

Revenue up 5%; operating profit up 22%

Recurring revenue grew by 20%

Groenlo, the Netherlands, 14 February 2019

Highlights of the 2018 financial year

- Revenue grew 5% to €191.4 million, while recurring revenue (revenue from software subscriptions (licenses) and services) was up 20%
- The Healthcare and Livestock Management business units posted a solid growth in revenue, while the Retail business unit's revenue declined substantially
- Operating profit excluding one-off items rose 22% to €19.4 million (€15.9 million in 2017)
- The operating margin (EBIT) came in at 10.2%, compared to 8.7% in 2017, in line with the strategic objective
- Added value per FTE increased to €179,000 in 2018 (€172,000 in 2017)
- The net result amounted to €17.1 million (€28.0 million in 2017), i.e. earnings per share of €2.66 (€2.02 excluding one-off items in 2017)
- Dividends for the 2018 financial year have been set at €2.50, the same as for 2017
- Nedap is expecting 2019 revenue to be up on 2018 and an increasing operating margin

Key figures

in millions of euros or expressed as a percentage	2018	2017	Growth
Revenue	191.4	182.2	5%
Recurring revenue	37.2	30.9	20%
Added value as % of revenue	62%	62%	-
Operating profit excl. one-off items	19.4	15.9	22%
Operating profit incl. one-off items	19.4	9.9	96%
Operating margin ¹	10.2%	8.7%	-
Net result ²	17.1	28.0	-39%
Earnings per share (x €1)	2.66	4.21	-37%
Earnings per share excl. one-off items (x €1)	2.66	2.02	32%
Dividend per share (x €1)	2.50	2.50	-
	<u>31/12/2018</u>	<u>31/12/2017</u>	
Net debt/EBITDA	0.6	0.6	
Solvency	56%	55%	
ROIC ³	25%	22%	

¹ Defined as operating profit excluding one-off items expressed as % of revenue

² Profit for the 2017 financial year includes €19.1 million profit from discontinued operations (Nsecure)

³ ROIC is operating profit excluding one-off items, divided by the invested capital (fixed assets + net working capital - (associate & non-consolidated company))

Progress on strategy

Important progress was made with implementing the strategy in 2018.

The supply chain reorganisation was finalised in 2018 and the performance improved steadily over the course of the year. The associated structural annual cost reduction of €4 million was achieved in 2018 as scheduled. Production and logistics operations at Nedap have largely been phased out and outsourced to strategic partners. Together with lower cost prices, this has given the business units more room to focus on the development and marketing of their own propositions. The disposal of non-core activities, such as the sale of Nedap's subsidiary Nsecure in late 2017, also brought greater focus.

Furthermore, 2018 saw Nedap take the next step in increasing centralisation of activities, including automation, compliance and talent development. This is again primarily intended to enable business units to focus on the market and their propositions as much as possible.

The business units' main focus is on product development and marketing & sales. Major investments have been made in R&D activities for new technology, products and propositions. The focus will shift towards commercial activities for the coming year.

Making Nedap an even more attractive employer for top talent and the further development of employees is and remains a key focus point for the organisation.

Financial affairs**Revenue**

Revenue for the whole of 2018 came in at €191.4 million, which was up 5% on the €182.2 million posted in 2017. Recurring revenue rose by 20% to €37.2 million (€30.9 million in 2017). Following a sound start to the year, revenue growth stagnated in the second half of 2018, partly due to a fundamental shift in the retail market. As a result, the Retail business unit posted substantially lower revenue in 2018. The Healthcare and Livestock Management business units on the other hand achieved solid growth in revenue. The Identification Systems and Security Management business units achieved slight growth in revenue in 2018, while Light Controls and Staffing Solutions' revenue was down slightly.

Added value was up from €112.7 million in 2017 to €118.9 million in 2018. As a percentage of revenue, added value remained stable at 62%, partly due to the outsourcing. Added value per FTE rose from €172,000 in 2017 to €179,000 in 2018.

Costs

At €67.1 million, personnel costs remained at approximately the same level (€67.2 million in 2017). In 2017, personnel costs included €3.5 million in one-off costs, primarily due to the supply chain reorganisation. Excluding these one-off costs, personnel costs increased slightly, in line with the increase in FTEs.

The total number of FTEs stood at 681 as at 31 December 2018 (637 FTEs as at 31 December 2017).

Other operating costs amounted to €25.3 million in 2018, down from €27.7 million in 2017, a year in which the operating costs included €2.3 million in one-off costs, primarily due to the supply chain reorganisation. In 2018, structural cost savings amounting to €4.0 million were achieved as scheduled.

