

netcompany
Q1|21

This report contains forward-looking statements including, but not limited to, the statements and expectations contained in the outlook section.

Forward-looking statements are statements (other than statements of historical fact) relating to future events and Netcompany's anticipated or planned financial and operational performance.

The words 'may', 'will', 'will continue', 'should', 'expect', 'foresee', 'anticipate', 'believe', 'estimate', 'plan', 'predict', 'intend' or variations of these words, including negatives thereof, as well as other statements regarding matters that are not historical fact or regarding future events or prospects, constitute forward-looking statements.

Netcompany has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties, which

could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of Netcompany.

Although Netcompany believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ, e.g. as the result of risks related to the industry in general or Netcompany in particular, including those described in NC Group A/S' Annual Report 2020 and other information made available by Netcompany.

Factors that may affect future results include, but are not limited to, global and economic conditions, including currency exchange rate and interest rate fluctuations, delay or failure of projects related to research and/or development, unexpected contract breaches or terminations, unplanned loss of patents, government-mandated or market-driven price

decreases for Netcompany's products, introduction of competing products, reliance on information technology, Netcompany's ability to successfully market current and new products, exposure to product liability, litigation and investigations, regulatory developments, actual or perceived failure to adhere to ethical marketing practices, unexpected growth in costs and expenses, failure to recruit and retain the right employees, and failure to maintain a culture of compliance.

As a result, forward-looking statements should not be relied on as a prediction of actual results. Netcompany undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.

The Annual Report 2020 of NC Group A/S is available at www.netcompany.com

...will go through the business highlights for Q1 2021 and our guidance for 2021.



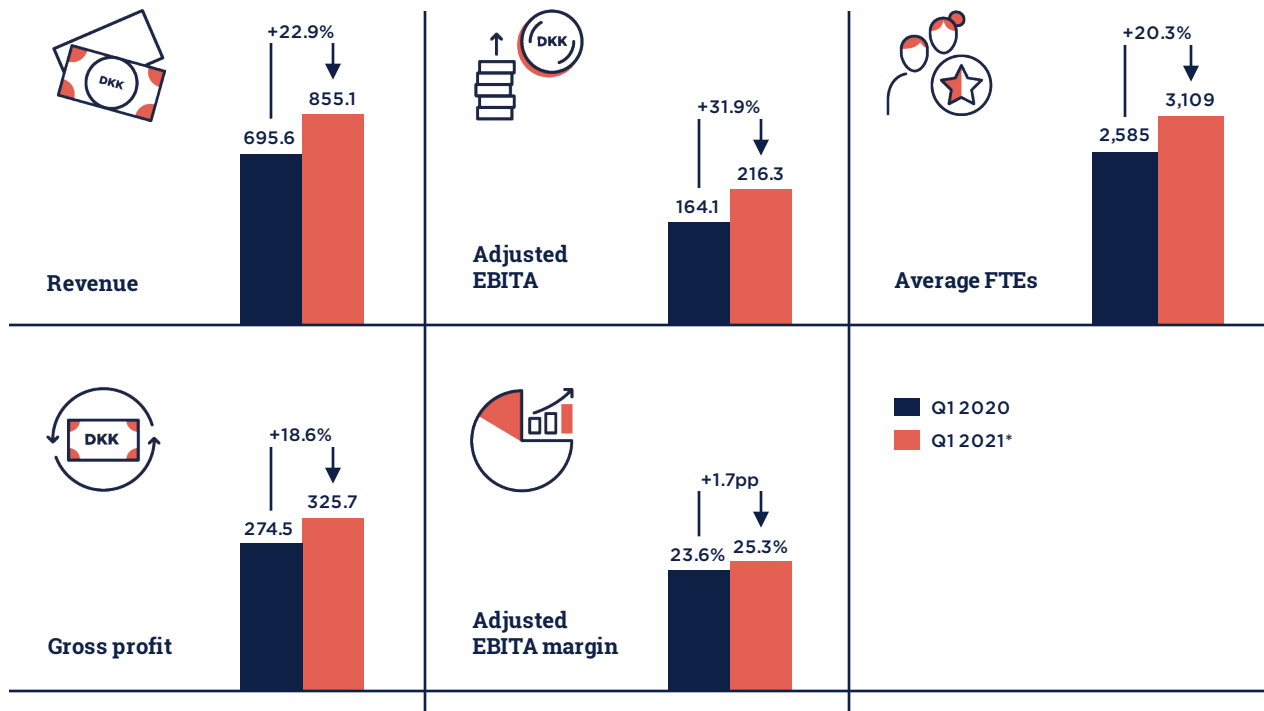
André Rogaczewski
NETCOMPANY CEO AND CO-FOUNDER

...will go through the financial highlights for Q1 2021.



