16 August 2023

Commissioned research: Netcompany – Strong growth by all divisions excluding a soft Denmark, 2023 guidance reiterated

Marketing material commissioned by Netcompany

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Netcompany has today released its Q2 2023 interim report, which at first glance looks slightly disappointing, at least compared to consensus. Compared to company-compiled consensus, Q2 revenue and EBITDA ended up 1% and -12%, respectively. Compared to our Q2 EBITDA estimate, Netcompany ended 2% above, and we struggle to fully understand the consensus estimate, which reflected a "strangely" low cost base. The key drivers behind the 14.4% revenue growth y/y (consensus: 12.9%) was strong performance by all divisions excluding Denmark, who only grow by 2% (private segment: -8%). As expected, Netcompany reiterated its 2023 guidance, however we continue to believe in a guidance upgrade later in 2023. We expect consensus to stay largely unchanged post the Q2 report. Our combined DCF- and SOTP-based fair value range is DKK 400-460 per share.

Key details from the Q2 2023 report:

- **Revenue visibility:** 10% y/y
- **In/out orders:** DKK 555m (28% / Q2 2022: DKK 433m)
- **Employees:** The number of employees increased by 15% y/y. The development in employees has historically been a strong indicator for how Netcompany foresees its revenue growth potential
- **Denmark:** 2.2% revenue growth y/y
- **Intrasoft:** 25% revenue growth y/y. A DKK 30m revenue from software sale was recognised in Q2. The profit impact from this, was partly offset by cost associated to moving to the new HQ.
- **Norway:** XX% revenue growth y/y
- **UK:** 59% revenue growth y/y
- **Netherlands:** 75% revenue growth y/y
- **FCF:** DKK -73m (Q2 2022: DKK 7m)

NETCOMPANY: Q2 2023 (DKKm)

	2022				2023				Act vs		Q2,	2022	2023	
	Q1	Q2	Q3	Q4	Q1	Q2A	Q2E	Cons	NDA	Cons	y/y	H2	FY-H1	y/y
Revenue, Core	973	887	944	1,009	1,058	970	1,029	-	-6%	-	9%	1,952	2,286	17%
Revenue, Expand	399	419	405	511	482	524	461	-	14%	-	25%	915	831	-9%
Revenue	**1,372**	**1,306**	**1,348**	**1,519**	**1,540**	**1,494**	**1,490**	**1,474**	**0%**	**1%**	**14%**	**2,867**	**3,149**	**10%**
Production cost	954	942	877	999	1,100	1,091	1,128	-	-3%	-	16%	1,876	2,115	13%
Gross profit	**417**	**364**	**471**	**520**	**440**	**403**	**362**	**-**	**11%**	**-**	**11%**	**991**	**1,035**	**4%**
Sales & marketing	9	10	11	12	12	14	10	-	30%	-	42%	23	20	-11%
Administration	181	199	185	199	231	244	213	-	15%	-	23%	384	375	-2%
Special items	0	0	-1	6	0	0	0	-	-	-	-	6	0	-
EBITA	**227**	**156**	**275**	**315**	**197**	**145**	**139**	**-**	**4%**	**-**	**-7%**	**590**	**639**	**8%**
Amortisation	33	33	35	34	34	35	28	-	27%	-	7%	69	41	-40%
EBIT	**194**	**123**	**240**	**281**	**163**	**110**	**112**	**-**	**-1%**	**-**	**-11%**	**521**	**598**	**15%**
Net financial items	-16	-23	-19	-25	-32	-37	-23	-	-	-	-	-44	-22	-
Pre-tax profit	**178**	**101**	**221**	**256**	**131**	**74**	**89**	**-**	**-17%**	**-**	**-27%**	**478**	**576**	**21%**
Taxes	45	16	52	41	28	19	18	-	3%	-	19%	93	141	52%
Net profit	**132**	**85**	**170**	**216**	**103**	**55**	**71**	**-**	**-22%**	**-**	**-35%**	**385**	**435**	**13%**
EPS	2.7	1.7	3.5	4.3	2.1	1.1	1.4	-	-22%	-	-35%	7.8	8.7	12%
EPS growth, y/y	-33.3%	-24.9%	56.1%	FALSE	-22.5%	-35.5%	-17.5%	-	-	-	-	46.6%	11.5%	-
Revenue growth, organic	13.8%	6.9%	18.2%	17.0%	13.7%	15.7%	15.1%	-	-	-	-	-	-	-
Revenue growth, y/y	60.4%	58.0%	68.9%	31.9%	12.3%	14.4%	14.1%	12.9%	-	-	-	47.0%	9.8%	-
Gross margin	30.4%	27.9%	34.9%	34.2%	28.6%	27.0%	24.3%	-	-	-	-	34.6%	32.9%	-
Costs (Revenue - EBITDA adj)	1,112	1,117	1,040	1,164	1,298	1,299	1,299	1,253	-0%	4%	16%	2,204	2,416	10%
Costs growth, q/q	-	0%	-7%	12%	-	0%	0%	-4%	-	-	-	-	-	-
EBITDA	**259**	**189**	**308**	**355**	**242**	**195**	**191**	**222**	**2%**	**-12%**	**3%**	**663**	**734**	**11%**
EBITDA margin	**18.9%**	**14.5%**	**22.9%**	**23.4%**	**15.7%**	**13.1%**	**12.8%**	**15.0%**	**-**	**-**	**-**	**46.2%**	**23.3%**	**-**
EBITA, adj	227	156	275	315	197	145	139	-	4%	-	-7%	590	639	8%
EBITA margin, adj	16.5%	12.0%	20.4%	20.8%	12.8%	9.7%	9.4%	-	-	-	-	20.6%	20.3%	-
Incremental EBITA margin, adj	2.0%	-2.2%	13.6%	28.6%	-17.9%	73.9%	-9.1%	-	-	-	-	19.6%	17.5%	-
EBIT margin	14.2%	9.5%	17.8%	18.5%	10.6%	7.4%	7.5%	-	-	-	-	18.2%	19.0%	-
Tax rate	25.6%	15.5%	23.4%	16.0%	21.2%	25.2%	20.3%	-	-	-	-	19.4%	24.4%	-
Revenue visibility	4,544	4,977	5,296	5,545	4,921	5,476	-	-	-	-	10%	5,545	-	-
% of FY revenue	73.5%	80.5%	85.7%	-	79.6%	88.6%	-	-	-	-	-	-	-	-
In/out orders	719	433	320	248	741	555	-	-	-	-	28%	568	707	-
Growth, y/y	13.4%	44.8%	52.7%	-	3.1%	28.2%	-	-	-	-	-	-	-	-
Employees, average	6,513	6,719	7,039	7,353	7,497	7,701	-	-	-	-	15%	-	-	-
Growth, y/y	109%	108%	108%	36%	2%	15%	-	-	-	-	-	-	-	-
Growth, q/q	20%	3%	5%	4%	2%	3%	-	-	-	-	-	-	-	-
12-month performance:														
Revenue (12m)	4,148	4,627	5,178	5,545	5,713	5,901	5,898	5,647	0%	4%	28%	-	-	-
Revenue growth (12m)	38.4%	46.9%	59.2%	52.7%	37.7%	127.5%	127.4%	122.0%	-	-	-	-	-	-
EBITA adj (12M)	804	793	868	973	943	932	926	746	1%	25%	18%	-	-	-
EBITA margin, adj (12M)	19.4%	17.1%	16.8%	17.6%	16.5%	15.8%	15.7%	13.2%	-	-	-	-	-	-

