

secunet Security Networks AG

Group Quarterly Statement as at 30 September 2020

Group sales and EBIT

In the period from January to September 2020, secunet Group achieved sales revenues of 189.0 million euros. Compared with the same period of the previous year (163.5 million euros), this represents an increase of 16% or 25.5 million euros. The growth in sales revenue results primarily from the increased product business (trade goods, licences, maintenance and support) in the Public Sector division.

secunet Group achieved earnings before interest and taxes (EBIT) of 32.1 million euros in the first nine months of 2020. This corresponds to an increase of 45% or 10.0 million euros on the EBIT in the same period of the previous year (22.1 million euros).

Segment reporting

secunet Group is segmented into the Public Sector and Business Sector divisions according to the different target groups.

The Public Sector division is geared towards public clients. The portfolio of the Public Sector division includes the SINA product family – comprising solutions (software, hardware and management) for highly secure, cryptographic processing, transmission and storage of classified information with varying levels of confidentiality – as well as products for electronic passports, automated (biometric) border controls and the ELSTER electronic tax declaration. Furthermore, the portfolio features a wide range of IT security products and services for public customers, ranging from IT security consulting and training to the equipment of large infrastructures with high-security technology and public key infrastructures.

In the period from January to September 2020, the Public Sector division achieved sales revenues of 163.7 million euros. Compared with the revenues in the same period of the previous year (112.6 million euros), this represents an increase of 45% or 51.1 million euros. The substantial sales growth in the Public Sector division is related to special effects of the coronavirus pandemic: German authorities have pushed ahead with equipping their staff with secure mobile workplaces as needed for working in a mobile office setting. The growth is thus mainly attributable to high revenues in conjunction with products in the SINA family, particularly SINA Workstation. Service sales remained at an unchanged high level. This means that the Public Sector division contributed 87% to Group sales revenues (previous year: 69%). EBIT improved from 17.2 million euros in the first nine months of 2019 to 35.0 million euros in the same period of the current year.

The Business Sector division addresses its range of products and services (IT security consulting and solutions) towards companies in the private and healthcare sectors. The product portfolio includes, for example, the secunet konnektor for healthcare telematics (in different variants depending on the size of the infrastructure to be served) and secunet edge, which enables Internet-supported production facilities to be secured.

Sales revenue in the Business Sector division fell in the period from January to September 2020 by 50% or 25.5 million euros from the prior-year level (50.9 million euros) to 25.4 million euros. The decline is primarily attributable to the fact that the rollout of healthcare connectors in medical practices in the previous year resulted in a very high level of sales. The Business Sector division's share in the Group's sales revenue was 13% (previous year: 31%). After the first nine months of 2020, the division's EBIT accordingly stood at -3.0 million euros, down from 4.8 million euros in the same period last year.

Cash flow and liquid assets

18.6 million euros in cash and cash equivalents was disbursed during the first nine months of the 2020 financial year, compared with 4.4 million euros in the previous year. The change in the cash flow is mainly attributable to the high cash outflow from operating activities. This in turn is due in particular to a high build-up of inventories to ensure delivery capability and to temporarily high receivables resulting from completed customer projects.

Cash holdings totalled 45.9 million euros as at 30 September 2020, compared with 64.5 million euros as at 31 December 2019.

Order book

As at 30 September 2020, the order book of secunet Security Networks AG in accordance with IFRS amounted to 112.0 million euros, compared with 71.2 million euros as at the previous year's reporting date.

Outlook

The business development of secunet Group in the first nine months of the current financial year was very good and exceeded the Management Board's original expectations.

Given the record results in the 2019 financial year, the Management Board of the Company was still expecting a slight decline in sales revenues and EBIT for the 2020 financial year compared with the 2019 financial year at the time the 2019 consolidated financial statements were prepared in March 2020. As early as the time of publication of the results for the first quarter, the already very full order book indicated that the coronavirus pandemic did not appear to pose a threat to the original forecast being met. Against the backdrop of the preliminary figures for the end of May and the consistently well-filled order book, the Management Board published an improved outlook for 2020 for secunet Group in its release (Insider Information) of 17 June 2020. The forecast since then is for sales revenues to reach around 270 million euros and earnings before interest and taxes (EBIT) around 48 million euros (2019 financial year: sales revenues 226.9 million euros, EBIT 33.2 million euros).

Based on the very good business development so far in the current financial year and a confident outlook for the fourth quarter, the Management Board confirms this forecast.

Essen, 4 November 2020

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Forward-looking statements

This Interim Communication contains statements regarding the future performance of secunet Security Networks AG, as well as economic and political developments. These statements are opinions that we have formed based on the information currently available to us. Should the assumptions on which these statements are based not be applicable or should further risks arise, the actual results may deviate from the results currently expected. We cannot therefore offer any guarantee as to the accuracy of these statements.

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