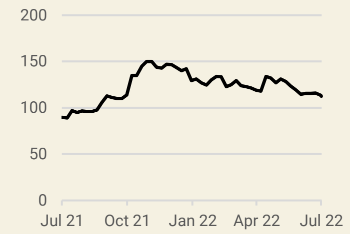
Price	113.5p
Market Cap	£327.6m
Shares in issue	289m
12m Trading Range	86p – 154p
Free float	73%
Next Event	Q2 results – 30 August

Price performance (p)



Source: Bloomberg

Financial forecasts

Yr end Dec ($'m)	2021A	2022E	2023E	2024E
Revenue	410.5	617.1	654.1	693.4
YoY growth (%)	*71.0*	*50.3*	*6.0*	*6.0*
Gross profit	118.5	170.8	180.5	190.9
Adj. EBITDA	46.3	70.0	75.7	79.7
YoY growth (%)	*57.3*	*51.3*	*8.1*	*5.3*
EBITDA margin (%)	*11.3*	*11.3*	*11.6*	*11.5*
EBITDA margin (Net revenue) (%)	*39.0*	*41.0*	*41.9*	*41.8*
EPS (c) basic adj.	11.8	17.4	18.8	20.2
DPS (p)	-	-	0.8	1.8
Net cash (debt)+	(81.4)	(51.2)	(11.5)	34.6
EV/EBITDA (x)	8.3	6.0	5.2	4.4
EV/EBIT (x)	9.0	6.4	5.5	4.6
P/E (x)	11.6	7.8	7.2	6.7
FCFF yield (%)	*9.1*	*12.5*	*13.2*	*17.4*

+ Includes FX hedging liabilities
Source: Audited Accounts and Zeus estimates

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CentralNic

CNIC LN - Technology

Accelerating growth and upgraded outlook

CentralNic's LTM pro forma revenue growth accelerated again to 62% in Q2 2022, resulting in revenue of $335m and Adjusted EBITDA of $38m in H1. The company upgraded guidance, which appears very conservative. Even in the unlikely case of a sharp downturn leading to 16% sequential decline in Adjusted EBITDA in H2, the company would still meet revised guidance. We raise our 2022 revenue forecast by 8% to $617m and our Adjusted EBITDA by 4% to $70m and see the potential for strong earnings outperformance. Even based on our conservative forecasts, shares appear attractively valued at 6x 2022 EBITDA, 8x P/E and 12.5% FCFF yield. With increased estimates our valuation for CentralNic is lifted to 221p from 195p.

H1 trading update

- **Long track record of accelerating growth**: LTM pro forma revenue growth was an impressive 62% in Q2 and extends CentralNic's long track record of accelerating growth from 53% in Q1, 37% in 2021 and 20% in 2020. There appears to be no signs of the potential weakness in CentralNic's Online Marketing market that may be factored into the share price.
- **Strong profits and cash generation**: Adjusted EBITDA is expected to be $38m, resulting in margin of c.11.3% and in line with margins in 2021. Net debt including foreign exchange hedge liabilities is expected to be $65m, which is down by only $5.7m from $70.7m at the end of Q1. The relatively small decline in net debt is due to a sizable increase in hedging liabilities to $16.6m from $9.4m at the end of Q1. Excluding FX hedging liabilities, net debt would have fallen by $12.9m, which is c.66% of Q2 Adjusted EBITDA (c.$19.5m). The company estimated that adjusted operating cash conversion was over 100% in H1 2022.
- **Guidance factors in extraordinary downturn:** Given the strong H1 results, the company is now confident that full year 2022 results will be at least at the high end of the current market expectations ($603m revenue and $70m Adjusted EBITDA). This revised guidance factors in an extraordinary downturn in H2 2022, equivalent to sequential revenue decline of 20% and Adjusted EBITDA decline of 16%.
- **Conservative forecast upgrade:** We conservatively forecast $617m of revenue in 2022, 2% above the top end of current consensus, and Adjusted EBITDA of $70m, in line with the top end of current consensus. We estimate 37% pro forma growth in 2022, well below 62% pro forma growth already achieved in H1. (See charts overleaf for details.)
- **Value for growth**: Based on our conservative estimates, shares trade at only 6x 2022 EBITDA, 8x P/E and 12.5% FCFF yield. We raise of our DCF valuation from 195p to 221p, which is about 2x the current share price. Note that CentralNic shares were included in the AIM 100 and AIM UK 50 indices on 20 June 2022.

