
**Performance VS OMXS30**

**Share Information**

|                      |                       |
|----------------------|-----------------------|
| Share Price SEK      | 36.1                  |
| Number of shares (M) | 18.2                  |
| Marketplace          | First North Stockholm |
| CEO                  | Jörgen Qwist          |
| Chairman             | Niklas Hellberg       |

**Key Stats**

|                    |            |
|--------------------|------------|
| Market Cap         | 584.1 MSEK |
| Entprs. Value (EV) | 489.5 MSEK |
| Net Debt (2024Q4)  | -94.6 MSEK |
| 30 Day Avg Vol     | 8 K        |
| Dividend Yield     | N/A        |

**Top Holders**

| Name                             | Ownership |
|----------------------------------|-----------|
| Martin Gren (Grens specialisten) | 8.47%     |
| Edastra AB                       | 8.21%     |
| Jörgen Qwist                     | 6.31%     |
| Nordnet Pensionsförsäkring       | 5.14%     |
| Joakim Alkman                    | 4.4%      |
| Björn Alpberg                    | 3.96%     |
| Investment AB Spiltan            | 3.53%     |
| Unionen                          | 3.48%     |
| Bostrom Consulting AB            | 3.35%     |
| Niklas Hellberg                  | 3.07%     |

**Redeye Equity Analysts**

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# CombinedX: Stable Performance in Soft Market

Redeye strengthens its positive view of CombinedX following a solid Q4 considering the soft market. While still below its target margin, CombinedX is back among the better performers within the listed Nordic IT Consulting space.

## Clear Sequential Improvement While Soft Market Conditions Remain

Total sales matched our forecast of SEK256m and amounted to SEK258m (211), corresponding to 22% growth y/y. The organic growth was -7.1% y/y. While not all Nordic IT Consulting firms have reported their Q3 yet, we believe -7.1% will be close to the average. EBIT was SEK21.4m, corresponding to an EBIT margin of 8.3% (12.2). Our forecast was SEK22.0m and 8.6%. Thus, the outcome roughly matched our expectations. While management is not satisfied with the result below its 10% EBIT margin target, we believe the Q4 earnings are a clear step forward compared to the soft Q2-Q3.

## Several Initiatives Should Drive Margins in 2025

We forecast a 10% EBITA margin for 2025, up from 8.4% in 2024 and 10.7% for 2026, below the company's 12% target. While we believe 12% is well in reach for CombinedX – several of its subsidiaries are already performing better numbers – considering the market environment and the volatility seen in CombinedX's margins lately, our estimates are somewhat more cautious. On the other hand, the divestment of Borlänge-based Aspire, M3CS joining Elvenite, and the remaining Aspire joining Ninetech should set CombinedX for improving margins relative to 2024, even in a market that might stay on the soft side.

## New Base Case SEK58 (54)

We increased our Base Case to SEK58 (54) despite slightly reduced forecasts due to the Q4 figures showing CombinedX is likely to be back among the high-quality IT Consulting firms. While the share price reacted very positively on the Q4 report, trading at 5.5x EBITA 2025e (share price SEK36.3), we believe the risk/reward in CombinedX remains attractive.

**Key Financials**

|               | 2024  | 2025e | 2026e   | 2027e   | 2028e   |
|---------------|-------|-------|---------|---------|---------|
| SEKm          |       |       |         |         |         |
| Net Sales     | 929.9 | 973.4 | 1,020.3 | 1,060.6 | 1,102.3 |
| Sales Growth  | 21.4% | 4.7%  | 4.8%    | 4.0%    | 3.9%    |
| EBITDA        | 111.7 | 138.8 | 150.5   | 155.1   | 159.8   |
| EBITDA Margin | 12.0% | 14.3% | 14.8%   | 14.6%   | 14.5%   |
| EBITA         | 78.3  | 97.4  | 108.7   | 112.6   | 116.6   |
| EBIT          | 63.1  | 79.9  | 93.3    | 100.1   | 106.5   |
| EBIT Margin   | 6.8%  | 8.2%  | 9.1%    | 9.4%    | 9.7%    |
| Net Income    | 50.8  | 63.2  | 73.8    | 79.2    | 84.3    |
| EV/Sales      | 0.6   | 0.6   | 0.5     | 0.4     | 0.3     |
| EV/EBIT       | 8.9   | 6.7   | 5.2     | 4.3     | 3.6     |
| EBITA margin  | 8.4%  | 10.0% | 10.7%   | 10.6%   | 10.6%   |
| EV/EBITA      | 7.2   | 5.5   | 4.5     | 3.9     | 3.3     |

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## Review of Q4 2024

| Estimates vs. Actuals             |          |          |      |          |          |
|-----------------------------------|----------|----------|------|----------|----------|
| Sales                             | Q4E 2024 | Q4A 2024 | Diff | Q4A 2023 | Q3A 2024 |
| Net sales                         | 256.4    | 258.0    | 1%   | 210.5    | 196.0    |
| Y/Y Growth (%)                    | 22%      | 23%      |      | 5%       | 28%      |
| Sales-COGS/employees/working day  | 5,772.0  | 6,036.2  | 5%   | 5,772.0  | 4,409.5  |
| Y/Y Growth (%)                    | 0%       | 5%       |      | 4%       | 3%       |
| Contribution/employee/working day | 1,365.9  | 1,612.6  | 18%  | 1,692.2  | 795.9    |
| Y/Y Growth (%)                    | -19%     | -5%      |      | 3%       | -24%     |
| <b>OPEX</b>                       |          |          |      |          |          |
| Cost of revenues                  | -37.0    | -47.3    | 28%  | -34.5    | -37.1    |
| Y/Y Growth (%)                    | 7%       | 37%      |      | -15%     | 46%      |
| Other external costs              | -19.2    | -20.2    | 5%   | -17.2    | -16.1    |
| Y/Y Growth (%)                    | 12%      | 17%      |      | -17%     | 5%       |
| Personnel expenses                | -164.9   | -156.9   | -5%  | -124.4   | -124.3   |
| Y/Y Growth (%)                    | 33%      | 26%      |      | 12%      | 32%      |
| <b>Earnings</b>                   |          |          |      |          |          |
| EBIT                              | 22.0     | 21.4     | -3%  | 25.6     | 6.0      |
| EBIT Margin (%)                   | 8.6%     | 8.3%     |      | 12.2%    | 3.1%     |
| Diluted EPS                       | 0.95     | 1.07     | 12%  | 1.23     | 0.21     |

## Sales: Softer Market Continues to Hurt

Total sales matched our forecast of SEK256m and amounted to SEK258m (211), corresponding to 22% growth y/y. The organic growth was -7.1% y/y. While not all Nordic IT Consulting firms have reported their Q3 yet, we believe -7.1% will be close to the average level. As seen in earlier quarters, the soft market holds back utilization rates, which results in negative growth. However, based on the sales-COGS per employee and working day, CombinedX seems to have had a rather decent utilization rate in the quarter. More on that later. On the other hand, the number of employees was down by 8 q/q.