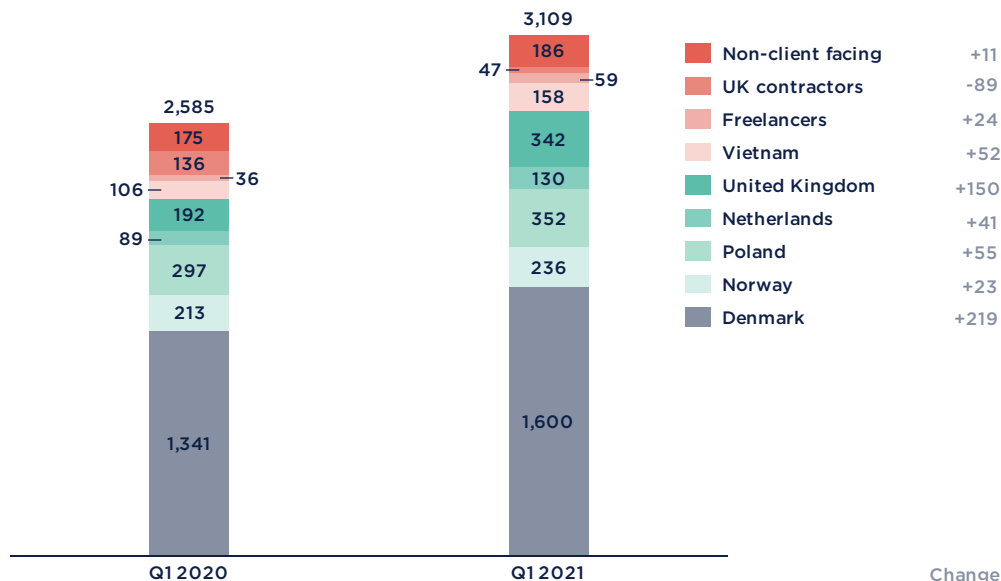
Thomas Johansen
NETCOMPANY CFO

Highlights Q1 2021




Employee development Q1

#FTEs increased to 3,109



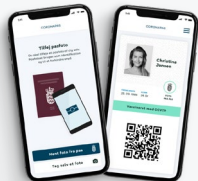

Average employee age
mid 30s.


FTEs grew by 524 from
Q1 2020 to Q1 2021.


Non-client facing proportion
was 6% in Q1 2021.


Ongoing reduction of
UK contractors.

New contracts



Development, maintenance and operation of Denmark's Corona Passport app, that will serve as the central digitization component for reopening the Danish society.



THE GOVTECH FRAMEWORK
by netcompany

Case management solution, based on GetOrganized from Netcompany's GovTech framework for the City of Aarhus (2nd largest municipality in Denmark).



DSV

Additional work relating to strategic initiatives and tasks for DSV A/S.



Statens legemiddelverk
Norwegian Medicines Agency



Additional tasks and projects relating to the Statens Legemiddelverk contract, involving all national health regions and hospitals.



NHS

Additional wins under the NHS framework contract (related to the COVID-19 response).

Status on acquisitions



Norway



UK



Netherlands



Revenue

Q: Revenue increased by 30.6% to DKK 71.7m.

Q: Revenue increased by 8.5% to DKK 106.6m.

Q: Revenue increased by 22.9% to DKK 21.7m.



Adj. EBITA bef. HQ costs

Q: DKK 12.7m yielding a margin of 17.7%.

Q: DKK 9.6m yielding a margin of 9%.

Q: DKK -2.3m yielding a margin of -10.8%.



Focus areas

Build-up of development capabilities during 2020 has led to high utilisation in Q1 2021

Almost completed converting independent contractors to perms in 2020 resulting in lower margins

Focus on delivering current large-scale public projects



Pipeline

Strong demand for Netcompany services in 2021

Was included on the NHS framework contract in late 2020

Pipeline emerging into large scale projects



Other comments

Continued, increased activity in Q1 2021 following a number of large-scale public project won in Q4 2020

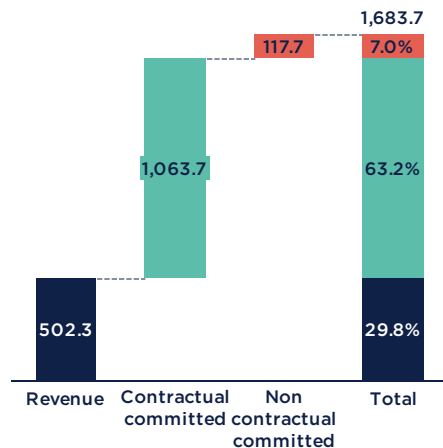
Margins back on track after impact from imposed COVID-19 restrictions

Margins negatively impacted in Q1 2021 due to an adjustment made to a single, large fixed fee project

