

Financial results for H1 2023

Revenue

This first half of the year showed a solid revenue growth in Nets businesses (when adjusted for the sale of Edigard business) and in the different geographic areas in which we operate, despite the ongoing uncertain macroeconomic situation.

Revenues in H1 2023 showed positive Merchant Services growth of 4% compared to H1 2022 which was offset by the impact from sale of Edigard AS which leads to decreased Revenues in H1 2023 compared to H1 2022.

Net revenue in H1 2023 was EUR 407 million (H1 2022: EUR 413 million). Reported decrease was 1%, whereas on an organic basis the Group showed positive net revenue growth of 5%.

The reported decrease in net revenue at Group level was driven by Digital Banking Solutions by 23% compared to H1 2022, mostly driven by sale of Edigard AS. Growth in Merchant Services was up by 4% compared to H1 2022.

Merchant Services has shown an increase in net revenues by EUR 11 million with total revenues of EUR 271 million (H1 2022: EUR 260 million). The growth was driven mostly by eCommerce and MS Products.

Issuing Solutions net revenue slightly decreased compared to H1 2022 with a revenue of EUR 83 million (H1 2022: EUR 85 million) driven by domestic card schemes.

Operating expenses

The total operating expenses in H2 2023 were EUR 267 million (H1 2022: EUR 266 million), equal to 66% of net revenue, representing an increase of 2 percentage points from H1 2022. Total operating remained mostly flat compared to H1 2022.

Cost of sales

Cost of sales in H1 2023 was EUR 21 million (H1 2022: EUR 32 million), which was a decrease of 34% from H1 2022. This was mainly driven by sale of Edigard AS, smaller costs on eID Solutions in Digital Banking Solutions and smaller marketing costs in Merchant Services.

External expenses

External expenses in H1 2023 were EUR 124 million (H1 2022: EUR 111 million). The higher external expenses were mainly within IT, consulting fees and administration cost due to higher inflation rate, accounting treatment of costs on Dankort, higher eSecurity Services consulting costs in Digital Banking Solutions, higher costs related to moving outsourced IT consultants from off-shore to on-site due to SCHREMS II compliance, etc.

Staff cost

Staff costs in H1 2023 were EUR 122 million (H1 2022: EUR 123 million) with a small decrease of EUR 1 million compared to H1 2022.

EBITDA before special items (b.s.i.)

EBITDA b.s.i. in H1 2023 was EUR 140 million (H1 2022: EUR 147 million). This corresponds to an EBITDA b.s.i. margin in H1 2023 of 34% (H1 2022: 37%) mostly due to lower revenues in H1 2023 compared to H1 2022. EBITDA b.s.i. margin in H1 2022 adjusted for the sold business (Edigard AS) was 34%, and thus levelling on a like-for-like basis, with H1 2023.

Special items

Special items in H1 2023 were EUR 31 million (H1 2022: EUR 36 million). Special items in H1 2023 were driven by EUR 14 million of transformation costs, EUR 7 million related to retention and share programmes, EUR 10 million of expenditures related to reorganisation, restructuring costs and refurbishment. The decrease from H1 2022 was primarily driven by costs related to transformation costs and reorganisation and restructuring costs.

EBITDA

The operating performance in H1 2023 was EUR 109 million (H1 2022: EUR 111 million).

Depreciation and amortisation

In H1 2023, underlying depreciation and amortisation were EUR 75 million (H1 2022: EUR 68 million). The increase of EUR 7 million was driven by completed software development and depreciations from investments in tangibles assets.

Amortisation of business combination and impairment losses in H1 2023 amounted to EUR 27 million (H1 2022: EUR 29 million). The minor decrease was mainly due to assets being fully amortised during the period.

EBIT

EBIT amounted to EUR 7 million (H1 2022: EUR 14 million).

Net financials

Net financial items in H1 2023 amounted to an income of EUR 34 million (H1 2022: EUR 11 million). Net financials were significantly impacted by the development in the EUR/NOK exchange rate, which impacted the NOK denominated Nets A/S intercompany loan from Parent Company. The exchange rate adjustment resulted in an income of EUR 42 million, whereas the corresponding adjustment in H1 2022 was an income of EUR 32 million. None of the adjustments impacted cash flow.

Tax

Taxes in H1 2023 was an income of EUR 1 million (H1 2022: EUR 0 million). The effective tax rate was positively impacted by exchange rate differences with deductions from capitalizations and reassessment of utilization of tax losses.

Net profit/(loss)

Net profit in H1 2023 was EUR 44 million (H1 2022: EUR 25 million).

Balance sheet and cash flow

Tangible and intangible assets

As of H1 2023, total assets amounted to EUR 3,692 million (H1 2022: EUR 3,563 million). Total non-current assets as of H1 2023 amounted to EUR 2,430 million (H1 2022: EUR 2,397 million), impacted by increase in goodwill related to exchange rate development and other intangibles impacted by net increase in software and development projects.

