

Relevant information

Trading Update 9M20

Lisboa, 5 November 2020

Novabase – Sociedade Gestora de Participações Sociais, S.A., under the terms and for the purposes of article 17 of Regulation (EU) no. 596/2014 of the European Parliament and of the Council and article 248-A of the Portuguese Securities Code, discloses today to the market a Trading Update regarding the nine months 2020, whose essential features are included in the presentation attached.

In addition, it is further informed that a webcast on this Trading Update will be held today, at 5 pm Lisbon time (GMT). More information can be found at www.novabase.pt.

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Novabase – Sociedade Gestora de Participações Sociais, SA

Public Company

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Share Capital: € 54,638,425.56

Lisbon Commercial Registry Office registration and legal person number 502.280.182

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Privileged Information

NEXT-GEN

**IT SERVICES
COMPANY**

NOVABASE

9M20

**TRADING
UPDATE**

November 5, 2020

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Disclaimer

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9M20 Outlook



CEO

Message from João Nuno Bento

"We are very happy with the 9M20 performance indicators. The company continues to execute smoothly under challenging circumstances.

Overall, KPIs confirm the trends observed in the 6M report:

- *Turnover increased 12% YoY;*
- *85% of Next-Gen Revenues captured from Top Tier Clients;*
- *Solid Net Cash position of 49.4 M€;*
- *NBA share price increased 31%;*
- *The Value Portfolio slowed its growth to 12%YoY reflecting localized Covid-19 impacts.*

The disposals of GTE and Collab, and the strategic focus on Next-Gen created a more homogeneous business model. We are concluding the necessary adjustments to put in place a more efficient support structure.

The Celfocus 45% stake acquisition allowed us to merge our Telco and Financial Services Verticals, unleashing significant cost synergies. We believe commercial synergies will follow.

Although Covid-19 did not impact significantly our performance in the 9M20, we remain cautious in the short-term but optimistic in the medium term.

As the second wave of the Pandemic is now unfolding in Europe, we expect several short-term impacts:

- *New clients' acquisition will remain very challenging.*
- *M&A activity will be delayed.*
- *A negative sentiment during the 2021 budgeting season may lead our clients to cut on investments.*

For the mid-term, we remain optimistic. In fact, some recent outlooks predict Digital Investments will continue to grow at compounded rates over 15% till 2023.*

On the 28th October, Novabase Shareholders Agreement Subscribers, representing 40.12% of the Company's shares, disclosed the intention to propose Luís Salvado as Chairman and CEO for the next mandate (2021 to 2023).

The Board, Shareholders, and all Stakeholders can count on me to serve the company with full commitment till the last day of my tenure.

Thank You All for your continued support!"

*IDC FutureScape: Worldwide Digital Transformation 2021, October 2020

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9M20 in Review

Relevant acquisition initiative to grow Next-Gen completed

Next-Gen strengthened with the acquisition of Vodafone Portugal's equity stake in **Celfocus** for an initial price of 20 M€, subject to adjustments.

Full ownership of **Celfocus** is key to Novabase's strategy of becoming an "Next-Gen IT Services Company", enabling the Group to allocate resources and explore synergies in a more efficient way.

**Next-Gen:
Strategy
2019+
Execution**

**Value
Portfolio:
Strategy
2019+
Execution**

**Press
Zone**

Generating value to fund Next-Gen strategy

Novabase continues to successfully deliver on its strategy, with the sales of **Collab** and **GTE Business** ⁽¹⁾, which combined represent a divestment of over 60% of its Value Portfolio segment revenue ⁽²⁾:

- **Sale of Novabase's equity stake in Collab** to the Swedish Netadmin System I Sverige AB, for a 2019 Price to Sales multiple of 0.92x, subject to adjustments;
- **Adjustment to consideration on the sale of GTE Business**, raising the 2019 Price to Sales multiple of this transaction to 1.01x.