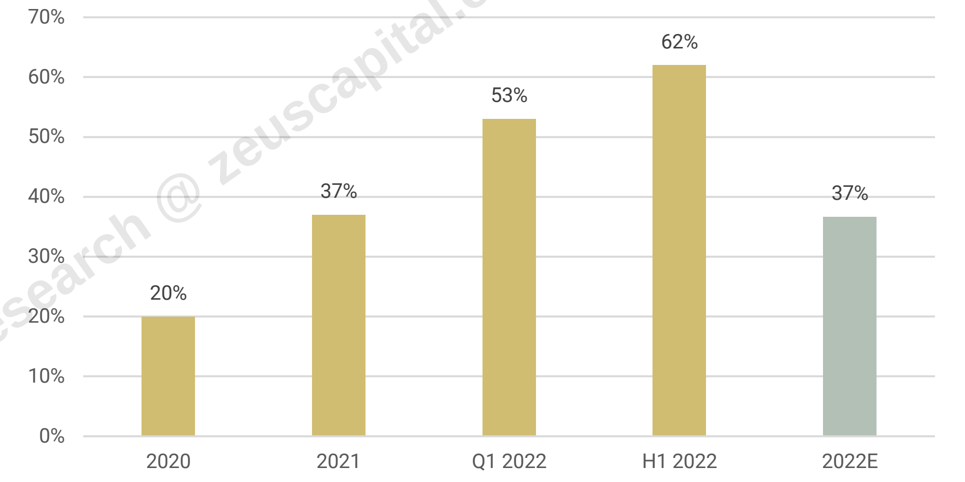
Forecast revisions

Exhibit 1: Forecast revisions

Year to Dec ($m)	2022E (new)	2022E (old)	% diff	2023E (new)	2023E (old)	% diff	2024E (new)	2024E (new)	% diff
Revenue	**617.1**	**573.4**	***7.6***	**654.1**	**607.3**	***7.7***	**693.4**	**643.4**	***7.8***
Adj EBITDA	**70.0**	**67.0**	***4.5***	**75.7**	**72.3**	***4.6***	**79.7**	**76.1**	***4.7***
EBITDA margin (%)	*11.3*	*11.7*	*(2.9)*	*11.6*	*11.9*	*(2.8)*	*11.5*	*11.8*	*(2.8)*
Adj. PBT	57.2	54.2	*5.5*	63.9	60.6	*5.5*	68.5	64.8	*5.6*
Adj. PAT	48.6	46.1	*5.5*	54.3	51.5	*5.5*	58.2	55.1	*5.6*
Adjusted EPS – Basic (cents)	17.4	16.5	*5.5*	18.8	17.8	*5.5*	20.2	19.1	*5.6*
Net debt/(cash)	51.2	52.7	*(2.8)*	11.5	14.5	*(20.4)*	(34.6)	(29.5)	*17.5*