Research and development costs of €25.9 million (including €0.7 million in capitalised costs) amounted to 14% of revenue (€23.5 million or 13% of revenue in 2017; development costs were not capitalised).

Amortisation and depreciation

Due to the limited need to invest in tangible fixed assets over the past few years, depreciation is again down slightly to €6.5 million (€6.9 million in 2017). At €0.6 million, amortisation is down on 2017 (€0.8 million).

Operating profit

2018 saw the operating profit (EBIT) rise to €19.4 million, up on the €9.9 million in operating profit posted in 2017. In 2017, one-off items totalled €6.0 million, while there were no one-off items in 2018. Excluding one-off items, operating profit rose 22% from €15.9 million to €19.4 million. The operating margin, i.e. the operating profit (excluding one-off items) as a percentage of revenue, rose from 8.7% in 2017 to 10.2% in 2018.

Financing costs and taxation

Net financing costs in 2018 were at more or less the same level as in 2017 (€0.2 million). Taxes payable over 2018 totalled €3.2 million (€1.7 million in 2017), while the net tax rate came in at 16.6% for 2018 (5.8% in 2017). The low rate in 2017 was mainly due to the participation exemption applied to the book profit on the sale of Nsecure.

Profit for the financial year

Nedap posted €17.1 million in profit for the 2018 financial year, down on the €28.0 million posted in 2017. The 2017 profit included €19.1 million of profit from discontinued operations (Nsecure).

Financial position

The balance sheet total grew from €113.8 million as at 31 December 2017 to €115.4 million as at 31 December 2018. This rise came mainly on the back of the increase in inventories by approximately €6.0 million. As the company transitioned during the supply chain reorganisation, greater (buffer) inventories were kept to guarantee that deliveries to customers could continue wherever possible. Inventory levels are still relatively high, and are expected to decrease in 2019.

The net debt position increased to €16.6 million in 2018 (€14.2 million at year-end 2017). Net debt/EBITDA stood at 0.6 on 31 December 2018 (0.6 at year-end 2017). The solvency ratio was 56% on 31 December 2018, remaining relatively stable (55% on 31 December 2017).

Cash flow

2018 saw the net working capital rise to €38.5 million, compared with €31.5 million in 2017. This increase is primarily the result of greater (buffer) inventories. The operational cash flow was €18.2 million in 2018, up on 2017 (€13.3 million), mainly due to better results.

Return on invested capital

The return on invested capital (ROIC) rose from 22% to 25% in 2018.

Earnings per share and dividend

Earnings per share came in at €2.66 in 2018, compared to €4.21 in 2017. Excluding one-off items, the earnings per share rose from €2.02 in 2017 to €2.66 in 2018. The average number of outstanding shares decreased to 6,407,929 as at 31 December 2018 (6,651,543 as at 31 December 2017) following the share buyback in late 2017. Dividend per share for the 2018 financial year amounts to €2.50 (€2.50 in 2017).

Business unit developments

Healthcare

The Healthcare business unit showed a positive development in 2018 and posted solid revenue growth, substantially increasing its market share in both the elderly care and disabilities markets. The business unit also successfully entered the mental healthcare market. Demand for innovative solutions and deployment of modern technology to support healthcare processes is expected to continue to grow over the coming years.

The business unit expects to be able to expand its market share in the various healthcare markets and increase its revenue further in 2019.

Identification Systems

Revenue posted by the Identification Systems business unit grew over the first six months of 2018, but was held back in the last six months of the year by delays in several major projects. As a result, the business unit's revenue only showed a slight increase on 2017. Performance was best in the United States, while revenue development in Europe showed a mixed picture.

The business unit developed its propositions and market position further in 2018, and is expecting a further increase in revenue in 2019.

Light Controls

The Light Controls business unit's overall revenue decreased. Growth in UV propositions in the curing and UV-based disinfection markets was not sufficient to compensate for the drop posted by the Luxon proposition. The business unit benefited from improved market conditions in the curing market in 2018, and further reinforced its position there, while also posting increased revenue on the UV-based disinfection market for water purification. The ballast water treaty is expected to come into force in late 2019, following a long process of preparation and ratification. This should create demand on the ballast water market, of which the business unit should be able to benefit optimally. The revenue of the Luxon proposition decreased in 2018. Recent years have shown that this part of the lighting market is conservative and that despite all the efforts of the market group, developments are progressing slowly. The revenue development of Luxon is therefore difficult to predict. Management therefore considers to align the activity level with the actual revenue development.

Excluding Luxon, the Light Controls business unit is expecting revenue growth in the coming years.

