



# Full year 2020

NNIT A/S

January 29, 2021

**nnit**

# The NNIT Presenting Team



**PER OVE KOGUT**

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Chief Financial Officer



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Head of Investor Relations & Treasury

# Agenda

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**01** Highlights for Q4 2020 and full year 2020

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**02** Financial performance and cost restructuring plan

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**03** Balance sheet and cash flow

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**04** Outlook for 2021

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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.

# Business update

- 2020 was a challenging year with an organization adapting to a revised strategy while struggling with a global pandemic
- NNIT concluded 2020 in-line with the latest financial guidance despite continued impact from COVID-19
- The business and cost restructuring plan has been executed according to plan, resulting in substantial savings and reduction of employees to match the reduced business activity in 2020
- Through 2020, Life Sciences international showed strong performance and realized a growth of 26% compared to 2019
- The strong performance is expected to continue into 2021 based on solid backlog growth, recent announced wins and the acquisition of Excellis
- The execution of the revised strategy continues with growth in Life Sciences, growth in Winning Solutions and continued growth in acquired companies which will benefit the long-term growth and profitability

# Q4 2020 at a glance

Revenue  
**DKK 749m**

**-6.5%**

-0.9pp F/X

Operating profit\*  
**DKK 55m**

**-32%**

-1.2pp F/X

Operating profit margin\*  
**7.3%**

**-2.7pp**

-0.1pp F/X

Net profit  
**DKK 18m**

**-69%**

\*Before special items

# Full year 2020 at a glance

Revenue DKK 2,830m	Operating profit* DKK 165m	Operating profit margin* 5.8%
<b>-7.5%</b> -0.3pp F/X	<b>-31%</b> +0.0pp F/X	<b>-2.0pp</b> +0.0pp F/X
Net profit DKK 76m	Free cash flow DKK 143m	
<b>-59%</b>	<b>DKK -99m</b>	

