

Novus Group International AB (NOVU)



LUND UNIVERSITY FINANCE SOCIETY EST 1991

About Novus Group

Novus Group International AB (Novus or “the Company”) is a market researcher and public opinion polling company based in Sweden. Novus sell their statistics to both the public and private sector and also offers consulting services beyond the provided statistics in order to guide companies in their decision making. Through its well managed and heavily invested panels, Novus provides Swedish citizens and businesses with relevant, up to date and accurate statistics.

Overweight

Target Price	SEK 7.1
Current Price	SEK 5.6
Upside	27.4%

Market Data, SEK

Exchange	Spotlight Stock Market	
Shares (mn)	10.4	
MCAP (mn)	55.5	
EV (mn)	47.9	

Forecast, SEKmn	21A	22E	23E
Total revenue	72.4	81.1	91.2
Rev. growth	21.1%	12.0%	12.5%
Gross Profit	72.4	81.1	91.2
EBIT	4.2	8.5	11.0
EBIT Margin	5.9%	10.4%	12.1%
Net Earnings	3.3	6.7	8.7
Net margin	4.6%	8.3%	9.6%

Key Metrics	21A	22E	23E
EV/EBITDA	8.7x	8.1x	7.9x
EV/EBIT	11.4x	5.6x	4.4x
P/E	16.1x	8.6x	6.6x
P/S	1.5x	1.3x	1.1x
EPS	0.9	1.0	1.0

ANALYSTS CONTACT INFORMATION

Adrian Olsson, Financial Analyst
Axel Natt och Dag, Financial Analyst

Novus Group – The true winner of the election year

Novus provides both authorities and private companies with different desired statistics through opinion polling and offers business development consulting to act upon the statistics. The Company has developed many tailored panels consisting of approximately 150 000 members in total, along with an average response rate of an impressive 60.0%. This results in a great hit rate with low margin of uncertainty which has generated a deep credibility for Novus, which is crucial in the market research industry. Novus is also currently exposing more of their business to the private sector, which has an estimated revenue CAGR of 17.2% up until 2023E compared to the private sector's 5.3%. The overall business therefore implies a revenue CAGR of 11.2%. Based on a peer valuation, a P/E target multiple of 8.4x in 2023E is justified, indicating a target price of SEK 7.1 and a potential upside of 27.4%.

Key takeaways

- Further focus on the private market:** Novus’ main point of business was previously to solely act as a market researching company but has in the later years expanded into business consulting services. This has resulted in an increasing amount of customers in the private sector, and a shift in revenue share from the public to the private sector. With the ability of being able to sell multiple products to the same client in the private sector, Novus has increased their revenue per customer with a CAGR of 17.6% 2019A-2021A. Extended cross-selling has resulted in long-term cooperations with clients, offering desired statistics in combination with business development consulting.
- Significant public exposure due to election year:** In 2017 Novus signed a deal with Sveriges Television, making them the sole provider of SVT’s elections forecast. Since the forecast will be recurring in the media, Novus will receive a substantial amount of publicity. The amount of Google Trends searches for “opinionsundersökning” has historically been significantly cyclical with distinct spikes during the election years. This corresponds with Novus Market Cap and revenue with distinct spikes in late June - early August during election years.
- The competition with big data companies:** Large big data companies such as Meta and Google retrieve data regarding patterns of behavior. This could justify a significant risk for Novus. However, the data that is provided through social media is very generic which means that conclusions and decisions rarely can be made. The data can thus rarely be used on its own but could act as a complement to a specific analysis which a company such as Novus are able to provide
- Incorrectly valued compared to peers:** Novus is currently trading at a P/E multiple of 6.6x on 2023E estimates, compared to the peer average of 11.9x. The foundation of Novus’ growth lays in the expansion towards the private sector where business consulting is in great demand and should therefore be valued accordingly. Outperformance in sales growth compared to peers implies a higher valuation, however, due to Novus significant lower market cap a size discount of 30.0% is motivated. This results in a P/E target multiple of 8.4x, and a potential upside of 27.4%.

