

2023 annual figures press release

Revenue up 14%

Operating profit growth of 16%

Groenlo, the Netherlands, 22 February 2024, 07:00 CET.

Key points

- Revenue for 2023 amounted to €262.4 million, up 14% on 2022 (€229.5 million¹).
- Recurring revenue rose by 19% and made up 32% of revenue (31% in 2022).
- Added value as a percentage of revenue increased to 69% (67% in 2022).
- The operating profit was up 16% to €27.3 million (€23.5 million in 2022) with an operating margin of 10.4% (10.3% in 2022).
- The dividend for the 2023 financial year has been set at € 3.20 (€ 3.00 in 2022).
- Further revenue growth is expected for 2024, fully driven by the second half of the year.

Nedap CEO Ruben Wegman: ‘In 2023, Nedap took another step forward. Revenue grew autonomously by 14%. All key markets, as well as the other propositions, contributed to the revenue growth. In the first nine months, we increased our product deliveries, catching up on delivery backlogs. Due to customers and partners reaching full capacity and softening market conditions, we saw moderation in product demand towards the year-end in some key markets. Good progress was made in further developing and implementing the Step Up! strategy. In line with this strategy, we have increasingly focused our people and resources on the scale propositions. With our increased competitive strength, we expanded our leading positions in the four key markets and unlocked new growth opportunities. For 2024, unforeseen events notwithstanding, we anticipate further revenue growth for the full year, whereby we expect that this growth will take place in the second half of the year.’

Key figures

In millions of euros or expressed as a percentage	2023	2022 ¹	Growth
Revenue	262.4	229.5	14%
Recurring revenue	84.1	70.6	19%
Added value as % of revenue	69%	67%	
Operating profit	27.3	23.5	16%
Operating margin ²	10.4%	10.3%	
Profit for the financial year	21.6	18.7	16%
Earnings per share (x €1)	3.31	2.87	15%
Dividend per share (x €1)	3.20	3.00	
	31/12/2023	31/12/2022	
Net debt/EBITDA	0.1	-0.1	
Solvency	61%	60%	
ROIC ³	31%	30%	

¹ The figures for 2022 have been adjusted as a result of the deconsolidation of Nedap Beveiligingstechniek B.V. Revenue was adjusted by - €1.1 million and operating profit by - €0.3 million.

² Defined as operating profit expressed as a percentage of revenue

³ ROIC represents operating profit divided by the invested capital (fixed assets + net working capital)

Progress on our strategy

During 2023, substantial progress was made with our Step Up! strategy. Our decision to develop and implement our strategy in parallel yielded significant benefits. This balanced approach enhances our agility and ensures we do not lose sight of our long-term strategic direction within a highly dynamic market.

Key markets and proposition portfolio

Over the past year, we further refined and enhanced our strategic plans and achieved significant progress in their implementation. For each of the four key markets, Healthcare, Livestock Management, Retail and Security Management, strategic plans and objectives have been formulated and shared within the company. Also, in our Identifications Systems and Light Controls business units, we are implementing a clear strategic direction with the aim to improve operating margins. In addition, we have phased out activities in the pig sector and it has been decided that we will reduce investments in Staffing Solutions. In our Healthcare key market, we've expanded our market presence by acquiring MediKIT, a general practitioner information system, opening up a new sector in this market.

The focused investments in scale propositions in combination with the costs associated with scaling down non-strategic activities has placed pressure on our EBIT margin in the short term, but are starting to have a greater effect on the speed at which the organisation develops. By deploying more development and commercial capacity for selected scale propositions and markets, our competitive strength has increased. We have managed to further expand our leading positions in the four key markets supporting our growth ambition. We are confident that this strategic focus within our proposition portfolio will not only enhance our market position, but also creates long-term value for our stakeholders.