Management hopes and believes the market will rebound in 2025 and states that the company's ability to sell will determine the outcome. Customers have been postponing some projects, and there are many potential projects customers have shown interest in doing, suggesting that an improvement in customers' end markets could trigger a solid rebound in demand. However, our forecasts do not assume any substantial improvement in market conditions in 2025.

Also, CombinedX has won some deals recently, such as Nudie Jeans and Plockmatic moving into Infor CloudSuite with M3CS, Kraftringen Energi deploying Microsoft Dynamics with Absfront, and Würth taking Inriver and Optimizely to the cloud with Ninetech. Thus, there are deals to win, especially within ERP and less cyclical sectors.



Source: CombinedX (actuals), Redeye (estimates)

*An IT consultant's sales are a function of the number of employees and their revenue per working day. In reality, the number of revenue-generating employees, i. e., excluding administrative personnel etc., would be a better measure. However, we cannot access those figures, making the total number of employees a reasonable proxy.*

**Number of Employees:  
Some Reductions q/q**

- At the end of the quarter, the number of employees increased y/y to 585, corresponding to a growth of 19%. Sequentially, the number of employees decreased by eight due to reductions to offset lower customer demand in some areas.
- The average number of employees during the quarter increased to 563, corresponding to a y/y growth of 16%. Sequentially, the average number of employees increased by 20.



Source: CombinedX (actuals), Redeye (estimates)

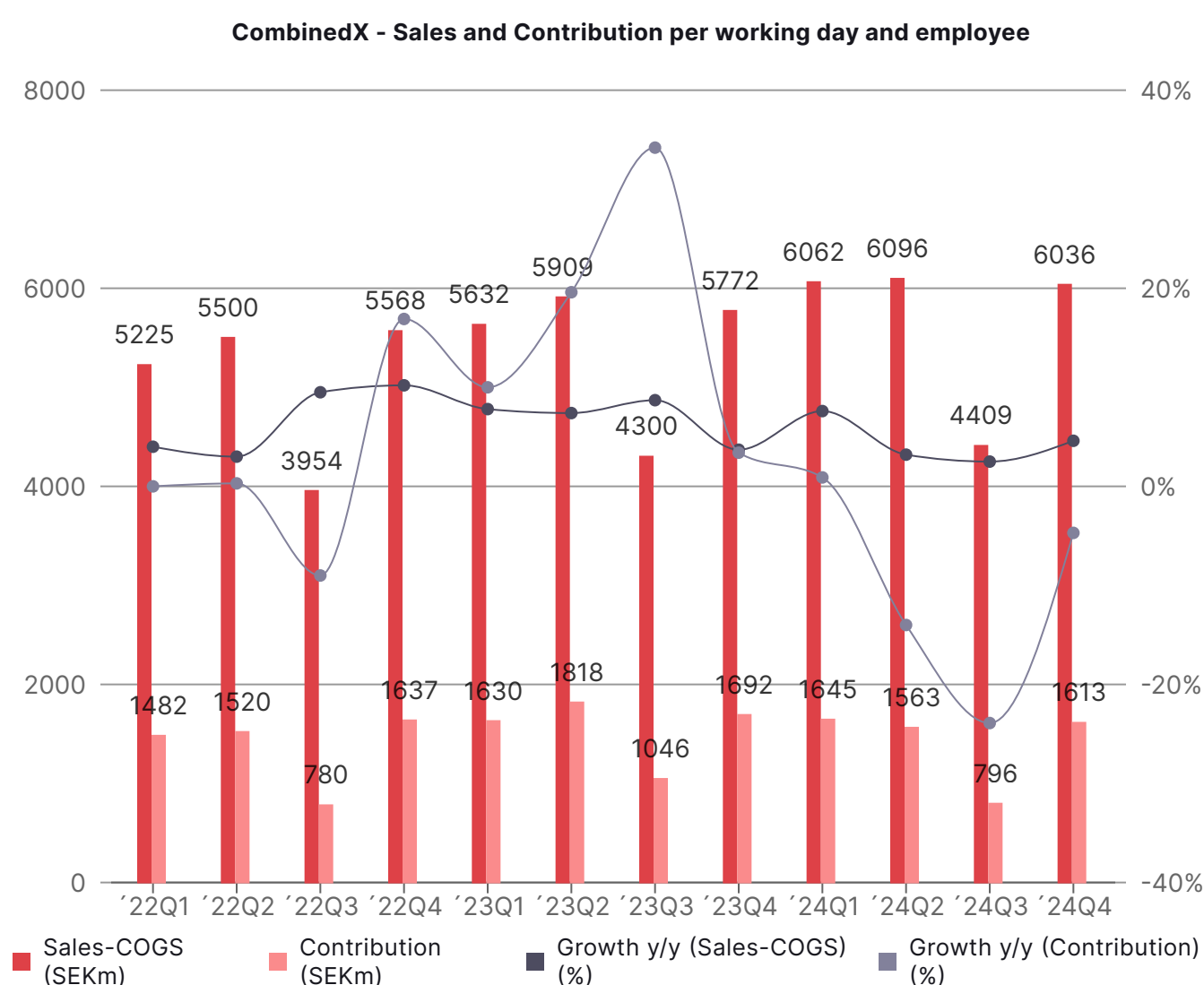
The number of employees at the end of the quarter is a leading indicator for sales growth in the coming quarter. While sales is dependent on other parameters as well, the starting number of employees for the coming quarter is, together with the number of working days, the only relevant figures we know in advance.

Employee churn is typically costly for any company. However, as IT consultants' sales generation depends on their employees in a nearly 1:1 ratio, we believe low employee churn is even more important in IT consultant firms.

### Per Employee and Working Day Data: Lower Declining in Contribution q/q

- Sales-COGS/employees/working day was SEK6,036 (5,772), corresponding to an increase y/y of 5%. Our forecast was flat growth y/y. While management is not satisfied with the utilization rate during the quarter, the number indicates a relatively solid mix of utilization and pricing.
- Contribution/employee/working day was SEK1,613 (1,692), corresponding to a decrease y/y of 5%. Our forecast was SEK1,366. As the sales show, the slightly weaker contribution y/y implies that CombinedX handled the softer market relatively well during the quarter. At the same time, the number shows that utilization and pricing did not keep up with salary inflation – which is reasonable in a softer market. Note that the number is adjusted for the one-off, resulting in higher Personnel expenses and lower Other external costs of about SEK5m each.

