25 January 2022

Commissioned research: Netcompany – Soft Q4, and 2022E guidance disappoints but mainly due Intrasoft

Q4 Investor call: 11:00 CET, Dial-in details: +45 7815 0109, +44 3333 009 268, web cast: **Please click**

Marketing material commissioned by Netcompany

This morning, Netcompany released its 2021 report. At first glance, the report looks to be a disappointment, however the consolidation of Intrasoft does blur the picture. As expected, the 2021 ended in line with its FY guidance, still the Q4 performance was a disappointment. Compared with the pre-Q4 company-compiled consensus, Q4 revenue and adj. EBITA ended -2% (Nordea: -4%) and -14% (Nordea: -17%), respectively. Q4 organic revenue growth was just 12% (consensus: 18.8%) explained by a larger negative impact from COVID-19 and holiday than expected. 2022 guidance reflects an unchanged high revenue growth and solid level of profitability for Netcompany core, but mainly due to lower contribution from Intrasoft, the 2022 guidance is below consensus. Based on the revenue growth guidance range and the minimum 20% EBITDA margin guidance, this implies a EUR 1.07-1.13bn minimum EBITDA range. Compared to consensus at EUR 1.27bn, the mid-range is 13% below consensus. We expect moderate negative changes to consensus.

2022E guidance:

- Organic revenue growth: 14-19% (consensus: 17.8%) including a negative 3pp contribution from terminating certain non-core services
- Reported revenue growth: 48-56% (consensus: 57.7%)
- EBITA margin, Nordea core: >23% (2021: 23.5%)
- EBITDA margin: min 20% (consensus: 22.0%)
- Intrasoft, backlog: EUR 6.5bn, of which EUR 1.3bn is to be recognised as revenue in 2022

Danish operation, Q4 2021:

- Revenue growth, y/y: 12%
- EBITA margin : 26.9%

Client facing FTE growth, organic (y/y): 17%

NETCOMPANY: Q4 2021 (DKKm)

	2020				2021						Act vs		Q4,
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4A	Q4E	Cons	NDA	Cons	y/y
Revenue	**696**	**676**	**695**	**773**	**855**	**827**	**798**	**1,152**	**1,196**	**1,174**	-4%	-2%	49%
Production cost	421	416	401	445	529	533	470	766	794	754	-3%	2%	72%
Gross profit	**275**	**260**	**293**	**328**	**326**	**293**	**328**	**386**	**403**	**420**	-4%	-8%	18%
Sales & marketing	4	4	4	5	6	6	6	19	13	-	49%	-	309%
Administration	106	95	94	99	103	121	123	157	136	-	15%	-	58%
Special items	0	0	0	0	0	0	-30	-8	-5	-5	-	-	-
EBITA	**164**	**161**	**195**	**224**	**216**	**167**	**170**	**202**	**249**	**241**	-19%	-16%	-9%
Amortisations	25	25	25	24	9	9	9	24	10	-	153%	-	3%
EBIT	**139**	**136**	**170**	**200**	**207**	**158**	**161**	**178**	**239**	**-**	-25%	-	-11%
Net financial items	-19	-16	-6	-152	37	-12	-12	11	-13	-	-	-	-
Pre-tax profit	**120**	**120**	**164**	**48**	**244**	**146**	**149**	**189**	**226**	**212**	-16%	-11%	291%
Taxes	27	24	36	43	45	33	41	35	50	47	-29%	-25%	-19%
Net profit	**93**	**96**	**128**	**5**	**200**	**112**	**109**	**154**	**176**	**166**	-13%	-7%	2946%
EPS	1.9	2.0	2.6	0.1	4.1	2.3	2.2	3.1	3.5	-	-11%	-	3002%
EPS growth, y/y	-5.5%	55.6%	24.9%	-96.0%	114.8%	16.8%	-15.3%	-	-	-	-	-	-
Revenue growth, organic	13.4%	12.5%	17.3%	15.1%	22.9%	21.1%	14.9%	12.1%	19.8%	16.6%	-	-	-
Revenue growth, y/y	16.4%	13.9%	17.3%	15.1%	23.0%	22.4%	14.9%	49.1%	54.8%	51.9%	-	-	-
Gross margin (incl. depr.)	39.5%	38.4%	42.2%	42.4%	38.1%	35.5%	41.2%	33.5%	33.7%	-	-	-	-
Costs (Reveneue - EBITA adj)	**531**	**514**	**499**	**549**	**639**	**660**	**598**	**942**	**943**	**928**	-0%	1%	71%
Costs growth, q/q	8%	-3%	-3%	10%	16%	3%	-9%	57%	58%	55%	-	-	-
Costs growth, y/y	18%	10%	17%	12%	20%	28%	20%	71%	72%	45%	-	-	-
EBITA, adj	**164**	**161**	**195**	**224**	**216**	**167**	**200**	**210**	**254**	**246**	**-17%**	**-14%**	**-6%**
EBITA margin, adj	23.6%	23.9%	28.1%	28.9%	25.3%	20.2%	25.1%	18.3%	21.2%	20.9%	-	-	-
Incremental EBITA margin, adj	17.2%	42.7%	30.5%	42.9%	32.7%	3.5%	4.4%	-3.5%	7.1%	-	-	-	-
EBIT margin	20.0%	20.1%	24.5%	25.9%	24.2%	19.1%	20.2%	15.5%	20.0%	-	-	-	-
Tax rate	22.4%	19.9%	21.9%	89.5%	18.2%	22.9%	27.2%	18.6%	22.1%	22.1%	-	-	-
In/out orders	304	352	236	119	634	299	209	358	402	-	-11%	-	202%
Growth, y/y	46.9%	10.2%	-16.2%	78.1%	108.5%	-15.0%	-11.4%	201.9%	239.2%	-	-	-	
12-month:													
Revenue (12m)	2,552	2,634	2,737	2,839	2,998	3,149	3,253	3,632	3,676	3,653	-1%	-1%	28%
EBITA adj (12M)	634	669	701	744	797	802	806	793	837	828	-5%	-4%	7%
EBITA margin, adj (12M)	24.9%	25.4%	25.6%	26.2%	26.6%	25.5%	24.8%	21.8%	22.8%	22.7%	-	-	-

