



ERIK PENSER BANK

Penser Access | Personnel Services | Sweden | 19 August 2020

BTS Group

Maintaining cost base in order to face pent up demand

Below market expectations...

Sales in Q2 2020 amounted to SEK 322m, well below our estimate of SEK 439m, adjusted for currency effects, which corresponded to growth of -20%. EBIT amounted to SEK 5.8m, a decrease of approximately 92% y/y and significantly lower than expected. The reason for the sharp drop in EBIT relates (in addition to the reduction in sales) to the company retaining its workforce to be able to be proactive in H2 2020 and 2021.

...leading to estimate adjustments

We are downwardly adjusting our sales estimate for 2020 by approx. 11% and our EBIT estimate for 2020 by SEK 85m. This is despite the company having won digital deliveries worth USD 70m since March and expecting a recovery in Q3. We are cutting our sales estimates by 13% for 2021 and 14% for 2022. The reduction in EBIT for the coming years is explained by the loss of revenue and that BTS is retaining its workforce.

... but the long-term case remains intact

We are reducing our fair value to SEK 260–270, from SEK 275. Our fair value corresponds to an implicit WACC of 8.5%. BTS is presently traded at an implicit WACC of ~10%. The company currently has a strong cash position that could, given acquisitions, add SEK ~175m in sales. We estimate that acquisitions will take place in late 2020. To reflect the lower fair value, we are lowering the potential to medium.

Estimate Changes (SEK)				Estimates (SEK)				Risk and Potential		
	Now	Before		19e	20e	21e	22e	Motivated value	260.00 - 270.00	
EPS, adj 20e	3.37	7.11	-52.6%	Sales,m	1,865	1,698	1,868	2,111	Current price	217.50
EPS, adj 21e	7.74	9.61	-19.4%	Sales Growth	16.7%	(9.0)%	10.0%	13.0%	Risk level	Low
EPS, adj 22e	9.54	11.86	-19.5%	EBITDA, m	311	195	318	369	Return Potential	Medium
				EBIT, m	225.7	103.8	225.0	275.0		
				EPS, adj	7.79	3.37	7.74	9.54		
				EPS Growth	16.7%	(56.7)%	129.4%	23.3%		
				Equity/Share	43.5	46.8	52.9	58.5		
				Dividend	0.00	1.73	3.88	4.78		
				EBIT Marginal	12.1%	6.1%	12.0%	13.0%		
				ROE (%)	17.9%	7.2%	14.6%	16.3%		
				ROCE	18.7%	8.2%	16.2%	18.4%		
				EV/Sales	2.09x	2.30x	2.09x	1.85x		
				EV/EBITDA	12.6x	20.1x	12.3x	10.6x		
				EV/EBIT	17.3x	37.6x	17.4x	14.2x		
				P/E, adj	27.9x	64.5x	28.1x	22.8x		
				P/Equity	5.0x	4.6x	4.1x	3.7x		
				Dividend yield	0.0%	0.8%	1.8%	2.2%		
				FCF yield	3.2%	3.4%	2.7%	3.0%		
				Net Debt/EBITDA	(0.7)g	(1.8)g	(1.3)g	(1.2)g		

Calendar Events		One Year Performance Chart			
Q3'20 rapport	den 11 november 2020				

Key Figures (mkr)		Analysts			
Number of Shares	19.3m	rikard.engberg@penser.se			
Market cap	4,202	Analysavdelningen			
Net Debt	(294)				
EV	3,908				
Free Float	31.00%				
Avg. No. of Daily Traded Sh.	50.0(k)				
Reuters/Bloomberg	BTSb.ST/BTSB SS				



Overview

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Investment Case

BTS develops and packages client strategies and assists with their implementation through simulation and training. BTS differentiates itself from the major management consultancy firms by being more niched in implementing and executing strategies for its clients.

Company Profile

BTS is a flight simulator for businesses

BTS's strategy includes interactive learning, and is used to train managers and entire organisations as tangibly and personally as possible. BTS offers a broad range of simulations, and over the years the company has built up vast know-how in a number of industries and markets. BTS can simulate anything from a recession to what would happen if a company were to lose one of its most important customers. Using the BTS methodology its clients can, for example, learn how their company should act in, and defend itself against, different scenarios.

