

# NNIT Interim report 6M 2015

21 August 2015

# The NNIT Presenting Team



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# Agenda

Highlights for first six month of 2015

Sales and backlog

Financial performance

Outlook for 2015

# 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.

## First six month of 2015 at a glance

	Constant currencies	Reported currencies	vs. 6M 2014 (constant curr.)	vs. 6M 2014 (reported curr.)
Revenue	DKK 1,234m	DKK 1,244m	+8.8%	+9.7%
Operating profits	DKK 132m	DKK 114m	+20.1%	+3.7%
Operating profit margin	10.7%	9.2%	+1.0pp	-0.5pp
Net profits		DKK 94m		+10.1%
Order backlog		DKK 2,340m		+10.0%
Free cash flow		DKK 41m		+DKK 35m

# Sales update

## **Customers continue their business relation with NNIT (examples from 6M 2015)**

- Association of Danish Pharmacies extends operation and development of PharmaNet
  - Moderate three digit amount in DKK, 4 years
- Existing customer in the public segment extends infrastructure agreement
  - Higher double digit amount in DKK, 5 years
- Novo Nordisk Sales Region International Operation extends infrastructure agreement
  - Higher double digit amount in DKK, 2 years
- Government agency extends a application outsourcing agreement
  - Double digit amount in DKK, 2 years

## **And new projects and customers are added(examples from 6M 2015)**

- Serialisation project roll out to Novo Nordisk Sales Region International Operation
  - Double digit amount in DKK
- SAP AMS agreement with a new customer in the Public segment
  - Lower double digit amount in DKK, 4 years

# Sales update

## Helping order backlog for 2015 and 2016-2017

- New orders for delivery in 2015 of DKK 423 million in 6M 2015

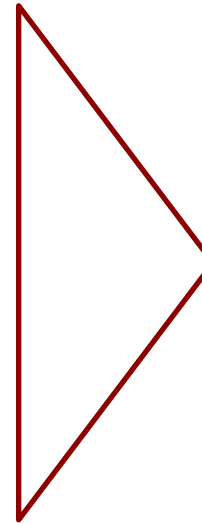
### Delivery in current year

DKK million	Start of year	Order backlog in year	Backlog at 6M
2014	1,803	324	2,127
2015	1,916	424	2,340
<i>Growth</i>	6.2%	31.0%	10.0%

- New orders for delivery in 2016 and 2017 of DKK 280 million in 6M 2015

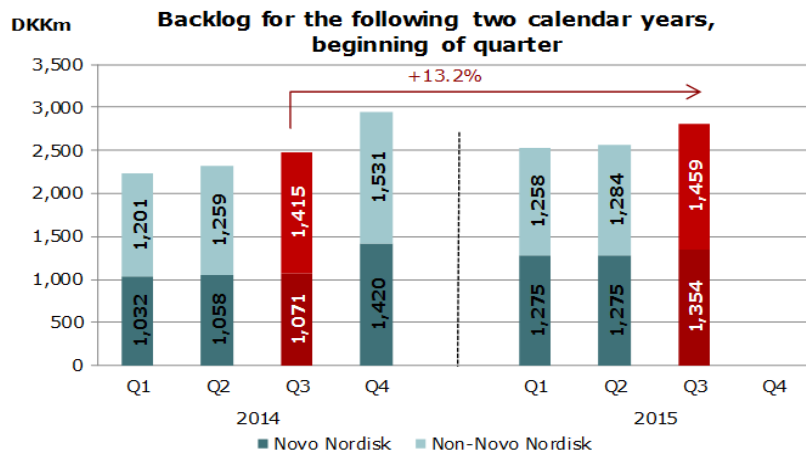
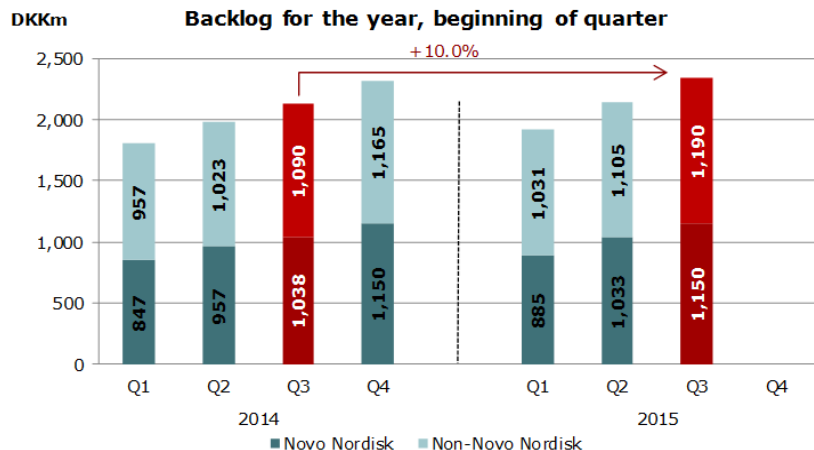
### Delivery in year 2 and 3

