EDISON

# CentralNic

FY22 results

## Clarifying the narrative

Software and comp services

**CentralNic is a UK software company, operating globally through its two businesses, Online Presence and Online Marketing. Through a series of acquisitions, Online Marketing has become the group's primary driver, delivering high double-digit revenue and profit growth year-on-year since the group's first foray in 2019. Now at critical mass, the business is positioned for sustained organic growth, allowing management to prioritise capital allocation and shareholder returns, while maintaining high margins and strong cash conversion.**

| Year end | Revenue (US$m) | Adjusted EBITDA* (US$m) | PBT* (US$m) | Diluted EPS (c) | EV/EBITDA (x) | P/E (x) |
|---|---|---|---|---|---|---|
| 12/21 | 410.5 | 46.3 | 31.9 | 10.9 | 11.7 | 15.4 |
| 12/22 | 728.2 | 86.0 | 64.3 | 21.4 | 6.3 | 7.9 |
| 12/23e | 833.7 | 94.4 | 80.7 | 20.0 | 5.7 | 8.4 |
| 12/24e | 909.6 | 103.0 | 89.3 | 22.1 | 5.3 | 7.6 |

Note: *Excludes impact of share-based payments, foreign exchange charges and non-core operating costs.

## Strategy update concludes momentous FY22

CentralNic has delivered rapid revenue growth in recent years, primarily driven by its Online Marketing segment, both organically and through steady volumes of M&A. Now positioned to sustain organic growth into FY23, management intends to continue making bolt-on acquisitions, albeit at a lower volume and tested against potential returns from share buybacks. This is part of a wider review of cash flow deployment and capital allocation within the business. Clarifying the purpose and business model of the Online Marketing business is also part of the strategy as this has often been misunderstood by investors.

## FY23 forecasts maintained; new FY24 estimates

In FY22, CentralNic reported a 77% y-o-y increase in revenue and an 86% y-o-y uplift in adjusted EBITDA to US$86m, leading to further margin expansion and a US$24m reduction in net debt. For FY23, we maintain our headline income statement forecasts, indicating continued positive momentum. The share repurchase programme, the proposed FY22 dividend and higher than forecast contingent consideration payment increase our FY23 net debt expectation from US$15.4m to US$18.2m. We forecast sustained strong organic growth in FY24, maintaining similar margins to our FY23 forecasts, and we forecast the group moving into a net cash position by end-FY24.

## Valuation: Dual approach supports upside potential

Both our peer valuation and discounted cash flow analysis provide an implied share price (average: 279p) that is more than double CentralNic's current share price. We believe its focus on M&A-driven growth and lack of investor understanding of the Online Marketing business have been key to its current discount to peers. We believe that CentralNic's valuation has the potential to rise and the discount to peers could reduce if management delivers on its updated strategy, particularly by improving shareholder returns.

**9 March 2023**

| | |
|---|---|
| **Price** | **139.3p** |
| **Market cap** | **£401m** |
| | US$1.21/£ |
| Net debt (US$m) at 31 December 2022 | 56.6 |
| Shares in issue | 288.7m |
| Free float | 50.3% |
| Code | CNIC |
| Primary exchange | AIM |
| Secondary exchange | N/A |

### Share price performance


| % | 1m | 3m | 12m |
|---|---|---|---|
| Abs | 0.7 | 9.5 | 8.2 |
| Rel (local) | 0.6 | 3.3 | (3.3) |
| 52-week high/low | | 159p | 111p |

### Business description

CentralNic Group provides the essential tools for businesses to win new customers online and monetise their websites, operating through two divisions: Online Marketing and Online Presence. Online Marketing represents the majority of group revenue (FY22: 79%) and is fundamental to the group's new strategic direction.

### Next events

| | |
|---|---|
| Q123 trading update | 24 April 2023 |
| H123 trading update | 18 July 2023 |

### Analysts


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***CentralNic is a research client of Edison Investment Research Limited***

# Investment summary

## Company description: Shareholder-focused growth

CentralNic is a UK-based software company, providing the tools for businesses to purchase internet domain names (Online Presence) and monetise online traffic (Online Marketing). The company has a strong track record of M&A, having made 21 acquisitions since its 2013 initial public offering (IPO) on London's AIM market with the aim of consolidating fragmented markets globally. 2022 was CentralNic's most acquisitive year to date, with a focus on developing its fastest growing and largest business segment, Online Marketing, either through product expansion or vertical integration. In its FY22 presentation, management clarified the narrative of its Online Marketing business, illustrating how it converts general interest media users to high-conviction online consumers.

Recently, the company announced a change in strategic direction, including a review of cash flow deployment and capital allocation within the business. Returns from potential acquisitions will now be benchmarked against possible returns from share buybacks and will be used to bolster the company's strong levels of organic growth. Management is placing a higher focus on shareholder returns, shown by the completion of its £4m share repurchase programme (announced on 30 December 2022) and proposed 1p dividend for FY22.

## Financials: Strong growth in FY22 to support strategy

CentralNic reported a 77% y-o-y increase in revenue (up 60% organic) to US$728m, driven by continued strong growth in its Online Marketing business. Adjusted EBITDA grew by 86% y-o-y to US$86m, leading to an expansion in adjusted EBITDA to net revenue (its main metric for operating efficiency) of 9.4pp to 48.4%, benefiting from higher operating leverage due to increased scale and vertical integration. Higher profit margins and attractive cash dynamics supported a US$24m reduction in net debt to US$56.6m. For FY23, our normalised income statement forecasts remain relatively unchanged, with net debt increasing by US$15m due to contingent consideration for MA Aporia, a proposed FY22 dividend and its completed share buyback programme. For FY24, we indicate further growth in revenue and profit, as well as a move to a net cash position.

## Valuation: Upside potential shown by peers and DCF

We consider peer valuations cross-referenced against a more fundamental discounted cash flow basis. Both approaches show a significant upside at 301p and 256p respectively. The current discount could be due to the company's focus on M&A-driven growth and a lack of understanding from investors regarding its Online Marketing business, despite strong top-line growth and margin expansion. However, we believe that CentralNic's valuation has the potential to rise and the discount to peers could reduce if management delivers on its updated strategy, particularly by improving shareholder returns.

## Sensitivities: Well positioned to handle risks

We believe further market consolidation poses the greatest threat to CentralNic, particularly from larger incumbents who may use M&A to expand into CentralNic's specialised domains, heightening competition. Secondly, as online marketing and contextual targeting market growth has benefited from introducing new technologies, growth may slow down as the market matures. Finally, the company operates internationally, generating revenue in multiple currencies, posing foreign exchange risk, although we note there is a high degree of natural hedging in the business.

## Providing the tools for online success

CentralNic was established in 2000, as a successor organisation to NomiNation, an internet registry founded in 1995. The company listed on AIM on 2 September 2013 and since then has continued to grow through a combination of organic growth and M&A. Prior to the acquisition of Team Internet in December 2019, CentralNic's main business was the development and management of software platforms to allow businesses to buy internet domain names (Online Presence), essential for websites and email addresses. The acquisition of Team Internet brought domain monetisation (Online Marketing) into its armoury. Supported by several acquisitions since, the Online Marketing segment now represents the majority of group revenues (FY22: 79%).

