

12% revenue rise, 11.8% operating margin

Groenlo, the Netherlands, 21 July 2022, 07:00 CET

Key points

- Revenue was up by 12% to €112.4 million in the first half of 2022 (€100.7 million in the first half of 2021).
- Virtually all business units contributed to the revenue growth.
- Recurring revenue rose 21% and makes up 30% of the total revenue.
- The operating profit grew to €13.3 million (€12.3 million in the first half of 2021). The operating margin came in at 11.8% (12.2% in the first half of 2021).
- Nedap continues to invest in growth, including through successful recruitment of new talent.

Ruben Wegman, Nedap CEO: ‘Demand for our solutions continues to increase. The revenue growth we have achieved confirms the robustness of our portfolio. Nonetheless, component shortages are affecting us and causing us to not always be able to meet the increasing demand from our customers. Close collaboration with customers and suppliers is essential to mitigate the impact of these supply chain disruptions as much as possible. At the same time, we are continuing to invest in growth, in line with the ambitions we formulated in our ‘Step Up!’ strategic plan. We are succeeding at attracting and retaining talent. We expect the uncertainty in the supply chain to persist in the second half of the year. We confirm our expectation that revenue will grow over 2022 as a whole.’

Key figures

In millions of euros or percentage	H1 2022	H1 2021	Growth
Revenue	112.4	100.7	12%
Recurring revenue	33.5	27.6	21%
Added value as % of revenue	68%	67%	
Operating profit	13.3	12.3	8%
Operating margin ¹	11.8%	12.2%	
Net profit	10.5	9.8	7%
Earnings per share (x €1)	1.61	1.52	6%
	30/6/2022	31/12/2021	
Net debt/EBITDA	0.1	-0.5	
Solvency	60%	61%	

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

Financial affairs in the first half of 2022

Revenue and added value

Revenue for the first half of 2022 came in at €112.4 million, a 12% rise on the €100.7 million in revenue posted in the first half of 2021. Recurring revenue, i.e. revenue from software subscriptions (licences) and services, was up 21% on the first half of 2021 and now represents 30% of our total revenue (27% in the first half of 2021).

Virtually all business units saw their revenue grow over the first six months of 2022 compared to the same period last year. Only the Light Controls business unit saw its revenue drop on the same period last year, despite a recovery in the second quarter. Although demand for Nedap's propositions continues to be high, revenue growth was dampened by delays in deliveries to customers as a result of component shortages.

Added value grew to €76.8 million in the first half of 2022 (€67.5 million in the first half of 2021). Despite pressure from the rising cost of sales, added value as a percentage of revenue rose from 67% to 68% as a result of the increase in recurring revenue and a positive mix effect within the business units.

Costs

Personnel costs (including insourced staff fees) were up 14% to €46.2 million in the first half of 2022 (€40.6 million in the first half of 2021), mainly due to the increase in the number of employees. In line with its long-term strategy of investing in talent recruitment and development, Nedap was again able to attract talented people over the first half of 2022. The number of FTEs had grown to 827 by 30 June 2022 (30 June 2021: 772 FTEs). Further factors that pushed up personnel costs are the new one-year collective labour agreement starting from 1 April 2022 that includes a 3.75% pay rise, and the fact that the costs of insourced staff have gone up.

The other operating costs came in at €12.5 million in the first half of 2022, which marks an increase on the €9.8 million posted in the first half of 2021. Marketing and sales costs were up on the relatively low level in 2021, when COVID-19-related restrictions were still in place for a large part of the year. In the course of the first half of 2022, we started attending trade shows in person again, other live events were possible and we started to travel more.

Depreciation and amortisation

Depreciation was up slightly to €4.4 million in the first half of 2022 (€4.2 million in the first half of 2021). Amortisation remained stable, coming in at €0.5 million (€0.5 million in the first half of 2021).

Operating profit

Over the first six months of 2022, operating profit rose to €13.3 million, compared to €12.3 million over the first six months of 2021. This rise came on the back of higher added value, which was partly levelled off by an increase in operating costs. The operating margin, i.e. the operating profit as a percentage of revenue, came in at 11.8%, compared to 12.2% in the first half of 2021.

Financing costs and taxation

Net financing costs remained stable over the first six months of 2022, coming in at €0.2 million (€0.2 million in the first half of 2021). Taxation came in at €2.6 million (€2.3 million in the first half of 2021), which led to a net tax rate of 20.2% for the first half of 2022 (19.1% in the first half of 2021). The net tax rate was up largely due to the increase in the nominal tax rate from 25% in 2021 to 25.8% in 2022.