Investment thesis

Business expansion towards the private sector

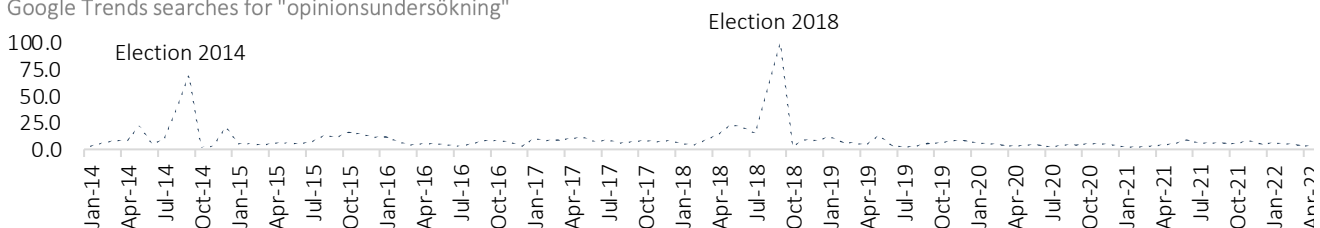
Historically, Novus' primary focus has been to act as a market researching and public opinion polling company but has recently evolved and now also offers business consulting development services, resulting in an increased number of private companies as clients. This is part of the overall strategy to expose more of the business towards the private sector, making the Company move more towards acting as a consulting business. Combining market research and business consulting has given Novus positive synergies, helping their customers interpret and act on the provided statistics and increased cross-selling. 2020A was the first year more than 50.0% of Novus' revenue stemmed from the private sector and it is expected to carry 60.0% of Novus revenue in 2023E. This operational strategy has allowed Novus, with a revenue CAGR of 18.0% 2019A-2021A, to out-grow the market, which has had a negative revenue CAGR of -0.4% during the same period. Cross-selling and consulting services has resulted in an increased pricing power and is expected to result in a revenue CAGR of 11.2% 2021A-2023E. Their strong brand has given them positive synergies when growing since Novus are associated with reliable and accurate statistics.

Significant public exposure due to election year

Prior to the Swedish election in 2018, Novus signed a multi-year deal with Sveriges Television which makes them the sole provider of SVT's elections forecasts. Apart from generating a greater income stream, this deal will also generate significant public exposure due to the vast public interest of election polls. Since the election forecast changes overtime, Novus' forecast will be updated and recurring in the media. Historical data in Google Trends display that the search term "opinionsundersökning" is distinctly cyclical with spikes in late June-early August during the election years. This directly corresponds to Novus' market valuation with spikes during the same period as the Google Trends spikes.

Cyclic trend for public opinion polling in Sweden that correlates to election years

Google Trends searches for "opinionsundersökning"



Source: Google Trends

Deals for long-term cooperation entails recurring revenue

During the third quarter of 2021, Novus signed a one year deal with a possibility of a one year extension with AB Svenska Spel and their affiliated companies; Svenska Spel Sport & Casino as well as Casino Cosmopol AB. The deal consists of providing quantitative- and quality surveys and aims to improve Svenska Spel's knowledge of their customers and behavior in order to further develop their business. As with any customer, Novus will create a panel consisting of AB Svenska Spel's customers to achieve well-founded results along with high accuracy of their analysis and advisory. This deal is a case in point of their shift in strategy in business expansion and demonstrate the great use of Novus' full potential.

Competing with Big data companies

Big data companies, such as Meta, Google and Microsoft, provide research for underlying patterns of behavior. This type of data can be applicable for some desired segments but it is very limited and other information is often needed to draw a distinct conclusion or decision from the given statistics. However, big data can be useful as additional information when conducting an extensive analysis, and in some cases Novus uses the data in their analysis.

Overview of the Company

The most well-known and efficient market researching company in the Nordics

Novus was founded in 2004 by one of Sweden's researching pioneers Alf Sjöström and was listed on Aktietorget (Spotlight Stock Market) in 2008. Novus is a market research company that provides both companies operating in the private sector as well as authorities and companies operating in the public sector with different types of statistics and consulting services. Novus is one of Sweden's leading analysis and research companies and as of 2020 the most well known public opinion polling organization in the country according to statistically significant market research. This is a result of their statistics getting considerable media exposure through various deals such as SVT's "Väljarbarometern", along with credibility due to their comprehensive panels. Through Novus well managed panels, their surveys achieve astonishing response rates up towards 60.0%. Currently, Novus has around 800 customers and produces approximately 1 100 surveys every year. Even though an insignificant amount of the revenue stems from international clients, Novus have the capacity to do international market research through various facilities, such as Novus Nordic Research.

