

NETCOMPANY

Q2 2019



Important information



This report contains forward-looking statements including, but not limited to, the statements and expectations contained in the outlook section. Forward-looking statements are statements (other than statements of historical fact) relating to future events and Netcompany's anticipated or planned financial and operational performance.

The words 'may', 'will', 'will continue', 'should', 'expect', 'foresee', 'anticipate', 'believe', 'estimate', 'plan', 'predict', 'intend' or variations of these words, including negatives thereof, as well as other statements regarding matters that are not historical fact or regarding future events or prospects, constitute forward-looking statements.

Netcompany has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties, which could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of Netcompany.

Although Netcompany believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ, e.g. as the result of risks related to the industry in general or Netcompany in particular, including those described in NC Group A/S' Annual Report 2018 and other information made available by Netcompany.

Factors that may affect future results include, but are not limited to, global and economic conditions, including currency exchange rate and interest rate fluctuations, delay or failure of projects related to research and/or development, unexpected contract breaches or terminations, unplanned loss of patents, government-mandated or market-driven price decreases for Netcompany's products, introduction of competing products, reliance on information technology, Netcompany's ability to successfully market current and new products, exposure to product liability, litigation and investigations, regulatory developments, actual or perceived failure to adhere to ethical marketing practices, unexpected growth in costs and expenses, failure to recruit and retain the right employees, and failure to maintain a culture of compliance.

As a result, forward-looking statements should not be relied on as a prediction of actual results. Netcompany undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.

The Annual Report 2018 of NC Group A/S is available at www.netcompany.com

Presenters



“

...will go through the business highlights for Q2 2019 and give an update on employees as well as 2019 guidance