Unfortunately, our previous source for number of working days per quarter was incorrect, resulting in us using the wrong number of working days for Q4. We have adjusted the outcome accordingly and changed the source for the coming quarters.



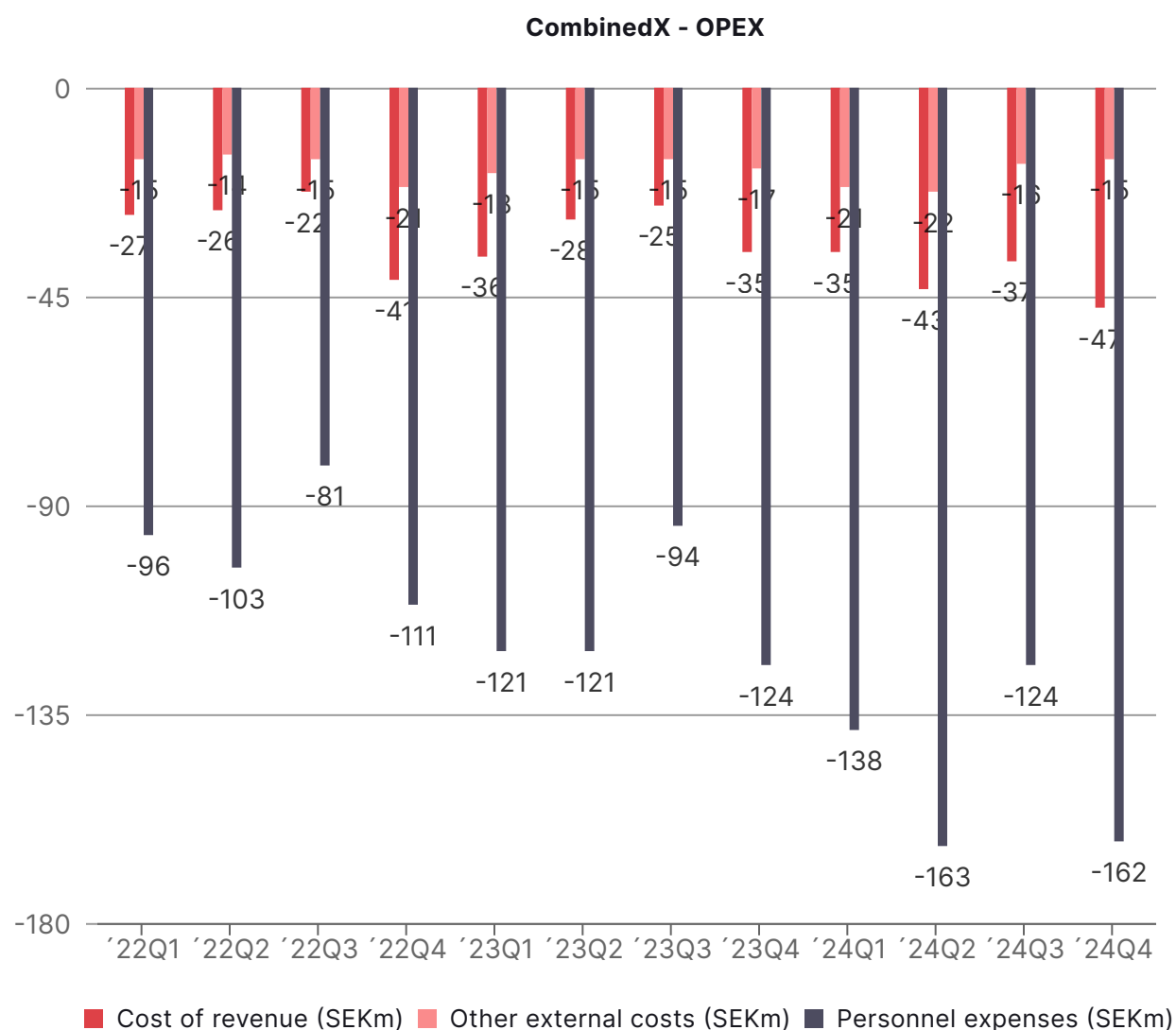
Source: CombinedX (actuals), Redeye (estimates)

The Sales-COGS/employees/working day is a proxy for the revenue generation of one employee during one working day, indicating how advanced services the company provides and how high its utilisation rate is. While sub-consultants and reselling software and hardware can alter accuracy in this measure, we try to consider that by subtracting the cost of goods sold, which typically consists mainly of expenses related to sub-consultants and reselling. Also, as we use the total number of employees, the share of administrative personnel can alter the number. A high share of administrative personnel might not be unwanted. For example, when focusing on expansion, the investments in administration are typically front-loaded.

The Contribution/employee/working day is sales-cogs-personnel expenses and indicates the profit contribution for the average employee per working day. We believe it is a proxy of how much revenue consultants generate compared to their seniority and, thus, salary. For example, a high Sales-COGS/employees/working day might not be worth much to shareholders if most are paid as salaries to senior consultants.

### OPEX: Lower than Expected

Overall, OPEX was lower than our forecast of SEK184m and amounted to SEK177m (142). Other external costs roughly matched our expectations, while Personnel expenses was lower than expected. Note that the numbers are adjusted for the one-off, resulting in higher Personnel expenses and lower Other external costs of about SEK5m each.

