

Team Internet Group

Solid on all fronts

FY23 trading update

Software and comp services

29 January 2024

Price **130p**
Market cap **£344m**
 US\$1.27/£

Net debt at 31 December 2023 (estimated from trading update) US\$74m
 Shares in issue 288.7m
 Free float 77%
 Code TIG
 Primary exchange AIM
 Secondary exchange N/A

Team Internet's FY23 trading update confirmed that trading has remained robust with double-digit sales growth across Online Marketing and Online Presence. The total revenue and EBITDA margin were slightly ahead of market consensus and our forecasts, both of which were upgraded in November 2023. Estimated FY23 net debt of US\$74m was lower than our US\$80.9m forecast, with operating cash conversion reverting to close to 100%. We maintain our FY24 estimates, but these could prove conservative, especially if advertising spend recovers. At 4.8x FY24e EV/EBITDA and 6.4x FY24e P/E, Team Internet's rating looks low given the company's growth profile, diversity and growing track record.

Year end	Revenue (US\$m)	Adj 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	10.6	14.6
12/22	728.2	86.0	64.3	21.4	5.7	7.4
12/23e	833.7	94.4	80.1	21.4	5.2	7.5
12/24e	909.6	103.0	89.3	24.7	4.8	6.4

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

For FY23, Team Internet expects to report gross revenue of US\$835m (Edison forecast: US\$833.7m), net revenue of US\$190m (Edison forecast: US\$190.6m) and adjusted EBITDA of approximately US\$96m (Edison forecast: US\$94.4m).

In our [H123 review](#), we discussed the company's ongoing initiative of combining business units to reduce consumer friction and improve operating leverage. The continuing success of this strategy is reflected in a 3pp expansion of Team Internet's key operating efficiency metric, adjusted EBITDA to net revenue, to 51%. Strong operating efficiency drove a return in adjusted operating cash conversion to close to 100% and supported an estimated robust net debt position of US\$74m (0.77x FY23 EBITDA).

Despite challenging conditions, Online Marketing reported 14% y-o-y gross revenue growth to US\$656m, at the upper end of industry rates in FY23. This further validates Team Internet's data privacy-focused technology, supported by rising social media and user-generated content engagement.

Online Presence saw a strong 16% y-o-y gross revenue increase to US\$179m in FY23 following years of slow growth, driven by demand for exotic top-level domains, pricing optimisation and strategic partnerships. The October 2023 appointment of Simon McCalla as division CEO aims to sustain this momentum into FY24.

We are leaving our estimates unchanged for now but see scope for upside, particularly in Online Marketing, where we believe that click or revenue per 1,000 session rates are starting to stabilise while volumes continue to grow. Major events such as the upcoming US presidential election could drive advertising spend and upside to our forecasts. Team Internet reports launching more products than ever before and signing up a record number of new demand and supply side partners during FY23, which should also support growth.

Share price performance



Business description

Team Internet Group is a global internet company that derives recurring revenue from privacy-safe, AI-based customer journeys that help online consumers make informed choices, as well as from the distribution of domain names.

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