Nordea

Commissioned Equity Research

Flash comment

4 May 2023

# Commissioned research: Netcompany - Q1 slightly better than expected. Netcompany seems to plan for higher than its 8-12% revenue growth guidance

*Marketing material commissioned by Netcompany*

*Q1 2023 investor call: 11:00 CET, 4 May. Dial-in details (PIN: 598046): +45 78768490, +44 2037696819, +1 6467870157*

Netcompany has this morning reported its Q1 2023 results, which at first glance looks slightly better than the company-compiled consensus. Compared to consensus, Q1 revenue and EBITDA ended 0% and 3% (vs Nordea: 8%), respectively. Q1 organic revenue growth was 12.3% y/y (Nordea: 13% / Consensus: ~12.1%) with Denmark weighting down and rest of the countries growing more than 20% y/y. Client facing FTE increased in Q1 by 15% y/y, which is above the 8-12% revenue growth guidance, but does also include (part) of the employees made redundant. 2023 guidance was reiterated, as expected, and we expect consensus to stay close to unchanged. Our combined DCF- and SOTP-based fair value range points at a DKK 400-460 per share.

**2023 guidance:** Was reiterated, as expected

**Implicit Q2-Q4 2023E:** 9.3% Revenue growth y/y and 19.9% EBITDA margin (Q2-Q4 2022: 20.4%)

**Employees:** Netcompany increased in Q1 the number of client facing employees by 15% y/y (compared to 8-12% revenue growth guidance)

**Denmark:** 6% Q1 revenue growth y/y and 21.5% EBITDA margin (-7.4pp y/y. Negatively impacted by the decision reducing the number of full-time employees (FTE) to reshape the employee pyramid to better fit the business model. Netcompany didn't quantify the impact.

