

Closing share Price (29/07/2021)

EUR 4.60

Target valuation range

EUR 5.00 - 6.80

Risk	High
Reuters	CTAC-AMS
Bloomberg	CTAC NA
Shares number (m)	13.56
Market cap. (m)	62
Net debt 12/20 (m)	4
Net debt/EBITDA 12/20	0.39
1 year price perf.	181%
Diff. with Euro Stoxx	154%
Volume (sh./day)	21,674
H/L 1 year	4.88 - 1.61
Free Float	29.8%
Value8	27.8%
J.P. Visser	19.2%
D. Lindenbergh	10.0%
Alpha, Elpico, Invenet	5.0%
P.C. van Leeuwen	5.2%
Axxion	3.2%

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

Organic growth accelerated in Q2

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- *Further acceleration in organic growth to 18% in Q2, beating our expectation.*
- *Guides for further growth in H2, bringing EUR 100m in FY revenues and 6% EBIT-margin within reach.*
- *We expect the positive trend to continue despite a potential disruption in Q3-21 as employees may catch up on postponed holidays.*

Facts: FY targets within reach after solid H1 performance

- **H1 results beating our expectations.** Ctac's H1-21 EBIT almost tripled to EUR 2.9m, modestly above our estimate of EUR 2.7m. Revenues increased 23% to EUR 52m, above our estimate of EUR 50m. Organic growth accelerated from 13% in Q1 to 18% in Q2 (DP: 11%). Net profit (+207% to EUR 1.8m) was in line with our estimate due to a higher than expected tax rate.
- **Further growth in H2 brings targets within reach.** Management indicates that it sees rising IT investments at customers, which is boosting demand for its secondment services and projects. Acquired company Oliver is performing better than expected. Despite the hesitation in some customer groups and challenges created by scarcity of IT specialists, management expects a further rise of revenues and EBIT in H2-21. As a result, the target of EUR 100m in revenues (DP: EUR 99.5m) and an EBIT-margin of 6% (DP: 6.7%) are within reach.
- **Strong cash performance.** Despite the cash outflow for the Oliver acquisition, Ctac managed to finish H1-21 with a EUR 1.7m net cash position. This was better than we had anticipated, because the cash outflow for working capital was lower than expected.

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EUR	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Sales	81.6	83.0	81.8	87.3	99.5	109.3	117.8
EBITDA	4.7	3.4	7.5	10.2	13.5	16.0	17.0
Adj. profit	2.8	1.7	1.3	3.0	4.4	5.2	6.0
EPS	0.22	0.13	0.10	0.23	0.33	0.38	0.44
Div.	0.08	0.08	0.08	0.08	0.11	0.13	0.15
EV/EBITDA	13.8	18.4	9.0	6.5	5.1	3.9	3.4
FCF Yield	0.2%	12.9%	13.8%	29.3%	4.4%	11.1%	10.8%
P/E	14.0	14.6	20.3	12.5	14.1	12.1	10.6
Div. Yield	2.6%	4.1%	4.0%	2.8%	2.5%	2.9%	3.3%

Our view: Positive trend continues, but Q3 could be weaker

The positive trend that started in Q4-20 is continuing, with organic growth even accelerating. Healthy customer demand should continue to be supportive, but we believe it will be more challenging to have sufficient supply available. Ctac has recently launched a large recruitment campaign to attract new employees, which should address that. We expect that the impact of that campaign will still be very limited in Q3, while there is also likely to be negative effect from employees catching up on postponed holidays. That could lead to a temporary disruption in the positive developments, but we expect the positive trend to resume from Q4 on.

We will review our estimates but expect that the positive effect of modestly higher revenues, negative holiday effects in Q3, and higher tax costs to roughly balance out in 2021. We continue to expect 2022 to benefit from the inflow of new employees, creating further growth in revenues and EBIT, and do not expect meaningful changes to our estimates for that year.

