

8% revenue rise; operating margin up to 12.2%

Groenlo, the Netherlands, 22 July 2021, 5.45 p.m.

Key points

- Revenue was up 8% in the first half-year of 2021, rising to €100.7 million (€93.5 million in the same period of 2020), despite increasing component scarcity. Virtually all business units contributed to the overall revenue growth.
- Recurring revenue rose 15% and now makes up 27% of revenue.
- On the back of a combination of higher revenue and temporarily lower costs, operating profit increased to €12.3 million, a 61% rise on the €7.7 million posted in the first half-year of 2020. The operating margin improved to 12.2%, compared to 8.2% in the same period of 2020.
- Net profit came in at €9.8 million in the first half-year of 2021, compared to €6.2 million in the first half-year of 2020.

Ruben Wegman, CEO of Nedap: ‘Despite challenging market conditions over the past year, we have continued to invest in our propositions and organisation, in line with our ‘Step Up!’ strategic plan. This has bolstered our competitive strength and reinforced our market positions, leading to robust results over the first half year of 2021. What we are seeing, though, is increasing scarcity of components worldwide. At a number of our business units, these shortages led to delays in deliveries in the first half-year of 2021 and pushed up our cost of sales. While mitigating these effects continues to be our highest priority, we expect the impact of component scarcity to further increase over the second half of this year. We expect, despite these circumstances, revenue for the whole of 2021 to be up on 2020.’

Key figures

In millions of euros or percentage	H1 2021	H1 2020	Growth
Revenue	100.7	93.5	8%
Recurring revenue	27.6	24.0	15%
Added value as % of revenue	67%	65%	
Operating profit	12.3	7.7	61%
Operating margin ¹	12.2%	8.2%	
Net profit	9.8	6.2	60%
Earnings per share (x €1)	1.52	0.95	60%
	30/6/2021	31/12/2020	
Net debt/EBITDA	-0.3	-0.4	
Solvency	57%	62%	

¹ Defined as operating profit expressed as a percentage of revenue.

Financials first half-year of 2021

Revenue and added value

Revenue for the first half of 2021 came in at €100.7 million, an 8% rise on the first half of 2020 (€93.5 million). Recurring revenue (revenue from software subscriptions (licences) and services) was up 15% and now represents 27% of our total revenue (H1 2020: 26%).

Virtually all business units managed to grow their revenue in the first half of 2021. In particular, the Healthcare and Livestock Management business units contributed to the revenue rise. The Retail and Staffing Solutions business units also showed revenue growth in these first six months, after posting relatively low revenue for the second quarter of 2020. The Security Management business unit saw its revenue drop on last year. Revenue growth at the Livestock Management and Light Controls business units was dampened by delays in deliveries to customers due to scarcity of electronics components.

Added value grew from €60.7 million over the first six months of 2020 to €67.5 million for the first half of 2021. As a percentage of revenue, added value rose from 65% to 67% as a result of the increase in recurring revenue and the positive mix effect within the business units.

Costs

Personnel costs (including insourced staff) were up 9% to €40.6 million (H1 2020: €37.2 million). This increase in costs is the result of the 2% salary increase agreed in the new collective labour agreement, an increase in profit-sharing following the result in the first half of 2021, and an increase in the number of FTEs. Our efforts to attract talent and therefore invest in future growth continued unabated in the first six months of the year. As at 30 June 2021, the number of FTEs totalled 772 (30 June 2020: 736 FTEs).

The other operating costs came in at €9.8 million in the first half of 2021, making them lower than in the first half of 2020 (€11.4 million). This was primarily the result of lower costs for marketing & sales due to travel restrictions and reduced participation in physical trade shows and other live events.

Depreciation and amortisation

Depreciation grew to €4.2 million in the first half of 2021 (H1 2020: €3.9 million). Amortisation remained stable, coming in at €0.5 million (€0.5 million in the first half of 2020).

Operating profit

Over the first six months of 2021, operating profit rose to €12.3 million, compared to €7.7 million over the first six months of 2020. This rise came as a result of higher revenue, a higher added value in relative terms and lower costs due to the COVID-19 measures. The operating margin, i.e. the operating profit as a percentage of revenue, rose to 12.2%, compared to 8.2% in the first half of 2020.

