

Closing share Price (24/02/2022)

EUR 4.10

Target valuation range

EUR 5.00 - 6.80

Risk	High
Reuters	CTAC-AMS
Bloomberg	CTAC NA
Shares number (m)	13.57
Market cap. (m)	56
Net debt 12/20 (m)	4
Net debt/EBITDA 12/20	0.39
1 year price perf.	41.4%
Diff. with Euro Stoxx	38.2%
Volume (sh./day)	17,875
H/L 1 year	4.88 - 3.07
Free Float	30.7%
Value8	27.8%
J.P. Visser	15.0%
D. Lindenbergh	10.0%
Alpha, Elpico, Invenet	5.0%
P.C. van Leeuwen	5.2%
Axxion	3.2%
MI Chelverton Europe Selec	3.3%

Company description

Ctac is a Business & Cloud integrator that develops and implements industry solutions for the retail, wholesale, manufacturing, real estate and professional services verticals. It operates in the Netherlands and Belgium.



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Ctac NV

Better results across the board in 2021

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- 2021 results above expectations on all key metrics, with high organic growth, better EBITDA and strong cash generation
- Guides for single-digit organic growth in 2022 with a 10-12% EBITDA-margin, including the cost of new improvement programs
- Modest cut in 2022 estimates due to costs of these programs, but mid-term growth outlook remains robust.

Facts: Strong 2021 results, guides for further growth

- **2021 results above expectations.** Ctac reported 2021 net profit of EUR 4.5m (+48%), well above our estimate of EUR 4.1m. This was driven by a higher organic growth (14% vs 11% expected) and a higher EBIT (+39% to EUR 6.5m, versus EUR 6.3m).
- **Strong cash generation.** Cash generation was strong, thanks to better than expected working capital and lower capex. As a result, net cash improved from EUR 6.7m to EUR 7.5m, well above our estimate of EUR 3.8m. Note that the company managed to achieve the increase in net cash despite the acquisitions of Oliver and Digimij and a resumption of normal cash tax payments.
- **Cautious margin guidance due to growth investments.** Management indicates that the general economic uncertainty is also affecting the IT-services market, but that it is in a strong position to achieve further growth and higher profitability. It guides for single-digit organic revenue growth in 2022 (DP: 7%) an EBITDA-margin of 10-12% (DP: 14.4%), and a higher absolute EBITDA. The company is launching a new program 'Ignite' to make it more client and talent-oriented.

Our view: New programs will further enhance Ctac's profile

The ongoing strong organic growth and positive operating leverage show that Ctac continues to benefit from the strategic changes it has implemented. We find it encouraging that the company managed to increase its headcount by 16%, despite the tight labor market, as that creates capacity for further growth.

EUR	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Sales	81.6	83.0	81.8	87.3	103.7	112.6	121.5
EBITDA	4.7	3.4	7.5	10.2	12.3	16.2	17.3
Adj. profit	2.8	1.7	1.3	3.0	4.1	5.3	6.2
EPS	0.22	0.13	0.10	0.23	0.30	0.38	0.45
Div.	0.08	0.08	0.08	0.08	0.11	0.13	0.16
EV/EBITDA	12.3	16.4	8.1	5.8	5.1	3.5	3.0
FCF Yield	0.2%	12.9%	13.8%	29.3%	2.6%	12.4%	12.4%
P/E	14.0	14.6	20.3	12.5	14.1	10.7	9.2
Div. Yield	2.6%	4.1%	4.0%	2.8%	2.5%	3.3%	3.8%

The 2022 revenue guidance confirms this growth outlook, but the EBITDA-margin guidance is below our current estimate. This can largely be attributed to the investments in the new Ignite program, as well as additional costs for the Master Class (training new employees) and Security initiatives. Those programs lead to additional costs in the short-term, but should enhance the company's growth and margin profile and bring important benefits in the coming years.

We will reduce our 2022 EBITDA-margin estimate to reflect the additional investments, but this will be partly offset by the higher revenue base at the start of the year. On balance, we expect a modest reduction in our estimates.

