



ERIK PENSER BANK

Penser Access | Internet Software/Services | Sweden | 26 February 2021

BTS Group

Resumed guidance provides upside potential in estimates

Continued recovery

Sales in Q4 amounted to SEK 423m, vs our estimate of SEK 491m. This figure corresponds to FX-adjusted growth y/y of -16%. The discrepancy can mainly be explained by slower growth in the Europe and Other Markets segments. The US market has shown the strongest recovery. The discrepancy continues through the income statement. Bates Communications, a company with 2020 sales of over USD 7m was acquired in Q1.

Guidance leads us to raise estimates...

For the first time since the start of the pandemic, BTS has provided guidance for the current year, with 2021 profit in line with 2019. This, and the acquisition of Bates Communications, means that we are raising our sales estimates by 6% for 2021 and 3% for 2022. We envisage further upside in the estimates given the company's strong net cash and if momentum accelerates during the recovery.

... and fair value

Given the strong guidance for 2021 and the recently completed acquisition of Bates, we are upping our fair value to SEK 290-300. The share is currently traded at an implicit WACC of ~10%. We believe the share will experience continued strong momentum in H1 2021, assuming the reopening of society continues. We estimate that BTS's current cash could add another SEK 200-300m in sales through acquisitions.

Estimate Changes (SEK)			Estimates (SEK)				Risk and Potential			
	Now	Before		20	21e	22e	23e	Motivated value	290.00 - 300.00	
EPS, adj 21e	7.62	7.23	5.4%	Sales,m	1,464	1,869	2,093	2,345	Current price	251.00
EPS, adj 22e	9.31	9.15	1.7%	Sales Growth	(21.5)%	27.7%	12.0%	12.0%	Risk level	Low
EPS, adj 23e	10.83	10.83	0.0%	EBITDA, m	155	318	366	410		
				EBIT, m	64.6	224.7	271.4	313.5		
				EPS, adj	1.82	7.62	9.31	10.83		
				EPS Growth	(76.7)%	318.0%	22.1%	16.3%		
				Equity/Share	36.7	43.4	48.9	55.1		
				Dividend	1.20	3.82	4.66	5.42		
				EBIT Marginal	4.4%	12.0%	13.0%	13.4%		
				ROE (%)	5.0%	17.5%	19.0%	19.7%		
				ROCE	5.7%	17.7%	19.7%	21.0%		
				EV/Sales	3.18x	2.49x	2.23x	1.99x		
				EV/EBITDA	30.0x	14.7x	12.7x	11.4x		
				EV/EBIT	72.2x	20.8x	17.2x	14.9x		
				P/E, adj	137.7x	32.9x	27.0x	23.2x		
				P/Equity	6.8x	5.8x	5.1x	4.6x		
				Dividend yield	0.6%	1.8%	2.1%	2.5%		
				FCF yield	6.1%	3.6%	4.9%	5.4%		
				Net Debt/EBITDA	(1.2)g	(1.0)g	(1.2)g	(1.4)g		

Calendar Events	
Q1 report - May 19	

Key Figures (mkr)	
Number of Shares	19.3m
Market cap	4,849
Net Debt	(187)
EV	4,662
Free Float	31.00%
Avg. No. of Daily Traded Sh.	50.0(k)
Reuters/Bloomberg	BTSb.ST/BTSB SS

One Year Performance Chart

Analysts	
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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 48%, but we do not assess this as a risk since this field 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 14% of sales. In this area we envisage that acquisitions could raise the proportion of total sales. 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 290-300, and at these levels it is traded on a par with other quality companies in consulting operations.

Target Price



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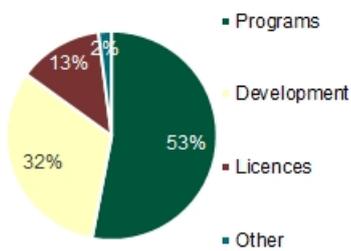
We see a fair value of SEK 290-300, with clear price triggers in the form of acquisitions and revised guidance.
We see a low risk in the company.