Strategy shift due to greater potential of growth in the private sector

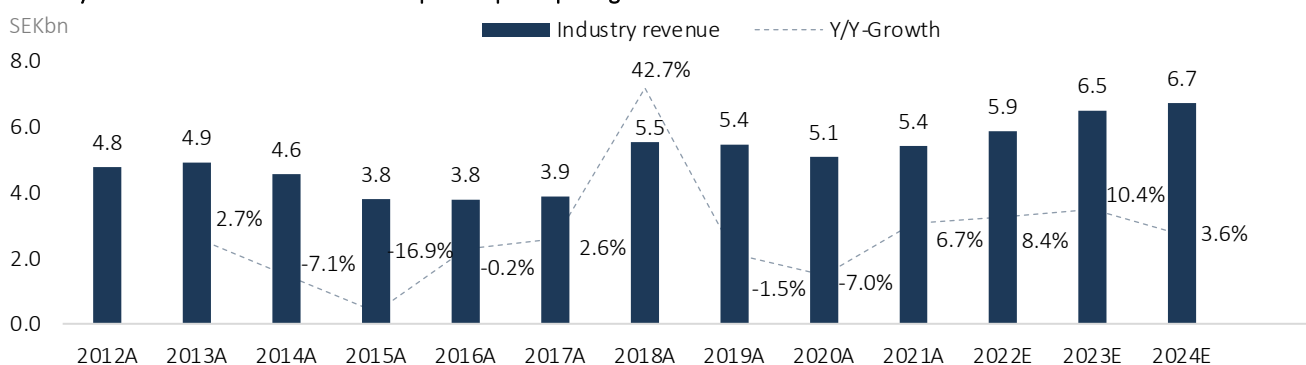
Current CEO, Torbjörn Sjöström, son of Alf Sjöström, has increased the product portfolio with the underlying mission to expose more of the business towards the private sector. Novus now focus on providing their customers with a variety of consulting services in combination with the provided statistics. Customers now have the possibility to create their own panel which increases cost for leaving Novus, since collaboration with Novus is viewed more as an investment rather than a cost. 2020A was the first year that over 50.0% of the revenue stemmed from the private sector, indicating a good receipt of the strategy shift.

Overview of the market

Fake news, war in Europe & election year increases demand for public opinion statistics

An increase of uncertainty in the world and the peoples surroundings, such as Covid-19, typically expands the demand for extensive research of public opinion polling in order to determine inhabitants point of view. However, as shown in the graph below, the market actually took a hit during the pandemic due to a decreased demand since the private customers tried to reduce their costs. Furthermore, in a social media environment, demand for authentic news is continuously increasing. According to Statista, the market is estimated to grow with a CAGR of 7.4% 2021A-2024E and a SEK 6.2bn valuation in 2024E. It is important to keep in mind that the market for public opinion is cyclical with a top during every election year. The fact that 2022 is an election year, is therefore a trigger for Novus.

