

Press release

Revenue first half-year 2020 remains almost equal

Operating result declines with 6%

The Netherlands, Groenlo, 23 July 2020, 5:45 PM

Key points

- Revenue in the first half of 2020 was € 93.5 million, which is almost the same as in the first half of 2019 (-0.7%).
 - Recurring revenue increased by 13% and now accounts for 25.7% of the total revenue.
 - After a strong start in the first quarter with revenue growth of 9%, revenue in the second quarter shows a decrease of 9% due to the impact of COVID-19.
- The business units Healthcare and Livestock Management showed good revenue growth, in line with the first quarter of 2020. As a result of the lockdown measures in a large number of countries, the other business units showed a decrease in revenue. The impact on the Retail business unit was the largest.
- Added value improved from 62.8% to 64.9%, driven by the increased share of recurring revenue.
- Operating result decreased by 6% to € 7.7 million (H1 2019: € 8.1 million) due to the effect of investments in the organisation during 2019.
- Net result amounted to € 6.2 million in the first half of 2020, compared to € 6.7 million in the first half of 2019.
- Due to uncertainty about the duration and effects of the COVID-19 crisis on the global economy, it is not possible to make a reliable estimate of the results in the second half of 2020.

Ruben Wegman, CEO of Nedap: "Thanks to a strong start to the year and the spread in our activities, the effects of the COVID-19 crisis on the financial results in the first half of 2020 have remained relatively limited. The revenue growth at the business units Healthcare and Livestock Management was not sufficient to compensate for the decline in revenue in the other business units. Despite the challenging conditions, new market opportunities are also emerging and the current crisis is accelerating innovation in a number of markets. For example at Retail, there is an increasing demand for our !D Cloud platform. Nedap's solid financial foundation allows us to continue to invest in these times and enables us to seize opportunities in the market. This allows us to further improve our competitive position, making us even stronger positioned as markets recover."

Key figures

in millions of euros or expressed a percentage	H1 2020	H1 2019	Growth
Revenue	93.5	94.2	-1%
Recurring revenue	24.0	21.3	13%
Added value as % of revenue	65%	63%	
Operating result	7.7	8.1	-6%
Operating margin ¹	8.2%	8.6%	
Net result	6.2	6.7	-8%
Earnings per share (x € 1)	0.95	1.04	-9%
	30/6/2020	31/12/2019	
Net debt/EBITDA	-0.4	-0.2	
Solvency	64%	61%	

¹ Defined as operating result expressed as a percentage of revenue



Impact outbreak COVID-19

The outbreak of COVID-19 has a significant impact on the Nedap organisation. The first priority is the well-being of our employees. The default was and is that our employees work from home as much as possible. If employees require to work from the office, measures are in place to do this in a safely manner. Furthermore, a lot of effort has been made to ensure that employees stayed connected with their coworkers and the organisation and to facilitate that our employees can continue their activities and their personal development. To date, only a very limited number of our employees, who are located worldwide, have been diagnosed with or are suspected of having a COVID-19 infection.

By working intensively with our customers, business partners and with partners in the supply chain, the deliveries of our products went well. As a result of this collaboration, inventory levels have been further optimised and decreased. Receivables from our customers have not risen and our debtor risk has remained consistently low due to the continued coverage of the credit insurer.

The company has a strong financial base and a critical look at expenditures. This enables us to make the right investments in these volatile times to strengthen our market positions and to seize opportunities when markets recover.

Nedap has not made use of financial government support measures available in the context of the COVID-19 crisis.

Financials first half-year 2020

Revenue and added value

Revenue in the first half of 2020 amounted to € 93.5 million, a decrease of 0.7% compared to 2019 (H1 2019: € 94.2 million). After a good start in the first quarter with a growth of 9%, revenue in the second quarter fell by 9% compared to last year. The business units Healthcare and Livestock Management achieved revenue growth during the first half-year. Revenue in the business units Identification Systems, Retail, Security Management, Staffing Solutions and to a lesser extent Light Controls, was negatively impacted by the COVID-19 measures taken in various countries. Recurring revenue (revenue from software subscriptions (licenses) and services) increased by 13% and now accounts for 25.7% of total revenue (H1 2019: 22.6%).

The added value grew in the first six months from € 59.2 million in 2019 to € 60.7 million in 2020. As a percentage of revenue, the added value increased from 62.8% to 64.9% as a result of the composition of revenue. Due to ongoing investments in personnel, especially during 2019, the added value per FTE decreased slightly from € 172,000 in the first half of 2019 to € 166,000 in the first half of 2020.

