

**First nine months 2018**

**דוח**

# The NNIT Presenting Team



**PER OVE KOGUT**

Chief Executive Officer



**CARSTEN KROGSGAARD  
THOMSEN**

Chief Financial Officer



**KLAUS HOSBOND SKOVRUP**

Head of Investor Relations

# Agenda

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**01** Highlights for the first nine months of 2018

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**02** Sales and backlog

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**03** Financial performance

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**04** Outlook for 2018

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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 2018 at a glance

Revenue

**DKK 733m**

**+10.8% (5.6%)**

+0.1pp F/X

Operating profit

**DKK 66m**

**+135% (8.1%)**

+2.5pp F/X

Operating profit margin

**9.0%**

**+4.8pp (0.2pp)**

+0.1pp F/X

Net profit

**DKK 48m**

**+109% (-14%)**

Order backlog addition

**DKK 164m**

**+344%**

Free cash flow

**DKK 58m**

**DKK +91m**

*Numbers in (x) are adjusted for the one-off settlement of DKK 33m in Q3 2017*

# First nine months 2018 at a glance

Revenue

**DKK 2,184m**

**+5.4%**

-0.5pp F/X

Operating profit

**DKK 201m**

**+23%**

+3.9pp F/X

Operating profit margin

**9.2%**

**+1.3pp**

+0.3pp F/X

Net profit

**DKK 151m**

**+20%**

Order backlog for 2018

**DKK 2,846m**

**+5.0%**

Free cash flow

**DKK 116m**

**n/a**

# Major contracts renewed

	Contract	Segment	Client	Amount (DKK million)	Length (years)
<b>Q3 2018</b>	Extension and expansion of IT infrastructure collaboration with effect from January 2019 (Press release October 3, 2018)	Finance	PFA	Around half a billion	5
<b>Q2 2018</b>	Extension of IT infrastructure collaboration with effect from January 2019 (Press release June 8, 2018)	Enterprise	Vestas	Not disclosed	5
<b>Q4 2017</b>	Extension of infrastructure outsourcing contract (Press release January 5, 2018)	Enterprise	Arla Foods	Mid-size triple-digit	5
	Extension of regional infrastructure outsourcing contracts with International Operations, Europe and	Novo Nordisk	Novo Nordisk	Minor triple-digit	5
<b>Q2 2017</b>	Global infrastructure agreement (Company announcement 4/2017 5 May)	Life sciences	Novo Nordisk	Around one billion	6

# Valiance - a successful growth engine



15 years of  
experience in the  
market



40% annual  
growth over the  
past three years



On the list of US'  
5000 fastest  
growing  
companies



Supported  
largest pharma  
companies



# Why acquire Valiance?



## Accelerate

NNIT's international growth journey



## Scale

NNIT as a SaaS (i.e. Veeva, SpartaSystems etc.) transformation partner to life sciences



## Strategy

NNIT as a leading IT transformation partner to global life sciences

# Organizing for Digital Innovation

## Stage Gate Approach



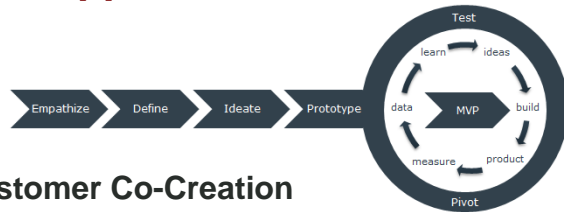
**Business case driven**  
**Order Entry focused (+400m in 2017)**  
**Customer Co-Creation**

