Nordea

Commissioned Equity Research

Flash comment

10 December 2021

Commissioned research: Netcompany – New large order from Kombit

Marketing material commissioned by Netcompany

Today, the Kombit announced that it has awarded Netcompany a development contract for a new election system in Denmark. The contract value was not disclosed, but we estimate it at around DKK 200-250m. Besides the value of the contract, the development contract also illustrates Netcompany's strong position in Denmark. The contract was won in competition with three other IT vendors, after DXC lost the contract and a new tender was initiated. Initially, DXC was expected to deliver the system in 2019 to replace a 30 years old system developed by KMD. When DXC missed that deadline and announced the system would be ready in 2022, Kombit lost patience and DXC lost the contract. We understand that the DXC contract value was around DKK 125m, and the new tender was based on a DKK 100m larger development contract.

Four pre-qualified bidders:

Netcompany was up against Indra Solutions, KMD, and NNIT in consortium with ElectIT

SUMMARY TABLE - KEY FIGURES

DKKm	2018	2019	2020	2021E	2022E	2023E
Total revenue	2,053	2,454	2,839	3,676	5,695	6,541
EBITDA (adj)	555	674	809	923	1,250	1,514
EBIT (adj)	399	516	645	813	1,117	1,380
EBIT (adj) margin	19.4%	21.0%	22.7%	22.1%	19.6%	21.1%
EPS (adj, DKK)	4.14	7.84	9.36	12.17	17.30	21.29
EPS (adj) growth	24.3%	89.5%	19.4%	29.9%	42.2%	23.1%
DPS (ord, DKK)	0.00	0.00	1.00	2.00	2.00	2.00
EV/Sales	5.8	6.8	11.1	9.9	6.3	5.4
EV/EBIT (adj)	30.0	32.3	48.9	44.9	32.3	25.5
P/E (adj)	53.2	40.4	66.5	57.2	40.2	32.7
P/BV	6.1	7.7	12.8	11.7	9.3	7.4
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%	1.2%	1.5%	2.6%
Net debt	998	826	402	1,707	1,261	462
Net debt/EBITDA	1.9	1.2	0.5	1.9	1.0	0.3
ROIC after tax	10.7%	13.3%	16.3%	25.4%	31.9%	36.4%

Source: Company data and Nordea estimates

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