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

NETCOMPANY: 2023 GUIDANCE AND PRE-Q2 UPDATED COMPANY-COMPILED CONSENSUS (DKKm)

	2022	2023 guidance			2023E		2024E		2025E	
		Low	High	Mid	Nordea	Cons	Nordea	Cons	Nordea	Cons
Revenue	**5,545**	**5,988**	**6,210**	**6,099**	**6,183**	**6,108**	**7,111**	**6,843**	**8,036**	**7,639**
Revenue growth, y/y	52.7%	8.0%	12.0%	10.0%	11.5%	10.2%	15.0%	12.0%	13.0%	11.6%
Revenue growth, organic	**14.7%**	**8.0%**	**12.0%**	**8.0%**	**11.5%**	**-**	**15.0%**	**-**	**13.0%**	**-**
Costs (Revenue - EBITDA adj.)	4,571	-	-	-	5,202	5,034	5,964	5,571	6,737	6,176
Growth	58.9%	-	-	-	13.8%	10.1%	14.7%	10.7%	13.0%	22.7%
Special items	0	-	-	-	0	-	0	-	0	-
EBITDA adj.	**1,112**	**898**	**1,118**	**1,008**	**1,171**	**1,074**	**1,346**	**1,271**	**1,521**	**1,463**
EBITDA margin, adj.	**20.1%**	**15.0%**	**18.0%**	**16.5%**	**18.9%**	**17.6%**	**18.9%**	**18.6%**	**18.9%**	**19.1%**
EBITA, adj.:	973	-	-	-	981	-	1,146	-	1,299	-
EBITA margin, adj.:	17.6%	-	-	-	15.9%	-	16.1%	-	16.2%	-
EBIT	839	-	-	-	871	-	1,036	-	1,189	-

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	6,183	7,111	8,036
EBITDA (adj)	809	881	1,112	1,171	1,346	1,561
EBIT (adj)	645	742	839	858	1,021	1,216
EBIT (adj) margin	22.7%	20.4%	15.1%	13.9%	14.4%	15.1%
EPS (adj, DKK)	9.36	10.94	12.31	11.65	15.24	18.67
EPS (adj) growth	19.4%	16.8%	12.6%	-5.4%	30.8%	22.5%
DPS (ord, DKK)	1.00	0.00	0.00	0.00	0.00	0.00
EV/Sales	11.1	10.2	2.9	2.6	2.2	1.8
EV/EBIT (adj)	48.9	49.9	19.4	18.7	15.0	12.0
P/E (adj)	66.5	64.4	23.9	25.8	19.7	16.1
P/BV	12.8	11.6	4.2	3.7	3.1	2.6
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%	3.2%	4.2%	5.3%
Net debt	402	1,817	1,536	957	313	-496
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%	-18.5%	-43.0%

Source: Company data and Nordea estimates

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