

14 February 2022

CentralNic*

CNIC LN

Technology

Powering into 2022

CentralNic announced that trading year to date is above expectations. We upgrade our 2022 revenue and EBITDA forecasts by 15% and 4%, respectively. The company announced two small but earnings accretive and synergistic acquisitions. CentralNic continues to build strong momentum, which we believe is not reflected in the company's low valuation multiples.

Trading ahead of expectations: CentralNic announced that its strong growth in 2021 has continued into 2022, with revenue growth YTD materially ahead of the consensus expectations for the full year (6%-22% range). CentralNic's organic revenue growth was c. 37% in 2021.

Already upgrading: Despite the early stage of the current financial year, CentralNic believes full year performance should be at or above the high end of market expectations. We upgrade our revenue and EBITDA forecasts by 14% and 4%, respectively, from \$410.0m and \$49.5m to slightly above the top end of consensus (top end: \$468m and \$51.0m). We also upgrade 2021 estimates that we previously planned to upgrade at the full year results on 28 February. We increase 2021 revenue and EBITDA by 7% each from \$385.2m and \$42.5m to \$410.9m and \$45.3m, respectively.

Online Marketing powers into 2022: Strong growth YTD was driven largely by Online Marketing, which is able to source, qualify and deliver high conversion traffic to advertisers without the use of cookies. Apple's removal and Google's planned removal of support for third-party cookies in their browsers is likely diverting companies away from advertising that depends on third-party cookies and towards privacy-focused products and services like CentralNic's.

Strategic acquisitions: CentralNic has entered into agreements to acquire Fireball Search GmbH and the .ruhr Top-Level Domain (TLD) for a total consideration of €0.6m in cash. Combined historical revenue and EBITDA for both acquisitions are c. €0.2m and c.€0.1m respectively. The acquisitions are expected to be immediately earnings accretive. Fireball is a long-established and well-recognised search engine in Germany powered by Bing. Fireball provides new traffic sources for CentralNic's Online Marketing division to monetise. .ruhr is the domain address for c.50 cities around the river Ruhr in Germany and consisting of c. 5m inhabitants. .ruhr currently has c.10k domain names registered, which CentralNic will migrate from its existing service providers to be more economically managed internally.

Strong buying opportunity: Today's strong trading update after recent share price weakness creates a strong buying opportunity, in our view. CentralNic's share price has fallen c. 7% since the beginning of the year, leaving valuation at only 10x EBITDA and 14x PE 2022 despite a continued string of earnings upgrades.

Price	130p
Market Cap	£326m
Shares in Issue	251m
12m Trading Range	81p-150p
Free float	63%
Next Event	2021 results on 28 Feb

Price Performance (p)



Source: Fidessa

Financial Forecasts

Yr end Dec (\$m)	2020A	2021E	2022E	2023E
Revenue	241.2	410.9	469.2	492.7
YoY growth (%)	124.8	70.4	14.2	5.0
Gross profit	76.3	120.3	142.8	149.6
SG&A	(45.7)	(75.0)	(91.5)	(95.1)
Adj. EBITDA	30.6	45.3	51.3	54.5
YoY growth (%)	70.7	48.2	13.2	6.3
Margin (%)	12.7	11.0	10.9	11.1
EPS (c) basic adj.	10.6	12.0	13.4	14.8
EPS (c) dil adj	10.2	11.5	12.9	14.2
DPS (p)	-	0.8	1.8	2.8
Net debt	84.9	76.3	56.3	32.1
P/E (x)	18.2	16.0	14.3	13.0
EV/EBITDA (x)	14.6	11.4	10.1	9.1
FCFE yield (%)	3.7	6.7	8.1	9.3
Div Yield (%)	-	0.6	1.4	2.2

