18 August 2021

Commissioned research: Netcompany – EBITA disappoints

Marketing material commissioned by Netcompany

Q2 investor call: 11:00 CET, +45 7815 0109, +44 3333 009262 (PIN: 4031 3976#), or ***Please click here for web cast***

Netcompany reported solid Q2 2021 results. Compared with the company-compiled consensus, Q2 revenue and EBITA ended 1% and -14%, respectively (EBITA margin 20.2%, -3.7 pp y/y). The EBITA miss/higher cost base is mainly explained by the combination of DKK -7m linked to severance payment in the UK, the increased use of external consultants (DK), continued investments in Govtech etc., and high tender activity. EBITA in Denmark ended surprisingly down y/y, despite 20% revenue growth. Q2 organic revenue growth was 21.2% y/y (consensus: 21.6%) driven by Norway and UK, while Holland decreased by 3% y/y. As expected, Netcompany raised its 2021 guidance, however only for its revenue growth (18-20%, was 15-20%), while the EBITA margin was left untouched at 23-25% (consensus: 25.5%). We expect consensus (2021E EBITA) to be cut by ~3-5% and a negative share price reaction. Our combined DCF- and SOTP-based fair value range is DKK 645-745 per share.

Key details from the Q2 report:

Employees: The number of employees increased by 22% y/y (average)

Revenue visibility: +23% y/y

Denmark: 20% LCY revenue growth y/y

Norway: 47% LCY revenue growth y/y

UK: 22% LCY revenue growth y/y

Holland: -3% LCY revenue growth y/y

NETCOMPANY: Q2 2021 (DKKm)	2020				2021				Act vs		Q2,	2020	2021	H2,
	Q1	Q2	Q3	Q4	Q1	Q2A	Q2E	Cons	NDA	Cons	y/y	H2	FY-H1	y/y
Revenue	**696**	**676**	**695**	**773**	**855**	**827**	**830**	**821**	**-0%**	**1%**	**22%**	**1,468**	**1,724**	**18%**
Production cost	421	416	401	445	529	533	524	499	2%	7%	28%	847	1,025	21%
Gross profit	**275**	**260**	**293**	**328**	**326**	**293**	**305**	**322**	**-4%**	**-9%**	**13%**	**621**	**699**	**13%**
Sales & marketing	4	4	4	5	6	6	8	-	-20%	-	61%	9	18	106%
Administration	106	95	94	99	103	121	105	-	15%	-	28%	193	211	9%
Special items	0	0	0	0	0	0	0	0	-	-	-	0	0	-
EBITA	**164**	**161**	**195**	**224**	**216**	**167**	**193**	**195**	**-14%**	**-14%**	**3%**	**419**	**470**	**12%**
Amortisation	25	25	25	24	9	9	9	-	-2%	-	-64%	49	19	-62%
EBIT	**139**	**136**	**170**	**200**	**207**	**158**	**184**	**-**	**-14%**	**-**	**16%**	**370**	**451**	**22%**
Net financial items	-19	-16	-6	-152	37	-12	-7	-	-	-	-	-158	-11	-
Pre-tax profit	**120**	**120**	**164**	**48**	**244**	**146**	**177**	**189**	**-18%**	**-23%**	**22%**	**212**	**440**	**107%**
Taxes	27	24	36	43	45	33	39	42	-14%	-21%	39%	79	105	32%
Net profit	**93**	**96**	**128**	**5**	**200**	**112**	**138**	**147**	**-18%**	**-24%**	**17%**	**133**	**335**	**152%**
EPS	1.9	2.0	2.6	0.1	4.1	2.3	2.8	-	-17%	-	17%	2.7	6.6	143%
EPS growth, y/y	-5.5%	55.6%	24.9%	-96.0%	114.8%	-	40.7%	-	-	-	-	-41.1%	143.4%	-
Revenue growth, organic	**13.4%**	**12.5%**	**17.3%**	**15.1%**	**22.9%**	**21.2%**	**22.8%**	**21.6%**	**-**	**-**	**-**	**-**	**-**	**-**
Revenue growth, y/y	16.4%	13.9%	17.3%	15.1%	23.0%	22.4%	22.8%	21.6%	-	-	-	16.2%	17.5%	-
Gross margin	39.5%	38.4%	42.2%	42.4%	38.1%	35.5%	36.8%	39.3%	-	-	-	42.3%	40.6%	-
Costs (Reveneue - EBITA adj)	**531**	**514**	**499**	**549**	**639**	**660**	**637**	**626**	**4%**	**5%**	**28%**	**1,049**	**1,254**	**20%**
Costs growth, q/q	-	-3%	-3%	10%	-	3%	16%	14%	-	-	-	14%	-	-
EBITA, adj	**164**	**161**	**195**	**224**	**216**	**167**	**193**	**195**	**-14%**	**-14%**	**3%**	**419**	**470**	**12%**
EBITA margin, adj	23.6%	23.9%	28.1%	28.9%	25.3%	20.2%	23.3%	23.7%	-	-	-	28.5%	27.3%	-
Incremental EBITA margin, adj	17.2%	42.7%	30.5%	42.9%	32.7%	87.7%	20.5%	-	-	-	-	-	19.9%	-
EBIT margin	20.0%	20.1%	24.5%	25.9%	24.2%	19.1%	22.1%	-	-	-	-	25.2%	26.2%	-
Tax rate	22.4%	19.9%	21.9%	89.5%	18.2%	22.9%	22.0%	22.2%	-	-	-	37.3%	23.8%	-
Revenue visibility	2,132	2,484	2,720	-	2,765	3,065	-	-	-	-	23%	-	-	-
% of FY revenue	75.1%	87.5%	95.8%	-	81.2%	90.0%	-	-	-	-	-	-	-	-
In/out orders	304	352	236	119	634	299	-	-	-	-	-15%	355	342	-
Growth, y/y	46.9%	10.2%	-16.2%	78.1%	108.5%	-15.0%	-	-	-	-	-	1.8%	-3.7%	-
12-month performance:														
Revenue (12m)	2,552	2,634	2,737	2,839	2,998	3,149	3,152	2,964	-0%	6%	20%	-	-	-
Revenue growth (12m)	19.6%	18.4%	17.7%	15.7%	-	119.6%	119.7%	112.5%	-	-	-	-	-	-
EBITA adj (12M)	634	669	701	744	797	802	828	775	-3%	3%	20%	-	-	-
EBITA margin, adj (12M)	24.9%	25.4%	25.6%	26.2%	26.6%	25.5%	26.3%	26.2%	-	-	-	-	-	-