Total current assets as of H1 2023 amounted to EUR 1,262 million (H1 2022: EUR 1,166 million), equal to an increase of EUR 96 million, primarily driven by an increase in clearing-related assets.

Equity

Total equity as of H1 2023 amounted to EUR 1,587 million compared to EUR 1,564 million at the beginning of the year. The net movement of EUR 23 million in H1 2023 included the H1 2023 result, EUR 44 million, offset by currency adjustments and adjusted share-based payments.

Cash flow

In H1 2023, net cash flow from operating activities, excluding clearing working capital, was EUR 90 million and in line with last year (H1 2022: EUR 96 million).

Cash outflow from investing activities in H1 2023 amounted to EUR 95 million (H1 2022: EUR 98 million) and included investments in development projects and software of EUR 93 million (H1 2022: EUR 88 million), investment in Qrtag of EUR 1 million and earnout payments of EUR 1 million (H1 2022: EUR 8 million).

Operating free cash flow¹ in H1 2023 amounted to EUR 8 million (H1 2022: EUR 13 million).

Net cash flow from financing activities in H1 2023, excluding clearing-related balances, was EUR 14 million (H1 2022: EUR 15 million). H1 2023, was impacted by primarily repayment of shareholder loans and other intercompany settlements. Own cash increased by 68% compared to last year.

Clearing working capital

As of H1 2023, clearing-related assets (clearing debtors) amounted to EUR 541 million (H1 2022: EUR 461 million) and clearing-related liabilities amounted to EUR 852 million (H1 2022: EUR 818 million) leading to a clearing working capital (CWC) as of H1 2023 of EUR -311 million (H1 2022: EUR -357 million), which represents a positive clearing-related cash balance for Group.

Net interest-bearing debt

As of H1 2023, net interest-bearing debt, in accordance with IFRS GAAP, amounted to EUR 471 million (H1 2022: EUR 1,021 million). The decrease was driven by converting intergroup loan agreement of EUR 445 million.

The Senior Notes issued by Nets A/S' subsidiary Nassa Topco is set to mature in H1 2024.

Events in the reporting period

In May 2023, Nets announced the partly acquisition of the company Qrtag SP Z.O.O.; a Polish software developer for payment services. The acquisition is a minor acquisition concerning 45% of the company.

Events after the reporting period

There have not been any major events after the end of the reporting period.

¹ Calculated as EBITDA adjusted for changes in narrow working capital and capital expenditures.

Income statement

Consolidated income statement		H1	H1
EURm	Note	2023	2022
Revenue, gross		674	657
Interchange fees and processing fees		(267)	(244)
Revenue, net of interchange fees and processing fees	2	407	413
Cost of sales		(21)	(32)
External expenses		(124)	(111)
Staff costs		(122)	(123)
Operating profit before depreciation and amortisation (EBITDA) before special items		140	147
Special items	3	(31)	(36)
Operating profit before depreciation and amortisation (EBITDA)		109	111
Amortisation of business combination intangibles, customer agreements & impairment losses		(27)	(29)
Underlying depreciation and amortisation		(75)	(68)
Operating profit (EBIT)		7	14
Fair value adjustment of Visa shares		2	-
Financial income and expenses, net		34	11
Net financials		36	11
Profit/(loss) before tax		43	25
Income taxes		1	-
Result for the year		44	25
Profit/(loss) is attributable to:			
Owners of Nets A/S		44	25
Non-controlling interests		-	-
		44	25

Non-GAAP performance measures continuing operations			
Operating profit before depreciation and amortisation (EBITDA) before special items		140	147
Underlying depreciation and amortisation		(75)	(68)
Adjusted EBIT		65	79

Statement of comprehensive income

Consolidated statement of other comprehensive income		H1	H1
EURm		2023	2022
Net profit for the period		44	25
<i>Items that will be reclassified subsequently to the consolidated income statement when specific conditions are met:</i>			
Currency translation adjustments, foreign enterprises		(24)	(31)
Total items that may be reclassified to the consolidated income statement subsequently		(24)	(31)
Other comprehensive income for the period, net of tax		(24)	(31)
Total comprehensive income for the period, net of tax		20	(6)
Total comprehensive income for the period is attributable to:			
Owners of Nets A/S		20	(6)
Non-controlling interests		-	-
		20	(6)

