

Market: OMXC Mid Cap

Ticker: COLUM

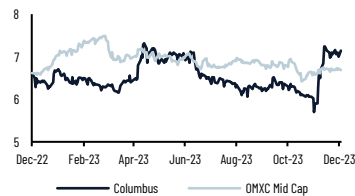
Share price (DKK): 7.14

Market cap (DKK): 923.0m

Net debt (DKK): 203.6m (Q3 2023)

Enterprise value (DKK): 1,126.6m

## Share information



YTD: 13.5% 1 year: 7.9%  
1 month: 21.0% 3 year: 3.3%

Note: We apply the closing price from 11 December 2023. Index rebased to 9 December 2022. Source: Refinitiv.

## Financials

DKKm	2021	2022	2023E**
Revenue	1,279.2	1,389.4	1,550 - 1,600
Revenue growth	-9.1%	8.6%	12% - 15%
EBITDA	89.3	91.8	119.0 - 139.0
EBITDA margin	7.0%	6.6%	7% - 9%
Net income	758.5*	-11.3	N/A
Net income margin	59.3%	-0.8%	N/A
Cash	62.9	32.8	N/A
Interest-bearing debt	159.8	196.1	N/A

Note: \*Includes the divestment of the software subsidiary To-Increase (Enterprise Value of EUR 113m). \*\*Columbus guidance range for 2023.

## Valuation multiples

	2021	2022	2023E**
P/S (x)	1.0	0.6	0.6
EV/Sales (x)	1.0	0.7	0.7
EV/EBITDA (x)	14.9	10.6	8.7
EV/EBIT (x)	32.9	27.8	N/A
P/E (x)	1.6	-71.9	N/A
P/B (x)	1.7	1.2	N/A
P/CF (x)	-62.7	29.6	N/A

Note: Multiples for 2021 and 2022 are based on historical numbers. \*\*Multiples in 2023 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 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.

Columbus has created a strong foundation for the new strategy following its focus on core business areas. Recently, Columbus has been able to outgrow its primary market as Columbus has grown 14% adjusted for acquisitions and currency in Q3 2023 YTD against the primary market of 7%.

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.

Columbus trades at 8.7x EV/EBITDA (2023E) based on the guidance range (midpoint). This is below the selected peer group of Nordic IT consultancy companies, trading at an average of 10.0x EV/EBITDA (2023E). If delivering on the financial ambitions in the new strategy (assuming 15% EBITDA margin in 2026), Columbus will trade at 3.6x EV/EBITDA (2026E) vs. the peer group of 6.0x 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 well supported by its focus and competitive edge in a few key industries. Furthermore, Columbus serves larger enterprises by solving their challenges which often are within secular trends such as automation, reshoring, cybersecurity, and ESG compliance. Exposure to these trends could boost growth beyond the general growth from digitalization.

The ambitious financial targets until 2026, almost doubling the EBITDA margin, are based on a well-documented plan with cross-selling opportunities and efficiency gains. More importantly, the target EBITDA margin of 15% does not seem unachievable when looking at the peer group of Nordic-listed IT consultancy firms.

Columbus' strong cash conversion supports further M&A activity. Recently, Columbus made an offer to acquire a UK-based e-commerce consultancy, which is in line with the new strategy plan.

## Key investment risks

Being a global IT consulting company with around 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 (approx. DKK 360k per day in 2023 YTD). 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		Market cap (EURm)	Latest net debt (EURm)	EV / Sales			EV / EBITDA		
		YTD	2023E			2023E	2024E	2026E	2023E	2024E	2026E
Bouvet ASA	NOK 58.1	1%	514.1	34.4	1.7x	1.6x	N/A	12.6x	11.7x	N/A	
CombinedX AB (publ)	SEK 35.1	29%	53.4	-1.7	0.8x	0.7x	0.7x	5.4x	5.1x	4.6x	
Exsitec Holding AB	SEK 147.5	9%	169.0	10.0	2.8x	2.5x	N/A	14.8x	12.7x	N/A	
Innofactor Djy	EUR 1.2	15%	41.8	12.1	0.7x	0.7x	0.6x	6.0x	5.7x	4.9x	
Knowit AB (publ)	SEK 156.4	-20%	381.0	98.0	0.8x	0.8x	0.7x	8.3x	7.8x	7.3x	
Loihde Djy	EUR 12.1	5%	69.6	-9.1	0.5x	0.4x	0.4x	8.6x	5.0x	3.8x	
Netcompany Group A/S	DKK 221.8	-25%	1,488.0	333.5	2.2x	2.0x	1.7x	14.3x	12.5x	9.6x	
NNIT A/S	DKK 86.8	32%	291.2	13.4	1.3x	1.2x	1.0x	N/A	N/A	N/A	
<b>Average</b>		<b>6%</b>	<b>376.0</b>	<b>61.3</b>	<b>1.3x</b>	<b>1.2x</b>	<b>0.8x</b>	<b>10.0x</b>	<b>8.6x</b>	<b>6.0x</b>	
<b>Columbus A/S</b>	<b>DKK 7.1</b>	<b>16%</b>	<b>123.8</b>	<b>27.3</b>	<b>0.7x</b>	<b>0.7x</b>	<b>0.5x</b>	<b>8.7x</b>	<b>N/A</b>	<b>3.6x</b>	

