

Company announcement – 12 months ended 31 December 2019

Netcompany grew revenue by 23.4% and realised an adjusted EBITA margin of 26.8% in Q4 2019

Company announcement
no 2/2020
6 February 2020

Summary

In Q4 2019, Netcompany realised reported revenue of DKK 671.0m, of which DKK 654.7m was organic, corresponding to 23.5% (constant 23.4%) growth in reported currencies and an organic revenue growth of 20.5%.

Adjusted EBITA margin, when not including the non-organic impact from the Netherlands reached 27.9% which was 3.8 percentage point higher than Q4 2018.

The average number of full-time employees grew by 25% from 1,979 in Q4 2018 to 2,468 in Q4 2019. Part of the increase was related to the acquisition of Netcompany Netherlands, which affected the average FTEs in Q4 2019 by 85.

Free cash flow remained strong and increased by 412.3% from DKK 22.8m in Q4 2018 to DKK 116.8m in Q4 2019

For the full year 2019 Netcompany realised revenue growth of 19.5% (17.7% organic) and grew revenue to DKK 2,453.9m in line with most recent expectations. Adjusted EBITA margin was 25.2% including the negative impact from the acquisition of QDelft in the Netherlands. Adjusted for this, margins was 25.9% - also in line with most recent expectations.

Free cash flow for the year increased by more than more than DKK 272m to DKK 435.8m yielding a cash conversion ratio of 93.2%.

Revenue visibility increased by 15.7% to DKK 1,827.8m for 2020 compared to DKK 1,579.4m for 2019.

For 2020, Netcompany expects organic revenue growth of around 18-20% in constant currencies and non-organic revenue growth of around 1% in constant currencies. Organic and reported Adjusted EBITA in constant currencies is expected to be around 26%.

Netcompany grew revenue by 23.4% and realised an adjusted EBITA margin of 26.8% in Q4 2019

netcompany

Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

“During Q4, we have continued to deliver high quality in our projects and had important wins in the Danish market. Further, we experienced that delayed projects from the fall were initiated in the recent quarter as expected. During the quarter, we grew revenue by more than 23% and realised close to 27% in adjusted EBITA margin. In addition, cash flow was strong as we start to see the impact from moving work in progress to receivables and subsequent payments – also as expected. We have continued to recruit top talent and I am pleased to welcome 210 new employees to Netcompany. Looking into 2020, I am confident that we stand on a strong foundation to continue to grow our business and gradually move closer to our ambition of becoming a Northern European leader.”

André Rogaczewski, Netcompany CEO and Co-founder

Performance highlights for Q4 2019

- Revenue increased by 23.5% (23,4% constant), hereof 20.5% from organic growth to DKK 671.0m in reported currencies.
- Gross profit margin was 42.3% against 39.4% in Q4 2018.
- Free cash flow improved by 412.3% to DKK 116.8m.
- Cash conversion rate of 80.3%.

Financial overview - Q4

DKK million	Q4 2019 (reported)	Q4 2019 (constant)*	Q4 2018	% change (reported)	Netcompany Netherlands non-organic impact	% change (constant)
Revenue	671.0	670.3	543.3	23.5%	3.0pp	23.4%
Gross profit	283.8	283.6	213.8	32.7%	1.6pp	32.6%
EBITA	179.8	179.7	130.6	37.7%	-2.4pp	37.6%
EBITA margin	26.8%	26.8%	24.0%	2.8pp	-1.1pp	2.8pp
Adjusted EBITA	179.9	179.7	130.8	37.5%	-2.4pp	37.4%
Adjusted EBITA margin	26.8%	26.8%	24.1%	2.7pp	-1.1pp	2.7pp
Operating profit	154.4	154.2	101.8	51.6%	-4.1pp	51.5%
Operating profit margin	23.0%	23.0%	18.7%	4.3pp	-1.2pp	4.3pp
Net profit / loss	125.6	125.4	68.4	83.6%	-3.6pp	83.3%
Capex	-9.1	N/A	-8.8	3.3%	N/A	N/A
Net increase / decrease in cash and cash equivalents	-44.7	N/A	-105.6	-57.7%	N/A	N/A

*Constant currencies measured using average exchange rates for Q4 2018

Performance highlights for 2019

- Revenue increased by 19.5%, hereof 17.7% from organic growth to DKK 2,453.9m in reported currencies and by 19.5% in constant currencies.
- Gross profit margin was 40.6% against 39.8% for the same period in 2018.
- Free cash flow remained strong and increased from DKK 163.6m in 2018 to DKK 435.8m in 2019.
- Cash conversion rate of 93.2%.

Financial overview - twelve months of 2019

DKK million	YTD 2019 (reported)	YTD 2019 (constant)*	YTD 2018	% change (reported)	Netcompany Netherlands non-organic impact	% change (constant)
Revenue	2,453.9	2,454.1	2,053.2	19.5%	1.8pp	19.5%
Gross profit	995.8	996.6	816.5	22.0%	1.0pp	22.0%
EBITA	613.0	613.9	479.7	27.8%	-1.4pp	28.0%
EBITA margin	25.0%	25.0%	23.4%	1.6pp	-0.7pp	1.7pp
Adjusted EBITA	617.4	618.3	514.2	20.1%	-1.3pp	20.2%
Adjusted EBITA margin	25.2%	25.2%	25.0%	0.1pp	-0.7pp	0.2pp
Operating profit	511.3	512.3	364.3	40.3%	-2.3pp	40.6%
Operating profit margin	20.8%	20.9%	17.7%	3.1pp	-0.7pp	3.1pp
Net profit / loss	388.5	389.3	181.2	114.4%	-2.8pp	114.8%
Capex	-24.6	N/A	-22.9	7.5%	N/A	N/A
Net increase / decrease in cash and cash equivalents	32.1	N/A	-85.3	-1.4	N/A	N/A

*Constant currencies measured using average exchange rates for 2018

Conference call details

In connection with the publication of the results for Q4 2019, Netcompany will host a conference call on 6 February 2020 at 11.00 am CEST. The conference call will be held in English and can be followed live via the company's website; www.netcompany.com

Dial-in details for investors and analysts:

Conference ID: 4976856
Standard international: +44 (0) 2071 928000
Denmark (local): 32728042
UK (local): 08445718892

Webcast Player URL: ... <https://edge.media-server.com/mmc/p/iibxxi3i>

Additional information

André Rogaczewski, CEO	+45 70 13 14 40
Thomas Johansen, CFO	+45 51 19 32 24

Financial highlights and key figures

DKK million	Q4 2019	Q4 2018	YTD 2019	YTD 2018	% change YTD
Income statement					
Revenue					
Public	406.9	321.0	1,455.5	1,152.1	26.3%
Private	264.1	222.3	998.3	901.1	10.8%
Revenue by segments, total	671.0	543.3	2,453.9	2,053.2	19.5%
Development	338.9	304.6	1,257.7	1,005.4	25.1%
Maintenance	332.1	238.7	1,196.1	1,047.8	14.2%
Revenue by types, total	671.0	543.3	2,453.9	2,053.2	19.5%
Organic	654.7	517.8	2,416.5	1,777.5	35.9%
Acquisition	16.3	25.5	37.4	275.7	-86.4%
Revenue by growth, total	671.0	543.3	2,453.9	2,053.2	19.5%
Special items	0.0	-0.1	-4.4	-34.5	-87.2%
EBITA	179.8	130.6	613.0	479.7	27.8%
Adjusted EBITA	179.9	130.8	617.4	514.2	20.1%
Operating profit (EBIT)	154.4	101.8	511.3	364.3	40.3%
Net financials	5.1	-10.2	-14.0	-108.7	-87.1%
Net profit / loss	125.6	68.4	388.5	181.2	114.4%
Financial position					
Capex	-9.1	-8.8	-24.6	-22.9	7.5%
Total assets	3,727.6	3,485.4	3,727.6	3,485.4	6.9%
Equity	2,071.7	1,806.3	2,071.7	1,806.3	14.7%
Net increase in cash and cash equivalents	-44.7	-105.6	32.1	-85.3	-137.7%
Free cash flow	116.8	22.8	435.8	163.6	166.4%
Free cash flow (tax normalised)	117.4	104.3	417.2	233.1	79.0%
Earnings per share					
Earnings per share (DKK)	2.56	1.38	7.91	3.65	116.9%
Diluted earnings per share (DKK)	2.55	1.38	7.89	3.65	116.4%
Employees					
Average number of full-time employees	2,468	1,979	2,293	1,861	0

Financial highlights and key figures (continued)

DKK million	Q4 2019	Q4 2018	YTD 2019	YTD 2018	% change YTD
Financial ratios					
Gross profit margin	42.3%	39.4%	40.6%	39.8%	0.8pp
EBITA margin	26.8%	24.0%	25.0%	23.4%	1.6pp
Adjusted EBITA margin	26.8%	24.1%	25.2%	25.0%	0.1pp
Operating profit margin	23.0%	18.7%	20.8%	17.7%	3.1pp
Effective tax rate	21.2%	N/A	21.9%	29.1%	-7.2pp
Return on equity	6.5%	4.0%	20.0%	10.5%	9.5pp
Solvency ratio	55.6%	51.8%	55.6%	51.8%	3.8pp
Financial metrics					
Revenue growth	23.5%	26.8%	19.5%	45.0%	-25.5pp
Operating profit margin	23.0%	18.7%	20.8%	17.7%	3.1pp
Return on invested capital (ROIC)	4.4%	2.5%	13.6%	6.6%	7.1pp
Cash conversion rate	80.3%	25.1%	93.2%	60.3%	32.8pp
Cash conversion rate (tax normalised)	80.7%	114.7%	89.2%	85.9%	3.2pp

Performance overview - Q4

DKK million	Q4 2019 (reported)	Q4 2019 (constant)*	Q4 2018	% change (reported)	Netcompany Netherlands non-organic impact	% change (constant)
Revenue	671.0	670.3	543.3	23.5%	3.0pp	23.4%
Cost of services	-387.2	-386.7	-329.5	17.5%	3.9pp	17.4%
Gross profit	283.8	283.6	213.8	32.7%	1.6pp	32.6%
Gross profit margin	42.3%	42.3%	39.4%	2.9pp	-0.5pp	2.9pp
Sales and marketing costs	-3.1	-3.1	-2.5	24.4%	0.4pp	24.5%
Administrative costs	-100.8	-100.7	-80.6	25.1%	8.1pp	25.1%
Adjusted EBITA	179.9	179.7	130.8	37.5%	-2.4pp	37.4%
Adjusted EBITA margin	26.8%	26.8%	24.1%	2.7pp	-1.1pp	2.7pp
Special items	0.0	0.0	-0.1	-80.6%	0.8pp	-80.6%
EBITA	179.8	179.7	130.6	37.7%	-2.4pp	37.6%
EBITA margin	26.8%	26.8%	24.0%	2.8pp	-1.1pp	2.8pp
Amortisation	-25.5	-25.5	-28.8	-11.7%	3.5pp	-11.7%
Operating profit (EBIT)	154.4	154.2	101.8	51.6%	-4.1pp	51.5%
Operating profit margin	23.0%	23.0%	18.7%	4.3pp	-1.2pp	4.3pp
Net financials	5.1	5.1	-10.2	N/A	2.7pp	N/A
Profit / loss before tax	159.5	159.3	91.6	74.0%	-4.8pp	73.9%
Tax	-33.9	-33.9	-23.2	45.8%	-8.3pp	45.9%
Effective tax rate	21.2%	21.3%	25.4%	-4.1pp	-0.6pp	-4.1pp
Net profit / loss	125.6	125.4	68.4	83.6%	-3.6pp	83.3%

*Constant currencies measured using average exchange rates for Q4 2018

Reported revenue increased by 23.5% (constant 23.4%) to DKK 671m in Q4 2019, of which 20.5% was organic revenue growth. The Danish operation grew by 23.9%, while UK and Norway grew by 12.0% (constant 8.6%) and 7.4% (constant 12.4%), respectively. Non-organic revenue relating to the acquisition of Netcompany Netherlands on 13 May 2019, increased revenue by 3.0 percentage points in Q4 2019.

