

2021 annual figures press release

Revenue up 9% Operating profit growth of 35%

Groenlo, the Netherlands, 17 February 2022, 17:45 CET

Key points

- Revenue came in at €207.0 million, a 9% increase on 2020 (€189.9 million), despite increasing scarcity of components. All business units contributed to the revenue growth.
- Recurring revenue grew by 16%.
- Added value increased from 66% to 67% of revenue.
- The operating profit was up 35% to €23.1 million (€17.1 million in 2020). The operating margin improved to 11.1%, compared to 9.0% in 2020.
- The profit for the financial year came in at €18.3 million (€13.8 million in 2020), i.e. earnings per share of €2.82 (€2.13 in 2020).
- The dividend for the 2021 financial year has been set at €3.00.
- A further growth in revenue is expected for 2022.

Ruben Wegman, Nedap CEO: *“The year 2021 went well for Nedap, despite persistently challenging circumstances resulting from the pandemic. Continual investments in our propositions and organisation helped increase revenue by 9% in 2021, despite supply chain disruptions slowing down growth. Posting a 16% increase, the performance of revenue from software subscriptions was even stronger, and put the share of recurring revenue at 28% of total revenue. All business units contributed to the revenue growth. Over the past year, hard work has also gone into the further reinforcement of Nedap’s competitive position and our organisation’s strength. March 2021 saw us present the new Step Up! strategic plan and made our sustainability vision and ambition concrete. We are proud of how Nedap employees have demonstrated personal entrepreneurship and responsibility over the past year, despite the challenging circumstances both at work and at home as a result of the pandemic. The efforts of the entire Nedap team made 2021 a success. The scarcity of components has meanwhile affected delivery times to our customers in virtually all business units. This is increasingly delaying deliveries and pushing the cost of sales up. Despite the fact that mitigating these effects continues to be our number one priority, we expect the impact of component scarcity to further increase over the next few months. Despite this uncertainty, we expect further growth in revenue in 2022.”*

Key figures

In millions of euros or percentage	2021	2020	Growth
Revenue	207.0	189.9	9%
Recurring revenue	58.5	50.7	16%
Added value as % of revenue	67%	66%	
Operating profit	23.1	17.1	35%
Operating margin ¹	11.1%	9.0%	
Net profit	18.3	13.8	33%
Earnings per share (x €1)	2.82	2.13	32%
Dividend per share (x €1)	3.00	4.50 ²	
	31/12/2021	31/12/2020	
Net debt/EBITDA	-0.5	-0.4	
Solvency	61%	62%	
ROIC ³	36%	28%	

Strategy

New Step Up! strategic plan

Nedap presented its new Step Up! strategic plan in 2021. This plan is based on the ample growth potential offered by the current proposition portfolio, and its aim is to accelerate Nedap's growth by making better use of this potential. One element of Step Up! is a way of working that combines entrepreneurship and market focus at the individual business units and propositions with the strength of the Nedap organisation as a whole. This way of working will be based on the three strategic drivers 'radically clear', 'always deliver' and 'full Nedap power'.

New financial targets

The new strategic plan sets the following financial targets towards 2025:

- an annual high-single-digit autonomous revenue growth;
- an operating margin (EBIT) that grows towards 15% (excluding one-off items);
- a return on invested capital (ROIC) that outgrows profitability.

Addition to the Board of Directors

As of 1 January 2022, Mr Rob Schuurman has been appointed the company's Chief Commercial Officer (CCO). This appointment is in keeping with Nedap's strategy, which is focused on increasing the organisation's commercial strength. The Supervisory Board intends to appoint Mr Rob Schuurman as director under the articles of association after announcing to the Annual General Meeting of Shareholders on 12 April 2022. From then onwards, the Board of Directors under the articles of association will consist of Mr Ruben Wegman (CEO) and Ms Daniëlle van der Sluijs (CFO) alongside Mr Schuurman.

¹ Defined as operating profit expressed as a percentage of revenue.

² The dividend for 2020 includes a one-off interim dividend, following an earlier decision to withdraw the dividend proposal for 2019 due to the Covid-19 pandemic.