Industry revenue of "market research and public opinion polling" in Sweden



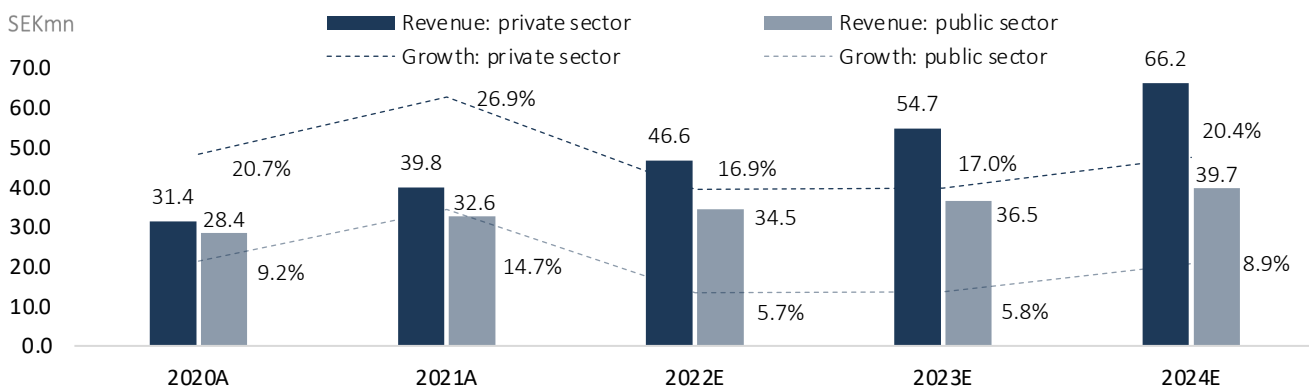
Source: Statista

Financial forecast breakdown

Increased revenue growth as the business turns towards the more lucrative private sector

According to historical reports, the analysts estimates that approximately 60.0% of revenue will stem from the private sector, respectively 40.0% from the public sector in 2023E. The customers from the private sector are more likely to purchase a variety of products from Novus. By selling consulting services upon the provided statistics, the growth from the private sector has driven the Company's increase in sales while the public sector has remained rather stagnant. The true growth potential is in the private sector, hence why it is the Company's main focus moving forward. This results in a revenue CAGR of 17.2% for the private sector and a revenue CAGR of 5.8% for the public sector 2021A-2023E. The total revenue has therefore been estimated to SEK 89.5mn in 2023E and a revenue CAGR of 11.2% from 2021A-2023E.

Increased revenue from both sectors results in a CAGR of 11.2% for 2021A-2023E

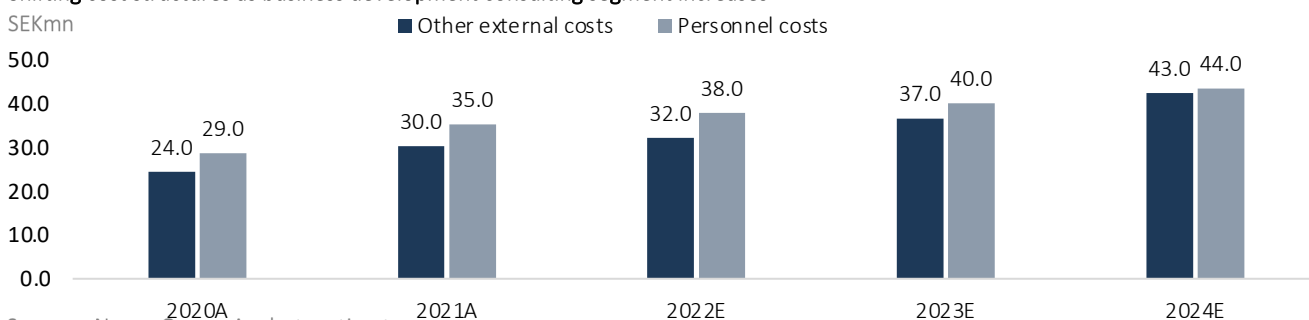


Sources: Novus Group, Analysts estimates

Necessary increased OPEX costs to ensure further margin growth

Novus strategy-shift has provided an increased product portfolio which requires new employees. In order to sustain the shift to the private sector, Novus has since 2019A increased the amount of managers from 3 to 6 and non-managerial personnel from 28 to 30. This has increased personnel costs and decreased EBITDA margins in 2021A. OPEX is therefore expected to stagnate in relation to sales in 2023E since the Company lacks the motive to increase the employment rate. With 7 expected managers and 34 non-managerial employees, personnel costs as percentage of sales are expected to reach 44.1% in 2023E, down from 49.0% in 2021A. Operational leasing fees are included in other external costs and in 2022E Novus are expected to pay SEK 2.8mn in operational leasing costs. Operational leasing includes costs for office and vehicle rents, which strongly correlates with the number of employees. As Novus fills their necessary positions, the analysts estimate an increase in operational leasing cost and amount to 4.0% in 2023E up from the 2019A-2021A average of 3.5%. As pricing power increases, Novus is expected to reach an estimated EBITDA margin of 15.7% in 2023E compared to 9.3% in 2021A.

