b>	<b>3.8</b>	<b>22.5</b>	<b>-83.0%</b>	<b>32.4</b>	<b>18.3</b>	<b>77.3%</b>
Operating profit margin before special items*	1.2%	5.8%	-4.6pp	3.1%	1.6%	1.5pp
Special items*	2.8	8.4	-66.3%	12.9	8.4	54.5%
<b>Operating profit</b>	<b>1.0</b>	<b>14.1</b>	<b>-92.9%</b>	<b>19.4</b>	<b>9.9</b>	<b>96.6%</b>
Operating profit margin	0.3%	3.6%	-3.3pp	1.9%	0.9%	1pp

\*Special items comprise costs that cannot be attributed directly to NNIT's ordinary activities and are non-recurring of nature.

- Revenue from Private & Public customers decreased by 19% in Q3 2020 compared to the same period last year
- Revenue on projects in the private & public segment decreased by 11% and revenue from service level agreements decreased by 25% in Q3 2020 compared to Q3 2019
- In Q3 2020, gross profit margin was 8.9%, a increase of 3.5pp compared to Q3 2019
- The lower gross profit margin in Q3 2020 was driven by loss of the Pandora agreement which could not fully be offset by the positive impact from the cost restructuring program

# Net Financials

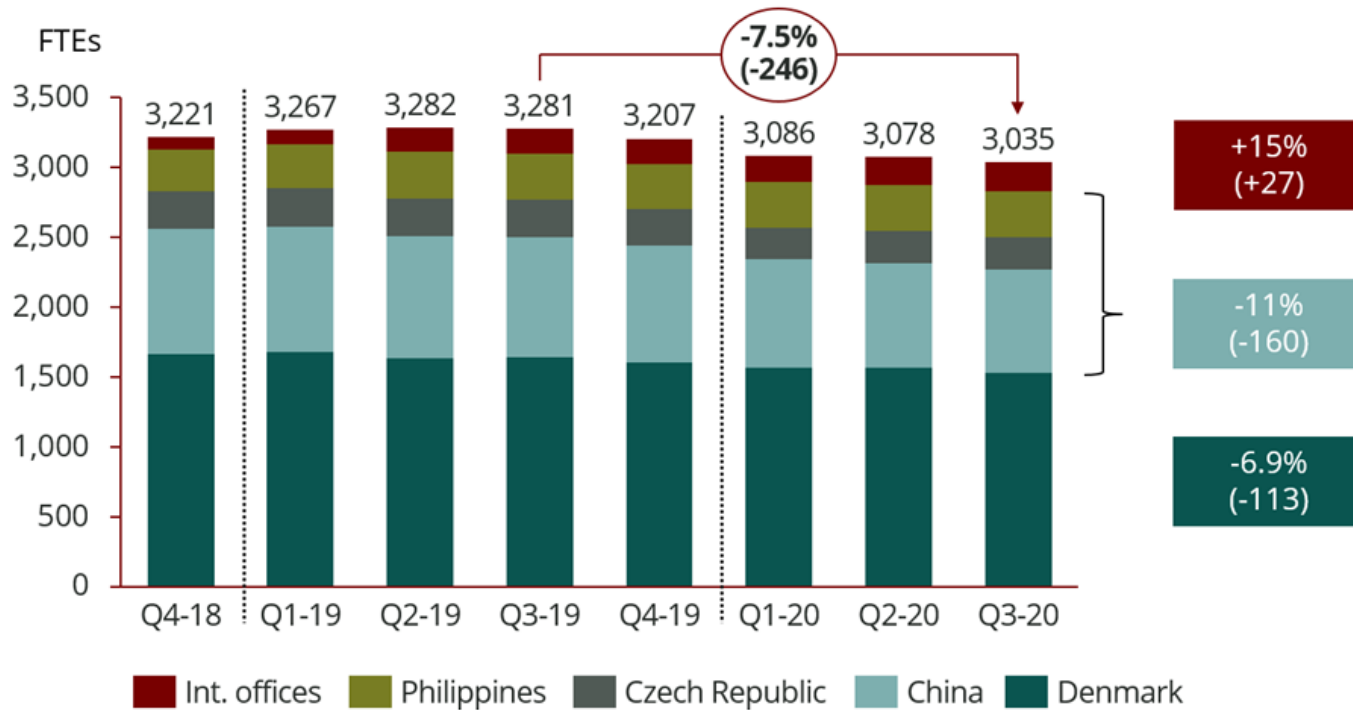
Net financials DKKm	Q3 2020	Q3 2019	Change	9M 2020	9M 2019	Change
Currency hedge gains	1	5	-4	9	16	-7
Currency gains (losses)	-7	5	-11	-7	5	-13
<b>Total currency related items</b>	<b>-6</b>	<b>9</b>	<b>-15</b>	<b>1</b>	<b>22</b>	<b>-20</b>
Interest expense from leases	-2	-2	0	-5	-6	1
Interests and bank charges*	-2	-1	-1	-6	-3	-2
<b>Total interests and bank charges</b>	<b>-4</b>	<b>-3</b>	<b>-1</b>	<b>-11</b>	<b>-10</b>	<b>-1</b>
Earn-out adjustments	0	0	0	0	0	0
<b>Net financials</b>	<b>-9</b>	<b>7</b>	<b>-16</b>	<b>-9</b>	<b>12</b>	<b>-21</b>

