

FULL YEAR RESULTS ORDINA N.V.

2020



CONTENTS

Ordina records strong performance in 2020	3
FY 2020 highlights	3
Q4 2020 highlights	3
Key figures	3
Jo Maes, Ordina CEO, on the results	4
Group performance	4
Revenue	4
Employees and productivity	5
EBITDA	5
Performance per region	6
Net result	7
Net cash and cash flow	8
Dividend	8
Additional information	9

About Ordina

Ordina is a local independent 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 and the public sector. We do this by connecting technology, business challenges and people. Ordina wants to help its clients to stay ahead of the challenges and changes in their business. Ordina was founded in 1973. Its shares have been listed on the NYSE Euronext Amsterdam stock exchange since 1987 and are included in the Small Cap Index (AScX). Ordina booked revenues of EUR 369 million in 2020. You will find more information on our website: ordina.nl/en

Forward-looking statements

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.

Financial calendar

8 April 2021	General meeting
29 April 2021	Publication results Q1
29 July 2021	Publication 2021 interim results
4 November 2021	Q3 trading update
17 February 2022	Publication annual results 2021

ORDINA RECORDS STRONG PERFORMANCE IN 2020

Nieuwegein, 18 February 2021 – Ordina N.V. (Ordina), a local, independent IT services provider in the Benelux, today presents its annual results for 2020.

FY 2020 highlights

- Revenue declines to EUR 369.2 million (2019: EUR 372.3 million);
- Revenue from business propositions increases to 38% in 2020 (2019: 32%);
- EBITDA up at EUR 46.4 million (2019: EUR 36.7 million);
- EBITDA margin higher at 12.6% (2019: 9.9%);
- Net profit increases to EUR 22.3 million (2019: EUR 14.9 million);
- Net cash at year-end 2020 EUR 44.4 million (year-end 2019: EUR 24.6 million);
- Impact Covid-19 around EUR 3-4 million positive (1% EBITDA margin);
- One-off increase of the proposed dividend from 60% to 100% of the net profit (23.9 eurocent per share)

Q4 2020 highlights

- Revenue declines to EUR 92.9 million (Q4 2019: 94.1 million);
- EBITDA higher at EUR 12.2 million (Q4 2019: EUR 9.6 million);
- EBITDA margin increases to 13.1% (Q4 2019: 10.2%);
- Employee engagement score increases to 7.5 (October 2020), from 7.1 (October 2019).

Key figures

<i>(in EUR thousands unless otherwise stated)</i>	FY 2020	FY 2019	Change FY 2020 vs FY 2019	Q4 2020	Q4 2019	Change Q4 2020 vs Q4 2019
Revenue	369,233	372,259	-0.8%	92,863	94,102	-1.3%
Working days (NL/Belux)	255 / 252	255 / 251	0 / +1	65 / 63	64 / 63	+1 / 0
Adjusted for working days			-0.9%			-2.3%
EBITDA	46,362	36,686	9.676	12,187	9,595	2,592
EBITDA margin	12.6%	9.9%	2.7%pt	13.1%	10.2%	2.9 %pt
Net profit	22,290	14,875	7,415	6,967	4,841	2,126
Net cash position	44,405	24,649	19,756			
Free cash flow	29,288	10,915	18,373			

Jo Maes, Ordina CEO, on the results

“Ordina can look back on a strong year. We adapted quickly to the new situation as a result of Covid-19. We were able to continue to provide our services with virtually no problems and our teams successfully switched to working remotely. And by responding effectively to client demand on the digitalisation front, we recorded excellent results in 2020. This resulted in net profit of more than EUR 22 million. In 2020, we recorded above-average growth in revenue from our business propositions. Belgium and Luxembourg once again delivered strong performances. And we also performed well in the Netherlands, although our revenue did lag slightly.

Our Ordina 2022 strategy, focused on providing our clients with added value with our five business propositions, is well on track. Our clients are extremely satisfied with our IT solutions, which help them to realise their digital ambitions. For instance, Ordina has helped KBC transform the personal assistant Francis from a mobile app into a full-fledged digital platform. Our employees have also embraced our strategy and say they really appreciate working in teams. This is once again reflected in the higher employee engagement score we recorded in 2020.

