

Datagroup (D6H GY) | IT-Services

May 24, 2024

Order intake increasingly converts into revenue

Following the publication of Datagroup's Q2'23/24 results, we confirm our BUY recommendation with a PT of EUR 84. The company continues to experience reluctance in the German IT market. SMEs remain cautious regarding IT-Projects and investments in traditional infrastructure. However, IT-Operations proves to be resilient and less dependent on the economic climate. Despite the difficult condition, Datagroup has managed to show revenue growth. As we expected, the company was able to successfully convert their strong order intake of recent months into sales. Especially when dealing with new customers, lead times of 6 - 12 months may occur, causing a significant delay in revenue recognition. We expect further growth acceleration in H2. According to management, Q3 is off to a good start and customer onboarding is proceeding as planned. Investments in focus areas such as AI, Cyber Security and Multi-Cloud solutions have put pressure on EBIT. Datagroup has recognized the pivotal role of these areas as growth drivers and has strategically positioned itself to leverage their potential.

Q2 results: Revenue grew by 5.7% y/y to EUR 128m. The Service segment grew by 1.6% y/y, while the Trade segment has seen an increase of 26% y/y. EBITDA declined by -1% y/y to EUR 19.5m (margin: 15.3%). EBIT declined by -6% y/y to EUR 10.6m and a margin of 8.3%. EPS declined by -13% y/y to EUR 0.76.

Guidance confirmed: In 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.

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	7.1	6.4	5.4
EV/EBIT	30.5	15.0	12.2	13.1	11.0	9.0
P/E adj.	26.0	16.9	11.0	13.2	11.9	10.0
Dividend yield (%)	0.0	1.9	2.4	3.0	3.2	3.4
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	2.9	2.5	2.2

¹Sources: Bloomberg, Metzler Research

Buy



unchanged

Price*

EUR 49.35

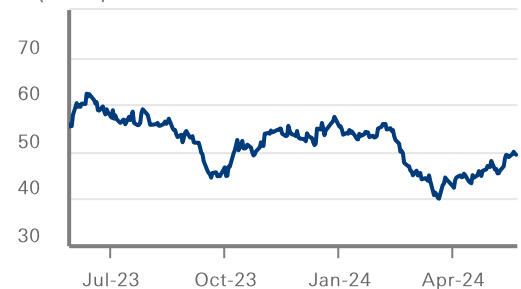
Price target

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	411
Enterprise Value (EUR m) ¹	571
Free Float (%) ¹	42.3

Price (in EUR)¹



Performance (in %) ¹	1m	3m	12m
Share	8.2	3.6	-11.6
Rel. to SDAX	1.8	-5.6	-22.2

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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Q2 results: Revenue sees reacceleration

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
Sales	109	103	119	114	445	123	124	125	129	501	126	121	128	123	498	121	128
Growth y-o-y (in %)	31	18	27	21	24	13	21	5	13	13	2	-3	2	-5	-1	-4	6
thereof Services	87	90	97	72	346	102	102	102	99	406	101	101	103	101	405	105	102
thereof Trade	22	13	22	41	98	21	22	23	29	95	26	20	25	22	93	16	25
EBITDA	15	15	17	20	67	19	18	21	18	76	20	20	20	21	80	19	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	15.8	16.8	16.1	15.3	15.3
EBIT	7	7	8	7	29	10	10	12	9	41	12	11	11	11	45	10	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	9.0	9.0	9.1	8.4	8.3
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

Source: Company data, Metzler Research

Key takeaways from the conference call

Strong order intake of recent months increasingly converts into revenue. We expect further acceleration towards H2 as more clients get onboarded. Management has indicated a good start into Q3, with client onboarding progressing as planned.

After 6 months, order intake from new customers amounts to EUR 21m on an annual basis and thus exceeds internal targets (EUR 10m - 15m). Significant progress is also visible in cross/upselling, with an order intake of currently around EUR 13m (target: EUR 10m - 15m) on an annual basis.

The German IT-market is still reluctant. SMEs remain cautious regarding IT-Projects and investments in traditional infrastructure. However, IT-Operations is proving to be more resilient.

Personnel expenses have increased by ~10% y/y and reflect increased capacities in focus areas such as AI, Cyber Security and Cloud. Capacities have reached the targeted level so that we expect similar personnel expenses in the coming quarters.

Net debt increased to EUR 142m mainly driven by the acquisition of CONPLUS and iT TOTAL (EUR 13.8m) as well as the paid dividend of EUR 12.5m. At 1.87x net debt / EBITDA, leverage is still at comfortable levels. Incoming cash flow should lead to a normalization in leverage over the course of the year.

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Datagroup in a nutshell

Datagroup is among Germany's top IT service providers and 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 on the basis of multi-year contracts. Our positive stance is based on consistent and healthy top-line growth, a strongly diversified customer base, its focus on small & mid-sized companies and typical German Mittelstand companies as well as a high but still growing proportion of recurring revenues. Its organizational and structural setup with central supply units and decentralized sales and services give the company an edge in terms of quality and costs. By offering centralized and standardized services based on an SLA approach, Datagroup continues gaining market share, especially vs. smaller competitors.

company note

Key Data

Company profile

CEO: Andreas Baresel

CFO: Oliver Thome

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.	3.0	n.a.	3.2	n.a.	3.4	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.	11.0	n.a.	7.7	n.a.	14.3	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)					
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
24.05.2023	Buy	Buy	56.40 EUR	88.00 EUR	Frey, Oliver

* Effective until the price target and/or investment recommendation is updated (FI/FX recommendations are valid solely at the time of publication)

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*** All authors are financial analysts

Datagroup

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