André Rogaczewski, CEO



“

...will go through the financial highlights for the quarter

Thomas Johansen, CFO

Highlights Q2

DKKm



Revenue

Gross profit

Gross profit margin

Adjusted EBITA

Average FTEs

Q2 2019

593.1

222.7

37.6%

126.1

2,259

Change to Q2 2018

18.0%

13.4%

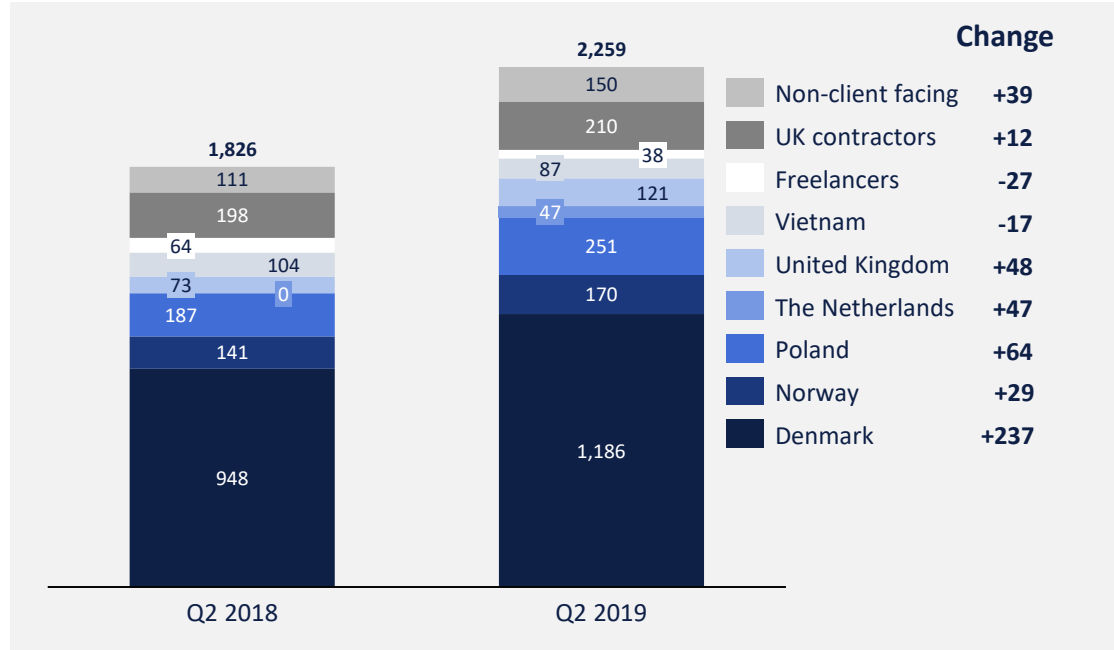
-1.5pp

5.8%

23.6%

Employee development

#FTEs increased to 2,098



Average employee age 33








New starters 137 in Q1 2019
New starters 245 in Q2 2019



Non-client facing proportion 6.6% for Q2 2019 against 6.1% for Q2 2018

Cases: New public contracts

			
 Q2 2019	-	-	-
 Description	<p>Restoring the collection of all public debt including outstanding taxes. The engagement covers further functional development, technical optimisations, counseling and project management.</p>	<p>Coordinate and manage the deployment activities, continue the management of Network Remediation activities and provide Technical Engineering to support the integration of the CenturyLink UC solution into the End User Compute solution</p>	<p>The project aims to introduce a state of the art ship registry for registering ownership of ships where the process is completely digitalised. The project has an option to introduce a Blockchain as part of the solution and will be developed through an agile process over the next 12-18 months.</p>

Acquisition of Netcompany Netherlands

Netherlands

- Completed on 13 May 2019
- First plan of the integration completed
- Focus on pipeline
- Strengthen “go-to” market
- Support FTE growth
- Still a small company to the Netcompany group

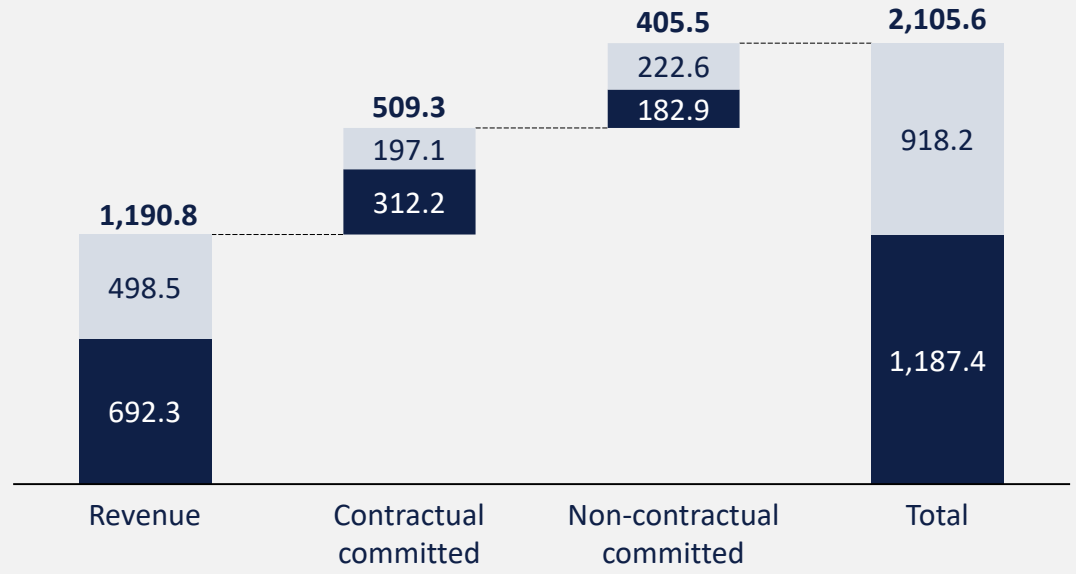


Revenue visibility



Revenue visibility, DKK million

Private segment Public segment



Comments

Revenue visibility start of July for remaining part of 2019 at DKK 2.1bn









Better visibility in the private segment compared to previous



Continued high activity level towards ensuring contractually committed revenue in all segments



