

# INTERIM STATEMENT

## Q1 2020

# BUSINESS PERFORMANCE OF SNP SCHNEIDER-NEUREITHER & PARTNER SE IN THE FIRST QUARTER OF 2020

## SIGNIFICANT EVENTS IN THE FIRST QUARTER OF 2020

### MHP and SNP Expand Partnership

In March 2020, the management and IT consulting firm MHP and SNP further expanded their long-term partnership. The goal of their intensified partnership is to assist and support customers with their upcoming SAP S/4HANA changeover. MHP is contributing its SAP end-to-end business process expertise – which is based on over 20 years of consulting experience in the mobility and manufacturing field – and is supporting companies throughout their transformation process. Alongside comprehensive SAP expertise and its proven BLUEFIELD™ transformation approach, SNP is providing its CrystalBridge® data transformation platform.

This combination of both partners' areas of expertise enables planning, management and control of every organizational, procedural and technological aspect of an SAP S/4HANA changeover. This includes analysis of the existing process and system landscape and simulation of different transformation scenarios, the development of a roadmap and testing and harmonization of data as well as the actual technological migration.

### Common MS and SNP Conclude Strategic Partnership

In March 2020, the Spanish IT company Common Management Solutions SL and SNP signed an agreement on their strategic cooperation. This contract has an initial term of three years. SNP will further expand its network of partners through this agreement; in the future, Common MS will use SNP software to boost the capability of its products and services for its projects.

Common MS is one of SAP's most important partners in the healthcare sector. In 2019, SAP recognized it as its fastest-growing partner for sales of on-premises licenses. By using SNP's CrystalBridge® software Common MS will be able to execute transformation projects even more rapidly and securely. SNP's powerful software solutions and its outstanding reputation as a leading specialist in the

field of complex transformation projects and data migrations in the SAP environment provide added value for Common MS' existing customers as well as a significant advantage for new customer acquisition.

## FINANCIAL POSITION AND FINANCIAL PERFORMANCE

### Revenue Performance

Due to a large order backlog as of December 31, 2019, and the strength of its order entry volume, the SNP Group increased its revenue by 19.5% to € 34.4 million in the first quarter of 2020 (previous year: € 28.8 million). This trend mainly reflected a significant increase in revenue in the Software business segment, whose revenue rose by 45.7% to € 9.1 million (previous year: € 6.2 million). This is attributable to high demand from sales partners as well as positive development in the SAP S/4HANA environment. At the same time, revenue in the Services business segment increased by 12.3% on the first quarter of the previous year and amounted to € 25.3 million (previous year: € 22.5 million). This reflected the strong order situation and the related improvement in the level of utilization.

### Revenue Distribution by Region

The increase in Group revenue in the reporting period is based on persistently strong demand in the **DACH** region (Germany, Austria and Switzerland). Here, the SNP Group generated revenue of € 17.2 million (previous year: € 13.0 million). This corresponds to a total revenue share of around 50% (previous year: around 45%) and revenue growth of around 32%. The particularly strong level of growth in this region is attributable to increased software and service revenue.

Due to two major orders, the **UK** region recorded the strongest volume of growth throughout the Group; following the first three months of the year, revenue here amounts to € 2.6 million. This represents an increase of approximately 74% on the previous year (previous year: € 1.5 million). The trend has also picked up in the **Latin America** region. A revenue contribution of € 3.6 million represents a year-over-year increase of 10% (previous

in € million	Q1 2020	Q1 2019	Deviation as %
Order entry	47.7	38.9	+23%
Order backlog	106.2	49.0	+117%
Revenue	34.4	28.8	+20%
EBITDA	-2.0	-1.3	-62%
EBIT	-4.0	-3.3	-21%

year: € 3.3 million). The **JAPAC** region achieved a revenue volume of € 1.9 million; its revenue thus rose by around 20% by comparison with the first quarter of 2019 (previous year: € 1.6 million). At € 4.9 million, revenue in **Poland** was stable and at the same level as in the previous year. The USA alone recorded a negative trend: € 4.1 million in the reporting period, compared to € 4.4 million in the first quarter of 2019, which represents a 6% decline in revenue.

### Revenue Distribution by Business Segment

In the first quarter, the Services business segment provided € 25.3 million (previous year: € 22.5 million) of Group revenue. Revenue in the Services business segment thus increased by € 2.8 million, or around 12%, in comparison with the first quarter of 2019, thanks to the strength of the order situation. This corresponds to a share of around 74% (previous year: 78%) of the overall revenue of € 34.4 million. The slight decline in the share of overall revenue accounted for by the Services business segment is attributable to the Software business segment's particularly strong growth and is consistent with the Group's strategy of aiming for a significant increase in software license revenue and maintenance fees.