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

Total Currency hedges DKKm	Q3 2020	Q3 2019	Change	9M 2020	9M 2019	Change
Currency hedge gains/loss in P&L	1	5	-4	9	16	-7
Currency hedge gains on Equity	-4	9	-13	-4	9	-13
<b>Total currency hedge gains</b>	<b>-4</b>	<b>14</b>	<b>-17</b>	<b>4</b>	<b>25</b>	<b>-21</b>

- Net financials in Q3 2020 were negative with DKK 9m, which is a decrease of DKK 16m compared to Q3 2019
- The negative development in Q3 2020 was mainly due to currency fluctuations where especially USD receivables on the balance sheet in Denmark were negatively impacted

# Employee development



- As a consequence of the cost restructuring program and the loss of business with the Novo Nordisk Group and Pandora the number of employees decreased by 246 FTEs corresponding to -7.5% compared to the same time last year
- The decrease was driven by China (-117 FTEs), Denmark (-113 FTEs) and Czech (-40 FTEs) while FTEs in our international offices (excluding outsourcing centers) increased by 27 FTEs in order to support the strong growth in international life sciences
- Share of employees in low cost countries was 43% end Q3 2020 compared to 44% end Q3 2019. The development is a consequence of growth in the life sciences international segment and reduction of FTEs mainly in China and Czech due to the loss of the application maintenance agreement with the Novo Nordisk Group

# Balance sheet

<b>Assets</b>	<b>Sep 30, 2020</b>	<b>Sep 30, 2019</b>	<b>Dec 31, 2019</b>
<b>DKK million</b>			
Intangible assets	519	525	524
Tangible assets	558	607	576
Lease assets	245	334	316
Contract assets	60	80	69
Deferred tax	25	25	32
Deposits	32	33	34
<b>Total non-current assets</b>	<b>1,439</b>	<b>1,604</b>	<b>1,551</b>
Inventories	2	1	2
Contract assets	38	57	53
Trade receivables	475	601	627
Work in progress	199	144	140
Other receivables	23	117	11
Pre-payments	93	93	84
Tax receivable	32	20	11
Derivative financial instruments	3	13	12
Cash and cash equivalents	150	101	122
<b>Total current assets</b>	<b>1,015</b>	<b>1,147</b>	<b>1,062</b>
<b>Total assets</b>	<b>2,454</b>	<b>2,751</b>	<b>2,613</b>

<b>Equity and liabilities</b>	<b>Sep 30, 2020</b>	<b>Sep 30, 2019</b>	<b>Dec 31, 2019</b>
<b>DKK million</b>			
Share capital	250	250	250
Treasury shares	(3)	(4)	(4)
Retained earnings	888	839	860
Other reserves	(1)	15	14
Proposed dividends	0	0	49
<b>Total equity</b>	<b>1,134</b>	<b>1,100</b>	<b>1,169</b>
Leasing liability	183	272	236
Deferred tax	0	2	0
Employee benefit obligation	144	34	82
Contingent consideration (earn out)	42	137	43
Provisions	24	24	28
Long term loan	19	0	28
Bank overdraft	250	493	231
<b>Total non-current liabilities</b>	<b>662</b>	<b>962</b>	<b>648</b>
Prepayments received, contract assets	18	60	42
Prepayments received, work in progress	47	58	98
Leasing liability	76	75	90
Trade payables	81	82	88
Employee cost payable	94	240	228
Tax payables	4	15	9
Other current liabilities	313	158	155
Derivative financial instruments	7	1	1
Contingent consideration (earn out)	16	0	81
Provisions	2	0	4
<b>Total current liabilities</b>	<b>658</b>	<b>689</b>	<b>796</b>
<b>Total equity and liabilities</b>	<b>2,454</b>	<b>2,751</b>	<b>2,613</b>