Costs

Personnel costs (including costs of temporary workers) rose by 5% to € 37.2 million (H1 2019: € 35.5 million), driven by indexation and an increase in the number of FTEs. As of 30 June 2020, the number of FTE was 736 (30 June 2019: 695 FTE). Other operating expenses in the first half of 2020 amounted to € 11.4 million, which is at the same level as in the first half of 2019. Underlying, adjusted for the capitalisation of € 0.7 million in development costs in 2019, operating expenses decreased. Marketing & revenue costs in particular were lower, due to the cancellation of various exhibition activities and lower travel and accommodation costs. The marketing & sales activities still continued, especially in a digital way, such as webinars.

Depreciation and amortisation

Depreciation increased slightly in the first six months of 2020 to € 3.9 million (H1 2019: € 3.8 million). Amortisation increased from € 0.4 million to € 0.5 million, mainly due to the amortisation of development costs capitalised in 2019.

Operating result

In the first six months of 2020, the operating result decreased from € 8.1 million in 2019 to € 7.7 million. The increase in added value was not sufficient to absorb the higher personnel costs. The operating margin, the operating result as a percentage of revenue, was 8.2% in the first half of 2020, compared to 8.6% in the first half of 2019.



Financing costs and taxation

Net financing costs in the first half of 2020 remained at the same level as in 2019 (€ 0.1 million).

Taxes amounted to € 1.4 million (H1 2019: € 1.6 million), which led to an effective tax rate of 18.6% for the first half of 2020 (H1 2019: 20.2%).

Result

Over the first half-year of 2020, Nedap achieved a result of € 6.2 million compared to € 6.7 million in the comparable period in 2019. Earnings per share in the first half of 2020 amounted to € 0.95 compared to € 1.04 in the first half of 2019.

The average number of outstanding shares was 6,461,702 as of 30 June 2020 (as of 30 June 2019: 6,432,446).

Financial position

The balance sheet total grew from € 120.5 million as at 31 December 2019 to € 125.4 million as at 30 June 2020, largely driven by the realised profit in the first half of 2020. The net working capital remained stable. Receivables from customers remained virtually at the same level. Inventories decreased with 5% as a result of the further optimisation of the supply chain. Furthermore, payables to suppliers decreased as well. Cash position rose from € 18.7 million at 31 December 2019 to € 24.1 million at 30 June 2020. The existing credit facilities have a total size of € 44 million, of which € 14 million is used.

The net debt position is negative and decreased in the first six months of 2020 to -€ 10.0 million (year-end 2019: -€ 4.5 million). The net debt / EBITDA ratio as of 30 June 2020 was -0.4 (as at year-end 2019: -0.2).

Solvency stood at 64% as of 30 June 2020 (31 December 2019: 61%).

Developments per business unit

Healthcare

The business unit Healthcare (automation of administrative tasks for healthcare professionals) managed to increase its market share in each of the healthcare markets in which it operates (the elderly, disabled and mental health services), allowing the business unit to continue its consistent growth in the first half of 2020. To meet the growing interest of mental healthcare organisations for Nedap's software solutions, we are investing in additional staff.

Identification Systems

The revenue of the business unit Identification Systems (identification products for vehicles and persons and wireless parking systems) was affected by the lockdown measures in several countries, resulting in delay or postponement of projects and leading to lower revenue.

Light Controls

The business unit Light Controls (power electronics and control systems for the lighting industry) showed a decrease in revenue compared to a relatively good performance in the same period last year. The growing interest in UV disinfection was not enough to cover the lower revenue in the UV curing sector. Although weakened by the delay or postponement of (new) projects, Luxon's proposition achieved revenue growth.

Livestock Management

The business unit Livestock Management (automation of livestock processes based on identification of individual animals) showed good revenue growth in the first half of the year. In both the dairy and pig sectors, there is a growing interest in business automation based on the automatic monitoring of individual animals. The strict COVID-19 measures implemented in China had a positive effect on the African swine fever outbreak. This led to the implementation of projects that had been postponed. Growth in the USA is under pressure as the trade dispute with China affects exports. Also domestic demand is falling as a result of the COVID-19 measures.



Retail

Revenue of the business unit Retail (security, management and information systems for the retail sector) decreased in the second quarter, mainly due to the large-scale closure of stores in the fashion sector due to the measures related to COVID-19. The rapid growth of omnichannel initiatives, further strengthened by COVID-19, led to a strong increase in interest in !D Cloud, our RFID-based inventory management platform.

Security Management

The business unit Security Management (systems for access control and security) has also seen delays in projects due to lockdown measures in various European countries, resulting in a decrease in revenue compared to the same period in 2019. The lifting of various COVID-19 measures has led to more progress in the installation of projects and in catch-up demand for Nedap products in the last month of the first half-year of 2020.

