

Annual Results Ordina N.V.

2019

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ABOUT ORDINA

Ordina is the largest local IT services provider in the Benelux, with around 2,650 employees. We focus on giving our clients a digital edge in the sectors: financial services, industry, the public sector and healthcare. We do this by devising, building and managing technological applications. Ordina helps its clients to stay ahead of the challenges and changes in their business.

Ordina's head office is in Nieuwegein. We also have various regional offices across the Benelux. Ordina was founded in 1973. Ordina's shares have been listed on Euronext Amsterdam since 1987 and are included in the Smallcap Index (AScX). In 2019, Ordina recorded revenues of EUR 372 million. For more information, please go to: www.ordina.nl.

KEY FIGURES ORDINA N.V.

	FY 2019	FY 2018	Change FY 2019 on FY 2018
<i>(in thousands of euros, unless indicated otherwise)</i>			
Revenue the Netherlands	258,651	256,423	0.9%
Revenue Belgium / Luxembourg	113,608	102,099	11.3%
Total Revenue	372,259	358,522	3.8%
EBITDA the Netherlands	20,051	6,512	
EBITDA margin the Netherlands	7.8%	2.5%	
EBITDA adjusted the Netherlands	12,076	6,512	
EBITDA margin adjusted the Netherlands	4.7%	2.5%	
EBITDA Belgium / Luxembourg	16,635	12,149	
EBITDA margin Belgium / Luxembourg	14.6%	11.9%	
EBITDA adjusted Belgium / Luxembourg	12,980	12,149	
EBITDA margin adjusted Belgium / Luxembourg	11.4%	11.9%	
EBITDA	36,686	18,661	
EBITDA margin	9.9%	5.2%	
EBITDA adjusted	25,056	18,661	6,395
EBITDA margin adjusted	6.7%	5.2%	1.5%
Redundancy costs	2,200	2,484	
Net profit	14,875	6,873	8,002
Shareholders' equity	163,497	153,030	6.8%
Capital asset ratio	59%	66%	
Intangible fixed assets	129,751	130,370	-0.5%
Right of use	37,048	-	
Tangible fixed assets	4,376	4,871	-10.2%
Total assets	277,822	233,378	19.0%
Days Sales Outstanding (DSO)	53	55	
Days Payables Outstanding (DPO)	54	55	
Total net cash at year-end*	24,649	18,488	6,161
Total net debt to adjusted EBITDA	-0.9	-0.9	
Average number of staff (FTE)	2,573	2,542	
Average number of direct staff (FTE)	2,286	2,251	
Average number of indirect staff (FTE)	287	291	
Number of staff at end of reporting period (FTE)	2,629	2,647	18-
Number of direct staff at end of reporting period (FTE)	2,340	2,345	5-
Number of indirect staff at end of reporting period (FTE)	289	302	13-
Number of shares outstanding at end of reporting period (in thousands)	93,256	93,256	
Per-share information (based on average number of issued shares) in euros			
Shareholders' equity	1.75	1.64	
Cash generated from operating activities	0.36	0.18	
Earnings	0.16	0.07	
Earnings - diluted	0.16	0.07	

* As of 1 January 2019, our reporting is subject to the application of IFRS 16 'Leases'. The 2018 figures are not adjusted under this standard. This 'adjusted EBITDA'(margin) shows the EBITDA margin 2019 without the application of IFRS 16 (in line with 2018 reporting) for comparison purposes.

Ordina's growth results in strong increase in net profit

Nieuwegein, 13 February 2020

Highlights FY 2019

- Net profit of EUR 14.9 million (2018: EUR 6.9 million);
- EBITDA (adjusted)¹ EUR 25.1 million (2018: EUR 18.7 million);
- EBITDA margin (adjusted)¹ 6.7% (2018: 5.2%);
- Revenue up 3.8% at EUR 372.3 million (2018: EUR 358.5 million)
 - Revenue the Netherlands rises 0.9% to EUR 258.7 million (2018: EURO 256.4 million);
 - Revenue Belgium/Luxembourg rises 11.3% to EUR 113.6 million (2018: EUR 102.1 million);
- Net cash position increases to EUR 24.6 million at year-end 2019 (year-end 2018: EUR 18.5 million);
- Ordina proposes to pay out dividend 9.5 eurocents per share (60% of net profit);
- Highest client satisfaction (NPS) score in Outplacement and Outsourcing category in MT 1000.

