

Company announcement 01/2020 Søborg/Copenhagen, January 20, 2020

NNIT releases preliminary figures for 2019 and preliminary guidance for 2020

In connection with reporting the collected consensus information back to analysts, the preliminary, unaudited figures were unfortunately disclosed by a mistake. Please find further information below.

Revenue increase of 1.7% and an operating profit margin of 7.8% before restructuring costs (8.0% in constant currencies) in 2019.

Performance highlights for the fourth quarter of 2019 and guidance

- Revenue decreased by 2.7% in Q4 2019 compared to Q4 2018 driven by a 27% decline from the Novo Nordisk Group. This was partly countered by growth from international life sciences (35%), finance (24%), public (18%) and Danish life sciences (5.9%)
- Excluding business from Novo Nordisk Group revenue increased 13% (8.4% organic) in Q4 2019. The share of NNIT's revenue from clients outside the Novo Nordisk Group increased to 70% in Q4 2019 from 61% in Q4 2018
- Gross profit decreased by 13% in Q4 2019 following the significant decline in revenue from the Novo Nordisk Group where costs could not be adjusted at the same pace. This led to an operating profit margin before restructuring costs of 10.1% and an operating profit margin of 9.1%
- Net profit was DKK 58m in Q4 2019 compared to DKK 85m in Q4 2018
- Order backlog for 2020 at the beginning of Q1 2020 was DKK 2,039m, a decrease of 6.1% compared to the same time last year negatively impacted by a decline of 26% from the Novo Nordisk Group partly countered by other clients which grew by 6.3%
- NNIT's revenue growth of 1.7% and operating profit margin before special items of 8.0% (constant currencies) in 2019 were in line with the most recent outlook
- Preliminary guidance for 2020:
 - Revenue growth of -4% to -8% in constant currencies
 - Operating profit margin before special items of 6-8% in constant currencies
 - Level of investments (CAPEX) is 5-7% of total revenue

NNIT will provide the financial statement for Q4 2019 and the annual report 2019 on January 29, 2020 as planned.

Financial overview

DKK million	Q4 2019 (reported)	Q4 2019 (constant)*	Q4 2018*	Pct./pp Change (reported)	Pct./pp Change (constant)
Revenue	801	798	823	-2.7%	-3.1%
Gross profit margin	18.0%	18.1%	20.1%	-2.1pp	-2pp
Operating profit before special items**	81	81	106	-24.2%	-23.2%
Operating profit margin before special items**	10.1%	10.2%	12.9%	-2.9pp	-2.7pp
Special items**	8	8	0	n.a.	n.a.
Operating profit	73	74	106	-31.4%	-30.8%
Operating profit margin	9.1%	9.2%	12.9%	-3.8pp	-3.7pp
Net profit	58	n.a.	85	-31.4%	n.a.
Investments (CAPEX)	22	n.a.	70	-68.4%	n.a.
Free cash flow	311	n.a.	0	n.a.	n.a.

*Constant currencies measured using average exchange rates for Q4 2018

**Special items comprise restructuring costs related to the business and cost restructuring plan

DKK million	2019 (reported)	2019 (constant)*	2018*	Pct./pp Change (reported)	Pct./pp Change (constant)
Revenue	3,058	3,042	3,007	1.7%	1.2%
Gross profit margin	15.5%	15.7%	18.0%	-2.5pp	-2.3pp
Operating profit before special items**	239	242	307	-22.3%	-21.3%
Operating profit margin before special items**	7.8%	8.0%	10.2%	-2.4pp	-2.3pp
Special items**	24	24	0	n.a.	n.a.
Operating profit	215	218	307	-30.1%	-29.0%
Operating profit margin	7.0%	7.2%	10.2%	-3.2pp	-3pp
Net profit	183	n.a.	236	-22.5%	n.a.
Investments (CAPEX)	167	n.a.	161	4.2%	n.a.
Free cash flow	242	n.a.	116	108.2%	n.a.

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Guidance 2020

The order entry backlog for 2020 at the beginning of Q1 2020 declined by DKK 131.9m to DKK 2,039m, or by 6.1%, compared to the order entry backlog for 2019 at the beginning of Q1 2019. The declining order entry backlog is primarily due to the earlier announced termination of the application maintenance agreement with the Novo Nordisk Group (effect from January 1, 2020) and the termination of the business with PANDORA (expected revenue of around one quarter of the revenue in 2019).

The high growth in NNIT's project business with low backlog visibility and a declining multiyear outsourcing business makes the backlog numbers less useful as a predictor for revenue growth than in previous years.

The large operations maintenance agreement with the Novo Nordisk Group expires at the end of 2020, see company announcement 10/2019. However, in the following guidance it is assumed that the agreement is renegotiated and prolonged during the first half of 2020 with an impact from the time of signing.

NNIT guides a revenue decline of 4-8% in constant currencies for 2020 excluding potential new acquisitions in 2020.

The operating profit margin in constant currencies is expected to be in the range of 6-8%.

Investments / revenue is expected to be 5-7% of revenue.

The guidance is based on a number of important assumptions, including that business performance, client and competitor actions will remain stable.

