



Thinking Breakthroughs

Q1

Quarterly Statement
for Q1 2021 as of March 31, 2021

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A. Key figures

Three months period ended March 31	2021	2020	Change in %
	in kEUR	in kEUR	
Revenue	115,724	110,909	4.3%
Cost of revenue	81,715	75,999	7.5%
Gross profit	34,054	34,954	-2.6%
Adjusted EBITDA	18,559	14,678	26.4%
Revenue by country			
Germany	30,554	31,251	-2.2%
US	39,271	37,139	5.7%
Revenue by industry			
Automotive, Manufacturing and Industrial	18,860	15,391	22.5%
Energy, Utilities and Building Automation	9,412	10,184	-7.6%
Financial Services and Insurance	13,055	12,697	2.8%
Horizontal Tech	11,965	9,091	31.6%
Life Sciences and Healthcare	8,866	8,265	7.3%
Management Consulting and Business Information	7,904	7,990	-1.1%
Public, Non-profit and Education	9,323	9,338	-0.2%
Retail and CPG	16,067	12,940	24.2%
Telecom, Media and Entertainment	9,113	10,978	-17.0%
Travel and Logistics	11,161	14,035	-20.5%
Revenue concentration			
		2021 Percent	2020 Percent
Top 5		13.5%	13.6%
Top 6-10		10.1%	10.1%
Outside of Top 10		76.4%	76.3%

Segment information

Three months period ended March 31	2021	2020	Change in %
	in kEUR	in kEUR	
Central Europe			
Revenue	41,958	42,224	-0.6%
Cost of revenue	29,253	29,229	0.1%
Gross profit	12,705	12,995	-2.2%
North America			
Revenue	39,272	37,337	5.2%
Cost of revenue	28,147	25,534	10.2%
Gross profit	11,125	11,803	-5.7%
Rest of Europe			
Revenue	18,048	16,823	7.3%
Cost of revenue	13,167	11,878	10.9%
Gross profit	4,925	4,990	-1.3%
Rest of the World			
Revenue	16,447	14,525	13.2%
Cost of revenue	11,148	9,359	19.1%
Gross profit	5,299	5,166	2.6%

Note: Gross profit, gross margin and adjusted EBITDA are neither required by, nor presented in accordance with, IFRS. Non-IFRS measures should not be considered in isolation or as a substitute for results under IFRS.

Gross profit is calculated on basis of total performance which is sum of revenue and own work capitalized.

Rounding differences may arise when individual amounts or percentages are added together.

B. Management report

1. Overview

Q1 2021 was Nagarro's first whole quarter as an independent company. Demand was strong for Nagarro's services, but our supply was significantly constrained by hiring challenges. The global job market for top talent was competitive and volatile. Over the course of the quarter, the company adapted and responded, hiring both experienced professionals and fresh graduates in record numbers. We ended Q1 2021 with 1,084 more professionals – and 999 more professionals in engineering – than at the end of Q4 2020.

2. Financial performance

Nagarro's revenues grew to €115.7 million in Q1 2021, up 4.3% YoY from €110.9 million in Q1 2020, and up 6.2% QoQ from €108.9 million in Q4 2020. Gross profit reduced slightly to €34.1 million in Q1 2021 from €35.0 million in Q1 2020. Gross margin reduced to 29.4% in Q1 2021 from 31.5% in Q1 2020. Adjusted EBITDA grew 26.4% YoY to €18.6 million (16.0% of revenue) in Q1 2021, up from €14.7 million (13.2% of revenue) in Q1 2020, with some of the increase driven by temporary Covid-induced impacts such as reduced travel and reduced utility bills. Our most significant adjustment to EBITDA in Q1 2021 is from the expense on stock options offered in Jan 2021 (€1.3 million).

EBITDA grew 18.0% YoY to €17.3 million in Q1 2021, up from €14.7 million in Q1 2020. EBIT grew 27.6% YoY to €11.8 million in Q1 2021, from €9.2 million in Q1 2020.

Net profit increased by 27.2% YoY to €7.7 million in Q1 2021 against €6.0 million in Q1 2020. Further, in Q1 2021 there was an increase in interest expense of €1.0 million over Q1 2020, mainly resulting from the syndicated loan taken in mid-December 2020.



Nagarro has four reportable operating client region segments: North America, Central Europe, Rest of Europe, and Rest of World. In our definition, Central Europe consists of Austria, Croatia, Czech Republic, Germany, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia, and Switzerland.