Novabase on the News

- 3/11 || **Novabase re-entered PSI20** as of March, 23.
- 4/23 || **Luís Salvado met with the President of Portugal**, to discuss the impact of the pandemic and prospects on IT sector.
- 7/6 || Euronext Lisbon CEO congratulated **Novabase** for its **20 years of stock market**, marked by adherence to good practices, resilience and ability to reinvent itself.
- 7/9 || **Novabase was awarded as the most innovative company in people management** by the Human Resources Portugal Magazine, for the 2nd year in a row.
- 10/28 ⁽³⁾ || **Novabase Shareholders Agreement Subscribers report intention to propose Luís Salvado as Chairman and CEO** for the next mandate (2021 to 2023).

(1) Accounted in FY19.

(2) Baseline FY18 (previous to Strategic Update 2019+).

(3) Subsequent event to 9M20.

Relevant Information



Acquisition of Celfocus equity stake

Novabase buys Vodafone Portugal's equity stake in Celfocus

- On April 24, 2020, Novabase has entered into a **sale and purchase agreement with Vodafone Portugal, S.A.** ("Vodafone") to buy the shares representing **Vodafone's equity stake in Celfocus, S.A.** (45.001%).
- The **agreed purchase price** for Vodafone's entire shareholding was **20 M€**, fully paid on April, 30.
- There **may be an additional price adjustment of 7.5 M€**, to be paid for **in services**, which could raise the final purchase price to a maximum of 27.5 M€, **as a result of possible annual adjustments until 2023** related to service hiring guarantees of 10 M€ per year for three years given by Vodafone.
- Due to the **importance of this transaction for the execution of the strategy** and given Novabase's financial robustness, the Board of Directors approved the acquisition, despite the current context of uncertainty. This transaction does not require any significant guidance reframing regarding the Strategic Update 2019+.
- Celfocus employed over 650 employees. In 2019, it had a Turnover of 65 M€, EBITDA of 6.3 M€ and cash holdings of 16.1 M€.
- Prior to this transaction, Novabase held a 54.997% stake in Celfocus, S.A..

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Price adjustment on the sale of GTE

Adjustments to consideration on the sale of GTE Business

- **Following the** previous announcements to the market in relation to the celebration and completion of the **sale, to VINCI Energies Portugal, S.A., of the “Application and Data Analytics”** business for the Government, Transport and Energy sectors (“**GTE Business**”), the **parties confirmed**, on May 11, and **a net adjustment to the price initially paid by the purchaser and the verification of the earn-out** which was dependent upon the final performance of the GTE Business in the financial year of 2019.
- **As such, the consideration obtained by Novabase after these events is 39.3 M€** corresponding to the sum of the price initially agreed of 33 M€, the earn-out of 3 M€ and the net adjustment of the remainder.
- Considering the above mentioned, the **capital gain reached 14.9 M€** (it is recalled that the **capital gain** registered in 2019 was 12.0 M€).
- Therefore, the **9M20 accounts reflect the adjustment to the final capital gain of 2.9 M€** and the **cash inflow** of the total consideration on the sale, **of 35.4 M€**.

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Sale of Novabase's equity stake in Collab

Novabase sells Collab to the Swedish Netadmin System I Sverige AB

- On March 19, 2020, Novabase and Netadmin System i Sverige AB entered into a **sale and purchase agreement** for all shares representing **COLLAB** – Soluções Informáticas de Comunicação e Colaboração, S.A. share capital, subsidiary held in 72.45% by Novabase Business Solutions, S.A. and in 17.75% by Fundo Capital Risco NB Capital. The **completion of the sale and purchase also occurred on this date**, with the delivery of the shares against payment of part of the price.
- The **agreed initial purchase price was 6 M€**, to which a **potential annual earn-out may be accreted, up to a maximum of three annual periods**, depending on COLLAB's performance, as set out in the agreement.
- **Of the agreed initial purchase price, 1.5 M€ was temporarily held** by the purchaser, as foreseen in the sale and purchase agreement. The agreed purchase price is also subject to positive or negative price adjustment clauses agreed between the parties.
- **As a result, Novabase recorded in 9M20 a gain on this transaction amounting to 0.2 M€**, which falls within the range of 0.1 M€ to 0.8 M€ of estimated capital gain disclosed, but still subject to adjustments.
- To be noted that this subsidiary represented a 6.5 M€ turnover in 2019, and employed around 60 employees.