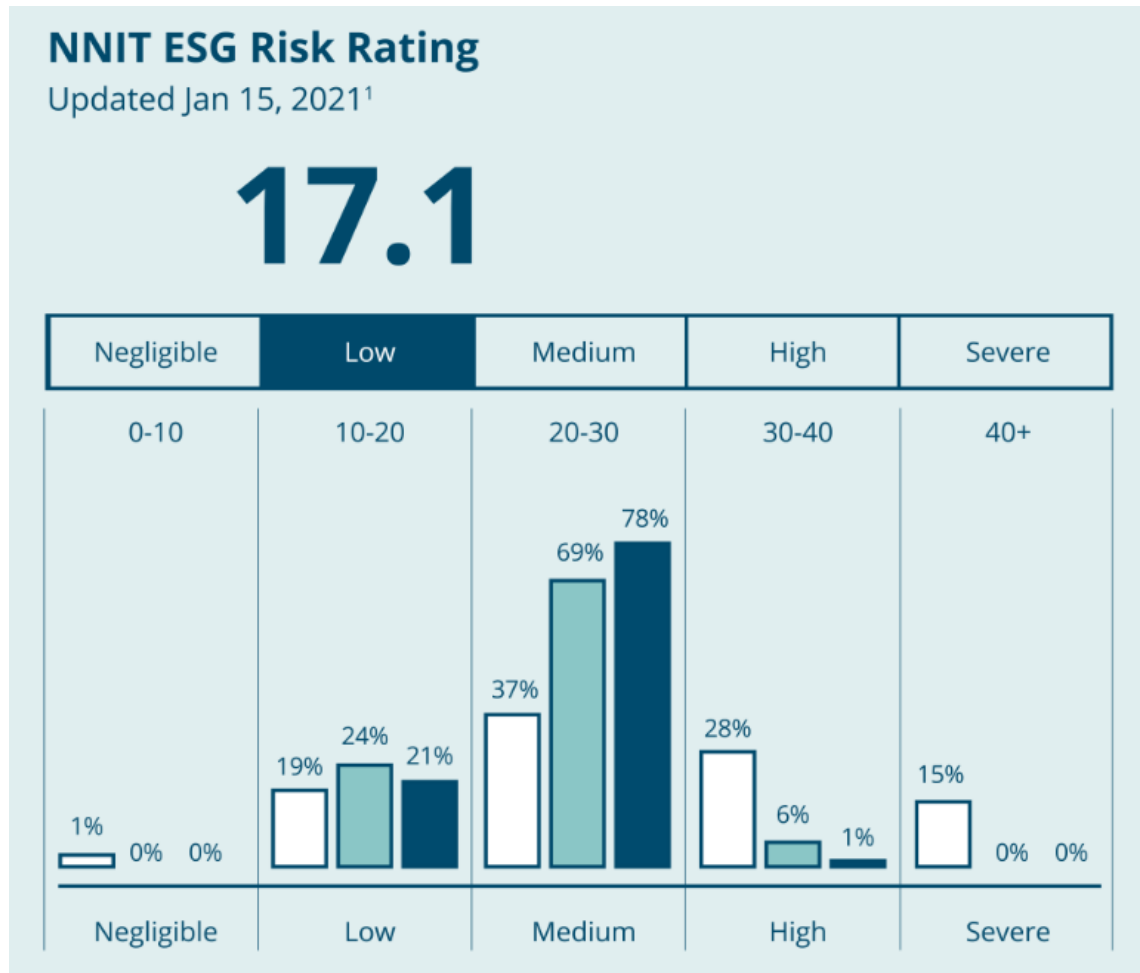
\*Before special items

# Key contract wins

	Contract	Segment	Client	Amount (DKK million)	Length (years)
Q4 2020 / January 2021	Veeva Regulatory Information Management (RIM)	Life Sciences	Global top-10 pharma company	High double-digit	4
	End-to-end IT services including application maintenance and infrastructure operations	Life Sciences	Orifarm	High double-digit	5
	Extension of Veeva Vault Safety implementation related to COVID-19 vaccine development and production	Life Sciences	AstraZeneca	Low double-digit	1
	Re-win of Microsoft Dynamics AX support agreement	Enterprise	Pandora	Mid double-digit	3
	Housing services in NNIT's TierIII data center	Public	Agency for Governmental IT Services	Mid double-digit	5



# Update on ESG principles



- In January 2021, NNIT completed a comprehensive rating process with independent ESG and corporate governance research and rating company Sustainalytics
- NNIT received a low-risk rating confirming NNIT's focus on environmental awareness, social responsibility and strong internal governance
- Both in general and compared to peers in own industry, NNIT is performing very well

# Financial statement Q4 and 2020

DKK million	Q4 2020	Q4 2019	Change	2020	2019	Change
<b>Revenue</b>	749.0	801.0	-6.5%	2,830.0	3,058.0	-7.5%
Cost of goods sold	638.0	657.0	-2.9%	2,443.0	2,583.0	-5.4%
<b>Gross profit</b>	<b>111.0</b>	<b>144.0</b>	<b>-22.9%</b>	<b>387.0</b>	<b>475.0</b>	<b>-18.5%</b>
<i>Gross profit margin</i>	14.8%	18.0%	-3.2pp	13.7%	15.5%	-1.9pp
Sales and marketing costs	34.0	34.0	0.0%	127.0	131.0	-3.1%
Administrative expenses	22.0	29.0	-24.1%	95.0	105.0	-9.5%
<b>Operating profit before special items*</b>	<b>55.0</b>	<b>81.0</b>	<b>-32.1%</b>	<b>165.0</b>	<b>239.0</b>	<b>-31.0%</b>
<i>Operating profit margin before special items*</i>	7.3%	10.1%	-2.8pp	5.8%	7.8%	-2pp
Special items*	18.0	8.0	125.0%	43.0	24.0	79.2%
<b>Operating profit</b>	<b>37.0</b>	<b>73.0</b>	<b>-49.3%</b>	<b>122.0</b>	<b>215.0</b>	<b>-43.3%</b>
<i>Operating profit margin</i>	4.9%	9.1%	-4.2pp	4.3%	7.0%	-2.7pp
Net financials	-10.0	4.0	-350.0%	-20.0	16.0	-225.0%
<b>Profit before tax</b>	<b>27.0</b>	<b>77.0</b>	<b>-64.9%</b>	<b>102.0</b>	<b>231.0</b>	<b>-55.8%</b>
Tax	9.0	19.0	-52.6%	26.0	48.0	-45.8%
<i>Effective tax rate</i>	33.3%	24.7%	8.7pp	25.5%	20.8%	4.7pp
<b>Net profit</b>	<b>18.0</b>	<b>58.0</b>	<b>-69.0%</b>	<b>76.0</b>	<b>183.0</b>	<b>-58.5%</b>