Balance sheet

Consolidated balance sheet		Nets A/S	Nets A/S
EURm	Note	30 Jun 2023	30 Jun 2022
Assets			
Non-current assets			
Goodwill		1,696	1,689
Other intangible assets		503	482
Plant and equipment		143	140
Investment in associates		39	40
Deferred tax asset		44	40
Other non-current assets		5	6
Total non-current assets		2,430	2,397
Current assets			
Inventories		10	10
Trade and other receivables		134	139
Contract assets		23	21
Clearing-related assets		541	461
Prepayments		62	56
Other financial assets		16	12
Receivables from Group enterprises		4	-
Cash and cash equivalent		472	453
Assets held-for-sale		-	14
Total current assets		1,262	1,166
Total assets		3,692	3,563
Equity and liabilities			
Equity			
Share capital		27	27
Reserves		1,560	1,004
Equity, owners of Nets A/S		1,587	1,031
Non-controlling interests		-	-
Total equity		1,587	1,031
Non-current liabilities			
Borrowings	4	-	219
Liabilities to Group enterprises	4	411	897
Pension liabilities, net		1	1
Other Liabilities		19	15
Finance lease		60	50
Deferred tax liabilities		43	59
Total non-current liabilities		534	1,241
Current liabilities			
Other Liabilities		16	14
Borrowings	4	220	-
Finance lease		16	16
Trade and other payables		262	261
Liabilities to Group enterprises		178	169
Clearing-related liabilities		852	818
Other financial liabilities		2	1
Current tax liabilities		25	6
Liabilities associated with assets held-for-sale		-	6
Total current liabilities		1,571	1,291
Total liabilities		2,105	2,532
Total equity and liabilities		3,692	3,563

Statement of cash flow

Consolidated statement of cash flows for the period		Nets A/S 30 Jun 2023	Nets A/S 30 Jun 2022
EURm	Note		
EBITDA b.s.i.		140	147
Special items		(31)	(36)
Other non-cash items		3	2
Change in narrow working capital	5	(8)	(10)
Interest and similar items, net		(3)	(3)
Tax paid		(11)	(4)
Net cash flow from operating activities excluding clearing-related balances		90	96
Change in clearing-related balances		48	114
Net cash from operating activities		138	210
Purchase of intangible assets		(79)	(68)
Purchase of plant and equipment		(14)	(20)
Earn-outs payment		(1)	(8)
Other Investments		(1)	-
Edigard AS cash as assets held-for-sale		-	(5)
Dividends received		-	3
Net cash from investing activities		(95)	(98)
Repayment of shareholder loans		(18)	(10)
Other intercompany transactions		11	-
Repayment of finance lease liabilities		(7)	(5)
Net cash flows from financing activities excluding clearing-related balances		(14)	(15)
Borrowings (clearing-related balances)		-	-
Repayment of borrowings (clearing-related balances)		-	-
Net cash flows from financing activities		(14)	(15)
Net cash flow for the period		29	97
Cash and cash equivalents at the beginning of the period		439	358
Exchange gains/(losses) on cash and cash equivalents		4	(2)
Net cash and cash equivalents at the end of the period		472	453
Bank overdraft (clearing-related balances)		-	-
Bank overdraft (own cash)		-	-
Cash and cash equivalents at the end of the period		472	453
Non-GAAP performance measures			
Net cash and cash equivalents at the end of the period		472	453
Clearing-related assets at the end of period		541	461
Clearing-related liabilities at the end of period		(852)	(818)
Own cash at the end of the period		161	96
Own cash at the beginning of the period		176	115
Net cash flow from operating activities excluding clearing-related balances		90	96
Net cash from investing activities in the current period		(95)	(98)
Net cash flows from financing activities excluding clearing-related activities		(14)	(15)
Exchange gains/(losses) on cash and cash equivalents		4	(2)
Own cash at the end of the period		161	96

Statement of changes in equity

Consolidated statement of changes in equity						
EURm	Share capital	Currency translation re-serves	Retained earnings	Equity, owners Nets A/S	Non-controlling interests	Total equity
2023						
Equity as at 1 January	27	(128)	1,665	1,564	-	1,564
Net profit for the period	-	-	44	44	-	44
Other comprehensive income for the period						
Currency translation adjustments, foreign enterprises	-	(24)	-	(24)	-	(24)
Other comprehensive income for the period	-	(24)	-	(24)	-	(24)
Total comprehensive income for the period	-	(24)	44	20	-	20
Share based payments	-	-	3	3	-	3
Total changes in equity	-	(24)	47	23	-	23
Equity as at 30 June	27	(152)	1,712	1,587	-	1,587

Consolidated statement of changes in equity						
EURm	Share capital	Currency translation re-serves	Retained earnings	Equity, owners Nets A/S	Non-controlling interests	Total equity
2022						
Equity as at 1 January	27	(72)	1,080	1,035	-	1,035
Net profit for the period	-	-	25	25	-	25
Other comprehensive income for the period						
Currency translation adjustments, foreign enterprises	-	(31)	-	(31)	-	(31)
Other comprehensive income for the period	-	(31)	-	(31)	-	(31)
Total comprehensive income for the period	-	(31)	25	(6)	-	(6)
Share based payments	-	-	2	2	-	2
Total changes in equity	-	(31)	27	(4)	-	(4)
Equity as at 30 June	27	(103)	1,107	1,031	-	1,031

Note 1 Significant accounting policies

The condensed consolidated interim financial statements of Nets A/S for the period 1 January - 30 June 2023 comprise Nets A/S and its subsidiaries (together referred to as "the Group") and associates.