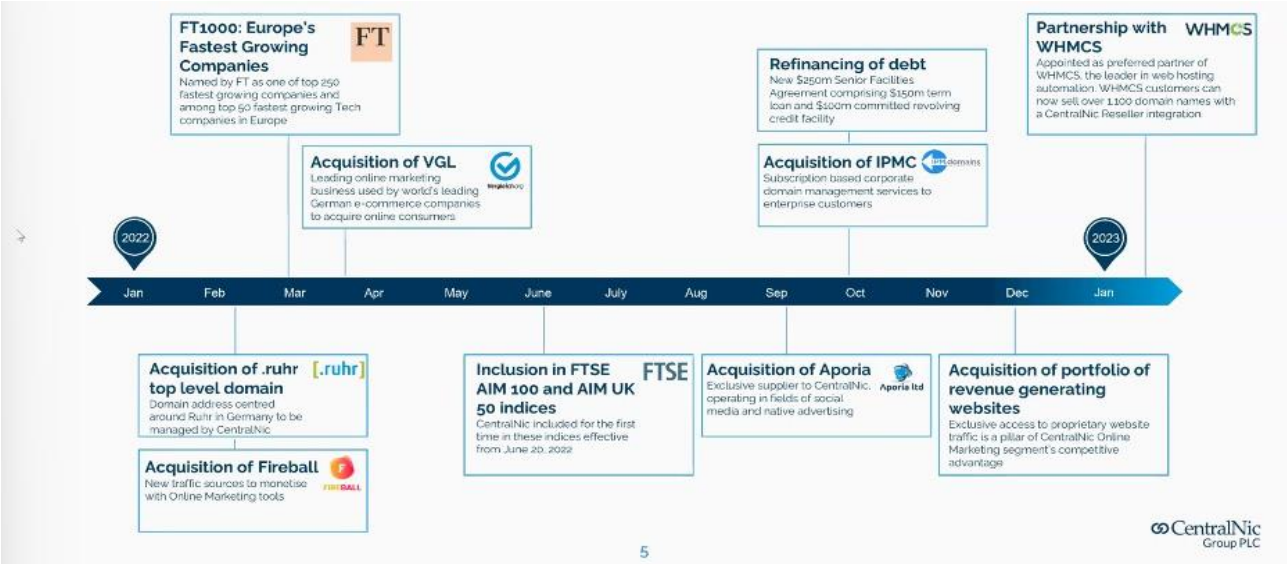
The company has a strong buy and build track record, having made 21 acquisitions since its IPO for an aggregate consideration of c US$370m. In 2022, CentralNic had its most acquisitive year to date in terms of volume and size, including its largest ever acquisition, VGL, for an initial consideration of €67m. M&A has been key to accelerating revenue growth, building out its Online Marketing business, and for capturing market share by consolidating fragmented markets globally.

During the year, M&A financing was supported by a £42m equity raise on 28 February and a €21m bond placing on 7 March 2022. In addition to M&A successfully driving growth, management also delivered robust organic revenue increases during the year at 60% y-o-y.

### 2022: A year of change

To date, CentralNic's financial strength has allowed it to take advantage of significant market fragmentation and capitalise on the opportunity for contextual marketing, underpinned by upcoming cookie and online privacy regulation. Exhibit 1 illustrates the strategic progress the company made throughout the year, primarily showing how management has used M&A to accelerate growth.

**Exhibit 1: 2022 strategic highlights**




Source: CentralNic

In Q422, management announced a change in strategic direction, including a review of cash flow deployment and capital allocation within the business. We anticipate that the company will continue executing some M&A in 2023, albeit smaller in size and volume, targeting bolt-on acquisitions that can support margin progression rather than top-line growth. On 30 December, CentralNic commenced a £4m maiden share buyback programme on the back of strong trading and an improved debt position, which it completed on 19 January, adding 2.6m treasury shares (0.9% of

total issued share capital). The company also announced a proposed 1p dividend (0.6% yield) for FY22 as part of its strategy to improve shareholder returns.

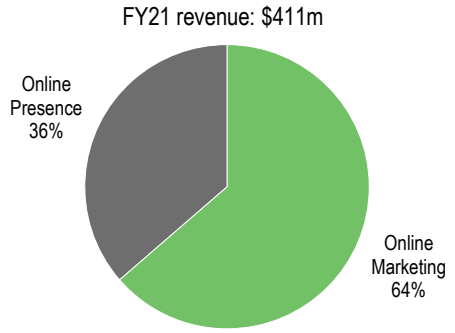
Alongside its updated strategy, the group has undergone a series of management changes, most notably CEO Ben Crawford's retirement from the board, with group CFO Michael Riedl appointed as his successor. Importantly, long-time incumbents of CentralNic have been appointed to these management positions, ensuring a high level of business continuity.

Alongside its FY22 results, the group has repositioned the narrative of its Online Marketing segment, providing investors with greater clarity on the mechanics of its fastest growing and largest business.

## Segmental analysis: Online Marketing, Online Presence

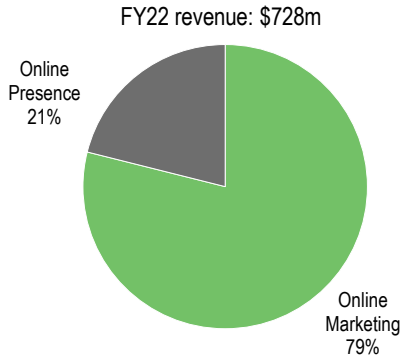
Online Marketing has quickly become CentralNic's primary revenue driver, with its share of total revenue growing rapidly y-o-y. Global spending in the online marketing sector has been growing at faster rates than online services, with this trend expected to continue. The company's unique value proposition has enabled its Online Marketing segment to outperform the overall market I which it operates.

**Exhibit 2: FY21 revenue split**




Source: CentralNic Group

**Exhibit 3: FY22 revenue split**




Source: CentralNic Group

## Online Marketing: Delivering quality audiences

CentralNic has repositioned its narrative following its recent strategy update and management changes, helping clarify its value-add to the online marketing space. Its new narrative focuses on leveraging its technology to convert general interest media users to high-conviction online consumers, primarily through proprietary educational CentralNic sites. Its old narrative, on the other hand, centred around scaling the reach of advertisers beyond typical domains, providing less emphasis on how its software enhances conversion rates.

Since the acquisition of Team Internet in 2019, management has developed a platform that can effectively connect advertisers to a broad range of potentially untapped consumer groups. Its platform benefits a marketing campaign by being able to publish across a large array of social media, websites and search engines, maximising exposure and ensuring an advert is seen by the most relevant audiences. This is done either independently or through leading online aggregators to achieve maximum scale. Consumers also benefit as CentralNic prequalifies merchants to ensure that the consumer is shown high-quality products that match their intent.

By leveraging its portfolio of 25m websites and analysing billions of consumer interactions using machine learning technologies, management has learnt which formats are most effective to drive consumer engagement for a myriad of sites, including native, social media, domains and search ads. Advert placement is also automatically measured against the cost to advertise on the site, ensuring optimum profitability for the merchant. Its technology also analyses reviews to verify authenticity and to present consumers with the most relevant product selection based on their intent.

Its marketing platforms work via contextual targeting, which does not rely on third-party cookies, collect personal data or use Google Search for website discovery, but instead matches the most relevant advert to the content of the webpage using machine learning technologies. Contextual targeting ensures that consumers only see the most relevant adverts without compromising their online privacy.

Management has developed its Online Marketing business, both internally and through M&A, focusing on vertical integration and further broadening its product suite.

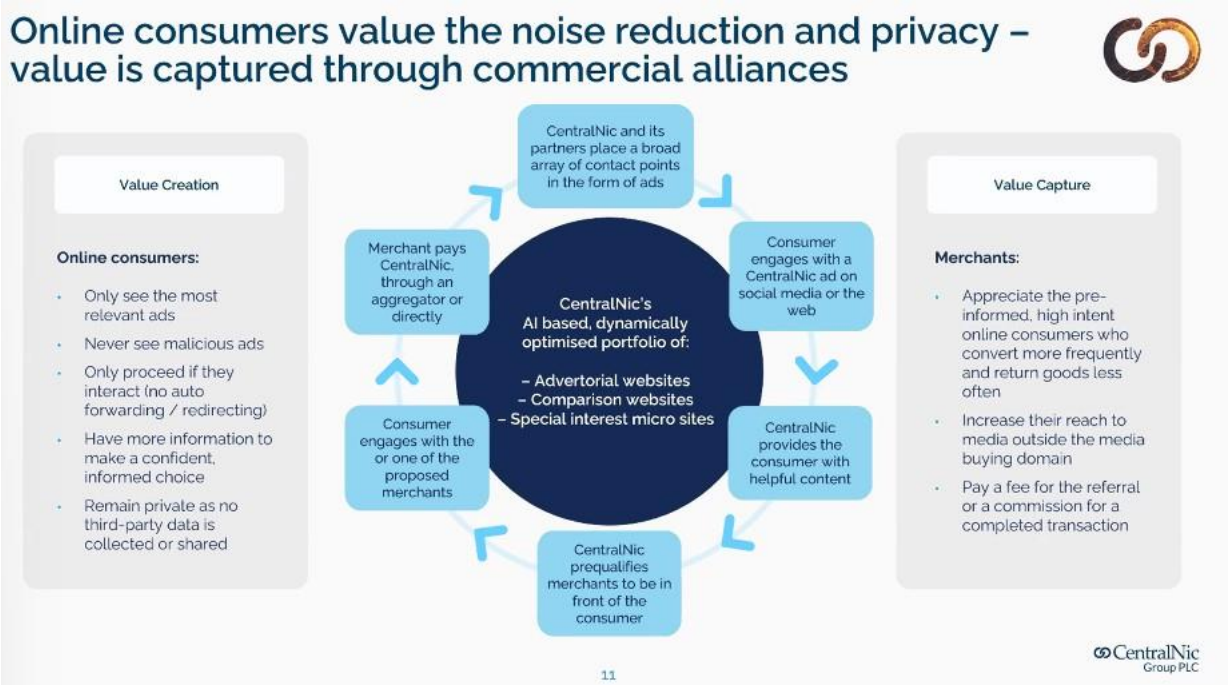
## How it works

CentralNic works with a range of advertisers, primarily through its main partners Amazon and Google, to help effectively expand the reach of their marketing efforts through various online channels. Through these partnerships, CentralNic can offer a large pool of advertisers access to new, relevant audiences in a cost-effective manner, where replicating this process internally would otherwise require significant levels of investment.