Highlights Q4 2019

- EBITDA (adjusted)¹ EUR 6.5 million (Q4 2018: EUR 5.8 million);
- EBITDA margin (adjusted)¹ 7.0% (Q4 2018: 6.2%);
- Revenue up 1.0% at EUR 94.1 million (Q4 2018: EUR 93.2 million);
 - Revenue the Netherlands down 2.5% at EUR 65.1 million (Q4 2018: EUR 66.7 million);
 - Revenue Belgium/Luxembourg up 9.6% at EUR 29.0 million (Q4 2018: EUR 26.5 million);
- Growth with our clients in the public sector and healthcare.

JO MAES, CEO ORDINA, ON THE RESULTS

“Ordina had another strong year with revenue growth of 3.8% and profit of close to EUR 15 million. Our strategy, Ordina 2022, has set us in motion and helped us achieve the intended improvements: more revenue from our business propositions, satisfied clients and proud colleagues all contributed to our increased result.

Our business propositions are proving successful and the revenue from our High performance teams, Intelligent data-driven organisations and Cybersecurity & compliance is growing strongly. This has given us a distinctive positioning in our markets and niche segments. For example, in the industry sector we now have a strong position in smart planning solutions for logistical challenges and personnel planning. In the public sector, we are focusing on a secure and complete transition from old to new IT environments, the business platforms. In the financial sector, we offer successful fraud detection solutions via the deployment of High performance teams.

Belgium and Luxembourg continue to perform well and once again booked an excellent result. The expansion of our activities in the Wallonia region also played a part in this strong performance. We recorded strong growth with our clients in the financial services, industry and healthcare markets.

Our solid performance in the Netherlands made a considerable contribution to the increase in returns. We recorded strong growth in the public sector. We did note a decline in our services with external employees, which resulted in slightly lower revenue in the fourth quarter. However, we are increasingly generating revenue with our own professionals, mainly in the form of High performance teams.”

¹ As of 1 January 2019, our reporting is subject to the application of IFRS 16 'Leases'. The 2018 figures are not adjusted under this standard. This 'adjusted EBITDA'(margin) shows the EBITDA margin without the application of IFRS 16 (in line with 2018 reporting) for comparison purposes. Our 2019 EBITDA, including the application of IFRS 16 was EUR 36.7 million and the EBITDA margin was 9.9%. The EBITDA for Q4 2019, including the application of IFRS 16, was EUR 9.6 million and the EBITDA margin was 10.2%.

DEVELOPMENTS Q4 2019

Revenue Q4 2019

In the fourth quarter of 2019, revenue increased by 1.0% to EUR 94.1 million (Q4 2018: EUR 93.2 million). The number of workable days was the same at 64 in the Netherlands (Q4 2018: 64) and 63 in Belgium/Luxembourg (Q4 2018: 63). In the Netherlands, revenue declined by 2.5% to EUR 65.1 million (Q4 2018: EUR 66.7 million), mainly due to a decline in revenue with external employees (including freelancers). This was partly offset by revenue booked with our own employees and the deployment of High performance teams, resulting in an improved revenue mix. In Belgium/Luxembourg, revenue came in 9.6% higher at EUR 29.0 million (Q4: EUR 26.5 million), largely due to growth in the number of professionals.

Revenue per segment

	Q4 2019	Q4 2018	Change Q4 2019 vs Q4 2018
The Netherlands	65,062	66,699	-2.5%
Belgium/Luxembourg	29,040	26,491	9.6%
Total	94,102	93,190	1.0%

EBITDA Q4 2019

EBITDA (after redundancy costs) came in at EUR 9.6 million in the fourth quarter. EBITDA for Q4 2019 excluding the application of IFRS 16 (for comparison purposes) increased to EUR 6.5 million (Q4 2018: EUR 5.8 million). The redundancy costs amounted to EUR 0.7 million in Q4 2019 (Q4 2018: EUR 0.7 million).

The EBITDA margin was 10.2%. The EBITDA margin without the application of IFRS 16 (for comparison purposes) increased to 7.0% (Q4 2018: 6.2%).