We have entered a new phase, in which we will focus on the acceleration of our growth. To make this possible, we strengthened our management team and appointed Joost de Bruin as CEO for Ordina the Netherlands, in line with our appointment some years ago of Lieven Verhaevert as CEO for Belgium/Luxembourg. We will focus on both organic and non-organic growth to accelerate the penetration of our business propositions in a number of niche markets.

I could not be more proud of how our people, in close collaboration with our clients, got their work done last year. It is thanks to their dedication and adaptability that we, as Ordina, delivered an outstanding performance in 2020.”

GROUP PERFORMANCE

Revenue

Revenue declined slightly by 0.8% to EUR 369.2 million in 2020 (2019: EUR 372.3 million). In line with our strategy, revenue with subcontractors declined sharply (around EUR 10 million) and Ordina is recording more revenue from its business propositions. The share of revenue from our business propositions increased significantly to 38% in 2020, from 32% in 2019.

Revenue per market

<i>(in EUR thousands)</i>	FY 2020	FY 2019¹	Change FY 2020 vs FY 2019	Q4 2020	Q4 2019¹	Change Q4 2020 vs Q4 2019
Public sector	151,485	150,328	0.8%	39,827	39,791	0.1%
Financial services	98,558	106,249	-7.2%	23,968	25,426	-5.7%
Industry	119,190	115,682	3.0%	29,068	28,885	0.6%
Total	369,233	372,259	-0.8%	92,863	94,103	-1.3%

¹ 2019 figures adjusted for the reclassification of a number of clients that were previously reported under the healthcare segment.

Revenue from public sector clients increased by 0.8% to EUR 151.5 million in 2020 (2019: EUR 150.3 million). This increase was driven by growth in our High performance teams and Intelligent data-driven organisations business propositions. Technology contributes to an agile and compact public sector with self-reliant citizens. The Dutch government's digital agenda NL DIGIbeter is driving the continuing digitalisation of the Dutch public sector. In Belgium, too, the government is investing heavily in digitalisation. Ordina offers solutions that are secure, agile and robust and that improve the interaction between citizens, public sector bodies and organisations. For example, an Ordina High performance team is helping the Dutch national police force to develop an application that plays an essential role in the communications between the police force and its chain partners in requests for special investigative powers.

Revenue from financial services clients declined by 7.2% to EUR 98.6 million (2019: EUR 106.2 million). In Belgium/Luxembourg, revenue remained stable in this market in 2020. In the Netherlands, revenue declined, mainly due to our reduced deployment of subcontractors. IT is a core business in financial services. Tighter legislation and regulations, pressure on costs and competition from FinTech players are increasing the need for digitalisation. Ordina is responding to this demand with solutions that improve performance and customer experience by optimising processes and information and with solutions on fronts such as fraud detection and data migration.

Revenue in the industry sector increased by 3.0% to EUR 119.2 million in 2020 (2019: EUR 115.7 million). In Belgium/Luxembourg, we saw particularly strong revenue growth in the pharmaceutical industry and an increasing demand for Business platforms and Cybersecurity & Compliance solutions. Revenue in the Netherlands declined. Some clients were directly impacted by the consequences of Covid-19, which reduced demand from these clients. At the same time, we saw a slight increase in revenue from other clients. Intelligent operations and simple processes are important in the Industry sector. Ordina is active in a number of sub-sectors, such as transport, logistics, pharmaceuticals, energy, water and waste processing (utilities), telco and media. We focus on solutions that are data-driven. For example, Ordina is helping ProRail to test the user processes of a new train control system ERTMS (European Rail Traffic Management System) which is increasing the safety of rail transport.

Employees and productivity

	Year-end 2019	Net change	End H1 2020	Net change	Year-end 2020
Direct FTEs	2,340	-32	2,308	-10	2,298
Indirect FTEs	289	+8	297	-9	288
Total	2,629	-24	2,605	-19	2,586

The number of direct employees had declined by 42 FTEs to 2,298 FTEs at year-end 2020. Ordina temporarily cut back on the recruitment of new employees in the second quarter of 2020 in light of the uncertain market conditions. We once again expanded our recruitment activities after the summer. At the same time, we also saw a decline in the outflow of direct employees in 2020. This means the average number of direct employees across full year 2020 was stable compared with the previous year at 2,286 (2019: 2,286). Productivity increased to 70.1% in 2020 (2019: 69.3%).

