



nnit
We make a mark

Trading Statement

Q3 2023

November 9, 2023

EXECUTIVE SUMMARY

POSITIVE MOMENTUM CONTINUES. NNIT CONFIRMS FULL-YEAR FINANCIAL OUTLOOK

Q3 2023 key highlights

- The positive trajectory from the first half of 2023 continued through the third quarter. The improvement of performance is in line with the upgraded guidance provided in August and emphasizes the positive direction set with the new strategy.
- Solid revenue growth of 19% to DKK 453m compared to Q3 2022 driven by more business with existing customers and new logos.
- The group operating profit before special items increased to DKK 26m, equal to a group operating profit margin of 5.8%. The margin expansion of 5%-points compared with same quarter last year is due to improved business performance leveraging a lower cost base.
- The 2023 financial outlook for revenue growth of around 15% and group operating profit margin excl. special items of around 6% is unchanged.

On September 18, NNIT hosted a capital markets day elaborating on its new strategic direction and financial aspirations towards 2026. For the period 2024-2026, the aspiration is to generate a compound annual organic growth rate of around 10% and to deliver a yearly average group operating profit margin of around 10-13% excluding special items. The continued solid performance in the third quarter is a result of a “more focused” NNIT. We will improve business performance across regions by increasing utilization, expansion of engagements, new customers, and stronger focus on profitability. With the new strategy and regional organizational structure, NNIT continues to focus on enhancing global coordination and leveraging synergies across regions.

Pär Fors, President and CEO of NNIT, says:

“Q3 is the first full quarter after the launch of the new strategy, and we are really pleased to see a continued positive development in our business performance, revenue and profitability. This further supports that we are on the right track with our new strategic direction, and we remain fully focused on delivering in accordance with our guidance and longer-term aspirations.”

Financial overview – Selected key figures

NNIT A/S, DKK million	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
Revenue	453	380	1,290	1,104	1,500
Revenue growth, %	19.1%	n/a	16.8%	n/a	n/a
Revenue growth, organic %	11.1%	n/a	11.3%	n/a	n/a
Group operating profit excl. special items	26	3	72	-31	-6
Group operating profit margin excl. special items, %	5.8%	0.8%	5.6%	-2.8%	-0.4%
Special items	16	51	61	155	278
Group operating profit incl. special items	10	-48	11	-186	-285
Depreciation, amortization and impairment	7	11	27	50	64

BUSINESS REVIEW

SOLID REVENUE GROWTH AND IMPROVING PROFITABILITY

In Q3 2023, NNIT delivered solid revenue growth of 19% across the Life Science and Public-Enterprise spaces, compared with the same quarter last year, driven by growing existing engagements and bringing in new logos. Furthermore, NNIT continues to see solid growth coming from the group companies Excellis Health Solutions, SL Controls and SCALES. The revenue generated towards Aeven after the split and sale of the infrastructure business end of April is considered inorganic revenue in the reported trading statement.

Group operating profit excluding special items was DKK 26m compared with DKK 3m last year. The group operating profit margin excluding special items ended at 5.8% versus 0.8% in Q3 2022. Margin improvement of 5%-points compared with last year was primarily due to lowering of regional and group overhead cost.

GROUP FINANCIAL HIGHLIGHTS – SELECTED KEY FIGURES

NNIT A/S, DKK million	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
KEY FINANCIAL HIGHLIGHTS					
Revenue growth, %	19.1%	n/a	16.8%	n/a	n/a
Revenue growth, organic YoY	11.1%	n/a	11.3%	n/a	n/a
Group operating profit margin excl. special items, %	5.8%	0.8%	5.6%	-2.8%	-0.4%
Special items from continuing operation	16	51	60	155	278
Total free cash flow for the period	51	-43	727	-299	-303
OTHER FINANCIAL HIGHLIGHTS					
Revenue	453	380	1,290	1,104	1,500
- of which Region Denmark	196	133	526	410	564
- of which Region Europe	125	122	356	353	468
- of which Region US	94	82	296	229	312
- of which Region Asia	37	44	111	113	157
Gross profit	136	129	371	318	420
<i>Gross margin</i>	<i>29.9%</i>	<i>33.8%</i>	<i>28.7%</i>	<i>28.8%</i>	<i>28.0%</i>
Regional overhead cost	44	52	126	145	190
Regional operating profit	92	76	245	173	230
<i>Regional operating profit margin</i>	<i>20.3%</i>	<i>20.0%</i>	<i>19.0%</i>	<i>15.7%</i>	<i>15.3%</i>
Corporate cost	65	73	172	204	236
Group operating profit excl. special items	26	3	72	-31	-6
<i>Group operating profit margin excl. special items</i>	<i>5.8%</i>	<i>0.8%</i>	<i>5.6%</i>	<i>-2.8%</i>	<i>-0.4%</i>