Source: Company data (consensus compiled by Netcompany) and Nordea estimates

NETCOMPANY: 2021E PERFORMANCE AND 2022E GUIDANCE (DKKm)

	2020	2021 guidance		2021E			2022E guid.		2022E		2023E	
		Low	High	Act.	Nordea	Cons	Low	high	Nordea	Cons	Nordea	Cons
Revenue	**2,839**	**3,605**	**3,690**	**3,632**	**3,676**	**3,653**	**5,337**	**5,625**	**5,721**	**5,763**	**6,572**	**6,673**
Revenue growth, y/y	15.7%	-	-	28.0%	29.5%	28.7%	48%	56%	55.6%	57.7%	14.9%	15.8%
FX effect, Revenue	-1.1%	-	-	-	0.6%	0.7%	-	-	0.0%	0.1%	0.0%	0.0%
Revenue growth, organic	15.5%	-	-	-	20.0%	18.8%	-	-	17.0%	17.8%	14.9%	15.6%
Rev. growth, LCY+organic	**16.6%**	-	-	-	**19.4%**	**18.1%**	-	-	**17.0%**	**17.7%**	**14.9%**	**15.6%**
Costs	2,094	-	-	2,839	2,840	2,827	-	-	4,587	4,619	5,191	5,287
Growth	14.0%	-	-	35.5%	35.6%	35.0%	-	-	61.5%	63.4%	13.2%	14.5%
EBITA, adj	**744**	-	-	**793**	**837**	**826**	-	-	**1,134**	**1,144**	**1,381**	**1,386**
EBITA margin, adj	26.2%	-	-	21.8%	22.8%	22.6%	-	-	19.8%	19.9%	21.0%	20.8%
Special items	0	-30	-35		-35	-	-	-	0	-	0	-
Organic revenue growth	15.5%	~18%	~20%	18%	20.0%	18.8%	13%	18%	17.0%	17.8%	14.9%	15.6%
EBITDA adj.	**809**	**865**	**959**	**881**	**925**	**911**	**>1.07bn**	**>1.13bn**	**1,272**	**1,266**	**1,539**	**1,519**
EBITDA margin, adj.												
Group	28.5%	~24%	~26%		25.2%	24.9%	**>20%**	**>20%**	22.2%	22.0%	23.4%	22.8%
Netcompany	28.5%	~25%	~27%		24.2%	-	>25%	>25%	22.2%	-	23.4%	-
Intrasoft	-	~7%	~8%		7.5%	-	>9%	>9%	9.0%	-	10.0%	-
EBITA, adj.:												
Group	744	-	-	793	837	826	-	-	1,134	1,144	1,381	1,386
Netcompany	744	757	849		833	-	-	-	1,015	-	1,229	-
Intrasoft	-	-	-	793	15	-	-	-	121	-	153	-
EBITA margin, adj.:												
Group	26.2%	~21%	~23%	21.8%	22.8%	22.6%	-	-	19.8%	19.9%	21.0%	20.8%
Netcompany	26.2%	~23%	~25%	-	24.5%	-	>23%	>23%	25.7%	-	26.6%	-
Intrasoft	-	-	-	21.8%	5.5%	-	-	-	7.0%	-	8.0%	-

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	3,676	5,721	6,572
EBITDA (adj)	555	674	809	925	1,272	1,539
EBIT (adj)	399	516	645	800	1,114	1,378
EBIT (adj) margin	19.4%	21.0%	22.7%	21.8%	19.5%	21.0%
EPS (adj, DKK)	4.14	7.84	9.36	11.96	17.26	21.26
EPS (adj) growth	24.3%	89.5%	19.4%	27.8%	44.3%	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	8.5	5.4	4.5
EV/EBIT (adj)	30.0	32.3	48.9	38.9	27.5	21.6
P/E (adj)	53.2	40.4	66.5	49.2	34.1	27.7
P/BV	6.1	7.7	12.8	10.0	7.9	6.3
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%	1.4%	1.9%	3.1%
Net debt	998	826	402	1,706	1,243	421
Net debt/EBITDA	1.9	1.2	0.5	1.9	1.0	0.3
ROIC after tax	10.7%	13.3%	16.3%	25.0%	32.1%	36.8%

Source: Company data and Nordea estimates

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