



ERIK PENSER BANK

Penser Access | Internet Software/Services | Sweden | 19 August 2021

BTS Group

Record quarter and improved outlook

Smashing market expectations

Net sales in Q2 2021 were SEK 480m vs our estimate of SEK 418m. This corresponds to growth adjusted for currency effects of 11% from Q2 2019, making this the best Q2 in the company's history. EBITA was SEK 82m vs our estimate of SEK 59.3m. During H1 2021, the EBITA margin increased by 2 percentage points compared to 2019, which is due to improved utilisation of resources, fine-tuning of pricing, and product mix.

Set for a strong year end

BTS upped its guidance in the report, from 2021 being in line with 2019 to better than 2019. This has historically meant EBITA growth >10%. The figures in Q2 and BTS's track record of beating guidance mean that we are raising our EPS estimates for 2021 by 14% and for 2022–2023 by 6%. The increase for 2022–2023 is because we anticipate margin expansion as a result of increased virtual and digital delivery.

Increased fair value

The strong report and the optimistic tone about the future lead us to raise our fair value for BTS to SEK 450–460 from the previous SEK 395–405. We believe there are a number of robust price triggers going forward. These include 1) acquisitions, and 2) an increase in guidance, which we consider probable in the Q3 report given the company's track record. BTS is now trading at an implicit WACC of just under 8%.

Estimate Changes (SEK)			Estimates (SEK)				Risk and Potential			
	Now	Before		20	21e	22e	23e	Motivated value	450.00 - 460.00	
EPS, adj 21e	8.82	7.72	14.2%	Sales, m	1,464	1,975	2,242	2,545	Current price	444.00
EPS, adj 22e	10.48	9.84	6.5%	Sales Growth	(21.5)%	34.9%	13.5%	13.5%	Risk level	Low
EPS, adj 23e	12.25	11.54	6.2%	EBITDA, m	155	343	392	445		
				EBIT, m	64.6	254.8	300.8	350.2		
				EPS, adj	1.96	8.82	10.48	12.25		
				EPS Growth	(74.8)%	349.6%	18.8%	17.0%		
				Equity/Share	36.7	44.4	50.4	57.4		
				Dividend	1.20	4.42	5.25	6.14		
				EBIT Marginal	4.4%	12.9%	13.4%	13.8%		
				ROE (%)	5.3%	19.9%	20.8%	21.3%		
				ROCE	5.7%	19.8%	21.4%	22.7%		
				EV/Sales	5.72x	4.24x	3.73x	3.29x		
				EV/EBITDA	53.9x	24.4x	21.3x	18.8x		
				EV/EBIT	129.6x	32.9x	27.8x	23.9x		
				P/E, adj	226.4x	50.4x	42.4x	36.2x		
				P/Equity	12.1x	10.0x	8.8x	7.7x		
				Dividend yield	0.3%	1.0%	1.2%	1.4%		
				FCF yield	3.1%	1.7%	2.5%	2.9%		
				Net Debt/EBITDA	(1.3)g	(0.9)g	(1.1)g	(1.2)g		

Calendar Events

Q3'21 rapport den 10 november 2021

Key Figures (mkr)

Number of Shares	19.3m
Market cap	8,577
Net Debt	(206)
EV	8,371
Free Float	68.00%
Avg. No. of Daily Traded Sh.	5.3(k)
Reuters/Bloomberg	BTSb.ST/BTSB SS

One Year Performance Chart



Analysts

rikard.engberg@penser.se



ERIK PENSER BANK

Penser Access | Internet Software/Services | Sweden | 19 August 2021

Overview

Record quarter and improved outlook

Investment Case

BTS develops and packages client strategies and assists with their implementation through simulation and training. BTS differentiates itself from the major management consultancy firms by being more niched in implementing and executing strategies for its clients.