Covid-19



In compliance with
ESMA guidelines

Managing uncertainty

- Since the beginning of the health crisis, **Novabase has developed and implemented a contingency plan**, defining **3 priorities: ensure safety and health** for all its employees and stakeholders, **preserve the Company's financial strength** and **plan the future**.
- **Efficient decision-making process allowed Novabase to rapidly adapt** processes and action plans in response to the pandemic, namely:
 - Remote work conditions were provided overnight for nearly 100% of employees (offices were reopened in 2Q with the Covid-out security seal by ISQ, though teleworking continues to be encouraged);
 - The initial intention of proposing to the 2020 GMS a 0.85 €/share remuneration was reversed by the Board of Directors, however maintaining the commitment ⁽¹⁾ of distributing 1.5 €/share in 2019-2023.
- Our **solid customer base, robust liquidity position, and adequate capital levels**, as well as the **resilience of our business model** and **proven agility to adapt the organization**, make us believe that we are well prepared to address the challenges and risks of the evolving pandemic. Additionally, we consider that the pandemic may pave the way towards an **acceleration of the digital economy**, where Novabase will have a relevant role.
- **No major Covid-19 impacts** were observed in **9M20**, despite **some performance effect on Value Portfolio segment** related to lockdowns, yet Novabase remains cautious. The **next months are still surrounded by great uncertainty**, due to new waves of the pandemic with a duration and extent still difficult to estimate, and new containment measures being taken in Portugal and throughout Europe, our main target market. In terms of future impacts, some **delay in M&A** is expected and, due to current travel restrictions, **commercial access to new clients** could be **more challenging**.

Financial Highlights

9M20 performance: Positive despite the pandemic context

- **Turnover increased 12% YoY**, with Next-Gen representing 72%
- **62% of Next-Gen Turnover** is generated **outside Portugal**, from which **Europe & ME** accounts for **89%**
- **85% of Next-Gen Revenues** captured from **Top Tier Clients**
- **Solid Net Cash** position of **49.4 M€**
- **Talent Pool** of **1739 employees**
- **Novabase share price** increased **31%** in 9M20, up to 3.37 € in the last tradable day
- **No relevant impacts due to Covid-19** pandemic observed in 9M20

Turnover and EBITDA do not include GTE Business nor Collab, qualified as discontinued operations according to IFRS 5, for all periods in this presentation.

Key Figures

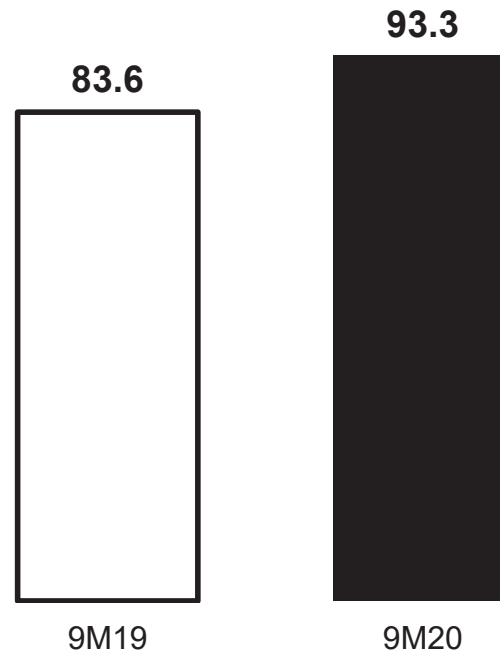


Turnover

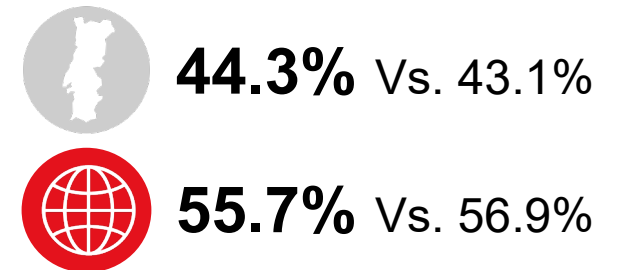
Turnover increased 12% YoY, with Next-Gen representing 72%

No major impacts were observed in 9M20 due to the Covid-19 pandemic, both in Next-Gen and in Value Portfolio segments.