The Software business segment (including maintenance and cloud) generated revenue of € 9.1 million (previous year: € 6.2 million). This corresponds to an increase of around 46% compared with the first quarter of 2019. Within this business segment, licensing and cloud fees have increased by € 2.5 million or approximately 65% to € 6.2 million (previous year: € 3.8 million). Software support revenue has increased by € 0.4 million to € 2.3 million (previous year: € 1.9 million). Software-as-a-service revenue once again amounted to € 0.5 million in the reporting period (previous year: € 0.5 million).

Revenue with higher-margin SNP in-house products (including software-as-a-service revenue) increased significantly, by € 2.4 million to € 7.1 million. In the same period, revenue in the amount of € 1.9 million (previous year: € 1.5 million) was recorded with third-party products, which corresponds to an increase of approximately 27%.

### Order Backlog and Order Entry

Order entry as of March 31, 2020, totaled € 47.7 million, approximately 23% above the comparable figure for the previous year (previous year: € 38.9 million). At a monthly level, the strongest order entry volume was recorded in March, with € 17.1 million; € 16.7 million in February and € 13.9 million in January of the current fiscal year.

The Software business segment accounts for € 16.7 million, or 35%, of the order entry volume (previous year: € 13.3 million, or 34%). € 31.0 million, or 65%, of the order entry volume is attributable to the Services business segment (previous year: € 25.6 million, or 66%).

In the core DACH market, the order entry trend remained positive. € 21.6 million in the first quarter of 2020 represents growth of approximately 19% on the same quarter in the previous year (previous year: € 18.2 million). The DACH region thus represents around 45% of the overall order entry volume (previous year: around 47%).

The order entry figure has increased particularly strongly in connection with upcoming SAP S/4HANA projects. The order entry volume amounts to € 11.1 million and has thus more than tripled in comparison to the first quarter of 2019 (previous year: € 3.2 million). Upcoming SAP S/4HANA projects thus now represent almost a quarter of the entire order entry volume of the SNP Group. In the 2019 fiscal year, S/4HANA-related projects accounted for around 14% of the order entry figure.

The order backlog amounted to € 106.2 million as of March 31, 2020, compared to € 92.7 million as of December 31, 2019.

## EARNINGS POSITION

Due to structural growth investments related in particular to personnel, the earnings trend in the first quarter of 2020 was not yet able to match the improved revenue trend. Accordingly, an EBITDA figure of € -2.0 million was generated (previous year: € -1.3 million) in the first quarter of 2020. The EBITDA margin following the first three months of the year thus amounts to -5.9% (previous year: € -4.4%). The EBIT figure in the same period was € -4.0 million (previous year: € -3.3 million); the EBIT margin is thus -11.6% (previous year: -11.5%).

### *Income and Expense Situation*

In line with the Group-wide growth strategy and in view of the continuing stability of the order situation and the strong project pipeline, SNP significantly increased its number of employees in the period under review, specifically in the second half of 2019. Accordingly, personnel expenses rose by € 4.4 million, or 22%, to € 24.9 million (previous year: € 20.5 million) year-over-year in the first three months of 2020. As of March 31, 2020, the Group had 1,411 employees (March 31, 2019: 1,272). This represents an increase of approximately 11% compared to March 31, 2019, and of approximately 3% compared to the end of 2019 (as of December 31, 2019: 1,365). The cost of purchased services and materials increased less strongly and amounted to € 4.5 million (previous year: € 4.3 million).

Extraordinary expenses associated with SNP's internal SAP S/4HANA migration – which was successfully completed in the first quarter – and other one-off internal projects, such as the establishment of new locations in Japan and Australia, and resulting cost burdens also had a negative impact on earnings. Other operating expenses accordingly increased particularly strongly, by € 1.8 million to € 7.6 million.

At € 1.9 million, depreciation and amortization are slightly lower than in the previous year (previous year: € 2.1 million).

### *Net Financial Result and Profit for the Period*

Other operating income rose slightly, by € 0.1 million to € 0.8 million. This slight increase is mainly attributable to exchange rate gains.

