

## Company announcement

No. 3/2019

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**Netcompany has entered into a letter of intent whereby the sellers of a Northern European based provider of IT consulting and system development services has granted Netcompany exclusivity to negotiate an acquisition of the company**

Netcompany has entered into exclusive negotiations regarding a potential transaction concerning the acquisition of a provider of IT consulting and system development services based in one of Netcompany's target geographies (Finland, Sweden or the Netherlands).

Due to the non-binding character of the letter of intent, there can be no certainty that a transaction will be concluded.

The letter of intent sets out the parties joint understanding of the main terms of the acquisition. The transaction is subject to due diligence and negotiation of final agreements.

The potential transaction is a part of Netcompany's strategy to pursue selective acquisitions in markets that have an advanced digitalisation agenda, including Northern European countries, and is expected to strengthen Netcompany's market position in Northern Europe and support the transition to become a Northern European leader within IT Services. The combination of Netcompany and the target company and the companies' combined experience, products and case studies are expected to deliver synergistic benefits, including delivery of development and consulting services across the organization.

The consideration for 100% of the target is expected to consist of both cash and Netcompany shares (expected to be on a non-dilutive basis). The purchase price represents a baseline multiple in line with previous acquisitions made by Netcompany based on the adjusted EBITDA for the most recent financial year of the target. An acquisition will also entitle the sellers to an earn-out payment, to be paid in Netcompany shares after three years subject to achievement of specific targets for top line growth and reported EBITA for the target in question. The maximum earn-out will increase the baseline multiple is increased up to around 35%. The earn-out element of the transaction is fully paid in Netcompany shares and no further cash consideration will be payable to the sellers.

It is expected that signing will take place in the second quarter of 2019 subject to satisfactory due diligence and normal negotiations.

Following completion of the transaction, target's management and key employees are expected to participate in Netcompany's management incentive program on the same terms as the partners and principals of Netcompany.

The transaction is currently not expected to require regulatory approval from any competition Authority, however, is expected to be subject to a number of conditions as well as contain customary non-compete and non-solicitation provisions for the sellers.

If the transaction is completed, Netcompany expects the acquisition to impact revenue and adjusted EBITA positively in 2019 while adjusted EBITA margin is expected to be slightly diluted. The precise impact is subject to when the transaction will close and how the target will perform financially in 2019. Based on current financial forecast of the target and assuming that the transaction is closed in the beginning of Q2 2019, Netcompany revenue is potentially impacted positively by between 8% to 10% and Netcompany adjusted EBITA is potentially impacted positively by between 3.5% and 4.5% whereas Adjusted EBITA margin is potentially reduced from around 26% to between 24.5% to 25% based on exchange rates prevailing on 5 February 2019. If the transaction is closed at the end of Q2 revenue is

potentially impacted positively by between 5% and 7% and adjusted EBITA is potentially impacted positively by between 2.5% and 3.5% whereas Adjusted EBITA margin is potentially reduced from around 26% to between 24.5% to 25% based on the exchange rates prevailing on 5 February 2019. Negotiations are ongoing, and there can be no certainty that a transaction will be concluded. Netcompany will revert with further information when relevant updates are available.

Information contained in this announcement represent a forward-looking statement. This statement is not a guarantee of a future performance and undue reliance should not be placed on it. The potential transaction involve risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by this forward-looking statement.

## Additional information

For additional information, please contact

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