In the first half-year, a new agreement was reached with the tax authorities to apply the Innovation Box tax regime for the 2022-2026 period, the conditions of which are comparable to those of the agreement that expired in 2021.

Profit

A net profit of €10.5 million was posted for the first six months of 2022, compared to €9.8 million for the same period of 2021. Earnings per share totalled €1.61 in the first half of 2022, compared to €1.52 in the first half of 2021.

The average number of outstanding shares in the first half of 2022 was 6,504,731 (6,478,364 in the first half of 2021).

Financial position

The balance sheet total as at 30 June 2022 was €122.3 million (€131.5 million as at 31 December 2021). The drop came as a result of the dividend paid out for 2021 in the first half of 2022. Trade and other receivables increased, largely in line with revenue development. Inventories stayed at virtually the same level. Payables to suppliers and other payables were down. Other receivables were up and payables to suppliers were down as a result of special arrangements with strategic suppliers to guarantee continuity of deliveries in the supply chain. Cash and cash equivalents fell from €29.6 million as at 31 December 2021 to €10.0 million as at 30 June 2022, largely due to the dividend paid out in the first half of 2022.

Of the credit facilities available on 30 June 2022 and totalling €44.0 million an amount of €14.0 million has been withdrawn. The net debt position as at 30 June 2022 amounted to €4.0 million, compared to a €15.6 million surplus as at 31 December 2021.

Net debt/EBITDA stood at 0.1 at 30 June 2022 (-0.5 at year-end 2021). Solvency came in at 60% at 30 June 2022 (61% at 31 December 2021).

Business unit developments

Healthcare

The Healthcare business unit (automation of administrative tasks for healthcare professionals in the Netherlands) again saw its revenue rise. This revenue growth was achieved across the board, both in the elderly care and disabled care markets and in the market for mental healthcare. In the mental healthcare market, the implementation of the healthcare services model (*zorgprestatie model*) on 1 January 2022 had a major impact, whereby Nedap was ready in time to enable customers to make the switch.

Nedap continues to invest in this business unit's growth, which breaks down into investments in software solutions and investments in the recruitment of new talent, which has seen the workforce grow in the first half of 2022.

Identification Systems

Revenue posted by the Identification Systems business unit (vehicle identification products and wireless parking systems worldwide) showed growth. While demand for Nedap's identification readers is growing, revenue

development was held back by component shortages. The SENSIT phase-out announced last year is on schedule and progressing meticulously, while customers can still rely on the usual support.

Light Controls

Revenue posted by the Light Controls business unit (power electronics and control systems for the global lighting industry) was down in the first half of 2022, but it did show recovery in the second quarter of the year. While demand for UV technology is rising, not all orders could be filled completely or on time due to component shortages, which ended up adversely impacting revenue. The phase-out of the Luxon proposition is on schedule.

Livestock Management

The Livestock Management business unit (technological solutions for the dairy and pig farming industries worldwide) continued its revenue growth in the first half of 2022. At this business unit, too, revenue growth was slowed down by component shortages and supply chain disruptions that caused delays in deliveries to customers. In the dairy farming market, Livestock Management's Cow smart tag was the biggest revenue growth driver, partly because of a growing market and partly because of growing sales through genetics companies. Revenue in the pig farming market stagnated mainly as a result of market conditions in China caused by lockdown measures and uncertainty over future developments around COVID-19.

Retail

The Retail business unit (global RFID solutions for optimised inventory management, simplified shop processes and prevention of loss of income) continued on its revenue growth path in the first six months of 2022, though their projects are also seeing delays due to component shortages. Over the first half-year, Nedap entered into several new contracts for its market-leading iD Cloud proposition, including with customers such as Hugo Boss, while also rolling out a number of contracts. At the same time, the Retail business unit invested in the growth of its organisation and stepped up its marketing and sales activities.

Security Management

The revenue of the Security Management business unit (access control and global security systems) showed an increase over the first six months of 2022 compared to the same period last year. Deliveries of this business unit's AEOS product also suffered delays due to component shortages. Revenue from upgrade assurance services at existing customers continued to grow, contributing to the increase in recurring revenue.

Staffing Solutions

Revenue generated by the Staffing Solutions business unit (digitised timesheet processing, planning and employee scheduling in the Netherlands) showed growth in the first half of 2022. This growth was driven by the fact that yet more logistics and production companies that use planning and timesheet processing have opted for the Staffing Solution business unit's Flux proposition.

