

NTG | Nordic Transport Group



Market: OMXC Large cap

Ticker: NTG

Share price (DKK): 280.0

Market cap (DKK): 6.0bn

Net debt (DKK): 1.1bn

Enterprise value (DKK): 7.1bn

Share information



Ytd: -4.8% 1 year: -16.5%
1 month: -5.6% 3 year: -47.5%

Note: We apply the closing price from 08 August 2024
Index rebased to August 2023. Source: Refinitiv

Financials

DKKm	2022	2023	2024E*
Revenue	10,224	8,338	N/A
Revenue growth	40%	-18.4%	N/A
Adj EBIT	758	630	500-580
Adj EBIT margin	7.4%	7.6%	N/A
Net income	535	407	N/A
Net income margin	5.2%	4.9%	N/A
Cash	281	276	N/A
Interest-bearing debt	1,268	1,243	N/A

Note: *NTG's own 2024 guidance
Source: Refinitiv & NTG

Valuation multiples

	2022	2023	2024E*
P/S (x)	0.5	0.8	N/A
EV/Sales (x)	0.6	0.9	N/A
EV/Adj EBITDA (x)	6.6	9.1	N/A
EV/Adj EBIT (x)	8.6	12.3	14.3-12.3
P/E (x)	11.1	16.4	N/A
P/B (x)	5.4	6.6	N/A
P/CF (x)	7.1	11.3	N/A

Note: Multiples for 2022 and 2023 are based on historical numbers from Refinitiv
*Multiples in 2024 are based on NTG's own guidance

Company description

NTG | Nordic Transport Group, is a Danish-based freight forwarding logistics company that provides customised transport solutions by road, rail, air, and ocean. NTG has a global presence with around 65 subsidiaries and operations in over 20 countries, including the US and China. NTG creates value by optimising customers' supply chains by acting as a coordinator, planner, and negotiator. The company operates two segments, Road & Logistics and Air & Ocean, with the former slightly larger in revenue terms FY 2023.

Investment case

NTG has achieved significant growth, through organic growth and acquisitions, including acquiring US-based AGL Inc in Q2 2022. Long-term growth, particularly in European Road & Logistics, may be supported by nearshoring of supply chains, while broader global freight volumes are projected to increase at a 4.6%^[1] CAGR towards 2030 as global trade grows. NTG continues consolidating in a still fragmented market, with financial ambitions for an Adj. EBIT of DKK 1.0bn by FY2027, via organic growth and acquisitions, a 17% CAGR from mid-point 2024 guidance.

NTG beat analyst expectations in Q2 2024 returning to revenue growth (+9% y/y), but with some gross profit decline due to higher haulage and container capacity costs. Adj. EBIT gained (+11% y/y) in Q2, as overall market conditions improved, particularly in Air & Ocean. The strategy to pursue sales activities in weak markets has supported volume growth which may sustain momentum into Q3 and Q4, which NTG expects to be stronger than H1 given improving market conditions and stronger seasonality.

NTG has made three acquisitions so far in Q3 2024, in Germany, Italy, and Asia, to bolster primarily its Road & Logistics activities, and realise synergies, particularly in Europe. The largest of the acquisitions is German-based SCHMALZ+SCHÖN Holding GmbH ("SSH"), with revenue of DKK 1,142 million FY 2023. Overall, NTG still faces risks in a weak market but could be well positioned if market conditions sustain the improving momentum.

Source [1]: <https://www.grandviewresearch.com/industry-analysis/freight-forwarding-market-report>

Key investment reasons

NTG has historically grown revenues and earnings at double-digit annual growth rates, while maintaining ROIC before tax of >30% since its IPO in 2019 (32% FY 2023). Its asset-light business model supports a strong return on invested capital, and eases the integration of acquisitions, which can facilitate long-term growth.

NTG's acquisition strategy has supported revenue and EPS growth, typically acquiring firms at lower valuations than its own. NTG has recently ramped up acquisition activities once more acquiring three firms at accretive valuations. The acquisitions have been facilitated by falling target valuations and a strong balance sheet, following debt pay-down post its AGL acquisition in 2022.