DKK million	Start	Order backlog intake	6M
2014	2,233	252	2,486
2015	2,533	281	2,813
<i>Growth</i>	13.4%	11.1%	13.2%



**Order intake for current and following two years in 1H 2015 is DKK 705m (+22% vs. 1H 2014)**

# Backlog development



Backlog for 2015 increased 10.0% y-o-y to DKK 2,340m driven by:

- Order backlog intake for delivery in 2015 is DKK 423 million in 6M 2015
- New contracts in public and life sciences segments
- Extension and expansion of infrastructure and support agreements with Novo Nordisk
- Extension and expansion of infrastructure and support agreements in finance segment
- Add-on sale on existing customers

The backlog for 2016 and 2017 increased 13.2% y-o-y to DKK 2,813m

- Order backlog intake for delivery in 2016-17 is DKK 281 million in 6M 2015
- Contract extension with the Association of Danish Pharmacies and Novo Nordisk IO



# Financial statement first six month

DKK million	6M 2015 (reported)	6M 2015 (constant*)	6M 2014*	Pct/pp Change (reported)	Pct/pp Change (constant)
<b>Revenue</b>	1,244.4	1,234.4	1,134.6	9.7%	8.8%
Cost of goods sold	1,012.6	987.1	923.9	9.6%	6.8%
<b>Gross profit</b>	<b>231.7</b>	<b>247.3</b>	<b>210.6</b>	<b>10.0%</b>	<b>17.4%</b>
<i>Gross profit margin</i>	18.6%	20.0%	18.6%	0.1pp	1.5pp
Sales and marketing costs	62.1	61.0	52.9	17.5%	15.4%
Administrative expenses	55.4	54.0	47.6	16.4%	13.5%
<b>Operating profit</b>	<b>114.2</b>	<b>132.3</b>	<b>110.2</b>	<b>3.7%</b>	<b>20.1%</b>
<i>Operating profit margin</i>	9.2%	10.7%	9.7%	-0.5pp	1.0pp
Net financials	4.5	n.a.	-1.2	n.a.	n.a.
<b>Profit before tax</b>	<b>118.7</b>	<b>n.a.</b>	<b>109.0</b>	<b>8.9%</b>	<b>n.a.</b>
Tax	24.9	n.a.	23.8	4.8%	n.a.
<i>Effective tax rate</i>	21.0%	n.a.	21.8%	-0.8pp	n.a.
<b>Net profit</b>	<b>93.8</b>	<b>n.a.</b>	<b>85.2</b>	<b>10.1%</b>	<b>n.a.</b>

