
Nedap trading update Q3 2019

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- Revenue for Q3 2019 in line with Q3 2018
- Revenue expected to grow in the second half of 2019
 - Healthcare and Light Controls continue strong performance
 - Challenging market conditions for Livestock Management and Retail
- Growth in recurring revenue continues unabated
- Introduction of Management Board
- Sale of Nedap France completed

General

Nedap's revenue over the third quarter of 2019 was in line with that of the same period the previous year, while recurring revenue continued its upward trend unabatedly. All business units posted growth in the third quarter, except for Livestock Management and Retail, whose revenue development has been negatively impacted by challenging conditions in the retail market and persistent swine fever in the pig farming sector. These factors also limit the predictability of these markets.

Based on developments over the last few months and forecasts for the rest of the year, revenue posted for the second half of 2019 is expected to be higher than both the same period last year and the first half of 2019. As a result revenue for the full year 2019 is expected to be at a comparable level as last year. In keeping with the company's strategy, investments related to the recruitment of employees continued. As a result, EBIT is expected to be lower than in the 2018 financial year.

The sale of Nedap France S.A.S. was completed during the third quarter, and the net proceeds (around €14.5 million) will primarily be used for a one-off increase in dividend for 2019, as stated previously.

Organisation

Nedap introduced a Management Board to its organisational structure on 1 October 2019, a measure that is in line with the aim of accelerating progress on the strategic topics set out in the multi-year Changing Gears plan. Next to the CEO and CFO (statutory directors), the Management Board includes three business unit leaders who will be responsible for Nedap-wide topics, in addition to their own business units. Rob Schuurman (Retail) will be focusing on the Capturing Growth part of the multi-year plan, while Fokko van der Zee (Security Management) will look at Enabling Growth and Guus Droppers (Healthcare) at Sustaining Growth.

Former CFO Eric Urff, who stepped down as statutory director following this year's general meeting of shareholders, left the organisation on 15 October 2019. Recruitment of a new CFO is currently in the final phase and further announcements are expected to be made soon.

Business unit developments

Healthcare

The Healthcare business unit (automation of administrative tasks for healthcare professionals) continued to show growth and increased its market share in all the healthcare markets it operates in (elderly, disabled and mental healthcare). The Nuts initiative, an open source platform co-founded by Nedap for secure access to healthcare data, is gaining momentum on the healthcare market. This creates entirely new opportunities to better support cross-organisational processes in the healthcare sector.

Identification Systems

The Identification Systems business unit (vehicle and driver identification products and wireless parking systems) is expected to post increased revenue over 2019 as a whole, partly on the back of fulfilment of several major SENSIT wireless parking sensor projects.

Light Controls

The Light Controls business unit (power electronics and control systems for the lighting industry) will increase its revenue this year. Revenue in UV drivers increases, partly thanks to increasing demand for drivers for ballast water treatment, while heightened focus on the Luxon proposition has brought about an increase in the number of connected light points.

Livestock Management

As expected, 2019 revenue posted by the Livestock Management business unit (automation of livestock management processes based on identification of individual animals) will be lower than in the strong year of 2018. Following a drop in the first six months of the year, revenue is picking up again in the dairy farming industry, but Nedap's operations in the pig farming industry are still being severely impacted by the global African swine fever epidemic, which is spreading even further. These developments are having a negative impact on short-term revenue development. In the long term, however, the outlook on this market remains positive, and the epidemic is expected to bring about increased professionalisation on the market, which Nedap will be able to benefit from.

Retail

Market conditions for the Retail business unit (security, management and information systems for the retail sector) remain challenging and volatile. Demand for conventional anti-shoplifting systems is continuing to drop, and cannot as yet be compensated fully by growth in RFID-based solutions. Targeted marketing campaigns and the release of new functionality on the iD Cloud platform have further improved Nedap's market position in this rapidly growing RFID market. More and more retailers in both Europe and North America have now started implementing the Nedap solution in their shops.

Security Management

After posting an excellent growth in revenue over the first six months of 2019, the Security Management business unit (physical security systems) expects the growth to level off over the last six months of the year. This is because a couple of major projects were completed in the final quarter of 2018, boosting revenue. The business unit continues to note increasing interest in its capacities to implement large-scale access control projects all over the world.

Staffing Solutions

The Staffing Solutions business unit (digitised timesheet processing, planning and employee scheduling) has managed to achieve good growth in the number of temporary employment organisations that use its solution. This growth compensates for the decline in the number of hours processed at two major temporary employment organisations.

Publication of the annual figures

The 2019 annual figures will be published on 20 February 2020, after the close of trading. The 2019 annual report will be published on our website on 25 February 2020.

About Nedap N.V.

High-tech company Nedap N.V. 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 750 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 months of the year.