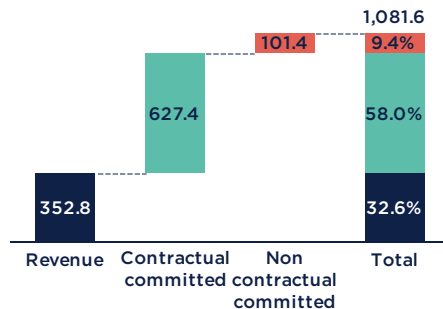
Revenue visibility, DKK million



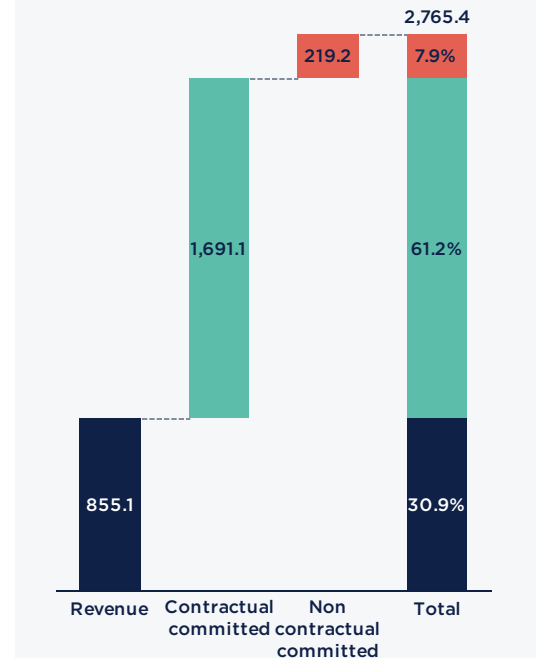
Public segment



Private segment



Total Netcompany Group



Guidance 2021



Financial metrics in constant currencies	Target 2021	Actual performance 2020
Organic revenue growth	~ 15-20%	15.5%
Adjusted EBITA margin from organic business	~ 23-25%	26.3%
Non-organic revenue growth	0	1.1%
Reported revenue growth	~ 15-20%	16.6%
Adjusted EBITA margin	~ 23-25%	26.1%

FINANCIAL HIGHLIGHTS

Income statement Q1

DKK million	Q1 2021	Q1 2020	change
Revenue	855.1	695.6	22.9%
Costs of services	-529.5	-421.0	25.8%
Gross profit	325.7	274.5	18.6%
Sales and marketing costs	-6.1	-4.4	38.7%
Administrative costs	-103.2	-106.1	-2.7%
EBITA	216.3	164.1	31.9%
Amortisation	-9.2	-25.3	-63.8%
Operating profit (EBIT)	207.2	138.8	49.3%
Net financials	-6.6	-19.2	-65.3%
Fair value adjustment contingent consideration	49.5	0.0	N/A
Income / loss from investment in joint venture	-6.0	0.0	N/A
Profit before tax	244.0	119.6	104.0%
Tax on profit	-44.5	-26.8	65.9%
Net profit	199.5	92.8	115.0%

Comments

- » Revenue increased by 22.9% to DKK 855.1m in reported currencies. In constant currencies revenue growth was 23%.
- » Gross profit increased by 18.6% driven by a combination of margin increase in the Norwegian operation as well as a higher relative share of revenue coming from Denmark.
- » Decline in administration costs despite an increase in FTEs of more than 20%, driven by COVID-19 restrictions reducing costs for travel, physical education and staff events.
- » EBITA margin increased by 1.7 percentage points at Group level driven by the decrease in administration costs.
- » Effective tax rate is around 18.2% – due to a fair value adjustment regarding the purchase price of the Dutch operation.

Public segment Q1



DKK million	Q4 2020	Q4 2019	change
Income Statement			
Revenue	502.3	433.3	15.9%
Costs of services	-336.4	-272.5	23.4%
Gross profit	166.0	160.8	3.2%
Gross profit margin	33.0%	37.1%	-4.1pp
Allocated costs	-64.6	-63.9	1.2%
Adjusted EBITA before allocated HQ cost	101.3	96.9	4.5%
Adjusted EBITA margin before allocated HQ cost	20.2%	22.4%	-2.2pp
Allocated cost from HQ	-4.5	-7.7	-41.9%
Special items	0.0	0.0	-100.0%
EBITA	96.9	89.2	8.5%
EBITA margin	19.3%	20.6%	-1.3pp
Amortisation	-5.8	-16.3	-64.7%
Operating profit	91.1	73.0	24.9%
Operating profit margin	18.1%	16.8%	1.3pp

Comments

- » Public growth driven by new wins in Denmark, Norway and UK and continued strong performance on existing clients in all units.
- » Gross profit margin of 33% compared to 37.1% in Q1 2020. Decrease in gross profit margins in all geographies.
- » Adjusted EBITA increased by 4.5% to DKK 101.3m, leading to a margin of 20.2% compared to 22.4% in Q1 2020.
- » Revenue and EBITA margin in the Netherlands was affected negatively by an adjustment of estimated time to complete on one larger project in Q1 2021. Adjusted for this, revenue growth and adjusted EBITA for the Dutch operation would have been 58.1% and 13.5%, respectively.

Private segment Q1



DKK million	Q1 2021	Q1 2020	change
Income Statement			
Revenue	352.8	262.2	34.6%
Costs of services	-193.1	-148.5	30.0%
Gross profit	159.7	113.7	40.5%
Gross profit margin	45.3%	43.4%	1.9pp
Allocated costs	-37.6	-34.1	10.4%
Adjusted EBITA before allocated HQ cost	122.1	79.6	53.3%
Adjusted EBITA margin before allocated HQ cost	34.6%	30.4%	4.2pp
Allocated cost from HQ	-2.6	-4.8	-45.3%
Special items	0.0	0.0	-100.0%
EBITA	119.5	74.8	59.7%
EBITA margin	33.9%	28.5%	5.3pp
Amortisation	-3.4	-9.0	-62.3%
Operating profit	116.07	65.80	76.4%
Operating profit margin	32.9%	25.1%	7.8pp