Financing costs and taxation

Net financing costs rose over the first six months of 2021 to €0.2 million (H1 2020: €0.1 million).

Taxation came in at €2.3 million (H1 2020: €1.4 million), which led to a net tax rate of 19.1% for the first half of 2021 (H1 2020: 18.6%).

Profit

Nedap posted a net profit of €9.8 million over the first half of the 2021 financial year, compared to €6.2 million in the same period of 2020. Earnings per share totalled €1.52 in the first half of 2021, compared to €0.95 in the first half of 2020.

The average number of outstanding shares in the first half-year of 2021 was 6,478,364 (H1 2020: 6,461,702).

Financial position

The balance sheet total as at 30 June 2021 was €121.6 million (€119.1 million as at 31 December 2020). The increase was driven by the profits generated in the first half of 2021, while operating capital remained stable. Receivables from customers increased, in line with revenue development, while inventories decreased by 4%. Furthermore, payables to suppliers and other payables increased. Cash and cash equivalents fell from €25.7 million at 31 December 2020 to €22.8 million at 30 June 2021. This drop was driven by the dividend payment in the first half-year of 2021. The existing credit facilities total €44 million, of which €14 million is used.

Given the uncertain economic developments due to the COVID-19 pandemic Nedap maintained financial buffers greater than the financial objectives formulated. As a result, the net debt position showed an €11.6 million surplus at the end of 2020, dropping to a surplus of €8.8 million at 30 June 2021. Net debt/EBITDA stood at -0.3 at 30 June 2021 (at year-end 2020: -0.4).

Solvency came in at 57% at 30 June 2021 (31 December 2020: 62%).

Business unit developments

Healthcare

The Healthcare business unit (automation of administrative tasks for healthcare professionals in the Netherlands) maintained its revenue growth. Growth is driven primarily by the business unit's growing market share in the disabled care and elderly care sector.

In the first half of 2021, Healthcare took a major step in the mental healthcare market when two leading mental healthcare facilities switched to Nedap Healthcare's ONS platform.

Identification Systems

Revenue posted by the Identification Systems business unit (vehicle identification products and global wireless parking systems) showed growth, especially in vehicle identification products (readers). Identification Systems is still seeing delays in order placement and the installation of various projects due to COVID-19 measures.

Market circumstances for wireless vehicle detection sensors have developed less positively in recent years than previously expected, which is why we have decided to bring investments in SENSIT into line with these developments.

Light Controls

The Light Controls business unit (power electronics and control systems for the global lighting industry) posted revenue growth in the first six months of 2021 thanks to increasing demand for UV driver technology for disinfection and curing. Demand for UV technology for curing is rising especially in the automotive industry, while demand for UV technology for ballast water purification remained stable. Component scarcity had a dampening effect on revenue development at this business unit over the first half of 2021.

Livestock Management

Revenue generated by the Livestock Management business unit (technological solutions for the dairy and pig farming industries worldwide) showed healthy growth. The unit's dairy farming operations in particular contributed to this growth, despite the increasing scarcity of electronics components putting a brake on revenue growth. Dairy farming achieved growth across all industries as the investments made over the past few years in partnership with genetics companies in the dairy farming domain are now truly starting to bear fruit.

Revenue in the pig farming sector remained stable. The reviving African swine fever is reducing the investment appetite on the Chinese market. However, the business unit is taking advantage of a catch-up demand and of the professionalisation drive that is ongoing in this market.

Retail

Revenue at the Retail business unit (global RFID solutions for optimised inventory management, simplified shop processes and prevention of shrinkage) showed growth over the first six months of 2021, primarily on the back of growth in the second quarter. While the fashion retail market was hit by shop closures over a prolonged period of time, the food and health sector showed growth.

The number of contracted customers for the iD-Cloud platform is also developing positively, as shown by new contracts with parties such as MS Mode and GANNI. Developments in the US are also positive and contracts were signed with two leading retailers in the first half-year of 2021. Due to the COVID-19 restrictions that forced shops to stay closed, implementation of iD-Cloud projects was delayed in many cases.