Shifting cost structures as business development consulting segment increases



Sources: Novus Group, Analysts estimates

Financial forecast breakdown

Increased panels for new customers increases D&A

Novus' strong cash balance of SEK 11.1mn, currently 28.5% of total assets, allows Novus to continuously invest in capital expenditures to maintain its credibility and achieve the highest possible precision for their clients. Historically, Novus has annually invested approximately SEK 2.0mn in intangible assets, more specifically the panels Novus use for the private- and public sector. The Company depreciates linearly over 5 years. Since the panel investment correlates with sales, the analysts has estimated CapEx of 4.0% 2023E in relation to sales which is in line with the five year span of 3.3%-4.3%. between 2017A-2021A. This results in D&A costs of SEK 3.3mn in 2023E, up from SEK 2.5mn in 2021A. According to analysts estimates this will result in an EBIT margin of 12.1% in 2023E compared to 5.9% in 2021A.

Financial items and tax expense

Novus has historically had close to no interest-bearing debt. With Novus current strong cash position the analysts see no reason for taking up any new debt and Novus are therefore estimated to present financial items that are in line with the historical average from the period between 2017A-2021A. The company has made no prior acquisitions, nor expressed the interest of future acquisitions. The expansion of the private sector has been achieved through their cash and equivalents, yet still maintaining a strong cash balance of 28.5% of total assets. The strong cash position indicates that Novus are well positioned to further expand either through organic growth or potential acquisitions. With the 2021 decrease in Swedish corporate tax rate from 21.8% to 20.6%, Novus is estimated to pay accordingly to this rate 2022E-2024E.

Income statement, SEKmn	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Net revenue	47.9	59.1	52.0	59.8	72.4	81.1	91.2	105.9
Other operating income	0	0	0	0.013	0	0	0	0
Revenue	47.9	59.1	52.0	59.8	72.4	81.1	91.2	105.9
OPEX								
Other external costs	(19.4)	(26.0)	(23.3)	(24.4)	(30.4)	(32.2)	(36.6)	(42.5)
Personnel costs	(22.9)	(26.5)	(28.7)	(28.7)	(35.3)	(38.0)	(40.2)	(43.5)
EBITDA	5.6	6.7	0.0	6.7	6.7	10.9	14.3	19.9
<i>EBITDA margin</i>	<i>11.7%</i>	<i>11.3%</i>	<i>0.1%</i>	<i>11.2%</i>	<i>9.3%</i>	<i>13.5%</i>	<i>15.7%</i>	<i>18.8%</i>
Depreciation & Amortization	(1.5)	(1.8)	(2.2)	(2.3)	(2.5)	(2.5)	(3.3)	(4.2)
EBIT	4.1	4.8	(2.1)	4.4	4.2	8.4	11.0	15.7
<i>EBIT margin</i>	<i>8.6%</i>	<i>8.1%</i>	<i>Neg.</i>	<i>7.4%</i>	<i>5.9%</i>	<i>10.4%</i>	<i>12.1%</i>	<i>14.8%</i>
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
EBT	4.1	4.8	(2.1)	4.4	4.2	8.4	11.0	15.7
<i>EBT margin</i>	<i>8.6%</i>	<i>8.1%</i>	<i>Neg.</i>	<i>7.4%</i>	<i>5.9%</i>	<i>10.4%</i>	<i>12.1%</i>	<i>14.8%</i>
Tax expense	(1.0)	(1.1)	(0.2)	(1.1)	(0.9)	(1.7)	(2.3)	(3.2)
Net income	3.2	3.7	(2.3)	3.5	3.3	6.7	8.8	12.4
<i>Net margin</i>	<i>6.7%</i>	<i>Neg.</i>	<i>Neg.</i>	<i>5.8%</i>	<i>4.6%</i>	<i>8.3%</i>	<i>9.6%</i>	<i>11.8%</i>

Sources: Novus Group, Analysts estimates

Valuation

A change in strategy deserves a change in peers

Since Novus sells a variety of consulting services to their private customers and share the wallet of businesses in need of outsourcing services, Novus deserves a valuation more in line with other B2B consulting companies. CAG Group AB offers a variety of comprehensive B2B IT-services in five different segments, B3 Consulting are management consultants with a focus on the digitalisation of organizations and eWork Group is a consulting firm that matches employers with potential employees. Since Novus does not have any interest-bearing debt and the capital structure of the peers vary, the analysts have decided to value Novus with a P/E multiple.

