

# Acquisition of UK-based IT Services Company Northgate Public Services

-Accelerating the expansion of global safety business -

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# **Orchestrating** a brighter world

NEC brings together and integrates technology and expertise to create the ICT-enabled society of tomorrow.

We collaborate closely with partners and customers around the world, orchestrating each project to ensure all its parts are fine-tuned to local needs.

Every day, our innovative solutions for society contribute to greater safety, security, efficiency and equality, and enable people to live brighter lives.

# Outline of today's announcement

1. Expansion of NEC's safety business
  - Expansion of domain to include safety & security, efficiency & equality
  - New business model based on three platforms
2. Acquisition of UK-based IT services company catering to the public sector, Northgate Public Services
  - Overview of Northgate Public Services (NPS)
  - NPS' strengths
3. Towards further growth of NEC's safety business
  - Synergy between NPS and NEC
  - Further growth of NEC's safety business

# 1. Expansion of NEC's Safety Business

- Expansion of domain to include safety & security, efficiency & equality
- New business model based on three platforms

# Expand global safety business to become a pillar of NEC growth

## Shift to business model with high profitability and sales growth

Development and reinforcement of platforms that are fit for horizontal deployment



# Safety business that provides “safety & security”

## Business expansion based on Biometrics (Bio-IDiom)



# Safety business that provides “safety & security”

## Business expansion based on Biometrics (Bio-IDiom)



**Deployment of more than 700 systems  
in 70+ countries over 40 years**



# Safety business that provides “safety & security”

## Business expansion based on Biometrics (Bio-IDiom)



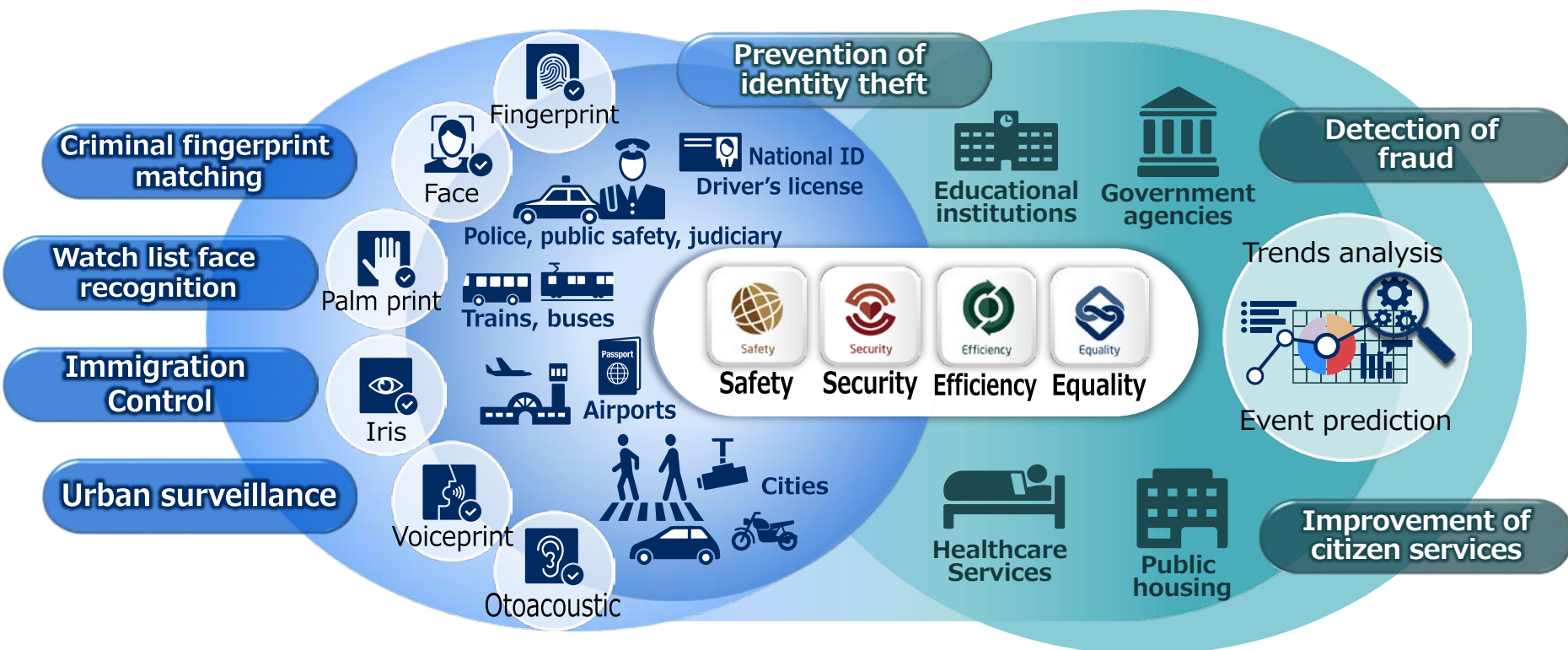


Expand scope of safety business to “safety, security, efficiency & equality”