Note: The table shows data and multiples for different Nordic IT consultancy companies. Most data is extracted from Refinitiv (11/12/2023). 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 YoY			EV / Sales			EV / EBITDA			EBITDA margin (%)			
	(local)	YTD	(EURm)	(EURm)	2023E	2024E	2026E	2023E	2024E	2026E	2023E	2024E	2026E	TTM	2023E	2024E	2026E
Bouvet ASA	NOK 58.1	1%	514.1	34.4	5%	13%	N/A	1.7x	1.6x	N/A	12.6x	11.7x	N/A	15.3%	13.9%	13.2%	N/A
CombinedX AB (publ)	SEK 35.1	29%	53.4	-1.7	11%	7%	4%	0.8x	0.7x	0.7x	5.4x	5.1x	4.6x	14.8%	14.8%	14.7%	14.8%
Exsitec Holding AB	SEK 147.5	9%	169.0	10.0	7%	11%	N/A	2.8x	2.5x	N/A	14.8x	12.7x	N/A	14.3%	18.5%	19.6%	N/A
Innofactor Oyj	EUR 1.2	15%	41.8	12.1	12%	2%	3%	0.7x	0.7x	0.6x	6.0x	5.7x	4.9x	11.2%	11.3%	11.6%	12.6%
Knowit AB (publ)	SEK 156.4	-20%	381.0	98.0	1%	1%	1%	0.8x	0.8x	0.7x	8.3x	7.8x	7.3x	9.7%	9.5%	10.0%	10.0%
Loihde Oyj	EUR 12.1	5%	69.6	-9.1	8%	3%	5%	0.5x	0.4x	0.4x	8.6x	5.0x	3.8x	2.8%	5.3%	8.8%	10.7%
Netcompany Group A/S	DKK 221.8	-25%	1,488.0	333.5	9%	10%	10%	2.2x	2.0x	1.7x	14.3x	12.5x	9.6x	16.8%	15.7%	16.4%	17.4%
NNIT A/S	DKK 86.8	32%	291.2	13.4	15%	10%	10%	1.3x	1.2x	1.0x	N/A	N/A	N/A	16.1%	N/A	N/A	N/A
<b>Average</b>	<b>6%</b>	<b>376.0</b>	<b>61.3</b>	<b>1%</b>	<b>7%</b>	<b>21%</b>	<b>1.3x</b>	<b>1.2x</b>	<b>0.8x</b>	<b>10.0x</b>	<b>8.6x</b>	<b>6.0x</b>	<b>12.6%</b>	<b>12.7%</b>	<b>13.5%</b>	<b>13.1%</b>	
<b>Median</b>	<b>7%</b>	<b>230.1</b>	<b>12.7</b>	<b>8%</b>	<b>7%</b>	<b>4%</b>	<b>1.1x</b>	<b>1.0x</b>	<b>0.7x</b>	<b>8.6x</b>	<b>7.8x</b>	<b>4.9x</b>	<b>14.5%</b>	<b>13.9%</b>	<b>13.2%</b>	<b>12.6%</b>	
<b>Columbus A/S</b>	<b>DKK 7.1</b>	<b>16%</b>	<b>123.8</b>	<b>27.3</b>	<b>13%</b>	<b>10%</b>	<b>10%</b>	<b>0.7x</b>	<b>0.7x</b>	<b>0.5x</b>	<b>8.7x</b>	<b>N/A</b>	<b>3.6x</b>	<b>7.2%</b>	<b>8.2%</b>	<b>N/A</b>	<b>15.0%</b>

Note: The table shows data and multiples for different Nordic IT consultancy companies. Most data is extracted from Refinitiv (11/12/2023). 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 2,269 employees, 13 offices in Norway, and 3 in Sweden by the end of September 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 495 employees by the end of September 2023, 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 Q3 2023, consultancy revenue constituted approx. 2/3 of the company's total revenue. Revenue from software constitutes about 22% of the total revenue, and support & infrastructure services constitute approx. 12% of the total revenue.

**Innofactor** is a Finnish IT consultancy with approximately 600 employees and 20 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, with retail & service, industry, and banking, finance, & insurance being its largest private sector areas.

**Loihde** is a Finnish IT services company with approximately 1,000 employees, over 20 offices in Finland, and two offices in 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 7,400 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 over 3,000 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.