DEVELOPMENTS FY 2019

Revenue FY 2019

In 2019, revenue increased by 3.8% to EUR 372.3 million (2018: EUR 358.5 million). The number of workable days was 255 in the Netherlands (2018: 254) and 251 in Belgium/Luxembourg (2018: 251). The impact of one working day for the Netherlands amounts to approximately EUR 0.9 million in revenue and EUR 0.7 million EBITDA. Revenue from our business propositions accounted for 32% of our total revenue in 2019. Revenue from the High performance teams, Intelligent data-driven organisations and Cybersecurity & compliance propositions increased strongly in 2019. Revenue from Business platforms and Digital acceleration declined due to the completion of a number of projects and management contracts.

Revenue per segment

	FY 2019	FY 2018	Change FY 2019 vs FY 2018
The Netherlands	258,651	256,423	0.9%
Belgium/Luxembourg	113,608	102,099	11.3%
Total	372,259	358,522	3.8%

EBITDA 2019

EBITDA (after redundancy costs) amounted to EUR 36.7 million in 2019. EBITDA for 2019 excluding the application of IFRS 16 (for comparison purposes) increased to EUR 25.1 million (2018: EUR 18.7 million). Redundancy costs amounted to EUR 2.2 million in 2019 (2018: EUR 2.5 million).

The EBITDA margin came in at 9.9%. The EBITDA margin excluding the application of IFRS 16 (for comparison purposes) improved to 6.7% (2018: 5.2%).

EBITDA per segment

	FY 2019		FY 2019 Adjusted ¹		FY 2018	
The Netherlands	20,051	7.8%	12,076	4.7%	6,512	2.5%
Belgium/Luxembourg	16,635	14.6%	12,980	11.4%	12,149	11.9%
Total	36,686	9.9%	25,056	6.7%	18,661	5.2%

¹FY 2019 'Adjusted' is the EBITDA and EBITDA margin excluding the application of IFRS 16 'Leases' (for comparison purposes).

The Netherlands

Revenue in the Netherlands came in 0.9% higher at EUR 258.7 million (2018: EUR 256.4 million). EBITDA came in at EUR 20.1 million. EBITDA for 2019 excluding the application of IFRS 16 (for comparison purposes) improved to EUR 12.1 million (2018: EUR 6.5 million). The EBITDA margin came in at 7.8%. The EBITDA margin excluding the application of IFRS 16 (for comparison purposes) rose to 4.7% (2018: 2.5%). The improvement in return was the result of an improved revenue mix and improved rates.

Belgium/Luxembourg

Revenue in Belgium/Luxembourg was up 11.3% at EUR 113.6 million (2018: EUR 102.1 million). EBITDA came in at EUR 16.6 million. EBITDA for 2019 excluding the application of IFRS 16 (for comparison purposes) rose to 13.0 million (2018: EUR 12.1 million). The EBITDA margin was 14.6%. The EBITDA margin excluding the application of IFRS 16 (for comparison purposes) came in at 11.4% (2018: 11.9%). This good return was largely driven by growth in the number of professionals and high productivity levels.

MARKET DEVELOPMENTS

Revenue Q4 2019

In the fourth quarter of 2019, revenue increased by 1.0% to EUR 94.1 million (Q4 2018: EUR 93.2 million). The number of workable days in the Netherlands was 64 (2018: 64) and 63 in Belgium/Luxembourg (2018: 63).

We recorded growth in the public sector and healthcare. We saw a decline in revenue from financial services and industry when compared to 2018.

Revenue per market

	Q4 2019	Q4 2018 ¹	Change Q4 2019 vs Q4 2018
Public sector	39,091	35,902	8.9%
Financial services	25,141	27,270	-7.8%
Industry	24,012	24,285	-1.1%
Healthcare	5,858	5,733	2.2%
Total	94,102	93,190	1.0%

¹Q4 2018 adjusted for the reclassification of a number of clients.

Revenue FY 2019

In 2019, revenue came in 3.8% higher at EUR 372.3 million (2018: EUR 358.5 million). There were 255 workable days in the Netherlands in 2019 (2018: 254) and 251 workable days in Belgium/Luxembourg (2018: 251).

We recorded growth in the public sector, financial services and healthcare markets. We saw a slight decline in revenue from the industry sector when compared to 2018.

Revenue per market

	FY 2019	FY 2018 ¹	Change FY 2019 vs FY 2018
Public sector	145,906	136,865	6.6%
Financial services	105,376	102,111	3.2%
Industry	96,226	97,278	-1.1%
Healthcare	24,751	22,268	11.2%
Total	372,259	358,522	3.8%

¹FY 2018 adjusted for the reclassification of a number of clients.