In Q1 2021, Nagarro generated 36.3% (Q1 2020: 38.1%) of its revenue from Central Europe, 33.9% (Q1 2020: 33.7%) of its revenue from North America, 15.6% (Q1 2020: 15.2%) of its revenue from Rest of Europe, and 14.2% (Q1 2020: 13.1%) of its revenue from Rest of World.

The reconciliation between Adjusted EBITDA and EBITDA is as follows:

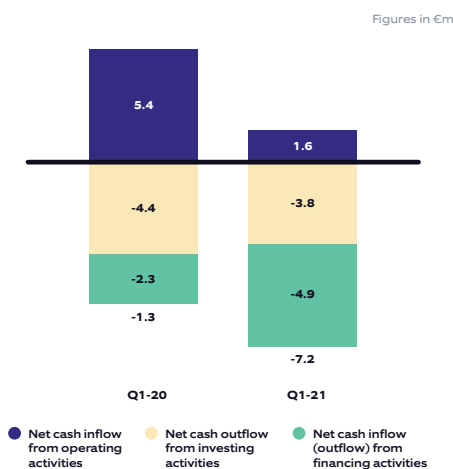
Three months period ended March 31	2021	2020
	in kEUR	in kEUR
EBITDA	17,326	14,678
Recognition of purchase price components (Badwill)	(98)	-
Exchange loss (gain) on purchase price components	69	-
Stock option expense	1,262	-
Adjusted EBITDA	18,559	14,678

Our cash flow for Q1 2021 was a negative €7.2 million against negative €1.3 million in Q1 2020.

Our operating cash flow was €1.6 million in Q1 2021 as compared to €5.4 million in Q1 2020. The reduction in operating cash flow in Q1 2021 can largely be ascribed to the payment of spin-off and listing costs.

The cash outflow from financing activities in Q1 2021 was €4.9 million as compared to €2.3 million in Q1 2020. Major items of cash outflow in Q1 2021 were lease payments of €4.3 million and net interest payout of €1.3 million (mainly because of new syndicated loan facility taken in mid December 2020).

The cash outflow from investing activities in Q1 2021 was €3.8 million, mainly to meet contractual payment obligations of older acquisitions. The cash outflow from investing activities in Q1 2020 was € 4.4 million.



3. Financial position at the end of the quarter

Total assets rose by €5.4 million to €392.3 million as of March 31, 2021, as against €386.8 million as of December 31, 2020. Non-current assets increased by €5.3 million to €181.8 million as of March 31, 2021, as against €176.5 million as of December 31, 2020. Within non-current assets, goodwill increased by €3.1 million (due to currency differences), right of use assets from leases increased by €2.7 million (net addition of €6.7 million mainly on account of additions to lease property in India and leased data centre and computers offset by amortization of €4.0 million). Intangible assets decreased by €0.3 million.

Current assets increased by €0.2 million to €210.5 million from December 31, 2020. Cash balance has reduced by €8.6 million to €99.2 million (primarily due to payment towards spin-off and listing liabilities of €6.0 million and acquisition liabilities of €3.4 million). Contract assets, trade receivables, other current financial assets and other current assets increased by €5.9 million primarily due to increase in trade receivables by €4.6 million. Income tax receivable increased by €2.6 million.

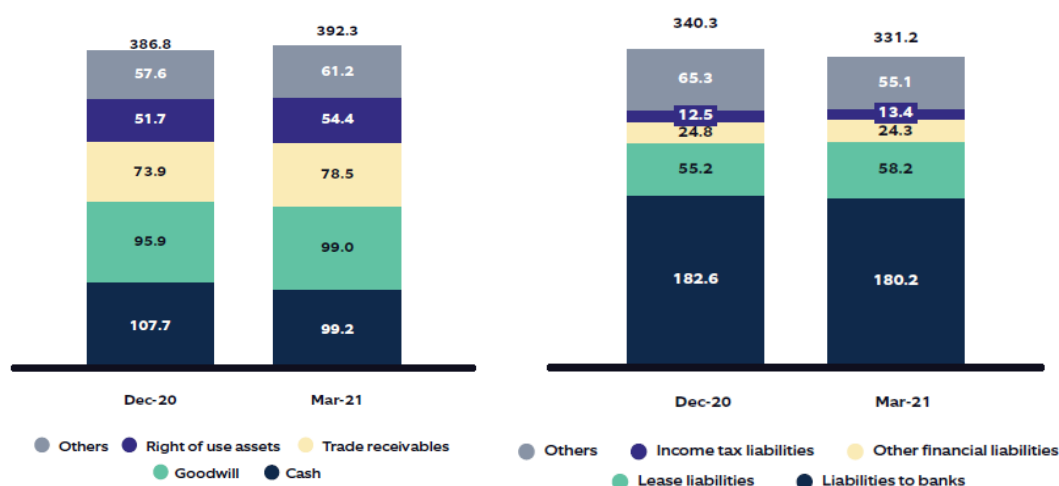
Non-current liabilities have decreased by €2.1 million mainly due to shifting of non-current loans (€2.0 million) and acquisition liabilities (€2.0 million) to current liabilities. This is offset by increase in non-current lease liabilities by €1.9 million mainly due to new leases for office equipment and leased properties and net of lease payments.