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

Financial affairs

Revenue

Revenue for 2021 amounted to €207.0 million, which was 9% higher than in 2020 (€189.9 million). Recurring revenue rose by 16% to €58.5 million (€50.7 million in 2020), comprising 28% of revenue (27% in 2020). While all business units did contribute to the revenue growth, the scarcity of components and other materials slowed down growth in Livestock Management's dairy proposition and Light Controls' UV proposition in particular, despite a fast rise in market demand.

Added value was up from €125.1 million in 2020 to €139.3 million in 2021. As a percentage of revenue, added value rose to 67% (66% in 2020), in part thanks to the growing share of recurring revenue in the overall revenue. Furthermore, product margins at the Livestock Management and Retail business units, for instance, improved due to investments in products with a higher added value. Added value per FTE rose from €169,000 in 2020 to €180,000 in 2021.

Costs

Employee costs rose by 12% from €74.4 million to €83.3 million in 2021. This increase is partly due to an increase in costs for insourced staff and due to an increase in the number of FTEs, in line with our long-term strategy of investing in the recruitment and development of talented people. The number of FTEs went up from 766 at year-end 2020 to 786 at the end of 2021. Costs ensuing from the employee participation plans also contributed to the increase. Aside from that, wages under the collective labour agreement were increased by 2% as of April 2021.

Other operating costs decreased from €24.2 million in 2020 to €22.8 million 2021. This is due to exchange rate differences, which amounted to €0.7 million (revenue) and in 2020 -€0.7 million (costs). Marketing and sales costs were largely in line with the 2020 figures. They are still at a relatively low level, due to limited opportunities for travel as a result of the COVID-19 pandemic, since most trade fairs and physical events were unable to take place.

Research and development costs totalled €36.7 million (including €0.5 million in capitalised development costs), representing 18% of revenue (2020: €35.0 million including €0.2 million in capitalised development costs, totalling 18% of revenue). These costs mostly relate to maintaining current products and services and developing them further. The rest relates to innovation.

Amortisation and depreciation

Depreciation increased from €8.0 million in 2020 to €8.5 million in 2021 due to investments in office space at the head office in Groenlo. Amortisation amounted to €1.0 million and was therefore at more or less the same level as in 2020 (€1.1 million). In the 2021 financial year, an amount of €0.7 million (2020: €0.2 million) was recognised as an impairment, due to factors such as downward revaluations on assets for propositions that are being phased out.

Operating profit

Operating profit (EBIT) for 2021 came in at €23.1 million, compared with €17.1 million in 2020. This rise is the result of the increased revenue and a higher added value, despite a higher cost level.

The operating margin, i.e. the operating profit as a percentage of revenue, amounted to 11.1% in 2021 (9.0% in 2020).

Financing costs

Net financing costs increased to €0.3 million in 2021 (€0.2 million in 2020), primarily as a result of negative interest income on current accounts.

Taxation

Taxation over 2021 totalled €4.5 million (€3.1 million in 2020), while the effective tax rate came in at 19.6% for 2021 (18.5% in 2020) as a result of a higher effective rate on the application of the Innovation Box tax regime and an increase in non-deductible expenditures related to profit-sharing schemes.

Profit for the financial year

Nedap posted €18.3 million in profit for the 2021 financial year, up on the €13.8 million posted in 2020.

Earnings per share and dividend

Earnings per share increased from €2.13 in 2020 to €2.82 in 2021. The average number of outstanding shares in 2021 was 6,482,444 (6,465,033 in 2020). This increase comes on the back of the supply of shares held by the company itself to cover employee participation plans.

A dividend of €3.00 will be paid for 2021 (€4.50 for 2020). The dividend for 2020 included a one-off interim dividend, following an earlier decision to withdraw the dividend proposal for 2019 due to the Covid-19 pandemic.

In light of the results achieved and the current market developments, we feel it is prudent to pay out the entire profit as dividend and make a modest start on bringing current solvency into line with our long-term objective.

Financial position

The balance sheet total increased from €119.1 million as at 31 December 2020 to €131.5 million as at 31 December 2021. Trade and other receivables increased, in line with revenue development, while cash and cash equivalents increased on the back of profit posted over the financial year. Inventories remained at more or less the same level as in 2020.

Of the credit facilities available on 31 December 2021 and totalling €39.0 million an amount of €14.0 million has been withdrawn. The net debt position amounted to a surplus of €15.6 million as at 31 December 2021, compared with a surplus of €11.6 million as at 31 December 2020.