## Partner Approach



**Close partnerships driven by joint opportunities**  
**Customer Co-creation**  
**Partner Co-creation**

## BIG Approach



**Customer Co-Creation**  
**Learning (Fail Fast)**  
**Dedication: (\$ - Time – Facilities)**

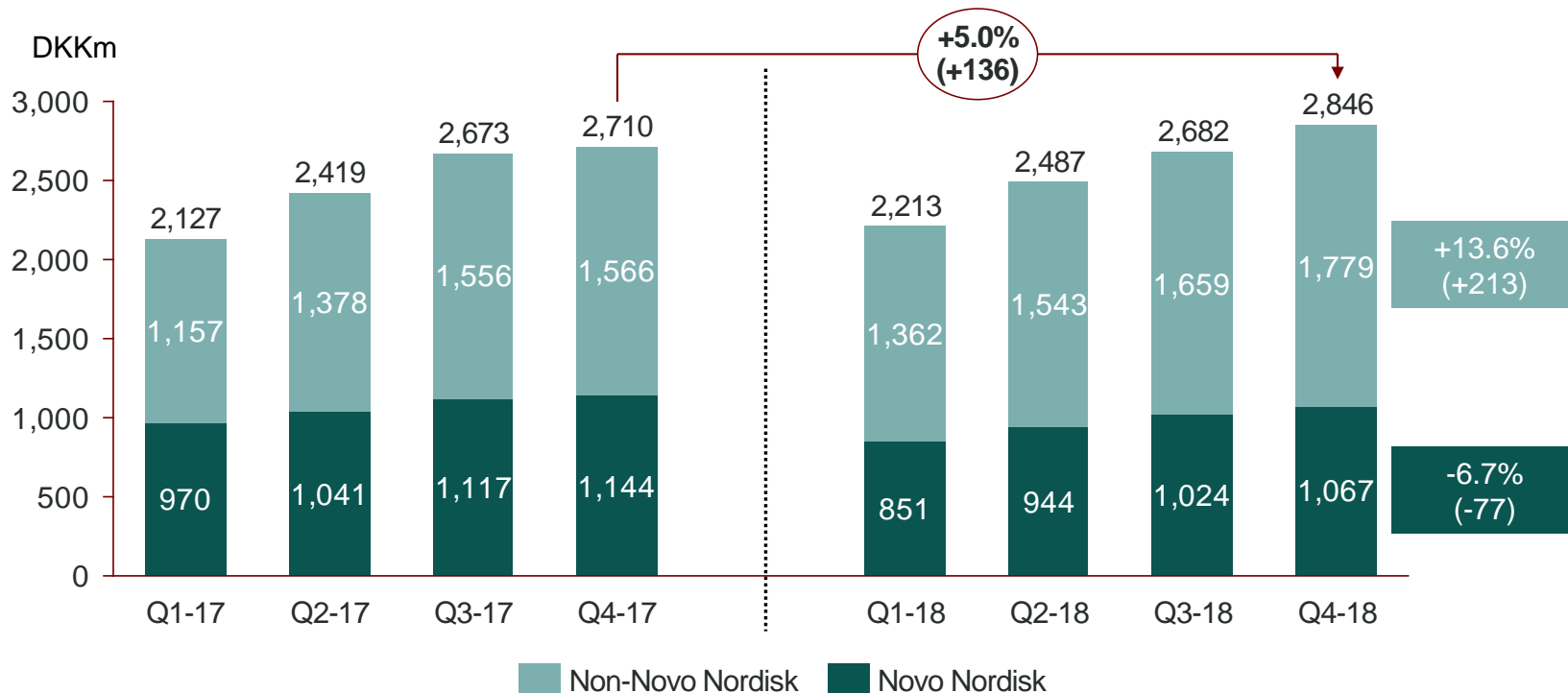
## M&A as Accelerator



**Built-on driven**  
**Fast access to new services**  
**Fast access to capabilities**

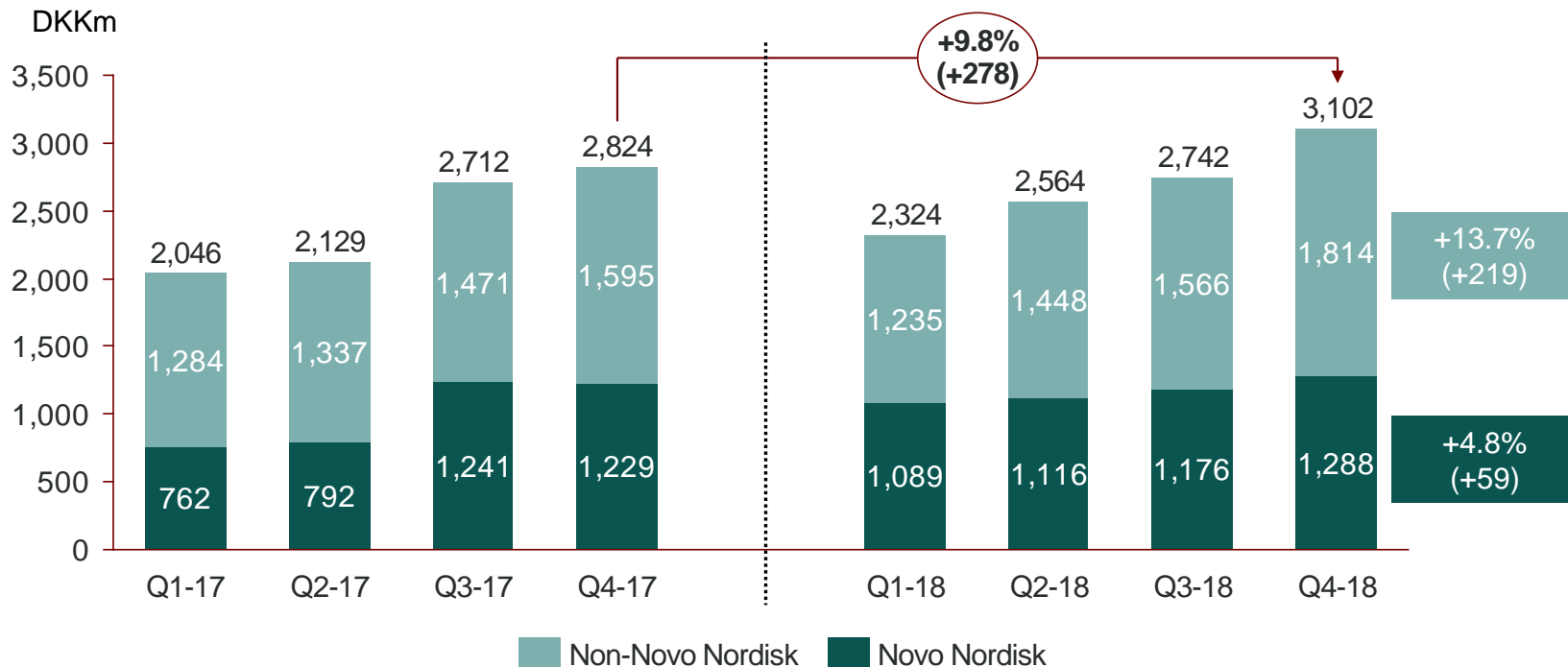
# Backlog development, current year

Beginning of quarter



# Backlog development, following two calendar years

Beginning of quarter



# Financial statement Q3 and 9M 2018

DKK million	Q3 2018	Q3 2017	Change	9M 2018	9M 2017	Change
<b>Revenue</b>	733.2	661.5	10.8%	2,184.3	2,071.7	5.4%
Cost of goods sold	611.7	571.0	7.1%	1,808.4	1,723.5	4.9%
<b>Gross profit</b>	<b>121.5</b>	<b>90.4</b>	<b>34.4%</b>	<b>375.9</b>	<b>348.2</b>	<b>8.0%</b>
<i>Gross profit margin</i>	16.6%	13.7%	2.9pp	17.2%	16.8%	0.4pp
