

Trading update – Q3 2021

Groenlo, The Netherlands, 19 October 2021, 17:45 CET

Key points

- Q3 revenue in 2021 was up 13% on Q3 of the previous year.
 - Virtually all business units contributed to the revenue growth.
 - Global supply chain disruptions slowed down revenue development in the third quarter.
 - Recurring revenue rose 19% compared to Q3 of 2020 and now makes up 28% of revenue.
- Revenue over the first nine months of 2021 was up 9% on the same period in 2020.
- The impact of the scarcity of components and other raw materials is expected to become more markedly noticeable in the fourth quarter.
- Nedap expects revenue over 2021 as a whole to exceed that of 2020.

General

Nedap saw revenue grow by 13% in the third quarter of 2021, despite the scarcity of components and other raw materials slowing down growth. With the exception of the Retail business unit, all business units contributed to the revenue growth in the third quarter, putting revenue at a higher level than in the same quarter of the previous year. Retail's revenue was down on the third quarter of 2020, but did show growth over the first nine months of 2021 compared to 2020. Just like Light Controls and Livestock Management, Retail was affected by the supply chain disruptions, which caused some delays to the fulfilment of orders.

Supply chain disruptions

Global shortages of components and raw materials increased over the past quarter and are expected to manifest themselves even more substantially in the fourth quarter. This is making it increasingly difficult to deliver products on time. Nedap has set up a purchasing escalation team that focuses fully on mitigating these shortages. The team is looking into alternatives for components that are in short supply and using its supplier network to come up with solutions. It is becoming more and more difficult to find those solutions. The cost prices of components, raw materials and transport are also showing an upward trend. This has only had a small effect on the costs of sales for Nedap products so far. In certain cases, the sales prices of these products will be increased where needed.

Business unit developments

Healthcare

The Healthcare business unit (automation of administrative tasks for healthcare professionals in the Netherlands) continued its revenue growth in the third quarter, not only because it entered the new mental healthcare market, but also thanks to growth in disabled care and elderly care, markets where the business unit already operated. This growth was driven by new customers and by existing customers starting to use more features.

Identification Systems

Revenue posted by the Identification Systems business unit (vehicle identification products and wireless parking systems, worldwide) was up on last year, especially in the vehicle identification proposition (readers).

As stated in the half-yearly report, investments in the SENSIT proposition, wireless vehicle detection sensors, were brought into line with the current market developments, which were less positive than anticipated.

Light Controls

Revenue at the Light Controls business unit (power electronics and control systems for the global lighting industry) was up in the third quarter of 2021 thanks to high demand for UV driver technology for curing. The Luxon proposition's revenue remained stable. Just like in the first six months of the year, the scarcity of components slowed down this business unit's revenue development in the third quarter.

Livestock Management

Revenue growth at the Livestock Management business unit (technological solutions for the dairy and pig farming industries worldwide) continued in the third quarter, despite the increasing supply chain disruptions slowing down revenue development at this business unit. Dairy farming activities were the main revenue growth driver, coming on the back of growth of the market itself and also an increase in Nedap's market share.

Revenue in the pig farming market remained stable. African swine flu and the low price of pork are reducing the investment appetite on the Chinese market. North America was also a less well-performing market, while Canada and southern Europe showed healthy revenue growth.

Retail

Third-quarter revenue at the Retail business unit (global RFID solutions for optimised inventory management, simplified shop processes and prevention of loss of income) was at a level similar to that of the previous quarter, but lower than in the third quarter of the previous year. Just like in the first six months of the year, project roll-outs were delayed by the COVID-19 measures. Supply chain disruptions also had an impact on product deliveries in this business unit.

The number of customers using iD Cloud, the software platform that gives retailers perfect insight into their inventories from warehouse to store, is increasing. Over the past few months, Retail implemented the iD Cloud platform at labels such as denim specialist G-Star RAW. iD Cloud is the world's fastest growing RFID platform for fashion retailers.

Security Management

Revenue at the Security Management business unit (access control and global security systems) was up on the third quarter of the previous year. The market is picking up across the board, though the scarcity of components is also starting to delay product deliveries in this business unit. There was a healthy increase in demand for software assurance services among existing customers.

Staffing Solutions

The Staffing Solutions business unit (digitised timesheet processing, planning and employee scheduling in the Netherlands) posted increased revenue in the third quarter. The business unit is increasingly focusing on logistics and production companies with its Flux proposition, and grew its share in these markets. Flux makes it easy for companies to manage their pools of permanent employees and temporary workers, and its direct link to staffing agencies is a feature that sets Nedap apart from competitors.

Outlook

Nedap propositions remain in high demand. However, supply chain disruptions are expected to have substantial consequences for delivery times in the fourth quarter, which will have an unpredictable impact on revenue development. Nedap expects revenue over 2021 as a whole to exceed that of 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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