Security Management

Revenue posted by the Security Management business unit (access control and global security systems) dropped slightly, mainly due to low revenue generated in the first quarter. Ongoing lockdown measures and economic uncertainty led to investments in access control and security systems being put off and projects getting delayed. The level of market activity is now slowly picking up again.

In recent years, we were successful in developing a leading position in the Security Management market in Poland. Nedap Polska SP. z.o.o. was operational with effect from 1 July 2021 to support further growth in the Polish (and Eastern-European) market. Its office is located in Warsaw.

Staffing Solutions

The Staffing Solutions business unit (digitised timesheet processing, planning and employee scheduling in the Netherlands) showed growth in the first half of 2021. Flux, the business unit's proposition for the management of flexible pools of permanent employees and temps, is developing positively.

Outlook

Investments in promising propositions and the organisation have further bolstered Nedap's competitive strength. We are excellently positioned to seize growth opportunities in the various markets. Given the latest market insights and strategic plans, we look to the future with confidence. That said, business developments in 2021 will continue to be determined partly by how the COVID-19 pandemic develops and it remains difficult to predict its impact on economic developments. Increasing supply chain disruptions in the second half of 2021 will have an effect on the cost of sales and, due to a longer delivery time towards customers, also on revenue development. Nedap expects, unforeseen circumstances reserved, that revenue for 2021 as a whole will grow compared to 2020.

About Nedap N.V.

Nedap focuses on the development and supply of Technology for Life: technological solutions that make people more comfortable and successful in their professional lives. Nedap N.V. has a workforce of over 800 employees and operates on a global scale. The company was founded in 1929 and has been listed on Euronext Amsterdam since 1947. Its headquarters are located in Groenlo, the Netherlands.

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Disclaimer

This press release contains the Board of Directors' forward-looking statements and expectations based on current insights and assumptions, which are subject to known and unknown risks and uncertainties. The actual results or events could differ from these expectations due to changes in the economic climate, developments on specific markets, orders from individual customers and/or other developments.

Nedap cannot be required to update the forward-looking statements contained in this document or held responsible for doing so, regardless of whether they are related to new information, future events or suchlike, unless Nedap is required to do so by law.

In case of discrepancies, inconsistencies or interpretation differences between the English and the Dutch version of this half-yearly report, the Dutch version of this half-yearly report will be leading.

Consolidated balance sheet (€ x 1,000)

Assets	2021	2020
	30 June	31 December
Fixed assets		
Intangible fixed assets	1,963	2,211
Tangible fixed assets	38,247	38,031
Deferred tax assets	1,307	990
	<u>41,517</u>	<u>41,232</u>
Current assets		
Inventories	22,245	23,062
Income tax receivable	174	10
Trade and other receivables	33,938	28,176
Assets held for sale	907	907
Cash and cash equivalents	22,800	25,689
	<u>80,064</u>	<u>77,844</u>
	121,581	119,076
Liabilities		
Group equity		
Shareholders' equity attributable to shareholders	69,555	73,253
Non-current liabilities		
Borrowings	14,000	14,030
Lease liabilities	1,475	1,315
Employee benefits	1,019	997
Provisions	1,065	1,074
Deferred tax liabilities	-	20
	<u>17,559</u>	<u>17,436</u>
Current liabilities		
Borrowings	-	80
Lease liabilities	907	1,009
Employee benefits	76	82
Provisions	1,354	1,515
Bank overdrafts	-	-
Income tax payable	211	452
Taxation and social security contributions	3,616	1,986
Trade and other payables	28,303	23,263
	<u>34,467</u>	<u>28,387</u>
	121,581	119,076

Consolidated statement of profit or loss (€ x 1,000)