Management specialises in specific micro-categories typically beyond the reach of Amazon and Google, enabling it to qualify and reach consumers in these categories more effectively. During this process, consumers are shown educational content, helping with product selection and support higher conversion. By working with CentralNic, advertisers can more efficiently and profitably connect with audiences that may otherwise have been overlooked according to management.

Exhibit 4 summarises the mechanics of this process.

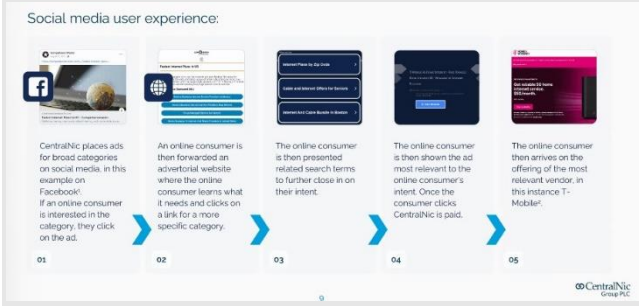
**Exhibit 4: Summary of the Online Marketing process**




Source: CentralNic Group

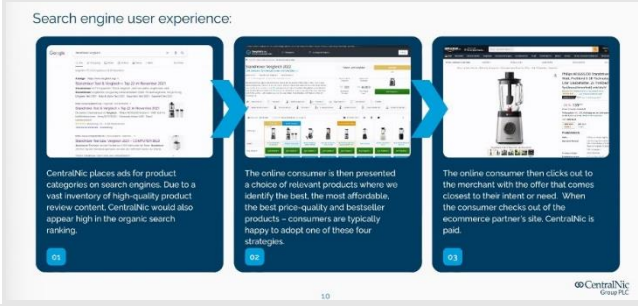
The company highlights its strategic approach to reaching relevant consumers through various formats and channels, which is optimised through machine learning. Management will place a broad range of consumer contact points across the web using a variety of approaches depending on the platform, as highlighted by Exhibits 5 and 6.

**Exhibit 5: Social media user experience**




**Source: CentralNic Group**

**Exhibit 6: Search engine user experience**




**Source: CentralNic Group**

Exhibit 5 shows a social media user's experience, where they are presented with a broad topic, such as 'fastest internet plans in the US'. After a maximum of four clicks, the consumer is qualified based on data such as their region, age and product preference, before they are presented with the CentralNic site containing the most relevant ad to them.

In contrast, Exhibit 6 illustrates when a user enters a specific query into a search engine, following which they may be directed to one of CentralNic's product comparison sites directly. Here, with just one click, they will be taken to one of CentralNic's most appropriate comparison sites. According to management, this targeted approach ensures that the consumer is presented with the most relevant options, which in turn helps drive better conversion rates and return on investment for CentralNic's partners.

## Evolution through M&A

As highlighted by Exhibit 7, management has developed its Online Marketing business primarily through a buy and build strategy, focusing on vertical integration and product additions.

Vertical integration is often achieved by acquiring domains that provide direct access to monetizable publishing inventory and traffic, removing aggregators and thereby creating a more efficient ecosystem. Although it may not be accretive to the group's gross revenue, vertical integration will expand CentralNic's share of the advertising revenue, elevating net revenue and profit margins.

**Exhibit 7: Summary of M&A strategy for Online Marketing**

| Date | Target | Country | Consideration (US$m) | Historical sales multiple (x) | Description |
|---|---|---|---|---|---|
| Dec-19 | Team Internet | Germany | 48.0 | 0.6 | Sells advertising on inactive domain names that attract referral traffic from search engines |
| Sep-20 | Codewise (Zeropark, Voluum) | Poland | 36.0 | 0.6 | Domain name monetisation, with two principal businesses: Zeropark (an online ad-exchange connecting advertisers with domain investors/publishers) and Voluum (SaaS analytics, measurement, optimisation and media buying) |
| Feb-21 | Wando | Germany | 13.0 | 2.2 | Social media marketing, display advertising & search engine marketing, providing product and service comparison products |
| Oct-21 | White & Case | UK | 6.5 | 3.3 | Publishing network of revenue generating websites |
| Feb-22 | VGL | Germany | 75.0 | 1.3 | Product comparison site working principally with German e-commerce companies |
| Sep-22 | MA Aporia | Israel | 19.0 | 0.5 | Social media and native (sponsored content) advertising, providing access to higher volumes of internet traffic |
| Dec-22 | Website portfolio | N/A | 5.2 | 2.7 | Publishing network of revenue generating websites |

Source: Edison Investment Research

VGL, CentralNic's largest acquisition to date, showcases how M&A has been leveraged to expand its service offering, adding product comparisons to its arsenal. Product comparison sites can increase the likelihood of a consumer buying a product by providing a range of options and relevant educational information such as 'best', 'cheapest', and 'best price-quality'. After making a selection, consumers are directed to the product page on the merchant's site (Amazon more than 90% of the time), resulting in a commission for CentralNic for the referral. The company claims that its process for qualifying and educating consumers benefits merchants by increasing conversion rates and reducing returns.

We note that VGL operates solely in German-speaking regions, providing scope for management to expand its operations outside of these regions to drive organic growth.

## Online Presence: Maintaining strong fundamentals

Online Presence is split into Direct and Indirect segments.

CentralNic remains a world leader in its Indirect segment, supplying domain names and other services to the largest and best-known retailers of domains. At the end of FY22, the company's 20k reseller clients provided access to c 2.5m small and medium-sized businesses. The segment includes CentralNic Registry Services, the world's premier distributor of nTLDs (additional top-level domains), and SK-NIC, operator of the official country code domain for Slovakia. It also includes the reseller business, which allows retailers to procure and resell virtually any domain name in the world, through a single API, with a single invoice.

The Direct segment includes the group's enterprise businesses, which service large corporations that view domain names as a form of intellectual property similar to trademarks. It also includes the group's SME and domain investor-focused retail businesses, spanning 250k customers across c 200 countries. Revenues in the enterprise division were negatively affected by COVID-19 (as a number of clients postponed spending in 2020) but have grown robustly since. Its enterprise clients include well-known names such as Mercedes Benz, Johnson & Johnson and Rolex.

Management remains committed to growing its Online Presence business, despite its slower revenue growth and smaller size compared to Online Marketing. Given the difficulties of switching suppliers, customers in the domain industry tend to be very sticky. Client wins from other suppliers are relatively rare, with management stating that only 2% of customers change each year, equating to high levels of recurring revenues. CentralNic has continued to win customers from its competitors, despite the typical stickiness of the industry, due to a focus on expert service, close collaboration with clients and feature-rich, flexible and automated technology.

Its commitment to growing the segment is evident from its reseller business's (Indirect) recent announcement of a partnership with WHMCS, a leading provider of web hosting automation. The new partnership allows WHMCS's web hosting customers to quickly expand their existing domain offerings, where they can go from set-up to selling more than 1,100 domain names in minutes.