Comments

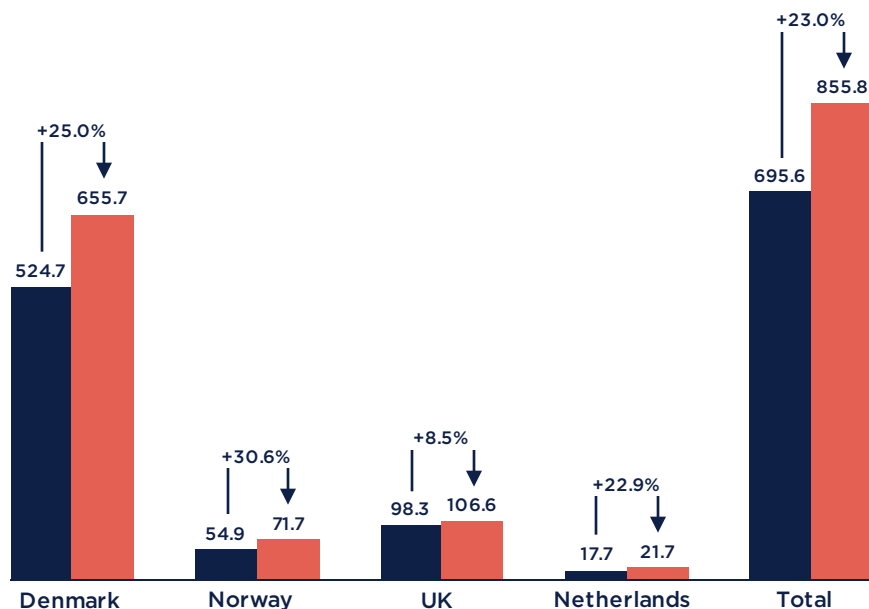
- » Growth on Group level for the private segment was 34.6%, mainly driven by the Danish operation and Norwegian operations, which grew 51% and 14.4% in Q1 2021, respectively.
- » Revenue growth in Denmark followed new wins as well as currently customers prolonging their agreements.
- » Gross profit margin increased by 1.9 percentage points in Q1 2021 on Group level, mainly driven by improvements in Norway as well as a higher relative share coming from Denmark.
- » Lower activity in the UK business operation led to a drop in gross profit margin locally.
- » Adjusted EBITA margin increased 4.2 percentage points driven by higher margins and decline in administration cost.

Revenue Q1

Revenue in DKK million

■ Q1 2020

■ Q1 2021*



Comments

- » Revenue increased 23% on Group level, driven by increase in client facing FTEs and high utilisation in all entities.
- » In Denmark, revenue grew by 25% as a result of high activity in both the public and private sector.
- » High activity in the Norwegian business operation following significantly improvements in utilisation.
- » Revenue in UK increased by 8.5%. The relatively low increase was caused by a strong Q1 in 2020.
- » In the Netherlands, revenue increased by 22.9% in constant currencies. The revenue was negatively impacted by an adjustment of estimated time to complete one larger project. Adjusted for this, revenue would have increased more than 56%.

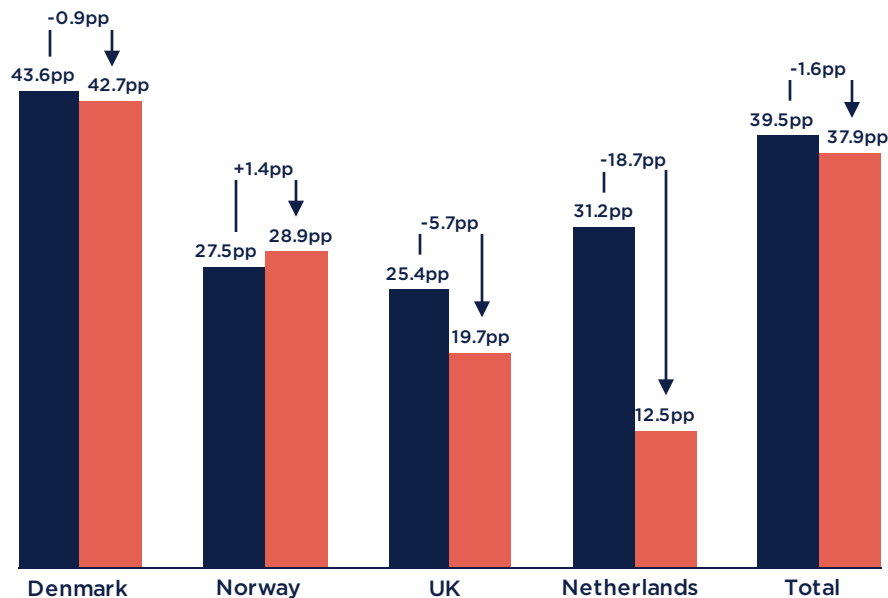
* Constant currencies (2020 rate)

Gross profit margin Q1

Gross profit margin

■ Q1 2020

■ Q1 2021*



Comments

- » Gross margin decreased by 1.6 percentage points to 37.9% against 39.5% in Q1 2020.
- » Gross profit margin in Denmark decreased due to increased usage of sub-contractors.
- » In UK, Q1 2021 was impacted more severe by COVID-19 restrictions and conversion of independent contractors to own employees, compared to Q1 2020.
- » Increase in the gross profit margin in Norway was driven by a higher level of utilised resources compared to Q1 2020.
- » In the Dutch operation, margin decreased as a result of the adjustment in estimated time to complete on one larger fixed fee project.