Current liabilities have significantly decreased by €7.0 million mainly due to decrease in trade payables by €10.3 million (includes payments of trade payables relating to spin-off and listing of €5.8 million and smaller multiple contributing factors). This has been partly offset by increase in contract liabilities of €2.0 million and other smaller multiple contributing factors.

Cash and cash equivalents (including factoring liabilities) reduced by €5.9 million to €97.2 million from €103.2 million as at December 31, 2020.

Net assets represented by total equity increased by €14.5 million to €61.1 million as of March 31, 2021 from €46.5 million as of December 31, 2020, due to increase in total comprehensive income of €13.3 million and an increase in capital reserve of €1.3 million coming from issuance of stock options under SOP 2020/II and SOP 2020/III. Equity attributable to non-controlling interests has increased by €2.1 million to €4.9 million as of March 31, 2021 from €2.7 million as of December 31, 2020, due to increase in the total comprehensive income attributable to non-controlling interests of €2.1 million.

Figures in €m



During the quarter, Nagarro completed the purchase price allocation from the acquisition of Livisi GmbH and the fair values of net assets acquired equals the estimated fair value as disclosed in Section B of the Annual Report 2020 under note “G.XIII Events after the balance sheet date – Acquisition of Livisi”. Accordingly, badwill of €0.1 million has been recognized in the consolidated statements of comprehensive income. The first-time consolidation of Livisi has been done from January 1, 2021.

During the quarter, Nagarro also granted certain stock options. We have recognized expense for the stock option plans SOP 2020/II and SOP 2020/III of €1.3 million with corresponding increase in equity of €1.3 million. This is disclosed in Section B of the Annual Report 2020 under note “G.XIII Events after the balance sheet date – Stock Option Plan”.

4. Non-financial KPIs

We use a standardized client satisfaction (CSAT) survey, which is sent every quarter to the person responsible for project success on the client side. The percentage of responses that were “Always” or “Mostly” – our measure of overall satisfaction – increased slightly to 96% in Q1 2021 from 95% in Q 1 2020. Note that the CSAT does not cover very small engagements and at any point in time, may also not cover engagements via companies that recently became part of Nagarro.

On March 31, 2021, Nagarro had 9,750 professionals of which 8,828 were professionals in engineering. The comparable numbers for March 31, 2020 were 8,563 and 7,729 and for December 31, 2020 were 8,666 and 7,829, respectively. A number of the new joiners in this quarter were engineers recently out of college, not expected to be immediately deployed in revenue-generating work.

5. General economic and industry conditions

With the continued rollout of vaccines across most of our markets, there is optimism that the world will continue its journey back to normalcy. OECD’s Economic Outlook, Interim Report March 2021 [OECD Report], echoes this cautious optimism. According to the report prospects have improved over recent months with signs of a rebound in goods trade and industrial production becoming clear by the end of 2020. Global GDP growth is now projected to be 5.6% this year, an upward revision of more than 1 percentage point from the December OECD Economic Outlook. However, recurring outbreaks of the pandemic could potentially slow down the economic recovery.

The sentiment in the broader global IT services industry is generally positive. Our outlook for Nagarro and its peer group, the digital engineering specialists, is even more emphatically positive.

The demand for IT services has recovered well, and especially the demand for digital engineering. The Covid-19 pandemic may even have accelerated the digital transformation of industries like retail and healthcare, creating new work for companies like Nagarro. We do not expect demand from travel and related industries to bounce back meaningfully in 2021, yet our overall view on demand may be termed very optimistic.