## Clear runway for long-term sustainable growth

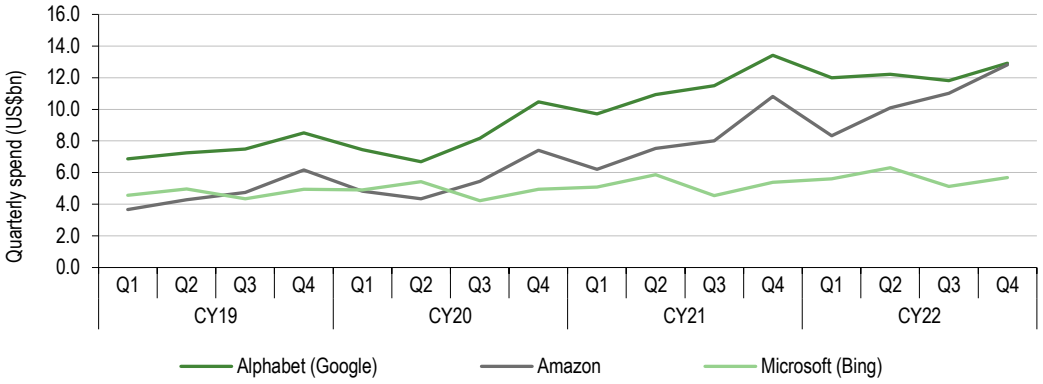
CentralNic's largest addressable market is online marketing, with global spending reaching US$616bn in 2022 and forecast to grow at a CAGR of 10% to 2027, according to Statista. While CentralNic currently has a small share of this market, its proprietary digital marketing capabilities and blue-chip partnerships offer the potential for rapid growth. However, further market consolidation may result in heightened competition from larger competitors, namely marketing technology companies like The Trade Desk or AppLovin for example.

The Online Presence opportunity remains robust, with management estimating global revenues of US$5bn and an additional US$25bn for domain-related value-added services. Europe offers a more appealing landscape versus North America, as the market is less competitive and more fragmented.

## Developing existing partnerships

CentralNic's Online Marketing segment has delivered robust growth, where its small share of its current addressable market and existing digital marketing capabilities indicate potential for future organic growth. As highlighted by Exhibit 8, the company's primary demand-side partners, Google and Amazon, have grown their investments in online traffic acquisition and marketing at three-year CAGRs of 18% and 31% respectively, spending totals of US$49bn and US$42bn in 2022.

**Exhibit 8: Quarterly spend on marketing or traffic acquisition from CentralNic's main/potential partners (2019–22)**




Source: Edison Investment Research, company accounts

These investments aim to acquire high-quality traffic to foster customer loyalty and satisfaction, while keeping costs low, which they can do either internally or through partners such as CentralNic. CentralNic's FY22 revenue of US$728m was less than 1% of the two companies' combined marketing spend in 2022, indicating the potential for growth by continuing to offer monetisable high-quality, low-cost traffic in specialised domains.

Another way CentralNic can develop its partnerships is by expanding the number of domains it covers, with management stating that it currently serves 350 verticals with the aim of adding approximately one vertical per week in FY23.

## Potential to expand partnerships

CentralNic's partnerships with Google and Amazon are not exclusive and management has started working with merchants from eBay, Yahoo! and other leading names. Microsoft (Bing) is another partnership which management has named as a potential target given its large and growing marketing spend (Exhibit 8).

Privacy regulations, such as the General Data Protection Regulation in Europe and changes to company privacy policies have made it challenging for advertisers to effectively target the most relevant consumers. With Google's planned depreciation of third-party cookies in late 2024, the need for advertisers to explore ways of privacy-safe ad targeting is becoming more pressing. CentralNic's ad platform offers an opportunity for advertisers to address this need while expanding their domain reach.

## Competitive landscape

The online marketing space has limited demarcation between companies; many use a vertical integration strategy to capitalise on market fragmentation and improve efficiencies by removing intermediaries, similar to CentralNic. The table below provides examples of deals that have completed so far in 2023.

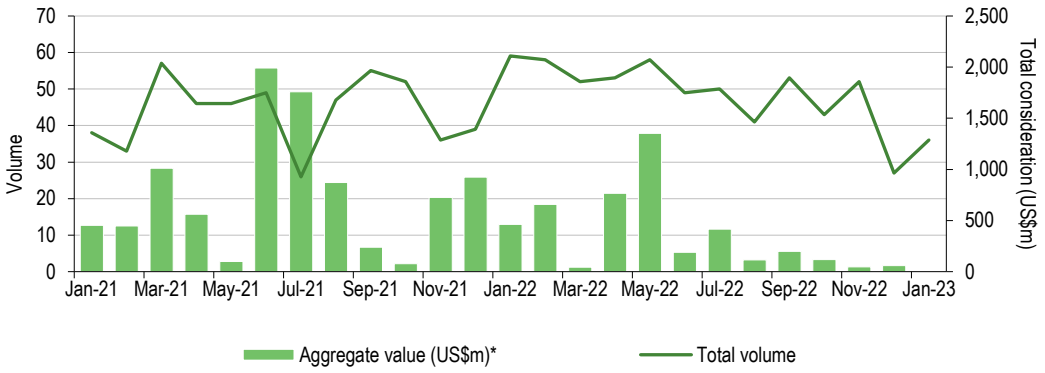
**Exhibit 9: Examples of M&A for vertical integration**

| Target | Acquiror | Date | Reasoning for vertical integration |
|---|---|---|---|
| Perlu (influencer network for relevant product placement) | CJ (performance marketing division of Publicis) | 24/01/2023 | Expands influencer network, driving a stronger connection between affiliate and influencer. |
| Big Footprint (Denver-based search-centric digital agency) | Fusion92 (Chicago-based marketing transformation company) | 05/01/2023 | Enhances Fusion92's offering around technical and on-page search engine optimisation, website architecture and authority development. |
| Netpoint Media (contextual marketing focused on specific verticals in Germany) | Audienzz (Swiss digital advertising specialist) | 01/01/2023 | Expands Audienzz's domain reach to the German market and provides traffic in new verticals. |

Source: Edison Investment Research, Refinitiv

M&A in European and North American advertising has been driven by incumbents in the advertising sector, closely followed by private equity according to Refinitiv data. Volumes have declined since their peak in January 2022, but could increase in 2023 as online marketers seek to consolidate to improve efficiencies, achieve the scale to work with larger clients and enhance cross-selling opportunities. Further consolidation could potentially intensify competition for CentralNic, particularly as M&A activity in this market has historically concentrated in the company's primary geographies.

**Exhibit 10: Summary of advertising M&A since January 2021**




Source: Refinitiv. Note: *Aggregate value can be significantly affected by single large transaction, as a lot of the transaction data comes with undisclosed values.

For Online Presence, the US market is dominated by Verisign and GoDaddy, capitalised at US$23.2bn and US$12.8bn respectively, creating high barriers to entry. Therefore, we believe management could invest more in the European opportunity, where CentralNic remains a market leader and could grow further by consolidating a less competitive and more fragmented market than the United States, where acquisition multiples are lower.

## Remains a leading name in the Online Presence market

Domain names are a low-priced, essential service for a company's online presence and therefore largely immune to economic downturns. Management estimates the global domain name registry market to be worth c US$5bn with 3% growth, while it estimates that domain-related value-added services (website builders, website hosting, email software, etc) offer an additional US$25bn market, growing at c 6% annually.

CentralNic has built a steady market position in the domain registry market, building a comprehensive inventory of web addresses over 20 years. Management estimates that more than 45m domains use at least one of CentralNic's platforms (12% of domains globally). Not only does this highlight CentralNic's reach, but it also underlines the opportunity for upselling services to customers with only a single touchpoint today. The company's extensive reach, including exclusive rights to revenue-generation from traffic from 25m domains, helps drive the performance of its Online Marketing business.

## Strategy supported by cash-generative business model

CentralNic's cash-generative business model, characterised by high recurring revenue, predictable renewal rates and attractive cash dynamics, supports management's updated strategy. Recent margin expansion has been driven by economies of scale and acquisitions. Enhanced profitability has supported a reduction in net debt and generated high levels of free cash flow, which will be key to achieving the company's goal of elevating shareholder returns. We expect that the company's balance sheet will further strengthen, and we forecast a net debt position of US$18.2m by end-FY23, equating to a US$38.3m reduction in the year.