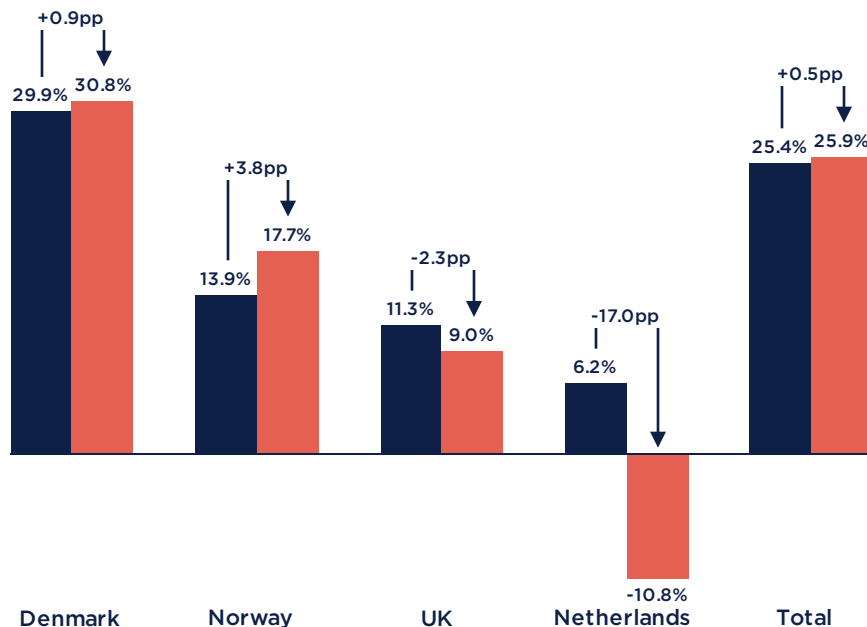
* Constant currencies (2020 rate)

Adjusted EBITA margin Q1

Adjusted EBITA margin (before allocated cost from HQ)

■ Q1 2020

■ Q1 2021*



Comments

- » Adjusted EBITA margin at Group level increased by 0.5 percentage point to 25.9%, driven by a strong performance in Denmark and Norway.
- » Margin in Denmark increased by 0.9 percentage point to 30.8% as a result of a lower increase in administration costs compared with the growth in revenue.
- » The increase in margin in Norway was mainly driven by the high utilisation.
- » Adjusted EBITA margin in the Netherlands and UK was negatively impacted by the decrease in gross profit margins.

* Constant currencies (2020 rate)

Cashflow Q1



DKK million	Q1 2021	Q1 2020	change
Operating profit (EBIT)	207.2	138.8	49.3%
Depreciation and amortisation	27.6	41.0	-32.6%
Non-cash items	17.3	-3.7	-565.4%
Working capital changes	-4.1	1.0	-513.4%
Cash flow from operating activities	118.8	106.6	11.4%
Cash flow from investing activities	-108.0	-11.9	807.4%
Cash flow from financing activities	-60.4	-10.9	453.0%
Net increase in cash and cash equivalents	-49.6	83.8	-159.2%
Cash and cash equivalents at the beginning	359.0	132.4	171.2%
Exchange changes on cash in foreign currencies	5.5	-7.6	-172.1%
Cash and cash equivalents at the end	314.8	208.5	51.0%
Free cash flow	100.6	95.0	5.8%

Comments

- » Free cash flow increased to DKK 100.6m.
- » Compared to Q1 2020, cash position increased by DKK 106.3 million, despite a net decrease of DKK 49.6m in Q1 2021 due to paid dividend of DKK 49.1m and partial payment for NL of DKK 89.4m.
- » In Q1 2021, a total of DKK 155.9m was invoiced from the WIP recognised per 31 December 2020.
- » DSO improved to 47 days in Q1 2021 due to the continued focus on debt collection and public customers paying in advance.
- » Cash conversion rate was 48.7%. Adjusted for the fair value adjustment of the contingent purchase price and normalised for tax payment, conversion rate was 110.6%.
- » A share buyback programme of DKK 50m will be executed during Q2 2021.

