

Market: OMXC Small Cap

Ticker: COLUM

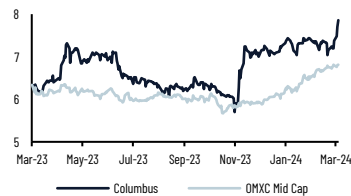
Share price (DKK): 7.86

Market cap (DKK): 1,016.1m

Net debt (DKK): 198.7m (Q4 2023)

Enterprise value (DKK): 1,214.9m

Share information



YTD: 10.7% 1 year: 24.0%
1 month: 7.1% 3 year: -37.9%

Note: We apply the closing price from 13 March 2024. Index rebased to 10 March 2023. Source: Nasdaq.

Financials

DKKm	2022	2023	2024E*
Revenue	1,389	1,540	1,663 - 1,694*
Revenue growth	9%	11%	8-10%*
EBITDA	91.8	117.5	152.5 - 166.3*
EBITDA margin	7%	8%	9-10%*
Net income	-11.3	60.1	N/A
Net income margin	-1%	2%	N/A
Cash	32.8	38.3	N/A
Interest-bearing debt	196.1	237.0	N/A

Note: *Columbus guidance for 2024 is based on organic growth (i.e. does not include currency effects and M&A).

Valuation multiples

	2022	2023	2024E**
P/S (x)	0.6	0.6	0.6
EV/Sales (x)	0.7	0.7	0.7
EV/EBITDA (x)	10.6	9.5	7.6
EV/EBIT (x)	27.8	18.6	N/A
P/E (x)	-71.9	34.1	N/A
P/B (x)	1.2	1.3	N/A
P/CF (x)	29.6	11.9	N/A

Note: Multiples for 2022 and 2023 are based on historical numbers. **Multiples in 2024 are based on Columbus' guidance (midrange).

Company description

Columbus is a global IT services and consulting company, specializing in digital transformation with a focus on the manufacturing, retail & distribution, food & beverage, and life science industries. Headquartered in Denmark and with offices and partners across regions, Columbus advises, implements, and manages IT solutions within areas such as Cloud ERP, Application Management, Digital Commerce, Data & Analytics, Customer Experience & Engagement, Security, and Strategy & Change.

Investment case

The investment case in Columbus is primarily driven by delivering on its new growth strategy plan, 'New Heights', covering the period 2024-2026. If successfully executed, the company could nearly triple its EBITDA by 2026.

The new growth strategy includes the financial goals of growing the topline by 10% annually (CAGR) from 2024-2026 and achieving an EBITDA margin of 15% by the end of 2026. Growth is expected to be driven by expansion and investment in its service portfolio through M&A activities, an expansion to the life science industry, and an increase in customers with a broader range of services.

The 2023 results laid a solid foundation for reaching the 2026 targets. This is further supported by the 2024 guidance with an EBITDA margin improvement to 9-10% (7.6% in 2023). In Q4 2023, momentum accelerated with revenue growth of 18% in constant currencies and margin improvement to 9.6% from 8.1% in Q4 2022.

Columbus trades at 7.6x EV/EBITDA (2024E) based on the guidance range (midpoint). This is below the selected peer group of Nordic IT consultancy companies, trading at an average of 8.2x EV/EBITDA (2024E). If delivering on the financial ambitions in the new strategy (assuming 15% EBITDA margin in 2026), Columbus will trade at 4.0x EV/EBITDA (2026E) vs. the peer group of 6.3x EV/EBITDA (2026E). Columbus' lower valuation multiples can be explained by factors such as lower share liquidity and different end markets vs. peers.

Key investment reasons

Columbus' growth ambitions are supported by accelerating growth in 2023, and its focus as well as competitive edge in a few key industries. Furthermore, Columbus serves clients by solving challenges within secular trends such as automation, reshoring, cybersecurity, and ESG compliance. Exposure to these could boost growth beyond the overall growth from digital transformation.

The ambitious financial targets until 2026, almost doubling the EBITDA margin, are based on a well-documented plan, momentum in 2023, and a substantial expected lift in 2024. Importantly, the target EBITDA margin of 15% does not seem unachievable when looking at other Nordic-listed IT consultancy firms.

2023 showed a strong improvement in the cash flow from operations with a cash conversion rising to 65% (up from 30% in 2022). This supports the potential of using cash to boost growth through M&A activities in line with the strategy plan.

Key investment risks

Being a global IT consulting company with +1,600 employees, growth is highly dependent on retaining and attracting new skilled employees. As a result, there is a risk that Columbus can be challenged to deliver on its growth ambitions in a tight job market.

Another risk is an economic recession in Columbus' key markets, as Columbus' customers may postpone their IT projects. This can hit the investment case extra hard, as it is important for investors that the company delivers at the beginning of the new strategy period. Profitability improvements also depend on revenue growth.