Net debt/EBITDA stood at -0.5 on 31 December 2021 (-0.4 in 2020).

Solvency was 61% on 31 December 2021 (62% in 2020).

Cash flow

2021 saw the net working capital increase to €22.1 million (€19.5 million in 2020), in step with the increase in activity. The operating cash flow was €28.3 million in 2021, a slight drop on the relatively high operating cash flow achieved in 2020 (€30.3 million), a year in which inventories were scaled back.

Return on invested capital

The increase in the profit for the financial year combined with a limited increase in capital requirements brought about an increase in the return on invested capital (ROIC) in 2021 to 36% (28% in 2020).

Business unit developments

Healthcare

The Healthcare business unit (automation of administrative tasks for healthcare professionals in the Netherlands) maintained its revenue growth over the past year. The number of healthcare professionals working with our user-friendly Ons® software platform grew once again in 2021. Over the first six months of the year, two of the Netherlands' largest mental healthcare facilities implemented the platform. Investments to optimise our Ons® software platform for the mental healthcare market paid off. Adoption is increasing in this new market. In addition to growth on the back of entering the new mental healthcare market, Nedap also grew further in disabled care and elderly care, markets where the business unit already operated. This growth was driven by new customers and also by existing customers starting to use more features. Market share increased in all of the markets where Healthcare operated in 2021.

Identification Systems

Revenue posted by the Identification Systems business unit (vehicle identification products and wireless parking systems worldwide) was up on 2020. Although it has not yet reached pre-pandemic levels, the market picked up in 2021, a development that the vehicle identification proposition (readers) in particular was able to benefit from.

In 2021, the focus was on creating a stable product portfolio and improving commercial and operational strength. In July, Nedap announced that it would be bringing investments in SENSIT, the wireless vehicle detection platform, into line with the change in demand in the market. In consultation with partners over the past few months, a decision was made to phase out SENSIT in a controlled manner, although application support will continue for quite some time yet. SENSIT's contribution to the business unit's overall revenue was limited.

Light Controls

Revenue posted by the Light Controls business unit (power electronics and control systems for the lighting industry worldwide) showed growth in 2021. Demand for UV technology for curing increased, while demand for UV technology for ballast water disinfection remained stable. Stricter environmental requirements and an increasing need for efficient, sustainable solutions contributed to worldwide growth in the demand for UV equipment. Component scarcity presents a major challenge, and had a dampening effect on revenue development at this business unit. The increasing demand for Light Controls' UV proposition is expected to continue.

Revenue from the Luxon proposition was down in 2021. Growth in the customer basis for this proposition also stagnated. Following a previous announcement to bring Luxon activities into line with market demand, a decision was made in the final quarter of 2021 to start phasing out Luxon activities.

Livestock Management

The Livestock Management business unit (technological solutions for the dairy and pig farming industries worldwide) posted a healthy growth in revenue in 2021, despite the increasing supply chain disruptions slowing down revenue development. This growth was achieved in the dairy farming market. Automation of operations is becoming increasingly important to more and more dairy farmers. Increasing attention to sustainability, animal health and welfare, and labour efficiency play a key role. This has resulted in growth in the market as a whole and a growing market share for Nedap. Marketing through genetics companies contributed to this development. The pig farming market was affected by a lower investment appetite in China due to the low price of pork and the resurgence of African swine flu. Less revenue was also posted in North America, while Canada, southern and eastern Europe and South America showed healthy revenue growth.

Retail

Revenue at the Retail business unit (global RFID solutions for optimised inventory management, simplified shop processes and prevention of loss of income) grew in 2021 compared to the previous year. The COVID-19 pandemic has rapidly bridged the gap between online and physical retail. The business unit saw the need to optimise the omnichannel approach increase with both food and health & beauty retailers, and retailers in the fashion and sport industry. Although the roll-out and delivery of projects was delayed by COVID-19 measures and supply chain disruptions, the market showed an accelerated development in demand.

In the United States, Nedap invested in further expansion of sales software and our software's technical infrastructure. Major brands such as Carters and Under Armour rolled out the iD Cloud platform to enable omnichannel fulfilment. In Europe, the business unit further extended its position as market leader. Brands such as G-Star RAW and Tendam opted for iD Cloud to support their omnichannel strategy. Over 10,000 stores worldwide have already opted for iD Cloud, which is the market's fastest growing RFID platform, thereby making Nedap global market leader.