One Nedap

We are increasingly successful in combining the entrepreneurship and market orientation of the business units with the execution power of the entire Nedap organisation. Nedap-wide knowledge, experience and insights are better utilised in designing and selling new propositions. This accelerates development processes and improves the quality and customer value of our solutions. A good example is the establishment of the Nedap AI taskforce at the beginning of 2023, in which we closely follow developments in this field and promote the adoption of this technology within Nedap.

Sustainability

In 2023, we made further progress in our four sustainability focus areas Employees, Operations, Products and Customers. An analysis of the complete life cycle of our products showed that energy consumption during the use phase of our products has the biggest environmental impact. This insight has already led to product and software adjustments to cut energy consumption. Furthermore, we kicked off an internal campaign themed 'Do the right thing', and we conducted a double materiality analysis to further align with our stakeholders. Ongoing attention to this topic ensures that sustainability is an integral part of our strategy and daily actions. With the CSRD coming into force in 2024, we see an opportunity to use these new guidelines to support our sustainability strategy.

Financial affairs

Revenue

Revenue for 2023 amounted to €262.4 million, which was 14% higher than in 2022 (€229.5 million¹). Recurring revenue rose by 19% to €84.1 million (€70.6 million in 2022), comprising 32% of revenue (31% in 2022). All key markets and other propositions contributed to this growth. In the Livestock Management, Retail and Security Management key markets, as well as the Light Controls proposition, supply capacity was increased during the year in cooperation with partners. As a result, delivery backlogs accumulated in the previous year were cleared. This led to a catch-up effect in the first three quarters of the year.

Added value was up from €153.6 million in 2022 to €181.0 million in 2023. As a percentage of revenue, added value increased to 69% (2022: 67%). Alongside a positive effect on added value due to the increase in recurring revenue, the margin on product deliveries increased. In 2023, sales prices were more in line with the higher cost prices, which arose due to supply chain disruptions. Furthermore, there was a positive mix effect as a result of scaling down propositions with a lower added value. Positive effects on added value were partly offset by non-recurring costs for the write-down of inventories for propositions being scaled down. These amounted to €0.8 million in 2023. Our added value per FTE rose from €186,000 in 2022 to €198,000 in 2023.

Costs

Employee costs rose by 23% from €91.5 million in 2022 to €112.1 million in 2023. This increase was caused by several factors. Firstly, it was largely driven by the increase in the number of employees. In line with the long-term strategy, targeted efforts have gone into enhancing the strength of scale propositions in our key markets. The number of FTEs increased from 866 at the end of 2022 to 964 at the end of 2023. Secondly, overall salaries per FTE have gone up, mainly driven by an agreed indexation of 6% with effect from 1st of April. Thirdly, temporary staff costs have increased, mainly due to the temporary deployment of additional capacity for catching up on delivery backlogs. Fourthly, the costs arising from employee participation plans increased due to an increase in the operating result. Finally, an amount of €0.8 million has been recognised as non-recurring costs related to propositions being scaled down.

Other operating costs rose from €28.9 million in 2022 to €31.5 million in 2023. General and administrative expenses have gone up, largely in line with the increase in the number of FTEs. Marketing and sales costs decreased from the relatively high level in 2022 that was influenced by non-recurring costs due to the volatile supply chain, among other factors. The 2023 cost level was largely at the same level as in the pre-COVID years. The impact of foreign exchange differences amounted to €0.6 million in 2023, up from 2022 (€0.3 million).

Investments in research and development totalled €46.9 million, representing 18% of revenue, whereby €1.6 million was capitalised (€40.4 million in 2022, i.e. 18% of revenue, with €1.5 million capitalised). These costs mostly relate to maintaining and further developing current products and services. The remaining costs are for research and development in relation to new products or services.

Amortisation and depreciation

Depreciation increased from €8.8 million in 2022 to €9.7 million in 2023 due to investments in our campus at the head office in Groenlo. Amortisation amounted to €0.4 million, down on 2022 (€0.8 million). In 2023, Nedap acquired the GP information system MediKIT. The purchase price will be amortised from the time the asset is ready for its intended use. No costs were yet recognised under amortisation in 2023.