REGIONAL PERFORMANCE REVIEW

Region Europe

The revenue growth for Region Europe was 3% in the third quarter, compared to a flat development in previous quarter, ending at DKK 125m. Growth was primarily driven by expansion of engagements with existing life science customers and solid performance within production IT.

The region's group operating profit excl. special items increased by DKK 10m compared with same quarter last year to DKK 6m with a corresponding margin of 4.8%. The margin improvement of 7.9%-points mainly stems from improved capacity utilization and lower cost.

The third quarter's performance is yet another quarterly sequential improvement signaling that Region Europe is on a positive trajectory.

DKK million	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
Revenue	125	122	356	353	468
<i>Revenue growth, YoY</i>	2.8%	n/a	1.0%	n/a	n/a
<i>Revenue growth, organic YoY</i>	2.7%	n/a	-2.2%	n/a	n/a
<i>Production cost</i>	86	88	260	261	364
Gross profit	40	34	97	92	104
<i>Gross margin</i>	31.8%	27.7%	27.2%	26.1%	22.2%
<i>Regional overhead cost</i>	16	15	42	46	63
Regional operating profit	24	19	55	46	41
<i>Regional operating profit margin</i>	19.3%	15.6%	15.5%	13.0%	8.8%
<i>Corporate cost</i>	18	23	49	64	74
Group operating profit excl. special items	6	-4	6	-18	-33
<i>Group operating profit margin excl. special items</i>	4.8%	-3.1%	1.7%	-5.1%	-7.1%

Region US

During the third quarter, the revenue for Region US increased by 14% to DKK 94m. The revenue growth was driven by expansion of engagements with existing customers, bringing in additional logos and strong growth in NNIT's group company, Excellis Health Solutions.

The group operating profit margin excl. special items was 8.2% equal to DKK 8m. The significant improvement in margin compared with same quarter last year is due to leveraging the existing cost base and focus on optimizing the utilization rate.

DKK million	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
Revenue	94	82	296	229	312
<i>Revenue growth, YoY</i>	14.3%	n/a	29.1%	n/a	n/a
<i>Revenue growth, organic YoY</i>	22.8%	n/a	31.6%	n/a	n/a
<i>Production cost</i>	56	53	187	160	214
Gross profit	37	29	108	69	98
<i>Gross margin</i>	39.8%	35.3%	36.6%	30.1%	31.4%
<i>Regional overhead cost</i>	16	16	44	45	58
Regional operating profit	21	12	64	24	40
<i>Regional operating profit margin</i>	22.6%	15.2%	21.7%	10.5%	12.8%
<i>Corporate cost</i>	14	15	38	42	49
Group operating profit excl. special items	8	-3	27	-18	-9
<i>Group operating profit margin excl. special items</i>	8.2%	-3.4%	9.0%	-7.9%	-2.9%

Region Asia

In Q3, the revenue for Region Asia decreased by 15% to DKK 37m. The weak performance was in line with internal expectations as the Chinese macroeconomic situation remains challenging. Despite Singapore growing around 5%, and continued growth from largest customers in China, it could not offset the decline in revenue coming from other Chinese customers and very low market demand for external support.

Region Asia's group operating profit margin excl. special items was -11.5 %, which is an 8%-points improvement compared with last quarter. This was due to the mitigating actions taken during Q3 to improve profitability, including adjusting capacity. The full effect of this is expected to be seen in the fourth quarter. We monitor the development carefully with a view to take further mitigating action if necessary.