Security Management

The Security Management business unit (access control and global security systems) posted an increase in revenue in 2021 compared to 2020. Following a tricky start to the year, the market picked up across the board from the summer. Nonetheless, component scarcity also delayed product deliveries at this business unit.

Demand for upgrade assurance services among existing customers grew further.

To support further growth in the eastern European market, a Nedap branch was opened in Warsaw in July 2021.

Staffing Solutions

The Staffing Solutions business unit (digitised timesheet processing, planning and employee scheduling in the Netherlands) posted increased revenue in 2021. Last year, the business unit made a strategic choice to focus fully on just one proposition, Flux. Workforce management software Flux makes it easy for companies to manage their pools of permanent and temporary (flexible) employees. The strategic focus on a single proposition enables the business unit to respond better to specific market needs. The direct link to staffing agencies is a feature that sets Nedap apart from competitors.

Outlook

Given the progress made in 2021, with a refined vision of our targets, management and priorities for each proposition and the reinforcement of our organisational strength, we are confident about the future. Although the supply chain disruptions and an increased challenge in finding new talented employees will create uncertainty, we foresee further revenue growth in 2022, unexpected circumstances notwithstanding.

Annual report publication and AGM

The 2021 annual report will be published together with this press release on the organisation's website on Thursday 17 February (after the close of trading). The Annual General Meeting will take place at 11.00 CET on Tuesday 12 April 2022. The company will post notifications regarding the AGM at <https://nedap.com/investors/shareholder-meetings/>.

Key dates relating to dividend payout:

14 April 2022 - ex-dividend date

19 April 2022 - record date

25 April 2022 - dividend payable date

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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Disclaimer

This press release contains the Board of Directors' forward-looking statements and expectations based on current insights and assumptions, which are subject to known and unknown risks and uncertainties. The actual results or events could differ from these expectations due to changes in the economic climate, developments on specific markets, orders from individual customers and/or other developments.

Nedap cannot be required to update the forward-looking statements contained in this document or held responsible for doing so, regardless of whether they are related to new information, future events or suchlike, unless Nedap is required to do so by law.

In case of discrepancies, inconsistencies or interpretation differences between the English and the Dutch version of this press release, the Dutch version will be leading.

Consolidated balance sheet (€ x 1,000)

Assets	2021	2020
Fixed assets		
Intangible fixed assets	1,806	2,211
Tangible fixed assets	39,393	38,031
Deferred tax assets	1,365	990
	42,564	41,232
Current assets		
Inventories	23,466	23,062
Income tax receivable	535	10
Trade and other receivables	34,549	28,176
Assets held for sale	782	907
Cash and cash equivalents	29,615	25,689
	88,947	77,844
	131,511	119,076
Liabilities		
Group equity		
Shareholders' equity attributable to shareholders	80,306	73,253
Non-current liabilities		
Borrowings	14,000	14,030
Lease liabilities	1,317	1,315
Employee benefits	1,046	997
Provisions	1,059	1,074
Deferred tax liabilities	-	20
	17,422	17,436
Current liabilities		
Borrowings	-	80
Lease liabilities	1,104	1,009
Employee benefits	76	82
Provisions	1,160	1,515
Bank overdrafts	-	-
Income tax payable	216	452
Taxation and social security contributions	2,064	1,986
Trade and other payables	29,163	23,263
	33,783	28,387
	131,511	119,076

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

	2021	2020
Revenue	207,012	189,916
Cost of materials and outsourced work	-66,829	-61,319
Inventory movements of finished goods and work in progress	-858	-3,499
	<u>-67,687</u>	<u>-64,818</u>
Added value	139,325	125,098
Personnel costs	-83,317	-74,376
Amortisation	-1,039	-1,115
Depreciation	-8,450	-8,022
Impairments of assets	-653	-247
Other operating costs	-22,794	-24,219
Operating costs	-116,253	-107,979
Operating profit	23,072	17,119
Financing income	9	51
Financing costs	-330	-290
Net financing costs	-321	-239
Result before taxation	22,751	16,880
Taxation	-4,467	-3,129
Result for the financial year	18,284	13,751
Result attributable to shareholders of Nedap N.V.	18,284	13,751
Average number of outstanding shares	6,482,444	6,465,033
Earnings per ordinary share (in €)	2.82	2.13
Diluted earnings per ordinary share (in €)	2.82	2.13