Q&A

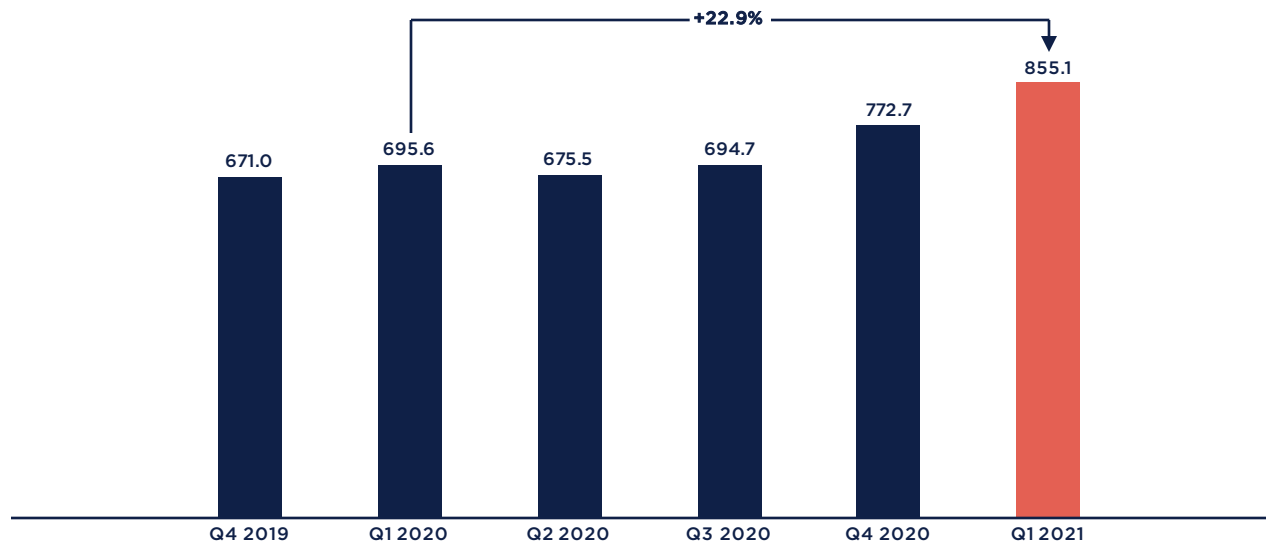
APPENDIX

Working days

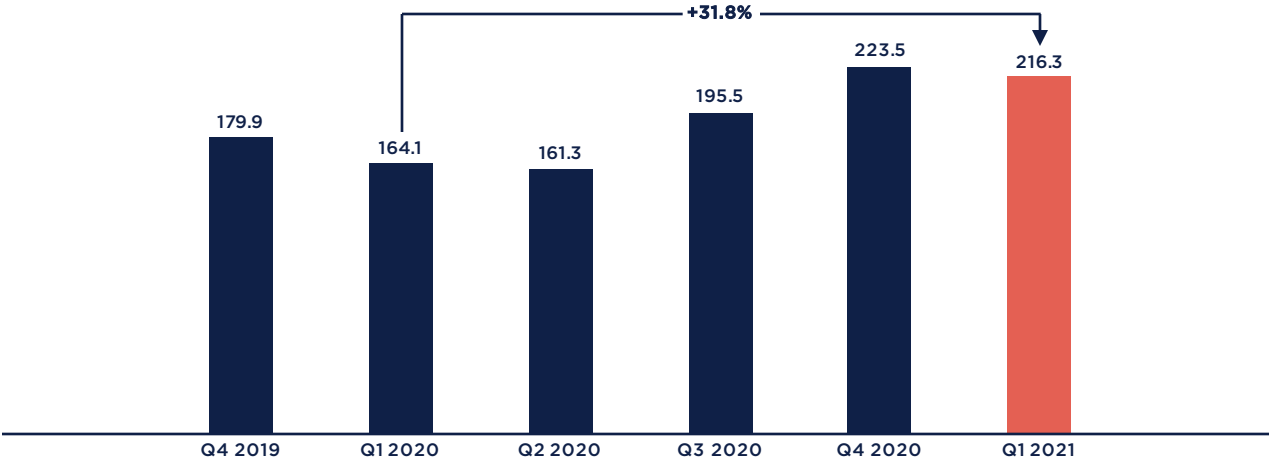


» Almost the same amount of workdays compared to 2020. Fewer workdays in Q1 and more in Q2 and Q4.