Livestock Management

The Livestock Management business unit posted a solid increase in revenue in 2018, thanks to its propositions for both the dairy farming and pig farming sectors. Milk prices have been rising since 2016, and investment started to catch up with that trend on a global scale from 2017. As a result, there was a substantial increase in the number of orders placed with Nedap, some of which could not be fulfilled in 2017. Efforts to clear this delivery backlog and continued strong sales put the business unit off to a particularly good start in 2018. The situation levelled off over the course of 2018 and the increase in revenue slowed down. Propositions for the pig farming sector posted firm growth in revenue in 2018, especially in China.

The business unit expects to be able to further reinforce its position in the dairy farming market in 2019 and maintain the revenue levels achieved in the last six months of 2018. It also expects to maintain positive momentum in the pig farming sector and post increased revenue in 2019.

Retail

2018 saw the Retail business unit successfully gain new customers for the !D Cloud proposition. !D Cloud consists largely of software services, so the business unit was able to contribute significantly to recurring revenue, in line with strategic objectives. However, !D Cloud revenue is not yet sufficient to compensate for the drop in revenue in conventional anti-shoplifting systems. As a result, the entire business unit's revenue dropped substantially over the course of the year.

Given the strong market interest in !D Cloud and iSense with RFID, the business unit expects a further increase in revenue for these propositions and in the number of !D Cloud customers in 2019. Revenue for conventional anti-shoplifting systems is expected to stabilise. Based on this the business unit expects overall revenue to increase in 2019.

Security Management

Following a somewhat slow start to 2018, due to delays in major projects in the first six months of the year, the Security Management business unit posted increased revenue again in the second half of the year. This resulted in slight growth in revenue over 2018 as a whole. The business unit is continuously investing in R&D to keep its AEOS platform up to date, thus ensuring a continuous life cycle. Commercially, the business unit achieved success in 2018 with its Global Client Programme, which provides a cost-effective, efficient security solution for multinationals.

Current circumstances are favourable for reinforcement of the business unit's market position, so the unit is expected to post a further increase in revenue in 2019.

Staffing Solutions

Revenue posted by the Staffing Solutions business unit was down slightly in 2018, a year in which the number of customers using PEP software services increased. As well as gaining new customers, the business unit was able to expand the range of services provided to existing customers or roll them out to new branches. However, this growth was tempered by the decrease in the number of hours worked through temporary employment agencies in the last six months of 2018, especially in large-scale, complex working environments where the business unit has a strong presence.

Further functionality development and marketing have given the business unit's solutions a more significant and more prominent position on the various employee services markets. The business unit looks set to achieve growth in revenue in 2019.

Outlook

Nedap focuses on smart applications of technology to help solve the challenges of today and tomorrow. In recent years, we have constantly worked to gear our organisation towards those customer groups, products and activities for which we can really make a difference. By fully focusing our talents on this goal, we will increase our impact on our markets

Nedap continuously invests in developing propositions and commercial strength so that we can expand our position on the various markets. The solid balance sheet and availability of long-term financing give us a firm financial foundation. We are confident about the future and expect healthy long-term growth. On this basis, we expect revenue growth in 2019 compared with 2018 and an increasing operating margin, unforeseen circumstances notwithstanding.

Annual report publication and general meeting of shareholders

The 2018 annual report will be published on the company website on 19 February (after the close of trading). The annual general meeting of shareholders will take place at 11.00 am on Thursday April 4th at the A'DAM Tower in Amsterdam.

About Nedap N.V.

High-tech company N.V. Nederlandsche Apparatenfabriek "Nedap" creates high-quality, innovative hardware and software products that enable people to be more productive and successful in their professional lives. Nedap N.V. has a workforce of around 700 employees and operates on a global scale. The company was founded in 1929 and has been listed on Euronext Amsterdam since 1947. Its headquarters is located in Groenlo, the Netherlands.

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Reservation regarding statements containing expectations

The expectations presented in this report are based on information as it currently stands. The actual profit/loss achieved can differ significantly from these expectations as a result of changes to the economic climate, developments on specific markets, orders from individual customers and other developments over the last two months of the year.