Source: Company data, consensus compiled by Netcompany, and Nordea estimates

NETCOMPANY: 2021E GUIDANCE AND UPDATED CONSENSUS (DKKm)	2020	2021 guidance			2021 guid. pre Q2		2021E		2022E		2023E
		Low	High	Mid	Low	High	Nordea	Cons	Nordea	Cons	Nordea
Revenue	**2,839**	**~3.3bn**	**~3.4bn**	**3,395**	~3.3bn	~3.4bn	**3,406**	**3,412**	**3,951**	**4,040**	**4,623**
Revenue growth, y/y	15.7%	-	-	-	-	-	20.0%	20.2%	16.0%	18.4%	17.0%
FX effect, Revenue	-1.1%	-	-	-	-	-	0.6%	0.7%	0.0%	0.0%	0.0%
Revenue growth, organic	16.0%	-	-	-	-	-	20.0%	20.2%	16.0%	18.4%	17.0%
Revenue growth, LCY+organic	**17.1%**	**18%**	**20%**	**19.0%**	15.0%	20.0%	**19.4%**	**19.5%**	**16.0%**	**18.4%**	**17.0%**
Costs	2,094	~2.5	~2.6	2,580	~2.5	~2.6	2,553	2,543	2,926	2,992	3,381
Growth	14.0%	~20%	¨~22%	23.2%	~20%	¨~22%	21.9%	21.4%	14.6%	17.7%	15.6%
EBITA, adj	**744**	**~763**	**~855**	**815**	~755	~855	**853**	**869**	**1,026**	**1,048**	**1,241**
EBITA margin, adj	26.2%	~23	~25%	24.0%	~23	~25%	25.0%	25.5%	26.0%	25.9%	26.9%

Source: Company data (company-compiled consensus) and Nordea estimates

SUMMARY TABLE - KEY FIGURES

DKKm	2018	2019	2020	2021E	2022E	2023E
Total revenue	2,053	2,454	2,839	3,406	3,951	4,623
EBITDA (adj)	555	674	809	921	1,105	1,334
EBIT (adj)	399	516	645	816	1,006	1,238
EBIT (adj) margin	19.4%	21.0%	22.7%	24.0%	25.4%	26.8%
EPS (adj, DKK)	4.14	7.84	9.36	12.48	15.57	19.24
EPS (adj) growth	24.3%	89.5%	19.4%	33.3%	24.7%	23.6%
DPS (ord, DKK)	0.00	0.00	1.00	2.00	2.00	2.00
EV/Sales	5.8	6.8	11.1	11.4	9.7	8.1
EV/EBIT (adj)	30.0	32.3	48.9	47.5	37.9	30.2
P/E (adj)	53.2	40.4	66.5	62.2	49.9	40.4
P/BV	6.1	7.7	12.8	12.9	10.6	8.6
Dividend yield (ord)	0.0%	0.0%	0.2%	0.3%	0.3%	0.3%
FCF Yield bef A&D, lease adj	1.2%	2.5%	1.6%	1.3%	1.8%	2.1%
Net debt	998	826	402	-108	-716	-1,468
Net debt/EBITDA	1.9	1.2	0.5	-0.1	-0.6	-1.1
ROIC after tax	10.7%	13.3%	16.3%	25.6%	30.4%	35.9%

Source: Company data and Nordea estimates

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