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

- In **Q4 2020**, revenue decreased by 6.5% to DKK 749m. Revenue from Life Sciences international and Life Sciences Denmark increased by 37% and 4.7% respectively but could not offset the expected decline from the Novo Nordisk group (-12%) and from Private & Public (-16%)
- In **2020**, revenue decreased by 7.5% to DKK 2,830m. Revenue from Life Sciences international and Life Sciences Denmark increased by 26% and 14% respectively. As expected, the Novo Nordisk group and Private & Public declined by 23% and 8.7% respectively
- In **Q4 2020** operating profit margin ended at 7.3% compared to 10% in Q4 2019.
- In **2020** operating profit margin ended at 5.8% compared to 7.8% in 2019
- In **Q4 2020** and **2020**, the margin was negatively impacted by the declining business with the Novo Nordisk Group and Pandora and as a result of COVID-19. The impact from the declining business could not fully be offset by the cost restructuring program

# Status on implementation of cost restructuring plan

DKKm	Description of main initiatives	Cost reductions achieved in 2019	Accumulated cost reductions 2020	2021	Progress Q4 2020
<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>	

- The business and cost restructuring plan has progressed in line with expectations during 2020. The automation initiatives have secured a more efficient infrastructure operation with less manual involvement, while both staff- and external costs have been reduced
- In addition, utilization has increased in 2020 when compared to 2019. Utilization and other efficiency measures remain in focus going forward

# Life Sciences

DKKm	Q4 2020	Q4 2019	Change	2020	2019	Change
Novo Nordisk Group	209.0	237.0	-11.8%	732.0	955.0	-23.4%
Life sciences international	136.0	99.0	37.4%	456.0	361.0	26.3%
Life sciences Denmark	67.0	64.0	4.7%	261.0	230.0	13.5%
Revenue	412.0	400.0	3.0%	1,449.0	1,546.0	-6.3%
Cost of goods sold	338.0	303.0	11.6%	1,205.0	1,212.0	-0.6%
<b>Gross profit</b>	<b>74.0</b>	<b>97.0</b>	<b>-23.7%</b>	<b>244.0</b>	<b>334.0</b>	<b>-26.9%</b>
<i>Gross profit margin</i>	<i>18.0%</i>	<i>24.3%</i>	<i>-6.3pp</i>	<i>16.8%</i>	<i>21.6%</i>	<i>-4.8pp</i>
Allocated costs	30.0	34.0	-11.8%	122.0	131.0	-6.9%
<b>Operating profit before special items*</b>	<b>44.0</b>	<b>63.0</b>	<b>-30.2%</b>	<b>122.0</b>	<b>203.0</b>	<b>-39.9%</b>
<i>Operating profit margin before special items*</i>	<i>10.7%</i>	<i>15.8%</i>	<i>-5.1pp</i>	<i>8.4%</i>	<i>13.1%</i>	<i>-4.7pp</i>
Special items*	9.0	4.0	125.0%	22.0	11.0	100.0%
<b>Operating profit</b>	<b>35.0</b>	<b>59.0</b>	<b>-40.7%</b>	<b>101.0</b>	<b>192.0</b>	<b>-47.4%</b>
<i>Operating profit margin</i>	<i>8.5%</i>	<i>14.8%</i>	<i>-6.3pp</i>	<i>7.0%</i>	<i>12.4%</i>	<i>-5.4pp</i>