In Q4 2019 growth in the Danish operation was a result of utilisation coming back to a normal level driven by a high activity in the Danish private sector as well as the initiation of several public projects that had been delayed earlier this year following the general election in the spring. In Norway, the lower growth was a result of a lower than targeted conversion rate of the pipeline and a high intake of new hires during the summer, while the UK continued to reduce the level of independent contractors, which naturally impacted top line growth in exchange for an improvement in margins.

Performance overview- Q4 (continued)

Gross profit margin increased by 2.9 percentage points. Adjusted for the non-organic impact of Netcompany Netherlands Gross profit margin increased 3.4 percentage point in Q4 2019. Improvement in margins was especially driven by the UK operation, which increased its gross profit margin by 15.6 percentage points compared to the same period last year. This development was primarily driven by the conscious decision to exchange top line growth for better margins by terminating the use of independent contractors where possible, but also driven by more outcome-based projects in the portfolio with better project economics.

In Denmark, gross profit margin increased as a result of the strong performance in the delivery of a number of complex development projects – among others the AULA project in Q4 2019. The strong delivery of projects in Q4 – and previously in the year – led to a further reduction of the general “risk-contingency reserve” as the overall risk profile of the project portfolio has been reduced significantly. In Q4 2019, the reduction in the contingency reserve had a positive impact on revenue and gross profit margin of around 2 percentage points and 1.1 percentage points, respectively.

Sales and marketing costs increased by 24.4% (constant 24.5%) to DKK 3.1m. The increase in marketing costs was primarily driven by the timing of marketing events.

Administrative costs increased to DKK 100.8m, which was an increase of 25.1% (constant 25.1%). Adjusted for the non-organic impact from Netcompany Netherlands the growth was 17% or DKK 94.3m. This development was primarily driven by the increase in FTEs, which grew by 24.7%, thereby increasing the general infrastructure costs as more consultants in absolute numbers spent time on certification and other training. In addition, costs relating to share based remuneration increased by DKK 1.8m, as a result of the LTIP programme being further progressed compared to the same period last year. Finally, the relative high amount of administration costs in the Netherlands compared to revenue contribution in the period was driven by a planned office expansion as well as accelerated integration costs, which is progressing according to plan.

Adjusted EBITA increased by 37.5% (constant 37.4%) to DKK 179.9m. This led to an adjusted EBITA margin of 26.8%, of which the non-organic impact from the acquisition of Netcompany Netherlands accounted for negative 1.1 percentage points. The improvement in adjusted EBITA margin was 2.7 percentage points, and 3.8 percentage points when adjusting for the impact from the acquisition of Netcompany Netherlands, compared to the same period last year. The increase was driven by strong performance in both the UK and Danish business operations.

Special items was close to zero in Q4 2019 and amounted to DKK 0.1m in Q4 2018. In both periods special items was related to M&A advisory costs.

Amortisation of intangible assets recognised upon business combinations in the past, decreased by 11.7% (constant 11.7%) to DKK 25.5m. The decrease in amortisation was driven by some of the intangible assets in relation to the FSN Capital acquiring Netcompany on 1 February 2016 now fully being amortised.

Operating profit (EBIT) increased by 51.6% (constant 51.5%) to DKK 154.4m. This led to an operating profit margin of 23% compared to 18.7% in Q4 2018.

Performance overview - Q4 (continued)

Net financials were positive by DKK 5.1m in Q4 2019 compared to negative DKK 10.2m in Q4 2018. Net financials in Q4 2019 was driven by the positive development in the Danish krone against the British pound, which as a result decreased borrowing taken in British pounds by DKK 11.8. This more than offset the DKK 8.1m in financial expenses generated in Q4 2019 including DKK 4.3m (DKK 7.3m) related to interest costs for external bank lending.

The net result increased by 83.6% (constant 83.3%) to DKK 125.6m of which the non-organic impact from Netcompany Netherlands accounted for negative 3.6 percentage points.

Performance overview – twelve months

DKK million	YTD 2019 (reported)	YTD 2019 (constant)*	YTD 2018	% change (reported)	Netcompany Netherlands non-organic impact	% change (constant)
Revenue	2,453.9	2,454.1	2,053.2	19.5%	1.8pp	19.5%
Cost of services	-1,458.1	-1,457.5	-1,236.7	17.9%	2.4pp	17.9%
Gross profit	995.8	996.6	816.5	22.0%	1.0pp	22.0%
Gross profit margin	40.6%	40.6%	39.8%	0.8pp	-0.3pp	0.8pp
Sales and marketing costs	-11.7	-11.8	-11.9	-1.1%	1.7pp	-1.0%
Administrative costs	-366.7	-366.5	-290.4	26.2%	5.0pp	26.2%
Adjusted EBITA	617.4	618.3	514.2	20.1%	-1.3pp	20.2%
Adjusted EBITA margin	25.2%	25.2%	25.0%	0.1pp	-0.7pp	0.2pp
Special items	-4.4	-4.4	-34.5	-87.2%	0.1pp	-87.2%
EBITA	613.0	613.9	479.7	27.8%	-1.4pp	28.0%
EBITA margin	25.0%	25.0%	23.4%	1.6pp	-0.7pp	1.7pp
Amortisation	-101.7	-101.7	-115.4	-11.9%	1.7pp	-11.9%
Operating profit (EBIT)	511.3	512.3	364.3	40.3%	-2.3pp	40.6%
Operating profit margin	20.8%	20.9%	17.7%	3.1pp	-0.7pp	3.1pp
Net financials	-14.0	-14.0	-108.7	-87.1%	0.6pp	-87.1%
Profit / loss before tax	497.3	498.2	255.7	94.5%	-3.6pp	94.9%
Tax	-108.8	-108.9	-74.5	46.1%	-5.4pp	46.3%
Effective tax rate	21.9%	21.9%	29.1%	-7.2pp	-0.4pp	-7.3pp
Net profit / loss	388.5	389.3	181.2	114.4%	-2.8pp	114.8%

*Constant currencies measured using average exchange rates for 2018

In 2019, revenue increased by 19.5% from DKK 2.053.2m to DKK 2.453.9m, corresponding to an organic revenue growth of 17.7%. Organic revenue growth was fairly evenly distributed between the Danish, Norwegian and UK business operations that each grew between 15.8% and 18.1%.

Adjusted EBITA increased by more than DKK 100m from DKK 514.2m in 2018 to DKK 617.4m in 2019 corresponding to an increase of 20.1% and an adjusted EBITA margin of 25.2%. The acquisition of the Dutch operation in May 2019 impacted adjusted EBITA margin negatively by 0.7 percentage point in 2019. Adjusted for this, adjusted EBITA margin was 25.9%.

This increase was a result of the improved performance in the Danish and the UK business operations following a year of strong performance when it comes to the delivery of complex projects. which subsequently led to a reduction of the contingency reserve. The reduction of the contingency reserve had a positive impact on revenue and adjusted EBITA margin of around 1 percentage point at group level.

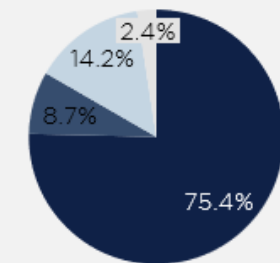
Business Segments – Q4

Segment information related to operating entities:

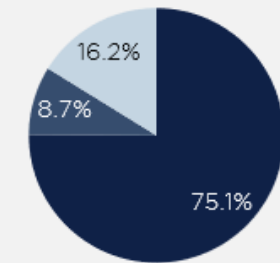
DKK million Constant (2018 rate)	Q4 2019				
	Group	Denmark	Norway	United Kingdom	Netherlands
Revenue from external customers	670.3	505.3	53.3	95.4	16.3
Gross profit	283.6	238.0	14.4	27.8	3.4
Gross profit margin	42.3%	47.1%	27.0%	29.1%	20.7%
Local admin costs	-95.7	-68.7	-8.7	-12.1	-6.2
Adjusted EBITA before allocated cost from HQ	187.8	169.3	5.7	15.6	-2.8
Adjusted EBITA margin before allocated cost from HQ	28.0%	33.5%	10.7%	16.4%	-17.4%
Allocated costs from HQ	-8.1	-5.8	-0.6	-1.4	-0.3
Special Items, allocated	0.0	0.0	0.0	0.0	0.0
EBITA	179.7	163.5	5.1	14.2	-3.1
Client facing FTEs	2,306	1,635	225	358	89

DKK million Reported	Q4 2018				
	Group	Denmark	Norway	United Kingdom	Netherlands
Revenue from external customers	543.3	408.0	47.4	87.9	0.0
Gross profit	213.8	185.2	16.7	11.9	0.0
Gross profit margin	39.4%	45.4%	35.3%	13.5%	N/A
Local admin costs	-73.9	-57.8	-9.3	-6.9	0.0
Adjusted EBITA before allocated cost from HQ	139.9	127.5	7.4	5.0	0.0
Adjusted EBITA margin before allocated cost from HQ	25.7%	31.2%	15.7%	5.7%	N/A
Allocated costs from HQ	-9.1	-6.3	-0.7	-2.0	0.0
Special Items, allocated	-0.1	-0.1	0.0	0.0	0.0
EBITA	130.6	121.1	6.7	2.9	0.0
Client facing FTEs	1,842	1,286	178	378	N/A

Revenue, %



Q4 2019



Q4 2018

Business Segments – Q4 (continued)

Revenue in constant currencies increased by 23.3% to DKK 670.3m in Q4 2019, driven by a revenue growth of 23.8% in the Danish business operation, while the Norwegian and UK business grew by 12.4% and 8.5%, respectively.

Revenue growth in Denmark was strong with utilisation reaching a normal level of business after a lower level in Q3 2019. The increase in utilisation was driven by the initiation of public projects that had previously been postponed following the Danish general election in the spring, but also driven by an increased activity in the Danish private sector where we are beginning to see a higher degree of large scale multiyear contracts coming to the market.

Utilisation in the Norwegian business improved slightly compared to Q3 2019 but was still lower than the normal level of business. This development was driven by a lower conversion of pipeline during Q2 2019 combined with a large intake of new employees in the fall.

In the UK, development in revenue growth was a direct result of the conscious decision to exchange top line growth for better margins by terminating the use of independent contractors where possible. Compared to Q4 2018 the number of independent contractors was reduced by 67 while the UK based permanent employees was increased by 61 reducing UK based client facing FTE's by 6. In addition the usage of resources in Vietnam on UK projects was reduced by 14. In total client facing FTE's was thus reduced by 20 and still the UK operation grew revenue by 8.5% in the quarter compared to the same period last year.

The reduction in usage of independent contractors follows Netcompany's ambition to increase the percentage of permanent employees in the UK and it also gives Netcompany a favourable position in regard to the anticipated introduction of IR35, that alters how independent contractors are personally tax liable. It is the expectation that this new piece of legislation will significantly reduce the level of independent contractors in the UK in general.