\*Constant currencies measured using average exchange rates in first 6M of 2014

- Organic revenue growth of 8.8% in constant currency and 9.7% in reported currency
- Operating profit margin of 10.7% in constant currency and 9.2% in reported currency
- Net financials impacted positively by currency hedging and net adjustment of long-term incentive program from previous years in Novo Nordisk shares countered by currency adjustments and financial fees of being a listed company
- Effective tax rate of 21.0% partly due to lowering of the Danish corporate tax rate to 23.5%
- Net Profit growth of 21.8% in constant currency and 10.1% in reported currency

# Segment development

DKKm	Revenue 6M 2015 (reported)	Revenue 6M 2015 (constant*)	Revenue 6M 2014*	Pct Change (reported)	Pct Change (constant)
Life Sciences	770.3	760.6	721.0	6.8%	5.5%
<i>Hereof Novo Nordisk Group</i>	604.1	597.7	585.0	3.3%	2.2%
<i>Hereof other Life Sciences</i>	166.1	162.9	136.0	22.1%	19.7%
Public	193.6	193.6	140.4	37.8%	37.8%
Enterprise	189.7	189.4	194.9	-2.7%	-2.8%
Finance	90.9	90.9	78.2	16.2%	16.2%
<b>Total</b>	<b>1,244.4</b>	<b>1,234.4</b>	<b>1,134.6</b>	<b>9.7%</b>	<b>8.8%</b>

\* Constant currencies measured using average exchange rates in first 6M of 2014

Revenue from Novo Nordisk is affected by discontinuation of re-invoicing of software licenses of around DKK 17m

- Adjusting for this, Novo Nordisk growth was 6.3% (reported) and 5.2% (constant)

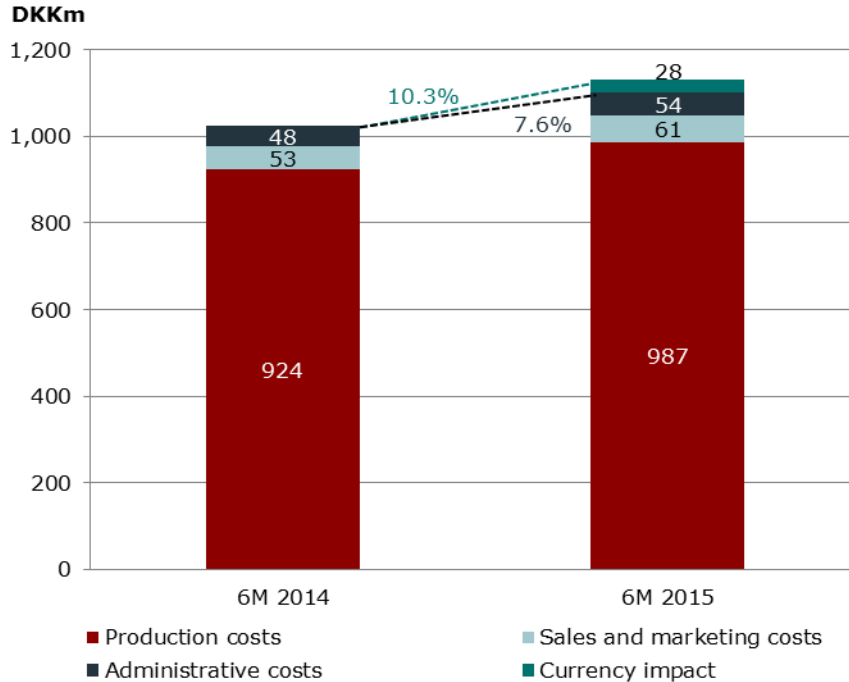
Growth in public is influenced by a reversal of revenue in 6M 2014 of DKK 25m

- Adjusting for this, the growth in public was 17.0% in both reported and constant currencies

Growth in enterprise is influenced by a compensation of a terminated contract in 6M 2014 of around DKK 7m

- Adjusting for this revenue within enterprise is in-line with 6M 2014

# Costs



Total costs DKK 1,130m (10.3%)