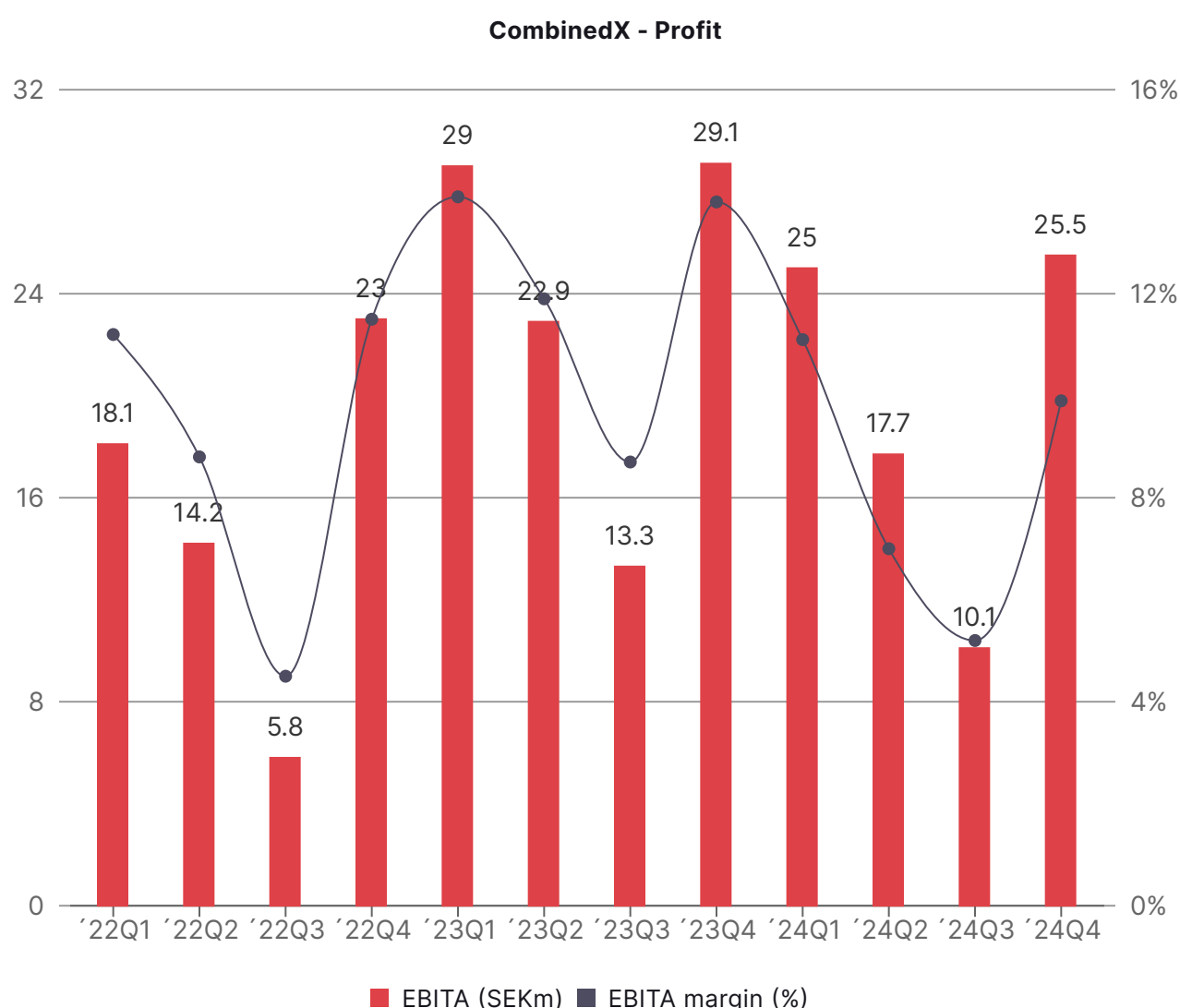


Source: CombinedX (actuals), Redeye (estimates)

### Profit and Cash Flow: Back to Stable Numbers

EBIT was SEK21.4m, corresponding to an EBIT margin of 8.3% (12.2). Our forecast was SEK22.0m and 8.6%. Thus, the outcome roughly matched our expectations. While management is not satisfied with the result –below its 10% EBITA margin target, now changed to 12% EBITA margin, more on that below – we believe the Q4 earnings are a clear step forward compared to the soft Q2-Q3. Although Q4 should be stronger for seasonality reasons (at least compared to Q3), compared to other IT Consulting firms disclosing their Q4s so far, CombinedX's Q4 is significantly better relative to Q2-Q3. On the other hand, we like to see management having high ambitions for the company.

As usual, we will release our IT Consulting Update as all or most listed Nordic companies have released their Q4s – likely in early March. That will shed more light on CombinedX's relative performance.



Source: CombinedX (actuals), Redeye (estimates)



## Focus on EBITA From Now on

In conjunction with the Q4 report, CombinedX changes its +10% EBIT margin target to 12% EBITA margin on a rolling 12-month basis. EBIT tends to underestimate the underlying earnings in companies that acquire with a magnitude that amplifies the more acquisitions the company makes. Thus, as a firm with M&A ambitions, we believe EBITA is a better metric for earnings for CombinedX. Therefore, we will now shift our focus from EBIT to EBITA – as our IT Consulting Theme Update already does. 10% EBIT margin is roughly equals 12% EBITA margin, with 12% EBITA perhaps being somewhat more ambitious.

## Estimate Revisions: Minor Changes

For sales, we lower 2025-2026 by 1%, respectively, mostly due to the slightly lower number of employees, and as we have a rather cautious view of the macroeconomic environment, we expect lower net recruitment going forward.

Regarding EBITA, we cut 2025 and 2026 by 4% and 2%, respectively, basically due to the lower sales. Our other input variables are left roughly unchanged.

We expect an EBITA margin of 10.0% and 10.7% in 2025 and 2026. We assume 5% growth for 2025 and 2026, with a slight negative impact on 2025 from the divestment of the Borlänge-based Aspire, taking place in Q1.

Our ~10-11% margin assumptions are below the company's 12% target. While we believe 12% is well in reach for CombinedX – several of its subsidiaries are already performing better numbers – considering the market environment and the volatility seen in CombinedX's margins lately, our estimates are somewhat more cautious. On the other hand, the divestment of Borlänge-based Aspire, M3CS joining Elvenite, and the remaining Aspire joining Ninetech should set CombinedX for improving margins relative to 2024.

| Estimate Revisions                |          |         |        |          |         |        |
|-----------------------------------|----------|---------|--------|----------|---------|--------|
| Sales                             | FYE 2025 | Old     | Change | FYE 2026 | Old     | Change |
| Net sales                         | 973.4    | 979.8   | -1%    | 1,020.3  | 1,025.8 | -1%    |
| Y/Y Growth (%)                    | 5%       | 5%      |        | 5%       | 5%      |        |
| Sales-COGS/employees/working day  | 5,876.1  | 5,794.4 | 1%     | 6,034.7  | 5,968.2 | 1%     |
| Y/Y Growth (%)                    | 4%       | 7%      |        | 3%       | 3%      |        |
| Contribution/employee/working day | 1,594.7  | 1,528.1 | 4%     | 1,624.9  | 1,573.9 | 3%     |
| Y/Y Growth (%)                    | 19%      | -2%     |        | 2%       | 3%      |        |
| <b>OPEX</b>                       |          |         |        |          |         |        |
| Cost of revenues                  | -149.0   | -149.0  | 0%     | -155.0   | -155.0  | 0%     |
| Y/Y Growth (%)                    | -8%      | 20%     |        | 4%       | 4%      |        |
| Other external costs              | -78.9    | -80.5   | -2%    | -83.7    | -84.1   | -1%    |
| Y/Y Growth (%)                    | 7%       | 25%     |        | 6%       | 4%      |        |
| Personnel expenses                | -607.9   | -614.2  | -1%    | -632.3   | -641.2  | -1%    |
| Y/Y Growth (%)                    | 4%       | 33%     |        | 4%       | 4%      |        |
| <b>Earnings</b>                   |          |         |        |          |         |        |
| EBITA                             | 97.4     | 101.8   | -4%    | 108.7    | 110.7   | -2%    |
| EBITA Margin (%)                  | 10.0%    | 10.4%   |        | 10.7%    | 10.8%   |        |
| Diluted EPS                       | 3.5      | 3.7     | -5%    | 4.1      | 4.1     | -2%    |