Investment Conclusion

Our current 12-month target valuation range of EUR 5.00-6.80 indicates 22-66% share price upside. We will update this range based on the changes in our estimates and peer valuations, but expect only modest changes. We see the following catalysts that can drive the share price to a level within the target range:

- **Continuation of the promising organic recovery that started in Q4-20.** We expect this growth to be driven by good demand from semiconductor customers (ASML), the resumption of store openings at retail customers (e.g. Action), and customers restarting their investments in IT following a Covid-pause in 2020. Continuation of the positive trend should convince investors that the company's growth profile has structurally improved after a period of portfolio streamlining.
- **Growth acceleration through acquisitions.** The use of Ctac's solid balance sheet for acquisitions can accelerate the realization of its ambitions. These takeovers can add complementary skills and customers, creating room for cross-selling
- **Strategic targets confirming further mid-term potential.** The targeted EUR 150m in revenues with an EBIT-margin above 8% by 2023 confirm the high growth the company should be able to achieve in the coming years. We expect that ongoing operational improvements, in combination with a higher share of revenues from mature SaaS products, can lead to further increases in profitability in the coming years.

Exhibit 1 FY comparison

<i>m euros</i>	2020	2021e	2021	Chg yoy
Netherlands	72	78	89	+22%
Belgium	16	22	23	+38%
Other	5	13	-	-100%
Eliminations	-7	-8	-	N.M.
Sales	87	104	111	+28%
<i>Organic growth</i>	<i>+0%</i>	<i>+11%</i>	<i>+14%</i>	
Netherlands	5.2	6.4	5.5	+5%
Belgium	0.1	0.9	1.0	+1199%
Other	-0.6	-1.0	-	N.M.
EBIT	4.7	6.3	6.5	+39%
REBIT	6.5	7.3	7.5	+15%
<i>EBIT-margin</i>	<i>5.3%</i>	<i>6.1%</i>	<i>5.8%</i>	<i>+9%</i>
<i>REBIT-margin</i>	<i>7.4%</i>	<i>7.0%</i>	<i>6.7%</i>	<i>-10%</i>
Net profit	3.0	4.1	4.5	+48%
Net Debt (excl. lease)	-6.7	-3.8	-7.5	N.M.
Net Debt (incl. lease)	4.0	7.0	3.4	-14%

Source: Degroof Petercam estimates

Exhibit 2 Q4 comparison

<i>m euros</i>	Q4-20	Q4-21e	Q4-21	Chg yoy
Sales	24	27	34	+28.7%
<i>Organic growth</i>	<i>+8%</i>	<i>+4%</i>	<i>+14%</i>	
EBITDA	4.1	4.1	3.8	-8.3%
<i>EBITDA-margin</i>	<i>17.1%</i>	<i>15.5%</i>	<i>11.1%</i>	-28.7%
EBIT	2.4	2.2	2.4	+9.5%
<i>EBIT-margin</i>	<i>10.0%</i>	<i>8.4%</i>	<i>7.1%</i>	-14.9%
Net profit	1.6	1.4	1.8	+26.1%
# of employees (periode end, FTE)	407	452	444	-1.7%