Currency headwinds influence costs of NNIT's offshore delivery centers

- 6M 2015 impact DKK 28m

In constant currencies costs increased 7.6%

- Increased employee costs caused by revenue growth
- IPO launch program
- Expanded office facilities
- Strengthened international life sciences sale force

Plan for efficiency measures to mitigate currency impact

# Efficiency measures to further strengthen competitiveness and to mitigate currency impact

**We have identified numerous efficiency areas and have started to execute**

- Increased offshoring
- Offshoring of administrative staff
- Higher utilization of employees
- Continued focus on automation
- Process and lean optimization
- Procurement savings
- Facility savings

# IT Operations

DKK million	6M 2015 (reported)	6M 2015 (constant*)	6M 2014*	Pct/pp Change (reported)	Pct/pp Change (constant*)
<b>Revenue</b>					
Novo Nordisk Group	403.0	397.7	401.0	0.5%	-0.8%
Non-Novo Nordisk Group	420.4	419.6	393.3	6.9%	6.7%
<b>Total</b>	<b>823.4</b>	<b>817.4</b>	<b>794.3</b>	<b>3.7%</b>	<b>2.9%</b>
Costs	755.7	735.5	703.3	7.4%	4.6%
<b>Operating profit</b>	<b>67.7</b>	<b>81.9</b>	<b>90.9</b>	<b>-25.5%</b>	<b>-10.0%</b>
<i>Operating profit margin</i>	<i>8.2%</i>	<i>10.0%</i>	<i>11.4%</i>	<i>-3.2pp</i>	<i>-1.4pp</i>

\* Constant currencies measured using average exchange rates in first 6M of 2014

Revenue growth of 2.9% in constant currencies and 3.7% in reported currency

- Revenue is influenced by discontinuation of re-invoicing of software licenses to Novo Nordisk
- Adjusted for this the growth is 5.1% in constant currencies and 5.9% in reported currency

Operating profit margins decrease 1.4pp to 10.0% in constant currencies and 3.2pp to 8.2% in reported currency

- Impacted by currency headwinds on deliveries from offshore delivery centers
- Impacted by costs to ensure continued high quality in IT Operations and well as IT Operations share of costs related to the IPO incentive program, new functions related to being a listed company and one off costs related to the expansion of facilities in Denmark

# IT Solutions

DKK million	6M 2015 (reported)	6M 2015 (constant*)	6M 2014*	Pct/pp Change (reported)	Pct/pp Change (constant*)
<b>Revenue</b>					
Novo Nordisk Group	201.1	200.0	184.1	9.3%	8.6%
Non-Novo Nordisk Group	219.9	217.1	156.2	40.7%	38.9%
<b>Total</b>	<b>421.0</b>	<b>417.0</b>	<b>340.3</b>	<b>23.7%</b>	<b>22.6%</b>
Costs	374.5	366.6	321.1	16.6%	14.2%
<b>Operating profit</b>	<b>46.5</b>	<b>50.4</b>	<b>19.2</b>	<b>141.6%</b>	<b>161.9%</b>
<i>Operating profit margin</i>	<i>11.0%</i>	<i>12.1%</i>	<i>5.7%</i>	<i>5.4pp</i>	<i>6.4pp</i>

\* Constant currencies measured using average exchange rates in first 6M of 2014

Revenue growth of 22.6% in constant currencies and 23.7% in reported currency

- Partly influenced by 6M 2014 events (reversal of revenue and compensation for a terminated contract)
- Growth net of these two items is 16.3% in constant currencies and 17.4% in reported currencies

Operating profit margins increase 6.4pp to 12.1% in constant currencies and 5.4pp to 11.0% in reported currency

- 6M 2014 operating profit margin was unusually low due to the two events described above
- Adjusted for the two above events 6M 2014 operating profit margin was 11.8%

