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IT-tjänster | Sverige | 26 februari 2024

BTS Group

Strong finish to the year

Ending the year with a record quarter

Net sales for the quarter came in at SEK768m, showing currency-adjusted growth of 6%. For the full year, net sales were SEK2,683m, in line with our estimate for the year. Adjusted for currency, this was growth of 2%. Q4 EBITA was SEK139m, suggesting a margin of 18.1%. EBITA for the full year came in at SEK346m, surpassing our estimate by around 8%. BTS thus ended the year with one of its best quarters ever. It guides for even stronger EBITA in 2024 than in 2023, stating that year has started well.

At a new margin level

As we expect the market to remain somewhat hesitant, we are conservative with our revenue estimates and leave them essentially unchanged. We believe the market remains challenging, despite the glimmers of light from the North America and Other markets. We stick to the growth we have modelled, awaiting further indications that the market is strengthening. Given the solid profitability in Q4, we lift our EBITDA estimate for the current year by 7%. In our view, BTS has, with its solid Q4 report, reached new levels of scalability and profitability. We maintain our 2025 sales forecast but calculate with a higher margin, which prompts us to raise our EBITDA estimate by 5%. We believe BTS still has an opportunity to strengthen its capacity utilisation, leading us to anticipate increasing margins for 2024–25.

2024 has the potential as a year of considerable momentum

We believe the market trough has now been reached and that we will see ongoing expansion during 2024. Based on this scenario, we lift our fair value to SEK380–400 (340–360). We believe the stellar end to 2023 will provide BTS with robust operational momentum, in particular for its performance in 2024–25. The company's aim to continue growing by 4–6% without making larger changes to its cost base only bolsters this case.

Estimate changes				Prognos (SEKm)				Value and risk		
	24e	25e	26e		2023	2024e	2025e	2026e	Fair value	380 – 400kr
Totala intäkter	0,0%	0,0%	0,0%	Totala intäkter	2 684	2 904	3 227	3 472	Share price	313kr
EBITDA, just.	0,0%	0,0%	0,0%	Tillväxt	6%	8%	11%	8%	Risk level	Medium
EPS, just.	0,0%	0,0%	0,0%	EBITDA, just.	423	494	545	556	12-mth share price development	
Coming events				EBIT, just.	288	364	415	426		
Q1 - report	03 maj 2024			EPS, just.	11,1	12,3	14,4	14,8		
Company details (SEKm)				EPS-tillväxt, just.	8%	12%	16%	3%		
Number of shares	19m			Utdelning per aktie	5,7	6,5	6,8	7,0		
Market capitalisation	6 054			EBIT-marginal	10,7%	12,5%	12,9%	12,3%		
Net debt	-230			ROE, just.	17,0%	17,5%	18,5%	17,2%		
EV	5 824			ROCE, just.	22,9%	26,6%	27,6%	25,7%		
Free float	81%			EV/Sales	1,9x	2,0x	1,8x	1,7x		
Daily trading volume, average	11k			EV/EBITDA	12,0x	11,8x	10,7x	10,5x		
Bloomberg Ticker	BTSB SS EQUITY			EV/EBIT	17,6x	16,0x	14,0x	13,7x		
Analyst				P/E, just.	26,8x	25,3x	21,8x	21,2x	Conflicts of interest	
Rikard Engberg				Direktavkastning	1,9%	2,1%	2,2%	2,2%	Yes	No
rikard.engberg@carnegie.se				FCF yield	1%	4%	5%	5%	Liquidity provider	✓
				Nettoskuld/EBITDA	-1,3x	-1,4x	-1,5x	-1,8x	Certified adviser	✓
									Transactions, 12 mth	✓

Investment case

BTS is the market leader in simulation and implementation of business strategies. Since its listing in 2001, the company has increased its currency-adjusted turnover by some 13% a year and its EBITA annually by 16%. This outstrips the management consulting industry as a whole at 6–8% over the same period. We believe this is explained by three facets:

- 1) BTS has built a loyal client base over the years, with some 80% of revenues now stemming from previous customers. This has led the company to successful and maintained growth in profitability even in turbulent times, distinguishing BTS from other listed consulting firms.
- 2) It has succeeded when complementing its business with acquisitions.
- 3) Historically, it has shown especially high employee satisfaction – thanks to an entrepreneurial, results-oriented, and robust culture of engagement – and this is an essential element in sustaining high growth.