| Forecasts                         |          |          |          |          |          |          |          |          |
|-----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| Sales                             | FYA 2024 | Q1E 2025 | Q2E 2025 | Q3E 2025 | Q4E 2025 | FYE 2025 | FYE 2026 | FYE 2027 |
| Net sales                         | 929.9    | 251.3    | 250.5    | 210.8    | 260.7    | 973.4    | 1,020.3  | 1,060.6  |
| Y/Y Growth (%)                    | 21%      | 12%      | 0%       | 8%       | 1%       | 5%       | 5%       | 4%       |
| Sales-COGS/employees/working day  | 5,623.8  | 6,061.8  | 6,431.8  | 4,740.2  | 6,368.2  | 5,876.1  | 6,034.7  | 6,185.6  |
| Y/Y Growth (%)                    | 4%       | 0%       | 5%       | 8%       | 5%       | 4%       | 3%       | 2%       |
| Contribution/employee/working day | 1,342.6  | 1,596.2  | 1,939.0  | 1,086.9  | 1,856.2  | 1,594.7  | 1,624.9  | 1,656.7  |
| Y/Y Growth (%)                    | -13%     | -3%      | 24%      | 37%      | 15%      | 19%      | 2%       | 2%       |
| <b>OPEX</b>                       |          |          |          |          |          |          |          |          |
| Cost of revenues                  | -162.0   | -38.0    | -38.0    | -35.0    | -38.0    | -149.0   | -155.0   | -161.2   |
| Y/Y Growth (%)                    | 30%      | 9%       | -11%     | -6%      | -20%     | -8%      | 4%       | 4%       |
| Other external costs              | -74.0    | -20.1    | -20.0    | -17.9    | -20.9    | -78.9    | -83.7    | -87.0    |
| Y/Y Growth (%)                    | 15%      | -5%      | -7%      | 11%      | 37%      | 7%       | 6%       | 4%       |
| Personnel expenses                | -586.9   | -159.7   | -158.5   | -129.3   | -160.3   | -607.9   | -632.3   | -658.5   |
| Y/Y Growth (%)                    | 27%      | 15%      | -3%      | 4%       | -1%      | 4%       | 4%       | 4%       |
| <b>Earnings</b>                   |          |          |          |          |          |          |          |          |
| EBITA                             | 78.3     | 23.6     | 24.0     | 18.5     | 31.4     | 97.4     | 108.7    | 112.6    |
| EBIT Margin (%)                   | 8%       | 9%       | 10%      | 9%       | 12%      | 10%      | 11%      | 11%      |
| Diluted EPS                       | 2.8      | 0.8      | 0.8      | 0.6      | 1.2      | 3.5      | 4.1      | 4.4      |

## Valuation

We increased our Base Case to SEK58 (54) despite slightly reduced forecasts due to the Q4 figures showing CombinedX is likely to be back among the high-quality IT Consulting firms. While the share price reacted very positively on the Q4 report, trading at 5.5x EBITA 2025e (share price SEK36.3), we believe the risk/reward in CombinedX remains attractive.

| Fair Value Range - Assumptions |           |           |           |
|--------------------------------|-----------|-----------|-----------|
|                                | Bear Case | Base Case | Bull Case |
| <b>Value per share, SEK</b>    | <b>31</b> | <b>58</b> | <b>70</b> |
| <b>Sales CAGR</b>              |           |           |           |
| 2024 - 2031                    | 2%        | 4%        | 7%        |
| 2031 - 2041                    | 1%        | 3%        | 5%        |
| <b>Avg EBIT margin</b>         |           |           |           |
| 2024 - 2031                    | 8%        | 10%       | 13%       |
| 2031 - 2041                    | 8%        | 10%       | 13%       |
| Terminal EBIT Margin           | 6%        | 10%       | 11%       |
| Terminal growth                | 2%        | 2%        | 2%        |
| WACC                           | 11%       | 11%       | 11%       |

Source: Redeye Research

## Peer Valuation

CombinedX trades at a significant discount (30-40% on EV/EBIT 2025-2026) to the peer average and median. While the company has a shorter track record, which should motivate some discount, given our positive outlook on CombinedX operations and its strengthening track record (although some quarters have been soft), we believe the gap will narrow.