Gross profit in constant currencies increased by 32.6% to DKK 283.6m in Q4 2019, which led to a gross profit margin of 42.3% compared to 39.4% in the same period last year. The increase in margin was driven by the UK operation, which managed to increase its gross profit margin by 15.6 percentage points as a result of the reduction of independent contractors working on UK projects, but also driven by more outcome-based projects in the portfolio with better project economics. In addition, the strong performance in delivering large complex projects in Denmark both during 2019 in general, but also in Q4 2019 - where AULA among others was set into production - meant the release of DKK 12.9m from the contingency reserve, which amounted to 1.9% of total revenue and had a positive impact on gross profit margin of 1.1 percentage point at group level. This development was somewhat offset by a decrease in the Norwegian gross profit margin of 8.3 percentage points, which was driven by a lower utilisation in Q4 2019 compared to Q4 2018.

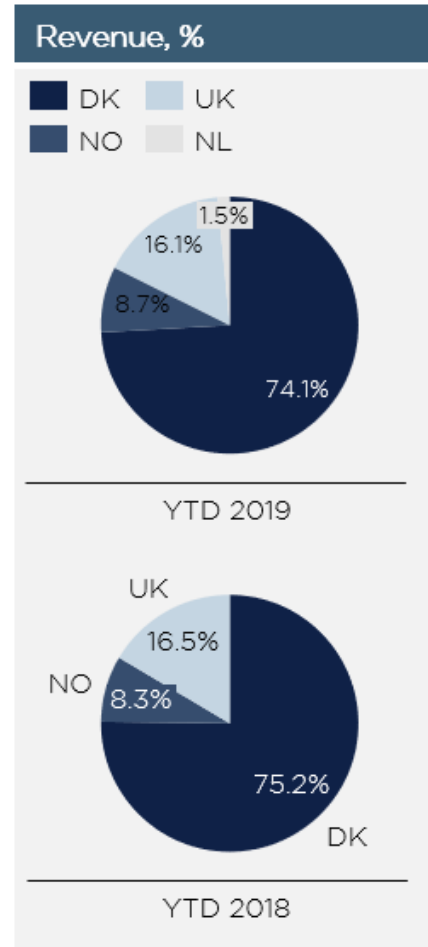
Adjusted EBITA before allocated costs from HQ increased by 34.2% to DKK 187.8m in Q4 2019, which led to a margin of 28% compared to 25.7% in Q4 2018. The increase in margin was fully attributable to the increase in gross profit margin driven by the Danish and UK business operations, which was somewhat offset by a decrease in the Norwegian gross profit margin and a relative low margin in the Dutch operation. The low Dutch margin was a result of the accelerated integration process, which meant additional costs associated hereto, which however is expected to significantly improve the margins from 2020 in that particular business operation.

Business Segments – twelve months

Segment information related to operating entities:

DKK million Constant (2018 rate)	YTD 2019				
	Group	Denmark	Norway	United Kingdom	Netherlands
Revenue from external customers	2,454.1	1,818.8	203.2	394.7	37.4
Gross profit	996.6	826.0	66.8	95.7	8.1
Gross profit margin	40.6%	45.4%	32.9%	24.2%	21.6%
Local admin costs	-341.8	-256.2	-31.6	-40.1	-13.9
Adjusted EBITA before allocated cost from HQ	654.7	569.8	35.2	55.6	-5.9
Adjusted EBITA margin before allocated cost from HQ	26.7%	31.3%	17.3%	14.1%	-15.7%
Allocated costs from HQ	-36.4	-25.5	-2.7	-7.5	-0.7
Special Items, allocated	-4.4	-3.1	-0.3	-0.9	0.0
EBITA	613.9	541.1	32.1	47.2	-6.5
Client facing FTEs	2,084	1,510	199	374	N/A

DKK million Reported	YTD 2018				
	Group	Denmark	Norway	United Kingdom	Netherlands
Revenue from external customers	2,053.2	1,543.8	171.3	338.1	0.0
Gross profit	816.5	699.2	61.0	56.3	0.0
Gross profit margin	39.8%	45.3%	35.6%	16.7%	N/A
Local admin costs	-273.8	-218.7	-28.1	-27.1	0.0
Adjusted EBITA before allocated cost from HQ	542.7	480.6	32.9	29.3	0.0
Adjusted EBITA margin before allocated cost from HQ	26.4%	31.1%	19.2%	8.7%	N/A
Allocated costs from HQ	-28.5	-20.0	-2.2	-6.3	0.0
Special Items, allocated	-34.5	-24.6	-2.6	-7.3	0.0
EBITA	479.7	436.0	28.1	15.7	0.0
Client facing FTEs	1,735	1,204	168	363	N/A



Business Segments – twelve months (continued)

Revenue in constant currencies increased by 19.5% to DKK 2.454.1m in 2019, of which 1.8 percentage points was non-organic revenue growth relating to Netcompany Netherlands. Organic revenue growth was primarily driven by the fact, that the Danish revenue growth was impacted by the Danish general election which delayed a number of large public projects, while the loss of a couple of large tenders in Norway during Q2 2019 led to lower utilisation. In the UK, the move from independent contractors towards permanent employees meant that total client facing FTE's for 2019 grew by 3% while revenue grew by 17% - however this was still a reduction in top line growth compared to previous years in the UK.

Gross profit in constant currencies increased by 22% to DKK 996.6m in 2019, which led to a gross profit margin of 40.6% compared to 39.8% in 2018. The increase in margin was primarily driven by the reduction of independent contractors in the UK which was reduced to 42.5% of the total workforce compared to 64.5% in the end of 2019 and 2018, respectively. In addition, the underlying delivery of projects during 2019 was strong and all major projects were delivered according to budget, time and scope which improved the gross profit margin in Denmark more than the offsetting loss of utilisation in Q3. The continued delivery of complex projects also led to a reduction of contingency reserve which was reduced from DKK 36.1m by the end of 2018 to DKK 3.5m by the end of 2019. The reduction in the contingency reserve amounted to 1.3% of revenue and had a positive impact of 0.8 percentage point on gross profit margin at group level, respectively.

Adjusted EBITA before allocated costs from HQ in constant currencies increased by 20.6% to DKK 654.7m in 2019, which led to a margin of 26.7%. The increase in margin of 0.3 percentage points was driven by the increase in gross profit margin.

Public - Q4

DKK million	Group			Denmark		Norway		United Kingdom		Netherlands	
	Q4	Q4	% chg	Q4	Q4	Q4	Q4	Q4	Q4	Q4 2019	Q4 2018
Revenue	406.9	321.0	26.8%	327.2	257.6	25.7	28.3	38.6	35.1	15.4	0.0
Cost of service	-250.5	-191.9	30.5%	-187.9	-147.3	-20.0	-19.2	-30.1	-25.4	-12.5	0.0
Gross profit	156.4	129.1	21.2%	139.3	110.3	5.7	9.1	8.5	9.7	2.9	0.0
Gross profit margin	38.4%	40.2%	-1.8pp	42.6%	42.8%	22.3%	32.1%	22.0%	27.6%	18.8%	N/A
Allocated costs	-63.3	-47.2	34.2%	-48.6	-39.7	-4.3	-5.6	-4.4	-1.9	-6.1	0.0
Adjusted EBITA before allocated cost from HQ	93.1	81.9	13.7%	90.7	70.6	1.4	3.5	4.1	7.8	-3.2	0.0
Adjusted EBITA margin before allocated cost from HQ	22.9%	25.5%	-2.6pp	27.7%	27.4%	5.6%	12.2%	10.7%	22.2%	-20.5%	N/A
Allocated costs from HQ	-5.2	-5.3	-3.0%	-4.1	-4.3	-0.3	-0.4	-0.5	-0.6	-0.3	0.0
Special items	0.0	-0.1	-79.0%	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
EBITA	87.9	76.4	14.9%	86.6	66.2	1.1	3.0	3.6	7.2	-3.5	0.0
EBITA margin	21.6%	23.8%	-2.2pp	26.5%	25.7%	4.3%	10.6%	9.4%	20.6%	-22.5%	N/A
Amortisation	-16.3	-16.9	-3.7%	-12.8	-13.8	-1.0	-1.4	-1.5	-1.8	-1.0	0.0
Operating profit	71.5	59.5	20.2%	73.8	52.4	0.1	1.6	2.1	5.5	-4.5	0.0
Operating profit margin	17.6%	18.5%	-1.0pp	22.5%	20.3%	0.5%	5.7%	5.5%	15.6%	-28.9%	N/A

Public segment revenue increased by 26.8% to DKK 406.9m in Q4 2019, of which non-organic revenue growth relating to the acquisition of Netcompany Netherlands accounted for 4.8 percentage points. The organic revenue growth was largely attributable to the Danish business operation, which grew by 27.0% in the period, driven by the initiation of several public projects that had previously been postponed. Revenue growth in the UK public segment was limited by the deliberate decision to bring down the number of contractors, but still increased by 10% compared to the same period last year. Revenue in the Norwegian public sector decreased by 9.3% primarily driven by more hours spend in the private sector.

Cost of services increased by 30.5% to DKK 250.5m. This led to a decrease in gross profit margin of 1.8 percentage points, of which the margin impact from the acquisition of Netcompany Netherlands accounted for negative 0.8 percentage point. Besides the negative impact from Netcompany Netherlands, the decrease in margin was primarily driven by Norway, where a lower utilisation in the period resulted in a decrease in margin. Also, gross profit margin in the UK public sector decreased by 5.6 percentage points compared to the same period last year. The decrease in the UK was however driven by an accounting correction concerning the placement of business development costs between the UK public and private segment, which was corrected in Q4 2018. This had zero impact on the UK business operation as a whole but lowered the cost of services in the UK public segment by DKK 2.1m in Q4 2018 and likewise increased costs of services in the UK private segment with the exact same amount. Adjusting for this, margin in the UK public sector in a normalised setting would have been 21.6% in Q4 2018 compared to 22.0% in Q4 2019.

Public - Q4 (continued)

Allocated costs increased by 34.2% in Q4 2019 to DKK 63.3m. This development was primarily driven by the general increase in administration costs, as well as the split between hours spend on public and private customers in Q4 2019 compared to the same period last year.