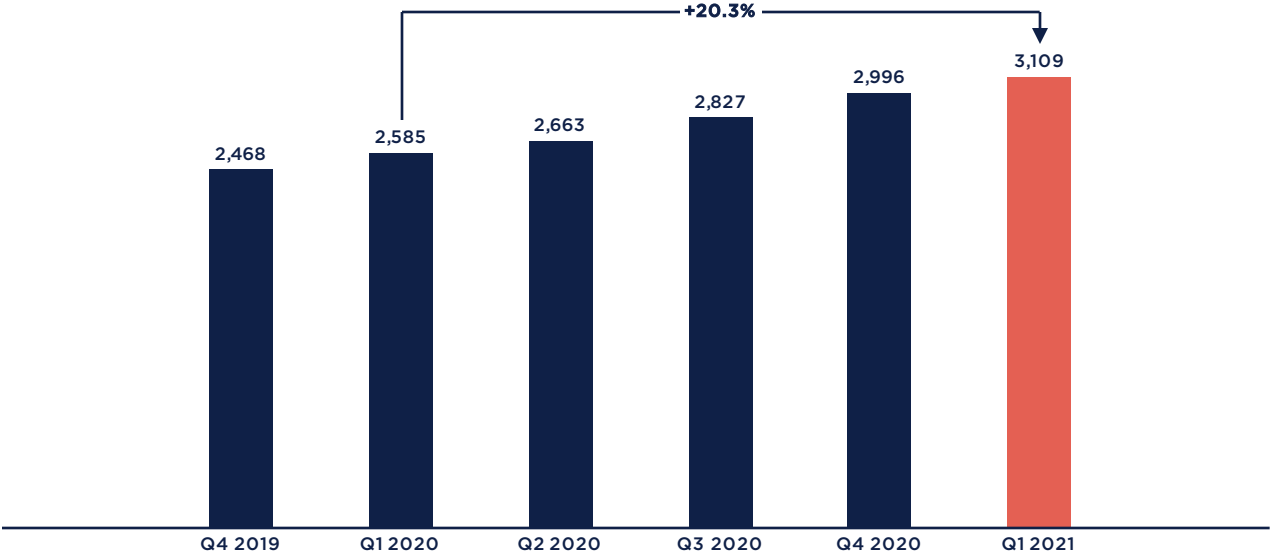
Revenue



Adjusted EBITA



Average FTEs






Statement of financial position

DKK million	31 March 2021	31 March 2020
Assets		
Intangible assets	2,442.0	2,525.3
Tangible assets	141.7	145.8
Deferred tax assets	10.6	3.5
Other receivables	19.0	16.4
Investment in joint venture	63.9	0.0
Total non-current assets	2,677.2	2,691.0
Trade receivables	436.2	426.3
Receivables from joint venture	12.3	0.0
Contract work in progress	530.0	394.3
Other receivables	73.3	56.1
Tax receivables	30.7	15.3
Total receivables	1,082.5	892.1
Cash	314.8	208.5
Total current assets	1,397.3	1,100.7
Total assets	4,074.5	3,791.6

DKK million	31 March 2021	31 March 2020
Equity and liabilities		
Share capital	50.0	50.0
Treasury shares	-175.0	-175.0
Share-based remuneration	51.0	22.8
Exchange diff. on translating foreign subsidiaries	4.5	-14.1
Retained earnings	2,665.4	2,285.8
Total equity	2,595.9	2,169.5
Borrowings	761.0	959.1
Leasing	54.3	56.1
Other payables	122.8	0.0
Deferred tax liability	67.8	73.4
Total non-current liabilities	1,006.0	1,088.6
Leasing	34.5	41.8
Prebilled invoices	31.6	35.9
Trade payables	56.2	56.0
Other payables	350.4	396.4
Provisions	0.0	3.5
Total current liabilities	472.6	533.6
Total liabilities	1,478.6	1,622.2
Total equity and liabilities	4,074.5	3,791.6

Currency exposures Q1

Local currency, million		DKK	NOK	GBP	EUR	VND	PLN
Revenue		655.7	100.4	12.3	2.9	0.0	0.0
EBIT		190.4	13.2	0.3	-0.4	3,499.9	2.3
Net result		185.9	10.7	0.3	-0.4	2,884.7	1.6

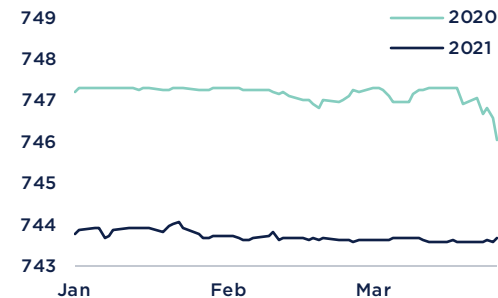
NOK



GBP



EUR



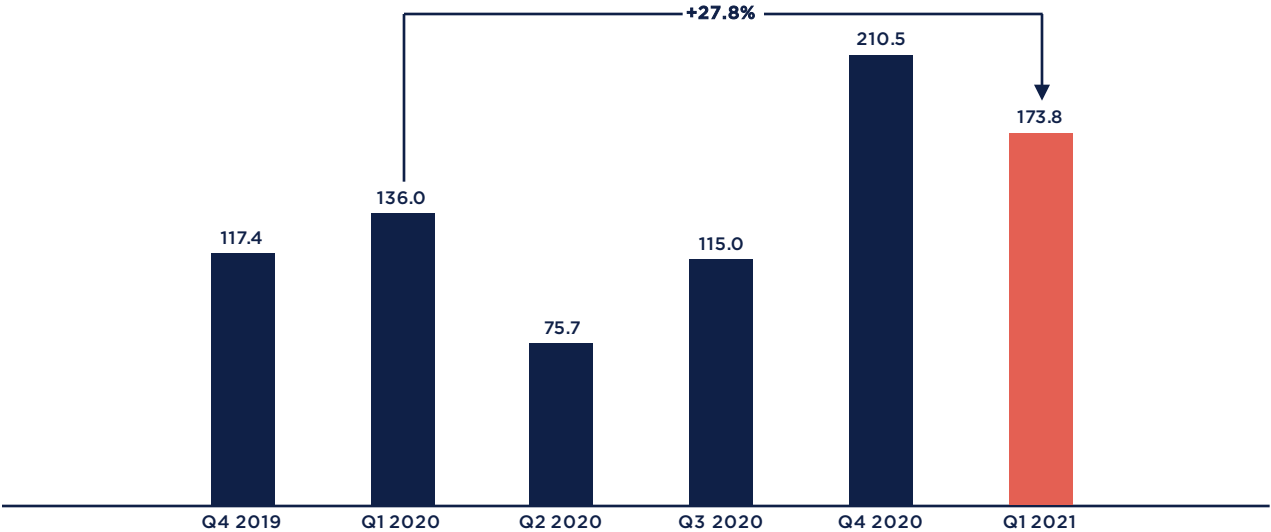
Fair value adjustment for contingent liabilities Q1