NTG currently trades at lower valuation multiples than its peers across highlighted metrics. A poorly timed acquisition and smaller size may justify some discount, however, the current valuation gap of around 20-30% is larger than historically seen for NTG.

Key investment risks

Demand for freight is cyclical, and freight volumes and rates move with the market. A global recession may see rates and volumes fall further, while a sustained recession would likely threaten the medium-term outlook. NTG anticipates continued challenges in its Road & Logistics, particularly in the Nordics, but with signs of improving market conditions, particularly in Air & Ocean.

Given its smaller size relative to the large industry players NTG may not be able to leverage economies of scale to secure capacity at favourable rates as effectively as its peers. Alternatively, its size might give NTG more flexibility to adjust to market conditions.

NTG's discount relative to its peers may be partly explained by the market negatively assessing its timing and integration of AGL group, (acquired Q2 2022), which was primarily positioned in the Air and Ocean division, the segment most affected by weaker markets.

Peer group

Company	Price (local)	Total return YTD	Market cap (EURm)	Latest net debt (EURm)	EV/EBITDA		EV/EBIT		P/E		EBIT margin	
					2024E	2025E	2024E	2025E	2024E	2025E	3-yr avg	TTM
DSV A/S	DKK 1212	2.2%	33,731	4,513	12.1	12.6	15.6	16.7	20.1	19.9	10.4%	10.6%
Kuehne + Nagel International	CHF 252.8	-12.8%	31,629	-266	12.4	13.4	17.2	19.4	23.5	26.9	8.7%	6.6%
Expeditors International	USD 119.12	-6.4%	15,409	-891	16.8	17.4	17.9	19.0	24.9	25.9	10.9%	9.4%
C.H. Robinson Worldwide	USD 98.57	14.1%	10,596	1,635	17.4	15.5	20.3	18.0	24.2	22.1	4.3%	3.2%
Median		-2.1%	23,519	684	14.6	14.5	17.5	18.5	23.9	24.0	9.6%	8.0%
NTG Nordic Transport Group	DKK 280	-4.8%	799	130	9.1	9.1	12.5	12.8	16.5	15.8	7.5%	7.2%
Premium (+) / Discount (-) to DSV					-24%	-27%	-20%	-24%	-18%	-21%		
Premium (+) / Discount (-) to peers					-37%	-37%	-29%	-31%	-31%	-34%		

Note: Data from 08/08/2024

Source: CapitalIQ

Appendix – Peer group

Estimates and assumptions: Some of the data in the peer group has not been calculated by HC Andersen Capital but is instead consensus analyst (Mean Estimates) from Refinitiv. Some of the companies have no or limited analyst coverage and no guidance, and hence N/A may show for some data points. HC Andersen Capital assumes no responsibility for the correctness of the numbers in the peer group; however, considers Refinitiv a credible source of information.

Peer Group Selection: NTG's peer group consists mainly of large freight forwarders with global activities and a full-service offering covering road, air, ocean, and associated services. Therefore, the peers reflect a similar business model and market structure to NTG and can be considered relevant peers. However, the peers are significantly larger than NTG, which may create structural differences when facing weaker markets, as larger players can typically benefit from greater economies of scale but may have reduced flexibility.

DSV: is a global freight forwarding company based in Denmark, with operations in over 80 countries. DSV offers air, sea, and land transportation services, as well as logistics solutions and supply chain optimisation to customers in various industries, including automotive, healthcare, retail, and technology.

Kuehne + Nagel: is a Switzerland-based freight forwarding company that operates in more than 100 countries worldwide. Kuehne + Nagel offers freight services by air, sea, road, and rail, as well as contract logistics and supply chain management services to a diverse customer base.

Expeditors International: is a US-based global logistics company that provides air and ocean freight services, customs brokerage, and other supply chain solutions to customers in industries such as aerospace, automotive, and retail, with a network in over 60 countries.

C.H. Robinson: is a US-based logistics company that specialises in transportation and supply chain services. It offers air, ocean, and ground transportation solutions, as well as customs brokerage and warehousing services, operating in almost 40 countries with road freight as the largest revenue driver.