¹ The figures for 2022 have been adjusted as a result of the deconsolidation of Nedap Beveiligingstechniek B.V.

Operating profit

Operating profit (EBIT) for 2023 came in at €27.3 million, compared with €23.5 million in 2022. The operating margin, i.e. the operating profit as a percentage of revenue, amounted to 10.4% in 2023 (10.3% in 2022). This increase is a result of increased revenue and added value, which is partly flattened by an increase in operating expenses. Operating profit in 2023 was affected by non-recurring items due to the scaling down of propositions and occurred mainly in the second half-year.

Financing costs

Net financing costs increased to €0.7 million in 2023 (€0.3 million in 2022) due to increased market interest rates. These are mainly the financing costs on the standby roll-over loan.

Taxation

Taxation over 2023 totalled €5.0 million (€4.7 million in 2022), while the effective tax rate came in at 19.0% for 2023 (20.3% in 2022). The lower effective tax rate is mainly driven by greater benefits ensuing from application of the Innovation Box tax regime combined with a relatively lower share in the profit of subsidiaries in countries with a higher nominal tax rate.

Profit for the financial year

The profit posted for the 2023 financial year came in at €21.6 million, compared to the €18.7 million posted in 2022.

Earnings per share and dividend

Earnings per share increased from €2.87 in 2022 to €3.31 in 2023. The average number of outstanding shares in 2023 was 6,546,636 (6,512,369 in 2022). This increase is the result of the delivery of shares held by the company itself to cover employee participation plans.

A dividend of €3.20 will be paid for 2023 (€3.00 in 2022).

Financial position

The balance sheet total increased from €134.7 million as at 31 December 2022 to €139.9 million as at 31 December 2023. Trade and other receivables decreased from the relatively high level in 2022, in combination with a reduction in the effective credit term for debtors. In addition, returned prepayments from strategic suppliers had a positive impact on working capital. Inventories increased from €28.3 million in 2022 to €38.9 million in 2023. Our partners' capacity constraints in commissioning projects, combined with softening market conditions, resulted in decreased demand for some products. Consequently, as our delivery capacity expanded, we had to slow down the supply chain towards the year's end, resulting in increased inventory levels. Taxes and social security contributions showed an increase, following a relatively low amount of VAT payable in 2022. The slowdown of the supply chain resulted in a decrease in trade and other payables.

The net debt position amounted to €3.8 million as at 31 December 2023, compared with a surplus of €3.4 million as at 31 December 2022. Cash and cash equivalents decreased from €17.5 million as at 31 December 2022 to €10.2 million as at 31 December 2023, largely driven by the dividend payment, increased inventories and the acquisition of MediKIT during the financial year. Net debt/EBITDA stood at 0.1 on 31 December 2023 (-0.1 on 31 December 2022). Solvency stood at 61% on 31 December 2023 (60% in 2022).

An amount of €14.0 million has been drawn on the credit facilities totalling €39.0 million available on 31 December 2023.

Cash flow

2023 saw the net working capital increase to €35.0 million (€32.0 million in 2022). This increase is largely due

to increased inventories and is partly offset by a decrease in trade and other receivables. Operating cash flow amounted to €29.8 million in 2023, an increase compared to the operating cash flow in 2022 (€17.7 million).

Return on invested capital

The return on invested capital (ROIC) rose to 31% in 2023 (2022: 30%) as a result of the increase in operating profit, which was partly levelled off by the acquisition of MediKIT and the increase in working capital.

Key market developments

Healthcare

The Healthcare business unit (software services that support healthcare institutions in the Netherlands in planning, registering and administering) successfully maintained its growth rate in 2023. We further expanded our position as market leader in elderly care, disability care and mental healthcare. The number of healthcare professionals using our Ons® platform on a daily basis continued to increase in 2023. This growth is driven by further adoption of our software services by existing customers, as well as the addition of new customers. With the acquisition of the general practitioner information system MediKIT, we entered a new sector in the Dutch healthcare market. The number of customers is still limited, but we see excellent growth opportunities in this sector.