Comments

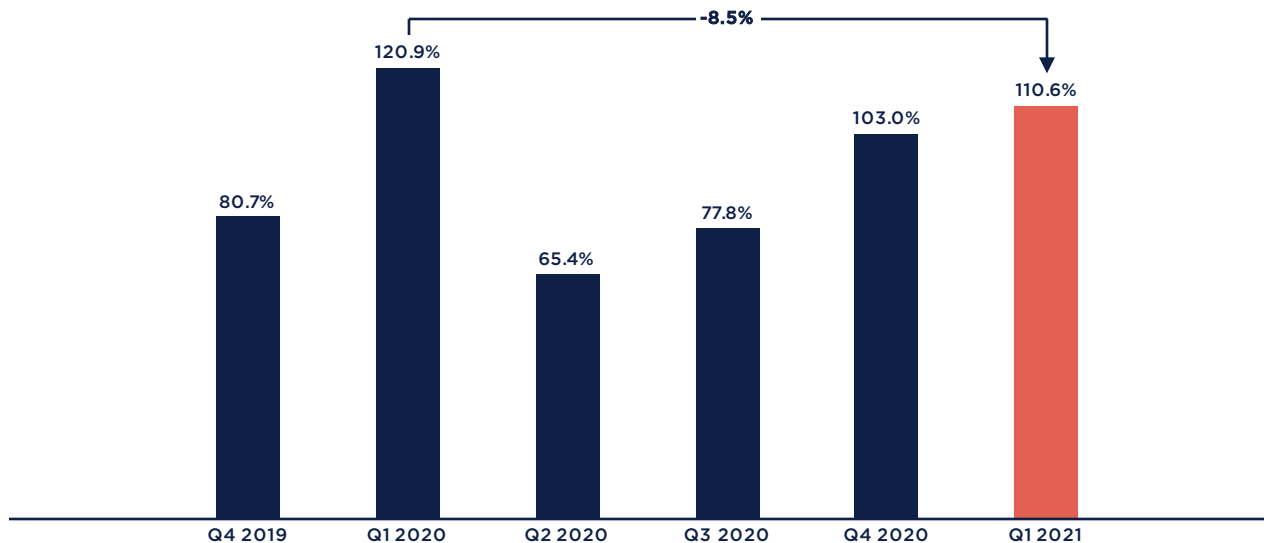
- » The final purchase price for the investments in the Netherlands is a combination of the results in 2020, the revenue CAGR from the 2020 to the 2022 and the adj. EBITA margin in 2022.
- » The adjustment made on a fixed fee project in March 2021 to be reflected in the valuation.
- » Following IFRS3, fair value adjustment of the investment in the Netherlands impacted net profit positively in Q1 2021 by DKK 49.5m.

Free cash flow



* Tax normalised

Cash conversion rate

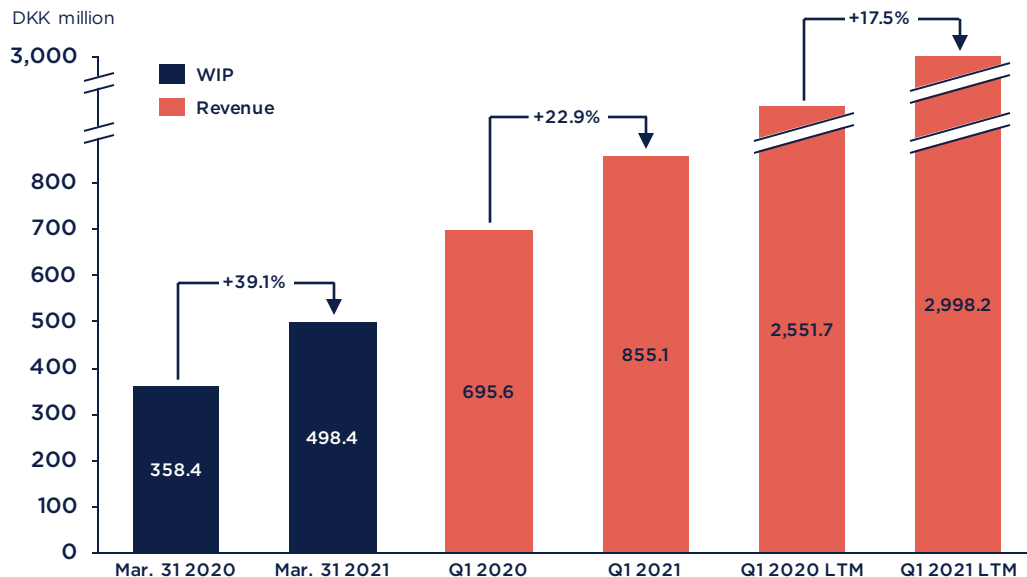


* Tax normalised & without the fair value adjustment for contingent liabilities

Work in progress overview



Work in progress compared to revenue



Comments

- » Work in progress increased by 39.1% to DKK 498.4 in Q1 2021.
- » Revenue increased by 22.9% to DKK 855.1m in Q1 2021
- » Revenue for the last twelve months increased by 17.5% to DKK 2,998.2m.
- » As a total, trade receivables and work in progress increased with 20.7% from DKK 784.7m end of Q1 2020 to DKK 947m end of Q1 2021.

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