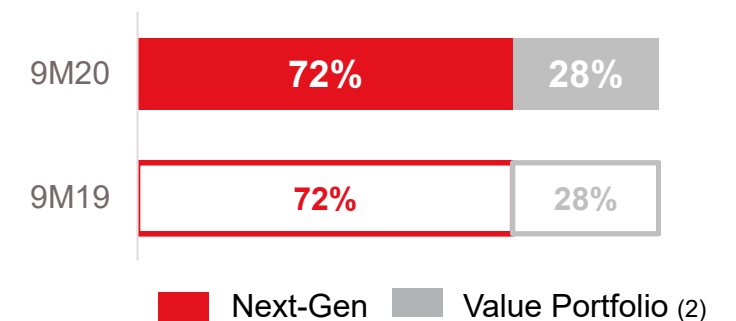
Turnover



Breakdown by Geography (%) ⁽¹⁾



Breakdown by Segment (%)



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(1) Turnover by Geography is computed based on the location of the client where the project is delivered.

(2) Value Portfolio includes holding / shared services.

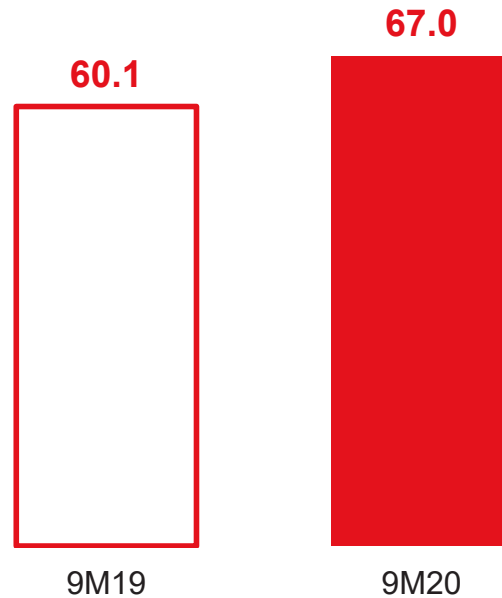
Key Figures



Next-Gen Segment

Next-Gen grows by double-digit in Turnover, +11% YoY...

Turnover



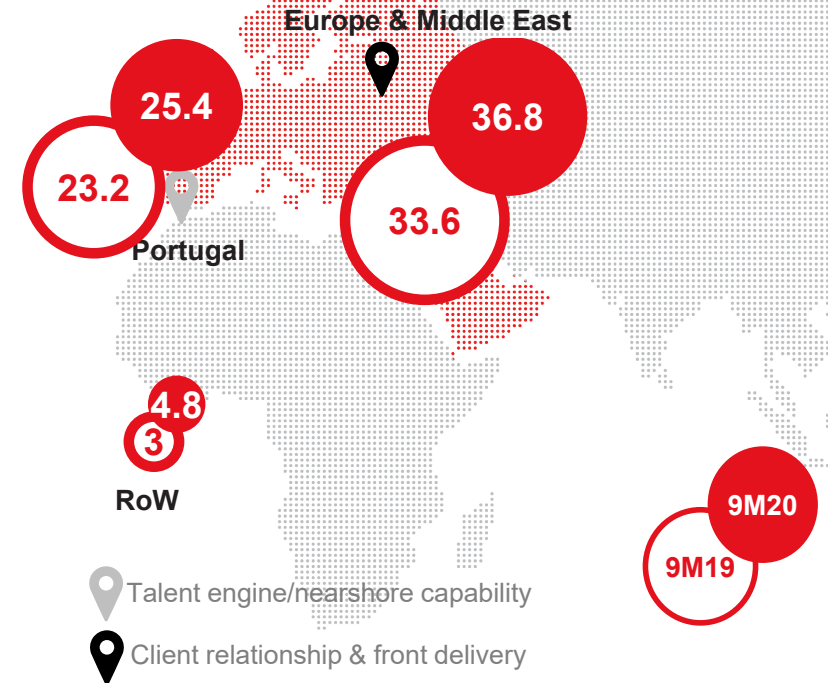
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International Turnover grows 13% YoY.