Guidance for 2019

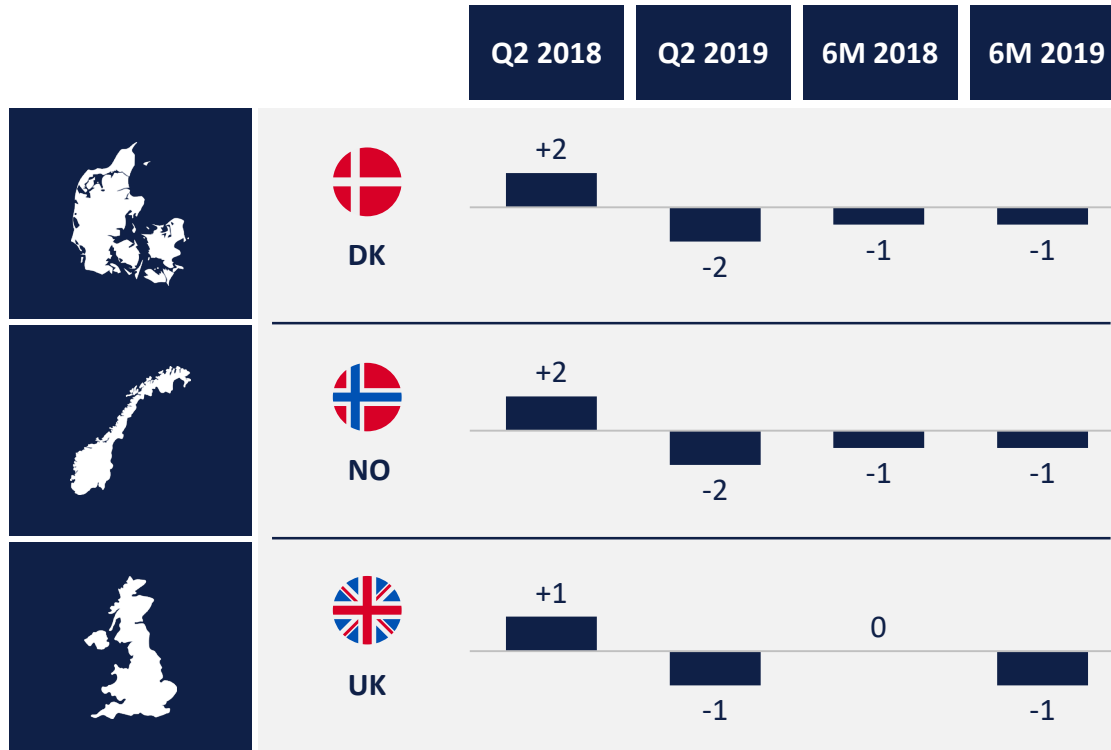
		 Updated guidance 2019	Original guidance 2019
	Organic revenue growth in constant currencies	20-22%	20-25%
	Adjusted EBITA margin in constant currencies – organic businesses	~26%	~26%
	Reported revenue growth	20.75-23.25 %	N/A
	Adjusted EBITA margin in constant currencies	~25.7%	N/A


- Pipeline in DK pushed/delayed due to the Danish general election in the early summer
- NC Netherlands impacting revenue 0.75-1.25% and margins negatively by around 0.3%




FINANCIAL HIGHLIGHTS

Working days





Comments

2 working day less in DK and NO in Q2 2019 compared to Q2 2018 as Easter holiday felt on different days in 2018 – more public holidays on workdays



Higher impact on margins in DK and NO due to higher use of freelancers in UK



Q2 income statement

DKK million	Q2 2019	Q2 2018	% change
Income statement			
Revenue	593.1	502.2	18.0%
Cost of services	-370.4	-306.2	21.0%
Gross profit	222.7	196.4	13.4%
Sales and marketing costs	-3.3	-4.3	22.7%
Administrative costs	-93.3	-72.9	27.9%
Special items	-2.7	-26.6	-90.0%
EBITA	123.5	92.7	33.2%
Amortisation	-24.6	-28.8	-14.8%
Operating profit (EBIT)	98.9	63.8	54.9%
Financial income	0.5	12.4	-96.4%
Financial expenses	-21.8	-77.8	-72.0%
Profit before tax	77.6	-1.5	N/A
Tax on the profit for the period	-15.9	-15.1	5.2%
Net profit for the period	61.7	-16.6	N/A