Public sector

Revenue in the public sector increased by 6.6% to EUR 145.9 million in 2019 (2018: EUR 136.9 million). This growth was driven by an increase in the number of High performance teams and higher revenue from our Business platforms proposition. The Dutch government is moving full steam ahead with its digital agenda. Ordina offers solutions that are secure, agile and robust and that improve the interaction between citizens, the public sector and organisations. For example, Ordina won the GGI Safe (GGI-Veilig) tender from the Association of Dutch Municipalities (Vereniging Nederlandse Gemeenten). GGI Safe will enable municipalities to improve their digital resilience and make their IT infrastructure more secure. Ordina is also set to deliver and implement a Mendix platform for the National Institute for Public Health and the Environment (RIVM).

Financial services

Revenue in the financial services sector increased by 3.2% to EUR 105.4 million in 2019 (2018: EUR 102.1 million). In Belgium/Luxembourg, revenue in this market increased sharply in 2019. In the Netherlands, we saw a slight decline in revenue, partly due to a decline in the deployment of external staff. The financial services sector is facing a growing need for digitalisation, due to tighter legislation and regulations, pressure on costs and competition from FinTechs. Data determines the value of a company from the point of view of compliance, security and customer value. Ordina is responding effectively to this trend with its High performance teams that can quickly provide traction in management environments or when accelerating mobile applications. For example, a High performance team from Ordina is supporting Rabobank with fraud detection on credit card transaction flows. In addition, Ordina will use the Intelligent data-driven organisations proposition to migrate the mortgage portfolio for another bank.

Industry

Revenue in the industry sector fell by 1.1% to EUR 96.2 million (2018: EUR 97.3 million). Revenue increased in Belgium/Luxembourg. In the Netherlands, we saw a decline in revenue and there is still room for improvement, something Ordina will work hard on in 2020. In the industry sector, we are accelerating in the logistics and utilities segments. For example, ProRail has asked Ordina to develop an application to convert CAD drawings of overhead wires into data. As part of its Business platforms proposition, Ordina is also setting up 2,000 digital workstations for a HR services provider in Belgium.

Healthcare

Revenue in the healthcare sector came in 11.2% higher at EUR 24.8 million (2018: EUR 22.3 million) on the back of growth in the pharmaceutical industry in Belgium/Luxembourg. We realised this growth by broadening our portfolio with existing clients, on the basis of our business propositions and by means of successful expansion in the Wallonia region in the field of compliance consultancy. For example, Ordina has built software robots in the core of the operational systems of an international biotech company in Belgium. In the Netherlands, Ordina focuses on care and cure institutions. However, it has proven difficult for Ordina to build a solid foundation for activities in the fragmented landscape. For this reason, Ordina has decided to concentrate entirely on the pharmaceutical industry and will report this revenue under industry from 2020.

EMPLOYEES

The number of direct employees was down five FTEs at year-end 2019, compared to with the previous year, and the number of indirect employees was 13 FTEs lower. The total number of employees at year-end 2019 stood at 2,629 FTEs (year-end 2018: 2,647 FTEs).

The average number of employees in 2019 was 2,573 (2018: 2,542). The average number of direct employees rose by 35 FTEs to 2,286 FTEs. The average number of indirect FTEs fell by four FTEs to 287 FTEs. The average age of our employees fell slightly to 39.7 years in 2019 (year-end 2018 39.9 years).

	FTEs year-end 2018	Net change	FTEs year-end 2019
Direct FTEs	2,345	-5	2,340
Indirect FTEs	302	-13	289
Total	2,647	-18	2,629

FINANCIAL DEVELOPMENTS

Revenue development

In 2019, revenue came in 3.8% higher at EUR 372.3 million (2018: EUR 358.5 million).

EBITDA

EBITDA (after redundancy costs) amounted to EUR 36.7 million in 2019. EBITDA excluding the application of IFRS 16 (for comparison purposes) increased to EUR 25.1 million (2018: EUR 18.7 million).

From EBITDA to net profit

	FY 2019	FY 2019 adjusted	FY 2018
<i>(in thousands of euros)</i>			
EBITDA	36,686	25,056	18,661
Depreciation of tangible and intangible fixed assets	-14,730	-3,864	-4,121
Operating result (EBIT)	21,956	21,192	14,540
Net financing costs	-1,125	-153	-236
Share in results of associated companies	-23	-23	-7
Earnings before taxes	20,808	21,016	14,297
Taxes	-7,074	-7,074	-5,196
Net profit before revaluation deferred tax asset	13,734	13,932	9,101
Revaluation deferred tax asset	1,141	1,141	-2,228
Net profit	14,875	15,083	6,873

Redundancy costs

Redundancy costs came in at EUR 2.2 million in 2019 (2018: EUR 2.5 million).