Staffing Solutions

The business unit Staffing Solutions (digitised work schedules and timesheet processing) experienced a decrease in the number of working hours via its systems, resulting in a drop in revenue. A positive effect in these highly volatile times is a strong increase in interest in our proposition, aimed at managing flexible personnel pools.

Outlook

Nedap's financial position is strong, which offers opportunities to keep the right balance between short-term focus on mitigation of costs and at the same time to remain open to long-term opportunities, including further investments in the organisation where necessary. We see worldwide that the number of infections with the COVID-19 virus is increasing strongly and that there is still a lot of uncertainty about the duration and the effects of the crisis on the global economy. As a result, it is not possible to make a reliable estimate of the revenue and results in the second half of the year. When there is more insight into the development of the company in the second half of this year, and if the financial results allow this, an interim dividend will be considered.

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 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 are located in Groenlo, the Netherlands.

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Reservation regarding statements containing expectations

The expectations and forward-looking statements presented in this report are based on currently available information. The actual profit/loss achieved can differ from these expectations as a result of changes to the economic climate, developments on specific markets, orders from individual customers and other developments.

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	2020 30 June	2019 31 December
Fixed assets		
Intangible fixed assets	2,364	2,828
Tangible fixed assets	39,207	38,621
Deferred tax assets	751	758
	42,322	42,207
Current assets		
Inventories	27,095	28,501
Income tax receivable	1,323	625
Trade and other receivables	30,632	30,526
Cash and cash equivalents	24,110	18,687
	83,160	78,339
	125,482	120,546
Equity and liabilities		
Group equity		
Shareholders' equity attributable to shareholders	80,366	73,571
Non-current liabilities		
Borrowings	14,066	14,110
Lease liabilities	1,518	1,838
Employee benefits	1,021	1,001
Provisions	805	704
Deferred tax liabilities	35	176
	17,445	17,829
Current liabilities		
Borrowings	87	86
Lease liabilities	1,047	987
Employee benefits	81	45
Provisions	1,226	1,236
Bank overdrafts	-	-
Income tax payable	124	765
Taxation and social security contributions	3,859	2,374
Trade and other payables	21,247	23,653
	27,671	29,146
Total liabilities	45,116	46,975
	125,482	120,546

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

	2020 half-year	2019 half-year
Revenue	93,534	94,181
Cost of materials and outsourced work	-32,222	-31,228
Inventory movements of finished goods and work in progress	-613	-3,767
	-32,835	-34,995
Added value	60,699	59,186
Personnel costs	-37,167	-35,548
Amortisation	-541	-376
Depreciation	-3,936	-3,760
Other operating costs	-11,382	-11,370
Operating costs	-53,026	-51,054
Operating result	7,673	8,132
Financing income	20	13
Financing costs	-134	-145
Net financing costs	-114	-132
Share in profit of associate (after income tax)	-	333
Result before taxation	7,559	8,333
Taxation	-1,404	-1,619
Result for the financial year	6,155	6,714
Result attributable to shareholders of Nedap N.V.	6,155	6,714
Average number of outstanding shares	6,461,702	6,432,446
Earnings per ordinary share (in €)	0.95	1.04
Diluted earnings per ordinary share (in €)	0.95	1.04

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

	2020 half-year	2019 half-year
Result for the financial year	6,155	6,714
Unrealised result		
Items that will (or may) be reclassified to profit or loss after initial recognition:		
Currency translation differences	-76	45
Unrealised result for the reporting period after taxation	-76	45
Total realised and unrealised result for the financial year	6,079	6,759
Total realised and unrealised result attributable to:		
Nedap N.V. shareholders	6,079	6,759

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

	2020 half-year	2019 half-year
Cash flow from operating activities		
Result for the financial year	6,155	6,714
Adjustments for:		
Depreciation and amortisation including impairment	4,477	4,136
Book result on sale of tangible fixed assets	-168	-46
Share in profit of associate	-	-333
Exchange differences for participations	-49	33
Net financing costs	114	132
Share-based payments	-69	-982
Income taxes	1,404	1,619
	5,709	4,559
Movements in trade and other receivables	-106	-2,334
Movements in inventories	1,406	4,277
Movements in taxation and social security contributions	1,485	1,816
Movements in trade and other payables	-2,817	-1,068
Movements in employee benefits	56	37
Movements in provisions	91	-200
	115	2,528
Interest paid	-114	-127
Interest received	49	13
Income tax paid	-2,877	-3,867
	-2,942	-3,981
Cash flow from operating activities	9,037	9,820
Cash flow from investing activities		
Investments in tangible fixed assets	-4,022	-4,415
Investments in intangible fixed assets	-74	-1,078
Proceeds from sale of tangible fixed assets	267	265
Dividend received from associate	-	983
Cash flow from investing activities	-3,829	-4,245