Comments

Revenue negatively impacted by Easter

Gross profit negatively impacted by Easter

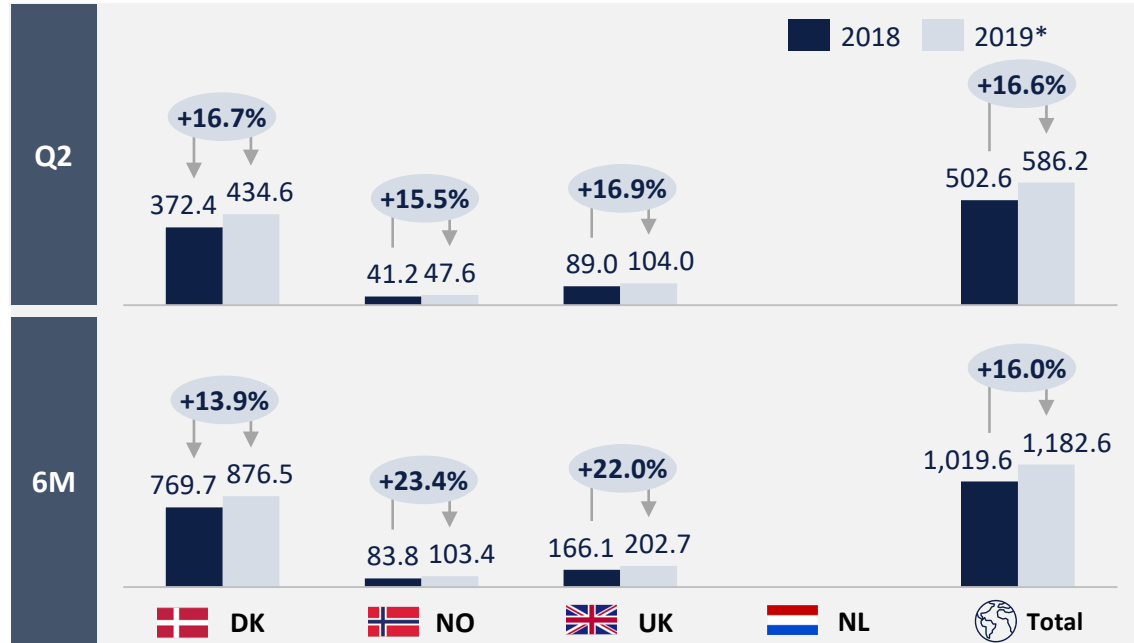
Admin cost fully loaded in Q2 2019 vs Q2 2018

Financial expenses negatively impacted by exchange rate on GBP regarding funding of the acquisition

Revenue – Organic



Revenue in contract markets**, DKKm



Comments

Revenue growth picking up Q/Q compared to the beginning of the year in DK – as expected

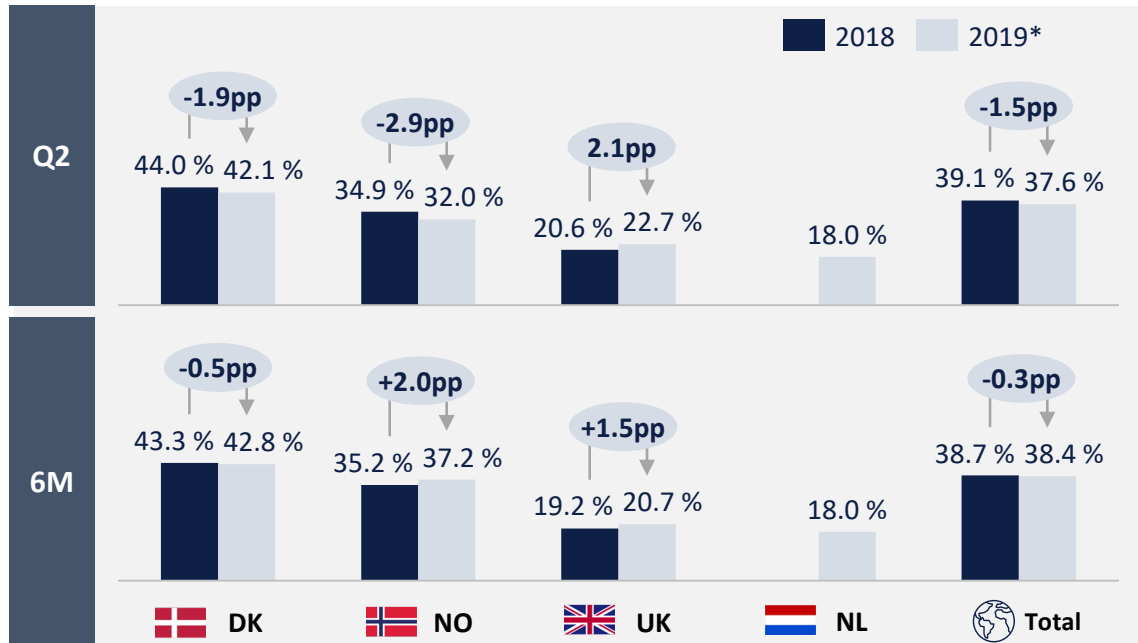
NO and UK lower in Q2 compared to Q1 – Easter impact