Since other financial expenses of € 0.4 million contrasted with only immaterial other financial income in the period under review, net financial costs were negative at € -0.3 million (previous year: € -0.2 million), resulting in earnings before taxes of € -4.3 million (previous year: € -3.5 million). With income tax income of € 0.9 million (income in previous year: € 0.7 million), as in the previous year a net loss of € -3.5 million resulted in the first three months of the 2020 fiscal year (previous year: € -2.8 million). This corresponds to a net margin of -10.1% (previous year: -9.9%). Accordingly, diluted and basic earnings per share amounted to € -0.52 (previous year: € -0.43).

## NET ASSETS

Total equity and liabilities have decreased by € 6.2 million compared with December 31, 2019, to € 167.8 million. The decline on the asset side of the balance sheet is attributable, in particular, to the trend for current assets; these declined by € 4.8 million to € 72.0 million. Cash and cash equivalents decreased by € 6.6 million to € 12.6 million. Other nonfinancial assets increased by € 2.7 million to € 4.9 million. This was attributable, in particular, to support services that were due at the start of the year. Noncurrent assets decreased by € 1.5 million to € 95.8 million. This change predominantly reflects the decrease in goodwill, mainly due to currency adjustments.

## FINANCIAL POSITION

On the equity and liabilities side, current and noncurrent liabilities were virtually unchanged compared to December 31, 2019: As of March 31, 2020, current liabilities amounted to € 49.8 million and noncurrent liabilities to € 53.4 million.

Under current liabilities, overall trade payables and contract liabilities increased by € 1.8 million. On the other hand, financial liabilities decreased by € 1.5 million to € 11.8 million due to the settlement of purchase price and lease liabilities.

Under noncurrent liabilities, no significant changes resulted in comparison with December 31, 2019.

The Group's equity declined in the first three months of 2020 from € 70.6 million to € 64.6 million. This decrease is mainly attributable to the loss for the period in the amount of € 3.5 million. As a result, retained earnings decreased from € 9.9 million as of December 31, 2019, to € 6.5 million. The deduction made for treasury shares increased in comparison with December 31, 2019, to € -2.2 million in the reporting period (as of December 31, 2019: € -1.5 million). This was due to the repurchase of 9,820 treasury shares. Subscribed capital and the capital reserves remain unchanged. Due to the decrease in equity as well as total equity and liabilities as of March 31, 2020, the equity ratio declined slightly, from 40.6% to 38.5%.

### Development of Cash Flow and the Liquidity Position

The negative operating cash flow in the amount of € -3.7 million (previous year: € -4.4 million) in the first three months of 2020 is mainly attributable to the net loss for the period (€ -3.5 million). The increase in trade receivables, contract assets and other current and noncurrent assets in the amount of € 3.0 million also had a negative impact. Depreciation and amortization in the amount of € 1.9 million and the increase in trade payables, contract lia-

bilities and other liabilities – also in the amount of € 1.9 million – had a countervailing effect.

The negative cash flow from investing activities in the amount of € -1.8 million (previous year: € -3.2 million) is mainly attributable to payments for purchase price installments in connection with company acquisitions in previous years (€ -0.6 million) as well as investments in property, plant and equipment (€ -0.9 million).

Financing activities have resulted in a negative cash flow in the amount of € -0.9 million (previous year: € 0.0 million). This negative cash flow has arisen due to factors such as the purchase of treasury shares in the amount of € 0.6 million (previous year: € 0.0 million). In addition, proceeds of loans taken out in the amount of € 7.0 million (previous year: € 0.0 million) contrast with the payments made for the settlement of lease liabilities in the amount of € 2.2 million (previous year: € 0.0 million) and due to the redemption of loans in the amount of € 5.0 million (previous year: € 0.0 million).

The effects of changes in foreign exchange rates on cash and bank balances have resulted in an impact of € -0.2 million (previous year: € -0.1 million).

Overall cash flow during the reporting period came to € -6.6 million (previous year: € -7.7 million). Taking into account the changes presented here, the level of cash and cash equivalents decreased to € 12.6 million as of March 31, 2020. As of December 31, 2019, cash and cash equivalents amounted to € 19.1 million. Overall, the SNP Group remains solidly positioned financially.

## EMPLOYEES

As of March 31, 2020, the number of employees of the SNP Group increased to 1,411; as of December 31, 2019, they totaled 1,365 employees. The Group's employees included 4 Managing Directors (as of December 31, 2019: 4), 23 managers (as of December 31, 2019: 21) and 37 trainees, students and interns (as of December 31, 2019: 36).

The average number of employees during the reporting period (Q1 2020), excluding the aforementioned group of individuals, was 1,337 (previous year: 1,225).