Adjusted EBITA before allocated costs from HQ increased by 13.7% to DKK 93.1m, which led to a margin of 22.9% compared to 25.5% in Q4 2018. Adjusted for the non-organic impact from Netcompany Netherlands, margin decreased by 0.9 percentage point, as a result of the decrease in gross profit margin

Private - Q4

DKK million	Group			Denmark		Norway		United Kingdom		Netherlands	
	Q4	Q4	% chg	Q4	Q4	Q4	Q4	Q4	Q4	Q4 2019	Q4 2018
Revenue	264.1	222.3	18.8%	178.2	150.4	25.2	19.1	59.9	52.8	0.8	0.0
Cost of service	-136.7	-137.5	-0.6%	-79.4	-75.5	-17.3	-11.5	-39.7	-50.6	-0.4	0.0
Gross profit	127.4	84.7	50.3%	98.8	74.9	8.0	7.6	20.2	2.2	0.5	0.0
Gross profit margin	48.2%	38.1%	10.1pp	55.4%	49.8%	31.6%	39.9%	33.7%	4.1%	55.3%	N/A
Allocated costs	-32.5	-26.7	21.4%	-20.1	-18.1	-4.0	-3.6	-8.2	-5.0	-0.1	0.0
Adjusted EBITA before allocated cost from HQ	94.9	58.0	63.7%	78.7	56.9	4.0	4.0	11.9	-2.8	0.3	0.0
Adjusted EBITA margin be-fore allocated cost from HQ	35.9%	26.1%	9.8pp	44.2%	37.8%	15.7%	20.8%	19.9%	-5.4%	39.5%	N/A
Allocated costs from HQ	-2.9	-3.7	-22.2%	-1.7	-2.0	-0.3	-0.3	-0.9	-1.5	0.0	0.0
Special items	0.0	-0.1	-82.4%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITA	92.0	54.2	69.7%	77.0	54.9	3.7	3.7	11.0	-4.3	0.3	0.0
EBITA margin	34.8%	24.4%	10.4pp	43.2%	36.5%	14.6%	19.3%	18.4%	-8.2%	38.4%	N/A
Amortisation	-9.2	-11.9	-23.1%	-5.3	-6.3	-0.9	-0.9	-2.9	-4.7	0.0	0.0
Operating profit	82.8	42.3	95.9%	71.7	48.6	2.8	2.8	8.1	-9.1	0.3	0.0
Operating profit margin	31.4%	19.0%	12.3pp	40.2%	32.3%	10.9%	14.6%	13.5%	-17.2%	34.9%	N/A

Revenue increased by 18.8% to DKK 264.1m in Q4 2019, of which non-organic revenue growth from the acquisition of Netcompany Netherlands accounted for 0.4 percentage point. Organic revenue growth was primarily driven by the Norwegian and Danish business operation, which grew by 32.3% and 18.4%, respectively, while the UK operation grew by 13.4%. Revenue growth in the Norwegian private segment followed the same tendency as in Q3 2019, with the Norwegian revenue growth coming from existing customers prolonging their framework agreements and expansion of previously contracted framework agreements, while revenue growth in the Danish private segment was driven by one large multiyear contract in the insurance industry as well as a new large win in Q4 2019. Revenue growth in the UK private sector was positively impacted by a project clean up in Q4 2018, which created a low comparison base, hence revenue growth in a normalised setting would have been 10.1%.

Private - Q4 (continued)

Cost of services decreased by 0.6% to DKK 136.7m. This led to a gross profit margin of 48.2%, which was an increase of 10.1 percentage points compared to the same period last year, largely attributable to the change in the geographical split as a higher percentage of revenue growth came from Denmark and Norway.

In addition, the margin pick up in the UK operation was a combination of the project clean up in Q4 2018 and the impact from the accounting change to business development costs between public and private segments, which created a low comparison base, but also driven by the deliberate decision to sacrifice top line growth in exchange for improved margin by terminating small projects staffed mainly with independent contractors where possible.

Allocated costs increased by 21.4% in Q4 2019 to DKK 32.5m. This development was primarily driven by the general increase in administration costs, as well as the split between hours spend on public and private customers in Q4 2019 compared to the same period last year.

Adjusted EBITA before allocated costs from HQ increased by 63.7% to DKK 94.9m, which led to a margin of 35.9% compared to 26.1% in Q4 2018. The increase in margin, was driven by the increase in gross profit margin.

Public – twelve months

DKK million	Group			Denmark		Norway		United Kingdom		Netherlands	
	YTD 2019	YTD 2018	% chg	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018
Revenue	1,455.5	1,152.1	26.3%	1,153.3	955.3	98.5	100.6	169.1	96.3	34.6	0.0
Cost of service	-907.8	-692.1	31.2%	-677.5	-551.9	-70.9	-68.0	-131.5	-72.3	-27.9	0.0
Gross profit	547.8	459.9	19.1%	475.8	403.4	27.6	32.6	37.7	24.0	6.7	0.0
Gross profit margin	37.6%	39.9%	-2.3pp	41.3%	42.2%	28.0%	32.4%	22.3%	24.9%	19.3%	N/A
Allocated costs	-221.7	-169.2	31.1%	-177.7	-146.7	-15.9	-16.8	-14.8	-5.6	-13.3	0.0
Adjusted EBITA before allocated cost from HQ	326.1	290.8	12.1%	298.2	256.7	11.7	15.8	22.8	18.3	-6.6	0.0
Adjusted EBITA margin be-fore allocated cost from HQ	22.4%	25.2%	-2.8pp	25.9%	26.9%	11.8%	15.7%	13.5%	19.1%	-19.1%	N/A
Allocated costs from HQ	-22.4	-16.2	38.8%	-17.7	-13.5	-1.4	-1.3	-2.8	-1.4	-0.6	0.0
Special items	-2.7	-19.2	-86.0%	-2.1	-16.4	-0.2	-1.5	-0.3	-1.3	0.0	0.0
EBITA	300.9	255.4	17.8%	278.4	226.8	10.1	13.0	19.7	15.6	-7.2	0.0
EBITA margin	20.7%	22.2%	-1.5pp	24.1%	23.7%	10.3%	12.9%	11.7%	16.2%	-21.0%	N/A
Amortisation	-62.8	-65.2	-3.7%	-49.4	-54.8	-4.0	-5.3	-7.6	-5.2	-1.9	0.0
Operating profit	238.1	190.2	25.2%	229.0	172.1	6.1	7.7	12.1	10.4	-9.1	0.0
Operating profit margin	16.4%	16.5%	-0.1pp	19.9%	18.0%	6.2%	7.7%	7.2%	10.8%	-26.4%	N/A

Revenue increased by 26.3% to DKK 1,455.5m in 2019, of which non-organic revenue growth relating to the acquisition of Netcompany Netherlands accounted for 3.0 percentage points. Organic revenue growth followed the same tendency as in Q3 2019, primarily driven by significant growth in the UK business operation, which grew by 75.7%, while the Danish business operations grew by 20.7%. Revenue in the Norwegian public segment decreased by 2.0% due to more hours spend in the private segment.

In 2019, gross profit margin decreased by 2.3 percentage points to 37.6%, primarily driven by the change in the geographical revenue split, as a higher percent of revenue growth in the public sector came from the UK operation.

The decrease in UK margin was impacted by the accounting correction made to cost of services – and hence to gross margin in Q4 2018, while the decrease in Danish and the Norwegian gross profit margin related to the low utilisation in Q3 2019. The low utilisation was however somewhat offset by a strong performance in the delivery of a number of complex development projects during 2019 in Denmark, which led to a more efficient use of resources.

Allocated costs increased by 31.1% in 12M 2019 to DKK 221.7m. This development was primarily driven by the general increase in administration costs, as well as the split between hours spend on public and private customers in 12M 2019 compared to the same period last year.

Adjusted EBITA before allocated costs from HQ increased by 12.1% to DKK 326.1m, which led to a margin of 22.4% compared to 25.2% in 12M 2019. The decrease in margin was driven by the decrease in gross profit margin, as well as the increase in allocated costs.

Private – twelve months

DKK million	Group			Denmark		Norway		United Kingdom		Netherlands	
	YTD 2019	YTD 2018	% chg	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018
Revenue	998.3	901.1	10.8%	665.5	588.5	99.9	70.8	230.2	241.9	2.8	0.0
Cost of service	-550.3	-544.6	1.1%	-315.3	-292.7	-62.2	-42.4	-171.4	-209.5	-1.4	0.0
Gross profit	448.0	356.6	25.6%	350.1	295.8	37.6	28.4	58.8	32.4	1.4	0.0
Gross profit margin	44.9%	39.6%	5.3pp	52.6%	50.3%	37.7%	40.1%	25.5%	13.4%	50.1%	N/A
Allocated costs	-120.3	-104.7	14.9%	-78.5	-71.9	-14.9	-11.3	-26.1	-21.5	-0.7	0.0
Adjusted EBITA before allocated cost from HQ	327.7	251.9	30.1%	271.6	223.9	22.7	17.1	32.7	10.9	0.7	0.0
Adjusted EBITA margin be-fore allocated cost from HQ	32.8%	28.0%	4.9pp	40.8%	38.0%	22.7%	24.1%	14.2%	4.5%	26.0%	N/A
Allocated costs from HQ	-14.0	-12.3	13.8%	-7.9	-6.5	-1.3	-0.9	-4.7	-4.9	0.0	0.0
Special items	-1.7	-15.3	-88.8%	-1.0	-8.2	-0.2	-1.1	-0.6	-6.0	0.0	0.0
EBITA	312.0	224.3	39.1%	262.8	209.1	21.2	15.1	27.3	0.0	0.7	0.0
EBITA margin	31.3%	24.9%	6.4pp	39.5%	35.5%	21.2%	21.4%	11.9%	0.0%	24.9%	N/A
Amortisation	-38.9	-50.1	-22.5%	-21.9	-26.9	-3.7	-3.5	-13.2	-19.7	-0.1	0.0
Operating profit	273.1	174.1	56.9%	240.9	182.3	17.5	11.6	14.2	-19.7	0.6	0.0
Operating profit margin	27.4%	19.3%	8.0pp	36.2%	31.0%	17.5%	16.4%	6.1%	-8.1%	21.8%	N/A

Revenue increased by 10.8% to DKK 998.3m in 2019, of which non-organic revenue from Netcompany Netherlands accounted for 0.3 percentage point. Organic revenue growth was primarily driven by the Norwegian and Danish business operations, which grew by 41.2% and 13.1%, respectively. Revenue in the UK private segment decreased by 4.8% due to more hours spend in the UK public segment.

In 2019, gross profit margin increased by 5.3 percentage points to 44.9%. This development was largely attributable to the change in the geographical split as a higher percentage of revenue growth came from Denmark and Norway, but also driven by a significant margin improvement in the UK private segment compared to last year of which part is explained by the accounting correction made to cost of services in Q4 2018.

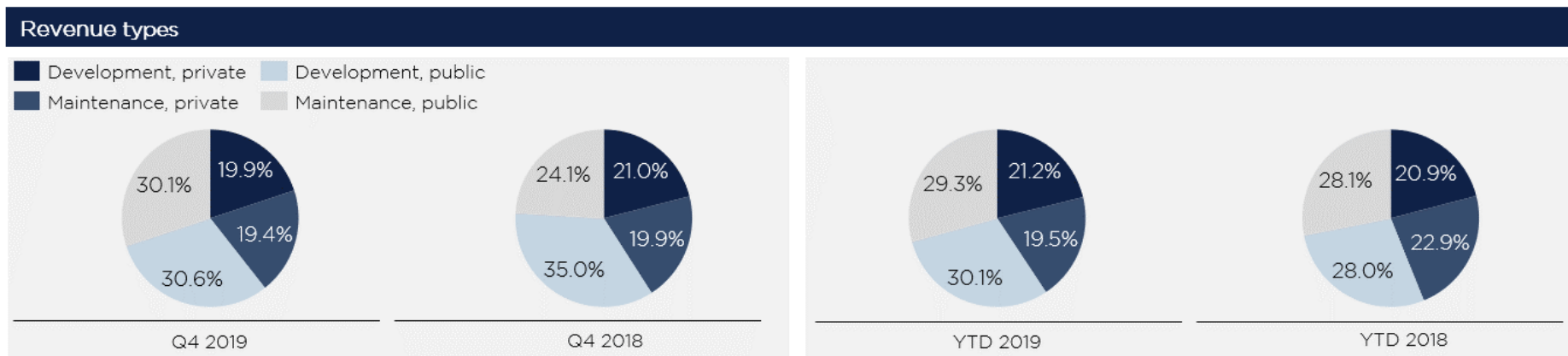
Allocated costs increased by 14.9% in 12M 2019 to DKK 120.3m, driven by the general increase in administration costs, as well as the split between hours spend on public and private customers in 12M 2019 compared to the same period last year.

Adjusted EBITA before allocated costs from HQ increased by 30.1% to DKK 327.7m, which led to a margin of 32.8% compared to 28.0% in 2018. The increase in margin was driven by increase in gross profit margin, which was somewhat offset by the increase in allocated costs.

