

Q-Free

Better growth and margins

- Q2: Higher growth and better margins...
- ...driven by both Tolling and Traffic Mgmt.
- Continues to deliver on ARR strategy

Q2 Revenue up 36% y-o-y and higher-than-expected margins

Q-Free reported Q2 revenues of NOK 290m, 28% above ABGSC at NOK 227m. This corresponds to 36% y-o-y growth and is driven by both Tolling and Traffic Management. Gross profit was NOK 173m (60% margin), +35% above ABGSC at NOK 128m (56% margin). EBITDA came in at NOK 33m, above our estimate of NOK 11m. Capex was NOK -17m, largely in line with our estimate of NOK -16m. As such, EBITDA-capex was NOK 16m, vs. ABGSC at NOK -5m.

Strong beat across both Tolling and Traffic Mgmt.

Tolling revenue ended at NOK 187m, 23% above ABGSC at NOK 152m, representing a 47% y-o-y growth. Within Tolling, revenues from product sales increased, whereas revenues from system projects and service and maintenance were relatively stable. The gross margin in the Tolling segment was 54% vs. ABGSC at 52%. This is down from 65% in Q2 last year and is likely explained by higher product sales in addition to higher component prices. Note that we expect product sales to continue to improve, driven by a normalisation of supply chain issues, while Tolling projects are likely to be somewhat delayed (not cancelled) following a slowdown in the market. Revenues from Traffic Mgmt. was NOK 103m, 37% above ABGSC at NOK 75m and up 20% y-o-y, driven by both software and project sales. The gross margin in the segment was 70% vs. our estimate of 65%.

Delivering on ARR strategy, opening for better long-term margins

The Book-to-bill ratio in the quarter was ~1x. The company continues to deliver on its strategy to increase recurring revenue with a run-rate ARR of ~NOK 455m (+53% y-o-y, some of this is driven by FX), up from NOK 361m in Q1, which is an important driver for margin expansion going forward. In its outlook statement, Q-Free highlights that as market conditions change and increased focus on ITS as a whole, the company is still undergoing a review of strategy and goals to ensure that these are in line with current market conditions, future customer needs and demand and opportunities ahead, to ensure that they are at the helm of the ITS industry in the year to come. The new strategy will be presented to the market in a dedicated CMD during H2'23.

Fast comment

Commissioned research

Not rated

IT

QFR-NO/QFR NO

Share price (NOK)	7/7/2023	5.50
MCap (NOKm)		612
MCap (EURm)		52
No. of shares (m)		111.2
Free float (%)		32.1
Av. daily volume (k)		26

Next event

Q1 Report 27 April 2023

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NOKm	Q2-23e				Reported	
	Reported	ABGSC	Diff.	Diff. (%)	Q2-22	Q1-23
Revenue	290	227	63	28%	214	244
<i>Revenue growth (y-o-y)</i>	36%	6%	<i>n.a.</i>	<i>29pp</i>	-15%	13%
Gross profit	173	128	45	35%	147	142
Gross margin	60%	56%	<i>n.a.</i>	<i>3pp</i>	69%	58%
Total operating expenses	-140	-117	-23	20%	-115	-130
EBITDA	33	11	22	n.m.	32	12
D&A	-15	-14	-1	7%	-13	-14
EBIT	18	-3	21	n.m.	19	-2
Net interest costs	-8	-11	3	-26%	-3	0
EBT	10	-14	24	n.m.	15	-2
Tax	-2	3	-5	<i>n.m.</i>	5	3
Earnings	8	-11	18	n.m.	20	1
Operating Cash Flow	7	45	-38	n.m.	-10	22
Capex	-17	-16	-1	7%	-13	-17
EBITDA-capex	16	-5	21	n.m.	18	-5
FCFF	-10	29	-39	n.m.	-23	5
NIBD	168	150	18	12%	157	152
Tolling						
Revenue	187	152	35.0	23%	128	154
Gross profit	101	79	22.2	28%	83	84
Gross margin	54%	52%	<i>n.a.</i>	<i>2pp</i>	65%	55%
Traffic Management						
Revenue	103	75	27.7	37%	86	90
Gross profit	72	49	23.0	47%	63	57
Gross margin	70%	65%	<i>n.a.</i>	<i>5pp</i>	74%	64%
Order backlog						
Order intake	284				279	189
<i>Book-to-bill ratio</i>	1.0x				1.3x	0.8x
Order backlog	1,419				1,469	1,418
KPIs						
Number of employees	365	344	21.0	6%	340	346

Source: ABG Sundal Collier, Company data

Q-Free

NOKm	2021	2022	2023e	2024e	2025e
Sales	860	949	984	1,065	1,171
Sales growth (%)	-3.3	10.3	3.6	8.3	9.9
EBITDA	106	86	75	129	181
EBITDA margin (%)	12.3	9.1	7.6	12.1	15.5
EBIT adj.	50	32	19	74	122
EBIT adj. margin (%)	5.8	3.4	1.9	7.0	10.4
Pretax profit	40	12	-23	32	77
EPS	0.53	0.02	-0.16	0.22	0.54
EPS growth (%)	-214.7	-95.3	-757.0	-234.8	142.6
EPS adj.	0.53	0.02	-0.16	0.22	0.54
DPS	0.00	0.00	0.00	0.00	0.00
EV/EBITDA (x)	7.1	8.9	10.4	6.0	4.2
EV/EBIT adj. (x)	14.9	23.7	41.3	10.4	6.2
P/E (x)	10.4	220.0	-33.5	24.8	10.2
P/E adj. (x)	10.4	220.0	-33.5	24.8	10.2
EV/sales (x)	0.87	0.81	0.79	0.72	0.65
FCF yield (%)	8.5	1.2	2.3	3.5	1.6
Le. adj. FCF yld. (%)	8.5	1.2	2.3	3.5	1.6
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net IB debt/EBITDA (x)	1.3	1.8	2.2	1.2	0.8
Le. adj. ND/EBITDA (x)	1.3	1.8	2.2	1.2	0.8

Source: ABG Sundal Collier, Company Data

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