We measured employee engagement in May 2020 and in October 2020. The average score increased to 7.5 (7.4 in May and 7.5 in October) compared with 7.1 in October 2019. Our employees' commitment to Ordina has increased significantly. Our employees gave our handling of the Covid-19 crisis a score of 7.9, in particular because of our

timely and effective communications. Most importantly, employees specifically stated that they would like to continue working for Ordina, citing career development as a key positive driver.

EBITDA

EBITDA was EUR 9.7 million higher at EUR 46.4 million in 2020 (2019: EUR 36.7 million). The EBITDA margin increased by 2.7%pt to 12.6%. In the fourth quarter, EBITDA was EUR 2.6 million higher and the EBITDA margin rose by 2.9%pt to 13.1%. Our result improved significantly due to an increase in contracts for our team-based professionals, more client assignments based on our business propositions, higher productivity and less revenue from external employees. Covid-19 impacted our financial results in a variety of ways. On the one hand, digitalisation became a major priority for a large proportion of our clients, while at the same time a number of clients delayed projects or asked us to help them reduce costs. In addition, working from home had an impact on our costs, as we incurred lower fuel, travel and accommodation costs. In total, Covid-19 had a positive one-off impact on our financial results of approximately EUR 3-4 million (1% EBITDA margin).

Revenue per region

Revenue distribution

(in EUR thousands)	FY 2020	FY 2019	Change FY 2020 vs FY 2019	Q4 2020	Q4 2019	Change Q4 2020 vs Q4 2019
The Netherlands	245,570	258,651	-5.1%	62,461	65,062	-4.0%
Belgium/Luxembourg	123,663	113,608	8.9%	30,401	29,040	4.7%
Total	369,233	372,259	-0.8%	92,862	94,102	-1.3%

In **the Netherlands**, revenue declined by 5.1% to EUR 245.6 million in 2020, due to a reduction in revenue recorded using external employees. In addition, revenue from the Business platforms proposition declined due to a number of contracts that were not renewed in 2019. On the other hand, we saw a sharp increase in revenue from our High performance teams and data-driven solutions business propositions. The number of working days in the Netherlands was 255 in 2020 and was unchanged from last year. The number of working days in the fourth quarter was 65 in the Netherlands (Q4 2019: 64). The effect of this working day is approximately EUR 0.9 million in revenue and approximately EUR 0.7 million in EBITDA.

In **Belgium/Luxembourg**, revenue increased by 8.9% to EUR 123.7 million in 2020 driven by growth in the number of direct employees and increased revenue from the Cybersecurity & Compliance and Business platforms business propositions. The number of working days in Belgium/Luxembourg was 252 in 2020 (2019: 251). The effect of one working day is approximately EUR 0.4 million in revenue and approximately EUR 0.3 million in EBITDA. The number of working days in the fourth quarter in Belgium/Luxembourg was the same as last year at 63.

EBITDA per division

(in EUR thousands and percentages)	FY 2020		FY 2019		Change FY 2020 vs FY 2019	
The Netherlands	24,648	10.0%	20,051	7.8%	4,597	2.2%pt
Belgium/Luxembourg	21,714	17.6%	16,635	14.6%	5,079	3.0%pt
Total	46,362	12.6%	36,686	9.9%	9,676	2.7%pt

In **the Netherlands**, EBITDA increased by EUR 4.6 million to EUR 24.6 million. The EBITDA margin increased by 2.2%pt to 10.0%. This improvement was the result of an increase in productivity, a higher quality revenue mix with fewer subcontractors, and lower operating costs, such as fuel costs, as a result of employees working from home.

In **Belgium/Luxembourg**, EBITDA increased by EUR 5.1 million to EUR 21.7 million. The EBITDA margin increased by 3.0%pt to 17.6%. The higher margin was the result of the growth of the organisation with our own employees and lower operating costs, such as fuel costs, as a result of our employees working from home.