Quick facts

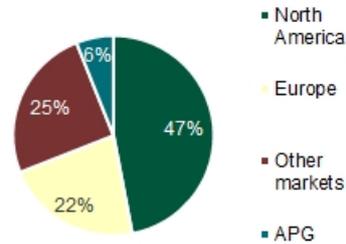
Largest Shareholders	Votes	Capital
Henrik Ekelund	40,6%	18,7%
Stefan af Petersens	9,9%	12,1%
Nordea Fonder	8,0%	11,2%
Lannebo Fonder	6,1%	8,5%
Rest	35,4%	49,6%

Chairman of the Board	Reinhold Geijer
CEO	Henrik Ekelund
CFO	Stefan Brown
IR	Michael Wallin

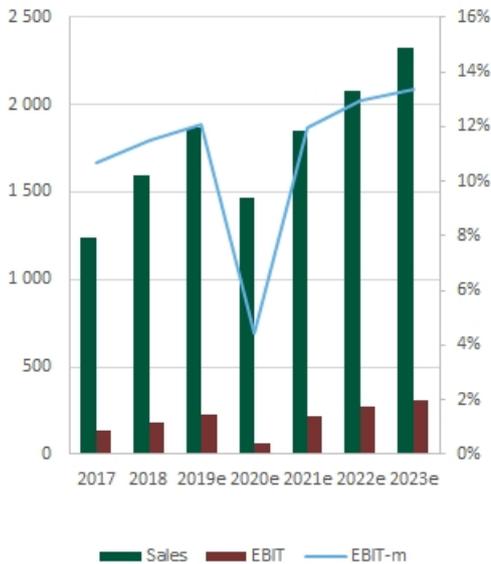
operating segments



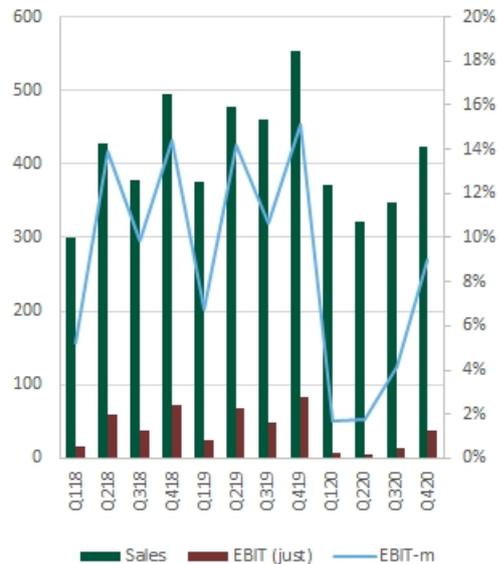
geographic segments



Sales and EBIT



Sales and EBIT (Quarterly)



Resultaträkning

	2012A	2013A	2014A	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Nettoomsättning						1243	1598	1865	1464	1869	2093	2345
Personalkostnader						-54	-90	-123	-143	-148	-953	-1026
Övriga kostnader						-41	-47	-63	-75	-77	-634	-634
EBITDA						151	214	311	155	318	366	410
Avskrivningar						-18	-31	-86	-91	-93	-95	-97
Goodwillnedskrivningar												
Rörelseresultat (EBIT)						132	183	226	65	225	271	313
Extraordinära Poster						0	0	0	0	0	0	0
Justerat Resultat (EBIT)						132	183	226	65	225	271	313
Finansnetto						-1	-3	-9	-14	-14	-14	-14
Resultat före skatt						131	180	216	51	211	258	300
Skatter						-33	-54	-66	-16	-64	-78	-91
Minoritetsintressen						0	0	0	0	0	0	0
Nettoresultat Rapporterat						98	127	151	35	147	180	209
Nettoresultat (just)						98	127	151	35	147	180	209

Kassaflödesanalys

	2012A	2013A	2014A	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Nettoresultat Rapporterat						98	127	151	35	147	180	209
Icke kassaflödespåverkande poster						1	58	84	65	93	95	97
Förändringar i rörelsekapital						-1	-27	-18	142	-77	-58	-65
Kassaflöde från den operationella verksamheten						98	158	218	242	163	216	241
Investeringar						-80	-37	-38	-148	-22	-22	-22
Avyttringar						0	0	0	0	0	0	0
Fritt Kassaflöde						18	121	180	94	141	195	219
Utdelningar						-47	-53	-69	-70	-18	-74	-90
Nyemission/återköp						101	0	0	0	0	0	0
Förvärv						0	0	0	0	0	0	0
Lånefinansiering och övriga justeringar						0	-18	-63	283	0	0	0
Kassaflöde						73	50	48	307	123	121	129
Icke kassaflödespåverkande poster						0	0	0	0	0	0	0
Nettoskuld (just)						-74	-97	-240	-187	-311	-432	-561