Peers	Market Data (SEKmn)			Financials 2023E		Valuation 2023E	
Company name	Market Cap	EV	Net sales (SEKmn)	Net Margin	21A-23E Revenue CAGR	P/E	P/S
eWork Group	2 069	2 149	15 853	0.8%	9.6%	17.2x	0.1x
B3 Consulting	952	1 003	1 067	6.5%	7.6%	13.6x	0.9x
CAG Group	613	589	728	6.2%	5.9%	13.6x	0.8x
Ayima Group	44.4	60.2	200	6.8%	10.6%	3.3x	0.2x
Median	782	796	897	6.4%	8.6%	13.6x	0.5x
Mean	919	950	4 462	5.1%	8.4%	11.9x	0.5x
Novus Group	57.6	46.4	91.2	9.6%	12.2%	6.6x	0.6x

Sources: Bloomberg, Novus Group, Analysts estimates

The market incorrectly still values Novus in accordance with other market researchers

Currently, Novus is valued in line with other strict marketing research and public opinion polling companies, such as Ayima Group AB. However, according to analysts estimates, 60.0% of revenue will stem from the private sector in 2023E. This is a deliberate strategy choice from Novus as they seek to compete more aggressively with other B2B consulting firms. The analysts believe that the market has underestimated Novus successful transition to the private sector and as the Company grows into this segment in the future a multiple expansion will follow.

Cyclical valuation spikes where the catalysts strongly correlates with election years

As demand for public opinion increases during election years, Novus get cyclical demand and recognition spikes every four years. Historically, this has expressed itself in the valuation of the company as Novus has hit all time high trading prices in July every election year since listed on the Spotlight Stock Market in 2008.

Increased cross-selling enables a growth in top-line & increased margins in 2023E

Novus increased cross selling manifest itself with a strong revenue growth. By being able to sell a variety of products to the same customer and securing important new deals, Novus with a revenue CAGR of 12.2% for 2021A-2023E, outperforms the peer average of 8.4%. Novus also outperforms peers with an expected EBITDA margin of 15.7% in 2023E compared to the peer average of 7.2%. According to analysts estimates, Novus is expected to reach a net margin of 9.6% in 2023E, compared to the peer average of 5.1%. This showcases the positive internal synergies that is a result of developing consulting services upon Novus' deep roots of market research. Furthermore, regard has been taken to Novus' small size compared to peer median, hence a discount of 30.0% is motivated. The discount stems from Novus disadvantages in economies of scale, potential international expansion, and also due to the fact that the peers business models are more mature and well tested. A peer mean of 11.9x motivates a target P/E multiple of 8.4x in 2023E for Novus, a target price of SEK 7.1 and a potential upside of 27.4%.

Management and Board

Torbjörn Sjöström, CEO

Sjöström is the CEO of Novus since 2011 and has been a member of the board since 2008. Sjöström holds a Master of Science in Software Engineering from Blekinge Institute of Technology. In 2016 he received the European award “Best CEO in the Market Research Industry”. Sjöström has previous experience in the telecom and services industry with managerial roles at Softcom, Svenska Gallup Ab and Becon Mobile.

Ownership: 248,720 (2.5%) and 6,413,162 shares (61.8%) through ALS Invest AB



Ana Serafimovska, CFO

Serafimovska holds a Bachelors degree in Economics from Blekinge Institute of Technology. Serafimovska started at Novus in 2011 and has been the CFO of the Company since 2015. She has over 10 years of experience within external- and internal financial reporting and accounting as a business controller at Madeo Sourcing Group and eWork.

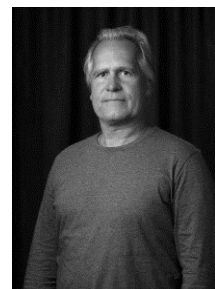
Ownership: 440 shares (0.0%)



Mikael Ohlsson, COO

Ohlsson is responsible for the construction and maintenance of the different panels Novus use for their customers. Before being recruited by Novus in 2008, Ohlsson has previously had the same area of responsibility at several of the largest survey-companies in Sweden. More over, he was responsible for one of the first web panels in Sweden which was also the first in Europe and US.