Source: Audited Accounts and Zeus Capital estimates

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Financial statements

Exhibit 1: Forecast revisions

Year to Dec (\$m)	2021E (new)	2021E (old)	% diff	2022E (new)	2022E (old)	% diff	2023E (new)	2023E (old)	% diff
Revenue	410.9	385.2	6.7	469.2	410.0	14.4	492.7	427.4	15.3
Gross profit	120.3	119.5	0.7	142.8	131.5	8.6	149.6	136.9	9.3
Gross profit margin (%)	29.3	31.0	(5.6)	30.4	32.1	(5.1)	30.4	32.0	(5.2)
Adj EBITDA	45.3	42.5	6.8	51.3	49.5	3.6	54.5	52.3	4.3
EBITDA margin (%)	11.0	11.0	0.1	10.9	12.1	(9.5)	11.1	12.2	(9.5)
Adj. PBT	33.0	30.1	9.5	39.0	37.2	4.8	42.9	40.7	5.5
Adjusted EPS - Basic (cents)	12.0	11.0	9.1	13.4	12.9	4.6	14.8	14.1	5.3
Net debt	76.3	76.2	0.1	56.3	57.6	(2.2)	32.1	37.4	(14.2)

Source: Company reports and Zeus Capital estimates

Exhibit 2: Income statement

Year to December (\$m)	2020A	2021E	2022E	2023E
Online Presence	129.1	149.8	155.7	160.4
Online Marketing	112.1	261.2	313.4	332.2
Turnover:	241.2	410.9	469.2	492.7
Online Presence	46.3	55.0	58.2	59.9
Online Marketing	30.0	65.3	84.6	89.7
Gross Profit	76.3	120.3	142.8	149.6
Margin (%)	31.6	29.3	30.4	30.4
SG&A	(45.7)	(75.0)	(91.5)	(95.1)
Adj. EBITDA	30.6	45.3	51.3	54.5
Margin (%)	12.7	11.0	10.9	11.1
Depreciation	(2.1)	(3.5)	(3.5)	(3.5)
Adj. EBIT	28.5	41.8	47.8	51.0
Adj Interest	(8.7)	(8.8)	(8.8)	(8.1)
Adjusted PBT	19.8	33.0	39.0	42.9
Tax	1.0	(4.4)	(5.3)	(5.8)
Adjusted PAT	20.8	28.6	33.8	37.2
Reconciliation to reported numbers:				
Adjusted PBT	19.8	33.0	39.0	42.9
Share based payments	(5.1)	(4.3)	(4.3)	(4.3)
Amortisation	(12.5)	(9.2)	(9.2)	(8.2)
Share of associate income/ FX	(2.3)	0.0	0.0	1.0
Exceptional finance costs/income	(1.1)			
Exceptional costs/income	(8.2)	(5.3)	(1.4)	(0.4)
Reported PBT	(9.4)	14.3	24.2	31.1
Tax	1.0	(2.4)	(4.1)	(5.3)
Reported PAT	(8.4)	11.8	20.1	25.8

Source: Company reports and Zeus Capital estimates

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Exhibit 3: Balance sheet

Year to Dec (\$m)	2020A	2021E	2022E	2023E
PP&E	2.2	3.2	4.9	6.8
Intangible assets	263.5	266.5	261.8	255.3
Deferred receivables	0.7	0.7	0.7	0.7
Investments	0.1	0.1	0.1	0.1
Deferred tax assets	5.3	5.3	5.3	5.3
Non-current assets	271.8	275.8	272.8	268.2
Trade and other receivables	47.9	48.8	49.4	50.0
Inventories	1.0	1.0	1.0	1.0
Cash & cash equivalents	28.7	55.0	65.1	79.2
Current assets	77.6	104.8	115.4	130.2
Total Assets	349.4	380.7	388.2	398.4
Liabilities				
Trade and other payables	(87.3)	(90.0)	(92.1)	(94.9)
Taxation payable	-	(0.9)	(1.3)	(1.6)
Lease liabilities	(1.3)	(1.3)	(1.3)	(1.3)
Derivative financial instruments	-	0.0	0.0	0.0
Borrowings	(5.8)	(5.8)	(5.8)	(5.8)
Current liabilities	(94.4)	(97.9)	(100.5)	(103.6)
Other payables	(2.9)	(1.2)	(0.2)	0.8
Lease liabilities	(5.2)	(3.6)	(2.0)	(0.4)
Deferred tax liabilities	(22.0)	(22.0)	(22.0)	(22.0)
Derivative financial instruments	-	(0.8)	(0.8)	(0.8)
Borrowings	(107.8)	(125.6)	(115.6)	(105.6)
Long term liabilities	(137.9)	(153.2)	(140.6)	(128.0)
Total Liabilities	(232.3)	(251.1)	(241.0)	(231.5)
Net assets	117.1	129.6	147.2	166.8
Equity				
Share capital	0.3	0.3	0.3	0.3
Share premium	39.8	39.8	39.8	39.8
Merger relief reserve	5.3	5.3	5.3	5.3
Share based payments reserve	11.0	15.3	19.5	23.8
Cash flow hedging reserve	-	(0.8)	(0.8)	(0.8)
FX reserves	1.4	1.4	1.4	1.4
Retained earnings	59.3	68.3	81.7	97.1
Total Equity	117.1	129.6	147.2	166.8

