

Datagroup (D6H GY) | Technology

August 14, 2024

Accelerating growth despite weak end markets

Following the publication of Datagroup's Q3/24 results, we confirm our BUY recommendation with an unchanged PT of EUR 84. Amid prevailing macroeconomic challenges, IT-Operations has shown remarkable resilience. Given the continued high demand for Cloud and Cyber Security solutions, Datagroup managed to record another uptick in order intake. Management has identified the pivotal role of these topics as future growth drivers and has thus increased investments into these areas. The low exposure to hardware and traditional client computing enables the company to separate itself from the competition, which struggles with the reluctance in the German SME market. The conversion of order backlog is still on track and translates into growth acceleration both in a year-over-year and sequential comparison. We can now observe the expected phasing and continue to anticipate further growth acceleration in Q4.

Q3 results: Revenue grew by 7.5% y/y to EUR 131.8m. The Service segment grew by 5.7% y/y, while the Trade segment has seen an increase of 16.4% y/y. EBITDA remained flat at EUR 20.2m (margin: 15.3%). EBIT declined by -1% y/y to EUR 11.4m and a margin of 8.7%. EPS declined by -14% y/y to EUR 0.71.

Guidance confirmed: For FY'23/24, management expects revenues of EUR 510m - 530m. The company further guides for EBITDA of EUR 77m - 81m and EBIT in the range of EUR 43m - 46m.

Valuation: Datagroup shares are trading at 10.3x '25 P/E and 5.7x '25 EV/EBITDA, which we view as an attractive entry opportunity.

Fundamentals (in EUR m) ¹	2020/21	2021/22	2022/23	2023/24e	2024/25e	2025/26e
Sales	445	501	498	520	554	595
EBITDA	67	76	80	80	86	97
EBIT	29	41	45	43	50	58
EPS adj. (EUR)	3.05	3.18	4.10	3.74	4.16	4.95
DPS (EUR)	0.00	1.00	1.10	1.50	1.60	1.70
BVPS (EUR)	11.28	15.32	17.69	17.17	19.38	22.18
Net Debt incl. Provisions	214	174	176	160	139	113
Ratios ¹	2020/21	2021/22	2022/23	2023/24e	2024/25e	2025/26e
EV/EBITDA	13.0	8.1	6.9	6.4	5.7	4.8
EV/EBIT	30.5	15.0	12.2	11.8	9.9	8.1
P/E adj.	26.0	16.9	11.0	11.4	10.3	8.6
Dividend yield (%)	0.0	1.9	2.4	3.5	3.8	4.0
EBITDA margin (%)	15.1	15.2	16.1	15.4	15.6	16.4
EBIT margin (%)	6.4	8.3	9.1	8.4	9.0	9.7
Net debt/EBITDA	3.2	2.3	2.2	2.0	1.6	1.2
PBV	7.0	3.5	2.6	2.5	2.2	1.9

¹Sources: Bloomberg, Metzler Research

Buy

 **unchanged**

Price* EUR 42.65

Price target EUR 84.00 (unchanged)

* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

Market Cap (EUR m) ¹	355
Enterprise Value (EUR m) ¹	515
Free Float (%) ¹	42.3



Performance (in %) ¹	1m	3m	12m
Share	-0.4	-12.2	-23.7
Rel. to SDAX	7.2	-3.0	-26.0

Changes in estimates (in %) ¹	2023/24e	2024/25e	2025/26e
Sales	0.0	0.0	0.0
EBIT	0.0	0.0	0.0
EPS	0.0	0.0	0.0

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Author: Oliver Frey
Financial Analyst Equities
+49 69 2104-4360
Oliver.Frey@metzler.com