## FORECAST

SNP Schneider-Neureither & Partner SE has updated its forecast for the 2020 fiscal year due to the expected effects of the COVID-19 pandemic. While the company completed the first quarter of 2020 with a significant increase in revenue, management currently assumes that the effects of the pandemic will have a significantly greater impact in the second quarter in particular, thus resulting in a slowdown in growth by comparison with the previous year. Since early April, demand has declined in the automotive and aircraft industries, for instance. Nonetheless, SNP SE continues to expect growth in revenue compared to the previous year. Its updated forecast envisages Group revenue of between € 145 million and € 170 million (previously: between € 175 million and € 185 million). The EBIT margin is expected to fall within the mid-single-digit percentage range (previously: between 6.5% and 8.5%). Following a weaker second quarter of the current fiscal year, SNP SE's management expects conditions to improve during the third quarter.

Heidelberg, Germany, April 29, 2020

The Managing Directors



Dr. Andreas Schneider-Neureither



Michael Eberhardt



Prof. Dr. Heiner Diefenbach



Frank Hohenadel

## CONSOLIDATED BALANCE SHEET

As of March 31, 2020

ASSETS			
in € thousand	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
<b>Current assets</b>			
Cash and cash equivalents	12,564	19,137	32,287
Other financial assets	262	703	913
Trade receivables and other receivables	32,535	33,318	24,437
Contract asset values	21,244	20,987	4,339
Inventories	410	374	371
Other non-financial assets	4,868	2,134	3,527
Tax receivables	93	86	380
	<b>71,976</b>	<b>76,739</b>	<b>66,254</b>
<b>Non-current assets</b>			
Goodwill	52,660	54,194	54,098
Other intangible assets	7,496	7,889	7,503
Property, plant and equipment	5,904	5,513	5,974
Rights of use	20,353	21,428	14,543
Other financial assets	811	869	698
Investments accounted for under the equity method	225	25	0
Trade receivables and other receivables	0	137	240
Contract values	1,960	1,966	0
Other non-financial assets	219	60	32
Deferred taxes	6,163	5,207	7,369
	<b>95,791</b>	<b>97,288</b>	<b>90,457</b>
	<b>167,767</b>	<b>174,027</b>	<b>156,712</b>
<b>EQUITY AND LIABILITIES</b>			
in € thousand	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
<b>Current liabilities</b>			
Trade payables and other liabilities	9,001	10,239	7,708
Contract liabilities	9,469	6,440	5,076
Tax liabilities	927	1,116	485
Financial liabilities	11,792	13,277	10,540
Other non-financial liabilities	18,505	18,672	13,807
Provisions	118	115	189
	<b>49,812</b>	<b>49,859</b>	<b>37,805</b>
<b>Non-current liabilities</b>			
Trade payables and other liabilities	0	0	272
Financial liabilities	49,675	49,309	48,344
Provisions for pensions	3,017	2,891	2,086
Other provisions	0	603	0
Deferred taxes	694	763	917
	<b>53,386</b>	<b>53,566</b>	<b>51,619</b>
<b>Equity</b>			
Subscribed capital	6,602	6,602	6,602
Capital reserve	59,968	59,968	59,968
Retained earnings	6,520	9,922	4,793
Other components of the equity	-6,389	-4,467	-3,783
Treasury shares	-2,153	-1,509	-415
<b>Equity attributable to shareholders</b>	<b>64,548</b>	<b>70,516</b>	<b>67,166</b>
Non-controlling interests	21	86	122
	<b>64,569</b>	<b>70,602</b>	<b>67,287</b>
	<b>167,767</b>	<b>174,027</b>	<b>156,712</b>

## CONSOLIDATED INCOME STATEMENT

for the period from January 1 to March 31, 2020

in € thousand	Q1 2020	Q1 2019
<b>Revenue</b>	<b>34,367</b>	<b>28,757</b>
	Service	22,531
	Software	6,226
Capitalized own services	9	0
Other operating income	824	720
Cost of material	-4,536	-4,271
Personnel costs	-24,940	-20,494
Other operating expenses	-7,643	-5,890
Impairments on receivables and contract assets	0	-3
Other taxes	-117	-74
<b>EBITDA</b>	<b>-2,036</b>	<b>-1,255</b>
Depreciation and impairments on intangible assets and property, plant and equipment	-1,949	-2,052
<b>EBIT</b>	<b>-3,985</b>	<b>-3,307</b>
Other financial income	8	9
Other financial expenses	-356	-249
<b>Net financial income</b>	<b>-348</b>	<b>-240</b>
<b>EBT</b>	<b>-4,333</b>	<b>-3,547</b>
Income taxes	867	709
<b>Net loss</b>	<b>-3,466</b>	<b>-2,838</b>
Thereof:		
Profit attributable to non-controlling shareholders	-65	-26
Profit attributable to shareholders of SNP Schneider-Neureither & Partner SE	-3,401	-2,812
<b>Earnings per share (€)</b>		
- Undiluted	-0.52	-0.43
- Diluted	-0.52	-0.43
<b>Weighted average number of shares (in thousand)</b>		
- Undiluted	6,543	6,602
- Diluted	6,543	6,602