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

	2020 half-year	2019 half-year
Cash flow from financing activities		
Repayments on long-term borrowings	-43	-43
Lease payments	-500	-361
Dividend paid to shareholders of Nedap N.V.	-	-16,132
Sale of own shares	785	1,662
Cash flow from financing activities	242	-14,874
Movement in cash and cash equivalents and bank overdrafts	5,450	-9,299
Cash and cash equivalents and bank overdrafts at 1 January	18,687	-2,285
Exchange differences for cash and cash equivalents and bank overdrafts	-27	12
Cash and cash equivalents and bank overdrafts at 30 June	24,110	-11,572
Cash and cash equivalents	24,110	2,411
Bank overdrafts	-	-13,983
	24,110	-11,572

Consolidated statement of changes in equity (€ x 1,000)

	Share capital	Statutory reserves	Other reserves	Result attributable to shareholders	Total shareholders' equity
Balance as at 1-1-2019	669	6,524	40,675	17,072	64,940
Realised result for the 1st half-year	-	-	-	6,714	6,714
Unrealised result for the 1st half-year	-	45	-	-	45
Result for the 1st half-year	-	45	-	6,714	6,759
Dividend	-	-	-	-16,132	-16,132
Appropriation of profit for previous financial year	-	711	229	-940	-
Movement in profit from participations not freely distributable	-	-650	650	-	-
Movement in share-based payments	-	-	-982	-	-982
Movement in own shares	-	-	1,662	-	1,662
Balance as at 30-6-2019	669	6,630	42,234	6,714	56,247
Balance as at 1-1-2020	669	1,971	46,804	24,127	73,571
Realised result for the 1st half-year	-	-	-	6,155	6,155
Unrealised result for the 1st half-year	-	-76	-	-	-76
Result for the 1st half-year	-	-76	-	6,155	6,079
Dividend	-	-	-	-	-
Appropriation of profit for previous financial year	-	-414	24,541	-24,127	-
Movement in profit from participations not freely distributable	-	-	-	-	-
Movement in share-based payments	-	-	-69	-	-69
Movements in own shares	-	-	785	-	785
Balance as at 30-6-2020	669	1,481	72,061	6,155	80,366

At 30-6-2020, the company held 224,517 (240,087 at 30-6-2019) 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:

	30-6-2020	30-6-2020
Capitalised development costs	1,699	2,336
Profit from participations not freely distributable	12	4,531
Exchange differences	-230	-237
Total	1,481	6,630

Accounting policies

General

Nedap N.V. is registered in Groenlo, the Netherlands. The interim consolidated half-yearly Financial Statements 2020 of the company cover the company and its subsidiaries, who together form the Group, hereafter also referred to 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 2019 consolidated financial statements are available on request. Email info@nedap.com, call +31 (0) 544 471111 or download the 2019 financial statements directly from our website www.nedap.com.

Statement of accordance

These consolidated half-yearly financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting. They do not contain all information that is required for full financial statements and should be read in combination with Nedap's 2019 consolidated financial statements.

These condensed consolidated half-yearly financial statements were drawn up by the Board of Directors on 23 July 2020.

Accounting policies

The same accounting policies and calculation methods were used by Nedap for both these consolidated half-yearly financial statements and the consolidated financial statements for 2019, except for new standards and interpretations.

New standards and interpretations

A number of new or amended standards, with limited relevance for Nedap, became applicable for the current reporting period. The application of these new standards and interpretations has had no impact on the result or the Group's financial position.

Estimates

IFRS compliant interim reporting requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets, liabilities, income and costs. The actual results may differ from these estimates. In drawing up these consolidated half-yearly financial statements, the relevant judgements used, which were formed by the management during application of the accounting policies, and the relevant sources used for estimates were the same as the judgements and sources used in drawing up the consolidated financial statements 2019. The most critical estimates relate primarily to measurement of tangible fixed assets, capitalisation of development costs, measurement of intangible assets, employee benefits, 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 consolidated financial statements 2019.



Income taxes

Income taxes are determined as the product of the weighted average of the tax rate expected for the year under review and the interim profit before taxation.

Related parties transactions

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

As yet unimplemented standards and interpretations

A number of new or amended standards, with limited relevance for Nedap, become applicable on or after 1 January 2021. The application of these new standards and interpretations are not expected to have an impact on the result or the Group's financial position.

Audit

The figures in these 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 true and fair view of the assets, liabilities, financial position and profit or loss of Nedap N.V. and the undertakings included in the consolidation taken as a whole in accordance with IAS 34; and
2. the half-yearly report of the Board of Directors includes a fair review of the information as required under Section 5:25d (8 and 9) of the Dutch Financial Supervision Act.

Groenlo, 23 July 2020

The Board of Directors:

R.M. Wegman
D. van der Sluijs