Revenue types

In Q4 2019, maintenance amounted to 49.5% of the total revenue and the relative share of maintenance increased 5.6 percentage points compared to Q4 2018, while the nominal amount of maintenance revenue increased by DKK 93.4m. This was mainly driven by the public sector in the Danish and UK business operations. In the Danish operation several large public projects were set in production after summer and towards the back-end of 2019, while one large public project in the UK operation was set in production in the beginning of Q3 2019. While the relative share of development decreased compared to the same period last year, the nominal amount of development increased by 11.3%, driven by revenue coming from large scale development projects in the Danish and UK private sector.

In 2019, the relative share of development and maintenance shifted towards a lower proportion of maintenance compared to 2018. This development was primarily driven by revenue coming from large scale development projects in the Danish and UK private segment, which was somewhat offset by an increase in maintenance in the public segment in especially Denmark.



Currency exposures

Local currency million	Q4 2019					
	DKK	NOK	GBP	EUR	VND	PLN
Revenue	505.3	68.8	11.3	2.2	0.0	0.0
EBIT	133.8	5.8	1.0	-0.5	2,297.8	3.9
Net result	108.7	4.6	0.9	-0.3	1,836.9	3.0

Local currency million	Q4 2018					
	DKK	NOK	GBP	EUR	VND	PLN
Revenue	408.0	61.1	10.4	0.0	0.0	0.0
EBIT	94.3	5.7	0.0	0.0	1,386.6	1.4
Net result	65.1	5.3	-0.4	0.0	1,343.3	1.2

Local currency million	YTD 2019					
	DKK	NOK	GBP	EUR	VND	PLN
Revenue	1,818.8	261.9	46.9	5.0	0.0	0.0
EBIT	445.0	36.0	3.1	-1.1	8,811.4	5.9
Net result	336.7	28.1	2.5	-0.6	6,374.8	4.3

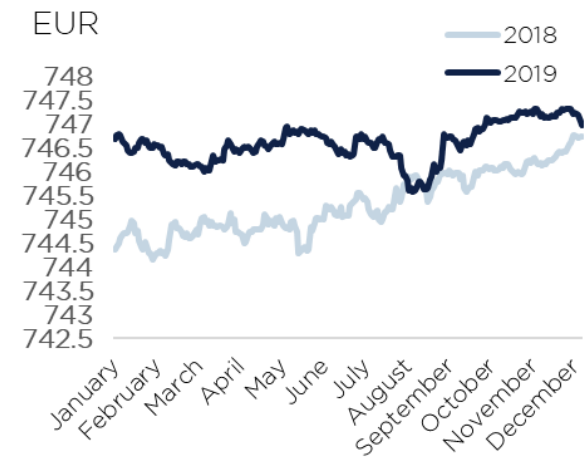
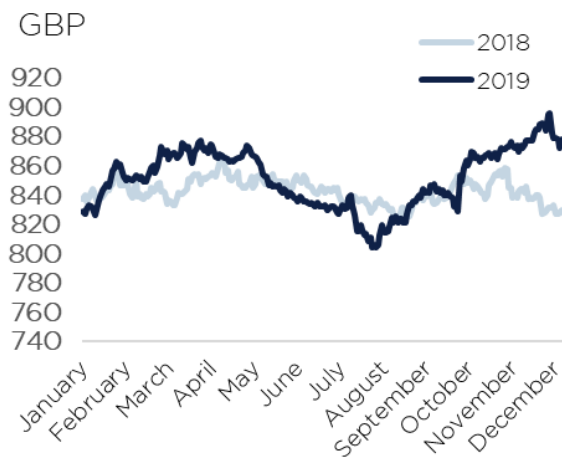
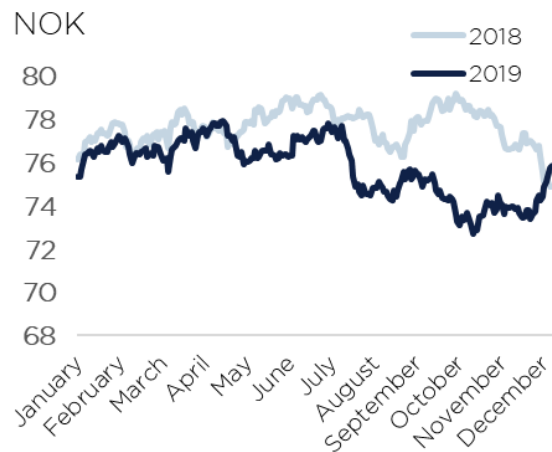
Local currency million	YTD 2018					
	DKK	NOK	GBP	EUR	VND	PLN
Revenue	1,543.8	220.9	40.2	0.0	0.0	0.0
EBIT	320.7	30.8	1.2	0.0	6,888.3	4.1
Net result	148.5	24.5	0.7	0.0	5,920.2	3.0

Netcompany is exposed to exchange rate risk in the countries where Netcompany has its sales activities outside Denmark, which means Norway, UK and the Netherlands and to a lesser extent, exchange rate risk in Poland and Vietnam, which is used as sourcing centres and therefore do not have an exchange rate risk related to sales activities, but only net costs exposures. As most of Netcompany's sales are in DKK, it implies limited foreign exchange risk due to the ultimate parent company's functional and reporting currency being in DKK.

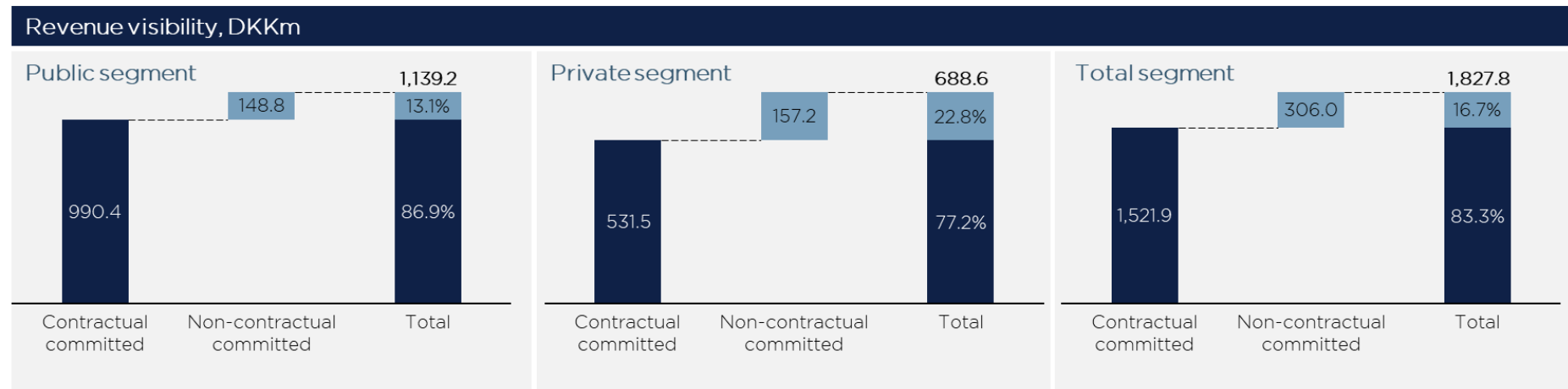
Netcompany's policy is to hedge any exchange risk net exposure, that would yield a +2/-2 percentage points EBIT margin impact from a 10%/-10% change in that given currency. The graphs below show the currency exchange rates used for Netcompany's main currencies.

Currently Netcompany has not hedged any of its currency exposures.

Currency exposures (continued)



Revenue visibility



Netcompany measures revenue visibility on a 12-month rolling basis, based on two main input parameters, defined as total value of committed engagements, which comprise of fixed price engagements and service agreements, and ongoing time and material engagements with a high likelihood of conversion and/or prolongation, defined as total value of planned continued engagements.

The public segment has a high degree of visibility from already known tenders and is typically driven by long, multi-year tender contracts with a significant share of maintenance and operations revenue. In contrast, private segment contracts typically have a duration of approximately 12 to 18 months reflecting a fundamental difference in the purchasing pattern for private sector segment customers compared to public sector segment customers.

Revenue visibility for 2020 amounts to DKK 1,827.8m. Of this, contractual committed revenue amounts to DKK 1,521.9m and non-contractual committed engagements amounts to DKK 306m.

Revenue visibility for 2020 in the public segment amounts to DKK 1,139.2m. Of this, contractual committed revenue amounts to DKK 990.4m and non-contractual committed engagements amounts to DKK 148.8m.

Revenue visibility for 2020 in the private segment amounts to DKK 688.6m. Of this, contractual committed revenue amounts to DKK 531.5m and non-contractual committed engagements amounts to DKK 157.2m.

Total revenue visibility increase 15.7% from DKK 1,579.4m for 2019 to DKK 1,827.8m for 2020.

Employees

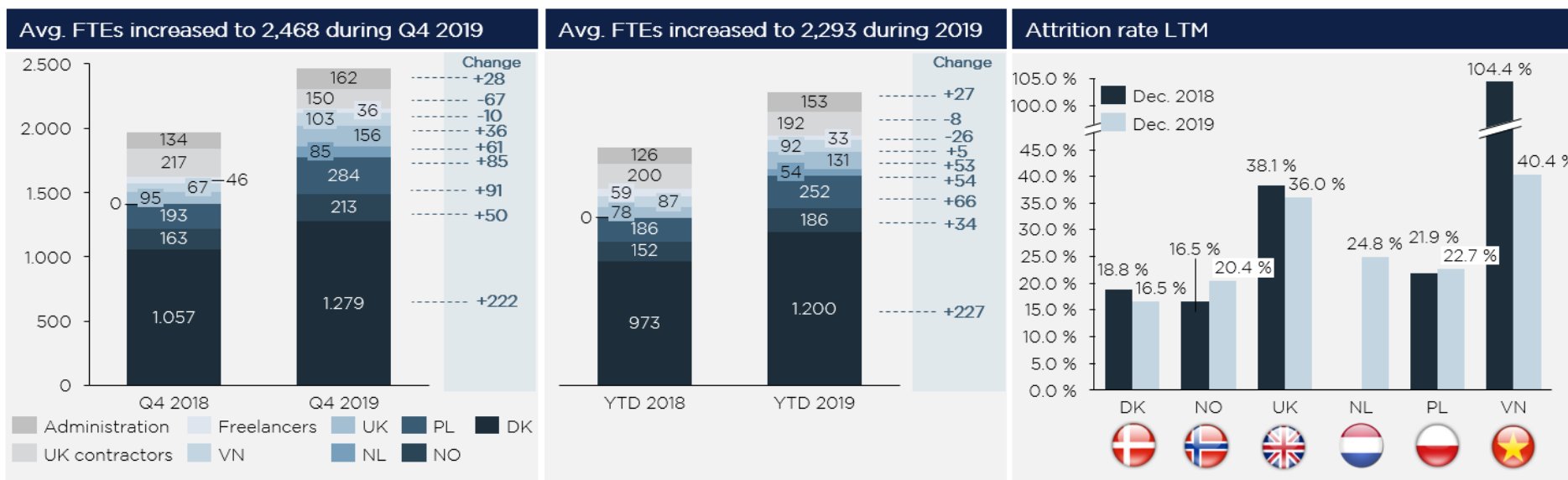
Netcompany employed an average of 2,468 FTEs in Q4 2019, which was an increase of 489 FTEs compared to Q4 2018 (1,979 FTEs). The increase in FTEs was driven by the intake of new employees in all countries supporting the continued increase in underlying business activities in both Denmark, Norway and UK. The increase was also driven by the purchase of Netcompany Netherlands in May 2019. The FTEs in Netcompany Netherlands affected the average FTEs in Q4 2019 by 85.