Netherlands still not material on the Q or YTD and not included here as only organic revenue is shown

Gross profit margin



Gross profit margin



Comments

Margin impacted by Easter in Q2 in DK and NO

Less Easter impact in the UK due to high use of independent contractors

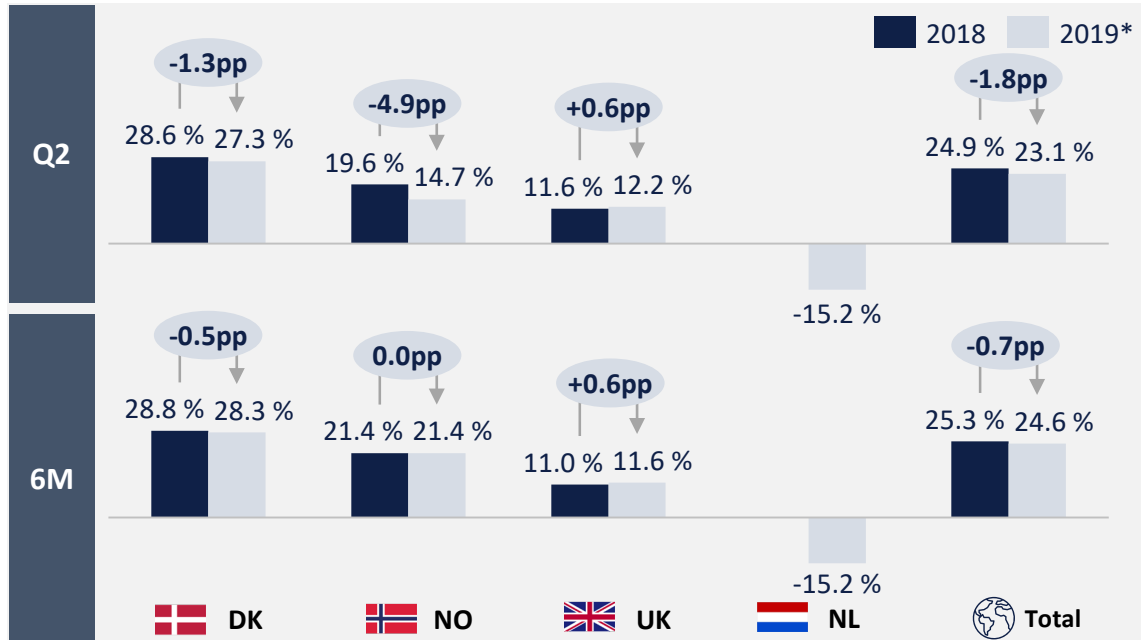
6M slightly drop in DK – more time spent on Business Development in 2019 than same period 2018

Positive margin development in the UK expected to be sustained throughout 2019

Adjusted EBITA



Adjusted EBITA margin (before allocated cost from HQ)



Comments

Easter impact around 2-2.5% in Q2
- DK also impacted from IPO related activities in Q2 2018

Strong performance in UK – will continue in rest of 2019

NO on par with 2018 YTD

NL impacted by integration activities

Public segment

DKK million	Q2 2019	Q2 2018	% change (reported)	Non-organic impact (NL)
Revenue	341.5	267.8	27.5%	2.4pp
Allocated Costs	-284.3	-208.8	36.1%	3.6pp
Adjusted EBITA	57.2	59.8	-2.9%	-1.8pp
<i>Adjusted EBITA margin</i>	16.8%	22.0%	-5.2pp	-0.6pp
Allocated special items	-1.6	-14.8	-89.3%	0.0pp
EBITA	55.6	44.2	26.0%	-2.4pp
<i>EBITA margin</i>	16.3%	16.5%	-0.2pp	-0.6pp
Amortisation	-14.7	-16.1	-8.8%	0.0pp
Operating profit	41.0	28.1	46.0%	-3.7pp
<i>Operating profit margin</i>	12.0%	10.5%	1.5pp	-0.5pp



Comments

Growth driven from DK and UK

The changes in split – with a higher share of revenue from the UK drives margins for the segment downwards

In addition, almost all revenue in NL is public, which in Q2 is also yielding margins lower than DK