### Strong business fundamentals

CentralNic's Online Presence and Online Marketing businesses have strong underlying fundamentals, which should support management's focus on strong cash flow generation and improving profitability. These include:

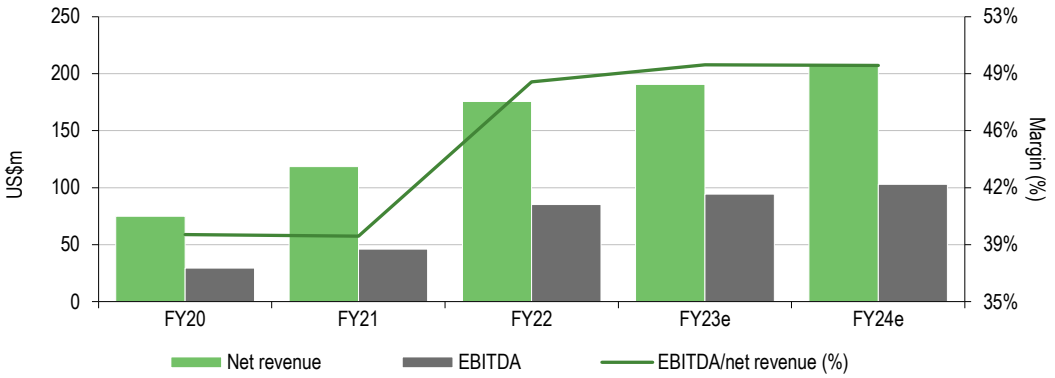
- **High recurring revenue and customer stickiness:** for Online Presence, clients pay an annual fee in advance for each domain owned and, once a brand has been built around a domain, it becomes increasingly unlikely over time that any given domain will be retired, meaning revenue becomes increasingly recurring. Online marketing services are billed regularly on utility-style rolling contracts.
- **Low-priced, critical service:** the Online Marketing segment offers a profitable route for advertisers to expand their existing reach. Domain names are low-cost acquisitions essential to an online presence for corporates and marketing and, as such, largely immune to economic downturns.
- **Future proof business model:** by not having to rely on third-party cookies or private user data, management has built a resilient platform for future growth, supported by its partnerships with Google and Amazon, as well as established aggregators that can help drive the reach of a marketing campaign in micro-categories.
- **Ability to cross- and up-sell:** the group can diversify its revenue streams by leveraging its extensive underlying domain registry customer base for cross-selling opportunities in Online Marketing. Recent acquisitions that expand CentralNic's existing product portfolio also elevate the opportunity for up-selling.
- **Predictable renewal rates:** management estimates that over 95% of older established domain names renew each year, resulting in highly predictable renewal rates and low churn. However, management's annual renewal estimates are lower for newer .com domain names at 79%.
- **Strong and growing levels of return:** the company's return on invested capital (ROIC) was robust in 2020 at 14%, increasing by 5pp to 19% in 2021 and by another 11pp to 30% in 2022. Our forecasts indicate this trend in ROIC will continue to grow to 37% in 2023, with further expansion expected in 2024 as the company focuses on profitability and reducing net debt.
- **High operating cash conversion:** customers typically pre-pay for services in Online Presence and rolling contracts alongside programmatic advertising deliver a utility-style, predictable cash

flow in Online Marketing, resulting in positive working capital. In FY22 operating cash conversion (normalised operating profit/net operating cash flow) was c 110% (FY21: 122%). Management expects adjusted cash conversion to remain above 100% in the future.

## Operating leverage: A key focus

We believe that when evaluating the top-line performance and efficiency of the business, it is prudent to focus on net revenue rather than gross revenue. Net revenue deducts the direct and indirect costs incurred in generating the revenue, including pass-through costs such as revenue shares with media buyers/publishers/advertisers or registry fees. Focusing on net revenue provides a more accurate representation of the company's actual financial performance and enables more meaningful ratio comparisons for assessing operating efficiency.

**Exhibit 11: Net revenue, EBITDA, and margin progression (FY20–24e)**




Source: CentralNic, Edison Investment Research

CentralNic has been able to successfully strengthen its operating leverage as its Online Marketing business has scaled, supported by its automated platform and recent acquisitions. EBITDA to net revenue, its primary key performance indicator for measuring operational efficiency, expanded from 39% in FY20 to over 48% in FY22, which we forecast to grow by a further c 1pp in FY23. Most of the investments in the platform are now complete, but potential wage inflation and hiring needs may offset significant progress in margin expansion this year. Our FY23 forecast is significantly ahead of the 42% margin for our basket of Online Marketing peers, but still far below Stroeer & Co and AppLovin forecast to have the highest margins, at 73% and 55% respectively (Refinitiv).

## Focusing on balance sheet and capital allocation

In FY22, CentralNic reduced its net debt by US$24m to US$57m at year-end, driving a fall in its net debt/EBITDA from 1.8x at end-FY21 to 0.7x at end-FY22. This was achieved despite a total of US$81m in M&A activity in 2022.

In October, the group refinanced its debt with a US$250m facility that comprised a US$150m term loan and a US$100m revolving credit facility. Borrowing costs on the new facilities will vary with net leverage, up to a maximum permitted leverage of 3.0x. Initial costs are 2.75% above the Secured Overnight Financing Rate (SOFR, c 7.3%), a notable reduction below its previous 7% above three-month Euribor senior secured bond, despite recent interest rate increases globally.

Given the trend in profit growth and an expected reduction in M&A in FY23, we believe the company can further strengthen its balance sheet and we forecast a net debt position of US$18.2m by year-end. To maximise returns to shareholders, management decided to allocate a higher proportion of free cash flow to a £4m maiden share buyback, which commenced on 31 December 2022 and then completed on 19 January, adding 2.6m treasury shares (0.9% of total issued share

capital). We estimate the cash cost of the share buyback to be c US$4.8m, in line with management's target based on current exchange rates.

The company also proposed a maiden dividend of 1p per share for FY22, equating to a payout ratio of c 6% based on its adjusted earnings. We estimate this will have a cash impact of US$3.6m in FY23 based on current exchange rates.

### M&A focus moving from top-line growth to margin expansion

In its FY22 presentation, management discussed the potential for further M&A, placing a greater focus on disintermediating its value chain through vertical integration. This strategy aims to reduce the company's reliance on third-party providers and provide management with greater control of the advertising process. Targets will need to have a similar recurring revenue and cash generation profile to CentralNic, where the returns from share buybacks will be used as a benchmark for the return on investment from an acquisition. The strategy could also help further margin expansion by increasing its share of the advertising revenue, as previously discussed.

## Management

On 12 December, the group announced that Ben Crawford had retired from the board and group CFO Michael Riedl had been promoted to the role of group CEO with immediate effect. Ben has been crucial to CentralNic's buy and build strategy, driving the company's revenues from £2.9m in FY13, the first year after listing, to £708m in FY22 at a CAGR of 84%. These management changes reflect its updated strategy of prioritising cash flow generation and shareholder returns, over pursuing high revenue growth rates through M&A.

Michael became group CFO in 2019 following CNIC's acquisition of KeyDrive, where he had been CFO since 2011. Current Group Financial Director William 'Billy' Green was promoted to the group CFO role on 12 December 2022 and was then appointed to the board of directors on 30 January 2023. A UK chartered accountant and Oxford University graduate, Billy joined in 2019 and has been key to evolving the company's financial management and played a leading role in the refinancing of the group's debt in October 2022.

## Sensitivities

There are a number of factors that investors should bear in mind when considering investing in CentralNic:

- **Market consolidation:** CentralNic's specialisation in specific micro-categories may face potential encroachment from large market incumbents, particularly Demand Side Platforms (DSPs) such as The Trade Desk or XandR, which may consolidate the fragmented European market. This could pose a challenge to management's ability to effectively connect advertisers with these audiences.
- **Contextual advertising spending stagnation:** online marketing and contextual targeting are relatively new areas that have seen rapid growth, but as the market matures, this growth may slow down.
- **Interest rates:** CentralNic's borrowing costs are linked to SOFR, which has increased by 1.5pp to 4.55% since its refinancing was completed, equating to a current borrowing cost to 7.3%, and this could increase further. This rate is still 2.6pp lower than it would have been under its senior secured bond, which was 7% above three-month Euribor.

- **Customer concentration:** losing one of its primary customers, Google or Amazon, could lead to a significant fall in revenue and profit. Management's recent expansion from Google to both Amazon and other advertisers using its Ad Agency platform helps diversify its customer base. Customer concentration risk could reduce further if it successfully onboards Yahoo! or Bing.
- **Foreign exchange risk:** CentralNic operates an international business and generates revenues in multiple currencies, principally the US dollar, euro, sterling and the Australian dollar. However, we understand that there is a high degree of natural hedging in the business, particularly between its two principal currencies, the US dollar and the euro.