Source: Degroef Petercam estimates

Profit & Loss (EUR m)	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Revenues	81.6	83.0	81.8	87.3	103.7	112.6	121.5
(of which Sales)	81.6	83.0	81.8	87.3	103.7	112.6	121.5
(Y/Y - %)	-5%	2%	-1%	7%	19%	9%	8%
(of which Other revenues)	-	-	-	-	-	-	-
Cost of goods sold	-24.3	-26.6	-25.9	-28.5	-35.4	-35.6	-38.6
Gross profit	57.3	56.4	55.9	58.8	68.4	77.0	82.9
Personnel costs	-38.4	-38.9	-37.2	-38.8	-45.6	-49.5	-53.5
Other costs	-	-	-	-	-	-	-
EBITDA	4.7	3.4	7.5	10.2	12.3	16.2	17.3
EBITA	3.7	2.7	2.8	6.1	8.1	11.8	12.6
(Ebita margin - %)	4.5%	3.2%	3.4%	7.0%	7.9%	10.5%	10.4%
Amortization	0.0	-0.3	-0.7	-1.5	-1.9	-3.7	-3.0
Impairment	-	-	-	-	-	-	-
EBIT	3.7	2.4	2.1	4.7	6.3	8.1	9.6
Net Financial Result	-	-	-	-	-	-	-
(of which Net interest charges)	-0.2	-0.1	-0.2	-0.4	-0.5	-0.7	-0.7
(of which Other)	-	-	-	-	-	-	-
Pre-tax result	3.5	2.3	1.8	4.3	5.8	7.5	8.9
Taxes	-0.7	-0.6	-0.6	0.4	-1.4	-1.7	-2.2
Associates	-	-	-	-	-	-	-
Minorities	0.0	0.0	0.0	0.0	-0.3	-0.5	-0.5
Net earnings excl. exceptionals	2.8	1.7	1.3	4.6	4.1	5.3	6.2
Except. / Discont. operations	0.0	0.0	0.0	-1.6	0.0	0.0	0.0
Net declared earnings	2.8	1.7	1.3	3.0	4.1	5.3	6.2
Net adjusted earnings	2.8	1.7	1.3	3.0	4.1	5.3	6.2
Cash Flow (EUR m)	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
EBIT	3.7	2.4	2.1	4.7	6.3	8.1	9.6
Depreciation	1.0	0.7	4.7	4.1	4.2	4.4	4.7
Amortization	0.0	0.3	0.7	1.5	1.9	3.7	3.0
Impairment	-	-	-	-	-	-	-
Changes in provision	0.0	0.9	0.0	0.4	0.0	0.0	0.0
Changes in working capital	-1.7	2.2	1.8	6.1	-3.6	-0.2	-0.2
changes in inventories	-	-	-	-	-	-	-
changes in receivables	-	-	-	-	-	-	-
changes in payables	-	-	-	-	-	-	-
changes in other current assets	-	-	-	-	-	-	-
Others	0.0	0.2	0.1	0.0	0.1	0.1	0.1
Operational Cash Flow	2.9	6.6	9.3	16.6	8.8	16.1	17.2
Tax expenses	-0.8	-1.2	-0.1	-0.3	-1.5	-1.7	-2.2
Dividends from associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net interest charges	-0.1	-0.1	-0.2	-0.3	-0.5	-0.7	-0.7
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CF from operating activities	2.0	5.4	9.0	16.0	6.9	13.8	14.3
CAPEX	-0.4	-0.3	-0.5	-0.1	-0.5	-0.6	-0.6
Investments in intangibles	-1.6	-1.8	-0.7	-0.8	-1.0	-2.3	-2.4
Acquisitions	0.0	-0.9	-0.1	-4.3	-3.8	-0.5	-0.5
Divestments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CF from investing activities	-1.9	-3.0	-1.3	-5.3	-5.3	-3.3	-3.5
Dividend payment	-0.4	-0.5	-0.7	0.0	-0.7	-0.9	-1.1
Minor. & pref. dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.3	0.0	-4.3	-3.7	-3.8	-4.0	-4.2
CF from financing activities	-0.7	-0.5	-5.0	-3.7	-4.5	-4.8	-5.3
Changes in consolidation scope	0.0	0.0	0.0	-3.8	0.0	0.0	0.0
Exchange rate impact	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt/cash change	0.6	-1.9	-2.6	-3.2	3.0	-5.6	-5.5
FCF to Enterprise	1.0	4.5	3.9	12.0	3.5	9.4	10.0
FCF to Equity	0.1	3.3	3.6	11.4	1.5	7.0	7.1
Notes	-						