Net result

(in EUR thousands)	FY 2020	FY 2019
EBITDA	46,362	36,686
Depreciation of intangible assets and property, plant and equipment	-15,130	-14,730
Operating result (EBIT)	31,232	21,956
Net financing costs/profit of associates	-1,251	-1,148
Result before taxes	29,981	20,808
Taxes	-9,331	-7,074
Revaluation deferred tax asset	1,640	1,141
Net profit	22,290	14,875

Net profit came in EUR 7.4 million higher at EUR 22.3 million in 2020 (2019: EUR 14.9 million), entirely in line with the increase in the operating result (EBITDA). The revaluation of the deferred tax asset had a positive impact on the net result in both 2020 and 2019. This revaluation is the result of a reversal of legislation that was set to result in lower corporate income taxes in future years.

Net cash and cash flow

Key changes in the net cash position

<i>(rounded off in EUR millions)</i>	
Year-end 2019	24.6
Net profit	22.3
Depreciation of intangible assets and property, plant and equipment	15.1
Working capital, provisions and other changes	2.7
Interest & taxes	2.5
Net investments	-2.4
Dividend pay-out	-8.9
Other cash flow from financing activities	-11.6
Year-end 2020	44.4

The free cash flow increased to EUR 29.3 million in 2020 (2019: EUR 10.9 million), driven by our improved operational performance.

As at 31 December 2020, Ordina had not made any use of its available financing facility. Net debt as a ratio of adjusted EBITDA, as outlined in the financing agreement, stood at 1.2 negative at 31 December 2020 and was therefore well below the maximum of 2.50 agreed with our financiers. The Interest Cover Ratio stood at 229.8 at 31 December 2020, and was therefore well above the agreed minimum of 5.0.

Purchase of shares

Ordina did not issue any new shares 2020 (in line with 2019). The company intends to repurchase approximately 450,000 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.

Dividend proposal

Ordina has a transparent dividend policy. Ordina pays out between 40% and 60% of the net profit in a reporting year as dividend, on the following conditions:

- o a solvency ratio of at least 35% in the year under review;
- o a historical net debt/adjusted EBITDA ratio of less than 1.25 in Q3 and Q4;
- o the future net debt/adjusted EBITDA ratio in Q1 and Q2 is less than 1.25 (after dividend payment).

This policy is based on the premise that the company's balance sheet ratio should remain healthy. The remaining net profit is added to the general reserve and used to finance our growth strategy (with both organic and non-organic growth). In the event that Ordina has surplus cash, it may consider a variable additional dividend.

The net cash position stood at EUR 44.4 million at year-end 2020. This position exceeds Ordina's working capital requirements and the necessary financial resources to invest in growth in the short term. This makes it possible to pay out a one-off exceptional dividend.

The Management Board proposes that the General Meeting approve a pay-out of 60% of the net profit in line with the policy (14.3 eurocent per share; 2019: 9.5 eurocent) and raise this on a one-off basis to 23.9 eurocent, effectively paying out the full net profit for 2020 as dividend.

Additional information

Working days 2020 and 2019

	2020		2019	
	NL	B	NL	B
Q1	64	64	63	63
Q2	60	61	62	61
Q3	66	64	66	64
Q4	65	63	64	63
Total	255	252	255	251

Media call and analysts call

09:00 hrs CET –Media call

Ordina will explain its results at 09:00 hrs CET on 18 February 2021 during a media call: +31 (20) 531 5856.

10:30 hrs CET – Analysts presentation

Ordina will explain its results at 10:30 hrs CET on 18 February 2021 during a digital analyst presentation.

Definitions

Key definitions of concepts used in this press release

EBITDA: earnings before interest, taxes, depreciation and amortisation.

Direct FTE: employee who can book billable hours for clients and does not have a full-time staff or management role.

Productivity: % of workable hours that a (direct) employee was deployed measured in billable hours.

Free cash flow (FCF): the FCF is the total of net cash flow from operating activities and investment activities, corrected for cash flows related to acquisitions and divestments of group companies and associated participations and dividends received from associated participations. Lease payments are also deducted from the FCF (in line with the application of IFRS 16 Leases).

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