Sales and marketing costs	30.5	33.8	-9.8%	97.1	99.4	-2.2%
Administrative expenses	25.0	28.6	-12.5%	77.5	84.8	-8.5%
<b>Operating profit</b>	<b>66.0</b>	<b>28.0</b>	<b>135.4%</b>	<b>201.2</b>	<b>164.1</b>	<b>22.7%</b>
<i>Operating profit margin</i>	9.0%	4.2%	4.8pp	9.2%	7.9%	1.3pp
Net financials	-0.3	1.3	-120.7%	-3.7	-5.8	35.5%
<b>Profit before tax</b>	<b>65.7</b>	<b>29.4</b>	<b>123.9%</b>	<b>197.5</b>	<b>158.3</b>	<b>24.8%</b>
Tax	17.3	6.2	180.4%	46.7	32.4	44.1%
<i>Effective tax rate</i>	26.3%	21.0%	5.3pp	23.6%	20.5%	3.2pp
<b>Net profit</b>	<b>48.4</b>	<b>23.2</b>	<b>108.9%</b>	<b>150.8</b>	<b>125.9</b>	<b>19.8%</b>

Revenue growth of 10.8% (**9M: 5.4%**) was impacted by a one-off settlement with a customer within IT Solution Services of DKK 33m in Q3 2017. Adjusted for the one-off settlement the growth was 5.6% in Q3 2018 driven by the enterprise, international life sciences, finance and public customer groups.