Consolidated balance sheet per 31 December (€ x 1,000)

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Assets	2018	2017
Fixed assets		
Intangible fixed assets	1,950	1,689
Tangible fixed assets	34,925	35,753
Financial fixed assets	5,169	4,454
Deferred tax assets	941	280
	42,985	42,176
Current assets		
Inventories	37,509	31,477
Income tax receivable	612	1,029
Trade and other receivables	31,895	37,260
Cash and cash equivalents	2,437	1,840
	72,453	71,606
	115,438	113,782
Equity and liabilities		
Group equity		
Shareholders' equity	64,940	61,962
Non-current liabilities		
Borrowings	14,196	14,282
Employee benefits	882	789
Provisions	881	1,119
Deferred tax liabilities	-	471
	15,959	16,661
Current liabilities		
Borrowings	86	85
Employee benefits	20	53
Provisions	1,195	1,491
Bank overdrafts	4,722	1,669
Income tax payable	1,849	120
Taxation and social security contributions	1,533	1,763
Trade and other payables	25,134	29,978
	34,539	35,159
Total liabilities	50,498	51,820
	115,438	113,782

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

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	2018	2017
Revenue	191,403	182,185
Cost of materials and outsourced work	-82,521	-71,799
Inventory movements of finished goods and work in progress	10,044	2,310
	-72,477	-69,489
Added value	118,926	112,696
Personnel costs	-67,105	-67,214
Amortisation	-624	-755
Depreciation	-6,491	-6,863
Impairment of assets	-14	-264
Other operating costs	-25,250	-27,673
Operating costs	-99,484	-102,769
Operating result	19,442	9,927
Financing income	41	66
Financing costs	-265	-269
Net financing costs	-224	-203
Share in profit of associate (after income tax)	1,052	877
Result before taxation from continued operations	20,270	10,601
Taxation	-3,198	-1,678
Result for the financial year from continued operations	17,072	8,923
Result for the financial year from discontinued operations	-	19,112
Result for the financial year	17,072	28,035
Profit attributable to shareholders of Nedap N.V.	17,072	28,035
Average number of outstanding shares	6,407,929	6,651,543
Earnings per ordinary share from continued operations (in €)	2.66	1.34
Diluted earnings per ordinary share from continued operations (in €)	2.66	1.34
Earnings per ordinary share (in €)	2.66	4.21
Diluted earnings per ordinary share (in €)	2.66	4.21

Consolidated statement of comprehensive income (€ x 1,000)

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	2018	2017
Result for the financial year from continued operations	17,072	8,923
Result for the financial year from discontinued operations	-	19,112
Result for the financial year	17,072	28,035
Unrealised result		
Items that will (or may) be reclassified to profit or loss after initial recognition:		
Currency translation differences	-13	-87
Unrealised result for the reporting period after taxation	-13	-87
Total realised and unrealised result for the financial year	17,059	27,948
Total realised and unrealised result attributable to:		
Nedap N.V. shareholders	17,059	27,948

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

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	2018	2017
Cash flow from operating activities		
Profit for the financial year from continued operations	17,072	8,923
Adjustments for:		
Depreciation and amortisation including impairment	7,129	7,882
Book result on sale of tangible fixed assets	78	-704
Share in profit of associate	-1,052	-877
Exchange rate differences on participating interests	-15	1
Net financing costs	224	203
Share-based remuneration	458	822
Income tax	3,198	1,678
	10,020	9,005
Movements in trade and other receivables	5,339	-6,460
Movements in inventories	-6,032	-3,191
Movements in taxation and social security contributions	-230	-313
Movements in trade and other payables	-5,078	9,287
Movements in employee benefits	60	54
Movements in provisions	-534	-3,028
	-6,475	-3,651
Interest paid	-265	-279
Interest received	41	86
Income tax paid	-2,184	-2,131
	-2,408	-2,324
Cash flow from operating activities of continued operations	18,209	11,953
Cash flow from operating activities of discontinued operations	-	1,336
Cash flow from operating activities	18,209	13,289
Cash flow from investing activities		
Investments in tangible fixed assets	-5,905	-7,793
Investments in intangible fixed assets	-905	-70
Proceeds from sale of tangible fixed assets	404	1,447
Dividend received from associate	337	272
Cash flow from investing activities of continued operations	-6,069	-6,144
Cash flow from investing activities of discontinued operations	-	25,167
Cash flow from investing activities	-6,069	19,023

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

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	2018	2017
Cash flow from financing activities		
Repayments on long-term borrowings	-85	-836
Dividend paid to shareholders of Nedap N.V.	-16,038	-9,370
Sale of own shares	1,525	841
Acquisition of own shares	-	-14,130
Cash flow from financing activities of continued operations	-14,598	-23,495
Cash flow from financing activities of discontinued operations	-	123
Cash flow from financing activities	-14,598	-23,372
Movement in cash and cash equivalents and bank overdrafts	-2,458	8,940
Cash and cash equivalents and bank overdrafts at 1 January	171	-8,681
Exchange differences for cash and cash equivalents and bank overdrafts	2	-88
Cash and cash equivalents and bank overdrafts at 31 December	-2,285	171
Cash and cash equivalents	2,437	1,840
Bank overdrafts	-4,722	-1,669
	-2,285	171