Growth with stable margins

The company's target is to achieve 20% annual growth with a 15% EBITA margin. This is to be achieved both organically and through acquisitions. Over the past 10 years, BTS has generated average annual growth of 10% in currency-adjusted sales and EBITA, with organic growth accounting for the majority. Despite this strong growth, BTS has managed to maintain a stable margin over the years. Its EBIT margin is anchored above 10%, which is also what we anticipate going forward. We estimate that this growth, and the company's cutbacks and efficiencies, will offset the ongoing pressure on prices. In the short term, BTS should deliver higher profitability as it has historically invested just over 3-4% of its turnover in digitalisation. However, it is investing for long-term growth, which we consider to be the right strategy. In addition to stable growth and profitability, the company has also delivered good dividend growth over time.

One company, four revenue streams

BTS has four revenue streams: Programs, Development, Licenses and Other Revenue. Programs account for the majority of revenues, at about 52%, but we do not assess this as a risk since this is its signature reputation in the market. This is also the costliest service, making it realistic that it accounts for the majority of revenues. The revenue model is based on fixed prices, with variable components in the form of annual indexation and fees depending on the number of participants. The company's most profitable segment is Licenses, accounting for just over 13% of sales. In this area we envisage that acquisitions will raise the proportion and the margin. The remaining revenue streams are Development and Other Revenue, which account for 38% and 2% of net sales respectively.

Valuation approach

Given the financial stability of the company, along with the fact that it has over time delivered double-digit growth and margins, we estimate that the share has more to give and is still worth owning for the long term. Our DCF indicates a value in the range of SEK 260–270, and at these levels it is trading on a par with other quality companies in the consulting business. We are conservative in our forecasts for 2021 as we want to see a clear indication that demand is turning around. We do not rule out pent-up demand, but want to see concrete signs of this before we adjust our estimates. In this scenario, we see a clear upside for organic growth and a fair value closer to SEK 300.

Target Price



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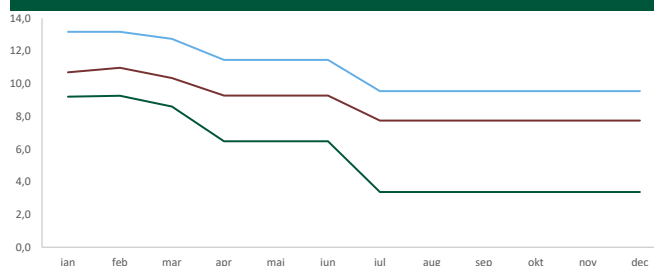
Our fair value of SEK 260–270 in combination with the fact that we see clear price triggers in the form of acquisitions means that we see medium potential in the share at low risk.

Facts

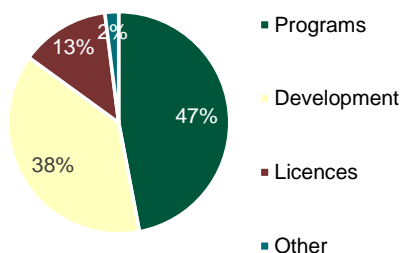
Största aktieägare	Röster	Aktier
Henrik Ekelund	20,7%	42,0%
Stefan af Petersens	12,1%	9,9%
Nordea Fonder	11,7%	8,4%
Swedbank Robur Fonder	9,7%	6,9%
Övriga	45,8%	32,8%

Ordförande	Reinhold Geijer
Verkställande direktör	Henrik Ekelund
Finansdirektör	Stefan Brown
Investerarkontakt	Michael Wallin
Hemsida	https://www.bts.com/