- **Employee benefit obligation:** The increase is mainly due to the new employee vacation scheme – Feriefonden
- **Contingent considerations:** The decrease is due to the earn-out payments to Scales and Valiance
- **Other current liabilities:** Postponement of employee tax and VAT as part of the COVID-19 initiatives in Denmark

# Cash flows

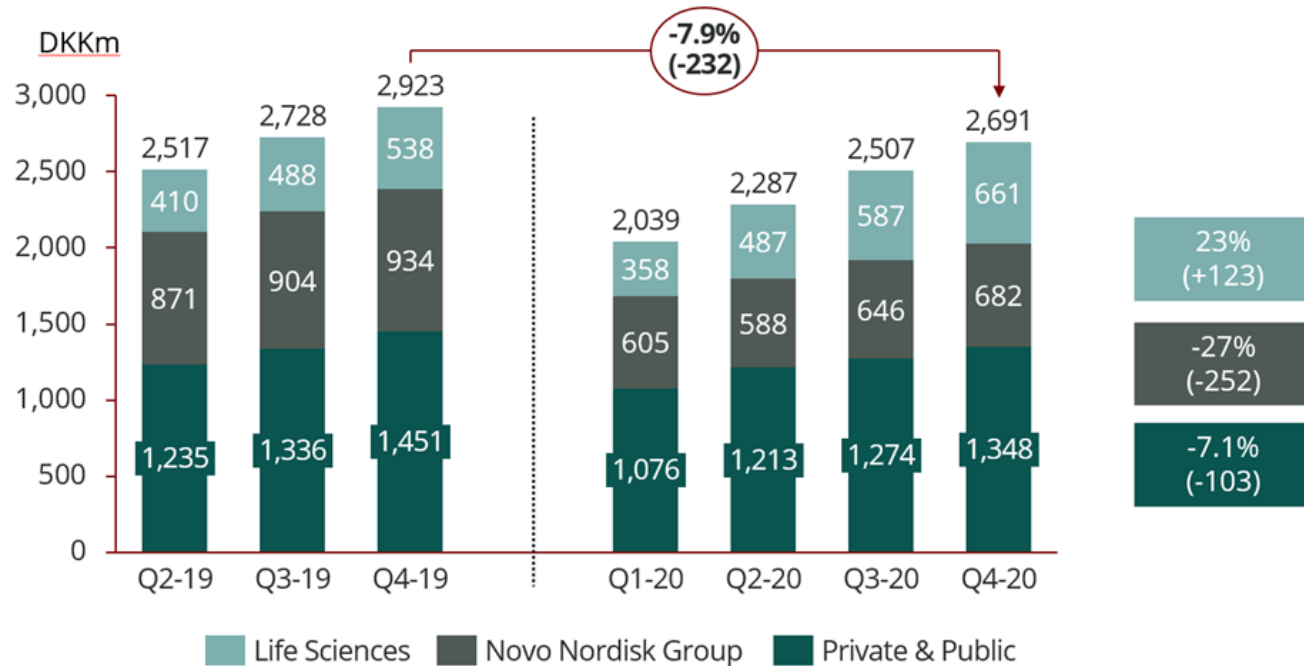
DKK million	Q3 2020	Q3 2019	9M 2020	9M 2019	12M 2019
<b>Net profit for the period</b>	<b>9</b>	<b>50</b>	<b>58</b>	<b>125</b>	<b>183</b>
Reversal of non-cash items	78	89	282	256	439
Interest paid	-3	-3	-11	-10	-16
Income taxes paid	-9	-2	-32	-30	-50
<b>Cash flow before change in working capital</b>	<b>75</b>	<b>134</b>	<b>297</b>	<b>341</b>	<b>556</b>
Changes in working capital	-41	-86	50	-200	-91
<b>Cash flow from operating activities</b>	<b>34</b>	<b>48</b>	<b>347</b>	<b>141</b>	<b>465</b>
Capitalization of intangible assets	-7	-9	-24	-19	-33
Purchase of tangible assets	-25	-44	-70	-118	-135
Change in trade payables related to investments	5	2	-10	-9	1
Payment of deposits	0	0	1	0	0
Acquisition cost refunded	0	0	0	0	2
Acquisition of subsidiary	0	0	0	-65	-58
Payment of earn-out	0	0	-60	0	0
<b>Cash flow from investing activities</b>	<b>-27</b>	<b>-51</b>	<b>-163</b>	<b>-211</b>	<b>-223</b>
Dividends paid	-50	-49	-99	-113	-113
Purchase of treasury shares	0	0	0	-5	-5
Installments on lease liabilities	-21	-23	-68	-69	-93
Long term loan	-8	0	-8	0	-5
Bank overdraft	102	75	19	250	-12
<b>Cash flow from financing activities</b>	<b>23</b>	<b>3</b>	<b>-156</b>	<b>63</b>	<b>-228</b>
<b>Net cash flow</b>	<b>30</b>	<b>0</b>	<b>28</b>	<b>-7</b>	<b>14</b>
<b>Free cash flow</b>	<b>7</b>	<b>-3</b>	<b>184</b>	<b>-70</b>	<b>242</b>