# Biometrics (Bio-IDiom) + AI technologies



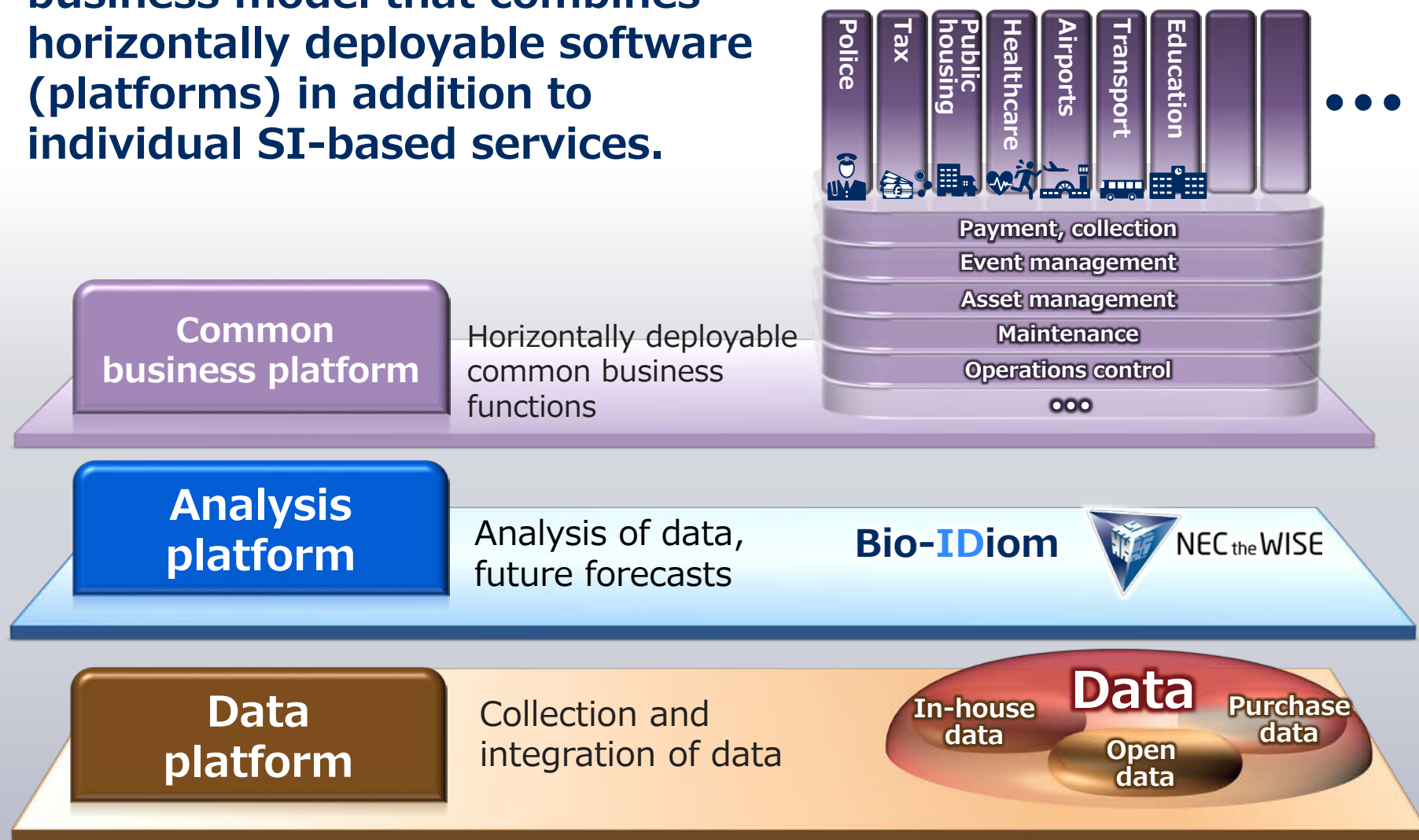
Provide advanced safety solutions



## Realize a safe & secure + efficient & equal society

# New business model based on three platforms

Shift into a 'software + service' business model that combines horizontally deployable software (platforms) in addition to individual SI-based services.



## 2. Acquisition of UK-based IT services company catering to the public sector, Northgate Public Services

- Expansion from the digitally advanced UK to the global market
- Overview and strengths of NPS

# Global trend in digitalization of governments



UK

No. 1 digitally advanced nation\*

Improvement of convenience and reduction of costs through visualization of administrative costs and bringing services online



Establish safety solutions in the UK

Roll out to  
Commonwealth countries

Similar legal systems, also digitally advanced

(Digitally advanced nations\*: No.2, Australia; No. 4, Singapore)

\*UN Survey (<https://publicadministration.un.org/egovkb/en-us/Reports/UN-E-Government-Survey-2016>)

# Significance of NPS acquisition



**Robust  
customer base**

**Common business  
platforms**

**Delivery  
resources**

**Reinforce by acquisition**

- Establish 'safety solutions' and 'business models' in the digitally advanced UK
  - Roll out to global markets focusing on Commonwealth countries

**Advanced solutions and global deployment capability**

**Biometrics (Bio-IDiom)**

**Analytics**

**Global  
deployment  
capability**

**AI technologies**



**NEC**

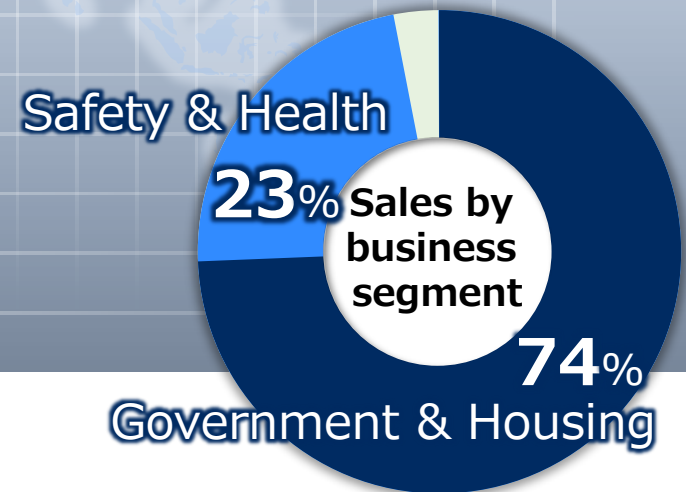


# Outline of NPS and acquisition amount



**Achieved high profitability in business catering to UK public sector**  
**No. 7 share in local government market in UK**