Investment Conclusion

Our current 12-month target valuation range of EUR 5.00-6.80 indicates 7-46% share price upside. We will update this range based on the changes in our estimates, but do not expect meaningful 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 H1 comparison

<i>m euros</i>	H1-20	H1-21e	H1-21	Chg yoy
Netherlands	35	39	39	+10%
Belgium	7	8	12	+60%
Other	3	6	6	+145%
Eliminations	-2	-3	-4	N.M.
Sales	42	50	52	+23%
<i>Organic growth</i>	-3%	+12%	+15%	
Netherlands	2.2	2.6	2.7	+27%
Belgium	-0.2	0.3	0.9	-596%
Other	-1.0	-0.2	-0.8	N.M.
EBIT	1.0	2.7	2.9	+194%
REBIT	1.8	2.7	2.9	+61%
<i>EBIT-margin</i>	2.3%	5.3%	5.5%	+139%
<i>REBIT-margin</i>	4.2%	5.3%	5.5%	+31%
Net profit	0.6	1.8	1.8	+207%
Net Debt (excl. lease)	-4.2	2.5	-1.7	-59%
Net Debt (incl. lease)	6.8	13.5	9.4	+38%

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	99.5	109.3	117.8
(of which Sales)	81.6	83.0	81.8	87.3	99.5	109.3	117.8
(Y/Y - %)	-5%	2%	-1%	7%	14%	10%	8%
(of which Other revenues)	-	-	-	-	-	-	-
Cost of goods sold	-24.3	-26.6	-25.9	-28.5	-32.3	-34.2	-37.2
Gross profit	57.3	56.4	55.9	58.8	67.3	75.1	80.6
Personnel costs	-38.4	-38.9	-37.2	-38.8	-43.8	-48.1	-51.8
Other costs	-	-	-	-	-	-	-
EBITDA	4.7	3.4	7.5	10.2	13.5	16.0	17.0
EBITA	3.7	2.7	2.8	6.1	9.3	11.6	12.3
(Ebita margin - %)	4.5%	3.2%	3.4%	7.0%	9.4%	10.6%	10.5%
Amortization	0.0	-0.3	-0.7	-1.5	-2.7	-3.6	-2.9
Impairment	-	-	-	-	-	-	-
EBIT	3.7	2.4	2.1	4.7	6.7	8.0	9.4
Net Financial Result	-	-	-	-	-	-	-
(of which Net interest charges)	-0.2	-0.1	-0.2	-0.4	-0.6	-0.7	-0.7
(of which Other)	-	-	-	-	-	-	-
Pre-tax result	3.5	2.3	1.8	4.3	6.1	7.3	8.7
Taxes	-0.7	-0.6	-0.6	0.4	-1.2	-1.6	-2.2
Associates	-	-	-	-	-	-	-
Minorities	0.0	0.0	0.0	0.0	-0.4	-0.5	-0.5
Net earnings excl. exceptionals	2.8	1.7	1.3	4.6	4.4	5.2	6.0
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	4.4	5.2	6.0
Net adjusted earnings	2.8	1.7	1.3	3.0	4.4	5.2	6.0
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	6.7	8.0	9.4
Depreciation	1.0	0.7	4.7	4.1	4.2	4.4	4.7
Amortization	0.0	0.3	0.7	1.5	2.7	3.6	2.9
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	-3.8	-0.1	-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	9.8	16.0	16.9
Tax expenses	-0.8	-1.2	-0.1	-0.3	-1.2	-1.6	-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	-0.6	-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	8.0	13.7	14.1
CAPEX	-0.4	-0.3	-0.5	-0.1	-0.5	-0.5	-0.6
Investments in intangibles	-1.6	-1.8	-0.7	-0.8	-1.0	-2.2	-2.4
Acquisitions	0.0	-0.9	-0.1	-4.3	-4.5	-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	-6.0	-3.2	-3.4
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	-4.4	-4.9	-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	2.4	-5.6	-5.4
FCF to Enterprise	1.0	4.5	3.9	12.0	4.6	9.3	9.8
FCF to Equity	0.1	3.3	3.6	11.4	2.7	7.0	7.0
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	39.6	38.2	37.8
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	9.0	7.6	7.0
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	26.2	34.4	40.9
Inventories	-	-	-	-	-	-	-
Trade receivables	20.6	13.5	10.9	9.8	12.6	14.4	16.0
Other current assets	0.0	6.2	6.2	7.0	7.1	7.8	8.4
Cash & Equivalents	0.0	0.4	1.9	10.6	6.5	12.2	16.6
Discontinued assets	-	-	-	-	-	-	-
Total assets	39.6	40.4	45.4	64.5	65.8	72.6	78.7
Total Equity	17.9	19.1	19.5	22.5	26.8	31.7	37.2
Equity	17.9	19.1	19.5	22.5	26.7	31.6	37.1