# Financials

In FY22, CentralNic reported strong organic growth, bolstered by accretive acquisitions made in the year. Economies of scale was the primary driver of margin expansion, which supported a US$24m fall in net debt to US$57m by year-end. Our FY23 P&L forecasts remain materially unchanged, with net debt affected by a higher-than-expected contingent consideration for MA Aporia, the introduction of a maiden dividend and cash used in its share buyback programme. Our FY24 forecasts indicate further growth in revenue and profit, as well as a move to a net cash position.

## FY22 results: strong growth to support updated strategy

FY22 revenue of US$728m was up 60% y-o-y organically and up 77% y-o-y including acquisitions, in line with our forecasts and market consensus (see Exhibit 13). Our forecasts and consensus have both been upgraded several times over the year, most recently following its FY22 trading update in January.

Adjusted EBITDA grew 86% y-o-y to US$86m, leading to an adjusted EBITDA to net revenue expansion of 9.4pp y-o-y to 48.4%, benefiting from higher operating leverage underpinned by increased scale and vertical integration. Amortisation was US$15m higher than our forecast at US$36.4m due to the impact of acquired intangibles, which was the primary cause of reported profits falling short of our estimates. Normalised profit before tax was US$5m lower than our forecast due to higher interest payments in the year.

Online Marketing continues to be the primary growth driver, with revenue increasing by 120% y-o-y to US$574.7m. Performance was driven by a 77% increase in the number of visitor sessions from 2.6 billion in FY21 to 4.6 billion in FY22, and from a 37% uplift in revenue per thousand sessions to US$105. Organic revenue grew at a rate of 86%, primarily driven by the TONIC platform. Inorganic growth saw a full year contribution from the Wando and White & Case acquisitions and was supported by the FY22 acquisitions of VGL and Aporia and, to a lesser degree, Fireball.

Revenue in its Online Presence segment grew by 3% y-o-y to US$153.5m, and constant currency growth was slightly higher at 4% following the strengthening of the dollar from the start of 2022. The average revenue per domain per year increased by 5% to US$9.90, while the number of processed domain registrations decreased by 2%.

**Exhibit 12: Reconciliation of adjusted cash flow from operations, adjusted EBITDA and operating cash conversion (FY21–22)**

| US$000's | FY21 | FY22 |
|---|---|---|
| **Cash flow from operations (pre-tax)** | **43,255** | **85,874** |
| + Exceptional costs incurred and paid during the year | 11,025 | 7,935 |
| + Settlement of non-recurring working capital items from the prior year | 1,975 | 1,168 |
| **Adjusted cash flow from operations** | **56,255** | **94,977** |
| **Operating profit** | **12,353** | **33,553** |
| + Depreciation & amortisation | 21,805 | 39,378 |
| + Non-core operating expenses | 8,702 | 8,169 |
| - FX gain | 1,615 | 774 |
| + Share-based payments | 5,006 | 5,698 |
| **Adjusted EBITDA** | **46,251** | **86,024** |
| ***Adjusted operating cash conversion*** | ***122%*** | ***110%*** |

Source: CentralNic Group

Net debt decreased by US$24m to US$56.6m in the year due to expanding profit margins and an adjusted operating cash conversion (normalised operating profit/operating cash flow) of 110%. We provide a reconciliation for adjusted EBITDA and operating cash conversion in Exhibit 12. With US$100m of available financing from its borrowing facilities, management now has additional capacity to find earnings accretive M&A opportunities while maintaining a disciplined capital allocation approach.

## FY23 forecasts materially unchanged

For FY23, we have left our revenue and normalised profit estimates relatively unchanged given our recent upgrades since our last note. On a reported basis, we expect non-core operating costs, which includes acquisition-related costs, to reduce significantly from FY22 due to management's expected reduction in M&A in FY23 and beyond. We expect administrative cost growth to slow from 27% y-o-y in FY22 to 5% y-o-y in FY23, underpinned by the company's expectations for its overhead costs to plateau following a hiring drive in FY22.

Higher levels of amortisation from acquired intangibles in FY22 and management's anticipated US$19m deferred consideration payment for MA Aporia in Q223 following stronger than expected trading have been the primary factors for the 53% reduction in FY23 reported PBT. We also note that interest costs should be more stable going forward given the significant reduction in interest margin following its debt refinancing, which could benefit profits from PBT down.

**Exhibit 13: Summary of FY22 results and changes to forecasts**

| 31-December | FY22 | | | | FY23e | | | | FY24e | |
|---|---|---|---|---|---|---|---|---|---|---|
| US$'000s | Forecast | Actual | Change | Y-o-y | Old | New | Change | Y-o-y | New | Y-o-y |
| **Gross revenue** | **728,000** | **728,237** | **0.0%** | **77%** | **833,705** | **833,705** | **(0.0)%** | **14%** | **909,572** | **9%** |
| **Net revenue** | **175,621** | **177,696** | **1.2%** | **50%** | **190,585** | **190,585** | **(0.0)%** | **7%** | **208,116** | **9%** |
| **Adjusted EBITDA** | **85,176** | **86,024** | **1.0%** | **86%** | **94,416** | **94,416** | **(0.0)%** | **10%** | **103,017** | **9%** |
| Profit Before Tax (norm) | 69,532 | 64,309 | (7.5)% | 101% | 79,584 | 80,719 | 1.4% | 26% | 89,308 | 11% |
| Profit Before Tax (reported) | 41,541 | 14,817 | (64.3)% | 853% | 41,543 | 19,622 | (52.8)% | 32% | 37,211 | 90% |
| Net income (normalised) | 50,063 | 57,414 | 14.7% | 125% | 57,300 | 58,118 | 1.4% | 1% | 64,302 | 11% |
| Basic average number of shares outstanding (m) | 270 | 266 | (1.5)% | | 288 | 289 | | | 289 | |
| EPS - basic normalised (c) | 18.56 | 21.61 | 16.5% | 92% | 19.87 | 20.14 | 1.4% | (7)% | 22.28 | 11% |
| EPS - diluted normalised (c) | 18.04 | 21.41 | 18.7% | 96% | 19.35 | 19.96 | 3.2% | (7)% | 22.08 | 11% |
| *Revenue growth (%)* | *77.3* | *77.4* | | | *14.5* | *14.5* | | | *9.1* | |
| *Gross Margin (%)* | *24.1* | *24.4* | | | *22.9* | *22.9* | | | *22.9* | |
| *Adjusted EBITDA Margin (%)* | *11.7* | *11.8* | | | *11.3* | *11.3* | | | *11.3* | |
| *Adjusted EBITDA/net revenue (%)* | *48.5* | *48.4* | | | *49.5* | *49.5* | | | *49.5* | |
| Capex | (10,865) | (6,543) | (39.8)% | 36% | (5,667) | (5,667) | (0.0)% | (13)% | (5,819) | 3% |
| **Closing net debt/(cash)** | **57,038** | **56,555** | **(0.8)%** | **(31)%** | **2,823** | **18,208** | **545.0%** | **(68)%** | **(32,317)** | **N/A** |

Source: CentralNic Group, Edison Investment Research

We have revised our FY23 net position from US$2.8m to US$18.2m following the proposed 1p FY22 maiden dividend, the completion of its share repurchase programme and higher than expected contingent consideration for MA Aporia.

## Introduction of our FY24 forecasts

Our FY24 revenue forecasts indicate y-o-y growth of 9% (gross and net) reflecting the company's larger size and potential slowdowns in global online advertising expenditure. We leave margins unchanged, with an adjusted EBITDA to net revenue of 49.5%, reflecting potential wage inflation and hiring needs. That said, management is confident that this could increase to over 50% now that most planned investments are complete. The potential for further margin expansion increases if the company continues its M&A strategy of vertical integration, which is not factored into our forecasts.

We expect that maintaining similar margins in FY24 alongside further revenue growth and high cash conversion rates could move CentralNic into a net cash position of US$32m by year-end.

# Valuation

We have looked at CentralNic on the basis of peer valuations, cross-referenced against a more fundamental discounted cash flow basis.

## Discount to peers closing

CentralNic continues to trade at a significant discount to its peers, whether we compare it to web services (Online Presence) or online marketing companies. This may be due to the market discounting CentralNic's previous aggressive M&A strategy, without fully factoring in its new strategy that prioritises profitability and free cash flow generation. Our EBITDA to net revenue forecast is above both peer group averages at 49.5%, and our projected sales growth for FY23 is also ahead at 14.5%, despite management's renewed strategy which places less focus on using M&A to drive rapid growth.