Company name	Northgate Public Services Limited
Location	Head Office: UK (Hertfordshire) Branch Offices: UK, Australia, India
No. of employees	Approx. 2,000
Business outline	Proprietary software & services for the public sector
CEO	Stephen Callaghan
Business performance	● Sales: GBP 163.5M (April 2017) ● EBITDA margin: 21.5%*
Total consideration	GBP 475M



\*Underlying EBITDA (EBITDA before non-recurring items)



## Police solutions business

Robust customer base and common business platforms

Criminal case  
management platform

**CONNECT**

U.K Share: **29%**

Automatic number plate  
recognition system

***Falcon-i***

Reads  
**47M** plates/day

Penalty notice  
processing system

**PentiP**

Processing of fines  
£ **120M** /year





### Central and local government solutions business

No.1 share in UK for tax collection and social security payment solutions

Usage share of NPS' tax collection and social security benefit payment solutions

**45%** of local governments

Road user levy collection system applied to heavy goods vehicles (non-UK registered) by the Department for Transport

**Exclusive provider**

- Licensing management system
- Document management system
- BPO/ITO



# Public housing solutions business

No.1 share in UK for housing management solutions

Usage of NPS solutions

Approx. **200** companies  
**2M** households

Housing management solution platform

**NPS Housing**

Deployed to UK, Ireland, Canada, Australia,  
New Zealand

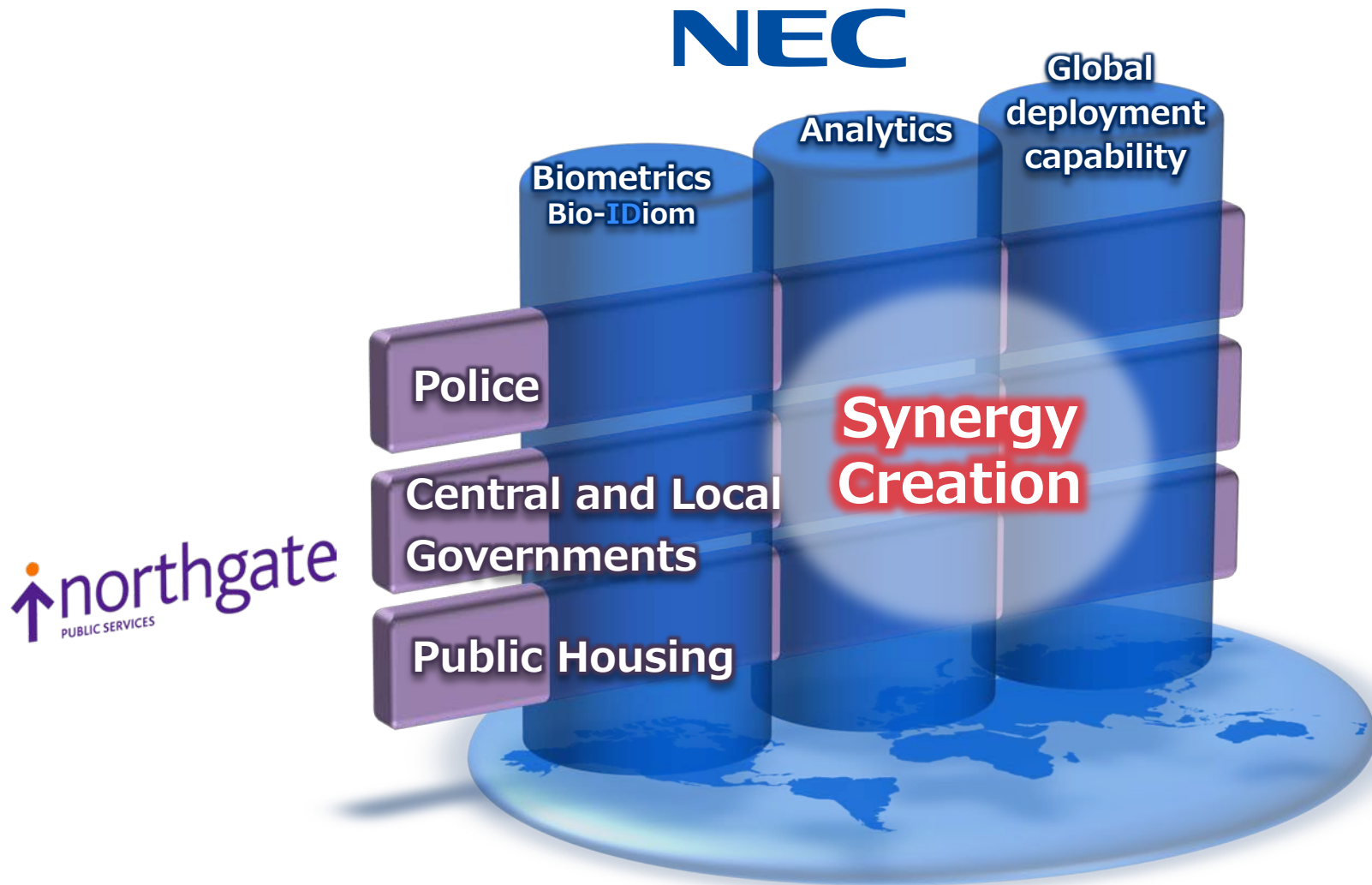
### 3. Towards further growth of NEC's safety business