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Q3 results

EUR m

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2024	Q2 2024	Q3 2024
Sales	109	103	119	114	445	123	124	125	129	501	126	121	123	128	498	121	128	132
Growth y-o-y (in %)	31.1	18.0	26.6	21.2	24.1	13.4	21.0	4.9	12.9	12.8	2.5	-2.9	-2.1	-0.4	-0.7	-4.1	5.7	7.5
thereof Services	87	90	97	72	346	102	102	102	99	406	101	101	103	101	405	105	102	109
thereof Trade	22	13	22	41	98	21	22	23	29	95	26	20	20	27	93	16	25	23
EBITDA	15	15	17	20	67	19	18	21	18	76	20	20	20	21	80	19	20	20
Margin %	13.7	15.0	14.0	17.8	15.1	15.6	14.6	16.7	14.1	15.2	15.6	16.3	16.5	16.1	16.1	15.3	15.3	15.4
EBIT	7	7	8	7	29	10	10	12	9	41	12	11	11	11	45	10	11	11
Margin %	6.0	7.1	6.5	6.5	6.4	8.5	8.1	9.7	6.8	8.3	9.1	9.4	9.4	8.6	9.1	8.4	8.3	8.6
EPS	0.41	0.89	0.63	0.59	2.49	0.76	0.73	0.90	0.25	2.64	0.87	0.87	0.82	0.83	3.39	0.73	0.76	0.71

Source: Company data, Metzler Research

Key takeaways from the conference call

- Order intake from new customers and cross/upselling now totals EUR 23m and EUR 18m, thus exceeding internal targets. The average yearly contract volume for new customers amounts to around EUR 1m. Cloud and Cyber Security solutions continue to experience high demand.
- Approximately 50% of said order intake is now reflected in revenues. Sales increased by 7.5% y/y to EUR 132m. We expect further acceleration in Q4 as more projects get onboarded.
- Headwinds from the transformation of low-margin business should continue to ease. After EUR 40m in FY'22/23, management expects headwinds of EUR 16m and EUR 18m in FY'23/24 and FY'24/25.
- In Q3, EBIT amounted to EUR 11.4m and thus declined by 1% y/y. Investments in topics such as AI, Cloud and Cyber Security will secure long-term growth, but pressure margins in the short-term.
- IT-Operations proves to be more resilient than IT projects and traditional hardware. With a focus on long-term service contracts and recurring revenues, Datagroup can differentiate itself from the competition.
- Net debt increased to EUR 156m, driven by acquisitions and the paid dividend. While M&A will remain a key component of growth, the focus is shifting more towards organic growth. We therefore feel comfortable with a net debt/EBITDA ratio of ~2.0x.
- Higher liabilities and interest rates resulted in interest expenses of EUR 3m in Q3'24. This could be seen as an accurate run rate for the coming quarters.

company note

Key Data

Company profile

CEO: Andreas Barese

CFO:

Pliezhausen, Germany

Datagroup operates IT infrastructure and business applications with a clear focus on recurring cloud-related services. Customers can select from a range of solutions (e.g. Network Services, Application Management Services and SAP services) which are based on standardized processes and backed by service level agreements (SLAs). The company is a one-stop-shop for its customers which often outsource their IT processes completely to Datagroup based on multi-year contracts.

Major shareholders

HHS Beteiligungsgesellschaft mbH (53.6%), Management and Supervisory Board (4.1%)