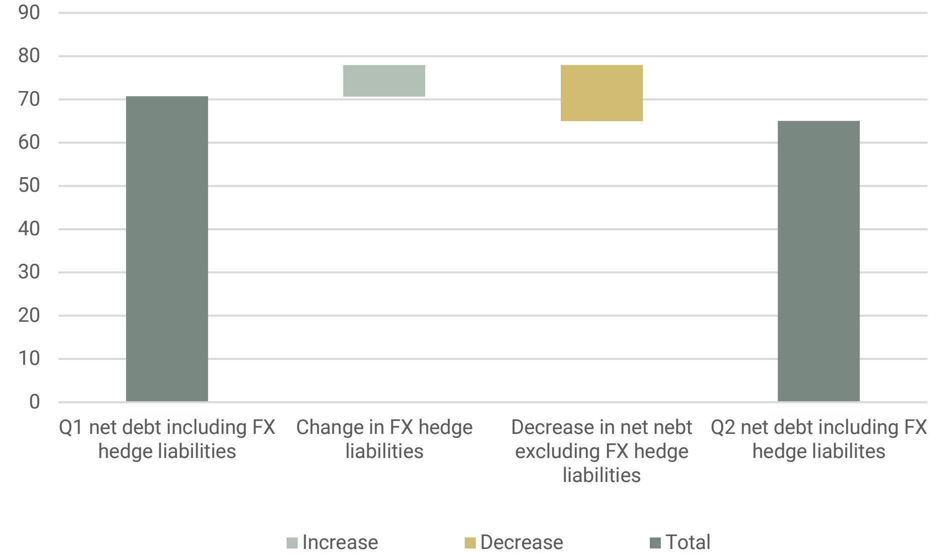
Source: Zeus Research estimates

Exhibit 2: Revenue growth trend (pro forma, LTM)



Source: Company reports and Zeus Research estimates

Exhibit 3: Decrease in net debt ($m)



Source: Company reports and Zeus Research estimates

Exhibit 4: Discounted cash flow valuation

$m	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Turnover	240.0	410.5	617.1	654.1	693.4	728.1	764.5	802.7	842.9
Growth (%)		*71.0*	*50.3*	*6.0*	*6.0*	5.0	5.0	5.0	5.0
EBITDA	29.4	46.3	70.0	75.7	79.7	87.4	95.6	104.4	109.6
Margin (%)	*12.2*	*11.3*	*11.3*	*11.6*	*11.5*	12.0	12.5	13.0	13.0
Net Capital Expenditure	(4.3)	(3.6)	(7.4)	(7.8)	(8.3)	(8.7)	(9.1)	(9.6)	(10.1)
Cap Ex % Revenue	*1.8*	*0.9*	*1.2*	*1.2*	*1.2*	1.2	1.2	1.2	1.2
Growth in CAPEX (%)		*(16.5)*	*109.2*	*5.5*	*5.5*	*5.0*	*5.0*	*5.0*	*5.0*
Working Capital	4.1	1.5	(1.7)	(6.8)	(1.0)	0.0	0.0	0.0	0.0
% Revenue	*(1.7)*	*(0.4)*	*0.3*	*1.0*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*
Free Cash Flow	**29.3**	**44.2**	**60.8**	**61.1**	**70.4**	**78.7**	**86.4**	**94.8**	**99.5**
Terminal Value	486.1								
Sum of discounted cash flows	349.4								
Total NPV of cashflows	835.5								
Net Debt/ (Cash)	65.0								
Implied Equity value ($m)	**770.5**								
# diluted shares	295.5								
Implied share price (p)	**220.9**								
WACC (%)	*11.7*								
Growth in perpetuity (%)	*2.0*								

Source: Company reports and Zeus Research estimates

Investment case

CentralNic is a market leader in two high growth markets – digital advertising and domain name management. The Online Marketing division grew 65% and the Online Presence division grew 9% in 2021. In addition to delivering strong growth, both divisions have attractive business models. They generate reliable revenues based on subscriptions and serve diversified customer bases. CentralNic's strong growth, high revenue visibility, operating leverage and high cash conversion are undervalued by its shares' low multiples. The shares trade at only 6x 2022 EBITDA, 8x P/E and 12.5% FCFF yield. Our DCF valuation is 221p, well above the current share price.

Large, high growth market

CentralNic's Online Marketing division grew revenue 65% pro forma in 2021. Privacy trends are accelerating demand for CentralNic's first-party, data-driven advertising solutions. Google updated the market in June 2021 that it will remove support for third-party cookies in its market leading Chrome browser by 2023. Apple already updated its iOS operating system in April 2021 with new privacy controls that limit digital advertisers' ability to track iPhone users across apps and websites owned by other companies (third party). Google recently announced that it may follow suit in the next two years. As a result of these changes, we believe brands are channelling advertising budgets towards advertising solutions that can unlock and refine consumer purchasing intent without third party cookies. CentralNic's Online Marketing division (particularly PubTONIC) can source, qualify and deliver high conversion traffic to advertisers without the use of any cookies. The global digital advertising market is expected to grow 8% CAGR from $396bn in 2020 to $502bn in 2024, representing a rise in share from 59% to 66% of the total advertising market, excluding US political advertising revenue.