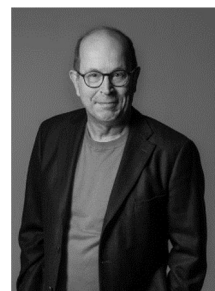
Ownership: 120,000 shares (1.2%)



Jan Scherman, Chairman of the Board

Scherman has acted as Chairman of the Board since 2020. He was the CEO of TV4-Gruppen for ten years and is currently a member of the board at Korvakademin and Malila Media AB. Scherman was also part of developing Aftonbladet’s television segment. Scherman also carries international experience within various roles.

Ownership: 43,500 shares (0.4%)



Karin Eliasson, Member of the Board

Eliasson holds a Bachelor of Science from Mid Sweden University. Eliasson has been a member of the board since 2021. She is currently a member of the board for several companies in various industries such as Karolinska Universitetssjukhuset, RLS Global AB, Nordic Paper Holding AB etc. Eliasson has previously had managerial roles at several international companies, such as Telia Sonera and SCA.

Ownership: N/A



Appendix

Income statement, SEKmn	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Net revenue	47.9	59.1	52.0	59.8	72.4	81.1	91.2	105.9
Other operating income	0	0	0	0.013	0	0	0	0
Revenue	47.9	59.1	52.0	59.8	72.4	81.1	91.2	105.9
OPEX								
Other external costs	(19.4)	(26.0)	(23.3)	(24.4)	(30.4)	(32.2)	(36.6)	(42.5)
Personnel costs	(22.9)	(26.5)	(28.7)	(28.7)	(35.3)	(38.0)	(40.2)	(43.5)
EBITDA	5.6	6.7	0.0	6.7	6.7	10.9	14.3	19.9
<i>EBITDA margin</i>	<i>11.7%</i>	<i>11.3%</i>	<i>0.1%</i>	<i>11.2%</i>	<i>9.3%</i>	<i>13.5%</i>	<i>15.7%</i>	<i>18.8%</i>
Depreciation & Amortization	(1.5)	(1.8)	(2.2)	(2.3)	(2.5)	(2.5)	(3.3)	(4.2)
EBIT	4.1	4.8	(2.1)	4.4	4.2	8.4	11.0	15.7
<i>EBIT margin</i>	<i>8.6%</i>	<i>8.1%</i>	<i>Neg.</i>	<i>7.4%</i>	<i>5.9%</i>	<i>10.4%</i>	<i>12.1%</i>	<i>14.8%</i>
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
EBT	4.1	4.8	(2.1)	4.4	4.2	8.4	11.0	15.7
<i>EBT margin</i>	<i>8.6%</i>	<i>8.1%</i>	<i>Neg.</i>	<i>7.4%</i>	<i>5.9%</i>	<i>10.4%</i>	<i>12.1%</i>	<i>14.8%</i>
				0				
Tax expense	(1.0)	(1.1)	(0.2)	(1.1)	(0.9)	(1.7)	(2.3)	(3.2)
Net income	3.2	3.7	(2.3)	3.5	3.3	6.7	8.8	12.4
<i>Net margin</i>	<i>6.7%</i>	<i>Neg.</i>	<i>Neg.</i>	<i>5.8%</i>	<i>4.6%</i>	<i>8.3%</i>	<i>9.6%</i>	<i>11.8%</i>

Key ratios	LTM
P/E	14.3x
P/B	3.1x
EV/EBITDA	5.4x
EV/EBIT	8.0x
EBITDA margin	10.6%
EBIT margin	7.2%
ROA	12.2%
ROIC	24.0%
ROE	24.0%
Equity ratio	40.6%
Dividend yield	3.4%

Valuation	Current
Target P/E 2023E	11.9
Size discount	30.0%
Discounted P/E 2023E	8.4
Target Market Cap 2023E	73,323
Target share price 2023E	7.1
Potential upside	27.4%

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Disclaimer

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