The comparative 2022 results presented reflects combined activities of the Group.

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and additional Danish disclosure requirements.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements for 2022. The consolidated financial statements for the Group for 2022 contain a complete description of the accounting policies.

Key accounting estimates and judgements

The preparation of the Group's interim financial statements requires Executive Management to make assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the financial period.

Estimates and judgements used in the determination of reported results are continuously evaluated and are based on historical experience and on various other factors that are believed to be reasonable in the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Except for the judgements and estimates commented upon in the notes of this interim report, the significant judgements made by Executive Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the Group as at and for the year ended 31 December 2022.

Note 2 Segment information

H1 2023

	Merchant Services	Issuing Solutions	Digital Banking Solutions	Group
EURm				
Income statement				
Revenue, gross	538	83	53	674
Revenue, net	271	83	53	407
Reported growth	4%	2%	-23%	3%
Organic growth	8%	2%	-5%	3%

H1 2022

	Merchant Services	Issuing Solutions	Digital Banking Solutions	Group
EURm				
Income statement				
Revenue, gross	504	85	68	657
Revenue, net	260	85	68	413
Reported growth	21%	1%	-6%	11%
Organic growth	19%	0%	-7%	10%

Note 3 Special items

EURm	H1 2023			H1 2022		
<i>Special items</i>	<i>External expenses</i>	<i>Staff costs</i>		<i>External expenses</i>	<i>Staff costs</i>	
Reorganisation, restructuring costs and refurbishment	(3)	(7)	(10)	(1)	(4)	(5)
Costs associated with business setups, acquisitions, and disposals	1	(1)	-	-	(1)	(1)
Transformation programme	(8)	(6)	(14)	(14)	(4)	(18)
Share based payment, other retention, and One-off losses	(2)	(5)	(7)	-	(12)	(12)
Total special items	(12)	(19)	(31)	(15)	(21)	(36)

Special items comprise costs or income that cannot be attributed directly to the Group's ordinary activities. Such costs and income include the cost of extensive restructuring or processes and fundamental structural adjustment, and costs related to the owner structure. They are therefore separately disclosed to allow a more comparable view of underlying business performance.

Note 4 Borrowings

Term and maturity of the Group's interest-bearing loans and borrowing	Interest Rate		Year of Maturity	Currency	Available facility	Drawn amount	Amount hedged	30 June 2023	30 June 2022
	Nominal	Effective						Carrying Amount	Carrying Amount
EURm									
Senior Notes	2.875%	2.9%	2024	EUR	220	220	-	-	219
IC Loan (NOK) ¹	NIBOR ² + 4.00%	8.4%	2025	NOK	-	-	-	-	445
IC Loan I (EUR)	2.92%	2.9%	2026	EUR	102	102	-	102	99
IC Loan II (EUR)	2.92%	2.9%	2026	EUR	309	309	-	309	353
Credit Facility	WIBOR ² + 1.65%	8.6%	2024	PLN	5	-	-	-	-
Total long-term borrowings (non-current liabilities)								411	1,116
Senior Notes	2.875%	2.9%	2024	EUR	220	220	-	220	-
Money market (clearing-related balances)				Multi	75	-	-	-	-
Overdraft facility (clearing-related balances) ³				Multi	155	-	-	-	-
Total short-term borrowings (current liabilities) - Included in own cash calculation								220	-
Total loans and borrowings								631	1,116

1. IC Loan (NOK) was converted to equity in H2 2022.

2. For the IC Loan (NOK) and the Credit Facility there is a floor of 0.0% on the NIBOR and WIBOR.

3. Overdraft facility for clearing working capital ("CWC") with commitment of EUR 155 million in bank lines.

Net interest-bearing debt	30 June 2023	30 June 2022
Total long-term borrowings exclusive of finance lease liability (non-current liabilities)	411	1,116
Total short-term borrowings exclusive of finance lease liability (current liability)	220	-
Capitalised debt costs included in carrying amount	1	1
Own cash	(161)	(96)
Net interest-bearing debt	471	1,021

Note 5 Operating free cash flow	H1 2023	H1 2022
	Operating profit before depreciation and amortisation and special items (EBITDA) continuing business	140
Special items continuing business	(31)	(36)
Change in narrow working capital	(8)	(10)
Purchase of intangible assets	(79)	(68)
Purchase of plant and equipment	(14)	(20)
Operating free cash flow	8	13