Company Profile

BTS is a flight simulator for businesses

BTS's strategy includes interactive learning, and is used to train managers and entire organisations as tangibly and personally as possible. BTS offers a broad range of simulations, and over the years the company has built up vast know-how in a number of industries and markets. BTS can simulate anything from a recession to what would happen if a company were to lose one of its most important customers. Using the BTS methodology its clients can, for example, learn how their company should act in, and defend itself against, different scenarios.

Growth with stable margins

The company's target is to achieve 20% annual growth with a 15% EBITA margin. This is to be achieved both organically and through acquisitions. Over the past 10 years, BTS has generated average annual growth of 10% in currency-adjusted sales and EBITA, with organic growth accounting for the majority. Despite this strong growth, BTS has managed to maintain a stable margin over the years. Its EBIT margin is anchored above 10%, which is also what we anticipate going forward. We estimate that this growth, and the company's cutbacks and efficiencies, will offset the ongoing pressure on prices. In the short term, BTS should deliver higher profitability as it has historically invested just over 3-4% of its turnover in digitalisation. However, it is investing for long-term growth, which we consider to be the right strategy. In addition to stable growth and profitability, the company has also delivered good dividend growth over time.

One company, four revenue streams

BTS has four revenue streams: Programs, Development, Licenses and Other Revenue. Programs account for the majority of revenues, at about 59%, but we do not assess this as a risk since this field is its signature reputation in the market. This is also the costliest service, making it realistic that it accounts for the majority of revenues. The revenue model is based on fixed prices, with variable components in the form of annual indexation and fees depending on the number of participants. The company's most profitable segment is Licenses, accounting for just over 12% of sales. In this area we envisage that acquisitions could raise the proportion of total sales. The remaining revenue streams are Development and Other Revenue, which account for 26% of net sales.

Valuation approach

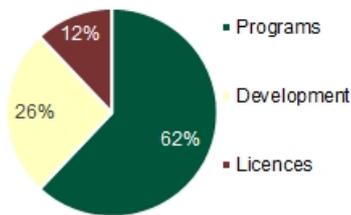
Given the financial stability of the company, along with the fact that it has over time delivered double-digit growth and margins, we estimate that the share has more to give and is still worth owning for the long term. Our DCF indicates a value in the range of SEK 450-460. We see further upside from future acquisitions, which we feel are likely, and from an upgrade in guidance.

Bolagsfakta

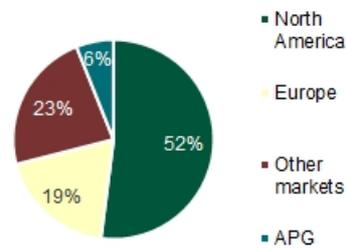
Största aktieägare	Röster	Kaptial
Henrik Ekelund	40,6%	18,7%
Stefan af Petersens	9,9%	12,1%
Nordea Fonder	6,7%	9,4%
Swedbank Robur Fonder	6,1%	8,5%
Övriga	36,8%	51,4%

Ordförande	Reinhold Geijer
Verkställande direktör	Henrik Ekelund
Finansdirektör	Stefan Brown
Investerarkontakt	Michael Wallin
Hemsida	https://www.bts.com/