DKK million	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
Revenue	37	44	111	113	157
<i>Revenue growth, YoY</i>	-15.0%	<i>n/a</i>	-1.4%	<i>n/a</i>	<i>n/a</i>
<i>Revenue growth, organic YoY</i>	-7.5%	<i>n/a</i>	3.0%	<i>n/a</i>	<i>n/a</i>
Production cost	33	33	104	96	134
Gross profit	4	11	7	17	23
<i>Gross margin</i>	11.2%	25.0%	6.4%	15.0%	14.6%
Regional overhead cost	3	2	10	8	12
Regional operating profit	1	9	-3	9	11
<i>Regional operating profit margin</i>	2.9%	19.7%	-2.6%	8.0%	7.0%
Corporate cost	5	8	16	22	25
Group operating profit excl. special items	-4	1	-19	-13	-14
<i>Group operating profit margin excl. special items</i>	-11.5%	2.1%	-17.3%	-11.5%	-8.9%

Region Denmark

In the third quarter, Region Denmark delivered significant revenue growth of 48% reaching DKK 196m in revenue including revenue generated towards Aeven. Organic growth was 18%. The high growth is generated across Public and Enterprise customers, and primarily driven by double digit growth within Custom Application Development and Microsoft Advisory and Technology expanding business with customers, primarily The Danish National Bank.

Production cost increased in Q3 2023 resulting in a gross margin of 27.6% on par with recent quarters, but significantly below the high level in Q3 2022 inflated by cost reimbursement of DKK 22m for work performed for the infrastructure business before completion of the divestment. Group operating profit margin excl. special items for the Region ended at 8.6% equal to DKK 17m. The margin improvement of 2.1%-points compared with same quarter last year is mainly driven by lower regional overhead cost.

DKK million	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
Revenue	196	133	526	410	564
<i>Revenue growth, YoY</i>	47.5%	n/a	28.3%	n/a	n/a
Revenue growth, organic YoY	17.7%	n/a	13.8%	n/a	n/a
Production cost	142	78	369	270	369
Gross profit	54	55	157	140	195
<i>Gross margin</i>	27.6%	41.4%	29.9%	34.1%	34.6%
Regional overhead cost	9	19	32	46	57
Regional operating profit	45	36	125	94	138
<i>Regional operating profit margin</i>	23.1%	27.2%	23.8%	22.9%	24.5%
Corporate cost	28	28	69	77	89
Group operating profit excl. special items	17	9	56	17	49
<i>Group operating profit margin excl. special items</i>	8.6%	6.5%	10.6%	4.1%	8.7%

FINANCIAL OUTLOOK

FULL-YEAR FINANCIAL OUTLOOK CONFIRMED

The current financial outlook announced on August 26, cf. company announcement no. 19/2023, is unchanged. NNIT still expects to deliver around 15% revenue growth with a group operating profit margin excl. special items of around 6%. Special items unchanged up to DKK 70m.

NNIT A/S	<i>Unchanged since 26 Aug 2023</i>	<i>Announced on 23 Mar 2023</i>
	Current 2023 outlook	Previous 2023 outlook
Revenue growth	Around 15%	Around 10%
Group operating profit margin excl. special items	Around 6%	Around 5%
Special items	Up to DKK 70m	Up to DKK 70m

Forward-looking statements

This announcement 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.

Please also refer to the overview of risk factors in the 'risk management' section on page 27-28 of the Annual Report 2022.

OTHER EVENTS

OTHER IMPORTANT EVENTS IN Q3 2023 AND AFTER THE REPORTING PERIOD

Capital Markets Day

NNIT hosted a capital markets day with elaboration on the “New beginning” strategy and financial aspirations towards 2026. Besides elaborating on the strategy, NNIT also presented an introduction of its new regional structure, where all regions presented its commercial plans.

CONTACT

CONFERENCE CALL

November 9, 2023, at 9:30 AM CET:

[Webcast link](#)

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ABOUT NNIT

NNIT is a leading provider of IT solutions to life sciences internationally, and to the public and enterprise sectors in Denmark.

We focus on high complexity industries and thrive in environments where regulatory demands and complexity are high.

We advise on and build sustainable digital solutions that work for the patients, citizens, employees, end users or customers.

We strive to build unmatched excellence in the industries we serve, and we use our domain expertise to represent a business first approach – strongly supported by a selection of partner technologies, but always driven by business needs rather than technology.

NNIT consists of group company NNIT A/S and subsidiaries SCALES, Excellis Health Solutions and SL Controls. Together, these companies employ more than 1,700 people in Europe, Asia and USA. Read more at www.nnit.com