Balance Sheet (EUR m)	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Fixed assets	19.0	20.2	26.5	37.1	39.7	38.4	37.9
Tangible fixed assets	1.8	1.4	1.3	0.9	1.0	1.1	1.2
Goodwill	13.9	13.9	13.9	17.4	17.4	17.4	17.4
Other intang. assets	2.2	3.7	3.7	6.7	9.1	7.7	7.1
Financial fixed assets	-	-	-	-	-	-	-
Other fixed assets	1.2	1.3	7.6	12.2	12.2	12.2	12.2
Current assets	20.6	20.2	18.9	27.4	26.5	34.5	41.3
Inventories	-	-	-	-	-	-	-
Trade receivables	20.6	13.5	10.9	9.8	13.2	14.9	16.5
Other current assets	0.0	6.2	6.2	7.0	7.4	8.0	8.6
Cash & Equivalents	0.0	0.4	1.9	10.6	6.0	11.7	16.1
Discontinued assets	-	-	-	-	-	-	-
Total assets	39.6	40.4	45.4	64.5	66.2	72.9	79.2
Total Equity	17.9	19.1	19.5	22.5	26.1	31.1	36.8
Equity	17.9	19.1	19.5	22.5	26.1	31.0	36.7
Minorities & preferred	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Provisions	0.2	0.1	0.1	0.8	0.8	0.8	0.8
Provisions for pensions	-	-	-	-	-	-	-
Deferred taxes	0.2	0.1	0.1	0.8	0.8	0.8	0.8
Other provisions	-	-	-	-	-	-	-
Other LT liabilities	0.8	0.3	0.2	1.9	1.4	0.9	0.4
LT interest bearing debt	0.0	0.0	3.4	10.9	10.1	9.8	8.8
Current liabilities	20.7	20.9	22.2	28.4	27.7	30.2	32.4
ST interest bearing debt	2.2	0.7	3.4	3.7	2.9	3.3	3.3
Accounts payables	18.1	19.2	18.4	23.4	24.4	26.5	28.6
Other ST liabilities	0.5	1.1	0.4	1.4	0.5	0.5	0.5
Discontinued liabilities	-	-	-	-	-	-	-
Total liabilities	39.6	40.4	45.4	64.5	66.2	72.9	79.2
EV and CE details (EUR m)	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Market cap.	39.3	25.2	25.8	38.8	58.0	56.5	57.2
+ Net financial debt	2.2	0.3	5.0	4.0	7.0	1.4	-4.1
(of which LT debt)	0.0	0.0	3.4	10.9	10.1	9.8	8.8
(of which ST debt)	2.2	0.7	3.4	3.7	2.9	3.3	3.3
(of which Cash position)	0.0	0.4	1.9	10.6	6.0	11.7	16.1
+ Provisions (pension)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Minorities (MV)	0.0	0.0	0.0	0.0	0.1	0.1	0.1
- Peripheral assets (MV)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Others	-	-	-	-	-	-	-
Enterprise Value	41.5	25.5	30.8	42.8	65.0	57.9	53.2
Equity (group share)	17.9	19.1	19.5	22.5	26.1	31.0	36.7
+ Net financial debt	2.2	0.3	5.0	4.0	7.0	1.4	-4.1
+ Provisions (pension)	-	-	-	-	-	-	-
+ Minorities	0.0	0.0	0.0	0.0	0.1	0.1	0.1
- Peripheral assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Others	-	-	0.0	0.0	0.0	0.0	0.0
Capital employed (for ROCE)	20.1	19.4	24.5	26.5	33.1	32.5	32.8
+ Accumulated goodwill amortiz.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CE (for ROCE grossed gdwll)	33.9	33.3	38.4	43.9	50.5	49.9	50.1

Notes Debt includes leases from 2019 on.