Cost of goods sold increased by 7.1% in Q3 2018 (**9M: 4.9%**) mainly due to increased manning and costs from the newly established data center which are not yet covered by revenue due to low utilization which is to be expected in the first years of the investment period.

Sales and marketing costs decreased by 9.8% in Q3 2018 (**9M: -2.2%**) due to cost efficiencies and timing of expenses, which are partly countered by the opening of a new sales office in Shanghai earlier in 2018.

Administrative expenses decreased by 12.5% in Q3 2018 (**9M: -8.5%**) due to cost efficiencies and layoffs in staff functions in Q4 2017.

Effective tax rate increased 5.3pp in Q3 2018 (**9M: 3.2pp**) primarily due to an one-off adjustment regarding previous years

# Segment development

DKKm	Q3 2018	Q3 2017	Change	9M 2018	9M 2017	Change
Novo Nordisk Group	266.6	278.9	-4.4%	801.1	866.9	-7.6%
Other Life Sciences	99.6	93.2	6.9%	300.6	279.2	7.7%
Enterprise	198.3	177.5	11.7%	591.7	493.0	20.0%
Public	103.3	57.1	80.9%	306.6	238.9	28.4%
Finance	65.4	54.8	19.2%	184.2	193.7	-4.9%
<b>Total</b>	<b>733.2</b>	<b>661.5</b>	<b>10.8%</b>	<b>2,184.3</b>	<b>2,071.7</b>	<b>5.4%</b>

**Novo Nordisk** revenue decreased by 4.4% in Q3 2018 (**9M: -7.6%**) mainly due to lower project activity, price reductions in major service level agreements.

**Life sciences** revenue outside Novo Nordisk grew by 6.9% in Q3 2018 (**9M: 7.7%**) reflecting an increased activity level especially from a number of international customers. Revenue from Danish life sciences customers was unchanged due to the finalization of several larger projects.

**Enterprise** revenue grew by 12% in Q3 2018 (**9M: 20%**) driven by PANDORA, STARK and a number of IT Solution Services' customers.

**Public** revenue increased by 81% in Q3 2018 (**9M: 28%**) primarily due to a one-off settlement with a customer within IT Solution Services of DKK 33m in Q3 2017. Adjusted for the one-off settlement revenue growth was 15% in Q3 2018 and 13% in 9M 2018 driven by the Danish Tax Agency and the Agency for Digitisation.

**Finance** revenue increased by 19% in Q3 2018 (**9M: -4.9%**) primarily due to expansion of operation agreements with existing customers and an increase in number of projects. 9M 2018 is impacted by customer contract within IT Operation Services, which was not extended when it expired in June 2017.

# IT Operation Services

DKKm	Q3 2018	Q3 2017	Change	9M 2018	9M 2017	Change
<b>Revenue</b>						
Novo Nordisk Group	181.5	192.6	-5.8%	540.6	597.8	-9.6%
Non-Novo Nordisk Group	273.8	245.7	11.4%	798.6	753.6	6.0%
<b>Total</b>	<b>455.3</b>	<b>438.3</b>	<b>3.9%</b>	<b>1,339.2</b>	<b>1,351.4</b>	<b>-0.9%</b>
Costs	413.9	391.1	5.8%	1,222.9	1,209.0	1.2%
<b>Operating profit</b>	<b>41.3</b>	<b>47.2</b>	<b>-12.4%</b>	<b>116.3</b>	<b>142.4</b>	<b>-18.3%</b>
<i>Operating profit margin</i>	<i>9.1%</i>	<i>10.8%</i>	<i>-1.7pp</i>	<i>8.7%</i>	<i>10.5%</i>	<i>-1.9pp</i>

