

Proact IT Group

Feedback from ABGSC's Investor Days

- CEO highlighted an accelerating market for mission-critical IT infrastructure
- Main drivers are cybersecurity, cloud, AI and Microsoft-related consulting
- M&A on the agenda and there is plenty of financial headroom

Positive message on demand and market growth

Today we hosted Proact's CEO Jonas Hasselberg at ABGSC's Investor Days. Mr Hasselberg highlighted Proact's relevance to large and medium-sized enterprises, with its highly skilled workforce and partnerships with leading IT infrastructure vendors as key competitive advantages driving growth. In terms of end markets, the message from September ([link](#)) remained that Germany was slightly weaker than the rest, followed by the UK, with the Nordics likely to be the strongest at the moment. The main drivers are demand for cybersecurity solutions, cloud, AI and Microsoft-related consulting. Summing up the market situation, Mr Hasselberg commented that the market is currently accelerating, coming out of somewhat more volatile years during the pandemic and the inflationary environment. Proact is targeting 10% annual growth, of which 5% should be organic, which we believe is a level that should be sustainable in the short term (9% in Q3 and 4% YTD).

M&A capacity is in place and opportunities should arise

Proact also has a strategy of making acquisitions and has historically made 1-2 acquisitions per year. However, the most recent acquisition was in June 2022, which has resulted in Proact building up a net cash position of SEK 175m, providing ample financial headroom for acquisitions, combined with annual dividends and an ongoing buyback programme. Mr Hasselberg says that the overall M&A market was somewhat on hold until H1'24, but has started to wake up after the summer. Proact is looking for consulting targets with a cloud service offering and within existing geographies, which we believe makes both strategic sense (in terms of driving margins towards the 8% margin target) and should limit risks.

Fast comment

Commissioned research

Not rated

IT

PACT-SE/PACT SS

Share price (SEK)	3/12/2024	135.60
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MCap (SEKm)	3,716
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MCap (EURm)	321
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No. of shares (m)	27.4
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Free float (%)	74.1
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Av. daily volume (k)	16
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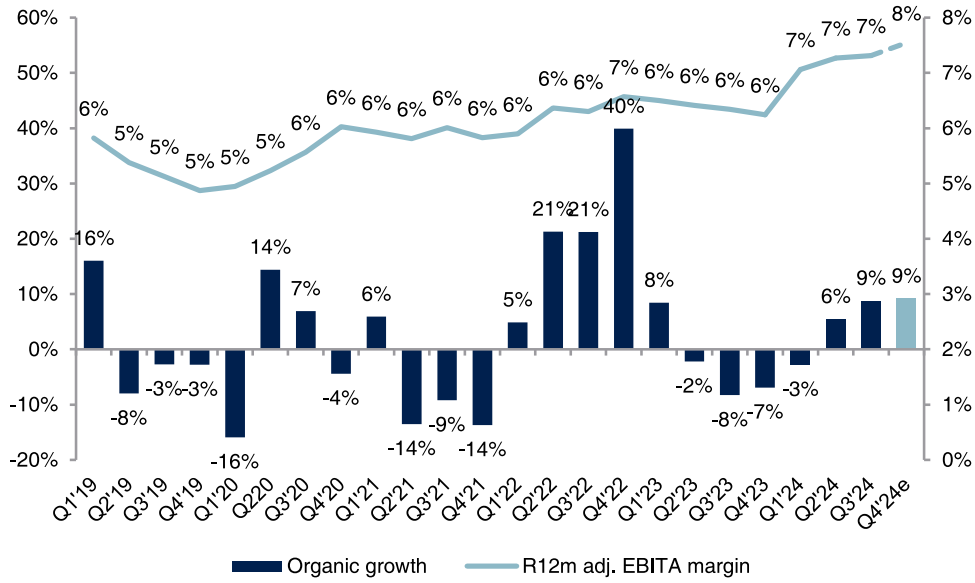
Next event	Q4 Report 11 February 2025
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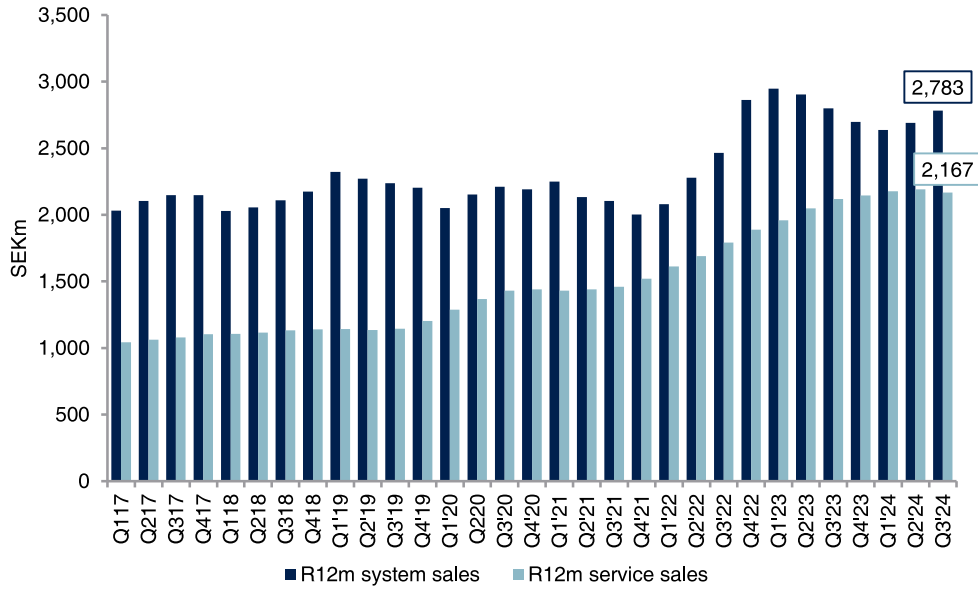
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Quarterly organic growth and R12m adj. EBITA margin