On the supply side the demand for top talent remains highly competitive, especially due to work-from-home and work-from-anywhere possibilities. Talent supply is restricting our ability to grow as fast as we otherwise might have.

6. Outlook

Nagarro continues to target an organic revenue growth rate in the region of 15% in 2021. Thus, we are projecting Nagarro's revenue for 2021 to be in the region of €495 million. We target gross margin in the region of 32%, approximately the same as in 2020. We target Adjusted EBITDA margin to be in the region of 15%, a moderate decrease from 2020 which was buoyed by temporary cost-cutting measures not likely to be equally available in 2021.

At the segment level, we expect the organic revenue growth rate to be roughly similar across the segments, and the gross margin of each segment to be in the region of 32%. All of the above management projections for 2021 are forecasts and may be proved wrong, especially given the uncertainty due to the Covid-19 pandemic. However, we are confident that our efforts in 2021 will lead us eventually to our medium-term target of organic revenue growth rates in the region of 20% and Adjusted EBITDA margin in the region of 15%.

Nagarro is once again scouting the market for potential acquisitions. Acquisitions, if any, are more likely to be of a bolt-on nature than transformative. The current strategy is to acquire for client access, so as to better leverage our existing capabilities and case studies. However, there is always the possibility of an opportunistic transaction that deviates from our current strategy.

7. Events after the balance sheet date

In the period after the balance sheet date of March 31, 2021 the following important events occurred:

COVID-19 in India

India, where Nagarro has the largest count of professionals in engineering, is currently battling a deadly "second wave" of Covid-19. The virus appears to be more contagious and lethal in this second wave, and the situation is compounded by inadequate health infrastructure. A few hundred Nagarrians have been infected, 6 young Nagarrians have lost their lives, and perhaps hundreds have lost loved ones. It is an enormous tragedy.

Nagarrians around the world have come together to support impacted families as best we can. Many clients have also helped. We currently expect that this second wave will have only a minor impact on 2021 business results, even if the grief in many Nagarrian hearts is tremendous and will last for a long time.

Intended merger of Nagarro Holding GmbH and Nagarro SE

We continue to work on the intended merger of Nagarro Holding GmbH and Nagarro SE. For more information, please refer to Section B of the Annual Report 2020 note "G.XIII Events after the balance sheet date – Intended merger of Nagarro Holding GmbH and Nagarro SE".

Code on Social Security 2020

We expect further delays in the implementation of the newly updated labor codes in India. For background, please refer to Section B of the Annual Report 2020 note "G.XIII Events after the balance sheet date – Code on Social Security 2020".

C. Unaudited group quarterly information

Consolidated statements of financial position

Assets	March 31, 2021	December 31, 2020
	in kEUR	in kEUR
Intangible assets	10,694	11,003
Goodwill	99,018	95,878
Property, plant and equipment	6,363	6,390
Right of use assets	54,436	51,735
Non-current contract assets	391	438
Other non-current financial assets	3,145	2,999
Other non-current assets	166	102
Deferred tax assets	7,554	7,932
Non-current assets	181,768	176,475
Inventories	333	127
Current contract assets	244	252
Contract assets	11,748	10,922
Trade receivables	78,475	73,872
Other current financial assets	2,598	2,502
Other current assets	8,421	8,023
Income tax receivables	9,504	6,906
Cash	99,180	107,742
Current assets	210,502	210,346
Total assets	392,270	386,822

Consolidated statements of financial position

Equity and liabilities	March 31, 2021	December 31, 2020
	in kEUR	in kEUR
Share capital	11,383	11,383
Capital reserve	233,672	232,410
Profit carried forward	66,370	47,922
Net profit for the period, excluding non-controlling interests	6,438	18,447
Changes in equity recognized directly in equity	(260,612)	(260,612)
Other comprehensive income	(1,052)	(5,750)
Equity attributable to the shareholders of Nagarro	56,197	43,800
Equity attributable to non-controlling interests	4,862	2,728
Total equity	61,059	46,528
Non-current liabilities to banks	166,332	168,158
Non-current lease liabilities	45,068	43,191
Long-term provisions for post-employment benefits	5,761	5,262
Other long-term provisions	245	243
Non-current contract liabilities	91	125
Other non-current financial liabilities	1,150	1,672
Non-current liabilities from acquisitions	618	2,662
Deferred tax liabilities	2,590	2,599
Non-current liabilities	221,855	223,911
Current liabilities to banks	13,818	14,429
Current lease liabilities	13,098	11,966
Short-term provisions for post-employment benefits	831	728
Other short-term provisions	13,256	14,443
Current contract liabilities	11,367	9,396
Trade payables	11,913	22,196
Current liabilities from acquisitions	3,491	4,291
Other current financial liabilities	23,194	23,088
Other current liabilities	4,981	3,363
Income tax liabilities	13,406	12,484
Current liabilities	109,356	116,383
Equity and liabilities	392,270	386,822