In Online Marketing, the peers' average current year sales growth is 10.4%, with an EV/sales multiple of 1.4x in FY1 and 1.2x in FY2. Average EV/EBITDA multiples are 6.9x and 4.8x for FY1 and FY2, respectively.

**Exhibit 14: Online Marketing peer group**

| | Year End | Share price | Quoted ccy | EV (US$m) | Sales growth (%) | EBITDA/net revenue (%) | EV/sales (x) | | EV/EBITDA (x) | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Company** | | | | | FY1e | FY1e | FY1e | FY2e | FY1e | FY2e |
| CentralNic Group | Dec-22 | 139.0 | GBp | 542 | 14.5 | 49.5 | 0.7 | 0.6 | 5.7 | 5.3 |
| **Online Marketing peers** | | | | | | | | | | |
| AppLovin Corp | Dec-23 | 13.3 | USD | 7,243 | 1.0 | 55.0 | 2.5 | 2.3 | 6.8 | 5.8 |
| Stroeer SE & Co KgaA | Dec-22 | 53.7 | EUR | 3,211 | 4.4 | 72.7 | 1.6 | 1.5 | 5.5 | 4.9 |
| Magnite Inc | Dec-23 | 10.0 | USD | 1,745 | 6.1 | 53.8 | 3.2 | 2.8 | 9.9 | 7.9 |
| Perion Network Ltd | Dec-23 | 36.3 | USD | 1,191 | 15.1 | 57.4 | 1.6 | 1.5 | 7.9 | 7.0 |
| Taboola.com Ltd | Dec-23 | 3.1 | USD | 754 | 3.0 | 16.9 | 0.5 | 0.4 | 10.5 | 4.2 |
| PubMatic Inc | Dec-23 | 13.6 | USD | 544 | 1.4 | 48.3 | 2.1 | 1.8 | 6.9 | 5.6 |
| MGI Media and Games Invest | Dec-23 | 1.6 | EUR | 104 | 8.8 | 54.4 | 0.3 | 0.3 | 1.1 | 0.9 |
| Tremor International Ltd | Dec-22 | 267.6 | GBp | 364 | 39.4 | 46.4 | 0.8 | 0.8 | 2.1 | 2.0 |
| AdTheorent Holding Company | Dec-22 | 1.6 | USD | 63 | 5.4 | 16.6 | 0.4 | 0.3 | 3.5 | 2.5 |
| Viant Technology Inc | Dec-22 | 4.4 | USD | 65 | 3.3 | 4.3 | 0.3 | 0.3 | 12.2 | 4.8 |
| YOC AG | Dec-22 | 13.3 | EUR | 49 | 26.7 | 34.7 | 1.5 | 1.3 | 9.5 | 7.6 |
| **Mean** | | | | | **10.4** | **41.9** | **1.4** | **1.2** | **6.9** | **4.8** |
| **Median** | | | | | **5.4** | **48.3** | **1.5** | **1.3** | **6.9** | **4.9** |

Source: Edison Investment Research

The web services peer group in Exhibit 15 trades at average EV/sales multiples of 2.1x for FY1 and 2.0x for FY2, with EV/EBITDA multiples of 7.2x for FY1 and 6.5x for FY2.

The implied share price would be 301p if CentralNic were to trade at the same EV multiples as its peer groups for both years, weighting the averages based on the revenue shares of its Online Marketing (79%) and Online Presence businesses (21%).

**Exhibit 15: Online Presence peer group**

| | Year End | Share price | Quoted ccy | EV (US$m) | Sales growth (%) | EBITDA/net revenue (%) | EV/sales (x) | | EV/EBITDA (x) | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Company** | | | | | FY1e | FY1e | FY1e | FY2e | FY1e | FY2e |
| CentralNic Group | Dec-22 | 139.0 | GBp | 542 | 14.5 | 49.5 | 0.7 | 0.6 | 5.7 | 5.3 |
| **Online Presence peers** | | | | | | | | | | |
| GoDaddy | Dec-23 | 76.1 | USD | 14,768 | 4.8 | 40.7 | 3.4 | 3.2 | 13.3 | 11.9 |
| Criteo | Dec-23 | 31.6 | USD | 1,393 | 8.8 | 31.6 | 1.4 | 1.3 | 5.0 | 4.4 |
| Catena Media | Dec-23 | 34.0 | SEK | 284 | (9.4) | 59.4 | 2.2 | 2.1 | 5.6 | 4.9 |
| iomart group | Mar-23 | 124.6 | GBp | 217 | 1.5 | 58.6 | 1.6 | 1.5 | 4.7 | 4.7 |
| **Mean** | | | | | **1.4** | **47.6** | **2.1** | **2.0** | **7.2** | **6.5** |
| **Median** | | | | | **3.2** | **49.6** | **1.9** | **1.8** | **5.3** | **4.8** |

Source: Edison Investment Research

## Discounted cash flow

Using a discounted cash flow analysis provides an implied value of 256p per share, below the implied price from our peer group and represents 84% upside from the current share price of 139.0p. This is based on an explicit forecast period from 2023 to 2032 (revenue growth trending from 14.5% in FY23 to 2.0% in FY32, EBITDA margin maintained at c 11%), with a 2% terminal growth rate and using a WACC of 10.6%. Our WACC factors in a pre-tax cost of debt of 7.5%, slightly above CentralNic's current borrowing costs of 7.3%. We show the sensitivity to different WACC assumptions in Exhibit 16.

**Exhibit 16: Discounted cash flow sensitivity table (p/share)**

| | | Terminal growth rate | | | | |
|---|---|---|---|---|---|---|
| | | 0.00% | 1.00% | 2.00% | 3.00% | 4.00% |
| WACC | 12.50% | 195.33 | 201.64 | 209.14 | 218.22 | 229.44 |
| | 12.00% | 204.47 | 211.64 | 220.25 | 230.78 | 243.94 |
| | 11.50% | 214.42 | 222.63 | 232.56 | 244.83 | 260.37 |
| | 11.00% | 225.32 | 234.74 | 246.25 | 260.64 | 279.14 |
| | 10.50% | 237.28 | 248.15 | 261.58 | 278.58 | 300.82 |
| | 10.00% | 250.49 | 263.09 | 278.85 | 299.10 | 326.11 |
| | 9.50% | 265.13 | 279.84 | 298.46 | 322.81 | 356.02 |
| | 9.00% | 281.46 | 298.72 | 320.91 | 350.51 | 391.93 |
| | 8.50% | 299.77 | 320.18 | 346.87 | 383.27 | 435.85 |
| | 8.00% | 320.44 | 344.77 | 377.22 | 422.65 | 490.79 |

Source: Edison Investment Research

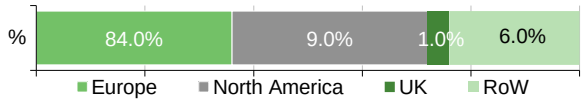
## Conclusion

CentralNic's shares have declined by 13% year to date, but have increased by 7% over the last 12 months. As illustrated in Exhibits 14 and 15, its EV/Sales and EV/EBITDA are at lows based on data from 2018 onwards. This could be due to its focus on M&A-driven growth and a lack of understanding from investors regarding its Online Marketing business, which may have affected share price performance despite strong top-line growth and margin expansion. However, we believe that CentralNic's valuation has the potential to rise and the discount to peers could reduce if management delivers on its updated strategy, particularly by improving shareholder returns.