Revenue increased by 3.9% in Q3 2018 (**9M: -0.9%**):

- Customers outside the Novo Nordisk Group increased 11.4% driven by PANDORA, STARK and Danske Bank
- Novo Nordisk Group decreased due to lower project activity and price reductions in major service level agreements

Operating profit margin decreased 1.7pp to 9.1% in Q3 2018 (**9M: -1.9pp to 8.7%**):

- The decrease was mainly due to costs from the newly established data center which are not yet covered by revenue due to low utilization which is to be expected in the first years of the investment period. Further, price reductions in major service level agreements and the declining revenue from the Novo Nordisk Group impacts the operating profit margin negatively

# IT Solution Services

DKKm	Q3 2018	Q3 2017	Change	9M 2018	9M 2017	Change
<b>Revenue</b>						
Novo Nordisk Group	85.1	86.2	-1.3%	260.5	269.1	-3.2%
Non-Novo Nordisk Group	192.9	136.9	40.8%	584.5	451.1	29.6%
<b>Total</b>	<b>278.0</b>	<b>223.2</b>	<b>24.6%</b>	<b>845.1</b>	<b>720.2</b>	<b>17.3%</b>
Costs	253.3	242.3	4.5%	760.1	698.6	8.8%
<b>Operating profit</b>	<b>24.7</b>	<b>-19.1</b>	<b>n.a.</b>	<b>84.9</b>	<b>21.6</b>	<b>292.6%</b>
<i>Operating profit margin</i>	<i>8.9%</i>	<i>-8.6%</i>	<i>17.5pp</i>	<i>10.1%</i>	<i>3.0%</i>	<i>7pp</i>

Revenue increased 25% in Q3 2018 (**9M: 17%**) driven by customers outside the Novo Nordisk Group:

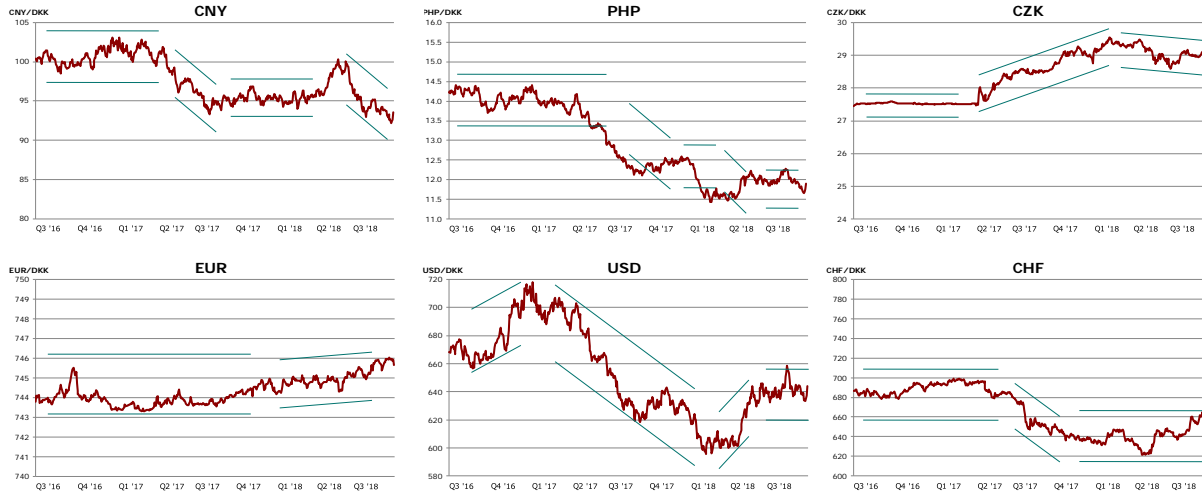
- Customers outside the Novo Nordisk Group was impacted by a one-off settlement with a customer of DKK 33m in Q3 2017. Adjusted for the settlement the growth was 13% mainly driven by STARK, Danish Tax Agency, international life sciences customers and a number of new customers
- Revenue from Novo Nordisk decreased 1.3% due to a decline in project activities

Operating profit margin increased 17.5pp to 8.9% in Q3 2018 (**9M: 7.0pp to 10.1%**):

- The increase was impacted by a one-off settlement with a customer of DKK 33m in Q3 2017. Further, the increase is driven by higher utilization of billable resources



# Currency development and hedging



CNY continues the depreciating trend versus DKK, whereas the rest of the key currencies have found stable levels.