**Netcompany Intrasoft:** 21% Q1 revenue growth y/y and 11.6% EBITDA margin

**Norway:** 28% Q1 revenue growth y/y and 2.2% EBITDA margin

**UK:** 23% Q1 revenue growth y/y and 20.1% EBITDA margin

**Holland:** 22% Q1 revenue growth y/y and 1.6% EBITDA margin

## NETCOMPANY: Q1 2023 (DKKm)

| | 2021 | | | | 2022 | | | | 2023 | | | Act vs | | | Q2-Q4 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1A | Q1E | Cons | NDA | Cons | y/y | 2022 | 2023E | y/y |
| Revenue, Core | 855 | 827 | 798 | 867 | 973 | 887 | 944 | 1,009 | 1,058 | 1,111 | - | -5% | - | 9% | 2,839 | 3,173 | 12% |
| Revenue, Expand | - | - | - | 286 | 399 | 419 | 405 | 511 | 482 | 438 | - | 10% | - | 21% | 1,334 | 1,355 | 2% |
| **Revenue** | **855** | **827** | **798** | **1,152** | **1,372** | **1,306** | **1,348** | **1,519** | **1,540** | **1,550** | **1,538** | -1% | 0% | 12% | **4,173** | **4,560** | 9% |
| Production cost | 529 | 533 | 470 | 766 | 954 | 942 | 877 | 999 | 1,100 | 1,149 | - | -4% | - | 15% | 2,818 | 3,114 | 11% |
| **Gross profit** | **326** | **293** | **328** | **386** | **417** | **364** | **471** | **520** | **440** | **401** | **-** | **10%** | **-** | **5%** | **1,355** | **1,446** | **7%** |
| Sales & marketing | 6 | 6 | 6 | 19 | 9 | 10 | 11 | 12 | 12 | 9 | - | 29% | - | 37% | 32 | 33 | 3% |
| Administration | 103 | 121 | 123 | 157 | 181 | 199 | 185 | 199 | 231 | 202 | - | 15% | - | 28% | 582 | 596 | 2% |
| Special items | 0 | 0 | -30 | -8 | 0 | 0 | -1 | 6 | 0 | 0 | - | - | - | - | 6 | 0 | - |
| **EBITA** | **216** | **167** | **170** | **203** | **227** | **156** | **275** | **315** | **197** | **189** | **-** | **4%** | **-** | **-13%** | **746** | **816** | **9%** |
| EBIT | 207 | 158 | 161 | 178 | 194 | 123 | 240 | 281 | 163 | 162 | - | 1% | - | -16% | 645 | 740 | 15% |
| Net financial items | 37 | -12 | -12 | 11 | -16 | -23 | -19 | -25 | -32 | -17 | - | - | - | - | -66 | -34 | -49% |
| **Pre-tax profit** | **244** | **146** | **149** | **189** | **178** | **101** | **221** | **256** | **131** | **145** | **-** | **-10%** | **-** | **-26%** | **579** | **706** | **22%** |
| Taxes | 45 | 33 | 41 | 35 | 45 | 16 | 52 | 41 | 0 | 30 | - | - | - | - | 108 | 194 | 79% |
| **Net profit** | **200** | **112** | **109** | **154** | **132** | **85** | **170** | **216** | **131** | **116** | **-** | **13%** | **-** | **-1%** | **470** | **512** | **9%** |
| EPS | 4.1 | 2.3 | 2.2 | 3.1 | 2.7 | 1.7 | 3.5 | 4.3 | 2.1 | 2.3 | - | -9% | - | -23% | 9.5 | 10.8 | 14% |
| EPS growth, y/y | 114.8% | 16.8% | -15.3% | ###### | -33.3% | -24.9% | 56.1% | 39.7% | -22.5% | -14.6% | - | - | - | - | 25.0% | 13.5% | - |
| Revenue growth, y/y | 23.0% | 22.4% | 14.9% | 49.1% | 60.4% | 58.0% | 68.9% | 31.9% | 12.3% | 13.0% | 12.1% | - | - | - | 50.3% | 9.3% | - |
| Revenue growth, organic | 22.9% | 21.1% | 14.9% | 14.1% | 13.8% | 6.9% | 18.2% | 17.0% | 12.3% | 14.0% | - | - | - | - | - | - | - |
| Gross margin | 38.1% | 35.5% | 41.2% | 33.5% | 30.4% | 27.9% | 34.9% | 34.2% | 28.6% | 25.8% | - | - | - | - | 32.5% | 31.7% | - |
| Costs (Reveneue - EBITDA adj) | 639 | 660 | 598 | 942 | 1,112 | 1,117 | 1,040 | 1,164 | 1,298 | 1,326 | - | -2% | - | 17% | 3,321 | 3,652 | 10% |
| Costs growth, q/q | - | - | - | - | 18% | 0% | -7% | 12% | 12% | 14% | - | - | - | - | - | - | - |
| Costs growth, y/y | - | - | - | - | 74% | 69% | 74% | 24% | 17% | 19% | | | | | 51% | 10% | - |
| EBITDA | 235 | 187 | 191 | 231 | 259 | 189 | 308 | 355 | 242 | 224 | 235 | 8% | 3% | -7% | 852 | 908 | 7% |
| **EBITDA adj.** | **235** | **187** | **221** | **238** | **259** | **189** | **308** | **355** | **242** | **224** | **235** | **8%** | **3%** | **-7%** | **852** | **908** | **7%** |
| EBITA, adj | 216 | 167 | 200 | 210 | 227 | 156 | 275 | 315 | 197 | 189 | - | 4% | - | -13% | 746 | 816 | 9% |
| **EBITDA margin adj.** | - | - | - | - | 10.5% | 1.1% | 61.3% | 53.9% | 15.7% | 14.4% | 15.3% | | | | 20.4% | 19.9% | - |
| EBITA margin, adj | 25.3% | 20.2% | 25.1% | 18.3% | 16.5% | 12.0% | 20.4% | 20.8% | 12.8% | 12.2% | - | - | - | - | 17.9% | 17.9% | - |
| EBIT margin | 24.2% | 19.1% | 20.2% | 15.5% | 14.2% | 9.5% | 17.8% | 18.5% | 10.6% | 10.4% | - | - | - | - | 17.9% | 17.9% | - |
| Incremental EBITA margin, adj | 32.7% | 3.5% | 4.4% | -3.5% | 2.0% | -2.2% | 13.6% | 28.6% | -17.7% | -21.1% | - | - | - | - | 12.1% | 18.0% | - |
| Tax rate | 18.2% | 22.9% | 27.2% | 18.5% | 25.6% | 15.5% | 23.4% | 16.0% | 0.0% | 20.3% | - | - | - | - | 18.7% | 27.5% | - |
| Revenue visibility | 2,765 | 3,065 | 3,274 | 3,632 | 4,544 | 4,977 | 5,296 | 5,545 | 4,942 | - | - | - | - | 9% | - | - | - |
| % of FY revenue | 76.1% | 84.4% | 90.1% | 100.0% | 74.5% | 81.6% | 86.8% | 90.9% | 81.0% | - | - | - | - | - | - | - | - |
| In/out orders | 634 | 299 | 209 | - | 719 | 433 | 320 | 248 | 762 | - | - | - | - | 6% | 1,001 | 1,158 | 16% |
| Growth, y/y | 108.5% | -15.0% | -11.4% | - | 13.4% | 44.8% | 52.7% | - | 6.0% | - | - | - | - | - | 96.9% | 15.7% | - |
| Revenue (12m) | 2,998 | 3,149 | 3,253 | 3,632 | 4,148 | 4,627 | 5,178 | 5,545 | 5,713 | 5,723 | 5,711 | -0% | 0% | 38% | - | - | - |
| Revenue growth (12m) | - | - | - | - | 38.4% | 46.9% | 59.2% | 52.7% | 37.7% | 38.0% | 37.7% | -1% | 0% | -2% | - | - | - |
| Gross margin (12M) | 40.2% | 39.4% | 39.2% | 36.7% | 34.3% | 32.3% | 31.6% | 32.0% | 31.4% | 30.7% | 23.7% | 2% | 32% | -9% | - | - | - |
| EBITDA adj (12M) | - | - | - | - | 906 | 908 | 995 | 1,112 | 1,094 | 1,076 | 982 | 2% | 11% | 21% | - | - | - |
| EBITA margin, adj (12M) | 26.6% | 25.5% | 24.8% | 21.8% | 19.4% | 17.1% | 16.8% | 17.6% | 20.8% | 18.8% | 8.4% | 11% | 148% | 7% | - | - | - |
| EBITA adj (12M) | 797 | 802 | 806 | 793 | 804 | 793 | 868 | 973 | 943 | 936 | 746 | 1% | 26% | 17% | - | - | - |
| EBITA margin, adj (12M) | 26.6% | 25.5% | 24.8% | 21.8% | 19.4% | 17.1% | 16.8% | 17.6% | 16.5% | 16.4% | 13.1% | - | - | - | - | - | - |