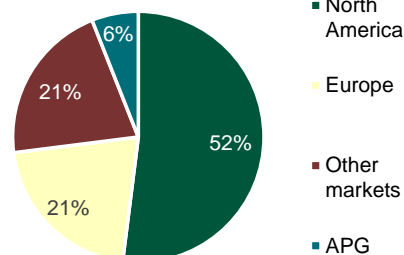
EPS-trend



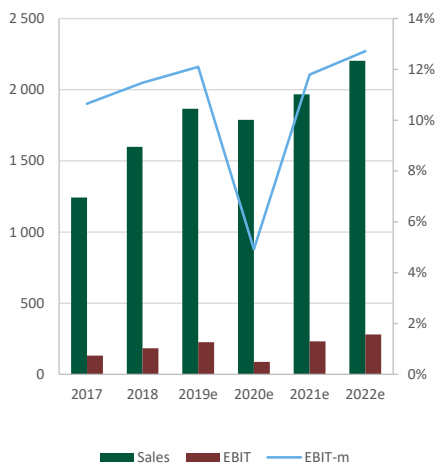
Operating Units



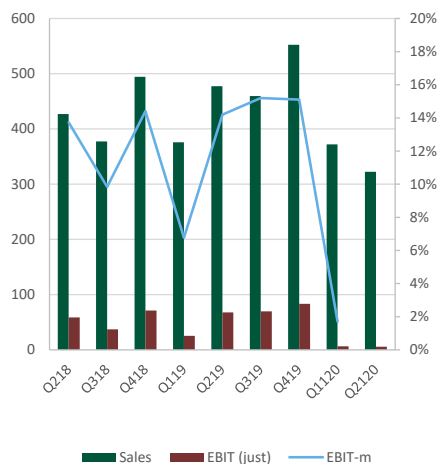
Geographic source of revenue



Sales and EBIT



Sales and EBIT (Quarterly)



Income statement

	2012A	2013A	2014A	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E
Nettoomsättning				103,4	1107,6	1242,6	1598,4	1865,5	1788,1	1966,9	2203,0
Personalkostnader				-30,1	-36,6	-54,3	-89,9	-122,6	-143,4	-148,2	-153,2
Övriga kostnader				-16,3	-21,4	-40,7	-46,6	-63,1	-75,0	-76,9	-80,7
Extraordinära kostnader											
Rörelseresultat (EBITDA)				8,3	13,9	17,0	48,2	52,2	60,5	100,7	117,8
Avskrivningar				-3,6	-5,3	-11,1	-18,6	-48,8	-36,3	-36,3	-36,3
Goodwillnedskrivningar											
Resultat (EBIT)				4,7	8,6	5,9	29,6	3,4	24,2	64,4	81,5
Extraordinära Poster				0,0	0,0	0,0	0,0	-22,5	0,0	0,0	0,0
Justerat Resultat (EBIT)				4,7	8,6	5,9	29,6	25,9	24,2	64,4	81,5
Finansella intäkter				0,1	1,1	1,9	14,7	29,0	2,9	4,0	4,0
Finansiella kostnader				-2,3	-2,9	-6,1	-10,7	-15,8	-17,7	-13,4	-13,4
Resultat före skatt				2,4	6,8	1,7	33,5	39,2	9,5	55,0	72,1
Skatter				0,6	2,9	-3,6	-8,0	-1,6	-2,0	-11,3	-14,8
Minoritetsintressen				0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Nettoresultat Rapporterat				3,0	9,7	-1,9	25,6	37,5	7,5	43,7	57,2
Nettoresultat (just)				3,0	9,7	-1,9	25,6	37,5	7,5	43,7	57,2

Kassaflödesanalys

	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
Nettoresultat Rapporterat				3,0	9,7	-1,9	25,6	37,5	7,5	43,7	57,2
Icke kassaflödespåverkande poster				1,9	0,6	12,0	13,6	-0,9	36,3	36,3	36,3
Förändringar i rörelsekapital				-2,1	11,1	0,3	-13,1	-23,7	-16,5	-20,7	-10,8
Kassaflöde från den operationella verksamheten	2,8	21,4	10,4	26,0	12,9	27,3	59,3	82,8			
Investeringar	0,0	0,0	0,0	0,0	0,0	0,0	-20,8	-20,0	-20,0	-20,0	
Avyttringar	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
Fritt Kassaflöde	2,8	21,4	10,4	26,0	-7,9	7,3	39,3	62,8			
Utdelningar	0	-1	-5	-5	-3	0	-7	-14			
Nyemission/återköp	0	59	76	72	-27	0	0	0			
Förvärv	0	0	0	0	0,0	0,0	0,0	0,0			
Lånefinansiering och övriga justeringar	25,1	22,0	64,1	-21,7	149,1	-38,0	0,0	0,0			
Kassaflöde	28	101,5	145	71	111,5	-30,8	32,1	48,4			
Icke kassaflödespåverkande poster	0	0	0	0	0	0	0	0			
Nettoskuld (just)	57,5	89,8	265,4	73,4	179,5	210,3	178,2	129,8			

