

NTG | Nordic Transport Group



Market: OMXC Large Cap

Ticker: NTG

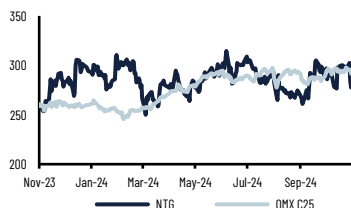
Share price (DKK): 290

Market cap (DKK): 6.2bn

Net debt (DKK): 1.1bn

Enterprise value (DKK): 7.3bn

Share information



YTD: -1.4% 1 year: 12.0%
1 month: 0.0% 3 years: -49.1%

Note: We apply the closing price from 02 November 2024
Index rebased to November 2023. Source: S&P Capital IQ

Financials

DKKm	2022	2023	2024E*
Revenue	10,224	8,338	N/A
Revenue growth	40%	-18.4%	N/A
Gross profit	2,012	1,866	N/A
Gross profit margin	20%	22%	N/A
Adj EBIT	758	630	500-550
Adj EBIT margin	7.4%	7.6%	N/A
Net income	535	407	N/A
Net income margin	5.2%	4.9%	N/A
Net debt	987	967	N/A

Note: *NTG's own 2024 guidance. Source: S&P Capital IQ & NTG

Valuation multiples

	2022	2023	2024E*
P/S (x)	0.5	0.8	0.7
EV/Sales (x)	0.6	0.9	0.8
EV/Adj EBITDA (x)	6.6	9.1	9.4
EV/Adj EBIT (x)	8.6	12.3	13.8
P/E (x)	11.1	16.4	18.5
P/B (x)	5.4	6.6	N/A
P/CF (x)	7.1	11.3	12.0

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

Company description

NTG | Nordic Transport Group is a Danish-based freight forwarding logistics company that provides customized 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 optimizing customers' supply chains by acting as a coordinator, planner, and negotiator. NTG operates two segments, Road & Logistics (R&L) and Air & Ocean (A&O), with the former larger in revenue terms FY 2023.

Investment case

NTG has experienced high cyclicality in recent years as demand surged due to global Covid-19 stimulus. This has been followed by economic weakness, particularly in Europe, since 2022 (a record year). While cyclicality remains, freight volumes are expected to grow around 4.6%^[1] annually towards 2030 as global trade grows.

During the recent market weakness, NTG has paid down the debt from its large AGL acquisition (2022) and resumed consolidating in a still fragmented market, with four acquisitions in H2 2024. The recent acquisitions are primarily within R&L and realized combined 2023 revenues of DKK 1.9bn and EBIT of DKK 160m. NTG has pursued market share gains in weaker markets via heightened sales activities and currently maintains its financial ambitions for an Adj. EBIT of DKK 1.0bn by FY2027 (24% CAGR from mid-point 2024 guidance).

During Q3 2024, NTG faced ongoing market weakness as higher capacity costs squeezed gross margins, despite freight rate improvements, leading to a reduction in its top end guidance. NTG now expects Adj. EBIT of 500-550m (from DKK 500-580m) FY2024. NTG anticipates improving R&L conditions, while competitive pressures persist in A&O. Freight demand may soon get a boost from low global inventories and improving macro conditions seen by falling inflation and interest rates in Europe and returning GDP growth in Germany and elsewhere, however, uncertainty remains.

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 high cash flow.

NTG's acquisition strategy has supported revenue and EPS growth, typically acquiring firms at lower valuations than its own (accretive to EPS), which we also assume is the case with its latest four acquisitions in H2 2024. NTG's proven integration approach "ring the bell" facilitates quick integration and efficiency gains supporting an accelerated growth strategy. A solid balance sheet (NIBD/EBITDA 2.0x Q3'2024) may support further acquisitions.

NTG currently trades at lower valuation multiples than its peers. While a smaller size may justify some discount, the 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. NTG anticipates continued challenges in its R&L division, particularly in Northern Europe, while restructuring within A&L should support stabilization. Recent market challenges may threaten the mid-term targets, which are currently maintained.

Given its smaller size relative to the large industry players, NTG may not be able to leverage economies of scale to secure capacity at favorable rates as effectively as its peers, with current EBIT margins somewhat below peer averages. Alternatively, its size might give NTG more flexibility in adjusting 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 weaker A&O market.

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

Peer group

Company	Price (local)	Total return YTD	Market cap (EURm)	Latest net debt (EURm)	EV/Sales		EV/EBITDA		EV/EBIT		3-yr avg	TTM
					FY2024	FY2025	FY2024	FY2025	FY2024	FY2025		
DSV A/S	DKK 1510	28.2%	47,503	5017.5	2.4	2.4	12.1	12.6	15.6	16.7	10.4%	10.0%
Kuehne + Nagel International AG	CHF 216.1	-22.4%	27,208	1648.3	1.1	1.1	12.4	13.4	17.2	19.4	8.7%	6.4%
Expeditors International of Washington, Inc.	USD 120.4	-4.8%	15,606	-670.9	1.7	1.6	16.8	17.4	17.9	19.0	10.9%	9.4%
C.H. Robinson Worldwide, Inc.	USD 102.7	21.4%	11,145	1,745	0.8	0.8	17.4	15.5	20.3	18.0	4.3%	3.5%
Median		8.3%	21,407	1,697	1.4	1.4	17.5	18.5	17.5	18.5	9.6%	7.9%
NTG Nordic Transport Group A/S	DKK 290	-1.4%	830	3.8	0.8	0.7	9.1	9.1	12.5	12.8	7.5%	6.4%
Premium (+) / Discount (-) to DSV					-66.7%	-70.8%	-24.8%	-27.8%	-19.9%	-23.4%		
Premium (+) / Discount (-) to peers					-42.9%	-50.0%	-48.0%	-50.8%	-28.6%	-30.8%		

Note: Data from 05/11/2024

Source: CapitalIQ



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Investment Case
One-pager

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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 estimates from S&P Capital IQ. 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 S&P Capital IQ 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 optimization 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.