The growth in FTEs in Q4 2019, was however somewhat offset by the deliberate decision to reduce the number of independent contractors in UK as well as freelancers in Denmark. In the UK the level of independent contractors was reduced by 67, while the number of freelancers in Denmark was reduced by 10 compared to the same period last year.

The amount of client facing employees for the organic part of the Group (excluding the Netherlands) increased by 111 from 2,110 in Q3 2019 to 2,221 in Q4 2019, negatively impacted by the reduction of independent contractors in the UK by 23 during Q4 2019.

The level of non-client facing employees was 6.5% in Q4 2019 compared to 6.8% in Q4 2018.

The attrition rate for the last twelve months was 20.2%, which was a decrease of 4.8 percentage point compared to the same period last year. Attrition rates in Denmark and UK were each reduced by more than 2 percentage points as a result of increased focus on onboarding activities, while the attrition rate in Norway increased by 3.9 percentage points. The increase in Norway was due to a higher amount of voluntary leavers. The significant drop in attrition rate in Vietnam from 2018 to 2019 was a result of the close down of the Hanoi office in 2018, which drove the attrition rate up in the second half of 2018.



Cash flow and other significant balance sheet items

Free cash flow and cash conversion rate

The Group generated a free cash flow of DKK 116.8m in Q4 2019, which was an increase of 412.3% compared to DKK 22.8m in Q4 2018. Adjusted for taxes paid on account¹, the Group generated a free cash flow of DKK 117.4m in 2019 compared to DKK 104.3m in 2018, corresponding to an increase in free cash flow of 12.6%. The increase was mainly driven by an improved operating result, which more than offset the negative development in working capital changes compared to the same period last year. The negative working capital changes in Q4 2019 was driven by an increase in trade receivables excluding expected credit losses of DKK 73.0m from DKK 459.2 by the end of Q3 2019 to DKK 532.2m by the end of Q4 2019. A significant proportion of the increase in trade receivables came from work that had been classified as work in progress previously and was invoiced during Q4 2019 in accordance with payment milestones on various projects. This also meant, that work in progress decreased from DKK 301.9m by the end of Q3 2019 to DKK 268.3m by the end of Q4 2019. The invoiced amount from work in progress will subsequently be collected as cash in the start of 2020.

Cash conversion rate increased from 60.3% in 2018 to 93.2% in 2019. Adjusted for the taxes paid on account, cash conversion rate increased from 85.9% in 2018 to 89.2% in 2019.

Trade receivables

At 31 December 2019, trade receivables excluding expected credit losses amounted to DKK 532.2m, which was an increase of 16.3% compared to the same period last year. Days sales outstanding continued to decrease and was reduced from 77 days in Q4 2018 to 72 days in Q4 2019. The overdue part of trade receivables was reduced from 40.0% by the end of Q4 2018 to 33.0% by the end of Q4 2019. Trade receivables paid in the following month amounted to DKK 350.1m, of which DKK 138.6m was overdue as of 31 December 2019.

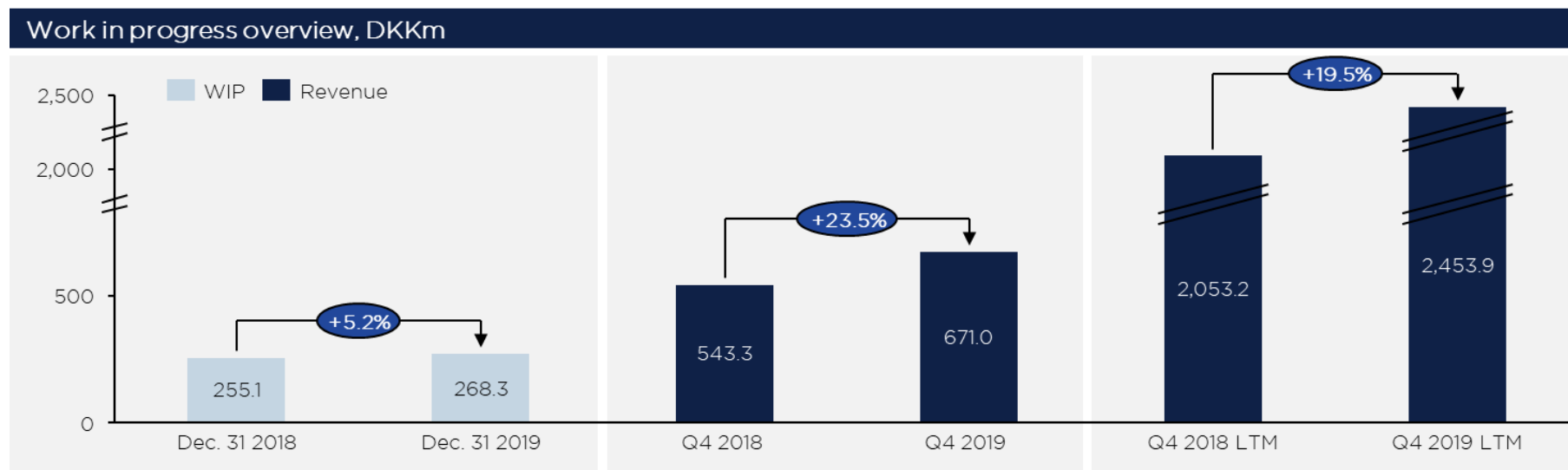
DKK million	Not overdue	0-30 days	30-60 days	60- 90 days	>90 days	Total
Trade receivables, 31 December 2019	356.6	134.7	24.3	5.8	10.9	532.2
Paid in the following month	211.6	119.9	16.0	1.0	1.8	350.1
% paid subsequently	59.3%	89.0%	65.7%	16.7%	16.5%	65.8%
Trade receivables, 31 December 2018	274.7	170.0	11.8	0.3	0.8	457.5
Paid in the following month	158.8	155.8	7.8	0.1	0.2	322.7
% paid subsequently	57.8%	91.6%	66.0%	50.4%	22.3%	70.5%

¹ Taxes paid within the Group are, due to local tax regulations, paid on account in Q1 and in Q4. To adjust for this timing mismatch between expensed and paid corporate income taxes the free cash flow should be viewed in a tax normalised manner to better reflect the underlying development in free cash flow based on operations rather than impact from local tax legislation in Denmark.

Work in progress

At 31 December 2019, Netcompany’s work in progress amounted to DKK 268.3m, represented by contract work in progress of DKK 319.4m and prepayments received from customers of DKK 51.0m.

Work in progress increased by 5.2% from DKK 255.1m in Q4 2018 to DKK 268.3m in Q4 2019. In the same period revenue increased by 23.5% from DKK 543.3m in Q4 2018 to DKK 671.0m in Q4 2019. Revenue for the last twelve months increased by 19.5% whereas work in progress increased by 5.2% reflecting the ongoing delivery of project work from the WIP balances to end customers as a number of large public projects have reached defined payment milestones.



Funding and liquidity

Netcompany's bank agreement consists of committed facilities constituting a total amount of DKK 1,500m and an additional facility of DKK 400m, available only for new acquisitions. In December 2019, Netcompany made a voluntary repayment of DKK 150m, which means that the total amount utilised at 31 December 2019 was DKK 965m leaving a total of DKK 935m available in unutilised funding.

As of 6 November 2019, Netcompany has entered into a "market maker" arrangement with Danske Bank whereby Danske Bank will act as market maker in Netcompany with reference to the Nasdaq market framework.

Risk management

Please refer to the overview of risk factors provided by the Group in the annual report for 2019.

Events after the balance sheet date

To this date, no events have occurred after the balance sheet date, which would influence the evaluation of this report.

2019 financial performance and 2020 guidance

In 2019, the Group delivered a revenue growth of 19.5% in reported currencies (19.5 % constant), 17.7% organic revenue growth and an adjusted EBITA margin of 25.2%. Reported revenue growth in constant currencies was in line with the latest revised guidance for the year of around 20% and organic revenue growth was also in line with the latest revised guidance of the year of around 18.25%. Adjusted EBITA margin of 25.2% was in line with the latest revised guidance too.

Financial metrics

	Target 2020	Actual performance 2019	Updated target Q3	Original target 2019
Organic revenue growth in constant currencies	~18-20%	17.7%	~18.25%	~20-25%
Adjusted EBITA margin from organic businesses in constant currencies	~26%	25.9%	~26%	~26%
Non-organic revenue growth	~1%	1.82%	~1.75%	N/A
Reported revenue growth in constant currencies	~19-21%	19.5%	~20%	N/A
Adjusted EBITA margin in constant currencies	~26%	25.2%	~25.4%	N/A

Guidance for 2020

Netcompany expects organic revenue growth of around 18-20% in constant currencies. Depending on the transition of independent contractors to permanent employees in the UK, or unexpected delays in large public tenders in Denmark or Norway, organic revenue growth could potentially be towards the lower end of the range. In addition, Netcompany expects non-organic revenue from the Dutch acquisition in 2019 to be around 1% of total revenue in constant currencies, bringing expected reported revenue growth to be around 19-21% in constant currencies. Adjusted EBITA margin for both organic and reported revenue is expected to be around 26% in constant currencies, and tax rate is expected to be around 26% for 2020.

Target leverage for debt is between 0.5-1 for external bank lending, relative to adjusted EBITA. When target leverage is met part of the free cash flow surplus may be distributed to the shareholders as dividends or share buy backs.

Shareholder information

Capital

Netcompany's share capital is DKK 50.0m divided into 50m shares. Netcompany holds 899,813 treasury shares equivalent to 1.8% of the share capital. The shares will be used to honour the Group's commitments under its RSU and LTIP programs.

Share-based incentive schemes/restricted stock units

In total, 244,311 RSUs were issued at 31 December 2019, of which 78,242 were granted to Executive Management and 166,069 were granted to other Key Management Personnel and other employees. The fair value of the RSUs at grant was DKK 43.5m. The cost related hereto is expensed over the vesting period. A total amount of DKK 3.4m was recognised as personnel costs in the income statement in Q4 2019 and DKK 13.9m in 2019.

Additional information on the Remuneration to members of the Board of Directors and Executive Management Board is disclosed in the remuneration policy.

Statement of the Board of Directors and Executive Management

Today, the Board of Directors and Executive Management considered and approved the interim consolidated financial statements for Netcompany Group A/S (“Netcompany” or “the company” and together with all its subsidiaries “the Group”) for the period 1 January 2019 to 31 December 2019. The Q4 2019 report has not been audited or reviewed by the company’s independent auditors.

The interim consolidated financial statements have been prepared in accordance with IAS 34 as adopted by the EU and additional Danish regulations for the presentation of interim reports by listed companies. Furthermore, the interim report has been prepared in accordance with the accounting policies set out in the Group’s Annual Report for 2019.

In our opinion, the accounting policies used are appropriate, and the overall presentation of the interim consolidated financial statements gives a true and fair view of the Group’s assets, liabilities and financial position as at 31 December 2019 and of the results of the Group’s operations and cash flows for the period 1 January 2019 to 31 December 2019.

We further consider that the Management’s Review in the preceding pages includes a true and fair account of the development and performance of the Group, the results for the period and the financial position, as well as a description of the principal risks and uncertainties that the Group faces in accordance with Danish disclosure requirements for listed companies.