Source: Company reports and Zeus Capital estimates

Exhibit 4: Cash flow statements

Year to December (\$m)	2020A	2021E	2022E	2023E
Cash flow from operating activities				
Loss before taxation	(9.4)	14.3	24.2	31.1
Adjustments for:				
Depreciation of property, plant and equipment	2.1	3.5	3.5	3.5
Amortisation of intangible assets	12.5	9.2	9.2	8.2
Share of associate income	(0.2)	-	-	-
Gain on sale of associate	(0.3)	-	-	-
Finance cost (net)	9.9	8.8	8.8	8.1
Share-based payments	5.1	4.3	4.3	4.3
Decrease in trade and other receivables	(9.3)	(0.9)	(0.6)	(0.6)
Increase in trade and other payables and accruals	12.3	2.7	2.1	2.8
Cash flow from operations	22.7	41.8	51.4	57.4
Income tax paid	(2.0)	(1.6)	(3.7)	(5.0)
Net cash flow generated from operating activities	20.7	40.2	47.8	52.4
Cash flow used in investing activities				
Purchase of property, plant and equipment	(1.2)	(4.5)	(5.2)	(5.4)
Purchase of intangible assets, net of cash acquired	(3.0)	(1.1)	(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)	(11.1)	(3.9)	-
Net cash flow used in investing activities	(45.0)	(18.4)	(10.7)	(7.1)
Cash flow used in financing activities				
Proceeds from borrowings	2.2	18.2	(10.0)	(10.0)
Bond arrangement fees	(0.6)	(0.4)	-	-
Proceeds from issuance of ordinary shares (net)	34.7	-	-	-
Payment of finance leases	(1.1)	(1.6)	(1.6)	(2.6)
Dividends paid	-	(2.8)	(6.7)	(10.4)
Interest paid	(9.5)	(8.8)	(8.8)	(8.1)
Net cash flow generated from financing activities	25.7	4.5	(27.1)	(31.1)
Net increase in cash and cash equivalents	1.4	26.3	10.0	14.2
Cash and cash equivalents at beginning of the year	26.2	28.7	55.0	65.1
Exchange differences on cash and cash equivalents	1.1	-	-	-
Cash and cash equivalents at end of the year	28.7	55.0	65.1	79.2

Source: Company reports and Zeus Capital estimates

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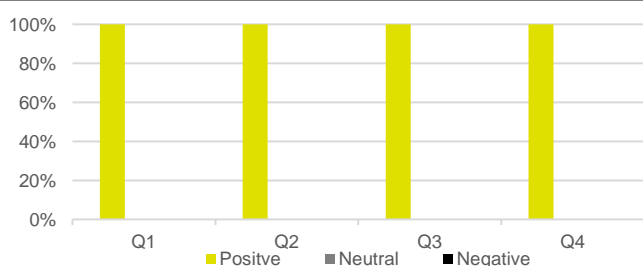
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12 Month Recommendation History



Recommendation distribution at 31 December 2021 Source: Zeus Capital

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Nomad & Joint Broker	13
Joint Broker	9
Nomad	2
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