| IT Consulting Company | EV (SEKm)    | EV/SALES    |             |             | EV/EBITDA  |            |            | EV/EBIT     |             |            | Sales growth |           |           | EBITDA margin |              |              | EBIT margin |             |             | Yield       |             |             |
|-----------------------|--------------|-------------|-------------|-------------|------------|------------|------------|-------------|-------------|------------|--------------|-----------|-----------|---------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                       |              | 24E         | 25E         | 26E         | 24E        | 25E        | 26E        | 24E         | 25E         | 26E        | 24E          | 25E       | 26E       | 24E           | 25E          | 26E          | 24E         | 25E         | 26E         | 24E         | 25E         | 26E         |
| CAG                   | 770          | 0.84        | 0.78        | 0.71        | 8.1        | 6.6        | 5.8        | 12.2        | 9.4         | 8.1        | -2%          | 4%        | 5%        | 10.5%         | 11.7%        | 12.2%        | 6.9%        | 8.2%        | 8.8%        | 3.7%        | 4.0%        | 4.2%        |
| Exsitec               | 1 746        | 2.45        | 2.11        | 1.81        | 12.4       | 9.9        | 8.4        | 19.1        | 14.4        | 11.9       | 8%           | 12%       | 9%        | 19.7%         | 21.3%        | 21.6%        | 12.8%       | 14.6%       | 15.2%       | 1.4%        | 1.6%        | 1.8%        |
| KnowIT                | 4 756        | 0.72        | 0.69        | 0.61        | 8.0        | 6.8        | 5.6        | 16.6        | 12.5        | 9.2        | -9%          | 0%        | 6%        | 9.0%          | 10.0%        | 10.8%        | 4.4%        | 5.5%        | 6.6%        | 1.8%        | 3.0%        | 4.2%        |
| Avensia               | 295          | 0.62        | 0.49        | 0.40        | 5.0        | 3.6        | 3.0        | 7.6         | 4.9         | 3.9        | 1%           | 5%        | 6%        | 12.4%         | 13.6%        | 13.3%        | 8.1%        | 10.0%       | 10.3%       | 4.8%        | 6.7%        | 9.8%        |
| Proact                | 3 639        | 0.73        | 0.65        | 0.59        | 7.0        | 6.3        | 5.5        | 12.3        | 11.0        | 8.9        | -2%          | 6%        | 4%        | 10.4%         | 10.3%        | 10.8%        | 5.9%        | 6.0%        | 6.6%        | 1.8%        | 1.9%        | 2.2%        |
| CombinedX             | 582          | 0.60        | 0.55        | 0.47        | 5.0        | 3.9        | 3.2        | 8.9         | 6.7         | 5.2        | 21%          | 5%        | 5%        | 12.0%         | 14.3%        | 14.8%        | 6.8%        | 8.2%        | 9.1%        | 0.0%        | 0.0%        | 5.6%        |
| Prevas                | 1 384        | 1.06        | 0.93        | 0.84        | 9.3        | 7.4        | 6.0        | 13.0        | 10.0        | 7.8        | 9%           | 11%       | 4%        | 11.3%         | 12.7%        | 14.2%        | 8.1%        | 9.3%        | 10.8%       | 3.3%        | 4.0%        | 5.1%        |
| B3                    | 770          | 0.75        | 0.57        | 0.47        | 12.1       | 5.3        | 4.0        | 21.7        | 7.0         | 5.0        | 1%           | 23%       | 9%        | 6.2%          | 10.8%        | 11.8%        | 3.5%        | 8.2%        | 9.4%        | 4.4%        | 6.5%        | 7.9%        |
| Gofore                | 3 796        | 1.66        | 1.48        | 1.29        | 10.4       | 9.3        | 8.0        | 13.5        | 11.6        | 10.3       | -1%          | 6%        | 11%       | 15.9%         | 16.0%        | 16.1%        | 12.3%       | 12.8%       | 12.5%       | 2.2%        | 2.5%        | 2.9%        |
| Netum                 | 522          | 0.94        | 0.89        | n/a         | 8.2        | 8.3        | n/a        | 8.7         | 8.7         | n/a        | 20%          | 2%        | 6%        | 11.5%         | 10.8%        | 11.0%        | 10.8%       | 10.3%       | 10.6%       | 5.0%        | 5.7%        | 6.4%        |
| TietoEvyry            | 35 937       | 1.08        | 1.07        | 1.02        | 6.9        | 6.6        | 6.2        | 10.2        | 9.5         | 8.8        | -1%          | 0%        | 3%        | 15.7%         | 16.3%        | 16.3%        | 10.6%       | 11.2%       | 11.7%       | 8.2%        | 8.5%        | 8.7%        |
| Crayon                | 10 853       | 1.42        | 1.10        | 0.82        | 8.4        | 6.0        | 4.2        | 11.2        | 7.6         | 5.1        | 13%          | 17%       | 14%       | 16.8%         | 18.3%        | 19.4%        | 12.6%       | 14.5%       | 16.1%       | 0.0%        | 0.0%        | 0.0%        |
| NNIT                  | 3 093        | 1.10        | 0.94        | 0.80        | 13.3       | 7.8        | 5.7        | 17.8        | 9.3         | 6.6        | 7%           | 10%       | 11%       | 8.3%          | 12.1%        | 13.9%        | 6.2%        | 10.2%       | 12.0%       | 0.4%        | 1.3%        | 2.3%        |
| Bouvet                | 7 716        | 2.00        | 1.82        | 1.67        | 12.8       | 11.9       | 11.4       | 15.6        | 14.5        | 13.6       | 13%          | 9%        | 9%        | 15.6%         | 15.3%        | 14.6%        | 12.8%       | 12.5%       | 12.2%       | 4.5%        | 4.8%        | 4.9%        |
| Arribatec             | 37           | 0.10        | 0.07        | 0.05        | 2.2        | 1.6        | 1.2        | neg         | neg         | neg        | 5%           | 11%       | 12%       | 4.4%          | 4.6%         | 4.3%         | -2.3%       | -2.0%       | -1.1%       | 0.0%        | 0.0%        | 0.0%        |
| Digia                 | 2 445        | 0.97        | 0.90        | 0.87        | 8.1        | 7.5        | 7.1        | 11.5        | 10.7        | 9.6        | 7%           | 2%        | 4%        | 12.1%         | 12.1%        | 12.2%        | 8.5%        | 8.5%        | 9.0%        | 2.8%        | 3.3%        | 3.7%        |
| Silli Solutions       | 623          | 0.49        | 0.46        | n/a         | 7.1        | 5.5        | n/a        | 13.8        | 10.0        | n/a        | -10%         | 3%        | 2%        | 7.0%          | 8.3%         | 8.7%         | 3.6%        | 4.6%        | 5.3%        | 3.2%        | 3.7%        | 3.3%        |
| Vincit                | 200          | 0.22        | 0.23        | n/a         | 21.0       | 5.0        | n/a        | 23.2        | 6.1         | n/a        | -15%         | -4%       | 5%        | 1.1%          | 4.5%         | 5.4%         | 1.0%        | 3.7%        | 6.1%        | 5.8%        | 8.7%        | 9.9%        |
| Loihde                | 785          | 0.52        | 0.49        | 0.47        | 7.1        | 5.7        | 4.9        | 26.0        | 14.2        | 10.9       | 3%           | 3%        | 4%        | 7.3%          | 8.6%         | 9.6%         | 2.0%        | 3.4%        | 4.3%        | 2.4%        | 3.7%        | n/a         |
| Webstep               | 671          | 0.65        | 0.61        | 0.51        | 6.8        | 5.7        | 4.9        | 8.8         | 7.1         | 5.9        | -9%          | 3%        | 10%       | 9.6%          | 10.7%        | 10.4%        | 7.4%        | 8.6%        | 8.5%        | 5.8%        | 9.4%        | 8.5%        |
| Netcompany            | 25 594       | 2.47        | 2.23        | 2.00        | 14.1       | 12.0       | 10.4       | 18.9        | 15.5        | 12.9       | 9%           | 10%       | 10%       | 17.5%         | 18.6%        | 19.3%        | 13.1%       | 14.4%       | 15.5%       | 0.0%        | 0.1%        | 0.1%        |
| <b>Average</b>        | <b>3 523</b> | <b>1.02</b> | <b>0.91</b> | <b>0.85</b> | <b>9.2</b> | <b>6.8</b> | <b>5.9</b> | <b>14.5</b> | <b>10.0</b> | <b>8.4</b> | <b>3%</b>    | <b>7%</b> | <b>7%</b> | <b>11.2%</b>  | <b>12.4%</b> | <b>12.9%</b> | <b>7.4%</b> | <b>8.7%</b> | <b>9.5%</b> | <b>2.9%</b> | <b>3.8%</b> | <b>4.6%</b> |
| <b>Median</b>         | <b>1 384</b> | <b>0.84</b> | <b>0.78</b> | <b>0.75</b> | <b>8.1</b> | <b>6.6</b> | <b>5.7</b> | <b>13.2</b> | <b>9.8</b>  | <b>8.8</b> | <b>3%</b>    | <b>5%</b> | <b>6%</b> | <b>11.3%</b>  | <b>12.1%</b> | <b>12.2%</b> | <b>7.4%</b> | <b>8.6%</b> | <b>9.4%</b> | <b>2.8%</b> | <b>3.7%</b> | <b>4.2%</b> |