	2021	2020
	half-year	half-year
Revenue	100,688	93,534
Cost of materials and outsourced work	-32,202	-32,222
Inventory movements of finished goods and work in progress	-1,004	-613
	<u>-33,206</u>	<u>-32,835</u>
Added value	67,482	60,699
Personnel costs	-40,645	-37,167
Amortisation	-518	-541
Depreciation	-4,158	-3,936
Other operating costs	-9,845	-11,382
Operating costs	-55,166	-53,026
Operating profit	12,316	7,673
Financing income	9	20
Financing costs	-176	-134
Net financing costs	-167	-114
Result before taxation	12,149	7,559
Taxation	-2,317	-1,404
Result for the financial year	9,832	6,155
Result attributable to shareholders of Nedap N.V.	9,832	6,155
Average number of outstanding shares	6,478,364	6,461,702
Earnings per ordinary share (in €)	1.52	0.95
Diluted earnings per ordinary share (in €)	1.52	0.95

Consolidated statement of comprehensive income

(€ x 1,000)

	2021 half-year	2020 half-year
Result for the financial year	9,832	6,155
Unrealised result		
Items that will (or may) be reclassified to profit or loss after initial recognition:		
Currency translation differences	193	-76
Unrealised result over the reporting period, after taxation	193	-76
Total realised and unrealised result for the financial year	10,025	6,079
Total realised and unrealised result attributable to:		
Nedap N.V. shareholders	10,025	6,079

Consolidated statement of cash flows (€ x 1,000)

		2021 half-year	2020 half-year
Cash flow from operating activities			
Result for the financial year		9,832	6,155
Adjustments for:			
Depreciation and amortisation including impairment	4,676		4,477
Book result on sale of tangible fixed assets	-89		-168
Exchange differences	125		-49
Net financing costs	167		114
Share-based remuneration	-70		-69
Income taxes	2,317		1,404
		7,126	5,709
Movements in trade and other receivables	-5,762		-106
Movements in inventories	817		1,406
Movements in taxation and social security contributions	1,630		1,485
Movements in trade and other payables	5,181		-2,817
Movements in employee benefits	16		56
Movements in provisions	-170		91
		1,712	115
Interest paid	-179		-114
Interest received	9		49
Income tax paid	-3,059		-2,877
		-3,229	-2,942
Cash flow from operating activities		15,441	9,037
Cash flow from investing activities			
Investments in tangible fixed assets	-3,892		-4,022
Investments in intangible fixed assets	-270		-74
Proceeds from sale of tangible fixed assets	112		267
		-4,050	-3,829
Cash flow from investing activities		-4,050	-3,829

Consolidated statement of cash flows (€ x 1,000)

		2021 half-year	2020 half-year
Cash flow from financing activities			
Repayments on long-term borrowings and derivatives	-110		-43
Lease payments	-585		-500
Dividend paid to shareholders of Nedap N.V.	-14,595		-
Sale of own shares	942		785
			<hr/>
Cash flow from financing activities		-14,348	242
Movements in cash and cash equivalents and bank overdrafts		-2,957	5,450
Cash and cash equivalents and bank overdrafts at 1 January		25,689	18,687
Exchange differences for cash and cash equivalents and bank overdrafts		68	-27
Cash and cash equivalents and bank overdrafts at 30 June		22,800	24,110
Cash and cash equivalents		22,800	24,110
Bank overdrafts		-	-
		22,800	24,110

Consolidated statement of changes in shareholders' equity

(€ x 1,000)

	Share capital	Statutory reserves	Other reserves	Result attributable to shareholders	Total shareholders' equity
Balance as at 1/1/2020	669	2,124	46,651	24,127	73,571
Realised result for 1 st half-year	-	-	-	6,155	6,155
Unrealised result for 1 st half-year	-	-76	-	-	-76
Result for 1st half-year	-	-76	-	6,155	6,079
Dividend	-	-	-	-	-
Appropriation of result for previous financial year	-	-567	24,694	-24,127	-
Movement in share-based remuneration	-	-	-69	-	-69
Movement in own shares	-	-	785	-	785
Balance as at 30/6/2020	669	1,481	72,061	6,155	80,366
Balance as at 1/1/2021	669	1,467	57,366	13,751	73,253
Realised result for 1 st half-year	-	-	-	9,832	9,832
Unrealised result for 1 st half-year	-	-	193	-	193
Result for 1st half-year	-	-	193	9,832	10,025
Dividend	-	-	-14,595	-	-14,595
Appropriation of result for previous financial year	-	-221	13,972	-13,751	-
Movement in share-based remuneration	-	-	-70	-	-70
Movement in own shares	-	-	942	-	942
Balance as at 30/6/2021	669	1,246	57,808	9,832	69,555

At 30 June 2021, the company held 206,419 (224,517 at 30 June 2020) of its own shares that are expected to be transferred to employees under the employee participation plans.