Outlook

Undiminished demand for Nedap's propositions, the robustness of its portfolio, and the strong financial basis inspire trust in Nedap's ability to hit its financial targets towards 2025, i.e. annual high-single-digit autonomous revenue growth and an operating margin that rises towards 15%. Nedap will, therefore, continue to invest in future growth, with an unrelenting focus on talent recruitment and retention.

Nedap expects the current market conditions to persist in the second half of 2022. The impact that disruptions in the supply chain will have on revenue development in the second half of 2022 cannot be reliably predicted. Nedap repeats its expectation that revenue for the whole of 2022 will be up on 2021.

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 850 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 half-yearly report, the Dutch version of this half-yearly report will be leading.

Consolidated balance sheet (€ x 1,000)

Assets	2022	2021
	30 June	31 December
Fixed assets		
Intangible fixed assets	2,022	1,806
Tangible fixed assets	40,404	39,393
Deferred tax assets	1,158	1,365
	<u>43,584</u>	<u>42,564</u>
Current assets		
Inventories	23,599	23,466
Income tax receivable	2,282	535
Trade and other receivables	42,067	34,549
Assets held for sale	782	782
Cash and cash equivalents	9,989	29,615
	<u>78,719</u>	<u>88,947</u>
	122,303	131,511
Liabilities		
Group equity		
Shareholders' equity attributable to shareholders	73,299	80,306
Non-current liabilities		
Borrowings	14,000	14,000
Lease liabilities	1,005	1,317
Employee benefits	1,091	1,046
Provisions	1,018	1,059
	<u>17,114</u>	<u>17,422</u>
Current liabilities		
Lease liabilities	1,116	1,104
Employee benefits	98	76
Provisions	1,053	1,160
Bank overdrafts	-	-
Income tax payable	109	216
Taxation and social security contributions	3,966	2,064
Trade and other payables	25,548	29,163
	<u>31,890</u>	<u>33,783</u>
	122,303	131,511

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

	2022 half-year	2021 half-year
Revenue	112,404	100,688
Cost of materials and outsourced work	-34,213	-32,202
Inventory movements of finished goods and work in progress	-1,351	-1,004
	<u>-35,564</u>	<u>-33,206</u>
Added value	76,840	67,482
Personnel costs	-46,199	-40,645
Amortisation	-452	-518
Depreciation	-4,416	-4,158
Other operating costs	-12,457	-9,845
Operating costs	-63,524	-55,166
Operating profit	13,316	12,316
Financing income	2	9
Financing costs	-155	-176
Net financing costs	-153	-167
Result before taxation	13,163	12,149
Taxation	-2,665	-2,317
Result for 1st half-year	10,498	9,832
Result attributable to shareholders of Nedap N.V.	10,498	9,832
Average number of outstanding shares	6,504,731	6,478,364
Earnings per ordinary share (in €)	1.61	1.52
Diluted earnings per ordinary share (in €)	1.61	1.52

Consolidated statement of comprehensive income

(€ x 1,000)

	2022 half-year	2021 half-year
Result for 1st half-year	10,498	9,832
Unrealised result		
Items that will (or may) be reclassified to profit or loss after initial recognition:		
Currency translation differences	372	193
Unrealised result for 1st half-year, after taxation	372	193
Total realised and unrealised result for 1st half-year	10,870	10,025
Total realised and unrealised result attributable to:		
Nedap N.V. shareholders	10,870	10,025

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

	2022 half-year	2021 half-year
Cash flow from operating activities		
Result for 1 st half-year	10,498	9,832
Adjustments for:		
Depreciation and amortisation including impairment	4,868	4,676
Book result on sale of tangible fixed assets	-138	-89
Exchange differences	319	125
Net financing costs	153	167
Share-based remuneration	-452	-70
Income taxes	2,665	2,317
	7,415	7,126
Movements in trade and other receivables	-7,518	-5,762
Movements in inventories	-133	817
Movements in taxation and social security contributions	1,902	1,630
Movements in trade and other payables	-3,681	5,181
Movements in employee benefits	67	16
Movements in provisions	-148	-170
	-9,511	1,712
Interest paid	-171	-179
Interest received	2	9
Income tax paid	-4,312	-3,059
	-4,481	-3,229
Cash flow from operating activities	3,921	15,441
Cash flow from investing activities		
Investments in tangible fixed assets	-5,113	-3,892
Investments in intangible fixed assets	-667	-270
Proceeds from sale of tangible fixed assets	158	112
Cash flow from investing activities	-5,622	-4,050