We see currency tailwind on operating profits from the CNY, PHP and USD compared to 2017, while we have currency headwind from CZK compared to 2017.

In 9M 2018, our operating profit margin tailwind was 0.3pp compared to 9M 2017 exchange rates primarily due to the CNY.

**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 -5 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.

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

The sensitivities assume our business develops consistent with our current 2018 business plan.

# Net Financials

Net financials DKKm	9M 2018	9M 2017	Change
Net loss on Novo Nordisk shares*	0.0	0.2	-0.2
Dividends received from Novo Nordisk shares	0.0	0.3	-0.3
<b>Total Novo Nordisk share related items</b>	<b>0.0</b>	<b>0.5</b>	<b>-0.6</b>
Currency hedge gains	4.6	1.4	3.2
Currency losses	1.0	1.0	-0.1
<b>Total currency related items</b>	<b>5.6</b>	<b>2.5</b>	<b>3.1</b>
Interest leasing expense	-5.9	-6.6	0.7
Interests and bank charges**	-3.4	-2.2	-1.2
<b>Total interests and bank charges</b>	<b>-9.3</b>	<b>-8.8</b>	<b>0.7</b>
<b>Net financials</b>	<b>-3.7</b>	<b>-5.8</b>	<b>3.3</b>

\* Market value of Novo Nordisk shares less adjustment of obligation related to long-term incentive programs from previous years.

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

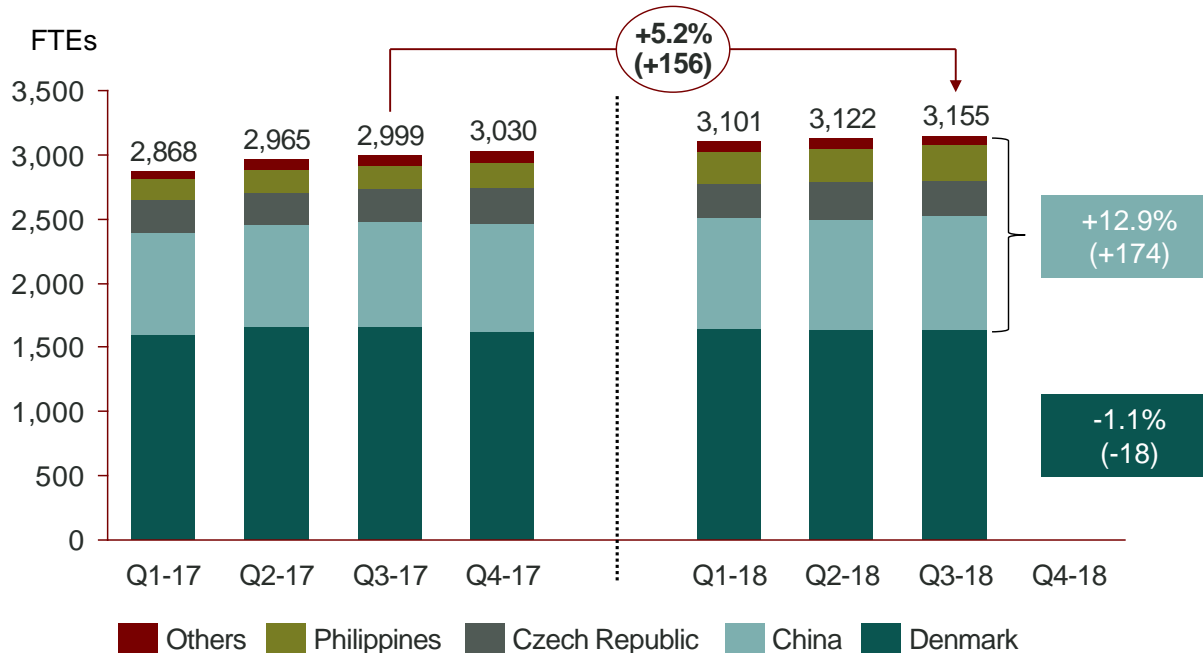
Total Currency hedges DKKm	9M 2018	9M 2017	Change
Currency hedge gains/loss in P&L	4.6	1.4	3.2
Currency hedge gains on Equity	2.4	0.1	2.2
<b>Total currency hedge gains</b>	<b>7.0</b>	<b>1.6</b>	<b>5.4</b>