We anticipate that, due to the ongoing pressure on the Dutch healthcare market, the demand for smart solutions will only continue to grow. Ongoing investments in the reliability and functionality of our software services bolster our distinctive capability. We are therefore well positioned to further increase our market share and revenue in the coming years. For the year 2024, we expect further growth in revenue.

Livestock Management

In 2023, revenue posted by the Livestock Management business unit (technological solutions for the dairy industry worldwide) grew again. The business unit was able to quickly catch up on the delivery backlogs after the expansion of our delivery capacity in the first half of the year. However, as a result, our business partners reached the limits of their installation capacity in the second half of the year. Alongside a waning investment appetite in the market, this impacted the level of orders towards the end of the year.

The business unit made good progress with accelerating development of solutions to bring new functionality to the market much faster. A focal point here is the Nedap Now cloud platform, a platform that combines the accuracy and reliability offered by Nedap products installed at the farm with the processing power and scalability of cloud computing. Nedap Now also enables other business models. During the year, we started offering SmartTag as a service. We expect that both pricing models (project investments and SmartTag as a Service) will continue to coexist. Being able to offer both pricing models increases sales opportunities.

We have invested to capitalise on the excellent growth opportunities in this market in the coming years. However, we expect volatile market conditions to continue, affecting demand for our products in the short term. For the full year 2024 we expect revenue growth, with the largest revenue contribution in the second half of the year.

Retail

The Retail business unit (global RFID solutions for optimised inventory management, simplified shop processes and prevention of shrinkage) achieved revenue growth in 2023. The strategic decision to develop a single platform solution is starting to pay off, as new customers like Levi's, PacSun and Footlocker were welcomed. However, economic conditions in the retail market led to delays in purchasing processes. This had a dampening effect on revenue development, particularly in the second half of 2023. Despite these volatile market conditions,

the business unit further expanded its leading position in RFID solutions for retailers. In 2023, iD Gate Pro was launched, a groundbreaking RFID detection technology that blends the best aspects of RF technology's reliability with RFID's advanced features. This innovation offers retailers enhanced inventory management and shoplifting prevention, fostering a seamless integration of RFID into the retail landscape by harnessing the combined benefits of both technologies.

Nedap Retail is well-positioned to expand its leading position in the retail market. Despite the market's inherent volatility, we foresee that our increased commercial and development capacity will unlock excellent growth opportunities for the coming years. For 2024, we expect revenue to increase, with the second half of the year contributing the most.

Security Management

The Security Management business unit (access control and global security systems) achieved an increase in revenue in 2023. Throughout the year, the business unit was able to catch up on delivery backlogs. This led to a substantial increase in the number of hardware devices delivered during the year. Our investments in continual product innovation led to the launch of two new propositions, with which we expect to further expand our presence and strengthen our leading position in the access control market. With Access AtWork, a cloud-native access control system, we added a Software-as-a-Service solution to our offering. In anticipation of the challenges that large organisations face in relation to managing access rights and monitoring and ensuring compliance, we developed Pace, a Physical Identity Access Management (PIAM) system. This was introduced to the European market in 2023. In addition, AEOS will remain an important pillar in the proposition portfolio.

With the introduction of the new propositions, our market position in the security market has been further strengthened. We are therefore positive about growth opportunities for the coming years. For 2024, however, revenues are expected to be at a similar level to 2023.

Other propositions

Identification Systems

Revenue posted by Nedap Identification Systems (readers and solutions for the identification of vehicles and individuals, worldwide) continued to show growth in 2023. Growth comes both from existing customers and from new business.

Light Controls

The UV proposition within the Light Controls business unit showed revenue growth in 2023. We caught up on delivery backlogs and succeeded in attracting new customers for our UV drivers, partly due to our strong position in sustainable UV driver technologies and our improved supply chain.

Staffing Solutions

Revenue posted by the Staffing Solutions business unit remained stable. In 2023, Nedap concluded that its Flux proposition lacks the potential to become a key market. As a result, investments in this proposition are being reduced and brought into line with market opportunities.