- Synergy between NPS and NEC
- Further growth of NEC's safety business



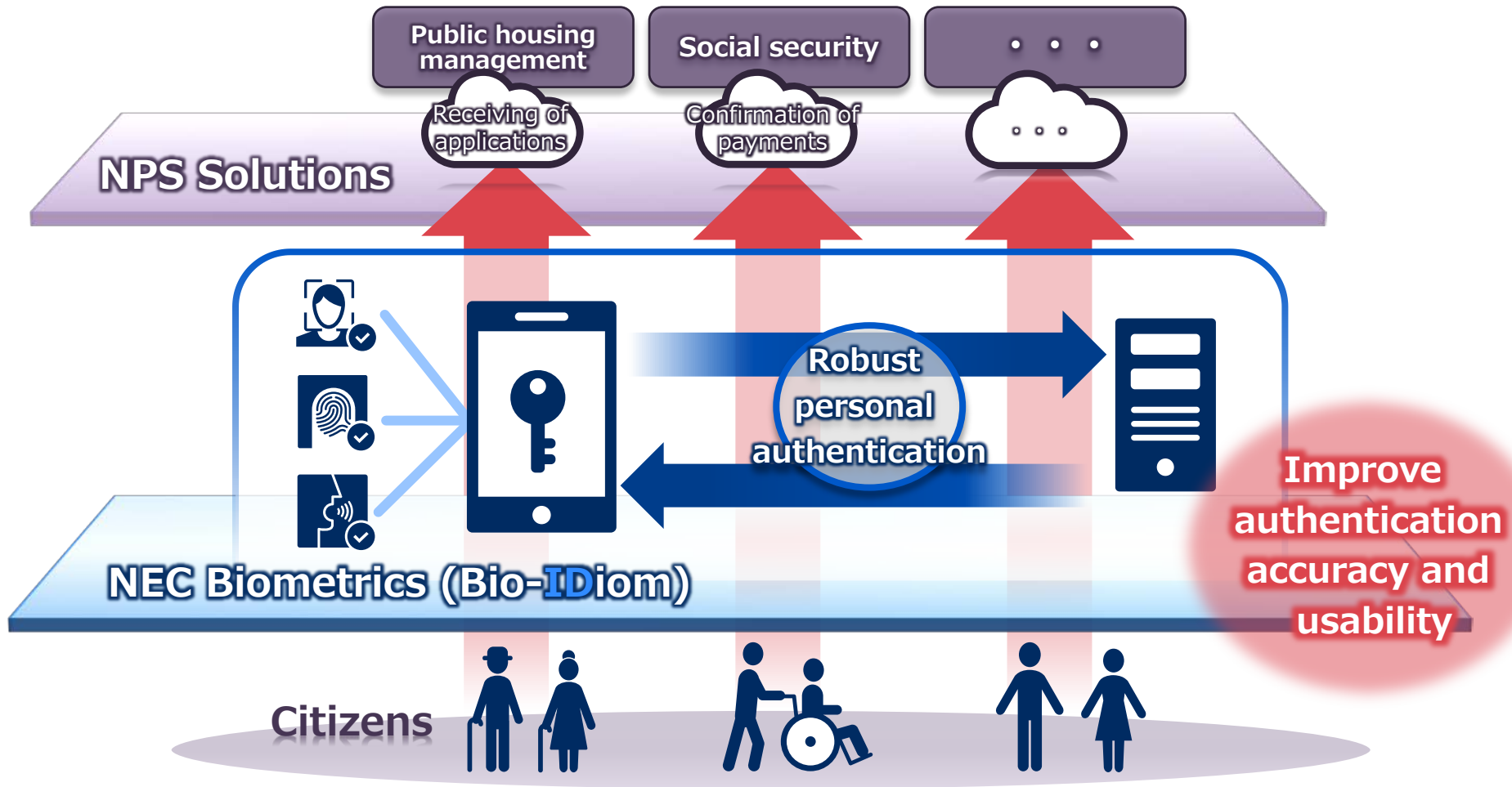
# Synergy between NPS and NEC

Generate synergy by combining NPS' and NEC's strengths



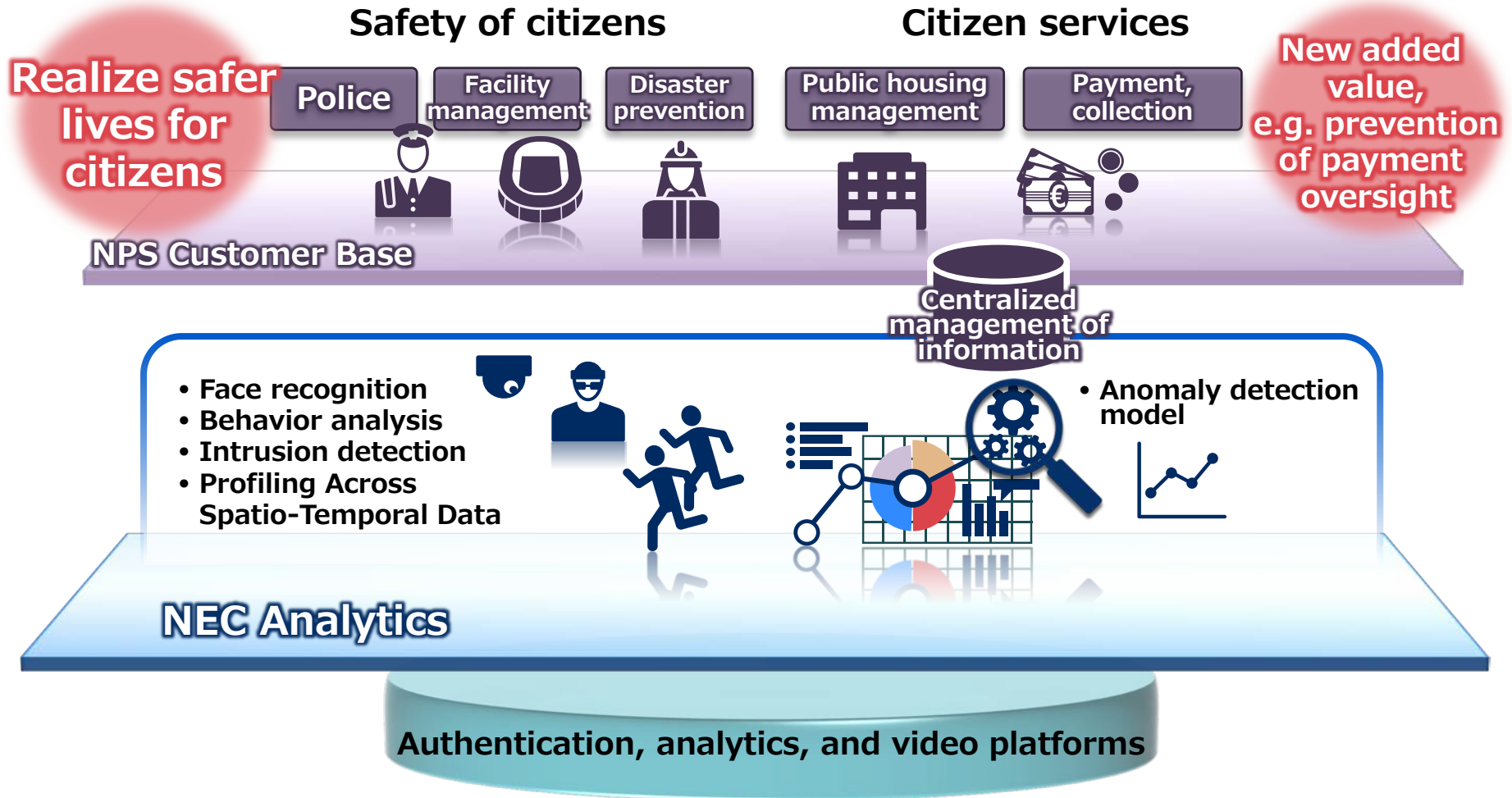
# Synergy: Biometrics

Enhance added value of applications