balance sheet

	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
TILLGÅNGAR											
Goodwill				0,0	0,0	0,0	0,0	0,0	0	0	0
Övriga immateriella tillgångar				31,4	135,0	349,6	411,6	474,3	458,0	441,7	425,4
Materiella anläggningstillgångar				1,2	6,3	7,7	7,5	28,9	28,9	28,9	28,9
Räntebärande anläggningstillgångar				0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Innehav i intresseföretag och andelar				0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Övriga anläggningstillgångar				2,2	6,5	5,6	4,9	3,5	3,5	3,5	3,5
Summa anläggningstillgångar	34,9	147,8	362,9	424,0	506,7	490,4	474,1	457,8			
Varulager				0,0	0,0	0	0	0	0,0	0,0	0,0
Kundfodringar				36,7	48,2	58,7	111,5	128,8	150,3	177,3	191,4
Övriga omsättningstillgångar				5,7	8,8	12,6	13,7	9,8	11,4	13,5	14,5
Likvida medel				12,5	29,7	58,8	83,4	128,1	97,3	129,4	177,8
Summa omsättningstillgångar	55,0	86,7	130,1	208,6	266,6	259,0	320,2	383,8			
SUMMA TILLGÅNGAR	89,8	234,5	493,0	632,5	773,3	749,4	794,3	841,5			
Eget Kapital och skulder											
Eget Kapital				19	88	169	271	269	276	313	356
Minoritetsintressen				0	0	0	0	0	0	0	0
Summa Eget Kapital	19,3	88,1	168,5	271,5	268,8	276,2	276,2	312,7	355,6		
Långfristiga finansiella skulder				23,0	37,2	164,4	115,8	294,5	294,5	294,5	294,5
Pensionsavsättningar				0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Uppskjutna skatteskulder				0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Övriga långfristiga skulder				0,4	26,9	0,3	67,1	33,3	33,3	33,3	33,3
Summa Långfristiga skulder	23,4	64,0	164,7	183,0	327,8	327,8	327,8	327,8	327,8	327,8	
Kortfristiga finansiella skulder				47,1	82,3	159,7	41,0	13,1	13,1	13,1	13,1
Leverantörsskulder				0,0	0,0	0,0	37,2	40,2	46,8	55,3	59,6
Skatteskulder				0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Övriga Kortfristiga skulder				0,0	0,0	0,0	99,9	123,5	85,4	85,4	85,4
Summa kortfristiga skulder	47,1	82,3	159,7	178,1	176,8	145,4	153,8	158,2			
Summa Eget Kapital och skulder	89,8	234,5	492,9	632,5	773,3	749,4	794,3	841,5			

Financial KPIs

Aktiedata

	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
EPS, rapporterad				0,25	0,31	-0,12	1,06	0,56	0,26	1,52	1,99
EPS Justerad				0,25	0,31	-0,12	0,63	1,40	0,73	1,52	1,99
FCF/aktie				-1,47	-7,35	0,45	-2,15	-2,82	0,25	1,37	2,18
Utdelning/aktie				0,00	0,00	0,00	0,00	0,00	0,25	0,50	0,50
EK/Aktie				1,58	6,66	8,76	11,24	9,35	9,61	10,88	12,37
Antal aktier efter utspädning vid årets slut (m)				12,23	13,23	19,23	24,14	28,75	28,75	28,75	28,75

Värdering

	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
P/E, justerat				828,4	655,7	nmf	324,0	146,3	281,8	134,9	103,0
P/EK				129,7	30,8	23,4	18,2	21,9	21,3	18,8	16,6
P/FCF				-139,3	-27,9	454,3	-95,2	-72,6	811,0	150,0	93,9
Direktavkastning				0%	0%	0%	0%	0%	0%	0%	0%
Utdelningsandel, justerat				0%	0%	0%	0%	0%	96%	33%	25%
EV/Sales				2,5	0,3	0,5	0,3	0,4	0,3	0,3	0,2
EV/EBITDA				31,3	22,4	34,4	9,9	12,6	11,4	6,5	5,2
EV/EBIT				55,3	36,1	99,0	16,1	25,4	28,4	10,2	7,5
Aktiekurs, årets slut											
EV, årets slut				#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!