Outlook

With our increased competitive strength, we have further expanded our leading positions in the four key markets and unlocked new growth opportunities. For 2024, unforeseen events notwithstanding, we anticipate further revenue growth for the full year, whereby we expect that this growth will take place in the second half of the year. We reiterate our Step Up! financial ambitions, including an EBIT margin growing towards 15%, albeit with a potential one-year delay due to market volatility affecting revenue development in the short term.

Annual report publication and AGM

The 2023 annual report will be published together with this press release on the organisation's website on Thursday 22 February (before the opening of trading). The annual general meeting will take place at 11:00 CET on Thursday 11 April. The company will post notifications regarding the AGM at <https://nedap.com/investors/shareholder-meetings/>.

Key dates relating to dividend payout:

15 April 2024 - ex-dividend date

16 April 2024 - record date

22 April 2024 - 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 1,000 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, this English version will be leading.

Consolidated financial statements

Consolidated balance sheet as at 31 December (€ x 1,000)

Assets	<i>Note</i>	2023	2022
<i>Fixed assets</i>			
Intangible fixed assets	1	10,156	2,847
Tangible fixed assets	2	42,636	41,121
Deferred tax assets	3	1,373	1,161
		54,165	45,129
<i>Current assets</i>			
Inventories	4	38,904	28,343
Income tax receivable		75	129
Trade and other receivables	5	36,566	43,593
Cash and cash equivalents	6	10,156	17,483
		85,701	89,548
		139,866	134,677
Liabilities			
<i>Group equity</i>			
Shareholders' equity attributable to shareholders	7	85,331	81,194
<i>Non-current liabilities</i>			
Borrowings	8	14,000	14,000
Lease liabilities	9	837	1,162
Employee benefits	10	1,001	911
Provisions	11	682	875
		16,520	16,948
<i>Current liabilities</i>			
Lease liabilities	9	957	946
Employee benefits	10	85	93
Provisions	11	1,010	928
Bank overdrafts	12	-	-
Income tax payable		600	379
Taxation and social security contributions		4,047	2,070
Trade and other payables	13	31,316	32,119
		38,015	36,535
Total liabilities		54,535	53,483
		139,866	134,677

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

	Note	2023	2022
Revenue	14	262,426	229,479
Cost of materials and outsourced work		-89,717	-78,455
Inventory movements of finished goods and work in progress		8,270	2,544
		-81,447	-75,911
Added value		180,979	153,568
Personnel costs	15	-112,059	-91,499
Amortisation	16	-389	-813
Depreciation	17	-9,718	-8,778
Other operating costs	18	-31,490	-28,933
Operating costs		-153,656	-130,023
Operating result		27,323	23,545
Financing income		39	3
Financing costs		-770	-329
Net financing costs		-731	-326
Result before taxation from continued operations		26,592	23,219
Taxation	19	-5,032	-4,694
Result for the financial year from continued operations		21,560	18,525
Result for the financial year from discontinued operations		81	179
Result for the financial year		21,641	18,704
Result attributable to shareholders of Nedap N.V.		21,641	18,704
Average number of outstanding shares	7	6,546,636	6,512,369
Earnings per ordinary share from continued operations (in €)		3.29	2.84
Diluted earnings per ordinary share from continued operations (in €)		3.29	2.84
Earnings per ordinary share (in €)		3.31	2.87
Diluted earnings per ordinary share (in €)		3.31	2.87

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

	2023	2022
Result for the financial year from continued operations	21,560	18,525
Result for the financial year from discontinued operations	81	179
Result for the financial year	21,641	18,704
Unrealised result		
Items that will (or may) be reclassified to profit or loss after initial recognition:		
Currency translation differences	-315	140
Unrealised result for the financial year, after taxation	-315	140
Total realised and unrealised result for the financial year	21,326	18,844
Total realised and unrealised result for the financial year attributable to:		
Nedap N.V. shareholders	21,326	18,844