Copenhagen, 6 February 2020

Executive Management:

André Rogaczewski
CEO

Claus Jørgensen
COO

Thomas Johansen
CFO

Board of Directors:

Bo Rygaard
Chairman of the Board

Pernille Fabricius
Vice Chairman of the Board

Juha Christensen

Robbert Kuppens

Scanes Bentley

Consolidated interim financial statements and notes

Income statement and Statement of comprehensive income

DKK thousands	Note	Q4 2019	Q4 2018	YTD 2019	YTD 2018
Income statement					
Revenue	1	670,994	543,275	2,453,853	2,053,216
Cost of services	2	-387,238	-329,464	-1,458,102	-1,236,699
Gross profit		283,756	213,812	995,751	816,516
Sales and marketing costs		-3,088	-2,482	-11,742	-11,871
Administrative costs	3	-100,802	-80,557	-366,658	-290,428
Special items	4	-24	-126	-4,398	-34,488
EBITA		179,841	130,647	612,954	479,729
Amortisation		-25,464	-28,847	-101,674	-115,389
Operating profit (EBIT)		154,378	101,800	511,280	364,340
Financial income		13,147	781	39,930	22,245
Financial expenses		-8,065	-10,935	-53,954	-130,903
Profit / loss before tax		159,461	91,646	497,256	255,682
Tax on the profit for the period		-33,871	-23,233	-108,786	-74,465
Net profit / loss for the period		125,590	68,413	388,470	181,217
Earnings per share					
Earnings per share (DKK)		2.56	1.38	7.91	3.65
Diluted Earnings per share (DKK)		2.55	1.38	7.89	3.65
Statement of comprehensive income					
Net profit / loss for the period		125,590	68,413	388,470	181,217
Other comprehensive income:					
Cash flow hedging, net fair value gain / (loss)		0	0	0	38,475
Foreign currency translation subsidiaries		-7,993	1,462	-11,928	817
Change in deferred cost of hedging		0	0	0	-13,348
Tax of other comprehensive income		0	0	0	-5,528
Other comprehensive income, net of tax		-7,993	1,462	-11,928	20,415
Total comprehensive income		117,597	69,875	376,542	201,632

Balance Sheet

DKK thousands	Note	Dec, 31 2019	Dec, 31 2018
Assets			
Intangible assets		2,550,560	2,484,441
Tangible assets		146,223	117,284
Deferred tax assets		3,526	1,162
Other receivables		15,980	13,053
Total non-current assets		2,716,290	2,615,940
Trade receivables	7	531,402	457,518
Contract work in progress	8	319,354	284,717
Other receivables		28,182	19,512
Cash		132,350	107,666
Total current assets		1,011,288	869,412
Total assets		3,727,577	3,485,352

Balance Sheet (continued)

DKK thousands	Note	Dec, 31 2019	Dec, 31 2018
Equity and liabilities			
Share capital		50,000	50,000
Treasury shares		-175,000	0
Share-based remuneration		17,724	3,818
Exchange differences on translating foreign subsidiaries		-14,044	-2,116
Retained earnings		2,193,018	1,754,548
Total equity		2,071,699	1,806,251
Borrowings	9	958,642	1,105,780
Leasing		64,621	54,149
Other payables		31,140	0
Deferred tax liability		73,341	89,387
Total non-current liabilities		1,127,745	1,249,316
Borrowings		0	0
Leasing		39,359	29,325
Prebilled invoices	8	51,016	29,610
Trade payables		44,055	54,185
Other payables	10	363,274	266,089
Provisions	11	3,525	36,087
Income tax payable		26,905	14,490
Total current liabilities		528,135	429,785
Total liabilities		1,655,879	1,679,101
Total equity and liabilities		3,727,577	3,485,352
Income Statement classified by function	12		
Collateral provided and contingent liabilities	13		
Related party transactions	14		
Financial figures and highlights	15		
Accounting policies	16		

Cash Flow statement

DKK thousands	Note	Q4 2019	Q4 2018	YTD 2019	YTD 2018
Operating profit (EBIT)		154,378	101,800	511,280	364,340
Depreciation and amortisation		41,432	38,149	157,946	155,737
Non-cash items		7,242	-2,432	19,160	209
Working capital changes		-26,606	22,082	-86,706	-132,597
Total		176,446	159,599	601,679	387,688
Income taxes paid		-44,993	-120,514	-115,669	-166,935
Financial income received		1,257	-971	3,816	11,095
Financial expenses paid		-6,742	-6,492	-29,497	-45,409
Cash flow from operating activities		125,968	31,622	460,329	186,439
Net cash outflow on acquisition of subsidiaries		0	0	-37,325	0
Acquisition of property, plant and equipment		-9,129	-8,839	-24,578	-22,866
Other receivables (deposits)		-605	-210	-2,880	-4,336
Cash flow from investment activities		-9,734	-9,049	-64,784	-27,202
Proceeds from issue of share capital		0	0	0	6,949
Payment of treasury shares		0	0	-175,000	0
Proceeds from borrowings		0	0	75,000	1,229,539
Repayment of borrowings		-150,000	-121,106	-225,000	-1,456,608
Repayment of right of use assets		-10,961	-7,094	-38,414	-24,432
Cash flow from financing activities		-160,961	-128,200	-363,414	-244,551
Net increase in cash and cash equivalents		-44,728	-105,628	32,131	-85,314
Cash and cash equivalents at the beginning		176,631	215,899	107,666	194,481
Cash and cash equivalents balances acquired		0	0	-8,519	0
Effect of exchange rate changes on the balance cash held in foreign currencies		448	-2,605	1,072	-1,501
Cash and cash equivalents at the end		132,350	107,666	132,350	107,666

Statement of changes in Equity

DKK thousands	Share capital	Treasury shares	Share-based remuneration	Fair value adjustment of interest rate swap	Foreign currency translation subsidiaries	Deferred cost of hedging reserve	Retained earnings	Total
Equity at 1 October 2019	50,000	-175,000	14,365	0	-6,051	0	2,067,428	1,950,743
Share-based remuneration for the period	0	0	3,359	0	0	0	0	3,359
Profit for the period	0	0	0	0	0	0	125,590	125,590
Other comprehensive income	0	0	0	0	-7,993	0	0	-7,993
Equity at 31 December 2019	50,000	-175,000	17,724	0	-14,044	0	2,193,018	2,071,699
Equity at 1 January 2019	50,000	0	3,818	0	-2,116	0	1,754,548	1,806,251
Treasury Shares for the period	0	-175,000	0	0	0	0	50,000	-125,000
Share-based remuneration for the period	0	0	13,906	0	0	0	0	13,906
Profit for the period	0	0	0	0	0	0	388,470	388,470
Other comprehensive income	0	0	0	0	-11,928	0	0	-11,928
Equity at 31 December 2019	50,000	-175,000	17,724	0	-14,044	0	2,193,018	2,071,699
Equity at 1 October 2018	50,000	0	2,273	0	-3,578	0	1,686,135	1,734,830
Share-based remuneration for the period	0	0	1,545	0	0	0	0	1,545
Profit for the period	0	0	0	0	0	0	68,413	68,413
Other comprehensive income	0	0	0	0	1,462	0	0	1,462
Equity at 31 December 2018	50,000	0	3,818	0	-2,116	0	1,754,548	1,806,251
Equity at 1 January 2018	49,637	0	0	-30,011	-2,932	10,411	1,616,745	1,643,851
Capital increase	363	0	0	0	0	0	6,585	6,949
Obligation to purchase treasury shares	0	0	0	0	0	0	-50,000	-50,000
Share-based remuneration for the period	0	0	3,818	0	0	0	0	3,818
Profit for the period	0	0	0	0	0	0	181,217	181,217
Other comprehensive income	0	0	0	30,011	817	-10,411	0	20,415
Equity at 31 December 2018	50,000	0	3,818	0	-2,116	0	1,754,548	1,806,251

Notes

Note 1 - Segment information

Segment information related to geographical areas:

DKK thousands	Q4 2019					
	Denmark	Norway	United Kingdom	Netherlands	Other	Total
Revenue from external customers	505,334	50,933	98,470	16,257	0	670,994
EBITA, operating entities	163,544	4,795	14,649	-3,147	0	179,841
Allocated cost	1,877	-516	-5,754	-890	5,282	0
EBITA, reported in legal entities	165,422	4,280	8,895	-4,037	5,282	179,841

DKK thousands	Q4 2018					
	Denmark	Norway	United Kingdom	Netherlands	Other	Total
Revenue from external customers	407,967	47,405	87,904	N/A	0	543,275
EBITA, operating entities	121,051	6,696	2,900	N/A	0	130,647
Allocated cost	5,692	-2,130	-2,844	N/A	-718	0
EBITA, reported in legal entities	126,743	4,565	56	N/A	-718	130,647

DKK thousands	YTD 2019					
	Denmark	Norway	United Kingdom	Netherlands	Other	Total
Revenue from external customers	1,818,811	198,396	399,286	37,360	0	2,453,853
EBITA, operating entities	541,145	31,306	47,053	-6,549	0	612,954
Allocated cost	30,499	-3,965	-21,004	-1,649	-3,882	0
EBITA, reported in legal entities	571,643	27,341	26,049	-8,198	-3,882	612,954

DKK thousands	YTD 2018					
	Denmark	Norway	United Kingdom	Netherlands	Other	Total
Revenue from external customers	1,543,764	171,312	338,139	N/A	0	2,053,216
EBITA, operating entities	435,959	28,094	15,676	N/A	0	479,729
Allocated cost	50,350	-4,177	-5,655	N/A	-40,517	0
EBITA, reported in legal entities	486,308	23,917	10,020	N/A	-40,517	479,729

"Other" legal entities consists of administrative Danish companies and companies in Poland and Vietnam.

Netcompany grew revenue by 23.4% and realised an adjusted EBITA margin of 26.8% in Q4 2019

netcompany

Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

Note 2 – Cost of services

DKK thousands	Q4 2019	Q4 2018	YTD 2019	YTD 2018
Cost of services	-82,498	-96,552	-341,354	-371,496
Salaries	-301,040	-230,322	-1,103,599	-853,669
Depreciation	-3,701	-2,589	-13,149	-11,534
Cost of services total	-387,238	-329,464	-1,458,102	-1,236,699

Note 3 – Administrative costs

DKK thousands	Q4 2019	Q4 2018	YTD 2019	YTD 2018
Administrative costs	-48,801	-41,934	-181,372	-155,763
Salaries	-39,733	-31,910	-142,164	-105,851
Depreciation	-12,268	-6,712	-43,122	-28,815
Administrative costs total	-100,802	-80,557	-366,658	-290,428

Note 4 – Special items

DKK thousands	Q4 2019	Q4 2018	YTD 2019	YTD 2018
Costs related to transaction with FSN	0	0	0	0
Costs related to transaction with FSN total	0	0	0	0
Costs related to IPO	0	0	0	-33,002
Costs related to M&A	-25	-126	-4,398	-1,486
Costs related to IPO and M&A total	-24	-126	-4,398	-34,488
Costs total	-24	-126	-4,398	-34,488

Note 5 - Financial income and expenses

DKK thousands	Q4 2019	Q4 2018	YTD 2019	YTD 2018
Financial Income				
Interest on corporate income tax	0	-391	0	3
Exchange rate adjustments	13,121	-101	39,873	8,329
Other financial income	27	1,273	57	13,912
Financial income total	13,147	781	39,930	22,245
Financial expenses				
Income tax surcharge	0	-2,411	0	0
Interest expense, bank loan	4,369	7,307	18,788	38,881
Interest expense, leasing	1,033	675	3,313	1,244
Exchange rate adjustments	1,348	4,835	23,974	14,446
Other financial expenses	1,314	529	7,879	76,332
Financial expenses total	8,065	10,935	53,954	130,903

Note 6 - Earnings per share

DKK thousands	Q4 2019	Q4 2018	YTD 2019	YTD 2018
Earnings per share - EPS (DKK)	2.56	1.38	7.91	3.65
Diluted earnings per share - EPS-D (DKK)	2.55	1.38	7.89	3.65
Profit	125,590	68,413	388,470	181,217
Average number of shares	50,000	50,000	50,000	49,869
Average number of treasury shares	900	323	900	182
Average number of shares in circulation	49,100	49,677	49,100	49,687
Average number of outstanding restricted stock units	148	53	148	29
Average number of diluted shares in circulation	49,248	49,731	49,248	49,716

Note 7 – Trade receivables

DKK thousands	Dec, 31 2019	Dec, 31 2018
Not overdue	356,596	274,666
0-30 days overdue	134,702	170,024
31-60 days overdue	24,286	11,796
61-90 days overdue	5,763	273
Over 90 days overdue	10,870	759
Total trade receivables excl. bad debt provision	532,217	457,518
Bad debt provision	-816	0
Total trade receivables	531,402	457,518

The Group is continuously conducting individual assessments of bad debt. If this leads to an assessment that the Group will not be able to collect the amount accounted for, an allowance for bad debt is made. At 31 December 2019, the Group recognised a provision for expected credit losses of DKK 0.8m (31 December 2018: DKK 0.0m), and no credit losses have incurred during Q4 2019.