for citizens offered by NPS through NEC's biometrics technologies



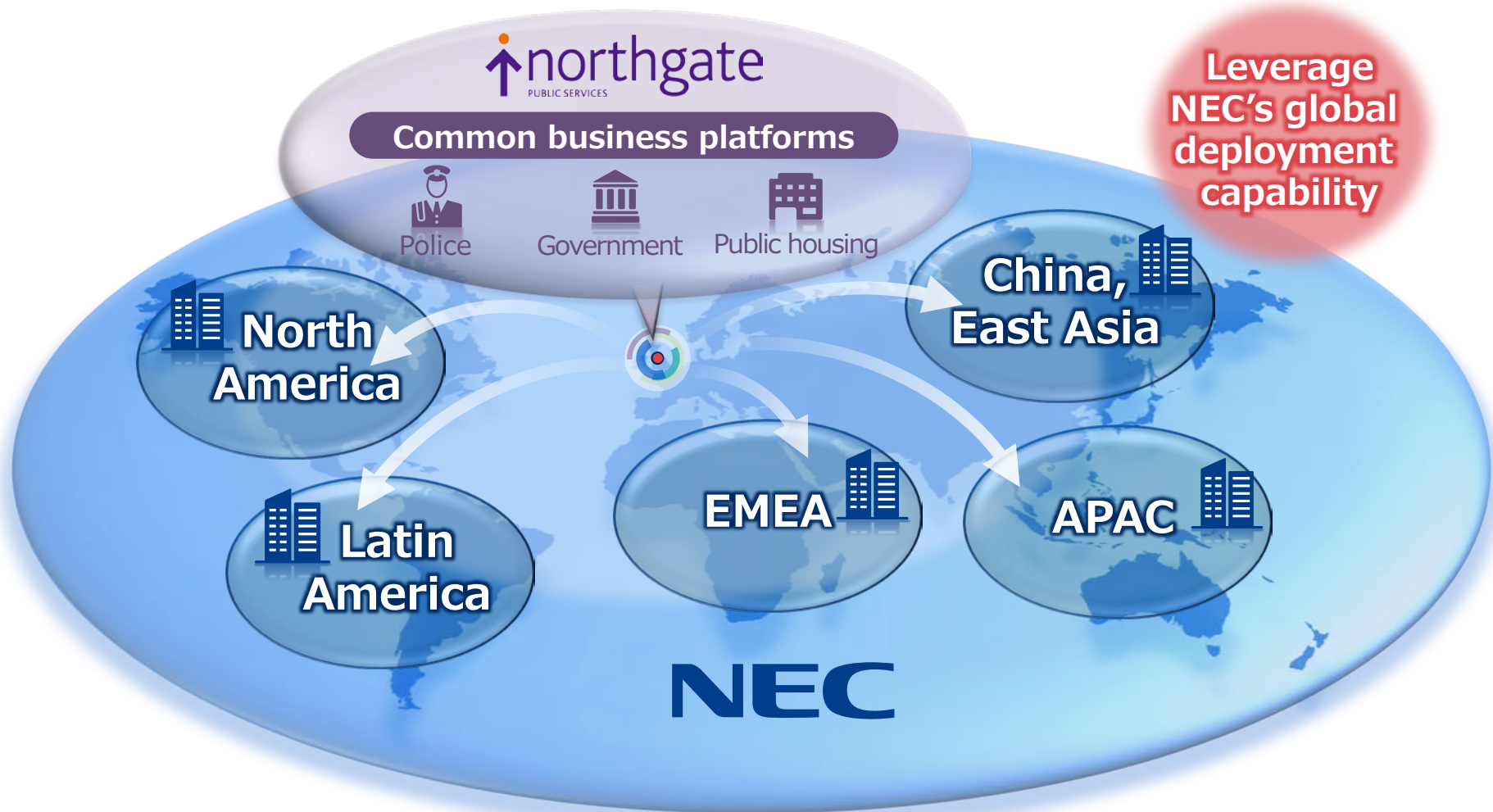
# Synergy: Analytics

Realize safer lives for citizens through NEC's analytics technologies.  
Create new value for realizing equality among citizens, such as prevention of payment oversights.