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

- Total Life Sciences revenue increased by 3.0% compared to Q4 2019 and by 6.3% compared to 2019
- Revenue from Life Science international has showed strong growth throughout 2020 with growth of 37% in **Q4** and 26% in **2020** driven by Veeva related projects, digitalization of clinical trials, Production IT (Manufacturing Execution System) and the acquisition of Excellis
- Revenue from Life Sciences Denmark increased by 4.7% in **Q4 2020** and by 14% in **2020** mainly driven by additional business with existing customers and the new contract win with Orifarm
- Revenue from the Novo Nordisk Group decreased by 12% in **Q4 2020** and by 23% in **2020**. Revenue was as expected significantly impacted by the loss of the large application maintenance agreement and the renewed operation maintenance agreement which both impacted revenue and profitability from January 1, 2020
- As a consequence of the declining business with the Novo Nordisk Group, operating profit margin before special items declined by 5.1pp to 11% in **Q4 2020** and by 4.7pp to 8.4% in **2020**

# Private & Public

DKKm	Q4 2020	Q4 2019	Change	2020	2019	Change
Enterprise	171.0	203.0	-15.8%	712.0	802.0	-11.2%
Public	103.0	109.0	-5.5%	407.0	392.0	3.8%
Finance	62.0	89.0	-30.3%	262.0	318.0	-17.6%
Revenue	336.0	401.0	-16.2%	1,381.0	1,512.0	-8.7%
Cost of goods sold	300.0	354.0	-15.3%	1,238.0	1,371.0	-9.7%
<b>Gross profit</b>	<b>36.0</b>	<b>47.0</b>	<b>-23.4%</b>	<b>143.0</b>	<b>141.0</b>	<b>1.4%</b>
<i>Gross profit margin</i>	<i>10.7%</i>	<i>11.7%</i>	<i>-1pp</i>	<i>10.4%</i>	<i>9.3%</i>	<i>1.1pp</i>
Allocated costs	25.0	29.0	-13.8%	99.0	105.0	-5.7%
<b>Operating profit before special items*</b>	<b>11.0</b>	<b>18.0</b>	<b>-38.9%</b>	<b>43.0</b>	<b>36.0</b>	<b>19.4%</b>
<i>Operating profit margin before special items*</i>	<i>3.3%</i>	<i>4.5%</i>	<i>-1.2pp</i>	<i>3.1%</i>	<i>2.4%</i>	<i>0.7pp</i>
Special items*	9.0	4.0	125.0%	22.0	12.0	83.3%
<b>Operating profit</b>	<b>2.0</b>	<b>14.0</b>	<b>-85.7%</b>	<b>22.0</b>	<b>23.0</b>	<b>-4.3%</b>
<i>Operating profit margin</i>	<i>0.6%</i>	<i>3.5%</i>	<i>-2.9pp</i>	<i>1.6%</i>	<i>1.5%</i>	<i>0.1pp</i>