Company profile

BTS, a consultancy firm within strategy implementation, has, since its IPO in 2001, shown an impressive performance in both turnover and profits. The company's principal product is training programmes (63% of 2022 turnover). These programmes simulate strategies and decision-making for much of an organisation. One example is a project that a software industry client rolled out in Q4(22), allowing 30,000 salespeople to participate in a simulation programme. During the pandemic, BTS was able to reorganise its deliveries from a focus on physical products to virtual and digital services, confirming the company's strong culture and its ability to adapt. Beyond its high organic growth, BTS has also proven its ability to implement change.

Over the past ten years, BTS has reported ROE of 17% on average – among the highest of the consultancy firms we have looked at listed on the Stockholm stock exchange. In addition to having one of the highest ROEs among the companies we cover, it also boasts the lowest volatility in ROE, which we believe justifies a premium over other Swedish consulting companies. We believe its low ROE volatility can be attributed to its services being sought-after in most economic climates and as it relies on repeat customers that, in times of crisis, invest in simulations and implementation of new strategies.

BTS is a global company with around 1,150 employees. Its key market is North America, accounting for around 50% of turnover in 2023. Europe accounts for 18% of turnover. Other markets represent 27%. This global presence is a consequence of the smaller acquisitions BTS has carried out in the years before its IPO. We believe its geographical coverage also contributes to the low volatility in its turnover and profits.

Valuation

Given the stable cash flows in BTS, we have chosen to value the share using a DCF model. Our DCF model suggests a value of SEK380–400 (340–360). We believe the key share price catalysts, beyond the continued increase in margins, will be new, smaller acquisitions that bolster organic growth and the initiated action programmes that are now having an effect on the margin.

The quarter in detail

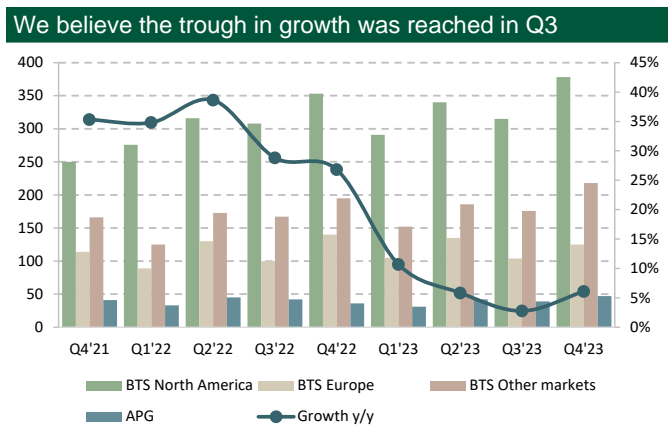
BTS North America: Net sales for Q4 were SEK 378m, suggesting currency-adjusted growth of 8%, the lion's share of which stemmed from the Boda acquisition. EBITA reached SEK 67.9m, representing a margin of 18.0%, an expansion of 380 BPS Y/Y and up 9.1 percentage points from Q3(23). This exceptional margin expansion should be seen in the light of the measures initiated during Q1(23), which are now bearing fruit. We believe these measures will keep the margin at a good level.

BTS Europe: Net sales for the quarter came in at SEK 125m, showing currency-adjusted growth of -15%. EBITA was SEK21.9m for Q4, with an EBITA margin of 17.6%. The market remains hesitant, with less decision-making as a result, thus hindering growth. The measures initiated in Q3(23) and BTS's reduction in the number of sub-consultants during the quarter are behind the solid margin despite the declining growth. We believe Europe will remain challenging in H1(24) but we expect the measures to contribute to continued strong profitability from the segment during 2024.