62% of Next-Gen Turnover generated outside Portugal.

Europe & ME accounts for 89% of international operations, registering an increase of 10% YoY.

Revenue by Geography



Key Figures

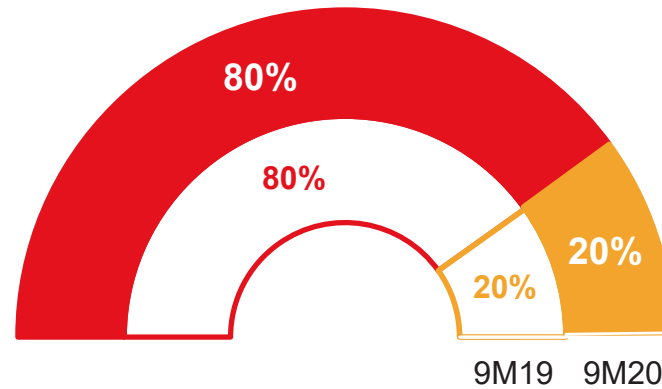


Next-Gen Segment

Next-Gen working on Multi Industry approach...

Targeting clients with ambition to transform, with 9M20 still focused on Telco.

% of Revenue by Industry



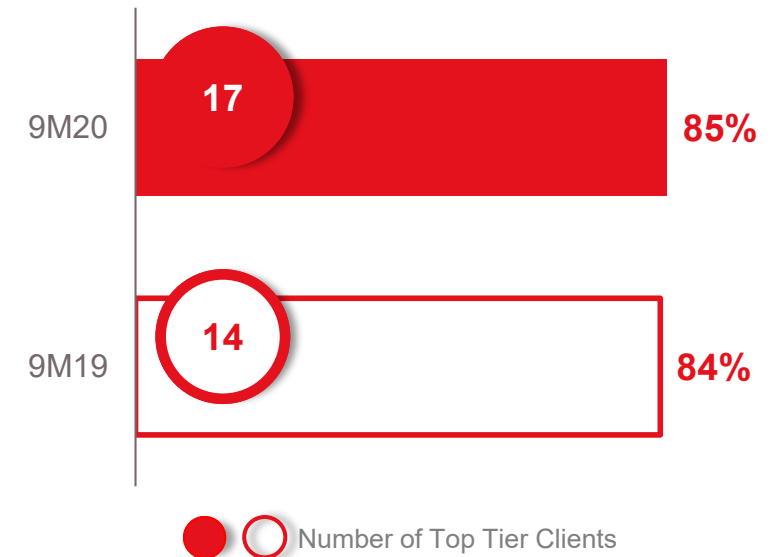
■ Telco ■ Financial Services

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... and building long term partnerships

Large accounts increased, both in number and in Revenues (+5% YoY).

% of Revenues from Top Tier clients ⁽¹⁾



Total number of clients in 9M20 increased to 109 (104 in 9M19).