# Synergy: International business expansion leveraging NEC's global deployment capability

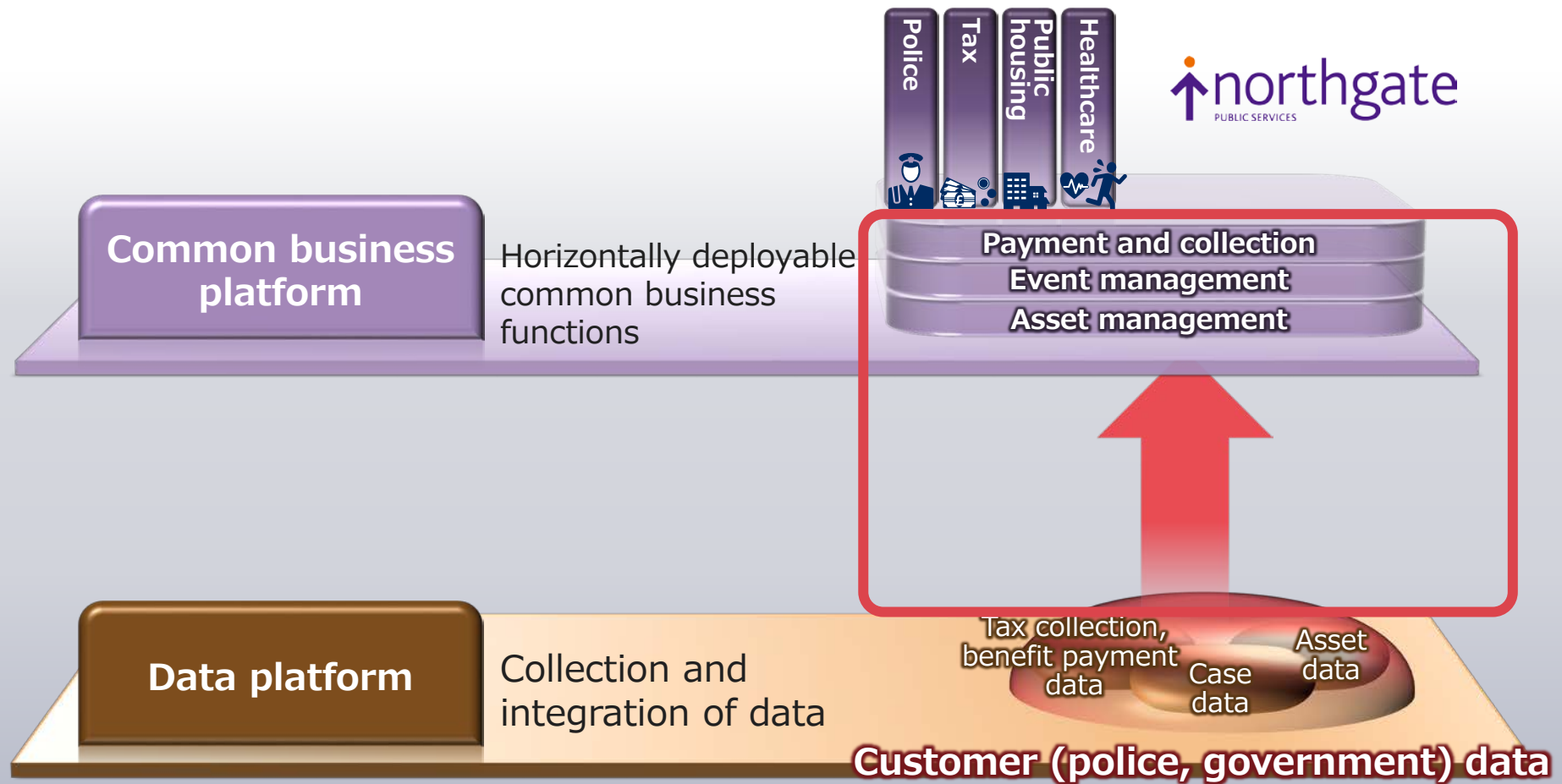
Leverage NEC's global deployment capability for the international expansion of reinforced common business platforms