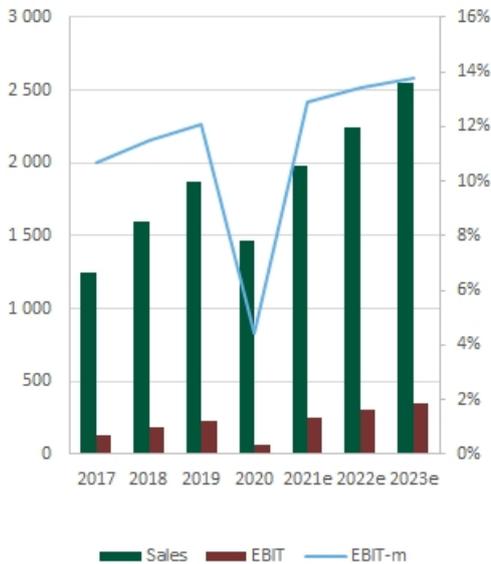
Source of revenue H1



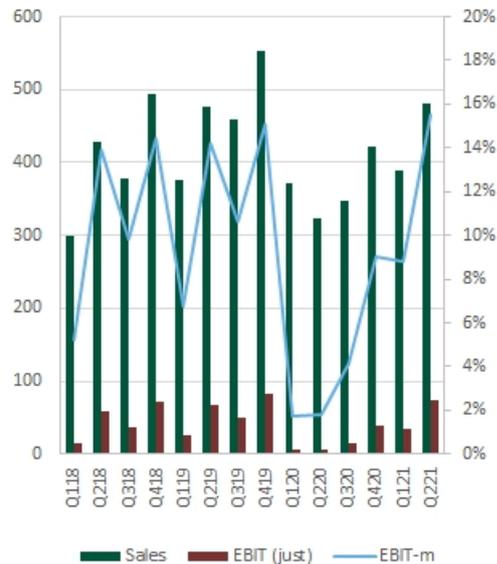
Operating Unit H1



Sales and EBIT



Sales and EBIT (Quarterly)



The quarter in detail

The company has shown growth adjusted for currency effects of 64% y/y, with contributions from all segments. Below is a brief overview of the different segments:

- **BTS North America:** North America was the strongest segment during Q2. Sales amounted to SEK 238 million, which corresponds to growth of 40% y/y. EBITA amounted to SEK 39.6 million, which corresponds to a margin of 16.6%.
- **BTS Europe:** Sales in Q2 amounted to SEK 93 million, which corresponds to growth of 52% y/y. EBITA amounted to SEK 18.9 million, which corresponds to a margin of 20.3%.
- **BTS Other Markets:** Sales in Q2 amounted to SEK 119 million, which corresponds to growth of 54% y/y. EBITA amounted to SEK 21.7 million, which corresponds to an EBITA margin of 18.1%.

It is noteworthy that all segments this quarter reported an EBITA margin above the company's long-term target of 15%. We consider this to be a result of a higher margin on digital and virtual delivery as well as disciplined pricing. The rising margin is one of the reasons why we believe that BTS will be able to increase its guidance once again this year.

We estimate that growth in BTS Europe and BTS Other Markets against the relevant comparison year 2019 will accelerate during H2 since these markets have not come as far in their economic recovery as the United States.

Income statement

	2012A	2013A	2014A	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Net sales						1243	1598	1865	1464	1975	2242	2545
Operating Expenses						-1092	-1384	-1554	-1309	-1633	-1850	-2099
EBITDA						151	214	311	155	343	392	445
Depreciation and amortization						-18	-31	-86	-91	-88	-92	-95
EBIT						132	183	226	65	255	301	350
Adjustments						0	0	0	0	0	0	0
Adj. EBIT						132	183	226	65	255	301	350
Net financial items						-1	-3	-10	-14	-10	-10	-10
Profit before tax						131	180	216	51	245	291	340
Estimated tax						-33	-54	-66	-16	-75	-89	-104
Profit for the period						98	127	150	35	170	202	237
Profit for the period (adj)						98	127	151	35	170	202	237

Balansräkning

	2012A	2013A	2014A	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Balance sheet												
Goodwill						425	455	536	549	490	430	367
Other intangible assets						87	72	82	75	75	75	75
Property, plant and equipment						30	39	220	185	178	169	159
Interest-bearing non-current assets						0	0	0	0	0	0	0
Investments in associates and shares						0	0	0	0	0	0	0
Other non-current assets						8	15	13	17	17	17	17
Total non-current assets						550	581	851	826	760	690	617
Inventory						0	0	0	0	0	0	0
Trade receivables						335	512	514	409	514	583	662
Other current assets						141	172	187	134	134	134	134
Cash and cash equivalents						200	262	316	591	699	817	947
Total current assets						676	947	1018	1134	1347	1534	1742
TOTAL ASSETS						1226	1528	1869	1960	2107	2224	2360
EQUITY AND LIABILITIES												
Equity						581	704	840	710	857	974	1109
Minority interests						0	0	0	0	0	0	0
Total equity						581	704	840	710	857	974	1109
Non-current financial liabilities						126	103	76	0	0	0	0
Provisions for pensions						0	0	0	0	0	0	0
Deferred tax liabilities						0	0	0	0	0	0	0
Other non-current liabilities						180	201	288	431	431	431	431
Total non-current liabilities						306	304	364	431	431	431	431
Current financial liabilities						0	0	0	0	0	0	0
Trade payables						0	0	0	0	0	0	0
Tax liabilities						0	0	0	0	0	0	0
Other current liabilities						339	520	665	820	820	820	820
Total current liabilities						339	520	665	820	820	820	820
TOTAL EQUITY AND LIABILITIES						1226	1528	1869	1960	2107	2224	2360