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

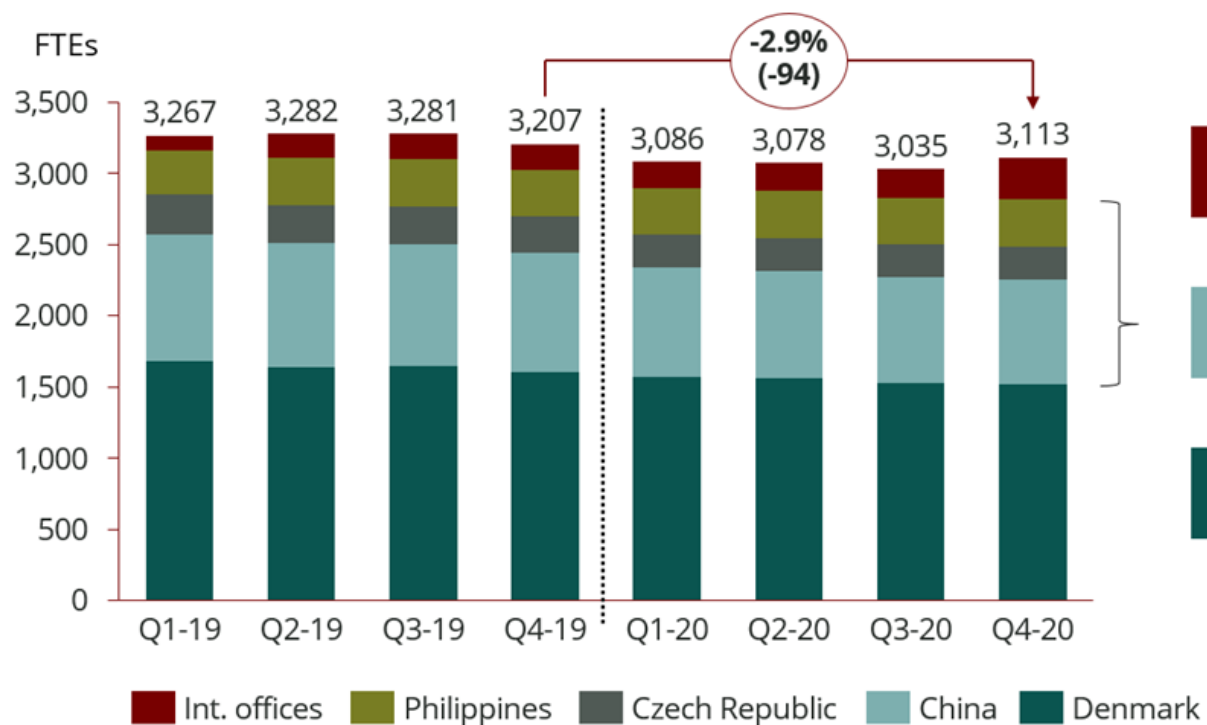
- Private & Public revenue decreased by 16% in Q4 2020 and by 8.7% in 2020
- As expected, the phasing out of the Pandora contract impacted revenue and profitability from second half of 2020 as the decline could not be offset by business from existing and new customers
- Further, COVID-19 impacted the ability to engage new customers and resulted in delays in tenders and postponement of projects
- As a consequence of above business impacts, operating profit margin before special items declined by 1.2pp to 3.3% in Q4 2020 but increased by 0.7pp to 3.1% in 2020 supported by the restructuring plan

# Net Financials

Net financials DKKm	Q4 2020	Q4 2019	Change	2020	2019	Change
Currency hedge gains	1	5	-3	10	21	-11
Currency gains (losses)	6	-4	10	-2	1	-2
<b>Total currency related items</b>	<b>7</b>	<b>0</b>	<b>7</b>	<b>9</b>	<b>22</b>	<b>-13</b>
Interest expense from leases	-2	-2	1	-7	-9	2
Interests and bank charges*	-3	-3	0	-9	-7	-2
<b>Total interests and bank charges</b>	<b>-5</b>	<b>-6</b>	<b>1</b>	<b>-16</b>	<b>-15</b>	<b>-1</b>
Earn-out adjustments	-13	10	-23	-13	10	-23
<b>Net financials</b>	<b>-11</b>	<b>5</b>	<b>-15</b>	<b>-20</b>	<b>16</b>	<b>-37</b>