Private segment

DKK million	Q2 2019	Q2 2018	% change (reported)	Non-organic impact (NL)
Revenue	251.6	234.8	7.1%	0.3pp
Allocated Costs	-182.7	-174.5	4.7%	0.4pp
Adjusted EBITA	68.9	60.3	14.3%	-0.1pp
<i>Adjusted EBITA margin</i>	27.4%	25.7%	1.7pp	-0.1pp
Allocated special items	-1.1	-11.8	-90.9%	0.0pp
EBITA	67.8	48.5	39.8%	-0.1pp
<i>EBITA margin</i>	27.0%	20.7%	6.3pp	-0.1pp
Amortisation	-9.9	-12.8	-22.3%	0.0pp
Operating profit	57.9	35.8	62.0%	-0.1pp
<i>Operating profit margin</i>	23.0%	15.2%	7.8pp	-0.1pp



Comments

Growth in both DK and NO from new clients in DK and a mix of new and existing clients in NO

As the UK relatively have a lower share in Private the opposite impact to Public is the case in Private – i.e. positive

Cash flow

	Q2 2019	Q2 2018	6M 2019	6M 2018
DKK million				
Operating profit (EBIT)	98.9	63.8	219.4	155.1
Depreciation and amortisation	38.0	39.0	75.6	77.5
Non-cash	4.2	0.5	6.7	0.5
Working capital changes	-5.0	-39.5	-14.0	74.5
Total	136.1	63.9	287.7	158.6
Paid taxes	-3.9	-29.8	-70.4	-40.2
Paid financial expenses, net	-9.9	-7.2	-13.8	-20.4
CAPEX	-5.0	-3.0	-11.1	-6.5
Free cash flow	117.2	23.9	192.4	91.5
Cash and cash equivalents at the beginning	174.7	154.2	107.7	194.5
Cash and cash equivalents at the end	136.4	172.4	136.4	172.4



Comments

Free cash flow increased 390.4% from DKK 117.2m in Q2 2019 compared to Q2 2018.

Positive development in changes to working capital

DSO continue to decrease from 67 in Q2 2018 to 65 in Q2 2019

Cash flow from financing related to purchase of treasury shares for DKK 175m

Work in progress



Work in progress last 2 years

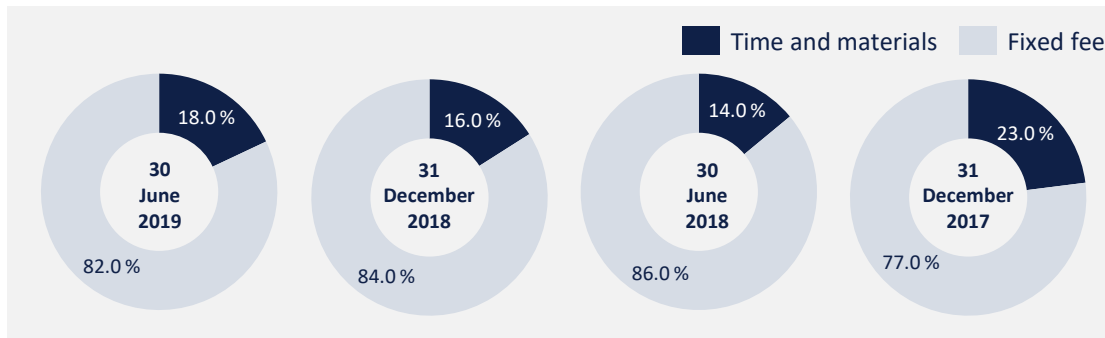
DKK million	Asset	Liability	WIP net
At 30 June 2019	330.4	-21.4	309.0
At 31 December 2018	284.7	-29.6	255.1
At 30 June 2018	289.5	-35.7	253.8
At 31 December 2017	139.2	-36.2	102.9



Comments

Stable levels of WIP

Bring down of WIP balances expected through Q3 and Q4



Q&A



APPENDIX



Highlights 6M

DKKm



Revenue

Gross profit

Gross profit margin

Adjusted EBITA

Average FTEs

6M 2019

1,190.8

456.3

38.3%

273.3

2,179

Change to 6M 2018

16.8%

15.6%

-0.4pp

10.6%

17.5%

6M income statement

DKK million	6M 2019	6M 2018	% change
Revenue	1,190.8	1,019.6	16.8%
Cost of services	-734.4	-625.0	17.5%
Gross profit	456.3	394.6	15.6%
Sales and marketing costs	-6.1	-7.0	-13.5%
Administrative costs	-176.9	-140.6	25.9%
Special items	-3.7	-34.3	-89.1%
EBITA	269.6	212.8	26.7%
Amortisation	-50.2	-57.7	-12.9%
Operating profit (EBIT)	219.4	155.1	41.5%
Financial income	15.8	19.5	-18.9%
Financial expenses	-31.2	-109.5	-71.5%
Profit before tax	204.0	65.0	213.8%
Tax on the profit for the period	-43.6	-30.5	43.1%
Net profit for the period	160.4	34.6	364.2%