Consolidated statement of comprehensive income

(€ x 1,000)

	2021	2020
Result for the financial year	18,284	13,751
Unrealised result		
Items that will (or may) be reclassified to profit or loss after initial recognition:		
Currency translation differences	442	-382
Unrealised result over the reporting period, after taxation	442	-382
Total realised and unrealised result for the financial year	18,726	13,369
Total realised and unrealised result attributable to:		
Nedap N.V. shareholders	18,726	13,369

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

		2021	2020
Cash flow from operating activities			
Result for the financial year		18,284	13,751
Adjustments for:			
Depreciation and amortisation including impairment	10,142		9,384
Book result on sale of tangible fixed assets	-108		-123
Exchange differences	379		-286
Net financing costs	321		239
Share-based remuneration	1,970		84
Income taxes	4,467		3,129
		17,171	12,427
Movements in trade and other receivables	-6,373		2,349
Movements in inventories	-404		5,439
Movements in taxation and social security contributions	78		-388
Movements in trade and other payables	5,788		-524
Movements in employee benefits	43		33
Movements in provisions	-370		649
		-1,238	7,558
Interest paid	-323		-271
Interest received	9		51
Income tax paid	-5,623		-3,215
		-5,937	-3,435
Cash flow from operating activities		28,280	30,301
Cash flow from investing activities			
Investments in tangible fixed assets	-9,119		-8,188
Investments in intangible fixed assets	-712		-485
Proceeds from sale of tangible fixed assets	278		405
Cash flow from investing activities		-9,553	-8,268

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

	2021	2020
Cash flow from financing activities		
Repayments on long-term borrowings and derivatives	-110	-86
Lease payments	-1,111	-1,078
Dividend paid to shareholders of Nedap N.V.	-14,595	-14,554
Sale of own shares	952	783
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Cash flow from financing activities	-14,864	-14,935
Movements in cash and cash equivalents and bank overdrafts	3,863	7,098
Cash and cash equivalents and bank overdrafts at 1 January	25,689	18,687
Exchange differences for cash and cash equivalents and bank overdrafts	63	-96
Cash and cash equivalents and bank overdrafts at 31 December	29,615	25,689
Cash and cash equivalents	29,615	25,689
Bank overdrafts	-	-
	29,615	25,689

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

	Share capital	Statutory reserves	Other reserves	Result attributable to shareholders	Total shareholders' equity
Balance as at 1/1/2020	669	2,124	46,651	24,127	73,571
Realised result for financial year	-	-	-	13,751	13,751
Unrealised result for financial year	-	-	-382	-	-382
Result for financial year	-	-	-382	13,751	13,369
Appropriation of result for previous financial year	-	-657	24,784	-24,127	-
Dividend	-	-	-14,554	-	-14,554
Movement in share-based remuneration	-	-	84	-	84
Movement in own shares	-	-	783	-	783
Balance as at 31/12/2020	669	1,467	57,366	13,751	73,253
Realised result for financial year	-	-	-	18,284	18,284
Unrealised result for financial year	-	72	370	-	442
Result for financial year	-	72	370	18,284	18,726
Dividend	-	-	-14,595	-	-14,595
Appropriation of result for previous financial year	-	-223	13,974	-13,751	-
Movement in share-based remuneration	-	-	1,970	-	1,970
Movement in own shares	-	-	952	-	952
Balance as at 31/12/2021	669	1,316	60,037	18,284	80,306

Movement in own shares concerns the sale of shares held by the company itself to cover employee participation plans, plus or less changes in shareholders' equity relating to the recognition of liabilities under IFRS 2 regarding these employee participation plans.

The other reserves includes an amount of -166 for exchange differences.

Share-based remuneration reserve	2021	2020
Bonus depositary receipts	565	478
10% purchase discount	141	99
NAPP reserve	1,841	-
Total	2,547	577

Statutory reserves	2021	2020
Capitalised development costs	1,232	1,455
Exchange differences	72	-
Profit from participations not freely distributable	12	12
Total	1,316	1,467

Dividend per share for the 2021 financial year has been set at € 3.00 (€ 4.50 in 2020).