**CONSOLIDATED CASH FLOW STATEMENT**

for the period from January 1 to March 31, 2020

in € thousand	Q1 2020	Q1 2019
<b>Profit after tax</b>	<b>-3,466</b>	<b>-2,838</b>
Depreciation	1,949	2,052
Change in provisions for pensions	126	24
Other non-cash income/expenses	-1,208	-769
Changes in trade receivables, contract assets, other current assets, other non-current assets	-3,005	2,238
Changes in trade payables, contract liabilities, other provisions, tax liabilities, other current liabilities	1,933	-5,103
<b>Cash flow from operating activities (1)</b>	<b>-3,671</b>	<b>-4,396</b>
Payments for investments in property, plant and equipment	-883	-322
Payments for investments in intangible assets	-129	-7
Payments for investments in at-equity investments	-200	0
Proceeds from the disposal of items of intangible assets and property, plant and equipment	8	113
Payments resulting from the acquisition of consolidated companies and other business units	-600	-2,990
<b>Cash flow from investing activities (2)</b>	<b>-1,804</b>	<b>-3,206</b>
Proceeds from capital increase	-644	0
Payments for the purchase of treasury shares	6,988	23
Payments for the settlement of loans and other financial liabilities	-5,049	0
Payments resulting from the settlement of lease liabilities	-2,164	0
<b>Cash flow from financing activities (3)</b>	<b>-869</b>	<b>23</b>
Changes in cash and cash equivalents due to foreign exchange rates (4)	-229	-108
<b>Cash change in cash and cash equivalents (1) + (2) + (3) + (4)</b>	<b>-6,573</b>	<b>-7,687</b>
Cash and cash equivalents at the beginning of the fiscal year	19,137	39,974
<b>Cash and cash equivalents as of March 31</b>	<b>12,564</b>	<b>32,287</b>
<b>Composition of cash and cash equivalents:</b>	<b>Q1 2020</b>	<b>Q1 2019</b>
Cash and cash equivalents	12,564	32,287
<b>Cash and cash equivalents as of March 31</b>	<b>12,564</b>	<b>32,287</b>

## SEGMENT REPORTING

for the period from January 1 to March 31, 2020

in € thousand	Service	Software	Total
<b>External revenue</b>			
Jan. – March 2020	25,297	9,070	34,367
Jan. – March 2019	22,531	6,226	28,757
<b>Segment earnings (EBIT)</b>			
Jan. – March 2020	-1,157	-45	-1,202
Marge	-4.6%	-0.5%	-3.5%
Jan. – March 2019	-2,471	801	-1,670
Marge	-11.0%	12.9%	-5.8%
<b>Depreciation, amortization and write-downs included in the segment earnings</b>			
Jan. – March 2020	1,248	463	1,711
Jan. – March 2019	1,634	174	1,808

### Reconciliation

in € thousand	Jan. – March 2020	Jan. – March 2019
<b>Result</b>		
Total reportable segment	-1,202	-1,670
Expenses not allocated to the segments	-2,783	-1,637
<i>of which depreciation, amortization and write-downs</i>	-238	-244
<b>EBIT</b>	<b>-3,985</b>	<b>-3,307</b>
Net financial result	-348	-240
<b>Earnings before taxes (EBT)</b>	<b>-4,333</b>	<b>-3,547</b>

## CONTACT

Do you have questions or need more information? We are at your disposal:

SNP Schneider-Neureither & Partner SE  
Dossenheimer Landstraße 100  
69121 Heidelberg  
Tel.: +49 6221 6425-0  
E-Mail: [info@snpgroup.com](mailto:info@snpgroup.com)  
Internet: [www.snpgroup.com](http://www.snpgroup.com)

Contact Investor Relations

Christoph Marx  
Global Head of Investor Relations  
Phone: +49 6221 6425-172

Marcel Wiskow  
Director Investor Relations  
Phone: +49 6221 6425-637

Email: [investor.relations@snpgroup.com](mailto:investor.relations@snpgroup.com)

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