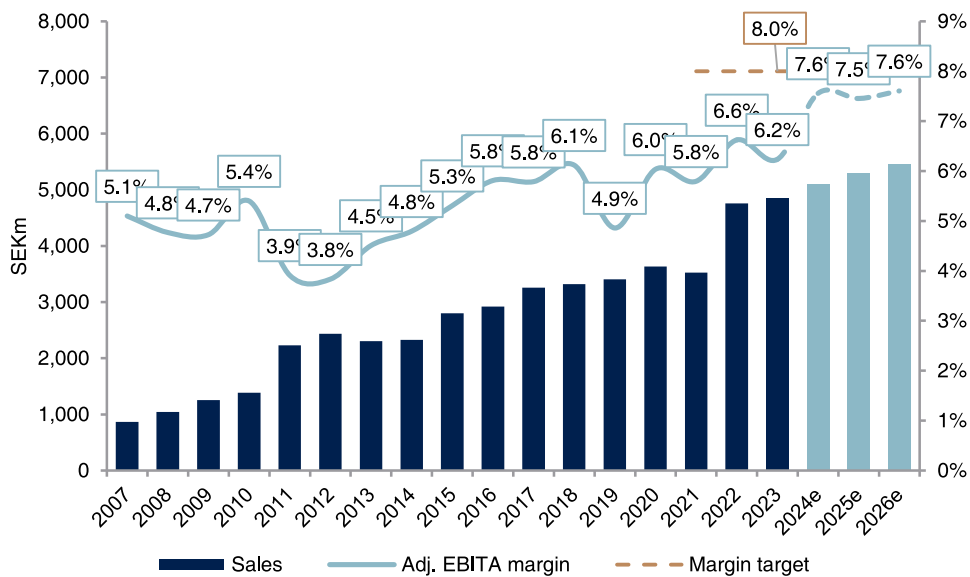
Source: ABG Sundal Collier, company data

R12m sales development, system and services



Source: ABG Sundal Collier, company data

Sales and adj. EBITA margin



Source: ABG Sundal Collier, company data

Proact IT Group

SEKm	2022	2023	2024e	2025e	2026e
Sales	4,757	4,847	5,100	5,296	5,465
<i>Sales growth (%)</i>	35.0	1.9	5.2	3.8	3.2
EBITDA	473	458	544	559	583
<i>EBITDA margin (%)</i>	9.9	9.5	10.7	10.6	10.7
EBIT adj.	263	247	330	339	361
<i>EBIT adj. margin (%)</i>	5.5	5.1	6.5	6.4	6.6
Pretax profit	244	218	312	327	349
EPS	6.98	6.32	9.08	9.41	9.98
<i>EPS growth (%)</i>	63.6	-9.5	43.7	3.7	6.0
EPS adj.	8.54	8.42	10.69	11.03	11.55
DPS	1.85	2.00	2.77	2.82	2.99
EV/EBITDA (x)	8.4	8.0	6.2	5.6	5.0
EV/EBIT adj. (x)	15.1	14.9	10.3	9.3	8.2
P/E (x)	19.4	21.5	14.9	14.4	13.6
P/E adj. (x)	15.9	16.1	12.7	12.3	11.7
EV/sales (x)	0.83	0.76	0.67	0.59	0.54
FCF yield (%)	7.0	12.9	8.4	10.7	11.2
Le. adj. FCF yld. (%)	3.5	9.7	5.1	7.4	7.8
Dividend yield (%)	1.4	1.5	2.0	2.1	2.2
Net IB debt/EBITDA (x)	0.5	-0.1	-0.4	-0.8	-1.1
Le. adj. ND/EBITDA (x)	-0.1	-0.9	-1.2	-1.6	-2.0

Source: ABG Sundal Collier, Company Data

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