Net financials for 9M 2018 were DKK -3.7m, which was an improvement of DKK 3.3m compared to 9M 2017.

This was due to:

- Gains on currency hedges (DKK 4.6m) compared to 9M 2017 (DKK 1.4m)

# Employee development



Number of employees increased by 5.2% to 3,155 FTE end of September 2018. This increase was primarily driven by Philippines (92 FTEs), China (66 FTEs) and Czech Republic (23 FTEs) in-line with the long-term offshoring strategy.

Growth outside Denmark was 174 FTE (13%) with the Philippines and China as the main contributors.

Employees in Denmark declined by 1.1% despite the inclusion of around 50 employees taken over from STARK. Excluding the employees from STARK, the underlying decline in Denmark was 4.1%

Share of employees in low cost countries was 45.6% end of September 2018 compared to 42.0% end September 2017.

# Balance sheet

Assets DKKm	9M 2018	9M 2017
Intangible assets	213.0	207.2
Tangible assets	928.0	914.9
Contract assets	120.7	94.9
Deferred tax	53.1	61.9
Deposits	32.6	32.5
<b>Total non-current assets</b>	<b>1,347.5</b>	<b>1,311.5</b>
Inventories	1.6	1.7
Trade receivables	488.9	496.5
Work in progress <sup>1</sup>	144.3	95.5
Contract assets	52.9	67.1
Other receivables and pre-payments <sup>2</sup>	162.0	181.3
Shares	0.0	12.9
Derivative financial instruments	4.7	3.0
Cash and cash equivalents	83.6	61.4
<b>Total Current assets</b>	<b>937.9</b>	<b>919.5</b>
<b>Total assets</b>	<b>2,285.4</b>	<b>2,231.0</b>

## Notes

<sup>1</sup> Work in progress increased by DKK 49m due to a few large projects with the Novo Nordisk Group and STARK

<sup>2</sup> Other receivables and pre-payments decreased by DKK 19m due to a number of lower prepayments

<sup>3</sup> Leasing liability decreases in line with the repayment of leases which is mainly driven by office buildings

<sup>4</sup> Prepayments received decreased by DKK 77m to DKK 207m mainly due to revenue recognition of transition payments

<sup>5</sup> Employee cost payables decreased by DKK 35m to DKK 216m due a lower level of incentive accruals

<sup>6</sup> Other current liabilities decreased by DKK 30m due to a settlement liability in 9M 2017

Equity and liabilities DKKm	9M 2018	9M 2017
Share capital	250.0	250.0
Treasury shares	-4.6	-6.6
Retained earnings	737.4	640.7
Other reserves	7.7	5.0
<b>Total equity</b>	<b>990.4</b>	<b>889.2</b>
Leasing liability <sup>3</sup>	276.4	314.0
Deferred tax	0.0	0.3
Employee benefit obligation	17.1	18.7
Contingent consideration	54.3	54.3
Provisions	24.7	24.7
<b>Total non-current liabilities</b>	<b>372.5</b>	<b>412.1</b>
Prepayments received <sup>4</sup>	206.5	283.6
Leasing liability	77.8	79.9
Bank overdraft	201.1	67.7
Trade payables	98.5	74.8
Employee cost payable <sup>5</sup>	216.1	250.8
Tax payables	13.5	20.0
Other current liabilities <sup>6</sup>	105.6	135.2
Derivative financial instruments	3.2	3.1
Employee benefit obligation	0.0	14.5
Provisions	0.2	0.0
<b>Total current liabilities</b>	<b>922.5</b>	<b>929.7</b>
<b>Total equity and liabilities</b>	<b>2,285.4</b>	<b>2,231.0</b>