Consolidated statements of comprehensive income

Profit or loss		
Three months period ended March 31	2021	2020
	in kEUR	in kEUR
Revenue	115,724	110,909
Own work capitalized	44	44
Other operating income	2,212	42
Cost of materials	(13,359)	(11,423)
Staff costs	(77,480)	(72,571)
Impairment of trade receivables and contract assets	(410)	(464)
Other operating expenses	(9,405)	(11,860)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	17,326	14,678
Depreciation, amortization and impairment	(5,537)	(5,436)
Earnings before interest and taxes (EBIT)	11,790	9,242
Finance income	128	75
Finance costs	(2,144)	(1,163)
Earnings before taxes (EBT)	9,774	8,154
Other long-term provisions	(2,108)	(2,128)
Profit for the period	7,666	6,025
Profit for the period attributable to:		
Shareholders of Nagarro	6,438	5,061
Non-controlling interests	1,228	964
Other comprehensive income		
Three months period ended March 31	2021	2020
	in kEUR	in kEUR
Items that will not be reclassified to profit or loss		
Actuarial gains (losses)	(58)	(149)
Tax effects	14	38
	(45)	(112)
Items that will not be reclassified to profit or loss		
Foreign exchange differences	5,648	(1,175)
	5,648	(1,175)
Other comprehensive income for the period	5,604	(1,287)
Total comprehensive income for the period	13,269	4,739
Total comprehensive income for the period attributable to:		
Shareholders of Nagarro	11,135	3,983
Non-controlling interests	2,134	756

Consolidated statements of comprehensive income

Earnings per share		
Three months period ended March 31	2021	2020
Basic earnings per share:		
Numbers of shares(based on weighted average) ¹⁾	11,382,513	55,385
Numbers of shares (based on outstanding share) ¹⁾	11,382,513	120,000
Basic earnings per shares in EUR (based on weighted average)	0.57	91.38
Basic earnings per shares in EUR (based on outstanding share)	0.57	42.18
Diluted earnings per share:		
Numbers of shares(based on weighted average) ¹⁾	11,539,635	11,474,581
Numbers of shares (based on outstanding share) ¹⁾	11,539,635	11,539,196
Diluted earnings per share in EUR (based on weighted average)	0.56	0.44
Diluted earnings per share in EUR (based on outstanding share)	0.56	0.44

1) The earnings per share for Q1 2021 is not comparable with the earnings per share for Q1 2020 as the number of shares as at March 31, 2020 does not correspond to the number of shares post spin-off and on stock listing on December 16, 2020. However, for the calculation of diluted earnings per share, the number of shares of Nagarro SE issued to the Allgeier shareholders as part of spin-off has been considered.

Consolidated statements of changes in equity

	<u>Other comprehensive income</u>									
	Share capital	Capital reserve	Profit carried forward	Net profit for the period, excluding non-controlling interests	Changes in equity recognized directly in equity	Foreign exchange differences	Actuarial gain or loss on pension provisions	Equity attributable to the shareholders of Nagarro	Equity attributable to non-controlling interests	Total equity
in kEUR										
Balance at January 1, 2020	50	22,415	22,441	25,481	(25,522)	6,073	(689)	50,249	9,693	59,942
Profit for the period	-	-	-	5,061	-	-	-	5,061	964	6,025
Other comprehensive income for the period	-	-	-	-	-	(985)	(94)	(1,079)	(208)	(1,287)
Total comprehensive income for the period	-	-	-	5,061	-	(985)	(94)	3,983	756	4,739
Transfer of profit or loss for the previous year to profit carried forward	-	-	25,481	(25,481)	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Share capital issued	120	-	-	-	-	-	-	120	-	120
Transfer of capital reserve	(50)	(22,415)	-	-	22,465	-	-	-	-	-
Other transactions with shareholders	-	-	-	-	(1,368)	-	-	(1,368)	1,365	(3)
Balance at March 31, 2020	120	-	47,922	5,061	(4,425)	5,088	(783)	52,984	11,814	64,797