Performance overview

DKK million (reported currencies)	Q4 2019	Q4 2019 (constant*)	Q4 2018	Change (reported)	Change (constant)
Revenue	801.0	797.7	822.9	-2.7%	-3.1%
Cost of goods sold	656.8	653.0	657.6	-0.1%	-0.7%
Gross profit	144.2	144.6	165.3	-12.8%	-12.5%
<i>Gross profit margin</i>	<i>18.0%</i>	<i>18.1%</i>	<i>20.1%</i>	<i>-2.1pp</i>	<i>-2pp</i>
Sales and marketing costs	34.7	34.2	30.5	13.8%	12.3%
Administrative expenses	29.0	28.9	28.7	1.2%	0.9%
Operating profit before special items*	80.5	81.5	106.2	-24.2%	-23.2%
<i>Operating profit margin before special items*</i>	<i>10.1%</i>	<i>10.2%</i>	<i>12.9%</i>	<i>-2.9pp</i>	<i>-2.7pp</i>
Special items*	7.7	8.0	0.0	n.a.	n.a.
Operating profit	72.8	73.5	106.2	-31.4%	-30.8%
<i>Operating profit margin</i>	<i>9.1%</i>	<i>9.2%</i>	<i>12.9%</i>	<i>-3.8pp</i>	<i>-3.7pp</i>
Net financials	4.2	n.a.	1.5	190.7%	n.a.
Profit before tax	77.0	n.a.	107.6	-28.4%	n.a.
Tax	18.9	n.a.	22.8	-17.3%	n.a.
<i>Effective tax rate</i>	<i>24.5%</i>	<i>n.a.</i>	<i>21.2%</i>	<i>3.3pp</i>	<i>n.a.</i>
Net profit	58.1	n.a.	84.8	-31.4%	n.a.

DKK million (reported currencies)	2019	2019 (constant*)	2018	Change (reported)	Change (constant)
Revenue	3,057.9	3,042.0	3,007.2	1.7%	1.2%
Cost of goods sold	2,582.6	2,564.4	2,465.9	4.7%	4.0%
Gross profit	475.3	477.7	541.2	-12.2%	-11.7%
<i>Gross profit margin</i>	<i>15.5%</i>	<i>15.7%</i>	<i>18.0%</i>	<i>-2.5pp</i>	<i>-2.3pp</i>
Sales and marketing costs	131.5	131.0	127.6	3.0%	2.6%
Administrative expenses	105.1	104.7	106.2	-1.0%	-1.4%
Operating profit before special items*	238.7	242.0	307.4	-22.3%	-21.3%
<i>Operating profit margin before special items*</i>	<i>7.8%</i>	<i>8.0%</i>	<i>10.2%</i>	<i>-2.4pp</i>	<i>-2.3pp</i>
Special items*	23.8	23.7	0.0	n.a.	n.a.
Operating profit	215.0	218.3	307.4	-30.1%	-29.0%
<i>Operating profit margin</i>	<i>7.0%</i>	<i>7.2%</i>	<i>10.2%</i>	<i>-3.2pp</i>	<i>-3pp</i>
Net financials	16.1	n.a.	-2.3	n.a.	n.a.
Profit before tax	231.1	n.a.	305.1	-24.3%	n.a.
Tax	48.4	n.a.	69.5	-30.3%	n.a.
<i>Effective tax rate</i>	<i>21.0%</i>	<i>n.a.</i>	<i>22.8%</i>	<i>-1.8pp</i>	<i>n.a.</i>
Net profit	182.7	n.a.	235.6	-22.5%	n.a.

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Revenue distribution

DKKm (reported currencies)	Q4 2019	Q4 2019 (constant*)	Q4 2018	Pct Change (reported)	Pct Change (constant)
Novo Nordisk Group	237.4	237.1	323.0	-26.5%	-26.6%
Life sciences international	98.8	95.5	73.1	35.1%	30.6%
Life sciences Denmark	63.2	63.2	59.7	5.9%	5.9%
Life sciences	399.4	395.8	455.8	-12.4%	-13.2%
Enterprise	202.9	202.9	202.1	0.4%	0.4%
Public	108.7	108.9	92.6	17.5%	17.7%
Finance	90.0	90.0	72.4	24.3%	24.3%
Private & Public	401.6	401.8	367.0	9.4%	9.5%
Total	801.0	797.7	822.9	-2.7%	-3.1%

DKKm (reported currencies)	2019	2019 (constant*)	2018	Pct Change (reported)	Pct Change (constant)
Novo Nordisk Group	954.9	952.0	1,124.2	-15.1%	-15.3%
Life sciences international	360.9	348.4	211.7	70.5%	64.6%
Life sciences Denmark	230.0	230.0	221.7	3.8%	3.7%
Life sciences	1,545.8	1,530.4	1,557.6	-0.8%	-1.7%
Enterprise	802.3	801.8	793.8	1.1%	1.0%
Public	392.2	392.3	399.2	-1.7%	-1.7%
Finance	317.6	317.6	256.6	23.7%	23.7%
Private & Public	1,512.1	1,511.7	1,449.6	4.3%	4.3%
Total	3,057.9	3,042.0	3,007.2	1.7%	1.2%

*Constant currencies measured using average exchange rates for 2018

Contact for further information

Investor relations:

Carsten Krogsgaard Thomsen

CFO

Tel: +45 3075 1415

ckth@nnit.com

Press:

Helga Heyn

NNIT Communications

Tel: +45 3077 8080

hhey@nnit.com

About NNIT

NNIT A/S is one of Denmark's leading IT service providers and consultancies. NNIT A/S offers a wide range of IT services and solutions to its clients, primarily in the life sciences sector in Denmark and internationally and to clients in the public, enterprise and finance sectors in Denmark. As of December 31, 2019, NNIT A/S had 3,207 employees. NNIT has approximately 350 clients of which around 150 are located outside Denmark. More than 30% are international life sciences clients (December 2019). For more information please visit www.nnit.com