Per Common Share (EUR)	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Adjusted EPS (*)	0.22	0.13	0.10	0.23	0.30	0.38	0.45
Adjusted EPS (fully diluted)	-	-	-	-	-	-	-
Declared EPS	0.22	0.13	0.10	0.23	0.30	0.38	0.45
CFS	0.00	0.21	0.52	0.65	0.75	0.97	1.00
FCF (to Equity)	0.01	0.26	0.28	0.86	0.11	0.51	0.51
Dividend	0.08	0.08	0.08	0.08	0.11	0.13	0.16
Book Value	1.41	1.49	1.50	1.66	1.91	2.25	2.63
Shares (m)							
At the end of F.Y.	12.656	12.807	12.931	13.555	13.637	13.773	13.947
Average number	12.597	12.757	12.880	13.243	13.603	13.739	13.860
Fully diluted Average number	12.597	12.756	12.880	13.243	13.603	13.739	13.860
(*) Adjusted EPS : pre-goodwill amortisation earnings, adjusted for post-tax non-recurrent items							
Ratios	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Valuation analysis							
P/E	14.0	14.6	20.3	12.5	14.1	10.7	9.2
P/CF	nm	9.3	3.8	4.4	5.7	4.2	4.1
P/BV	2.2	1.3	1.3	1.7	2.2	1.8	1.6
EV/Sales	0.5	0.3	0.4	0.5	0.6	0.5	0.4
EV/EBITDA	8.8	7.5	4.1	4.2	5.3	3.6	3.1
EV/EBITA	11.3	9.4	11.0	7.0	8.0	4.9	4.2
EV/EBIT	11.3	10.6	14.9	9.2	10.3	7.1	5.5
EV/CE	2.1	1.3	1.3	1.6	2.0	1.8	1.6
EV/CE (grossed goodwill)	1.2	0.8	0.8	1.0	1.3	1.2	1.1
EV/FCF (1)	41.6	5.6	7.8	3.6	18.6	6.2	5.3
FCF yield (2)	0.2%	12.9%	13.8%	29.3%	2.6%	12.4%	12.4%
Dividend yield	2.6%	4.1%	4.0%	2.8%	2.5%	3.3%	3.8%
Financial ratios							
Interest cover	22.0	24.1	11.8	15.0	16.9	17.9	18.0
Net Debt/EBITDA	0.5	0.1	0.7	0.4	0.6	0.1	-0.2
Net Debt/Equity	12.1%	1.4%	25.7%	17.9%	26.7%	4.4%	-11.1%
Net Debt/FCF (2)	24.0	0.1	1.4	0.4	4.6	0.2	-0.6
Capital turnover	4.1	4.3	3.3	3.3	3.1	3.5	3.7
ROCE pre-tax	18.3%	13.9%	11.4%	23.2%	24.6%	36.3%	38.5%
ROCE post-tax	18.3%	13.9%	11.4%	23.2%	24.6%	36.3%	38.5%
ROCE pre-tax (grossed goodwill)	18.3%	13.9%	11.4%	23.2%	24.6%	36.3%	38.5%
ROCE post-tax (grossed gdwill)	18.3%	13.9%	11.4%	23.2%	24.6%	36.3%	38.5%
ROE	16.8%	9.3%	6.5%	14.5%	16.9%	18.4%	18.2%
Working capital (in % of sales)	3.0%	-6.8%	-9.2%	-15.5%	-10.8%	-10.3%	-9.9%
DSO (days)	-	-	-	-	-	-	-
Average payment period (days)	-	-	-	-	-	-	-
Inventory turn (days)	-	-	-	-	-	-	-
Payout	36.0%	59.5%	81.6%	34.9%	35.0%	35.0%	35.0%
Margin analysis and tax rate							
Gross margin	70.2%	68.0%	68.4%	67.4%	65.9%	68.4%	68.2%
EBITDA margin	5.7%	4.1%	9.2%	11.7%	11.9%	14.4%	14.2%
EBITA margin	4.5%	3.2%	3.4%	7.0%	7.9%	10.5%	10.4%
Adjusted profit margin	3.4%	2.1%	1.5%	3.5%	4.0%	4.7%	5.1%
Tax rate	20.0%	25.4%	30.8%	-9.2%	24.0%	23.0%	25.0%
Growth analysis							
Sales	-5%	2%	-1%	7%	19%	9%	8%
EBITDA	11%	-27%	121%	36%	21%	32%	6%
EBITA	20%	-26%	4%	120%	33%	45%	7%
Adjusted profit	7%	-39%	-26%	140%	36%	28%	18%
Adjusted EPS	6%	-40%	-27%	134%	32%	27%	17%
Dividend	14%	0%	0%	0%	32%	27%	17%
(1) Based on FCF to Enterprise - (2) Based on FCF to Equity							
Notes	-						

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Report completion and updates

This report was first disseminated on 25 February 2022 09:12 CET

Valuations are continuously reviewed by the analyst and will be updated and/or refreshed regularly. The rationale behind a change in target valuation will be explained in such a refresher/update.

An overview of the research published on this company can be found on our website: <https://www.degroofpetercam.com/en-be/commissioned-research>
This website will also give you access to all of the commissioned research reports that have been disseminated during the preceding 12-month period.

This report has not been reviewed by the company prior to publication.

The report has been reviewed by Michael Roeg, Senior Equity Analyst.

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