Cashflow statement

	2012A	2013A	2014A	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Profit for the period						98	127	151	35	170	202	237
Non-cash items						1	58	85	65	88	92	95
Changes in working capital						-1	-27	-18	142	-105	-69	-79
Cash flow from operating activities						98	158	218	242	153	225	253
Investments						-80	-37	-38	-148	-22	-22	-22
Disposals						0	0	0	0	0	0	0
Free cash flow						18	121	180	94	131	203	231
Dividends						-47	-53	-69	-70	-23	-85	-101
Share issues/buybacks						101	0	0	0	0	0	0
Purchases						0	0	0	0	0	0	0
Debt financing and other adjustments						0	-18	-63	282	0	0	0
Cash flow						73	50	48	307	108	117	130
Net Debt						-74	-97	-186	-187	-295	-412	-542

Nyckeltal

Aktiedata

	2017A	2018A	2019A	2020A	2021E	2022E	2023E
EPS, rapporterad	5,08	6,55	7,79	1,96	8,82	10,48	12,25
EPS Justerad	5,08	6,55	7,79	1,96	8,82	10,48	12,25
FCF/aktie	0,93	6,27	9,32	4,89	6,80	10,49	11,97
Utdelning/aktie	2,80	3,60	3,60	1,20	4,42	5,25	6,14
EK/Aktie	30,05	36,45	43,47	36,75	44,36	50,42	57,43
Antal aktier efter utspädning vid årets slut (m)	19,32	19,32	19,32	19,32	19,32	19,32	19,32

Värdering

	2017A	2018A	2019A	2020A	2021E	2022E	2023E
P/E, justerat	nmf	65,3	55,0	218,2	48,5	40,9	34,9
P/EK	14,2	11,7	9,8	11,6	9,6	8,5	7,5
P/FCF	459,4	68,2	45,9	87,5	63,0	40,8	35,7
Direktavkastning	0%	1%	1%	1%	0%	1%	1%
Utdelningsandel, justerad	55%	55%	46%	61%	50%	50%	50%
EV/Salés	6,5	5,0	4,3	5,5	4,1	3,6	3,2
EV/EBITDA	53,2	37,5	25,8	51,6	23,4	20,4	18,0
EV/EBIT	99,0	16,1	25,4	28,4	10,2	7,5	22,9

Tillväxt och marginaler

	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Omsättningstillväxt	12%	29%	17%	-22%	35%	14%	14%
EBIT, tillväxt	18%	39%	23%	-71%	294%	18%	16%
EPS just, tillväxt	31%	29%	19%	-75%	350%	19%	17%
EBITDA marginal	12%	13%	17%	11%	17%	18%	18%
EBIT marginal	11%	11%	12%	4%	13%	13%	14%
Skattesats	25%	30%	30%	31%	30%	30%	30%