## Exhibit 17: Financial summary

| US$'000s | 2020 | 2021 | 2022 | 2023e | 2024e |
|---|---|---|---|---|---|
| 31-December | IFRS | IFRS | IFRS | IFRS | IFRS |
| **INCOME STATEMENT** | | | | | |
| Revenue | 3240,012 | 410,540 | 728,237 | 833,705 | 909,572 |
| Cost of Sales | (164,894) | (292,041) | (550,541) | (643,120) | (701,456) |
| Gross Profit | 75,118 | 118,499 | 177,696 | 190,585 | 208,116 |
| EBITDA | 29,394 | 46,251 | 86,024 | 94,416 | 103,017 |
| Normalised operating profit | 27,310 | 42,737 | 83,045 | 90,839 | 99,115 |
| Amortisation of acquired intangibles | (13,747) | (18,291) | (36,399) | (36,399) | (36,399) |
| Exceptionals | (10,529) | (7,087) | (7,395) | 0 | 0 |
| Share-based payments | (5,113) | (5,006) | (5,698) | (5,698) | (5,698) |
| Reported operating profit | (2,079) | 12,353 | 33,553 | 48,742 | 57,018 |
| Net Interest | (9,834) | (10,798) | (18,736) | (10,120) | (9,807) |
| Joint ventures & associates (post tax) | 79 | 0 | 0 | 0 | 0 |
| Exceptionals | 0 | 0 | 0 | (19,000) | (10,000) |
| Profit Before Tax (norm) | 17,555 | 31,939 | 64,309 | 80,719 | 89,308 |
| Profit Before Tax (reported) | (11,834) | 1,555 | 14,817 | 19,622 | 37,211 |
| Reported tax | 975 | (5,097) | (16,895) | (25,023) | (27,685) |
| Profit After Tax (norm) | 14,044 | 25,551 | 57,414 | 58,118 | 64,302 |
| Profit After Tax (reported) | (10,859) | (3,542) | (2,078) | (5,401) | 9,525 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Net income (normalised) | 14,044 | 25,551 | 57,414 | 58,118 | 64,302 |
| Net income (reported) | (10,859) | (3,542) | (2,078) | (5,401) | 9,525 |
| Basic average number of shares outstanding (m) | 197 | 227 | 266 | 289 | 289 |
| EPS - basic normalised (c) | 7.14 | 11.24 | 21.61 | 20.14 | 22.28 |
| EPS - diluted normalised (c) | 6.86 | 10.91 | 21.41 | 19.96 | 22.08 |
| EPS - basic reported (c) | (5.52) | (1.56) | (0.78) | (1.87) | 3.30 |
| Dividend (c) | 0.00 | 0.00 | 0.01 | 0.01 | 0.01 |
| Revenue growth (%) | 119.8 | 71.0 | 77.4 | 14.5 | 9.1 |
| Gross Margin (%) | 31.3 | 28.9 | 24.4 | 22.9 | 22.9 |
| EBITDA Margin (%) | 12.2 | 11.3 | 11.8 | 11.3 | 11.3 |
| EBITDA/Net Revenue (%) | 39.1 | 39.0 | 48.4 | 49.5 | 49.5 |
| Normalised Operating Margin (%) | 11.4 | 10.4 | 11.4 | 10.9 | 10.9 |
| **BALANCE SHEET** | | | | | |
| Fixed Assets | 270,578 | 271,830 | 365,062 | 351,663 | 329,264 |
| Intangible Assets | 255,716 | 254,169 | 347,938 | 334,539 | 312,140 |
| Tangible Assets | 8,677 | 8,601 | 7,358 | 7,358 | 7,358 |
| Investments & other | 6,185 | 9,060 | 9,766 | 9,766 | 9,766 |
| Current Assets | 77,606 | 128,391 | 193,650 | 242,282 | 297,768 |
| Stocks | 1,011 | 895 | 646 | 1,938 | 2,114 |
| Debtors | 47,941 | 71,363 | 98,231 | 107,354 | 112,139 |
| Cash & cash equivalents | 28,654 | 56,133 | 94,773 | 132,990 | 183,515 |
| Other | 0 | 0 | 0 | 0 | 0 |
| Current Liabilities | 96,421 | 137,129 | 199,573 | 224,728 | 243,432 |
| Creditors | 89,256 | 117,016 | 190,347 | 215,632 | 234,336 |
| Tax and social security | 0 | 0 | 0 | 0 | 0 |
| Short term borrowings | 5,819 | 18,276 | 5,456 | 5,326 | 5,326 |
| Lease liabilities | 1,346 | 1,837 | 3,770 | 3,770 | 3,770 |
| Long Term Liabilities | 137,867 | 149,110 | 191,806 | 209,961 | 212,640 |
| Long term borrowings | 107,820 | 119,251 | 145,872 | 145,872 | 145,872 |
| Other long term liabilities | 30,047 | 29,859 | 45,934 | 64,089 | 66,768 |
| Net Assets | 113,896 | 113,982 | 167,333 | 159,255 | 170,960 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Shareholders' equity | 113,896 | 113,982 | 167,333 | 159,255 | 170,960 |
| **CASH FLOW** | | | | | |
| Op Cash Flow before WC and tax | 3,997 | 23,360 | 54,195 | 59,598 | 77,513 |
| Working capital | 4,129 | 4,091 | 7,245 | 14,870 | 13,742 |
| Exceptional & other | 14,526 | 15,804 | 24,434 | 15,818 | 15,505 |
| Tax | (1,957) | (2,230) | (8,399) | (6,868) | (25,006) |
| Net operating cash flow | 20,695 | 41,025 | 77,475 | 83,419 | 81,753 |
| Capex | (4,259) | (4,810) | (6,543) | (5,667) | (5,819) |
| Acquisitions/disposals | (37,065) | (18,344) | (84,051) | (19,000) | (10,000) |
| Interest paid | (9,512) | (8,695) | (7,766) | (10,120) | (9,807) |
| Equity financing | 34,667 | 0 | 58,187 | (4,680) | 0 |
| Change in borrowing | 1,563 | 24,721 | 34,691 | 0 | 0 |
| Dividends | 0 | 0 | 0 | (3,494) | (3,518) |
| Other | (4,734) | (3,700) | (28,075) | (2,242) | (2,084) |
| Net Cash Flow | 1,355 | 30,197 | 43,918 | 38,217 | 50,526 |
| Opening net debt/(cash) | 74,998 | 84,985 | 81,394 | 56,555 | 18,208 |
| FX | 1,117 | (2,718) | (5,278) | 0 | 0 |
| Other non-cash movements | (12,459) | (23,888) | (13,801) | 130 | 0 |
| Closing net debt/(cash) | 84,985 | 81,394 | 56,555 | 18,208 | (32,317) |

Source: Edison Investment Research, company accounts

| Contact details | Revenue by geography |
|---|---|
| 44 Gutter Lane<br>4th Floor Saddlers House<br>London, EC2V 6BR<br>UK<br>+44 203 435 7318<br>www.centralnic.com |  |



**Management team**

**Chairman: Iain McDonald**

Iain McDonald is a global expert in technology and e-commerce, having had a strong track record in investing in early stage companies such as ASOS, The Hut Group, Eagle Eye Solutions, Anatwine and Metapack. He is the founder of Belerion Capital, an investor and investment adviser in technology and e-commerce companies. Iain is also a non-executive director of various of his investee companies, as well as other technology companies such as The Hut Group and Boohoo.com. Previously, Iain was a top-ranked retail and e-commerce analyst and held positions in a number of UK investment banks. Iain graduated from the London School of Economics and Political Science (LSE), with a BSc in Economics & Economics History.

**CEO: Michael Riedl**

Michael Riedl was appointed CEO on 12 December 2022, prior to which he was the group's CFO, a position he has held since the acquisition of KeyDrive in 2018. Michael was also CFO at KeyDrive from 2011 to 2018, prior to which he has held managing positions in the private equity and ICT industries. He started his career with Roland Berger Strategy Consultants, where he specialised in performance improvement programmes, before joining Groupe Saint-Paul in Luxembourg as its chief restructuring officer. Michael holds a Bachelor's degree in Computer Science from James Madison University, US, a Master's of Science degree in Business Administration from European Business School, Germany, and an LLM from Frankfurt School of Finance & Management. He is also a chartered management accountant.

**CFO: William "Billy" Green**

William "Billy" Green succeeded Michael as Group CFO (initially in a non-Board capacity) after Michael's appointment as CEO. Billy is a UK qualified chartered accountant and Oxford University graduate, and, since 2019, has decisively contributed to the acceleration of the reporting cycle, improved analytical insights such as segregation of organic from acquisitive growth and the successful refinancing of the Company's bond debt in October 2022.

| Principal shareholders | (%) |
|---|---|
| Kestrel Investment Partners | 21.9 |
| InterServices GMBH | 12.8 |
| Slater Investments | 9.3 |
| Chelverton Asset Management | 5.9 |
| Employee Benefit Trust | 5.7 |
| Erin Invest & Finance | 5.5 |
| Canaccord Genuity Wealth Management | 5.1 |
| Schroder Investment Management | 3.5 |
| Herald Investment Management | 3.3 |

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