Consolidated statements of changes in equity

	<u>Other comprehensive income</u>									Total equity
	Share capital	Capital reserve	Profit carried forward	Net profit for the period, excluding non-controlling interests	Changes in equity recognized directly in equity	Foreign exchange differences	Actuarial gain or loss on pension provisions	Equity attributable to the shareholders of Nagarro	Equity attributable to non-controlling interests	
in kEUR										
Balance at January 1, 2021	11,383	232,410	47,922	18,447	(260,612)	(4,723)	(1,026)	43,800	2,728	46,528
Profit for the period	-	-	-	6,438	-	-	-	6,438	1,228	7,666
Other comprehensive income for the period	-	-	-	-	-	4,735	(37)	4,697	906	5,604
Total comprehensive income for the period	-	-	-	6,438	-	4,735	(37)	11,135	2,134	13,269
Transfer of profit or loss for the previous year to profit carried forward	-	-	18,447	(18,447)	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Share capital issued	-	-	-	-	-	-	-	-	-	-
Transfer of capital reserve	-	-	-	-	-	-	-	-	-	-
Stock option expense	-	1,262	-	-	-	-	-	1,262	-	1,262
Other transactions with shareholders	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2021	11,383	233,672	66,370	6,438	(260,612)	12	(1,064)	56,197	4,862	61,059

Consolidated statements of cash flows

Three months period ended March 31	2021	2020
	in kEUR	in kEUR
Intangible assets		
EBIT	11,790	9,242
Depreciation, amortization and impairments of non-current assets	5,537	5,436
Change in long-term provisions	60	256
Other non-cash income and expenses	600	2,022
Income taxes paid	(3,178)	(2,958)
Cash flows from changes in net working capital	(13,251)	(8,590)
Net cash inflow from operating activities	1,556	5,407
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	(983)	(844)
Proceeds from sale of property, plant and equipment and intangible assets	1	2
Acquisition of subsidiaries, net of cash acquired	(2,858)	(3,570)
Net cash (outflow) in investing activities	(3,840)	(4,413)
Cash flows from financing activities		
Proceeds from shareholders of Nagarro	-	120
Repayment of bank loans	(147)	(92)
Proceeds from loans from Allgeier Group	-	3,921
Principal elements of lease payments	(4,295)	(5,337)
Net cash inflow from factoring	867	(719)
Interest received	128	51
Interest paid	(1,431)	(17)
Other transactions with Allgeier Group	-	248
Net cash (outflow) in financing activities	(4,878)	(2,321)
Total cash flow	(7,162)	(1,327)
Effects of exchange rate changes on cash and cash equivalents	1,217	274
Total changes in cash and cash equivalents	(5,945)	(1,053)
Cash and cash equivalents at beginning of period	103,173	38,786
Cash and cash equivalents at end of period	97,228	37,732

D. Other notes

Accounting policies

The accounting policies have not changed compared to the consolidated financial statements for the year 2020. In addition, we have adopted IFRS 2 – Share based payments. The quarterly statement of Nagarro SE for Q1 2021 has not been reviewed by an auditor or audited in accordance with section 317 of the Handelsgesetzbuch (German Commercial Code).

Treasury shares

Nagarro SE did not acquire any treasury shares in the first three months of 2021 or hold any treasury shares during the period.

Significant transactions with related parties in accordance with section 37w(4) sentence 2 WpHG and IAS 34.15B

Accounting transactions between the group companies were fully eliminated in the consolidated financial statements. We rolled out stock options under SOP 2020/II and SOP 2020/III to several management members and employees of the group during the quarter. This is disclosed in Section B of the Annual Report 2020 under note “G.XIII Events after the balance sheet date – Stock Option Plan”.

Basis of consolidation

The following companies were part of consolidation for the quarter ended March 31, 2021 for the first time:

- (i) Nagarro (Private) Limited, a newly incorporated wholly owned subsidiary in Sri Lanka.
- (ii) Livisi GmbH, a company acquired in 2020 in Germany and consolidated from the beginning of the current quarter.

E. Financial calendar

For details refer our IR website: <https://www.nagarro.com/en/investor-relations/financial-calendar>

F. Imprint

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Turnover tax identification number:

DE 815882160

Content wise responsible person in accordance with §55 paragraph 2 RStV:

Manas Fuloria