Lönsamhet

	2017A	2018A	2019A	2020A	2021E	2022E	2023E
ROE	-1%	9%	6%	3%	14%	16%	16%
ROCE	2%	6%	1%	5%	13%	15%	15%

Kvartalsvis data

	Q117	Q217	Q317	Q417	Q118	Q218	Q318	Q418	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420	Q121	Q123
Net sales	274,0	331,6	268,8	368,2	299,4	427,2	377,4	494,4	375,8	477,4	459,7	552,5	372,2	322,3	347,0	422,6	388,2	479,7
Operating Expenses	-255,0	-284,8	-234,9	-317,0	-276,2	-360,3	-333,6	-414,4	-331,4	-390,4	-387,9	-444,6	-343,7	-293,5	-310,5	-361,0	-330,9	-383,6
Operating profit (EBITDA)	16,4	44,1	31,6	48,8	18,5	62,0	39,4	75,9	40,1	82,5	66,4	102,5	22,8	28,8	36,5	61,1	57,1	97,6
Depreciation of property, plant, and equipment	-1,7	-1,7	-1,6	-3,5	-2,8	-2,6	-2,3	-4,6	-14,7	-14,8	-17,4	-19,0	-16,4	-16,8	-15,7	-16,8	-16,8	-16,8
Amortization of intangible assets	-2,5	-2,6	-2,3	-2,4	-4,7	-4,9	-4,4	-4,1	-4,3	-4,6	-5,4	-5,4	-5,7	-6,3	-6,3	-6,3	-6,3	-6,3
Operating profit (EBIT)	14,7	42,4	29,9	45,3	15,7	59,3	37,1	71,2	25,5	67,8	49,0	83,5	6,4	5,8	14,4	38,0	34,1	74,5
Net financial items																		
Adj. operating profit (EBIT)	14,7	42,4	29,9	45,3	15,7	59,3	37,1	71,2	25,5	67,8	49,0	83,5	6,4	5,8	14,4	38,0	34,1	74,5
Estimated tax	-0,2	-0,2	0,0	-0,5	-0,7	-0,8	-0,6	-1,5	-2,5	-0,8	-2,7	-3,2	-2,2	-4,4	-3,3	-3,7	-4,2	-4,0
Profit before tax	14,5	42,2	30,0	44,8	14,9	58,6	36,5	69,7	23,0	67,0	46,3	80,3	4,2	1,4	11,1	34,3	29,9	70,5
Estimated tax	-5,2	-13,9	-9,8	-4,4	-4,4	-17,4	-11,1	-20,8	-6,8	-19,8	-14,0	-25,1	-1,3	-0,4	-3,4	-10,7	-9,4	-21,3
Profit for the period	9,3	28,3	20,1	40,4	10,5	41,2	25,5	48,9	16,2	47,1	32,3	55,2	3,0	1,0	7,7	23,5	20,5	49,2

	Q117	Q217	Q317	Q417	Q118	Q218	Q318	Q418	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420	Q121	Q123
Sales growth	22%	18%	1%	9%	9%	29%	40%	34%	26%	12%	22%	12%	-1%	-32%	-25%	-24%	4%	49%
EBIT growth (adjusted)	60%	31%	11%	5%	7%	40%	24%	57%	62%	14%	32%	17%	-75%	-91%	-71%	-54%	435%	1188%
EBITDA-margin	6%	13%	12%	13%	6%	15%	10%	15%	11%	17%	14%	19%	4%	5%	7%	11%	10%	18%
EBIT-margin	3%	8%	5%	8%	3%	11%	7%	13%	5%	12%	9%	15%	1%	1%	3%	7%	6%	13%

This publication (“the Publication”) has been compiled by Erik Penser Bank (“the Bank”) exclusively for clients of the Bank. The contents are based on information from publicly available sources which have been deemed reliable. No guarantee is extended as to the accuracy and completeness of the contents of the document or the forecasts and recommendations provided therein. The Bank may permit employees of another department or analysed company (“the company”) to read facts or series of facts in order to verify the same. The Bank does not disclose conclusions or assessments included in the Publication in advance. Opinions stated in the Publication are those of the analyst at the time the Publication was prepared and such opinions are subject to change. No assurance is provided that future events will be in accordance with opinions stated in the Publication.

The information in the Publication must not be understood as encouragement or recommendation to enter into transactions. The information does not take into account an individual recipient’s investment knowledge and experience, financial situation, or investment goals. The information thus does not constitute a personal recommendation or investment advice.