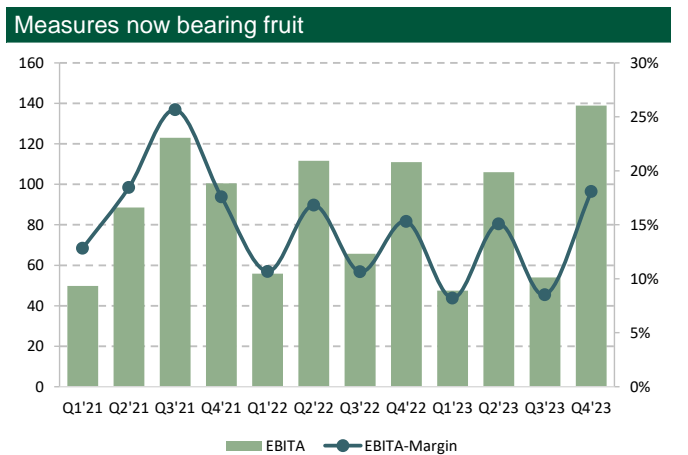
BTS Other markets: Net sales came in at SEK218m in Q4, implying currency-adjusted growth of 13%. EBITA was SEK 45.8m in the quarter, representing a margin of 21.0%. The company saw robust demand from southern Europe, the Middle East, and South East Asia in the quarter. The solid margin in Q4 was the result of the measures initiated in Q2(23), including price and resource optimisation. We thus believe the segment's good profitability can continue during 2024.

APG: Net sales in the quarter were SEK47m, suggesting FX-adjusted growth of 29%. EBITA was reported at SEK0.5m, representing a margin of 1.1%.

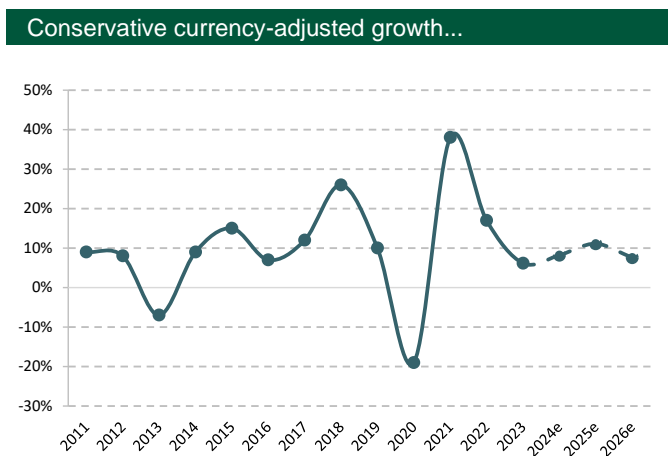
This was a particularly satisfying end to the year, with BTS heading in 2024 in great shape. This, combined with the normalisation in demand, will help to improve profitability further in 2024.



Source: BTS



Source: BTS



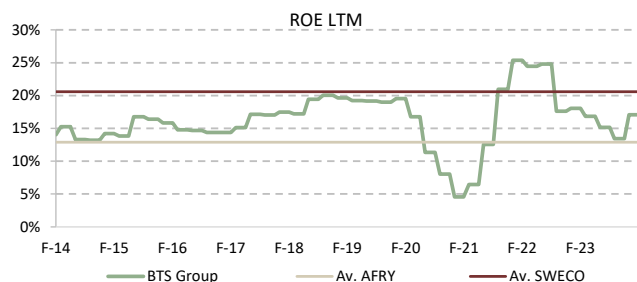
Source: BTS, Penser by Carnegie



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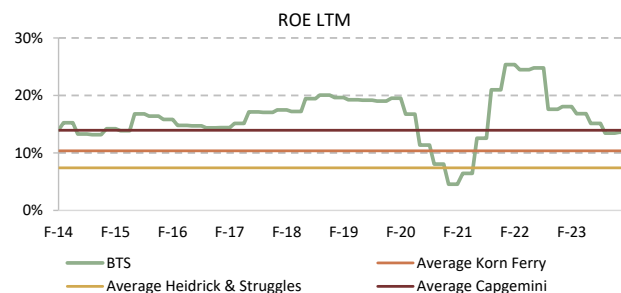
Valuation

Lower ROE volatility than Swedish consultancy firms...