# Platforms to be acquired through the acquisition of NPS

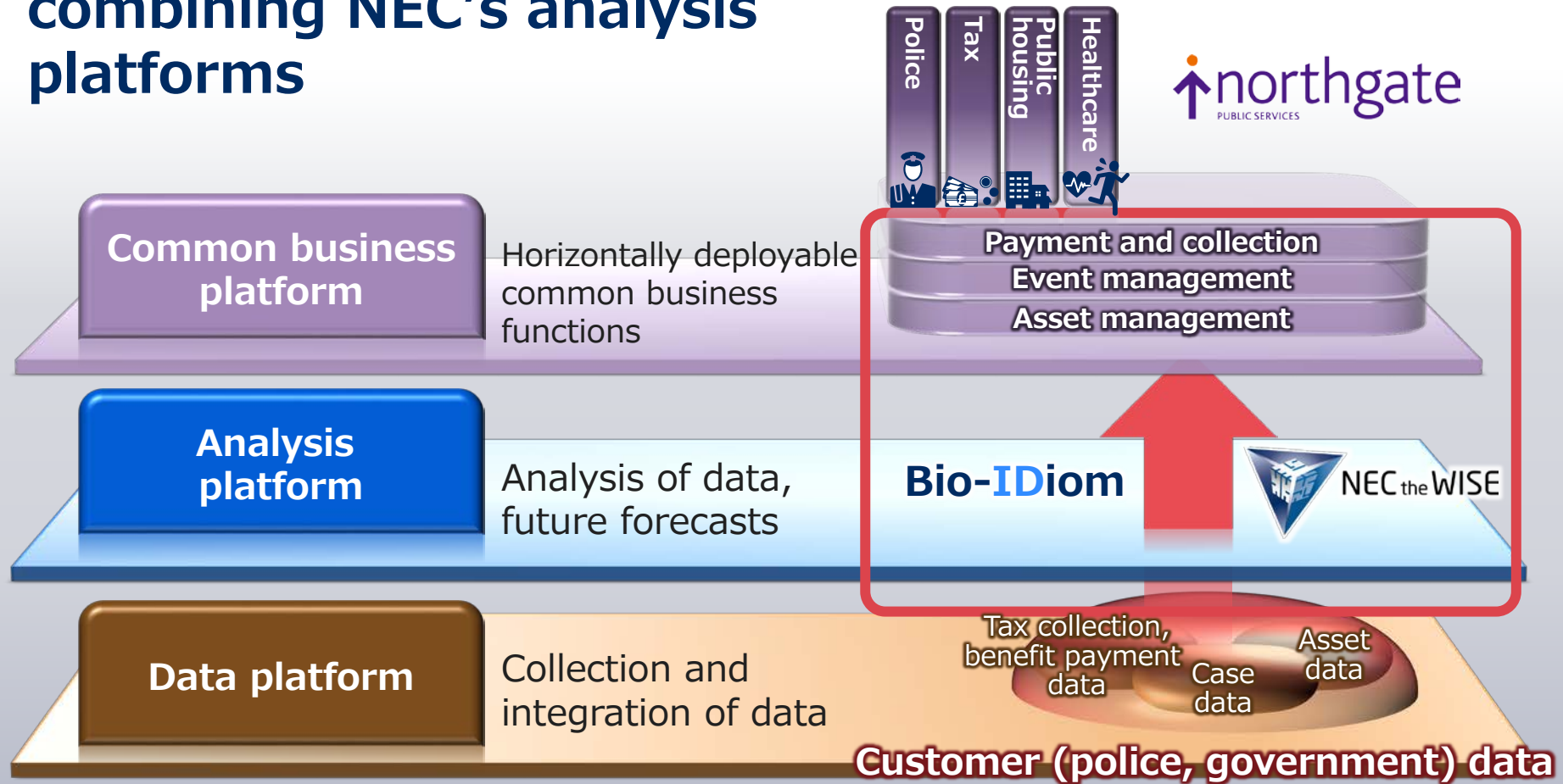
Acquire common business platforms which utilize customer data



# Platforms to be acquired through the acquisition of NPS

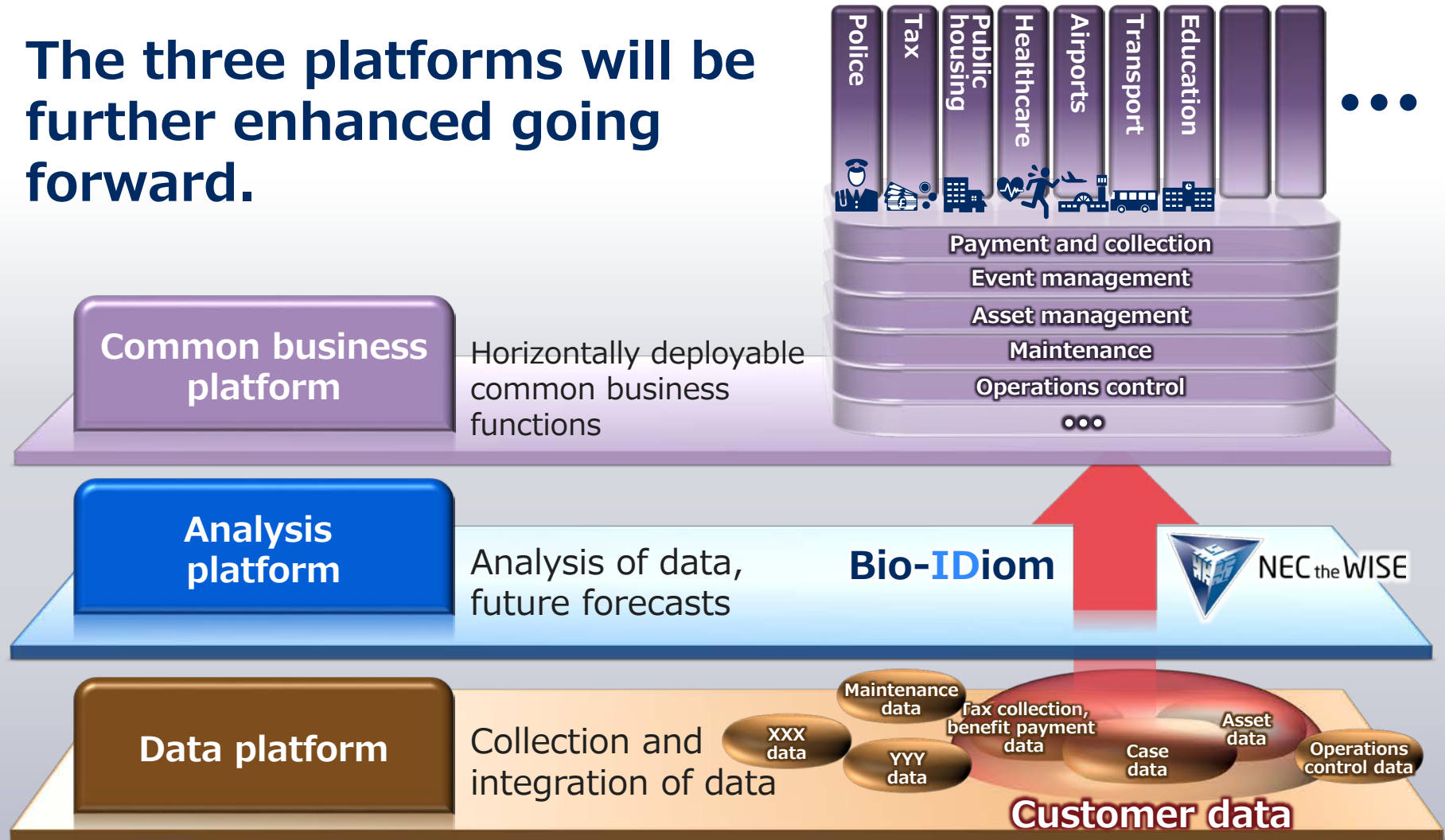
Acquire common business platforms which utilize customer data