Depreciation of tangible and intangible fixed assets

Depreciation amounted to EUR 14.7 million in 2019. Depreciation charges excluding the application of IFRS 16 (for comparison purposes) amounted to EUR 3.9 million (2018: EUR 4.1 million).

Taxes

Taxes were affected by the legislative amendment that increases future corporate income tax rates in the Netherlands. This increase led to a EUR1.1-million revaluation of Ordina's deferred tax assets. The previous legislative amendment in this respect resulted in a depreciation of EUR 2.2 million in 2018.

Net profit & dividend

The net profit for 2019 came in at EUR 14.9 million (2018: EUR 6.9 million). Net earnings per share (EPS) amounted to EUR 0.16 (2018: EUR 0.07).

Ordina will propose to the General Meeting to pay out a cash dividend of 9.5 eurocents per share, to be charged to the net profit for 2019. This equates to a pay-out ratio of approximately 60% of the net profit. The remaining net profit will be added to the general reserves. The dividend policy includes a pay-out ratio of 40%-60% of net profit.

Shares

Ordina did not issue any new shares 2019 (in line with 2018). The company intends to repurchase 223,341 Ordina N.V. ordinary shares in the context of share plans for the Management Board and senior management. This will prevent any dilution of shares.

Workable days

	2019		2018	
	NL	B	NL	B
Q1	63	63	64	64
Q2	62	61	61	61
Q3	66	64	65	63
Q4	64	63	64	63
Total	255	251	254	251

Productivity

Productivity increased to 69.3% in 2019 (2018: 68.6%).

Net cash and cash flow

Ordina's net cash position stood at EUR 24.6 million at year-end 2019 (year-end 2018: EUR 18.5 million). This increase was driven by tight working capital management and the improved result.

(rounded up, in EUR millions)

Year-end 2018	18.5
Net profit	14.9
Depreciation	14.7
Working capital, provisions and other	-2.8
Interest & taxes	-1.6
Net investments	-2.7
Cash flow from financing activities	-16.2
Year-end 2019	24.6

Ordina's net debt to adjusted EBITDA ratio, as formulated in the financing agreement, stood at -0.9 at 31 December 2019 and was therefore below the maximum of 2.5 agreed with its financiers. The Interest Cover Ratio (ICR) stood at 206.9 at 31 December 2019 and was therefore above the minimum of 5.0.

Overview of the ratios in comparison with the covenants agreed with Ordina's financiers:

	Realisation 2019	Finance Agreement
Leverage Ratio	-0.9	≤ 2.5
Interest Cover Ratio	206.9	≥ 5.0
Guarantor Cover Ratio	94%	≥ 80%
Security Cover	EUR 31.2 million	≥ EUR 30 million

ADDITIONAL INFORMATION

For more detailed information, including the consolidated balance sheet, statement of income and other explanatory notes, please go to our website www.ordina.nl where the 2019 annual report has been published.

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Financial calendar

2 April 2020	General Meeting
23 April 2020	Trading update Q1
30 July 2020	Publication interim results 2020
29 October 2020	Trading update Q3
18 February 2021	Publication annual results 2020

Press conference call and analyst presentation

09:00 hours CET – Press conference call

Ordina will explain the results at 09:00 hours CET on 13 February 2020 during a press conference call (call number +31 20 531 5864).

10:30 hours CET – Analyst presentation

Ordina will present its results at 10:30 hours CET on 13 February 2020 at the analyst meetings in the Van der Valk Hotel Amsterdam-Amstel. You can follow this presentation via a webcast. You can follow the webcast via the link you will find at www.ordina.nl. The presentation will be available on our website after the webcast.

This document contains forward-looking statements regarding the financial performance of Ordina N.V. and outlines certain plans, targets and ambitions based on current insights. Such forecasts are obviously not without risk and entail a certain degree of uncertainty since there are no guarantees regarding future circumstances. There are multiple factors that could potentially result in the actual results and outcomes differing from those outlined in this document. Such factors include: general economic trends, the pace of globalisation of the markets for solutions, IT and consulting, increased performance commitments, scarcity on the labour market, and future acquisitions and disposals.