CentralNic's Online Presence division grew 9% pro forma in 2021, driven by recovery from the impact of Covid and the company's investments in growth. The company has improved account management, resulting in increased revenues from top accounts. In addition, the division has strengthened its global infrastructure, which positions it strongly in a market dominated by local competitors. The company's investment programme has allowed the Online Presence division to grow faster than the market. The market is driven by the global ecommerce market, which is expected to grow 9% CAGR 2021-2024.

Market leader times two

The Online Marketing division is a market leader in both high-conversion traffic generation and domain name parking. PubTONIC is growing faster than peers and taking market share with innovative new products. ParkingCrew is one of the largest and professional competitors in the domain name monetisation market, with estimated 27% market share based on our domains managed analysis.

In March, CentralNic announced the acquisition of VGL Verlagsgesellschaft mbH (VGL), Germany's largest provider of product comparison websites. VGL is a high growth company with a dominant market position. Revenue grew 30% CAGR 2018-21 to $55m and EBITDA margin reached 20% in 2021. The acquisition offers opportunities to cross-sell traffic, reduce traffic acquisition costs and leverage VGL's content creation expertise. The company adds customers (e.g. Amazon) and traffic from c. 270m annual visitors, about double estimated visitors to which.co.uk.

The Online Presence division leads the domain names wholesaler market, with over 26m domains managed and c. 26k reseller customers. The Registry Solutions business within the wholesale business is ranked top five globally based on over 98 TLDs on its registry platform. Within the Registry Solutions business, CentralNic is the leading provider of Registry Solutions for nTLDs with 46% share, approximately equal to the next five competitors combined.

Strong business model

Reliable and diversified revenue base

The Online Marketing division operates attractive business models with reliable revenues and diversified customer bases. PubTONIC and ParkingCrew operate subscription revenue models and serves thousands of SMEs around the world.

The Online Presence division also has high revenue reliability. Domain names have high renewal rates. They are very sticky and have high switching costs and, particularly after the initial years. Companies are reluctant to switch domain names because search engines and traffic flows are highly dependent on domain names and email addresses are tied to domain names. As a result, renewal rates are typically about 80% in the second year and improve thereafter.

Strong financial track record

CentralNic has upgraded revenue expectations six times and EBITDA four times since the beginning of 2021. CentralNic grew c. 37% organically in 2021 and we conservatively forecast 37% pro forma revenue growth in 2022.

Cash conversion should rise as acquisition related costs continue to reduce. FCFF/ Adjusted EBITDA ratio rose from 56% in 2020 to 75% in 2021. Improving FCF has driven net debt down from 2.9 times EBITDA at the beginning of 2021 to 0.9x at the end of H1 2022.

Acquisition synergies

CentralNic plans to vertically integrate within the Online Marketing market. CentralNic plans to acquire web properties and publishing networks to provide organic traffic for its platform to monetise through digital advertising (PubTONIC). Acquisitions of existing partners enhances margins and secures revenues. CentralNic would then no longer need to pay for direct traffic, allowing it to keep more of the margin. In addition, vertical integration locks in a customer and increases market share where the acquired publishing network uses competing ad networks that CentralNic can substitute. Acquiring web properties also reduces CentralNic’s reliance on other acquisition channels such as social media and display.

CentralNic’s size, broad product suite and proven acquisition integration capabilities put the Online Presence division also in a strong position to consolidate the market. The domain name markets remain largely fragmented with competitors often owner managed. This should provide substantial opportunities for CentralNic to deliver synergies by consolidating technology platforms, reducing administration costs and increasing sales productivity. The company has already provided evidence of synergies from recent acquisitions. We see the Online Presence division further consolidating the market and delivering synergies for investors.