Source: Factset

...but a higher absolute level than international players



Source: Factset

Peer group

Valuation	MCAP (sek)	EV (sek)	EV / Sales			EV / EBITDA			EV / EBIT			Price / Earnings		
			LTM	2024	2025	LTM	2024	2025	LTM	2024	2025	LTM	2024	2025
Mind Gym	538	546	0,85x	0,75x	-	-	7,60	-	-	14,2x	-	nm	18,2x	-
Korn Ferry	32 259	31 155	1,06x	1,06x	1,01x	7,74	7,15	6,54	9,7x	8,5x	7,8x	29,9x	13,3x	11,9x
Heidrick & Struggles Intl	6 123	3 329	0,33x	0,32x	0,31x	2,64	2,76	2,60	3,2x	4,1x	3,3x	10,8x	9,3x	8,4x
Accenture	2 349 262	2 315 137	3,45x	3,36x	3,14x	18,34	17,81	16,18	22,1x	21,7x	19,9x	33,4x	29,4x	27,1x
Capgemini	421 536	450 786	1,79x	1,75x	1,66x	12,23	10,77	9,93	15,5x	13,0x	12,0x	22,5x	18,2x	16,4x
Nordic Peers														
Knowit AB	4 078	5 052	0,71x	0,72x	0,69x	7,49	7,06	6,30	15,5x	12,9x	10,4x	nm	13,9x	11,0x
NNIT A/S	4 116	4 210	1,62x	1,43x	1,26x	19,43	11,61	8,09	24,1x	13,5x	9,1x	-	17,4x	11,6x
Netcompany Group	23 184	26 224	2,87x	2,62x	2,38x	19,35	15,67	13,17	30,1x	21,9x	16,8x	50,2x	27,3x	20,4x
Sweco AB Class B	39 727	46 030	1,61x	1,51x	1,44x	13,97	11,60	10,96	21,1x	16,5x	14,8x	23,6x	20,1x	17,3x
Bouvet ASA	6 371	6 204	1,78x	1,60x	1,46x	12,44	11,57	10,77	15,4x	14,6x	13,4x	19,7x	19,0x	17,4x
AFRY AB Class B	18 143	23 044	0,85x	0,83x	0,79x	8,45	7,70	7,22	13,0x	11,1x	10,1x	16,5x	13,1x	11,3x
BTS Group AB Class B	5 557	5 445	2,06x	1,81x	1,66x	13,89	10,93	9,36	20,3x	14,8x	12,1x	32,2x	19,5x	16,2x
Mean			1,58x	1,48x	1,44x	12,36	10,19	9,19	17,3x	13,9x	11,8x	26,5x	18,2x	15,4x
Median			1,62x	1,47x	1,44x	12,44	10,85	9,36	15,5x	13,8x	12,0x	23,6x	18,2x	16,2x

Source: Factset

DCF assumptions

Valuation output		WACC assumptions		Terminal value assumptions	
Sum of PV of FCF (explicit period)	2 929	Risk free nominal rate	2,5%	Long term growth rate	2,0%
PV of terminal value (perpetuity formula)	4 531	Risk premium	5,5%	Long term EBIT margin	15,0%
Enterprise value	7 460	Small cap premium	0,0%	Depreciation (% of sales)	5,0%
Latest net debt	-230	Extra risk premium	0,5%	Capex (% of sales)	4,0%
Minority interests & other	0	Cost of equity	8,5%	Working cap. (% of sales)	5,0%
Equity value	7 690	Tax rate			22%
No. of shares outstanding (millions)	19				
Equity value per share	397				

Sensitivity analysis

WACC	Long-term growth rate					Long-term EBIT margin				
	1,0%	1,5%	2,0%	2,5%	3,0%	12,0%	13,0%	15,0%	15,0%	16,0%
7,5%	419	446	478	516	563	7,5%	408	431	478	501
8,0%	385	408	434	465	502	8,0%	372	393	434	455
8,5%	356	375	397	423	453	8,5%	342	360	397	415
9,0%	331	347	365	387	411	9,0%	316	332	365	382
9,5%	308	322	338	356	377	9,5%	293	308	338	353