- Net financials was negative by DKK 20m compared to DKK +16m in 2019
- The negative development in 2020 compared to 2019 was mainly due to a DKK 13m adjustment of the Valiance earn-out agreement and a decrease in gains from hedge instruments

# Employee development



- Since Q4 2019, the number of employees in NNIT's international offices increased by 60% (111 FTEs) due to the strong growth in Life Sciences international and the acquisition of Excellis.
- In Denmark and the global sourcing centers the number of FTE's decreased by 5% (83 FTE's) and 9% (122 FTE's) respectively as a consequence of the cost restructuring program and the loss of business with the Novo Nordisk Group and Pandora.
- Share of employees in low-cost countries was 42% end Q4 2020 compared to 44% end Q4 2019. The development is a consequence of growth in Life Sciences international 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>Dec 31, 2020</b>	<b>Dec 31, 2019</b>
<b>DKK million</b>		
Intangible assets	781	524
Tangible assets	552	576
Lease assets	227	316
Contract assets	75	69
Deferred tax	32	32
Deposits	33	34
<b>Total non-current assets</b>	<b>1,700</b>	<b>1,551</b>
Inventories	2	2
Contract assets	36	53
Trade receivables	497	627
Work in progress	145	140
Other receivables	21	11
Pre-payments	87	84
Tax receivable	30	11
Derivative financial instruments	1	12
Cash and cash equivalents	143	122
<b>Total current assets</b>	<b>962</b>	<b>1,062</b>
<b>Total assets</b>	<b>2,662</b>	<b>2,613</b>

<b>Equity and liabilities</b>	<b>Dec 31, 2020</b>	<b>Dec 31, 2019</b>
<b>DKK million</b>		
Share capital	250	250
Treasury shares	(3)	(4)
Retained earnings	855	860
Other reserves	(17)	14
Proposed dividends	49	49
<b>Total equity</b>	<b>1,134</b>	<b>1,169</b>
Leasing liability	171	239
Employee benefit obligation	29	82
Contingent consideration (earn out)	112	43
Provisions	24	25
Long term loan	21	28
Bank overdraft	304	231
<b>Total non-current liabilities</b>	<b>661</b>	<b>648</b>
Prepayments received, contract asset	16	42
Prepayments received, work in progress	111	98
Leasing liability	70	90
Trade payables	108	88
Employee cost payable	277	228
Tax payables	4	9
Other current liabilities	247	155
Derivative financial instruments	5	1
Contingent consideration (earn out)	28	81
Provisions	1	4
<b>Total current liabilities</b>	<b>867</b>	<b>796</b>
<b>Total equity and liabilities</b>	<b>2,662</b>	<b>2,613</b>

- **Intangible assets:** The increase is due to the acquisition of Excellis
- **Trade receivables:** Decrease mainly due to additional factoring (see cash flow slide)
- **Employee benefit obligation:** The increase is mainly due to the new employee vacation scheme – Feriefonden
- **Other current liabilities:** Postponement of employee tax and VAT as part of the COVID-19 initiatives in Denmark<sup>16</sup>