Source: Redeye, Company reports, FactSet

2025-02-14

## Investment Thesis

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### 🏢 Case

#### Emerging M&A compounder in the IT consulting space.

As a group of niched IT consulting companies providing specialized know-how in various segments, CombinedX attracts and deploys teams of experts operating at above-average rates. The decentralized group is set for M&A adding new niches, which increases the diversification and drives sales growth. M&A and solid quarterly reports will act as catalysts in the company, run by experienced management with skin in the game.

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### 🔍 Evidence

#### Decentralized, specialized, and highly profitable.

Considering its solid customer list and EBIT margins above 10% CombinedX proves that its decentralized and specialized team-based strategy is competitive and profitable. With the most specialized businesses having even higher margins, we believe there is potential for more going forward. Regrading M&A, CombinedX follows the successful template of niched decentralized entities, which several listed businesses have showcased, providing diversification and solid margins.

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### ⚠️ Challenge

#### The employees are almost the only asset.

While customer relationships are important, the employees are almost the only asset for any IT consulting company. Thus, attracting and retaining employees is key for the sector. We believe CombinedX, as a group of smaller specialized companies, has a sound approach to the challenge, as the impact of each employee is clear in that setting. Also, we believe the opportunity to work with a group of experts with deep know-how in a particular software platform strengthens the attractiveness further.

#### What is left for shareholders?

While customers are willing to pay high rates for specialists, the specialists typically want their fair share. In an environment with tough competition for talent, which has been the case in the IT consulting sector for years, shareholders might find there is not much left. However, considering CombinedX profitability, it has handled the challenge well so far, and we think the focus on teams and solutions rather than CV:s increases the company's resilience.

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### 💎 Valuation

#### Base Case SEK 58

Our Base Case values CombinedX at SEK58 a share. We expect organic growth of ~5% and some margin increases for the coming years. While we believe M&A likely will be a major value driver in CombinedX going forward, we do not include future M&A in our Base Case at this point.

## Redeye Quality Rating

### Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive longterm earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

### People

**4** At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character.

The People rating is based on quantitative scores in seven categories:

1. Passion 2. Execution 3. Capital Allocation 4. Communication 5. Compensation 6. Ownership 7. Board

#### **+** Positives

- Strong visionary leadership from CEO Jörgen Qvist, with a clear long-term outlook and commitment to creating leading specialized IT consulting brands.
- Decentralized organization promoting accountability, with a management team experienced in M&A and listed companies.
- Consistent communication strategy focusing on long-term value creation, with transparent reporting and upfront discussions about challenges.
- Significant insider ownership, including founders, board members, and management, aligning interests with shareholders.
- Diverse and experienced board of directors with relevant expertise in IT consulting, digitalization, and entrepreneurship.

#### **-** Negatives

- Management team's average tenure is slightly less than five years, potentially limiting institutional knowledge.
- Inconsistent achievement of the 10% EBIT margin target, despite overall growth and transparency about challenges.
- Lack of opportunistic action on attractively priced stock, opting for dividends over share buybacks.
- Absence of a controlling owner with more than 20% voting rights, which could provide additional long-term stability.
- Limited experience of CEO in IT consulting industry prior to joining CombinedX, though mitigated by five years at the company.

### Business

**3** If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock. character.

The Business rating is based on quantitative scores in seven categories:

1. Business Scalability 2. Market Structure 3. Value Proposition 4. Economic Moat 5. Operational Risks

#### **+** Positives

- Strong positioning in specialized IT consulting niches, leading to above-average profitability and solid returns on invested capital.
- Benefits from secular tailwinds in digitalization, cloud computing, and AI, with a business model unlikely to be disrupted in the near future.
- Demonstrates operational stability with minimal regulatory interference, independence from key individuals, and limited cyclical dependencies.
- Proactively promotes environmental sustainability and maintains high employee satisfaction, as evidenced by a strong eNPS score.
- Products contribute to the greater good by helping businesses digitize and become more efficient, while avoiding any environmental or ethical issues.

#### **-** Negatives

- Lack of major recurring revenue streams, potentially impacting business stability and predictability.
- Limited geographic diversification, with a high concentration of sales in Sweden.
- Absence of easily identifiable sustainable competitive advantages typical in the IT consulting industry.
- Not expected to achieve five-fold growth within a decade, indicating potential limitations in long-term expansion.
- Operates in a fragmented market with numerous competitors, which could impact pricing power and market share.

## Redeye Quality Rating

### Financials

**3** Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financials rating is based on quantitative scores in seven categories:

1. Earnings Power 2. Profit Margin 3. Growth Rate 4. Financial Health 5. Earnings Quality

#### + Positives

- Strong financial health with current assets 1.5 times greater than current liabilities, low debt levels, and good interest coverage ratio.
- Efficient cash flow management, demonstrated by high Operating Cash Flow and Free Cash Flow conversion rates above 80% over the past five years.
- Attractive dividend yield between 1-2.5 times market median, well-covered by cash flows, with recent growth exceeding 7% annually.
- Return on Assets outperforming industry average over the past five years, indicating superior asset utilization.