Source: BTS, Penser by Carnegie

Resultaträkning									
	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Nettoomsättning	1 598	1 865	1 464	1 917	2 529	2 684	2 904	3 227	3 472
Övriga rörelsekostnader	-1 384	-1 554	-1 309	-1 557	-2 110	-2 261	-2 411	-2 681	-2 915
EBITDA	214	311	155	359	419	423	494	545	556
EBITDA, justerad	214	311	155	359	419	423	494	545	556
Avskrivningar	-12	-66	-65	-71	-72	-76	-80	-80	-80
EBITA, justerad	202	245	90	288	348	347	414	465	476
Avskrivningar immateriella tillgångar	-18	-20	-26	-33	-45	-59	-50	-50	-50
EBIT	183	226	65	256	303	288	364	415	426
EBIT, justerad	183	226	65	256	303	288	364	415	426
Finansnetto	-4	-9	-14	-16	-14	6	-22	-18	-18
Resultat före skatt	180	216	51	240	289	295	342	397	408
Resultat före skatt, justerad	180	216	51	240	289	295	342	397	408
Total skatt	-54	-66	-16	-75	-90	-80	-103	-119	-123
Nettoresultat	126	151	35	165	199	214	239	278	286
Nettoresultat, justerad	126	151	35	165	199	214	239	278	286
Intäktstillväxt	-	17%	-22%	31%	32%	6%	8%	11%	8%
Bruttomarginal	N.m.	N.m.	N.m.	N.m.	N.m.	N.m.	N.m.	N.m.	N.m.
EBIT-marginal, justerad	11,5%	12,1%	4,4%	13,3%	12,0%	10,7%	12,5%	12,9%	12,3%
EPS, justerad	6,63	7,80	1,82	8,52	10,3	11,1	12,3	14,4	14,8
EPS-tillväxt, justerad	-	18%	-77%	>100%	20%	8%	12%	16%	3%

Källa: BTS Group, Carnegie

Kassaflödesanalys									
	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
EBIT	183	226	65	256	303	288	364	415	426
Övriga kassaflödesposter	-23	5	40	12	48	42	5	-7	-11
Förändringar i rörelsekapital	-2	-18	143	-5	-152	-164	-59	-71	-89
Kassaflöde från den operationella verksamheten	158	212	247	263	199	166	310	337	327
Investeringar i anläggningstillgångar	-19	-16	-	-12	-61	-40	-50	-50	-50
Investeringar i immateriella anläggningstillgångar	0	-10	-	-7	0	0	0	0	0
Övrigt Kassaflöde från investeringar	-18	-12	-149	-163	-15	-65	0	0	0
Kassaflöde från investeringsverksamhet	-37	-38	-149	-182	-76	-105	-50	-50	-50
Fritt kassaflöde	121	175	98	81	123	61	260	287	277
Nyemission / återköp	-	23	0	-	-	-	-	-	-
Förändring av skulder	-23	-38	-	-79	-116	74	0	0	0
Utdelningar	-53	-69	-69	-23	-93	-105	-110	-126	-131
Övriga poster	0	-48	-86	-59	0	-53	0	0	0
Kassaflöde från finansieringsverksamhet	-76	-132	-155	-161	-209	-84	-110	-126	-131
Kassaflöde	44	42	-57	-80	-85	-23	150	161	147
Nettoskuld	-262	-316	-591	-594	-577	-532	-682	-844	-991

Källa: BTS Group, Carnegie

Balansräkning

	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
TILLGÅNGAR									
Goodwill	455	536	549	830	909	1 104	1 054	1 004	953
Övriga immateriella tillgångar	72	82	75	115	121	154	154	154	154
Materiella anläggningstillgångar	39	220	185	180	186	180	150	120	90
Finansiella anläggningstillgångar	15	13	17	22	28	28	28	28	28
Summa anläggningstillgångar	581	851	826	1 147	1 244	1 466	1 386	1 306	1 225
Kundfordringar	512	514	409	557	723	714	784	871	972
Övriga omsättningstillgångar	172	187	134	194	215	243	243	243	243
Likvida medel och kortfristiga placeringar	262	316	591	594	577	532	682	844	991
Summa omsättningstillgångar	947	1 018	1 134	1 345	1 515	1 490	1 710	1 958	2 206
SUMMA TILLGÅNGAR	1 528	1 869	1 960	2 492	2 758	2 956	3 096	3 265	3 432
EGET KAPITAL OCH SKULDER									
Eget kapital	704	840	710	983	1 213	1 301	1 429	1 582	1 737
Summa eget kapital	704	840	710	983	1 213	1 301	1 429	1 582	1 737
Övriga långfristiga skulder	284	364	431	543	543	592	592	592	592
Summa långfristiga skulder	284	364	431	543	543	592	592	592	592
Övriga kortfristiga skulder	540	665	820	966	1 003	1 064	1 075	1 091	1 104
Summa kortfristiga skulder	540	665	820	966	1 003	1 064	1 075	1 091	1 104
SUMMA EGET KAPITAL OCH SKULDER	1 528	1 869	1 960	2 492	2 758	2 956	3 096	3 265	3 432