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

	Note	2023	2022
Cash flow from operating activities			
Result for the financial year from continued operations		21,560	18,525
Adjustments for:			
Depreciation and amortisation including impairment	16,17	10,107	9,591
Book result on sale of tangible fixed assets		-204	-188
Exchange differences		-164	115
Net financing costs		731	326
Share-based remuneration		575	-550
Income taxes	19	5,032	4,694
		16,077	13,988
Movements in trade and other receivables	5	6,840	-8,075
Movements in inventories	4	-11,158	-4,280
Movements in taxation and social security contributions		1,996	-13
Movements in trade and other payables		-826	2,809
Movements in employee benefits	10	82	-118
Movements in provisions	11	-111	-416
		-3,177	-10,093
Interest paid		-675	-302
Interest received		39	3
Income tax paid		-4,969	-3,921
		-5,605	-4,220
Cash flow from operating activities from continued operations		28,855	18,200
Cash flow from operating activities from discontinued operations		978	-541
Cash flow from operating activities		29,833	17,659
Cash flow from investing activities			
Investments in tangible fixed assets		-10,689	-9,727
Investments in intangible fixed assets		-7,698	-1,853
Proceeds from sale of tangible fixed assets		313	295
Proceeds from sale of Nedap Beveiligingstechniek B.V.		23	-
Cash flow from investing activities from continued operations		-18,051	-11,285
Cash flow from investing activities from discontinued operations		-1,104	-8
Cash flow from investing activities		-19,155	-11,293

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

	Note	2023	2022
Cash flow from financing activities			
Repayments on long-term borrowings and derivatives	20,21	-	-
Lease payments		-1,069	-1,050
Dividend paid to shareholders of Nedap N.V.		-19,662	-19,560
Dividend received from Nedap Beveiligingstechniek B.V.		982	-
Sale of own shares		1,898	2,154
Cash flow from financing activities from continued operations		-17,851	-18,456
Cash flow from financing activities from discontinued operations		-3	-67
Cash flow from financing activities		-17,854	-18,523
Movements in cash and cash equivalents and bank overdrafts			
Cash and cash equivalents and bank overdrafts at 1 January		17,483	29,615
Exchange differences for cash and cash equivalents and bank overdrafts		-151	25
Cash and cash equivalents and bank overdrafts at 31 December		10,156	17,483
Cash and cash equivalents		10,156	17,483
Bank overdrafts		-	-
		10,156	17,483

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 1/1/2022	669	1,316	60,037	18,284	80,306
Realised result for financial year	-	-	-	18,704	18,704
Unrealised result for financial year	-	-25	165	-	140
Result for financial year	-	-25	165	18,704	18,844
Dividend	-	-	-19,560	-	-19,560
Appropriation of result for previous financial year	-	448	17,836	-18,284	-
Movement in share-based remuneration	-	-	-550	-	-550
Movement in own shares	-	-	2,154	-	2,154
Balance as at 31/12/2022	669	1,739	60,082	18,704	81,194
Realised result for financial year	-	-	-	21,641	21,641
Unrealised result for financial year	-	-315	-	-	-315
Result for financial year	-	-315	-	21,641	21,326
Dividend	-	-	-19,662	-	-19,662
Appropriation of result for previous financial year	-	669	18,035	-18,704	-
Movement in share-based remuneration	-	-	575	-	575
Movement in own shares	-	-	1,898	-	1,898
Balance as at 31/12/2023	669	2,093	60,928	21,641	85,331

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.

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

Share-based remuneration reserve	2023	2022
Bonus depositary receipts	503	512
10% purchase discount	155	131
NAPP reserve	1,914	1,354
Total	2,572	1,997
Statutory reserves	2023	2022
Capitalised development costs	2,350	1,680
Exchange differences	-269	47
Result from participations not freely distributable	12	12
Total	2,093	1,739

Dividend per share for the 2023 financial year has been set at €3.20 (€3.00 in 2022).