- The free cash flow for Q3 2020 was positive DKK 7m which was DKK 10m above Q3 2019 due to lower investments and an improvement in working capital partly countered by a decrease in net profit for the period and higher income taxes paid on account



# Backlog development, current year

## Beginning of quarter



- At the beginning of Q4 2020, NNIT's order entry backlog for 2020 amounted to DKK 2,691 million, which was a decrease of 7.9% compared to last year
- The backlog from life sciences customers, excluding the Novo Nordisk Group, increased by 23% driven by international life sciences, while the Novo Nordisk Group declined by 27% due to the loss of the large application maintenance contract and a considerable price reduction on the prolonged operation maintenance agreement
- Private & Public decreased by 7.1% mainly due to expiry of the Pandora outsourcing contract and negative impacts from COVID-19

# Outlook

	2020	Previous guidance
<b>Revenue growth</b>	Constant currencies: <b>Around -8%</b> Reported currencies: Around 0.2pp lower	-4% to -8% Around 0.2pp higher
<b>Operating profit margin</b>	Constant currencies: <b>Around 6% excl. special items of DKK 25-30m</b> Reported currencies: Around same level	6-8% excl. special items of DKK 15-25m Around same level
<b>Capex</b>	Share of revenue: <b>5-7%<sup>1</sup></b>	5-7% <sup>1</sup>

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

- COVID-19 continues to impact our business negatively by delaying project work and tenders and we now expect that our performance for 2020 will be at the bottom of previously guided intervals. Hence, our guidance for 2020 is specified as follows assuming no further deterioration in relation to the COVID-19 situation:

# Closing remarks

- NNIT's financial performance for the first nine months of 2020 was below our expectations as project work and tenders has been delayed and postponed to an extend that was not predictable
- Continued solid revenue and order intake growth in life sciences international in all regions
- The guidance for 2020 is narrowed. Due to the continued uncertainty regarding the COVID-19 impact on the 2020 activity level we now expect that our performance for 2020 will be at the bottom of previously guided intervals

# Investor contact information

## Upcoming events

### January 26, 2021

- Deadline for NNIT shareholders to submit resolutions to be considered by the Annual General Meeting

### January 29, 2021

- Annual report 2020

### March 10, 2021

- Annual General Meeting

### May 7, 2021

- Interim report for the first three months of 2021

### August 12, 2021

- Interim report for the first six months of 2021

### November 3, 2021

- Interim report for the first nine months of 2021

## Investor contact



### Jens Binger

Head of Investor Relations

NNIT A/S, Østmarken 3A, 2860 Søborg, Denmark  
+45 3079 9222  
JBLB@NNIT.COM