Källa: BTS Group, Carnegie

Tillväxt och marginaler

	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Intäkstillväxt	-	17%	-22%	31%	32%	6%	8%	11%	8%
EBITDA-tillväxt, justerad	-	45%	-50%	>100%	17%	1%	17%	10%	2%
EBIT-tillväxt, justerad	-	23%	-71%	>100%	18%	-5%	26%	14%	3%
EPS-tillväxt, justerad	-	18%	-77%	>100%	20%	8%	12%	16%	3%
Bruttomarginal	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
EBITDA-marginal	13,4%	16,7%	10,6%	18,8%	16,6%	15,8%	17,0%	16,9%	16,0%
EBITDA-marginal, justerad	13,4%	16,7%	10,6%	18,8%	16,6%	15,8%	17,0%	16,9%	16,0%
EBIT-marginal	11,5%	12,1%	4,4%	13,3%	12,0%	10,7%	12,5%	12,9%	12,3%
EBIT-marginal, justerad	11,5%	12,1%	4,4%	13,3%	12,0%	10,7%	12,5%	12,9%	12,3%
Vinst-marginal, justerad	7,9%	8,1%	2,4%	8,6%	7,9%	8,0%	8,2%	8,6%	8,2%

Källa: BTS Group, Carnegie

Avkastning

	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
ROE, justerad	Neg.	20%	5%	19%	18%	17%	18%	18%	17%
ROCE, justerad	Neg.	29%	8%	30%	28%	23%	27%	28%	26%
ROIC, justerad	Neg.	47%	20%	>100%	59%	41%	48%	56%	57%

Källa: BTS Group, Carnegie

Kapitaleffektivitet

	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Kundfordringar / totala intäkter	32%	28%	28%	29%	29%	27%	27%	27%	28%
Totala kortfristiga skulder / totala kostnader	39%	43%	63%	62%	48%	47%	45%	41%	38%
Rörelsekapital / totala intäkter	9%	2%	-19%	-11%	-3%	-4%	-2%	1%	3%
Kapitalomsättningshastighet	2,3x	2,2x	2,1x	1,9x	2,1x	2,1x	2,0x	2,0x	2,0x

Källa: BTS Group, Carnegie

Finansiell ställning

	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Nettoskuld	-262	-316	-591	-594	-577	-532	-682	-844	-991
Soliditet	46%	45%	36%	39%	44%	44%	46%	48%	51%
Nettoskuldsättningsgrad	-0,4x	-0,4x	-0,8x	-0,6x	-0,5x	-0,4x	-0,5x	-0,5x	-0,6x
Nettoskuld / EBITDA	-1,2x	-1,0x	-3,8x	-1,7x	-1,4x	-1,3x	-1,4x	-1,5x	-1,8x

Källa: BTS Group, Carnegie

Aktiedata

	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
EPS	6,63	7,80	1,82	8,52	10,3	11,1	12,3	14,4	14,8
EPS, justerad	6,63	7,80	1,82	8,52	10,3	11,1	12,3	14,4	14,8
FCF per aktie	6,36	9,04	5,07	4,19	6,37	3,13	13,4	14,8	14,3
Utdelning per aktie	3,60	3,60	1,20	4,80	5,40	5,70	6,50	6,75	7,00
Antal aktier efter utspädning, snitt	19,0	19,3	19,3	19,4	19,4	19,4	19,4	19,4	19,4