Forecasts

Exhibit 5: Income statement

Year to December ($m)	2020A	2021A	2022E	2023E	2024E
Online Presence	127.9	149.3	155.7	160.4	165.2
Online Marketing	112.1	261.3	461.4	493.6	528.2
Turnover:	240.0	410.5	617.1	654.1	693.4
Online Presence	45.1	53.3	55.6	57.2	58.9
Online Marketing	30.0	65.2	115.2	123.3	131.9
Gross Profit	75.1	118.5	170.8	180.5	190.9
SG&A	(45.7)	(72.2)	(100.8)	(104.9)	(111.2)
Adj. EBITDA	29.4	46.3	70.0	75.7	79.7
Margin (%)	*12.2*	*11.3*	*11.3*	*11.6*	*11.5*
Margin based on Gross Profit (%)	*39.1*	*39.0*	*41.0*	*41.9*	*41.8*
Depreciation	(2.1)	(3.5)	(3.9)	(4.0)	(4.0)
Adj. EBIT	27.3	42.7	66.1	71.7	75.7
Adj Interest	(8.7)	(10.8)	(8.9)	(7.7)	(7.2)
Adjusted PBT	18.6	31.9	57.2	63.9	68.5
Tax	1.0	(5.1)	(8.6)	(9.6)	(10.3)
Adjusted PAT	19.6	26.8	48.6	54.3	58.2
Reconciliation to reported numbers:					
Adjusted PBT	18.6	31.9	57.2	63.9	68.5
Share based payments	(5.1)	(5.0)	(3.5)	(3.5)	(3.5)
Amortisation	(13.7)	(18.3)	(9.2)	(8.2)	(8.2)
Share of associate income/ FX	(2.2)	1.6	0.0	0.0	0.0
Exceptional finance costs/income	(1.1)	0.0			
Exceptional costs/income	(8.3)	(8.7)	(1.4)	(0.4)	(0.4)
Reported PBT	(11.9)	1.6	43.1	51.8	56.3
Tax	1.0	(5.1)	(7.3)	(8.8)	(9.6)
Reported PAT	(10.9)	(3.5)	35.8	43.0	46.7

Source: Company reports and Zeus estimates

Exhibit 6: Balance sheet

Year to Dec ($m)	2020A	2021A	2022E	2023E	2024E
PP&E	2.2	1.8	6.8	10.0	13.6
Intangible assets	262.2	261.0	320.3	313.7	306.2
Deferred receivables	0.7	0.4	0.4	0.4	0.4
Investments	0.1	0.1	0.1	0.1	0.1
Deferred tax assets	5.4	8.6	8.6	8.6	8.6
Non-current assets	270.6	271.8	336.1	332.7	328.8
Trade and other receivables	47.9	71.4	72.2	73.1	74.0
Inventories	1.0	0.9	0.9	0.9	0.9
Cash & cash equivalents	28.7	56.1	110.0	139.7	175.8
Current assets	77.6	128.4	183.2	213.7	250.7
Total Assets	348.2	400.2	519.2	546.4	579.5
Liabilities					
Trade and other payables	(89.3)	(117.0)	(116.2)	(110.3)	(110.2)
Taxation payable	-	-	(0.6)	(0.9)	(1.1)
Lease liabilities	(1.3)	(1.8)	(1.8)	(1.8)	(1.8)
Derivative financial instruments	-	(6.4)	(6.4)	(6.4)	(6.4)
Borrowings	(5.8)	(11.9)	(11.9)	(11.9)	(11.9)
Current liabilities	(96.4)	(137.1)	(136.8)	(131.3)	(131.4)
Other payables	(2.9)	(4.4)	(3.4)	(2.4)	(2.4)
Lease liabilities	(5.2)	(5.1)	(4.1)	(4.1)	(3.1)
Deferred tax liabilities	(22.0)	(20.3)	(20.3)	(20.3)	(20.3)
Derivative financial instruments	-	-	-	-	-
Borrowings	(107.8)	(119.3)	(143.0)	(133.0)	(123.0)
Long term liabilities	(137.9)	(149.1)	(170.8)	(159.8)	(148.8)
Total Liabilities	(234.3)	(286.2)	(307.7)	(291.1)	(280.2)
Net assets	113.9	114.0	211.6	255.3	299.3
Equity					
Share capital	0.3	0.3	0.3	0.3	0.3
Share premium	39.8	39.8	98.1	98.1	98.1
Merger relief reserve	5.3	5.3	5.3	5.3	5.3
Share based payments reserve	11.0	19.5	23.0	26.6	30.1
Cash flow hedging reserve	-	(6.4)	(6.4)	(6.4)	(6.4)
FX reserves	1.4	2.9	2.9	2.9	2.9
Retained earnings	56.1	52.5	88.3	128.5	168.9
Total Equity	113.9	114.0	211.6	255.3	299.3