# Net Financials

<b>Net financials</b> DKKm	<b>6M 2015</b>
Net gains on Novo Nordisk shares*	4.9
Dividends received from Novo Nordisk shares	0.7
<b>Total Novo Nordisk share related items</b>	<b>5.6</b>
Currency hedge gains	5.4
Currency losses	-2.6
<b>Total currency related items</b>	<b>2.8</b>
Interests and bank charges**	-3.9
<b>Total interests and bank charges</b>	<b>-3.9</b>
<b>Net financials</b>	<b>4.5</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

<b>Total Currency hedges</b> DKKm	<b>6M 2015</b>
Currency hedge gains in P&L	5.4
Currency hedge gains on Equity	0.0
<b>Total currency hedge gains</b>	<b>5.4</b>

Net financials for 6M 2015 are DKK 4.5m primarily due to:

- Net gains on Novo Nordisk shares held for management long-term incentive of DKK 5.6m
  - For Q2 2015 the effect is DKK -1.7m
- Gains on currency hedges of DKK 5.4m
  - For Q2 2015 the P&L gain is DKK 1.1m
- Interest and bank charges of DKK -3.9m
  - Fees related to being a public listed company as well as guarantee and loan facilities

## Currency hedging

- Gains on currency hedge contracts for first 6M are DKK 5.4m
- Unrealized gains for future periods on currency hedge contracts are DKK 0.0m

# Currency development and hedging

## Exchange rates

vs. DKK	Avg. Rates		Spot rates		6M y-o-y change
	6M 2015	3M 2015	30 Jun '15	31 Mar '15	
CHF	706.19	705.44	716.45	713.92	15.4%
CNY	107.51	107.22	107.55	111.97	22.2%
CZK	27.11	26.99	27.37	27.13	-0.3%
EUR	745.58	745.03	746.04	746.97	-0.1%
PHP	15.01	15.16	14.78	15.54	22.6%
USD	668.84	670.40	666.76	694.27	22.8%
INR	10.65	10.64	10.48	11.10	18.9%

Estimated annual impact on NNIT's operating profit of a 10% increase in the outlined currencies against DKK*		Hedging period (months)
CNY	DKK -15 million	14
EUR	DKK 12 million	-
PHP	DKK -3 million	14
CZK	DKK -2 million	-
CHF	DKK -2 million	-
USD	DKK -1 million	14

Hedging gains and losses do not impact operating profit as they are recognized under net

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

Currencies that NNIT is exposed to are still significant higher compared to same period last year.

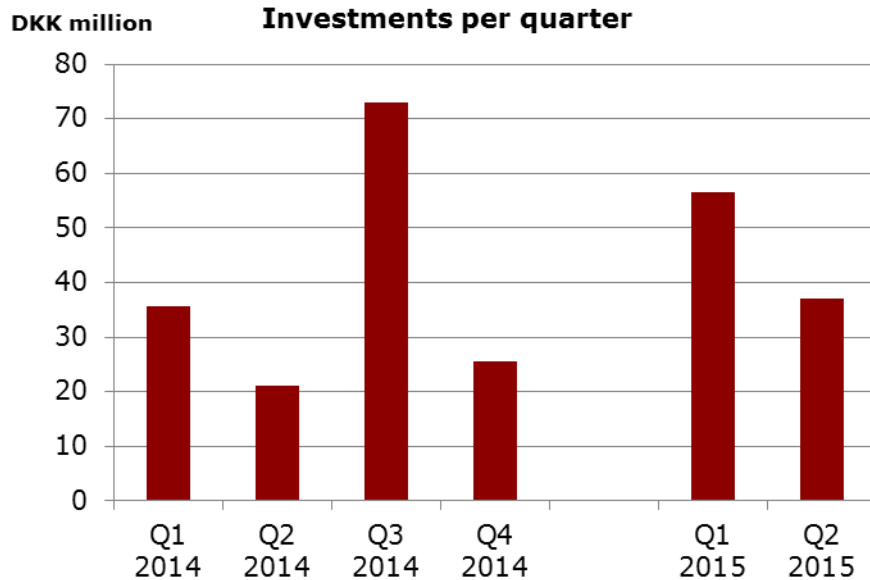
The increases in the exposed currencies has primarily taken place Q3 2014 to Q1 2015 whereas Q2 2015 development has been somewhat stable.