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	26.7	29.4	31.5
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	23.4	25.7	27.7
Other ST liabilities	0.5	1.1	0.4	1.4	0.4	0.5	0.5
Discontinued liabilities	-	-	-	-	-	-	-
Total liabilities	39.6	40.4	45.4	64.5	65.8	72.6	78.7
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	62.8	63.4	64.1
+ Net financial debt	2.2	0.3	5.0	4.0	6.4	0.8	-4.5
(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	6.5	12.2	16.6
+ 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	69.3	64.3	59.7
Equity (group share)	17.9	19.1	19.5	22.5	26.7	31.6	37.1
+ Net financial debt	2.2	0.3	5.0	4.0	6.4	0.8	-4.5
+ 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	33.2	32.5	32.7
+ 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	50.6	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	0.33	0.38	0.44
Adjusted EPS (fully diluted)	-	-	-	-	-	-	-
Declared EPS	0.22	0.13	0.10	0.23	0.33	0.38	0.44
CFS	0.00	0.21	0.52	0.65	0.83	0.96	0.98
FCF (to Equity)	0.01	0.26	0.28	0.86	0.20	0.51	0.50
Dividend	0.08	0.08	0.08	0.08	0.11	0.13	0.15
Book Value	1.41	1.49	1.50	1.66	1.95	2.29	2.66
Shares (m)							
At the end of F.Y.	12.656	12.807	12.931	13.555	13.648	13.781	13.937
Average number	12.597	12.757	12.880	13.243	13.625	13.747	13.859
Fully diluted Average number	12.597	12.756	12.880	13.243	13.625	13.747	13.859
(*) 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	12.1	10.6
P/CF	nm	9.3	3.8	4.4	5.5	4.8	4.7
P/BV	2.2	1.3	1.3	1.7	2.4	2.0	1.7
EV/Sales	0.5	0.3	0.4	0.5	0.7	0.6	0.5
EV/EBITDA	8.8	7.5	4.1	4.2	5.1	4.0	3.5
EV/EBITA	11.3	9.4	11.0	7.0	7.4	5.5	4.8
EV/EBIT	11.3	10.6	14.9	9.2	10.4	8.0	6.3
EV/CE	2.1	1.3	1.3	1.6	2.1	2.0	1.8
EV/CE (grossed goodwill)	1.2	0.8	0.8	1.0	1.4	1.3	1.2
EV/FCF (1)	41.6	5.6	7.8	3.6	15.1	6.9	6.1
FCF yield (2)	0.2%	12.9%	13.8%	29.3%	4.4%	11.1%	10.8%
Dividend yield	2.6%	4.1%	4.0%	2.8%	2.5%	2.9%	3.3%
Financial ratios							
Interest cover	22.0	24.1	11.8	15.0	15.0	17.2	18.4
Net Debt/EBITDA	0.5	0.1	0.7	0.4	0.5	0.1	-0.3
Net Debt/Equity	12.1%	1.4%	25.7%	17.9%	24.0%	2.7%	-12.1%
Net Debt/FCF (2)	24.0	0.1	1.4	0.4	2.3	0.1	-0.6
Capital turnover	4.1	4.3	3.3	3.3	3.0	3.4	3.6
ROCE pre-tax	18.3%	13.9%	11.4%	23.2%	28.1%	35.8%	37.7%
ROCE post-tax	18.3%	13.9%	11.4%	23.2%	28.1%	35.8%	37.7%
ROCE pre-tax (grossed goodwill)	18.3%	13.9%	11.4%	23.2%	28.1%	35.8%	37.7%
ROCE post-tax (grossed gdwill)	18.3%	13.9%	11.4%	23.2%	28.1%	35.8%	37.7%
ROE	16.8%	9.3%	6.5%	14.5%	18.1%	17.9%	17.6%
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%	67.6%	68.7%	68.4%
EBITDA margin	5.7%	4.1%	9.2%	11.7%	13.6%	14.7%	14.4%
EBITA margin	4.5%	3.2%	3.4%	7.0%	9.4%	10.6%	10.5%
Adjusted profit margin	3.4%	2.1%	1.5%	3.5%	4.5%	4.8%	5.1%
Tax rate	20.0%	25.4%	30.8%	-9.2%	20.0%	22.0%	25.0%
Growth analysis							
Sales	-5%	2%	-1%	7%	14%	10%	8%
EBITDA	11%	-27%	121%	36%	32%	19%	6%
EBITA	20%	-26%	4%	120%	52%	25%	6%
Adjusted profit	7%	-39%	-26%	140%	47%	17%	16%
Adjusted EPS	6%	-40%	-27%	134%	42%	16%	15%
Dividend	14%	0%	0%	0%	43%	16%	15%

(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 30 July 2021 09:46 CET. The disclaimer information was updated on 9 August 2021 11:55 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 report has not been reviewed by the company prior to publication.

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

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