

Market: OMXC Small Cap

Ticker: COLUM

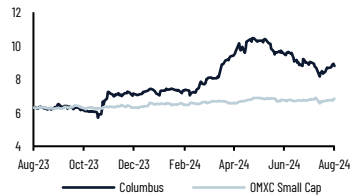
Share price (DKK): 8.80

Market cap (DKK): 1,137.6m

Net debt (DKK): 218.8m (Q2 2024)

Enterprise value (DKK): 1,356.5m

Share information



YTD: 23.8% 1 year: 45.1%
1 month: -0.7% 3 year: -13.0%

Note: We apply the closing price from 23 August 2024. Index rebased to 23 August 2023. Source: Capital IQ.

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	149.7 - 169.4*
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	0.7
EV/Sales (x)	0.7	0.7	0.8
EV/EBITDA (x)	10.6	9.5	8.5
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 2024E 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, Digital Commerce, Data & AI, Customer Experience & Engagement, and Security.

Investment case

The investment case in Columbus is primarily driven by delivering on its growth strategy plan, 'New Heights', covering the period 2024-2026. The 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.

In H1 2024, Columbus continued its growth momentum, especially in the Cloud ERP area, with a total revenue growth rate of 12% YoY across its business lines. Columbus' EBITDA margin was 9.8% (7.5% adjusted for the positive effect from the M3CS case). To improve profitability and reach its EBITDA margin goal of 15% by the end of 2026, Columbus has streamlined its organization with a special focus on the weakest-performing business lines.

Columbus trades at 8.5x EV/EBITDA (2024E) based on the guidance range (midpoint). Columbus trades below the selected peer group of Nordic IT consultancy companies, trading at an average of 10.2x EV/EBITDA (2024E). If delivering on the financial ambition (assuming 15% EBITDA margin in 2026), Columbus will trade at 4.5x EV/EBITDA (2026E) vs. the peer group average of 7.7x EV/EBITDA (2026E).

Key investment reasons

Columbus' growth rate of 10% (adjusted for acquisitions and currency) in H1 2024 is at the high end of its full-year 2024 organic growth guidance range and in line with its topline growth goal towards 2026. Columbus is well-positioned, as the company solves key challenges for its clients within secular trends such as automation, reshoring, cybersecurity, and ESG compliance.

The ambitious financial targets until 2026, almost doubling the EBITDA margin, are based on a well-documented plan. In Q2 2024, Columbus took proactive steps to streamline its organization, which has reduced its reliance on market conditions. Importantly, the target EBITDA margin of 15% does not seem unachievable when looking at other Nordic-listed IT consultancy firms.

With an improved cash flow generation, Columbus has the potential to use its cash to boost growth through M&A activities in line with its strategy plan.

Key investment risks

Being a global IT consulting company with approx. 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. Despite solid growth at the beginning of its strategy period in a challenged market, this risk remains. Profitability improvements also depend on continued 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)	2024E	2025E	2026E	2024E	2025E	2026E
Bouvet ASA	NOK 64.2	1%	563.3	-13.0	1.7	1.5	0.5	10.9	10.5	10.3
CombinedX AB	SEK 39.6	11%	63.4	3.5	0.8	0.7	0.7	6.4	5.1	4.9
Exsitec Holding AB	SEK 182.5	19%	215.0	13.4	3.1	2.8	2.5	14.7	12.8	11.6
Innofactor Oyj	EUR 1.68	37%	60.1	6.0	0.8	0.8	0.8	8.4	7.1	6.3
Knowit AB	SEK 158.0	-1%	379.9	80.8	0.8	0.8	0.7	8.3	6.9	6.3
Loihde Oyj	EUR 11.75	-2%	67.3	-5.9	0.5	0.4	0.4	5.8	4.8	4.3
Netcompany Group A/S	DKK 298.6	32%	1,831.5	314.2	2.5	2.3	2.1	14.7	12.3	10.9
NNIT A/S	DKK 103.4	23%	344.6	10.3	1.4	1.2	0.1	12.5	8.7	6.7
Average (mean)		15%	453.1	51.2	1.4	1.3	1.0	10.2	8.5	7.7
Columbus A/S	DKK 8.80	24%	152.5	29.3	0.8	N/A	0.7	8.5	N/A	4.5

Note: The table shows data and multiples for different Nordic IT consultancy companies. Most data is extracted from Capital IQ (23/08/2024). Columbus' estimates for 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 Capital IQ.

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 Capital IQ 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).

Company	Price	Total return	Market cap	Latest net debt	Revenue growth (%)			EV/Sales (x)			EV/EBITDA (x)			EBITDA margin (%)		
	(local)	YTD (%)	(EURm)	(EURm)	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Bouvet ASA	NOK 64.2	1%	563.3	-13.0	9.3%	6.0%	6.3%	1.7	1.5	0.5	10.9	10.5	10.3	15.2%	14.7%	14.0%
CombinedX AB	SEK 39.6	11%	63.4	3.5	26.0%	9.5%	4.2%	0.8	0.7	0.7	6.4	5.1	4.9	12.3%	14.2%	14.3%
Exsitec Holding AB	SEK 182.5	19%	215.0	13.4	12.5%	12.4%	10.2%	3.1	2.8	2.5	14.7	12.8	11.6	21.0%	21.5%	21.6%
Innofactor Oyj	EUR 1.68	37%	60.1	6.0	2.2%	3.7%	3.4%	0.8	0.8	0.8	8.4	7.1	6.3	9.6%	10.9%	11.9%
Knowit AB	SEK 158.0	-1%	379.9	80.8	-5.8%	5.2%	6.1%	0.8	0.8	0.7	8.3	6.9	6.3	9.5%	10.9%	11.3%
Loihde Oyj	EUR 11.75	-2%	67.3	-5.9	2.4%	3.9%	3.8%	0.5	0.4	0.4	5.8	4.8	4.3	7.8%	9.0%	9.8%
Netcompany Group A/S	DKK 298.6	32%	1,931.5	314.2	8.8%	11.2%	9.1%	2.5	2.3	2.1	14.7	12.3	10.9	17.2%	18.5%	19.1%
NNIT A/S	DKK 103.4	23%	344.6	10.3	12.6%	11.5%	14.5%	1.4	1.2	0.1	12.5	8.7	6.7	10.9%	14.1%	15.9%
Average (mean)		15%	453.1	51.2	8.5%	7.9%	7.2%	1.4	1.3	1.0	10.2	8.5	7.7	13.0%	14.2%	14.8%
Median		15%	279.8	8.2	9.0%	7.8%	6.2%	1.1	1.0	0.7	9.6	7.9	6.5	11.6%	14.2%	14.2%
Columbus A/S	DKK 8.80	24%	152.5	29.3	9.0%	N/A	10.0%	0.8	N/A	0.7	8.5	N/A	4.5	9.5%	N/A	15.0%

Note: The table shows data and multiples for different Nordic IT consultancy companies. Most data is extracted from Capital IQ (23/08/2024). Columbus' estimates for 2024 are based on guidance midrange, and 2026 estimates 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). Source: HC Andersen Capital, Capital IQ, 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, 17 offices in Norway, and 3 in Sweden by the end of March 2024. 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 600 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. Earlier in 2024, CombinedX also acquired M3CS, the M3-focused IT consulting firm, that Columbus settled a legal case with (Columbus received SEK 44.8m from the settlement with M3CS).

Exsitec Holding is a Swedish IT consultancy company with more than 600 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 more than 500 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, yet SaaS and licenses constitute 27% and 5%, respectively, in 2023.

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 900 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.