# Cash flows

Cash flow DKKm	9M 2018	9M 2017	Change
Net profit for the period	150.8	125.9	24.9
Reversal of non-cash items	249.0	212.4	36.6
Net interest and taxes paid	-45.6	-51.6	6.0
Changes in working capital	-147.4	26.8	-174.2
<b>Cash flow from operating activities</b>	<b>206.8</b>	<b>313.5</b>	<b>-106.7</b>
Capitalization of intangible assets	-10.4	-3.0	-7.4
Purchase of tangible assets	-115.3	-227.2	111.8
Change in trade payables related to investments	34.8	3.1	
Dividends received	0.0	0.3	-0.3
Sales/(purchase) of shares (net)	0.1	0.0	0.1
Payment of deposits	0.0	-2.9	2.9
Acquisition of subsidiary	0.0	-98.0	98.0
<b>Cash flow from investing activities</b>	<b>-90.8</b>	<b>-327.7</b>	<b>205.1</b>
Dividends paid	-105.5	-102.0	-3.5
Purchase of treasury shares	-37.3	0.0	-37.3
Repayments of lease liability	-72.0	-63.9	-8.1
<b>Cash flow from financing activities</b>	<b>-214.9</b>	<b>-165.9</b>	<b>-8.1</b>
<b>Net cash flow</b>	<b>-98.9</b>	<b>-180.1</b>	<b>90.3</b>
<b>Free cash flow</b>	<b>116.0</b>	<b>-14.2</b>	<b>98.4</b>

Cash flow from operating activities was DKK 207m, which was DKK 107m lower than 9M 2017 due to lower effect from changes in working capital driven by work in progress following a number of transformation projects where invoicing will follow later and less prepayments received from customers.

Cash flow from investing activities was DKK -91m compared to DKK -328m in 9M 2017. The decline relates to last year's investments in the data center and the acquisition of SCALES.

Cash flow from financing activities was DKK -215m compared to DKK -166m in 9M 2017 due purchase of treasury shares to hedge managements long-term incentive programs.

Free cash flow was DKK 116m, which is an improvement of DKK 98m compared to 9M 2017 mainly due to the above mentioned reasons.

# Outlook

	2018	Previous guidance
Revenue growth*	Constant currencies: <b>4-7%</b> Reported currencies: 0.3pp lower	Constant currencies: 4-7% Reported currencies: 0.3pp lower
Operating margin	Constant currencies: <b>10-10.5%</b> Reported currencies: 0.3pp higher	Constant currencies: 10-10.5% Reported currencies: 0.3pp higher
Capex	Share of revenue: <b>5-7%<sup>1</sup></b>	Share of revenue: <b>6-8%<sup>1</sup></b>

*\*The expectations for growth in revenue is based on the restated IFRS 15 revenue of DKK 2,851m and includes additional revenue from Valiance of around DKK 15m corresponding to approximately 0.5pp growth in 2018*

<sup>1</sup>Please note that the acquisition of Valiance Partners is not included as part of our investments / revenue guidance. Investments share of revenue is 0.5pp higher than long-term targets due to some invoices regarding the new data center are first paid in 2018

# Closing remarks

- Revenue growth of 11% in Q3 2018, and 5.6% adjusted for the one-off settlement in Q3 2017
- Operating profit margin of 9.0% in Q3 2018
- Strong growth within international life sciences, enterprise, finance and public customer groups
- Maintained revenue growth guidance of 4-7% for 2018 with the inclusion of Valiance Partners
- Operating profit margin guidance of 10-10.5% is maintained
- Investment level of 5-7% of revenue decreased 1pp
- Assumes that buying pattern of our customers in the fourth quarter follows the normal trend

# Investor contact information

## Upcoming events

### November 22, 2018:

- Økonomisk Ugebrev Seminar

### November 28, 2018:

- SEB IT seminar

### December 4, 2018:

- Danske Bank Copenhagen Winter Seminar

### January 8, 2019:

- SEB Nordic Seminar

### January 30, 2019:

- Financial Statement 2018

## Investor contact



### **KLAUS HOSBOND SKOVRUP**

Head of Investor Relations

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