Statutory reserves can be broken down as follows:

	30/6/2021	30/6/2020
Capitalised development costs	1,234	1,699
Profit from participations not freely distributable	12	12
Exchange differences	-	-230
Total	1,246	1,481

Accounting policies

General

Nedap N.V.'s headquarters are registered and located in Groenlo, the Netherlands. The company's consolidated interim report for the first half year of 2021 covers the company and its subsidiaries, who together form the Group, referred to below as Nedap.

Nedap develops and supplies smart technological solutions for relevant themes, including sufficient food, clean drinking water, security and healthcare. The company's focus is always maintained on relevant technology.

The company concentrates on markets where its technological know-how, market expertise and knowledge of the customer's business process can create added value for the customer. These markets are approached through the company's own sales channels as well as through third parties.

Nedap's consolidated financial statements for the 2020 financial year are available on request by emailing info@nedap.com or calling +31 (0) 544 471111. They can also be downloaded from our website www.nedap.com.

Statement of compliance

These consolidated interim financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting. They do not contain all of the information required for full financial statements and should be read in combination with Nedap's 2020 consolidated financial statements.

These condensed consolidated interim financial statements were compiled by the Board of Directors on 22 July 2021.

Key accounting policies

The accounting policies and calculation methods used by Nedap in these consolidated interim financial statements are the same as the accounting policies and calculation methods applied in the consolidated financial statements for the 2020 financial year, with the exception of new standards and interpretations.

New standards and interpretations

Several new or changed standards and interpretations took effect on 1 January 2021 and are of limited relevance to Nedap. The application of these new standards and interpretations has had no impact on the Group's result or financial position.

Estimates

Compilation of the interim report requires management to make judgements, estimates and assumptions that affect the application of accounting policies used for financial reporting and the reported value of assets, liabilities, income and costs. The actual results may differ from these estimates. In compiling these consolidated interim financial statements, the important assessments formed by the management used for the application of the accounting policies for Nedap's financial reporting and the most important sources of estimates used are the same as the assessments and sources applied in the compilation of the consolidated financial statements for the 2020 financial year. The most critical estimate relates to the capitalisation of development costs. Further estimates relate primarily to measurement of tangible and intangible fixed assets, employee benefits, deferred tax assets, provisions and inventories.

Financial risk management

Nedap's financial risk management objectives and measures are in line with the objectives and measures set out in the 2020 consolidated financial statements.

Income taxes

Income taxes are defined as the product of the weighted average tax rate expected for the financial year and the interim result before taxation.

Transactions with related parties

Parties related to Nedap are the Stichting Preferente Aandelen Nedap, the members of the Supervisory Board and the Board of Directors. No transactions took place with Stichting Preferente Aandelen Nedap, and only the normal usual transactions took place with the members of the Supervisory Board and the Board of Directors.

As yet unimplemented standards and interpretations

Several new or changed standards and interpretations took effect on or after 1 January 2022 and are of limited relevance to Nedap. The application of these new standards and interpretations are not expected to have a material impact on the Group's result or financial position.

Audit

The half-yearly financial statements have not been audited or assessed by an external auditor.

Statement

Statement of the Board of Directors pursuant to Article 5:25d of the Dutch Financial Supervision Act

To the best of our knowledge:

1. the half-yearly financial statements give a faithful representation of the assets, liabilities, financial position, and profit/loss of Nedap N.V. and the companies included in the consolidation in accordance with IAS 34; and
2. the half-yearly Directors' Report, as included in this half-yearly report, gives a faithful representation of the information required under Article 5:25d, subsections 8 and 9 of the Dutch Financial Supervision Act (*Wet op het Financieel Toezicht*).

Groenlo, the Netherlands, 22 July 2021

Board of Directors:

R. M. Wegman
D. van der Sluijs