Key figures

P&L (in EUR m)	2020/21	%	2021/22	%	2022/23	%	2023/24e	%	2024/25e	%	2025/26e	%
Sales	445	24.1	501	12.8	498	-0.7	520	4.5	554	6.5	595	7.5
EBITDA	67	60.9	76	13.6	80	4.9	80	-0.4	86	8.2	97	12.7
EBITDA margin (%)	15.1	29.6	15.2	0.8	16.1	5.7	15.4	-4.7	15.6	1.6	16.4	4.8
EBIT	29	218.8	41	44.7	45	9.3	43	-4.1	50	14.5	58	16.5
EBIT margin (%)	6.4	156.8	8.3	28.3	9.1	10.1	8.4	-8.2	9.0	7.5	9.7	8.3
Financial result	-2	18.9	-5	-144.9	-4	13.6	-4	4.1	-4	3.2	-4	3.3
EBT	27	304.2	37	37.4	41	12.3	40	-4.1	46	16.3	54	18.1
Taxes	6	-5.7	15	145.1	13	-11.8	12	-3.9	14	14.4	17	18.1
Tax rate (%)	22.4	n.a.	40.0	n.a.	31.5	n.a.	31.5	n.a.	31.0	n.a.	31.0	n.a.
Net income	21	n.m.	22	6.3	28	28.3	27	-4.1	32	17.1	37	18.1
Minority interests	0	n.a.	-0	n.a.	0	100.0	0	n.a.	0	n.a.	0	n.a.
Net Income after minorities	21	n.m.	22	5.6	28	29.2	27	-4.1	32	17.1	37	18.1
Number of shares outstanding (m)	8	0.0	8	0.0	8	0.0	8	0.0	8	0.0	8	0.0
EPS adj. (EUR)	3.05	n.m.	3.18	4.2	4.10	29.1	3.74	-8.8	4.16	11.1	4.95	19.1
DPS (EUR)	0.00	-100.0	1.00	n.a.	1.10	10.0	1.50	36.4	1.60	6.7	1.70	6.2
Dividend yield (%)	0.0	n.a.	1.9	n.a.	2.4	n.a.	3.5	n.a.	3.8	n.a.	4.0	n.a.
Cash Flow (in EUR m)	2020/21	%	2021/22	%	2022/23	%	2023/24e	%	2024/25e	%	2025/26e	%
Gross Cash Flow	63	151.4	60	-5.4	55	-7.3	64	14.6	68	7.7	77	12.4
Increase in working capital	14	n.a.	-10	n.a.	7	n.a.	0	n.a.	17	n.a.	-4	n.a.
Capital expenditures	11	-50.4	9	-20.2	17	93.0	18	5.9	20	11.1	22	10.0
D+A/Capex (%)	350.0	n.a.	397.3	n.a.	205.4	n.a.	202.2	n.a.	183.3	n.a.	179.1	n.a.
Free cash flow (Metzler definition)	38	798.6	61	62.9	31	-49.6	45	46.2	32	-29.9	59	85.4
Free cash flow yield (%)	5.7	n.a.	13.7	n.a.	8.2	n.a.	12.7	n.a.	8.9	n.a.	16.6	n.a.
Dividend paid	0	-100.0	8	n.a.	9	10.0	12	36.4	13	6.7	14	6.2
Free cash flow (post dividend)	2	-94.3	34	n.m.	40	17.8	58	44.0	45	-22.0	73	62.0
Balance sheet (in EUR m)	2020/21	%	2021/22	%	2022/23	%	2023/24e	%	2024/25e	%	2025/26e	%
Assets	463	20.1	484	4.4	465	-3.8	461	-0.9	481	4.2	505	5.1
Goodwill	126	101.5	151	20.2	157	3.7	157	0.0	157	0.0	157	0.0
Shareholders' equity	94	42.1	127	35.6	147	15.6	143	-3.0	161	12.9	185	14.5
Equity/total assets (%)	20.3	n.a.	26.4	n.a.	31.7	n.a.	31.0	n.a.	33.6	n.a.	36.6	n.a.
Net Debt incl. Provisions	214	30.4	174	-18.6	176	1.2	160	-9.5	139	-13.0	113	-18.3
thereof pension provisions	64	-12.0	36	-43.6	36	-0.6	36	0.0	36	0.0	36	0.0
Gearing (%)	227.8	n.a.	136.8	n.a.	119.7	n.a.	111.7	n.a.	86.0	n.a.	61.4	n.a.
Net debt/EBITDA	3.2	n.a.	2.3	n.a.	2.2	n.a.	2.0	n.a.	1.6	n.a.	1.2	n.a.

Sources: Bloomberg, Metzler Research

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Date of dissemination	Metzler recommendation *		Current price **	Price target *	Author ***
	Previous	Current			
Issuer/Financial Instrument (ISIN): Datagroup (DE000A0JC8S7)					
27.06.2024	Buy	Buy	44.80 EUR	84.00 EUR	Frey, Oliver
24.05.2024	Buy	Buy	49.35 EUR	84.00 EUR	Frey, Oliver
18.04.2024	Buy	Buy	43.30 EUR	84.00 EUR	Frey, Oliver
15.03.2024	Buy	Buy	45.00 EUR	84.00 EUR	Frey, Oliver
21.02.2024	Buy	Buy	50.00 EUR	84.00 EUR	Frey, Oliver
16.02.2024	Buy	Buy	53.30 EUR	84.00 EUR	Frey, Oliver
22.11.2023	Buy	Buy	53.40 EUR	86.00 EUR	Frey, Oliver
29.08.2023	Buy	Buy	53.60 EUR	86.00 EUR	Frey, Oliver

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Datagroup

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Metzler Capital Markets

B. Metzler seel. Sohn & Co. AG
Untermainanlage 1
60329 Frankfurt/Main, Germany
Phone +49 69 2104-extension
Fax +49 69 2104-679
www.metzler.com

Mario Mattera

Head of Capital Markets

Research	Pascal Spano	Head of Research	4365
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