

Market: OMXC Large Cap

Ticker: NETC

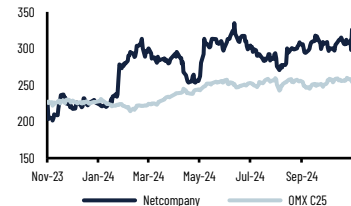
Share price (DKK): 326

Market cap (DKK): 15.6bn

Net debt (DKK): 2.4bn

Enterprise value (DKK): 18.0bn

Share information



YTD	44.5%	1 year:	48.0%
1 month:	5.9%	3 years:	-55.4%

Note: We apply the closing price from 31 October 2024
Index rebased to October 2023. Source: S&P Capital IQ

Financials

DKKm	2022	2023	2024E*
Revenue	5,544.7	6,078.4	~6,500 - 6,700
Revenue growth	52.7%	9.6%	7-10%
Adj. EBITDA	1,106.8	901.2	~975 - 1,200
Adj. EBITDA margin	20.0%	14.8%	15%-18%
Net income	602.8	304.1	N/A
Net income margin	10.9%	5.0%	N/A
Cash	336.1	448.1	N/A
Interest-bearing debt	2,185	2,610	N/A

Note: *Netcompany's own guidance for 2024

Valuation multiples

	2022	2023	2024E*
P/S (x)	2.6	1.8	2.4
EV/Sales (x)	3.0	2.2	2.7
EV/EBITDA (x)	15.0	14.9	15.8
EV/EBIT (x)	19.9	23.3	22.0
P/E (x)	24.2	37.0	28.0
P/B (x)	4.1	2.9	N/A
P/CF (x)	19.0	14.9	20.3

Note: Multiples for 2022 and 2023 are based on historical numbers
*Multiples in 2024E are based on consensus estimates from S&P Capital IQ

Company description

Netcompany is a Danish IT services company specializing in next-generation IT projects that focus on digital transformation through digital platforms, core systems, and infrastructure services in public and private sectors. It has built a strong position in Denmark, particularly within the public sector, and is expanding its reach in Europe, with core markets in the UK, Norway, Netherlands, and increasingly pan-European following its acquisition of Intrasoft International in 2021, with activities in Greece, Belgium, and more.

Investment case

Netcompany operates in one of the fastest growing areas of IT, with IDC forecasting the digital transformation market to grow at a 14.6%¹ CAGR from 2023-2027. Demand is supported by pan-European ambitions by governments to improve their digitalization and by large corporates digitalizing and incorporating AI.

As a trusted partner for Danish public and private sector digital transformation projects (DK: 47% revenue FY2023), Netcompany is expanding its European footprint, securing milestone projects in the UK (DALAS framework) and Norway (Avinor airport project) in 2024. These large-scale and critical projects validate Netcompany's go-to-market strategy of leveraging composable platforms to win and deliver large projects. The potential to grow market share in its large and broad European markets can drive topline development over many years and support margin expansion.

Netcompany has returned to growth in its Danish market in 2024, overcoming general market weakness. Outside of Denmark growth has continued, and margin expansion has also followed the topline growth, driven by improved staff utilization and the platform-based strategy. Netcompany continues to ramp up major UK and Norwegian projects, which can support growth into 2025, and consensus analyst estimates now expect FY 2024 EBITDA at the top end of guidance. Additionally, forward multiples still trade slightly below the peer group average, despite its outperformance YTD.

¹<https://www.idc.com/getdoc.jsp?containerId=US50051223>

Key investment reasons

Netcompany's 2026 mid-term financial targets outline ambitions for organic revenue of at least DKK 8.5bn in 2026, with a ≥20% EBITDA margin reflecting an adj. EBITDA CAGR 23.6%. Netcompany also targets share buybacks of at least DKK 2.0bn to be used for share cancellations by 2026. A new DKK 250m buyback program launched after Q3 2024 raises buybacks for 2024 to DKK 800m.

The international expansion strategy has been validated following major DALAS (UK) and Avinor (NO) projects and the continued growth of Intrasoft. Leveraging proven platforms to win critical projects overseas can drive continued European market share growth while facilitating high margin license revenues.

Netcompany has outperformed the market in 2024, as its return to growth in DK, and ongoing growth in other markets have countered broader declining markets. Despite the results, Netcompany's forward valuation multiples remain below its peers' average.

Key investment risks

Netcompany is operating in generally challenged markets, as shown by its peers' weakness YTD. While Netcompany has outperformed and sees improving IT investment conditions on the horizon, continued outperformance and the ability to land new projects in weak markets are not guaranteed.