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

## NETCOMPANY: 2023 GUIDANCE AND PRE-Q1 UPDATED COMPANY-COMPILED CONSENSUS (DKKm)

| | 2022 | 2023 guidance | | | 2023E | | 2024E | | 2025E | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Low | High | Mid | Nordea | Cons | Nordea | Cons | Nordea | Cons |
| Revenue, Core | 3,846 | - | - | - | 4,231 | - | 6,978 | - | 7,885 | - |
| Revenue, Expand | 1,670 | - | - | - | 1,837 | - | 2,113 | - | 2,429 | - |
| **Revenue** | **5,545** | **5,988** | **6,210** | **6,099** | **6,101** | **6,055** | **7,016** | **6,796** | **7,928** | **7,607** |
| Revenue growth, y/y | 52.7% | 8.0% | 12.0% | 10.0% | 10.0% | 9.2% | 15.0% | 12.2% | 13.0% | 11.9% |
| **Revenue growth, organic** | **14.7%** | **8.0%** | **12.0%** | **8.0%** | **10.0%** | **-** | **15.0%** | **-** | **13.0%** | **-** |
| Costs (Revenue - EBITDA adj.) | 4,571 | - | - | - | 5,087 | 4,981 | 5,850 | 5,521 | 6,612 | 6,140 |
| Growth | 58.9% | - | - | - | 11.3% | 9.0% | 15.0% | 10.8% | 13.0% | 23.3% |
| Special items | 0 | - | - | - | 0 | - | 0 | - | 0 | - |
| **EBITDA adj.** | **1,112** | **898** | **1,118** | **1,008** | **1,151** | **1,074** | **1,323** | **1,276** | **1,495** | **1,467** |
| EBITDA, Core | 906 | - | - | - | 923 | - | 1,062 | - | 1,195 | - |
| EBITDA, Expand | 206 | - | - | - | 227 | - | 261 | - | 300 | - |
| **EBITDA margin, adj.** | **20.1%** | **15.0%** | **18.0%** | **16.5%** | **18.9%** | **17.7%** | **18.9%** | **18.8%** | **18.9%** | **19.3%** |
| EBITA, adj.: | 973 | - | - | - | 1,013 | - | 1,165 | - | 1,317 | - |
| EBITA margin, adj.: | 17.6% | - | - | - | 16.6% | - | 16.6% | - | 16.6% | - |

*Source: Company data, company-compiled consensus, and Nordea estimates*

## SUMMARY TABLE - KEY FIGURES

| DKKm | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|---|
| Total revenue | 2,839 | 3,632 | 5,545 | 6,101 | 7,016 | 7,928 |
| EBITDA (adj) | 809 | 881 | 1,112 | 1,151 | 1,323 | 1,495 |
| EBIT (adj) | 645 | 742 | 839 | 903 | 1,055 | 1,207 |
| EBIT (adj) margin | 22.7% | 20.4% | 15.1% | 14.8% | 15.0% | 15.2% |
| EPS (adj, DKK) | 9.36 | 10.94 | 12.31 | 12.86 | 15.78 | 18.52 |
| EPS (adj) growth | 19.4% | 16.8% | 12.6% | 4.4% | 22.7% | 17.3% |
| DPS (ord, DKK) | 1.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| EV/Sales | 11.1 | 10.2 | 2.9 | 2.3 | 1.9 | 1.6 |
| EV/EBIT (adj) | 48.9 | 49.9 | 19.4 | 15.3 | 12.5 | 10.3 |
| P/E (adj) | 66.5 | 64.4 | 23.9 | 20.0 | 16.3 | 13.9 |
| P/BV | 12.8 | 11.6 | 4.2 | 3.1 | 2.6 | 2.2 |
| Dividend yield (ord) | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| FCF Yield bef A&D, lease adj | 2.1% | 2.9% | 3.3% | 3.8% | 4.7% | 5.7% |
| Net debt | 402 | 1,817 | 1,536 | 948 | 330 | -414 |
| Net debt/EBITDA | 0.5 | 2.2 | 1.4 | 0.8 | 0.2 | -0.3 |
| ROIC after tax | 16.3% | 17.7% | 15.8% | 0.0% | -18.8% | -41.7% |

*Source: Company data and Nordea estimates*

**Completion date:**

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