In Q4 2014 hedges for Q1 2015 were made.

Hedging for a longer period was initiated end of Jan 2015 initially for 9 month and subsequent increased to 14 month.

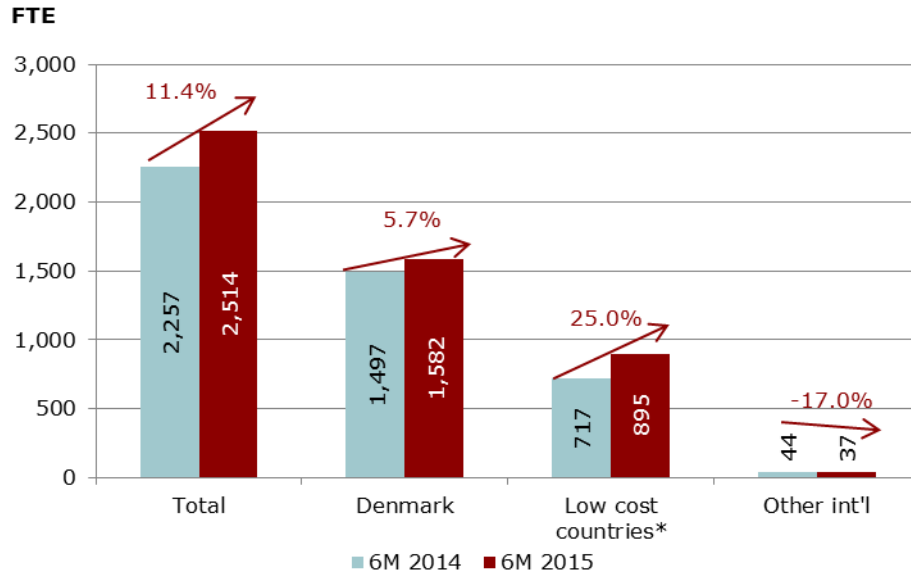


# Investments



- Investments level in first six month of 2015 was DKK 93.5m which is DKK 36.8m higher than first six months of 2014
  - Hardware investments on outsourcing agreements with major clients
- Unchanged expectations to investments for normal operation for full-year 2015
- NNIT is still investigating whether to build a second datacenter or whether to rent additional external capacity

# Employee development



\*Low cost countries: China, Philippines, Czech Republic

Number of employees increased by 11% to 2,514 FTE end of June 2015

Largest growth came in low cost countries

- Increase of 179 FTE (25.0%) compared to end of June 2014

Number of employees in Denmark grew 85 FTE (5.7%) based on demand from customers

Share of employees in low cost countries grew from 32% end of June 2014 to 36% end of June 2015

- Compared to end of March 2015 share of employees in low cost countries increased from 35% to 36%

# Balance sheet

<b>Assets</b>		
DKKm	<b>6M 2015</b>	<b>6M 2014</b>
Intangible assets	31.5	39.3
Tangible assets	427.9	365.3
Deferred tax	21.0	0.0
Other financial assets	28.3	21.9
<b>Total non-current assets</b>	<b>508.7</b>	<b>426.5</b>
Inventories	1.7	2.0
Trade receivables	396.6	397.0
Work in progress	166.4	118.0
Other receivables and pre-payments	90.0	99.3
Shares	44.5	37.1
Derivative financial instruments	1.6	0.0
Cash and cash equivalents	56.0	118.6
<b>Total non-current assets</b>	<b>756.9</b>	<b>772.1</b>
<b>Total assets</b>	<b>1,265.6</b>	<b>1,198.6</b>