# Cash flows

DKK million	Q4 2020	Q4 2019	12M 2020	12M 2019
<b>Net profit for the period</b>	<b>18</b>	<b>58</b>	<b>76</b>	<b>183</b>
Reversal of non-cash items	-53	183	228	439
Interest paid/received	-5	-6	-16	-16
Income taxes paid	-10	-20	-42	-50
<b>Cash flow before change in working capital</b>	<b>-50</b>	<b>215</b>	<b>246</b>	<b>556</b>
Changes in working capital	232	109	282	-91
<b>Cash flow from operating activities</b>	<b>182</b>	<b>324</b>	<b>528</b>	<b>465</b>
Capitalization of intangible assets	-16	-14	-40	-33
Purchase of tangible assets	-25	-17	-95	-135
Change in trade payables related to investments	10	10	-	1
Payment of deposits	-1	-	-	-
Acquisition cost refunded	-	-	-	2
Payment of earn-out	-2	-	-62	-
Acquisition of subsidiary	-188	9	-188	-58
<b>Cash flow from investing activities</b>	<b>-222</b>	<b>-12</b>	<b>-385</b>	<b>-223</b>
Dividends paid	-	-	-98	-113
Purchase of treasury shares	-	-	-	-5
Installments on lease liabilities	-21	-24	-89	-93
Long term loan	-	-5	-8	-5
Bank overdraft	54	-262	73	-12
<b>Cash flow from financing activities</b>	<b>33</b>	<b>-291</b>	<b>-122</b>	<b>-228</b>
<b>Net cash flow</b>	<b>-7</b>	<b>21</b>	<b>21</b>	<b>14</b>
<b>Free cash flow</b>	<b>-40</b>	<b>312</b>	<b>143</b>	<b>242</b>

- In **Q4 2020**, the free cash flow was negative by DKK 40m which was DKK 352m below Q4 2019, mainly due to the acquisition of Excellis and lower net profit
- In **2020**, the free cash flow was DKK 143m compared to a free cash flow of DKK 242m in 2019. The decrease was driven by the acquisition of Excellis and lower net profit partly countered by postponement of payment of employee tax amounting to 95m
- In **Q4 2020**, NNIT enhanced the use of factoring (additional DKK 75m compared to Q4 2019). The benefits of this program include improved liquidity and financial ratios and a reduction in NNIT's sensitivity to long payment terms while the cost of factoring is less than the current revolving credit facility.

# Proposed dividend

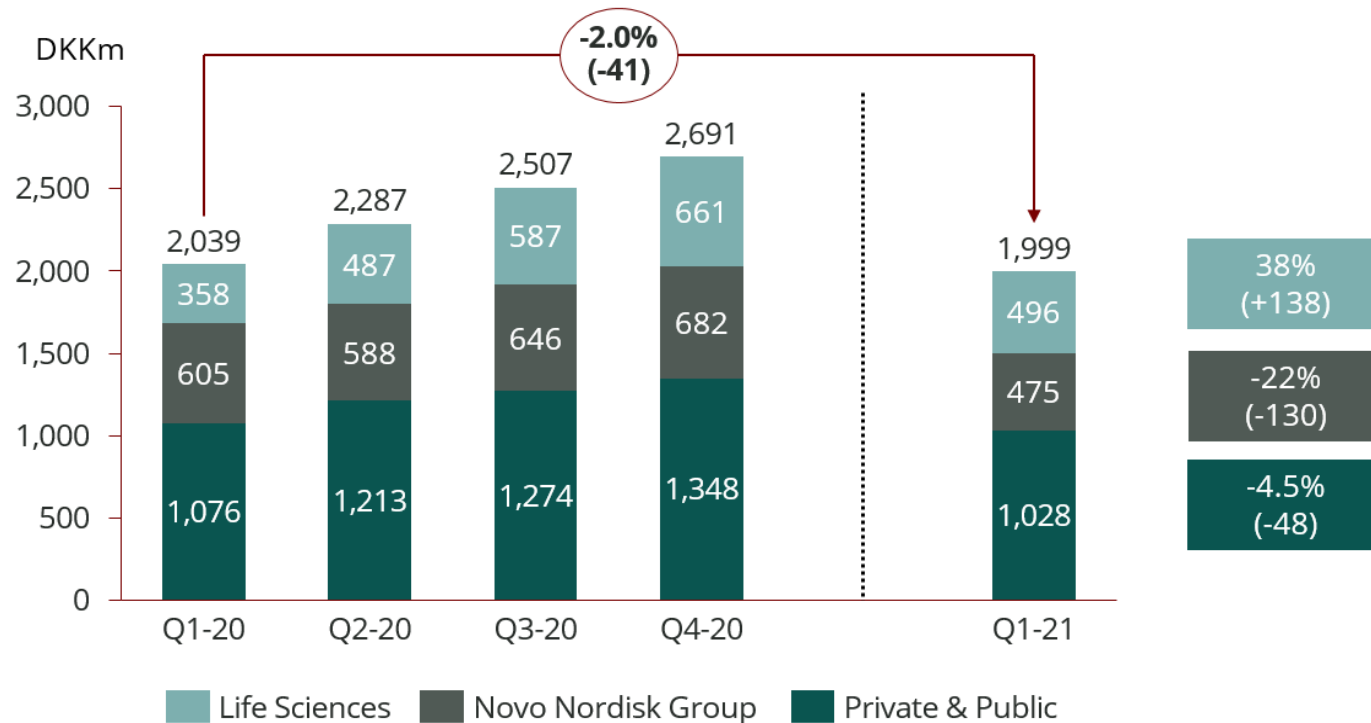
- Proposed dividend for 2020 of DKK 25m equal to DKK 1.00 per share
- This brings NNIT's total dividend for the financial year 2020 to DKK 74m equal to DKK 3.00 per share
- This corresponds to a dividend pay-out ratio of 99% and a dividend yield of 2.5%
- Financial gearing is considered low

