

# EQS Group

H121 results

## German whistleblowing law set for end Q3

The long and frustrating wait for the EU directive on whistleblowing to be passed into law in Germany should finally end in late September and we would expect EQS to have a very busy final quarter. The delays mean management is now guiding to the lower end of the cited revenue range of €65–70m and EBITDA range of €6–10m and we have adjusted our model to reflect this. We have left our FY23 estimates for revenue and EBITDA unchanged for now and are publishing our first thoughts on FY24. H122 revenues were up 33% (11% organic) but the EBITDA margin remains suppressed by the additional costs being carried.

Year end	Revenue (€m)	EBITDA (€m)	PBT* (€m)	EPS* (€)	EV/EBITDA (x)	P/E (x)
12/20	37.6	4.8	0.4	0.04	69.5	N/A
12/21	50.2	1.7	(5.9)	(0.70)	189.9	N/A
12/22e	66.0	6.0	(5.0)	(0.34)	55.1	N/A
12/23e	90.0	18.0	8.2	0.53	18.4	56.0
12/24e	110.0	27.0	17.4	1.13	12.3	26.4

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## Waiting for pipeline to convert to sales

H122 revenues were €29.9m (+33% on H121), reflecting strong demand in the Compliance segment (up 60% and at 67% of H122 group revenues) as sales of whistleblowing software built across countries where the legislation is already in force. Business Keeper, consolidated from H221, contributed €5.2m of revenue. Annual recurring revenue was ahead by 13.5% and is now 88% of group revenue, up from 83% in H121. Investor Relations revenues were affected by the dearth of IPOs in the period, slipping 2% over the prior year. With personnel costs up to cope with expected demand, group EBITDA was 14% lower, in line with guidance. Higher amortisation post FY21's acquisitions meant a larger fall in EBIT year-on-year. As the time for companies to comply with the law approaches, this short-term imbalance should correct as the group scales.

## On track for FY25e targets

The whistleblowing opportunity is substantial and was described in detail in our June [Outlook report](#). Management's medium-term guidance is for FY25e revenues of €125–135m, delivering an EBITDA margin of around 30%. Despite the current delays, this looks demanding but achievable, based on a CAGR of 22% for Compliance and 12% for Investor Relations.

## Valuation: DCF indicates meaningful upside

EQS's share price has fallen 33% since the start of the year, while financial B2B company valuations have dropped 20% (excluding Euromoney, subject to a bid) and those of application software companies by 23%. EQS's profitability remains subdued, so traditional valuation multiples are unhelpful. For our DCF, on a WACC of 9% and terminal growth of 2% (unchanged), we derive a value of €47.73/share (June 2022: €47.66), which is well above the current market price.

## Software and comp services

15 August 2022

Price €29.9

Market cap €300m

Net debt (€m) at 30 June 22 (excluding lease liabilities) 31.1

Shares in issue 10.0m

Free float 78.4%

Code E1SX

Primary exchange XETRA

Secondary exchange FRA

## Share price performance



% 1m 3m 12m

Abs (5.4) (0.7) (24.2)

Rel (local) (11.5) (1.1) (12.5)

52-week high/low €47.00 €28.80

## Business description

EQS Group is a leading international provider of regulatory technology in the fields of corporate compliance and investor relations. Its products enable corporate clients to fulfil complex national and international disclosure obligations, minimise risks and communicate transparently with stakeholders.

## Next events

Q322 results 11 November 2022

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**Exhibit 1: Financial summary**