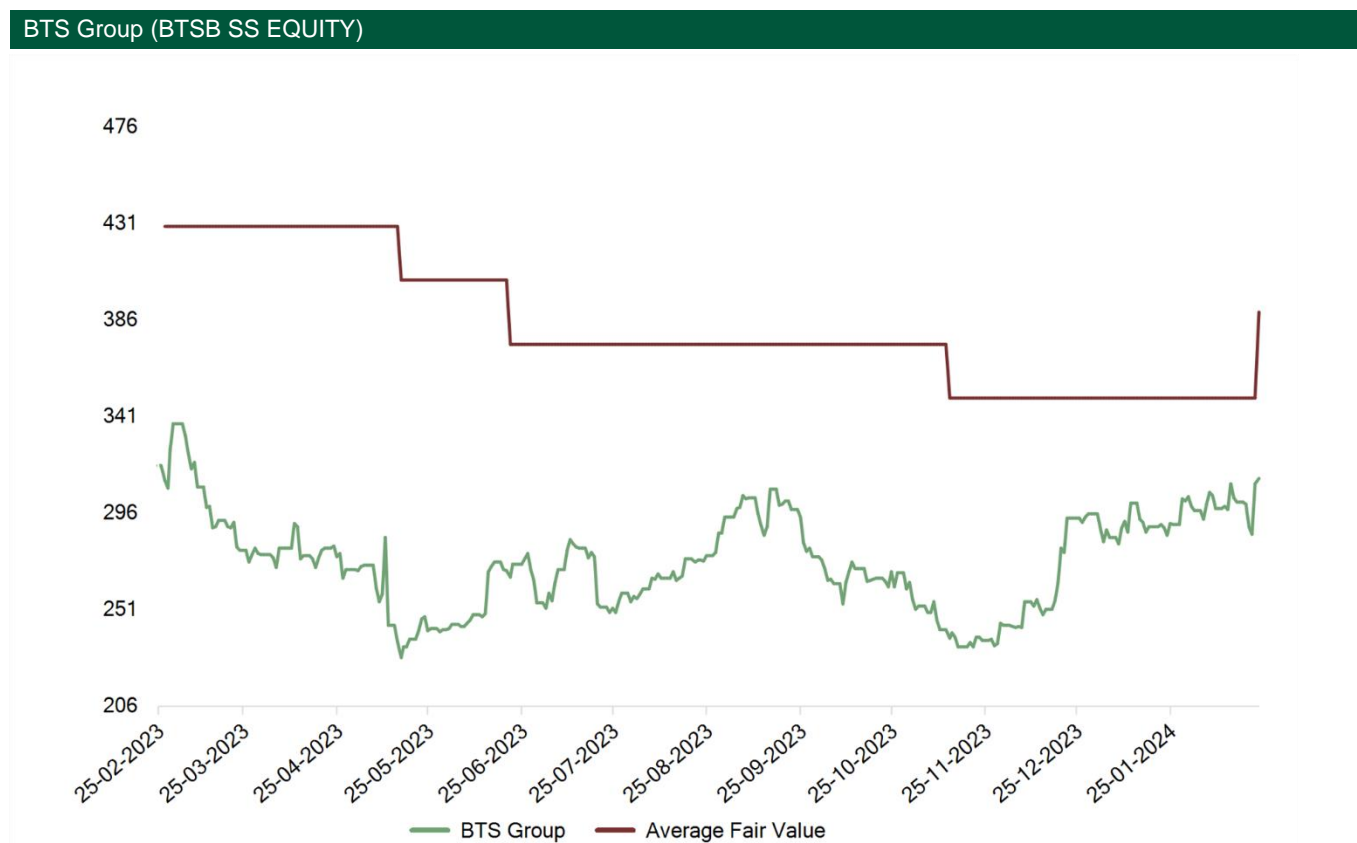
Källa: BTS Group, Carnegie

Värdering

	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
P/E, justerad	19,1x	30,5x	119,0x	47,3x	28,4x	26,8x	25,3x	21,8x	21,2x
P/EK	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
P/FCF	20,0x	26,3x	42,8x	96,2x	45,7x	94,6x	23,2x	21,1x	21,8x
FCF-yield	5%	4%	2%	1%	2%	1%	4%	5%	5%
Direktavkastning	2,8%	1,5%	0,6%	1,2%	1,9%	1,9%	2,1%	2,2%	2,2%
Utdelningsandel, justerad	54,3%	46,2%	65,8%	56,4%	52,6%	51,6%	52,6%	47,0%	47,4%
EV/Sales	0,9x	1,1x	2,7x	1,9x	2,9x	1,9x	2,0x	1,8x	1,7x
EV/EBITDA, justerad	7,1x	6,9x	25,8x	10,0x	17,2x	12,0x	11,8x	10,7x	10,5x
EV/EBIT, justerad	8,3x	9,5x	62,0x	14,1x	23,9x	17,6x	16,0x	14,0x	13,7x
EV	1 516	2 136	4 006	3 609	7 230	5 077	5 824	5 824	5 824
Aktiekurs	93,5	127	238	217	403	313	313	313	313

Källa: BTS Group, Carnegie

Share price and average fair value



Source: Carnegie, IDC

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