DKKm	2017	2018	2019	2020
<b>Dividends</b>	105	113	98	74
<b>Dividend per share</b>	4.30	4.60	4.00	3.00
<b>Payout ratio</b>	48.4%	48.4%	53.9%	98.7%
<b>Dividend yield</b>	2.4%	2.5%	3.6%	2.5%
<b>Net debt/EBITDA*</b>	0.8	0.9	0.9	1.2

\*EBITDA after special items

# Backlog development, current year

## Beginning of quarter



- At the beginning of Q1 2021, NNIT's order entry backlog for 2021 amounted to DKK 1,999 million, which is a decrease of 2.0% compared to last year
- At the same time last year, the considerable price reduction on the prolonged operation maintenance agreement with the Novo Nordisk Group was not known and recognized in the backlog. Corrected for that, the underlying backlog has increased around 1.5% in the beginning of Q1 2021 compared to Q1 2020.
- The backlog from life sciences customers excluding the Novo Nordisk Group increased by 38% driven by Life Sciences international and through the acquisition of Excellis, while the Novo Nordisk Group declined by expected 22% (decline of 11% corrected for the price reduction on the prolonged operation maintenance agreement). Private & Public decreased by 4.5% mainly due to expiry of the Pandora outsourcing contract and delayed order intake resulting from the COVID-19 situation.

# Outlook

	2021
Revenue growth	Reported currencies: <b>1-4%</b>
Operating profit margin	Reported currencies: <b>6-7% before special items</b>
Capex	Share of revenue: <b>5-7%<sup>1</sup></b>

- In 2021, the growth is expected to return driven by Life Sciences international including the acquisition of Excellis and traction in Winning Solutions
- The Private & Public segment seems to continue to be impacted by COVID-19 and is expected to be challenged through 2021 by delays in project work and tenders
- Hence, we see significant guidance sensitivities despite having secured a solid backlog

<sup>1</sup>CAPEX investments and re- investments are in 2021 expected to be between 5-7 percent of total revenue excluding acquisitions

# Closing remarks

- NNIT concluded 2020 in-line with the financial guidance with revenue growth of -7.5% to DKK 2,830 million and an operating profit margin before special items of 5.8%.
- Life Sciences international continued the strong growth in 2020 with revenue increasing 26%
- Excellis was acquired, delivering on the 2022 strategy to broaden NNIT's capabilities within the international life sciences business via M&A.
- The execution on the preannounced cost restructuring program continued by introducing automation initiatives and reducing both employees and administrative costs according to plan
- All in all, we have focused on the execution of the set strategy in the challenging times of 2020, and we are looking forward to a hopefully more normalized 2021

# Investor contact information

## Upcoming events

### 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

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