Balance sheet

DKK million	June 30	
	2019	2018
Assets		
Intangible assets	2,602.0	2,573.8
Tangible assets	136.7	47.2
Deferred tax assets	2.2	0.5
Other receivables	14.6	12.0
Total non-current assets	2,755.6	2,603.5
Trade receivables	427.2	399.0
Contract work in progress	330.4	289.5
Other receivables	27.4	13.1
Tax receivables	3.1	0
Cash	136.4	172.4
Total current assets	924.5	874.0
Total assets	3,680.0	3,477.5
Equity and liabilities		
Share capital	50.0	50.0
Exchange differences on translating foreign subsidiaries	-2.7	-5.4
Obligation to purchase treasury shares	-175.0	-50.0
Share-based remuneration	10.64	0.5
Retained earnings	1,965.0	1,657.9
Total equity	1,847.8	1,652.9
Borrowings	1,182.7	1,229.7
Leasing	48.7	17.1
Deferred tax liability	82.3	109.6
Total non-current liabilities	1,313.7	1,356.4
Leasing	46.8	5.8
Prepayments received from customers	21.4	35.7
Trade payables	48.1	37.4
Other payables	375.8	284.9
Provisions	26.4	25.9
Income tax payable	0	78.4
Total current liabilities	518.5	468.1
Total equity and liabilities	3,680.0	3,477.5

Public segment

DKK million	6M 2019	6M 2018	% <i>change</i> (reported)	Non-organic impact (NL)
Revenue	692.3	553.6	25.1%	1.2pp
Allocated Costs	-561.8	-429.8	30.7%	1.8pp
Adjusted EBITA	130.5	123.8	5.4%	-0.8pp
<i>Adjusted EBITA margin</i>	18.8%	22.4%	-3.6pp	-0.3pp
Allocated special items	-2.2	-19.1	-88.3%	0.0pp
EBITA	128.2	104.7	22.5%	-1.0pp
<i>EBITA margin</i>	18.5%	18.9%	-0.4pp	-0.3pp
Amortisation	-30.1	-32.0	-5.8%	0.0pp
Operating profit	98.1	72.7	35.0%	-1.4pp
<i>Operating profit margin</i>	14.2%	13.1%	1.1pp	-0.3pp

Private segment

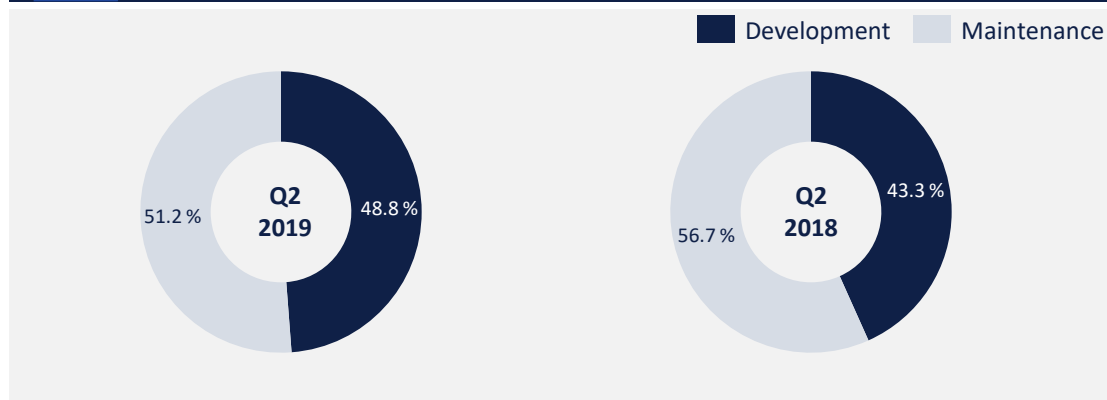
DKK million	6M 2019	6M 2018	% change (reported)	Non-organic impact (NL)
Revenue	498.5	466.1	7.0%	0.1pp
Allocated Costs	-355.5	-342.7	3.8%	0.2pp
Adjusted EBITA	142.9	123.3	15.8%	0.0pp
<i>Adjusted EBITA margin</i>	28.7%	26.5%	2.2pp	0.0pp
Allocated special items	-1.5	-15.2	-90.1%	0.0pp
EBITA	141.4	108.1	30.8%	0.0pp
<i>EBITA margin</i>	28.4%	23.2%	5.2pp	0.0pp
Amortisation	-20.1	-25.7	-21.8%	0.0pp
Operating profit	121.3	82.4	47.2%	-0.1pp
<i>Operating profit margin</i>	24.3%	17.7%	6.6pp	0.0pp