The credit quality of trade receivables at 31 December 2019, is considered satisfactory.

Note 8 – Contract work in progress

DKK thousands	Dec, 31 2019	Dec, 31 2018
Selling price of work performed	850,415	763,299
Prepayments received	-582,077	-508,192
Total contract work in progress	268,339	255,107
Net value – stated on a contract-per-contract basis – is presented in the balance sheet as follows:		
Contract work in progress	319,354	284,717
Prepayments received from customers	-51,016	-29,610
Total contract work in progress	268,339	255,107

Note 9 – Borrowings

DKK thousands	Currency	Maturity	Fixed or floating interest	Loan cost	Nominal Value	Carrying amount
Bank loan 31 December 2019	DKK	2023	Floating	6,540	965,182	958,642
				<u>6,540</u>	<u>965,182</u>	<u>958,642</u>
Bank loan 31 December 2018	DKK	2023	Floating	9,402	1,115,182	1,105,780
				<u>9,402</u>	<u>1,115,182</u>	<u>1,105,780</u>

Note 10 – Other payables

DKK thousands	Dec, 31 2019	Dec. 31 2018
Wages and salaries, payroll taxes, social security costs, etc payable	44,521	43,822
Holiday pay obligation	126,595	96,739
VAT and duties	58,684	43,406
Obligation to purchase treasury shares	0	50,000
Contingent purchase price & earn out	120,441	0
Other costs payable	44,173	32,122
Total	<u>394,414</u>	<u>266,089</u>

For further details on contingent purchase price and earn out, please refer to Company Announcement Q2 2019 note 7 or Annual Report 2019.

Other costs include accruals for fee, administration, sales and other items. Other accruals liabilities have a remaining term of up to one year.

Note 11 – Provision

DKK thousands	Dec, 31 2019	Dec. 31 2018
Onerous contracts and warranty obligations beginning of period	36,087	30,396
Decrease in the period	-32,562	-5,000
Provisions for the period	0	10,691
Onerous contracts and warranty obligations end of period	<u>3,525</u>	<u>36,087</u>

Note 12 – Income Statement classified by function

DKK thousands	Q4 2019	Q4 2018	YTD 2019	YTD 2018
Income statement				
Revenue	670,994	543,275	2,453,853	2,053,216
Cost of services, incl. depreciation and amortisation	-387,238	-329,464	-1,458,102	-1,236,699
Gross profit	283,756	213,812	995,751	816,516
Sales and marketing costs, incl. depreciation and amortisation	-3,088	-2,482	-11,742	-11,871
Administrative costs, incl. depreciation and amortisation	-126,290	-109,530	-472,729	-440,306
Operating profit (EBIT)	154,378	101,800	511,280	364,340
Financial income	13,147	781	39,930	22,245
Financial expenses	-8,065	-10,935	-53,954	-130,903
Profit / loss before tax	159,461	91,646	497,256	255,682
Tax on the profit for the period	-33,871	-23,233	-108,786	-74,465
Net profit / loss for the period	125,590	68,413	388,470	181,217
Depreciation and Amortisation have been presented as follows in the income statement:				
Cost of services	-3,701	-2,589	-13,149	-11,534
Administrative costs depreciation	-12,268	-6,712	-43,122	-28,815
Administrative costs amortisation	-25,464	-28,847	-101,674	-115,389
Depreciation and amortisation	-41,432	-38,149	-157,946	-155,737

Note 13 – Collateral provided and contingent liabilities

There have been no changes in collateral provided and contingent liabilities during Q4 2019 compared to the annual report for 2019.

Note 14 – Related party transactions

During 2019 the Group has not disclosed the correct amount of related party transactions.

Since FSN sold their shares in February 2019 there have been no related party transactions with any significant shareholders. In the period where FSN had significant shareholder interest Netcompany recognised revenue from Active Brands AS amounting DKK 1 million and Fitness World A/S amounting DKK 2 million. Furthermore, the Group has had related party transactions with Carsten Gomard Holding ApS comprising mainly of consultancy services amounting DKK 358k.

Note 15 – Financial figures and highlights

DKK million	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Income statement							
Revenue							
Public	406.9	356.4	341.5	350.8	321.0	277.5	267.8
Private	264.1	235.7	251.6	246.9	222.3	212.8	234.8
Revenue by segments, total	671.0	592.1	593.1	597.7	543.3	490.3	502.6
Development	338.9	299.1	289.7	330.0	304.6	260.2	217.4
Maintenance	332.1	293.0	303.4	267.6	238.7	230.1	285.2
Revenue by types, total	671.0	592.1	593.1	597.7	543.3	490.3	502.6
Organic	654.7	578.1	586.0	597.7	517.8	406.2	413.6
Acquisition	16.3	14.0	7.1	0.0	25.5	84.1	89.0
Revenue by growth, total	671.0	592.1	593.1	597.7	543.3	490.3	502.6
Special items	0.0	-0.6	-2.7	-1.1	-0.1	0.0	-26.6
EBITA	179.8	163.5	123.5	146.1	130.6	136.3	92.7
Adjusted EBITA	179.9	164.1	126.1	147.2	130.8	136.4	119.3
Operating profit (EBIT)	154.4	137.5	98.9	120.5	101.8	107.5	63.8
Net financials	5.1	-3.7	-21.3	5.9	-10.2	-8.4	-65.4
Net profit / loss	125.6	102.5	61.7	98.7	68.4	78.3	-16.6
Financial position							
Capex	-9.1	-4.3	-5.0	-6.1	-8.8	-7.6	-3.0
Total assets	3,727.6	3,731.5	3,680.0	3,582.2	3,485.4	3,537.4	3,477.5
Equity	2,071.7	1,950.7	1,847.8	1,772.6	1,806.3	1,734.8	1,652.9
Net increase in cash and cash equivalents	-44.7	40.8	-29.2	65.2	-105.6	42.9	18.6
Free cash flow	116.8	126.5	117.2	75.2	22.8	49.3	23.9
Free cash flow (tax normalised)	117.4	89.6	99.1	111.1	104.3	31.1	31.3
Earnings per share							
Earnings per share (DKK)	2.56	2.09	1.26	2.00	1.38	1.61	-0.33
Diluted Earnings per share (DKK)	2.55	2.08	1.25	1.99	1.38	1.61	-0.33
Employees							
Average number of full-time employees	2,468	2,345	2,259	2,099	1,979	1,843	1,818

Note 15 – Financial figures and highlights (continued)

DKK million	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Financial ratios							
Gross profit margin	42.3%	43.2%	37.6%	39.1%	39.4%	42.4%	39.1%
EBITA margin	26.8%	27.6%	20.8%	24.4%	24.0%	27.8%	18.4%
Adjusted EBITA margin	26.8%	27.7%	21.3%	24.6%	24.1%	27.8%	23.7%
Operating profit margin	23.0%	23.2%	16.7%	20.2%	18.7%	21.9%	12.7%
Effective tax rate	21.2%	23.4%	20.5%	21.9%	25.4%	21.0%	-986.8%
Return on equity	6.5%	5.6%	3.5%	5.7%	4.0%	5.1%	-1.1%
Solvency ratio	55.6%	52.3%	50.2%	49.5%	51.8%	49.0%	47.5%
Financial metrics							
Revenue growth	23.5%	20.8%	18.0%	15.6%	22.5%	45.3%	66.2%
Operating profit margin	23.0%	23.2%	16.7%	20.2%	18.7%	21.9%	12.7%
Return on invested capital (ROIC)	4.4%	3.6%	2.2%	3.6%	2.5%	3.0%	-0.6%
Cash conversion rate	80.3%	103.1%	145.0%	63.3%	25.1%	49.0%	407.7%
Cash conversion rate (tax norm.)	80.7%	73.0%	122.6%	92.7%	114.7%	30.9%	534.8%

Note 16 – Accounting policies

The annual consolidated financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The interim consolidated financial statements included in this Q4 2019 financial report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the European Union. The accounting policies applied are consistent with those applied in the consolidated annual report for the year ended 31 December 2019 for Netcompany Group A/S.

Financial Calendar

- 28 January 2020: Deadline for shareholders to submit proposals for the agenda of the Annual General Meeting 2020
- 6 February 2020: Annual report for the financial year 2019
- 11 March 2020: Annual General Meeting 2020
- 6 May 2020: Interim report for the period 1 January 2019 to 30 March 2020
- 19 August 2020: Interim report for the period 1 January 2019 to 30 June 2020
- 6 November 2020: Interim report for the period 1 January 2019 to 30 September 2020

Formulas

The ratios have been compiled in accordance with the following calculation formulas:

Gross profit margin	=	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$	Free cash flow	=	Cash flow from operating activities - Capex
EBITA	=	Operating profit + Amortisation	CAPEX	=	Cost spent to buy intangible and tangible assets, excluding impact from business acquisitions.
EBITA margin	=	$\frac{\text{EBITA} \times 100}{\text{Revenue}}$	Cash conversion ratio	=	$\frac{\text{Free cash flow} \times 100}{\text{Net profit} - \text{amortisation and deferred tax of amortisation}}$
Adjusted EBITA	=	EBITA + Special items	Days sales outstanding	=	$\frac{\text{Trade receivables} \times \text{days}}{\text{Revenue}}$
Adjusted EBITA margin	=	$\frac{\text{Adjusted EBITA} \times 100}{\text{Revenue}}$	Return on equity	=	$\frac{\text{Net profit} \times 100}{\text{Average equity}}$
Operating profit margin	=	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$	Return on invested capital (ROIC)	=	$\frac{\text{Net profit} \times 100}{\text{Average invested -capital}}$
EBITDA	=	EBIT + Depreciation and amortisation	Solvency	=	$\frac{\text{Equity} \times 100}{\text{Total assets}}$
EPS	=	$\frac{\text{Net profit} - \text{Dividends on preferred stock}}{\text{Average outstanding shares}}$			
EPS diluted	=	$\frac{\text{Net profit} - \text{Dividends on preferred stock}}{\text{Average outstanding shares} + \text{RSUs}}$			

Disclaimer

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 Netcompany 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 2019 of Netcompany Group A/S is available at www.netcompany.com

About Netcompany

Netcompany delivers business critical IT solutions and consultancy that help our customers to achieve significant business benefits in a digitised world. Netcompany also helps our customers to manage and operate IT solutions both on location and in the cloud.