Columbus' major shareholder and chairman, Ib Kunøe, owns approx. 59% of the company's share capital. This implies that the free float and thus also share liquidity is relatively low. To that, there have been speculations about the possibility of taking the company off the stock market. However, there are no clear signs that this is on its way.

Peer group

Company	Price (local)	Total return YTD (%)	Market cap (EURm)	Latest net debt (EURm)	EV / Sales (x)	2023A	2024E	2026E	2023A	EV / EBITDA (x)	2024E	2026E
Bouvet ASA	NOK 62.8	3%	568.3	21.9	1.6x	1.5x	N/A	12.0x	10.7x	N/A		
CombinedX AB (publ)	SEK 46.7	34%	71.4	-2.8	0.8x	0.8x	0.7x	5.8x	5.2x	4.7x		
Exsitec Holding AB	SEK 165.5	10%	198.1	8.9	2.6x	2.3x	N/A	13.1x	11.2x	N/A		
Innofactor Oyj	EUR 1.3	7%	47.8	9.2	0.7x	0.6x	0.6x	5.7x	5.2x	5.2x		
Knowit AB (publ)	SEK 166.0	6%	406.5	87.1	0.8x	0.7x	0.7x	8.1x	7.0x	7.0x		
Loihde Oyj	EUR 13.5	12%	77.8	-9.1	0.5x	0.5x	0.5x	6.8x	5.7x	4.4x		
Netcompany Group A/S	DKK 282.8	25%	1,896.8	290.1	2.5x	2.2x	1.8x	14.8x	12.6x	10.1x		
NNIT A/S	DKK 105.6	26%	354.1	11.7	1.6x	1.4x	1.2x	18.9x	N/A	N/A		
Average		15%	452.6	52.1	1.4x	1.3x	0.9x	10.7x	8.2x	6.3x		
Columbus A/S	DKK 7.9	11%	136.3	26.7	0.7x	0.7x	0.6x	9.5x	7.6x	4.0x		

Note: The table shows data and multiples for different Nordic IT consultancy companies. Most data is extracted from Refinitiv (13/03/2024). Columbus' estimates for 2024-2026 are based on the financial targets in the new strategy plan (revenue CAGR of 10% and EBITDA margin end of 2026 of 15% where we apply 15% for the full year 2026). See more information on the next page. Source: HC Andersen Capital and Refinitiv.

Appendix: Peer group

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

In our selection and evaluation of the peers to Columbus, we have focused on Nordic-listed companies with an IT consulting profile and not a software profile (i.e. low share of ARR). However, it should be noted that none of the selected peers are close competitors to Columbus.

Company	Price	Total return	Market cap	Latest net debt	Revenue growth (%)			EV / Sales (x)			EV / EBITDA (x)			EBITDA margin (%)		
	(local)	YTD (%)	(EURm)	(EURm)	2023A	2024E	2026E	2023A	2024E	2026E	2023A	2024E	2026E	2023A	2024E	2026E
Bouvet ASA	NOK 62.8	3%	568.3	21.9	11%	10%	N/A	1.6x	1.5x	N/A	12.0x	10.7x	N/A	13.3%	13.6%	N/A
CombinedX AB (publ)	SEK 46.7	34%	71.4	-2.8	26%	6%	4%	0.8x	0.8x	0.7x	5.8x	5.2x	4.7x	13.8%	14.4%	14.9%
Exsitec Holding AB	SEK 165.5	10%	198.1	8.9	19%	12%	N/A	2.6x	2.3x	N/A	13.1x	11.2x	N/A	20.0%	20.9%	N/A
Innofactor Oyj	EUR 1.3	7%	47.8	9.2	5%	5%	3%	0.7x	0.6x	0.6x	5.7x	5.2x	5.2x	11.9%	12.5%	11.8%
Knowit AB (publ)	SEK 166.0	6%	406.5	87.1	-1%	6%	3%	0.8x	0.7x	0.7x	8.1x	7.0x	7.0x	9.7%	10.6%	10.0%
Loihde Oyj	EUR 13.5	12%	77.8	-9.1	4%	2%	4%	0.5x	0.5x	0.5x	6.8x	5.7x	4.4x	7.6%	8.9%	10.8%
Netcompany Group A/S	DKK 282.8	25%	1,896.8	290.1	8%	10%	13%	2.5x	2.2x	1.8x	14.8x	12.6x	10.1x	16.7%	17.8%	17.9%
NNIT A/S	DKK 105.6	26%	354.1	11.7	15%	10%	10%	1.6x	1.4x	1.2x	18.9x	N/A	N/A	5.3%	N/A	N/A
Average	15%	452.6	52.1	2%	8%	22%	1.4x	1.3x	0.9x	10.7x	8.2x	6.3x	13.3%	14.1%	13.1%	
Median	11%	276.1	10.4	8%	6%	4%	1.2x	1.1x	0.7x	10.1x	7.0x	5.2x	13.3%	13.6%	11.8%	
Columbus A/S	DKK 7.9	11%	136.3	26.7	11%	9%	10%	0.7x	0.7x	0.6x	9.5x	7.6x	4.0x	8.2%	9.5%	15.0%