#### - Negatives

- Inconsistent earnings growth, failing to maintain 10%+ growth over five years or show stable growth over a decade.
- Operating margin below 20% and not increasing for three consecutive years, suggesting potential efficiency or pricing power issues.
- Stock price has not compounded by at least 10% since IPO, indicating underperformance in long-term shareholder value creation.

### Rating Distribution

| Rating Distribution |        |          |            |
|---------------------|--------|----------|------------|
| Rating              | People | Business | Financials |
| 5                   | 5      | 7        | 1          |
| 3-4                 | 133    | 119      | 37         |
| 0-2                 | 21     | 33       | 121        |
| Companies           | 159    | 159      | 159        |

### Disclaimer

Redeye does not issue any investment recommendations for fundamental research. However, Redeye has developed a proprietary research and rating model, Redeye Rating, in which each company is analyzed and evaluated. This research aims to provide an independent assessment of the company in question, its opportunities, risks, etc. The purpose is to provide an objective and professional set of data for owners and investors to use in their decision-making.

## Financials

| Income Statement                                      |       |       |         |         |         |
|---|-------|-------|---------|---------|---------|
| SEKm  | 2024  | 2025e | 2026e   | 2027e   | 2028e   |
| Net Sales   | 929.9 | 973.4 | 1,020.3 | 1,060.6 | 1,102.3 |
| Other Income  | 3.6   | 1.2   | 1.2     | 1.2     | 1.2     |
| Total Revenue   | 933.5 | 974.6 | 1,021.5 | 1,061.8 | 1,103.5 |
| Cost of Sales   | 162.0 | 149.0 | 155.0   | 161.2   | 167.6   |
| Gross Profit  | 767.9 | 824.4 | 865.3   | 899.4   | 934.7   |
| Operating Expenses                                    | 656.2 | 685.6 | 714.8   | 744.3   | 774.9   |
| EBITDA  | 111.7 | 138.8 | 150.5   | 155.1   | 159.8   |
| Depreciation and Amortization                         | 48.5  | 58.8  | 57.2    | 55.0    | 53.3    |
| EBIT  | 63.1  | 79.9  | 93.3    | 100.1   | 106.5   |
| Net Financial Items                                   | 18.7  | 1.2   | 1.2     | 1.2     | 1.2     |
| EBT   | 62.1  | 79.6  | 92.9    | 99.7    | 106.2   |
| Income Tax Expenses                                   | -11.1 | -16.4 | -19.1   | -20.5   | -21.9   |
| Net Income  | 50.8  | 63.2  | 73.8    | 79.2    | 84.3    |
| Balance Sheet   |       |       |         |         |         |
| SEKm  | 2024  | 2025e | 2026e   | 2027e   | 2028e   |
| <b>Assets</b>   |       |       |         |         |         |
| <b>Non-current assets</b>                             |       |       |         |         |         |
| Property, Plant and Equipment (Net)                   | 8.3   | 12.1  | 15.8    | 19.0    | 21.8    |
| Goodwill  | 257.0 | 257.0 | 257.0   | 257.0   | 257.0   |
| Intangible Assets                                     | 98.0  | 80.5  | 65.0    | 52.6    | 42.5    |
| Right-of-Use Assets                                   | 70.3  | 70.3  | 70.3    | 70.3    | 70.3    |
| Other Non-Current Assets                              | 8.8   | 8.8   | 8.8     | 8.8     | 8.8     |
| Total Non-Current Assets                              | 442.4 | 428.7 | 417.0   | 407.7   | 400.4   |
| <b>Current assets</b>                                 |       |       |         |         |         |
| Inventories   | 0.0   | 0.0   | 0.0     | 0.0     | 0.0     |
| Accounts Receivable                                   | 142.4 | 194.7 | 204.1   | 212.1   | 220.5   |
| Other Current Assets                                  | 24.7  | 29.2  | 30.6    | 31.8    | 33.1    |
| Cash Equivalents                                      | 132.6 | 158.9 | 211.9   | 262.7   | 313.9   |
| Total Current Assets                                  | 299.7 | 382.8 | 446.6   | 506.6   | 567.4   |
| Total Assets  | 742.1 | 811.5 | 863.5   | 914.3   | 967.8   |
| <b>Equity and Liabilities</b>                         |       |       |         |         |         |
| <b>Equity</b>   |       |       |         |         |         |
| Long Term Debt  | 23.1  | 23.1  | 23.1    | 23.1    | 23.1    |
| Long Term Lease Liabilities                           | 41.6  | 41.6  | 41.6    | 41.6    | 41.6    |
| <b>Non-current liabilities</b>                        |       |       |         |         |         |
| Other Non-Current Lease Liabilities                   | 39.0  | 39.0  | 39.0    | 39.0    | 39.0    |
| Total Non-Current Liabilities                         | 103.7 | 103.7 | 103.7   | 103.7   | 103.7   |
| Short Term Debt                                       | 14.9  | 14.9  | 14.9    | 14.9    | 14.9    |
| Short Term Lease Liabilities                          | 26.4  | 26.4  | 26.4    | 26.4    | 26.4    |
| <b>Current liabilities</b>                            |       |       |         |         |         |
| Accounts Payable                                      | 32.0  | 38.9  | 40.8    | 42.4    | 44.1    |
| Other Current Liabilities                             | 140.6 | 165.5 | 173.4   | 180.3   | 187.4   |
| Total Current Liabilities                             | 213.9 | 245.7 | 255.6   | 264.0   | 272.8   |
| Shareholder's Equity                                  | 424.5 | 462.2 | 504.4   | 546.7   | 591.4   |
| Total Liabilities and Equity                          | 742.1 | 811.6 | 863.6   | 914.4   | 967.9   |
| Cash Flow   |       |       |         |         |         |
| SEKm  | 2024  | 2025e | 2026e   | 2027e   | 2028e   |
| Operating Cash Flow Before Changes in Working Capital | 88.8  | 122.0 | 131.0   | 134.2   | 137.6   |
| Cash Flow from Changes in Working Capital             | 35.6  | -25.0 | -0.94   | -0.81   | -0.83   |
| Operating Cash Flow                                   | 124.4 | 97.0  | 130.1   | 133.4   | 136.7   |
| Investing Cash Flow                                   | -62.1 | -5.8  | -6.1    | -6.4    | -6.6    |
| Financing Cash Flow                                   | -46.8 | -64.8 | -71.0   | -76.3   | -79.0   |
| Cash Flow For The Period                              | 15.4  | 26.4  | 53.0    | 50.8    | 51.2    |



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## Disclaimer

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Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redeye.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.

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