Revenue type

Revenue, DKK million	Public	Private	Total	Growth	Non-organic growth contribution (NL)
Development	169.8	119.9	289.7	33.2%	2.9pp
Maintenance	171.7	131.7	303.4	6.4%	0.3pp



Revenue Split

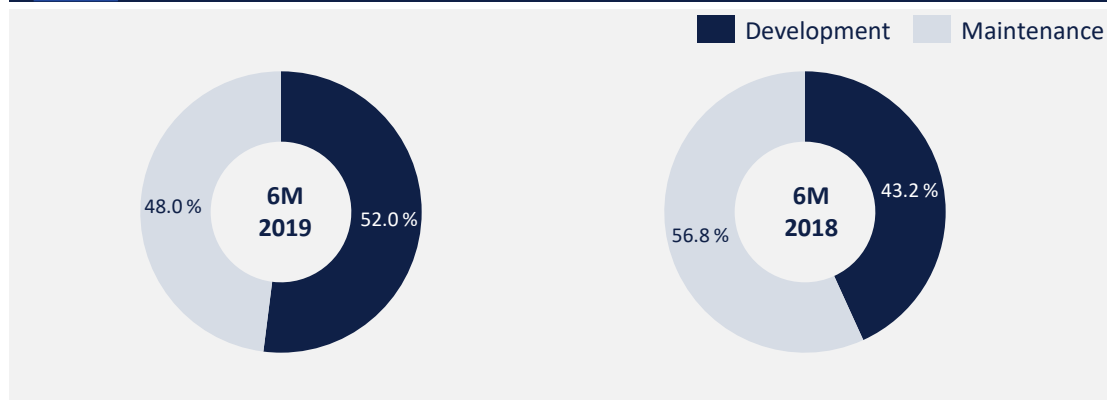


Revenue type




Revenue, DKK million	Public	Private	Total	Growth	Non-organic growth contribution (NL)
Development	360.5	259.2	619.7	40.7%	1.4pp
Maintenance	331.8	239.3	571.1	-1.4%	0.2pp






Revenue Split

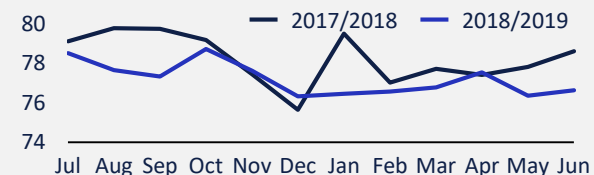


Currency exposures

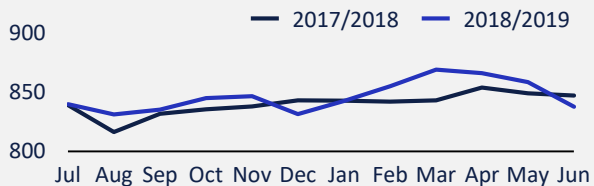
	Q2 2019					
Local currency, million	DKK	NOK	GBP	EUR	VND	PLN
 Revenue	434.6	61.1	12.2	1.0	0	0
 EBIT	87.5	6.7	0.5	-0.1	2,398.9	0.5
 Net result	53.4	4.6	0.4	-0.1	2,076.9	0.3

	6M 2019					
Local currency, million	DKK	NOK	GBP	EUR	VND	PLN
 Revenue	876.5	133.0	24.0	1.0	0	0
 EBIT	190.0	23.0	1.0	-0.1	4,255.2	1.2
 Net result	137.7	17.9	0.8	-0.1	3,334.2	0.6

NOK



GBP



EUR