	€'000s	2020	2021	2022e	2023e	2024e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>						
Revenue		37,636	50,223	66,000	90,000	110,000
Cost of Sales		0	0	0	0	0
Gross Profit		37,636	50,223	66,000	90,000	110,000
EBITDA		4,760	1,742	6,000	18,000	27,000
Operating Profit (before amort. and excepts.)		819	(4,417)	(2,065)	9,935	18,935
Amortisation of acquired intangibles		(656)	(1,090)	(1,350)	(1,350)	(1,350)
Exceptionals		0	110	0	0	0
Share-based payments		0	0	0	0	0
Reported operating profit		163	(5,397)	(3,415)	8,585	17,585
Net Interest		(396)	(1,461)	(2,914)	(1,703)	(1,490)
Joint ventures & associates (post tax)		0	0	0	0	0
Exceptionals		0	0	0	0	0
Profit Before Tax (norm)		423	(5,878)	(4,979)	8,232	17,445
Profit Before Tax (reported)		(233)	(6,858)	(6,329)	6,882	16,095
Reported tax		(599)	229	2,215	(2,409)	(5,633)
Profit After Tax (norm)		296	(5,682)	(3,237)	5,351	11,339
Profit After Tax (reported)		(832)	(6,629)	(4,114)	4,473	10,462
Minority interests		(34)	0	0	0	0
Discontinued operations		0	0	0	0	0
Net income (normalised)		296	(5,682)	(3,237)	5,351	11,339
Net income (reported)		(866)	(6,629)	(4,114)	4,473	10,462
Average Number of Shares Outstanding (m)		7.2	8.1	9.6	10.0	10.0
EPS - normalised (€)		0.04	(0.70)	(0.34)	0.53	1.13
EPS - normalised fully diluted (€)		0.04	(0.70)	(0.34)	0.53	1.13
EPS - basic reported (€)		(0.12)	(0.81)	(0.43)	0.45	1.04
Dividend per share (c)		0.00	0.00	0.00	0.00	0.00
Revenue growth (%)		6.4	33.4	31.4	36.4	22.2
EBITDA Margin (%)		12.6	3.5	9.1	20.0	24.5
Normalised Operating Margin (%)		2.2	(8.8)	(3.1)	11.0	17.2
<b>BALANCE SHEET</b>						
Fixed Assets		39,007	168,468	166,503	175,445	183,160
Intangible Assets		31,016	160,386	159,479	171,821	182,585
Tangible Assets		7,216	7,351	5,644	2,637	(370)
Investments & other		775	731	1,380	987	945
Current Assets		17,086	18,369	16,560	20,608	25,984
Stocks		0	0	0	0	0
Debtors		3,923	7,018	9,041	12,082	14,767
Cash & cash equivalents		12,074	8,653	4,772	5,779	8,470
Other		1,089	2,697	2,747	2,747	2,747
Current Liabilities		(12,381)	(89,171)	(47,666)	(38,468)	(39,102)
Creditors		(2,747)	(3,197)	(3,380)	(4,270)	(4,903)
Tax and social security		(56)	(214)	(552)	(552)	(552)
Short term borrowings (includes lease debt)		(3,278)	(73,095)	(28,198)	(28,198)	(28,198)
Other		(6,300)	(12,665)	(15,536)	(5,448)	(5,449)
Long Term Liabilities		(10,768)	(27,426)	(22,438)	(21,438)	(13,939)
Long term borrowings (includes lease debt)		(7,641)	(9,927)	(7,423)	(6,423)	1,077
Other long term liabilities		(3,127)	(17,499)	(15,015)	(15,015)	(15,016)
Net Assets		32,943	70,240	112,959	136,147	156,103
Minority interests		0	0	0	0	0
Shareholders' equity		32,943	70,240	112,959	136,147	156,103
<b>CASH FLOW</b>						
Operating Cash Flow		3,765	(1,306)	3,301	11,888	17,877
Working capital		1,294	(1,149)	(1,840)	(2,150)	(2,052)
Exceptional & other		1,037	4,721	751	4,165	7,177
Tax		(154)	(229)	2,215	(2,409)	(5,633)
Operating Cash Flow		5,942	2,037	4,427	11,494	17,369
Capex		(2,008)	(3,149)	(3,250)	(3,250)	(3,250)
Acquisitions/disposals		0	(96,428)	(1,608)	(2,310)	0
Net interest		(157)	(1,636)	0	0	0
Equity financing		9,124	43,929	45,374	0	0
Dividends		0	0	0	0	0
Other		414	(2,772)	(3,927)	(3,927)	(3,927)
Net Cash Flow		13,315	(58,019)	41,016	2,007	10,192
Opening net debt/(cash)		13,472	(1,153)	74,372	30,852	28,846
FX		(199)	126	0	0	0
Other non-cash movements		1,509	(17,631)	2,504	0	0
Closing net debt/(cash)		(1,153)	74,372	30,852	28,846	18,655

Source: company accounts, Edison Investment Research

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