Source: Company reports and Zeus estimates

Exhibit 7: Cash flow statement

Year to December ($m)	2020A	2021A	2022E	2023E	2024E
Cash flow from operating activities					
Profit /(Loss) before taxation	(11.8)	1.6	43.1	51.8	56.3
Adjustments for:					
Depreciation of property, plant and equipment	2.1	3.5	3.9	4.0	4.0
Amortisation of intangible assets	13.7	18.3	9.2	8.2	8.2
Share of associate income	(0.2)	-	-	-	-
Gain on sale of associate	(0.3)	-	-	-	-
Finance cost (net)	9.8	10.8	8.9	7.7	7.2
Share-based payments	5.1	5.0	3.5	3.5	3.5
Decrease in trade and other receivables	(8.1)	(18.8)	(0.9)	(0.9)	(0.9)
Increase in trade and other payables and accruals	12.2	20.0	(0.9)	(5.9)	(0.1)
Decrease in inventories	-	0.3	-	-	
Cash flow from operations	22.7	40.7	66.9	68.5	78.3
Income tax paid	(2.0)	(2.2)	(6.8)	(8.4)	(9.4)
Net cash flow generated from operating activities	20.7	38.4	60.1	60.1	68.9
Cash flow used in investing activities					
Purchase of property, plant and equipment	(1.3)	(0.7)	(6.8)	(7.2)	(7.6)
Purchase of intangible assets, net of cash acquired	(3.0)	(2.8)	(0.7)	(0.7)	(0.7)
Payment of deferred consideration	(5.5)	(1.7)	(1.0)	(1.0)	-
Proceeds from disposal of investment in associate	1.8	-	-	-	-
Acquisition of subsidiaries, net of cash acquired	(37.1)	(18.3)	(69.9)	-	-
Net cash flow used in investing activities	(45.0)	(23.6)	(78.3)	(8.8)	(8.3)
Cash flow used in financing activities					
Proceeds from borrowings and repayments	2.2	26.6	23.7	(10.0)	(10.0)
Bond arrangement fees	(0.6)	(0.6)	-	-	-
Proceeds from issuance of ordinary shares (net)	34.7	-	58.3	-	-
Payment of finance leases	(1.1)	(2.0)	(1.0)	(1.0)	(1.0)
Dividends paid	-	-	-	(2.8)	(6.3)
Interest paid	(9.5)	(8.6)	(8.9)	(7.7)	(7.2)
Net cash flow generated from financing activities	25.6	15.4	72.1	(21.5)	(24.5)
Net increase in cash and cash equivalents	1.4	30.2	53.9	29.7	36.1
Cash and cash equivalents at beginning of the year	26.2	28.7	56.1	110.0	139.7
Exchange differences on cash and cash equivalents	1.1	(2.7)	-	-	-
Cash and cash equivalents at end of the year	28.7	56.1	110.0	139.7	175.8

Source: Company reports and Zeus estimates

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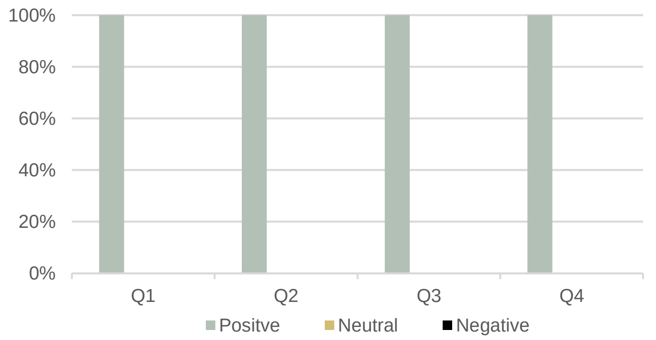
12 Month Recommendation History



Recommendation distribution at 30 June 2022 Source: Zeus

12 Month Recommendation History

Nomad & Broker	11
Nomad & Joint Broker	12
Joint Broker	6
Financial Adviser & Broker	1
Research client	8

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