The Bank disclaims all liability for direct or indirect loss that may be based upon the Publication. Investments in financial instruments are associated with financial risk. The investment may go up or down in value or become entirely worthless. Past favourable performance of an investment is not a guarantee of future performance.

Fair value and risk

The fair value reflects a value for the share on the day the analysis is published in a range corresponding to approximately 5-10%. The Bank uses several different valuation models to value financial instruments, such as cash flow models, valuation of multiples and breakup value analysis.

The valuation method and the approach for determining the fair value should be apparent in the analysis and may vary from company to company. Significant assumptions used in valuations are based on currently available market data and a scenario for the company’s future development that we consider reasonable. As regards risk, the share is classified on a High-Medium-Low scale based on a number of known parameters relevant to the company. A general guideline for being classified as low risk is that the company has positive cash flow and that no individual factor affects net sales by more than 20%. The corresponding general description of high risk is that the company has not achieved positive cash flow or that an individual factor affects net sales by more than 50%.

The research presented in the Publication was performed in accordance with the terms and conditions of the “Penser Access” service that the Bank performs on behalf of analysed companies. The analysed company remunerates the Bank for the aforementioned service. The fair value and risk classifications are continuously updated. Click here <https://www.penser.se/historiska-analysrekommendationer/> to view the history of investment recommendations issued by the Bank.

General

The Bank’s consent is required to copy or disseminate the Publication in whole or in part. The Publication must not be disseminated or made available to any natural or legal person in the United States of America (other than as provided under Rule 15a–16, Securities Exchange Act of 1934), Canada, or any other country that imposes statutory restrictions on the dissemination and availability of the contents of the material.

The Bank has prepared an Ethics Policy and a Conflicts of Interest Policy. The aim of these policies is to protect against and prevent conflicts between the interests of clients and departments within the Bank. The approach used by the Bank to prevent conflicts of interest includes restrictions on communications (Chinese Walls). The Research Department is physically separated from the Corporate Finance department, which occupies separate premises. The Corporate Finance department is not permitted to participate in the production of a Publication or to express opinions on a Publication. However, there may from time to time exist a client relationship or advisory situation between a company covered in a Publication and a department of the Bank other than the Research Department. The Bank has drawn up internal restrictions concerning when employees are permitted to conduct trades in a financial instrument that is the subject of an Investment Recommendation.

From time to time, the Bank performs assignments for a company that is mentioned in a Publication. The Bank may, for example, be acting as an advisor or issuer agent to the company or as the liquidity guarantor for one of the company’s securities. If such is the case, this has been stated in the Publication. The Bank, its owners, directors, or employees may own shares in companies mentioned in the Publication. All employees of the Bank must report their holdings in securities and must report all transactions. The Bank and its employees comply with guidelines issued by the Swedish Securities Dealers Association concerning employee transactions. The analyst who has prepared Investment Research as referred to in Chapter 11, section 8 of the Swedish Financial Supervisory Authority’s Regulations regarding securities (FFFS 2007:16) and others involved in this work are not permitted to trade on their own account in the covered Financial Instrument or related Financial Instruments in contravention of the applicable recommendation. The Bank’s Compliance Department monitors all employee transactions.

The Bank pays salaries to analysts, which may also consist of a share of the Bank’s profits but which is never linked to the financial performance of another department. Neither the Bank nor the individuals who compiled the Publication have holdings (long or short) in the financial instruments issued by the analysed company that exceed 0.5% of the analysed company’s share capital.

For the company in question, the Bank also conducts research in accordance with the terms of the “Penser Access” paid-for service. Click here <https://epaccess.penser.se/> for more information about this service.

Erik Penser Bank is authorised to conduct securities operations and is under the supervision of the Swedish Financial Supervisory Authority (Finansinspektionen)

Erik Penser Bank (*publ.*)

Apelbergsgatan 27 Box 7405 103 91 STOCKHOLM

tel: +46 8 463 80 00 fax: +46 8 678 80 33 www.penser.se