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

	2022 half-year	2021 half-year
Cash flow from financing activities		
Repayments on long-term borrowings and derivatives	-	-110
Lease payments	-553	-585
Dividend paid to shareholders of Nedap N.V.	-19,560	-14,595
Sale of own shares	2,135	942
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Cash flow from financing activities	-17,978	-14,348
Movements in cash and cash equivalents and bank overdrafts	-19,679	-2,957
Cash and cash equivalents and bank overdrafts at 1 January	29,615	25,689
Exchange differences for cash and cash equivalents and bank overdrafts	53	68
Cash and cash equivalents and bank overdrafts at 30 June	9,989	22,800
Cash and cash equivalents	9,989	22,800
Bank overdrafts	-	-
	9,989	22,800

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 1/1/2021	669	1,467	57,366	13,751	73,253
Realised result for 1 st half-year	-	-	-	9,832	9,832
Unrealised result for 1 st half-year	-	-	193	-	193
Result for 1st half-year	-	-	193	9,832	10,025
Dividend	-	-	-14,595	-	-14,595
Appropriation of result for previous financial year	-	-221	13,972	-13,751	-
Movement in share-based remuneration	-	-	-70	-	-70
Movement in own shares	-	-	942	-	942
Balance as at 30/6/2021	669	1,246	57,808	9,832	69,555
Balance as at 1/1/2022	669	1,316	60,037	18,284	80,306
Realised result for 1 st half-year	-	-	-	10,498	10,498
Unrealised result for 1 st half-year	-	-	372	-	372
Result for 1st half-year	-	-	372	10,498	10,870
Dividend	-	-	-19,560	-	-19,560
Appropriation of result for previous financial year	-	693	17,591	-18,284	-
Movement in share-based remuneration	-	-	-452	-	-452
Movement in own shares	-	-	2,135	-	2,135
Balance as at 30/6/2022	669	2,009	60,123	10,498	73,299

At 30 June 2022, the company held 172,955 (206,419 at 30 June 2021) 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:

	30/6/2022	30/6/2021
Capitalised development costs	1,548	1,234
Profit from participations not freely distributable	12	12
Exchange differences	449	
Total	2,009	1,246

Accounting policies

General

Nedap N.V.'s headquarters are registered and located in Groenlo, the Netherlands. The company's consolidated interim report for the first half year of 2022 covers the company and its subsidiaries, who together form the Group, referred to below 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 consolidated financial statements for the 2021 financial year are available on request by emailing info@nedap.com or calling +31 (0) 544 471111. They can also be downloaded from our website www.nedap.com.

Statement of compliance

These consolidated interim financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting. They do not contain all of the information required for full financial statements and should be read in combination with Nedap's 2021 consolidated financial statements.

These condensed consolidated interim financial statements were compiled by the Board of Directors on 20 July 2022.

Key accounting policies

The accounting policies and calculation methods used by Nedap in these consolidated interim financial statements are the same as the accounting policies and calculation methods applied in the consolidated financial statements for the 2021 financial year, with the exception of new standards and interpretations.

New standards and interpretations

Several new or changed standards and interpretations took effect on 1 January 2022 and are of limited relevance to Nedap. The application of these new standards and interpretations has had no impact on the Group's result or financial position.

Estimates

Compilation of the interim report requires management to make judgements, estimates and assumptions that affect the application of accounting policies used for financial reporting and the reported value of assets, liabilities, income and costs. The actual results may differ from these estimates. In compiling these consolidated interim financial statements, the important assessments formed by the management used for the application of the accounting policies for Nedap's financial reporting and the most important sources of estimates used are the same as the assessments and sources applied in the compilation of the consolidated financial statements for the 2021 financial year. The most critical estimate relates to the capitalisation of development costs. Further estimates relate primarily to measurement of tangible and intangible fixed assets, employee benefits, deferred tax assets, 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 2021 consolidated financial statements.

Income taxes

Income taxes are defined as the product of the weighted average tax rate expected for the financial year and the interim result before taxation.

Transactions with related parties

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

As yet unimplemented standards and interpretations

Several new or changed standards and interpretations will take effect on or after 1 January 2023 and are of limited relevance to Nedap. The application of these new standards and interpretations are not expected to have a material impact on the Group's result or financial position.

Audit

The 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 faithful representation of the assets, liabilities, financial position, and profit/loss of Nedap N.V. and the companies included in the consolidation in accordance with IAS 34; and
2. the half-yearly Directors' Report, as included in this half-yearly report, gives a faithful representation of the information required under Article 5:25d, subsections 8 and 9 of the Dutch Financial Supervision Act (*Wet op het Financieel Toezicht*).

Groenlo, the Netherlands, 20 July 2022

Board of Directors:

R. M. Wegman
D. van der Sluijs
R. Schuurman