(1) Top Tier clients (>1 M€) considers the Trailing 12 months. 14

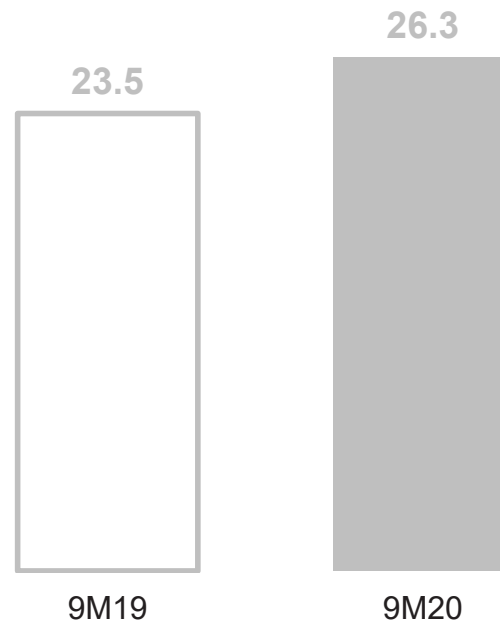
Key Figures



Value Portfolio Segment

Value Portfolio Turnover grows 12% YoY

Turnover



Mainly fostered by a **double-digit domestic growth** (24% YoY).

In terms of geographic mix, **40% of Value Portfolio Turnover** is generated **outside Portugal**.

Key Figures

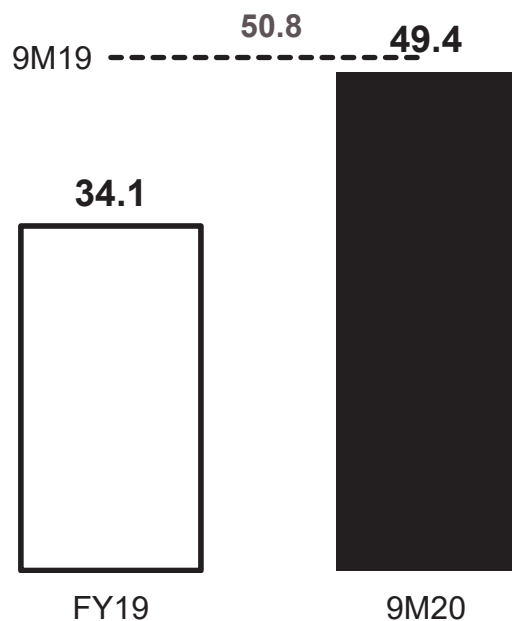


Net Cash

Solid Net Cash position of 49.4 M€

Comfortable liquidity situation to pursue the Strategy 2019+ objectives and win the Covid-19 pandemic context.

Net Cash



Cash generation of 15.2 M€ in 9M20, highlighting:

- Cash inflow of **35.4 M€** from **GTE Business disposal** (including the price adjustment);
- Proceeds from the **Sale of Collab net of cash disposed of** in the amount of **1.4 M€**;
- Cash outflow of **20.0 M€** from the **acquisition** of Vodafone's equity stake in **Celfocus**.

From the 49.4 M€, 4.1 M€ refers to Non-controlling Interests.

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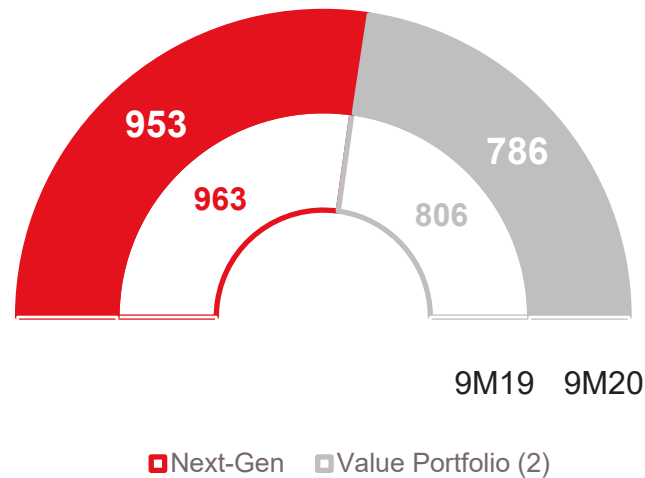
Key Figures



Talent

Talent Pool of 1739 employees in 9M20

Average number of Employees ⁽¹⁾



(1) Excluding GTE Business and Collab.

(2) Including holding / shared services representing 83 employees in 9M20 (88 in 9M19).