<b>Equity and liabilities</b>		
DKKm	<b>6M 2015</b>	<b>6M 2014</b>
Share capital	250.0	1.0
Other reserves	6.5	2.4
Retained earnings	360.0	707.2
Treasury shares	-7.5	0.0
<b>Total equity</b>	<b>609.0</b>	<b>710.6</b>
Deferred tax	3.5	6.4
Employee benefits	16.7	12.0
Provisions	7.3	3.8
<b>Total non-current liabilities</b>	<b>27.4</b>	<b>22.2</b>
Provisions	7.2	0.0
Prepayments received	59.9	59.0
Trade payables	78.1	63.6
Employee cost payable	269.1	233.2
Bank debt	94.7	0.0
Tax payables	16.8	16.7
Other current liabilities	102.2	93.2
Derivative financial instruments	1.3	0.0
<b>Total current liabilities</b>	<b>629.2</b>	<b>465.7</b>
<b>Total equity and liabilities</b>	<b>1,265.6</b>	<b>1,198.6</b>

# Cash flows

Cash flow DKKm	6M 2015	6M 2014	Change
Net profit for the period	93.8	85.2	8.6
Reversal of non-cash items	103.8	82.8	21.0
Net interest and taxes paid	-14.0	-16.4	2.4
Changes in working capital	-37.8	-78.2	40.4
<b>Cash flow from operating activities</b>	<b>145.7</b>	<b>73.3</b>	<b>72.4</b>
Purchase of tangible assets	-93.5	-56.8	-36.8
Change in trade payables related to investments	-5.7	-4.1	-1.6
Dividends received	0.7	0.0	0.7
Purchase of shares	0.0	-6.1	6.1
Payment of deposits	-6.0	-0.4	-5.6
<b>Cash flow from investing activities</b>	<b>-104.6</b>	<b>-67.4</b>	<b>-37.2</b>
Dividends paid	-83.7	-140.0	56.3
Purchase of treasury shares	-93.8	0.0	-93.8
<b>Cash flow from financing activities</b>	<b>-177.5</b>	<b>-140.0</b>	<b>-37.5</b>
<b>Net cash flow</b>	<b>-136.3</b>	<b>-134.0</b>	<b>-2.3</b>
<b>Free cash flow</b>	<b>41.1</b>	<b>6.0</b>	<b>35.2</b>

Net cash flows are negative due to payment of dividends and purchase of treasury shares of DKK 178m.

Cash flow from operating activities improved DKK 72m due to higher net cash profit for the period and improvement in working capital.

Cash flow from investing activities was DKK 37m lower due to higher investments.

Cash flow from financing activities was DKK 38m lower due to purchase of treasury shares and dividend payments.

Free cash flow was DKK 41m which is DKK 35m higher than 6M 2014.

# Outlook

	Current guidance	Previous guidance
Revenue growth	6-8% at constant currencies Around 0.7pp higher as reported	5-8% at constant currencies Around 0.8pp higher as reported
Operating margin	Around 11% at constant currencies Around 1.3pp lower as reported	Around 11% at constant currencies Around 1.4pp lower as reported
Capex	c.5-6% of total net turnover If NNIT decides to build another data center to support growth, NNIT expects additional capex of around DKK 250 million over a three-year period	c.5-6% of total net turnover If NNIT decides to build another data center to support growth, NNIT expects additional capex of around DKK 250 million over a three-year period

## Closing remarks

- Solid overall development in-line with plans
- Revenue growth in first 6 months in-line with expectations
- Backlog development continue to support year-end targets
- Year-end expectations for revenue narrowed and profit margin maintained
- Currency headwinds continues to impact offshore cost base but NNIT is taking measures to mitigate

# Investor contact information

## Upcoming events

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3 September 2015: Presentation at Carnegie Small & Mid Cap seminar, Stockholm

17 November 2015: Interim report for first nine months of 2015

24 November 2015: Presentation at ABG Sundal IT seminar, Copenhagen

3 December 2015: Presentation at Danske Bank Markets' Copenhagen Winter Seminar

## Investor contact

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