Note: The table shows data and multiples for different Nordic IT consultancy companies. Most data is extracted from Refinitiv (13/03/2024). Columbus' estimates for 2024-2026 are based on the financial targets in the new strategy plan (revenue CAGR of 10% and EBITDA margin end of 2026 of 15% where we apply 15% for the full year 2026). NNIT's revenue estimates for 2024-2026 are based on the company's financial aspirations for 2024-2026 (CAGR of 10%). We do not have EBITDA numbers for NNIT, as NNIT's aspirations are based on operating profit margin before special items. Source: HC Andersen Capital, Refinitiv, and company reports.

Overview of the selected Nordic IT and consultancy companies in the peer group:

Bouvet is a Norwegian IT and digital communication consultancy company with more than 2,300 employees, 14 offices in Norway, and 3 in Sweden by the end of December 2023. In 2022, its software platform, Sesam, constituted 2-3%. This implies that the company is closely comparable with Columbus when looking at the IT consultancy nature. Revenue from private businesses constitutes approx. 60% i.e. revenue from the public sector constitutes approx. 40%. The company's biggest customer segment is oil & gas, power supply, and public administration.

CombinedX is a Swedish IT consultancy company with approximately 500 employees, specialized in the digital transformation. One of the company's business segments is within CRM, where the company helps improve the customer journey, from marketing and sales to service and customer care based on solutions and services with Microsoft Dynamics 365 as a platform together with customer-specific add-ons. Approx. 10-11% of the company's revenue in 2022 was from software licenses. Some of its subsidiaries are targeting sectors such as food and manufacturing, which are similar to Columbus' key industries.

Exsitec Holding is a Swedish IT consultancy company with more than 500 employees and over 20 offices in Sweden, Norway, and Denmark. The company helps medium-sized companies to be more efficient with digital solutions, integrating with their business. In 2023, consultancy revenue constituted slightly more than 2/3 of the company's total revenue. Revenue from software constitutes about 19% of the total revenue, and support & infrastructure services constitute approx. 10% of the total revenue.

Innofactor is a Finnish IT consultancy with approximately 600 employees and offices primarily in Finland, and also with activities in Sweden, Norway, and Denmark, which make up about 1/3 of revenues collectively. Innofactor is a software provider focused on Microsoft solutions in the Nordics, where it delivers solutions including cloud, AI, CRM, ERP, and more. The majority of Innofactor revenues are consultancy driven with SaaS and licenses reflecting 24% and 4% in 2022.

KnowIT is a Swedish IT consultancy with over 4,000 employees and activities across the Nordics and in Poland. KnowIT generates just under 50% of its revenues in Sweden with Norway being its second-largest market, followed by Denmark and Finland. KnowIT runs a consultancy business model and has strong partnerships with Microsoft and AWS to deliver solutions for clients built on its partners' technology. The company has a roughly 60/40 split of private/public sector activities.

Loihde is a Finnish IT services company with approximately 1,000 employees and offices in Finland and Sweden. The company helps organizations across various industries achieve their strategic goals through digital transformation, data management, analytics, and cybersecurity solutions. Approx. 2/3 of the revenue is from security services. A newer strategy involves cloud and AI-based digital consultancy to target finance, healthcare, manufacturing, and energy industries.

Netcompany* is a large Danish IT services company specializing in next-generation IT projects with over 7,700 employees in over 10 countries. It has a strong position in Denmark, particularly within the public sector, and is expanding its reach in Europe, where it focuses on large-scale public and private sector projects. Netcompany operates a consultancy business model with around 1% of revenues from licensing. Netcompany generates +45% of revenues from Denmark and more than 65% of revenues from the public sector. As a Danish-listed consultancy company, we have included the company in the peer group.

NNIT is a Danish IT services company with more than 1,700 employees in Europe, Asia, and the USA. NNIT focuses on two business units, Life Science Solutions and Cloud & Digital Solutions. The company's consultancy-based business model delivers specialized digital solutions to Life Science clients, while delivering solutions based on the Microsoft Ecosystem in its Cloud & Digital Solutions business unit. As a Danish-listed consultancy company, we have included the company in the peer group.

Note: *HC Andersen Capital receives payment from Netcompany for a Digital IR/Corporate Visibility subscription agreement.