Tillväxt och marginaler

	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
Omsättningsstillväxt					971%	12%	29%	17%	-4%	10%	12%
EBIT, tillväxt					82%	-31%	399%	-12%	-7%	166%	26%
EPS just, tillväxt					26%	-140%	-609%	121%	-48%	109%	31%
EBITDA marginal				8%	1%	1%	3%	3%	3%	5%	5%
EBIT marginal				5%	1%	0%	2%	0%	1%	3%	4%
Skattesats				-25%	-42%	214%	24%	4%	21%	21%	21%

Lönsamhet

	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
ROE					4%	-1%	9%	6%	3%	14%	16%
ROCE						2%	6%	1%	5%	13%	15%

Quarterly financial statements

Resultaträkning

	Q217	Q317	Q417	Q118	Q218	Q318	Q418	Q119	Q219	Q319	Q419	Q120	Q220
Nettoomsättning	331,6	268,8	368,2	299,4	427,2	377,4	494,4	375,8	477,4	459,7	552,5	372,2	322,3
Rörelsekostnader	-284,8	-234,9	-317,0	-276,2	-360,3	-333,6	-414,4	-331,4	-390,4	-387,9	-444,6	-343,7	-293,5
Rörelseresultat (EBITDA)	44,2	31,6	48,8	18,5	62,0	39,4	75,9	40,1	82,5	66,4	102,5	22,8	22,6
Avskrivningar materiella anläggningstillgångar	-1,7	-1,6	-3,5	-2,8	-2,6	-2,3	-4,6	-14,7	-14,8	-17,4	-19,0	-16,4	-16,8
Avskrivningar immateriella anläggningstillgångar	-2,6	-2,3	-2,4	-4,7	-4,9	-4,4	-4,1	-4,3	-4,6	-5,4	-5,4	-5,7	-6,3
Resultat (EBIT)	42,5	29,9	45,3	15,7	59,3	37,1	71,2	25,5	67,8	49,0	83,5	6,4	5,8
Extraordinära Poster	-4,6	1,6	5,8	0,5	-0,7	0,0	0,0	0,0	0,0	20,9	0,0	0,0	0,0
Justerat Resultat (EBIT)	47,1	31,5	51,1	16,2	58,6	37,1	71,2	25,5	67,8	69,9	83,5	6,4	5,8
Finansnetto	-0,2	0,0	-0,5	-0,7	-0,8	-0,9	-0,8	-2,0	-2,0	-2,7	-3,2	-2,2	-4,4
Resultat före skatt	46,9	31,6	50,6	15,4	57,9	36,3	70,5	23,5	65,7	67,2	80,3	4,2	1,4
Skatter	-13,9	-9,8	-4,4	-4,4	-17,4	-11,1	-20,8	-6,8	-19,8	-14,0	-25,1	-1,3	-0,4
Minoritetsintressen	0	0	0	0	0	0	0	0	0	0	0	0	0
Nettoreultat Rapporterat	33,0	21,7	46,3	11,0	40,5	25,2	49,7	16,6	45,9	53,2	55,2	3,0	1,0

Tillväxt och marginaler

	Q217	Q317	Q417	Q118	Q218	Q318	Q418	Q119	Q219	Q319	Q419	Q120	Q220
Omsättningsstillväxt	18%	1%	9%	#REF!	29%	40%	34%	26%	12%	22%	12%	-1%	-32%
EBIT, tillväxt	31%	11%	5%	#REF!	40%	24%	57%	62%	14%	32%	17%	-75%	-91%
EBITDA marginal	13%	12%	13%	6%	15%	10%	15%	11%	17%	14%	19%	4%	4%
EBIT marginal	8%	5%	8%	3%	11%	7%	13%	5%	12%	9%	15%	1%	1%
Skattesats	30%	31%	9%	29%	30%	31%	30%	29%	30%	21%	31%	30%	29%

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Potential and risk

The Bank uses several different valuation models to value financial instruments, including cash flow models, valuation of multiples and breakup value analysis. Significant assumptions used in valuations are based on currently available market data.

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We classify the share according to a High-Medium-Low scale based on a two-dimensional model comprising potential and risk.

The Bank relates the potential to generally accepted valuation models in a scenario for the company’s future development that we consider reasonable. In this context, we define low potential as a maximum expected total return for the next twelve months of 10%. For the share to qualify for the High classification, we must expect total return of at least 50%, but this may not occur for a couple of years.

As regards risk, we analyse a number of known parameters relevant to the company. A general guideline for being classified as low risk is that the company has positive cash flow and that no individual factor affects net sales by more than 20%. The corresponding general description of high risk is that the company has not achieved positive cash flow or that an individual factor affects net sales by more than 50%.

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