Netcompany relies on its reputation for quality and timeliness when tendering for contracts. Given the size and impact of typical Netcompany projects, reputation can be as or more influential than price in winning tenders. Involvement in a high-profile project failure may reduce its ability to win large tenders across regions.

Netcompany forecasts continued growth across its geographical regions requiring talent acquisition and the right competencies. The fight for talent in IT services has somewhat eased; however, attracting and retaining talent may be a bottleneck to growth over the medium term.

Peer group

Company	Price (local)	Total return YTD	Market cap (EURm)	Latest net debt (EURm)	EV/EBITDA		EV/EBIT		P/E		EBIT margin	
					FY2024	FY2025	FY2024	FY2025	FY2024	FY2025	3-yr avg	LTM
Globant S.A.	USD 209.9	-11.8%	8,340	-42	23.7	20.0	31.4	26.2	41.5	35.7	11.7%	10.4%
Endava plc	USD 23.7	-69.6%	1,286	-111	24.9	17.6	27.6	19.1	37.5	26.8	15.0%	4.6%
EPAM Systems, Inc.	USD 188.7	-36.6%	9,892	-1,742	18.9	18.6	20.8	20.2	28.8	28.0	13.9%	11.6%
Kainos Group plc	GBP 7.5	-31.7%	1,114	-122	16.6	14.6	17.7	15.5	24.9	21.8	14.0%	15.5%
Reply S.p.A.	EUR 140.3	18.3%	5,230	-203	13.1	12.0	16.4	14.5	25.0	21.3	14.0%	13.7%
Median		-31.7%	5,230	-122	18.9	17.6	20.8	19.1	28.8	26.8	14.0%	11.6%
Netcompany Group A/S	DKK 326	44.5%	2,089	290	14.5	12.2	22.2	17.0	26.6	19.0	15.0%	11.8%
Premium (+) / Discount (-) to peers					-23.2%	-30.7%	6.6%	-11.0%	-7.6%	-29.2%		

Note: Data from 01/11/2024

Source: S&P Capital IQ



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Investment Case
One-pager

Estimates and assumptions: Some of the data in the peer group has not been calculated by HC Andersen Capital but is instead consensus analyst estimates from S&P Capital IQ. HC Andersen Capital assumes no responsibility for the correctness of the numbers in the peer group; however, considers S&P Capital IQ a credible source of information.

Selected peers overview:

Globant SA is a global IT services company focused on next-generation digital transformation. The company was founded in Argentina and has a strong presence in Latin America and North America, with a smaller but growing presence in Europe. The company was listed on the Nasdaq in 2021 and pursues an active acquisition strategy to support organic growth. Globant primarily services blue-chip clients in the private sector, focusing on digital transformation through developing platforms with activities in a broad range of sectors; however, also undertakes public sector projects.

Endava Plc is a global IT services company with a focus on delivering next-generation IT solutions to deliver digital transformation for businesses. The company is headquartered in the UK and listed on the Nasdaq, generating around 50% of its revenue in the UK, with Europe and North America as its next largest markets. Endava also looks towards acquisitions to aid entry into new geographies and to support organic growth, delivering solutions across a broad range of sectors, but with little over 50% of revenue derived from its payments and financial services. Endava's clients are predominantly based in the private sector.

Epam is a global IT services company focused on next-generation digital transformation. The US-based company was founded in 1993 and was listed on the Nasdaq in 2012, generating over 50% of revenues from the Americas, and also has significant business in EMEA. Epam is primarily focused on blue chip private sector clients with broad sector focuses, including Travel & Consumer, Financial Services, Business Information & Media, Software and Hi-Tech, and Life Sciences & Healthcare, and also actively pursues acquisitions to support organic growth.

Reply SpA is an Italian IT services company focused on next-generation digital transformation. The company is headquartered in Turin, Italy, and was listed on the Milan Stock Exchange in 2000, with global activities in Europe, the Americas, and APAC. The company specializes in the design and implementation of solutions based on new communications channels and digital media, with activities across a broad range of sectors, the largest of which are Manufacturing & Retail, Financial Services, and Telco, Media & Hi-Tech. Reply also targets acquisitions to support organic growth.

Kainos is a UK-based IT services company focused on next-generation digital transformation in the public and private sectors. The company is headquartered in Belfast, Northern Ireland, and was listed on the London Stock Exchange in 2015. Kainos generates approx. 2/3 of its revenues from the UK, with the remainder from international operations, of which North America is its largest market. The company operates three business segments, Digital Services, which focuses on digital transformation, Workday Services, and Workday Products. Workday Services concerns the deployment of its partner, the US SaaS company, Workday's Finance, HR, and Planning products to corporate clients, while Workday Products develops products for clients that complement Workday. For the year 2022/23, public sector activities were responsible for 37% of revenues.