Talent pool decreased 2% YoY in line with the expected synergies and management overhaul (1769 in 9M19).

Next-Gen Turnover per employee increased 13% YoY.

Attrition rate of Next-Gen was 8.6% in 9M20 (16.2% in 9M19).

Key Figures



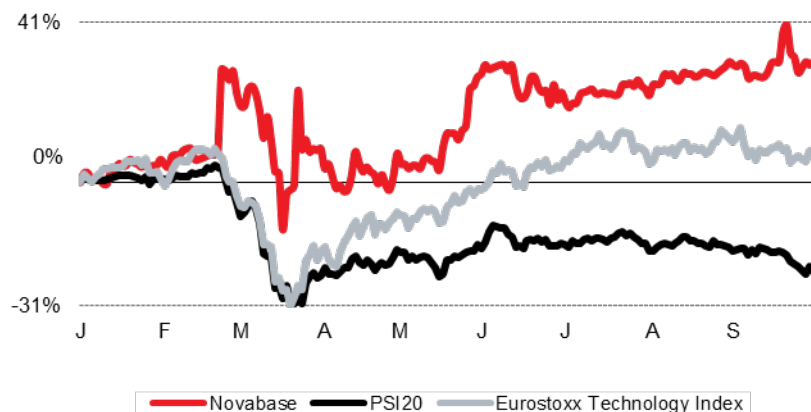
Stock Market

Novabase share price increased 31% in 9M20...

... up to 3.37 € in the last tradable day of the 3Q20.

PSI20 Index decreased 22% and EuroStoxx Technology Index increased 7%.

Novabase and the Market



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Novabase re-entered to the main index of the Lisbon stock exchange, the **PSI20**, as of March, 23.

Due to the current context of great **uncertainty** of the **Covid-19** pandemic, the **Board** decided to **revert its initial intention of proposing** to the 2020 GMS a remuneration of **0.85 €/share**.

Novabase acquired **285,579** shares in the 9M20 (under the buy-back programme), **holding as at September, 30**, a total of **662,190** own shares (2.11% of the Company's share capital).

The **average price target** disclosed by the research that covers Novabase is **4.63 €**, and the **average upside** is **37%**.

Market Capitalization at the end of 9M20 is **105.8 M€**, implying a **ttm Price to Sales of 0.97x**.

Free Float Velocity in 9M20 represented **38%** (25% in 9M19) with a free float of 40%⁽¹⁾ in both periods

(1) Calculated according to Euronext criteria.

APMs

Alternative Performance Measures



In compliance with
ESMA/2015/141en

Net Cash

Net Cash provides information on the level of cash and other bank deposits and marketable securities, after discounting the debts to financial institutions, **assisting in the analysis of the company's liquidity and ability to meet its non-bank commitments.**

The caption "Cash and cash equivalents" is simultaneously the item of the consolidated statement of financial position more directly reconcilable and more relevant to this APM.

The detail and breakdown of Net Cash, as well as the reconciliation in 9M20 and prior period, is analysed in the table on the right.

This APM and all its components contain no estimates or judgments made by Management.

	FY19	9M20
Cash and cash equivalents	48,755	71,768
Debt securities - Non-Current	403	-
Debt securities - Current	2,793	-
Treasury shares held by the Company ⁽¹⁾	972	2,232
Bank borrowings - Non-Current	(13,600)	(18,250)
Bank borrowings - Current	(5,194)	(6,400)
Net Cash (Euro thousands)	34,129	49,350

	FY19	9M20
Treasury shares held by the Company	376,611	662,190
Closing price @ last tradable day (€)	2.580	3.370
Treasury shares held by the Company (Euro thousands)	972	2,232

(1) Is determined by multiplying the number of treasury shares held by the Company at the end of the period by the share price on the last tradable day.

About NOVABASE



NEXT-GEN IT SERVICES COMPANY

Company Information

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Report available on website:
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Next Events

Roadshows:
Deutsches Eigenkapitalforum
Conference: 16th-18th November
Roadshow Kepler (tbc)

2020 Full Year Results (tbd)

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