

## Trading update

Groenlo, the Netherlands, 15 November 2018

- **Nedap expects revenue for the whole of 2018 to be approximately 5% up on 2017**
  - **Livestock Management and Retail will slow down Nedap's overall growth in the second half of 2018**
- **Recurring revenues from software services are expected to increase by approximately 20% in 2018**
- **Structural annual cost reduction of €4 million will be achieved in 2018 as planned**
- **EBIT margin 2018 expected to be around 10%, in line with set objective**

In light of developments in recent months and the outlook for the rest of the year, Nedap expects revenue in the second half of 2018 to be in line with that of the same period in 2017. This is expected to result in revenue growth of around 5% for the whole of 2018 compared to 2017. The EBIT margin for 2018 is expected to be around 10%, in line with the objective set (9% in 2017).

Nedap has managed to further build on the competitive strength of its business units, although several specific factors at Livestock Management and Retail are limiting the revenue development in the second half of 2018. Despite the fact that the Livestock Management business unit's revenue will be substantially higher for the whole of 2018 compared to 2017, revenue over the second half of 2018 is expected to stabilise at the high level achieved in the second half of 2017. The Retail business unit expects lower revenue in 2018. Although the strong growth in the number of contracted !D Cloud customers will gradually be reflected in revenue growth, it is as yet insufficient to compensate for the decrease in hardware sales of conventional anti-shoplifting systems.

The Healthcare business unit is continuing its strong development in the second half of the year and Security Management is expected to return to revenue growth in this period. Identification Systems is set to achieve slight growth in 2018, whereas the revenue posted by Staffing Solutions and Light Controls in 2018 is expected to be down slightly on 2017.

The reorganised supply chain is operating better than it was at the start of the year and the structural annual cost reduction of €4 million will be achieved in 2018 as planned. The scarcity of electronics components, which we highlighted previously, is still constantly being monitored. As a result, inventory levels remain relatively high and order fulfilment may be delayed for certain products.

### Business unit developments

The **Healthcare** business unit (automation of administrative tasks for healthcare professionals) will post a robust increase in revenue this year, and is adding more organisations active in mental healthcare and care for the mentally disabled to its customer base, in addition to nursing and care homes as well as home care organisations.

The **Identification Systems** business unit (security, traffic and parking solutions) is also expected to achieve an increase in revenue this year, but this will be limited by delays in the roll-out of several major projects.

At the **Light Controls** business unit (power electronics and control systems for the lighting industry), this year's revenue will come in lower than last year, as the limited commercial availability of LED lamp drivers and fittings compatible with Luxon is impeding sales. Revenue growth generated by the UV propositions is not expected to be sufficient to offset the decrease in revenue of the Luxon proposition.

Revenue posted in 2018 by the **Livestock Management** business unit (automation of livestock management processes based on identification of individual animals) will be substantially up on 2017. Following the excellent increase in revenue over the first half of 2018, revenue for the rest of the year is expected to stabilise at the high level achieved in the second half of 2017. The strong increase in the price of milk in

## \*Nedap press release

2016 had a positive impact on revenue growth in the dairy farming industry in the second half of 2017 and the first half of 2018. However, the price of milk has now fallen to a more moderate level, which is impacting the willingness of dairy farmers to invest. In this market environment, Livestock Management is succeeding in increasing its market share. Market share and revenue in the pig farming industry are also expected to increase in 2018.

More and more retailers are showing interest in next-generation, RFID-based anti-shoplifting and stock management systems, putting the **Retail** business unit (security, management and information systems for the retail sector) in an excellent position to take advantage of this trend. The unit has been successful in signing contracts for its !D Cloud platform with an increasing number of fashion retailers. However, the new !D Cloud proposition is not currently compensating sufficiently for the decrease in revenue in conventional anti-shoplifting systems. Whereas the unit was benefitting from a major roll-out for a retailer in the US in 2017, no similar major roll-outs are lined up for 2018. As a result, the business unit is expected to post lower revenue for this year.

The **Security Management** business unit (physical security systems) is expected to return to revenue growth in the second half of 2018, putting revenue for the whole year in line with that of 2017. More and more large and international organisations are becoming interested in the business unit's proposition, which sees Nedap successfully implement large-scale access control projects all over the world.

The **Staffing Solutions** business unit (digitised timesheet processing, planning and employee scheduling) expects slightly lower revenue this year. Temporary employees currently have more choice and are more often opting to work in smaller-scale environments where this business unit currently has less foothold. However, the business unit is making sound progress on the further development of its proposition, thus increasing its role at temporary employment organisations.

### Disclaimer regarding statements containing expectations

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

### Publication of the annual figures

The 2018 annual figures will be published on 14 February 2019 [after the close of trading]. The 2018 annual report will be published on our website on 19 February 2019.

#### About Nedap N.V.

Since the company's founding in 1929, N.V. Nederlandsche Apparatenfabriek "Nedap" has been manufacturing smart technical applications for the challenges of today and tomorrow, and selling them all over the world. Headquartered in Groenlo in the Netherlands, Nedap boasts a workforce of approx. 680 employees and operates on a global scale, while the company has been listed on Euronext Amsterdam since 1947.



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