Create new added value by combining NEC's analysis platforms



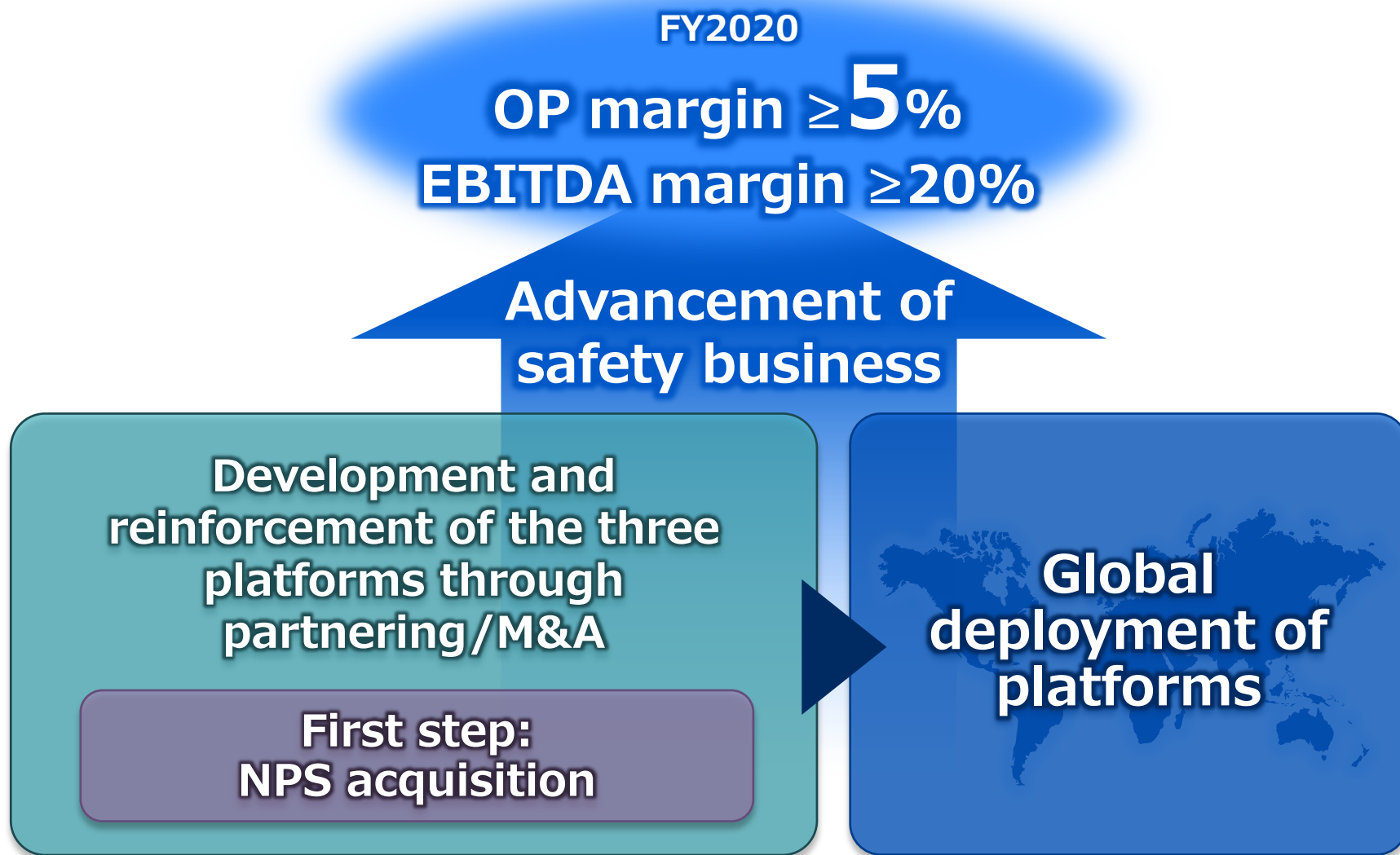
# Development and reinforcement of platforms

The three platforms will be further enhanced going forward.



# Further growth of NEC's safety business

Sales expansion and profit improvement of global safety business



# Summary of today's announcement

**1 Expansion of safety business domain**  
(From safety & security to include efficiency & equality)

**2 Creation of new business model through three platforms**

**3 Acquisition of Northgate Public Services** to expand from digitally advanced nations to the global market

**4 NPS' strengths, synergy with NEC, advancement of NEC's safety business**

**5 Achieve  $\geq 5\%$  OP ratio and  $\geq 20\%$  EBITDA ratio in global safety business in FY2020 through global deployment of platforms**

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**NEC**