Balansräkning

	2012A	2013A	2014A	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
TILLGÅNGAR												
Goodwill						425	455	536	549	482	414	345
Övriga immateriella tillgångar						87	72	82	75	75	75	75
Materiella anläggningstillgångar						30	39	220	185	181	176	170
Räntebärande anläggningstillgångar						0	0	0	0	0	0	0
Innehav i intresseföretag och andelar						0	0	0	0	0	0	0
Övriga anläggningstillgångar						8	15	13	17	17	17	17
Summa anläggningstillgångar						550	581	851	826	755	682	607
Varulager						0	0	0	0	0	0	0
Kundfordringar						335	512	514	409	486	544	610
Övriga omsättningstillgångar						141	172	187	134	134	134	134
Likvida medel						200	262	316	591	714	835	963
Summa omsättningstillgångar						676	947	1018	1134	1334	1513	1707
SUMMA TILLGÅNGAR						1226	1528	1869	1960	2089	2195	2314
Eget Kapital och skulder												
Eget Kapital						581	704	840	710	839	945	1064
Minoritetsintressen						0	0	0	0	0	0	0
Summa Eget Kapital						581	704	840	710	839	945	1064
Långfristiga finansiella skulder						126	103	76	0	0	0	0
Pensionsavsättningar						0	0	0	28	28	28	28
Uppskjutna skatteskulder						0	0	0	0	0	0	0
Övriga långfristiga skulder						180	201	288	403	403	403	403
Summa Långfristiga skulder						306	304	364	431	431	431	431
Kortfristiga finansiella skulder						0	0	0	0	0	0	0
Leverantörsskulder						0	0	0	0	0	0	0
Skatteskulder						0	0	0	0	0	0	0
Övriga Kortfristiga skulder						339	520	665	820	820	820	820
Summa kortfristiga skulder						339	520	665	820	820	820	820
Summa Eget Kapital och skulder						1226	1528	1869	1960	2089	2195	2314

Kvartalsvis data

Resultaträkning	Q117	Q217	Q317	Q417	Q118	Q218	Q318	Q418	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420
Nettoomsättning	274,0	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	347,0	422,6
Rörelsekostnader	-255,0	-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	-310,5	-361,0
Rörelseresultat (EBITDA)	16,4	44,1	31,6	48,8	18,5	62,0	39,4	75,9	40,1	82,5	66,4	102,5	22,8	28,8	37,5	61,1
Avskrivningar materiella anläggningstillgångar	-1,7	-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	-16,8	-16,8
Avskrivningar immateriella anläggningstillgångar	-2,5	-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	-6,3	-6,3
Resultat (EBIT)	14,7	42,4	29,9	45,3	15,7	59,3	37,1	71,2	25,5	67,8	49,0	83,5	6,4	5,8	14,4	38,0
Extraordinära Poster																
Justerat Resultat (EBIT)	14,7	42,4	29,9	45,3	15,7	59,3	37,1	71,2	25,5	67,8	49,0	83,5	6,4	5,8	14,4	38,0
Finansnetto	-0,2	-0,2	0,0	-0,5	-0,7	-0,8	-0,6	-1,5	-2,5	-0,8	-2,7	-3,2	-2,2	-4,4	-3,7	-4,1
Resultat före skatt	14,5	42,2	30,0	44,8	14,9	58,6	36,5	69,7	23,0	67,0	46,3	80,3	4,2	1,4	10,8	33,9
Skatter	-5,2	-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	-0,4	-0,4
Nettoresultat Rapporterat	9,3	28,3	20,1	40,4	10,5	41,2	25,5	48,9	16,2	47,1	32,3	55,2	3,0	1,0	10,3	33,5

Tillväxt och marginaler	Q117	Q217	Q317	Q417	Q118	Q218	Q318	Q418	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420
Omsättningsstillväxt	22%	18%	11%	9%	9%	29%	40%	34%	26%	12%	22%	12%	-1%	-32%	-25%	-24%
EBIT, tillväxt	60%	31%	11%	5%	7%	40%	24%	57%	62%	14%	32%	17%	-75%	-91%	-71%	-54%
EBITDA marginal	6%	13%	12%	13%	6%	15%	10%	15%	11%	17%	14%	19%	4%	5%	7%	11%
EBIT marginal	3%	8%	5%	8%	3%	11%	7%	13%	5%	12%	9%	15%	1%	1%	3%	7%
Skattesats	36%	33%	33%	10%	29%	30%	30%	30%	30%	30%	30%	31%	30%	29%	4%	1%

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